

The Urban Marketplace

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Central City vs. Suburban Growth

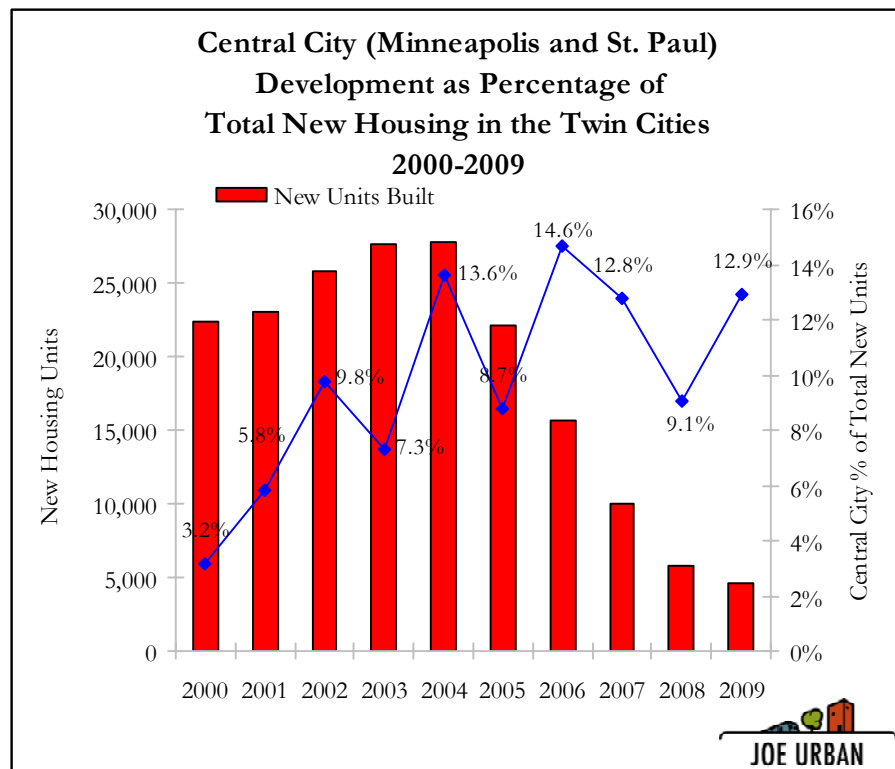


What will the 2010 Census tell us? Certainly we are becoming a more metro nation, but are we becoming more “urban?” Of course, the Census has only just begun counting; the first results won’t even be released until 2011. However, the EPA has just released a report that indicates we are indeed a country increasingly living in central cities. With a few exceptions, the number of central city housing permits as a percentage of the total permits in most metro areas was less than 10% in the early 1990s. By the mid-2000s, the percentage had risen to more than 20% in several major metropolitan areas, including Denver, Portland and Chicago. Even metro areas like Dallas and Atlanta, considered “sprawling” by many, were more than 10%.

View the report here: http://www.epa.gov/smartgrowth/pdf/metro_res_const_trends_10.pdf

The Urbanophile (a.k.a. Aaron Renn) recently argued in the New Geography - <http://www.newgeography.com/content/001433-the-10-percent-solution-urban-growth> - that central cities should set as a goal to accommodate at least 10% of their respective metropolitan growth. This is an interesting and laudable theory, but given the amount being invested in urban light rail and other transit projects in many metro areas, I would argue that target figure should be higher.

I crunched my own numbers for the Twin Cities, using housing permit data by HUD. According to the results, the two core cities (Minneapolis and St. Paul) together represented just 2.6% of all permits issued in the 1990s. That percentage increased to 9.2% in the 2000s (see chart at right). Even as total housing permits in 2009 declined to barely one-sixth of the 2004 total, central city permits actually increased as a percentage overall.



The numbers indicate many metro areas (the Twin Cities included) are becoming more “urban.” A number of factors influence these findings, including lifestyle preferences, demographic and corresponding household shifts that allow urban living to become a more attractive option, availability of urban land for more infill housing development, a more willing lending market, general economic health and city policy that seeks regulatory and financial tools to encourage infill development.

A **very** (I cannot underscore this more) important question for developers, city officials and quite frankly all American is how any of these factors will change. Will we continue to become even more “urban” if and when permits for new housing rebound? Remember, we are talking about percentages here, and an increase from 10% to 20% of all new housing units is all very well and good, but it makes for a very different outcome when you are talking about 5,000 or 25,000 total units per year in a given metro area.

Indeed, that is the 300 million person question. The 2010 Census is likely to capture American households at an interesting time. With demographic shifts and the recent recession, I predict a surprisingly high amount of extended family and roommate households. Even with a strong economic recovery and continued relatively low gas prices, full recovery of the housing market at the urban edge is unlikely. Why? For years consumer preference surveys indicating households prefer mixed-use, walkable communities, and smart growth advocates have cited these surveys as evidence of a vastly underserved real estate market. So, regardless of the rate or type of economic recovery, central cities are likely to continue to absorb an increasing share of housing demand, although overall housing starts are likely to remain low for an extended time.

- Sam Newberg is President of Joe Urban, Inc. With 11 years of market analysis experience, including four with his own firm, Sam is well-versed in a variety of real estate types. He also is an established writer, lecturer and active member of the Urban Land Institute and the Citistates Group. His website is www.joe-urban.com.