

...And Housing for All

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Housing: "One-Size-Fits-All" No Longer Works

The following is an excerpt from the Spring 2010 *Planning Commissioners Journal* as written by Edward T. McMahon.

Back in July, *Builder Magazine* published an article titled "Brave New World: After the Bust, Builders Might Be Surprised at What Future Shoppers Will Want."

To gather data for this piece, the magazine commissioned American Lives, a California-based market research firm run by pollster Brooke Warrick, to conduct a nationwide study of prospective homebuyers' attitudes toward the economy, home styles, product preferences, energy efficiency, and green features. It also examined changing attitudes in regard to the role of the home and the impact of demographic changes on buyer preferences.

The results are surprising and they suggest that the types of new homes that were most prevalent before the recession will not satisfy the needs of tomorrow's buyers. One reason for shifting buyer preferences is the fact that there

As Challenges Loom, Job Growth is Key

Home sales and housing starts staged an uneven comeback starting in early 2009, according to the *State of the Nation's Housing* report released June 2010 by the Joint Center for Housing Studies of Harvard University. Improved affordability for first-time homebuyers and extraordinary government intervention helped spark a turnaround and drove all of the increase in existing home sales last year, but record

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are so many different buyer profiles. Tomorrow's market is made for the foreseeable future.

So what do buyers want? Given that housing prices are down 30 percent from their peak- and even more in some markets- big, flashy houses are no longer priorities. Buyers are less likely to think of housing primarily as an investment and more likely to think about how the house will fit their lifestyle.

What is more, for many buyers the character of the neighborhood is more important than the size of the house. In fact, more than 50 percent of respondents in the survey said they were willing

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Future Housing Demand: Problem or Opportunity?

The following is an excerpt from the Spring 2010 *Planning Commissioners Journal* as written by Beth Humstone.

How many times has your commission heard, "But there's no market for that development," "People want a big home on one acre," or "It's more affordable to buy a house out in the country?" In the past it was commonly accepted that suburban or fringe housing on large lots was where most of the housing market was focused. But the recent housing foreclosure crisis, coupled with high unemployment and rising energy costs, has challenged old assumptions and dramatically altered the picture.

Now planners in communities across the country are increasingly hearing demands for: more housing close to transit; walkable neighborhoods; and affordable, low-maintenance, energy-efficient homes. In this chaotic time, how do citizen and professional planners determine what people really want or need, and what to plan for?

It is essential that planners understand the market for housing in their community: what types (and price ranges) are needed, and in what locations. Planners must also consider economic trends and other factors that could impact future demand.

Economic forecasts suggest that there will not be much action on homebuilding for about two years. Many communities currently have excess housing stock that very likely will be filled before much new construction begins. So there is time to examine residential markets and how they are changing to avoid housing shortages, meet community needs, and revitalize neighborhoods adversely affected by current economic conditions.

Two national trends are clear: (1) decreasing

household size, and (2) an aging population. Once planners focused their housing plans on providing for couples with children. Now these households are a minority.

As Arthur C. Nelson, Director of the Metropolitan Research Center at the University of Utah, recently noted: "Between 1950 and 2000, average household size decreased from 3.38 to 2.59 and will continue to fall to about 2.46 persons by 2030...Single-person households will rival households with children and will be the fastest-growing market segment." Moreover, as Nelson explains, "Baby boomers will turn 65 between 2011 and 2029."



The changing face of the typical consumer and household will require a paradigm shift in housing design and urban planning.

Large homes in outlying locations may no longer be affordable or practical for retired people. According to a report published by the Urban Land Institute, "Some baby boomers will choose to downsize to an apartment or condominium after their children leave the 'nest'...Multifamily housing allows seniors to remain in their neighborhoods through the different stages of their lives without the hassle of maintaining single-family housing."

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Utah Foreclosure Crisis

Painful stories are playing out statewide as Utahns in dramatically rising numbers confront financial disaster, defaulting on their mortgages and losing their homes.

More than 22,000 homeowners in Utah found themselves in some stage of foreclosure between July 2008 and April 2010, according to a *Salt Lake Tribune* computer analysis based on data from RealtyTrac, which tracks U.S. foreclosures. And having lagged behind other hard hit regions where housing markets are now slowing improving, Utah has yet to reach the peak of its crisis.

In Salt Lake City, foreclosure filings doubled in the first three months of 2010 compared with the same time last year, the highest rate of increase for all U.S. cities. The number leapt an additional 44% in April, raising the share of all Utah homes in foreclosure to 1 in every 221, being the 5th highest in the nation.

In Utah, the first sign that foreclosure looms is a notice of default, signaling the homeowner is 90 days or more behind on mortgage payments. Nearly 18,000 families statewide have received a notice of default since July 2008; furthermore, more than 4,720 of those notices were filed since 2010 began.

The *Salt Lake Tribune's* analysis indicates that over 7,800 homes in the state have gone on to auction since mid-2008, with nearly 3,720 of those trustee sales scheduled so far this year. While a handful of Utah houses were being sold on a given auction day at the end of 2008, it is now about 45 houses per auction day.

Having slammed Washington County, the focus of foreclosure activity then moved to Utah and Salt Lake counties, analysis shows. And while continuing its havoc in those areas, foreclosures are now growing in Weber and Summit counties

too. This is based upon a surge of default notices centered on Ogden and Park City.

Foreclosures have hit Utah in two distinct waves. A collapse in housing prices coupled with questionable lending practices propelled the first, affecting homeowners across the economic spectrum.

In the mid-2000s, lenders wrote large numbers of subprime, adjustable-rate mortgages and homebuyers- of high, moderate and low incomes alike- snapped them up. Credit was so fluid, many banks and private lenders gave only passing scrutiny to a borrower's ability to repay.

Jeremy Roberts, a mortgage consultant for Satterfield Organization, states, "We're seeing a lot of bad mortgages out there. It really was a real-estate bubble that was about to burst. It was just so unregulated and nobody cared."

A second more pronounced wave of foreclosures has come with widespread unemployment. Utah's jobless rate, while consistently below the national average, is now at 7.4%, its highest level since 1984. While the first wave built up with an element of real-estate speculation, the current onslaught is due largely to unemployment. Although the past quarters' statistics do not indicate that the foreclosure crisis is improving, there is hope because the economy shows early signs of improving.



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foreclosures continue to pressure markets and millions of homeowners.

Despite some positive signs early in the spring buying season this year, housing continues to face significant challenges. "Many factors are still weighing heavily on the market," says Nicolas P. Retsinas, Director of the Joint Center for Housing Studies. "Elevated vacancy rates, record foreclosures, the expiration of the homebuyer tax credit, and continued high unemployment are all causes for concern."

Even if the recovery in sales and residential construction flourishes, the report warns the adverse consequences of the recession and the financial crisis will linger. An estimated one in seven homeowners have homes worth less than what they owe on their mortgages and nearly 5 million need their home prices to rebound by 25 percent before they are back above water. In addition, it will take time to work through all the homes in foreclosure.

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to accept a smaller house "in the neighborhood I want."

This does not mean product is irrelevant, but it does mean that for many buyers the location of the home is now more important than the house itself.

The current recession is a time to rethink growth and to redesign housing to meet the diverse needs of America's growing population. In the future, there is likely to be a greater variety of housing types designed for different buyer segments. Smaller, greener options are likely to grow in popularity as are infill housing options.

Even in the suburbs, walkability and a greater variety of housing products will likely become the

Despite falling home prices, loan modifications, and softening rents, the downturn did not reduce the number of households spending half or more of their income on housing- 18.6 million in 2008. Instead, the share with such severe housing cost burdens climbed to a new height.

Over the coming decade and once employment stages a convincing comeback, demographic forces could lift currently depressed levels of household growth and spur increased construction and sales. Bolstered by immigration, the echo-boom generation is already larger than the baby boom generation, and the baby-bust generation (born 1966-1985) is nearly as large. If immigration matches the pace projected by the Census Bureau and headship rates by age and race hold steady, household growth should come close to 15 million from 2010 to 2020. Even if it falls to half the projected pace, household growth should equal the 12.5 million growth from 1995-2005.

norm. One thing all the surveys make clear: the old one-size-fits-all model no longer works.



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Along with demographic shifts and economic conditions, consumer preferences for housing are changing. According to John Caulfield, writing in *Builder* magazine: "The downturn has given builders time to ponder whether the homes they build match the demographic and financial profiles of current and future customers. Some have adjusted their house plans and construction practices to produce smaller, greener, and less-expensive houses. Builders everywhere are rolling out smaller models to meet customers' demands for efficiency and affordability."

Two national trends are clear: (1) decreasing household size, and (2) an aging population. Once planners focused their housing plans on providing for couples with children; now these households are the minority.

Given these trends, planners should consider the following steps:

1. *Focus on infill development.*
2. *Enable retrofitting.*
3. *Plan for transit-oriented development.*
4. *Review opportunities for urbanization of suburb.*
5. *Raise densities.*
6. *Allow diverse housing types.*
7. *Promote affordability.*
8. *Reconsider older, abandoned neighborhoods.*
9. *Rethink plans for fringe areas.*

During this economic downturn, planners should take the time to rethink the housing plans for their communities. They need to challenge old assumptions about the market and develop strategies that address changing conditions in their communities and regions.

Utah Housing Corporation Releases \$70 Million to Help Home-buyers

Utah Housing Corporation (UHC) recently announced that it is offering \$70 million of mortgage funds at 4.99% to assist low-to-moderate income families purchase a home. UHC expects that 480 families across Utah will be able to purchase their first homes with the assistance offered by this program.

In addition to the below-market 30-year fixed rate mortgage moneys, UHC also provides financing for all of the down payment and closing costs needed to buy a home. Providing the money for the down-payment and closing costs allows families to overcome the biggest obstacle in buying a home- their inability to put away enough savings to pay closing costs and have the required down payment.

In addition to traditional homes, this program can also finance the purchase of condominiums, twin homes, and PUDs.

There are certain limitations on both the household income as well as the cost of a home that can be financed under this program. Certain areas of the state are designated by the federal government as Targeted Areas. To promote home ownership in these areas, eligible homebuyers are extended some additional advantages.

UHC loans are not subprime loans. Borrowers must demonstrate that they have steady income and good credit scores, and full appraisals are required on all loans.

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UHC loans are not adjustable rate loans; they are 30-year loans with equal monthly payments.

You ask...What about all the delinquent loans and foreclosures featured in the news? UHC reports that their loans actually have lower delinquency and foreclosure rates than other loans in Utah or almost anywhere else in the nation.

UHC has provided home-buying assistance for more than 60,000 first-time home buying families in every area of the State and is the largest provider of affordable housing assistance in Utah.



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