

Economic Environment

Dynamics of the U.S. Population – Implications for Regional Housing Markets by Al Schuler

The results of the 2000 Census provide an illuminating look at our “National Portrait”: “The key to understanding where our nation is headed, is knowing who we are now” (Toni Horst, Dismal Scientist, [www.economy.com/dismal](http://www.economy.com/dismal)). In the past, we have focused on demographic implications for the national economy (SBC, [December 2001](#) and [August 2000](#)). However, in this issue, we will use the 2000 Census results to discuss the changing portrait of America and draw some implications for regional housing markets. Essentially we are becoming more diverse and mobile through immigration; we are aging quite rapidly and these changes are supporting the economy and housing in some regions while subtracting from others.

There are many causes for the divergence in regional growth patterns, but most are based on some form of competitive advantage(s) that one region enjoys over another. A partial list of factors are: climate and geography, the regional economy including quality and availability of jobs, crime rate, differential tax rates and living costs, existence and quality of health care facilities, and the availability of cultural amenities such as universities, schools, libraries and museums. People move for many reasons. Movement within country, or migration, is often due to changes in marital status, jobs, or homes, upgrading, or attending college. The propensity or ability to move is often determined by the state of the economy. When analyzing migration trends, we focus on “net migration,” or the difference between outflow and inflow to a region, meaning that there are winners and losers. Immigration, or movement between countries, on the other hand, is most often driven by a desire to escape religious or political persecution, in addition to some of the same reasons for migration.

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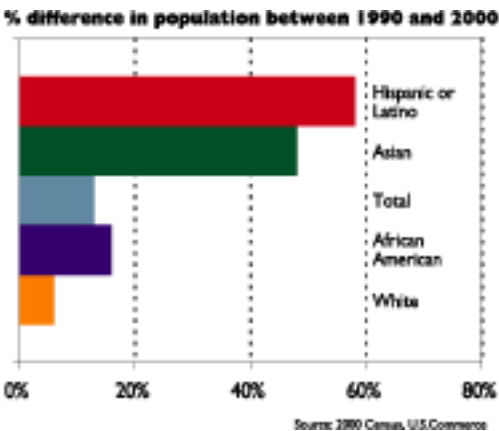


FIGURE 1. IMMIGRATION AND POPULATION GROWTH

	Migration(000 2001)	Annual Employment Growth (%) '96-01	Retirees Population Growth (%) 2001
Top 5 Gainers			
Riverside	91	5.1	2.2
Phoenix	76	4	2.9
Atlanta	71	2.9	3
Las Vegas	65	5.6	5
Dallas	62	3.7	2.4
National average	60	3.9	2.2
Best of the Losers			
Fayetteville,NC	-7.7	0.5	-0.4
Minneapolis	-8	1.2	-0.1
Los Angeles	-8.5	1.6	0
Cleveland	-11.9	0.7	-0.2
New Orleans	-12.9	0.7	0.2
National average	-20	1.4	-0.4

TABLE 1. MIGRATION AND REGIONAL GROWTH (Source: Dismal Scientist, May 21, 2002, Michael Burt. [www.economy.com/dismal](http://www.economy.com/dismal))

## RECENT TRENDS

“Regional housing demand is shaped primarily by shifts in the age and family composition of the adult population, immigration, migration, income and wealth trends” (State of the Nation's Housing, Joint Center for Housing Studies of Harvard University, 2001). Immigration will lift the minority share of net household growth to about two-thirds over the next decade, increasing the minority share of U.S. households from 25 percent in 2000 to 29 percent by 2010. Since 1990, the legal immigrant population has risen more than 6 million to over 26 million—the largest increase in history. Even more striking, half of the 50 million new inhabitants expected in America in the next 25 years will be immigrants or the children of immigrants. Perhaps one of the most striking changes to our “National Portrait” is the rapidity with which the population is becoming more diverse (see Figure 1). In the 1950 Census, America was 89 percent Caucasian and ten percent African American with other races making up one percent of the population. Now, Hispanics account for 12 percent of the U.S. population, and within five years, will surpass African Americans to become the largest minority group. If current trends continue, within ten years the Hispanic population will surpass the Caucasian population to become the majority in Los Angeles County. Similar population trends are also possible in states such as Texas over the next 20 years.

	1996-2000 Annual,000 units	2001-2005 Annual,000 units	2006-2010 Annual, 000 units
United States	1568	1610	1587
Northeast	145	159	168
New Engl.	44	47	52
Mid. Atlantic	102	112	116
South	710	714	690
So Atl	426	442	433
East So Cent	96	87	90
West So Cent	188	185	168
Midwest	330.5	333	327
East NC	226.4	228	223
West NC	104.1	106	104
West	382	404	400
Mtn	190	186	170
Pacific	192	218	232

TABLE 2. LONG TERM HOUSING OUTLOOK (Sources: NAHB - Home Builder's Forecast & "The Next Decade for Housing")

The big question is where will the new immigrants live and how might this impact regional housing markets? While California, Texas, New York, and Florida have been the traditional immigration magnets, migration factors such as tight labor markets, technological change, increasing job mobility, and an increasingly mobile population have diversified the populations of Illinois, New Jersey, Colorado, Nevada, Maryland, Delaware and Georgia. U.S. mobility is high by international standards, 16 percent will move this year, compared with 9 percent in Britain. Further mobility varies significantly by region. Residents in the West and South are far more mobile than residents in the Midwest and Northeast. In addition, mobility is significantly higher among minority groups who migrate at a rate of 19 percent annually versus 14 percent for whites.

Traditional hot spots in the South and Southeast were the leaders again in 2001 with the most migration growth, which is a reflection of jobs, living costs and the movement of retirees (see Table 1). The growing retiree population is also becoming an important force in migration patterns due to the expected growth of the 55 years and older group from 21 percent in 2000 to 30 percent by 2020. The top ten net migration list for the elderly in 2001 included Washington D. C., Sacramento, Tampa, Orlando, and Houston, in addition to the cities listed in Table 1. Regions losing population were in the Northeast or the Midwest. In fact, the first metro area from the Northeast or Midwest with a net gain is Monmouth, NJ, which is ranked 23.

## IMPLICATIONS FOR HOUSING

Implications for housing are significant because highly mobile, minority households tend to be younger, have more children, and are more likely to include multiple generations ("granny flats") than majority households. In addition, because most immigrants initially "land" in Florida, New York City, Texas and California, minority housing demand in those regions will continue to grow. This, in turn, will fuel demand for starter homes and multifamily/rental housing for the rest of this decade. In the upcoming decade (2011-2020), that same group will fuel demand for move up, luxury and customized housing. Demand for second homes and vacation housing will continue to be strong through the rest of this decade in regions favored by retirees including the South Atlantic region and the Southwest.

The "Portrait of America" is changing and that has strong implications for home builders and their partners including structural building component manufacturers and distributors and related building material suppliers. Here is NAHB's long-term outlook for housing as seen in Table 2:

1. The Northeast's increase is due to two factors: (a) high replacement demand (replacing older homes with new houses), and (b) the immigration pull of large metro centers such as New York City and Boston compensating for net out migration (retirees moving south and west).
2. The South remains the largest market, as the South Atlantic subregion including Florida, the Carolinas, Georgia, and Virginia holds its own, while the West South-central subregion of Texas, Arkansas, Oklahoma and Louisiana loses some ground.
3. Little change in the Midwest, where modest immigration balances out modest migration.
4. The West shows growth, but more interesting is the large increase in the Pacific subregion of California, Washington and Oregon versus the large decrease in the Mountain subregion. Migration of retirees and continuing strong immigration into California are important factors.

If your customers are regional homebuilders, they should be assessing the net impacts of immigration and migration trends for their region and planning accordingly. One way to neutralize some of these impacts is for builders to consider becoming more national in scope. (SBC Magazine, [May 2002](#)). As a good supplier you may have the opportunity to grow with them if you position yourself appropriately. Component manufacturers and distributors must be prepared to make the changes necessary to remain preferred suppliers. For example, if your customer plans to grow quickly, then you may have to consider partnerships, alliances or mergers with compatible businesses in the regions they would like to serve.

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