Separate and Unequal: The Impact of Socioeconomic Status, Segregation, and the Great Recession on Racial Disparities in Housing Values

Melvin E. Thomas¹, Richard Moye², Loren Henderson³, and Hayward Derrick Horton⁴

Abstract

The effects of race, class, and residential segregation on housing values continue to be a major focus of sociological research. Nevertheless, there has yet to be a study that places these factors in the context of the great recession of 2008 and 2009. Accordingly, the purpose of this work is to assess the extent to which the great recession affected housing values for African Americans and whites relative to the joint effects of race, class, and residential segregation. The following research questions are addressed: (1) How do segregation and socioeconomic status (SES) affect racial differences in housing values? (2) What were the levels of racial disparity in housing values before, during, and after the great recession? and (3) Were the housing values of higher status African Americans insulated from the negative impact of segregation and the great recession compared with their lower status counterparts? Using the Integrated Public Use Micro-data Series, the 2010 metropolitan area dissimilarity and population density scores, and hierarchical linear modeling, the findings revealed that the great recession exacerbated racial differences in housing values most in the higher SES categories. Higher status African Americans were more disadvantaged relative to comparable whites than lower status African Americans compared with similar whites in terms of housing values. The article concludes with a discussion of the implications of the findings.

Keywords

racial inequality, housing, wealth, segregation, social class

Economic disparities between African Americans and whites are well documented. Large gaps remain in income, employment, occupational attainment, and poverty (e.g., Keister and Moller 2000; Neckerman and Torche 2007; Thomas and Moye 2015). However, such inequalities pale in comparison with those of racial differences in wealth (Shapiro 2005). Several studies have documented racial and ethnic differences in wealth ownership (e.g., Avery and Rendall 2002; Conley 1999; Horton 1992; Keister 2000a, 2000b; Lewin-Epstein, Elmelech, and Semyonov 1997; Oliver and Shapiro 1995, 2006; Parcel 1982; Semyonov and Lewin-Epstein 2011, 2013). A recent study by the Pew Research Center study revealed large black-white and Latino-white gaps in wealth that

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have been widening since the great recession of 2008 and 2009 (Kochhar, Fry, and Taylor 2011).

There are important racial differences in the ownership of the components of net worth, including home equity (Jackman and Jackman 1980; Long and Caudill 1992; Martin, Horton, and Booker 2015). There is considerable evidence that several factors contribute to racial differences in the value of homes: the values of the homes owned by whites appreciate more rapidly than those of African Americans, resale values of homes are greater for whites than for African Americans, and whites typically receive more favorable terms in home mortgage lending than do African Americans (Birnbaum and Weston 1974; Conley 2001, 2003; Henretta 1979; Horton and Thomas 1998; Jackman and Jackman 1980; Krivo and Kaufman 2004; Kuebler 2013). In fact, one of the most important factors producing the racial wealth gap is the gap between the value of the homes owned by whites and African Americans (Oliver and Shapiro 2006).

Three important interrelated factors that affect racial disparities in housing values are the focus of this analysis: socioeconomic status (SES), residential segregation, and the great recession of 2008 and 2009. Although previous research has examined combinations of these factors, no study has examined all of these factors in the context of a multivariate analysis. We contend that all of these factors interactively affect racial differences in housing values. This article contributes to our understanding of this important subject through an analysis of the impact of SES, residential segregation, and the great recession on racial differences in housing values using hierarchical linear models. Racial differences in housing values in prerecession (2005–2007), recession (2008–2009), and immediate postrecession (2010–2011) years are examined. We address the following questions three questions. First, how do segregation and SES affect racial differences in housing values? Second, how have the great recession and the housing market crash affected the racial disparities in housing values? Finally, are the housing values of higher status African Americans insulated from the negative impact of segregation and the great recession compared with their lower status counterparts?

**HYPERSEGREGATION AND RACIAL DISPARITIES IN HOUSING**

Residential segregation affects the racial gap in home values both directly and indirectly. For example, African Americans experience worse living conditions, less access to quality schools, fewer good-paying jobs, and other pernicious outcomes because of residential segregation (Massey and Denton 1993). Hypersegregation is an institutionalized structure that functions as a stratifying agent in the United States that benefits whites by concentrating resources (i.e., jobs, high-performing schools, and quality homes with higher value) in white neighborhoods (Massey and Denton 1993). When neighborhoods are viewed as safe, with reasonable access to good-paying jobs, good schools, and quality housing, the value of the homes in such neighborhoods tends to be higher than in neighborhoods without these characteristics. However, research has shown that the perception of neighborhood quality is not based solely on these factors. The presence of minorities, African Americans in particular, is correlated with decreased desirability of a neighborhood and home values (Krysan, Farley, and Forman 2000; Massey and Denton 1993). Massey and Denton (1993:143–45) demonstrated that decreased housing values in African American neighborhoods are the result of both individual and institutional discrimination rather than the flight of middle-class African Americans or reduced access to employment. Although other factors negatively affect African American communities, it is residential segregation that serves as the “structural linchpin” that produces and sustains concentrated disadvantage within African American communities (LaVeist, Gaskin, and Trujillo 2011:17). Civil rights legislation targeting housing discrimination has not been fully realized for African Americans, as they continue to be segregated from whites.

Although the United States continues to be highly segregated, scholars must remain mindful that the concentration of African Americans, per se, does not create disadvantaged communities. Exposure to concentrated poverty, lack of resources, environmental toxins, and overpolicing create risky and hazardous living conditions for African Americans in hypersegregated neighborhoods (Fitzpatrick and LaGory 2011). Hypersegregation provides a structural perspective that allows the analysis of U.S. racial stratification by highlighting the role of residential segregation and concentrated disadvantage in maintaining racial inequality (Massey and Denton 1993).

Equity in homeownership represents a large share of most people’s wealth (Williams and Jackson 2005). Historically, African Americans have been blocked from wealth building through the housing market because of institutionalized discrimination in lending practices (i.e., redlining) and restrictive covenants that prevented the purchase of homes in white neighborhoods (Gotham 2000;
Discrimination in mortgage lending has constrained and continues to decrease wealth accumulation for African Americans, which could serve to buffer against economic downturns and provide inheritance for future generations. Hypersegregation and reduced housing values have deleterious effects on racial stratification outcomes because “where an individual lives—especially where one grows up—exerts a profound effect on one’s life chances” (LaVeist 2005:149).

The impact of residential segregation is not simply the result of class inequality, but is rooted in the systemic racism that shapes stratification outcomes for Americans on the basis of the communities in which they live (Acevedo-Garcia 2000; Jargowsky 1996; LaVeist 2005). This systemic racism, implemented through residential segregation practices, operates as an invisible factor that concentrates African Americans into disadvantaged neighborhoods (Hogben and Leichliter 2008).

Clearly, residential segregation negatively affects housing values for minorities, African Americans in particular (Rugh and Massey 2014). African Americans experience levels of residential segregation that exceed those of other racial and ethnic groups in the United States (Galster 1987, 1990; Lieberson 1980; Massey and Denton 1993; Yinger 1995). Research has shown that the racial composition of a neighborhood can affect housing prices (Coate and Schwester 2011; Flippen 2004; Hipp and Singh 2014; Kim 2003; Macpherson and Sirmans 2001; Moye 2014; Myers 2004). Most of the research has found that home values either decline or fail to appreciate as the percentage of African American residents increases.

A conclusion from previous research is that housing prices and appreciation rates are inversely correlated with the percentage of African Americans in any neighborhood. Consequently, housing in neighborhoods that predominantly have African American residents would be in low demand and suffer from depressed housing values compared with housing in predominantly white neighborhoods. More highly segregated metropolitan areas are characterized by more segregated African American and white neighborhoods and fewer integrated neighborhoods. Therefore, we would expect greater racial disparities in housing values in these types of more highly segregated metropolitan areas.

Race and SES

SES is one of the most important determinants of housing quality. Individuals with higher levels of income, education, and occupational attainment are more likely to own their own homes and secure for themselves higher quality and more expensive housing. However, compared with whites, African Americans have continued to be disadvantaged in both SES and ownership of highly valued housing. In the United States, African Americans have historically been overrepresented in the lower classes and underrepresented in the more affluent classes. However, scholars observed a significant growth of the African American middle class between the 1940s and 1970s (e.g., Farley and Allen 1987; Smith and Welch 1986). Some scholars assert that these trends have persisted well into the 2000s (Lacy 2007; Landry and Marsh 2011; Marsh et al. 2007).

Wilson (2012a) argued that this growth of the African American middle class constitutes evidence that it is social class, rather than race, that is the primary determinant of life chances for African Americans. According to Wilson, because of recent social, economic, and political changes, middle-class African Americans have life chances that are similar to those of their white counterparts. However, more recent empirical studies generally conclude that race plays a significant and negative role in the labor force experiences of even middle-class African Americans (e.g., Cotton 1989, 1990; Landry 1987; Thomas 1993, 1995; Thomas and Horton 1992; Thomas, Herring, and Horton 1995, Thomas and Moye 2015).

For example, Tomaskovic-Devey, Thomas, and Johnson (2005) provided evidence suggesting that higher status (or more educated) African Americans face more discrimination than lower status (or less educated) African Americans. Other research has pointed to the fragile position of middle-class African Americans caused by their overrepresentation in public sector or private sector positions in which they interact chiefly with African American patrons (Collins 1983, 1989; Landry 1987). Pattillo-McCoy (1999), in her study of an African American community, observed the difficulties middle-class African American families have in avoiding the social pathologies that plague poor inner-city African Americans.

On the basis of the research revealing the problems facing the African American middle class, we would expect the disparity in housing values to be greater between high-SES African Americans and whites than between lower SES African Americans and whites. Higher status whites, who do not face the difficulties African Americans experience, can more easily translate their SES into housing equity and other forms of wealth.
The Great Recession

The great recession began in December 2007 and continued through June 2009. This crisis led to a tremendous loss of wealth and high unemployment. Between 2008 and 2009, the U.S. labor market lost 8.4 million jobs. The dramatic rise in mortgage delinquencies and foreclosures in the United States triggered the mortgage catastrophe. The cost of homes plateaued in 2006 and started a sharp decline afterward (Federal Housing Finance Agency 2011). High nonpayment rates on “subprime” and adjustable-rate mortgages began to spike quickly and aggravated these problems. The steep fall in home values arguably also resulted in homes’ being worth less in relation to the sums owed on mortgage loans. This scenario definitely provided financial incentive for some borrowers to undergo foreclosure.

What led to this crisis? Reduced mortgage rates, coupled with significant increases in projected housing values prior to the crisis, encouraged both lenders and borrowers to overvalue most homes on the market (Johnson and Kwak 2010). During this period, lenders used innovative credit scoring to identify high-risk borrowers and offered them loans at higher interest rates. A significant number of borrowers with poor credit ratings were offered subprime loans that often led to foreclosure. However, African Americans with high incomes were also targeted for subprime loans (Burd-Sharps and Rasch 2015). Wall Street investment banks purchased many of these high-risk loans and then sold them as toxic debt (Johnson and Kwak 2010).

Between 2002 and 2005, high-risk borrowers were increasingly encouraged to purchase homes with “teaser” rates that would later convert to much higher interest rates (Porter 2010). Given the rising housing values, lenders encouraged borrowers to accept subprime loans under the assumption that they would refinance or sell their homes before the high interest rates kicked in. Higher interest rates and larger payments made it impossible for many homeowners to afford their monthly payments. Thousands of struggling families who were already living paycheck to paycheck found themselves facing increased mortgage payments, credit card debt, and banks that refused to offer refinancing. These factors were exacerbated by the declining economy. In 2007, the housing bubble burst and triggered the great recession.

Many Americans suffered economic losses as a result of the recession. However, there is evidence that African Americans suffered much greater losses that whites during this period. For example, the unemployment rate for African Americans grew to 16.5 percent, compared with 8 percent for whites. Also, between 2005 and 2009, African Americans lost more than half (56 percent) of their net worth, compared with 18 percent for whites. There is also evidence that the recession increased racial disparities in housing values and wealth. African Americans were specifically targeted by predatory lenders with risky subprime mortgages (Hwang, Hankinson, and Brown 2015; Rugh and Massey 2010; Rugh, Albright, and Massey 2015). African American neighborhoods subsequently had higher rates of foreclosure (Anacker and Crossney 2013; Lichtenstein and Weber 2014; Hall, Crowder, and Spring 2015a, 2015b). High-income African Americans were offered high-risk subprime loans when they could have qualified for prime loans (Faber 2013). African American homeowners were less likely to be able to avoid a foreclosure action by a bank (Chan et al. 2014). Foreclosure of a single house can have a large negative impact on property values of the other houses in the neighborhood (Immergluck and Smith 2006). Metropolitan areas with large African American populations have higher foreclosure rates than less diverse metropolitan areas (Hall et al. 2015a, 2015b). In addition, higher levels of black-white segregation are associated with higher levels of subprime lending (Hwang et al. 2015; Hyra et al. 2013). Also, the more segregated a metropolitan statistical area is, the larger the black-white differential in values, because a higher percentage of African American homeowners will be in African American neighborhoods. And those African American neighborhoods were particularly at risk for plummeting values during the recession (Rugh et al. 2015).

Because of the strong evidence that the great recession had a more negative impact on African Americans than whites, there is reason to expect a widening of the racial disparity in housing values in the post–great recession period compared with the pre–great recession period. For African Americans who managed to keep their homes during this time, it is reasonable to expect that their housing values were negatively affected by the disproportionately high rates of foreclosures in African American communities (Rugh and Massey 2010).

The African American Middle Class: Insulated or Fragile?

Lower-status African Americans were severely hurt by the recession. Poor, inner-city African
Americans were already suffering from high rates of joblessness, social isolation, deindustrialization (the shift from a manufacturing to a service economy), and lack of job training and educational opportunities (Wilson 2012a, 2012b). It is reasonable to assume that for those who managed to become homeowners, the recession would be particularly harmful. Many lost their homes because of foreclosure during this period (Rugh and Massey 2010). However, it is not clear how much better higher status African Americans fared during this time of economic distress. Given their “fragile” position in the workforce, it may not have been possible for higher status African Americans, despite their high levels of education and income, to be insulated from the negative impact of either ongoing residential segregation or the recession. It may be more difficult for middle-class African Americans, compared with their white counterparts, to secure for themselves a nice house that appreciates in value in a “desirable” neighborhood. Many high-status African Americans find themselves living in segregated African American middle-class neighborhoods (e.g., Pattillo-McCoy 1999). Therefore, higher status African Americans may have fared worse during the recession compared with their white counterparts than did their lower status counterparts. Higher status whites, unencumbered by the institutionalized processes discussed above, would be more likely to avoid the extreme drops in housing values than their African American counterparts.

**Racism and Housing Values as an Indicator of Wealth: A Sociohistorical Perspective**

Racism has always been associated with the access and accumulation of wealth in the United States. Indeed, as African Americans experienced nearly three centuries of being property themselves, they have historically been very keen to the notion of homeownership and housing values (Horton 1992). One indicator of African Americans’ appreciation for wealth accumulation was their level of homeownership and property acquisition during Reconstruction (Butler 2005; Du Bois [1935] 1992; Green and Pryde 1990; Horton and DeJong 1991). The inherent power associated with wealth accumulation was one of the major factors in the dominant group’s attempts at minimizing black homeownership and housing values from the dawn of the Jim Crow era to the present (Martin et al. 2015).

To be precise, part of the attempt to control African Americans was not only to limit their opportunities during the Jim Crow era but to restrain future generations as well (Franklin and Higginbotham 2010). Thus, redlining also had the effect of minimizing, if not eliminating altogether, the likelihood of the intergenerational transfer of wealth (Butler 2005; Horton 1992). If each generation of African Americans has to start over in terms of the wealth accumulation, then the relative lack of wealth for the entire population is perpetuated. Conversely, it is not uncommon for white youth to receive a “gift” of a down payment on a home or to inherit homes or property outright (Oliver and Shapiro 2006).

Although homeownership can provide a nominal sense of wealth within the African American population, housing values more directly underscore the level of wealth and the extent to which racial barriers affect it (Horton and Thomas 1998; Roithmayr 2014). As the great recession clearly demonstrated, one can own a home with negative equity: owing more on the mortgage than the house is worth. This was more likely to be the case with African American rather than white homeowners (Martin et al. 2015). It is for this reason that housing values, rather than simply owning a home, are the indicators of wealth in this study.

**Research Problem**

We address several important questions in this study. First, can the racial disparities in housing values be explained by SES? Have higher status African Americans been able to convert their higher incomes, education, and occupational attainment into homes of equal value to their white counterparts?

Second, what was the impact of segregation on black-white housing values? If African Americans in segregated metropolitan areas experience more economic hardships than African Americans in less segregated places, then we would expect the black-white disparity in housing values to be greater in highly segregated places.

Third, how did the great recession and the housing market collapse affect racial disparities in housing values? There is reason to expect a widening of the disparity given the documented expansion of the racial gap in wealth and home foreclosures during this period. Also, historically, economic downturns have more negatively affected minorities and disadvantaged subpopulations.

Finally, how did the recession and residential segregation affect the housing values of higher status and lower status African Americans compared
with their white counterparts? Were lower status African Americans, who were the most disadvantaged before the recession, the most harmed by the recession? Conversely, were higher status African Americans, because of their higher incomes, education, and occupational attainment, better able to shield themselves from these factors that tend to depress housing values?

DATA AND METHODS

To answer these questions, we use data from the 2005–2011 Integrated Public Use Microdata Series (IPUMS) merged with the 2010 metropolitan area dissimilarity and population density scores for the 100 largest metropolitan areas. These data provide prerecession (2005–2007), recession (2008–2009), and immediate postrecession (2010–2011) information. Included in the analysis are African American and white homeowners.

The IPUMS provides data from the American Community Survey (ACS) at the individual level instead of the aggregated data usually provided by the ACS (Ruggles et al. 2015). The ACS is a nationally representative sample of American households collected by the U.S. Census Bureau, with a series of monthly samples to provide annual estimates for states and metropolitan areas. A key advantage of using IPUMS data is that because data are collected on an ongoing basis, we can compare estimates over three different time periods: prerecession (2005–2007), recession (2008–2009), and immediate postrecession (2010–2011). The data collection is a repeated cross-sectional design. Included in the analysis are African American and white homeowners.

The individual-level independent demographic variables are race, sex, age, region, SES, housing age, and number of bedrooms. Race is recoded into a dummy variable where black = 1 and white = 0. Sex is recoded into a dummy variable where female = 1 and male = 0. Age of the respondent (coded as actual years) is used to estimate the age effect. We have recoded region of the interview into dummy variables, with northeastern region as the omitted category. We also include a dichotomous variable for location of the house either within the boundaries of the city (1) or in the surrounding suburban counties (0).

After restricting to homeowners from 2005 to 2011, 12,727,944 cases remained. We further restricted our analysis to person number 1 in each household to ensure that observations were independent. That left 4,243,354 cases. To compute SES, we first separately standardized the scores for occupational prestige, years of educational attainment, and income. Then we computed the average z score for each individual in the analysis. Only homeowners who reported occupations, incomes, and levels of education were included in the analysis. After those adjustments were made, 4,223,849 cases remained. Of those, 1,620,249 were in the top 98 metropolitan areas1 and were therefore included in our analyses.

We want to make sure that features of the housing stock are not the reason for the black-white difference in housing value, so we include housing stock control variables in our model, including the number of bedrooms as an estimate of the size of the unit and the age of the structure. This is a standard procedure in models examining the influence of race on housing prices (e.g., Moye 2014).

The bedrooms variable is the number of bedrooms in the individual’s house. The year built variable measures the age of the housing structure. These were the only housing stock–related variables available from IPUMS that were shown to be correlated with housing value at the bivariate level.

Hierarchical Linear Modeling

We include a multilevel model to assess the impact of selected metropolitan characteristics (level 2) on housing values. It may be inappropriate to use only an individual-level model when it is clear that there is significant variation in housing markets among different metropolitan areas. Level 2 allows us to account for variations in housing value across different metropolitan housing markets as a function of race-related metropolitan level differences. Level 2 variables include the index of dissimilarity.

The index of dissimilarity is used as a measure of black-white segregation. It measures the relative separation of groups across all the neighborhoods of a metropolitan area (Frey and Myers 2005). Other level 2 variables include standardized population density and standardized total population. Ordinary least squares regression assumes that observations are independent. In contrast, using a multilevel model allows us to account for the fact that individuals within a metropolitan area will have similar housing values. We used HLM 7 software (Scientific Software International) to run analyses.

Our study includes both two- and three-way interactions. Examining the Black × SES interaction will help determine if the racial differences in
housing value vary by SES and the Black × Dissimilarity interaction will help determine if they vary by segregation. Examining the three-way Black × SES × Dissimilarity interaction will reveal if race, SES, and segregation in combination affect housing values.²

**RESULTS**

Descriptive statistics are presented in Table 1.

As can be seen in model 1 in Table 2, after controlling for SES, age, sex, region of the country, region of the metropolitan area (city vs. suburbs), age of the house, and number of bedrooms per house, it is clear that African Americans have a large, statistically significant disadvantage in the value of their homes compared with whites. Each of the control variables affects housing values in the expected direction. The variables with the largest impact are SES, the race of the homeowner, and the number of bedrooms in the house. Each of the region variables is statistically significant: home values in the Southwest, Midwest, and Southeast are lower than home values in the Northeast; and home values in the West are higher than in the Northeast. Collectively, the variables in this model account for 47.89 percent of the variation in housing value among metropolitan areas and 31.73 percent of the variation in housing value among households.

Model 2 adds population density, total population size, and dissimilarity as level 2 variables. Population density is the only one of the added variables that is statistically significant in model 2. The higher the population density, the higher the housing values are for everyone. By adding the additional level 2 variables, the region control variables become less important: the coefficients for Southeast and Midwest are no longer significantly different from the omitted region (Northeast), and the coefficient for Southwest shrinks in magnitude. These results suggest that population density in the metropolitan areas of the Northeast is a key reason why the housing values are higher. With the addition of these metropolitan-level variables, 71.68 percent of the variation among metropolitan areas is now explained by the model. The addition of the level 2 variables did not result in any substantial changes to the level 1 coefficients.

Model 3 adds one two-way interaction: Black × Dissimilarity. The Black × Dissimilarity interaction allows us to test whether segregation has a unique impact on African Americans’ housing values. The Black × Dissimilarity interaction is positive and significant, indicating that as segregation increases, the black-white gap in housing values grows. Although high levels of black-white segregation were not associated with lower property values nationally, African Americans are worse off...
Table 2. Hierarchical Linear Models Predicting the Impact of Race and Metropolitan-level Segregation on Home Values.

<table>
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<th>Model 1</th>
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<tr>
<td>Black × Dissimilarity</td>
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Percentage of level 2 variation explained (variation among metropolitan areas) 47.89 71.68 71.88 71.90 72.07

Percentage of level 1 variation explained (variation among households) 31.73 31.73 31.55 31.53 31.83

Note: Standard errors are in parentheses. The dependent variable is the log of home value. SES = socioeconomic status.

*p ≤ .05 (two tailed). ***p ≤ .001.

than whites in highly segregated metropolitan areas.

In model 4, we test a different two-way interaction: Black × SES. The Black × SES interaction term allows us to test whether the gap between African Americans and whites increases as SES increases. The Black × SES interaction term is indeed significant: high-SES African Americans
Thomas et al. have housing values much lower than their high-
SES white counterparts do. The gap between
African Americans’ housing values and whites’
housing values increases as SES increases.

After we separately tested the two one-way
interactions, in model 5 we present a three-way
interaction, including both of the two-way interac-
tions. The three-way Black × SES × Dissimilarity
interaction term is not statistically significant. This
means that segregation does not differentially
affect the racial disparities between higher or lower
SES African Americans and whites. The addition
of the interaction terms to the model has slightly
improved the explanatory power of the model: the
model accounts for 72.07 percent of the variation
in housing values among metropolitan areas and
31.83 percent of the variation in housing values
among households.

The next set of models was constructed to exam-
mine the impact of the recession on the black-white
housing value disparity. In Table 3, we have included
dummy variables to identify the impact of the reces-
sion on housing values and the unique impact of the
recession on the black-white housing value gap. All
of the models in Table 3 include the same metropol-
itan-level control variables from Table 2. The omit-
ted variable is prerecession (2005–2007). Recession
years include 2008 and 2009, and postrecession
years include 2010 and 2011.

In model 1 in Table 3, we see that housing val-
ues during the recession years were significantly
lower than values during the prerecession years
and that the housing values in the postrecession
years were the lowest. Including the recession and
postrecession year variables improved the explana-
tory power of the model; now 32.55 percent of the
variation among households is accounted for.

In models 2 and 3 in Table 3, we have added
two-way interactions. Model 2 includes the Black ×
SES two-way interaction to test whether the dispar-
ity in housing values between African Americans
and whites grows as SES increases after accounting
for the impact of the recession. In model 3 in Table
3 the Black × Recession two-way interaction terms
are included to test whether the disparity in housing
values between African Americans and whites was
uniquely affect by the recession. The Black × SES
interaction is negative and significant, indicating
that the racial disparity grew with increasing SES,
even after accounting for the impact of the reces-
sion. In model 3 in Table 3, the Black × Recession
interaction is positive and significant, indicating
that the black-white housing value gap actually
slightly decreased during the recession years. How-
ever, the Black × Postrecession interaction is
negative. The racial gap in housing values actually
became more narrow during the recession but wid-
ened again during the postrecession era.

Model 4 includes the three-way interaction
terms for Black × Recession × SES and Black ×
Postrecession × SES. Our findings indicate that dur-
ing both the recession and the immediate postreces-
sion years, the housing values of high-SES African
Americans fell significantly lower than those of
their white counterparts. The housing values of
higher status African Americans were more nega-
tively affected by the great recession than those of
their white counterparts. Overall, the addition of the
recession, postrecession years, and race three-way
interactions slightly increase the explanatory power
of the model. Our model accounts for 32.64 percent
of the variation among households and 71.99 per-
cent of the variation among metropolitan areas.

Figure 1, based on model 4, illustrates the
impact of the Black × SES interaction on predicted
housing values for the prerecession, recession, and
postrecession periods. The figure illustrates how
the pattern of racial disparities increasing with ris-
ing SES grew even worse in the recession and post-
recession periods.

DISCUSSION

The gap in the value of the houses owned by
African Americans and whites is large and cannot
be explained by differences in SES. In fact, rather
than narrowing, the racial gap widens with rising
SES. African Americans who have achieved higher
levels of income, education, and occupational pres-
tige are further behind their white counterparts than
lower status African American compared with their
white counterparts.

As expected, segregation increases the racial gap
in housing values. Overall, the racial gap was wider
in more segregated metropolitan areas. Segregation
negatively affected the housing values of African
Americans across all SES levels. However, segrega-
tion did not differentially affect lower status African
Americans compared with higher status African
Americans. Attaining higher levels of income, edu-
cation, and occupational prestige did not insulate
African Americans from the negative impact of seg-
regation on the value of their homes.

The great recession depressed the housing val-
ues of both African Americans and whites. However,
one segment of the African American community
Table 3. Hierarchical Linear Models Predicting the Impact of Race and the Great Recession on Housing Values.

<table>
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<th>Model 1</th>
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<td>SES × Recession</td>
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<td>SES × Postrecession</td>
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<td>Black × SES × Postrecession</td>
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<tr>
<td>Percentage of level 2 variation explained (variation among metropolitan areas)</td>
<td>71.93</td>
<td>71.93</td>
<td>71.99</td>
<td>71.99</td>
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<tr>
<td>Percentage of level 1 variation explained (variation among households)</td>
<td>32.55</td>
<td>32.55</td>
<td>32.57</td>
<td>32.64</td>
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Note: Standard errors are in parentheses. The dependent variable is the log of home value. SES = socioeconomic status.
*p ≤ .05 (two tailed). ***p ≤ .001.
was harmed most by the economic downturn: higher status African Americans. Net of statistical controls, the increase in the racial gap during the recession years was much more severe for higher status African Americans compared with their white counterparts. This gap widened further in the immediate postrecession years. This means that not only were higher-status African Americans worse off overall compared with their white counterparts, but this disadvantage grew significantly during and immediately after the recession. On the other hand, there was little change in the predicted housing values of low-SES African Americans and whites in the recession and immediate postrecession periods.

**Figure 1.** Predicted housing values for African Americans and whites by socioeconomic status.
Given the impact of historical and contemporary discrimination on the process of becoming a homeowner, these findings take on greater significance (Horton 1992). African Americans are much less likely than whites to be homeowners and more likely to be renters. Also, African Americans were more likely to lose their homes to foreclosure during the recession. Because the process of becoming a homeowner is more selective for African Americans, those African Americans who manage to achieve and maintain homeownership status are already an advantaged subset of the African American community. Therefore, we might expect them to be more comparable with their white counterparts in life chances, including housing values. Despite this selectivity, a large racial disparity exists that increases with rising SES and, for higher status homeowners, has been growing larger as a result of the recession.

These findings corroborate research on income disparities showing that African Americans who are more educated and have attained higher occupational status were worse off than less educated, lower status African Americans when compared with similar whites (e.g., Cotton 1990; Thomas, Herring, and Horton 1994; Thomas and Horton 1992; Thomas and Moye 2015; Tomaskovic-Devey et al. 2005). These studies generally provide support for the argument that racial discrimination negatively affects the earnings of higher status African Americans more than it does lower status African Americans. This results in the reduced ability of African Americans with high levels of education and occupational attainment to translate their human capital into comparable incomes. Similarly, these studies support the idea that there are racial obstacles that impede the ability of higher status African Americans to translate these assets into homes in desirable areas that appreciate in value. This is something that whites who are unaffected by discriminatory barriers can more easily accomplish.

This research highlights the fact that segregation continues to disadvantage African Americans, particularly those with high SES. However, it also provides additional empirical evidence that segregation continues to function as a structural factor that concentrates advantage in the housing market for whites (i.e., white privilege). Although scholars continue to grapple with the complex reasons why whites continue to locate themselves in predominately white areas (Crowder and Krysan 2016), Anderson and Massey (2004) provided the most commonsense answer: “Segregation persists in the USA because whites benefit from it” (p. 338). For example, segregation leads to better health outcomes, educational quality, better public services, and greater wealth for whites (Henderson 2015; Herring and Henderson 2016; Shapiro, Meschede, and Osoro 2013; Williams and Sternthal 2010).

Why is it that African Americans, especially those of higher SES, have lower housing values than their white counterparts even in the least segregated metropolitan area? The hypersegregation concept may suggest a partial answer to this question. African Americans, regardless of the overall segregation level of a metropolitan area, may find themselves victimized by “microsegregation.” This means that African Americans, regardless of their SES, may still find themselves confined to “black spaces.” These are predominately African American census tracts, neighborhoods, subdivisions, and even cul-de-sacs. Negative attitudes toward “black spaces” may depress the housing values of higher status African Americans who find themselves steered away from the more highly valued “white spaces.” This means that African American homeowners who have attained high levels of income, education, and occupational prestige may not be able to receive the economic benefits of having white next-door neighbors, even though there are whites living in close proximity. Such microsegregation would not be detected by the metropolitan area–level measures used in this analysis.

The finding that the great recession more negatively affected the housing values of higher status African Americans may reflect another aspect of the fragility of middle-class status for African Americans (Collins 1989, 1990). Because of this fragility, it is more vulnerable to adverse political, social, and economic changes. This fragility is increased if middle-class African Americans are living in areas avoided by middle-class whites. Weaker demand for these houses will not only decrease their appreciation rates but also make them more susceptible to losses in value caused by negative housing market trends. An important question for future research is how much of this loss will be regained as the housing market recovers.

Limitations

Our study has some limitations. First, home value in this study is self-reported rather than professionally appraised. Because housing pricing fell so dramatically between 2007 and 2008, there may be some lag between the drop in the value of the home and the homeowner’s realization of the drop.

Second, this analysis is of the largest metropolitan areas. Smaller metropolitan areas may have different patterns than those revealed here.

Third, as stated above, a study of metropolitan area segregation such as this may not capture the
impact of microsegregation. Therefore, the full impact of segregation may be underestimated.

Fourth, our focus is on the impact of black-white segregation and the recession on the housing values of African Americans and whites. African Americans experience significantly more racial segregation than any racial or ethnic group in the United States. Nevertheless, it may be instructive for future research to focus on the impact of racial segregation and the recession on the housing values of Latinxs, Asians, and Native Americans.

Fifth, housing values have been rising since the end of the great recession. An important question for future research is: Will the widening of the gap between higher SES African Americans and whites continue, decrease, or get worse as the economy continues to recover? The answer to this question will have serious consequences for the overall wealth gap between African Americans and whites in the future.

ACKNOWLEDGMENTS

The authors would like to acknowledge Cedric Herring

NOTES

1. There are some slight differences in how the metropolitan areas are defined in the FREY2010 file and in the IPUMS file, which results in two of the metropolitan areas being dropped from the analysis. The FREY file lists Raleigh and Durham, North Carolina, as separate cities, whereas in the IPUMS file, they are listed as a single metropolitan area. The FREY file also lists Salt Lake City and Ogden-Clearfield, Utah, as separate cities, whereas the IPUMS lists them as a single metropolitan area. Bradenton-Sarasota-Venice, Florida (the 52nd ranked metro area) and Poughkeepsie-Newburgh, New York (the 77nd ranked metro area) are also listed in the FREY file but do not have any cases in the IPUMS file after restricting to homeowners who reported occupations, education, and income levels.

2. All independent variables were centered (i.e., subtracting the mean from each score of the variable in question) prior to creating interaction terms. This technique was used in this analysis to increase the interpretability of findings.

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Hayward Derrick Horton is a professor of sociology in the School of Public Health at the State University of New York at Albany. He specializes in demography, race and ethnicity, public sociology, and the sociology of place. He also is the founder of the critical demography paradigm. He has published extensively on the various dimensions of the demography of racial inequality and is a coeditor of Skin Deep: How Race and Complexion Matter in the “Color-blind” Era and a coauthor of Lessons of the Black Working Class: Foreshadowing America’s Economic Health.