

## Home Values Near Transit Outperform

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Homes near public transit retained their value better during the recession than their counterparts in auto-dependent areas, according to a recent study. What's impressive is the extent of it: In five metropolitan areas—Boston, Chicago, Minneapolis-St. Paul, Phoenix, and San Francisco—residential property values performed 42 percent better on average if they were located near public transportation with frequent service.

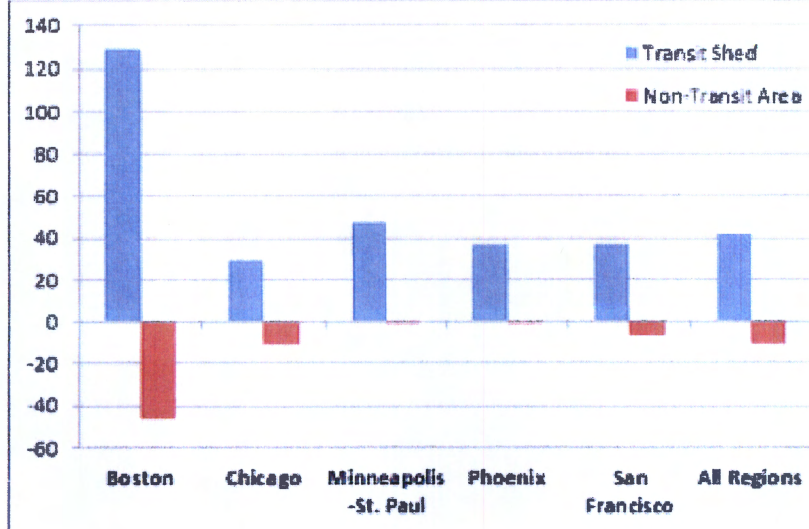
The study, *The New Real-Estate Mantra: Location Near Public Transportation*, was released by the American Public Transportation Association (APTA) and the National Association of Realtors. It measured home values between 2006 and 2011, a period when they declined substantially overall.

“When homes are located near public transportation, it is the equivalent of creating housing as desirable as beachfront property,” says Michael Melaniphy, APTA’s president and CEO. Neighborhoods with high-frequency public transportation, Melaniphy says, provide access to three to five times as many jobs per square mile as other areas in a region. Other benefits of living near good public transit: lower transportation costs, walkable neighborhoods, and a variety of transportation choices.

“This report puts some data and provides some case studies to demonstrate in concrete numbers what many of us believed to be true,” says Lynn Ross, executive director of the ULI Terwilliger Center for Housing.



**FIGURE SUMMARY 1**  
 Percent change in average residential sales prices relative to the region, 2006-11



The most dramatic example was in Boston, where residential property in the rapid transit area outperformed other properties in the region by 129 percent. In Minneapolis-St. Paul, the value of homes near public transit was 48 percent higher than for other homes; in San Francisco and Phoenix, 37 percent; and in Chicago, 30 percent.

The quality of transit also matters. Frequency is more important to residents than whether they take light rail, heavy rail, or bus, says Darnell Grisby, APTA's director of policy development and research.

The report focuses on high-frequency transit, which Grisby says is defined by each community. It means users do not have to worry about timetables but can simply walk to the station and wait a short time for a train or bus.

There were no consistent trends for home type in the different regions. For most property types, homes in the area near transit stations outperformed those in the region as a whole. In Boston and Chicago, that was true for all property types, but some increases in home values were particularly dramatic. For instance, in Boston, average sales prices of homes near rapid transit (heavy rail and light rail) increased 227 percent relative to the rest of the region. (That is partly because home values for Boston homes not near transit fell more than 40 percent, much more than for any of the other five regions.)

The difference is also greater in Boston because it has one of the highest levels of transit service in the study, says APTA's Grisby. "The more service you put on the streets, the more bang for your buck."

Disparities in home prices were much less pronounced in Phoenix, with its more limited transit offerings. There, 9 percent of workers living near transit commuted by transit, compared with 2 percent for the region as a whole. In Boston, 34 percent of workers living near transit commuted by transit versus 13 percent for the region.

One outlier was Phoenix: The value of single-family homes near transit fell 20 percent relative to the region as a whole. But condos near transit outperformed those in the entire region by 30 percent, and apartments near transit outperformed by more than 80 percent.

The study's findings are consistent with previous indicators, says Joe Molinaro, managing director of smart growth and housing opportunity at the National Association of Realtors. "There's an increased desire by people wanting to live in an area where they don't need a car for everything," says Molinaro. "It's not majorities, but it's enough to tip the scale."

Will the higher values of homes near public transit change when the housing market and the overall economy are stronger? Demographic trends will continue to support the study's findings, says Grisby.

"Millennials [those people born in the years spanning the early 1980s to the early 2000s] are choosing neighborhoods because of robust transit choices," he says. And many baby boomers, as they become empty nesters and start to retire, are downsizing their homes and saying they want to be close to amenities such as coffee shops and arts facilities.

It is an open question whether millennials will opt to move to bigger homes in more sprawling suburbs as they start to raise families, says ULI's Ross: "We're already seeing trends of both millennials and other generations showing a preference for compact places." Preliminary results from an APTA study show that millennials will want to continue living near transit once they have children.

The flip side of this reality is that higher home prices near transit make those homes less affordable. But Molinaro says that looking at the combined cost of housing and transportation gives a more realistic picture of overall costs. For instance, the study shows that Boston area households near rapid transit paid \$746 a month for transportation, compared with \$1,097 for households in the rest of the region—a difference exceeding \$4,200 a year.

The desire to live in more walkable, accessible communities isn't just for urban areas. "We're going to see an increased demand in older suburbs," says Molinaro, because they are better served by transit than newer suburbs and are more walkable because of the layout of their streets.

Suburbs can also change their development pattern, and their property values, when a transit station is built nearby. That is the case in Tysons Corner, Virginia, where four stations on a new branch of D.C.'s Metrorail system will open next year. In the suburbs as in cities, "people are gravitating towards a pattern of mixed-use, walkable communities," Molinaro says.