

NEWS via psMag: Ironic Gentrification and the Migration of Globalization

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Ironic Gentrification and the Migration of Globalization

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Cherry blossom trees in Buffalo, New York, in bloom. (Photo DragonFire1024/Wikimedia Commons)

Higher education and health care, two major elements of the new Legacy Economy, are attracting global talent and gentrifying the neighborhoods that surround them, pricing out residents who toil in the local or regional labor market.

I link economic globalization to gentrification with migration. Gentrification itself is an indicator of intensifying globalization. The influx of migrants who toil in a global labor market move into a neighborhood and compete with residents who toil in a local or regional labor market. Soon enough, the rent is too damn high. Or, if you like (I do), the wages are too damn low. Both cost for shelter and income impact housing affordability. A conventional measure that captures both variables is percentage of income dedicated to housing. In that light, some surprising results from a recent report, "Housing Affordability in New York State":

For renters, the highest proportion of households facing housing costs representing at least 30 percent of income in 2012 was in Bronx County, at 57.6 percent. The second-highest proportion of rental households in this category was in Greene County, a rural upstate area, at 57.5 percent. The other counties with the highest shares of rental households over the affordability threshold were Ulster, Rockland, Orange, Suffolk, Putnam, Monroe, Queens, Westchester and Nassau. The counties with the lowest percentages of renters paying 30 percent or more of income for housing were in the upper Hudson Valley, or farther north and west. **New York County (Manhattan), with high housing costs but also comparatively high incomes, ranked in the bottom third among counties with the lowest proportion of such renters in the State.**

Emphasis added. From urban (Bronx County) to rural (Greene County), the rent is too damn high given that in many households the income is too damn low. In New York County, rent is ironically affordable. Global income still trumps the local real estate market, even in Manhattan. Problems arise when Manhattan incomes move into Bronx residences. Problems arise when Manhattan incomes move into Scranton, Pennsylvania, or Fishtown, Philadelphia. New York, in concert with London (i.e. NYLON), is the greatest center of gravity in the global labor market. Recent college graduates are sucked into opportunity. That talent is refined and then spit out into suburbs, exurbs, and other urban core neighborhoods in the expanse of Greater Greater New York City (triangle of Cleveland-Boston-D.C.). Thanks to NYLON's brain drain, neighborhoods in Pittsburgh are gentrifying. That's part of the Rust Belt revival tale. The second chapter concerns the Legacy Economy. Tradable higher education and health care are part of the global labor market. Universities and research hospitals are gentrifying surrounding neighborhoods in a number of U.S. cities. That's the primary explanation for gentrification

worries in Buffalo, New York:

The immediate concern in Buffalo is the Fruit Belt, which is expected to see significant spikes in property values in upcoming years as the Buffalo Niagara Medical Campus – just west of the neighborhood – takes off. ... Houses in the Fruit Belt, considered one of Buffalo's poorer neighborhoods, typically sell for as low as \$8,000. While average sale prices have not increased much recently, interest in the neighborhood has been picking up as the Medical Campus has continued to take hold. A couple of private investors purchased a handful of Fruit Belt houses in the last year, and Pridgen said an increasing number of developers have been contacting City Hall. Some developers are looking for homes they can purchase, demolish and replace with new, market-rate houses, Pridgen said. Some residents also are expressing an interest in selling if they can make a big-enough profit, he said. The speculation has created concern that the neighborhood will eventually outprice some of its residents.

Just any new hospital won't necessarily inflate real estate in nearby neighborhoods. Most health care providers (and institutions of higher education) are under pressure to cut costs, including wages of employees. These are non-tradable services purchased by a regional market. Some eds and meds services are "exported" to people outside the market. Tradable health care affords higher billing for services and, thus, higher wages for employees. The Buffalo Niagara Medical Campus is a place of work for global talent. Wherever that talent moves, gentrification will follow.