



# Market Forces Shaping Reston's Future The Economics of Sustainable Placemaking

Shyam Kannan – [skannan@rclco.com](mailto:skannan@rclco.com) | June 2010

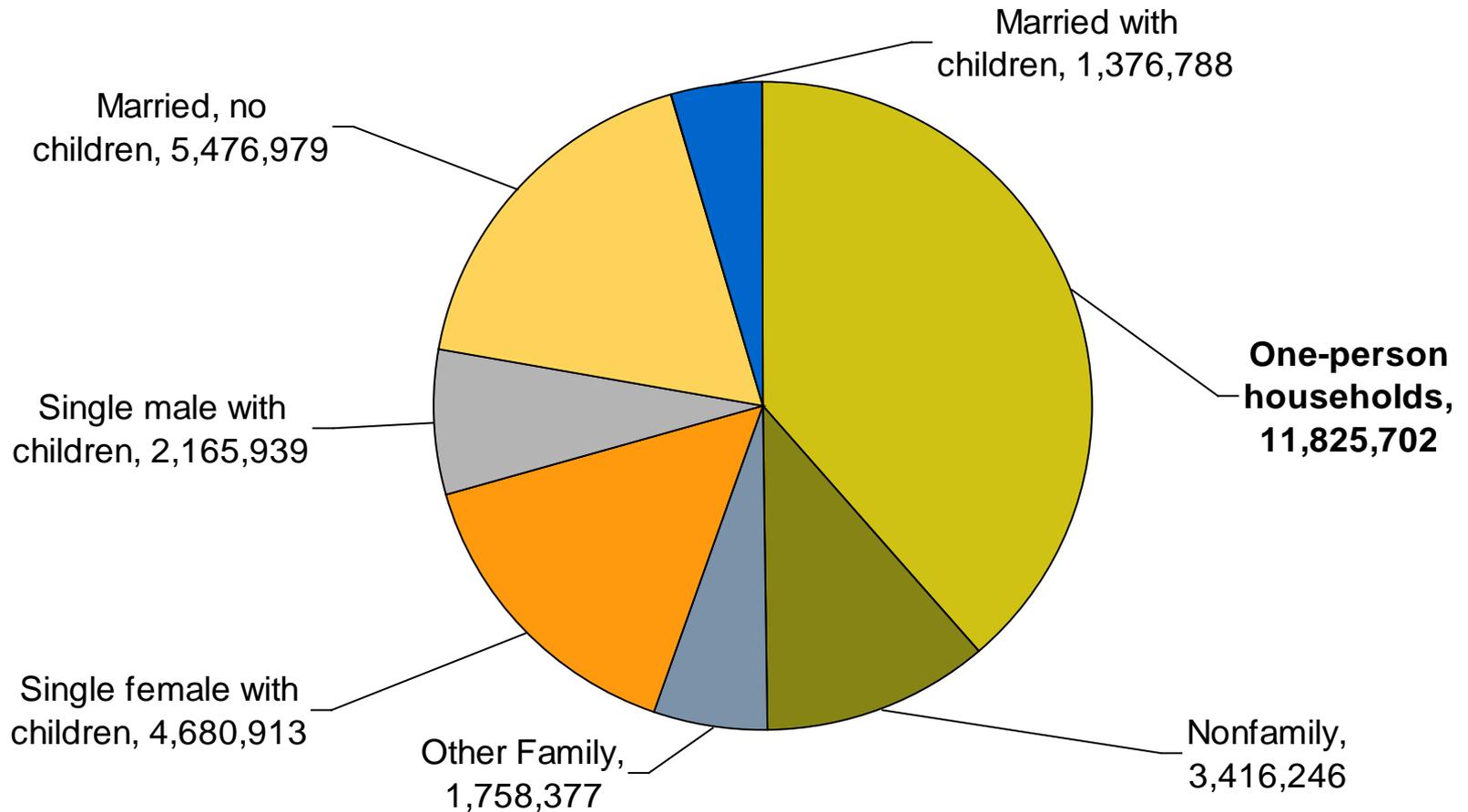


## Growing Demand for Higher-Density Communities

# > 85% GROWTH IN HOUSEHOLDS WITHOUT CHILDREN

## DIFFERENT HOUSEHOLD LANDSCAPE BY 2025

### Absolute Change in Households, United States 1980–2005

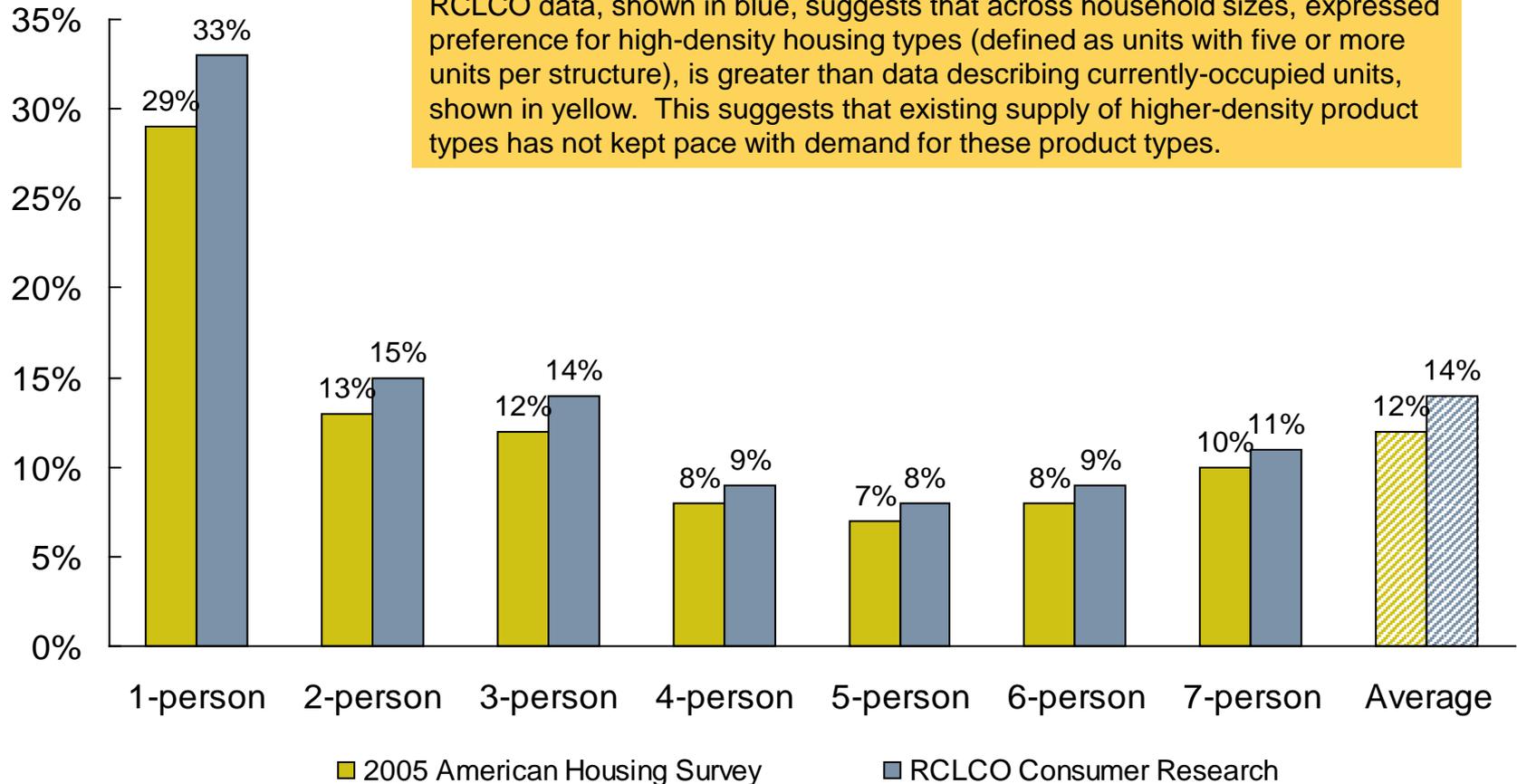


SOURCE: US Census

# CHANGING CONSUMER PREFERENCES

## INCREASED PREFERENCE FOR DENSE PRODUCTS

### Existing and Preferred Housing Type by Household Type

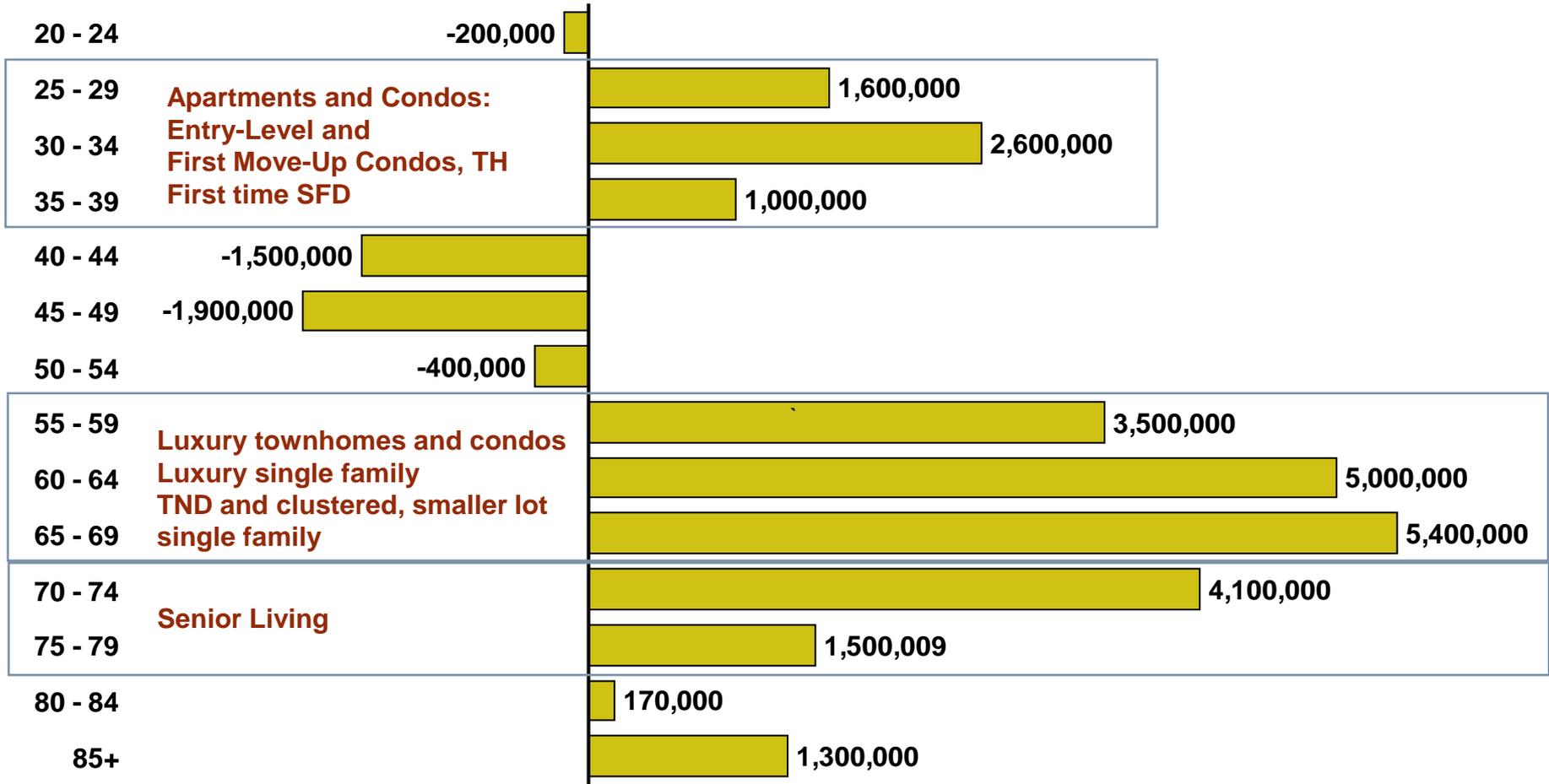


SOURCE: RCLCO Consumer Research

# DEMOGRAPHIC SHIFTS AND HOUSING DEMAND

## BUILT-IN DEMAND FOR HIGHER-DENSITY LIVING

### Projected Total Population Growth Rate by Age 2010–2020



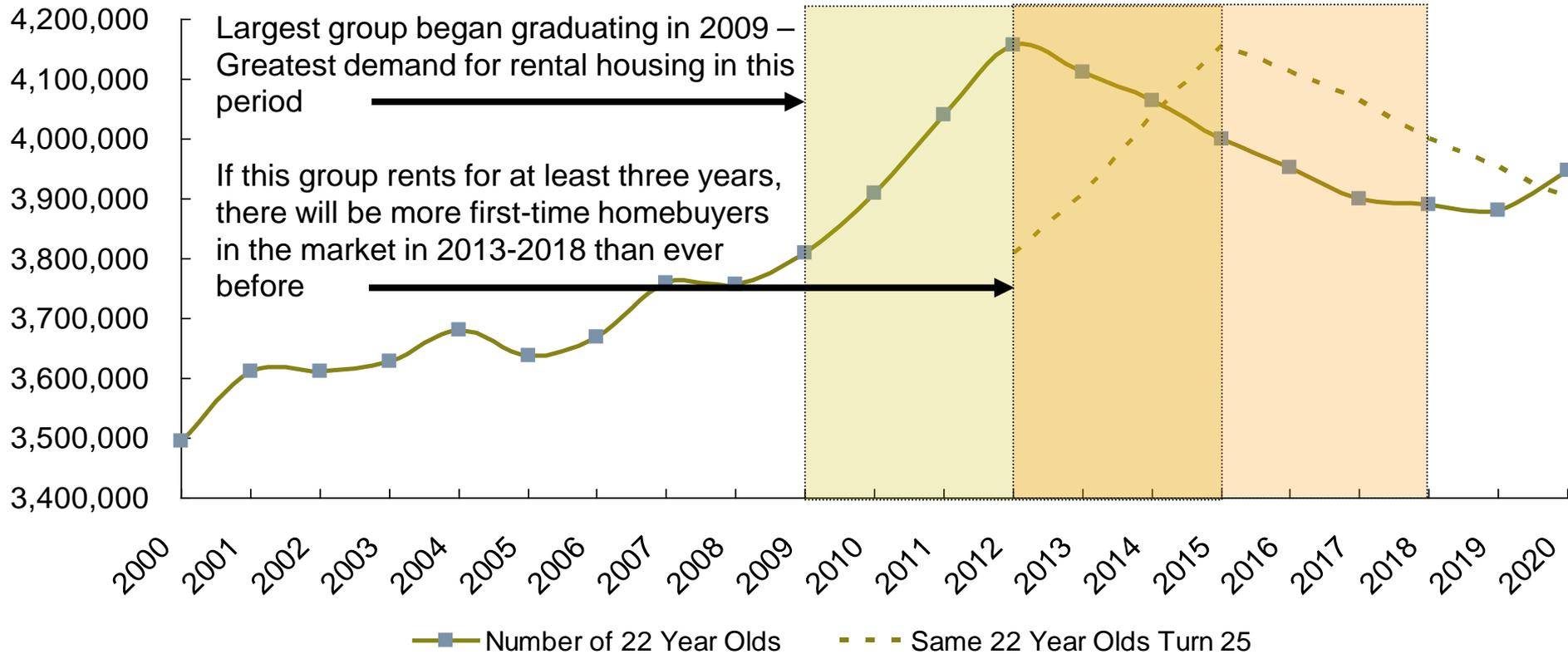
SOURCE: U.S. Census Bureau

# GEN Y MAKING ITS MARK TODAY

## SHAPING POST-RECESSION PLACEMAKING EFFORTS

### RCLCO Consumer Research shows:

- ▶ 41% of Generation Y plan to rent for at least three years
- ▶ 77% of Generation Y plan to live in an Urban Core



NOTE: Number of 22-year olds is based upon birth rate and does not factor in death rates and migration.

SOURCE: U.S. Centers for Disease Control and Prevention

# GEN Y WILL PAY FOR WALKABLE, MIXED-USE CHALLENGE IS PROVIDING PRODUCT THEY CAN AFFORD



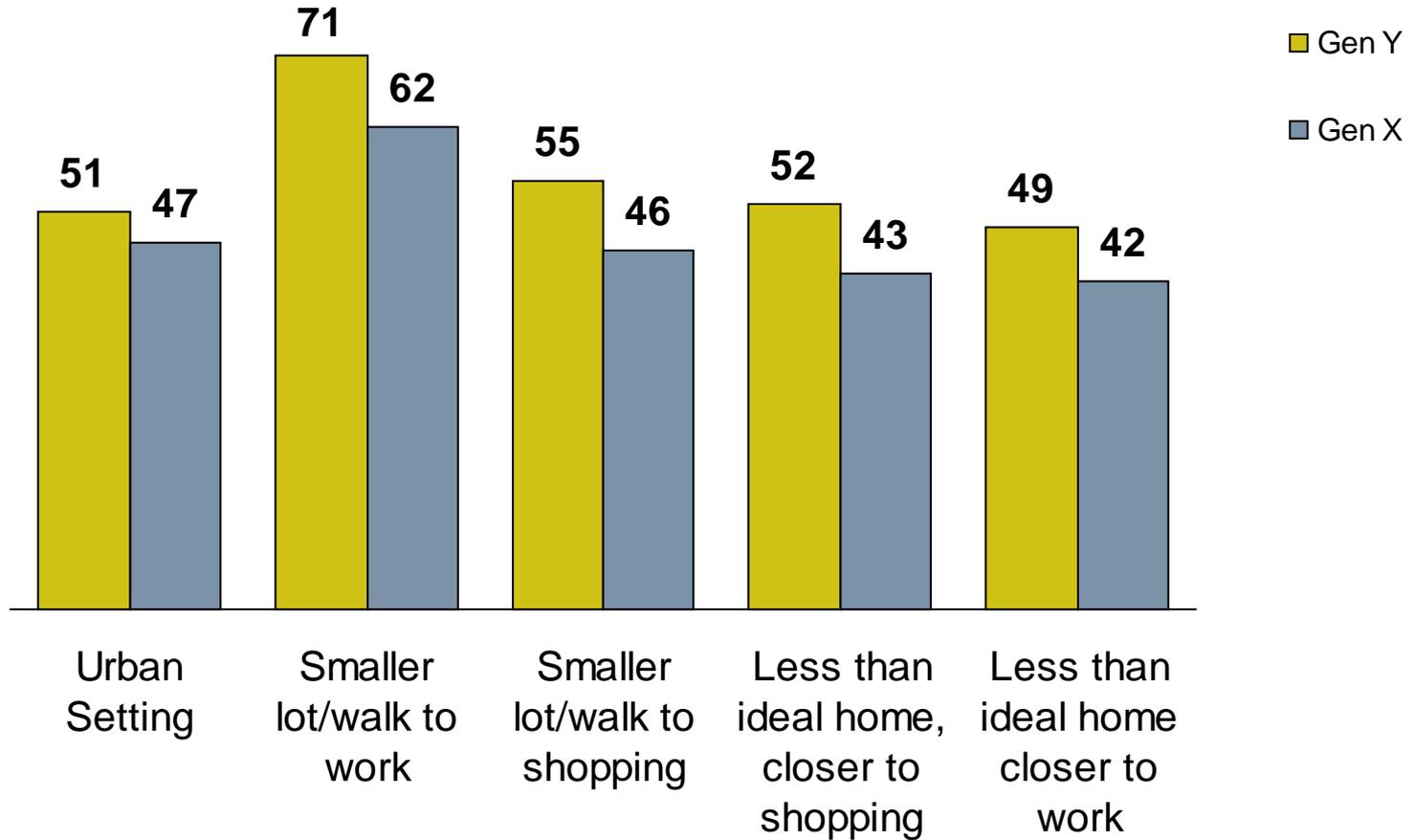
- Driven by convenience, connectivity, and a healthy work-life balance to maintain relationships
- **1/3 will pay more** to walk to shops, work, and entertainment
- 2/3 say that living in a walkable community is important
- More than 1/2 of Gen Y would trade lot size for proximity to shopping or to work
- Even among families with children, one-third or more are willing to trade lot size and “ideal” homes for walkable, diverse communities

SOURCE: RCLCO Consumer Research

# THE “SMART GROWTH GENERATION”

## GENERATION Y MAKING WALKABLE HOUSING CHOICES

### Generational Tradeoffs (%)



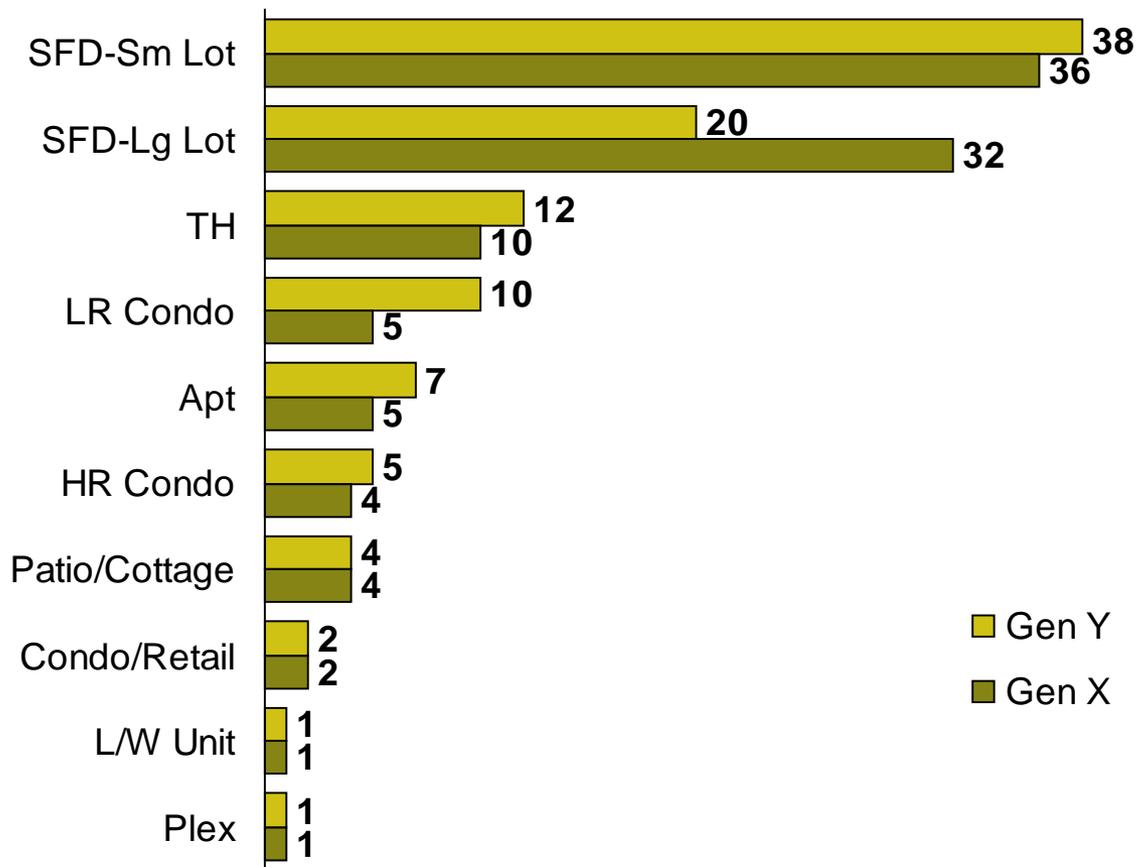
SOURCE: RCLCO consumer research

# THE “SMART GROWTH GENERATION”

## GENERATION Y MAKING WALKABLE HOUSING CHOICES

### Product Type Preference Gen X vs. Gen Y

%



*For single-family products, preference for smaller lot homes and high density SFA in concert with local variations will influence design.*

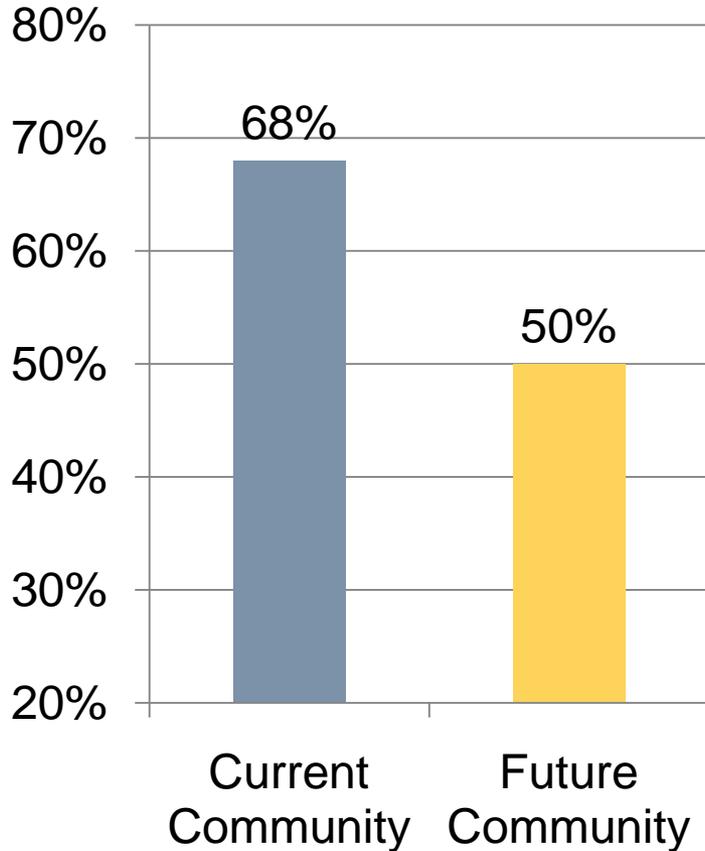
*Alley-loaded parking becomes a safety issue – must be mitigated with a reimagining of the alleyway*

SOURCE: RCLCO Consumer Research

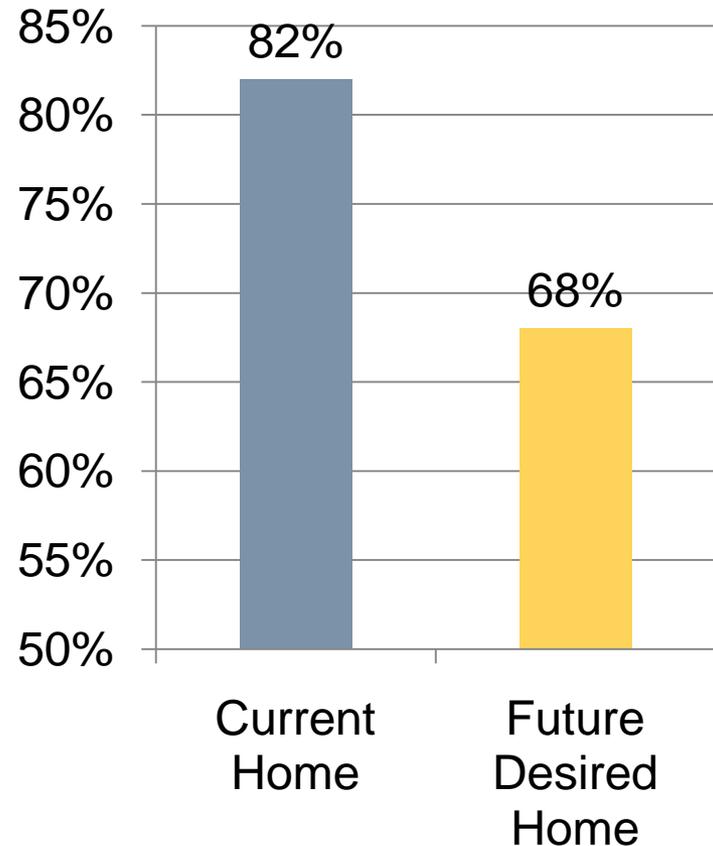
# PARADIGM SHIFT IN CONSUMER PREFERENCES

PENT-UP DEMAND FOR HIGHER-DENSITY, WALKABLE ENVIRONS

### Preference for Traditional Suburban Community



### Preference for Single-Family Detached Home



SOURCE: RCLCO Consumer Research



## The Economics of Higher-Density Development

# STOP ASKING THE “WRONG” QUESTION ...

As of 2010, there is emerging evidence that the market places a value premium on a “smart” growth.

Some data emerging that suggests absorption, market share differentials

Increasingly possible to disaggregate location, age, marketing, macroeconomic factors, from “smart growth premium”

# ... AND START ASKING THE "RIGHT" ONE

## Two Neighborhoods

- Ashley Park:
  - Median Walk Score
  - Walk Score 54
  - Median Value: \$280,000
- Wilmore
  - 75th Percentile Walk Score
  - Walk Score 71
  - Median Value: \$314,000

Gain: \$34,000 or 12%

### Walk Score

walkable neighborhood

Prev City | Next City

Neighborhood

- 1 Cherry
- 2 Fourth Ward
- 3 Downtown Charli
- 4 Dilworth
- 5 First Ward
- 6 Elizabeth
- 7 Brookhill
- 8 Wilmore
- 9 Third Ward
- 10 Chantilly
- 11 Madison Park
- 12 Commonwealth
- 13 North Charlotte
- 14 Eastover
- 15 Grier Heights
- 16 Echo Hills
- 17 Barclay Downs
- 18 Freedom Park
- 19 Coliseum Drive
- 20 Briarcreek-Woo
- 21 Plaza Midwood

Source: Walkscore.com

25%)

Walk Score Distributio

Streets Satellite

View Big M

Walker's Paradise  
Score 90-100

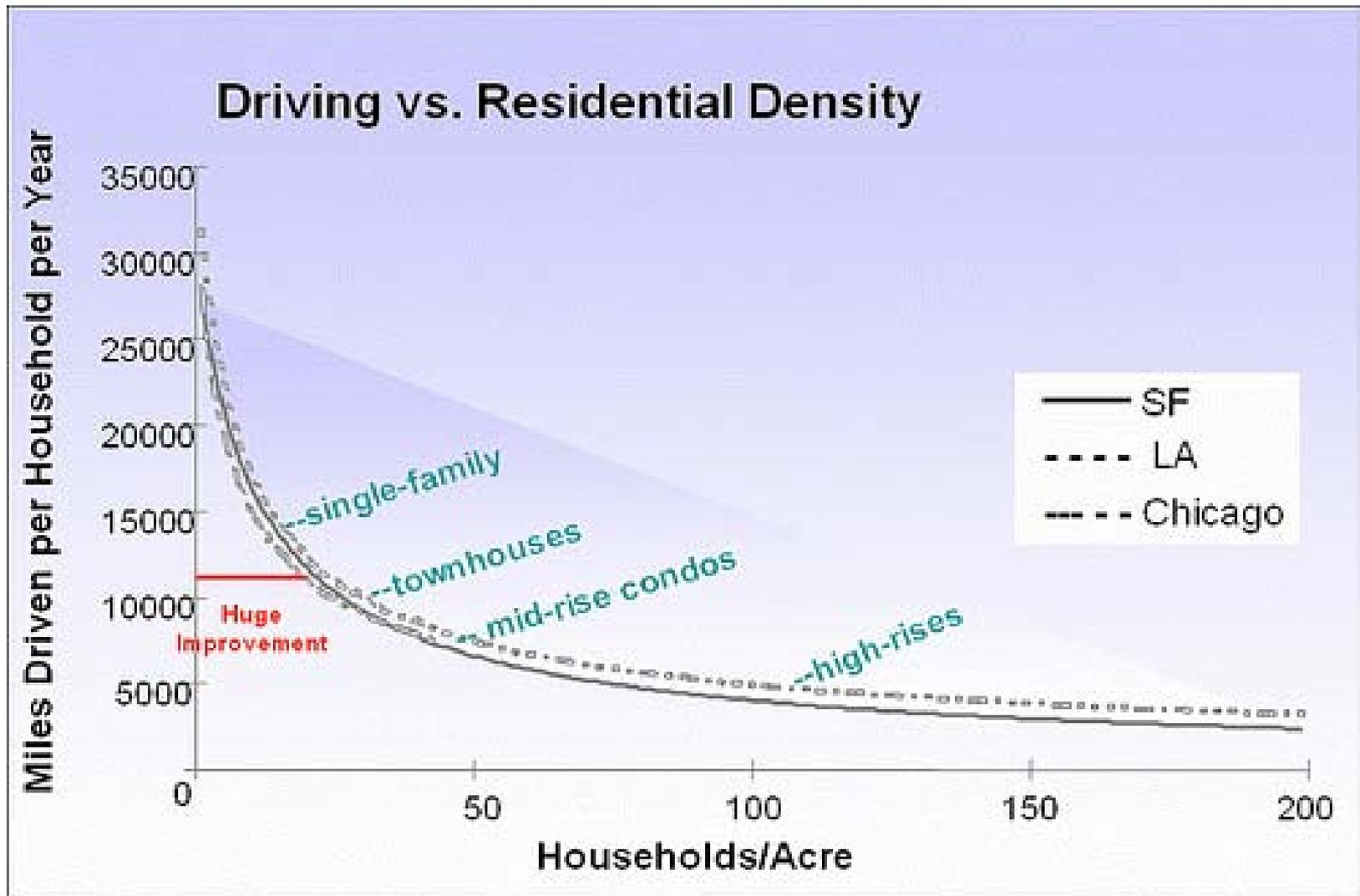
SOURCE: CEOs for Cities

# IS THERE A “SMART GROWTH” PREMIUM?

11%

SOURCE: Eppli and Tu, CEOs for Cities, Brookings Institution, RCLCO

# HIGH DENSITY HOUSING = LESS DRIVING PORTENDS DIFFERENT RETAIL, OFFICE CONFIGURATIONS



# TRANSIT ACCELERATES VALUE CREATION

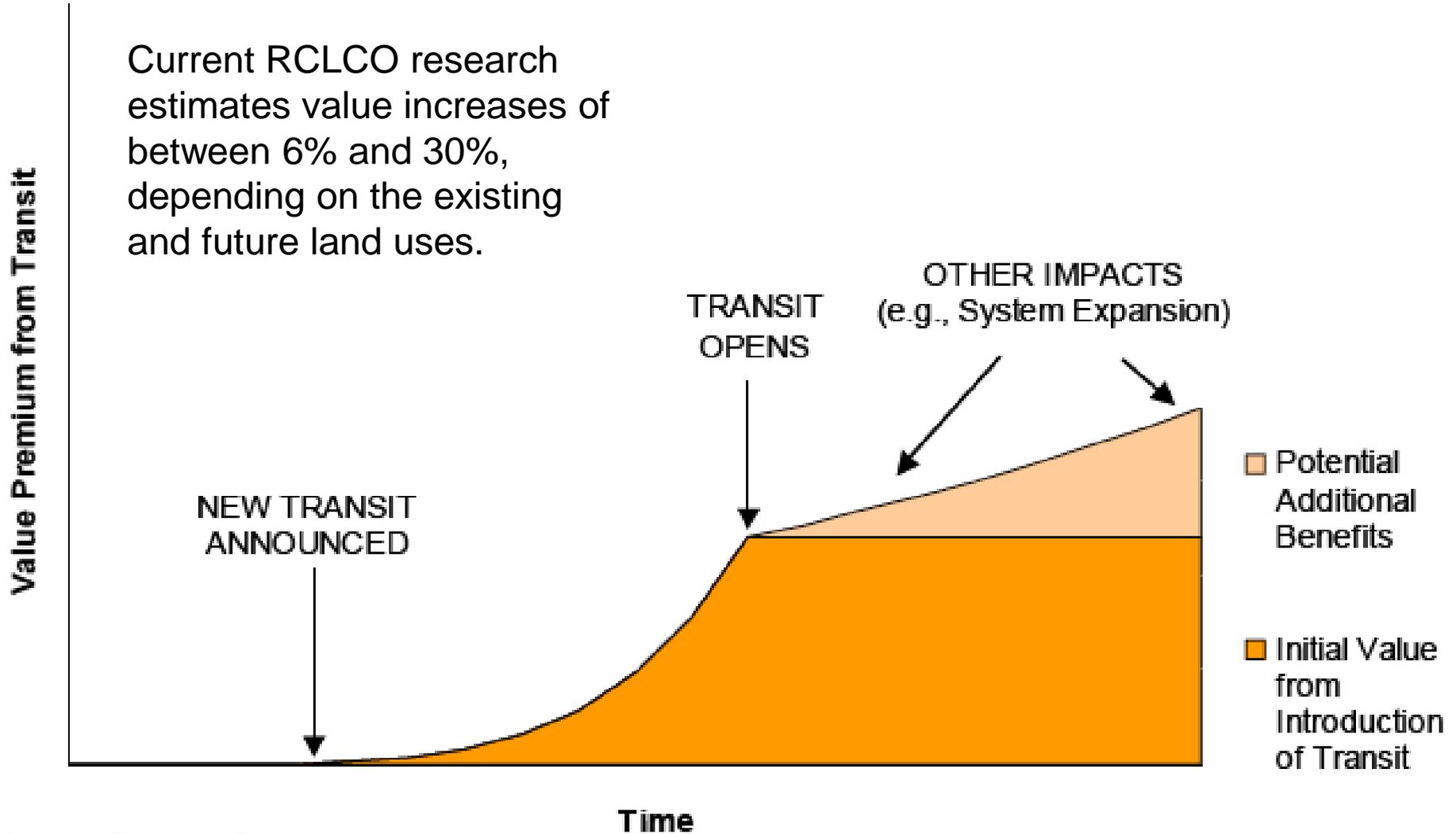
## WIDE RANGE OF PREMIUMS – BUT ALL POSITIVE

<u>Land Use</u>	<u>Range of Property Value Premium</u>	
Single Family Residential	+2% w/in 200 ft of station (San Diego Trolley, 1992)	to +32% w/in 100 ft of station (St. Louis MetroLink Light Rail, 2004)
Condominium	+2% to 18% w/in 2,640 ft of station (San Diego Trolley, 2001)	
Apartment	+0% to 4% w/in 2,640 ft of station (San Diego Trolley, 2001)	to +45% w/in 1,320 ft of station (VTA Light Rail, 2004)
Office	+9% w/in 300 ft of station (Washington Metrorail, 1981)	to +120% w/in 1,320 ft of station (VTA Light Rail, 2004)
Retail	+1% w/in 500 ft of station (BART, 1978)	to +167% w/in 200 ft of station (San Diego Trolley, 2004)

SOURCE: Reconnecting America

# MOST VALUE ACCRUES PRE-DEVELOPMENT OPPORTUNITY TO LEVERAGE VALUE IS *BEFORE* OPENING

Current RCLCO research estimates value increases of between 6% and 30%, depending on the existing and future land uses.



SOURCE: Reconnecting America

# NEW TRANSIT INCREASES PROPERTY VALUES PORTLAND, OR

## Portland Streetcar Property Value Change 1997-2003

### Legend

- Streetcar Stop
- Streetcar Line
- MAX Light Rail

### Percent Change 97-03

- < 0
- 0 - 50
- 50 - 100
- 100 - 150
- 150 - 200
- 200 - 250
- 250 - 300
- 300 - 350
- 350 - 400
- 400+



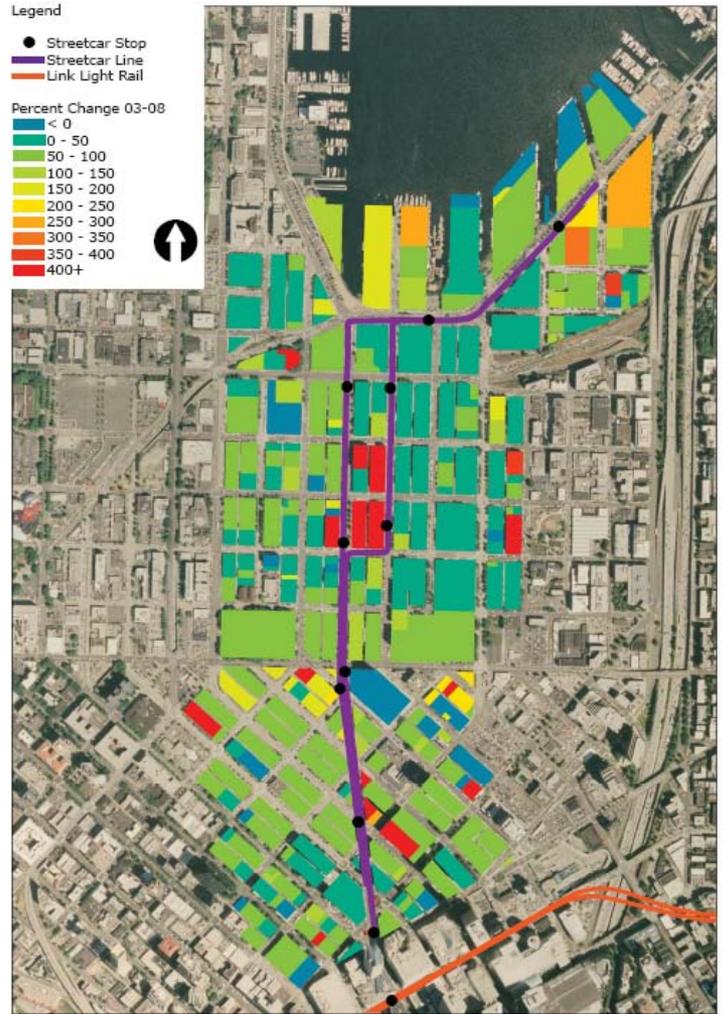
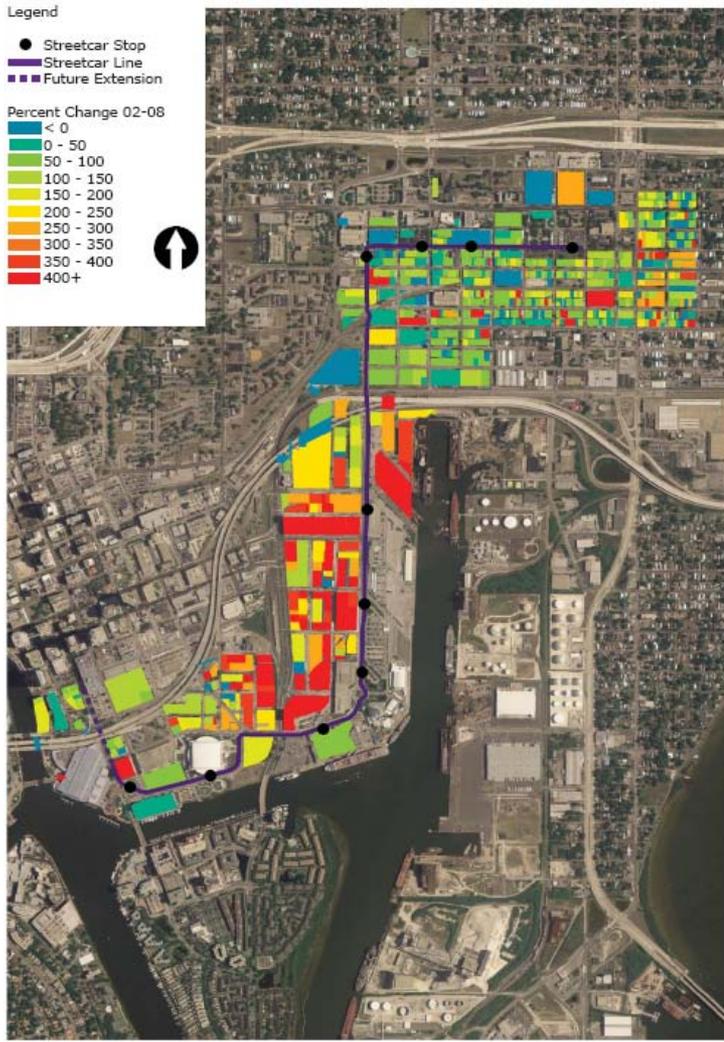
Original cost -  
\$54M

Catalyzed  
Investment - \$3.8B

SOURCE: RCLCO,

**Multiplier 74X**

# NEW TRANSIT INCREASES PROPERTY VALUES SEATTLE, WA AND TAMPA, FL

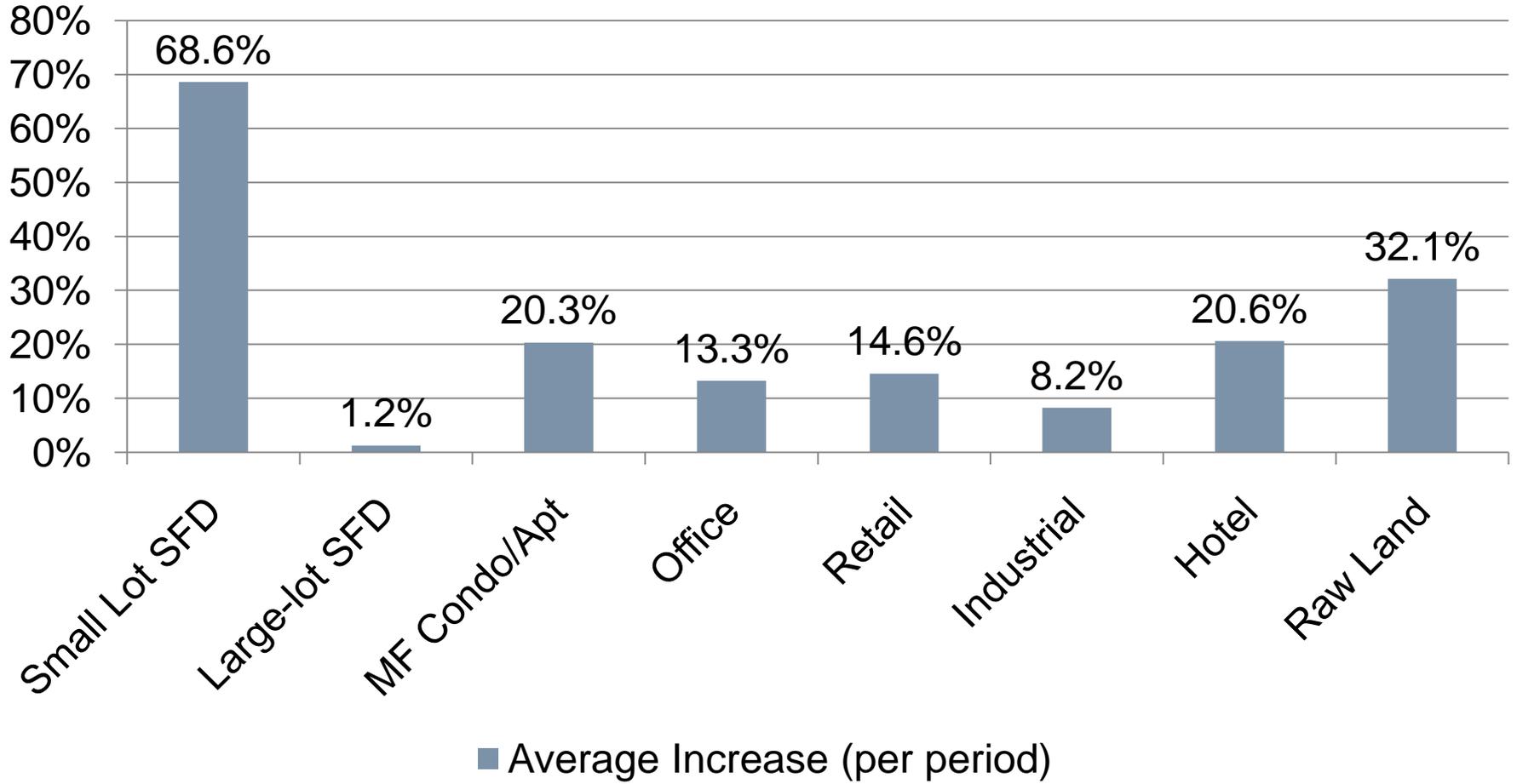


SOURCE: RCLCO, Reconnecting America

# VALUE INCREASES FROM STREETCAR

## LARGE VALUE-CREATION POTENTIAL CONFIRMED

### Average Increase (per period)

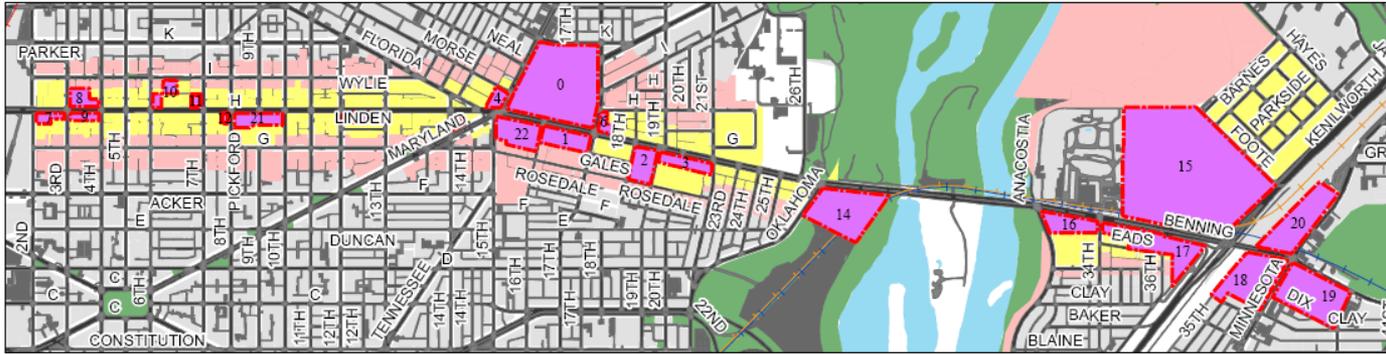


■ Average Increase (per period)

SOURCE: RCLCO, Reconnecting America

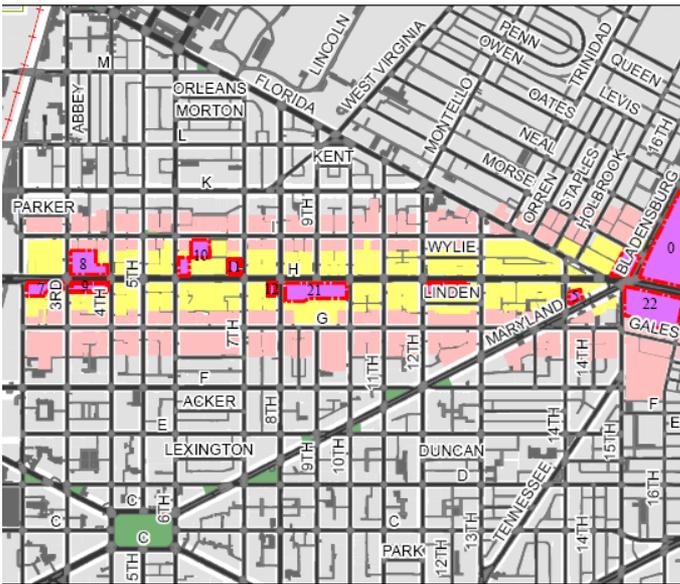
# PAYING IT FORWARD

## CREATING VALUE THAT PAYS FOR TRANSIT



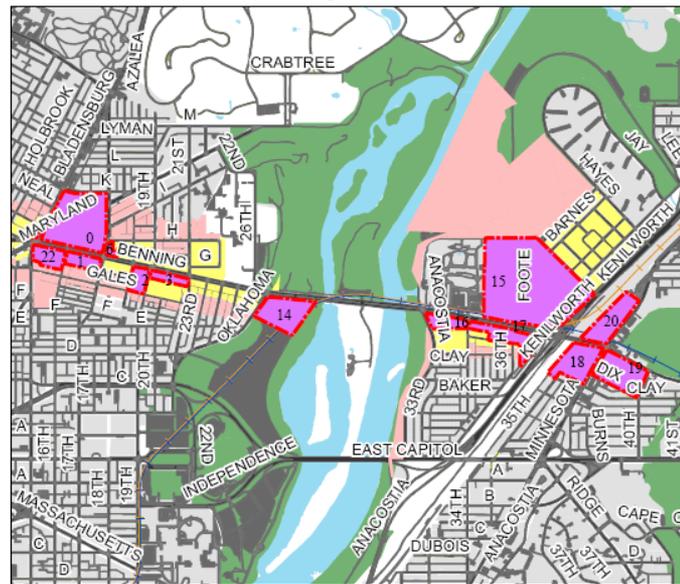
0 1,250 2,500 5,000 Feet

H Street



0 1,250 2,500 5,000 Feet

Benning Road

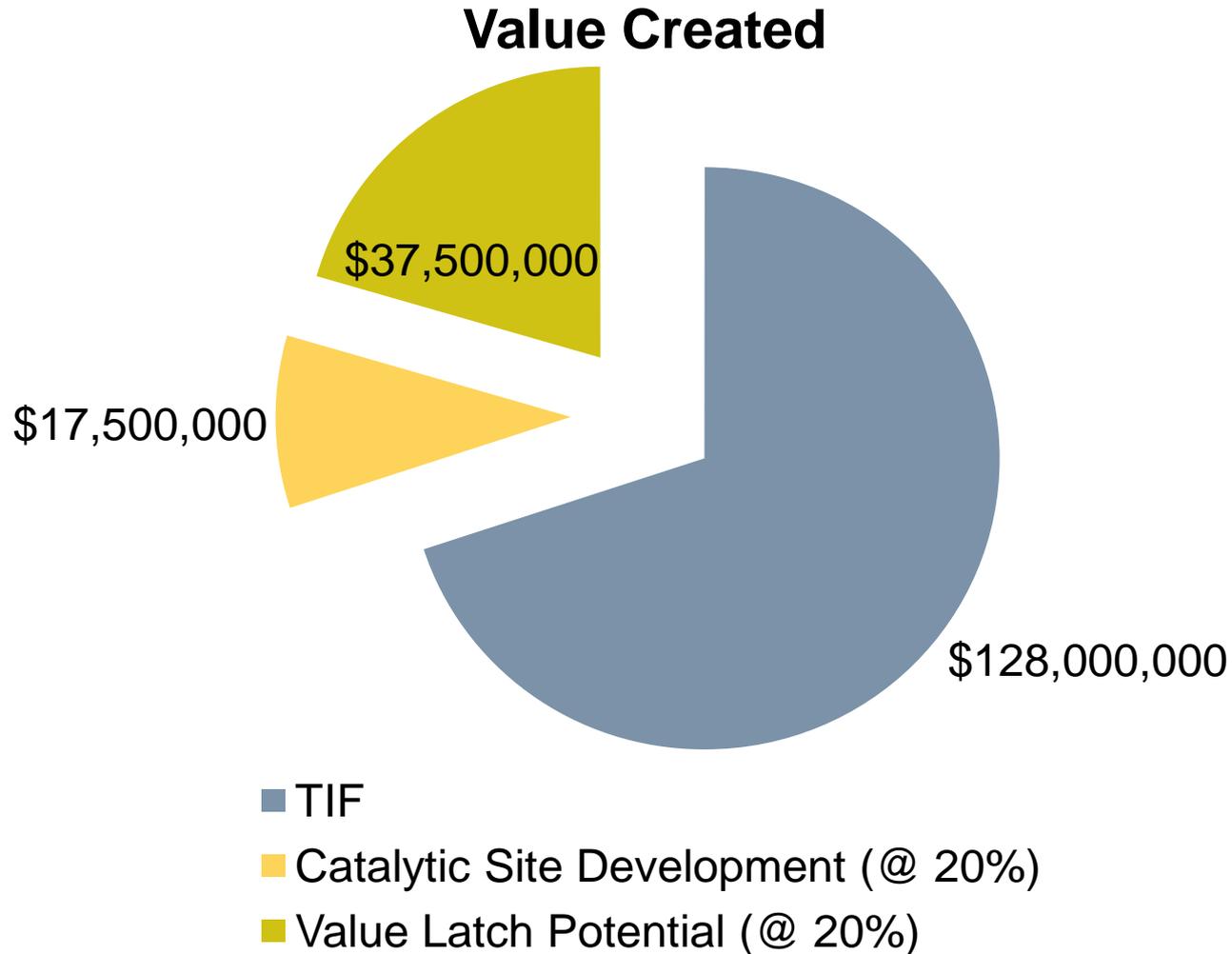


0 2,050 4,100 8,200 Feet

- ▶ \$128 M in fiscal benefit
- ▶ Engaging property owners in value capture opportunities
- ▶ Priming the pump for 2.4 M SF of catalytic development at top of market rates
- ▶ **Using real estate development was a vehicle to fund transit infrastructure**

# PAYING IT FORWARD

## CREATING VALUE THAT PAYS FOR TRANSIT





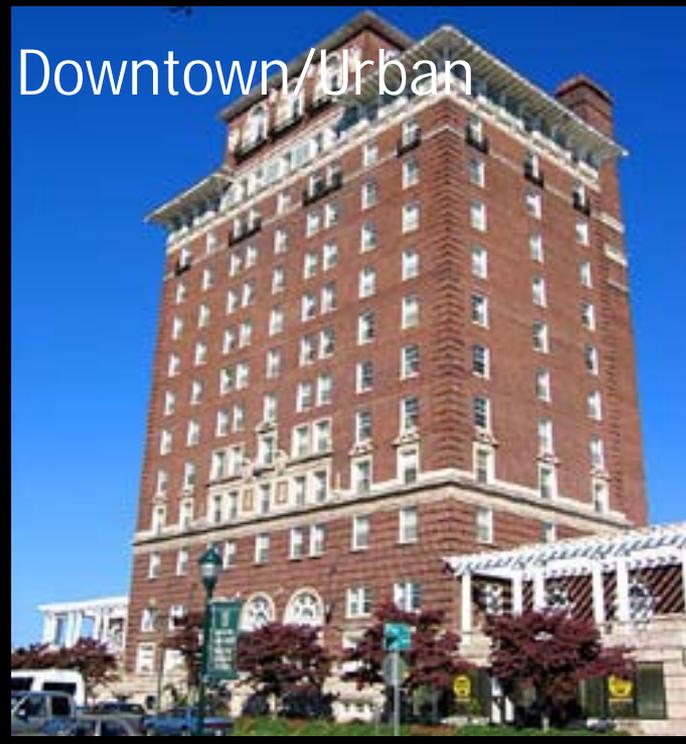
## The High Cost of Low Density

# DISCOVERING A SUBSIDIZED SUBURBIA PUBLIC INFRASTRUCTURE COST/DU

\$ 15,956

\$ 28,042

Downtown/Urban



Linear/Suburban



The \$12,086 difference in costs means more tax dollars spent on suburban households

result is less money for public green space, schools, transportation networks, and basic services

# DISCOVERING A SUBSIDIZED SUBURBIA

## THE HIGH COST OF LOW DENSITY



\$ 50,800

Total Taxes/Acre to City



\$ 414,000

Total Taxes/Acre to City

# BACK TO THE CITY

## URBAN PLACES EXPLODING WITH GROWTH



“United Air Lines is set to move its operational headquarters, starting this year, from the Illinois suburb of Elk Grove to downtown Chicago. Quicken Loans, also citybound, recently began leasing space in Detroit and plans to build its headquarters there. And in February, Walgreens announced its acquisition of New York drugstore chain Duane Reade, signaling a deliberate decision to improve its capabilities in urban settings.”

“Commuters who live an hour away from work would need to earn 40% more money than they currently do to be as satisfied with their lives as non-commuters.”

- Economists Bruno S. Frey and Alois Stutzer

““Increasingly CEOs understand that without a vibrant central city, their region becomes less competitive. Good CEOs care about the fate of their cities, because they have to question whether that is the place where they can attract the talent they need.”

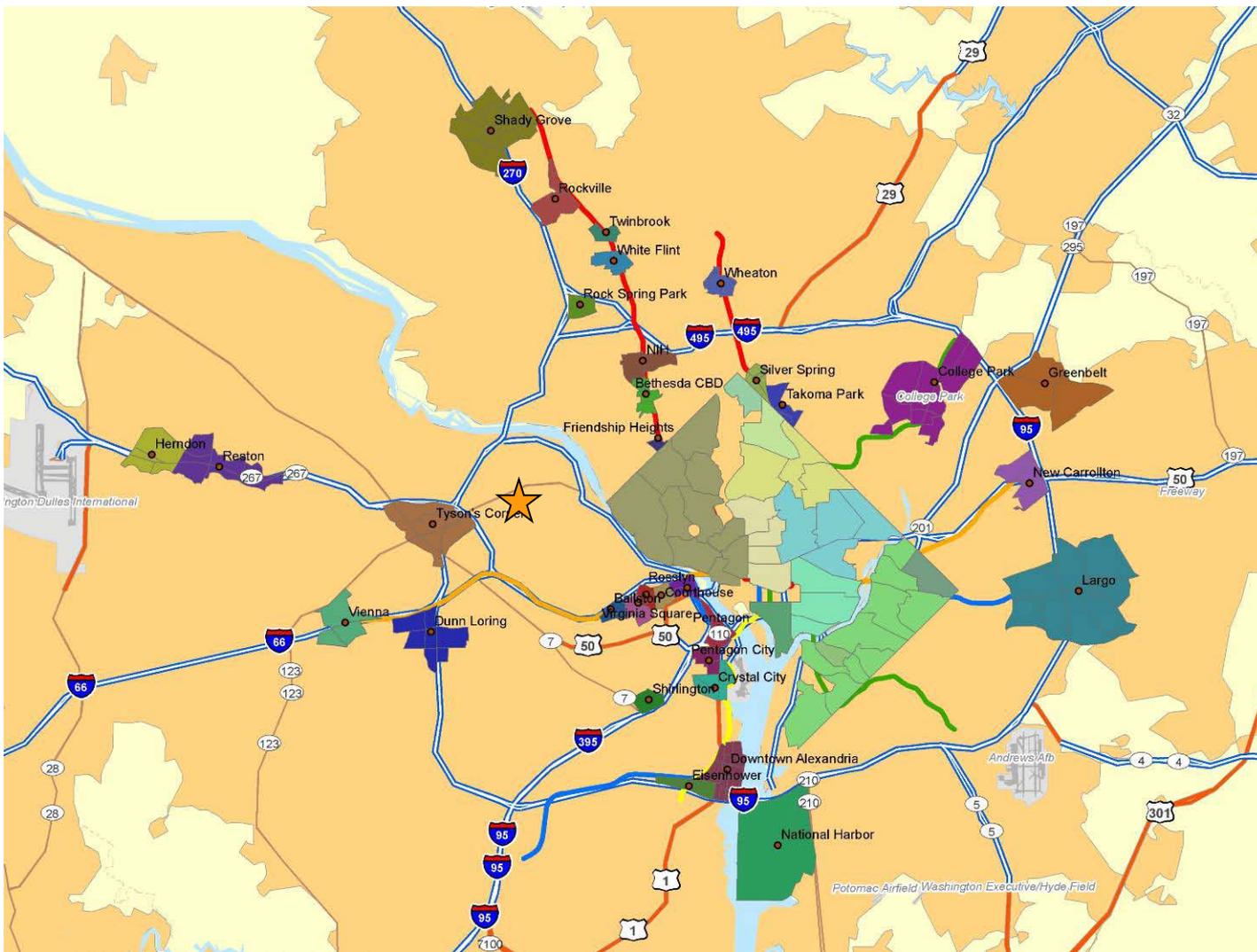
- Carol Coletta, President, CEOs for Cities



## Applied Economics - Factors Impacting Reston

# DENSIFICATION ALREADY UNDERWAY

## FAIRFAX COUNTY NODES BECOMING MORE URBAN



Approximately 20% of the HH growth between 2005 and 2015 is currently taking place within the rapidly densifying areas shown in the map to the left.

Fairfax County, once a low-density suburban environment, is absorbing growth by densifying in key nodes, including Tysons Corner.

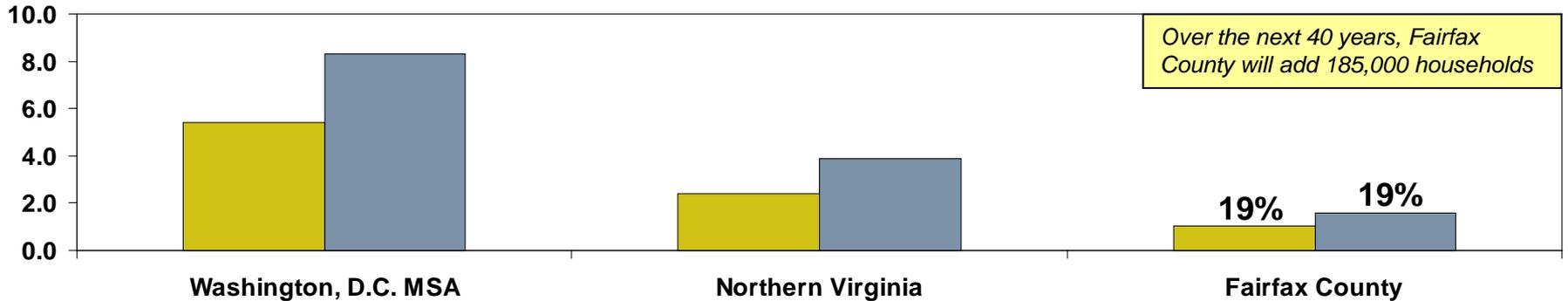
SOURCE: MWCOG, RCLCO

Source: MWCOG Regional Activity Centers, RCLCO

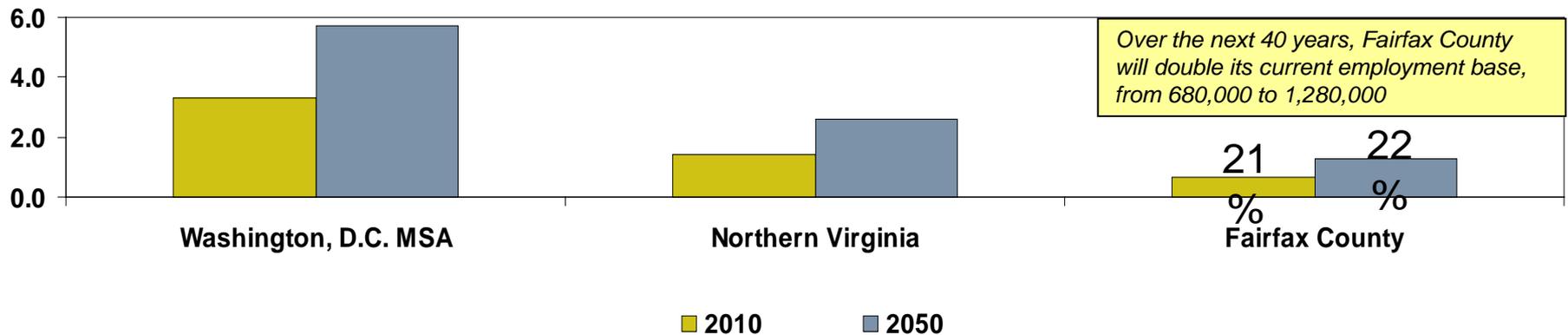
# FAIRFAX COUNTY ABSORBS FAIR SHARE OF GROWTH

## GAINS EMPLOYMENT SHARE, POPULATION SHARE HOLDS STEADY

**Total Households (millions) – 2010-2050**



**Total Employment (millions) – 2010-2050**



SOURCE: George Mason University Center for Regional Analysis

# ROLE REVERSAL – EMPLOYMENT GROWTH TO OUTPACE POPULATION GROWTH THROUGH 2050

Figure 1  
Population, 2000 - 2050

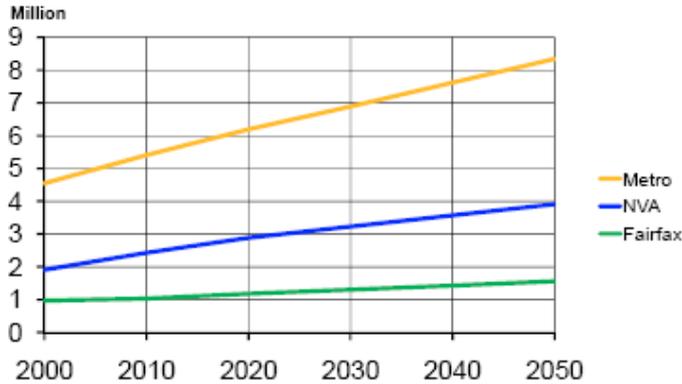


Figure 2  
Jobs, 2000 - 2050

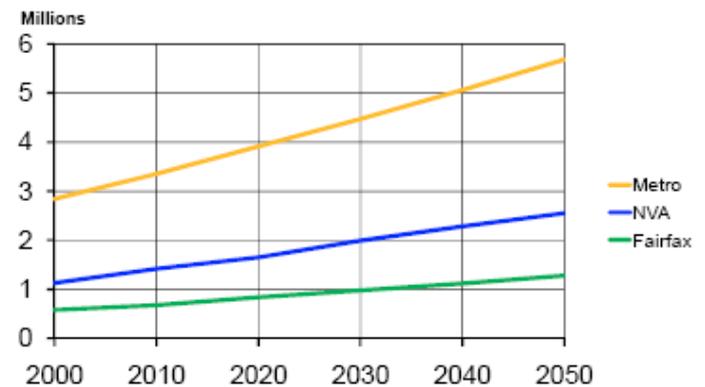


Figure 4  
Fairfax County  
Households, 2000 - 2050

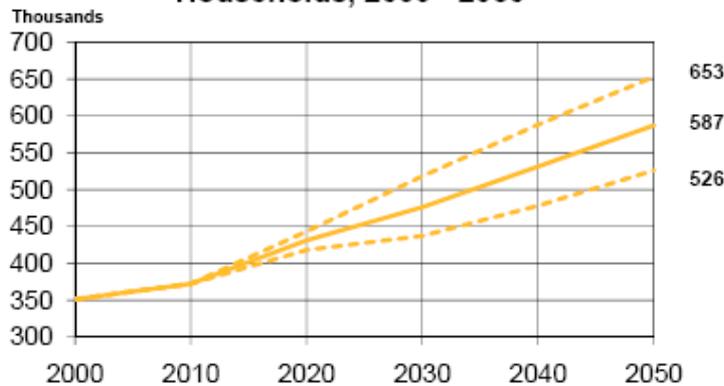
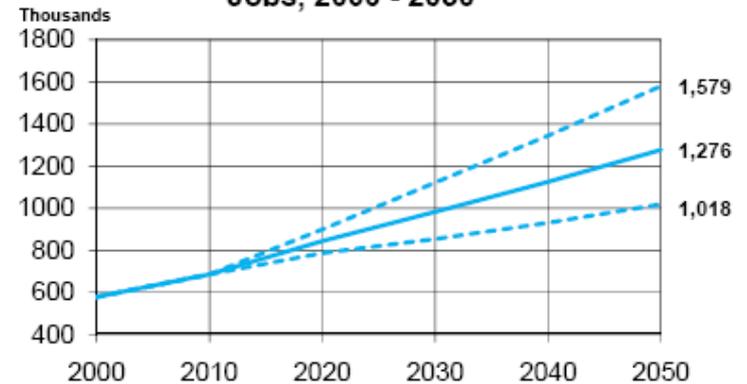
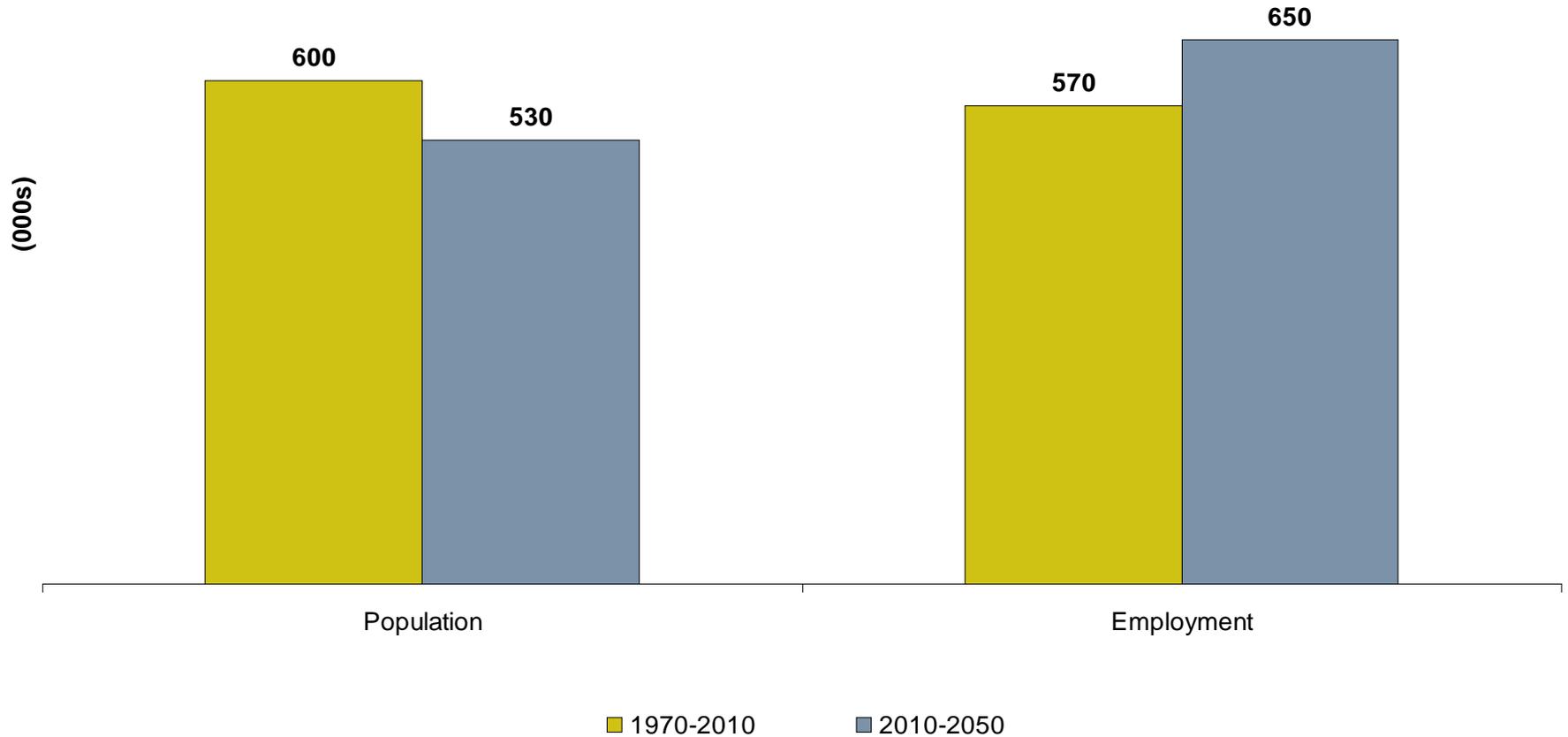


Figure 3  
Fairfax County  
Jobs, 2000 - 2050



# ROLE REVERSAL – EMPLOYMENT GROWTH TO OUTPACE POPULATION GROWTH THROUGH 2050

Fairfax County Growth



SOURCE: George Mason University Center for Regional Analysis

# LAND CONSTRAINTS DRIVE DENSIFICATION

## ANTICIPATED GROWTH > DEVELOPABLE LAND

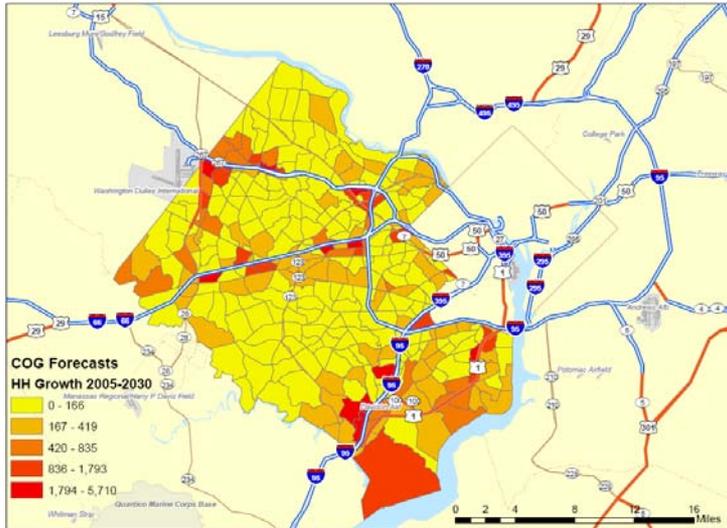


- ▶ *If **all** of the vacant developable land in Region 3 were to be developed, it could absorb...*
  - 6,902 Housing Units
  - 840k SF of Retail
  - 7.8 M SF of Office
- ▶ The above implies enough office to accommodate 31,000 office employees and 2,000 retail employees.
- ▶ Tysons Corner *alone* will add 50,000 employees by 2030. If one accounts for the remainder of Region 3, the projected growth far outpaces the supply of developable land.
- ▶ **The only way to accommodate anticipated growth is through significant densification.**

SOURCE: Fairfax County Department of Systems Management, RCLCO

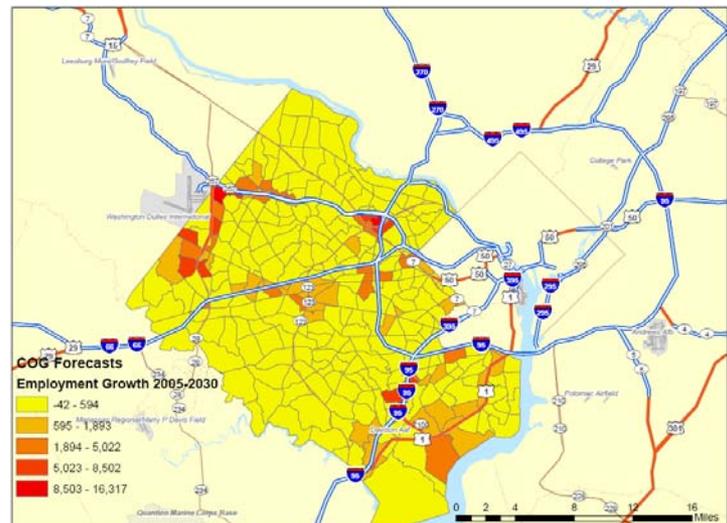
# RESTON'S NEIGHBOR PURSUING DENSITY

## TYSONS GROWTH WILL REDEFINE FFX PARADIGM



Growth in Fairfax County, which is constrained in both available land and sufficient transportation options suitable for significant new suburban development, is trending more and more urban.

The Reston of tomorrow will have economic forces that it can either embrace or shun – but likely not ignore.

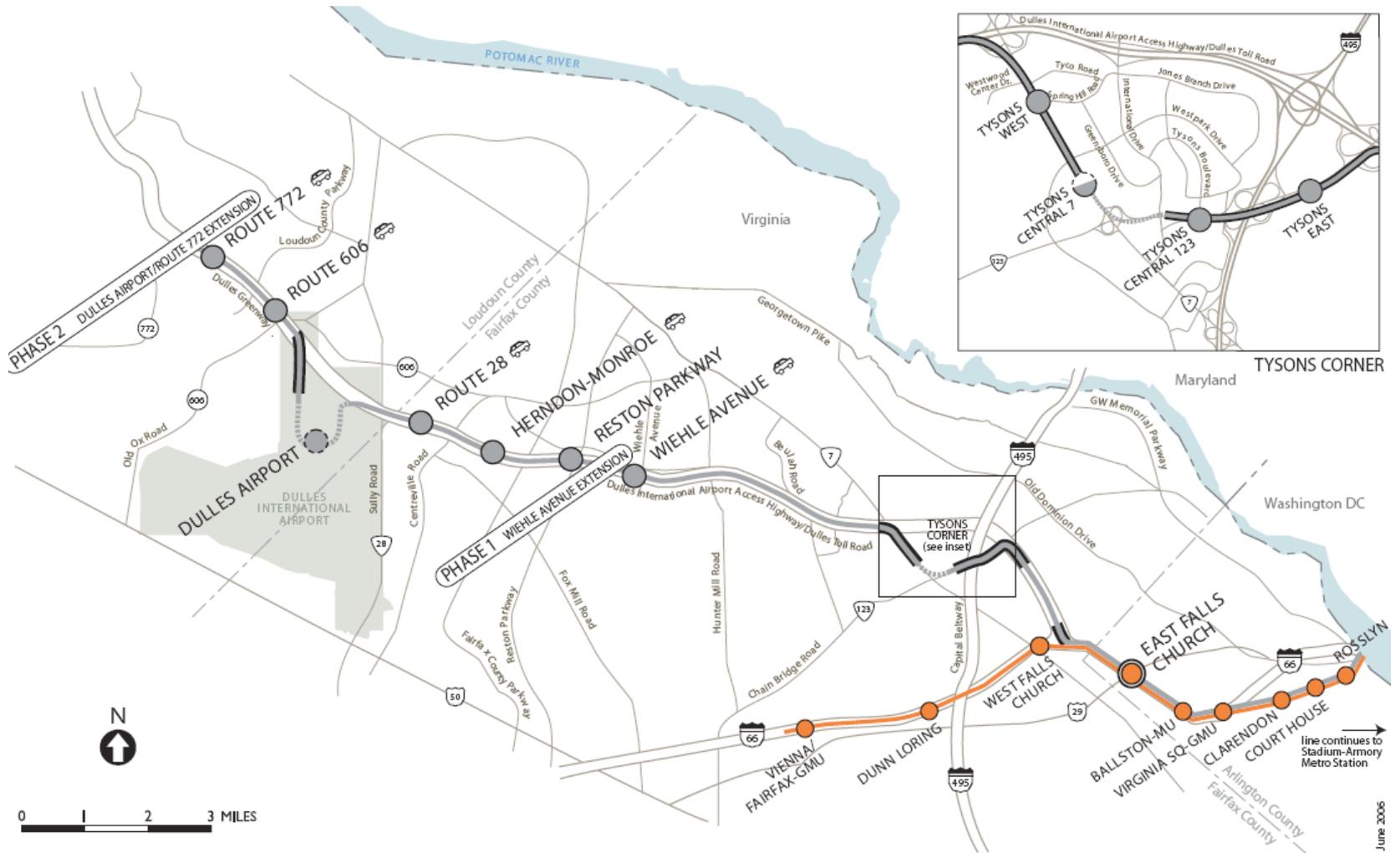


SOURCE: MWCOG, RCLCO



# CONNECTIVITY WILL INFLUENCE DEMAND

## LEGACY OF R-B CORRIDOR, GEN Y, CRITICAL



SOURCE: WMATA, RCLCO

# GROWTH FACTORS AFFECTING RESTON

## STRONG ADJACENCIES, ACCESS, EDGE CONDITIONS

- ▶ Rapid densification throughout the Washington, D.C. region taking place already – Fairfax is becoming more and more dense as time passes and may in fact be pursuing density. These factors will drive additional acceptance of and demand for high-density environs.
- ▶ New jobs forecasted for Fairfax County through 2030 will redefine opportunities for Reston, which can either absorb additional employment via densification or shun new investment
- ▶ Reston’s location – with excellent access to Dulles, Tysons Corner, and now connected to the R-B corridor via the new Silver Line – will be attractive to many segments of demand going forward.
- ▶ Jobs/housing imbalance forecasted for Fairfax County combined with cachet of Fairfax County as a residential destination of choice will place tremendous pressure on the housing stock (existing and future) in and around Reston.
- ▶ Stable robust demographics – including large number of retiring executives – drive demand for locally-driven office uses in and around downtown Reston.
- ▶ Retail mix in Downtown Reston will be driven by its capacity to absorb demand for high-density, walkable commercial and residential consumers



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