Gentrification and Crime: Evidence from Rent Deregulation*

David H. Autor
MIT and NBER

Christopher J. Palmer
University of California at Berkeley

Parag A. Pathak
MIT and NBER

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Abstract

Many urban areas experienced a renaissance in the 1990s with rising house prices and falling crime rates. Cambridge real property values nearly doubled over this time period, which was twice the rate of increase that occurred simultaneously in the Boston Metropolitan Area. Autor, Palmer, and Pathak (2014) find that approximately 25 percent of this increase was caused by the sudden end of rent control in 1995. This paper examines whether, and how much, changes in local crime rates due to rent decontrol increased Cambridge's desirability as a residential or business location. We exploit within-Cambridge variation in reported crime across neighborhoods that differed in levels of rent control, abstracting from the prevailing city-wide trend of declining criminal activity. Using detailed, incident-level data on criminal activity assembled from Cambridge Police Department archives for the years 1992 through 2005, we find robust evidence that rent decontrol caused overall crime to fall by 18 percent—approximately 1,200 reported crimes annually—with the majority of the effect accruing through reduced property crime. Applying external estimates of the economic costs of criminal victimization, we calculate that the annual direct benefit to potential victims from the reduction in crime between 1995 and 2005 was approximately $8.7 million in 2008 dollars. Capitalizing this flow into property values, this reduction accounts for 15 percent of the contemporaneous growth in the value of Cambridge residential properties that is attributable to rent decontrol.

*Autor: MIT, 40 Ames Street, Cambridge, MA, 02142, and NBER, dautor@mit.edu; Palmer: University of California at Berkeley, Haas School of Business, Berkeley, CA, 94720-1900, cjpalmer@berkeley.edu; Pathak: 40 Ames Street, Cambridge, MA, 02142, and NBER, ppathak@mit.edu. We acknowledge generous financial support from the Lincoln Institute of Land Policy (TDA051711), the National Science Foundation (SES-962572), and the Alfred P. Sloan Foundation (B2009-47). Palmer thanks the National Science Foundation Graduate Research Fellowship (grant 0645960). We are indebted to Andrew Garin, Sookyo Jeong, Karen Scott, Yuqi Song, and Daniel Sullivan for superb research assistance, and to Rich Sevieri and Lt. Daniel Wagner of the Cambridge Police Department for facilitating extensive access to Cambridge Police archives.