By Kate Carsella, Associate Editor

ENVIRONMENT

Theory of Climate Gentrification

In the political realm, climate change may be up for debate, but in housing, its effects are being defined and quantified. Two new reports published this spring lay out how sea level rise (SLR) is shifting home values by elevation.

Labeled "climate gentrification," a new paper from the Harvard University Graduate School of Design uses Miami-Dade County as a case study to flesh out the descriptive theory's ramifications. The findings validate not only that higher home-price appreciation correlates to higher elevations, but also that, in terms of appreciation, homes at lower elevations haven't kept up since about 2000. What's more, the authors write, the study suggests that consumer preferences may be based in part on "perceptions of flood risk, and/or observations of flooding."

Meanwhile, a paper jointly published by the University of Colorado, Boulder, and Pennsylvania State University titled "Disaster on the Horizon: The Price Effect of Sea Level Rise," says that properties exposed to SLR face an average 7 percent discount on the home's sale, relative to other properties in the same area, and that the discount share is increasing over time. Rental rates were not shown to be similarly affected by SLR.

Also defined in "Disaster on the Horizon" are the ways in which different buyer types alter the discount share. Property investors are deemed to be more sophisticated homebuyers, and garner an 11 percent average SLR exposure discount that is rising over time. The SLR exposure discount for less sophisticated buyers—owner-occupiers—varies by region based on how worried residents are about the effects of climate change.

The paper's authors conclude that, "the way in which investors perceive and discount … disasters is central to [various] public policy debates." By pricing out SLR risk, the authors say that there is less opportunity for transfer of wealth between homeowners and for price volatility destabilizing the market in the future.

MARKETING

Homeownership, a Head Trip

American anxiety ratcheted up this year over last, and worries about the domestic sphere is no exception.

A national poll by the American Psychiatric Association (APA) rated the country's anxiety level at 51 out of 100, up five points from 2017. Meanwhile, personal finance site NerdWallet's 2018 homeownership report found that 65 percent of respondents have experienced anxiety related to their home. Builders that are mindful of what's driving homeowner angst may discover new sales and marketing opportunities when aiming to relieve these stressors.

APA president Dr. Anita Everett said in a statement that finances are the biggest driver for anxiety. NerdWallet's report similarly revealed that the top sources of anxiety revolve around time and money: 75 percent of homeowners are nervous about unexpected repairs and subsequent costs, 52 percent cited property maintenance, and 25 percent worry about not having enough money for other expenses.

Additionally, the two largest buyer groups, Baby Boomers and Millennials, are the most stressed nowadays:

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Millennials are the most anxious, and Boomer disquiet grew the most.

NerdWallet mortgage analyst Holden Lewis is also noting what keeps homeowners up at night. Lewis says that if he was a builder, emphasizing the newness of a home to a buyer as a mitigating force against surprise costs could be beneficial. "The water heater, air conditioning, roof—all those things are new. I would think that would really reduce [buyer] anxiety," he says.

Builders that aim to address the challenges of time and money—by incorporating evergreen in-home features or offering warranty programs that protect a home's overall value over time—can also play a role.

Emotional wellness is a noteworthy homebuyer and owner desire that builders may want to consider in their future sales and marketing efforts.

HOUSING SHORTAGE

Smart Growth the Way Forward?

When examining whether low-density sprawl or maximum-density development would be best suited for ameliorating the current housing shortage in America's metro areas, researchers and economists concluded in a new report that neither option suffices.

In the face of greater housing underproduction than previously anticipated, more than 5 percent of the total national housing inventory, a third way is being championed by report authors and housing researchers and economists: middle-density "smart growth."

The report offers this development formula as a public-private solution that adds density within the existing form of a metro area while lowering environmental and construction costs, and at a macro level, driving up national GDP and tax revenue. New smart growth housing projects would be created around extant density, distance to transit stops, and the share of driving commuters in an area.

The report warns that failure to solve the underproduction issue holds down the country's GDP, creates negative environmental impact, and pushes individuals with families and lower incomes farther from urban employment hubs. To bring about smart growth, the report posits four necessary policy changes, including impact-fee revisions, property-tax abatement, and the establishment of "by-right" approvals in high-density areas.

Mike Kingsella, a report author and the executive director of the nonprofit smart growth advocacy group Up For Growth National Coalition, issued a challenge to local, state, and federal legislators in a statement: "Come together to pass meaningful reforms encouraging new development for all housing types, including affordable. The status quo is unacceptable and unsustainable."

DESIGN

Remodeling Spending Preferences

According to the latest remodeling activity data from the Joint Center for Housing Studies of Harvard University, spending in this sector is expected to stay above 7 percent for the rest of 2018 and into 2019, with annual spending surpassing the $340 billion mark early next year. Kitchens—the heart of the home—represent a lucrative $74 billion market within this category.

New exclusive research from the National Kitchen & Bath Association analyzes five buyer types, designated by both cooking- and design-confidence levels, to assess how specific lifestyles and behaviors inform remodeling spending.

Most homeowners want to remodel their kitchens for the same reasons—appearance and function—and typically seek to do so in the same ways: updating countertops, cabinets, flooring, and appliances, the study found.

Yet the market segments begin to diverge when it comes to homeowner design confidence and cooking expertise. Half of kitchen remodeling projects are started by those who enjoy cooking and making healthy meals. The other half are initiated by "Struggling Cooks" who prefer prepared foods and have less time to cook. Struggling Cooks, seeking design help or not, account for 46 percent of the market, with an equal spending share.

The study concludes that the highest-value segments for designers, contractors, and manufacturers are the home cooks at any skill level who want design help. Indeed, homeowners with the least design confidence typically have the highest household income—an average of $14,000 more annually than in the more confident cohort. Confident Cooks who need help designing their kitchen remodel tended to have homes with the most square footage and highest home values. **PB**

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