

# Yelp Reviews Helping Home Prices?

By: Jann Swanson | Wed, Sep 5 2018, 4:32 PM

Will appraisals soon need to indicate a home's driving distance to the nearest cold-brew drive-through? Could be. According to a new study by the Harvard Business School, when an outlet for Starbucks opens in a community, home prices in that ZIP code rise by **0.5 percent** within one year.

The information emerged from a larger study on gentrification which was conducted using **census data** as well as data from **Yelp**.

The study's authors say that Yelp may be a **potential new tool for policymakers** to monitor gentrification, the process of rebuilding homes and businesses in an area followed by an influx of more affluent residents. As this is often at the expense of earlier, often less well-off residents, it tends to be a volatile subject. The researchers say one big issue is the lack of consistent data to determine the ultimate effects of the trend, positive or negative.

According to Harvard professor Edward Glaeser, it **isn't clear** whether housing prices are rising due to the Starbucks opening itself or simply because more affluent customers that would go to the coffee chain have moved into the area.

While the price increase associated with a new Starbucks is **modest**, the study found that **for every 10 reviews posted on Yelp** there appeared to be 1.4 percent appreciation within the ZIP code. The paper states, "The most natural hypothesis to us is that restaurants respond to exogenous changes in neighborhood composition, not that restaurant availability is driving neighborhood change," and that gentrification is associated with increased numbers of grocery stores, cafes, and bars.

The Business Schools Michael Luca told CNBC's Thomas Franck that **Yelp has advantages over the government data** from the Census Bureau or the Bureau of Labor Statistics usually employed in such studies. While the app isn't a replacement, it can augment older methods with real-time updates on local stores as well as ways in which neighborhoods change during gentrification. It also provides data on things like menus, prices, and ratings not otherwise available.

It doesn't really seem as though the near-by availability of Pumpkin Spice Latte is driving home price increases, but Glaeser notes that **causality is somewhat uncertain**. Designer coffee probably isn't causing gentrification, but a new store may confirm the trend. In fact, he says, "This variable is likely to be a proxy for gentrification itself.

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