Homeownership while black
Examining the devaluation of assets in black neighborhoods
Then how do people get better? Well, from my understanding people get better when they understand that they are valuable.

- Mos Def, *Fear Not of Man*
ANDRE PERRY
Brookings Metropolitan Policy Program
December 5, 2018

@andreperry

Homeownership while black
Examining the devaluation of assets in black neighborhoods
# Neighborhood Composition

## TABLE 1

<table>
<thead>
<tr>
<th>The distribution of neighborhoods and black population by exposure to black neighbors</th>
<th>Share of black metropolitan population</th>
<th>Share of metropolitan neighborhoods</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. metropolitan areas, 2012-2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blacks 0% to less than 1%</td>
<td>1%</td>
<td>22%</td>
</tr>
<tr>
<td>Blacks 1% to less than 5%</td>
<td>6%</td>
<td>28%</td>
</tr>
<tr>
<td>Blacks 5% to less than 10%</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>Blacks 10% to less than 20%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Blacks 20% to less than 50%</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>Blacks 50% or higher</td>
<td>41%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Authors' analysis of 2016 American Community Survey 5-year estimates
Homes in black neighborhoods are worth less, on average, than homes in <1% black neighborhoods.
Can we explain this difference in value?
Can we explain this difference in value?

Absolute price difference
Can we explain this difference in value?

- Absolute price difference
- Structural characteristics
Can we explain this difference in value?

- **Absolute price difference**
- **Structural characteristics**
- **Neighborhood amenities**
## Neighborhood Composition

### TABLE 4

**Neighborhood characteristics by black population share**

U.S. metropolitan areas, 2012-2016

<table>
<thead>
<tr>
<th>Black population share</th>
<th>School test scores (Standardized)</th>
<th>EPA Walkability Index</th>
<th>Number of restaurants</th>
<th>Number of gas stations</th>
<th>Percent who use public transportation</th>
<th>Average commute time (minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-1%</td>
<td>0.29</td>
<td>-0.31</td>
<td>53.2</td>
<td>6.9</td>
<td>3.6</td>
<td>26.7</td>
</tr>
<tr>
<td>1%-5%</td>
<td>0.28</td>
<td>-0.03</td>
<td>69.3</td>
<td>8.1</td>
<td>5.1</td>
<td>26.5</td>
</tr>
<tr>
<td>5%-10%</td>
<td>0.17</td>
<td>-0.01</td>
<td>69.7</td>
<td>9.2</td>
<td>4.7</td>
<td>26.6</td>
</tr>
<tr>
<td>10%-20%</td>
<td>-0.01</td>
<td>-0.01</td>
<td>67.5</td>
<td>10.0</td>
<td>5.4</td>
<td>26.5</td>
</tr>
<tr>
<td>20%-50%</td>
<td>-0.27</td>
<td>0.01</td>
<td>61.9</td>
<td>10.6</td>
<td>7.7</td>
<td>27.1</td>
</tr>
<tr>
<td>50% or higher</td>
<td>-0.85</td>
<td>0.23</td>
<td>50.0</td>
<td>10.8</td>
<td>15.0</td>
<td>29.2</td>
</tr>
</tbody>
</table>

Source: Authors' analysis data from 2016 American Community Survey 5-year estimates, Department of Education, Environmental Protection Agency, and County Business Patterns
Devaluation

-$48,000 ↓ 23%

on average, compared to homes in neighborhoods which are <1% black

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Devaluation

$156 billion

in cumulative losses
Devaluation varies by metro

115 metropolitan areas with at least one majority black neighborhood

Comparing home values in majority black neighborhoods with those where less than 1% of residents are black

- **Devaluation**: Comparable homes in majority black neighborhoods are worth less.
- **Appreciation**: Comparable homes in majority black neighborhoods are worth more.

Devaluation and appreciation are represented by percent difference between comparable homes. Hover over metro areas for detail on the magnitude of devaluation.
Devaluation varies by metro

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Las Vegas-Henderson-Paradise, NV

- Percent difference: -6.6%
- Absolute price difference: -$7,250
Homes in black neighborhoods are significantly devalued in many metro areas.

<table>
<thead>
<tr>
<th>Metro Area</th>
<th>Valuation of homes in black neighborhoods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example areas with negative valuation of homes in black neighborhoods</strong></td>
<td></td>
</tr>
<tr>
<td>Lynchburg, VA</td>
<td>-81%</td>
</tr>
<tr>
<td>Rochester, NY</td>
<td>-65%</td>
</tr>
<tr>
<td>Jacksonville, FL</td>
<td>-47%</td>
</tr>
<tr>
<td>Detroit-Warren-Dearborn, MI</td>
<td>-37%</td>
</tr>
<tr>
<td><strong>Las Vegas, NV</strong></td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Example areas with positive valuation of homes in black neighborhoods</strong></td>
<td></td>
</tr>
<tr>
<td>Nashville-Davidson-Murfreesboro-Franklin, TN</td>
<td>+10%</td>
</tr>
<tr>
<td>Wichita Falls, TX</td>
<td>+16%</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>+23%</td>
</tr>
<tr>
<td>Champaign-Urbana, IL</td>
<td>+25%</td>
</tr>
<tr>
<td>Hilton Head Island-Bluffton-Beaufort, SC</td>
<td>+58%</td>
</tr>
</tbody>
</table>
Devaluation by Tract in Las Vegas (city)

Total devaluation of homes in Las Vegas = $78.5 Million
Devaluation

$156 billion

in cumulative losses
What is $156$ billion?
What is $156 billion?

4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research
What is $156 billion?

- 4.4 million black-owned businesses
  Source: Stanford Institute for Economic Policy Research

- 8.1 million four-year degrees
  Source: National Center for Education Statistics
What is $156 billion?

- **4.4 million** black-owned businesses
  - Source: Stanford Institute for Economic Policy Research

- **8.1 million** four-year degrees
  - Source: National Center for Education Statistics

- Replace pipes in Flint, MI nearly **3,000 times**
  - Source: American Water Works Association

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What is $156 billion?

4.4 million black-owned businesses
Source: Stanford Institute for Economic Policy Research

8.1 million four-year degrees
Source: National Center for Education Statistics

Replace pipes in Flint, MI nearly 3,000 times
Source: American Water Works Association

97% of the damage of Hurricane Katrina
Source: National Oceanic and Atmospheric Administration

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Effect of Housing Valuation on Upward Income Mobility of Black Children

**FIGURE 2**

Effect of housing valuation on upward income mobility of black children
Majority-black neighborhoods in U.S. metro areas, 2012-2016

Note: Income rank calculated for black children born to parents at 25th percentile of national income. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area.

Source: Authors' analysis of data from Zillow, the 5-year 2016 American Community Survey and Equality of Opportunity Project. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area.

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There is nothing wrong with Black people that ending racism can’t solve.

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Know Your Price
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