



Why Affordable Housing Does Not Lower Property Values

From HomeBase/The Center For Common Concerns, San Francisco

Common Attitudes vs. the Facts

It is a common belief that affordable housing, including residential care facilities and supportive housing, will lower neighboring property values. However, numerous studies conducted over a period of many years and in various locations find that this widely held preconception is incorrect. Why? Because property values are primarily determined by the condition of the particular property for sale and other broader, more complex forces such as overall area development and prosperity. The location of affordable housing has no significant impact on these other conditions which determine property values.

A Wide Variety of Types of Housing and Residential Areas Were Studied

The studies cover a wide scope both of kinds of housing and of residential areas. Elaborate studies have been conducted regarding affordable rental housing, owner-occupied housing, and housing for the physically and developmentally disabled, mentally ill, the elderly and homeless women and children. The actual housing structures vary from single family houses to high-rise apartment buildings, from manufactured housing to multiple family units in garden clusters. Areas examined range from prosperous suburbs to rural routes to densely populated urban areas in locations all over the United States. Despite this variety of factors, all of the studies except one reach the same conclusion -- facilities of this kind simply do not affect neighboring property values.

Studies Were Conducted By A Variety of Public and Private Sector Experts

Some studies come from the academic community, others are conducted by independent researchers, still more are government reports. The available studies have been conducted by the U.S. General Accounting Office, Coopers and Lybrand, U.C.B.'s Institute for Urban and Regional Development, California's Department of Housing and Community Development, and Princeton University's Woodrow Wilson School of Public and International Affairs.

Studies Used Many Different Methods to Detect Effects

The studies assess the potential effect of housing facilities on neighboring property values in many ways. Some compare the sale prices of neighboring housing to prices in a similar control area. Some compare sale prices before, during and after the construction of a facility to determine changes and then compare this data to statistics on the prevailing trends in that community. Others utilize a sophisticated statistical technique called "regression analysis" to determine the effect of proximity to affordable housing.

Almost No Effects on Nearby Property Values Were Found

Except for one, all of the studies, utilizing many methodologies, determined that property values are not affected by these housing facilities. The only study examined which suggested that facilities might have a negative effect on neighboring property values could not conclusively determine whether the affordable housing in question was responsible for lower property values, or whether it was caused by other neighborhood concerns.

Conclusion

It is a common assumption that property values will go down in areas where affordable housing is located. Contrary to popular beliefs, studies indicate conclusively that affordable housing has little or no effect on neighboring property values. No one really knows what determines property values -- they are a complex phenomenon, and seem to be most closely related to the condition of the particular property for sale and broad trends in neighborhood prosperity, urban and suburban expansion, road and highway construction and nearby large-scale commercial and industrial developments.

The assumption that property values will decline with the location of affordable housing is based on the idea that one facility can affect a whole neighborhood, and that such facilities will be conspicuous, unattractive, poorly maintained and poorly managed. The studies cited on the following sample bibliography as well as others show that these assumptions are incorrect.

A Sample of the Research of Property Value Effects

1. Habitat for Humanity South Ranch 2 Community Impact Study

(Coopers & Lybrand, 1994)

Study of potential impact of a proposed 196 owner-built and occupied home development on a previously unoccupied area of Phoenix concluded that the development would benefit the overall community by bringing in community-committed, stable, working families, drawing commercial development to a new area and spatially linking existing developed areas of Phoenix.

2. Relations between Affordable Housing Development and Property Values

(Institute for Urban and Regional Development, University of California, Berkeley, Working Paper 599, 1993)

Determined that proximity to affordable housing is not a significant factor in determining sales prices, and in one instance it may have had a positive impact on sales prices.

3. Measuring the Effects of Affordable Housing on Residential Property Values

(San Francisco State University, unpublished master's thesis, Smith, B., 1992)

Analysis found that among thirteen "proximity zones" the highest increases in value and the lowest turnover were in areas closest to an affordable housing facility.

4. The Effect of Group Homes for the Mentally Ill on Residential Property Values

(*Hospital and Community Psychiatry*, Boydell, Katherine M., M.H.Sc., John N. Trainor, MSW, Anna M. Pierri, 1989)

Determined that property values in a suburban area with a group home increased more than a similar area without such a facility.

5. Texas Department of Mental Health and Mental Retardation Questions and Answers

(Johnson and Olson Associates of Austin, 1988.)

This summary finds no evidence of property values declining because of the location of a group home for the mentally retarded, and finds that there was less residential turnover near the group home than in other similar areas.

6. The Effects of Subsidized and Affordable Housing on Property Values: A Survey of Research

(Department of Housing and Community Development, State of California, 1988.)

Out of 15 published papers on subsidized housing, group homes for the disabled, and manufactured housing, 14 concluded that this housing had no significant negative effects on the values of neighboring properties. Some reported positive property value effects.

7. The Impact of Group Homes on Residential Property Values

(The Maryland-National Capital Park and Planning Commission, Prince George's County Planning Department, 1988)

Study found that most areas around group homes appreciated more than other similar areas in the country. Determined that there is no correlation positive or negative between location of group homes and neighboring property values.

8. Impact Study for Sacramento Housing and Redevelopment Agency

(Spear Street Advisors, Inc., San Francisco, Calif., 1988)

Determined that proximity to affordable housing was not a statistically significant factor affecting property values.

9. Impacts on the Surrounding Neighborhood of Group Homes for Persons with Developmental Disabilities

(Illinois Planning Council on Developmental Disabilities, Daniel Lauber, Springfield, Ill., 1986)

Research ascertained that the location of group homes had no effect on property values, mean sales price, or residential turnover rates.

10. Impact of Affordable Housing on Property Values

(Lynn Sedway & Associates, 1983)

Study determined that appreciation rates near affordable housing were at least as high as the area average.

11. Long Term Neighborhood Property Impacts of Group Homes for Mentally Retarded People
(Woodrow Wilson School of Public and International Affairs, Princeton University, 1982)

Of 32 group homes all over New York State, none had a short or long term impact on neighboring property values.

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