

## Client Profile Circa 2010

**Real estate planning and marketing must be refined and refocused to meet the demands of the next two decades. Four major demographic trends dictate more targeted development, localized markets and diverse products to compete in tomorrow's world.**

By Steve H. Murdock

**C**hanges in the Texas population during the next 20 years will affect how real estate business is conducted, who the clients are, where they live, how much they have to spend and what they purchase. Four major trends will shape the Texas population for several decades. As they unfold, these trends will have a profound impact on Texas real estate. These four trends are:

- a decreasing population growth rate,
- an aging population,
- an increasing minority population and
- a changing household composition.

### Slower Growth

Texas remains the third largest state. Texas' population of 17.4 million is exceeded only by the 29.8 million in California and the 18 million in New York.

The state continued a substantial growth rate in the 1980s, adding 2.8 million persons by 1990. Only California and Florida added more during the decade. The Texas population growth rate of 19.4 percent was the seventh fastest, nearly twice the 9.8 percent national rate.

The state's big cities continued to grow in the 1980s. Three of the nation's ten largest cities in 1990 were in Texas. Houston was fourth with 1.6 million residents. Dallas ranked eighth with one million. San Antonio's 935,000 put the Alamo city in tenth place.

While the large cities grew, however, the overall growth rate in the 1980s was about 70 percent of the 1970s rate. In rural Texas counties, population growth was one fifth the rate recorded in the 1970s. About 68 percent of the growth occurred in central cities. Of 254 counties, only 44 did not show a population increase in the 1970s. In the 1980s, however, 98 counties recorded no growth (see related article).

Although the early 1990s brought renewed growth to the state, the growth rate remains lower than in the 1970s or early 1980s. The state's July 1, 1991, population of 17.4 million was an increase of 2.1 percent for the preceeding 15 months and a 1.7 percent annual growth rate. This is substantially greater than the .9 percent growth rate during the last half of the 1980s.

Texas may be larger than New York before the year 2000, but even this growth rate is lower than it was in the 1970s (2.4 percent) or the early 1980s (2.6 percent).

Slower growth is projected for both Texas and the United States. From 1990 to 2025, the U.S. population is projected to grow about

one half of 1 percent per year, about one fourth the growth rate of the 1950s and 1960s. Texas' growth rate is projected to be 1 to 1.5 percent per year, one half the growth rate of the 1970s and early 1980s.

### Aging of the Population

It is no secret that the population is getting older. In 1950, the average Texan was almost 28 years old. Thirty years later, the median age was still 28. In the decade of the 1980s, however, the typical Texan aged three years.

The quickened pace of population aging can be attributed to the baby-boom generation. Baby boomers (those born between 1946 and 1964)—one third of the population—have begun to enter middle age. The first of the baby boomers turned 40 in 1986.

The time frame in which future aging will occur is important. Those considering investing in or developing retirement or nursing facilities will have even greater opportunities 20 years from now.

For the next two decades, Texas will be described more accurately as middle-aged rather than as elderly. While there will be more elderly each year, the substantial growth in the elderly population does not occur until after 2010. That is when the baby boomers begin to enter elderly age groups.

### Larger Minority Populations

**T**he changing minority population is the third major factor affecting future real estate markets. In 1990, Texas had the nation's third largest white population, but 40 percent of all Texans belonged to minority groups.

Texas had the nation's second largest Hispanic population, third largest black population, was fourth in Asian residents and had the eighth largest number of American Indians.

The growth rate of minorities will create major change in the coming years. In the 1980s, Texas Anglo population grew by 10 percent. The black population added 16 percent. Hispanics, however, grew by 45 percent and Asian and other minority groups by more than 80 percent. One out of every two new Texans added during the decade was Hispanic, and two of every three were minority.

Major Texas cities attracted the bulk of minority population growth. Seventy-four percent of the growth in 19 Texas cities of 100,000 or more was attributable to new Hispanic residents. Dallas, for example, grew by 102,000. Of these, 99,000 were Hispanic. Houston lost 171,000 Anglos but added 169,000 Hispanics. Before the year 2025, one half of Texas' population will be minority.

These racial and ethnic changes have significant implications for anyone marketing real estate or other products in

Texas. Blacks and Hispanics have incomes 60 to 70 percent of that for whites.

Vast educational differences among racial and ethnic groups will impact the Texas workforce. One half of Hispanics age 25 or more in 1980 had an eighth grade education or less.

Racial and ethnic characteristics also influence housing demand. In 1990, nearly 66 percent of Anglo households owned their housing while 53 percent of Hispanics and 45 percent of blacks were homeowners. The average Anglo home in 1990 was valued at \$79,400 but \$48,600 for blacks and \$47,500 for Hispanics.

## Changing Household Composition

In 1990, the average Texas household was 2.73 persons. That size was equaled or exceeded by eight other states.

The typical Texas household continued to shrink in the 1980s. The average household size decreased by only one from 1940 to 1990, but nearly one of every three households added from 1970 through the mid-1980s can be attributed to the decline in average household size.

Today, 50 percent of all Texans live in one- or two-person households. While the average size of households in owner-occupied housing was shrinking, household size in rental units increased. Diversity in household structure is projected to continue.

## Implications for the Future

**W**hat do the trends of the 1980s and the characteristics of Texas population and housing stock in 1990 suggest about future patterns? Several potential effects merit the attention of real estate professionals.

**Slower population growth means slower growing markets**—less demand for many goods and services. In the late 1970s and early 1980s, real estate developers did not need to plan locations for developments with the same care needed in the 1990s. In the 1970s, just being in the neighborhood was often sufficient. If they built a bit too far from the market populations, they could depend on population growth to bring the customers to them. This will not be the case in the future. What is built and where it is built will be increasingly critical to the success of a project.

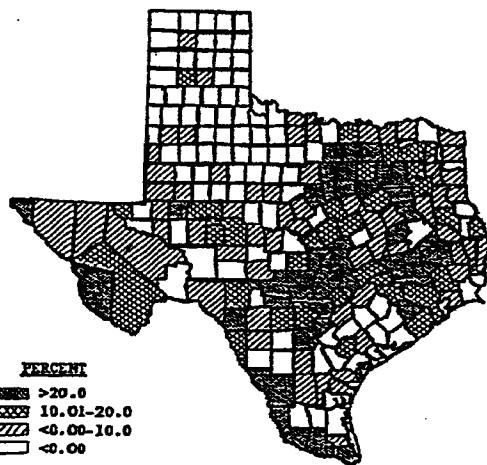
**Markets are likely to be localized.** Vacancy rates, tenure patterns, median values and other factors vary widely across the state, creating diversity in growth rates and types of markets. The search for the best markets will be increasingly important.

The aging of the population also will influence real estate both now and in the long term. Between 1992 and 2010, the middle-aged population will be the driving force in most markets because this group generally is relatively affluent. Markets for up-scale products should be more prevalent during the next two decades. After 2010, however, products aimed at persons with more limited, fixed incomes will be increasingly evident.

Minority populations, under existing conditions, have more limited resources for purchasing homes and other real estate. Real estate developments that provide affordable housing for minority populations will be essential in many areas to avoid a substantial reduction in the base of customers.

Changing household composition means the real estate industry must emphasize market segmentation. Products must be directed at nontraditional households. What will be the market for three-bedroom homes if most Texas households consist of only one or two persons? Creative packaging and marketing will be necessitated by the diversity of the population.

Although many of the patterns noted here suggest that growth in real estate demand will be modest in most parts of the nation, Texas residential real estate appears poised for substantial recovery from



## Concentrating Texans

Texas population growth in the 1980s was more concentrated than in the 1970s.

Harris County maintained its position as the state's most populous county with 2.8 million residents, a 17 percent increase in the 1980s. Dallas (1.8 million), Bexar (1.2 million), Tarrant (1.2 million), El Paso (592,000) and Travis (576,000) round out the largest counties.

Together, these largest six counties include 48.2 percent of the state's total population. In 1980, they comprised 47.2 percent.

Harris County recorded the biggest numerical increase in the 1980s—408,600. Tarrant County was second with 309,200. Dallas gained 296,400; Bexar 196,600 and Travis 156,800. Denton County had the largest percentage population gain with a 91 percent increase. Collin County added 82.6 percent, Williamson 82.4 percent, Rockwall 76.2 percent and Fort Bend 72.3 percent.

Jefferson County, with a decrease of 11,500 residents, lost the most from 1980 to 1990. Lamb County lost 3,600; Orange 3,329; Kleberg 3,100 and Hale 2,900. Hall County had the biggest percentage decline—30.2 percent.

Among Texas cities, San Antonio had the largest numerical increase with an addition of 150,000. Austin added the second highest number during the decade—120,100.

Of the ten Texas cities with the largest population gains, seven are in the Dallas-Fort Worth metroplex. Dallas, with 102,800 new residents, ranked third overall. Arlington was fourth with 101,600. El Paso was fifth with a gain of 90,100.

Other cities in the top ten population winners were Fort Worth (62,500); Plano (56,400); Irving (45,100) Garland (41,800) and Carrollton (41,600).

Of the 535 Texas communities losing population in the 1980s, Port Arthur lost the most—4,300. Orange lost 4,200 and Beaumont 3,800. Kingsville's population declined by 3,500 and Galveston's by 2,800.

Among the state's Metropolitan Statistical Areas (MSAs), the Houston MSA remained the largest with 3.3 million, an increase of 566,200 or 20 percent from 1980. The Dallas MSA, however, had the largest numerical gain at 596,000 or 30.4 percent. The Dallas MSA population in 1990 was 2.5 million.

In percentage increase, the Austin MSA with 45.6 percent more residents showed the greatest gain. Only one MSA—Beaumont-Port Arthur—recorded a net loss during the decade.

the 1980s patterns. The Texas market is likely to be favorable because Texas real estate is more affordable than nationwide, and the state's population continues to grow, increasing housing demand.

Diversity and selectivity are likely to be the keys to success, however, because of the state's changing population base. Marketing and development analyses will be increasingly important to real estate professionals.

General regional data must be replaced by site-specific analyses. Overall population data will have to be replaced by detailed

characteristics of a specific market area's population. Current trends must replace historical patterns in the decision-making process. There will be no substitute for detailed, timely analyses for real estate planning and marketing. ☐

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## Housing Inventory

The inventory of Texas homes increased nearly 27 percent during the decade of the 1980s. As of April 1, 1990, Texas had more than seven million housing units. The Texas housing stock was the nation's third largest behind California (11.2 million) and New York (7.2 million).

Texas added nearly 1.5 million units in 1980-90, the third largest numerical increase nationally. In percentage terms, the 26.8 percent Texas increase ranked the state seventh.

Of the seven million Texas homes, more than six million were occupied while 938,000 were vacant. The Texas vacancy rate of 13.4 percent was higher than the 10.1 percent for the nation. Only Florida had more vacant housing units.

In 1990, 60.9 percent of occupied Texas homes were owner occupied. The ownership rate in 1990 was substantially less than the 64.3 percent recorded in 1980. Rental units were built at a faster rate during the decade than were owner-occupied units (35 percent compared to 17 percent).

Despite a smaller proportion of owner-occupied units, the state's nearly 3.7 million such units was exceeded by only one other state.

The value of owner-occupied, single-family homes increased from a median of \$39,100 in 1980 to \$59,600 in 1990. Median monthly rents increased from \$213 to \$328. When these numbers are adjusted for inflation, however, Texas housing values declined by 4 percent and rents declined by 3 percent.

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