

# Demographic wave transforming the market

A demographic wave of Millennials, who are delaying having children and strongly prefer urban places, combined with the downsizing Baby Boomers, is transforming the housing market this decade and the next, according to Arthur C. Nelson's 2013 book, *Reshaping Metropolitan America*.

There will still be plenty of households with children in America — Nelson forecasts more than 38 million in 2030. But these households will make up a very small share of the nation's growth — and therefore a small share change in the housing market, which drives demand. The table at right presents the data. The majority of the growth will be single-person households.

"The bottom line is that a new reality has emerged: The future of American planning and public policy will be geared to meeting the needs of households without children, with half the new market being single-person households," Nelson says. "Yet, our planning, zoning, and development codes remain rooted in reality that no longer exists — that of mass family and child-oriented markets."

The market will shift dramatically in this time period — see the graph at right. While the period 1990-2010 saw the market dominated by Baby Boomers in their peak buying period, 74 percent of the market going forward will be downsizing households, Nelson writes.

Because the nation will add 64.5 million people, and some houses eventually wear out, burn to the ground, or are abandoned, the demand for new housing will be considerable this decade and the next — especially the 2020s — Nelson writes:

"Between 2010 and 2030, the nation will need to add about 22.7 million homes to its inventory, or about 1.3 million annually. During this period, another 10.9 million units will need to be built to replace units existing in 2010 that will be removed from the inventory. Total new housing construction for the nation over the period 2010 to 2030 comes to about 36.7 million units, or about 1.8 million units per year. Given the excess supply and that several hundred thousand units were built annually during the early 2010s, this level may not be reached until the late 2020s.

Yet this growth will not be evenly distributed. It's not just that there is an oversupply of large-lot single family houses and an undersupply of multifamily and small lot housing, especially in walkable neighborhoods. That's the case nationally, remaining so through 2030 at least. There's also a huge difference in demand depending where in the nation you live.

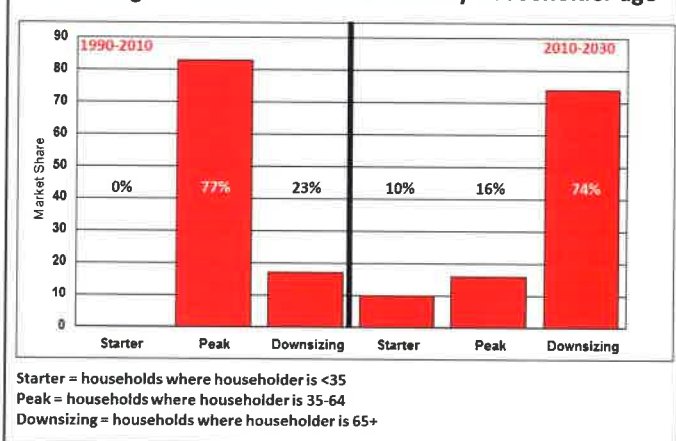
It's clear in the table at lower left that much of the demand for new house construction is centered in three subregions: South Atlantic, which is the east coast from Florida through

US households by type, 2010-2030 (figures in thousands)

Measure	HHs 2010	HHs 2030	HH change 2010-2030	% change 2010-2030	Share of change %
Total households	116,500	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	45,081	13,817	44	53

Source: Arthur C. Nelson, *Reshaping Metropolitan America*, Island Press, 2013.

Net change in demand in households by householder age



Maryland; West South Central — Texas along with Louisiana, Arkansas, and Oklahoma; and the Pacific Coast.

That has implications for urban planning. In New England, where only 1.25 million residential units are forecast to be built through 2030, infill can likely handle the demand. In the South Atlantic region or Texas, we are much more likely to see substantial greenfield development.

Nelson acknowledges that greenfield development will be part of the growth picture, and, it is hoped, part of a sustainable mix of development. "I am optimistic that new development may indeed occur as infill and redevelopment, and as mixed-use, higher density, master-planned development within urbanized metropolitan areas," he concludes.

The table below shows Nelson's house value expectations, which are placed on a matrix. There are two key factors — the distance from downtown and the rate of growth in a metro area. A subdivision built in the 1990s will have far different value prospects in, say, the Washington DC area, than in Buffalo, New York. Regardless of region, that subdivision will not do as well as a walkable, inner-ring suburb or downtown. ♦

## Housing projections, 2010-2030

Area	Total units built (000s)
<b>Census region</b>	
Northeast	3,901
Midwest	4,986
South	17,930
West	9,927
<b>Top sub-regions</b>	
South Atlantic	9,552
West South Central	6,146
Pacific	5,996

## Home value expectation

Location	Growth rate			
	Faster than US	Same as US	Slower than US	Stagnating or declining
Downtown/near downtown	Highest value rise	Increasing value	Holding value	Losing value
Elsewhere in central city	High value increase	Increasing value	Holding value	Weak market
Suburbs built before 1980	Holding value	Holding value	Weak market	Little or no market
Suburbs built 1980-2000	Holding value	Losing value	Little or no market	No market
Post 2000 suburbs	Little or no market	No market	No market	No market

Source: Arthur C. Nelson, *Reshaping Metropolitan America*, Island Press, 2013