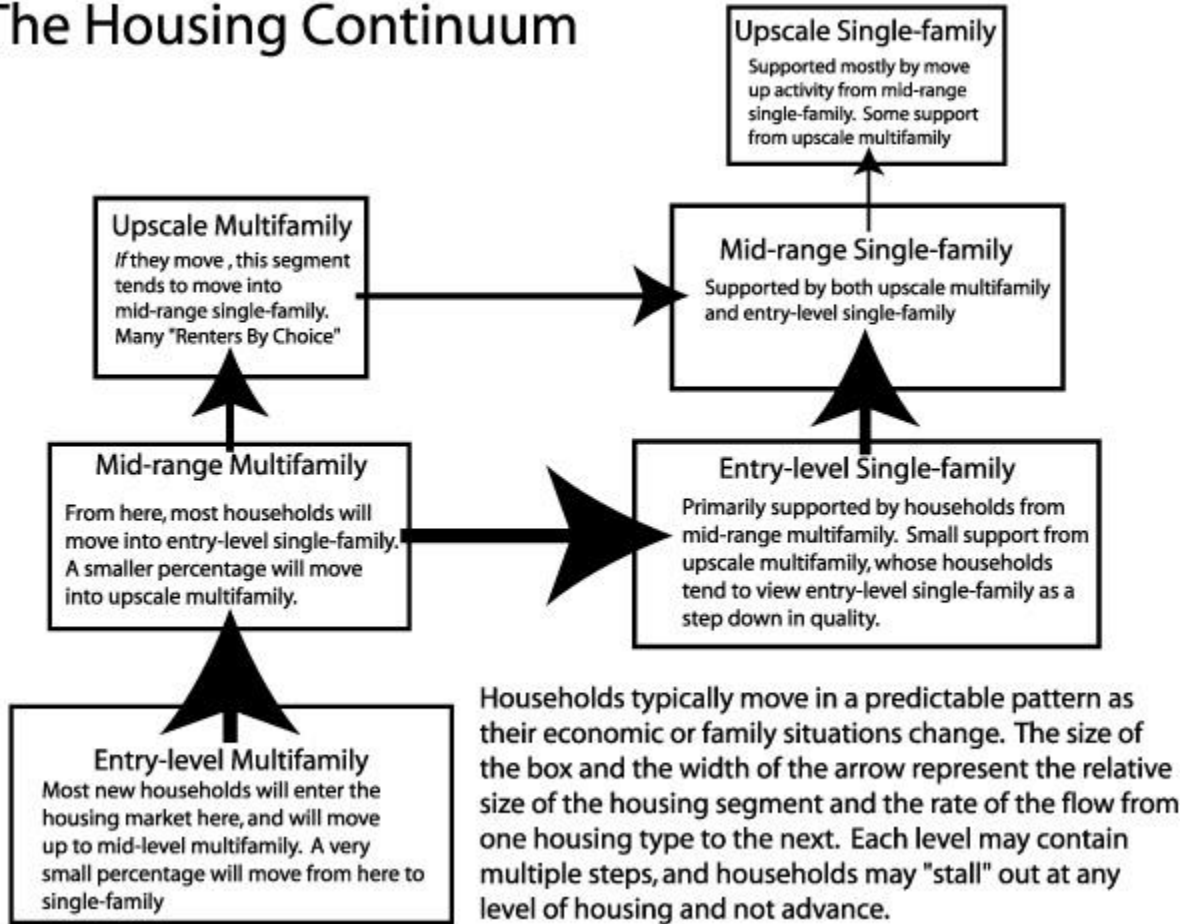


# The Housing Continuum



Households typically move in predictable patterns as their economic and/or family situations change. Typically, young households start in entry-level multifamily/rental and move up as their economic circumstances improve and/or their family circumstances change (marriage, children). To illustrate how households typically flow through housing over the course of a lifetime, we developed the Housing Continuum chart above to help our clients visualize the process.

The important thing that development professionals need to know about the Housing Continuum is that each level of housing needs to be represented in order to provide a support base for the next level. For example, entry-level multifamily/rental is needed to provide support for mid-range and upscale multifamily/rental. Likewise, the entry-level single-family market needs higher-priced rentals to provide support. Renters paying higher rents are more likely to move up to a house with a modest step-up in their housing payment than entry-level renters. Likewise, higher-end home purchases are usually influenced by equity built up from a previous home.

Lack of supply from a support component may create significant issues for a housing development. For example, absorption for a mid-level rental development may be extended if there is an insufficient supply of entry-level rental households in the market area ready to take the economic step up to better housing. Such a development would depend on people moving into the area from outside the market area to fill the units, thus extending absorption.

Local public officials need to pay critical attention to the Housing Continuum as an economic issue. For example, if a community has zoning practices that make multifamily development (worker housing) difficult, it may affect the community's ability to attract and retain businesses who need housing for their workers. Similarly, a community seeking to attract a business may have an appropriate supply of worker housing but ultimately fail because of an inadequate supply of executive housing. In addition, a community that fails to develop step-up options for their current residents will lose those residents (and their tax dollars) to other communities that have better housing alternatives.

There are several other important things to note about the chart in general:

- There may be multiple steps in each level. A household may move from one entry-level multifamily property to a slightly better entry-level multifamily property one or more times before moving into a mid-range property.
- A household may "stall out" at any level and never advance any further up the continuum for a variety of reasons, including lack of economic resources to improve their housing, lack of education or experience to support upward mobility, or lack of area options to upgrade their housing.
- Only about two-thirds of all households ever make it into some form of homeownership. Many households choose to remain "renters by choice," despite having the economic wherewithal to purchase a home. These households are primarily found in upscale multifamily.
- Movement does occur counter to the continuum, as households experience downward mobility from decreased economic status ( job loss, high medical bills, foreclosure, divorce, etc.) or make lifestyle decisions (such as choosing to downsize in retirement).