

THE REAL ESTATE REPORT

July 2007

Who is going where - and for what?

Changes in Hudson Valley demographics and homestyle

Following market trends is about as close as we will get to predicting the future in real estate. Of course if people could predict market trends there wouldn't be a stable market at all, everyone would buy or sell the same things at the same time, like rushing to starboard lifeboats on the Titanic. In that sense ignorance is bliss. Looking at trends, however, is reassuring, at least to the psyche.

Moving around

Recently the New York Times digested some releases from the Census Bureau and other sources on trends in suburban demographics near New York City, including a good portion of the Hudson Valley. Since 1999 a number of trends are discernable, some obvious, others not so until the number crunchers work over the data for us. For example, with escalating home prices since 2000 (about double what they were then), the cost of housing as a percentage of household income has increased significantly. Further burdened by a huge increase in home equity borrowing, many families are now mortgaged to a level not seen in the past. In the same period suburban income has not kept pace with inflation, in large part because of slow job growth in our region. Low paying service jobs have increased, but manufacturing jobs have waned and high paying professional jobs have increased only moderately. The well-off may be doing better, but the rest are not. Income disparity between the high and low end is increasing.

The best paying jobs are in New York City but the cost of living there continues to escalate even though the housing market is in a slump in many parts of the nation. Over recent decades many have resettled to the suburbs and commute to the city. That commute is becoming increasingly time consuming. Some feel they are being priced out

A monthly column on the real estate market and related issues in the upper Hudson River Valley by Roderic H. Blackburn, principal of R. H. Blackburn & Associates, Inc.—Real Estate of Hudson and Kinderhook, NY. It also appears in *Berkshire HomeStyle* and *Capital District HomeStyle* magazines. If received in error notify blackburn@berk.com. Questions welcome.



of the real estate market even in the suburbs and are moving further up the Hudson Valley where housing is less expensive. Young adults, the 20 to 35 age group, are increasingly leaving the area for more modest digs. This in part accounts for the low unemployment rate in suburban counties. There are jobs awaiting qualified persons, but they are finding homes too expensive. At the upper end of the age scale, seniors are staying put more than they used to. In fact the Snow Bird migration has now, on balance, reversed, with more older people leaving Florida than going there. Communities for older adults are springing up all over our region. Medical services will be straining to care for increased numbers of chronically ill patients.

Another population shift is ethnic and racial. Asian and Hispanic immigrants are bypassing New York City for jobs in the suburbs. Schools are trying to adjust to teaching children whose domestic language is not English. Nationally, in the last five years the Asian population has risen 29%, Hispanic is up 21%, mostly through immigration. The Afro-American increase has been 6%. In the

suburban region white population has dropped from 69% to 66% in the same period.

Taxes and income

Another trend which all homeowners must be aware of is the fact that property taxes have been increasing faster than average increases in income. This has been going on a long time but has become more obvious as owners become sensitized to increases in their assessments during the recent boom in property values. Across New York State the average increases in property taxes (school, town, city) have been going up eight per cent a year while the average household income has been increasing

closer to four percent. In the long run this is unsustainable.

How has this been happening? It is partly the legislature and governors who are to blame. They used to fund half the school budgets, but now they support only 25% - property owners have had to shoulder the increase. Taxpayers



A premonition of things to come. Future trends come out of a cauldron of fashion, function, efficiency, and taste. This new Columbia County home - more living space than conventional rooms - may be in our future: high ceilings, a single public space (cooking, eating, sitting), clean and simple, but so elegant to the eye and soothing to the psyche. Courtesy of Angela Patterson.

have tended to focus their fury on increased assessments, which only reflect the increased value of owners' properties (no one objects to those gains), not realizing that what is really hitting them are increased municipal and school budgets which translate directly into increased taxes. Grievance Day in May sees a crowd of disgruntled owners, but annual budget meetings for cities, towns and villages frequently see few attendees.

House trends

If that helps explain some of the shifting and shuffling of people, what are the trends within the group who are settling down to new housing in our region? What kinds of places are they building or renovating and what features are setting trends? At the affordable housing (now there is an oxymoron) level, what used to pass for trailers or mobile homes has morphed into manufactured homes which camouflage their one way trip over the road by coming in pre-constructed sections which bolt together in no time. Two stories, wings, and porches are all possible within a lower budget than for conventional construction. An owner can specify all kinds of add-ons and upgrades resulting in tasteful designs, comparable to many good custom built (but higher costing) houses. I think the future of housing will be very much in this direction.

Quality control is high and with the cost of fuel going ever upward, green manufactured construction will meet a pressing need. A step up from there is manufactured panelized construction allowing for more space, height and trim options yet with the efficiencies and quality control of manufacturing.

Construction materials are evolving yearly in response to growing frustration with traditional natural materials which are subject to progressive degradation. Old growth wood has largely been replaced by new growth which is not as resistant to weathering and rot as the old. Painted

siding begins to peel within five years. The new fibrous-cement look-alike siding will hold paint for many more years and doesn't rot. Western red cedar shingles, the standard high-end roofing for traditional homes, is not as durable as it used to be. Synthetic near look-alikes are now competitively priced and are guaranteed 50 years—and will likely last much longer. Synthetics (most are based on recycled plastic milk cartons) are now replacing outdoor wood decks and railings which are the most vulnerable to weather of all features of a house. Inside, steel

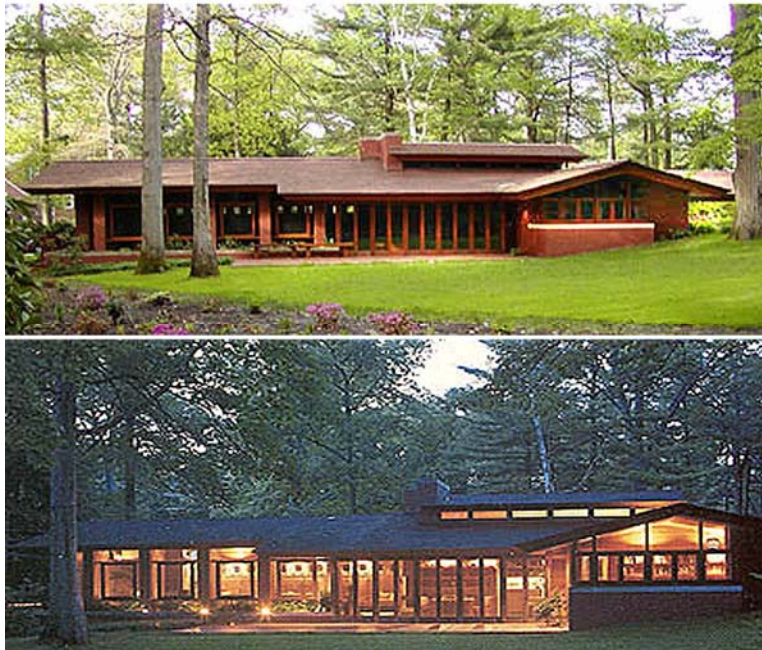
is replacing wood for studing and trusses, in part because it is more durable and stronger, and is coming down in price. The all natural-built house will evolve, ironically, to a much more *green* synthetic house as durable manufactured products are used to make environmentally safer, more efficient and longer lasting homes.

Looking up and out

Inside the home the most pressing new request I get from buyers is for high ceilings. Curiously, a few years ago when heating fuel was cheap, dropped ceilings were the economic trend to save on heat (it contributed very little to that goal). Today, with record fuel prices, nine foot ceilings are the minimum desired. One client said he would be pleased with nineteen. There is no question that high ceilings inspire a psychic boost. I once slept in one of Andrea Palladio's

villas near Padua which had 23 foot ceilings. Nothing was so invigorating as to wake up in that reach-for-the-sky bedroom as the morning sun streamed in. Nice country houses with eight foot ceilings are getting harder to sell - for that reason alone.

Rooms which address our basic needs get the next highest attention: kitchens and bathrooms. They have become designer statements and status symbols (as much as the status car) out of proportion to their traditional function - and cost more than the car. Despite the remarkable variety of appliances and materials, fashion has a



Dr. Isadore Zimmerman House by Frank Lloyd Wright, Manchester NH: day and night.

Wright's architectural philosophy may yet have wider appeal as our personal and environmental circumstances converge on what we now - and he long before - advocate: organic architecture is not on the land but of the land, form and function are one. Each home should grow naturally from its setting creating a unified whole. Wright believed that "The good building is not one that hurts the landscape, but one which makes the landscape more beautiful than it was before the building was built." Wright is Right for our time.

way of constraining taste to stainless steel, copper, granite, and exotic woods. Fashions, of course, change so what is "in" this decade likely will be out the next. While most features of a traditional house may be admired for being original, not so with fashionable features in kitchens and baths. They become outmoded in taste if not function quite quickly, driving the urge to "upgrade" to the latest design. Designer magazine ads and articles fuel this "rage" at excessive owner cost.

Weeds of domesticity

The average size of an American home has increased in one generation from 1500 square feet to over 2500. Since family size has decreased, residents don't need more space, they just desire it for other reasons. The last two generations have become great accumulators of things. When I was a kid, living in a large house, my toys took up the space of only a trunk and a couple shelves. I was not deprived; if I became bored I used my imagination. Yesterday I was in an apartment occupied by a mother and two small boys. The TV kept them enthralled; the rest of the one bedroom apartment was awash with big plastic

toys. Even a room of shelves would not handle them all. Adult "toys" are even more space consuming. Cars, snow mobiles, boats, exercise machines, tools, televisions, media centers, computers and peripherals and - for some of us - books are the new weeds of domesticity.

Meanwhile the trend is for living rooms to shrink into the family rooms or into media rooms. Dining rooms are moving into the eat-in kitchen. Offices are now essential, his and hers as well - just like his and hers bathrooms, or at least separate sinks. Couples know that it is stressful enough to stay out of each other's way, so keeping one's stuff out of the way is a good start. Libraries are shoe-horned onto walls of offices, family rooms, back halls and cellars. One neighbor is building a small Gothic study, a quite short - and quiet - distance from the house for just this purpose.

New houses of tomorrow will be quite different from what we now know. The issues of environmental safety (for the earth as well as ourselves) and the higher cost of resources (especially fuel) will drive where we live, how we live, and how we build, far more than we have experienced in the past. Welcome to the new period house.