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HOMEOWNERSHIP & HOME VALUES AMONG BLACK NEIGHBORHOODS IN MARION COUNTY (2018)

BACKGROUND

A 2018 report from the Brookings Institute found that homes in majority-black neighborhoods in the Indianapolis-Carmel-Anderson metro area were valued at \$18,000 less than those in similar—yet not predominately black—neighborhoods.¹ This follows a national trend in which homes in black neighborhoods were undervalued by \$48,000 on average.

In fact, in 117 of the 119 metro areas included in the Brookings report, a home in a majority-black neighborhood was valued less than those in other neighborhoods. These areas also are more likely to be more segregated and provide fewer upward mobility opportunities for black residents.

This brief examines trends in black homeownership specifically for Marion County. We focused on Marion County because it has a higher concentration of black residents (28 percent) than the Indy metro area (15 percent).

METHODOLOGY

We analyzed data from the 2014–2018 five-year estimates from the U.S. Census Bureau's American Community Survey to identify majority-black neighborhoods—those in which at least half the population is black. This brief compares those neighborhoods to ones in which less than half of the population is black, and to majority-nonwhite neighborhoods. We also conducted a regression analysis using one year of data to identify what factors may be associated with home values.

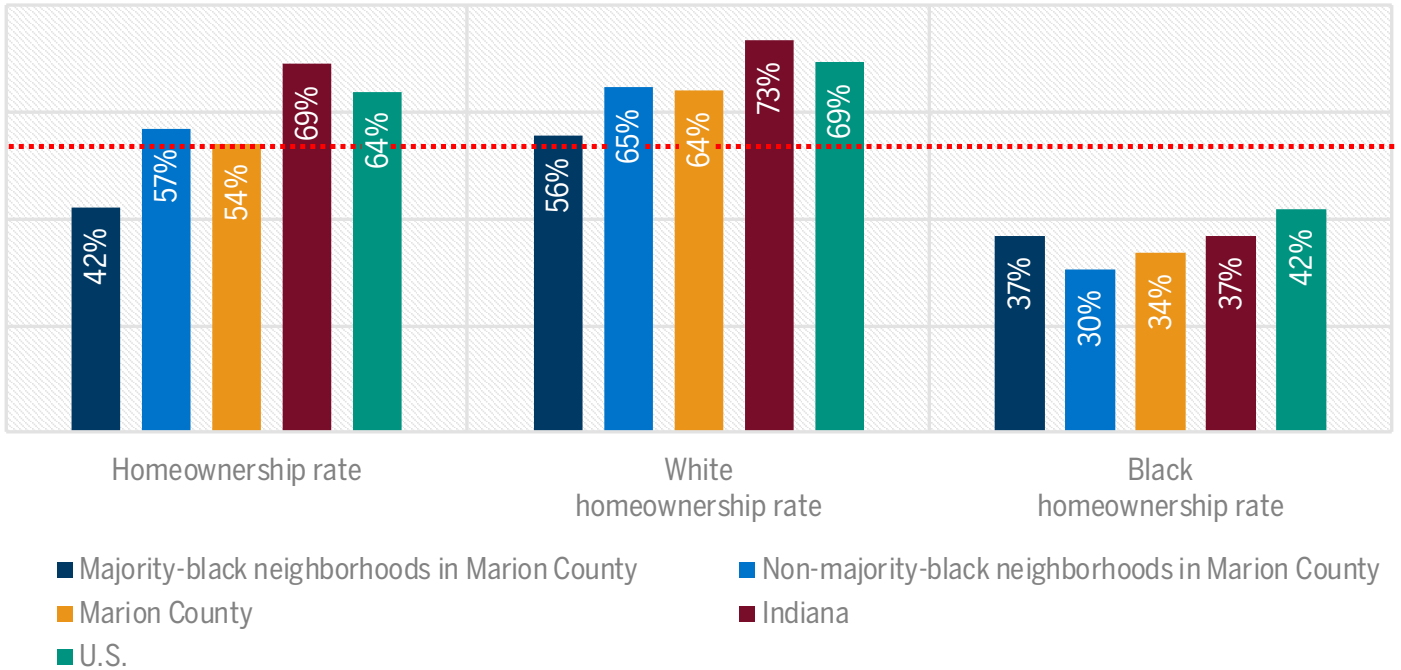
KEY FINDINGS

- Forty-eight percent of black Marion County residents live in majority-black neighborhoods.
 - Black renters and homeowners in Marion County tend to live in areas with large concentrations of black residents.
 - The largest concentration of black owner-occupied housing is located in majority-black neighborhoods.
- The median home value in majority-black neighborhoods is \$87,821 compared to Marion County's median home value of \$129,200.
 - More than 88 percent of majority-black neighborhoods have a median home value less than Marion County's median home value.
 - About 42 percent have median values less than \$75,000.

MARION COUNTY TRENDS HOMEOWNERSHIP RATES

Research on housing disparities consistently shows that white residents are more likely to be homeowners than black residents.² Cities in the Northeast and Midwest have the highest documented racial

FIGURE 1. Homeownership rate by region and race

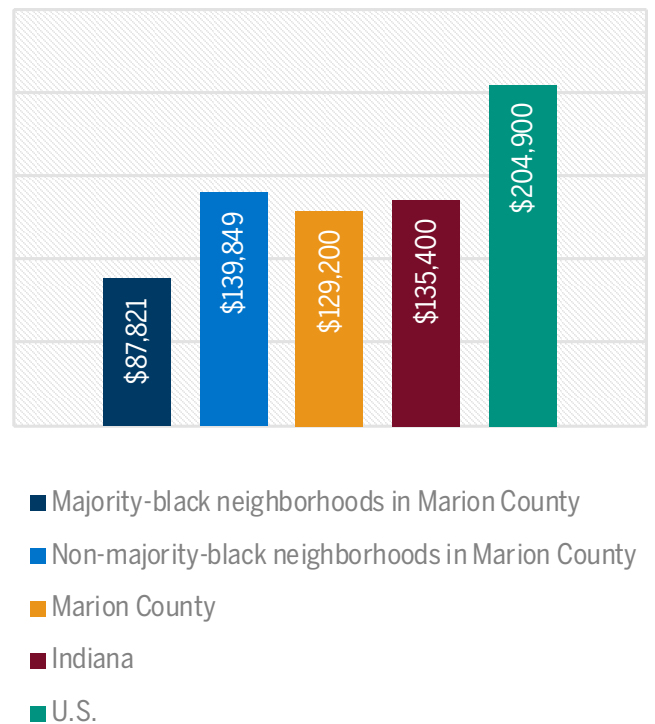


homeownership gaps.² These gaps exist in Marion County as well (Figure 1). The white homeownership rate is higher than both the overall and black homeownership rates in Marion County, the state of Indiana, and the United States. When looking at black homeowners, majority-black neighborhoods have a higher homeownership rate than other areas in Marion County. However, in majority-black neighborhoods, the white homeownership rate still exceeds that of black residents. This means that even in majority-black neighborhoods, more white residents own their home than rent.

HOME VALUE

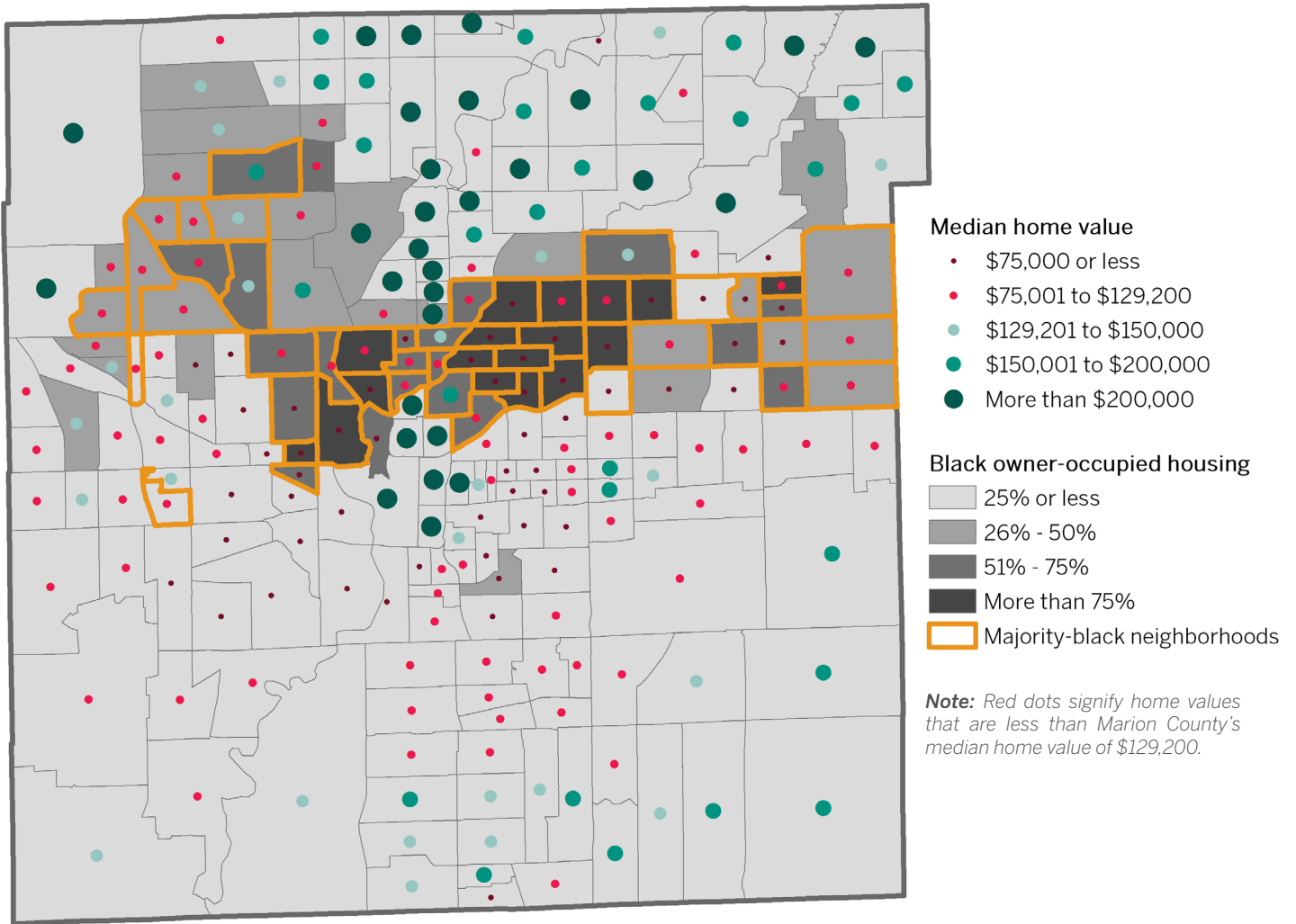
Home values in majority-black neighborhoods are lower than in other Marion County neighborhoods (Figure 2). The median home value in Marion County is \$129,200. Yet, in the county’s majority-black neighborhoods, it drops to only \$87,821—more than a \$41,000 gap. When we compare the home values of majority-black neighborhoods to neighborhoods that are not majority-black, this gap grows to more than \$52,000.

FIGURE 2. Median home values by region



About 23 percent of Marion County neighborhoods are predominately black. These neighborhoods also have the largest concentration of black owner-occupied housing (Figure 3). We found that both black homeowners and black renters in Marion

FIGURE 3. Black owner-occupied housing and median home value in Marion County



County tend to live in areas with large concentrations of black residents. More than 88 percent of these neighborhoods have median home values lower than the county median and almost 42 percent have median home values less than \$75,000.

overall and in majority-black neighborhoods in Marion County. These trends suggest that race and income must both be considered when understanding home values in Marion County neighborhoods.

WHAT MAY INFLUENCE HOME VALUES

The Brookings Institute report identified several factors related to public amenities that could contribute to home devaluation in majority-black neighborhoods. We assessed similar factors for Marion County neighborhoods and found that more black residents in a neighborhood and higher property crime rates were associated with lower home values in Marion County neighborhoods. Higher incomes were associated with higher median home values

HOUSING POLICIES & RACIAL DISPARITIES

National studies indicate that federal policies and institutional practices may still contribute to the black-white racial gap in homeownership and home values. Racial residential segregation has been perpetuated by several policies and practices, including:

- Anti-black real estate practices preventing prospective black homebuyers from moving into majority-white neighborhoods³

- Government-sponsored mortgage loan programs that exclude black and minority homebuyers, whose homes were eventually purchased by real estate investors and turned into rental units for low-income residents⁴
- Zoning restrictions that prevented the construction of multi-family housing units, apartment complexes, and affordable housing, which homeowners feared lowered property values⁴
- Predatory lending practices and fraud,³ including those that disproportionately affected black homeowners during the 2007–2008 housing crisis⁵

IMPLICATIONS

Indiana's Home Loan Practices Act aims to protect homeowners against predatory lending practices, while Indiana Code prohibits racial discrimination in applications for credit transactions. Yet, there is evidence that biased institutional practices are still in effect in Marion County and Indiana today. A 2018 study by the Fair Housing Center of Central Indiana (FHCCI) reveals that fully qualified black homebuyers in Marion County experienced housing discrimination 76 percent of the time while searching for housing.⁶ FHCCI (2018) conducted 25 tests that showed differential treatment between black and white individuals in identifying available units, treatment during appointments, and move-in specials offered. FHCCI also found that 75 percent of black loan applicants were discriminated against in 2017. In a specific example, an investigation of First Merchants Bank's lending practices found that only 13 percent of its residential mortgage loan applications came from black applicants.⁷

Given that 48 percent of Marion County's black population lives in majority-black neighborhoods, there are serious implications for lower home values in those areas. Homeownership remains one of the main ways for families to accumulate wealth.⁸ Excluding families from accessing critical loans means that generations of black families have historically been unable to invest in wealth-creating assets like homeownership.⁸

The relationship between black homeowners and renters in Marion County has further implications. Our [research on rental trends](#) in Marion County indicates that renters in areas with larger concentrations of black and nonwhite renters spent a greater percentage of their income on rent.⁹ Rising rental costs and stagnant incomes in Marion County create rent burdens that could make it hard to save enough money to qualify for a home loan and make a down payment to purchase a home.⁵ In 2017, black buyers "had the least purchasing power of all races" and could only afford "55 percent of all homes for sale, while white buyers could afford nearly 80 percent."²

Though not all black homeowners live in majority-black neighborhoods, many do. Our team will begin collaborating with Indianapolis residents who have experienced these trends firsthand to provide additional context to home devaluation in black neighborhoods. Future research should explore:

- What factors black residents consider when buying a home
- How the devaluation of homes in majority-black neighborhoods plays a role in their decision-making process
- Whether existing trends could lead to continually segregated neighborhoods in Marion County

Because many of these trends have resulted from discriminatory practices and policies leading to segregated neighborhoods, undoing those causes is equally complex. In the short term, stakeholders should consider:

- In what ways their organization plays a direct or indirect role in making affordable housing more attainable specifically for black residents
- Whether they can help address the systemic lack of resources in those neighborhoods

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The Center for Research on Inclusion & Social Policy (CRISP) was created to address complex social issues and the effects of social policy through applied, data-driven, and translational research. CRISP analyzes and disseminates community-relevant research about social disparities and policy issues. The Center is housed within the IU Public Policy Institute (PPI), which also supports the Center for Health & Justice Research (CHJR) and the Indiana Advisory Commission on Intergovernmental Relations (IACIR).

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