

A background image of the San Francisco skyline, featuring prominent skyscrapers like the Transamerica Pyramid and the Salesforce Tower, reflected in the water of the San Francisco Bay. The image is slightly dimmed to allow the white text to stand out.

Worthy of Investment: The Devaluation of Assets in Black Communities

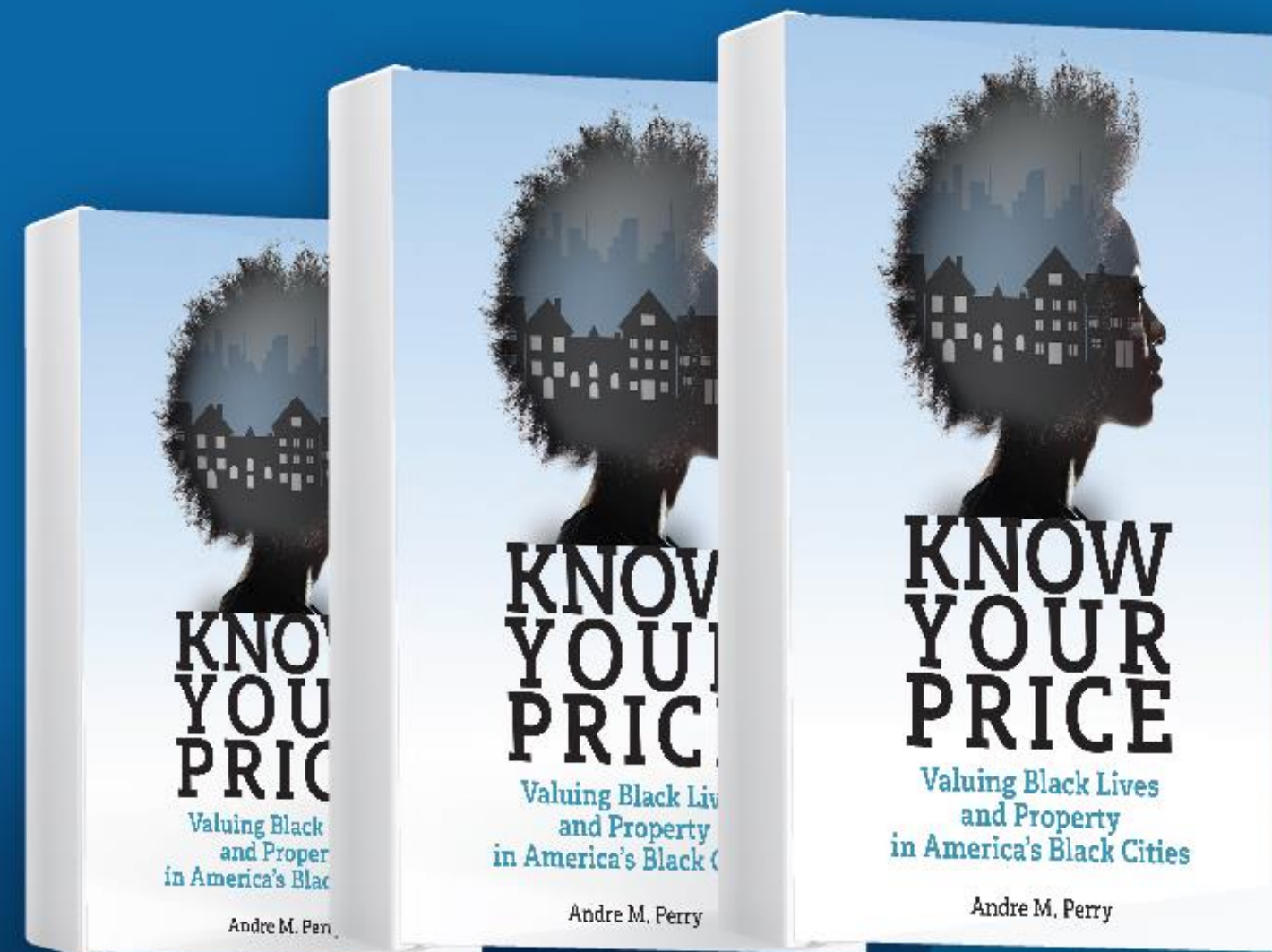
ANDRE PERRY

Brookings Metropolitan Policy Program



@andreperryedu #KNOWYOURPRICE

June 2021



Now available wherever books are sold

KNOW YOUR PRICE

Valuing Black Lives and Property
in America's Black Cities

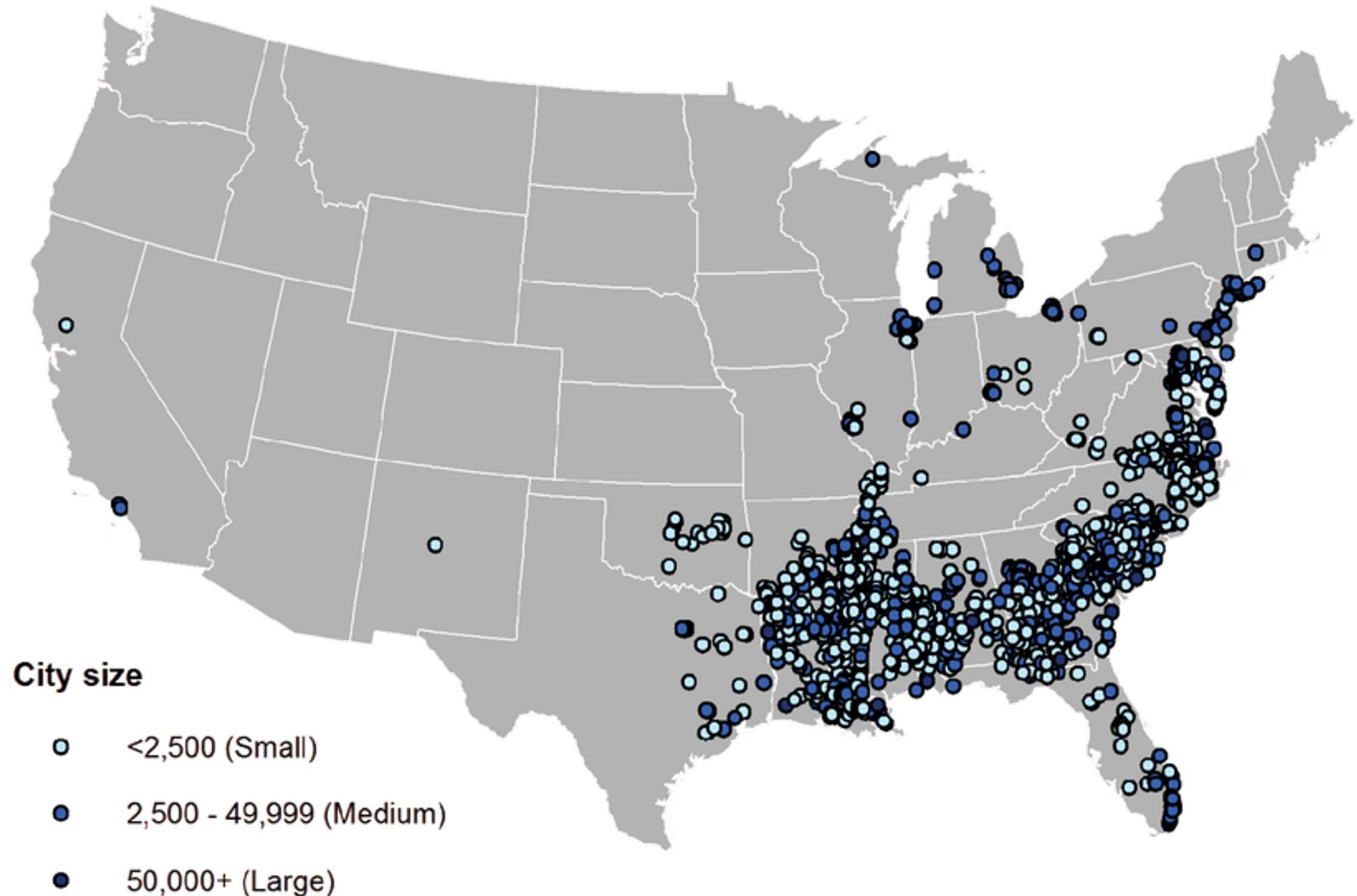
A new book by Andre M. Perry

Black cities

Largely located in
the **Deep South**

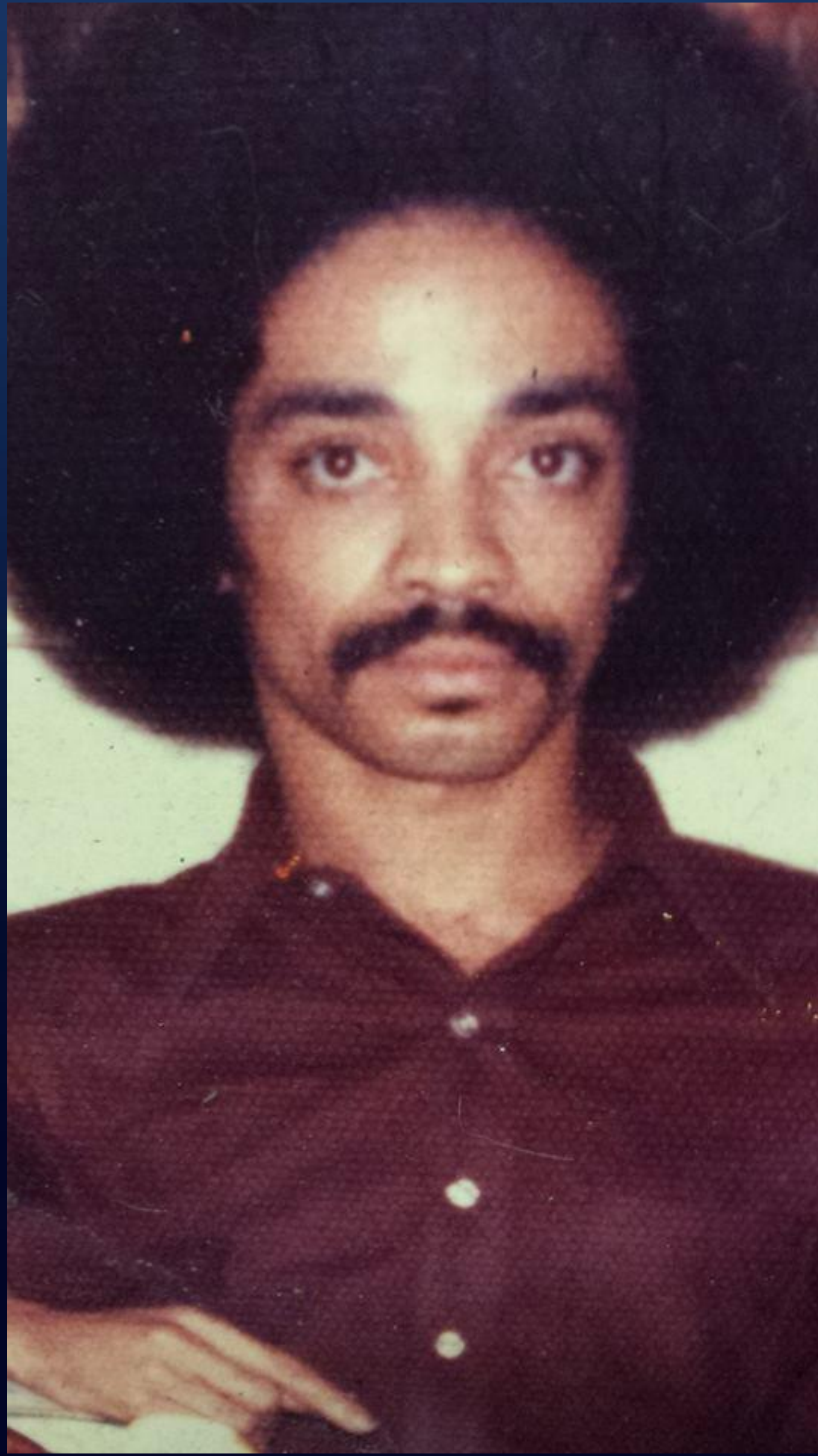
and along the
East Coast

All majority-black cities by total population
US, 2015









Redlining

**Restrictive
covenants**

**WE WANT WHITE
TENANTS IN OUR
WHITE COMMUNITY**

**Neighborhood
Devaluation**

**Highway
construction
through Black
neighborhoods**

**Predatory
lending**



**Urban
renewal**

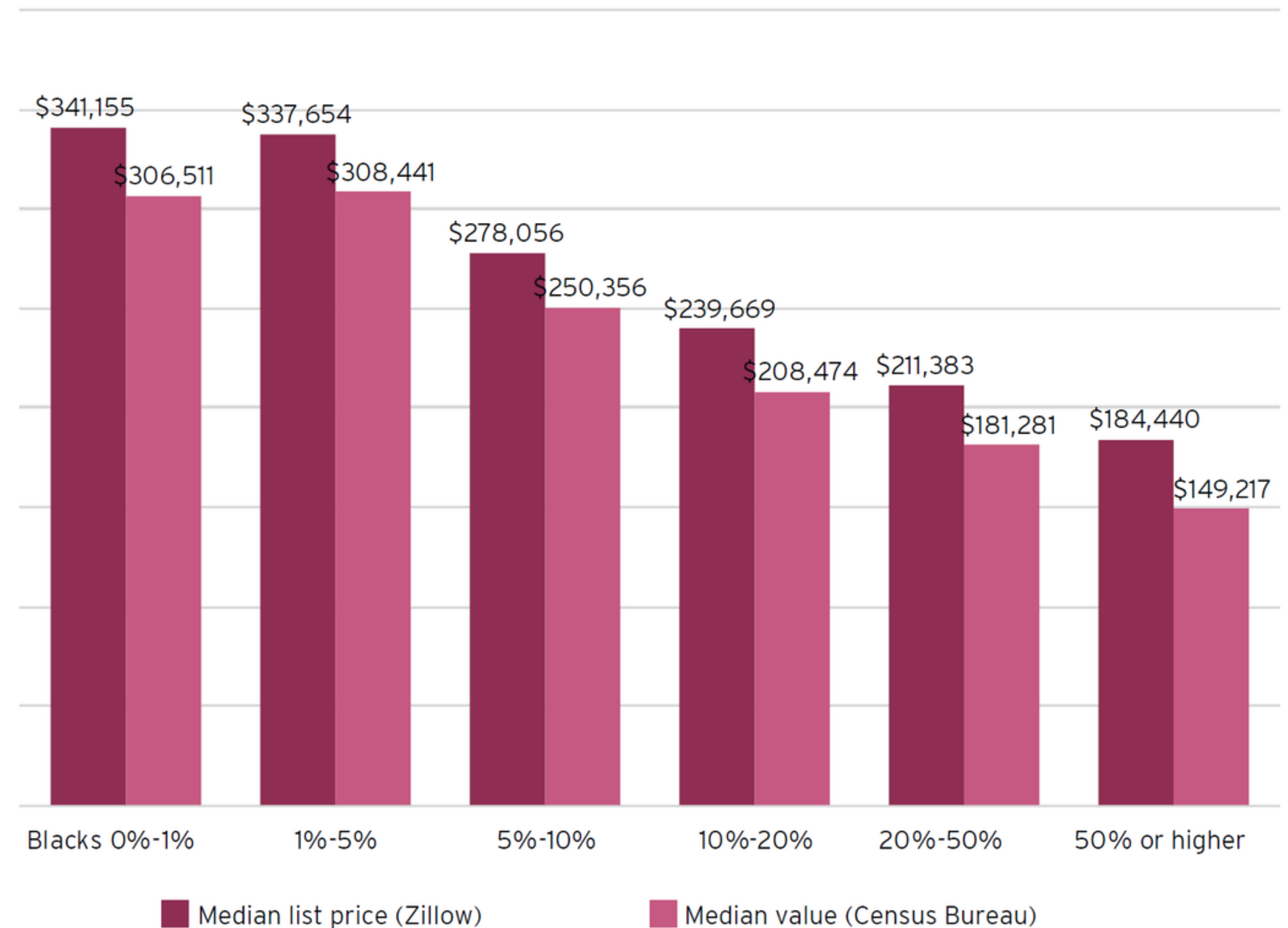


Homes in black neighborhoods are worth less, on average, than homes in <1% black neighborhoods

FIGURE 1

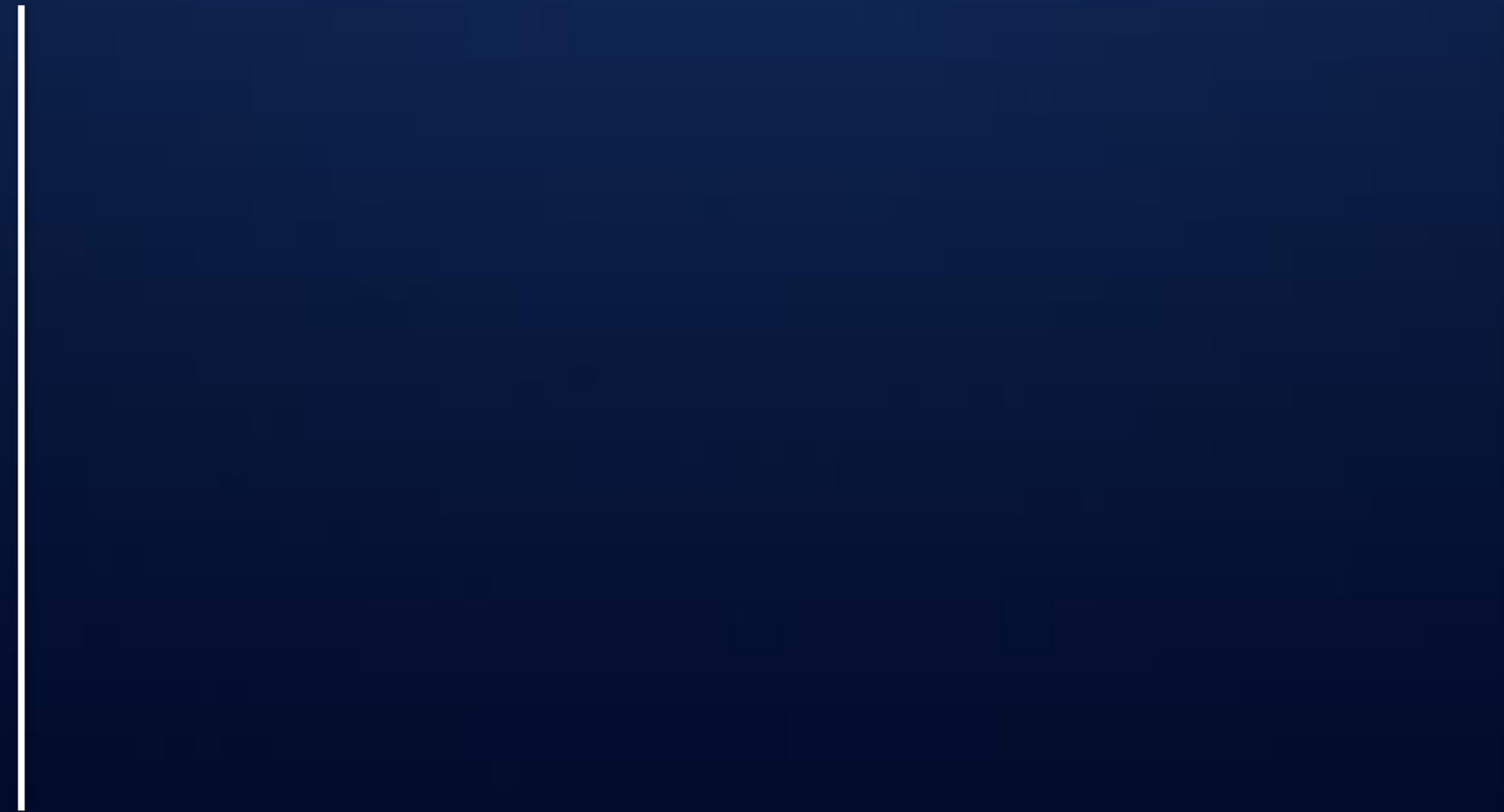
Neighborhood median home value by black population share

U.S. metropolitan areas, 2012-2016



Source: Authors' analysis of Zillow and 2016 American Community Survey 5-year estimates

Can we explain this difference in value?



Can we explain this difference in value?

\$

Absolute price
difference

Can we explain this difference in value?



Absolute price
difference



Structural
characteristics

Can we explain this difference in value?



Absolute price
difference



Structural
characteristics



Neighborhood
amenities

Devaluation

-\$48,000 | **↓23%**

**on average, compared to homes in neighborhoods
which are <1% black**

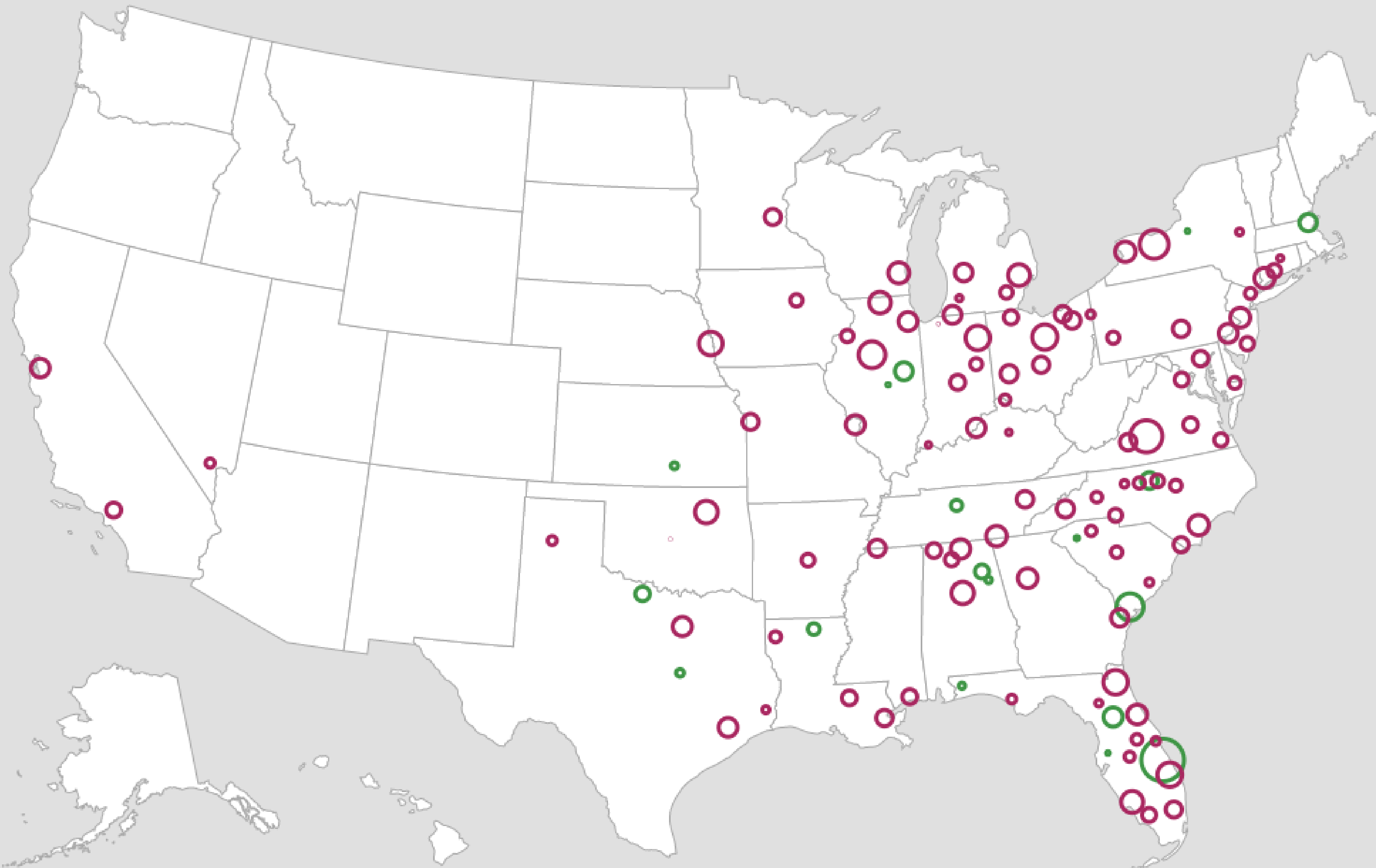
Devaluation

\$156 billion

in cumulative losses

Devaluation varies by metro

113 metropolitan areas with at least one majority black neighborhood

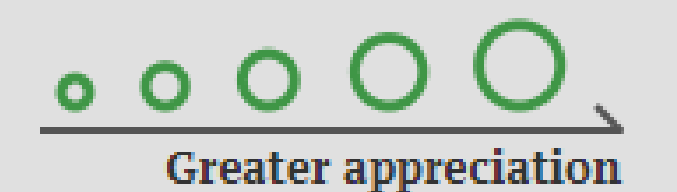


Comparing home values in majority black neighborhoods with those where less than 1% of residents are black

Devaluation: Comparable homes in majority black neighborhoods are worth less ↘



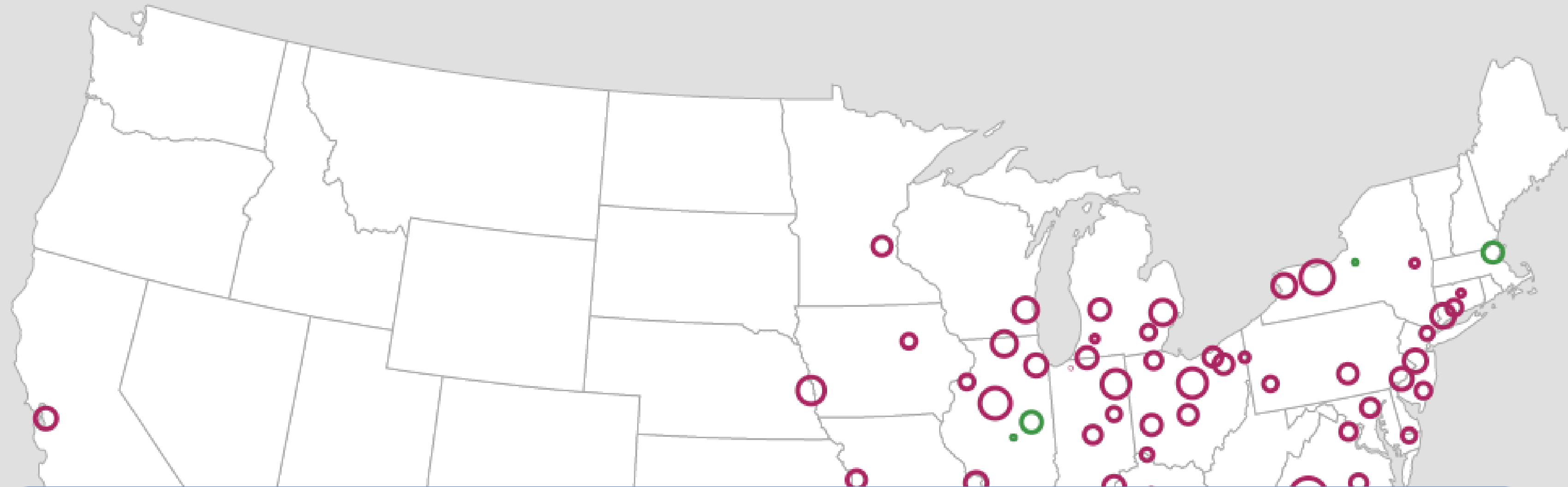
Appreciation: Comparable homes in majority black neighborhoods are worth more ↗



Devaluation and appreciation are represented by percent difference between comparable homes. Hover over metro areas for detail on the magnitude of devaluation.

Devaluation varies by metro

113 metropolitan areas with at least one majority black neighborhood



Chicago Metro Area

Percent difference -28%

Absolute price difference \$36,816

Comparing home values in majority black neighborhoods with those where less than 1% of residents are black

Devaluation: Comparable homes in majority black neighborhoods are worth less ↘



Appreciation: Comparable homes in majority black neighborhoods are worth more ↗



Devaluation and appreciation are represented by percent difference between comparable homes. Hover over metro areas for detail on the magnitude of devaluation.

Homes in Black neighborhoods are significantly devalued in many metro areas

Metro Area	Valuation of homes in black neighborhoods
Example areas with <u>negative</u> valuation of homes in black neighborhoods	
Lynchburg, VA	-81%
Rochester, NY	-65%
Jacksonville, FL	-47%
Detroit-Warren-Dearborn, MI	-37%
Chicago, IL	-28%
Example areas with <u>positive</u> valuation of homes in black neighborhoods	
Nashville-Davidson-Murfreesboro-Franklin, TN	+10%
Wichita Falls, TX	+16%
Boston, MA	+23%
Champaign-Urbana, IL	+25%
Hilton Head Island-Bluffton-Beaufort, SC	+58%

Devaluation

\$156 billion

in cumulative losses

What is \$156 billion?

What is \$156 billion?



4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research

What is \$156 billion?



4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research



8.1 million four-year degrees

Source: National Center for Education Statistics

What is \$156 billion?



4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research



8.1 million four-year degrees

Source: National Center for Education Statistics



Replace pipes in Flint, MI nearly **3,000** times

Source: American Water Works Association

What is \$156 billion?



4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research



8.1 million four-year degrees

Source: National Center for Education Statistics



Replace pipes in Flint, MI nearly **3,000** times

Source: American Water Works Association



97% of the damage of Hurricane Katrina

Source: National Oceanic and Atmospheric Administration

What is \$156 billion?



4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research



8.1 million four-year degrees

Source: National Center for Education Statistics



Replace pipes in Flint, MI nearly **3,000** times

Source: American Water Works Association



97% of the damage of Hurricane Katrina

Source: National Oceanic and Atmospheric Administration



Double the annual economic burden of the opioid crisis

Source: Centers for Disease Control and Prevention (2013)

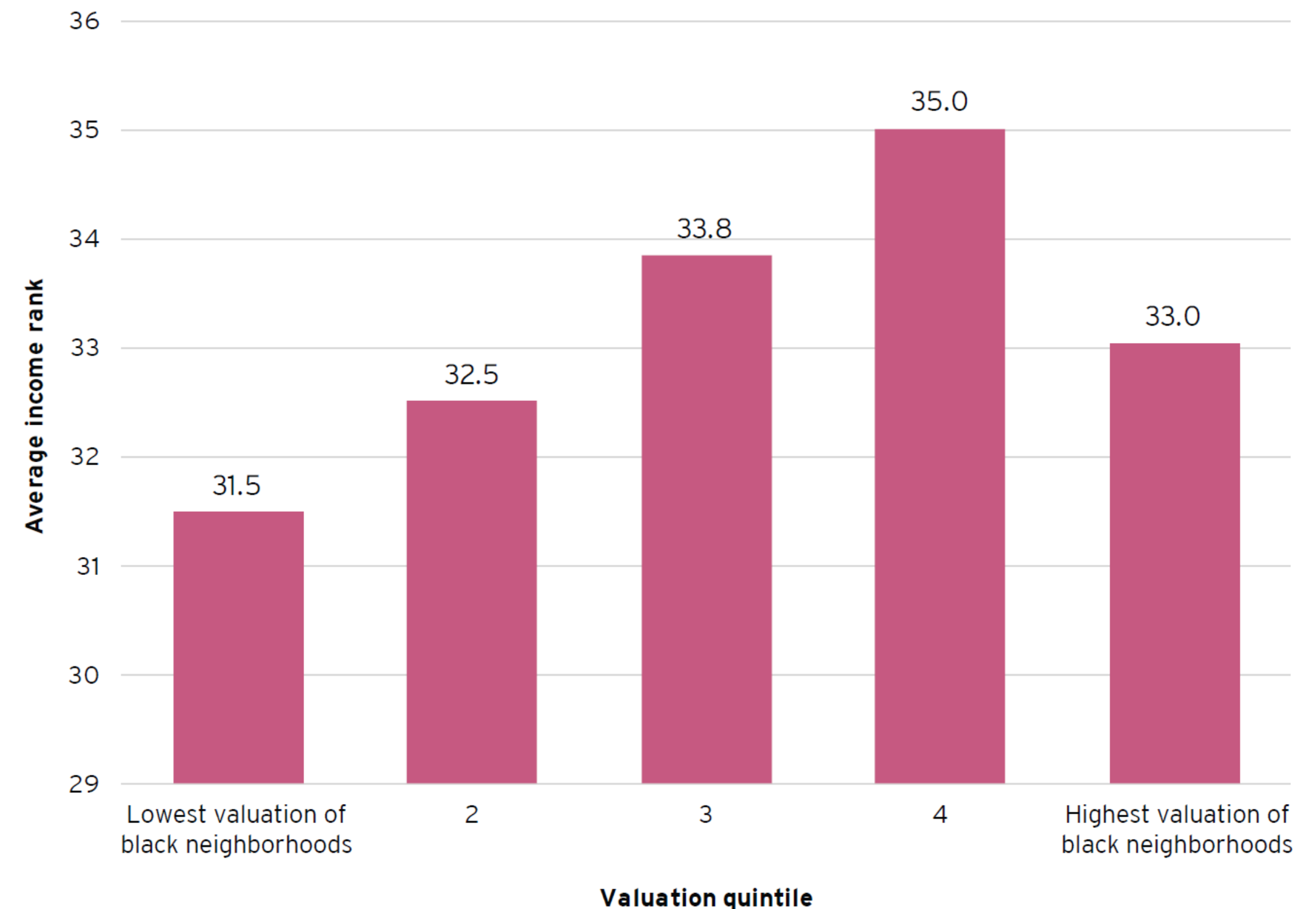
**There is nothing wrong with Black people
that ending racism can't solve.**

Effect of Housing Valuation on Upward Income Mobility of Black Children

FIGURE 2

Effect of housing valuation on upward income mobility of black children

Majority-black neighborhoods in U.S. metro areas, 2012-2016



Note: Income rank calculated for black children born to parents at 25th percentile of national income. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area.

Source: Authors' analysis of data from Zillow, the 5-year 2016 American Community Survey and Equality of Opportunity Project. Devaluation measure is based on median list price per square foot after adjusting for home and neighborhood quality. Analysis is of 113 metropolitan areas with at least one majority black census tract and one tract with black population shares under 1 percent. Means are weighted by the number of black residents in metro area



Business Devaluation



The state of small business before the coronavirus became a pandemic

Barriers to business



- Black people represent **13.7%** of the U.S. population, but only **2.2%** of the nation's 5.7 million businesses with employees (2017).

Source: Census Bureau 2018 Annual Business Survey

- Only **1%** of Black business owners were able to obtain loans in their founding year, compared with **7%** of white entrepreneurs.

Source: Stanford Institute for Economic Policy Research

- Black entrepreneurs are denied bank loans more than twice as often as their white peers — **53%** to **25%**.

Source: Federal Reserve

The state of small business before the coronavirus became a pandemic

Barriers to business



- People of color pay higher interest rates on average than their white peers — **7.8% to 6.4%.**

Source: Census Bureau 2018 Annual Business Survey

- About **half** of Black businesses survived the Great Recession, compared to **60%** of white-owned firms.

Source: Census Bureau Center for Economic Studies (CES)

- **95%** of Black-owned businesses did not receive PPP loans as part of the CARES Act.

Source: Federal Reserve

How do we measure business devaluation?



How do we measure business devaluation?

\$

Business revenue

via Dun & Bradstreet data
for establishments

How do we measure business devaluation?

\$

Business revenue

via Dun & Bradstreet data
for establishments



Business quality

via **yelp** 

How do we measure business devaluation?



Business revenue

via Dun & Bradstreet data
for establishments



Business quality

via **yelp** 



Neighborhood
conditions/wealth

via US Census Bureau

Findings



Black, Brown and Asian-owned businesses are **rated just as highly** or higher than White-owned businesses on Yelp, on average

Source: Analysis of Dun & Bradstreet and Yelp data

Findings



But, businesses in Black neighborhoods receive
50 - 100 fewer
reviews and are rated
0.2 stars lower
on average

Source: Analysis of Yelp and American Community Survey data

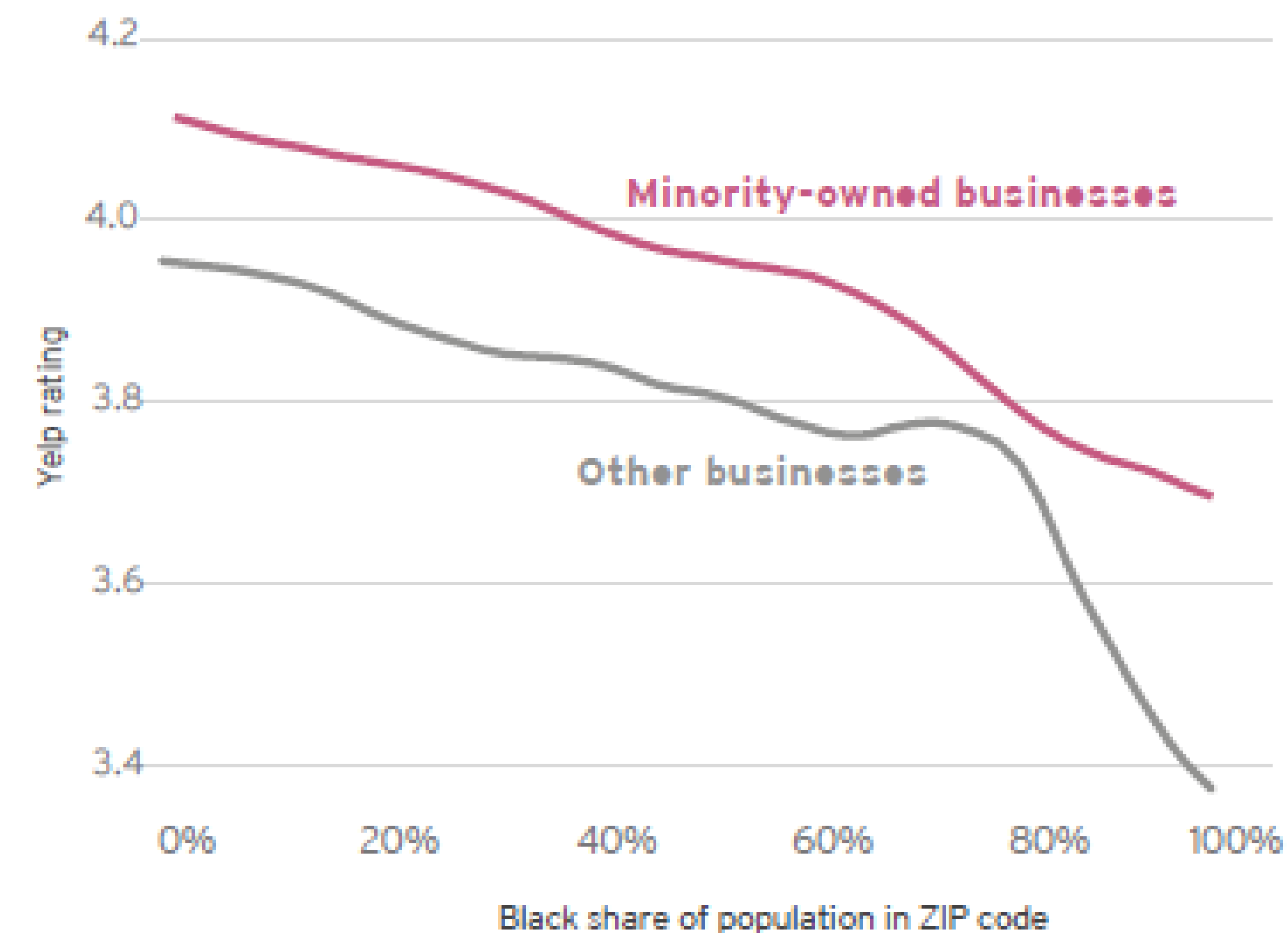
Findings



FIGURE 4

Yelp ratings decrease as Black share of population increases

Yelp sample of businesses in ZIP codes across 86 metro areas, 2016 - 2019



Source: Author analysis of merged data from Yelp and National Establishment Time Series Database (NETS) and 2017 American Community Survey estimates.

Findings



Highly rated businesses in Black neighborhoods experience **lower revenue growth** than *poorly rated* businesses in neighborhoods that are less than 1% Black

Source: Analysis of Dun & Bradstreet and Yelp data

Findings



What is the cost?

- Low estimate: **\$1.3B** in annual revenue lost
- High estimate: **\$3.9B** in annual revenue lost

Source: Analysis of Dun & Bradstreet and Yelp data

“Our ice is just as cold.”
- Black elders

How to counter devaluation

Invest in **PEOPLE**

- **Direct capital** toward Black, Brown and Asian-owned, renters, homeowners and entrepreneurs (Cut the Check)
- **Remove unnecessary bureaucratic barriers** to entry for home and business ownership

Invest in **PLACES**

- Make **targeted infrastructure investments** in Black neighborhoods
- Partner with businesses and developers to **incentivize renovation** and provide commercial spaces adjacent to Black neighborhoods

Divest from **RACISM**

- **Remove policies that extract wealth** from Black communities
- Just as we score policies' budget impact, we should **score for racial equity** as well
- **Install anti-racist policies** that encourage inclusion

Black businesses are underrepresented

Black people comprise approximately **14%** of the U.S. population, but Black businesses are only **2.2%** of the nation's **5.7 million employer businesses**

If Black businesses were the equivalent of the Black population, there would be more than **800,000 more Black businesses.**

In the Chicago Metro Black businesses are underrepresented

Black people comprise approximately **18%** of the Chicago Metropolitan population, but Black businesses are only **2.1%** of the metro's **200 thousand employer businesses**

If Black businesses comprised the same percentage of businesses as Black people do of the population, there would be nearly **40,000 more Black businesses.**

In the Chicago Metro Black businesses are underrepresented

Currently, Black businesses bring in an average yearly revenue of about **\$1.4 million** compared to non-Black businesses' **\$7.4 million**.

If Black businesses increased their average revenue to the level of non-Black businesses, we would see an **increase in total revenue by \$24 Billion**.

In the Chicago Metro Black businesses are underrepresented

Black businesses create an average of **11 jobs per firm**, compared to **23 for non-Black businesses**.

If the average employees per Black business increased to 23,
approximately 48,000 jobs would be created.

In the Chicago Metro Black businesses are underrepresented

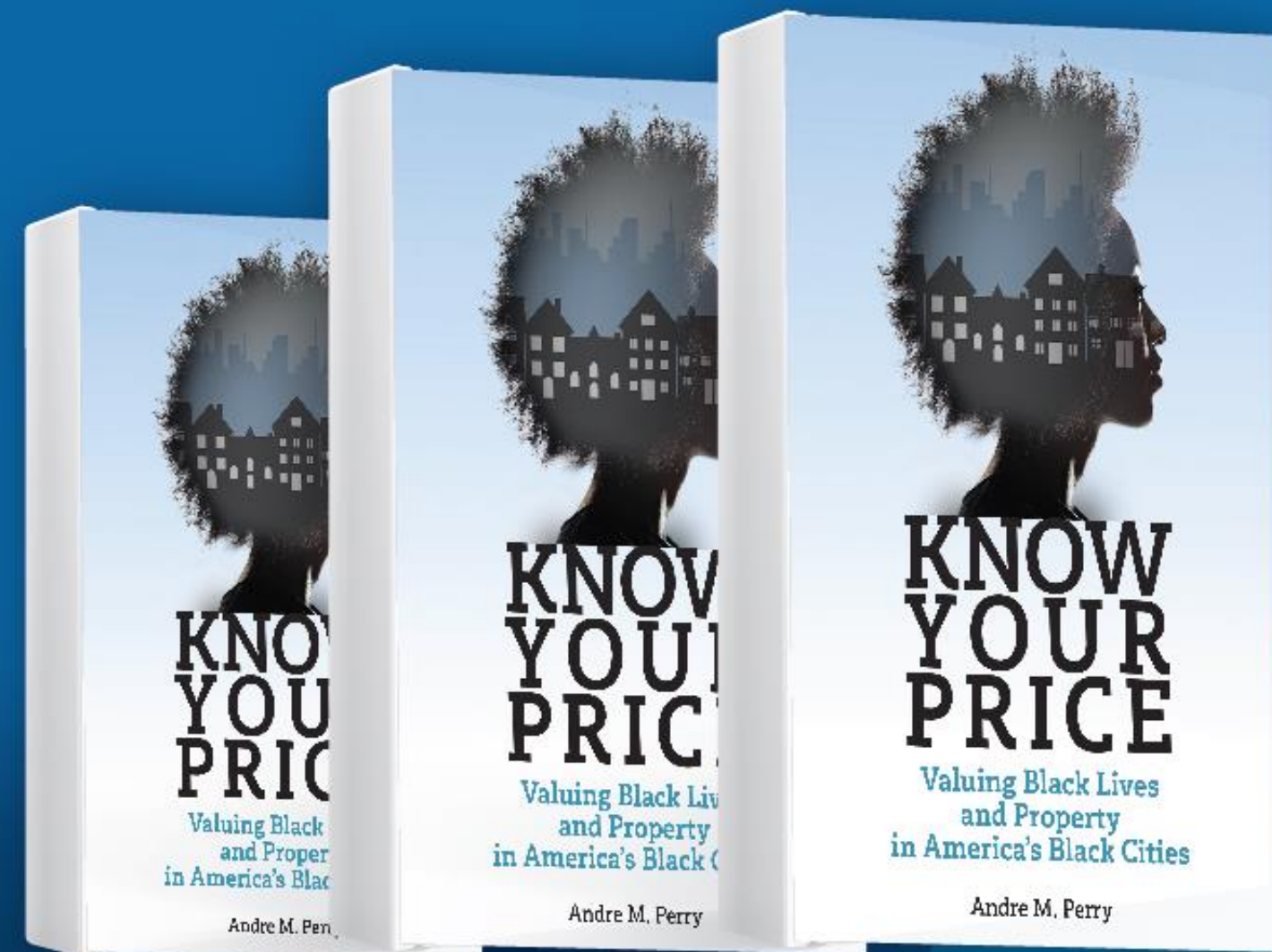
If Black businesses pay their employees an **average of \$33,000**, compared to non-Black businesses' at **\$56,000**.

If Black businesses paid as much as non-Black businesses, then those employees would see an **increase in pay by approximately \$1 billion**.

In the Chicago Metro Black businesses are underrepresented

If Black businesses comprised the same percentage of businesses as Black people do of the population and Black businesses had the same revenue per firm as non-Black businesses revenues would increase by **\$300 billion**.

If Black businesses comprised the same percentage of businesses as Black people do of the population and Black businesses hired as many employees as do non-Black businesses nearly **900,000 jobs would be created**.



Now available wherever books are sold

KNOW YOUR PRICE

Valuing Black Lives and Property
in America's Black Cities

A new book by **Andre M. Perry**