

Housing in the Evolving American Suburb



 **Urban Land Institute** Terwilliger Center for Housing

 **RCLCO**
REAL ESTATE ADVISORS

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Housing in the Evolving American Suburb

About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the ULI today has more than 39,000 members worldwide, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians.

About the ULI Terwilliger Center for Housing

The ULI Terwilliger Center for Housing conducts research, performs analysis, and develops best practice and policy recommendations that reflect the land use and development priorities of ULI members across all residential product types. The Center's mission is to facilitate creating and sustaining a full spectrum of housing opportunities—including workforce and affordable housing—in communities across the country. The Center was founded in 2007 with a gift from longtime ULI member and former ULI chairman J. Ronald Terwilliger.

About RCLCO

Since 1967, RCLCO (formerly Robert Charles Lesser & Co.) has been the "first call" for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development. RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level. With the insights and experience gained over 50 years and thousands of projects—touching over \$5 billion of real estate activity each year—RCLCO brings success to all product types across the United States and around the world. Learn more about RCLCO at www.rclco.com.

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PREFACE

The Urban Land Institute has a longstanding interest in suburbs, as well as cities. ULI believes that this is an opportune time to take a fresh look at American suburbs, focusing specifically on housing issues, for two reasons.

First, suburban housing dynamics increasingly reflect some of the most profound issues shaping our society, including aging, immigration, economic mobility, and evolving consumer preferences. Second, suburbs will generate substantial residential development and redevelopment opportunities—and challenges—in the years ahead.

Even as more cities continue their remarkable revitalization and some suburbs become more integrated with their city cores—with largely positive overall effects—many other suburban areas remain distinct enough places to warrant analysis in their own right. To do that analysis—and to generate actionable information for the business leaders and local officials who will shape the future of American suburbs—ULI engaged RCLCO to develop a new analytic framework for classifying suburban housing markets.

The resulting report reveals significant differentiation between cities and suburbs and wide variety among different types of suburbs in terms of housing characteristics and conditions. Those differences will substantially influence future residential demand and development in every major market in the United States. Understanding them has important implications for real estate developers, capital markets players, and policy makers at all levels of government.

Although the ascendancy of American suburbs starting after World War II came largely at the expense of cities, the recent revitalization of urban centers is in many cases complementary to the continued strength of their suburbs. In fact, the main message of this report is that healthy regions and fully functioning housing markets require a range of housing choices for households of different backgrounds, means, desires, and stages of life. In practical terms, this means a variety of city and suburban housing options.

Some of those options, this report suggests, will reflect preferences among a growing number of Americans for denser, more walkable communities. Others will serve a strong continuing demand for new single-family homes in more conventional automobile-oriented areas, particularly to the extent that they can be provided more affordably and near jobs. Still other suburbs will offer lower-cost workforce housing—rental as well as for sale.

American suburbs in the main have always been more varied and vibrant than their detractors typically acknowledge. Their capacity to evolve in the years ahead will be one of the central real estate and land use issues of our time.

Stockton Williams
Executive Director, ULI Terwilliger Center for Housing

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Key Findings

America remains a largely suburban nation.

In America's 50 largest (and most urbanized) metropolitan areas, suburbs as defined here account for 79 percent of the population, 78 percent of households, and 32 percent of the land area.

Suburban growth has driven recent metropolitan growth.

From 2000 to 2015, suburban areas accounted for 91 percent of population growth and 84 percent of household growth in the top 50 metro areas.

The large majority of Americans work in suburbs, although job growth has been more balanced between suburbs and cities recently.

As of 2014, 67.5 percent of employment in the 50 largest metro areas was in suburbs. Between 2005 and 2010, employment in suburban areas remained stagnant with zero growth, while it increased by 8.0 percent in urban areas. But between 2010 and 2014, the number of jobs increased by 9.0 percent in suburbs, compared with 6.0 percent in urban areas.

Suburban residents overall have higher incomes.

The median household income in suburbs (\$71,000) is substantially higher than in urban areas (\$49,200). In addition, 88 percent of 35- to 54-year-olds with incomes above \$75,000 live in the suburbs (compared with 77 percent of those with incomes less than \$75,000). And 90 percent of those between ages 55 and 74 earning more than \$75,000 live in the suburbs (compared with 80 percent of those in this age range earning less).

The suburbs are “young” compared with their regions overall.

Fully 85 percent of children ages 18 and younger and, contrary to popular perception and most media attention, three-quarters of 25- to 34-year-olds in the 50 largest metro areas live in the suburbs.

American suburbs as a whole are racially and ethnically diverse.

Fully 76 percent of the minority population in the 50 largest metro areas lives in the suburbs—not much lower than the 79 percent of the population in these metro areas as a whole.

The regional variation in home values between suburbs and cities is substantial.

On average, the median home value in urban areas is \$365,000, compared with \$305,000 in suburban areas (not controlling for home type or size), with substantial variation by region. In the New York metro area, median home values in urban areas are 28 percent higher than in suburban areas. However, the opposite relationship is true for what we define as Legacy and Heartland metro areas, where suburban areas have median home values that are substantially higher than median home values in urban areas (18 percent in Legacy metro areas and 19 percent in Heartland metro areas). In Gateway, Sun Belt, and New West metro areas, median home values are very similar in urban and suburban areas, not controlling for home type or size.

Different types of suburbs will have different housing demand and development opportunities.

The report identifies development trends, issues, and innovative housing development examples in five distinct types of suburb within the 50 largest metro areas: “established high-end,” “stable middle-income,” “economically challenged,” “greenfield lifestyle,” and “greenfield value.”

For detailed data on each of the 50 largest metro areas, see pages 7–9 of this report. Individual maps showing suburb types in each of the 50 largest metro areas are available at www.rclco.com/suburb-atlas.

A New Way of Understanding Suburban Housing Markets

Ask the average person to define “suburb” and the answer will probably be something like, “the developed area around a city.” A typical real estate professional would probably add something like “suburbs tend to be lower density, more auto oriented, and less spatially integrated in terms of land uses than urban areas.” Although those general descriptions may suffice in casual conversation or even some business contexts, they fall far short for understanding how housing conditions, trends, challenges, and opportunities are playing out within and across housing markets.

The U.S. government is of little help in better understanding suburban housing issues at the nuanced, localized level that both business and policy require. There is no federal definition of “suburb.” Researchers and industry analysts have, however, used government definitions and data sets to create various definitions and classifications.

Metropolitan Statistical Areas (MSAs)

Metropolitan statistical areas (MSAs), as defined by the U.S. Office of Management and Budget, have at least one urbanized area with population of 50,000 or more, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties. MSAs are delineated in terms of counties or equivalent entities. <https://www.whitehouse.gov/sites/default/files/omb/bulletins/2015/15-01.pdf>.

Census Tracts

Census tracts, as defined by the U.S. Census Bureau, are small, relatively permanent statistical subdivisions of a county or equivalent entity that generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. A census tract usually covers a contiguous area; however, the spatial size of census tracts varies widely depending on the density of settlement. https://www.census.gov/geo/reference/gtc/gtc_ct.html.

For example, the Brookings Institution defines suburbs as the parts of each metropolitan statistical area (MSA, or metro area) outside its largest city, plus up to two other incorporated places within it with populations greater than 100,000.¹ Brookings uses the official jurisdictional boundaries for *counties* to further classify suburbs on the basis of the share of their population living in more developed (“urbanized”) areas, as follows: “city/high-density suburbs,” “mature suburbs,” “emerging suburbs,” and “exurban” counties.²

Demographia uses another approach, based on *zip codes* in the 52 major metro areas with more than 1 million people each. Within these areas, Demographia draws from data on density, urban form, age of housing, and travel patterns to arrive at the following classifications: “urban core,” “earlier suburbs,” “later suburbs,” and “exurbs.”³

Economist Jed Kolko’s geographic unit of analysis is the *census tract*, which he supplements with data on population density and survey information that asked people where they lived in order to identify areas as “urban,” “suburban,” and “rural.”⁴ (Kolko has also separately used a county-level analysis to assess urban and suburban growth trends.)⁵

A particularly ambitious classification was developed by Brian Mikelbank of Cleveland State University. Mikelbank defined ten types of suburbs using census data aggregated to suburban incorporated places and enhanced by a statistical technique called cluster analysis, which identifies groups of similar suburbs on the basis of statistical measures of pattern and similarity.

(Mikelbank found that the most statistically important factors defining suburban typologies related to variables describing wealth, employment, and race.)⁶

In addition to those broad-based analytic approaches, researchers have developed a wide range of typologies to investigate specific aspects of certain kinds of suburbs, including

- **Racial dispersion and segregation:** exploring spatial dispersion by race⁷
- **Poverty:** identifying areas coping with varying levels of economic distress⁸
- **Employment and office markets:** assessing demand for jobs and office space⁹
- **Historical development trends:** classifying suburbs by the median age of home¹⁰

Although those and any number of other methods of defining suburbs are analytically credible and useful for understanding important aspects of these places, they are insufficient for fully understanding the issue arguably at the heart of the suburban story: housing. For this report, RCLCO developed a *housing-focused classification of suburban areas* to fill that gap and to provide housing professionals and policy makers with more actionable analytics. RCLCO's technical methodology is described in detail in appendix A.

The approach used in this report incorporates aspects of some of the methods cited and adds to them to create a unique housing-oriented classification system for understanding American suburbs.

The following are the principal features of the system:

- **Localized.** The approach classifies and differentiates among suburbs at the census tract level. Although they are not perfect proxies for neighborhoods, census tracts offer an appropriate level of granularity for assessing housing issues that the county scale does not. Furthermore, census tracts reflect more relevant neighborhood and geographic boundaries than zip codes do. Importantly, the approach reflects the common reality that *within many city boundaries are areas that are functionally suburban*, just as there are places outside city limits that are, for all intents and purposes, urban.
- **Multidimensional.** Starting with the general and accepted premise that suburbs are areas outside a city *center*, RCLCO used census-level data and data thresholds on population density, employment density, housing structure type, and distance from city center to reflect the ways in which certain combinations of those characteristics produce recognizably suburban places. Although the set of data points is not as comprehensive as in some studies, the data make it possible to draw meaningful distinctions among the types of suburbs identified.
- **Regionally varied.** The metro areas in which the suburbs are located are grouped into one of six categories because certain regions are more likely to follow similar development patterns than are others. For example, a metro area like Columbus, Ohio, is assumed to be more likely to exhibit similar patterns to Indianapolis than it is to a metro area like San Francisco. This approach allows for the regional variation of development patterns across the United States, given that one city's downtown may be the same density as another's suburbs.

This framework was applied to all the census tracts in the 50 largest MSAs in the United States, and then the tracts were grouped into one of six categories:

- **High-density urban:** downtowns and outer employment cores
- **Urban:** dense in-town neighborhoods and outer employment corridors
- **Low-density urban:** relatively dense, in-town residential neighborhoods
- **High-density suburban:** relatively dense outer neighborhoods and commercial corridors
- **Suburban:** well-populated neighborhoods where most of the housing stock consists of single-family detached homes
- **Low-density suburban:** neighborhoods where most of the housing stock consists of single-family detached homes, and where there is some undeveloped land

The classification further differentiates among the three types of suburbs—high-density suburban, suburban, and low-density suburban—to reflect their housing dynamics. RCLCO identified five suburban paradigms to reflect the impact of land value and availability on development trends and to group locations that are likely to have similar existing conditions, supply and demand dynamics, property values, and types of available development sites among suburban areas. Those paradigms are (a) established high-end suburbs, (b) stable middle-income suburbs, (c) economically challenged suburbs, (d) greenfield suburbs, and (e) greenfield value suburbs.

The approach used in this study offers the ability to provide a more nuanced view of the demographic and economic trends that affect each type of suburb and to understand how they vary among different types of metro areas. The first three categories contain areas that are more built out, with established market and value dynamics:

ESTABLISHED HIGH-END SUBURBS

These locations have high home values and established development patterns that likely offer the best opportunities for market-based development but also tend to have strident community objection to new growth. When new homes or communities are built, they are often at higher densities or price points than surrounding neighborhoods. Many examples of these areas are found north and west of Washington, D.C., in and around communities such as Bethesda, Maryland, and Arlington, Virginia.

STABLE MIDDLE-INCOME SUBURBS

Similar to many areas of Orange County, California, these locations include a wide range of home values attainable to a broad range of households in the region and are often located in close-in areas where most of the housing was built decades ago. Some evidence indicates that these areas are becoming increasingly scarce, as such suburbs are either gentrifying into higher-end communities or deteriorating into economically challenged areas.

ECONOMICALLY CHALLENGED SUBURBS

These locations have lower home values and have seen little to no population growth in recent years. They may have aging infrastructure or underperforming city services that make them less attractive for new market-rate development. Examples of these locations include many residential neighborhoods located along the urban fringe of former industrial or manufacturing cities such as Detroit, Michigan, and Providence, Rhode Island.

The last two categories are recent or new-growth areas where those dynamics are still being established:

GREENFIELD LIFESTYLE SUBURBS

These locations are at or close to the suburban fringe, typically adjacent to established high-end suburbs, and are where the bulk of new community development is occurring. These areas have mostly developed over the past ten to 15 years and likely have some land still available for new development. Examples include many areas south of Charlotte, North Carolina, such as Ballantyne, Weddington, and Fort Mill, where a number of high-end master-planned communities have recently delivered or are currently delivering.

GREENFIELD VALUE SUBURBS

These locations are at or close to the suburban fringe, often adjacent to stable or economically challenged areas or in areas that are proximate to lower-wage job concentrations. Such suburbs have attracted new value-oriented communities that offer attractive home prices for many households. These areas have been developing over the past ten to 15 years and sometimes reflect a “drive until you qualify” pattern. In Texas, there are many examples of these areas south of Austin, in Hays County along I-35.

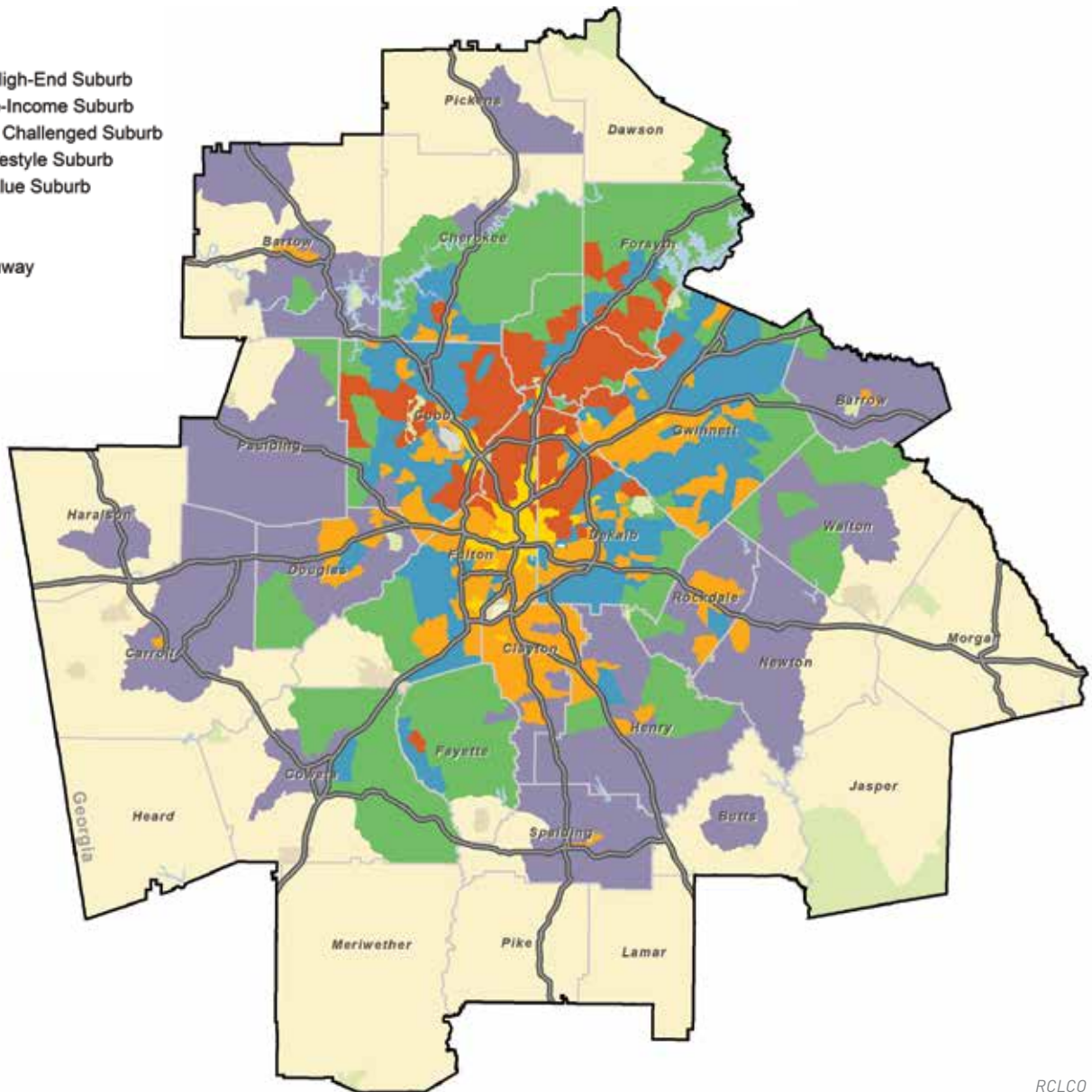
Overview and Comparison of Suburbs by Type

The following tables reflect analysis of suburbs by type in the 50 largest metro areas. Searchable maps showing the suburb types in each of the 50 largest metro areas are available at www.rclco.com/suburb-atlas. An illustrative example of one map is below.

ATLANTA-SANDY SPRINGS-ROSWELL, GEORGIA, METRO AREA

Legend

- Urban
- Established High-End Suburb
- Stable Middle-Income Suburb
- Economically Challenged Suburb
- Greenfield Lifestyle Suburb
- Greenfield Value Suburb
- Military Base
- Park
- Freeway/Highway
- County Line



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KEY CHARACTERISTICS OF SUBURBS BY TYPE

	Population	% of population	% of suburban population	Number of households	% minority	Median income (\$)	% household units, single-family dwelling	% household units, multifamily (5+ units)
Established high-end	29,554,462	17.0	21.6	11,293,297	33.8	96,728	68.3	18.7
Stable middle-income	43,687,141	25.2	31.9	15,848,401	51.2	66,978	59.2	21.3
Economically challenged	37,150,074	21.4	27.1	13,333,681	62.1	46,498	56.6	22.4
Greenfield lifestyle	17,916,272	10.3	13.1	6,418,085	27.3	92,435	77.9	8.3
Greenfield value	8,784,428	5.1	6.4	3,164,123	37.3	59,398	71.4	7.6

	% of households with kids	% of households under age 35	Median year built	Median home value (\$)	% owner occupied	Median age within household	% workers commute alone	% renter households paying more than 30% of income on rent	% renter households paying more than 50% of income on rent
Established high-end	34.5	15.2	1978	467,580	63.6	41	78.8	9.4	2.3
Stable middle-income	35.9	18.6	1973	294,820	59.7	39	77.1	9.8	2.3
Economically challenged	37.2	22.2	1969	182,782	51.2	37	75.5	10.1	2.2
Greenfield lifestyle	37.9	12.5	1986	367,298	71.0	42	82.0	8.9	2.4
Greenfield value	37.0	17.2	1982	198,235	66.2	40	80.9	9.9	2.5

	# household units in 2000	2000–2015 growth	% change	% of growth	% of total 2000 household units	2000–2015 FSGI	2015 household units	% of total 2015 household units
Established high-end	10,426,852	2,468,068	23.7	24.5	21.9	1.12	12,894,920	22.4
Stable middle-income	14,775,918	2,731,819	18.5	27.0	31.1	0.87	17,507,737	30.4
Economically challenged	14,057,536	2,016,275	14.3	20.0	29.6	0.68	16,073,811	27.9
Greenfield lifestyle	5,373,474	1,897,354	35.3	18.8	11.3	1.66	7,270,828	12.6
Greenfield value	2,873,908	957,557	33.3	9.5	6.0	1.58	3,831,465	6.7

Note: FSGI = Fair Share Growth Index

POPULATION

(percentage)

Metropolitan statistical area	Urban	SUBURBAN					Rural, park/rec, other	Total population
		Established high-end	Stable middle-income	Economically challenged	Greenfield lifestyle	Greenfield value		
Atlanta-Sandy Springs-Roswell, GA	6	16	23	21	2	25	5	5,527,230
Austin-Round Rock, TX	15	19	10	32	3	12	10	1,955,532
Baltimore-Columbia-Towson, MD	23	30	20	17	3	1	4	2,925,623
Birmingham-Hoover, AL	7	22	7	15	7	22	20	1,151,476
Boston-Cambridge-Newton, MA-NH	20	16	5	22	10	25	2	4,777,816
Buffalo-Cheektowaga-Niagara Falls, NY	19	24	15	22	7	6	8	1,137,209
Charlotte-Concord-Gastonia, NC-SC	5	17	14	17	9	29	8	2,366,607
Chicago-Naperville-Elgin, IL-IN-WI	12	11	53	12	1	7	4	9,557,057
Cincinnati, OH-KY-IN	10	32	31	18	0	0	9	2,151,807
Cleveland-Elyria, OH	13	19	20	22	17	6	3	2,059,818
Columbus, OH	14	30	18	26	0	0	13	1,983,754
Dallas-Fort Worth-Arlington, TX	9	17	25	30	2	11	6	6,888,007
Denver-Aurora-Lakewood, CO	14	17	20	35	6	2	6	2,703,067
Detroit-Warren-Dearborn, MI	4	7	23	24	20	16	6	4,261,580
Hartford-West Hartford-East Hartford, CT	16	26	13	20	13	11	2	1,220,661
Houston-The Woodlands-Sugar Land, TX	10	15	41	24	1	5	4	6,460,329
Indianapolis-Carmel-Anderson, IN	8	21	23	18	11	8	11	1,967,168
Jacksonville, FL	8	12	25	21	11	15	7	1,405,966
Kansas City, MO-KS	8	30	30	17	1	3	12	2,063,363
Las Vegas-Henderson-Paradise, NV	25	14	49	7	1	1	3	2,089,416
Los Angeles-Long Beach-Anaheim, CA	16	14	46	13	6	4	1	13,364,881
Louisville-Jefferson County, KY-IN	14	19	19	20	6	8	14	1,260,980
Memphis, TN-MS-AR	7	20	9	29	15	7	14	1,354,354
Miami-Fort Lauderdale-West Palm Beach, FL	14	11	31	26	7	8	3	5,776,200
Milwaukee-Waukesha-West Allis, WI	24	24	20	14	11	3	3	1,557,333
Minneapolis-St. Paul-Bloomington, MN-WI	13	21	30	24	0	0	12	3,461,538
Nashville-Davidson-Murfreesboro-Franklin, TN	5	17	17	27	4	12	18	1,782,868
New Orleans-Metairie, LA	27	19	12	26	1	7	7	1,251,786
New York-Newark-Jersey City, NY-NJ-PA	35	5	35	7	11	5	2	20,033,996
Oklahoma City, OK	13	33	15	21	3	1	15	1,343,996
Orlando-Kissimmee-Sanford, FL	12	22	10	26	6	21	4	2,284,795
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	23	11	26	12	14	12	2	5,999,875
Phoenix-Mesa-Scottsdale, AZ	10	23	10	42	6	5	5	4,457,716
Pittsburgh, PA	12	33	16	28	0	0	12	2,358,496
Portland-Vancouver-Hillsboro, OR-WA	10	20	12	32	4	12	9	2,318,549
Providence-Warwick, RI-MA	24	17	16	21	12	5	3	1,497,818
Raleigh, NC	6	26	10	23	4	24	7	1,241,532
Richmond, VA	10	23	9	26	6	8	18	1,304,138
Riverside-San Bernardino-Ontario, CA	3	20	22	18	9	21	6	4,232,906
Sacramento-Roseville-Arden-Arcade, CA	8	21	6	39	13	6	8	2,216,129
Salt Lake City, UT	12	15	17	33	12	6	4	1,154,871
San Antonio-New Braunfels, TX	17	19	18	22	8	8	9	2,280,437
San Diego-Carlsbad, CA	17	26	12	36	5	2	2	3,143,669
San Francisco-Oakland-Hayward, CA	20	23	22	34	0	0	1	4,530,966
San Jose-Sunnyvale-Santa Clara, CA	40	33	2	20	2	1	1	1,880,959
Seattle-Tacoma-Bellevue, WA	9	25	5	46	4	7	4	3,629,702
St. Louis, MO-IL	7	23	15	24	8	11	12	2,798,304
Tampa-St. Petersburg-Clearwater, FL	11	20	15	30	6	13	4	2,893,923
Virginia Beach-Norfolk-Newport News, VA-NC	13	23	10	29	9	7	8	1,708,539
Washington-Arlington-Alexandria, DC-VA-MD-WV	15	16	13	21	7	20	8	5,773,167

LAND AREA

(square miles %)

Metropolitan statistical area	Urban	SUBURBAN					Rural, park/rec, other	Total developed	Total square miles
		Established high-end	Stable middle-income	Economically challenged	Greenfield lifestyle	Greenfield value			
Atlanta-Sandy Springs-Roswell, GA	0.8	4.5	7.5	5.6	2.4	34.3	44.8	55.2	12,797
Austin-Round Rock, TX	1.1	6.0	2.0	5.5	4.1	16.5	64.8	35.2	6,456
Baltimore-Columbia-Towson, MD	2.5	27.2	10.3	5.4	13.7	5.0	35.9	64.1	5,155
Birmingham-Hoover, AL	0.4	4.8	1.6	2.6	4.3	15.6	70.7	29.3	7,737
Boston-Cambridge-Newton, MA-NH	1.5	8.5	1.7	6.6	19.3	46.7	15.9	84.1	6,960
Buffalo-Cheektowaga-Niagara Falls, NY	1.5	13.1	4.3	4.5	13.1	9.4	54.0	46.0	3,203
Charlotte-Concord-Gastonia, NC-SC	0.6	5.4	4.4	3.7	7.2	31.4	47.2	52.8	7,771
Chicago-Naperville-Elgin, IL-IN-WI	0.8	5.2	18.8	4.4	3.2	19.0	48.7	51.3	13,106
Cincinnati, OH-KY-IN	1.0	17.9	18.0	5.9	0	0	57.2	42.8	7,045
Cleveland-Elyria, OH	2.3	14.0	6.2	5.3	37.7	8.0	26.5	73.5	3,582
Columbus, OH	1.0	13.0	7.5	7.6	0	0	70.9	29.1	8,268
Dallas-Fort Worth-Arlington, TX	1.3	4.6	5.8	6.8	4.2	19.2	58.2	41.8	13,682
Denver-Aurora-Lakewood, CO	0.7	2.8	1.8	2.6	4.3	1.2	86.6	13.4	14,105
Detroit-Warren-Dearborn, MI	0.7	2.3	6.4	5.3	23.7	15.9	45.8	54.2	7,375
Hartford-West Hartford-East Hartford, CT	2.3	28.6	8.1	5.0	29.7	15.8	10.5	89.5	2,784
Houston-The Woodlands-Sugar Land, TX	1.1	5.5	13.8	8.1	3.1	16.3	52.2	47.8	11,308
Indianapolis-Carmel-Anderson, IN	0.8	7.7	6.6	2.8	9.4	6.7	65.9	34.1	7,352
Jacksonville, FL	0.8	3.9	9.0	4.2	7.7	16.0	58.4	41.6	4,359
Kansas City, MO-KS	0.5	5.6	5.7	2.8	0.9	3.5	81.0	19.0	12,205
Las Vegas-Henderson-Paradise, NV	0.4	0.6	1.6	0.2	0.3	0.2	96.8	3.2	27,038
Los Angeles-Long Beach-Anaheim, CA	1.6	4.7	10.2	2.7	8.3	7.7	64.9	35.1	10,574
Louisville-Jefferson County, KY-IN	1.1	6.0	4.5	2.5	5.5	6.5	74.0	26.0	5,926
Memphis, TN-MS-AR	0.5	2.2	1.1	3.4	7.6	4.3	80.9	19.1	7,621
Miami-Fort Lauderdale-West Palm Beach, FL	1.2	2.9	5.9	4.8	6.3	9.1	69.8	30.2	6,445
Milwaukee-Waukesha-West Allis, WI	2.7	19.6	7.6	3.4	32.7	7.4	26.6	73.4	2,810
Minneapolis-St. Paul-Bloomington, MN-WI	1.0	7.8	9.8	7.5	0.0	0.0	73.9	26.1	16,278
Nashville-Davidson-Murfreesboro-Franklin, TN	0.4	4.7	3.6	4.4	3.9	11.5	71.6	28.4	9,787
New Orleans-Metairie, LA	1.6	4.3	2.1	5.7	1.9	10.8	73.6	26.4	4,440
New York-Newark-Jersey City, NY-NJ-PA	1.4	5.6	13.6	1.8	35.2	12.8	29.5	70.5	15,672
Oklahoma City, OK	0.8	7.2	2.3	3.4	3.6	0.9	81.9	18.1	8,426
Orlando-Kissimmee-Sanford, FL	1.4	8.0	2.4	4.7	6.5	25.2	51.7	48.3	5,207
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2.1	7.4	10.9	3.5	28.6	27.0	20.5	79.5	7,169
Phoenix-Mesa-Scottsdale, AZ	0.5	2.5	0.8	3.0	3.5	3.8	85.9	14.1	20,901
Pittsburgh, PA	0.7	19.2	10.7	10.7	0	0	58.7	41.3	9,235
Portland-Vancouver-Hillsboro, OR-WA	0.5	3.4	1.6	2.3	4.5	4.7	83.1	16.9	13,770
Providence-Warwick, RI-MA	2.8	20.0	11.0	5.7	24.9	10.2	25.4	74.6	2,648
Raleigh, NC	0.9	8.9	5.0	7.6	4.7	36.8	36.1	63.9	3,268
Richmond, VA	0.5	6.7	1.4	3.3	4.8	3.0	80.2	19.8	7,813
Riverside-San Bernardino-Ontario, CA	0.1	1.0	1.5	0.9	2.6	6.4	86.6	13.4	25,178
Sacramento-Roseville-Arden-Arcade, CA	0.6	2.7	0.6	3.9	7.7	4.5	79.9	20.1	8,502
Salt Lake City, UT	0.3	1.0	0.6	1.2	1.4	0.7	94.8	5.2	13,404
San Antonio-New Braunfels, TX	1.0	2.2	2.0	2.8	6.5	8.9	76.6	23.4	9,051
San Diego-Carlsbad, CA	2.7	12.4	4.4	8.6	16.8	5.4	49.6	50.4	3,224
San Francisco-Oakland-Hayward, CA	1.8	18.0	10.0	13.5	0	0	56.7	43.3	5,098
San Jose-Sunnyvale-Santa Clara, CA	4.7	8.9	0.4	2.6	4.8	1.2	77.4	22.6	3,133
Seattle-Tacoma-Bellevue, WA	0.4	4.9	0.9	8.3	4.3	8.9	72.4	27.6	13,032
St. Louis, MO-IL	0.4	3.6	2.4	4.0	5.9	9.2	74.4	25.6	13,302
Tampa-St. Petersburg-Clearwater, FL	3.0	10.0	6.2	9.6	10.5	24.2	36.5	63.5	3,361
Virginia Beach-Norfolk-Newport News, VA-NC	1.6	8.2	2.3	5.0	6.5	11.0	65.2	34.8	4,154
Washington-Arlington-Alexandria, DC-VA-MD-WV	1.1	4.7	2.8	3.9	7.3	26.1	54.2	45.8	9,457

Fair Share Growth Index (FSGI)

The FSGI compares the rate of growth of one specific suburb type with the overall rate of growth of all suburbs, on the basis of the respective size of each group at the start of the analyzed period. For example, if a suburb type contained 25 percent of all suburban households in 2010 and it comprised 25 percent of the overall suburban household growth from 2010 to 2015, then it would have an FSGI of 1.00. If the same suburb type comprised 50 percent of the overall suburban household growth, it would have an FSGI of 2.00, capturing 100 percent more than its “fair share.”

Breaking out the data by type of suburb reveals the varying conditions and diverging destinies of different types of suburbs. Some key observations about the five types of suburbs in the 50 largest metro areas include these:

Millennials need affordability, which many find in the suburbs. Millennials are already well represented throughout all five types of suburbs, but the percentage of residents ages 25 to 34 is somewhat higher in economically challenged and greenfield value suburbs, the two types with the lowest housing costs. This finding shows that although the higher-income millennials who live in walkable central city locations have received considerable media and business marketing attention, much of the generation needs to live in areas that are more affordable.

Diverse suburbs are already the norm. Over one-half of the residents of economically challenged (62 percent) and stable middle-income (51 percent) suburbs are minorities. Even in the types of suburbs with the lowest minority percentages—greenfield lifestyle (27 percent) and established high-end (34 percent)—more than one-fourth of residents are minorities. This finding highlights the widespread diversity of the suburbs.

Not all suburban growth is on the periphery. Suburbs currently classified as stable middle-income, economically challenged, and established high-end suburbs account for 80 percent of suburban housing units and 72 percent of suburban units built between 2000 and 2015.

... But greenfield areas exhibit stronger growth. Between 2000 and 2015, greenfield value and greenfield lifestyle suburbs captured 66 percent and 58 percent more household growth, respectively, than their “fair shares” (see the text box). Established high-end and stable middle-income suburbs more or less held their own, capturing 12 percent more and 13 percent less than their “fair shares” of household growth, respectively. Economically challenged suburbs exhibited the weakest household growth relative to other suburbs, capturing 32 percent less than their “fair share.” Reflecting those “fair share” figures, the number of housing units in greenfield lifestyle and greenfield value suburbs each increased by 35 percent during the period, versus 18 percent overall for the three more established types of suburbs.

Among established suburbs, wealthier areas experience stronger growth. The number of housing units increased the fastest during this period in established high-end suburbs (24 percent), followed by stable middle-income (19 percent) and economically challenged (14 percent).

Greenfield areas have the highest ownership rates and are more skewed toward detached housing. The share of housing units that are owner occupied and the share that are single-family detached units are substantially higher in greenfield lifestyle and greenfield value suburbs than in the other three types. This finding likely reflects newer housing that is more recently purchased and therefore more apt to be owner occupied. Moreover, it appears that households are moving to these suburb types for the purpose of achieving homeownership or living in a single-family home.

Auto dependence is uniformly high. The percentage of workers driving alone to work is similar across all five types of suburbs, ranging from 76 percent in economically challenged suburbs to 82 percent in greenfield lifestyle suburbs. This similarity exists despite differences in access to transit—which is generally better in established neighborhoods—and differences in the means to afford a car.

Not all MSAs have similar shares of each suburb type. For instance, the Washington, D.C., MSA has a relatively small share of stable suburbs compared with other Gateway metropolitan areas. In Washington, D.C., only 13 percent of residents live in stable middle-income suburbs, as compared with 46 percent of residents in Los Angeles and 31 percent in Miami. Similarly, Heartland metro areas generally have fewer greenfield suburbs than those metro areas classified as New West or Sun Belt. In Heartland metro areas, greenfield suburbs account for only 25 percent of developed land area, defined as land area designated as either urban or suburban.

Two opposite value dynamics are at play in different categories of metro areas. Gateway metro areas demonstrate a plethora of high-value suburbs close to their city centers, with values subsiding as distance from the city center increases. In these regions, the median home values of established high-end suburbs within five miles of downtown are, on average, 20 percent higher than in established high-end suburbs located farther out.

However, in most other MSAs, regardless of type, the majority of high-value suburbs are located on the outskirts, at least ten to 15 miles from the city center. A few metro areas buck this trend, including Atlanta, Georgia; Austin, Texas; Salt Lake City, Utah; and Seattle, Washington.

Although a combination of factors is likely responsible for this inversion, a few possible explanations are that (a) these metro areas have already developed a greater share of their land area, leading to traffic congestion and long commutes; (b) their close-in suburbs offer pre-World War II homes and neighborhoods that are not found in all regions; and (c) a greater share of jobs may be located in urban areas, leading to a higher demand for close-in housing.

Where those factors apply, many high-growth MSAs may have the opportunity to revitalize close-in, stable middle-income and economically challenged suburbs if they can address other issues that may be suppressing market demand.

Types of Development Sites

As previously discussed, this report has established a suburban typology based on land economics that defines five types of suburbs: established high-end, stable middle-income, economically challenged, greenfield lifestyle, and greenfield value.

Each type of suburb contains multiple types of potential housing and mixed-use development sites, although some types of sites are more common than others within a given type of suburb. The examples that are discussed in this report have been organized into six types of sites:

- **Industrial/brownfield:** sites previously developed for nonresidential uses that have been abandoned or decommissioned and typically require environmental remediation to be redeveloped. Examples include military bases, rail yards, and industrial or manufacturing facilities. To be developable as residential property, such sites often first require new utilities or transportation infrastructure and new internal road networks.
- **Infill:** undeveloped or minimally developed sites of varying sizes that are located within an area that is already mostly built out. Larger infill sites often include farms or family or institutional land holdings that continued to operate as agricultural or campus uses while the surrounding area filled in with other suburban development. Smaller infill sites are more varied and may include vacant lots, parking lots, subdivision of large-lot residential properties, or other land that has been difficult to develop in the past.
- **Redevelopment:** sites previously developed with other real estate uses that have become less valuable than their market potential as another use or higher density property. However, these sites do not have the environmental issues associated with most industrial and brownfield sites. Common examples of prior uses include regional malls, strip retail centers, small commercial buildings, schools or civic buildings, and public housing.
- **New town:** large undeveloped sites that are planned by a single entity for a variety of uses, including commercial, civic, and residential, and that are planned to include at least 10,000 residential units at buildout. Early examples of new towns include the Woodlands, Texas; Irvine, California; and Reston, Virginia. These communities are so large that full buildout spans decades, and many new towns experience continual evolution and redevelopment similar to any other city or town as the market grows and changes.
- **Lifestyle master-planned community (MPC):** large undeveloped sites in greenfield suburbs that require substantial horizontal land development of infrastructure, utilities, and streets. Lifestyle MPCs typically offer a wide variety of housing products and price points and attract buyers to purchase housing for the overall community offering, including elements such as upscale amenity centers, programming and events, open space, and high-quality architectural design and landscaping.
- **Value master-planned community:** these communities have sites and infrastructure requirements similar to lifestyle MPCs. However, value MPCs have as their primary selling proposition the price and size of the individual homes within the community. In their early phases, these MPCs typically offer a narrower range of products and price points (predominantly single-family detached housing at an entry-level price point) and fewer community amenities.

ESTABLISHED HIGH-END SUBURBS

KEY CHARACTERISTICS

COMMUNITY

17%

Percentage of total population

22%

Percentage of suburban population

25%

Percentage of growth in suburban housing units, 2000–2015

PEOPLE

34%

Percentage minority

\$96,700

Median household income

41 years

Median age of head of household

35%

Percentage of households with children

15%

Percentage of households headed by person under age 35

HOUSING

38 years

Median age of all housing units

\$468,000

Median home value

64%

Percentage of units owner occupied

Established high-end suburbs are generally thriving—particularly in metro areas with economies that are growing at healthy rates. These areas offer ample transportation options, high-quality retail, and appealing services and amenities, and they tend to maintain strong home values even as the housing ages.

These suburbs have a high concentration of baby boomers, who may confront insufficient demand for their single-family homes at some time in the future. But for at least the near term to mid-term, homes that do come on the market are appealing to gen X and millennial buyers who can afford them and who place a high premium on schools with high test scores, accessibility to desirable retail (at least by car), and often relatively convenient commutes to significant job concentrations.

Outlook for Residential Development

In general, these suburbs have offered the best opportunities for market-based development. Although the projects that get built are usually very popular, new development may arouse community opposition. Development opportunities include

- Teardowns of existing homes on relatively large lots followed by redevelopment with much larger and more expensive homes;
- Purchase of a group of adjacent homes, typically to be torn down and redeveloped with denser housing, such as small-lot single-family homes, townhouses, or multifamily products;
- Densification of existing downtowns;
- Redevelopment of aging strip centers and malls or garden apartments, and sometimes other uses like closed schools, into a mix of new rental apartments, condo apartments, retail, office, and in some cases townhouses or dense single-family development; and
- On relatively larger sites that have for some reason been passed over during earlier development cycles, multifamily or mixed-use development in a manner similar to that of master-planned communities. Mixed-use developments of this type generally have a mix of multifamily housing, retail space, and in some cases townhouses or relatively dense single-family detached homes.

Recent Residential Development Examples

INGLENOOK

LOCATION

Carmel, Indiana

METRO AREA

Indianapolis-Carmel-Anderson, Indiana

DEVELOPMENT TYPE

Infill

In Carmel, Indiana, Inglenook Neighborhood brings a new type of product to the Indianapolis region. The 27-acre pocket neighborhood comprises compactly located bungalows, which are oriented around communal lawns instead of driveways, fostering a social, community-driven atmosphere rather than a private, automobile-dependent one. With front porches and main rooms that overlook the communal spaces, the homes are also smaller, with sizes ranging from 1,000 to 2,200 square feet. This efficient form of development is enabling developers to build more homes on smaller, infill sites. At only five acres, Phase I of Inglenook brought 27 homes to the site, which will eventually accommodate approximately 130 units.



Ross Chapin Architects, Land Development & Building Inc.

AVILLA PALM VALLEY

LOCATION

Goodyear, Arizona

METRO AREA

Phoenix-Mesa-Glendale, Arizona

DEVELOPMENT TYPE

Infill

Outside of Phoenix, Arizona, Avilla Palm Valley is a recently opened, 125-unit luxury leased-home neighborhood built on an infill site in the established suburb of Goodyear. Unlike most other rental communities, Avilla Palm Valley provides a hybrid of the single-family and multifamily lifestyle, offering residents the opportunity to lease a single-story detached home with a private backyard, while providing them with apartment features such as full interior and exterior maintenance, valet trash and recycling service, a resort-style pool, and a private gated entrance. Similar communities also operating under the Avilla flag are located in the Sun Belt region in suburban infill locations.



NexMetro Communities

CHELSEA HEIGHTS

LOCATION

Silver Spring, Maryland

METRO AREA

Washington-Arlington-Alexandria,
D.C.-Virginia-Maryland-West Virginia

DEVELOPMENT TYPE

Redevelopment

Located on the site of a former special-needs school, Chelsea Heights is a 63-unit townhouse community outside of Washington, D.C., in the relatively affluent suburb of Silver Spring, Maryland. In 2010, the school announced plans to relocate closer to its student population and to sell its existing five-acre campus in the process. Years later, Chelsea Heights now stands in its place, serving as a transition from the high-density environment of downtown Silver Spring to the lower-density environment of its surrounding residential neighborhoods. With two- and three-story homes and more than half of the community dedicated to open space, Chelsea Heights is less dense than many other townhouse communities, helping conserve the single-family character of surrounding neighborhoods.



Thomas Arledge Photography

STABLE MIDDLE-INCOME SUBURBS

KEY CHARACTERISTICS

COMMUNITY

25%

Percentage of total population

32%

Percentage of suburban population

27%

Percentage of growth in suburban housing units, 2000–2015

PEOPLE

51%

Percentage minority

\$67,000

Median household income

39 years

Median age of head of household

36%

Percentage of households with children

19%

Percentage of households headed by person under age 35

HOUSING

43 years

Median age of all housing units

\$295,000

Median home value

60%

Percentage of units owner occupied

Stable middle-income suburbs play a vital role in providing attainable housing for a broad range of households. As further demonstration of the widespread diversity of U.S. suburbs, minorities account for just over one-half of the population of stable middle-income suburbs. However, some evidence indicates that these suburbs are becoming less common. Some stable middle-income suburbs have gentrified into higher-end suburbs because of a variety of factors. Among the most common reasons for gentrification are that the communities are located near existing high-end suburbs that many households cannot afford, that the demand for housing is expanding in the metro area, and that the suburb's public transit has improved dramatically.¹¹

On the other hand, some middle-income suburbs are not so stable and are at serious risk of deteriorating into economically challenged suburbs with high crime, underperforming schools, and general physical deterioration.¹² In many cases throughout the Midwest and Northeast, the original post-World War II suburban developments have struggled to maintain their middle-class quality of life, and some have not succeeded.¹³

Areas that historically have been racially integrated often struggle to maintain that integration, though some communities, such as Oak Park, Illinois, and Shaker Heights, Ohio, have made valiant efforts to counteract that trend.¹⁴

In general, the paths of stable middle-income suburbs have begun to diverge. Those that are straining to resist falling into the economically challenged category often suffer from homes that are much smaller than many families want, along with aging private developments (such as outdated shopping centers) and public infrastructure combined with local governments that have insufficient tax bases to meet all of their needs. If the economy is reasonably strong, various programs to assist with home modernization or additions can help. If demand is even stronger, gentrification can occur.

On the positive side, many suburbs, particularly in expensive metro areas, are experiencing substantial upgrading without any public help. These suburbs are meeting the needs of households that are leaving more urban areas for various reasons (most often schools and desire for housing

types and sizes that were unaffordable in closer-in locations) and are not interested in moving out to the suburban fringe. Many of these homebuyers are likely to renovate or expand their houses over time, and they may also generate demand for more retail and restaurants in their neighborhoods. However, this gentrification can make it difficult for some lower-income households to remain in the neighborhood. Some of the strategies being tried to overcome this challenging phenomenon follow.

Outlook for Residential Development

- Infill development in stable middle-income suburbs has been occurring, but in some ways it is more challenging than in established high-end suburbs. The market dictates prices and rents that are lower than in high-end suburbs and that make creating financially successful developments more difficult. The most successful infill development has been in suburbs that are transitioning to high-end, but because few properties have been built recently, the suburbs lack a proven track record to support potential prices and rents, and developers, lenders, and investors have to be willing to accept higher risk.
- In some cases, sites such as aging shopping centers, rental apartments, or office buildings that are still generating positive cash flow can be viable opportunities for redevelopment. However, owners or potential purchasers often find that redevelopment for “higher and best uses” does not pencil out given the substantial income that will be lost as a result of demolition. The exception is where the potential exists for significant densification with a construction type that is financially feasible and desired by the market.
- To achieve feasible return-on-investment for private developers, infill and redevelopment in areas targeted by the public sector for improvement often require subsidies or public financing, such as paying for structured parking or other infrastructure.
- Infill development can offer the opportunity to create relatively affordable new housing in dense, walkable environments.
- Those sites would also greatly benefit from the involvement of highly efficient production builders who historically have not been enticed by more challenging infill sites. With housing demand on the exurban fringe well below historical levels, and evidence that the supply of affordable housing in walkable neighborhoods is lower than demand, more high-volume builders are beginning to get involved in this type of project.
- The potential opportunities run up against the fact that higher-density housing, particularly with structured parking and steel construction, is much more expensive per square foot than conventional single-family housing is, and that mixing retail and housing generally increases the cost as well.¹⁵

Recent Residential Development Examples

EMERALD VISTA

LOCATION
Dublin, California

DEVELOPMENT TYPE
Redevelopment

METRO AREA
San Francisco-Oakland-San Jose, California

Emerald Vista provides 180 affordable rental apartments for families and seniors, 184 for-sale market-rate homes, and 14 for-sale below-market-rate homes in an area where home prices and rents are escalating rapidly. The redevelopment replaced a low-density public housing community without displacing any public housing residents and provides substantial amenities to residents of all ages and incomes. Emerald Vista also includes a community center, child care center, active open space areas, and access to a regional trail along Alamo Creek.



Jeff Peters, Vantage Point Photography

AVALON

LOCATION

Alpharetta, Georgia

METRO AREA

Atlanta-Sandy Springs-Roswell, Georgia

DEVELOPMENT TYPE

Infill

Located on an 86-acre site at the center of Alpharetta, Georgia, Avalon brings downtown, retail-integrated living to suburban Atlanta. After delivering in 2014, Phase I mixed residential units—including 250 rental apartments and 101 single-family homes—with more than 600,000 square feet of office and retail space. The for-sale residences, situated at the western edge of the site, include detached and attached homes. At roughly 2,400 square feet each, these homes are broadly attractive to homebuyers searching for mixed-use living in a region where this type of product is largely absent outside the city center.



Monte Hewett Homes

VIRIDIAN

LOCATION

Arlington, Texas

METRO AREA

Dallas-Fort Worth-Arlington, Texas

DEVELOPMENT TYPE

Lifestyle MPC

Since opening in 2012, Viridian has found a way to satisfy various lifestyle segments and price points, despite being situated next to an Arlington city landfill. To lessen the impact on pricing and sales, developers established distance between the landfill and the community, planning a retail area at the front of the community and placing homes behind the retail, a half-mile away from the landfill. As a result of that mitigation strategy, Viridian has established an assortment of housing options, selling townhouses, single-family homes, and estates at prices that are projected to range from \$200,000 to more than \$1 million. At build-out, Viridian is expected to support 15,000 residents in more than 3,000 homes.



Johnson Development Corp.

ECONOMICALLY CHALLENGED SUBURBS

KEY CHARACTERISTICS

COMMUNITY

21%

Percentage of total population

27%

Percentage of suburban population

20%

Percentage of growth in suburban housing units, 2000–2015

PEOPLE

62%

Percentage minority

\$46,500

Median household income

37 years

Median age of head of household

37%

Percentage of households with children

22%

Percentage of households headed by person under age 35

HOUSING

47 years

Median age of all housing units

\$183,000

Median home value

51%

Percentage of units owner occupied

Economically challenged suburbs as a whole have been growing at a slower rate than the other types of suburbs, experiencing 4 percent population growth between 2000 and 2015, compared with 13 percent for suburbs as a whole. However, the difference was less pronounced between 2010 and 2015: economically challenged suburbs experienced 2.4 percent population growth, compared with 3.7 percent for suburbs as a whole. Across all top 50 metro areas, economically challenged suburbs captured 9.2 percent of suburban population growth between 2000 and 2015 and 18.0 percent between 2010 and 2015.

Economically challenged suburbs vary widely from one metro area category to another, probably depending on whether the metro area is a magnet for recent immigrants and has a strong economy.¹⁶ Economically challenged suburbs in New West and Sun Belt metro areas captured high shares of suburban population growth (16.7 percent and 14.9 percent, respectively), from 2000 to 2015. In contrast, from 2000 to 2015 the population nationwide actually declined in economically challenged suburbs.

In high-growth metro areas, some inner-ring suburbs are beginning to attract higher-income residents who may have overlooked these neighborhoods in the past. Those higher-income households are now attracted to the neighborhoods' older housing stock, relatively affordable single-family housing, and proximity to the central city. As some of the older, close-in suburban neighborhoods have gentrified, economically challenged suburbs have become more common in farther-out suburban areas.

In metro areas with weaker economies, economically challenged suburbs are actually losing population and households and "emptying out," creating higher housing vacancy rates and increasing the challenges to deliver critical city services and keep infrastructure in good repair. The slow economic growth and generally smaller size of these metro areas mean that there is little or no spillover of demand from higher-income households into economically challenged suburbs that would be caused by high prices in established suburbs or lengthy commutes from greenfield suburbs. Such areas exhibit the most severe distress, and poverty has been increasing particularly rapidly.¹⁷ Those areas typically have slow population growth or even decline, an aging population that is not being replaced by younger households, seriously aging infrastructure, decline in well-paying industrial jobs, high crime, underperforming schools, and general physical deterioration.¹⁸

Outlook for Residential Development

Whether they are currently declining or have struggled for many years, economically challenged suburbs pose many challenges to development and investment. Public sector support and investment can help create opportunities for development.

- Occasionally a highly accessible infill location with good transit access in a thriving metro area can be successfully developed on a market-rate basis. Midtown in the Denver area (see next page) offers a good example. Often those locations have little housing before redevelopment. Although the land is located in a less desirable area within the region, developers can create attractive communities at relatively affordable price points.
- Aggressive code enforcement can help stabilize and improve neighborhoods that are at risk of additional decline. For example, the Chicago Southland Housing and Community Development Collaborative and the West Cook County Housing Collaborative have executed programs to support rehabilitation of rental housing and of foreclosed single-family homes in suburban neighborhoods.¹⁹
- Public/private partnerships, such as the Denver Transit Oriented Development Fund and Atlanta Beltline Inc., can mobilize government, philanthropic, and private investment to support commercial and mixed-used development that could strengthen the feasibility of residential development. Similarly, mission-oriented organizations that deliver housing and social services, such as Common Bond Communities in Minnesota, can catalyze investment in economically challenged suburbs.
- Federal, state, and local housing programs that have enabled development in economically challenged suburbs include
 - Housing choice vouchers,
 - Low-income housing tax credits,
 - Federal block grant funds for housing, and
 - Accessory dwelling units.²⁰
- Fair Housing enforcement, housing counseling and mobility programs, and landlord outreach efforts have demonstrated some ability to address issues of diversity and segregation that are becoming more prevalent in economically challenged suburbs. Those areas that are not already segregated have had a strong tendency to move from racial diversity to segregation or re-segregation.²¹

Recent Residential Development Examples

GREENBRIDGE

LOCATION

White Center, Washington

DEVELOPMENT TYPE

Redevelopment

METRO AREA

Seattle-Tacoma-Bellevue, Washington

Once the site of rent-subsidized, World War II-era duplexes, Greenbridge is located south of Seattle on a 100-acre site in the White Center neighborhood. In an attempt to revitalize the neighborhood, the King County Housing Authority demolished the aging duplexes in 2005, and—with a \$35 million grant from the U.S. Department of Housing and Urban Development and additional private and public funding—began construction on the 1,000-home mixed-income community. The community consists of rent-subsidized, workforce, and for-sale homes. These new, brightly colored homes, which include townhouses, cottages, apartments, and single-family houses, are a stark contrast to the deteriorating duplexes that once stood on the site.



King County Housing Authority

MIDTOWN

LOCATION

Denver, Colorado

METRO AREA

Denver-Aurora, Colorado

DEVELOPMENT TYPE

Industrial/brownfield

Located on a 184-acre site that once housed a manufacturing and component testing facility, Midtown is a master-planned infill project that provides homebuyers with an affordable alternative to other residential neighborhoods in Denver. The project, which is situated north of downtown, functions as a transition from many of those neighborhoods, rather than as an extension of the neighboring industrial neighborhood with which it was once associated. Nonetheless, the community plays to this past, creating a distinct urban feel. Phase I of Midtown comprises contemporary single-family detached homes that resemble those found in downtown neighborhoods, but with access to community-oriented amenities, including a neighborhood center, a community garden, and a dog park. The project will eventually feature 1,300 units.



Brookfield Residential

EASTON PARK

LOCATION

Austin, Texas

METRO AREA

Austin-Round Rock, Texas

DEVELOPMENT TYPE

Value MPC

At 1,500 acres, Easton Park is a large-scale, master-planned community in Austin, Texas, ten miles southeast of downtown. Of the 10,000 planned housing units at Easton Park, 650 for-sale homes will be earmarked for low-income families, and an additional 350 rental units will be set aside for low-income households. Most market-rate homes are selling at prices between \$250,000 and \$300,000, significantly lower than those that buyers can expect to find in the northern regions of Austin, especially when considering homes that are within a comparable distance of downtown. With an extensive list of amenities that include community pools, local parks, 13.1 planned miles of trails, a community center, and an outdoor amphitheater, Easton Park offers similar programming to other master-planned communities in Austin, but at a more affordable price point.



Brookfield Residential

GREENFIELD LIFESTYLE SUBURBS

KEY CHARACTERISTICS

COMMUNITY

10%

Percentage of total population

13%

Percentage of suburban population

35%

Percentage of growth in suburban housing units, 2000–2015

PEOPLE

27%

Percentage minority

\$92,400

Median household income

42 years

Median age of head of household

38%

Percentage of households with children

13%

Percentage of households headed by person under age 35

HOUSING

30 years

Median age of all housing units

\$367,000

Median home value

71%

Percentage of units owner occupied

Greenfield lifestyle suburbs offer varied and upscale new housing at price points that attract relatively affluent households, including in MPCs. As many metro areas continue to grow, these areas may eventually become more established and migrate into the established high-end suburban category.

Particularly in growing metro areas, these developments at or close to the urban fringe have continued to experience strong market demand. Additional housing growth in the neighborhoods, therefore, serves an important role in providing what more affluent homeowners need and desire: the promise of being part of a new development and community; nature trails and open spaces, and generally better access to nature; the opportunity to escape the congestion of older, more built-out areas; and the potential for their children to attend new schools. In some cases, greenfield value suburbs that experienced a substantial amount of high-quality, successful community development evolved into highly desirable locations for new housing and therefore became greenfield lifestyle suburbs.

Outlook for Residential Development

In the greenfield suburbs of many metro areas—particularly in the Sun Belt—MPCs have increasingly segmented their housing offerings to appeal to the full gamut of generations.

- Responding to the underserved demand for walkable, mixed-use suburban areas, some developers of MPCs have created downtowns or town centers with a mix of housing types and retail. When successful, these centers have become highly desirable amenities for potential residents of neighborhoods nearby—even for those who cannot easily walk to the downtown but can experience walkable urbanity once they park their cars.

Some successful, very large-scale MPCs, such as Summerlin, Nevada, and Reston, Virginia, have waited until relatively late in the life of the community to develop downtowns, once sufficient resident and employee demand is in place to support them. But most town centers or village centers are smaller and were developed sooner in the life of the community.

Successful town centers or village centers have demonstrated that residential space closely connected to mixed-use commercial space commands premium pricing. Their success arises from providing several important features: (a) a size, scale, and program that is congruent with the role the town center plays in the life of the community; (b) a center that fits in the hierarchy of retail centers; (c) a high-quality built environment that people go to because they enjoy being there and that generates customers for tenants; and (d) an attractive public setting that

provides for meeting, mingling, strolling and people watching that is part of a desirable lifestyle. However, a failed or largely vacant town center is not a helpful amenity, so it is important to ensure that market support is sufficient for the potential town center's specific location and contemplated retail mix and size, taking account of existing and near-term future residents and competitive alternatives.

- Conservation communities have begun to more directly provide environmental stewardship and appeal to buyers who desire large open spaces. Some communities have also focused on sustainability and agriculture in ways that provide residents with unique services and amenities.
- Some greenfield lifestyle suburbs are facing the same challenges that confront established high-end suburbs as they become more built out. The local entitlement environment is not always favorable to new housing development as jurisdictions attempt to limit the number of new students within their school districts. Often communities that are hostile to the development of new housing will try instead to focus exclusively on employment and commercial growth, without recognizing that a balance between commercial and residential housing is necessary to achieve sustainable growth. Sometimes, therefore, a mismatch exists between market demand and the types of development most likely to be approved. In some of these suburbs, only high-end, large-lot development is encouraged, whereas in other jurisdictions, new housing is entirely high-density "smart growth" when a significant share of the market would prefer conventional suburban development.
- Rising land values and, in some metro areas, land scarcity are increasing home prices in communities in the suburbs, a condition that limits their potential market audience.

Characteristics of Successful Master-Planned Communities

RCLCO has identified the following trends and characteristics of the successful MPC of the future:

- Carefully designed segmentation plan to attract a broad range of price points of for-sale housing, including single-family homes on small lots and relatively dense single-family detached and midrise multifamily housing, which have been dubbed the "missing middle,"²² plus rental single-family homes and apartments in the community. In large-scale MPCs, segmentation is everything, on a broad range of dimensions:
 - Price
 - Product type, including specialty products such as patio homes, particular architectural styles and materials, a mix of alley-served neotraditional neighborhoods, conventional neighborhoods, attached duplexes, and townhouses
 - Attention to targeting buyers, including offering homes with first-floor or double master bedrooms, homes that cater to multigenerational buyers, and high-quality smaller homes that cater to a range of households without children at home
- Focus on health and wellness, including fitness facilities, parks and open space, trails, and sidewalks
- One or more neighborhoods that are particularly likely to appeal to the age 55+ market
- Amenities that appeal to younger buyers, taking account of the amenity packages of nearby Class A rental apartments
- Investment in mobility and accessibility, including walkability in both suburban (e.g., trails) and more urban (e.g., town center) settings
- Environmental stewardship, including tying community to the outdoors with experiences and celebrating nature or eco-friendly ideals
- Connection with local food, integrating community gardens, community-supported agriculture, cooking classes, restaurants, a farmers market, and even an on-site farm
- On-site or nearby employment and high-quality education, which are particularly critical for large multiphase MPCs
- Development of a brand that tells a story, describes a way of life, and sells lifestyle more than product
- Focus on a sense of community and the people who live there, including organized programming but also gathering places and opportunities that make residents comfortable to create their own experiences
- Authentic spaces and experiences and a unique character and sense of place, with its values and purposes integrated into the design process
- Integration of technology into the community and focus on staying on the cutting edge of trends that affect real estate, such as autonomous vehicles, extremely fast internet connections, and new developments in glass, batteries, and sensors

Recent Residential Development Examples

LAKE NONA

LOCATION

Orlando, Florida

METRO AREA

Orlando-Kissimmee-Sanford, Florida

DEVELOPMENT TYPE

New town

Situated southeast of Orlando International Airport, Lake Nona is a 7,000-acre mixed-use master-planned community in Orlando, Florida. Starting in 1995, the Tavistock Group began acquiring land in this region, which was mostly undeveloped at the time. Today, Lake Nona is home to residential neighborhoods ranging from a high-end golf and country club (Lake Nona Golf & Country Club) to a traditional neighborhood development-style community (NorthLake Park). With educational and health facilities as nonresidential anchors, Lake Nona has diverse product offerings that include single-family homes, rental apartments, townhouses, and an assisted living facility, making it attractive to everyone from younger millennials to older retirees.



Jessi Blakley, TDC Marketing

PAVILION PARK

LOCATION

Irvine, California

METRO AREA

Los Angeles-Long Beach-Riverside, California

DEVELOPMENT TYPE

Industrial/brownfield

Following the closure of the Marine Corps Air Station El Toro in 1999, the city of Irvine, California, designated about two-thirds of the 2,100-acre site as the Orange County Great Park, allowing the remainder of the site to be developed for compatible land uses. Upon completion, the Great Park neighborhoods will offer a mix of residential, commercial, educational, and recreational properties, including but not limited to 9,500 home sites, 1,000 affordable housing units, three schools, and about 4.9 million square feet of office space. The first neighborhood to deliver, Pavilion Park, is now fully sold. Pavilion Park has sidewalks, paths, and trails spread throughout the community, and many of its homes offer features such as front porches and indoor-outdoor living spaces that provide residents with the opportunity for community-oriented, parkside living in the otherwise developed city of Irvine.



Tsutomida Pictures

DAYBREAK

LOCATION

South Jordan, Utah

METRO AREA

Salt Lake City, Utah

DEVELOPMENT TYPE

New town

Located 20 miles south of Salt Lake City, Daybreak is the largest master-planned community in Utah, at 4,126 acres. The site, the majority of which was historically used for farming purposes, will include at least 13,500 residential units and 9.1 million square feet of commercial space at buildout. Intended to serve as a middle ground between new urbanist and exurban developments, Daybreak offers a variety of housing types, which are situated in villages that, while dense, are not significantly inconsistent with the surrounding development. With diverse product offerings that include single-family homes, townhouses, condominiums, and apartments, the villages cater to many different price points. The community is an example of how value-oriented greenfield areas can be transformed into lifestyle communities through a high-quality MPC development.



Daybreak, Utah

GREENFIELD VALUE SUBURBS

KEY CHARACTERISTICS

COMMUNITY

5%

Percentage of total population

6%

Percentage of suburban population

33%

Percentage of growth in suburban housing units, 2000–2015

PEOPLE

37%

Percentage minority

\$59,000

Median household income

40 years

Median age of head of household

37%

Percentage of households with children

17%

Percentage of households headed by person under age 35

HOUSING

34 years

Median age of all housing units

\$198,000

Median home value

66%

Percentage of units owner occupied

Greenfield value suburbs offer recently built homes at attainable prices for many households, especially first-time homebuyers; they are tomorrow's stable middle-income suburbs. Much of the development in these suburbs has consisted of subdivisions with limited amenities. Buyers in these locations are often trading longer commutes, school quality, retail proximity, or transportation access for new, larger housing at attainable prices.

During the housing downturn that started a decade ago, these areas were often the hardest hit in terms of foreclosures and homeowners who ended up underwater on their mortgages. Increasingly, the market segments attracted to this location and product may continue renting if they cannot meet stricter lending standards or afford to buy a home yet. Some potential move-up buyers may still be underwater on their current home. In some locations, MPCs that offer more amenities have been built in these areas and have been able to provide new housing that is quite affordable.

Outlook for Residential Development

- Products oriented toward immigrants, some of whom have large or multigenerational families not well accommodated in existing homes, present a new opportunity. Some MPCs have begun to better serve multigenerational families.
- In some metro areas, certain MPCs have targeted or included segmentation for some of the most affordable new housing in the metro area.
- However, rising land values, construction costs, and entitlement costs and fees make it difficult to offer new construction at prices that appeal to entry-level buyers who may also be considering resale homes.
- Opportunities may arise for more product variation, especially among attached product types and small-lot single-family homes to appeal to nonfamily buyers and those who desire homeownership but cannot afford a conventional single-family home.
- Near-term market dynamics may be weaker than in recent decades because first-time buyers face increasing challenges in qualifying for mortgages and saving for downpayments, or because buyers are more apt to wait to purchase a home until they can afford something more upscale or closer in.
- A new potential market is move-down buyers, who no longer care about proximity to employment and are moving to be closer to their families and grandchildren.

Recent Residential Development Examples

TRIBUTARY AT NEW MANCHESTER

LOCATION

Douglasville, Georgia

METRO AREA

Atlanta-Sandy Springs-Roswell, Georgia

DEVELOPMENT TYPE

Lifestyle MPC

Located 20 minutes outside of downtown Atlanta, Tributary at New Manchester is a 1,475-acre mixed-use, master-planned community in Douglasville, Georgia. With prices ranging from \$200,000 to more than \$2 million, Tributary at New Manchester offers some of the most expensive homes in the area, which is partially undeveloped and located across the Chattahoochee River from a major industrial and manufacturing corridor. The community comprises a residential area and a mixed-use village center, in addition to an office park campus, where the American Red Cross headquarters recently located. At buildout, Tributary at New Manchester is expected to feature up to 3,000 homes, many of which have features that enhance the pedestrian streetscape, such as oversized front porches and alley-loaded parking garages.



Douglasville Development; Rick Mildner, Developer

ST. CHARLES

LOCATION

Waldorf, Maryland

METRO AREA

Washington-Arlington-Alexandria, D.C.-Virginia-Maryland-West Virginia

DEVELOPMENT TYPE

New town

Designed to feature nearly 25,000 homes spread across five villages, St. Charles is a self-sustaining master-planned community in Waldorf, Maryland, about 22 miles southeast of Washington, D.C. Located in a relatively value-oriented area, St. Charles offers housing options intended to fit a variety of budgets, providing price-conscious buyers with the opportunity to purchase new single-family homes and townhouses at attainable price points, while not pushing away other prospective buyers looking for a high-quality, new construction product. Such segmentation draws a large number of buyers to St. Charles, which is expected to have a population of 65,000 by the time it is completed in 2035.



St. Charles Companies

RANCHO SAHUARITA

LOCATION

Sahuarita, Arizona

METRO AREA

Tucson, Arizona

DEVELOPMENT TYPE

Value MPC

Twenty miles south of Tucson, Arizona, Rancho Sahuarita sits on a nearly 3,000-acre site that was once uninhabited, unheard of, and—until 1994—unincorporated. Now home to 17,000 residents and usually one of the top-selling master-planned communities in the nation, Rancho Sahuarita is well established, providing a cohesive sense of place at affordable price points. Offering homes with a distinct Spanish colonial feel, the community has a number of family-oriented amenities, including a waterpark, a clubhouse, and Safari Park, which contains statues of life-size African animals depicted in their natural habitats. As a result of this programming, Rancho Sahuarita fosters a sense of character that is largely absent from other MPCs in the region, and its homes continue to be relatively affordable due to its outer location.



Rancho Sahuarita

Key Issues for Suburban Housing

Although the future of suburban housing demand and development will be influenced by a wide range of social, economic, and environmental factors, five issue areas warrant particular attention for the developers, investors, planners, local officials, and suburban residents who will shape the suburban future:

- Enduring and evolving consumer preferences
- Willingness to pay a premium for more urban living
- An aging population—and a potential housing mismatch
- Growing racial, ethnic, and economic diversity
- Real estate industry innovation and technology change

Enduring and Evolving Consumer Preferences

A great amount of attention is paid to the changing housing preferences of the American public, and rightly so. Over the past few decades, the growing popularity of urban housing in certain metropolitan areas suggests that an increasing portion of homebuyers desire urban-style amenities. And yet, although those changes are significant, many of the most important housing preferences remain mostly consistent for the majority of Americans.

According to a 2016 survey by the Demand Institute, the most important neighborhood characteristics for Americans are safety, quiet, and orderliness, as measured by the share of survey respondents who designated a given location characteristic as very important (83 percent for safety, 70 percent for quiet, and 67 percent for orderliness).²³

The survey found a range of opinions regarding the importance of locational attributes that are potentially more likely to be characteristics of more urban neighborhoods:

- 39 percent rated walkability as very important (20 percent said it was not important).
- 32 percent rated proximity to work as very important (36 percent said it was not important).
- 26 percent rated neighborhood diversity as very important (30 percent said it was not important).
- 25 percent rated public transportation as very important (44 percent said it was not important).
- Opinions were mixed on the importance of school quality—34 percent rated a good school district as very important, whereas 40 percent said that it was not important, presumably reflecting the fact that many households do not have school-age children.²⁴

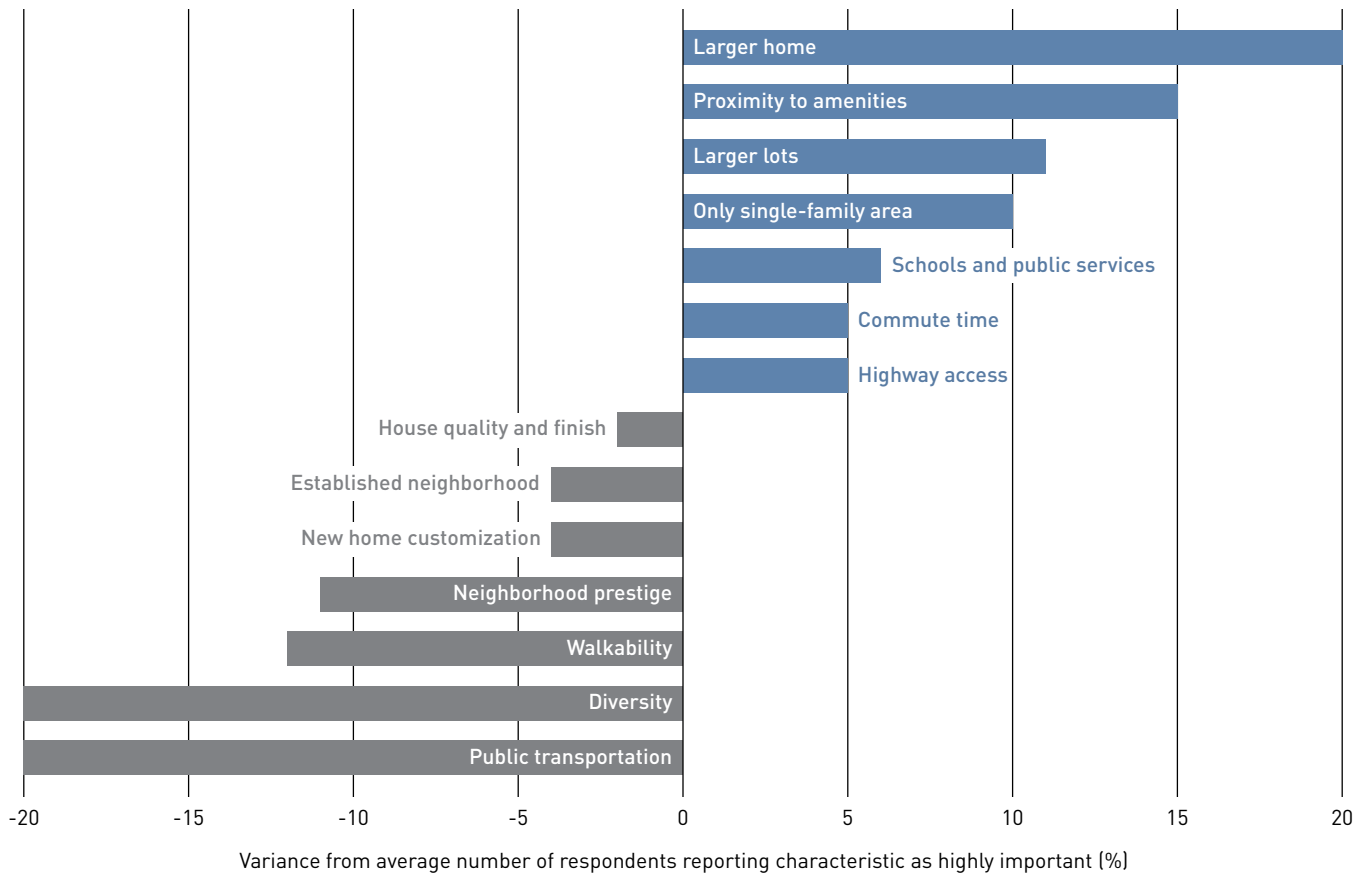
ULI's *America in 2015* survey found that preferences regarding housing and community attributes are generally consistent across demographic groups. For instance, the survey found that of all ethnic groups and generations (with the exception of the heavily suburban "silent" or "Eisenhower" generation), the share of individuals who reported a preference for suburban housing exceeds the actual number of individuals who stated that they currently live in the suburbs.²⁵ *America in 2015* also found that 63 percent of millennials prefer living in a "car-optional" neighborhood, which is hard to find in most suburbs. Yet when respondents were asked to look five years into the future, the share of millennials preferring urban housing dropped nine percentage points, to 37 percent overall, and 71 percent said they expect to live in a single-family home.²⁶

A separate ULI survey of only millennials, conducted by Lachman Associates in 2014, found they have the highest preference for urban living among current generations, with 46 percent of them stating that they prefer urban housing locations. Still, the survey found, only 37 percent think of themselves as “city people,” whereas 36 percent identify with the suburbs and 26 percent with small towns and rural areas.²⁷ (Three-quarters of those self-identified city people live in neighborhoods adjacent to downtown, although many of the neighborhoods likely have suburban housing types and densities.)

A 2016 RCLCO survey of young homebuyers who recently purchased their first home found that a majority of them purchased in the suburbs. Furthermore, most of the key factors that they cited as influencing their purchase—larger homes, larger lot sizes, exclusively residential neighborhoods, school and public service quality, and highway access—are neighborhood and home characteristics that are decidedly suburban in nature. Surveying actual buyers, rather than prospective purchasers, provides a sense that when households actually make decisions, suburban housing is well aligned with their preferences.

Even though demand for urban housing is booming in many metropolitan areas, a large portion of homebuyers continue to find that new or existing suburban homes offer the best match for their preferences and budget. Furthermore, more households, developers, and builders are realizing that living in a single-family home does not necessarily require that it is owner-occupied, even if residents would prefer to own. The suburbs are not and need not be monolithic and static in the

HOME CHARACTERISTICS THAT MATTER MOST TO YOUNG FIRST-TIME HOMEBUYERS



Source: RCLCO Survey of Young First-Time Homebuyers, 2016

Consumer Research Surveys

Consumer research surveys are widely used in American business and media, and they are useful to a point. Survey questions cannot assess the full range of tradeoffs and prioritization that in sum compose a homebuyer's willingness to spend a certain amount for a home.

It is therefore likely that homebuyers may indicate in a survey that they like a variety of home attributes and yet choose a home that meets only a select few of those criteria. After all, who doesn't like parks, low crime, high-quality schools, walkable streets, and affordable homes, when considered in isolation? Or to live in a single-family home within walking distance of shops and a short commute to work? But the more of these attractive attributes a home has, the more demand it commands, thereby increasing its price, and housing with most of these characteristics either does not exist or is extraordinarily expensive in many areas.

housing choices that they offer to homebuyers. New housing may not be able to meet the most important preferences, particularly for first-time buyers, who often find that existing homes prove a more compelling value.

Except for the rare household that has no budget constraints, homebuyers or renters must therefore make choices that sacrifice to a greater or lesser extent home attributes that are less important in order to choose a home that meets their most important priorities. The less purchasing power that a household has, the fewer second-tier home attributes they can afford.

Overall, the strength, ubiquity, and persistence of Americans' desire for homeownership is favorable for the future of single-family homeownership, and, by extension, the future of the suburbs. Despite the economic turmoil faced by many budding homeowners in the foreclosure crisis, housing tenure preferences have not changed, and single-family homeownership remains a core tenet of the "American Dream."²⁸ Almost three-quarters of Americans believe that homeownership is a good investment. Of those expecting to move, almost three-quarters anticipate owning a home within five years.²⁹

However, as discussed later in this report, developers and builders of new suburban communities and housing are working to maintain their relevance and competitiveness by adapting to the financial and other characteristics of households, including building new rental single-family homes.

Willingness to Pay a Premium for More Urban Living

Research by ULI and a number of other organizations over the past 15 years has documented the "urbanization" of some suburban areas, especially with respect to higher density and more walkable communities. Although real estate and land use experts have heated debates about how much of future suburban development will take the form of denser, more walkable neighborhoods, many of those who disagree about the overall future of suburbs come to similar conclusions on the importance of this trend.

Some contend that the greatest opportunity for new development in most metro areas will be the future urbanization of the suburbs.³⁰ On the other end of the ideological spectrum, others commend the revival of older suburbs and the development of master-planned communities with walkable cores but argue that not all suburbs will or should aspire to higher-density development.³¹

Given that a high percentage of the housing built in U.S. suburbs has not been in walkable areas, there is likely a deficit of homes in walkable neighborhoods. For demographic and preference reasons, combined with the relative scarcity of walkable neighborhoods in the suburbs, there will probably be more demand than has been exhibited in the past for suburban housing in a range of types and prices that is in walkable neighborhoods or at least accessible to such areas (e.g., mixed-use town centers and traditional neighborhood development and its variations).

So a somewhat higher share of new development will likely meet that desire. In the coming years, efforts will likely continue to make at least some suburban areas more urban, with walkability to restaurants, stores, and other conveniences, combined where possible with access to good transit. Some of that development will be close to existing urban areas, and some will be close to existing or newly built mixed-use modes that include restaurants and stores. Some of the suburban

development will deliver a more urban experience for a wider range of households. As previously discussed, many large master-planned communities are including urban town centers as a component of their development.

A recent report by MPF/Yield Star Research suggests that the premium for walkability and density in some suburban markets creates an investment and development environment for new suburban apartment development that is superior to that in the urban core. Looking at the top 50 real estate markets, the report found that returns on multifamily properties in suburban areas with both high rent and superior job growth matched or exceeded returns in the strong urban-core areas, over multiple time periods. (The analysis also found that low-rent suburbs in slow-growth markets have proven consistently inferior investments.)³²

Christopher Leinberger’s work, looking more broadly at rental apartment, office, and retail development (but not for-sale homes), has shown that “walkable urbanism,” in suburban as well as in urban areas, achieves high price and rent premiums relative to other forms of development.³³

As a result, “walkable urbanism” has become somewhat of a luxury good that many households will not be able to afford, or might afford only by sacrificing too much in terms of unit size, housing type preference (e.g., desire for a single-family home that they can afford only in a more conventional suburban area), or perhaps safety or school quality. Indeed, Richard Florida has asserted: “At the end of the day, walkability remains a premium good—one that is far more prevalent in America’s most advantaged, affluent, and educated metro areas. Indeed, walkability is yet another dimension of the greater socioeconomic divide separating the winners and losers of the knowledge economy.”³⁴

Much of the future demand for walkable urbanism, in cities and suburbs, is presumed to come from millennials, who as a generation have shown a greater affinity for more urban living than prior generations at a similar age. The homebuilding company Pardee, which has designed two experimental new homes targeted to millennials, has concluded from its consumer research that millennials are moving to suburbs for the same reasons as generations before them, but they are now carrying “urban artifacts” with them.³⁵

For example, the Pardee millennial survey found that millennials want affordable homes that maximize space, offer opportunities to personalize their homes, offer outdoor living, and have amenities within walking distance—parks, grocery store, family and friends, schools and job, entertainment, and stores, in that order. Plus, the further priorities of school quality, safety, and accessibility to jobs (even if not by foot) go without saying.

Most millennials (or members of other generations) will not be able to afford all of those desired attributes, and for many households the opportunity to walk to stores and restaurants will probably lose out to even higher priorities. As of 2014, the median income of households between the ages of 25 and 34 was \$54,243,³⁶ so many millennials will be lucky to achieve any of their housing priorities, let alone all of them. Therefore, the relative effective demand for walkable neighborhoods is likely to be lower than preference survey data indicate.

Many middle-class millennial households will be moving out of urban areas to suburban ones, often in search of single-family homes with a yard, more space in their unit, and better schools. Most of them will buy existing homes. As previously discussed, many of these millennials will not be able to afford to live in high-end established suburbs. Some of them are following the conventional pattern of moving out from the central city as far as necessary to afford the home they want in a neighborhood that meets their needs and desires.

IN THE COMING YEARS, EFFORTS WILL LIKELY CONTINUE TO MAKE AT LEAST SOME SUBURBAN AREAS MORE URBAN, WITH WALKABILITY TO RESTAURANTS, STORES, AND OTHER CONVENIENCES, COMBINED WHERE POSSIBLE WITH ACCESS TO GOOD TRANSIT.

But others—particularly those for whom staying as close as possible to the city is a priority—are contributing to the changing demographics, particularly with respect to age and income levels, of select middle-income and economically challenged suburbs. This movement especially occurs in less affluent suburbs that are close to established high-end suburbs, that have relatively good schools and low crime rates (at least perceived to be better than the area they are moving from), and that have ideally at least some existing base of interesting restaurants and other stores.

Over time, many of those homebuyers will end up expanding and renovating the homes that they purchase. Some millennials see the relatively bland architecture of many of the suburban houses they are buying as an opportunity to put their stamp on the homes. Over time, this “suburban gentrification” will likely support a broader range of restaurants and other retail.

An Aging Population—and a Potential Housing Mismatch

A lively debate is ongoing among housing researchers and economists about the future demand for single-family homes, owned versus rental homes in general, and the related topic of whether homeownership rates are likely to continue to decline or will reverse and potentially increase to recent peak levels.

Arthur C. “Chris” Nelson has argued that more than enough single-family detached housing is already available on relatively large lots to accommodate most or all of future demand. He also has concluded that all new housing development could be accommodated on existing parking lots and that “sprawl” will not continue because of monumental shifts in gen X and gen Y (millennial) preferences. He calculates that even if all new housing development met the desires of what he estimates is the one-third to one-half of Americans who don’t want exurban single-family detached homes, the market demand for walkable communities that offer the opportunity to walk or bike to work or errands would still not be met.³⁷

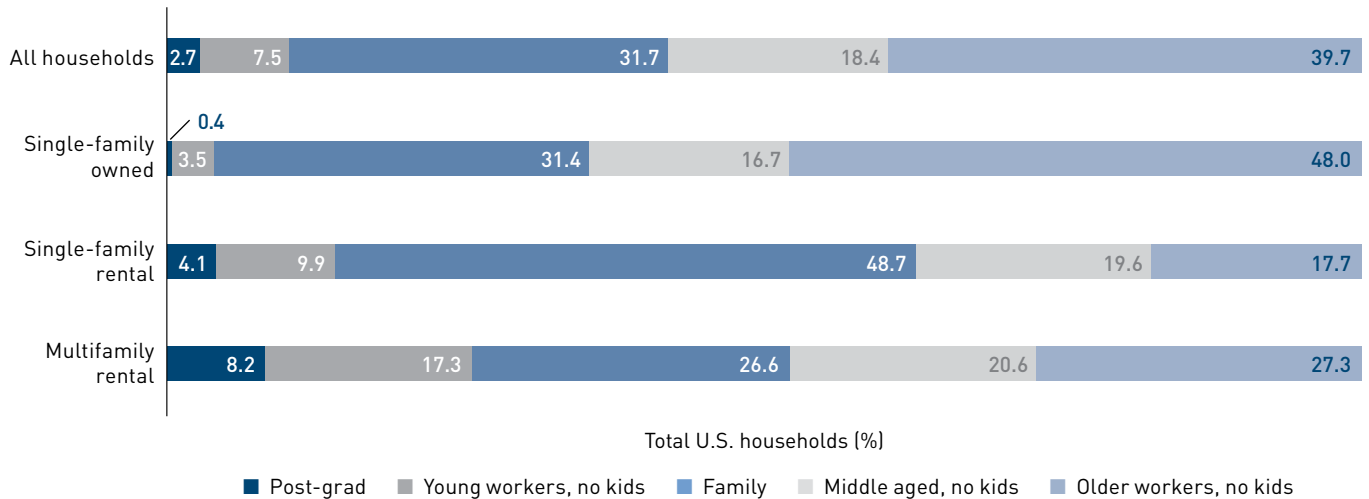
One implication of those conclusions, taken to the extreme, is Leinberger’s prediction in 2008 that many low-density suburbs and McMansion subdivisions may become slums of poverty, crime, and decay.³⁸

As discussed, households consider many factors in the process of choosing a home. Although numerous Americans prefer walkable locations, factors such as safety, home size and quality, proximity to work, and perceived school quality are more important for many. Those preferences make it difficult to have any confidence that demand for conventional single-family homes will diminish drastically, after all of the necessary trade-offs are taken into account. Furthermore, natural market forces are likely to adjust for any disequilibrium between supply and demand for large exurban homes by resulting in somewhat faster nominal price and rent increases in more walkable neighborhoods. Some evidence suggests that this differential price trajectory has already been occurring, at least between suburban and urban areas, as previously discussed.

The analysis for this report indicates that in growing metro areas, some households will, in fact, want new single-family detached homes or homes in specific locations where desirable resales are not available. Household growth and formation will result in demand for more such housing than is available today, and future housing development will adapt to the types, locations, and pricing that consumers demand. The past five years have shown that the market is not necessarily capable of building as much housing as is demanded by growth, a condition that has kept prices high for the limited supply.³⁹

However, a serious issue may be confronting many U.S. suburbs. A significant share of suburban single-family detached homes are owned by members of the baby boomer and Eisenhower (silent) generations. Although many seniors would prefer to stay in these homes for the rest of their lives, the reality is that many of the homes are not well adapted to aging households: they lack

U.S. LIFE STAGE DISTRIBUTION COMPARISONS BY HOUSEHOLD TYPE



Source: RCLCO; U.S. Census Bureau, "American Community Survey 1-Year Estimates," 2014.

accessibility features and single-story designs and they are not well located for seniors who can no longer drive. Moreover, government services are not targeted to the needs of seniors living in their own homes.⁴⁰ In any case, these generations will die in the coming years, and they or their estates will need to sell their homes or vacate their rental single-family units.

The distribution of single-family owner households in the United States is significantly older than the distribution of households overall and of households in single-family and multifamily rentals. As shown in the figure, almost one-half (48 percent) of households living in an owned single-family home are older workers and retirees with no children. On the other hand, almost one-half (49 percent) of households living in rented single-family homes are families.

Dowell Myers and Hyojung Lee conclude that for generational reasons alone, over time the number of older homeowners will likely overcome the number of working-age potential buyers, and there will not be enough younger buyers to purchase the older sellers' homes. The authors point to a "worrisome generational momentum" in which millennials fall behind in terms of homeownership, and they believe it is unlikely that that generation will catch up. As a result, Myers and Lee predict that growth of ownership and suburban home building will be subdued, and that if things do not go well for millennials in terms of ownership, they will not go well for boomers.⁴¹

However, the increasing number of single-family homes that are rented means that some millennials who lack the wherewithal to own a home will still live in single-family homes, and some of the homes owned by older households will end up being rented to younger households that cannot afford or do not choose to buy. Furthermore, people are tending to live longer, and many homeowners do stay in their single-family homes into their 80s.

Boomers who want or need (for financial reasons) to stay in their homes longer will have their needs met better if financing is made available for home maintenance and accessibility, and if services such as community activity centers, dial-a-ride transportation, and mobile meal services are made available. In addition, the increasing number of neighborhood support networks has the potential to make a big difference.

Communities with many aging homeowners are also more likely to be able to compete for the smaller number of younger buyers because those communities are accessible to jobs, have good

schools and after-school programs, and are able to create some component of walkable urbanity, even if most people drive to the walkable area.⁴² But jurisdictions with increasing percentages of seniors are likely to see intergenerational budget battles that may result in better services for seniors but at the expense of investment in schools and other budget items that are important to younger buyers.⁴³

At least for the short term, RCLCO's housing demand model points to a rising demand for single-family ownership on the basis of the sheer size of the millennial generation that is aging into homeownership. This rising demand should stabilize the homeownership rate, which has recently declined, and eventually lead to a slight increase. The resultant increase in demand for single-family housing (both rental and owner occupied) indicates a structural demand for twice as many new single-family homes by 2020 as in the past five years (2010–2015).

Although over the past five years some of that demand was absorbed by existing vacant housing stock, the single-family housing vacancy rate is now at an all-time low and new housing will need to be built to accommodate demand growth. This forecast contemplates that structural demand and a mismatch of price, product, and location may constrain the for-sale market as buyers choose location over ownership in the short term. However, the organized single-family rental market is growing quickly, and its ability to decouple product preferences from the financial requirements to purchase a home may improve the outlook for single-family housing construction.

Growing Racial, Ethnic, and Economic Diversity

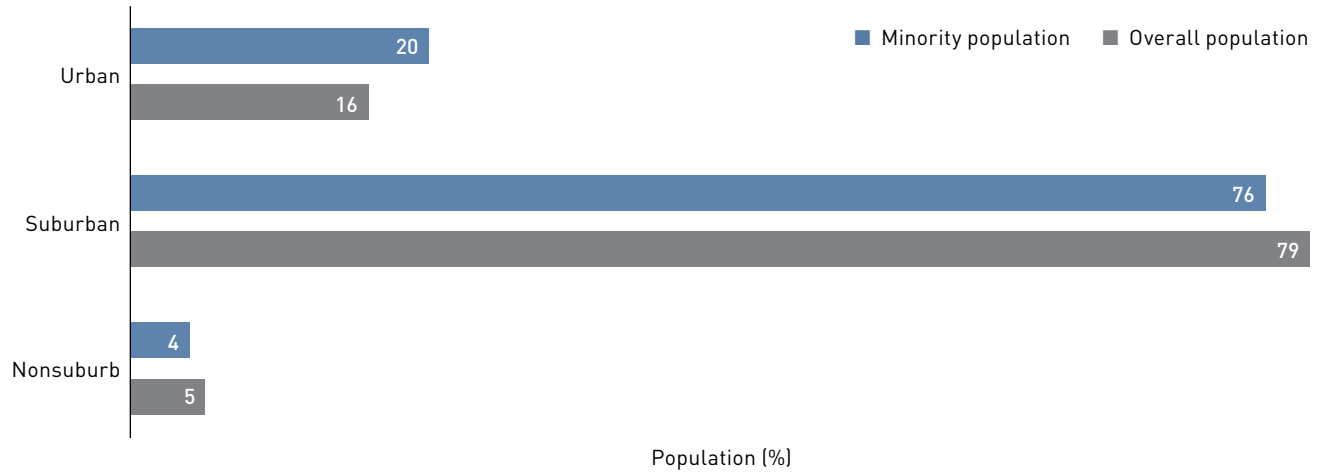
Although the stereotype that suburbs are mostly enclaves for middle- and upper-class whites may have held water in the mid-20th century, the contemporary suburban landscape exhibits as much racial and economic diversity as the United States as a whole.

Using this report's classification, 76 percent of the minority population in the 50 largest metro areas is living in the suburbs—not much lower than the 79 percent of population in these metro areas as a whole. Minorities are more likely to live in economically challenged suburbs (27 percent versus 21 percent for the population in those metro areas as a whole) and less likely to live in greenfield lifestyle suburbs (6 percent versus 10 percent), and they comprise a majority of the population in urban areas (63 percent). Within the suburban population, minorities make up the majority of households in stable middle-income suburbs (51 percent) and economically challenged suburbs (62 percent). But 16 percent of the suburban minority population lives in established high-end suburbs, 8 percent in greenfield lifestyle suburbs, and 5 percent in greenfield value suburbs.

This study's findings align with various other studies that have addressed the topic of suburban diversity using different definitions of suburbs. An analysis of large U.S. metropolitan areas by Myron Orfield and Thomas Luce concluded that "suburban communities are now at the cutting edge of racial, ethnic and even political change in America." Orfield and Luce found that a majority of suburbanites now live in communities that are either racially diverse (defined as 20 to 60 percent nonwhite) or predominantly nonwhite. This dramatic shift is relatively recent and still ongoing. Racially integrated suburbs are growing faster than predominantly white suburbs are.⁴⁴

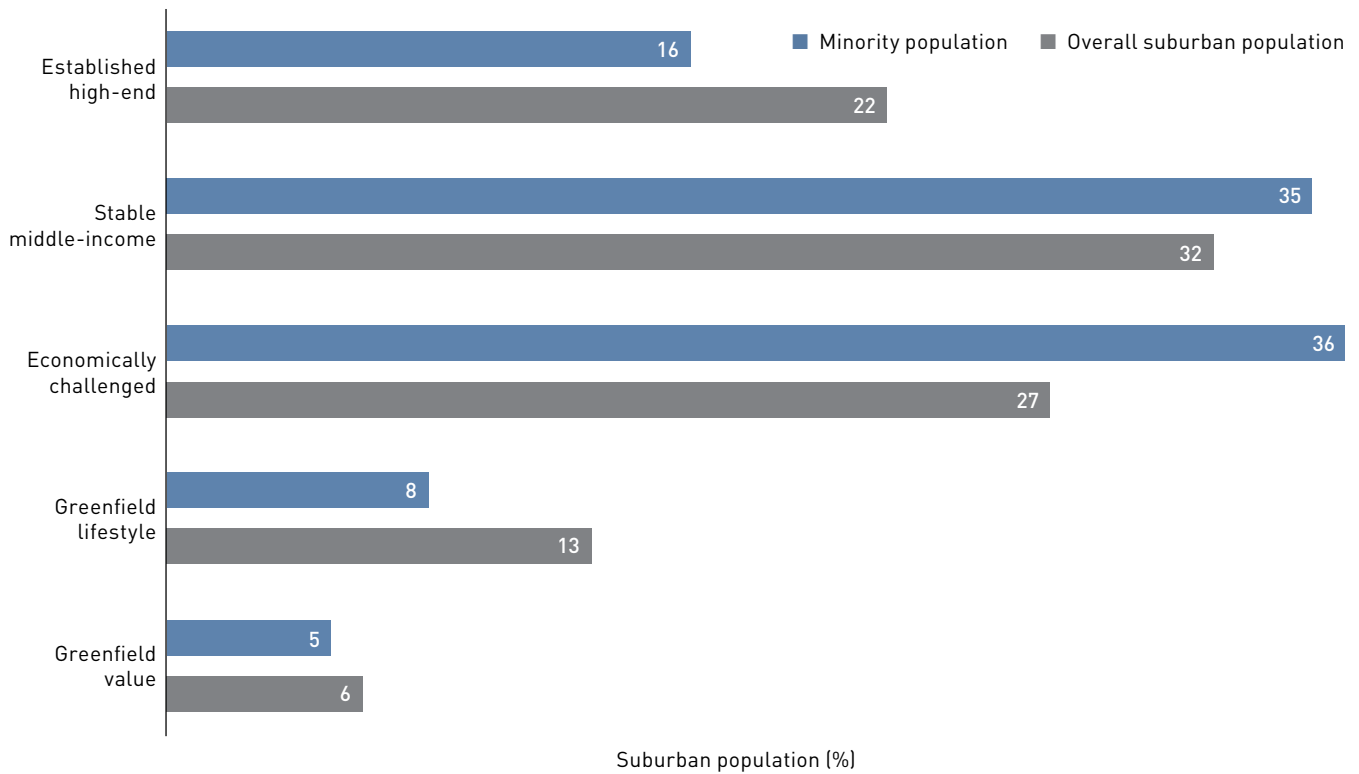
Orfield has argued, "Integrated suburbs represent some of the nation's greatest hopes and its gravest challenges. The rapidly growing diversity of the United States, which is reflected in the rapid changes seen in suburban communities, suggests a degree of declining racial bias and at least the partial success of fair housing laws."⁴⁵ He and other researchers have cautioned that this progress is fragile. For example, a recent study noted that "Segregation *between* places (e.g., city-suburb or suburb-suburb) may be increasing, even as overall metro neighborhood segregation declines."⁴⁶

DISTRIBUTION OF MINORITY POPULATION COMPARED WITH OVERALL POPULATION, BY LOCATION



Source: RCLCO analysis.

DISTRIBUTION OF SUBURBAN POPULATION BY MSA TYPE



Source: RCLCO analysis.

Considerable evidence indicates that zoning practices common in suburbs, and practiced in many cities as well, limit residential density and require multiple levels of local approval and thereby contribute to racial and economic segregation.⁴⁷ Separate but related actions in 2015 by the U.S. Supreme Court and the U.S. Department of Housing and Urban Development to effectively strengthen fair housing enforcement and reporting by city and suburban areas that receive federal funding may result in challenges to such “exclusionary zoning” policies.

Evidence suggests that African Americans living in newer suburbs experience lower rates of neighborhood poverty and have rates of neighborhood homeownership and college education closer to those of whites than do African Americans living in the older suburbs and urban core. That analysis implies that expanding housing development and opportunity broadly in newer suburban areas could deliver the benefits more widely.⁴⁸

Another reflection of the suburbs’ increasing diversity is the growing numbers of recent immigrants to the United States who choose to live in the suburbs. New immigrants are now almost equally as likely as the overall American population to live in suburban areas.⁴⁹ Census data dating back almost ten years indicate that immigrants are increasingly moving from overseas to the suburbs, bypassing cities.⁵⁰

A Brookings Institution analysis of census data from 2010–2013 (that used Brookings’ definition of suburbs) found that 61 percent of U.S. immigrants live in suburbs.⁵¹ According to one of the study’s authors: “Immigrants are going for the same thing that everybody else is—an affordable place to live, good schools, safety, closeness to jobs, as jobs have also moved out to the suburbs. It’s made it more practical for people to live farther out. They’re following patterns of the larger population.”⁵²

ANOTHER REFLECTION OF THE SUBURBS’ INCREASING DIVERSITY IS THE GROWING NUMBERS OF RECENT IMMIGRANTS TO THE UNITED STATES WHO CHOOSE TO LIVE IN THE SUBURBS. NEW IMMIGRANTS ARE NOW ALMOST EQUALLY AS LIKELY AS THE OVERALL AMERICAN POPULATION TO LIVE IN SUBURBAN AREAS.

Immigrant demand may be one of the best hopes for mitigating the potential gap between seniors who want or need to sell their large single-family homes and households that want and can afford them. Many of those homes are well adapted to multigenerational households, which are more common among immigrants.⁵³

The economic diversity of the suburbs is increasing rapidly as well, with more suburban neighborhoods exhibiting the moderate and

severe economic distress that was once associated mostly with urban areas. Over the past decade and a half, the population of suburban poor grew at about twice the rate of that of the urban poor.⁵⁴ In the largest metropolitan areas of the United States, more than 56 percent of the poor population now lives in the suburbs.⁵⁵

Those economically distressed suburbs can be found throughout the United States, but particularly high concentrations are in Sun Belt states such as Arizona, California, Florida, and Texas.⁵⁶ Combined, these four states may hold over 45 percent of the severely economically distressed suburbs in the United States. This share is likely to grow over time, because the economically distressed suburban neighborhoods in all four states are seeing growth that is largely tied to recent immigration.⁵⁷

When this report’s classification is used, in the 50 largest metro areas the median household income in the suburbs (\$71,000) is substantially higher than in urban areas (\$49,200), but the median income is \$46,500 in economically challenged suburbs. In these metro areas, 21 percent of residents live in economically challenged suburbs. As Alan Berube and Natalie Holmes of the

Brookings Institution have pointed out, “While many of the suburban poor enjoy more access to higher-quality communities than their inner-city counterparts, others face obstacles to economic stability and success.”⁵⁸

Real Estate Industry Innovation and Technology Change

Since the development of Levittowns and other early post–World War II American suburbs, new for-sale starter homes have been an important component of providing relatively inexpensive suburban housing. But, because of growing challenges in for-sale single-family housing supply and demand, the ability of new home construction to achieve affordable price points for first-time homebuyers has diminished significantly in recent years.

On the supply side of new home construction, a variety of factors contribute to persistent increases in housing cost. Regulations and impact fees play an important role in shaping the desired character of suburban areas, providing necessary supporting infrastructure, protecting the environment, and ensuring that new homes adequately meet safety standards.

However, government interventions in the development process can make new homes significantly more expensive.⁵⁹ As discussed previously, strong neighborhood opposition to new development is particularly an issue in established high-end suburbs. Those regulatory burdens, along with rising costs of land,⁶⁰ labor, and materials,⁶¹ have made building new market-rate suburban housing at affordable price points extremely difficult in many parts of the United States.⁶²

The demand for new home construction has also lagged in recent years because of a variety of constraints on the ability of potential homebuyers to pay for housing. Persistently high credit standards prevent many households from obtaining affordable home loans and contribute substantially to the overall drop in home loan issuance.⁶³ In addition, because of rising student loan debt and stagnant household income growth, many young households are struggling to save enough money for a home downpayment.⁶⁴

Many homebuilders have responded to these difficult entry-level home market dynamics by building homes at higher price points for more affluent buyers. The shift is reflected in the substantial price premium between the prices of new and existing homes. In the 1990s, new homes commanded an average 18 percent price premium over existing homes. More recently, the premium reached as high as 37 percent from 2011 to 2014, although it decreased modestly to 33 percent in 2015.⁶⁵ Correspondingly, the share of homebuyers who are purchasing a home for the first time dropped to 32 percent in 2015, the lowest level since 1987.⁶⁶

However, in an effort to target the market for first-time millennial homebuyers, some builders have established product lines that are as inexpensive to build as possible. These homes are located where land and entitlement costs are lower, and the homes themselves minimize construction costs in clever ways. For example, David Weekley Homes has introduced a home design series called “Imagination.” The designs achieve an affordable price point with higher-quality standard finishes than available in starter homes in the past by offering fewer options and designer selections. Although some of the direct cost savings in the home price itself are offset by the relatively high cost of transportation in greenfield suburban locations, these affordable developments are important to satisfying the housing needs of young middle-class households.

BUILDING NEW SINGLE-FAMILY HOMES SPECIFICALLY INTENDED FOR RENTAL HAS NOT BEEN COMMON IN THE PAST, BUT SOME BUILDERS ARE BEGINNING TO RECOGNIZE THAT THIS PRODUCT CAN BE A GOOD MARKET OPPORTUNITY.

Still, millennials, in particular, may achieve lower homeownership rates than they aspire to, resulting in significant demand for a range of new rental housing stock as more members of that generation opt to live in the suburbs. With much of the rental apartment construction in recent years concentrated in urban areas, suburban rental apartment vacancy rates have trended below downtown levels since 2013. The vacancy rates were identical in the first quarter of 2013 at 4.4 percent, according to Reis and *National Real Estate Investor*. As of the fourth quarter of 2015, central business district vacancies had risen to 6.3 percent, whereas suburban rates had fallen to 4.2 percent.⁶⁷

Although for-sale housing can be expected to account for a somewhat higher percentage of overall demand over the next five years than its very low share since the Great Recession, rental single-family homes will continue to be a large part of the housing market. Building new single-family homes specifically intended for rental has not been common in the past, but some builders are beginning to recognize that this product can be a good market opportunity.

The nascent decoupling of tenure (owner/renter) from housing type is bolstered by such factors as low economic growth, increasing income inequality, tougher lending standards for subprime borrowers, higher student debt, and a higher percentage of households without children. Furthermore, millennials are farther behind than previous generations in getting on the homeownership ladder, and despite their aspirations to own, many may find doing so to be difficult. Particularly if trends do not reverse, the recent boom in single-family rentals is likely here to stay and will open up a range of new development and investment opportunities.

Innovations in transportation are also likely to affect the price and access of suburban housing. Although it is impossible to predict exactly when and how autonomous vehicles (AVs) will become commonplace, observers anticipate their gradual introduction over the next 20 to 30 years. The transition to autonomous taxis/Uber/Lyft will likely occur sometime between 2025 and 2030. Around the same time, affluent individuals can be expected to own and commute via their own private AVs, but the majority of consumers will likely still be priced out.

Over time, it seems likely that AVs will motivate some households to live farther from work than they would have otherwise, because the commute becomes less painful—and may even be faster if autonomous vehicles become widespread enough to increase travel speeds. That movement may spur the historical pattern in which greenfield development increases as transportation improves. If that effect becomes potent enough to affect the prices of closer-in locations relative to farther-out locations, urban living may become more available and more affordable for households that prefer living in urban areas.⁶⁸

On another front, the expected growth in electric vehicles, in conjunction with rooftop solar panels that are likely to be most feasible on suburban single-family homes, may cancel out some of the negative environmental impact of “sprawl” development. A recent paper published by the National Bureau of Economic Research notes the high potential of “synergistic possibilities” for households that own both electric vehicles and solar panels. The paper concludes: “If more suburbanites purchase electric vehicles (EV) and install solar panels, then their greenhouse gas emissions would sharply decrease.”⁶⁹

If the concept seems somewhat far-fetched, consider that many of the largest homebuilders make solar power standard in some developments.⁷⁰ California, one of the largest new home markets in the world, and a bellwether in all manner of innovations, requires that by 2020 all new homes will be “net zero energy,” which in many cases will require solar power. Some research has even concluded that relatively lower-density suburban areas, with ample appropriate rooftop space for solar panels, could generate enough excess electricity to power suburban transportation and supply some power to their urban cores.⁷¹

Conclusion

A popular theme in the media recently is the resurgence of urban areas across the United States and, often, the contrast with suburban decline. Although a winner-versus-loser framework makes for a convenient and compelling story, it does not reflect the more nuanced reality. This report tries to move beyond the headlines to highlight the generally exciting dynamism and evolution of suburban places.

Overall, healthy metro areas can be expected to include a range of suburban development to meet a wide variety of needs and preferences and to satisfy the vast majority of households that have budget constraints and must make tradeoffs among a number of priorities.

Rather than places of stasis, suburbs in the 21st century are the setting of fascinating demographic evolution, economic prosperity, social challenges, and residential development opportunities—much like more urbanized places.

APPENDIX A: ANALYTIC APPROACH AND METHODOLOGY

RCLCO developed a methodology to broadly categorize geographies in the top 50 metropolitan statistical areas (MSAs) as urban, suburban, or rural/other at the census-tract level. Within this classification, census tracts were delineated into more specific categories. Urban categories are high-density urban, urban, and low-density urban. Suburban categories are high-density suburban, suburban, and low-density suburban. Rural/other categories are park/recreational/institutional, rural, and nonresidential.

To account for regional differences in development patterns and densities, RCLCO classified each MSA into one of six categories—Gateway, Sun Belt, New West, Heartland, and Legacy—with a sixth and separate category for New York, which has a unique urban fabric and is nearly twice as dense as the next densest MSA. These categories are meant to provide a localized view of regions and were used with different metrics to determine (sub)urbanity under the assumption that certain regions are more likely to follow similar development patterns than are others. As a result of this approach, the methodology assumes that a metro area like Columbus, Ohio, is more likely to exhibit patterns similar to Indianapolis than it is to San Francisco.

First, the methodology classified census tracts on the basis of the number of housing units in each tract, identifying those without any housing units as nonresidential (see the flowchart). Next, RCLCO examined population and employment densities, using whichever metric was higher, to identify and separate the geographies that function as downtowns or rural areas. Tracts that exceeded a density of 20,000 jobs or residents per square mile were labeled high-density urban. Tracts with fewer than 100 jobs or residents per square mile were labeled rural. Those categories were applied consistently across all of the MSAs.

The same criteria were used to classify the remaining census tracts into the urban and suburban categories, using the MSA categories to vary the specific value or metric using a standard deviation methodology.

The remaining tracts, those with between 100 and 20,000 jobs or residents per square mile, were examined based on

1. Population or employment densities, again considering whichever density was higher. For more information on the absolute cuts for any given MSA category, see the table in this appendix.
 - a. High-density
 - i. 0+ standard deviations from the mean for residential tracts
 - ii. 0.5+ standard deviations from the mean for employment tracts
 - b. Medium-density
 - i. -0.5 to 0 standard deviations from the mean for residential tracts
 - ii. -0.5 to 0.5 standard deviations from the mean for employment tracts
 - c. Low-density
 - i. Less than -0.5 standard deviations from the mean for both residential and employment tracts
2. Percentage of housing units that are in single-family detached homes.
 - a. Within high-density
 - i. Tracts with less than 10 percent single-family detached were classified as urban.
 - b. Within medium-density
 - i. Tracts with more than 30 percent single-family detached were classified as suburban.
 - c. Within low-density

- i. Tracts with more than 30 percent single-family detached were classified as low-density suburban.
 - ii. Tracts with less than 30 percent single-family detached were classified as park/recreational/institutional, after RCLCO observed where this classification was occurring (airports, military institutions, regional parks, etc.).
 - d. For high-density tracts with more than 10 percent single-family detached and medium-density tracts with less than 30 percent single-family detached, density and housing type alone did not provide enough differentiation to determine whether tracts were more urban or more suburban. These tracts were therefore analyzed on the basis of the distance from the city center and whether they were primarily employment or households.
 - i. Tracts less than five miles from the city center were classified as low-density urban.
 - ii. Employment-driven tracts between five and ten miles from the city center were classified as low-density urban, and residential-driven ones were classified as high-density suburban.
 - iii. Tracts more than ten miles from the city center were classified as high-density suburban.

This classification system resulted in six key categories of residential places within regions:

- *High-density urban*: Downtowns and outer employment cores
- *Urban*: Dense in-town neighborhoods and outer employment corridors
- *Low-density urban*: Relatively dense, in-town residential neighborhoods
- *High-density suburban*: Relatively dense outer neighborhoods and commercial corridors
- *Suburban*: Well-populated neighborhoods where most of the housing stock consists of single-family detached homes
- *Low-density suburban*: Neighborhoods where most of the housing stock consists of single-family detached homes, and some land is undeveloped.

Using these categories, RCLCO then selected the high-density suburban, suburban, and low-density suburban tracts as areas to consider “suburban” for the purpose of ULI’s suburban housing paper. Those categories represent about 75 percent of census tracts, 79 percent of population, and 32 percent of land area across the top 50 MSAs.

To further characterize suburban areas relative to their likely current and future development potential, RCLCO outlined five suburban paradigms to incorporate the impact of land value and availability on development trends: established high-end suburb, stable middle-income suburb, economically challenged suburb, greenfield lifestyle suburb, and greenfield value suburb.

Within each MSA, RCLCO analyzed the census-reported median home value in each suburban census tract as a proxy for land value to identify them as

- *High value*: More than one standard deviation above that MSA’s average
- *Medium value*: Plus or minus one standard deviation from that MSA’s average
- *Low value*: More than one standard deviation below that MSA’s average

Established high-end suburbs. Locations with high home values and established development patterns that likely offer the best opportunities

for market-based development but also tend to have strident community objection to new growth. When new homes or communities are built, they are often at higher densities or price points than surrounding neighborhoods.

- High-density suburban tracts with a high value rating
- Suburban tracts with a high value rating
- Low-density suburban tracts with a high value rating that are less than 15 miles from the city center

Stable middle-income suburbs. Locations with a wide range of home values attainable to a broad range of households in the region, often located in close-in areas where most of the housing was built decades ago. Some evidence indicates that these areas are becoming increasingly scarce because these suburbs are either gentrifying into higher-end suburbs or deteriorating into economically challenged areas.

- High-density suburban tracts with a middle value rating
- Suburban tracts with a middle value rating
- Low-density suburban tracts with a middle value rating that are less than 15 miles from the city center

Economically challenged suburbs. Locations with lower home values that have seen little to no population growth in recent years and may

have aging infrastructure or underperforming city services that make them less attractive for new market-rate development.

- High-density suburban tracts with a low value rating
- Suburban tracts with a low value rating
- Low-density suburban tracts with a low value rating that are less than ten miles from the city center

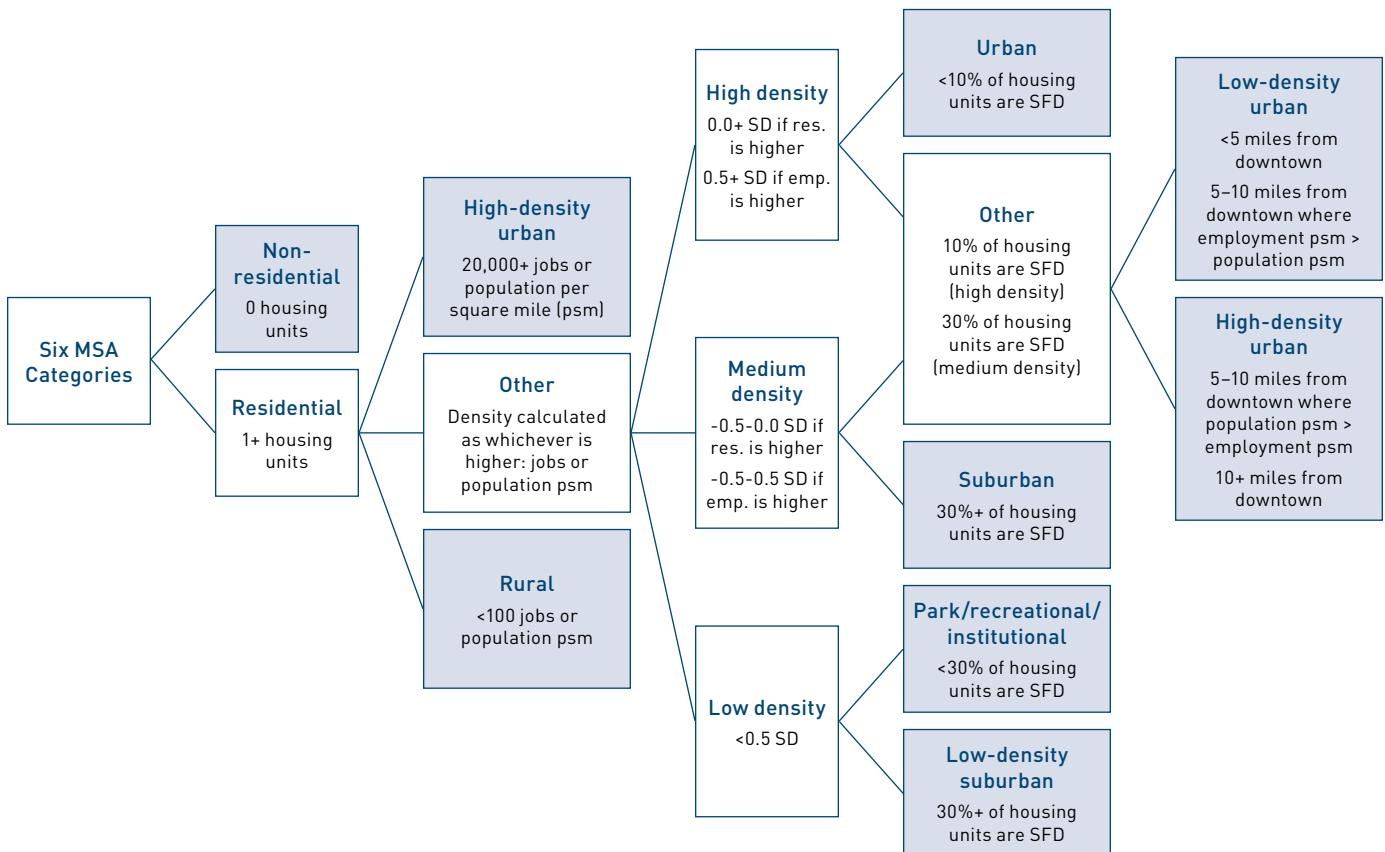
Greenfield lifestyle suburbs. Locations at or close to the suburban fringe of established high-end suburbs and where the bulk of new community development is occurring. These areas have mostly developed over the past ten to 15 years and likely have some land still available for new development.

- Low-density suburban tracts with a high value rating that are more than 15 miles from the city center

Greenfield value suburbs. Locations at or close to the suburban fringe of stable or economically challenged areas; they have attracted new value-oriented communities that offer attractive home prices for many households. These areas have been developing over the past ten to 15 years and sometimes reflect a “drive until you qualify” pattern.

- Low-density suburban tracts with either a medium value rating that are more than 15 miles from the city center or a low value rating that are more than ten miles from the city center

DENSITY-TYPE CLASSIFICATION FLOWCHART



Note: SD = standard deviation; SFD = single-family dwelling.

MSA CATEGORIES

Metropolitan statistical area	Category	Metropolitan statistical area	Category
New York-Newark-Jersey City, NY-NJ-PA	New York	Cleveland-Elyria, OH	Legacy
Los Angeles-Long Beach-Anaheim, CA	Gateway	Buffalo-Cheektowaga-Niagara Falls, NY	Legacy
San Francisco-Oakland-Hayward, CA	Gateway	Virginia Beach-Norfolk-Newport News, VA-NC	Sun Belt
Miami-Fort Lauderdale-West Palm Beach, FL	Gateway	Seattle-Tacoma-Bellevue, WA	New West
San Jose-Sunnyvale-Santa Clara, CA	New West	Portland-Vancouver-Hillsboro, OR-WA	New West
Chicago-Naperville-Elgin, IL-IN-WI	Gateway	Orlando-Kissimmee-Sanford, FL	Sun Belt
San Diego-Carlsbad, CA	New West	Columbus, OH	Heartland
Boston-Cambridge-Newton, MA-NH	Gateway	Detroit-Warren-Dearborn, MI	Legacy
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Gateway	Hartford-West Hartford-East Hartford, CT	Legacy
Las Vegas-Henderson-Paradise, NV	New West	Pittsburgh, PA	Legacy
Washington-Arlington-Alexandria, DC-VA-MD-WV	Gateway	Minneapolis-St. Paul-Bloomington, MN-WI	Heartland
New Orleans-Metairie, LA	Sun Belt	Oklahoma City, OK	Heartland
Baltimore-Columbia-Towson, MD	Legacy	Cincinnati, OH-KY-IN	Heartland
Houston-The Woodlands-Sugar Land, TX	Sun Belt	St. Louis, MO-IL	Legacy
Milwaukee-Waukesha-West Allis, WI	Legacy	Atlanta-Sandy Springs-Roswell, GA	Sun Belt
Phoenix-Mesa-Scottsdale, AZ	Sun Belt	Jacksonville, FL	Sun Belt
Riverside-San Bernardino-Ontario, CA	New West	Louisville/Jefferson County, KY-IN	Heartland
Providence-Warwick, RI-MA	Legacy	Memphis, TN-MS-AR	Heartland
Salt Lake City, UT	New West	Richmond, VA	Sun Belt
Dallas-Fort Worth-Arlington, TX	Sun Belt	Indianapolis-Carmel-Anderson, IN	Heartland
Denver-Aurora-Lakewood, CO	New West	Kansas City, MO-KS	Heartland
Sacramento-Roseville-Arden-Arcade, CA	New West	Raleigh, NC	Sun Belt
San Antonio-New Braunfels, TX	Sun Belt	Charlotte-Concord-Gastonia, NC-SC	Sun Belt
Tampa-St. Petersburg-Clearwater, FL	Sun Belt	Nashville-Davidson-Murfreesboro-Franklin, TN	Sun Belt
Austin-Round Rock, TX	Sun Belt	Birmingham-Hoover, AL	Sun Belt

CLASSIFICATION OF SUBURBAN TYPE

		Less than 5 miles from downtown	5–10 miles from downtown	10–15 miles from downtown	More than 15 miles from downtown
High-density urban	High value				
	Middle value				
	Low value				
Urban	High value				
	Middle value				
	Low value				
Low-density urban	High value				
	Middle value				
	Low value				
High-density suburban	High value	Established high-end	Established high-end	Established high-end	Established high-end
	Middle value	Stable middle-income	Stable middle-income	Stable middle-income	Stable middle-income
	Low value	Economically challenged	Economically challenged	Economically challenged	Economically challenged
Suburban	High value	Established high-end	Established high-end	Established high-end	Established high-end
	Middle value	Stable middle-income	Stable middle-income	Stable middle-income	Stable middle-income
	Low value	Economically challenged	Economically challenged	Economically challenged	Economically challenged
Low-density suburban	High value	Established high-end	Established high-end	Established high-end	Greenfield lifestyle
	Middle value	Stable middle-income	Stable middle-income	Stable middle-income	Greenfield lifestyle
	Low value	Economically challenged	Economically challenged	Greenfield value	Greenfield value
Park/recreational/institutional					
Nonresidential					
Rural					

■ Urban
 ■ Established high-end
 ■ Stable middle-income
 ■ Economically challenged
 ■ Greenfield lifestyle
 ■ Greenfield value
 ■ Nonsuburb

Note: The "More than 15 miles from downtown" category is treated as "More than 30 miles from downtown" for New York City, given its density and larger urban area.

APPENDIX B: COMPARISON WITH OTHER RESEARCH

Population and Household Growth

Although young, well-educated Americans are more likely to live in urban areas now than in recent history, this much-publicized trend is not reflective of the overall story of where Americans are choosing to live. From 2000 through the present day, the suburbs have grown faster overall than urban areas in the United States.

This Analysis: During this 15-year period, suburban areas accounted for 91 percent of population growth and 84 percent of household growth in the top 50 metro areas.

Other Studies: In aggregate, a wide range of studies, using varying definitions of “suburb,” have found that the population growth rate in suburban areas exceeded that of urban areas from 2000 to 2015. Faster growth in the suburbs has also been true for both renters⁷² and homeowners⁷³ and was the trend long before 2000.⁷⁴

At the same time, downtowns also are reviving: among urban areas, the densest are growing the fastest.⁷⁵ Using the RCLCO classification, suburban areas were found to have seen a somewhat lower share of growth since 2010, at only 80 percent of population and 76 percent of household growth. Nevertheless, the percentage population increase in urban areas between 2010 and 2015 (3.4 percent) was similar to, if not slightly lower than, the percentage increase in suburban areas (3.7 percent).

Age and Income Trends

A higher percentage of young, well-educated Americans are living in high-density urban neighborhoods than before, but this trend does not extend to other age or demographic groups, which have all become more suburban over the past 15 years.

This Research: Of 25- to 34-year-olds in the 50 largest metro areas, 75 percent live in the suburbs as compared with 79 percent of the total population. People in this age range are somewhat more likely to live in economically challenged suburbs and less likely to live in greenfield suburbs than the population as a whole. On the other hand, 85 percent of children ages 18 and younger live in the suburbs. Higher-income households are also significantly more likely to live in the suburbs, particularly in the case of middle-aged households. Of 35- to 54-year-olds with incomes above \$75,000, 88 percent live in the suburbs, as compared with 77 percent of those with incomes less than \$75,000. A similar trend holds true for people between the ages of 55 and 74; 90 percent of those with incomes above this level and 80 percent of those with incomes below this level live in the suburbs.

Other Studies: In terms of income, the top 20 percent of households were more than 10 percent more likely to live in higher-density urban areas in 2014 than they were in 2000. In addition, a greater proportion of households ages 25 to 49 are now living in higher-density urban areas in 2014 than in 2000.⁷⁶ This increase in urbanity is strongest for white, college-educated, childless people ages 25 to 49, who were 24 percent more likely to live in dense urban areas in 2014 than in 2000.⁷⁷ On the other hand, the bottom 60 percent of households by income were substantially less likely to live in higher-density urban areas over the same time period. And all households falling in the 0 to 24 and 50+ age categories were substantially less likely to live in higher-density urban areas in 2014 than they were in 2000.⁷⁸

Although the share of growth occurring in suburban areas since 2010 is a decline from prior years, on its own these are still strong growth numbers. It is too soon to determine if these slightly more moderate shares of growth are a permanent shift or something cyclical based on economic conditions, current age and income characteristics, or a shorter-term societal or cultural trend.

Employment

For the past 50 years, the dominant trend in employment location patterns has been the dispersion of employment from the urban core to the suburbs as jobs followed household redistribution patterns. In 1960, 63 percent of jobs were in central cities, whereas 51 percent of the population in metropolitan areas lived in the suburbs. But by 1996, only 16 percent of jobs in the average metropolitan area were within three miles of the central business district.⁷⁹ This trend of employment growth in suburban areas exceeding growth in urban areas continued until the Great Recession.⁸⁰

This Analysis: At present, a significant majority of Americans are employed in suburban locations; as of 2014, 67.5 percent of employment in the 50 largest metro areas was in suburbs as defined in this report. Although the share is higher than it was in 2010 (67.0 percent), it is lower than it was in 2005 (68.6 percent), indicating that the recession hit suburban areas harder than urban areas. Between 2005 and 2010, employment in suburban areas remained stagnant with 0 percent growth, while it increased by 8.2 percent in urban areas. During that time, the suburban employment growth rate was lower than the urban rate in all MSA categories except Sun Belt metro areas.

However, suburban employment growth has returned to most regions. Between 2010 and 2014, 72.7 percent of employment growth occurred in suburban areas, and suburban employment increased by 9.0 percent, as compared with the 6.0 percent growth that occurred in urban areas. During that time, suburban growth surpassed urban growth in all MSA categories except Gateway metro areas and New York. Suburban employment increased by 7.0 percent in Gateway MSAs and 3.5 percent, in New York and urban employment increased by 7.4 percent in Gateway MSAs and 8.4 percent in the urban areas of New York. These increases are noteworthy given that suburban employment decreased in both of those MSA categories between 2005 and 2010, by 0.5 percent in Gateway metro areas and 0.9 percent in New York.

Furthermore, between 2010 and 2014, greenfield lifestyle suburbs gained employment at a higher rate than any other suburban type; this was true in each MSA category.

Other Studies: Suburban employment growth was hit harder by the recession than employment growth in urban core areas, leading some to conclude that job growth momentum had swung in favor of downtown.⁸¹ But a more up-to-date, longer-term view of the most recent economic cycle (from 2007 through 2015) shows that low-density suburban counties in large metropolitan areas experienced the fastest rate of employment growth, and that higher-density suburban counties also experienced a slightly higher rate of employment growth than urban counties did. Those differences were even more pronounced over the longer period from 2000 to 2015.⁸²

Despite the return to the historical pattern of suburban employment growing faster than urban employment, headwinds could slow suburban employment growth, and they may grow stronger in the future. The Bureau of Labor Statistics' forecast of employment growth from 2014 to 2024 projects stronger growth in industries that tend to locate more often in urban areas than in suburban ones. That trend may lead to a greater overall growth rate in the urban cores of large metropolitan areas than in the suburbs.⁸³ This future may be evident already in suburban office markets, which have not recovered as well from the recent recession as urban ones.⁸⁴ Reasons include that many office tenants now require less space per employee and some companies want to locate in areas that appeal to the urban desires of talented young millennials.

Those trends represent structural shifts in the fundamentals of office demand and have led some market observers to declare a growing number of suburban office parks to be incurably obsolete,⁸⁵ although mixed-use suburban developments should fit better with millennial preferences than single-use office parks, and some locations will continue to fare better than others within the same metro area. Furthermore, some of the fastest growing master-planned communities in the United States include some of the fastest growing employment centers in their respective areas. However, to the extent that urban areas capture a higher share of MSA employment growth than in past decades, there will tend to be more demand for suburban housing that is relatively accessible (including by public transportation) to the urban job concentrations.

Home Prices

For much of the 20th century, the boom in demand for suburban housing coincided with lessened demand for urban housing. As a result, urban home prices fell or exhibited sluggish growth relative to suburban home price trends. This is no longer the case. Despite the fact that population growth trends are stronger in suburban areas than in urban areas, home prices in many urban areas are growing faster than in the suburbs, especially in the largest metropolitan areas in the United States.⁸⁶ This finding does not mean that housing preferences have shifted dramatically or that suburban home prices are due to collapse.

This Analysis: On average, the median home value in urban areas is \$365,000, compared with \$305,000 in suburban areas (not controlling for home type or size). However, this gap is misleading, given the wide variety of suburban paradigms from one MSA to another. In the New York metro area, for example, median home values in urban areas are 28 percent higher than in suburban areas. However, the opposite relationship is true for Legacy and Heartland metro areas, where suburban areas have median home values that are substantially higher than median home values in urban areas (18 percent and 19 percent, respectively). In Gateway, Sun Belt, and New West metro areas, median home values are very similar in urban and suburban locations, not controlling for home type or size, so urban homes probably have higher values per square foot in these MSAs. Although one component of price is demand, a limited supply of urban housing also is partly responsible for higher median values. Conversely, from the perspective of affordability, many households cite lower housing costs and getting more space for their money as key reasons they choose to purchase homes in the suburbs. So high or rising home values are somewhat of a double-edged sword.

Other Studies: Data on recent home price trends is strongly supportive of the strength of recent urban home price growth. From 2010 to 2015, urban home prices increased by 28.4 percent, while suburban home prices increased by 21.1 percent.⁸⁷ This is particularly true for many of the nations' largest and highest-value metropolitan areas. A recent study published by the Federal Housing Finance Agency uses an innovative price index methodology to provide rigorous statistical support for this trend. By focusing on repeat sales and controlling for price inflation, Bogin, Doerner, and Larson enable apples-to-apples price comparisons over time. Their research demonstrates that, in large metropolitan areas,⁸⁸ average real price appreciation was about 2 percent per year in areas near downtown. By contrast, areas ten miles from downtown saw average real price appreciation of about 1 percent, and even farther-out areas 25 miles from downtown saw average real price appreciation of only 0.3 percent.⁸⁹

It is tempting to interpret these price trends as demonstrating a shift in housing preferences, but changes in demand for urban living are also reflective of changes in the urban environment. Over the past 30 years, commuting times have increased, thereby making the suburbs less attractive for workers employed downtown. Meanwhile, urban amenities have greatly improved.⁹⁰ In addition, the supply of available land in the suburbs and on the periphery of metropolitan areas is a much smaller constraint on new housing than in urban areas. Thus new housing supply is able to respond more directly and forcefully to increases in demand in the suburbs, keeping price growth lower as a result.

Furthermore, survey data show that the majority of Americans still prefer suburban housing. The winners-and-losers storyline, "If downtown is booming then the suburbs must be failing" is therefore not supported by the recent higher home price growth in urban areas.

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