

THE EMPTY HOUSE NEXT DOOR

Understanding and Reducing Vacancy and Hypervacancy in the United States

By Alan Mallach

Vacant and abandoned properties are a sadly familiar part of the American landscape, from the boarded row house in North Philadelphia to the empty factory in Detroit or the collapsing farmhouse in rural Kansas. These structures can devastate their surroundings, undermine neighbors' quality of life, and diminish the value of nearby properties.¹ They also cause severe fiscal damage to local governments, reducing local tax revenues while costing cities millions for policing, cleaning vacant lots, and demolishing derelict buildings.

Vacancies skyrocketed with the Great Recession, as the number of unoccupied dwellings rose from 9.5 to 12 million nationally between 2005 and 2010. Vacancy and abandonment are not only urban problems; rural areas have a vacancy rate nearly double that of metropolitan areas, particularly in many parts of Appalachia, the rural South, and the Great Plains.

The scale and trajectory of vacancy vary widely from place to place. Sun Belt cities like Phoenix and Miami saw a surge in vacancies with the foreclosure crisis and the 2007–2009 recession, but those rates declined to pre-crisis levels within a few years. In cities with strong real estate markets, such as Seattle and Washington, DC, vacancy rates remained low during the Great Recession; today, even persistently vacant properties show some promise.

The picture is very different in the nation's older, once-industrial legacy cities, where vacancy levels in some areas have continued to rise following economic decline and population loss. Concentrated vacancy, or “hypervacancy,” in parts of these cities has become so extensive it defines the character of some areas—a particular challenge for cities already facing critical barriers to prosperity. To restore vacant properties to productive use—especially in the wake of the coronavirus crisis—these communities must take more direct action.²

In cities with strong real estate markets, even difficult vacant properties have a future. The picture is very different in the nation's legacy cities, where communities must take more direct action to restore vacant properties to productive use.

In recent years, however, cities, towns, and nonprofit organizations have creatively confronted the challenges presented by such properties: Nonprofits in Cleveland and Youngstown, Ohio, rehabilitate vacant houses for first-time home buyers. Using money from the federal Hardest Hit Fund and other sources, Detroit and other legacy cities demolish vacant, derelict buildings. Creative greening strategies have been adopted in many cities, including Philadelphia.

No single strategy or program can fully address the challenges presented by a city's vacant and abandoned properties, which stem from underlying problems like concentrated poverty, economic decline, and market failure. Proven strategies and commonsense actions, however, can mitigate vacancy and enhance other features that make neighborhoods better places to live, helping residents improve their lives and safeguarding their children's futures.

Two houses sit in juxtaposition in Detroit, Michigan. Credit: David Schalliol.



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The Challenges of Concentrated Vacancy

Not every vacant property presents a problem, but those that are visibly abandoned and neglected can have a devastating effect, undermining their neighbors' quality of life, diminishing the value of nearby properties, and imposing fiscal burdens on the city.

As the National Vacant Properties Campaign put it, “With abandoned buildings comes social fragmentation.”³ Vacant properties are strongly associated with crime—one recent study found that while foreclosure itself had no effect, when a foreclosed property became vacant, violent crime nearby went up by 19 percent.⁴

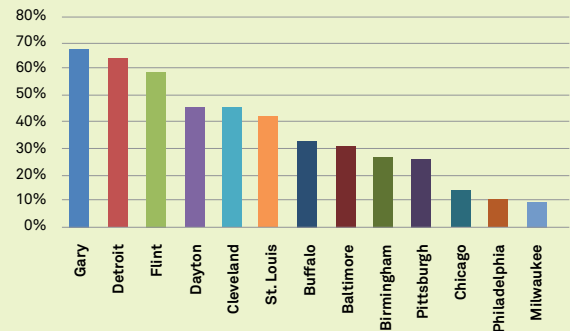
Abandoned properties also have a devastating effect on public finances. Vacant properties generate little or no revenue when sold at public auctions while imposing heavy cost burdens on local governments. Furthermore, vacant buildings and lots significantly reduce the value of neighboring occupied properties, lowering property tax revenues by millions of dollars.⁵

HYPERVACANCY

When vacancy rates reach 20 percent or more, the pervasiveness of vacant properties—buildings, lots, or both—changes the character of the immediate area. This condition, known as hypervacancy, exists most often in parts of legacy cities, particularly those that continue to lose population. Hypervacancy is also closely associated with longstanding patterns of poverty and disinvestment.

In areas suffering from hypervacancy, the local housing market has largely ceased to work, no longer exerting any control on future vacancies. Many of these otherwise heavily abandoned neighborhoods are home to subsidized housing projects, public facilities, or other uses that do not depend on conventional market forces for feasibility. However, these project areas are typically self-contained and thus separate from and providing little benefit to the surrounding neighborhoods.

Percentage of Census Tracts in Legacy Cities
in Which 10 Percent or More of All Units
Are Effectively Abandoned, 2010*



* The U.S. Census Bureau measure of “other vacant” units includes units that are neither on the market, held for future occupancy, nor used only seasonally.

Source: U.S. Census Bureau.

URBAN TRENDS AND DISTRIBUTION

Since the 1990s, hypervacancy in legacy cities has increased steadily. Official vacancy figures tend to underestimate the extent of concentrated abandonment because they measure only vacant buildings, not vacant lots, which in some cities exceed the number of remaining vacant buildings. Yet national data nonetheless paint a clear, if incomplete, picture.

Since the 1990s, average household size in cities has stayed unchanged, so the effect of population decline on the housing stock has been outsized. In 2010, as the number of vacancies peaked nationally, with legacy cities seeing skyrocketing numbers, Cleveland and other cities placed a renewed emphasis on demolition.

As most of the nation recovered from the Great Recession, some cities found hypervacancy to be largely a short-term product of the foreclosure crisis. Yet conditions in legacy cities and lower-income neighborhoods remain problematic, with revivals often limited to a few parts of these cities at best, reflecting the uneven nature of the national recovery and the complex challenges vacant properties present.

Strategies for Reuse, Rehabilitation, and Revival

In weak real estate markets, where the market or reuse value of many properties is well below the cost to restore or replace them, public action is necessary to create conditions that encourage reuse, mitigate harm, and create the potential for future revival. Since the Great Recession, cities have creatively pursued all three goals.

PUBLIC AND NONPROFIT ACTION TO REVIVE THE MARKET

Public policies and actions can hinder the market or, alternatively, help overcome economic obstacles and jump-start markets. In Baltimore and elsewhere, state and local officials have created land banks and proactively revised their approaches to tax foreclosure and receivership to motivate better property maintenance, resolve tangled legal and title problems, and speed the return of properties to responsible ownership.⁶ Such strategies build demand by enabling the market to work more effectively, rather than shifting limited existing demand from the private rental market to the subsidized rental sector. While some strategies use small amounts of public resources, they do not depend on public funds, as returns from selling or renting rehabilitated houses covers developers' costs.

DEMOLITION AS A STRATEGY

The supply of buildings in many areas is likely to significantly exceed demand for many years to come, leaving large numbers of abandoned properties to continue damaging their neighborhoods' social and economic fabrics. Demolition is expensive. It can be effective, however, when combined with the strategic rehabilitation of buildings, reuse of vacant lots, regulatory initiatives that address substandard or poorly maintained occupied properties, and marketing strategies that improve residents' quality of life and revive neighborhood housing markets.

GREEN REUSES FOR VACANT LAND

Perhaps the most significant strategy for vacant properties to emerge over the past decade is what has come to be known as "greening" vacant lots by putting them to environmentally friendly uses like community gardens, vineyards, and tree farms. Contemporary urban greening programs, such as Re-Imagining Cleveland or the programs of the Pennsylvania Horticultural Society in Philadelphia, empower local residents to transform their communities or to find jobs in landscape improvement and maintenance. Cities now use vacant lots to manage stormwater, alleviate food deserts, and more.



THE LEGACY CITIES INITIATIVE: SUPPORTING IDEAS, NETWORKS, AND ACTION

The Legacy Cities Initiative is a national network of community leaders and government officials working to create shared prosperity and direct attention to the common needs and collective importance of legacy cities. A project of the Lincoln Institute of Land Policy, the initiative promotes sustainable and equitable revitalization by convening networks, facilitating the exchange of ideas and practices, and researching and advancing new policy approaches. Visit legacycities.org to learn more and to access strategies, resources, and a searchable map charting nearly 100 legacy cities and their pathways to growth.

Youngstown Neighborhood Development Corporation has rehabilitated over 60 vacant houses for sale in Youngstown, Ohio.
Credit: Youngstown Neighborhood Development Corporation.

Recommendations

The challenge of vacant property is inextricably linked to the larger social and economic challenges of the neighborhoods, cities, and regions in which these empty buildings and lots are concentrated. That said, intervention by the public and private sectors could reduce both the number of unproductive, blighted vacant properties and the harm they do to the quality of life and future economic prospects of struggling American cities and towns.

KNOW THE TERRITORY

Most cities lack adequate information about their vacant properties: how many exist, what their physical condition and legal status are, which have potential for rehabilitation, and which need to be demolished. Most local governments and community-based organizations have the resources to collect and analyze this information. Parcel surveys and vacant property registration ordinances can help local governments and partners plan responsibly for the future.

REMOVE LEGAL IMPEDIMENTS

Laws in many states leave properties in limbo, perpetuating vacancy and abandonment, and impeding timely reuse of vacant properties as a result of antiquated and inefficient tax sale procedures or protracted foreclosure systems. States should review and amend relevant statutes to ensure that property titles pass to responsible owners in a timely fashion.

ENACT AND APPLY STRONG TOOLS

Many states allow local governments to create land banks, use receivership to restore properties, leverage eminent domain to remove “spot blight,” and take other actions to move vacant properties toward reuse. These tools can all be used more effectively with active engagement from citizens and nonprofits. Where such tools are lacking or inadequate, local officials and community organizations should advocate for states to enact them.

FOSTER MARKET-DRIVEN PROGRAMS

Creative strategies can often unlock unrealized market potential in vacant properties. When cities can make available suitable vacant properties with clear titles at realistic prices, local developers can often rehabilitate those properties for homebuyers or tenants. Ready access to mortgage financing for qualified buyers of rehabilitated properties can further build the market.

INCLUDE GREENING AND DEMOLITION IN LARGER STRATEGIES

By looking at market conditions, financial realities, demographic data, and economic trends, cities can assess the extent to which vacant buildings and lots can be reused. If the answer is that many will not be developed, that city should begin to plan for sustainable, long-term green reuse. Where building supply exceeds present and projected demand, demolition may be necessary. However, demolition strategies should always be linked with rehabilitation and stabilization of other buildings and with long-term reuse and greening strategies.



The Pennsylvania Horticultural Society's LandCare program in Philadelphia turns vacant lots into neighborhood assets. Credit: Pennsylvania Horticultural Society.

For deeper analysis and more detailed recommendations, read Alan Mallach's Policy Focus Report, *The Empty House Next Door: Understanding and Reducing Vacancy and Hypervacancy in the United States* (Cambridge, MA: Lincoln Institute of Land Policy, 2018).

- ¹ Anne B. Shlay and Gordon Whitman, “Blight Free Philadelphia: A Public- Private Strategy to Create and Enhance Neighborhood Value” (Philadelphia, PA: Temple University Center for Public Policy, 2003); Wonseok Seo and Burkhard von Rabenau, “Spatial Impacts of Microneighborhood Physical Disorder on Property Resale Values in Columbus, Ohio,” *Journal of Urban Planning and Development* 137, no. 3 (September 2011): 337–345.
- ² Alan Mallach and Lavea Brachman, *Regenerating America's Legacy Cities* (Cambridge, MA: Lincoln Institute of Land Policy, 2013).
- ³ National Vacant Property Campaign, “Vacant Properties: The True Cost to Communities” (Washington, DC: Smart Growth America, 2005), 11.
- ⁴ Cui Lin and Randall Walsh, “Foreclosure, Vacancy and Crime,” *Journal of Urban Economics* 87 (2015): 72–84.
- ⁵ Susan M. Wachter, Kevin C. Gillen, and Carolyn R. Brown, “Green Investment Strategies: How They Matter for Urban Neighborhoods,” in *Growing Greener Cities: Urban Sustainability in the 21st Century*, eds. Eugenie Birch and Susan M. Wachter (Philadelphia, PA: University of Pennsylvania Press, 2011).
- ⁶ Frank S. Alexander, *Land Banks and Land Banking* (Washington, DC: Center for Community Progress, 2011); Alan Mallach, *Tackling the Challenge of Blight in Baltimore: An Evaluation of Baltimore's Vacants to Value Program* (Washington, DC: Center for Community Progress, 2017).