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# Gentrification: Causes and Consequences

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## Introduction

[1] Most people, when strolling through a city, will know if they are walking in a gentrifying neighborhood. Despite the “I know it when I see it” nature of gentrification, it is surprisingly difficult to define, to identify and measure its effects, and to reach a judgment about whether it is good or bad. This is, of course, partially because gentrification is not categorically good or bad. The answer to this normative question is contextual, and it is extremely difficult to parse the pros and cons of gentrification for a given neighborhood. There are undoubtedly people who are better off after gentrification just as there are undoubtedly people who are worse off. The heated debates surrounding gentrification arise, in part, because of the difficulty

identifying affected parties and assessing their relative well-being. This article summarizes the current thinking of economists and other social scientists about the causes and effects of gentrification, with special attention to the areas where there is disagreement or where additional research is needed.

## **What is “Gentrification?”**

[2] The term “gentrification” is usually attributed to the sociologist Ruth Glass who used it to describe the transformation that took place in London in the early 1960’s. Glass described how,

One by one, many of the working class quarters of London have been invaded by the middle classes – upper and lower.... Once this process of ‘gentrification’ starts in a district it goes on rapidly until all or most of the original working class occupiers are displaced and the social character of the district is changed.[1]

Today, the term “gentrification” continues to connote many of the same ideas– migration, wealth and class, social change, and a strong undercurrent of social justice.

[3] There is no generally accepted definition of “gentrification” and this creates challenges for those trying to better understand it. Many definitions focus on one or more of gentrification’s effects, but there is no consensus about which effects are the defining ones. For example, some definitions emphasize the displacement of existing residents. Others characterize gentrification as a process of renewal or revitalization. Some definitions point to the change in a neighborhood’s character. Still others see changes in property values as an essential element of gentrification.[2]

[4] Definitions that make assumptions about the impact of gentrification can be troublesome because the choice of definition will go a long way toward determining whether gentrification is good or bad. If, for example, we accept a definition that describes gentrification as a process of displacement, we would limit our review to those cases where an influx of middle class migrants causes lower income residents to leave, increasing the likelihood that we conclude gentrification is bad. To overcome this, some researchers use definitions that are agnostic about the impact of gentrification and simply study “neighborhood change.”[3]

[5] I prefer a middle ground because gentrification, as most people understand it, can be distinguished from other demographic changes to a neighborhood by the migration of people into a neighborhood who are wealthier than the existing residents. Gentrification, then, is simply the process by which lower income neighborhoods are changed when large numbers of higher income residents move in. This definition stresses that gentrification is a process and sufficiently distinguishes it from other forms of neighborhood demographic shift without making assumptions about the nature of its effects.

## The Causes of Gentrification

[6] Most attention is paid to the effects of gentrification, but these effects are easier to understand through the lens of gentrification's root causes. Most scholars group the drivers of gentrification into three general, and sometimes overlapping, categories. The first two, supply-side factors and demand-side factors, might be roughly described as the different sorts of demographic and market forces that push or pull wealthier residents into lower income neighborhoods. The third category, public policy, is the set of rules designed by urban policymakers that make gentrification more or less likely to occur.

## Supply-Side Factors

[7] The so-called "supply-side" theories of gentrification rely on some version of the premise that various forces cause the price of inner-city housing to decline to the point where it becomes desirable for outsiders to buy it and convert it to a higher value use. While the gentrification process varies from neighborhood to neighborhood, the pattern often goes something like this[4]:

- ***In the early life of a city, employment tends to be located near its center. Since people want to live near their work, they buy property near the central city and build houses. As more people choose to live near the central city, the value of this housing increases.***

- ***As housing prices increase near the city center, more people become willing to accept a longer commute in exchange for less expensive and larger houses and begin buying property on the periphery of the city.***
- ***Property values begin to take on a conical pattern[5] with the highest values closest to the central city and values decreasing (toward the base of the cone) as one moves further from the city center.***
- ***At some point, something changes this pattern so that housing values near the city center begin to fall. For example, the housing stock near the city center may grow older and become less desirable. Or perhaps businesses move to the suburbs where more people are now located. Whatever the reason (and this is the subject to much dispute), houses near the central city fall into disrepair and their value falls. The conical pattern of housing values begins to sag near the center.***
- ***Just as lower prices once drew people to the periphery of the city, now lower prices begin to draw them back toward the center. The combination of lower cost and proximity to the central city makes certain central neighborhoods more desirable than the suburbs, especially for people with high incomes and access to credit who are most able to convert central city housing to higher priced rental property or single-family homes.***

Once this happens, gentrification has begun.

## **Demand-Side Factors**

[8] The demand-side theories complement the supply-side theories and focus on the demographic, employment and cultural shifts that explain why people move into gentrifying neighborhoods.

[9] Changing demographics may be increasing the number of people interested in moving toward the central city. Demographers tell us there are a growing number of double income couples having children at an older age. Gentrification scholars, on the other hand, point out that young, wealthy, childless people – exactly those in the growing demographic – are more likely to move into gentrified neighborhoods.[6] There are two theories for why this demographic group prefers gentrified neighborhoods.

[10] First, the jobs young, wealthy workers want are more likely to be located in central cities. When manufacturing jobs left the central city in the 1960's and 70's, living near the city center became less important. However, in the last several decades central cities have become service centers – high rises filled with law firms, financial businesses, insurance companies, and high-tech employers. Since these are typically white-collar jobs that offer higher pay, neighborhoods near the city center now offer wealthier people shorter commutes and the aging housing stock offers lower prices.[7]

[11] Changes in attitudes, preferences, and culture also play a prominent role in explaining gentrification. For example, it is suggested that a rise in anti-suburban attitudes feeds the demand for central city housing.[8] Stronger preferences for older houses with “character” and “charm” are also likely reasons for increased migration toward central cities. Certain neighborhood characteristics (such as older houses) might make gentrification more likely, but once gentrification begins it is likely to accelerate and reinforce itself. For example, as wealthier homeowners move in, old houses get fixed up, the aesthetics of the neighborhood improve, and more businesses spring up to serve the new residents. All of this makes the neighborhood even more attractive to potential (wealthy) buyers. Once a neighborhood begins to gentrify, it can take on a new character that attracts like-minded people. As an example, Lees points to the spatial concentration of wealthy gay people in certain neighborhoods in San Francisco.[9] Gentrified areas often take on the identity of being “gay,” “artsy,” “family-friendly,” or some other identifier that attracts similar people and accelerates the process of gentrification.

## **Policy Factors**

[12] Demographic and market forces cannot, however, entirely explain gentrification. Government policies that cause housing values to fall in pockets of a city or policies that create incentives (financial or otherwise) for high-income people to purchase homes in lower income neighborhoods also play a role.

[13] Kennedy and Leonard[10] identify four types of policies that can encourage gentrification. The most direct are tax incentives. Policies that offer tax breaks for historic preservation or for first-time homebuyers, for example, make migration toward affordable, architecturally

valuable housing stock more likely. Similarly, federal policies such as mortgage programs meant to encourage more lending in “under-served areas” can make purchasing a home in a gentrifying neighborhood very attractive. Local economic development tools, such as the construction of public transportation or convention centers, have also been shown to trigger the gentrification process. Finally, and perhaps most surprisingly, programs to rehabilitate public housing – such as the HOPE VI program that encourages replacing aging, dense public housing with new, less dense, more income-diverse housing – has shown to encourage gentrification in the neighborhoods where traditional public housing once stood.

## **The Effects of Gentrification**

[14] The effects of gentrification are even more complicated than its causes. It is impossible to say whether gentrification is good or bad. It is undoubtedly bad for some, but it is also likely to be good for others. And sorting out who gains and who loses often depends on questions such as who moves out, where do they go, and why? This is difficult because if someone moves out of a gentrifying neighborhood we may never know whether the move would have occurred anyway or whether it was caused by the gentrification of the neighborhood. Researchers seeking answers to these questions are often frustrated by scarce evidence.

[15] There are three groups of people affected by gentrification, although there is often an enormous diversity of interests within each group. The first group is those who leave a gentrifying neighborhood. Most of the concern about gentrification focuses on this group and it is, therefore, the most studied. The second group is those who now live in the gentrified neighborhood. This group includes both new residents – the gentrifiers – and the original residents who did not leave. The final group includes the people who have never lived in the neighborhood but may nonetheless be affected by changes in its character. We need to consider the effects on all of these groups if we want a comprehensive understanding of the impact of gentrification.

## **The Effects on Those Who Leave the Gentrified Neighborhood**

[16] The most common critique of gentrification, going back to Glass’ original description, is

that low-income residents will be involuntarily displaced. The concern is that many of the neighborhood's original residents – usually low-income renters – will be forced out by higher rents or evicted as rental housing is upgraded, converted to condos, or turned into single-family homes. Others, who may be able to afford the higher cost of living in the gentrified neighborhood, may leave anyway because their family and friends have moved, because familiar merchants or services have disappeared, or because the character of the neighborhood has changed so much that they no longer want to stay.

[17] Determining how much displacement actually occurs is challenging. Researchers can often see how many people migrate in and out of neighborhoods but it is difficult to identify gentrification as the cause. The normal approach is to determine if displacement rates are higher in gentrifying neighborhoods than they are in other places, and the weight of empirical research using these methods suggests displacement rates are no higher in gentrifying neighborhoods than they are elsewhere.[11] Gentrification, it seems, does not typically push the poor out of their neighborhoods. Instead, it seems the poor leave gentrified neighborhoods at normal rates but are then replaced almost exclusively by the wealthy. It is also possible that some gentrifying neighborhoods have enough vacant housing to allow the wealthy to move in without requiring the poor to move out.

[18] This does not mean that involuntary displacement of low-income residents never occurs. It clearly does. And when it does, it can have very negative consequences. The Center for Disease Control, for example, even put out a warning on the health effects of gentrification.[12] It notes that changes in residence can impede access to healthy food, health care, recreation, and social networks. This can cause stress and have mental health implications for those affected.

[19] There is a sense among those who witness gentrification that it has a significant racial element, but the research on this question is also mixed. A study of mortgage lending in large U.S. cities found evidence of racial discrimination and increased segregation in gentrifying neighborhoods.[13] Other research has concluded much of gentrification is driven by an influx of black homeowners.[14] Most recently, Freeman has suggested gentrifying neighborhoods often start out more diverse than other neighborhoods and tend to remain so through the process of gentrification. [15] Still other research has found that even when gentrification does not cause displacement, it may result in a diminished sense of community and cause

important social networks to disintegrate.[16] Race is clearly an element of gentrification but, at this point, is still poorly understood.

[20] Gentrification may also cause harm that is subtler than direct displacement. For example, gentrification could reduce the overall availability of affordable housing.[17] When gentrification causes housing prices to rise, it affects low-income residents in two ways: it raises the rent on the place an individual is currently living and it raises the rent on many of the places the person might otherwise live. In other words, gentrification-induced rent increases make both staying and leaving more difficult for low-income residents. Low-income residents of gentrified neighborhoods, faced with limited housing options, may be forced to stay where they are and figure out a way to pay their higher rent. Researchers looking for displacement in situations like this would not find it, but there would likely be very real hardship for some residents nonetheless.

### **The Effects on Those Who Now Live in Gentrified Neighborhoods**

[21] Most residents of gentrifying neighborhoods do not move. Is this because they cannot or is it because there are offsetting benefits from a neighborhood's gentrification that make it desirable for them to stay? The answer to this question obviously varies from person to person, but it suggests a need to understand how changes in a neighborhood impact existing residents.

[22] First, gentrification can alter city services. If gentrification increases property values, city governments should collect more tax revenue, and city services should increase. However, research suggests the nature of these services often shift with the demographic make-up of a neighborhood to reflect the needs and preferences of new residents.[18] For example, if gentrifiers tend to work more and have fewer children, we might expect increased spending on roads and public transportation and reduced spending on schools. Existing residents, especially groups like elderly homeowners, may have very different needs than the new residents and thus end up paying higher property taxes without a corresponding increase in the public services they require. Unfortunately, empirical evidence of whether city services disproportionately benefit the gentrifiers is extremely limited.

[23] Similarly, it is difficult to measure “quality of life” changes to a neighborhood. For instance, gentrification could be correlated with an increase in neighborhood jobs[19] but it is not clear whether businesses are attracted to gentrifying neighborhoods or vice versa, and it is also unclear whether any new jobs benefit low-income residents of the neighborhood. Scholars are also unsure of the effects of crime. Some studies have found gentrification to reduce crime rates while others have found it to increase crime.[20]

## **The Effects on Others**

[24] The gentrification of a neighborhood takes place in the context of a larger city, so it is reasonable to expect that other residents of the city could also be affected. Many of the effects of gentrification already identified will also apply to this group, such as the possible reduction in the supply of affordable housing; changes in city services that can spill over into the rest of the city (such as improved transportation systems); a possible effect on crime rates and a shuffling of city residents that can influence economic and racial diversity. The big question, which remains unanswered, is whether gentrification is a zero-sum game (*e.g.*, do increased city services for gentrifiers imply reduced services for the poor?) or does it increase the overall health and well-being of the entire city.

## **Conclusion**

[25] There is much disagreement over the effects of gentrification. The proponents of gentrification usually focus on aggregate effects, which, on balance, seem to be positive. Opponents of gentrification typically focus on the distributional impact and point out how the negative effects are likely to fall disproportionately on the poor. They may both be right, but progress on the debate is hindered by a shortage of good empirical evidence. Gentrification, then, seems to pose the common political problem of balancing a modest benefit to many against the significant burden imposed on a small, often vulnerable, few. How we sort this out will have significant implications for our cities and urban neighborhoods.

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[1] Ruth Glass, "Introduction: Aspects of Change" in *London: Aspects of Change*, ed. Centre for Urban Studies (London: McKibbin and Kee, 1964).

[2] For a good summary, see Ingrid Gould Ellen and Katherine O'Regan, "Gentrification: Perspectives of Economists and Planners," in *The Oxford handbook of urban economics and planning* (Oxford: Oxford University Press, 2011).

[3] *Ibid.*, 373.

[4] Neil Smith, "Toward a Theory of Gentrification: A Back to the City Movement by Capital no People," *Journal of the American Planners Association*, 45 (1979): 538-48.

[5] *Ibid.*

[6] Ellen and O'Regan, "Gentrification," 381.

[7] Jacob Vigdor, "Does Gentrification Harm the Poor?" *Brookings-Wharton Papers on Urban Affairs* (Washington, DC: Brookings Institution Press, 2002), 133-182.

[8] Loretta Lees, Tom Slater and Elvin Wyly, *Gentrification* (New York: Routledge, 2008).

[9] *Ibid.*, 103.

[10] Maureen Kennedy and Paul Leonard, "Dealing with Neighborhood Change: A Primer on Gentrification and Policy Choices" (Discussion paper prepared for The Brookings Institution Center on Urban and Metropolitan Policy, 2001).

[11] See, for example: Ingrid Gould Ellen and Katherine O'Regan, "How Low Income Neighborhoods Change: Entry, Exit and Enhancement." *Regional Science and Urban Economic* 41(2011): 89-97; Lance Freeman, "Neighbourhood Diversity, Metropolitan Segregation and Gentrification: What Are the Links in the US?" *Urban Studies* 46(2009): 2079-2101; Terra McKinnish, Randall Walsh and T. Kirk White, "Who Gentrifies Low Income Neighborhoods?" *Journal of Urban Economics* 67(2010): 180-93.

[12] Center for Disease Control. "Health Effects of Gentrification." <http://www.cdc.gov/healthyplaces/healthtopics/gentrification.htm> (accessed December 7, 2015).

[13] Elvin Wyly and Daniel Hammel, "Gentrification, segregation, and discrimination in the American urban system." *Environment and Planning*, 36 (2004): 15-41.

[14] Raphael Bostic and Richard Martin, "Black Homeowners as a Gentrifying Force? Neighborhood Dynamics in the Context of Minority Homeownership." *Urban Studies* 40 (2003): 2427-49.

[15] Freeman, "Neighbourhood Diversity."

[16] John Betancur, "Gentrification and Community Fabric in Chicago." *Urban Studies* 48 (2011):383-406.

[17] Peter Marcuse, "Abandonment, Gentrification, and Displacement: The Linkages in New York City." In *Gentrification of the City*, ed. Neil Smith and Peter Williams, (Boston: Allen and Unwin), 153-177.

[18] Vigdor, "Does Gentrification Harm the Poor?" 146

[19] Ibid., 145.

[20] Ellen and O'Regan, "How Low Income Neighborhoods Change," 385.

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