

PROPERTY VALUES AND AFFORDABLE HOUSING



MYTH: Affordable housing causes a decline in neighbourhood property values.

FACT

Our extensive review of the literature, covering 20+ studies from 3 countries, suggests affordable housing has limited or no universal impacts on property values.

In the most detailed review of the literature, Nguyen highlights four key situations where affordable housing is likely to have no effect on neighbouring property values:

1. affordable housing is sited in healthy and vibrant neighborhoods,
2. the structure of the affordable housing does not change the quality or character of the Neighborhood,
3. the management of affordable housing is responsive to problems and concerns, and
4. affordable housing is dispersed.¹



The surrounding features of the neighbourhood often have larger impacts on property values

FACT

Well-designed, well-developed, and well-managed affordable housing generally has no negative impact on neighbouring properties. Often, these developments are indistinguishable from or better maintained than private market developments in the area.

FACT

The surrounding features of the neighbourhood around affordable housing developments, such as proximity to roadways and commercial spaces, more often have larger impacts on property values than the affordable housing development itself.²

Affordable housing is impacted by the neighbourhoods they are part of and cannot be easily separated from one another.

FACT

Property values are complex and impacted by many factors like macroeconomic shifts, mortgage regulations, access to credit, employment rates, income trends, supply of housing, and zoning decisions.



Case example: BC HOUSING RESEARCH³

A comparison of tax assessment values and sale data for 14 affordable housing sites across B.C. showed that average and median prices rose after the construction and opening of the affordable housing developments, and sales were not impacted. Property values and sales were impacted by broader socioeconomic factors such as mortgage rules and interest rates rather than proximity to affordable housing developments.

FACT

Housing-specific characteristics such as condition, size, and number of bedrooms, all have bigger impacts on property values than proximity to affordable housing.



Larger factors like macroeconomic shifts **have a bigger impact** property values

Case example: RESEARCH FROM AUSTRALIA⁴

An analysis of the impact of property values showed that properties that were closer to an affordable housing development had higher sales values compared to a property with similar characteristics. However, proximity to affordable housing only accounted for less than 6% of the property value, while the number of bedrooms accounted for 30% or more and the number of bathrooms accounted for 20% or more.

FACT

Rehabilitating older affordable housing can have a positive impact on the property values of nearby homes.⁵

FACT

Land is the single biggest cost for affordable housing developments. Affordable housing is often built in neighbourhoods where property values are already below average or on lower-cost land that is in less desirable areas or are oddly sited.⁶



Rehabilitating older affordable housing can have a positive impact on the property values of nearby homes



Homeowners generally over-estimate the value of their property when self-reporting, compared to sales prices

To find out more about our research on neighbourhoods and affordable housing, please see our full report at civida.ca/AHfacts

FACT

Property values are not an objective measure.

- Historical and ongoing practices of redlining⁷ and racial discrimination mean that neighbourhoods that are predominately white continue to experience higher property values and higher property appreciation than neighbourhoods with more racialized groups.⁸
- Mortgage lenders, insurers and property tax assessors often use computer modelling to assess property values, which are also subject to assumptions and issues including racism, and which can change significantly with small changes in the model assumptions.⁹
- Homeowners generally over-estimate the value of their property when self-reporting, compared to sales prices.¹⁰

Racism and discrimination are well documented issues in the real estate and appraisal industry.

¹ Nguyen, "Does Affordable Housing Detrimentally Affect Property Values?"

² Davison, Legacy, Liu, Han, Phibbs, Van den Nouwelant, et al., *Understanding and Addressing Community Opposition to Affordable Housing Development*.

³ BC Housing, "Exploring Impacts of Non-Market Housing on Surrounding Property Values Full Report."

⁴ Davison, Legacy, Liu, Han, Phibbs, Nouwelant, et al., "Understanding and Addressing Community Opposition to Affordable Housing Development."

⁵ Nguyen, "Does Affordable Housing Detrimentally Affect Property Values?"

⁶ Hoyt, "More for Less? An Inquiry into Design and Construction Strategies for Addressing Multifamily Housing Costs."

⁷ From Dwyer, "Redlining": "Redlining is a form of discrimination in credit markets where banks and financial institutions identify entire neighborhoods as too "high risk" for financial investment in both residential and commercial property. Financial institutions "redline" neighborhoods for a number of reasons including the physical characteristics of the housing stock and undesirable location, but most important has been the presence of minority, especially black, residents."

⁸ Howell and Korver-Glenn, "The Increasing Effect of Neighborhood Racial Composition on Housing Values, 1980–2015"; Neal, Choi, and Walsh, "Before the Pandemic, Homeowners of Color Faced Structural Barriers to the Benefits of Homeownership."

⁹ Thibodeau, "Marking Single-Family Property Values to Market."

¹⁰ Benitez-Silva et al., "How Well Do Individuals Predict the Selling Prices of Their Homes?"