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Stepford No More: The Death of Suburbia

How rising prices are affecting the suburbs

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For years, the American Dream has included a house in the suburbs, a white picket fence, 2.5 children and a sprawling green lawn for the golden retriever. But skyrocketing gas prices combined with record foreclosures and shifting demographics may change the immaculate face of suburbia forever.

This time last year, the national average cost of regular unleaded gasoline was \$2.975 per gallon, according to AAA. Today, that same gallon averages \$4.067. Fueling a car with a 16-gallon tank capacity costs approximately \$65. At this price, an average commute of about 15 miles into the city every day can become financially excruciating for many.

But it isn't merely fuel costs that are driving people back into the city. The subprime crisis has caused many to lose their homes and rendered others incapable of receiving a mortgage. Property values have fallen faster in the suburbs than in urban areas, according to *The New York Times*. Not only that, but demographics are beginning to work in favor of cities. Television shows such as "Friends" and "Sex and the City" have romanticized city life and many people, especially singles and childless couples, are going urban simply out of preference.

"Thirty to forty years ago, the country split 50/50 between households with children and households without children. Today it's two-thirds without children and one-third with," Christopher B. Leinberger, a real estate developer and visiting fellow with the Brookings



Institution in Washington, D.C., said. “The demographic projections in the future call for 88 percent of a net increase in households to be in households without children, [both] singles and couples....That’s the target market.”



Smaller families on average mean decreased demand for larger houses

Environmental activists have long condemned suburbia as a waste of land, funds and energy, even before the rise of gas prices, according to *The New York Times*. Some Western cities, in particular, have promoted sprawl more than walkable urban areas by developing around freeways rather than public transportation systems.

“Transportation drives development. You put the transportation in and then you get the development patterns that the system allows,” Leinberger said. “Freeways only allow sprawl...what I call ‘drivable suburban.’ You put in rail transit and you get high-density walkable urban. But it’s got to be there first.”

Many cities are focusing more energy on their urban centers by revitalizing their public transportation systems. Los Angeles, often considered to be a city where cars are required, has implemented “a pretty remarkable commuter rail, light rail and subway system” to take better advantage of walkable areas, Leinberger said. Seattle is in the final stages of constructing a light rail transit system that will run from the downtown area to SeaTac Airport. Seattle’s light rail system is projected to carry more than 42,500 passengers per day by 2020, according to the city’s official website. And Denver is in the process of implementing a \$6.1 billion commuter rail system as part of its “urban renaissance,” according to *The New York Times*.

In his article in *The Atlantic Monthly* titled “The Next Slum?” Leinberger projected that today’s affluent suburbs could become tomorrow’s slums, “characterized by poverty, crime and decay.” Though this may be extreme, it’s possible that the suburbs will soon fall out of favor with many middle class Americans. Investors and developers should do what they can to prepare for the shift.

Real estate developers, accustomed to the sprawl of suburban communities, will need to reacquaint themselves with how to construct effective walkable urban areas. “[Walkable urban areas take] different types of financing and different building types. You have to be concerned about the entire place as opposed to just the one project you’re building, because if the place isn’t working your project’s probably not going to work,” Leinberger said. “I use the analogy that we in real estate got really good at driving Formula One

sports cars...but it's in two dimensions. We now have to learn how to fly fighter jets that go in three dimensions, and a whole lot faster.”

Investors may want to focus less on single family homes in the suburbs and turn their attention to urban homes and multiplexes. And bear in mind that areas likely to flourish are not necessarily limited to the downtowns of major cities. Leinberger identified five types of walkable urban areas: downtowns, areas adjacent to downtowns, suburban town centers, suburban locations that have been converted into walkable areas and Greenfield developments. In “The Next Slum?” he predicted that affluent suburban areas that are close to central cities—such as Redmond, Wash.; Evanston, Ill.; and Birmingham, Mass.—could continue to thrive. Residential areas that have walkable urban cores have the potential to do well, especially if served by a form of public transit such as a light rail or subway.

“There’s this pent up demand because it’s just not been addressed for so many years,” Leinberger said. Being among the first to address that demand could put investors and developers in a prime position to profit from their efforts.