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
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
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
- Neighborhood Indicator sites in cities across the country
- Cooperative realtor - MLS
Standard Hierarchy of Census Geographic Entities

NATION

REGIONS

DIVISIONS

STATES

Counties

Census Tracts

Block Groups

Census Blocks

AIANA/HHL* (American Indian Areas/Alaska Native Areas/Hawaiian home lands)

ZIP Code Tabulation Areas (2000)

School Districts

Congressional Districts

Economic Places

Voting Districts

Traffic Analysis Zones

County Subdivisions

Subbarrios

Places

Urban Areas

Metropolitan Areas

Oregon Urban Growth Areas

State Legislative Districts

Alaska Native Regional Corporations

* Refer to the "Hierarchy of American Indian, Alaska Native, and Hawaiian Entities" on page 2.
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
– 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
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.
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 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
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

2001 Market Types
- Regional Choice
- High Value
- Steady
- Transitional Up
- Transitional Steady
- Transitional Down
- Distressed
- Reclamation
- Non Residential
TRF Market Value Analysis

Market Type
- Regional Choice
  - High Value
- Steady
- Transitional
- Stressed
- Reclamation

Public Action
- Asset Promotion
- Asset Preservation
- Asset Development
## Connecting Activities to Markets

<table>
<thead>
<tr>
<th>Activity</th>
<th>Regional Choice</th>
<th>High Value</th>
<th>Steady</th>
<th>Transitional</th>
<th>Distressed</th>
<th>Reclamation</th>
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</thead>
<tbody>
<tr>
<td>Demolition of Dangerous Properties</td>
<td></td>
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<tr>
<td>Encapsulation: Acquisition/Rehab</td>
<td></td>
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<tr>
<td>Dead Tree Removal</td>
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<tr>
<td>Land Assembly for Redevelopment</td>
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<tr>
<td>Selective Enhancement of Lots</td>
<td></td>
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<tr>
<td>Quality of Life Code Enforcement (broken window syndrome)</td>
<td></td>
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<tr>
<td>Abandoned Car Removal</td>
<td></td>
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<td></td>
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<tr>
<td>Nuisance Abatement</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Color Legend:**
- **Red** | High Priority
- **Orange** | Medium Priority
- **Yellow** | Low Priority
- **Blue** | Some Activity
<table>
<thead>
<tr>
<th>2001 Market Type</th>
<th>Average Price 01</th>
<th>Average Price 06</th>
<th>Pct Vacant 02</th>
<th>Pct Vacant 05</th>
<th>Fcl as Pct of Sales 00-01</th>
<th>Fcl as Pct of Sales 05-06</th>
<th>Pct Owner Occupied 05</th>
<th>Units Exempt As Of 06</th>
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<tbody>
<tr>
<td>Black-Regional Choice</td>
<td>$389,523</td>
<td>$642,764</td>
<td>0.2%</td>
<td>0.4%</td>
<td>3.9%</td>
<td>4.9%</td>
<td>41.1%</td>
<td>270</td>
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<tr>
<td>Purple-High Value</td>
<td>$268,949</td>
<td>$464,170</td>
<td>0.3%</td>
<td>0.6%</td>
<td>3.6%</td>
<td>3.3%</td>
<td>43.8%</td>
<td>910</td>
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<tr>
<td>Blue-Steady</td>
<td>$136,199</td>
<td>$280,230</td>
<td>0.3%</td>
<td>0.4%</td>
<td>9.9%</td>
<td>6.9%</td>
<td>54.9%</td>
<td>2213</td>
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<tr>
<td>Yellow-Transitional Up</td>
<td>$78,244</td>
<td>$179,755</td>
<td>0.9%</td>
<td>0.8%</td>
<td>17.1%</td>
<td>14.5%</td>
<td>68.9%</td>
<td>772</td>
</tr>
<tr>
<td>Yellow -Transitional</td>
<td>$75,326</td>
<td>$176,992</td>
<td>1.0%</td>
<td>0.9%</td>
<td>18.1%</td>
<td>13.2%</td>
<td>58.8%</td>
<td>1655</td>
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<tr>
<td>Yellow-Transitional Down</td>
<td>$64,376</td>
<td>$141,823</td>
<td>0.9%</td>
<td>0.9%</td>
<td>22.3%</td>
<td>16.9%</td>
<td>71.2%</td>
<td>96</td>
</tr>
<tr>
<td>Orange-Stressed</td>
<td>$42,124</td>
<td>$115,904</td>
<td>3.3%</td>
<td>3.1%</td>
<td>31.4%</td>
<td>18.5%</td>
<td>65.0%</td>
<td>2078</td>
</tr>
<tr>
<td>Red-Reclamation</td>
<td>$21,249</td>
<td>$71,696</td>
<td>8.4%</td>
<td>9.1%</td>
<td>38.2%</td>
<td>17.9%</td>
<td>55.8%</td>
<td>2193</td>
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</table>
## TRF’s 2006 Market Value Analysis

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

Public Intervention Characteristics

- High Vacancies
- Low Property Values
- Disconnected To Assets
- Adjacent to distressed MVA Clusters
- Unsafe and in Poor Physical Condition
East Baltimore: Public-Private Intervention

Area Map

Public-Private Intervention

Short-Term Activity

Long-Term Activity

2,100

Low-High Vacancies
Medium-Low Property Values
Poorly Connected To Assets
New Viable M/A Clusters
Poor Safety & In Fair-Poor Physical Condition

Public-Private Intervention Characteristics
East Baltimore: Private Intervention

Area Map

Private Intervention

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

Private Intervention Characteristics
Low Property Values / High Vacancies

Private Intervention
- Market Rate Developments
  - Housing Preservation
  - Housing Rehabilitation

Public-Private Intervention
- Mixed-Income Developments
  - Housing Preservation
  - New and Rehabilitated Housing

Public Intervention
- Fully Subsidized Developments
  - Affordable Housing Developments
  - Land Banking

Number of VACANT BUILDINGS and VACANT LOTS per Intervention Area

High Property Values / Low Vacancies

Private Intervention
- Market Rate Developments
  - Housing Preservation
  - Housing Rehabilitation

Public-Private Intervention
- Mixed-Income Developments
  - Housing Preservation
  - New and Rehabilitated Housing

Public Intervention
- Fully Subsidized Developments
  - Affordable Housing Developments
  - Land Banking

Source: Hypothetical Development and Investment Strategy
Potential Investment Strategy

Year 11-15
$10m Repaid & Reinvestment Continues

Properties Developed by TRF

<table>
<thead>
<tr>
<th>Year</th>
<th>Properties 1-5</th>
<th>6-10</th>
<th>11-15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>810</td>
<td>183</td>
<td>228</td>
<td>616</td>
</tr>
<tr>
<td>6-10</td>
<td>2,100</td>
<td>296</td>
<td>390</td>
<td>1,061</td>
</tr>
<tr>
<td>11-15</td>
<td>4,200</td>
<td>92</td>
<td>182</td>
<td>359</td>
</tr>
<tr>
<td>Total</td>
<td>571</td>
<td>800</td>
<td>665</td>
<td>2,035</td>
</tr>
</tbody>
</table>
Expected Results: East Baltimore Strategy

2005

Public: 55%
Private: 35%

2020

Public: 30%
Private: 30%

Expected Results: East Baltimore Strategy
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 has 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