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NEWS: ANALYSIS & COMMENTARY

## Living Too Large In Exurbia

**Big houses. Big cars. Now, bigger bills. A lifestyle built on cheap energy and cheap credit is in jeopardy**

For those who made the exodus to the rolling farmland of Loudoun County, Va., over the past decade, the trade-offs were well understood. Stake a claim to the exurban dream in newly sprouted developments with bucolic names like Farmington on the Green and Hirst Farms (going price: \$600,000 and up), and you got a brand new house on a quarter acre. Excellent schools, the small-town charm of antique shops, and historic courthouses were also part of the package. And just watch your home value soar, by an average 23% in the past two years.

The downside? Everyone wanted to join you. Population in Loudoun grew 41% between 2000 and 2004, faster than any other county in America. Road construction couldn't keep up, so traffic is often a nightmare. Even on the weekend, the drive into Washington takes an hour and a half. At rush hour, figure on two. Caterpillar () tractors and orange highway construction cones have taken the place of the horses and cattle that used to dot the hillsides. Still, it all seemed worth it to those like Andrea O'Hara, who moved from Pittsburgh with her husband and three children a year and a half ago. "We love it here," says O'Hara.

### DIVERSE INCOMES

These days, though, a chill is sweeping through the fast-growing exurbs that have popped up like mushrooms on the outskirts of established cities and suburbs all across America. A lifestyle built on cheap energy costs and low mortgage rates is in jeopardy. Consumers who hardly gave a thought to gassing up when regular was \$1.50 a gallon are abandoning their hulking sport-utility vehicles and pickups, signing up for carpools, and leaving the motorboat in the backyard now that prices are stuck at nearly twice that. And with heating bills expected to jump as much as 70% for many this winter, more pain is on the way.

Experience says that most Americans will turn down their home thermostats and break out the fleece. But if super-high energy prices persist for the next few years, as now appears increasingly likely, they will put a world of hurt on the thousands who already were stretching their budgets to live in the outer suburbs and rural fringes. As exurbia struggles with this new hurdle, what has grown into a huge new social and economic force will face its first real challenge.

Love them or hate them, the exurbs are playing an increasingly important role in America's cultural landscape. In the minds of critics, the exurbs tend to attract conservative young families whose communities and lives often revolve around megachurches. Liberals blame the exurbs for reelecting President Bush in 2004. Conservationists blame them for spoiling the landscape with ugly sprawls of look-alike houses and promoting wasteful lifestyles.

Supporters of exurbs see a much different picture. Author David Brooks, whose book *On Paradise Drive: How We Live Now (And Always Have)* in the Future Tense examines the exurban phenomenon, often points out that exurbs are highly diverse and getting more so. They provide a high quality of life for many, including millions of immigrants. Indeed, exurbia has attracted both upper-income families who live expansive lifestyles and middle- and lower-income families who move to the far fringes of metro areas because it allows them to step up the ladder to a bigger house, better schools, and a nicer life than they could afford closer in.

### ECONOMIC ENGINE

While many of America's biggest cities continue to lose population, and inner suburbs are suffering symptoms of old age, out in the exurbs it's a different world. Between 2000 and 2004 exurbia accounted for 17 of the 20 fastest-growing counties in the nation with more than 10,000 people. The population has mushroomed in once-rural counties near Atlanta, Dallas, Reno, and other cities. And that's certainly reflected in commute times: According to the Joint Center for Housing Studies at Harvard University, the

number of workers in the 49 largest metro areas commuting an hour or more increased by 2 million between 1990 and 2000; in the rest of the nation there were 1 million more hour-away commuters.

But with energy costs soaring and a hike in interest rates likely in the months ahead, all of a sudden the Exurban American Dream is looking a whole lot tougher for many. Just ask Frank E. Heater, a carpenter who lives in Pike County, Pa., a fast-growing exurb of New York City. To afford his 3,500-square-foot ranch home, planted on five wooded acres, Heater pulls out of his driveway at 4:15 each morning to drive his Ford () Expedition 86 miles to New York. In the best of times, his routine was grueling: "Come home, eat, shower, sleep, and you're back on the road again." But his gasoline bill now hovers around \$180 a week, about double what he paid two years ago and an ever-growing big bite out of Heater's take-home pay. Now he wishes he could take the bus, tools and all. "The gasoline is killing me," he says.

The economic consequences of a slowdown in exurban exuberance is difficult to measure. Clearly the exurbs' rapid growth has been one of the main engines of U.S. economic expansion in recent years. Consider all the homebuilding plus the malls, box stores, restaurant chains, fire departments, and schools that have popped up on cheap farmland beyond the suburbs. The new arrivals provided huge growth for retailers and other service companies, hundreds of thousands of new jobs for teachers, firemen, and the like, and entrepreneurial opportunities galore. Indeed, it is unlikely that the U.S. economy could have outperformed every other major industrial country in recent years without the explosion of exurbs and their ripple effects on business.

Even if the exurbanization of America isn't likely to end anytime soon, the dizzying double-digit growth that has been taken for granted in many markets could be slowing. Some homebuilders have already started to hedge their bets by turning to close-in locations. Houston developer Sam Yager III is still aggressively expanding in exurbs like Rosenberg, 37 miles southwest of Houston. But after years of developing primarily on the outskirts, he is now also creating City Park, a project near Houston's medical center, featuring \$90,000 to \$140,000 homes. Sales are strong, even though the lots and homes are much smaller than those for comparable money in the exurbs, and they are in the Houston Independent School District, which some young families want to avoid.

Higher energy bills and mortgage rates are not as likely to affect the more affluent. In Beacon Hill, a new development in exurban Purcellville, Va., carved from the former estate of the late Arthur Godfrey, homes are gigantic -- up to 14,000 square feet, with libraries, wine cellars, and see-through fireplaces -- and sell for up to \$3 million. Says Mitchell S. Freedman, an insurance broker who moved to Purcellville in July: "Those of us who live here are in economic circumstances where we don't worry about \$3-a-gallon gas or the price of propane."

But plenty of other exurbanites do have to worry. In Loudoun, the cost of feeding a van and a Subaru () Outback SUV already has Andrea O'Hara consolidating her errands into one trip. Heating the family's four-bedroom, three-bath house with propane figures to be 50% more costly this year. "We just sat down and looked over our budget and tried to figure out how to cut back," says O'Hara. One idea: consolidate several local carpools into one van to help beat the daily \$6 tolls and pricey gasoline. A neighbor says families are buying wood-pellet burning stoves to supplement their heating this winter. And the rising costs are already having an impact on the real estate market. "Houses here, once gas hit \$3, started to stay on the market longer," says Robin Frank, owner of nearby Brown-Carrera Realty. "A house that would have had multiple bids suddenly just got one bid in three weeks. People are being cautious now."

Some are also starting to have second thoughts about the size of those expansive new houses they've bought. Since 1992 the average new house has expanded 12% and the number with four or more bedrooms has climbed dramatically to 37%. Now the bill is coming due. Brett Luccketta, 32, moved from high-cost Orange County in Southern California to Enterprise, a fast-growing Las Vegas development last March. Even with some \$10,000 of energy-saving adds-ons to his new four-bedroom, \$285,000 home, Luccketta was shocked when his electric bill topped \$300 one month. Now he and his wife Kristy use ceiling fans and keep the thermostat at 77F to save money. Still the Lucckettas, who plan to have children soon, are thinking about trading down from their 2,200-sq.-ft. home to a 1,600-sq.-ft. townhouse. "Babies don't need giant bedrooms," he says. "I am living the American dream, but it hurts some months."

## HERE TO STAY

It may take many months of hurt before big numbers of city dwellers seriously start to consider reversing their exodus to exurbs. As transportation consultant Alan E. Pisarski notes, a two-decade stretch of extremely low-cost transportation has conditioned commuters to accept longer drives. For the time being, even extreme commuters who spend a total of four hours each day going back and forth to work will probably try to avoid moving closer to town. Joel Kotkin, an urban planner and author of *The New Geography: How the Digital Revolution Is Reshaping the American Landscape*, says that many exurbs are fast moving beyond the inefficient model of bedroom towns. Instead, they're fulfilling the original purpose of a more traditional city, with high-quality jobs and cultural amenities. That's why he believes the exurbs are here to stay, no matter how high energy prices go. Exurbanites may "get smaller cars," he says. "But they are not going to pack up and move to the city."

As the exurbs take root and evolve into communities in their own right, more new jobs are likely to find their way to these outer areas. In many U.S. labor markets where skilled workers are in short supply, exurbanites will likely get relief as more companies

move operations closer to the outlying areas where workers live or encourage more telecommuting. But until enough of those jobs show up, Pisarski predicts, "shifting to smaller homes that are closer to jobs could become the trade-off that many workers prefer."

Even if current residents hold tight to their exurban life, a big question in the near term is whether new families will keep flooding to the outskirts. Any hesitation by buyers could leave developers and homebuilders in a bind.

The availability and price of mortgages will also weigh heavily, and some economists believe that the Federal Reserve, with its frequent rate increases, is determined to apply the brakes to the runaway housing market. Long-term interest rates have jumped by nearly a half percentage point over the past month on growing fears of faster inflation and tough talk from Fed officials about the need to contain it. The higher borrowing costs are starting to put a damper on the overheated housing market. Builders now hold a 4.7 months' supply of unsold homes, the highest level in more than five years. If housing cools off, the exurbs could be among the first places to feel the pain.

The moment of truth for many exurbanites may be coming soon, says Vern S. Lazaroff, an attorney in Milford, Pa., and Port Jervis, N.Y., who specializes in personal bankruptcy. "A lot of people here get mortgaged up to their necks," he says. Once winter comes, "there's no way to pay for the fuel oil and the mortgage in the same month. There's just no way. I expect to see a huge number coming to my office."

If Lazaroff is right, it could mean a nasty winter for folks living way out in the 'burbs. The American Dream of a better life away from the city is hardly over. But it could be in for a few tough knocks.

By Mark Morrison, with Paul Magnusson in Loudoun County, Va., Peter Coy in Pike County, Pa., Christopher Palmeri in Los Angeles, and bureau reports

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