Item #14-9-6A

Government Relations & Public Affairs Committee **Information**

August 29, 2014

Trends in Demographics and Housing Demand

Issue: This paper provides updated information on national demographic trends that affect future demand for housing as it relates to the 2016 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) update.

Recommendation: This is for information only.

Discussion: This white paper was originally written in 2011 for the development of the current MTP/SCS. It described demographic trends that might affect future demand for various housing product types. As part of each MTP/SCS update, SACOG reviews and updates the planning assumptions to reflect the best available information. The updated paper presented here summarizes a review of the current information on national demographic and housing trends, and what they may mean for the SACOG region.

As reported in the paper, the latest information suggests that the demographic and housing preference trends identified four years ago are continuing or growing stronger and therefore, do not indicate a need for major changes from the current plan in terms of the region's housing mix or growth pattern. The paper finds that these demographic trends will lead to a higher demand for multi-family housing in the U.S. The variety of age cohorts entering different life stages, later marriage, the influence of immigrants and other demographic movements are the driving forces behind the housing preference shifts. The paper also provides some regional- and state-wide data as it relates to these demographic trends.

Staff will provide a brief overview of the findings to the Transportation Committee and Government Relations & Public Affairs Committee and will present a more detailed version to the Land Use & Natural Resources Committee.

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Attachment

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Trends in the Housing Market: An Update on Changing Demographics and Consumer Preferences

Sacramento Area Council of Governments

August 28, 2014

Note: This paper is an update to a version that was released in February 2011. The purpose of this paper is to examine factors affecting the housing market as SACOG prepares the 2016 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) Update.

Introduction

The U.S. housing market in the coming decades will differ significantly from recent decades. The new housing stock that is produced will need to change, too. Evolving demographics and preferences held by specific demographic groups, or generational cohorts, are driving the change. On the housing demand side, the aging of the large baby boomer generation, the preferences of the even larger Generation Y cohort (those born between 1981 and 1999[1]) as well as continued immigration will have a major impact on demand. On the supply side, the type and location of new housing construction over the past few decades may not match anticipated future demand according to many researchers. This poses both constraints and opportunities for future development, redevelopment and reuse in the Sacramento region. This updated paper reviews new information and further explores national housing market trends that have emerged since the original paper was published in 2011. As SACOG updates the 2016 Metropolitan Transportation Plan/Sustainable Communities Strategy, it will consider what these national trends may mean to the SACOG region.

Housing Choices of Generational Cohorts and Immigrants

<u>Baby boomers and Generation Y will drive much of the change</u>

While numerous demographic factors have been shifting over time, the change in the distribution of age cohorts is probably the most profound. Waves of Americans in different age categories, each having their own identity, lifestyles and preferences for housing types, are increasingly impacting how the U.S. grows.

A lot of attention has been paid to the baby boomer generation, those born between 1946 and 1964. This large group of Americans currently totals 77 million or 25 percent of the U.S.

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[1] Demographers use different year ranges to define Gen Y, Gen X, baby boomer and others. This paper uses 1981 to 1999 for Gen Y because this range falls in the middle of the different timeframes, and data are more readily available for these years.

population.[2] As they age, their changing housing demands and choices will create changes in housing markets.

Following them is Generation X (Gen X), often referred to as the baby bust generation, because of the significant drop-off in births. This generation, born between 1965 and 1980, currently total 66 million people or 21 percent of the U.S..[2] Over time, this generation's smaller size may bring a drop-off in overall housing demand.

The next wave of Americans is called Generation Y (Gen Y), millenials, or echo boomers for primarily being the offspring of the baby boomers. This generation, born between 1981 and 1999, is the largest cohort. They currently number 85 million or 28 percent of the U.S. population and will have a profound impact on the U.S. housing market for decades ahead.[2]

In addition to the baby boom and millennial generations, a third group that cuts across generations will also have a large impact on housing demand: immigrants and their offspring. National immigration policy, however, will ultimately determine the growth of this group.

Each of these groups and their near and long-term housing demands are examined below.

Baby boomers' housing trends and choices

Starting in 2011, the oldest baby boomers (boomers) turned 65, with a huge wave of retirees expected over the next two decades. Because this generation is so large, the impact on the built environment has been, and will continue to be, equally large. Immediately after World War II, a huge increase in the national birth rate resulted in enormous demand for consumer goods. As boomers became adults, their demands for housing, cars, college educations and other goods and services continued to grow. By middle age, as they were raising children, they increasingly demanded single-family homes and associated roadway expansions to get them to their jobs.

Now, according to researcher Richard Florida, nationally 10,000 boomers will turn 65 every day from 2011 through 2029. This quantity of older adults is unprecedented. According to the U.S. Census Bureau, 10.4 million boomers are between the ages of 55 and 64, a 43 percent increase over the past decade (compared to overall population growth of nine percent). As a result, certain housing trends have emerged:

Community Preferences

Of the many studies of baby boomer housing preferences, there are different findings about the percentage of older adults who say they would like to stay in their family home if possible versus

[2] According to the 2010 U.S. Census, the national proportions of baby boomers, Generation X and Generation Y cohorts are very similar in the SACOG region, at 24 percent, 21 percent and 29 percent of the region's population, respectively.

moving to a new home. Regardless of the total number of seniors who eventually move, research indicates that a high percentage of those who are moving are interested in alternative housing products, such as smaller homes or amenity-rich communities. In real estate expert RCLCO's national survey of boomer preferences for amenities, 83% ranked walking, 67% nearby shopping, and 51% bicycling as top priorities. Employment proximity is also becoming increasingly important, as the number of workers 75 or older has risen by 77 percent in the past two decades according to AARP's Public Policy Institute. A scientific poll of people age 45 and older by AARP in 2010 found that that having the following amenities close by were also particularly important to older adults: bus stop (50%), grocery store (47%), park (42%) and pharmacy/drug store (42%).

RCLCO has found that as leading-edge baby boomers begin to demand senior-oriented housing, forward-looking developers are responding creatively to their lifestyles and preferences. Two notable trends are towards development of intergenerational housing projects and age-restricted housing projects that are closely integrated into an intergenerational neighborhood. As general trends in development focus on infill building, walkability, and creating lively and active neighborhoods, RCLCO notes that,

> [I]ntegrating seniors into the larger community provides housing for community-minded seniors; stability for transient communities; arts and wellness programs for a town; and intergenerational relationships for children, families, and aging seniors. In fact, better integrating seniors housing into the fabric of the community, and creating innovative and architecturally interesting projects, helps reduce any stigma of seniors housing and encourages earlier consideration of this lifestyle alternative.

Housing Preferences and Downsizing

While many older adults would like to stay where they are, many also appear ready to downsize and/or seek more service-rich environments, whether in their own community or elsewhere. A *New York Times* feature entitled "Baby Boomers' Second Act" evidenced an interest among some boomers in downsizing, noting that boomers are opting towards condos and smaller, lower maintenance homes in order to have more time to pursue their own interests.

A Baby Boomer Survey by Del Webb, the leading builder of retirement communities, found that 55 percent of boomers plan to move to a new home at some point in the future, and nearly 28 percent plan to downsize on their next home purchase. The findings from the Del Webb survey are consistent with the findings from a housing preferences survey conducted 10 years earlier in the Sacramento region by Robert Charles Lessor Company (now RCLCO). That housing preference survey found that almost two-thirds of boomer respondents wanted their next home to be either a single family home with a small yard, an attached townhouse or a condomium unit.

For the boomers who do choose to move, many are not purchasing homes. According to the Harvard University Joint Center for Housing Studies in 2013, between 2002-2012 the number of renter householders aged 55-64 grew by 80 percent, disproportionate to the 50 percent growth rate for the total age cohort.

However, depending on when and how much home prices rise in the Sacramento region, boomers who may want to downsize may be unable or unwilling to sell their homes if their homes are worth less than what they still owe in mortgage debt; values have fallen below what they are willing to sell them for as part of retirement planning; and/or the cost of a new home would absorb most or all of their current home equity.

Another disincentive for seniors to sell may include the property tax situation in California. In general, California's Proposition 13 requires that when a home is sold it is reassessed to market value for property tax purposes. Voter-approved Proposition 60 in 1986 provided an age-related exception, allowing anyone over 55 to maintain their property tax base assessment if they move within the same county. Proposition 90, approved by voters in 1988, then allowed counties to decide whether to accept property tax rates of those over 55 moving in from another county. As of September 2013, El Dorado County was the only county in the SACOG region to participate in this local option; thus, only intracounty moves or intercounty moves by older adults to El Dorado County receive the property tax benefit.

Assisted Living

An important subset of housing demand among older adults is for assisted living options. According to a 2012 AARP report, the population age 85 and over – the most likely to need long-term care – will increase by 78% by 2032 and 270 percent by 2050, much faster than the U.S. average. According to AARP, between 2004/05 and 2010, nursing homes and beds in California decreased but assisted living options increased significantly to begin meeting that demand, as shown in the following table:

California	**2004/2005**	**2007**	**2010**	**Change**
# of nursing facilities	1,325	1,283	1,257	-5%
# of nursing facility beds	125,354	123,228	122,233	-2%
# of assisted living & residential care facilities	6,543	7,471	7,471	14%
# of assisted living and residential care units	154,830	161,586	211,402	37%

Source: AARP, Across the States: Profiles of Long-Term Care and Independent Living, California, 2006, 2009, 2012

A United States of Aging survey of 3,000 people age 60 and over found that while 77 percent said they intend to continue living in their current homes for the rest of their lives, the following were options they would consider if they found they were unable to care for themselves: 48 percent said they would move to an assisted living community; 40 percent would seek help from community programs; 36 percent would move in with a family member or friend; 32 percent would hire a paid caregiver; and 20 percent said they would live in a nursing home.

According to the California HealthCare Foundation, with changes in consumer preferences, the nursing home industry has been undergoing a culture shift to models that provide a more neighborhood or smaller home-like atmosphere for elders requiring greater levels of care. However, these models require physical changes that may conflict with current state/local regulations and building codes.

Generation Y housing trends and choices

Delayed Household Formation

The recent recession disproportionately affected the millennial generation and their housing choices. Increasingly, young adults have been living at home with their parents and waiting to rent or purchase their own homes. According to the Pew Research Center, a record total of 21.6 million or 36 percent of the nation's millenials were living in their parents' home in 2012, up from 18.5 million of their same aged counterparts in 2007, prior to the recession. This is the highest share of young adults living at home in the last 40 years.

This move to live at home has been driven by numerous factors, including declining employment rates, rising college enrollment and subsequent college debt, as well as delayed and declining marriage rates. Generation Y, currently aged 15 to 33 years old, is 85 million strong and growing due to immigration; however, according to a 2012 poll by the American Planning Association (APA), millenials have a poverty rate two times higher than Gen Xers and baby boomers. Unemployment was especially high in the Sacramento area. Compared to the national rate of 14 percent, almost 20 percent of millenials in the Sacramento region were unemployed in 2012. Gen Xers and Baby Boomers were better off when they were the same age: Sacramento region Gen Xers faced an eight percent unemployment rate in 1990, and for young adult boomers, the unemployment rate was about nine percent in 1970 (Reese, 2014).

The Federal Reserve Bank tracks consumer debt, including student loans. Their data show that outstanding student loans increased nationally from $836 billion in 2009 to $1.2 trillion in 2013.

In 2010, while the overall homeownership rate in California was 56 percent, only 28 percent of those aged 25-34 owned homes, down from 31 percent in 2000 and 35 percent in 1990 (Myers 2013).

However, as the economy and job growth recovers, Gen Ys are expected to respond by forming more of their own households, according to the Harvard Joint Center for Housing Studies. This will create a bigger demand for multifamily housing in particular, as discussed below.

Housing and Location Preferences

Polling research by real estate consulting firm Robert Charles Lessor and Company (RCLCO) between the years 2007 and 2013 indicates that Gen Y is split roughly equally between wanting to live in urban environments, suburban communities or small communities/rural areas. Their most recent polling (2013) indicates that Gen Y respondents wanting to live in urban environments rose to 39 percent from 31 percent in 2011, while those wanting to live in suburban communities dipped from 42 percent to 29 percent. When asked in 2013 where they want to work, 63 percent said either downtown or an older suburb. Thirty-seven percent said they wanted to work in an outlying or rural area. The Urban Land Institute's America in 2013 survey found that 40 percent of millenials prefer medium- or big-city living.

Polling research by RCLCO identified that certain housing trends are important to Gen Y: design, sustainability, tech savvy, low maintenance, and flexible storage space were all found to be more important characteristics than dwelling size. RCLCO concludes that many younger renters want to live in urban areas and are willing to live in smaller units and trade features and in-home amenities for location. Additionally, the APA found that millennials possess a growing interest in communities with "sharing economy" amenities, such as tools, homes, bicycles, rides, automobiles, etc. Nearly three-quarters of millenials find the sharing economy to be "somewhat to extremely important" (APA, 2014).

RCLCO indicates that the most vital or important part of a community for millenials is "walkability" and proximity to amenities.. ULI's 2013 survey found that 62 percent of millenials prefer neighborhoods that are close to a mix of shops, restaurants and offices. In 2014, the APA found that 81 percent of millenials – and 77 percent of boomers – feel that affordable and convenient transportation alternatives play a role in deciding where to live. A 2014 study by the Rockefeller Foundation and Transportation for America reinforced this finding, with two-thirds of millenials saying that access to high quality public transportation is one of the top three criteria they consider when deciding where to live.

The effects of immigration

As mentioned earlier, U.S. immigration policy will be the major driver of the future size of this group. The Census Bureau's middle series national population projection from 2012 assumes an annual national addition of 850,000 residents from net foreign immigration from 2015 through 2020, which is about one-third of total growth. Even if all immigration ceased, past inflows and higher fertility rates ensure that immigrant households will increasingly drive growth in housing demand because immigrant households have continued to grow at a faster pace than native-born households.

As documented in a 2013 report by Dowell Myers and Michael Pitkin for the Research Institute for Housing America and Mortgage Bankers Association, between 2000 and 2010, immigrants accounted for 82 percent of the growth in homeownership in California, and are anticipated to continue to be a vital part of market demand. The following table projects homeownership growth of native born and foreign born households in California between 2010 and 2020.

CA Homeowners	Total in 2010	Projected Total, 2020	Projected Increase
Native Born	4,064,000	4,525,000	11.3%
Foreign Born	935,000	1,277,000	36.6%
Hispanic			
Native Born	270,000	436,000	61.5%
Foreign Born	455,000	660,000	45.1%
Non-Hispanic			
Native Born	3,794,000	4,089,000	7.8%
Foreign Born	480,000	617,000	28.5%

Source: Immigrant Contributions to Housing Demand, 2013

As shown, the highest growth rate for homeownership is expected among native-born Hispanics. Significant growth is also projected for foreign-born households, whether Hispanic or non-Hispanic. Foreign-born households are also expected to comprise over one third of rental growth in California.

In 2010 projections used for developing the 2012 MTP/SCS, the Center for Continuing Study of the California Economy projected the greatest household growth among Asian and Hispanic households, but noted that these households have tended to have lower household formation rates, due to more intergenerational households, as described below.

While immigrants have historically had a higher likelihood of living in attached housing products and in urban areas, this trend has been changing. As city centers seem to be more desirable for baby boomers and those in Generation Y, and the urban cores have gentrified and pushed housing prices up, immigrants, members of both generational cohorts, are increasingly moving to first-ring suburbs. As immigrants move further toward outer-ring suburbs, higher percentages of them than in the past are increasingly looking for larger units with three or more bedrooms and child-friendly configurations according to researchers John Pitkin and Dowell Myers. That said, immigrants, like their native-born counterparts, are a diverse group and as such will seek a variety of housing product types and sizes in both urban and non-urban areas.

Other Factors in Household Demand

Changes in the rental market – strong demand for multifamily housing

The traditional prime renter age in the U.S. is between 20 and 34, which almost matches the Gen Y age group. By 2015, the U.S. will have substantially more 20 to 34 year olds than 35 to 49 year olds, according to the Harvard Joint Center for Housing Studies. Corresponding to this trend, the number of households headed by persons under 35—the prime rental group—will grow faster than the overall population.

According to the Federal Reserve Bank of Kansas City, the national outlook through the end of the decade is especially positive for multi-family construction, reflecting pent-up demand for housing. The slowdown in housing production during the Great Recession affected housing products at different rates. The gap between household growth and multi-family housing production was twice as large as the gap for single-family production. The Federal Reserve concludes that multifamily housing supply was already less than demand before the housing crisis; this scarcity of supply compounded by increasing demand for the product presents a strong outlook for multifamily construction in the future.

Over the next 30 years, the Census Bureau predicts that the total U.S. population will increase by 68 million over the next 30 years, or approximately 2.3 million people annually. This will boost overall demand for various housing types, help in the absorption of any excess housing inventory, and propel greater demand for apartments. Due to the demographic shifts described above, and the corresponding shifts in housing preferences due to the aging of the baby boomers and the entry of Gen Y into the housing market, researchers such as Dowell Myers and Arthur Nelson conclude that there will be a greater demand for higher density housing with more amenities in urban areas than in the past.

Changing rates of marriage and births

Americans, especially those in Generation Y, are taking longer to settle down, if they settle down at all. The median age of first marriage is increasing. In 1970, the median age for a man was 23 and 21 for a woman. In 2011, the median age at first marriage was 29 for men and about 27 for women. According to the Council on Contemporary Families, a Chicago-based research firm, for the first time in more than a century, more than half of those aged 25 to 34 have never been married.

Birthrates have also declined, and women are delaying having children. Per the Council, in 2010, one in four births was to a woman over 30. One in 12 births was to a mother age 35 or over, compared with 1 in 100 in 1970. As prolonged “emerging adulthood” means putting off getting married and having children, this likely increases the potential pool of renters.

Multi-generational household growth

According to the Pew Research Center, in 1980, 28 million Americans (12 percent) lived in a family with at least two adult generations (i.e., a grandparent and at least one other generation). By 2012, the percentages of the population living in multigenerational households included:

- 24 percent of adults ages 25-34, up from 11 percent in 1980;
- 23 percent of adults ages 85 and older;
- About one-in-four Hispanics and blacks.
- 27 percent of Asian Americans;
- 14 percent of non-Hispanic whites.

Changes in household size and composition

There is a persistent perception that the typical household is a married couple with children, but that has not been true for some time. According to the US Census Bureau in 2012, in 1970, the share of US households that were married couples with children 18 and under was 40 percent; in 2012 it dropped to 20 percent. The average U.S. household size has declined from 3.1 persons in 1970 to 2.6 persons; 61 percent of all households have only one or two persons living in them.

Another change is that parents are continuing to live in large homes long after their children have left. According to an August 2014 Sacramento Bee article entitled *Too much room: Growing number of Sacramento "empty nesters" living in big houses*,

> Roughly 530,000 of the region's residents, usually married couples, live in two-person households, according to the latest census figures. More than one in five, or 117,000, of those residents live in homes with four or more bedrooms. The proportion of two-person households living in large homes has doubled since 1990…. The aging of baby boomers has left a growing number of "empty nesters" in homes large enough to accommodate children.

Single-person households have also been on the rise. According to the Pew Center, in 1900, just 1.1% of Americans lived in such a household, compared with 10.3% in 2008. In terms of age cohorts, 4.6 percent of those 18-24 lived alone in 2008, down from 5.7 percent in 1980. For those 65 and older, in 1900 only 5.9 percent lived alone, compared with 28.8 percent in 1990 and 27.4 percent in 2008.

Researcher Dowell Myers notes that the rapid rise in one-person households will likely continue for the next several decades. A study by Y. Zeng, et al (2006), concluded that single-person households may grow to 34 percent of all households by 2030, and up to 37 percent by 2050.

According the Myers, Zeng's study is the most thorough demographic analysis to date using macro-simulation modeling with a variety of demographic factors.

<u>Changes in Retirement Outlook</u>

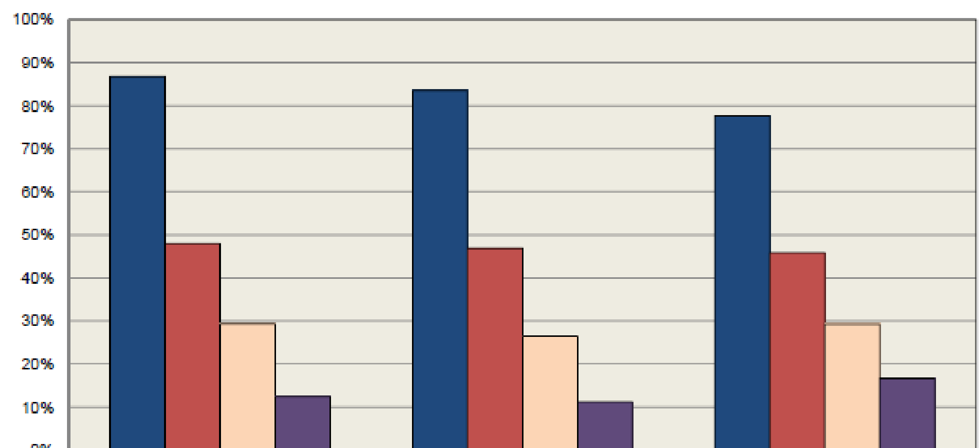
As the boomer generation approaches retirement, a portion may be in worse financial shape than previous generations. The Employee Benefit Research Institute (EBRI) utilizes a Retirement Security Projection Model® to simulate lifepaths of those born between 1948 and 1974 to assess whether they are likely to have adequate retirement income to support retirement living expenses and health care costs. According to EBRI's 2012 simulation, 44 percent of those in this age group are at risk of lacking sufficient retirement income, with the aggregate deficit estimated at $4.3 billion nationally. Figure 2 below illustrates EBRI's findings for Early Baby Boomers (born 1948-54), Late Baby Boomers (1955-1964) and Gen Xers (1965-74).

Additionally, since 2000, typical expenses for older adults have risen by 88 percent while the Social Security COLA has increased average benefits by only 24 percent. Even putting aside uncertainties concerning the future solvency of the Social Security program, these financial pressures will affect some boomers' ability to afford retirement expenses—including housing costs. More affordable senior housing options will likely be needed for this group.

Figure 2

EBRI Retirement Readiness Rating™: 2012

(Status Quo for Social Security, Housing Equity Used "As Needed")
Percentage of population at risk* for inadequate retirement income, by age cohort and income quartile (baseline assumptions)



	Early Boomers	Late Boomers	Gen Xers
Lowest-income quartile	86.8%	83.6%	77.7%
2nd	48.0%	46.9%	45.8%
3rd	29.3%	26.5%	29.3%
Highest-income quartile	12.5%	11.2%	16.7%

Sources: EBRI Retirement Security Projection Model® versions 1501 and 1502.
* See text for definition of "at risk."

Prediction for New Housing Growth

The national trends described above likely apply for the most part to what is happening here in the Sacramento region: the demographic changes and consumer preferences described above all point to the housing market of the past no longer meeting the challenges of the market ahead. How do all three indicators and trends tie in together and what do they tell us? Two influential researchers, Arthur Nelson and Dowell Myers, have offered their interpretations.

<u>New housing only serves one to two percent of all households</u>

Demographer Dowell Myers holds that new construction does not respond to average growth in demand. Rather, he argues, that only one to two percent of all households each year lives in newly constructed units, and it is this small minority that is served by developers of new housing. Myers suggests that this segment is not representative of the population as a whole and is drawn disproportionately from population groups that are growing faster than the supply that they prefer. He concludes by stating that demographic change has the potential to drive major shifts in development patterns if the growing demographic categories in one generation (e.g., Gen Y) have very different preferences in product types than those of a prior one, (e.g., baby boomers). The Sacramento region's faster than average growth puts it slightly above the 1 to 2 percent rate, but does not change the implications for the region.

<u>Housing preferences of Generation Y may not match available stock</u>

In another article along similar lines, Myers and SungHo Ryu argue that the future population and age structure will lead to differences between age and home buying and selling. The aging, retirement and lifestyle patterns of the 77 million baby boomers will likely shape U.S. housing markets and trends for decades ahead. They conclude that there will be an oversupply of homes offered for sale by aging baby boomers – many of which may not be the housing type that young buyers want. Although many seniors will age in place, other older adult households will move. The researchers raise the idea that where decline once occurred as housing demand moved from the central city to the suburbs, the decline may now be reversed as the suburbs will see surpluses of large-lot single-family housing.

<u>New direction for California</u>

Planning researcher Arthur C. Nelson, writes extensively about the aforementioned trends and how they will affect future land use. His seminal work for the Urban Land Institute's publication "The New California Dream: How Demographic and Economic Trends May Shape the Housing Market" elaborates on many of the above-mentioned demographic and housing market themes. Nelson's work cites different data and resources and is based primarily attitudinal research, but identifies similar trends: there are demographic and market shifts that will change the nature of how we develop land use and housing in California.

Nelson's conclusions are that California will need to re-align its public policy and regulations to better reflect the needs and consumer preferences of baby boomers, Generations X and Y, immigrants and others who prefer urban environments that offer neighborhood walkability and transit access. He writes that the state's demographic composition tends to favor more central locations – including centrally positioned suburban locations- for their access to transit and services. His primary research shows that more than half of the Gen Y cohort have expressed interest in mixed-use development with transit options. The combined impact of energy costs and automobile ownership costs is likely to influence changing market patterns, probably in favor of more compact land uses over the long term.

In addition, his analysis shows that demand for new rental housing will be roughly equal to the demand for new owner-occupied housing if the 2010 homeownership rate holds steady (it has declined since 2010). For the regions covered by the state's four biggest Metropolitan Planning Organizations (SCAG in Southern California, ABAG/MTC in the Bay Area, SANDAG in San Diego and SACOG in the Sacramento area), he calculates that new rental housing demand will represent about 75 percent of total new housing demand. In his market preference research, he shows that between 2010 and 2035, the demand for townhouse and small-lot homes will more than double, while demand for multifamily units will increase by as much as 50 percent in some areas. On the other hand, the demand for conventional homes (e.g., large lots) will fall by more than a third, and, more importantly, the current excess supply of housing for conventional homes may keep the market from meeting future demand for small-lot or attached products.

Some of Nelson's overarching conclusions are that preferences related to location and type of development or community should be key considerations in planning for the future. He concludes that adding to the current inventory of large-lot homes contributes to the excess of existing supply and could lead to the further erosion of housing values in overbuilt markets. However, he notes exceptions to this, including where large-lot homes are part of a mixed-use planned community. He also concludes that all new residential development could be absorbed in areas that support and are supported by transit. These areas are within a 10-minute walk of a transit station and often have a well-established network of pedestrian pathways and infrastructure, including sheltered waiting areas, street furniture, low scale lighting, shade, bike racks, and retail service uses tailored towards pedestrian traffic. Finally, it's important to note that Nelson's conclusions are based on his analysis of the areas covered by the four largest MPO's (including SACOG) but that he notes that more research is necessary to fully explore the relationship between market trends, regulatory barriers, and infrastructure needs.

Conclusions

The above-described preference, demographic and other housing-related trends will continue to help inform the 2016 MTP/SCS update. However, trends are largely continuing from those described in SACOG's 2011 white paper, and therefore do not indicate a need for major changes from the current plan in terms of the region's housing mix or growth pattern.

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