

Demographic Roller Coaster

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During the period from 1996 through 1999, housing demand was bolstered by acceleration in the rate of household formations. During those three years, the average net increase in the number of households was in the range of 1.3 to 1.4 million, compared to an average of about 1.1 million from 1990 to 1996. This acceleration in household formations helped the market to absorb 2 million new housing units per year without significant increases in the number of vacant units for sale or rent.

Since the end of 1999, however, the net increase in the number of households has dropped, suggesting perhaps that the behavior of the population is reverting to an earlier pattern or that the statistics showing a surge in the number of households were inaccurate and misleading.

Figure 1 shows the change in the number of households, based on the averages of monthly data.

For 2000, the average change is based on the first 6 months of the year, compared to the first 6 months of 1999.¹ If the slowdown in net household formations is real, it means that production will have to drop in order to avoid a glut of new housing. That's a concern that has not been uppermost in the minds of builders in recent, shortage-plagued years.

Based on the growth of the population in each age group, the average expected net increase in households during the late 1990s was about 1.2 million, if the headship rate (the

ratio of household heads to population) had remained unchanged within each age bracket. The "extra" 100,000 to 200,000 households per year from 1996 to 1999 were apparently the result of an increase in the propensity of young adults to form independent households. Among the population aged 20 to 24, the share who were household heads increased from 25.7 percent in March 1996 to 27.1 percent in March 1999. With more than 18 million people in that age bracket, this represented an additional 260,000 households.

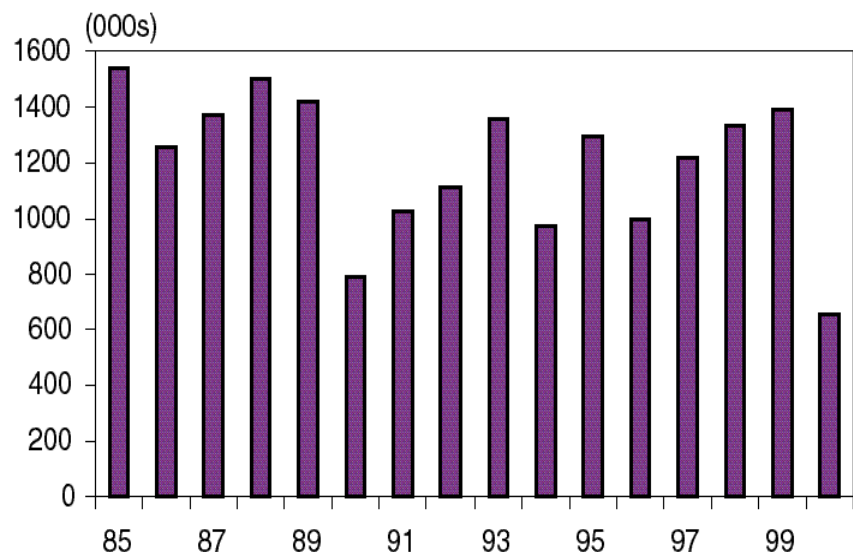
For the population aged 25 to 29, the headship rate increase was even greater, from 41.9 percent in March 1996 to 44.6 percent in March 1999. Among people aged 30 to 34, the headship rate increased from 49.6 percent to 50.8 percent.

Among the population aged

35 to 64 there was not any clear trend in overall headship between 1996 and 1999. Among those 65 and over, headship rates declined, with the number of household heads as a share of the total resident population falling from 64.5 percent in March 1996 to 63.1 percent in March 1999.

These data on headship rates as of March come from the annual demographic supplement to the monthly Current Population Survey (CPS). Each year in March, the regular CPS (which is conducted mainly to measure unemployment and the labor force) is supplemented to include additional households, and extra questions are asked about family relationships. Data from the demographic supplement for March 2000 are not yet available, but the information from the regular monthly CPS indicates that the growth in the

Figure 1. Change in the Number of Households



Source: Average of monthly data from Current Population Survey, U.S. Census Bureau.

number of households slowed abruptly, with the net increase from March 1999 equal to only about 600,000. The monthly CPS data indicate, however, that the slowdown was not due to a reversal in the behavior of young adults, but to a decline in headship rates among those 35 and older, particularly among those 55 to 64 years old.

The increased headship among younger adults in the late 1990s reversed a trend of the 1980s and earlier 1990s, when many young adults continued to live with their parents or doubled up with other relatives or friends, rather than establishing independent households. This was associated with postponement (sometimes indefinitely) of marriage and childbearing, but even among young unmarried adults, the share setting up

households, either alone or together with partners or roommates, did not grow as it had in the 1960's and 1970's.

Table 1 shows living arrangements by age in March 1996 and March 1999. For those 15 to 24 years old, the share living alone rose between 1996 and 1999, after falling earlier in the decade, and the share maintaining single parent households grew even faster than in preceding years. The increased headship among people 25 to 34 years old in the most recent years has reflected a halt in the decline of the share in married-couple households, as well as a reversal of the decline in the share living alone, and further increases in the share maintaining single parent households. The share living in unmarried couples or other non-family

households comprising two or more unrelated adults also grew.

The difference between the behavior of young adults today and the behavior of their immediate predecessors has helped to hold down apartment vacancy rates. As Table 2 shows, households consisting of unmarried young adults are more likely than other types of households to live in multifamily rentals. This shift has also helped to strengthen housing demand in central cities.

By establishing independent households now, the young adults born in the 1970s may be demonstrating a propensity that will mean higher headship rates among the population over 35 in the future. People who establish independent households at age 30 are more likely to maintain independent households when

Table 1. Living Arrangements by Age, March 1996 vs. March 1999

	15-24		25-34		35-44		45-54		55-64		65 & Over	
	1996	1999	1996	1999	1996	1999	1996	1999	1996	1999	1996	1999
Total Population	37,123	38,650	41,757	39,264	43,505	45,191	31,775	35,445	21,225	23,063	33,329	34,059
Household Heads:												
Married Couple	4.1%	3.8%	23.9%	23.9%	31.9%	31.3%	35.1%	34.3%	36.5%	35.1%	27.8%	28.0%
Sing Parent & Oth Family	4.0%	4.6%	9.0%	9.8%	10.6%	10.4%	8.6%	8.4%	6.6%	6.7%	6.1%	5.8%
Person Living Alone	2.9%	3.4%	8.9%	9.5%	8.7%	9.0%	11.0%	11.9%	13.9%	15.4%	29.5%	28.6%
Other Nonfamily Household	3.2%	3.1%	4.2%	4.8%	2.1%	2.4%	1.9%	2.3%	1.5%	1.7%	1.0%	0.7%
Total Heads	14.2%	14.9%	46.0%	47.9%	53.4%	53.0%	56.7%	56.9%	58.4%	58.9%	64.5%	63.1%
Non-heads:												
Spouse of Head	5.4%	4.8%	27.1%	26.6%	33.1%	32.5%	34.4%	33.7%	34.4%	33.4%	22.9%	24.0%
Child of Head	63.7%	63.3%	12.0%	11.0%	5.7%	5.7%	2.7%	2.5%	1.2%	1.1%	0.3%	0.2%
Other Relative of Head	6.4%	6.9%	4.0%	3.6%	2.5%	2.9%	2.8%	3.0%	3.6%	4.1%	6.3%	6.2%
Non-relative in household	8.0%	7.8%	8.9%	8.8%	4.2%	4.9%	2.8%	3.2%	1.7%	1.9%	1.1%	1.4%
Household Nonheads	83.4%	82.7%	51.9%	50.0%	45.6%	45.9%	42.7%	42.5%	40.9%	40.5%	30.5%	31.7%
Group Qtrs & Institutions	2.4%	2.3%	2.0%	2.1%	1.0%	1.1%	0.6%	0.6%	0.7%	0.7%	5.0%	5.2%

Source: NAHB tabulations of Current Population Survey, Annual Demographic Supplement. Population adjusted to include institutions and military personnel who do not live with civilians.

they are at age 40 than 30-year-olds who live in households headed by someone else.

The “cohort effect,”² in which the behavior patterns established at young ages influence and foreshadow behavior at older ages, can be seen in Table 3. The data in Table 3 are based on the decennial census, except for the rates in 2000, which are based on the monthly CPS for March 2000.³ Among people born from 1926 to 1935, 42.8 percent were household heads at ages 25 to 34 in 1960. That was 6.1 percentage points higher than the headship rate for people of ages 25 to 34

in 1950 (i.e., those born 1916 to 1925). For the group born from 1926 to 1935, the pattern of higher headship (relative to those born 1916 to 1925) was also evident to some extent at ages 35 to 44 and 45 to 54. For the late-baby boomers born during 1956 to 1965, headship at age 25 to 34 (46.0 percent) was nearly 4 percentage points lower than for the first wave of the baby boom (born during 1946 to 1955). At age 35 to 44, late boomers still displayed somewhat lower headship than early boomers, with a rate of 53.4 percent compared to 54.3 percent,

but most of the gap has been closed.

In most other cases where a birth cohort exhibited higher or lower headship at ages 25 to 34 than those who preceded them, part of that difference in headship persisted as the cohort aged, although there have clearly been exceptions. The differences have tended to narrow as they aged, however. In recent decades, there have been virtually no differences among cohorts in headship rates at ages 55 to 64.

While headship at age 25 to 34 seems to be an indication of headship for the same birth

Table 2. Tenure and Structure Type for Households by Age (1997)

	Number (000)	Own			Rent		
		Single	Multi	Mobile	Single	Multi	Mobile
All Households							
15-24	5,308	11.4%	1.3%	5.1%	20.6%	57.8%	3.8%
25-34	18,795	36.8%	2.6%	5.2%	17.8%	35.4%	2.3%
35-44	23,270	59.2%	2.6%	4.7%	13.0%	19.4%	1.1%
45-54	18,777	67.8%	3.1%	5.0%	9.1%	14.0%	1.1%
55-64	12,431	69.8%	4.3%	6.1%	7.0%	12.1%	0.7%
65+	<u>20,906</u>	<u>67.4%</u>	<u>5.6%</u>	<u>5.9%</u>	<u>5.3%</u>	<u>15.2%</u>	<u>0.6%</u>
All Ages	99,487	57.1%	3.5%	5.3%	11.2%	21.7%	1.3%
Married Couple Households							
15-24	1,387	20.5%	1.6%	9.1%	21.7%	39.8%	7.2%
25-34	9,500	52.6%	2.6%	6.2%	16.2%	20.6%	1.8%
35-44	13,818	73.8%	1.8%	4.9%	10.1%	8.7%	0.7%
45-54	11,493	80.7%	2.2%	5.0%	6.1%	5.7%	0.3%
55-64	7,522	80.7%	3.3%	6.2%	4.6%	4.7%	0.5%
65+	<u>9,173</u>	<u>80.8%</u>	<u>4.9%</u>	<u>5.4%</u>	<u>3.2%</u>	<u>5.4%</u>	<u>0.3%</u>
All Ages	52,894	72.3%	2.8%	5.5%	8.6%	9.9%	0.9%
Not Married Couples							
15-24	3,920	8.2%	1.2%	3.7%	20.2%	64.2%	2.5%
25-34	9,295	20.5%	2.6%	4.2%	19.4%	50.5%	2.8%
35-44	9,451	37.9%	3.7%	4.4%	17.3%	34.9%	1.8%
45-54	7,284	47.3%	4.6%	4.8%	13.9%	27.2%	2.2%
55-64	4,909	53.0%	5.8%	5.9%	10.8%	23.5%	1.0%
65+	<u>11,734</u>	<u>57.0%</u>	<u>6.1%</u>	<u>6.2%</u>	<u>7.0%</u>	<u>22.8%</u>	<u>0.8%</u>
All Ages	46,593	39.8%	4.3%	5.0%	14.2%	35.0%	1.8%

Source: NAHB tabulations of American Housing Survey.

cohort at later ages, headship at ages 15 to 24 does not appear to be nearly as predictive. Lifetime choices for most people in that age bracket generally haven't been made or are still subject to change. The individuals who are household heads among the population aged 35 to 44 or older were typically also household heads at ages 25 to 34, but the household heads at age 25 to 34 generally didn't first become household heads until after 25.

There are three possibilities. It could be that the data are not accurate measures of what has happened. It could be that the data are meaningful measures of reality, but the behavior that they document is temporary. Or it could be that new social trends are developing that could affect the volume and character of future housing demand. If the

data represent reality, the sharp deceleration in net household formations may mean that incremental housing demand will slip in the short run, but the apparent taste for independent households among Generation X may mean that housing demand in the decade ahead will be stronger than expected.

¹ The 1994 change is probably understated by about 500,000, due to a change in the survey. See Michael Carliner, "1996 Households" *Housing Economics*, February 1997, pp. 5-7; also see John R. Pitkin, "Changes in Homeownership and Households, 1993 to 1995: An Evaluation of Estimates from the Current Population Survey," *Journal of Housing Research*, V. 9 no. 2 (1998)

² For further information on cohort effects see National Association of Home Builders, *The Future of Home Building* (1996), p. 19; John R. Pitkin and George Masnick, *Projections of*

Housing Consumption in the U.S., 1980 to 2000, by a Cohort Method (U.S. Dept. of Housing and Urban Development, Annual Housing Survey Studies, No. 9, June 1980).

³ Data for 1940, 1950, and 1960 come from *Census of Population: 1960, Vol. 1 Characteristics of the Population, Part 1 United States Summary*, table 183. Data for 1970 are from *1970 Census of Population, Vol. 1 Characteristics of the Population, Part 1 United States Summary*, Section 1, tables 204 and 53. Data for 1980 are from *1980 Census of Population, Vol. 1 Characteristics of the Population, Chapter D Detailed Population Characteristics, Part 1 United States Summary, Section A (PC80-1-D1-A)*, tables 253,265. Data for 1990 from *1990 Census of Population, General Population Characteristics, United States (1990 CP-1-1)*, tables 26,27. Estimates for 2000 based on NAHB tabulations of monthly Current Population Survey for April, adjusted for civilian and institutional population as reported on the internet at www.census.gov/population/www/estimates/nat_90s_detail.html

Table 3. Headship Rates for 10-year Birth Cohorts When They Reached Specified Ages

	15-24	25-34	35-44	45-54	55-64
Born					54.0% ('40)
1886-1895				50.7% ('40)	53.0% ('50)
1896-1905			44.5% ('40)	49.7% ('50)	55.8% ('60)
1906-1915		32.8% ('40)	45.2% ('50)	52.4% ('60)	58.1% ('70)
1916-1925	5.7% ('40)	36.7% ('50)	48.6% ('60)	53.4% ('70)	58.2% ('80)
1926-1935	9.1% ('50)	42.8% ('60)	51.3% ('70)	55.4% ('80)	58.5% ('90)
1936-1945	11.2% ('60)	46.9% ('70)	54.5% ('80)	56.7% ('90)	57.5% ('00)
1946-1955	13.1% ('70)	49.7% ('80)	54.3% ('90)	56.5% ('00)	
1956-1965	15.6% ('80)	46.0% ('90)	53.6% ('00)		
1966-1975	13.7% ('90)	48.8% ('00)			
1976-1985	15.4% ('00)				

Note: Number of household heads as a percentage of total resident population.

Sources: Data for 1940 to 1990 from decennial census. Data for 2000 from the April 2000 CPS, adjusted for military and institutions. See notes to article for details on sources.