



New Research Shows that Distressed Property Rehabilitations Boost the Values of Nearby Homes

A working draft of this research is available at [SSRN](#).

A recent academic paper “*Do Property Rehabs Affect Neighboring Property Prices?*” shows that when [National Community Stabilization Trust](#) community partners rehabilitate distressed properties, this activity strengthens neighborhoods by boosting the values of neighboring properties. Authored by **Rohan Ganduri** and **Gonzalo Maturana**, who are Assistant and Associate Professors of Finance respectively at Emory University’s Goizueta Business School, the study uses NCST’s unique property-level dataset on property rehabilitation and other data sources to study the effects of property rehabs.¹

The authors find that house prices surrounding a rehabilitated property increase between 2.3 and 4.0 percentage points following the rehabilitation, a sizeable spillover effect. The authors also estimate that the average rehabilitation generates an aggregate welfare gain for neighboring residents that is 3.8 times greater than the amount invested, or over \$130,000 for the median rehabilitation amount of about \$35,000.

In order to reach their conclusions, Ganduri and Maturana employ two sophisticated statistical methods. First, they compare property prices within 0.1 miles of the rehabilitated property to those located further away. When controlling for a number of property- and neighborhood-level factors and other nearby rehabilitations, the authors find that a property rehabilitation increases the value of neighboring properties within 0.1 miles of the rehabilitated property by 4.0 percentage points.

Second, the authors measure neighboring home prices as a function of distance and time from the property being rehabilitated using a novel nonparametric method, which does not make any assumptions about the characteristics of the sample (its parameters). This method confirms that the prices of nearby properties increase significantly during and after the rehabilitation. The method also finds that the closer a property is to a rehabilitated property, the stronger the effects: the spillover effects stop being statistically significant at distances of around 0.15 miles (approximately three blocks) from the rehabilitated property, and dissipate completely at distances of around one mile.

Ganduri and Maturana find that rehabilitation spillover effects are stronger for longer rehabilitations and greater rehabilitation investments, and are strongest in areas with fewer foreclosures, although they persist even in areas with high rates of foreclosures. By utilizing NCST’s detailed data on developer work orders, the authors also find that rehabilitation spillover effects are larger for rehabilitated properties with external improvements, such as new roofing or landscaping.

The authors test a variety of causal mechanisms for the rehabilitation spillover effects and find that they are driven by homebuyers’ greater preference for living closer to higher-quality rehabilitated properties.

¹ NCST provided the authors with access to its *REOTrack* database, which contains quarterly updates on its partners’ rehabilitation processes and the final dispositions for properties that have been sold or transferred through NCST’s programs.

Notably, the spillover effects are not the result of a reduction in the supply of distressed properties, rising property appraisals, or homebuyers with higher incomes moving into the neighborhood.

Past research has convincingly shown the negative spillover effects of foreclosed properties, but has not consistently shown that the rehabilitation of these properties strengthens neighborhoods. In contrast, Ganduri and Maturana's research examines much more local spillover effects, and finds that distressed property rehabilitations greatly benefit the homes located closest to the rehabilitated property.

Overall, Ganduri and Maturana's results suggest that rehabilitating properties can be a useful tool to stabilize distressed neighborhoods and provide support for policy interventions such as the Neighborhood Stabilization Program (NSP). About \$6.92 billion was targeted through the NSP program toward the rehabilitation of distressed properties after the 2010 foreclosure crisis. More recently, President Biden has proposed to spend \$20 billion on rehabilitating 500,000 homes through the Neighborhood Homes Investment Act (NHIA), which creates a federal tax credit that covers the cost between building or renovating a home and the price at which they can be sold. Ganduri and Maturana's results suggest a positive welfare gain associated with such spending.