



# Reset and Recovery: Assessing Housing Markets in the Rocky Mountain West

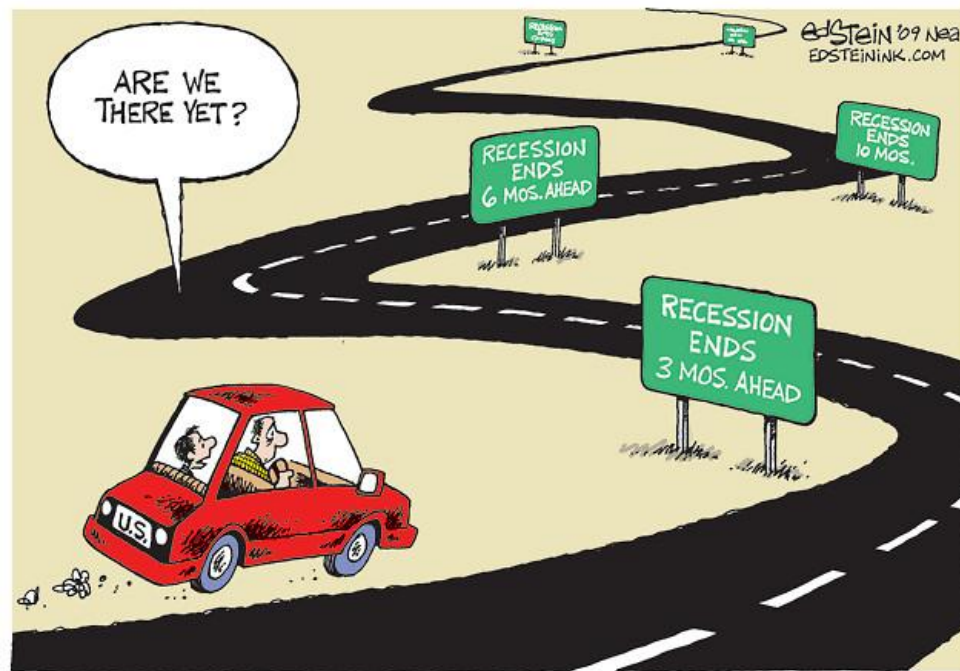
## Community Builders Webinar Series

Clark Anderson, Sonoran Institute

Andy Knudsten, Economic & Planning Systems



# Changing Circumstances



Recovering from the worst housing market in 75 years  
Housing starts up (5 year high in March). Values rising...  
Housing market critical to broader economic recovery

Painful realities...





# Where are we headed?

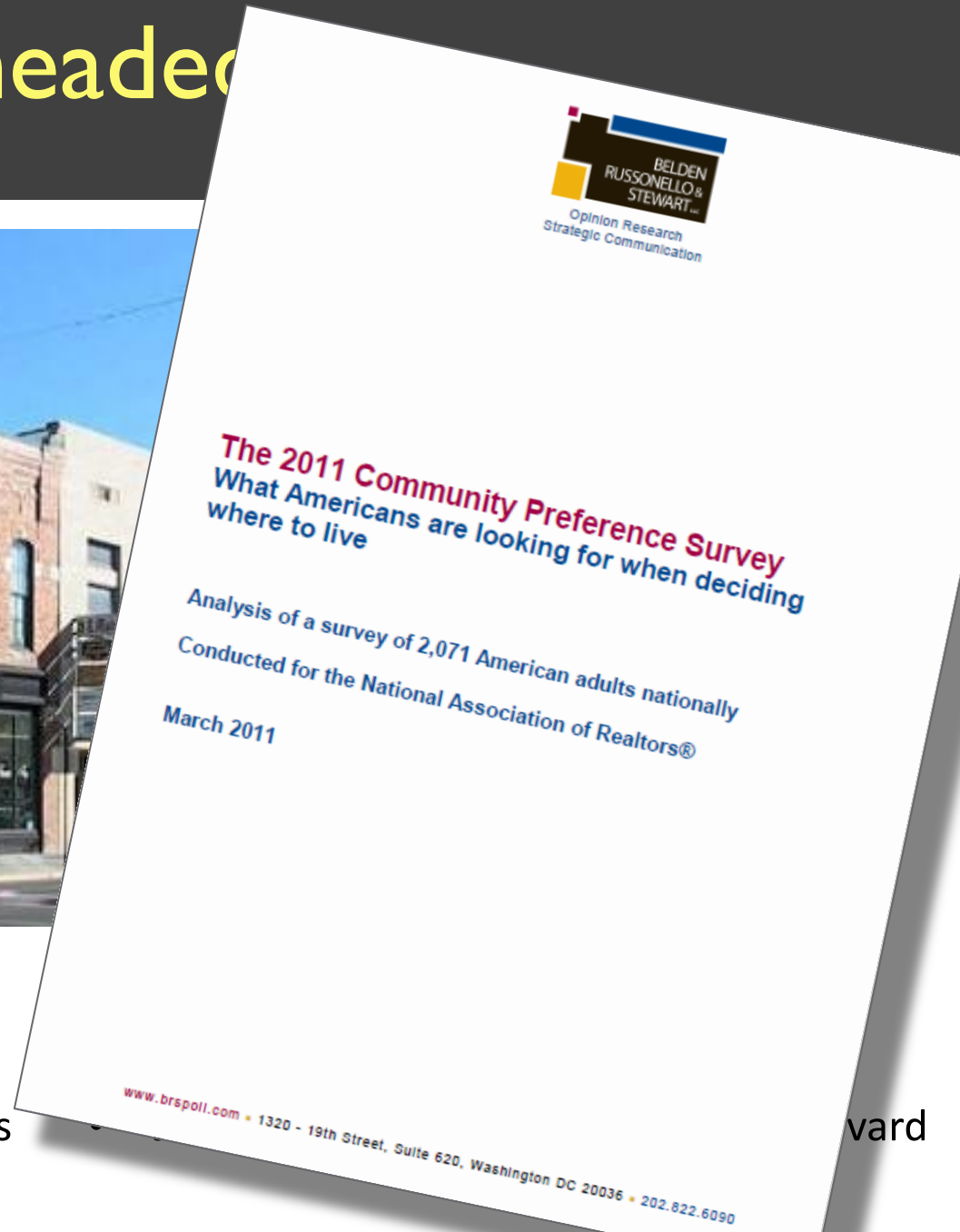


- University of Utah
- National Association of Realtors
- National Association of Home Builders
- Urban Land Institute
- Lend Lease/PriceWaterhouseCoopers
- Joint Center for Housing Policy at Harvard

# Where are we headed



- University of Utah
- National Association of Realtors
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# Where are we headed?

## **National Association of Realtors: 2011 Consumer Preference Survey**

- **Cost Matters:** 59% of buyers will make trade off's to stay in budget
- **Sense of Place:** A majority prefer neighborhoods with a mix of houses, shops, and businesses. Only 12% prefer traditional subdivision with houses only.
- **Walkability:** 56% prefer walkable neighborhoods over conventional suburban
- **Convenience:** 59% would downsize for a commute time under 20 minutes.

## **Demand Institute: *The Shifting Nature of US Housing***

- Lower household incomes; increasing economic segregation
- Continued aspiration for ownership, but fewer people qualified
- Rental leading the way in recovery - greater pressure on rental housing
- Smaller houses
- Higher demand in areas with a broad range of amenities
- Walkability and sense of community will drive demand

# Drivers of Change

- Demographic
  - Aging + Minority Growth
- Economic
  - Stagnating real incomes; higher unemployment
- Financial
  - Tighter money for home loans
- Preference
  - Amenities, convenience; different needs and wants

# Different Needs and Wants





# Different Locations and Development Types

## Core Areas



## Peripheral Areas



# Different Locations and Development Types

**Single Family, Detached, Attached, Multi-family**



# Who is the future market?

GEN Y MAKES UP THE LARGEST SHARE OF U.S. POPULATION, FOLLOWED BY BOOMERS, & GEN X

GENERATION	BORN	2009 AGE (year-end)	% OF NATION	EST. # OF PEOPLE
Eisenhowers	Before 1946	64+	17%	51M
Baby Boomers	1946 – 1964	45 – 63	27%	75M
Generation X	1965 – 1978	31 – 44	18%	52M
Gen Y	1979 – 1996	13 – 30	27%	80M
Gen Z?	1996 and After	0 – 12	10%	30M

Source: RCLCO

SOURCE: Claritas, National Center for Health Statistics, RCLCO



# Who is the future market?

## Gen Y



Seeking convenience, sense of community, diversity, work-life balance, proximity to work, coolness...

**1/3 will pay more for housing walkable to shops, work, and entertainment**

**2/3 say living in a walkable community is very important to their location decision**

**1/2 would trade lot size for proximity to shopping or to work**

## Boomers



**Lifestyle is important:** convenience, health & activity, low-maintenance, staying engaged

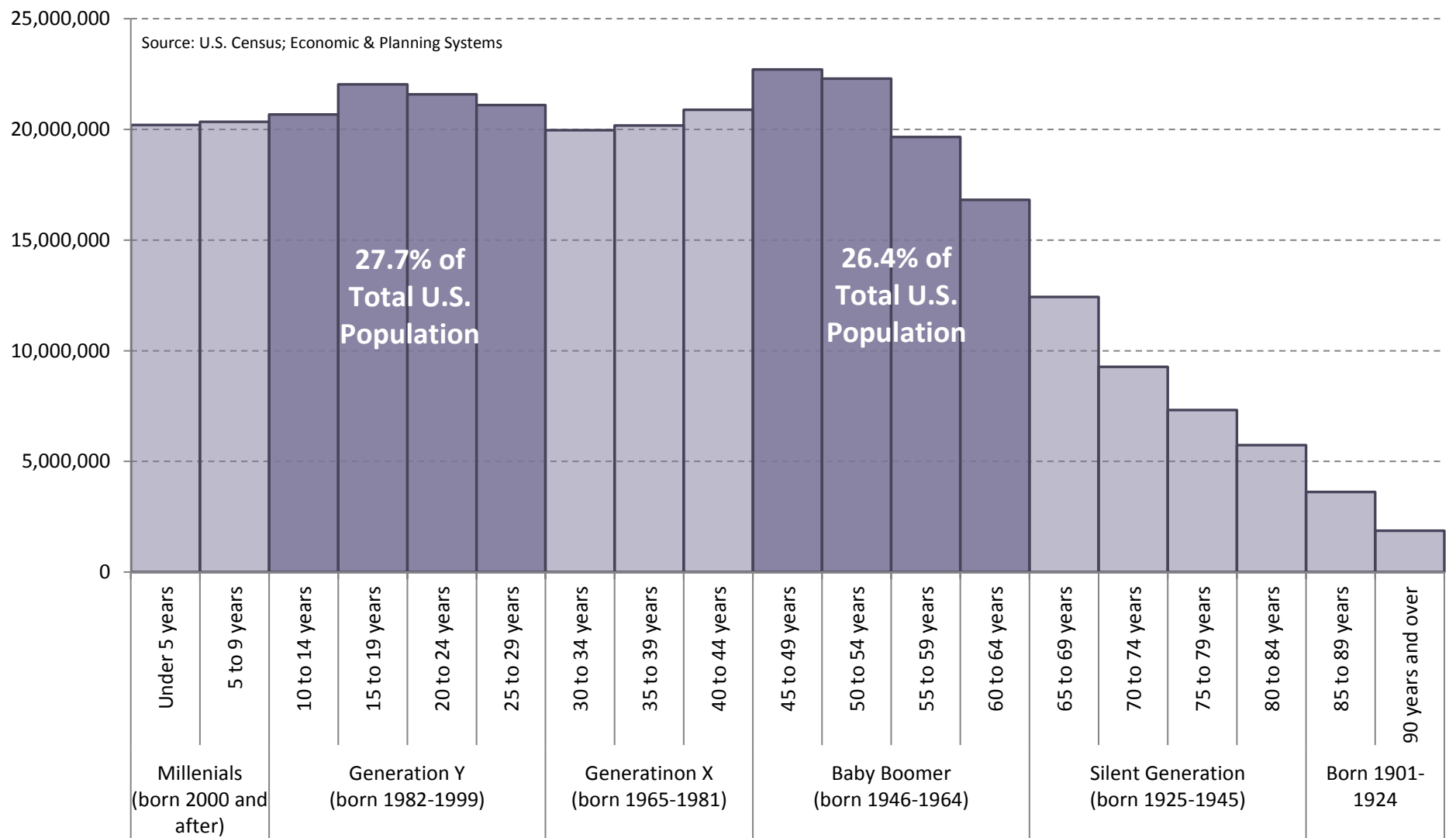
Safety and proximity medical services are also priorities

Many seeking communities with **amenities, entertainment, culture, and education**

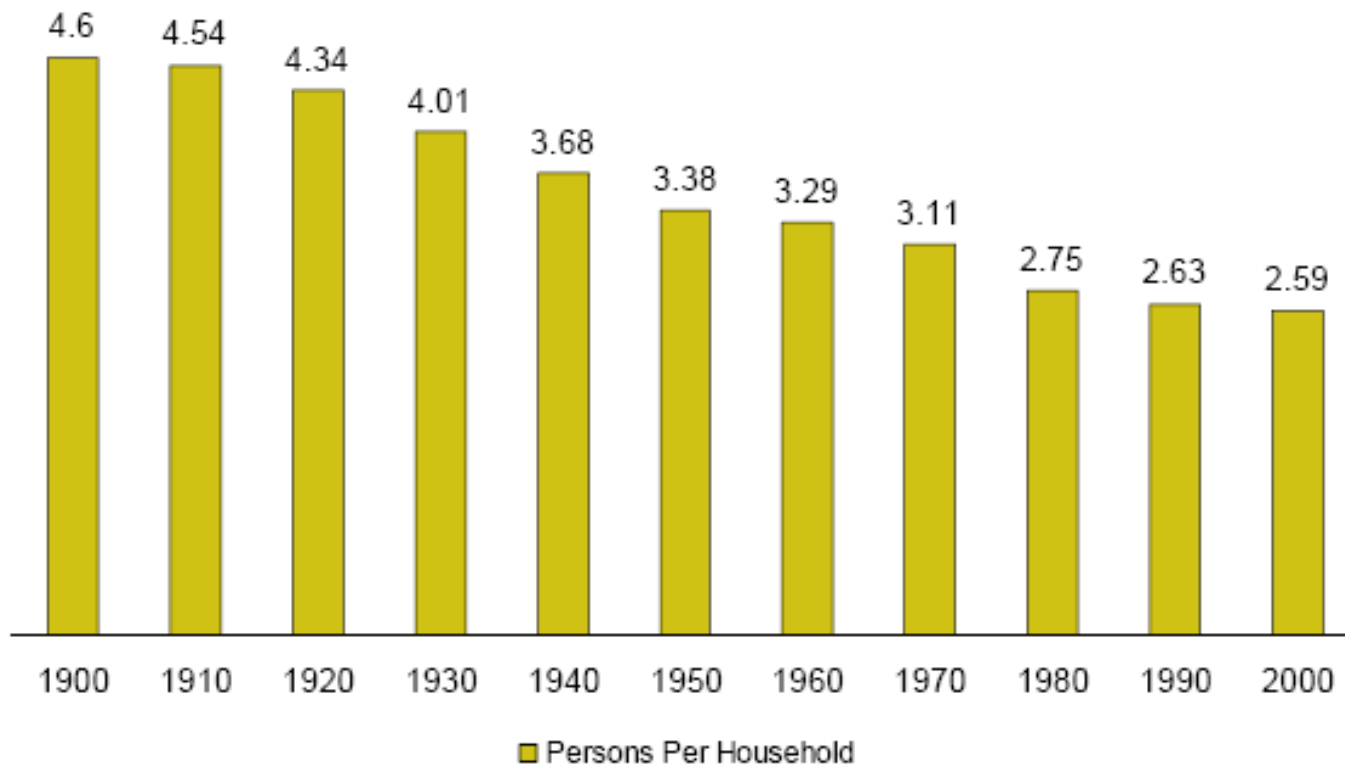
Source: RCLCO



# Demographic Distributions in the West



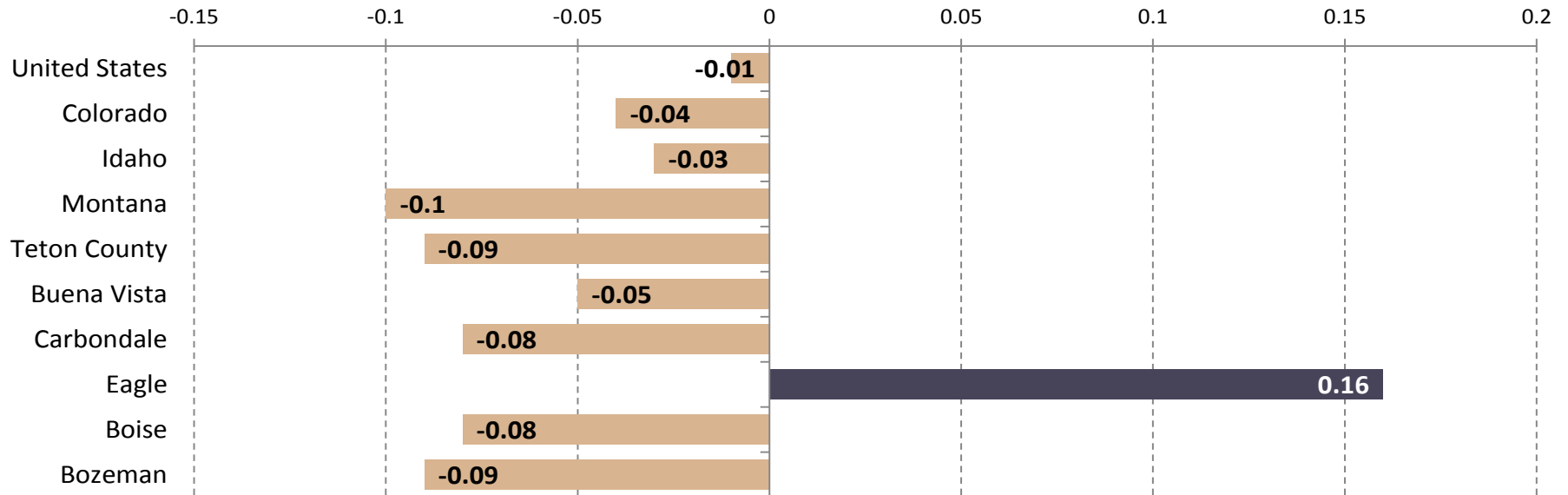
# Smaller Households



SOURCE: US Census

Source: RCLCO

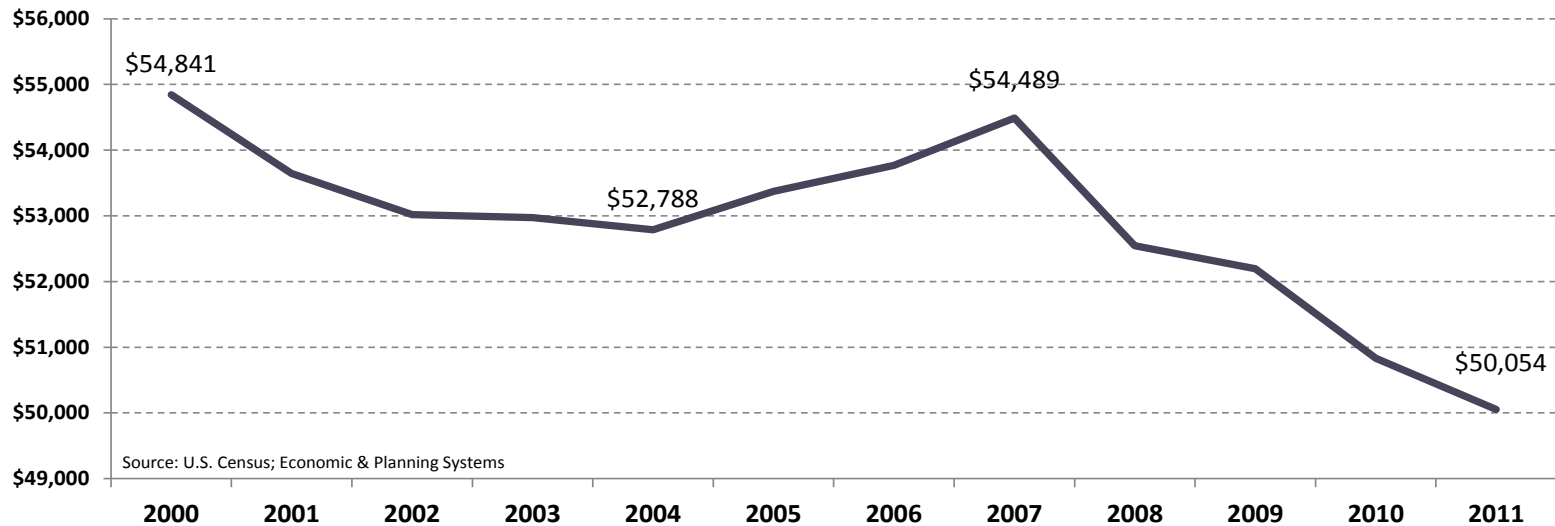
# Smaller Households in the Rockies



Source: U.S. Census, Economic & Planning Systems

# Shrinking Household Income

*U.S. Real Wages, 2000-2011*



*This affects a wide variety of housing decisions including tenure, size, and location*



# So what does this all mean?

- The market *is* shifting.
  - Greater demand for centrally located neighborhoods
  - Convenience and access to amenities paramount
  - Greater demand for rental – including higher quality options
  - Walkability commands a premium
  - Most areas are not well poised to meet changing demand, which means they likely have an untapped market
  
- The market is increasingly segmented
  - Demand for detached single family remains strong
  - But, interest in smaller homes and attached options is growing, particularly to live in the right “place”
  - People will make trade-offs to find the best fit

# How are these trends unfolding in Rocky Mountain communities?

## Sonoran Institute Housing Market Study

- Are national trends occurring here?
- What will drive demand?
- How can the public and private sectors respond?



## Approach

- Examine six sub-markets
- Analyze Market Performance
- Analyze Consumer Preferences



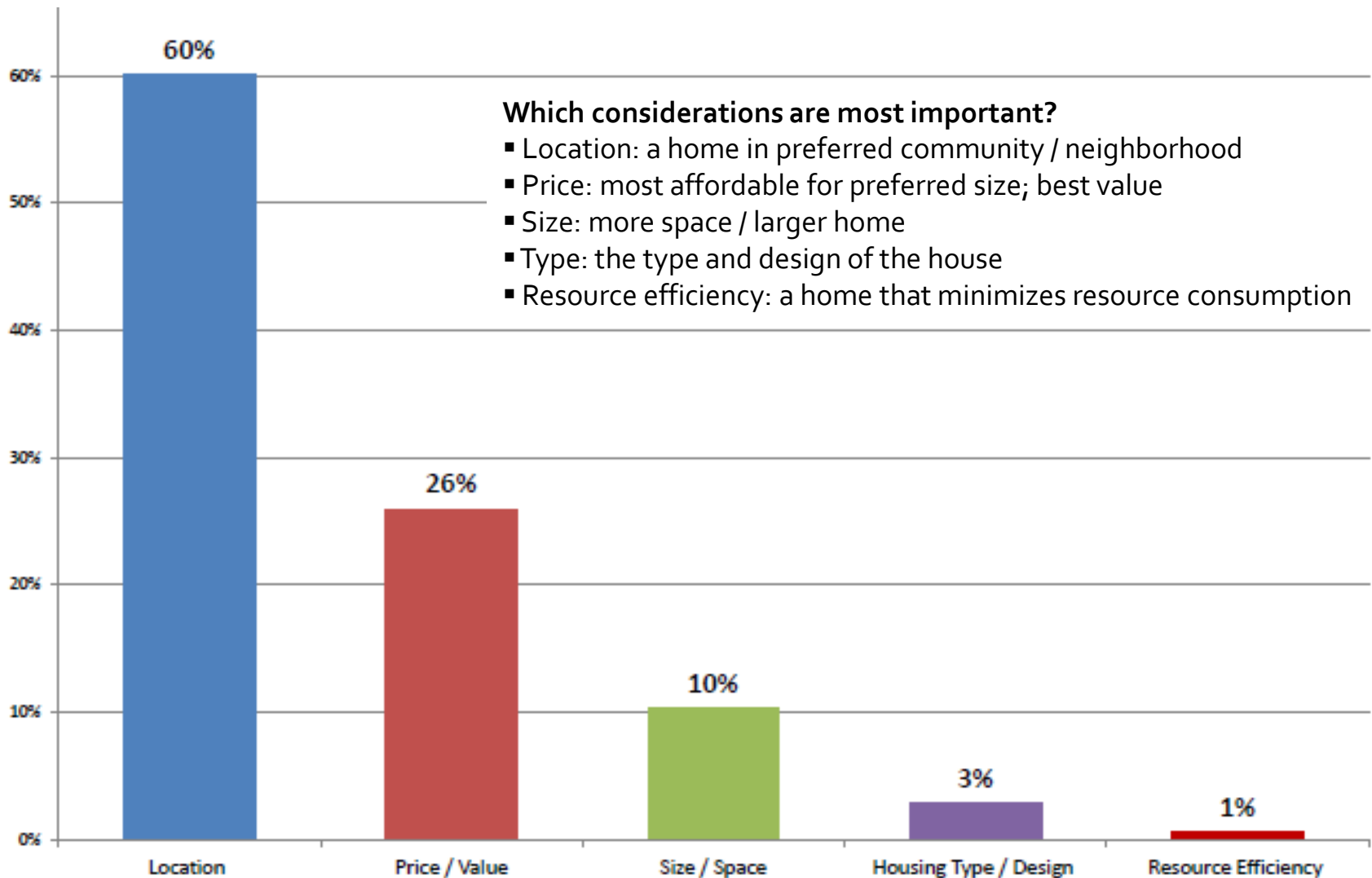
# *Survey: Where do we want to live?*

## **Survey Background**

- Approximately 3000 distributed and 327 returned (11% response rate)
- Distributed to a variety of neighborhood types in seven communities
- Respondents fairly diverse with respect to age, income, household composition
- Asked several questions from National Association of Realtors study



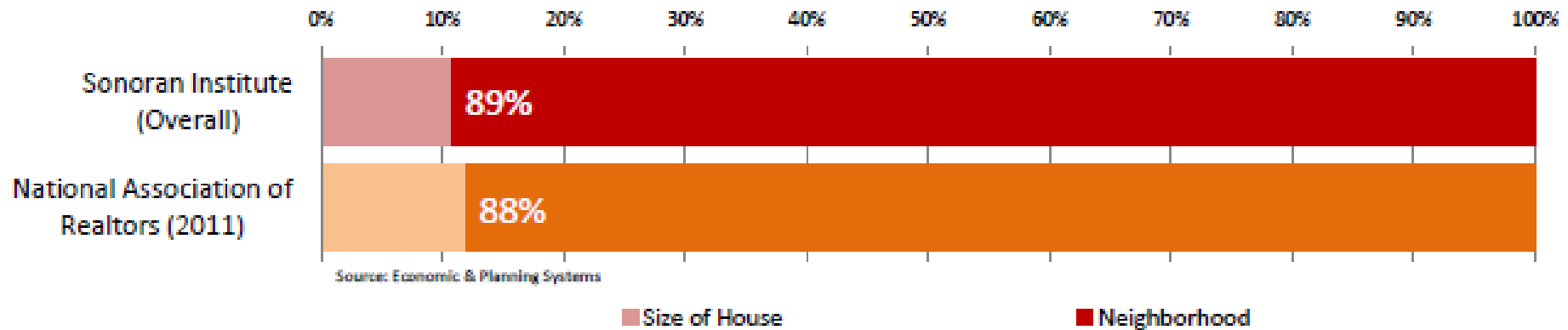
# *Location and value are top priorities*





# Neighborhood character is more important than home size

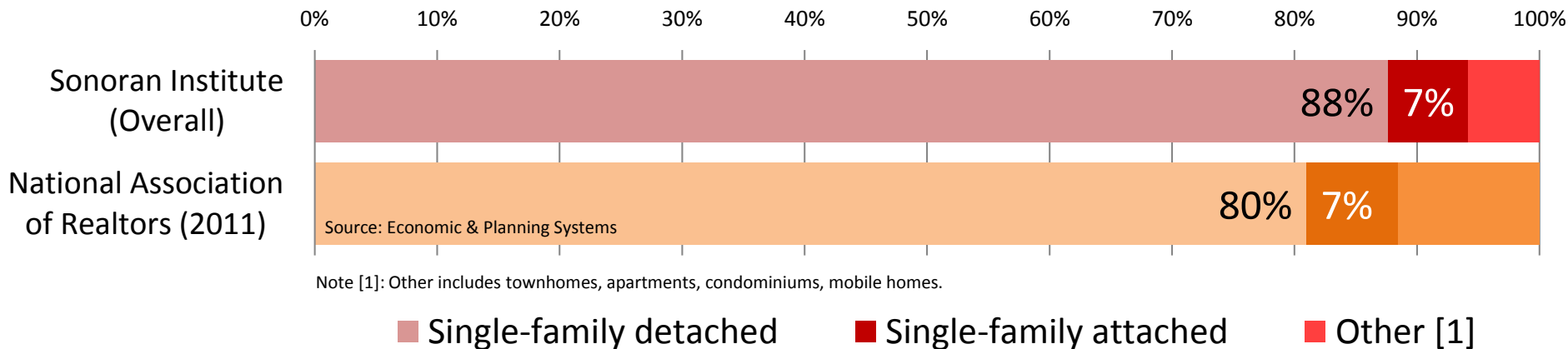
*Asked: Which is more important, neighborhood or size of home?*



## Neighborhood quality and character are increasingly important

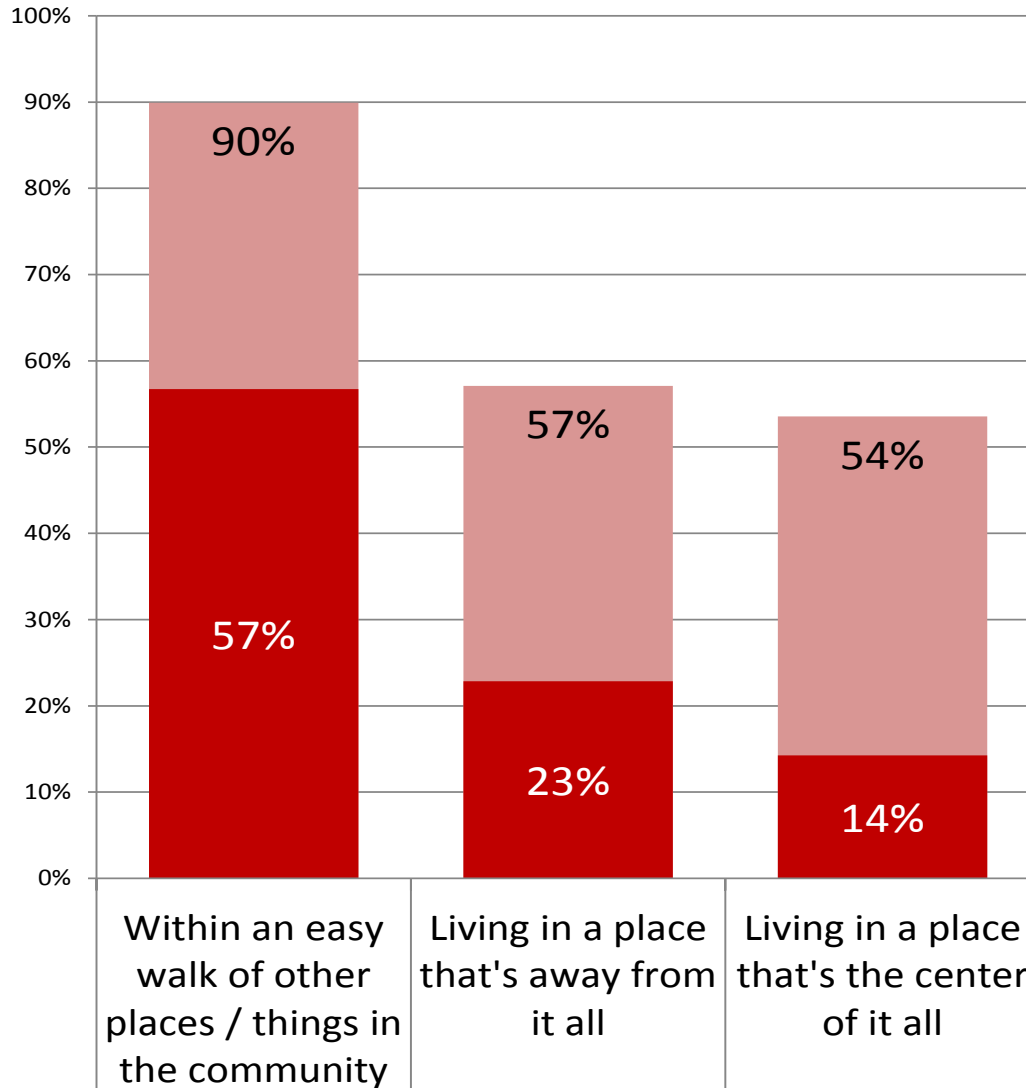
- Sense of Place
- Security
- Connectedness
- Schools
- Proximity to daily needs / activities
- Walkability

# People generally prefer detached single-family homes





- Some variation with age cohorts – younger and older households are more interested in attached product
- Families with children are most interested in single family

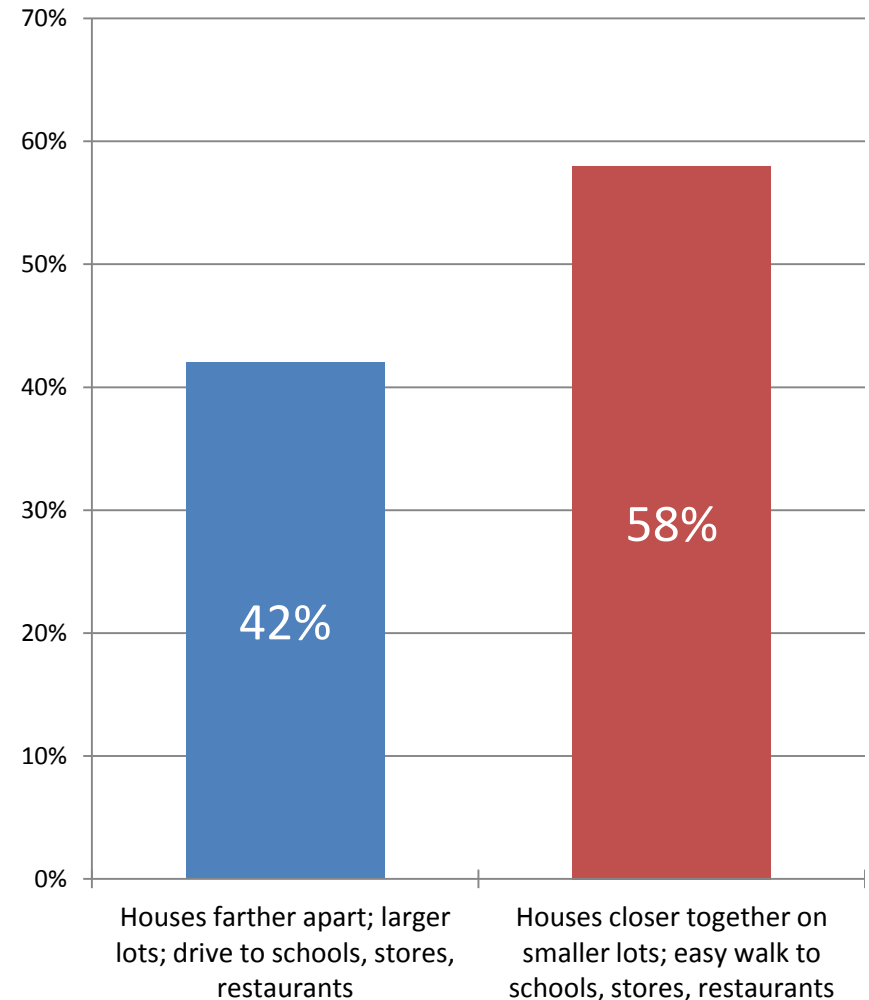
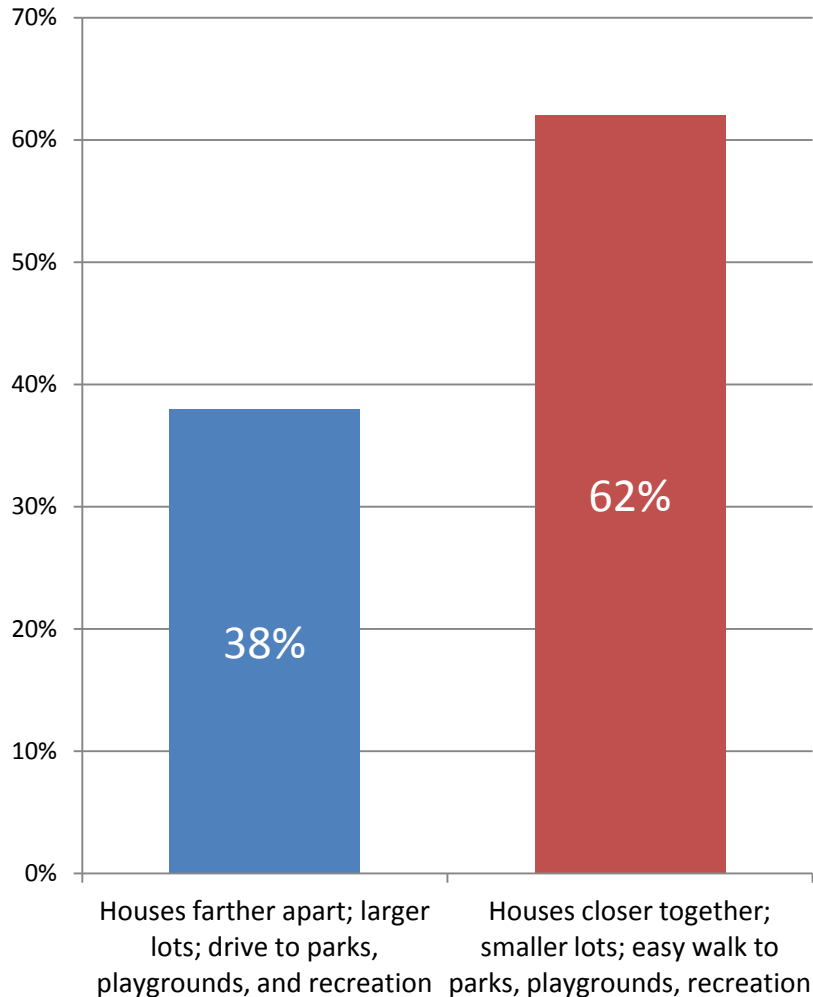
# Location: people seek neighborhoods with walkable destinations



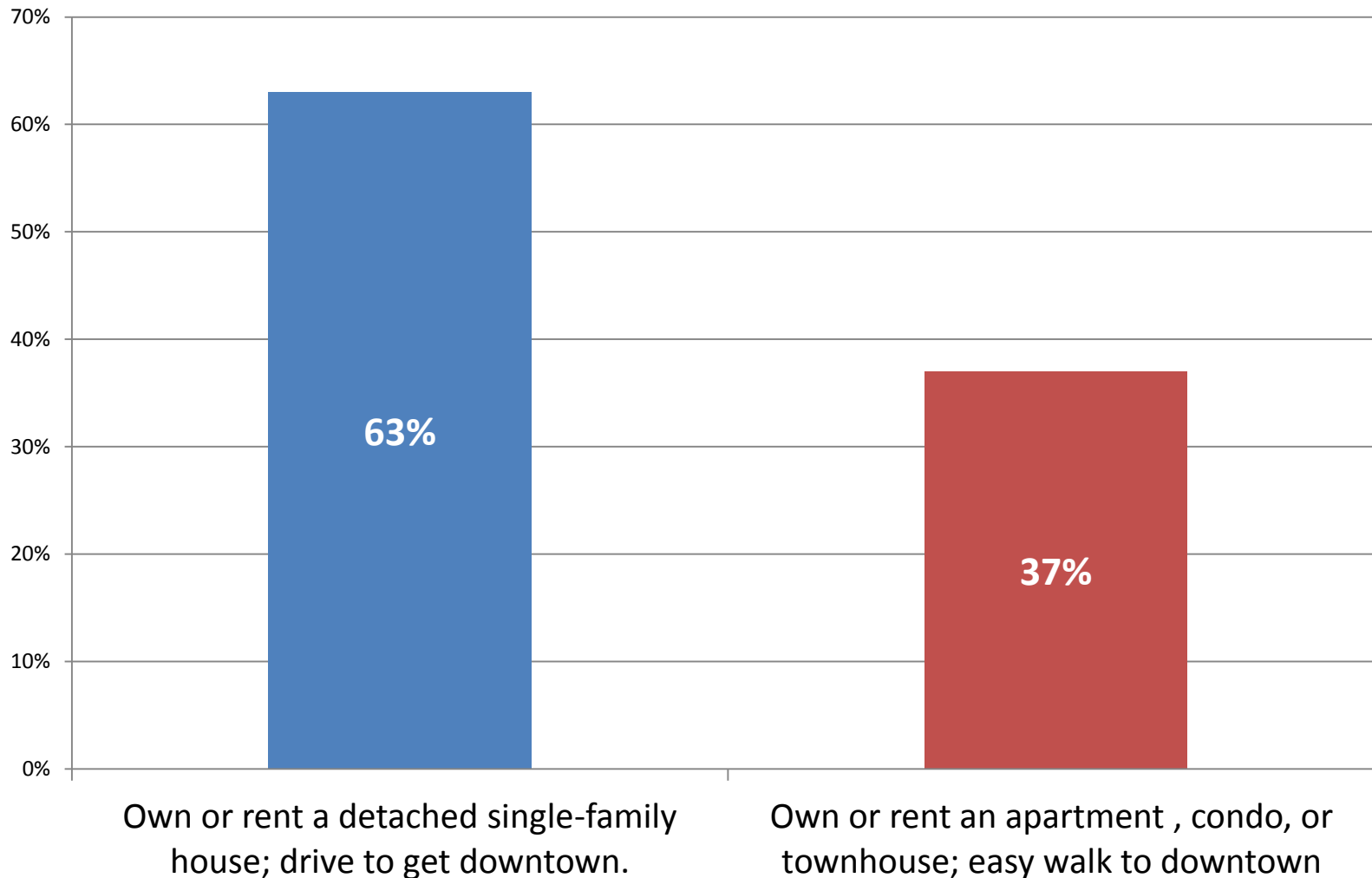
## Asked to rank key neighborhood qualities

-  Somewhat *and* Very Important
-  Very Important

# Trade-offs: lot size versus walkable access to daily needs and recreation

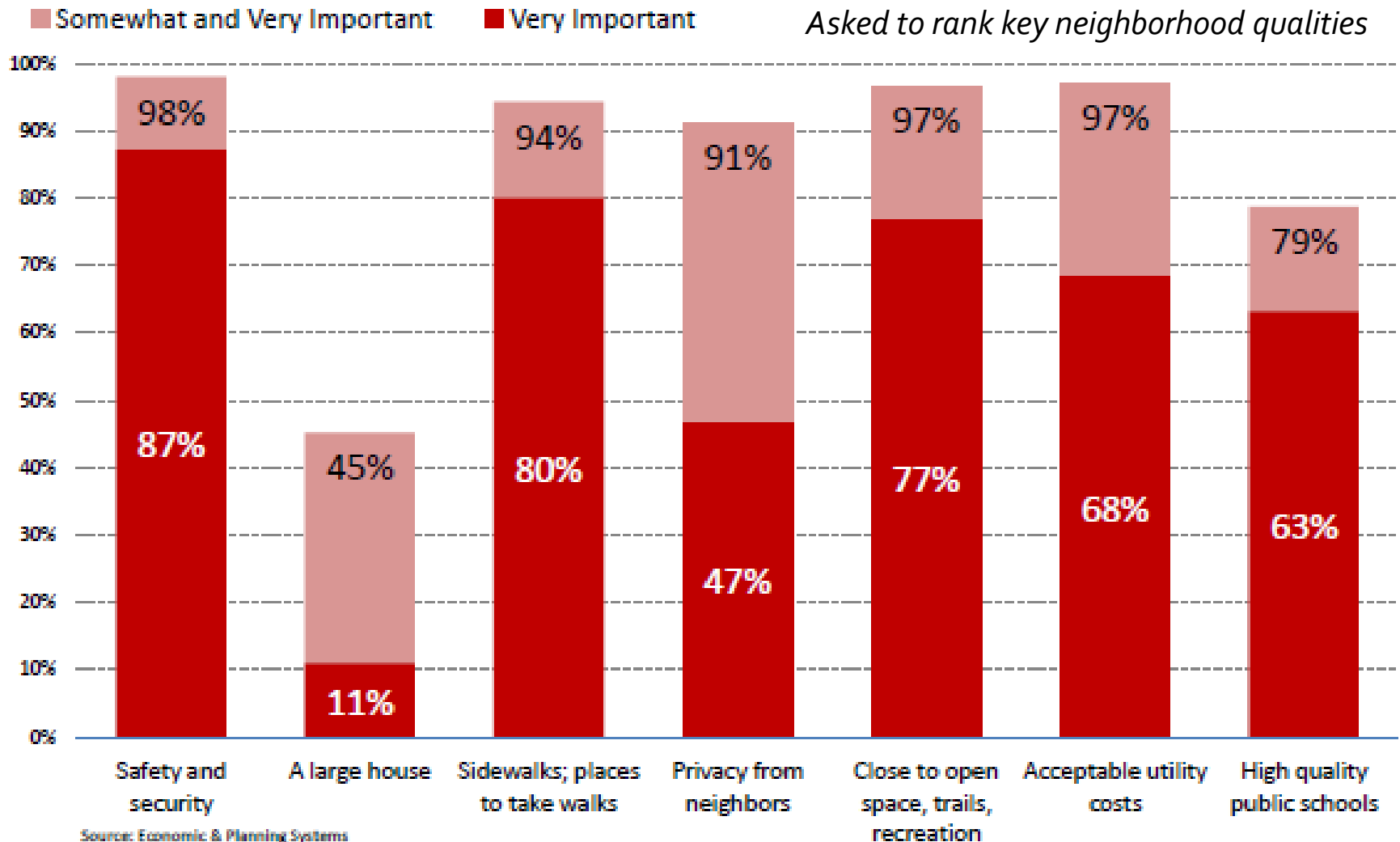


# Trade-offs: Attached vs Detached and Downtown Living

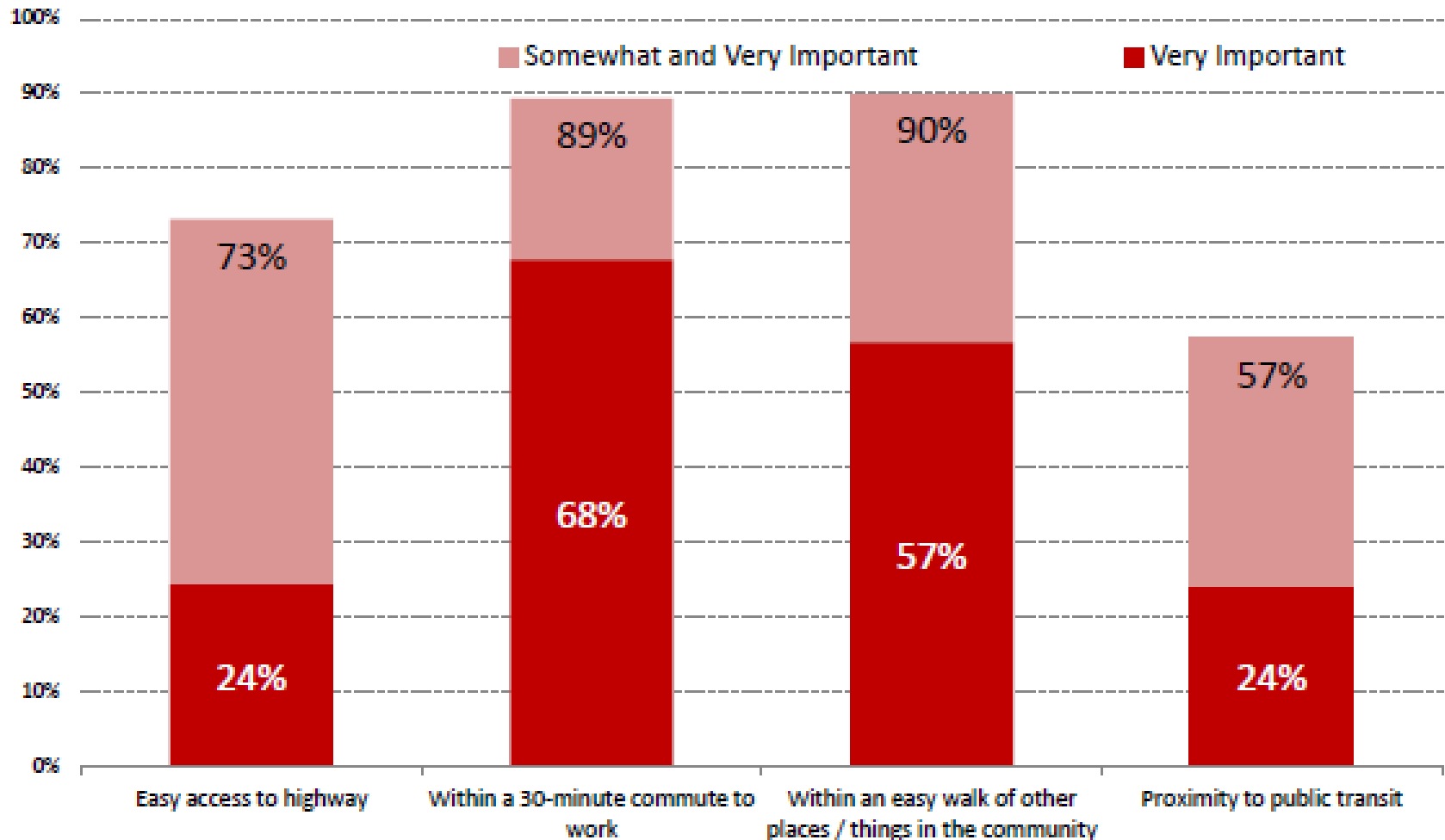




# Priorities for where we live



# Transportation choices and commute times are also important



Source: Economic & Planning Systems

# Limited Choices?

***Asked: When you chose your home, how broad were your choices?***

- 25% had many options in the price range and neighborhood they wanted
- 60% felt they had few or very few options
- Growing demand on rental stock, lack of quality units likely adding to the challenge





# *Show me the money!*

## **How is compact walkable development faring in the market?**

- Analyzed premiums (MLS data) and market capture (building permits)
- Looked at six different communities

## **What is a Premium?**

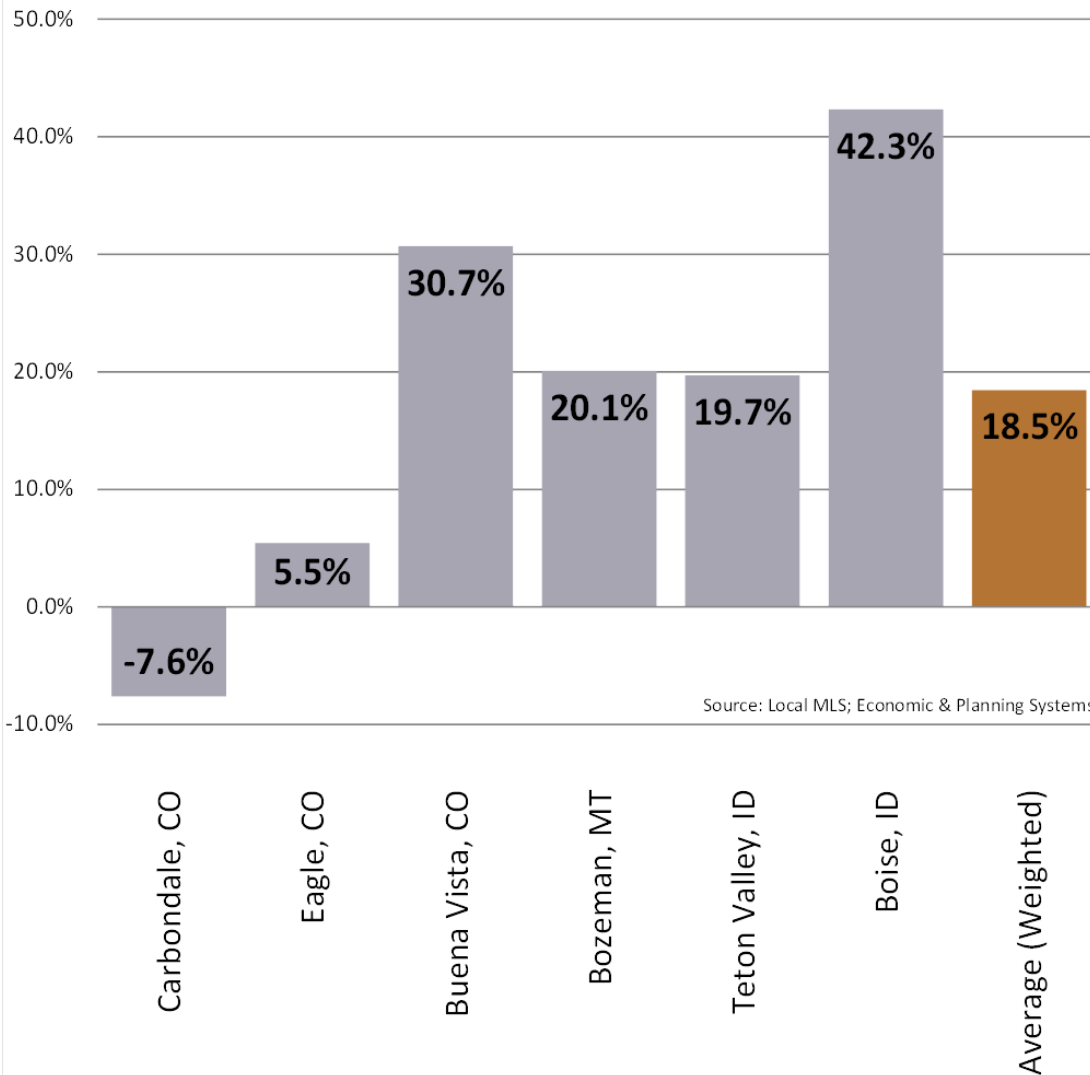
- Amount people will pay above market average
  - coffee = \$0.99; cappuccino = \$2.75



## **What is Market Capture?**

- How much a given product makes up of a larger market
  - Number of veggie pizza's out of all pizzas sold...

# Market Premiums for Compact Walkable Development



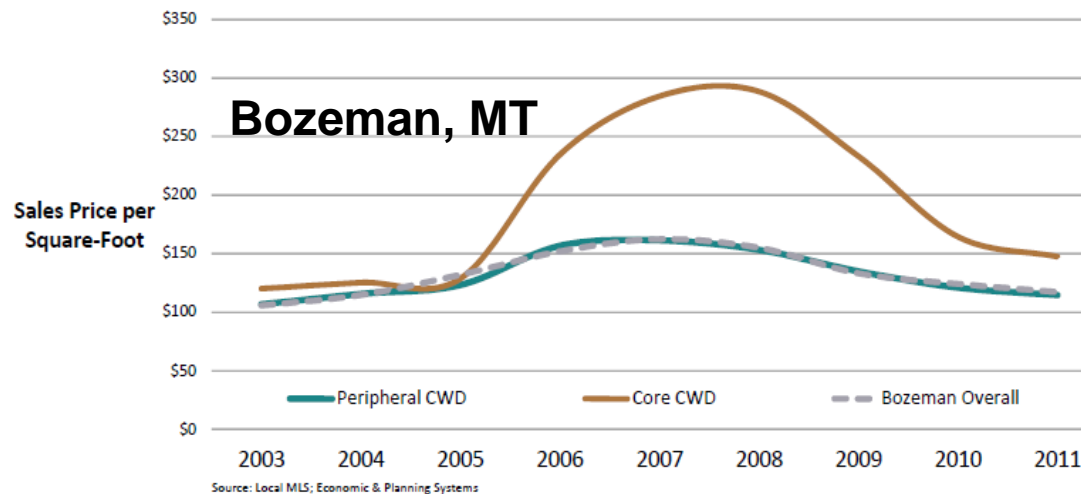
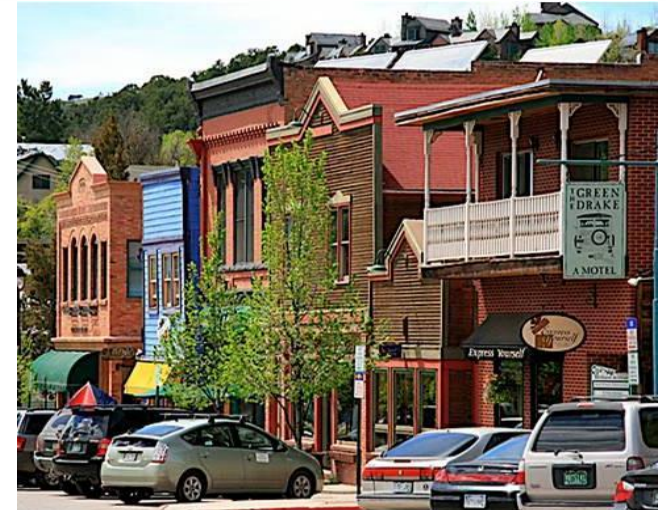
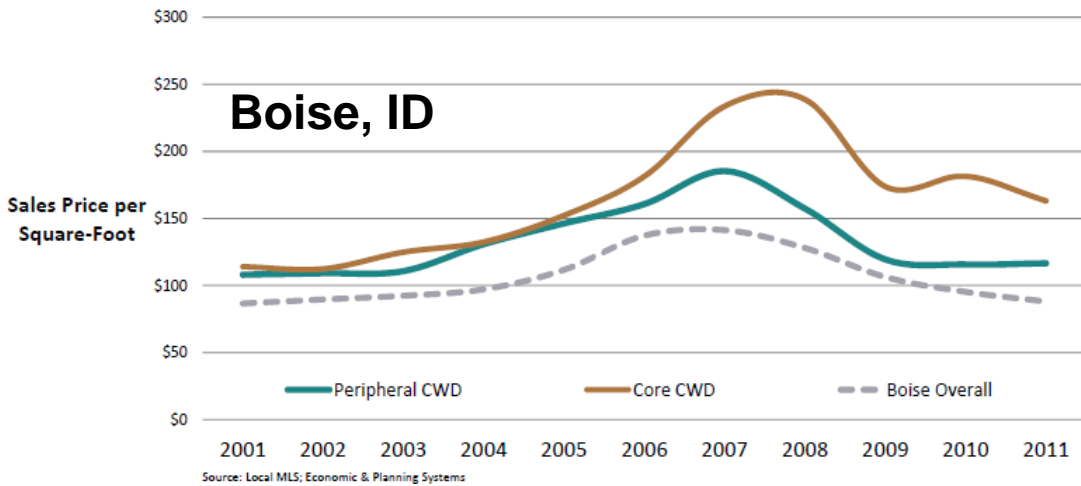
**People will pay more to live in walkable neighborhoods**

**Pre-recession Premium Average = 18.5%**

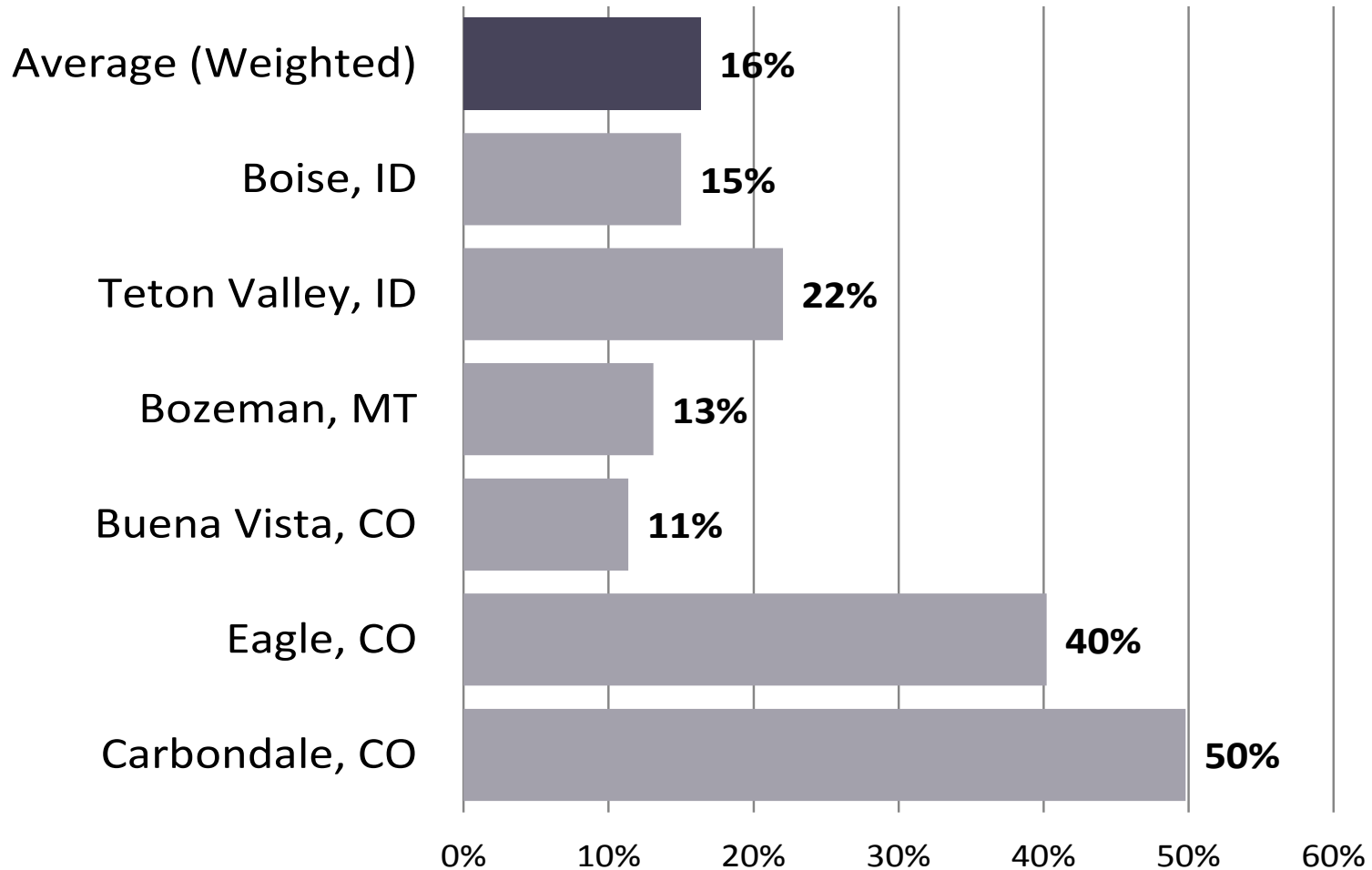
**Post-recession Premium Average = 12.5% (not shown)**



# Premiums in Core Areas



# Market Capture



Source: Local Building Departments; Economic & Planning Systems

# Summary of Market Performance

## Premiums

- People will pay more per square foot for compact walkable development
- Average premium was 18.5% pre-recession and 12.5% post-recession
- Only one community (Carbondale, CO) did not have a premium

## Market Capture

- Compact walkable development does occupy a space in the market.
- Average of 16%, but strong variation between markets and periods
- Developer and realtor interviews suggest demand is growing
  - In Colorado, most estimates around 25%.and higher in certain market. Closer to 20% in the Northern Rockies (MT, ID, WY)

# Responding to Market Opportunities

## Key themes and lessons

1. Segmented market (more needs/wants)
2. People will make tradeoffs for prime locations that offer convenience, walkability, lifestyle, and sense of place
3. Choices limited... Much of today's housing stock doesn't match-up with tomorrow's demands. This is an opportunity.

## Key market drivers and opportunities

1. Community and Sense of Place
2. Amenities (Quality vs Quantity)
3. Walkability and Convenience
4. Evolution of single-family and multi-family
5. Location: core assets

# Responding to Market Opportunities

1. Allow & encourage expanded housing options
2. Elevate opportunities for infill
3. Set the table for desired development
  - Sound infrastructure investments
  - Plan for the pedestrian propulsion
  - Invest in core areas and create new ones
  - Don't cripple good projects, make it easier for them to pencil out!



# Sense of Place



# Walkability Matters

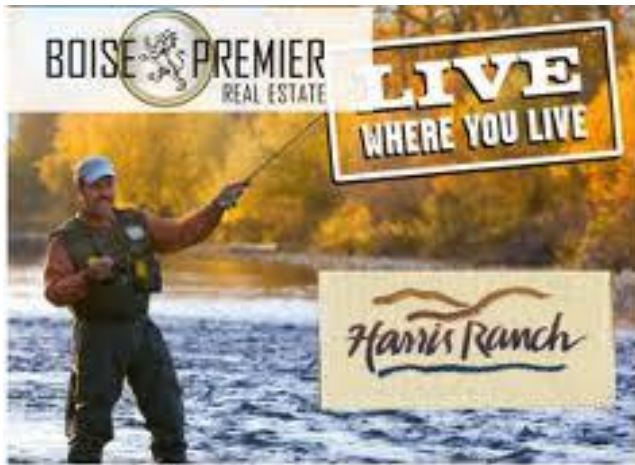




...but it is a challenge



# Amenities (Quality vs Quantity)



# Evolution of the Single Family Home





# Evolution of the Single Family Home



# Building Better Attached Housing





# Building Better Attached Housing



# Building Better Attached Housing



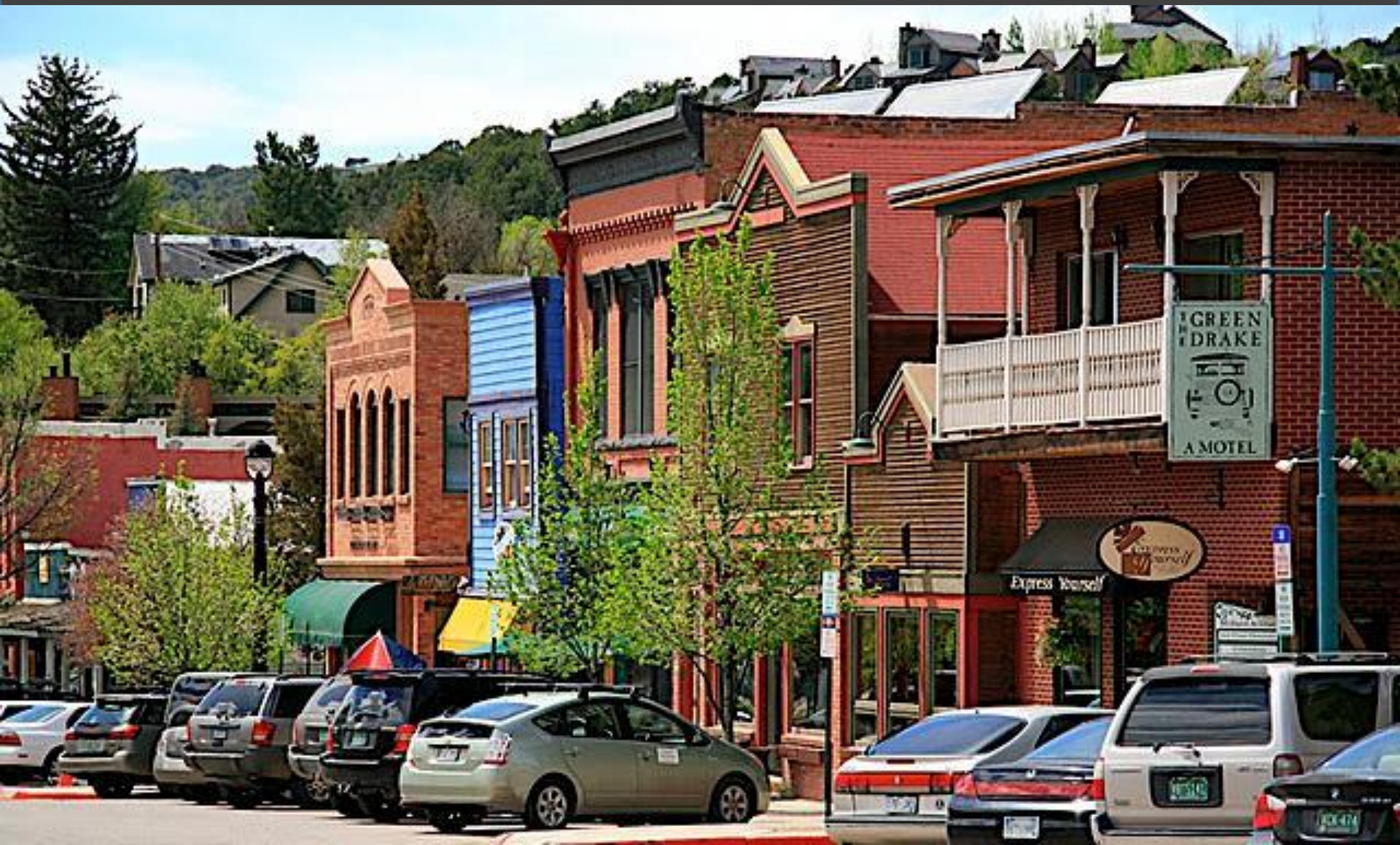


# Location: Core Assets





# Location: Core Assets





# Bringing Housing Downtown



# Set the table for desired development





Existing



Transforming potential core areas

With Public Improvements



Transforming potential core areas



With Public Improvements & Private Investment



Transforming potential core areas

# The full package...







**Thank You!**

**Clark Anderson: [canderson@sonoraninstitute.org](mailto:canderson@sonoraninstitute.org)  
(970) 384-4364 x4000**

**Andrew Knudtsen: [aknudtsen@epsdenver.com](mailto:aknudtsen@epsdenver.com)  
(303) 623-3557 x101**

**[www.communitybuilders.net](http://www.communitybuilders.net)**