

Peak Millennials and the Rental Crisis

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The Questions

New urban preferences of Millennials
or just a temporary **presence**?

But why would it end??

And why the rental crisis?

How can planners **prepare for the future**?

Basic Facts on the Millennial Generation

Born 1980 to 1999 (but many alternatives)

83 million is larger than the Baby Boomers

This is a generation, not an age group, but analysts currently focus on ages 20 to 34

Millennials are found everywhere, but their residence downtown and in close-in areas gets the greatest attention

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On Urban Preferences

From the National Assoc. of Realtors

“For me, car is king. Nothing will replace my car as my main mode of transportation” – who disagrees?

Under age 40	26%	
Over age 50	18%	(NAR 2013:49)

When deciding where to live, “What’s important to me is living in a place at the center of it all.” – who agrees?

Under age 40	23%	
Over age 50	7%	(NAR 2013:48)

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Political Polarization of Preferred Community Types

	Liberals	Conservatives
Cities	46%	4%
Suburbs	21%	20%
Small town/rural	33%	76%
Total	100%	100%

Pew Research Center (2014: 45)

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New Urban Preferences

The younger generation has stronger preferences for urban living,
but will it last when they grow older?

Yes there is some **survey evidence**....

But mainly we see “preference” based on **urban presence** and how their numbers are growing.

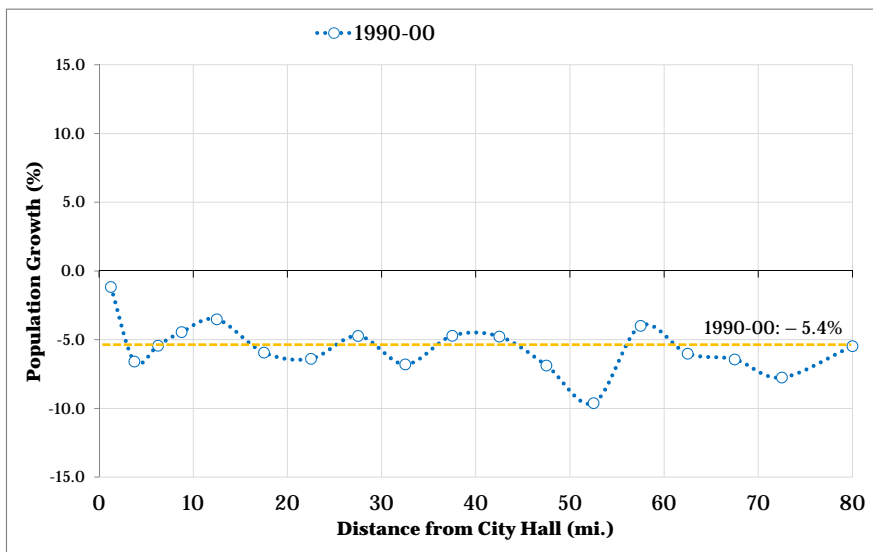
How strong was the contextual effect of the Great Recession?

Supposed preferences might be driven by limited opportunities, but those are now improving....

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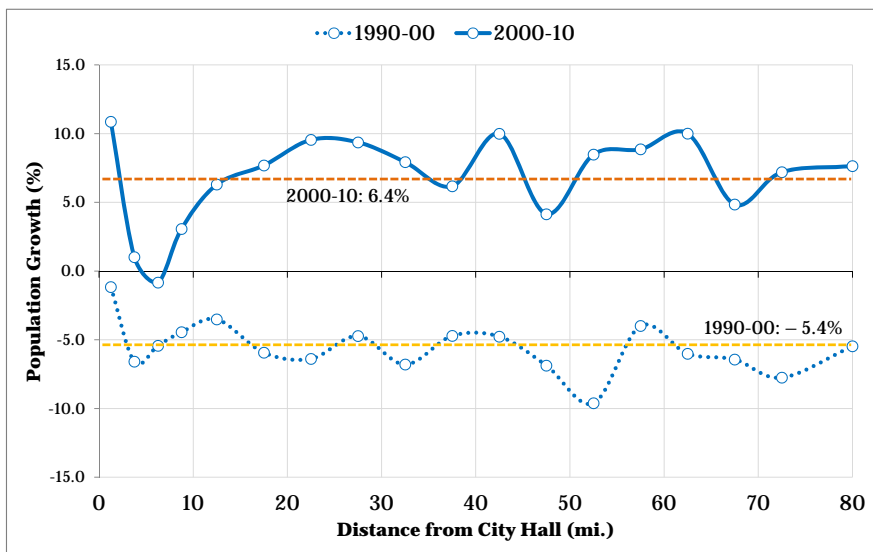
On Urban Presence

Population growth by distance from city hall 1990-2000 and 2000-10, Ages 20 to 34, top 100 MSAs



Myers and Lee 2016

Population growth by distance from city hall 1990-2000 and 2000-10, Ages 20 to 34, top 100 MSAs

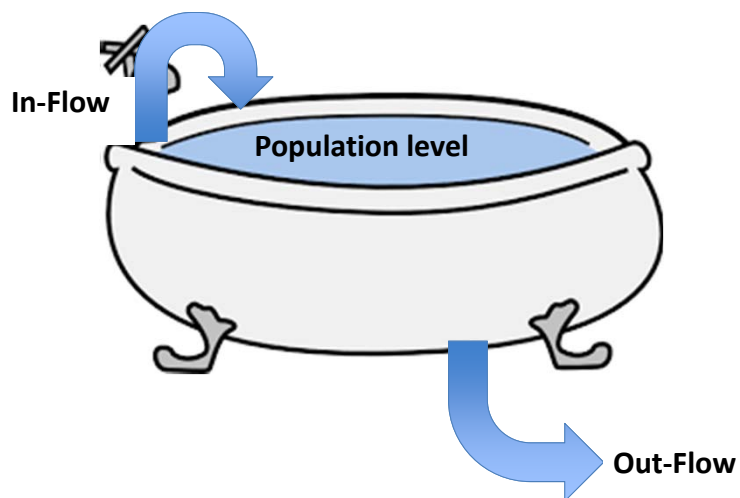


Myers and Lee 2016

The Theory

Cohort Flow in the City

How Does the Number of Millennials
Grow in Cities?



Life Course Perspective

Millennials are a set of cohorts born earlier and now flowing into adulthood

Society is age-graded with expected roles at each age and slots to be filled, including:
age appropriate housing units
entry level jobs, etc.

These slots are turned over every year or two to newcomers who are aging into position and replacing the preceding cohorts when they move on to the next life stage

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Inflow = Number of Eligible Candidates
X Preference X Ability

Outflow = Number of Eligible Candidates
X Preference X Ability

“Ability” represents the access to resources and opportunities.

“Preference” is desire, not just revealed location.

All of these components are changing, but preferences are least understood and so are not a solid basis for judging future outcomes.

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Three Reinforcing Cycles that Generate Millennial Impacts

Rise and fall of **births** 25 years earlier

Rise and fall of **employment** growth, 1990 to (projected) 2022

Progress through **the housing lifecycle** is blocked but then resumed (we expect)

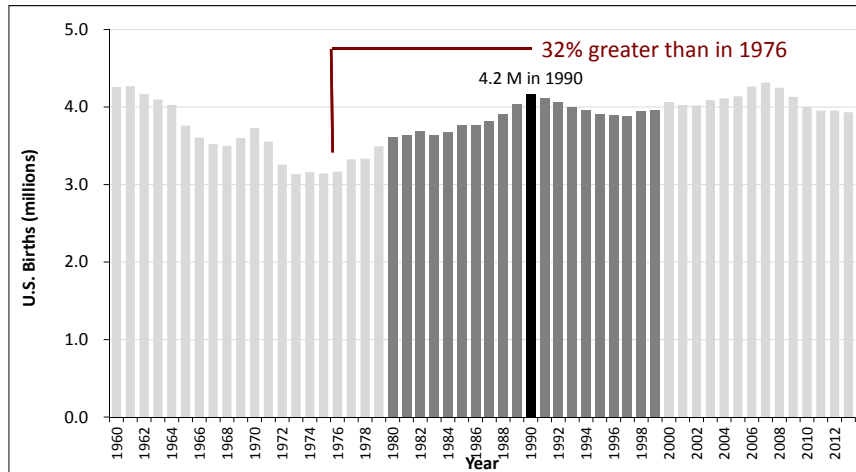
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The Birth Cycle

Peak Millennial Births

Annual Births in the U.S., 1960 to 2013



Source: National Vital Statistics Reports, Vol. 64, No. 1, Table 1, January 15, 2015

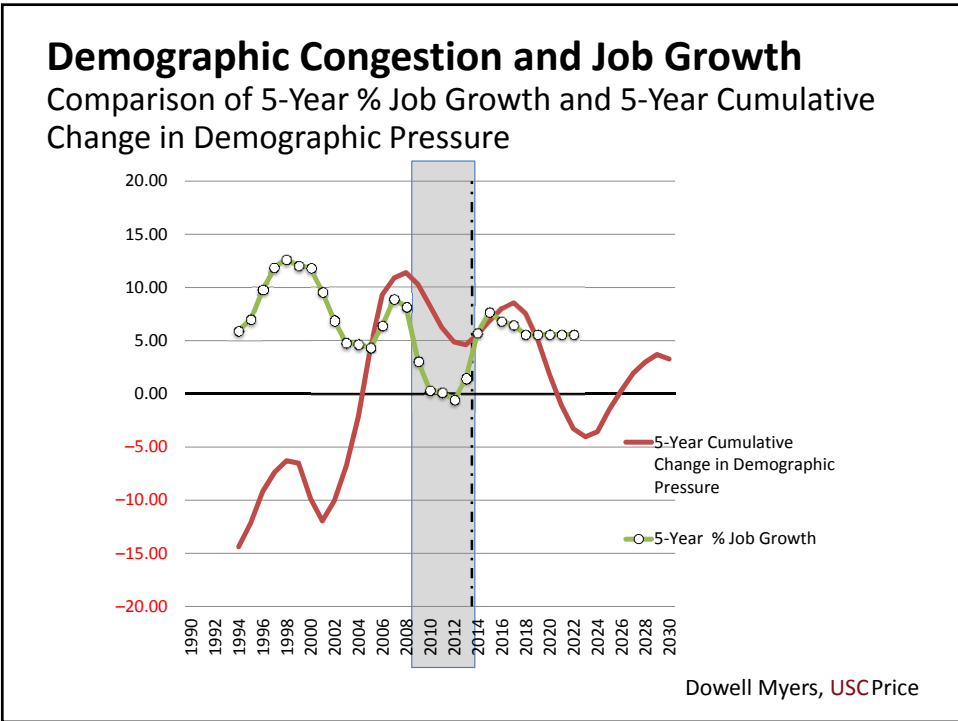
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Competition Faced by 25 Year-olds

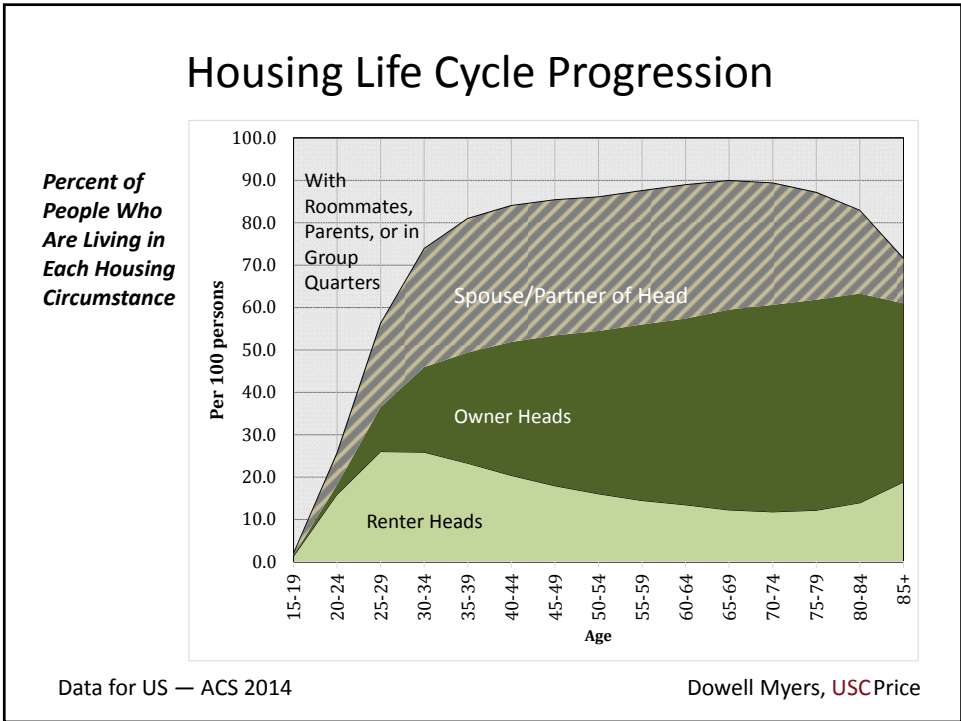
- Fighting for housing and entry-level jobs
- Focused on their peers age 25 and four years older, i.e. all of the 25-to-29 age group

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The Employment or Business Cycle



The Housing Life-Cycle

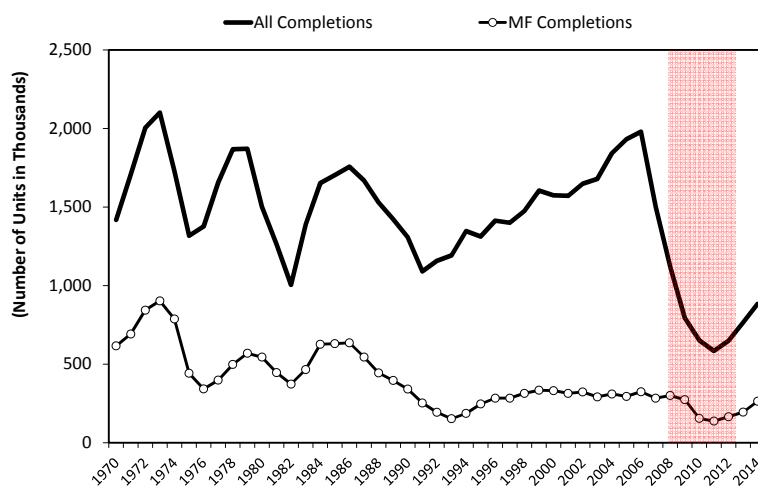


How Does Housing Opportunity Grow?

- New construction of housing units
- Vacancies from more turnover of existing units

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Housing Unit Construction in the U.S., Total and Multifamily, 1970–2014 (1000s)



Source: U.S. Census Bureau, Survey of Construction.
Note: The recession-and-recovery period (2008-2012) is highlighted red.

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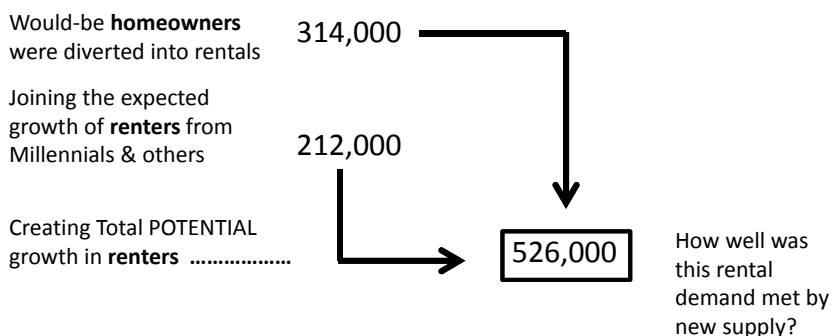
What Happens in a Housing Shortage?

- Would-be home buyers become renters
- Millennials keep arriving and Existing Renters get sandwiched between them and the diverted homeowners
- Developers slowly try to build new supply
- Desperate home seekers scavenge and over pay, double up, or disappear

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Cascade of Diverted & Growing Households in Los Angeles County

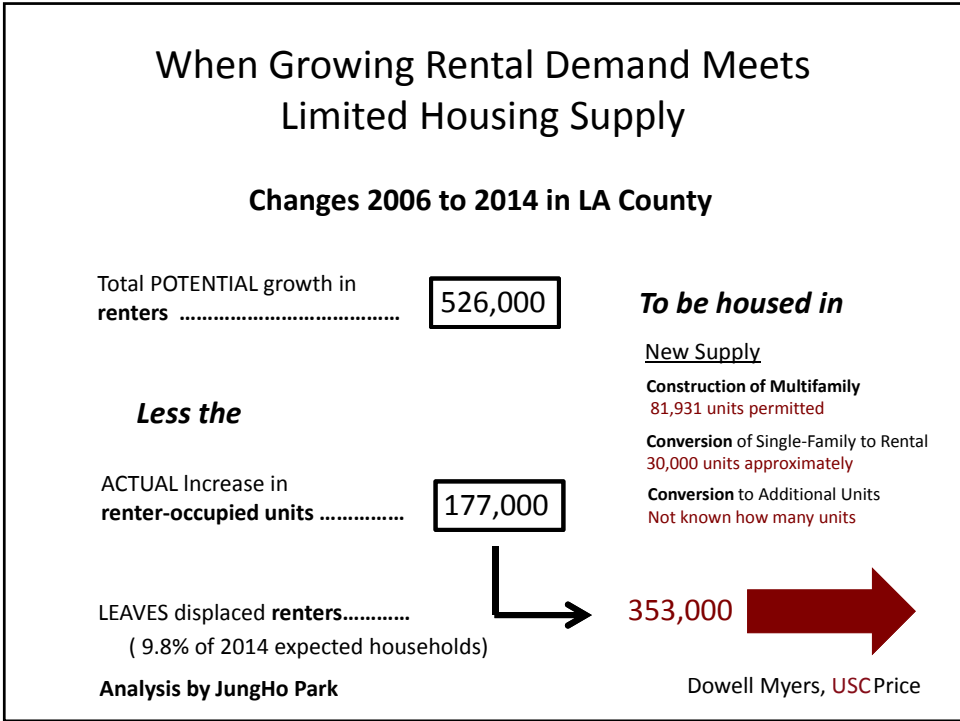
Changes 2006 to 2014, Actual Population,
but Assuming 2000 Patterns of Housing Occupancy



Analysis by JungHo Park

Based on Myers, Painter, Lee and Park (2016)

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Net Result for Millennials

- Slowed down, backed up into parents' homes, and bottled up in singles areas
- But Millennials over age 25 or 30 are breaking out and looking for better housing where they can find it
- That includes gentrifying housing close to singles districts

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Conclusion

Is this a New Era for Millennials?

Freed from Housing Gridlock

The 3 cycles once were harmonized to maximize urban residence (from 2005 to 2015).

But the 3 cycles now are pulling together in the opposite direction (from 2015 to 2025).

The larger Millennial cohorts would have created a more competitive environment for entry-level jobs even in a strong economy, but in the Great Recession the opportunities were doubly limited.

Now the opportunities are finally beginning to grow.

And housing opportunities are also beginning to resume, so the Millennials are free to finally move **where they like.**

Articles Referenced in the Presentation

Dowell Myers, "Peak Millennials: Three Reinforcing Cycles That Amplify the Rise and Fall of Urban Concentration by Millennials," *Housing Policy Debate*, April/May 2016:
<http://www.tandfonline.com/doi/full/10.1080/10511482.2016.1165722>.

Dowell Myers, Gary Painter, Hyojung Lee, and JungHo Park, "Diverted Homeowners, the Rental Crisis, and Foregone Household Formation," Special Report, Research Institute For Housing America, Mortgage Bankers Association, Washington, D.C., April 2016.

***The future remains to
be determined.....***

Thank you

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