

July 3, 2008

The New York Times
June 25, 2008

Fuel Prices Shift Math for Life in Far Suburbs
By Peter Goodman

ELIZABETH, Colo. — Suddenly, the economics of American suburban life are under assault as skyrocketing energy prices inflate the costs of reaching, heating and cooling homes on the distant edges of metropolitan areas.

Just off Singing Hills Road, in one of hundreds of two-story homes dotting a former cattle ranch beyond the southern fringes of Denver, Phil Boyle and his family openly wonder if they will have to move close to town to get some relief.

They still revel in the space and quiet that has drawn a steady exodus from American cities toward places like this for more than half a century. Their living room ceiling soars two stories high. A swing-set sways in the breeze in their backyard. Their wrap-around porch looks out over the flat scrub of the high plains to the snow-capped peaks of the Rocky Mountains.

But life on the edges of suburbia is beginning to feel untenable. Mr. Boyle and his wife must drive nearly an hour to their jobs in the high-tech corridor of southern Denver. With gasoline at more than \$4 a gallon, Mr. Boyle recently paid \$121 to fill his pickup truck with diesel fuel. In March, the last time he filled his propane tank to heat his spacious house, he paid \$566, more than twice the price of 5 years ago.

Though Mr. Boyle finds city life unappealing, it is now up for reconsideration.

“Living closer in, in a smaller space, where you don’t have that commute,” he said. “It’s definitely something we talk about. Before it was ‘we spend too much time driving.’ Now, it’s ‘we spend too much time and money driving.’ ”

Across the nation, the realization is taking hold that rising energy prices are less a momentary blip than a change with lasting consequences. The shift to costlier fuel is threatening to slow the decades-old migration away from cities, while exacerbating the housing downturn by diminishing the appeal of larger homes set far from urban jobs.

In Atlanta, Philadelphia, San Francisco and Minneapolis, homes beyond the urban core have been falling in value faster than those within, according to an analysis by Moody's Economy.com.

In Denver, housing prices in the urban core rose steadily from 2003 until late last year compared with previous years, before dipping nearly 5 percent in the last three months of last year, according to Economy.com. But house prices in the suburbs began falling earlier, in the middle of 2006, and then accelerated, dropping by 7 percent during the last three months of the year from a year earlier.

Many factors have propelled the unraveling of American real estate, from the mortgage crisis to a staggering excess of home construction, making it hard to pinpoint the impact of any single force. But economists and real estate agents are growing convinced that the rising cost of energy is now a primary factor pushing home prices down in the suburbs, particularly in the outer rings.

More than three-fourths of prospective home buyers are now more inclined to live in an urban area because of fuel prices, according to a recent survey of 903 real estate agents with Coldwell Banker, the national brokerage firm.

Some now proclaim the unfolding demise of suburbia.

"Many low-density suburbs and McMansion subdivisions, including some that are lovely and affluent today, may become what inner cities became in the 1960s and '70s — slums characterized by poverty, crime and decay," declared Christopher B. Leinberger, an urban land use expert, in a recent essay in *The Atlantic Monthly*.

Most experts do not share such apocalyptic visions, seeing instead a gradual reordering.

"It's like an ebbing of this suburban tide," said Joe Cortright, an economist at the consulting group Impresa Inc. in Portland, Ore. "There's going to be this kind of reversal of desirability. Typically, Americans have felt the periphery was most desirable, and now there's going to be a reversion to the center."

In a recent study, Mr. Cortright found that house prices in the urban centers of Chicago, Los Angeles, Pittsburgh, Portland and Tampa have fared significantly better than those in the suburbs. So-called exurbs — communities sprouting on the distant edges of metropolitan areas — have suffered worst of all, Mr. Cortright found.

Basic household arithmetic appears to be furthering the trend: In 2003, the average suburban household spent \$1,422 a year on gasoline, according to the Bureau of Labor Statistics. By April of this year — when gas prices were about \$3.60 a gallon— the same household was spending \$3,196 a year, more than doubling consumption in dollar terms in less than five years.

In March, Americans drove 11 billion fewer miles on public roads than in the same month the previous year, a 4.3 percent decrease — the sharpest one-month drop since the Federal Highway Administration began keeping records in 1942.

Long before the recent spike in the price of energy, environmentalists decried suburban sprawl a waste of land, energy and tax dollars. Governments from Virginia to California have in recent decades lavished resources on building roads and schools for new subdivisions in the outer rings of development while skimping on maintaining facilities closer in. Many governments now focus on reviving their downtowns.

In Denver — a classic Western city, with snarling freeway traffic across a vast acreage of strip malls, ranch houses and office parks — the city has had an urban renaissance over the last decade.

A \$6.1 billion commuter rail system has been in the works over the last four years, drawing people downtown without cars, while stimulating swift sales of densely clustered condos near stations.

Coors Field, the intimate, brick-fronted baseball stadium for the Colorado Rockies, has transformed the surrounding area from a desolate skid row into fashionable Lower Downtown, a neighborhood of restaurants and microbreweries in restored warehouses. Along the Platte River, new condos set on a park strip offer an arresting tableau of glass, steel, and futuristic geometry, attracting throngs of buyers at rising prices.

“This is a city where it’s fun to be in the center,” said Tim Burleigh, 56, who sold his house in the suburbs and now walks to Rockies games from his downtown condo.

To Denver's mayor, John W. Hickenlooper, \$4 gasoline offers a useful incentive for such plans.

"It can be an accelerator," he said during an interview inside the imposing column-fronted City Hall. "It's not going to be the dagger in the heart of suburban sprawl, but there's a certain inclination, a certain momentum back toward downtown."

Dollars spent at the gas station leave fewer for mortgage payments. Mark Zandi, chief economist at Moody's Economy.com, calculated that the jump in gas prices from \$2 a gallon to \$4 has taken \$50 a month from the typical suburban commuter driving 25 miles a day.

"The fuel price change should be capitalized into the cost of houses," Mr. Zandi said. "Prices in the outer suburbs will get clobbered."

Elizabeth is the archetype of a once-rural community sucked into the orbit of the expanding metropolis, its ranch lands given over to porches, picket fences and two-car garages.

Megan Werner, 39, a mother of three, moved here five years ago from a dense suburb closer to Denver. She and her husband bought a home set on a 1.5-acre lot in the Deer Creek Farm subdivision. The space justified her husband's 40-minute commute.

"We wanted more than a postage stamp," she said, as her 5-year-old daughter walked barefoot across the driveway.

It used to cost her about \$30 to fill her Honda minivan with gas. Now, it is more like \$50, and she coordinates her trips — shopping in town, combined with dance lessons for her children. But she has no thoughts of leaving.

"I can open up my door and my kids can play," Ms. Werner said.

For others, though, new math is altering the choice of where to live. Houses are sitting on the market longer than in years past. "The pool of buyers is diminishing," said Jace Glick, an agent with Re/Max Alliance in Parker, Colo., next to Elizabeth.

Juanita Johnson and her husband, both retired Denver schoolteachers, moved here last August, after three decades in the city and a few years in the mountains. They bought a four-bedroom house for \$415,000. Last winter, they spent \$3,000 on propane for heat, she said. Suddenly, this seemed like a place to flee. “We’d sell if we could, but we’d lose our shirt,” Ms. Johnson said. Recently she counted 15 sale signs. One home nearby is listed below \$400,000.

“I was so glad to get out of the city, the pollution the traffic, the crime,” she said. Now, the suburbs seem mean. “I wouldn’t do this again.

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