THE DECENTRALIZATION OF HOUSING INDUSTRY ACTIVITY

by

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ABSTRACT

More extensive use of the existing housing stock and a slowdown in household growth suggest that new housing starts in the 1980s will average only 1.6 million units per year, a level significantly below those achieved in the 1960s and 1970s. Moreover, the housing construction activity that does occur in the 1980s will be more and more dispersed geographically. In addition to the general shift from frostbelt to sunbelt and from central city to suburbs in the 1970s, population and jobs moved away from many larger metropolitan areas to smaller cities, towns, and rural areas. Fueled by the movement of people and jobs out of large metropolitan areas, the housing inventory of rural New England and of selected nonmetropolitan areas in the Mid Atlantic states is growing at rates in excess of national average. Indeed, nonmetropolitan areas accounted for fully 30 percent of the growth in the housing stock that occurred in the Northeast in the 1970s.

The continued strong growth of small town and rural areas, even in slow growth regions, has important--if not fully understood--implications for the costs and characteristics of future housing construction. This paper begins with an assessment of the continuing flow of households and population from frostbelt to sunbelt, and then discusses the movement from large metropolitan to smaller metropolitan and nonmetropolitan areas. These shifts are of particular importance in the slow growth regions where population dispersal may stimulates housing abandonment in one location and new housing construction in another. The paper concludes with some observations about the effect of population dispersal on the composition of new construction, including the mix of single-family and multi-family units.

Introduction

The preliminary research findings of the Housing Futures Program point to the simple fact that the 1980s will only see a modest growth in households and in housing demand. Despite the optimism generated in the past several months, it is unlikely that the housing industry will provide the same stimulus to long-term economic growth in the current decade as it did in the 1970s. More extensive use of the existing housing stock and a slowdown in household growth suggest that new housing starts in the 1980s will average only 1.6 million units per year, significantly below the levels achieved in the 1960s and 1970s. Further declines in new housing production are likely to occur in the 1990s as the baby bust generation moves into the family formation stages.

Recent trends in the movement of population and employment suggest that housing construction activity in the 1980s will be more and more dispersed geographically. In addition to the general shift from frostbelt to sunbelt and from central city to suburbs in the 1970s, population and jobs moved away from many larger metropolitan areas to smaller cities, towns, and rural areas. While it is likely that this redistribution of people and jobs will continue in the 1980s, how it will affect construction levels and use of the existing housing stock is not easy to predict. Even in the slow growth regions of the country, for example, declines in the average number of persons per household will nonetheless generate some demand for new housing construction. Intra-regional population shifts will also stimulate additional housing construction. Fueled by the movement of people and jobs out of large metropolitan areas, the housing inventory of rural New England and of selected nonmetropolitan areas in the Mid Atlantic states is growing at rates in excess of national average. Indeed, nonmetropolitan areas accounted for fully 30 percent of the growth in the housing stock that occurred in the Northeast in the 1970s.

The continued strong growth of small town and rural areas, even in slow growth regions, has important--if not fully understood--implications for the costs and characteristics of future housing construction. Homebuilders, the producers of building materials, and others in the housing industry must therefore improve their ability to analyze the flow of population and economic activity across spatially identified housing market areas. This paper thus begins with an assessment of the flow of households and population from frostbelt to sunbelt, and then discusses the movement from large metropolitan to smaller metropolitan and nonmetropolitan areas. These shifts are of particular importance in the slow growth regions where population dispersal may stimulate housing abandonment in one location and new housing construction in another. The paper concludes with some observations about the effect of population dispersal on the composition of new construction, including the mix of single-family and multi-family units.

Regional Trends in Housing Market Activity

In the decade of the 1970s, new construction added 20.9 million units to the total housing inventory. These additions were offset by the net losses of 2.6 million units, down sharply from the 6.6 million lost in the previous decade. The reduction in net losses resulted from both a decline in gross losses and an increase in non-new construction additions. Among the conventional inventory (i.e., excluding mobile homes and seasonal vacancies), gross loss rates fell from an estimated 10.7 percent over the 1960s to 7.6 percent during the 1970s. Conversion of single-family homes into two or more units, adaptive reuse of commercial and industrial structures as residences, and other changes to the existing stock added at least 2.7 million--and more likely as many as 3.9 million--units to the housing inventory. It should be noted that even the lower of these two estimates is still nearly twice the number of non-new construction additions that the Census Bureau reported for the period 1960-1970.

In addition to changing patterns of inventory adjustment, demographic factors also point to a slowdown in new construction activity in the 1980s. After increasing steadily for decades, headship rates (i.e., the probability that a given individual will form an independent household) are now rising more slowly. Between 1975 and 1982, the crude headship rate for those aged 20-34 remained virtually constant. For those aged 25-34, the headship rate has increased only 0.2 percent from the 49.7 percent figure recorded in 1975. Among the under-25 age group, the 1982 headship rate was up slightly to 15.0 percent from the 1975 figure of 14.6 percent.

The slowdown in the growth of headship rates is a central ingredient in the Joint Center's forecast of household growth for the next two decades. During this period, the average annual increase in the number of households is projected to fall from 1.48 million in the 1980s to 1.1 million in the early 1990s, and close to 1.0 million by the end of the century.

The rate of growth of population and households will vary considerably from one region to the next. As Table 1 shows, the population of the Northeast rose by only 94,000 in the 1970s, with the New England states gaining 506,000 people and the Mid Atlantic states losing 412,000. While population in the Northeast's large central cities had been declining since the 1950s, by the 1970s numerous inner suburban areas were also losing residents. Joint Center population forecasts suggest that with New York State leading the way, population in the Mid Atlantic division will decline by as much as 6.4 percent in the 1980s. Almost no population growth is forecast for the East North Central states, as well. Having grown by only 3.5 percent in the 1970s, the population of these states is likely to increase by only 1.2 percent over the current decade.

The population in the sunbelt, in contrast, is projected to grow significantly faster than the national average. Relative to the 1970s, however, the rate of population growth will decrease somewhat in the Pacific and Mountain states and more sharply in the South Atlantic states; greater growth in the West South Central and East South Central states, however, will offset declines in the South Atlantic division. The West South Central states are projected to experience the largest absolute population increase of 6.3 million.

Population forecasts for the South and West point to the continued flow of population away from the frostbelt states, particularly the East North Central and Mid Atlantic census divisions. Even within the frostbelt area, the New England and West North Central states will benefit from the outflow of population from the Mid Atlantic and East North Central divisions. As a result, the population of New England

Table 1

POPULATION GROWTH BY REGION:
1970-1980 AND PROJECTED 1980-1990

Region Census Division	Population (thousands) Actual 1970	 Actual 1980	 Forecast 1990	Decade Growth Rate Actual 1970-1980	 Forecast 1980-1990
Northeast	49,041	49,135	47,707	0.2%	-2.9%
New England	11,842	12,348	13,142	4.2	6.4
Mid Atlantic	37,199	36,787	34,562	-1.1	-6.4
North Central	56,572	58,854	61,274	4.0	4.1
East North Central	40,253	41,670	42,151	3.5	1.2
West North Central	16,319	17,184	19,123	5.3	11.3
South	62,795	75,353	89,921	20.0	19.3
South Atlantic	30,671	36,943	41,785	20.5	13.1
East South Central	12,803	14,663	18,079	14.5	22.8
West South Central	19,321	23,747	30,057	22.9	26.6
West	34,805	43,165	52,949	23.9	22.7
Mountain	8,282	11,368	15,416	37.2	35.6
Pacific	26,523	31,797	37,533	19.8	18.0
Total	203,212	226,505	251,848	11.4	11.2

SOURCE: U.S. Bureau of Census, Census of Population, Standard Metropolitan Statistical Areas - 1980, Supplementary Reports PC80-51-5 (Washington, D.C.: 1981) and Joint Center projections, June 1983.

is projected to grow by 6.4 percent in the 1980s, up from 4.2 percent in the last decade, while the rate of population growth in the West North Central states will rise from 5.3 to 11.3 percent.

Athough population growth is a major determinant of household growth, the number of households can increase at a greater rate than the number of people if average household size continues to decline. As the data in Table 2 indicate, the rate of household growth in the 1970s exceeded the rate of population growth in each of the nine census divisions. Even in the Mid Atlantic region, which lost population in the 1970s, the number of households grew by 10.3 percent.

In the future, households will continue to increase at a faster rate than population, but the difference will be less pronounced. While the projected population increase of 11.2 percent is practically identical to the rate recorded in the 1970s, the household growth rate is projected to drop from the 1970s figure of 26.4 percent to 18.3 percent in the 1980s. Even sharper declines are forecast for selected regions: in the Mid Atlantic states, for example, household growth is projected to fall from 10.3 percent to under 1.0 percent. Although still above average in the 1980s, the household growth rate in the South Atlantic and Pacific states will drop sharply as well, reflecting the slowdown in population growth in Florida and California.

The flow of population away from selected frostbelt states also suggests that the Northeast and North Central regions will capture smaller shares of national housing market activity. The Joint Center baseline estimates indicate that 14.8 million new households will form in the 1980s, with new construction plus mobile home placements totaling 18.8 million units. Assuming that placement of new mobile homes

Table 2

COMPARISON OF POPULATION AND HOUSEHOLD GROWTH: 1970-1980 AND PROJECTED 1980-1990

Region / Census Division	1970-1980 Population Growth Rate	1970-1980 Household Growth Rate	1980-1990 Population Growth Rate	1980-1990 Household Growth Rate
Northeast	0.2%	12.4%	-2.9%	4.5%
New England	4.2	19.5	6.4	15.5
Mid Atlantic	-1.1	10.3	-6.4	0.8
North Central	4.0	18.8	4.1	10.8
East North Central	3.5	18.2	1.2	8.0
West North Central	5.3	20.1	11.3	17.4
South	20.0	37.1	19.3	27.1
South Atlantic	20.5	39.0	13.1	21.7
East South Central	14.5	29.8	22.8	30.8
West South Central	22.9	39.0	26.6	33.5
West	23.9	39.2	22.7	28.9
Mountain	37.2	58.1	35.6	42.8
Pacific	19.8	33.7	18.0	24.1
Total	11.4	26.4	11.2	18.3

SOURCE: See Table 1.

will equal approximately 2.5 million units, the forecast implies that conventional housing starts will total but 16.3 million units in the 1980s.

Table 3 presents the percent distribution of household growth and housing construction activity in the nine census divisions. In response to sharp decreases in household growth, the biggest declines in the shares of total housing production will occur in the Mid Atlantic and East North Central states. In contrast, both New England and the West North Central divisions will experience slight increases in their shares of total new housing production. As a whole, the Northeast and North Central regions will capture 27.7 percent of new construction plus mobile home placements in the 1980s, down from the 33.9 percent share recorded in the 1970s.

It is tempting to assume that the decline in population, households, and housing market activity is a temporary phenomenon that will abate once the national economy resumes sustained growth. Indeed, relative to the depressed levels of the early 1980s, housing production activity is likely to increase sharply in all regions of the country. Sustained economic growth, however, is unlikely to halt the decline in the share of total housing production occurring in the frostbelt states. As Figure 1 illustrates, the share of total conventional housing starts captured by the North Central states declined for much of the 1970s, while that of the Northeast states has exhibited little change. Following the collapse of multi-family construction activity in the mid 1970s, the South has experienced a steadily increasing share. Since people and jobs are likely to continue moving away from the Northeast and North Central regions, the share of national housing

Table 3

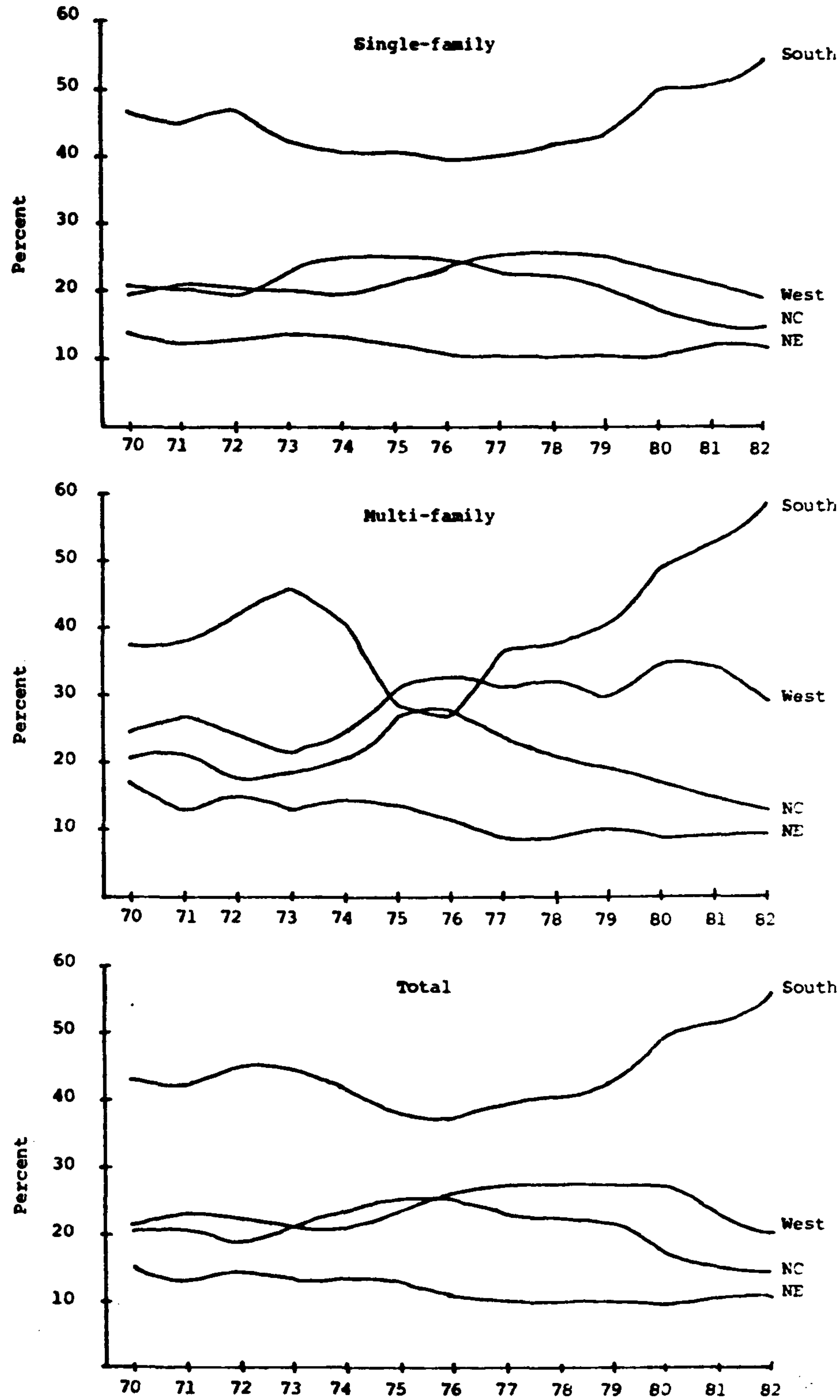
NUMBER AND PERCENT DISTRIBUTION OF HOUSEHOLD GROWTH AND NEW CONSTRUCTION PLUS MOBILE HOME SHIPMENTS BY REGION: 1970-1980 AND PROJECTED 1980-1990

Region Census Division	Household Growth 1970-1980	Household Growth 1980-1990	New Construction Plus Mobile Home Shipments 1970-1980	New Construction Plus Mobile Home Shipments 1980-1990
Northeast	11.5%	5.3%	11.8%	8.5%
New England	4.2	4.5	3.6	4.2
Mid Atlantic	7.3	0.7	8.2	4.3
North Central	19.7	15.3	22.1	19.2
East North Central	13.5	8.0	14.7	11.3
West North Central	6.2	7.3	7.4	7.9
South	42.8	48.9	42.4	45.9
South Atlantic	22.0	19.4	21.5	19.4
East South Central	6.9	10.6	7.5	9.5
West South Central	13.9	18.9	13.4	17.0
West	26.1	30.6	23.7	26.4
Mountain	8.7	11.7	8.1	9.9
Pacific	17.4	18.9	15.6	16.5
Total	100.0	100.0	100.0	100.0
Number (thousands)	16,800	14,840	20,935	18,897

SOURCE: See Table 1.

Figure 1

REGIONAL SHARES OF HOUSING CONSTRUCTION ACTIVITY:
1970-1982



construction activity taking place in the frostbelt will continue to decline as well.

In assessing the extent of the decline in housing production in particular regional markets, it is useful to note that by definition, total additions to a region's inventory must equal the growth of households, plus change in the number of vacant units, less inventory losses. In turn, total additions must equal new construction (conventional new construction plus placement of new mobile homes) plus non-new construction additions (e.g., units added by conversion of single-family homes into two or more units or conversion of non-residential buildings into residential units).

The forecast for the Mid Atlantic states provides a useful example of the relationship between household formation and total construction activity. In the 1980s, households will increase by only 110,000 but new construction will add 812,000 units. In forming these projections, it was assumed that the vacancy rate would remain unchanged, an assumption consistent with historical experience. As household growth slows to near zero in this division, it is possible that vacancies will increase; this would not, however, have a major impact on the growth of the total housing inventory. For example, if the vacancy rate for the Mid Atlantic states increases by one percent without any growth in households, the housing stock (and hence new construction) would grow by only an additional 140,000 units.

In addition to accommodating household growth and changes in vacancy, some housing production activity is needed to offset losses. In forming the forecasts of housing construction activity presented in

Table 4, AHS data for the period 1975-1980 were used to estimate regional loss rates for conventional housing and mobile homes. Because the stock is substantially older and less well maintained in the central cities of the Northeast and North Central states, loss rates in these areas are higher than in other portions of the country. Assuming this same pattern of losses continues into the 1980s, the Mid Atlantic states will lose 995,000 units and the East North Central states 1.1 million units.

The statistics in Table 4 also demonstrate the importance of non-new construction additions as a source of housing supply. In the Northeast, non-new construction will account for approximately 25 percent of total additions. It is important to note, however, that the figures for losses and non-new construction additions include movement of mobile homes from one site to another, as well as temporary shifts of units into and out of the inventory. Although movement of mobile homes is not significant in the Northeast, this factor does inflate somewhat the estimates of losses and non-new construction additions in the South.

As household growth slows, forecasts of total construction activity are increasingly influenced by forecasts of the other components of inventory change, i.e., changes in vacancies, losses, and non-new construction additions. In effect, regional housing market activity becomes a zero sum game: while movement of jobs, population, and households within a slow growth region will generate demand for new construction in certain areas, this activity comes at the expense of either higher vacancy rates or higher loss rates in other areas. New

Table 4

COMPONENTS OF INVENTORY CHANGE BY REGION: 1980 TO 1990 FORECAST
(Thousands of Units)

Change in Region	Households	Change in Vacant Units	Losses	Total Additions	Non New Construction Additions	New Construction Plus Mobile Home Placements
Northeast	780	80	1,333	2,139	596	1,597
New England	670	70	338	1,078	293	785
Mid Atlantic	110	10	995	1,115	303	812
North Central	2,270	20	1,654	4,124	500	3,624
East North Central	1,180	10	1,146	2,426	294	2,132
West North Central	1,090	10	508	1,698	206	1,492
South	7,250	720	2,339	10,309	1,622	8,687
South Atlantic	2,880	300	1,180	4,360	686	3,674
East South Central	1,570	120	450	2,140	337	1,803
West South Central	2,800	300	709	3,809	599	3,210
West	4,540	430	742	5,712	723	4,989
Mountain	1,730	210	204	2,144	271	1,873
Pacific	2,810	220	538	3568	452	3,116
Total	14,840	1,430	6,068	22,338	3,441	18,897

SOURCE: Joint Center projections, June 1983.

construction activity in the 1980s will thus depend on the movement of jobs, population and households from one region to the next, as well as on intra-regional shifts from central city to suburb or from large metropolitan to small metropolitan and nonmetropolitan areas. The next section reviews recent trends and likely future prospects for these intra-regional population shifts.

The Growth of Nonmetropolitan Areas

In addition to the well documented movement from frostbelt to sunbelt and from central city to suburb, the U.S. population in the 1970s began an important new shift away from larger to smaller metropolitan areas and to nonmetropolitan counties. After decades of below average growth rates, the population in nonmetropolitan areas rose by 14.6 percent in the 1970s, compared with the national average of 11.4 percent. While some of this growth was simply the expansion of metropolitan development into previously undeveloped areas at the urban fringe, it occurred in outlying rural areas as well: the group of counties that share no common border with an existing metropolitan area accounted for fully 40 percent of all nonmetropolitan growth.

Population growth in the 1970s was thus more widely dispersed than in previous decades. In the 1960s, 44 percent of the nation's more than 3,000 counties--in both low density rural areas and congested central cities--lost population; in the 1970s, only 18 percent of all counties lost population. Prominent among the 800 counties experiencing a shift from population loss to population gain were many low density and largely rural areas, some experiencing growth for the first time in decades.

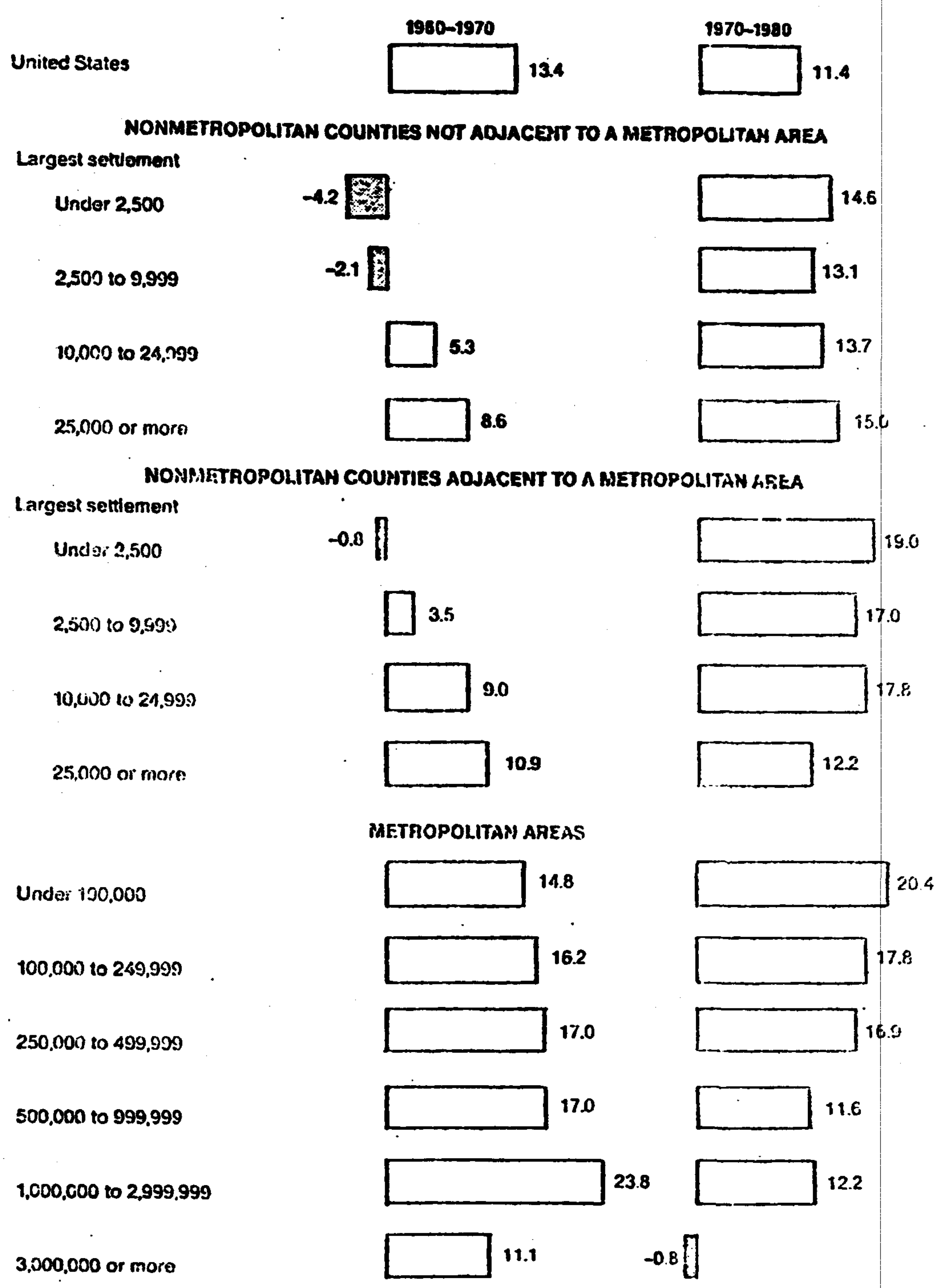
To illustrate the extent of the rural revival, Figure 2 compares the 1960 and 1970 population growth rates in metropolitan and nonmetropolitan counties. Nonmetropolitan counties are classified by whether or not they border on an existing metropolitan area and by the size of their largest settlement in 1970. Each group of nonmetropolitan counties identified in Figure 2 experienced an increase in its rate of population growth, including those distinctly rural areas with no single settlement of more than 2,500 people. While these counties lost population in the 1960s, their populations increased faster than the national average over the 1970s.

As noted earlier, the movement of population from central city to suburb, or from large metropolitan areas to small metropolitan or nonmetropolitan areas, can have a significant effect on the construction activity within a region. Table 5 presents estimates of changes in the housing inventory in the four census regions by city, suburban, and nonmetropolitan locations. Predictably, rapid growth occurred in all areas of the South and West. It is interesting to note, however, that the growth of the housing inventory in the central cities of even these fast growth regions lagged behind the national average. The slow growth of the total housing inventory in the Northeast and North Central regions reflects the weakness of their central city housing markets, particularly in the larger cities. Isolated pockets of strong growth nonetheless existed in the Northeast, i.e., the suburban portion of small metropolitan areas, as well as nonmetropolitan areas.

Despite the remarkable growth of nonmetropolitan areas in the 1970s, housing market analysts have paid little attention to this

Figure 2

PERCENT CHANGE IN POPULATION IN NON-METROPOLITAN AND METROPOLITAN SETTINGS: 1960-1970 and 1970-1980



Source: Larry H. Long, Population Redistribution in the U.S.: Issues for the 1980s (Washington, D.C.: Population Reference Bureau, 1983), p. 4.

Table 5

PERCENT CHANGE IN TOTAL HOUSING UNITS
BY REGION AND TYPE OF PLACE: 1970-1980

	North-east	North Central	South	West	Total
<u>Central Cities</u>					
Large SMSAs	0.3%	-1.6%	20.0%	16.3%	6.7%
Medium SMSAs	2.5	8.2	28.0	42.2	20.8
Small SMSAs	12.6	19.6	28.3	61.7	27.8
<u>Suburbs</u>					
Large SMSAs	15.9	31.5	62.7	40.0	34.6
Medium SMSAs	25.5	34.4	55.6	76.2	44.3
Small SMSAs	30.2	31.8	58.0	54.5	45.3
<u>Nonmetropolitan Areas</u>	28.8	22.8	35.0	55.2	32.4
Total	14.7%	20.3%	39.9%	42.0%	28.7%

SOURCE: U.S. Bureau of Census, 1980 Census of Population, <u>Standard Metropolitan Statistical Areas and Standard Consolidated Areas--1980</u>. Supplementary Reports PC80-51-5 (Washington, D.C.: U.S. Government Printing Office, 1981).

NOTE: The 34 large SMSAs each had 1970 populations of 1 million or more. The 102 medium SMSAs had 1970 populations of from 250,000 to 1 million, while the 182 small SMSAs had 1970 populations of less than 250,000 (SMSAs as defined by the Office of Management and Budget as of June 30, 1981).

phenomenon. Taken collectively, nonmetropolitan areas account for an important share of both total population growth and national housing market activity: from 1970 to 1980, 4.5 million of the 23.3 million growth in population occurred in nonmetropolitan counties that were contiguous to existing metropolitan areas, and another 3.0 million occurred in noncontiguous counties. As noted in Table 6, 29.0 percent of total housing inventory growth in the 1970s occurred in nonmetropolitan areas, a figure that is virtually identical to the share captured by the nation's 34 largest metropolitan areas.

Unlike a single large metropolitan area, the dispersed nonmetropolitan market is difficult to monitor. In the past ten years much media attention has focused on Atlanta, Dallas, Houston, Miami, Tampa, San Diego, and Anaheim; collectively, the housing inventory in these seven metropolitan areas increased by 2.2 million units over the decade of the 1970s. During the same period, however, the housing inventory in the nonmetropolitan South increased by 2.5 million units, while all nonmetropolitan areas in the nation added 5.3 million units to the stock.

As Table 7 illustrates, the rate of outmigration from nonmetropolitan areas--though still higher than from metropolitan areas--has slowed. At the same time, outmigration from metropolitan to nonmetropolitan areas has increased. As the rate of migration increased, the absolute number of migrants increased as well: Between 1975 and 1980, 7.3 million people moved from metropolitan to nonmetropolitan areas. Given the smaller population base in nonmetropolitan areas, the number of people moving in the opposite direction equaled but 6.0 million.

Table 6

PERCENT DISTRIBUTION OF THE CHANGE OF HOUSING UNITS
FOR THE U.S. BY TYPE OF PLACE: 1970-1980

Type of Place	Central City	Suburb	Non-SMSA	Total
Non-SMSA	—	--	29.0%	29.0%
Small SMSA	5.5%	9.1%	--	14.6
Medium SMSA	7.5	18.3	--	25.8
Large SMSA	4.4	26.3	--	30.7
Total	17.4%	53.7%	29.0%	100.0%

SOURCE: See Table 5.

Table 7

OUTMIGRATION FROM METROPOLITAN AND NONMETROPOLITAN AREAS AS A PERCENT OF INITIAL PERIOD POPULATION: 1975-1980

Period	Outmigrants from Metropolitan Areas		Outmigrants from Nonmetropolitan Areas	
	Total	Black	Total	Black
1965-1970	4.6%	1.8%	11.6%	9.7%
1970-1975	5.5	2.2	9.0	8.9
1975-1980	5.4	2.0	9.5	8.9

SOURCE: U.S. Bureau of Census, Current Population Reports, Geographical Mobility: March 1975 to March 1980, Series P-20, No. 368 (Washington, D.C.: U.S. Government Printing Office, December 1981).

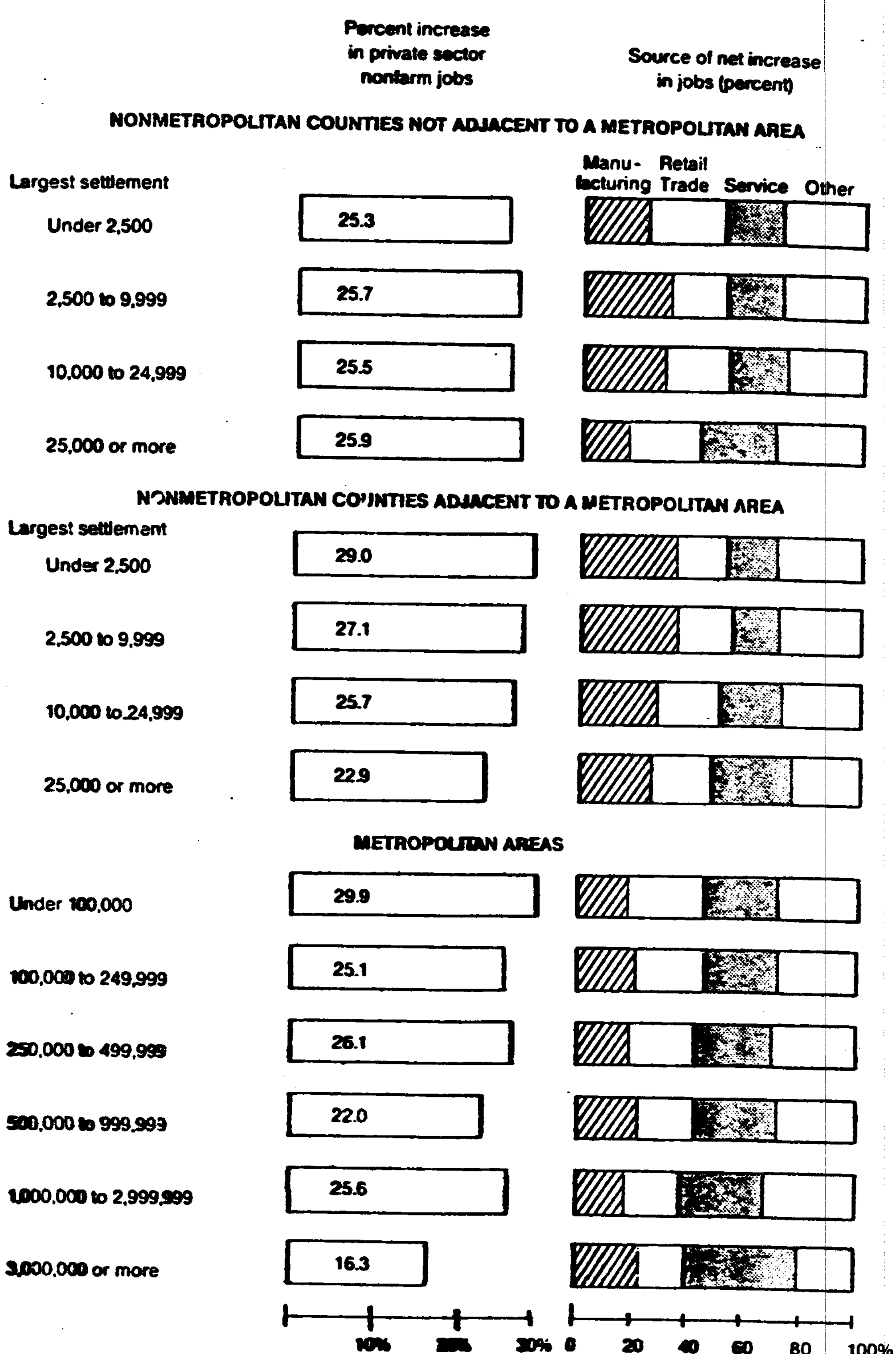
Migration flows thus added on net 1.3 million people to the nonmetropolitan population. The black population, however, did not follow this pattern: from 1975 to 1980, on net 116,000 blacks moved away from nonmetropolitan areas.

Although changing migration patterns are but poorly understood, these population shifts generally reflect the movement of employment to lower wage areas. In the 1970s, the growth of job opportunities in the sunbelt and in small cities, towns, and rural areas was reinforced by a shift of the retired population to these same low wage, and therefore low cost, areas. Advances in technology that reduced the need for face-to-face communication enhanced the job growth potential of more remote locations. These forces combined to create a pattern of decentralized population growth; a pattern that reversed decades of concentrated growth in a few of the nation's largest metropolitan areas.

In examining the recent growth of employment in nonmetropolitan areas, Larry Long of the U.S. Census Bureau notes that job growth was as dispersed as population growth. Following the recession of 1974-1975, nonmetropolitan areas added jobs rapidly. In nonmetropolitan counties not adjacent to an existing metropolitan area, Figure 3 shows that employment growth for the period 1975-1979 was close to 26 percent compared with 22 percent in metropolitan counties. Moreover, a sizable share of the increase in nonmetropolitan jobs was in the manufacturing sector. While it is unlikely that this represents the movement of heavy manufacturing into remote locations, it does suggest that nonmetropolitan areas were building a light manufacturing base to

Figure 3

PERCENT INCREASE IN JOBS AND SOURCE OF NET INCREASE IN JOBS IN NON-METROPOLITAN AND METROPOLITAN SETTINGS: 1975-1979



Source: Larry H. Long, Population Redistribution in the U.S.: Issues for the 1980s (Washington, D.C.: Population Research Council, 1983), p. 6.

complement their industry base in farming, recreation, mining, and natural resources.

The Effect of Population Dispersal on Housing Construction Activity

While persistently high mortgage interest rates and sluggish economic growth obviously affect the housing industry, the continued strong growth of small town and rural housing markets has equally important--if not yet fully understood--implications for housing construction. Metropolitan and nonmetropolitan areas differ in both population composition and mix of new construction activity. Nonmetropolitan areas appear to be particularly attractive to married couple households: As Table 8 shows, 1.8 million married couples moved from metropolitan to nonmetropolitan areas between 1975 and 1980. Allowing for movement in the reverse direction, on net migration added 495,000 married couples to nonmetropolitan areas. At the same time, primary individual households, i.e., single-person households and households containing no related individuals, were moving away from nonmetropolitan areas; on net, 180,000 such households moved into metropolitan areas.

Figure 4 illustrates the effect that the differential movement of households by type had on the distribution of household growth in metropolitan and nonmetropolitan areas. During the period 1975-1980, the growth of married couple households accounted for 36.8 percent of the total growth in nonmetropolitan areas, compared with 4.3 percent in metropolitan areas. In contrast, much of the growth in metropolitan areas was among other families (primarily single or divorced women

Table 8

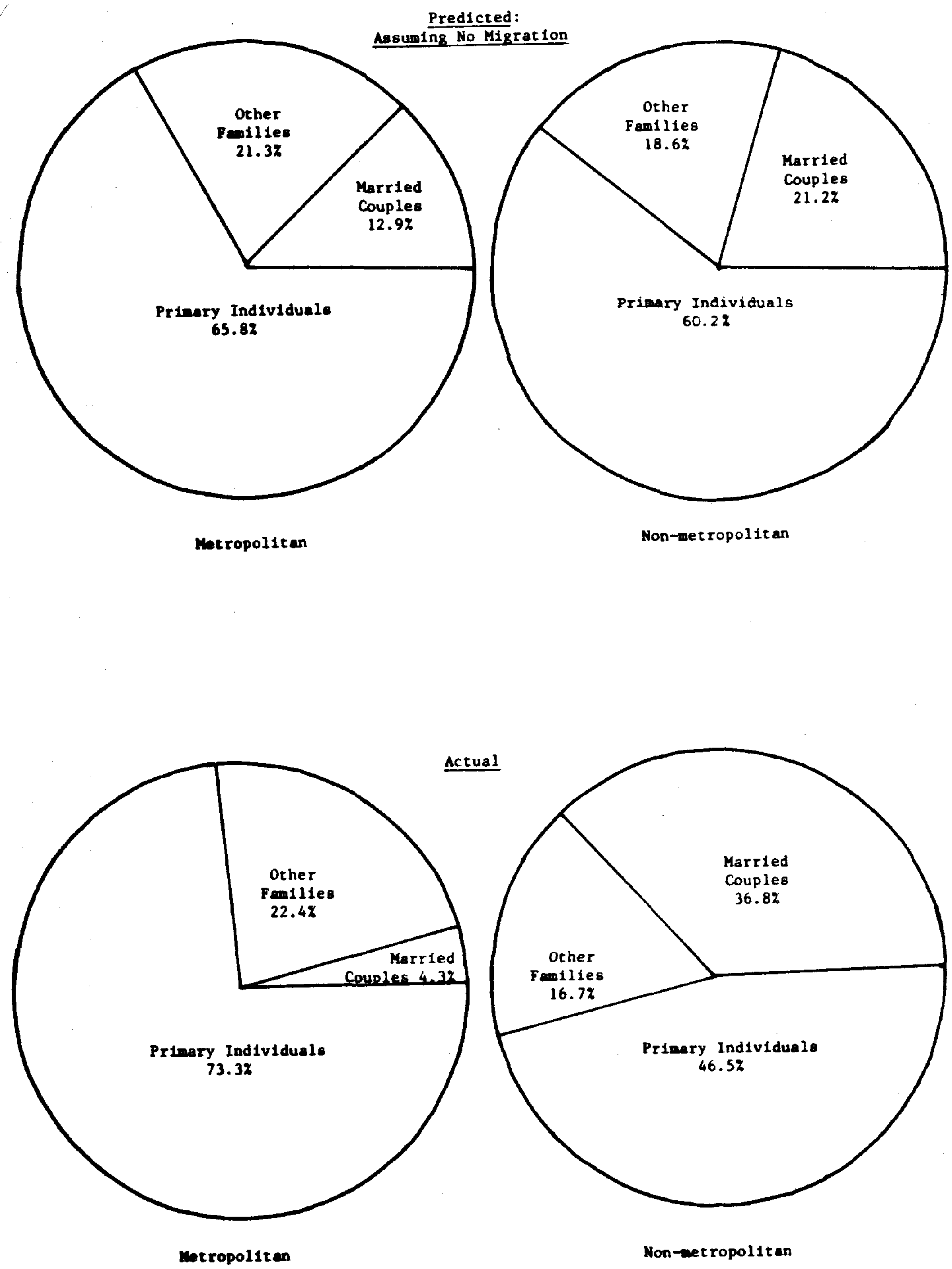
MIGRATION INTO AND OUT OF METROPOLITAN AREAS
BY HOUSEHOLD TYPE: 1975 TO 1980
(Numbers in Thousands)

	Migration out of Metropolitan areas	Migration into Metropolitan Areas	Net Migration out of Metropolitan Areas
Total Households	2,737	2,414	+323
Family Households	2,118	1,615	+503
Married Couples	1,844	1,349	+495
Other Family Households	274	266	+8
Primary Individual Households	619	799	-180

SOURCE: U.S. Bureau of Census, Current Population Reports, Geographical Mobility: March 1975 to March 1980, Series P-20, No. 368, December 1981.

Figure 4

ACTUAL AND PREDICTED DISTRIBUTION OF HOUSEHOLD GROWTH
FOR METROPOLITAN AND NON-METROPOLITAN AREAS
BY HOUSEHOLD TYPE: 1975 to 1980



with children) and primary individual households. Even assuming no migration of households, primary individuals still would have accounted for a larger share of metropolitan household growth while married couple households would have accounted for a larger share of nonmetropolitan growth.

Marital status is but one of the factors that differentiate migration flows between metropolitan and nonmetropolitan areas. Migrants going to nonmetropolitan areas are more likely to be white, to have children, and to live in larger households. Since migrants also tend to be younger, they add to the growth of households in the prime home buying ages as well. Migration trends of the late 1970s thus served to stimulate the consumption of owner-occupied single-family homes in nonmetropolitan areas.

Of course, metropolitan and nonmetropolitan areas also differ in terms of the cost and availability of land. Lower land costs in nonmetropolitan areas translate directly into lower house prices. In 1980, all single-family detached housing in metropolitan areas had a median value of $57,700; in nonmetropolitan areas, the median house value for that year was $41,100, or 29 percent lower.

Single-family units dominate housing production activities in nonmetropolitan areas by a wide margin: of the approximately 3.0 million conventional housing units built in nonmetropolitan areas in the period 1975-1980, 85 percent were single-family homes. In contrast, only 49 percent of conventional housing built in central cities during this period were single-family; even in the suburban portions of metropolitan areas, the single-family share was but 78 percent. In addition, mobile home placements accounted for 10.9 percent of total production in nonmetropolitan areas for the period 1975-1980, compared with only 5.6 percent in metropolitan areas.

Using data for the 243 metropolitan areas defined by the 1970 census, it is possible to trace the changing mix of new construction activity by type and location. As Table 9 shows, nonmetropolitan areas accounted for 38.5 percent of total new construction between 1975 and 1980, up sharply from the 30.1 percent share recorded in the 1960s. Virtually all of the growth in the share captured by nonmetropolitan markets came at the expense of central city areas. From the 1960s to the late 1970s, the central city share of total new construction fell from 24.6 percent to 16.8 percent, a figure consistent with the outmigration of population and jobs throughout this period.

In making historical comparisons, it is important to control for the changing definition of metropolitan areas. Since the data refer only to the 243 metropolitan areas defined in the 1970 census, the information in Table 9 is not strictly comparable with the data presented in preceding tables. Use of the 1970 SMSA definitions does, however, permit historical comparison with data from the period 1960-1970, as well as disaggregation of the construction activity by type and location. According to Table 10, nonmetropolitan areas accounted for 38.5 percent of total construction activity by capturing 42.0 percent of all single-family construction, 22.3 percent of multi-family construction, and 54.8 percent of all mobile home placements.

As shown in Table 11, the increase in conventional new construction in nonmetropolitan areas occurred at the expense of the central cities. The nonmetropolitan South benefited not only from the movement of population away from the frostbelt cities, but also from the

Table 9

PERCENT DISTRIBUTION OF TOTAL NEW CONSTRUCTION
PLUS MOBILE HOME PLACEMENTS BY LOCATION:
1960-1970, 1970-1975 AND 1975-1980

Location	1960-1970	1970-1975	1975-1980
SMSA			
Central City	24.6%	21.4%	16.8%
Suburb	45.3	45.0	44.7
Total	69.9	66.5	61.5
Non-SMSA	30.1	33.6	38.5
Total	100.0%	100.0%	100.0%

SOURCE: U.S. Bureau of Census, 1970 Census of Population and Housing, Components of Inventory Change: U.S. and Regions, HC(4)-1 (Washington, D.C.: U.S. Government Printing Office, 1973); U.S. Bureau of Census, Annual Housing Survey, 1975: United States and Regions, Series H-150-75A (Washington, D.C.: U.S. Government Printing Office, 1977); and U.S. Bureau of Census, Annual Housing Survey, 1980: United States and Regions, Series H-150-80A (Washington, D.C.: U.S. Government Printing Office, 1982).

NOTE: SMSA equals the 243 Standard Metropolitan Statistical Areas defined by the Office of Management and Budget as of February 1971.

Table 10

PERCENT DISTRIBUTION OF SINGLE-FAMILY UNITS, MULTI-FAMILY UNITS, AND MOBILE HOME PLACEMENTS BY LOCATION: 1960-1970 AND 1975-1980

Construction Type and Period	SMSA Central City	SMSA Suburb	Non SMSA	Total
Single-family New Construction				
1960-1970	17.7%	47.9%	34.4%	100.0%
1975-1980	11.3	46.7	42.0	100.0
Multi-family New Construction				
1960-1970	44.9	42.5	12.6	100.0
1975-1980	36.6	41.1	22.3	100.0
Total Conventional New Construction				
1960-1970	26.3	46.2	27.5	100.0
1975-1980	17.5	45.4	37.1	100.0
Mobile Home Placements				
1960-1970	8.0	36.6	55.4	100.0
1975-1980	8.3	36.9	54.8	100.0
Total New Construction				
1960-1970	24.6	45.3	30.1	100.0
1975-1980	16.8	44.7	38.5	100.0

SOURCE: See Table 9.

Table 11

PERCENT DISTRIBUTION OF TOTAL NEW CONSTRUCTION BY REGION AND LOCATION

Region	SMSA: Central City		SMSA: Suburb		Non SMSA		Total	
	1960-1970	1975-1980	1960-1970	1975-1980	1960-1970	1975-1980	1960-1970	1975-1980
Northeast	4.6%	2.0%	9.1%	5.0%	3.7%	3.1%	17.4%	10.2%
North Central	5.4	2.6	11.6	10.6	6.2	8.7	23.2	21.9
South	9.7	7.0	13.7	15.9	14.0	19.3	37.4	42.3
West	6.7	5.8	11.7	13.8	3.6	6.0	22.0	25.6
Total	26.3%	17.5%	46.2%	45.4%	27.5%	37.1%	100.0%	100.0%

SOURCE: See Table 9.

region's metropolitan areas. By the late 1970s, nearly one out of every five housing starts was in the nonmetropolitan South.

The regional relocation of housing construction activity also served to increase single-family home construction relative to that of multi-family units. In the late 1970s, single-family homes accounted for 90.0 percent of all conventional new construction in the nonmetropolitan South. In the central cities of the Northeast, single-family construction was but 25 percent of total conventional production. As these statistics suggest, the shift of growth away from the more densely developed frostbelt cities has had an important effect on the composition of new housing production, particularly the mix of activity between single-family and multi-family units.

Conclusion

Although there has been much discussion of the effects of shrinking household size and of affordability on housing market dynamics, analysts have paid surprisingly little attention to the impacts of population and employment shifts away from central cities and into nonmetropolitan areas. The composition of household growth and the mix of construction activity vary considerably from one region to the next. As a result, analysts must exercise extreme caution in attempting to trace the implications that broad national demographic trends have on demand in individual housing submarkets.

While smaller average household size and higher housing costs seemingly point to greater emphasis on high density, multi-family development, the continued growth of nonmetropolitan areas will certainly moderate, and perhaps even forestall, any future declines in single-family starts as a share of total new construction activity. Indeed, if homebuilders are able to capture any significant share of the low .cost, largely nonmetropolitan market now being served by mobile homes, the national share of single-family starts could even increase. This is yet another reminder that national statistics are simply summary measures of activity that is occurring in literally thousands of markets across the country. Any assessment of future trends must therefore build on an analysis of the changing characteristics of spatially identified housing market areas.