Market Value Analysis

Using Data and Mapping to Identify Public and Private Investment Opportunities in Cities

Presentation to the Federal Reserve Bank of Philadelphia's "Reinventing Older Communities: How Does Place Matter?" Conference

Philadelphia, 2008

TRF Capital at the point of impact.

Profile of TRF

The Reinvestment Fund builds wealth and opportunity for low-wealth communities and low and moderate income individuals through the promotion of socially and environmentally responsible development.

We achieve our mission through:

Capital

- Grants, loans and equity investments

Knowledge

- Information and policy analysis

Innovation

- Products, markets and strategic partnerships

Profile of TRF

- Founded in 1985
- Over $710 million in cumulative investments
- Primary Geography: Mid-Atlantic Region; offices in Philadelphia, Washington, DC and Baltimore, MD
- Currently Manage: over $430 Million
- FY2007: $102.2 million in loans and investments
- Since inception, more than:
  - 16,156 housing units created, renovated or preserved
  - 9,452 child care slots created or preserved
  - 22,339 Charter school slots created or preserved
  - 6.3 million square feet of commercial space created, renovated or preserved
  - 400 businesses

Selected TRF Policy Clients

Public & Private Clients

- State Banking Commissioner of DE
- Commonwealth of PA Department of Banking
- Federal Reserve Bank of Phila
- PA Housing Finance Agency
- NJ Department of Community Affairs / Housing and Mortgage Finance Agency
- City of Philadelphia
- City of Pittsburgh
- US Attorney for the Eastern District of PA
- Federal Home Loan Bank of Pittsburgh
- City of Baltimore
- B.U.I.L.D.

Foundations

- Ford Foundation
- Annie E. Casey Foundation
- Heinz Foundation
- William Penn Foundation
- Fannie Mae Foundation
- Wachovia Regional Foundation
- FB Heron Foundation
- Goldseker Foundation
- Rockefeller Foundation
- Associated Black Charities
- Surdna Foundation

Space and Data

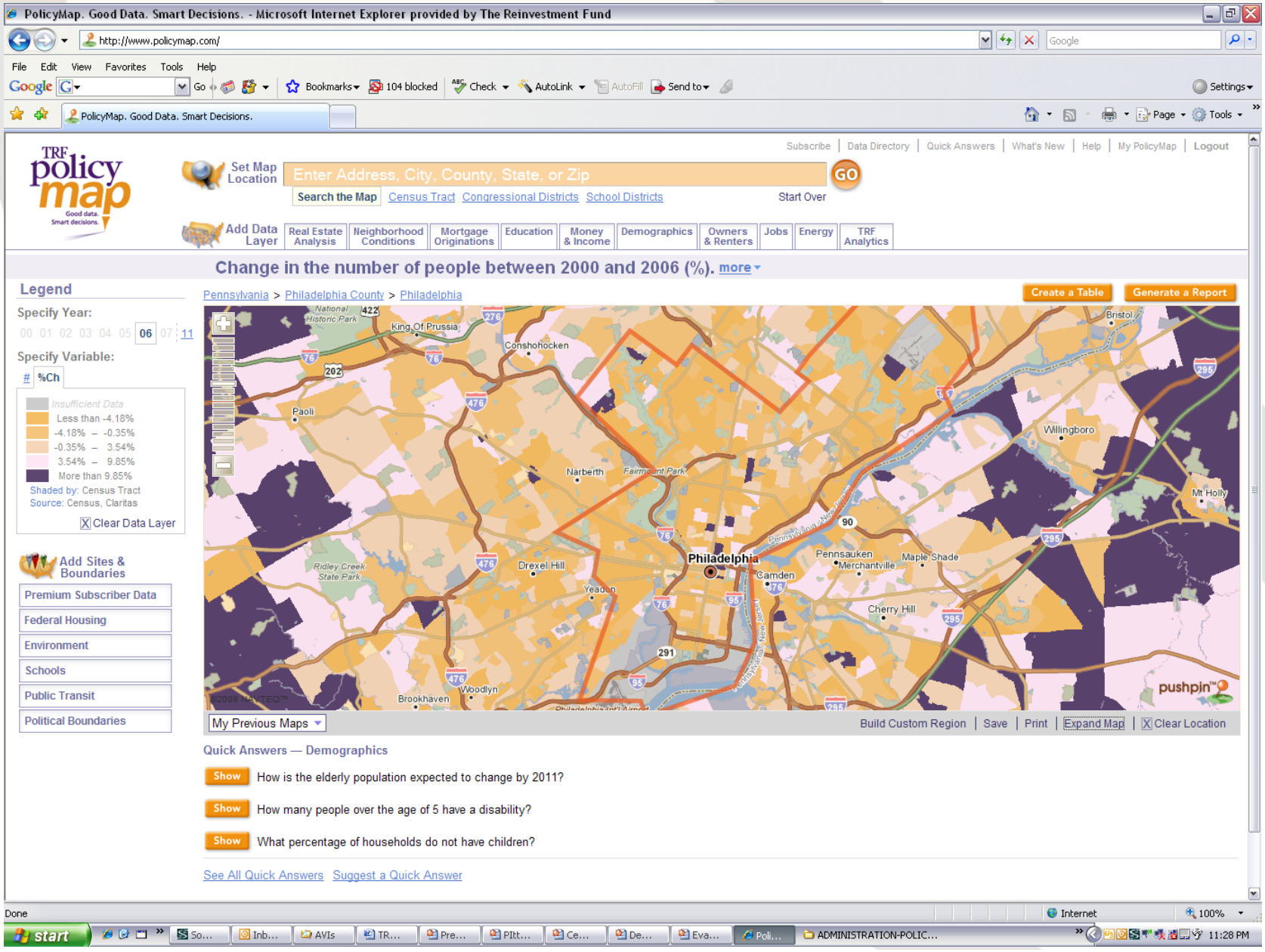
Indicators

- What are you trying to characterize?
  - What “variables” will represent what “dimensions”?
  - How will those “dimensions” be related to each other?
- At what geographic/spatial level are you interested?
- When/over what time period are you interested?
- *Validity:* Are you measuring what you think you are measuring?
- *Reliability:* Are the data consistently representing whatever it is that you are measuring?

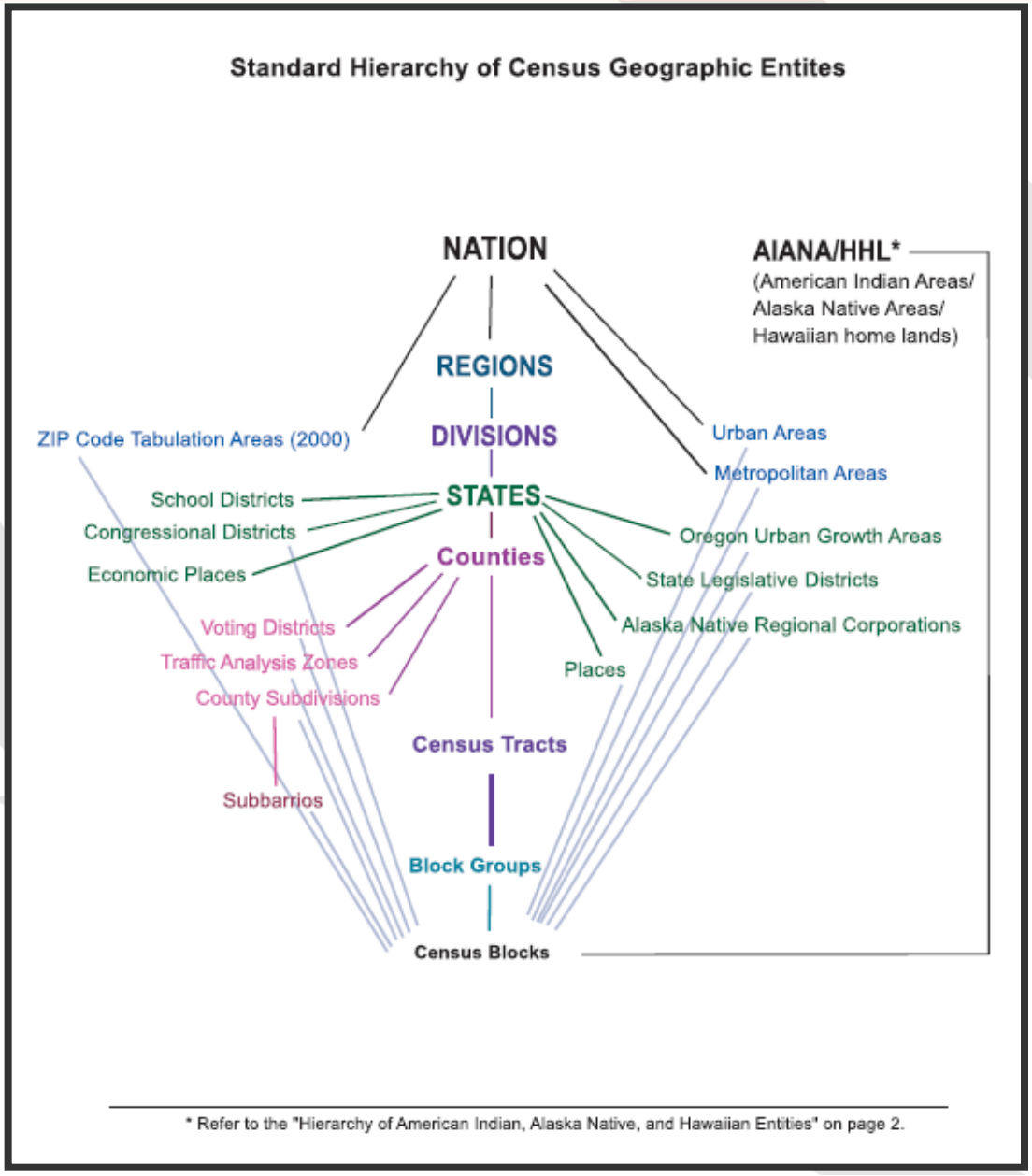
Sources of Data

- Census (www.census.gov)
- EPA (www.epa.gov)
- Private companies (e.g., REALQUEST, Claritas) that provide data for a fee
- Home Mortgage Disclosure Act
- City of Philadelphia (Department of Revenue - http://www.phila.gov/revenue/; Board of Revision of Taxes - http://brtweb.phila.gov/index.aspx; City Planning Commission - http://www.philaplanning.org/)
- Neighborhood Indicator sites in cities across the country
- Cooperative realtor - MLS

Policymap.com



Census Geography



Census Geography

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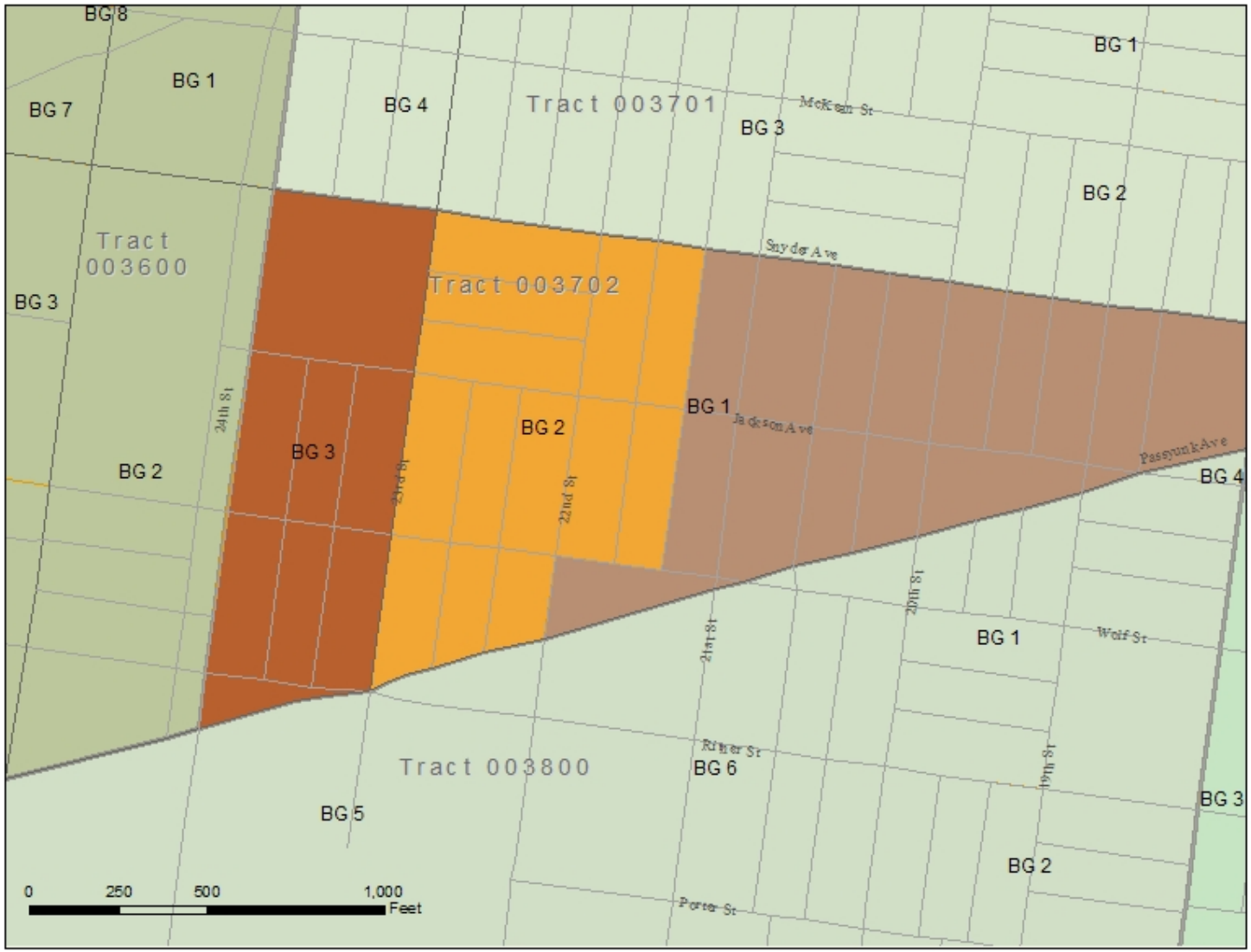


Census Geography

Real Estate Market Indicators

- Housing prices
- Homeownership rates
- Nature of renovation / retrofitting activity
- New unit permits or renovation permits
- Flows of mortgages and other investments; mortgage foreclosures
- Code violations, vacancy levels
- Retail / commercial investment activity

Employment Indicators

- Educational attainment
- Industries / occupations
- Labor force participation rates
- Per capita incomes
- Labor market /age / skill trajectory
- Human capital advantages / disadvantages (school systems, colleges, universities, etc.)

Business Formation Indicators

- Flows of small business lending and venture capital
- Business start-ups
- Nature of new companies
- Competitive advantages for specific kinds of businesses
- Role of business community in civic life
- Attractiveness of place to business community

Challenges of Data Driven Analysis and Impacted Markets

Challenges

- Public/Private Sector Support
- Data Issues
  - Availability of data descriptive of the entire area under study
  - Quality and continuity of data sources
  - Selecting among the various data sets and indicia
  - Continued access for timely updates
- Local Capacity
- Time, Cost and Standardization
- Existing Development/Subsidy Process
- Being open to conclusions that you may not have previously considered reasonable

Challenges

Typically:

It is our experience that population, social service and housing data tend to be stronger and more readily available than data related to business/commercial activity

TRF's Market Value Analysis Process

In general…

The MVA assists government officials identify and comprehend the various elements of local real estate markets.

By using an MVA, public sector officials can more precisely craft intervention strategies in weak markets and support sustainable growth in stronger market segments.

TRF MVA Process

- Our Normative Assumptions When Analyzing Markets
  - Public subsidy is scarce and it alone cannot create a market;
  - Public subsidy must be used to leverage, or clear the path for, private investment;
  - In distressed markets, invest into strength (e.g., major institution of place, transportation hub, environmental amenities);
  - Decisions must be based on objectively gathered data and sound quantitative and qualitative analysis.

TRF MVA Process

- Step 1: Characterize local markets using a representative set of small scale – Census block group - market data (MVA)
  - Statistical technique is a “cluster analysis”
- Step 2: Visually inspect the cluster analysis for consistency with the realities of the areas being analyzed
- Step 3: Refine MVA and re-inspect
- Step 4: Focus and elaborate the analysis within an area(s) incorporating additional secondary data and a set of primary data that can help inform site and neighborhood planning
  - Techniques at this step are informed with GIS and Urban / Spatial Planning

In other cities

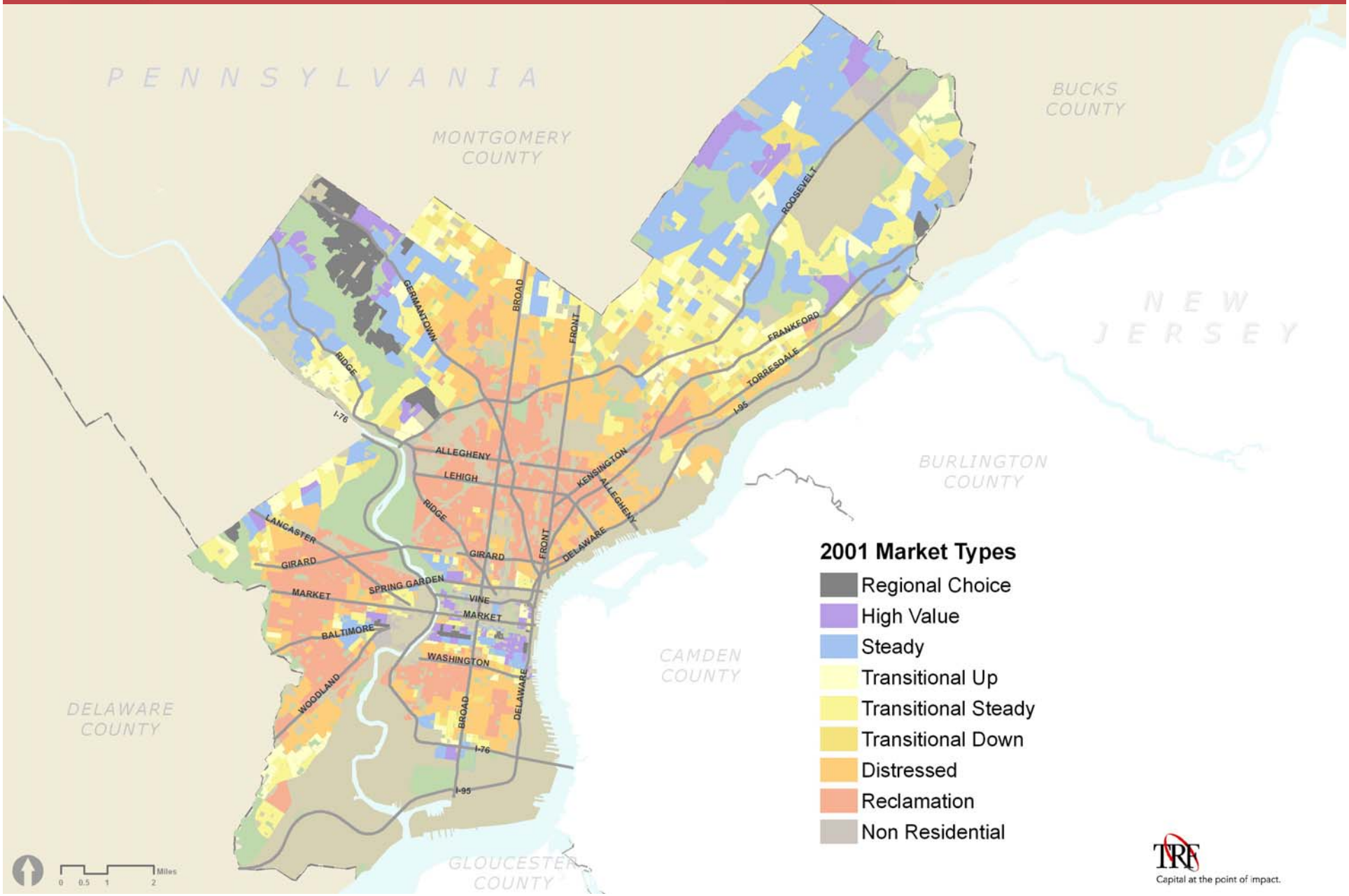
- In Baltimore, MD the MVA is used by the Planning Department:
  - to develop their 2005 CDGB Comprehensive Plan and
  - to guide their Capital Budget Plan for the City

  The foundation community is using it to evaluate proposed intervention strategies and the City's Code Enforcement Dept. uses the MVA to determine areas to target for inspections.

- In Wilmington, DE the MVA is used:
  - by the Office of Housing to allocate CDGB resources
  - by the RDA to evaluate proposals.

- In Newark, NJ the MVA highlighted the foreclosure problem in what was otherwise seen as a stable community. Newark then drilled down to further understand the foreclosure data and established a foreclosure taskforce to address the problem.

TRF's 2001 Market Value Analysis



Capital at the point of impact.

End of Session #1

Full Presentation is Available at:

http://www.trfund.com/resource/policypubs.html

Example: Philadelphia

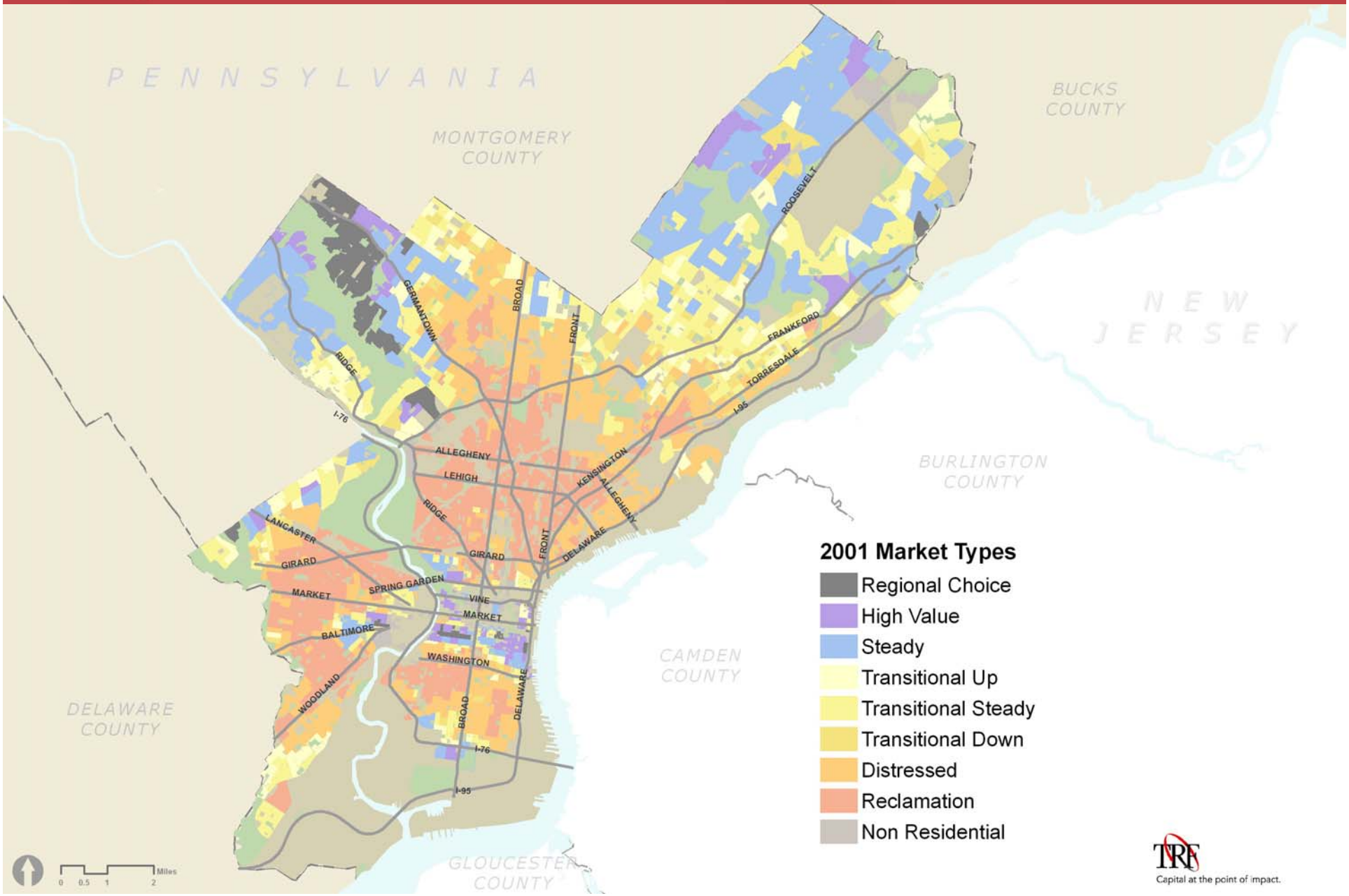
Client: City of Philadelphia

Housing Market Indicators

- Housing sales prices
- Demolition activity
- Vacancy rates
- Presence of dangerous properties
- Owner occupancy rates
- Age of housing
- Presence of non-market rate rental housing
- Mix of commercial and residential uses
- Consumer credit profiles

A parsimonious set of information designed to describe the vitality of local housing markets

TRF's 2001 Market Value Analysis

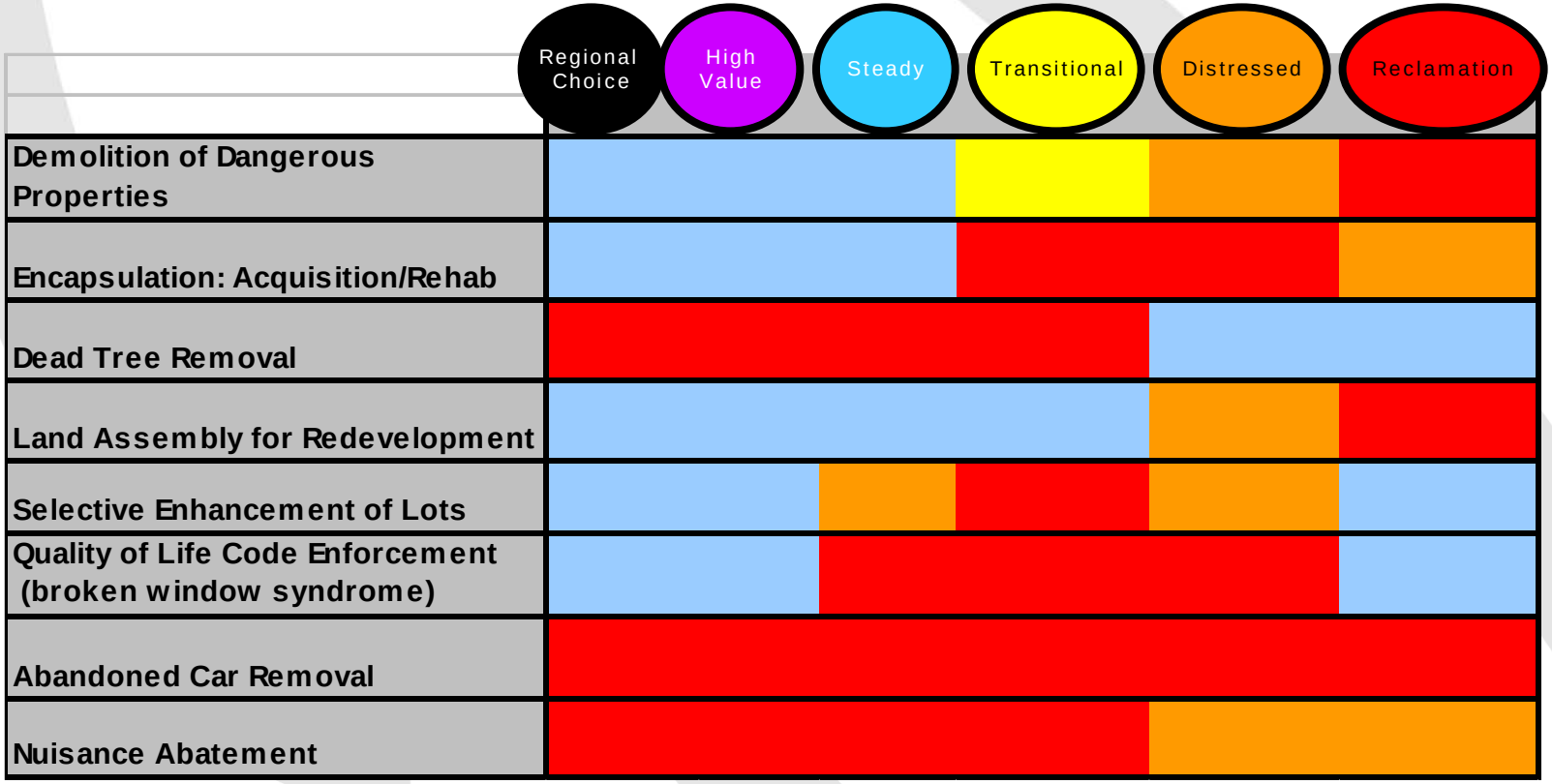


Capital at the point of impact.

TRF Market Value Analysis

Market Type		Public Action
Regional Choice High Value		Asset Promotion
Steady Transitional		Asset Preservation
Stressed Reclamation		Asset Development

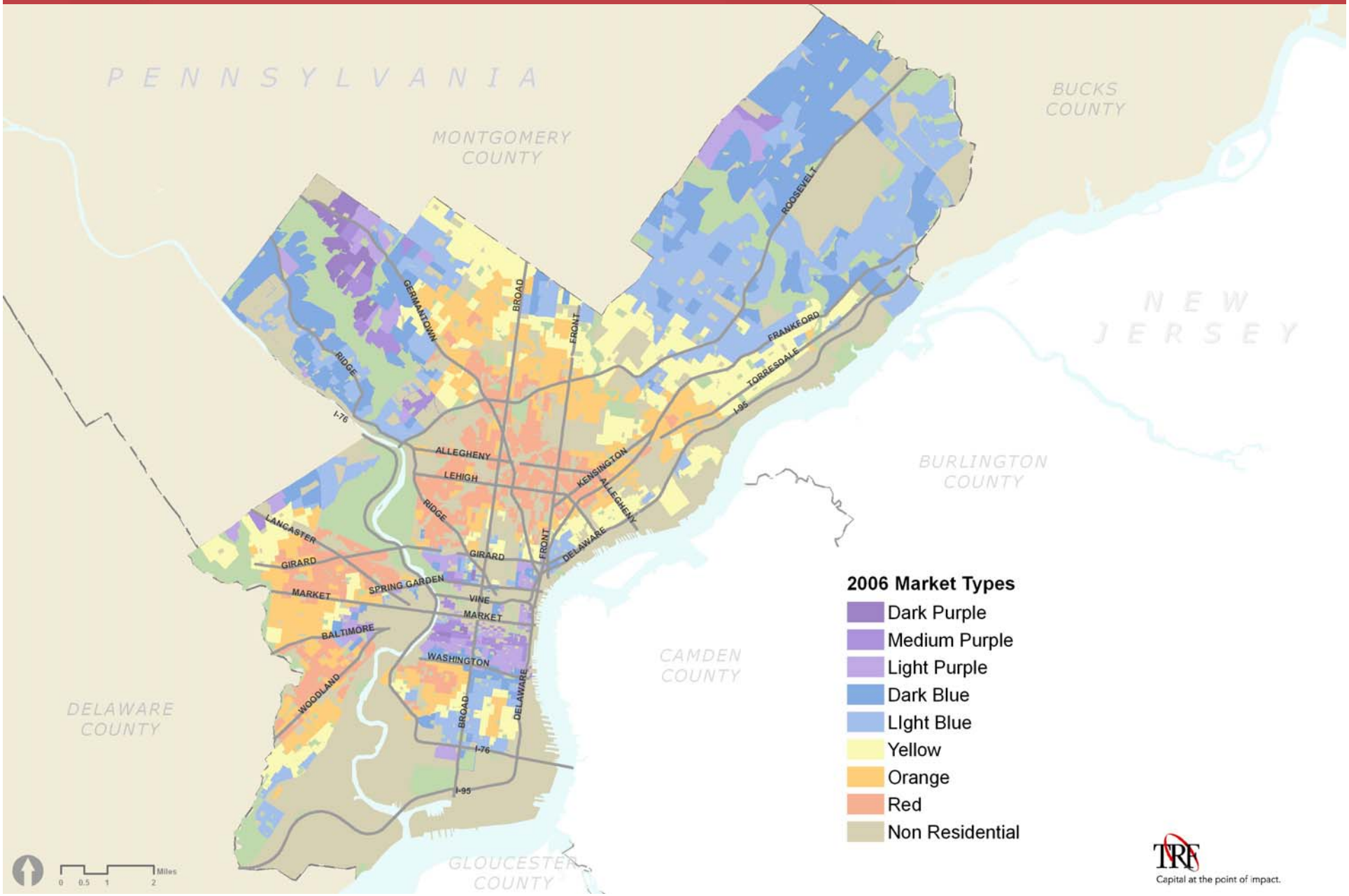
Connecting Activities to Markets



TRF's 2001 Market Value Analysis

2001 Market Type	Average Price 01	Average Price 06	Pct Vacant 02	Pct Vacant 05	Fcl as Pct of Sales 00-01	Fcl as Pct of Sales 05-06	Pct Owner Occupied 05	Units Exempt As Of 06
Black-Regional Choice	$389,523	$642,764	0.2%	0.4%	3.9%	4.9%	41.1%	270
Purple-High Value	$268,949	$464,170	0.3%	0.6%	3.6%	3.3%	43.8%	910
Blue-Steady	$136,199	$280,230	0.3%	0.4%	9.9%	6.9%	54.9%	2213
Yellow-Transitional Up	$78,244	$179,755	0.9%	0.8%	17.1%	14.5%	68.9%	772
Yellow -Transitional	$75,326	$176,992	1.0%	0.9%	18.1%	13.2%	58.8%	1655
Yellow-Transitional Down	$64,376	$141,823	0.9%	0.9%	22.3%	16.9%	71.2%	96
Orange-Stressed	$42,124	$115,904	3.3%	3.1%	31.4%	18.5%	65.0%	2078
Red-Reclamation	$21,249	$71,696	8.4%	9.1%	38.2%	17.9%	55.8%	2193

TRF's 2006 Market Value Analysis

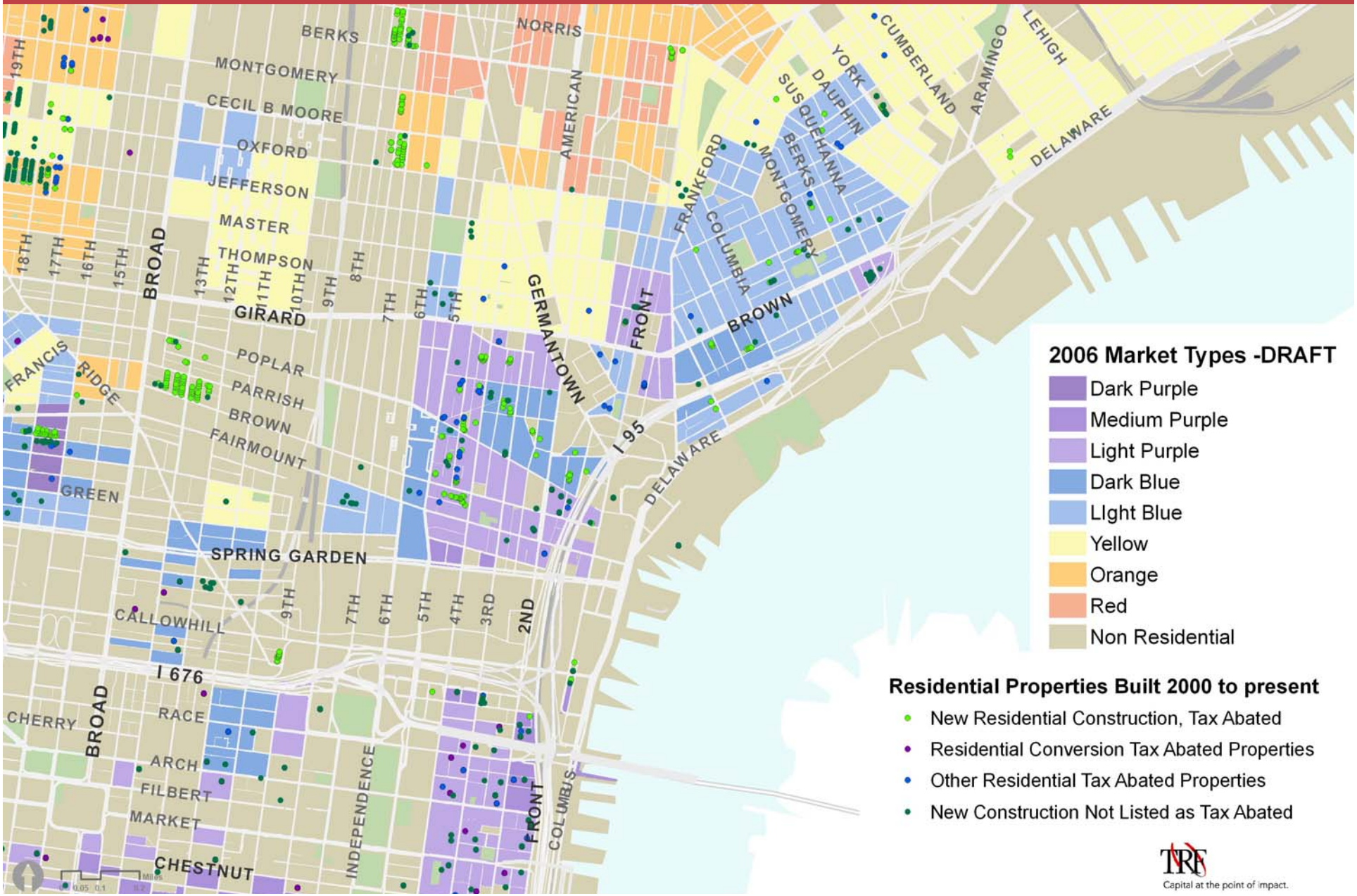


TRF
Capital at the point of impact.

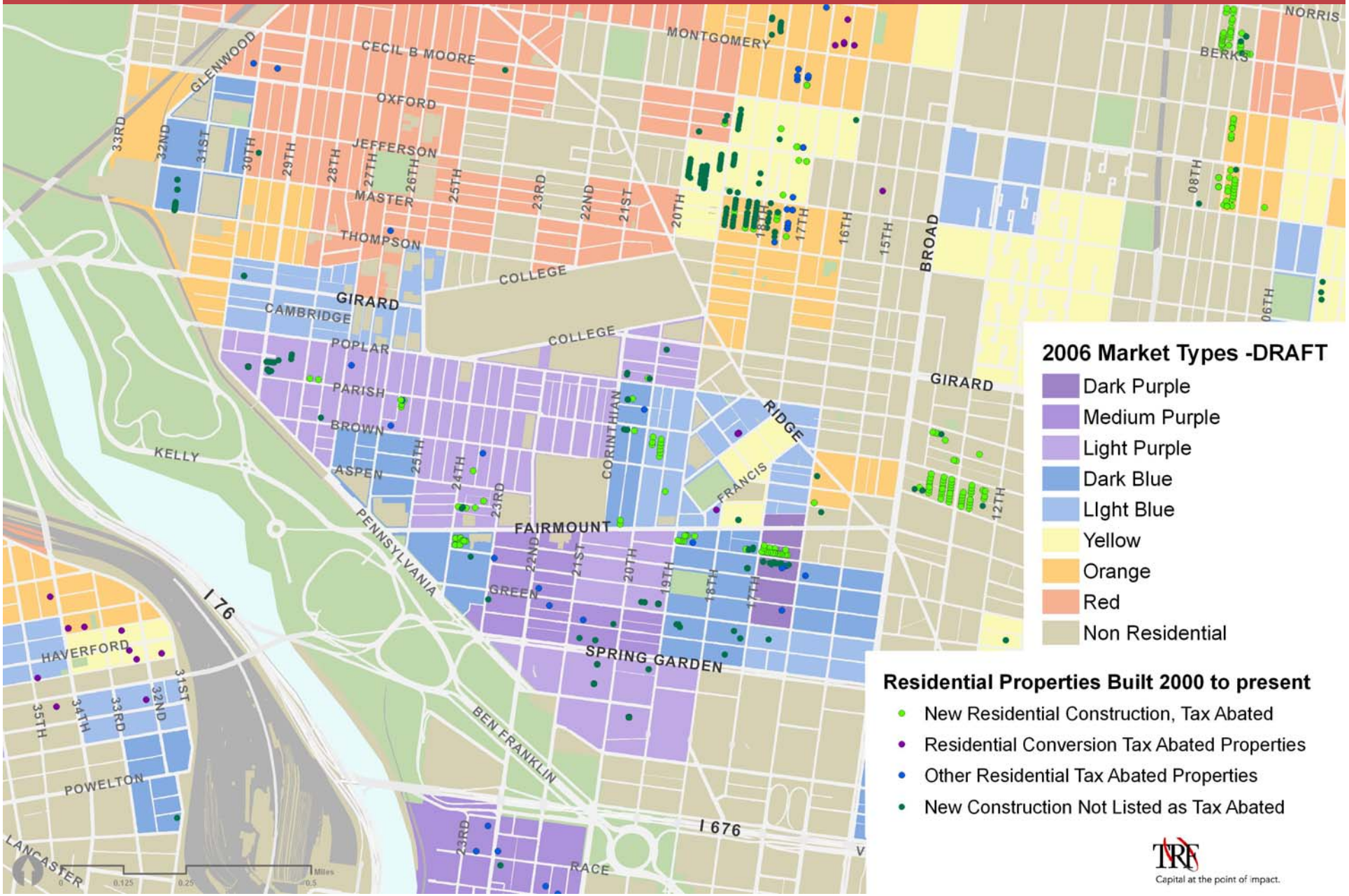
TRF's 2006 Market Value Analysis

2006 Market Type	Average Price 05-06	Price Variation	Fcl as a Pct of Sales	Pct New Construction	Pct Vacant	Pct Commercial	Pct Owner Occupied	Pct Govt Owned
Dark Purple	$813,171.10	0.53	4.67	8.99	0.95	8.98	59.97	2.46
Med Purple	$467,117.57	0.46	2.97	11.45	0.62	9.12	45.97	0.15
Lt Purple	$336,226.02	0.45	5.76	17.34	3.28	9.64	47.31	0.40
Dark Blue	$233,366.29	0.37	8.55	6.16	2.03	5.22	60.69	0.45
Lt Blue	$168,378.92	0.32	12.88	1.74	1.65	4.80	66.82	0.56
Yellow	$102,336.01	0.38	21.16	0.66	2.38	4.10	71.22	1.08
Orange	$55,696.00	0.56	25.71	0.49	7.29	6.34	63.77	1.93
Red	$24,254.95	0.81	19.48	0.12	14.86	5.98	56.38	4.99

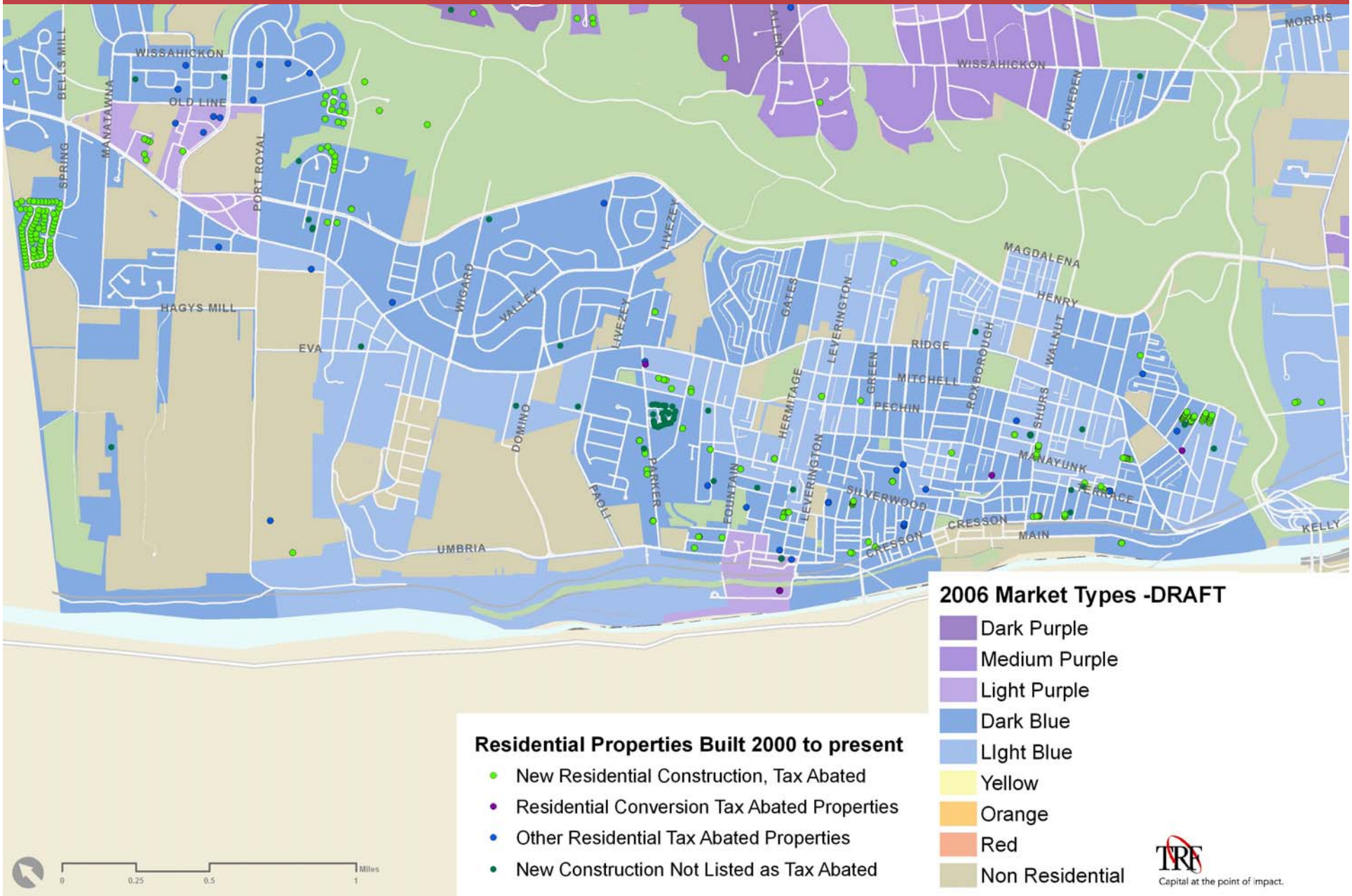
Expansion of Northern Liberties



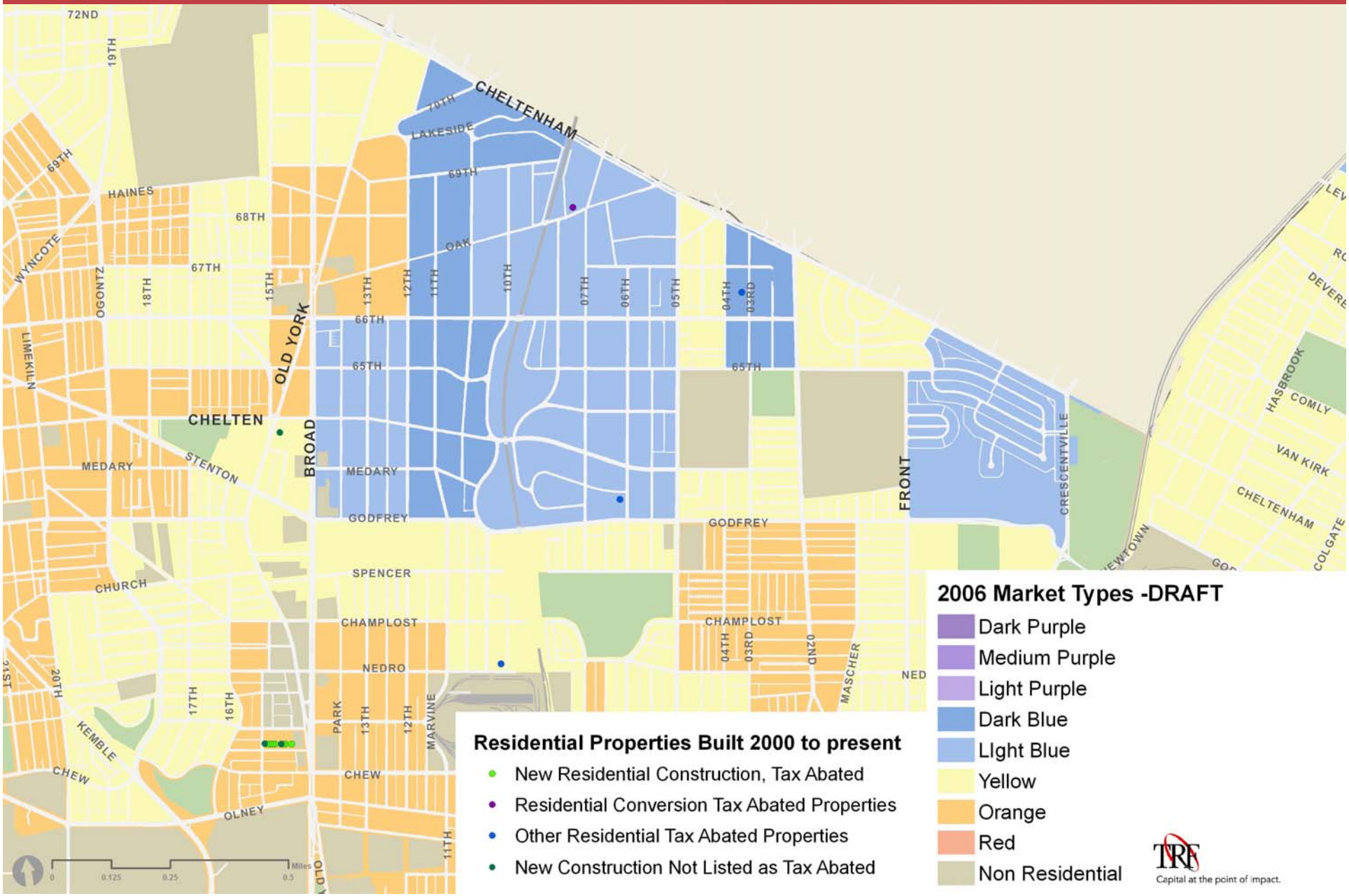
Positive Market Impact of Brewerytown



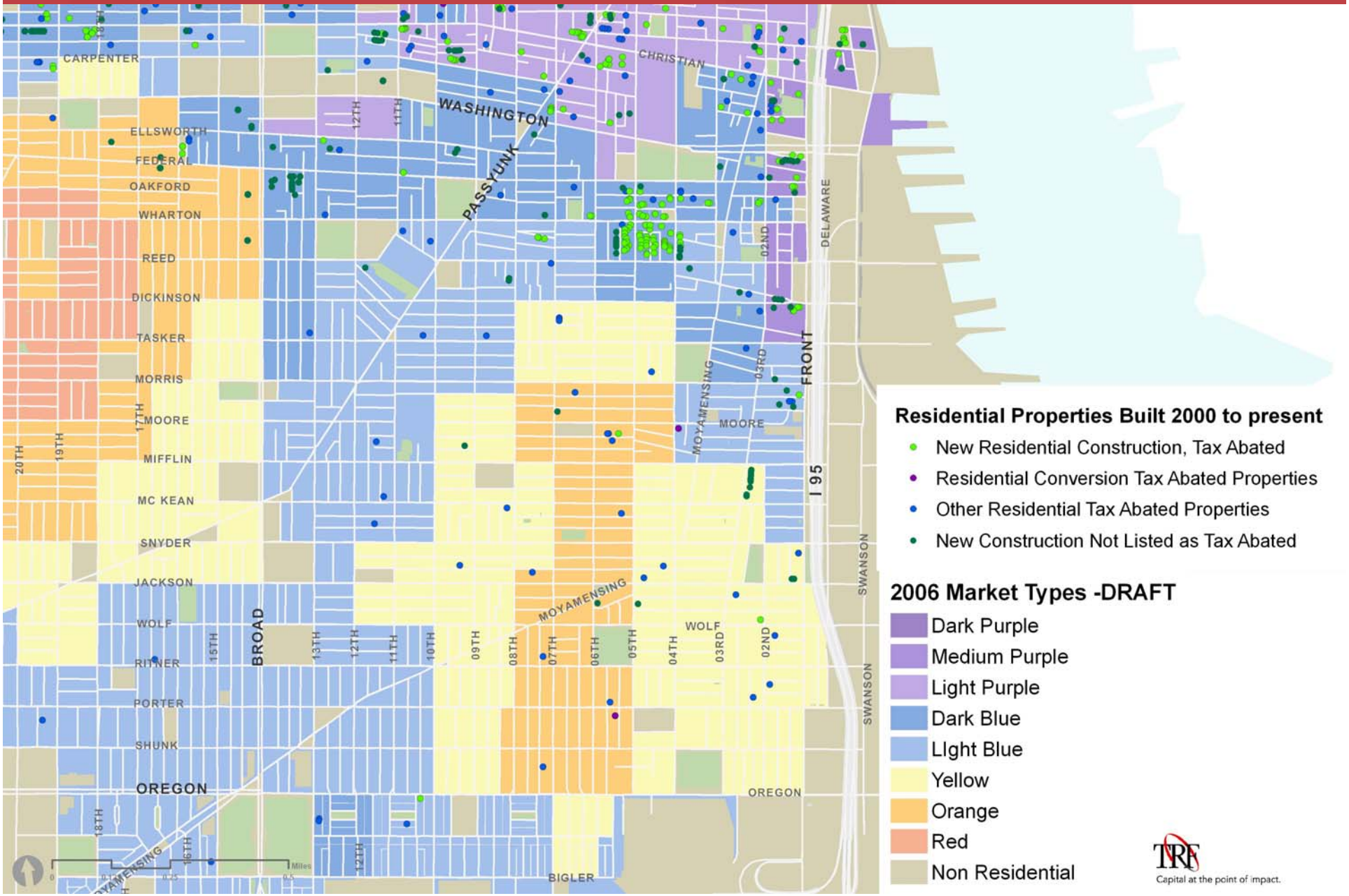
Uniform Market Strength In Roxborough / Manayunk



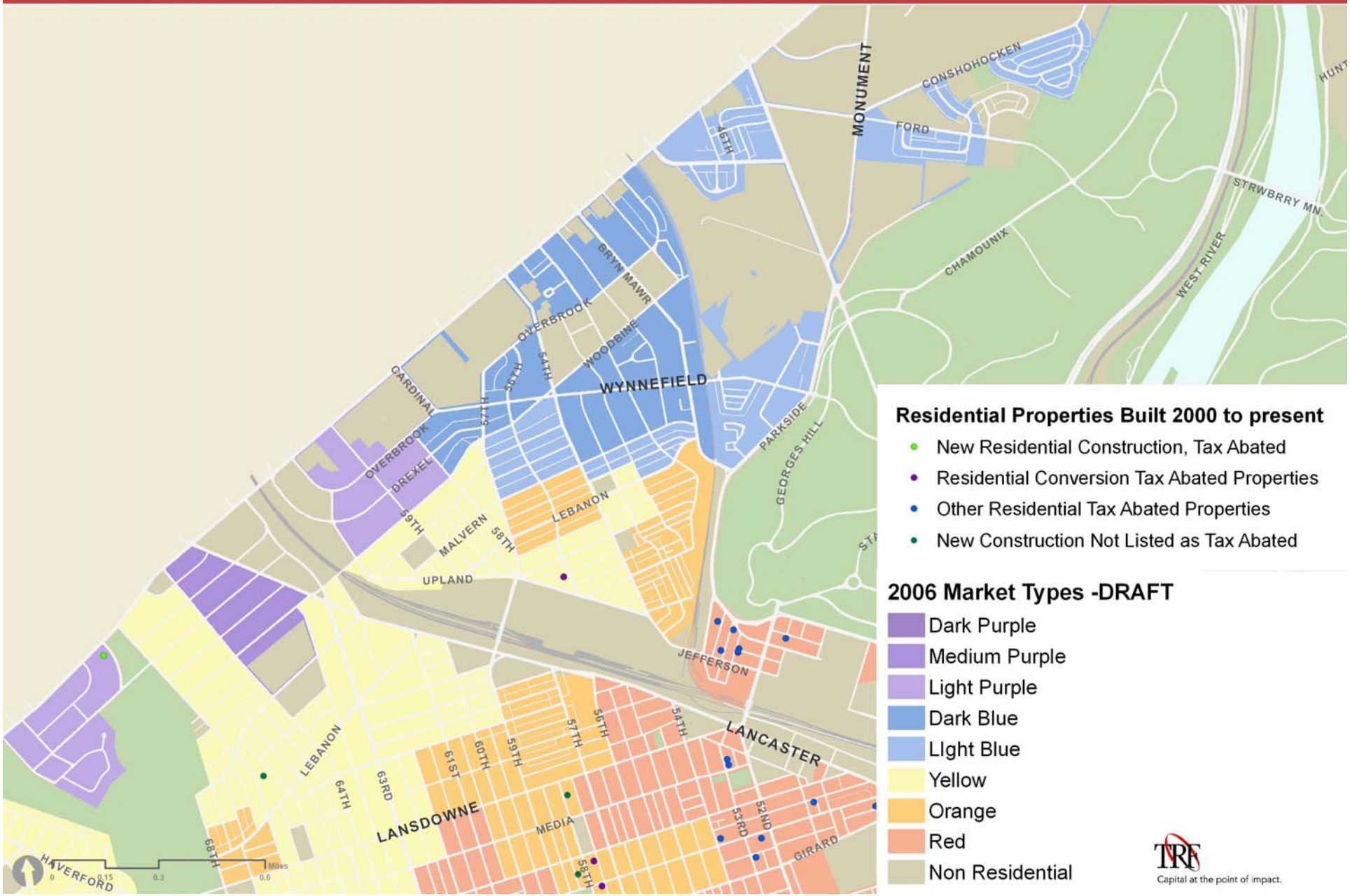
Expanded Market Strength of East Oak Lane



Transformation of South Philly – East of Broad



Solid Markets Along Western Border



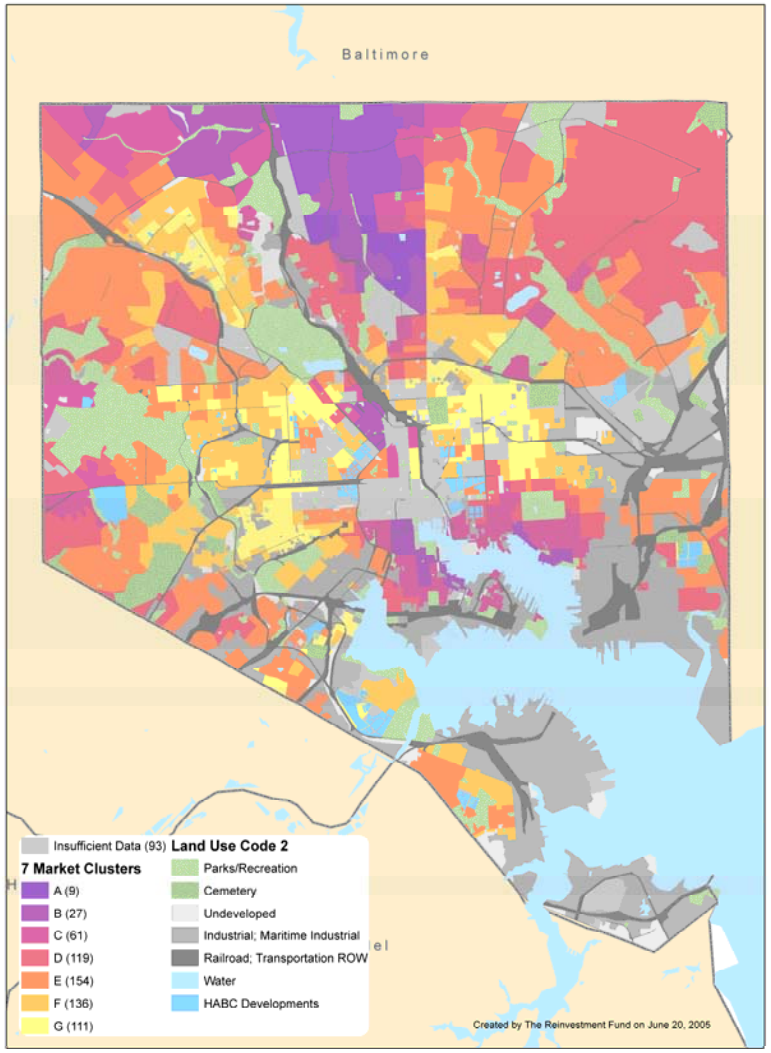
Example: BALTIMORE Maryland

Client: City of Baltimore, Department of Planning

Housing Market Indicators

- Housing sales prices
- Percent of homes in foreclosure
- Owner occupancy rates
- Percent of properties with code violations
- Presence of rental properties with Section 8 Certificate subsidy
- Mix of commercial and residential uses
- Percent of properties that are vacant
- Percent of properties that are vacant lots created through demolition

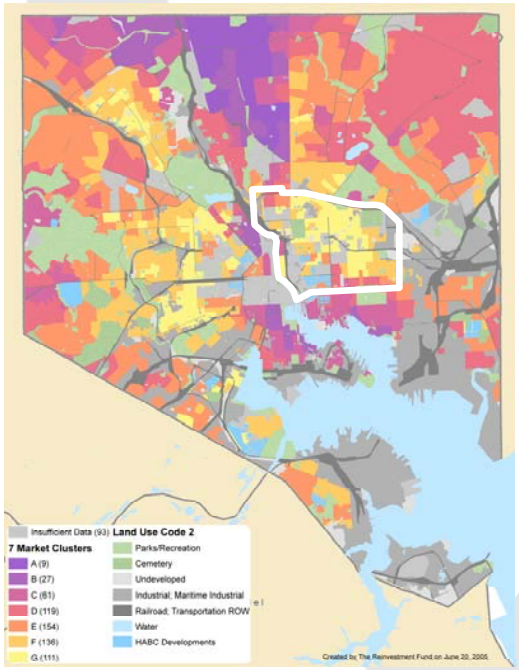
Baltimore Market Value Analysis

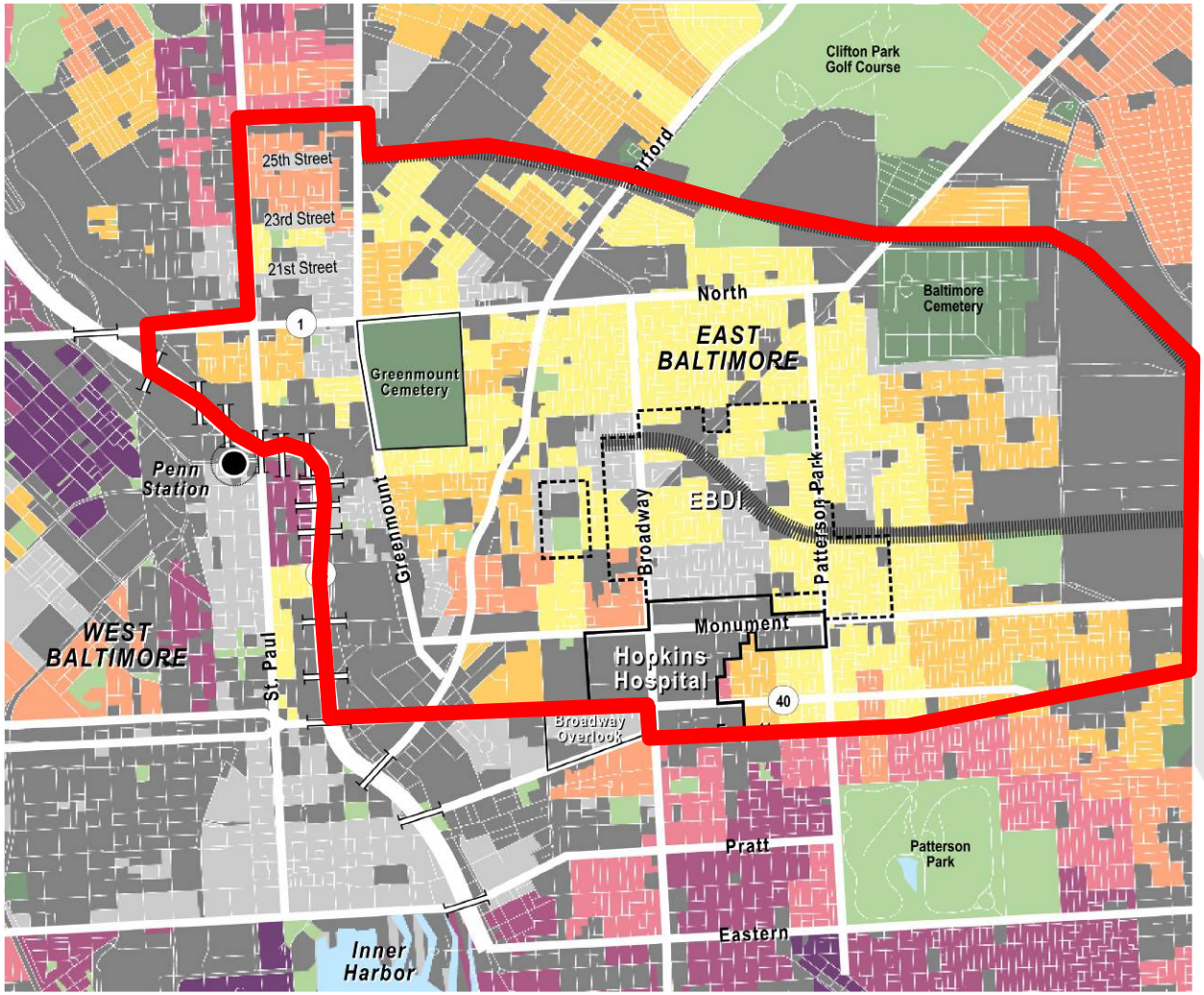


Development Process: East Baltimore

- Understand the Market using TRF's Market Value Analysis (MVA)
- Build from strength by investing in the strongest part of distressed area first to link markets to assets
- Properly scale and sequence investments to positively affect the recovery of housing markets
- Create housing options that balance market growth and affordability

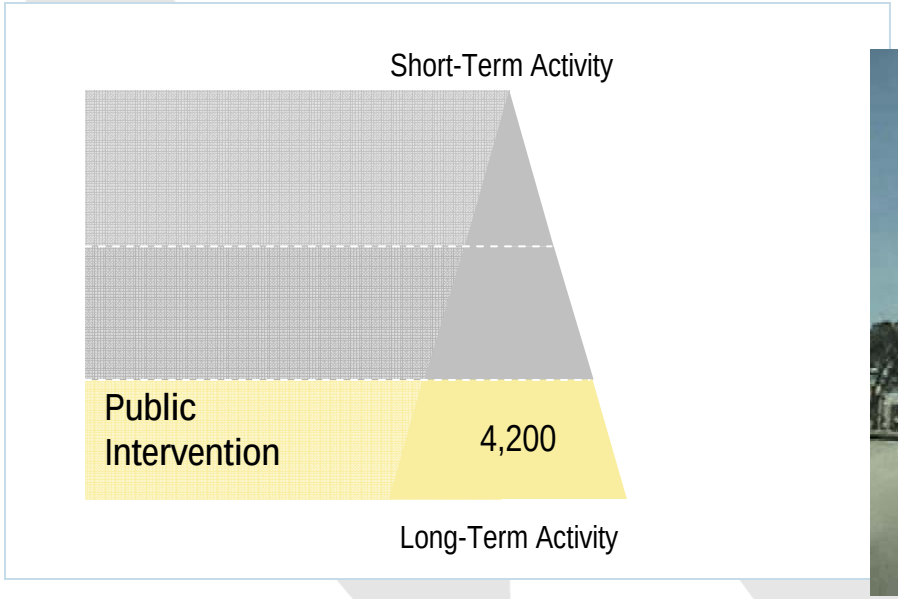
Target Market: EAST BALTIMORE





East Baltimore: Challenges

Area Map



High Vacancies

Low Property Values

Disconnected To Assets

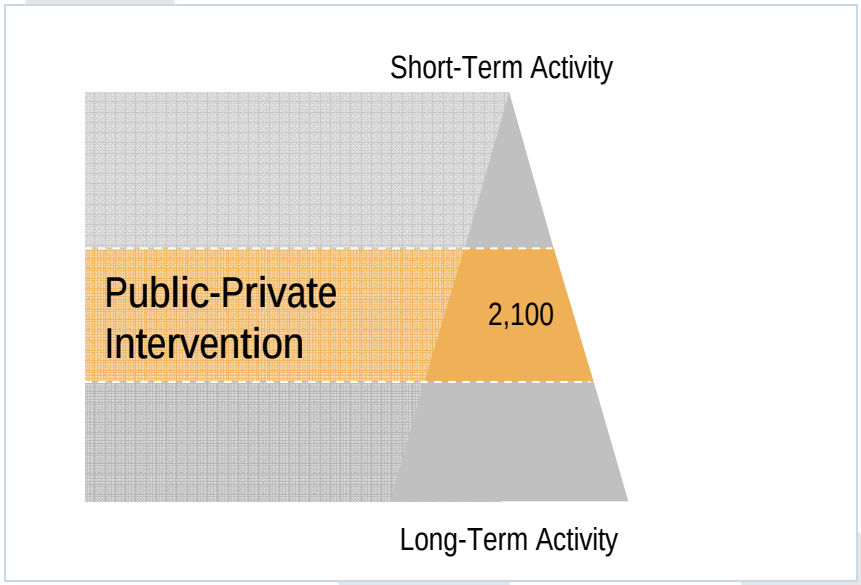
Adjacent to distressed MVA Clusters

Unsafe and in Poor Physical Condition

Public Intervention Characteristics

East Baltimore: Public-Private Intervention

Area Map



Low-High Vacancies

Medium-Low Property Values

Poorly Connected To Assets

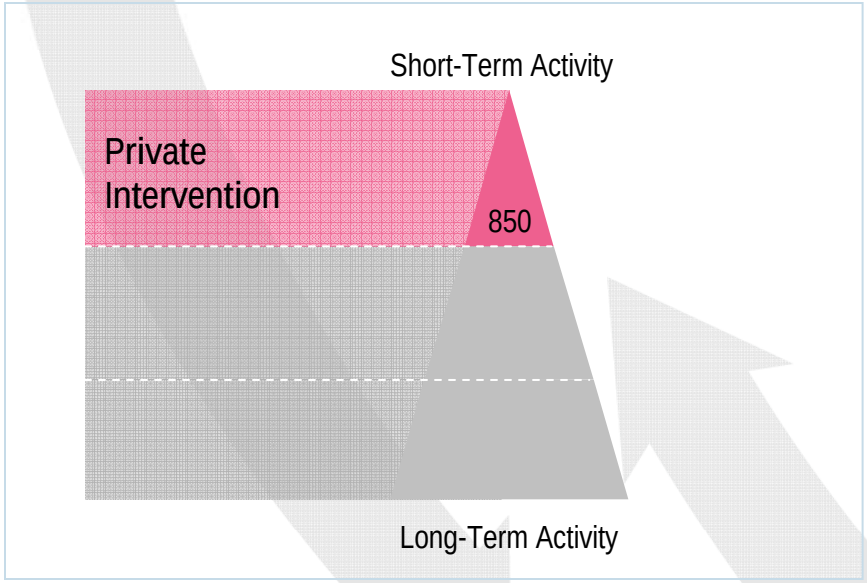
New Viable MVA Clusters

Poor Safety & In Fair-Poor Physical Condition

Public-Private Intervention Characteristics

East Baltimore: Private Intervention

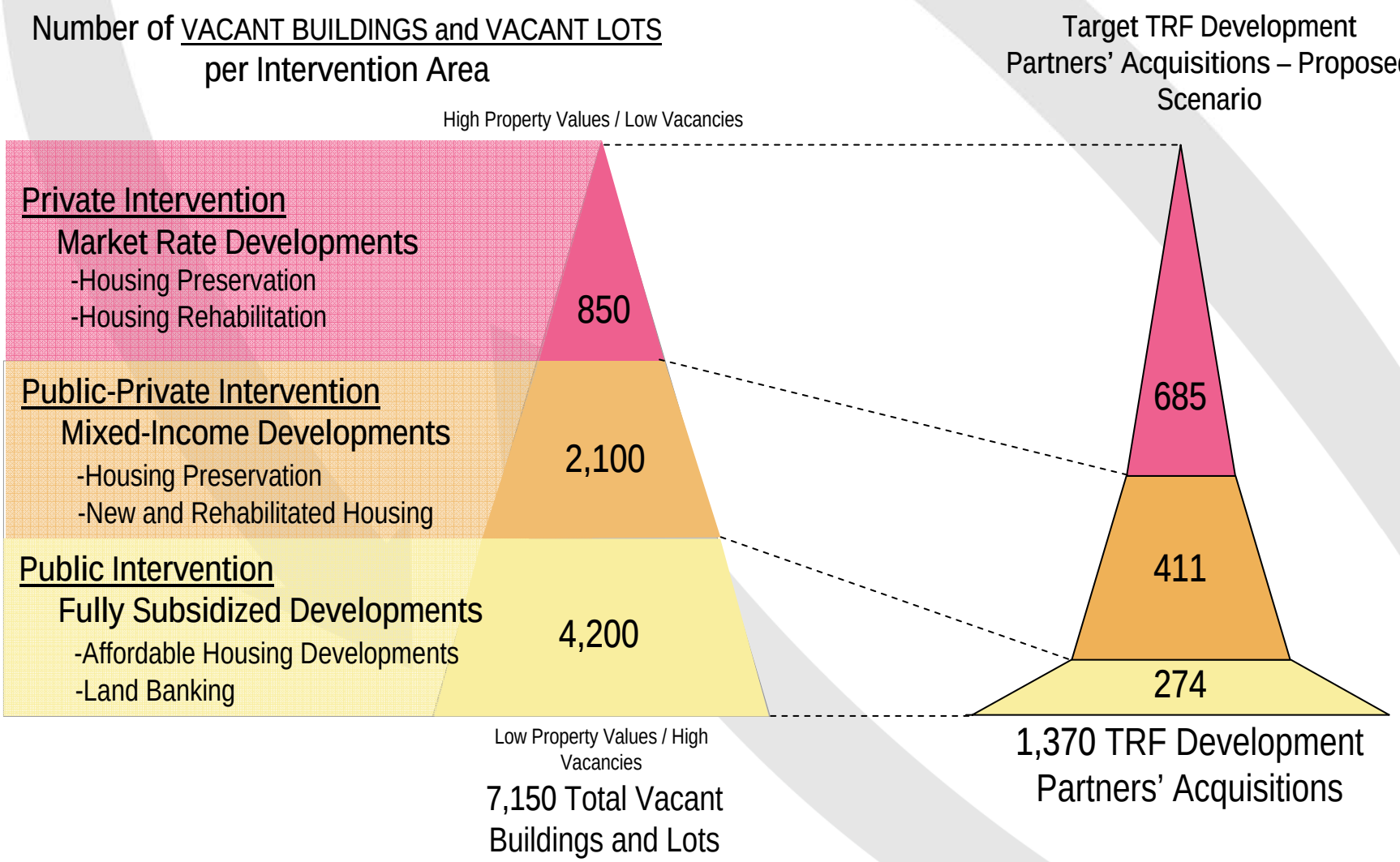
Area Map



- Low Vacancies
- High Property Values
- Connected To Assets
- Near Strong MVA Clusters
- Safe and in Fair Physical Condition

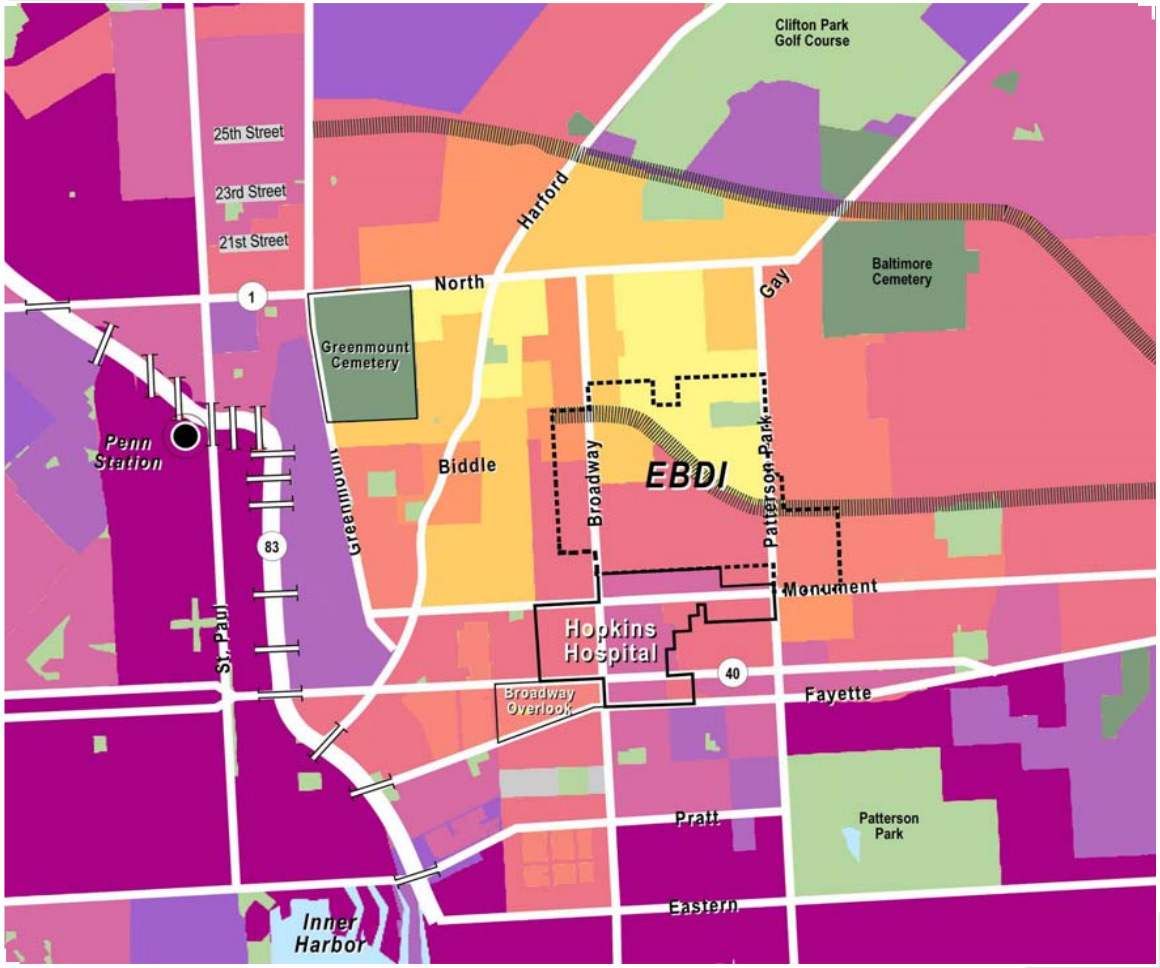
Private Intervention Characteristics

Hypothetical Development and Investment Strategy



Potential Investment Strategy

Strategies



Year 11-15

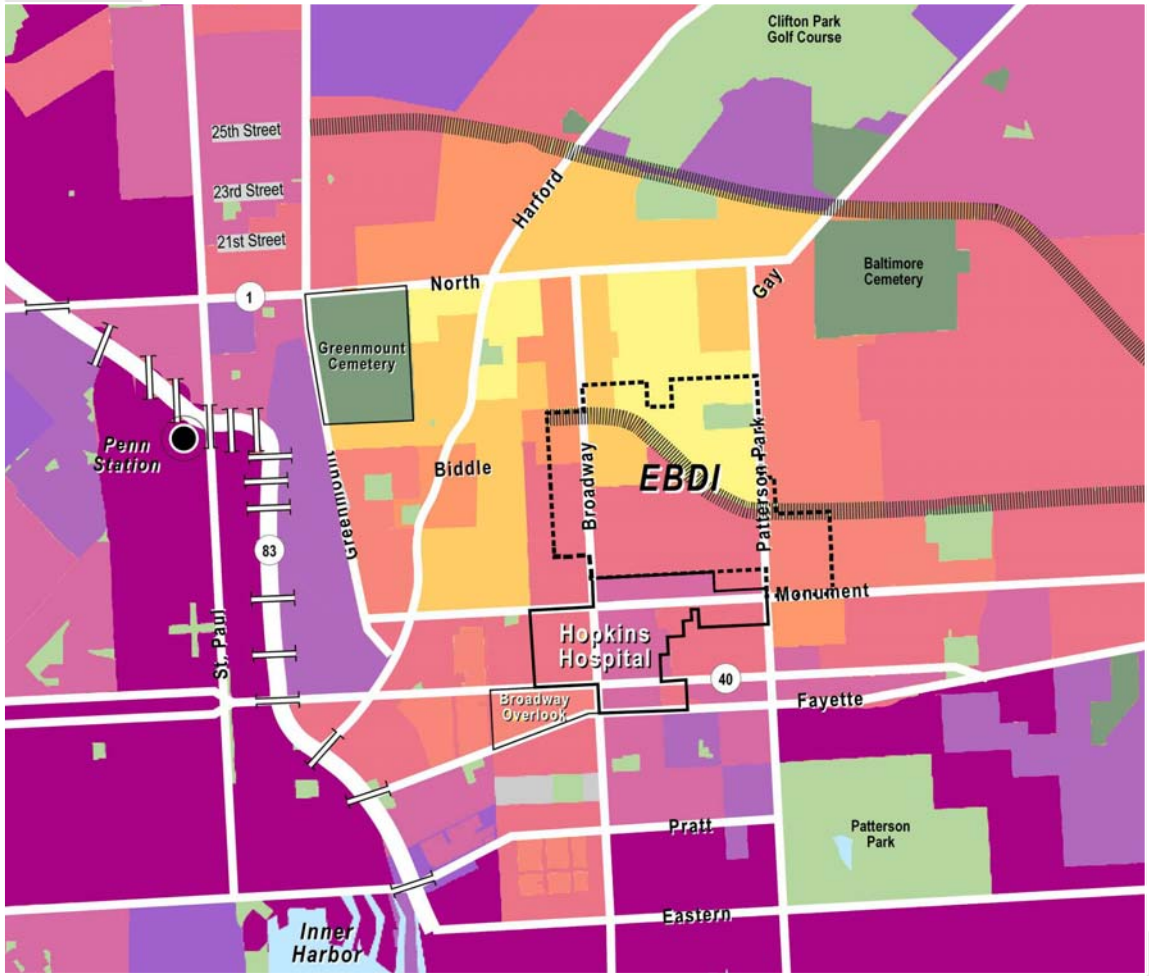
$10m Repaid &
Reinvestment Continues

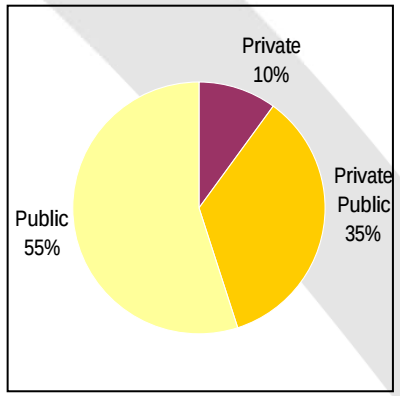
Properties Developed by TRF

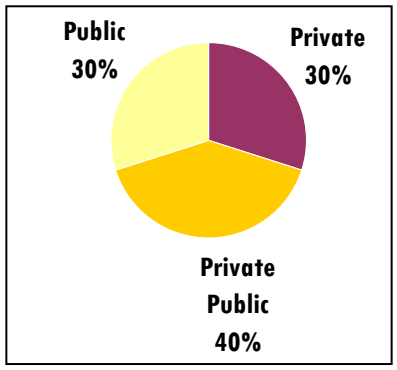
Total Vacant Properties 1-5	*6-10*	*11-15*	Total
810	183	228	205	616
2,100	296	390	375	1,061
4,200	92	182	85	359
Total	571	800	665	2,035

Expected Results: East Baltimore Strategy

2006







Concluding Thoughts

- Decisions about markets must be made on the basis of sound data and objective analyses which, if done properly, will no necessarily be confirmatory of your initial perspectives.
  - Be open to alternatives that may be, on their face, dissonant with your organization's view how things work
- Beginning work in the epicenter of market weakness and working toward strength is not an approach that ahs a high likelihood of success.
  - That doesn't mean that the weakest areas should be disregarded; it suggests that a housing strategy might not be a good first activity

Concluding Thoughts

- Patience is critical: many of the distressed places in which we all work are in a long-term state of decline – they will not recover quickly
- Promising body of work developing around the demonstrable positive impacts of clustering community development investments: Richmond, VA's Neighborhoods in Bloom project.

End of Session #2

Full Presentation is Available at:

http://www.trfund.com/resource/policypubs.html