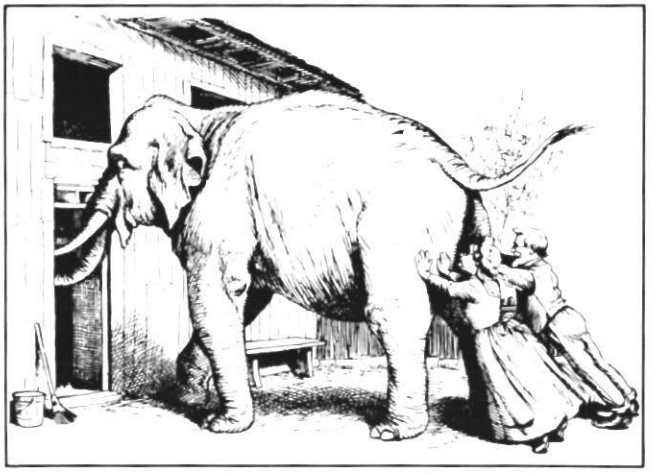
DOWNSIZING THE SINGLE-FAMILY HOME: PROSPECTS FOR THE CURRENT CYCLE

by Carl F. Horowitz

Since the mid-1970s, few policy issues in this country have evoked more concern than the rising cost of a new home. Rarely does a month pass without having some prominent spokesperson in government or the real estate industry make reference to the withering away of the "American Dream." The assessment is at least partly understandable. During 1970-81, the median sale price of a new single-family home nearly tripled from $23,400 to $68,900, while median household income rose from $8,734 to $19,074 during this period.[1] Thus, the price-income ratio—generally considered to be a better indicator of homeownership affordability than price alone—rose from 2.68 to 3.61. According to estimates of the National Association of Home Builders (NAHB), only about one-fourth of all households can now afford new single-family homes according to traditional standards, whereas in the early-70s, the figure was roughly one-half.[2]

Despite its rising cost, homeownership remains as strong an ideal as ever, and with good reason. Whether as an appreciable investment, a set of physical attributes, or a sanctuary for privacy and identity, for-sale housing generally offers more to the consumer than rentals. That renters as well as owners perceive this to be the reality should hardly come as a revelation—how else does one explain the near-panic among many potential first-time homeseekers over consigning themselves to possible long-term renting?

Creative financing aside, there are three alternatives for making homeownership better within the consumer's reach. The first is apartment conversion. Since the early-70s, several hundred thousand apartments have been converted to condominiums and cooperatives.[3] Given that these dwellings tend to sell for less than others, the



practice significantly aids the first-time buyer.[4] The second alternative is to build for sale in almost any configuration except single-family, mobile, duplex, and low- and mid-rise multifamily, the most preferred choices. Their compact sizes and high floor-to-area ratios enable developers to offer them at lower prices. The final alternative is to work within the tradition of the single-family unit (SFU), and strip down the product: Maximize the allowable densities per acre and reduce the interior square footage, the number of rooms (especially bedrooms), and the variety and lavishness of amenities.

The third approach seems to have received somewhat less attention than the first two, even though the single-family unit continues to account for the bulk of new residential construction for sale. However important the mobile home and multifamily unit have become as a means of reaching more homebuyers in an era where cheap, abundant land has seen its day, the private home still represents a fundamental housing aspiration for the majority of Americans, and thus much attention should focus upon how to reduce its cost without reducing its structural quality or its availability to a wide range of consumers. This is the central concern of this paper; the

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extent of the current trend toward reducing the square footage and amenities of new homes to the public, the rationales for and limitations upon its further continuation, and the reasons why the most recent downsized or "no frills" cycle, despite its slight reversal in 1983, may last longer than similar tendencies of the past.[5]

The "No Frills" Home: Past And Present

In the late 1940s, the homebuilding industry, moribund during the Depression and World War II, was engaging in a burst of single-family construction that would dwarf that of any previous era. Opportunity was at hand for aggressive developers willing to buy large tracts of relatively cheap land near the fringes of urban development and build modestly-priced homes. With marriage and birth rates at their highest levels in decades, there was a strong latent demand for detached homes with yardspace. Real incomes were rising substantially, and with the help of FHA and VA mortgage insurance programs, millions of renters entered the ranks of homeowners.

For nearly a decade, homebuilding was epitomized by the various Levittown developments in the New York City and Philadelphia areas, with their Cape Cod, Rancher, and Colonial models. "I build for the mass, not the class," builder Samuel Lefrak once remarked of his New York City elevator apartment empire, and no doubt William and Alfred Levitt, David Fox, Jim Walter, and other large-scale builders of single-family homes could have made the same claim.[6]

As the 1950s wore on, however, a new home came increasingly stocked with more than the shell and basic finishings. It was larger, and so was the lot upon which it stood. Wall-to-wall carpeting, central air conditioning, landscaping, fireplaces, dishwashers, and finished basements and/or attics, while not yet standard, were headed in that direction. The 1960s and 70s witnessed the further continuation of these trends, and by the end of the latter decade, two observers reflected on what had transpired:[7]

> People moved upwards from the house that Levitt and a great many other people made famous shortly after World War II—an 800 square foot house, with one-and-a-half baths, and a second floor that was only roughed out (and in some cases, it was pretty rough). By the mid-1950s, the newly built houses in America had a median size of 1,100 square feet. Currently, it exceeds 1,600 square feet. The middle-class moved from a house that was "stripped down" to a house that was a finished machine for living.

Part of the explanation for this shift in standards lay in suppliers creating demand; similar to automobile manufacturers, builders believed that to stay competitive, each successive new model had to outdo the previous one. More important was the fact that consumers could increasingly afford more. They would have eventually sought these extras anyway, and with higher incomes and often with equity from prior homeownership, they were willling to pay for them at the time of purchase rather than wait (and pay even more as a result). Also more important were the dictates of suburban county and local governments whose zoning ordinances created strong disincentives to build compact detached homes. In seeking to maximize property values and minimize public school costs, localities established formidable minimum lot sizes and floor-to-area ratios. In the late 1960s, for example, the National Commission on Urban Problems found that one-fourth of all SMSA municipalities with at least 5,000 population did not permit single-family dwelling construction on lots of less than one-half acre.[8]

The dominant trend of single-family construction was thus one of steady expansion of the home. While hardly depleted, the reservoir of consumers willing to accept what the Levitt Brothers and their ilk had offered a generation before had diminished. In the aftermath of the 1974-75 recession, some builders experimented with "no frills" homes (as they were known), but had very limited success. Indeed, as Anthony Downs noted a few years later:[9]

> Smaller, lower-quality, lower-priced units have not sold well, while large, high-quality units have sold exceptionally well. The "hottest" assets in the new-growth suburbs of Orange County, Washington, Chicago, New York City, or San Francisco include enormous five-bedroom, four-bath houses containing over 2,500 square feet, air conditioning, fully finished basements, and multiple fireplaces.

What, then, is the justification for reducing the average size and the range of amenities of a home in order to reach a market that presumably barely exists, especially when buyers of new homes tend to be those who have accumulated equity from a prior home? There are two arguments that can support the strategy.

First, a home's features do not always have to be "front-ended"; owners can make various improvements commensurate with increases in their financial resources. A home need not come brand new with a panelled den, a fireplace, or a landscaped lawn in order to eventually contain these things. This is particularly true with detached homes, where it is relatively simple to construct new rooms or finish a basement in order to accommodate a family's increasing space needs. Even if a particular family prefers moving to expanding or remodeling, their home will have served them well, and will no doubt do so for the family taking its place. Its lower initial sale price enabled both families to enjoy the benefits of home ownership.

The logic behind this argument is observable in market behavior. Home price inflation, while partly attributable to the rising costs of unimproved land and a certain constant "bundle" of structural characteristics, is also partly due to the fact that the lot size and the bundle have become larger. That is, a home costs more today than thirty years ago because it is more likely to contain central air conditioning, a dishwasher, a finished basement, four or more bedrooms, and other features that necessarily increase the price. One pays more for housing because the size of the package has increased. Ferri concluded that almost one-third of the average increase in home prices over a ten year period in Fayette County, Kentucky

could be explained by differences in structural and lot characteristics.[10] Berry and Bednarz found that housing characteristics, apart from any neighborhood considerations, accounted for almost 60 percent of the price of a single-family home in Chicago.[11] Less dramatically, the most recent of the Census Bureau's annual C-25 Series *(Characteristics of New Housing)* indicated that during 1977-82, housing quality differences explained roughly 11 percent of the mean sales price of a new single-family home.[12] The implication is clear: If homebuilders scaled down their offerings, they could sell them at lower prices. First and subsequent buyers would be concerned about how to add to their appeal. As Louis Thompson, Senior Staff Vice-President of NAHB summarized, "There are four basic ingredients in a home—land and its development costs, labor costs, material costs, and financing costs. The only one likely to decrease is financing. So the only way to produce an affordable house is to build it smaller."[13]

Second, several demographic trends suggest that downsized homes have a sizeable potential demand. Most of these dwellings are ostensibly oriented toward first-time buyers, and such buyers tend more to be in the 25-34 age bracket than repeat buyers.[14] The Census Bureau projects that during 1985-90, the number of households headed by an adult in this age cohort will increase by 8.1 percent.[15] This is only a modest gain compared to that expected for households aged 35-44 during the same period, but it does indicate that not all the focus should be on the needs of postwar baby boom adults. Moreover, while the number of households under 25 will decline slightly, the more affluent among them will often buy homes if the opportunity is available to do so. As one Virginia homebuilder currently active and successful in building compact detached homes remarked:[16]

> Our buyers are probably younger than you might suspect. Quite a few of them are in their early-to-mid twenties. I'd say that at least thirty percent of our market for homes in the range of 750-1,150 square feet consists of singles who either live alone or with a member of the same or opposite sex.

Also, the decision of what size house to buy is very much a function of the presence, number, and age of children—and families with few children rarely need large homes. During 1970-81, for example, the percentage of families with three or more children declined from 20.4 to 11.5 percent.[17] Meanwhile, during this same period, the percentage of families with no children increased from 44.1 to 48.2 percent.[18] Some of this trend can be explained in terms of delayed childbearing rather than of a decision not to raise children; in fact, the proportion of childless ever-married women in all age cohorts over 35 has steadily decreased, even as that of similar women under 35 has increased.[19] Yet among the vast majority of fertile women (aged 15-44) who have or will have children, barring some radical shift in social attitudes toward childbearing, few will have more than two.

Evidence Of A Trend

After a lengthy period of expansion, the bundle of features in single-family homes reached a point of saturation in the late 1970s, and has since experienced a decline. Developers have begun to respond to the necessity of reaching a broader market. As one Connecticut builder recently remarked, "We've all been so spoiled, but you've got to cut down if people are going to be able to buy a home."[20] Partly as a result of this strategy, the median price of a new single-family home increased from $68,900 to only $69,300 during 1981-82, the smallest rise in over a decade, even though interest rates on construction loans were reaching record high levels.[21]

Each year since 1963, the U.S. Census Bureau has published a report entitled *Characteristics of New Housing* (Series C-25). Based on monthly interviews with builders and owners of newly completed single- and multi-family developments nationwide, the report provides detailed information on structural characteristics, amenities, interior square footage, and sale prices. While its data base does not distinguish between detached and attached single-family dwellings or between differences in the quality of each amenity, and while it does not examine lot characteristics, it is nevertheless useful in understanding the extent to which the general characteristics of new homes have changed over time.

Exhibit 1 indicates the median interior square footage and the proportion of inclusion of selected amenities in new homes for each year during 1966-83. The evidence suggests that until the late 1970s, with two brief interruptions, the size of the housing package has expanded; from 1978 through 1982, it declined; and in 1983, it had once again increased. Using 1978 as the point of demarcation, most categories showed either a decline during 1978-82 or a gain that was small relative to that of the preceding twelve years. In the case of two or more bathrooms, one or more fireplaces, and median floor square footage, sudden decline came on the heels of steady growth. While the percentage of units with central air conditioning, stoves, dishwashers, and refrigerators continued to rise, these items (except dishwashers) are necessities, and households would have ordered them upon purchase of the home anyway.

It is also worth noting that the overall reduction of size and amenities since 1978 is distinctly different from one that took place at the beginning of the 70s. In the earlier instance, the figures were sharply pulled down by the large number of units authorized under the Federal government's Section 235 homeownership subsidy program, which had to meet certain HUD cost guidelines in order to reach lower-income buyers. The more recent stripping-down process represents the attempt of builders to reach young middle-income buyers without any subsidy. With the exception of the category of four or more bedrooms, however, standards in 1983 partially reverted to their earlier levels, an almost inevitable result of the remarkable growth in the GNP that year by over five percent. Not surprisingly, the median sale price of a new home rose from $69,300 to $75,300.

EXHIBIT 1

Inclusion of Features in New Single-Family Housing: 1966-82
(all figures in percentages, except where indicated)

Year*	Central Air Conditioning	Two or More Bathrooms	Four or More Bedrooms	One or More Fireplaces	Full or Partial Basement	Garage or Carport	Stove**	Dish-washer**	Refrig-erator**	Median Floor Square Footage***
1966	25.4%	49.3%	24.3%	NA	44.5%	80.3%	85.1%	38.8%	5.2%	1,460
1967	27.8	52.5	25.2	NA	43.6	81.1	85.8	45.4	6.2	1,505
1968	30.7	54.4	25.9	NA	43.2	81.1	88.4	50.5	6.4	1,500
1969	36.4	56.1	26.5	44.3%	41.8	80.5	88.4	51.5	9.0	1,530
1970	33.5	48.2	24.6	35.3	36.8	74.5	85.3	41.9	10.4	1,385
1971	38.0	50.4	25.3	37.2	36.1	76.6	88.5	47.8	11.2	1,400
1972	42.8	52.8	23.1	37.3	36.7	78.0	89.1	53.1	11.8	1,405
1973	48.6	59.7	23.4	43.9	41.0	78.4	89.0	64.8	15.8	1,525
1974	48.1	60.9	23.2	48.7	45.1	78.4	88.0	72.9	13.0	1,560
1975	46.1	59.2	21.2	52.2	44.6	76.3	89.7	73.0	10.7	1,535
1976	49.4	66.9	23.0	58.4	45.4	80.2	90.5	78.2	9.9	1,590
1977	54.0	69.5	22.6	60.9	44.0	80.5	91.6	81.7	11.4	1,610
1978	58.2	73.5	23.9	64.0	42.4	81.9	91.9	83.7	11.4	1,655
1979	60.2	73.6	22.7	62.0	41.7	80.4	92.0	84.9	13.3	1,645
1980	62.5	72.5	20.1	56.4	35.5	75.9	92.5	82.2	13.9	1,595
1981	64.7	70.0	19.5	54.7	33.3	75.0	91.3	82.3	15.4	1,550
1982	65.8	67.1	17.9	53.6	31.2	72.8	92.7	84.0	16.0	1,520
1983	69.6	72.2	17.6	56.8	31.7	75.2	NA	NA	NA	1,565
% Change 1966-78	+129.1	+49.1	−1.6	NA	−4.7	+2.0	+8.0	+115.7	+119.2	+13.4
% Change 1978-82	+13.1	−8.7	−25.1	−16.2	−26.4	−11.1	+0.9	+0.4	+40.4	−8.2
% Change 1982-83	+5.8	+7.6	−1.7	+6.0	+1.6	+3.3	—	—	—	+3.0

*Figures for 1963-65 are available only for the inclusion of stove, dishwasher, and refrigerator, and are thus not included.

**Figures refer to homes sold rather than completed. Figures for 1983 were not available.

***Figures represent numbers rather than percentages.

Source: U.S. Bureau of the Census, *Construction Reports*, Series C-25, No. 82-13, "Characteristics of New Housing: 1982," Washington, D.C.: U.S. Government Printing Office, June 1983, various tables; "Characteristics of Housing Completed in 1983," preliminary report, March 5, 1984.

The Census trends of the 1978-82 period corresponded to recent experiences of several major homebuilders. For example, Ryan Homes' six top-selling models in 1982 were 20 percent smaller than its six top sellers in 1978, a major factor in its ability to hold its average price increase substantially below the national average over that time.[22] Jim Walter Homes, whose semi-finished detached homes with "instant 10 percent financing" have become near-symbols of upward mobility in the rural areas of the South and Southwest, experienced continued growth even in the homebuilding industry's trough year of 1982; the firm built 10,000 homes that year, or roughly one percent of the total U.S. production. The Ryland Group is currently developing modular single-family units similar in style to its conventional dwellings. The company opened a second factory less than a year after opening its first, and expects to increase production to 5,000 homes annually within five years.[23]

Recent monographs by the Urban Land Institute and the HUD-sponsored Council on Development Choices suggest several design prototypes for the remainder of this century.[24] Based on field visits to new residential complexes throughout the country, the reports indicate that in addition to placing an increasingly heavy emphasis upon energy efficiency, zero lot line zoning, and clustering, builders are designing floor areas roughly in the 1,000-1,300 square-foot range. Largely for these reasons, these new homes sell for substantially below the average sale price of others in the same market areas. Exhibit 2 summarizes the major features of the single-family detached projects in the ULI survey.

Limitations Of The Concept

However pronounced the current trend toward stripping down, it must be considered in the context of certain limiting factors above and beyond the rate of growth in the economy. The most crucial are the renewed vigor of the mobile home industry, the rapidly increasing price of vacant land in various metropolitan areas, the realities of market demographics, and the fact that most of the decline occurred during a period of recession in the homebuilding industry.

EXHIBIT 2

Summary Examples of Affordable Single-Family Detached Housing

Project Name*	Location	Developer	Typical Square Footage	Price Range	Average Sales Price In Market Area for 1981	Summary of Intended/Actual Buyers
Ranch Country	Houston	Fox & Jacobs	1,000	$35,900-43,500	$78,952	First time buyers; 85% young couples. Most are blue-collar with incomes of $20,000.
Courtyard Glen	Houston	Marix Housing Corporation	1,019	$45,850-64,500	$78,952	Middle-income buyers; 90% former apartment dwellers. Most are married, some singles.
Peacock Park	San Marcos (San Diego)	Ramos/Jensen	853	$61,500-68,000	$105,100	Empty nesters and retirees 48 and over; incomes of $15,000-20,000.
Jackson Village	Hillsboro (Portland, OR)	Edwards Industries	1,372	$59,950-64,950	$86,825	First time buyers; middle-income marrieds, with some singles.
Crestwood Village	Frederick, MD	Crestwood Village, Inc.	1,095	$38,490-99,490	$107,537	Empty nesters and retirees 48 and over; incomes of $15,000-20,000.
Strathmore Gate West	Royal Palm Beach, FL	Levitt Homes	1,298	$59,000-66,000	$73,185	Empty nesters and retirees, especially from the Northeast.

*Each of these projects opened for occupancy in 1981 or 1982.

Source: Douglas R. Porter and Susan Cole, *Affordable Housing: Twenty Examples from the Private Sector*, Washington, D.C.: Urban Land Institute, 1982.

The mobile home (or manufactured housing) industry has undergone a resounding resurgence in the 1980s. After accounting for 18.8 percent of the total U.S. housing production during 1971-76, mobile home shipments declined to 12.4 percent of the total during 1977-79. However, from 1980 through June, 1983, the figure rose back to 16.6 percent.[25] In the absence of this recent upswing, conventional single-family dwellings might have well undergone an even further downsizing process.

Mobile homes compare more favorably with conventional homes now than at any time in the past. Part of the explanation lies in the passage of the National Mobile Home Construction and Safety Standards Act of 1974 and HUD's promulgation of regulations pursuant to the Act. Part of it also lies in the mobile home industry's realization that as minimum acceptable housing standards have risen over time, mobile homes must become more spacious, pleasant, and safe to attract potential customers. Their overall improvement has produced a chain of mutually reinforcing trends that will stimulate their market's further growth. For in becoming more attractive, new mobile homes no longer depreciate in the manner of automobiles; quite the contrary, they appreciate. Nationally, property values of double-wide mobile homes increased by 33 percent over 1976-81, a figure substantially less than that for conventional single-family homes (74 percent), but one nonetheless representing a reversal of a long-standing situation.[26] In turn (and after considerable lobbying by the manufactured housing industry), virtually all states have granted real property status to mobile units.[27] The resulting fiscal advantages have lessened some of local government's traditional aversion to this housing. Finally, all of this has been decisive in a number of court decisions overturning zoning ordinances that prohibit or unduly restrict the siting of mobile homes.[28]

One cannot overemphasize that mobile units are not downsized single-family units under another name, despite objections to the contrary by manufactured housing proponents. In comparison to detached dwellings, mobile homes are far less heterogenous in design, size, and cost, and are available in a far smaller range of communities. For this reason, their residents are primarily the elderly and a largely nonmetropolitan working-class; many among the urban and suburban middle-class shudder at even the thought of purchasing such a dwelling. Thus, the continued and accelerating growth of the mobile home market will dampen the downsizing trend of the single-family market rather than become a part of it.

A second limitation is the rising price of vacant land. During 1975-79, for example, the average annual increase nationwide in the price of vacant land for residential purposes was 13.1 percent.[29] Higher prices for vacant

lots produce a clear incentive for developers to design homes for a more affluent market. That townhouses and other alternatives to detached dwellings now account for such a large portion of single-family construction is partly a response by developers to the challenge of creating affordable housing in the face of rising land costs.

Downsizing may be difficult to achieve in suburbs of such areas as San Diego and San Francisco/Oakland, where since the mid-70s land prices have risen faster than those of other metropolitan areas.[30] The pressures for residential construction are great enough here for existing residents to grow fearful of the sudden loss of their community's bucolic character. Their preferences are amply mirrored in zoning ordinances that stipulate minimum lot frontages, lot square footages and floor-to-area ratios. While the evidence suggests that some of these restrictions, minimum lot sizes in particular, have become less restrictive since the early-70s,[31] these measures slow the impetus toward further downsizing. Moreover, in reducing the densities of potential developments these ordinances fuel further land price inflation in surrounding communities.

Third, that a pair of demographic realities will ensure that a substantial portion of new dwellings will be built for the more affluent segments of the homebuying population. For one thing, the number of households of second-time (and subsequent) homebuying ages is set for a huge boost. The Census Bureau projects that between 1985 and 1995, the number of households headed by a person between 35 and 54 will rise by almost three times the amount of those headed by persons in all other age cohorts. In fact, husband-wife family households in the 35-54 group will increase by 28.0 percent, while families in other brackets will *decline* by 4.1 percent.[32] As nuclear families tend to purchase more spacious and luxurious housing due to their greater space needs and higher incomes, the limited market for stripped-down homes becomes that much more apparent. Beyond these demographic factors in one even more powerful. New homes traditionally accommodate the financially well-off who quite often already own a home. As long as new construction represents at most two percent of the total housing stock in any given year, one should expect existing homes to offer a better set of alternatives to first-time buyer than new homes. As Kaplan astutely observes:[33]

> . . . first-time homebuyers were more active in the existing-home market, while new homes were purchased primarily by previous homeowners. A continuation of the situation depends, of course, on the willingness of owners of existing homes to use the large increases in equity that they have gained in recent years to purchase new homes more frequently than they otherwise might have done as a means of upgrading their housing and, in turn, sell their existing homes to first-time home buyers. The Nation does have a large stock of existing homes that are smaller and cheaper on the average than new housing. From a public policy standpoint, is it bad if more first-time homebuyers purchase existing homes?

One thus might ask alternately: Is it bad if developers of single-family homes primarily accommodate persons who want 1,600 square feet of living space and a host of accessories?

Finally, and superseding even these considerations is the fact that each downsizing cycle has been coterminous with recession. As Exhibit 1 indicates, there had been brief episodes of the phenomenon during the general slumps of 1970 and 1974-75, followed by a clear reversal as the economy improved. The most recent data followed this pattern. While the recent "upsizing" was not nearly enough to offset what had occurred during the previous four years, it has become evident that the incidence of economic growth does influence the builder's offerings to the consumer.

The Prospect

If the most recent downsizing cycle largely coincided with a recession that began in late 1979 and ended in early 1983, why refer to it as the "current" cycle? Had it not clearly been reversed with the restoration of good fortune to the homebuilding industry? For various reasons, the answer is "no." While recent industry predictions that the median square footage of single-family homes will dip below 1,200 by 1985 appear extremely presumptuous, there is considerable reason to believe that this cycle is not merely a creature of recession. First, younger households have responded favorably to certain cost-cutting measures in order to become homeowners. This is observable not only in the emergence of the townhouse and more unorthodox configurations such as patio housing, quadruplexes, and octoplexes, but also in the recent exceptionally good sales of compact detached units. Second, persistently high construction loan rates have worked to the benefit of precisely the major builders who are most active in constructing downsized housing. It is they who can most easily tap the growing discount equity capital market that bypasses traditional mortgage lenders. One recent study projects that by 1990, the 400 largest homebuilders' share of all housing starts will rise from one-third to more than one-half.[34] Third, long-term home mortgage rates have yet to come down from the 12-to-14 percent range, even though the overall Consumer Price Index has averaged roughly half that figure since early 1982, and appreciation in home values has noticeably stagnated during this decade.[35] At no time in recent history has the disparity between the interest rates and general inflation been so great, and certainly at no time during the 70s had property values appreciated as slowly as they have now. As a result, young households have less incentive than before to purchase "too much house for the money."

The present downsizing trend does face an inevitable valley, and not one as deep as some might hope for or believe. Yet unless the economic upswing reaches auspicious heights—and the major indicators of 1984 make this unlikely—the trend should continue close to the end of this decade. That this is less a product of government mandate than an adaptation of consumer tastes to economic realities can be welcomed as salutary.

NOTES

1. U.S. Bureau of the Census, *Current Population Reports*, Series P-60, No. 137, "Money Income of Households, Families, and Persons in the United States: 1981," Washington, D.C.: U.S. Government Printing Office, March 1983; *Construction Reports*, Series C-25, No. 82-13, "Characteristics of New Housing: 1982," Washington, D.C.: U.S. Government Printing Office, June 1983. The median price rose only to $69,300 in 1982; this figure is not included because income data are not presently available for beyond 1981.

2. Cited in Del Marth, "A Housing Era Ends," *Nation's Business*, September 1982, pp. 26-28.

3. U.S. Department of Housing and Urban Development, *The Conversion of Rental Housing to Condominiums and Cooperatives: A National Study of Scope, Causes, and Impacts*, Washington, D.C.: U.S. Government Printing Office, June 1980.

4. HUD found (see above study) that the median purchase price of converted rental units in 1979 was $43,000, 22.8 percent less than the median of $55,700 in that year for all transactions indicated in the National Association of Realtors' *Existing Home Sales*.

5. In this paper, "downsizing" refers to characteristics of the house, and excludes those of the infrastructure (sidewalks, utility hook-ups, etc.) because the latter is less related to the housing market than to subdivision ordinance requirements.

6. Quoted in Fred W. McDarrah, "Sam Lefrak: A Tale of Three Cities," *Village Voice*, December 21, 1982.

7. George Sternlieb and James W. Hughes, "The Post-Shelter Society," *The Public Interest*, No. 57, Fall 1979, p. 41.

8. National Commission on Urban Problems, *Building the American City*, Washington, D.C.: U.S. Government Printing Office 1968, p. 214.

9. Anthony Downs, "Public Policy and the Rising Cost of Housing," *Real Estate Review*, Vol. 9, No. 1, Spring 1978, p.32.

10. Michael G. Ferri, "An Application of Hedonic Indexing Methods to Monthly Changes in Housing Prices: 1965-1975," *Journal of the American Real Estate and Urban Economics Association*, Vol. 5, No. 4, Winter 1977, pp. 455-62.

11. Brian J. L. Berry and Robert S. Bednarz, "An Hedonic Model of Prices and Assessments for Single-Family Houses: Does the Assessor Follow the Market or the Market Follow the Assessor?," *Land Economics*, Vol. 51, No. 1, February 1975, pp. 21-40.

12. U.S. Bureau of the Census, *Construction Reports*, "Characteristics of New Housing." The baseline year for measuring price change was 1977.

13. Quoted in Marth, "A Housing Era Ends," p. 27.

14. See Thomas J. Parliment, James S. Kaden, Carroll R. Melton, and Kenneth J. Thygerson, *Homeownership: Coping with Inflation*, Washington, D.C.: U.S. League of Savings Associations, 1980, p. 22. According to the League's 1979 homebuyer survey, 56.3 percent of the first-time buyers were in this age bracket, as opposed to 42.2 percent of the repeat buyers.

15. U.S. Bureau of the Census, *Current Population Reports*, Series P-25, No. 805, "Projection of the Number of Households and Families: 1979 to 1995," Washington, D.C.: U.S. Government Printing Office, May 1979. All projections noted here are Series B.

16. Interview with R. Patrick Bowe, General Partner, S&B Development Company, Richmond, Virginia, September 1, 1983.

17. U.S. Bureau of the Census, *U.S. Census of Population, 1970*, and *Current Population Reports*, Series P-20, No. 371, "Percent Distribution of Families, by Number of Own Children Under 18 Year Old," Washington, D.C.: U.S. Government Printing Office, 1982.

18. U.S. Bureau of the Census, *U.S. Census of Population, 1970*, and *Current Population Reports*, Series P-20, No. 371.

19. U.S. Bureau of the Census, *Statistical Abstracts of the United States, 1982-83*, Table 94, "Childless Women and Children Ever Born, by Age of Woman: 1950 to 1980," Washington, D.C.: U.S. Government Printing Office, 1982.

20. Robert Lindsey, "Home of the Future: Size Will Shrink But Not the Price," *New York Times*, January 25, 1981.

21. Actually, the median price *fell* somewhat during 1969-1970. However, part of the explanation for this lay in the Federal government's heavy use of the Section 235 homeownership subsidy program. Homes built under this program sold for substantially less than the national average. See Donald M. Kaplan, "Homeownership Affordability: A Summary of the Issues and a Point of View," *The Cost of Housing*, Federal Home Loan Bank of San Francisco, Proceedings of the Third Annual Conference, San Francisco: Federal Home Loan Bank of San Francisco, 1978, pp. 351-52.

22. "Homebuilding's New Look," *Business Week*, November 7, 1983, p.95.

23. "Homebuilding's New Look," pp. 95-96.

24. Douglas R. Porter and Susan Cole, *Affordable Housing: Twenty Examples from the Private Sector*, Washington, D.C.: Urban Land Institute, 1982; U.S. Department of Housing and Urban Development, *The Affordable Community: Growth, Change, and Choice in the 80s*, Washington, D.C.: U.S. Government Printing Office, July 1981.

25. U.S. Bureau of the Census, *Construction Reports*, Series C-20, "Housing Starts," Washington, D.C.: U.S. Government Printing Office, monthly. An even greater proportion is projected through the mid-1980s in Michael Sumichrast, "A Five-Year Housing Forecast," *Annals of the American Academy of Political and Social Sciences*, No. 465, January 1983, pp. 45-57.

26. U.S. Housing Markets, *Mobile Homes: Thriving This Year*, Subscribers' Special Report, July 23, 1982, p. 2.

27. In most states, the stipulation exists that the dwelling must be attached to a foundation. However in some, the real property status is unconditional.

28. See, for example, *Robinson Township v. Donald Knoll and Merle Knoll*, 406 Mich 1009 (1979); *Heath v. Parker*, 604 P2d 818 (1980).

29. U.S. Department of Housing and Urban Development, *Series Data Handbook: A Supplement to FHA Trends*, Washington, D.C.: U.S. Department of Housing and Urban Development, annually.

30. See Jay Miller, "Assessing Residential Land Price Inflation," *Urban Land*, March 1981, pp. 16-20.

31. See Stephen R. Seidel, *Housing Costs and Government Regulations: Confronting the Regulatory Maze*, New Brunswick, N.J.: Center for Urban Policy Research, 1978, pp.173-77.

32. U.S. Census Bureau, *Current Population Reports*, Series P-25, No. 805.

33. Kaplan, "Homeownership Affordability," pp. 360-61.

34. "Homebuilding's New Look," p. 93.

35. Long-term interest rates have usually averaged about three percent above the rate of inflation. Thus, the recent disparity has more than doubled the "normal" one. Additionally, during 1979-82, house prices declined by eight percent, when taking inflation into account. Housing therefore did not function as the inflationary hedge that the public had expected of it. See John C. Weicher, "Inflationary Ravages," *Society*, Vol. 21, No. 3, March/April 1984, pp. 66-70.