members of the co-op see themselves as owners of the co-op, there is usually a clear acceptance of the commonality of interests of all group members and a concomitant group pressure for all to contribute to a healthy social and physical environment for the co-op. (SEE ALSO: Condominium; Cooperative Housing)

—Gerald W. Sazama

Further Reading


Market Segmentation

Market segmentation is a condition in which a housing market can be thought of as consisting of two or more submarkets between or among which there is little interaction. In other words, two submarkets are segmented if a shift in the demand or supply curve in one submarket, causing price and quantity of housing transacted in that submarket to change, has little or no effect on price and quantity in another submarket. Market segmentation may arise to a condition in which the difference in price between two submarkets can be greater than can be explained in terms of the underlying isolation. The possibility of market segmentation has been considered in a variety of contexts. One is geographic. Suppose that a city consists only of renters living in two geographically separate residential areas: A and B. Imagine a short-run scenario in which each market is in equilibrium and the price of a standard unit of housing is the same in both markets. Now imagine that the demand in Region A increases so that the equilibrium price in Region A increases. There would now be an incentive for renters to relocate from A to B; however, suppose that for some reason renters will not move (e.g., the cost of commuting from B is too high). Put differently, consumers of A have a zero elasticity of substitution between A and B. In that case, the price difference would persist and Markets A and B would be segmented (at least in the short run). Over the long run, landlords in Market A might be encouraged by the high rent to construct more housing; if so, rents in A would be driven down. In other words, the price difference would persist and A and B would continue to be geographically segmented only if, for some reason, landlords in A were to choose not to increase supply there. To summarize, in this example, it is the consumer’s zero elasticity of substitution between A and B that gives rise to geographic segmentation in the short run, and that price inelasticity of supply is also needed to sustain segmentation in the long run.

Consider a second fictitious example: A city has a rental submarket of three-bedroom bungalows painted yellow wherein there is an equilibrium price \( P_y \), characterized as the amount that (a) the marginal tenant is willing to pay for a yellow bungalow, (b) the marginal landlord is willing to accept, and (c) clears the market. Imagine now a second rental submarket, for three-bedroom bungalows painted brown, wherein the equilibrium price is \( P_b \). Suppose now that yellow and brown bungalows are transacted in the marketplace until equilibrium is established in each submarket. Note that the only difference between dwellings here is the color of paint. If consumers were indifferent to color, then \( P_b = P_y \). If consumers prefer yellow houses and the supply curve for each type of dwelling is upward sloped, then \( P_y > P_b \). However, we might expect that because landlords can easily repaint their dwellings, at most, the price difference would be no larger than the cost of repainting a brown house. If the observed price difference were larger than this in equilibrium, we would conclude that the markets are segmented. Segmentation might arise, for example, if a municipal regulation prevented landlords from repainting their brown houses.

Another example serves to highlight the importance of neighborhood externalities. Suppose that a high-income consumer does not want to live in an otherwise comparable dwelling that is located in a low-income neighborhood. Put differently, “low-income neighborhood” is an externality effect that deters some consumers even if the price of accommodation in that neighborhood dropped suddenly.

In practice, are housing markets segmented? This is an empirical question. Scholars have found evidence that housing markets are segmented: for example, across regions (that is, between cities) of Great Britain, across race (among African American, Hispanic, and others) in New York City, between immigrants and nonimmigrants in Stockholm, and among lifestyle groups of homebuyers in Cincinnati.

Market segmentation has also been studied in the context of social housing. The reference to market here is not to a market allocation as described above, because social housing is allocated by a nonmarket mechanism. Instead, market is used here in reference to the groups in a social housing project: for example, immigrant, visible minority, elderly, ability-impaired, female, lone parent. Although the encouragement of social mix is a commonly stated goal in social housing policy, it is not uncommon for any one social housing project to contain one or only a few social groups. Social housing that can be characterized this way is socially segmented. The central question is whether public housing managers are discriminating among social groups or whether social groups choose to live in projects where they can have similar neighbors. (SEE ALSO: Housing Markets; Residential Mobility)

—John R. Miron

Further Reading

Migration selectivity factors are characteristics that distinguish those who move from those who do not. Migration selects out certain individuals on the basis of their age (people in their 20s have the highest probability of moving), education (people with high levels of education are especially prone to long-distance moving), race (white-Anglos tend to make more long-distance moves than blacks or Hispanics), and housing attributes. Between 1990 and 1991, renters made 62% of all long-distance (intercounty and abroad) moves in the United States but constituted only 33% of the total population. In part, this is because renters disproportionately fall into the highly mobile ages between 20 and 30, but it is also because renters are more likely than owners to be migrants, even when the effects of age, education, and income are taken into account. Weaker financial, social, and emotional attachments to rented compared with owned residences facilitate long-distance migration.

In Great Britain, the public housing sector accounted for a sizable share of the housing market, reaching a peak in 1976 of 31.4%. This proportion dropped to 22.8% in 1990 after the conservative governments of Margaret Thatcher and John Major stressed the privatization of public housing or council housing as it is known in Britain. The Thatcher and Major governments offered generous discounts to encourage tenants to buy their units.

One rationale underlying the privatization of council housing was to increase long-distance migration. During the late 1970s and early 1980s, scholars, economic analysts, and government officials asked why people in Britain did not move more often for job-related reasons. They argued that low rates of long-distance migration (only one-third of U.S. levels) did not allow the labor market to respond effectively and efficiently to the geographically uneven distribution of new employment opportunities. The inflexibility of the labor market was manifest in high rates of unemployment in the North and a labor shortage in the Southeast.

Heavy dependence on council housing was seen as a major barrier to migration. Britons seeking access to council housing were forced to place their names on lengthy waiting lists and, once having obtained housing, they waited again for a transfer to better, bigger, or more well-situated units. The cumbersome, inflexible, and overly bureaucratic nature of the housing system was thought to dampen the migration tendencies of council tenants. Between 1971 and 1981, the incidence of migration was 32.2% among owners compared with 23.8% for council tenants. The obvious implication, from a housing policy perspective, was that shrinking the size of the council sector would stimulate more migration.

Spatially varying housing price inflation and the geography of housing affordability are especially relevant to the footloose elderly who are no longer place-bound by work. Elderly living in booming housing markets can "cash out" the equity in their homes by migrating to a less expensive housing market. In the United States, states with high home prices send more elderly migrants to Arizona than those with lower home prices, supporting the view that housing affordability helps to explain the map of elderly migration in the United States.