

What have we learned about the causes of recent gentrification?

Jeffrey Lin
Federal Reserve Bank of Philadelphia

Research symposium on
gentrification & neighborhood change
May 25, 2016

Old & new questions

Gentrification in US downtowns has **strengthened and broadened** to more cities and neighborhoods.

Renewed interest from researchers, policy makers, and public in the **causes and consequences** of gentrification.

- How is recent gentrification different from the 1970s & 1980s?
- What are the benefits & costs of neighborhood change?
- Who benefits & who loses?
- What are the likely consequences of policy responses?
- Are recent changes likely to revert, persist, or expand further?

Why do we care about causes?

Understanding the **causes of recent gentrification** can help us answer these questions.

The relative importance of . . .

- . . . **supply** or **demand** factors may have implications for policies that (e.g.) restrict development in gentrifying neighborhoods.
- . . . **jobs** or **amenities** may have distributional consequences.
- . . . **temporary** policies, **unstable** amenities, **durable** factors, or **changes in tastes** help forecast future neighborhood change.

Identifying causal factors

A challenge

- **Endogenous factors** that reinforce neighborhood change, e.g.,
new high-SES residents → new retail stores → new housing
→ new high-SES residents → ...
- Very strong responses in endogenous factors may further increase SES, leading to **self-perpetuating** change.

Two questions

- How strong are these endogenous responses?
- Can we identify **deep causal** vs. **proximate** factors?

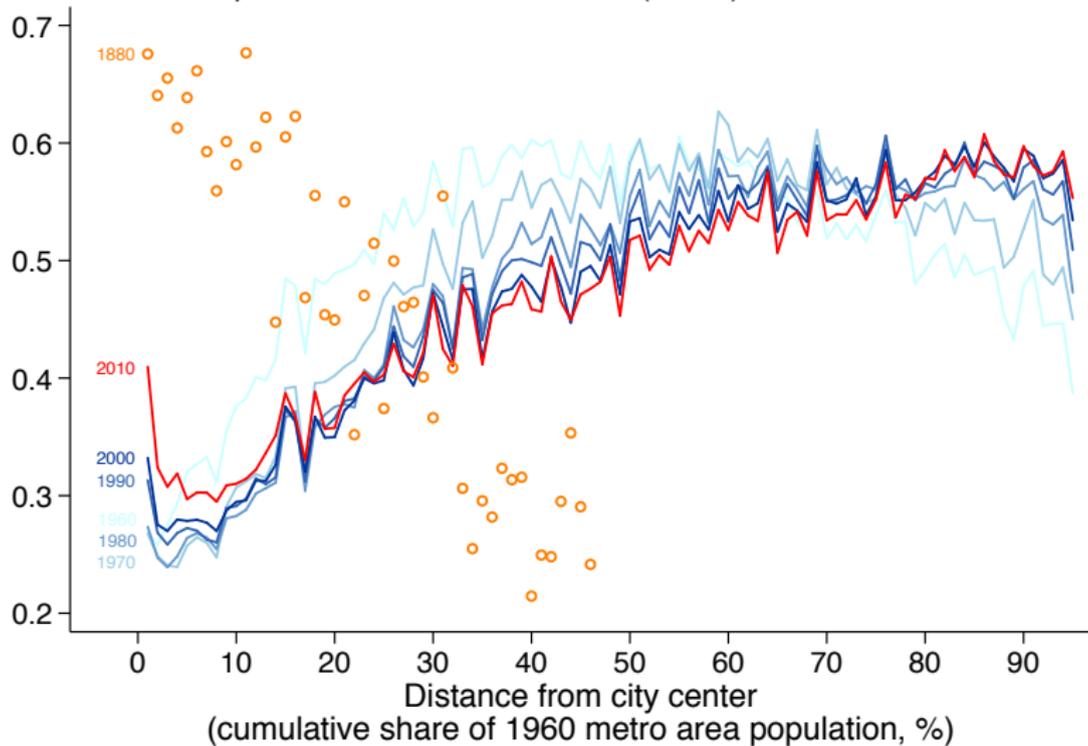
Common findings

- Some reversal in 1980s & 1990s; Stronger & broader in 2000s.
- Downtown revival: Not population growth (though declines have abated) but **large composition shifts**.
- On average, **prime-age, college-educated** households **increasingly choose downtowns**. Others choose downtowns at similar or less frequent rates than earlier periods.
- **High-skilled jobs** are no longer declining (or even increasing) downtown, while lower-skilled jobs continue to suburbanize.
- Gentrifiers appear to have **increased their valuation of downtown amenities** compared with earlier periods.
- Large decline in (esp. violent) **crime** in central cities.

Less commonly observed findings

- Downtowns used to be high-SES, then declined for 100+ yrs.
- Downtowns are still **low-SES** vs. other neighborhoods (BSH).
- On average **3+km from city center**, tract SES **fell** 1960–2010.
- Recent gentrification shows strong **spatial dependence on historical patterns** (Guerrieri, Hartley, & Hurst, 2013).
- High-income workers with **jobs in the suburbs** moved downtown 2000-2011 (CH).

SES index percentile rank within CBSA (0 to 1)

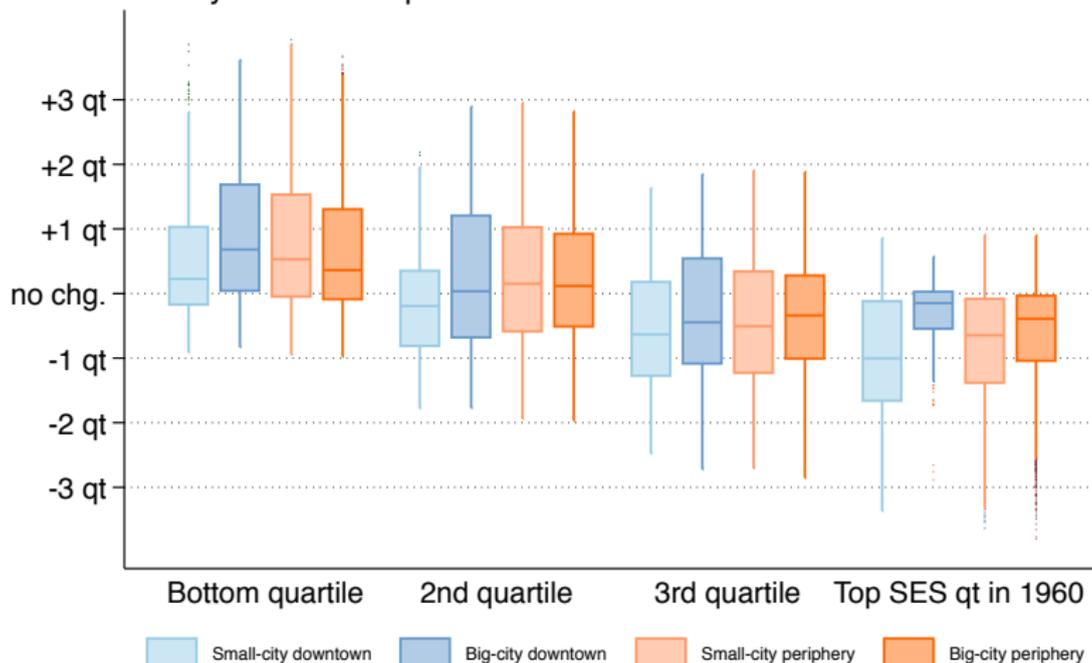


Author's calculations using 48,068 consistent-boundary census tracts in 168 largest US CBSAs in 1960, & 31 CBSAs in 1880 (Lee & Lin, 2015). SES index = Avg. of within-CBSA %ile ranks in (1) college-educated share of 25+ population & (2) average household income (Occ. inc. score in 1880.) Distance from city center = Nearest consistent-boundary tracts to city center comprising X% of 1960 CBSA population. City centers from 1982 Census of Retail Trade etc. (Hartley & Fee, 2013). Actual distance to city center in 9% population bin: mean=3.1km, sd=2.7km, p10=1.4km, p90=4.7km (across cities). Tracts weighted by pop. and number of cities.

Heterogeneity in neighborhood change

- **Low-SES big-city downtown tracts** increased most in SES since 1960 vs. other neighborhoods.
- But **25%** of these tracts have seen **no change** or worse.
- Many small-city downtowns & peripheral neighborhoods have seen big increases.
- **Middle-SES downtowns**: Similar changes vs. others.
- **High-SES big-city downtowns** are remarkably persistent.

Changes in tract SES index, 1960-2010
by 1960 metro size and downtown status
and by SES index quartile in 1960



Source: Author's calculations using census data. Downtowns are consistent-boundary census tracts closest to city center containing no more than 9 percent of metropolitan area population in 1960. Boxes show 25th, 50th, and 75th percentile of changes in tract SES index, 1960-2010. Dots outside whiskers exceed $1.5 \times$ interquartile range.

Interpreting the evidence

Changes in the **geography of jobs** somewhat important.

- How do we know that jobs aren't just responding to workers?
- By using Bartik (1991) instruments: Predicted job locations based on initial (e.g. 1970) job locations & national industry-specific employment growth (BSH, EMS, CH).
- Standard concern: Omitted factors correlated with initial job locations & changes in geography of workers.
- What changes in technology (or HH demand) have centralized high-skilled jobs? **Eds & Meds**; Importance of **job amenities**.
- Explanation circumscribed by CH finding that **suburban workers are moving downtown**.
- Decline in leisure time might make **access to consumption amenities** more important.

Interpreting the evidence

Changes in the **neighborhood choice of gentrifiers** important.

- BSH: Shifts due to diverging **amenities** or **tastes**?
- How do know that amenities aren't responding to households?
- CH: By using Bartik-style instruments: Predicted growth in amenities based on initial establishment locations & national industry- or chain-specific entry & exit patterns.
- Omitted factors correlated w/ initial establishment locations or national **entry patterns** & **changes in consumer location**?
- EHR: Use citywide vs. neighborhood crime trends. Also, most of decline in crime (in 1990s) predates 2000s gentrification.

Next steps

Expanding the scope of causal factors

- Better account for **heterogeneity** across neighborhoods, cities?

What is the relative importance of various factors?

- More **counterfactual exercises** (a la CH), i.e., how much gentrification absent (exogenous changes in) factors X or Z?

Alternative identification strategies

- Current results rely on similar identification strategies using Bartik-style instruments. Need for complementary evidence from natural experiments, matching estimators, etc.

Expanding the scope of causal factors

Wide dispersion in outcomes suggests features of (other) factors

- Historical downtown affluence & persistence of high-SES downtowns suggests **very durable fixed or historical** factors: natural amenities; transportation networks; civic, educational, or cultural institutions (Lee & Lin, 2015).
- Strong spatial dependence at limited distances suggests **extremely local** factors: safety, walkable streets, etc.
- Similar outcomes of middle-SES neighborhoods across cities and neighborhoods suggests factors **specific to low-SES** downtowns: Low prices?

Expanding the scope of causal factors

Access beyond of jobs

- Decline in downtown access gap—e.g., same-day delivery for consumer goods, telecommuting, flexible scheduling.

Amenities beyond consumption & crime

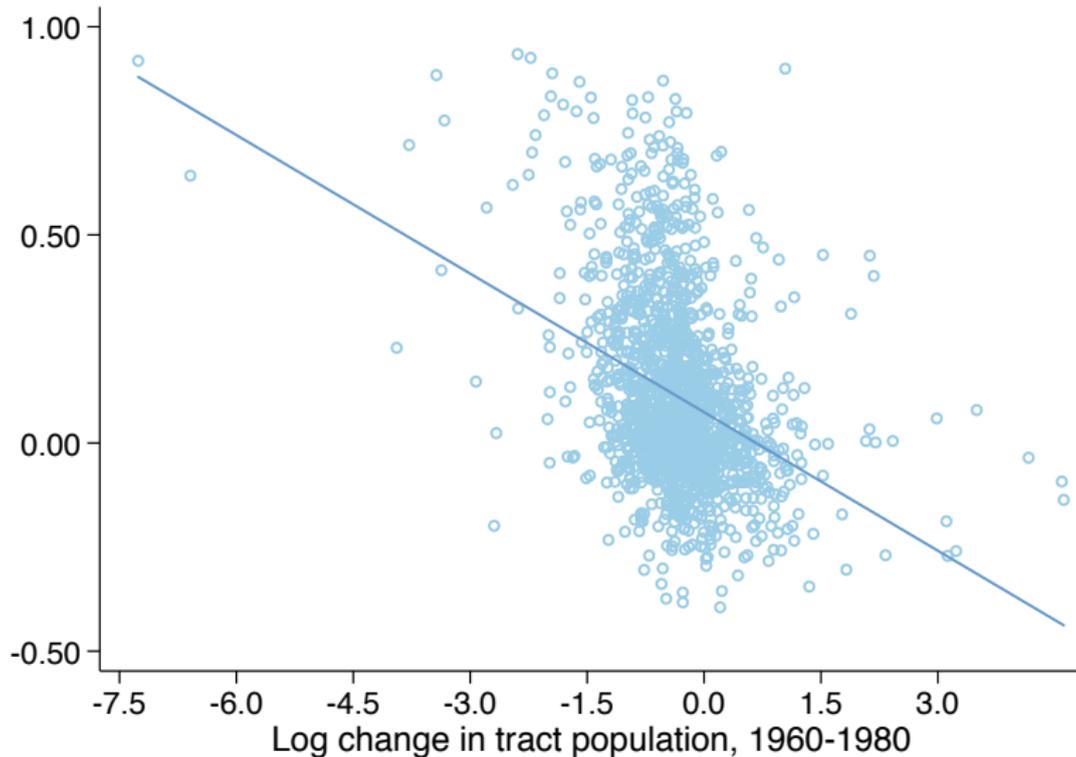
- Reduced disamenity from housing policy—e.g., HOPE VI.
- Increased amenity from developer activity, historical preservation, BIDs, zoning & land use changes, TIFs, beautification, school reform.
- Changing racial attitudes.
- New technologies that complement urban consumption.
- Where do **changes in tastes** come from? Are they likely to persist beyond current cohort of gentrifiers?

Expanding the scope of causal factors

Congestion factors

- Declining prices from depreciation of housing or fixed factors.
- Declining prices from increased credit, housing boom.
- Declining negative externalities from depopulation and deindustrialization.

Change in SES index, 1980-2000 for low-SES downtown tracts in 1980*



Source: Author's calculations using census data. Downtowns are consistent-boundary census tracts closest to city center containing no more than 9 percent of metropolitan area population in 1960. Low-SES tracts are in bottom half of metropolitan area distribution in 1980.

What have we learned about the causes of recent gentrification?

- Changing geography of jobs & changing amenity value (consumption, crime) of downtown neighborhoods appear to have caused gentrification.
- Not yet a complete explanation accounting for relative contribution of many factors.
- Partial answers to motivating questions: demand factors seem important, but less evidence on supply. Amenities & jobs both seem to be reinforcing inversion of cities. Less clarity on durability of causal factors.