

# Gentrification and Neighborhood Housing Cycles: Will America's Future Downtowns Be Rich?

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Many US downtowns cities seem to be gentrifying, with higher income households moving to the center (Chicago, Los Angeles).

What's the explanation?

A new class of empty-nesters moving in search of urban culture and nightlife?

Or new amenities that make the urban center more attractive?

Question relates to overall patterns of location by income in cities, which generally have high-income households in suburbs.

Urban economists have proposed theories, but there are no widely accepted explanations for this location pattern.

*Standard urban model*

High time cost of commuting pulls rich toward the center.

High housing consumption pulls them toward suburbs, where housing is cheap.

Net effect is ambiguous theoretically, and evidence says it's about zero.

## *Amenities model*

Strong central-city amenities, more highly demanded by rich, can trump housing force, leading to rich downtowns (Paris).

## *Public-transit argument*

Poor need convenient public transit, and central cities are the only places dense enough to support it.

So poor live in center.

*Simple new idea developed in present paper*

A young housing stock attracts the rich.

Cities expand at the edge, so that the newest housing (and rich households) are usually found in the suburbs.

But as cities age, their central stock wears out and is replaced, putting young housing downtown.

The rich can then enjoy short commutes and young dwellings by moving to the center.

## *Key empirical hypothesis*

- Once the effect of spatial differences in dwelling ages is eliminated, the suburban locational tendency of the rich should be weakened or reversed.

## *Theoretical Model*

Basic idea is in following diagram:

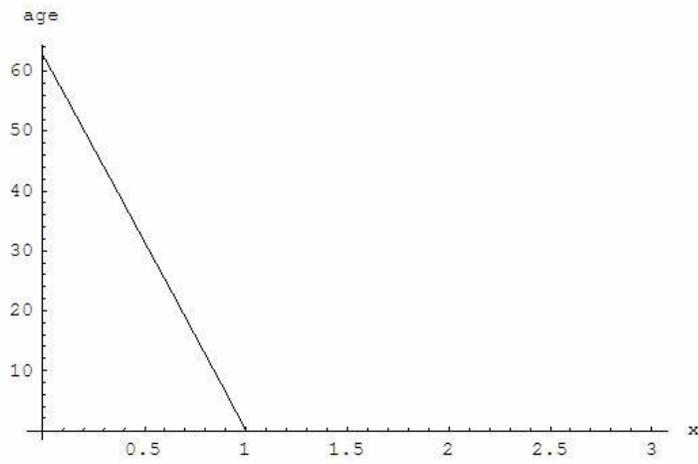


Fig. 1a

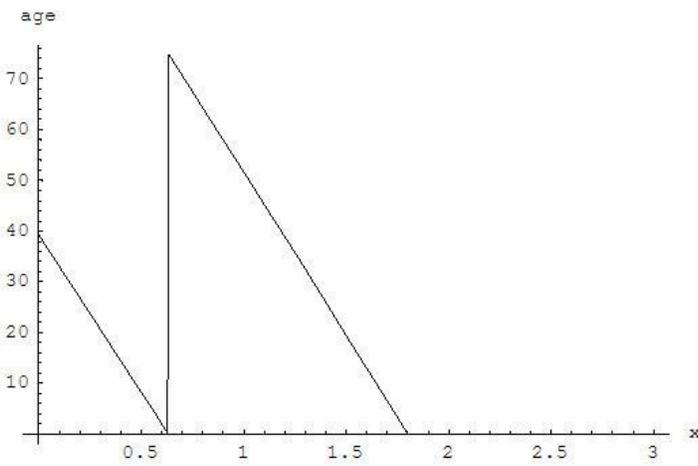


Fig. 1b

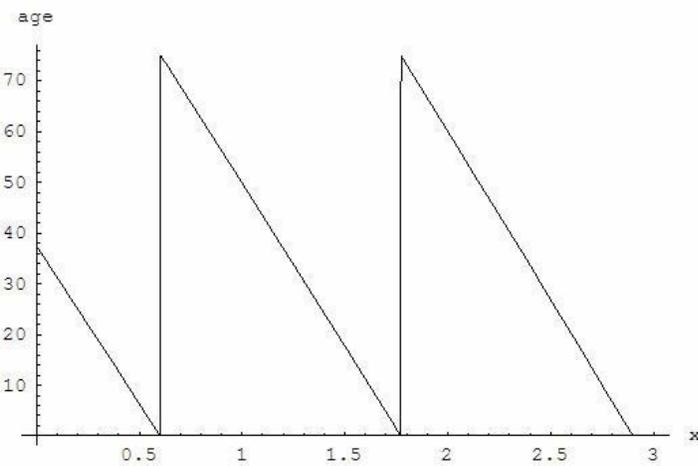


Fig. 1c

**Figure 1: Dwelling Age Patterns**

## *Empirical strategy*

Study income patterns across location (Census tracts) in 4 different sizes classes of metro areas.

Pattern is that income generally rises moving away from CBD.

Then control for the effects of

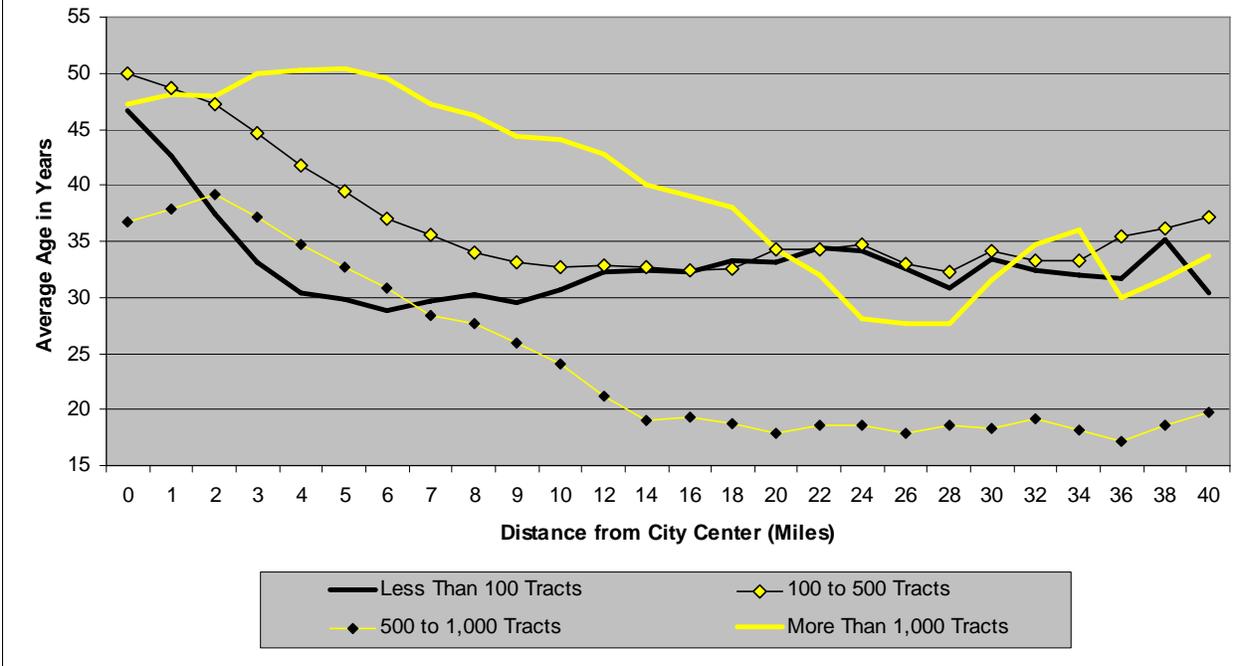
- amenities (school quality, a key amenity)
- public-transit access
- age of housing stock (percentages in various age classes)

If story is right, controlling for these factors should reduce the suburban locational tendency of high-income households.

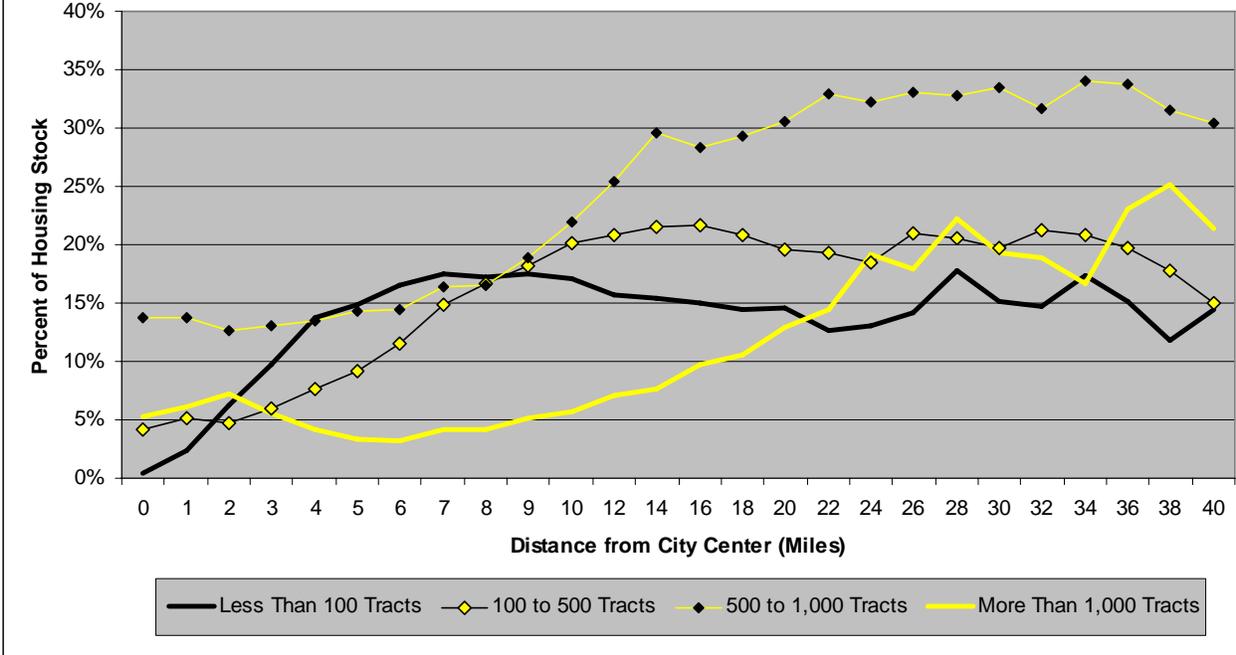
By itself, controlling for dwelling age should yield a notable reduction in this tendency.

Note that “controlling” for dwelling ages effectively hold ages constant, telling how income patterns would look if dwellings were the same throughout the city.

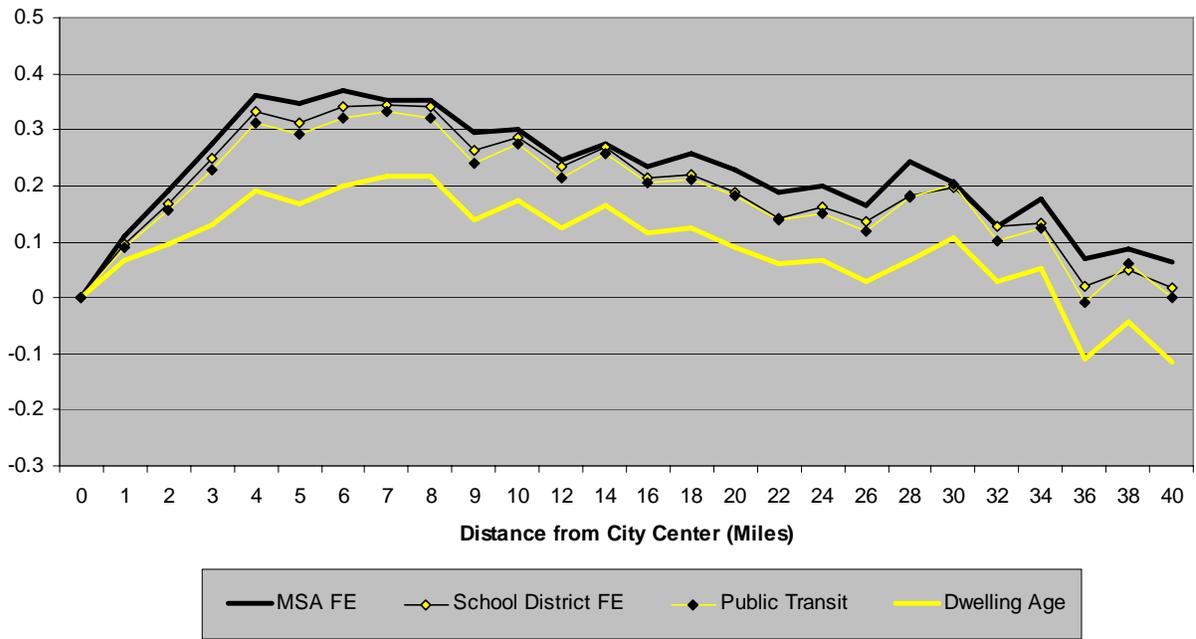
**Figure 5a: Average Age of Housing Stock in 2000 By Size of MSA**



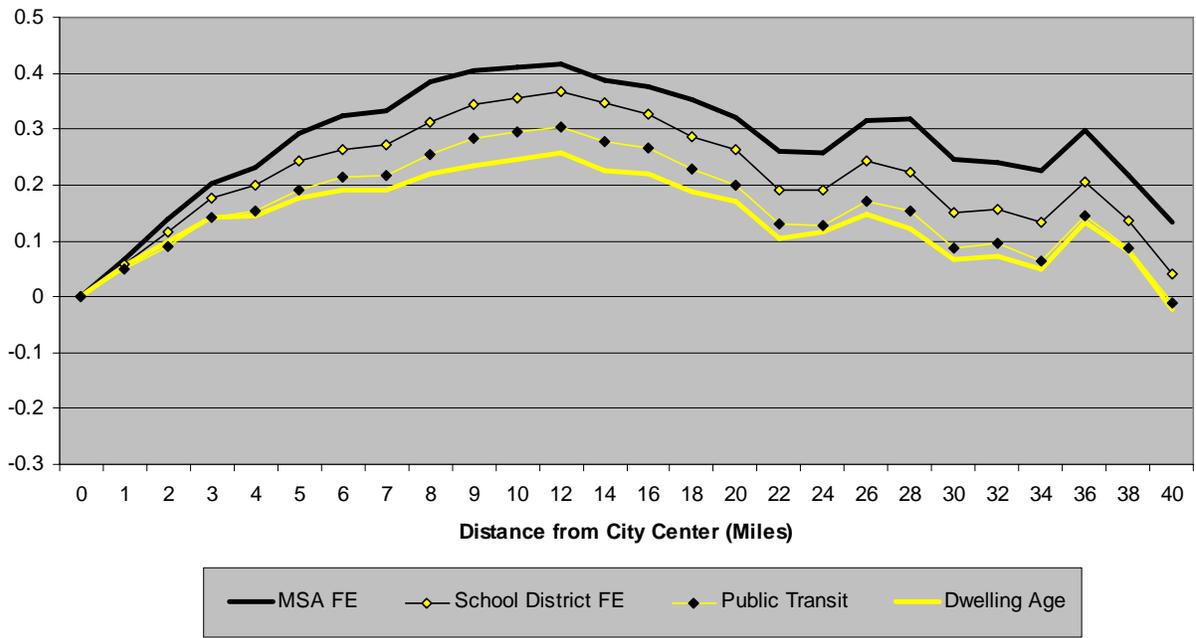
**Figure 5b: Percent of Housing Stock in 2000 Under 10 Years Old By Size of MSA**



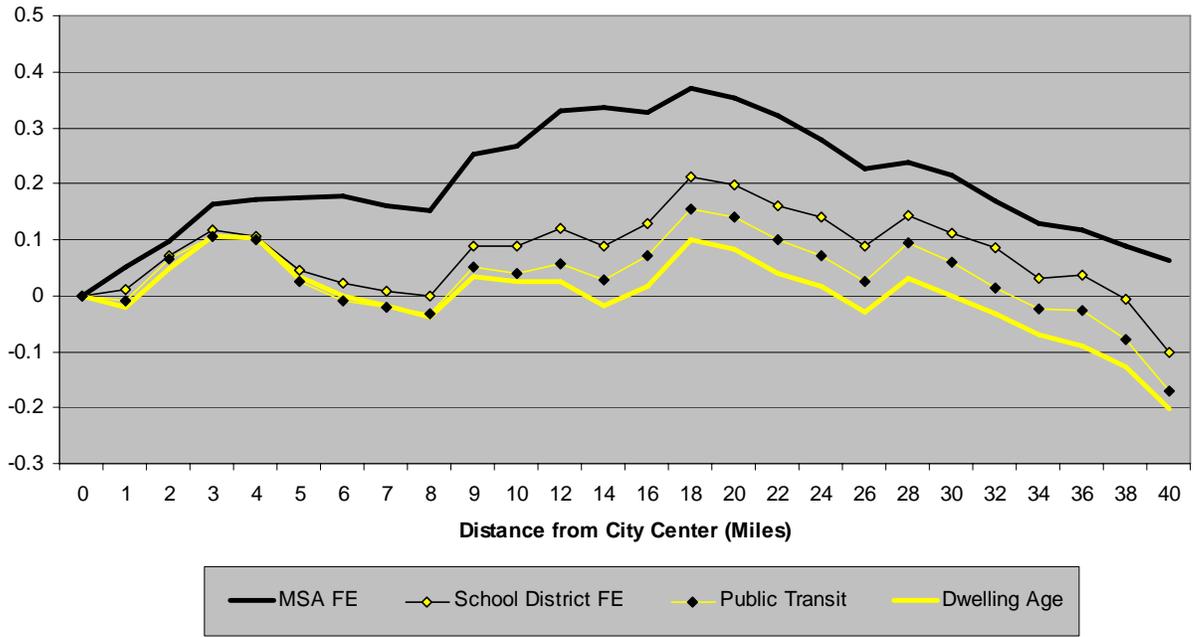
**Figure 6a: Relative Income in 2000  
MSAs With Less Than 100 Census Tracts**



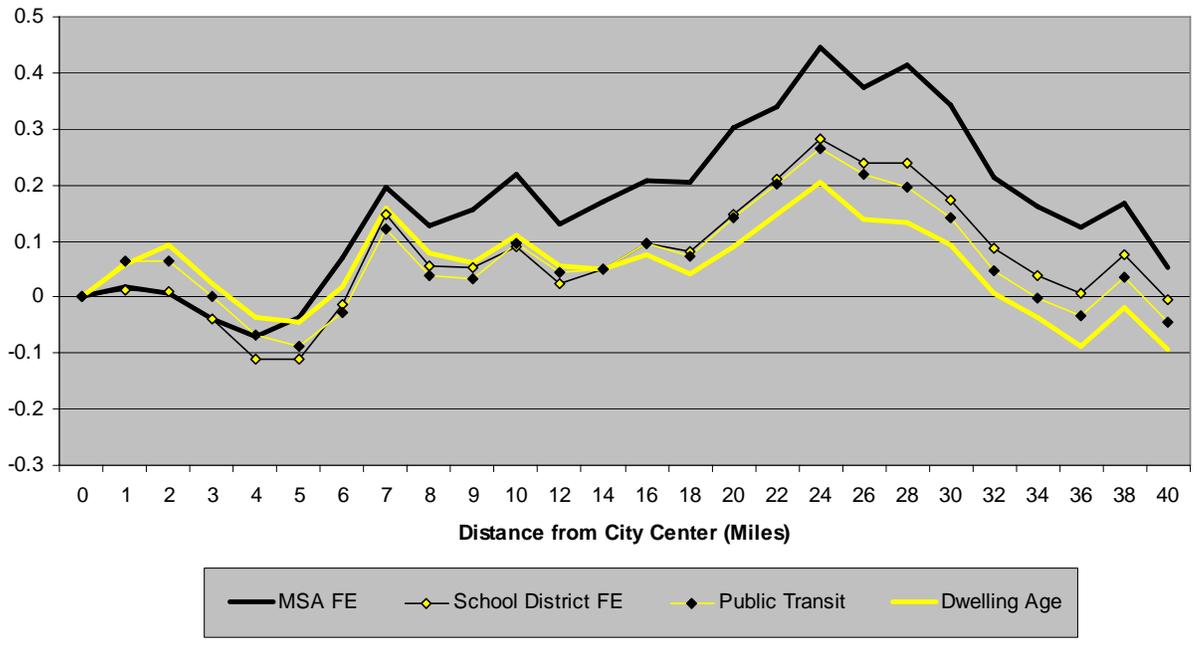
**Figure 6b: Relative Income in 2000  
MSAs With 100 to 500 Census Tracts**



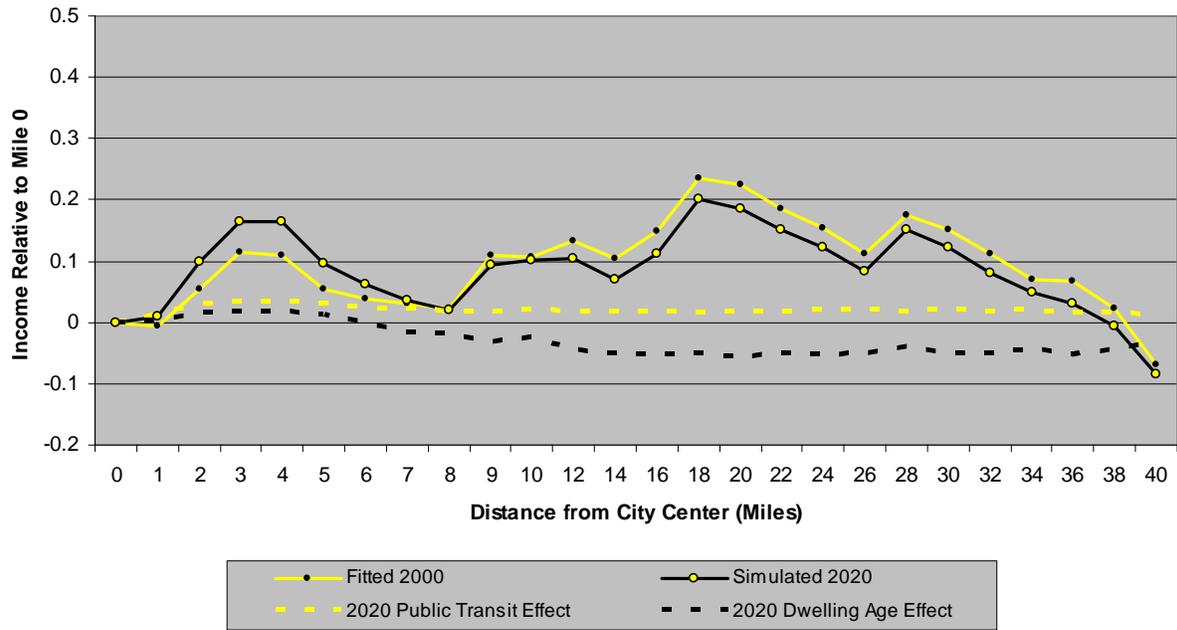
**Figure 6c: Relative Income in 2000  
MSAs With 500 to 1,000 Census Tracts**



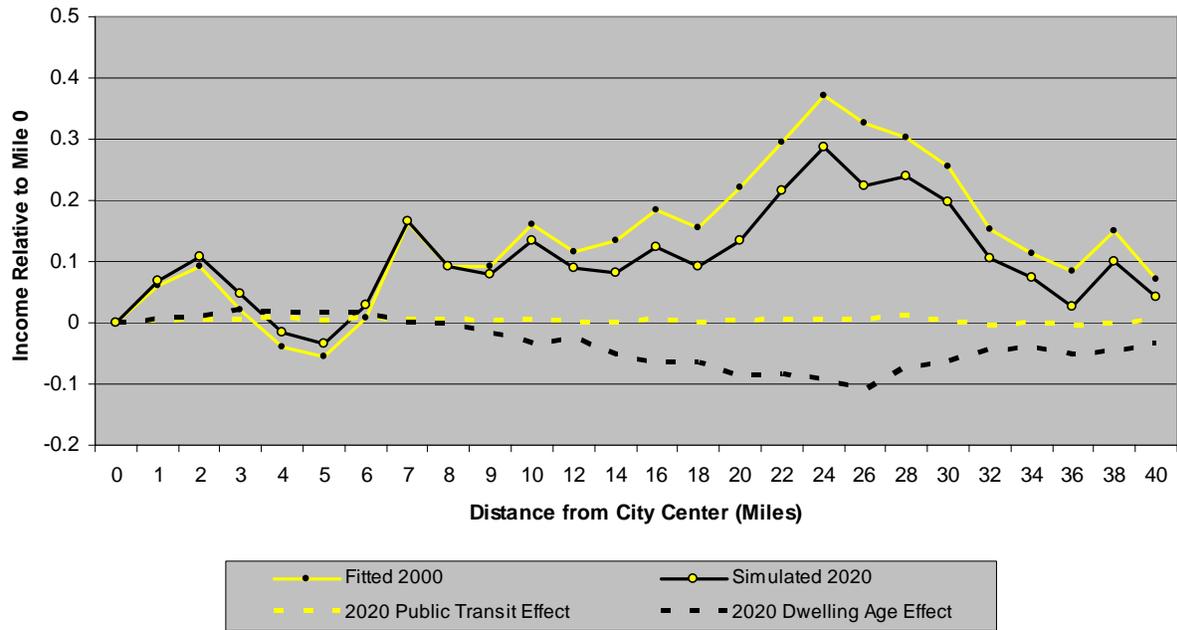
**Figure 6d: Relative Income in 2000  
MSAs With 1,000 Or More Census Tracts**



**Figure 7c: Relative Income in 2000 Compared to Simulated 2020  
MSAs With 500 to 1,000 Census Tracts**



**Figure 7d: Relative Income in 2000 Compared to Simulated 2020  
MSAs With More Than 1,000 Census Tracts**



## *Conclusion*

Dwelling ages matter in determining where people live, with young dwellings attracting higher income households.

Renewal of central cities can thus be expected attract such households, leading to some degree of gentrification.

But the force is not powerful enough to completely reverse location patterns in US cities.