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By Joel Kotkin and Susanne Trimbath

Fresno, California—In the late 1980s, Rich Mostert had the usual dream—a house, a flourishing business, a family—but in the wrong place. He was living in San Francisco, one of the nation's most expensive places, and he didn't have sufficient cash to turn any of his dreams into reality.

Local housing was ridiculously expensive. And competition from people with large inheritances—or a willingness to forego a family or a home—made starting a business almost impossible. "It's hard to make it in San Francisco if you don't start with a nice nest egg," he recalled 15 years later.

So Mostert decided he'd try his luck elsewhere, four hours away in the then still provincial farming town of Fresno. Located amidst some of the world's most fertile agricultural land, Fresno lacked the panache of San Francisco, but also the sky-high home prices and business costs.

In Fresno, he did what seemed close to impossible in the City by the Bay. He bought a house, launched a successful consulting firm, and raised a family. "The main reason people move here," the energetic entrepreneur believes, "is the quality of life you can afford. Here you can have what most people in San Francisco can only dream about."

Over the last 20 years, more and more people have followed Rich Mostert's trajectory out of expensive parts of America to those that are affordable. It is a movement that is literally reshaping the American landscape—and with it the economic, social, and even political environment of our country.

The home boom

The reasons for the massive run-up in real estate prices in recent years are numerous. Environmental regulations and other growth-constraining factors have inflated housing prices. Especially in coastal cities, powerful lobbies work to slow, or stop, new housing developments, particularly single family homes. In urban areas, difficult political conditions, including bureaucratic inertia, rigid zoning, attempts to force construction of below-market-rate housing, and sometimes simple old-fashioned corruption slow the ability of entrepreneurs to build—even in the most severely supply-constrained housing markets. Perhaps the most obvious case is New York City, which, despite an enormous shortage of middle class housing, continues to produce very few new units.

The result has been to inflate prices in markets like Boston, San Francisco, west Los Angeles, and New York. This has occurred, remarkably enough, when those economies have been relatively weak, producing a new phenomenon: high housing prices amidst tepid economic growth. These high-priced cities have thus grown ever less affordable, even against places where population is expanding much faster.

In other parts of the country, one underlying cause of the high housing prices is demographics. Continued growth of population and households has created strong demand for new housing units. Immigrants were a major factor; they forced the Census Bureau to boost its estimates of 25- to 44-year-olds (the prime house-buying ages) from a *drop* of 750,000 over the period between 1990 and 2000 to an *increase* of well over 4 million.

Experts were also wrong about what kind of housing would be most in demand. Against predictions that single family home construction would fall during the 1990s, some 11 million new units were constructed and sold. Even aging baby boomers have for the most part chosen to live in suburbs in fairly large detached units.

Annual home sales in the U.S. crossed the 1 million mark for the first time in 2003. And we ain't seen nothin' yet. According to our estimates, demand for new homes may reach 1.8 million annually over the next 20 years. This period will see the creation of some 24 million new U.S. households, perhaps more. Immigration and "trading up" by baby boomers will lay the foundation for a continued wave of fresh home buying.

The United States will be building enough housing over the

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next few decades to shelter a major European country or two. According to a recent Brookings Institution report, half of all the residential buildings standing in 2030 will have been built after 2000—over one billion square feet of new homes, apartments, and townhouses.

The vast bulk of this new living space will be produced in our suburbs. That's where 80 percent of all of America's housing is currently built. The main growth areas will be in the south and west of the country. Although the Los Angeles area will lead in the absolute number of new units, the largest percentage growth is projected for places like Las Vegas, Austin, Phoenix, West Palm Beach, and Orlando.

Homeowners are different

How and where this construction takes place, and who owns it, will be one of the most important issues of our time. The decision to own a home represents, for most people, a profoundly life-altering choice and, for society, a tremendous source of civic virtue.

Academic studies over the past decade have borne out many of the earlier assertions by American leaders like Jefferson, Jackson, and Roosevelt on the importance of homeownership. Holding your own property has a unique impact. It raises self-esteem. It boosts the likelihood of civic involvement. It increases one's access to capital for other projects like education and business ownership.

Neighborhoods of homeowners—whether in a city or a suburb—become something more than collections of houses; they evolve into communities of active citizens. They have demonstrably lower crime rates, and higher incidence of civic engagement, measured by such things as church membership, voting, or belonging to a neighborhood association.

Most of all, homeowners are a stabilizing force. Renters stay in the same residence for slightly over two years; at the median, homeowners live in the same place *four times* as long. Since they are far less likely than renters to move, they are more likely to involve themselves in local affairs. Their children, according to a recent study by Harvard's Joint Center for Housing Studies, have fewer social and scholastic problems than those raised in rental housing.

These assertions are not only evident in research, they are instinctively understood by most Americans, who recognize the critical importance of homeowning. Average citizens tell pollsters that homeownership increases the well-being of children, and that it makes people better community members. There may be no single factor more important to the proper growth of a democratic society.

An "avarice of land"

The essential pressure for ownership represents a critical element in American history. Even before the formation of the republic, the hunger for land shaped political priorities. Colonial Americans, with a vast continent to their backs, felt constrained in the narrow coastal plains and valleys of the east. Attempts by the British to restrict further expansion into the western frontier constituted one of the factors contributing to the Revolution.

An "avarice of land," John Adams noted in a letter to General Horatio Gates in 1776, seemed to dominate the passions of many of his countrymen. From its inception, America was seen as radically different in this area from Europe—where splits between hereditary propertied elites and landless peasants were eternal. Here, as Thomas Jefferson put it, "most of the laboring class possess property."

Desire for individually owned land represented a driving force throughout our early history, pushed first by the Jeffersonians and then by the Jacksonian Democrats. The socialism which rooted in Europe festered a bit in the congested cities of America's east, but was "checked" in the larger populace by the opportunities for ownership of land in the west. The Homestead Act enacted during the Civil War represented a radically democratic alternative to more collectivist European ideologies. Rather than agitate to take the property of the rich, Americans sought to accumulate their own.

The closing of the frontier at the end of the nineteenth century posed serious problems for the continuance of this uniquely American political economy. With new farms largely unavailable, middle- and working-class people began to find themselves hemmed into increasingly crowded cities, while many rural residents suffered from low commodity prices and predatory railroad fees. Progressives in both parties went to work at the state and federal level to preserve the rights of small property ownership. Reforming railroads, curbing the abuses of monopolies, and regulating financial institutions, they assured small proprietors and homeowners that their holdings would be protected. Franklin Roosevelt's Homeowners' Loan Corporation, established in 1933, became the first of many programs to back mortgages and bolster ownership of housing.

Around 1940, as the American economy began to mend from the Depression, homeownership began a long, impressive climb. From levels of 45-50 percent, where it had been stuck for decades, the homeownership rate rose to 64 percent by 1965. It levelled off, before spurting again in the mid 1990s. (Today, faith-based groups like Habitat for Humanity and the Nehemiah Program are the main force pushing homeownership further down the income spectrum. See sidebar at the end of this article, "Democratizing Ownership.")

The powerful American drive to put down roots in one's own home continues to be enhanced by immigrant assimilation. Immigrants are critical drivers of the growth in many "new" metro areas. People from places like Latin America, where land ownership is very concentrated, or east Asia, where single family units are entirely out of the reach of any but the very rich, come to the U.S. and react just as earlier immigrants did: They are excited that in this country even average people can be masters of their own castles.

Despite some lower incomes, contemporary immigrants

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show a powerful proclivity to expend their capital on homes. As a result, the rate of homeownership for immigrant citizens ranks close to that of the native born; immigrants actually stand higher among those 25 to 34 years old. Second generation Americans have even higher ownership profiles. After sojourning in our congested coastal areas, many of today's immigrants are now heading to "American dream cities" like Denver, Orlando, Dallas, Houston, Phoenix, Las Vegas and Atlanta—particularly toward the peripheral suburbs.

The end result of all this: By 2004, 69 percent of U.S. households were living in their own home. That is roughly *double* the level in many prosperous European countries. In America, the vast majority of intact families, and nearly three-quarters of AFL-CIO members, now own their own homes.

Politics of the hearth

Homeowners act differently than people who don't own real estate. In politics, for instance, one clear pattern is that the places with the highest levels of homeownership generally vote Republican. Consider the table to the right, which lists homeownership rates by state and shows that high owning states tended to be more Republican in 2004. Our analysis shows that this connection between homeownership and voting Republican holds broadly at every level—from large regions all the way down to metro areas.

This GOP-leaning trend is fanned by the fact that more and more of the places offering new homes to young families following their dreams are in the heart of Red America. The places where houses are sprouting fastest are the new exurban growth regions of coastal states and smaller cities in the south and west. Of the 100 fastest growing counties in the U.S.—most of them on the fringe of bigger metro areas—President Bush captured 97 in 2004. (See nearby sidebar "Homeowner Politics Propelled Bush.")

Unfortunately, all too many Democrats, under the influence of "anti-sprawl" and environmental activists, seem incapable of relating to the American passion for suburban homes. Many on the left find suburbia itself distasteful, and consider the American middle class's clear desire for its own private space to be in some ways anti-social and anti-environment. This is very much counter to a long-standing "progressive" American tradition, which, over the past 150 years, identified with the quest for expanded property ownership, instead of condemning it.

Many activists on the left entertain the fantasy that Americans would actually prefer to live in a more collective manner. Prominent "New Urbanist" Roberta Brandes Bratz argues that European cities already have all the things that "Americans want"—dense populations, cheap mass transit, lots of old buildings. She is correct that many European cities have wonderful architectural inheritances and great street life. And those are strong lures for tourists, and perhaps some young singles.

But how many Americans really dream of living their lives in congested cities like Prague, Amsterdam, or Berlin, where homeownership, particularly of single-family houses, is not a majority dream, but a rare luxury available only to the very rich? Prague's homeownership rate is about 12 percent.

When Bratz and other like-minded urbanists point to American cities that they consider models, they pick such places as Boston, San Francisco, and Philadelphia. But the hard reality

Homeownership and Voting

State	2004 home ownership rate	2004 Bush vote
West Virginia	78.1	56.1
Alabama	76.2	62.5
South Carolina	75.0	58.0
Virginia	75.0	54.0
Idaho	74.4	68.5
Indiana	74.4	60.1
Kentucky	74.4	59.5
Missouri	74.0	53.4
Utah	73.4	71.1
Mississippi	73.4	59.6
Iowa	73.4	50.1
Wyoming	72.9	69.0
Ohio	72.8	51.0
Montana	71.5	59.1
Georgia	71.4	58.1
Colorado	71.3	52.0
South Dakota	70.9	59.9
Tennessee	70.8	56.8
Kansas	70.3	62.2
New Mexico	70.3	50.0
Alaska	70.0	61.8
North Carolina	70.0	56.1
Arkansas	69.6	54.3
Nebraska	69.5	66.6
Florida	69.5	52.1
Oklahoma	69.1	65.6
North Dakota	68.7	62.9
Louisiana	67.5	56.8
Arizona	67.0	54.9
Nevada	64.8	50.5
Texas	64.5	61.2
Republican states Homeowning average:	71.4	
Minnesota	77.2	47.6
Delaware	77.2	45.8
Michigan	75.6	47.8
New Hampshire	74.4	49.0
Pennsylvania	73.7	48.6
Maine	73.7	44.6
Connecticut	73.0	44.0
Wisconsin	72.8	49.4
Maryland	71.6	43.3
Vermont	71.4	38.9
Illinois	70.7	44.8
Oregon	68.0	47.6
New Jersey	66.9	46.5
Washington	65.9	45.6
Massachusetts	64.3	37.0
Rhode Island	59.9	38.9
California	58.9	44.3
Hawaii	58.3	45.3
New York	54.3	40.5
District of Columbia	43.0	9.3
Democrat states Homeowning average:	67.5	

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is this: Most adult Americans are not flocking to these places. Those three cities and others like them have been *losing* population—particularly young families—and underproducing jobs more than virtually anywhere else in North America.

Our new cities of aspiration

If you want to see today's expression of the age-old hunger of Americans for land and homeownership, the best places to go are precisely those that, for the most part, are at the bottom of liberal America's favorites list. Currently, most of our new building, economic growth, and population expansion occurs in lower-cost, culturally traditionalist places like Fresno, where middle class families and individuals can afford to buy a house. These are our new "cities of aspiration."

The far exurbs of our coastal cities, and the sprawling new metropolitan regions like Orlando, Dallas, Houston, Phoenix, Las Vegas, and Atlanta now represent the *de facto* headquarters of the American dream. These are the places where people are buying and building homes. For the most, these are also the places that are growing economically, in population, and in political power.

There is a kind of "virtuous cycle" today for economic and population growth that is based essentially on the affordability of housing. Areas where middle class aspirations can be met tend to become attractive to younger, aspiring workers and families. This in turn draws entrepreneurs and companies seeking productive labor. Workers will accept lower wages where housing availability and affordability are advantageous, as a recent issue of the U.S. Department of Housing and Urban Development publication *Cityscape* demonstrates. There is evidence of a shift today toward a new economic development paradigm in which opportunities for homeownership are central. We anticipate that this trend will strengthen in the future.

It is, for instance, housing affordability, combined with a good business climate and a major airport, that has made Atlanta a particularly irresistible choice for many firms. When the fast-growing firm Cendian, which provides high-tech logistical support to the chemical industry worldwide, recently chose a location for its headquarters, it opted for the Georgia metropolis over a series of other cities including San Francisco. "Affordability killed us with the Bay Area," said company co-founder and CEO Mark Kaiser, who employs 250 people in his Atlanta main office. "It's a delightful place to live but way too expensive."

Atlanta may lack some of the Bay Area's trendiness and physical beauty, Kaiser adds, but in addition to reasonable housing prices Atlanta presents many opportunities for a high quality of life, and many advantages to a growing business, including a large pool of talent holding a broad spectrum of skills, from top management to skilled technicians. "Atlanta," Kaiser sums up, "gives you a lot for the buck."

This theme of affordability is repeated often by firms located in the American cities that have been creating jobs. It is certainly one of the keys to the remarkable performance of places like San Antonio and McAllen in Texas, central Florida, and inland California. "San Antonio is a very good sell for families," says Keith Frederick, CEO of Info-Secure, a database security firm with 145 employees. "You can get a new three-bedroom starter house here with a two-car garage for $60,000." When added to such things as good schools and a pleasant physical environment, affordability draws interesting pockets of talent, Frederick points out. Inexpensive areas to live are not, as some sophisticates on the coast suppose, attractive only to dullards and menial workers. "This is one of the few places I can get the kind of talent I need," Frederick states.

Homeowner Politics Propelled Bush

By Michael Robinson

While Democratic leaders debate how to find a more mainstream message in 2008, they might examine an economic phenomenon that has turned against them in recent years: homeownership.

In simple terms that resonated with much of Middle America, Bush hammered away throughout the campaign on the importance of the "Ownership Society." For most Americans, the place where this starts is ownership of one's own home.

The U.S. homeownership rate reached 69 percent in 2004. Rates were highest in the red states—73 percent in the Midwest and 70 percent in the South, while the Northeast weighed in at 64 percent and the West stood at 63 percent. Married couples with families, a key Bush constituency, had the highest rates among all groups: over 83 percent.

Homeownership momentum continued right up to the election. Sales of new homes rose 4 percent in the fall, to an annual rate of 1.2 million units—the third highest level on record. Sales of previously owned homes also rose to their third highest level. During the campaign, Bush reiterated his goal of adding 5.5 million minority homeowners by 2012. In the last two years, he noted, nearly 2 million more minority families have purchased their own homes.

With a baby boomlet under way, and home prices soaring in big cities, most families sought their homes outside major metropolitan areas, generally in communities that tend to be more conservative.

Just look at California. In its entirety it appears to be a very liberal state. But that's only half the story. The eastern sections of the state went heavily for Bush, while San Francisco voted 85 percent for Kerry. But with a median home price of $600,000, there's not much new blood moving into the Bay Area. Instead, first-time homebuyers in northern California head for towns like Tracy, Modesto, and Grass Valley. Along the way, many embark on a journey that ends with them voting Republican.

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Voting via moving van

Twenty-first century America is seeing a dramatic movement from expensive places like New England, the Northeast, and the San Francisco Bay area to locales where Americans can still afford to buy homes. This is not likely to slow any time in the near future. In California, which suffers the second lowest rate of homeownership in the nation, only 36 percent of families can afford the median-priced home in Los Angeles County; fewer than 23 percent can do so in neighboring Orange County, and fewer than 10 percent can afford a median-priced home in San Francisco.

That has important effects on people's attitudes about the future. Upwards of one in four Californians is now considering leaving the state, citing primarily the cost of housing. In the Bay Area, Los Angeles, and Orange counties, roughly 60 percent of the people polled in a recent survey fingered affordable housing as one of the biggest problems in their state.

In inland counties this percentage drops to near 40 percent. These less urban areas have experienced stronger population and job growth than their coastal counterparts over the past five years, a trend that seems likely to continue. Places like Fresno, explains Rich Mostert, offer not only cheaper housing, but more business-friendly attitudes—as well as something even more important: "a real sense of community."

As Mostert puts it: "It's easier to plant roots when you can own the land."

Democratizing Ownership

Before the Ownership Society was a household term, the Nehemiah Corporation set out to help people buy their own homes. Since 1997, this faith-based non-profit has provided the down payments that allowed more than 180,000 modest-income families to become owners of their own homes. Named after the builder of the Second Temple in Jerusalem, Nehemiah has put up some $700 million for steady workers who are credit worthy but lack the nest egg for a house. Recently, *TAE* contributing writer David Isaac interviewed CEO Scott Syphax.

When you first started, the idea of helping with down payments was unpopular. Why?

This program was considered heresy because the mortgage markets felt a person who did not have a down payment for purchase of a home was somehow unfit or unready for homeownership. But ownership is sometimes more a matter of birth than of merit. When I say Nehemiah is the largest private down payment assistance program in the country that's actually not true. The largest down payment assistance program is an institution called mom and dad. People who don't come from family wealth have a harder time in the prosperity race.

Who is donating the money for your down payment assistance?

We started with $5,000 from a Baptist church. Now we have a rotating pool of about $20 million.

How does it work?

Expanding the group of potential home buyers to people who are income-qualified but do not have significant savings doubles the pool of potential buyers of a property. That helps the person who is selling the property as well as the buyer. In a Nehemiah transaction, the seller reimburses Nehemiah for the down payment assistance. They're not really under any obligation to do so—we're advancing this as a gift. But if the prospective lender or the homebuilder or the realtor does not make a contribution toward replenishing our gift pool, we will eventually go out of business.

How does the Nehemiah project benefit society?

Without a dime of government money we are turning thousands of people per month into independent homeowners. Communities will be reinforced, having fewer transitory people, and more people invested in that place. One of the major benefits is in closing the wealth gap in this country between ethnic groups. If you were to take Nehemiah and boil it down to a simple phrase, I would say that we're helping democratize the access to prosperity through homeownership.

Are there other societal benefits?

Homeowners tend to be more active in civic life. If you're a homeowner you tend to take care of your lawn, pick up your garbage. You tend to care if somebody else isn't doing the same down the street. You tend to be involved in the school PTA. You care whether fire and police services are adequate. You tend to vote more often than a non-owner. The level of civic participation goes up tremendously.

In what areas of the U.S. is Nehemiah active?

The Midwest, the Southeast, the Southwest, the Pacific Northwest. Cities like Atlanta, Columbus, Indianapolis, San Antonio, Houston, Denver, Fort Lauderdale, Charlotte. Those are cities where a person of median or slightly below median income can still buy a house. We'd like to do better in places like Los Angeles, San Diego, New York City, Boston—but in those overpriced markets, even if we could help people with a down payment, their incomes are just not high enough to make the mortgage payment.

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