



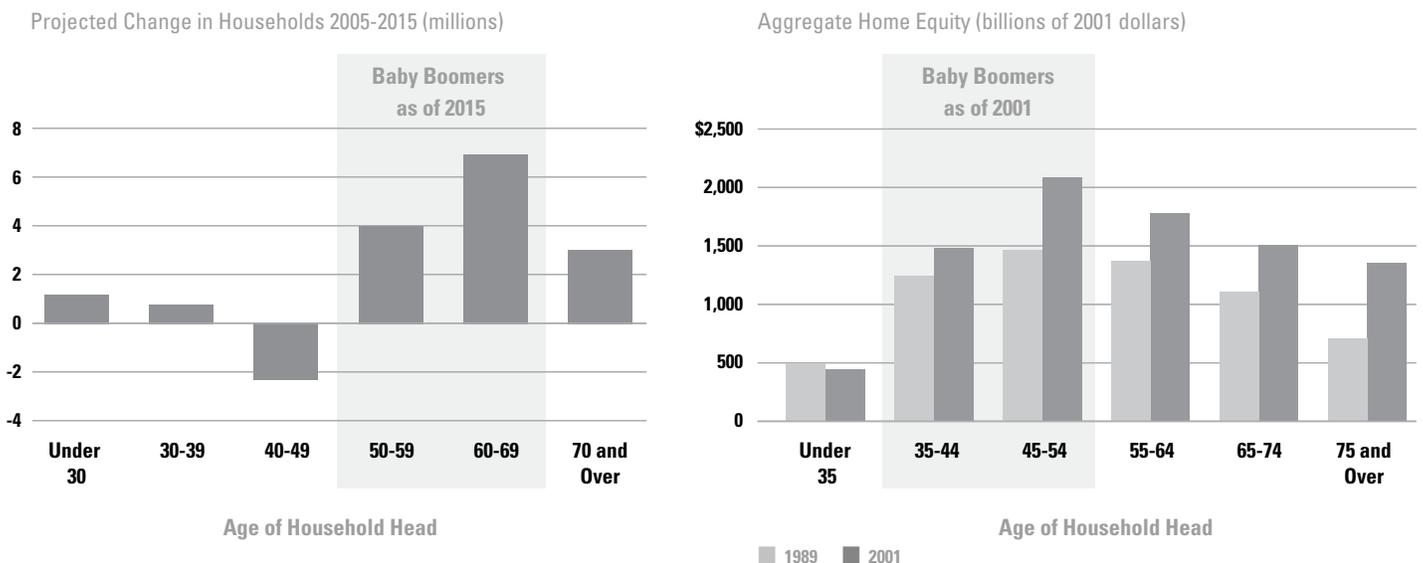
DEMOGRAPHIC TRENDS

American households are becoming more diverse as minority, single-person, single-parent, and female-headed households make up ever larger shares of successive generations. With income and wealth also rising across all age groups, immigration driving up household growth, and the baby boomers still dominating housing markets, demographic trends will support solid growth in housing demand over the coming decade.

As a result of the record numbers of immigrants entering the United States over the past two decades, one in five heads of households is now either foreign-born or the native-born child of an immigrant. The steady stream of immigrants has also helped to lift the minority share of households to more than 25 percent. At the same time, the numbers of “nontraditional” households—unmarried couples, female householders, and singles of all types—are growing rapidly, especially among the native-born white population.

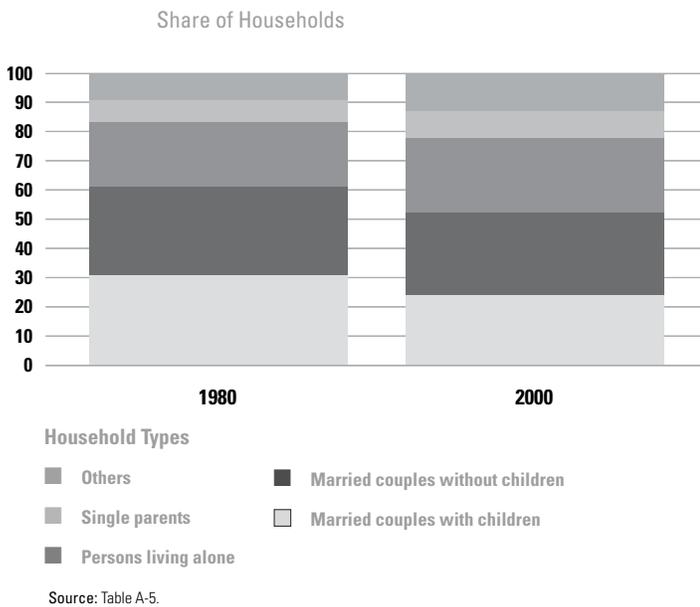
The foreign-born directly contributed about one-third of household growth over the past ten years. Their contribution over the next ten years may be even greater as more of their native-born children begin to live independently and more of their family members join them in this country. Indeed, with inflows of new immigrants increasing and the overall population living longer, the next ten years may see the highest levels of net household growth since the baby boomers swept into the housing market in the 1970s.

Figure 11 Baby Boomers Will Enter Their 50s and 60s with Unprecedented Home Equity



Sources: JCHS household projections based on 2000 Decennial Census data, and JCHS tabulations of Surveys of Consumer Finances.

Figure 12 Married Couples Make Up a Shrinking Share of Households



BABY-BOOMER DEMAND

As they reach their 50s and 60s over the coming decade, the aging baby boomers will continue to dominate housing markets. The sheer size of the baby-boom generation and the stunning amount of home equity they have accumulated guarantee that these households will keep housing demand going strong (Fig. 11).

As great as their gains in housing wealth have been, baby-boomer homeowners have seen even larger increases in their stock portfolios. As a result, home equity has actually declined as a share of net wealth from ten years ago, despite the recent strength of house price appreciation. This means the baby boomers are approaching their retirement years with more diversified holdings than their parents.

With the leading edge of the baby boom entering their 60s with record wealth, the demand for housing in age-restricted and retirement communities will get a significant boost over the next decade. The trailing edge of the baby boom will also enter their peak income and earning years with record wealth, fueling the demand for major remodeling projects and for second homes.

NONTRADITIONAL FAMILIES ON THE INCREASE

While married couples make up a slim majority of American households and still define the traditional family in many people's minds, their share of all households dropped a full 10 percentage points between 1980 and 2000 (Fig. 12). Most of the decline was concentrated among married couples with children, whose share fell from 31 percent to just 24 percent. Meanwhile, the shares

OVER THE PAST TWO DECADES, THE NUMBER OF MIDDLE-AGED, NEVER-MARRIED PERSONS LIVING ALONE HAS CLIMBED OVER 250 PERCENT TO 3.6 MILLION HOUSEHOLDS.

headed by single parents and grandparents raising their children's children have increased.

If not for the strong pace of immigration, the share of married-couple families with children would have fallen even more precipitously. Among the native-born population, the share of married-couple households with children fell from 31 percent in 1980 to 23 percent in 2000, but increased among the foreign-born from 32 percent to 37 percent.

With more couples waiting longer to marry or not marrying at all, divorce rates high, and remarriage rates falling, the number of single-person households reached 26.5 million in 2000 (Table A-5). Indeed, the never-married share of households has been on the rise ever since the baby boomers began reaching adulthood. By the turn of the century, 14 percent of baby-boom household heads (aged 35–54) had never married—more than twice the share of previous generations at the same age. Similarly, 43 percent of household heads under age 35 had never married, in contrast to only 26 percent of their same-age counterparts in 1980.

The upsurge in single-person households has had less of a depressing impact on homeownership than might be expected. Because some middle-aged singles still own the homes they bought with their spouses before getting divorced, they have higher homeownership rates than same-age singles that have never married. And now that more women are marrying later or not at all, they are more apt than previous generations of single women to own homes. In fact, households headed by unmarried women with or without children have accounted for nearly a third of the growth in homeowners since 1994.

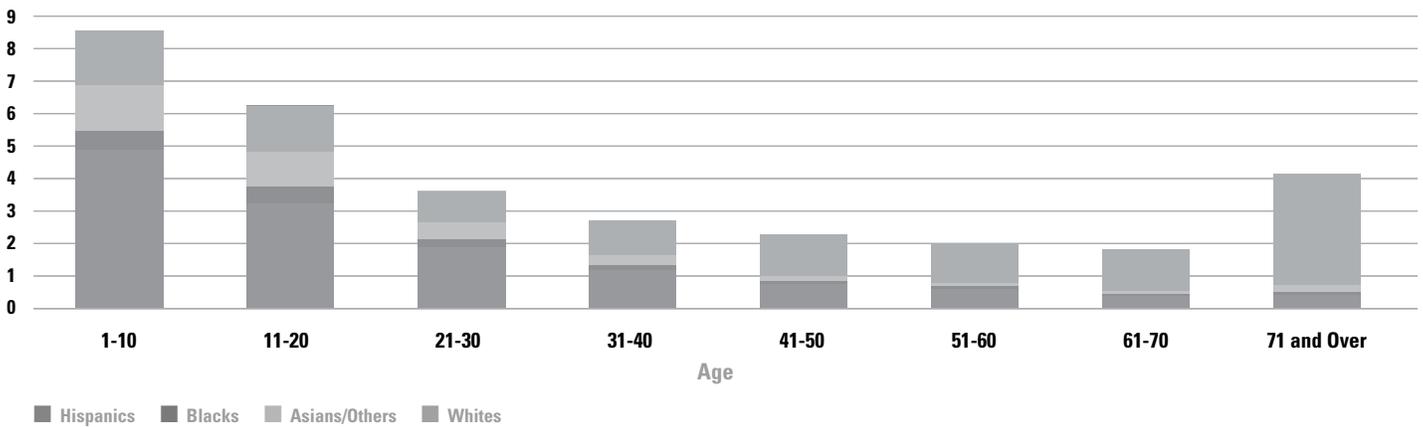
SECOND-GENERATION AMERICANS

Given the flood of immigrants over the past half-century—and especially since 1980—the population of second-generation Americans is soaring. In just the last decade, the number of second-generation Americans aged 1–10 jumped by 41 percent and those aged 11–20 by 63 percent. By comparison, the number of other native-born 1–10 year-olds fell 9 percent while that of 11–20 year-olds increased only 8 percent. Hispanics make up about half of second-generation heads of households age 40 and under, while Asians account for nearly 1 in 6. In contrast, non-Hispanic whites make up much larger shares of second-generation Americans over age 40 (Fig. 13).

Figure 13

Second-Generation Hispanics Will be a Growing Force in the Housing Market

Second-Generation Population (millions)

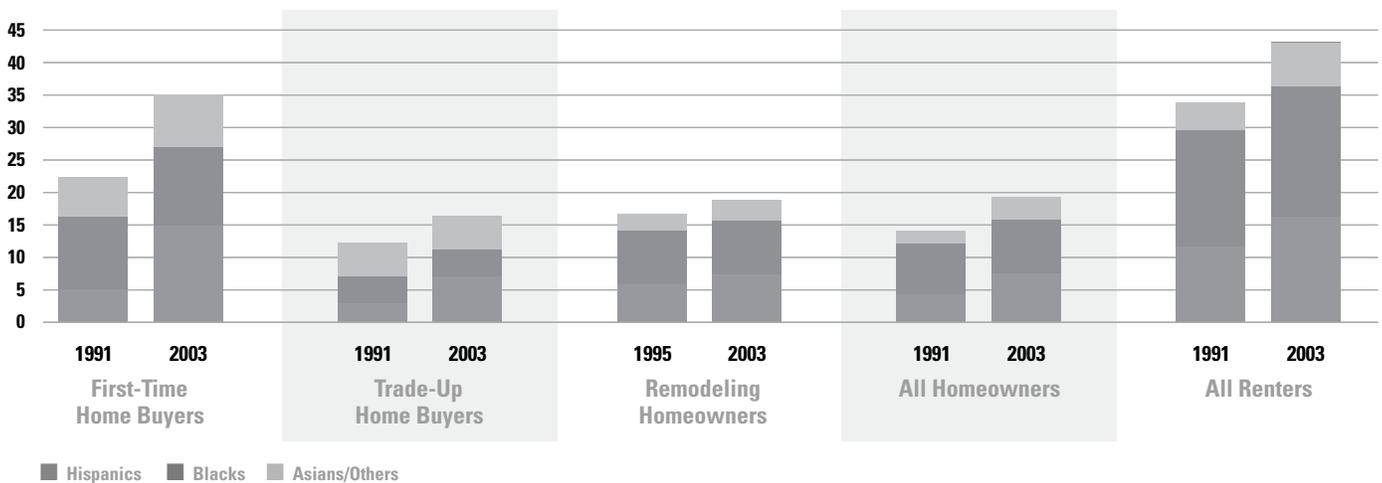


Notes: Whites, blacks and Asians/others are non-Hispanic. Hispanic householders may be of any race. Asians/others include Pacific Islanders, Aleuts and Native Americans. Second-generation Americans have at least one foreign-born parent.
Source: JCHS tabulations of 2004 March Current Population Survey.

Figure 14

Minority Groups Are an Increasing Source of Housing Demand

Percent Minority



Notes: Whites, blacks and Asians/others are non-Hispanic. Hispanic householders may be of any race. Asians/others include Pacific Islanders, Aleuts and Native Americans. Home buyers moved in the year of, or year before, the survey.
Source: JCHS tabulations of the 1991, 1995, and 2003 American Housing Surveys. JCHS adjusted weights used for 2003.

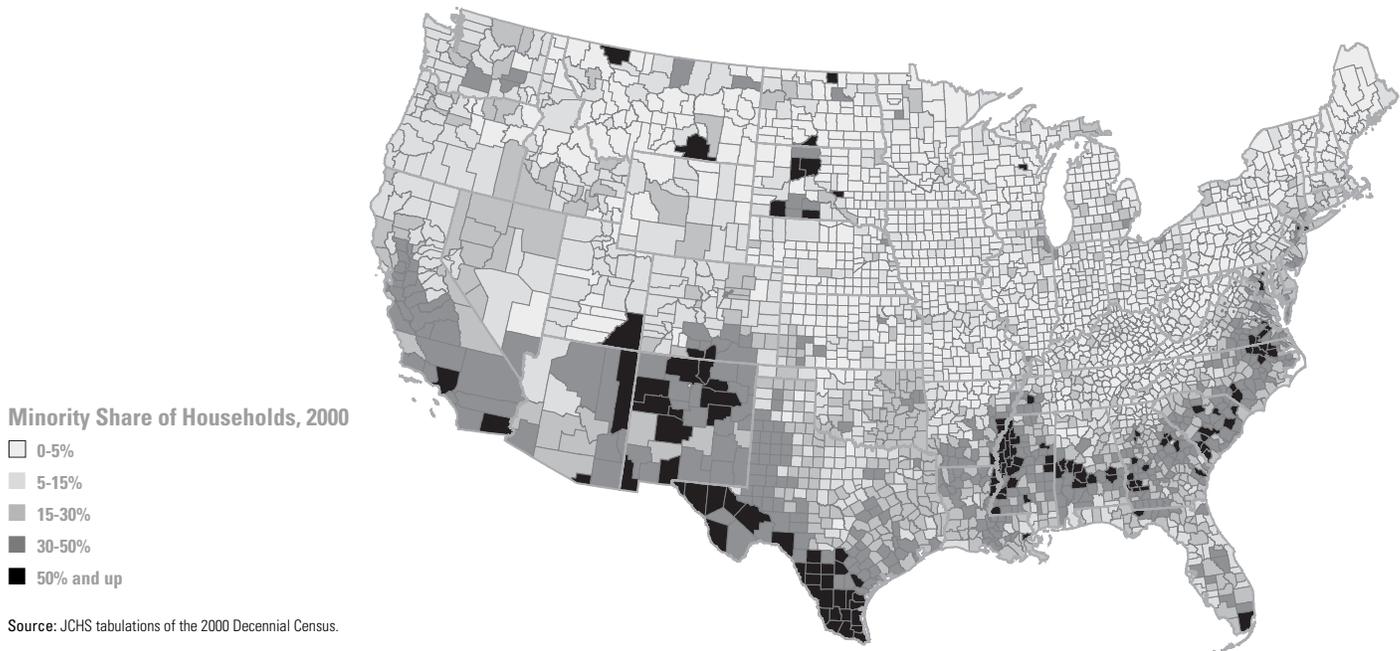
Second-generation Americans differ from their parents and from other native-born households in a variety of ways. Because many immigrants marry native-born Americans, nearly half of second-generation Americans have only one foreign-born parent. From an income perspective, the children of immigrants are part of the American success story. Across all age groups, second-generation households have much higher average incomes than immigrants (Table A-7). They even have somewhat higher incomes than other native-born households when accounting for age, despite having slightly smaller shares of two wage-earners. The income differences between second-generation and other native-born house-

holds, however, mostly reflect the fact that second-generation households have more college graduates and are clustered in the West and Northeast where incomes are higher.

Despite their economic progress, second-generation Americans still lag behind other native-born households in homeownership. Again, part of the explanation is that many of these households live in regions where ownership rates are lower overall. In addition, second-generation Americans are less likely to inherit a house or receive financial help with a downpayment because of their immigrant parents' low homeownership rates and lower

Figure 15

The Minority Presence in Housing Markets Varies Widely



average incomes. Indeed, across all age groups over 25, homeownership rates among immigrant-headed households are between 11 and 20 percentage points lower than among all native-born households.

Nonetheless, second-generation Americans do have higher homeownership rates than other native-born Americans in some locations. Examples include San Francisco, where large numbers of well-educated, second-generation Asian-Americans have driven up homeownership rates, and Miami, where large shares of Cuban-Americans aspire to and achieve homeownership.

As many young second-generation Americans reach the prime household-formation ages, they will help shore up demand for starter homes, rental apartments and condominiums. They will also compel the housing and mortgage industries to redouble their efforts to reach out to Hispanic and Asian households.

MINORITY PRESENCE IN HOUSING MARKETS

Minorities are making inroads into all housing market segments (Fig. 14). While the minority share of home remodeling activity and trade-up home buying is up only slightly, the increase in the rental and first-time buyer markets is dramatic. With their high immigration and birth rates, Hispanics have been at the forefront of this growth, with blacks and Asians also making progress.

Minority households are also making large income advances. Between 1980 and 2000, over 6.2 million minority households

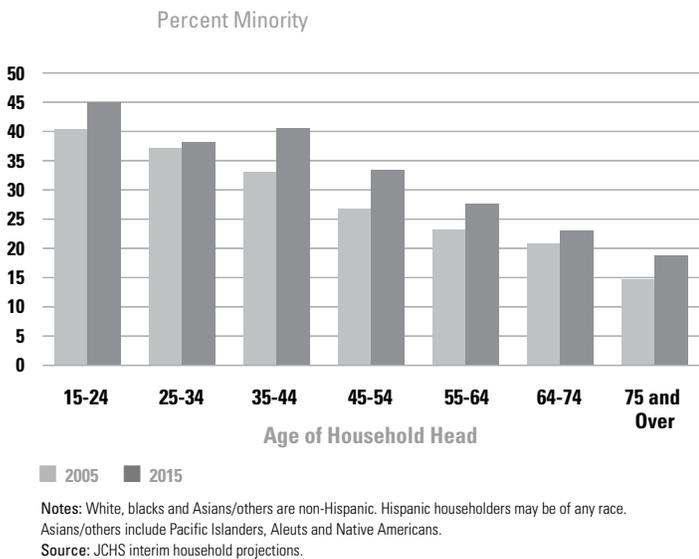
joined the ranks of middle-income Americans—nearly matching the gains among whites. In addition, 2.4 million minority households were added to the top-income group. Although the sheer increase in the number of minorities is largely responsible for these gains, higher educational attainment—and higher returns from that education—also played a role.

The minority presence in housing markets is, however, far from uniform (Fig. 15). Of the metro areas with a significant minority population, 37 have at least 150,000 minority-headed households. In 58, minorities account for at least a third of households, and 21 metros meet both thresholds. In 2000, these 74 metros were home to just 42 percent of all households, but 64 percent of the nation's minority households.

Not surprisingly, the metro areas with the fastest growth in minority households are the 10 immigrant gateways (Table A-6). From 30 percent in 1980, the minority share within these locations jumped to 46 percent by 2000. In contrast, the share of minority households living outside the gateway metros only increased from 14 percent to 21 percent.

In most of the nation's less populated areas, minorities constitute only a small share of households. In fact, the minority share is less than 5 percent in fully 1,000 of the nation's 2,400 non-metro counties. The Housing Assistance Council has, however, identified over 300 rural counties where a single racial or ethnic minority makes up a third or more of the households. These minority-

Figure 16 Younger Generations Will Become Progressively More Diverse



dominated communities tend to be more isolated and have higher poverty rates than other rural counties. House values are also lower on average and nontraditional housing finance is more prevalent.

IMMIGRATION AND MIGRATION PATTERNS

Differences in household growth across metros largely reflect internal migration flows and foreign immigration. For example, household growth has been particularly strong in several younger metro areas (such as Atlanta, Las Vegas, Orlando, and Phoenix) that have been a magnet for both immigrants and domestic migrants. In contrast, household growth in certain older metros (including Boston, Chicago, Detroit, Los Angeles, New York, and San Francisco) has been weaker because immigration has only served to offset the pace of domestic out-migration. In all, about half of all metros have seen positive growth in both foreign and domestic migration since 2000.

Within metro areas, more households are leaving rather than coming to central cities. Indeed, among households with incomes of \$50,000 or more, the gross outflow to the suburbs exceeds the inflow to the city by more than 2 to 1. While whites initially led the movement to the suburbs, minorities have now joined in this out-migration. Evidence of this shift began to appear as early as the 1980s in the nation's largest 91 metropolitan regions.

Meanwhile, in the 10 immigrant gateway metros, the share of foreign-born households living within 5 miles of the CBD declined in the 1990s while the share living 10 or more miles from the CBD began to increase. Even recent immigrants are increasingly

making the suburbs their first home. In 2003, more than half of new arrivals settled in suburban or non-metro areas within 12 months of coming to the US.

THE IMMIGRATION WILD CARD

For at least two decades, the Census Bureau has consistently underestimated the number of foreign-born individuals living in the US and used improbably low assumptions about future immigration to project population growth. These assumptions about immigration flows affect not only the expected magnitude of future household growth, but also its distribution by age, race, ethnicity, and family type.

History suggests, however, that high-side estimates of immigration prove more realistic. This nation continues to have a great demand for labor and a strong appeal to people around the world who are willing to take great risks—including entering the country illegally—to make a life here. Nonetheless, the Census Bureau's current population projections assume that immigration will run at about 850,000 arrivals a year, even though current estimates put that number closer to 1.2–1.3 million.

Based on the Census Bureau's current population projections, household growth would accelerate from around 12 million in the 1990s to 13.3 million in 2005–15. But without a significant slowdown in immigration, household growth is much more likely to reach 14–15 million over the decade. In either case, the pace of household growth will support housing demand on par with today's high levels.

THE OUTLOOK

Minorities will make up larger and larger shares of each successive generation (Fig. 16). In absolute terms, minority household growth will outpace white household growth by 2 to 1. The housing and mortgage industries can capitalize on these market shifts by intensifying their outreach to Hispanic, Asian and African American households. Among other things, this will mean paying closer attention to the diversity of their own workforces and adding employees fluent in other languages. Meanwhile, the numbers of real estate trade associations and firms specializing in the minority housing market will continue to grow.

The shifting age and family composition of households will drive changes in the types of homes and the types of home improvements most in demand. As they move into their pre-retirement years with peak income and wealth, the baby boomers will continue to support demand for trade-up houses, second homes, and high-end improvements performed by professional contractors. At the same time, the growing number of singles and unmarried couples, as well as the shrinking share of families with children, will drive housing demand toward multifamily units, townhouses, and condominiums. ■