



Worthy of Investment

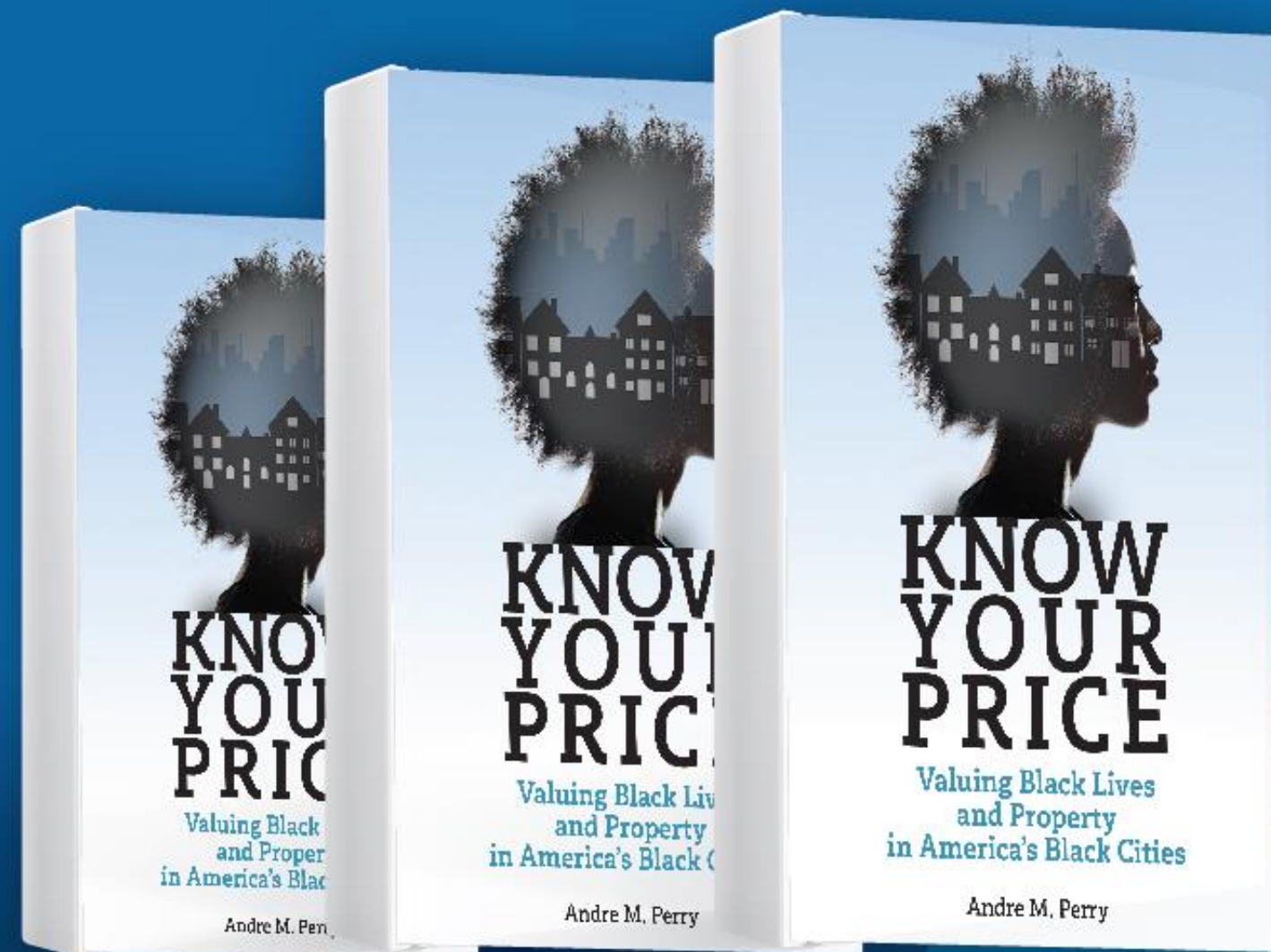
The devaluation of assets in Black communities

ANDRE PERRY

Brookings Metropolitan Policy Program



@andreperryedu #KNOWYOURPRIC



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Valuing Black Lives and Property
in America's Black Cities

A new book by Andre M. Perry

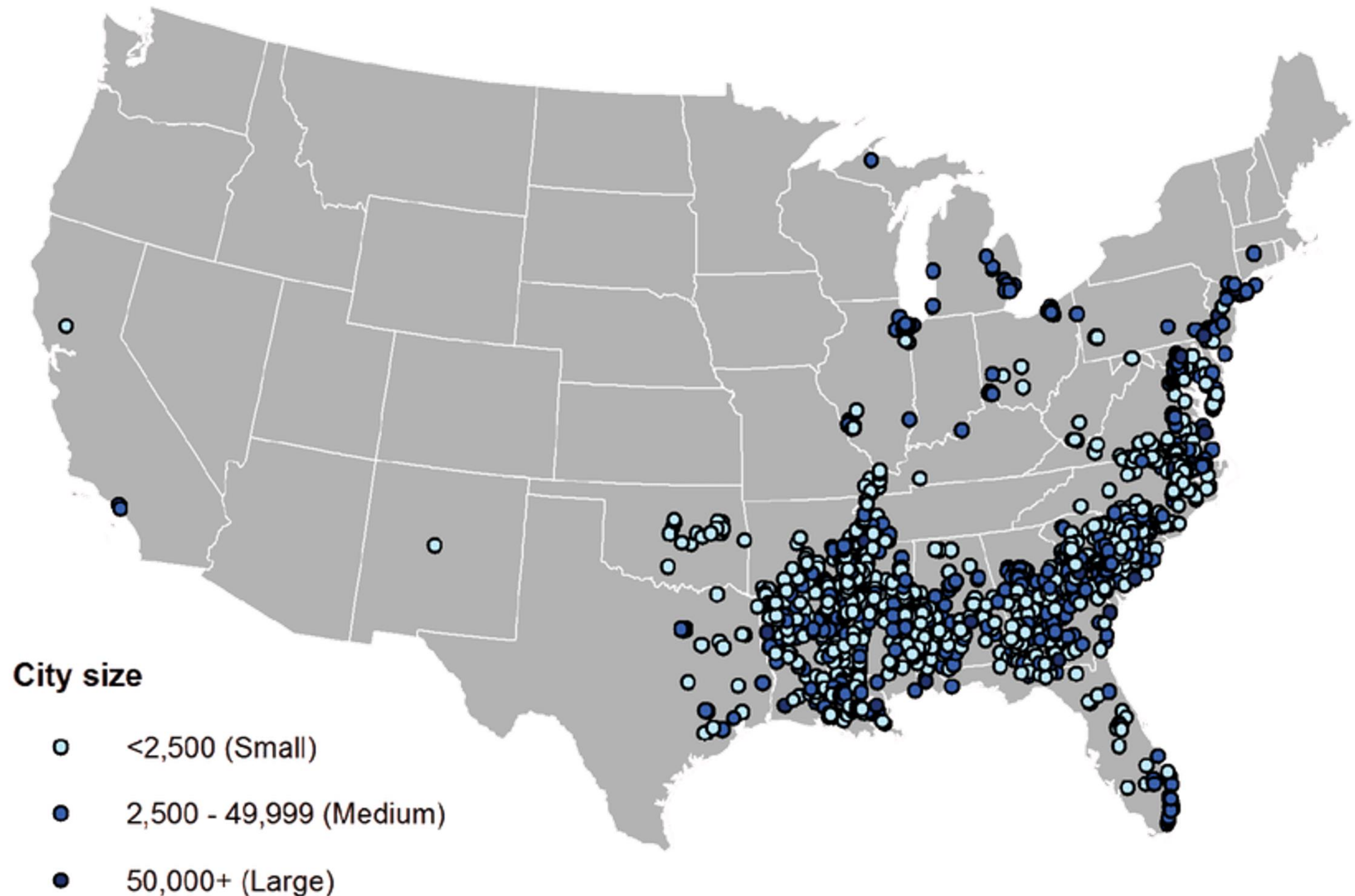
Black cities

Largely located in
the **Deep South**

and along the
East Coast

All majority-black cities by total population

US, 2015







B

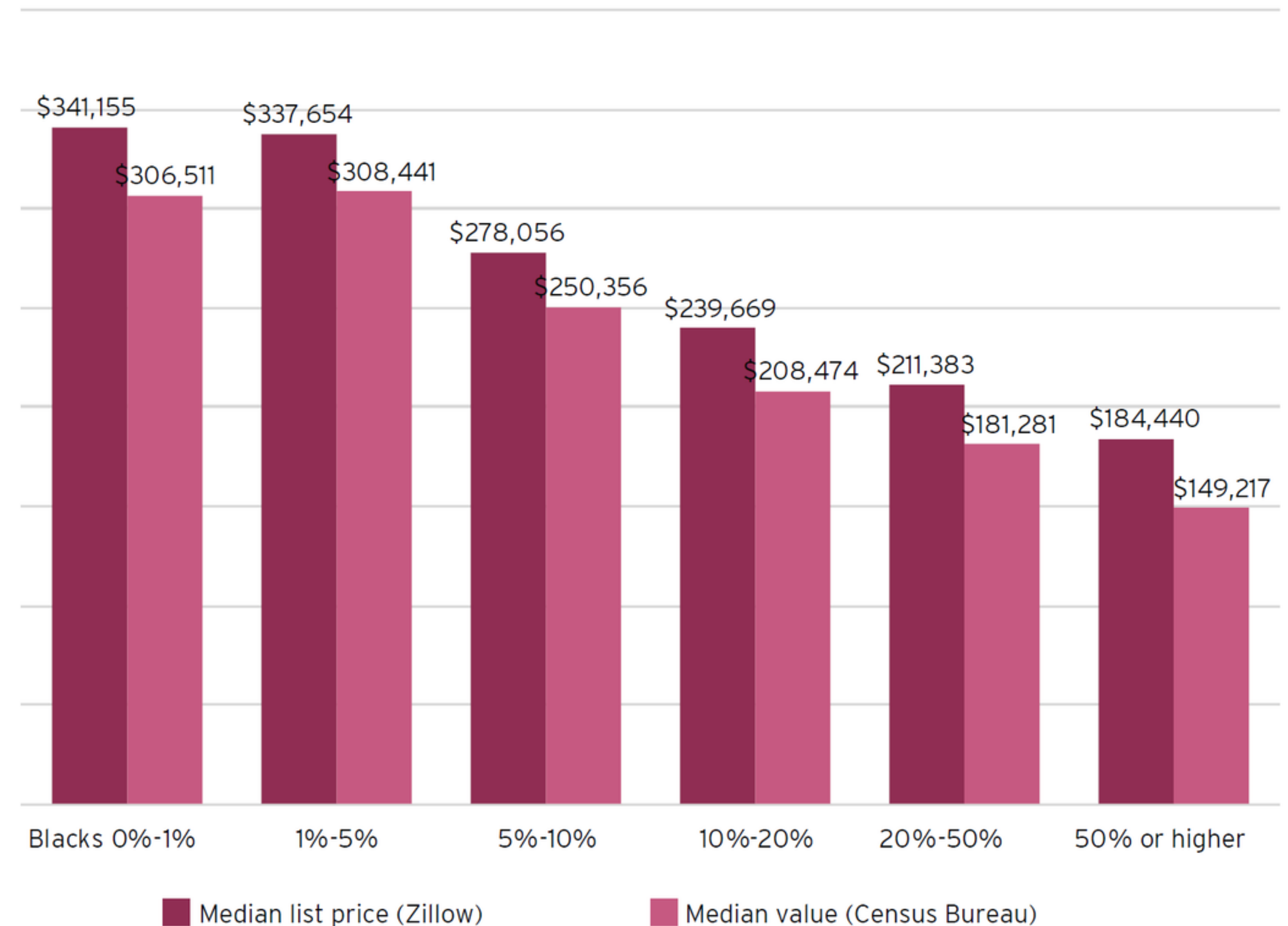


Homes in black neighborhoods are worth less, on average, than homes in <1% black neighborhoods

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**

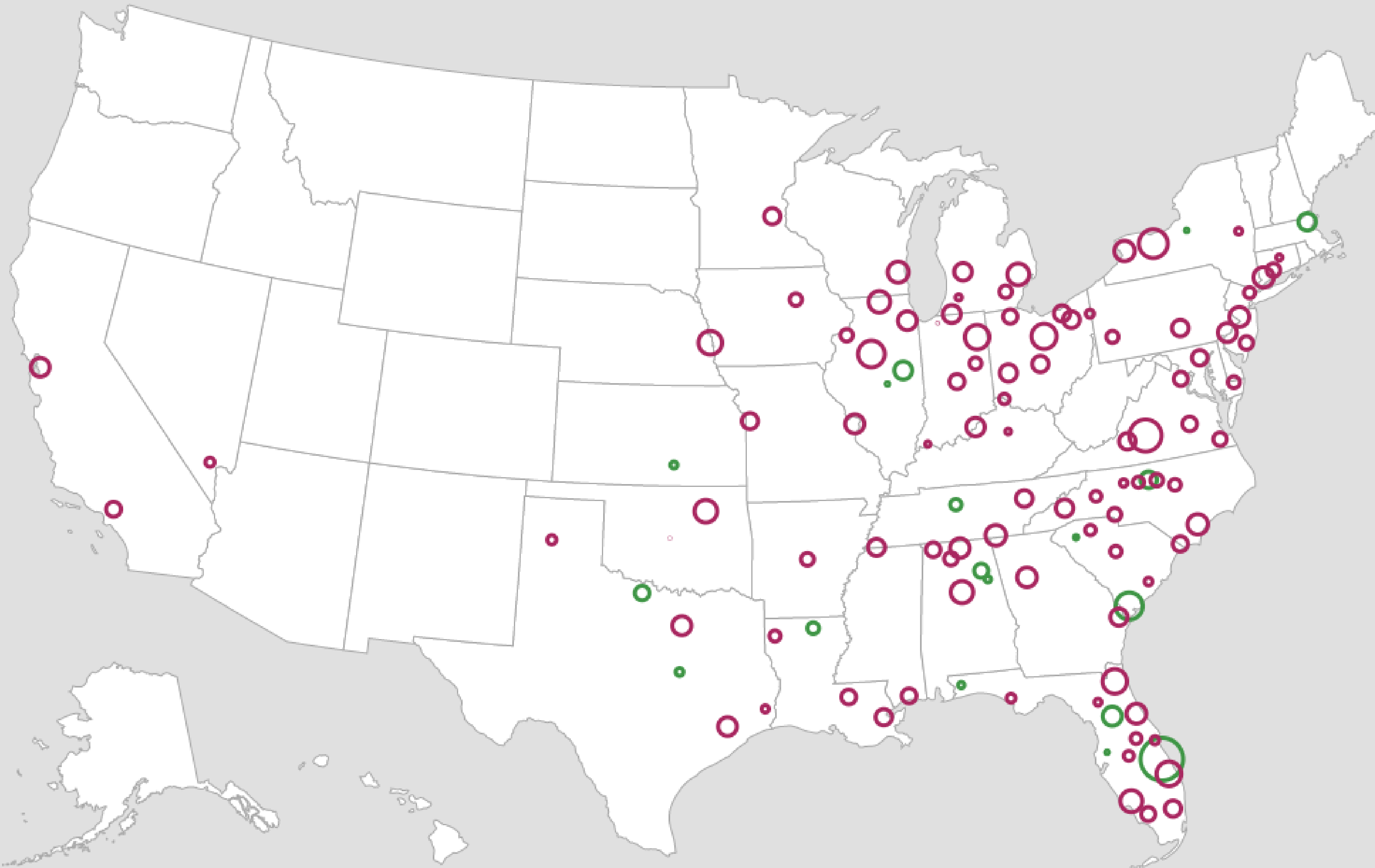
Devaluation

\$156 billion

in cumulative losses

Devaluation varies by metro

113 metropolitan areas with at least one majority black neighborhood

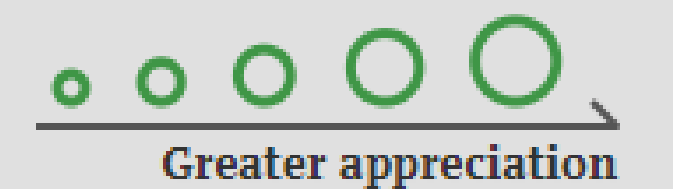


Comparing home values in majority black neighborhoods with those where less than 1% of residents are black

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



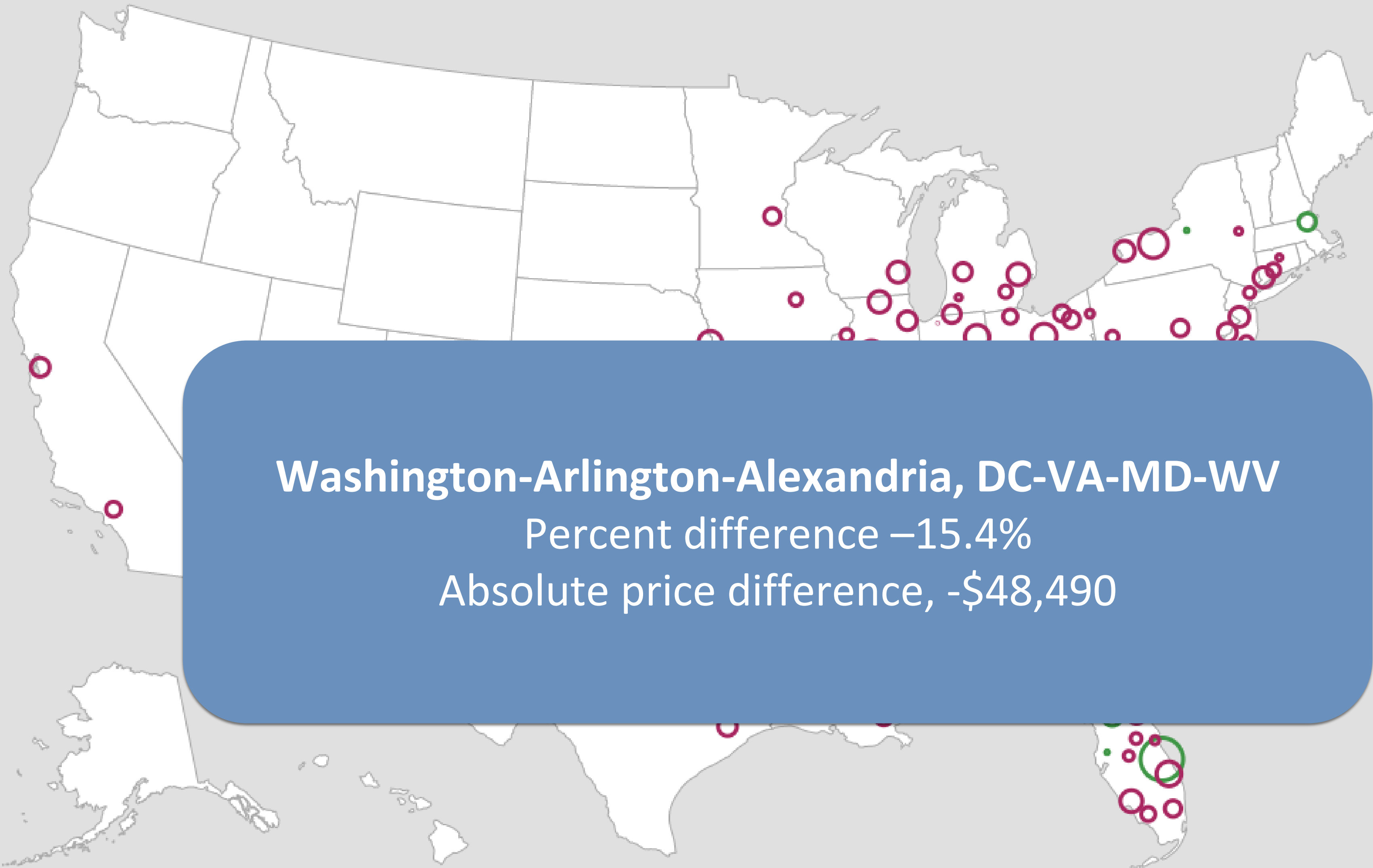
Appreciation: Comparable homes in majority black neighborhoods are worth **more** ↗



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



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



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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%
Dallas-Fort Worth-Arlington, TX	-28.4%
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

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in cumulative losses

What is \$156 billion?

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4.4 million black-owned businesses

Source: Stanford Institute for Economic Policy Research

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8.1 million four-year degrees

Source: National Center for Education Statistics

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

Source: American Water Works Association

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97% of the damage of Hurricane Katrina

Source: National Oceanic and Atmospheric Administration

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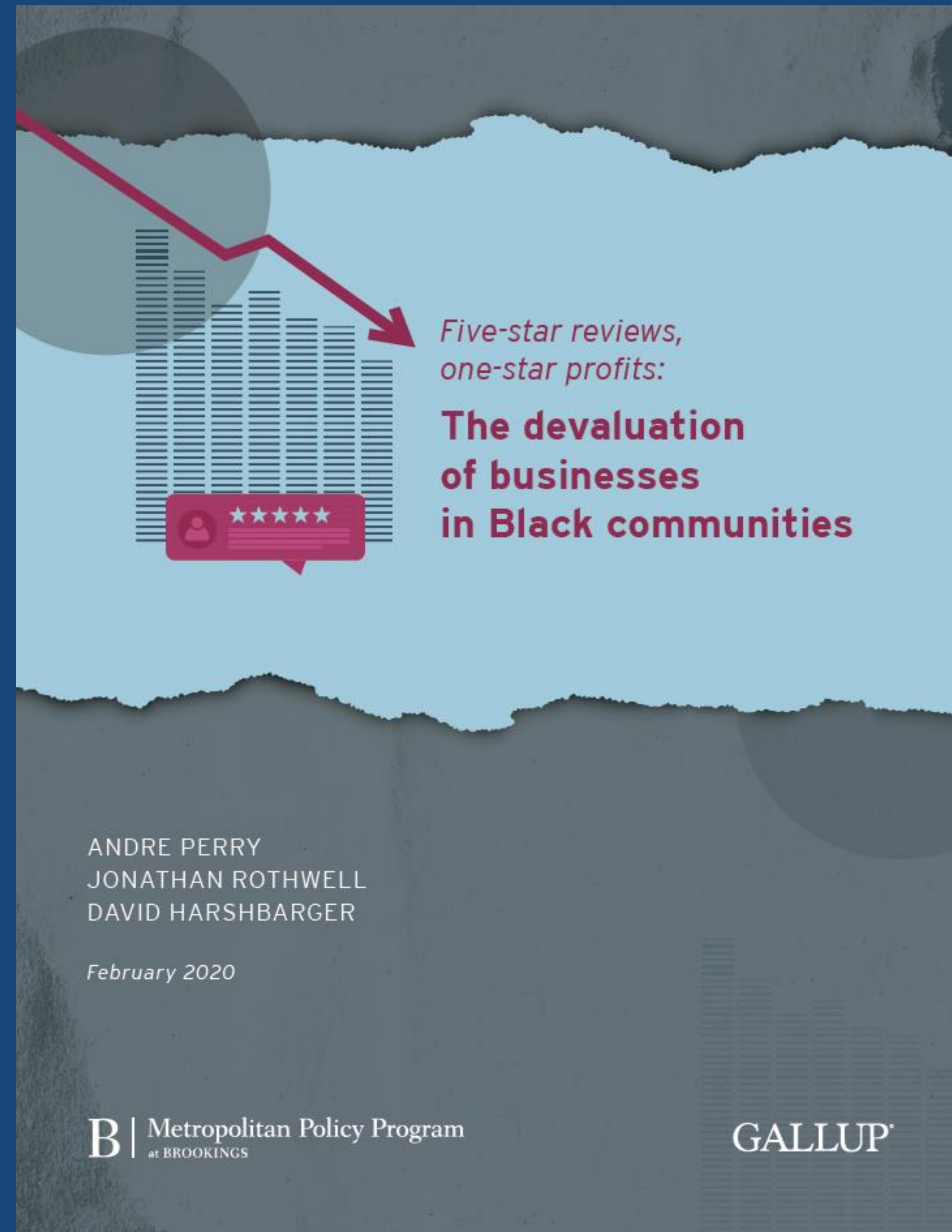
Double the annual economic burden of the opioid crisis

Source: Centers for Disease Control and Prevention (2013)

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



Business Devaluation



The state of small business before the coronavirus became a pandemic

Barriers to business



- Black people represent **12.7%** 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

Dorian Moorefield

Founder, Owner, Chef
at **Grandma B's**

located in Pittsburgh's
Hill District



Dorian Moorefield

Grandma B's

45 Yelp reviews

Avg rating: 4.64 / 5

B  @andreperryedu



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Hill District Pittsburgh

Throughout
the 20th century
above 95% Black

Since 2010, roughly
80% Black



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
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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

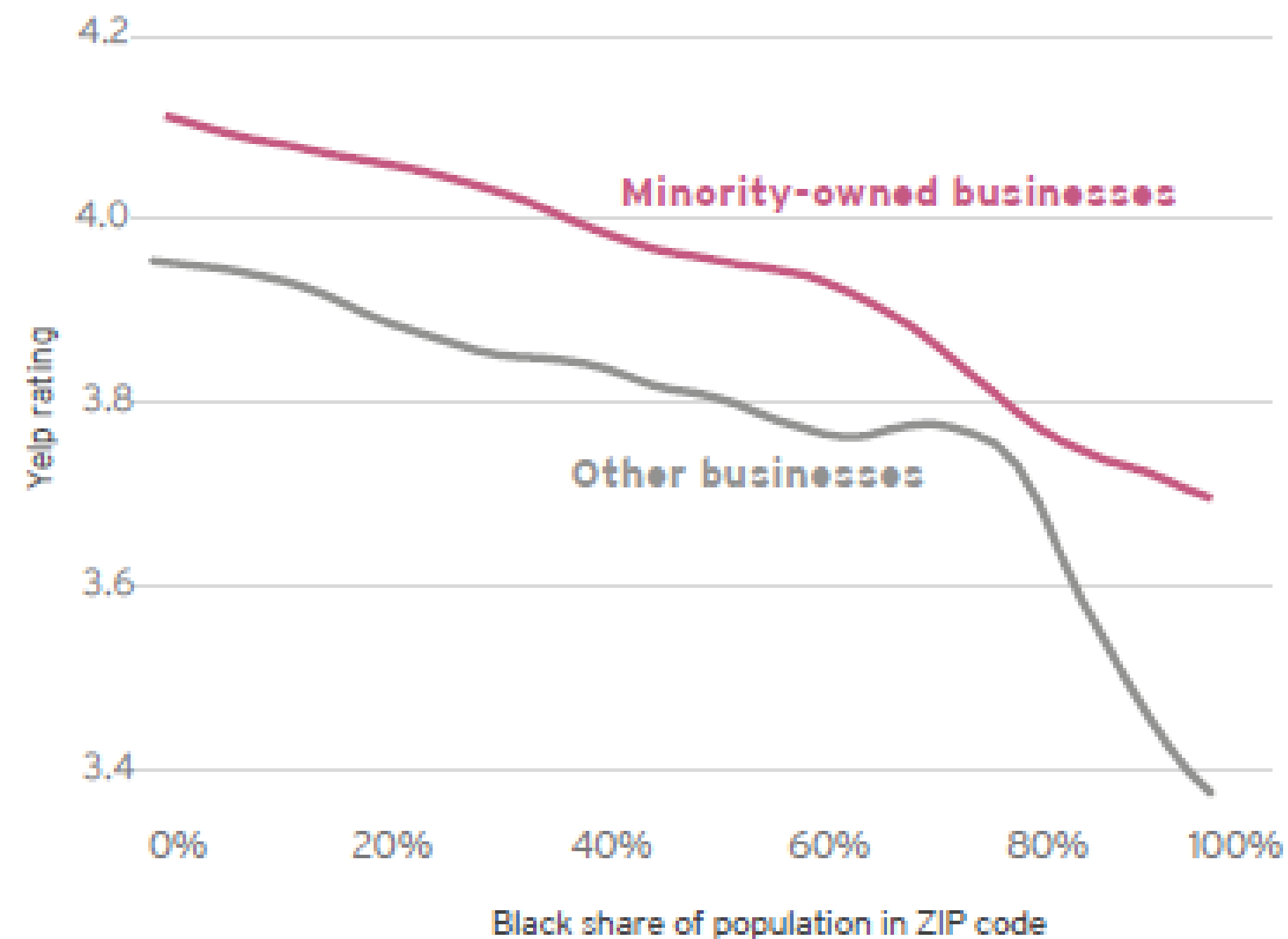
Findings



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

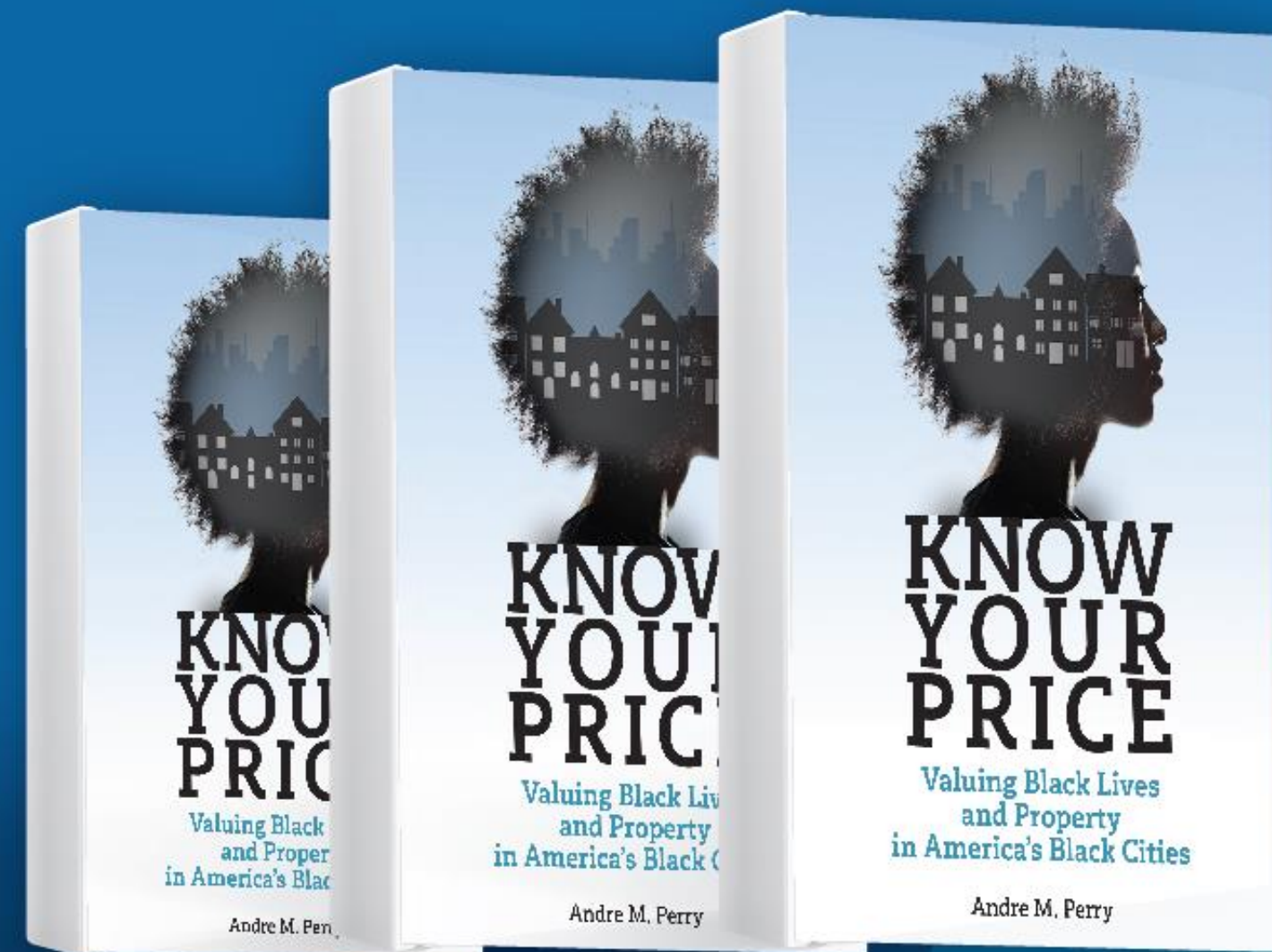
How to counter devaluation

Invest in **PEOPLE**

- **Direct capital** toward minority-owned firms, (DBEs) and homeowners (Cut the Check)
- **Remove unnecessary bureaucratic barriers** to entry for entrepreneurs from Black communities

Invest in **PLACES**

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



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