When Population Age Waves Crash Into a Slowly Growing Housing Supply

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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

% Population Growth in Each 5-Year Age Group

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California Growth has Shifted into Key Age Groups for Housing Demand

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.

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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

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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

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“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 \textit{bubble that preceded} the Great Recession

or

Was it during the \textit{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

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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

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Remember the Age Waves
< “Chalk talk” on recapping the logic >

Growing Numbers of People Advancing in Critical Ages

× 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 .............

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

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