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Introduction of Low-Income Housing Unlikely to Affect Nearby Home Prices

A Redfin analysis of over 220,000 home sales found no consistent relationship between the addition of low-income housing and changes in nearby home prices in most metros

SEATTLE, Feb. 10, 2021 /PRNewswire/ -- (NASDAQ: RDFN) — Construction of low-income housing developments has had no consistent impact on the sale prices of nearby homes, according to a new [report](#) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage. This report includes an analysis of over 220,000 home sales in neighborhoods with low-income housing developments in 26 metro areas across the U.S. from 2007 through 2019.



In 18 of the 26 metro areas studied, no significant difference was detected in the prices of nearby homes sold before and after the construction of a low-income housing development, when compared with similar homes farther from the development but within the same neighborhood. In four of the eight metro areas where significant differences were detected—Boston, Philadelphia, Washington, D.C. and Charlotte, NC—homes near low-income housing developments sold for *more* after the development was constructed. In the remaining four metro areas—Chicago, Las Vegas, Phoenix and Warren, MI—homes sold for less after low-income housing developments were built nearby.

"For children in low-income families, living in a neighborhood with less poverty can have a big impact on mental and physical health as well as long-term earnings throughout their life," said Redfin senior economist Sheharyar Bokhari. "But economically integrated neighborhoods—those with low-income housing near homes for middle- and high-income households—are so rare because development of low-income housing often faces strong opposition from neighbors who are concerned that the project will lower their home values. These perceptions have made socio-economic segregation even more pervasive throughout the United States, further exacerbating social, racial and housing inequalities."

Expensive Neighborhoods in Boston & Washington, D.C., Saw Home-Price Gains After the Introduction of Low-Income Housing

In general, the more expensive the homes in a neighborhood, the more likely it was that the

addition of a low-income housing development resulted in an *increase* in home prices in the neighborhood. For example, in Washington, D.C., where the median price of homes sold near low-income housing developments in the study was \$499,000, homes near the development site sold for 6.3% less than those farther away before the low-income homes were created. After the low-income homes were built, homes nearby sold for 0.9% more than those farther away.

"The data suggests that it can be a win-win to put low income housing in expensive neighborhoods, benefiting both current homeowners and low-income residents," explained Bokhari. "Because these projects are being built by private developers, they often have an incentive to identify places that have good prospects for growth. On the flip side, they're also less likely to plan projects in areas that are less desirable."

For homebuyers, economically integrated neighborhoods can be more desirable because they create a more self-contained community where the people who work in the community (teachers, service workers, etc) are able to live in the community.

However, in a lower-priced area like Phoenix, where the median home price near low-income housing was \$149,000, the price gap widened substantially. Before the introduction of the low-income housing development, homes near the site sold for 3.9% less than those farther away; after the low-income homes were built, nearby homes sold for 11% less than homes farther away.

One possible explanation for the relative weakening of home prices near some new low-income housing developments may be that low-income housing was put in areas that were in the midst of gentrification and rapid price growth. Had a high-end development instead been built in place of the low-income housing, prices might have continued to grow even higher. There are still many unknown factors, but overall this study supports the idea that low-income housing does not degrade property values.

The opposite trend was seen in Philadelphia, where the median price of homes near low-income developments was just \$174,900—below the national median price. Homes near the low-income housing site went from selling for 7.3% less than farther away homes before the low-income development was built, to selling for 3.9% more than homes farther away from the development after it was built.

"Part of President Joe Biden's housing plan is to expand the Low-Income Housing Tax Credit," said Bokhari. "If the Biden administration is successful in 'dramatically increasing the number of new or rehabilitated affordable housing units,' it will be a big step in the right direction, and in most cases, homeowners near the new affordable housing communities can rest assured that their home values will be unaffected."


To view the full report, including charts and methodology, please visit:
<https://www.redfin.com/news/low-income-developments-home-values/>

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