

Study finds minorities pay more for housing than whites

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(Phys.org) —Black and Hispanic homebuyers paid about 3.5 percent more for comparable homes in four metropolitan U.S. markets than white buyers did, according to a Duke University-led analysis of more than 2 million home sales from 1990-2008.

The study compared prices for houses of comparable quality purchased by black, Hispanic and white buyers within the same neighborhood in Chicago, Baltimore/Washington, D.C., San Francisco and Los Angeles.

The [disparities](#) in purchase price were not explained by variation in buyers' income, wealth or access to credit, according to the study, which appears on the website of the *National Bureau of Economic Research*, at www.nber.org/papers/w18069.

Also, the findings did not reveal any [clear evidence](#) of [racial prejudice](#) or animosity on the part of home sellers, as the premium paid by black and Hispanic buyers did not vary much with the composition of neighborhoods or the race of seller.

The researchers said they could not ultimately determine exactly why minority buyers paid more when buying a comparable house.

One possible explanation is that black and Hispanic buyers were more likely to be first-time homebuyers and, as a result, may not be as experienced at negotiating the [asking price](#), said senior author Pat [Bayer](#), chairman and professor in the economics department at Duke.

"But we also know from other research that minority buyers are shown a more limited set of properties by real estate agents and may, therefore, feel like they have to pay more when they see a house that really suits their needs and tastes," he said.

Regardless of the reason, the researchers said the findings show that [minorities](#) continue to pay higher premiums for housing years after the landmark Fair Housing Act of 1968, which prohibits discrimination in housing transactions based on race, gender, religion and other attributes.

"Paying thousands of dollars more for each home purchase obviously makes it more difficult to build home equity and wealth," Bayer said. "Our findings highlight these disparities and point toward the need to consider what can be done to help reduce them.

"The hopeful news is that we do not detect any obvious pattern of prejudice by sellers, raising the prospects for addressing this issue with better real estate information and practices."

The study found differing degrees of disparity, including:

- The home prices paid by black buyers were highest in the Chicago and Maryland areas, where blacks represent a larger portion of the population than other cities in the study, and segregation levels have historically been very high. Estimated costs for black buyers were 5.4 percent higher than for whites in Cook County, Ill., which includes the city of Chicago, and 3.9 percent higher in the Baltimore metro area.
- The study found weaker evidence of price disparity for black buyers in Los Angeles and San Francisco, where the estimated costs were 1.1 to 1.2 percent higher than for whites.
- Home prices for Hispanic buyers in Chicago, Maryland and San

San Francisco were 2.5 to 3 percent higher, but only 1.2 percent higher in Los Angeles.

The methodology of the paper involved combining a data set of transaction prices and buyer/seller attributes with a new research design that isolates variation in sales prices for comparable properties.

For each of the more than 2 million transactions, the researchers collected data on the sales price as well as detailed information about the house location and housing attributes for homes that sold multiple times between 1990 and 2008.

Bayer said his research differed from previous studies on the subject because it accounted carefully for the price that the home had sold for in a previous transaction and the rate of appreciation in the neighborhood.

"We are trying to compare apples to apples as well as possible. In essence, our approach is to compare two homes in the same neighborhood that each sold for the same amount of money several years ago—looking to see who pays more when they are re-sold to [buyers](#) of different races and ethnicities today," Bayer said.

More information: Ferreira, F. Estimating Racial Price Differentials In The Housing Market. Working Paper 18069, online May 2012 and revised April 2013, *National Bureau of Economic Research*, www.nber.org/papers/w18069.

Provided by Duke University

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