

HOME OWNER MOBILITY: CHOICES, POLICY AND URBAN SPATIAL STRUCTURE*

Grant Report to the Ohio State University Urban Affairs Committee

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DRAFT – FIGURE 2 IS INCORRECT

Background

Urban areas in the United States have continually expanded at the urban fringe, drawing population out of the central cities and, in many cases, leaving those centers to decline. In Ohio's metropolitan areas recent research indicates a very strong movement of home owners to more expensive housing and to housing at a greater distance from the Central Business District. These patterns have been shown to have deleterious effects on central cities and inner suburbs, with those effects likely to spread to outer suburbs over time. Even in Columbus, one of the healthiest central cities in Ohio, the impacts are potentially very damaging. In 1991, for example, 54% of the home sellers in the City moved out of Columbus to purchase their next home; 70% moved out of the Columbus School District; and 20% of home sellers moved out of the central county. These patterns have serious consequences, as all those households with a choice move further out and those left behind are trapped.

This research project was funded by the Urban Affairs committee to focus on the role of home buyers in the creation and alteration of the urban landscape. Computerized deed transfer records were analyzed to create a data set of repeat home buyers in Franklin County in 1995. The patterns of movement of these home buyers were examined in detail. In addition, we developed and mailed a survey (performed by the Ohio State University Polimetrics Laboratory, now the Survey Research Unit) to determine the characteristics of repeat buyer households, the homes they sold and bought, the neighborhoods they moved from and to, and the reasons that buyers give for their choices.

I obtained additional research funds from the Ohio Real Estate Commission through the Ohio Center for Real Estate Education and Research. These funds allowed a large increase in the number of surveys mailed. The complete population of repeat home buyers numbered 2420. We mailed surveys to 1600 randomly selected movers and obtained a 55% return rate.

Summary of Research Results (see Note 1)

This study focused on several major research questions. These included:

What were the geographic patterns of moves? Because of the importance of school districts in determining the value of homes and the perceived quality of neighborhoods, the analysis focused on comparisons among school districts rather than municipal jurisdictions. This is particularly important for the city of Columbus because 40% of the city is not in the Columbus School District. In addition

we separated the suburban school districts into inner suburban districts (those completely surrounded by other jurisdictions and unable to grow) and outer suburban districts. Figures 1 and 2 illustrate the patterns of movement among the whole population of repeat home buyers. As Figure 1 demonstrates, the central city school district lost a significant number of home buyers in this population. The inner suburbs also lost home buyers as a group, though not as seriously.

Figure 1

LOCATIONAL DISTRIBUTION OF REPEAT HOME BUYERS

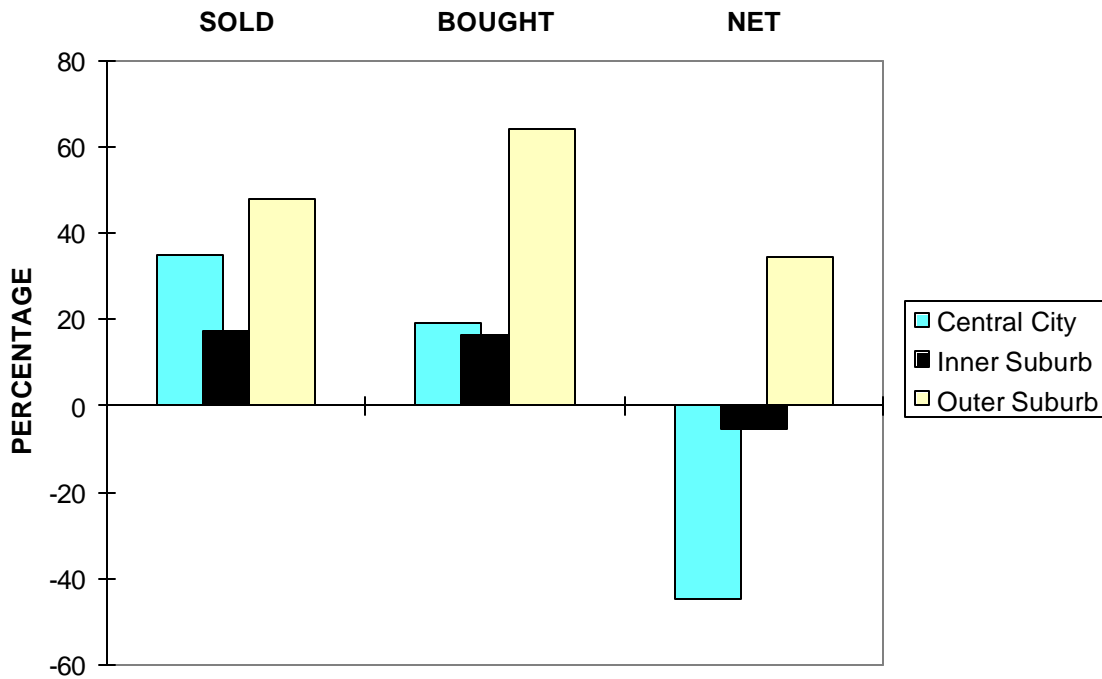
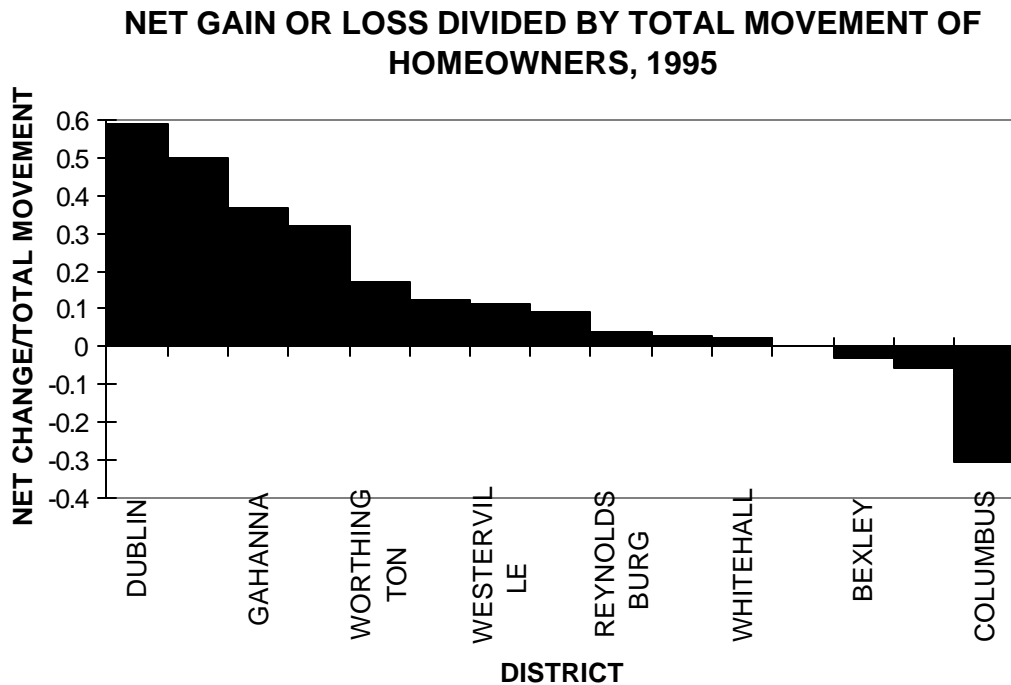


Figure 2 looks at individual suburbs. The inner suburbs (Whitehall, Grandview Heights, Upper Arlington, Bexley and Worthington) had somewhat different experiences, though none gained a great number of households in this population.

Figure 2



In addition, we found that inner suburban movers were most likely to stay in the inner suburbs (50%), central city movers were most likely to move to the outer suburbs (50%), and outer suburban movers were overwhelmingly more likely to stay in outer suburban areas (86%).

- Who are the repeat home buyers? Repeat home buyers were primarily (about three quarters) households who were moving up in their housing. The majority of buyers were married couples, though that characteristic and the presence of children varied by destination. Central city buyers were less likely to be married or to have children. The focus on repeat home buyers tended to hold stage of life cycle constant. However, there was a sizable minority (about one quarter) who moved down in housing, largely because they were older and their household size decreased. These people were far more likely to be less satisfied with the results of their

moves, even though they bought what they said they were looking for. One major aspect of the research was testing alternative measures of life course variables. The logistic regression results (Table 1) for efforts to explain which households moved up or down in housing price indicated that the proposed life course variables do provide better explanation than the traditional use of age as a proxy variable.

Table 1

LOGISTIC REGRESSIONS VARIABLES	FIRST MODEL LOG ODDS OF VARIABLES ENTERING STEPWISE REGRESSION	SECOND MODEL LOG ODDS OF VARIABLES ENTERING STEPWISE REGRESSION
AGE OF FIRST PURCHASE		0.96
YEARS AT PREVIOUS HOME		1.03
INCOME CATEGORY		1.16
MARITAL STATUS (1=MARRIED)		
DURATION OF OWNERSHIP		0.94
PRESENCE OF CHILDREN (1=YES)		
EDUCATION (1= COLLEGE OR MORE)		
NUMBER OF PERSONS		1.45
DURATION OF PARENTHOOD		
WANTED A LARGER HOME	1.47	NI
WANTED A SMALLER HOME	0.79	NI
FAMILY SIZE INCREASED		NI
FAMILY SIZE DECREASED		NI
INCOME INCREASED	1.35	NI
INCOME DECREASED	0.76	NI
WANTED EASIER MAINTENANCE		NI
WANTED NEIGHBORS MORE LIKE SELF		NI
INTERCEPT	2.10	2.05
-2LL	346.64	573.962
Percent Concordant	87.20%	79.70%

All coefficients significant at the .05 level

OLS Regression results to explain the amount of price move-up or move-down had similar results, as illustrated in Table 2.

Table 2

OLS REGRESSIONS	FIRST MODEL COEFFICIENT OF VARIABLES ENTERING	SECOND MODEL COEFFICIENT OF VARIABLES ENTERING
VARIABLES	STEPWISE REGRESSION	STEPWISE REGRESSION
AGE OF FIRST PURCHASE	1012.36*	1073.95*
YEARS AT PREVIOUS HOME	1076.19**	898.56*
INCOME CATEGORY	14092.05***	12806.60***
AGE		-941.84***
MARITAL STATUS (1=MARRIED)		
DURATION OF OWNERSHIP		NI
PRESENCE OF CHILDREN (1=YES)		
EDUCATION (1= COLLEGE OR MORE)		
NUMBER OF PERSONS		
DURATION OF PARENTHOOD		-435.61
WANTED A LARGER HOME	5609.68***	NI
WANTED A SMALLER HOME	-7449.88***	NI
FAMILY SIZE INCREASED		NI
FAMILY SIZE DECREASED		NI
INCOME INCREASED		NI
INCOME DECREASED		NI
WANTED EASIER MAINTENANCE		NI
WANTED NEIGHBORS MORE LIKE SELF		NI
INTERCEPT	-75214.38***	-30823.93
R2	.2786***	0.1868***

* significant at the .10 level

** significant at the .05 level

*** significant at the .01 level

NI = Variable not included in model

A comparison (performed for the Ohio Real Estate Commission) of Franklin County Repeat Home Buyers and a national sample of repeat home buyers indicated that Franklin County people are a little bit older, have lived in their homes a little bit longer, have slightly lower incomes and buy slightly less expensive homes than the national sample. Franklin County buyers were more likely to consider the investment quality of their home purchase than the national sample.

- Why do those people make their decisions? Figures 3 and 4 summarize the results for a few of the reasons the literature suggests should be important in people’s residential mobility decisions. Figure 3 focuses on reasons for selling the former home. Clearly Safety and Investment factors were extremely important in both the decision to sell a home and the decision to buy. School factors were more variable. In spite of our attempts to disaggregate racially oriented variables, people seldom claimed race as an important issue in their decisions.

Figure 3

**IMPORTANCE OF NEIGHBORHOOD FACTORS IN
DECISION TO SELL**

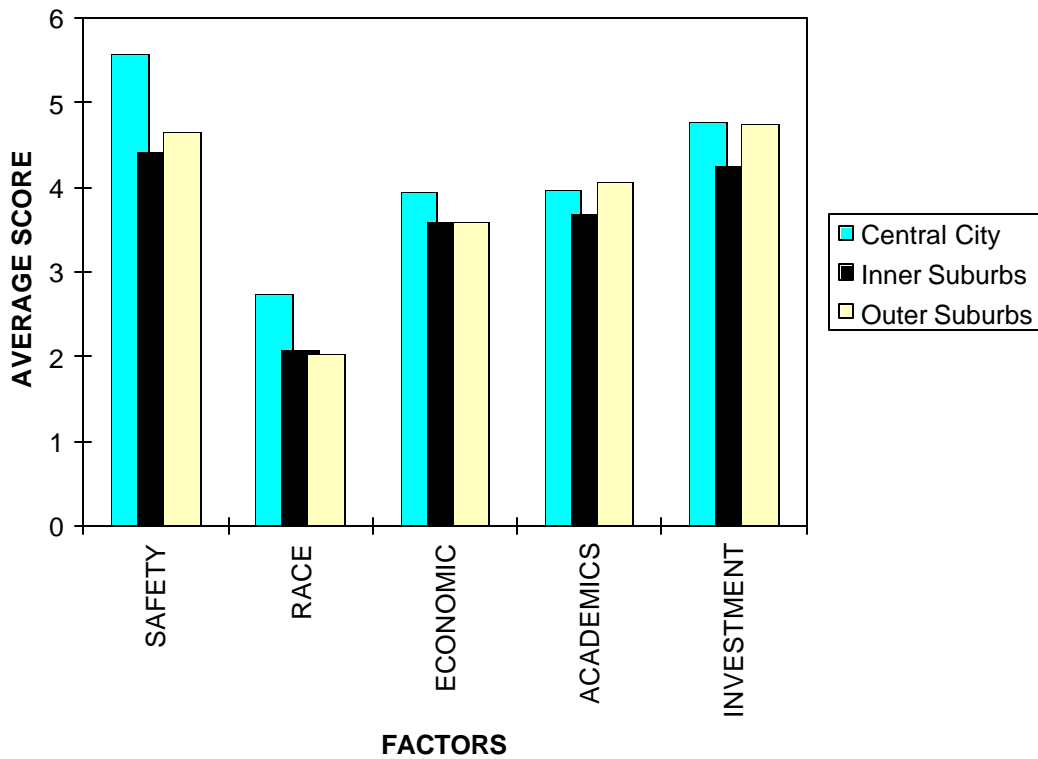
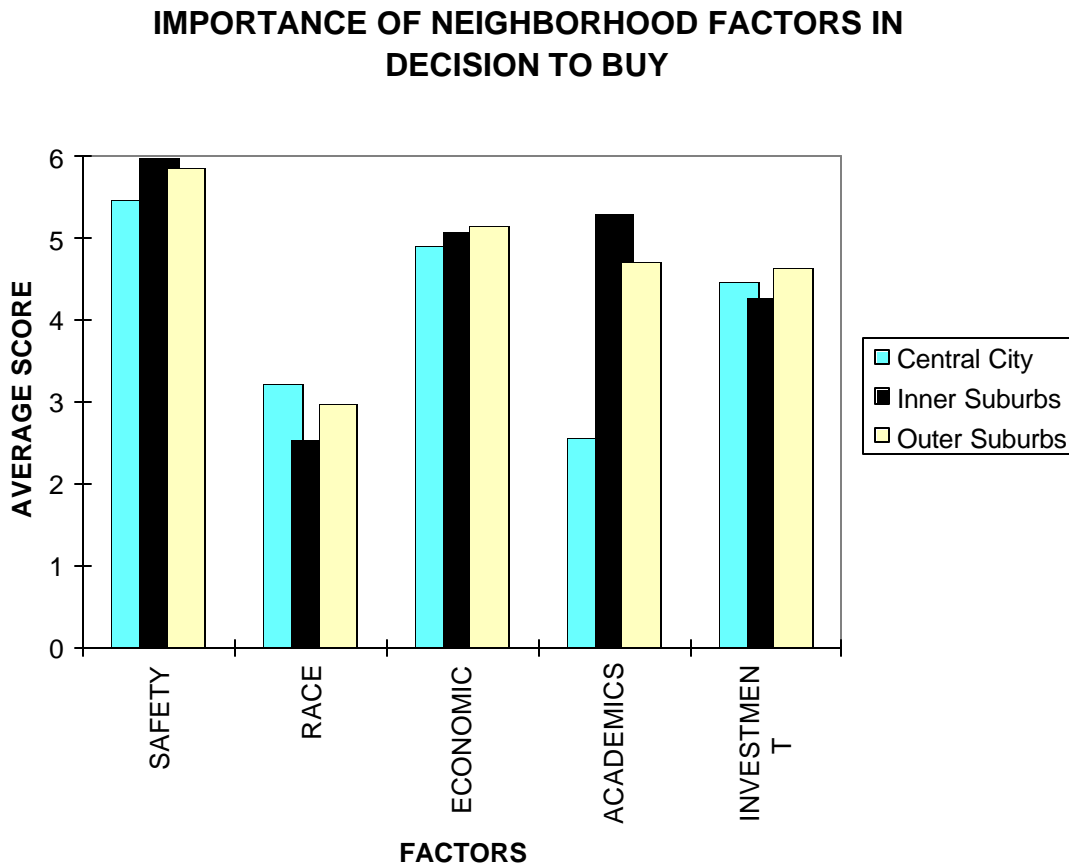


Figure 4 compares the reasons for purchasing the new home. The same items appear to be important, but the average levels of importance have risen and the rating of school quality differentiates the three locations.

Figure 4



A particularly interesting set of results developed around the questions pertaining to the capital gains tax. When Congress considered changes to the capital gains tax on home sales in June 1997, this survey was apparently the only empirical data available to show what people might do in the absence of the tax. Approximately 19% of my respondents said they would have considered moving to a less expensive home if it were not for the capital gains penalty. Sixteen percent of respondents said that the capital gains tax was an important or very important reason for their choice of a new home. In part because of these results, Congress passed the bill that excludes almost all home sales from capital gains tax. Theoretically, this should increase the willingness of people to move to less expensive housing and to move inward in the metropolitan area (all other things equal).

- How happy are they with the decisions? One whole subset of analyses has been devoted to attempts to explain and predict how happy people are with the outcomes of their decisions. To date we have been able to explain between 25 and 30 percent of the variation in satisfaction after the move with the house and with the neighborhood. This question involves a variety of interesting issues. For example, we are trying to develop a predictive model using only information one would know in advance, but not in any way including variables that might imply “steering”; we found that the most important predictor is the price – the higher the price, the happier one is with the new home; and we found significant difficulties with the formulation of the questions on satisfaction in the survey instrument.
- How do the answers to these questions vary by location and group? The ongoing work on this area is currently focused on the inner suburbs. These communities share particular concerns and their futures are threatened by similar challenges.
- What are the implications for the future of metropolitan structure? The change in the capital gains law is one bright spot for the future of the inner areas of Columbus. For the moment most of the inner suburbs are holding their own, but there is evidence that they are teetering on the edge of having serious problems. The City of Columbus School District continues to see major outward movement and once people have moved to the outer suburbs there seems to be very little chance that they will move back inward.

Research Products

The above brief summary gives some flavor of the many products of this research. If the Committee would like more details, I would be happy to provide them, but in the interest of brevity I have only summarized a few results above. The results have been placed before a wide range of audiences from policy makers to business groups to student classes to academic conferences. The following is a list of some of the more important products:

- State-wide land use conference, in Columbus, March 1997
- International Conference on Housing and the Built Environment (a Research Division of the International Sociological Association), Alexandria, Va., June 1997. Paper currently under revision for invited journal submission.
- Cross-national comparative planning workshop in Dresden, Germany, July 1997
- Home buyer satisfaction presentation to the Ohio Real Estate Commission, Oct. 1997
- Presentation to the Economic Issues and Trends Forum of the state-wide meeting of the Ohio Association of Realtors.
- Lectures in multiple classes in different fields.
- Presentation to the inner ring suburbs group of central Ohio; specific presentation to the City of Upper Arlington.
- Materials provided to the State League of Women Voters for their position paper on land use regulation and growth management in Ohio.

Several formal academic papers are currently in preparation for submission to journals. These include papers examining alternative measures of life course variables (see above), explaining and predicting satisfaction, examining the implications of the movement patterns for different kinds of jurisdictions and a paper focusing on those who leave inner suburban areas specifically.

The project enabled me to apply for and receive (I just learned of this a week ago) a \$28,500 grant from an external source (the Ohio Center for Real Estate Education and Research). This grant provides funds for a multi-year, multi-county study of movement patterns among repeat home buyers in central Ohio. Both projects fit well with the work of the Ohio Housing Research Network and are part of large proposal to the Brookings Institution (and through it to Fannie Mae funding) for a larger national study of similar issues.

*Research funded by the Ohio State University Urban Affairs Committee (this is a report to that committee), The Ohio Urban Universities Program, The Ohio Center for Real Estate Education and Research.

NOTE 1 – All results in this report should be considered to be in draft form. Final checks on all calculations will be completed before publication.