

# Pages on Property Values from Higher Density Myths and Facts

By: ULI

# MYTH

Higher-density developments lower property values in surrounding areas.

# FACT

No discernible difference exists in the appreciation rate of properties located near higher-density development and those that are not. Some research even shows that higher-density development can increase property values.

**T**he precise value of real estate is determined by many factors, and isolating the impact of one factor can be difficult. Although location and school district are the two most obvious determining factors of value, location within a community and size and condition of the house also affect value. Several studies have examined whether multifamily housing has any impact on the value of nearby single-family detached houses. These studies have shown either no impact or even a slightly positive impact on appreciation rates.

## PROFILE



HAILE PLANTATION CORPORATION

### Haile Plantation

Haile Plantation is a Gainesville, Florida, icon. Although it is denser than surrounding communities, the values of homes in Haile Plantation are often higher than the values of houses in neighboring lower-density communities, because the traditional neighborhood design employed there makes Haile Plantation more desirable and valuable. Beginning with the master plan in 1979, Haile Plantation has been called one of the first new urbanist communities in the country. Developers Bob Rowe and Bob Kramer in conjunction with the Haile Plantation Corporation developed the 1,700-acre site to include more than 2,700 units, ranging from single-family homes to townhouses and garden apartments. The sense of community has only grown with the expansion of the development to include a town center, a village green, trails, civic uses, and offices. Indeed, it is density and diversity that together add value to this popular Florida community.

**Homes in Haile Plantation sell for more than neighboring homes because prospective buyers view the traditional neighborhood design as a valuable and desirable amenity.**



For instance, one study by the National Association of Home Builders looked at data from the American Housing Survey, which is conducted every two years by the U.S. Census Bureau and the Department of Housing and Urban Development. It found that between 1997 and 1999, the value of single-family houses within 300 feet of an apartment or condominium building went up 2.9 percent a year, slightly higher than the 2.7 percent rate for single-family homes without multifamily properties nearby.<sup>18</sup>

Another study, commissioned by the Family Housing Fund in Minnesota, studied affordable apartments in 12 Twin Cities neighborhoods and found “little or no evidence to support the claim that tax-credit family rental developments in [the] study eroded surrounding home values.”<sup>19</sup> And a long-term study by Harvard University’s Joint Center for Housing Studies published in 2003 also confirms that apartments pose no threat to nearby single-family house values, based on U.S. Census data from 1970 to 2000.<sup>20</sup>

Not only is there compelling evidence that increased density does not hurt property values of nearby neighbors: researchers at Virginia Tech University have concluded that over the long run, well-placed market-rate apartments with attractive design and landscaping actually increases the overall value of detached houses nearby.<sup>21</sup> They cite three possible reasons. First, the new apartments could themselves be an indicator that an area’s economy is vibrant and growing. Second, multifamily housing may increase the pool of potential future homebuyers, creating more possible buyers for existing owners when they decide to sell their houses. Third, new multifamily housing, particularly as part of mixed-use development, often makes an area more attractive than nearby communities that have fewer housing and retail choices.<sup>22</sup>

## PROFILE

### Echelon at Lakeside

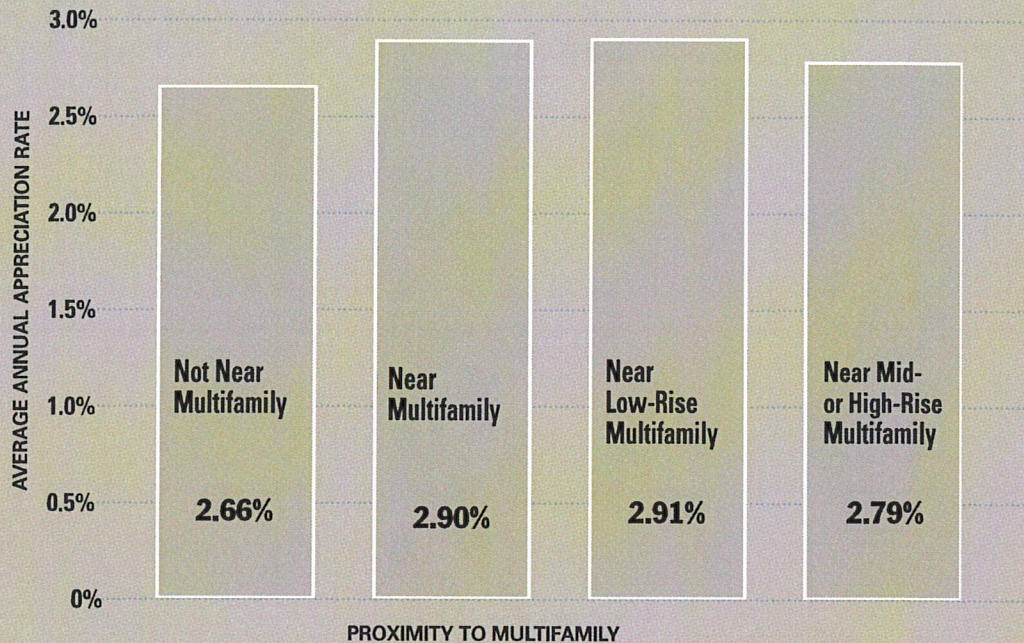
Echelon at Lakeside is the only multifamily development in an upscale, master-planned single-family suburban neighborhood of Lakeside on Preston in Plano, Texas a suburb of Dallas. Florida-based developers Echelon Communities, LLC, overcame initial community opposition from area residents through high-quality innovative design. The award-winning architecture blends seamlessly with the surrounding neighborhood’s traditional style. Larger-than-normal floor plans, individual entries, and attached garages combine to mirror the grand



**The award-winning apartments at Echelon at Lakeside were designed to blend with the neighboring luxury homes.**

estates in the surrounding communities. Although street elevations make the buildings appear to be one single-family home, they actually house several multifamily units. Memphis-based architects Looney Ricks Kiss used five building types and three building styles. All units include high-quality interior finishes; community amenities include a resort-style pool, fitness facility, clubroom, business and conference center, and full-time concierge.



**AVERAGE ANNUAL APPRECIATION FOR SINGLE-FAMILY DETACHED HOMES BY NEARNESS TO MULTIFAMILY BUILDINGS**

Source: NAHB computations based on data in the *American Housing Survey*: 1997 and 1999 (Washington, D.C.: U.S. Bureau of the Census and U.S. Department of Housing and Urban Development, 1997 and 1999).

Concerned citizens should use the entitlement process to demand high-quality development in their communities while understanding that density and adjacent property values are not inversely related. Higher-density real estate developers and investors in higher-density real estate need to appreciate the fact that most Americans' wealth is held in their home equity. Therefore, changes in property values can have very real consequences to existing property owners. Likewise, homeowners would benefit from knowing that developers make a substantial financial commitment when investing in new higher-density projects. This investment is an incentive to make the project successful, which can give the community leverage in working with the developer. Such interrelated and overlapping economic interests among these stakeholders make it all the more likely that a mutually beneficial agreement can be reached. Such an agreement can result in a project that enhances the existing community, ensures the appreciation of residents', developers', and the local government's financial interests, and addresses the needs of current and future residents of the community and region.

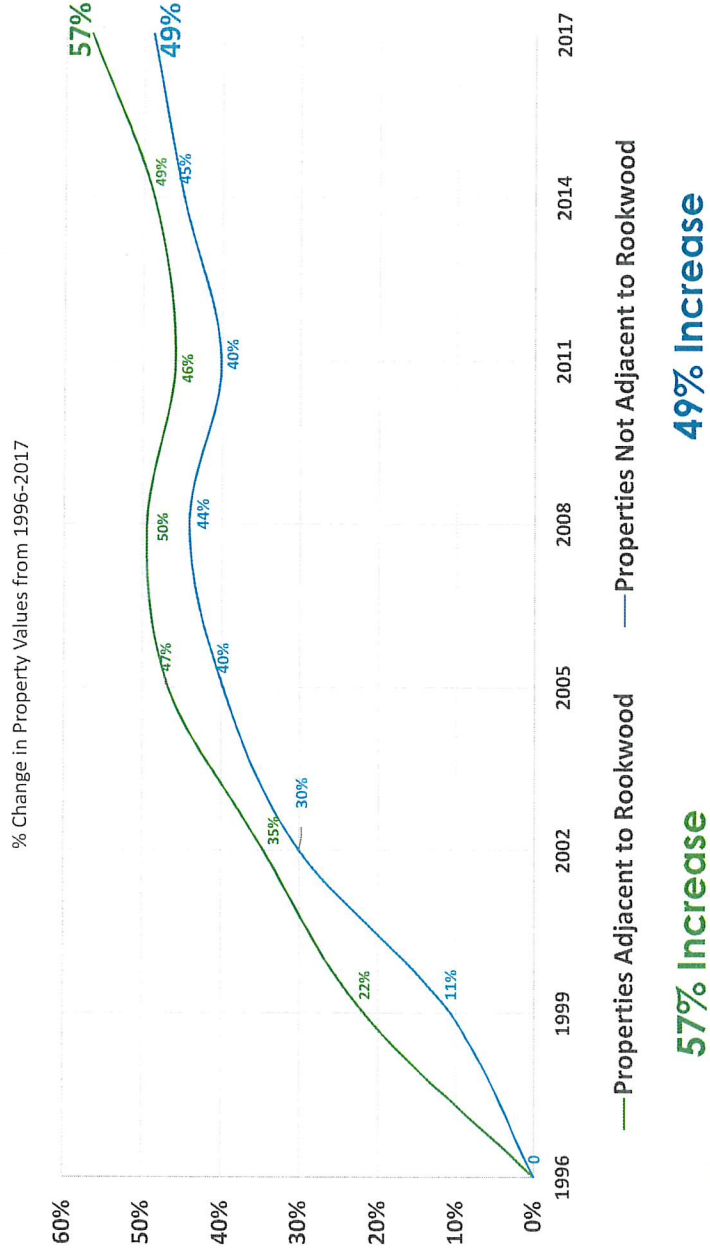
## Property Values near Rookwood Study

By: CIG

Methodology of study: CIG tracked the home values based on the Auditor's website data for ten properties directly adjacent to Rookwood Shopping Center within Hyde Park and Oakley and compared the percentage increase over time to ten randomly chosen properties within the Hyde Park neighborhood not located anywhere near Rookwood.



- Studied property values adjacent to Rookwood Shopping center vs. properties not adjacent.



Year	3655 Burch Avenue	% Change yoy	3666 Burch Avenue	% Change yoy
1996	\$103,800.00		\$70,200.00	
1999	\$114,700.00	10%	\$91,200.00	23%
2002	\$133,500.00	14%	\$113,000.00	19%
2005	\$132,500.00	-1%	\$129,000.00	12%
2008	\$141,770.00	7%	\$138,030.00	7%
2011	\$166,490.00	15%	\$137,160.00	-1%
2014	\$207,500.00	20%	\$149,400.00	8%
2017	\$190,530.00	-9%	\$152,620.00	2%
		46%		54%

**Properties not located adjacent to Rookwood**

Year	2831 Rosella Ave	% Change yoy	3511 Saybrook Ave	% Change yoy
1996	\$79,700.00		\$108,000.00	
1999	\$80,000.00	0%	\$127,200.00	15%
2002	\$90,800.00	12%	\$162,100.00	22%
2005	\$140,400.00	35%	\$165,000.00	2%
2008	\$148,500.00	5%	\$178,160.00	7%
2011	\$136,840.00	-9%	\$173,230.00	-3%
2014	\$149,160.00	8%	\$188,820.00	8%
2017	\$169,340.00	12%	\$197,780.00	5%
		53%		45%

\* Rookwood Phase II Built in 2003

3673 Stettinius	% Change yoy	3670 Stettinius Avenue	% Change yoy	3740 Edwards Road	% Change yoy
\$64,400.00		\$114,100.00		\$81,800.00	
\$78,400.00	22%	\$141,200.00	24%	\$130,600.00	60%
\$91,200.00	16%	\$164,400.00	16%	\$152,100.00	16%
\$124,200.00	36%	\$202,000.00	23%	\$180,200.00	18%
\$132,900.00	7%	\$216,140.00	7%	\$176,600.00	-2%
\$121,390.00	-9%	\$207,880.00	-4%	\$150,570.00	-15%
\$132,320.00	9%	\$226,590.00	9%	\$164,120.00	9%
\$131,160.00	-1%	\$195,000.00	-14%	\$253,180.00	54%
	51%		41%		68%

3598 Saybrook Ave	% Change yoy	3300 Westside Ave	% Change yoy	2930 Portsmouth	% Change yoy
\$89,500.00		\$ 171,300.00		\$ 123,600.00	
\$104,300.00	17%	\$ 220,400.00	29%	\$ 146,800.00	19%
\$190,200.00	82%	\$ 256,500.00	16%	\$ 179,900.00	23%
\$216,500.00	14%	\$ 263,700.00	3%	\$ 227,120.00	26%
\$248,500.00	15%	\$ 282,160.00	7%	\$ 242,990.00	7%
\$248,000.00	0%	\$ 249,850.00	-11%	\$ 227,120.00	-7%
\$270,320.00	9%	\$ 272,340.00	9%	\$ 247,560.00	9%
\$216,420.00	-20%	\$ 303,100.00	11%	\$ 256,280.00	4%
	59%		43%		52%



3742 Edwards Road	% Change yoy	2705 Willard Ave	% Change yoy
\$82,600.00		\$142,800.00	
\$144,400.00	75%	\$155,300.00	9%
\$164,100.00	14%	\$167,400.00	8%
\$144,400.00	-12%	\$179,600.00	7%
\$164,100.00	14%	\$195,770.00	9%
\$160,820.00	-2%	\$192,690.00	-2%
\$139,900.00	-13%	\$181,130.00	-6%
\$190,940.00	36%	\$199,840.00	10%
	57%		29%

3623 Herschel Ave	% Change yoy	20 Arcadia Place	% Change yoy
\$ 86,300.00		\$	
\$ 116,400.00	35%	\$	
\$ 128,500.00	10%	\$	
\$ 156,400.00	22%	\$	
\$ 167,350.00	7%	\$	
\$ 174,700.00	4%	\$	
\$ 190,430.00	9%	\$	
\$ 199,500.00	5%	\$	
	57%		54%

3752 Edwards Road	% Change yoy	3916 Edwards Road	% Change yoy	3914 Edwards Road	% Change yoy
\$116,200.00		\$71,500.00		\$69,500.00	
\$132,300.00	14%	\$71,500.00	0%	\$105,600.00	52%
\$154,000.00	16%	\$75,700.00	6%	\$122,900.00	16%
\$200,400.00	30%	\$260,000.00	243%	\$140,000.00	14%
\$196,400.00	-2%	\$283,400.00	9%	\$137,200.00	-2%
\$166,320.00	-15%	\$182,790.00	-36%	\$161,830.00	18%
\$181,290.00	9%	\$199,250.00	9%	\$176,390.00	9%
\$282,310.00	56%	\$230,070.00	15%	\$210,520.00	19%
	59%		69%		67%

2842 Astoria Ave	% Change yoy	3560 Raymar	% Change yoy	3142 Victoria Ave	% Change yoy
\$ 96,900.00		\$ 324,500.00		\$ 360,600.00	
\$ 151,200.00	56%	\$ 335,700.00	3%	\$ 367,300.00	2%
\$ 176,000.00	16%	\$ 427,000.00	27%	\$ 477,500.00	30%
\$ 197,000.00	12%	\$ 581,200.00	36%	\$ 564,000.00	18%
\$ 210,790.00	7%	\$ 621,880.00	7%	\$ 603,580.00	7%
\$ 207,470.00	-2%	\$ 568,620.00	-9%	\$ 535,210.00	-11%
\$ 208,000.00	0%	\$ 619,790.00	9%	\$ 583,380.00	9%
\$ 225,000.00	8%	\$ 674,060.00	9%	\$ 638,850.00	10%
	57%		52%		44%



3664 Burch Ave	% Change yoy	3634 Besuden Ct	% Change yoy	Average Value of Properties
\$69,100.00		\$59,100.00		\$87,091.67
\$94,500.00	37%	\$76,800.00	30%	\$111,375.00
\$164,000.00	74%	\$95,100.00	24%	\$133,116.67
\$169,000.00	3%	\$99,600.00	5%	\$163,408.33
\$180,830.00	7%	\$106,570.00	7%	\$172,475.83
\$163,200.00	-10%	\$120,000.00	13%	\$160,928.33
\$148,500.00	-9%	\$130,800.00	9%	\$169,765.83
\$222,500.00	50%	\$157,500.00	20%	\$201,347.50
	69%		62%	
				56.75%

3561 Paxton Ave	% Change yoy	3415 Stettinius Ave	% Change yoy	
\$	170,300.00	\$	279,100.00	\$168,925.00
\$	184,200.00	\$	279,400.00	\$189,283.33
\$	253,900.00	\$	370,500.00	\$241,450.00
\$	274,800.00	\$	370,500.00	\$280,818.33
\$	294,040.00	\$	396,430.00	\$301,875.83
\$	274,260.00	\$	381,110.00	\$282,369.17
\$	298,940.00	\$	415,410.00	\$306,270.83
\$	330,320.00	\$	454,140.00	\$330,188.33
	48%		39%	
				48.84%

# FACTS MATTER, ADDISON



ADDRESSING REAL ISSUES WITH REAL FACTS



## Special: Does Mixed-Use Housing Decrease Home Value?

*Published on June 14, 2016* — in Addison Grove/Addison Texas Council/Economics/Infrastructure/Sam's Club — by Bette Price

Ever since plans were approved to build mixed-use housing on the old Sam's property, rumors have been abundant. Most of the negative rumors have dealt with the apartment phase of the project. Perhaps the most disturbing is the latest rumor being touted by, of all things, a resident realtor. "You'd better put your home on the market now before the values crumble," one resident was told by this realtor.

To discern some reality about the impact of multifamily on single-family homes, Facts Matter decided to do a little research and provide you with some factual information.



According to research, the simple bottom line is—“large, dense, multi-family rental developments do not negatively impact the sales price of nearby single-family homes.” This was the conclusion of case studies reported by the **Harvard University Joint Center for Housing Studies** and backed up by a longtime Dallas realtor.

According to the Harvard study, lack of information and exaggerated fears feed the misconceptions. To provide some factual information to counter these misconceptions, we decided to share with you some of the research from this **Harvard University Joint Center for Housing Studies** report. Also, to bring some insights to the situation from a local perspective, and to avoid any partiality from any Addison realtors, we reached out to Virginia Cook Realtors, a highly respected Dallas real estate agency. There we interviewed Mayo Redpath who has been selling real estate in the area for the past 28 years.

## Resistance vs Reality

It's little secret that resistance to multifamily rental housing has been a growing phenomenon in communities around the country. The resistance has even spawned its own vocabulary with such acronyms as “LULUs” (Locally Unwanted Land Users) and “NIMBY” (Not In My Backyard). Those resisting have been referred to as “CAVEs” (Citizens Against Virtually Everything) who want “BANANAs” (to Build Absolutely Nothing Near Anyone).

Setting these silly acronyms aside, the Harvard study points out that the reality is that the opposition runs smack up against a powerful demographic trend. As the population growth continues at a high level it will require considerable new residential construction. Add to that the fact that growth in individual households will be even greater than population growth itself. In 1960 single person households made up only 13 percent of all households, while married couples with children made up another 44 percent.

for new housing units is likely to increase faster than the population itself is projected to grow. The study projects that between 2005 and 2030, the number of households will rise by almost 30 percent—that is, 33 million new households.

The study further suggests that by 2030 the number of additional housing units needed is actually greater than 33 million because an estimated 17 million existing housing units will fall out of housing stock due to deterioration or destruction. Thus, some 50 million new housing units will have to be added to the stock between 2005–2030. Multifamily rental housing will play an increasingly important role in providing needed housing.

Redpath agrees with these projections. “We have an aging population with the Baby Boomers and they want to sell their big houses. They want to get out of the maintenance so they’re looking for townhouses or they’re looking for apartments. We’re seeing a lot of them rent apartments temporarily for a year or two until they decide what they want to do,” she said. She cites the Estancia townhome apartments in the Prestonwood section, which borders on Addison between Arapaho and Beltline, as a perfect example. “It’s very, very popular,” she said. “People can walk to the theatre, walk to restaurants. I’ve had families recently that have moved there. I think the perception of people who are living in apartments has changed. It’s a higher grade of tenant.”

## Attitudes Reflect Opposition

Opposition to multifamily housing is expressed most fundamentally in attitudes. Those attitudes are generally established based on misperceptions, the Harvard study found. A significant amount of resistance is based on lack of information, misperceptions, or exaggerated fears of project impact. Anti-apartment stakeholders rely on these unproven arguments:

- Multifamily apartments lower the value of single-family homes in the neighborhood.
- People who live in apartments are less desirable neighbors and more likely to engage in anti-social behavior.



## Setting the Record Straight:

To bring reality to these arguments, here's what the Harvard study found:

Opponents of multifamily housing often claim that apartment residents impose higher expenditures for local government services but the study found when it comes to infrastructure, high-density development actually is more efficient than low-density development. By their very nature, longer sewer lines and sprawling utility (water, gas and electric) supply systems are more costly in single-family areas. In single-family areas, local governments must provide fire and police protection over a larger area. By contrast, compact development benefits from economies of scale and geographic scope—and these benefits are large. Thus, rather than imposing a greater burden on local governments, higher density developments like apartments are actually more fiscally prudent than traditional suburban sprawl.

**Traffic:** One of the major complaints heard regarding the Addison Grove project dealt with traffic. That, according to the Harvard study, is an unfounded concern also. The study found that on average, apartment residents own fewer cars than single-family homeowners: single-family homeowners average two cars per household compared with only one for the apartment residents. Also, single-family housing generates more automobile trips per household as evidenced in the table below, reproduced from the Harvard report:

Automobile Trips Per Housing Unit			
	<i>Single-family detached</i>	<i>Apartment</i>	<i>Difference</i>
Weekday	9.57	6.72	42%
peak AM hour	0.77	0.55	40%
peak PM hour	1.02	0.67	52%
Saturday	10.10	6.39	58%
peak hour	0.94	0.52	81%
Sunday	8.78	5.86	50%
peak hour	0.86	0.51	69%

unit in an apartment. The difference is even greater on the weekend: 58 percent more trips on Saturdays and 50 percent more trips on Sundays. The difference is seen not only in totals, but also at the peak hours, morning and afternoon, weekdays and weekends. By any measure it is clear that single-family houses generate more automobile traffic than apartments or any other type of housing.

Redpath agrees with the Harvard study and also points out that retail also brings more traffic than apartments. “It’s just like the traffic at that Whole Foods has brought to the former Sakowitz Village,” she points out. “The traffic there is much more than if that was an apartment.”

Finally we come to the personal investment issue—**Property Values**. The fear that housing density will hurt property values is primarily based on anecdotes the study states. Most research, however, has come to a different conclusion—**multifamily housing does not cause neighboring property values to decline**.

Extensive case studies in six research works measured a variety of relevant characteristics, including house price, price per square foot, house price appreciation, time on the market and ratio of sales price to asking price in order to assess “the worst-case scenarios of multi-family intrusion into a single-family neighborhood.” Their conclusions:

***“We find that large, dense, multi-family rental developments do not negatively impact the sales price of nearby single-family homes.” (MIT Center for Real Estate)***

Once again, Redpath agrees. “I don’t think your property values are going to go down [with the Addison Grove project] because the apartment is surrounded by townhouses,” she said. “To me your property values would go down more if you had another big box store there or retail.” The townhouses, she notes, are buffers and “the people who buy the townhouses know they are going to be adjacent to apartments.” Plus, she adds, “those apartments are going to be high rent.”



the market? She laughs, and with a coy smirk says, “It seems like that’s self-serving, not based on facts because right now we are in a sellers market. There is not as much inventory so realtors are looking for listings right now.” This was confirmed in a June 11 article written by *Dallas Morning News* Real Estate Editor, Steve Brown who wrote, “In the Dallas-Fort Worth area, the inventory of pre-owned homes up for sale is about a third of what’s considered normal market.”

## Overall Conclusion

The Harvard study concludes that available research is fairly strong that multifamily rental housing: 1) does not impose greater costs on local government; 2) does not increase traffic and parking problems; 3) when well-designed and appropriate to the right neighborhood, does not reduce (and may even enhance) property values; and 4) does not inherently attract residents who are less neighborly or more apt to engage in (or attract) criminal activity.

According to the study, the bias against multifamily rental housing must be overcome if we are to meet our housing needs in an environmentally sustainable and economically realistic manner. “Misconceptions, exaggerations and unfounded beliefs contaminate civic discussion about apartment development.”

Facts do matter. So don’t believe everything you hear—even if it’s from a resident realtor.

*Photo courtesy of La Citta Vita via Flickr*

*The Facts Matter Website is made possible through the generous donations from Angels of Addison.*

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