IMPACT ON PROPERTY VALUES

As with the development of any energy resource, the exploration and production of natural gas and oil can impact local property values in a variety of ways. The increase in well-paying jobs and local government revenue can bring more economic development and raise property values. In some cases, residents have seen property values drop 1 percent during the exploration period, but rebound during the production period. Generally, the long-term impact on education, services and local infrastructure improves the lives of and property values for residents.

BACKGROUND:

Communities with active oil and natural gas operations traditionally see an increase in economic development. An increase in local income drives this through the creation of good jobs – through direct and indirect employment – and royalty payments to landowners. Local governments then receive increased revenue from sales and property taxes to develop and maintain infrastructure. [1]

With new tax revenue, local investment and increased job opportunities, energy development can also bring extra noise, traffic and other growing pains. However, these challenges have been found to be short-lived. While there have been concerns that these issues might harm property values, the opposite has been shown to be true. Increased wages and activity increases demand for housing, thereby increasing the value of local property.

An example of property values increasing can be found in a 2015 study in the Journal of Environmental Economics and Management. This study compared two Pennsylvania counties and three New York counties along the state border. The Pennsylvania counties have seen Marcellus shale development while the counties in New York have not, due to the state's ban on hydraulic fracturing. Before New York's moratorium, all five counties had similar housing price patterns. But after the moratorium, housing prices in the counties in New York dropped significantly compared to those in Pennsylvania. The authors conclude that this indicates there is large and positive net valuation of shale gas development for communities. [2]

FAST FACTS:

- In 2015, several Texas counties got 70 percent or more of their tax revenue from the natural gas and oil industry. [3]
- The 2015 study in the Journal of Environmental Economics and Management estimates that there was a $25,531 loss in equity per house in the three New York counties due to the New York's moratorium on hydraulic fracturing.
- Employment in the oil and gas industry has a statistically positive effect on house prices, possibly through higher demand for housing or greater economic activity in the county. [4]

REFERENCES:

1. Bennett A., Loomis J., (2015). Are Housing Prices Pulled Down or Pushed Up by Fracked Oil and Gas Wells? A Hedonic Price Analysis of Housing Values in Weld County, Colorado.

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3. "Texas Oil and Natural Gas Industry Paid $13.8 Billion in Taxes and Royalties in 2015, Second Most in Texas History," Texas Oil and Gas Association.

4. Bennett A., Loomis J., (2015). Are Housing Prices Pulled Down or Pushed Up by Fracked Oil and Gas Wells? A Hedonic Price Analysis of Housing Values in Weld County, Colorado.

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