

FALL
2023

Demographics: A KEY DRIVER OF HOUSING DEMAND

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The US housing industry is currently valued at \$44.5 trillion (\$12.9 trillion in debt plus \$31.6 trillion in equity), making it a significant sector in the economy. Although many factors contribute to housing demand, demographics remains a key element to understanding and forecasting demand by geography and by product and community type. John Burns Research and Consulting (JBREC) spends a lot of time studying demographics.

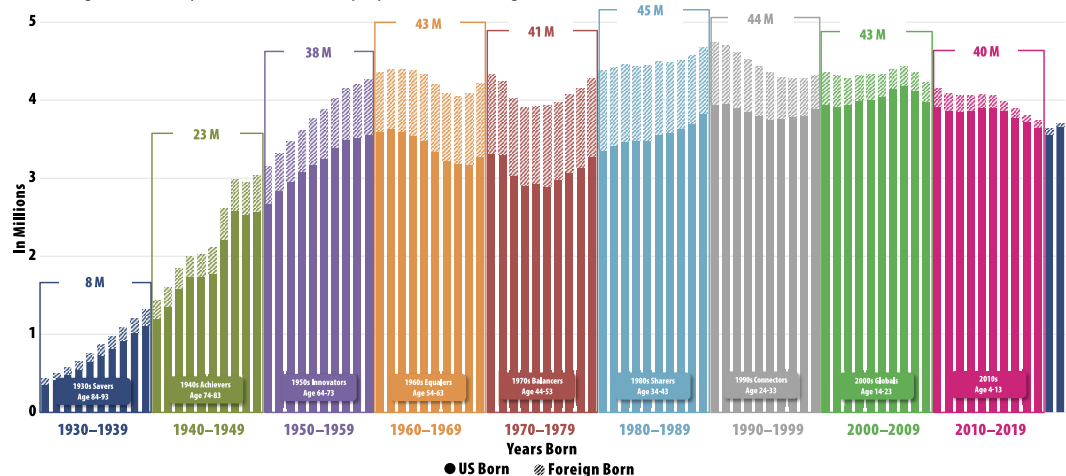
Exhibit 1 redefines generations by decade of birth. Given the lack of uniformity about traditional categories (for example, some sources define millennials as those born between 1981 and 1998, and others use a nine-year span as a definition), defining by decade born provides transparency and insight into demographic trends.

Analyzing the population by decade born yields some important takeaways for the housing market:

■ **Solid Future Housing Demand.** There were 23.3 million people born between 1988 and 1992, averaging just under 4.7 million per year. Those 31- to 35-year-olds are hitting peak home-buying years, which is a prime opportunity for home builders. Although affordability should weigh on prospective home buyers in the near term, surveys suggest that these young adults continue to aspire to homeownership. Understanding where younger adults want to live will be important, as there will be clear winners and losers across markets. The South, which accounted for 36% of households in 2010, has captured 54% of the net household growth from 2010 to 2020.

Exhibit 1: 2021 US Population by Year Born

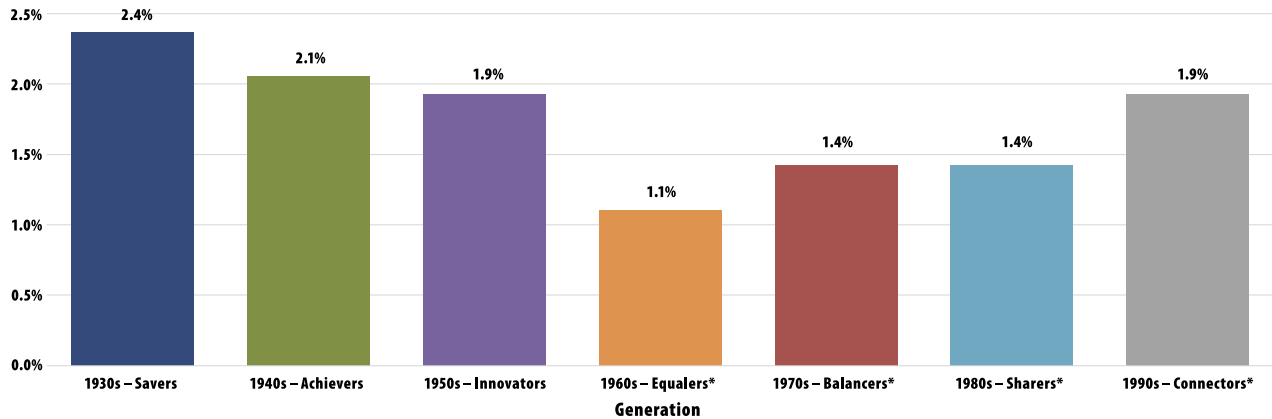
Redefine generations by decade born to simplify decision-making.



Source: John Burns Research and Consulting, LLC, from tabulations of US Census Bureau data

Exhibit 2: Average Annual Real GDP Growth per Person Through 2022, Prime Working Years (25–54)

Today's younger adults saw stronger GDP growth in their early working lives.



Source: John Burns Research and Consulting, LLC, from tabulations of Bureau of Labor Statistics data

* Prime working years not yet complete.

■ **Slower Population Growth.** The working-age population is barely growing. More than 4.2 million people will turn 65 years old this year, and 4.3 million people will turn 20. The result will be lower-than-historical job growth but higher-than-usual income growth and inflation. Additionally, higher labor costs will continue to pervade the construction industry. A mitigating factor to slower job growth is technological advancements, including artificial intelligence and automation.

■ **Slower Immigration Impacting Younger Population.** Previous generations benefited from strong population growth via immigration. The lack of immigration in recent years has resulted in a lower population for many of the younger cohorts (although this trend is slowly reversing). As immigration increases, the housing industry should take note of immigrants' housing preferences. Understanding housing preferences, such as high-density, multigenerational living, and location preferences will be a competitive advantage for builders and developers.

The Achievers and Innovators

The populations born in the 1940s and 1950s comprise retirees (aged 61–80). JBREC named those born in the 1940s “Achievers” because they led the trends of women entering the workforce and both parents working and “achieving.” The “Innovators” (born in the 1950s) grew up during the space race and technology

innovation and led the generation in entrepreneurship and technological advancement.

The Achievers and Innovators benefited tremendously from a growing US economy during their working years (as well as more women in the workforce) and are generally the wealthiest generations in the US today (Exhibit 2).

The Achievers and Innovators will be a huge component of future housing demand. The retiree population explosion that began in 2012 now equates to more than 4 million people turning 65 each year. The 65+ population will rise by 31% (or 17 million people) between 2020 and 2030. Many of these retirees may choose to move—downsizing from their current homes or moving closer to grandchildren or to warmer and less tax-burdened states. Understanding what these retirees are looking for and where they will move is essential to capturing demand.

Builders and developers that can provide the homes, amenities, and communities targeting the Achievers and Innovators will be able to capture the most affluent segment of the housing market over the next decade.

The Equalers and Balancers

The “Equalers” and “Balancers” (born in the 1960s and 1970s) are not as wealthy as the previous generations, but their formative years and working years had a huge impact on their housing decisions. The Equalers, who came of age during the equal rights movement in the US (specifically,



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equal rights and pay for women and men), are recent empty nesters and are very attached to their children. Equalers are moving to be close to their children throughout the US, and many are choosing to rent. Rentership has risen among households aged 55–59 over the past few years from a low of 17% in the early 2000s to more than 26% today. Apartment developers are seeing more Equaler tenants with distinct preferences, including these:

- **Larger Units:** Nearly half of renters desire two-bedroom apartments.
- **Longer Tenure:** More than 67% of renters remain in their units for more than 12 months.
- **Security:** 21% want controlled property access.
- **Parking:** 30% prefer covered parking.
- **Patio/Balcony:** 38% want patios or balconies in their apartments.

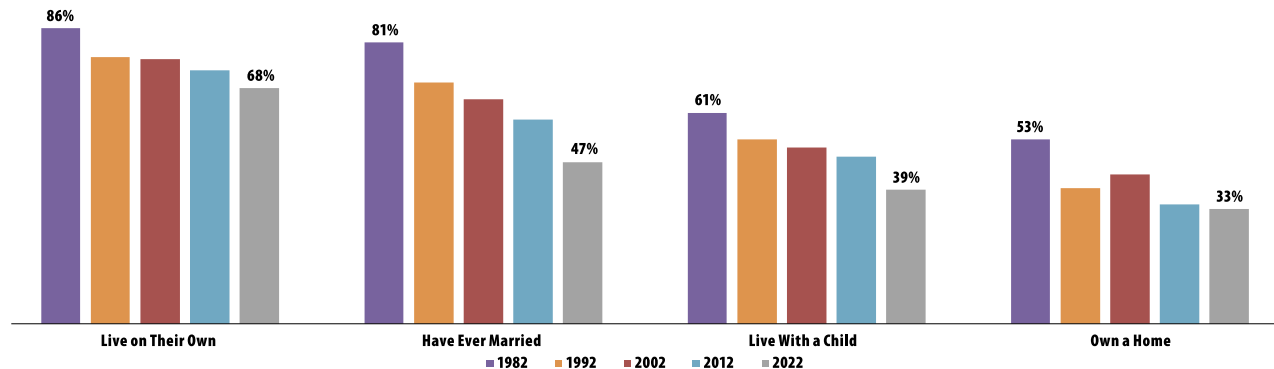
The Balancers are aptly named because many choose to balance their lives by having one parent stay home and raise children (unlike their Achiever parents). The lifestyle change has resulted in less wealth accumulation for this generation. Additionally, Balancers bought their first homes during the 2008–2009 recession, and many of them faced foreclosure. Much of their net worth was wiped out, and many have not made it back to homeownership, instead turning toward renting single-family homes. This generational shift is a cornerstone of demand for larger build-to-rent operators, such as Invitation Homes and American Homes 4 Rent.

The Sharers and Connectors

The “Sharers” were born in the 1980s and grew up in a sharing economy—they shared their locations (via their phones), shared rides (Uber), and shared their lives via social media. The Sharers are primarily responsible for a big shift in societal “norms”—many have delayed living on their own, getting married, and having children. The “Connectors,” born in the 1990s, are connected to the world and to their families. They entered the workforce at a time when getting a job was difficult, and many face an

Exhibit 3: Percentage of 30-Year-Olds Hitting 'Adult' Milestones

Societal shifts have been a drag on household formation for decades.



Source: John Burns Research and Consulting, LLC, using calculations of US Census Bureau Current Population Survey data

affordability crunch for both new homes and rentals.

The Connectors and Sharers share the largest population segment, turning 24–43 in 2023, which are prime home-buying years. The median age of a first-time buyer is now 36, and the average age of a male and female at first marriage is now 30.1 and 28.2, respectively. The largest share of births has now shifted to the 30–34 age group, accounting for 1.1 million births in 2022. Furthermore, birth rates continue to rise for women aged 35 and older. Many newly formed households may choose to delay having children because of affordability concerns or may plan for smaller families altogether. Families created later in life will result in delayed demand for single-family housing for younger generations. As affordability weighs on household living decisions, many Sharers and Connectors will look for attainably priced housing in the build-to-rent sector or perhaps manufactured entry-level housing.

Exhibit 3 shows that household formation among 30-year-olds has been slowing for decades. However, over time young adults will move out on their own, get married, and have children. In the meantime, these younger cohorts represent a tailwind for future demand.

Globals

The “Globals” born in the 2000s and the people born in the 2010s, whom JBREC has not yet labeled, are the buyers of the future. They would be buying entry-level homes today, but many instead are renting apartments. The average cost of a home is approximately 72% above the prior peak (July

2006) nationally, and housing costs make up 46% of a typical home buyer’s income. That generation is hopeful for an ease in affordability. However, those young people will need some combination of the following scenarios in order to afford homes: wages increase by more than 47%, homes prices fall by 30%, or mortgage rates fall to 3.2%. These age groups will provide future housing demand; in fact, the 2000s were years with higher birth rates, translating to an additional tailwind for future housing demand. These younger generations will also get larger with age as a result of immigration, which tends to pick up as people age into their 20s and 30s. Immigration is important because it has fueled one-third of net US population growth in recent decades and will need to play an even bigger role, given that US births began declining in 2008 and have continued to decline to just 3.7 million births in 2022.

Demographic analysis is a key component to decision-making in housing. Understanding who a buyer/renter is today and will be in the future will be key to developing appropriate homes, communities, and amenities to appeal to the generations. ■

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