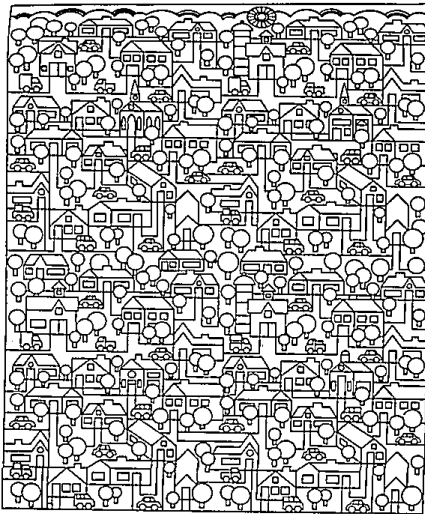


Housing demand to be come sharply segmented



As the baby boomer starts worrying about retirement and the baby bust matures, housing demand will become more sharply segmented than in the past, according to a report from the National Association of Realtors.

The study, "Demographics in the U.S. — The Segmenting of Housing Demand," anticipates strong housing demand and stable house values over the next decade in spite of the smaller baby bust population producing fewer prospective buyers than the baby boomers.

The demand will be fueled by widely varied housing needs — for affluent trade-up baby boom couples, baby boomers thinking about retirement and growing numbers of non-traditional households and immigrants, the report says.

"THE HEALTHY markets will offer diversity. They will have a variety of niche-oriented housing," said NAR President Ira Grubin.

The study explores several cur-

rent and projected demographic changes that may have the greatest effect upon the housing industry over the next decade. Foremost among these are the changing age structure and housing composition of the U.S. population.

The total number of households in the nation rose by an average of 1.3 million annually during the 1980s, dropping from 1.7 million annually during the 1970s. The population ages 25-34, the group at which household formation is typical, is getting smaller, while the age group 65 and older is getting larger.

The number of married-couple households is declining. The decline is being countered by an increase in single-person households, female-headed households, non-family households and a larger number of 18- to 24-year-old men living with their parents. Additionally, the average household size dropped from 3.13 people in 1960 to 2.66 people in 1987.

HOUSEHOLDS ARE moving

more frequently, which is causing and will continue to cause a higher housing turnover rate. Legal immigration, notably by Asians and Hispanics, is increasing. The average rate of 570,000 was 30 percent higher in the 1980s than in the 1970s.

Increased demand by foreigners seeking to rent or buy in the United States will contribute to housing demands in the 1990s, the study says.

The changing needs of changing households will help offset a drop in housing demand due to the smaller baby bust population, said NAR chief economist John A. Tuccillo. Predictions that house values will sour due to a decline in demand are too simplistic, and such projections fail to consider the continuing effect the baby boom generation will have, Tuccillo said.

INCREASED SAVINGS by baby boomers, combined with a smaller federal deficit and a larger Social Security trust fund, likely will push interest rates lower over the next

seven years, he said.

Baby boomers previously unable to buy houses will be buying. "As the leading edge of the baby boom moves through its peak earning years, demand will pick up for second homes and retirement homes," Tuccillo said.

He predicted that demand will shift significantly toward "smaller units in sunny climates."

IN SPITE OF house purchases by baby boomers and baby busters, houses will continue to be too expensive for poorer consumers. According to the study, it appears that a widening gap in household demographics is accompanied by a growing disparity in house-buying power.

For example, the study says, typical real incomes for families in the highest-earning fifth of the population rose by more than 29 percent between 1970 and 1986. But real income for families in the lowest-earning fifth rose by just 9 percent.

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