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## The Cost of Segregation || Part 2: Paying for Preferences

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## Racial divide skews area's home values

Prices depressed in black areas, inflated in white

By Gordon Trowbridge / The Detroit News

With three big bedrooms, a large fireplace, a formal dining room and new windows, Kimberley Archie's home had it all.

All, that is, except a suburban address. So when Archie's Detroit home went up for sale last May, her real estate agent warned her what to expect.

"He said if that home was in the suburbs, I could have gotten twice as much," said Archie, 34, a mother of two and a lifelong Detroit resident. Instead of looking for a suburban home -- "my dream house" -- the low sale price of her old house kept her in Detroit.

That experience, repeated thousands of times for Metro Detroit families in African-American neighborhoods in recent decades, demonstrates what researchers call one of the biggest costs of racial segregation: The way it warps housing markets, lowering home prices in primarily black neighborhoods and inflating them in predominantly white

### Housing costs

Metro Detroit's segregated neighborhoods take money out of the pockets of the area's homeowners in a variety of ways, experts say:

\* Abandoned homes: White flight has led to thousands of abandoned homes in Detroit, evaporating millions of dollars in real estate value.

\* Deflation in black neighborhoods: Because whites, the majority of home buyers, have little demand for homes in black neighborhoods, prices in those neighborhoods fall.

\* Loss of future wealth: The lower prices in black neighborhoods hurt future generations, because black parents have less housing wealth to pass along to their children.

\* Inflation in white neighborhoods: Whites tend to pay inflated prices as the cost of their preferences for white neighbors.

### Same costs, different houses

Researchers say racial preferences can skew housing markets, pushing values up or down depending on the racial makeup of neighborhoods. A look at some homes recently sold in Metro Detroit for about \$200,000, the size of the homes and how long it took to get that price:



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them in predominantly white areas.

To be sure, it's difficult to separate race from the variety of other factors that can affect prices: property tax rates, school quality, government services and so on. And the boom of the 1990s was kind to homeowners in much of Metro Detroit, including many black neighborhoods.

But researchers say a wealth of evidence points to the conclusion that in highly segregated areas such as Metro Detroit, race plays a major role in the home-value equation.

It is, say researchers, a simple matter of supply and demand. If whites, who comprise 81 percent of Metro Detroit homeowners, have little demand for homes in black neighborhoods, that missing demand can't help but depress prices.

"Nationally, blacks only control about 4 percent of the housing market," said the University of Minnesota's John Powell. "If you have a house that 96 percent of the market is not interested in, it's not going to maintain its value."

Statistical studies have borne that out.

Using 1990 census data, consultant David Rusk, the former mayor of Albuquerque, N.M., studied racial differences in home value. He calculated how much home value blacks and whites owned for each dollar of income they earned, and found that in segregated metro areas the racial



**Detroit**

**Days on the market:** 44  
**Selling price:** \$200,000  
**Size:** 2,652 square feet  
**Bedrooms:** 3  
**Bathrooms:** 2.5



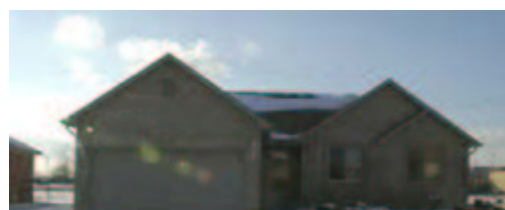
**Plymouth Township, Wayne County**

**Days on the market:** 19  
**Selling price:** \$203,000  
**Size:** 1,500 square feet  
**Bedrooms:** 2  
**Bathrooms:** 1.5



**Commerce Township, Oakland County**

**Days on the market:** 30  
**Selling price:** \$206,000  
**Size:** 1,649 square feet  
**Bedrooms:** 3  
**Bathrooms:** 2



metro areas, the racial differences were larger than in more integrated regions. Metro Detroit, where blacks had 43 percent less home value than whites, had the largest disparity. Four of the five most segregated regions in The Detroit News' rankings in 2000 were also in the top 10 in Rusk's list.

Another indicator: The time homes are on the market before they're sold, which can reveal the strength of demand and how long homeowners must hold out to get a price they'll accept. Houses in Detroit were on the market for as long as 43 days, on average, in December 2001, according to RealComp II, a Farmington Hills real estate research firm. In Livonia, the average was only 27 days.

### Whites feel effects

For at least a couple of reasons, the news is not all that much better for whites.

First, blacks and whites both have been affected by one of the most obvious economic effects of segregation: Detroit's abandoned homes.

Since 1970, more than 30,000 housing units have disappeared in the city, mostly abandoned as white families left for the suburbs and the city's population continued its 50-year decline. Those homes represent millions of dollars in lost real estate value for their owners, whether they were white or black.

Also, whites must pay for their preference toward mostly white neighborhoods, said Duke University researcher Jacob Vigdor.

Vigdor and other researchers published a 1999 study that showed that whites' preferences for living with others of their race was costly.

"If you auctioned off a house in a white neighborhood, and had a black and white family bidding, if those two families are of the same income and demographic characteristics, the white family would bid more for the home," Vigdor said.

That phenomenon, Vigdor said, helps account for continued segregation even after formal, legal barriers to mixed neighborhoods have fallen. "The barrier to moving," he said, "is now price."

University of Pennsylvania historian Thomas Sugrue has seen the



### Macomb Township, Macomb County

**Days on the market:** 27  
**Selling price:** \$196,000  
**Size:** 1,450 square feet  
**Bedrooms:** 3  
**Bathrooms:** 1.5



### Oceola Township, Livingston County

**Days on the market:** 14  
**Selling price:** \$198,000  
**Size:** 1,540 square feet  
**Bedrooms:** 3  
**Bathrooms:** 3

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UNIVERSITY OF PENNSYLVANIA HISTORIAN THOMAS SUGRUE HAS SEEN THE phenomenon up close.

Sugrue, a Detroit-area native, tells his students the story of his parents' former home near Fenkell and Greenfield, which they left in 1973.

"I was in town in 1990, and looked at ads for homes in that area," Sugrue said. "In roughly 20 years, those homes had appreciated five or six thousand dollars. In that same time, the house my parents bought in Farmington Hills had appreciated by \$120,000."

That damages blacks financially not only in the present, but in the future, because so much of Americans' economic fate is tied up in home values.

"We know that housing wealth, for most U.S. households, is the only real form of wealth there is," Vigdor said. "If demand for housing in those black neighborhoods is depressed, you have to see that as an obstacle to the accumulation of wealth in the black population."

The effect accumulates over time, Sugrue said, as each succeeding generation of African Americans has less wealth to pass along to its children.

"History, in other words, matters," he said.

### Race factor disputed

That might all seem an academic exercise to people like Archie, the Detroit mother. What she wanted was a new suburban home for her children. Instead, the lower value of her Detroit home limited her options to other, nicer neighborhoods in the city.

How much of the lower values in her old neighborhood was due to race? Archie admits it's hard to know for sure.

"But a good percent of it," she said. "I didn't see anyone who wasn't black or Hispanic move into that area. And I saw white couples moving out."

Other black homeowners tell different stories. Robert Coker, 37, has lived in homes in Detroit, Oak Park, Southfield and West Bloomfield Township with his wife and three children. He might not always have been happy with the prices he got or how fast the homes sold, he said, but that doesn't mean race was to blame.

"I don't think it was ever too much of the race card," Coker said. "In Southfield, the area was pretty much 50-50 (black and white) when we sold, and we had quite a few white potential buyers come through."

### Segregation tax

Detroit and other highly segregated areas have a large racial disparity in the ratio between home values and income, according to a study using 1990 census data.

METRO AREA	HOME VALUE PER \$ OF INCOME		DIFFERENCE
	WHITES	BLACKS	
Detroit	\$1.78	\$1.02	43%
Gary, Ind.	1.69	1.18	30
Chicago	2.46	1.75	29

City	1990	1995	2000
Milwaukee	1.87	1.33	29
Cleveland	1.98	1.51	24

Source: Brookings Institution The Detroit News

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