



## Homeownership and neighborhood satisfaction among low- and moderate-income households

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### METHODS AND BACKGROUND

The sample size for this analysis was 638 LMI urban respondents – 319 current homeowners and renters, respectively. The study used data from three sources:

1. the 2007 Self-Help Ventures Fund’s Community Advantage Program (CAP) panel survey, which provides individual and household level information
2. 2000 U.S. Census data with neighborhood information at the census tract level
3. 2007 Home Mortgage Disclosure Act (HMDA) data on subprime loan origination rates of each census tract area, collected by the Federal Financial Institutions Examination Council

Data were collected at the individual and census tract level. At the census tract level, neighborhood social economic conditions were determined using four analytical measures:

- concentrated economic disadvantage scale
- neighborhood stability scale
- housing cost
- proportion of nonprime mortgage origination

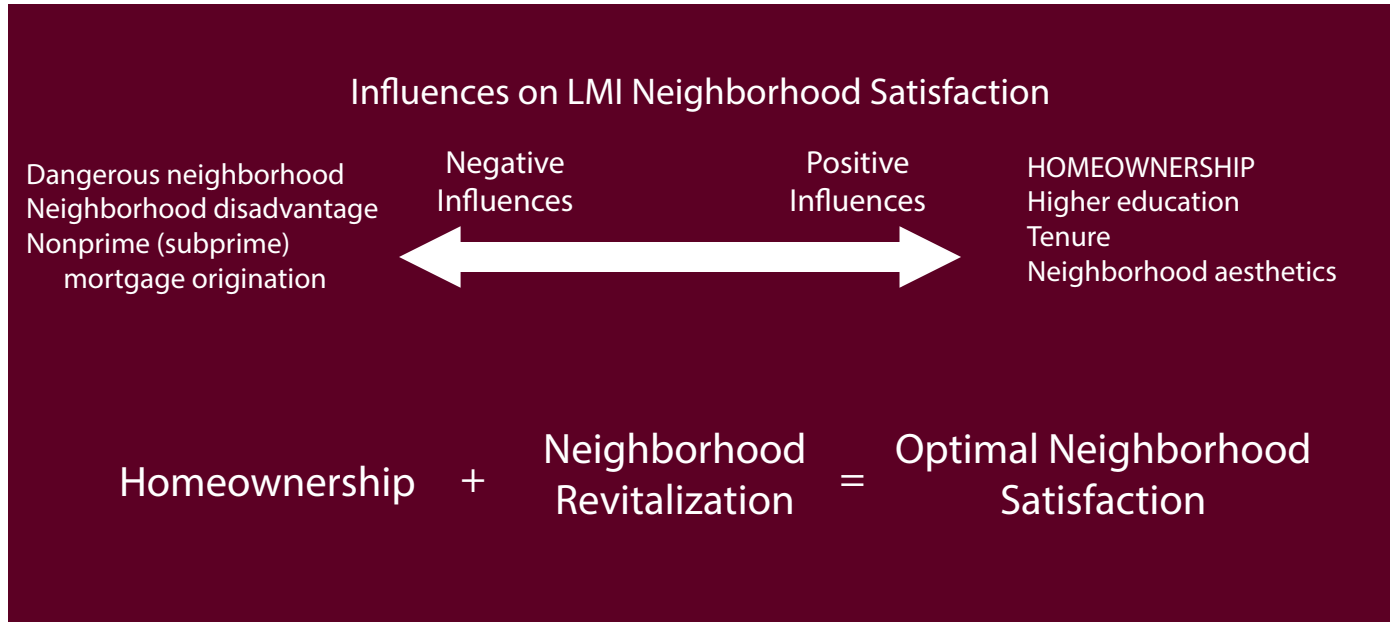
Homeownership has been associated with social outcomes such as educational achievement, positive parenting behavior, social involvement, and life satisfaction. A team of researchers including Shannon Van Zandt from Texas A&M University undertook a study to determine whether homeownership explains neighborhood satisfaction levels among low- and moderate-income (LMI) households and found that homeownership is associated with a favorable rating of neighborhood. Additionally, the study sought to identify individual and neighborhood-level characteristics that contribute to LMI residents’ neighborhood satisfaction.

### Homeownership is associated with a favorable rating of neighborhood

Aesthetics, safety, and social characteristics of the community have been shown to be important predictors of neighborhood satisfaction, as well as individual characteristics like age, income, and length of residential tenure. Further, residents who reported dissatisfaction with their house were three times more likely to be dissatisfied with their neighborhood.

### FINDINGS

Homeowners were typically better off in terms of most social economic indicators than renters. For the sample of CAP (Community Advantage Program – see side bar) participants, there were significant differences between CAP homeowners and CAP renters. For example, CAP homeowners were characterized by a higher proportion of people with a bachelor’s degree or higher, along with higher annual household incomes and higher rates of employment and marriage.



Among individual-level variables, age, race/ethnicity, new neighborhood, and social capital were important predictors of neighborhood satisfaction. CAP homeowners typically reported greater neighborhood stability and less economic disadvantage. Regarding neighborhood satisfaction indicators, 81% of homeowners and 59.8% of renters rated their neighborhood as an excellent or good place to raise a child (an important indicator of neighborhood satisfaction).

In addition to the full sample, researchers used a “matched” sample to determine a more accurate estimate of the relationship between homeownership and neighborhood satisfaction by controlling for differences between homeowners and renters. Even in the matched sample, favorable rating of neighborhood is still significantly higher for homeowners (74%) than renters (64%).

In short, this study found that homeownership is associated with a favorable rating of neighborhood. Furthermore, individual characteristics and neighborhood surroundings are also important determinants of neighborhood satisfaction among LMI households, although due to limitations this study could not include all possible predictors of neighborhood satisfaction (housing satisfaction, crime rates, quality of schools, juvenile delinquency, quality of rental market, etc.).

#### IMPLICATIONS FOR PRACTITIONERS

Despite constraints like limited purchasing options, LMI homeowners are about 2.3 times (full sample) or 1.6 times (matched sample) more likely to favorably rate their neighborhoods than LMI renters. Homeownership may help residents feel better about their neighborhood than objective measures might warrant, which is an important finding in support of neighborhood revitalization – the quality of neighborhoods in which LMI households live is likely to be highly influential on personal well-being, due to reduced mobility and decreased ability to take advantage of services outside the neighborhood.

While homeownership may provide certain social benefits even in less affluent neighborhoods, living in an economically disadvantaged neighborhood is negatively associated

with neighborhood satisfaction. Therefore, if satisfaction with neighborhood is a policy goal, programs supporting homeownership in lower-income communities ideally should operate concurrently with neighborhood revitalization efforts. A high level of social resources (resource generation) is also related to neighborhood satisfaction, which underscores the importance of promoting the development of social networks in less affluent neighborhoods, particularly for community-based development organizations.

Foreclosure rates and fiscal strain from dropping property tax revenues are placing more neighborhoods at risk of decline, but increased neighborhood satisfaction may enhance outcomes for LMI households and their communities. Place attachment may further enhance homeowners’ involvement in civic and social activities in their neighborhood, serving to preserve investments and sustain neighborhoods. Higher levels of neighborhood stability contribute to maintenance and upkeep, reducing costs for cities. Further, neighborhood satisfaction may bolster home prices, which may help neighborhoods in uncertain markets.

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