Socio-Economic Trends and Future Land Use Implications

How will current and coming socio-economic trends influence land-use decisions and impacts?
• Population growth
• Household (HH) Formation
• HH type and size
• Race
• Age
• Median HH Income
• HH Tenure
Household Size

Average Household Size

- Pittsburgh MSA: -10%
- Harrisburg MSA: -4%
- Philadelphia MSA: -2%
- State College MSA: -9%
- Pennsylvania: -4%
- United States: -2%

2000-2018 Change
The Return of the Multi-Generational Family Household

- Hispanics, blacks, and Asians are all significantly more likely than whites to live in a multi-generational family household.

Source: US Census, Pew Research Center, 2010
## Pennsylvania at a Glance:

### Hispanic Population

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>750,000</td>
</tr>
<tr>
<td>Percent of State Population</td>
<td>6%</td>
</tr>
<tr>
<td>Median Age</td>
<td>25 years</td>
</tr>
<tr>
<td>Median Annual Personal Earnings, 16+</td>
<td>$20,000</td>
</tr>
<tr>
<td>Poverty Rate, 17 and Younger</td>
<td>45%</td>
</tr>
<tr>
<td>Without Health Insurance</td>
<td>22%</td>
</tr>
<tr>
<td>Percent Homeownership</td>
<td>42%</td>
</tr>
<tr>
<td>Percent of All K-12 Student</td>
<td>9%</td>
</tr>
</tbody>
</table>
Hispanic Share of the Population by County

Source: Pew Research Center, Census Bureau
### Top 10 Counties by Percent Hispanic Growth, 2000-2011

<table>
<thead>
<tr>
<th>Top 10 Counties</th>
<th>% Hispanic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1      Stewart County, GA</td>
<td>1754%</td>
</tr>
<tr>
<td>2      Telfair County, GA</td>
<td>849%</td>
</tr>
<tr>
<td>3      Beadle County, SD</td>
<td>807%</td>
</tr>
<tr>
<td>4      Adams County, MS</td>
<td>697%</td>
</tr>
<tr>
<td>5      Trempealeau County, WI</td>
<td>616%</td>
</tr>
<tr>
<td>6      Luzerne County, PA</td>
<td>523%</td>
</tr>
<tr>
<td>7      Sevier County, TN</td>
<td>452%</td>
</tr>
<tr>
<td>8      Frederick County, VA</td>
<td>446%</td>
</tr>
<tr>
<td>9      Paulding County, GA</td>
<td>443%</td>
</tr>
<tr>
<td>10     Macon County, NC</td>
<td>400%</td>
</tr>
</tbody>
</table>

Lower fertility rates and fewer kids per household, than in decades past, has implications for land-use decisions involving housing, businesses and school facilities.
Millennials

America is in the throes of a huge demographic shift, and a major factor is due to the Millennial generation (18- to 33-year-olds), which is forging its own distinct path to adulthood compared with older Americans.

- More likely to live at home
- More men than women.
- Mostly unmarried
- Most racially diverse generation in American history.

Source: Pew Research Center
Millennials Living at Home (2012)
Percent of adults age 18 to 31 living at the home of their parents

Increase in Living at Home Concentrated among Less-educated Young Adults (2007 and 2012)
Percent living at home of parents(s)

Source: Pew Research Center, 2012
Real personal income is defined as personal income per capita, adjusted for inflation.

Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of Philadelphia
Median Household Income Comparison

- Pittsburgh MSA: 7.7%
- Harrisburg MSA: 10.2%
- Philadelphia MSA: 11.2%
- State College MSA: 7.7%
- Pennsylvania: 5.5%
- United States: 3.4%
Non-Mortgage Consumer Debt

- Although home equity line of credit debt has been dropping since 2009, non-mortgage consumer debt (e.g. student loans) continues to climb.

Source: Equifax (Credit Trends 4.0; data through July 2013)
Consumer Spending Disparity by Household Income

- The spread between high- and low-income households widened to the highest level in the history of Goldman’s survey in 3Q.
- Consumers in $90,000+ households reported an increase in spending in 3Q vs. 2Q, while consumers in under-$50,000 households reported a decrease in spending this quarter.

Source: Goldman Sachs survey of 2,000 US consumers
Household Spending

Household Spending Potential Index, 2013

- Groceries
- Dining Out
- Housing
- Apparel and Services
- Transportation
- Travel
- Health Care
- Entertainment and Recreation
- Personal Care
- Education

- Pittsburgh MSA
- Harrisburg MSA
- Philadelphia MSA
- State College MSA
- Pennsylvania
• Labor Force
• Top Industries
• Average Wage
• Growth Trends

Jobs
Employment Trends

Payroll Employment Growth
January 2013 - January 2014

Source: Bureau of Labor Statistics via Haver Analytics

*Part or all of this MSA lies outside of the Third District.
†Part of this MSA lies beyond the borders of the three-state region shown here.
From 2010 to 2013, Pennsylvania gained approximately 7,600 new jobs, of which approximately 45 percent (3,400 jobs) were considered mid wage jobs—the highest percent share for all northeastern states.

Source: QCEW Employees, Non-QCEW Employees & Self-Employed - EMSI 2013.3 Class of Worker
Average Earnings per Job (2013)

- Pittsburgh MSA: $56,975
- Harrisburg MSA: $54,812
- Philadelphia MSA: $64,785

Data source: QCEW Employees, Non-QCEW Employees & Self-Employed - EMSI 2013.3 Class of Worker

Average Earnings Per Job (2013)
- 35,086
- 106,486

Jobs 2013
- 211,928
- 9,251,962
Percentage Change 2010-2013

Harrisburg MSA
2013 Jobs: 337,542
2010-2013 Change: 1%

Pittsburgh MSA
2013 Jobs: 1.2 million
2010-2013 Change: 3%

Philadelphia MSA
2013 Jobs: 2.9 million
2010-2013 Change: 2%

Data source: QCEW Employees, Non-QCEW Employees & Self-Employed - EMSI 2013.3 Class of Worker
Housing Trends

- Location (urban vs suburban, proximity to amenities)
- Size (bedrooms, sq.ft.)
- Type
- Tenure
- Price
Rent Price

[Map showing locations of Pittsburgh, State College, Harrisburg, and Philadelphia]

[Graph showing rent prices in various cities from 2011 to 2014]
Boomer Retirement Housing Trend

After waiting out the housing crash, baby boomers are downsizing again and they are moving from active adult communities in the suburbs to cities, where they can be close to amenities and their children.

Source: CNBC, 4/12/13
25 Best Places To Retire in 2014

Forbes evaluates cities based on housing and living costs, taxes, weather and air quality, crime rates, doctor availability, and active-lifestyle rankings for walkability, bicycling and volunteering.

**Pittsburgh, PA**
- Pros: Solid economy, average cost of living, typical home price $130,000, large number of doctors per capita, high ranks for volunteering, bicycling and walkability.
- Cons: High crime rate, cold winters.

**State College, PA**
- Pros: College town, good economy, average home price $259,000, low crime, high walkability rank.
- Con: Cost of living 5% above national average.
Smaller is Better

More U.S. cities are embracing smaller apartment options to house the boom in single residents.
Hispanics to Shape Future Housing Demand

Major Reason to Buy a Home

56
Percent of Hispanics consider buying a home a symbol of success

VS.

66
Percent of Hispanics buy a home to be closer to work, family, and friends.

32
Percent of All Americans

55
Percent of all Americans

Source: National Association of Hispanic Real Estate Professionals, 2013
The Rise of Walkable Urban Places

The next real estate cycle will be defined by the rise of Walkable Urban Places (WalkUPs) and the fall of sprawl development.

Christopher Leinberger, Center for Real Estate and Urban Analysis

- **Philadelphia** is *Very Walkable* (ranked 4th in the county) as most errands can be accomplished on foot. Philadelphia has good public transportation and is somewhat bikeable.

- **Pittsburgh** is *Somewhat Walkable* as only some errands can be accomplished on foot. Pittsburgh has good public transportation but does not have many bike lanes.

Source: Walk Score
Retail

- Consumer expenditures
- Vacancy rates and rents
- Trends by Type (regional vs neighborhood)
- Cultural preferences
The Death of the American Shopping Mall

“This declining retailer health of American malls and shopping centers in the form of very high vacancy rates and sluggish rents is an indicator that supply exceeds demand...
The Rise of E-Commerce

U.S. online retail forecast, 2012 to 2017

Online retail sales will grow at a compound annual rate of 10% from 2012-2017, Forrester Research says. By 2017, the web will account for 10% of U.S. retail sales.

Source: Forrester Research, sales in billions
Sales Vary By Retail Category

- More than half of e-commerce is dominated by just three retail segments: electronics, apparel, and hobbies.

Sources: Bricks and Clicks: Rethinking Retail Real Estate in the E-commerce Era | July 2012.
U.S. Census Bureau and RREEF Real Estate. As of December 2011.
How are older malls to survive?

Examples:
- **Montgomery Mall** (North Wales) upgrades include adding an exterior-facing restaurant with patio area, a redesigned exterior and entrance, “refreshed” retail spaces, a children’s play area, new family restrooms and upgraded lighting and hardscaping.
- **Granite Run Mall** (Middletown Township) may be turned into a mixed-use property.

Enough??
- Despite **Plymouth Meeting Mall**’s (Plymouth Meeting) $100 million renovation sales on a per-square-foot basis have been relatively flat.

Source:
The Future of In-Store Retailing

- E-commerce will continue to pound retailers unable to deliver superior service or unique products.
- Smaller, more productive stores can translate into higher rent potential for superior centers.

### The Shrinking Office Products Store

<table>
<thead>
<tr>
<th>Office Depot Store Prototypes</th>
<th>Officemax Store Prototypes</th>
<th>Staples Dover Store Prototype</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before 2011</strong></td>
<td><strong>2006</strong></td>
<td><strong>Pre-2010 Prototype</strong></td>
</tr>
<tr>
<td>Average Warehouse Store: 27,000 sf</td>
<td>Average Prototype: 23,000 sf</td>
<td>24,000 sf</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td><strong>2007</strong></td>
<td><strong>2011 Prototype:</strong> 18,000 sf</td>
</tr>
<tr>
<td>Average Prototype: 15,000 – 18,000 sf</td>
<td>Average Prototype: 13,000 – 18,000 sf</td>
<td><strong>New Suburban</strong> 14,600 sf; <strong>New Urban</strong> 10,000 sf</td>
</tr>
<tr>
<td><strong>2011 Urban Format</strong></td>
<td><strong>2009</strong></td>
<td></td>
</tr>
<tr>
<td>5,000 sf</td>
<td><strong>Ink Paper Scissors</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,500 – 2,000 sf</td>
<td></td>
</tr>
</tbody>
</table>

Understanding Shopping Preferences

Online Retail Spending by Generation, 2012

(average amount spent per adult on online purchases during 3-month period)

Source: Forrester Research, December 2012
Upscale Latino's - “The Most Influential Segment since the Baby Boomers”

A 2013 Nielsen report unveiled a powerful core segment of “upscale Latinos” that control 37 percent of the group’s $1.3 trillion spending power.

- **Size**: 15 million strong and growing (about 29% of total U.S. Hispanic population)
- **Income**: $50K-100K, typically supporting a family
- **Young**: 75% under the age of 45
- **Financially Savvy**: Tend to own their own homes and are very financially savvy
- **Technology**: More likely to use smartphones and own iPads than their peers
- **Pamper**: Spend more on health and beauty products

Sources: Report: Nielsen, 2013. Image: Getty
Economic, Social, Fiscal, Environmental

So what?
Residential Land Use Implications

• Suburban areas need to allow for mixed-income, inter-generational housing near urban amenities. This means allowing for infill opportunities at higher densities (in-law suites)
• Urban areas need to permit for higher density, smaller housing options (micro-units)

"The future of American planning and public policy will be geared to meeting the needs of households without children."
Shifting Retail Landscape

- Retailers are rediscovering the benefits of urban markets: higher profile and closer to consumers.
- The best-located malls, main-street shopping districts, and grocery-anchored centers will have an advantage. Big-box retailers will begin a long period of decline.
- Obsolescent retail shopping centers and regional malls will need to be repurposed, providing opportunities to create new mixed use town centers and community gathering spaces.
- Zoning will be necessary to permit for a mixed of uses within retail centers.
Pay Attention to Technology!

Rise of technology's role in business means less office space per worker.

Heard of "Show Rooming?"
Decision Tree Analysis

de·ci·sion tree

Noun
A tree diagram which is used for making decisions in business or computer programming and in which the branches represent choices with associated risks, costs, results, or probabilities.

Case Study
Town Revitalization Project

Assumptions:
- Cleanup costs and demolition of the old site: $5,000,000, paid for in bonds of $1,953,574.51 per year.
- Sale of $1, plus $200,000 in taxes per year by year 5.
- Cost of upkeep of land for city (if not sold) is $100,000 per year.
- Everything is discounted at a 5% rate of inflation.
decision tree

Noun
A tree diagram which is used for making decisions in business or computer programming and in which the branches represent choices with associated risks, costs, results, or probabilities.

Source: Merriam-Webster.com  
Source: techrepublic.com
Case Study

Town Revitalization Project

Assumptions:
- Cleanup costs and demolition of the old site: $3,000,000, paid for in bonds of $195,154.31 per year
- Sale of $1, plus $200,000 in taxes per year by year 5
- Cost of upkeep of land to city (if not sold) is $100,000 per year
- Everything is discounted at a 5% rate of inflation.
Scenario 1a: Normal Tax Revenue, No Purchase Offers

Sit on the land for a better offer.

STOP

2

Proceed with cleanup and sale

($3,000,000)

($2,172,144.61)

0.35
Property successfully redeveloped, taxes after 5 years

($634,699)

0.65
No development

($3,000,000)

Do nothing, pay land upkeep

($1,537,245)

($1,537,245)

($1,537,245.10)

($1,537,245.10)

Scenario 1b: Normal Tax Revenue, $650,000 Purchase Price

Take the offer.

GO

1

Proceed with cleanup and sale

($2,350,000)

($1,522,144.61)

0.35
Property successfully redeveloped, taxes after 5 years

$15,301

0.65
No development

($2,350,000)

$0

($2,350,000)

Do nothing, pay land upkeep

($1,537,245)

($1,537,245)

($1,537,245.10)
Scenario 2: 50% More Tax Revenue

Sit on the land for a better offer.

STOP

(\(\$1,537,245\))

Proceed with cleanup and sale

(\(\$3,000,000\))

(\(\$1,758,217.10\))

0.35

Property successfully redeveloped, taxes after 5 years

(\(\$3,547,951\))

(\(\$547,951\))

0.65

No development

(\(\$0\))

(\(\$3,000,000\))

Do nothing, pay land upkeep

(\(\$1,537,245\))

(\(\$1,537,245.10\))

(\(\$1,537,245.10\))

(\(\$1,537,245.10\))

Scenario 3: 50% More Tax Revenue, 100% More Upkeep Costs

Take the offer.

GO

(\(\$1,758,217.10\))

Proceed with cleanup and sale

(\(\$3,000,000\))

(\(\$1,758,217.10\))

0.35

Property successfully redeveloped, taxes after 5 years

(\(\$3,547,951\))

(\(\$547,951\))

0.65

No development

(\(\$0\))

(\(\$3,000,000\))

Do nothing, pay land upkeep

(\(\$3,074,490\))

(\(\$3,074,490.21\))

(\(\$3,074,490.21\))
Socio-Economic Trends and Future Land Use Implications

How will current and coming socio-economic trends influence land-use decisions and impacts?