# Resetting the Housing Market

## *Demographic & Economic Drivers to 2020*

**Rocky Mountain Land Use Institute**

**Denver, CO, March 2-4, 2011**

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**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 → More working years
  - Less tax revenue from capital gains → higher deficits

# Households are Changing

| Household Type | 1970 | 2000 | 2030 |
|---|---|---|---|
| HH with Children | 45% | 33% | 27% |
| HH without Children | 55% | 67% | 73% |
| *Single/Other HH* | *14%* | *31%* | *34%* |

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

# Share of Change by Age 2010-2020

| Age Group | Share of Change |
|---|---|
| <25 | 21% |
| 25-44 | 21% |
| 45-64 | 11% |
| 65+ | 47% |

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

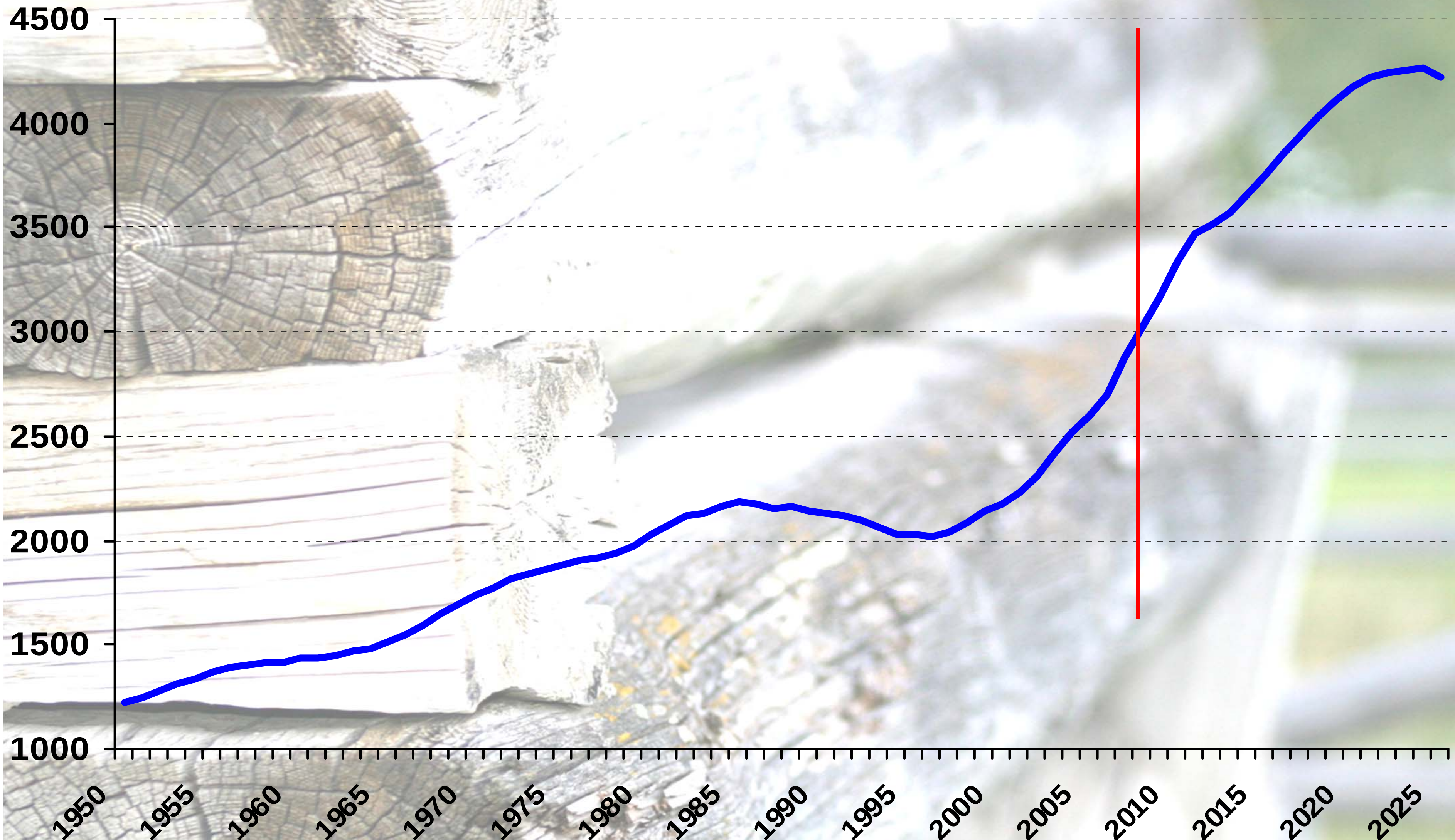
# Share of Household Growth by HH Type, 2010-2020

| HH Type | All |
|---|---|
| With Children | 10% |
| Without Children | 90% |
| Single Person | 36% |

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

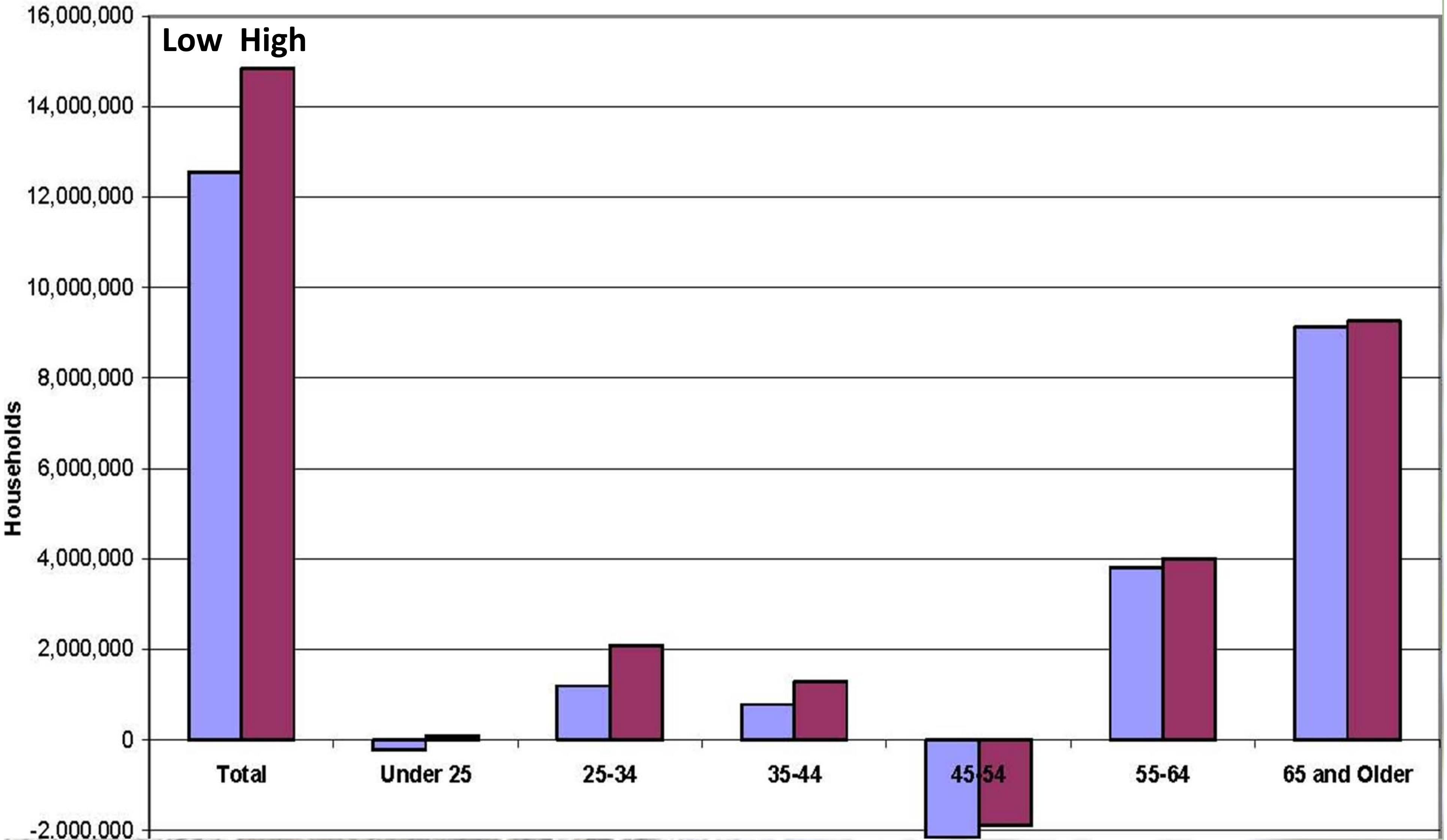
# People Turning 65 *Each* Year

*[Figures in 000s]*



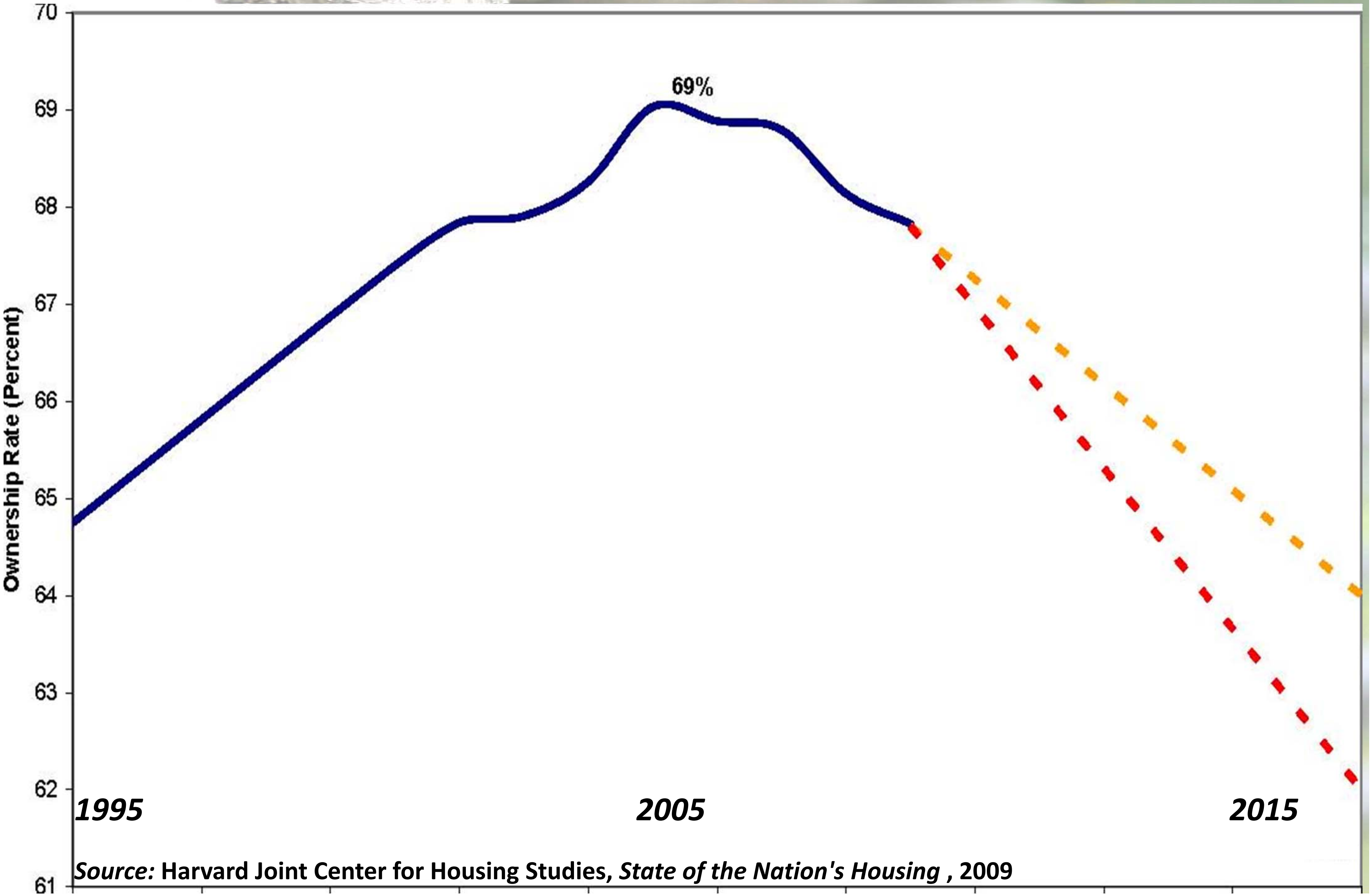

*Source:* US Census Bureau – *65+ in the United States: 2005;* Wan He, Manisha Sengupta, Victoria A. Velkoff, & Kimberly A DeBarros. December 2005.

# Change in HHs 2010-2020



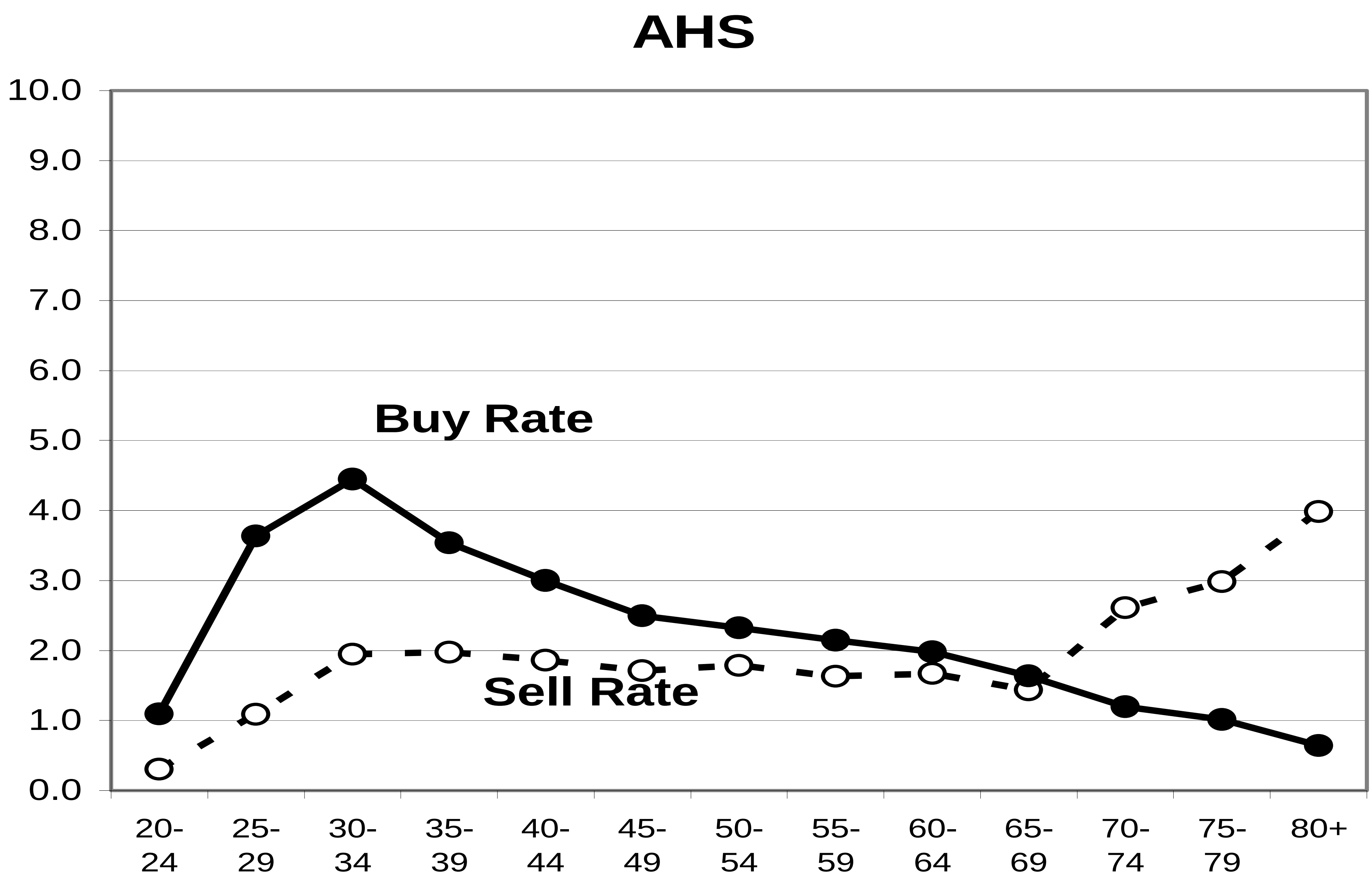

*Source:* John McIlwain, ULI, 2010

# Declining Home Ownership




*Source:* Harvard Joint Center for Housing Studies, *State of the Nation's Housing* , 2009

# Buy-Sell Rates by Age Cohort

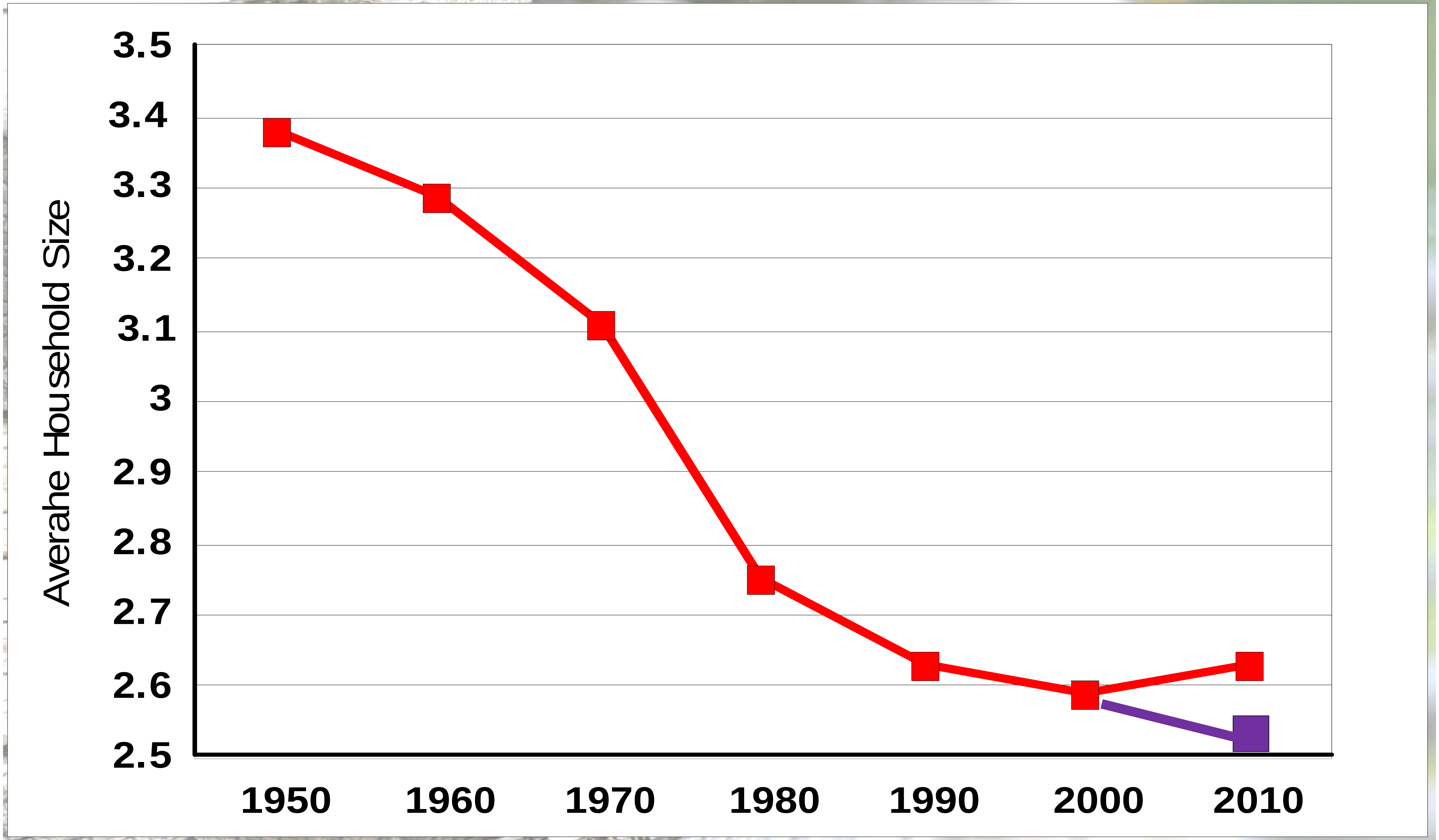



*Source:* Dowell Myers & SungHo Ryu, "Aging Baby Boomers and the Generational Housing Bubble: Foresight and Mitigation of an Epic Transition", *Journal of the American Planning Association* 74(1): 1-17 (2007).

# THE GREAT SENIOR SELL-OFF

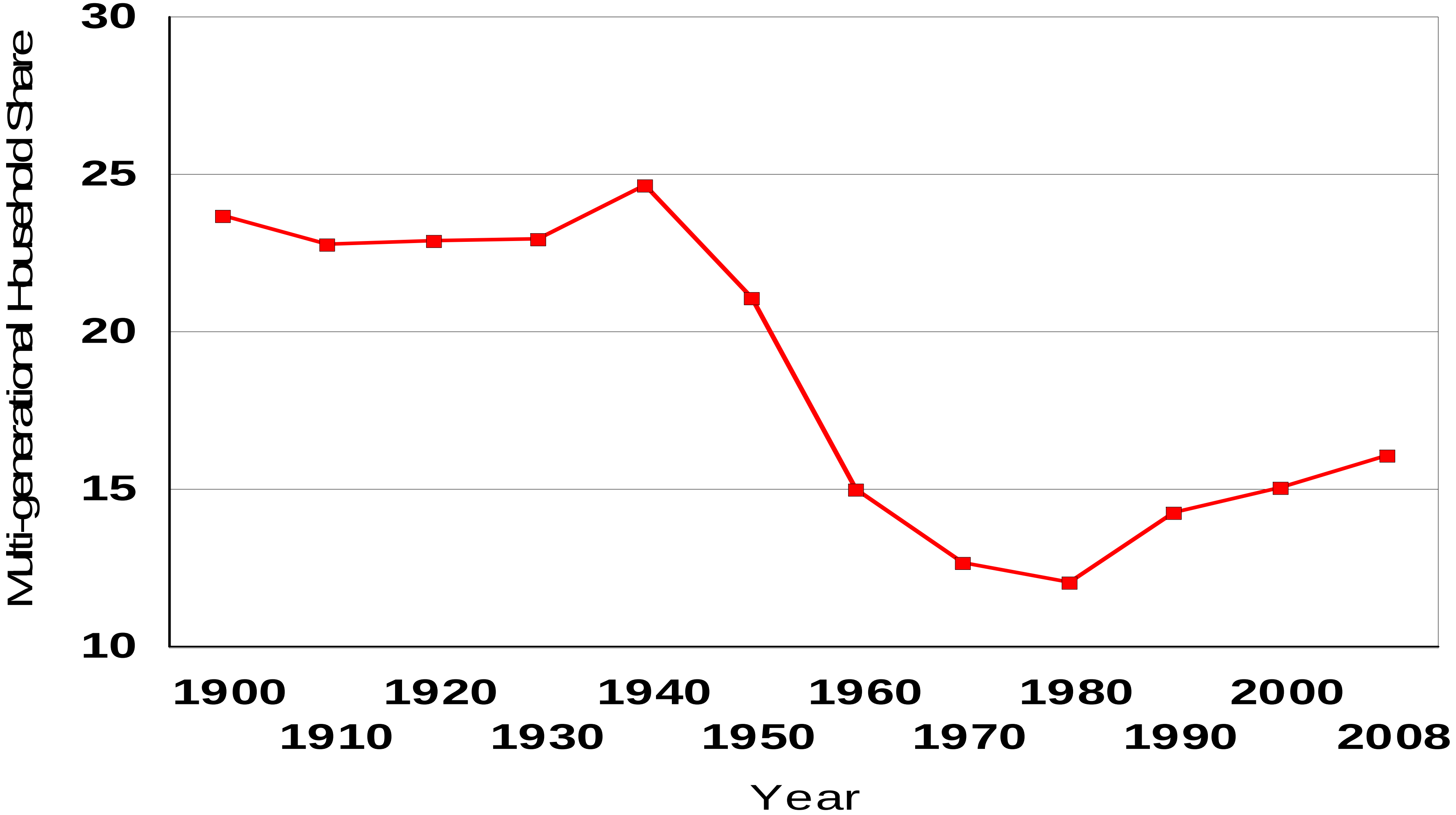

*Source*: Dowell Myers & SungHo Ryu, "Aging Baby Boomers and the Generational Housing Bubble: Foresight and Mitigation of an Epic Transition", *Journal of the American Planning Association* 74(1): 1-17 (2007). Figures for net buying or selling rate age.

# The Ringer: Increasing HH Size



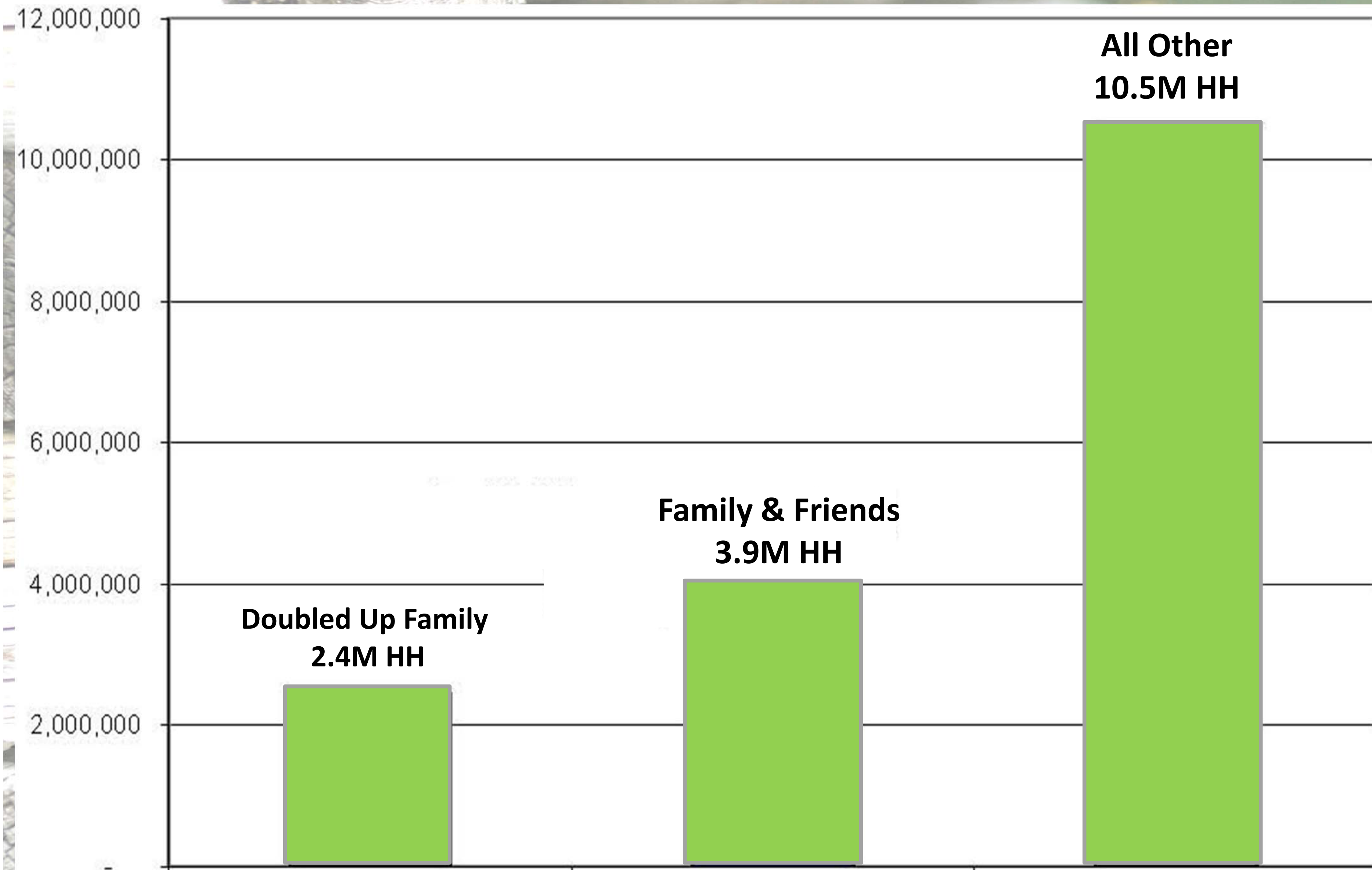

*Source*: Based on American Community Survey; Arthur C. Nelson, Presidential Professor & Director of Metropolitan Research, University of Utah.

# 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

# Higher HH-Size = Excess Supply

| Scenario | Figure |
|---|---|
| Population 2010 (April 1) | 309.0M |
| Units Needed @ 2.52 HH Size, 2010[a] | 127.3M |
| Units Needed @ 2.63 HH Size, 2010[a] | 122.0M |
| Difference Between HH Sizes | (5.3M) |

***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%).**

***Source*****: Census for 2000; Arthur C. Nelson for 2010.**

# New Housing Market Realities

- **Sub-prime mortgages are history**
- **Alt-A mortgages problematic**
- **FHA-like conventional mortgages king**
- **"Jumbo" loans expensive**
- **Demand for $1million+ homes has tanked**
- **Meaning**
  - ***Smaller homes → but more people per unit***
  - ***Smaller lots → more attached units***
  - ***More renters → including doubled-up renters***

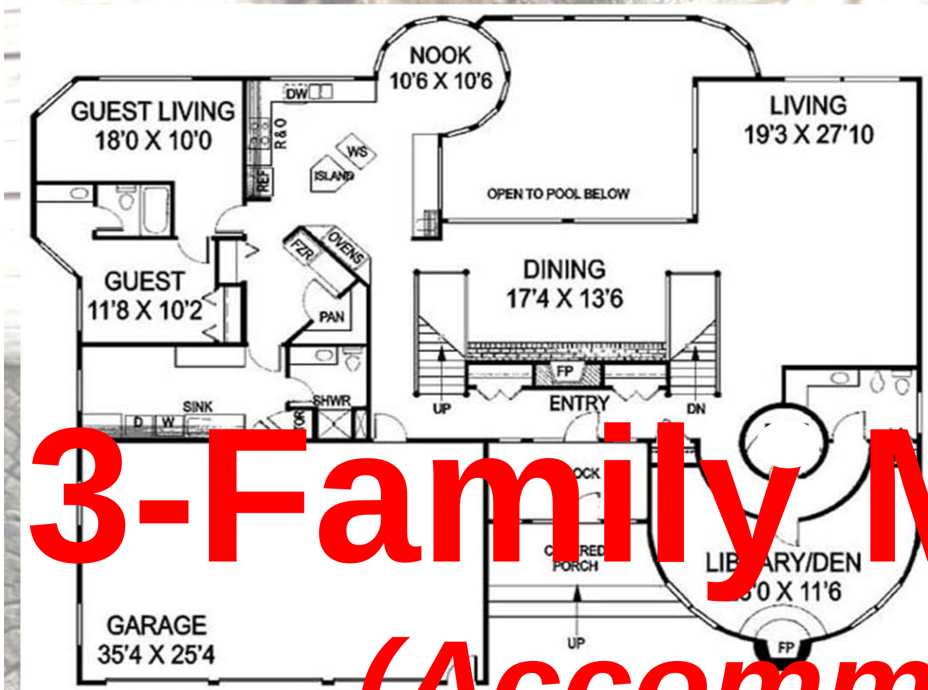
# Tenure & Unit Change 2010-2020

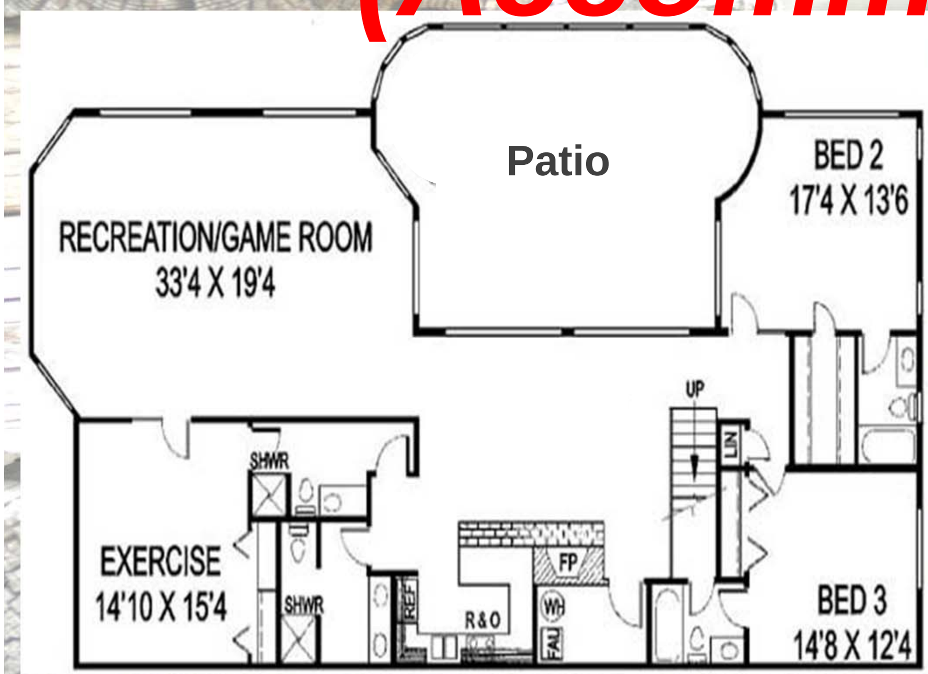
| | |
|---|---|
| **Multifamily Share 2010** | **30%** |
| **Multifamily Share 2020** | **36%** |
| **MF Share of New Unit demand 2010-20** | ***50%*** |

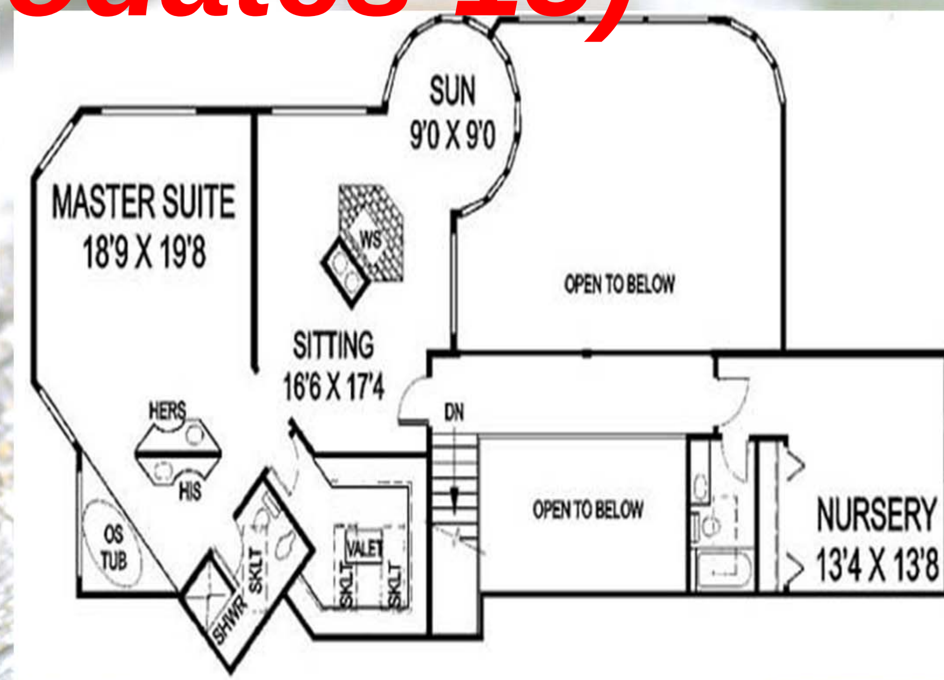
***Source*: Arthur C. Nelson, Presidential Professor & Director, Metropolitan Research Center, University of Utah**

# 3-Family McMansion

## *(Accommodates 15)*



# Crystal Ball

| House Type | Supply 2010 | Demand 2020 | Change 2010-20 | Scenario 2020 | Change 2010-20 |
|---|---|---|---|---|---|
| Attached | 41M | 56M | 15M | 50M | 9M |
| Small Lot | 28M | 54M | 26M | 37M | 9M |
| Large Lot | 65M | 37M | -28M | 60M | 0 |

***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)***