

# Author's Accepted Manuscript

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PII: S0166-0462(16)30028-X  
DOI: <http://dx.doi.org/10.1016/j.regsciurbeco.2016.09.005>  
Reference: REGEC3214

To appear in: *Regional Science and Urban Economics*

Received date: 23 May 2016  
Revised date: 13 September 2016  
Accepted date: 15 September 2016

Cite this article as: Richard K. Green and Hyojung Lee, Age, Demographics, and the Demand for Housing, Revisited, *Regional Science and Urban Economics* <http://dx.doi.org/10.1016/j.regsciurbeco.2016.09.005>

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## Age, Demographics, and the Demand for Housing, Revisited

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### Abstract

The United States is aging, and many baby boomers are reaching or will soon reach the retirement age of sixty-five. At the same time, Millennials—the largest generation in U.S. history—have faced problems of high rents relative to incomes, and volatility in housing markets. These shifts are reigniting debates about how changes in age structure will affect housing and labor markets.

To address some of these concerns, we revisit Green and Hendershott (1996) and analyze the links between the willingness to pay for a constant-quality house and demographics using microdata from the 1990 and 2000 Censuses and from the 2006, 2010, and 2014 American Community Surveys. The results generally reconfirm what Green and Hendershott (1996) found; The massive demographic shift will not result in another housing crisis on its own. This is because the education and income levels of current and future seniors are still relatively high, leading them to consume more than previous generations. Also, the size of the Millennial generation will drive the growth of aggregate housing demand, although the growth of per household housing demand may be relatively modest.

*Keywords:* Age, Cohort Effects, Demographics, Housing Demand, Projections

*JEL Codes:* J11, R21.

### Introduction

On the heels of collapse in the U.S. housing market in late 2007, some scholars and practitioners (e.g. Myers and Ryu, 2008; Pendall et al., 2012; McIlwain, 2012) fear that another crisis is on the horizon. This concern arises from the nation's rapid aging and loss of veteran workers to retirement. Since 2011, the first wave of 76 million baby boomers has reached the retirement age of sixty-five, and many of the remaining 49 million workers in this birth cohort will soon retire—and thus perhaps change aggregate preferences—particularly for housing. Given this inexorable trend, several scholars have warned that this potential mismatch between

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