

THE COMING DEMAND

PRODUCED BY CONGRESS FOR THE NEW URBANISM



**BASED ON RESEARCH BY
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Neighborhoods that follow the principles of the New Urbanism provide a sense of community that home buyers say they want.



Dense, walkable neighborhoods provide a high quality of life, partly by reducing vehicle use.

Time and again, market research shows that many housing consumers would like to live in walkable, mixed-use neighborhoods. The American housing market, however, is constrained by policies that promote sprawl and the natural inertia of an interdependent, multi-billion-dollar industry. As a result, the market has been slow to respond to this demand. Whereas a third of housing consumers in many markets say they would prefer to live in a walkable neighborhood with small lots, the number of such units actually developed is negligible against the vast scale of the American real estate industry. That drives up the price on the better old neighborhoods, and leaves many homebuyers with no choice but to live in a spread-out, car-dependent suburb.

The Congress for the New Urbanism (CNU) is determined to change that. CNU believes that all Americans should have the choice of living in good environments, whether they are living in a city or a suburb, no matter what part of the country they are in, and no matter their income. Such neighborhoods serve more than the individual residents—they use land more efficiently, reduce overall traffic, and provide a high quality of life.

One of the big questions asked by real estate developers, financiers, and planners is whether the current demand for walkable neighborhoods is here to stay. The question is understandable, given the industry's history of failed fads and burst bubbles. Realtors are



When daily activities occur within walking distance, residents get the benefits of convenience without the hassles of driving. This is especially attractive to older home buyers.

concerned homes might lack resale value; bankers worry about foreclosure; and land use planners don't want to create neighborhoods that lose value over time.

Fortunately, the research shows that good urbanism is more than a fad. In fact, research commissioned by the Funders' Network for Smart Growth and Livable Communities with support from Bank of America and the David and Lucile Packard Foundation shows that demand for "dense, walkable residential environments" is bound to grow substantially for the foreseeable future.

The growing demand will be the result of changing demographics, changing tastes, and the closing of the suburban frontier. Americans are getting older, and fewer households have children. Both of these demographic trends contribute to growing demand for more varied housing choices. Many Americans' tastes are moving more toward dense environments, as shown by the growth of "café culture," an attraction to ethnic diversity, and a strong attraction toward good urbanism among upper-middle class trend-setters. Perhaps most importantly, in many regions, car-dependent suburbs have never looked less attractive. In economically strong regions, suburban traffic is increasing unbearably while valued open space is converted inexorably into more suburban sprawl. In other regions, housing values are stagnating. Nationwide, older suburbs are experiencing disinvestment similar to the "white flight" of the 1950s.



The growth of café culture reflects a trend in America. More people want streets full of life.



Within neighborhoods, a broad range of housing types and price levels can bring people of diverse ages, races, and incomes into daily interaction, strengthening the personal and civic bonds essential to an authentic community.

Tracking the Trends

Two Scenarios for a Prosperous Future

What is New Urbanism?

New Urbanism is a set of principles for building walkable, mixed-use neighborhoods. The Congress for the New Urbanism (CNU) is an organization of architects, planners, government officials, and developers. Charter of the New Urbanism, written in 1996, lays out 27 principles that contribute to making cities and towns more walkable, efficient, and livable. The principles range from regional policies like balancing jobs with housing in each town, to neighborhood-scale principles of mixed use and mixed income, to local architectural features like having buildings face the street, rather than facing the back yard. Together, these principles show how to make regions that are collections of great cities and towns; cities and towns that are collections of great neighborhoods; and neighborhoods made of great streets. CNU exists to educate developers, architects, planners, and others about how to create of the kind of walkable neighborhoods that Americans will be demanding in the years ahead.

The authors of the study analyze two scenarios. Under the **constant preference** scenario, age groups that currently state a demand for dense, walkable neighborhoods are projected to maintain their current level of preference.

Under the **expanded preference** scenario, cultural changes and increased exposure to the product are predicted to further increase the demand for such neighborhoods.

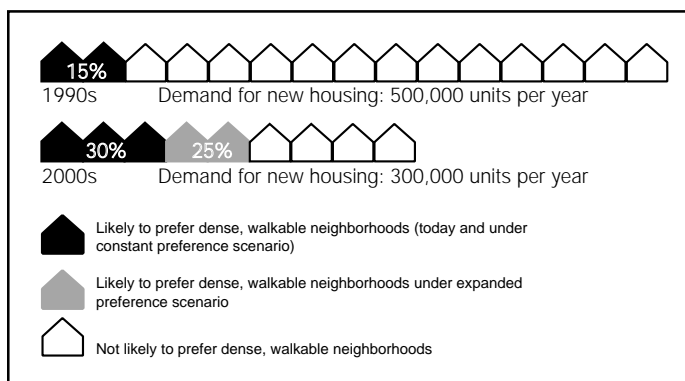
Several types of neighborhoods can satisfy this demand. There are historic neighborhoods, urban and suburban infill, and greenfield traditional neighborhood developments. Despite rapid growth in recent years, these types of development still account for only a tiny fraction of all residential development. In other words, there is a serious imbalance between supply and demand. This finding bodes well for developers and designers who understand New Urbanism, as they are likely to face overwhelming demand.

The research discussed in this report does not specifically examine New Urbanism. Rather, it looks at “dense, walkable neighborhoods.” However, if developers wish to create new “dense, walkable neighborhoods” that are as livable as those of the past, they will follow the principles of New Urbanism. These principles make dense, walkable neighborhoods into livable, appealing environments for people of many backgrounds and lifestyles.

Under either scenario, the demand for dense walkable neighborhoods will at least remain constant. This is remarkable, given the fact that the overall growth in the housing market is predicted to slow. The market currently grows by 1.3 percent per year, but in 2015, the rate of growth is predicted to be only 1.1 percent. This

means that dense, walkable neighborhoods will at least gain market share over this period. Under the “expanded preference” scenario, they will also increase absolute numbers of homebuyers and renters. This scenario predicts that the absolute number of homebuyers and renters who want dense, walkable neighborhoods will actually grow by 17 to 19 percent.

More important is the nature of the new households. It is the household growth that requires new construction, so the demographics of new households determine what sort of new construction will be built.



As demand shrinks, the demand for dense, walkable neighborhoods will grow. The result: Those in the real estate market that follow the principles of New Urbanism will be able to attract this enormous new market.

Fortunately for the new urbanist movement, household growth will be dominated by people who are middle-aged or older. These people already show a proclivity for “townhouses in the city” and other characteristics of new urbanist neighborhoods. Under constant conditions, older households who prefer townhouses in the city will make up 15% of the growth in households. If the members of this age cohort continue to grow more favorable toward urbanism, as they have over recent years, 30 to 55 percent of household growth could favor dense, walkable neighborhoods.

Aging Boomers Drive the Trend

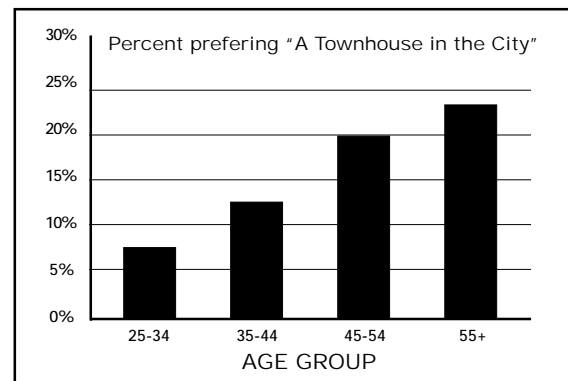
At every stage in their lives, baby boomers have changed America. Their births gave rise to America’s suburban explosion, as returning veterans took advantage of subsidized housing in the new suburbs. Boomers who rebelled against the “ticky-tacky” conformity of suburbia in the late 1960s and early 70s began to renew some cities, fixing up crumbling neighborhoods into many of today’s trendiest locations. Still, most boomers raised their own children in the suburbs, continuing the suburban expansion.

As they age, boomers are likely to be increasingly attracted to dense living environments. Today, people over 55 years of age are three times more likely than 25- to 34-year-olds to consider a townhouse in the city to be the most desirable living situation. People of this age often have enough money that they can choose where to live, so they can act as a force to reinvest in older cities or to purchase new homes that match their desires. Older cities work for them, as they are only one-third as likely as young adults to consider the school district “very important” in home buying location, and are more than twice as likely to consider “location to shopping” and “public transportation” very important. These latter characteristics also make them fit for new neighborhoods that follow traditional planning principles.

Empty nesters in the 55 to 64 age bracket will be the fastest-growing segment of the home-buying market until 2010, when the 25- to 34-year-olds will match their growth rate. If they follow in the path of previous empty nesters, they will fulfill the USC team’s “constant preference” scenario, in which there is not only demand for historic urbanism, but also a steady demand for new walkable neighborhoods.

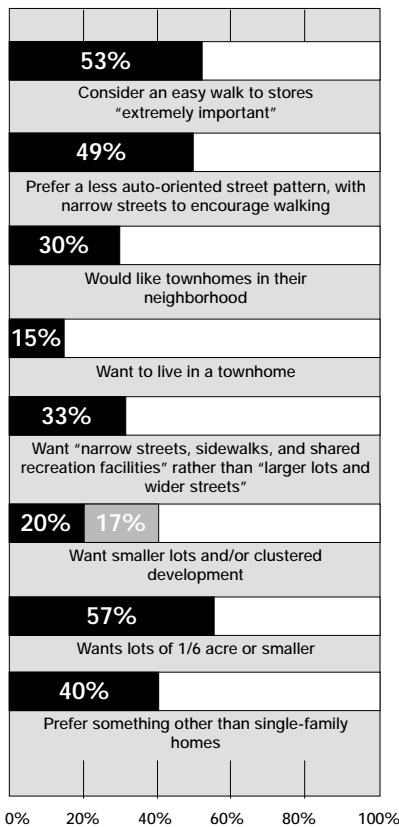


As Americans have rediscovered street life, historic cities have regained their prosperity. However, too few developments provide vibrant streets.





Households with children have pronounced preferences for sidewalks, smaller lots with smaller front yards, pedestrian-oriented streets, and higher-density housing with houses on smaller lots close to the street.



- Prefer dense neighborhood characteristics
- Prefer dense neighborhood characteristics in some surveys
- Prefer sprawl characteristics

Echo Boomers Come of Age

Meanwhile, the boomers' children are responsible for a new wave of suburban sprawl, as 25 to 35 year-olds continue to search ever-farther afield for affordable housing. That doesn't mean they like this lot. After growing up on Sesame Street and MTV, these young adults have absorbed positive images of urban environments. They are stuck with unenviable choices: Cities with lousy school systems, lovely historic suburbs with high home prices, or relatively affordable homes on the urban fringe.

These young people are very receptive to the values embodied in New Urbanist development: Surveys show that households with children have pronounced preferences for sidewalks, smaller lots with smaller front yards, pedestrian-oriented streets, and higher-density housing with houses on smaller lots close to the street. Unlike older buyers, relatively few of them have issues with the "sterility" of the suburbs. In short, they might be perfect candidates for new neighborhoods built on traditional principles. They want small lots on safe streets, and they don't mind if a town is relatively new.

Mounting Pressures for Urbanism

American culture is changing, making it possible that more and more people will be attracted to walkable neighborhoods. Based on these cultural changes, the USC study considers an expanded preference scenario. In addition to the demographic change that justifies the constant preference scenario, there are also many indications that suburbia has extended as far as it can. The stress relief of low-density life has been overtaken by the increased stress of traffic. The comfort of homogenous suburbs is giving way to a desire for diversity. The immersive shopping experiences of shopping malls is cracking open like an old stage set, as malls die and are replaced by more traditional sidewalk shopping experiences. The backlash is showing up in culture, politics, and retail, and has started spreading to the residential real estate market. So far, it shows no sign of slowing.

Traffic

There is no more powerful push factor driving people away from suburban life than traffic. Nationwide in the 1990s, average annual delay per person more than tripled. Despite a modest drop in vehicle miles travelled in America in 2000, most indications are that car use will continue to grow so long as job growth continues to boom outside of transit-accessible centers and residents keep living in ever more sprawling subdivisions.

An analysis in *Planning* magazine found that people who get stuck in traffic already respond by moving closer to work. Traffic will continue to increase the public's desire for homes near workplaces. New urbanist and infill developments can not only bring people closer to work, they can also allow many shopping, social, school, and recreational trips to be made on foot. In short: Traffic could push people into new urbanist development.

Cultural preferences

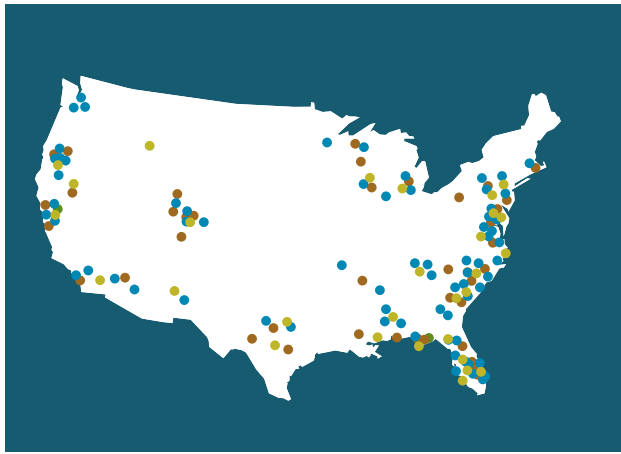
Dense urban environments have become fashionable. The USC researchers point out that "café culture" has taken off in America. The researchers say, "It is foreseeable that in the future, other amenity-oriented retail shops or upscale convenience stores may cluster in districts anchored by a Starbucks or another coffee house. These districts will become the nuclei for denser, walkable residential clusters enjoyed by many housing consumers."



As traffic increases, homebuyers seek alternatives.



The American middle class is coming out of the backyard and into the street. The "expanded preferences" scenario accounts for cultural changes.



The number of new urbanist developments under construction or complete has grown by over 20 percent every year since 1997. Today, such developments can be found in most major housing markets, helping speed acceptance of more dense walkable neighborhoods.

Politically, the backlash against excessive suburbia has manifested itself as the movement called “smart growth.” Over the last five years, voters have approved hundreds of initiatives creating urban growth boundaries, buying open space for preservation, and otherwise putting the brakes on low-density sprawl. According to a national poll commissioned by Smart Growth America in late 2000, most Americans prefer a range of smart growth measures, ranging from subsidies to create mixed-income neighborhoods to the diversion of highway money into mass transit.

These political changes constrain developers’ ability to sprawl further. The National Association of Home Builders (NAHB) recently predicted that “new construction of single-family detached homes in low-density suburban developments is likely to slow in the face of increased regulation and decreased available land supply.”

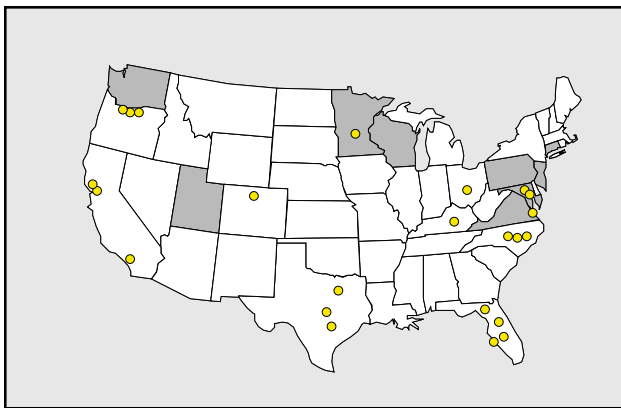
Meanwhile, towns are acting to answer the demand for walkable neighborhoods. CNU has collected over 30 examples of municipalities that have adopted zoning allow denser, walkable neighborhoods. Expedited permitting and New Urbanism-friendly zoning codes could enhance the range of housing choices, providing new walkable neighborhoods in many more markets.

Nothing Succeeds like Success

A final catalyst for cultural change is the growing presence of new walkable neighborhoods on the ground. New Urbanism first spreads slowly into a region. But once it is there, people quickly understand its benefits. Each code, development, or policy is easier than the last. For example, in Florida and Colorado New Urbanism has sunk in enough to get dozens of developments approved and on the ground. It is now widely understood in those markets, allowing bankers and local agencies to consider it without prejudice.

Because cultural and political change are less predictable than demographic change, the authors of the USC study keep their “expanded preference” scenario conservative. There is no way to estimate the high end of

market demand over the coming decades. What is sure is that New Urbanism is poised to boom. The only question is by how much.



Cities and states across the United States have adopted zoning codes, building codes, and code enabling legislation to facilitate the development of dense, walkable neighborhoods. As these Smart Growth laws spread, developers will be able to respond to the market demand for New Urbanism.

Major Sources

A full list of sources is included with the full report, which will appear in issue 12:4 of Housing Policy Debate, available from the Fannie Mae Foundation at www.fanniemaefoundation.org/programs/hpd.shtml.

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