

Affordable Rental Housing Does Not Reduce Property Values

The Evidence from the Twin Cities

Neighbors of proposed affordable housing developments often express concern that the new buildings will lower nearby home values. Concern about property values is understandable; after all, a home is the single largest investment that most families will ever make.

Researchers Found No Evidence That Affordable Housing Hurt Area Home Sales

However, the facts about the actual effects of affordable housing on neighboring home values tell a different story. A recent study clearly demonstrates that affordable rental housing developments built in the 1990s in Twin Cities suburbs have not harmed the property values of neighboring homes.

Research Finds No Effect on Home Sales Performance

Maxfield Research Inc., a private real estate research firm, studied home sales in neighbor-

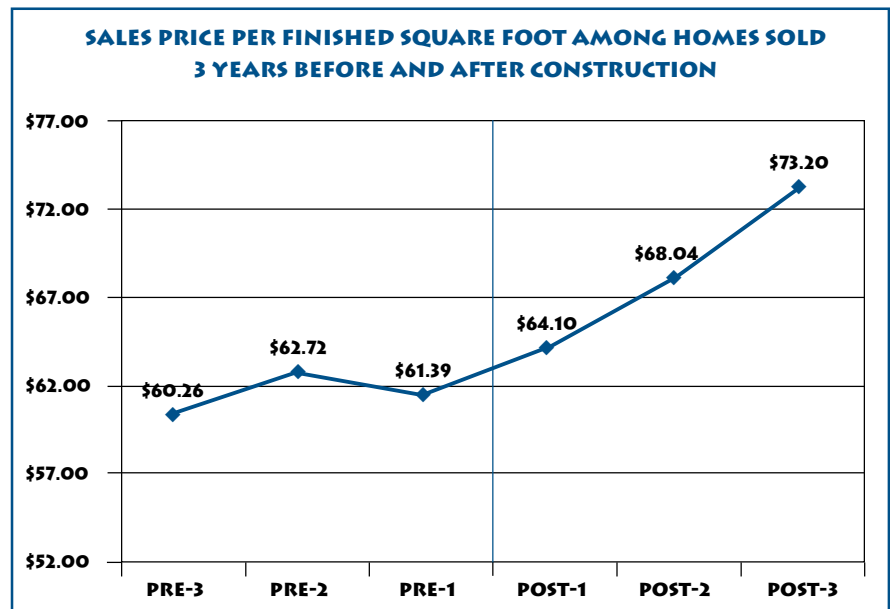
hoods surrounding affordable rental housing developments built between 1993 and 1997 in 11 Twin Cities suburbs: Shakopee, Savage, Prior Lake, Lakeville, Minnetonka, Eagan, Coon Rapids, Burnsville, Blaine, Inver Grove Heights, and Stillwater.

The affordable housing developments included in the study are typical of those being built throughout the Twin Cities metropolitan area today. They provide apartments and townhomes at affordable rents for families with children. Most are aimed at families

in which the parents are employed in lower-wage jobs, earning \$20,000 to \$30,000 per year.

The researchers compared home sales prices in the neighborhoods surrounding affordable housing before and after the developments were built. They also compared sales of homes in areas adjacent to affordable housing to those in similar neighborhoods without affordable housing nearby. Their findings include the following:

- Prices of homes located near affordable rental housing grew



at least as quickly after the rental housing was built as before.

- Prices of homes located near affordable housing were as high or higher than those located farther from rental housing in 98 percent of cases.
- Home sellers generally received at least as high a percentage of their asking prices for their homes after the construction of nearby rental housing as before.
- Homes sold as quickly or more quickly after the construction of nearby rental housing as they did before the rental housing was built.

In short, the researchers found little or no evidence to suggest that the construction of affordable rental housing hurt the performance of area home sales.

Local and National Studies Show Similar Results

The conclusion that affordable rental housing does not affect Twin Cities home values echoes the findings of a 1996 study of property values in Minneapolis neighborhoods surrounding affordable rental housing. That study, performed by Edward Goetz of the University of Minnesota's Center for Urban and

Regional Affairs, found that affordable rental housing developed by nonprofit organizations in Minneapolis had a *positive* effect on nearby property values. The study also found that crime decreased at these buildings after their conversion to nonprofit-owned affordable housing. The study concluded that, far from harming the surrounding

Nonprofit-Owned Affordable Housing Had a Positive Effect on Nearby Property Values in Minneapolis

area, affordable rental housing development benefits city neighborhoods by revitalizing aging housing stock.

The evidence from the Twin Cities is consistent with a number of studies performed nationwide over the last 20 years. Examinations of affordable homes for low-income homebuyers, rental housing for families, and housing with supportive services for people with special needs throughout the U.S. have found no evidence that home values decline when affordable housing is sited nearby.

Whether in the Twin Cities or elsewhere in the country, the evidence is overwhelming: providing quality housing that lower-income families can afford poses no threat to area property values.

A Study of the Relationship Between Affordable Family Rental Housing and Home Values in the Twin Cities can be ordered free of charge from the Family Housing Fund, or viewed at www.fhfund.org.

This publication is part of a Public Education Initiative on affordable housing sponsored by the Family Housing Fund. The Family Housing Fund is a private, nonprofit corporation created in 1980 to help bridge the gap between the housing that people need and the housing they can afford. The Public Education Initiative is designed to provide informational materials on a variety of issues related to affordable housing in the Twin Cities metropolitan area.

For more information about the Public Education Initiative and other publications available in this series, please contact:



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