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CITIZENS INTERRACIAL COMMITTEE OF SAN DIEGO COUNTY
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PROPERTY VALUES AND NEIGHBORHOOD INTEGRATION*

Homeowners who sell in panic
assure profits for speculators

A few years ago, in a neighborhood of small, private homes in St. Louis, printed cards began to appear in the picture windows: "Our home is not for sale." One man, wanting to be more emphatic about it, drove a large sign attached to a stake into his lawn: "NOT FOR SALE! We will NOT be panicked! We welcome good neighbors, whatever their race!"

But though the cardboard was heavy and the printing bold and black, the signs were no more than tissue paper in a gale. Every few hours all during the day and into the evening the phones would ring in each house, and the homeowners were asked by voices hired by real estate speculators whether they had put their houses up for sale yet. If assured that they had not, the voices would sympathetically warn that they had better sell before it was too late. "They" - the Negroes - were starting to move in, and "everybody knew" what happened to real estate values when "they" came in. If the homeowner didn't know, the anonymous voice, speaking with the great authority and vast experience of the realtor who hired it, would tell him.

"They're Moving In!"

Those few owners who did not under any circumstances want to live in an integrated neighborhood had moved out about the time that the first colored family, probably better dressed than its neighbors, had moved in. Most of the other whites intended to remain. But to people of limited means a threat to the major investment of their lives, which contains most of what they have been able to save or accumulate, speaks with a much louder tone than abstractions about tolerance.

In a fairly short time the signs came down, to be replaced by others in which the "NOT" was absent. Some of the sellers did absorb a loss; but they could take a little thin comfort from the speculators' flat assurance that had they waited even a little longer it could have been much worse. In a very few years the neighborhood had changed completely.

Bees and Honey

This "block busting" tactic is not practiced in all cities, and certainly not by all realtors. Its efficiency depends on a number of factors not always present, including realtors' practices, heavy minority pressure for more and better housing, and the emotional climate. But its most dynamic push comes from that harrowing whisper, heard wherever residential integration is starting: What will your property be worth after "they" come in?

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Does the movement of Negroes into all-white neighborhoods really lower property values? The bee-like buzzing of speculators at such times might hint loudly of hidden honey. Neverthless, there are a great many true believers of this doctrine, not all confined to the inexperienced. In a mixed neighborhood in Connecticut, for instance, 40 percent of the white owners said they felt they had lost money since integration started, and only 8 percent thought they had gained.

During the housing boom of the 1940's items began to appear in the professional real estate journals suggesting that perhaps the question was more complicated - that not only might prices stay up with mixing, but they could actually rise. George W. Beehler Jr., writing for professional residential appraisers, said flatly that after an original period of uncertainty, prices should start to go up. In his 1948 book The Negro Ghetto, Robert C. Weaver, not Administrator of the U.S. Housing and Home Finance Agency, documented his conclusion that the effect of Negro occupancy varied greatly, and depended on a number of other factors, including general business conditions at the time.

Realtors, of course, feel they must be cautious - they deal more directly with the fears and sensitivities of the public. They also deal with real estate organizations, and with the National Association of Real Estate Boards, whose code states: "A realtor should never be instrumental in introducing into a neighborhood a character of property or use which will clearly be detrimental to property values in that neighborhood." (Until revised in 1950 it said more specifically, "members or any race or nationality ...detrimental...") To a great many real estate brokers "never" means never - and also "take no chances." Personal feelings, salted with a little experience, however limited, also carry much weight. (Perhaps the most quoted authority of our civilization is the person who "knows someone" to whom something happened.)

Stable Prices

What is the weight, so far, of more objective evidence?

Luigi Laurenti, economist, in a highly detailed research report to the Commission on Race and Housing has compiled and described the results of studeies in seven cities - San Francisco, Oakland, Philadelphia, Chicago, Detroit, Kansas City, and Portland, Oregon.

Over 5,000 individual sales prices from twenty "test" neighborhoods (white neighborhoods into which there was some movement of non-whites) in San Francisco, Oakland, and Philadelphia were compared, both before and after desegregation, with about 4,500 sales prices from nineteen closely comparable neighborhoods which remained all white. These were checked as often as necessary to see what further trends developed. Information was gathered from 1943 to 1955, and allowance was made for a generally rising market.

In 44 percent of the comparisons, prices in the integrated neighborhoods rose by 5 to 26 percent above those in the white neighborhoods.

In 41 percent there was no significant change.

In only 15 percent did the prices in the all-white neighborhoods rise higher than the desegregated neighborhoods by 5 to 9 percent.

The studies from Chicago, Kansas City, Detroit, and Portland showed similar results.

"The entry of non-whites," Laurenti concluded, "was much more often associated with price improvement or stability than with price weakening." There is another finding, which he considers perhaps even more important, that confirms Robert Weaver: what actually happens to the price of any house in any neighborhood can vary greatly, depending on a number of interacting elements, of which desegregation is only one. (How badly did the whites, or non-whites, want in or out of the neighborhood? What other housing was available? How tight was money, both for the lender and the purchaser? What was the attitude of the community toward mixed neighborhoods?)

Combinations of these and other, Laurenti points out, can bring about extreme conditions of falling or rising prices - or fluctuations which balance one another.

Chicken Little

One extreme - which drives prices down - is the glutted market, often caused by panic selling, a development toward which the block-busters devoutly labor. This is a prime example of the "self-fulfilling prophecy," whereby people help bring about the thing they presumably fear most by assuming it must happen, and thereby setting off forces which make it inevitable. The sellers, like Chicken-Little are fearful that the sky will fall; they rush to sell, or are stampeded into selling; and the sky falls. After that, of course, they are sure that integration forces prices down - hadn't it happened to them?

The other extreme occurs when whites are in no hurry to move out, but there is an increasing demand for non-white housing. This can result in a rapid rise in prices. With the great influx of non-whites into the central cities, the rising birth rates, and the growing colored middle class which wants better housing, the sellers' market may become dominant in our cities.

Fall and Rise

One common market condition includes elements of both extremes: panic selling and falling prices followed by massive non-white buying and rising prices. This is the full realization of the block-buster's strategy, which he helps along as best he can.

Block-busting, which ultimately creates a new segregated neighborhood, is undesirable for everyone except the speculator. It is not inevitable, however. In the majority of samples studied it did not occur.

Erdman Palmore, assistant professor of sociology, and John Howe, both of Yale University, have conducted a study of the effect of desegregation on prices in certain residential neighborhoods in New Haven, Connecticut, to see whether the pattern holds in New England. It does. In all but one of their nine samples, value increased as much or more than the average for the city. What of other fears usually associated with residential mixing? Only a few Negro families

moved in, and this over a long period of time. There was no white panic to sell; the average rate of turnover was the same, or less, than in all-white neighborhoods.

What of the "class" of Negroes who moved in? In each neighborhood, the Negroes involved had on the average relatively higher occupational ratings than their white neighbors. Perhaps this was due to the fact that Negroes are often paid less than whites for equal work; or perhaps they simply moved up where they could, and even a small step appeared large to them. In either case they had compelling reasons to want to retain the quality of their areas.

Having been confirmed in cities in California, Oregon, Missouri, Michigan, Pennsylvania, and Connecticut, the outlines seem plain enough. The chances that property will lose value in a neighborhood facing desegregation are minor; the chances that it will gain are considerably greater; the chances that it will remain steady or increase despite some possible fluctuation, are almost overwhelming.

Circumstances vary, and each house and each neighborhood is different. But selling quickly under panic pressure is the surest way for the householder to reverse these odds, and lose money.

SEE: Luigi Laurenti, Property Values and Race, Berkeley: University of California Press, 1960.
Erdman Palmore and John Howe, "Residential Integration and Property Values," Social Problems, Fall, 1962.

Trans-action is a new journal published bi-monthly. It is written for use in schools and colleges and for community education. Its unique function is to present major findings of significant social science research in language understandable to the general reader. It addresses itself to issues and social problems of current concern to citizens as well as to community planners and various agencies and professionals involved in community work.

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