

2017 Building Industry Show
November 15, 2017
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RCLCO
REAL ESTATE ADVISORS

Housing in the Evolving American Suburb



 **Urban Land Institute** **Terwilliger Center
for Housing**

 **RCLCO**
REAL ESTATE ADVISORS

STUDY GOALS AND OBJECTIVES

SUBURBS OVERLOOKED AND UNDERAPPRECIATED

- ▶ Document the reality that most Americans still live (often by choice) in a suburban framework
- ▶ Move the discussion about growth beyond the city versus suburbs dynamic
- ▶ Speak frankly about seismic shifts and diversity in the suburbs and create a more descriptive language for dealing with them
- ▶ Highlight the interesting and creative responses the development community is bringing to our evolving suburbs
- ▶ Surface the idea of “housing plurality” and position the Terwilliger Center as a value-neutral center of thought leadership about all housing

THE NATIONAL STORY

SUBURBAN PLACES STILL DOMINATE AMERICAN LIFE

America remains a largely suburban nation

- ▶ **79%** of the population, **78%** of households and **32%** of the land area in 50 top metros.

Suburban growth has driven recent metropolitan growth

- ▶ **91%** of population growth and **84%** of household growth (2000-2015)

A large majority of Americans work in suburbs

- ▶ **67.5%** of total jobs
- ▶ 2005 and 2010 – no suburban growth; 8% urban growth
- ▶ 2010 and 2014 – 9% suburban growth; 6% urban growth

Suburban residents overall have higher incomes

- ▶ Median income **\$21,800** higher in suburbs

The suburbs are “young” compared with their regions overall

- ▶ **75%** of 25- to 34-year-olds live in the suburbs of 50 top metros

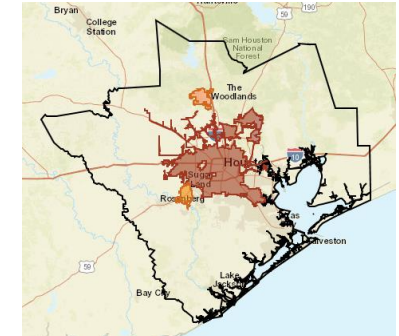
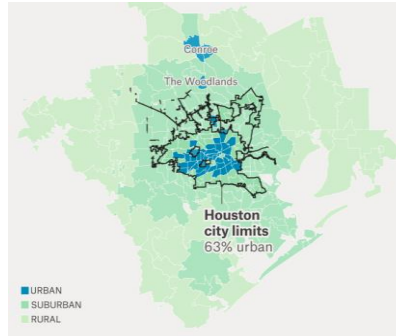
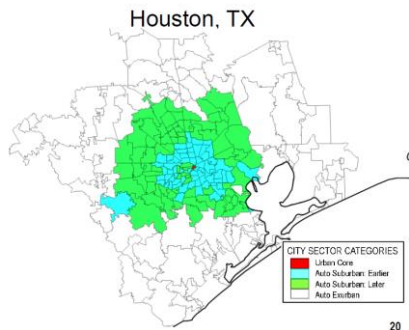
American suburbs as a whole are racially and ethnically diverse

- ▶ **76%** of the minority population lives in the suburbs

THE FIRST COMPLICATION

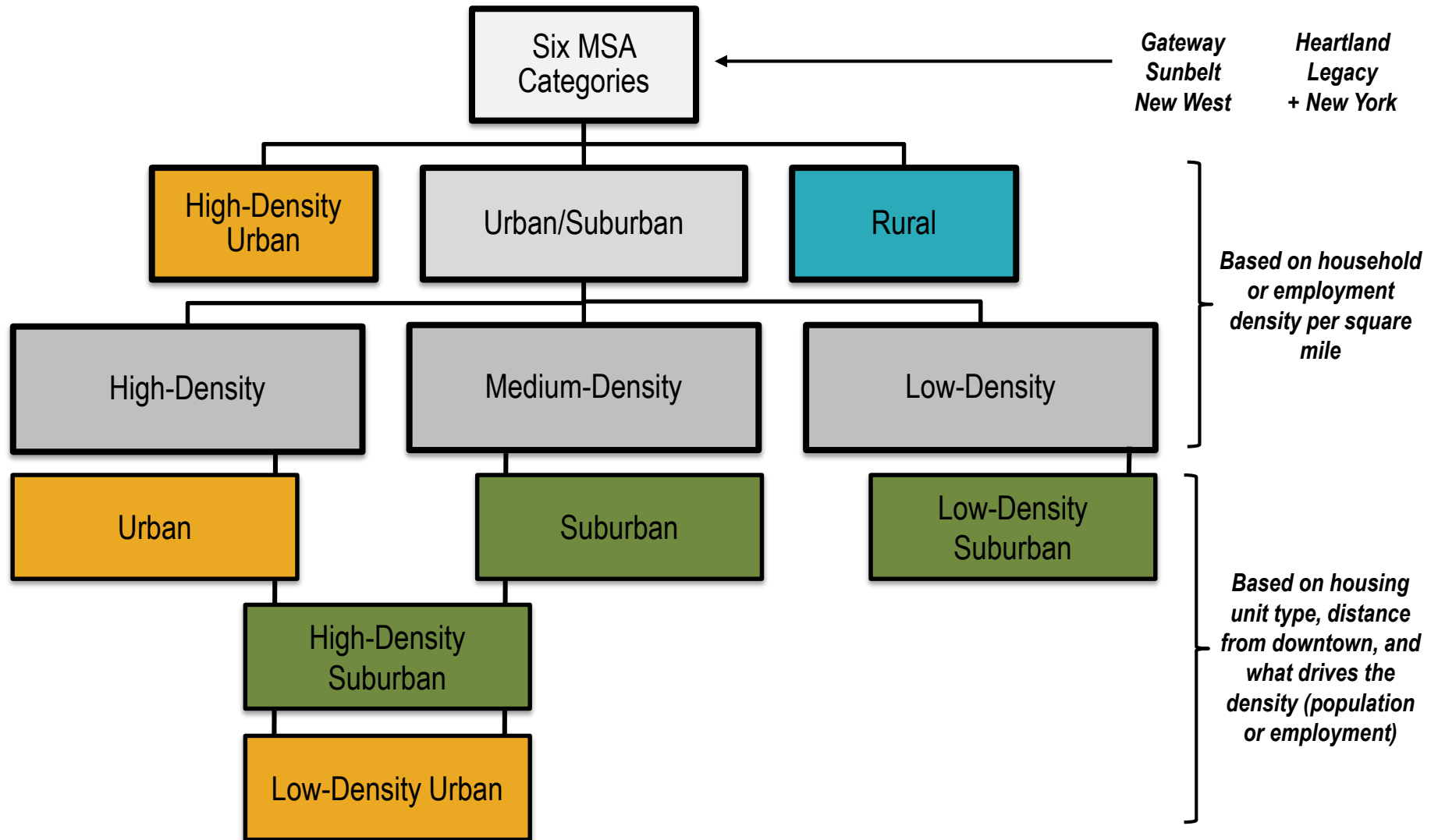
NOBODY KNOWS WHAT “SUBURBAN” REALLY MEANS AND THE EXISTING DEFINITIONS DON’T WORK

EXISTING URBAN/SUBURBAN CLASSIFICATION METHODS:



Name	Wendell Cox's City Sector Model	Jed Kolko's Methodology	Other Studies
Factors Used	Transportation, housing types, employment, zip code boundaries	Household density, survey asking how Americans describe where they live	Jurisdictional boundaries
Shortcomings	Produces very small urban cores, does not include rural areas within MSA boundaries	Applied same methodology to 50+ MSAs even though densities mean different things by different metro; too much urban in some, too much rural in others	In areas like Nashville, the principal city comprises a large portion of MSA, resulting in a lot more “urban” than there is; vice versa in areas like Boston

SO WE DEVELOPED A NEW FRAMEWORK AND IT DOES A BETTER JOB OF DESCRIBING THE SETTING IN WHICH PEOPLE LIVE



SUBURBS NOW MORE DIVERSE THAN UNIFORM

FRAMEWORK FOR THINKING ABOUT THESE PLACES EMERGES

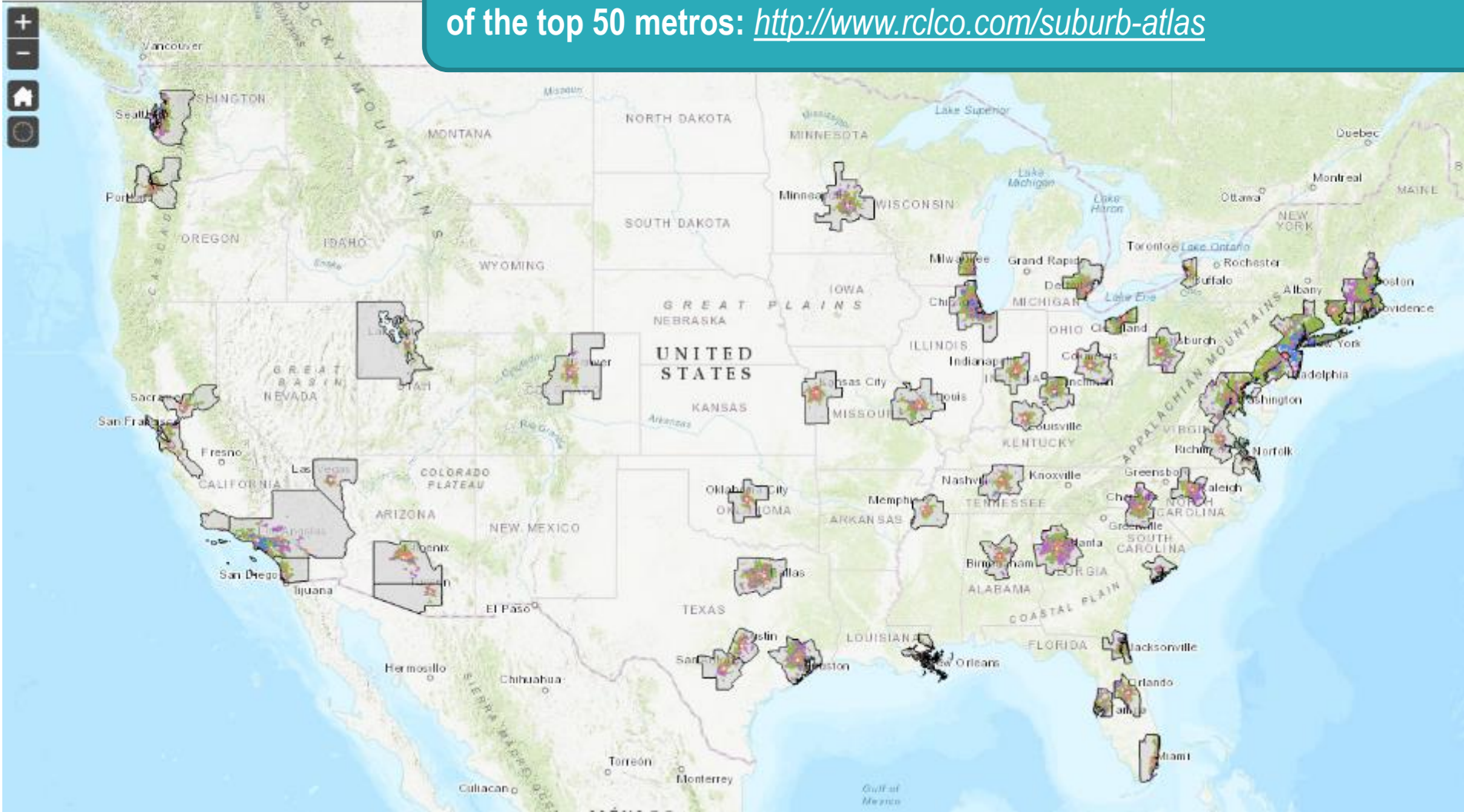
CLASSIFICATION OF SUBURB TYPE				
	Less Than 5 Miles From Downtown	5-10 Miles From Downtown	10-15 Miles From Downtown	More Than 15 Miles From Downtown
Urban				
High Value	Urban	Urban	Urban	Urban
Middle Value	Urban	Urban	Urban	Urban
Low Value	Urban	Urban	Urban	Urban
High Density Suburban				
High Value	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

PLACE CLASSIFICATION	
Urban	Urban
Established High-End	Established High-End
Stable Middle-Income	Stable Middle-Income
Economically Challenged	Economically Challenged
Greenfield Lifestyle	Greenfield Lifestyle
Greenfield Value	Greenfield Value

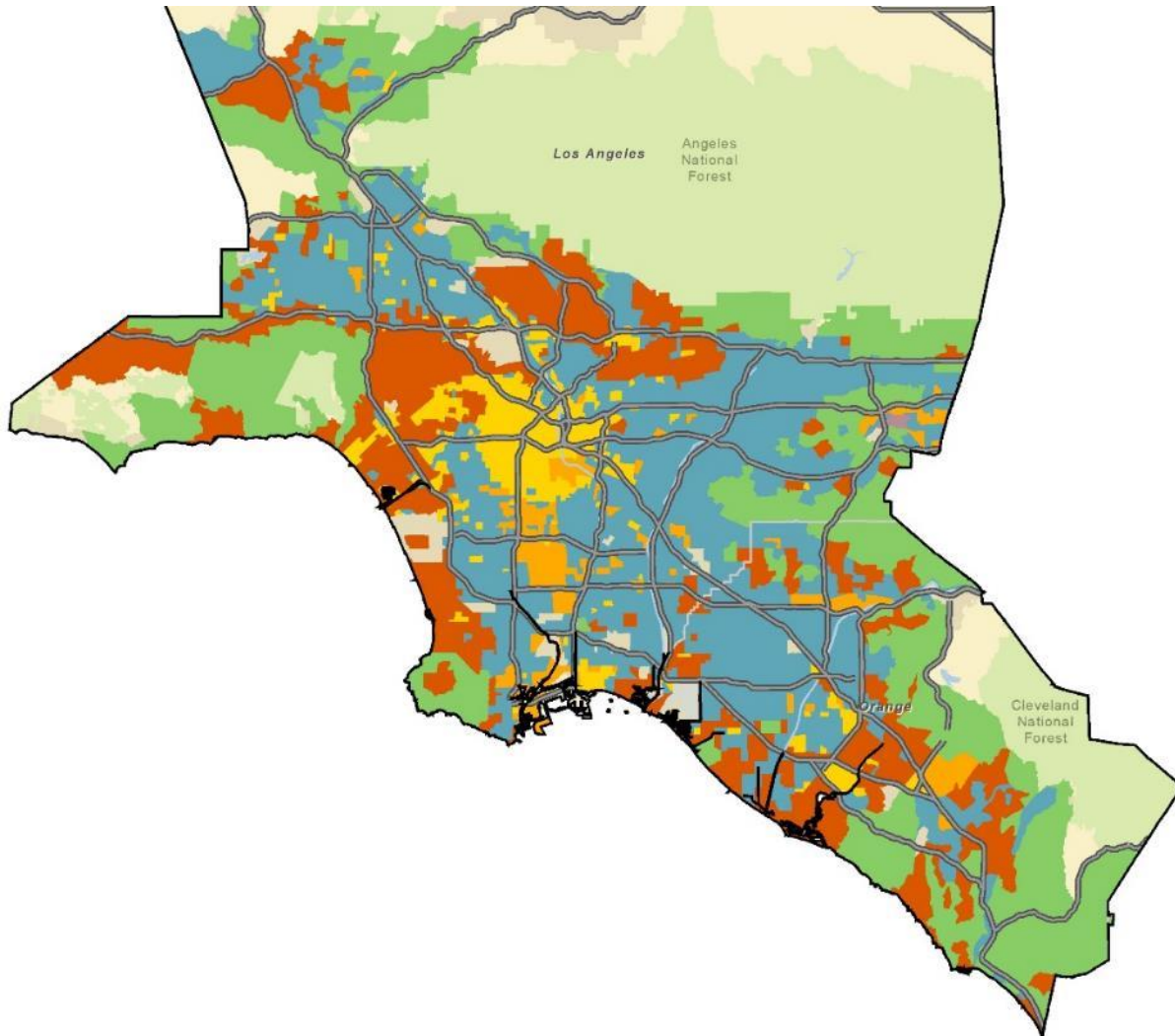
SUBURB ATLAS

Searchable on-line map showing the different types of suburbs in each of the top 50 metros: <http://www.rclco.com/suburb-atlas>

Suburb Atlas with Web AppBuilder for ArcGIS



LOS ANGELES & ORANGE COUNTY SUBURBS CHARACTERIZED



URBAN:

Dense employment centers and in-town, high-density residential neighborhoods

ESTABLISHED HIGH-END:

High home values and established development patterns

STABLE MIDDLE-INCOME:

Wide variety of home values that are attainable to a range of households

ECONOMICALLY CHALLENGED:

Lower home values and have seen little to no population growth in recent years

GREENFIELD LIFESTYLE:

Bulk of new community development at or close to suburban fringe, typically adjacent to established high-end suburbs

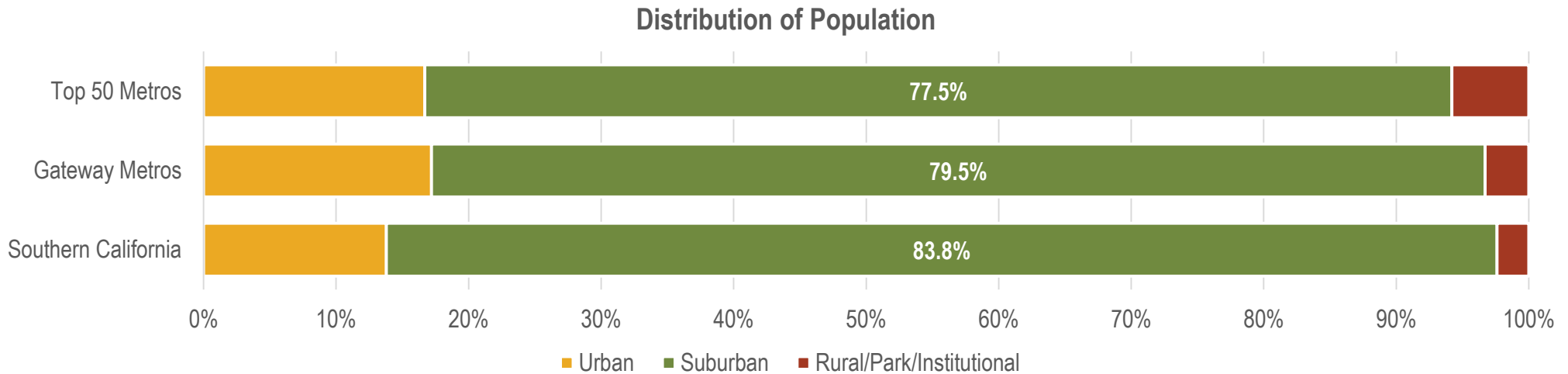
GREENFIELD VALUE:

At suburban fringe, often adjacent to stable or economically challenged areas or near low-wage job concentrations

OVERVIEW OF LOS ANGELES & ORANGE COUNTY

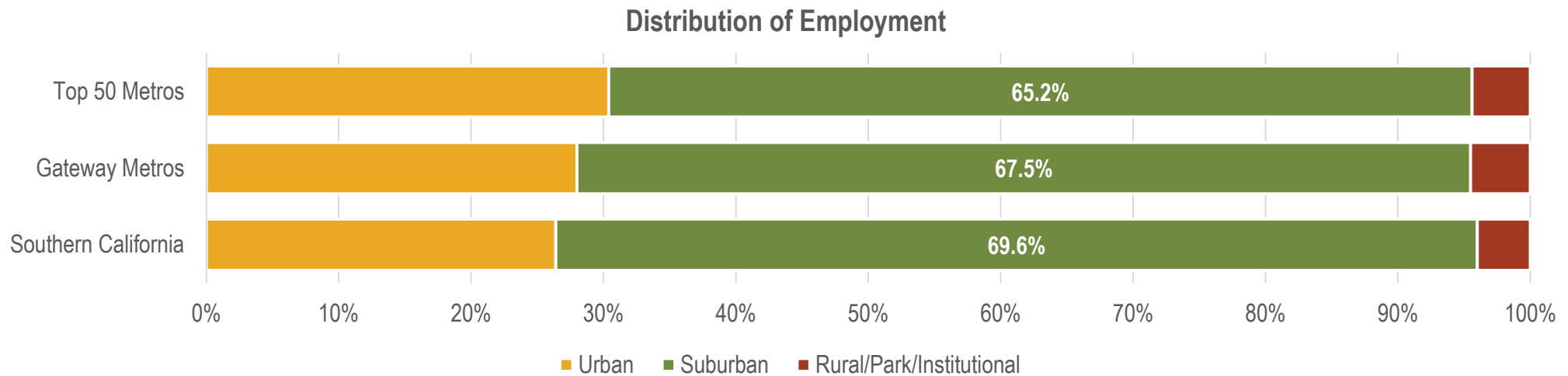
	BY TYPE OF SUBURB						
	URBAN	SUBURBAN	ESTABLISHED HIGH-END	STABLE MIDDLE-INCOME	ECONOMICALLY CHALLENGED	GREENFIELD LIFESTYLE	GREENFIELD VALUE
Total Population Distribution	16.8%	82.4%	18.0%	51.1%	5.7%	7.1%	0.6%
Minority Population Distribution	18.3%	80.1%	10.9%	57.0%	7.4%	4.5%	0.4%
Housing Unit Growth (2000-2015)	12.1%	10.8%	14.9%	7.3%	11.1%	23.2%	12.1%
Median Income	\$41,000	\$73,000	\$96,000	\$59,000	\$41,000	\$118,000	\$48,000
Median Age	34.3	37.4	41.8	36.0	30.5	42.7	34.3
% of Households with Kids	32.6%	38.8%	29.0%	42.1%	52.7%	37.8%	49.6%
% of Households Under 35	28.1%	16.9%	15.9%	18.0%	21.5%	9.8%	22.6%
Median Year Build	1961	1966	1967	1963	1965	1979	1987
Median Home Value	\$400,000	\$527,000	\$756,000	\$419,000	\$237,000	\$735,000	\$223,000
% Owners	25%	54%	54%	52%	44%	72%	55%

DESPITE URBAN GROWTH, SOUTHERN CALIFORNIA IS STILL VERY SUBURBAN



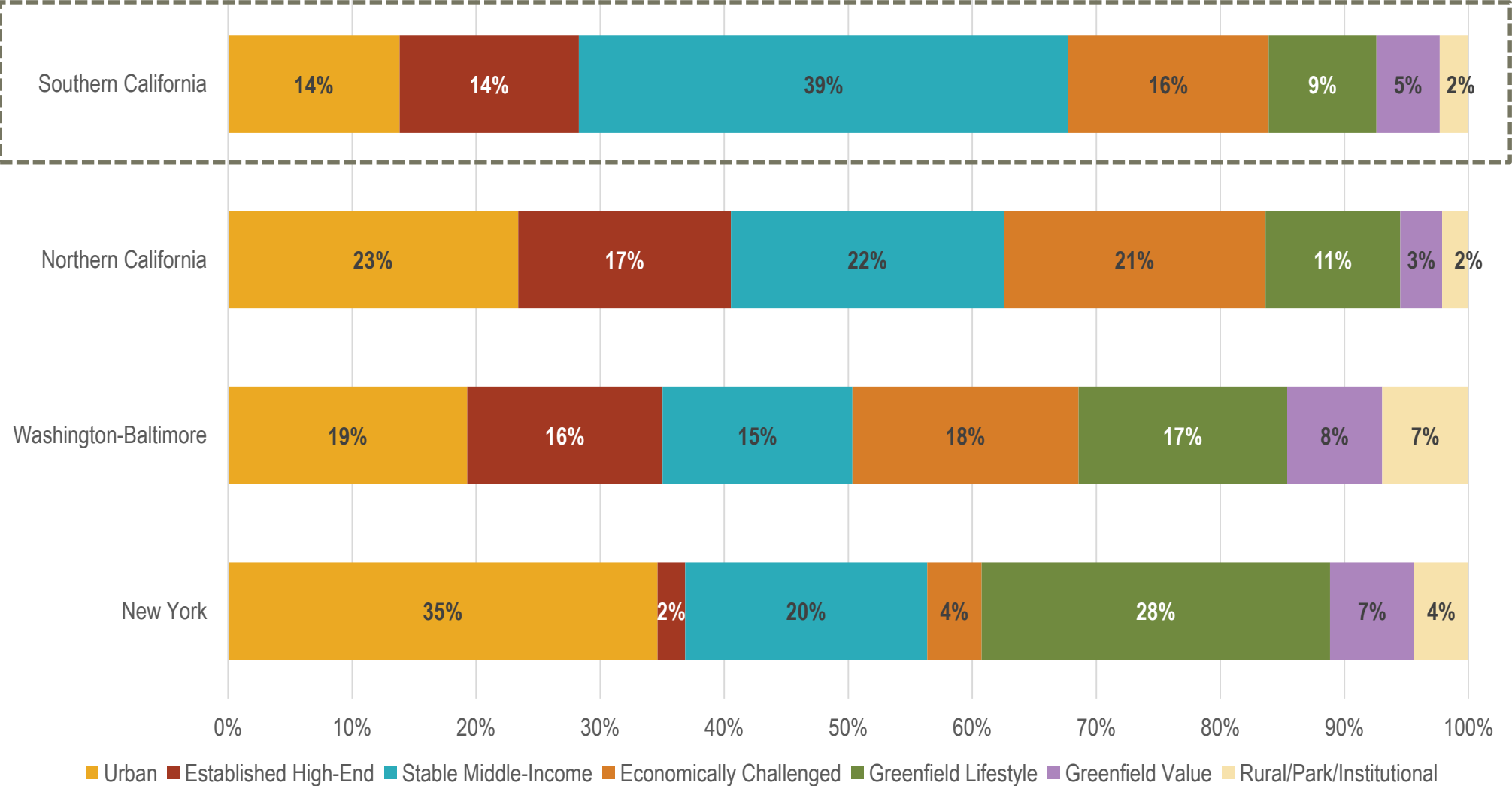
	DISTRIBUTION OF POPULATION		POPULATION GROWTH (2000-2015)		POPULATION GROWTH (2010-2015)	
	URBAN	SUBURBAN	URBAN	SUBURBAN	URBAN	SUBURBAN
NATIONAL						
Top 50 Metros	16.7%	77.5%	1.4%	13.1%	3.4%	3.7%
REGIONAL						
Gateway Metros	17.2%	79.5%	3.1%	6.9%	3.4%	2.4%
PEER CITIES						
Northern California	23.4%	74.5%	5.3%	5.3%	4.4%	3.7%
Washington-Baltimore	19.3%	73.8%	5.3%	14.8%	3.6%	4.7%
New York	34.6%	61.0%	2.5%	3.8%	3.5%	1.5%
Southern California	13.8%	83.8%	1.8%	10.5%	2.8%	3.0%

THE JOBS REMAIN IN THE SUBURBS



	DISTRIBUTION OF EMPLOYMENT		EMPLOYMENT GROWTH (2005-2010)		EMPLOYMENT GROWTH (2010-2014)	
	URBAN	SUBURBAN	URBAN	SUBURBAN	URBAN	SUBURBAN
NATIONAL						
Top 50 Metros	30.4%	65.2%	7.5%	-0.3%	6.4%	9.6%
REGIONAL						
Gateway Metros	28.0%	67.5%	17.0%	-2.2%	8.3%	8.8%
PEER CITIES						
Northern California	40.3%	57.5%	7.3%	0.5%	13.5%	13.7%
Washington-Baltimore	36.8%	57.5%	N/A	N/A	4.0%	5.2%
New York	42.6%	53.5%	14.5%	1.0%	8.7%	3.6%
Southern California	26.4%	69.6%	4.3%	-0.3%	3.3%	7.8%

DISTRIBUTION OF SOUTHERN CALIFORNIA POPULATION

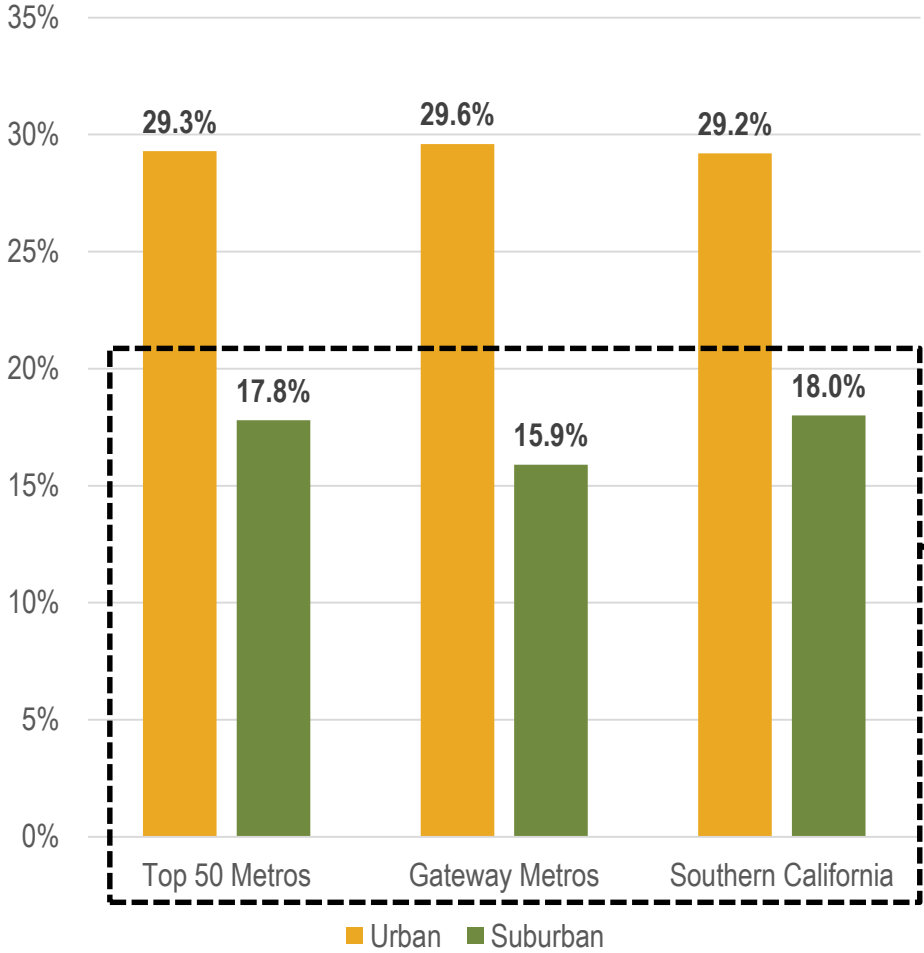


NOTE: For the purpose of this presentation, "Southern California" is comprised of the Los Angeles, Riverside, Oxnard, Santa Barbara, and San Diego MSAs. "Northern California" is comprised of the San Francisco and San Jose MSAs.

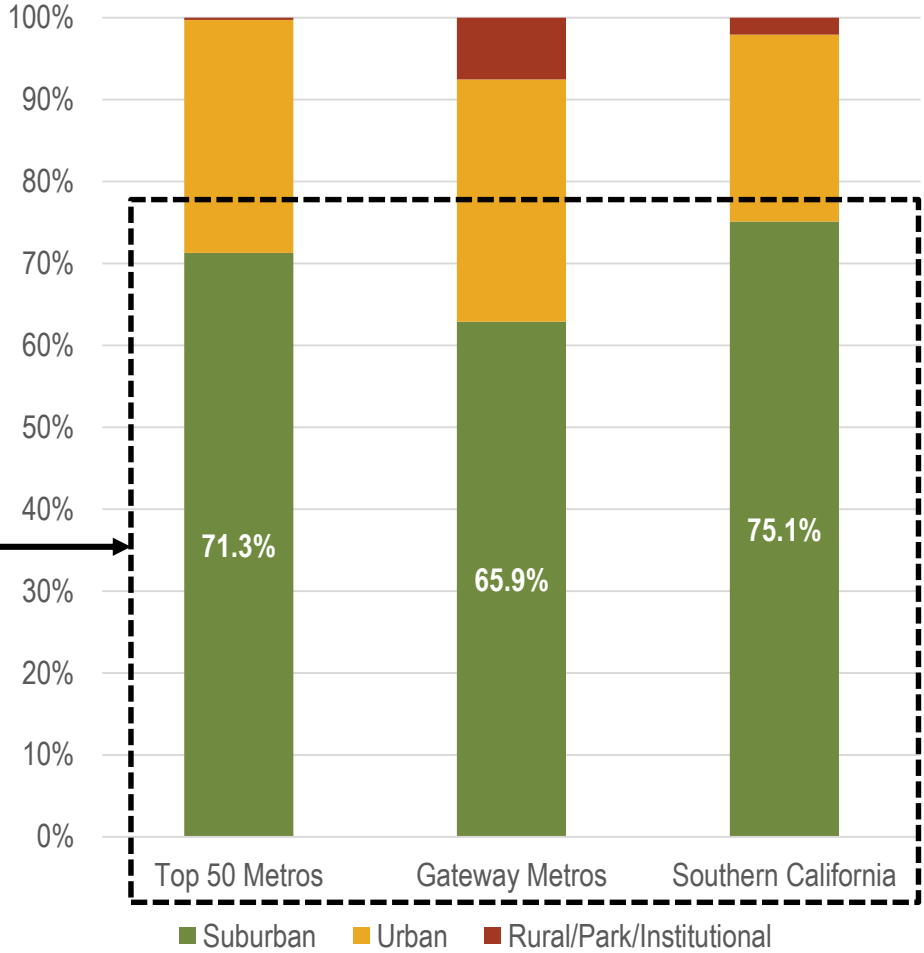
Source: RCLCO; ESRI Business Analyst

MILLENNIALS – SURPRISINGLY SUBURBAN

What Percentage of All Households are Under the Age of 35?

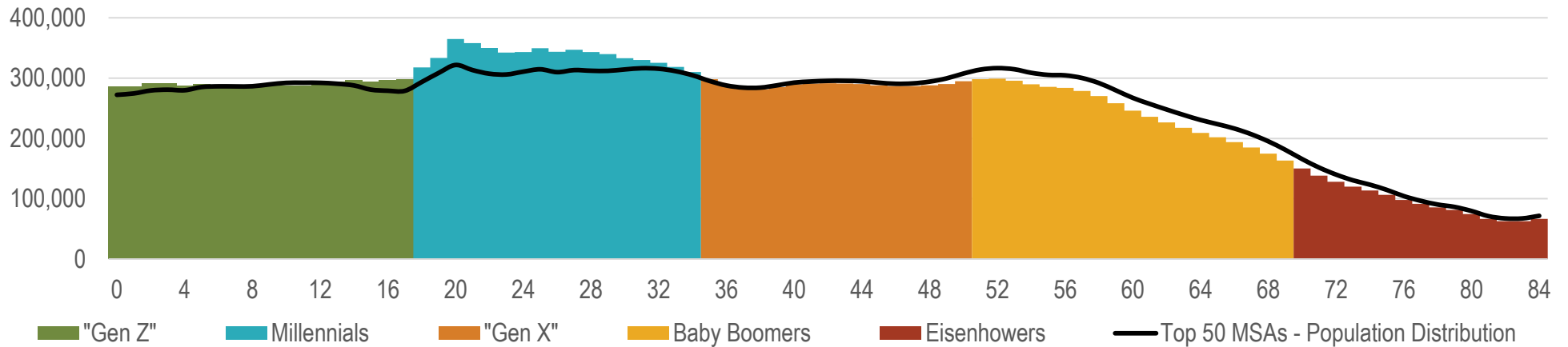


Where Do All Households that Are Under the Age of 35 Live?



SOUTHERN CALIFORNIA PRODUCT PREFERENCES WILL CHANGE OVER TIME

Southern California Population Distribution

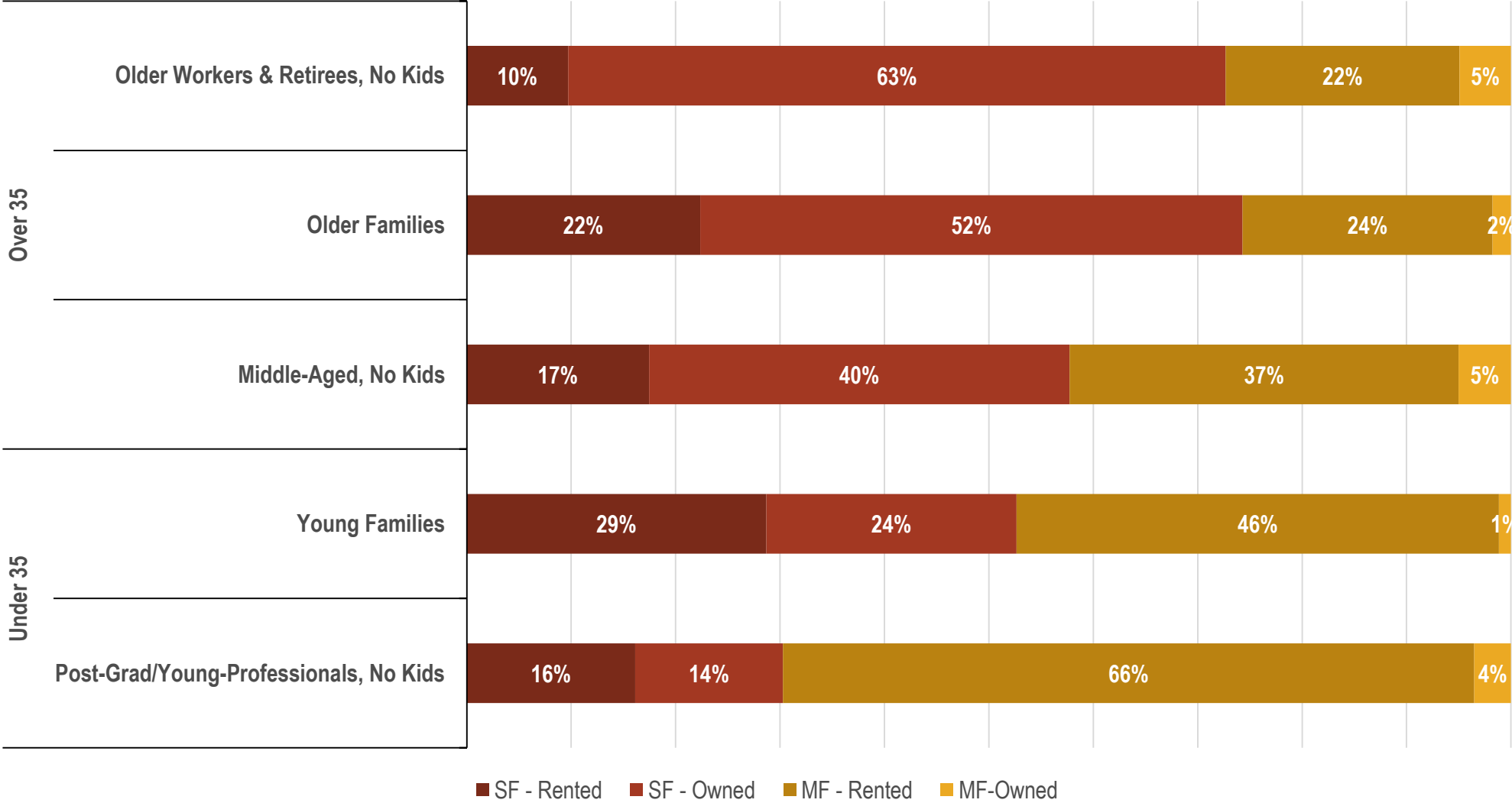


YEAR	STUDENT HOUSING	RENTAL HOUSING	RENT AS COUPLE / BUY CONDO	YOUNG FAMILY OWN	MATURE FAMILY OWN	EMPTY NESTER DOWNSIZE OWN	BUY/RENT RETIREMENT HOME
2015	Millennials	Millennials	Millennials	Gen X	Baby Boomers	Baby Boomers	Eisenhowers
				Millennials	Gen X		Baby Boomers
2020	Gen Z	Millennials	Millennials	Millennials	Gen X	Baby Boomers	Eisenhowers
						Gen X	Baby Boomers
2025	Gen Z	Millennials	Millennials	Millennials	Gen X	Gen X	Baby Boomers
		Gen Z	Gen Z		Millennials	Baby Boomers	
2030	Gen Z	Gen Z	Gen Z	Millennials	Gen X	Gen X	Baby Boomers
					Millennials	Baby Boomers	

NOTE: "Top 50 MSAs – Population Distribution" represents the age distribution of all MSAs examined, applied to Southern California's overall population

Source: RCLCO; ESRI Business Analyst

DISTRIBUTION OF SOUTHERN CALIFORNIA HOUSEHOLDS



Housing in the **Evolving** American Suburb

by ULI Orange County
Inland Empire

#BISbiasc2017



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