

The Impact of Gen Y on Housing – The Market and Demographic Perspective

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Melina Duggal, AICP, Senior Principal

WHAT TYPE OF HOUSING WILL GEN Y DESIRE?

Rent or Own?

SFD or MF?

Location

Community Features/Amenities

Product

Gen Y

Millennials

Net Generation

Gen Why?

Gen Next

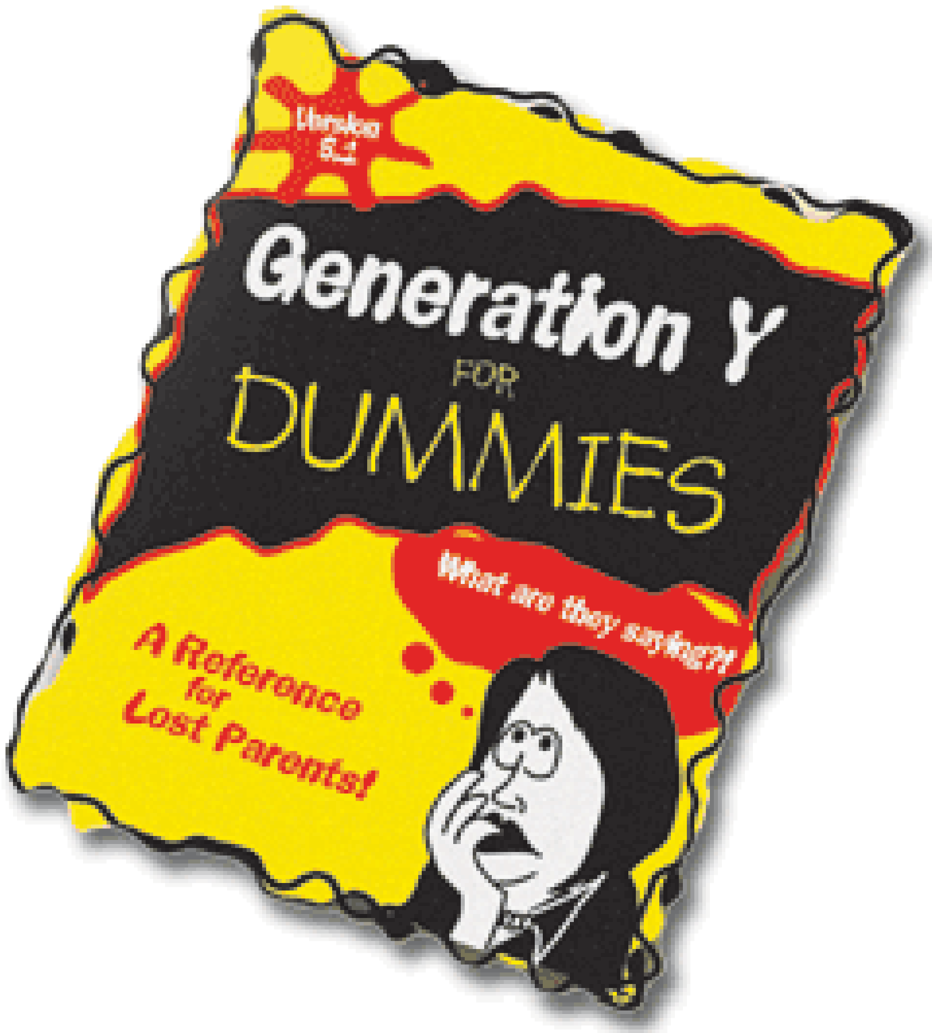
MyPod Generation

Baby Boomlets

Echo Boomers

Boomerang Generation

Generation Now



CAN WE REALLY LUMP 80 MILLION PEOPLE TOGETHER?

It's dangerous to use a broad brush to paint this picture…

There are many subgroups based on:

- Geography
- Race
- Education
- Income

- Nonetheless, we will try…

GEN Y IS CURRENTLY THE LARGEST GENERATION

Generation	Born	2010 Age	2010 Pop. US	2010 % Pop. US	2010 Pop. VA	2010 % Pop. VA
Eisenhowers & Greatest	Before 1946	65+	40M	13%	976K	12%
Baby Boomers	1946 – 1964	46 – 64	76M	25%	2.0M	26%
Gen X	1965 – 1980	30 – 45	66M	21%	1.7M	22%
Gen Y	1981 – 1999	11 – 29	80M	26%	2.1M	26%
Gen Z (?)	2000 and After	0 – 10	46M	15%	1.1M	14%

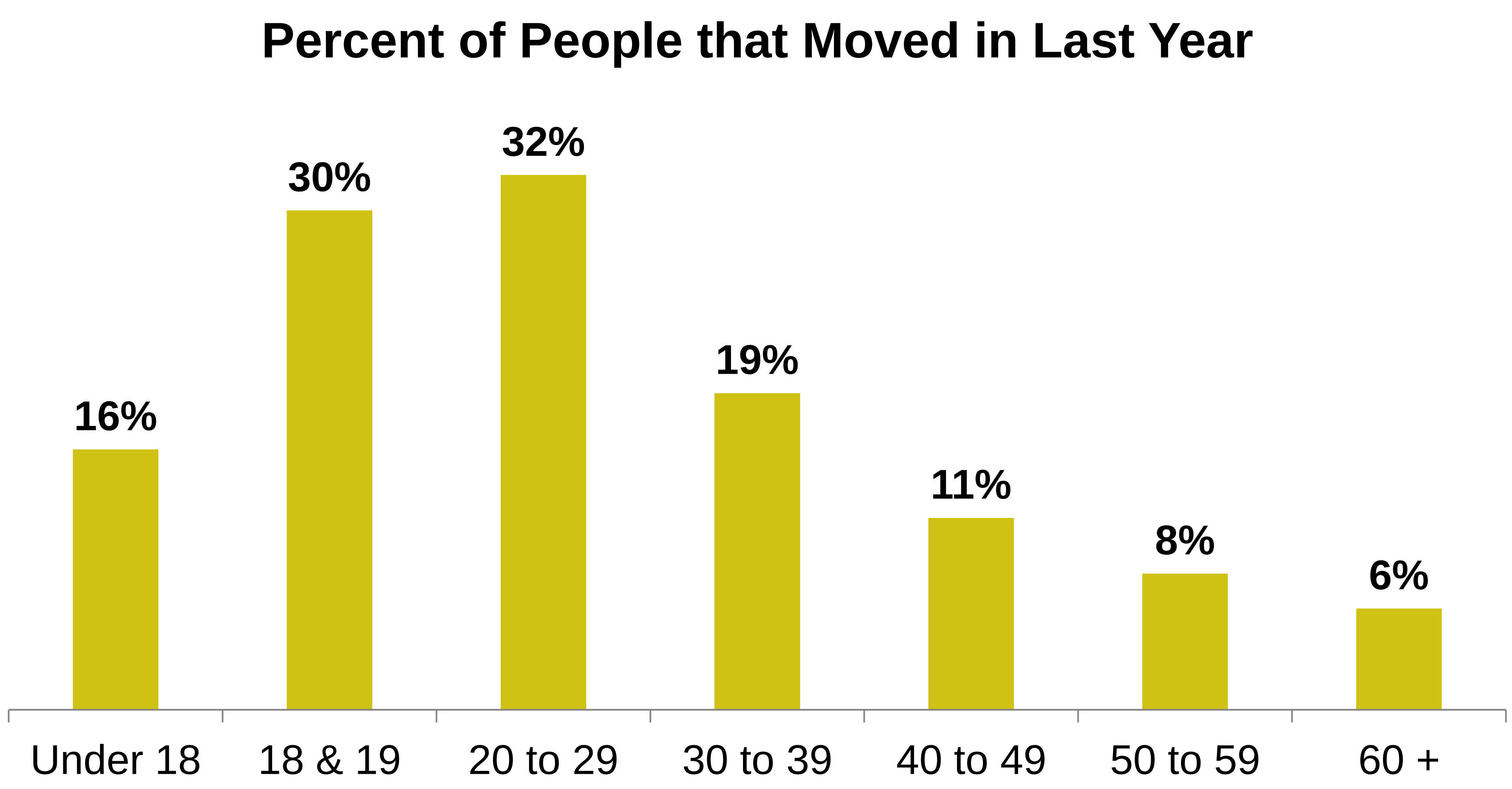
SOURCE: U.S. Census Bureau, Population Division, 2010 Demographic Analysis

LIFE STAGE INFLUENCES HOUSING CHOICE
GEN Y JUST STARTING TO IMPACT FOR-SALE

Year	Student Housing	Single & Roommate Rental	Rent as Couple / 1st Home	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Retiree Senior Housing
2010	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Baby B Gen X	Baby B	Eisen Baby B
2015	Gen Y	Gen Y	Gen Y	Gen Y	Gen X	Baby B Gen X	Eisen Baby B
2020	Gen Z	Gen Y	Gen Y	Gen Y	Gen X Gen Y	Gen X Baby B	Baby B
2025	Gen Z	Gen Z	Gen Y	Gen Y	Gen Y Gen X	Gen X	Baby B

SOURCE: RCLCO

YOUNG PEOPLE MOVE MORE THAN OLDER PEOPLE



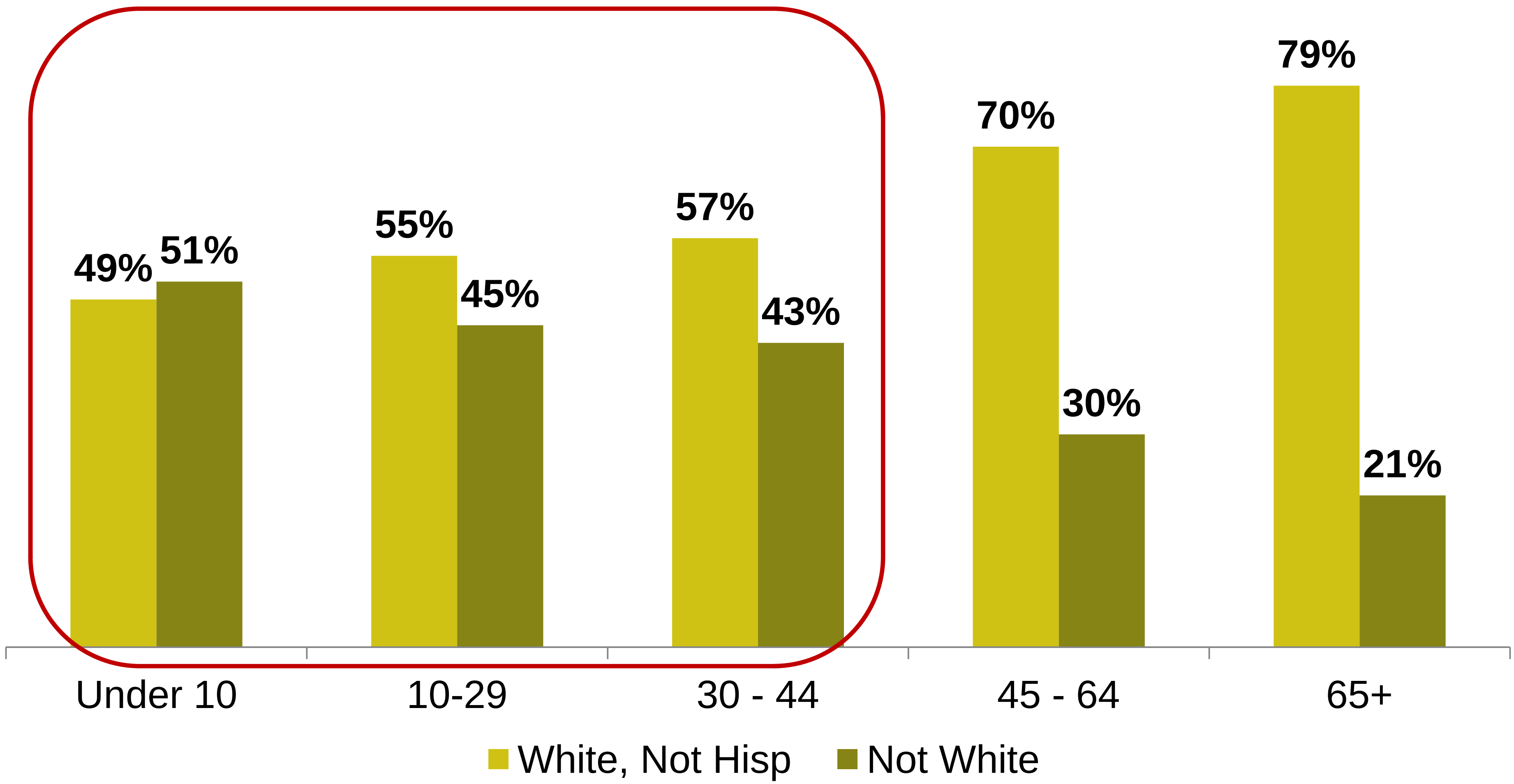
SOURCE: 2009 ACS

THEREFORE, THE IMPACT OF YOUNGER GENERATIONS IS SIGNIFICANT

Generation	2010 Age	2010 Pop. US	% Moved Last Year	# Movers
Eisenhowers	65+	40M	6%	2.4M
Baby Boomers	46 – 64	76M	10%	7.2M
Gen X	30 – 45	66M	19%	12.5M
Gen Y	11 – 29	80M	31%	24.8M (1/2 Under 20)
Gen Z (?)	0 – 10	46M	n/a	n/a

SOURCE: U.S. Census Bureau, Population Division, 2010 Demographic Analysis, 2009 ACS

GEN X, Y AND Z VERY DIVERSE



SOURCE: 2009 ACS

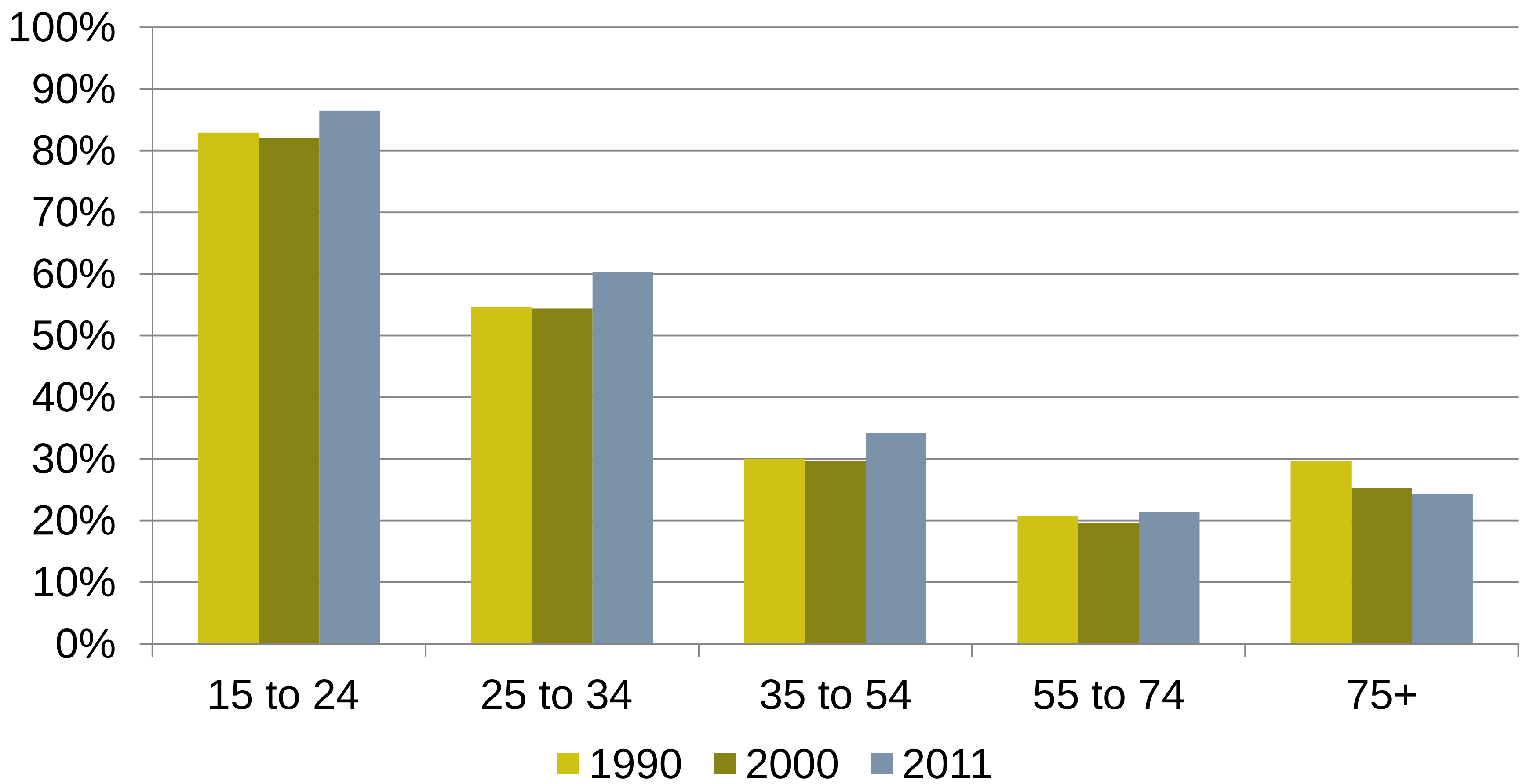
THEY EXPECT DIVERSITY

Survey Question:
Please use the following characteristics to design your ideal community or neighborhood:

Must Have…	Gen Y	Gen X
Diverse types of households (singles, couples, families)	73%	74%
Diverse types of people (mix of races and ethnic backgrounds)	78%	77%
Different housing types & styles	77%	74%
Different income levels	42%	40%

SOURCE: RCLCO consumer research, Fall 2007

CURRENTLY RENTERS – WILL GEN Y ACT DIFFERENTLY THAN PREVIOUS GENERATIONS?

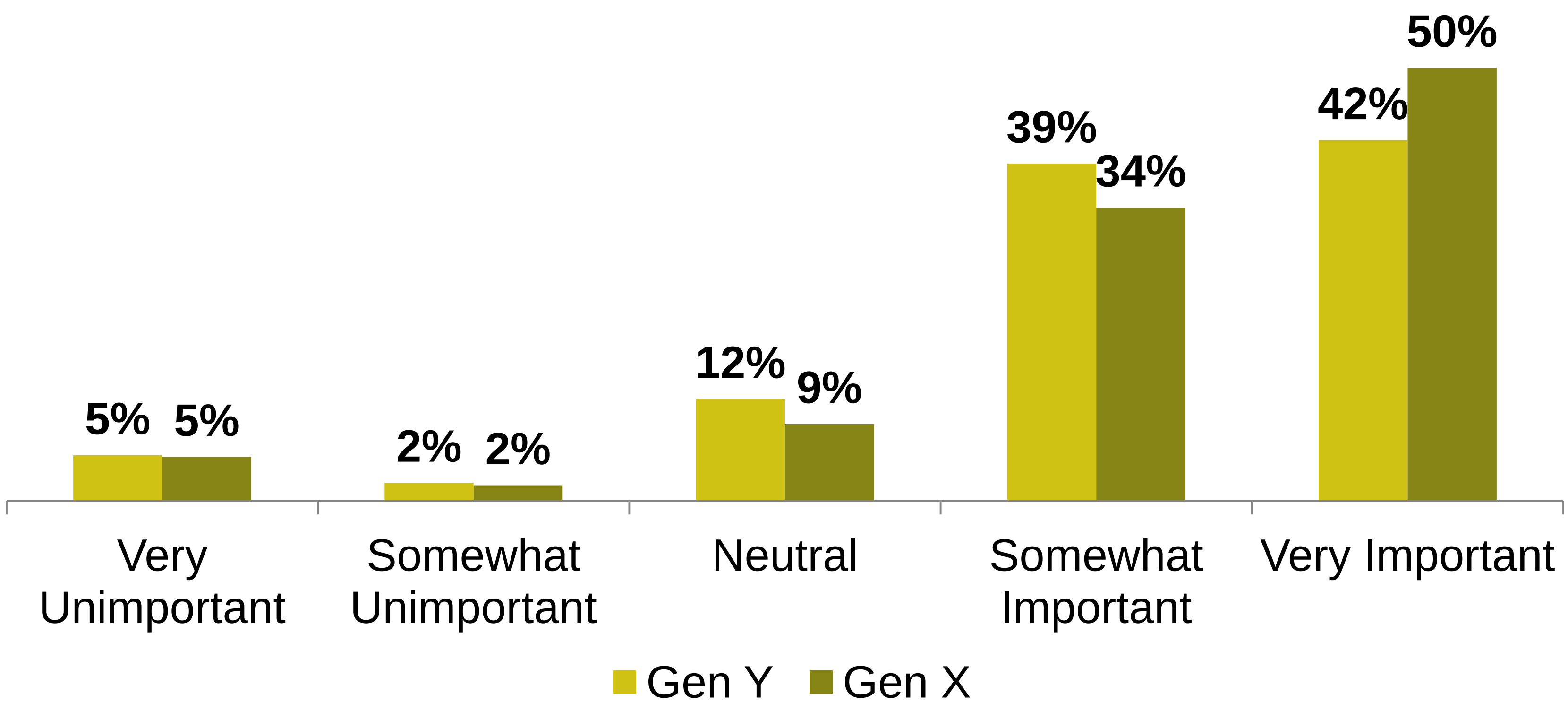


SOURCE: 2011 ACS; US Census 1990 and 2000

HOMEOWNERSHIP STILL VERY IMPORTANT

Survey Question:

How would you rate the importance of being a homeowner? (CHOOSE ONE):



SOURCE: RCLCO Consumer Research, Fall 2007

EXPECTED HOUSING TENURE IN 2015

		Expected Housing Tenure		
Age Today	**Age in 5 yrs**	**Own**	**Rent**	**Total**
18 – 24	23 – 29	53%	47%	100%
25 – 29	30 – 34	73%	27%	100%
30 – 32	35 – 37	78%	22%	100%
All Respondents		67%	33%	100%

SOURCE: ULI/Lachman Associates Survey, Summer 2010

HOUSING PREFERENCE BEFORE AND AFTER THE RECESSION – OWNERS & RENTERS

	Fall 2007 Home Type Likely to Choose	Summer 2010 Anticipated Housing in 2015	March 2011 Home Type Preference
	All Gen Y	All Gen Y	18-29 Yrs Olds
Apartment/Condo	12%	25%	15%
Duplex, Rowhouse, Townhome	12%	6%	6%
Single-family Home	70%	64%	74%
Mobile Home	n/a	3%	n/a
Other	5%	2%	n/a
Total	100%	100%	100%

SOURCE: RCLCO Consumer Research, Fall 2007, ULI/Lachman Associates Survey, Summer 2010, 2011 National Community Preference Survey, National Association of Realtors, March 2011

HOUSING PREFERENCE BEFORE AND AFTER THE RECESSION LIMITED CHANGE FOR OWNERS

	Fall 2007 Home Type Likely to Choose	Summer 2010 Anticipated Housing in 2015
	Owners	Expected Owners
Apartment/Condo	6%	9%
Duplex, Rowhouse, Townhome	7%	5%
Single-family Home	86%	82%
Mobile Home	n/a	3%
Other	1%	1%
Total	100%	100%

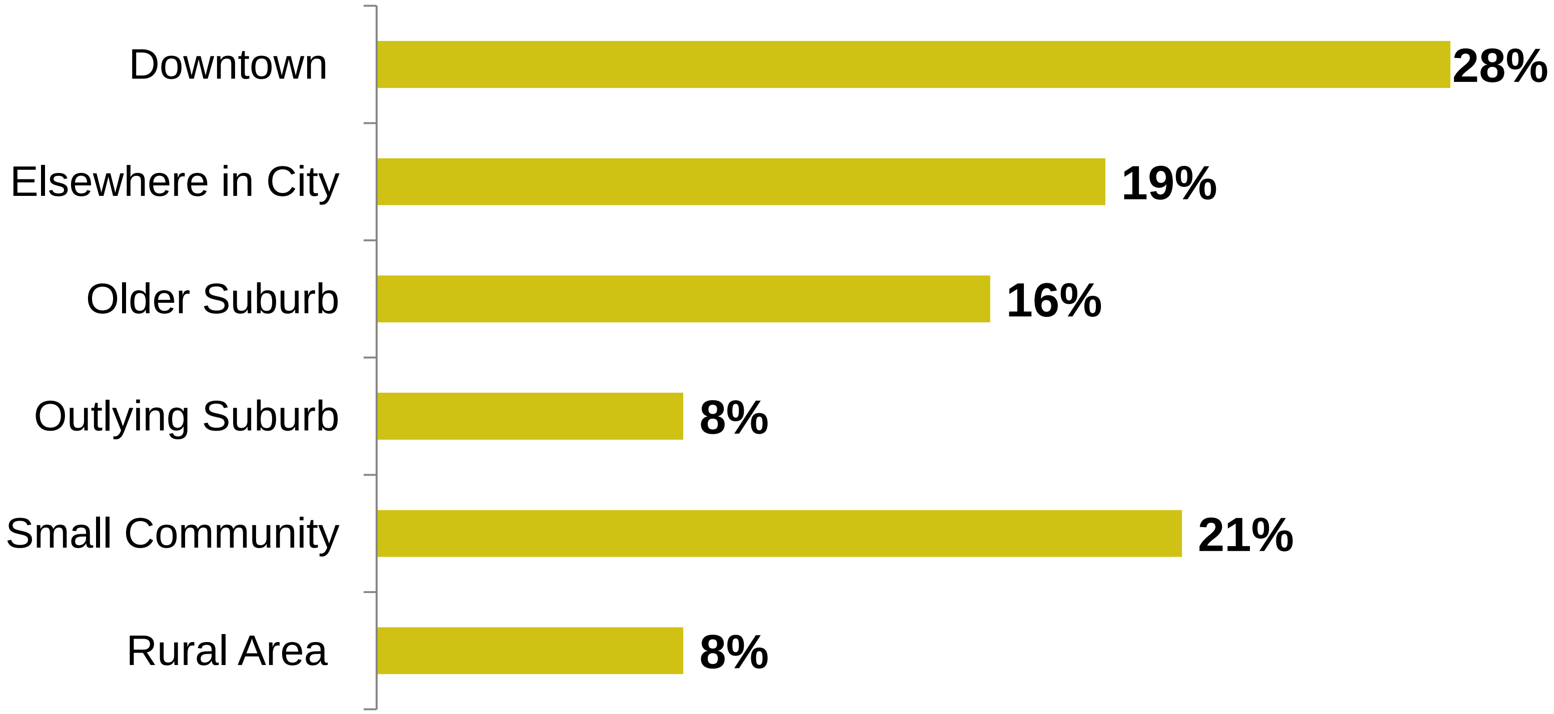
SOURCE: RCLCO Consumer Research, Fall 2007, ULI/Lachman Associates Survey, Summer 2010

HOUSING PREFERENCE BEFORE AND AFTER THE RECESSION MAJOR CHANGE FOR RENTERS

	Fall 2007 Home Type Likely to Choose	Summer 2010 Anticipated Housing in 2015
	Renters	Expected Renters
Apartment/Condo	18%	60%
Duplex, Rowhouse, Townhome	16%	7%
Single-family Home	57%	28%
Mobile Home	n/a	3%
Other	9%	2%
Total	100%	100%

SOURCE: RCLCO Consumer Research, Fall 2007, ULI/Lachman Associates Survey, Summer 2010

WHERE DOES GEN Y WORK?
50% IN THE CITY

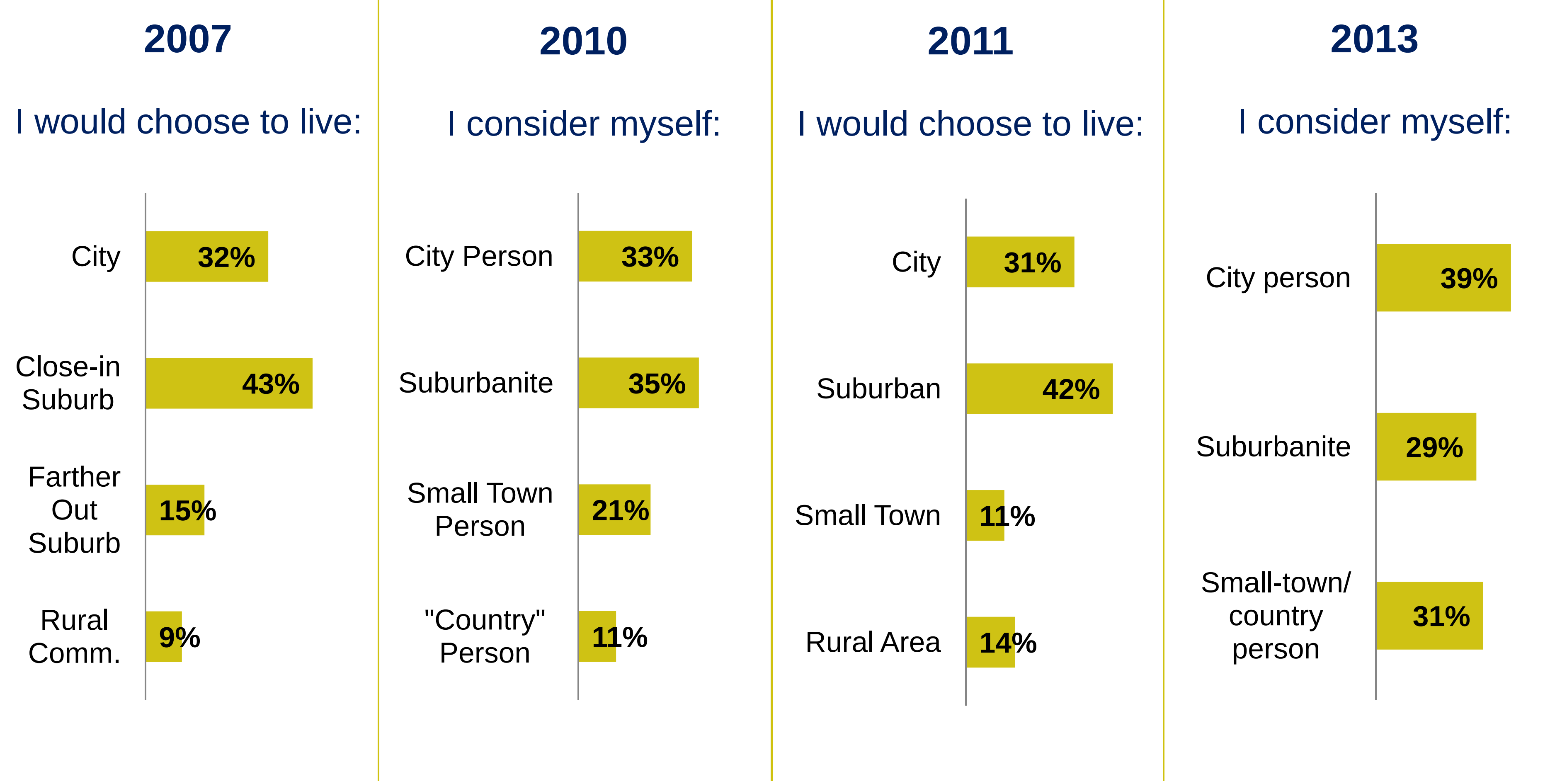


*Respondents working at least 20 hours/week

SOURCE: ULI/Lachman Associates Survey, Summer 2010

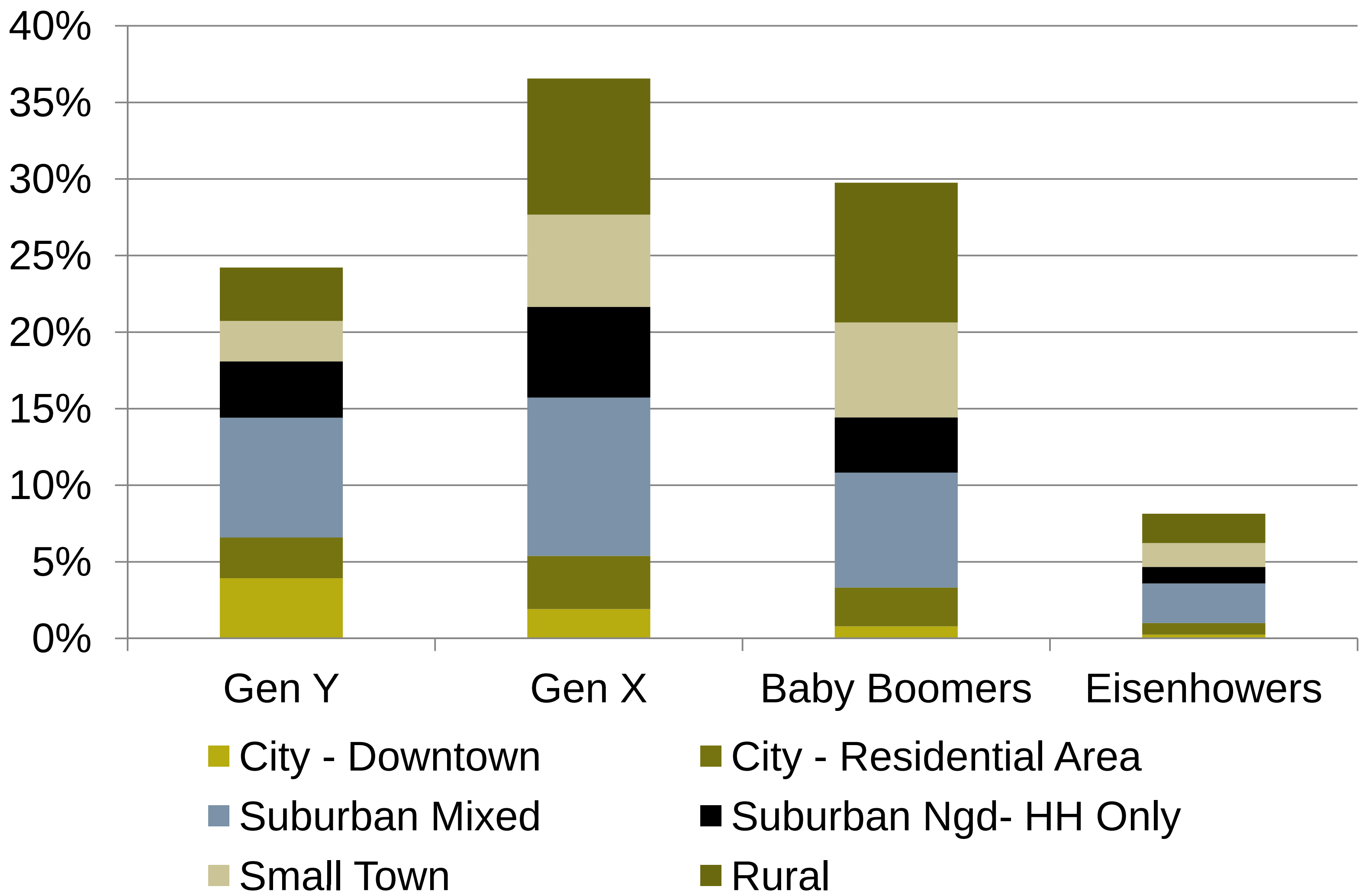
WHERE DOES GEN Y WANT TO LIVE?

1/3, 1/3, 1/3

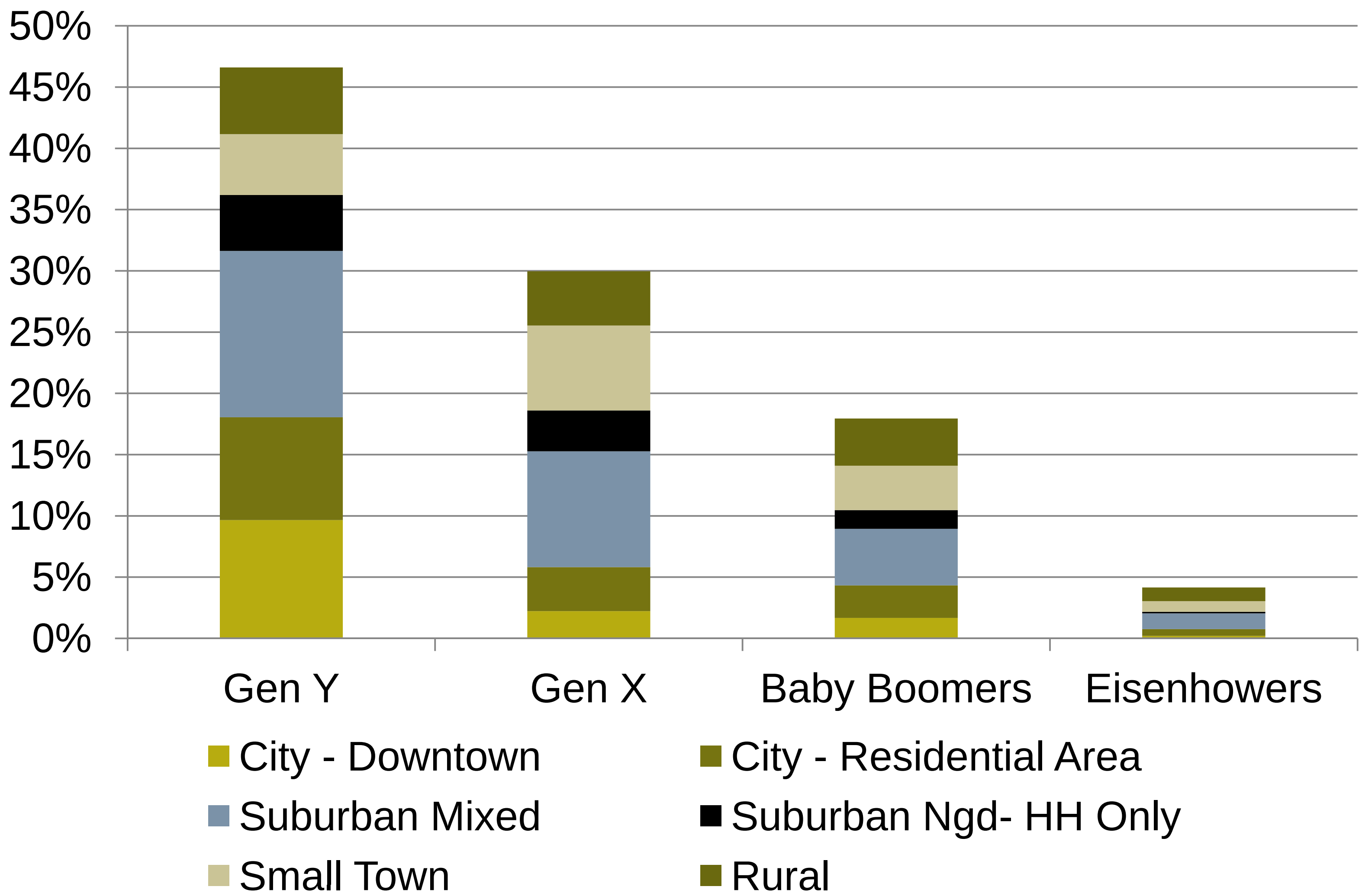


SOURCE: RCLCO Consumer Research, Fall 2007, ULI/Lachman Associates Survey, Summer 2010, 2011 National Community Preference Survey, National Association of Realtors, March 2011, Generation Y: Shopping and Entertainment in the Digital Age, ULI/Lachman Associates 2013.

LOCATION PREFERENCE OF THE ACTIVE OWNER MARKET



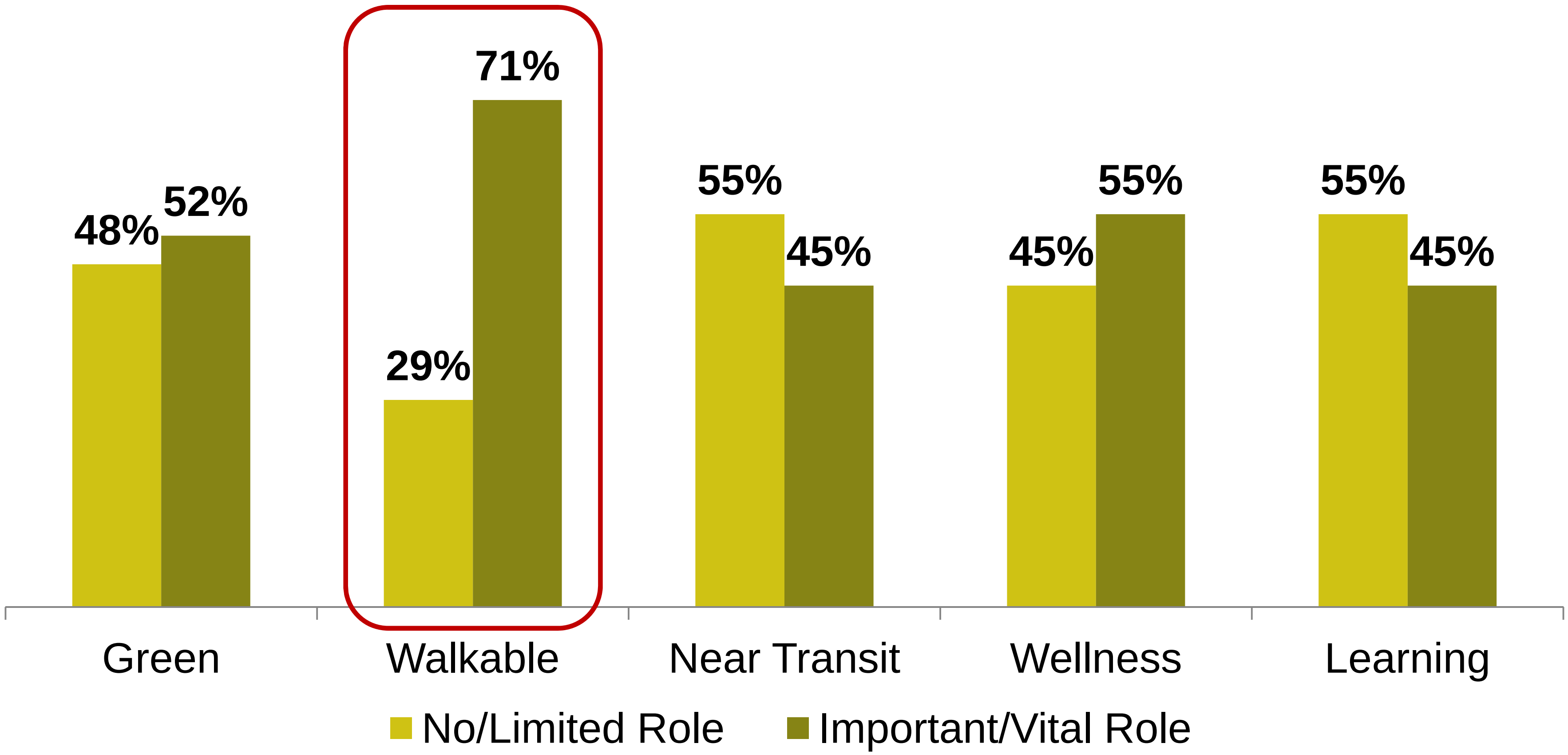
LOCATION PREFERENCE OF THE ACTIVE RENTER MARKET



WALKABLE MOST IMPORTANT COMMUNITY FEATURE TO GEN Y

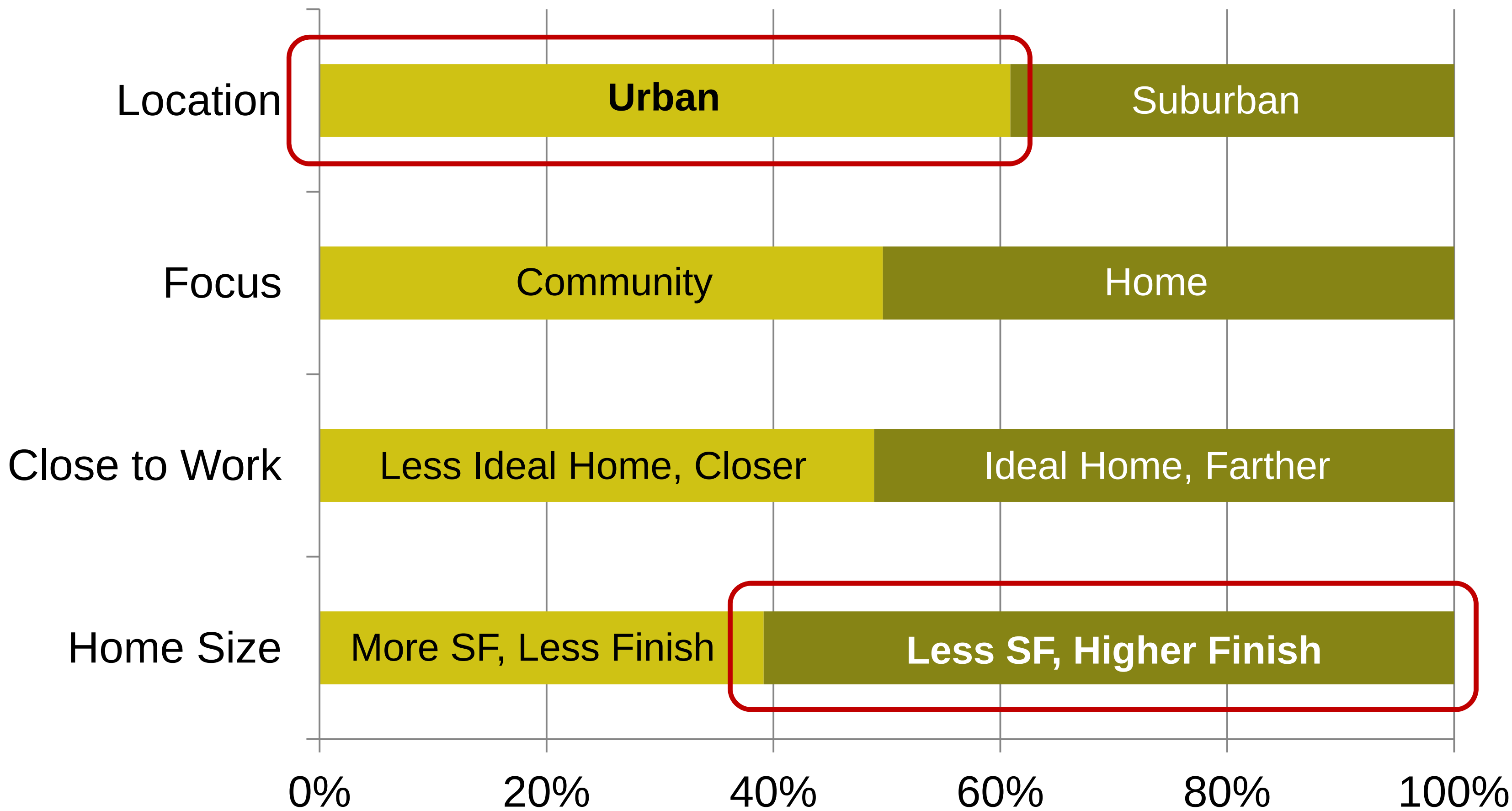
Survey Question:

How important are the following community features in your home or community selection process?



SOURCE: RCLCO Consumer Research, Fall 2007

TRADE-OFF QUESTIONS

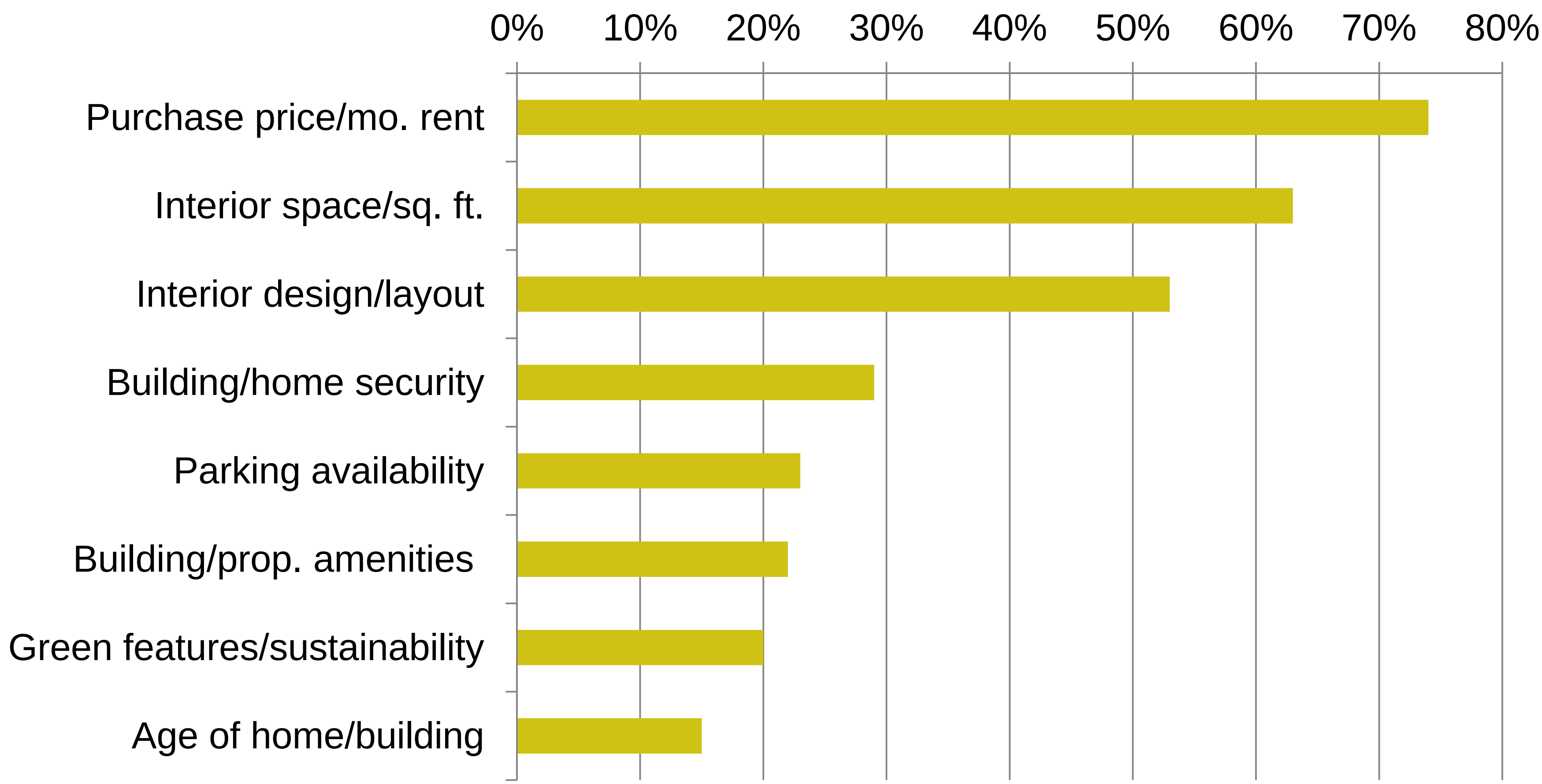


SOURCE: RCLCO Consumer Research, Fall 2007

IMPORTANCE OF COMMUNITY DESIGN

- Restaurants, libraries, communal spaces
- Equal emphasis on home and community—need to sell both
- Mixture of housing styles and types
- Walking trails and sidewalks
- Neighborhood amenities

IMPORTANCE OF HOUSING FEATURES*



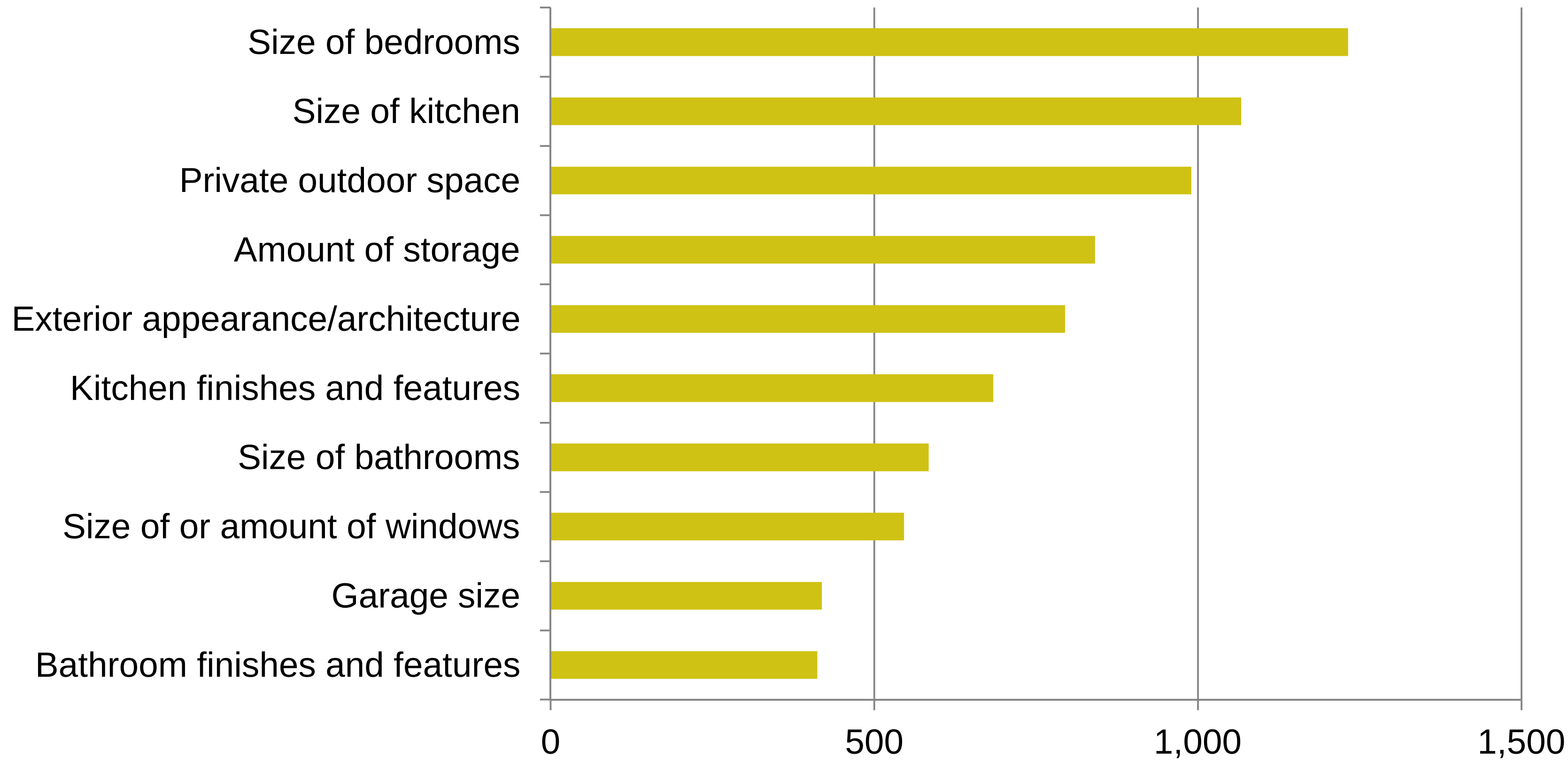
*% of respondents ranking each feature 1st, 2nd or 3rd

SOURCE: ULI/Lachman Associates Survey, Summer 2010

SIZE OF BEDROOMS AND KITCHEN IMPORTANT

Survey Question:

What features are most important to you when choosing a home and/or floorplan? (TOP FIVE):



SOURCE: RCLCO Consumer Research, Fall 2007

DESIGN TRENDS TO CAPTURE GEN Y

General Characteristics

- Design over size
- Affordability
- Party and gathering spaces
- Flex spaces
- Storage spaces
- Contemporary elevation styles
- Pet friendly
- Low maintenance
- Tech savvy
- Sustainable

SOURCE: Canin Associates, RCLCO

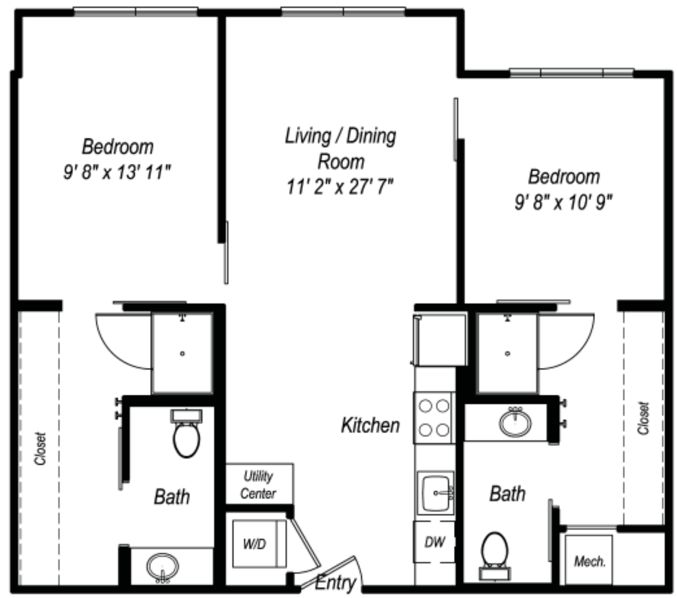
YOUNG URBAN TARGETED RENTAL

The Concept

- Small units, trade-off features for location

The Rationale

- Many younger renters want to live in in-town, urban areas, but can’t afford it
- Allows for lower absolute rents
- Can target a different type of urban renter
- Focus on roommates



AVA H Street : 828 - 870 Sq. Ft

YOUNG URBAN TARGETED RENTAL
CASE STUDY

- AVA brand from Avalon Bay Communities
- Targeting young, urban buyers
- Consumer research indicated 19% of renters
- Smaller studios and more two-bedroom units for roommates
- Amenities include:
  - High-end fitness, lobby loft area
- Features and finishes:
  - Varies by market—nice, but not over the top
  - Barn doors instead of traditional doors
  - Big closets

SOURCE: AvalonBay

GEN Y WILL PAY FOR WALKABLE, MIXED-USE
CHALLENGE IS PROVIDING PRODUCT THEY CAN AFFORD

- In-town areas and inner suburbs will remain on an upward trajectory
- Diversity, walkability and proximity to jobs keys to attracting this segment—**1/3** will pay more
- Suburbs will need to evolve to remain attractive to Gen Y
  - More walkable areas
  - Town centers
  - Niche products and “village centers”
  - Affordability

SOURCE: RCLCO

FINAL SUMMARY

Rent or Own?

Gen Y will own when they can—many of them already do

Location

1/3 in city

1/3 in suburbs

1/3 rural

Product

Smaller with higher level of finish

Size of bedrooms & kitchen

Outdoor spaces

SFD or MF?

80% of owners choose SFD

Renters willing to be in MF

Community Features/Amenities

Walkable with sidewalks

Green

Parks

Main street village

Fitness centers

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