



# Realty & Valuation Newsletter

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## HOUSING & POPULATION

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**SHIFTS IN HOUSING-** The American populace is stoic in its cognizance of the movement of the public in it's choice of living areas. Since the 60's the American public believed that the shift in choice of housing was for families of the middle income group was to the suburbs. Inner cities were too populated and claustrophobic for what was deemed as new found wealth or at least income capability. The dream was the little house with a white picket fence with a patch of green lawn. And, it came about. Developments in suburban locales provided an expression of that dream to millions; and, it continued right into the 90's.

Escaping inner city with rising crime rates, building deterioration, crowded busses and subways and access highways created a panic. Fresh air, quietude, safety and family opportunities became the sought after way of *new* life. The suburbs with redundant house styles on postage stamp lots was much more alluring than the city way of life which was quickly deteriorating. And so the exodus began. In many cases the move to suburbia didn't provide greater family time as the commute was much greater albeit more relaxing as a commuter could sleep or work on the train or bus even.

The veterans of Vietnam war time had visions of getting on with their lives and the availability of VA mortgages was the key in making their dreams come true. Thus, the subdivisions were being developed, commuter transportation was provided and the new course in housing and living was beginning. This new way of living grew faster and faster over the next nearly 40 years. Surely, disappointments were encountered but the mind-set was full steam ahead ignoring obvious pitfalls. The faster the growth the farther away from city employment were affordable subdivisions. Fortunately, the influx of millions of middle income families in these suburban locales created employment opportunities nearer the subdivisions; thus, young families moved on with a modicum of satisfaction and some relief.

On the flip side, the empty urban housing became the residents of those of the lower income strata. Loss of housing values made the dwellings targets of the investment moguls ( large and miniscule; astute and novices. Investment housing (rental housing) typically goes through one of the three stages of the Principle of Inclining—Declining Periods which in brief states that all properties, neighborhoods, etc. go through three stages, Inclining, Declining and Status Quo which always are experienced but with undetermined times and not in any specific order. With the efflux of stable income level residents, the urban markets experienced a Declining

Period which brought reduced property values which either the “horse before the cart or visa versa”, brought deterioration of the properties which resulted in further value declination and even loss of interested by the investor segment of the real estate market. And, the result was vacancies, vandalism, and bank ownership.

But property is patient and truly only knows (parenthetically speaking) a continued existence. The term gentrification was coined in 1964 by Sociologist, Ruth Glass which she deemed as the return of wealthier individuals into cities or neighborhoods who replaced those (she referenced) as *working class*. **CON'T**

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**CON'T-** The next logical step is a change in the needs and wants of the public. Many came to realize that the better paying positions are in the cities and not the suburbs. Opportunity for advancement and exposure to a national and international market can truly only be had via the city marketplace. In addition there were other changes (i.e., travel time *—re-thought*; high property taxes, limited social opportunities; inundation from 2nd and third rate restaurants and legitimate theatre and other cultural opportunities virtually non-existent. The attitude of middle to lower upper income families as number of children changed drastically for the more affluent Americans, Yuppies or whatever term one thinks appropriate. Estimates indicate that the business and professional families have fewer than 2 children, while working class (so termed by Ms. Glass have 3—4). The demand for this change in lifestyles once again sparked the fires for *gentrification*. This word is taboo to some sociologist and pseudo sophisticates in the opinion of this writer as to its root, gentry, derived from a French word, *gentrise*, a descriptor for “people of noble birth”. Hence, the contempt from the self anointed pastors of *PC*. In spite of their bombastic condemnations of the term, it exists and it is still an appropriate qualifier for the movement of socio / political groups and not discriminatory or racist by any means.

Hoboken, New Jersey is possibly the latest example of gentrification and so very successfully accomplished. Hoboken was a deteriorated city with wasted waterfront lands which provided magnificent views of the skyline of New York City. Access to the city was quick via ferry, car or bus. The need for a car was minimized and daily access to one of the most exciting and fulfilling cities in the world was in reach to everyday business people and professionals. This phenomenon did not necessitate relocation of lower income level people as much of the area was industrial sites. However, when one considers the ongoing gentrification of some areas in Washing DC in the 1980's, Atlantic City and Harlem, New York City, there was and is displacement of working class people. This displacement is not always the result as some times it's possible for there to be a blending of the various income groups in concert in the same neighborhoods. When there is reasonability and socially mutual acceptability, members of the two groups can share the same communities successfully.

The phenomena in present day with the gentrification of urban areas is the trading of places with the working class groups. Brookings Institute completed an analysis of 2000— 2008 census data for the 100 major metropolitan cities in the United States. It reflected that what they term “White Flight” as the white professionals / business people are moving to the urban areas or gentrification for many of the reasons cited above. The less financially capable or working class are moving to the suburbs.

Brookings Institute find that the suburbs are still white but the majority of racial and ethnic groups are now living in the suburbs and the number is expected to grow. Asians and Hispanics are already over 50 % in the burbs while blacks are just above 43%. These are the movements throughout the major metropolitan areas.

What does this mean? Frankly, in the next 20 years not much, but if the movements continue as expected there will be a shift in economic growth in the suburbs and the urban locales. The cost of maintaining government services for lesser income groups in the suburban municipalities along with the rising cost to maintain the needs of the senior population in other suburban locales will bring significant cost increases without possibly the ability to financially support them. When you move the population based on the number of children in a family to the suburban locales the demand on educational needs, facilities and services will dramatically increase also. More services and less income potential for municipal governments and school districts will become critical problems. The urban locales will fare much better. The higher income earning families will support stronger educational opportunities for their children; and, their respective neighborhoods will benefit by having superior services and safety. Now you see it. This is a “flip - flop”. Contrary to the popular misconception, the masses will not benefit or suffer more than they presently are. They will just be doing it in different places. People don't change and neither does their environment because people create an environ. The environ does not create the people. Hence, the riots of the 1960's brought about destruction of entire blocks in Newark, New Jersey and the Bronx, New York to name a few. These buildings were replaced with affordable housing and government supported apartments. Within a year, many were destroyed by the very people who complained they didn't have adequate living quarters which led them to riot. If we accomplish anything, as a people, we must help each other to become self-sufficient and proud of what we accomplish in our work endeavors and social existence. Entitlements are not the answer, education and earned accomplishments are.