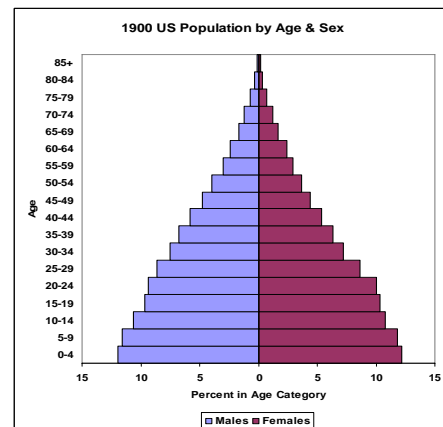


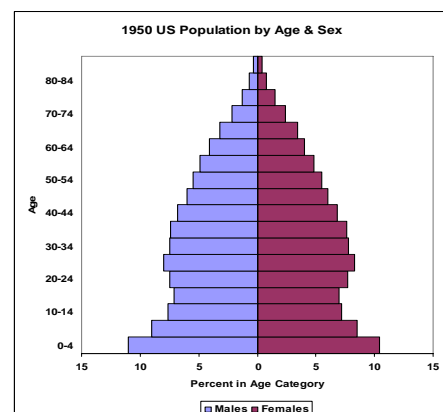
Demographics As Destiny

Demographers have an advantage in making projections that economists can only yearn for. There is a high degree of certainty involved when a demographer says that there will be 22 million people age 20 to 24 in the US in 2025. Why? Because the demographer knows how many people were born in 2001 to 2005 who will be 20 to 25 in 2025, knows that survival rates for these age groups are fairly constant, and knows something about migration trends. So what is important about knowing that number? To put it in context, that 22 million people 20 to 24 is just over one million more than there are in 2007. While the 20 to 24 year olds, representing those entering the labor force, are projected to increase by one million, the number of 65 to 69 year olds, who may be leaving the labor force, are projected to increase by nearly nine million. So employers will be challenged to fill positions being vacated by people taking retirement, and retain employees beyond retirement age. In addition, consumer behavior and housing needs will change, and demand for business accommodations may slow.

There are certain characteristics and needs associated with people of various ages. Knowing how many people there are in various age groups, called age cohorts, reveals demand for everything from baby beds to schools and colleges, to jobs and houses, to retirement benefits. If the distribution of population by age remained constant, there would be little need to think about, or plan for demand for these activities and needs. They would not vary. But distribution by age is not constant. Demographers have a visual tool for depicting this change. It is called a population pyramid. In 1900 it looked like this, which explains why it is called a pyramid. US population at the time was 76 million.

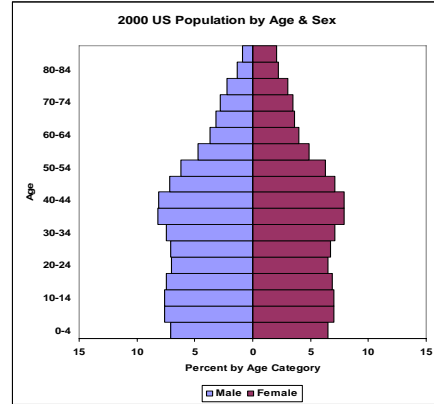


The pyramid shape remained consistent until the Depression. Immigration ended abruptly in 1924 and births fell off precipitously in the Thirties. Hard economic times discouraged people from adding more mouths to feed. The population pyramid for 1950 shows this “dent” for people born in the Depression era. Following World War II, however, happy days were here again.

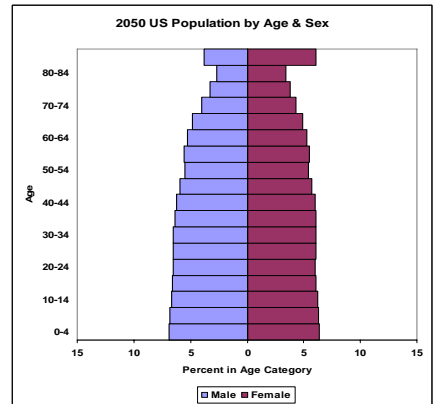


Soldiers and prosperity returned, and the well-documented Baby Boom began in 1946. By the time of the 1950 Census, depicted in the population pyramid to the right, the first sign of the population bulge appeared at the base of the pyramid. The US population in 1950 was 151 million. Each successive decade of the 20th Century saw this bulge work its way up the pyramid.

By 2000 the population pyramid was looking less like a pyramid, although the “Baby Boom” generation was still evident in the 35 to 54 year old age cohorts. The peak year for births was 1957, part of the 40 to 44 age cohort. The low point for births was 1975, seen on the pyramid as the 20 to 24 and 25 to 29 cohorts. Then came the “Echo Boom” when the post-war babies had children of their own, reaching a peak in 1990. At the other end of the pyramid, the proportion of the population in age cohorts over age 65 increased rapidly. The population in 2000 was 282 million.



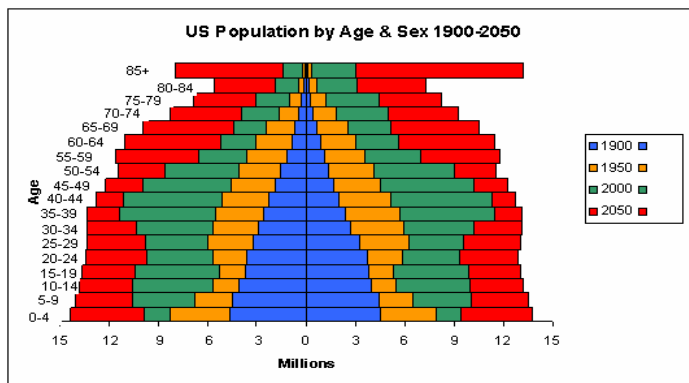
So where is this trend going? The demographer’s answer is in the 2050 pyramid on the right. Except it looks more like a column than a pyramid. Those Baby Boomers, born between 1946 and 1964, will be over 85 years old in 2050. Twenty million people will be in that age cohort in 2050, compared to four million in 2000. Total population is projected to be 420 million by 2050, a 50% increase over 2000.



Keep in mind that these pyramids are displaying percent of the total male and female population. So in 2050 the cohorts can still yield large

numerical increases, even though the cohorts’ percentages drop or change little. For example, 45 to 64 cohorts will remain at 22% of total population, but will increase from 62 million in 2000 to 93 million in 2050. (The pyramid to the left illustrates the growth of each age cohort from 1900 to 2050. The 2050 population will be 50% larger than 2000.) The 40 to 44 age cohort will have the smallest increase, only 14%, while 65 to 84 year olds will increase 114% and the 85 and over cohort will increase 389%. No wonder today’s younger workers are asking

who will pay their social security when they are ready to retire.



So what are the benefits of demographic projections to businesses and property owners? Well, there is another set of predictable facts, namely, consumer behavior. Young families with children buy home furnishings for infants and children, need day care and after school care, and buy their first homes. Families with teenagers may need larger homes and are thinking about investing for college. Adults over 45 are into their peak earning years, spending at up-scale retailers, dining out, and traveling. Pre-retirement and retirement adults reduce their discretionary spending but have higher health care expenses, and use legal and investment services in preparation for retirement. Older adults are more security conscious, which affects their housing decisions, and they may ultimately opt for some form of senior housing or, if necessary, nursing homes.

Retailers and the housing industry are not the only groups that must accommodate demographic change. As young people enter the labor pool while Baby Boomers leave, workforce growth could decrease by half. That means demand for office space could drop by the same amount. Both businesses and landlords benefit from understanding and acting upon these predictable trends.



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