

# Plan On It

A Dutchess County Planning Federation eNewsletter

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## The Changing American Dream *Shifting Trends in Who We Are and How We Live*

By Heather LaVarnway, Senior Planner

We are “at the threshold of very dramatic change...and we’re not prepared.” That was the message at a recent presentation by Dr. Arthur C. Nelson, a recognized authority in housing market research and forecasting. Dr. Nelson spoke at [Pace University Land Use Law Center’s](#) December 2011 conference on sustainable development in these tough economic times.

[Dr. Arthur C. Nelson](#), FAICP, is Presidential Professor of City & Metropolitan Planning at the University of Utah, where he is also the Director of the Metropolitan Research Center and Adjunct Professor of Finance in the David Eccles School of Business.

Shifting demographics, economics and preferences are poised to bring about a sea change in how and where many of us choose to live. This could radically alter the way our communities grow and change, especially with regard to housing. According to Dr. Nelson, for upwards of 80% of us the “American Dream” involves owning a single-family detached home. And for decades, these dream homes have often been located in suburban areas. Recently, though, an increasing number of households, particularly young people and baby boomers (those born between 1946–1964), are starting to settle in more central, urbanized areas that offer greater housing choices and closer proximity to work and social destinations. Pair these changing lifestyle preferences with rising energy costs and the far-flung, “drive ‘til you qualify” approach to home buying is a thing of the past.

Dr. Nelson provided compelling evidence that points to major shifts in the housing market. And according to Nelson, we will likely see the effects of these shifts for decades to come — the American Dream as we once knew it is changing. While ownership will likely remain a strong component, the configuration and location of the housing we own will be different.

### Demographics and Housing

Back in 1970, almost half of all households in this country had children. This demographic helped fuel the trend of single-family homes on conventional detached lots as the predominant housing type. According to Nelson, “we designed our suburbs to accommodate families with children. And we did that very, very well. But the reality is now different.” The number of households with children decreased to 33% by 2000 and is predicted to dwindle to just over 25% by 2030. Yet up until the recent recession we were still primarily building large, 3-5 bedroom houses with big yards for families with children, regardless of the fact that their share of households is declining.

Households Are Changing			
Household Type	1970	2000	2030
HH with Children	45%	33%	27%
HH without Children	55%	67%	73%
Single/Other HH	14%	31%	34%

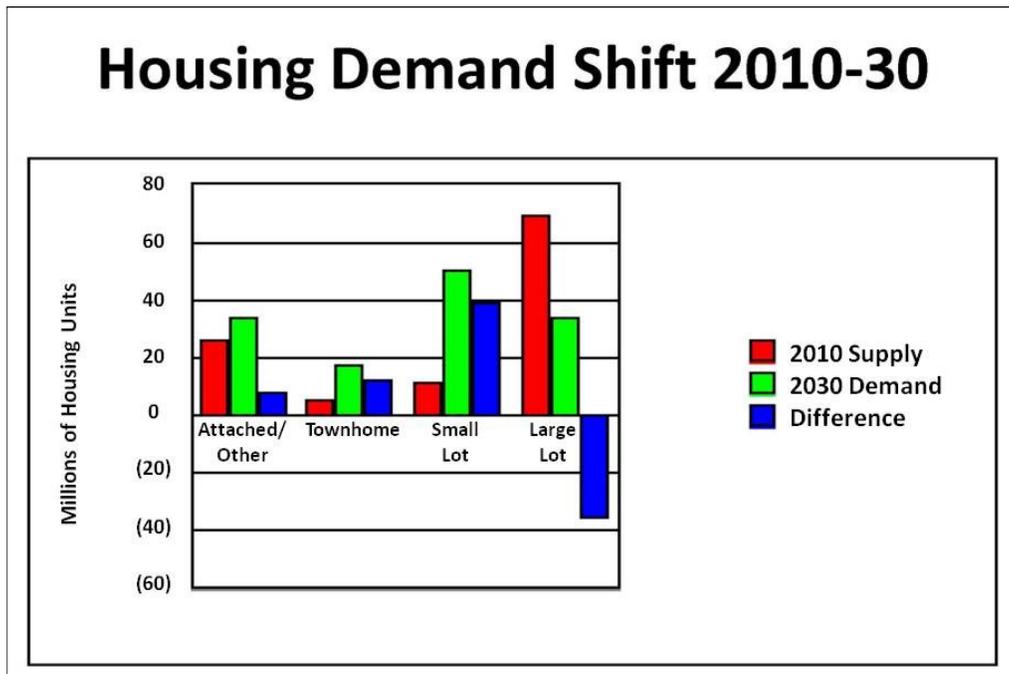
Source: Dr. Arthur C. Nelson, Metropolitan Research Center, University of Utah.

Taking a more focused look at just the expected growth of households between 2010–2020, Dr. Nelson reported that “90% of the demand for new housing in this country will be for households *without* children.” In fact, Nelson reports that single-person households are “the single largest growing housing segment, and our zoning codes simply can’t deal with it” because we are not altering how we grow to accommodate our changing household compositions.

“The reality that only a quarter of our households will have children in them has not yet sunk in. Our zoning codes are rooted in a past reality that we have not yet figured out. And we need to figure it out before we overbuild even more than we already have.”  
—Dr. Arthur C. Nelson

### Housing Supply vs. Demand

Dr. Nelson presented data on the supply and demand for different housing types on a national level. Put simply, they don’t match. Both attached housing and single-family homes on small lots (less than 1/6-acre, or a typical village-sized lot) showed a healthy demand. However, single-family homes on large lots (1/6-acre or larger) face an oversupply of approximately 40 million units. “Is it a wonder that suburban and exurban housing prices have collapsed?” asked Nelson. “It’s a matter of supply and demand.”



Source: Dr. Arthur C. Nelson, *Reshaping America’s Built Environment*, Metropolitan Research Center, University of Utah.

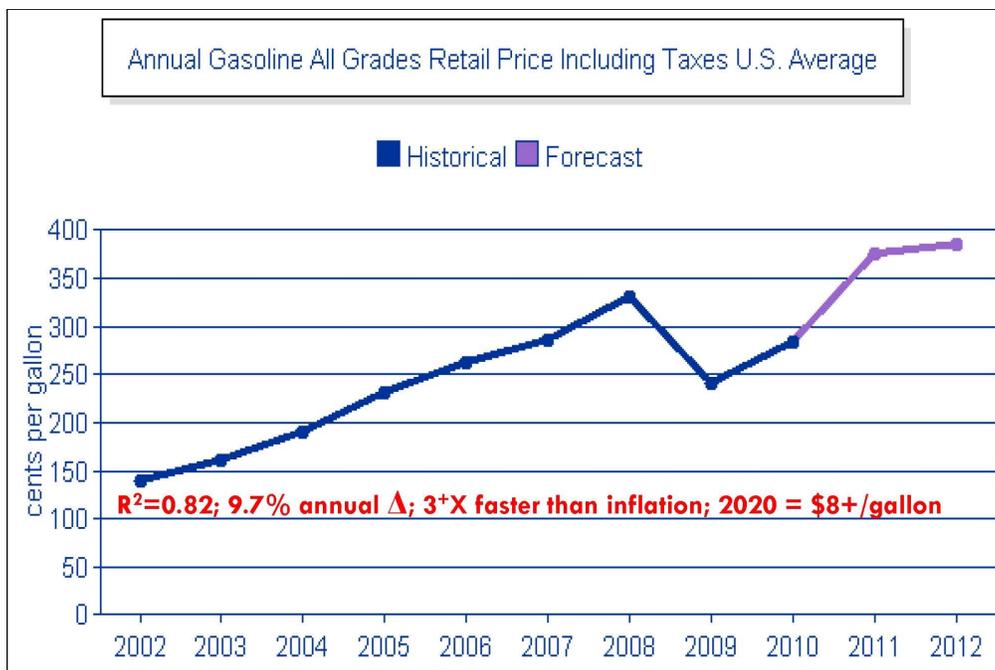
Between 2010–2030 the number of senior citizens will roughly double. “Eighty percent of seniors own their homes, and they don’t move very often...but when they move, they make a really big move,” said Nelson. Data shows that as seniors decide to make that move, the percentage of them who choose to live in apartments rises from 20% to almost 60%. The corresponding sell-off of single-family homes will only exacerbate the existing oversupply of this housing type.

Nelson predicts that between now and 2030, approximately two-thirds of all housing demand will be for attached units or detached units on small lots. For those who want a big house on a big lot, that’s OK. We have an oversupply of those homes. It’s the growing demand for apartments, condos, townhouses, flexible senior housing, and smaller homes on smaller lots that we are not yet prepared to provide, and this is where our energies must be refocused.

## Effect of Rising Energy Costs

Another important piece of this shifting puzzle is the rise in fuel costs. As reported in our [January 2011 issue](#), transportation costs are a major component of most household budgets, and Nelson reports that in some income brackets, transportation costs have actually outpaced housing costs. Except for a decrease in price during the worst of the recession, fuel costs have been rising at a rate of approximately 9.7% per year since 2002. Extrapolated out, Dr. Nelson predicts that a gallon of gasoline could cost \$8 by 2020. Even if it doesn't rise that high or that fast, we are already seeing people making different lifestyle and consumer choices with \$4/gallon gasoline. Since fuel costs probably won't decrease, this will play a more important role in our lifestyle choices in the coming decades.

"We're going to see...the housing market change dramatically, leading to smaller homes on smaller lots, and more people per home, and a lot more renters."  
—Dr. Arthur C. Nelson



Source: Dr. Arthur C. Nelson, "What Americans Want" presentation, December 3, 2011.

## Preferred Community Type

In 2011 the National Association of Realtors conducted a survey to determine "what Americans are looking for when deciding where to live." It may surprise some to find out that, according to the survey, "most [56%] Americans would like to live in walkable communities where shops, restaurants, and local businesses are within an easy stroll from their homes and their jobs are a short commute away." Only 43% would select an area with housing only, where residents must drive to businesses. Though privacy and detached single-family homes still remain a top priority, this points to a shifting trend away from spread-out suburbs and toward vibrant, mixed-use places. While the American Dream may continue to include home ownership, the location and configuration of those homes could look very different in the future.

Another interesting preference revealed in the study is this — while space and privacy are still important, "59% would choose a smaller house and lot if it meant a commute time of 20 minutes or less."

"We used to think that all homes built anywhere would gain in value. Not anymore."  
—Dr. Arthur C. Nelson

## What Does It All Mean?

According to Dr. Nelson, "We have a lot of work ahead of us...in fact, we're behind... but if we can start working now to figure out the emerging and future housing demands...we will at least not fall further and further behind. But I don't see this in the suburban jurisdictions I work with around the country; I don't see this concern among the elected officials about doing something different."

Although this analysis of a changing American Dream may seem somewhat unexpected, these are really large-scale trend shifts from the past twenty years that are only now becoming known and studied. With the ongoing global economic and energy crises well underway, and along with major demographic changes, the seed has been planted for a new approach to how and where we live. In this new age of job insecurity and career mobility, people will increasingly seek out more flexible housing options in places that require less driving for work, services and entertainment. Our local communities must acknowledge these shifting trends and determine how to better prepare local land use regulations for such changes.

## Fulfilling the Dream

- ⇒ Figure out the needs, compare to supply, identify gaps, determine barriers, and facilitate solutions.
- ⇒ Provide life-cycle & mixed-housing choices everywhere.
- ⇒ Enable higher loan-to-value ratios for transportation cost and energy savings based on location.
- ⇒ Reform fiscal structures to reward efficiency.
- ⇒ Level the property tax playing field.
- ⇒ Level the lending playing field.

— Dr. Arthur C. Nelson

## More Information

[Dutchess County Greenway / Centers & Greenspaces](#)

[2011 Community Preference Survey](#) (National Association of Realtors)

[Strong Towns](#)

[The Coming Housing Calamity](#) (article featuring Dr. Nelson)

[Video of Dr. Nelson's Pace presentation](#) (available for a limited time)

[PDF of Dr. Nelson's Pace presentation](#) (available for a limited time)

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This newsletter was developed by the Dutchess County Department of Planning and Development, in conjunction with the Dutchess County Planning Federation.

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