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

Population Change 2000-2010

Legend:
- -28.1% - -0.1%
- -0.0% - 3.4%
- 3.5% - 8.6%
- 8.7% - 16.3%
- > 16.3%

Source: U.S. Census Bureau
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
Perfect Neighborhood May not be Suburban for Many
Housing Demand Shift

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

- Improving urban neighborhoods increase prices
- Cities’ role of providing affordable housing poses challenges
- DeBlassio’s NYC affordability proposal
Real House Price Growth

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