

Current Preferences and Future Demand for Denser Residential Environments

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Abstract

This article assesses the future demand for denser, more walkable residential environments in the United States as a whole. A review of survey evidence on preferences is coupled with demographic projections and other trends to construct a demand projection for the period 2000 to 2010 and compare it with 1990 to 2000.

It is possible to foresee a turnabout already under way. Households older than 45 show particular interest in more densely configured homes in more central locations. Passage of the massive baby boom generation into this age range focuses the growth of housing demand in sharp contrast to stagnant numbers at younger ages. Home buyers aged 45 and older who prefer denser, more compact housing alternatives will account for 31 percent of total homeowner growth during the 2000–10 period, double the same segment's market share in the 1990s.

Keywords: Demographics; Multifamily; Urban environment

Introduction and overview

Previous research has identified higher density as a major element in accomplishing such key public policy goals as smart growth and more livable cities (Danielsen, Lang, and Fulton 1999). This article aims to connect current demographic trends with market preference surveys in order to project the likely changes in demand for denser, more walkable residential environments. Our research has several components. First, we use available survey data to assess how tightly American consumers have focused on the conventional norm for new suburban development. This is followed by an effort to explore the diversity of opinions and conflicting values held by consumers. We find a sizable basis of support for alternative forms such as traditional neighborhood development (TND). This survey evidence amounts to social indicators of desires for walkable neighborhoods. We also examine preferences by age group and outline the demographic basis for demand by considering projected changes in households by age group.

Next we project demand for housing in walkable neighborhoods by integrating preferences measured in the late 1990s with demographic trends forecasted to 2010. The preference rates of each age group are applied to future numbers of households in each group. With the aging of the

massive baby boom generation, overall preferences of the housing market will shift toward those of older people. These current preference projections are then supplemented by a more speculative expanded preference projection that considers other factors linked to increased preference for less dispersed, higher density residential development.

Although some scenario of expanded preference projections is likely justified, it is unclear exactly how much greater this demand projection will be than a pure demographic change projection holding constant preferences derived from the late 1990s. We opt for a fairly small (one-eighth) increase in average density preferences by 2010; that small expansion nonetheless yields a large aggregate impact on overall changes in demand. Although our primary emphasis is on the constant preference scenario, the expanded preference scenario needs to be considered as well.

Challenges of available data

There is no clear definition of what constitutes pedestrian-oriented neighborhoods and no source of data neatly labeled “walkable neighborhoods, demand for.” We do not have a count of the number of walkable neighborhoods, let alone a count of residents currently living in those neighborhoods, and certainly no data on their opinions about those neighborhoods.

Although a fair number of survey results are available, the overall evidence for housing demand is fairly general in its fact-finding and its context. Some of the surveys pertain only to home buyers and others only to new construction, and many report data collected only in certain Sunbelt states. The language used in the surveys varies, including liberal use of positive connotations for both urban and suburban living. The surveys generally query for housing *preference*, rather than actual or even prospective housing *consumption*, further confusing the issue. Finally, they conflate all homeowners, without differentiating between town house and single-family owners. These limitations of the sample universe make it difficult to generalize from these surveys to all of the United States or even to certain areas.

In addition, the survey evidence provides only fragmentary indicators of our topic of inquiry. Some come close to addressing the importance of pedestrian-oriented development or of TND-style development. But translating these survey preferences into actual demand requires a heroic leap.

Although hard data on actual occupancy of different housing types can be gathered from the American Housing Survey or the census, the “walk-

able” dimension is not clearly measured. Similarly, we have reliable demographic forecasts, but these are not categorized the way we would like for this particular purpose. Accordingly, we are forced to stretch beyond these limitations while creating a defensible research argument and retaining a critical eye for plausibility.

Generalizing dense residential environments

An array of different development types stands in contrast to the conventional low-density, auto-oriented suburb. The literature labels these modified designs variously as the New Urbanism, neotraditional, transit-oriented, pedestrian-oriented, traditional neighborhood design, and so on. Each suggests a significant departure from suburban development’s emphasis on neighborhoods characterized by low-density, single-family homes and easy auto use. Our conception of walkable neighborhoods focuses on middle-class alternatives that are attractive to those with the financial means to choose the kind of housing they want.

Walkable neighborhoods take several sometimes overlapping forms that can be considered in terms of development style relative to surrounding land uses, such as redevelopment, infill, and greenfield. At the same time, development can also be considered in terms of geographic location, including the central city, suburbs, and exurbs or rural areas. In addition to these development style and locational characteristics, traditional neighborhood or pedestrian-oriented development can also be classified as existing or resale units versus new construction or versus rehabilitation and reconfiguration of existing space and buildings. The major demand for walkable housing environments has been satisfied in the past by older neighborhoods built before 1950, but those older alternatives are becoming a smaller proportion of the total stock each decade.

Brief review of diverse housing preferences

Conventional wisdom about typical housing preferences

The conventional wisdom is that housing consumers overwhelmingly prefer single-family suburban homes to any other residential alternative. “Americans overwhelmingly prefer a single-family detached home on a large lot in the suburbs, and that’s the type of housing they want their neighbors to live in as well” (Ahluwalia 1999, 7). The sense is that consumers favor a housing product that satisfies five major criteria: suburban location and design; single-family detached unit style; location within a low-density neighborhood; ease of automobile use, including

driving and parking; and lowest cost given these criteria.¹ As will be described, current consumer surveys seem to confirm these general housing preferences. For our summary of several of these surveys, we draw upon an excellent review by Malizia and Exline (2000).²

First, several studies indicated extremely strong preferences for suburban versus other development communities: 83 percent of respondents in the 1999 National Association of Home Builders (NAHB) Smart Growth survey prefer a single-family detached home in the suburbs, even if it requires a longer commute than a similarly priced town house in the city; 74 percent of respondents in the 1998 Vermonters Attitudes on Sprawl Survey preferred a home in an outlying area with a larger lot and a longer commute to a similarly priced home in an urban area close to transportation, work, and shopping; and 73 percent of the 1995 American LIVES New Urbanism Study: Revitalizing Suburban Communities respondents prefer suburban developments with large lots and wide streets to residential urban areas, including narrower streets, sidewalks, and shared recreational areas.

A second conventional finding is that housing consumers appear to overwhelmingly prefer single-family detached units to all other styles, ranging from 71 percent in the 1997 Fannie Mae National Housing Survey, the 1996 NAHB What Today's Homebuyers Want Survey, and the 1997 Mature Markets Study, to 77 percent in the 1998 Professional Builder What Buyers Want in New Homes Survey, to 88 percent in the 1999

¹ Some of these characteristics overlap and thus confuse their separate identification in surveys. For example, suburbs mean larger lots, wider streets, deeper setbacks on lots, and little shared recreational space (1995 American LIVES survey, reported in American LIVES, Inc., 1999). Single-family detached units refer to the single-family detached homes typically found in conventional suburban development. Low density typically refers to neighborhoods characterized solely or primarily by single-family detached homes on relatively large lots (American Association of Retired Persons Senior Housing Study 1996, Fannie Mae National Housing Survey 1997, 1995 American LIVES survey, 1998 Professional Builder survey, and others). Lowest cost simply means that all other options being the same, a household seeks the lowest cost for its home purchase. Finally, ease of driving refers to auto-oriented street patterns, with wide streets and dispersed shopping areas and neighborhoods linked by high-speed streets, per the 1998 American LIVES survey, reported in American LIVES, Inc. (1999). In addition to this overlapping confusion, as noted by Malizia and Exline (2000), relevant survey information is often not ideal for assessing consumer housing preferences because it is characterized by obscure administrative procedures, nonrandom sampling, and lack of internal validity.

² In addition to the surveys directly referenced in our review, Malizia and Exline's (2000) summaries are used for the following six surveys referenced later in this article: 1998 Vermonters, 1996 American Association of Retired Persons, 1997 Fannie Mae, 1998 Professional Builder, 1997 Mature Markets, and 1996 National Association of Home Builders. The 1994, 1995, and 1998 American LIVES surveys are summarized in American LIVES, Inc. (1999).

NAHB survey.³ In addition, citizens frequently oppose allowing others to occupy non-single family housing in their neighborhood: 78 percent and 54 percent of respondents to the 1999 NAHB survey were opposed to apartments and town houses, respectively, in their predominantly single-family neighborhoods. Moreover, 50 percent of respondents to the 1995 American LIVES New Urbanism Study favored communities that used strict Euclidean zoning and separation of housing types, and 65 percent were concerned that property values would decline in neighborhoods characterized by a mix of housing types.

Third, housing consumers also prefer lower density. The 1998 Professional Builder survey found that 52 percent and 35 percent of respondents were either greatly concerned or somewhat concerned about density. Between 65 percent of respondents (the 1998 Vermonters Attitudes on Sprawl Survey) and 95 percent of respondents (the 1999 NAHB survey) consider lot size somewhat or very important. Preference for larger lots ranges from 63 percent in the 1998 Professional Builder survey to 73 percent and 75 percent in the 1995 and 1998 American LIVES surveys, respectively. Moreover, characteristics of new home construction are consistent with stated consumer preferences for low density. New homes are getting larger, requiring stable or lower densities. The average square footage of new homes has increased from 1,800 in 1985 to 2,000 in 1989 and 2,100 in 1997 (Kochera 1999).

A fourth broad finding is that preferences for auto-oriented neighborhoods range from 47 percent in the 1998 American LIVES survey to 73 percent in the 1995 American LIVES survey. As shown above, consumers are often willing to commute longer distances to gain larger homes in lower-density areas. Clearly, the car is an indispensable part of low-density living. Yet we should observe that preference for auto orientation is substantially lower than the desire for low density.

Finally, consumers are typically unwilling to pay more for the same house in a closer-in location. At a greater distance, they can get more house for the money, lowering their direct housing costs, even if it adds indirect expenses of commuting or other annoyances.

Diversity of housing preferences

Even though current survey data support the idea of a single dominant housing preference, the same data also highlight a small but substantial demand for an alternative to the stereotyped convention.

³ Town house buyers are used as a proxy for home buyers who prefer New Urbanist developments. Because these developments typically include both town house and single-family detached units, using this proxy underestimates the market potential for New Urbanist development.

First, a small but significant percentage of housing consumers prefer an urban or town residential style to a conventional suburban residential style; this percentage ranges from 17 percent of respondents to the 1999 NAHB survey who prefer a town house in the city to 33 percent of respondents to the 1995 American LIVES survey who preferred small-town features such as narrower streets, sidewalks, and shared recreational areas to suburban features such as larger lots and wider streets.

Second, despite widespread preference for single-family homes, a consistent share of housing consumers actually prefers alternative residential styles.⁴ This includes preferences for town houses, from 15 percent of respondents to the 1997 Fannie Mae National Housing Survey to 17 percent of respondents to the 1999 NAHB survey; for duplexes, including 10 percent of respondents to the 1997 Fannie Mae survey; and for condominiums, ranging from 9 percent of the respondents to the 1997 Mature Markets study to 14 percent of respondents to the 1996 NAHB survey.

A third finding contrary to the conventional wisdom is that some housing consumers actually prefer higher density, as indicated by a preference for smaller lots and/or clustered development: from 37 percent of respondents to the 1998 Professional Builder survey to 57 percent of respondents to the 1996 NAHB survey.

Fourth, in direct conflict with desires for low density, about half of housing consumer respondents favor a decreased auto orientation in their ideal neighborhood: 49 percent of 1998 American LIVES survey respondents who prefer a less auto-oriented street pattern with narrow streets to encourage walking and 48 percent of 1998 Vermonters Attitudes on Sprawl Survey respondents who prefer communities with houses, stores, and services within walking distance.

Finally, enough consumers place added value for such development on better quality neighborhood design that the market has established a premium price. Researchers considered four examples of New Urbanist development—Kentlands in Gaithersburg, MD; Harbor Town in Memphis, TN; Laguna West in Elk Grove, CA; and Southern Village in Chapel Hill, NC—and found that home buyers were willing to pay a premium, ranging from \$5,000 to \$30,000, for residences in these mixed-use, higher-density, pedestrian-oriented developments relative to otherwise similar homes in surrounding conventional subdivisions (Eppli and Tu 1999; Tu and Eppli 1999).

⁴ Residential alternative or home style preference loosely approximates neighborhood character or setting. For example, a neighborhood characterized by primarily single-family detached homes connotes traditional low-density suburban sprawl. A neighborhood with town houses, however, suggests higher density as well as the connectivity positively associated with New Urbanist communities.

Conflicting desires of the American consumer?

In fact, many people hold internally inconsistent preferences, such as the desire for low density and the desire to reduce auto dependence. Moreover, the conventional preference may only be a general ideal that is not actually pursued equally throughout a lifetime, in part reflecting trade-offs within a person's own set of preferences. The net outcome of these tensions between ideals may well be different for the same individual when he or she is in different circumstances. Finally, preferences under ideal circumstances differ from preferences under more realistic circumstances.

Housing consumption preferences conflict with one another, particularly with regard to the desire to escape auto dependence. While 74 percent of respondents to the 1998 Vermonters Attitudes on Sprawl Survey preferred a home in the suburbs to one similarly priced near transportation, work, and shopping, 48 percent of respondents also claimed that they preferred communities with houses, stores, and services within walking distance of one another. Similarly, although 83 percent of respondents to the 1999 NAHB survey preferred a single-family detached home in the suburbs, even if it required a longer commute than a town house in the city, 33 percent supported access to public transportation. Hence, on the one hand, these apparently conflicting preferences suggest that housing consumers make implicit trade-offs, while on the other, it may be that survey researchers' practice of bundling housing characteristics into stereotypical descriptions obscures consumer preference or distaste for specific residential amenities.

Conflicting preferences suggest that neither traditional neighborhood design nor conventional suburban development may be the housing consumer's ideal. Rather, the ideal home style may be something else and may fall somewhere on the housing spectrum between these two design alternatives.⁵ Similarly, individual household preferences for a single ideal housing type may in fact include a spectrum of types, united by key design criteria. Some of these criteria appear to be embedded in larger residential stereotypes, making differentiation and identification difficult. The "lumpiness" of choices packaged in grossly defined bundles may be a function of zoning restrictions, industry practices, and marketing traditions that create starkly different supply alternatives. Survey researchers have yet to penetrate the nuances of multifaceted housing preferences.

⁵ This sense of preferences falling somewhere in between the two residential alternatives typically queried—suburban design and New Urbanism or traditional neighborhood design—is also discussed in the 1999 American LIVES survey.

Resale versus new construction

A closer analysis of recent housing consumer survey data highlights preference variation between consumers of new housing and consumers of resale housing. These differences are instructive because some have speculated that the consumer base for TND is satisfying its desires through existing housing built in the decades before World War II. Indeed, American LIVES concludes: "One reason they may be resale buyers is that they can't find a community they want in the new construction market" (1999, 9). Yet it is new construction buyers whom developers cater to, and it is they who guide the creation of future housing options for the rest.

In general, buyers of new single-family homes favored the auto-orientation, privacy, and safety aspects of conventional suburban development, while resale buyers favored the open space, gardens, and easy walking access to shared recreation space and stores of alternate development styles. New construction buyers were more likely than resale buyers to prefer the wider streets and street patterns of conventional suburban auto orientation (51 to 38 percent), to prefer to drive and save time (41 to 32 percent), to find small-town parking inconvenient (50 to 37 percent), to favor a contemporary look to neotraditional design (46 to 29 percent), to feel that the city environment is not safe for children (53 to 40 percent), and to question the privacy and noise aspects of higher-density development (60 to 51 percent and 80 to 70 percent, respectively). Resale buyers were more likely than new construction buyers to prefer natural open space (75 to 66 percent), gardens and walking paths (60 to 48 percent), and an easy walk to parks and stores (58 to 43 percent). Resale buyers may also prefer mature trees and in-place community services, things that take time to develop in new subdivisions.

"Often, what buyers want is NOT what they get" (American LIVES 1999, 6). Resale buyers, for example, who favored the open space, gardens, and easy walking access to shared recreation space and stores represent an increasing number of home buyers. Yet resale buyers are not having their housing consumption demands met in the new construction housing market.

The long-run problem is that all resale housing starts off as new construction. If new construction and resale buyers have distinctly different preferences, the former will dictate the housing choices available in the future for the latter. Indeed, a study for the Lincoln Institute for Land Policy identified a "tyranny of the minority" that contradicted the frequent assumption that consumer sovereignty guides housing choices (Myers 2000). In California, only 1 percent of housing is newly constructed each year. The remaining 99 percent of home buyers and renters must occupy existing homes, but the new construction market that builds the housing stock will over time limit those choices. In the United

States as a whole, according to the 1999 American Housing Survey, 2.0 percent of homeowners and 0.9 percent of renters live in units constructed in the past year (U.S. Bureau of the Census 2000). In essence, the minority is dictating the options available to the majority. After 30 years, at most 30 percent of households would have had a turn shaping new construction. More likely, many of these households would be repeat new buyers/renters, and so only 10 to 20 percent of households would likely continue to shape the nature of new construction.

As long as the new construction minority truly represents the preferences of the majority, this might not be an issue. However, little new housing is built overall, and the 1 to 2 percent minority guiding developers' decisions is not typical and instead is highly likely to be different from the majority. This minority has a greatly leveraged impact on the type of new construction and the development of urban form. Evidence reported in the next section suggests that the nature of these new consumers may be changing, and if so, this portends substantial changes ahead for cities.

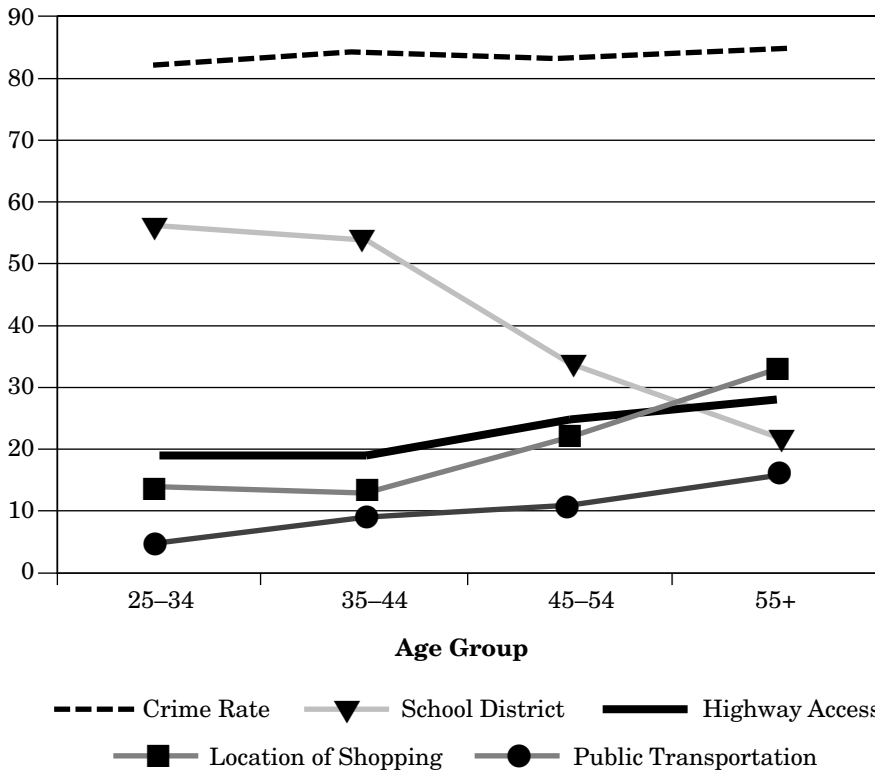
Density preferences by age group

Variation in housing density preferences is closely related to age, the prime indicator of life stage and family status. This is best evidenced in the large Smart Growth survey (N = 1,180) conducted in 1999 by the NAHB. Unlike most of the others, this survey was fielded to a nationally representative sample and collected data from a large enough sample to permit reliable subgroup analysis.

How housing priorities change over the life cycle

1999 NAHB respondents were asked to "check the importance of these factors if you were to buy a new home now" (question 28). The frequency of preference for selected factors is presented in figure 1. The differences among age groups are quite significant, with the sole exception of crime rates, which is claimed by over 80 percent of all ages as important in the purchase decision. Between younger and older adults, school districts fell in importance from 56 percent to 22 percent. "Better schools" often implies suburban public schools in middle-class areas full of detached single-family homes. While young parents may be understandably concerned about the advantages of suburban schools, older adults swing their priorities more toward urban amenities. Only 5 percent of young adults placed a priority on access to public transportation, and 14 percent emphasized access to shopping. But among late-middle-aged adults, these priorities more than doubled to a 16 percent emphasis on public transit and a 33 percent emphasis on shopping. Clearly, housing

Figure 1. Percentage Calling a Particular Factor Very Important if Buying a Home Today



Source: NAHB 1999.

consumers' outlooks change after age 45 in the direction of a greater emphasis on a central location. By contrast, the conventional wisdom about home buyer preferences applies most accurately to those who are between 25 and 34.

Moreover, the American LIVES surveys (1999) generally indicate that households with children favor pedestrian-oriented design as well as conventional suburban street patterns that facilitate driving, while households without children are more likely to be concerned with taking care of big yards and to be receptive to small lots as long as quiet and privacy are maintained. While households aged 50 or younger favor open space and pedestrian orientation, as well as larger lots and lower density, older households liked smaller lots and yards, as well as easy auto access to commercial areas. At the same time, the 1996 American Association of Retired Persons study found older households especially receptive to decreased auto dependence: Easy access to public transportation is either very or somewhat important (71 percent), as is living within walking distance of a food store (49 percent), a drug store (54 percent), and their doctor's office (53 percent).

The NAHB trade-off question

Changing preferences over a lifetime are clearly revealed in the results of a NAHB survey query:

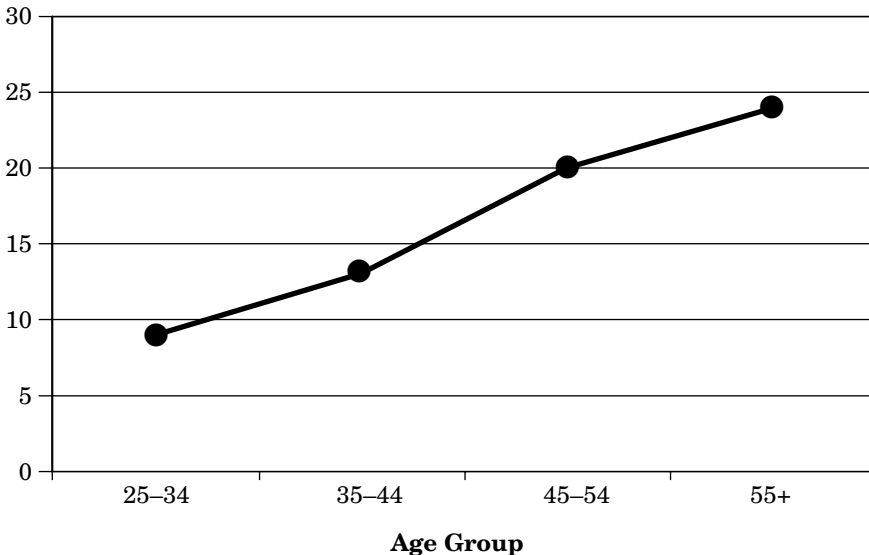
Consider the following hypothetical choice: Your income is high enough to purchase a \$150,000 home. You have two options: buying a \$150,000 townhouse in an urban setting close to public transportation, work and shopping. Or, you could purchase a larger, detached single-family home in a suburban area, with longer commutes to work. (1999, question 27)

Overall, 17 percent of the respondents selected the town house in the city, and 83 percent chose the detached suburban home. However, the results vary sharply by life cycle stage (see figure 2). Among those aged 25 to 34, only 9 percent chose the town house, but at age 45 to 54, 20 percent preferred that housing, and at age 55 and older, 24 percent preferred the town house. It bears emphasizing that only the youngest age group (25 to 34), which typically has dominated the home buyer market in the past, reflects the often assumed, overwhelming preference for detached single-family homes in the suburbs. As shown in a following section, demographic trends have shifted strongly from this young group toward older home buyers.

Implications for future behavior

The NAHB trade-off question takes into account housing affordability problems that may force consumers to downscale their aspirations in

Figure 2. Percentage Preferring a Town House in the City



Source: NAHB 1999.

order to meet a budget constraint. However, it is noteworthy that the highest preference for the town house option is not found in age groups where first-time buyers abound; rather, it is among older households, the group that has the highest existing homeownership rate. Given that 81 percent of households in the 1999 NAHB survey already live in detached single-family homes, a move toward town houses in the city could require a downscaled housing selection.

How likely are older homeowners to actually downscale their housing consumption? A number of analysts (among them Hughes and Zimmerman 1993) have been expecting baby boomers to flood the market with their larger homes, starting in this decade, when they move to smaller, more manageable homes. In the past, the desire for downscaling was likely constrained by tax laws that discouraged trading down by assessing hefty capital gains taxes. The 1997 repeal of this tax may free middle-aged and older Americans to finally reveal their preference for smaller homes when their children have left (Goodman 1999). Some former homeowners may even choose to join the ranks of “lifestyle renters,” which Goodman (1999) defines as those who could afford to buy if they chose but who have adult interests and schedules that are better served by multifamily rental housing. Nonetheless, despite the smaller size of units, increased amenities and higher land price could potentially offset the decline in purchase price implied by smaller size. Fader (2000) feels that these older, often empty-nester households represent a niche market in terms of demand for large luxury town houses.

Beyond the literal trend toward smaller town houses, we can interpret the responses to the NAHB trade-off question as an indicator of generalized preferences for denser housing that is more centrally located near shopping and transportation and that is situated in more walkable neighborhoods. The trade-off is both practical and broad based. Selecting the town house alternative does not imply that respondents will literally move next year. Indeed, only 6 percent of respondents in the 1999 NAHB survey literally preferred a town house as their next residence. Instead, what the survey question reflects is a *relative* preference for a denser, more walkable residential choice.

Demographic basis for future demand

Individual preferences for denser, more walkable neighborhoods aggregate to total demand by the population. Even if individual preferences remain constant, a shift in the total demographic composition could place added weight in categories where preferences for walkable neighborhoods are relatively stronger. Between 1990 and 2000, the number of U.S. households increased from 91.9 million to 105.5 million and is projected to increase to 117 million by 2010. The average annual growth of 1.35 million additional households per year in the 1990s is expected

to slow in the coming decade to an annual increase of 1.15 million households per year. Amid this overall growth, the proportion of households with children will decline and the proportion aged 55 and older will increase markedly.

Declining share of households with children

There has been a continuing decline in the overall influence of children on residential choice. In 1990, just over one-third of all households contained children (33.6 percent); this fell to 32.8 percent in 2000, and is projected to decline to 29.5 percent by 2010 (Masnick and Di 2000). The declining presence of children suggests a growing market for denser, more walkable neighborhoods that adults find interesting.

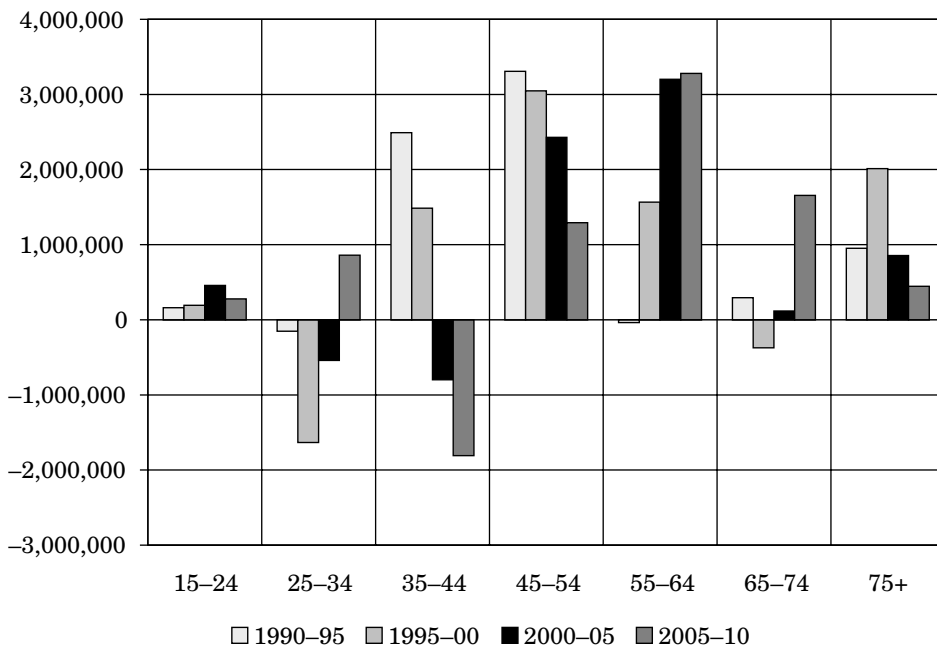
In addition, more dramatic changes are under way in the age distribution of households. In fact, a better way to track trends in households with children is to view these as accompanying the shifting age distribution of heads of household. Within each age group of householders, the Joint Center for Housing Studies (in Masnick and Di 2000) foresees little change in the prevalence of children. Thus, it is the age shifts in householders that drive this downward trend.

Age shifts of adult households

The aging of the baby boomers is remaking the residential landscape of America. During the 1970s, their passage into their early twenties spawned inner-city revitalization and gentrification. Their passage into the family formation and settlement years of their thirties and forties fueled dramatic single-family home construction and suburban growth. Now, millions of these households are moving into their late middle age and early retirement years, creating the potential for a new turning point. From 1990 to 2000, the percentage of the nation's households between 55 and 64 slipped slightly from 13.5 percent to 13.2 percent, but from 2000 to 2010, the percentage is projected to jump to 17.4 percent (Masnick and Di 2000). The lifestyle choices of baby boomers in this age range have enormous potential to change neighborhood patterns.

What makes this growth so meaningful is the accompanying slowdown in younger age groups. Figure 3 uses projections prepared by Masnick and Di (2000) for the Joint Center for Housing Studies to illustrate the growth in each age bracket over successive five-year periods. During the 1990s, household growth between ages 35 and 44 and 45 and 54 amounted to two or three million every five years, but in the coming decade, growth at those ages will drop off markedly, even becoming negative at 35 to 44. Instead, the major feature of the coming decade is the upsurge of growth at 55 to 64, with three million households added

Figure 3. Total U.S. Households—Growth Each Five Years



Growth in Total Households by Age Each Five Years

	1990-95	1995-00	2000-05	2005-10	2010-15
15-24	159,710	193,278	456,880	277,160	128,454
25-34	-149,581	-1,631,810	-537,760	859,541	1,163,411
35-44	2,491,365	1,484,965	-797,124	-1,806,793	-360,224
45-54	3,306,813	3,047,377	2,429,780	1,293,184	-1,190,292
55-64	-35,551	1,565,643	3,202,213	3,280,305	2,588,230
65-74	295,175	-369,733	116,756	1,656,815	3,209,776
75+	952,879	2,011,829	855,166	444,807	747,033
Total	7,020,810	6,301,549	5,725,911	6,005,019	6,286,388

Source: Masnick and Di 2000.

every five years. Throughout these two decades, growth under age 35 is minimal until 2005-10, when the children of the boomers are between 25 and 34. Also that period finds an upturn among elderly age groups as the baby boomers advance into their retirement years. However, the numbers for age 75 and older will decline steadily as mortality steadily erodes that generation.

Prospective movers

Growth of households containing older baby boomers may overstate their impact on the housing market, because many will be simply aging

in place in the homes they already own. Just because their numbers are growing does not mean that they will necessarily be active in the housing market. A more accurate market projection factors in the likelihood that households will move to different residential units within a five-year period. These movers will be the customers served by the real estate industry. Furthermore, we need to break these movers into segments likely to be owners or renters of units after their move.

Table 1 displays the probabilities of residential relocation within a five-year period for each age group and, for movers, the probability that they will be owners or renters after the move.⁶ Although only 26.0 percent of households aged 55 to 64 are likely to have moved in a five-year period, fully 58.5 percent of them will own their home after they move. A similar amount of household growth at age 25 to 34 would have much greater market consequences, but in the current era, there is little growth in this age range.

Table 1. Number of Households, Mobility Rates, and Homeownership Rates, by Age, United States, 1990, 2000, and 2010

Age	Households			Fraction Movers in Five Years	Fraction Owners after Move
	1990	2000	2010		
15–24	5,049,358	5,402,346	6,136,386	0.960	0.155
25–34	19,849,651	18,068,260	18,390,041	0.830	0.417
35–44	20,393,073	24,369,403	21,765,486	0.550	0.551
45–54	14,303,214	20,657,404	24,380,368	0.370	0.568
55–64	12,379,413	13,909,505	20,392,023	0.260	0.585
65–74	11,516,582	11,442,024	13,215,595	0.220	0.544
75+	8,456,119	11,420,827	12,720,800	0.180	0.374
Total	91,947,410	105,269,769	117,000,699		

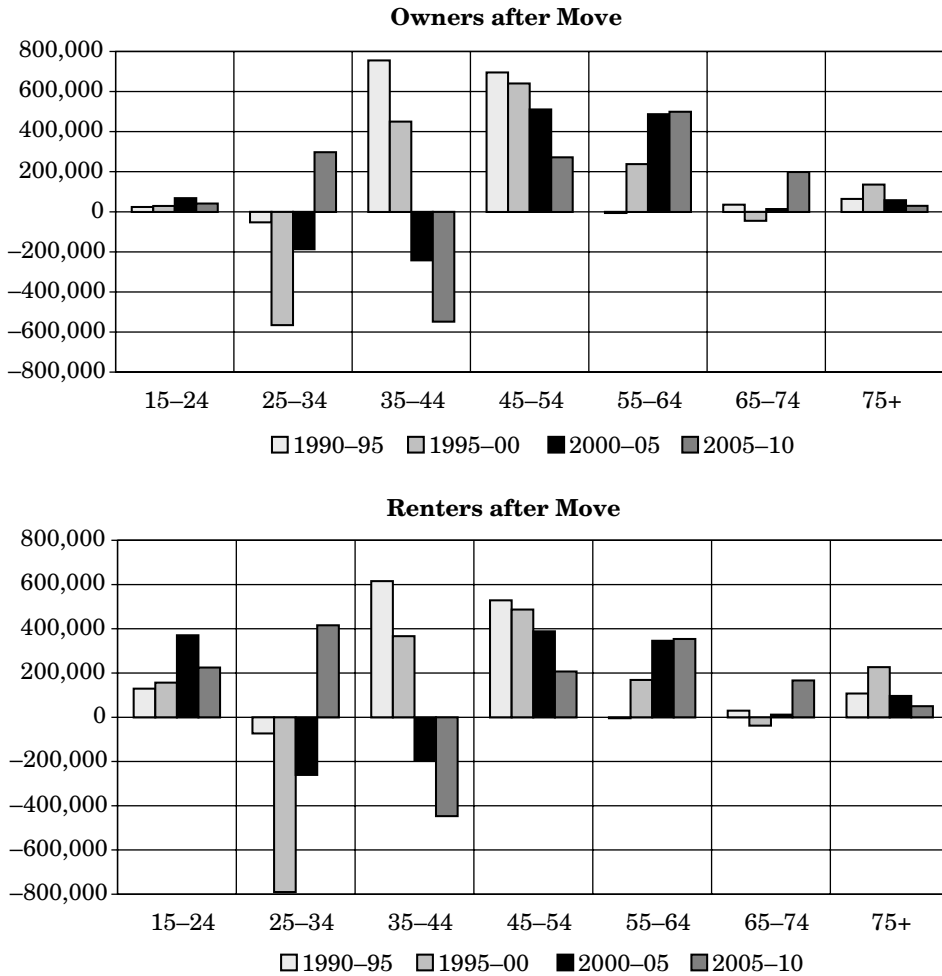
Sources: Joint Center for Housing Studies (2000 and 2010 data) in Masnick and Di 2000; U.S. Bureau of the Census 1993 (Summary Tape File 1 for 1990; Public Use Microdata Samples 1990 for moving data).

When the factors displayed in table 1 are applied to the household growth trends shown in figure 3, we arrive at comprehensive growth profiles for owner and renter households (figure 4). Among owners, the sharp plunge in growth of movers at ages 35 to 44 is dramatic as are the outstanding sustained growth at ages 45 to 54 and the upsurge at ages 55 to 64. A similar pattern is found among renters, but the youngest age group generates substantial growth among renter movers.

The significance of these projections is that it is this growth in the number of movers that generates the demand for new construction. If the number of movers remained constant, then there would be a constant number seeking a change in residence. But the growth in movers indi-

⁶ Data used in the calculations are drawn from the 1990 U.S. Bureau of the Census (1993) Public Use Microdata Samples for the United States as a whole.

Figure 4. Growth in Mover Households, Five-Year Periods, 1990 to 2010



icates that there will be a *surplus* of home seekers in certain age brackets. Builders will need to meet that demand, and the preferences of those households are very age specific, meaning that different types of housing will need to be supplied.

The preferences of this surplus of movers—at two ends of the life cycle—should exert a strong effect on housing suppliers. The younger group traditionally supports a range of housing alternatives, varying from inner-city gentrification to settlement in new subdivisions in the outer suburbs, depending on family status and cultural tastes. The older group commands greater resources and will pursue more discretionary lifestyle choices. Not only have they entered the empty-nester stage and can cash in accumulated home equity, but they are also baby boomers who have blazed new paths at every stage of their life cycle.

Additional trends shaping preferences for density

The aging of the baby boomers is an inexorable force likely to increase the number of households desiring denser residential environments. However, the future density preferences of both older and younger households may not remain constant at the 1999 level. Although it is conceivable that the next generation will have an even stronger taste for low density, several different trends all augur well for an increased preference for denser, walkable neighborhoods in the future. Some of these trends affect housing markets in general, while others are more specific to new suburban or central-city redevelopment:

1. Mounting traffic congestion
2. Decreased crime
3. Immigration and enhanced urban vitality
4. Growth of café culture
5. Fashionable design of higher density for the middle class
6. Positive examples created by growing densification

Mounting traffic congestion

Countless surveys have shown that American urban dwellers view mounting traffic congestion as one of the leading detractors from quality of life in their communities.

Between 1982 and 1999 the average annual delay per person rose from 11 to 36 hours (Texas Transportation Institute 2001). The defensive solution of a shrinking personal travel range encourages residents to localize their social and economic activities to a narrow zone of the city in which they live (Richardson, Gordon, and Jun 1991). As that shrinkage progresses, drivers enjoy less of the vast freedom once promised by the automobile and instead experience more of the drudgery of fighting their way through traffic lights and hunting down parking spaces. Inevitably, increasing numbers of residents will cross the threshold of their tolerance and opt for alternative lifestyles less exclusively dependent on the automobile. This conversion is most likely to occur in larger cities plagued with greater congestion and in cities with more clustered or polynuclear structure, as measured by Galster et al. (2001).

Decreased crime

The perception of high crime has traditionally presented a deterrent to urban living. In fact, crime rated as the highest factor home buyers consider when making a home purchase decision (figure 1). Declining crime in recent years may encourage people to move back toward

denser, more urbanized locations. According to Federal Bureau of Investigation reports, the crime rate in the United States fell an average of 5 percent a year from 1996 to 2000. In the past two years, these changes have been especially marked in larger cities, those with populations over 250,000 (Freeh 2000). Reports of falling crime have been widely disseminated and widely read, and even if the decline bottoms out, it is likely that more households may consider urban residential options than they did 10 years ago.

Immigration and enhanced urban vitality

An added attraction of many urban areas has been the formation of ethnic enclaves by distinct immigrant groups. The growth in immigration has added economic vitality to central cities and older suburbs that otherwise languished in the decades when immigration declined (Myers 1999). The new immigrant population supports transit systems, fills streets with customers, and supports ethnic enterprises. Adding color to otherwise drab districts, these immigrant zones lead to new excitement and attractions in pedestrian-oriented districts, creating an attraction for cosmopolitan housing consumers who may wish to locate nearby or in other districts with easy access to a more vibrant city.

Growth of café culture

The widespread integration of European-style coffee shops into the urban fabric during the 1990s created new destinations for pedestrians walking from home or work. Starbucks alone operates or licenses 3,238 shops in North America, making these a standard feature of both urban and suburban retail areas catering to the middle class. The cafés are among the most prominent new social institutions and, when coupled with a sidewalk bench, become hallmarks of pedestrian-oriented urban design. Café placement in pedestrian-accessible retail districts encourages linkages between the recreational café culture and homes located in denser housing clusters. These cafés fulfill the desire for “third places,” recognizing that communities are not generally designed to facilitate residents’ growth and aging in place (Oldenburg 1989).

Fashionable design of higher density for the middle class

A separate trend is the rise of a New Urbanist design philosophy that extols the virtues of higher-density housing. A major contribution of this movement is to remove the stigma of density and to romanticize the notion of denser residential districts. This directly challenges long-standing assumptions that density equates with lower income, noise,

and disamenities. Growing popular awareness of the New Urbanist design ethic creates an increased willingness on the part of the middle class to accept higher density as part of new design solutions. In the absence of the New Urbanist movement, denser housing would be far less likely to compete successfully with lower-density conventional development.

Positive examples created by growing densification

A final factor supporting increased future demand for denser, walkable neighborhoods is the effect of new supply opportunities on preferences. Increasing pressure on land supplies is leading to densification of development patterns, whether as infill in existing urban districts or as newly planned developments that follow New Urbanist design principles. In some cities, this emerging new supply is forced by rising land prices and lack of greenfield sites for subdivisions; in others, it is encouraged by smart growth principles.

Housing supply in turn affects demand. Experience with successful housing environments built at higher densities is instrumental in building awareness about and demand for that type of housing. An S-shaped adoption curve for housing preferences is often presumed to exist; that is, a small number of early adopters are followed by rapidly growing numbers of new adherents. In the current case of walkable neighborhoods, evidence suggests that preferences are expanding in advance of supply and that revealed demand is constrained by supply opportunities. With the supply of denser alternatives anticipated to grow, experience may stimulate further expansion of consumer preferences for this alternative. Thus, the adoption curve will accelerate upward in the fashion suggested by the S-shaped curve. The creation of alternative housing environments helps break “the peculiar self-referential inward spiral” where the existing supply of conventional housing is used to estimate demand for more of the same (Volk and Zimmerman 2000, 3).

Summary

These additional trends are likely to expand consumer preferences beyond what was observed in 1999, and they will increase demand more than if constant preferences are applied to the demographic projections. It is unclear how much of an increase might be experienced over the coming decade, but it would be useful to test the effect of a small increase in average per capita preference against a constant 1999 preference: If 17 percent of the NAHB sample preferred a centrally located town house in 1999, what would the effect be if average preferences expanded even slightly by 2010, say to 19 percent—an increase of one-eighth?

Projected demand, 2000 to 2010

How will these factors relating to housing density preferences be expressed in total housing demand? First, we will address the total trends in household growth and then factor in the preference dimension.

Nationwide, household growth is expected to slow, falling from 1.35 million new households per year between 1990 and 2000 to 1.15 million new households from 2000 to 2010.⁷ As shown in table 2, a very sharp downturn is anticipated for households under age 45, reflecting the passage of the baby boomers out of the younger age groups. From a net gain of a quarter of a million households per year in the 1990s, growth in this age group will turn negative in the 2000s. The percentage rate of the growth of younger households will fall from 0.56 percent per year to -0.32 percent per year. At the same time, the growth of households aged 45 and older will continue at 2.3 percent per year, twice the growth rate for all households during the 2000s (1.11 percent per year).

Against this backdrop, we compare the anticipated growth in “active home seekers” in different brackets—the households that have changed residence in a year’s time, as classified by their housing type after the move. We will measure market demand in two different fashions: (1) percentage annual growth and (2) percentage market share of all active home seekers.

For these projections, the net gain in households for each age group is reduced to the subset likely to be movers (active home seekers) and then reduced again according to the fraction classified as either lifestyle renters or compact-city home buyers. “Lifestyle renters” are defined as those who are at least 25 years of age, who have a household income of at least \$40,000, and who are likely to move to rental units in a given year. “Compact-city home buyers” are those movers who are projected to prefer NAHB’s figurative town house in the city near public transportation, work, and shopping, instead of a larger detached single-family house in a more remote location. Although some may literally be town house shoppers, more generally they are active home seekers who prefer a denser, more central, accessible, and compact residential location.

Lifestyle renters

As with total households, the growth in mover renters is much stronger above age 45 than below. Lifestyle renters, although a small subset of all renters, are significant because growing numbers of home seekers of this type propel the construction of new residential complexes. Growth

⁷ The 1990 figure is taken from the 1990 census, while the 2000 and 2010 figures are estimated by the Joint Center for Housing Studies (Masnick and Di 2000).

is slowing markedly in this group but remains strong above age 45, with a 2.56 percent increase per year in the 2000s (table 2).

The alternative means of measuring the importance of lifestyle renters is as a share of all mover renters. From the 1990s to the 2000s, lifestyle renters fell from 19.3 percent to 12.6 percent of all active home seekers who are renters (table 3). However, the share in a more concentrated segment—those renters aged 45 and older—is substantially higher, rising from 17.1 percent of all mover renters in the 1990s to 20.6 percent in the 2000s.

These data clearly indicate diminishing rental growth in the coming decade compared with the previous one. Nonetheless, lifestyle renters over 45 will retain about a one-fifth share of all rental growth. This group is the prime target for apartment developers because of their high disposable income as well as their substantial numbers.

Compact-city home buyers

An even sharper slowdown is expected in the number of mover owners. As shown in table 2, the annual growth rate of mover owners (who represent active home buyers) is expected to be cut by almost half, falling from 1.16 percent per year in the 1990s to 0.65 percent in the 2000s. However, the growth rate among owners aged 45 and older remains strong at 2.41 percent per year in the coming decade.

Among the subset of mover owners who prefer the town house or compact-city option, the slowdown is much less severe. These home seekers are those projected to prefer NAHB's figurative town house in the city near public transportation, work, and shopping, instead of a larger detached single-family house in a more remote location. Although they may not literally be town house shoppers, they do prefer a denser, more central and compact residential environment.

The total growth of compact-city active home buyers will slow from 1.58 percent per year during the 1990s to 1.10 percent per year during the coming decade, a 30 percent slowdown instead of the 44 percent lower growth among all mover owners (table 2). In the 45-and-older segment, these growth trends are much more robust. Under the constant preference projection, growth holds constant at a substantially higher level (from 2.42 percent per year in the 1990s to 2.46 percent in the 2000s).

The expanded preference scenario (entailing a presumed one-eighth expansion in average preferences, from 17 to 19 percent) yields somewhat surprising results. While the constant preference scenario is driven entirely by aging numbers of households, the expanded preference scenario adds an increase in per capita preferences. Even a small increase in

Table 3. Denser Housing Market Share of Renter and Owner Growth

	Share (%) of Growth in Active Renters				Share (%) of Growth in Active Home Buyers				
	All Mover Renters		Lifestyle Mover Renters		All Mover Owners		Compact Alternative Mover Owners		
	1990–2000	2000–10	1990–2000	2000–10	1990–2000	2000–10	1990–2000	2000–10	
Total	100.0	100.0	19.3	12.6	100.0	100.0	19.8	25.5	60.9
Under age 45	21.2	6.3	2.3	-8.0	26.7	-37.9	4.4	-5.5	6.4
Age 45 and older	78.8	93.7	17.1	20.6	73.3	137.9	15.4	31.0	54.5

Source: Authors' calculations.

Note: Numbers may not sum to totals because of rounding.

density preferences serves to greatly amplify the total increase in demand for more walkable residential environments. Under expanded preferences for the compact-city alternative, total growth in home buyers is expected to increase from 1.58 percent in the 1990s to 2.62 percent per year in the 2000s. In the over-45 segment, growth surges upward under the expanded preference scenario, rising from 2.42 percent per year in the 1990s to 4.33 percent in the 2000s (table 2).

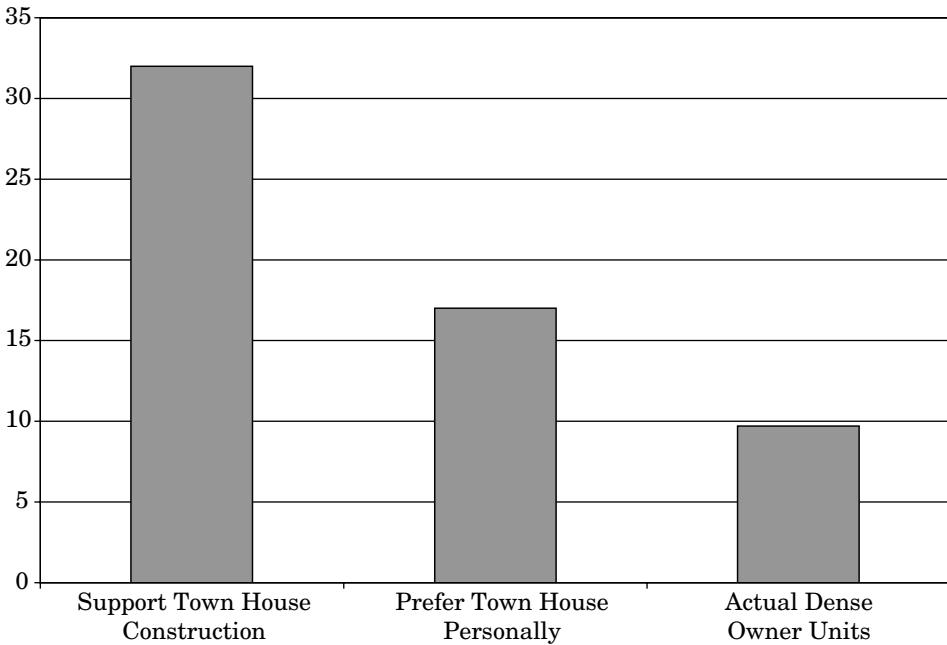
Turning to the market share captured by the compact-city alternative, the share of all mover owners who prefer the compact alternative rises from 19.8 percent in the 1990s to 25.5 percent in the 2000s (under constant preferences) and rises sharply to 60.9 percent under the expanded preference scenario. This market share of growth is almost all contained within the 45-and-older age bracket. The share preferring the compact-city alternative in the 2000s (31.0 percent) is double that of the 1990s (15.4 percent) and surges still higher (54.5 percent) if the expanded preference scenario is employed (table 3).

Overall significance

The total number of home seekers is declining in the coming decade compared with the previous one. However, the number of active home seekers over 45 is growing for both lifestyle renters and compact-city home buyers. Thus, given the overall slowdown in the market, home builders will discover that demand is becoming concentrated in this older market segment. A slowly rising share of all mover renters will be concentrated among lifestyle renters aged 45 and older (20.6 percent), and a more rapidly rising share of all home buyers will be concentrated among compact-city buyers aged 45 and older (either 31.0 percent under constant preferences or 54.5 percent under expanded preferences). These represent a sharp departure from the previous decade and call for a pronounced shift in what is offered.

Conclusion

Despite the housing market's coming overall slowdown, demand is growing in specific niches where supply is also short. Home buyers who prefer to buy a centrally located town house—fully 17 percent of the 1999 NAHB survey respondents—find themselves with limited supply relative to demand. Town houses and condominiums amount to less than 10 percent of the available stock (U.S. Bureau of the Census 2000), and yet 30 percent of the same respondents also said they would support town house construction in their neighborhood. This contrast between political support, market preference, and actual supply is illustrated in figure 5.

Figure 5. Town House Supply Lags behind Attitudes (in Percents)

Sources: NAHB 1999; U.S. Bureau of the Census 2000.

The forecast presented here highlights a definite shift under way. Despite widespread awareness of the importance of the aging baby boomers in the housing market, housing analysts do not seem to have grasped the implications for building more compact cities that include walkable neighborhoods. Very simply stated, our forecast of potential demand rests on combining the demographic trend toward older households with preferences surveyed in 1999 that show the preference for centrally located town houses is more than twice as great among older households than among younger ones. When additional trends are taken into account, we foresee the possibility that these preferences could expand slightly and that this additional preference will add greatly to the growing market impact of home seekers who prefer compact-city alternatives.

It remains to be seen how fully these housing preferences will be translated into actual consumption. To actuate this demand will require a suitably designed and located new supply. Well-designed new projects in turn create new opportunities for consumers to learn about satisfying alternatives to the suburban sprawl of auto-dependent, low-density, single-family homes. Thus, housing preferences, new supply, and actual demand are mutually evolving, with preferences driving potential demand, rising demand spurring new supply, and visible new supply potentially spurring greater preference. Underlying this whole dynamic is the inexorable aging of the baby boomers into age brackets whose preferences for compact-city housing alternatives are greatest and where the financial means to support their ideal new homes is also the greatest.

The potentially significant urban turnabout identified here calls for much more detailed research. As discussed in our review, the available information on consumer preferences lacks detail. Actual consumer decisions are extremely multifaceted, and yet all researchers face practical limitations that force them toward superficial inquiry that may only skim the surface. Small sample sizes spread over diverse geography do not allow us to detect any but the grossest commonalities in consumers' preferences. Deeper insights could be obtained by possibly selecting one metropolitan area for intensive analysis of new supply, existing alternatives, and consumer reactions.

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