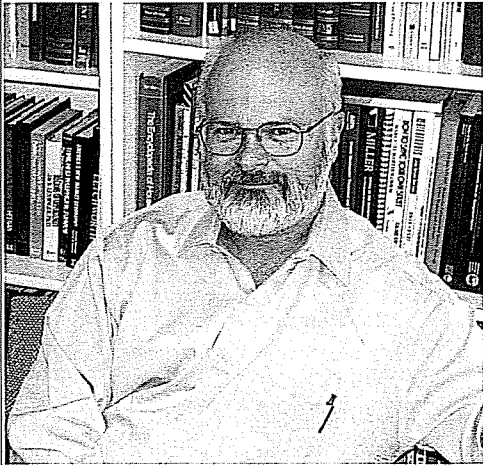


The New Home Ownership Reality

From 1950 to 2005, America's home ownership rose from 55 percent to 69 percent. By 2015 it had fallen to 63 percent—the lowest since the 1960s—and seemed headed further downward. While some analysts claim that rising home ownership rates are around the corner, I am not so sure. Four things signal that the home ownership rate could fall to 1950 levels with profound effects on America's communities by 2050.



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1. Elevated underwriting standards. When home ownership reached 69 percent, a household could buy a home for nothing down, no ability to pay, and no credit. Today, buying a home usually requires a large down payment, solid credit, and the proven ability to finance the debt. Ben Bernanke himself could not refinance his house after leaving the Federal Reserve unemployed. Also, student debt is now factored into underwriting, making home buying more difficult for many.

2. Changing home ownership views. Home ownership used to mean building equity for retirement. It also demonstrated one's commitment to her or his community. Home buyers are becoming savvy about the investment potential of home ownership. Young professionals are hedging their home-buying bets, preferring the flexibility of renting, which allows them to seek economic opportunities outside their community without having to sell a home first.

3. Eroding public education. After World War II, parents of baby boom children and boomers as parents spent trillions of dollars on public education. Now, two-thirds of the states spend less per student after inflation than in 2008. Political support for public education is waning. But there is a direct correlation between education, income, and home ownership.

4. A "New Majority" is rising. While more than 70 percent of baby boom children and more than 60 percent of Gen X and millennial children are white (non-Hispanic), by midcentury America will be a majority minority nation. But even when support for public education was strong, numerous barriers meant children from lower income (mostly minority) households were half as likely to earn a college degree as their higher income (mostly white) counterparts with the same college placement scores. This helps explain why more than 70 percent of white households own their homes while fewer than half of New Majority households do.

What can planners do? Half or more of the new housing demand to midcentury may be for rentals. Many of us (including me until recently) have overemphasized home ownership in our planning. We need to move away from this bias.

First, we need to avoid conditioning development approvals on home ownership requirements. Tenure should be flexible. A typical home will last more than a century, so why influence tenure through approvals?

Secondly, despite findings that 40 percent of Americans would choose to own or rent an attached home in a walkable community with a short work commute if it were available, less than 10 percent of America's attached housing fits that description. Planners can expand the supply of what Dan Parolek calls "middle housing" to meet demand. Building low-rise apartments, condos, town houses, cluster cottage homes, etc., on infill and redevelopment sites can meet most of America's housing—especially renter—needs to 2050.

Third, impact fees and infrastructure charges must be based on localized costs, not averaged across the community. Otherwise, we undercharge costly sprawling but overcharge more efficient compact development, often penalizing renters. And we wonder why we have fiscal stress?

Demographic change occurs glacially. With our long-term perspective, planners can help prepare communities for the new home ownership reality.