Resetting the Housing Market

Demographic & Economic Drivers to 2020

Rocky Mountain Land Use Institute
Denver, CO, March 2-4, 2011

Arthur C. Nelson, Ph.D., FAICP
Presidential Professor and Director
Metropolitan Research Center
University of Utah
The Future Ain’t What it Used to Be

Where did the money go?
Demographic trends trump all.
The new housing market realities.
Time to get a grip.
Where did all that Money Go?

- $13T home equity 2006
- $6T home equity 2010
- ~15%+ of homes have mortgages higher than values
- Most losses have simply vanished
- Loss of equity means
  - Less investment capital from selling/refinancing
  - Less mobility
  - Fewer second homes
  - Inability of parents to help children buy
  - Reduced retirement $\rightarrow$ More working years
  - Less tax revenue from capital gains $\rightarrow$ higher deficits
Households are Changing

<table>
<thead>
<tr>
<th>Household Type</th>
<th>1970</th>
<th>2000</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH with Children</td>
<td>45%</td>
<td>33%</td>
<td>27%</td>
</tr>
<tr>
<td>HH without Children</td>
<td>55%</td>
<td>67%</td>
<td>73%</td>
</tr>
<tr>
<td>Single/Other HH</td>
<td>14%</td>
<td>31%</td>
<td>34%</td>
</tr>
</tbody>
</table>

*Source: Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah.*
# Share of Change by Age 2010-2020

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Share of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>21%</td>
</tr>
<tr>
<td>25-44</td>
<td>21%</td>
</tr>
<tr>
<td>45-64</td>
<td>11%</td>
</tr>
<tr>
<td>65+</td>
<td>47%</td>
</tr>
</tbody>
</table>

*Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah*
### Share of Household Growth by HH Type, 2010-2020

<table>
<thead>
<tr>
<th>HH Type</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>With Children</td>
<td>10%</td>
</tr>
<tr>
<td>Without Children</td>
<td>90%</td>
</tr>
<tr>
<td>Single Person</td>
<td>36%</td>
</tr>
</tbody>
</table>

*Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah*
People Turning 65 **Each Year**

[Figures in 000s]

Change in HHs 2010-2020

Source: John McIlwain, ULI, 2010
Declining Home Ownership

Source: Harvard Joint Center for Housing Studies, *State of the Nation's Housing*, 2009
Buy-Sell Rates by Age Cohort

The Ringer: Increasing HH Size

Average Household Size

Source: Based on American Community Survey; Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah.
Multi-Generational Households

Source: Adapted from *The Return of the Multi-Generational Family Household* (Pew) by Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah.
Doubling-Up: 14% and Rising

Source: Adapted from Data Snapshot: Doubled Up in the United States, 2008 Update. www.endhomelessness.org

- Doubled Up Family: 2.4M HH
- Family & Friends: 3.9M HH
- All Other: 10.5M HH
Higher HH-Size = Excess Supply

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 2010 (April 1)</td>
<td>309.0M</td>
</tr>
<tr>
<td>Units Needed @ 2.52 HH Size, 2010(^a)</td>
<td>127.3M</td>
</tr>
<tr>
<td>Units Needed @ 2.63 HH Size, 2010(^a)</td>
<td>122.0M</td>
</tr>
<tr>
<td>Difference Between HH Sizes</td>
<td>(5.3M)</td>
</tr>
</tbody>
</table>

\(^a\) This figure is based on total units needed excluding seasonal and migrant farmworker units and assuming the 2000 Census vacancy rate based on vacant rental and for sale units (3.7%).

New Housing Market Realities

• Sub-prime mortgages are history
• Alt-A mortgages problematic
• FHA-like conventional mortgages king
• “Jumbo” loans expensive
• Demand for $1 million+ homes has tanked

• **Meaning**
  - *Smaller homes → but more people per unit*
  - *Smaller lots → more attached units*
  - *More renters → including doubled-up renters*
Tenure & Unit Change 2010-2020

- Multifamily Share 2010: 30%
- Multifamily Share 2020: 36%
- MF Share of New Unit demand 2010-20: 50%

Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah
3-Family McMansion (Accommodates 15)
## Crystal Ball

<table>
<thead>
<tr>
<th>House Type</th>
<th>2010</th>
<th>2020</th>
<th>2010-20</th>
<th>2020</th>
<th>2010-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attached</td>
<td>41M</td>
<td>56M</td>
<td>15M</td>
<td>50M</td>
<td>9M</td>
</tr>
<tr>
<td>Small Lot</td>
<td>28M</td>
<td>54M</td>
<td>26M</td>
<td>37M</td>
<td>9M</td>
</tr>
<tr>
<td>Large Lot</td>
<td>65M</td>
<td>37M</td>
<td>-28M</td>
<td>60M</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah*
Housing 2020

• A decade of resetting housing.
• Household size steady at 2.62 or increasing.
• Seniors unable to sell:
  – Rent their homes; double-up; abandon?
• Multi-generational households.
• Conversion of McMansions into informal multi-family affordable housing.
• Non-related families may double-up illegally.
• We don’t really understand where we’re headed.
Time to Get a Grip

• Regional fair share allocations with teeth
• Accessory apartments by right
• Enough land zoned for MF to meet needs
• Eliminate the condo financing fiasco
• Remove blood tests from zoning codes
• Remove minimum house sizes from zoning codes.
• Enable multi-family conversions of McMansions.
• Replace impacts fees and general taxes for public facilities with special district-like assessments *(but that’s another lecture).*
THANK YOU
(I think)