

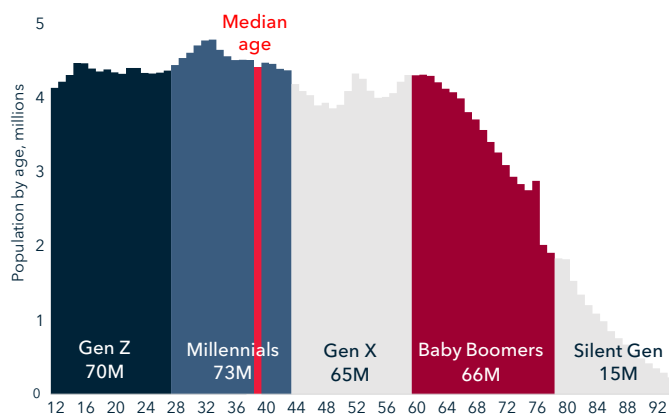
TA Realty

Generational trends expected to play a key role in real estate demand

There are significant demographic shifts under way that will transform the U.S. economy and support long-term real estate prospects. The U.S. population is aging, with the median age rising from 30 in the 1980s to nearly 39 in 2024. Understanding the impact of generational transitions as these groups mature can help identify outperforming markets, sectors and locations.

Chart 1: The most influential U.S. generations are the Millennials, Generation Z and the Baby Boomers

Total U.S. population by age and generation



Source: U.S. Census Bureau, as of 2023

U.S. population growth has been slowing since hitting a high in the early 1990s. Generationally, Baby Boomers (born 1946 to 1964) peaked at 78 million, 13.5 million more than Generation X (1965 to 1980). Millennials (1981 to 1996) peaked at 73 million, surpassing Baby Boomers as the largest cohort in 2020.

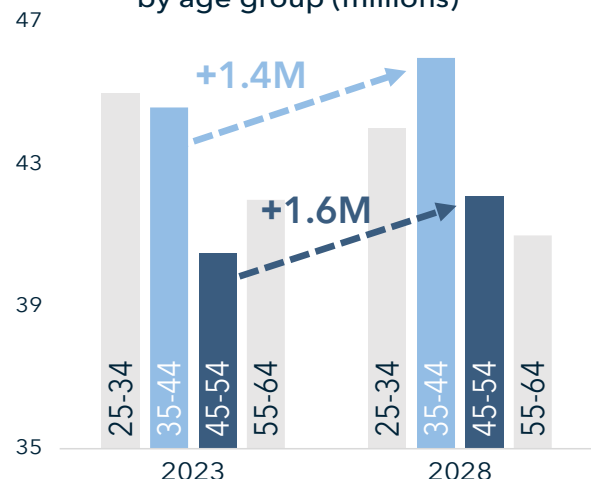
The maturation of Millennials and Gen Z is among the most impactful demographic shifts for real estate

Millennials have significantly reshaped the U.S. economy during the past two decades. As the largest living adult generation, Millennials' unique preferences, behaviors and economic circumstances continue to exert significant influence on real estate market trends.

From 2023 to 2028, forecasts estimate the U.S. population will grow by 16 million people to about 356 million.¹ During

Chart 2: Aging Millennials will play a pivotal role in shaping the U.S. economy

5-year population projections by age group (millions)



Source: Marcus & Millichap Research Services, U.S. Census Bureau, as of 2023

this time, the younger Millennial cohort will grow by 1.4 million people, while the older end of the Millennial cohort will grow by 1.6 million people.

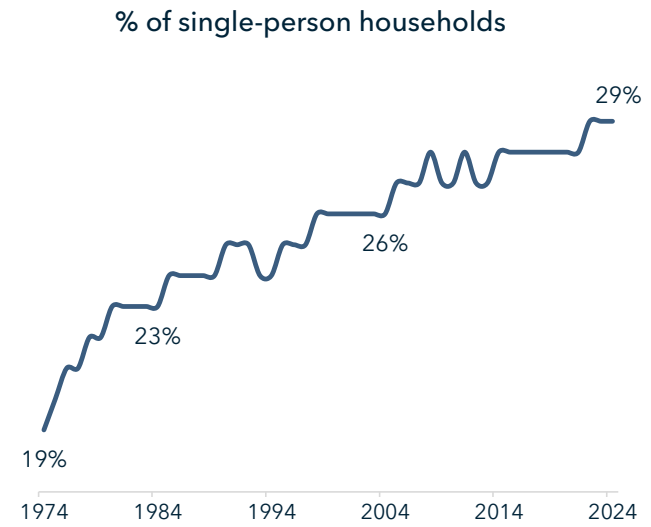
Gen Z, born 1997 to 2012, with a current population 5 million fewer than Millennials, is the key beneficiary of immigration and is projected to become the largest cohort by 2034, peaking at 78 million.

Millennials will continue to transform U.S. household formation

The changing American household

Many Americans have chosen to marry later in life, delaying the combining of households. Since 2000, the average age of marriage has grown from 26 to 29 years old.² This trend has resulted in a dramatic rise in single-person households – particularly among Millennials, now aged between 28 and 43 years old.

Chart 3: Nearly 30% of U.S. households are single-person households, reflecting a steady rise in recent decades



Source: U.S. Census Bureau, as of November 2024

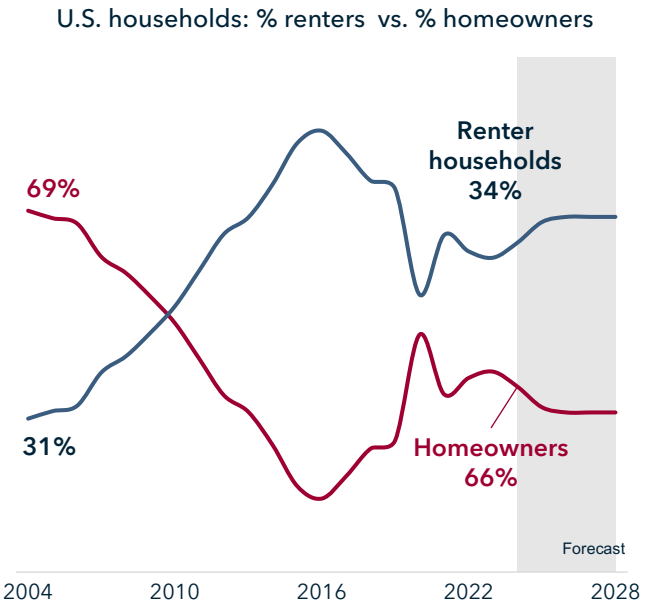
Delayed marriage and the rise in single-family households has increased the propensity to rent among Millennials

By marrying later, Millennials spend more of their prime renting years single. According to RealPage Analytics, the median age of U.S. apartment renters is 32.³ Many live with roommates or family, but a significant number choose to live alone, increasing demand for apartments and single-family rentals.

Oxford Economics projects 11 million new U.S. households will form during the next decade, averaging 1.1 million annually.

Renters will account for 4.2 million of these, or 420,000 per year, a moderate increase from the prior decade. Homeowner households are projected to grow by 6.6 million, or 660,000 annually, slower than in the past decade.⁴

Chart 4: Shifting demographics will drive the greatest growth in renter households



Source: U.S. Census Bureau, as of December 2024

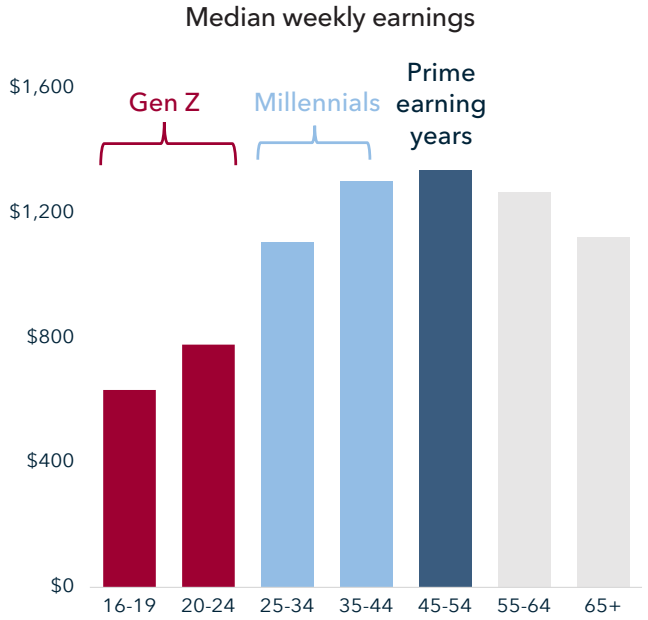
As the national homeownership rate has fallen below its 25-year average of 66 percent, the share of renter households has risen, driven by historically low housing affordability. The National Association of Realtors reports the median age of first-time homebuyers has climbed to 38, up eight years since 2010.⁵

The evolving composition of the American household, driven by the 73 million Millennials, has reshaped real estate demand, with the U.S. residential rental market experiencing the most significant impact.

Millennials are set to become the dominant U.S. consumers while Gen Z should see an earnings boost in the coming years

As the Baby Boomer generation declines in size, spending power, and influence, Millennials’ dominance over the economy will grow. Millennials have matured into their prime working age, typically defined as ages 25 to 54, and are approaching their peak earning years, historically between ages 45 and 54.

Chart 5: Millennial generation on the cusp of highest earning potential and Gen Z to see significant bump



Source: U.S. Bureau of Labor Statistics, as of third quarter 2024

Meanwhile, Gen Z is projected to see a significant pay jump as they enter their mid-20s. During the next five years, nearly 22 million Gen Z members will turn 25, a milestone historically associated with a 42 percent earnings increase.

Location matters: Demographic changes will differ both in and across U.S. markets

Millennials provide a suburban tailwind

As Millennials age into their mid-30s and beyond, suburban demand is rising as young couples leave urban areas in search of larger homes and better school districts for starting families. A decade ago, Millennials in their 20s favored urban cores, driving the live-work-play trend. By 2025, however, many will be in their late 30s and 40s, with shifting priorities reinvigorating suburbs and reducing demand for some urban real estate.

The need for more space, combined with increased acceptance of flexible work arrangements post-pandemic, has boosted demand for many suburban property types such as garden-style apartments, single-family rentals and grocery-anchored retail.

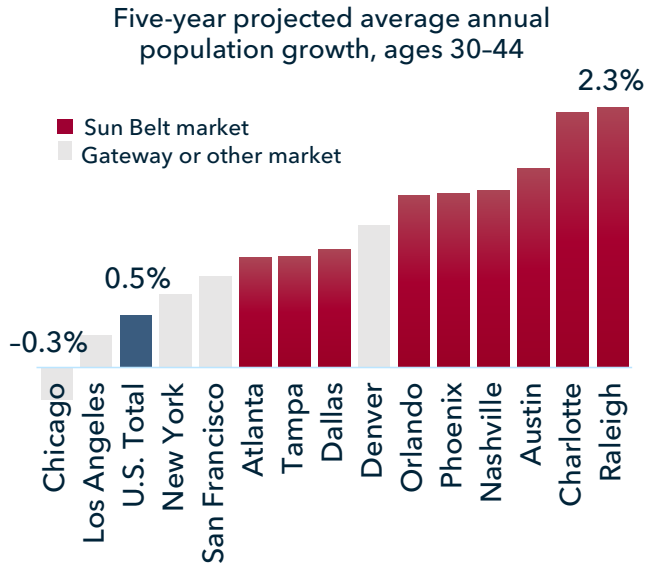
Regions with the fastest projected growth in key age groups

The trend toward suburban living is expected to grow as Millennials age, but these demographic shifts will not affect all areas equally. Both Gen Z and Millennials have shown a preference for U.S. regions offering advantages such as more affordable housing, lower taxes and attractive climates. Many are gravitating toward the Sun Belt and Mountain regions.

The population of those aged 30 to 44 in the United States is projected to grow by 0.5 percent annually during the next five years. Among Sun Belt markets, such as Charlotte, N.C., and Austin, Texas, this figure is 2.3 percent and 1.8 percent, respectively. Mountain region hubs Phoenix and Denver are forecasted to grow by 1.5 percent and 1.3 percent annually. Conversely, traditional markets such as Chicago and Los Angeles are predicted to underperform relative to the national average for this demographic.

The divergent forecasts for where this key segment of the population will grow fastest underscore the importance of carefully evaluating target markets, as demographic shifts can significantly impact real estate fundamentals in the years ahead.

Chart 6: Strong growth in 30-44 age group is expected across major U.S. metros, led by Sun Belt markets



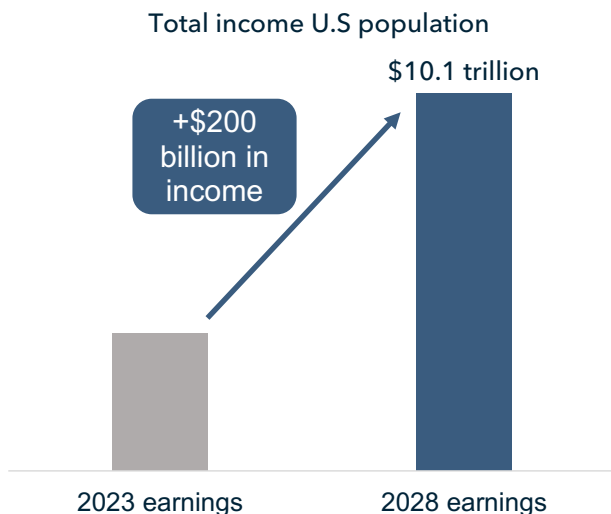
Source: Oxford Economics, as of December 2024

Near-term, the aging of the Millennial and Gen Z generations will be a boost for the U.S. economy and real estate demand

As Millennials and Gen Z age and approach higher earning potential, their rising income is expected to boost consumption and the U.S. economy overall. During the next five years, U.S. personal earnings are expected to increase by 2 percent, or by \$200 billion in income.

Meanwhile, the traditional decline in earnings as older generations retire is slowing, with many Baby Boomers working into their 60s, and suggests the 2 percent earnings growth estimate may be conservative.

Chart 7: Aging Millennial and Gen Z cohorts are projected to boost U.S. earnings by 2%



Source: Marcus & Millichap, U.S. Census Bureau, as of 2023

Conclusion

As the Millennial and Gen Z generations age during the next two decades, their demographic growth is expected to drive significant tailwinds, enhancing U.S. real estate market performance and creating new investment opportunities.

Increased wealth and spending among these cohorts should boost space needs for retail, industrial and multifamily properties, while niche sectors such as single-family rentals and self-storage are also poised to benefit and grow as part of the investment landscape.

Notes:

¹ Congressional Budget Office, January 2024 Projections

² U.S. Census Bureau, American Community Survey, March 2024

³ RealPage, "U.S. Demographics Support Continued Housing Demand," Oct. 2, 2024

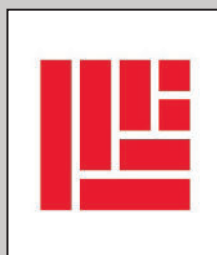
⁴ Oxford Economics, "US: Demographic Shifts Will Support Renter Growth," Nov. 25, 2024

⁵ National Association of Realtors, "2024 Profile of Home Buyers and Sellers," November 2024

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