BUSINESS 2.0 MAGAZINE

The next real estate boom

Dense settlements, not sprawling ranch houses, are the future of housing - and could make for a smart real-estate investment.

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SAN FRANCISCO (Business 2.0 Magazine) -- Picture the scene: it's 2025, and you and your family are living in a beautiful, leafy-green village that seems more 19th century than 21st, even though it has only been in existence for ten years and is just 20 miles from a major American city.

You know all of the 150 or so souls in the village; you see them at the market where you pick up a box of locally-grown produce once a week. You see half of them in the morning as they board the commuter train for school or work in the city; the other half are the network warriors who work from home or, on warm days, use the free Wi-Fi in the village square.

It all seems a world away from the crumbling old 20th-century suburbs people used to live in, if you could call it living. You shudder to think you could still be living there. Oh, and you see that really nice house just down the bicycle lane? That's yours, the fruits of your smart move to plunk down a payment on a piece of the hottest new trend in real estate.

Streetcar stops desired

Sounds like a far-off future? You can already see such a development opening up in Hercules, Calif., 20 miles northeast of San Francisco. And you can bet on seeing many more across the country if changing consumer desires and economic trends dictate the direction of the housing market.

"New Villages," as community planner Robert McIntyre dubs them in the latest issue of The Futurist magazine, are compact, pleasantly urban settlements located well away from city centers. They share some of the charms and amenities of cities, thanks to their density, but have the mostly rural surroundings that originally drew people out to the suburbs, as well as the friendly feel of a small town where you know your neighbors.

The concept of New Villages shares some similarities with the so-called "transit villages" you can already see around the country. Starting in the mid-'90s, when architects and local planners became more interested in more pedestrian-friendly, urban developments, transit villages started to spring up outside cities along revitalized rail lines, from Mission Valley near San Diego, to Ballston and Bethesda outside Washington, D.C.

They were very attractive to young city workers and empty-nest parents. Their defining characteristics: They were eminently walkable, densely constructed without feeling overcrowded, and offered a real community feeling with plenty of common spaces.

The difference between transit villages and New Villages is location: While transit villages mostly reinvented older suburbs that are close to cities, New Villages promise to reinvent the sprawl further out.

The demand for such developments is real, and it's only going to get greater as consumer preferences rapidly shift away from the McMansions preferred by boomers. According to a study by the nonprofit Congress for New Urbanism, while less than 25 percent of middle-aged Americans are interested in living in dense areas, 53 percent of 24-34 year olds would choose to live in transit-rich, walkable neighborhoods, if they had the choice.

Demand for housing within walking distance of transit will more than double by 2025, according to another nonprofit, the Center for Transit-Oriented Development. Even now, properties within a 5- or 10-minute walk to a train stop are selling for 20 to 25 percent more than comparable properties further away - a price premium that's likely to increase as traffic jams worsen.

And as the effects of the Internet continue to kick in, it won't be so necessary to be in the big city - you'll just want access to it every once in a while, for the occasional business meeting or nightclub outing. But as social animals we'll still want to cluster together for face-to-face contact, local food and local culture.

The payoff

All of these consumer trends suggest that New Villages just may be the future. But there are also compelling economic arguments for developers to build and sell such properties, as well as for consumers to buy them.

Rising oil prices notwithstanding, sprawling car-culture cities and vast suburbs simply do not make economic sense in the long run. As much as 50 percent of the land surface area in any given city or subdivision - we're talking prime real estate - is taken up by roadways. For developers, less space given over to roads means more space for housing.

Not only are roads a drain on landlords' potential income, they're a turnoff for residents -- and are only going to become more so as gridlock, road repairs and air pollution increase.

While you might assume that a higher density community would have more traffic, you'd be wrong. When neighborhoods are dense and walkable, studies show, people make fewer car trips. And some may even forgo owning a second car, especially as families realize that living with one less car can save them $6,000 a year on average (and again, that's not counting price rises at the pump).

And then there's simple math. While standard subdivisions have five units per acre, transit villages tend to pack in 20 to 25 per acre - still mostly single-family dwellings or townhomes, but without the vast lawns and backyards of suburbia. And with transit village homes selling for more than similar houses in traditional, sprawling suburbs, developers will make considerably more per acre, while fostering community and being kinder to the environment.

Pocketing a nice real-estate gain while saving the planet? That should help you sleep very well at night in your nice, safe, quiet, neighborly New Village home.