What have we learned about the causes of recent gentrification?

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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

- **Endogeneous factors** that reinforce neighborhood change, e.g.,
  new high-SES residents $\rightarrow$ new retail stores $\rightarrow$ new housing $\rightarrow$ new high-SES residents $\rightarrow$ . . .

- Very strong responses in endogeneous factors may further increase SES, leading to self-perpetuating change.

Two questions

- How strong are these endogeneous 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).
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.

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 × interquartile range.
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.
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.