



# NORTHERN NEWS



A Publication of the Northern Section of the California Chapter of APA

JULY/AUGUST 2016



American Planning Association  
California Chapter  
Northern  
Planning, Growth & Environmental Solutions

## The future of Bay Area housing markets and income inequality

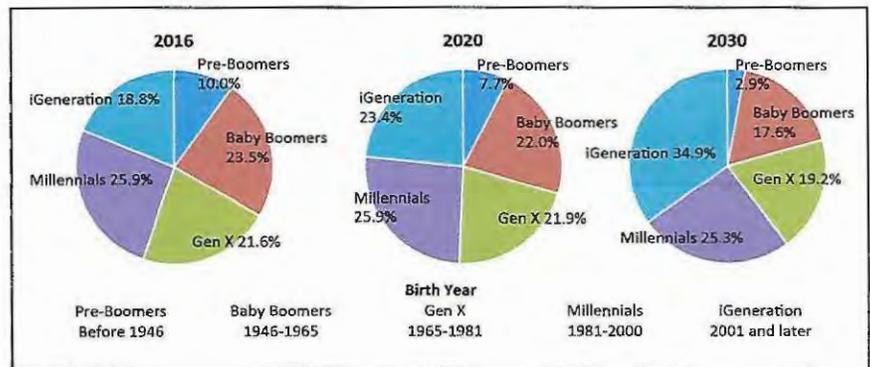
### What the demographics tell us

Nina Gruen

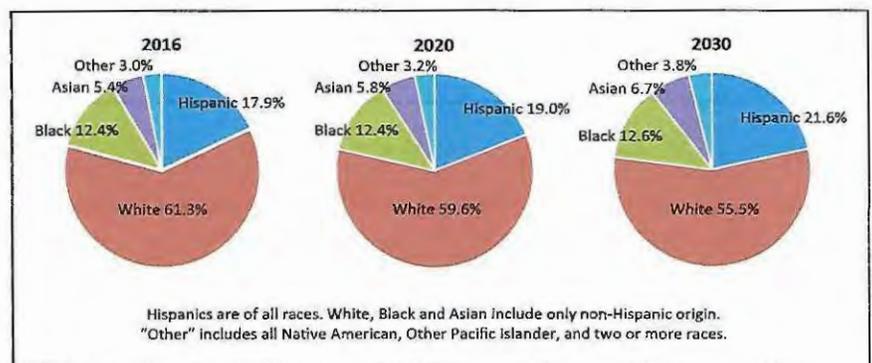
Because U.S. birth and death rates are pretty stable, at least for the not too distant future, predicting demographic change is easier than predicting the future of the economy. The rate of immigration is basically the only unknown.

As shown in Table 1, the younger the generation, the greater the forecast growth. Conversely, the size of the older generations will decline. So for example, the Boomer generation, formerly the largest, will decrease substantially — its oldest members will be age 84 in 2030. The Millennials, at 84 million, are currently the country's largest demographic. By 2030, this generation will be between the ages of 30 and 48, and will account for almost 91 million people. The largest generation, the recently named iGeneration, born after 2000 — will account for over 125 million by 2030, or 35 percent of the total U.S. population.

Hispanic populations, followed by Asians, will experience the largest percentage increase in U.S. population growth between 2016 and 2030. As shown in Table 2, the Hispanic population is forecast to increase by 55 percent and the Asian population by 19 percent. According to the 2014 U.S. Census and California Department of Finance, Hispanics are now the largest ethnic group in California. They account for 39 percent of the state's population, followed by whites at 38 percent, Asians 14 percent, blacks 6 percent, and others 3 percent.



**Table 1. Generations as a percent of total U.S. population projections, 2016–2030.**  
Sources: U.S. Census Bureau, Population Division, 2014 National Population Projections; Gruen Gruen + Associates.



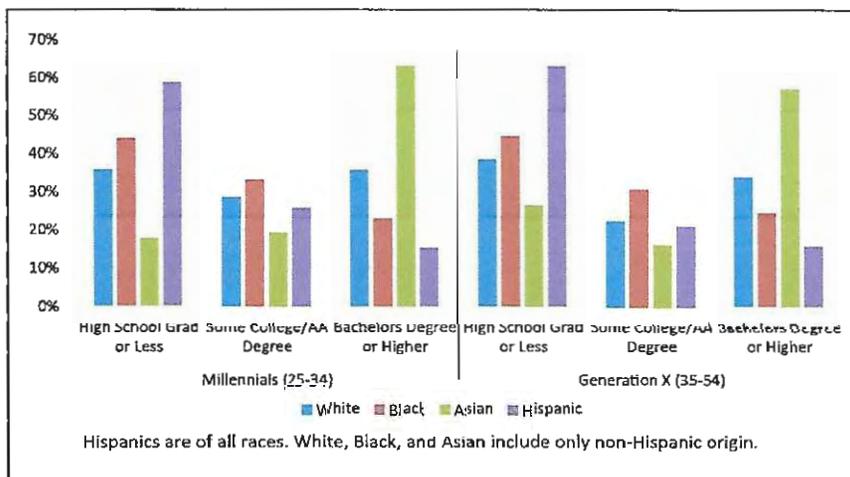
**Table 2. U.S. population projections by race and Hispanic origin, 2016–2030.**  
Sources: U.S. Census Bureau, Population Division, 2014 National Population Projections; Gruen Gruen + Associates.

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Table 3 presents the educational attainment of the country's post-college age Millennials (age 25–34) and Xers (35–54) by racial and ethnic categorization. The long term economic and real estate impacts of these dramatic changes in America's ethnic and racial mix will depend upon whether we are able to provide the younger generations with the type of education that gives them the skills needed to be employed and enhance the productivity of an economy that is undergoing its greatest technological change since the Industrial Revolution.

While looking at the proportion of college graduates within a demographic segment is certainly not the only measure of progress in employment and productivity, this data suggests that we have not been making sufficient progress in providing our Hispanic and black populations with the skills required to enter the middle class. Unless we begin to do so within the next decade, it may be too late to save the middle class that our democracy depends upon. Statistically there is no question that college grads earn more income over their lifetimes, and not everyone needs to go to college to earn a livable wage. But successful workers will have to have the cognitive and perceptual skills needed by technologically innovative industries and services. We are living in a time when many of our manufacturing and logistics support companies cannot find enough workers with the training needed to operate the industries' new digital tools.

Many workers without the needed training who once held well-paying jobs, particularly those over 40, have given up on obtaining employment that will provide a living wage, while younger unskilled workers are limited to low-paying service jobs for the foreseeable future. To provide these two groups with the appropriate training, we need to adopt apprenticeship programs such as those Germany and other European countries have had for many years. Importantly, rather than focusing high school education exclusively on preparation for college, we should be offering technical training beginning when students are freshmen in high school. In 2014, approximately one-third of black and Hispanic students did not receive a high school diploma. If they had gained the requisite skills-training during their high school years, a higher rate would have graduated, and those who did not would still have possibilities for employment at more than the minimum wage.



**Table 3. Millennial and Gen X educational achievement in 2014 by percent of population group.** Sources: U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement, Gruen Gruen + Associates.

THE SHIFT from the majority of national and regional households residing in owner-occupied units to an even split between owner and rental housing will be America's new housing pattern. Between 2010 and 2020, it is estimated that half of all U.S. households will be renters. This is because foreign born and Hispanics will account for two-thirds of the growth in renter households, with Hispanic households accounting for the largest share.<sup>1</sup>

The rationale behind the switch in preference from ownership to rental differs with the age and incomes of the households deciding whether to rent or buy, but is often linked to an increased preference for mobility. Younger households with \$100,000+ incomes often prefer to rent because it provides them job mobility. The over-60 often elect to rent to avoid maintenance tasks; and as they age, some older households will move to more accessible space, e.g., no stairs. However, because so many of the Millennials are employed in low paying service jobs, the sharpest drop in home ownership rates has been from those 19–35 years of age. Many of these households move to foreclosed single-family detached exurban houses that can accommodate multiple generations. This trend is not limited to high cost areas like the Bay Area, but also occurs in overbuilt, lower-priced markets like Phoenix and Las Vegas. In many instances, grandparents are able to babysit while both parents have one or more jobs.<sup>1</sup>

Due to their high salaries, the impact of the Asian housing market — both condo and rental — should not be underestimated, particularly for those Asian Millennials working in STEM. All new high- and mid-rise multifamily

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units built in San Francisco now attract approximately 50 percent Asian occupants. While the majority is Chinese, this 50 percent has a wide variety of country origins, including Pakistan, India, Vietnam, and South Korea. Many Asian households appear to have a strong motivation to own rather than rent, and often have a strong preference for the new rather than older housing stock.<sup>1</sup>

While demography and housing demand preferences play important and interacting roles in the vigor and scale of the regional economy, the skills of the local labor base are critical. Some may disparage the “techies,” but the Bay Area’s innovation economy is one of the world’s strongest because a large number of very uniquely talented, technically advanced workers rub innovational ideas with each other in local agglomerations. As Enrico Moretti has pointed out in his book, *The New Geography of Jobs*, highly paid tech workers provide the consumer demand that fuels the jobs of less-skilled service workers.

The high price of housing places a burden on the less-well-paid and unemployed and contributes to income inequality. Over time, high housing prices also threaten the health of the regional economies, as they are less able to attract and hold tech workers. As that happens, we are likely to see today’s innovating high-tech economy go the way of finance, shipping, and other industries that once were the mainstay of the local economies.

As shown by the ongoing presidential campaign, narrowing the income gap and reopening the path to the

growth of the middle class are shared American goals. This review of current and likely future demographic and housing market conditions in high cost areas, including the San Francisco Bay Area, suggests the urgency of policy changes to achieve those goals. The question is, will we have the political will to successfully adopt the needed policies?

<sup>1</sup> Data in this report is derived from the Joint Center for Housing Studies of Harvard University report, “America’s Rental Housing: Expanding Options for Diverse and Growing Demand” (2015)



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*determine the success of development, planning, and public policy decisions. She has led market and community attitude evaluations and programming studies that resulted in the development and redevelopment of many retail, office, industrial, visitor, residential, and mixed-use projects. You can reach her at [ngruen@ggassoc.com](mailto:ngruen@ggassoc.com).*

## California Parks GIS data released

GreenInfo Network has just released its semi-annual update to the California Protected Areas Database (CPAD), version 2016a. CPAD is California’s authoritative parks and open space database, covering 14,000 parks and other protected areas held by 1,000 agencies and nonprofits. CPAD is ideal for regional or county-wide multi-jurisdictional parks analysis, and is also useful for individual jurisdictions. Download data, or access web services, through [www.CALands.org](http://www.CALands.org).

GreenInfo hosts monthly introductory webinars on CPAD. You can sign up at [www.CALands.org/news](http://www.CALands.org/news).

If you are interested in a custom webinar for your agency or organization, with a particular focus for planners, please contact CPAD Project Manager Maianna Voge, [maianna@greeninfo.org](mailto:maianna@greeninfo.org).

The State of California Natural Resources Agency supports CPAD through the Department of Water Resources.

A companion database on conservation easements — the California Conservation Easement Database (CCED) — is also available through [www.CALands.org](http://www.CALands.org). It will be updated significantly in November.