

**DANTH's FOURTH LUSTRUM DOWNTOWN TRENDS ASSESSMENT 2008
Part 3, Installment One of Two:**

**DOWNTOWN RETAILING: BUCKLE YOUR SEAT BELTS, WE'RE IN FOR A
BUMPY RIDE**

A. Introduction

Since their decline after World War II, downtowns have typically found it challenging to maintain a lively and successful array of retailers. For a number of decades, most downtown leaders saw their district's retailing in absolute decline. Many experts then considered vibrant downtown retail districts to be a thing of the past. Starting in the early 1990s, however, a significant and growing number of downtowns, both large and small, began to experience strong retail revivals. Retail chains were again looking at downtowns as viable locations. Developers, with surprising avidity, were starting new and often innovative downtown projects. The fear of crime became less and less of an impediment to downtown visitation. Shoppers were rediscovering the charms and amenities of multi-functional, pedestrian-friendly and non-cookie-cutter shopping environments. Unhappily, DANTH's assessment of current trends indicates that it is very likely that over the coming five years, downtown retailing will be stressed once again – and this time by a number of new forces. More encouragingly, DANTH's assessment has also identified some trends that downtowns can leverage to try to cope with the increased challenges to retailing.

At the time of writing this report, economists are debating whether or not the nation is in a recession and how long such a recession might last. Some banks and Wall Street firms have already declared that the nation is indeed in recession. DANTH's expertise cannot address the recession issue. Some of the economic patterns DANTH has identified as important can be associated with a discussion about recession, but we believe that no matter how long or short a possible recession may be, these patterns will still be major influences on consumer behavior over the coming five years. Included in this group are:

- Modest growth in median household incomes
- Modest amounts of discretionary household incomes, especially for dual income households
- The soaring costs of energy, medical services, college educations, etc.
- The reduced values of private homes.

All but reduced home values have existed for some time prior to the current recession debate. The housing problem promises to continue for many years.

B. Consumer Spending Will Very Probably Be A Lot More Constrained Over The Next Five years

DANTH expects consumer discretionary expenditures will be significantly constrained for large portions of the years between 2008 and 2013 because of relatively flat income growth, decreasing home equity and rapidly rising fixed household costs.

1. A Pattern Of Modest Income Growth For Most American Households.

According to the US Census Bureau, over the 38 year period between 1967 and 2005 the nation's median household income (in 2005 dollars) rose from \$35,379 to \$46,326, for an average of \$288 a year.¹ However, the median household earned \$48,201 in 2006 was down from the \$49,244 earned in 1999, according to the Census Bureau.²

During this period, some did considerably better than others: the richest 20 % of households increased their share of the national income from 43.6% to 49.6% between 1975 and 2006, while the “families in the lowest fifth saw their piece of the pie fall from 4.3% to 3.3%.”³

Average incomes for families in the middle quintile went up about 22% during this period.⁴

Many experts argue that much of the household income gain during this era can be attributed to women entering the workforce.⁵ Warren and Tyagi, for example, claim that the average two income family household in the early 2000s had 75% more income than the average single earner family household in the early 1970s (in constant 2000 dollars).⁶ However, they go on to argue that:

- The amount of discretionary income available to the single-earner 1970s family, \$17,834, and the dual-income family in the early 2000s, \$17,045, were remarkably similar, but differed substantially in the proportion of the total family income that each accounted for, 46.0% for the 1970s family compared to just 25.1% for the 2000s family.⁷
- According to their analysis, about 74.9% of the total earnings of a typical dual income family now goes to cover “fixed costs” that include the mortgage, childcare, health insurance, car(s) and taxes. They explain, in part, that dual families want to maximize the well being of their children and thus often seek more expensive homes than they can afford in suburbs with good schools.

A number of other “neo-populist” studies have appeared arguing that the condition of the middle-class has stagnated or even deteriorated over the past decades.⁸ For example, a 2007 study, By A Thread The New Experience Of America's Middle Class contains this summary description of the condition of today's middle –class:

“The cost of a standard middle-class life—a home, healthcare, a college education—has soared in recent years, outpacing growth in incomes. As a result of these changes, it is becoming increasingly difficult for Americans to enter and remain in the middle class. The costs of essentials like housing, healthcare, transportation and college continue to rise much faster than inflation and, most importantly, much faster than the incomes of 80 % of American families. The recent mortgage crisis and overall instability in the housing market have turned the dream of home-ownership into a nightmare for many.”⁹

This study uses households with annual incomes between \$40,000 and \$120,000 to define the middle class. Some of its specific findings are:

- “Fifty-two percent of middle-class families have no net financial assets at all and therefore could not meet three-quarters of their essential expenses for any length of time. “
- “On average, a middle-class family has a monthly before-tax income of \$4,8987 and spends \$3,360 (68.5%) per month on essential living expenses.”
- “The average middle-class family is \$8,328 in debt and holds net financial assets of \$9,918. Middle-class families have a median debt of \$3,500 and median net assets of \$0. This debt includes student, medical and personal loans, and credit card debt. It does not include mortgages or vehicle or business loans.”
- “According to our Index, 28 % of middle-class households spend 30 % or more of their before-tax income on housing expenses. This means that more than one in four middle - class families meet the Department of Housing and Urban Development’s criteria for fiscal “housing burden.”¹⁰

2. Home Value A Declining Engine For Personal Consumer Expenditures.

Home ownership has long been the largest component of an American family’s net worth. For years home values only seemed to go one way --up. Research has shown that there is “wealth effect” associated with the rise and fall in home values: people feel wealthier and spend more money; people feel poorer and spend less money. The impact of the home wealth effect on consumer expenditures can be between 5% and 7% of the change in value.¹¹ Recently, economists have estimated that home values would be declining somewhere between 10% and 20% in the USA. One economist described the potential impact of such a decline in this manner:

“According to Fed data, the market value of the US residential housing stock was \$21.0 trillion at the end of the second quarter of 2007. Thus, the fall in housing wealth could be in the \$2 trillion (for a 10% drop in home prices) to \$4 trillion range (for a 20% drop in prices). At \$2 trillion and with

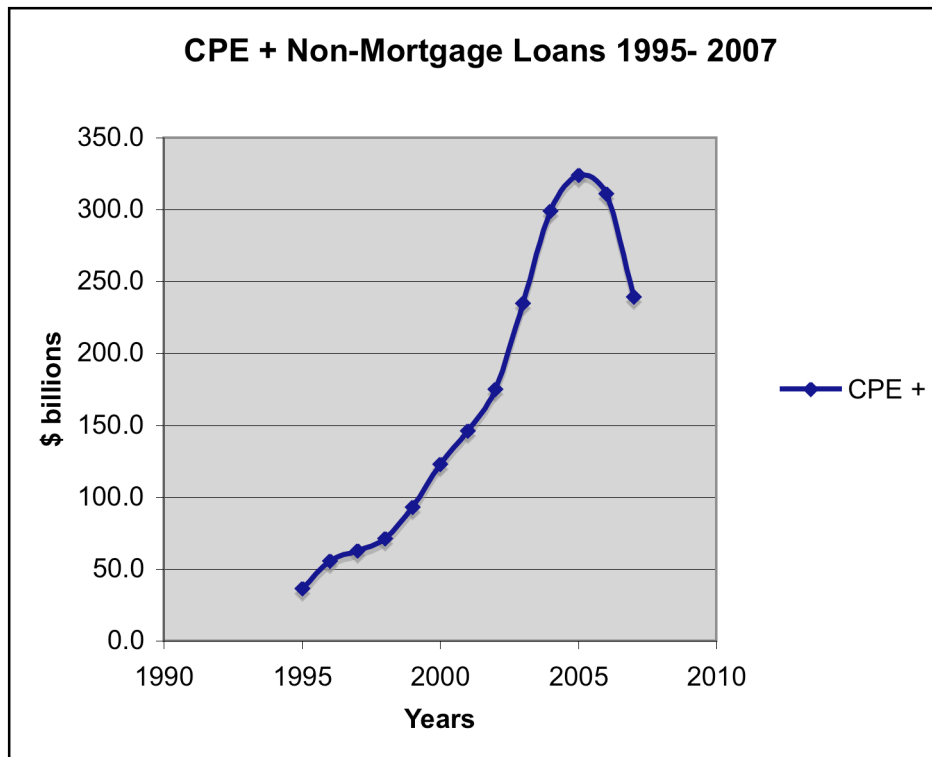
a 5% effect one gets a fall in real consumption of \$100 billion; with \$4 trillion and with a 7% effect you get a fall in consumption of \$280 billion. Even the lower figure implies a very significant and sharp reduction in consumption, let alone the larger one.”¹²

To put this potential fall in consumption in perspective, the total anti-recession economic stimulus package recently passed by Congress amounted to about \$150 billion.

There is also the effect of home equity withdrawal or extraction on consumption, which involves “the discretionary initiatives of home owners to convert equity in their homes into cash by borrowing in the residential mortgage market”.¹³ There is some debate in the literature on whether the effect of home equity withdrawal is a proxy for the home wealth effect or an additional and separate effect.¹⁴

Recent studies by Alan Greenspan and James Kennedy show that for about a decade before the emergence of the current housing problems, homeowners

Figure 1.



Source: Kennedy-Greenspanextractiondata2007Q2.xls. The 2007 statistic is a DANTH Extrapolation, after totaling Q1 and Q2, to the whole year.

were increasingly extracting equity from their homes and using the funds realized to cover personal consumer expenditures. Figure 1 graphs the Kennedy-Greenspan data for the years 1995 to 2007 and shows how much of the extracted home equity was spent on personal consumer expenditures (PCE) plus non-mortgage debt repayments, which are also tied to personal consumption. The extraction of home equity was funding \$36.6 billion in consumer expenditures in 1995 and grew to a peak of \$324.1 billion in 2005, before starting a decline that economists expect will last for several years into the future – probably as long as home values continue in a trough. In some quarterly periods, home equity exactions accounted for as much as 4.0% and 4.5% of the nation's total personal consumer expenditures.

Many housing experts and economists expect the housing market will lag for some time to come. For instance, James W. Hughes, Dean of the Blaustein School at Rutgers University and a recognized expert on the housing market in the New York-New Jersey Metropolitan Region, has said he expects the current home value decline “to be worse than — maybe twice as bad as — the fallout from the ‘real estate bubble’ of the 1980s.”¹⁵ According to Hughes, it took 10 years for house prices in New Jersey to return to their 1988 level and taking inflation into account, the recovery was not complete until 2002.¹⁶

3.A Looming Housing Problem: When Boomers Start To Sell. Some scholars, such as Dowell Myers, professor of policy, planning and development at the University of Southern California and William Frey, a nationally known demographer at the Brookings Institution, see another huge housing problem emerging over the next two decades: “millions of aging baby boomers will put their homes up for sale and thereby create strong downward pressures on prices.”¹⁷ According to Myers, “79 million boomers have driven up housing demand. That trend will reverse itself when boomers are age 65 to 75; there will be three sellers for each buyer.” Frey agrees with this analysis:

“The glut of homes on the market from baby boomers will depress the housing market and have an impact on some suburban neighborhoods that will come to look like older city neighborhoods that have undergone blight and disrepair.”¹⁸

The worst hit areas will be those already in decline, such as several Midwestern states; warm-weather states, such as Florida, Arizona and Nevada, where retirees usually sell later in life will be the last to feel this effect.¹⁹

Many downtowns are now basing their retail revival on attracting “empty nesters,” who sell their large suburban homes and use their home equity wealth to buy or rent smaller downtown apartments or townhouses. If Myers and Frey are correct, it will be increasingly difficult for empty nesters to get their money out of their homes and use it to buy new downtown units.

The Myers study, which was co-authored with Sung Ho Ryu, is insightful and intellectually provocative. It deserves serious attention from all policy-makers who deal with housing and urban revitalization issues.

Table 1. Period In Which Sellers Will Start To Exceed Buyers In Each State

| Period | 2006– 2010 | 2011– 2015 | 2016– 2020 | 2021– 2025 | 2026– 2030 | 2031 and after |
|----------------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| States crossing over | CT | MA | IA | CA | AL | AK |
| | HI | | LA | IL | KS | AZ |
| | NY | | NE | ME | KY | AR |
| | ND | | NJ | MT | MD | CO |
| | PA | | OH | SD | MI | DE |
| | WV | | RI | VT | MS | FL |
| | | | | WY | NM | GA |
| | | | | | OK | ID |
| | | | | | WI | IN |
| | | | | | | MN |
| | | | | | | MO |
| | | | | | | NH |
| | | | | | | NV |
| | | | | | | NC |
| | | | | | | OR |
| | | | | | | SC |
| | | | | | | TN |
| | | | | | | TX |
| | | | | | | UT |
| | | | | | | VA |
| | | | | | | WA |
| Total | 6 | 1 | 6 | 7 | 9 | 21 |

Source: Myers, Dowell and Ryu, Sung Ho (2007) 'Aging Baby Boomers and the Generational Housing Bubble: Foresight and Mitigation of an Epic Transition', Journal of the American Planning Association, 74:1, 17 – 33, p.28. Myers and Ryu shaded areas in the Northeast

As can be seen in Table 1, during the years 2008 to 2013 being considered in DANTH's trends assessment, home sellers will start to exceed home buyers in CT, HI, NY, ND, PA, WC and possibly MA. This tipping to sellers will occur in IA, LA, NE, NJ, OH and RI sometime between 2016 and 2020.

4. Post-Recession Job Recovery. At the time of writing, the nation is experiencing an “increasingly anemic job market “after six years of an “economic expansion that delivered robust corporate profits but scant job growth.”²⁰

According to the Economic Policy Institute and the National Employment Law Project (neo-populist type organizations) it is taking longer to recover recession lost jobs. Prior to 1990, on average it took 21 months for the economy to get back the jobs lost during a recession; in the recessions of 1990 and 2001, it took 31 months and 46 months respectively to recover lost jobs.

Given the current recession debate, it seems reasonable to assume that, at best, the job market will continue to be “anemic” over most of the next five years – about 46 months if the last recession is any guide.

The negative effects of this anemic job market will be felt most in African American and Hispanic communities – and certainly by their local retailers.

5. Fixed Household Costs. While the prospect of household incomes growing over the next five years seems dubious and home equity is in significant decline in many parts of the nation, there also has been a clear and seemingly unstoppable pattern of continued high growth for household fixed costs.

Energy. Recently, oil futures exceeded the inflation-adjusted record of \$103.76 a barrel— \$39.50 at the time — set back in April 1980.²¹ The oil price increases are being reflected in the price of gasoline at the pumps, which prompted this appropriate headline in the New York Times: “Gas Prices Soar, Posing a Threat to Family Budget.”²² Energy’s bite on household discretionary spending is not yet as bad as it was in past “oil shocks.” In the last energy crisis, back in the early 1980s, energy accounted for about 8 % of household spending. By the early 1990s energy costs fell to under 4 % of household spending. With the recent run-up that figure grew to 6.1 %, the highest since 1985.

DANTH’s research has not uncovered one industry expert or economist who claims anything other than these costs will continue to rise for the foreseeable future. For example, John B. Hess, the chairman of the Hess Corporation, was recently quoted stating:

“An oil crisis is coming in the next 10 years. It’s not a matter of demand. It’s not a matter of supplies. It’s both.”²³

Some have foreseen oil costs being around \$250 a barrel in a few more years. Gasoline costs rising to the range of \$4.00 to \$5.00 a gallon is no longer seen as a fanciful expectation.

There are several indications that gasoline prices are finally causing so much pain that they are encouraging consumers to change their behaviors:

- The American Public Transit Association recently reported that the use of mass transit increased by more than 2 % in 2007 to the highest level in 50 years. According to APTA, rising mass transit ridership began when gasoline hit the \$3 a gallon level in 2005 and has continued to rise steadily as prices at the pump break record after record²⁴
- The number of auto miles traveled was flat in the first 10 months of 2007²⁵
- Automobile manufacturers report a significant shift by consumers toward buying smaller, more energy efficient cars.

Consumers similarly altered their behaviors during past oil shocks, only to revert to their big car, gas guzzling ways when the relative cost of gasoline became more affordable. A key question: is a similar behavioral reversion likely over the coming five years? DANTH believes it is improbable, but the proverbially American love for big, powerful cars suggests it would be prudent to leave the back door open.

Medical Costs. DANTH’s analysis of BLS data shown in Table 2 below shows that in the 10 year period 1998 to 2007 the Consumer Price Index increased at an average rate of 2.6% a year, while medical costs increased at an annual rate of 4.1%. Over this 10-year period medical costs increased at a 168% faster rate

Table 2 Comparison of Consumer and Medical Price Increases 1998 - 2007

| Year | Annual Increases | | |
|------------------------------------|------------------|------------|-----------------------|
| | CPI | Medical PI | Medical's faster rate |
| 1998 | 1.6 | 3.2 | 200% |
| 1999 | 2.2 | 3.5 | 159% |
| 2000 | 3.4 | 4.1 | 121% |
| 2001 | 2.8 | 4.6 | 164% |
| 2002 | 1.6 | 4.7 | 294% |
| 2003 | 2.3 | 4.0 | 174% |
| 2004 | 2.7 | 4.4 | 163% |
| 2005 | 3.4 | 4.2 | 124% |
| 2006 | 3.2 | 4.0 | 125% |
| 2007 | 2.8 | 4.4 | 157% |
| Average | 2.6 | 4.1 | 168% |
| Source: Bureau of Labor Statistics | | | |

than the CPI. The retail expenditures of households with children and seniors with fixed incomes are especially likely to be impacted by rising medical costs.

Health care is again gaining traction as a national political issue – one that many large corporations have a great interest in because they want to change the current system in order to reduce their medical costs. Potential outcomes –

except for continued rising health care costs over the next five years -- are hard to predict.

Child Care. Childcare is essential for working mothers, be they the heads of low-income single-income households or members of more financially comfortable dual income households. Anecdotal information suggests that childcare expenses can claim a very substantial part of a household's budget. The statistics provided below are from a report issued by a national child care advocacy group and indicate the substantial size of these expenditures – larger than the average food at home expenditures for U.S. households (\$3,297 in 2005) – and the fact that they are increasing substantially faster than consumer prices in general.

- A family in the United States with a 4-year-old child in a child care center encounters average prices of \$3,794 to \$10,920 a year in fees.
- Parents of infants face even higher childcare prices: fees for one infant in a center range from \$4,388 to \$14,647 a year.
- Between 2005 and 2006 “the price of full-time infant care in a center rose an average of 6.9 percent, while the price of full-time care in a center for a four-year-old went up 6.7 percent.” Both rose more than twice the rate of inflation.²⁶

Education. Many households have education costs for their children who attend private elementary, middle or high schools.²⁷ Many more incur the costs of one or more college level educations.

Rising college costs have become a hot-button issue. In 2007 the College Board reported tuition and fee hikes of more than 6% in both public and private colleges.²⁸ For private colleges it was the lowest rate increase reported by the College Board in five years. According to Sandy Baum, senior policy analyst at the College Board:

"There is no startling piece of information, but the data we have this year does confirm that the average price of college is continuing to rise more rapidly than the consumer price index and more rapidly than the average prices in economy."²⁹

Four-year public colleges have had growth rate in tuition and fees over the past decade that is the highest it has been in 30 years.³⁰

Some elite private universities, such as those in the Ivy League, Northwestern and Stanford, have instituted new financial assistance programs aimed at making themselves more affordable to middle class students.³¹ Only the most richly endowed universities are able to offer such programs.

C. Price Influenced Consumer Shopping Patterns

1. Value Retailing. This form of retailing has been around for a long time, but it has only been since such big box giants as Wal-Mart and Target appeared that this type of retailing began to look as if it could take over the whole industry.

Value retailing refers to a form of selling in which price is an important component of what the merchant offers the shopper along with the “quality” of the merchandise and a level of customer service. Quality here can include product design, fit and finish, durability, prestige and emotional satisfaction.

Table 3. Non-Auto Retail Sales Growth 1996-2005

| Type of Retailing | ANNUAL SALES GROWTH | | | | | | | | | |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Non-auto retail sales | 106% | 105% | 105% | 108% | 106% | 103% | 102% | 104% | 106% | 106% |
| GAFO | 106% | 105% | 104% | 108% | 107% | 103% | 103% | 105% | 108% | 107% |
| Furniture/ home furnishings | 107% | 107% | 106% | 109% | 108% | 100% | 103% | 103% | 108% | 107% |
| Electronics stores | 106% | 102% | 106% | 106% | 104% | 98% | 104% | 104% | 109% | 108% |
| Food and beverage stores | 103% | 102% | 102% | 104% | 103% | 104% | 101% | 102% | 104% | 104% |
| Clothing and clothing access. | 104% | 103% | 106% | 107% | 105% | 100% | 103% | 104% | 106% | 106% |
| Just women's clothing | 98% | 99% | 102% | 104% | 106% | 100% | 99% | 104% | 107% | 106% |
| Jewelry stores | 109% | 109% | 109% | 109% | 109% | 109% | 109% | 109% | 109% | 109% |
| Pharmacies, drug stores | 107% | 108% | 110% | 112% | 108% | 109% | 109% | 107% | 102% | 105% |
| Sporting goods | 105% | 102% | 105% | 106% | 107% | 103% | 100% | 103% | 106% | 108% |
| Book stores | 106% | 107% | 104% | 107% | 105% | 101% | 102% | 105% | 104% | 101% |
| Electronic shopping & mail-order | 116% | 115% | 115% | 117% | 121% | 101% | 107% | 107% | 112% | 110% |
| % of non auto retail | 3.5% | 3.9% | 4.2% | 4.6% | 5.2% | 5.1% | 5.3% | 5.4% | 5.6% | 5.8% |
| % of GAFO | 8.9% | 9.8% | 10.6% | 11.6% | 13.2% | 13.0% | 13.4% | 13.8% | 14.6% | 15.2% |
| Full-service restaurants | 105% | 110% | 105% | 105% | 107% | 105% | 105% | 105% | 106% | 105% |
| Value Retailers: 45112 + 45291 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Total sales (\$millions) | 195,015 | 209,968 | 229,904 | 255,354 | 279,251 | 306,424 | 328,797 | 348,059 | 375,121 | 401,143 |
| Annual growth | 106% | 108% | 109% | 111% | 109% | 110% | 107% | 106% | 108% | 107% |
| Value % of GAFO | 29% | 29% | 30% | 31% | 32% | 35% | 36% | 37% | 37% | 38% |
| GMerchTotal sales (\$millions) | 315,398 | 331,454 | 351,186 | 380,291 | 404,344 | 427,586 | 446,648 | 468,734 | 497,174 | 524,950 |
| Value % Gen Merch Stores | 62% | 63% | 65% | 67% | 69% | 72% | 74% | 74% | 75% | 76% |
| Value, Electronic, mail | | | | | | | | | | |
| % of GAFO | 37.5% | 39.2% | 40.9% | 42.8% | 45.5% | 47.7% | 49.4% | 50.5% | 51.9% | 52.8% |

Source: DANTH, Inc calculations based on US Census Bureau data

Different value retailers offer differ versions of the value formula. Wal-Mart became a retail colossus by emphasizing price over all other factors to customers in households with incomes around \$35,000/yr. Target aims for more affluent households, those with \$50,000+/yr incomes, and has developed a very successful “cheap chic” formula that combines low prices with well designed merchandise, often by well-known fashion designers, industrial designers and architects. Kohl has increasingly followed Target’s path and Wal-Mart recently, in its desire to grow by capturing more affluent shoppers, has also tried to offer more fashionable and better designed products. The emphasis on design, fashion and style by even the big value retailers indicates that price can have its

limits in being able to attract shoppers and make sales.

The reciprocal of the value retailer is the value shopper. Experts generally expect price to be a more determinant influence among lower income shoppers and less so as income increases. However, this rule of thumb is certainly not invariable as demonstrated by the youngsters in poor neighborhoods who buy considerable amounts of expensive sneakers and “urban wear.”

Between 1996 and 2005 value retailers grew at a rapid pace of between 6% and 11% a year. Total sales grew from about \$195 billion in 1996 to around \$401 billion in 2005. Their capture share of comparison shopper dollars (GAFO: general merchandise, apparel, furniture and home furnishings and other miscellaneous) grew from 29% to 38%.

Together with the retailers who do business over the Internet and by mail, they accounted for 37.5% of GAFO sales in 1996, which grew to 52.8% in 2005. However, since GAFO sales grew by 156% over this period, the total GAFO sales captured by non-value department stores, retail chains and independent operators also increased, but only by around 117%. Value, electronic and mail retailers won the lion’s share of GAFO sales growth.

Given the economic forces identified above that will be pushing consumers to be more cautious about their expenditures over the coming five years, it is reasonable to expect that that price will be an increasingly important factor for a growing portion of middle class households in shopping decisions. Value retailers are consequently likely to win more market share, even if real spending for retail declines.

2. Trading Up. “Trading up” is both a shopper behavior pattern and a marketing strategy for manufacturers and retailers. Its has emerged as another extremely important retail trend during the time period that value retailing has grown by leaps and bounds. It differs from value retailing in what is “valued” by the consumer. Instead of price it puts a premium on “New Luxury” products and services:

“New Luxury is a distinct genre of products and services. Unlike Old Luxury items, which are intended only for the very wealthy, New Luxury goods are meant to be accessible and appealing to a much larger audience. Unlike conventional goods, which compete primarily on price, New Luxury goods command a premium because of their superior quality, performance, and emotional appeal.”³²

Some of those who market to the “trading up” shopper are Coach, Williams Sonoma, Callaway Golf, Panera Bread, Tiffany, American Girl Dolls, Trader

Joe's, Cheesecake Factory, Sub-Zero, Viking, Whirlpool, Victoria's Secret, Belvedere Vodka, Sam Adams Beer, etc.

While value retailing continues to grow and retailers such as Wal-Mart and Target draw in huge numbers of shoppers, in a survey of 2,300 middle-market American consumers, 96 % reported regularly buying premium goods in at least one category.³³

Silverstein and Fiske estimate that there are nearly 122 million Americans with the means and the desire to trade up. Consumers with incomes of \$150,000+ can afford to trade up in many categories. Those with lower incomes, \$50,000+, trade up in some categories and "trade down" (e.g., shop for lowest price) in others.³⁴

Many downtowns that have succeeded in revitalizing their retail base have as one of their major assets a critical mass of shops that market to the trading up shopper: e.g., Old Pasadena (CA), Englewood (NJ), Westfield (NJ). Walnut Street in Center City, Philadelphia. Often, as happened in Englewood, it is a group of independent operators that first establishes the downtown as a destination for trading up shoppers; the chains, observing this, then followed.

Presented first by Silverstein and Fiske on their list of factors that induce trading up shopping behavior are:

- "Rising Incomes and Available Wealth"
- "Increased Home Values and Equity"
- "Reduced Cost of Living and More Discretionary Income"³⁵

The analysis presented above indicates that all of these factors can be expected to be significantly weakened over the coming five years. Consequently, it is reasonable to expect that trading up shopping behavior, while not eradicated, will be significantly diminished during that period. The New York Times has already reported that "...chains that cater to the middle and upper classes, which have benefited from years of trading up" are beginning to struggle.³⁶

ENDNOTES

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- ⁶ Elizabeth Warren and Amelia Warren Tyagi The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke Basic Books :New York, 2003, pp.255, p.50.
- ⁷ Ibid p.51
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- ¹¹ RGE Monitor, <http://www.rgemonitor.com/blog/roubini/226072>. Herefater referred to as RGE
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²⁵ Ibid.

²⁶ National Association of Child Care Resource & Referral Agencies, PARENTS AND THE HIGH COST OF CHILD CARE: 2007 UPDATE pp.30, p.3

²⁷ Many household education costs are disguised in the sense that in order to get children into "good public schools" the household is paying higher local taxes and incurring higher housing costs.

²⁸ Alison Damast. "College Endowments Meet Shaky Markets,"

http://www.businessweek.com/bschools/content/oct2007/bs20071022_132912.htm.

²⁹ Ibid.

³⁰ Ibid.

³¹ Allison Damast, "Tuition Assistance for the Middle Class,"

http://www.businessweek.com/bschools/content/feb2008/bs2008023_374181.htm.

³² Boston Consulting Group, "Trading Up,"

http://www.bcg.com/impact_expertise/publications/Book_Trading_Up.html.

³³ Ibid.

³⁴ Ibid.

³⁵ S & F, pp. 25-29

³⁶ Michael Barbaro and Louis Uchitelle, "Americans Cut Back Sharply on Spending," The New York Times, January 14, 2008, sec. Business, <http://www.nytimes.com/2008/01/14/business/14spend.html>.