

Tracking The Suburbs

Study Suggests Renters and Homebuyers Will Pay More for Locations Close to Transit

By Emma Tyaransen, Adam Seidman and Adam Christian



At the Santiago Street Lofts, located in Santa Ana, public transportation is immediately available.

Transit-oriented development (TOD) is more than a strategy for responsible long-term growth — it may also be a smart real estate investment. And it now is catching on in California suburbs, where driving an automobile is almost universally a way of life.

This conclusion comes from a recent study by The Concord Group, which looked at both rental and for-sale properties situated within walking distance of rail stations in the Bay Area and Southern California, and compared them with non-TOD communities in similar neighborhoods.

A key finding of the study showed that TOD properties command a significant premium — up to 35 percent more per square foot in some cases.

Regional increases

In Redwood City, 26 miles south of San Francisco, the mark-up for an apartment near the Caltrain station is about 25 percent more per square foot. The premium is less pronounced, but still significant for other cities, such as San Leandro, Newark, Hayward, Union City, and beyond. There, the difference between

average TOD and non-TOD rents hovers in the 10-15 percent increase range.

In Southern California too, a survey of suburban TODs reinforces these findings. In Pasadena, Archstone Old Town Apartments — built atop the Gold Line station — charges on average approximately 15 percent more per square foot than non-TOD competitors, without any discernable effect on vacancy rates.

For-sale TOD properties appear to enjoy a similar advantage. To the south, in Orange County, Soco Walk in Fullerton offers condominium and live/work units within walking distance of Metrolink — the regional commuter rail service. Prices per square foot are 5-to-14 percent higher than comparable attached product. Overall, 110 of its 118 units have sold, with sales accelerating in recent months.

Selling a lifestyle

Perhaps the most obvious reason for the TOD premium is enhanced mobility. When prospective tenants are weighing the trade-offs of a suburban location, better transit access may offset a longer work commute, which in turn allows apartment owners and developers to charge more for the convenience.

Behind the rising popularity and market value of suburban TODs, there may also be a larger cultural and generational shift at work.

Young professionals and first-time homebuyers aged 25-34 are leading this phenomenon. The vast majority of them may have grown up in suburbs, but their perception of cities is much more positive than that of their parents. The specter of urban crime and violence, which drove middle-class families out of American cities beginning in the 1960s, no longer holds sway. On the contrary, these so-called “echo boomers” are more likely to view cities as desirable, exciting places to live.

In California, however, the sky-high cost of owning or renting may price them out of San Francisco and Los Angeles. Forced to the periphery in the search for more affordable housing, these consumers are at the same time wary of relinquishing their urban identity too soon. Suburban TODs provide a middle ground.

Proximity to a rail station offers not just an alternative means of commuting to work, but a psychological insurance policy against suburban isolation. It signals to the young buyer or renter that opportunities for leisure and entertainment remain accessible, even if they are not available within the immediate vicinity.



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Successful TODs sell the idea of city living more than city living itself. Most of them are situated in suburbs without significant downtowns, or in underutilized industrial areas that have been rezoned for residential development. In contrast to more established urban neighborhoods, they are not anchored by upscale retail amenities or entertainment venues that might explain their superior market position.

The next generation of suburbanites is willing to compromise on location, but want the most desirable aspects of those upscale urban neighborhoods incorporated into their living environment. Walkable access to amenities and distinctive design features frequently top the list. Suburban TODs built in recent years respond directly to these quality-of-life considerations.

Successful TODs

Built across from the city's Metrolink station, The Depot Walk in Orange (26 miles southeast of Los Angeles) has tailored its architectural style to capture the city's historic industrial feel, offering what it calls “three-story California brownstones.” In neighboring Santa Ana, Santiago Street Lofts is located opposite the Santa Ana Train Depot, and bills itself as offering “cutting edge and vibrant architecture” located in “a trendy village.”

For this discriminating class of consumers, a contemporary “loft” helps to distinguish these newer developments from ordinary garden apartments, while a minimal mixed-use component — such as a Starbucks café on the ground level — creates the ambiance of a hip, urban environment.

The taller, more vertical design of suburban TODs confers upon them an additional marketing advantage: instant visibility within the local neighborhood. Typically built as four-story podium or mid-rise construction, these properties stand out from their low-rise suburban competition by offering premium views in some cases. Their proximity to rail stations means that these developments can easily advertise themselves to the thousands of commuters exiting those stations daily.

Green appeal

Growing environmental concerns also have led many to reconsider the impact of suburban sprawl and its lifestyle of auto dependency. Residents of suburban TODs do not necessarily give up their cars, but they also value having the option to take the train on occasion, and are willing to pay a little more for their location.

This marketing pitch also draws on nostalgia for a more balanced, relaxed way of life. Its primary target is less the urban “digerati” or hipster crowd than young couples and families. These consumers are similarly wary of suburban isolation, but crave a more intimate community setting of neighborly interaction for their families.

Long-term forecast

A sharp increase in the proportion of one- and two-person households — a trend expected to intensify between now and 2035 — means greater demand for smaller housing units. These households represent an older population whose grown children no longer live at home, and young couples either delaying children or choosing not to have children. TOD properties in California suburbs are well-poised to respond to the residential preferences of this burgeoning demographic.

Developers and homebuilders would be wise to embrace the growing demand for alternatives to conventional suburbia, as shifting demographic trends and economic conditions conspire to create a sizeable and potentially profitable niche for transit-oriented development outside major cities.

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