Demographic and real estate: Change is faster than you think - by Daniel Calano

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A lot has been discussed about the power of Millennials, so much so that it is becoming commonplace on newscasts, talk shows, marketing articles and so on. As you undoubtable now know, they are now the largest demographic in the U.S., slightly inching out the baby boomers. Clearly, they are significant, with regard to their preferences, goals and activities. In real estate, they have a large impact on retail, housing, office and related peripherals such as travel, hotels and medical. In addition, the millennials add to the baby boom population in full retirement mode, and thus round out a full picture of demand across a very broad demographic spectrum.

What I wondered about was the consistency and longevity of this impact. While we have been talking about this for several years now, we have been using the same adjectives, analyses and descriptions of who the millennials are and what they want. Part of their characteristic is that they are a group that does not stand still for long, literally and figuratively. They move about, renting rather than buying housing, change jobs more frequently than ever before, and they are affected by rapidly changing technology, the likes of which baby boomers never confronted. However, fair warning: it would be short sighted not to notice that the times, they are a changing.

When I first started thinking about this, our son was a few years old, and we were struggling with getting him into nursery school, since he was competing at a level close to the middle of this millennial bulge. He is now 29 years old, married and with a baby. These recent activities have caused quite a bit of adjustment in their lives. Just as we were getting to solidly characterize them and their cohorts, they were breaking the mold again, already dropping some of their earlier traits.

But to tweak a popular phrase, “there is no there,” there also is no “they, there.” Not only are millennials changing, but they are also comprised of different groups at any one moment in time. To drill deeper into this population wave, we need to understand what it is comprised of, when it started, where the bulge is, and where the taper will begin. According to most
definitions, the millennials “started” up in 1977 and increased in birth numbers until about 1995. Births increased from the start of 3.326 million to a peak of 4.111 million in 1991. During the period 1994 to 1997, the amount of births had a brief slow down but began to pick up again towards the year 2000, where they increased until about 2005 with 4.138 million annual births. However, the actual birth rate was slowing, and subsequently the number of births slowed down each year, thus beginning the tapering phase.

The early millennials are now 30-39, the middle of the pack is around 23-29 and the tapering end is comprised of older teenagers. So we are in a phase where more than half of the millennials are actually marrying, some having children, staying more put in their place and their jobs. In other words, the millennial beginning definition is quite different from the end definition. The irony is that, it is the beginning of the wave by which we typically characterize millennials. That is the group we continue to build apartments for, add restaurants for, rely on for the large consumer part of GDP. But, that is actually the part that is beginning to taper, and morph into mid-30 year olds. Just as their parents, the boomers went from challenging the establishment to the pillars of the community, the millennials are settling down, maybe not joining the PTA, but certainly changing some of their behavioral characteristics. Recent articles support this. As an example, one was written that older people are occupying the majority of new apartments rather than the common belief that they are occupied by young millennials. Other recent articles in both the Wall Street Journal and the Boston Globe state that rent growth has begun to slow down in many large metropolitan areas. Some parts have actually decreased year over year, in some part due to changing millennial behavior.

The take away is that it is a mistake to pigeon hole any group for long. The millennials of yesterday are different from the millennials of today. It is just plain uninformed to tag them with the same characteristics and rely on them to be consistent over a twenty year time frame. Worse, it can lead to some unfortunate real estate decisions.

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