



Using Data to Understand Markets

VAD Academy

Wednesday, June 15, 2022, 3:15 PM – 4:30 PM ET

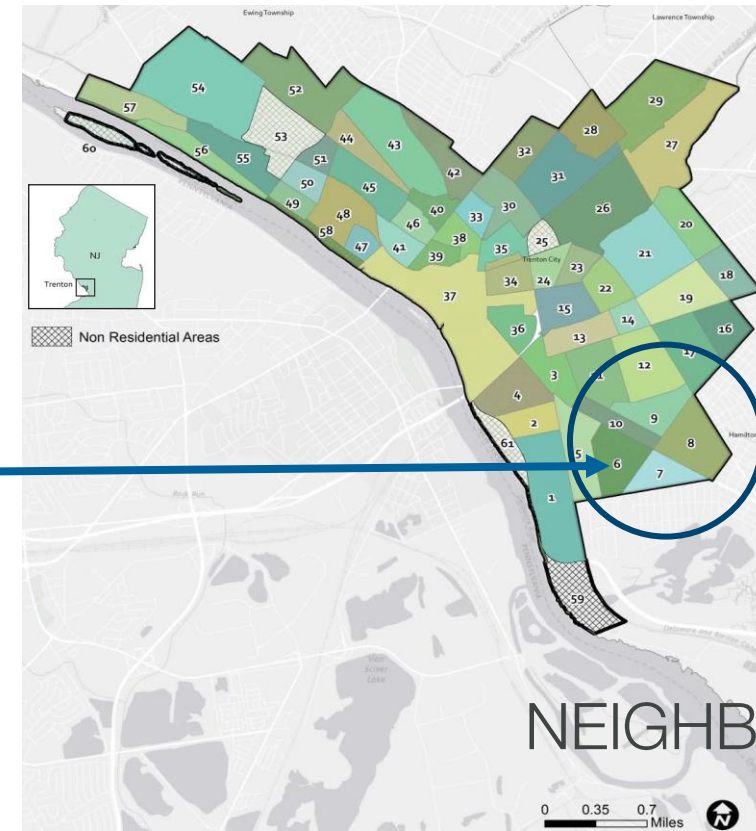
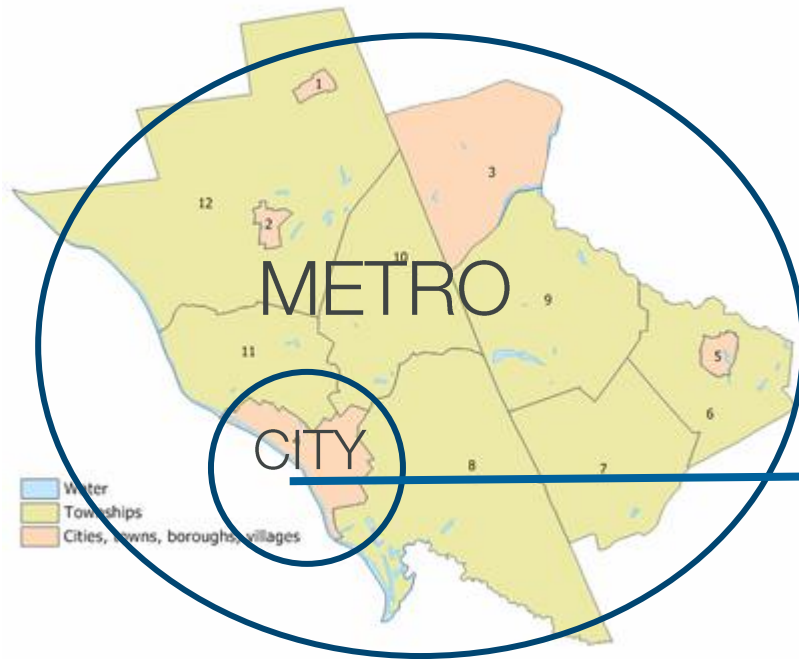
Alan Mallach – Senior Fellow, Center for Community Progress

Presentation Outline

- Market fundamentals
- Market decline and vacant housing
- Race, racism and discrimination
- The role of public policy
- Using data to measure markets
- Summing up: basing your strategy on data

Market Fundamentals

Markets operate at multiple levels



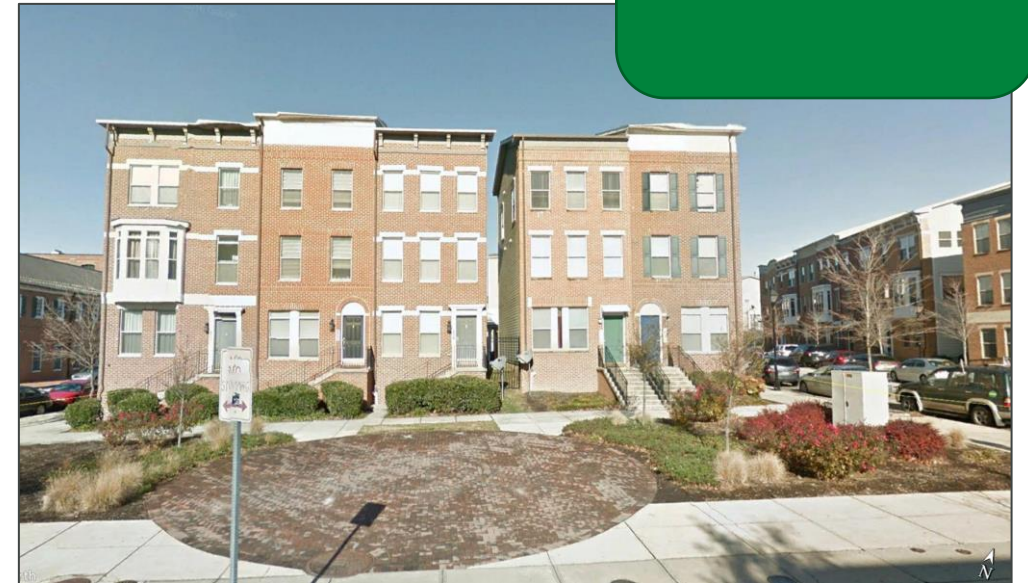
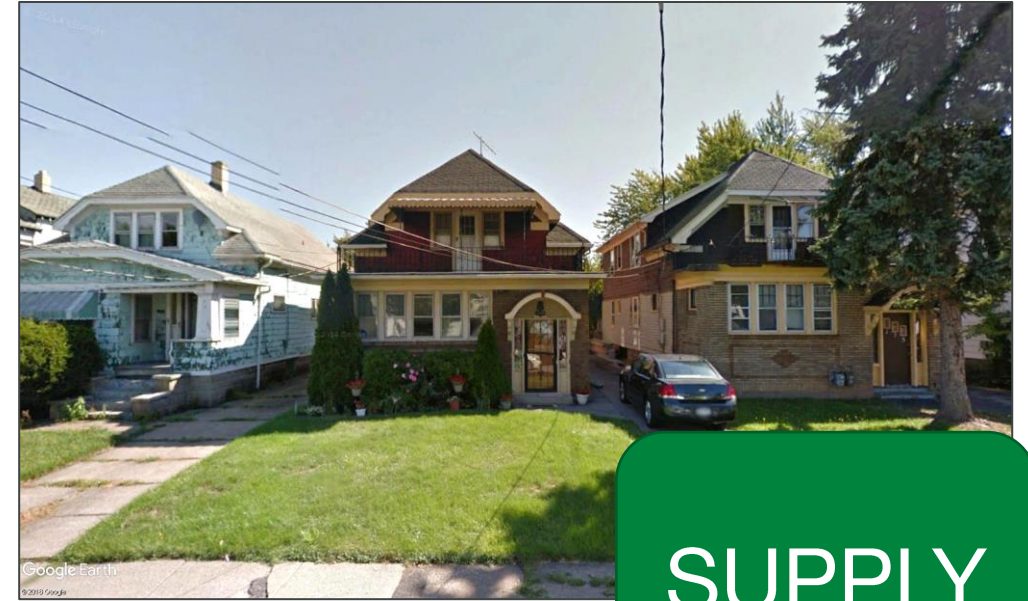
NEIGHBORHOODS

What is a neighborhood market?

The neighborhood market is the sum of choices people make about investing their money and personal well-being in a neighborhood.

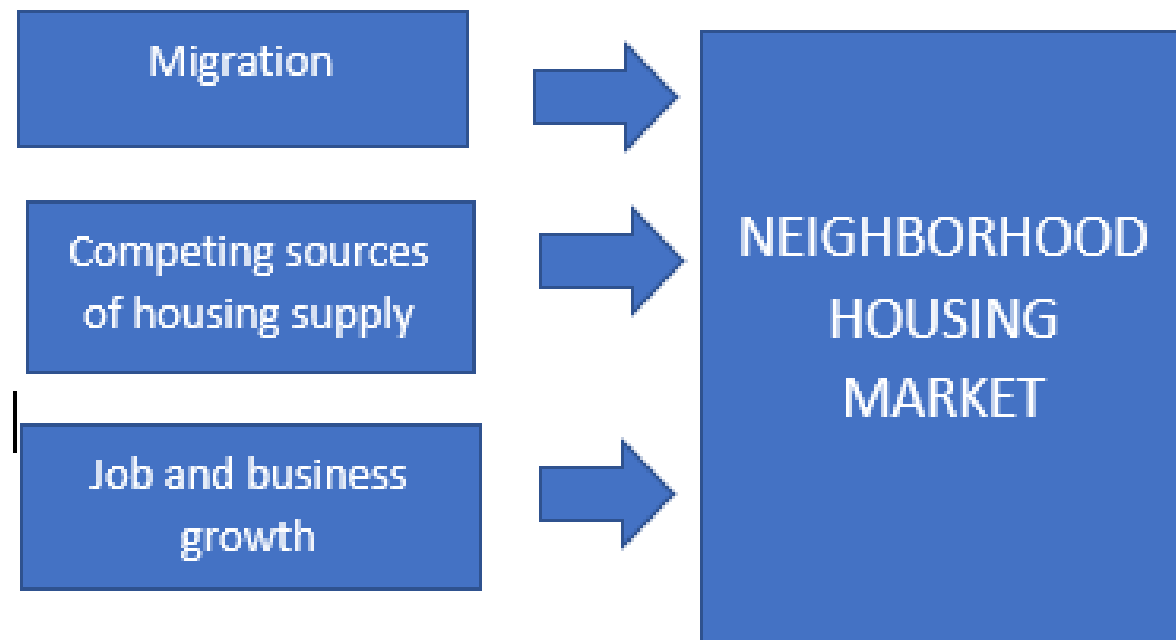


Markets are about supply and demand

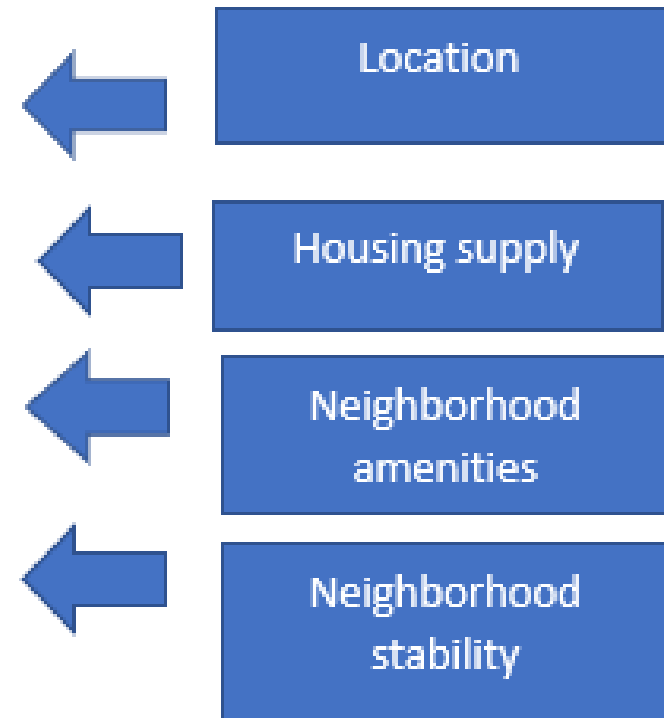


What factors drive demand and supply?

EXOGENOUS FACTORS



ENDOGENOUS FACTORS



Many factors affect individuals' market choices

- Access to information is limited
- Choices are constrained by income and other factors
- Choices are affected by preferences
- Perceptions and information are subject to racial and other biases
- Market outcomes are influenced by gatekeepers, like Realtors and appraisers



Markets are segmented

Markets are segmented by:

- Life cycle
- Economic conditions
- Social characteristics
- Demographics



SOURCE: Claritas PRIZM

Markets are in competition with each other



Which house will they buy?

Homeownership matters

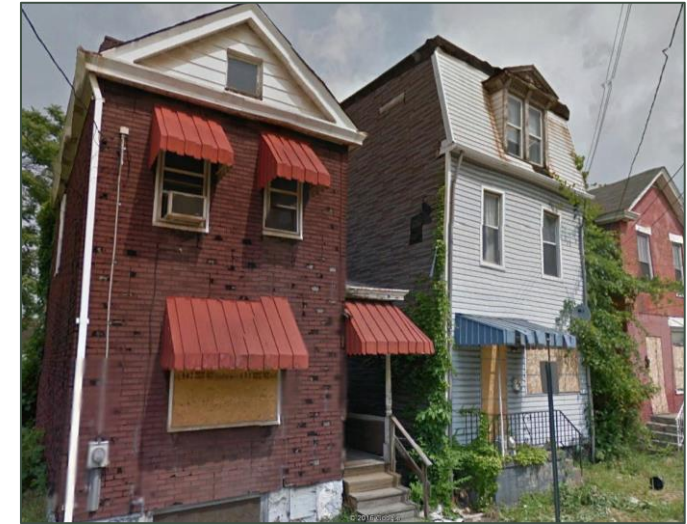
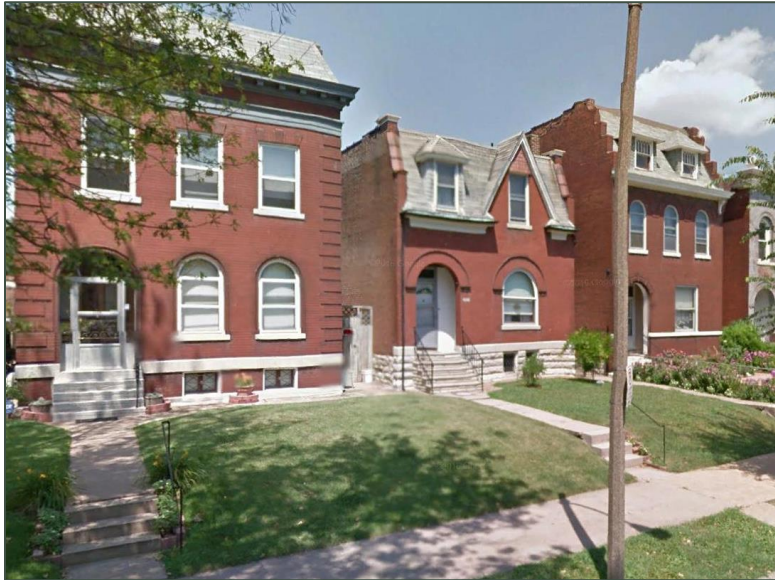
- Homeownership decisions are fundamentally different from renter or investor decisions.
- Homeowners make a long-term commitment to a neighborhood that goes beyond their financial commitment
- Homeownership – independent of income – is strongly associated with many neighborhood-positive and family-positive features.



Market Decline and Vacant Housing

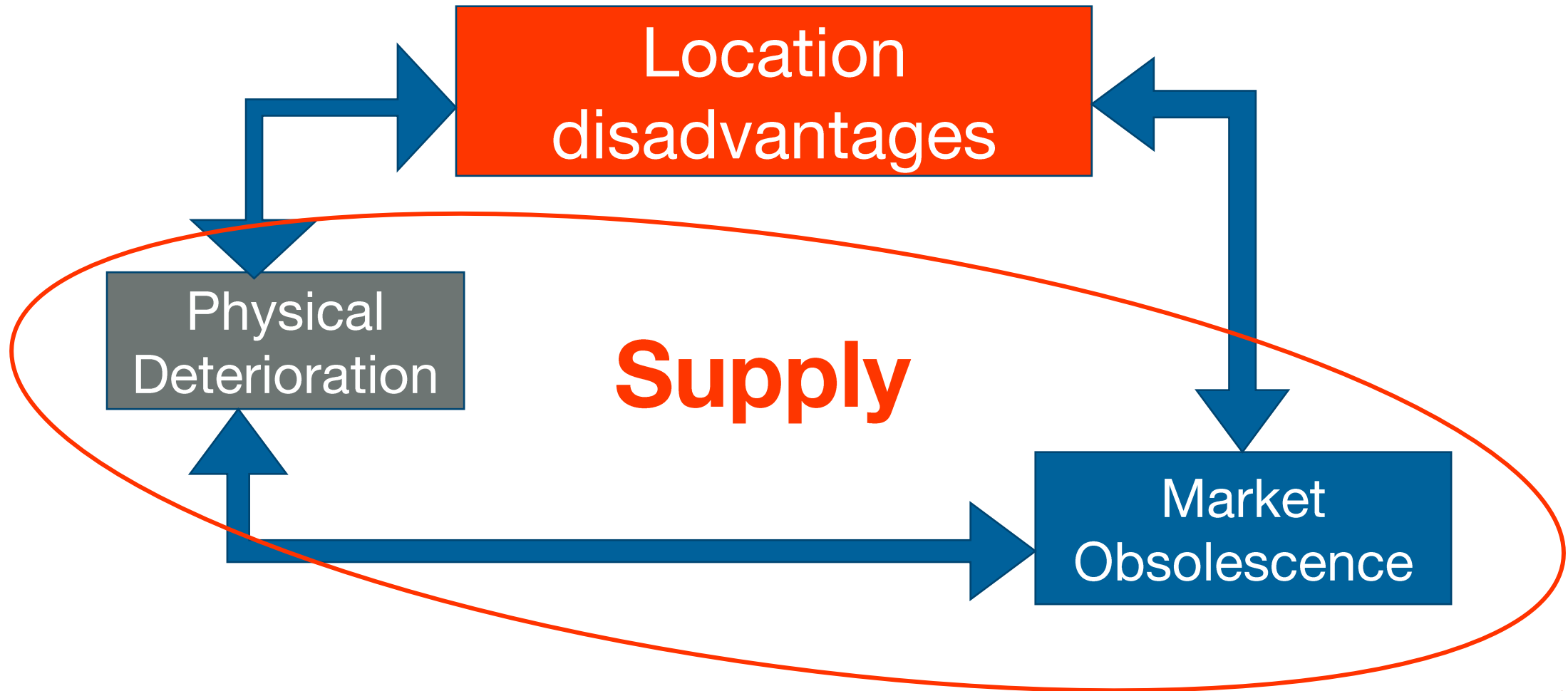
Markets can be strong or weak

**Supply \leq Demand =
Strong Market**



**Supply $>$ Demand =
Weak Market**

What drives market weakness?



Location matters



1501 N 22nd St
\$42,000

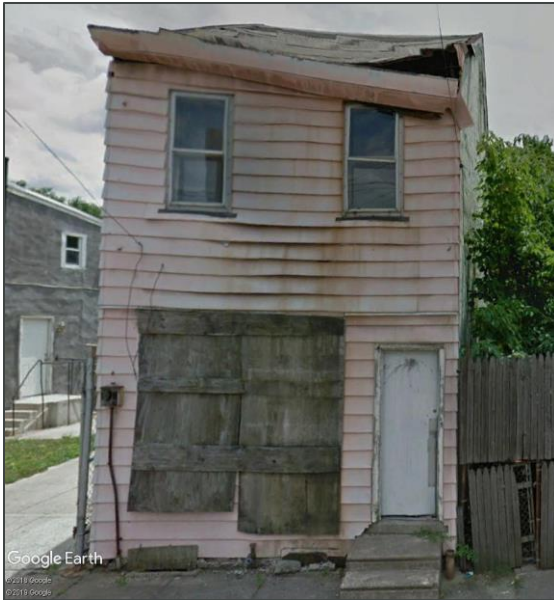
Three houses in
Richmond, Virginia

1527 West Ave
\$599,000



811 N 25th St
\$229,000

The type of supply matters



Physical deterioration – cannot be rehabbed or will cost too much to rehab

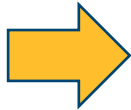
Market obsolescence – too small or old fashioned to interest homebuyers



2 BR 1
BA
720 SF

Weak demand triggers behaviors

**WEAK
DEMAND**

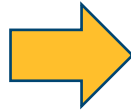


MORTGAGE
DELINQUENCY

TAX
DELINQUENCY

SPECULATIVE
BUYING

PROPERTY
NEGLECT

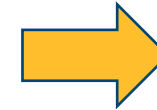


MORE
ABSENTEE-
OWNED
PROPERTIES

MORE REO
PROPERTIES

MORE
DETERIORATED
PROPERTIES

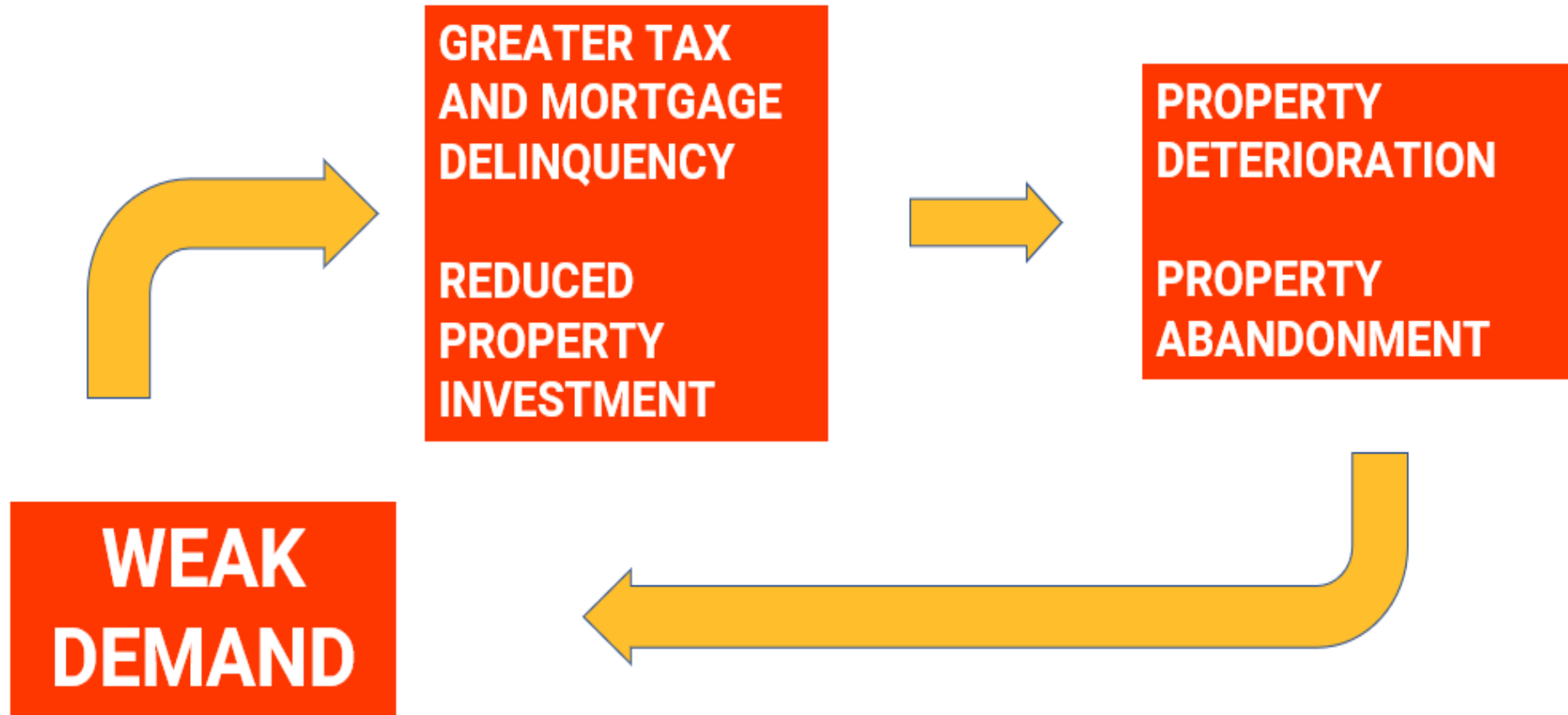
MORE
ABANDONED
PROPERTIES



**REDUCED
DEMAND**

....creating a
vicious cycle

The vicious cycle



Signs of weak demand

- Low sales prices
- Low sales volumes
- Most buyers are investors, not home buyers.

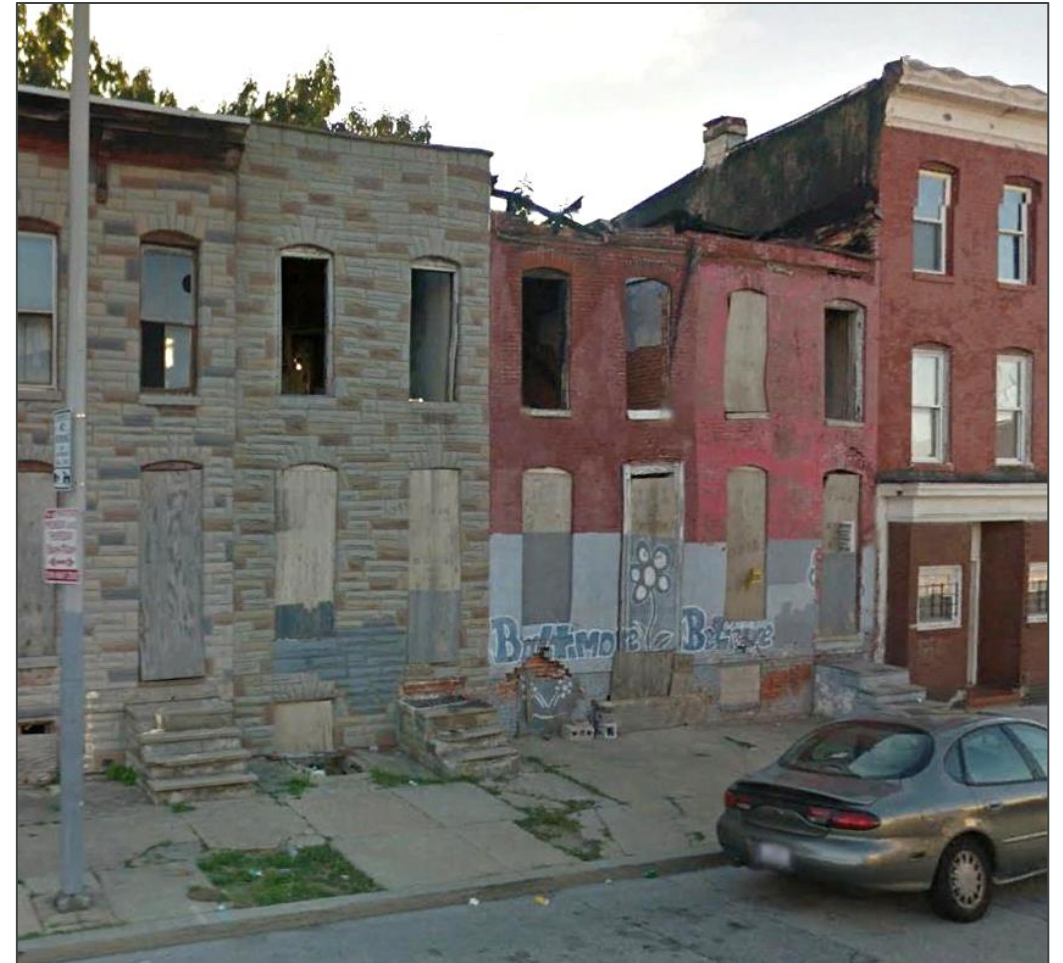


Declining
homeownership

Increasing
vacancies and
abandonment

Key takeaways

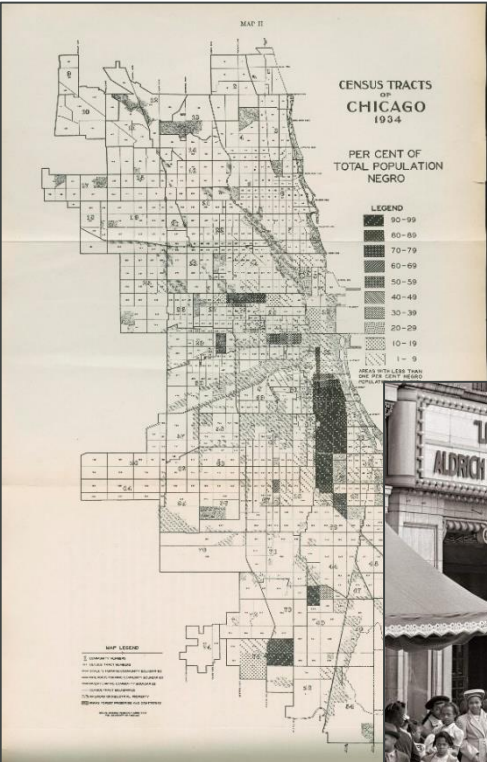
- Many factors go into vacant and other problem properties emerging in a neighborhood - those factors must be addressed.
- But unless the market can be made stronger, one may be able to improve conditions to some extent but are unlikely to solve the problem.



Race, Racism and Discrimination



Racial discrimination goes way back



Attention White Home Buyers!

The Largest Restricted White
Community in Washington

Invites your attention
to the decision of
U. S. Supreme Court

—that negroes cannot buy
in a restricted white section

Buy or Rent
in the section known as
High View
Edgewood

For further information apply to:
Executive Committee of
Sole Owners
North Capitol Citizens'
Association
Henry Gilligan, President
2304 1st St. N.W.
Jesse W. Morgan, Secy.
47 Seaton St. N.W.

LAKE OF THE ISLES BARGAIN

A fellow cannot interest the dollar without using dollar instincts, and this lot is purposely slashed in price to attract the dollar. The map shows you where it is and what it looks at. The lot has curb and gutter, stone sidewalk, city water, gas and electricity. It is a beautiful lot, high and commanding, with a frontage of 75 feet and a depth of 140 feet. Mr. Stiff lives next door, at 2815 Benton boulevard.

Old price \$4,000. Today's discount \$1,250. New price \$2,750. Terms, \$750 down, balance on or before 3 years; 6% interest.

I appeal to the instincts of those about to marry. Isn't this the most remarkable offering you ever heard of. Restrictions

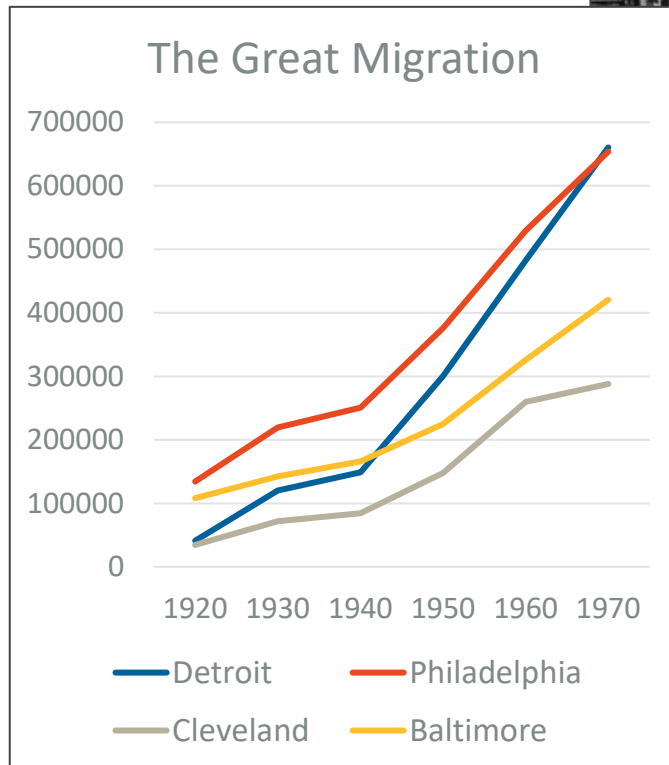
The party of the second part hereby agrees that the premises hereby conveyed shall not at any time be conveyed, mortgaged or leased to any person or persons of Chinese, Japanese, Moorish, Turkish, Negro, Mongolian, Semetic or African blood or descent. Said restrictions and covenants shall run with the land and any breach of any or either thereof shall work a forfeiture of title, which may be enforced by re-entry.

Lake Street Frontage

Transformation 1945-1960



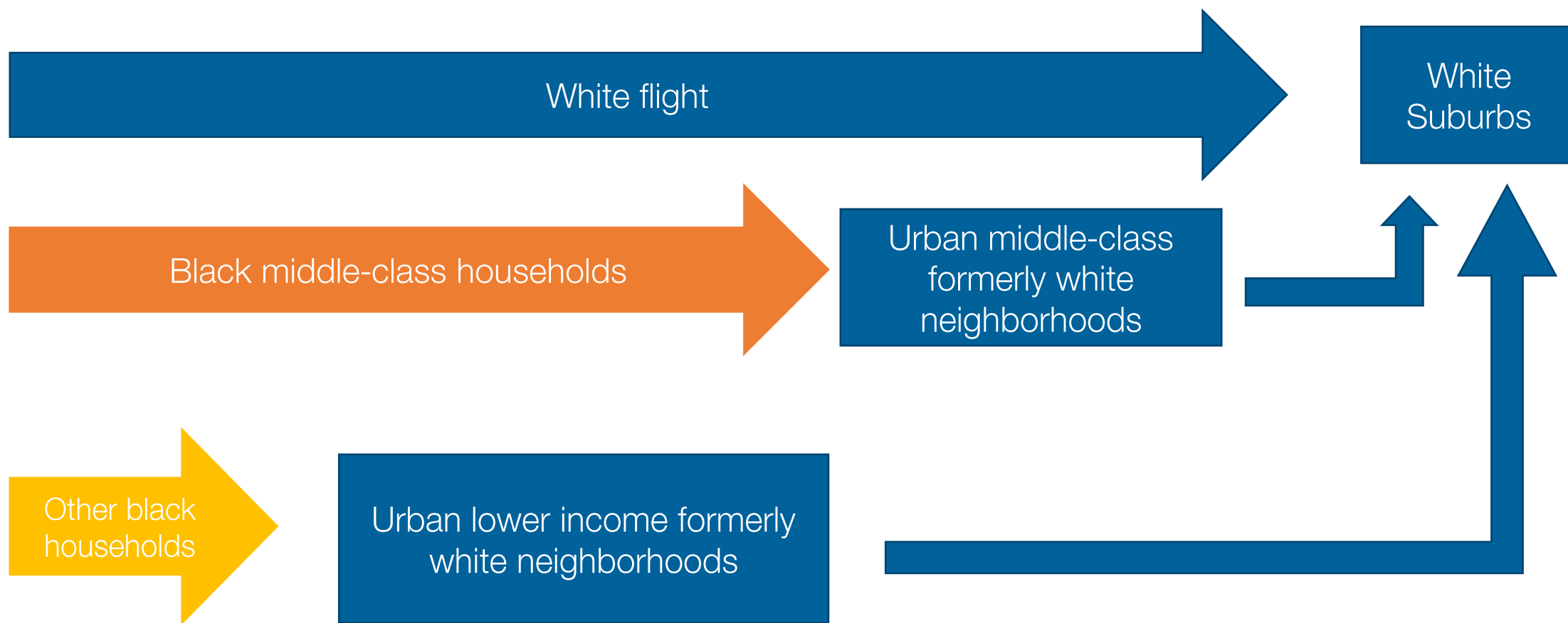
White flight
FHA racial discrimination



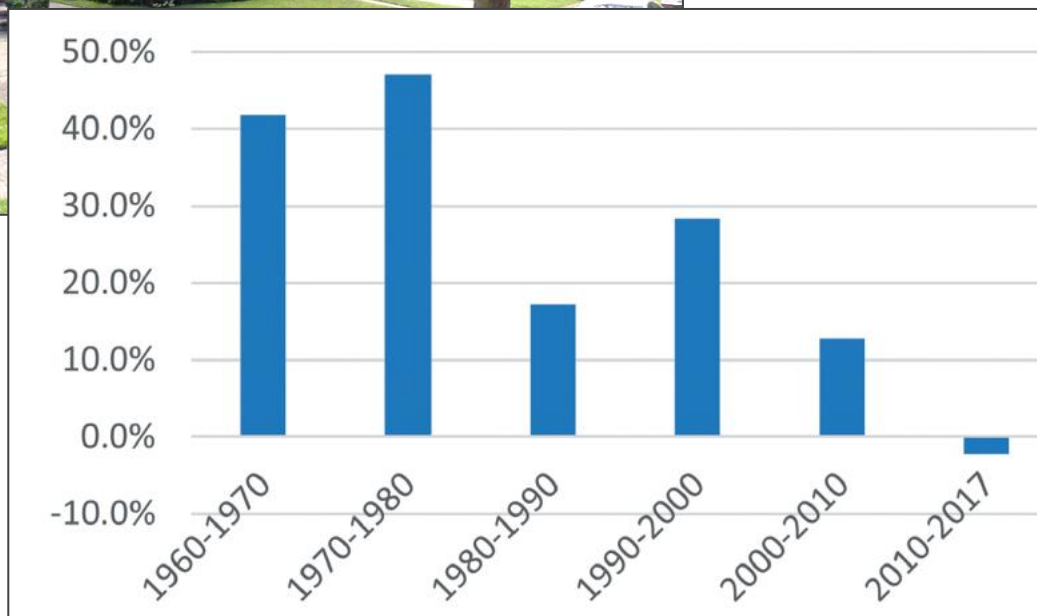
Urban Renewal
Interstate Highway Program



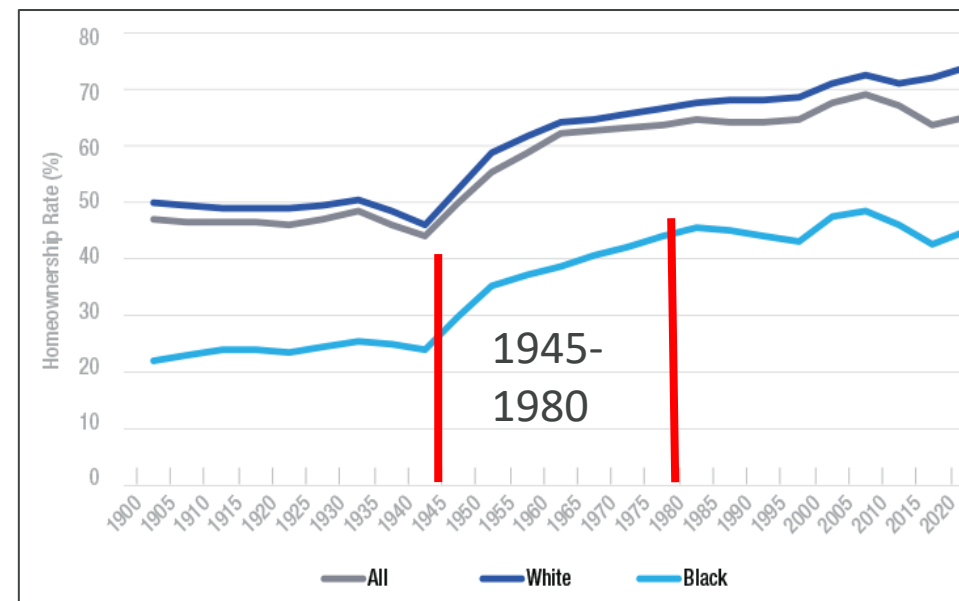
The Big Split 1950-1980



Black middle neighborhoods emerged

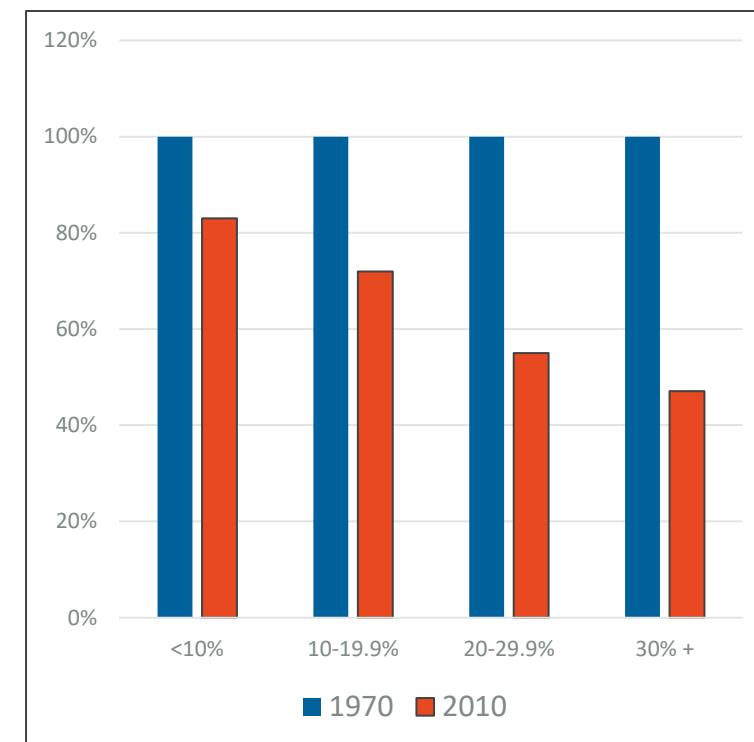
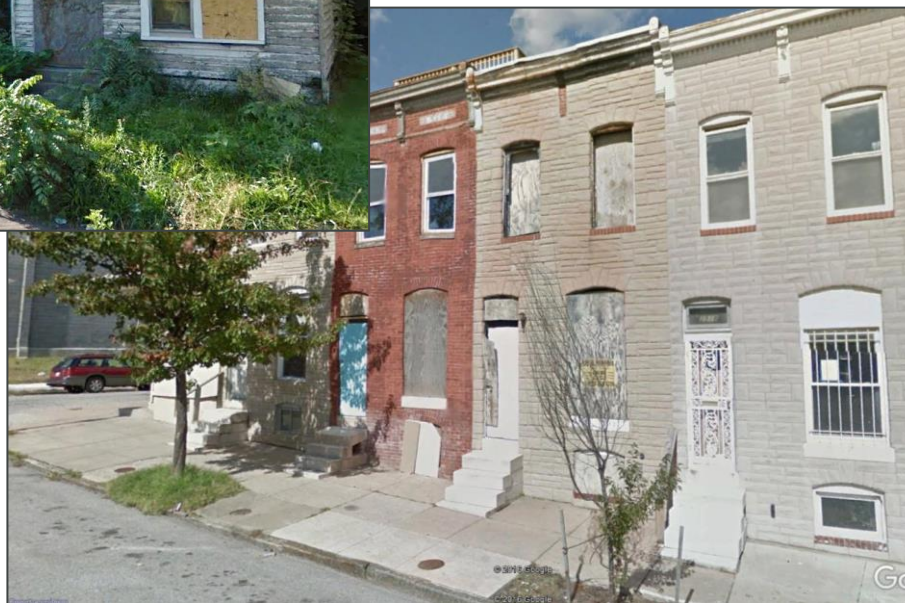
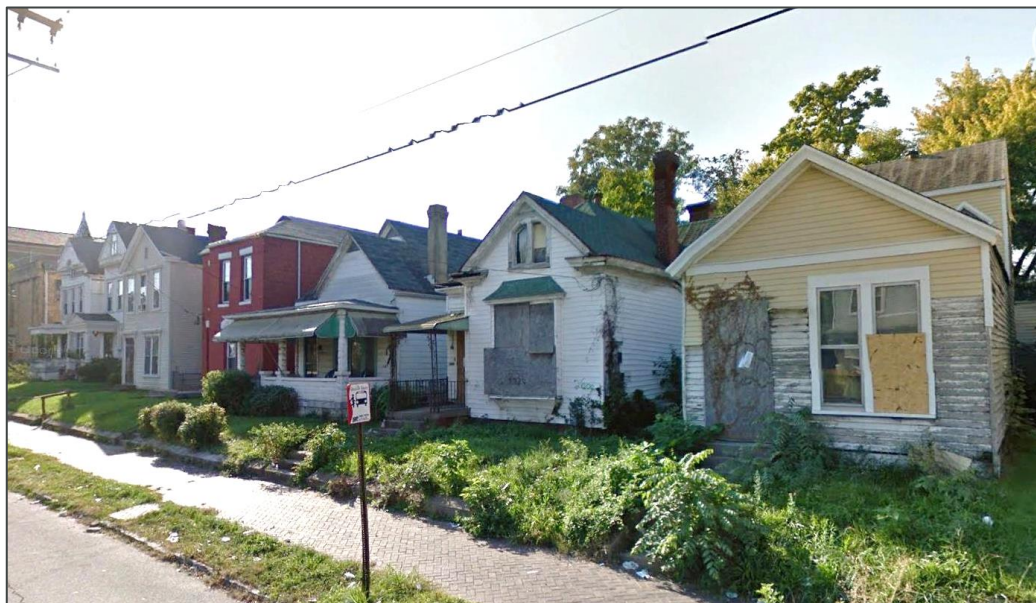


US Homeownership Rates 1900-2020



Change in number of Black homeowners in US by decade

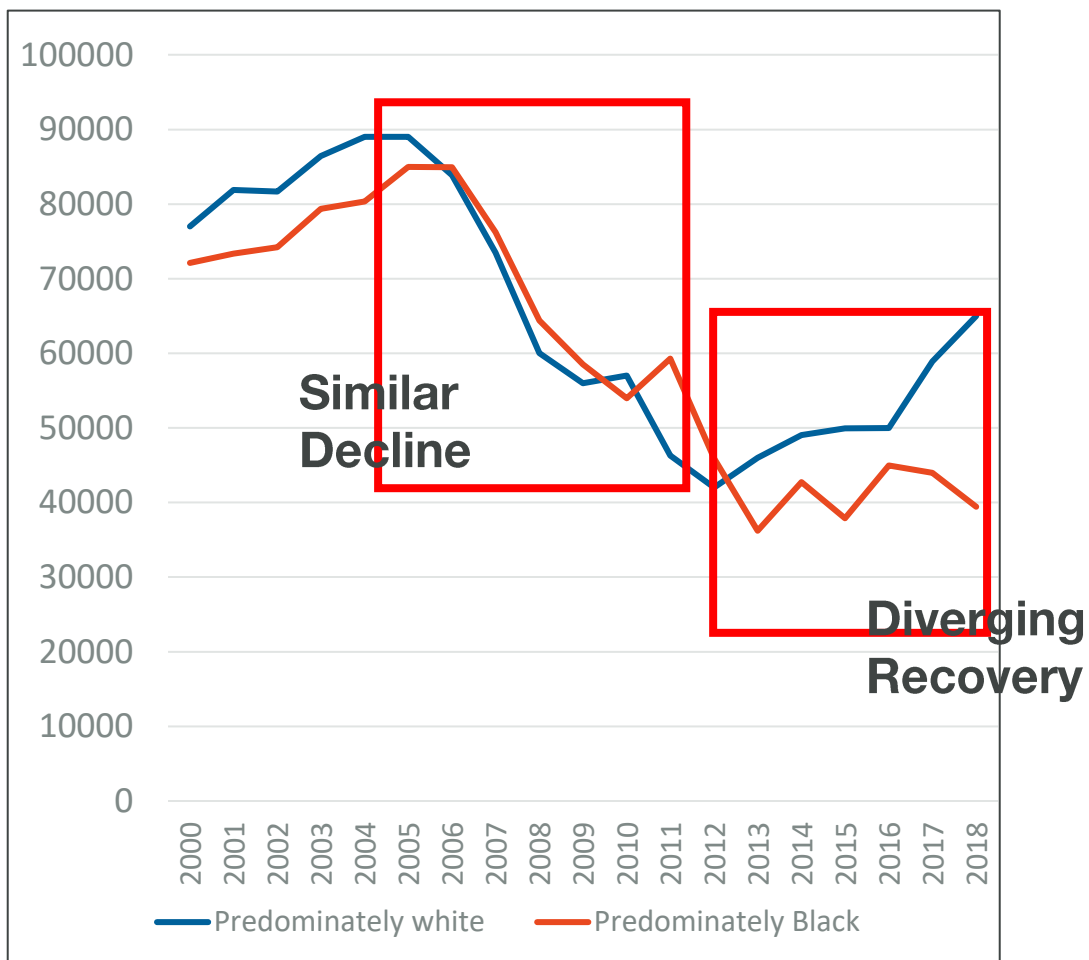
Disinvested areas of concentrated poverty also emerged



**Population change in Baltimore
1970-2010 by 1970 poverty rate**

The crisis of Black middle neighborhoods

White and Black middle neighborhoods
In Cleveland

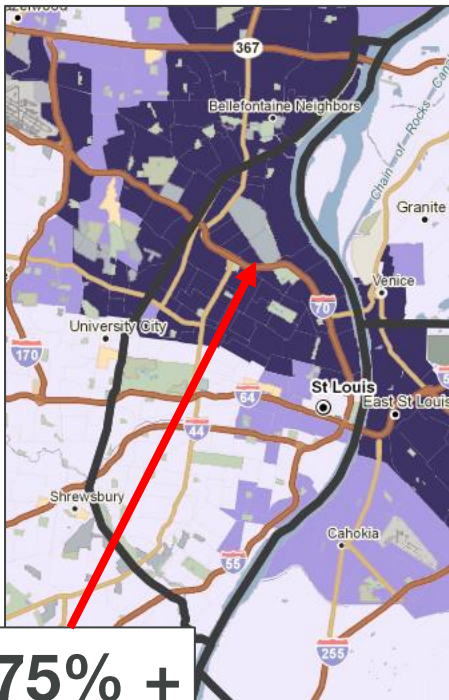


Concentrated poverty in Detroit 2000-2015

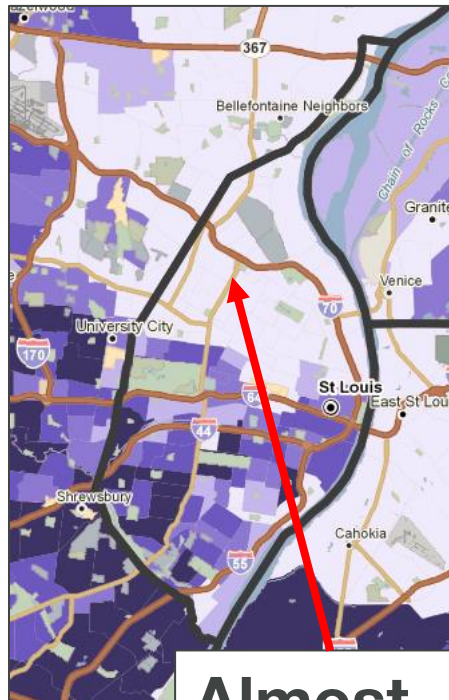


Inside black line – concentrated poverty in 2000
Grey overlay – concentrated poverty in 2015

The central issue – racialized housing markets



**75% +
Black**



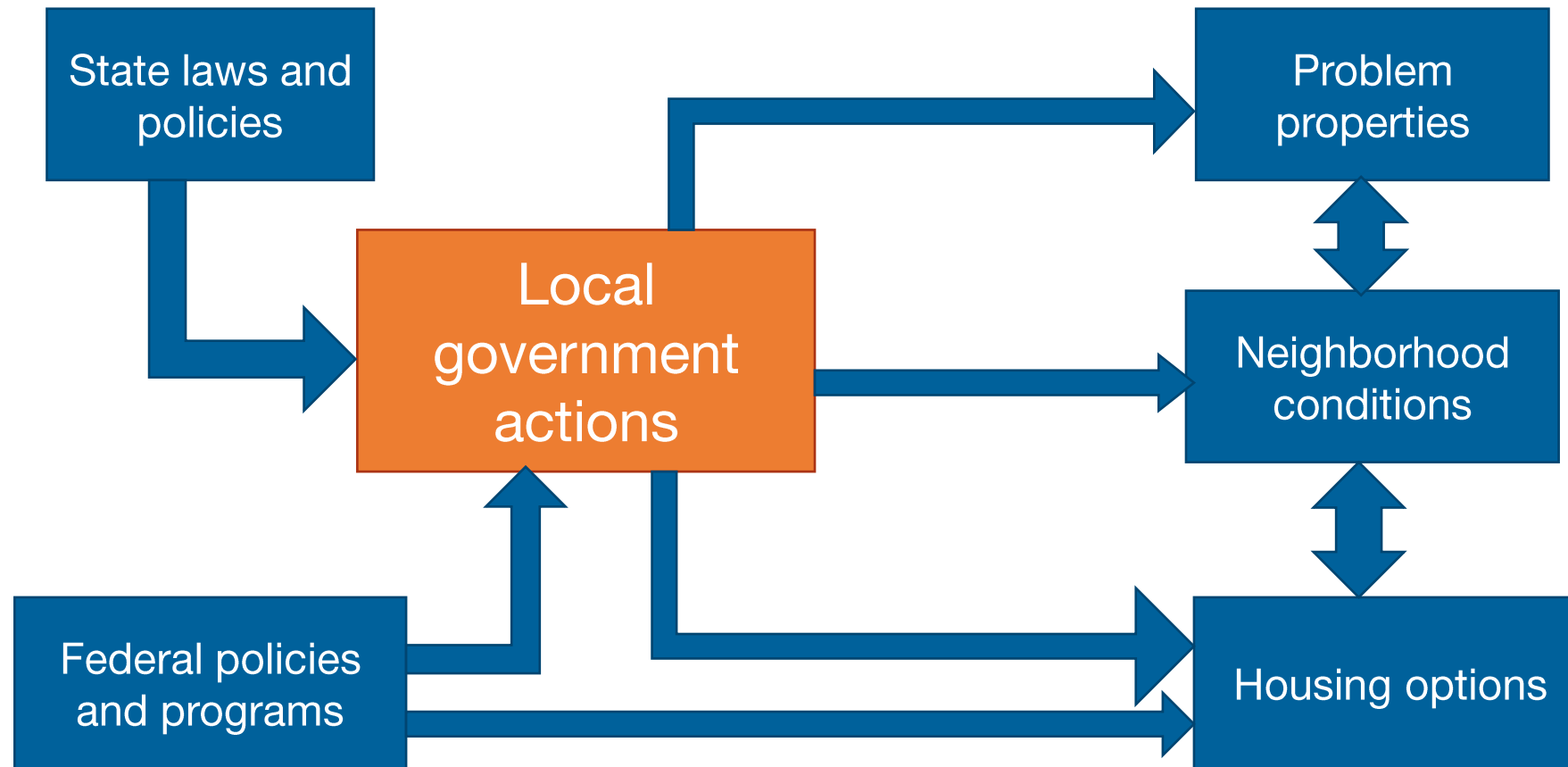
**Almost
no white
buyers**

Race, class, and physical space are inextricably linked, not only sociostructurally but also psychologically: Whereas Whites' prevailing mental image of White spaces and people is middle-class or upper-class, their prevailing mental image of Black spaces and people is lower-class. This tight race–class link, and its consequences for perceptions and behavioral intentions, is more prominent for spaces than people, making middle-class Black space particularly susceptible to *intersectional invisibility*.

Bonham, Yantis and Taylor (2018)

The Role of Public Policy

Public policy affects markets



Public policy market levers 1

NEIGHBORHOOD CONDITIONS

Maintenance of infrastructure (streets, sidewalks, sewers, water supply, etc.)

Provision of basic public services (trash pickup, street lighting, etc.)

Construction and maintenance of community facilities (parks, senior centers, etc.)

Support for community development efforts

Code enforcement and other property regulations

Land use regulation

Maintenance of public safety

Public education



Public policy market levers 2

PROBLEM PROPERTIES

Code enforcement

Other rental regulation

Vacant property regulation

Tax foreclosure

Vacant property maintenance
and disposition

Vacant lot programs



Using Data to Measure Markets

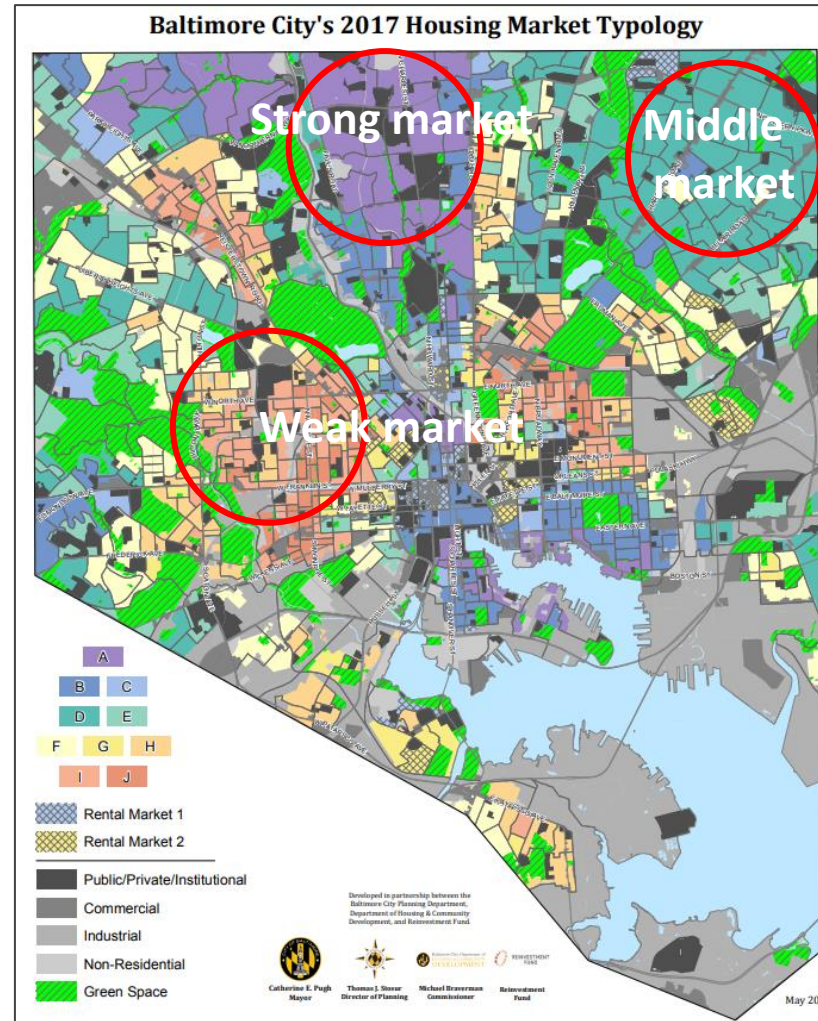
Start with the big picture

JOB TRENDS	Growing or shrinking? How many? What types of jobs?
MIGRATION	Growing or shrinking How many? Who?
PRICE TRENDS	Sales prices Rentals
CONSTRUCTION	How many? Sales or rental? Price points Locations



Neighborhoods are submarkets

Most large cities have a full range of market conditions from weak to strong



Many small cities will have a narrower range of market conditions

Studying neighborhood markets



Neighborhood markets are analyzed by using **indicators**: measurable variables which, when combined, give a picture of an area's housing market. There are two types of market indicator:

- Indicators that directly measure market activity
- Indicators that measure factors that affect or reflect the market

Measuring market activity

INDICATOR	BEST SOURCE	POTENTIAL ALTERNATIVE SOURCES
Sales Price	Recorded sales transactions	Commercial vendor Multiple Listing Service
Sales Volume	Recorded sales transactions	Commercial vendor MLS (days on market)
Sales to homebuyers and to investors	Recorded sales transactions	Homestead exemption filing Sales/mortgage comparison

Identifying investor-buyers

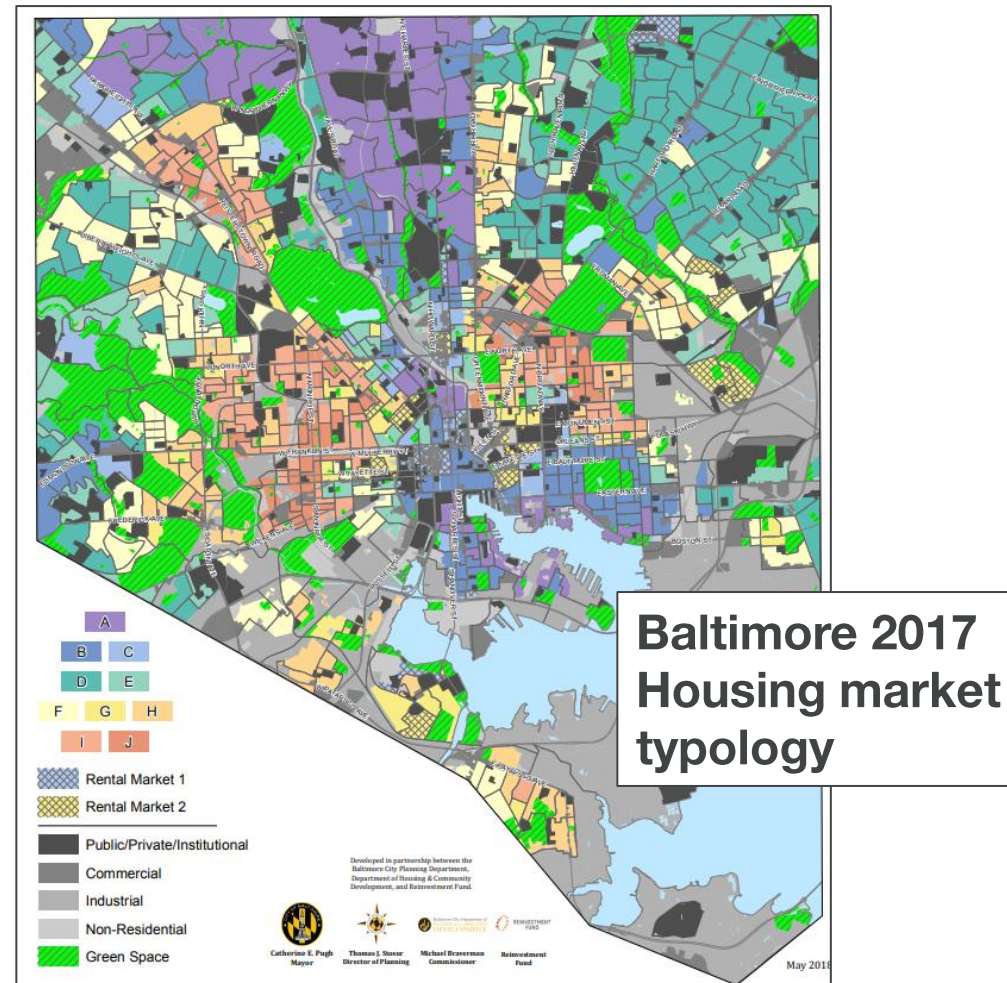
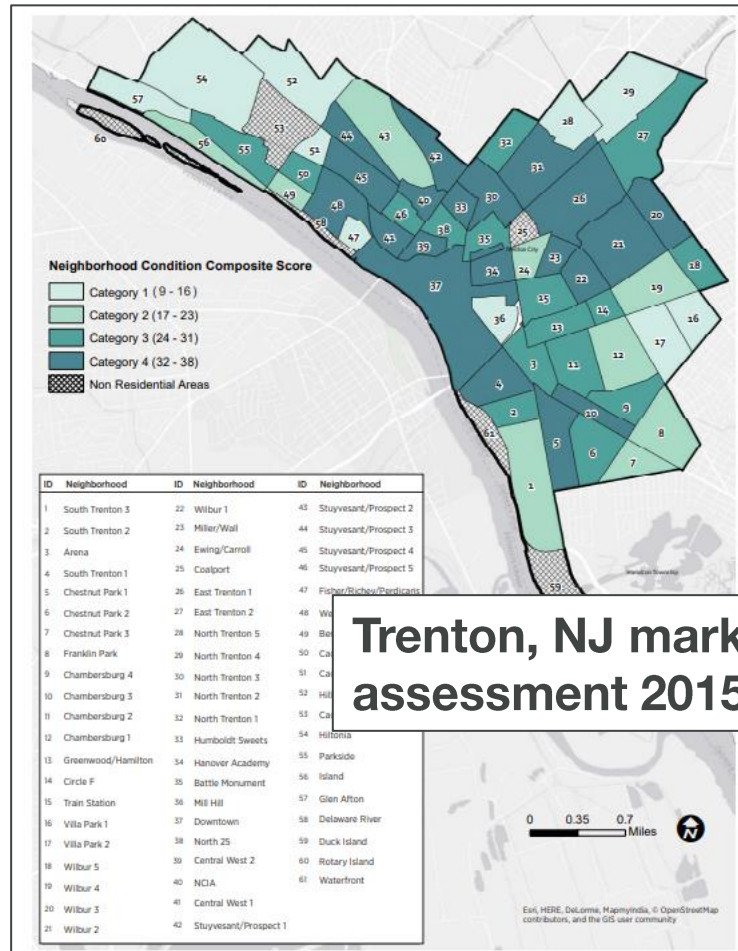
PROPERTY ADDRESS	BUYER NAME	BUYER ADDRESS
563 2nd St, Trenton, New Jersey, 08611	ENGEL, DAVID	1826 51st St, Brooklyn, New York, 11204
925 Berkeley Ave, Trenton, New Jersey, 08618	Homebuyers (owner-occupants)	925 Berkeley Ave, Trenton, New Jersey, 08618
51 Pierce Ave, Trenton, New Jersey, 08629		1 Schindler Ct, Saddle River, New Jersey, 07458
77 Jersey St, Trenton, New Jersey, 08611		112 Glenview Dr, Lawrence Township, New Jersey, 08648
2 Wineberg Place, Trenton, New Jersey, 08638		2 Wineberg Place, Trenton, New Jersey, 08638
55 Bismarck Ave, Trenton, New Jersey, 08611		13 Woodfield Ln, Lawrence Township, New Jersey, 08648
215 Home Ave, Trenton, New Jersey, 08611	ZAKUT, YARON	210 Brookstone Dr, Princeton, New Jersey, 08540
225 Grand St, Trenton, New Jersey, 08611	CAMARENO, ROGER	426 Lambertson St, Trenton, New Jersey, 08611
823 Revere Ave, Trenton, New Jersey, 08629	WILLIAMS, ROBERT P	823 Revere Ave, Trenton, New Jersey, 08629
1014 Melrose Ave, Trenton, New Jersey, 08629	CRUMIDY, BETTY ELLEN	1014 Melrose Ave, Trenton, New Jersey, 08629
36 North Rose Street, Trenton, New Jersey, 08618	GENDLIN CONSULTING LLC	4255 Asher St, Unit 66, San Diego, California, 92110
221 Pearl St, Trenton, New Jersey, 08609	PROPERTY HOLDINGS, LLC	832 S Broad St, Trenton, New Jersey, 08611
917 Bellevue Ave, Trenton, New Jersey, 08618	SMITH, LORI & TURPIN, CASANDERS J/T	917 Bellevue Ave, Trenton, New Jersey, 08618
329 Tyler St, Trenton, New Jersey, 08609	LOPEZ, CARLOS L	329 Tyler St, Trenton, New Jersey, 08609
327 Centre St, Trenton, New Jersey, 08611	GOLDBERGER, MOSHE & REGINA H/W	9 Hawk Way, Lakewood, New Jersey, 08701
9 W State St, Trenton, New Jersey, 08618	AFRICAN AMERICAN CHAMBER COMMERCE	110 W State St, Trenton, New Jersey, 08608
375 Rusling St, Trenton, New Jersey, 08611	MEDVEST PROPERTIES, LLC	378 Longacre Ave, Woodmere, New York, 11598
375 Seward St, Trenton, New Jersey, 08611	APPLE 25, LLC	1 N Apple St, Lakewood, New Jersey, 08701
375 Reservoir St, Trenton, New Jersey, 08618	347 RESERVOIR, LLC	428 Clifton Ave, Lakewood, New Jersey, 08701
375 Cove St, Trenton, New Jersey, 08611	BAILEY, JULIUS	38 Cove St, Trenton, New Jersey, 08611
909 Melrose Ave, Trenton, New Jersey, 08629	667 LAMBERTSON ST LLC	246 Ridge Ave, Lakewood, New Jersey, 08701
68 W End Ave, Trenton, New Jersey, 08618	68 WEST END LLC	68 W End Ave, Trenton, New Jersey, 08618
628 Spruce St, Trenton, New Jersey, 08638	628 SPRUCE STREET LLC	628 Spruce St, Trenton, New Jersey, 08638
1316 Liberty St, Trenton, New Jersey, 08629	MARZAN, PETER ANDREW	69 Castle Pointe Blvd, Piscataway, New Jersey, 08854
1210 Chestnut Ave, Trenton, New Jersey, 08611	MARQUILLIS, THEODORE A	125 Dewey Ave, Trenton, New Jersey, 08610
221 Cleveland Ave, Trenton, New Jersey, 08629	ANTHONY, SYLVESTER	221 Cleveland Ave, Trenton, New Jersey, 08629
50 Elm St, Trenton, New Jersey, 08611	RAINTREE HOLDINGS, LLC	110 Hillside Blvd, Lakewood, New Jersey, 08701

Investors

Measuring factors that affect or reflect the market

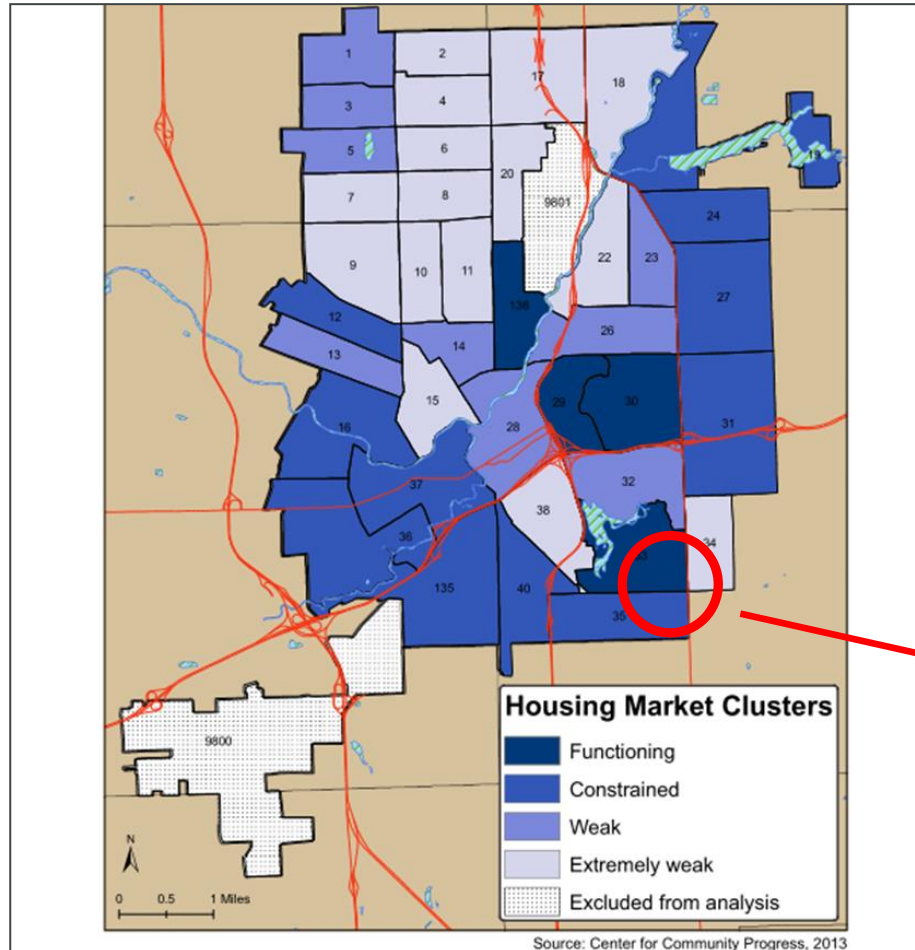
INDICATOR	BEST SOURCE	POTENTIAL ALTERNATIVE SOURCES
Tax delinquency, sale or foreclosure	City or County records	None
Vacant properties	Parcel survey	City or County tax assessor records 'Other vacancy' data from American Community Survey US Postal Service data
Violent crime	City or County police department	None
Homeownership rate	Decennial Census City or County tax assessor records	American Community Survey or Decennial Census

Indicators can be combined to create neighborhood market assessments

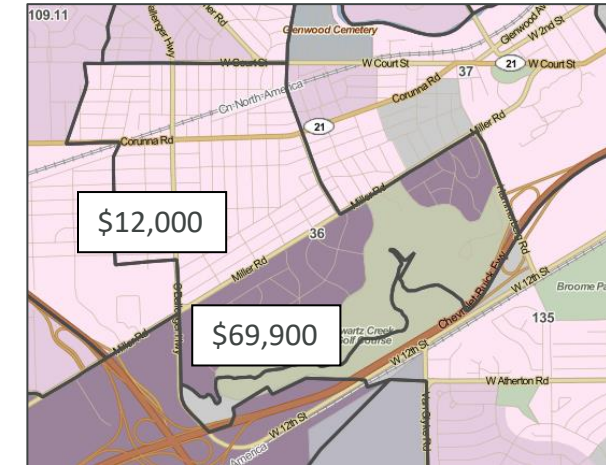


Drilling down: Markets are fine-grained

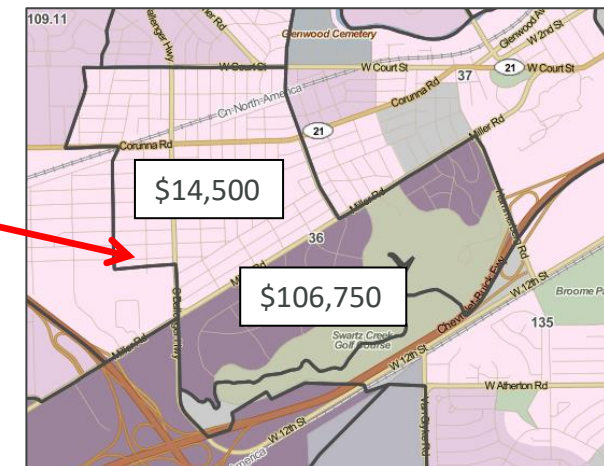
Flint, Michigan



Median sales price 2012



Median sales price 2017



Using the data

- Understand current overall market conditions and trends.
- Compare neighborhood trajectories.
- Understand conditions and trends with respect to individual variables – what is happening to factors like crime, vacancies or tax foreclosures that may be driving market change.
- Build local capacity to track change over time.
- Create a ‘data warehouse’ to track market change, and post data on-line.

Summing Up: Use Data to Ground Strategy



Neighborhood Plan

- Single Family
- Live/Work Townhomes or Attached Dwellings
- Attached Dwellings
- Apartments or Attached Dwellings
- Residential Mixed Use
- Common House with Residential above
- Garages

Questions?

