

# CHART OF THE WEEK

September 24, 2020

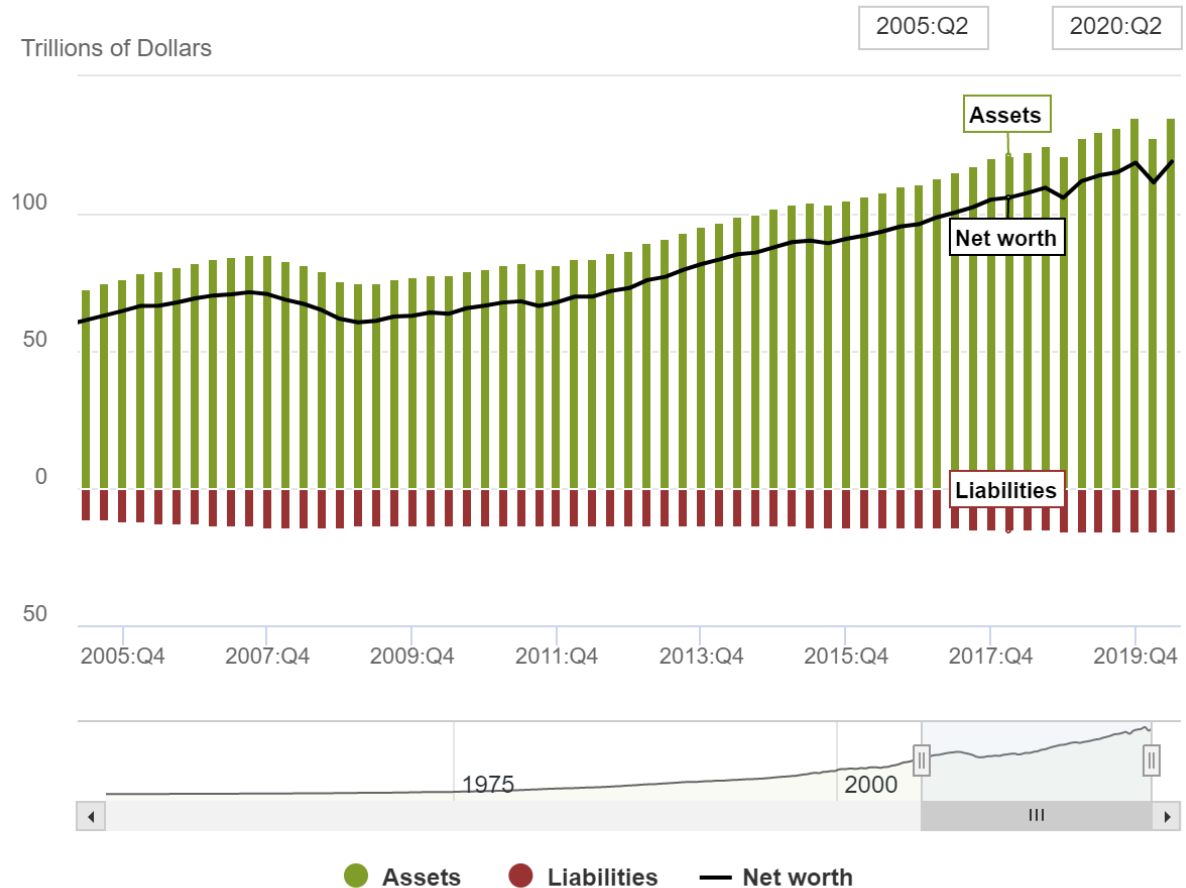
## Suburbia Strikes Back

The Chart of the Week may be a bit of a surprise. The net worth of households and nonprofits hit an all-time high as of the end of the second quarter of 2020. The new high was not a large jump from prior months, but it is noteworthy, nonetheless. Not surprisingly, a large portion of the boost was from the stock market, which has had substantial monetary and fiscal stimulus as a tailwind.<sup>1</sup>

The part that is surprising, certainly from the perspective of where we were in March of this year, is the resilience and strength of residential real estate. It would appear the flight from dense urban housing to suburbia has really given housing a strong tailwind behind its sails. The longer the COVID-19 pandemic persists—especially with respect to social distancing requirements—the more likely this trend will have some continuing legs to it.

The original driver behind the move to suburbia resulted largely from the advent of the federal Interstate Highway System, which made auto travel over longer distances easier. This trend seems to have peaked in the 1980s.<sup>2</sup>

### Assets, Liabilities, and Net Worth



Source: Z.1 Financial Accounts of the United States

Source: [https://www.federalreserve.gov/releases/z1/dataviz/z1/balance\\_sheet/chart/](https://www.federalreserve.gov/releases/z1/dataviz/z1/balance_sheet/chart/)

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Another push by the federal government—the 1993 Empowerment Zones, Enterprise Communities, and Renewal Communities—focused on attracting investment into metro downtown areas that were abandoned during the decline of domestic manufacturing and the rise of suburbia.

The rebirth of urban areas created residential, dining, and retail space among large clusters of urban office buildings and abandoned manufacturing and light industrial districts, returning a vibrance to these areas that used to shut down at end of business every weekday or were close to abandoned altogether. In the current environment, with the digitization of business and the work-from-anywhere trend continuing, the “death of suburbia”<sup>3</sup> may have been heralded too soon. One bull market seems likely to continue: people will remain focused more on their personal living spaces, making suburbia appealing once again.<sup>4</sup>



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- <https://www.morningstar.com/news/dow-jones/202009217987/us-household-net-worth-hits-highest-level-ever-update>
- <https://www.mentalfloss.com/article/78410/15-ways-highways-changed-america>; <https://www2.census.gov/ces/wp/2016/CES-WP-16-08.pdf>
- <https://www.businessinsider.com/death-of-suburbia-series-overview-2017-3?op=1>
- <https://www.usnews.com/news/economy/articles/2020-08-21/existing-home-sales-are-on-fire-up-a-record-247-in-july>

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