

# Builder

## REDESIGNING HOUSING TO ADDRESS THE NEW AMERICAN HOUSEHOLD

**Builders offer their take on creating new product to address the shift in household demographics.**

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The nuclear household has gone to the wayside. Fewer than 1 in 5 households in America is a married-with-children nuclear family household and there are a record number of multigenerational households, in addition to a steady rising rate of ethnic diversity. As household composition changes, housing developers need to look at offering new ways to live, including multigenerational and co-housing, high-density infill, and tiny homes.

A snapshot of diverse household percentages from a current exhibit at the National Building Museum, "Making Room: Housing for a Changing America," supports the assertion. It shows that single-parent families make up 7% of households; nuclear families, 20%; adults sharing with other adults, 20%; couples, 25%; and single people living alone, 28%. During the past few decades, the percentage of nuclear family households has declined while single-person households have steadily climbed.

With these types of changes to the composition of the American household, it's imperative to ask if the current available housing product is meeting the needs of the new households.

Current U.S. housing stock responds to the nuclear family that no longer exists. According to the data, 28% of U.S. households are single people that live alone, however, less than 1% of the housing stock are studios and only 11% are one-bedroom homes.

After the downturn of the housing market, foreclosed homes became a prime business opportunity for real estate investors who didn't lose their position. Zillow reports that the number of single-family rental homes grew by 5 million from 2006 to early 2017.

Over the past decade, the market for single-family rentals grew a tremendous amount during the bust and recovery period. In the past two to three years it has leveled off, notes Aaron Terrazas, economic research director at Zillow. The foreclosures drove the trend; people lost their homes and ended up as renters. During the next few years, as the economy improves, Terrazas says we will see another growth phase for single-family rentals as mortgage rates rise and because people want the amenities of their own home.

Single-family rentals "will be very common in high-cost markets, like [San Diego](#), [San Francisco](#), San Jose," Terrazas says. "Obviously building in those markets is difficult. When it comes to building for rent, it is more common in more affordable markets where you see more multigenerational living."

Zillow research suggests that single-family rentals are mostly attractive to young families and lower income, in the 40%. Terrazas predicts that this phenomenon is here to stay and that pockets of demand will increase. He also anticipates that home size will

grow beyond the one- to two-bedroom template to adjust for multigenerational households and to allow for more subletting options.

In this short panel session, Mark Wolf, founder and CEO at AHV Communities, and Cyrus Zadeh, principal at Camden Homes, discuss their strategies for presenting new product to the changing landscape of home buyers.



Based on this decrease in the need for three-bedroom homes, Brian Gaudio, co-founder and CEO at Module Housing, has created new product centered on being able to respond to changing household needs. His product can adapt as the family grows or their needs change and includes the Flat Top, which is 640-square-foot, one-bedroom, one-bathroom for a single young professional; along with a 1,280-square-foot Grownup product for a couple without kids. In both cases, these homes can be added to easily with the company's expandable building system.

This product not only physically adjusts to the family, but also offers a sliding scale for payment opportunities. Home buyers can start with a basic design that is an affordable way into homeownership, and the platform and construction technology allow the buyer to later add on cost and home functionality. Should a child or an aging parent need to share the space, the homeowner easily can add a bedroom without months of renovation.

Module Housing makes this home-buying model a reality with an online process that educates the homeowner about the journey of homeownership, plus simplifies the conventional experience. The Module Housing process has been attractive to home buyers. The company recently started to book reservations for its first customers with an online payment processing system on its website.

This model also has benefits to the builder.

“By seeing the home as a recurring revenue stream, we can service a customer throughout the lifecycle of them living in our homes,” Gaudio says. “In addition to making revenue on the sale of a starter unit, we're able to take in revenue for every addition and upgrade a customer makes to his/her home.”

Increasing automation in the design and construction process will continue to put new housing products into the mix.

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