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
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

Where should I buy?

Where should I invest?

Where should I live?

Where should I rent?

SUPPLY

DEMAND
What factors drive demand and supply?

**EXOGENOUS FACTORS**
- Migration
- Competing sources of housing supply
- Job and business growth

**ENDOGENOUS FACTORS**
- Location
- Housing supply
- Neighborhood amenities
- Neighborhood stability
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.
Markets can be strong or weak

Supply \leq \ Demand =
Strong Market

Supply \geq \ Demand =
Weak Market
What drives market weakness?

Location disadvantages

Supply

Physical Deterioration

Market Obsolescence
Location matters

Three houses in Richmond, Virginia

1501 N 22nd St
$42,000

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
Weak demand triggers behaviors

- MORTGAGE DELINQUENCY
- TAX DELINQUENCY
- SPECULATIVE BUYING
- PROPERTY NEGLECT
- MORE ABSENTEE-OWNED PROPERTIES
- MORE REO PROPERTIES
- MORE DETERIORATED PROPERTIES
- MORE ABANDONED PROPERTIES

Weak demand → Reduced demand

...creating a vicious cycle
The vicious cycle

Weak Demand → Reduced Property Investment → Greater Tax and Mortgage Delinquency → Property Deterioration → Property Abandonment
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.
Transformation 1945-1960

The Great Migration

Segregation Overcrowding

Urban Renewal Interstate Highway Program

White flight FHA racial discrimination
The Big Split 1950-1980

- White flight
- White Suburbs
- Black middle-class households
- Urban middle-class formerly white neighborhoods
- Other black households
- Urban lower income formerly white neighborhoods
Black middle neighborhoods emerged

US Homeownership Rates 1900-2020

Change in number of Black homeowners in US by decade

1945-1980
Disinvested areas of concentrated poverty also emerged
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

Predominately white
Predominately Black
The central issue – racialized housing markets

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

Local government actions

State laws and policies

Federal policies and programs

Problem properties

Neighborhood conditions

Housing options
<table>
<thead>
<tr>
<th>NEIGHBORHOOD CONDITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance of infrastructure (streets, sidewalks, sewers, water supply, etc.)</td>
</tr>
<tr>
<td>Provision of basic public services (trash pickup, street lighting, etc.)</td>
</tr>
<tr>
<td>Construction and maintenance of community facilities (parks, senior centers, etc.)</td>
</tr>
<tr>
<td>Support for community development efforts</td>
</tr>
<tr>
<td>Code enforcement and other property regulations</td>
</tr>
<tr>
<td>Land use regulation</td>
</tr>
<tr>
<td>Maintenance of public safety</td>
</tr>
<tr>
<td>Public education</td>
</tr>
</tbody>
</table>
## Public policy market levers 2

### PROBLEM PROPERTIES

<table>
<thead>
<tr>
<th>Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code enforcement</td>
</tr>
<tr>
<td>Other rental regulation</td>
</tr>
<tr>
<td>Vacant property regulation</td>
</tr>
<tr>
<td>Tax foreclosure</td>
</tr>
<tr>
<td>Vacant property maintenance and disposition</td>
</tr>
<tr>
<td>Vacant lot programs</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>BEST SOURCE</th>
<th>POTENTIAL ALTERNATIVE SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price</td>
<td>Recorded sales transactions</td>
<td>Commercial vendor Multiple Listing Service</td>
</tr>
<tr>
<td>Sales Volume</td>
<td>Recorded sales transactions</td>
<td>Commercial vendor MLS (days on market)</td>
</tr>
<tr>
<td>Sales to homebuyers and to investors</td>
<td>Recorded sales transactions</td>
<td>Homestead exemption filing Sales/mortgage comparison</td>
</tr>
</tbody>
</table>
### Identifying investor-buyers

<table>
<thead>
<tr>
<th>PROPERTY ADDRESS</th>
<th>BUYER NAME</th>
<th>BUYER ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>563 2nd St, Trenton, New Jersey, 08611</td>
<td>ENGEL, DAVID</td>
<td>1826 51st St, Brooklyn, New York, 11204</td>
</tr>
<tr>
<td>925 Berkeley Ave, Trenton, New Jersey, 08618</td>
<td>925 Berkeley Ave, Trenton, New Jersey, 08618</td>
<td></td>
</tr>
<tr>
<td>51 Pierce Ave, Trenton, New Jersey, 08629</td>
<td>1 Schindler Ct, Saddle River, New Jersey, 07458</td>
<td></td>
</tr>
<tr>
<td>77 Jersey St, Trenton, New Jersey, 08611</td>
<td>112 Glenview Dr, Lawrence Township, New Jersey</td>
<td>2 Wineberg Place, Trenton, New Jersey, 08638</td>
</tr>
<tr>
<td>2 Wineberg Place, Trenton, New Jersey, 08638</td>
<td>2 Wineberg Place, Trenton, New Jersey, 08638</td>
<td></td>
</tr>
<tr>
<td>55 Bismarck Ave, Trenton, New Jersey, 08611</td>
<td>13 Woodfield Ln, Lawrence Township, New Jersey</td>
<td>825 Revere Ave, Trenton, New Jersey, 08629</td>
</tr>
<tr>
<td>215 Home Ave, Trenton, New Jersey, 08611</td>
<td>ZAKUT, YARON</td>
<td>1014 Melrose Ave, Trenton, New Jersey, 08629</td>
</tr>
<tr>
<td>225 Grand St, Trenton, New Jersey, 08611</td>
<td>CAMARENO, ROGER</td>
<td>971 Bellevue Ave, Trenton, New Jersey, 08618</td>
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<tr>
<td>823 Revere Ave, Trenton, New Jersey, 08629</td>
<td>WILLIAMS, ROBERT P</td>
<td>971 Bellevue Ave, Trenton, New Jersey, 08618</td>
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<tr>
<td>1014 Melrose Ave, Trenton, New Jersey, 08629</td>
<td>CRUMIDY, BETTY ELLEN</td>
<td>825 Revere Ave, Trenton, New Jersey, 08629</td>
</tr>
<tr>
<td>36 North Rose Street, Trenton, New Jersey, 08618</td>
<td>GENDLIN CONSULTING LLC</td>
<td>455 Asher St, Unit 66, San Diego, California, 92110</td>
</tr>
<tr>
<td>221 Pearl St, Trenton, New Jersey, 08609</td>
<td>PROPERTY HOLDINGS, LLC</td>
<td>832 S Broad St, Trenton, New Jersey, 08611</td>
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<tr>
<td>917 Bellevue Ave, Trenton, New Jersey, 08618</td>
<td>SMITH, LORI &amp; TURPIN, CASANDERS J/T</td>
<td>329 Tyler St, Trenton, New Jersey, 08609</td>
</tr>
<tr>
<td>329 Tyler St, Trenton, New Jersey, 08609</td>
<td>LOPEZ, CARLOS L</td>
<td>9 Hawk Way, Lakewood, New Jersey, 08701</td>
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<tr>
<td>377 Centre St, Trenton, New Jersey, 08611</td>
<td>GOLDBERGER, MOSHE &amp; REGINA H/W</td>
<td>378 Longacre Ave, Woodmere, New York, 11583</td>
</tr>
<tr>
<td>9 W State St, Trenton, New Jersey, 08618</td>
<td>AFRICAN AMERICAN CHAMBER COMMERCE</td>
<td>1 N Apple St, Lakewood, New Jersey, 08701</td>
</tr>
<tr>
<td>Rusling St, Trenton, New Jersey, 08611</td>
<td>MEDVEST PROPERTIES, LLC</td>
<td>426 Cilfo Ave, Lakewood, New Jersey, 08701</td>
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<tr>
<td>27 Reservoir St, Trenton, New Jersey, 08618</td>
<td>347 RESERVOIR, LLC</td>
<td>38 Cove St, Trenton, New Jersey, 08611</td>
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<tr>
<td>140 Cove St, Trenton, New Jersey, 08611</td>
<td>BAILEY, JUDIS</td>
<td>909 Melrose Ave, Trenton, New Jersey, 08629</td>
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<tr>
<td>909 Melrose Ave, Trenton, New Jersey, 08629</td>
<td>667 LAMBERTON ST LLC</td>
<td>246 Ridge Ave, Lakewood, New Jersey, 08701</td>
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<tr>
<td>68 W End Ave, Trenton, New Jersey, 08618</td>
<td>68 WEST END LLC</td>
<td>68 W End Ave, Trenton, New Jersey, 08618</td>
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<tr>
<td>628 Spruce St, Trenton, New Jersey, 08638</td>
<td>628 SPRUCE STREET LLC</td>
<td>628 Spruce St, Trenton, New Jersey, 08638</td>
</tr>
<tr>
<td>1316 Liberty St, Trenton, New Jersey, 08629</td>
<td>MARZAN, PETER ANDREW</td>
<td>69 Castle Pointe Blvd, Piscataway, New Jersey, 08855</td>
</tr>
<tr>
<td>1210 Chestnut Ave, Trenton, New Jersey, 08611</td>
<td>MADOLU, THEODORE A</td>
<td>125 Dewey Ave, Trenton, New Jersey, 08610</td>
</tr>
<tr>
<td>221 Cleveland Ave, Trenton, New Jersey, 08629</td>
<td>ANTHONY, SYLVESTER</td>
<td>221 Cleveland Ave, Trenton, New Jersey, 08629</td>
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<tr>
<td>20 Elm St, Trenton, New Jersey, 08611</td>
<td>RAITREE HOLDINGS, LLC</td>
<td>110 Hillside Blvd, Lakewood, New Jersey, 08701</td>
</tr>
</tbody>
</table>

**Homebuyers (owner-occupants)**

**Investors**
Measuring factors that affect or reflect the market

<table>
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<th>INDICATOR</th>
<th>BEST SOURCE</th>
<th>POTENTIAL ALTERNATIVE SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax delinquency, sale or foreclosure</td>
<td>City or County records</td>
<td>None</td>
</tr>
<tr>
<td>Vacant properties</td>
<td>Parcel survey</td>
<td>City or County tax assessor records ‘Other vacancy’ data from American Community Survey US Postal Service data</td>
</tr>
<tr>
<td>Violent crime</td>
<td>City or County police department</td>
<td>None</td>
</tr>
<tr>
<td>Homeownership rate</td>
<td>Decennial Census City or County tax assessor records</td>
<td>American Community Survey or Decennial Census</td>
</tr>
</tbody>
</table>
Indicators can be combined to create neighborhood market assessments.
Drilling down: Markets are fine-grained

Flint, Michigan

Median sales price 2012

- $12,000
- $69,900

Median sales price 2017

- $14,500
- $106,750
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
Questions?