Household Projections in Retrospect and Prospect: Implications for Housing Turnover

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Remodeling Futures Program

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Five Themes

- The Recession and Household Formations
- Aging of the Echo-Boom Population into the Prime Household Formation Age Groups
- Immigration Trends
- Trends in Headship Rates
- Aging of Baby Boomers and Future Housing Turnover among Older Households
The Recession and Household Formations
Compare the Present Recession to the Recession of the Early 1980s
The Recession and Net New Household Formations by Young Adults

Annual Household Formations by Young Adults
(3-Year Moving Averages)

Until Recently Most Recoveries Occurred Within 2 Years
Aging of Echo Boom Population
Household Formations of Young Adults Closely Follows the Trend in Births Lagged 20-30 Years

![Graph showing annual births in the United States from 1946 to 2007. The graph is divided into three segments: Baby Boom Born 1946-1965, Baby Bust Born 1966-1980, and Echo Boom Born 1981...]
Because of Echo Boom Births and Further Additions to this Generation from Immigration...

The Echo Boom is Even Larger than the Baby Boom that has Driven Markets for 50 Years

Source: U.S. Census Bureau Estimates
But Lower Headship Rates and Higher Representation of Immigrants and Minorities Blunts the Impact of Larger Numbers...

**Annual Household Formations by Young Adults**
*(3-Year Moving Averages)*

But Lower Headship Rates and Higher Representation of Immigrants and Minorities Blunts the Impact of Larger Numbers…

![Annual Household Formations by Young Adults](chart)

**Annual Household Formations by Young Adults**

*(3-Year Moving Averages)*

Household Formation of Young Adults Closely Follows the Trend in Births Lagged 20-30 Years

![Graph showing annual births in the United States from 1946 to 2007 with key periods labeled: Baby Boom Born 1946-1965, Baby Bust Born 1966-1980, and Echo Boom Born 1981...]}
Immigration
Immigration Has Become an Increasingly Important Driver of Household Growth

New Census Bureau Immigration Projections Predict Rising Levels

Census Bureau Immigration Estimates and Projections
PEW Hispanic Center Thinks that New Mexican Arrivals Have Declined but Emigration Has Held Steady

**Figure 2**

- **New Arrivals**
- **Emigration**

Note: Estimates based on Mexican-born population entering the United States in 1990 and later. Figures reported are for March to March.
Source: Table 2 from Pew Hispanic Center, based on tabulations of monthly Current Population Surveys with weights modified for consistency with Vintage 2008 population estimates; data for average of January-April. See Methodological Appendix for definitions and details.
PEW Hispanic Center Thinks that New Mexican Arrivals Have Declined but Emigration Has Held Steady

Figure 1
Migration of Mexicans Into and Out of Mexico:
(thousands)

Out of Mexico

1,026

814

636

Into Mexico

479

440

433

2006-2007
2007-2008
2008-2009

Note: About 97% of Mexicans leaving Mexico go to the U.S., and 93-96% of those returning come from the U.S. See Methodological Appendix. Figures reported are for February to February.

Source: Table 1, based on Mexican government data from Instituto Nacional de Estadística y Geografía (INEGI), Encuesta Nacional de Ocupación y Empleo (ENOE, National Survey of Occupation and Employment).
PEW Hispanic Center Thinks that New Mexican Arrivals Have Declined but Emigration Has Held Steady

Recession Slows -- But Does Not Reverse -- Mexican Immigration

by Jeffrey S. Passel, Senior Demographer, Pew Hispanic Center and D’Vera Cohn, Senior Writer, Pew Research Center
July 22, 2009

http://pewresearch.org/pubs/1288/mexican-immigrants-recent-inflows-outflows
However...The Political Cartoonists Usually Get It Right
Immigration Projections Have Varied Widely
Household Formation (Headship) Rates
The 1980s Recession Followed a Period of Increases in Young Adult Headship Rates

The increases in headship rates across all ages in the 1960s and 1970s came to a halt in the 1980s.

Source: CPS household and resident population estimates.
Recently Headship Rates for Younger Adults have Declined Slightly and Older Adults Have Increased Slightly, but...

In the Aggregate, Headship Rates have Remained Stable Over the Past Five Years

Headship Rate

2003 CPS

2008 CPS

Age of Head

Why Have Young Adult Headship Rates Not Declined As Rapidly During This Recession?

- Headship rates for young adults were already low because of:
  - Later age of first marriage
  - Importance of higher education for employment
  - Less crowded parental households
  - Higher representation of immigrants and their children in the young adult age groups
  - Less intergenerational conflict
Why Have Young Adult Headship Rates Not Declined As Rapidly During This Recession?

“Forty Years After Woodstock, A Gentler Generation Gap”

By Paul Taylor and Richard Morin
Pew Research Center
August 12, 2009

New Household Projections
Projected Household Growth Driven Primarily by Hispanics
Aging Populations Drive Household Growth

Low Immigration Series

- Due to Immigration
- Due to Aging

Annual Household Growth

- 2005-10
- 2010-15
- 2015-20
- 2020-25

Non-Hispanic White
Non-Hispanic Black
Non-Hispanic Asian/Other
Hispanic
Aging Populations Drive Household Growth

High Immigration Series

- Annual Household Growth
- Due to Immigration
- Due to Aging

Non-Hispanic
- White
- Black
- Asian/Other
- Hispanic

Years:
- 2005-10
- 2010-15
- 2015-20
- 2020-25

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Graduate School of Design | Harvard Kennedy School
High Housing Turnover Projected for Non-Hispanic Whites (Low Immigration Series)

Cohort Growth in Households 2010-2020

- Non Hispanic White
- Hispanic

Age of Cohort in 2020

-1,000,000
-800,000
-600,000
-400,000
-200,000
0
200,000
400,000
600,000
800,000
1,000,000
15-24
25-34
35-44
45-54
55-64
65-74
75+
Total
Sellers and Buyers
Older Sellers Sell to Younger Buyers

Older Sellers Sell Older Housing

Sales Between 1995 and 2007

Share of Sold Housing by Year Built

55-64
65-74
75+

Age of Seller

Share Built Since 1980
Share Built 1960-1979
Share Built Before 1960

Source: Joint Center tabulations of American Housing Surveys 1995-2007
Older Sellers Sell Older Housing to Younger Buyers

Housing Built Before 1960

Source: Joint Center Tabulations of American Housing Surveys 1995-2007
1960s and 1970s Built Housing Has Slightly Older Buyers

![Housing Built 1960-1979](image)

Source: Joint Center Tabulations of American Housing Surveys 1995-2007
Implications for Remodeling
It’s The Turnover, Stupid!

Cohort Growth in Households 2010-2020

Age of Cohort in 2020

- Non Hispanic White
- Hispanic

15-24 25-34 35-44 45-54 55-64 65-74 75+ Total

0 200,000 400,000 600,000 800,000 1,000,000

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Buyers Typically Spend 2-4 Times More than Older Sellers on Renovation and Repair Within 2 Years of Sale

Average Expenditure of Older Sellers (1994-2005) and All Buyers (1996-2007)

Buyers Typically Spend Only Slightly More than Middle Age Sellers on Renovation and Repair Within 2 Years of Sale

Average Expenditure of Middle-Age Sellers (1994-2005) and All Buyers (1996-2007)

Further Research Needed

- Characteristics of *Sellers* and Their Housing
  - Age of Seller
  - Year Unit Built
  - Years in Unit
  - Other Demographic Characteristics of Sellers
  - City-Suburb-Exurb Location
Further Research Needed

- Characteristics of *Buyers* and Their Housing
  - Age of Buyer and Year Unit Built
  - Race/Hispanic Origin
  - Immigrants vs. Native Born
  - Other Demographic Characteristics of Buyers
  - Previous Renovation and Repairs to Unit
Further Research Needed

- How important is it to cross-tab characteristics of sellers by characteristics of buyers when looking at renovation and repair activity?