

## **Generational Differences and Future Housing Markets\***

Andrejs Skaburskis  
School of Urban and Regional Planning  
Queen's University  
Kingston Ontario  
Canada K7N 3L6

Differences in the size of age groups, in their migration patterns, in their preferences or in their income prospects will affect future population profiles and, therefore, housing markets, city structures and the prospects of regions. These differences change the number of people that will form local housing markets, the type of dwelling units that will be added, the public services that will be needed, the composition of neighbourhoods and the expectations of buyers, investors and builders. The changes can affect the cohesiveness of neighbourhoods and, possibly, the outlook and sense of well-being of the residents. The changes can affect the size of the labour force and the income prospects of potential employees and they can also lead to differences in local and regional economies.

The environment and the housing stock that was formed and modified by the older cohorts can affect the new generation's ability to leave their parent's home, find housing in suitable locations, form families, buy a house and move up the housing quality ladder. The welfare implications also run in the opposite direction as the number of people leaving their parents' home and the number of first-time homebuyers can affect the older household's housing options, their equity and their savings and retirement plans. Cohorts are linked

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through the legacy of built environments and through the forces generated within current housing markets. Changes in cohort trajectories and changes in the conditions surrounding a new cohort's entry into the housing market affect the way cities evolve.

Housing is distinguished from other essential services by its durability, cost and diversity: it is passed across generations, it is expensive, and information on prices and the nature of available options is incomplete given the variety of housing forms and the thinness of markets. Housing markets are not in equilibrium, actors do not have complete information, buyers are not always rational, and regulations may appear coercive. The perfect market assumptions, that would allow us to bring established theory to the task of forecasting change, are inappropriate. The projection of the consequences of intergenerational differences is also confounded by the endogeneity of the many factors that both influence housing choice and are influenced by it: as an example, higher incomes let people buy higher priced houses but higher housing prices make people work more to afford their rent or to buy a house (Brueckner 1986; Fortin 1995). The complexity of the modeling effort needed to develop comprehensive projections of future changes precludes their attempt in this article. Instead, partial views are offered through a series of profiles showing how relevant attributes vary across age groups. A synthesis is presented at the end but the main effort here is on description and on the development of impressions about the future of cities and the way they may evolve.

This paper focuses on the period since 1981 and on the characteristics of the three generations born since WWII. Changes in education levels, employment profiles, income and poverty are depicted in graphs. Changes in women's employment and income and its implications for family formation and housing are discussed briefly. Market trends are projected and some thoughts about future city form and urban processes conclude the paper. Market outcomes are discussed by showing changes in tenure profiles, housing prices and expenditure/income ratios.

The three cohorts that are looked at more closely are characterised as the post-war "baby boomers", the "bust" generation and the "echo" generation (Foot 1996). The "boomers" were born between 1947 and 1966, the "bust" generation was born between 1967 and 1979 and the "echo", the boomers' children, were born between 1980 and 1995. The four Canadian census micro-data files are used to compare the generations and show their progress from 1981 to 1996. In the last census, the "boomers" were between 30 and 50 years of age but in 1981 they were between 15 and 35 years old, about the same age as the "bust" generation was in 1996. The comparison of the 1981 and 1996 census compares the "boomers", the current older folk, when they were at the start of their housing careers with the "bust" generation that was in 1996 at the start of their careers. The comparison of the initial conditions may help predict the

**TABLE 1 Population Distribution by Age Category for All of Canada: 1981, 1986, 1991, 1996**

AGE	1981	1986	1991	1996	TOTAL
0-4	7.30	7.27	7.13	6.76	7.08
5-9	7.32	7.19	7.08	7.03	7.13
10-14	7.90	7.07	6.99	7.05	7.20
15-19	9.51	7.72	6.87	6.89	7.54
20-24	<b>9.66</b>	8.97	7.18	6.51	7.79
25-29	8.93	<b>9.31</b>	8.66	7.01	8.33
30-34	8.38	8.70	<b>9.12</b>	8.58	<b>8.74</b>
35-39	6.70	8.03	8.46	<b>8.89</b>	8.18
40-44	5.49	6.40	7.66	8.11	7.15
45-49	5.15	5.28	6.08	7.36	6.14
50-54	5.09	4.88	4.90	5.69	5.17
55-59	4.84	4.75	4.53	4.52	4.62
60-64	4.03	4.46	4.32	4.15	4.24
65-69	3.48	3.64	3.95	3.80	3.76
70-74	2.58	2.90	3.00	3.26	2.98
75-79	1.79	1.87	2.17	2.25	2.06
80-84	1.06	1.01	1.20	1.35	1.18
85+	0.79	0.55	0.70	0.79	0.72
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: 1996 Census, Public Use Micro Data Files (PUMF), Statistics Canada (3 % samples)

housing trajectories of the “bust” generation. At this time we can only speculate as to the future of the “echo” generation but some of the differences and trends are already evident and reasonable guesses can be offered.

### Differences in the Size of Age Groups

The level of demand for housing within a city or region depends on household formation, immigration, migration, divorce, separation and mortality rates. Changes in the number of households in a market affect housing prices, the ease of entry into the housing market by new households, the access to homeownership, and the value of built-up equity. The changes affect the ability of households to move up the housing quality ladder and they affect city plans, infrastructure requirements, service needs, and local economies. The nature of housing options available to the elderly also affects the rate at which their houses are passed down to younger generations as well as the social composition of neighbourhoods.

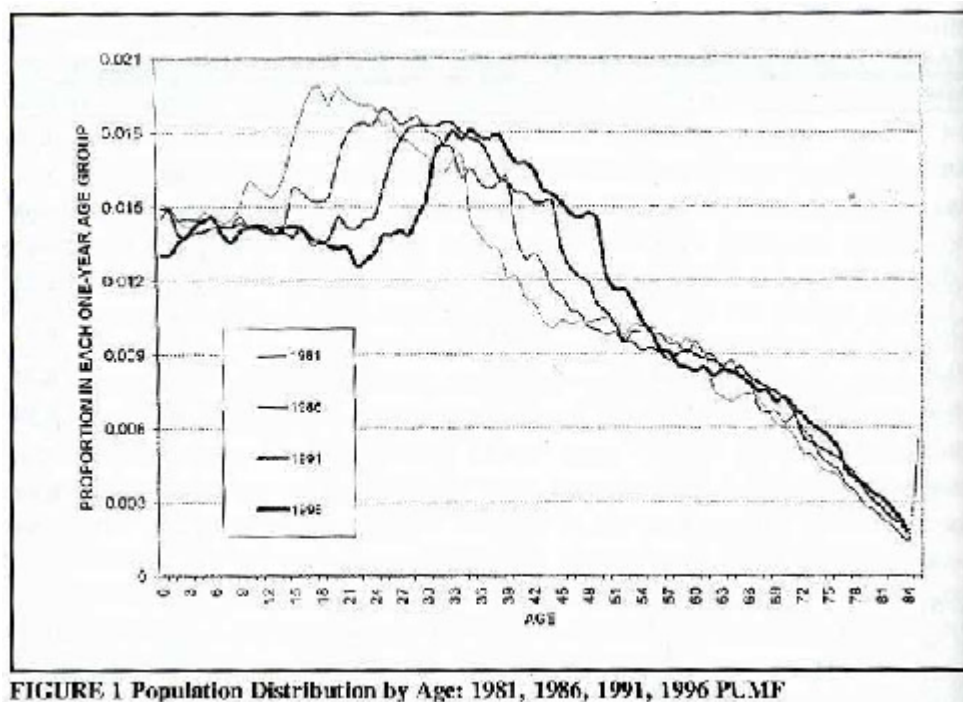


FIGURE 1 Population Distribution by Age: 1981, 1986, 1991, 1996 PLMF

Table 1 shows the age distribution in each of the four census years since 1981 by five-year age groups and Figure 1 illustrates the profiles by using one-year age groups. The peak age moves forward by five years in each census and decreases in prominence due to the larger number of children replacing the smaller number of older people who leave the market. The “echo”, the “boomers” children born since 1980, forms only a small rebound wave due to the declining fertility rates among the “boomers”. Table 2 shows the profiles for the five regions of Canada by listing the sizes of each age group as a ratio of the size of the 20 to 24 year-olds that form the “bust” generation trough.<sup>1</sup> The rebound due to the aging of the “echo” generation will be small in the aggregate, as its peak is only 8.3 % larger than the trough while the biggest “baby boomer” age

1. The numbers are based on the census micro-data and have not been adjusted for census underreporting. The adjustments would make the relative magnitudes of both the echo and the boom peaks appear smaller due to the fact that it is the 20 to 24 year-old group that is least well represented in the census. The census undercount has been estimated to be about 3 % across Canada but is about 8 % for the 20 to 24 year old group. The undercount for both the “boomers” and the “echo” groups is in the range of 3 %. Adjustments are not made to the figures in this report to facilitate comparison with other census years and to allow breakdown of the statistics by smaller categories that have different errors. The estimated error is based on a sample and further adjustments to smaller sub-populations would compound the sampling error.

**TABLE 2 1996 Population in Each Five Year Age Category Divided by Population in the 20 To 24 Year Category**

AGE	ATLANTIC	QUEBEC	ONTARIO	PRAIRIES	B.C.	CANADA
0 to 4	0.873	1.034	1.066	1.096	1.007	1.039
5 to 9	0.968	<b>1.046</b>	<b>1.074</b>	<b>1.205</b>	1.076	1.080
10 to 14	1.038	1.036	1.066	1.193	<b>1.108</b>	<b>1.083</b>
15 to 19	<b>1.043</b>	1.108	1.011	1.098	1.063	1.059
20 to 24	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>	<b>1.000</b>
25 to 29	0.999	1.084	1.089	1.058	1.106	1.077
30 to 34	1.169	1.382	1.347	1.254	1.302	1.318
35 to 39	<b>1.221</b>	<b>1.442</b>	<b>1.347</b>	<b>1.350</b>	<b>1.393</b>	<b>1.365</b>
40 to 44	1.156	1.329	1.203	1.217	1.317	1.246
45 to 49	1.066	1.197	1.124	1.021	1.215	1.131
50 to 54	0.767	0.995	0.861	0.771	0.892	0.873
55 to 59	0.658	0.750	0.702	0.606	0.703	0.694
60 to 64	0.571	0.697	0.651	0.568	0.629	0.638
65 to 69	0.493	0.616	0.613	0.519	0.584	0.583
70 to 74	0.428	0.505	0.525	0.450	0.532	0.500
75 to 79	0.342	0.334	0.344	0.345	0.380	0.346
80 to 84	0.226	0.186	0.201	0.214	0.242	0.207
85 plus	0.132	0.107	0.120	0.127	0.136	0.121
NUMBER						
20 TO 24	163188	444528	693612	314460	241272	1857060

Source: 1996 Census, Public Use Micro Data Files, Statistics Canada (3 % samples)

group is 36.5 % larger. The small size of the “echo” generation means that the dependency ratio will be increasing as the “boomers” approach retirement and that impending labour shortages will not be overcome through the aging of current children.

Across Canada, the passing of the “baby boom” population will eventually reduce the total number of households in the absence of increased levels of immigration. But the decline will not occur for at least another 20 years according to Canada Mortgage and Housing Corporation’s projection of the number of family and non-family households.<sup>2</sup> The projections do not include the immigrants that will be arriving after 1996 and they do not have to account for changing fertility rates as the people that will be forming households over the next 20 years have already been born. The number of households is projected to increase over the 20-year period but at a decreasing rate. In accord with the Figure 1 profiles, the projections show no impending surge due to a

2. Roger Lewis prepared the projections for this study.

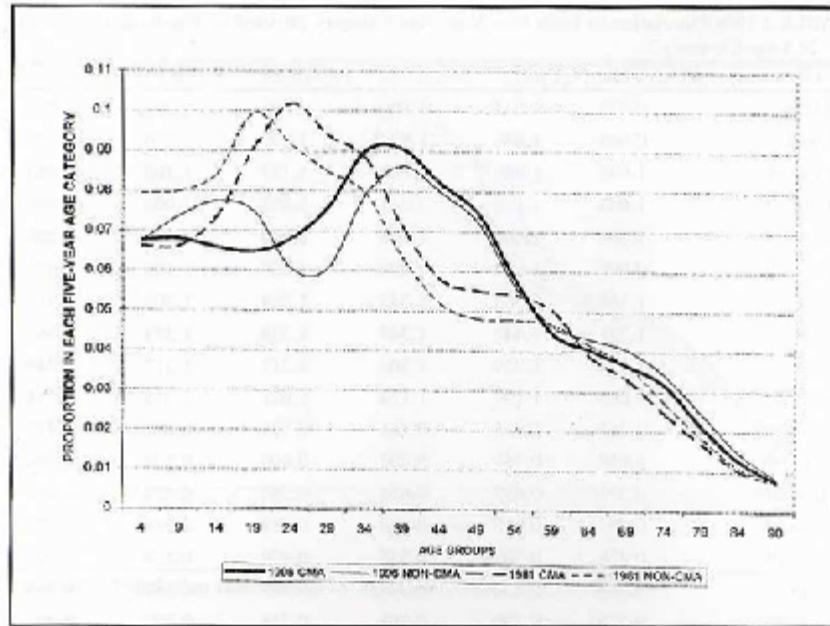


FIGURE 2 Age Distribution in CMA and Non-CMA Regions: 1981 and 1996 PUMP

rebounding “echo” generation. Only in the Prairie provinces is the “echo” generation potentially large enough to help markets rebound from the drop of the “bust” generation. Figure 2 shows that some rebound can also be expected in the non-metropolitan regions of Canada provided the current “echo” children do not move to the larger cities.

After 2021, household formation will not offset the decline in the size of the population and the future growth in aggregate housing demand will depend on the fertility of the “bust” generation, which has been dropping. The “baby-boomers” will start to leave the private housing market in larger numbers as the children of the “bust” generation enter the market. Their parents, the current “bust” generation, will not gain the benefit of the housing price reduction as the number of existing homes placed on the market will not increase in time. Since the difference in heights of the “boom” and the “echo” generations also reflect a drop in fertility and since the long-run trend has been toward lower fertility rates, the “boomers” will be selling their houses into a second and a much deeper population trough. Except in the cities that are attracting immigrants and migrants, housing prices are bound to drop and vacant units will abound. The overall effect on the number of households forming a local market will depend on the level of immigration and its source (Ray and Moore 1991; Skaburskis 1994, 1996).

Figure 3 compares the age profiles at the time of immigration of the people who immigrated in the last five years before the 1996 census and the people who

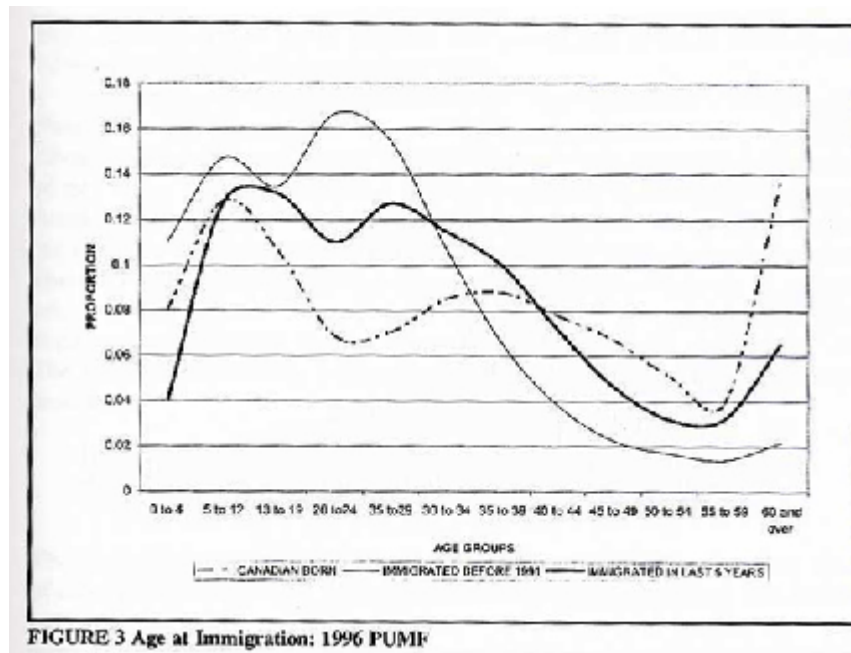


TABLE 3 Spatial Distribution of Immigrants in 1996

	CANADIAN BORN		IMMIGRANT	
	Column %	Row %	Column %	Row %
TORONTO, VANCOUVER, MONTREAL	45.5	70.6	56.7	29.4
OTHER CMAs	28.1	84.3	26.5	15.6
REST OF CANADA	26.4	93.4	16.5	5.6
TOTAL	672,572		130,538	

Source: 1996 Census, Public Use Micro data Files, Statistics Canada (3 % samples)

immigrated before 1991. It also shows the 1996 age profile of the people born in Canada. The most recent immigrants were a little older at the time they immigrated than the immigrants who came earlier and over the next few years will help fill the "echo" generation's population trough. They also have more children which will help reduce the eventual population decline. However, in the early 1990s the largest number of immigrants settled in Vancouver, the second largest in Toronto, and a very much smaller number are found in Montreal. Table 3 shows concentration in the immigrants in the three largest cities. Inter-provincial migrants favour these cities as well and move there in the same numbers but with a little broader age distribution. Intra-provincial

migrants add three times as many people to the cities each year as do the immigrants but their main destinations are Toronto and Montreal and to a very much smaller extent Vancouver (Skaburskis and Warne 2001). As in many other countries, the three largest cities will grow the most.

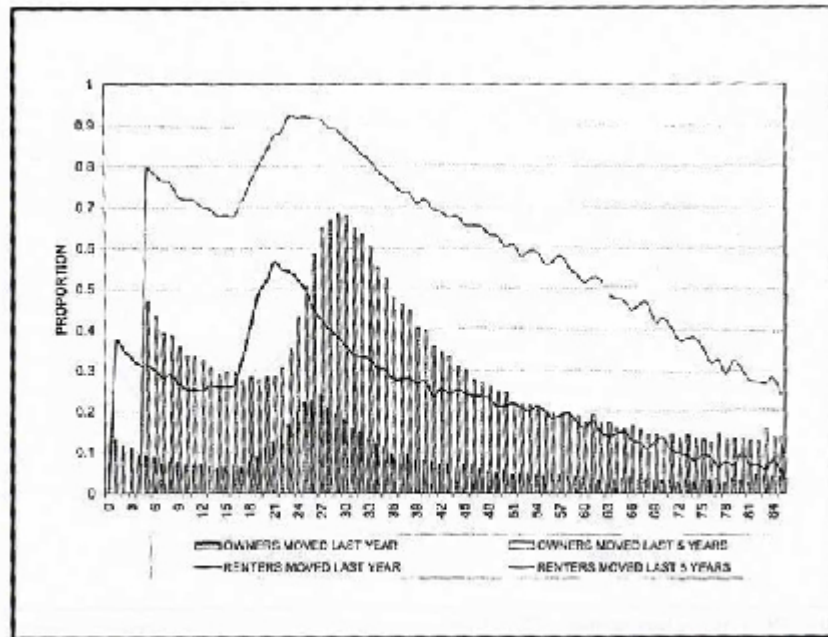


FIGURE 4 The Proportion Moving in the Last One and in Last Five Years by Age and Tenure of Primary Maintainer: 1996 PUMF

Figure 4 shows the age profiles of owners and renters who moved in the last one and in the last five years. They show strong peaks for renters at the age of 20 and for owners at the age of 27. The proportion of homeowners over 45 that have moved in the last five years is less than 5 %. No abrupt change in mobility is seen as households approach retirement when all regions are aggregated (Kendig 1984; Jones 1989) and changes in tenure are not expected to occur with age after the effects of increasing incomes have been accounted for. Similar age profiles with peaks in the late 20s and early 30s were developed for the people who migrated between provinces, within provinces but across census divisions, and within census divisions. The internal movements occurring in the next few years will help fill in the demographic trough in some places while deepening them in others and thereby exaggerating the effects of generational differences. The larger size of immigrant households in 1996 (2.79 compared to 2.55 for non-immigrants) suggests that increases in immigration can combat population decline but whether this is a long-term effect depends on the rate at which immigrant children conform to Canadian household formation patterns and it depends on



Canadian immigration policy. Visible minorities have, on average, the largest households suggesting that the ethnic makeup of the Canadian population will continue to change even without higher immigration quotas. Planning for diversity will become more important; multiculturalism in our large cities is here to stay. The concentration of immigrants, as in Richmond, British Columbia, with more than a half now being Chinese, will create new forms of ethno-spatial differentiation and the reversal of positions.

We are already seeing the effects of the “bust” generation’s trough as the “boomers” start to move into early retirement and predictions talk of impending labour shortages. A modicum of growth is expected in some regions as a result of the “echo” generation but even this will eventually be followed by an even deeper trough. Immigration policy has to change to reduce the population decline but if it does it will primarily benefit the largest cities, continue to change their character and create new tensions. Regional differences in the nature of housing problems will increase as some cities will need more affordable units, others need more rehabilitation, and still others need to manage their abandoned stock. The federal government’s role in housing will be relegated to redistribution programs.

### **Changes in Household Size and Composition**

The shape of demand schedules is determined by tastes, incomes, and the price of other goods and services. Housing tastes are primarily correlated with household type and predictions of the future demand for different building types are often based on projections of changes in the number of family and non-family households. The trend overall is toward a larger proportion of non-family households and, therefore, toward smaller households that typically want smaller dwellings and inner-city locations. Whether or not this trend materialises depends on the effect of other factors such as income levels (discussed below) but also on city planning efforts, municipal infrastructure investments and changes in the location of firms.

Casual observations suggest that the demand for larger dwellings is growing or, at least, being maintained by increases in wealth, in immigration and in the number of multi-generational households (Skaburskis 1999). To help ease housing shortages, some Canadian municipalities have been changing their bylaws to allow renovations and additions to single-family houses to provide privacy for the owner-occupant’s elderly parents or their adult children. Architects and some housing analysts are calling for more flexible housing designs and structures to allow for future changes that help the occupants adapt their dwellings to suit changing needs. Adaptable buildings would lead to a more lasting equilibrium between a household’s demands for housing services and its supply and mobility would be reduced. However, increases in internet search opportunities reduce transaction costs, improve the potential fit between households and their dwelling and, instead of developing the need for more flexible and, therefore, more anonymous

dwellings, do the opposite and increase the value of having a more diverse and idiosyncratic stock. These observations point to the difficulty of predicting change and to the fact that housing is a complex system. Moreover, reducing residential mobility also reduces labour force mobility and that may not be of great benefit.

Household sizes have been declining in North America through most of the last century and almost all the change is within families as the average size of non-family households has remained between 1.3 and 1.4 persons. The proportion of one-person households has increased steadily since 1981 when fewer than 10 % of people in their early 40s lived alone. By 1996, about 16 % were in one-person households; some never married, some divorced, others are ex-lone-parent empty nesters. The decline in the average size of family households may run against the expectations formed by the recent observation of an increase in the proportion of young adults staying in their parents' home. Headship rates for people in their mid-20s have declined by about 8 % since 1981 as the proportion of people staying in their parents' home increased. A larger proportion of young people are staying or returning to their parents' home but there are fewer people in the "bust" generation, making the actual numbers smaller than what we might have thought in the absence of data.

The overall decline in household size is due primarily to the decrease in marriage; the decrease in fertility; the increase in the proportion of older separated or divorced people (Figure 5); and the decrease in the number of households with dependent children. Headship rates have increased for both the young (under 28) people who have left their parents' home and for the people over 70. Delayed marriage may explain the increase for the young and community support for the elderly may explain the large increase in the proportion of single-person (woman) elderly households. A review of cohort changes suggests only the slightest rebound in the propensity to marry after 30 years of age. The continuing decline in the size of family households coupled with the increase in non-family households will affect future housing demand, but the net effect will depend upon what happens to income.

Divorce and separation rates have also increased to reduce family size and create an increasingly larger proportion of single-parent households. This change has raised concern among housing policy advocates and raises issues regarding the best locations for working single parents, the welfare of the children and the broader societal implications of an increasing proportion of children being raised in poverty. While these issues are discussed below, we note that the relative magnitude of the single-parent population will be decreasing due to the smaller size of the "bust" generation that is entering its family formation stage and due to the decline in number of "boomer" single-parent households as children leave home. Cohort trajectories show a decline in single parenthood after the parent reaches 40 years of age.

The decrease in headship rates among young people since 1981 (as much as 15 % for people in their early 20s) may be due to increases in their propensity to stay in school, reductions in their employment prospects and

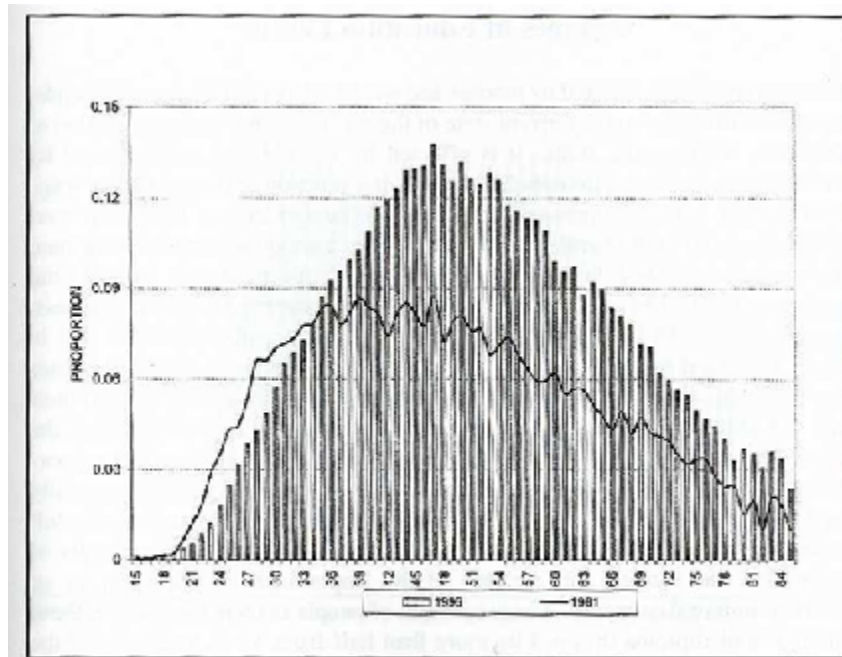


FIGURE 5 Proportion Currently Divorced or Separated: 1981 and 1996 PUMF

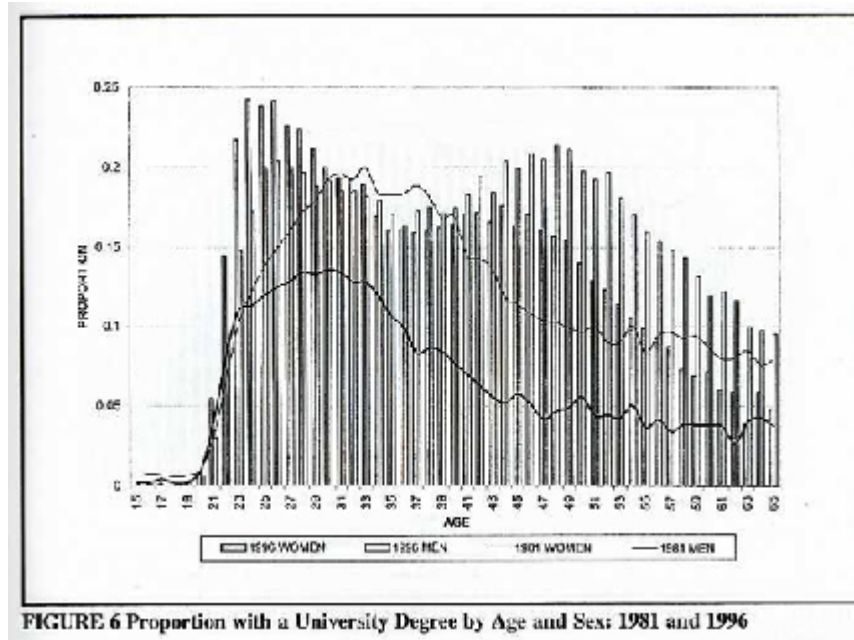
changes in their family formation goals. The decrease reduces the number of dwelling units needed to accommodate young people and maintains the parents' need to keep their family homes for longer periods of time. The pressures that may keep young people longer at home or make them return home ("boomerang kids") are being met by intra-family redistributions through the sharing of housing capital and this trend may have long-term ramifications (Mayer and Engelhardt 1996; Engelhardt and Mayer 1994, 1998). In part, the adult children's tie to the parental home is a sign of the parents' affluence and of their housing wealth. As new houses increase in size and as households get smaller, there is more room for adult children. As wealth increases along with the dependence on the automobile, there is less need for parents to sell their homes.

Of possible concern are the long-term consequences of using families to effect intra-generational redistributions toward young adults. The main beneficiaries are the children of well-housed parents. The adult children from poor backgrounds may not have the same option of staying at home. To the extent that home leaving affects children's ability to continue with post-secondary education, it affects their life's chances. The "merit good" rationale for public sector intervention into housing markets may be re-evoked. The privatisation of intergenerational support systems may increase the disparity of incomes and, coupled with the decreases or elimination of housing programs, increase the visible difference in the quality of residential areas and the presence of people without homes.

## Changes in Education Levels

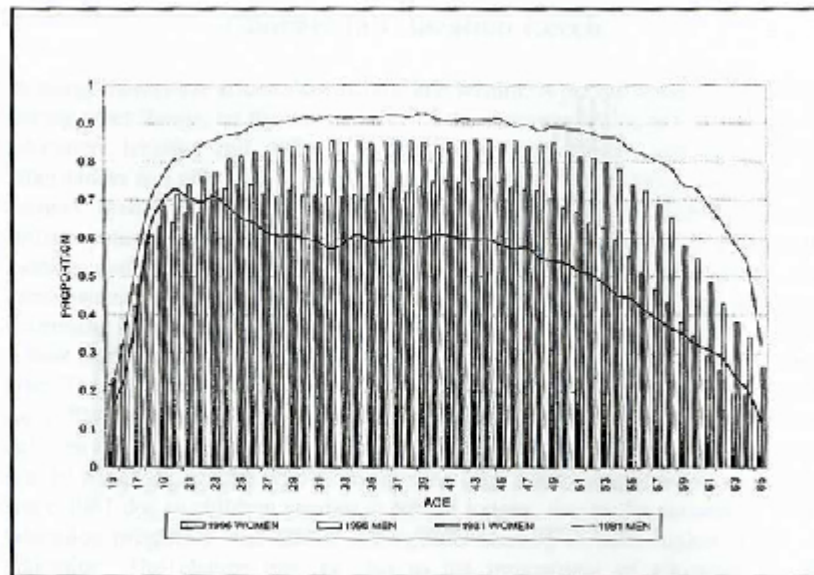
Housing choices are affected by income and wealth. A person's income depends, among other things, on the current state of the economy and is also a function of education, training and skills. It is affected by investments and luck and by inheritances and gifts. A household's income is a function of the number of wage earners, their individual prospects, household type and tenure. Education level reflects potential future earnings and is, therefore, a good indicator of permanent income and is a key factor determining access to mortgage finance and homeownership. The proportion of young people staying in school has been increasing over the last 20 years. Half of the 21-year-old women are still in school compared to 44 % of men but the proportion of men in graduate studies after 23 is still a little higher than for women. The proportion of people in their early 20s still in school has almost doubled since 1981 and explains much of the delay in family formation and moves up the housing quality ladder. The proportion of adults of all ages who have finished high school increased substantially since 1981 due to children staying in school longer, due to the success of adult education programs, and due to immigrants tending to have higher levels of education. The change may be due to the importance of education in an information-based economy. The proportion of people in their early 40s without a high school diploma dropped by more than half from 55 % to 25 % and the gender difference was eliminated. Among the under 24-year-olds proportionally more men than women finished their formal education without a high school diploma. The figure shows that high school leaving has stayed the same with most finishing by the time they were 19. Other profiles would show a major increase in post-secondary (but not university completion) education among all people over 30. In their early 40s the proportion of women with more than a high school diploma but not a university degree increased from about 40 percent to just over 60 %. Men's education level also increased but to a lesser extent (Skaburskis and Warne 2001)

Figure 6 compares the 1981 with the 1996 proportion of university graduates by one-year age groups and by sex. For all ages, the proportion of women graduates has almost doubled since 1981 and proportionally more women under 30 have university degrees than men. The bimodal distribution in the 1996 profiles suggests that young people in the late 1970s, the peak of the "boomers", were distinguished from earlier and later generations by having a lower chance of attending university. This might be due to the fixed capacity of universities to expand enrolments to accommodate the surge. Education levels are returning to where they were before the "boomers" crowded the institutions and the continuing trend will raise the overall level of education in the country. The changes in education levels will affect the structure of preferences that guide the evolution of cities. Downtowns are already becoming major "entertainment" centres. With more disposable income, the diversity of



offerings will increase as more niche services reach threshold sizes. People with higher levels of education are more likely to value the cultural amenities and sophisticated living options offered in the inner city. The observed return of young people to the inner cities of Canada, United States and Australia is associated with higher education levels and delayed fertility (Houston 1998; Kasarda et al 1997; Quercia and Galster 1997; Spain 1989).

Both men and women without a university degree are more likely to live away from their parents' home and the difference is larger for women than for men. By the age of 24, three quarters of the women without a university degree live outside their parents' home compared to just over half of the women with a bachelor's degree or more. Women with degrees have a lesser inclination to form families and the difference is largest for the women in their 20s (Skaburskis 1997). For men the relationship is much less pronounced and the proportions reverse after the age of 33: increasing education for men appears to make them more family oriented in their late twenties and early thirties. Overall increases in education levels may create disequilibria between the sexes in their desire to form families. In the future, it may be the men who want to settle down in families while the better-educated women continue to enjoy bachelorhood. However, equilibrium may be reestablished through adjustments in the role men and women play within the household and this may have an effect on city form should the readjustment affect the choice of housing type and its location.

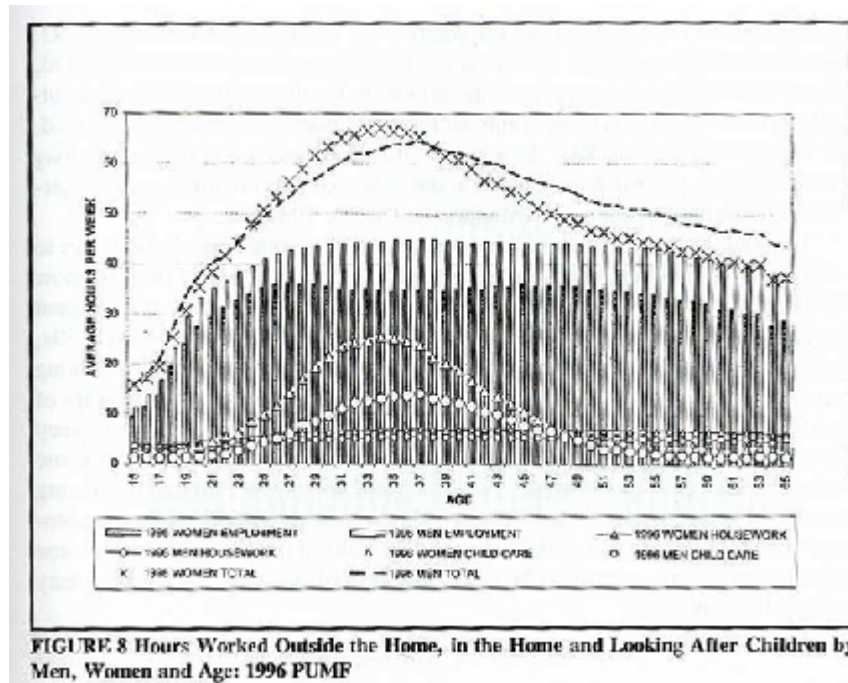


**FIGURE 7 The Proportion Employed by Age: 1981 and 1996 PUMP (Full Time Students are Excluded)**

### Changes in Employment

The proportion of men (non-students) who are in the labour force has declined slightly for all ages, while the proportion of women has increased substantially since 1981 (from about 20 to over 35 % for women in their 30s and 40s) as illustrated in Figure 7. The proportion of working women over 60 years of age stayed constant while for men it drops by almost 20 %. Unemployment rates increased since 1981 but these statistics run in cycles and trend extrapolation is pointless. In 1996, more men than women were unemployed and the largest increase in unemployment rates is for men in their late teens and early 20s. The proportion of people who are both in the labour force and are employed part-time has been increasing for the young but most find full time jobs by the time they reach 30. Young people do appear to have some difficulty finding full time jobs as almost a half of the employed people in their early 20s are working part time. This increased the difficulty of entering the housing market and buying a home (Linneman and Wachter 1989; Haurin et al 1996). The problem gets resolved with age as the part-time employment ratio levels off at 25 % for women and 6 % for men. Part-time work has increased most for women under 30 while the ratio has dropped for older women.

The average amount of time spent working for pay decreased for men and women in their mid-20s and increased slightly for middle-age women. The *total* time men and women spend doing housework, looking after children and working for pay is remarkably similar for people in their 20s and 30s (Figure 8). Women still spend much more time on childcare and more on housework



while in their late 20s and early 30s, but after 40 the work effort decreases most for women. If current cohorts follow the trajectories of their predecessors, then the aging "boomers" will be enjoying increased leisure time. The future inner city may bring together the educated young single people and the aging empty nesting and divorced "boomers".

The Figure 8 profiles also suggest that both men and women spend about the same amount of total time producing household services or working for pay. The men who have traditionally spent less time on housework may have established a boundary describing an acceptable limit on the total time spent on all kinds of work. If this is the case, then women under 40 are, on average, at that boundary now. Women over 40 may continue to increase work for pay, thereby, moderately raising their household's income. Future increases in the younger women's outside work may be met by readjustments in their spouse's work efforts. The 1970s and 1980s surge in household income due to the increase in women's labour force participation and the resulting increase in housing expenditures may be a thing of the past. Future growth in household income and in housing demand may be due primarily to increases in productivity.

The literature on gender differences in commuting shows, with some exceptions, that married women's trips are on average shorter than their husbands (Ommeren et al 1998; Singell and Lillydahl 1986; Preston and McLafferty 1993; Niemeier and Turner 1997). With changes in gender roles

within the household, women's commutes might approach those of men. Camstra (1996) links commuting behaviour and lifestyle and finds almost no gender differences in the 'modern' lifestyle group (p. 283). As a result, the household's commute costs may become more important determinants in the choice of location for the next generation of household maintainers (Madden and White 1980).

The major changes in employment prospects for young people will start to occur soon as the oldest "boomers" start to retire. Our employment profiles show a marked decrease in work effort after 55 years of age. The highest employment prospects will be enjoyed by the "echo" generation, who will be in their 30s, when the "boomers" start retiring en masse. The interest of firms in promoting young people may be intensified, not only by the desire to gain more years of work from their employees, but also by pre-emptive strategies that aim to keep new employees in the face of growing labour shortages. The part-time and contract work that is most available to young people may be replaced by signing bonuses and enticements to stay longer. This is already happening in the computer world. The future may have decreasing housing prices and rising income levels for most young people. The older members of the "bust" generation may not reap these benefits.

### Changes in Income

Changes in total personal income by sex are illustrated in Figure 9 and are as expected given the employment shifts: men's income, expressed in 1996 dollars, has decreased while that of women between 30 and 50 has increased. Other profiles could show that average wage income has decreased for persons under 45 and the gender split is the same as with total income: men in their 30s dropped from about \$40,000 to \$35,000 a year while women's wages increased from an average of \$20,000 to \$24,000. The net change in household income is negative with the poorest, by far, being the relatively small number of households maintained by 18 and 19 year-olds. On a per person rather than a per household basis, people in their late 40s and early 50s enjoy the highest household incomes. The older teenagers and young adults form a second peak. The bi-modality in the per-person distribution shows that the young adults who are living in their parents' houses are among the households with the highest incomes. This suggests that parental wealth is an important determinant of household formation rates and further research of the effects of parental wealth is needed. The parents' wealth may also be a factor affecting the young person's ability to continue into higher education and if it is then the "merit-good" argument for housing subsidies is re-established as a valid program rationale. Research on the role of the parents' home and of their income on the prospects of young adults is made difficult by the lack of data on the family background of the young people who have left home.

The proportion of household maintainers with earnings below the census definition of poverty (that takes into account the city's rent levels and the



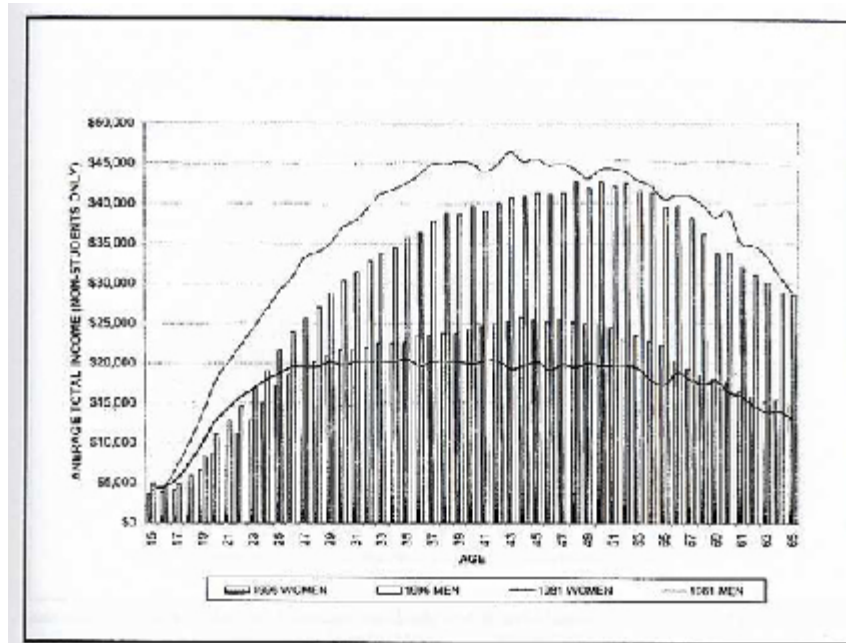


FIGURE 9 Personal Income by Age and Sex: 1981 and 1996

household's composition) has increased since the 1991 census and over 80 % of the household maintainers in their late teens and very early 20s live in poverty. After 30, about 20 % are poor and the rate starts to rise quickly and continuously for maintainers over 65. Figure 10 shows that the households with children, both with couples and single parents, have the highest incidence of poverty for maintainers up to the age of 45. Child poverty has been recognised as a social problem in Canada not only because it affects directly the well-being of children but

also because it may affect the outlook, behaviour and productivity of the next generation. The prevalence of child poverty and its affect on the children's chances in their later life may point to the growing divide between the rich and the poor, the increasing spread in the housing conditions of the next generation.

The characteristics of the poor may be changing. Due to the much smaller size of the "echo" generation, the total number of single parents (currently still in the boomer generation) will decline as the current cohort of children leave home and as their lone-parents become empty nesters, a group that has not been studied much. Figure 10 also shows the large increase in the proportion of non-family households over the age of 45 living in poverty. It is likely that many of these people compromised their careers by staying as homemakers or by juggling school or work and single parenthood. The poor older middle-aged people who had been single parents may be the next candidates for concern. Figure 11 shows a large proportion of university graduates living below the

poverty line suggesting that the increased education levels will not eliminate poverty. The homeless person you meet may have read Proust.

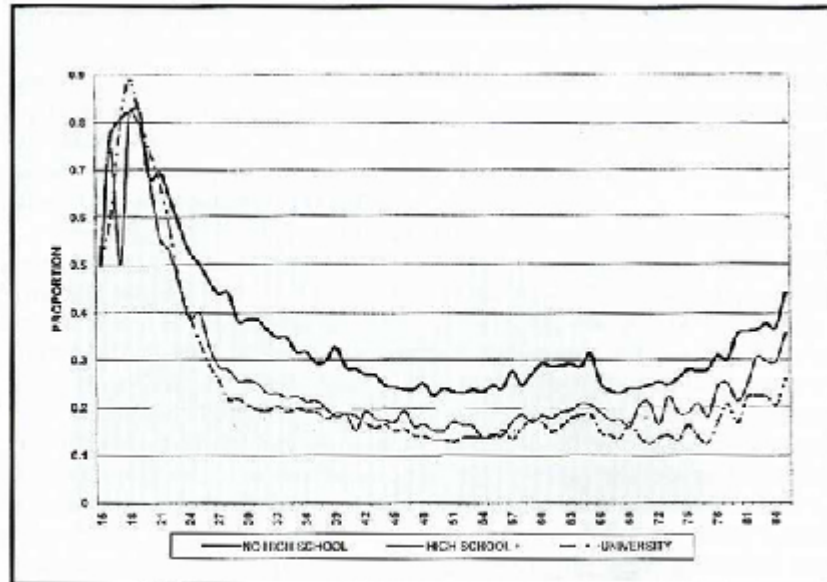


FIGURE 10 The Proportion Households Below the Low-Income Cut-Off by Family Type and Age of Primary Maintainer: 1996 PUMF

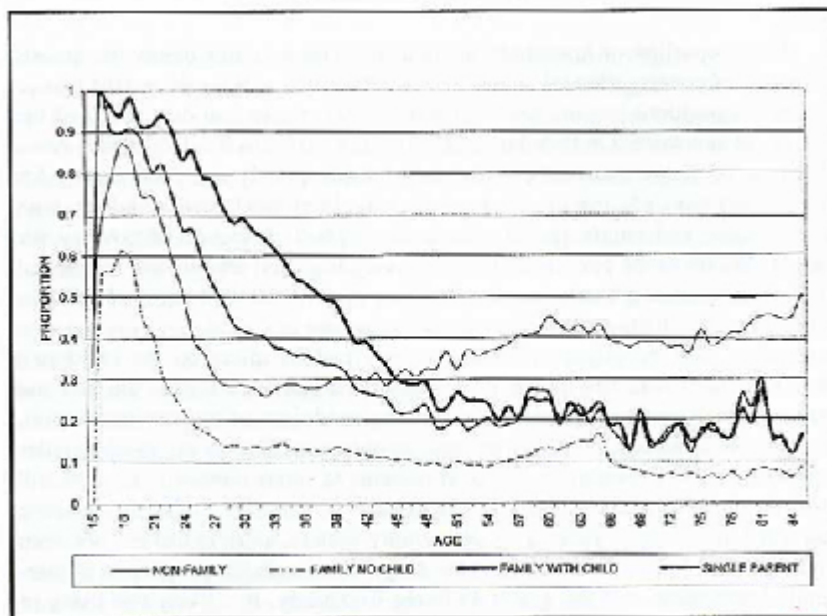
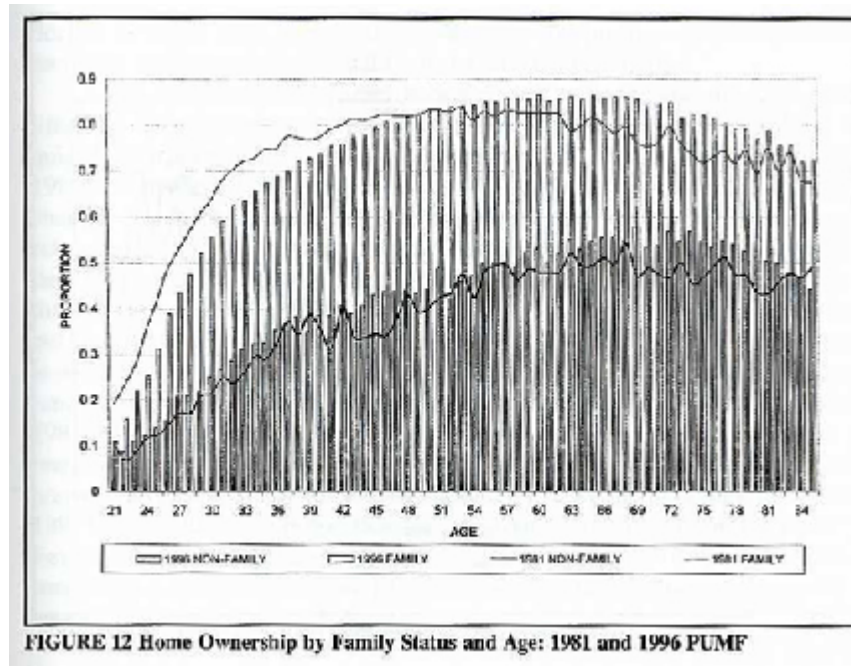


FIGURE 11 Proportion Households Below the Low-Income Cut-Off by Education Level and Age of Primary Maintainer: 1996 PUMF



### Changes in Housing Careers

Changes in preferences and incomes coupled with changes in the size of markets affect housing prices and, thereby, homeownership rates, housing trajectories and location patterns. There has been a steady decline in homeownership since 1981 for household maintainers under the age of 50, and Figure 12 shows the decline to be primarily among young families. Non-family households have a much lower rate of homeownership and the proportions have stayed about the same since 1981. The changing lifestyles and increase in mobility may explain some of the decrease among the younger families. The change in employment, security and income levels among the young may also contribute to the decline. Both sets of factors may also explain the pronounced shift toward condominium ownership by the young people who are homeowners as illustrated in Figure 13.

The older household's move to condominiums may be due simply to the increase in the supply of condominiums since this option was introduced in the 1970s. Again, proximity to urban amenities as well as freedom from house maintenance and increased security fuel this trend. The "echo" generation will have good access to homeownership should the empty nester "boomers" start selling their large homes. However, given the tendency of older people to keep their large homes, the likely housing beneficiaries of the "boomers'" housing legacy and its associated price changes will be the youngest members of the "echo" generation.

Market supply has been responding to increases in the number of homebuyers as a result of the aging "baby boomers" keeping the homeowner's monthly payments to household income ratios at about the same level through the 1980s and 1990s. For non-family households the ratio drops only a little with age. For young families, the expenditure income ratios were lower in 1996 and they decline from an average of 22 percent for maintainers in their early 20s to 13 % for maintainers in their mid-50s. While incomes have dropped overall for younger people, the average value of a home across Canada declined in real terms and rents stayed about the same. The housing expenditures ratios stayed constant for all but the older non-family households. For older owners and renters, housing expenditure to income ratios dropped substantially since 1981.<sup>3</sup> Overall, housing prices appear to have declined relative to income and the decline is larger than presented here because the profiles do not reflect the increases in the size and the quality of the new housing units.<sup>4</sup>

A household's housing career is determined by its income, its stage in the lifecycle, its propensity to save, its receipt of gifts, and by the size of the required down payments (Linneman and Wachter 1989; Henderson and Loannides 1989; Cooperstein 1989; Engelhardt 1994). For younger households,

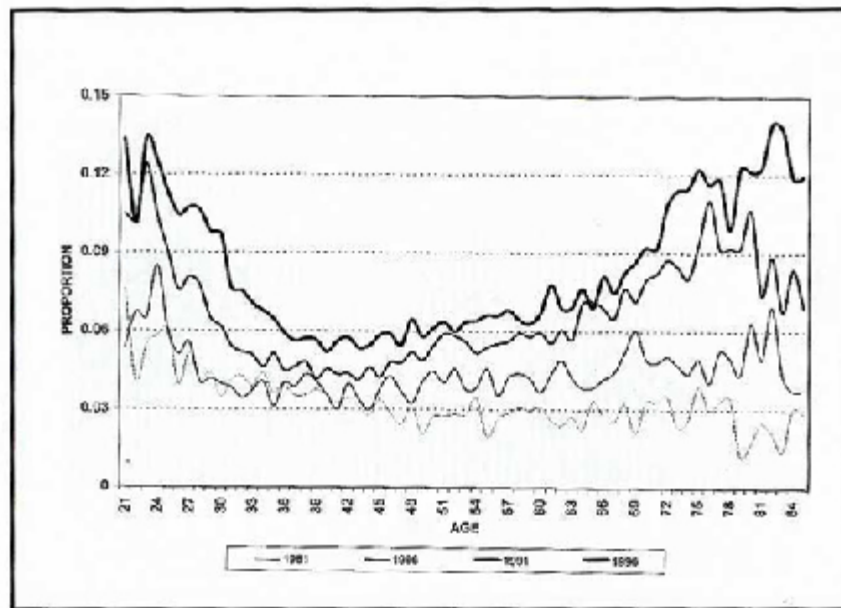
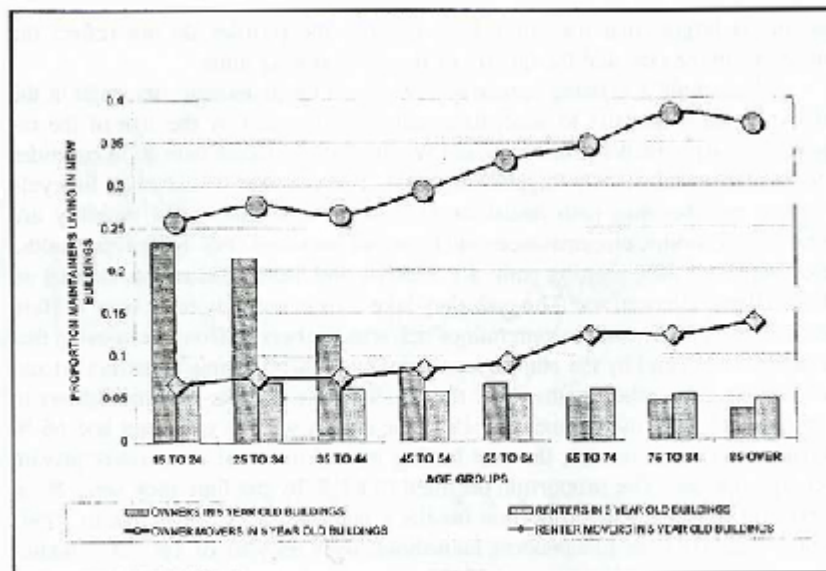


FIGURE 13 Proportion of Homeowners in Condominiums: 1981, 1986, 1991, 1996 PUMF

3. Roger Lewis prepared the projections for this study.

4. For U.S. and Australia see Linneman and Megbolugbe (1992), Megbolugbe and Linneman (1993), Bourassa (1996) and Yates (2000).

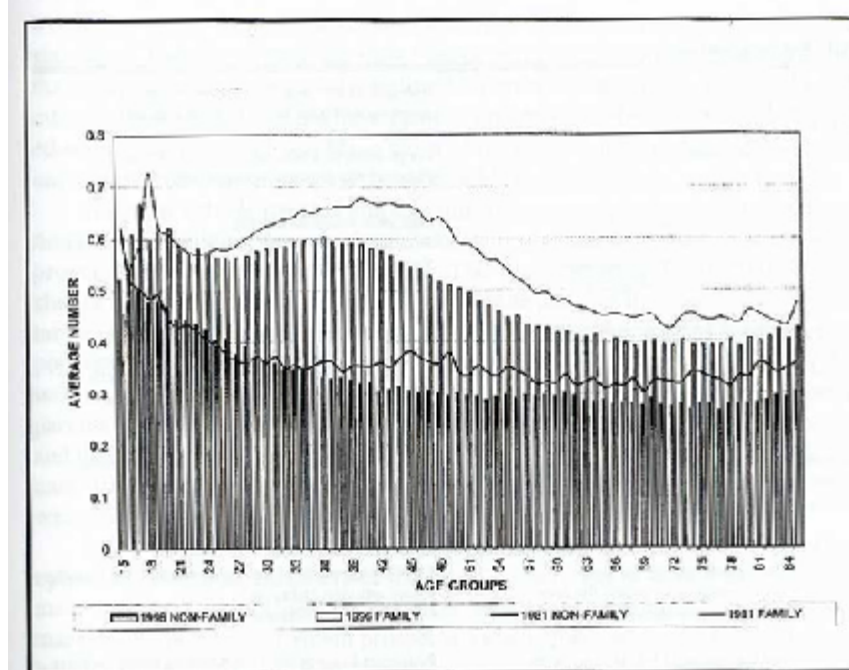
lifecycle changes and housing path decisions associated with tenure and mobility are related to economic circumstances and financial resources. For aging households, decisions regarding housing paths are lifestyle and health related and depend on the available alternatives. The path they take affects not only their own welfare but also that of the younger generations that stand to benefit from the housing that is passed down and by the employment generated through new construction and renovation. The cohort paths show that 71 % of the 65-year-old maintainers in 1981 owned their own homes; by 1986 the cohort was 70 years old and 66 % remained as homeowners, the rest having moved to rental or to other private housing options. The proportion declined to 64 % by the time they were 80 in 1991 and stayed at this proportion for the group over 85 years of age in 1996. Fewer than 10 % of independent households over 65 year of age leave homeownership for rental housing and 12 % of the older homeowners have moved to condominiums.



**FIGURE 14** Proportion of Households Living in Buildings Less than 5 Years Old by Primary Maintainer's Age, Tenure and Mobility: 1996 PUMF

The census statistics show the remarkable flatness in the average value of homes across maintainers over 40 years of age suggesting that investment levels stay more or less constant as people grow older. The decline in the average value of homes since 1981 suggests that prices do not explain the decrease in homeownership by young families. Indeed the housing expenditure to income ratios remained nearly constant for younger family and non-family households under 60 since 1981. Among family maintainers who were over 65 years old in 1996, the value of their homes changed only a little. Overall investment in housing, therefore, does not change after 65 years of age and





**FIGURE 15 Average Number of Persons per Room by Family Status and Age of Primary Maintainer: 1981 and 1996 PUMF**

housing consumption continues to increase up to old age. Older married homeowners are either increasing their maintenance or their renovation expenditures or moving to other housing options that involve new mortgages of about the same size as those taken out by younger people. For the most part, the elderly are not converting their housing equity into current income and are maintaining their level of housing consumption. Location changes are suggested by the increase in condominium ownership.

The young and the renters are more likely to adjust their housing consumption by moving as was illustrated earlier. About four percent of homeowners over 60 moved within one year of the 1996 census and the rate declines slightly but steadily with increasing age. Figure 14 shows the proportion of the households that did move in the last five years and moved to buildings that were five or fewer years old. It also shows the proportion of all households by tenure and age who live in buildings less than five years old. Almost 40 % of the 60 and over primary maintainers moved to new buildings. This shows that older people are generating a demand for new construction. The retiring "boomers" will be increasing the demand for new housing and we should expect differences in the type of housing that is built for them. These observations help explain why average housing expenditures remain constant across age groups and why older people are occupying condominiums.

Housing paths and transitions as indicated by changes in the size of dwellings show remarkable constancy in the number of rooms occupied by

homeowners of all ages after 45 means that Canadian households are not downsizing their dwellings as they become empty nesters and eventually retire from work (Figure 15). The 1981 and 1996 decline in the average unit size within each age category is due to the older households having started off with smaller units. The age profiles do not reflect their cohort histories. The 45-year-old household maintainers in 1981 had an average 6.96 rooms and the number had increased slightly to 7.00 by the time the cohort was 60 in 1996. In 1981, the 65-year-old owners had an average of 5.75 rooms and the cohort of remaining 80-year-olds in 1996 had an average of 6.08 rooms. We have no evidence of disinvestments in housing with age of maintainer. As Figure 14 shows, housing consumption as measured by the number of rooms per person increased since 1981 for all but the under 33-year-old non-family households.

## Conclusions

Table 4 lists the main observations and the speculations they raise are identified by question marks. The main impression formed by reviewing the profiles that are made possible by the availability of high quality micro-data is of the small size of the looming population that is to the left, just outside, of the graphs presented here. If the “echo” is so small compared to the “boom”, then the cohort to be formed by the children of the “bust” generation will be much smaller. The fertility rates have been dropping steadily but are still higher in Canada than in most European countries suggesting that there is room for further declines; the next trough will be much deeper than the one depicted here.

Populations are declining and more regions will experience net decreases and serious reductions in the number of dwellings that they will need. The decline, however, will not drop the bottom out of the major housing markets in the big cities, because immigration and migration will continue to fuel their growth. What will happen to immigration policy as a result of September 11 remains to be seen. We can expect that older people will be more likely to stay independent; they will keep their houses and stay invested in housing and maintain their demand for existing as well as generate an interest in new stock. The decline in aggregate market demand will come, but not for twenty years or more. Immigration rates should increase to maintain the labour force and the demand for goods and services, but if it does then the growth will concentrate an increasingly diverse population in our larger cities as it has been doing for a long time.

The profiles presented here should have a calming effect for young people struggling to find full-time employment. True, young people are more likely to be unemployed or in part-time work but their paths are, as before, toward full-time employment by the age of 30. The decline in young people's income is temporary given their much higher education level and the impending labour shortages. There is no need for major concern regarding housing market strengths in the major cities but spatial redistributions will continue to occur and

small cities in the hinterland do not have assured prosperity in their futures. Increasing education levels should also bring more of the urban amenities and services that university graduates enjoy past the thresholds that make their supply feasible.

**TABLE 4 Implications**

Some cities and regions will decline. City growth tied to immigration and migration. "Echo" rebound possible for smaller cities. North/South issues intensify?	Immigrants can help fill population age trough. Immigrant households have more children. Visible minorities have more children. Large cities will become more multicultural. Planning for diversity is important.
Average family size continues to decrease. More non-family households in suburbs. More women in inner-city condominiums. Some gender differentiation of space?	Education levels increasing. More high school grads among the <60 year-olds. Young and older more university graduates. Women become more educated than men.
More part-time jobs for people in their 20s. Long term prospects good as labour shortages loom. Particularly good for the "echo" generation. The "bust", a leapfrogged generation?	Employment shifts from men to women. Household's work threshold reached? Growth in household incomes tied to productivity. Slower growth in household's housing demand.
Family formation disequilibria. Changing household roles to reestablish equilibrium? Possible commute pattern changes with gender equality? Increasing importance of central locations?	Income redistributed from men to women. Decline in younger household's average income. Increasing bi-polarity in income distribution.
Highest poverty among youngest and oldest households. Children largest group among the poor. The university educated also among the poor. Trend to higher education increases income spread?	Better educated having fewer children. Class backgrounds of the future population changing. Future attitudes changing? City's income differentiation increases?
Delayed home leaving and "boom erang" kids. Parents keep larger homes. Intergenerational housing options used marginally. Housing demand maintained for next 20 years.	Reduction in ownership rates among young families. Housing prices trending downward. Exp./inc. ratios remain constant for most owners. Large regional variation in prices and rents. Expenditure income ratios same across regions.
Older homeowners moving to condominiums. Expenditure ratios down only for elderly renters. Older owners maintain level of housing investments. Older movers more likely to live in new buildings. Older people generate demand for new construction.	Dwelling sizes increasing. Persons per room among families decreasing. Overall housing consumption increasing. Market demand holds for 20 or more years.
Housing program cutbacks hurt younger households. Municipal finance regressive on renters and young. Municipal zoning often regressive on renters and young. Privatization of support system bifurcates society further.	Cultural diversity of major cities increasing. City income distribution more polarized. Depth of need and homelessness increasing. Interest in helping disadvantaged decreasing. Tensions mount and policy changes.

The most notable trend in employment and earnings is the shift in the direction of women. Inner-city condominiums will prosper as women have a higher propensity to buy into these projects. The work/housework distribution



may change between partners and women's commute patterns may become as important as their spouses in their household's location decisions. The profile of the population most in need of assistance will change even if the proportion of young women who become single parents continues to increase. The number of single parents will drop as the much smaller "bust" generation replaces the "boomers" and their aging children leave home. Older non-family persons will be the dominant group among the poor and the gulf between the rich and the poor will widen.

In the long run, the view for most young people should be coloured by optimism. The older members of the "bust" generation have had their employment prospects diminished by the large number of "boomers" in the labour markets. Reduced employment prospects were aggravated by the rising land and housing prices of the 1970s to reduce disposable income and bring on the "Gen-X" attitudes, the "who cares about the future" outlook that has been described by social commentators. Labour shortages are being predicted for young people who will eventually find emptying regions and declining housing prices. The labour and housing cycles amplify the welfare consequences. Intergenerational transfers occur through the housing and labour markets but cycles form as they skip generations and they change direction across the life span of a single cohort.

Demographic trends are usually characterised by their steadiness, almost glacier-like pace, but the cross-sectional comparison of age groups and this brief look at only a 15 year-time period shows real differences in profiles and the potential for major changes. With their legacy of built as well as social and cultural infrastructure, cities may appear as huge turtles lumbering forward as though directed mostly by their momentum. But cities, like turtles, do change directions and some of these changes we can anticipate, others we can encourage. Some of the changes may be the result of the locked-in demographic trends that have already differentiated age groups and some of these trends along with their likely consequences may actually be predictable.

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