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The Ground Floor

Heard at the Urban Land Institute

April 16, 2010

In Years to Come New Real Estate Development Patterns will Evolve

This post was written for The Ground Floor by Trisha Riggs, vice president of communications at the Urban Land Institute.

In: Inner-ring suburbs. Out: Exurbs. In the years ahead, changes in demographics and consumer behavior will drive new real estate development patterns that reflect a trend toward more urban suburbs, according to industry experts at [ULI's Real Estate Summit at the Spring Council Forum](#) in Boston.

Well-known analysts Joel Kotkin, Robert Lang, Richard Florida, and Christopher Leinberger offered different views on what's ahead, but they all agreed that most of the growth in U.S. urban regions (more than 100 million will be added to the population by 2050) will occur not in downtown cores, but in the suburbs.

The catch: The suburbs will grow differently than they have in the past, reflecting a trend toward denser development and smaller homes on smaller lots, and less dependence on cars. The winners: close-in suburbs with an urban feel, featuring town centers as a focal point, with ample recreational, shopping and entertainment opportunities, and which are near employment centers. The losers: big houses on big lots in isolated suburbs on the edge. The reason: three major demographic groups, all of whom place high value on time and convenience, none of whom want long commutes or long errands, and at least some of whom have soured on homeownership.

The groups:

Aging baby boomers (55 to 64 years old): Although they are nearing retirement age, many will keep working out of necessity or by choice. Some will be forced to stay in their suburban homes until values recover. Those who are able to move will not choose traditional retirement locations or senior housing, opting instead for more mixed-age living environments that cater to their active lifestyles. Suburban town centers with a walkable urban "feel" will appeal to this group.

Younger baby boomers (46 to 54 years old), now in or entering their prime earning years: This group will also face a tough time selling suburban homes, hampering the ability of these



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boomers to move. Because the recession has left many younger boomers with flat incomes and less home equity, their ability to purchase second homes will be greatly diminished, curbing prospects in general for the second home market. However, like their older counterparts, they will be drawn to more connected, compactly designed communities when they are able to switch houses.

Generation Y: This tech-savvy generation has a population of about 86 million, more than the baby boomers. Gen Yers place high value on community; on diversity; on places (either virtual or actual) to gather; and share information, ideas and opinions. As they enter the housing market, they will be far less interested in homeownership than their parents were when they were young adults. Gen Y will gravitate toward walkable, close-in communities, choosing housing on outer edges only as a last resort because it is the most affordable.

One point repeated in several presentations: The housing collapse is a major factor behind some of the change in attitudes about where and how to live. Despite the recovery that is occurring in some housing markets, the number of foreclosures and "underwater" mortgages (loan amounts that are higher than the current value of the homes) continues to rise. The growing number of consumers who are choosing to walk away from those mortgages suggests a fundamental change from the long-held notion of homeownership as the ultimate "American Dream." This disillusionment over homeownership as a way to build wealth could persist for decades to come, as those entering the housing market will be more apt to rent longer, and to place more emphasis on buying for shelter rather than investment purposes.

Describing the new suburban development pattern as "smart sprawl," author and a fellow at Chapman University Kotkin said, "We can solve the problem of sprawl within sprawl itself." Mid-size cities, he said, will prove attractive to Gen Y, not only because they are affordable, but because many have transformed themselves into recreational and/or entertainment hubs, providing an urban lifestyle that is within their means.

According to Florida, author of *The Rise of the Creative Class* and other books on social trends, the "engine" that powers the next economic boom will be human creativity, and the places that meet the needs of the most talented and innovative workers from all types of employment