



by David Jarvis
Metrostudy

DEMOGRAPHIC DESTINY

Where will the home-building industry next focus? Where will certain population groups buy homes? Why will some communities succeed while others flounder? Baby Boomers (“Graying of America”) and new-immigrant minorities (“Browning of America”), along with other demographic groups, will answer these questions.

The secret weapon in determining growth patterns, hot areas and population shifts is the study of demographics. William H. Frey, Ph.D., Senior Fellow at the Milken Institute and Center for Social and Demographic Analysis, State University of New York at Albany, declares the study of demographics to be “shaping the future of housing in America.”

Let’s take a look at the next 30 years.





Baby Boomers

Often referred to as the “Woodstock Generation,” the Baby Boomers, the generation born between 1946 and 1964, is 76 million strong and will inherit \$41 trillion, according to a 2003 American Demographics magazine study. By 2010, 96 million people will be aged 50 or older. These aging Baby Boomers will represent 54 percent of the population.

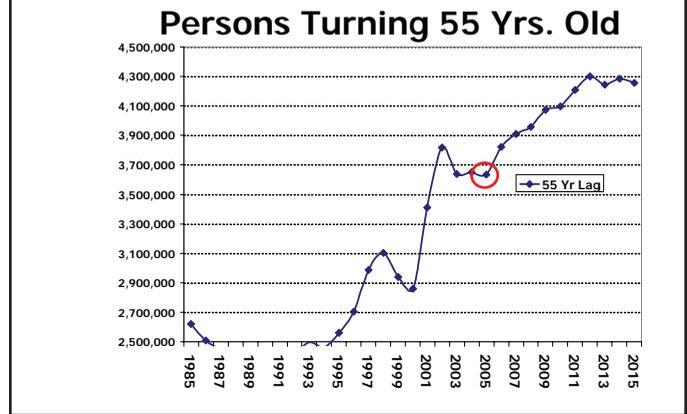
Baby Boomers entered the labor market in the 1970s and then the stock market in the 1980s and 1990s. As they are followed into the future, they are projected to move into second homes, retirement communities and assisted living facilities, as well as other types of housing geared to the elderly. Demand from this demographic segment for large family homes will begin to slow as Baby Boomers transition from that life stage and enter their 50s and 60s.

Baby Boomers are in their prime earning years and have tremendous equity in their homes. With this wealth, Baby Boomers will continue to play a prominent role in the real estate market, fueling the boom in second homes and vacation homes, while also helping their children — the Echo Boomers — buy their first homes.

Minority Populations

Hispanics comprise 12.5 percent of the population and Blacks make up 12.1 percent. As these minority groups

5 Year Birth Lag—Baby Boomers



continue influencing American society, developers are looking to build more ethnically oriented projects, particularly near international gateways along the U.S.-Mexico border and within inner cities.

25 Year Birth Lag—Echo Boomers



Hispanics, Blacks and Asians have strong and growing buying power. According to the Urban Land Institute, non-white residents will rise to almost half of the U.S.

population by 2050. During the next quarter century, immigrants will account for more than half the 50 million people added to the nation's population, and, according to the Joint Center for Housing Studies of Harvard University, Hispanics, over the next 20 years, are expected to account for as much as 40 percent of all new homeowners.

Immigrants and their children keep the housing market flush with first-time buyers, who come in at the bottom and support the market as they move up the housing ladder. Additionally, immigrants comprise roughly 11 percent of all resale home transactions.

Adapt to Ethnic Needs

Prudent builders and developers will learn how to customize homes and neighborhoods to satisfy ethnic and cultural needs. Because of the emphasis among Hispanics on the family and the extended family and their desire to live near churches, schools and recreational facilities, the individual home as well as the neighborhood must be reconsidered. Neighborhood planning for immigrants will be essential and will create changes in housing preferences.

According to the Asian Real Estate Association of America, although the housing market in recent years allowed many Asian Americans to realize the dream of homeownership, this group is still overwhelmingly underserved by the real estate industry. While some metropolitan areas show an Asian homeownership rate of 51 percent, the national homeownership rate for Asians still lags behind that of white non-Hispanic Americans by 20 percent.

Generation X

Generation X, the more than 41 million Americans between the ages of 24 and 35 who followed the Baby Boomers and now comprise 15 percent of the nation's population, also have a dramatic influence on the housing landscape, with an annual purchasing power of \$125 billion, and are becoming the next powerhouse of spending.

Generation X is on an even higher trajectory rate for homeownership than were the Boomers in the 1960s," said Eric Belsky of the Joint Center for Housing Studies at Harvard University. Because they appear to be good credit risks, the lending community has launched several products in the last few years to make it easier for them to scale the wall to homeownership (putting less than the traditional 20 percent down or opening



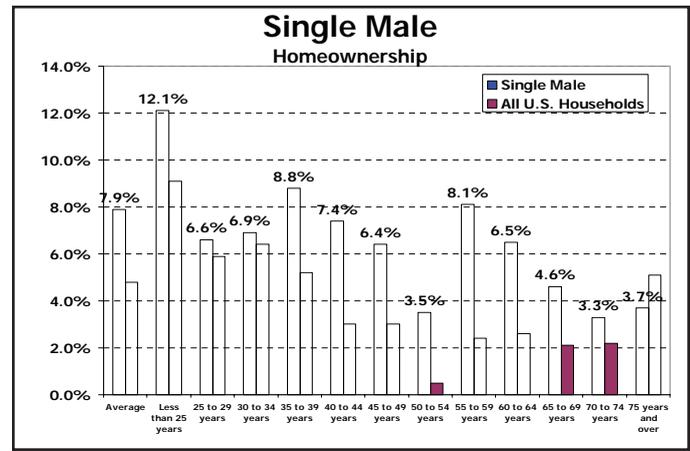
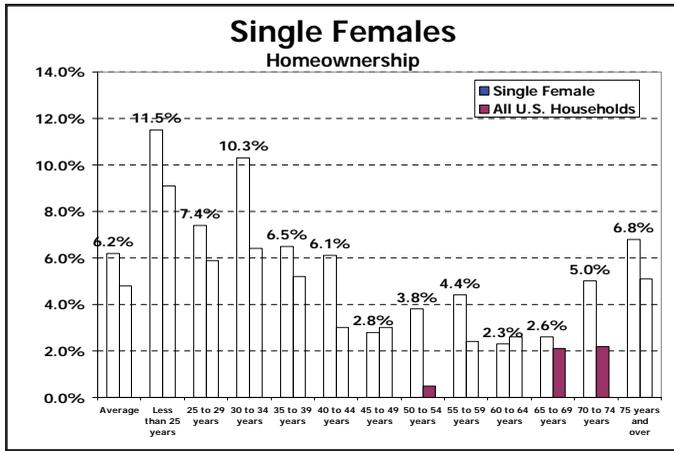
pathways to different sources of loan money). Plus, lenders are trying to reach Xers through the Internet.

Single Women (More Influential than Single Men)

A 2004 State of the Nation's Housing compiled by Harvard University's Joint Center for Housing Studies adds the demographic significance of another salient but long disenfranchised group — women. It asserts that women's "expanded role in housing markets is a result of the steady rise in the numbers of dual-earner married couples and single female households over the past 20 years."

In 2004, single females bought 18 percent of all homes purchased in the United States. Perhaps even more interesting is the fact that single men lag far behind, representing only 8 percent of home sales in 2004. Those numbers are up from 2001

the number of single-women home buyers has doubled nationally since 1989



tallies when single women constituted 15 percent of the home-buying market and single men constituted 7 percent. A recent report from Harvard’s Joint Center for Housing Studies noted that unmarried women accounted for 30 percent of overall homeowner growth between 1994 and 2002.

The conclusion – after long being ignored and disenfranchised by economic forces, single women are suddenly the hottest thing in the housing market. According to estimates from the National Association of Realtors (NAR), the number of single-women home buyers has doubled nationally since 1989. NAR studies indicate that single women are almost twice as likely as single men to buy their first home, and they are the fastest-growing segment of home buyers.

“Women are not seeing marriage as a first step to buying a home, and they are marrying later,” said Rachel Drew, a research specialist for the Harvard Joint Center for Housing Studies. Women are buying at younger ages and they are taking the real-estate plunge before the relationship leap.

Echo Boomers

Here come the teens! According to historian Neil Howe, who has made a career studying different generations, the cluster known interchangeably as Generation Y, Echo Boomers and Millennials, is “the most watched-over generation in history. Most have never ridden a bike without a helmet, ridden in a car without a seat belt, or eaten in a cafeteria that serves peanut butter.” The oldest are just out of college, and the youngest are still in elementary school.

Born between 1982 and 1995, there are nearly 80 million Echo Boomers, approximately one-third of the U.S. population, and they already spend \$170 billion a year of their own and their parents’ money. As the

population ages, they will become the next dominant generation of Americans.

Turning 21 at a rate of four million annually, in 2015 Echo Boomers will comprise 34 percent of the U.S. population. As the generation heads to college in growing numbers, they are creating a real estate niche market by increasing the demand for student housing. Affluent Boomer parents are investing in nearby campus condominiums to provide a comfortable lifestyle for their children. Demand for tax-credit affordable housing remains unquenchable.

Echo Boomer Singles

According to the Urban Land Institute, the growing



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apartments, townhouses and single-family homes in pedestrian-friendly neighborhoods. One expert expects these projects to “concentrate in obsolescent urban industrial zones or inner-ring suburbs where people will tolerate greater density.”

Summary

The evidence is in. There will always be new opportunities for builders and those in ancillary industries who respond to demographics and endeavor to understand the needs of America’s changing social and economic climates.

number of Echo Boomer singles “seeks housing closer to downtowns and/or mass transit. They want proximity to 24-hour centers and convenience to work, restaurants, cultural institutions and recreational areas. Choice suburban school districts are not a selling point for this expanding demographic. Household growth is childless. Lifestyles are changing.”

Mass-market developers wishing to stay abreast of the market embrace New Urbanist concepts — integrating parks, sidewalks and retail centers with

David Jarvis is Director, Houston Advisory Services, for Metrostudy, the leading provider of primary and secondary market information to the housing industry and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing and economic issues, and is a key source of research studies evaluating the marketability of residential and commercial real estate projects. Services are offered through an extensive network of offices strategically located in major metropolitan areas throughout the U.S. Based in Houston, Texas, Metrostudy was established in 1975. David can be reached via email at djarvis@metrostudy.com.