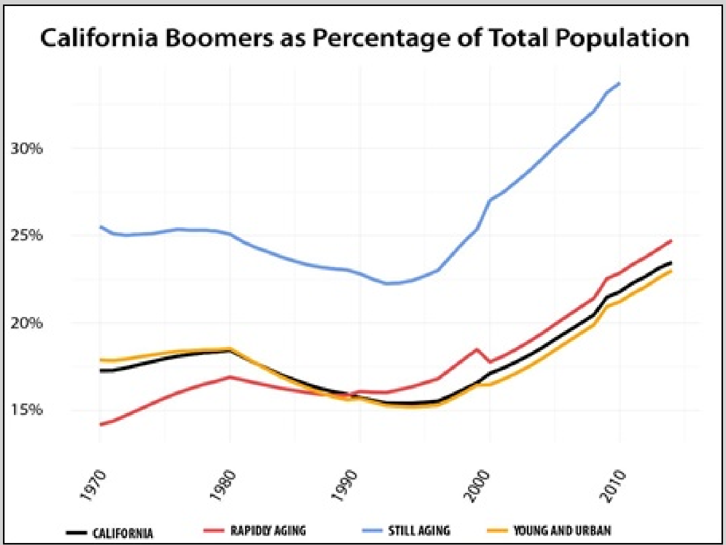
CALIFORNIA ASSOCIATION OF REALTORS®

Market Snapshot

Baby Boomers, Wealth and Home-Buying

Demographics and wealth in key areas determines home-buying, home-ownership and movements in the housing market. Baby Boomers, long a driver of the U.S. housing market, remain a strong presence who will determine the future and location of housing demand up and down for the next 5-10 years.

Boomers have been, until now, the largest age cohort in the history of the United States. Today in California, there are 7.6 million people in both the 24-32 year, and 50-70 year age groups. This emergence of millennials has reduced boomer's proportion of the total population (from 37% in 1990 to 24% today). However, baby boomers now constitute the largest population of 50-70 year old, as a proportion of all adults ever. In California, this group went from 15% of the population in 1970, to 22% today, an all-time high.



Boomers are both the largest age group, and the group with the most amount of wealth. Federal Reserve data shows that a typical boomer in the United States has $200,000 savings; compared to $10,000 for millennials, a 20x difference.

Further, much of this wealth is in housing: the median equity gain since purchase is $150,000 for baby boomers. This means that boomers both have the wealth and the equity to purchase now (more so than they will be), and for now they remain a primary force in home-buying and selling.

But huge changes in wealth will be determined by where in California the boomers are living and buying, and where they choose to retire. The proportion of boomers living in particular counties have changed dramatically over time: cities with jobs have remained young (eg. Los Angeles, San Francisco, Alameda, San Diego, Fresno, and Sacramento) and more affordable areas around them have gotten younger: Riverside and San Bernardino are counties close to jobs, have remained relatively affordable, and thus draw more and more young people.

In contrast, more wealthy suburban counties have begun to age very quickly from relatively young starting medians: Orange and Ventura, Mendocino, Marin, Solano, Sonoma, and Santa Clara, all started with relatively few older residents and have rapidly aged in the past 15 years. These areas are both close to jobs, but are now both less affordable and older, reflecting costs, affordability and wealth gains for boomers. Additionally, there are several counties that have aged very quickly from relatively old starting points in the past 15 years or so: Alpine, Modoc, Nevada, Sierra, Trinity, Siskiyou, Tuolumne, Lake, and Plumas counties.

The question for the future will be: who will replace Boomers in these wealthy older areas? Will millennials have enough money to purchase homes in wealthy suburbs when Boomers are ready to retire, sell, and move? Or will Boomers decide to retire in place in California?

Brought to you by:

Haig Barsamian
REALTOR®
Barsam & Associates, inc.
2901 W. Coast Highway #200
Newport Beach, CA 92663

Office: 877-522-7726
Cellular: 949-485-0173
Email: haig@barsaminc.com
Website: http://www.barsaminc.com
BRE License: 01012187