CTOD CENTER FOR TRANSIT-ORIENTED DEVELOPMENT

MEMORANDUM

Date:	March 19, 2012
To:	Doug Johnson, MTC Therese Trivedi, MTC
From:	Sujata Srivastava and Alison Nemirow, Center for Transit-Oriented Development
Project:	1019 – MTC TOD Policy Update
Subject:	Demographic shifts and implications for TOD housing demand

This memorandum report explores how demographic trends projected for the San Francisco Bay Area in the next 30 years may impact the demand for housing in places with transit access. The analysis identifies the types of households that are most likely to live in transit locations, based on patterns that emerged from the 1990s and 2000s. Economists and demographers expect that over the coming decades, residential demand in the United States will be driven by the aging of the two largest generations: the Baby Boomers and the Echo Boomers (also known as Gen Y).[1] Between 2010 and 2030, people aged 65 and older are projected to increase from 13 to 20 percent of the nation's population as the Baby Boomer generation reaches retirement age.[2] In the meantime, the next largest generation, the Echo Boomers or "Gen Y" – people born in the 1980s and 1990s – are entering adulthood and forming new households. This report focuses particular attention, therefore, on the preferences and household formation trends of these two generations, and the potential impacts on the long-term demand for transit-oriented development (TOD).

[1] UCLA Anderson Forecast, *The UCLA Anderson Forecast for the Nation and California: 2011-2021*, June 2011;Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2011*, 2011, http://www.jchs.harvard.edu/publications/markets/son2011/index.htm.

[2] U.S. Census Bureau, Population Division, "Table 2-C. Projections of the Population by Selected Age Groups and Sex for the United States: 2010 to 2050 Constant Net International Migration Series (NP2009-T2-C)," 2009.

WHO LIVES NEAR TRANSIT NOW?

The Center for Transit-Oriented Development (CTOD) developed a national TOD database mapping all fixed-giudeway transit stations in the country, along with population and household data from the U.S. Census. Using that database, the CTOD estimated that 613,000 Bay Area households, or 25 percent of the region's total households, lived near transit in 2000.[3]

While the TOD database has not yet been updated to reflect results from the 2010 Census, MTC and ABAG have developed estimates of the number of households that currently live in Priority Development Areas (PDAs) and Growth Opportunity Areas (GOAs), which include most of the high-frequency transit served neighborhoods in the region. As Table 2 shows, about 23 percent of Bay Area households currently live in a PDA/GOA. Seventeen percent of households live in a PDA located either on a major existing transit corridor such as BART, Muni METRO, the VTA light rail, ACE, or the Capitol Corridor, or on a planned corridor such as eBART, BART South, Dumbarton Rail, SMART, and others.[4]

Table 1. Population and Households Located in Priority Development Areas (PDAs) or Growth Opportunity Areas (GOAs), 2010

	Population	% of Total	Households	% of Total
PDAs on major transit corridor	1,102,702	15%	451,589	17%
PDAs not on major transit corridors	394,090	6%	144,751	6%
Total PDA	1,496,792	21%	596,340	23%
Total Bay Area	7,150,739	100%	2,608,023	100%

Sources: U.S. Census, 2010; ABAG, 2011.

The national TOD database also found that households composed of one or two people, non-family households, and households with householders age 15 to 34 were most likely to live near existing transit stations – in other words, young singles and couples with no children.[5] Householders age 65 and older were the least likely to live near transit in 2000, but CTOD relied on research on changing household preferences to project growing demand for housing near transit among older households as the Baby Boomer generation reached retirement age.

HOUSEHOLD PREFERENCES FOR TOD

While studying the households who currently live near transit gives us some idea of the magnitude of demand, there may be substantial number of households who would like to live near transit but cannot currently find – or afford – a unit that fits all of their needs. A large body of literature has relied on consumer surveys to explore how household preferences may affect short- and long-term demand for transit-oriented, higher-density, and/or infill housing.

As the conventional wisdom suggests, the majority of respondents to household preference surveys – typically 60 to 80 percent or more – prefer single-family housing in lower-density, suburban

[3] CTOD, 2004.
[4] The slight difference between this finding and CTOD's estimate that 25 percent of Bay Area households lived near a fixed-guideway transit station in 2000 may to some extent reflect the different geographies used for each calculation. Not all of the region's fixed-guideway station areas are locally identified PDAs and GOAs. For example, some of the San Francisco MUNI transit station areas are not designated PDAs or GOAs. Also, the slightly lower share of households in PDAs/GOAs in 2010 may be attributable to the fact that much of the region's housing development since 2000 has occurred away from the transit-rich core in suburban and rural places.
[5] Center for Transit-Oriented Development, *Hidden in Plain Sight: Capturing the Demand for Housing Near Transit*, September 2004, http://www.reconnectingamerica.org/resource-center/books-and-reports/2004/hidden-in-plain-sight-capturing-the-demand-for-housing-near-transit/.

neighborhoods.[6] However, a significant minority consistently favors higher-density, mixed-use neighborhoods and attached housing, particularly if presented with a tradeoff between house size, commute time, and access to amenities. For example, in a recent national survey,[7] 60 percent of respondents said they would choose a smaller home if it meant a commute time of 20 minutes or less, and two-thirds said that being within an easy walk of shops and services was an important factor in deciding where to live.

The preferences of the two largest generations, the Baby Boomers and Echo Boomers, have received particular attention. There is evidence to suggest that people age 55 and over are more likely to prioritize public transportation, "walkability," and access to amenities, and are more receptive to townhouses and condos with smaller yards than are younger households.[8] Some surveys indicate that Baby Boomers may be particularly interested in downsizing and moving to more amenity- and transit-rich neighborhoods; based on this finding, the CTOD projected that the percent of households age 65 and older living near transit will increase 10 percent by 2030. That is not to say that all seniors have a propensity to live in compact, urban places – in fact, many older adults say they wish to age remain in their current homes.[9]

Young singles are the group most interested in "walkability," mixed-use neighborhoods, and short commutes.[10] Indeed, the Echo Boom generation may have a particular affinity for compact, pedestrian- and bike-friendly neighborhoods as a lifestyle choice. Recent Department of Transportation statistics show that average daily vehicle miles travel (VMT) for people under 35 has declined steadily since 1995, while daily VMT for the population over 35 has continued to increase except for during the recession of the last few years.[11] Young families, on the other hand, and particularly those with children, are the most likely to choose single-family homes even if it means a longer commute, and overwhelmingly prioritize high-quality schools in making location decisions.[12] Finally, research into the cultural preferences of immigrants suggests they may be more willing to utilize public transportation and live in compact or multifamily housing.[13]

Several recent reports have taken a different approach to parsing the market for transit-oriented development, by using survey data to define market segments among households that have recently moved. In 2010, MTC surveyed 900 Bay Area "new movers" – people who had moved within the last three years or were planning to do so in the coming year – and found that 38 percent of respondents fell in the "easy to attract" to TOD category (Figure 1).[14] The "easy to attract" households included the following three groups:

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[6] Myers, Dowell, and Elizabeth Gearin. "Current Preferences and Future Demand for Denser Residential Environments." Housing Policy Debate 12, no. 4 (2001): 633-659.
[7] Belden Russonello & Stewart, *The 2011 Community Preference Survey* (Washington D.C.: National Association of Realtors, March 2011), http://www.realtor.org/government_affairs/smart_growth/survey.
[8] Myers and Gearin, 2001; Belden Russonello & Steward, 2011.
[9] Kochera, Andrew, Audrey Straight, and Thomas Guterbock. *Beyond 50.05: A Report to the Nation on Livable Communities*. Washington D.C.: AARP Public Policy Institute, May 2005. http://www.aarp.org/home-garden/livable-communities/info-2005/beyond_50_05_a_report_to_the_nation_on_livable_communities__creating_environments_for_successful_aging.html.
[10] Belden Russonello & Steward, 2011.
[11] Source: U.S. Department of Transportation, "Table 33. Vehicle Miles of Travel (VMT) per day for Younger Population Groups by Urban and rural Household Location 2009 NHTS," Summary of Travel Trends: 2009 National Household Travel Survey, June 2011, http://nhts.ornl.gov/2009/pub/stt.pdf.
[12] Myers and Gearin, 2001; Belden Russonello & Steward, 2011.
[13] Mendez, Michael, "Latino New Urbanism: Building on Cultural Preferences." *Opolis: An International Journal of Suburban and Metropolitan Studies,* 1.1 (2005)
[14] Metropolitan Transportation Commission. *Choosing Where We Live: Attracting Residents to Transit-Oriented Neighborhoods in the San Francisco Bay Area; A Briefing Book for City Planners and Managers*, May 2010. http://www.mtc.ca.gov/planning/smart_growth/tod/5-10/Briefing_Book-Choosing_Where_We_Live.pdf.

- *Transit-Preferring:* Households who rate minimizing travel and access to transit service as most important in choosing a home. This group includes families with children and students. These households are typically renters with low auto ownership rates and relatively low incomes.
- *Urban DINKS (Double Income No Kids):* Households without children who value minimizing travel and access to transit and regional centers. These households have average incomes, and typically have one car in the household.
- *Young Braniacs:* Well-educated households who are younger than average; about a quarter have children, and most have just one car in the household. These households also place a high value on minimizing travel and having access to transit and regional centers.

Another 29 percent fell into groups deemed "possible to attract," including "ambitious urbanites" and "mellow couples" who value the attributes of suburban neighborhoods, but appreciate the opportunity to walk, take transit, and bicycle to neighborhood amenities. The remaining 33 percent of respondents were considered "hardest to attract."

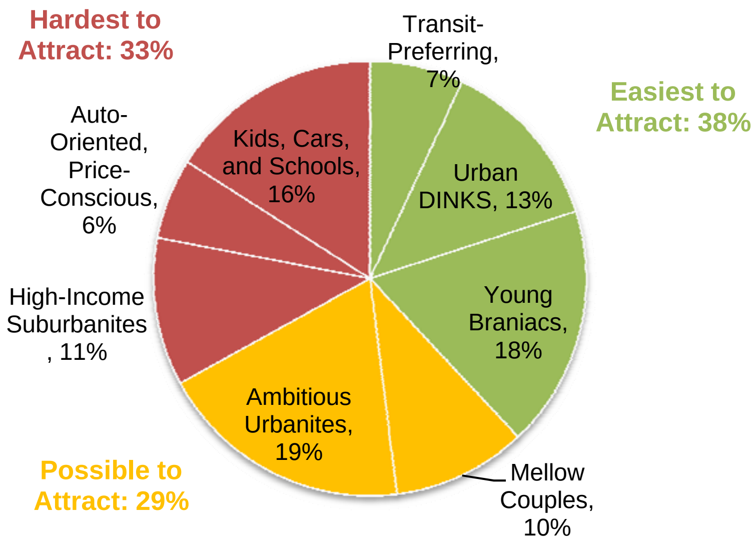
A similar national study[15] surveyed people in major metropolitan areas who had moved within the last two years or planned to move within the next two years. Of the nearly 900 respondents, 35 percent had either recently moved to a compact, transit-oriented neighborhood, or fell into the two market segments that the authors deemed most likely to do so (Figure 2):

- *Transit Movers:* Typically young (age 21-30), moderate-income households who currently live in multi-family housing and rely on transit and walking for transportation.
- *Environmental Movers:* Older, higher-income households who currently live in single-family homes in suburban neighborhoods and rely on automobiles for transportation, but are open-minded about more urban lifestyles because of their concern for the environment.

Given the Bay Area's particularly high concentration of households in their 20's and 30's (discussed below), as well as the population's well-known concern for the environment, it seems likely that the region would have a higher share of "transit movers" and "environmental movers" compared to the nation.

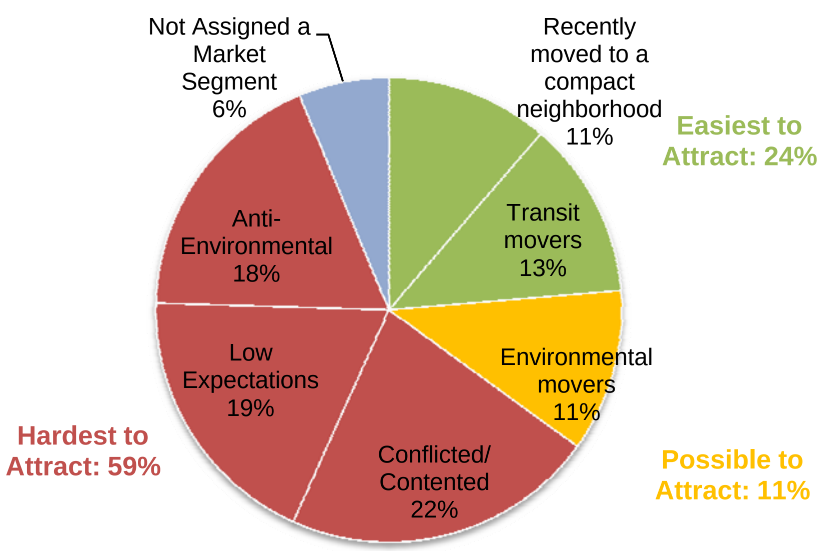
[15] Karash, Karla H., Matthew A. Coogan, Thomas Adler, Chris Cluett, Susan A. Shaheen, Icek Aizen, and Monica Simon. *Understanding How Individuals Make Travel and Location Decisions: Implications for Public Transportation*. Washington D.C.: Transportation Research Board, 2008. http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_123.pdf.

Figure 1. Market Segments by Ease of Attracting to TOD: MTC Survey of Recent Bay Area Movers



Source: Metropolitan Transportation Commission, 2010.

Figure 2. Market Segments by Ease of Attracting to Compact Neighborhoods: National Survey of Recent Movers



Source: Karash, et al., 2008

Summary

The share of Bay Area households with a potential demand for transit-oriented residential development appears to be somewhere in the range of 23 of all households, to 38 percent of *moving* households. Currently, 23 percent of the region's households live in a PDA or GOA. Approximately 38 percent of survey respondents who recently moved to or within the region may be "easy to attract" to transit-oriented development. The distinction between all households and moving households is important, at least in the short-run – in any given year, it is existing households who are relocating, combined with newly formed households, who generate demand for housing.

These figures may be conservative, especially if household preferences continue to evolve towards higher-density, mixed-use, transit-accessible neighborhoods over the coming decades due to higher gas prices, increasing environmental awareness, or other factors. The research reviewed in this section suggests that the preferences of certain groups will have a particularly important effect on TOD demand. These groups include:

- Young adults (age 35 and under), particularly singles and couples without children;
- Older adults, particularly Baby Boomers; and
- Immigrants.

In the following section, we review historic population and household trends affecting these groups, with an eye towards understanding how demographic change is likely to affect future TOD demand.

BAY AREA DEMOGRAPHIC TRENDS

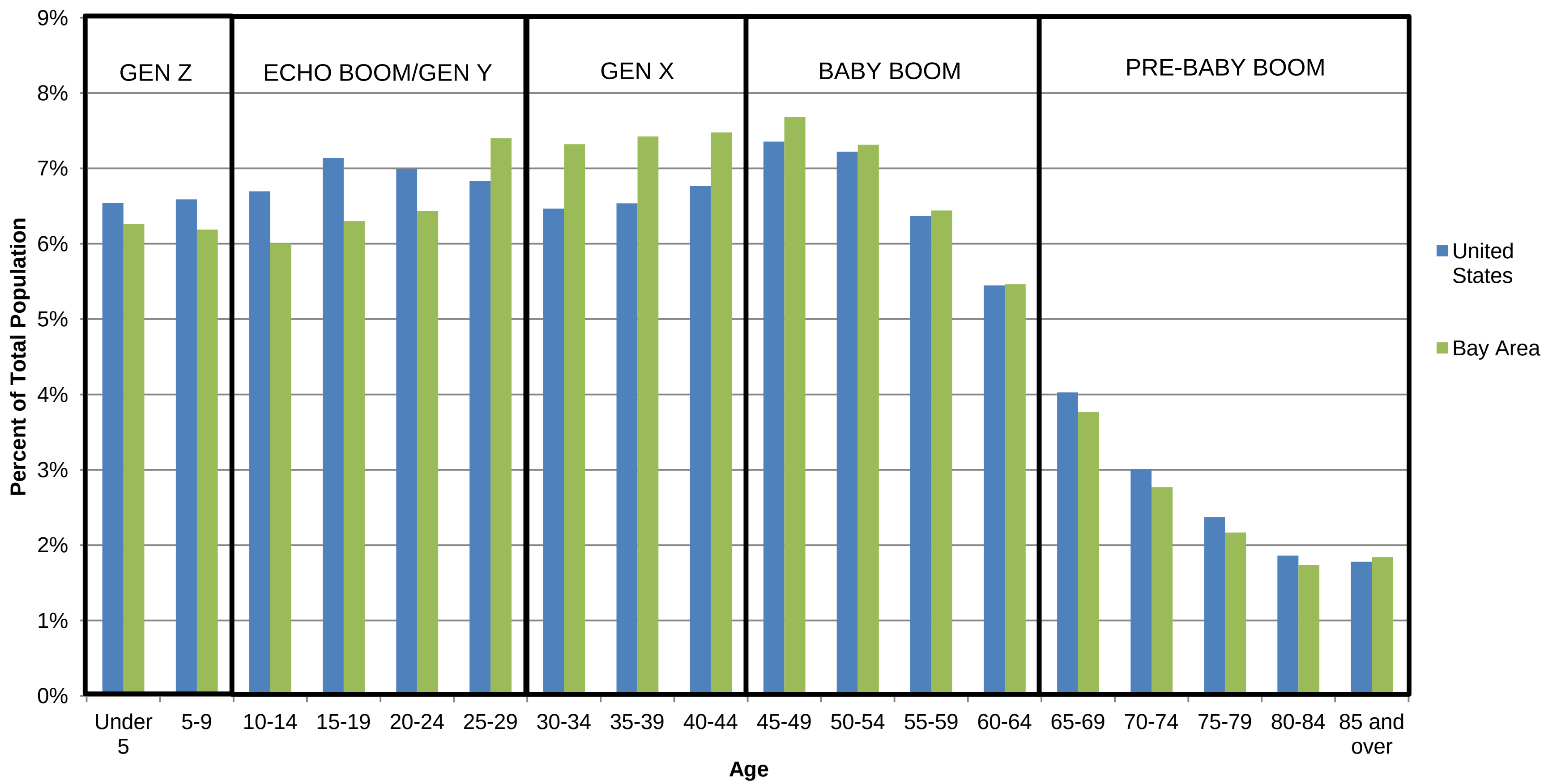
The Bay Area is generally similar to the rest of California and the U.S., with a few exceptions that may have significance for long-term demand for TOD. This section begins by examining the age structure of the Bay Area and immigration trends, and then delves into household formation, size and type. Unless otherwise noted, data in this section comes from the 1990, 2000, and 2010 Decennial Censuses and the 2007 and 2009 American Community Survey (ACS).[16]

Population Trends

The Bay Area has historically been highly attractive for people in their late 20s, 30s, and early 40s. As Figure 3 shows, the Baby Boomers (born between 1946 and 1965) and their children the Echo Boomers (born in the 1980s and 1990s) account for a disproportionally large share of the U.S. population. However, the Bay Area has a smaller share of population at both ends of the age spectrum compared to the U.S. as a whole, and more residents in the 25-44 age group.

[16] 2010 Decennial Census data is used wherever available. For some population and household characteristics, data from the 2010 Census is either not yet available at a national level, or is no longer being collected as part of the Decennial Census. In these cases we substitute 2009 ACS data.

Figure 3. Population Distribution by Age and Generation: Bay Area Compared to U.S., 2010



Source: U.S. Census, 2010; Joint Center for Housing Studies, 2011; Strategic Economics, 2010.

Table 2. Generations as a Share of Population: Bay Area Compared to the U.S., 1990-2010

	1990		2000		2010	
Generation	**Bay Area**	**U.S.**	**Bay Area**	**U.S.**	**Bay Area**	**U.S.**
Percent of total population						
Gen Z (2001-2010)	0.0%	0.0%	0.0%	0.0%	12.5%	13.1%
Echo Boom/Gen Y (b. 1981-2000)	13.7%	14.7%	26.0%	28.6%	26.1%	27.7%
Gen X (b.1966-1980)	19.6%	21.7%	22.9%	20.9%	22.2%	19.8%
Baby Boom (b.1946-1965)	36.8%	32.5%	31.5%	29.4%	26.9%	26.4%
Pre-Baby Boom (b. 1945 & Earlier)	29.8%	31.2%	19.6%	21.1%	12.3%	13.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Population (in thousands)						
Gen Z (2001-2010)	0	0	0	0	890	40,550
Echo Boom/Gen Y (b. 1981-2000)	825	80,473	1,766	80,473	1,869	85,405
Gen X (b.1966-1980)	1,183	58,856	1,552	58,856	1,589	61,033
Baby Boom (b.1946-1965)	2,218	82,826	2,137	82,826	1,924	81,489
Pre-Baby Boom (b. 1945 & Earlier)	1,797	59,266	1,329	59,266	878	40,268
Total	6,024	281,422	6,784	281,422	7,151	308,746

Sources: U.S. Census, 1990, 2000, 2010; Strategic Economics, 2011.

This reflects a trend that goes back at least two decades. Table 2 shows each generation as a share of population in 1990, 2000, and 2010. In 1990, when the Baby Boomers were in their in their late 20s to early 40s, the Boomers accounted for about 37 percent of the Bay Area's population, compared to 32 percent in the U.S. as a whole. As the Baby Boomers aged into the peak home-buying years and formed families in the 2000s, the population of this group in the Bay Area dropped by 1.3 million, or about 10 percent. Today, Baby Boomers account for about the same share of the population in the Bay Area as in the U.S. overall.

As Baby Boomers left the Bay Area in the 1990s, their children left too (or were born in other regions). In 2000, Echo Boomers made up about 26 percent of the Bay Area's population, compared to 29 percent nationally. As the first of the Echo Boomers have reached their mid- to late-20s, they have begun to grow as a share of the Bay Area's population. In the meantime, the Gen X cohort (born in the late 1960's and 1970's) began moving to the Bay Area in the 2000s, and today make up 2 percent more of the population in the region than in the nation (22.2 percent v. 19.8 percent).

Figure 4 summarizes the effects that these generational shifts have had on the age distribution of the Bay Area. Across the past two decades, the region has consistently had a higher share of population in the 25 to 54 age groups compared to the U.S. The region has also typically had a lower share of children and people over age 55, although the region is catching up to the rest of the country in terms of its older population.

Figure 4. Share of Population by Age Group: Bay Area Compared to the U.S., 1990-2010

	1990		2000		2010	
Age Group	**Bay Area**	**U.S.**	**Bay Area**	**U.S.**	**Bay Area**	**U.S.**
Under 25	33.3%	36.3%	32.4%	35.3%	31.2%	34.0%
25 to 34	19.6%	17.4%	16.5%	14.2%	14.7%	13.3%
35 to 44	17.3%	15.1%	17.3%	16.0%	14.9%	13.3%
45 to 54	10.9%	10.1%	14.2%	13.4%	15.0%	14.6%
55 to 64	7.9%	8.5%	8.4%	8.6%	11.9%	11.8%
65 to 74	6.5%	7.3%	5.7%	6.5%	6.5%	7.0%
75+	4.6%	5.3%	5.4%	5.9%	5.7%	6.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

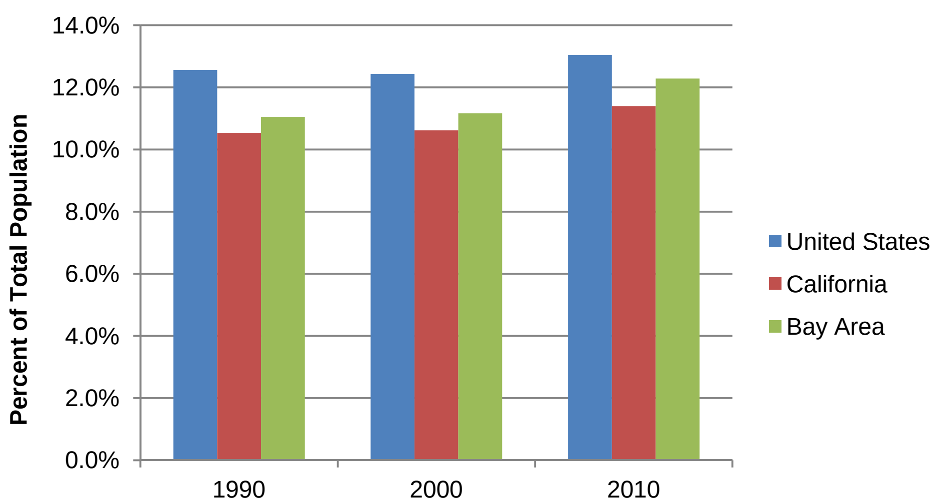
Source: U.S. Census, 1990, 2000, 2010; Strategic Economics, 2011.

The Bay Area's share of population age 65 and older is catching up to the national average, while the share of children is declining.

The Bay Area has a lower concentration of people age 65 and older than the U.S. as a whole. However, since the 1990s, the difference has narrowed slightly, suggesting that the rate of out-migration from the region slows and/or in-migration increases after retirement (Figure 5).

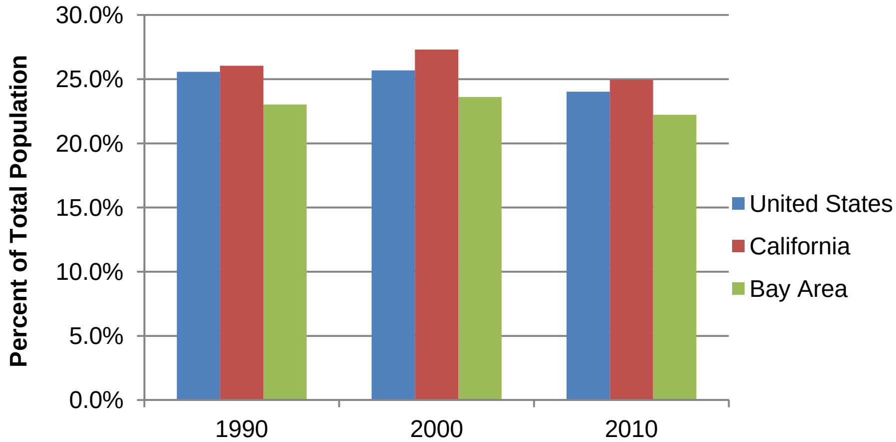
As the Bay Area's older population has grown, the share of children has declined. The Bay Area's relative lack of children – and families with children – is particularly striking compared to the rest of California, which has historically had a high share of people under 18 compared to the nation (Figure 6).

Figure 4. Percent of Population Age 65 and Over: Bay Area, California and the U.S., 1990-2010



Source: U.S. Census, 1990, 2000, 2010; Strategic Economics, 2010.

Figure 5. Percent of Population Under Age 18: Bay Area, California, and the U.S., 1990-2010

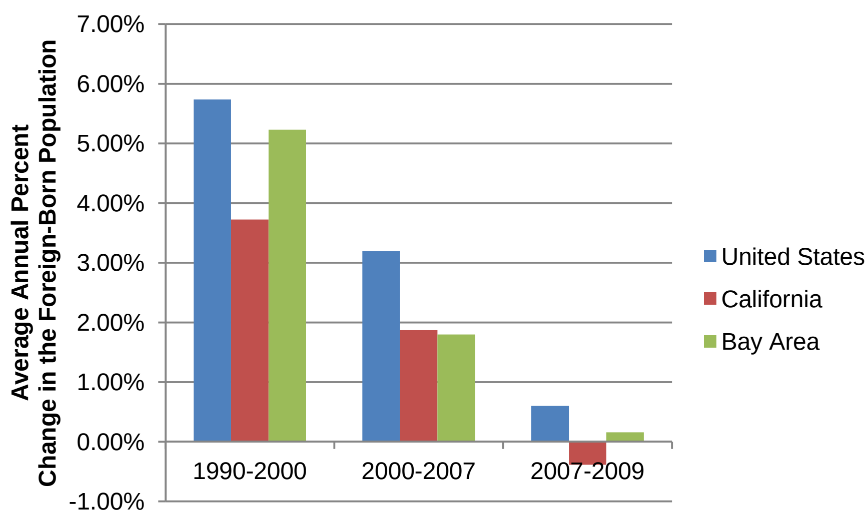


Source: U.S. Census, 1990, 2000, 2010; Strategic Economics, 2010.

Foreign immigration is growing more slowly in the Bay Area compared to the rest of the U.S.
Immigrants continue to make up a larger share of the population in the Bay Area (29 percent in 2009) than in California (27 percent) or the U.S. (13 percent). However, overall growth in the region's foreign-born population has slowed over the decades, especially when compared to the U.S. as a whole. In the 1990s, the Bay Area's foreign-born population grew by more 600,000, or 5.2 percent a year on average, compared to a 5.7 annual average increase in the U.S. as a whole. During the 2000s, the Bay Area gained only 240,000 foreign-born residents, an annual average increase of just 1.4 percent, compared to 2.6 percent nationally.

Much of the slowdown occurred in the 2007-2009 period, when the annual average rate of growth in the foreign-born population fell to 0.60 percent nationally and 0.16 percent in the Bay Area. California actually experienced a net decline in the foreign-born population during this period. However, even the 2000-2007 period saw slower growth in the immigrant population than in the 1990s (Figure 7).

Figure 7. Average Annual Percent Change in the Foreign-Born Population: Bay Area, California, and the U.S., 1990-2009



Source: U.S. Census, Decennial Census,1990, 2000; American Community, 2007, 2009; Strategic Economics, 2011.

Household Trends

The impact of the age distribution, immigration, and other demographic trends on the Bay Area's housing market will felt most directly through changes in household formation, composition, and size. Here we explore how Bay Area households, particularly those that tend to prefer transit-oriented housing, compare to the rest of California and the U.S.

The Bay Area's household growth has been lower than the national average for several decades. In the 2000s, household growth slowed in both the Bay Area and the rest of the U.S.

The average annual rate of household growth in the U.S. dropped from 1.47 percent between 1990 and 2000, to 1.07 percent between 2000 and 2010. Meanwhile, average annual household growth in the Bay Area – which, like population growth, has been slower than California and the U.S. as a whole for several decades – fell from 0.98 percent in the 1990s to 0.58 percent in the 2000s (Table 4). The slowing of household growth in part reflects two long-term trends that were exacerbated by the economic downturn that began at the end of the 2000s: a slowdown in immigration (discussed above) and a drop in household formation rates among younger households, both in the Bay Area and across California and the U.S. (discussed below)[17]

Table 3. Selected Household Characteristics: Bay Area, California, and the U.S., 1990-2009/2010*

	Bay Area		California		United States	
	Households	**% of Total**	**Households**	**% of Total**	**Households**	**% of Total**
Households with no children						
1990	1,497,112	66.6%	6,474,974	62.4%	58,360,276	63.5%
2000	1,609,852	65.3%	6,932,960	60.3%	67,457,986	64.0%
2010	1,737,873	66.6%	7,864,482	62.5%	77,720,073	66.6%
Households with householder age 65 or over						
1990	417,342	18.6%	1,946,991	18.8%	20,089,384	21.8%
2000	454,074	18.4%	2,162,487	18.8%	22,140,754	21.0%
2009	496,739	19.7%	2,364,303	19.4%	24,144,494	21.3%
Households with 1-2 people						
1990	1,310,200	58.3%	5,660,869	54.5%	52,034,013	56.6%
2000	1,410,724	57.2%	6,116,604	53.2%	61,648,121	58.4%
2009	1,469,375	58.4%	6,625,204	54.2%	69,154,310	60.9%
Total Households						
1990	2,246,242	100%	10,381,206	100%	91,947,410	100%
2000	2,466,019	100%	11,502,870	100%	105,480,101	100%
2010	2,608,023	100%	12,577,498	100%	116,716,292	100%
Annual average rate of household growth						
1990-2000	0.98%		1.08%		1.47%	
2000-2010	0.58%		0.93%		1.07%	

*2010 data is shown for household characteristics that are currently available in the 2010 Census for all geographies; where 2010 data is not available, data from the 2009 American Community Survey is shown.
Sources: U.S. Census, Decennial Census,1990, 2000, 2010; American Community, 2009; Strategic Economics, 2011.

[17] Joint Center for Housing Studies of Harvard University, 2011.

The Bay Area is similar to the rest of the U.S. in terms of household mix and size, with the majority of households comprised of one or two people and including no children.

As in the rest of the nation, families without children continued to be predominant in the Bay Area, accounting for about 67 percent of all households in 2010, about the same share as in 1990 (Table 4). Households composed of one or two people made up 58 percent of the Bay Area population in 2010, also about the same share in 1990. In some ways, the rest of the nation has been catching up to the Bay Area as far as these key demographic groups are concerned. Nationally, the percent of households with no children grew from 63 percent in 1990 to 67 percent in 2010, while the share of one or two person households increased from 57 to 61 percent.

Bay Area residents continue to delay forming new households, lessening the impact of the region's high concentration of younger residents on the housing market.

Since at least 1990, the Bay Area and California have had lower headship rates – i.e., the percent of the population heading independent households – across all age groups than the U.S., but especially among the youngest households (Table **5**). Presumably, the high cost of Bay Area housing relative to income causes people to delay forming households. Moreover, headship rates among adults under 30 – both in the Bay Area and the rest of the country – have been falling for decades, as young adults increasingly "double up" with their parents or roommates due to social and economic shifts such as delayed marriage and childbearing, the increased importance of higher education in the job market, and the rising cost of colleges and universities.[18] The recession, which caused particularly high unemployment rates among younger workers, accelerated this trend. Between 2007 and 2009, the headship rate for the population age 25-34 and 35-44 dropped by about 2 percent in the Bay Area, or about 1 percent a year (Figure 8).

Table 4. Headship Rates by Householder Age: Bay Area, California, and the U.S.: 1990- 2009
Percent of Population Heading Independent Households

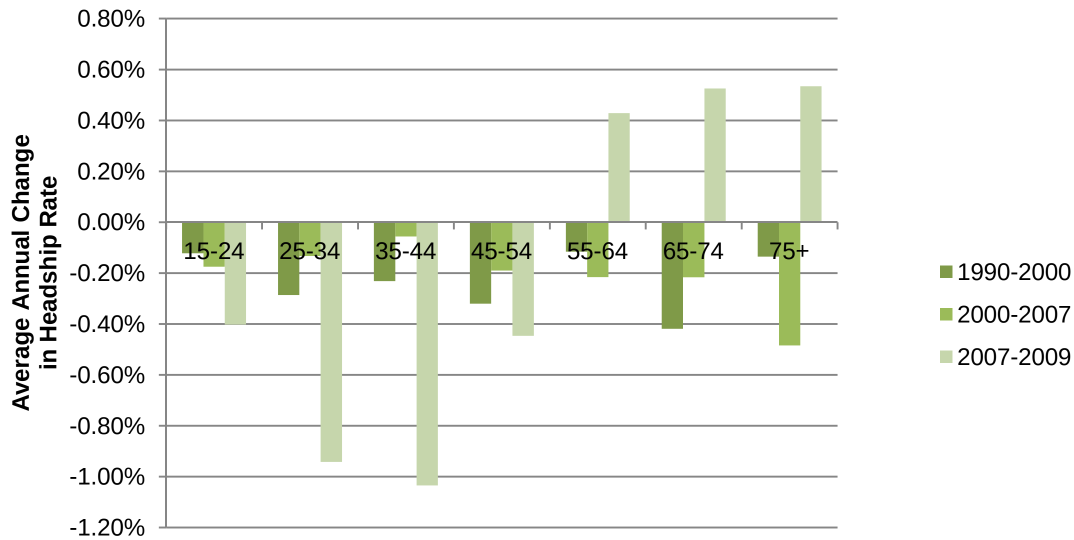
	15-24	25-34	35-44	45-54	55-64	65-74	75+	All Households
Bay Area								
1990	11.8%	43.7%	53.6%	58.8%	58.4%	62.5%	63.1%	46.5%
2000	10.5%	40.9%	51.3%	55.6%	57.2%	58.3%	61.7%	45.3%
2007	8.8%	39.6%	50.7%	53.7%	55.1%	56.1%	56.9%	44.2%
2009	8.0%	37.7%	48.6%	52.8%	55.9%	57.2%	57.9%	43.6%
California								
1990	12.1%	43.1%	53.2%	58.0%	58.1%	62.1%	62.1%	44.9%
2000	11.1%	40.8%	51.0%	55.1%	56.8%	59.0%	61.3%	44.1%
2007	9.2%	39.0%	49.3%	53.2%	55.2%	56.9%	57.9%	42.3%
2009	8.5%	37.5%	48.6%	52.6%	54.9%	56.5%	57.7%	41.9%
United States								
1990	13.0%	46.1%	54.2%	57.3%	58.6%	64.4%	64.1%	47.1%
2000	14.1%	45.9%	53.1%	56.5%	58.7%	62.6%	64.1%	47.7%
2007	12.3%	45.0%	52.5%	55.5%	57.8%	60.3%	61.5%	46.7%
2009	12.1%	43.9%	51.9%	54.9%	57.5%	60.5%	61.8%	46.3%

Source: U.S. Census, Decennial Census,1990, 2000; American Community, 2007, 2009; Strategic Economics, 2011.

[18] Joint Center for Housing Studies of Harvard University, 2011.

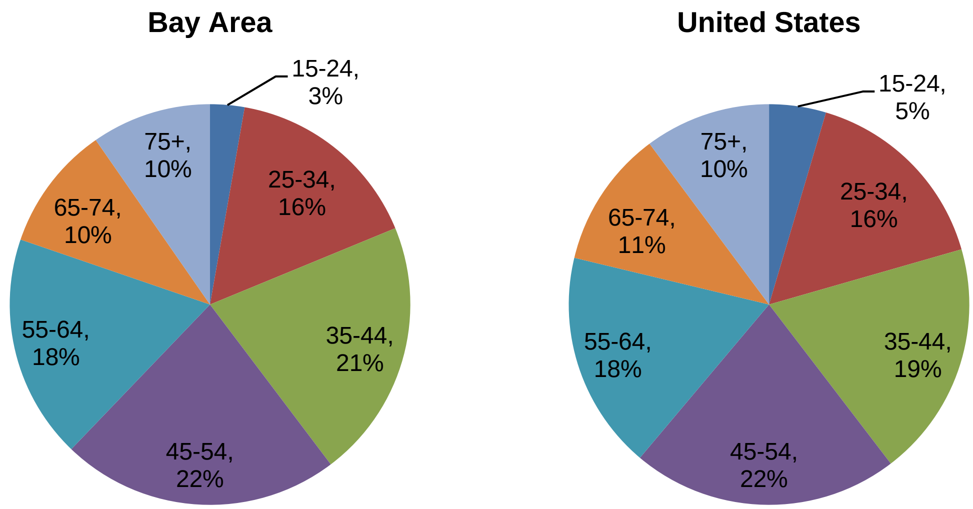
Despite these low headship rates, the Bay Area still has a similar distribution of households by age group as the rest of the U.S., because of region's disproportionate concentration in the 25 to 44 age range (Figure 9). To the extent that the Echo Boomers and Gen Xers remain in the Bay Area as they age, their impact on the market may increase as they split into new households.

Figure 8. Average Annual Change in Headship Rates by Age Group: Bay Area, 1990-2009



Source: U.S. Census, Decennial Census,1990, 2000; American Community, 2007, 2009; Strategic Economics, 2011.

Figure 6. Distribution of Households by Age of Householder: Bay Area and the U.S., 2009



Sources: American Community Survey, 2009; Strategic Economics, 2011.

Historically, the Bay Area has had a relatively high share of households who rent across all ages and incomes compared to the U.S. as a whole.

As with household formation, high housing prices presumably cause Bay Area residents – like Californians generally – to delay homeownership to later in life. As a result, the gap between Bay Area and national homeownership rates is particularly large among the youngest households, but narrows steadily with age (Table 6). In 2009, for example, 26 percent of Bay Area householders aged 25-34 were homeowners, compared to 42 percent nation-wide. In the 75 and older cohort, 72 percent of Bay Area householders owned their homes in 2009, just 4 percent less than in the U.S. as a whole.

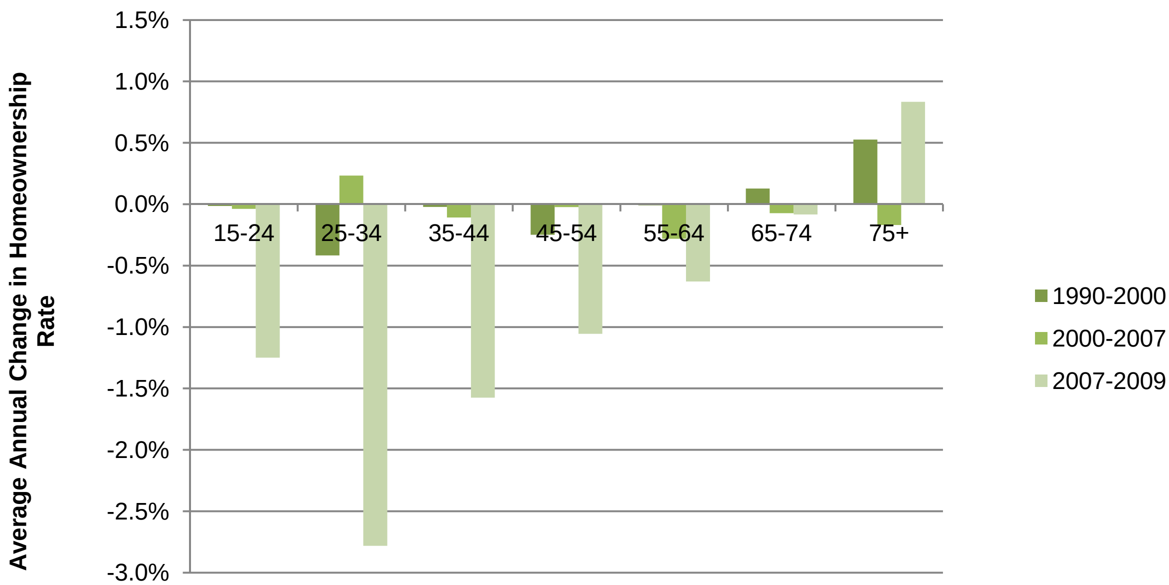
The housing boom of the first half of the last decade pushed homeownership rates up overall in the Bay Area, slightly faster than the national average. However, homeownership in the region remained well below the national peak of about 67 percent in 2007, and in the last several years homeownership in the Bay Area and the U.S. has fallen back to approximately 2000 levels. Householders in the youngest cohorts have been particularly affected, in both the Bay Area and the U.S. Between 2007 and 2009, the homeownership rate in the Bay Area shrank by 5.6 percentage points among householders age 25-34 years, 3.2 percent among householders age 35 to 44 years, and 2.1 percent among householders age 45 to 54 years. Figure 10 shows the change in the percent of householders who own on an annualized basis.

Table 5. Homeownership Rates by Householder Age: Bay Area, California, and the U.S.: 1990-2009

% Homeowner	15-24	25-34	35-44	45-54	55-64	65-74	75+	All Households
Bay Area								
1990	10.7%	34.3%	56.5%	69.6%	74.5%	74.6%	66.5%	56.4%
2000	10.6%	30.2%	56.3%	67.1%	74.4%	75.9%	71.8%	57.7%
2007	10.3%	31.8%	55.5%	66.9%	72.4%	75.4%	70.6%	59.5%
2009	7.8%	26.2%	52.3%	64.8%	71.2%	75.2%	72.3%	57.4%
California								
1990	10.8%	34.3%	56.0%	68.1%	74.4%	75.6%	68.1%	55.6%
2000	11.7%	31.8%	54.4%	65.9%	73.3%	76.4%	73.7%	56.9%
2007	10.7%	32.9%	54.4%	64.8%	72.1%	75.5%	73.7%	58.0%
2009	9.4%	28.2%	50.9%	63.5%	71.3%	75.1%	74.2%	56.6%
United States								
1990	17.1%	45.3%	66.2%	75.3%	79.7%	78.8%	70.4%	64.2%
2000	17.9%	45.6%	66.2%	74.9%	79.8%	81.3%	74.7%	66.2%
2007	17.6%	46.4%	65.7%	74.2%	79.4%	81.4%	76.1%	67.2%
2009	15.3%	42.6%	63.4%	72.7%	78.6%	81.3%	76.6%	65.9%

Source: U.S. Census, Decennial Census,1990, 2000; American Community, 2007, 2009; Strategic Economics, 2011.

Figure 10. Average Annual Change in Homeownership Rates: Bay Area, 2007-2009



Source: U.S. Census, Decennial Census,1990, 2000; American Community, 2007, 2009; Strategic Economics, 2011.

Geographic mobility in the U.S. has been falling for decades, in part because of an aging population and in part because of rising homeownership rates.[19] The percent of householders that move in a given year falls dramatically with age.

As Table 7 and Table 8 show, older households are much less likely to move than younger households, and homeowners are much less likely to move than renters. During the recession, geographic mobility among homeowners dropped dramatically as home values sank and many owners were left "underwater" on their mortgages. Older homeowners in particular appear to be unwilling to sell their homes for less than they were worth before the recession. Nationally, mobility rates dropped between 2005 and 2009 by 20 percent for homeowners under age 25, 34 percent for homeowners between 25 and 54, and 38 percent for homeowners over 55.

Table 6. Percent of Households that Moved in the Last Year, by Household Age: U.S., 2000, 2005, and 2009

Householder Age	2000	2005	2009
15 to 24 years	50%	44%	43%
25 to 34 years	27%	25%	25%
35 to 44 years	13%	14%	12%
45 to 64 years	8%	7%	7%
65+ years	4%	4%	3%
All households	14%	13%	12%

Sources: U.S. Census Bureau, Current Population Survey, March 2003, October 2007, May 2011; Strategic Economics, 2011.

Table 7. Percent of Households Who Moved in the Last Year by Tenure at Time of Survey: U.S., 2000, 2005, and 2009

Tenure at Time of Survey*	2000	2005	2009
Living in an owner-occupied unit	7%	6%	4%
Living in a renter-occupied unit	30%	29%	28%
All households	14%	13%	12%

*Tenure before move is not known.
Sources: U.S. Census Bureau, Current Population Survey, March 2003, October 2007, May 2011; Strategic Economics, 2011.

Potential Impacts of Population and Household Trends on Demand for TOD

The fact that the Echo Boomers are entering adulthood, combined with the disproportionate effect of the housing crisis and recession on Gen Xers, may create more demand for TOD in coastal California in the short- to mid-term.

The generation that is currently at the peak age for buying single-family homes, the Gen Xers, bears the brunt of the sub-prime mortgage and housing crisis. These households may therefore be more likely to continue renting and remain in more urban parts of California such as the Bay Area, instead of moving inland or out of state to buy a single-family house. In the meantime, the Echo Boomers have not yet entered the peak home buying age.

[19] Masnick, George, Abbe Will and Kermit Baker, "Housing Turnover by Older Owners: Implications for Home Improvement Spending as Baby Boomers Age into Retirement," Joint Center for Housing Studies of Harvard University, March 2011.

Because of these trends, the UCLA Anderson Forecast suggests that until the Echo Boomers reach their mid-30s, demand for multi-family housing product in coastal California will outpace demand for detached single-family home of the type that is typically found in inland areas of the state. Indeed, building permit records show that the multi-family construction is already recovering more quickly than single-family development. [20]

The Bay Area's ongoing attractiveness to younger, working age adults, combined with an increasing population age 65 and over, may help generate ongoing demand for TOD in the long-term.
The research described in the previous sections indicates that people under age 35 – particularly those without children – are most likely to live near transit now, and to prefer transit-oriented types of housing in general. The region's historic ability to attract adults in their 20s and 30s suggests that, independent of the Baby Boomers and their relocation decisions, the Bay Area is likely to have strong demand for TOD in the coming years. This growth may be driven by domestic rather than foreign immigration, if immigration to the Bay Area continues to decline.

The aging of the Baby Boomers is likely to have an incremental, rather than sudden and dramatic, effect on the Bay Area housing market.
The region's share of older adults will continue to increase as the Baby Boomers age, so their housing preferences will also impact the market. However, because the disparity in the size of the generations is not so great in the Bay Area as in the rest of the U.S., it is more likely that any adjustments in the housing market will be more slow and steady, rather than the abrupt break that is sometimes predicted. Moreover, older households have always moved at lower rates than younger households. Even if retiring Baby Boomers do move at higher rates than their predecessors, it is unlikely that they will move all at once – particularly given the declines in home values many have suffered over the last few years.

[20] UCLA Anderson Forecast, June 2011.