

WTFM

WHAT THE **FUTURE** | WINTER 2017

HOUSING

Are resident incentives the key to solving affordable housing?

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Powered by **Ipsos**

Imagine if people stopped wanting to own a home.

Ownership has been a central part of the American Dream and a driver and shaper of our nation's history.

We see clearly that today's younger adults are having a hard time achieving that dream. Data in this report shows that at least they're still dreaming — for now. But what if that aspiration went away? What if ownership stayed out of reach just long enough to turn a generation from wanting and believing its members can own, to assuming ownership is forever out of reach? How would that impact our nation's economy, construction, transportation, workforce trends, insurance, home goods, entertainment, mobility and technology?

How would it impact *your* industry?

What the Future is a question we need to ask. Because the future doesn't care if we're thinking about it. The future doesn't care if we project correctly. The future is coming regardless.



83%

Percentage of older Americans that want to age in place
(Source: Ipsos)



21%

Percentage of Americans that will be over 65 by 2030
(Source: U.S. Census Bureau)

The changing nature of ownership is just one big question that comes to mind when we think about **What the Future** holds for housing. It's shaped by mega-trends that are impacting all industries. The trends we'll talk about in this report will no doubt shape the future, but how exactly remains to be seen.

- **Aging of our population:** In 1990 fewer than one in nine Americans was a senior citizen. By 2030 it'll be one in five. By 2060, one in four. As our nation ages, people are doing so with an increased independence. They're staying in the workforce longer, and nearly 85% of those 55 and older want to age in place.
- **Integration of tech into the home:** Broadband is now available in nearly every corner of the U.S. The Consumer Electronics Association estimates that there are more mobile devices than people. Google, Apple, Amazon and others are vying to be the center of a smart home. Homes are more connected to the outside world, and we are more connected to our homes.
- **Urbanization:** The push and pull between urban cores and their suburbs continues but there's no denying that more Americans live in urban areas than ever before. Half of the population is concentrated in fewer than 150 counties. That plays into how we live, how we think and how we shop.
- **Changing households:** Our homes are impacted by—and perhaps also impact—who lives in them. Only one in five households headed by someone under 35 is a married couple family, according to the U.S. Census Bureau. We are having fewer children, and having them later in life. And we're living longer, sometimes with an empty nest and sometimes with a nest filled with boomerang kids and even their kids.
- **Rising inequality:** Wealth and jobs are increasingly concentrated. You've seen the stats: The top 1% now control 38% of the nation's wealth. That means most Americans lack choices and flexibility in where they live and how they spend.
- **Mobility and migration:** Americans don't move much. The mobility rate has dropped nearly in half since 1980. Now only one in 10 moves in a given year, and only a small percentage of those move to a new state. Those who do cross state lines tend to be the most educated, meaning those starting with less are less willing or able to make a move that could improve their situation.



Percentage of Americans who have never moved out of their home state
(Source: U.S. Census Bureau)



Percentage of Americans that moved in 2016, an all-time low
(Source: U.S. Census Bureau)

In science fiction, the future of housing often is pictured as towering, dense development with access, via flying cars, on multiple levels, not an antiquated “street.” The future has us living in smaller spaces, and spaces with a fluid design where rooms take on many shapes and serve many purposes. It's something you see in hotels now, where the public space has become a priority. It's a future IKEA is already picturing in the home.

“The future doesn't care if we're thinking about it. The future doesn't care if we project correctly. The future is coming regardless.”

Perhaps, if achieving ownership continues to be a challenge, housing becomes a public good. Maybe our future then becomes somewhat like the present in Singapore, where 90% of the population owns, but in governmentally held enclaves of high-rise flats.

No one has all the answers yet, of course. But it's time to ask the big questions that lead to the big answers and allow you and your organization to make the bold moves that position you for what's next.

It's time to ask, **What the Future.**



Oscar Yuan is the president of Ipsos Strategy3.

He advises Fortune 500 clients about the future of their industries and how to plan accordingly in the present.

Editor's note

Welcome to the first WTF, a new quarterly series which will attempt to answer the question: **What the Future.**

No. Wait. That's not entirely correct. WTF won't have all the answers, but it will attempt to start asking the right questions with hints as to how the future will impact the answers. This issue focuses on housing. Subsequent issues will feature the other three main consumer-spending categories: transportation, healthcare and food.

These interviews and the exclusive new research they discuss are meant to provoke some conversations at your company and, perhaps, in your household. We started with the topic of housing, since it's the category consumers spend the most in and because it touches every industry. You'll find that these questions lead to more questions. For instance, if people live in smaller places or more fluid homes, how does that impact their pantries and the goods they might store in them? If more people rent than own, what does that mean for financial services? If technology and design allow people to live independently longer as they age, how will that impact healthcare? But we're getting ahead of ourselves.

Here's the set-up. We asked five smart people with very different perspectives this question: "Looking five or 10 years into your crystal ball, what is something you'll wish you had tracking data on?" Then Ipsos conducted a survey to see how those questions are answered now. On our panel: Richard Florida, one of the world's leading urbanists; Paul Soglin, who is in

the second term of his third stint as mayor of Madison, Wisconsin; Lawrence Yun, the chief economist for the National Association of Realtors; Mary Lunghi head of market intelligence for IKEA; and Rodney Harrell director of livability thought leadership in AARP's Public Policy Institute.

Each wanted to examine a slice of the capital-T Trends driving housing changes—spanning the aging of America, to the urbanization of our population, to inequality. Their questions touch on topics ranging from how governments impact economic and geographic mobility; to Millennials' desire to own homes and some truly innovative ways to help make that happen; to how we live in our current houses day-to-day and how that will change as we age. Our panelists discussed those findings with GenPop, and we present the conversations here.

Finally, futurist Amy Webb checks in from the fringes—the places outside the housing industry itself where the trends that will shape housing are gaining traction.

The last question, of course, is up to you: What questions should you and your team be asking when you think about **What the Future?**



Matt Carmichael is the editor of GenPop, a magazine produced by Ipsos where he serves as the Director of Editorial Strategy in North America.

Question:

Are resident incentives the key to solving affordable housing?



Housing trends among Millennials are complicated beasts, and predicting where they are headed is tricky. This generation is beset by student debt, and many Millennials came of age during a weak job market and got spooked by a housing crash. Yet the 35-and-under set now makes up the largest share of home buyers, according to the National Association of Realtors.

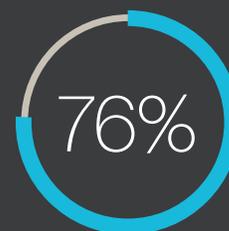
When NAR chief economist Lawrence Yun asks **What the Future**, he is concerned about the high price of housing in fast-growing, high-wage cities and its dampening impact on attaining the American Dream. He knows that in most parts of the country, resident backlash can trump new development that might help bring down costs by adding much-needed new units. He is especially curious if there are some new approaches that might turn the not-in-my-backyard residents into proponents of new development. He posed a hypothetical situation to Ipsos. GenPop discussed the findings with him.

Boomers 48%
Millennials 39%

Home ownership

Difference in homeownership between Millennials at age 18-34 and Baby Boomers at the same age. That equates to the same amount of homes owned (19 million) despite the Millennials having a larger population by 6 million.

(Source: U.S. Census Bureau)



Millennials who said they had delayed homeownership due to student loan debt.

(Source: National Association of Realtors)

GenPop: Your first question was about Millennial housing desires. What did you think of the results?

Lawrence Yun: [The results] were not surprising and are encouraging. People still view owning a property as their aspiration. Near 90% desire to own a property at some point.

GenPop: Millennials have been slower into the housing market than previous generations. To what degree do you think this data shows there are more economic challenges than aspirational ones?

Yun: The data shows that the aspiration to own is clearly there, which implies that it's financial barriers that are holding back the buying of property – whether it's student loan debt, which has tripled in a 10-year time span, or the high housing costs that make it difficult to save for a down payment, and higher home prices that make it difficult to get a mortgage. The data is strongly suggesting that people have a preference to buy, but it's the financial barriers that prevent the realization of their dreams.

GenPop: What does that say about the future?

Yun: These high costs might fundamentally change people's view about their desire to own in the future. The aspiration numbers today are encouraging – let's hope they remain as such – but they could change if people believe it will become nearly impossible to attain their dream.

GenPop: The second part of your question was about incentivization. You asked if developers could gain support for a real estate project by providing some sort of trade-off to residents. It's more typical to see the developers receiving incentives from a city than residents receiving a direct incentive – yet residents are the ones who have to deal with construction and day-to-day changes associated with the new property. Ipsos created a hypothetical and did a three-way split of the sample to test out not just the idea of incentives but different levels of reward. What did the results tell you?

Yun: Historically it's the existing residents who have the power through the ballot box and the local land-use regulations. Often it is the NIMBYism that has won out. The conversation has to be changed. The existing local residents can't have this major veto power. This is one way to have the conversation about building homes because building is needed. Americans are facing a housing shortage in many markets so the fact that people are at least willing to discuss Y(es)IMBYism I think is a very good start.

Another part that was encouraging was about the Y(es)IMBYism – provided that they get something in return, whether it is a property tax break or a gift card – people are willing to say, "Yes we need to build more." I think this is the major hurdle and obstacle that American big cities are facing where the job market is good but people are shy about moving to a job-creating region because of lack of homes available or very pricey homes. The way to relieve some of the price pressure is to build.

GenPop: What surprised you in the data?

Yun: The fact that people were willing to say "yes" for some consideration. The reward amount was much lower than I imagined it to be, but of course this was a hypothetical question.

GenPop: We have some data on personal incentives for moving, as well. Livability.com did a survey with Ipsos that showed people would be more willing to relocate if the incentives were right. Do you think this could translate?

Yun: There's a large degree of employment inefficiency. For instance, if more software engineers moved to a place like Seattle, that would be a great thing. Yet they do not or they cannot because of housing costs, which leads to inefficiency of human capital.

GenPop: How do you expect these results will change?

Yun: I think we'll need greater dialogue. We need to be asking the question more. The initial answer might be "no" but we could possibly make it into "yes" if we consider new incentive structures. It brings greater dialogue and makes people think in terms of trade-offs greater than just simple "yes" and "no." This is one way to possibly overcome the very powerful forces of NIMBYism.

Lawrence Yun is the chief economist and senior vice president of research for the National Association of Realtors.

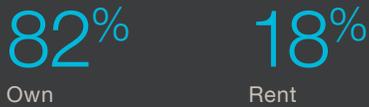
Evergreen NIMBY yard sign displayed in Oak Park, Illinois.

“The existing local residents can't have this major veto power. This is one way to have the conversation about building homes because building is needed.”



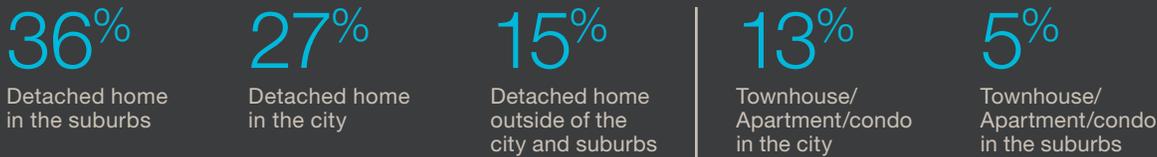
Most Millennials want to own their own home

If you could choose the type of housing you lived in, would you:



Most Millennials want detached homes

Of the following options, which ONE is your most preferred living situation?



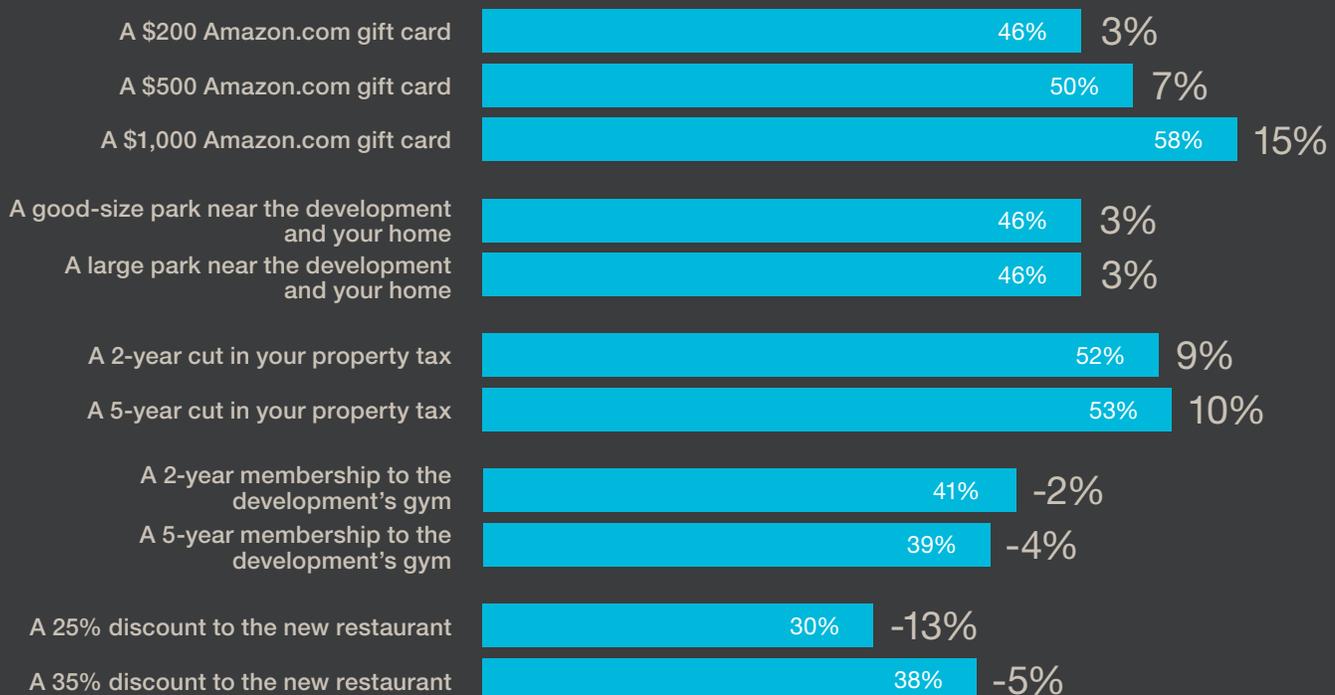
Residents are likely to support a hypothetical development near them

Imagine that a large development was being built near your current home. This new development will have different purposes including apartments or condos for purchase or rent along with a restaurant and gym. Based on this brief description how strongly do you favor or oppose the development being built near your home?



With the right incentives, support grows especially among younger residents

Now imagine that the company developing this new building have reached out to you with an offer in exchange for your support for the development. Please indicate the extent to which each of the following offers would impact your likelihood of supporting the new development in your area? Each respondent was given one set of incentives in a split sample. The percents represent the change in likelihood for supporting the proposal.



(Source for this page: Ipsos study conducted August 16 to August 18, 2017 among 2,031 adults)

Question:

Can incentives for individuals jumpstart our stagnant mobility rate?

If you ask mayors throughout the U.S. what their biggest challenges are, they will quickly list talent attraction as one of their chief concerns. Mayor Paul Soglin of Madison, Wisconsin, talks about this in his WTF interview, and he's far from alone. Traditionally, cities and their economic development agencies will attempt to entice corporations to locate new factories or relocate headquarters, often with generous tax incentives that yield arguably dubious returns on investment. Soglin's home state was recently in the headlines after offering as much as \$3 billion in incentives to Chinese electronics supplier Foxconn. Some say the incentives are the only way to win over executives and their boards. Others argue that such incentives are often inflated and come at the expense of programs that could help companies grow organically within a city or state.

The idea, of course, is that if jobs are created, people will relocate for them. Ironically, one of the chief concerns of companies undergoing a site-selection process is availability of a talented workforce.

But Americans are moving less, according to the U.S. Census Bureau, which notes that mobility is at an all-time low of 11.2 percent. While a typical American will move about 11 times in their life, fully half will live their entire lives in their birth state. As the economy shifts and jobs find new hubs away from traditional centers of manufacturing strength, it can become more difficult for cities or states to ensure a quality, skills-matched workforce.

Livability.com floated an idea similar to the question economist Lawrence Yun asks elsewhere in this report (on page 5), but instead focused on incentives for individuals to relocate. Working with Ipsos, Livability asked Americans what sort of incentives would increase the likelihood they would move across state lines.

A range of incentives were offered, including property tax breaks in the new community, employer-funded moving expenses, and income boosts, which were tested at two different levels. The hypothetical study found that incentives could indeed have an impact on someone's willingness to relocate for a job, and that the bigger the incentives, the more likely people are to consider the move.

This, like Dr. Yun's question about resident incentives in development, was meant to stoke discussion. Could cities or other local governments spur greater levels of mobility simply by offering employees a financial bonus of some sort to offset the costs (fiscal and emotional) of moving? Could developers help solve the affordable housing crisis in many of our cities by giving residents something in return for putting up with a project being built in their community?

Each idea is a novel approach to an existing economic problem. Based on the data from Livability.com and Dr. Yun's questions, the early signs point toward each having potential to change the game.

People will move to another state, for a price

Think now about moving to another state for a job what would help convince you to relocate?

44%

A better job

25%

Personal tax incentives like a year with no property taxes in the new state

35%

If your employer paid for your moving expenses

25%

Assistance finding housing in the new state

20%

An income increase of at least 10% relative to cost of living changes

44%

An income increase of at least 20% relative to cost of living changes

(Source: Ipsos study conducted in May 2016 for Livability.com among 2,217 adults)

Question:

Will today's high-end urban amenities become tomorrow's status quo?



Nearly 20 years ago, urban theorist Richard Florida identified a group of highly-skilled workers whose outsized contributions were driving economic change and development in cities around the globe.

His book, “the Rise of the Creative Class” detailed the characteristics of this type of worker and more importantly how to nurture and attract them. Its core findings were adopted by mayors worldwide. The trends identified in Florida’s research contributed to the seismic shifts, growth and revitalization in downtowns large and small. Those changes have not been painless for all involved and have lead to what Florida, in his new book, calls the “New Urban Crisis.” So when Richard Florida asks **What the Future**, he wonders if developers are recognizing the new realities.



“It’s not just that younger people are more attracted to urban living; it’s also the case that Millennials have put a premium on urban amenities.”



16,500

Number of public electric vehicle charging facilities in the U.S. ranging from six in Alaska to nearly 4,000 in California

(Source: U.S. Department of Energy)

38

Number of houses you could buy in Memphis, Tenn. for the price of one in New York City's SoHo neighborhood

(Source: Martin Prosperity Institute/Zillow, 2015)



GenPop: Why is it important to ask about this?

Richard Florida: The fundamental fabric of our cities is changing. While the back-to-the-city movement spurred a migration of young, talented residents from suburbs to city centers, today's cities are dealing with the side effects of this urban revival. Cities and metros across the world are suffering from a New Urban Crisis characterized by segregation, inequality and the decline of middle-class neighborhoods.

These issues have caused a shift in priorities among urban residents. Whereas young, talented people once flocked to cities for their cultural vibrancy and economic opportunities, today they are being deterred by rising housing prices and competition for urban space. As our cities change, it is important for local developers and anchor institutions, among others, to shift their priorities as well.

GenPop: How do you expect the data to change in the future?

I expect the trend of Millennials' chasing after urban amenities to continue, but I also anticipate a growing trend of older folks—the retired Baby Boomers—filtering into prestigious or trendy urban neighborhoods. In the past year, I've

known three people in their mid-60s who are looking to purchase apartments in the hip, bohemian, intellectual neighborhoods of New York City—places like Soho and Chelsea—as opposed to the Upper East Side. Some of these people are looking to be close to their grown-up kids in the city, while others are searching for a second home that offers a more contemporary urban lifestyle. Increasingly, these affluent Baby Boomers are looking to be exposed to urban amenities like restaurants, art galleries and gym memberships—all of which are made more accessible in cities.

GenPop: Interesting. So we'll see more boomers in urban settings?

Florida: Although the cost of living is a major factor in determining one's location, it is unlikely to deter well-off, retired Baby Boomers from relocating to the city. The more likely effect is that younger residents—especially the artists, musicians and other creative types who helped to revitalize cities in the 1970s and 1980s—will gradually be priced out of downtown areas. The same goes for service and blue-collar workers, who are already being forced to relocate to nearby suburbs.

Housing costs in particular are the main reason why people opt out of urban living. In metros like Orlando, Las Vegas or Miami, for instance, the average worker has less than \$28,000 in income left over after accounting for housing costs. In most cases, these numbers fall even further when you look at the wages for the working and service classes. In the wake of the New Urban Crisis, a lack of affordable housing threatens to overshadow the appeal of urban amenities, not just among young people, but also among residents from all incomes and walks of life.

GenPop: Are Millennials really all that different from previous generations, or is this more of a life-stage thing?

Florida: My research indicates that both age and generation have an impact on where people choose to live and why. On the one hand, younger residents are naturally drawn to the host of public amenities and cultural offerings found in cities. On the other hand, there are certain elements of urban living that align with the priorities of the Millennial generation: things like speed, accessibility, sustainability and so on. It's not just that younger people are more attracted to urban living; it's also the case that Millennials have put a premium on urban amenities like parks, wifi and communal meeting spaces, as your data suggests.



“Young, talented people once flocked to cities for their cultural vibrancy and economic opportunities, today they are being deterred by rising housing prices...”

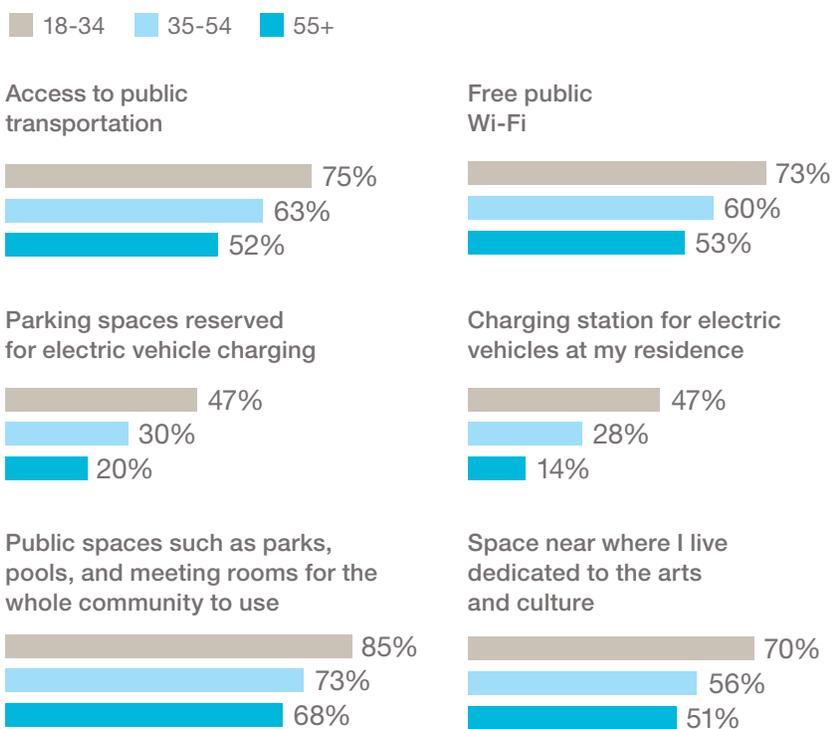
GenPop: Will the New Urban Crisis make some of these things harder to obtain for many or most Americans?

Florida: The New Urban Crisis has made urban amenities easier to obtain in some areas and harder to obtain in others. In large, dense, superstar cities, for example, the majority of residents enjoy broader access to transportation and cultural amenities like museums, theaters and restaurants. But these areas also suffer from a crisis of their own success. As more people flock to cities like New York, San Francisco, L.A. and Washington, D.C., their low- to moderate-income residents are quickly getting priced out of urban neighborhoods. The farther these residents live from a city’s center or downtown area, the less access they will have.

Smaller, more sprawling metros have nearly the opposite problem. Their amenities are fewer and less diverse, but they are relatively easy to obtain, since the cost of living in downtown areas is significantly cheaper. Moving forward, cities must strike a balance between offering a sufficient and diversified share of public amenities and making sure that all residents have access to these resources.

Richard Florida is University Professor & Director of Cities at the University of Toronto’s Martin Prosperity Institute, Distinguished Fellow at NYU’s Schack Institute of Real Estate, and co-founder & Editor at Large of CityLab.

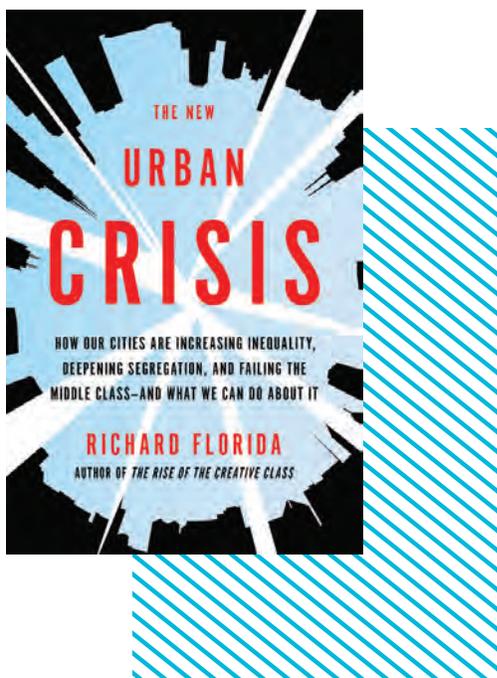
How important, if at all, it is to you when you think about where you live? (Very or somewhat important)



(Source: Ipsos study conducted August 16 to August 18, 2017 among 2,031 adults)

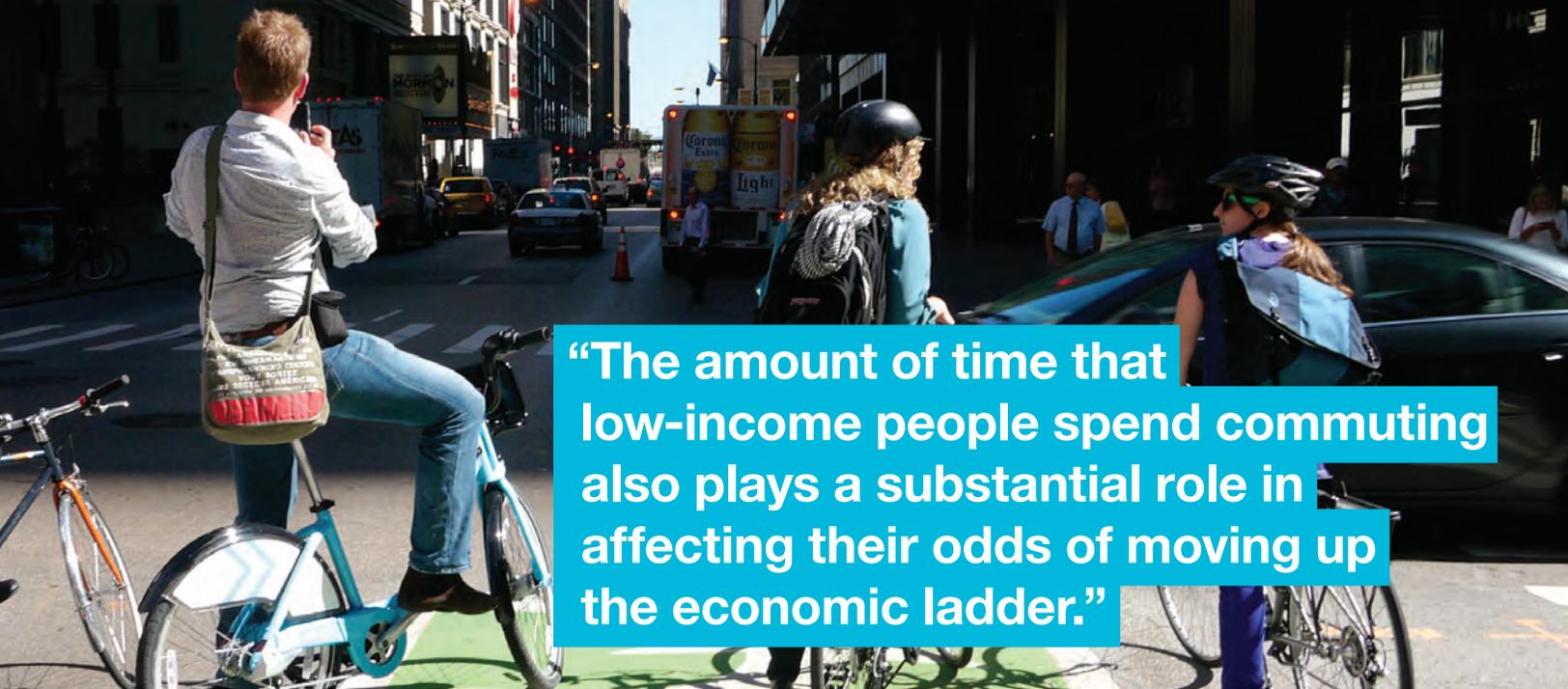
New Urban Crisis

The suburban dimension of the New Urban Crisis not only affects those who live there but has broader costs that extend to the U.S. economy as a whole. As well as being energy-inefficient and wasteful, suburban sprawl also limits the mobility of Americans and undermines productivity.



A suburban home was once a cornerstone of the American Dream; now, suburban sprawl has become a key factor holding back Americans' ability to move up the economic ladder. The old saying "drive 'til you qualify" reflects the reality that real estate becomes more affordable in the farthest-out suburbs, but distance levies additional high costs. The rule of thumb is that people should spend roughly 30 percent of their income for housing, but up to 45 percent including transportation. Having multiple cars and keeping them insured, repaired, and fueled up on gas can be an expensive proposition. Living closer to where one works or being able to take public transit can slash those costs considerably. For this reason, a pricier condo or apartment in the urban core or along transit lines can end up being considerably more affordable than a cheaper house in a car-dependent suburb. Instead of pushing people toward the American Dream, suburbia today actually hinders upward economic mobility. Economic mobility is significantly lower in more spread-out metros today than it is in denser cities. Lower-income workers in suburbia are farther removed from centers of work and have a harder time finding and getting to jobs than workers who are able to live in a city.

The amount of time that low-income people spend commuting also plays a substantial role in affecting their odds of moving up the economic ladder, with low-income people with longer commutes facing lower levels of upward mobility.



“The amount of time that low-income people spend commuting also plays a substantial role in affecting their odds of moving up the economic ladder.”

Photo: Steven Vance

While it remains true that persistently poor urban neighborhoods concentrate and perpetuate a cycle of poverty, poor suburban neighborhoods also present challenges: they isolate and disconnect their residents both from jobs and from economic opportunity, and also from the social services that can mitigate poverty’s worst effects. Even when suburbs have social services, the poor are less able to access them because they are harder to find and harder to reach than urban social services.

Suburban sprawl is extremely costly to the economy broadly. Infrastructure and vital local services—such as water and energy— can be 2.5 times more expensive to deliver in the suburbs than in compact urban centers. A UCLA study found that residents of wealthy Malibu, California (which has an average density of about 630 people per square mile), use more than ten times as much energy per person than residents of the working-class suburb of Bell, which has a density of about 14,000 per square mile. In total, sprawl costs the U.S. economy roughly \$600 billion a year in direct costs related to inefficient land usage and car dependency, and another \$400 billion in indirect costs from traffic congestion, pollution, and the like, according to a 2015 study from the London School of Economics. The total bill: a whopping \$1 trillion a year. Long commutes levy additional costs. The average American worker spends nearly an hour (52 minutes) traveling to and from work each day. That’s the equivalent of 9 full 24-hour days a year. Those who commute

90 minutes each way waste more than a month (31.3 days). Multiplied by America’s 139 million commuters, that’s as much as 30 billion hours that could have been spent doing something more productive. If we could take the 3.6 million Americans who commute 90 minutes each way to work and shrink their commute to the more typical 30 minutes, the economy would save 1.8 billion hours, or the equivalent of 900,000 full-time jobs.

The broader social costs of sprawl mount even higher when its indirect consequences are factored in. People who live in far-flung suburbs and endure long commutes have higher rates of obesity, diabetes, stress, insomnia and hypertension, and they are more likely to commit suicide or die in car crashes. All those risks combine to lower their life expectancy by an average of three years. When people were asked to rank their life experiences, commutes came in dead last, after work, child care, and doing chores around the house, according to a study by economists Daniel Kahneman and Alan Krueger.

When we think of commuters, many of us still picture a man in a suit and tie with a briefcase pecking his wife good-bye, or perhaps a high-tech worker in more casual attire zipping down the highway in a sports car. But the real burden of commuting falls heaviest on the poor and the less advantaged. Knowledge workers and professionals, as we have seen, are the people most likely to live near their workplace, or, if not, to have easy access

to efficient mass transit. And when they do choose to live in car-based suburbs, they can commute in the comfort and safety of their own cars. The poor and the less advantaged tend to be located farthest away from transit and frequently cannot afford a reliable car. Their suburban commutes are a maze of bus and train rides with multiple transfers, and often include long walks in places with inadequate pedestrian infrastructure. Besides acting as a drag on economic mobility, efficiency and productivity, sprawling suburbs are also no longer the job-creation engines they once were. While the suburbs still lead urban centers in their ability to create jobs that edge is shrinking. Of all of America’s 3,000-plus counties, suburban and urban, Kings County, New York—Brooklyn—saw the highest rate of job growth between 2007 and 2015. Between 2007 and 2011, urban centers—areas within a three-mile radius of a city’s central business district—added jobs at a faster rate than their suburbs in more than half (21 of 41) of the largest US metros, among them Charlotte, Oklahoma City, Milwaukee and Indianapolis, as well as New York, San Francisco and Austin. And although the suburbs are creating jobs at a faster rate than urban centers, those jobs are lower paying, less skilled, and more vulnerable to economic downturns than the knowledge-based and professional jobs that are being created in urban centers. Jobs in urban centers pay 20 percent more than jobs in high-density, more urbanized suburbs, and 37 percent more than jobs in low-density ones.

Question:

How will your house itself make your daily life easier?

Throughout this report we've talked about the macro-trends and the questions we should ask ourselves as we think about what comes next in housing. When Mary Lunghi, head of market intelligence for IKEA, asks *What the Future*, she's also asking those questions.

Her focus, naturally, is on how they impact what happens within the walls of the home. To get at that answer, Ipsos asked 1,000 U.S. adults about which rooms they most want to remodel and what sorts of changes or upgrades they would make to transform their home into an easier place to live. Their answers are shaped by mega-trends of aging, urbanization, automation and more. The data hints at a trend we haven't discussed yet, flexibility, which impacts how we commute, how we work, how we eat and how we buy. How does this shape housing? Mary Lunghi takes us through her thinking.

1.8

 MILLION

The number of new apartments constructed in the last decade. Half of those are 1-bedroom units.
(Source: Yardi Matrix)



“When we talk about a mega-trend, at a certain point, it’s no longer a trend. It’s a driver of change.”

GenPop: Why ask this?

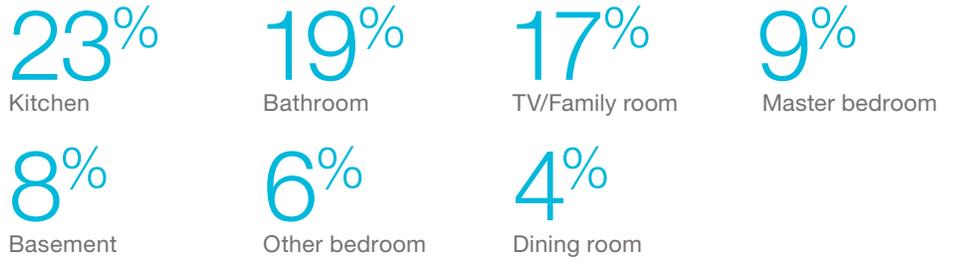
Mary Lunghi: What we really wanted to get at is what's important to people in their home lives to make their home life easier. Our mission is to create a better everyday life at home for the many. With that in mind, one of the things we thought would be helpful to understand is what room or rooms in the home are a priority for remodeling or refurbishing. While this study shows that the kitchen is the space most likely to be remodeled in the next year, we know from other research that there is a difference between aspiration and reality. Everybody wants to remodel the kitchen, but not everyone can afford to. This is a great insight for us, because we can make that dream a reality.

GenPop: Will that change in the future? Will we become more kitchen-centric given trends toward cooking more and dining in more?

Lunghi: People are still dining out a lot and enjoying that experience. There's the rise of the fast casuals and mid-scale casual chains. But at the same time you've got the Blue Aprons, and people entertaining and cooking at home, both because they enjoy that experience but also because many seek to save money depending on the economic conditions. The kitchen is typically seen as the heart of the home. Even if you're not cooking in the kitchen, it's the place of gathering because it's a place where other activities take place, such as doing homework, working from home, paying bills, etc. This speaks to the fluid home trend we're seeing, where multiple activities or functions are occurring in the various rooms of the home. They are not so singularly functional anymore.

When it comes to remodels, kitchen is still king

What one room in your home would you most like to remodel to make it more livable?



(Source: Ipsos study conducted August 16 to August 18, 2017 among 2,031 adults)

GenPop: As aging in place also continues, the bathroom seems like a place where you'd have more need for remodeling and reinvestment.

Lunghi: Yes, and you see the 55+ group over-indexing [in the data] for remodeling bathrooms. When you think about the kitchen, it's a public space, and the bathroom is a personal space. I think that the places people see are where you're going to remodel first. But if you are 55+ and you are aging in place, people are being driven by function and care less about showing off the home.

GenPop: In the second question, about the items that would make people's homes more livable, many choices have to do with some sort of automation.

Lunghi: For us, we want to understand the direction your home life is taking. Do you envision a smart home in your future, because if you do we have to figure out how to work with that. What needs do you have as result of that? That feeds into our innovation and product design. We are developing products that have

built-in chargers. If you're really interested in automated cleaning solutions, what kind of impact will that have on product design?

GenPop: Do you wind up needing to make furniture that is higher off the ground to accommodate cleaning robots scurrying underneath?

Lunghi: That would be the exact kind of information that would lead to product design.

GenPop: When someone like you thinks about the future, what kinds of factors go into that? What kinds of questions do you ask yourselves at IKEA?

Lunghi: We start with the macro view: What are the mega-trends that are happening – socially, economically, politically, technologically and environmentally? [We're working toward] understanding that landscape and then drilling it down into the home. When we talk about a mega-trend, at a certain point, it's no longer a trend. It's a driver of change. Urbanization is a driver of change.



6.9%

Percent of households with a smart hub such as Google Home, Amazon Alexa, etc. Expected to double by 2021.

(Source: Statista)

Millennials most likely to want automation in their homes

Which if any, of the below would make your life at home easier?

■ Everyone ■ Millennials

Energy saving solutions
(e.g. motion sensing lights, LED light bulbs, etc.)



Organization solutions
(e.g. closet organizer systems)



Space saving solutions
(e.g. under-bed storage)



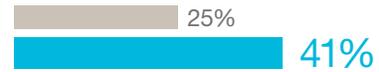
Home security solutions
(e.g. remote/smart alerts, door locking, cameras, etc.)



Automated cleaning solutions
(e.g. floor vacuuming robots, shower cleaners, etc.)



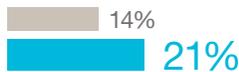
Smart Home Appliances (e.g. Wi-Fi controlled, smart refrigerators, integrated TVs, garage doors etc.)



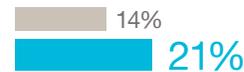
Multi-functional furniture (e.g. an ottoman or footrest that can also be used as storage)



Integrated home audio/theater system



Digital Assistant/Smart home hubs (e.g. Amazon Echo, Google Home, Alexa, Apple TV/Siri, etc.)



(Source: Ipsos study conducted August 16 to August 18, 2017 among 2,031 adults)

Americans were asked which of these would make their home lives easier. Then they were asked to pick just one. Their first choice? Automated cleaning.

Aging population is a driver of change. These are things that are just happening. Trends then live under those drivers of change. We take that information and say, “OK, how does that impact how people are living at home?” With urbanization, for example, you have people living in smaller spaces and urban settings. How do we continue to enhance our small-spaces solutions?

GenPop: Which drivers will have the biggest impact moving forward?

Lunghi: They’re all having an impact. We talked about urbanization. In reality, that’s just not about moving to cities, because the Census data includes suburbs when referring to the urban/rural split and the growth toward more urban living and the decrease in rural living. But there is the trend of “new urbanism,” with builders and developers creating communities that are mixed-use and built around a main square where you can easily walk to a grocery store or a post office or dry cleaner.

That’s directly related to an aging population being able to function if they can no longer drive. These drivers of change have led to a trend that we’re calling the “fluid home,” which I mentioned previously. What used to make a living room a living room is no longer the case. We’re seeing a fluidity of living. For example, in the living room I can do not only what I used to do, which is watching TV, but I could be paying bills, I could be doing yoga, I could be doing homework, I could be eating, I could be sleeping. There’s multifunctionality in the space, and there’s fluidity between the spaces as well, because homes are getting more technologically equipped. That creates a need for us to say what kind of furniture can we create, what kind of solutions can we provide that will accommodate that shift and enable the consumer to live a better everyday life at home.

Mary Lunghi is head of market intelligence for IKEA, U.S.

“If you are 55+ and you are aging in place, people are being driven by function and care less about showing off the home.”

Question:

As people grow older, will their homes support their changing needs?



Today, nearly 50 million Americans are over the age of 65, including more than 6 million over the age of 85. By 2060, the Census Bureau projects, those figures will be 100 million and 20 million. We are an aging nation. It doesn't take a futurist to understand that.

When AARP's Rodney Harrell asks **What the Future** he wonders if our houses will keep up. And as a Director of Livable Communities in AARP's Public Policy Institute he's especially concerned that people, policy makers and homebuilders might not be asking the right questions.

"It's not practical to think that all homes in the country might have all of these features... But ideally what we would have is options in every community..."

GenPop: Your question for our survey was about whether people intend to age in place and if their current space is set up to allow those intentions to happen. Why are these important issues now?

Rodney Harrell: One thing that we are aware of is that the vast majority of older adults want to stay in their homes and communities as they age. One of the key challenges is that homes and communities aren't necessarily prepared for people to do that. People should be able to live their fullest and best lives in their homes, and the way that we design and build our homes and communities should help them with that.

GenPop: Is this something that's shifted or have adults always wanted to age in place?

Harrell: It has stayed relatively consistent. Folks want to do that, and it makes sense if you think about it. You build your connections there, your close friends, your church or place of worship, your favorite gathering spots. They're all there in your community. So while it's tempting to sometimes think about homes as just a good that can be easily changed like a shirt or something you might otherwise purchase, it's much more complicated because [a home] carries those memories, connections and other pieces with it.

GenPop: Looking at this data, it seems that people want to stay, and people seem to think that their homes are pretty well set up for that. In your experience is that true or is there a perception gap?

Harrell: I think there is a big perception gap. It is two parts. One is that a lot of people are saying that they've got doorways and hallways that are wide enough to support wheelchairs or a mobility device. And the majority think they have a room on the first floor that can be used as a bedroom. And those are great if they do have those things. My hope is that all of those people know and understand the actual needs that they might have later. I'm not convinced that everyone does, and [they] may be mistaken about how prepared their homes are.

GenPop: What kind of things can a group like AARP do to help narrow that perception gap?

Harrell: Communities can provide policy solutions to help make building those homes easier. We need to talk to builders and that whole industry to create homes with the options that people need. The builders particularly will say, "If I'm going to create more supply, I need demand." And so that demand question is part of the education of the general public, that they understand what they need. The problem is you can't create a housing stock overnight, so we have to start working now. Nobody should be forced from their home because it doesn't work for them.

GenPop: At what point in your life should you start thinking about this?

Harrell: I think that tends to happen with your second home purchase. I've talked to many people who bought that second home and started to have a family, and they ended up in that home a lot

“While it’s tempting to sometimes think about homes as just a good that can be easily changed like a shirt ... it’s much more complicated.”

longer than they planned. Most people do not plan to stop driving or plan an income-related or physical issue that may limit their ability to move. After that happens, the choices are limited. So to me, the best time to act is when you have as much choice as possible to prepare for everything you can.

GenPop: How do you think data like this will change over the next five or 10 years?

Harrell: Ideally, we'll see all these numbers go up. We'll see more people start to pay attention to these issues. I'd like to see that happen in all age groups. I know it's not practical to think that all homes in the country might have all of these features anytime soon. But ideally what we would have is options in every community that a person can have and choose from that might meet their needs.

50 MILLION

The projected number of households headed by a senior citizen in 2035, representing one in three households.

(Source: Joint Center for Housing Studies of Harvard University)

31 MILLION

The projected number of older households with a disabled resident, including 17 million where someone with a mobility disability lives.

(Source: Joint Center for Housing Studies of Harvard University)

43 %

The contribution to the GDP from adults over 50 who make up just 35% of the population.

(Source: Oxford Economics)

GenPop: Do you think there's going to be a need for a lot of retrofitting of today's homes?

Harrell: Absolutely. We have over 100 million homes in the country. Even if we changed every new home, we're not going to turn over the housing stock to create all the homes that we need. Most of the policy solutions that I've seen are impacting new homes. What that means is we do need solutions for those people who are living in the millions and millions of homes already.

GenPop: It seems like technology can play a role as well, with smart homes able to control devices and appliances in your home, or smart medicine cabinets that can make sure you're taking your pills and alert family members if needed. Can technology also play a role in helping older Americans stay in their homes with less support as they age?

Harrell: I think technology is going to play a crucial role moving forward. I've got a couple of caveats though, and one is we've got to make sure that it works and it's easy to use. Another concern I always have is privacy issues. A third thing is the cost. Decades from now we'll look back and say, "Oh, this x, y, and z problem used to be a real issue, but we don't have to think about that anymore." But between now and then there is a lot of refining and making sure that we get to a place where everyone can benefit.

Rodney Harrell is director of livability thought leadership in AARP's Public Policy Institute.

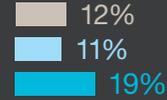
Most older Americans want to stay and age in their current homes...

■ 18-34 ■ 35-54 ■ 55+

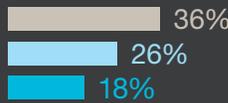
As long as you can, the way it currently is



As long as you can, but make age-related modifications as you get older



For now, but plan to move out to a house that is a better fit for an older lifestyle



...But Americans likely overestimate how accommodating their homes currently are.

■ 18-34 ■ 35-54 ■ 55+

Doorways and hallways with at least 32" wide opening (to accommodate a wheel chair or mobility device)



An entrance to the home without steps



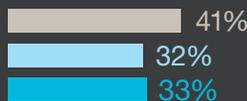
A room that can be used as a bedroom on the first floor



A shower stall (as opposed to just bath tubs)



Lever door handles (as opposed to doorknobs)



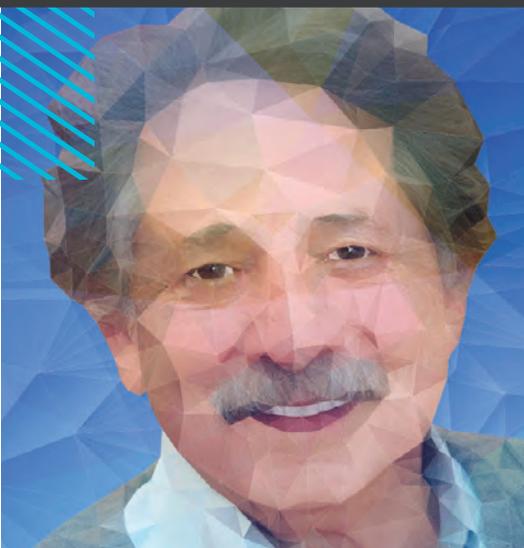
An open floor plan that allows easy access between rooms



(Source for this page: Ipsos study conducted August 16 to August 18, 2017 among 2,031 adults)

Question:

If someone moves into my city and moves up the socio-economic ladder, does local government play a role in that success?



“If gold were to rain down on our cities we’d be foolish not to pick it up. Every person that comes to the city has potential to become an economic asset.”

“Cities aren’t full of poor people because cities make people poor, but because cities attract poor people with the prospect of improving their lot in life.”

Edward Glaeser, *“Triumph of the City.”*

Paul Soglin, mayor of Madison, Wisconsin, referenced this quote in conversation with GenPop — he even cited the page number in the Harvard economist’s seminal book.

When Soglin wonders **What the Future** he thinks about two key trends: inequality and urbanism. And he thinks about how cities, in his case city government, can create more equity for those prospecting for a better life.

2.6

The number of long distance movers (200+ miles) with graduate degrees for every mover with less than a high school education.

(Source: U.S. Census Bureau)

\$62,100

Difference in median household income between the highest earning metro area (San Jose, CA.) and the lowest (Brownsville, TX.)

(Source: U.S. Census Bureau)

About 12 percent of the global economy and half of the U.S. economy is driven by the 20 largest U.S. metro areas. Each of those metros could equal a pretty good size national economy. Yet with all that wealth generated, three to four of every 10 dollars is held by just 1 percent of our citizens.

Meanwhile, the economy continues to shift from one based in manufacturing to one based in the knowledge and service industries. The jobs associated with this change are moving from places like the Rust Belt to places like the West Coast and the South. Problem is, not enough of us are moving with those jobs. Americans are less mobile now than ever, according to the U.S. Census Bureau. President Trump has weighed in that people need to move where the jobs are.

This is a long-term trend impacting our housing situation and our governments. Soglin wanted to know more about those who do move and what role they see government having in their economic success. Ipsos helped provide some answers by looking at how geographic mobility and economic mobility go together, and how people view the role of their local government in helping them climb the ladder. An Ipsos study found

that movers are consistently better off, compared to stayers, and that positive outcome increases over time. Movers are also consistently more satisfied with local government compared to stayers.

GenPop: Why ask about this?

Mayor Paul Soglin: From the standpoint of a viable city we want people moving in; we don't want them moving out. If gold were to rain down on our cities we'd be foolish not to pick it up. Every person that comes to the city has potential to become an economic asset. Some might be an asset the day they arrive. For the family of four or five with children lagging behind in school and parents lacking employable job skills, we can make an investment in them over three to five years, and they become assets. Or we can ignore them, and they become liabilities for the rest of their lives. I figure the investment is well worthwhile.

Poor people are going to go where jobs are increasing, particularly where their skillsets are needed in the local economy. Since those people will be coming to our community, I want to make sure they become assets and not liabilities. One of the things that has characterized cities that are economically growing is their low-income population is growing, which

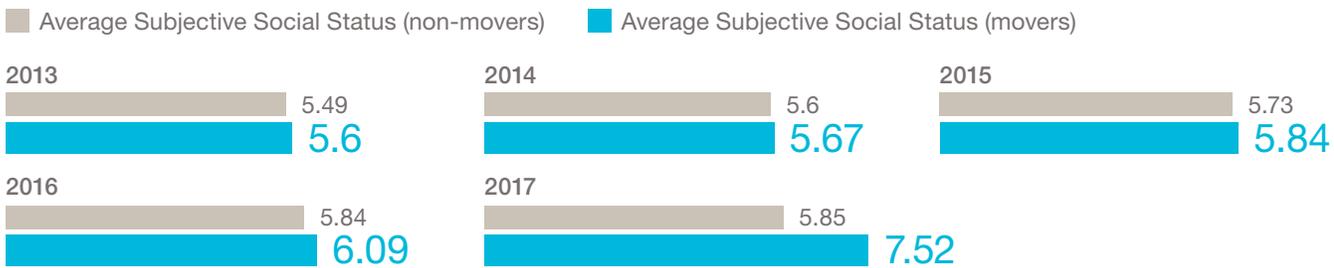
begs the question: are [cities] prepared for [low-income growth] in terms of their housing and educational system? Where you've got skillset and job requirements mismatched, what are you prepared to do about it? If they're retirees, we're not particularly worried about them. They most likely wouldn't be moving unless they had the assets to be successful.

GenPop: What can cities do to help new residents succeed?

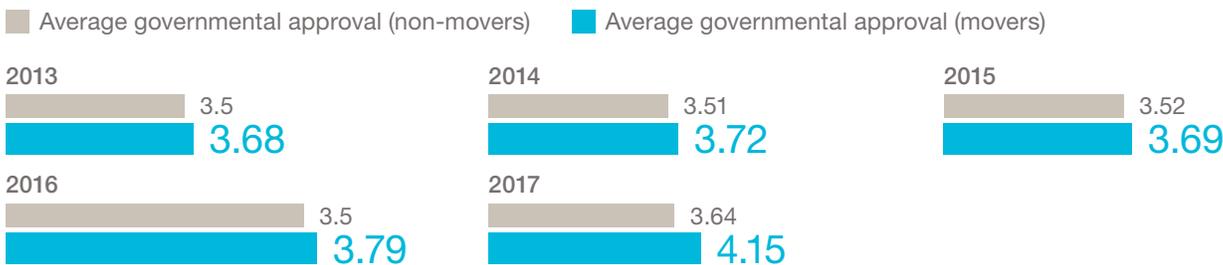
Soglin: You have to anticipate what their needs will be. There has to be adequate housing. The school system has to be prepared, which means addressing the needs of children who are not in the appropriate grade for their age. Transportation is a requirement. And then there's supportive services of health care and child care. There may also be demands in terms of language if you're a city that is attracting a more diverse population.

We have a staff group that's meeting on housing costs. The way we fashion our message is that we don't want to become San Francisco. We don't want the housing prices so high that real people can't live here, nor do we want the sprawl of Silicon Valley, where the jobs are inaccessible.

Movers were more likely to feel better off socio-economically relative to their neighbors...



...and to approve of their local government.



(Source: Ipsos study conducted January 19 to January 25, 2017 among 3,554 adults)

GenPop: Why do you think people are coming to Madison?

Soglin: Most of the movers into a community are making the judgement based on having a better life. Normally the highest two priorities are economics and quality of life. The quality of life is really a day-to-day experience focused on environmental benefits of a community, quality of public schools, short commute times and things of that sort. Sometimes people will go to a community like Houston because it's a boom town and there are jobs for everyone, and they're not looking at all those other variables.

GenPop: Clearly this has an impact on housing development, too. What are you doing in Madison?

Soglin: We must efficiently build with greater density and be conscientious of the needed amenities. I'm going to go to a ribbon-cutting of subsidized housing for working families with household incomes of \$40,000 a year. Without the subsidization, they would be paying 40-50% of their income for rent. They're an important part of our workforce. Building that housing in the suburbs might cost two-thirds what it would cost to build in the city, but it has all kinds of environmental and transportation issues.

GenPop: What does long-term urbanization of the population mean for the future of smaller areas like Madison?

Soglin: A significant disadvantage is a modest transportation network compared to larger cities. But offsetting that is our size, which allows us to be more nimble and responsive. It allows us to be quicker in addressing a lot of these challenging social and economic issues.

Paul Soglin is in the second term of his third stint as mayor of Madison, Wisconsin.

On the Fringe With Amy Webb



If you want to understand the future of housing, you have to pull back and look at the trends outside of housing—and outside of the mainstream—that will have an impact. Amy Webb, founder of the Future Today Institute, refers to this space as “the fringe.” GenPop asked her what fringe trends you should be watching for.

- 1) Climate change: If you're trying to understand the future of real estate, you might think that the Midwest is not worth your time and effort. Conventional wisdom would tell us that everyone will eventually move to the coasts. And although climate change can be a politicized topic, it's hard to dispute that extreme weather events are happening more regularly, and parts of the coasts are eroding.
- 2) Going underground: Commercial real estate developers should have their eyes on Oklahoma. That might seem counter-intuitive, given that weather events are becoming more extreme, which implies that we'll see more and more tornadoes there. However, there's research and work coming out of Japan about underground farming, which pushes pretty deep into the Earth in a way that doesn't disrupt fault lines.
- 3) “Landscrapers”: There have been advancements in the technology that moves elevators. They no longer only go up and down; now, there are prototypes where elevators can run laterally. This could lead to commercial development in places like the Midwest where ample land is available. Buildings could be built to be longer and lower, and drones could buzz overhead, delivering goods and performing services.
- 4) Autonomous vehicles: If you have a two-hour commute to work, you may not want to physically drive to get there. However, if you were in a car whose interior afforded you space to lay down or set up a desk to do some work, you might be willing to drive longer distances.

Amy Webb is the founder of the Future Today Institute, a professor at NYU Stern School of Business, and author of “The Signals Are Talking.”

What makes a great place to live?

For several years, **Livability.com** has been asking Americans about 15 aspects they might consider when thinking of a city to relocate to.

When respondents are asked to rate the criteria, each one gets a reasonably high score. Yet when they are forced to rank the 15 aspects, a sort of Maslow's hierarchy of needs is revealed. There is a focus on baseline personal needs first, prioritizing places that provide physical and economic safety. Moving up the hierarchy you see criteria that are important

to some respondents but not necessarily to all: quality schools, short commute times, good quality health care. Then come the nice-to-haves like cultural attractions.

If a city fails to get the basics of personal well-being right, that's a problem for everyone. But as cities compete for talent, tourists and corporate headquarters, those upper-tier items are the aspects that really start to separate the best places to live from the OK places.

This year the question was fielded outside the U.S. The results were noticeably

consistent with exceptions like the relatively high importance of public transportation in Japan and South Korea and low importance in the U.S. The chart below hints at a fairly universal notion of livability in the developed world.

All of which is to say: Whatever the future of housing and wherever that housing is located—dense, tall urban dwelling or sprawling low-rise megaplexes, or on Mars or the moons of Saturn—it's going to have to fulfil these same basic human needs.

How countries define a Best Place to Live

	All Countries	Argentina	Australia	Belgium	Canada	France	Germany	Great Britain	Hungary	Italy	Japan	Poland	South Korea	Spain	Sweden	US
Cost of Living	1	2	1	2	1	1	1	1	2	1	1	1	1	1	2	1
Ability to afford housing that meets your/your family's needs	2	4	2	1	2	2	2	2	1	3	7	2	4	2	1	2
Crime Rate	3	1	3	5	4	6	3	3	6	2	3	4	3	4	3	3
Access to Quality healthcare	4	5	4	3	3	3	4	4	4	4	5	3	6	3	4	5
Available jobs	5	3	5	6	5	5	9	5	3	5	8	5	8	5	5	4
Daily commute times	6	7	8	4	6	4	5	7	5	7	4	10	7	6	6	7
Public transportation	7	6	7	7	8	7	6	6	7	8	2	7	2	7	7	15
Climate	8	12	6	8	7	8	10	9	12	6	6	6	10	8	9	6
Amenities like cultural institutions, parks, farmers markets	9	11	9	9	9	9	8	8	10	9	9	8	5	10	8	8
Mix of housing options (newer and older homes, rentals, etc.)	10	9	11	12	10	12	7	10	8	10	10	12	9	9	11	10
Quality public schools	11	8	10	10	12	10	12	13	9	11	12	9	12	11	10	9
Proximity to people in similar life stages (retirees, young families, etc.)	12	13	12	11	11	11	11	11	11	12	11	11	13	12	12	11
Access to higher education options	13	10	14	14	13	13	12	15	13	14	13	14	11	13	14	14
How engaged residents are in their community	14	14	13	13	14	15	15	11	14	13	14	13	14	15	13	12
Racial and ethnic diversity	15	15	15	15	15	14	14	14	15	15	15	15	15	14	15	13

(Source: Global @dvisor Wave 100, an Ipsos survey conducted between August 25 and September 8, 2017 among 7,500 adults in 15 countries)



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