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Legalizing Marijuana Could Give Michigan Home Values A Boost

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Michigan recently became the 10th state (and first Midwestern one) to legalize the sale of recreational marijuana, and if a recent study holds true, the move could hold the key to improving home values in the state. Despite a recent 7.1% uptick, Michigan currently has the 11th-lowest median home value in the country, according to Zillow. The state's average home value is just \$148,100 — nearly \$80,000 under the national average.

But a new study published by the CATO Institute indicates that could change given the state's recent passage of Proposal 1, which allows for the sale and use of recreational marijuana.

According to the study, dubbed “Contact High: The External Effects of Retail Marijuana Establishments on House Prices,” property values jumped 8.4% — around \$27,000 — on homes within 0.1 miles of a retail marijuana establishment in Denver (after the state legalized the substance back in 2013.) Another study published in *Economic Inquiry* in May suggests home values jumped slightly less statewide — about 6% or \$15,600 per property.

Contact High's researchers suggest a number of factors that could be driving this increase, but nothing concrete.

“Potential explanations include, but are not limited to, a surge in housing demand spurred by marijuana-related employment growth; lower crime rates; and additional amenities locating in close proximity to retail conversions [medical dispensaries converted into recreational ones],” the researchers concluded. “Identifying and determining the underlying mechanism driving the relationship between retail conversions and house prices remains a puzzle that we leave to future research.”

Still, the news is promising — both for Michigan homeowners and municipalities alike.

“These increases in house values, however, can also have a secondary effect that leads to an increase in property tax revenue, which can add significantly to the local government's revenue from marijuana sales,” the researchers concluded.

The jury is still out though. A recent report from the National Association Realtors shows real estate agents are seeing a mixed bag. In states where recreational marijuana use is legal, 10% reported an increase in home values. Another 12 to 14% reported a decrease. Commercial real estate agents were more confident in legalization's positive effects. About 20% saw increased values on properties near dispensaries, while almost a quarter reported an increase on properties near growing land.

As Steve Cook, Homes.com real estate consultant and contributor, explains, there's still more research to be done.

“Since the legalization of marijuana for recreational use has only been in effect for six years, very little empirical research has been conducted on the question of property values, and the studies have been addressing early stages of legalization and not long-term impact,” he said. “The full story may not yet be in.”