


Housing Choice: An Accelerator of Regional Economic Competitiveness

Metropolitan Council and ULI Minnesota/Regional Council of Mayors
June 6, 2013

Melina Duggal, AICP, Senior Principal

LOCATION, LOCATION, LOCATION

- **Most desirable locations will be:**
  - Coastal smiley face
  - Within and beyond the Favored Quarter
  - Close to jobs
  - Adjacent to local-serving retail
  - Convenient to regional retail and entertainment
  - Walkable and transit-rich

Need to provide the types of places people want to live

- **Who?** – Demographic Trends
- **Where?** – Location Trends
- **What?** – Product Trends

Who

GEN Y AND BABY BOOMERS CURRENTLY THE LARGEST GENERATIONS

Generation	2010 Age	2010 Pop. US	2010 % Pop. US	Minn.-St. Paul MSA	2010 % Pop. MSA
Eisenhowers	65+	40M	13%	350K	11%
Baby Boomers	46 – 64	76M	25%	879K	27%
Gen X	30 – 45	66M	21%	684K	21%
Gen Y	11 – 29	80M	26%	912K	27%
Gen Z (?)	0 – 10	46M	15%	452K	14%

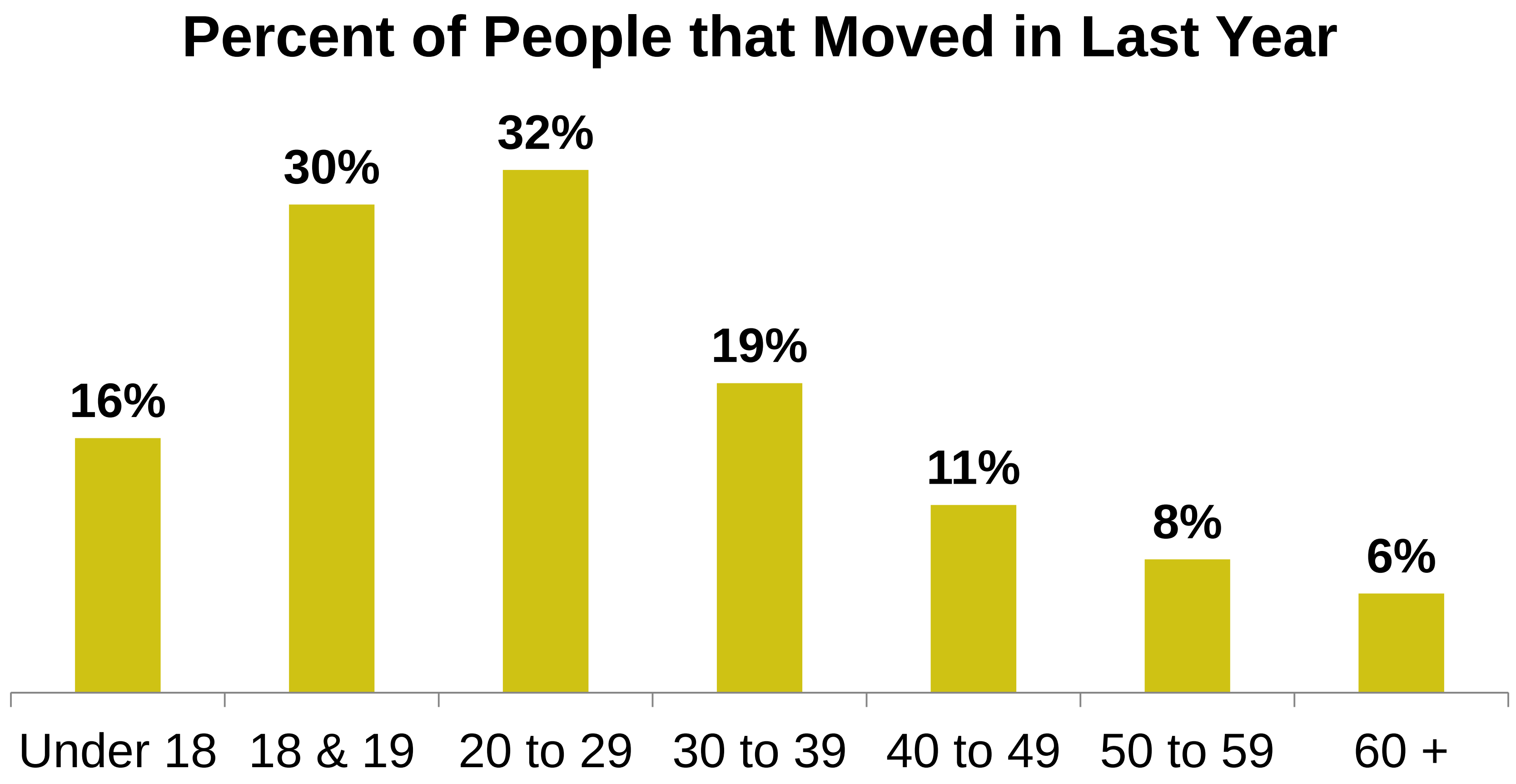
SOURCE: U.S. Census Bureau, Population Division, 2010 Demographic Analysis

LIFE STAGE INFLUENCES HOUSING CHOICE
GEN Y JUST STARTING TO IMPACT FOR-SALE

Year	Student Housing	Single & Roommate Rental	Rent as Couple / 1st Home	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Retiree Senior Housing
2010	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Eisen Baby B
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Gen X Baby B	Baby B
2025	Gen Z	Gen Z	Gen Y	Gen Y	Gen Y Gen X	Gen X	Baby B

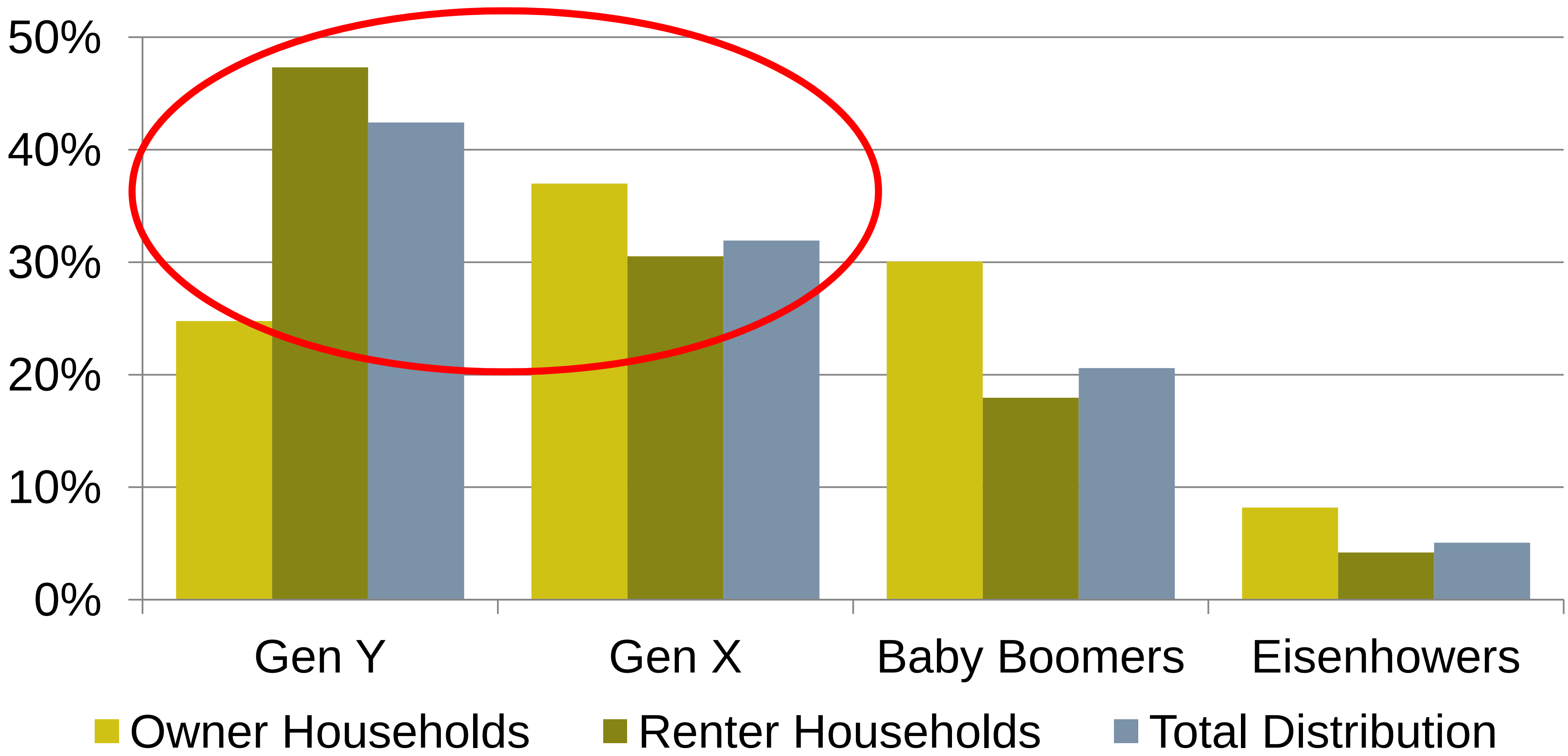
SOURCE: RCLCO

YOUNG PEOPLE MOVE MORE THAN OLDER PEOPLE



SOURCE: 2009 ACS

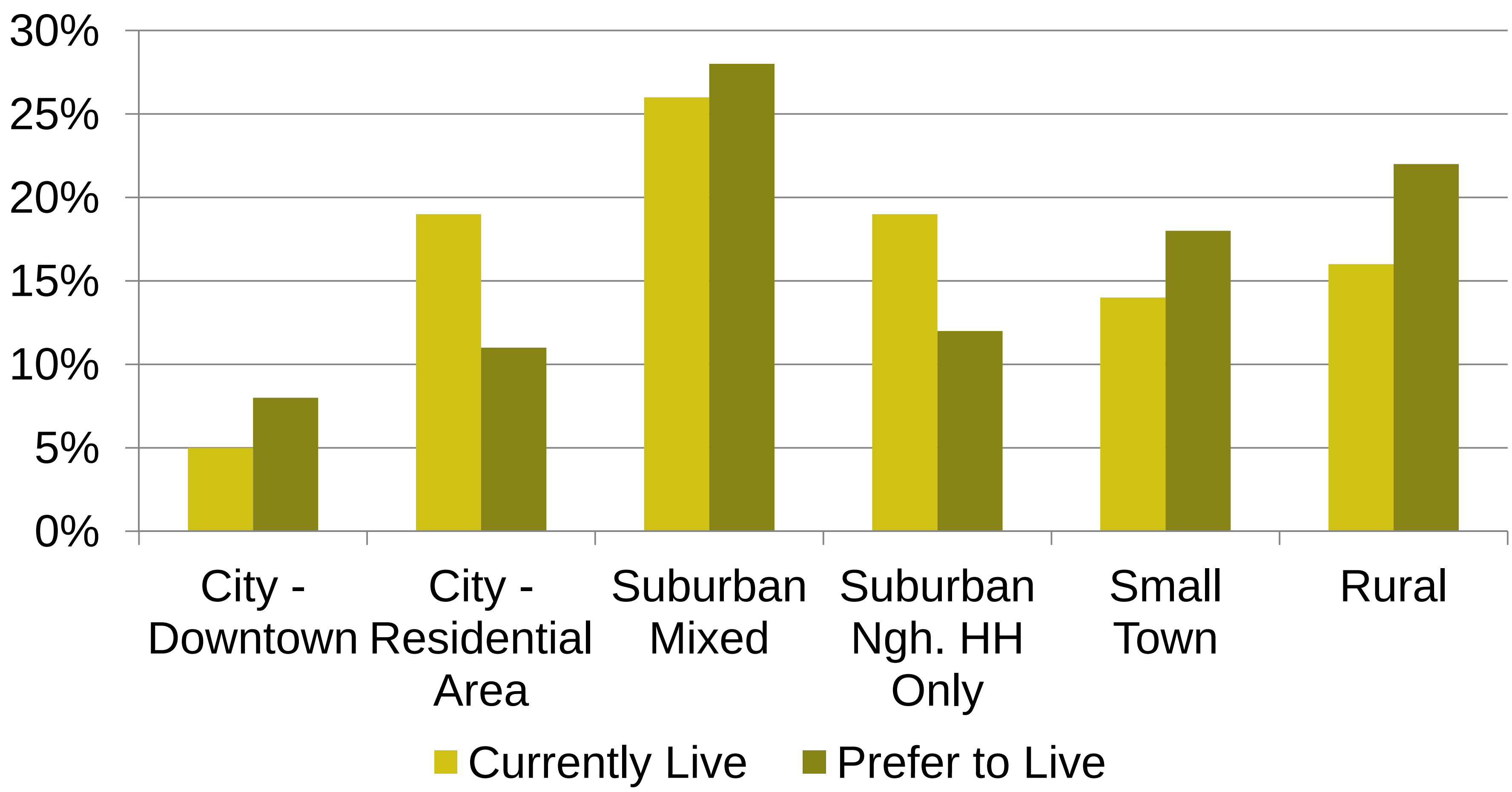
ACTIVE MARKET (HOUSEHOLDS IN TURNOVER)



SOURCE: RCLCO

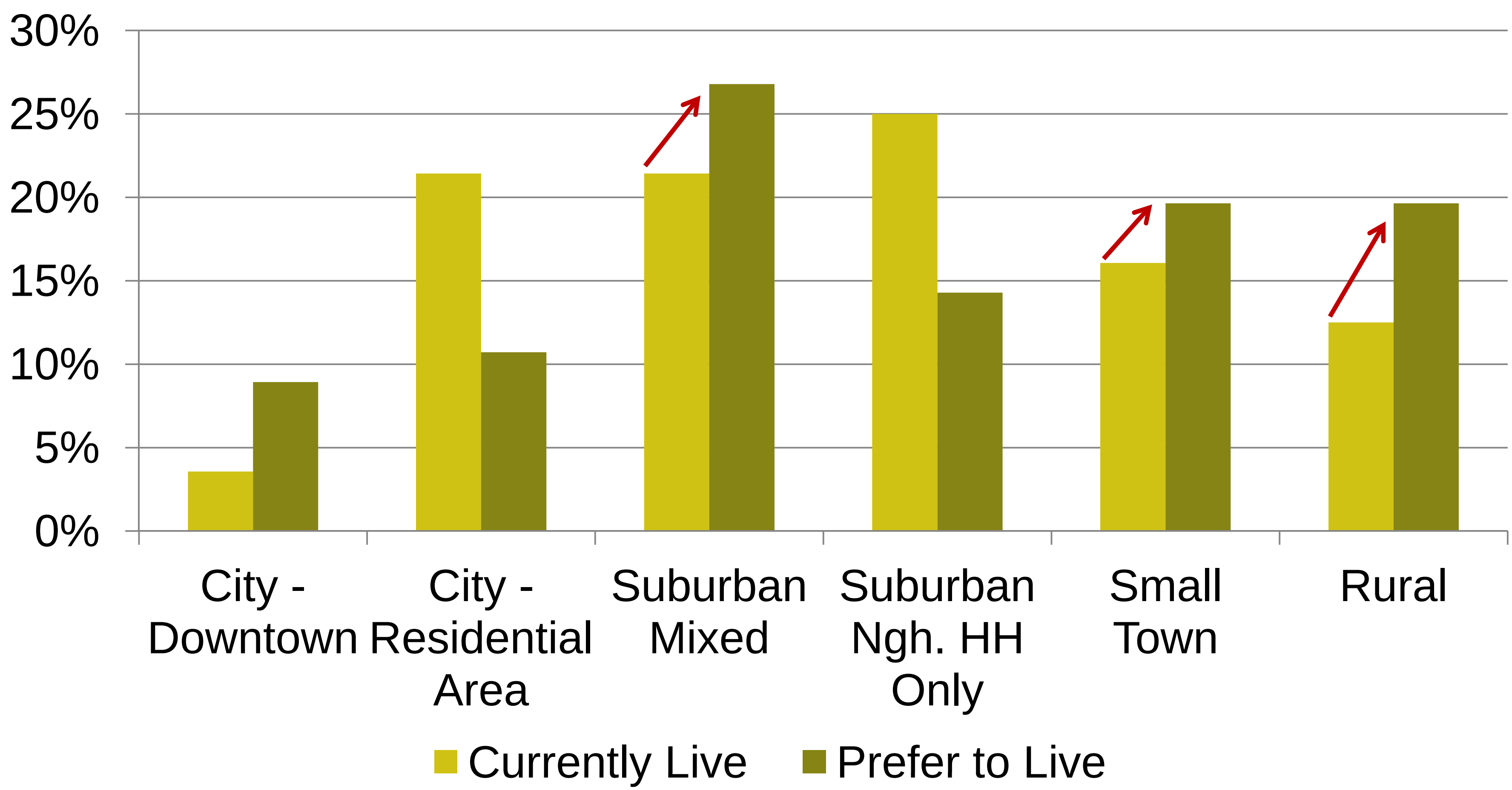
Where

NATIONAL PREFERENCES



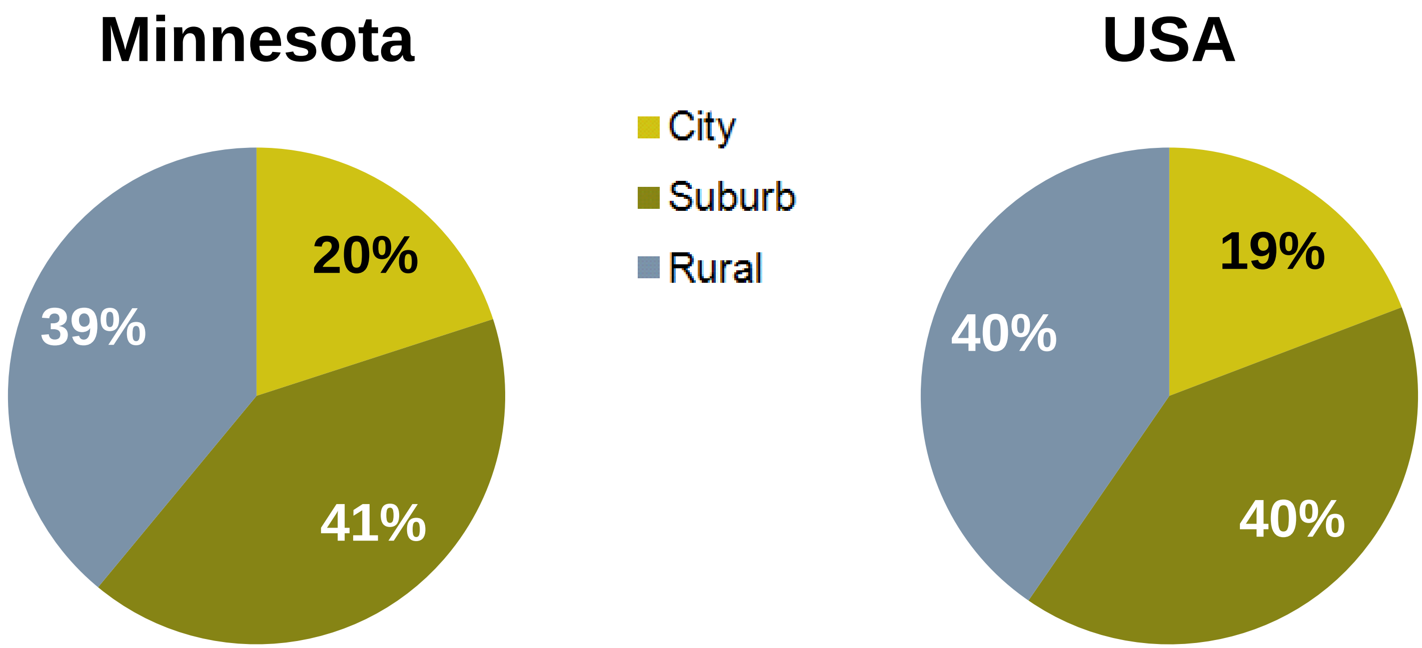
SOURCE: NAR 2011 Community Preference Survey

MINNESOTAN PREFERENCES



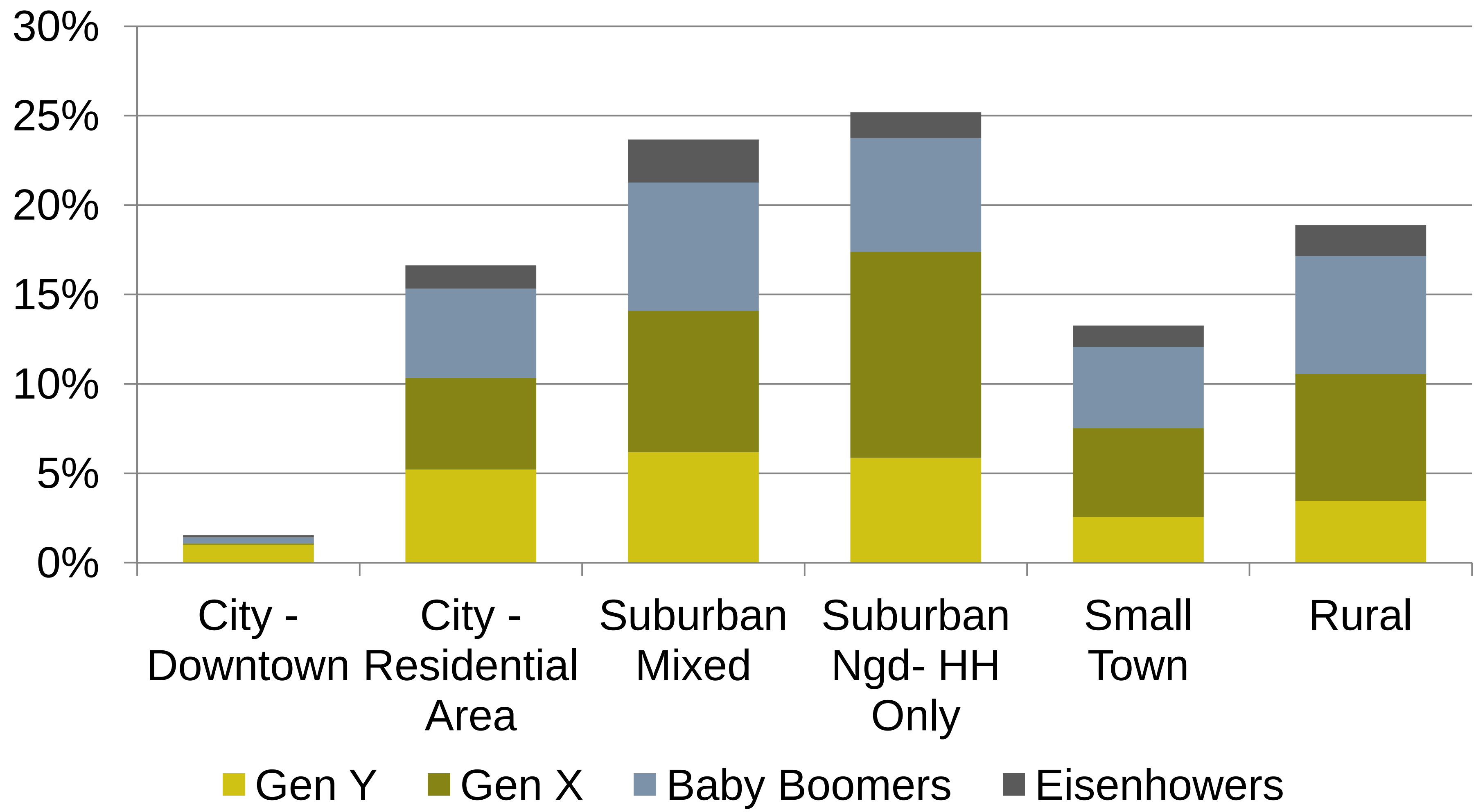
SOURCE: NAR 2011 Community Preference Survey

MINNESOTA PRFERENCES OVERALL VERY SIMILAR TO USA



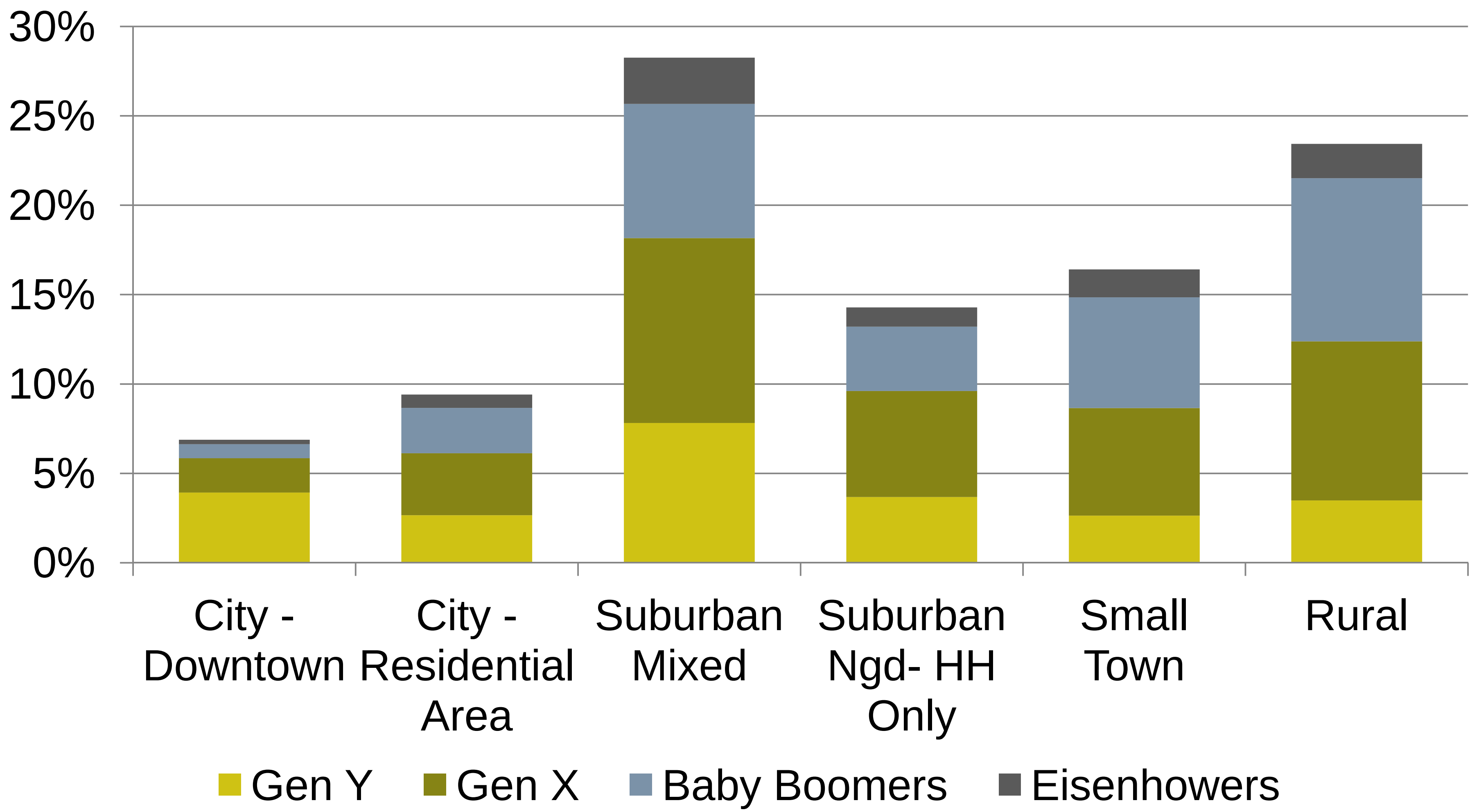
SOURCE: NAR 2011 Community Preference Survey

DISTRIBUTING THE ACTIVE FOR-SALE MARKET BY CURRENT RESIDENCE LOCATION

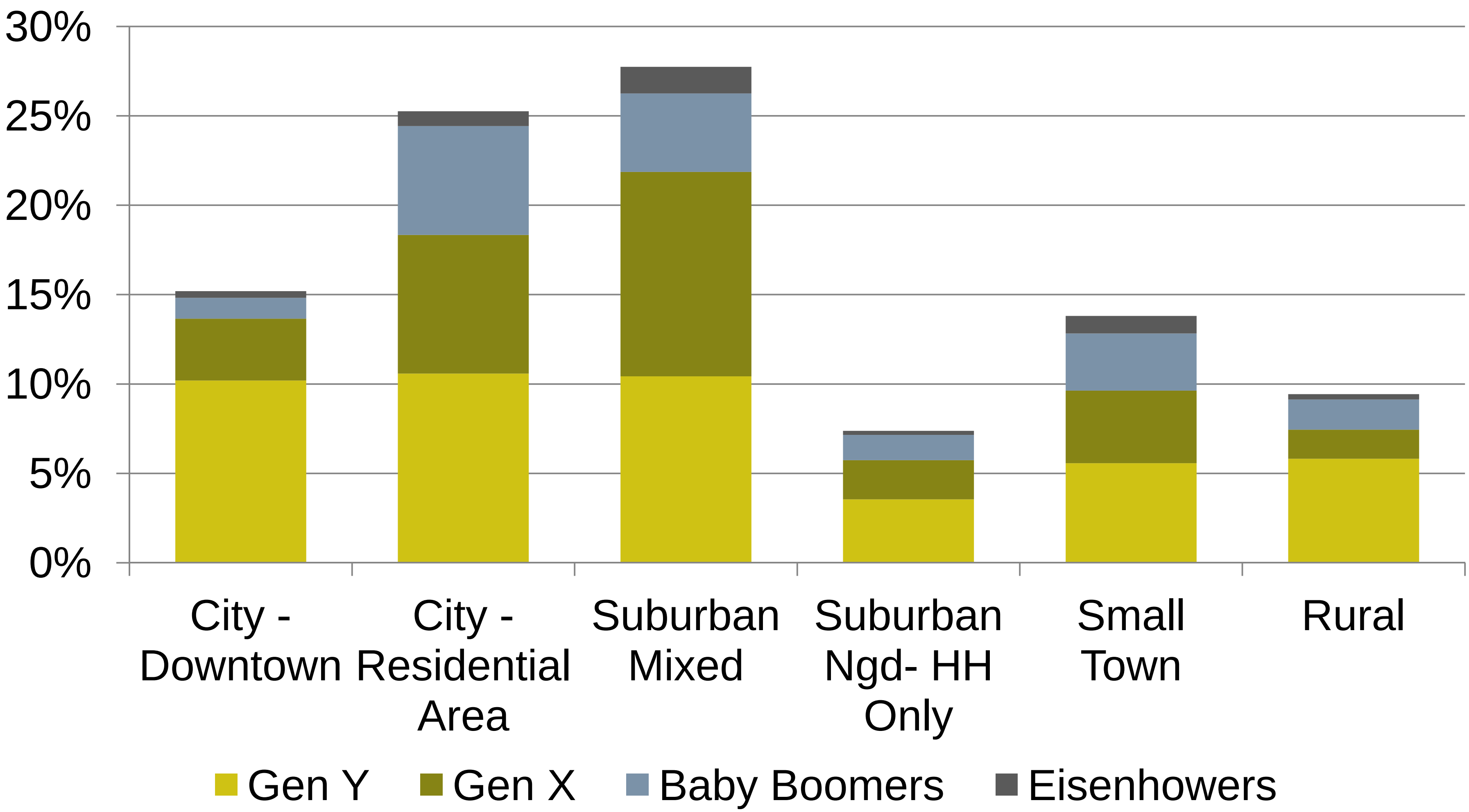


SOURCE: NAR 2011 Community Preference Survey

GENERATIONS: WHERE THEY WANT TO OWN



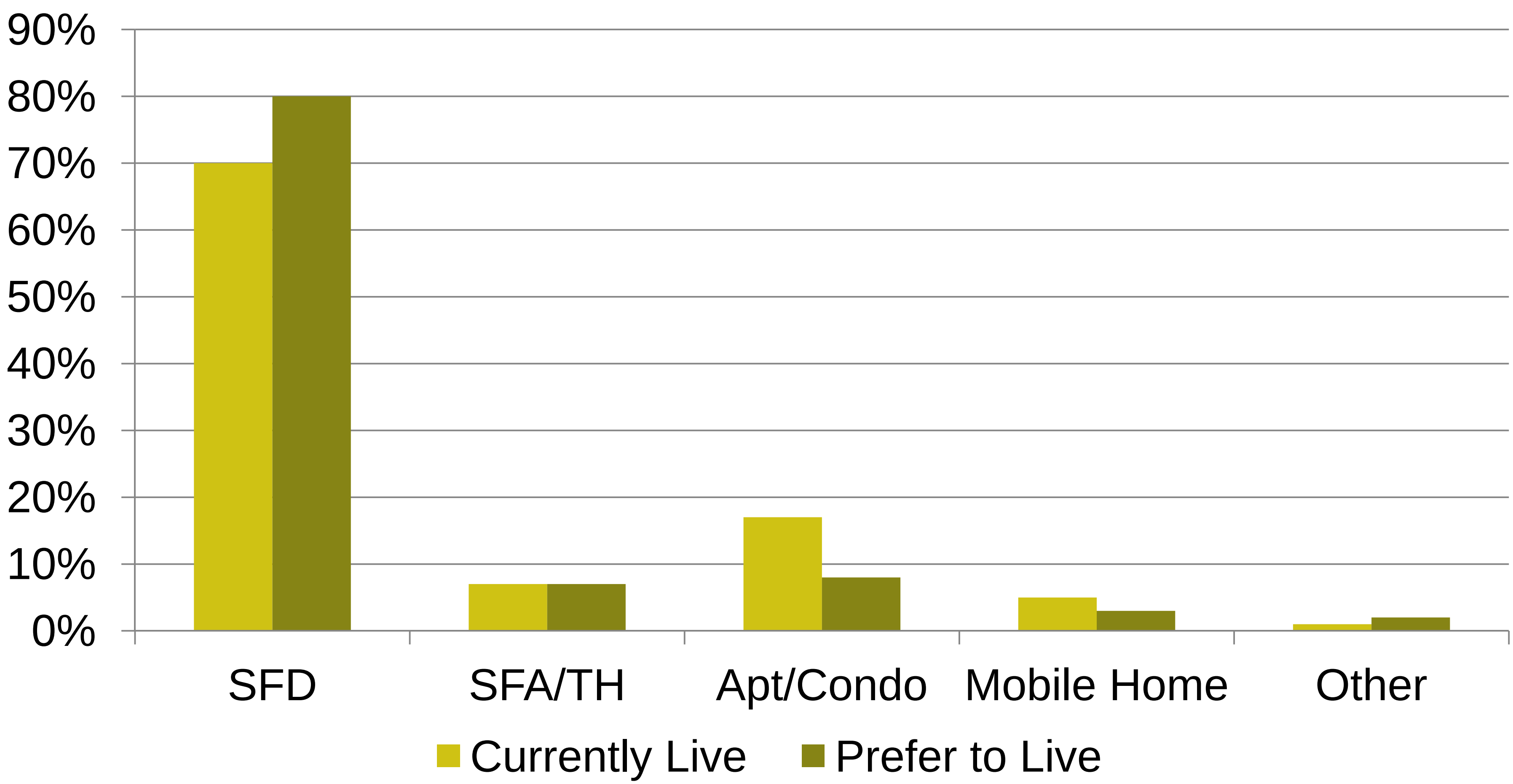
ACTIVE RENTER MARKET: PREFERRED LOCATIONS IF THEY COULD CHOOSE



SOURCE: NAR 2011 Community Preference Survey

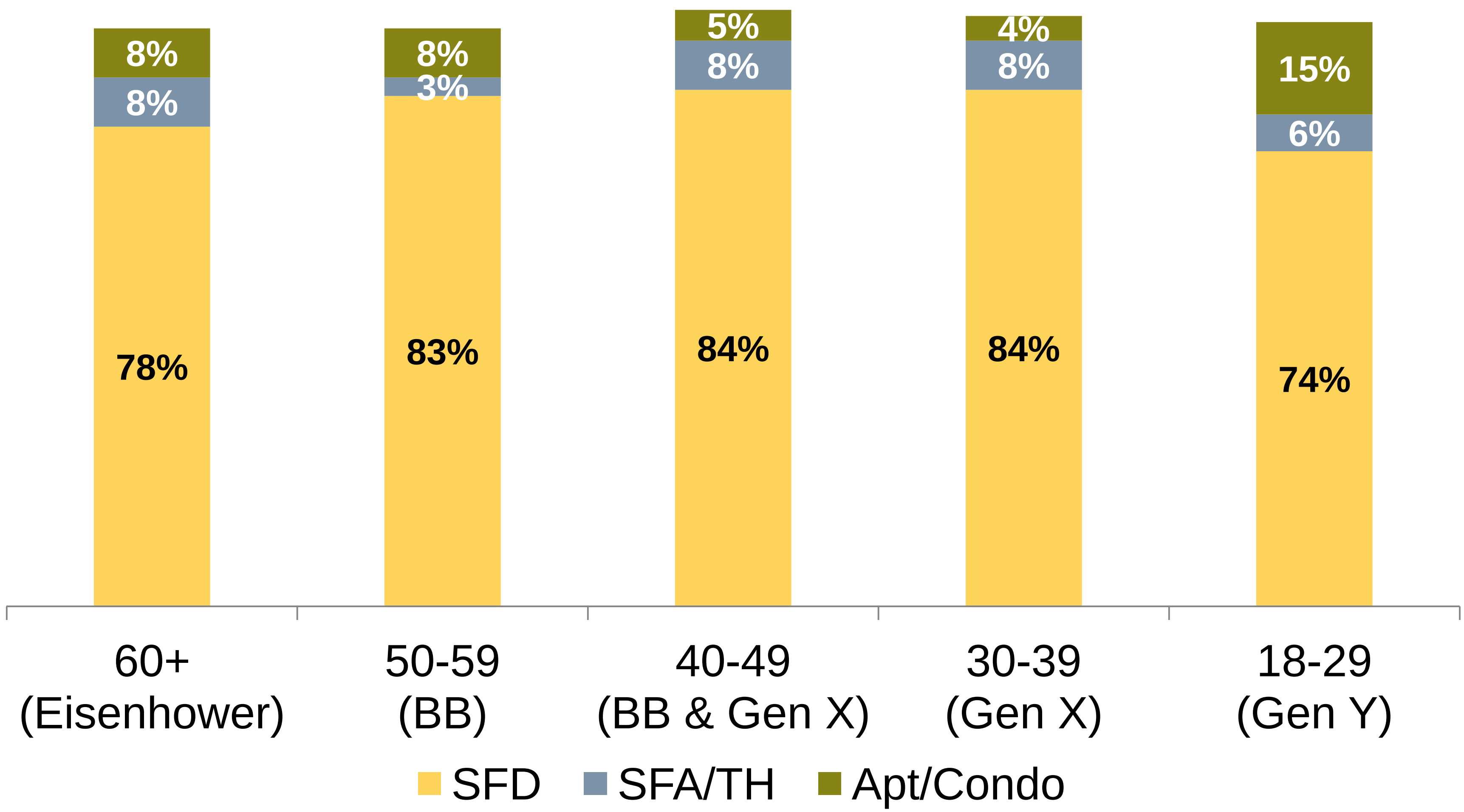
What

PRODUCT PREFERENCES



SOURCE: NAR 2011 Community Preference Survey

HOW DOES PRODUCT PREFERENCE CHANGE BY GENERATION?



SOURCE: 2011 National Community Preference Survey, National Association of Realtors, March 2011

WHO IS IN THE FOR-SALE MARKET?

- 2010 – 55% 1st-time buyers
- 2011 – 48% 1st-time buyers
- 2012 – 46% 1st-time buyers
- Median income = $76,600
  - = $250K-$300K house
  - Actual – $170K median price
- Median age = 40 years
- 84% white

Image: digitalart / FreeDigitalPhotos.net

Image: digitalart / FreeDigitalPhotos.net

SOURCE: RCLCO, 2013 Investment and Vacation Home Buyers Survey - NAR

PROSPECTIVE BUYERS

- Those who say they are likely to buy in the next three years:
  - Under 40
  - Minority buyers
  - Renters
  - Those currently living in a city
  - Those with children under 18 in HH
- More likely to prioritize high quality schools and larger homes
- Willing to stretch budget for neighborhood, slight preference for smart growth

SOURCE: NAR

FAMILIES WITH KIDS

Taylor Morrison

Lennar

- More likely to choose suburban areas
- Kid friendly
- Good Schools!
- Neighborhoods with amenities (MPC)
- Walkability
- Larger Lots/Homes
- Prioritize size of house
- Affordability
- Trends—mix of uses, “right size”, new facades

RETIREMENT-MINDED ADULTS

- Prefer rural or small town communities
- Important to stay within budget
- Downsize
- Recreation opportunities
- Enriching experiences
- Walkable
- Detached & attached
- Lifestyle more important than home
- Trends—“urban-lite” locations, closer to original home, smaller projects

YOUNG SINGLES

- More likely to prefer city living
- Trade-off for location
- Design over size
- Affordability
- Party and gathering spaces
- Contemporary elevation styles
- Pet friendly
- Low maintenance
- Trends—tech savvy, single women, return of attached for-sale product?

SOURCE: NAR; Canin Associates; RCLCO

MINORITY FAMILIES

- Four in 10 planning to buy in near future
- Prefer living in area with mix of housing and businesses
- Schools
- Diversity especially important (African American HH)
- Larger homes important (Hispanic HH)
- Trends—cultural preferences (spice kitchen, multigenerational housing)

SOURCE: NAR; RCLCO

PROSPECTIVE RENTERS
APARTMENTS NO LONGER JUST ABOUT "SHELTER"

Different Product

Broader Marketing

Clever Programming

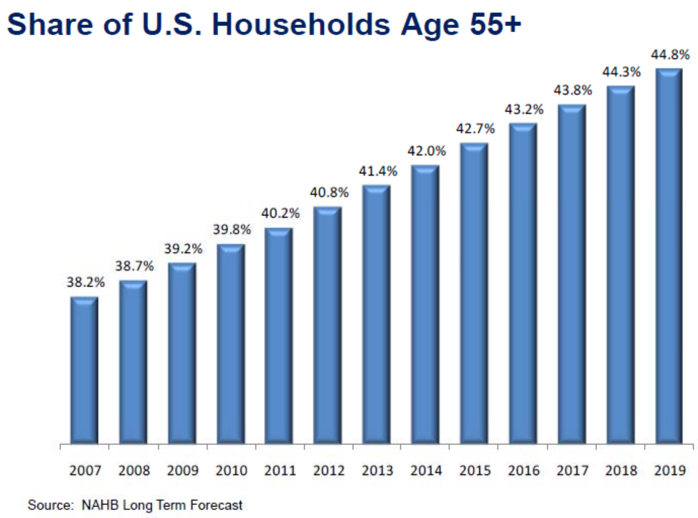
EMPTY NESTER RENTALS

The Concept

- Lots of talk of empty nester condos, why not for rent?

The Rationale

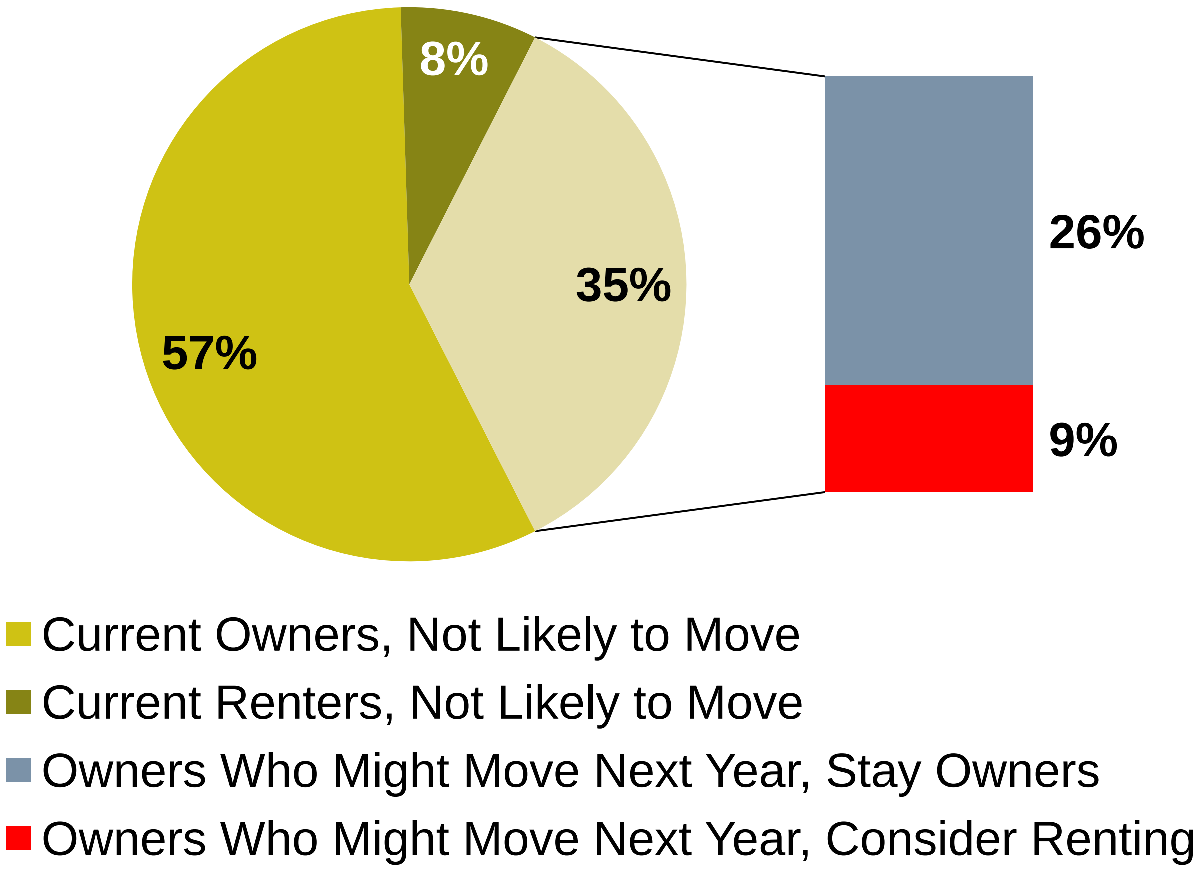
- Serves greater desire for “urban” lifestyle
- Makes economic sense for the customer
- Provides a richer social experience
- Serves increasing call for no maintenance lifestyle



EMPTY NESTER RENTALS
MARKET MIGHT BE TWICE AS LARGE AS IT IS TODAY!

Housing Intentions for Households 55-74, with Income $50,000+
April, 2012

N=1,135



SOURCE: RCLCO

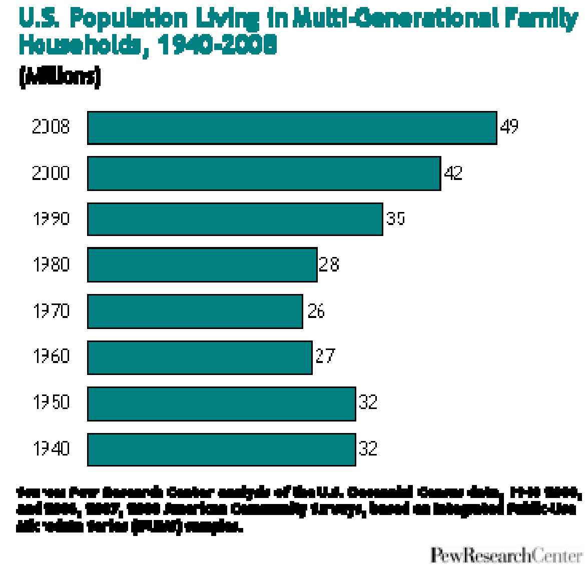
SINGLE-FAMILY FOR-RENT

The Concept

- Professionalize the single-family rental business (including build new)

The Rationale

- Big market already, interest in single-family housing largely unchanged
- Responds to growing ambivalence about ownership
- Paper lot inventory in many markets still cheap (but not for long)



SINGLE-FAMILY FOR RENT
ALWAYS BEEN A KEY COMPONENT OF U.S. HOUSING

- 30% of rental market already leases single-family units, which are primarily individually owned and not professionally managed

SOURCE: PUMS (ACS 2007 – 2009)

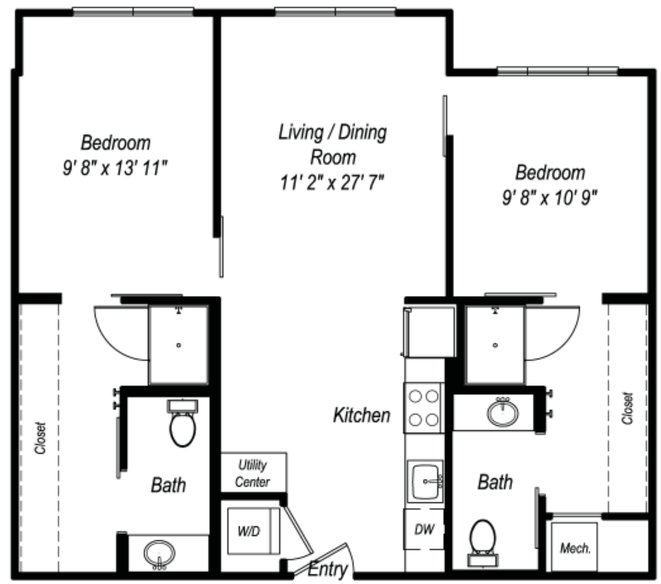
YOUNG URBAN TARGETED RENTAL

The Concept

- Small units, trade-off features for location

The Rationale

- Many younger renters want to live in in-town, urban areas, but can't afford it
- Allows for lower absolute rents
- Can target a different type of urban renter
- Focus on roommates



AVA H Street : 828 - 870 Sq. Ft

YOUNG URBAN TARGETED RENTAL
CASE STUDY

- AVA brand from Avalon Bay Communities
- Targeting young, urban buyers
- Consumer research indicated 19% of renters
- Smaller studios and more two bedroom units for roommates
- Amenities include:
  - High-end fitness, lobby loft area
- Features and finishes:
  - Varies by market—nice, but not over the top
  - Barn doors instead of traditional doors
  - Big closets

SOURCE: Avalon Bay

SUBURBAN MIXED-USE

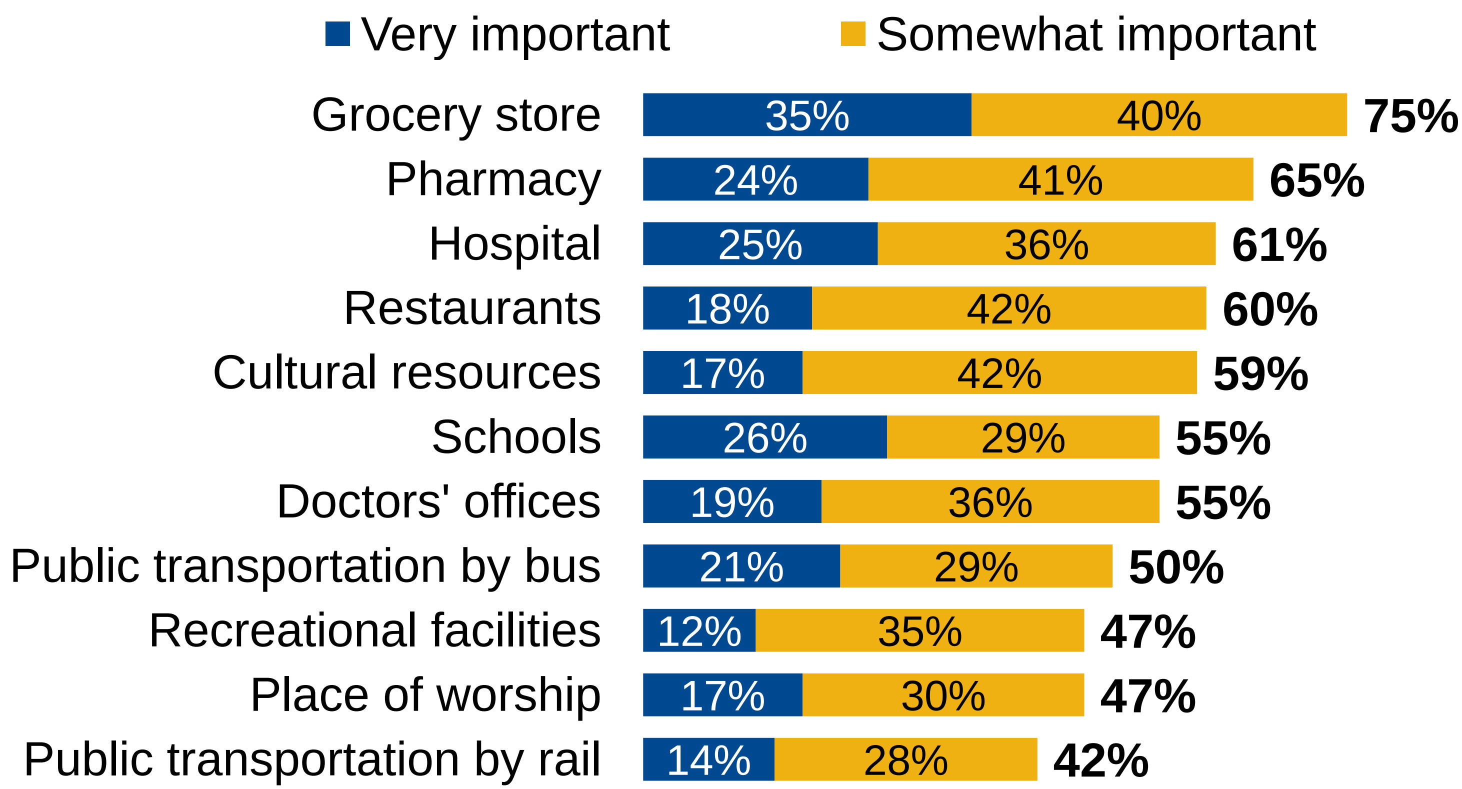
- More demand than supply
- Walkable
- Close to existing homes
- Doesn't have to be vertically integrated
- Appeals to multiple generations
- Need to make sure the location is correct for all the uses

GEN Y WILL PAY FOR WALKABLE, MIXED-USE
CHALLENGE IS PROVIDING PRODUCT THEY CAN AFFORD

- In-town areas and inner suburbs will remain on an upward trajectory
- Diversity, walkability, and proximity to jobs keys to attracting this segment—**1/3** will pay more
- Suburbs will need to evolve to remain attractive to Gen Y
  - More walkable areas
  - Town centers
  - Niche products and “village centers”
  - Affordability

SOURCE: RCLCO

HAVING A WALKABLE ENVIRONMENT IS IMPORTANT TO CONSUMERS

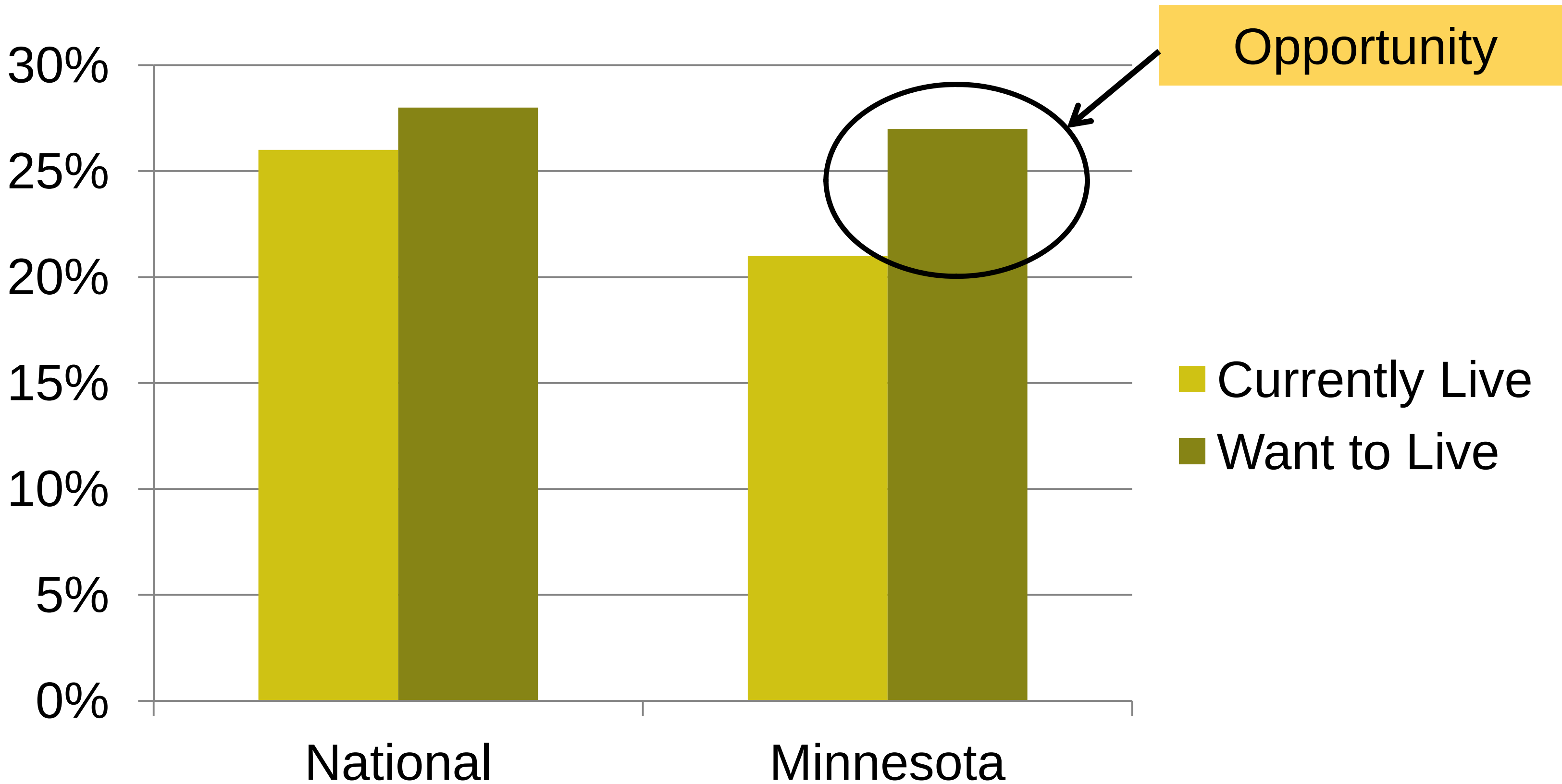


Q18. In deciding where to live, indicate how important it would be to you to have each of the following within an easy walk: very important, somewhat important, not very important, or not at all important. (RANDOMIZE)

SOURCE: National Association of REALTORS, 2011; RCLCO

MIXED-USE DEMAND > SUPPLY

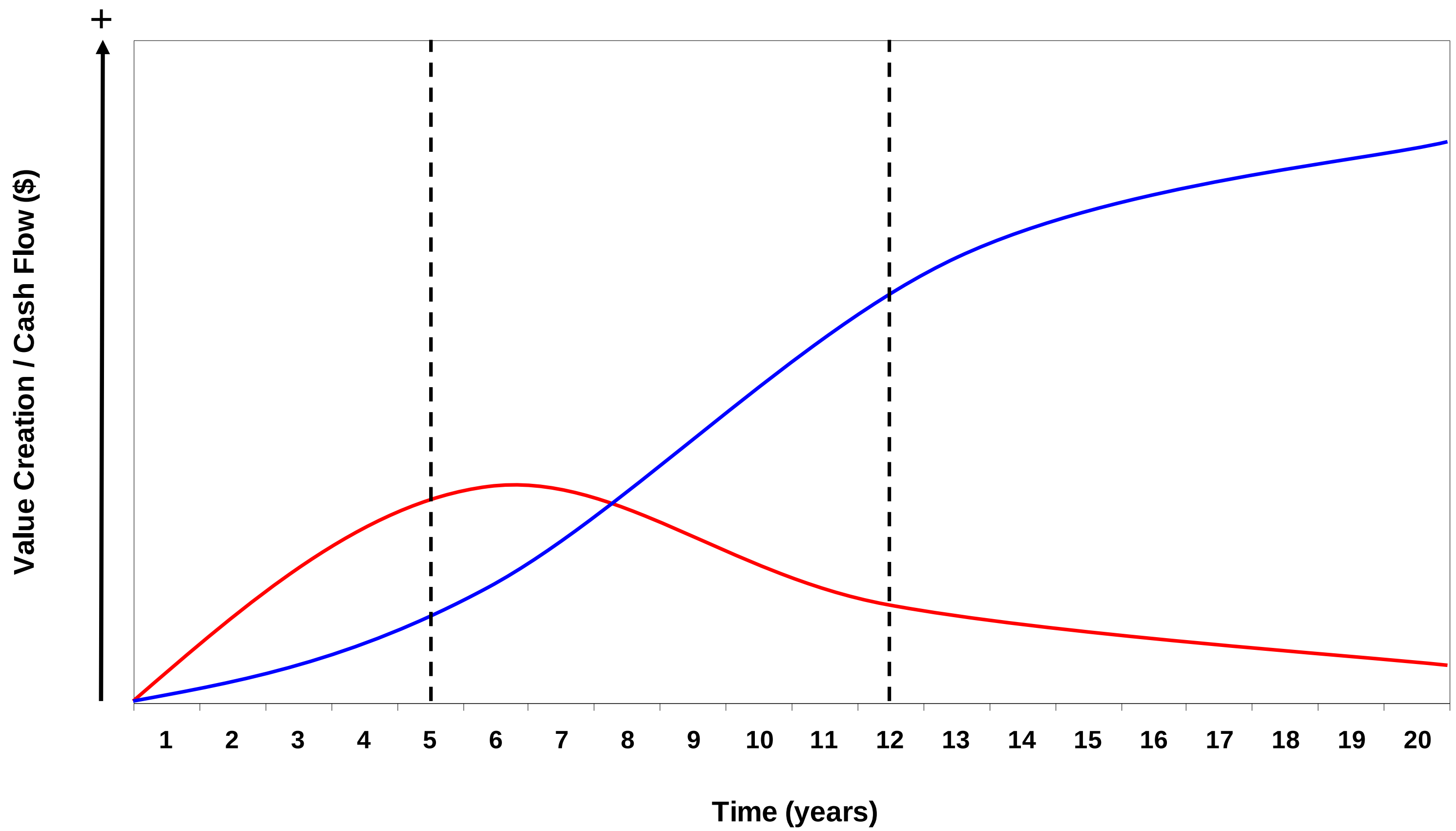
Consumer Preference:
Currently Live and Want to Live in a Suburban Neighborhood With a Mix of Houses, Shops, and Businesses



SOURCE: NAR

RESULT = GREATER LONG-TERM VALUE

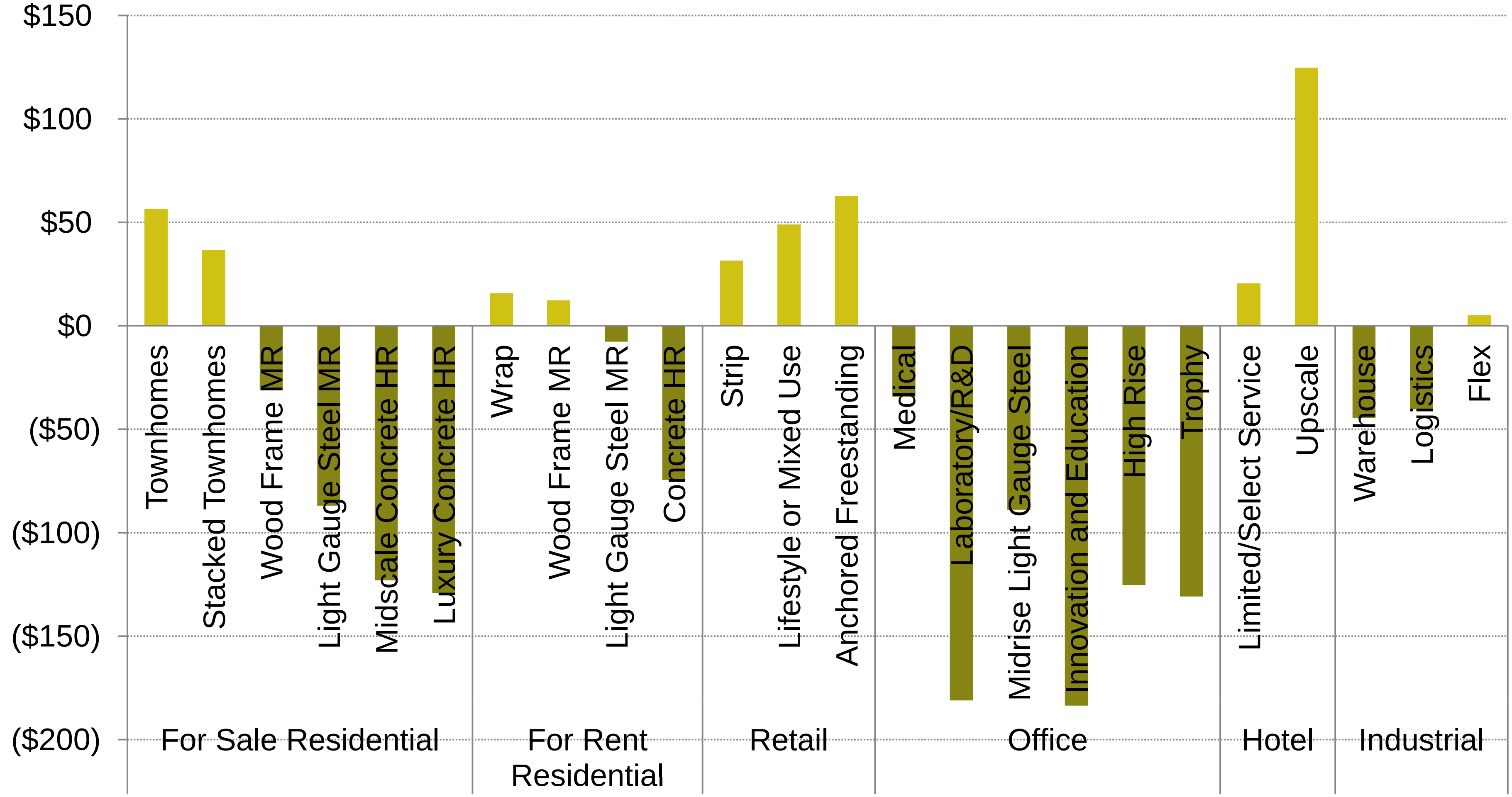
Financial Characteristics of Mixed-Use Areas with Critical Mass (Blue) versus traditional Suburban Development (Red)



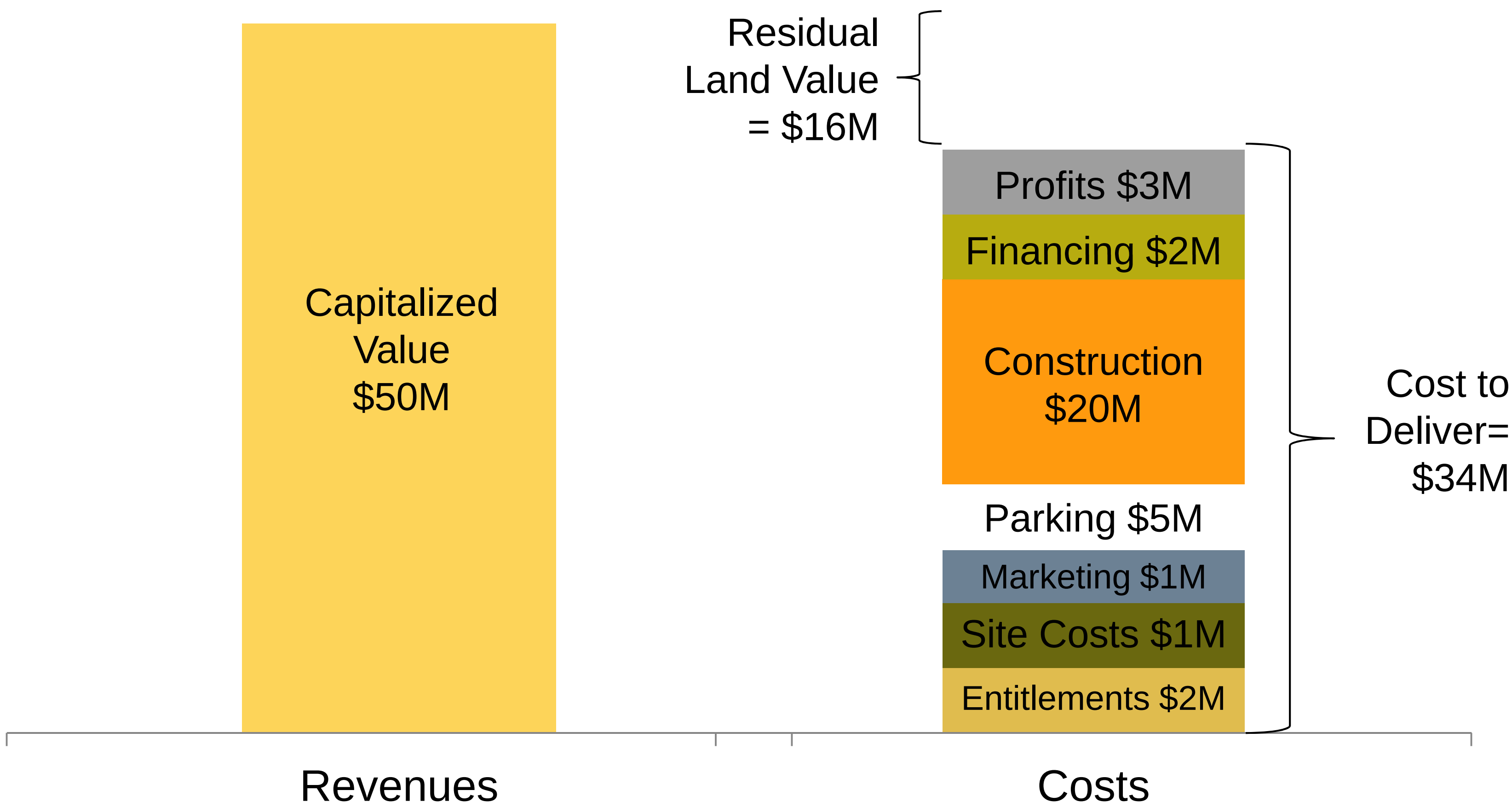
SOURCE: The Brookings Institution

ONE OF THE CHALLENGES OF MIXED-USE

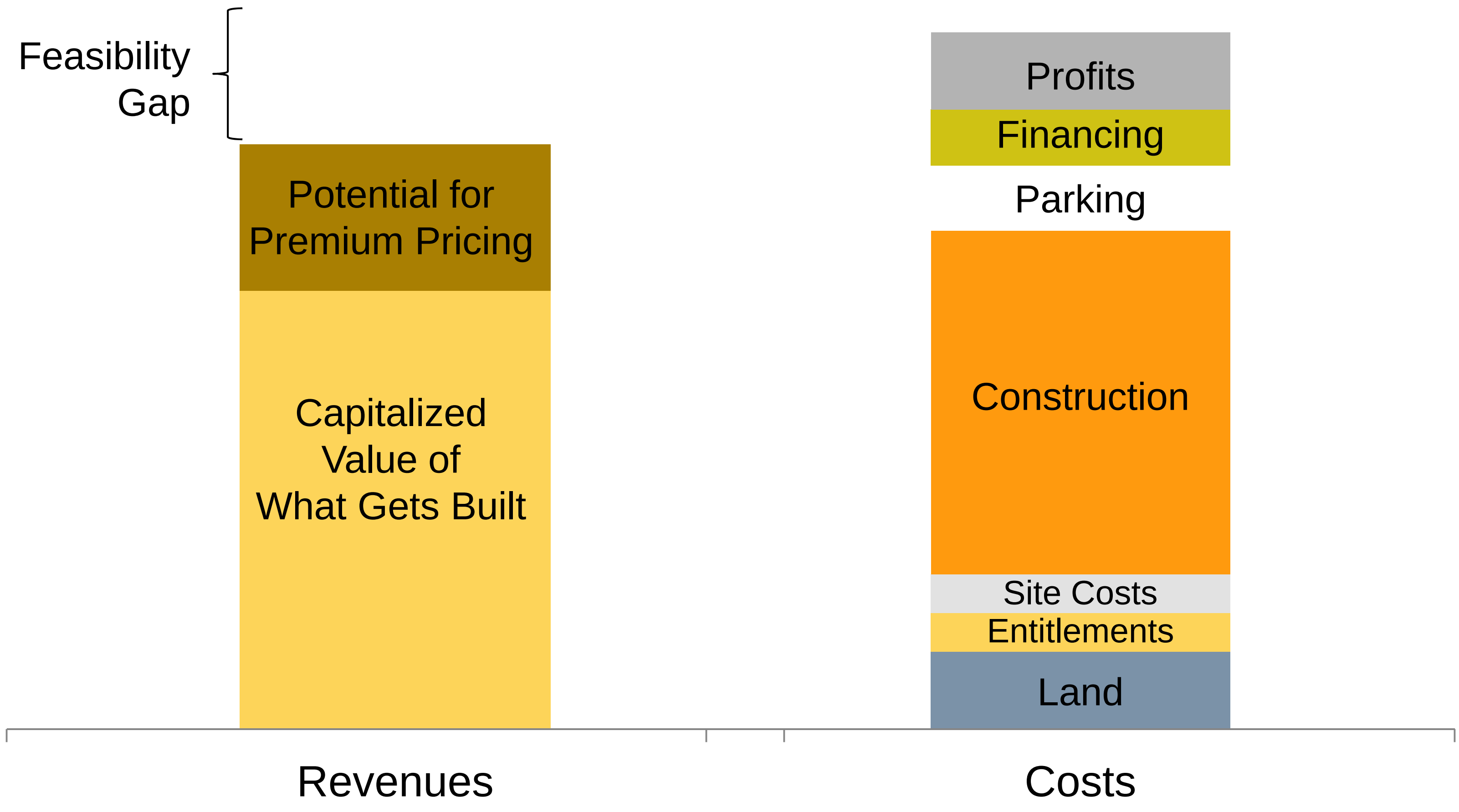
Example Residual Land Values



RESIDUAL LAND VALUE – HYPOTHETICAL (IDEAL)



IN REALITY, PROJECTS OFTEN LOOK LIKE THIS



FINAL THOUGHTS

1. Need to create and zone for the types of places people want to live
2. Not one size fits all for housing
3. Strong interest in suburban mixed-use
4. Imperative for our industry to evolve away from being reactive to customer evolution—many niche markets
5. Innovation is time consuming and expensive, but those who achieve it do get paid
6. Segmentation opportunities not just about development, explore repositioning of well located but dated stock

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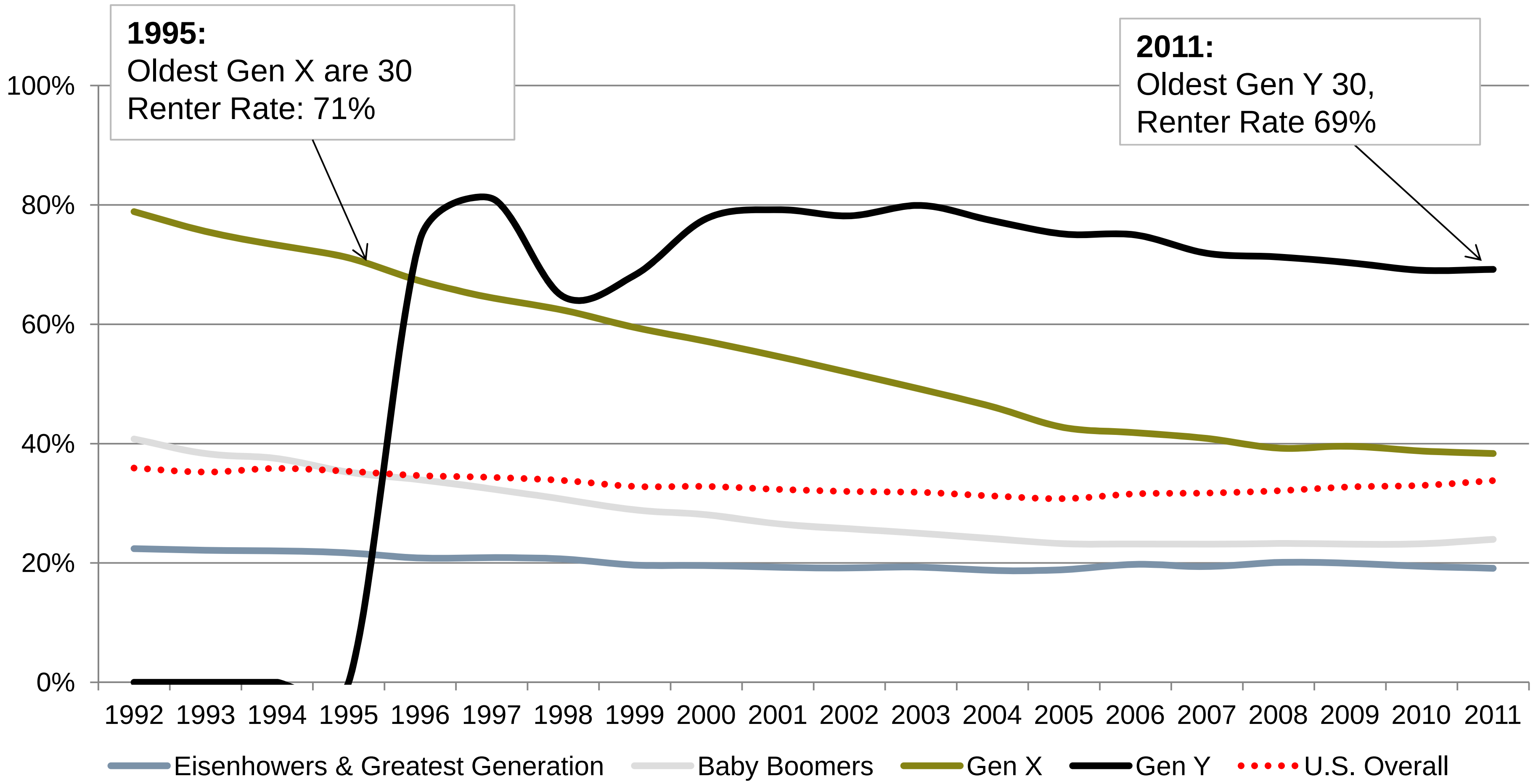
WE LIVE IN A VARIETY OF HOUSING TYPES

RENTER AMERICA REALLY ENJOYING A CYLICAL SHIFT?

Percent Renters by Generation
United States, 1992 – 2011

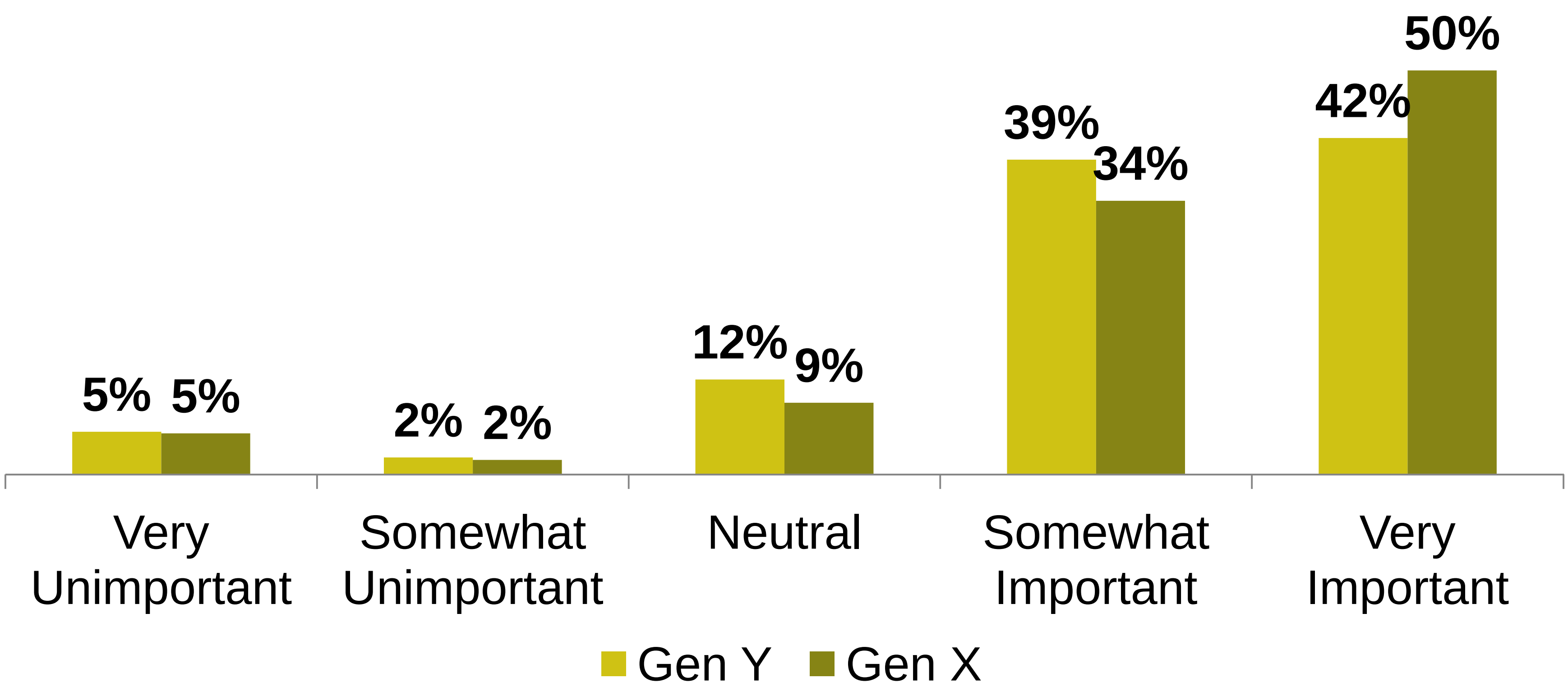


SOURCE: U.S. Census Current Population Survey

HOMEOWNERSHIP STILL VERY IMPORTANT

Survey Question:

How would you rate the importance of being a homeowner? (CHOOSE ONE):



SOURCE: RCLCO consumer research, Fall 2007

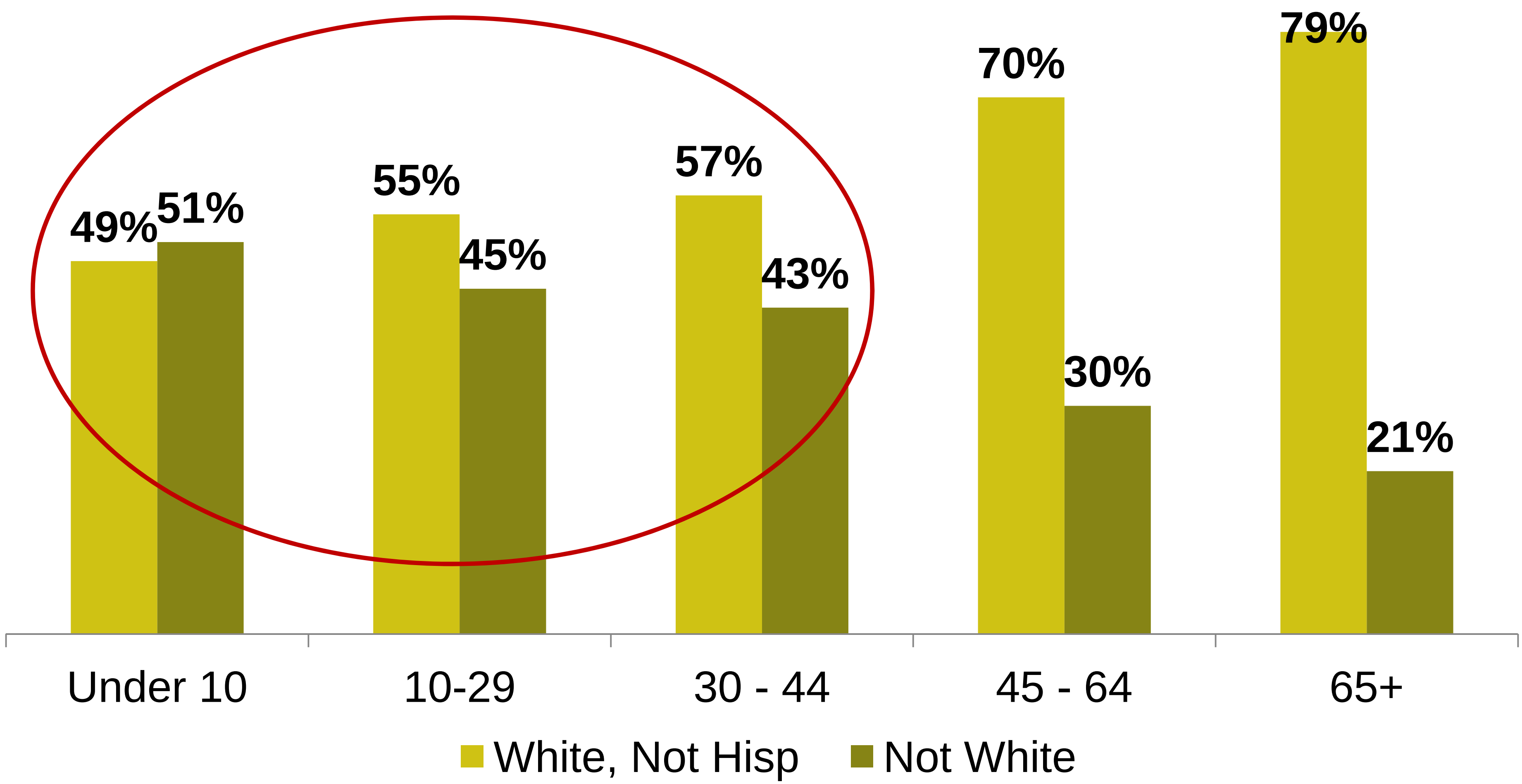
IMPORTANCE OF SENSE OF PLACE

- Restaurants, libraries, communal spaces
- Equal emphasis on home and community—need to sell both
- Mixture of housing styles and types
- Walking trails and sidewalks
- Neighborhood amenities

HOT BUTTONS FOR THOSE SEEKING MORE URBAN LOCATIONS

- Baby Boomers:
  - Safety, entertainment, retail, medical services nearby, healthy, convenient, low-maintenance lifestyle, friends, recreation
- Generation X:
  - Safe neighborhoods, parks, “walkability”, convenient to work, shopping, good schools
- Generation Y:
  - Have a virtual, wired world co-existing with the physical environment, WiFi everywhere
  - Cool places to hang out where they can text each other…fun restaurants and bars

GEN X, Y, AND Z VERY DIVERSE



SOURCE: 2009 ACS

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