Recent Research Streams of Multi-Family Housing Studies in the US

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< Abstract >

The present article considers the utility of multi-family housing to homeownership studies, focusing mainly on the context of the US housing market. Based on the diverse empirical homeownership studies, the first part of the study discusses the possible enhancement of homeownership models by incorporating two forms of housing structure. The present study demonstrates that specifying a measure of housing quality represented by housing structure has utility in the housing consumption or tenure choice model. The study argues that it is unrealistic in the housing consumption or tenure choice to assume that each household in the housing market has identical preferences. The study finds that the supply of multi-family housing units makes it easier/earlier for households to adjust their housing purchases to meet their changing housing needs, particularly for recent immigrants or minority households who cannot afford to consume high valued housing in the US. What little empirical experience is available for multi-family housing study to date from the diverse social sciences indicates that the present study may provide a useful platform for further efforts contributing to the development of tenure choice and housing consumption studies for the diverse disciplines. The present study concludes that diverse policy requires state and local governments to develop a comprehensive housing affordability strategy, identifying a community’s current and anticipated needs for affordable and supportive housing and outlining a strategy for addressing those needs.

Keywords: multi-family housing, homeownership, USA, single-family housing

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I. Introduction

The common advantage of homeownership is that homeownership confers on families a measure of independence, security, dignity, and a sign of social status, which is of crucial importance to the families' elevation of the social, political, and economic status (Blum and Kingston, 1984; DiPasquale and Glaeser, 1999; Galster, 1990; Rohe and Stegman, 1994a, 1994b). Other studies (Boelum and Schlottmann, 1999; Rohe and Stewart, 1996; Rossi and Weber, 1996) demonstrate that homeowners are more likely to care for their property, collaborate with neighbors, participate in community building, promote the security and vitality of neighborhoods, and show better impact on their children. Naturally many researchers have focused on detecting the determinants of homeownership from the various perspectives—economics, geography, demography, planning and public policy, etc.

Existing research on homeownership from the various perspectives has provided powerful explanation about the determinants and consequences of homeownership for both individual households and societies (Clark and Dieleman, 1996; Megbolugbe and Linneman, 1993). However, there are limitations to these studies. Among the limitations, a single dimensional consideration of tenure choice or housing consumption (owning versus renting) that is persuasive in most homeownership studies is unacceptable.

Most empirical analyses on housing consumption or tenure choice omit several crucial features of the urban housing market. These studies measure housing consumption in single dimension, owning or renting, despite the noticeable non-synchronic characteristics of the housing stock and diverse consumers' taste heterogeneities (McDonald, 1997) and idiosyncratic housing market characteristics (Anas and Arnott, 1992). Other things being equal, the desire for high-quality housing and neighborhoods does not differ across individual consumers. However, it is true that all other things are not equal. Consumer choice is the selection of a single dwelling from a large number of alternatives that are intertwined by diverse individual characteristics and local housing market heterogeneity (Quigley, 1983).

The present study assumes that a primary housing choice or consumption that most
households encounter in their housing consideration is structural type, assuming that a specific type of unit attracts a particular type of household. Based on the assumptions, this study expects to find that specifying a measure of housing quality represented by housing structure has utility in the housing consumption or tenure choice studies. This study will show that it is unrealistic in the housing consumption or tenure choice to assume that each household in the housing market has identical preferences. This study will find that the supply of multi-family housing units makes it easier/earlier for households to adjust their housing purchases to meet their changing housing needs, particularly for recent minority households who cannot afford to consume high valued housing.

II. Implications of homeownership

The Housing Act of 1949 in the US contains a famous statement of intent for the purpose of the U.S. housing policy: “the Congress hereby declares that the general welfare and security of the Nation and the health and living standards of its people require ... the realization as soon as feasible of the goal of a decent home and suitable living environment for every American family.” The 1990 National Affordable Housing Act reaffirmed the national goal that every American family be able to afford “a decent home in a suitable environment” (HUD, 1994, p.11). Increasing the rate of homeownership has been “a long-standing goal of federal housing policies in the United States” (Green and White, 1997, pp.441-442). The similar standard is also true for Australian- (Bourassa, 1994; Yates, 2000) and Canadian- (Skaburskis, 1988a, 1988b) contexts.

Housing progress of the population is closely related to the nation’s economy, and expanding housing consumption is a major stimulant to the nation’s economic growth (Myers and Wolch, 1995). Homeownership is an important social good because “it increases responsibility and stakes out a man’s own place in his community” (Stegman, 1970: 317). It is a symbol of commitment, solidarity and allegiance to a society. Although some researchers
have argued that the belief that universal ownership is good for societies is "cruel and deceptive" (Stegman, 1970, p.324) and a "myth" (Kemeny, 1981, p.11), common sense seems to indicate that any type of homeownership is much better to societies than renting since substantial advantages accrue to individual households as well as to the public. Because of these reasons, the degree of homeownership attainment is one of the most important indicators in a nation's welfare, which determines and contributes to the stability of the nation.

Homeownership is important not only for a society but also for a family. Homeownership gives families a degree of security, comfort and even makes a bridge that may encourage stronger family ties. Rohe and Stegman (1994a) show that homeownership has a positive impact on the life-satisfaction of low-income families. Homeownership pattern by children's parents even impacts children’s schooling behavior. Green and White (1997) argue that type of housing tenureship affects the children's welfare therein. They show that homeowning by parents benefits their children, who are less likely than children of renters to drop out of high school or to have children as teenagers. However, owning home is not just limited to the families' welfare.

Financially, ownership is not only a symbol of wealth, but the most important actual wealth which most families manage to accumulate. Thus, housing is an investment as well as a place to live. Simply put, buying a house is a good hedge for an individual household against inflation of housing costs because in general, housing prices have kept pace with or exceeded the pace of inflation in the U.S. (Chevan, 1989; Mankiw and Weil, 1989, 1992). Given the significance of housing to a society in general and to an individual household in particular, a great deal of homeownership studies have been carried out from diverse perspectives to investigate the "complex crystal with many faces" (Bassett and Shott, 1980, p.2) of housing.

In a broad sense, research on housing studies has evolved into two separate domains. In the economic perspective, one of the main streams on homeownership or housing choice is concerned with housing prices and understanding the way in which various aspects of dwellings contribute to the housing price. Economists assume that households choose the
dwelling with the best combination of features at the best price. When they actually shop, however, they gather their own information about the implicit prices of location, size, and design features. Eventually, the household chooses a bundle that maximizes the household's utility subject to its budget constraints assuming a competitive process in a market with a large number of buyers and sellers (McDonald, 1997, pp.211-212). Thus consumers choose a housing bundle “from a large number of alternatives indexed by their characteristics and prices” (Quigley, 1983, p.125).

A second approach focuses more specifically on the choices made by individual households and the changing patterns of housing distribution across the population. This approach has been pursued by planners, geographers and demographers (in the sociological perspective). Planners have used housing as a tool both for achieving individual quality of life and for shaping desirable social goals (Myers, 1984, 1999; Pitkin and Myers, 1994; Rohe and Stagman, 1994b). Geographers emphasize the fact that housing is “fixed in location” (Bourne, 1981, p.2) and focus their attention on the combination of individual housing with the changing spatial structure, and the interactions of these two factors. For demographers, in the sociological perspective, housing is a social indicator that addresses how social relations and solidarity are maintained in a society (Lindstrom, 1997). Naturally, housing has been an important indicator to trace immigration's adaptation processes in the U.S. (Alba and Logan, 1992; Krivo, 1996; Myers and Lee, 1998). The second approach is based upon the premise that housing production, distribution, and consumption are intertwined within the basic dynamics of the society within which housing is produced (Clark and Linneman, 1996).

The primary distinction between these two broad perspectives is that the former see housing as an economic or investment good and the latter see housing as a social good or service for which society should take a collective responsibility. Economists contend that the production and consumption of housing can be left to the competitive primary market. In there, they believe that diverse economic activities such as financing, construction, and consumption from the diverse economic agencies (bankers, builders, consumers) automatically determine its production, distribution and consumption by the mechanism of “invisible hand.”

Proponents of the second approach argue that housing is more of a social service which is
to be provided to all members of society, at least up to a minimally acceptable level of quality and quantity, because invisible hand can't be applied to every sector of society, and market failure is common in many instances. In this regard, Apgar (1993) argues that government intervention for the poor is necessary, because despite tremendous progress toward the goal of providing a decent home and suitable living environment for every American. However, decent housing at an affordable price is still not a reality for many households with low or very low incomes in the US (Coulson, 1999; Gyourko et al., 1999).

III. Deficiencies of homeownership studies in the US

Existing empirical studies of housing consumption or tenure choice in general fail to include several crucial features of the urban housing market. These studies measure housing consumption in mostly single dimension, owning or renting, despite the noticeable non-synchronic characteristics of the housing stock and the diverse consumers’ taste heterogeneities (McDonald, 1997) and idiosyncratic housing market characteristics (Anas and Arnott, 1992).

It is not likely that each household in a market, whether it is local- or national-level, has identical preferences. In defining discrete housing types, or combinations of these underlying attributes, both the empirical and theoretical literature on homeownership studies suggest that households of differing income and family size will choose units of varying quality housing depending upon their life-cycle circumstances and affordability conditions (Clark et al., 1994; Myers, 1990; Quigley, 1976). These implications are particularly relevant to the experiences of the U.S. during the 1980s.

During the 1980s, the total supply of housing units increased faster than the number of households, resulting in rising vacancy rates and declining real housing costs in most areas of the country (HUD, 1994). However, the benefits of more readily available and affordable housing generally did not filter down to the following two demographic groups: the
underprivileged and younger households.

Lower rates of homeownership were the most widespread housing problem facing American households during the 1980s, and are particularly prevalent among the underprivileged groups. Immigrants failed to achieve the homeownership rates of comparably endowed native-born persons (McArdle and Masnick, 1993) even though immigrants should subscribe to the American Dream as fully as do native-born Americans (Fannie Mae, 1995). Minorities face significantly more severe housing problems than the rest of the population. On all standard measures of housing conditions (affordability, physical inadequacy, overcrowding, and rates of homeownership), Blacks and other minorities are consistently found to be worse off than Whites (Myers and Wolch, 1995; Apgar, 1993). Despite passage of the 1968 Civil Rights Act, discrimination based on race or ethnicity is still widely practiced and severely limits housing opportunities for minorities (Buist et al., 1994; Farley, 1996). Female-headed households also tend to suffer greater housing problems than the average household. For example, ten percent live in housing officially rated as inadequate, as opposed to 7.5% percent of all households (Marcuse, 1990).

While rich and poor have always had different opportunities to buy homes, and minorities have fared less well than others, as Myers and Wolch (1995) noted, for the first time, America has experienced a homeownership disparity within the same families, called generation gap, that is, young families are not becoming homeowners at the same rate as their counterparts did one or two decades ago. They reported that younger households (aged 25-34), whose ownership rates stood at over 51% in 1980, experienced a 6% point decline in 1990.

If the current housing problem in the U.S. is really the “abundance of housing for all but the poor and the younger,” it would be worthwhile to study the different aspects of housing supply such as multi-family housing (e.g., condominium, apartment). Several researchers noted that the supply of multi-family housing units made it easier for households to adjust their housing purchases to meet their changing housing needs, particularly for minority households who cannot afford to consume high valued housing (Apgar, 1993; Gleason et al., 1999; Skaburskis, 1988a, 1988b). Moreover, it is reasonable to believe that consumers
respond to different sets of constraints, depending on their role in the development process and on personal characteristics as well (Bourne, 1981, pp.110-111).

Although concerns for the study of multi-family housing recently have increased, little empirical research has been carried out in the United States. Several researchers (Bogdon and Follain, 1996; Follain, 1994; DiPasquale and Cummings, 1992; Rosen, 1989; Weesep, 1988) call for a wide variety of research needs regarding multi-family housing and note the limited volume of research on multi-family housing as compared with single-family housing markets. However, they raise or investigate the concerns for renting of multi-family housing, disregarding the potential utility of owning the multi-family housing. Next section draws several empirical evidences on the utility of multi-family housing option mainly focusing on the US context.

IV. Multi-family housing option in homeownership

The American dream of owning a home has been strongly associated with occupying single-family housing for the people who can afford it; however, the association must be connected to the need and supply of multi-family housing for the people who cannot afford the single-family housing (Bogdon and Follain, 1996; Follain, 1994). The subpopulation who choose structural types other than the typical form of shelter in the U.S.--single family housing detached or attached--as their living shelter are different from the people in single family houses with respect not only to life-cycle stages and household economic resources but also to stated preferences and future housing plans (Dieleman et al., 1989; Meligrana, 1993).

The multi-family housing projects could be an opportunity for low- and underprivileged families to pull themselves up from their bootstraps and enable them to achieve their American Dream (Krueckeberg, 1999). Concurrent with this argument, two recent ethnographic studies show that multi-family housing can be a vehicle that enables immigrant
and minority households to be homeowners (Hamilton and Cogswell, 1997; Johnston et al., 1997).

The difference between white and minority homeownership rates has failed to narrow during the 1980s and early 1990s (Hughes, 1996). Although there have been notable improvements of the ownership rates of the immigrants of the past generation, the homeownership rates of the new comers for the early 1990s would not approach national average until they pass through one or two decades (Emrath, 1994). Lagging homeownership of the poor and minorities has been a persistent problem in the absence of direct public policy actions. Schill and Wachter (1995) report current and past federal policy initiatives have themselves increased stratification based on income and race. The federal government reduced direct subsidies for the development of multifamily housing in the 1980s (Keyes et al., 1996).

If current housing crisis of the poor comes mainly from the policy of the federal government which gives favorable tax subsidies to the people who can afford the single-family housing (Dreier, 1997; Follain, 1994), a new initiative such as the development of multi-family housing mortgage is needed for the people who cannot manage single-family housing. However, the initiative should be a target specific initiative that comprehends characteristics of households and the housing type. The diagnosis of market imbalances underlying these problems should be accompanied with the initiative because the housing market analysis should be intended to serve as a factual basis for a community’s programmatic strategy and priorities based on each locality’s environment. A comment from an agent in one of the studies is particularly relevant to the argument of the present study. Co-op apartments would be good for lower income people, ..., but none of the government agencies can get sensible “co-op lending through their needs” (Hamilton and Cogswell, 1997, p.82).

By neglecting these considerations, many analyses of household tenure choice or demand for housing have overlooked a crucial link in understanding which households choose what type of components of the bundle of housing services. In addition, an investigation of the multifamily housing sector, the most visible form of housing sub-market that offers high
density homeownership option, would add much insight to the existing homeownership studies. Some recent evidences support this argument.

Lee and Zhee (2004) and Myers et al. (1998) showed that immigrants' housing consumption shifts markedly as the immigrants grow older and gain added experience in the U.S. It appears that most people move from renting to owning single-family housing whether they are native-borns or immigrants. Lee and Zhee (2004) also reveals that although 1970's immigrant arrivals in general do not attain the same level of ownership as their native-born counterparts, they make a move to substantially close the ownership gap in just a single decade. For recent immigrants who do not yet have enough wealth, purchasing a non-single family housing unit, such as condominium or apartment, or low quality housing in terms of value, were a ladder to reach homeowners during the 1980s.

Lee et al. (2000) found that while the investment potential of multi-family housing for individual owners was almost equivalent to that of single-family housing in 1980, the multi-family structures lost their investment potential in 1990. The study showed that specifying a measure of housing quality represented by housing structure has utility in the tenure choice model. The study revealed that it is unrealistic in the studies of homeownership or tenure choice to assume that each household in the housing market had identical preferences during the 1980s. The presence of multi-family housing units made it easier and/or earlier for households to adjust their housing purchases to meet their changing housing needs, particularly for minority households who cannot afford to consume high valued housing.

Lee and Myers (2003a) and Goodman (1999) revealed that economic circumstances and the condition of the local housing market affect the propensity to buy a house. Particularly, high prices of owner occupancy in the 1980s have decreased access to single-family housing ownership for younger families with decreased actual income. The affordability condition is particularly detrimental for minority younger households. Given this change, however, some individual households in this age group chose multi-family housing as their shelter in a market where housing price is high. The finding confirms the hypothesis that if housing prices rise rapidly at a certain place, then individual consumers who cannot afford to
consume single-family housing may try to find a new equilibrium that meets their financial or other household specific conditions.

Overall, these studies showed that specifying a measure of housing quality represented by housing value and structure has utility in the housing consumption or tenure choice model. In this regard, it may be unrealistic in the studies of homeownership or tenure choice to assume that each household in the housing market had identical preferences. The supply of multi-family housing units has made it easier/earlier for households to adjust their housing purchases to meet their changing housing needs, particularly for minority households who cannot afford to consume high valued housing.

In sum, multi-family housing options for home purchase could be affordable for the low-income or underprivileged. More specifically, providing multi-family housing can syphon off much of the rental population. Thus expanding the diverse multi-family projects would give a lot of welfare to the people who would taste the output. Adding an option of occupying multi-family housing to homeownership studies takes on significance greater than the simple rent-own tenure choice because of the associated implication for planners and policy makers.

V. Conclusion: policy implications and future studies

Housing policy initiatives developed over four decades by the federal government have produced significant improvements in the quality of the nation’s aggregate housing stock (HUD, 1994). The result of a shift from renting to owning during this period in the United States is due largely to the vigorous federal government policies that emphasized homeownership. The process implicitly included advantageous financing mechanisms that favored single-family housing construction (Mayer and Somerville, 2000). As a result “the United States is a nation in which the single-family detached owner-occupied unit is accepted as the norm” (Rosenberry and Hartman, 1989, p.1) at the expense of multi-family housing.
Owning single-family housing is ideal and most Americans state this preference (Fannie Mae, 1995), however, owning single-family housing may not be possible for some people who can’t afford to manage the housing. Many homeownership researchers argued that the considerable housing subsidies to homeownership at the federal level having been afforded to the relatively affluent rather than to the poor or underprivileged groups (Apgar, 1993; Marcuse, 1990; Rossi and Weber, 1996). It would be useful to consider policies designed to increase the diversity of dwellings that could be afforded by under-served groups such as female- or minority-headed households.

The study of the multi-family housing sector is also important in the public policy perspective. The growth of the multi-family housing sector may contribute to social welfare by easing the household’s transition through the life-cycle related changes in housing needs. For example, it would help young households gain homeownership tenure while improving their housing condition and by encouraging older households to adjust their space consumption and free their larger houses for other families who need more space. The multi-family housing may also attract some renting households and accelerate their movement into homeownership (Meligrana, 1993). Moreover, it is reasonable to believe that the multi-family housing submarket would increase the tenure options to renters as well as single-family housing owners depending on the need of their housing consumption change. Based upon these theoretical considerations, the present study defines three types of housing submarkets by proxies for housing quality: single-family housing, multi-family housing and rental housing.

The present study showed that diverse policy requires state and local governments to develop a comprehensive housing affordability strategy, identifying a community’s current and anticipated needs for affordable and supportive housing and outlining a strategy for addressing those needs. Developing multi-family housing projects need not solely depend on government resources. Expanded housing assistance resources to private builders can make the multi-family housing project a success. Weesep (1988) presented evidence regarding how the parties on the supply side of the private market took the initiative to introduce the multi-family housing projects in the United States.
In sum, most of the required information regarding multi-family housing has been absent. The surprising lack of any analysis on multi-family housing poses serious problems and raises barriers to constructing relevant policies by policy makers and planners. Future research should be directed to the concerns of the following questions. First, on the demand side, we need to know whether low-income households value multi-family housing that provide less space for private quarters and more common space for their housing choice. Along with the first need, second, forecasting the demand for multi-family housing by low-income household in metropolitan areas with substantial amounts of multi-family housing should be pursued. Finally, we need to know how multifamily housing markets operate in what market context, that is, what factors influence the supply of multifamily housing and how it is financed, which also accompanies the issue of the price elasticity of the supply of the multi-family housing.

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미국 주택 연구의 최근 동향

임 형 백, 조 중구

본 연구는 미국 주택시장에서 특히 다가구주택에 관한 최근 연구 동향을 분석한 것이다. 우리나라의 경우와 마찬가지로 자기주택의 소유는 미국인의 꿈이라고 할만큼 중요한 의미를 가진다. 하지만 미국 주택시장의 경우 1990년대 사상 초유의 자가비율 하락을 경험한 바 있다. 이러한 자가비율의 하락은 주로 초기 주택시장 전입 계층인 20대와 노령층의 주거비지불능력의 하락, 그리고 이민자들의 자가 주택시장 전입의 어려움 때문인 것으로 드러났다. 단독주택이 주류를 이루는 미국 주택시장의 경우 아파트, 콘도미니엄 등과 같은 다가구주택은 주로 차가의 점유형태를 가지는 것이 일반적이다. 하지만 다가구주택의 효용성을 검증한 일련의 실증분석에서는 이들 주택의 점유형태가 자가로 사용될 경우 이들 계층들의 자가시장 진입가능성이 더욱 높을 것으로 예측되었 다. 이러한 분석결과에 기초한 다양한 정책 제언을 요약하면 다가구주택시장의 활성화와 이들 주택유형의 자가시장 진입을 통한 이민자들 및 20대의 신규가구 형성자들의 자가비율 진작을 제안하고 있다. 이러한 동향은 아파트 등과 같은 다가구주택의 효용성이 여전히 유효하며, 전원주택 등과 같은 단독주택의 효용성이 점증하고 있는 우리나라 주택시장의 동향과는 상당한 차이를 보이고 있다.