

The Rebirth of Cities: Housing Market Implications

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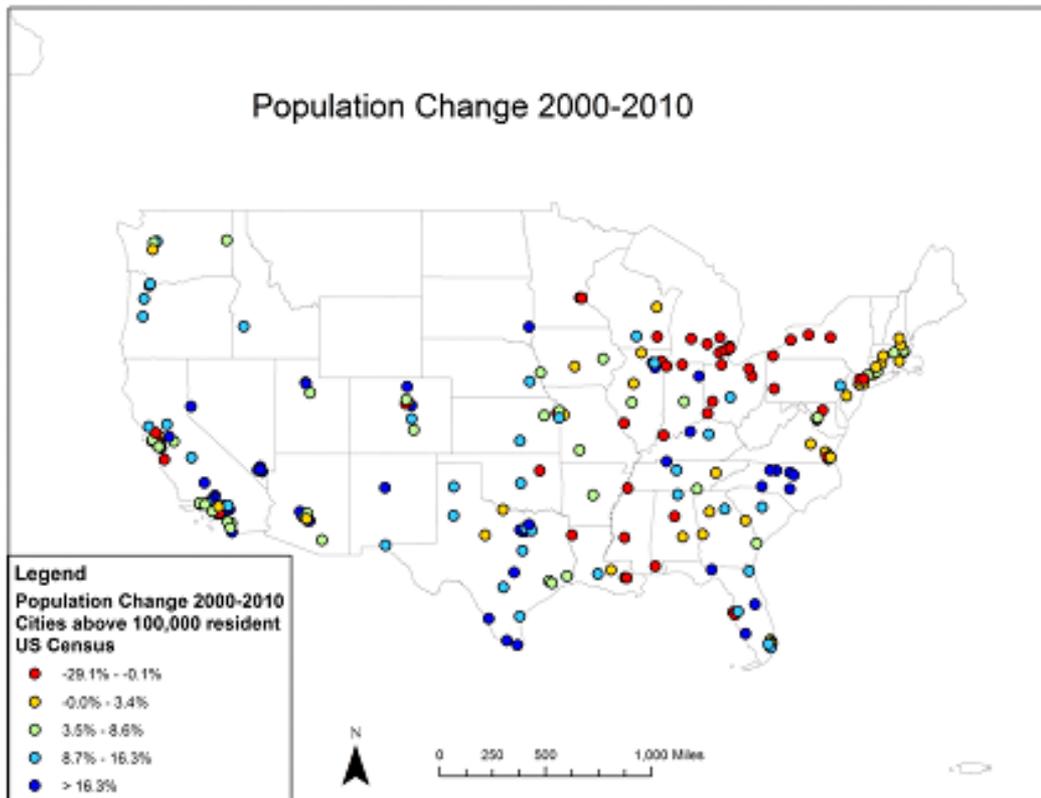
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Regime Shift for US Cities

- The secular decline of US cities has run its course
- Cities are more competitive with suburbs
- Changing demographics provide a boost for central cities
- Perceptions of cities have changed from pre-1990
- The housing market is changing as a result

City Population Growth



Source: U.S. Census Bureau



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Why the City Declined

- Inexpensive greenfield development
- Highway investment
- Changing manufacturing technology
- Social problems
- Racism

Why the City is Back

- Suburbs:
 - Increase in development costs
 - Jurisdictions often opposed to growth
 - Need to rebuild infrastructure limits expansion
 - Influx of poorer residents
- City:
 - Shift to a knowledge-based economy
 - New generation with positive view of urban living

New Demographics

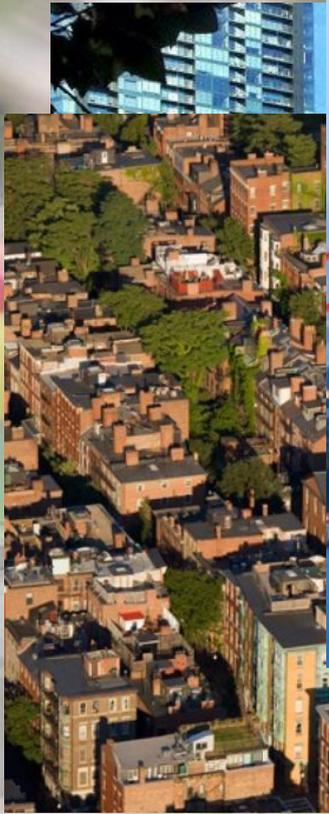
- Baby Boomers:
 - Preference for smaller, often centrally-located neighborhoods with high amenities
- Millennials:
 - Less car oriented
 - Grew up when cities were regaining their cool



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Perfect Neighborhood May not be Suburban for Many



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Housing Demand Shift

- Smaller units
- Near transit
- Increased rental demand
- Emphasis on access to amenities



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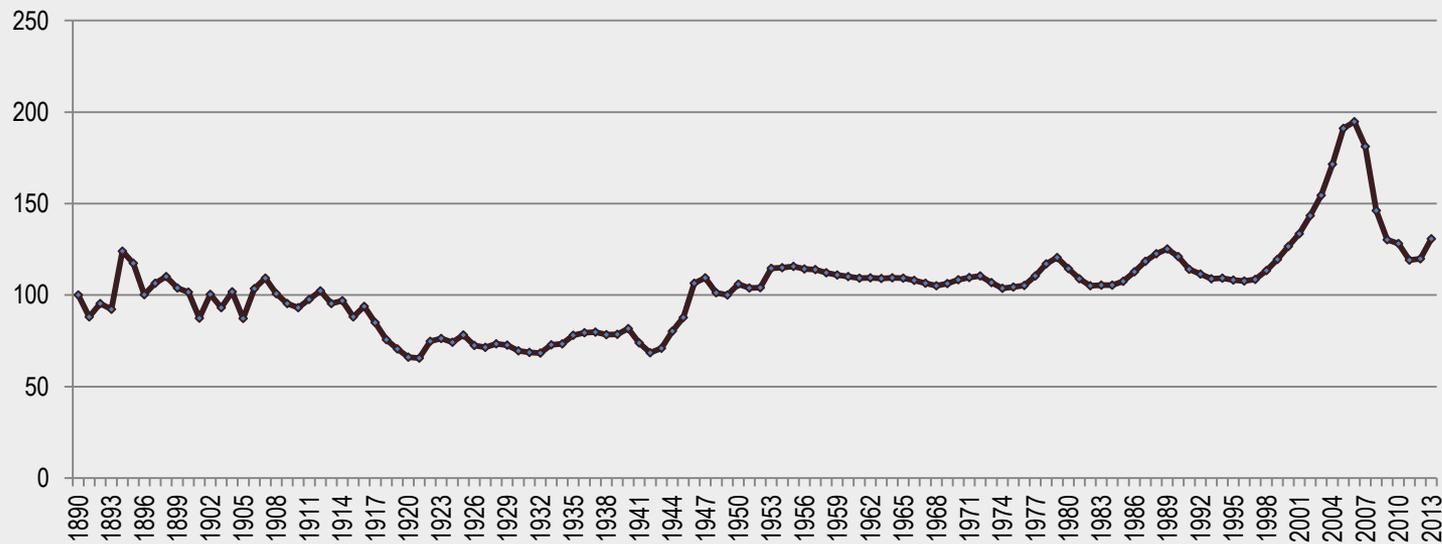
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Affordability

- Improving urban neighborhoods increase prices
- Cities' role of providing affordable housing poses challenges
- DeBlasio's NYC affordability proposal

Real House Price Growth

Real Home Price Index (Case-Shiller Index) 1890-2013



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Concluding Remarks



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