



ASSESSING FUTURE HOUSING MARKETS IN THE ROCKY MOUNTAIN WEST

Where Is The Housing Market Headed?

Over the last two decades many of the nation's cities have experienced a dramatic upward swing in demand for housing in downtowns and other core areas where people can live close to jobs, shopping and entertainment. Several studies have followed this shift, highlighting how economic, demographic and consumer preference trends are driving demand for walkable neighborhoods. Reports from the National Association of Realtors (NAR) in 2011 and 2013 show that when making housing decisions, Americans are placing a higher value on walkability, neighborhood character, and shorter commute times, and less on home and lot size.

Are the same market changes seen at the national level unfolding in the Rocky Mountain West? This is the central question behind RESET, a study that used consumer surveys and market analysis to explore the future of housing demand in the region.

The results are clear: As in the rest of the nation, demand for walkability is strong and growing in many communities, both large and small, of the Rocky Mountain West. As a result, the housing market is evolving to reflect the diverse needs and desires of families and individuals at different stages in life. While most consumers still favor single-family homes, many also express a strong preference for walkable neighborhoods and would choose proximity to shopping, work, and recreation over a larger home or lot.

Market Drivers - Key trends driving housing demand in the Rockies:

- 1 Changing demographics:** The nation's two largest demographic groups, Generation Y (born 1982 – 2000) and the Baby Boomers (born 1946 – 1964), will drive the future of housing. Many Boomers are already seeking new housing choices as they become empty-nesters or retire, and each year more and more Gen Y'ers are moving out on their own and forming new households. In the Rocky Mountain region, members of Gen Y are expected to form 44,000 new households annually, and 42,000 Baby Boomer households will reach retirement age annually for the next several years.
- 2 Households are becoming smaller and more diverse:** The household type that has dominated the market since World War II – two parents with multiple children – is growing more slowly, while smaller, "non-traditional" household types, including single person households, single-parent households and couples without children are growing.
- 3 Declining household income affects consumer choices and preferences:** Many homeowners and renters have less ability and desire to buy expensive, large homes on large lots. At the same time, a growing segment of the market is seeking to live in places that offer convenience, walkable access to shopping and entertainment, a simpler lifestyle, less time commuting and engagement with their community.

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Behind the Data

The RESET report explores past and future residential market trends in the Rocky Mountain West region. The research includes a combination of quantitative and qualitative data, including:

- **Market Analysis:** analyses of market capture rates and price differentials for different housing types and locations in six representative communities in three states;
- **Private Sector Insight:** interviews with builders, developers and realtors in the Rocky Mountain region; and
- **Consumer Preferences:** a market survey of residents in six different markets around the region (Bozeman, MT; Teton Valley, ID; Boise, ID; Buena Vista, CO; Carbondale, CO; Eagle, CO).

Changing Market Trends

The survey findings show that many homebuyers have evolving preferences. Among them:

- **A willingness to trade home and lot size to live near daily needs and amenities:** A majority of respondents indicated that they would trade certain housing characteristics to live in neighborhoods within walking distance of various needs and amenities like shopping, recreation and open space.
- **A desire for walkable, mixed-use neighborhoods:** 90% of survey respondents felt that living in a neighborhood within an easy walk of other places and things within the community was important.
- **A belief that neighborhood character is more important than the size of the home:** 89% of respondents indicated that they chose where to live based largely on a consideration of the neighborhood, and just 11% indicated they chose where to live largely based on the size of the house.
- **A wish for shorter commute times and access to transportation options:** 89% of respondents said that a commute that is 30 minutes or less is important, 94% said it was important to live in areas with sidewalks and near trails and 57% said it was important to live near transit.

Market Capture and Premiums

RESET analyzed over 16,000 residential building permits and over 50,000 existing home sales from six Rocky Mountain West communities to explore price premiums and market capture. Findings include:

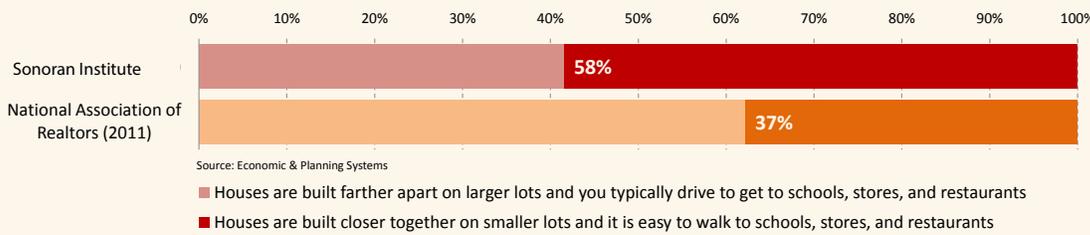
- **Homebuyers will pay more to live in a compact walkable neighborhood:** On average, people paid 18.5% more for a house located in a walkable neighborhood. This premium increases in communities where this kind of housing is in short supply.
- **Prices in compact, walkable neighborhoods performed well during tough times:** Though all housing prices fell during the recent recession, homes located in compact, walkable communities maintained a premium of 12.5% over similar homes in other locations.
- **While compact, walkable development enjoys a price premium, it is still a minority of homes built:** Homes in compact, walkable neighborhoods represented just 16% of development activity in the six communities, based on decade-long averages.



People are Willing to Trade Certain Housing Characteristics for Walkability

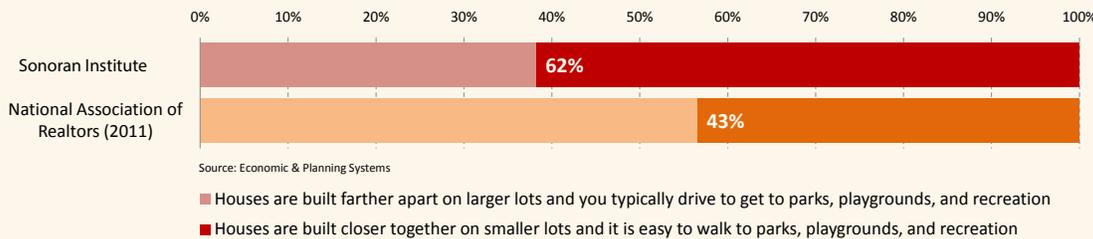
TRADE-OFF #1

A majority of people (58%) choose walkability to schools, stores, and restaurants over lot size.



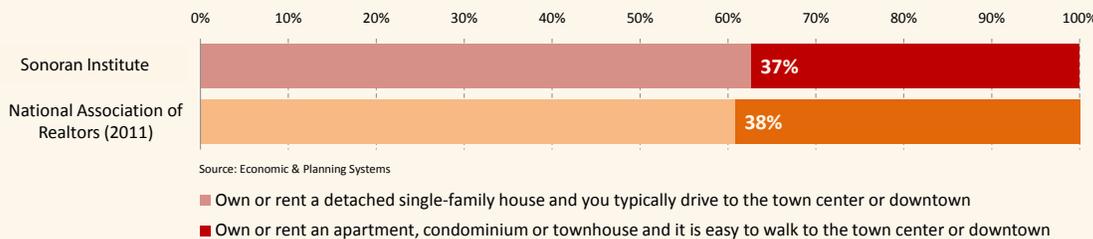
TRADE-OFF #2

Most people (62%) choose being able to walk to trails, parks, playgrounds and recreation over lot size.



TRADE-OFF #3

Almost 40% of respondents would trade living in a detached, single-family home in an area that requires driving to the town center or downtown for an attached home that is an easy walk from the town center or downtown.



Limited Housing Choices

By and large, today's housing stock is not meeting the needs or tastes of a large segment of the market. 60% of respondents found few options (45%) or very few options (15%) that met their needs in the price range and neighborhood they preferred. This finding lends weight to the importance of expanding the range of available housing types for both rental and ownership.



READ THE FULL REPORT: www.CommunityBuilders.net/RESET

Responding To A Changing Market: Challenges And Opportunities

Most Rocky Mountain communities, based on their current housing stock, are not well positioned to meet changing consumer demand. Expanding housing choices – including centrally-located, walkable development – represents a challenge for the public sector and an untapped opportunity for the private sector. Enabling the private sector to respond to changing demand will require action on the part of local planners and policy-makers. Here are four first steps:

- 1 Create opportunities for infill.** Infill can expand housing in core areas that are already walkable, but a variety of factors currently make infill more difficult than developing greenfield sites. Removing policy barriers to provide the flexibility needed for infill would change this. In addition, sub-area planning for areas that are ripe for infill can help overcome apprehension from neighbors and orchestrate planning and design considerations.
- 2 Expand housing options within the community.** Plan for and enable a mix of housing types for both rental and ownership. In many areas, this may mean addressing barriers in the zoning code, particularly to facilitate infill housing in established areas in order to fit in with the surrounding neighborhood. Require less parking in compact, walkable neighborhoods that are located in close proximity to services, recreation and other amenities.
- 3 Plan for pedestrians.** Communities should ensure that capital planning and investments emphasize pedestrian safety and mobility by identifying missing links in the pedestrian network and adding new connections to ensure the ability of residents to walk safely. Many communities have adopted Complete Streets policies and other locally-tailored guidelines that ensure sidewalks, street trees, street furniture, lighting and other features are in place to improve access, safety and convenience for pedestrians.
- 4 Set the table for desired development.** Communities should identify the type of development they want and gear policies and infrastructure investments toward enabling that type of development in desired locations. For many communities, this requires a critical look at local zoning and capital improvement plans to ensure they are aligned with changing market demand.



In the wake of the Great Recession, there is growing interest in the direction of the housing market and the types of homes, neighborhoods and communities people want to live in.

“
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