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The Impact of Abandoned Properties on Nearby Property Values

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Abstract

Previous research has shown that housing abandonment contributes to neighborhood decline by depressing nearby property values. However, most past research estimated the impact of abandonment through cross-sectional analysis without controlling for nearby foreclosures or local housing market trends. Therefore, it remains unclear whether abandoned properties reduce nearby property values or whether abandonment is more common in areas with already lower-valued properties. Prior research also has not explored how the duration of abandonment influences nearby property values. Therefore, to extend the current level of understanding of the impact of abandonment, this research examines the impact of abandoned properties on nearby property values in Baltimore, Maryland, from 1991 to 2010 using longitudinal data sets while simultaneously controlling for both nearby foreclosures and local housing market trends. This research finds that as properties are abandoned for longer periods of time,

the impact on nearby property values not only increases in magnitude but also is seen increasingly farther away.

Keywords::

abandoned property

foreclosure

housing

real estate

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Notes

1. From HUD Aggregated USPS Administrative Data on Address Vacancies, Quarter 4 ending December 31, 2011 (<http://www.huduser.org/portal/usps/home.html>).
2. From 2011 American Housing Survey (<http://www.census.gov/housing/ahs/data/national.html>).
3. This research article does not control for nearby vacant lots that have increased or decreased between two sales of a nearby residential property. The repeat sales methodology used in this article assumes that in most cases the number of nearby vacant lots remains constant between sales, therefore the implicit prices do not change and eventually are differenced out when the model estimates the rate of price appreciation between two sales. However, it is plausible that there are cases where the number of nearby vacant lots has increased or decreased between sales. The absence of a control variable—change in the number of nearby vacant lots—in the analytical method indicates that the magnitude of the impact of abandoned properties on nearby property value may differ if a change in the number of nearby vacant lots is controlled for. However, this absence would not alter the research findings that (a) the larger the distance from the abandoned properties, the smaller the magnitude of the impact of abandoned properties on nearby property value; and (b) as the properties are abandoned a longer time, the impact on nearby property value would increase.
4. On average, there are 101 housing structures in ring 1 (250 ft radius ring) in the data sample ($N = 101,497$). This means one additional abandoned property in ring 1 can be translated into roughly 1% increase in housing abandonment in ring 1.

5. The recent foreclosure crisis, however, created a very different housing market. Therefore, to test the robustness of the data, I reestimated the final model using the data excluding the 2009 and 2010 transactions. I find the estimated coefficients are almost identical to those reported in Table 9.

Additional information

Notes on contributors

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Hye-Sung Han is a doctoral candidate in the Department of City and Regional Planning at University of North Carolina at Chapel Hill.

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