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New housing: Time to stop in the 'burbs? Builders don't think so.

[By Bob Shaw](#)

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Home builders, consider yourself warned.

A report commissioned by the Metropolitan Council says there are enough single-family homes in the metro area right now to last until 2040.

The report says that aging baby boomers, fewer households with children, and changing tastes will flip the housing market around: More people will live in apartments and townhomes in transit-friendly developments.

"I am giving communities the heads-up," said the author of the report, Arthur C. Nelson, professor of urban planning and real estate development at the University of Arizona.

"I am telling them not to plan for any more of these."

But they certainly are. Developers in Dakota, Washington and suburban Ramsey counties are building -- or planning -- thousands of the homes that Nelson says will become obsolete.

Home builders say, like any business, they give customers what they want -- and buyers want single-family houses.

The home builders don't question Nelson's credentials or his objectivity. But they say he is trying to predict the future in the notoriously fickle area of consumer tastes -- more than 25 years in advance.

"I absolutely believe in choice," said Wendy Danks, director of marketing for the Builders Association of the Twin Cities.

And she thinks consumers will choose to buy what they have bought in the past. The advantages of single-family homes -- good prices, good schools, family-friendly yards -- will continue to attract buyers, she said.

The report is controversial because, if true, it means a glut of these homes will force down their value.

It also suggests the demise of a type of housing that has swept the country since the end of World War II.

These are one- or two-story homes made for families on quarter-acre lots. They are in car-oriented neighborhoods, with no sidewalks and no stores within walking distance.

They are on their way out, Nelson said.

He said his projections are based on math. The demographic changes are slow but as relentless as a glacier -- more old people, more single-person households.

In Minnesota from 2010 to 2040, the U.S. census predicts the number of people 65 and older will increase by 150 percent, to 770,000. That age category will increase from 11 percent of the state's population to 21 percent.

At the same time, the number of single-person households will increase 55 percent, to 506,000.

Nelson said the market for single-family homes will peter out, not collapse.

"For now, there is demand to meet the tail end of the baby boomers, the larger affluent families," he said.

Signs of the shift in the market are already visible, Nelson said. In 2013, more than half of Minnesotans said they wanted to live in walkable, mixed-use neighborhoods, according to a survey by the National Association of Realtors. Yet only about one-fifth of the population can live in such neighborhoods now.

"The New Millennials, the knowledge class, the attorneys, the inventors and the wealth creators want transit options," said Nelson. "We are moving into a different kind of housing world."

Chuck Marohn has been making similar predictions for years. Marohn is the founder and president of Strong Towns, a nonprofit based in Brainerd, Minn., that advises cities on development.

Marohn is an engineer, with a master's degree in urban and regional planning from the University of Minnesota's Humphrey Institute. He is the author of "Thoughts on Building Strong Towns" and the primary author of the Strong Towns Blog.

Marohn said explosive growth of the suburbs has been costly, that it's inefficient to provide police, fire protection, utilities and roads to sprawled-out neighborhoods.

He said sprawl is only possible when the owners of expensive houses pay high taxes. But when those housing values inevitably collapse, he said, tax revenues will fall and many suburbs will be bankrupt.

Marohn's point overall is that when a city is dependent on taxes from one type of property, e.g., McMansions, it's very vulnerable to that property declining in value. Better to mix up the property types, he says, with old, new, commercial and residential.

"If I lived in Woodbury, I would move," Marohn said. "I would not be confident the house would hold its value over time."

But that isn't what's going to happen, said Danks of the Builders Association.

Danks said the study underestimates the demand -- and doesn't understand why buyers favor single-family homes.

She said the report asked misleading questions of the millennials. "If you ask them, they will say, sure, they want to be downtown. When I was that age, that's what I wanted," Danks said.

As they get older and raise families, they will migrate to the suburbs, she said.

That's what Dave DuBay did. In August, DuBay moved with his wife and three children from St. Paul into a house about twice as big in Lakeville.

"We moved to the city when we did not have kids, and moved to the suburbs when we did," said DuBay, 42.

The house, in the Spirit of Brandtjen Farm development, is a four-bedroom home on one-third of an acre.

One reason for the move was the development's slew of amenities, including a community pool, clubhouse with gym, and bike trails.

"The neighborhood is fantastic," DuBay said.

A report from the National Association of Realtors supports Danks' theory. The report said the percentage of homebuyers who bought single-family homes increased steadily from 75 percent in 2006 to 80 percent in 2013.

That's been John Lockner's experience. He sells homes in Woodbury for RE/MAX Results -- and sales are booming.

"As long as there is market demand, the single-family home is what builders will be wedded to," said Lockner, a former president of the St. Paul Area Association of Realtors.

Developers of urban apartments say they are more environmentally friendly because their occupants use less gasoline, as well as less water and electricity. But Lockner said the appeal of environmental friendliness is overestimated.

Buyers might say they want access to mass transit but in fact will continue to drive cars, he said.

Lockner said suburbs will continue to draw families because of the perception that the schools are better. "That is the No. 1 reason why families live where they do," he said.

Asked how Nelson was chosen to do the report, Met Council spokeswoman Bonnie Kollodge said he was among those who responded to a formal request for proposals. She said the council "determined that Dr. Nelson's proposal offered the best mix of expertise and value."

Nelson has written 26 books and about 300 other published works about real estate, land use and development.

He is the presidential professor emeritus of city and metropolitan planning at the University of Utah, where he was the founding director of the Metropolitan Research Center. From 2002 to 2008, he was the founding director of the urban affairs and planning program at Virginia Tech's Alexandria Center and co-director of the Metropolitan Institute at Virginia Tech.

Nelson said his work for cities doesn't always reach the same conclusions. In a study for Austin, Texas, for example, he concluded that the demand for single-family homes would increase -- the opposite of what he projected for the Twin.

The report drew the attention of the Cato Institute in Washington, D.C., a think tank dedicated to individual liberty and limited government.

It's a common mistake to set policies that try to guess what consumers will want in the future, said Randal O'Toole, a Cato senior fellow who has studied housing projections around the country.

It's "social engineering," he said, to try to force consumers to buy something in order to satisfy a social goal.

"The evidence that people want small lots and small apartments is very slim," he said.

It would be a mistake to build apartments near mass transit, he said, when consumers want suburban houses.

"If this is planning ahead, it's planning ahead stupidly," O'Toole said.

The marketplace -- and the actual here-and-now demands of homebuyers -- should dictate what is built, he said.

Strong Town's Marohn said a free-market economy works when makers of products can quickly adjust to consumer tastes. "If bell-bottoms go out of style, you can get other pants," he said.

Not so, he said, with housing.

If values for single-family homes start to fall, there will be no way to remodel the suburbs into dense, transit-friendly housing. Marohn said that once people have sprawled over a wide area, and the streets and sewer lines are in place, the low density is baked in -- and can't be changed.

If Nelson's report is correct, then developers such as Clint Blaiser will be long-term winners.

He is a partner in a company renovating the Pioneer Endicott Building in downtown St. Paul.

Blaiser said many people -- mostly empty nesters and other people without families -- sold big houses to move into the building.

"They like the restaurants, the shows, the music, and being close to the Xcel and Ordway," he said.

He said the apartments appeal to environmentally minded customers.

Many of them have moved from two cars to one because they can walk to the Green Line light-rail stops. The building soon will offer a shared electric car for residents' use.

Resident Tony Kurkowski, 46, moved from his four-bedroom home in Hudson, Wis. On his 2-acre lot, he was using large amounts of water, electricity, fertilizer and pesticides.

Not any more. "More concentrated living is better for resources," Kurkowski said. He said that in downtown, hundreds of people live in a square block -- which is roughly the same amount of land he had for his single house.

And, as the report predicts, his tastes in housing have changed.

He said he downsized after his son moved out. He likes the exercise area and the party room. On the skyway system, he can access the downtown area, rain or shine. "I love the ability to walk to the Farmers' Market and get fresh produce," he said.

Kurkowski understands the status-symbol appeal of a big house and a big yard. "But I was spending three days a week mowing the yard or shoveling that long driveway," he said. "It was time I didn't want to spend."

He pays \$1,600 a month in rent, and he's happy to ditch the suburban lifestyle.

"A lot of my friends have done the same thing," he said. "When they near retirement, instead of buying a cabin up north, they buy a condo in the city."