Leveraging Main Street as a Real Estate Amenity: The Impact of Retail Corridor Revitalization on Residential Property Values

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Introduction

- Downtown revitalization has become a common approach for communities attempting to reverse decline and restore the vitality and character of their historic business districts.
- The Main Street Program is one such approach, which equips smaller towns and cities with the resources and know-how to leverage their dense, walkable retail corridor(s) as an economic development asset.
- In this paper, I look at the relationship between active Main Street Programs in Ohio and the sale prices of nearby residential properties, specifically focusing on the property's distance to its respective downtown, or "Main Street" district.

Background & Motivation

The Main Street Program (MSP) was launched in 1977 by the National Trust for Historic Preservation to assist communities in revitalizing their traditional and historic commercial districts.

I focus on property values in MSP-participating communities as an indicator of economic vitality for three main reasons:

1. Main Street as a *differentiated consumption environment*: a desirable destination for families, tourists, and shoppers is an amenity potentially captured in the sale prices of nearby residential properties.
2. Main Street as a *historic preservation landmark*: the value of historic buildings and landmarks revitalized throughout the town center can add value to residential properties (Leichenko et al., 2001).
3. Main Street as a *'walkable' alternative to automobile-oriented development*: walkable neighborhoods, while not a majority preference, are under-supplied relative to demand (Leinberger and Alfonzo, 2012).

Empirical Strategy

To estimate the influence of the MSP on nearby property values, I employ a hedonic price model with the following equation:

$$Y_{itj} = f(\alpha X_{itj} + \alpha N_{itj} + \beta D_{ij} + \gamma MSP_{itj} + \delta D * MSP_{itj} + \epsilon_{itj})$$

where Y is the sale price for home i in year t and community j, X is a vector of property characteristics, N is a vector of neighborhood characteristics, D is the distance from the property to the center of the downtown district, and MSP is a dummy which indicates whether a house was located in a community that was a participating member of the MSP in year t. My parameter of interest, δ, is an interaction between distance and MSP status, and estimate the relationship between a home's sale price and its proximity to a downtown with an actively-participating Main Street Program.

Data

To estimate the impact of the MSP on property values, I combine multiple data sources to create a pooled cross-section of yearly home sales that took place in non-metropolitan communities in Ohio from 2000 to 2019:

- **Structural characteristics** from First American DataTree (2020), includes lot size, number of rooms, age of the structure, etc.
- **Neighborhood characteristics** from the decennial census and ACS at the block group level
- **MSP adoption status** collected from correspondence with the state MSP director indicating whether the municipality had adopted the MSP at the time of the sale

I used the following set of rules to build an *analytical universe*, containing only municipalities suitable to be compared to one another in hedonic price model:

- Were located in a non-metropolitan county or were more than 15 miles away from a MSA's principal city,
- Had a 2010 population of between 750 and 75,000,
- Had a 1920, 1930, or 1940 population of at least 1,000 (roughly establishes whether community had a pre-automobile-era downtown business district).

For each property, a **distance** variable was calculated from the centroid of the community's downtown district, as well as a dummy variable indicating whether it was located within the downtown district.

Results

Space does not allow for a full presentation of my results. The two tables on this poster include alternative specifications of the fully-specified hedonic price model, which includes a full range of structural & neighborhood characteristics

Table 1: MSP Program Adopted __ Years Before Sale

	Time of Sale (1)	1-Year (2)	2-Years (3)	3-Years (4)	5 Years (5)
Downtown Distance (log)	0.07***	0.07***	0.07***	0.07***	0.06***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Propterty Located Downtown?	0.02***	0.02***	0.02***	0.02***	0.02***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Active MSP Program?	0.21***	0.22***	0.22***	0.23***	0.26***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
Distance*MSP Interaction	-0.07***	-0.08***	-0.08***	-0.08***	-0.09***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Observations	222,902	222,902	222,902	222,902	222,902
R^2	0.40	0.40	0.40	0.40	0.40
Note:			*p<0.1; **p<0.05; ***p<0.01		

First, I adjusted the MSP status variable to determine the importance of how long the program had been in place during the time of the property transaction. **Table 1** shows four additional specifications: in Model 1, the variable is coded as a binary indicating whether the MSP had been adopted as of January 1 in the calendar year when the transaction took place. In Models 2, 3, 4 and 5 the respective MSP variables are coded as binaries indicating whether the MSP had been adopted at least one, two, three, or five years prior to the the transaction date. The results table shows a longer-established MSP at the time of sale is associated with a higher premium for both distance to downtown and MSP membership itself.

Table 2: Properties within __ Radius from Downtown

	Entire Town (1)	Within 1.5 Miles (2)	Within a Mile (3)
Downtown Distance (log)	0.07***	0.06***	0.05***
	(0.002)	(0.004)	(0.01)
Propterty Located Downtown?	0.02***	0.02***	0.01*
	(0.01)	(0.01)	(0.01)
Active MSP Program?	0.23***	0.26***	0.29***
	(0.01)	(0.02)	(0.03)
Distance*MSP Interaction	-0.08***	-0.10***	-0.12***
	(0.01)	(0.01)	(0.02)
Observations	222,902	132,241	90,169
R^2	0.40	0.36	0.32
Note:		*p<0.1; **p<0.05; ***p<0.01	

Results (Cont'd)

Second, I restricted the observations in the analysis according to the property's proximity to its corresponding town center. By restricting the spatial extent of the properties in the analysis (see figure below) the hedonic model compares transaction decisions between home buyers with similar tastes for more pedestrian-oriented environments. **Table 2** contains two alternate model specifications, restricting the data to only those properties within 1 mile or 1.5 miles from the downtown district. The results indicate that a smaller, more downtown-proximate sample of transactions only serves to strengthen the previously-estimated coefficients for downtown distance and MSP status.
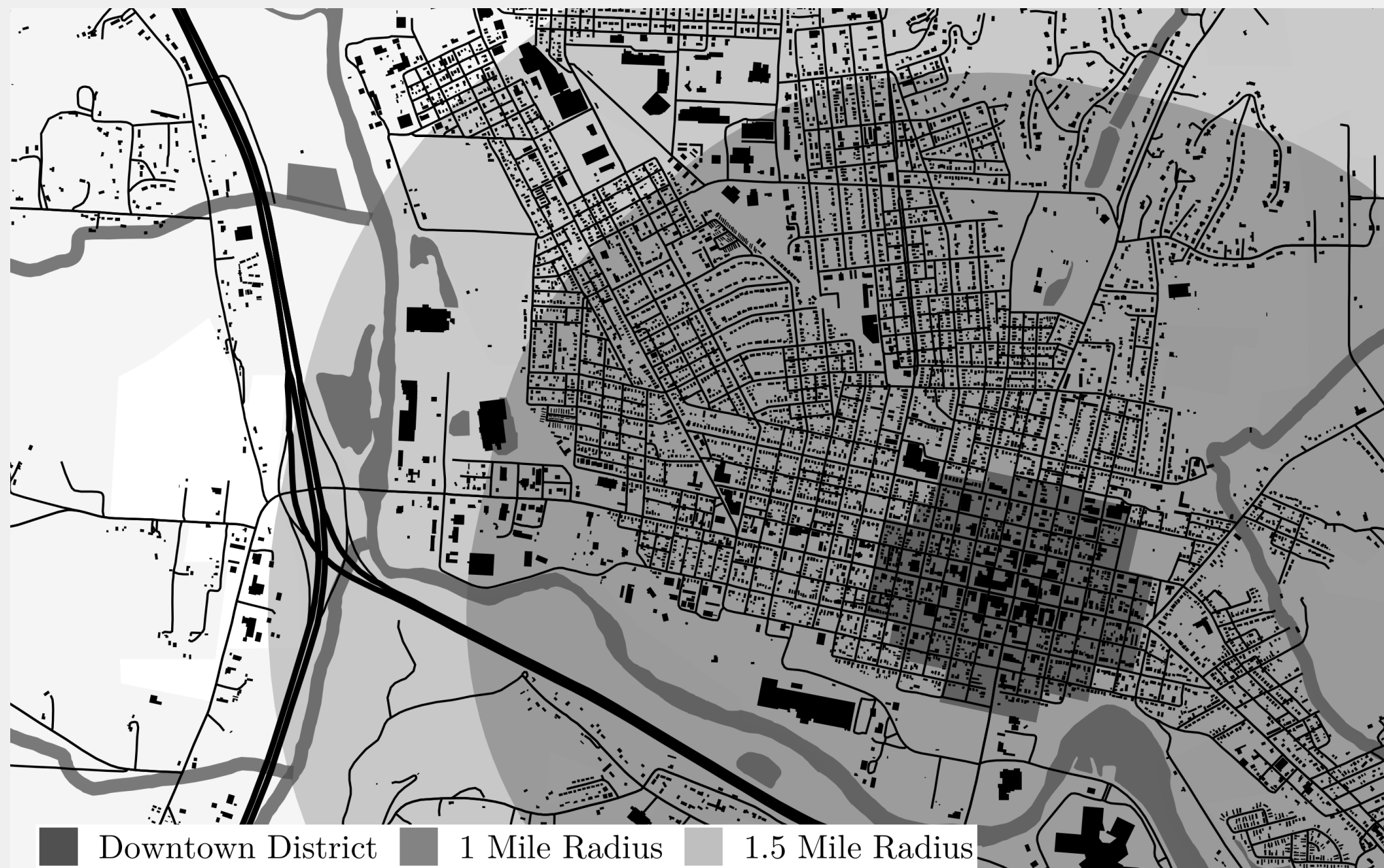
Discussion & Conclusion

The analysis in this paper strongly indicates that Ohio home buyers placed a premium on houses located in close proximity to a participating Main Street Program. On average, the price of a home sold in a municipality where the MSP had been adopted at least 2 years prior was about 4 percent higher. Furthermore, in communities with an active MSP a one percent decrease in the property's proximity to downtown (i.e., one percent *closer* to downtown) was associated with a 7 percent higher sale price.

Contact & Code

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Code: https://github.com/andrewvanleuven

References

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