



SMART GROWTH AND RESIDENTIAL MARKET DEMAND

SUMMARY

Smart Growth housing encompasses a combination of housing and lifestyle amenities, often referred to as new urbanist or traditional neighbourhood development.¹ It includes such elements as:

- A well-connected street system that supports a range of housing types
- Proximity to shops and services
- Transportation options, including more accessible and efficient transit
- Shorter commutes
- A high quality public realm

Critics claim that there is no market for Smart Growth housing. However, studies continue to show a strong preference for Smart Growth features in residential neighbourhoods. The National Association of Realtors (2001) found one third of consumers have strong preferences for new urbanist type housing. According to the Urban Land Institute (2009), the best investment in 2009 with the economic downturn is “mixed-use developments, high density residential with retail, and buying areas near transit.”

Numerous sources suggest there is more than enough suburban style housing to meet the future demand; what is lacking is Smart Growth style housing. According to Steuteville (2008) traditional neighbourhood development represents 25-30% of the market and only 5% of supply in the U.S., which creates a competitive advantage for developers.

A collaborative effort is needed to ensure the continuing demand for Smart Growth housing can be met. Not only do developers need to look at different ways of building, but municipalities must relook at their regulations, which have promoted continued sprawl while preventing a lot of Smart Growth development.

Smart Growth St. Albert would facilitate the development of Smart Growth housing to balance the existing larger lot housing that currently exists in St. Albert. It would help meet future demand and ensure the City continues to maintain its portion of the regional market share. Smart Growth St. Albert would:

- Provide opportunities for a variety of housing types and the flexibility to change housing types as market demands change.
- Provide the amenities that complement Smart Growth housing that a significant portion of households are seeking.
- Ensure a modified grid street system to facilitate the development of the variety of housing types, connectivity and the public realm amenities critical to Smart Growth.

The proposed Form-based zoning regulations would provide a more flexible and user-friendly regulatory approach that would encourage the development of Smart Growth housing.

To Read: Market trends favour NU explores the growing demand for Smart Growth housing, and gap in its supply.

Find it at:

<http://www.newurbannews.com/MarketAprMay07.html>

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Stapleton, a neighbourhood in Denver, Colorado is being built on the site of a former airport. It is one of the largest new urbanist projects in the United States. Construction began in 2001 and, when complete, will have up to 30,000 people in 8,000 houses, 4,000 apartments, 4 schools and 180,000 m² of retail space. The design emphasizes a pedestrian orientation and a third of the site is parks and open space.

The articles and videos referenced in the Bulletins do not necessarily reflect the position of the City of St. Albert and are meant to encourage debate and discussion.

¹ For additional information, refer to Bulletin #3 - Approaches to Growth.

SMART GROWTH & RESIDENTIAL MARKET DEMAND

INTRODUCTION

“Choosing where to live is a profound decision that affects households’ long-term financial burdens, daily activities and opportunities, social interactions, health and safety, as well as costs imposed on others.” (Litman, 2009)

Smart Growth housing encompasses a combination of housing and lifestyle amenities, often referred to as new urbanist or traditional neighbourhood development.² It includes such elements as:

- A well-connected street system that can support a range of housing types
- Proximity to shops and services
- Transportation options, include more accessible and efficient transit
- Shorter commutes
- A high quality public realm

Critics claim that there is no market for Smart Growth housing. However, the body of evidence to the contrary continues to grow. While there will continue to be a demand for large-lot or sprawl housing, the pace of growth of that demand will be far less than the demand for Smart Growth housing.

This bulletin will explore some of the evidence of a growing demand for Smart Growth housing and the significant market potential for its supply.

DEMAND FOR SMART GROWTH HOUSING

According to the Urban Land Institute (2009):

Energy prices and road congestion accelerate the move back into metropolitan-area interiors as more people crave greater convenience in their lives. They want to live closer to work and shopping without the hassle of car dependence. Higher-density residential projects with retail components will gain favour in the next round of building. Apartment and townhouse living looks more attractive, especially to singles and empty nesters - high utility bills, gasoline expenses, car payments, and rising property taxes make suburban-edge McMansion lifestyles decidedly less economical.

Studies continue to show a strong and growing preference for Smart Growth features in residential neighbourhoods:

- The National Association of Realtors (2004) found that sale prices for attached homes are now the same as for detached homes for the first time, highlighting the growth in demand;
- The National Association of Realtors (2001) found one third of consumers have strong preferences for new urbanist type housing;
- The Urban Land Institute (2004), the national organization of land developers in the United States, advised investors to focus on centrally-located, mixed-use opportunities with multi-modal access to realize the best returns. (Nelson, 2004). And that advice continues in 2009; (ULI, 2009)
- The Centre for TOD (2004) found that demand for housing near transit will double by 2025.
- SMARTRAQ, a ground-breaking community preference survey in Atlanta found one-third of respondents who live in a typical suburban setting said they would prefer to live in a smart-growth environment. (GIT, 2004) What is interesting is that only 5% of the homes in Atlanta are in compact, walkable neighbourhoods (Litman, 2009); and
- Roper Consulting undertook a study called “Modern Communities” that found more than 90% of Americans consider the ideal neighbourhood to be one where people live near one another,

² For additional information, refer to Bulletin #3 - Approaches to Growth.

are friendly with one another, and have easy access to churches and transportation. (Jefferson 2007).

Often people buy homes in sprawl communities because they have no other choice.

Smart Growth critics are wrong to claim that sprawled development and automobile-dependent lifestyles are normal and socially desirable. These reflect unique circumstances that occurred between 1950 and 1980: growing vehicle ownership, baby boom generation family formation, low fuel prices, increased female employment, middle-class flight from cities, highway expansion and the excitement and prestige that resulted from rapid technological development. Virtually all of those factors have peaked. Driving will probably never be as cheap or exciting as it was during that period. (Litman, 2009)

MJP Architects (2005) point out that people choose suburbia more for an aspiration of a lifestyle rather than the attractions of a particular environment. Often this lifestyle is perceived to be associated with lower densities. "For most of the last five decades North Americans associated low-density, urban fringe, automobile-oriented locations with positive aspirations including economic success, freedom, prestige, security, cleanliness, quiet and privacy (Litman, 2009)."

However suburban living and housing investments are losing their glamour, especially after the market correction in 2008. As a result consumers are becoming more 'rational' and, while still looking primarily for single-family homes, prefer more small-lot and attached homes. (Litman, 2009) MJP (2005) suggest that many of the characteristics that 'create' the lifestyle people are seeking in suburbia can easily be achieved at far higher densities, thereby offering a 'best of both worlds' situation for homebuyers. It is important to take such characteristics into consideration when developing policies and regulations, as well as actually developing and building Smart Growth communities.

The demand for Smart Growth Housing is expected to increase in the next few decades due to a number of trends.

Demographics

There are significant changes in demographics that have a strong impact on the future demand for housing such as the aging population, delayed adulthood, declining household size, declining fertility rates and cultural and economic diversity. St. Albert is experiencing these demographic changes, just like every other community.³

Rising fuel prices

Fuel prices will continue to rise which has a significant impact on transportation costs for households as well as for municipalities and business. This is increasingly becoming a concern. Business Wire (2004) cites a study by the National Association of Realtors and Smart Growth America that finds 87% of people planning to buy a home in the next three years say a shorter commute is a high priority.

Increased health concerns

There are growing issues around health and well-being and how it is affected by the built environment. Sprawling suburban environments are being found to have a detrimental impact on the physical and mental well-being of its residents which, in turn, is having significant implications for healthcare costs.⁴

Increased environmental concerns

Figure 1



Source: L. Mitchell

Prices for attached homes are now at par with detached homes as the demand for them increases.

³ For additional information, refer to Bulletin #4 – Demographics.

⁴ For additional information, refer to Bulletin #8 – Health & the Built Environment.

Issues around land consumption, preservation of farmland near urban centres, water and air quality are continuing concerns and there is growing demand for changes in the built environment to reduce the negative impact on the environment.

Immigration

Immigrants are increasingly purchasing homes in the suburbs. Overall, they tend to purchase smaller homes, and are looking for homes that accommodate extended families (Nelson, 2004).

Increased fiscal concerns

Municipalities and provincial governments are facing increasing fiscal challenges as they try to manage budgets to providing growing services. Low-density sprawl is more costly on a per capita basis and these public bodies are finding it is no longer sustainable to continue development in this manner. This is evident in the Capital Region Board's Land Use Plan, which promotes more compact development and a greater focus on alternative modes of transportation.⁵

Property values

Litman (2009) points out that "recent devaluations in suburban housing markets have ended the assumption that suburban homes are a good investment." Studies have found property values can be up to 20% higher in transit oriented or new urbanist communities (Litman, 2008; Song and Knaap, 2003). Part of this higher value is a reflection of the limited supply of such housing compared to the demand.

Desire for community

The Modern Communities study (Jefferson, 2007) found that "front-porch socializing, main streets and corner stores are key to America's most popular neighbourhoods." More than half of Americans identify with neighbourhoods before they relate to the world around them or a 'global community.' Suzuki (2003, 2) cites a medical journal study that showed people living in walkable neighbourhoods were more likely to know their neighbours, participate politically, trust others and be socially engaged.

SUPPLY OF SMART GROWTH HOUSING

Numerous sources suggest there is more than enough suburban style housing to meet the future demand; what is lacking is Smart Growth style housing.

- From 2000 to 2004, 33,085 Smart Growth units were under construction in the U.S, representing 0.0043% of the market share. With consumer surveys showing one-third of homebuyers wanting Smart Growth products, this represents a substantial gap between supply and demand.
- According to an article by Steuteville (2008) about U.S. building trends, traditional neighbourhood development represents 25-30% of the market and only 5% of supply in the U.S., which creates a huge competitive advantage.
- Nelson (2004) suggests demand for sprawl housing can be accommodated by about 60% of the current supply; there will be a surplus of 22 million such homes by 2025 in the United States.

There is great opportunity for communities to meet the demand for Smart Growth housing. According to Nelson (2004), half of the buildings Americans will be using in 2030 will have been built after 2000, and the vast majority of the new space will be for residential uses. This gives communities a tremendous opportunity to not only rebuild, but reshape the built environment.

Efforts by governments to ease fiscal challenges and encourage economic development are also likely to lead to more direction towards an increase in Smart Growth development. Compact development,

Figure 2



Source: C. Bergum

The town centre, like in Celebration, Florida, is the focal point of the neighbourhood and a key element of any Smart Growth community.

⁵ For additional information, refer to Bulletin #3 – Approaches to Growth

increased densities and a greater focus on transit and other alternate forms of transportation are increasingly being seen. The Provincial Land Use Framework and the Capital Region Board are following the lead of municipalities, state and provincial governments across North America in this shift.

A collaborative effort is needed to ensure the continuing demand for Smart Growth housing can be provided. Not only do developers need to look at different ways of building, but municipalities must relook at their regulations, which have promoted the continued sprawl while preventing a lot of Smart Growth development. As Litman (2009) points out:

“The land use patterns of most popular urban neighbourhoods . . . cannot be built under conventional zoning codes and development policies that limit density, prohibit mixed use, require generous setbacks and parking supply, and dedicate most transportation funds to roadways. These policies are unresponsive to consumer demands, and often irrational in the literal sense that they fail to allocate resources efficiently.”

Form-based zoning is a key tool many communities are choosing to facilitate Smart Growth. Litman (2009) suggests that smart growth policies, which would include form-based zoning, “correct existing planning distortions that limit compact, mixed-use development, and so drive up housing prices in more accessible, multi-modal communities.” He goes on to outline a number of reasons for this:

- Such reforms let markets respond to consumer demands for more compact, accessible, multi-modal, affordable locations
- Smart Growth can help reduce external costs associated with providing public services, parking subsidies, accidents, land consumption, petroleum dependency and pollution
- Many Smart Growth policy reforms reflect good planning practices and market principles (integrated land use and transport planning, least cost investments, cost-based pricing, favours more efficient transport modes and higher value trips).

In addition, the common street pattern of many suburban communities, the curvilinear street with multiple cul-de-sacs⁶, does not lend itself to the development of small-lot and attached housing. Many small lots on this street system act as an impediment to boulevards and street landscaping, on-street parking, snow removal, garbage pick-up. (City of St. Albert, 2005) Current developments in other Alberta communities that allow more widespread small lot development are ending up with conventional neighbourhoods that incorporate a few design elements from the neo-traditionalist, mostly in the house designs, but without the additional amenities that are essential for Smart Growth housing.

HOUSING IN ST. ALBERT

The majority of housing available in St. Albert is single-family homes on larger lots. In most neighbourhoods these homes are on cul-de-sacs or the curving street that connects the cul-de-sacs. Eighty percent of the housing is single-family or semi-detached homes. There are limited amenities that generally accompany Smart Growth housing.

As mentioned earlier, the predominant street system in St. Albert neighbourhoods is an impediment to developing quality small-lot and attached housing along with other Smart Growth amenities.

From 2003 to 2005, St. Albert’s population growth slowed to 3.9% while Edmonton’s population grew by six percent (City of Edmonton, 2008). The increase in the actual number of people in St. Albert was the lowest during this period in the past 15 years, a time when the majority of communities continued to see an increase. This reflects the growing demand for housing choices that are available elsewhere but not in St. Albert.

⁶ For additional information, refer to Bulletin #5 – Street Systems

SMART GROWTH ST. ALBERT AND HOUSING

Smart Growth St. Albert would facilitate the development of Smart Growth housing to balance the existing larger lot housing that currently exists in St. Albert in order to meet future demand and to ensure the City's continued portion of the regional market share. Smart Growth St. Albert would:

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The proposed Form-based zoning regulations would provide a more flexible and user-friendly regulatory approach that would encourage the development of Smart Growth housing.

CONCLUSION

The demand for Smart Growth housing exists and far exceeds the current supply. The viability of Smart Growth housing can be increased by the use of appropriate regulatory tools. St. Albert has an opportunity to proactively attract their share of this growing market and ensure the ongoing viability and sustainability of the community through the Smart Growth St. Albert initiative.

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