Demographic Trends that will Shape Future Housing Demand

PETER A. MORRISON
The Rand Corporation, Santa Monica, California 90406

ABSTRACT
Four important demographic influences will shape housing demand in the United States: (1) the population's changing age profile, which foreshadows significant shifts in the composition of future housing demand, (2) the tendency for young men and women to remain single longer than they did in the past and to establish households in "nonfamily" living situations as primary individuals, (3) the widening mortality differential between the sexes, which has increased the tendency for women to outlive men, (4) a reversal of long-standing migration trends, which has brought about a redirection of settlement patterns within and outside the nation's metropolitan areas.

Together, these trends will influence the type of housing people seek, and where they seek it, in three distinct ways: (1) by governing the rate of change in population of prime household-formation age, (2) by influencing the manner in which people group themselves into social units for housing purposes at different stages of the life cycle, (3) by concentrating specific socioeconomic or age strata of the population in certain places.

In 1967, the number of households in the United States began to increase by 1.5 million a year—a 2.5% growth rate—compared with less than 1 million a year in the early and mid-1960s. What is more, the average annual increase is projected to continue at 1.5 million for another fifteen years.

This unprecedented growth in the number of households is tantamount to building a new metropolitan area the size of Detroit every year for 23 years. It will be misleading in the extreme, however, if we think about the future of housing demand in this linear perspective. For one thing, the type of housing demand will shift in response to the massive ongoing shift in the age structure of the population. For another, the demand for housing is related to places as much as to people, and some places will grow much faster or slower than others. In certain places, consequently, growth rates in the demand for housing will be much higher or lower than the 2.5% growth rate in the number of households.

1 This paper is the first in the 1975-76 series of Congressional Seminars on National Urban Growth Policy, organized by the National Planning Association and held at the Library of Congress, Washington, D.C. This seminar was held on October 15, 1975.
As just about everyone knows, the surge of growth in the number of households is largely the product of the large numbers of people born during the first half of the baby-boom. Those people are now in the prime household-forming ages between 18 and 28. Since 1970, fully four of every nine additional households has been headed by someone under 30. This age concentration has created an especially heavy demand for the particular kinds of dwelling units suited to these age groups—low-to-moderate-priced apartments and the like—and this demand will continue for another five years or so. By 1981, however, the age concentration will be on the 35-to-44 group—the matured first cohorts of the baby-boom people. During the succeeding 9 years, four of every nine additional households will be headed by someone between 35 and 44 (a group that has not accounted for any of the increase in the number of households since 1969).

Those of you who are more knowledgeable than I about differences in housing taste between young and middle-aged households are better able to foresee the likely aftermath of so dramatic a shift in age composition. My point is simply that aggregate projections of the total number of households likely to be added by some future date—that steady annual increase of 1.5 million—conceal what may be more significant demographic influences on future housing demand.

The population's changing age profile is, in fact, only one of four important demographic influences shaping housing demand in this country. The other three are: the tendency for young men and women to remain single longer than they did in the past and to establish households in "nonfamily" living situations as primary individuals; the widening mortality differential between the sexes, which has increased the tendency for women to outlive men; and a reversal of long-standing migration trends, which has brought about a redirection of settlement patterns within and outside the nation's metropolitan areas.

Together, these trends will influence the type of housing people seek, and where they seek it, in three distinct ways:

1. By governing the rate of change in population of prime household-formation age;
2. By influencing the manner in which people group themselves into social units for housing purposes at different stages of the life cycle;
3. By concentrating specific socioeconomic or age strata of the population in certain places.

Although this demographic context contains certain imponderables, much of it can be delineated precisely and quantitatively.

Forthcoming Changes in Age Structure

The driving force behind increasing numbers of households nationally is, of course, the expanding adult population out of which households are formed. At any given time, however, this population will be increasing much faster at some ages than at others. For example, the population aged 18 to 24 and 65 and over has increased at

---