

Presentation
at the 33rd SCAG-USC Annual Demographic Workshop

When Population Age Waves Crash Into a Slowly Growing Housing Supply

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Acknowledgments

This presentation draws on Module 1 of a 2022 study, “Who Gets to Call California Home?”, commissioned by the Center for California Real Estate (CCRE), a research affiliate of the California Association of Realtors (Dowell Myers, PI, Hyojung Lee, Seongmoon Cho, and David Moctezuma).

The research is part of a continuing inquiry about the delayed impact of the Millennial generation on the housing market:

Dowell Myers, Hyojung Lee, and Patrick Simmons 2020 “Cohort Insights into Recovery of Millennial Homeownership after the Great Recession,” *Journal of Housing Economics*

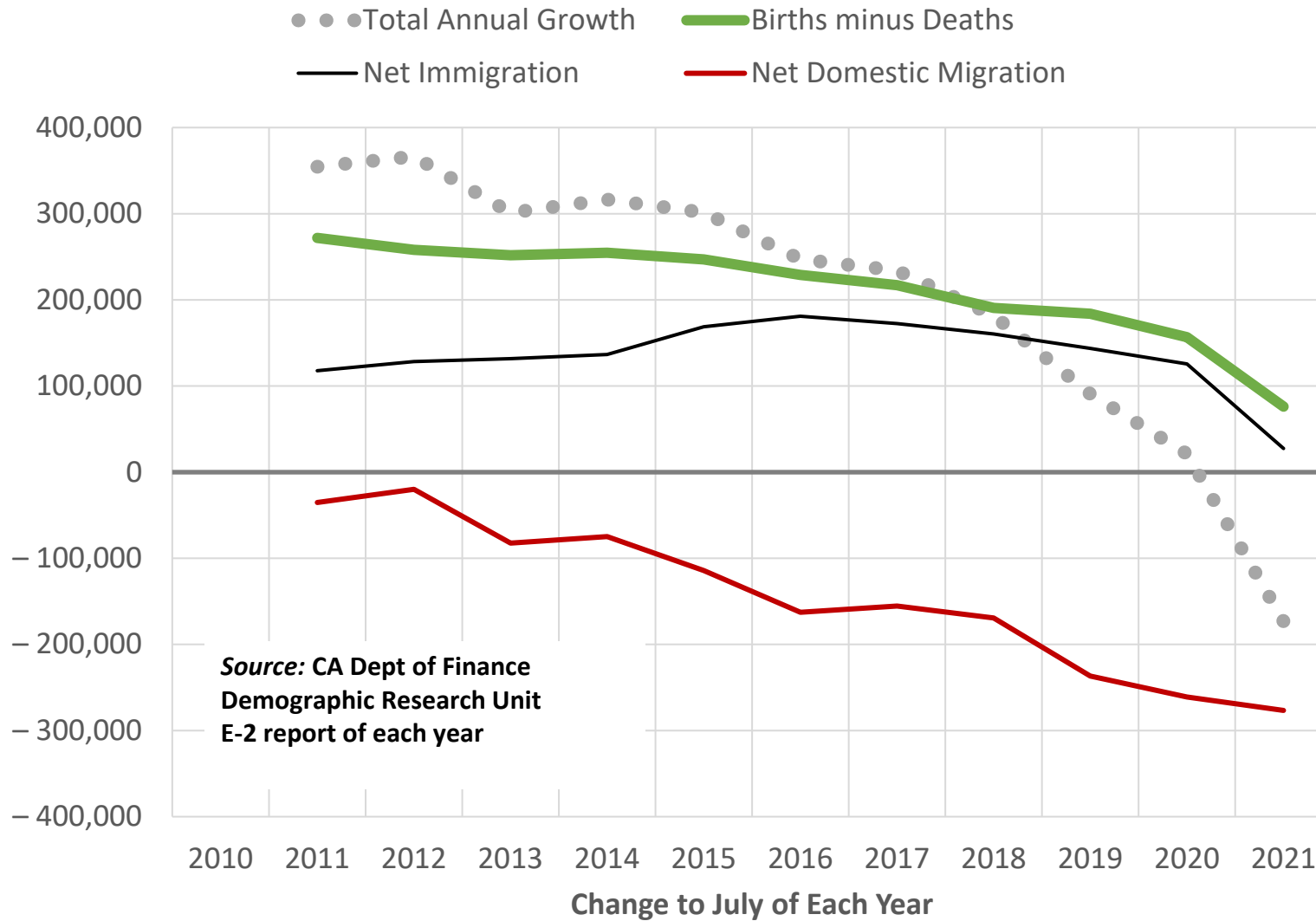
Dowell Myers 2016 “Peak Millennials,” *Housing Policy Debate*

An answer to a nagging question

*How can there be such an increase in housing need and demand **if the population is NOT** growing?*

*What light does this shed on the **new normal** for housing?*

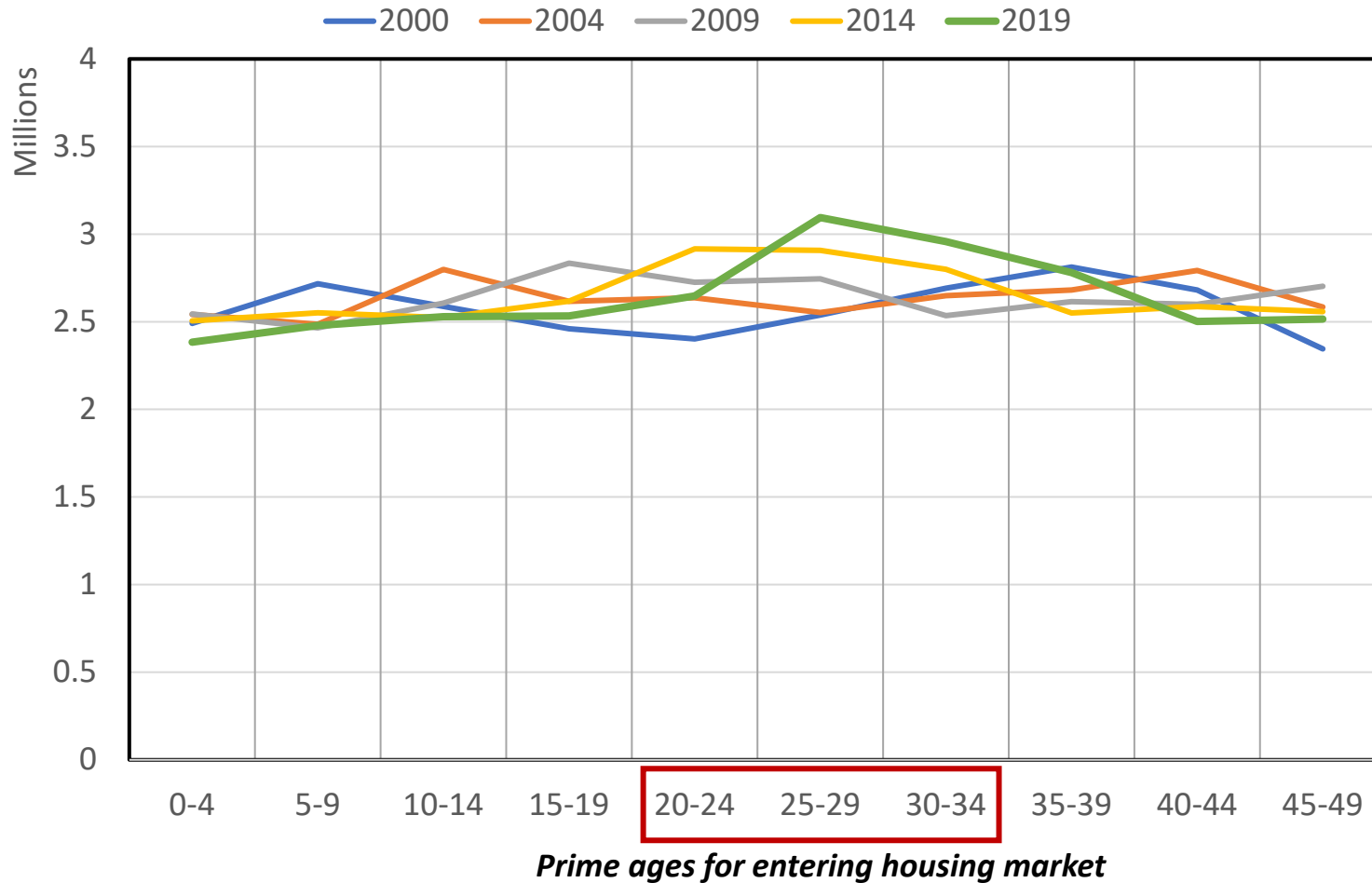
Annual Growth of California Population Estimated by Component



With such slowing population growth, why the need for increased housing?

Age Ripples on the Surface of Total Population are Waves that Magnify California Housing Demand at Key Ages

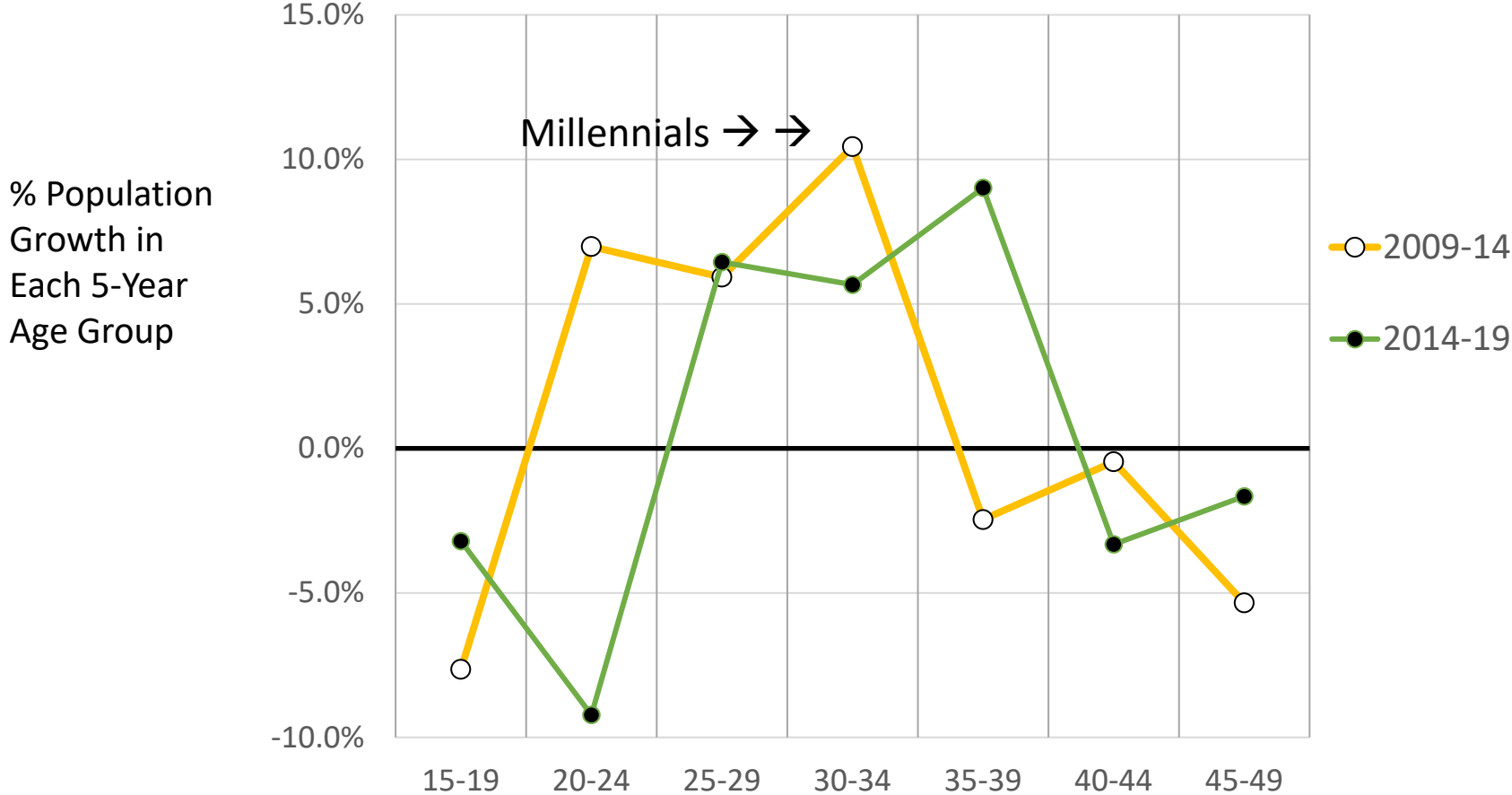
Count of Population at Each Age in Different Years



Can you spot the “peak Millennial” cohort in these age data?

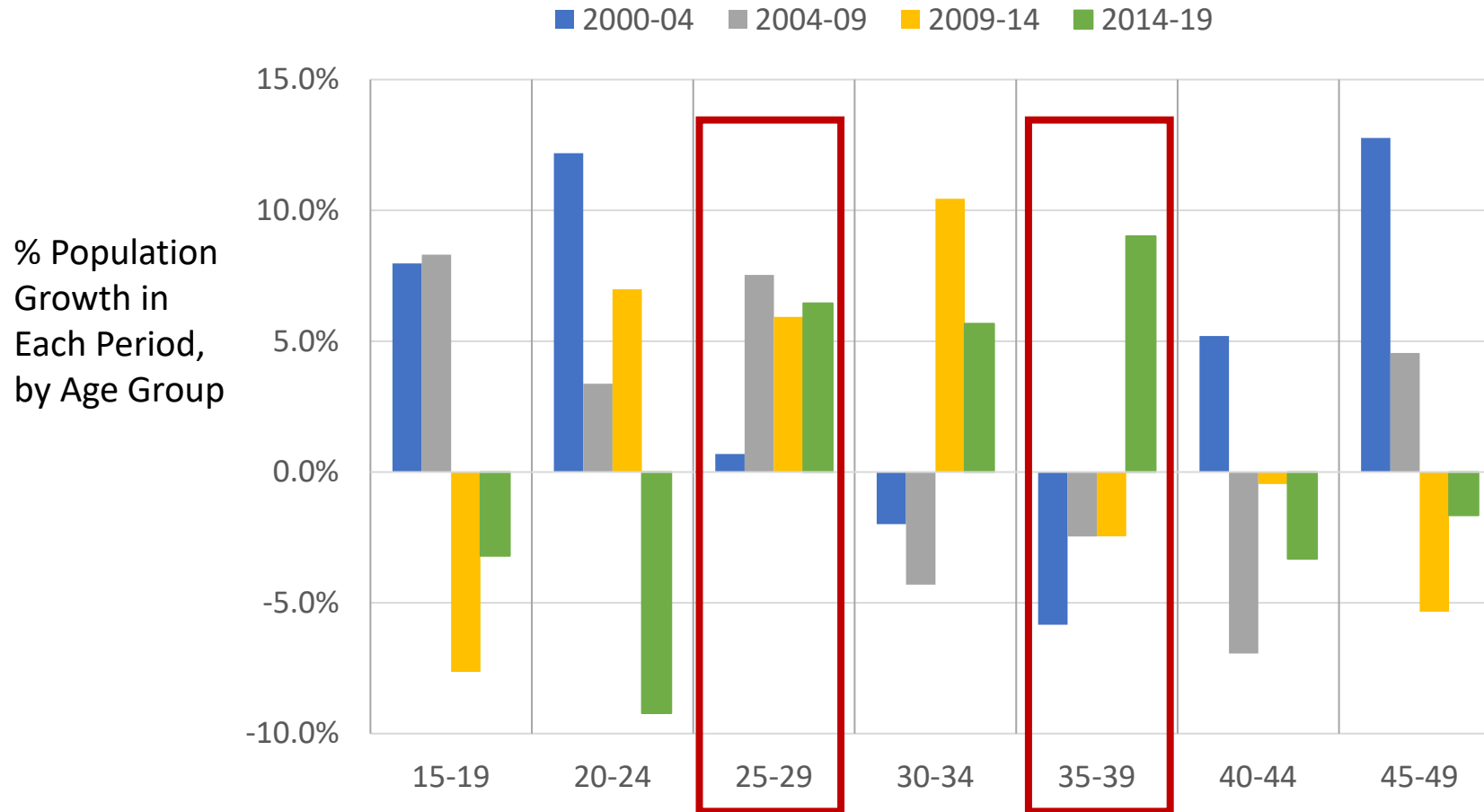
How the Aging of Millennials Shifts Stronger Population Growth Into Age Brackets Key for Growth in Housing Demand

All the Cohorts Shift 5 Years Older



California Growth has Shifted into Key Age Groups for Housing Demand

Percentage Growth in an Age Group in a Given Time Period



Sustained growth in the late 20s has been slamming the rental market since before the Great Recession

Only in the last 5 years has population growth arrived at age 35-39, prime years for home buying

*Can we really say that growth in active housing demand
is so focused in specific age groups?*

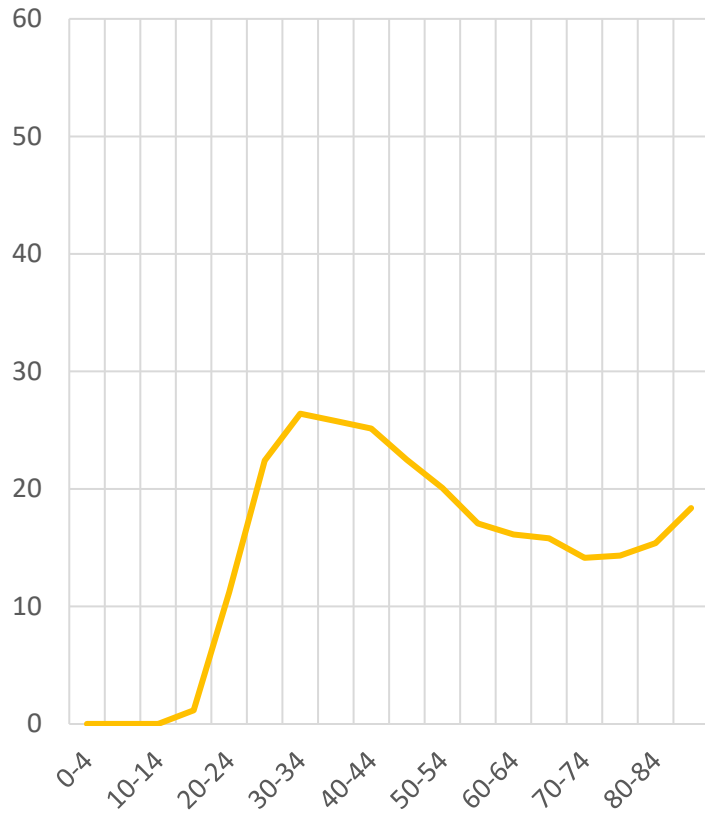
....and that we should have seen this coming?

*Consider the housing lifecycle for renters and owners
in California*

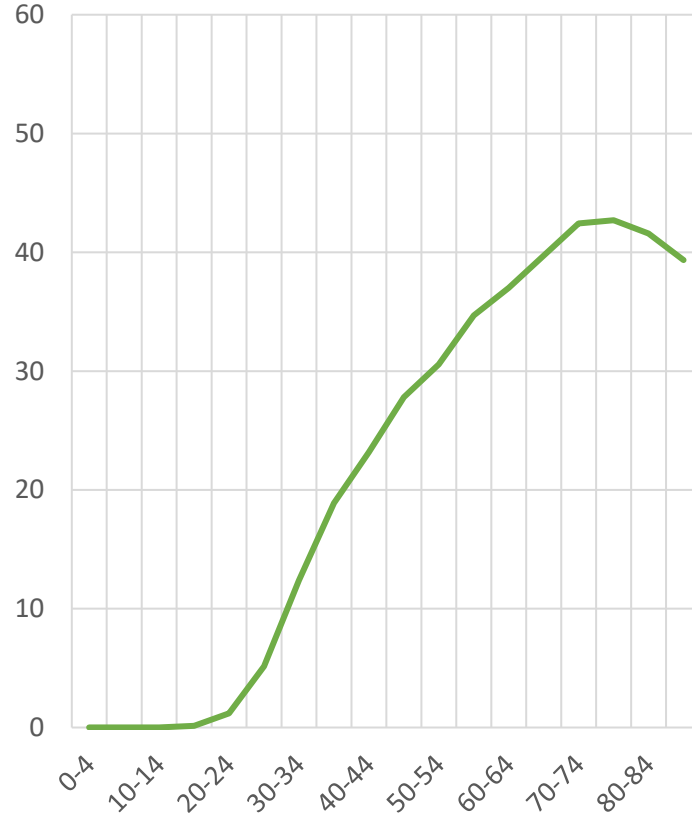
Lifecycle Rates of Housing Demand in California: Sharp Rises in Young Ages

**** a snapshot in 2018 alone ****

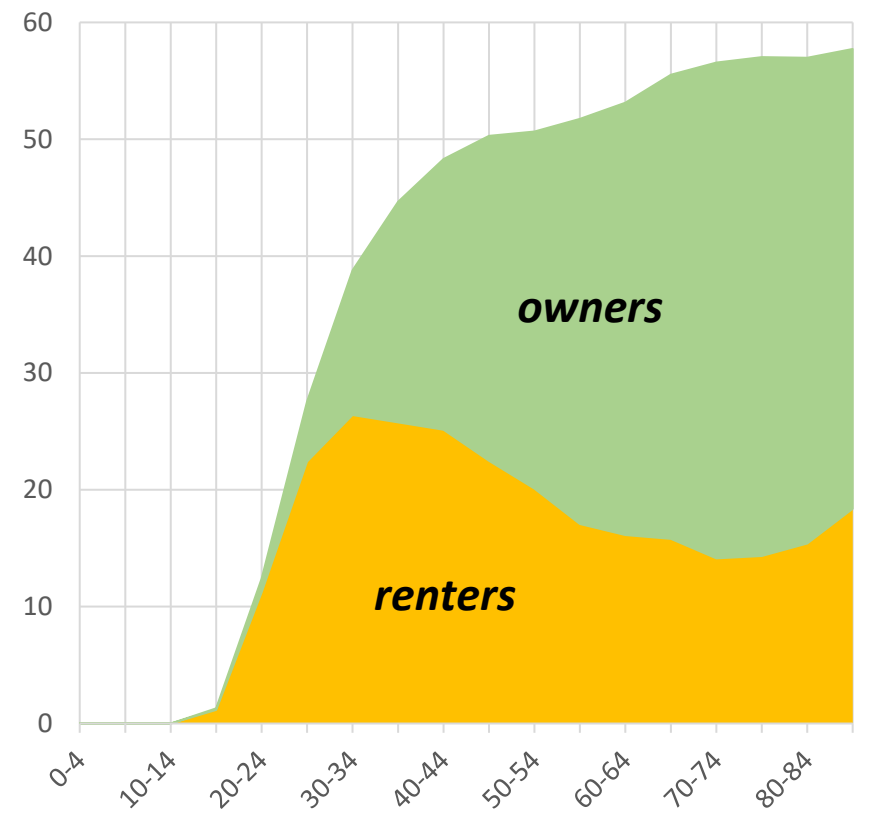
Renters per 100 People of each age



Owners per 100 People of each age



Total Households per 100 people of each age

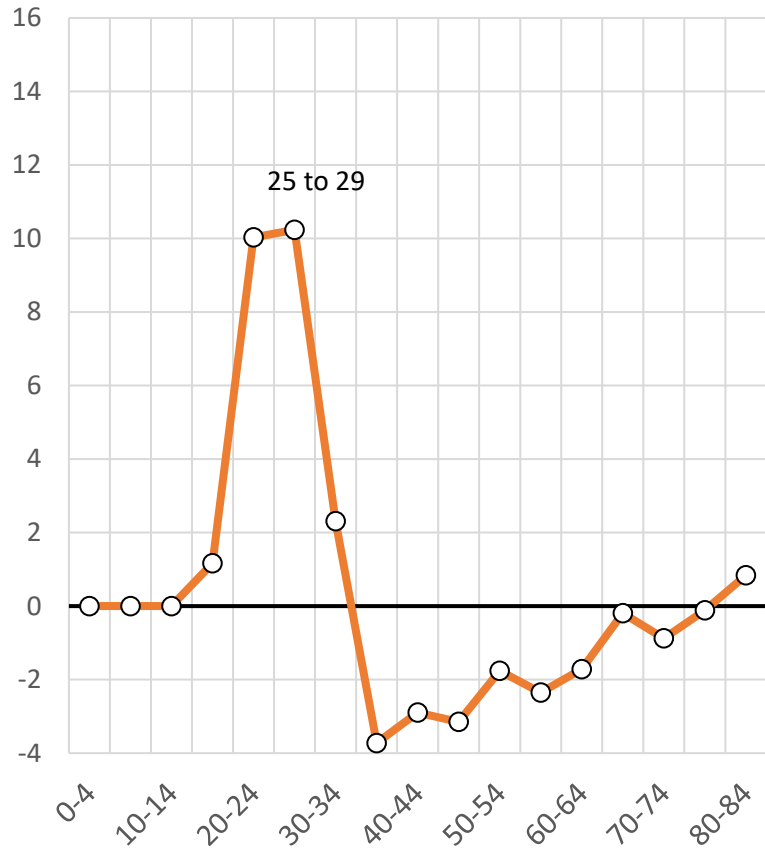


Active Rates of Housing Demand at Each Point in the Lifecycle

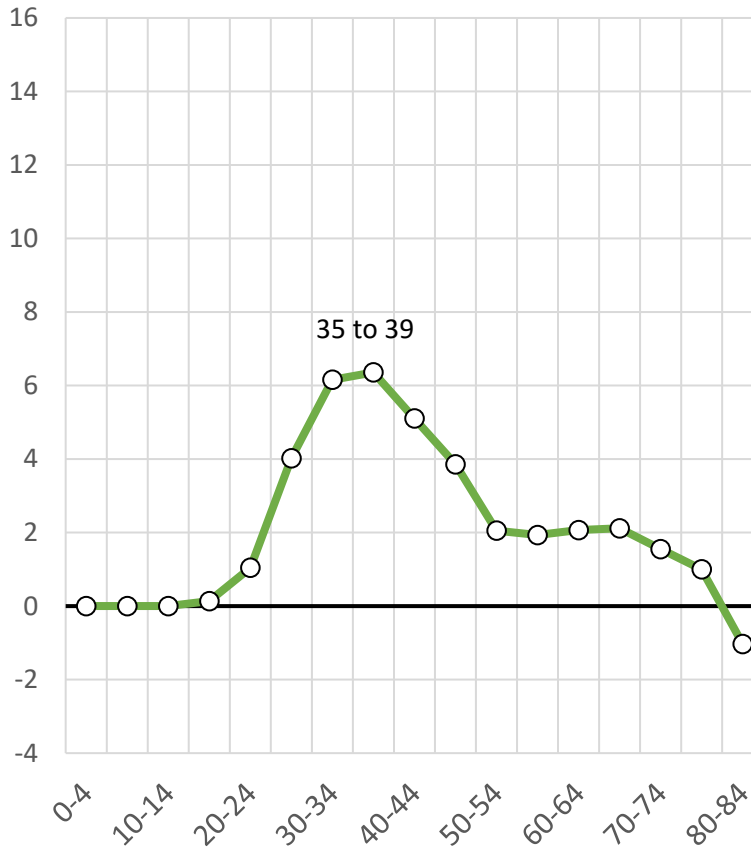
**** Net Increases in Cohorts as they Grow Older****

Housing status *changes* per 100 people in California of each age

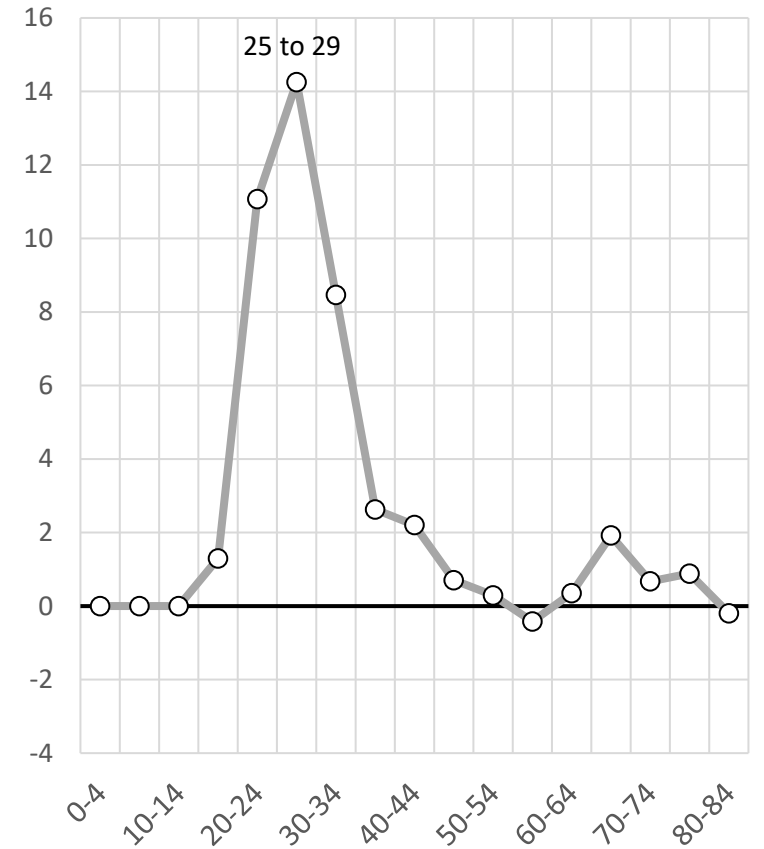
Formation of Renter Households
Each 5 Years



Gains in Home Ownership
Each 5 Years



Gains in Total Household Formation
Each 5 Years



“How sharply focused....?”

*Active rates of new rental formations are
extremely focused in ages 20 to 29, going negative thereafter*

*Active rates of new homeowners are spread over more time
but **mostly bunched** from ages 25 to 49*

Consider the changes in recent history, just since 2000

*Did the strongest need for housing occur during the
wild housing **bubble that preceded**
the Great Recession*

or

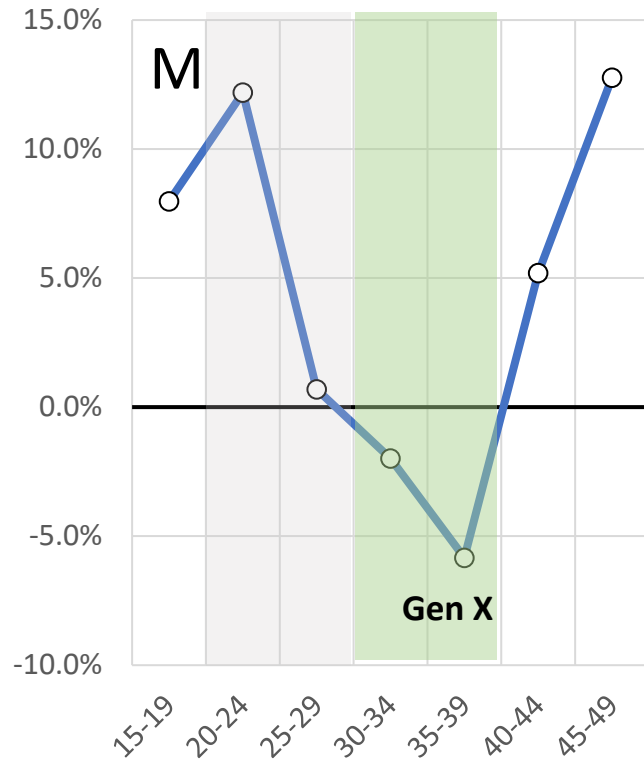
*Was it during the **slow recovery afterward?***

Follow the Millennial Positioning of % Population Growth by Age

Gray Ages show Strongest Rental Formations, **Green Ages** Strongest Entry into Homeownership

1

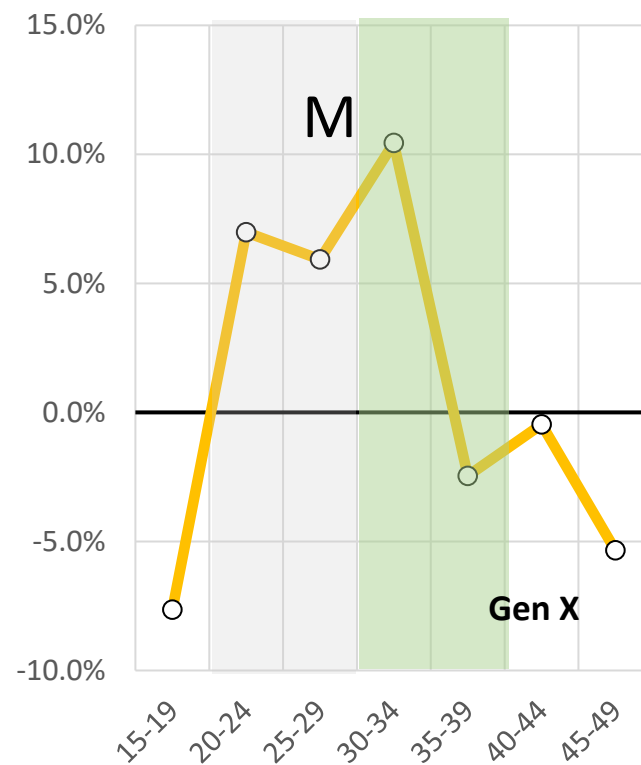
2000 to 2004



Undersized Gen X
undermined demand

2

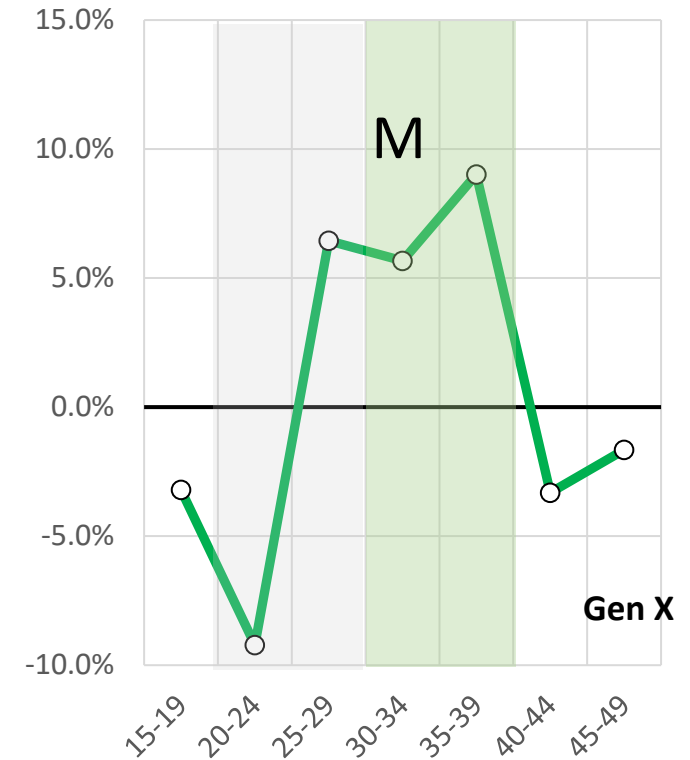
2009 to 2014



In their 20s, Millennials were in
ages to boost Household Formation
But Recession held them back

3

2014 to 2019



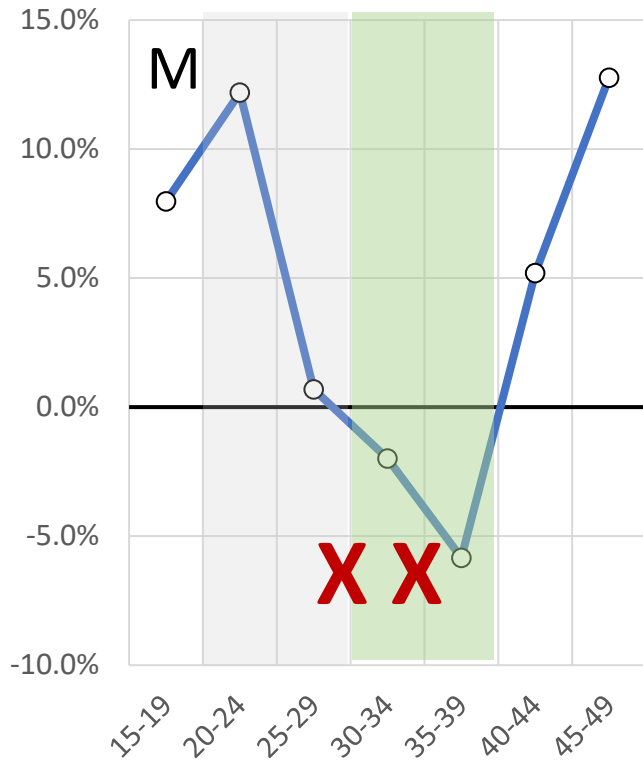
Reaching their 30s, Millennials
also boosted Home Buying

Dowell Myers, **USC** Price

Most Recent Millennial Positioning of Population Growth by Age is Strongest for Household Formation and Entry into Homeownership

1

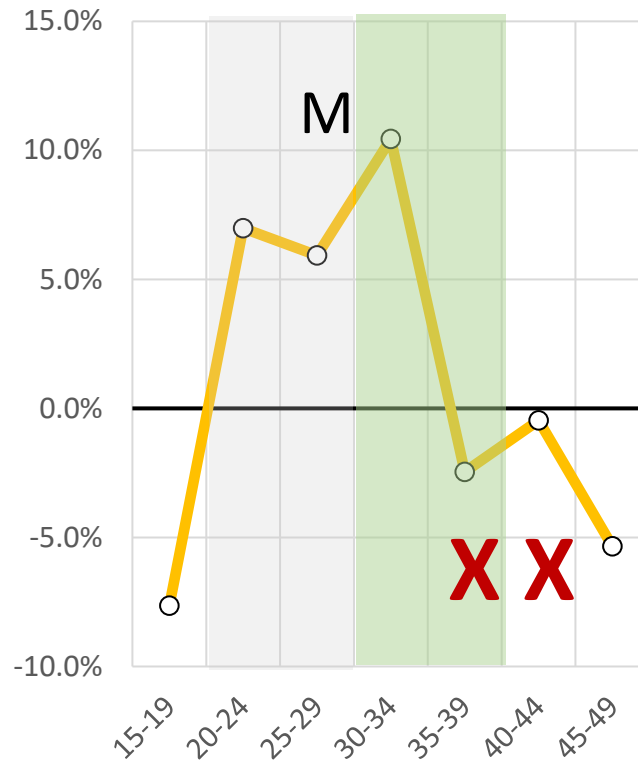
2000 to 2004



Undersized Gen X undermined real demand, offset by easy \$\$

2

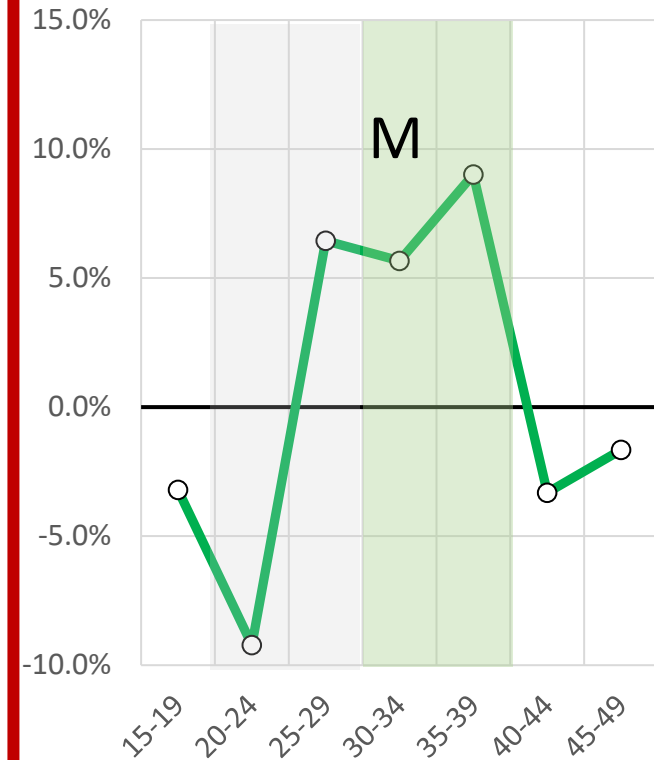
2009 to 2014



In their 20s, Millennials surged into rentals and urban locations

3

2014 to 2019



Reaching 30s, Millennials surged real people into Home Buying

Remember the Age Waves

< *“Chalk talk” on recapping the logic* >

Growing Numbers of People Advancing in Critical Ages

X Peak Lifecycle Rates of New Formations and Purchases

+ Backlog of delayed housing from previous years

= Big Upsurge in Active Housing Demand and Needs

*even if total population holds constant
or slightly declines*

Broader impacts to consider

Too small a **housing supply** to satisfy the needs of young adults in key ages can only lead to one, or all, of **five results**

- 1—**prices shoot up** and
(ruins affordability for all and inequality escalates)
- 2—home seekers with more money **displace** other deserving households
(displacement, gentrification, homelessness)
- 3—people's **lifecycle ambitions are suppressed**: no household formation or no first-time homebuying (remain roommates forever)
- 4—people **move to outlying areas of the metropolitan region**, driving to qualify, or exploit options for remote work to move further up the coast or into mountains
- 5—**residence in California is blocked entirely**, forcing outmigration, reducing population (especially young), meaning fewer workers and new taxpayers

Thank you

**for latest research
on housing and
demographics**

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<https://sites.usc.edu/popdynamics/housing/>

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