

Demographic Changes and Real Estate

Cynthia Kroll, Senior Regional Economist

Fisher Center for Real Estate and Urban Economics

Haas School of Business, University of California Berkeley

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What Do We Need to Ask About Demographic Trends and Real Estate?

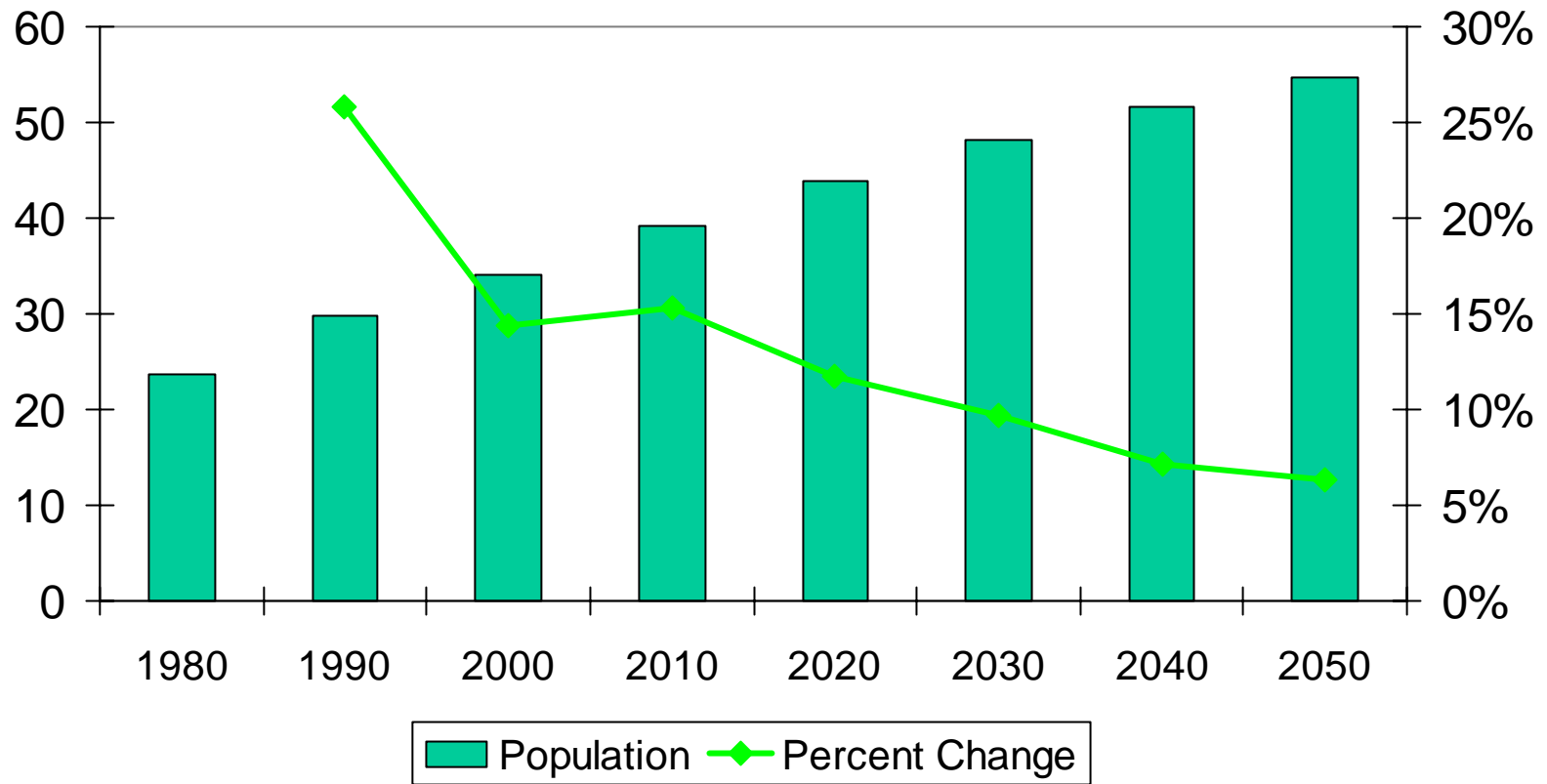
- How do other demographic trends increase, counteract, or otherwise interact with baby-boomer effects?
- How do demographic trends affect the labor force and related economic trends?
- What real estate risks or opportunities result from these trends?

Other Demographic Trends Affecting California

- Migration and the state of the economy
- Immigration
- Other age cohorts

Population Grows but Rate Slows

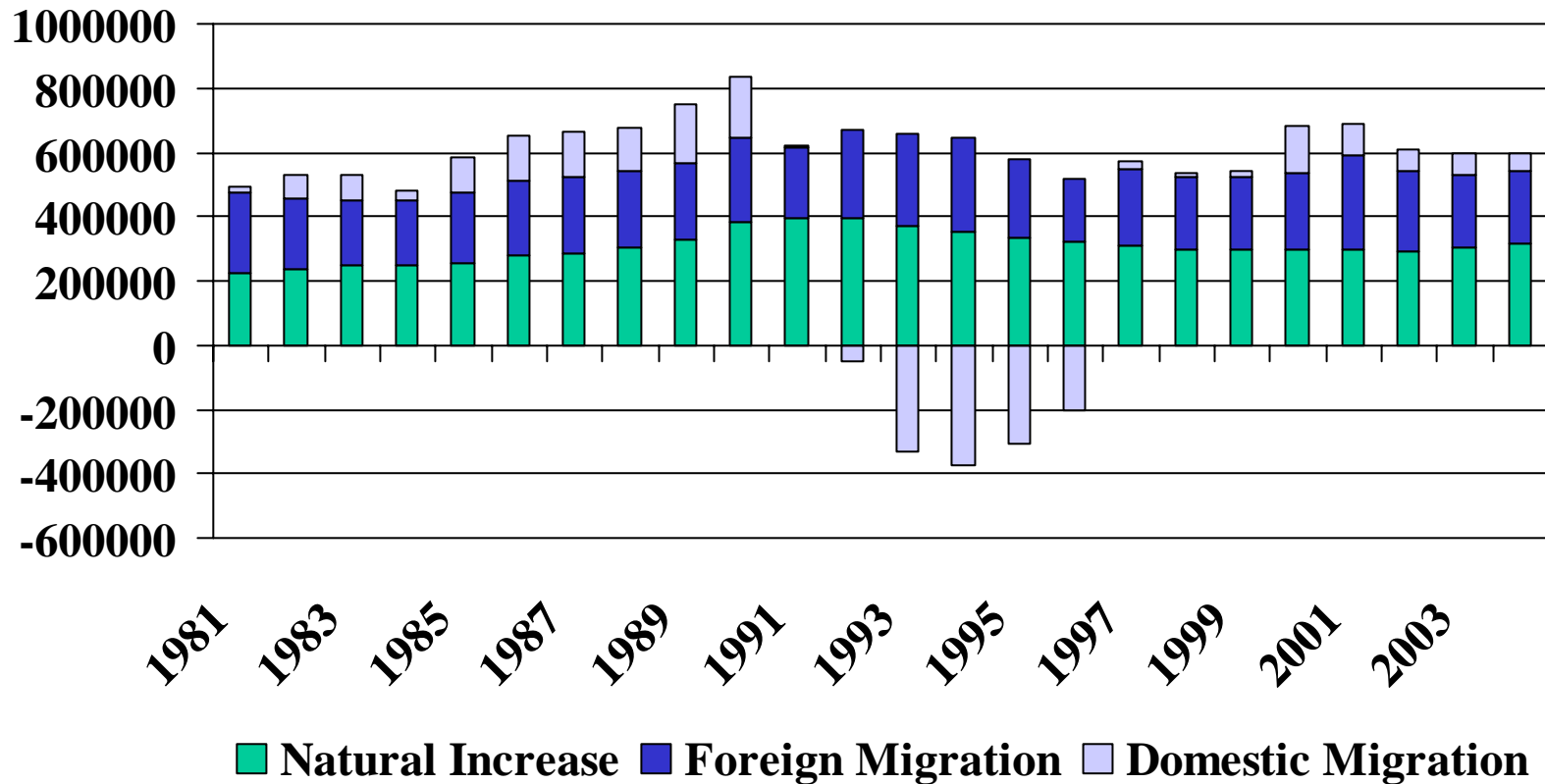
California Population Forecasts through 2050



Source: FCREUE from California Department of Finance forecasts.

Economic Conditions Affect Domestic Migration

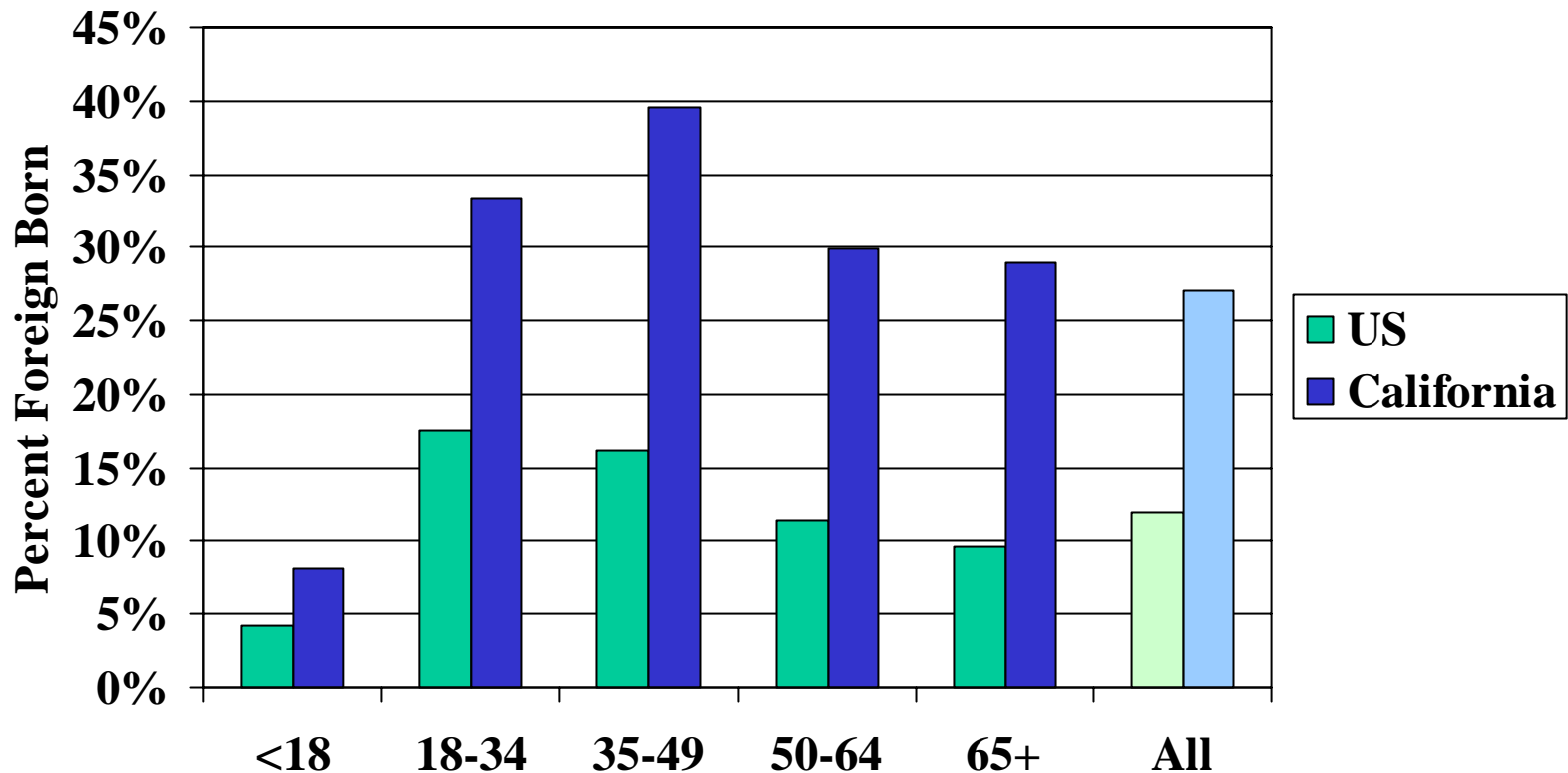
Components of Population Change California, 1981-2004



Source: FCREUE from California Department of Finance Data.

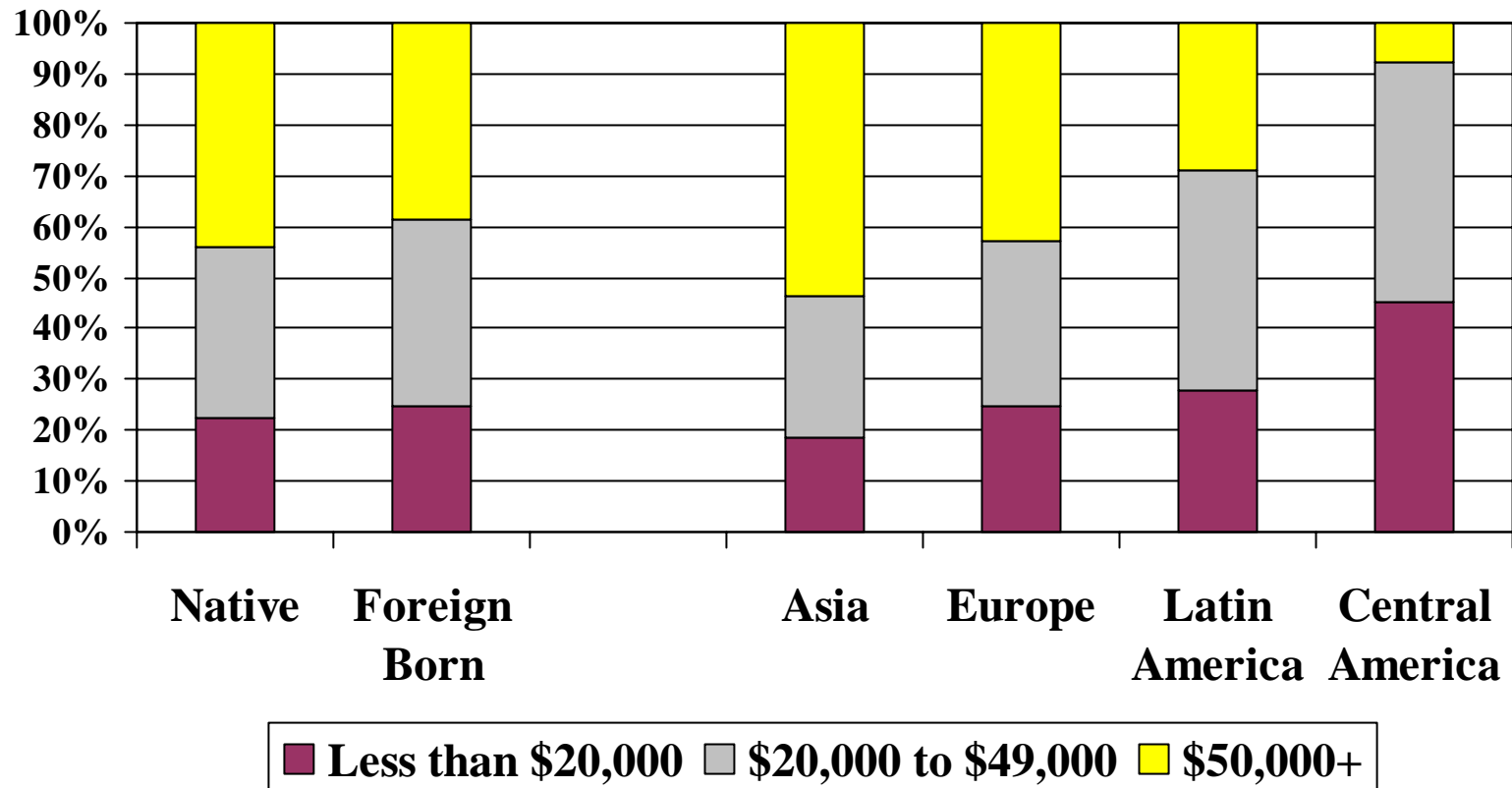
California Immigrants Play a Significant Role in the Housing Market

Percent Foreign Born By Age Cohort, 2004



Source: US Bureau of the Census, Current Population Survey, March 2004.

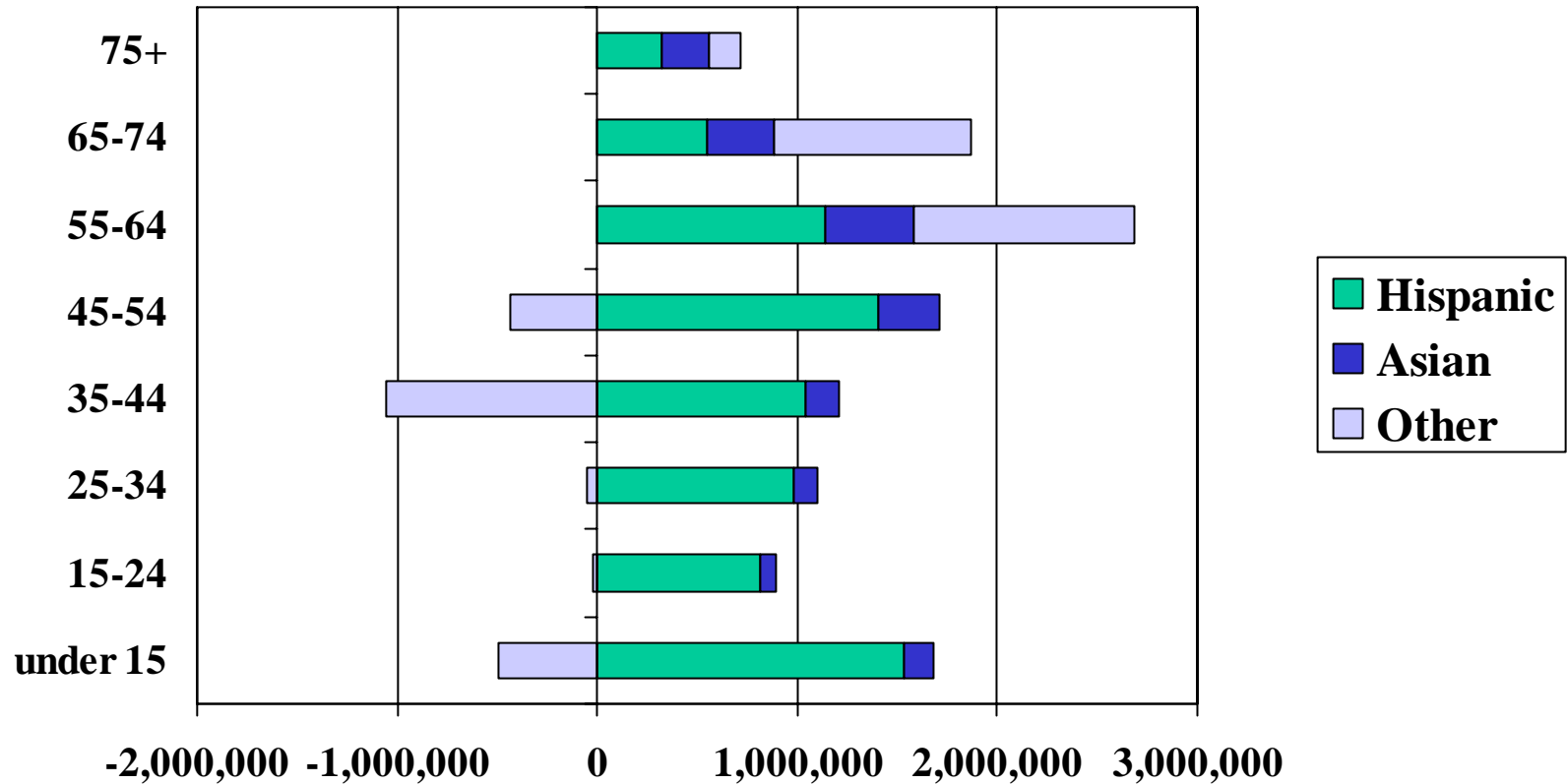
Household Income by Nativity and World Region of Birth, 2002



Source: US Census Bureau, Current Population Survey, 2003, Annual Social and Economic Supplement

Immigrants and Descendents Modify Boomer Profile

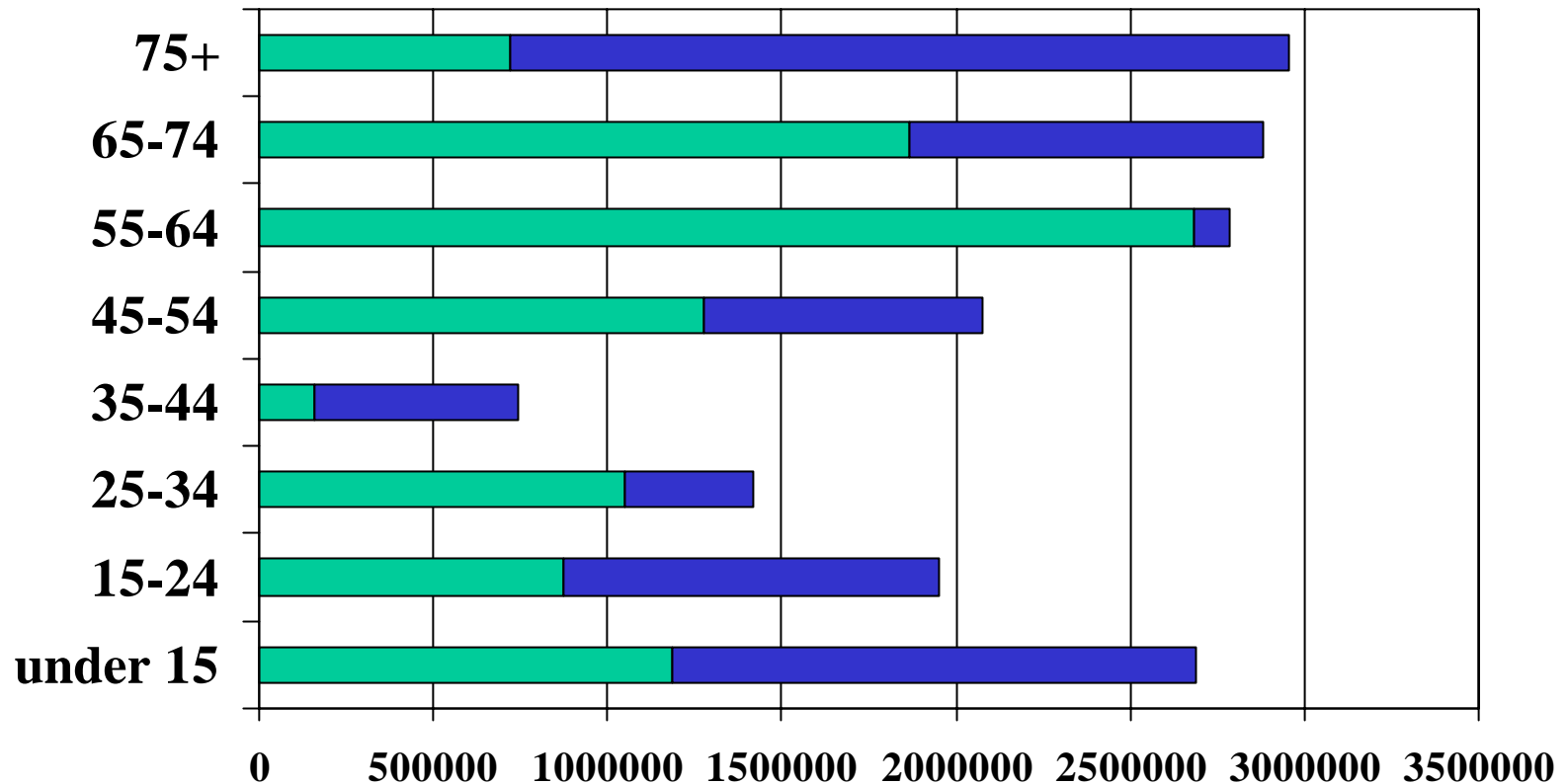
California Projected Population Growth by Age, 2000-2020F



Source: FCREUE from California Department of Finance.

No Population Bust, but Rate, Mix Changing

California Population Change by Age Category, 2000-2040F

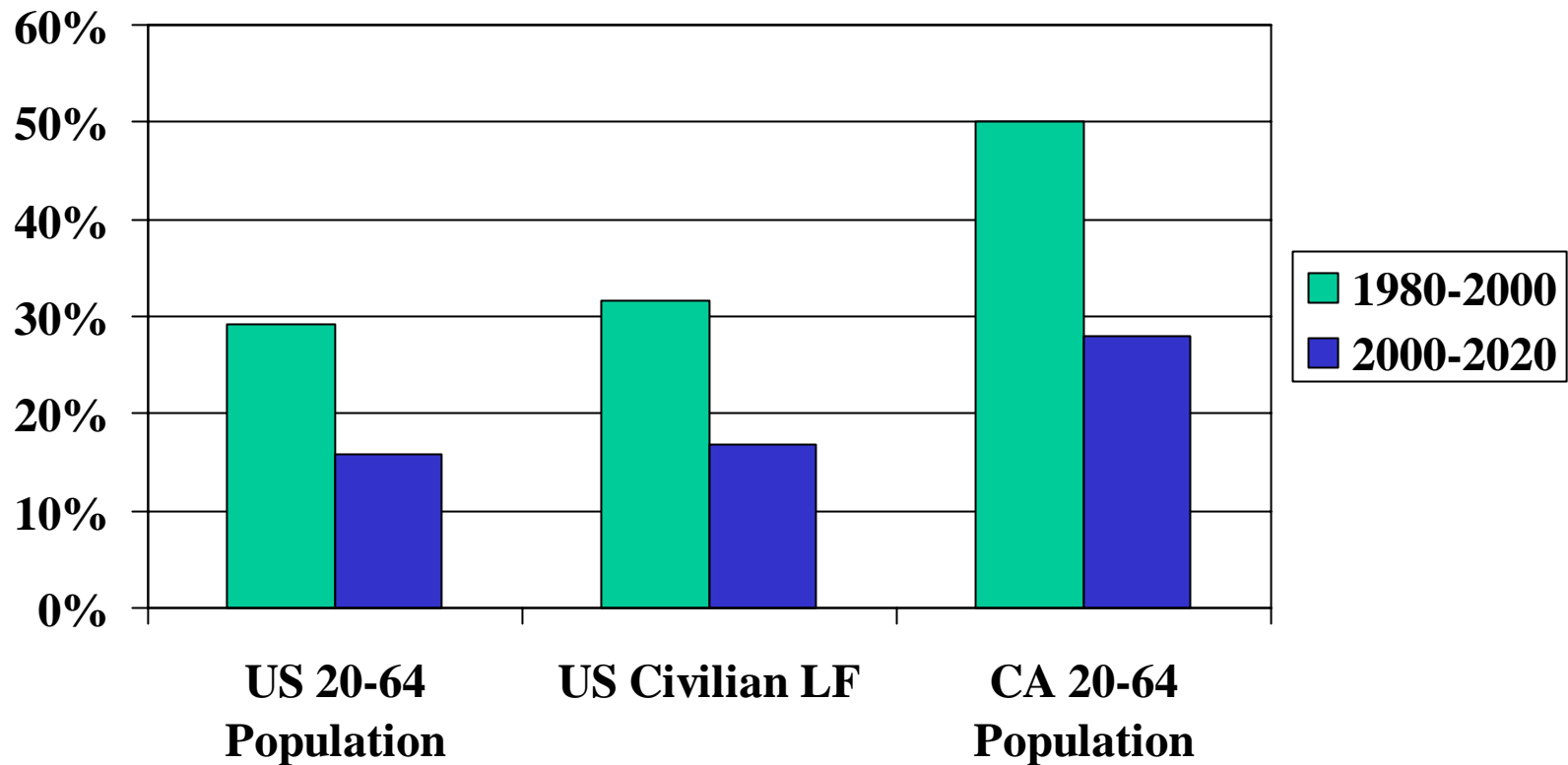


Source: FCREUE from California Department of Finance.

Slower Growth of Working-Aged Population

Growth of Working-Aged Population and Labor Force

1980-2000 and 2000 to 2020F



What Does This Mean For Housing Demand?

- Slower growth overall
- Rather than dip in demand, may have less equity growth for some products
- Strong demand for senior housing, but WHAT IS IT, WHERE IS IT?
 - Retirement communities with senior services?
 - Health care communities?
 - Inlaw units in children's home
 - Inlaw units in senior's home? (Kids move back)
 - Financial constraints may shape demand
- Demand will grow for family housing in California—Where?

What Does This Mean for Nonresidential Real Estate?

- Slower employment growth
- Not a bust but slower growth in demand for new office and industrial space.
- Areas of opportunity:
 - Health care services
 - Recreation for seniors and for children
- Continued globalization as companies seek market growth abroad—where will the jobs be located?

Thank You

Slides will be available at:

<http://staff.haas.berkeley.edu/kroll/>