The Trends (Hardly Anyone) Are Paying Attention To

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The National Mass Housing Market has Changed

Distribution of Residential Units Built, United States, 1989-2009

<table>
<thead>
<tr>
<th>Type</th>
<th>Volume (millions)</th>
<th>Total Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total New Units</td>
<td>24.5</td>
<td>85%</td>
</tr>
<tr>
<td>Detached Units</td>
<td>20.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from American Housing Survey by Arthur C. Nelson, University of Arizona. Figures in millions of residential units.
Generation Shares of Population Base

- Eisenhower: 39%
- Baby Boom: 54%
- Gen X: 28%
- Gen Y/Mill: 29%
- New Gen: 16%

[Graph showing population at base year and births through generation period]

Source: Adapted from Urban Institute (2015), Arthur C. Nelson
The Great American Baby Bust
Births per 1,000 population

Sources: U.S. Census Bureau, Centers for Disease Control
Do Not Over-state Millennial Demand → Household Shares by Generation in 2030

AARP Eligible Households = 57%

<table>
<thead>
<tr>
<th>Generation</th>
<th>Share of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eisenhower</td>
<td>4%</td>
</tr>
<tr>
<td>Baby Boom</td>
<td>29%</td>
</tr>
<tr>
<td>Gen X</td>
<td>24%</td>
</tr>
<tr>
<td>Millennial</td>
<td>26%</td>
</tr>
<tr>
<td>New Gen</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Adapted from the Urban Institute by Arthur C. Nelson
Marrying Later Affects Home Buying

**Marital Status in 2014 at the Same Age**

- **Adult Millennials** (ages 18-33): 28% Married, 4% Separated/Divorced, 68% Never Married
- **Gen Xers** (ages 34-49): 65% Married, 16% Separated/Divorced, 1% Widowed, 19% Never Married
- **Boomers** (ages 50-68): 66% Married, 19% Separated/Divorced, 5% Widowed, 10% Never Married
- **Silents** (ages 69-84*): 60% Married, 12% Separated/Divorced, 25% Widowed, 4% Never Married

*Ages shown are as of 2014. Members of the Silent generation were 69 to 86 in 2014. Since the Current Population Survey aggregates those age 85 and older into one category, results for 69 to 84 year-olds are shown. Figures may not add to 100% because of rounding. Shares less than 0.5% not shown.*

Source: Pew Research Center
Having Children Later, Or Not at All, Affects Home Buying

Source: Arthur C. Nelson,
The Millennial Math of Home Buying

- Most millennials want to own, and expect to
- 65% of millennials want to own what 80% of boomers have
  - The rest want to live in/near downtown, close-in, TODs, etc.
- Higher mortgage qualification requirements challenges
  - Since 2016, student debt is included in mortgage qualification
- Until married with children, want to “lock and leave”
- Worried if the home actually gain value
- Economic mobility lost if the home has to be sold first
- Because of sales-expense churning, home purchase makes sense if you plan to stay in the home for 20-30+ years.
The homeownership rate of 64.2 percent was not statistically different from the rates in the fourth quarter 2016 (63.7 percent) or the third quarter 2017 (63.9 percent).

Is the ownership rate rising? Not when adjusting for → Increasing household sizes as more working-age people stay home or double up to help pay home expenses.
Rising Ownership Rate Caused in Part by Larger Multi-Wage Earner Households
Population

Population July 1, 2015 321,419
Population April 1, 2010 308,758
Population Change 12,661
White not Hispanic July 1, 2015 197,994
White not Hispanic April 1, 2010 196,679
White NH Population Change 1,315
Population Change Share 10%

Source: 2017 Home Buyer and Seller Generational Trends, National Association of Realtors

https://www.census.gov/quickfacts/table/PST045216/00
Why are people deferring selling their home? “The biggest one is people were underwater. One in five Gen X sellers wanted to sell earlier than they could. Also the psychological decision today that when people buy their expected tenure is longer. The starter home of 5 years then move on is gone. First time buyers used to think when they bought they would own it for 5 years. Today that increased to 10 years.” NAR correspondence to Arthur C. Nelson, 4/12/17.

### Household Change by Household Type 2015-2035

<table>
<thead>
<tr>
<th>Households</th>
<th>2015</th>
<th>2035</th>
<th>2015-2035</th>
<th>Percent</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>With Children</td>
<td>35,265</td>
<td>39,576</td>
<td>4,310</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>2+ Person HH w/o Child</td>
<td>56,017</td>
<td>66,712</td>
<td>10,695</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>Single Person</td>
<td>33,584</td>
<td>43,633</td>
<td>10,049</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>124,866</td>
<td>149,921</td>
<td>25,054</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted by Arthur C. Nelson from *Updated Household Projections, 2015-2035, Scenario 2*, Harvard Joint Center for Housing Studies

83% of the new demand for housing 2015-2035 will be for households without children.
## Household Change by Householder Race/Ethnicity 2015-2035

<table>
<thead>
<tr>
<th>HH Race/Ethnicity</th>
<th>2015</th>
<th>2035</th>
<th>2015-2035</th>
<th>Percent</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>White non-Hispanic</td>
<td>84,487</td>
<td>89,399</td>
<td>4,911</td>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>Black non-Hispanic</td>
<td>15,565</td>
<td>19,527</td>
<td>3,961</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>16,446</td>
<td>26,510</td>
<td>10,064</td>
<td>61%</td>
<td>40%</td>
</tr>
<tr>
<td>Asian/Other non-Hispanic</td>
<td>8,368</td>
<td>14,486</td>
<td>6,117</td>
<td>73%</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>124,866</td>
<td>149,921</td>
<td>25,054</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted by Arthur C. Nelson from *Updated Household Projections, 2015-2035*, Scenario 2, Harvard Joint Center for Housing Studies

80% of the new demand for housing 2015-2035 will be for “New Majority” households.
## Household Change by Householder Age 2015-2035

<table>
<thead>
<tr>
<th>Householder Age</th>
<th>2015</th>
<th>2035</th>
<th>2015-2035</th>
<th>Percent</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;35 (New Gen)</td>
<td>26,426</td>
<td>27,340</td>
<td>914</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>35-49 (Millennial)</td>
<td>32,736</td>
<td>38,481</td>
<td>5,746</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>50-69 (Gen-X)</td>
<td>45,513</td>
<td>45,712</td>
<td>199</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>70+ (Boomer +)</td>
<td>20,192</td>
<td>38,387</td>
<td>18,195</td>
<td>90%</td>
<td>73%</td>
</tr>
<tr>
<td>Total</td>
<td>124,866</td>
<td>149,921</td>
<td>25,054</td>
<td>20%</td>
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</tr>
</tbody>
</table>

Source: Adapted by Arthur C. Nelson from *Updated Household Projections, 2015-2035*, Scenario 2, Harvard Joint Center for Housing Studies

74% of the new demand for housing 2015-2035 will be for “AARP Eligible” households.
## Harvard Scenario 2
### Market Outcome 2015-2035

<table>
<thead>
<tr>
<th>Owner Supply/Demand</th>
<th>Units (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Household Change</td>
<td>11,527</td>
</tr>
<tr>
<td>Starter/Downsizing Home Change in Demand</td>
<td>12,872</td>
</tr>
<tr>
<td>Peak Large Housing Demand</td>
<td>(1,345)</td>
</tr>
</tbody>
</table>

**What about those millions of McMansions?**
Imagine for a moment that you are moving to another community. These questions are about the kind of community you would like to live in. Please select the community where you would prefer

<table>
<thead>
<tr>
<th>Own or rent an apartment or townhouse, and have an easy walk to shops and restaurants and have a shorter commute to work. OR</th>
<th>All Households</th>
<th>Households with Children</th>
<th>2+ Person HHs without Children</th>
<th>People living Alone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own or rent a detached, single-family house, and have to drive to shops and restaurants and have a longer commute to work.</td>
<td>55%</td>
<td>62%</td>
<td>56%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: Adapted from National Association of Realtors/Portland State University (2015) by Arthur C. Nelson.
Demand for Walkable Neighborhoods

Millennials and Baby Boomers prefer smaller yards in walkable neighborhoods

Community A: (conventional suburb)
Houses with large yards and you have to drive to the places you need to go.

Community B: (walkable community)
Houses with small yards and it is easy to walk to the places you need to go.

Only 20% of HHs live in Walkable Neighborhoods
Market Demand for Walkable Neighborhoods 2050

- **Demand** by 45% of 170 million HHs 2050 = 77 million units
- **Supply** for 20% of 120 million HHs 2015 = 24 million units
- New housing demand = 50 million
- New Walkable Neighborhood demand = 53 million units
- **If every new home built in the US to 2050 were in walkable neighborhoods demand would not be met.**
Supply & Demand Mismatch

Source: Arthur C. Nelson
In the fourth quarter 2017, the median asking rent for vacant for rent units was $910.

In the fourth quarter 2017, the median asking sales price for vacant for sale units was $197,000.

1. Median asking rent and median asking sales price data for vacant units can be found in Historical Table 11A/B at <www.census.gov/housing/regs/date/huds.html>
2. The data in figures 2 and 3 are not adjusted for price changes.