

Craft breweries increase residential property values

March 26 2019



Dr. Isabelle Nilsson, assistant professor in the Department of Geography and Earth Sciences at the University of North Carolina at Charlotte. Nilsson earned a Ph.D. in spatially integrated social science at UToledo in 2015 and her master's in economics at UToledo in 2011. Credit: Isabelle Nilsson

The craft brewery boom is good for home values. Using Charlotte, North

Carolina, as a case study, researchers at the University of Toledo and the University of North Carolina at Charlotte found that craft breweries have a positive impact on residential property values. Condominiums in center-city neighborhoods show a nearly 3 percent increase on sales price after a brewery opened within a half mile. Single family homes in center-city neighborhoods saw a nearly 10 percent increase after a brewery opened within a half mile.

The study, which is published in *Growth and Change: A Journal of Urban and Regional Policy*, found no significant impacts on commercial property values.

"Being able to walk to a craft brewery in the evening or late afternoon on the weekend is considered a positive amenity that would—for some people—be attractive when looking at a house. There is a different attitude toward a craft brewery. It's perceived differently than a liquor store or bar," said Dr. Neil Reid, professor of geography and planning at the University of Toledo, who is affectionately known as the "Beer Professor."

In Charlotte, a relatively large and growing city with an increasing competition for land and housing, 21 breweries opened between March 2009 and October 2016. For the study, the researchers focused on properties sold between 2002 and 2017 within a half-mile buffer of a brewery, and found that while many areas in close proximity to a craft brewery are associated with relatively higher price premiums even before the opening of the brewery, breweries tend to add to this premium.

"These results are informative to policymakers considering revising zoning laws and other regulations in efforts to promote the growth of craft breweries and spur [economic development](#) in their [local economies](#)," said Dr. Isabelle Nilsson, assistant professor in the Department of

Geography and Earth Sciences at the University of North Carolina at Charlotte. Nilsson earned a Ph.D. in spatially integrated social science at UToledo in 2015 and her master's in economics at UToledo in 2011.

Reid's previous research has shown that craft breweries often tend to be located in neighborhoods that have recently experienced economic distress, and craft breweries play a key part in revitalization efforts in many urban areas by restoring old, abandoned buildings. Craft breweries contributed \$76.2 billion in economic impacts to the U.S. economy in 2017, including more than 500,000 total jobs with more than 135,000 jobs directly at breweries or brewpubs, according to the Brewers Association.

"This new research shows that craft breweries contribute to increased property tax revenues for local governments, in addition to job creation and aiding neighborhood revitalization efforts," Reid said. "However, the effects to residential property values may not be as significant in places with higher rates of vacancies and lower population growth, as well as in more established cities such as Chicago or New York."

In a separate study recently published in *Papers in Regional Science*, the researchers took a close look at craft brewery closures in Chicago, Denver and Portland from 2012 through 2016 after a decade of rapid industry growth. In those four years, 27 craft breweries closed and 225 opened for business. Peak growth in all three cities took place in 2013 and 2014, and since then, the number of entries into the market have declined while the number of closures has increased.

"I think that the craft brewing industry is following a natural progression, with rapid growth at the onset followed by diminishing growth rates as it matures," Nilsson said. "As it continues to mature, we will see shakeouts involving closures of less competitive breweries."

The economic geographers found that being in a cluster does not have a significant effect on brewery survival. "Many craft brewers who open a business choose to locate close to the competition to draw more people in for brewery hopping, though it also is partly driven by zoning restrictions, too," Reid said. "However, clustering also creates a more competitive environment, which can make it harder for one to remain open."

Although closures do not appear to occur in brewery districts or in areas with a high concentration of breweries, closures tend to occur in more residential areas outside of downtowns. Closed breweries had an average of one other brewery within one mile, while those that were still open as of 2016 had around 2.5 other breweries surrounding them.

The researchers also identified other trends related to business survival:

- Being in a neighborhood where incomes are higher is positively related to brewery survival
- As the population of white people and millennials in a neighborhood increases, the probability of a brewery surviving decreases
- Higher population density is also associated with greater likelihood of closure

"Even though millennials are driving the industry and craft beer drinkers are predominantly white, income is more important than racial composition or age composition," Reid said.

More information: Isabelle Nilsson et al, The value of a craft brewery: On the relationship between craft breweries and property values, *Growth and Change* (2019). [DOI: 10.1111/grow.12292](https://doi.org/10.1111/grow.12292)

Provided by University of Toledo

Citation: Craft breweries increase residential property values (2019, March 26) retrieved 28 April 2024 from <https://phys.org/news/2019-03-craft-breweries-residential-property-values.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.