How Devaluation Impacts Black Business Development

Andre Perry, Senior Fellow
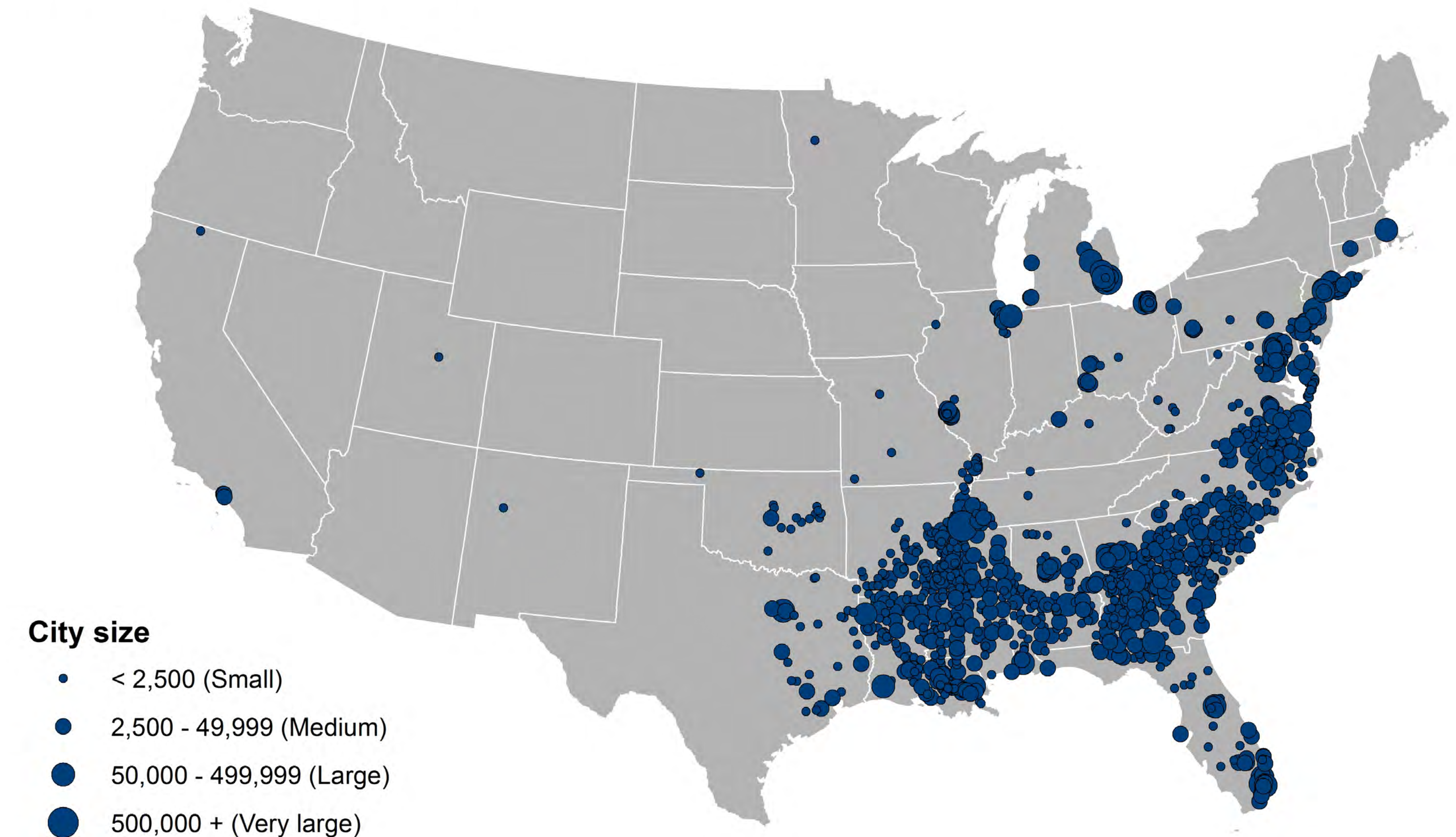**@andreperryedu**

BROOKINGS

Black cities

Largely located in the Deep South

and along the East Coast

All majority-Black cities by total population

U.S., ACS 5-year average 2015 - 2020

City size

- < 2,500 (Small)
- 2,500 - 49,999 (Medium)
- 50,000 - 499,999 (Large)
- 500,000 + (Very large)
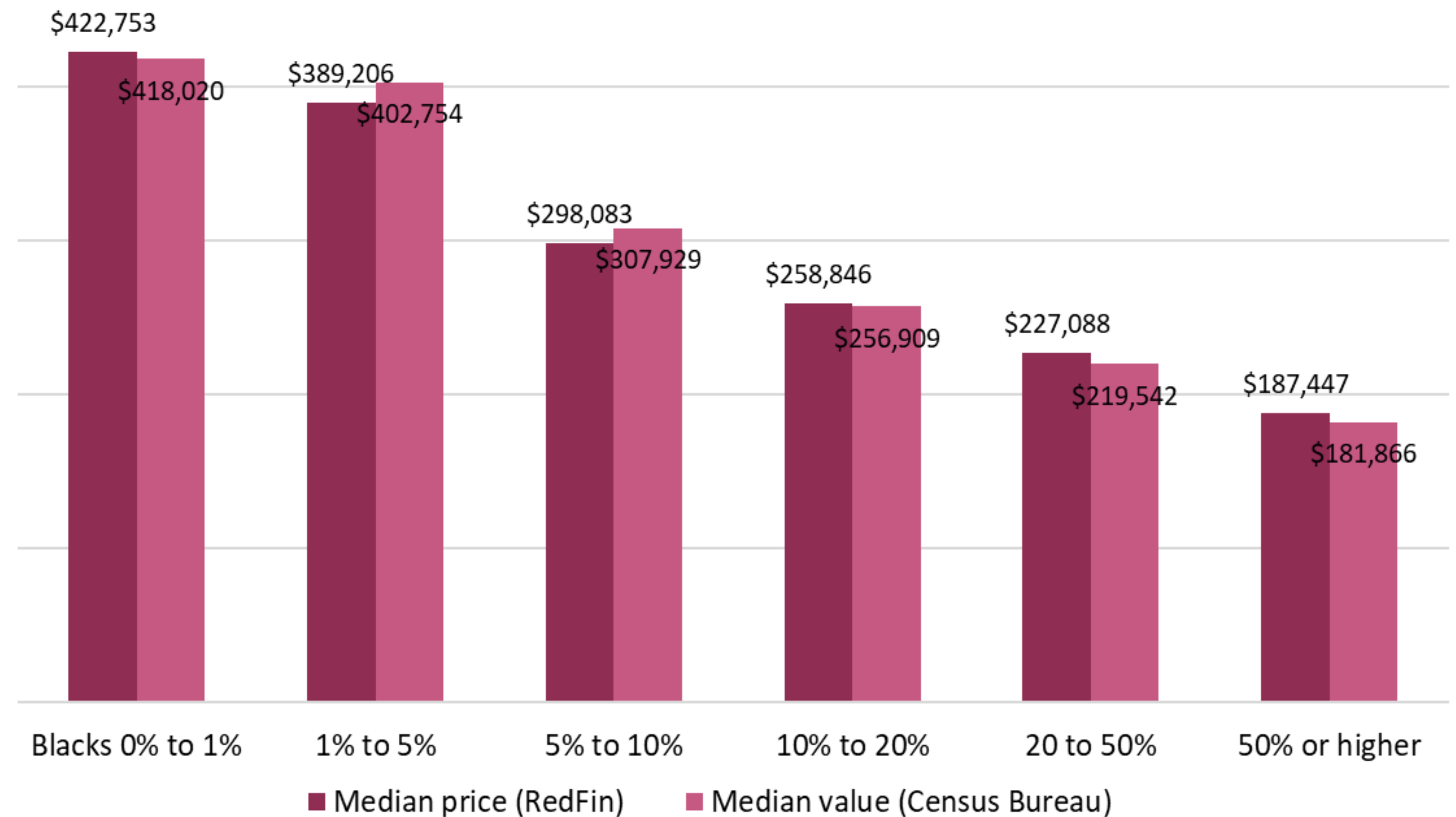
@andreperryedu

#KNOWYOURPRICE

We must focus on the assets

- Research on the devaluation of housing, businesses and commercial property showed us that assets in Black neighborhoods are much more valuable than are priced and how structural racism extracts wealth and opportunity

- The Black Progress Index and our social determinants of health research showed us life expectancy is often much higher (or lower) in cities than is predicted.

- We want to learn from the places that are thriving.

BROOKINGS

Homes in Black neighborhoods are worth less, on average, than homes in <1% black neighborhoods

Neighborhood median home value by black population share
U.S. metropolitan areas, 2016 -2021

$422,753
$418,020

$389,206
$402,754

$298,083
$307,929

$258,846
$256,909

$227,088
$219,542

$187,447
$181,866

| Blacks 0% to 1% | 1% to 5% | 5% to 10% | 10% to 20% | 20 to 50% | 50% or higher |

■ Median price (RedFin)   ■ Median value (Census Bureau)

B 🐦 @andreperryedu #KNOWYOURPRICE

Devaluation

-$45,000 | ↓23%

on average, compared to homes in neighborhoods which are <1% black

B 🐦 @andreperryedu #KNOWYOURPRICE
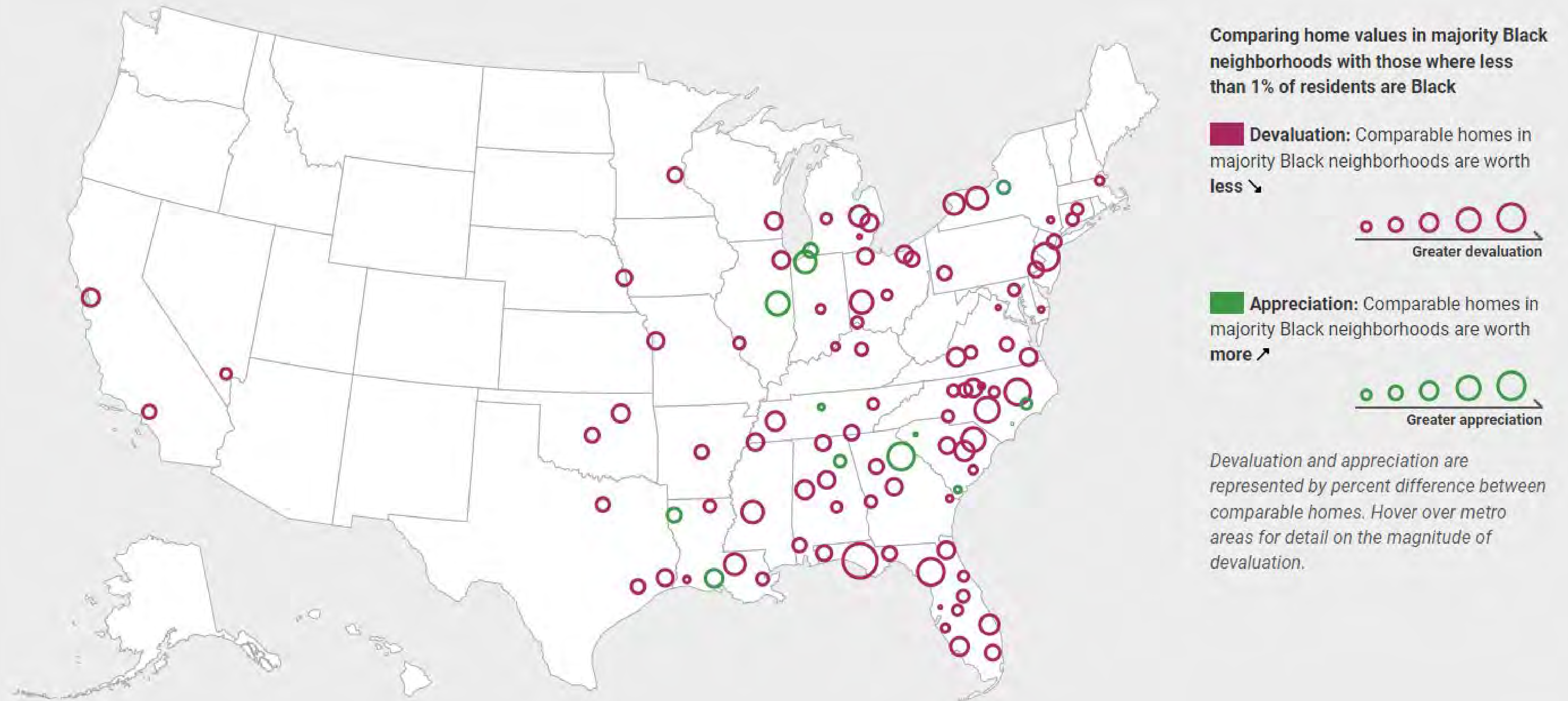
$162 billion

in cumulative losses

Devaluation varies by metro

102 metropolitan areas with at least one majority Black neighborhood

Comparing home values in majority Black neighborhoods with those where less than 1% of residents are Black

Devaluation: Comparable homes in majority Black neighborhoods are worth **less** ↘

Greater devaluation →

Appreciation: Comparable homes in majority Black neighborhoods are worth **more** ↗

Greater appreciation →

Devaluation and appreciation are represented by percent difference between comparable homes. Hover over metro areas for detail on the magnitude of devaluation.

We restrict this analysis to the 102 metropolitan areas with at least one majority Black neighborhood. We also give extra weight in the analysis to metro areas with larger Black populations to reduce the influence of measurement error; as such, the estimates should be thought of as characterizing the experience of the average Black person living in different types of metropolitan areas.

Devaluation varies by metro

Comparing home values in majority Black neighborhoods with those where less than 1% of residents are Black

■ **Devaluation:** Comparable homes in majority Black neighborhoods are worth **less** ↘

Greater devaluation →

■ **Appreciation:** Comparable homes in majority Black neighborhoods are worth **more** ↗

Greater appreciation →

Devaluation and appreciation are represented by percent difference between comparable homes. Hover over metro areas for detail on the magnitude of devaluation.

Pittsburgh, PA
Percent difference: -20.5%
Price difference: $35,931

We restrict this analysis to the 102 metropolitan areas with at least one majority Black neighborhood. We also give extra weight in the analysis to metro areas with larger Black populations to reduce the influence of measurement error; as such, the estimates should be thought of as characterizing the experience of the average Black person living in different types of metropolitan areas.

What is **$162 billion?**

What is **$162 billion?**

4.6 million black-owned businesses
Source: National Bureau for Economic Research

What is **$162 billion?**

4.6 million Black-owned businesses
Source: Stanford Institute for Economic Policy Research

11.4 million four-year degrees
Source: National Center for Education Statistics

B @andreperryedu #KNOWYOURPRICE

What is **$162 billion?**

4.6 million black-owned businesses
Source: National Bureau for Economic Research

11.4 million four-year degrees
Source: National Center for Education Statistics

Replace pipes in Flint, MI **3,000** times
Source: American Water Works Association

B 🐦 @andreperryedu #KNOWYOURPRICE

What is **$162 billion?**

4.6 million black-owned businesses
Source: National Bureau for Economic Research h

11.4 million four-year degrees
Source: National Center for Education Statistics

Replace pipes in Flint, MI **3,000** times
Source: American Water Works Association

87% of the damage of Hurricane Katrina
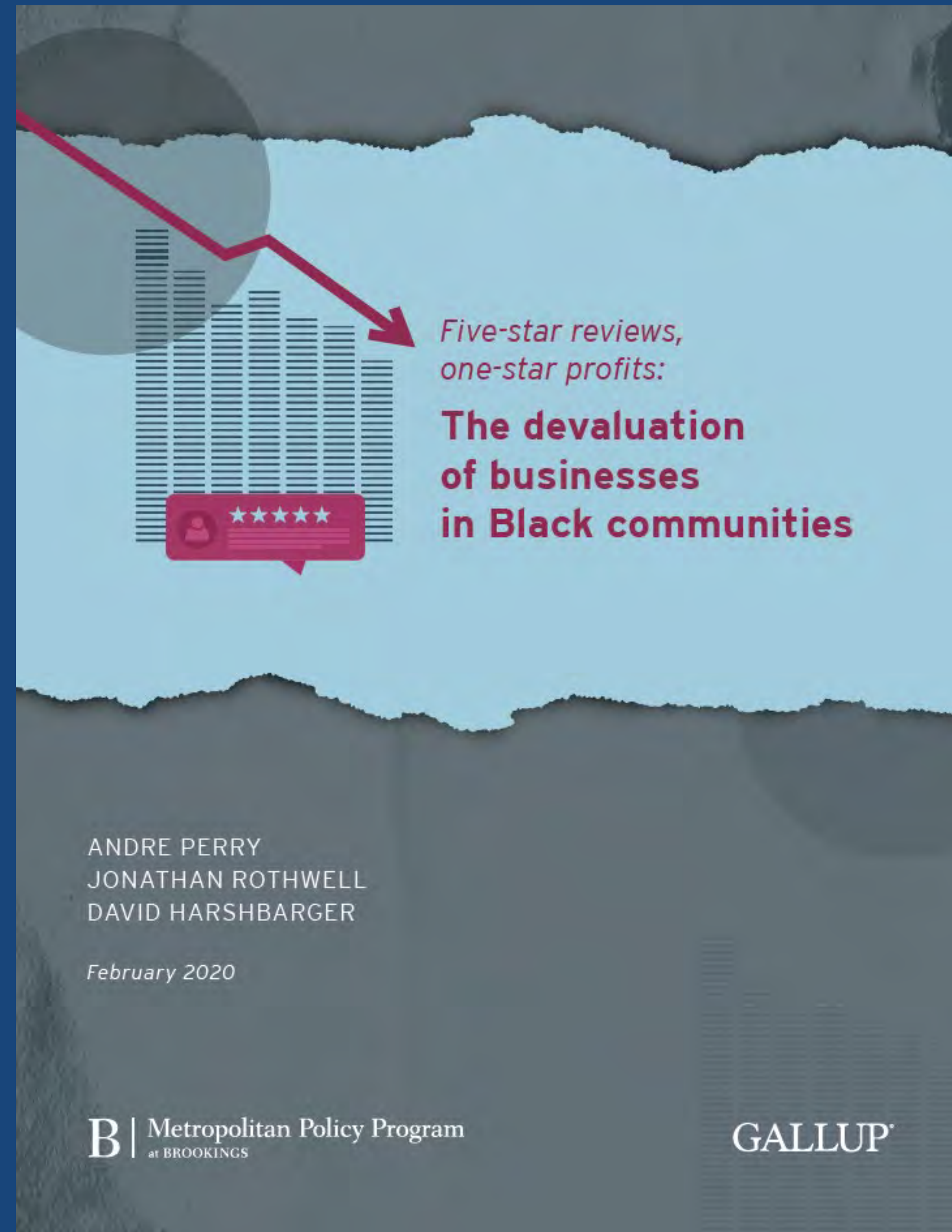Source: National Oceanic and Atmospheric Administration

B @andreperryedu #KNOWYOURPRICE

What is **$162 billion?**

4.6 million black-owned businesses
Source: National Bureau for Economic Research

11.4 million four-year degrees
Source: National Center for Education Statistics

Replace pipes in Flint, MI **3,000** times
Source: American Water Works Association

87% of the damage of Hurricane Katrina
Source: National Oceanic and Atmospheric Administration

Double the annual economic burden of the opioid crisis
Source: Centers for Disease Control and Prevention (2013)

B 🐦 @andreperryedu #KNOWYOURPRICE

There is nothing wrong with Black people that ending racism can't solve.

Business Devaluation

Five-star reviews, one-star profits:

The devaluation of businesses in Black communities

ANDRE PERRY
JONATHAN ROTHWELL
DAVID HARSHBARGER

February 2020

Metropolitan Policy Program at BROOKINGS

GALLUP

The State of Black Businesses

- **Black people comprise 14.2% of the U.S. population, but Black businesses are only 2.4% of the nation's 5.7 million employer businesses**
  Source: Census Bureau Annual Business Survey

- **Only 1% of Black business owners were able to obtain loans in their founding year compared with 7% of white entrepreneurs.**
  Source: Stanford Institute for Economic Policy Research

- **Black entrepreneurs are denied bank loans more than twice as often as their white peers — 53% to 25%.**
  Source: Federal Reserve

- **People of color pay higher interest rates on average than their white peers — 7.8% to 6.4%.**
  Source: Census Bureau 2018 Annual Business Survey

B 🐦 @andreperryedu #KnowYourPrice

$

Business revenue

via Dun & Bradstreet data
for establishments

How do we measure business devaluation?

$

Business revenue

via Dun & Bradstreet data
for establishments

★★★
★★

Business quality

via **yelp**

Findings

★ ★ ★
★ ★

Black, Brown and Asian-owned businesses are **rated just as highly** or higher than White-owned businesses on Yelp, on average

Source: Analysis of Dun & Bradstreet and Yelp data

B 🐦 @andreperryedu   #KNOWYOURPRICE

Findings

But, businesses **in Black neighborhoods** receive **50 - 100 fewer** reviews and are rated **0.2 stars lower** on average

Source: Analysis of Yelp and American Community Survey data

@andreperryedu

#KNOWYOURPRICE

Findings

FIGURE 4

Yelp ratings decrease as Black share of population increases

Yelp sample of businesses in ZIP codes across 86 metro areas, 2016 - 2019

Minority-owned businesses

Other businesses

Yelp rating

4.2
4.0
3.8
3.6
3.4

0%   20%   40%   60%   80%   100%

Black share of population in ZIP code
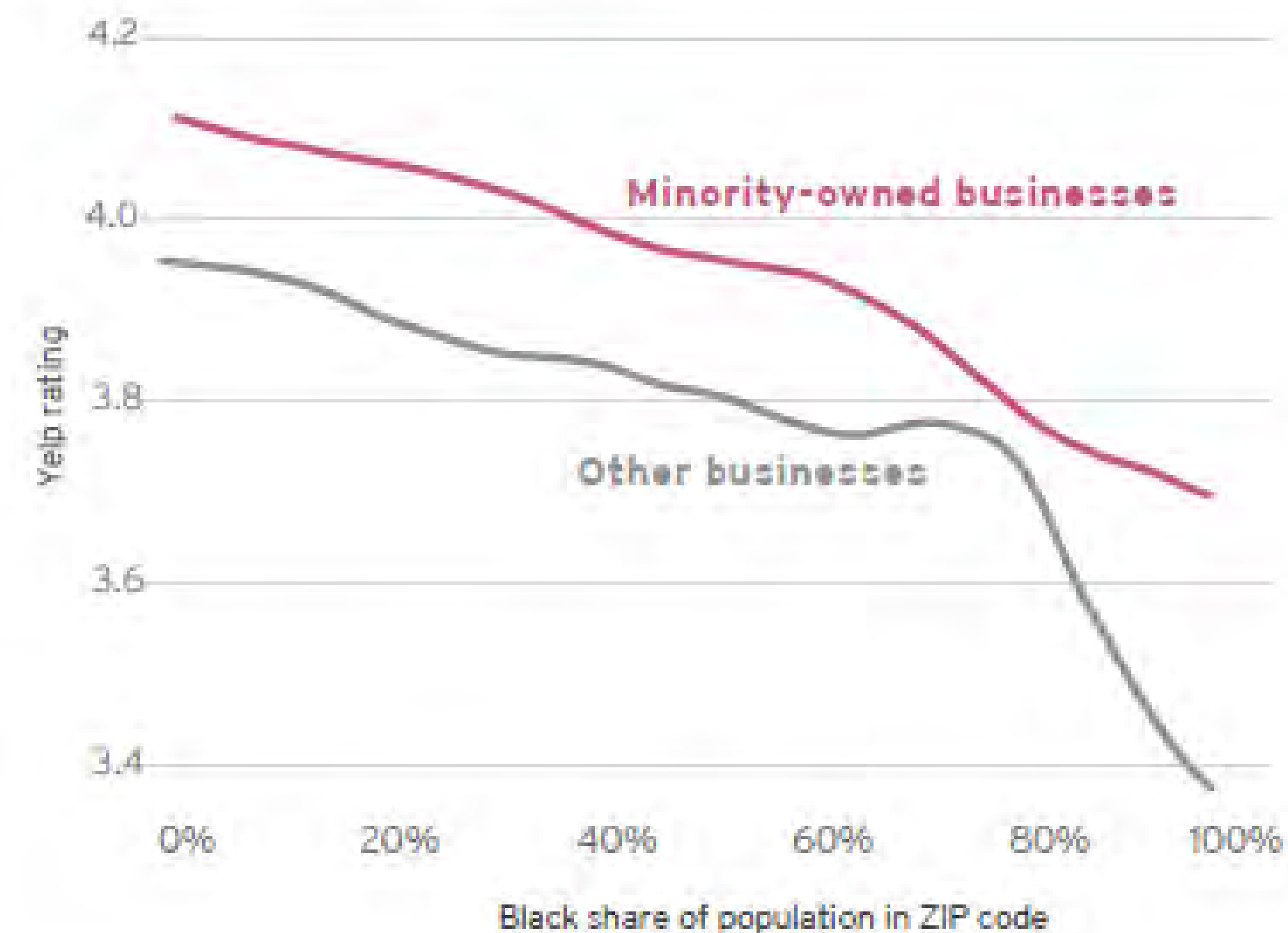
Source: Author analysis of merged data from Yelp and National Establishment Time Series Database (NETS) and 2017 American Community Survey estimates.

@andreperryedu

#KNOWYOURPRICE

Findings

$

What is the cost?

- Low estimate: **$1.3B** in annual revenue lost
- High estimate: **$3.9B** in annual revenue lost

Source: Analysis of Dun & Bradstreet and Yelp data

"Our ice is just as cold."

- Black elders

In Pittsburgh, Black businesses are underrepresented

Black-owned employer businesses by sector

Sector	Value
Total for all sectors	540
Health care and social assistance	160
Other services (except public administration)	80
Retail trade	58
Professional, scientific, and technical services	35
Transportation and warehousing	31
Construction	27
Accommodation and food services	25

@andreperryedu

Source: American Business Survey, 2017

CRE ownership is highly concentrated

The top 1% of households own vastly different portions of real estate categories

1% of households own the following in each category:

81% nonresidential commercial real estate

49% nonprimary residential property

16% owner-occupied housing wealth

Source: Brookings analysis of data from the 2019 Survey of Consumer Finances (SCF).

B | Brookings Metro

Devaluation harms Black neighborhoods

The residential real estate market is **10x** the size of commercial real estate nationwide

■ For-sale housing ■ Retail

$171 billion

$235 billion

Square feet of inventory

Estimated wealth loss in majority-Black neighborhoods
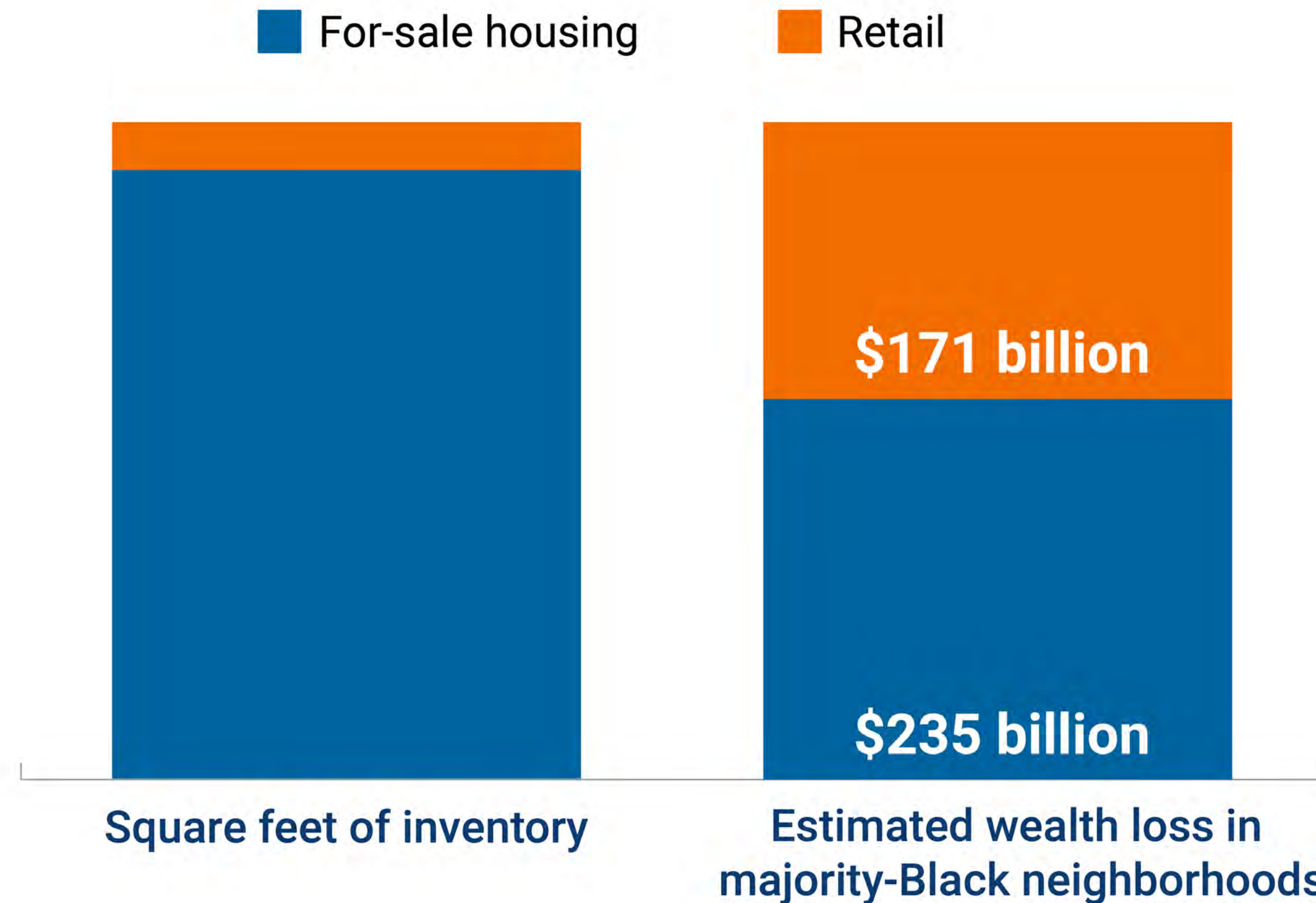
CRE makes up almost one-half of devaluation losses in Black neighborhoods

B | Brookings Metro

Source: Brookings analysis of Bureau of Economic Analysis Added by Industry, 2021 and other data

There are stark racial disparities in CRE ownership
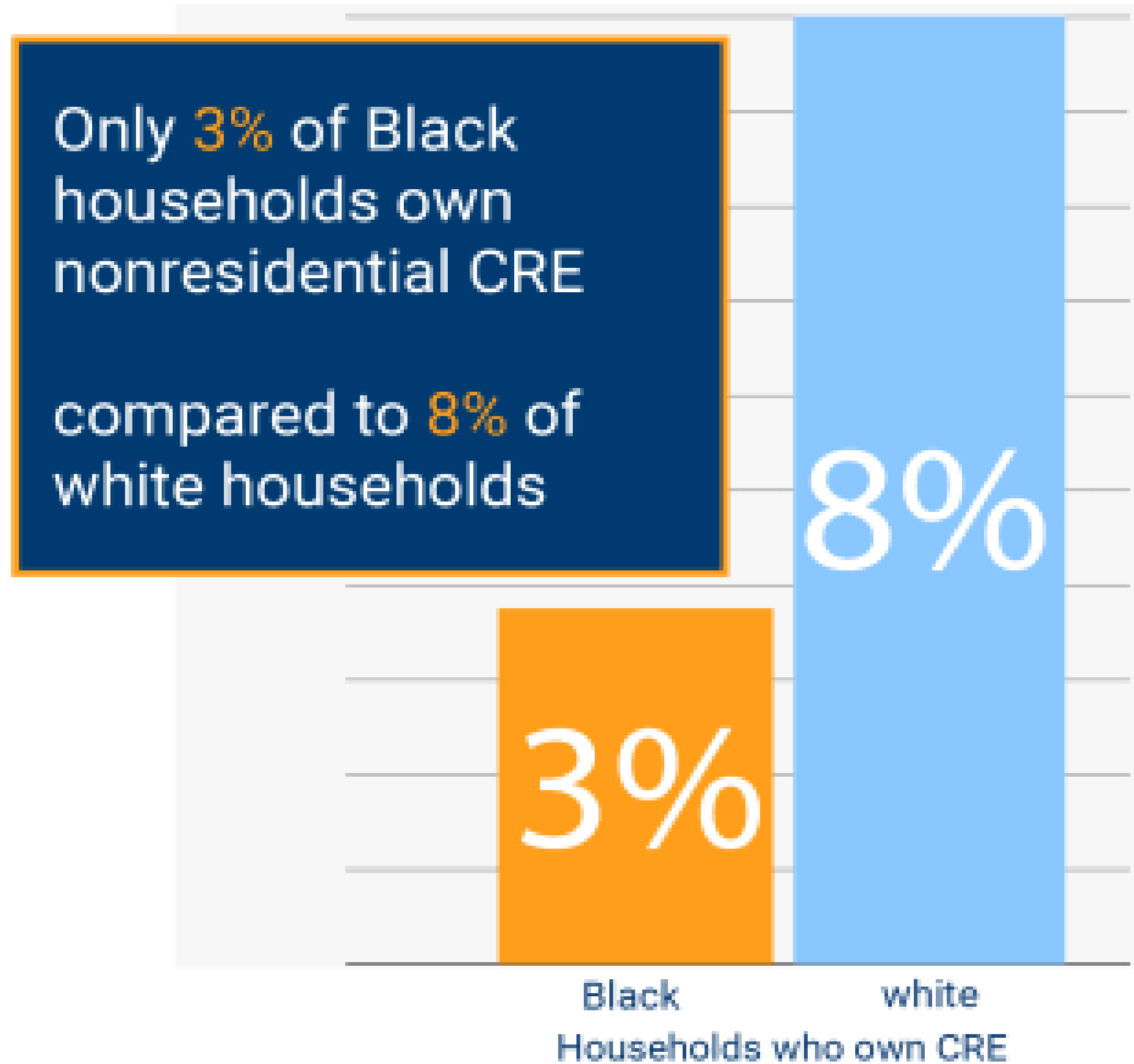
Only **3%** of Black households own nonresidential CRE

compared to **8%** of white households

3%

8%

Black
Households who own CRE

white

The average white household owns **$34,000** in CRE

compared to just **$3,600** for the average Black household

$34,000

$3,600

Average Black
household

Average white
household

Source: Brookings analysis of data from the 2019 Survey of Consumer Finances (SCF).

B @andreperryedu

#KNOWYOURPRICE
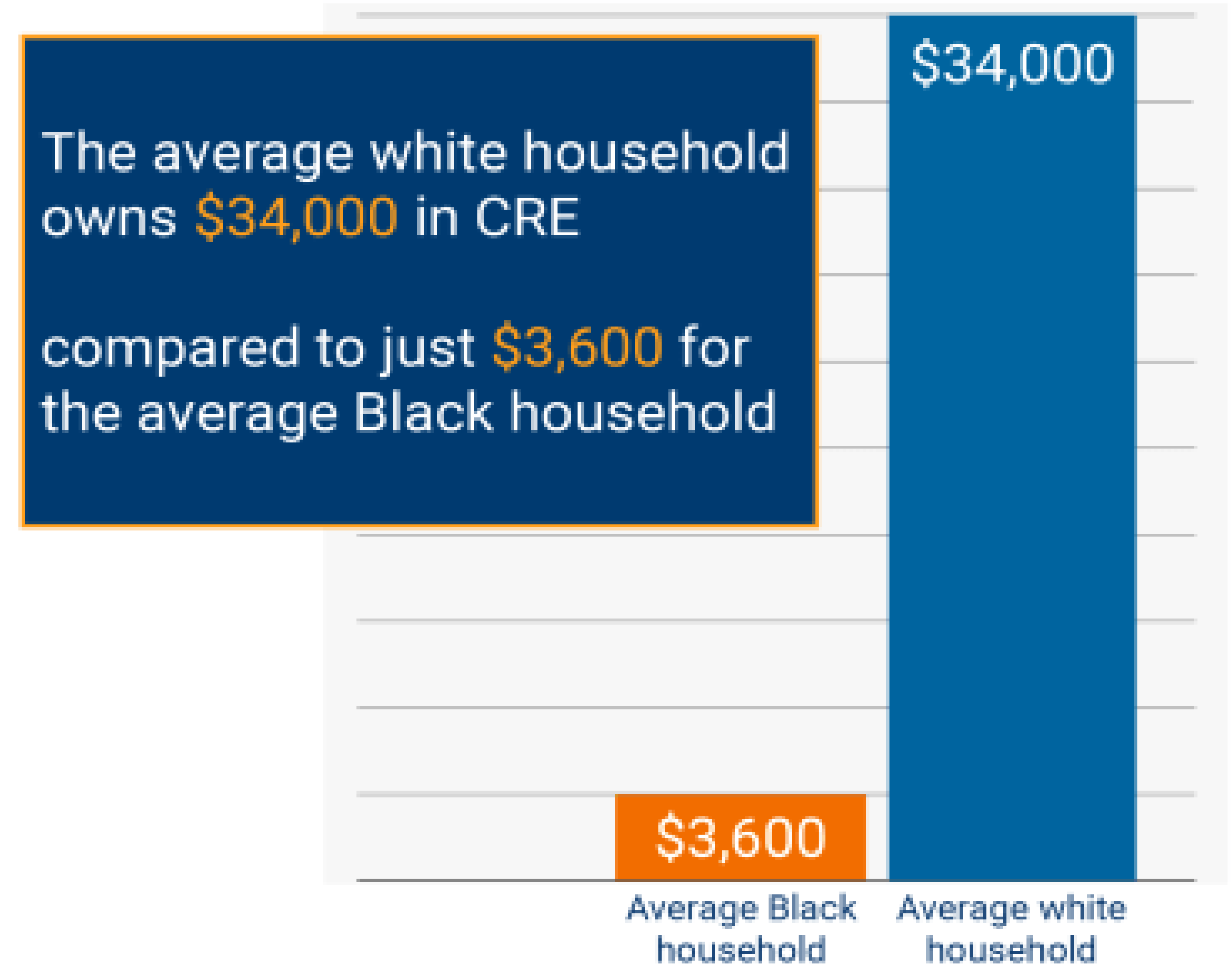
The Black Progress Index:
A focus on life expectancy and well-being

Life expectancy summarizes the many biological and non-biological influences on our lives. Our main goal is to identify the social factors that predict life expectancy because they are a cumulative measure of health and well-being.

B

The Black Progress Index

- The Black Progress Index is an interactive dashboard and report that examine the social factors that influence well being.

- Through a partnership between the NAACP and the Brookings Institution, the Index and related content will evolve, as research progresses.

- The overarching mission is to identify and strengthen the drivers of prosperity in Black communities.

- Where, geographically speaking, should we look for solutions?

B

Methodology

Three Stages of Analysis

- First, our discovery stage involved downloading and processing hundreds of variables from a variety of data sources, including the U.S. Census Bureau, DOJ Hate Crimes data, Internal Revenue Service, the Federal Reserve, Facebook, Redfin, the U.S. Congress Joint Economic Committee's Social Capital Project, Fatal Encounters (police shootings), etc.

- Stage two, we ran these variables through a common machine-learning algorithm (Lasso) to select variables and rank variable importance, using life expectancy at birth and age-adjusted mortality as the target outcomes.

- In stage three, we categorized the variables Lasso selected into distinct constructs. Then, we re-ran models with a smaller range of possible variables to reflect the best candidates within each family of constructs.

B

The Black Progress Index

IN THE UNITED STATES

PREDICTED BLACK LIFE EXPECTANCY BY THE BLACK PROGRESS INDEX

PERCENTILE

100 · 10 · 20 · 30 · 40 · 50 · 70 · 80 · 90

74.5 years

62nd

ACTUAL BLACK LIFE EXPECTANCY IS *CLOSE TO* WHAT WAS PREDICTED

PERCENTILE

100 · 10 · 20 · 30 · 40 · 50 · 70 · 80 · 90

74.4 years

59th
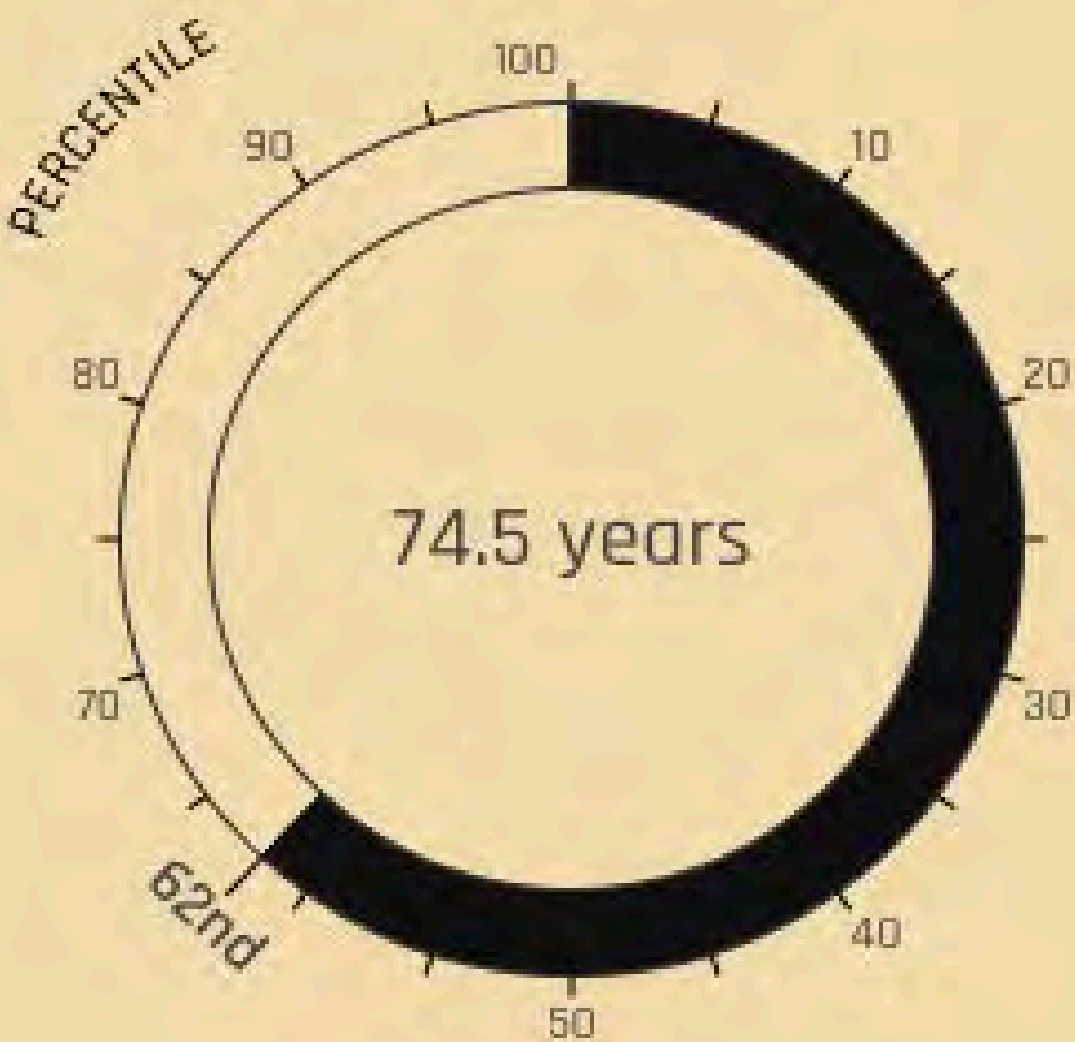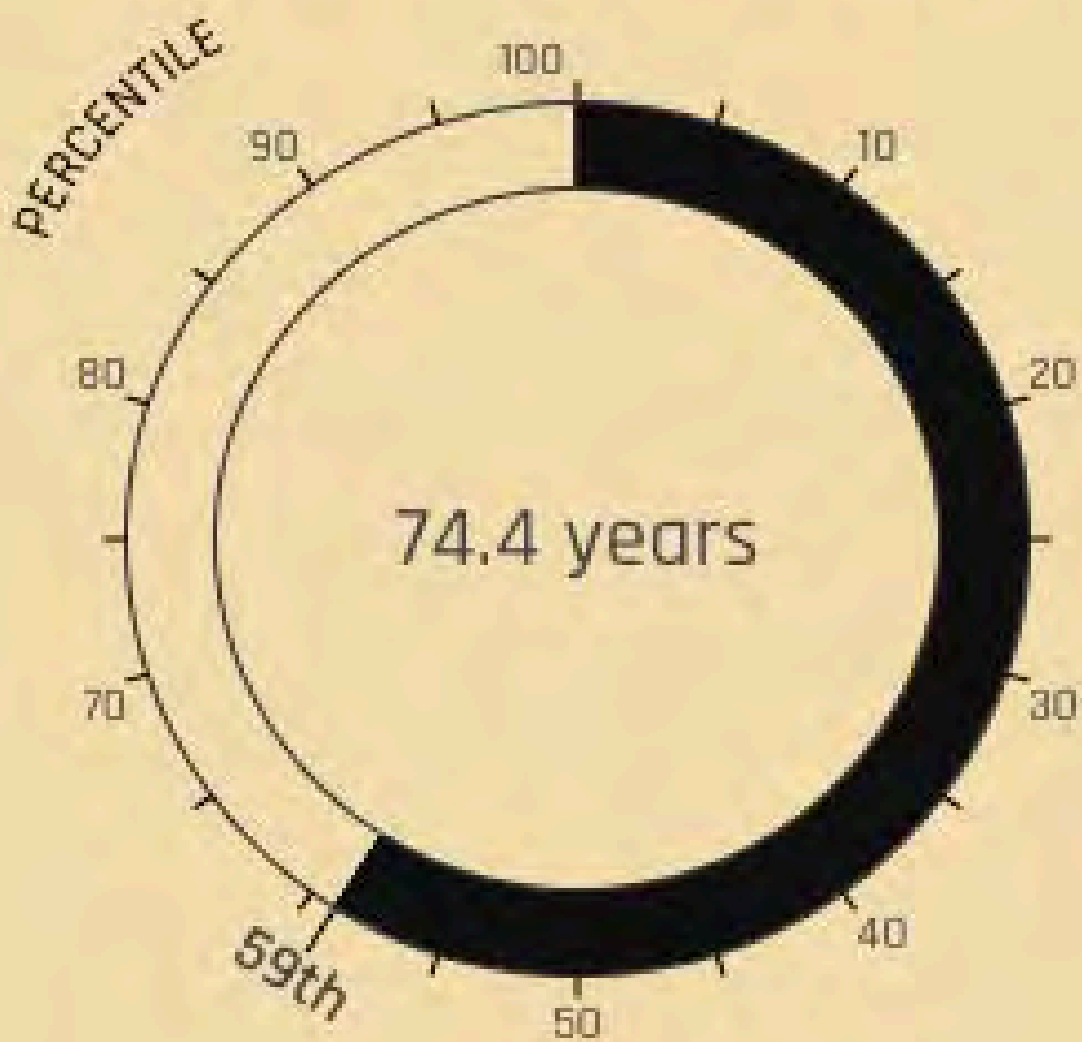
IN THE UNITED STATES, WHAT FACTORS ADD OR SUBTRACT YEARS FROM PREDICTED BLACK LIFE EXPECTANCY?

Factor	Years
Foreign born	+1.0 yrs.
Income	+0.6 yrs.
Home ownership	+0.6 yrs.
Math proficiency	+0.5 yrs.
Higher education rate	+0.4 yrs.
Bike/walk commuters	+0.3 yrs.
Distance from friends	+0.2 yrs.
Business ownership	+0.2 yrs.
Air pollution	−0.1 yrs.
Pop. density	−0.3 yrs.
No father present	−0.4 yrs.
Religiosity	−0.6 yrs.
Gun deaths	−0.8 yrs.
Unexplained	

B
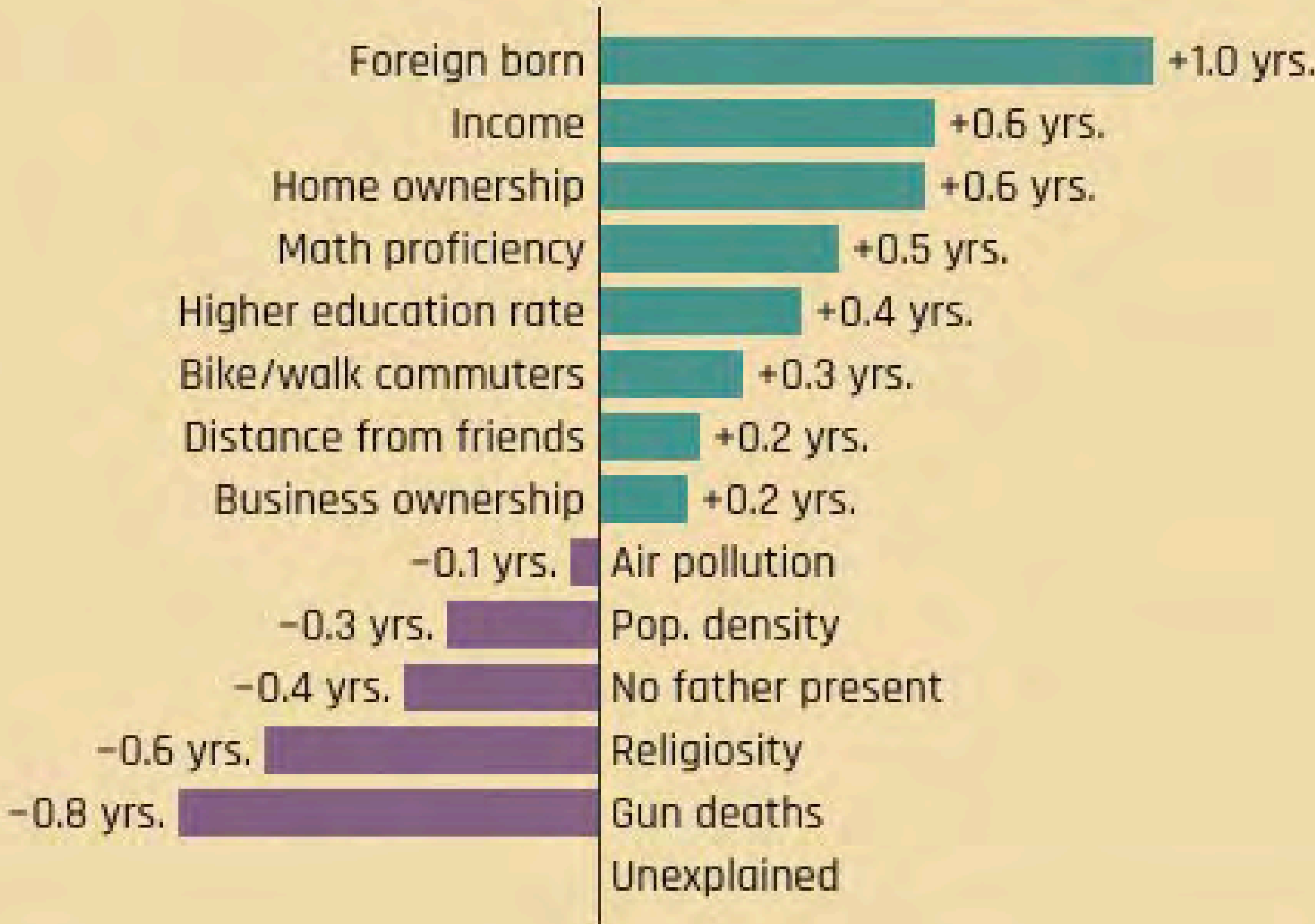
Contributions of Indicators

FIGURE 1

Contribution of social determinants of health to Black Progress Index
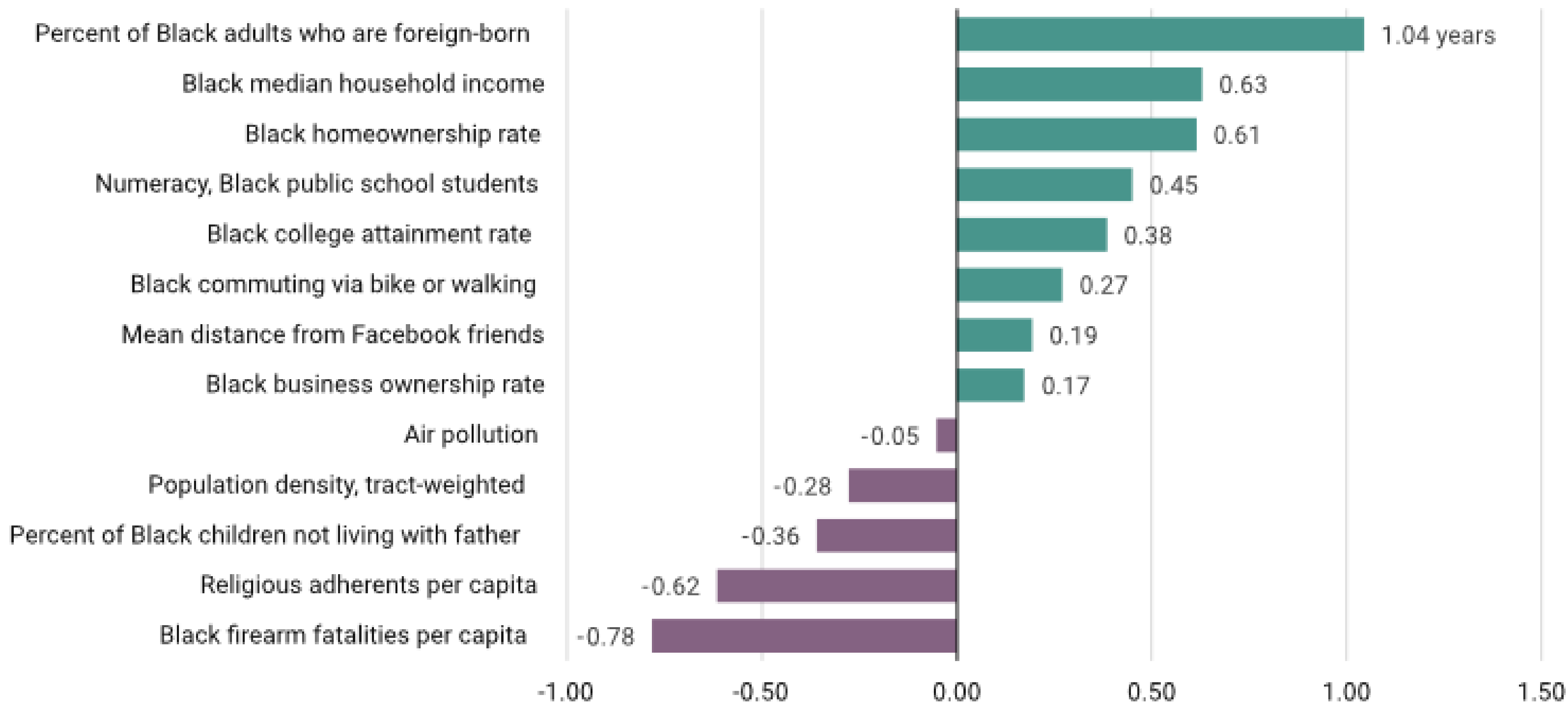
Indicator	Value
Percent of Black adults who are foreign-born	1.04 years
Black median household income	0.63
Black homeownership rate	0.61
Numeracy, Black public school students	0.45
Black college attainment rate	0.38
Black commuting via bike or walking	0.27
Mean distance from Facebook friends	0.19
Black business ownership rate	0.17
Air pollution	-0.05
Population density, tract-weighted	-0.28
Percent of Black children not living with father	-0.36
Religious adherents per capita	-0.62
Black firearm fatalities per capita	-0.78
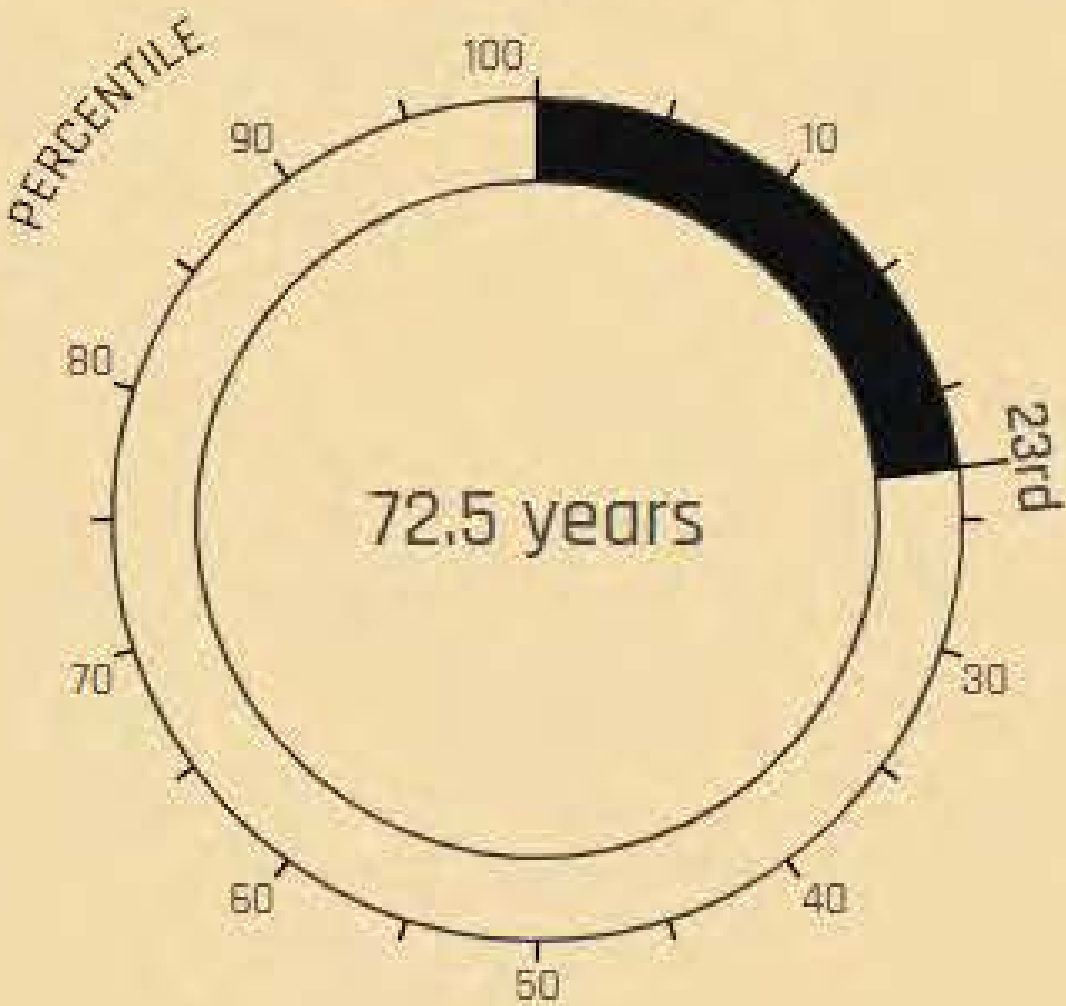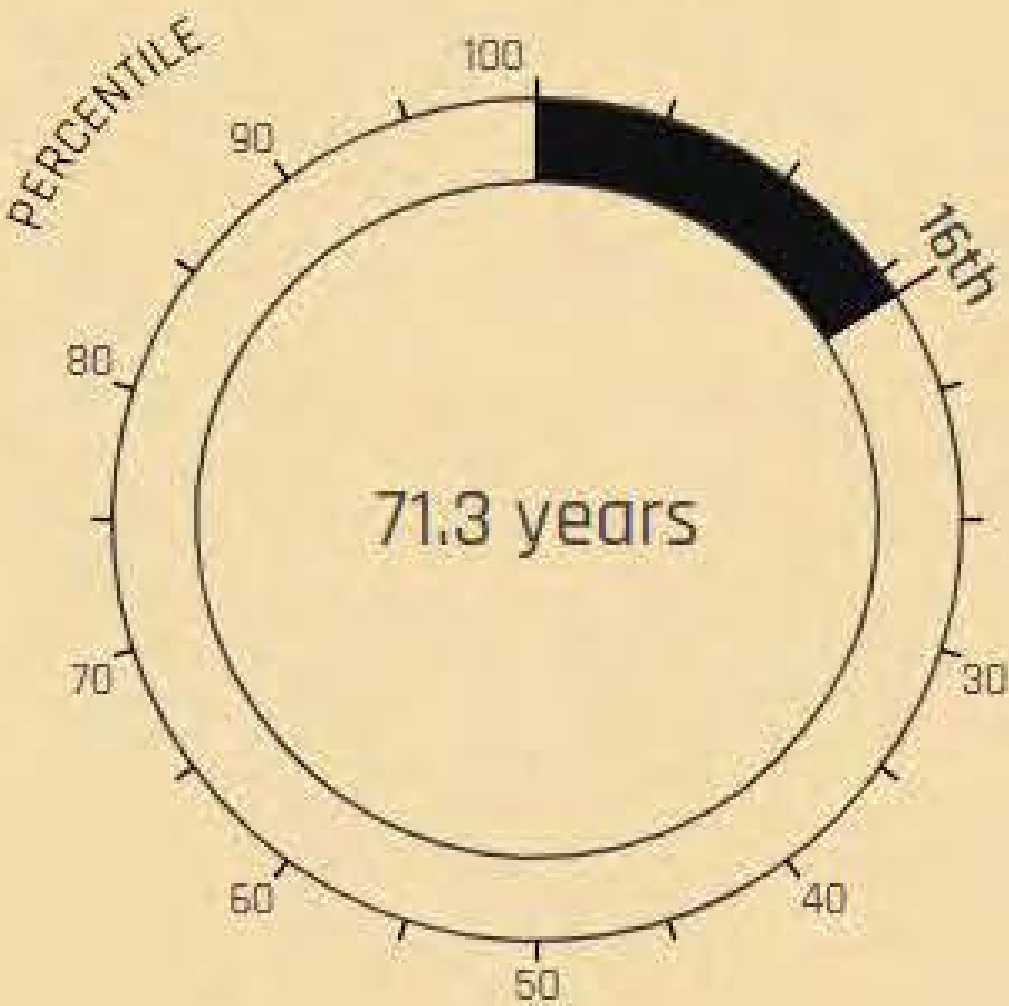
Pittsburgh, PA Outcomes
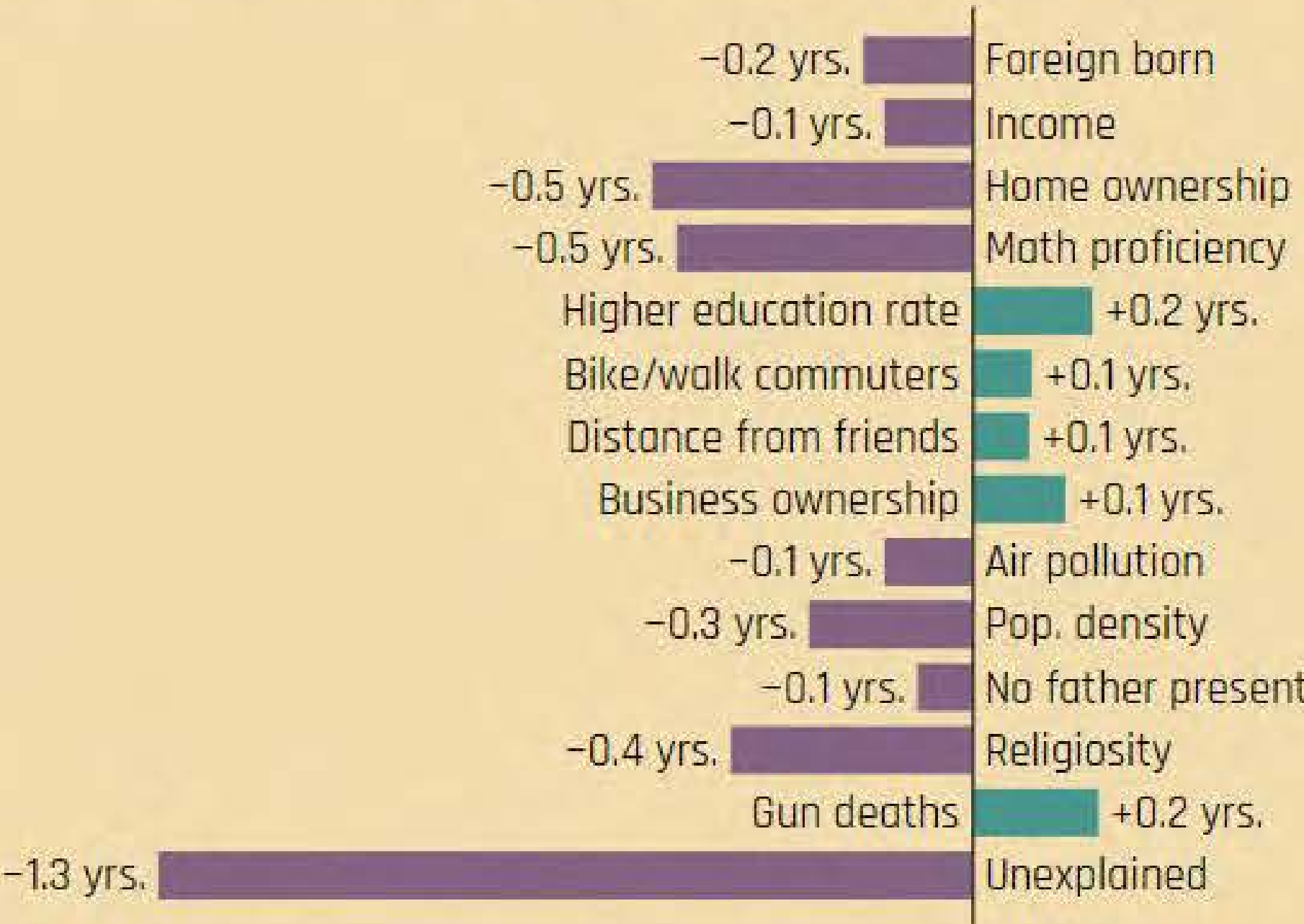
Cleveland-Elyria Outcomes

IN CLEVELAND-ELYRIA, OH

Black population: 403018

PREDICTED BLACK LIFE EXPECTANCY BY THE BLACK PROGRESS INDEX

72.1 years — 12th percentile

ACTUAL BLACK LIFE EXPECTANCY IS *CLOSE TO* WHAT WAS PREDICTED

72.5 years — 33rd percentile
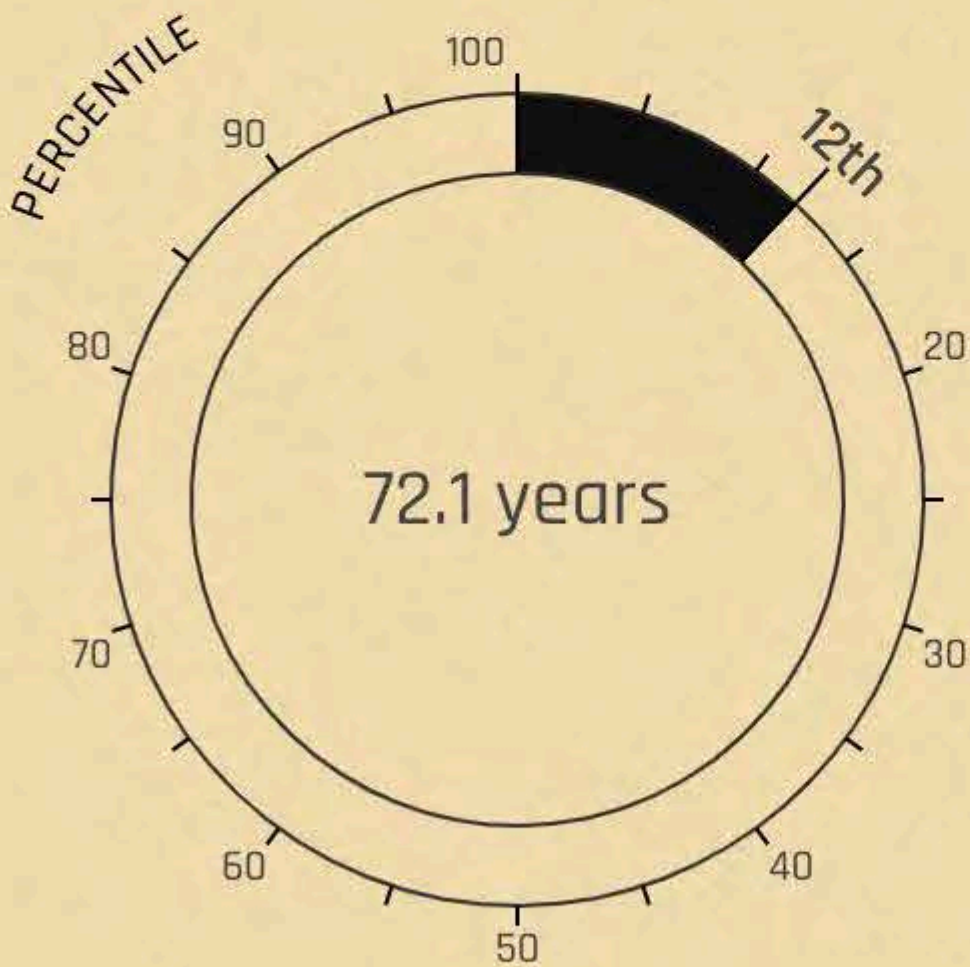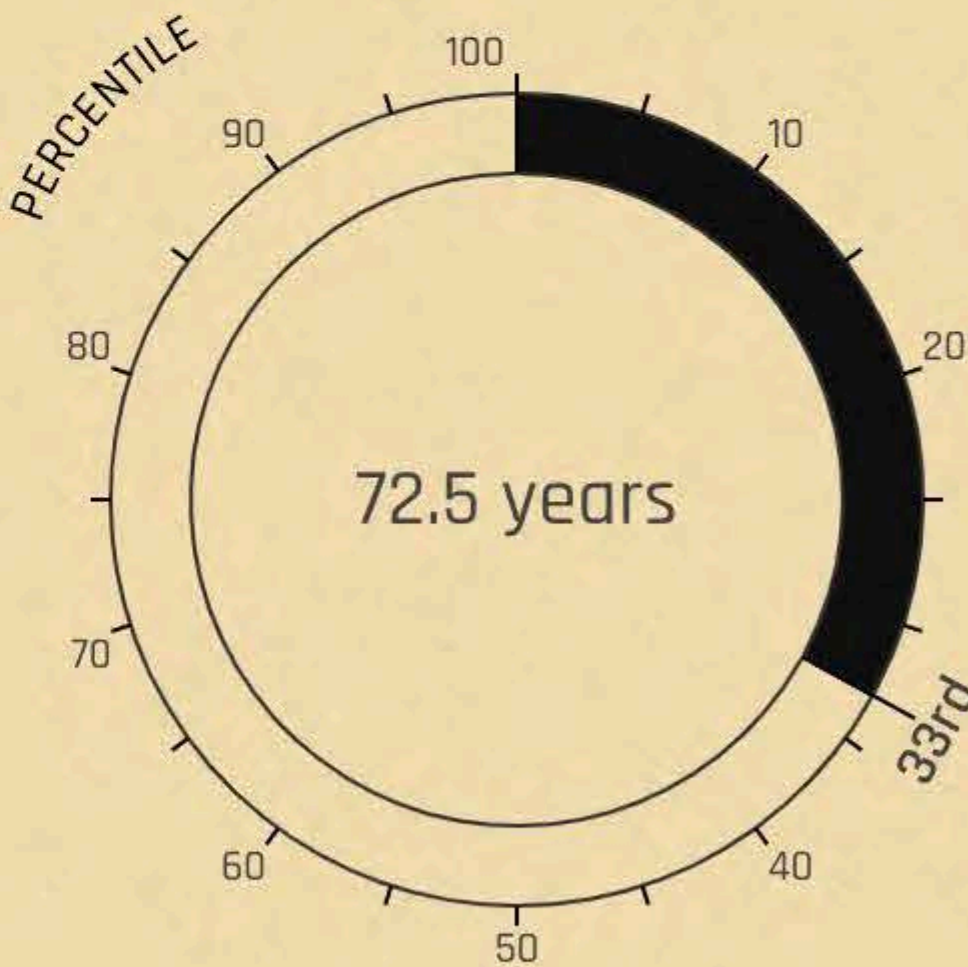
IN CLEVELAND-ELYRIA, OH, WHAT FACTORS **ADD** OR **SUBTRACT** YEARS FROM PREDICTED BLACK LIFE EXPECTANCY?

Factor	Years
Foreign born	−0.4 yrs.
Income	−0.2 yrs.
Home ownership	−0.4 yrs.
Math proficiency	−0.1 yrs.
Higher education rate	+0.0 yrs.
Bike/walk commuters	−0.1 yrs.
Distance from friends	+0.2 yrs.
Business ownership	+0.1 yrs.
Air pollution	−0.1 yrs.
Pop. density	−0.3 yrs.
No father present	−0.2 yrs.
Religiosity	−0.1 yrs.
Gun deaths	−0.3 yrs.
Unexplained	+0.4 yrs.

B
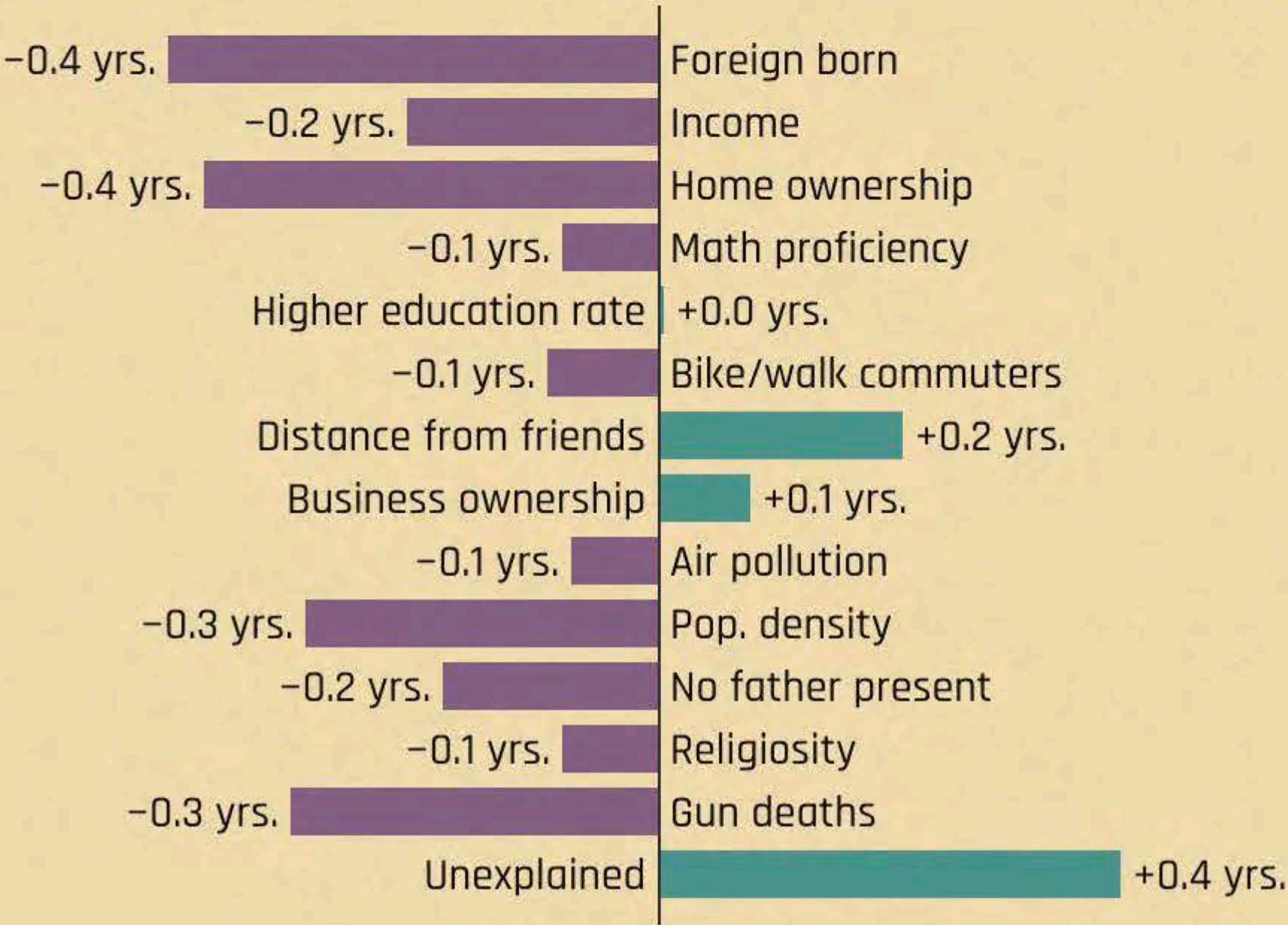
Atlanta-Sandy Springs-Alpharetta Outcomes
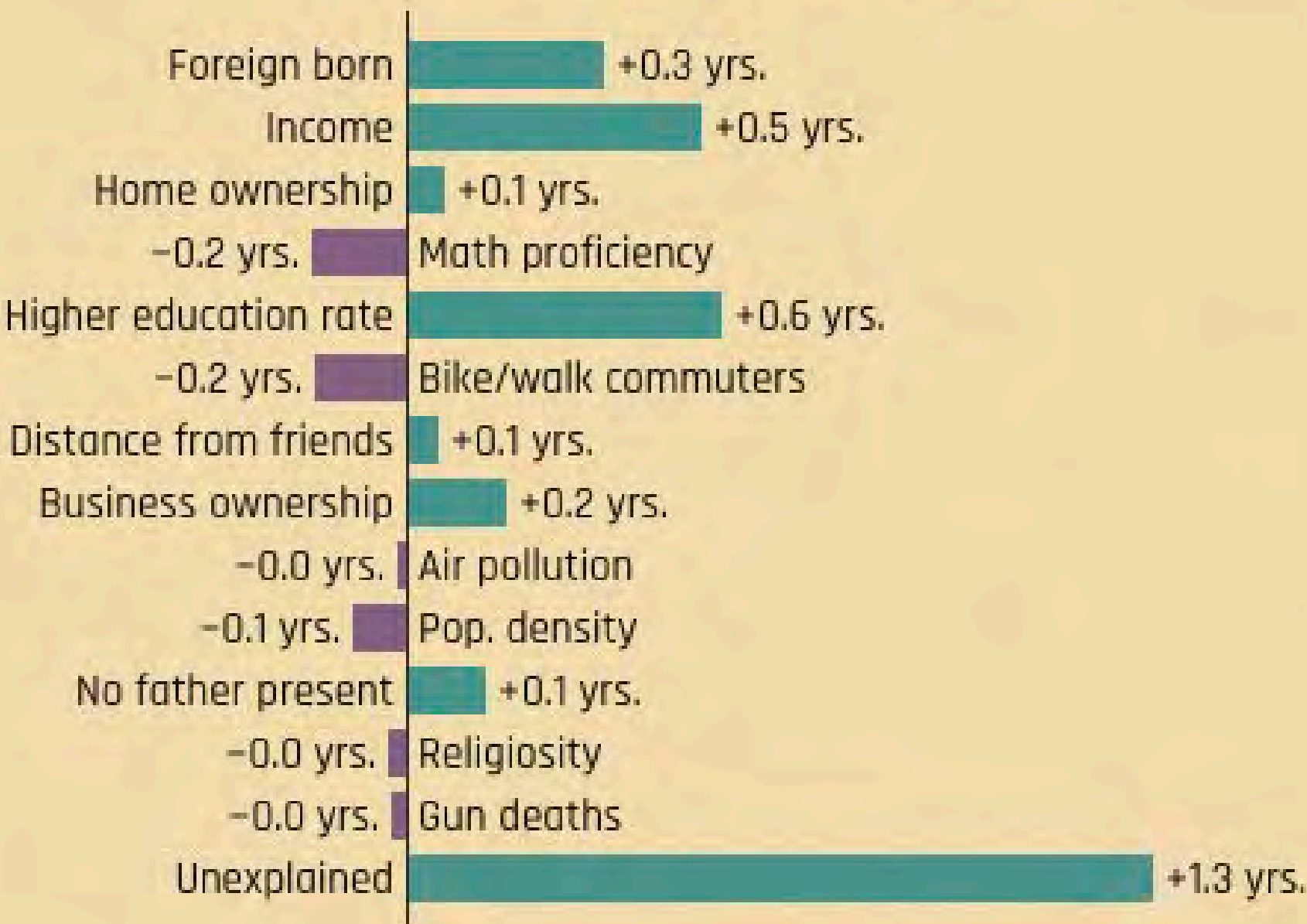
Montgomery County, MD

IN MONTGOMERY COUNTY, MARYLAND

Black population: 193450

PREDICTED BLACK LIFE EXPECTANCY BY THE BLACK PROGRESS INDEX

PERCENTILE

99th
90
80
70
60
50
40
30
20
10

81.3 years

ACTUAL BLACK LIFE EXPECTANCY IS *CLOSE TO* WHAT WAS PREDICTED

PERCENTILE

96th
80
70
60
50
40
30
20
10

81.1 years
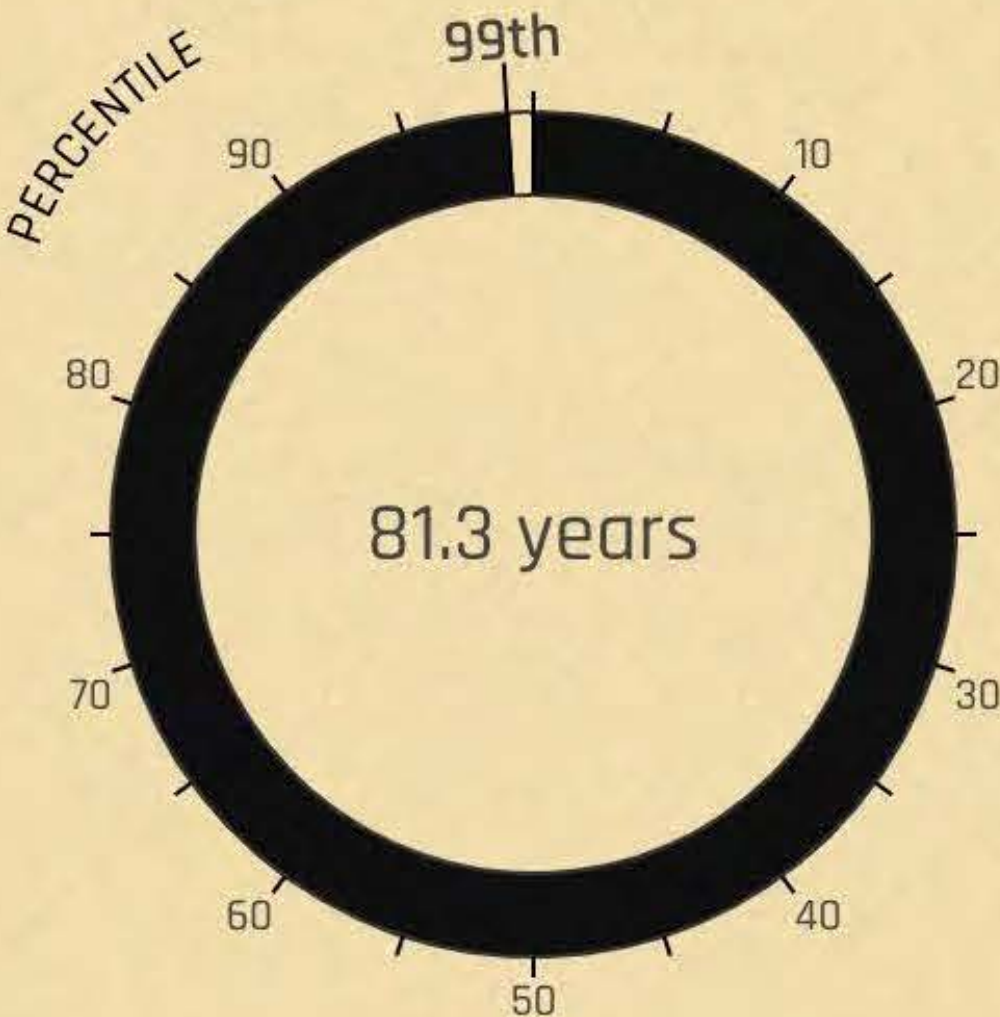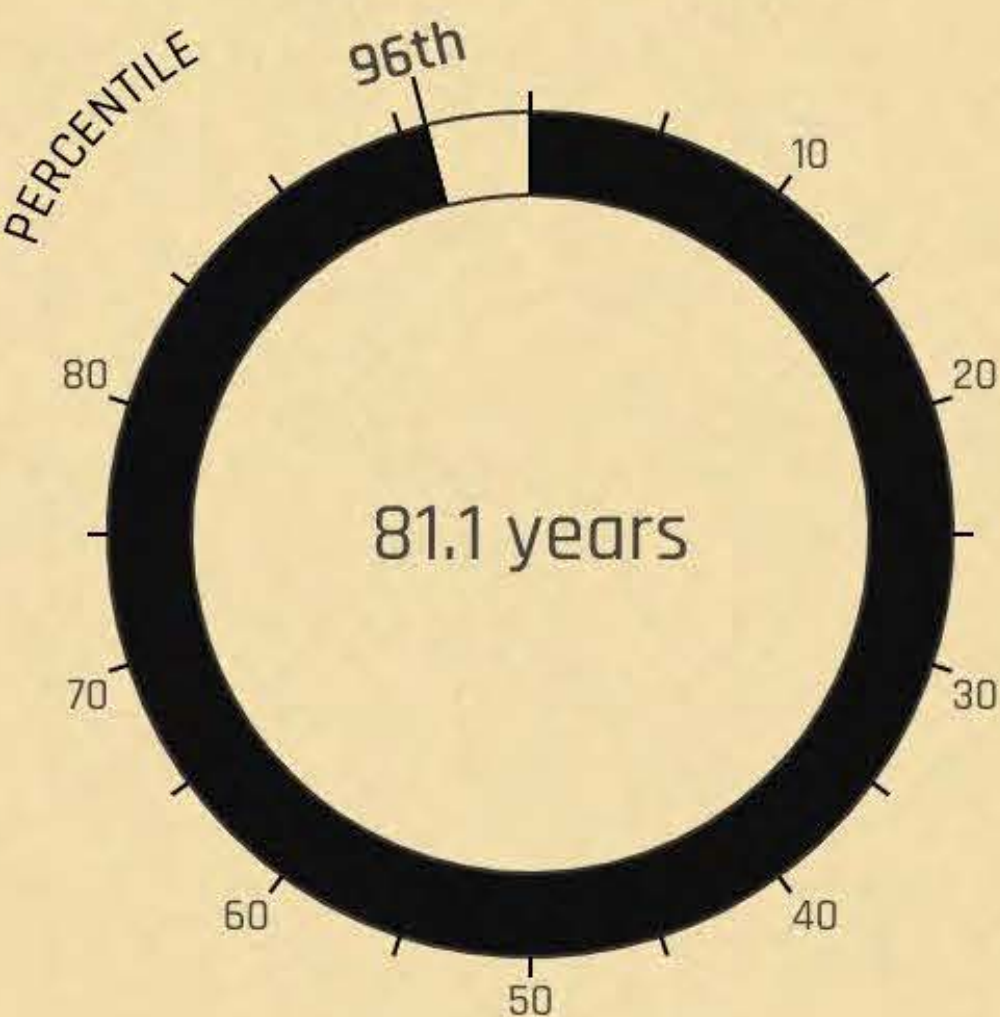
IN MONTGOMERY COUNTY, MARYLAND, WHAT FACTORS `ADD` OR `SUBTRACT` YEARS FROM PREDICTED BLACK LIFE EXPECTANCY?

Factor	Value
Foreign born	+3.3 yrs.
Income	+1.0 yrs.
Home ownership	−0.2 yrs.
Math proficiency	−0.1 yrs.
Higher education rate	+1.0 yrs.
Bike/walk commuters	−0.1 yrs.
Distance from friends	+0.2 yrs.
Business ownership	+0.4 yrs.
Air pollution	−0.0 yrs.
Pop. density	−0.3 yrs.
No father present	+0.5 yrs.
Religiosity	+0.4 yrs.
Gun deaths	+1.3 yrs.
Unexplained	−0.2 yrs.

B
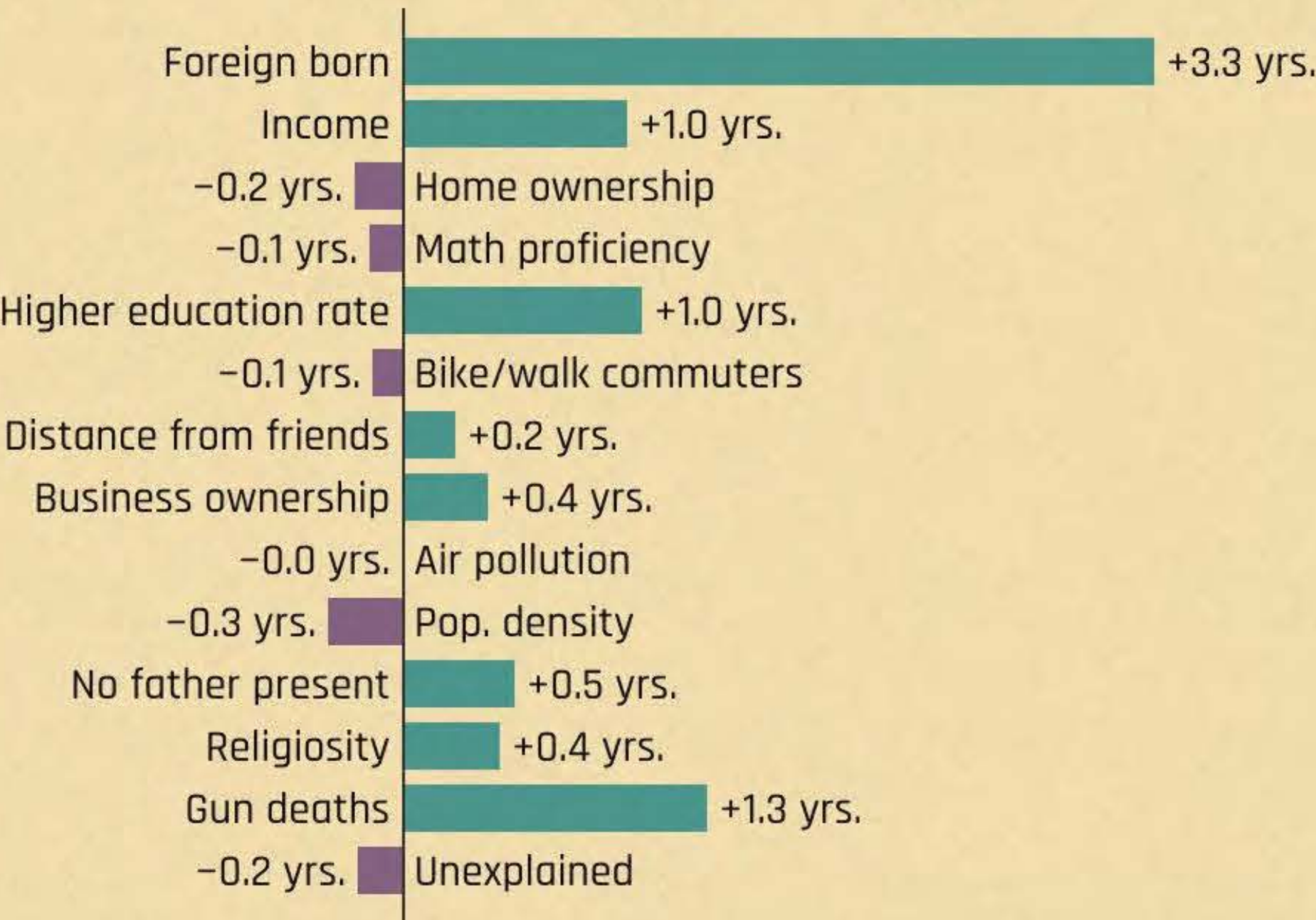
Jackson, MS

IN JACKSON, MS

Black population: 300440

PREDICTED BLACK LIFE EXPECTANCY BY THE BLACK PROGRESS INDEX

PERCENTILE

2nd

71.0 years

ACTUAL BLACK LIFE EXPECTANCY IS *GREATER THAN* PREDICTED

PERCENTILE

72.6 years

36th
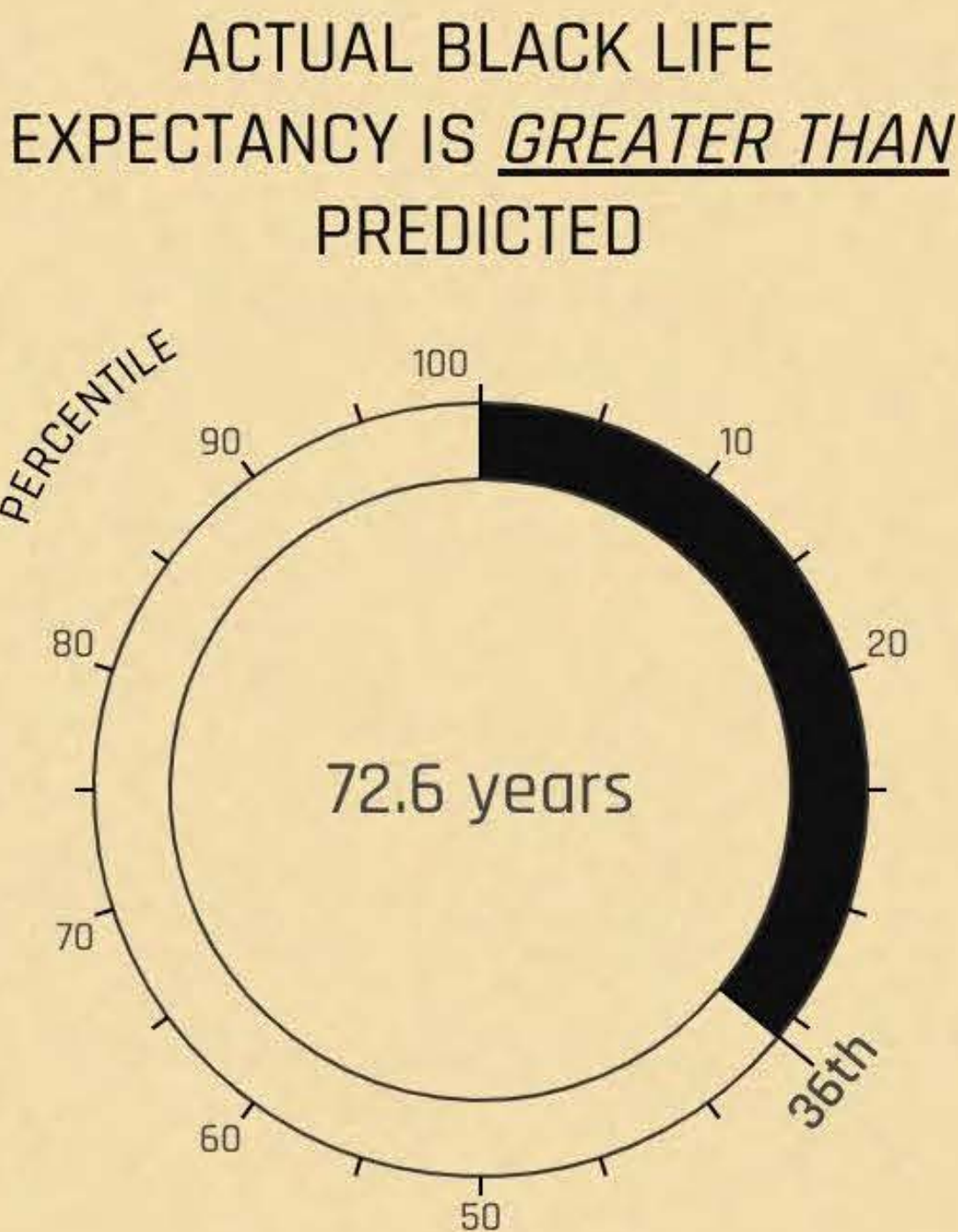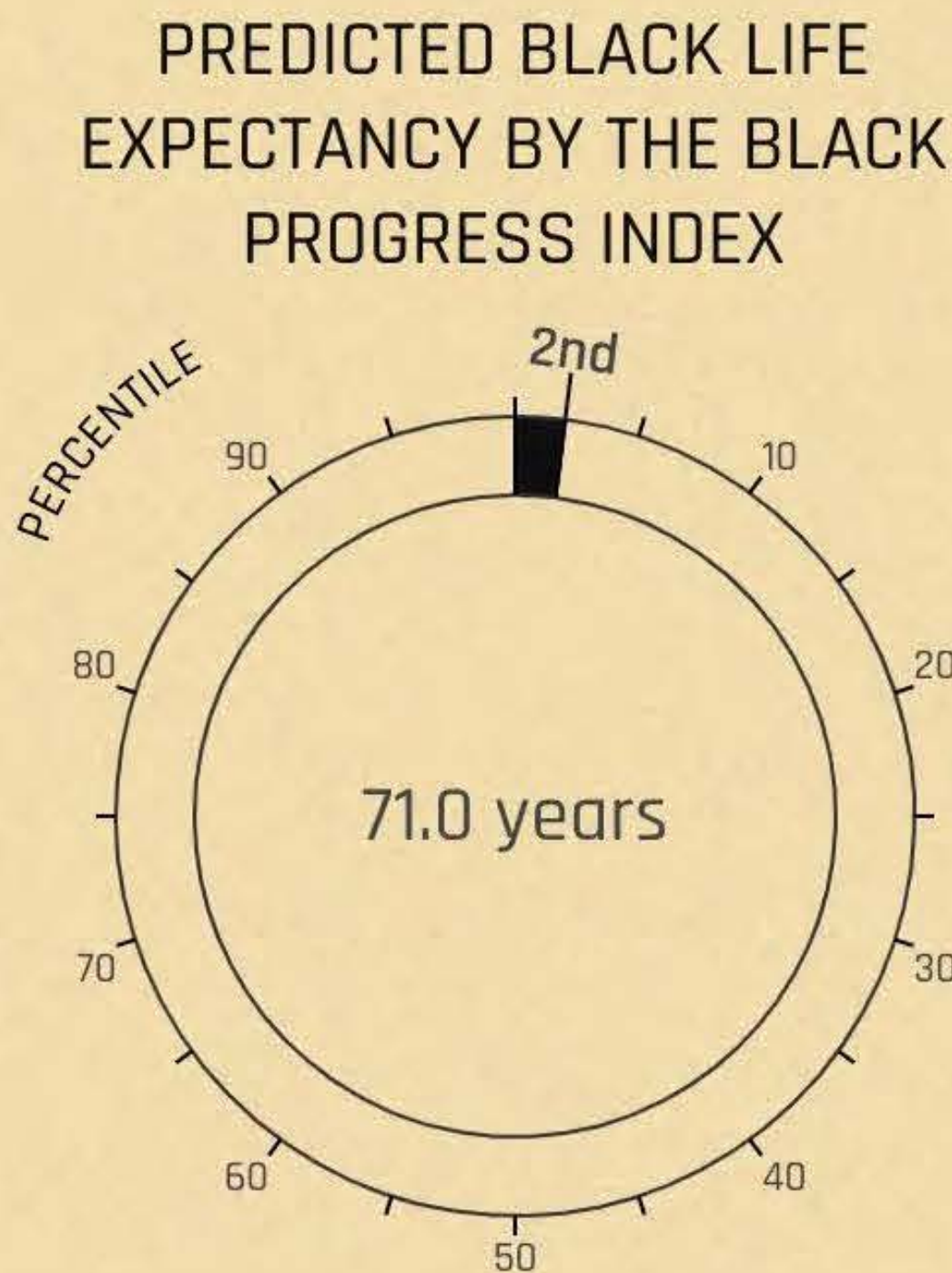
IN JACKSON, MS, WHAT FACTORS ADD OR SUBTRACT YEARS FROM PREDICTED BLACK LIFE EXPECTANCY?

Value	Factor
−0.6 yrs.	Foreign born
+0.0 yrs.	Income
+0.2 yrs.	Home ownership
−0.1 yrs.	Math proficiency
+0.2 yrs.	Higher education rate
−0.2 yrs.	Bike/walk commuters
−0.1 yrs.	Distance from friends
+0.0 yrs.	Business ownership
−0.1 yrs.	Air pollution
−0.0 yrs.	Pop. density
−0.0 yrs.	No father present
−0.5 yrs.	Religiosity
−1.9 yrs.	Gun deaths
+1.7 yrs.	Unexplained

B
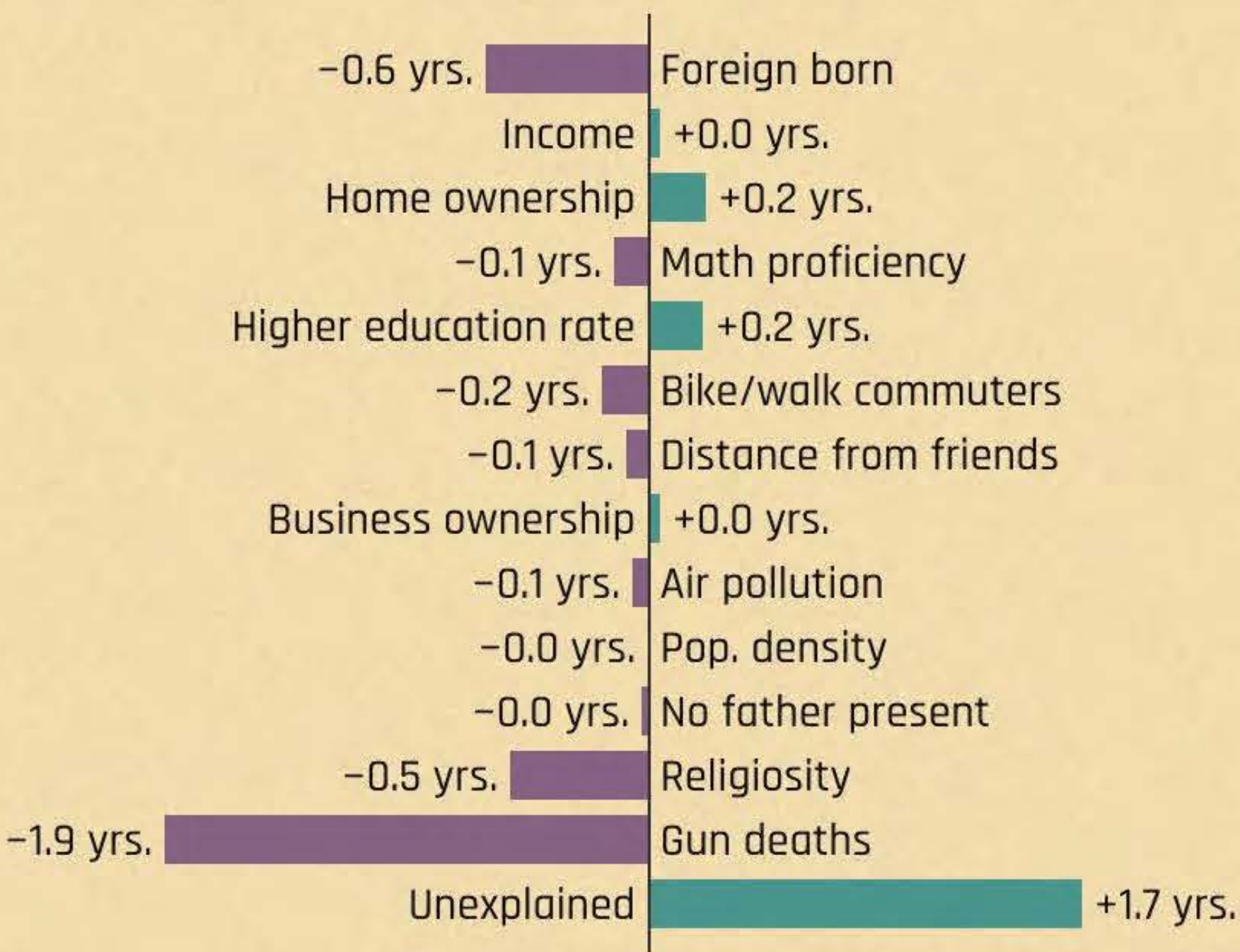
Pittsburgh, PA Outcomes (72.5)

Wealth
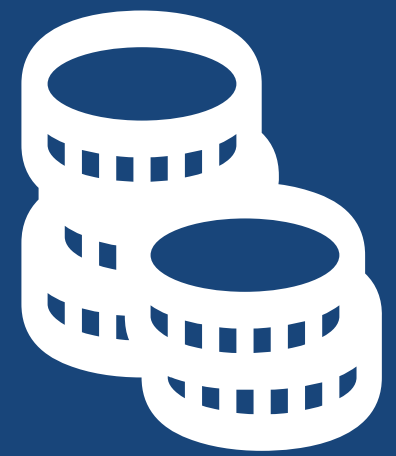
- **Black median household income – $33,956 (31st percentile)**

- **Black homeownership rate – 33.2% (33rd percentile)**

- **Black business ownership rate – 0.4% (82nd percentile)**

B

Pittsburgh, PA Outcomes

Human and Social Capital

- **Bachelor's degree or higher educational attainment – 21.3% (64th percentile)**

- **Performance on elementary and secondary school exams – 19.7 (16th percentile)**

- **Geographic diversity of friend networks (Facebook) – 541.1 miles (61st percentile)**

- **Religiosity – 592.5 (82nd percentile)**

- **Share of foreign-born Black residents – 5.2% (36th percentile)**

B

Pittsburgh, PA Outcomes

Safety

- **Black firearm fatalities per capita – 14 (53rd percentile)**

- **Percent of Black workers who commute to work by bicycle or walking – 7.6% (73rd percentile)**

B

Family Health

- **The share of Black children not living with their father – 60.4% (67th percentile)**

B

Top performing counties

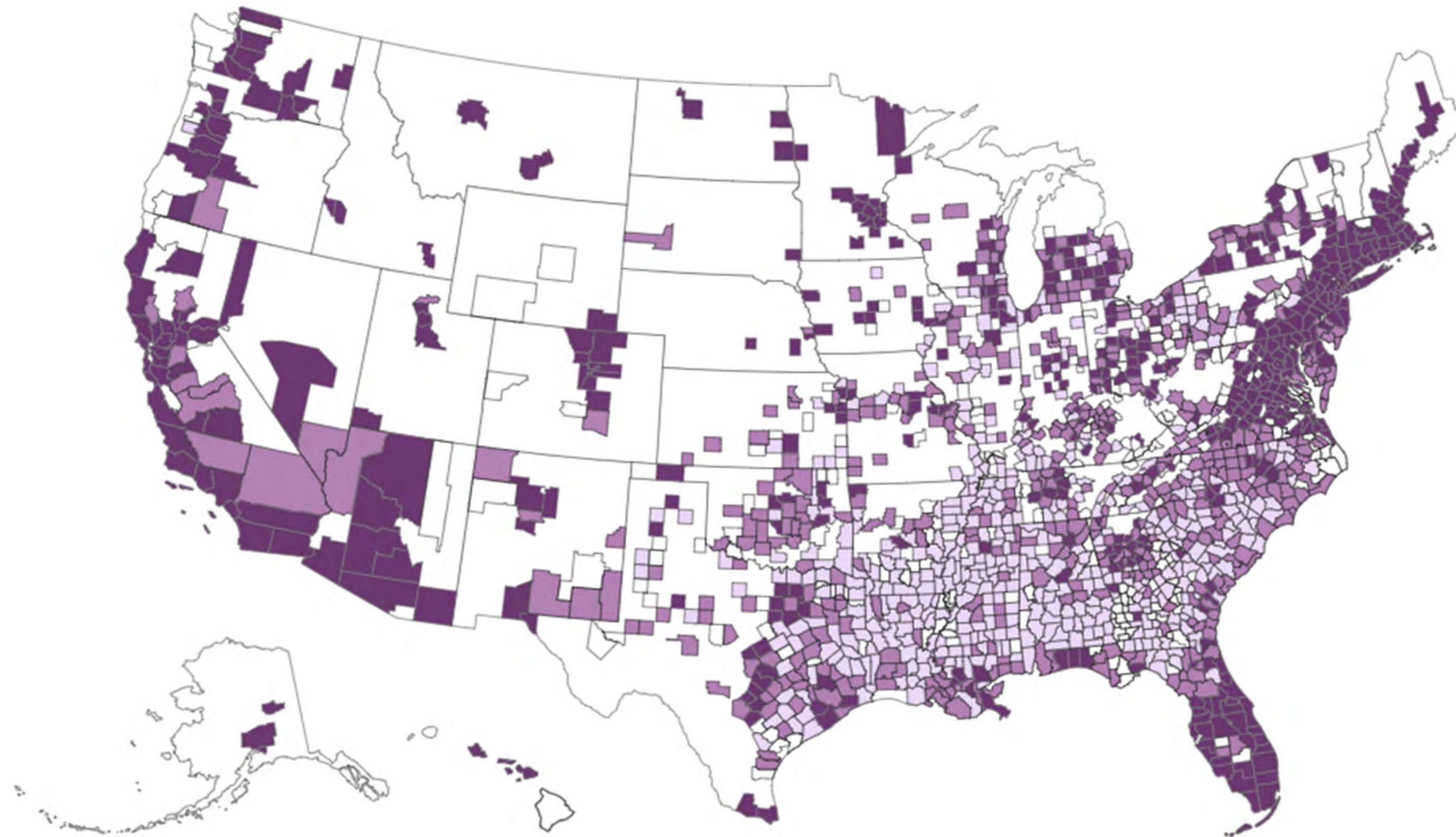| COUNTY	STATE	METROPOLITAN AREA	BLACK PROGRESS INDEX	BLACK LIFE EXPECTANCY AT BIRTH	UNEXPLAINED YEAR OF BLACK LIFE
Putnam County	New York	New York-Newark-Jersey City, NY-NJ-PA	83.5	85.8	2.3
Warrick County	Indiana	Evansville, IN-KY	83.2		
Scott County	Minnesota	Minneapolis-St. Paul-Bloomington, MN-WI	82.9	89.7	6.8
Cumberland County	Maine	Portland-South Portland, ME	82.8	79.7	-3.1
Loudoun County	Virginia	Washington-Arlington-Alexandria, DC-VA-MD-WV	82.7	82.4	-0.3
Collier County	Florida	Naples-Marco Island, FL	82.6	86.0	3.4
Rockingham County	New Hampshire	Boston-Cambridge-Newton, MA-NH	82.2	82.2	0.0

B

Lowest-performing counties

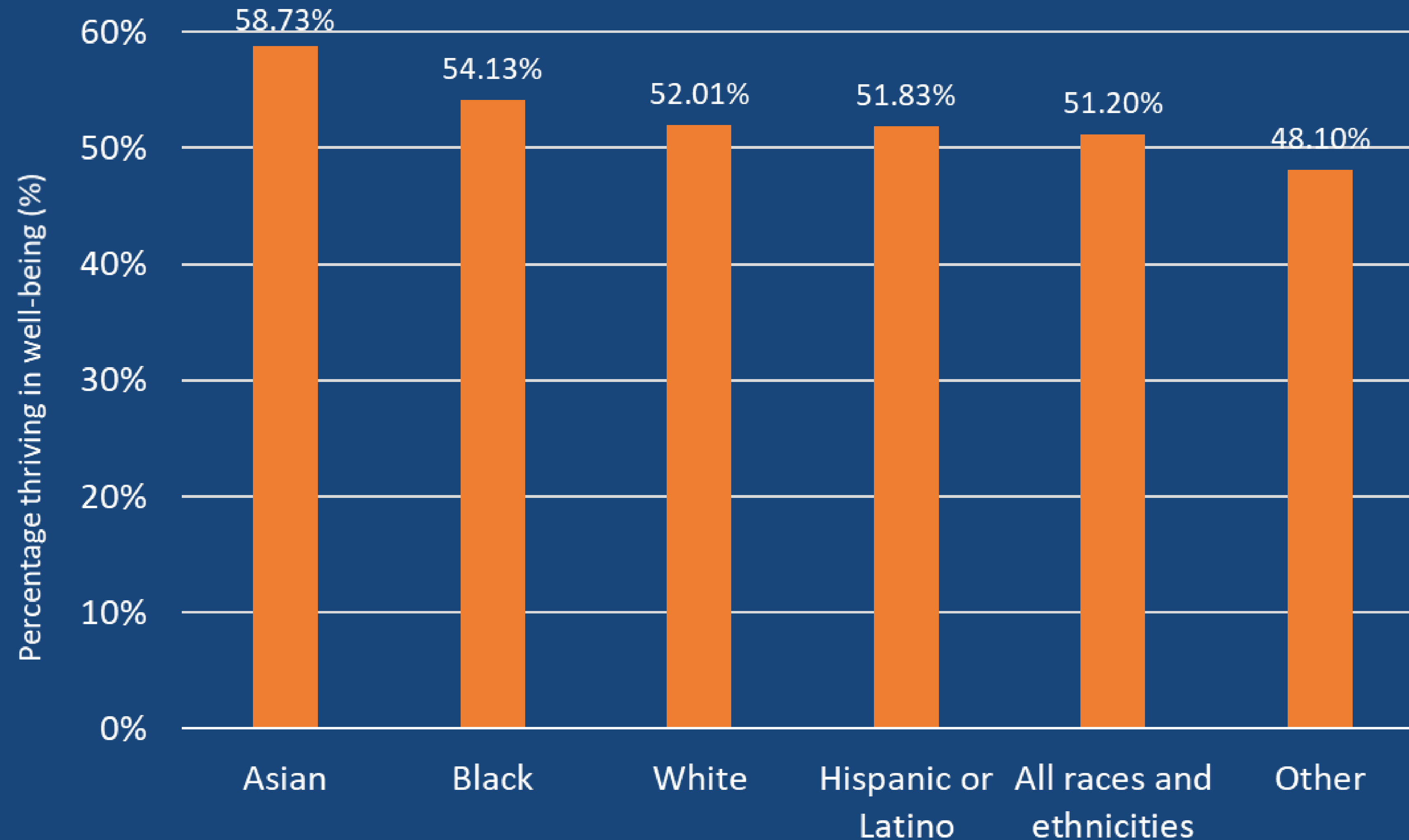| COUNTY	STATE	METROPOLITAN AREA	BLACK PROGRESS INDEX	BLACK LIFE EXPECTANCY AT BIRTH	UNEXPLAINED YEAR OF BLACK LIFE
Phillips County	Arkansas	Helena-West, AR	65.4	68.1	2.76
Choctaw County	Oklahoma	Oklahoma	66.9	68.7	1.76
Lowndes County	Alabama	Montgomery, AL	67.4	68.5	1.07
Pemiscot County	Missouri	Missouri	67.5	64.8	-2.63
Leflore County	Mississippi	Greenwood, MS	67.8	67.3	-0.49

B

Variation across counties (~64 to 83)

Black Progress Index by County

Predicted life expectancy (years)
< 72.5   72.5 – 74.9   ≥ 74.9

B

Pittsburgh Well-being

Percentage thriving in well-being (%)

	Asian	Black	White	Hispanic or Latino	All races and ethnicities	Other
	58.73%	54.13%	52.01%	51.83%	51.20%	48.10%

Equity is Stimulus

B 🐦 @andreperryedu   #KNOWYOURPRICE

Black businesses are underrepresented

Black people comprise 14.2% of the U.S. population, but Black businesses are only 2.4% of the nation's 5.7 million employer businesses

If Black businesses were the equivalent of the Black population, there would be more than 670,000 more Black businesses.

Black people comprise approximately 9.8% of the Pittsburgh metro area's population, but Black businesses are only 1% of the metro's over 42,000 employer firms.

There are 428 Black businesses, compared to 41,968 non-Black businesses.

If Black businesses were the equivalent of the Black population, there would be 3,726 more Black businesses.

B 🐦 @andreperryedu

Black businesses create an average of 13 jobs per firm**, compared to** 25 for non-Black businesses.

If the average employees per Black business increased to 25, approximately 5,000 jobs would be created.

If Black businesses were the equivalent of the Black population AND increased their employment to the level of non-Black businesses they would create over 93,000 **jobs.**

B 🐦 @andreperryedu

How to counter devaluation

Invest in PEOPLE

- Direct capital toward Black, Indigenous, Brown and Asian-owned firms (DBEs) and homeowners (Cut the Check)
- Remove unnecessary bureaucratic barriers to entry for entrepreneurship and homeownership

Invest in PLACES

- Make targeted infrastructure investments in Black neighborhoods

- Partner with businesses and developers to incentivize renovation and provide commercial spaces

Divest from RACISM

- Remove policies that extract wealth from Black communities
- Just as we score policies' budget impact, we should score for racial equity as well
- Install anti-racist polices that encourage inclusion

B 🐦 @andreperryedu   #KNOWYOURPRICE