Comment on Dowell Myers and Elizabeth Gearin's "Current Preferences and Future Demand for Denser Residential Environments"

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Abstract

New construction reflects demand for housing that cannot be met by existing stock. Although a change in the overall preference for denser residential environments could have a disproportionate impact on the characteristics of new homes, it is not clear that changing demographics or changing tastes will call for such a change.

Keywords: Demographics; Multifamily; Urban environment

Myers and Gearin try awfully hard to find incipient, impending, or unsatisfied demand for densely configured homes in more central locations. There are some indications that changing demographics and other factors may enlarge somewhat the niche market for this vaguely defined style of development, but the evidence remains weak.

In their enthusiasm, the authors gloss over some of the nuances of the survey data they cite. For example, they describe 57 percent of the respondents to the 1996 NAHB survey as having said that they "preferred" higher density; the question they were asked, which Myers and Gearin did not include, was, "What is the minimum lot size you would accept?"

The article describes a market in which "resale buyers are not having their housing consumption demands met in the new construction housing market" (640). While the related point, that today's new construction largely determines the existing housing stock of the future, is certainly correct, the relationship of new construction to current demand and to the current existing stock is oddly portrayed. It is more generally true that new home buyers are not having *their* demands met in the resale market because there is excess demand for the type of housing they want. Although there may be some housing consumers who will seek a newly built home irrespective of the available existing supply, new construction is generally the mechanism to meet demands that the existing housing stock cannot adequately accommodate.

While new homes today tend to be larger than existing ones, and a larger share of new units than of the existing stock are single-family structures, this is not an inherent characteristic of new construction. In the late 1960s, when the postwar baby boomers first began to establish households, they created a demand for multifamily housing that could not be accommodated by the existing stock, stimulating a large rise in apartment construction. Powered by this demographic demand, as well as by government policies, multifamily housing starts, as a share of total starts, increased from 19 percent in 1959 to 45 percent in 1972 and 1973. Myers and Gearin note that young adult baby boomers spawned inner-city revitalization and gentrification during the 1970s. Since younger households are more likely than middle-aged or elderly ones to live in central cities, growth in the number of young households is especially important to cities.

As they aged, the baby boomers went on to create excess demand for different types of housing (relative to the available existing stock), driving new construction first toward single-family starter homes and later toward larger, trade-up homes. If overall demand were to shift toward smaller, denser housing to an extent that could not be supplied by the existing stock, builders would find it profitable to build such units, provided that they are not deterred by regulations or neighborhood opposition, both of which tend to favor construction of less dense housing aimed at upscale residents.

The question in the 1999 NAHB survey in which households were asked to choose between a town house in the city and a detached home in the suburbs plays a central role in Myers and Gearin's analysis, particularly with regard to the greater (though still lopsided minority) share among older respondents choosing a "town house in an urban setting close to public transportation, work, and shopping" (643). The question required respondents to choose between two bundles of attributes, and as Myers and Gearin point out, "[I]t may be that survey researchers' practice of bundling housing characteristics into stereotypical descriptions obscures consumer preference or distaste for specific residential amenities" (639). Other survey data, as well as data on actual moves and purchases, indicate that it is probably a greater preference for convenient access to work and shopping, as well as a greater acceptance of town house structures and small lots, rather than a desire to live in central cities, that dictated the choice.

In an NAHB survey conducted in 2000, for example, prospective home buyers were asked whether they would want a home in a central city, a close-in suburb, an outlying suburb, or a rural area (Ahluwalia, Chapman, and Carliner 2001). Some 6 percent of respondents under age 45 said that they preferred a central city, but only 4 percent of those over 45 indicated that preference. Older respondents were more likely than younger ones, however, to indicate a preference for close-in suburbs. The recent renaissance in some central cities owes more to an enhanced ability to hold on to young households than to any return by empty nesters or other older households (Kochera 1999). With jobs and shopping, as well as entertainment and other facilities, becoming increasingly decentralized, it is not necessary to live in a central city to enjoy access to those amenities.

After a sharp decline in share in the late 1980s, town house (single-family attached) units have accounted for a slightly increasing share of single-family construction over the past decade. The identification of town house construction with high density is itself somewhat misleading, however. In the Northeast and Midwest, high-density single family construction usually takes the form of town houses, but in the West, especially, homes are often built at even higher densities, but as closely spaced detached units.

Myers and Gearin say that “growth in the number of movers…generates the demand for new construction” (647). This is not quite correct. If mobility rates increase but the number of households remains constant and the mix of housing types demanded remains consistent, there will be no need for new construction. The number of home sellers (or vacating renters) would be increasing along with the growth in the number of home buyers (or new tenants). Total demand for new construction reflects growth in the number of households. Specifically, the number of newly constructed units will necessarily be equal to the net change in the number of households, plus the change in the number of vacant units, plus net removals of existing units. Newly formed households will necessarily be movers, although they are less likely than other movers to occupy brand-new housing. The movement of existing households contributes to both demand for housing and supply of existing housing units for possible occupancy by new or footloose households.

The estimated change in the number of movers may bear some relationship to demand for new construction, but the characteristics demanded could change without any change at all in the total number of movers. Changes in the characteristics demanded by any given number of movers or in the characteristics of units vacated by moving (or dissolving) households will also determine the potential for various categories of new construction.

Myers and Gearin’s projections of the change in the total number of movers, and of the change in the number of movers seeking “compact” owner units or lifestyle rentals, appear to indicate that the age structure or expanded preferences for compact or lifestyle units would have substantial impact. Compared with total new construction, however, these differences are relatively insignificant. For example, under the expanded demand for compact owner units alternative, there are an additional 11,000 such units demanded per year. Compared with about 1.3 million new single-family units, that is a fairly small number, even though the cumulative effect will be greater than the effect in a single year. With about 120 million units in the housing stock, such changes would not soon transform the landscape.

While most of the demand for new construction is attributable to growth in the number of households, replacement of existing units is also a factor. A comparison of the total housing stock in the 1990 and 2000 censuses, relative to new construction during the decade, indicates that annual net removals appear to have averaged less than 300,000, only a quarter percent of the stock. With the average age of the housing stock higher than at any time in the past 50 years, with possibly increased interest in established neighborhoods, and with new limits on greenfield development, teardowns of existing homes to build new ones may become more common. While that may revitalize older areas, the overall effect on development, as well as on the community, is less clear. The households that might otherwise have lived in the torn-down units will have to look for other housing.

The 2000 census showed that immigration during the 1990s substantially exceeded previous Bureau of the Census estimates, offsetting some of the effects of the baby bust of the late 1960s and 1970s on the shape of the age distribution (Carliner 2001). Because many of the details from the 2000 census were not available to Myers and Gearin, their demographic projections do not fully reflect these numbers. Although the average age of the adult population will probably still increase somewhat, any changes in the shape of housing demand because of an aging population may be less noticeable.

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