

Americans are paying more to live in the very places they once abandoned

By Emily Badger and Darla Cameron June 27

America's urban downtowns were neglected for decades, abandoned for newer malls in the suburbs and bigger homes on the edge of town. The construction of new highways helped speed their decline. And rising crime nearly killed them.

That's the story of much of the second half of the 20th century in cities such as Washington, New York and Chicago. But newly unveiled housing data dating back to 1990 show that these long-shunned city centers have been attracting Americans again. According to detailed data from the Federal Housing Finance Agency, home prices over the past 25 years have appreciated more in the heart of big cities than just about anywhere else.

"After decades of hollowing out," write FHFA economists Alexander Bogin, William Larson and William Doerner, "center-cities are becoming increasingly popular."

It's clear in the following map of the Washington area, with the highest price appreciation in the yellowish areas of downtown Washington.

This is not, on its own, a novel proposition. Downtown boosters and academics have argued that we're witnessing an urban revival in the United States. But there remains deep debate over how widespread the pattern really is and whether it points to a fundamental shift in where and how Americans live. The new evidence, based on unprecedented mortgage data covering 18,000 Zip codes and nearly 100 million transactions between 1975 and 2015, shows that demand for city living has been rising for a generation — even in unexpected corners of the country.

"We find that the tide has changed," Doerner says. "After World War II, we saw the rise of the automobile and households flocking to the suburbs. Over the past 25 years, though, people have been paying more to move into downtown central areas, primarily in large cities. This is a major shift — it's happening across the country, and it's happening for a variety of reasons."

That pattern is good for cities, but it raises difficult questions about who will be able to afford them in the future. In many metropolitan areas such as those mapped here using the FHFA data, the farther you get from the center of town, the weaker the

appreciation in housing values over time. Bright yellow Zip codes, such as those at the heart of Portland, Ore.; Denver; and Washington have had the steepest annual increases in home prices since 1990.

The FHFA documented the trend with a newly constructed home price index — now publicly available — that relies on the repeat sales of properties over time to gauge how homes appreciate in value. In a set of working papers using the data, Doerner and colleagues show that housing in the heart of big cities has enjoyed the greatest appreciation, at least since 1990, suggesting a growing demand to live there. Price gains in run-ups such as the last housing bubble have also been the most sustainable over time in central cities.

"This is really new confirmation about the shift in demand for the urban core of America away from the urban periphery," says Harvard economist Ed Glaeser. "The thing about the resurgence of central cities is not that suburbia is dead — as much as people love that story line, it's not true. What is true is if you look at places like New York in 1970, demand for those cities was quite low, and it's radically different today."

A recent [Washington Post](#) analysis of home price data since 2004 found a similar pattern particularly in the Washington area: Suburbs far from the center of the city fared relatively poorly over the course of the bubble, bust and recovery, as home prices in close-in neighborhoods boomed. The FHFA data, extending further back in time, shows a similar picture in Minneapolis and Portland, Chicago and Denver, Atlanta and Philadelphia. The same is true in Boise, Idaho; Columbus, Ohio; and Nashville. Even in Sunbelt cities such as Phoenix and Houston. (The FHFA has an [interactive map](#) here.)

Economists and sociologists suspect several factors explaining the rise in demand for central cities. As traffic and commute times have grown worse, more people may be eager to live close to their jobs. "Proximity matters more than it ever has," Larson says.

Young professionals with ever-more disposable income may also value even more today the kinds of amenities, such as restaurants, bars and theaters, that are easier to find in densely populated downtowns than in the suburbs.

Violent crime has also [steeply declined in cities across the country](#) over the same time period in which the FHFA shows center-city home prices rising. That has made close-in neighborhoods significantly more appealing.

The very nature of central cities also means that it's harder to add new housing there. There's less empty land to build on, relative to the suburbs and exurbs, and so rising demand is more likely to result in higher home prices than more new housing.

These explanations would not necessarily mean that American *preferences* for city living have changed — that millennials are more drawn to it than their parents were, or that people who once shunned cities have changed their minds.

"Data suggests that you don't need changing preferences in order to arrive at the patterns we see," Larson says.

The traffic got worse. The crime lessened. The amenities improved. And at least some people have accrued more wealth to spend on high-end restaurants. In many ways, it's the *environment* that has changed, not us, Larson argues.

"It would take very strong evidence to persuade me that [changing preferences are] what's going on, because there are so many other explanations going on that are economic related and not preference related," Larson says.

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Demographic data also show that suburban and exurban populations are again gaining population faster than urban counties. And so, as Glaeser suggests, the suburbs aren't dying even as cities come back. Other research also suggests that what is changing in downtowns isn't so much the number of people living there as *who* lives there. Close-in neighborhoods are becoming higher-income, more educated and more white (this pattern is particularly clear in Washington around Metro stops). These are the residents with the demand and the money to bid up housing prices.

And this leads to the caution in all of this that Washington already epitomizes: As home prices rise in these places, they could become unaffordable to people who have lived there in the past — or need to work there today.

"Assuming high prices can't be met with sufficient supply, high prices are going to mean these will increasingly become boutique towns available only to the wealthy," Glaeser says. "That's what we should be worrying about."

Ted Mellnik contributed to this story.

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