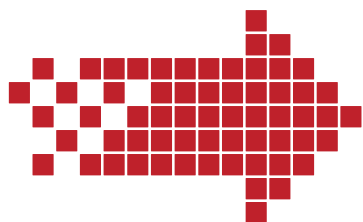


BIG SHIFTS AHEAD

DEMOGRAPHIC CLARITY
FOR BUSINESSES



JOHN BURNS
CHRIS PORTER

Advantage®

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FROM JOHN

I dedicate this book to my parents, John and Mary Burns. My 1930s Savers parents raised four 1960s Equalers and one 1970s Balancer. They take so much pride in their six 1990s Connector and four 2000s Global grandchildren. Sadly, Mary Burns passed away during the editing stage of the book.

FROM CHRIS

I dedicate this book to my parents, Bob and Kathy Porter. My 1940s Achiever parents raised two 1970s Balancers and four 1980s Sharers. They love being with their twelve 2000s Global and 2010s post-Global grandchildren.

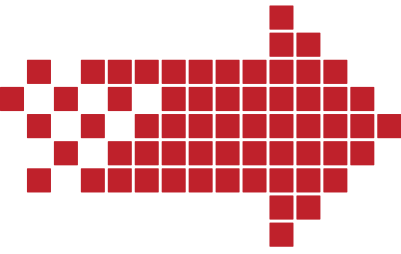


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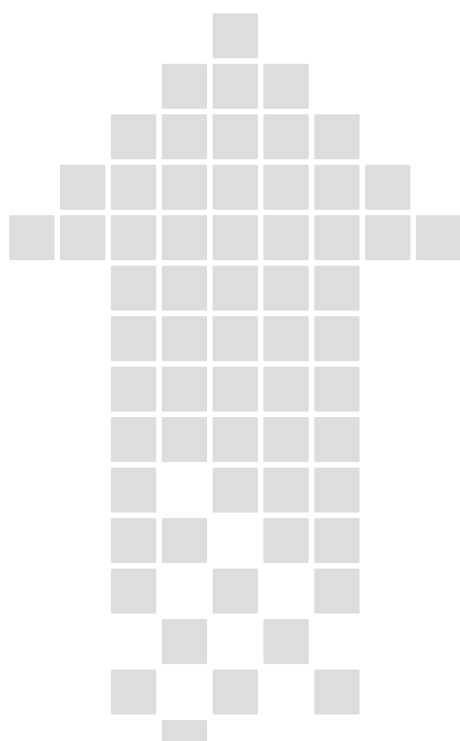
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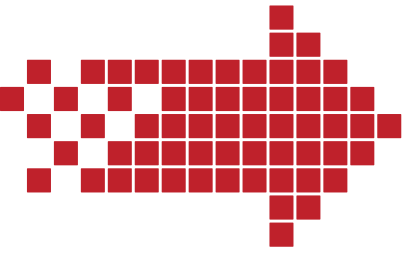
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PART ONE

CONCLUSIONS AND NEW
FRAMEWORKS





1: CONCLUSIONS

Sweeping demographic and generational shifts are quickly transforming America. Every individual and business feels the impact of government policies, the sharing economy, new technologies, and rapidly changing societal norms. Many of the shifts make life better for some and worse for others. The game has changed dramatically. Those who understand and plan for the big shifts ahead better than others will win.

We developed three new frameworks to make trends easier to identify and analyze. Each framework brings clarity to the overwhelming volume of data and anecdotes that leave so many confused.

We also identified the four biggest demographic opportunities, as well as the three biggest shifts related to how and where people will live. We support our findings with 100+ color charts in this book and far more available for free online.

THREE NEW FRAMEWORKS

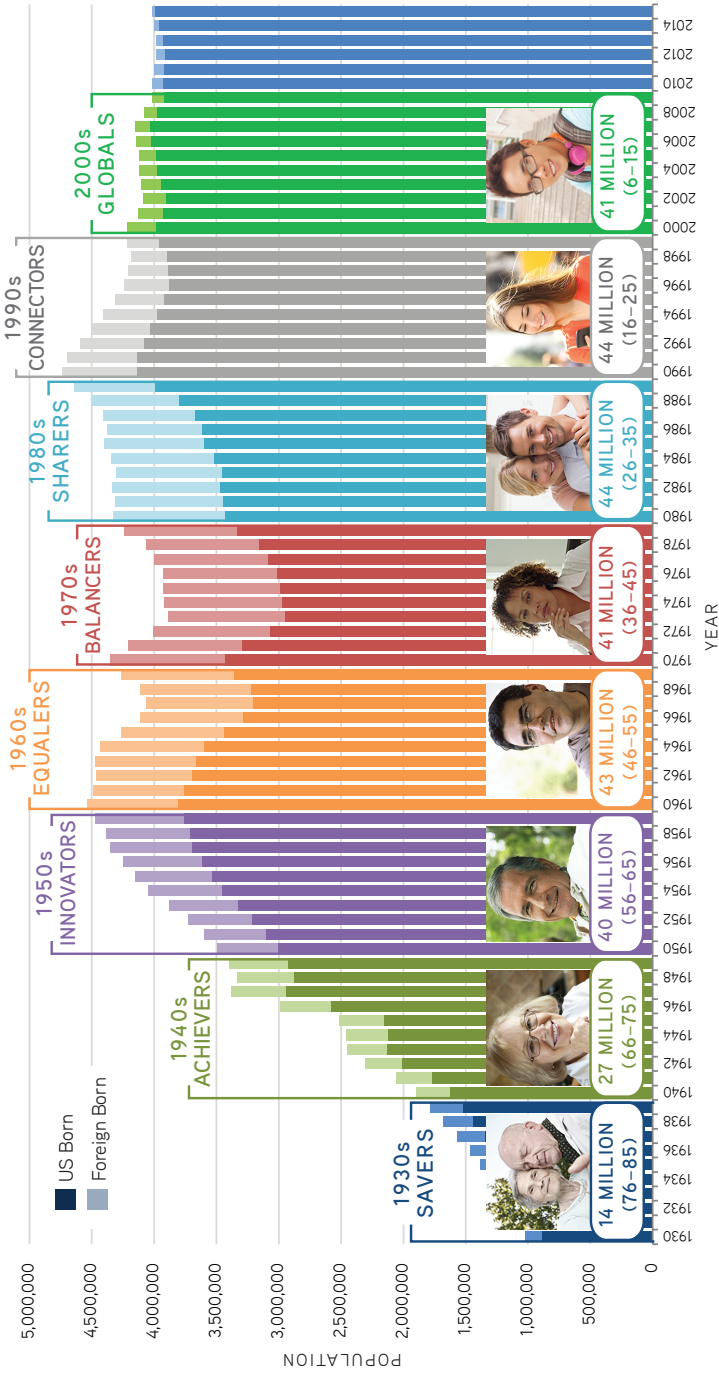
Framework 1: Generations by Decade Born

To prepare for the big shifts, we need to change the conversation. We redefined the generations by decade born, resulting in much easier analysis of groups with a lot in common. Figure 1.1 shows the population by decade, the portion of the population born in another country, their age in 2015, and the total population in that generation. Forty to forty-four million American residents were born every decade from the 1950s through the 2000s—many of whom were born overseas.

321 MILLION AMERICANS IDENTIFY WELL WITH PEOPLE THEIR OWN AGE.

EVERY DECADE SINCE THE 1940s HAS 40-44 MILLION PEOPLE LIVING IN AMERICA

FIGURE 1.1 2015 Population by Year Born



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2014 National Projections

We gave each generation a name associated with a shift they led in society. Those born in the

- 1930s led a shift to saving;
- 1940s led a shift to achieving;
- 1950s led a shift to innovating;
- 1960s led a shift toward more equal opportunities for women;
- 1970s led a shift toward more work and family balance;
- 1980s led a shift toward the sharing economy;
- 1990s led a shift toward staying connected; and
- 2000s will likely lead a shift toward more global awareness and interaction.

The following generational names by decade more accurately describe each generation.

GENERATIONAL CLARITY

<p>1930s SAVERS</p>	<p>Shaped by forced frugality in childhood and booming economies during their working years. Drove the shift from cities to suburbs and started a surge in divorces. Ranging from 76 to 85 in 2015, they are spending on medical and remodeling, and struggling with how to live longer than anticipated in a low-interest-rate environment.</p>
<p>1940s ACHIEVERS</p>	<p>Driven to succeed financially, they began the surge in dual-income households and lower expenses (fewer kids), empowered by approval of the birth-control pill in 1960. Continuing to achieve financially today—19% of 65–69 year-olds still work full time, nearly double the Savers’ rate at that age.</p>
<p>1950s INNOVATORS</p>	<p>Started new companies at rates not equaled since, boosting productivity and longevity with their inventions. Acquired possessions such as big houses at unprecedented levels, aided by credit cards, mortgages, and 30+ years of falling interest rates. Maintaining active lifestyles as they begin drawing on Social Security and spending their unprecedented net worths.</p>
<p>1960s EQUALERS</p>	<p>With both sexes pushing for more equal opportunities in the world, the Equaler women were the first beneficiaries of Title IX, and the first black US president came from this generation. For the first time, more than 60% of women worked. Dads more than doubled their involvement in childcare. They will retire less affluent than prior generations.</p>

<p>1970s BALANCERS</p>	<p>Raised by more dual-income and divorced parents than ever before, Balancer teens embraced TV and video games. Reacting against their oft-divorced parents' workaholic lifestyles, they divorce less, stay home with kids more, and have children later in life. Disproportionately hurt by the housing crash, they own fewer homes and have much lower net worths. Twenty-three percent are foreign-born.</p>
<p>1980s SHARERS</p>	<p>Invented the sharing economy out of necessity, taking advantage of new technologies. The most-educated cohort ever, they are racked with student debt, underemployed, and a full 20% live below the poverty line. They share locations, likes, photos, cars, etc. to connect with friends and live in urban areas where there is more to do and mass transit.</p>
<p>1990s CONNECTORS</p>	<p>With many still in school, many of their shifts have yet to emerge. They grew up with Internet access and know little privacy. More were raised by a single parent than previously, and early Connectors continue the growing trend of having children out of wedlock. Highly educated, underemployed, and wary of credit.</p>
<p>2000s GLOBALS</p>	<p>The Globals are growing up with multicultural friends and value diversity. They will bear the burden of prior generations' underfunded retirement obligations. With technology a big part of their education to date, we expect big shifts from the Globals.</p>

Framework 2: The 4 Big Influencers

We found four reasons that generations change over time. Government policy, economic cycles, new technologies, and shifts in societal acceptability cause most of the generational shifts. Paying close attention to these 4 Big Influencers will allow you to more accurately project what will shift next. Here are a few examples of how the 4 Big Influencers have shifted society in the past:

1. **Government** – Government laws, programs, and investments at the federal, state, and local levels changed society more than we initially realized. Via the GI Bill and massive highway investments, the federal government boosted homeownership 18% in the 1940s and 1950s. Low state government income-tax policies have shifted population growth south. Local government redevelopment investments have revitalized urban areas.
2. **Economy** – Economic growth in childhood and early adulthood determines lifetime spending attitudes. Falling interest rates over time have boosted home and investment values, determining wealth in retirement. Those born in the 1950s are retiring as the most affluent generation ever. Those born in the 1970s have far lower net worth and homeownership at their age than any group in the last 40 years. The Great Recession of the late 2000s shifted society dramatically, exacerbating a number of trends, like delaying childbirth, and reversing others, like rising net worths.
3. **Technology** – Mass-produced cars created suburban living. The birth-control pill enabled a 20% decline in births. The smartphone destroyed privacy while allowing

the sharing economy to develop. Technology wiped out manufacturing jobs and now threatens knowledge workers. New technologies will determine which jobs get replaced and which people become unemployable thanks to inexpensive background checks.

4. **Societal Shifts** – Divorces tripled from the 1950s to the 1980s, encouraging the children of those divorced couples to become financially independent by getting educated, which they did. Societal pressure on a 25-year-old to marry has completely reversed, from “when are you going to marry?” to “why don’t you hold off for a while?” Women are now more likely to have a child before they get married than after. Society’s acceptance of these changes has reduced divorces and delayed both marriage and childbirth. Many of the biggest societal shifts we found trace back to 2001, the year of the tragic 9/11 terrorist attacks.

Future government policies, economic cycles, technological revolutions, and societal shifts will continue to change America.

Framework 3: The 4-5-6 Rule

The 4 Big Influencers impact each generation differently. We analyzed the lives of each generation, grouping them into 5 Main Life Stages: childhood, early career, family formation, late career, and retirement. By studying the 4 Big Influencers and their impact on each life stage, we learned a great deal about each generation. This framework allowed us to answer the 6 Key Consumer Questions most executives ask:

1. How much money will consumers have?
2. What will they choose to purchase?

3. When will they make these purchases?
4. Where will they live/spend?
5. Who will they live with (spend money on and share expenses with)?
6. Why will they buy certain products and not others?

We call this the 4–5–6 Rule, as shown in figure 1.2.



THE 4-5-6 RULE FOR DEMOGRAPHIC PREDICTIONS
FIGURE 1.2

The 4 Big Influencers

1. Government
2. Economy
3. Technology
4. Societal Shifts

During People's 5 Main Life Stages

1. Childhood
2. Early Career
3. Family Formation
4. Late Career
5. Retirement

Help Answer the 6 Key Consumer Questions

1. How many will there be and how much money will they have?
2. What will they purchase?
3. When will they purchase?
4. Where will they live/spend?
5. Who will buy and who will they live with (spend money on and share expenses with)?
6. Why will they buy certain products and not others?



4 BIGGEST DEMOGRAPHIC OPPORTUNITIES

While we identified plenty of opportunities, four huge transformations reshaping America stand out the most:

- **Women.** Women now earn 58% of all of the college degrees in the country. They earn more than their spouses 38% of the time. Women continue to have children later and alone. Both men and women stay at home more to raise the kids, a trend that started around 9/11. By 2025, we expect 78 million working women to play an even greater role in the workforce—8 million more than in 2015.
- **Immigrants.** America's foreign-born population doubled from 1990 to 2010, resulting in 44 million immigrants living in the US in 2015. At the current pace, the foreign-born population will grow to 52 million by 2025—more than one of every seven residents. The background of the immigrant has changed dramatically too. Far more immigrants now arrive via airplane and with money to spend, and far fewer sneak across the border in search of a low-paying manual-labor job.
- **Retirees.** By 2025, 18 million more people will be 65 or older than in 2015, a whopping 38% increase from 48 million in 2015 to 66 million in 2025. In 2016, 3.5 million people turned 65 compared to just 2.2 million turning 65 in 2006, and the numbers will trend higher. Companies that accurately tailor their products to 66 million Americans over the age of 65 in 2025 will profit.
- **Young Adults.** Those born from 1989 to 1993 constitute the largest five-year age group in the country. These 23- to 27-year-olds live at home or crowd into urban apartments

more than any generation before them. For several reasons, their incomes will grow faster than most believe. They will lead the addition of 12.5 million more households from 2015 to 2025—86% more households than created in the prior ten years. Builders will construct 13.7 million new homes and apartments to meet the demand.

Cynthia Laguna provides a great example of three of these transformations. Cynthia, a 1980s Sharer, migrated legally from Mexico at the age of three, sharing a house with 26 others. Encouraged by her hard-working parents, Cynthia graduated from college. She then lived at home for six years, saving a down payment, and eventually purchasing a house. As the breadwinner, she qualified for the mortgage without any assistance from her husband.

3 BIG SHIFTS IN LIVING PREFERENCES

Readers of this book will find all sorts of applications to their lives and their businesses. Since so many people and companies care about the future of housing, we highlighted 3 Big Shifts in living preferences.

- **Rentals.** Owning has clearly declined in importance. People rent, borrow, and share more than in the past. The homeownership rate has already declined to the lowest level in more than 40 years. Homeownership should decline further—to less than 61% by 2025. The housing crisis in the late 2000s highlighted the risks of homeownership to a younger population now in adulthood. They know the risks. They lack enough confidence in their job to take on a 30-year mortgage commitment. Both the number of homeowners and renters will increase. By 2025, we expect

5.2 million more owner households and 7.3 million more renter households.

- **South.** Growth will continue to flow south toward the affordable sunshine states. California, the Northeast, and the Midwest will continue to grow more slowly. The southern regions where 42% of Americans currently live will welcome 62% of US household growth. State tax and growth policies determine where America lives.
- **Surban™.** A new supply of smaller homes with little or no yards in high-population areas will meet the demand to commute less and live closer to restaurants and entertainment. We coined the word “surban™” for these developments—bringing the best of urban living to a more affordable suburban environment.

Those who understand these seismic demographic shifts will develop a competitive advantage. These trends can accelerate or even reverse, driven by unpredictable events. As we will show, a significant number of trends completely reversed themselves after the unpredictable tragedy on 9/11. Let’s get started.