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Lowest-Cost Housing Markets See Big Boost

By Ben Eisen

The red-hot U.S. housing market is giving an extra boost to the cheapest houses, including many in historically stagnant neighborhoods that have suffered from a lack of investment.

It is pushing forward efforts to revive the local economies of Detroit, Cleveland, Youngstown, Ohio, and other areas where homes can sell for as little as a few thousand dollars but typically require a lot of work to fix up and can't be financed with a mortgage.

U.S. ZIP Codes where the median home cost less than $100,000 in early 2018 have had a 42% rise in prices in the three years since, according to a CoreLogic Inc. analysis for The Wall Street Journal. That is about double the rise for ZIP Codes where the median was between $150,000 and $200,000, and triple the rise in locales with $300,000-plus price tags.

The pandemic has prompted wealthy buyers to splurge on vacation homes and families to trade in city living for the suburbs. It has also fueled demand among first-time home buyers and investors, lifting the bottom end of the housing market in particular.

While prices in many low-cost areas remain far below national averages, some worry that the price appreciation either won't last or won't reach the residents who stand to benefit most. The rising prices could also lock some families out of homeownership, especially young people and first-time buyers.



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James Jordan Jr. rehabbed this Ohio home. He originally planned to flip it but decided to move in.

It is unclear if the recent rise "is a sign of upward and sustainable wealth accumulation for low-income and minority households," said Karen Petrou, author of "Engine of Inequality: The Fed and the Future of Wealth in America."

Still, community advocates see signs that neighborhood revitalization is spreading to those previously lacking signs of economic life.

James Jordan Jr., a general contractor, browsed Zillow listings last year across Youngstown. He was looking for a fixer-upper that he could rehab and flip but scoffed at listing prices of between $30,000 and $40,000 for homes in bad shape.

Instead, he turned to the Mahoning County Land Bank, which manages and sells vacant properties in town to those willing to fix them up. He spent $3,000 in September for a house in a rundown neighborhood east of downtown, where the other properties on the block were largely vacant.

He redid the plumbing and got rid of the mold. He pulled out the old carpets and painted the walls, all of which he estimates cost him about $5,000. With the house in better shape, he decided to move in. He is selling his other house on the city's north side. "My decision was more economic," he said.

Often, an investment in this price range means sinking more money into buying and fixing up a property than it can ultimately fetch upon sale. At Youngstown Neighborhood Development Corp., a nonprofit that rehabs properties and focuses on neighborhood revitalization, the price increases lessen the risk of this pitfall.

In Detroit's cheapest ZIP Code, where the median sales price was $45,500 in early 2018, prices have since risen 113%, according to CoreLogic. That is far more than any other ZIP Code in the city.

That is leading to shifts across Detroit, which has thousands of vacant properties. The Detroit Land Bank Authority, which manages these homes, sold 1,091 of them in the first three months of the year, more than double that of a year earlier. Increased demand has prompted the land bank to scrap plans to demolish about 300 houses, according to Rob Linn, director of inventory.

Home values across Detroit rose 24% in the 12 months through April, Zillow said.

Tekeela Daniels, a specialist at a Stellantis NV manufacturing plant, started working with a real-estate agent in November to find a house. But all of them were either in undesirable neighborhoods or too small. She has been outbid on land-bank properties a handful of times in recent months. Homes on auction typically start at $1,000, but Ms. Daniels has lost out to bidders offering tens of thousands of dollars, she said.