

# Can Grocery Stores Affect Home Values?

 [homes.com/blog/2020/08/how-do-grocery-stores-affect-home-values](https://homes.com/blog/2020/08/how-do-grocery-stores-affect-home-values)

There's an old adage in real estate that says you can choose your house but you can't pick your neighbors. You can pick your neighborhood, though, and what's nearby goes a long way into determining your new place's worth, both when you buy it and again when you sell it.

Over the years, studies have been undertaken to determine what effect close-by retail outlets and gas stations have on house values. There was even one on the impact of living near a Starbucks— and another about residing close to a Walmart. But it seems that the largest impact on value comes from living near a grocery store.



## Grocery Stores and Your Home's Return on Investment

Last year, [ATTOM Data Solutions](#) conducted a “Grocery Store Battle” analysis of what living near a Trader Joe's, Whole Foods or an Aldi has on value. It studied 1,859 zip codes where at least one of the three stores were located.

For what it's worth, sellers living near a Trader Joe's did best, nailing a 51% return on investment over the five-year study period versus 41% for Whole Foods and 34% for ALDI. That compares at an average gain in equity of 25% in studied Zip Codes.

But those are considered "speciality" chains, not your garden variety neighborhood grocers where people shop day-in and day-out. What about living near a store that's part of a regional supermarket chain like Giant in the Mid-Atlantic region or Publix in the Southeastern states? Or being close to a smaller, one-off mom-and-pop store or Bodega? Or living in a so-called "food desert" absent of even any grocery at all?

*Read: Homes.com Can Show You How Your Local Home Values are Changing*

## **Your Home's Distance to a Grocery Store Matters**

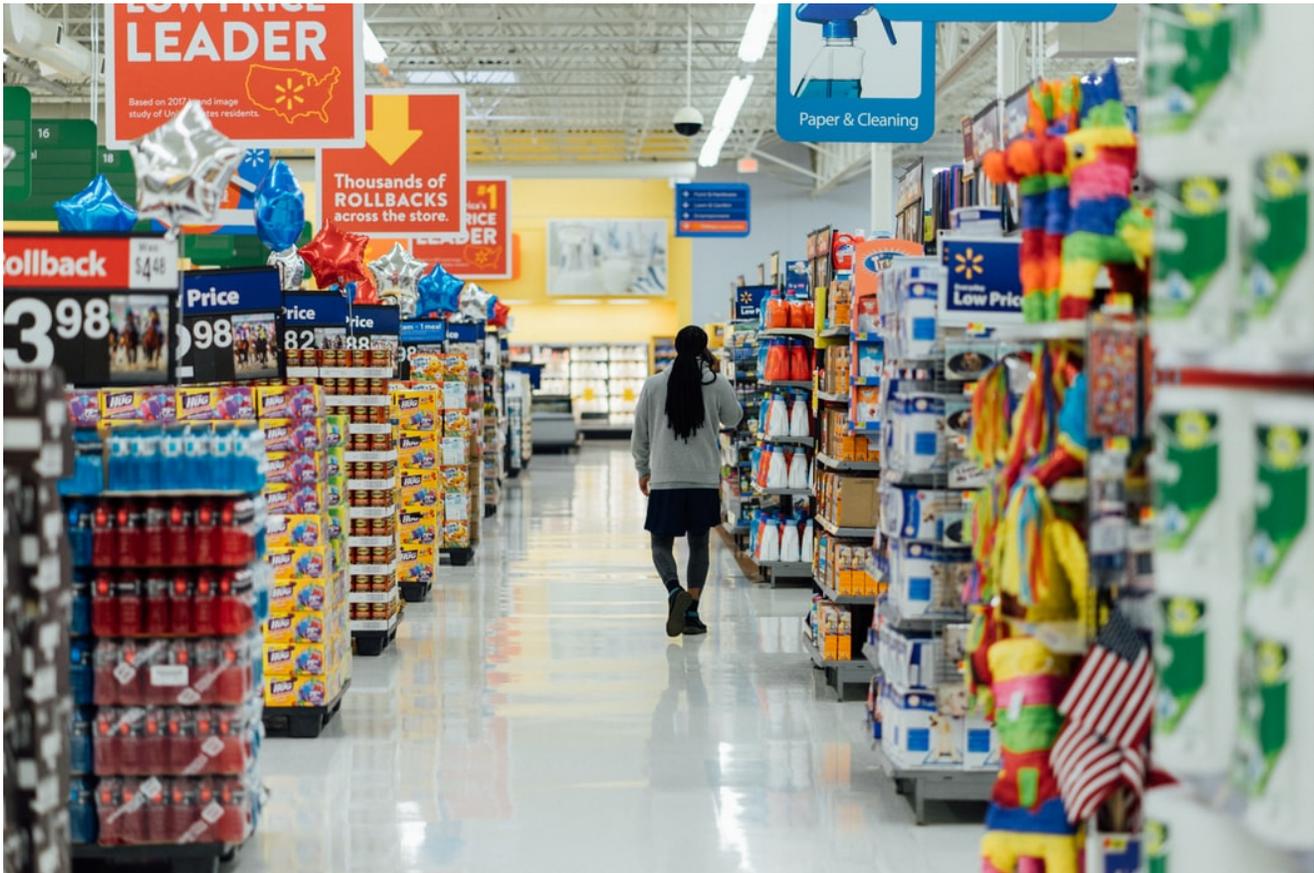
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As it turns out, the topic of how such stores affect neighborhood dynamics has been analyzed in numerous studies. And occasionally, major media outlets like the New York Times and the Atlantic publish articles discussing the gentrifying impact markets can have in low and moderate-income neighborhoods.

In his senior economics essay at Yale University, William Van Fossen searched these articles, and other studies, to examine the effect a supermarket has on houses that are within a one-mile, three-mile and five-mile radius. His goal: "To determine the best estimate of the relationship between supermarket entry and housing values."

Using data from various sources, Van Fossen concluded that placing a supermarket at the one-mile radius level raises property values within that distance by an average of \$8,406, give or take about \$1,860 as the "standard error." At the three-mile mark, housing values within that distance didn't rise quite as much, but still gained a healthy \$6,057 on average, +/- a standard error of \$1,010. And when a market is no more than five miles distant, values are an average of \$4,145 greater, +/- \$782.

*Read: Track Your Home's Value Using This State-of-the-Art Tool*



## More Grocery Stores = Higher Values

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Thinking that the introduction of more food stores would lead to diminishing returns, the Yale economics major found just the opposite: Price premiums were higher as more shops were introduced into the equation.

Van Fossen doesn't try to extrapolate what causes the price premiums. But there are some obvious answers. Convenience is probably a major one. Located within a reasonable distance to a grocery store saves nearby home owners time and money that would otherwise be spent on gasoline and traveling to grocers further away.

A 2016 study by the Hartman Group, a food and beverage industry consulting group, found that the typical American hits the grocery store around 1.9 times per week. So if, as the American Automobile Association said at Van Fossen's writing, it costs 59 cents to travel by sedan one mile and a store opens four miles closer to a house than the one the homeowner normally frequented, the result is a likely savings of \$6,000 or so in automobile costs – gasoline, maintenance, insurance, etc. – over the 13 years the National Association of Home Builders says is the typical tenure period.

Perhaps that's why Van Fossen concluded that the average residential property value of neighborhoods with exactly one supermarket is \$183,695. But when the average number of stores is five or more, values are almost twice as great – at a whopping \$362,160.

## **Gentrification of “Food Desert” Neighborhoods**

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The Yale study didn't address gentrification in areas known as “food deserts” where there are simply no grocers within acceptable limits. But a study published by the National Bureau of Economics Research considered grocery stores along with such other amenities as restaurants, barbers and convenience stores as they relate to gentrification in which households with higher incomes buy up houses occupied by those with lower incomes.

*Read: What is Gentrification and What Happens to Neighborhoods that are Gentrified?*

The study's authors concluded that rapid expansion of these local businesses tend to attract an influx of younger, more educated residents. At the same time, though, they questioned whether business openings spurred price growth or rising house prices brought in more businesses. “Our preferred interpretation is that exogenous neighborhood changes spur store openings, which then encourage prices to rise,” they wrote.

## **Real Estate Professionals Weigh In**

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I floated this supposition by two realty agents, David Gibson of Long & Foster in Prince George's County, Maryland, and Robert Goodman of Michael Saunders & Co. in Sarasota, Florida. Specifically, they were asked about the impact of grocery stores on prices in their respective markets and they tended to agree that it's tough to say which comes first, the opening of a new outlet or rising prices.

Gibson, whose market area is populated largely by minorities with some degree of wealth compared to other minority communities, said his local multiple listing service was not set up to single out grocery stores. Beside, he added, the area was all but overrun by food stores.



And, the same goes for Goodman. He found no evidence that Publix, the predominant chain in his area, doesn't seem to have an impact on prices because they are everywhere – “within five miles at most of homes in Sarasota County.” He even looked at Whole Foods and Trader Joes, finding no evidence of their effect on values, either.

“There are a host of values that affect a home or community, including but not limited to other conveniences, stores, schools and infrastructure,” Goldman told me. “I actually believe it falls into the proverbial “which came first” question.

## **Businesses Aren't the Only Catalyst in Gentrification**

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Maybe so. Perhaps it isn't the presence of these amenities at all but rather the absence of housing in general that leads to gentrification. That's the conclusion of the Urban Institute, which recently published a report that said “high housing costs resulting from a lack of available housing cause affluent buyers to look for homes in low and moderate-income neighborhoods.”

If that's the case, and the non-partisan think tank says it is, both nationally and in many metropolitan areas, an area's housing supply, or lack thereof, for people of all incomes is what causes gentrification, not the opening of new grocery stores and other amenities. And only boosting the supply can slow the pace.

“When even affluent buyers must stretch to become homeowners, they are likely to look to

low and moderate-income neighborhoods to purchase homes,” the [report says](#).

All of this gives meaning to another old real estate adage – location, location, location. And in that regard, check out a [Department of Agriculture website](#) that allows house hunters to plug in any amenity – grocery stores, indoor swimming pools, golf courses – within a certain radius, which you can lengthen or shorten at will. You can also find the value of your home, compared with others in your area, using Homes.com’s [Home Values calculator](#).

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Syndicated newspaper columnist, Lew Sichelman has been covering the housing market and all it entails for more than 50 years. He is an award-winning journalist who worked at two major Washington, D.C. newspapers and is a past president of the National Association of Real Estate Editors.

