Why Do Households of Color Own Only a Quarter of the Nation's Housing Wealth When They Compose a Third of the Nation's Households?

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Executive Summary

Homeownership is a key vehicle for building wealth. But households of color are less likely than white households to own their own homes. And for many of these racial and ethnic groups, the lower homeownership rates account for only part of the housing wealth disparity. And for Black, Hispanic, and other nonwhite households, even if they achieve homeownership, they are likely to own lower-value homes than white households.

The combination of these inequities has implications both for individual households and for racial and ethnic groups in aggregate. At the household level, lower homeownership rates combined with lower home values suggest that some households of color not only find it more difficult to achieve homeownership but experience smaller financial benefits.

When discrepancies in homeownership rates and home values prevail across an entire race or ethnicity, it indicates that, as a group, they hold a disproportionately small share of primary-residence housing wealth relative to their population share. This result is especially stark in cities where most households are households of color. And it has implications for economic and local political power.

Several research reports have assessed homeownership rate differences by race and ethnicity. But more recent research is exploring home values by race and ethnicity. In this report, we develop a statistical model to identify the key determinants of higher home values and to determine the most promising policy steps that can reduce the broader housing wealth gaps. Our model covers three key areas that inform home values: household characteristics, property features, and neighborhood characteristics.

Our key findings include the following:

1. White homeowners are more likely to be older, live in a detached single-family home, and have a home with more rooms, which all contribute to higher home values.

2. Even after controlling for household, property, and neighborhood characteristics, Black, Hispanic, and other nonwhite homeowners still have lower-value homes. This may reflect a history of systemic racism, but more research is needed, including on the role of household wealth on home values, to better understand how household race or ethnicity contributes to home values.

3. Asian homeowners are more likely to earn at least $150,000 a year, live in the newest homes, and live in metropolitan statistical areas (MSAs). These all contribute to higher home values.

How can policymakers reduce housing wealth disparities? Using both economic analysis and qualitative information gained from virtual visits to six major US markets, we have identified tools that can boost homeownership and the financial benefits it bestows on households of color.

These recommendations target household, property, and neighborhood characteristics.

1. **Household characteristics.** Increasing the income and savings available to purchase a home will help people of color afford more expensive homes, thus reducing the housing wealth gap. We suggest several strategies to improve income and savings for households of color, including workforce development and student loan counseling improvements to focus on equitable outcomes.

2. **Property characteristics.** Lower housing costs could help potential homeowners of color afford more expensive homes, and for current homeowners of color, mechanisms to improve their property's value could reduce the housing wealth gap. We suggest expanding the housing supply by tackling the drivers of high construction costs, pursuing infill housing development, and expanding options for renovation funding.

3. **Neighborhood characteristics.** Our research confirms that neighborhood type and quality affect home values. Strategies that could increase home values include ensuring public investments are equitably distributed across communities, increasing lending options by encouraging the creation and investment opportunities of minority depository institutions, and focusing on community development strategies that respond to local communities' goals, histories, priorities, and needs.

These policies and principles should help address the structural barriers that keep many households from achieving and benefiting from homeownership. And they could reduce the disparities across racial and ethnic groups more broadly.

One key risk that deserves additional attention is climate change. Climate change impacts for communities of color are more apparent than ever. Black and Hispanic households are more likely than white households to live in homes and neighborhoods with greater climate risks from floods, storms, sea level rise, wildfires, and droughts. In addition, the impact of extreme heat has a disparate impact on Black and Hispanic communities. When disaster strikes, these neighborhoods find it more difficult to recover, as systemic disparities in disaster aid lead to unequal recovery. Research that explores the relationship and impacts of climate change on housing for Black and Hispanic families can help policymakers adopt policies and programs that build resilience and equity to stave off its worst effects.

A concerted effort to close the racial and ethnic homeownership gaps, both in the ability to achieve homeownership and to benefit from it, will increase wealth and security for more households. But the benefits accrue at the macroeconomic level as well. More equitable outcomes in homeownership, a key source of household wealth, increases the stability of the household sector generally, making the sector more resilient to economic and other catastrophes and potentially lessening the burden on government stabilization polices.

Why Do Households of Color Own Only a Quarter of the Nation's Housing Wealth?

Households of Color Own Only a Disproportionately Small Share of Housing Wealth

A primary residence is typically a homeowner's largest asset and a key tool for building wealth and economic security. In 2019, the value of all households' primary residences reached $23.6 trillion, according to American Community Survey data.[1] The total amount of housing assets was distributed among 120.8 million households, 64.1 percent of whom own a primary residence. And the average home value was $333,600.

Even after accounting for the number of households, white households still hold a disproportionately large share of primary-residence housing wealth relative to households of color (Gallin et al. 2018).[2] In 2019, white households accounted for 68 percent of all households (81.9 million) and 60 percent of the population (table 1) but held 76 percent of primary-residence housing wealth ($19.6 trillion). Households of color make up the remaining 32 percent of households (40.9 million) but hold only 24 percent of primary-residence housing wealth ($6.7 trillion). Put differently, although there were twice as many white households as households of color, white households hold 2.9 times the primary-residence housing wealth that households of color hold.

FIGURE 1

Distribution of Households and Primary-Residence Housing Wealth, by Race or Ethnicity, 2019
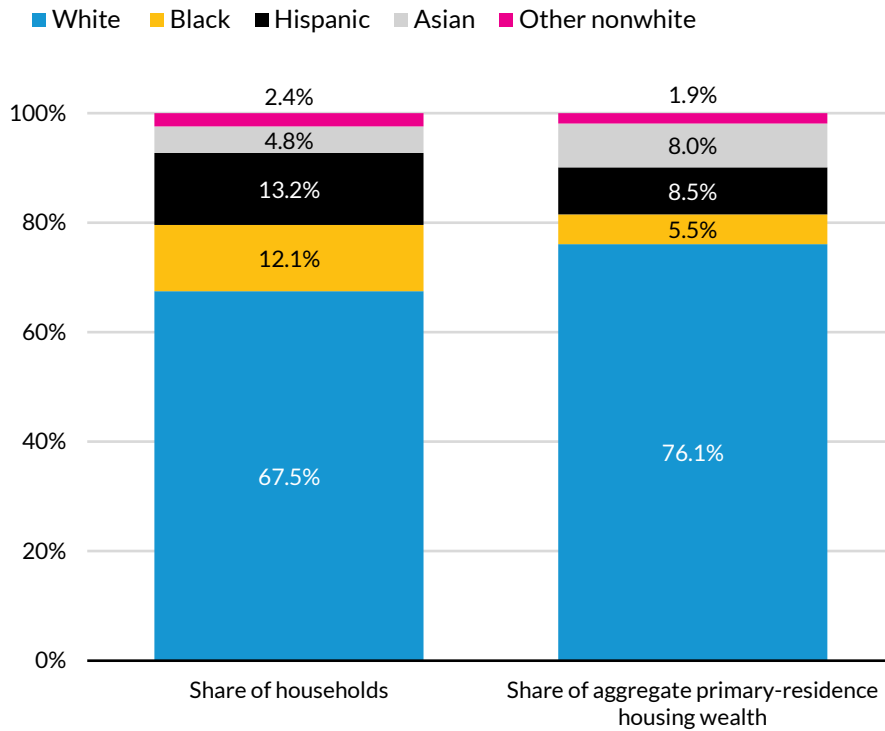
■ White ■ Black ■ Hispanic ■ Asian ■ Other nonwhite

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Source: Urban Institute calculations of 2019 American Community Survey data.

This disparity reflects that white households have a higher homeownership rate and higher average home values. In addition to homeownership rates, home values help determine aggregate housing wealth. If the composition of the household population was uniform across race and ethnicity and homeownership rates were equal, higher average home values for one racial or ethnic group would boost their relative aggregate housing wealth.

TABLE 1
Population, Households, Homeownership Rates, and Home Values, by Race or Ethnicity

	White	Hispanic	Black	Asian	Other
Population distribution (ages 20 and older)	63%	12%	16%	6%	3%
Total households	81,880,378	16,699,089	15,006,720	6,139,721	3,076,996
Homeownership rate	72.2%	48.1%	42.3%	60.3%	51.2%
Average home value	$331,281	$299,878	$240,156	$597,792	$330,457
Aggregate home values ($trillions)	$19.59	$2.44	$1.53	$2.21	$0.52
Aggregate home value distribution	75.0%	9.0%	6.0%	8.0%	2.0%

Source: Urban Institute calculations of data from the 2019 American Community Survey.

Black, Hispanic, and other nonwhite households hold a disproportionately small share of aggregate housing wealth because they account for fewer households and have lower homeownership rates.[3] And they have lower average home values than white households.

For Asian households, the story is more nuanced. Asian homeowners appear to buy more expensive homes. But nationwide, there are fewer Asian households, and they still struggle to achieve the homeownership rates of white households. This difficulty in achieving homeownership reduces their share of aggregate housing wealth.

Measuring aggregate housing wealth is important for several reasons. At the household level, it can uncover compromises households of color make to achieve homeownership. To afford a home, they might sacrifice key amenities such as a home's size or location. In addition, aggregate housing wealth trends may be the product of systemic discrimination, reducing both the ability of households of color to achieve homeownership and the benefits from homeownership reflected in home values.

Our analysis of aggregate housing wealth highlights the possibility that expanding the supply of less expensive homes to reduce racial and ethnic homeownership rate gaps may also entrench racial and ethnic home value gaps. But the purchase of a higher-density starter home could help a homeowner trade up to a more expensive one later.

At the same time, aggregate housing wealth analysis has implications for place-based analysis. In many large cities, households of color account for a significant portion of the population but often own a disproportionately small share of the city's primary-residence housing wealth. Because households of color have less wealth, they are more prone to economic instability, a condition made worse during economic downturns. Further, this has implications for other factors that influence quality of life, such

as political power. Increased political power can elect local leaders whose values are aligned with their interests and hold leaders accountable to everyone they serve.[4] But research shows that political outcomes are often skewed toward the interests of the smaller but wealthier white population share in large cities (Schaffner, Rhodes, and La Raja 2020).

Policymakers often take steps to boost homeownership outcomes for households of color that help homeowners both achieve homeownership and remain in their homes, but persistent racial and ethnic wealth gaps suggest that other policies and interventions are needed to improve wealth generation. We demonstrate that policies that eliminate employment and income disparities, improve the type of homes households can afford, and limit disparities across neighborhoods and communities can improve wealth outcomes for households of color.

This analysis is part of a broader project on racial and ethnic disparities in housing wealth equity. Previous research in this project assessed how economic downturns affect racial and ethnic housing wealth disparities and the future of racial and ethnic homeownership rate gaps. In preparing this report, we met with researchers; federal, state, and local policymakers; advocates; business owners; and local housing practitioners across six markets to understand the key challenges and policy responses to the gaps in racial and ethnic homeownership outcomes. The six regions we visited virtually were in Atlanta, Houston, Miami, Minneapolis-St. Paul, Philadelphia, and Riverside-San Bernardino.

How This Report Contributes to Research on Racial and Ethnic Homeownership and Housing Wealth Gaps

Most previous analyses have focused on the determinants of barriers to homeownership and drivers of homeownership rate gaps. This research has demonstrated that credit scores, household incomes, and marital status are key contributors to the Black-white homeownership rate gap (Choi et al. 2019). But even after including several measurable items, the authors conclude that 17 percent of the gap was left unexplained.

Additionally, past studies suggest that the Hispanic-white homeownership gap[5] reflects demographic factors (e.g., age, income, and country of origin) and key barriers such as the lack of information about the homebuying process, poor credit history, and systemic discrimination (Cortes et al. 2007).

For the Asian-white homeownership rate gap,[6] research indicates that homeownership rate differences partly reflect location (as Asian homeowners tend to live in high-cost areas) and immigration status (DeSilva and Elmelech 2012). Recent Asian immigrants are less likely to be homeowners than those whose families who have lived in the country longer. That said, historical analysis indicates that Asian households have also faced housing discrimination (Ford et al. 2021).

By identifying the key drivers of home values, this report contributes to the literature on racial and ethnic home value gaps and the broader benefits of homeownership. Recent analysis indicates that home value disparities for Black and Hispanic homeowners remain wide, though they are shrinking.[7] Consistent with this is research indicating that home price appreciation for Black-owned homes may have exceeded that of white-owned homes between 2012 and 2018 (Immergluck, Earl, and Powell 2019). At the same time, the impact of other net costs associated with homeownership, such as real estate taxes and renovation needs, may yield a higher user cost of homeownership for households of color, especially Black and Hispanic homeowners (Neal, Choi, and Walsh 2020). This work is also related to recent research on appraisal bias and its effects on home values, particularly in Black and Hispanic neighborhoods (Howell and Korver-Glenn 2018).

We also contribute to the literature by identifying one key implication of the combined effects of racial and ethnic differences in these two homeownership outcomes. A disproportionately small share of primary-residence housing wealth is concentrated among households of color. This mismatch has implications for stability and economic growth (Islam and McGillivray 2020, 16).[8]

Aggregate Housing Wealth by Race and Ethnicity Reflects Population, Homeownership Rate, and Average Home Value Differentials

Total housing wealth is an important indicator of the household sector's financial strength because it represents the largest item on this sector's aggregate balance sheet. And when disaggregated by race and ethnicity, the distribution of aggregate housing wealth can convey the proportional share of each racial or ethnic cohort to the amount of housing wealth the overall household sector holds. Following Federal Reserve research, this report uses "housing wealth" to convey aggregate home values owned by homeowners and not homeowners' total housing equity (Islam and McGillivray 2020, 3). But given that home equity, the difference between home values and the loans it collateralizes, is lower for Black and Hispanic households than for white households, assessing the total value of primary-residence home

values by race and ethnicity are likely to understate the Black-white and Hispanic-white housing wealth gaps.

Specifically, total housing wealth is a function of the total number of households, the homeownership rate, and average home values.[9] The three ways to change total primary-residence housing wealth are to change the number of households, change the homeownership rate, or change average home values.[10] Comparing changes across these three major inputs by race and ethnicity will explain disparities in housing wealth.

Housing Wealth Is Concentrated among White Households Because They Account for the Majority of All Households

The number of households is the product of total population and other factors captured by headship rates (Lasky 2008, 20)[11]:

$$Number\ of\ Households = Population * Headship\ Rates \tag{1}$$

This formula provides a framework to understand the number of households by race and ethnicity. Population here refers to the total population ages 20 and older. Meanwhile headship rates capture other factors besides population that contribute to changes in household formation (CBO 2008). For example, white households account for the majority of all households because they represent the majority of the overall population and because they have higher headship rates. In contrast, households of color make up a smaller share of the population and have lower headship rates.

TABLE 2

Population, Headship Rates, and Households, by Race or Ethnicity

	White	**Black**	**Hispanic**	**Asian**	**Other**
Population (ages 20 and older)	155,730,938	29,636,794	39,789,570	14,832,423	6,484,807
Headship rate	53%	51%	42%	41%	47%
Households	81,880,378	15,006,720	16,699,089	6,139,721	3,076,996

Source: Urban Institute calculations of 2019 American Community Survey data.

Although the Hispanic population is the second-largest group, they have the lowest headship rates, which limits their household count. The low headship rate likely reflects the greater incidence of multigenerational living.

Although white households account for the majority of all households, their household share has experienced a sustained decline. Between 2000 and 2019, the white share of households has fallen from 75 percent to 67 percent. This has largely reflected a decline in the white share of the overall population ages 20 and older, from 72 percent in 2000 to 63 percent in 2019, while the white headship rate ticked down from 54 percent to 53 percent over the same period. Although white households represent the majority of all households today, their household share will fall in the coming decades (Goodman and Zhu 2021). All else equal, fewer white households would reduce the aggregate housing wealth they own because of a shrinking housing population that could become homeowners.

Household Composition Does Not Fully Explain Why Housing Wealth Is Concentrated among White Households

Even after accounting for the number of households, white households still hold a disproportionately large share of primary-residence housing wealth relative to households of color. These discrepancies vary by racial and ethnic group. Hispanic households represent 13.2 percent of all households but hold only 8.5 percent of the primary-residence housing wealth. Black households account for 12.1 percent of all households but hold only 6 percent of the primary-residence housing wealth. All other households of color, excluding Asian households, account for 2.4 percent of all households but hold only 1.9 percent of the primary-residence housing wealth. But Asian households account for 4.8 percent of all households but hold 8.0 percent of the primary-residence housing wealth.

In other words, the number of white households is 5 times the number of Hispanic households, 6 times that of Black Households, and 28 times that of other households of color.[12] But they own 9 times the primary-residence housing wealth of Hispanic households, 14 times the wealth of Black households, and 40 times the wealth of other households of color. In contrast, the number of white households is 14 times that of Asian households, but white households hold only 10 times the amount of housing wealth as Asian households.

FIGURE 2
Share of Cities Where White Households Hold a Disproportionate Share of Total Housing Wealth
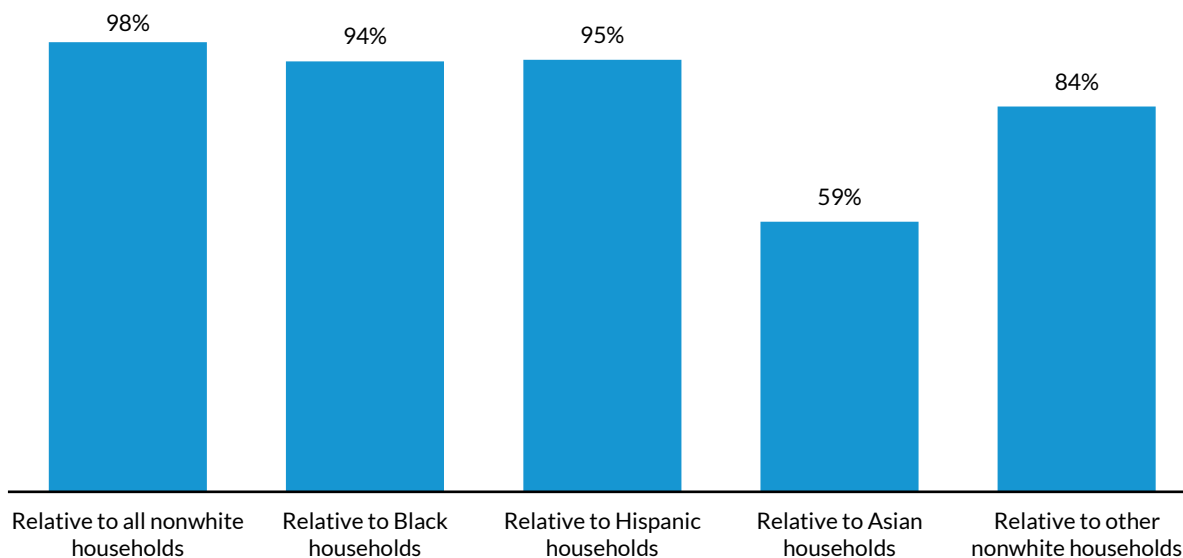
Source: Urban Institute calculations of 2019 American Community Survey data.

Figure 2 illustrates that in 94 percent of the 2,238 cities documented in the 2019 American Community Survey, white households have disproportionately large housing wealth concentration relative to Black households. In 95 percent of these cities, they have a disproportionately larger share than Hispanic households. In 59 percent of these cities, they have a disproportionately larger share than Asian households, and in 84 percent of these cities, white households have a disproportionate share relative to other households of color.

Another way to control for the number of households is to assess the potential for housing wealth disparities in areas where white households are a minority of the population. Among the cities documented in the 2019 American Community Survey (ACS), white households account for a disproportionately large share of housing wealth in 96 percent of cities.[13] And this mismatch has implications not only for wealth equity but for local political influence (Hall and Yoder, forthcoming).

TABLE 3
Local Household and Aggregate Home Value Distribution, by Race or Ethnicity

Household composition

	White	Black	Hispanic	Asian	Other
Household composition					
Houston, Texas	31%	23%	37%	8%	2%
Miami, Florida	14%	13%	71%	2%	1%
Riverside, California	36%	8%	47%	8%	2%
San Bernardino, California	19%	16%	58%	5%	3%
Philadelphia, Pennsylvania	39%	40%	12%	7%	2%
Atlanta, Georgia	45%	44%	4%	5%	2%
Minneapolis, Minnesota	70%	17%	6%	4%	3%
St. Paul, Minnesota	62%	15%	7%	12%	3%
Aggregate home value distribution					
Houston, Texas	62%	8%	18%	10%	2%
Miami, Florida	31%	9%	58%	2%	0%
Riverside, California	47%	4%	37%	10%	1%
San Bernardino, California	24%	6%	59%	7%	3%
Philadelphia, Pennsylvania	57%	27%	6%	8%	2%
Atlanta, Georgia	72%	17%	4%	5%	2%
Minneapolis, Minnesota	89%	5%	3%	2%	2%
St. Paul, Minnesota	82%	5%	3%	7%	3%

Source: Urban Institute calculations of 2019 American Community Survey data.

Table 3 shows examples from select cities that were a part of the six metropolitan statistical areas (MSAs) in our Wealth Equity Initiative. We show this information at the city level because households of color are more likely to represent a majority of all households at this smaller level of geography. The results demonstrate how households of color hold a disproportionately small share of aggregate primary-residence housing wealth even when they account for a majority of all a city's households.

In Houston, for example, households of color represent 69 percent of all the city's households but hold only 38 percent of the primary-residence housing wealth. The disparities are most stark for Hispanic and Black households. Hispanic households account for the largest share of the household population (37 percent) and Black households account for another 23 percent. But Hispanic households hold only 18 percent of the primary-residence housing wealth, and Black households hold only 8 percent.

In Atlanta, white households represent 45 percent of all the city's households but own 72 percent of the primary-residence housing wealth. Households of color make up the majority of all the city's households but own only 28 percent of the housing wealth. Black households accounted for the largest share of the city's population (44 percent) but own only 17 percent of its housing wealth. But all households of color, including Asian households, also hold a disproportionately small share of the city's housing wealth relative to their population share.

Low Homeownership Rates Limit Housing Wealth among Households of Color

Homeownership rates also affect aggregate housing wealth. White households are more likely than households of color to own homes. In 2019, 72.2 percent of white households were homeowners. In contrast, 48.1 percent of Hispanic households, 42.3 percent of Black households, 60.6 percent of Asian households, and 51.2 percent of other households of color were homeowners.

FIGURE 3

Share of Cities Where White Households Have a Higher Homeownership Rate
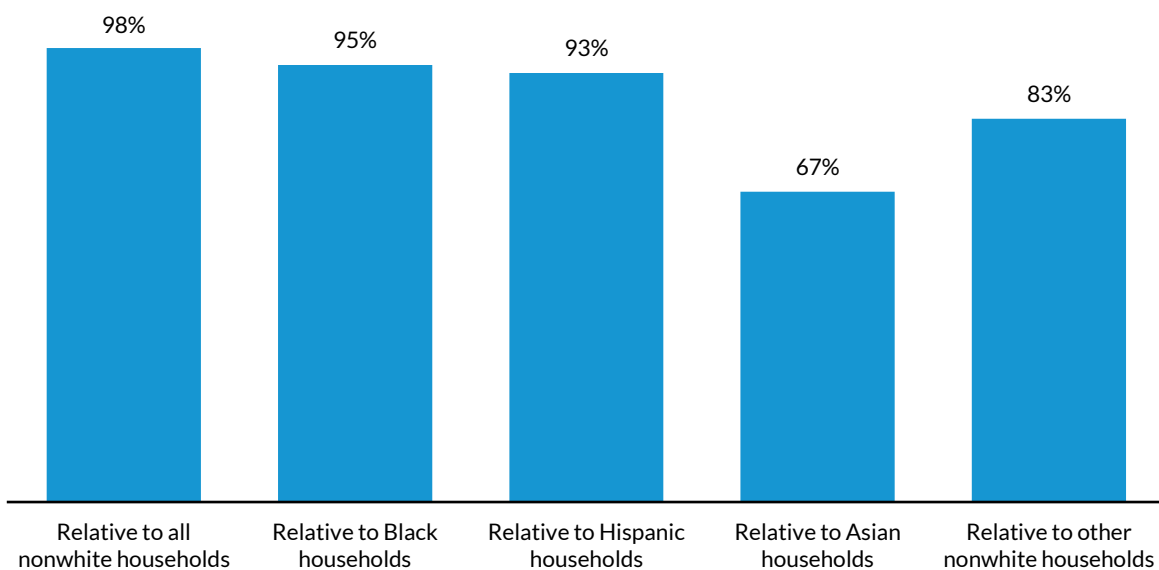
Source: Urban Institute calculations of 2019 American Community Survey data.

In 98 percent of all US cities, white households are more likely than households of color to own homes (figure 3). The white homeownership rate exceeds the Black, Hispanic, Asian, and other nonwhite homeownership rates in 95 percent, 93 percent, 67 percent, and 83 percent of cities, respectively.

TABLE 4
Racial and Ethnic Differences in Homeownership Rates, 2019

	White	Hispanic	Black	Asian	Other
United States	72%	42%	48%	61%	51%
Houston, Texas	62%	32%	42%	52%	43%
Miami, Florida	42%	22%	28%	43%	32%
Riverside, California	63%	34%	49%	57%	36%
San Bernardino, California	63%	26%	51%	48%	43%
Philadelphia, Pennsylvania	59%	48%	43%	54%	43%
Atlanta, Georgia	57%	31%	37%	35%	42%
Minneapolis, Minnesota	58%	19%	26%	36%	35%
St. Paul, Minnesota	62%	18%	37%	40%	33%

Source: Urban Institute calculations of 2019 American Community Survey data.

In every primary city associated with the key markets we assessed, the white homeownership rate exceeded that of all other racial and ethnic groups (table 4). In Minneapolis and St. Paul, Minnesota, part of the broader MSA where the Black-white homeownership rate gap is the widest in the nation, 58 percent of white households in Minneapolis and 62 percent of white households in St. Paul were homeowners. The homeownership rates were lower for Hispanic households (19 percent and 18 percent, respectively), Black households (26 percent and 37 percent, respectively), Asian households (36 percent and 40 percent, respectively), and other households of color (35 percent and 33 percent, respectively). These racial and ethnic homeownership rate gaps contribute to the disproportionate share of the aggregate housing wealth white households hold in these two cities. The population share–housing wealth mismatch is experienced by all households of color.

What Explains the Relatively Low Homeownership Rates among Household of Color?

Policymakers and researchers alike have scrutinized the racial and ethnic disparities in homeownership rates. Research suggests that income disparities are a key factor behind the homeownership rate gaps (Acolin, Lin, and Wachter 2019). Income disparities are also important for home values. Although renter households have less income than homeowner households, renters of color, especially Black and Hispanic renters, typically have less income than white renters (Neal and McCargo 2020). Less income reduces a household's ability to save for a down payment and limits affordable home options. A lack of starter-home inventory, which has been worsening over the past five decades, further lowers the number of homes low-income households can afford to buy and maintain.

In addition, many consumers of color, particularly Black and Hispanic ones, are more likely to have either a low credit score or no credit score. A low or missing credit score reduces a household's ability to achieve homeownership while a higher score improves its chances. In 2018, about one in five Black consumers and one in six Hispanic consumers lacked a credit score. In addition, another 53 percent of Black consumers and 45 percent of Hispanic consumers had credit scores below 700. The low credit scores are particularly damaging because lending standards have tightened on balance over the course of the COVID-19 recession, making it more difficult for potential borrowers to achieve homeownership.

Homeownership is also related to higher levels of educational attainment. And educational attainment tends to be lower for households of color, particularly for Black and Hispanic households (Cortes et al. 2007). But even though homeownership rates increase with more education, Black and Hispanic households with more education are still less likely to own homes than white households with similar educational attainment (Cortes et al. 2007, 6). Student loan debt may also hinder highly educated Black and Hispanic households from achieving homeownership quickly (Dey and Brown, forthcoming).[14]

The Asian homeownership rate persistently lags the white homeownership rate. Although the median Asian household earns more than the typical white household, research indicates that the income distribution among Asian households is wider than it is among white households (Kochhar and Cilluffo 2018). In addition, the lower Asian homeownership rate reflects differences in immigration and the places where Asian households typically live (Herbert et al. 2005; Kochhar and Cilluffo 2018, 9). A larger share of Asian households has recently come to this country, with immigrants having lower homeownership rates than those born in this country. Second, Asian households tend to live in areas with higher costs of living and lower housing supply. But Asian households have also faced housing market discrimination, which may have affected their homeownership rates.

Racism Has Discouraged Minority Homeownership

By one measure, 17 percent of disparities in the Black-white homeownership rate gap is unexplained by measurable phenomena and may include the impact of racial bias on the housing market (Herbert et al. 2005, 6). The structural barriers that give rise to the racial and ethnic disparities in homeownership are also a product of systemic racism. Instances of historical racism include the use of racial covenants, which stipulated who could and could not purchase a particular home.[15] Covenants were embedded in property deeds all over the country to keep racial and ethnic minorities from buying or even occupying land. An example covenant stipulated that "premises shall not at any time be conveyed, mortgaged or

leased to any person or persons of Chinese, Japanese, Moorish, Turkish, Negro, Mongolian or African blood or descent."

Another form of historical racism included redlining, a process by which the Federal Housing Administration (FHA) refused to insure mortgages in or near Black neighborhoods. The red portion of these maps (red denoted "hazardous" neighborhoods) also included predominately Mexican- and Asian-American neighborhoods.[16] The impact of redlining was exacerbated by the subsidies the FHA also extended to builders producing homes for white homebuyers. Redlining was aided by the Home Owners' Loan Corporation (HOLC) maps that helped loan officers, appraisers, and real estate professionals evaluate mortgage lending risk. Capital, in the form of mortgage and other lending, paralleled the delineation of these maps. Lending activity was concentrated in white areas and was sparse in areas where Black households lived (Fishback et al. 2020).[17]

As federal policy restricted homeownership access for households of color and investment in neighborhoods of color, it boosted homeownership outcomes for white households. The federal government supported the mass production of homes for white households[18] and guaranteed loans for white homebuyers while excluding buyers of color.[19] Because of federal support, thousands of white families were able to realize the benefits of homeownership and pass those benefits to their children—a financial head start from which many families of color were deliberately excluded.

These are just a few examples of historical racism that were made illegal under the Fair Housing Act of 1968. But racially influenced outcomes that limit homeownership for racial and ethnic minorities still exist. Research has illustrated how disinvestment continues to parallel the old HOLC maps in places like Chicago and Baltimore.[20]

At the same time, appraisers continue to use a neighborhood's racial or ethnic composition when identifying comparable homes, pulling forward the effects of historical racism to the present day and resulting in the undervaluation of homes in Black and Hispanic neighborhoods. The findings suggest that variation in appraisal methods coupled with appraisers' racialized perceptions of neighborhoods perpetuates neighborhood racial disparities in home value (Howell and Korver-Glenn 2018). In addition, real estate agents' reliance on social networks, which are predominantly white, have disparate consequences for home buyers and sellers of color (Korver-Glenn 2018). The role of appraisers and realtors in perpetuating race-based outcomes even today highlights the whiteness of the real estate industry.[21]

The unexplained portion of the homeownership rate gap does not include the racial and ethnic discrimination that can contribute to disparities in the key determinants of homeownership. For

example, employment bias can hinder the employability or the earnings of workers of color,[22] which in turn can reduce the likelihood of homeownership.

Measured economic disparities contribute to lower homeownership rates for households of color. But these differences are often rooted in systemic racism and its lingering effects. In aggregate, the racial and ethnic homeownership gap contributes to white households holding a disproportionate amount of housing wealth, creating a vicious cycle. And the impact of these homeownership rate disparities on the distribution of total housing wealth is even more stark in areas where racial and ethnic minorities account for a significant portion of households.

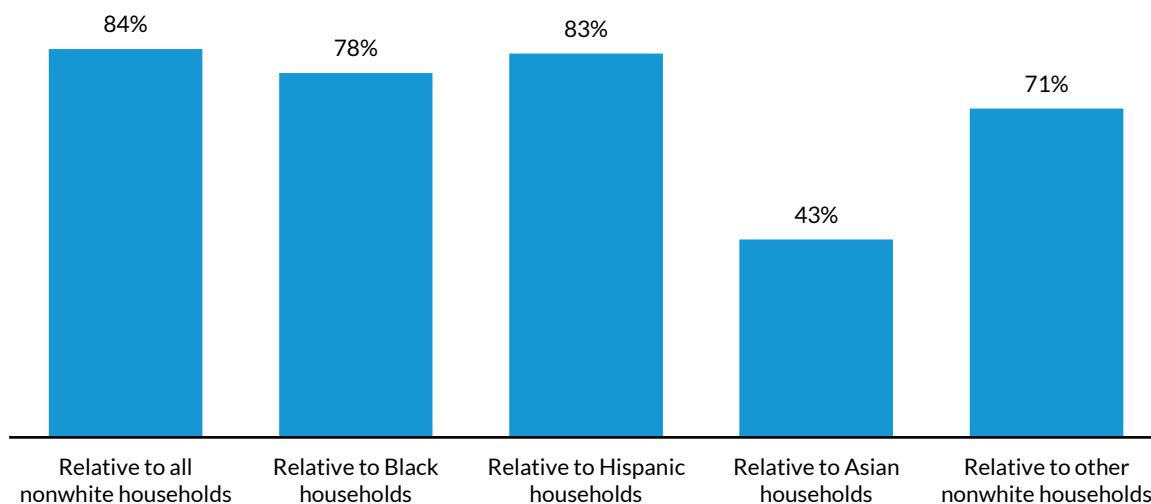## Home Values Also Contribute to Total Housing Wealth

It is important for households of color not only to achieve homeownership but to experience the same benefits as white homeowners. Research about home value gaps has illustrated that homes in Black neighborhoods are systematically undervalued relative to those in majority-white communities (Perry, Rothwell, and Harshbarger 2018). In addition, key data providers now track the performance of house price appreciation by race and ethnicity (Perry, Rothwell, and Harshbarger 2018, 12).

Home value disparities may arise because homebuyers of color do not have the resources to purchase the home they need at a price they can afford. Disparities may also suggest that owning does not provide the same benefits to homeowners of color as it does for white homeowners (Neal, Choi, and Walsh 2020). Lower home values may be caused by, and in turn lead to, less wealth accumulation and greater instability, both for the household and potentially for the neighborhood more broadly (Campbell, Giglio, and Pathak 2011).

Nationwide, the average home value of primary residences owned by white households was $331,281 in 2019. This exceeded the average value of homes owned by Black, Hispanic, and other households of color but was less than the average home value of primary residences owned by Asian households, who tend to disproportionately own homes in high-cost markets, largely in California.

FIGURE 4
Share of Cities Where White Households Have Higher Average Home Values

84% — Relative to all nonwhite households
78% — Relative to Black households
83% — Relative to Hispanic households
43% — Relative to Asian households
71% — Relative to other nonwhite households

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Source: Urban Institute calculations of 2019 American Community Survey data.

Across all 2,385 cities in the ACS data, the average value of homes owned by white homeowners exceeded that of homeowners of color in 84 percent of cities (figure 4). Average values of white-owned homes exceeded that of Black-owned homes in 78 percent of cities, exceeded that of Hispanic-owned homes in 83 percent of cities, and exceeded that of homes owned by other households of color in 71 percent of cities but topped those of Asian-owned homes in only 43 percent of cities.

TABLE 5
Racial and Ethnic Differences in Average Home Values, 2019

	White	Hispanic	Black	Asian	Other
Houston, Texas	$474,128	$155,533	$170,399	$338,835	$333,494
Miami, Florida	$815,279	$327,395	$437,708	$476,567	$420,693
Riverside, California	$409,879	$378,115	$339,904	$454,486	$404,993
San Bernardino, California	$272,705	$279,521	$234,799	$316,842	$268,706
Philadelphia, Pennsylvania	$280,788	$147,369	$148,779	$248,656	$251,476
Atlanta, Georgia	$571,839	$204,227	$415,174	$434,499	$366,296
Minneapolis, Minnesota	$322,767	$195,687	$206,075	$262,990	$224,293
St. Paul, Minnesota	$262,964	$218,098	$170,671	$185,856	$242,839

Source: Urban Institute calculations of 2019 American Community Survey data.

In our study's key markets, average values for homes owned by Black, Hispanic, and other nonwhite homeowners are consistently below that of homes owned by white households (table 5). The results for

Asian households are mixed. Average home values of Asian households are slightly higher than those of white households in the California markets we examined but were lower in the other cities.

What Are the Key Drivers of the Home Value Gap?

In most cities, Black, Hispanic, and other nonwhite homeowners are more likely to own lower-value homes than white homeowners. When combined with their lower homeownership rates, these three broad racial and ethnic groups own a disproportionately small share of the aggregate housing wealth relative to their population share. Asian homeowners are less likely to achieve homeownership relative to white households but often have higher home values.

Racial and ethnic disparities in home values have been explored in recent policy-related research. For example, analyses have compared majority-Black neighborhoods in MSAs with neighborhoods in MSAs with no Black households (Perry, Rothwell, and Harshbarger 2018). Controlling for structural characteristics of the home and neighborhood amenities, researchers find that home values in majority-Black neighborhoods are, on average, 23 percent lower than home values in all-white neighborhoods. Other research suggests that socioeconomic status indicators such as income or credit scores that improve purchasing ability and power may play a key role in determining home valuations across neighborhoods, reducing the effects of race.[23] By assessing racial differences in home values, this analysis contributes to growing research in this area because all other factors such as wealth have not been ruled out.

We focus on the race of the homeowning household head, not the majority race in the neighborhood. We also assess the average values of homes owned by Hispanic, Asian, and other nonwhite homeowners, in addition to Black and white homeowners. Finally, our results illustrate how differences in household characteristics (of which race or ethnicity is a part) and property and neighborhood features contribute to differences in home values. Although the history and presence of racial discrimination likely informs housing valuation, this model is not designed to isolate that effect.

What are the key contributors to home values?[24] We answer this across three broad dimensions: household characteristics, property features, and neighborhood attributes.

Household Characteristics

All else equal, lower incomes limit the value of the homes a household can purchase. Compared with white homeowners, Black, Hispanic, and other minority homeowners, not including Asian homeowners, are more likely to have household incomes below $100,000 and are less likely to have household incomes above $100,000. Asian homeowners are less likely than white homeowners to have household incomes below $100,000 and are significantly more likely to have incomes above $150,000 relative to white homeowners (table 6).

Young homeowners may be more likely to live in smaller and typically less expensive homes while older homeowners are more likely to live in larger and more expensive homes. Differences in income and household size likely contribute to the age-related home value gaps. At the same time, millennials may also have more non-housing-related debt such as student loan debt, which also limits the home prices they can afford.

Large households may require larger and potentially more expensive homes while smaller households may live in smaller and less expensive homes. Households of color typically have larger households than white households. Black and Hispanic families have more children (Hamilton, Martin, and Osterman 2021). At the same time, Hispanic and Asian households are more likely to include multiple generations living in the same property.[25]

TABLE 6
Household Characteristics, by Race or Ethnicity

	White	Black	Hispanic	Asian	Others
Household income buckets					
< $25,000	10.1%	16.3%	12.2%	7.5%	13.5%
$25,000–49,999	16.0%	20.1%	18.8%	10.8%	15.4%
$50,000–99,999	30.7%	32.8%	34.4%	23.5%	30.0%
$100,000–149,999	19.7%	16.9%	19.0%	19.9%	19.3%
≥ $150,000	23.5%	13.9%	15.7%	38.4%	21.9%
Age groups					
< 25	0.7%	0.5%	1.6%	0.7%	1.4%
25–34	8.8%	6.9%	12.6%	10.6%	14.3%
35–44	13.0%	14.6%	20.8%	21.9%	19.1%
45–54	18.0%	21.5%	25.0%	25.7%	22.0%
55–64	23.5%	24.8%	20.6%	20.3%	21.0%
≥ 65	35.9%	31.6%	19.5%	20.9%	22.0%
Household size					
People (average)	2.43	2.54	3.30	3.12	2.76

Source: Urban Institute calculations of 2019 American Community Survey data.

Property Characteristics

White homeowners are more likely to live in detached single-family homes than homeowners of color (table 7). In many locales, detached single-family homes are the most expensive structure type. Homeowners of color are more likely to live in other structure types. But relative to white homeowners, the propensity of homeowners of color to live in other structure types varies.

White homeowners are more likely than homeowners of color to live in homes with eight or more rooms. Homeowners of color more often live in smaller homes, but the greater likelihood of living in smaller homes can vary by race and ethnicity. For example, Hispanic, Asian, and other nonwhite homeowners are more likely than white homeowners to live in homes with one to four rooms. Black homeowners are more likely than white homeowners to live in homes with seven rooms.

Although homeowners of color are slightly more likely than white homeowners to live in homes built since 2000, Asian homeowners are most likely to own newer homes. Absent significant renovations, newer homes are typically more expensive than older homes.

Less expensive forms of energy may boost a home's desirability and raise its value (Qiu, Wang, and Wang 2017).[26] For example, gas is less expensive than electricity, and solar energy further reduces fuel costs. Asian homeowners are most likely to have gas-fueled homes and are modestly more likely to have solar-fueled homes, though few homes are solar powered in general.

TABLE 7
Property Characteristics, by Race or Ethnicity

	White	Black	Hispanic	Asian	Others
Structure type					
Detached single-family home	83%	79%	80%	76%	80%
Attached single-family home	6%	11%	6%	11%	6%
2-to-4-unit multifamily home	2%	4%	3%	4%	3%
5-or-more-unit multifamily home	4%	3%	4%	7%	4%
Mobile home	5%	4%	8%	1%	7%
Number of rooms in structure					
1–3	3%	2%	5%	6%	4%
4	8%	8%	12%	12%	11%
5	17%	19%	25%	18%	20%
6	21%	25%	24%	21%	22%
7	17%	18%	14%	14%	16%
8	14%	12%	10%	13%	11%
≥ 9	20%	16%	10%	16%	16%
Year home was built					
1959 or earlier	27%	31%	28%	20%	25%
1960–1979	24%	23%	24%	20%	23%
1980–1999	28%	22%	26%	27%	28%
2000 to present	21%	23%	22%	32%	23%
Heating source					
Electricity	30%	38%	40%	24%	32%
Gas	60%	58%	55%	70%	56%
Solar energy	0%	0%	1%	1%	1%
Other	10%	4%	5%	5%	12%

Source: Urban Institute calculations of 2019 American Community Survey data.

Neighborhood Characteristics

Homes in neighborhoods with a smaller share of homeowners of color are expected to have higher home values. Homeowners of color are more likely than white homeowners to live in neighborhoods where more than half of residents are homeowners of color and are less likely to live in areas where racial and ethnic minorities make up less than 50 percent of the population (table 8).

Black, Hispanic, and Asian homeowners are more likely to live in more urban areas as measured by MSA than white homeowners and are less likely to live in more rural areas as indicated by living outside of an MSA. Of the four major nonwhite groups, Asian homeowners are most likely to live in MSAs.

TABLE 8
Neighborhood Characteristics, by Race or Ethnicity

	White	Black	Hispanic	Asian	Others
Nonwhite share of neighborhood					
< 20%	36%	5%	6%	8%	18%
20–50%	48%	36%	31%	40%	46%
≥ 50%	16%	59%	63%	52%	36%
Location of property					
Metro, central	8%	22%	15%	19%	12%
Metro, not central	39%	34%	36%	37%	32%
Metro, mixed	41%	38%	44%	42%	41%
Not metro	13%	6%	5%	2%	15%

Source: Urban Institute calculations of 2019 American Community Survey data.

Notes: MSA = metropolitan statistical area. A mixed MSA indicates a property is in an MSA, but it is indeterminable whether it is the central city area or not.

What Are the Key Determinants of Home Values?

Statistical analysis of household, property, and neighborhood conditions suggest that an older age distribution, living in a detached single-family home, and having a home with more rooms are key factors behind the higher average home values for white homeowners.[27] Black, Hispanic, Asian, and other nonwhite households are more likely to be younger than 65, have larger households, and live in more diverse neighborhood. They are also less likely to live in detached single-family homes and to have homes with eight or more rooms.

But Asian homeowners are more likely to have household incomes of at least $150,000, are more likely to live homes built since 2000, and are more likely to live in MSAs. These characteristics help explain the high value of Asian-owned homes. In addition, a modestly larger share of Asian homeowners uses solar energy, which contributes significantly to a home's value.

In addition, community matters. After controlling for neighborhood characteristics generally, using Public Use Microdata Area (PUMA) fixed effects, the coefficient on the value of Asian-owned homes fell significantly, from $190,548 (in a model without this measure of neighborhood characteristics and only household and property ones) to $3,846 (in a regression model that included these effects in addition to household and property features). The large change in the coefficient on Asian-owned homes illustrates another reason Asian-owned home values are higher; they are often located in more expensive neighborhoods.

This model, based on ACS data, does not include specific neighborhood characteristics believed to be key contributors to home values, such as school quality, transit access, and crime rates. To assess the

impact of these neighborhood characteristics, we use data from the American Housing Survey (AHS), which provides an assessment of these qualities from survey respondents.[28]

Homeowners of color are more likely to say they live in a neighborhood with petty or serious crime. Black, Asian, and other nonwhite homeowners are less likely than white homeowners to say they live in a neighborhood with good schools. Black, Hispanic, and Asian homeowners are more likely than white homeowners to say they live in a neighborhood with good transit. Black, Hispanic, and other nonwhite homeowners are more likely to believe they live in a neighborhood facing flood risk. The presence of good schools, living near good transit, and living in areas with high flood risk correspond with higher home values. The boost to higher home values from living in areas with high flood risk may reflect the desirability of coastal properties. In contrast, neighborhoods with serious or petty crime corresponded with lower home values.

Even after controlling for household, property, and neighborhood characteristics, the homeowner's race or ethnicity is still statistically significant. Black, Hispanic, or other nonwhite homeowners correspond with significantly lower average home values. This largely reflects the fact that we did not control for financial wealth. In addition, the reduction in average home values associated with being Black, Hispanic, or another nonwhite race or ethnicity may also reflect historical racial and ethnic discrimination. Research has illustrated how historical racism (e.g., redlining) restricted capital investment to neighborhoods of color and have limited home valuations in these neighborhoods. At the same time, other forms of racial disparities, including steering by real estate agents (or the practice of influencing a buyer's choice of communities based upon protected characteristics), restrictive zoning, and appraisal bias, have been shown to limit home values in Black and Hispanic neighborhoods (Neal, Choi, and Walsh 2020).

Research has demonstrated how racial and ethnic discrimination has affected home values for Black and Hispanic homeowners, but quantifying the impact of systemic racism requires additional research. For example, key inputs like income are also affected by systemic racism. If the entire coefficients on Black, Hispanic, and even other nonwhite homeowners were solely attributed to discrimination, the positive coefficient on Asian homeowners may suggest a modest reverse discrimination. But this interpretation is inconsistent with the Asian historical experience.

Although local fixed effects should help, it may not perfectly capture the greater propensity of Asian homeowners to live in more expensive areas. It may be that additional differences not easily included here may play a role. For example, Asian households may have a stronger preference for higher education (Hsia and Hirano-Nakanishi 1989). And they are more likely to have paid off their student

loan debt, which means they can afford more expensive homes (Baum and Washington 2020). Again, age cohorts should help address this, but they may not be a perfect proxy. And more research is needed to understand the potential role of citizenship status. Future research exploring these differences can strengthen our understanding of the Asian-white home value gap and may add more precision to our understanding of the home value gaps between white homeowners and Black, Hispanic, and other nonwhite homeowners.

The ACS has important shortcomings. For example, it does not contain information on financial wealth and does not collect extensive information on property condition (particularly structure and unit characteristics) or unit quality (Eggers 2007). We also perform a robustness check on these results with AHS data. Although the AHS does not have granular regional data, it has more information on the property's condition[29] and neighborhood quality. These results, shown in appendix C, confirm the findings from our analysis using ACS data. After controlling for household, expanded property, and neighborhood conditions, Black, Hispanic, and other nonwhite homeowners have lower home values while Asian homeowners have higher home values.

What Steps Have Policymakers Already Taken?

Before offering recommendations on how public policy can address homeownership disparities, it is worth noting that policymakers have already taken steps to improve homeownership outcomes. See table 9 for a list of government policies, often done in partnership with local nonprofits, that communities use to help first-time homebuyers purchase homes and benefit from homeownership. In this section, we provide examples of steps policymakers have already taken. These examples are not exhaustive but illustrative. For example, there are an estimated 2,527 down payment assistance programs with no standardization across 1,304 state, local, and federal agencies covering all 50 states and Washington, DC (Goodman et al. 2018). And many of these are offered by local governments. Down payment assistance gives potential homebuyers funds to achieve homeownership. Many households lacking enough savings are households of color.[30] At the same time, down payment assistance can also help households afford more expensive homes. This is particularly important in expensive cities where house prices are especially high.[31]

TABLE 9

Key Public Policy Interventions to Improve Homeownership Outcomes

Key policy types	Level of government generally intervening
Purchasing a home	
Demand	
Income supports	State and local
Affordable rental housing/rental assistance	Federal and state and local
Down payment assistance	State and local
Mortgage credit and alternative underwriting	Federal
Housing counseling	Federal and state and local
Supply	
Development of for-sale homes	Federal and state and local
Streamlining local development processes	State and local
Easing zoning regulations and building codes	State and local
Offering land at a discount	State and local
Improving lending availability and cost	Federal and state and local
Preservation of homes (e.g., land bank and code enforcement, rehab resources)	State and local
Sustaining and benefiting from homeownership	
Renovation and weatherization loans and programs	Federal and state and local
Forbearance and foreclosure policies	Federal
Other mortgage-related loss mitigation policies	Federal
Property tax relief	State and local
Mortgage interest deductions	Federal
Shared ownership (e.g., CLTs) and equity[a]	State and local

Source: Urban Institute.

Note: CLT = community land trust.

[a] Shared ownership models may be more sustainable because they are likely to have lower mortgage costs, but such models could lead to less overall benefit for the owner if the mortgage has equity restrictions.

For example, the City of Houston offers both the Homebuyer Assistance Program and the Harvey Homebuyer Assistance Program.[32] The Homebuyer Assistance Program offers up to $30,000 for nonhomeowners who have household incomes up to 80 percent of area median income. In addition, the program targets first-time homebuyers, and the homeowner must pay taxes to the City of Houston. If the homeowner remains in the home for at least five years, the no-interest loan, secured by the property, is forgiven. The Harvey Homebuyer Assistance Program differs in a key respect: a homeowner living in Houston and who lost their home Hurricane Harvey can access this program.

Policymakers have also boosted homeownership outcomes by increasing the supply of affordable rental units. Reducing a household's rental cost burden should help them manage other debts and potentially save for a down payment. As part of a broad policy, the city government in Atlanta outlined a plan to provide a pathway to affordable and equitable housing. The plan is intended to create or preserve 20,000 affordable homes by 2026 to increase overall supply, preserve affordable housing,

ensure equitable growth, and minimize displacement. The plan also supports innovation and streamlined processes (City of Atlanta 2019).

Other local policies seek to improve the supply of for-sale housing and lower prices. For example, the City of Riverside, California, offers a density bonus to builders and developers.[33] The density bonus allows them to build additional housing units above the limits placed by zoning regulations in exchange for setting aside at least 5 to 10 percent of the total units for low- or very low–income households. The program extends to for-sale housing developments if the affordable units are initially sold to low- or very low–income households. High-density for-sale units may contribute to the home value gap in the short run because they are traditionally less expensive than single-family homes, but these new homeowners may trade up into larger homes in the long term.

In addition, community land trusts (CLTs) help preserve long-term affordable homeownership. These CLTs are nonprofit community-based organizations designed to ensure community stewardship of land and are primarily used to ensure long-term housing affordability. There are an estimated 277 CLTs across the country. And they provide low- and moderate-income people the opportunity to build equity through homeownership and ensure these residents are not displaced by land speculation and gentrification.

The administration recently announced steps it intends to take to boost the supply of affordable housing, including both rental and for-sale properties. These actions include strengthening partnerships with state and local governments and prioritizing homeownership and limiting the sale to large investors certain FHA-insured and US Department of Housing and Urban Development–owned properties, all of which should provide relief.[34]

Policymakers have also taken steps to help homeowners sustain homeownership, a challenge for some homeowners of color.[35] Sustaining homeownership gives households more time to build greater housing wealth. Because homeowners of color, especially Black and Hispanic homeowners, are more likely to live in inadequate housing, publicly available home improvement funds can help them renovate their homes, sustain homeownership, and build housing wealth. For example, in Philadelphia, the Restore, Repair, Renew program helps Philadelphia homeowners access low-interest-rate loans to invest in their properties (Philadelphia Redevelopment Authority 2019). Lenders participating in the program are offering 10-year, 3 percent fixed annual percentage rate loans that range from $2,500 to $24,999 to eligible homeowners. The loans can fund a range of home repairs that focus on health, safety, weatherization, accessibility, and quality of life. The program's goal is to help Philadelphians improve their homes and strengthen their communities.

In addition, the City of Miami offers a Single Family Rehabilitation/Replacement program for low-income homeowners.[36] The program targets those living within the city limits and whose assessed home value is up to 90 percent of the average Miami-Dade County purchase price. The program offers financial assistance through its rehabilitation program, home replacement program, and emergency rehabilitation program. Each program has different thresholds and loan terms, but the programs are designed to provide affordable funding for property improvements.

And through its 203(k) program, the US Department of Housing and Urban Development enables homeowners to finance the purchase, or refinancing, of a house and rehabilitation costs through a single mortgage or to finance the rehabilitation of their current home.[37]

Recently, the federal government has helped homeowners sustain homeownership through the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act.[38] The CARES Act provided financial assistance and institutional forbearance to homeowners with agency mortgages who could not make their payments during the COVID-19 pandemic. The federal government also placed a moratorium on foreclosures of homes with federally backed mortgages. In response to the Great Recession, when a swath of homeowners lost their homes, federal foreclosure programs did not keep many homeowners from losing their homes.[39] The CARES Act has helped homeowners, particularly Black and Hispanic ones, maintain homeownership and build housing wealth amid appreciating home prices (Durbin et al. 2021; Goodman et al. 2021).[40]

Some policymakers have acted to eliminate racial and ethnic discrimination in housing. Most notably, Minneapolis targeted racial equity with significant changes in local housing policy. For example, single-family-only zoning was eliminated under the city's Minneapolis 2040 Plan to create denser and affordable units, particularly near transit and jobs.[41] The equity lens reflects the view that the zoning rules established after racial covenants were banned simply kept the racialized land development patterns, and local capital investment, in place.[42]

Although the intention was good, the actual impact of the steps Minneapolis and other cities have taken remains to be seen. Local jurisdictions can take other steps to root out racial discrimination in the housing market. For example, investing in matched pair testing, similar to tests conducted by the Seattle Office for Civil Rights,[43] can help a market understand the potential for disparate outcomes.

Seattle conducted a matched pair test where paired testers posed as prospective renters to measure differences in the services they receive from leasing agents and differences the information they receive about vacancies, rental rates, terms, and other conditions. These matched pairs have similar rental profiles in every respect except for their protected classes, such as race. Differences in

outcomes are thus more easily assigned to that one difference in testers' respective profiles. Although the Seattle experiment did not explicitly test for race, it did include a test for having a Section 8 voucher, which renters of color use disproportionately.[44] Matched pair testing methods can be used in the for-sale housing context as well.

How Can Economic Analysis Guide Policy Action?

Our research suggests that policies should aim to address the drivers of disparities in both homeownership rates *and* home values to move the needle on improving the housing wealth gap. We offer promising policy solutions to address these drivers along three characteristics from our model: households, properties, and neighborhoods. We offer suggestions here, but local housing markets vary widely, and local markets would benefit from taking stock of their particular challenges, circumstances, and past experiences with specific policies to determine what interventions might best improve housing wealth outcomes for households of color.

Many of the actions policymakers have taken to improve homeownership wealth are grounded in evidence. But change has been slow. These continued disparities partly reflect the fact that many of these structural barriers have been in place for several decades, meaning that change will not immediately eliminate racial and ethnic homeownership gaps. At the same time, the current policies may not be enough.[45]

This research suggests that policies should aim to address racial and ethnic disparities in both homeownership rates and home values to better balance the distribution of housing wealth. Additional polices to achieve this can target three economic discrepancies in household, property, and neighborhood characteristics.

Household Characteristics

Income plays a significant role in driving home values, and home values are one of the key drivers of housing wealth. Therefore, public policies that are not traditionally thought of as homeownership strategies, such as workforce development, are central to reducing the wealth gap. Policymakers should continue to support workforce development but shift their focus to workforce equity (Lam 2019). Workforce equity would seek to ensure that people of color have equitable opportunities to secure a job and progress toward greater leadership opportunities. This is particularly important because evidence suggests that Black workers are the first to lose jobs when the US economy enters a recession

(Couch and Fairlie 2010). Centralizing workforce equity will boost incomes for households of color, which in turn will help them achieve or maintain homeownership and allow them to afford more expensive homes.

Business leaders and employers have important roles to play as well. The impacts of unconscious and implicit bias for people of color in the workplace are well documented (Simms et al. 2015; Spaulding et al. 2015). Because biases can change, especially with intervention (Dasgupta and Greenwald 2013), employers can address implicit bias through internal practices. To achieve more diverse leadership ranks, organizations in every sector—public, private, nonprofit, philanthropy—have a duty to implement internal procedures that address bias in their hiring, promotion, work culture, and other practices. Another important component to increasing income is increasing educational attainment. But student loan debt plays a key role in determining a household's tenure as either a renter or an owner. Student loan debt can affect homeownership, particularly for young households, by making it more difficult to save for a down payment, raising debt-to-income ratios, or affecting borrowers' credit scores (Mezza et al. 2016).[46] Research suggests that Black and Hispanic student loan borrowers experience student loan default at higher rates than white borrowers.[47] As a result, student loan debt could delay homeownership for young households (National Association of Realtors 2017) and, all else equal, could limit the homes they can afford. Expanding and intensifying financial counseling for students entering and matriculating college can limit the impact of student loan debt.[48]

Research indicates that institutions of higher learning cannot require counseling beyond entrance and exit counseling as a condition of receiving federal loans. But the federal government could implement regulations that mandate additional counseling for students to ensure they understand the full costs of their education and implications for taking on debt (Gorin and Tabit 2016).

Despite efforts to increase the affordable rental housing supply, nearly half of all renter households are cost burdened (JCHS 2020). One way to address this challenge is to expand the federal Low-Income Housing Tax Credit program. Increasing the number of credits allowed to each state could further increase the affordable rental housing stock, providing more households a financial pathway to homeownership readiness.

Down payment assistance remains a key tool to boost homeownership for households of color and increase the homes they can afford. Targeting down payment assistance to first-generation buyers could reduce intergenerational wealth disparities.[49] But anecdotal evidence from our site visits indicated that a lack of cultural sensitivity may still keep some households of color from accessing down payment programs. Expanding culturally specific financial education and homeownership services by

ensuring equitable access for multilingual and multigenerational households could boost applications for down payment assistance among some households of color.

Finally, nearly half of all renter households are cost burdened (JCHS 2020). This reflects the estimated shortage of 6.8 million affordable rental homes (Aurand et al. 2021). Renters are more likely to be households of color, and housing cost burdens can affect their ability to save for down payments. Increasing the stock of affordable rental housing would provide more households a financial pathway to homeownership readiness. One way to address this challenge is to expand the supply of affordable rental housing through such programs as the federal Low-Income Housing Tax Credit program, the HOME Investment Partnerships Program, and the Housing Trust Fund. In addition, fully funding Section 8 housing would ensure that all eligible households can benefit from it.

Property Characteristics

Policy steps to address barriers at the property level can also improve homeownership outcomes for households of color. And like the actions suggested in the previous section, this will require coordination among various levels of government.

For example, the pace of new residential construction continues to lag nationwide, contributing to a home shortage of 3.8 million homes (Khater, Kiefer, and Yanamandra 2021; Neal, Goodman, and Young 2020). Although building material prices contributed to these challenges amid the COVID-19 recession,[50] the long-term trend in single-family construction has been affected by a labor shortage.[51] Single-family homes are traditionally more expensive than other structure types to build and to buy.

Single-family homes in particular contribute significantly to housing wealth. But the lack of affordable options remains acute. And this may particularly affect households of color because they typically have larger household sizes and are expected to drive household formation growth in the coming decades. Reducing the costs to build new single-family homes will help maintain affordability in the face of the country's need for more homes while providing options for households of color.

To address this problem, high schools in Dallas have started training students for careers in construction.[52] With little evidence that site-built housing will be replaced anytime soon by factory-built housing,[53] boosting the potential labor supply can ease the structural burden on residential construction. In turn, this could benefit homeowners of color who are less likely to own detached single-family homes.

And in the aftermath of the Great Recession, some owner-occupied single-family homes became renter-occupied homes. Buyers of these homes, sometimes large financial institutional operators, helped stabilize local markets in the aftermath of the Great Recession when home prices were collapsing, but the emergence of these investors may have also reduced homeownership rates (Lambie-Hanson, Li, and Slonkosky 2019).

But not every market has the available land to increase detached single-family home development. Infill development may be the best way to maximize affordable housing opportunities and relieve supply pressure.[54] To build the foundation to unlock infill development in distressed communities, policy analysis suggests identifying infill priorities, setting appropriate local land-use policies, building partnerships, and improving perception by strengthening building code enforcement (Stollman et al. 2015).[55] But additional evaluation of how local policy action[56] allowing more density can close housing wealth disparities more broadly can provide a more complete assessment of infill development's benefits and drawbacks.

And policy steps could be harnessed to boost homeownership outcomes. For example, including rental and other monthly payments in credit score calculations could boost mortgage credit access and hence homeownership for buyers of color.[57] And amid these sustainable credit conditions, pairing savings accounts that could be used for future renovations with down payment assistance for home purchases will both bolster homeownership for households of color and strengthen sustainable homeownership (Neal, Choi, and Walsh 2020). Amid a lack of inventory and an aging housing supply, financial assistance in support of home renovations could help maintain or improve the adequacy of homes. By having a government-backed program that requires lending based on manual underwriting, that discrimination can be reversed.

Neighborhood Characteristics

Neighborhood-level characteristics also have important implications for homeownership disparities. Improving resources and amenities in neighborhoods of color can reduce racial and ethnic home value gaps.

Policymakers can ensure financial investments in their jurisdictions are equitably distributed (Schildt 2015). Ensuring geographically diffuse investments can lay the groundwork for more equitable opportunities and outcomes across neighborhoods.

One additional step that can improve private-sector investment in neighborhoods of color and support policy action seeking equitable outcomes is to encourage the creation and activities of minority depository institutions (MDIs). Research suggests that MDIs may also expand credit access for homebuyers of color (Neal and Walsh 2020), suggesting that policy support can have a cross-cutting impact on homeownership outcomes. There are few MDIs, and the capital base is often small. But they are typically located in communities of color and serve households living in them. One way is to help more MDIs become government-sponsored enterprise sellers, which could expand their mortgage lending capacity.

Federal Reserve Board research illustrates ways to support MDIs (Board of Governors of the Federal Reserve System 2020), such as preserving the character and number of MDIs, promoting the creation of MDIs, and providing training, technical assistance, and education programs for MDIs. In addition, through small business, mortgage, and other lending, MDIs can increase capital investment in neighborhoods of color (Neal and Walsh 2020). Additional analysis suggests that partnering with community development financial institutions can boost the geographic impact of mission-oriented financial institutions.[58]

As a guiding principle, policymakers should focus on developing appropriate strategies that respond to their communities' goals, histories, priorities, and needs, targeting both short- and long-term goals. Key to this success is understanding and clarifying the local community's needs so resources can be directed to the best use. Listening to community members and grounding policy in their experiences is vital for reducing racial and ethnic disparities in housing wealth. And developing appropriate strategies that acknowledge the past can ensure that past instances of systemic racism do not reemerge.

Climate-Related Concerns Are an Emerging Risk to Housing Wealth Equity

In addition to our analysis and policy discussion on the broad challenge of closing housing wealth gaps, many communities have begun to consider emerging threats related to climate change.[59] Climate change impacts for communities of color are more apparent than ever. Black and Hispanic communities are more likely to live in homes and in neighborhoods with greater climate risks from floods,[60] storms, sea level rise (Environmental Defense Fund, n.d.), wildfires,[61] and drought (Petek 2021). In addition, the impact of extreme heat has a disparate impact on Black and Hispanic communities (Hsu et al. 2021). When disaster strikes, these neighborhoods find it more difficult to recover, as systematic disparities in disaster aid contribute to unequal recovery.

For example, in Miami, "climate gentrification" describes wealthy homeowners who leave high-price condos on the shores and move inland to older, suburban neighborhoods historically inhabited by households of color. In Houston, sprawl continues with developers building in high-risk flood-prone areas. In some ways, the return on investment for real estate remains stronger than policy interventions to address new construction in neighborhoods with increasing climate risks.

Housing leaders concerned with the weather-related impacts of climate change will need several approaches that recalibrate current policy actions that prioritize equity to address these and other climate impacts on homeownership and housing stability that will disproportionately affect communities of color. For example, Miami-Dade County changed its affordable housing programs to cover sustainability upgrades, such as elevating homes and applying minimum green housing energy standards. But these steps may also aggravate housing affordability. Nevertheless, climate change will require policymakers to reexamine where and how we build, finance, and maintain homes. The next phase of the Urban Institute's Wealth Equity Initiative will explore these and other policies and programs at the nexus of climate, equity, and homeownership.

Conclusion

Over the coming decades, households of color will be solely responsible for all household growth while white households will not contribute to growth at all (Frey 2021; Goodman and Zhu 2021). The increase in the number of households of color will, by itself, increase these households' share of primary-residence housing wealth, provided they at least maintain current homeownership rates.
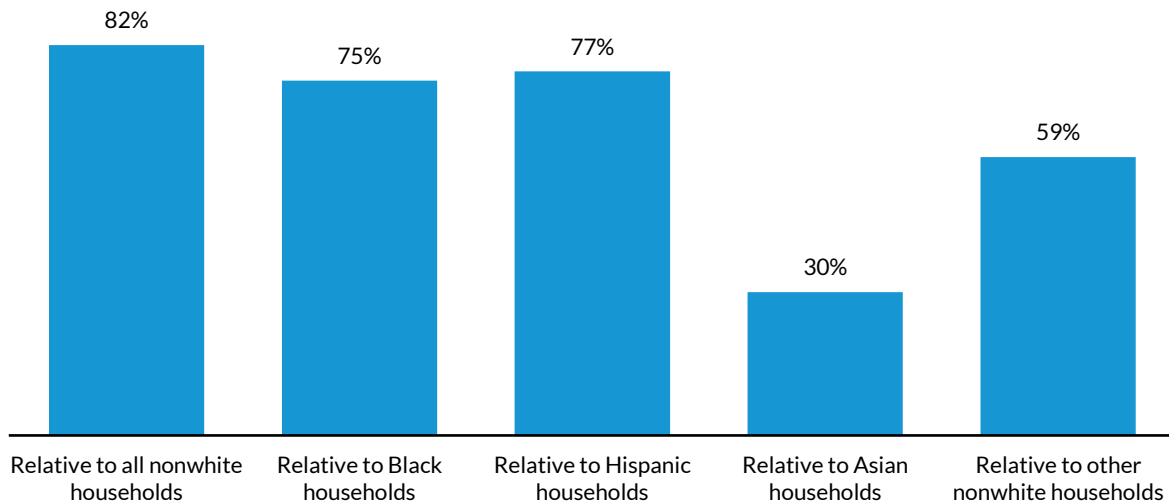
But this will likely not be enough to close housing wealth gaps. Even by 2040, racial and ethnic homeownership rate gaps will remain wide. This reflects decreases in the Black homeownership rate and that of Asian and other nonwhite households by 2040. And although the Hispanic homeownership rate is expected to rise modestly, a 20 percentage-point gap (71.4 percent versus 51.3 percent) is still expected between white and Hispanic homeownership rates.

The inability of households of color to achieve homeownership parity with white households has important implications for broader wealth inequality. Research indicates that economic conditions play a key role in the racial and ethnic homeownership rate gaps. But discrimination, both past and present, has also hindered homeownership for households of color and heavily influences underlying economic conditions. The impact of racial and ethnic discrimination on homeownership stems both from occurrences within the housing sector and in other major areas of the economy, such as labor markets,

that are key determinants of homeownership. The impact is even greater because federal policy has supported wealth accumulation of white households.

Black, Hispanic, and other nonwhite households that achieve homeownership often live in lower-value homes. This may reflect the difficulty of some households of color to afford homes of higher value.

Share of Cities Where the White Homeownership Rate and White Average Home Values Are Higher

82%	75%	77%	30%	59%
Relative to all nonwhite households	Relative to Black households	Relative to Hispanic households	Relative to Asian households	Relative to other nonwhite households

URBAN INSTITUTE

Source: Urban Institute calculations of 2019 American Community Survey data.

Combined, Black, Hispanic, and other nonwhite households hold a disproportionately low share of housing wealth relative to their share of the population. And this is characteristic of most US cities. The story for Asian households is more nuanced but no less important. Like Black, Hispanic, and other nonwhite households, Asian households are also less likely than white households to own a primary residence. And this stems from demographics and a history of systemic racism directly targeting this ethnic cohort. On the other hand, Asian-owned homes are typically valued higher than white-owned homes. But given the impact of ethnic discrimination on achieving homeownership, more research is needed to determine whether it also limits the benefits of homeownership for Asian homeowners.

Future policy can help correct these economic disparities and injustices and can stave off threats from future equity risks, such as climate change. Research suggests that homeownership and home value gaps are mostly likely to occur through differences in household, property, and neighborhood

characteristics. The actions recommended here can help close these gaps where they exist. But to optimize equitable results, policies must be harmonized across all levels of government.

A history of systemic racism and ethnic discrimination has contributed to disparities in housing wealth and its key determinants, including access to jobs, credit, and financial capability. Public policy programs addressing these gaps need to integrate culturally specific programming. Alternative partnerships, such as working with the faith-based community to leverage their networks, knowledge, and expertise to support low-income homeownership can help bridge these racial and ethnic divides.

A concerted effort to close the racial and ethnic homeownership gaps, both in the ability to achieve homeownership and to benefit from it, will increase wealth and security for more households. These benefits will improve the wider economy as well. More equitable outcomes in homeownership, a key source of household wealth, increases the stability of the housing sector generally, making the sector more resilient to economic and other catastrophes and potentially lessening the burden on government stabilization polices.

Appendix A. Mathematical Decomposition of Total Housing Wealth

Mathematically, aggregate housing wealth can be written as follows:

$$\textit{Total Primary-Home Values = Number of Homeowners * Average Home Value} \qquad (2)$$

But homeownership outcomes include both the propensity that a household can achieve homeownership and the benefits it accrues if it sustains homeownership. In other words, we can further decompose the number of homeowners to observe the combined impact of both the homeownership rate and average home value.

To do this, we use the following formula:

$$\textit{Number of Homeowners = Number of Households * Homeownership Rate} \qquad (3)$$

Substituting formula 3 back into formula 2 allows us to observe the combined effects of the homeownership rate and home values:

$$\textit{Total Primary-Home Values = Households * Homeownership Rate * Average Home Value} \qquad (4)$$

Specifically, formula 4 indicates that aggregate housing wealth is a function of the total number of households, the homeownership rate, and the average home value across these homeowners. This means there are three ways to change total primary-residence home values: change the number of households, change the homeownership rate, or change average home values.[62]

Now that we have developed a simple model that allows us to observe the combined effects of homeownership and home value gaps, and to isolate these components to analyze them individually, the next step is to compare this across race and ethnicity.

To do this, we use the acronym TPHV as a substitute for total primary-home values for space. And we start with addition

$$TPHV_{Overall} = TPHV_{White} + TPHV_{Hispanic} + TPHV_{Black} + TPHV_{Asian} + TPHV_{Other} \qquad (5)$$

where

$$TPHV_{White} = Households_{White} * Homeownership\ Rate_{White} * Average\ Home\ Value_{White} \tag{6}$$

$$TPHV_{Hispanic} = Households_{Hispanic} * Homeownership\ Rate_{Hispanic} * Average\ Home\ Value_{Hispanic} \tag{7}$$

$$TPHV_{Black} = Households_{Black} * Homeownership\ Rate_{Black} * Average\ Home\ Value_{Black} \tag{8}$$

$$TPHV_{Asian} = Households_{Asian} * Homeownership\ Rate_{Aisan} * Average\ Home\ Value_{Asian} \tag{9}$$

$$TPHV_{Other} = Households_{Other} * Homeownership\ Rate_{Other} * Average\ Home\ Value_{Other} \tag{10}$$

Appendix B. Regression Results using American Community Survey Data

Using ACS data covering many of the variables across the three broad dimensions identified above, we conducted a regression analysis using ordinary least squares regressions to examine the impact of those dimensions on average home values with 2019 as our analysis period. Table B.1 presents the results of all regressions.

The dependent variable is the average home value as self-reported in the 2019 one-year ACS. A positive sign in the coefficient means the independent variable is associated with a higher average home value. For example, the coefficient for a Black homeowner household's head, -87,295***, shows that being Black corresponds with a $87,295 lower home value. In this example, the three asterisks indicate the coefficient is statistically significant at the 99 percent confidence level, while significance at the 90 percent confidence level, one asterisk, is weaker.

American Community Survey–Based Regression Results

Variables	(1) Base	(2) Household income	(3) Household characteristics	(4) Property characteristics	(5) PUMA FE
Black	-87,295*** (1,378)	-54,914*** (1,292)	-52,440*** (1,299)	-53,970*** (1,282)	-47,719*** (1,204)
Hispanic	-26,885*** (1,241)	-5,617*** (1,161)	5,451*** (1,199)	22,180*** (1,189)	-32,584*** (1,123)
Asian	247,835*** (1,770)	194,715*** (1,661)	202,503*** (1,680)	197,521*** (1,663)	4,538*** (1,486)
Others	-3,228 (2,663)	4,613* (2,490)	14,158*** (2,512)	21,372*** (2,466)	-20,661*** (2,094)
HH income $25,000–49,999		1,343 (1,326)	5,627*** (1,333)	-3,728*** (1,312)	-8,149*** (1,091)
HH income $50,000–99,999		44,514*** (1,199)	57,913*** (1,232)	31,506*** (1,226)	1,697* (1,024)
HH income $100,000–149,999		118,217*** (1,301)	137,144*** (1,369)	93,331*** (1,375)	26,216*** (1,156)
HH income ≥ $150,000		342,429*** (1,282)	360,012*** (1,366)	292,951*** (1,397)	139,885*** (1,202)
Ages 25–34			11,522*** (3,943)	3,433 (3,870)	-12,283*** (3,216)
Ages 35–44			41,879*** (3,895)	26,760*** (3,823)	-2,030 (3,178)
Ages 45–54			52,396*** (3,861)	37,473*** (3,790)	2,605 (3,151)
Ages 55–64			63,308*** (3,843)	49,181*** (3,773)	8,023** (3,138)
Ages 65+			100,282*** (3,820)	82,022*** (3,753)	23,018*** (3,123)
HH size			981*** (286)	-1,510*** (287)	-632*** (240)
Attached SF home				21,949*** (1,486)	-73,643*** (1,332)
2-to-4-unit MF home				113,508*** (2,438)	-39,039*** (2,160)

Variables	(1) Base	(2) Household income	(3) Household characteristics	(4) Property characteristics	(5) PUMA FE
5-or-more-unit MF home				114,684***	-139,108***
				(2,071)	(1,907)
Mobile home				-133,611***	-134,661***
				(1,526)	(1,294)
4 rooms				-1,015	36,346***
				(2,288)	(1,907)
5 rooms				3,763*	53,926***
				(2,190)	(1,829)
6 rooms				17,961***	72,014***
				(2,197)	(1,837)
7 rooms				38,049***	93,918***
				(2,252)	(1,885)
8 rooms				64,950***	123,093***
				(2,313)	(1,938)
9+ rooms				134,879***	197,593***
				(2,279)	(1,914)
Built 1960–1979				-19,281***	2,637***
				(979)	(859)
Built 1980–1999				-5,301***	46,390***
				(974)	(894)
Built 2000 to present				29,608***	103,339***
				(1,039)	(970)
Electricity				-25,759***	-2,087
				(1,333)	(1,302)
Gas				818	5,430***
				(1,251)	(1,206)
Solar energy				159,019***	46,532***
				(6,641)	(5,570)
Not metro					45,109**
					(17,855)
Metro, mixed					79,143***
					(17,201)
Metro, central					39,447**
					(18,312)
Metro, not central					101,881***

Variables	(1) Base	(2) Household income	(3) Household characteristics	(4) Property characteristics	(5) PUMA FE
					(15,659)
Constant	331,281***	217,690***	134,105***	150,792***	36,888***
	(520)	(1,295)	(4,785)	(11,801)	(11,684)
State dummies	N	N	N	N	N
State and metro dummies	N	N	N	N	N
PUMA dummies	N	N	N	N	Y
Observations	908,282	908,282	897,235	896,167	896,167
R-squared	0.028	0.150	0.156	0.189	0.445

Source: Urban Institute.

Notes: FE = fixed effects; HH = household; MF = multifamily; PUMA = Public Use Microdata Area; SF = single-family. Standard errors are in parentheses.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.

Several key findings from the table are as follows:

1. In the base model, where race or ethnicity is the only control variable, identifying as Black, Hispanic, or other racial or ethnic minority except Asian corresponds with a lower home value compared with white homeowners. The average home value among Black homeowners is $96,877 lower and among Hispanic homeowners is $38,668 lower. The lower home value associated with Black and Hispanic homeowners is statistically significant at the 99th percentile, while the small increase ($245) associated with other nonwhite homeowners is not significant. Identifying as Asian corresponds with a $232,316 *higher* average home value, and this result is statistically significant at the 99th percentile.

2. When we add income variables (column 2), these generally act as expected. Relative to homeowners with household incomes under $25,000, having an income between $25,000 and $49,999 corresponds with a $2,580 lower home value, but the result is significant only at the 90th percentile. Home values are $41,275 higher for homeowners earning $50,000 to $99,999, $113,533 higher for homeowners earning $100,000 to $149,999, and $341,632 higher for those earning at least $150,000. These results are statistically significant at the 99th percentile.

    Including categories of household income reduces the impact of race or ethnicity for Black, Hispanic, and Asian homeowners. For example, the impact of identifying as Black reduces the home value by $61,712 in column 2 versus $87,295 in column 1. Identifying as Hispanic reduces a home's value by $12,779 instead of $38,668, while identifying as Asian lowers the boost to home values from $232,316 in column 1 to $184,017 in column 2. Each of these results in column 2 is statistically significant. For other homeowners of color, controlling for income changes the sign on the coefficient and improves its explanatory power. After controlling for income, homeowners identifying as other nonwhite household *raises* a home's value by $6,473, a result that is statistically significant at the 95th percentile. This suggests that higher-income households buy more expensive homes but that income does not explain the full story.

3. We next add age and family size to the model (column 3). These factors also act largely as expected, with older and larger households corresponding with higher average home values. But after controlling for household income, age, and household size, the significance, magnitude, and sign of the value gap remains fairly unchanged for each racial and ethnic minority, except that those in the "other" category now show higher average home values and Hispanic households whose coefficient improves.

4. In column 4, we add property characteristics (i.e., type of structure, number of rooms, age of the home, and the home's key energy source). The results indicate that, relative to detached single-family homes (the reference group), mobile homes are associated with lower home values, while attached single-family homes and homes in buildings with two to four units or with five or more units correspond with higher average home values. As we demonstrate below, the higher average home values of attached single-family homes and homes in multifamily buildings likely reflects their concentration in areas with higher costs of living. Each of these coefficients is statistically significant at the 99th percentile.

    Homes with five or more rooms generally have a successively higher impact on a home's average value relative to a home with only three rooms. Relative to homes built before 1960, homes built between 1960 and 1999 have lower average values, and homes built after 1999 correspond to higher average home values. These results are all statistically significant.

    Relative to those with another fuel source, homes with electricity as their primary energy source correspond with a lower home value, while homes that principally rely on gas are slightly more expensive. Solar energy is associated with a significant increase in average home values, and this result is statistically significant at the 99th percentile.

    The inclusion of property characteristics, in addition to household characteristics, reversed the sign on Hispanic homeowners from negative to positive. After controlling for household and property characteristics, identifying as Hispanic boosted average home values relative to white homeowners but not to the same degree as for other nonwhite and Asian households. Identifying as Black remained associated with lower home values. These results are all significant at the 99th percentile.

5. The neighborhood characteristics model in column 5 adds controls for neighborhood and market features, including a home's location in or outside an MSA and type of metro area (central, not central, or mixed). We also include a marker for PUMA.[63] The PUMA is a highly localized geography marker that we use to control for the impact geography can have on home values. For example, owner-occupied multifamily units in coastal cities may be more expensive than single-family homes inland. Additionally, Asian homeowners may own more expensive homes because they live in high-cost areas.[64]

    Relative to homes in central cities in MSAs, those in MSAs but not central cities and those outside MSAs increased home values, while homes located in a mixed MSA reduced it. A mixed MSA is one where a property is in a MSA, but it is indeterminable whether it is in the central city area or not. Each of these was statistically significant.

The impact of including neighborhood characteristics and highly localized PUMA fixed effects as controls can also be observed in changes among other coefficients included in earlier models. For example, after controlling for neighborhood, attached single-family homes and homes in multifamily buildings showed lower average values than detached single-family homes.

Further, after adjusting for neighborhood characteristics, successively newer homes correspond with increasingly higher values. Controlling for the home's location with PUMA fixed effects also reduces the impact of income. But having household income of at least $150,000 remains a sizeable contributor to average home values. By including PUMA fixed effects as a control for neighborhood characteristics, we now compare housing and property characteristics within a specific area. For example, high-value multifamily units are now compared with single-family homes in the same narrow area as opposed to homes across the country. And older homes are now compared with newer homes in the same area. Column 4 illustrates that homes built between 1960 and 1979 are worth $245 less than homes built before 1960. But this result is not statistically significant. In contrast, homes built since 1980 have successively greater home values, and these results are statistically significant at the 99th percentile.

Controlling for neighborhood characteristics also changed the impact of race or ethnicity for each group except Black homeowners. Black homeowners continued to correspond with lower home values of similar magnitude relative to white homeowners. But after controlling for geography, Hispanic or other nonwhite homeowners were associated with lower home values than white homeowners. This may mean these households tend to live in relatively expensive areas, but within those areas, they typically reside in less expensive homes. Meanwhile, the magnitude of the positive effect of being an Asian homeowner is smaller than it was in each earlier model. Relative to white homeowners, Asian homeowners have an average home value that is $3,846 more after controlling for other household characteristics, property characteristics, neighborhood amenities, and other local market factors. Although the Black, Hispanic, and other nonwhite homeowner coefficients are significant at the 99th percentile, the coefficient for Asian homeowners, $3,846, is significant only at the 95th percentile.

In appendix table C.3, we run a similar regression model using data from the 2019 American Housing Survey. The AHS provides more information about property condition but less information about households and local geography. Our results using AHS data also indicate that being a Black, Hispanic, or other nonwhite homeowner reduces the home's value relative to white homeowners, while being an Asian homeowner correlates with higher home values.

Appendix C. Regression Results using American Housing Survey Data

Property and neighborhood features affect home values. To test the validity of our ACS data, we run a similar regression using AHS data that include more property and neighborhood information. In addition to the structure type, number of rooms, and the year the home was built, we include the adequacy of the home, the number of upkeep problems, whether home improvements were made, and the home's size in square feet (table C.1). We also include reported neighborhood conditions such as good schools, the amount of crime, and flood risk. The AHS data do not provide complete geographically granular information.

The summary tables indicate that Black, Hispanic, and other nonwhite homeowners are more likely than white homeowners to live in inadequate housing, with Black and other nonwhite homeowners indicating a greater likelihood to live in homes that requires upkeep for three or more problems. But only other nonwhite homeowners were more likely than white homeowners to make any home improvements.

TABLE C.1
Additional Property Characteristics

	White	Black	Hispanic	Asian	Other
Adequacy					
Adequate	97%	94%	95%	98%	94%
Moderately inadequate	2%	4%	3%	1%	5%
Severely inadequate	1%	2%	2%	1%	1%
Upkeep					
< 3	98%	97%	98%	99%	97%
3–4	2%	3%	2%	1%	3%
≥ 5	0%	1%	0%	0%	1%
Home improvement					
Yes	57%	53%	55%	46%	61%
Unit size (square feet)					
< 1,000	8%	10%	13%	6%	14%
1,000–1,499	23%	28%	29%	19%	28%
1,500–1,999	25%	25%	26%	23%	27%
2,000–2,499	19%	15%	16%	18%	14%
2,500–2,999	11%	9%	8%	13%	7%
3,000–3,999	10%	8%	6%	13%	7%
≥ 4,000	5%	5%	3%	8%	3%

Source: Urban Institute analysis of 2019 American Housing Survey data.

In the expanded neighborhood characteristics, we show responses by race and ethnicity to subjective questions posed to homeowners about whether they thought their neighborhood had good schools, had a lot of serious crime, had a lot of petty crime, had good transit, and had a high risk of flooding (table C.2). For each of these questions, the respondent could answer either "agree" or "disagree."

White homeowners were more likely to agree that they lived in a good school district, lived in a neighborhood without serious crime, and lived in a neighborhood without petty crime. But homeowners of color were more likely to live in a neighborhood with good transit. And excluding Asian homeowners, Black, Hispanic, and other nonwhite homeowners were more likely to live in neighborhoods facing risk of flooding.

TABLE C.2
Neighborhood Characteristics

	White	Black	Hispanic	Asian	Other
Good school	85%	78%	85%	80%	80%
Serious crime	3%	8%	6%	4%	5%
Petty crime	11%	19%	20%	13%	20%
Good transit	31%	44%	50%	45%	31%
Flood risk	7%	9%	11%	5%	11%

Source: Urban Institute calculations of 2019 American Housing Survey data.

The regression results in column 4 of table C.3 below, which incorporates household, property, and neighborhood characteristics, indicates that inadequate homes correspond with lower average home values, and these results are statistically significant. Although owner-occupied homes with three to four problems requiring upkeep reduced home values, those requiring five or more correlated with higher home values. But neither of these property condition measures was statistically significant. Engaging in home improvements correlated with lower home values, which may reflect the possibility that less expensive homes are more likely to need improvements as opposed to the prospect that home improvements raise a home's value. Larger homes, as measured by square footage, correspond with successively greater average home values.

The presence of good schools, living near good transit, and living in high-risk flood areas correspond with higher home values. The boost to home values from living in flood risk area may reflect the desirability of property near coastal areas. In contrast, neighborhoods with serious or petty crime corresponded with lower home values.

After controlling for an expanded list of property and neighborhood conditions, but not for geographic granularity, the results across the race and ethnicity of the homeowner are similar. Homes owned by Black, Hispanic, or other nonwhite homeowners are of lower value relative to those owned by white homeowners. But homes owned by Asian homeowners have higher values on average.[65]

TABLE C.3
American Housing Survey–Based Regression Results

Variables	(1) Base market value	(2) Home characteristics market value	(3) Home characteristics market value	(4) Location market value
Black	-77,948.134***	-79,369.733***	-74,300.395***	-81,937.783***
	(6,267.040)	(5,883.433)	(6,169.340)	(6,161.653)
Hispanic	-28,685.579***	-12,576.264**	4,934.997	-9,538.084*
	(5,870.584)	(5,498.451)	(5,648.340)	(5,655.165)
Asian	232,375.046***	191,175.841***	193,147.132***	183,996.804***
	(8,191.505)	(7,698.244)	(7,733.553)	(7,694.747)
Others	-68,824.544***	-41,692.962***	-25,669.380**	-27,649.947**
	(13,665.784)	(12,781.289)	(12,822.496)	(12,725.776)
Attached SF home		26,239.057***	38,786.727***	24,193.233***
		(7,720.334)	(7,842.650)	(7,817.038)
2-to-4-unit MF home		147,276.082***	166,083.078***	149,308.841***
		(13,244.260)	(14,123.399)	(14,041.253)
5-or-more-unit MF home		145,753.982***	168,838.216***	140,734.675***
		(10,531.751)	(10,718.691)	(10,723.117)
Mobile homes		-183,714.823***	-153,611.027***	-149,705.485***
		(7,202.678)	(7,497.972)	(7,446.339)
4 rooms		26,442.753*	11,795.978	11,563.918
		(14,402.468)	(14,834.198)	(14,715.573)
5 rooms		42,541.415***	18,667.423	19,754.097
		(13,896.618)	(14,669.694)	(14,553.572)
6 rooms		82,652.711***	42,020.166***	39,731.519***
		(13,923.516)	(14,867.149)	(14,751.658)
7 rooms		142,741.567***	73,241.472***	69,967.879***
		(14,090.791)	(15,148.065)	(15,033.824)
8 rooms		216,286.093***	108,702.606***	105,246.017***
		(14,367.420)	(15,545.846)	(15,430.212)
9 + rooms		357,841.962***	186,472.005***	179,809.939***
		(14,746.119)	(16,110.613)	(15,996.366)
Built 1960–1979		-25,344.487***	-32,669.518***	-24,154.092***
		(4,687.586)	(4,803.566)	(4,799.599)
Built 1980–1999		-9,712.582**	-33,199.682***	-18,513.365***
		(4,645.145)	(4,785.981)	(4,824.879)

Variables	(1) Base market value	(2) Home characteristics market value	(3) Home characteristics market value	(4) Location market value
Built 2000 to present		15,575.591*** (4,895.608)	-28,018.337*** (5,104.259)	-9,080.435* (5,168.580)
Moderately inadequate		-65,692.873*** (15,859.016)	-58,281.939*** (16,628.978)	-52,693.470*** (16,496.106)
Severely inadequate		-56,333.036*** (20,782.070)	-60,035.808*** (22,167.978)	-49,858.848** (21,997.408)
3–4 upkeep		-16,737.259 (19,533.008)	-28,683.570 (20,350.136)	-32,439.853 (20,198.709)
≥ 5 upkeep		33,079.272 (49,214.642)	8,160.995 (50,592.102)	5,617.265 (50,207.801)
Home improvement		-4,938.528 (3,365.032)	-3,432.523 (3,406.279)	-6,419.589* (3,388.835)
Unit size 1,000–1,499 sq. ft.			17,644.447** (7,297.409)	18,969.632*** (7,238.059)
Unit size 1,500–1,999 sq. ft.			55,069.474*** (7,705.385)	56,741.736*** (7,647.027)
Unit size 2,000–2,499 sq. ft.			94,607.939*** (8,325.187)	98,480.416*** (8,264.982)
Unit size 2,500–2,999 sq. ft.			140,254.441*** (9,262.575)	145,289.932*** (9,199.321)
Unit size 3,000–3,999 sq. ft.			191,954.053*** (9,679.543)	198,397.635*** (9,614.328)
Unit size ≥ 4,000 sq. ft.			358,316.444*** (11,352.838)	364,010.215*** (11,269.213)
Good school				9,180.185** (4,679.771)
Serious crime				-32,660.352*** (9,961.791)
Petty crime				-12,810.393** (5,612.074)
Good transit				76,821.843*** (3,718.095)
Flood risk				54,711.528*** (6,399.043)
Constant	311,055.628***	201,450.334***	192,888.853***	152,160.415***

Variables	(1) Base market value	(2) Home characteristics market value	(3) Home characteristics market value	(4) Location market value
	(2,058.313)	(13,901.412)	(14,291.006)	(14,688.755)
Observations	32,924	32,924	31,266	31,266
R-squared	0.032	0.156	0.195	0.208

Source: Urban Institute.

Notes: MF = multifamily; SF = single-family. Standard errors in parentheses.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.

Notes

1 According to the Federal Reserve Board's Financial Accounts of the United States (formerly Flow of Funds), households held $30 trillion in real estate in 2019. This includes farm households, mobile homes, second homes that are not rented, vacant homes for sale, and vacant land.

2 White households are non-Hispanic. Like Gallin and coauthors (2018), we use "housing wealth" as a substitute for total housing assets. The term should not be taken to mean housing equity, which is the difference between home values and the debt secured by these homes.

3 Other nonwhite households include American Indian and Alaska Native households, households of two or more major races, and households of other races not otherwise attributed.

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8 The research identifies four mechanisms by which wealth inequality reduces economic growth: (1) political instability, (2) sociopolitical instability, (3) credit market imperfections, and (4) fertility.

9 See the appendixes for how this result is obtained mathematically.

10 We do not perform time series analysis in this report but recommend that future research pursue this line of questioning.

11 Congressional Budget Office research indicates that changes in the number of households nationwide and household formation largely reflect population changes. And Goodman and Zhu (2021) illustrate why changes in population are more variable than changes in headship rates.

12 A formulaic method of controlling for households is to divide each side of formula 1 by households. This would then indicate that the combination of the homeownership rate and average home values is equivalent to the contribution to aggregate housing wealth by all renter and owner households. We do not use this approach because renter households do not contribute to aggregate housing wealth.

13 We show principal cities from the six metropolitan statistical areas that were the focus of this Wealth Equity Initiative.

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24 We exclude homeowners living in multifamily units with values in excess of $5 million, and we excluding homeowners living in unknown areas.

25 D'Vera Cohn and Jeffrey S. Passel, "A Record 64 Million Americans Live in Multigenerational Households," Pew Research Center, April 5, 2018, https://www.pewresearch.org/fact-tank/2018/04/05/a-record-64-million-americans-live-in-multigenerational-households/.

26 Valerie Kalfrin, "Does Converting to Natural Gas Add Value to Your Home," HomeLight, June 15, 2020, https://www.homelight.com/blog/does-natural-gas-add-value-home/.

27 See our regression results in appendix B.

28 The description and results of the AHS-based regression model are shown in appendix C.

29 Home values in the ACS are also self-reported, which use of the AHS would not consciously correct. But no dataset provides administrative value data in addition to homeowner race or ethnicity. An alternative method may be to use property records data to identify home values by the neighborhood's majority race or ethnicity, a rough proxy for the likely race or ethnicity of homeowners in a space.

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64 To address the issue of multicollinearity, where two independent variables are closely related to each other, we did not include neighborhood diversity measures in the model that also has PUMA fixed effects. We provide results that include fixed effects for the state, MSA, and broader geographic areas and include neighborhood diversity measures. Relative to neighborhoods where the racial and ethnic minority share is less than 20 percent, the model with greater geographic granularity and state and MSA fixed effects produces increasingly lower values for greater neighborhood diversity.

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