



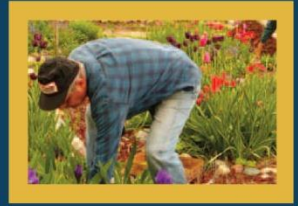
Neighborhood Dynamics and Market Trends: An Overview

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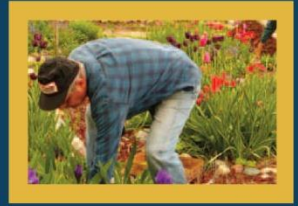
Center for Community Progress

The goal



- We all share the goal of building strong, healthy neighborhoods
- What does that mean?

What is a healthy neighborhood?

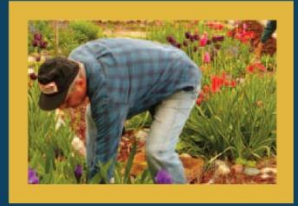


A healthy neighborhood is one where:

- It makes economic sense for people to invest time, energy, and money and,
- Where neighbors have the capacity to successfully manage the day-to-day issues in the neighborhood and,
- Where neighbors feel confident in their investment and the future of the neighborhood

(from Donald Poland, Healthy Neighborhoods of Hartford, Inc.)

Neighborhood health is driven by the market



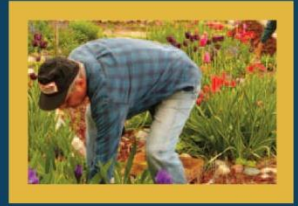
- Neighborhood health is both social and economic.
- Consumer choice is key to neighborhood health: people who have choices **choose** to move into or stay in the neighborhood.
- Consumer choice is a function of the market: how competitive is the neighborhood in the city or regional housing market?

Understanding markets



- Effective neighborhood revitalization needs an understanding of the neighborhood's market dynamics:
 - To determine which strategies are likely to be most appropriate
 - To target resources most effectively
 - To understand the opportunities created as well as constraints imposed by market conditions.
- Dynamics include both conditions and trends

What does a strong market look like?



- **Houses sell quickly when they come on the market**
- **Houses sell for prices above replacement cost**
- **Most buyers are homebuyers, not investors**
- Houses are well-maintained, and owners reinvest in their houses
- Vacant lots are quickly reused for infill homes
- **Vacancy rates are low**

Key market indicators

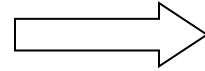
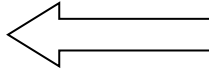


INDICATOR	STRONG MARKET	WEAK MARKET
Sales Volume	Enough sales to absorb all properties that come onto market	Too few sales to absorb properties coming onto market
Price	Sales prices are equal to or greater than replacement cost	Sales prices are significantly below replacement cost
Buyers	Most buyers are owner-occupants	Most buyers are absentee buyers or investors
Vacancy	Low vacancy rate - long-term vacant buildings are rare	High vacancy rate - many long-term vacant and abandoned buildings

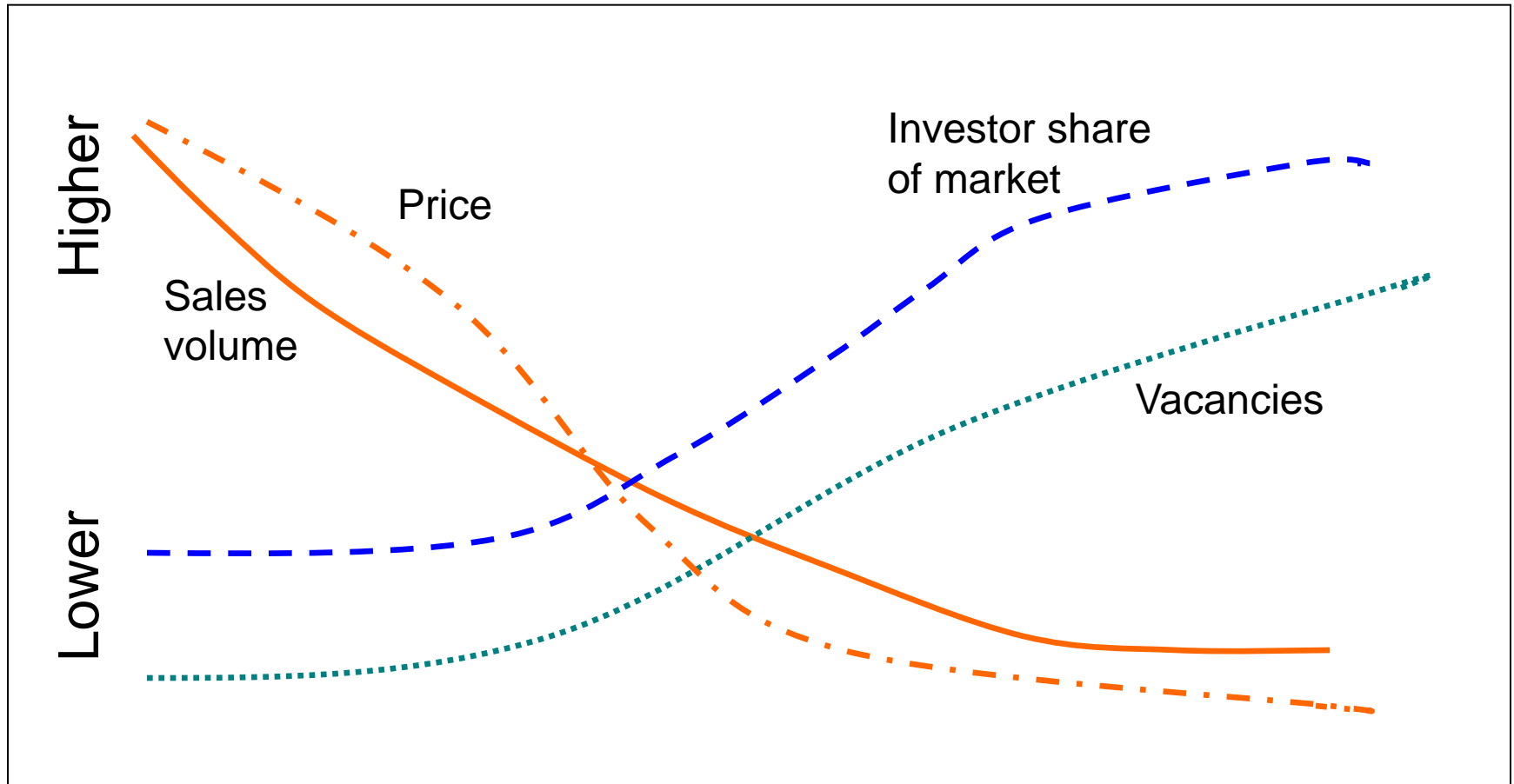
Markets form a continuum



STRONG MARKET



WEAK MARKET

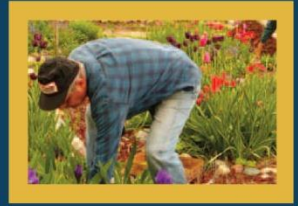


Sales volume is not everything



- Areas with high sales volumes may not be healthy neighborhoods:
 - Sales may be driven by speculation, not sustainable demand
 - Most buyers may be absentee investors, with few homebuyers
 - Prices may be low, despite high volumes
 - Turnover is high leading to high vacancy rates and abandoned properties

Measures for market indicators

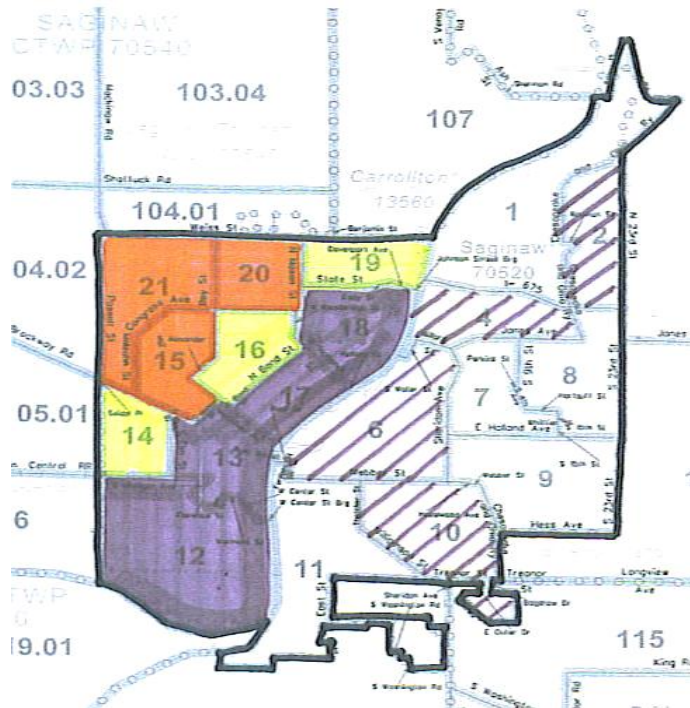


INDICATOR	MEASURE	SOURCE
Sales volume	Single family sales as a percentage of total single family properties (properties/sales ratio)	PolicyMap or local source such as county recorder
Price	Median price of single family sales	PolicyMap or local source such as county recorder
Buyers	Ratio of purchase mortgages to sales (sales/mortgage ratio)	Comparison of sales volume with HMDA data
Vacancy	Vacant residential units	2010 Census or US Postal Service

Markets vary widely within small areas



SAGINAW, MICHIGAN



Strong market



Moderate market



High volume weak market

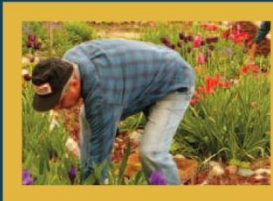


Moderate volume weak market



Low volume weak market

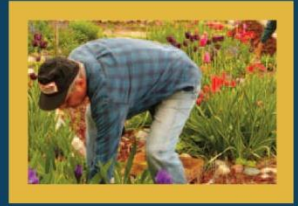
Measures for selected census tracts



CENSUS TRACT	MEDIAN SALES PRICE	PROPERTIES/ SALES RATIO 2009	SALES/ MORTGAGE RATIO 2009	VACANCY RATE 2010
21	\$56,500	13 to 1	2.7 to 1	6.5%
20	\$39,500	12 to 1	4.2 to 1	10.3%
13	\$19,500	10 to 1	27.0 to 1	24.5%
12	\$16,550	15 to 1	11.7 to 1	13.6%
8	\$15,000	36 to 1	No mortgages	18.7%
7	\$14,000	122 to 1	No mortgages	27.6%

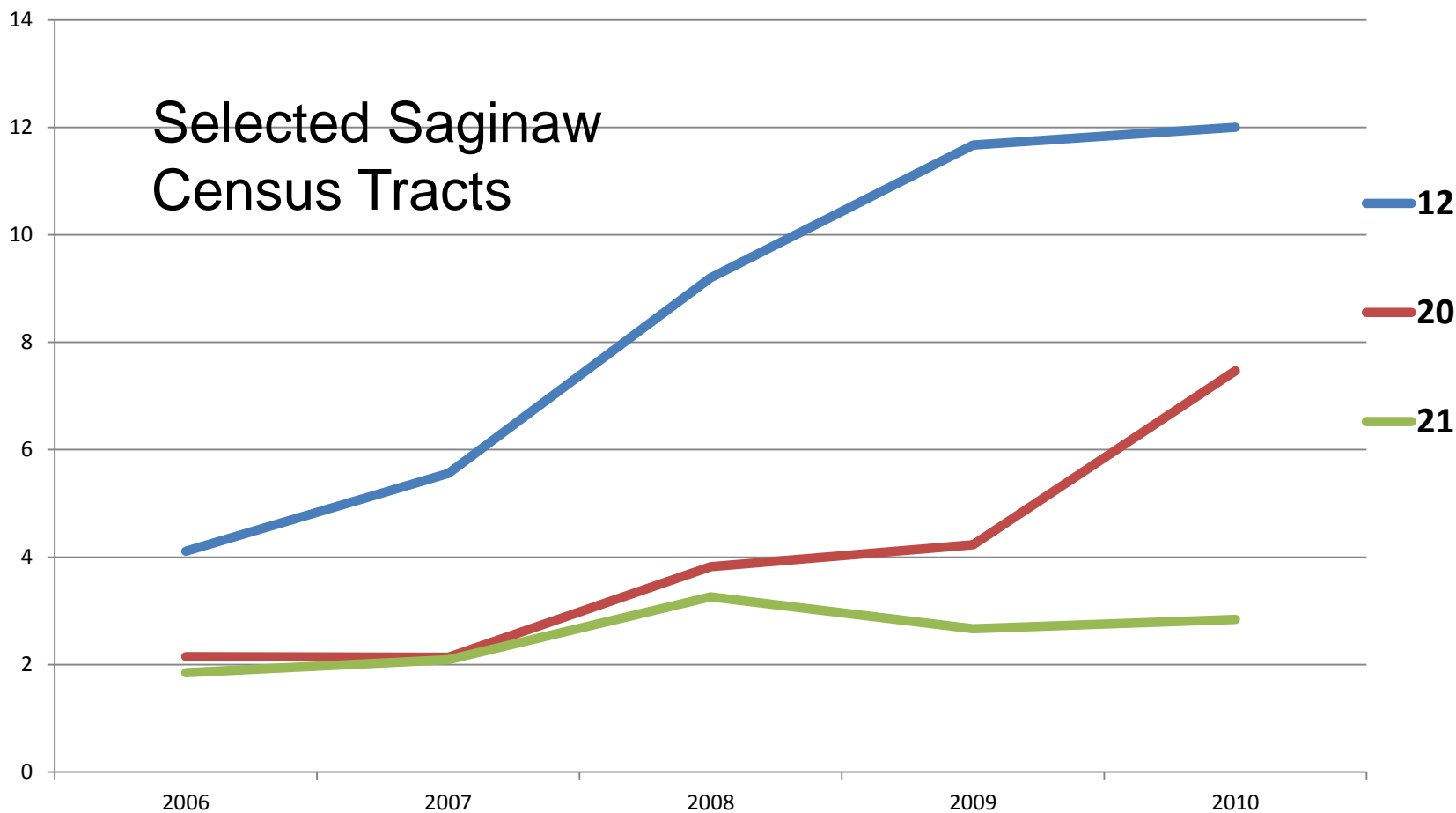
High volume
weak market

Next steps

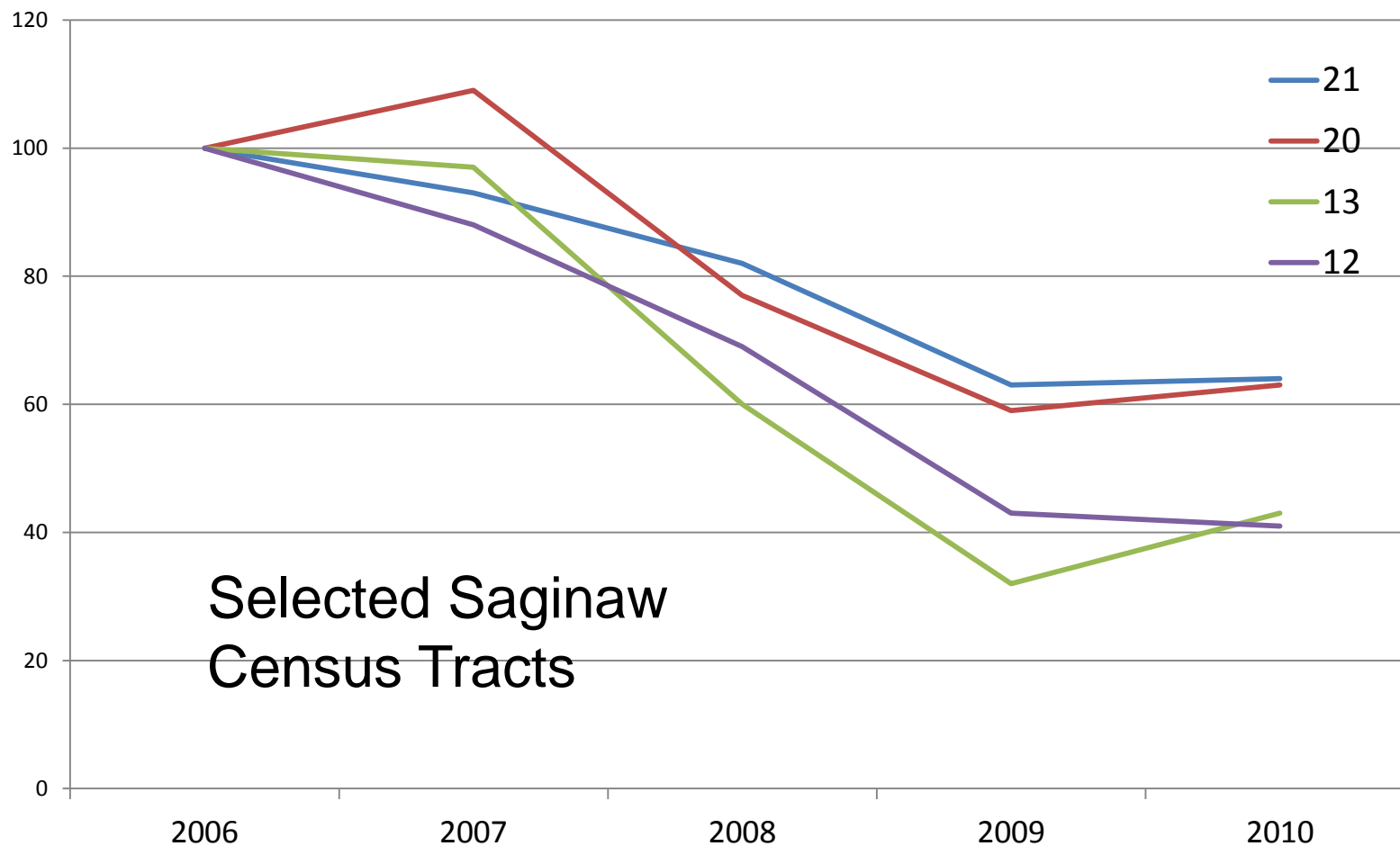


- Track trends as well as current conditions
- Look for local datasets that can add to and refine the market assessment

Change in mortgage ratio 2006-2010

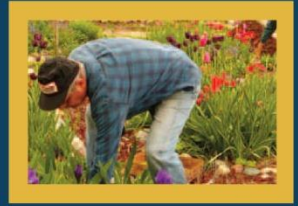


Change in sales prices 2006-2010



Selected Saginaw
Census Tracts

Other valuable information



- Property tax delinquencies and tax foreclosures
- Mortgage foreclosures
- Buyer address of record for tax billing (better indicator of absentee ownership)
- On-the-ground property surveys
- Building permits for home improvements (number and dollar value)
- Expert informant surveys/focus groups
- Resident surveys

Evaluate non-residential markets



- Identify existing areas of strength
 - Shopping districts
 - Industrial areas
- Identify key market gaps
- Evaluate resident buying patterns and purchase power opportunities
- **Be aware of limitations and constraints**

Many other factors influence markets



- Location (proximity to downtown, major employers or transit)
- Amenities (parks, water bodies, historic houses)
- Community strength (community institutions and level of engagement)