

LUSK BRIEF RESEARCH



MOBILITY, RESIDENTIAL LOCATION, AND THE AMERICAN DREAM

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Racial disparities in housing remain endemic to U.S. metropolitan areas. Those disparities derive from variability across groups in the constraints, preferences, and endowments that govern the household mobility, homeownership, and residential location decisions. While white households historically have displayed high levels of movement to and homeownership in suburban locations, only damped rates have been evidenced among blacks and Latinos. Further, as is well appreciated, minority households are characterized by depressed levels of homeownership overall. The substantially lower rates of suburbanization among minority households give rise to concerns regarding their access to and consumption of such location-specific amenities as safer neighborhoods and better schools. The depressed levels of minority homeownership have further adverse implications for the wealth accrual and upward economic mobility of those groups.

Despite widespread recognition of the linkages between household mobility, homeownership, and residential location, few studies have carefully explicated the structure, determinants, or racial variability associated with those outcomes. One strand of literature, for example, focuses exclusively on racial differentials in intra-metropolitan residential location (see, for

example, Kain (1968); Bayer, MacMillan, and Reuben (2003)). Another strand of the literature seeks to evaluate the determinants of sizable and persistent racial gaps in homeownership (see, for example, Gabriel and Rosenthal (2003); Painter, Gabriel, and Myers (2001); Coulson (1999)). From a statistical modeling perspective, prior studies do not allow for interactions among the mobility, housing tenure and residential location decisions. Our previous research (Gabriel and Painter, 2003) introduced a three-level nested multinomial logit model of household intra-metropolitan mobility, residential location, and homeownership choice. This model allowed us to test relevant economic, demographic, and neighborhood hypotheses in the Los Angeles Consolidated Metropolitan Area (CMSA) using individual level 1990 Census data. This study extends the previous research by analyzing the Washington, D.C. CMSA and the Chicago CMSA. In so doing, we are able to assess the relevance of initial conditions (in metropolitan racial segregation and distribution of homeownership) to the mobility, location, and tenure choices that households make.

Data from our sampled metropolitan areas, like those for other U.S. metropolitan areas, show relatively high levels of population racial segregation. Whereas black households comprised a full 64 percent of Washington, D.C. households in 1990, that same group accounted for only about 6 percent of the households in suburban Fairfax County, Virginia. The Chicago area evidenced similarly high levels of racial segregation; there black households comprised 33 percent of the 1990 population of the City of Chicago, but only 1-3 percent of households in DuPage County and the North Suburbs. In Los Angeles, black households accounted for 15 percent of the population of the City of L.A., but only a marginal 2 percent of the households of suburban Orange and Ventura Counties. By

contrast, Latino households were more uniformly represented among the geographic subdivisions of our sampled metropolitan areas.

Census data similarly reveal striking racial homeownership disparities. At 33 percent, the 1990 black homeownership rate in the City of Los Angeles was 25 percentage points below that of the city's white population and a full 30 percentage points below the national average! Black homeownership rates in the mid-30 percent range were similarly recorded in the City of Chicago and in the District of Columbia; also, black-white homeownership deficits ranging to 30 percentage points were recorded in each of those areas. During that same period, vast majority of metropolitan black homeowners resided in the central city and surrounding county of the Cities of Chicago and Los Angeles. In the Washington D.C. area, a substantial portion of black homeowners also resided in Prince George's County. Strikingly, only about 5 percent of Los Angeles metropolitan black homeowners resided in the outlying suburbs of Orange and Ventura Counties; in Chicago, some 8 percent of black homeowners resided in DuPage County, the North and West Suburbs, and the Joliet Area. In general, black-white homeownership deficits well exceeded those of other racial or ethnic groups.

RESULTS

Following previous research (Gabriel and Painter, 2003), unrestricted models are separately estimated for black, white, and Latino households. The sample sizes for the racially stratified models generally are quite large.¹ All variables are included in each racial grouping except that immigrant status is added to the Latino model for both the decision to own and the decision to move. For each of the sampled households, the research assesses household move and homeownership propensities as well as the choice of residential location among those areas.

THE DECISION TO MOVE

- ❖ Overall, results are consistent across place and race.
- ❖ As expected, mobility is damped among married households; those results are evidenced in virtually all locations and among all racial and ethnic groups. The only exception is white households in the Chicago metropolitan area.
- ❖ Lower human capital households are characterized by significantly elevated mobility.
- ❖ Lower wealth households are characterized by higher levels of mobility.
- ❖ Immigrant status results in elevated mobility among Latino households (Washington DC, insig.).
- ❖ In DC and LA, age exerts a significant negative effect on the mobility of white households. Age exerts a positive and significant effect on the mobility of all groups in Chicago.

THE DECISION TO OWN

- ❖ While higher levels of permanent and transitory income serve to boost homeownership throughout, black households are much more sensitive to income changes than are other groups.
- ❖ In LA, household age, educational attainment, and status as a married household are shown to exert a significant positive effect on homeownership choice among all
- ❖ Household age is significantly and inversely related to homeownership among all groups in Chicago and among blacks in D.C.
- ❖ Latino immigrant status is inversely related to homeownership (Washington DC, insig.).

THE LOCATION DECISION

- ❖ There are some interesting differences across place. In Chicago, only the distance measure is significant.
- ❖ The estimated house price terms are negative and significant in LA, but positive and significant for whites in Chicago and DC (e.g., whites in those latter areas are more likely to move to higher house price areas).
- ❖ Differences in rents across areas are negative determinants of location choice for Chicago and Washington D.C.
- ❖ A larger destination area minority population implies a strong positive probability of a move among Black households; in the LA area the estimated coefficients were 4-5 times larger than elsewhere.
- ❖ In DC and Chicago, higher levels of destination minority populations serve to deter white household moves
- ❖ Elevated destination area crime rates serve as a significant deterrent to moves among white and black populations in DC and LA.

SIMULATIONS

While the estimates from the models provide insight into the direction of the effects of the variables included in the model, simulations are useful to illustrate the magnitude of these effects. While numerous simulations could be specified, those displayed are illustrative of the types of changes to the geography of minority homeownership that occur from such shocks.

A few facts emerge from the simulations:²

- 1) There is very little change in household location in the Chicago CMSA due to any of the shocks specified in the simulations. This is not surprising given the insensitivity of the location parameter in the models.

- 2) Decreases in Crime rates in Los Angeles and in Washington D.C. increase the number of households that choose to live in the central city. In addition, some households that were renters now prefer to own their residence.
- 3) Shocks to other location parameters induce mobility among renters.
- 4) Equalizing the incomes and other socioeconomic endowments of minority households closes much of the homeownership gap. In Los Angeles, the gap closes from 29 to 12 percentage points. In Washington, DC, the gap closes by 11 percentage points. In Chicago, the gap closes by 7 percentage points. Interestingly, the minority/white gap in homeownership rates is reduced most in the central city areas. There is much less change in the homeownership rate gap in the suburbs.

SUMMARY AND CONCLUSIONS

In sum, research findings underscore the sensitivity of household location and tenure choice to locational amenities, housing costs, and household demographic characteristics. As these characteristics change, the geography of housing tenure choice can change substantially over a large metropolitan area. Further, as we have demonstrated, these effects can differ markedly by racial group and by metropolitan area, and are dependent on the prior location of households. The prior location of households in combination with the underlying mobility rates in the metropolitan area appear to bound the extent to which households move in response to shocks. At the same time, the simulations also show that even when there are substantial improvements to the economic

status of minorities, their urban settlement patterns remain more concentrated than those of whites. While black households in each of the sampled metropolitan areas record significant homeownership gains in the wake of marked improvements to their economic status, those gains are less evidenced in outlying suburban areas.

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- ¹ In Washington D.C., the racially-stratified samples included 22,911 whites, 11,073 blacks, and 1698 Latinos. The Chicago samples included 63,755 whites, 13,372 blacks, and 9038 Latinos. In Los Angeles, the racially-stratified samples were comprised of 94,449 whites, 12,764 blacks and 22,439 Latinos.
- ² The full results of the estimates of the model and the simulations are available in the working paper (http://www.usc.edu/schools/sppd/lusk/research/papers/pdf/wp_2004-1006.pdf)

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