



Building Livable Communities with Transit

Carless by Choice: New Demographics for Tomorrow's TOD Marketplace

Moderator:

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THE MASS MARKET FOR SUBURBAN LOW-DENSITY DEVELOPMENT IS OVER

ARTHUR C. NELSON, PH.D., FAICP

FOREWORD BY CONGRESSMAN EARL BLUMENAUER

Reshaping Metropolitan America

*Development Trends
and Opportunities to 2030*

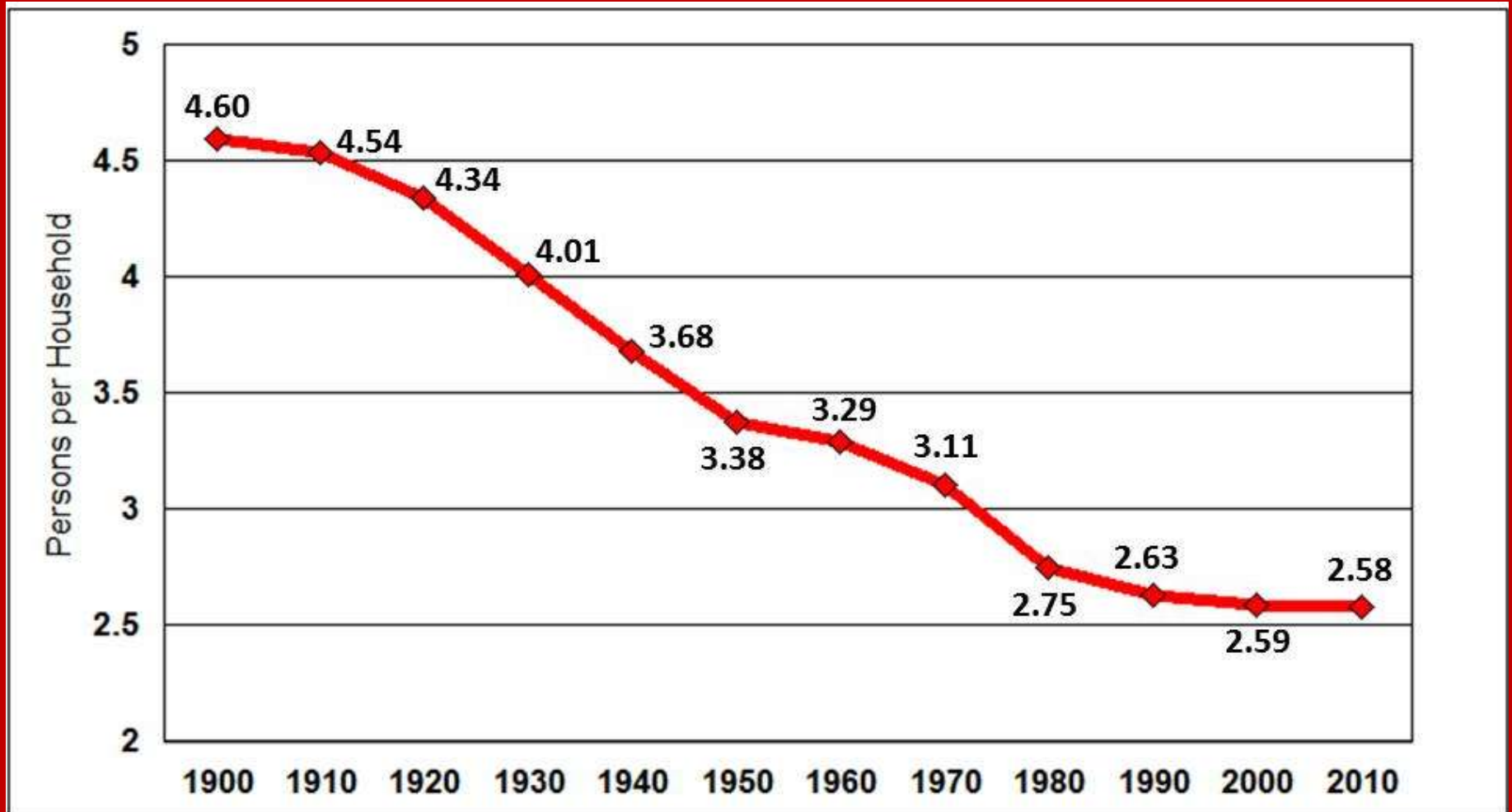


ARTHUR C. NELSON

Drivers of Change

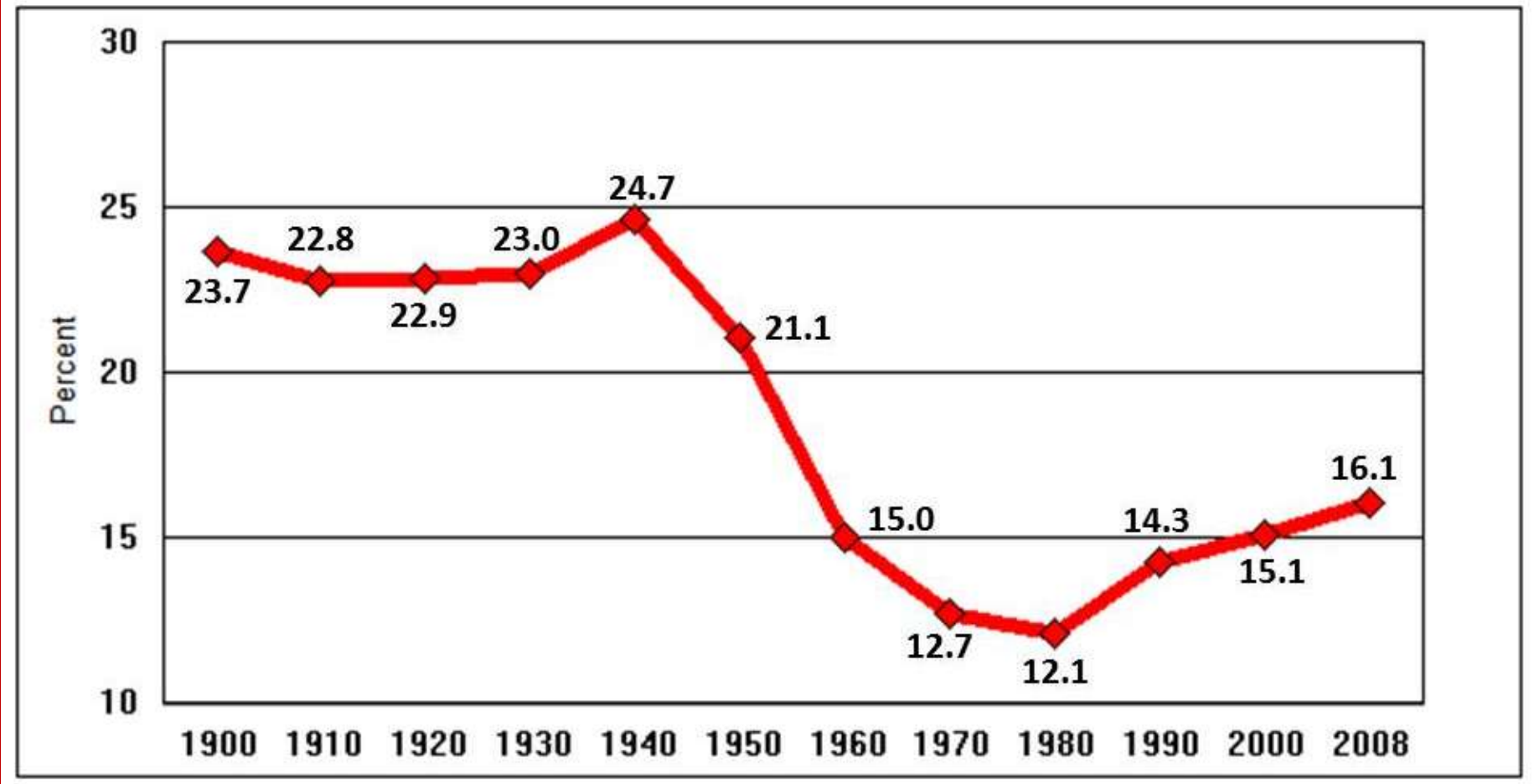
- Demographic
 - Aging + Minority Growth
- Economic
 - Stagnating real incomes; higher unemployment
- Financial
 - Tighter money for home loans
- Preference
 - More amenities, more options, better accessibility

Household Size Has Stabilized

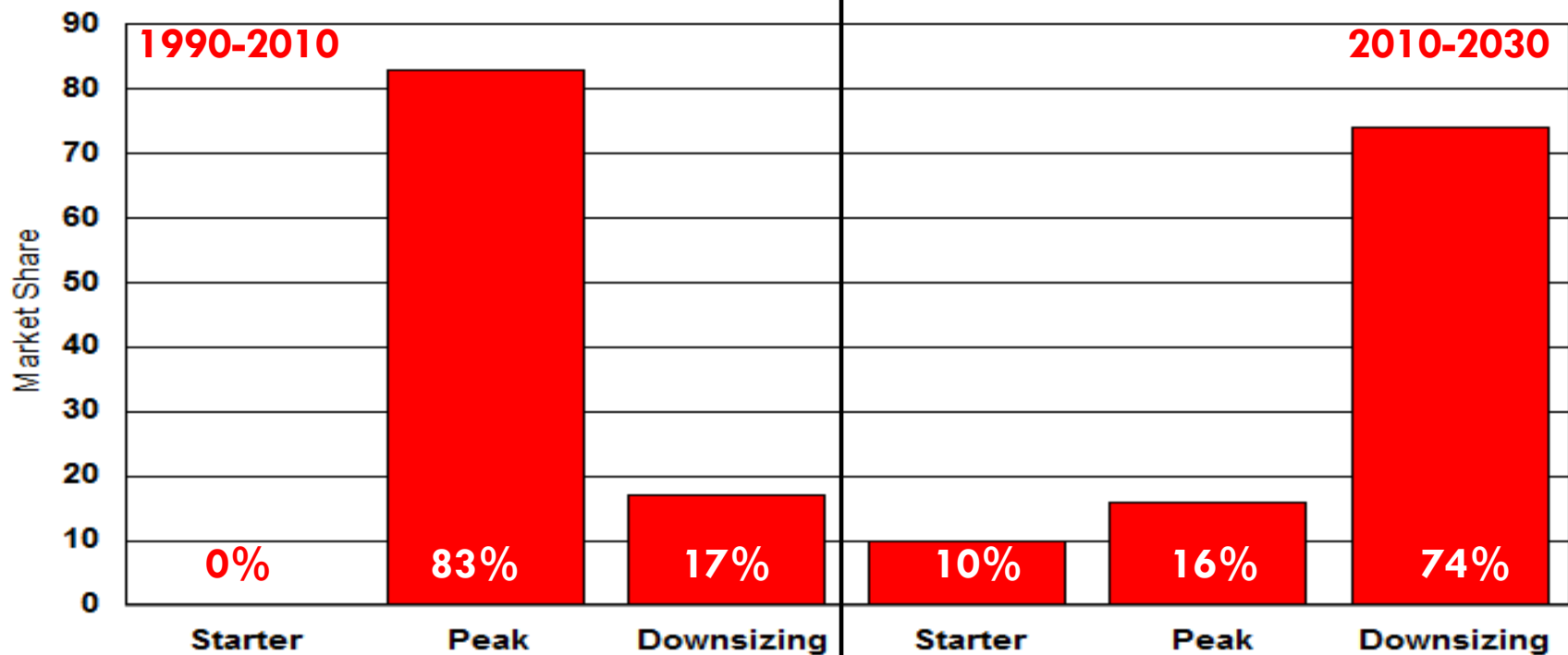


Source: Census.

Rise of Multi-Generational Households Will Keep HH Sizes from Falling Further



Source: Census Current Population Reports; Pew.



Distribution of Units Built, 1989-1999

Type	Volume	Total Share	Detached Share
New Units	24.5		
Detached	20.7	85%	
2500 sf+	6.6	27%	32%
0.5-10 ac	8.7	35%	42%

Source: American Housing Survey

U.S. Starter, Mature, Downsizing Household Trends, 1990-2010

Householder Age	1990	2010	Change	Rate	Share of Change
Total	92,315	116,945	24,629	26%	
Under 35 (Starter)	25,163	23,406	(1,757)	-7%	0%
35-64 (Peak)	47,231	67,670	20,439	40%	77%
65+ (Downsizing)	19,921	25,868	5,947	26%	23%

Note: Figures in thousands.

Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah.

U.S. Starter, Mature, Downsizing Household Trends, 2010-2030

Householder Age	2010	2030	Change	Rate	Share of Change
Total	116,945	143,232	26,287	22%	
Under 35 (Starter)	23,406	26,074	2,668	11%	10%
35-64 (Peak)	67,670	71,772	4,102	6%	16%
65+ (Downsizing)	25,868	45,385	19,517	75%	74%

Note: Figures in thousands.

Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah.

US Share of Household Growth by HH Type, 2010-2030

Household Type	2010	2030	Change	Percent Change	Share of Change
Total Households	116,945	143,232	26,287	22%	
HHs with Children	34,814	38,358	3,544	10%	13%
HHs without Children	82,131	104,874	22,743	28%	87%
Single Person HHs	31,264	46,002	14,738	47%	56%

Note: Figures in thousands. Single-person HHs as subset of HHs without children.

Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah.

U.S. Share of HH Change by Race/ Ethnicity, 2010-2030

Race/Ethnicity	2010	2030	Change	Rate	Share of Change
White, Non-Hispanic	201,912	210,837	8,925	4%	14%
Minority	107,438	163,087	55,650	52%	86%
Total	309,350	373,924	64,575	21%	

Note: Figures in thousands. NH means non-Hispanic.

Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah, using data from Woods & Poole Economics (2012).

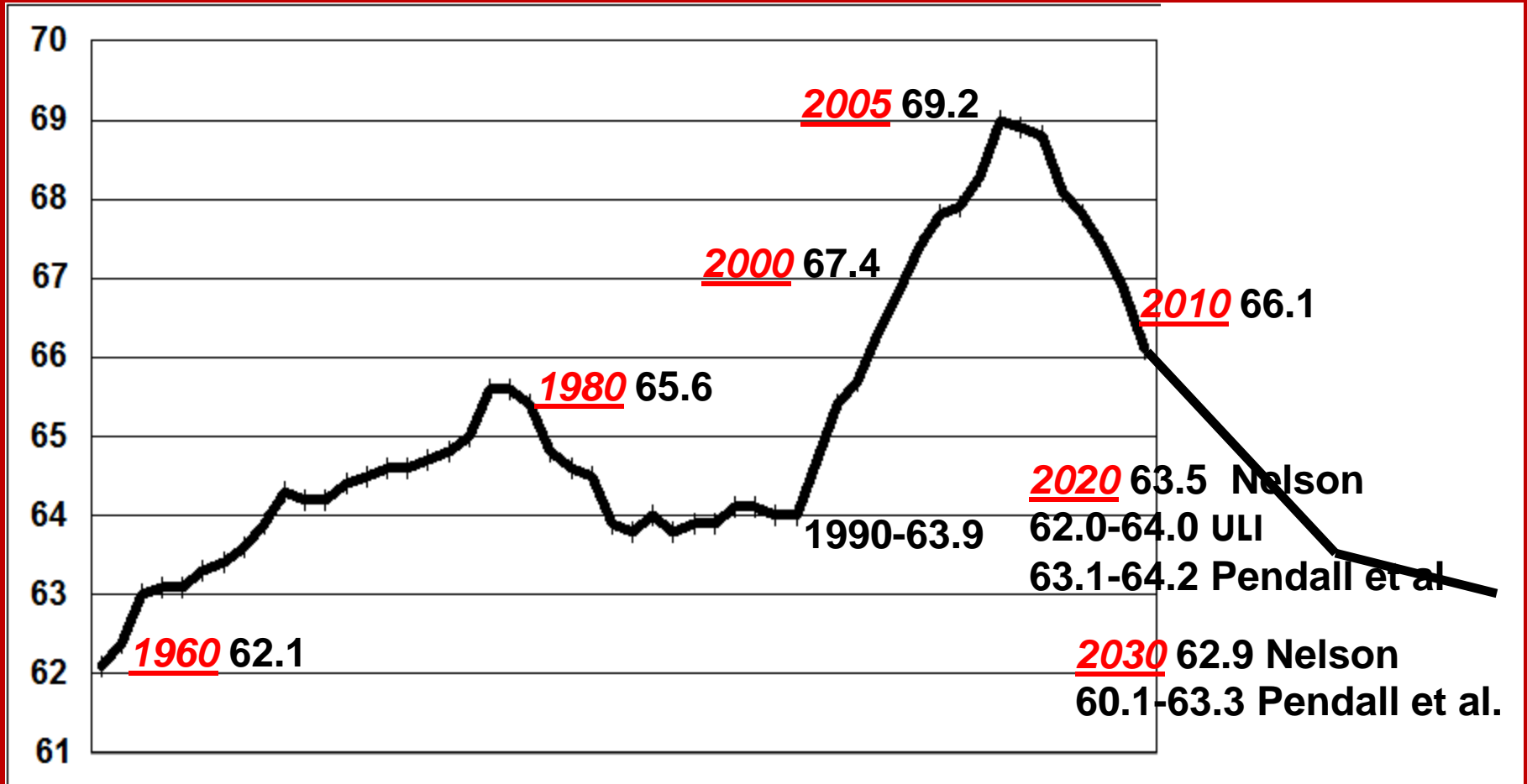
Ownership Trends by Race/Ethnicity

Table 1. Homeownership Percentage Rates by Race/Ethnicity

Year	All Households	White Non-Hispanic	Hispanics	Black	Asian/Other
1994	64	70	41.2	42.5	50.8
1995	64.7	70.9	42.0	42.9	51.5
1996	65.4	71.7	42.8	44.5	51.5
1997	65.7	72	43.3	45.4	53.3
1998	66.3	72.6	44.7	46.1	53.7
1999	66.8	73.2	45.5	46.7	54.1
2000	67.4	74.0	46.0	47.2	54.3
2001	67.8	74.3	47.3	48.4	54.7
2002	67.9	74.7	47	48.2	55.0
2003	68.3	75.4	46.7	48.8	56.9
2004	69	76	48.1	49.7	59.7
2005	68.9	75.8	49.5	48.8	60.3
2006	68.8	75.8	49.7	48.4	60.8
2007	68.1	75.2	49.7	47.8	60.1
2008	67.8	75.0	49.1	47.9	59.5
2009	67.4	74.8	48.4	46.6	59.0
2010	66.9	74.4	47.5	45.9	58.2
2011	66.1	73.8	46.9	45.4	58.0

Sources: State of the Nation's Housing 2011, Joint Center for Housing Studies, Harvard University and Current Population Survey, US Census Bureau

Home Ownership Rate 1960-2030



Home Ownership Rates 2010 & 2030

Geography	Owner Rate 2010	Owner Rate 2030 @ Constant 2010 Rates	Owner Rate 2030 @ 95% of 2010 Rates
United States	66%	63%	60%

Notes: Owner rates in 2030 by ethnicity in 2010 held constant to 2030 accounting for change in ethnic profile.

Owner rates in 2030 @ 95% assumes underwriting comparable to 1980s and reduced role of GSEs.

Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah.

Rental Share of Housing Growth 2010-2030

US Ownership as % of 2010

Rate by Race/Ethnicity in 2010 @ 100%

Rate by Race/Ethnicity in 2010 @ 95%

Rate by Race/Ethnicity in 2010 @ 90%

Rental Share 2010-30

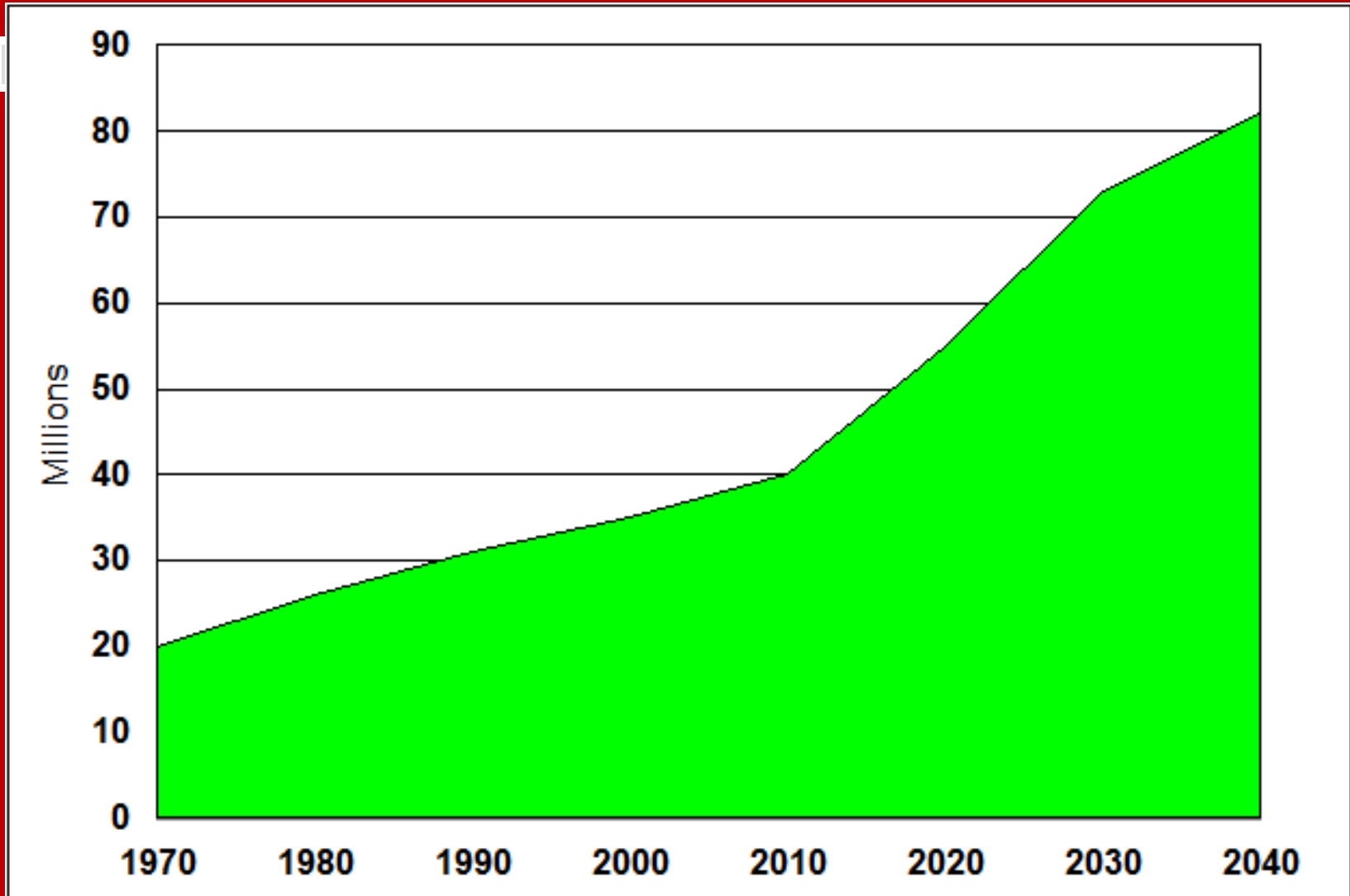
Renter Share of Growth = 50%

Renter Share of Growth = 65%

Renter Share of Growth = 80%

Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah.

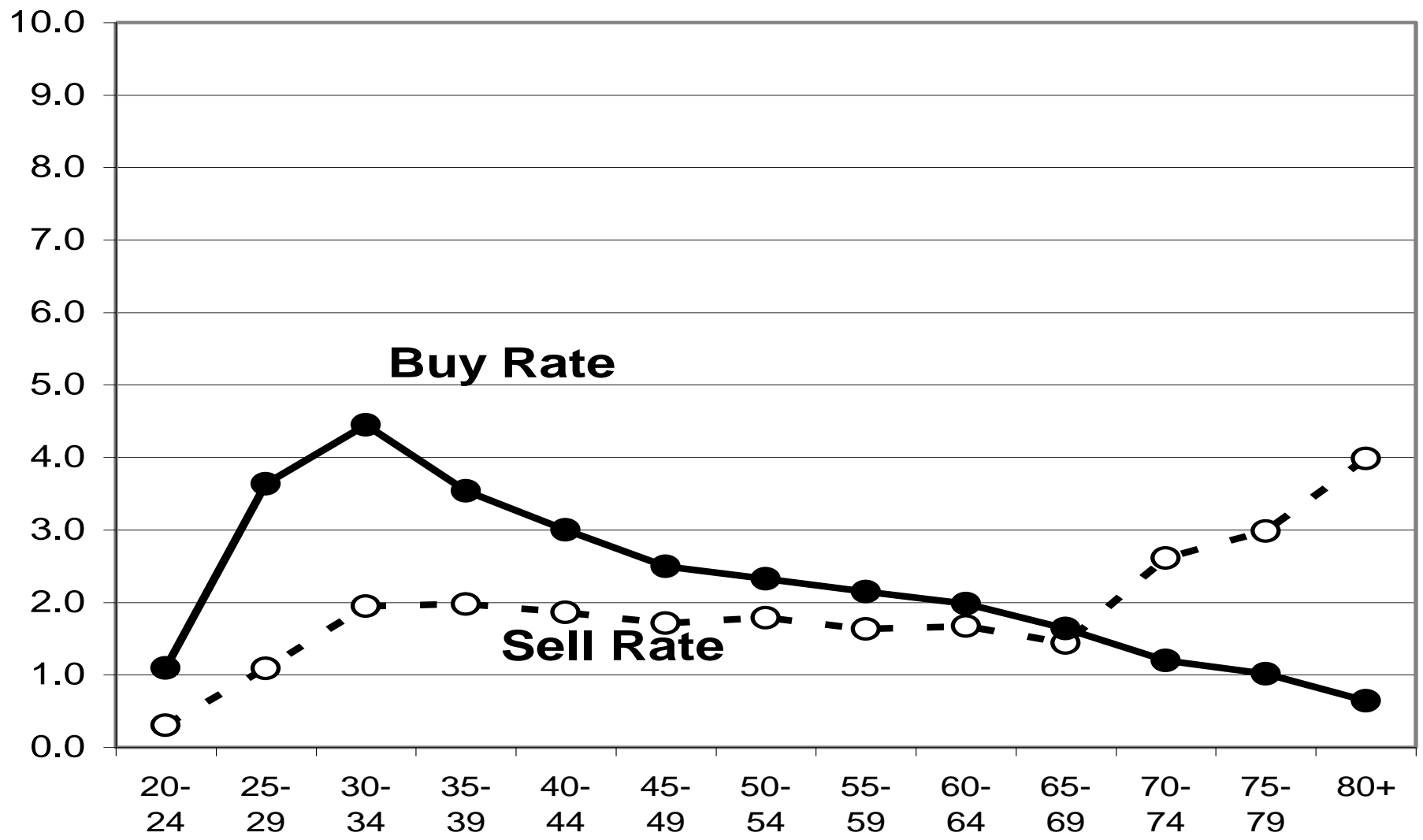
Number of Seniors 1970-2040



Source: Arthur C. Nelson, Metropolitan Research Center, University of Utah

Buy-Sell Rates by Age Cohort

AHS



Source: Dowell Myers & SungHo Ryu, "Aging Baby Boomers and the Generational Housing Bubble: Foresight and Mitigation of an Epic Transition", *Journal of the American Planning Association* 74(1): 1-17 (2007).

Relocation Choices of Seniors

<u>Housing Type</u>	<u>Before Move</u>		<u>After Move</u>
Apartment	20%		59%

Source: Arthur C. Nelson based on analysis of *American Housing Survey 2005, 2007, 2009*. New movers means moved in past five years. Annual senior movers are about 3% of all senior households; 60%+ of all seniors will change housing type between ages 65 and 85.

New Housing Market Realities

- **Sub-prime mortgages are history.**
- **20% down-payments will become the new normal.**
- **Fannie Mae & Freddie Mac on the chopping block.**
- **Meaning**
 - *Smaller homes → maybe more people per unit*
 - *Smaller lots → more attached units*
 - *More renters → including doubled-up renters*

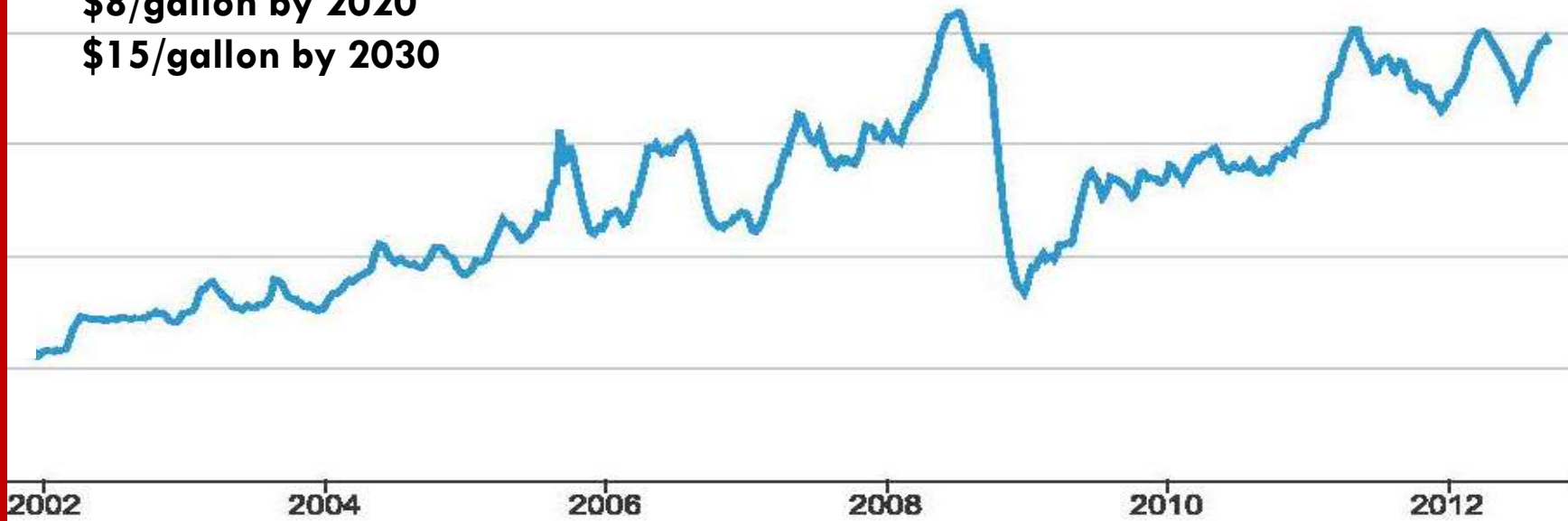
Gasoline Price Trends 2002-2012

2002-2012 gasoline prices rose at 10%+ per year, compounded.

At this rate gasoline prices will be

\$8/gallon by 2020

\$15/gallon by 2030

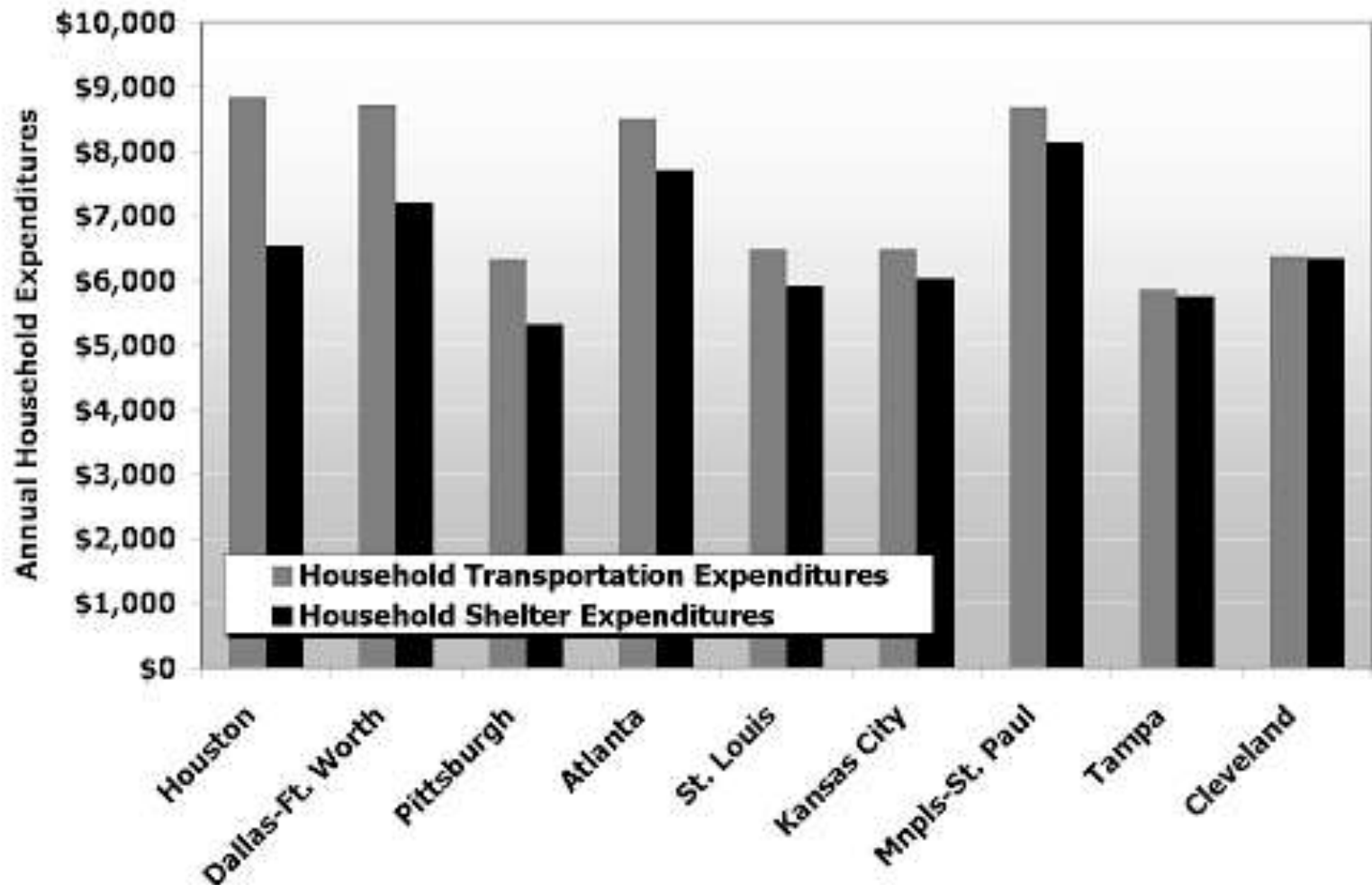


$R^2 = 0.70$; t-ratio = 35.86; $p > 0.01$.

Source: Adapted from Energy Information Administration (2012).

http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W

More Spent on Transportation Than Housing

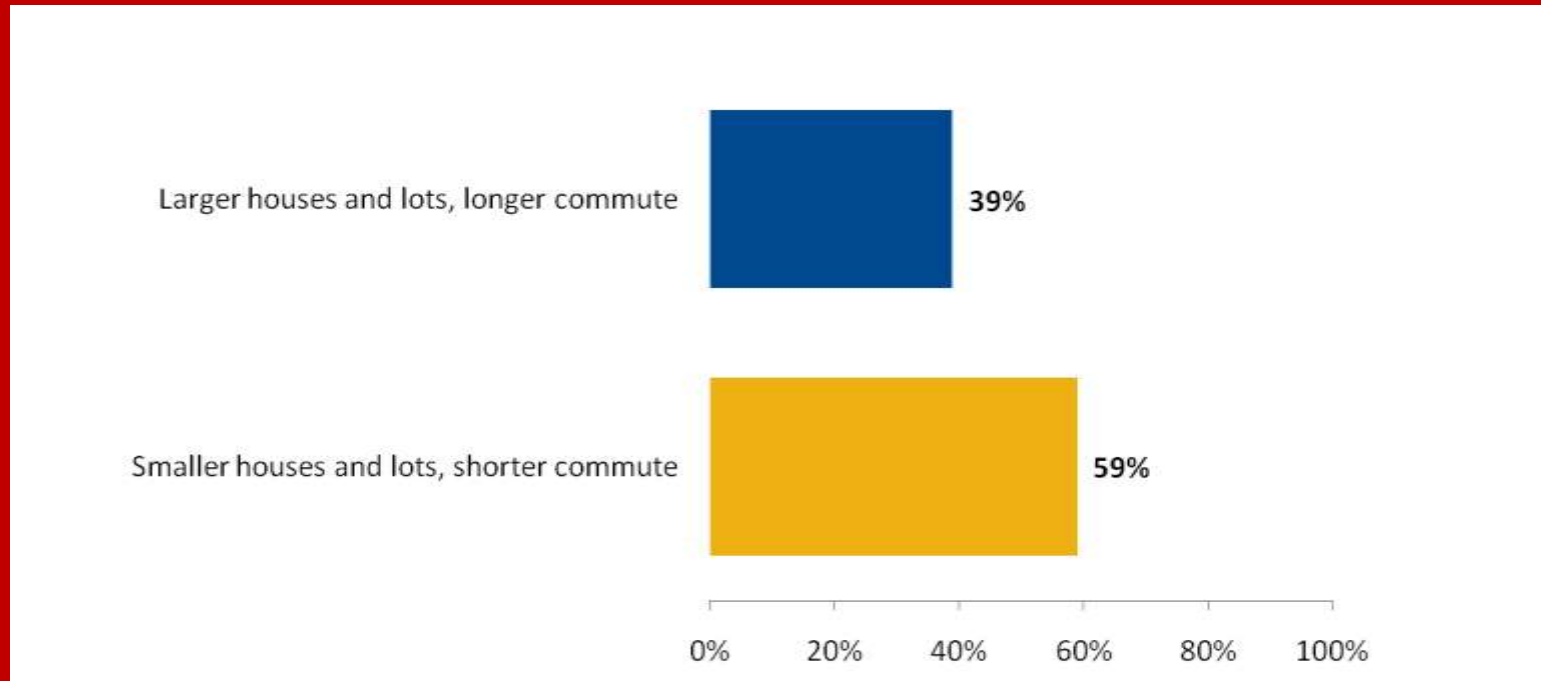


Source: Reid Ewing, Metropolitan Research Center, University of Utah.

Space v. Commute Time

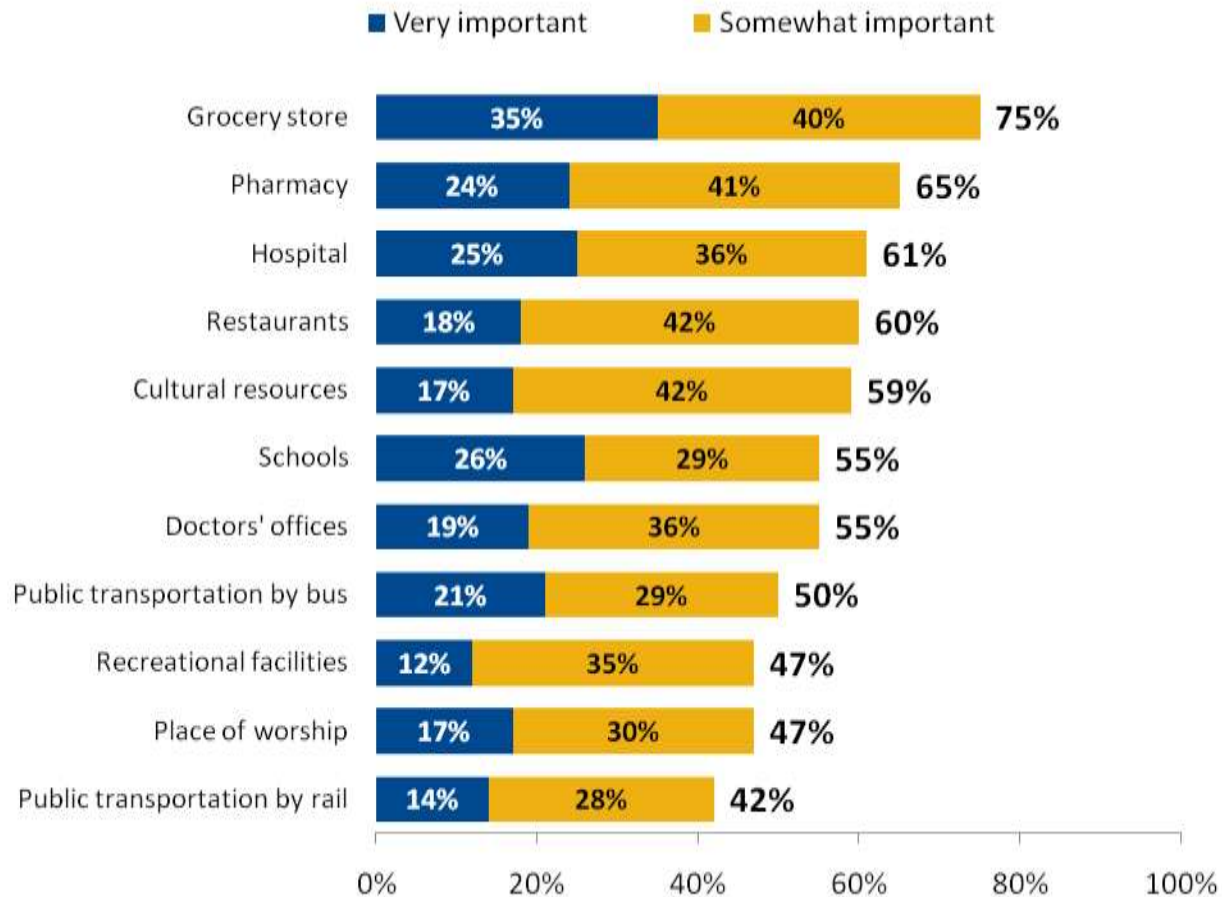
Community A: Houses are smaller on smaller lots, with shorter commute to work <20 minutes

Community B: Houses are larger on larger lots with , longer commute to work 40+ minutes



Walkable Destinations

In deciding where to live, indicate how important it would be to you to have each of the following within an easy walk: very important, somewhat important, not very important, or not at all important.



US Preference Demand vs. Supply

House Type	Nelson	RCLCo*	NAR	AHS
Attached	38%	34%	38%	28%
Small Lot	37%	35%	37%	29%
Large Lot	25%	31%	25%	43%

**Owner demand only*

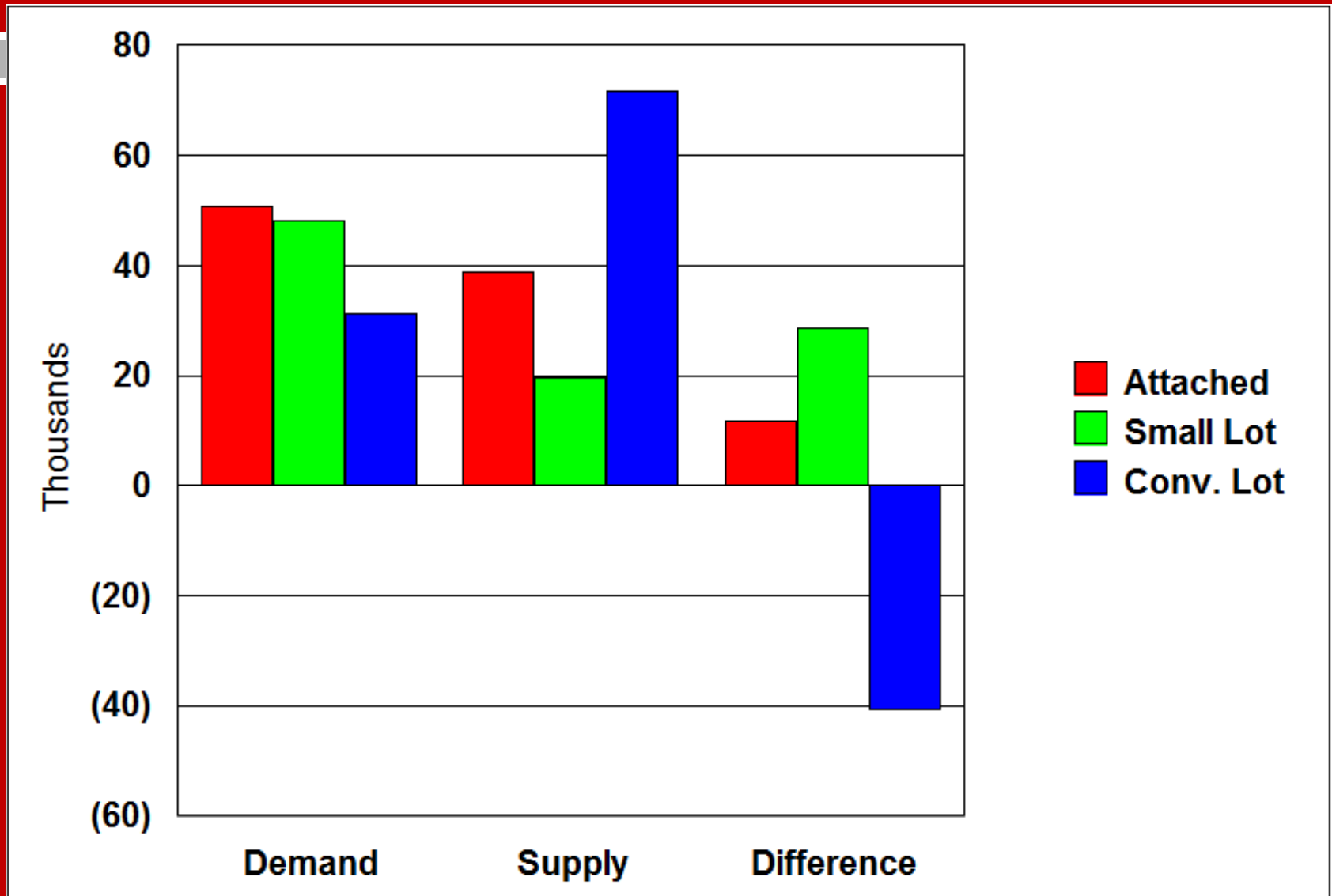
Source: Nelson (2006), RCLCo (2008), NAR (2011), American Housing Survey (2010)

Housing Type Preference by Age

Age	Attached	Small	Large
All	38%	37%	25%
18-29	50%	31%	19%
30-39	35%	34%	31%
40-49	30%	36%	34%
50-59	34%	39%	27%
60+	40%	39%	21%

Source: NAR (2011)

US Housing Supply/Demand 2009



Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah.

Revealed Market Preferences

Direction of Real Estate Price Premium

<u>Attribute</u>	<u>Direction</u>
“New urbanism” community	+
Walkable destinations	+
Commercial property near rail transit	+
Higher walk- & transit-score	+
Mixed-housing options in neighborhood	+
Residential rents near transit stations	+
Residential rents in mixed-tenure	+
Low-density, single-use subdivisions	-
Increasing distance from activity centers	-

Observations

- 1 Little need for new SF homes on conventional lots.
- 2 If all new residential development were near existing/
planned transit stations by 2030, demand would still
exceed supply.
- 3 The market will pay a premium for walkable/mixed-use
locations with mobility options.
- 4 Public-private partnerships are needed to make it easier
to serve these markets.
- 5 Remove drive-to-qualify distortion: Home-ownership
financing needs to include capitalization of location-
based transportation cost savings.

Thank You