

# The Antiplanner

Dedicated to the sunset of government planning

Antiplanner Policy Brief Number 87

January 26, 2021

## Americans Are on the Move

When the pandemic hit, I thought it would slow down sales of existing homes. Instead, home sales in 2020 reached their **highest level** since the peak of the housing bubble in 2006. I also thought that the pandemic would slow new home construction. Instead, by the end of the year, new home starts also reached their **highest level** since 2006. When people began moving out of Manhattan, San Francisco, and other big cities, I assumed most of them would consider the moves temporary and would be renting at their new locations. Instead, homeownership took its **biggest year-over-year leap** since at least 1960 and probably in U.S. history, reaching levels not seen since, you guessed it, the 2006 bubble.

Information about moving trends isn't always clear. In September, *Bloomberg* writer Marie Patino **questioned** the conventional wisdom that people were moving out of big cities or indeed that more people were moving than in previous years. However, her data were based on how many people were hiring companies like United Van Lines, when in fact most moves don't use professional movers. We won't really know the truth until the dust settles a year or two from now, but we can get a glimmer of that truth by digging into what data are available.

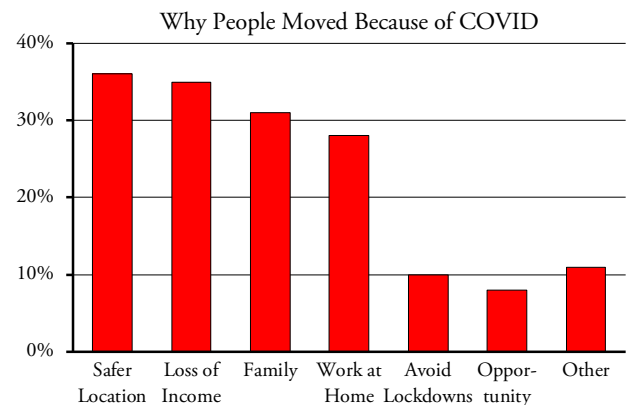
### How Many Are Moving and Why?

According to the Postal Service, nearly **16 million households** filed change-of-address notices in 2020, a 4 percent increase from 2019. Many of those were temporary, but almost 300,000 more households—roughly half the increase—made permanent moves in 2020 than in 2019.

Not everyone is moving because of the pandemic. If 2019 numbers are anything to go by, then 96 percent of those who moved in 2020 were going to move anyway. But the pandemic may have had a big influence on where many of those people moved to.

Some people moved because they lost their jobs or their colleges closed due to pandemic-related shutdowns. But a Pew survey published in July found that **more than a quarter** of those who moved did so to reduce their chances of getting the virus.

A **mid-year survey** by Hire-a-Helper found that about 15 percent of people moving did so in response to the pandemic. But by **the end of the year**, this had increased to 25 percent. Of that 25 percent, about 36 percent moved to find a safer location while 28 percent moved because they had started working at home and needed more space. These numbers may be skewed by the fact that the surveys were limited to people who used Hire-a-Helper services to help them move.



*Hire-a-Helper found that 25 percent of American households who moved in 2020 were motivated to do so by the pandemic. Of that 25 percent, the most common reason was to be in a location safer from the virus, followed by people who lost income, who moved in with other family members, and who needed more space because of working at home. Smaller numbers moved to avoid lockdown restrictions or to take advantage of new housing or job opportunities. "Other" includes landlord problems, politics, and college closures. Numbers add to more than 100 because people were allowed to choose more than one reason.*

### Where Are People Moving?

For the past two decades or more, we've been repeatedly told that young people and retiring baby boomers wanted to live in cities, not suburbs. One urban planner even predicted in 2006 that, by 2025, America would have a **surplus of 22 million** suburban homes. This led some to report that American suburbs were going to **turn into slums**.

None of those trends proved to be true. As a **Gallup**

poll found in 2018, 40 percent of Americans who lived in big cities would rather live somewhere else, while more Americans wanted to live in suburbs and rural areas than actually lived in those areas. While such findings were generally ignored by density advocates, the pandemic has brought these preferences into sharp relief.



Some moving van companies have published data showing where their customers are moving to and from. However, the numbers are small and people who hire moving vans may not be an accurate cross-section of all people who are moving. *Photo by Wjmoore17.*

“No matter who I spoke with” about the long-term effects of the pandemic, *says Forbes* writer Peter Lane Taylor, “a few words kept resurfacing as we lurch into the post-pandemic future: warmer, safer, smaller, stabler, lower taxes, less regulation, and fewer lockdowns.”

On one hand, apartment rents have **dramatically fallen** in major cities across the country, with the biggest declines in San Francisco, New York, San Jose, Washington, Chicago, Seattle, Portland, and Honolulu—exactly the places that planners claimed were heralding the new trends. Apartment rents increased fastest in smaller cities such as Sacramento; New Haven; and Rochester, NY.

On the other hand, according to the **Federal Housing Finance Authority’s house price indices for metropolitan areas**, home prices grew fastest in smaller areas such as Cumberland, MD; Idaho Falls, ID; Utica, NY; Homosassa Springs, FL; and Olympia, WA, all of which gained more than 9 percent since 2019. Home prices declined in San Francisco, San Jose, and Honolulu and grew by less than 4 percent in Chicago, Los Angeles, and New York, among other large metro areas.

In December, the Census Bureau published **estimates** of state populations as of July 1 that show large declines in New York, Illinois, and California. New York’s population fell by 126,000 since 2019, Illinois’ by 79,000, and California’s by close to 70,000. Massachusetts, Connecticut, New Jersey, Pennsylvania, and Rhode Island also saw population declines. Meanwhile, the states with the fastest percentage growth were Idaho, Arizona, Nevada, Utah, and Texas while the fastest numeric growth was in Texas,

Florida, Arizona, North Carolina, and Georgia.

These numbers are not based on the 2020 census and are subject to update when that census is tallied. Although the Census Bureau hasn’t yet published metropolitan area estimates, it is likely that most of the declines were in major metro areas and most of the increases were in suburbs and smaller metro areas.

Within metropolitan areas, suburbs have been more in demand than central cities. “The count of home shoppers looking for homes in the suburbs has been growing at a faster rate than that for urban homes as home shoppers are showing an increasing preference for lower-density areas,” *says* National Association of Realtors researcher Sabrina Speianu. This has led inventories of homes for sale in the suburbs to shrink faster than in the cities. “Demand is outstripping supply at a greater rate in the suburbs than in urban areas,” *says* Speianu (and by “urban areas” she means central cities), and the difference is greatest in large metropolitan areas.

Depending on the regulatory regime, homebuilders require anywhere from four months (in parts of Texas) to several years (in parts of California) to crank up production to meet increases in demand. By the end of the year, however, homebuilders were constructing **12 percent more** single-family homes than in 2019. Multifamily home construction, however, fell by close to 14 percent.



*By the end of 2020, construction of new single-family homes was up by 12 percent over 2019.*

## How Permanent Is the Move?

“If the pandemic had lasted, say, one to two months, one could imagine society snapping back quickly to ‘the way things were,’” *observes Morning Brew* writer **Neal Freyman**. “But Covid-19 has stuck around for, well, a really long time.” Thus, these changes are not likely to be undone once most people are vaccinated and the virus is no longer a major threat.

One sign that the move is permanent, at least for some, is the change in homeownership rates. U.S. homeownership leaped from 64.1 percent on June 30, 2019 to **67.9 percent** on June 30, 2020, which may have been the

largest single-year increase in American history. People who buy homes are not expecting to move back when the pandemic ends.



Meanwhile, construction of multifamily housing was down nearly 14 percent. *Photo of a South San Francisco project by BrokenSphere.*

A further indication that many moves are permanent is that the movement to smaller cities and suburbs is merely an acceleration of trends that were already under way. As I've noted in [previous policy briefs](#), pandemics don't change things so much as they accelerate existing trends.

Demographer Wendell Cox has [shown](#) that, even before the pandemic, suburbs were growing much faster than central cities. Within metropolitan areas (which include rural parts of counties that are partly urbanized), Cox's analysis of census estimates indicate that nearly three-fourths of the population growth between 2010 and 2019 was in the suburbs while nearly 20 percent was in the exurbs (rural parts of metropolitan counties). Less than 8 percent of the growth was in the central cities. The difference may be that, before 2020, the central cities were still growing, if slowly, while the pandemic is leading at least some of them to shrink.

### Is This Another Housing Bubble?

The fact that home sales, new home construction, and homeownership rates have hit their highest levels since the 2006 housing bubble may lead some to wonder whether this is a new housing bubble. The answer is "no": the facts in these two situations are completely different.

In 2006, artificial limits on land available for home construction in Florida, New England, and Pacific Coast urban areas caused prices in those areas to rapidly rise. This led some people to become speculators, buying homes for resale at higher prices a few months later. The packaging of

mortgages into bonds that were highly rated by bond-rating companies that didn't expect prices to ever fall generated a major financial crisis when prices did fall. That crisis, incidentally, wasn't because of people defaulting on their mortgages but because banks that owned bonds whose ratings had been downgraded were required to quickly come up with billions of dollars in reserve funds for those bonds, and some such as Lehman Brothers were unable to do so.

The artificial limits on developable land are mostly still in place, but they are strongest in the urban areas, such as San Francisco-Oakland-San Jose, that people are leaving. Mortgage bonds still exist but the bond-ratings agencies have learned their lesson and any banks foolish enough to hold onto large amounts of such bonds aren't likely to see their ratings decline overnight.

The surge in demand for housing in suburbs, exurbs, and smaller metropolitan areas may have caused housing prices to increase, but such increases will only be temporary in areas that haven't artificially limited the land available for housing. As soon as builders jump whatever hurdles are needed to get permits for new homes, they will meet the demand for such housing and prices should stabilize.

### What Will Cities Do?

The long-term effects of the pandemic on residential locations should put the lie to claims that more people want to move into the cities as opposed to suburbs or into high-density developments rather than single-family homes. But will this lead to any changes in city policies?

So far, the answer appears to be "no." Transit advocates [continue to promote](#) high-density, transit-oriented developments. Cities and transit agencies continue to [plan](#) such developments, which generally means [subsidizing them](#) using tax-increment financing, [low-income housing tax credits](#), or [other subsidies](#). Other cities continue to talk about rezoning neighborhoods to [higher densities](#), supposedly to create more affordable housing (even though higher-density housing is generally less affordable than low-density housing). It is clear that many politicians and planners have so far failed to learn the lessons of the pandemic.

The actual behavior of Americans has long confounded the designs of central planners who think they know better how we should live and travel. It will take some work, however, before policy catches up with reality. Perhaps the pandemic will accelerate that as well.

*Randal O'Toole, the Antiplanner, is a land-use and transportation policy analyst and author of [American Nightmare: How Government Undermines the Dream of Homeownership](#). [Masthead photo](#) by Tina Hester.*