



San Diego's changing, aging population dynamics

While San Diego's population continues to grow, changes under the surface are significantly reshaping regional dynamics.

Most notably for San Diego:

- Lower birth rates during the recession resulted in relatively fewer children. This dip will remain important for decades to come as fewer children means a dip in demand for K-12 education as this cohort ages.

- Generation-Y numbers (20-34 years old) increased but Generation-X (35-49 years) actually fell and apparently took their children (<20 years) with them. This "hollowing out" of 30-40 year olds could have serious implications on the availability of talent and how San Diego's economy continues to recover.

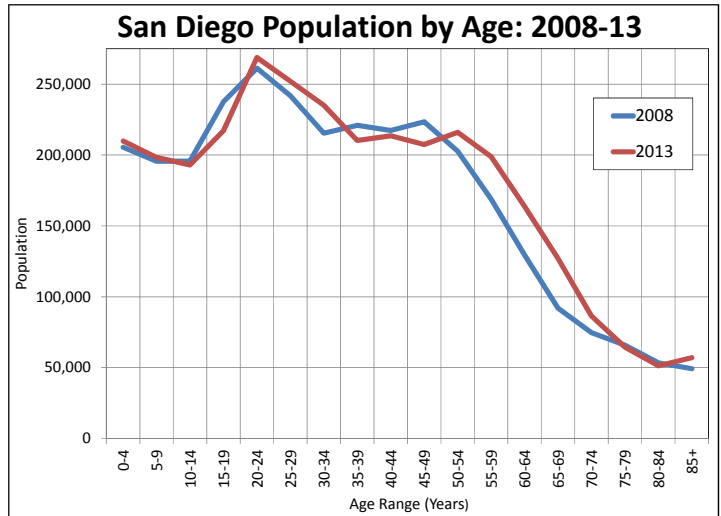
- Inexorably, Baby Boomers continue to age. As this large cohort grows older it is transforming San Diego's economy, and increasing, for example, the demand for healthcare and communities that are less auto dependent.

Components of population change

San Diego's population growth considerably slowed since 2000. Between 1970 and 2000 San Diego's population increased, on average, 2.0 to 3.0 percent per year. That rate of growth slowed to less than 1.0 percent annually since 2000. With the onset of the Great Recession in 2008, San Diego County's annual population growth slowed to only 0.8 percent.

In dramatic change from the past, even prior to the recession domestic migration had turned. Although the economy was booming at the time, out-migration outpaced in-migration to the County. One major contributing factor was skyrocketing home prices and lack of affordable options in San Diego. In fact, the large role housing prices play in driving this behavior can be seen by comparing pre and post-recession behavior. When the recession hit and housing prices tumbled, out-migration slowed.

Foreign migration also dropped



as the economy faltered. Over the past decade San Diego averaged a net gain of 13,000 foreign migrants to the region per year.¹ During the recession this fell off, reaching a low in 2011 of 6,400.

Compared with migration, natural increase (births minus deaths) of residents appears much more stable. Underneath these combined figures, important changes are going on. Birth rates substantially declined and life expectancy continued to tick upward. The chart (on page 2) shows San Diego's birth rate per 1,000 residents fell from 19.7 in 1990 to 14.0 as of 2013. Over the same period, death rates slightly improved as residents live longer.

The recession triggered birth rates to further fall. These were the lowest birth rates recorded in San Diego since at least World War II. Demographers are still divided over whether this fall will be reversed, as

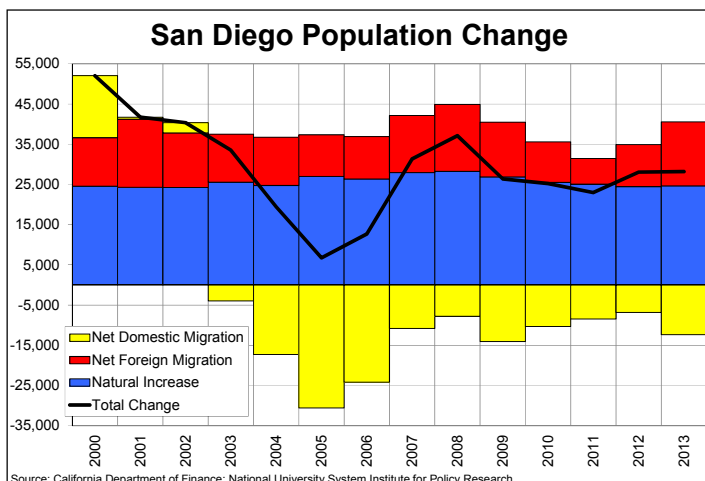
occurred in past downturns when the economy recovered or whether it foretells important and long-lasting preferences regarding family size and child rearing behavior.

Age range progressions over past five years

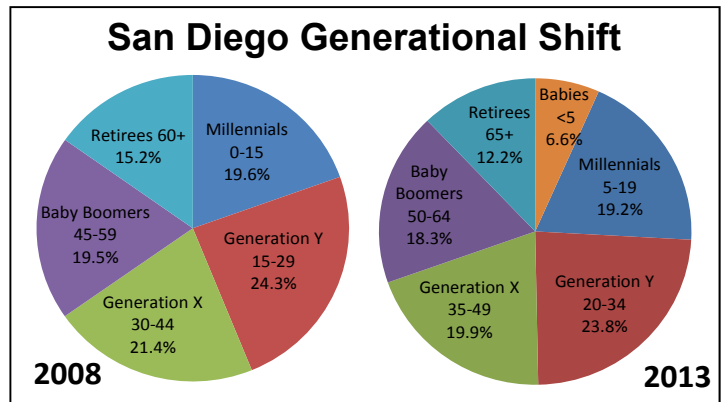
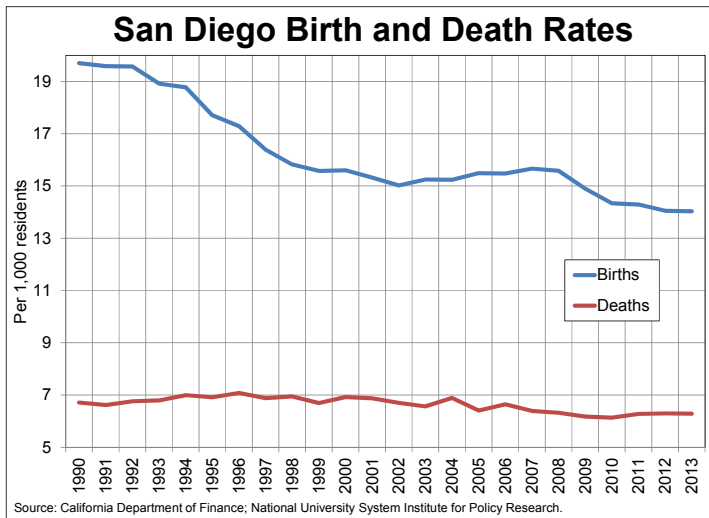
Despite San Diego's overall population increasing 3.9 percent between 2008 and 2013, numbers among several age ranges decreased. San Diegans between the ages of 10-19, 35-49 and 75-84 declined. There were also significant shifts older among age ranges above 50. The biggest increases occurred among 55-74 and 85+ year olds.

Population changes occur by births and deaths of residents and those moving to or away from the area. Age ranges are also impacted by residents growing older with the passage of time, for example 15 to 19 year olds in 2008 become 20 to 24 olds in 2013.

Significant changes within the region's underlying demographic profile can be seen by



¹Defined by number of foreign migrants moving to San Diego less residents immigrating abroad.



tracking these five-year age progressions. In 2008, 0-9 year olds numbered 401,099, but five years later decreased to 391,335 by 2013. On the other hand, 10-19 year olds numbered 433,497 in 2008 but increased to 486,041 in 2013.

Following this five-year age progression across the entire spectrum of San Diego's population reveals the 3,051,262 residents existing in 2008 declined by 90,214 as of 2013 (excluding babies born during this time, see following table). That number either died or moved away by 2013. According to state records, 97,520 deaths were recorded between 2008 and 2013. The net difference is the result of net migration to San Diego.

Furthermore, the 53,400 80-84 year olds in 2008 joined with the 85+ year olds in 2013. While total 85+ year olds increased 15.8 percent by 2013, combining former 80-84 year olds with the 85+ year olds existing in 2008 reveals their number actually fell by 45,623 in 2013. The majority of these residents undoubtedly dying of age related reasons.

In summary, San Diego's population over 25 years old fell by 132,994 between 2008 and 2013. San Diego's total increase in population the past five-years entirely resulted from 15 to 24 year olds moving here and 209,857 babies being born (or moving) here. The net difference resulted from 25 year olds and older either mov-

ing away or dying.

Generational shifts

Segmenting San Diego's population by popular generational labels reveals the proportions of Generation X and Y, Baby Boomers and retirees all diminished. Even Millennial numbers would have decreased except for 200,000+ babies born. Generational labels are not always precisely defined. For purposes of this report, Millennials are those born since 1995. Generation Y are those born between 1980 and 1995, Generation X between 1965 and 1979, Baby Boomers between 1949 and 1964, and retirees born before 1949.

In gross terms, actual numbers of Generation Xers and their Millennial children in San Diego fell the past five years, while Generation Y numbers increased. Baby Boomers and retiree numbers declined.

Overall numbers suggest an important change going on in San Diego. Instead of a magnet for people moving here for economic reasons as in the past, San Diego is exporting mid-level age ranges and their families to other areas. Young adults may still flock here for educational and entry level work opportunities, but find they are not able to afford suitable housing to raise their families and therefore move elsewhere. Meanwhile, the large bulge of Baby Boomers and older populations continues to

grow older as their numbers slowly dwindle.

Comparable metro area population shifts

Contrasting San Diego's population changes with other California metro areas reveals similar dynamics. California overall shows declining Gen-X numbers and Millennial children, despite the state's total population increasing 3.4 percent. As in San Diego, both Orange and Santa Clara counties also saw losses among their Gen-Xers and Millennial children. All three counties suffer from very high housing prices and it is likely some of the demographic changes reflect migration to cheaper housing markets in exurban communities.

Riverside County population grew much faster (7.0 percent) than either San Diego or Orange counties, and shows only a decrease of Millennials, although there is a higher proportion of Millennial children (30.4 percent). Gen-Xers eked out a slight gain.

There are more distinctions comparing San Diego with similar sized metro areas outside of our region. The Austin, Texas metro area grew more than twice as fast (9.0 percent), yet their young adult population (25-34 year olds) also declined (-3.2 percent), and 55-74 year olds grew at even faster paces (+24 percent).

Austin also has a relatively high proportion of 25-34 year olds (25.5 percent), similar to San Diego (23.8 percent). San Diego's proportion of young adults (like Austin, Denver, Seattle, and San Jose), is among the

CHANGES IN SAN DIEGO POPULATION BY AGE AND FIVE-YEAR PROGRESSIONS

Year	2008	2013	Change	Percent	Five-Year Difference	Change	Percent
TOTAL	3,051,262	3,170,905	119,643	3.9%	↘	-90,214	-3.0%
0-4	205,499	209,857	4,358	2.1%	↘	-7,218	-3.5%
5-9	195,600	198,281	2,681	1.4%	↘	-2,546	-1.3%
10-14	195,786	193,054	-2,732	-1.4%	↘	21,447	11.0%
15-19	237,711	217,233	-20,478	-8.6%	↘	31,097	13.1%
20-24	261,241	268,808	7,567	2.9%	↘	-9,203	-3.5%
25-29	241,788	252,038	10,250	4.2%	↘	-6,668	-2.8%
30-34	215,424	235,120	19,696	9.1%	↘	-5,117	-2.4%
35-39	221,036	210,307	-10,729	-4.9%	↘	-7,417	-3.4%
40-44	217,318	213,619	-3,699	-1.7%	↘	-9,912	-4.6%
45-49	223,428	207,406	-16,022	-7.2%	↘	-7,366	-3.3%
50-54	202,705	216,062	13,357	6.6%	↘	-3,782	-1.9%
55-59	169,012	198,923	29,911	17.7%	↘	-5,189	-3.1%
60-64	129,375	163,823	34,448	26.6%	↘	-2,389	-1.8%
65-69	91,980	126,986	35,006	38.1%	↘	-5,452	-5.9%
70-74	74,682	86,528	11,846	15.9%	↘	-10,206	-13.7%
75-79	65,964	64,476	-1,488	-2.3%	↘	-14,669	-22.2%
80-84	53,400	51,295	-2,105	-3.9%	↘	-45,623	-85.4%
85+	49,312	57,089	7,777	15.8%	↘		

Source: California Department of Finance; National University System Institute for Policy Research.

highest in the nation among metro areas. All other San Diego's proportional age rankings were considerably lower. San Diego's disproportionate young adult numbers are largely due to the presence of military personnel, as well as the colleges and universities attracting their numbers to the area.

The Denver-Aurora, Colorado metro area grew only slightly faster (4.2 percent) than San Diego, with their 25-44 year olds slightly increasing and children under 5 declining. Seattle-Tacoma, Washington grew faster (4.4 percent) but also reported decreases in Gen-X population.

These similar sized metro areas having high concentrations of technology industries similar to San Diego, show somewhat differing migration patterns in Gen-X and Y populations and Millennial children. All of these metros show significantly higher growth among older populations of 55-74 years of age.

Changing socio-economic population dynamics

San Diego's changing population demographics have significant implications on both K-12 and higher education. Demands for elementary education only slightly increased, while high school numbers actually fell.

The increase of San Diego's Gen-Y young adults, 20 to 34 years of age, partially reflects increasing military personnel. As the U.S. winds down overseas engagements and decreases military spending, personnel numbers assigned to San Diego as well as their families boosts this age range. It is questionable, however, whether many will remain when military

commitments end or re-assigned to other areas.

The numbers also reflect significant increases in college age students. The Great Recession spared no one, but fell especially hard on Gen-Yers. They continue to endure the highest unemployment rates, which academic evidence shows permanently reduces their lifetime earnings. In the meantime, student debt skyrocketed to record levels. The result is their greatest financial hardships may come decades later when

they retire.

There are also significant implications for the many young adults entering the labor market. After completing their education and seeking full or part-time employment in San Diego, their large numbers imply a significant surplus of less-skilled, less-experienced workers seeking entry-level positions.

On the other hand, the fact more experienced Gen-X adults in their 30s and 40s are mov-

ing away leaves a significant hollowing of their job skills and experience for their level of employment. The decline of this population reflects those most often seeking larger homes to raise their growing families.

San Diegans aging

Life expectancy increased significantly in the U.S. over the past few decades, rising from 75 years in 1990 to 79.6 as of 2014. At the same time, we are working longer. With people living longer, retirement ages should arguably be rising as well, and indeed the average age at which U.S. workers are retiring has steadily increased. Baby Boomers – the youngest of who turn 50 this year – will likely extend working longer even more.

According to data from the U.S. Bureau of Labor Statistics, employment among those 55 years and older across the U.S. continued to rise, even during the recession, and their employment continues to increase. According to a Gallup survey, nearly one-half (49 percent) of Boomers still working say they do not expect to retire until they are 66 or older, including one in 10 who predict they will never retire.²

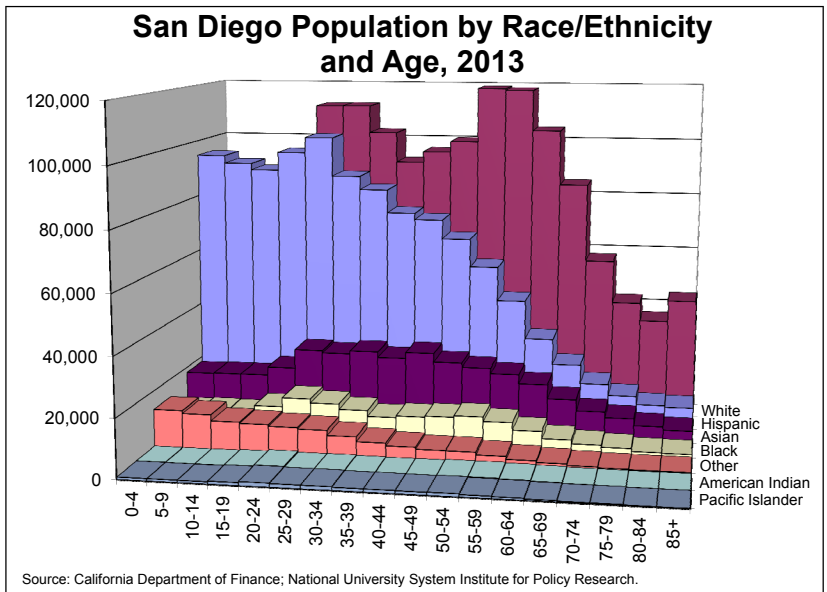
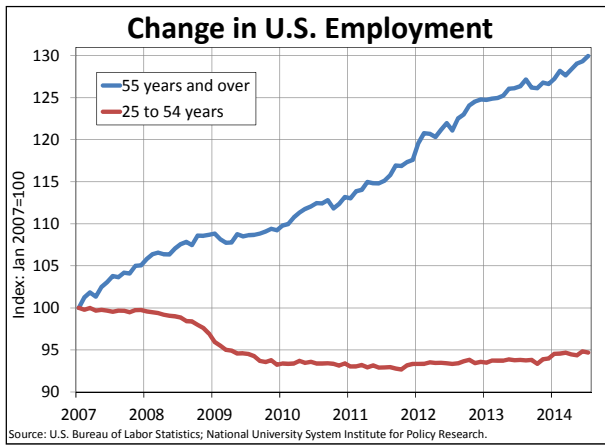
As the largest generation ever born in U.S. history, Baby Boomers' sheer numbers coupled with their reluctance to retire ensures their presence in the workplace will endure many more years. Although the first wave of

²Jim Harter and Sang-eeta Agrawal, "Many Baby Boomers Reluctant to Retire", Gallup, January 20, 2014, www.gallup.com/poll/166952/baby-boomers-reluctant-retire.aspx.

GENERATIONAL AGE PROGRESSIONS, 2008-2013

Age range: years	2008	2013	Change: 2008-13		Percent of Total	
			Number	Percent	2008	2013
SAN DIEGO COUNTY						
TOTAL	3,051,262	3,170,908	119,646	3.9%	100.0%	100.0%
Millennials: 0-19	834,596	818,426	-16,171	-1.9%	27.4%	25.8%
Generation Y: 20-34	718,453	755,967	37,514	5.2%	23.5%	23.8%
Generation X: 35-49	661,782	631,332	-30,451	-4.6%	21.7%	19.9%
Baby Boomers: 50-64	501,092	578,808	77,716	15.5%	16.4%	18.3%
Retirees: 65+	335,338	386,375	51,037	15.2%	11.0%	12.2%
Orange County						
TOTAL	2,982,788	3,094,522	111,734	3.7%	100.0%	100.0%
Millennials: 0-19	845,898	812,340	-33,559	-4.0%	28.4%	26.3%
Generation Y: 20-34	617,608	660,230	42,622	6.9%	20.7%	21.3%
Generation X: 35-49	693,447	646,487	-46,960	-6.8%	23.2%	20.9%
Baby Boomers: 50-64	498,360	584,978	86,618	17.4%	16.7%	18.9%
Retirees: 65+	327,476	390,488	63,012	19.2%	11.0%	12.6%
Riverside County						
TOTAL	2,122,920	2,270,485	147,565	7.0%	100.0%	100.0%
Millennials: 0-19	696,134	690,096	-6,038	-0.9%	32.8%	30.4%
Generation Y: 20-34	417,641	464,945	47,304	11.3%	19.7%	20.5%
Generation X: 35-49	442,579	445,059	2,480	0.6%	20.8%	19.6%
Baby Boomers: 50-64	324,571	386,534	61,963	19.1%	15.3%	17.0%
Retirees: 65+	241,995	283,851	41,856	17.3%	11.4%	12.5%
Santa Clara County						
TOTAL	1,759,534	1,844,434	84,900	4.8%	100.0%	100.0%
Millennials: 0-19	474,441	486,973	12,532	2.6%	27.0%	26.4%
Generation Y: 20-34	388,156	379,509	-8,646	-2.2%	22.1%	20.6%
Generation X: 35-49	423,019	415,371	-7,649	-1.8%	24.0%	22.5%
Baby Boomers: 50-64	288,885	343,334	54,449	18.8%	16.4%	18.6%
Retirees: 65+	185,033	219,247	34,214	18.5%	10.5%	11.9%
Los Angeles County						
TOTAL	9,796,812	9,969,762	172,950	1.8%	100.0%	100.0%
Millennials: 0-19	2,799,938	2,621,724	-178,214	-6.4%	28.6%	26.3%
Generation Y: 20-34	2,211,373	2,286,033	74,660	3.4%	22.6%	22.9%
Generation X: 35-49	2,197,015	2,097,636	-99,378	-4.5%	22.4%	21.0%
Baby Boomers: 50-64	1,569,949	1,794,503	224,554	14.3%	16.0%	18.0%
Retirees: 65+	1,018,537	1,169,865	151,328	14.9%	10.4%	11.7%
CALIFORNIA						
TOTAL	36,856,222	38,118,386	1,262,164	3.4%	100.0%	100.0%
Millennials: 0-19	10,632,218	10,318,500	-313,718	-3.0%	28.8%	27.1%
Generation Y: 20-34	7,943,837	8,326,068	382,231	4.8%	21.6%	21.8%
Generation X: 35-49	8,089,929	7,706,134	-383,796	-4.7%	21.9%	20.2%
Baby Boomers: 50-64	6,171,637	7,057,026	885,389	14.3%	16.7%	18.5%
Retirees: 65+	4,018,600	4,710,658	692,058	17.2%	10.9%	12.4%

Source: California Department of Finance; National University System Institute for Policy Research.



Boomers became eligible for early retirement under Social Security about six years ago, they still constitute about one-third (31 percent) of the workforce, similar to percentages of Gen-Y (33 percent) and Gen-X (32 percent).

All these factors suggest San Diego's workforce will continue to age on the one end, while those on the younger end of the spectrum face greater challenges to employment, and those in middle age ranges may find greater opportunities with their numbers becoming less prominent. San Diego labor, industry, and housing needs will be challenged to accommodate and absorb these age progressions. And as always create opportunities for some sectors and hamper others.

The rising number of older adults means more demands on health and other care providing services, as well as accommodations for hospitals, nursing, and assisted care facilities. A developing gap in middle to higher management level skills also becomes apparent as their age tier retires or moves away, with fewer numbers in next age levels following to replace them.

High demand for affordable starter or entry level homes is already apparent, while constrained supply limits those able to access the housing market. With prohibitive housing costs, particularly for mid-level income households wanting to raise their families, many

are compelled to move elsewhere.

Growing diversity of race and ethnicity by age

Further considering San Diego's population by race and ethnicity reveals important differences and variations among residents and suggests other important looming changes. San Diego's non-Hispanic White population is decidedly older than all other groups.³ On the other hand, San Diego's Hispanic population decidedly skews younger. Under the age of 20, Hispanic population already far outnumbers whites by 35 percent.

The median age of whites in San Diego is 42.8 years compared to the median of Hispanics at 28.0. The median age of San Diego's Asian population is 37.7, and among black's is 33.1. Both American Indian and Pacific Islander's median is 34.2. The newly self-identified population of "Other", having two or more races (not Hispanic), is much younger with median of only 21.6.

According to the *California Department of Finance*, whites fell below one-half (<50 percent) of San Diego's population in 2009. The proportion continues to shrink, and reached 47.0 percent as of 2013. San Diego's Hispanic population continues to grow rapidly accounting for one-third (33.3 percent) of current residents. Asians are the next largest minority group at 10.9 percent.

With Hispanics already making up 45 percent of children under the age of 20, white children account for little more than one-third (33.8 percent). At the other end of the age spectrum, whites older than 65 account for more than two-thirds (67.5 percent) of this age range. The older the population, the proportion of Hispanics decreases almost in direct opposite proportion to

SAN DIEGO POPULATION BY RACE, ETHNICITY AND AGE, 2013

Age range: years	Total	Hispanic	Non-Hispanic					
			White	Black	Indian	Asian	Islander	Other
TOTAL	3,170,908	1,056,720	1,490,845	149,763	14,359	345,166	14,091	99,964
Millennials: 0-19	818,426	372,741	276,417	39,160	3,679	76,023	3,418	46,989
Generation Y: 20-34	755,967	273,038	326,318	39,947	3,668	83,309	3,810	25,877
Generation X: 35-49	631,332	214,297	286,731	30,316	2,660	79,948	3,069	14,311
Baby Boomers: 50-64	578,808	131,843	340,662	27,614	2,853	64,430	2,496	8,911
Retirees: 65+	386,375	64,801	260,716	12,727	1,499	41,457	1,299	3,876
Percent of Total Age Range								
TOTAL	100%	33.3%	47.0%	4.7%	0.45%	10.9%	0.44%	3.2%
Millennials: 0-19	100%	45.5%	33.8%	4.8%	0.45%	9.3%	0.42%	5.7%
Generation Y: 20-34	100%	36.1%	43.2%	5.3%	0.49%	11.0%	0.50%	3.4%
Generation X: 35-49	100%	33.9%	45.4%	4.8%	0.42%	12.7%	0.49%	2.3%
Baby Boomers: 50-64	100%	22.8%	58.9%	4.8%	0.49%	11.1%	0.43%	1.5%
Retirees: 65+	100%	16.8%	67.5%	3.3%	0.39%	10.7%	0.34%	1.0%
Percent of Total Race or Ethnicity								
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
Millennials: 0-19	26%	35%	19%	26%	26%	22%	24%	47%
Generation Y: 20-34	24%	26%	22%	27%	26%	24%	27%	26%
Generation X: 35-49	20%	20%	19%	20%	19%	23%	22%	14%
Baby Boomers: 50-64	18%	12%	23%	18%	20%	19%	18%	9%
Retirees: 65+	12%	6%	17%	8%	10%	12%	9%	4%

Source: California Department of Finance; National University System Institute for Policy Research.

³All racial groups exclude Hispanics, with Hispanic population tabulated separately.

Age Dynamics

(Continued from page 4)

whites.

Within distribution of ages by racial and ethnic heritage groups, San Diego's Asian population is more similar to whites, skewing somewhat older and having relatively fewer children.

Conclusions

Looming demographic changes are likely to have profound long-term impacts on our region. School districts need to think hard about how they will manage first a shrinking and then a coming "boomlet" in the number of school-aged children. They also confront significant shifts in racial and ethnic composition that will require at the very least strategic thinking about greater diversity in the classroom and, at the other extreme, rethinking traditional structures and policies designed for a time with a much less diverse student body.

Indeed, these changes are myriad. Health, housing preferences, transportation choices, and demands for different kinds of public services are likely to be affected by changing demographic characteristics. With the economy in recovery, San Diego's population growth may revive and migration may switch back to more moving here than away. In any case, it is clear San Diego's ethnic and racial populations will continue to diversify and grow with more Hispanic and minority numbers, while the older white population will further diminish in proportion.

Policy makers thinking about the long-term, as opposed to their next election, would be wise to get out in front of these changes. While demographics are not solely destiny, they set the parameters for the future and wisdom is often the ability to see what is looming and plan today for what the future will bring.

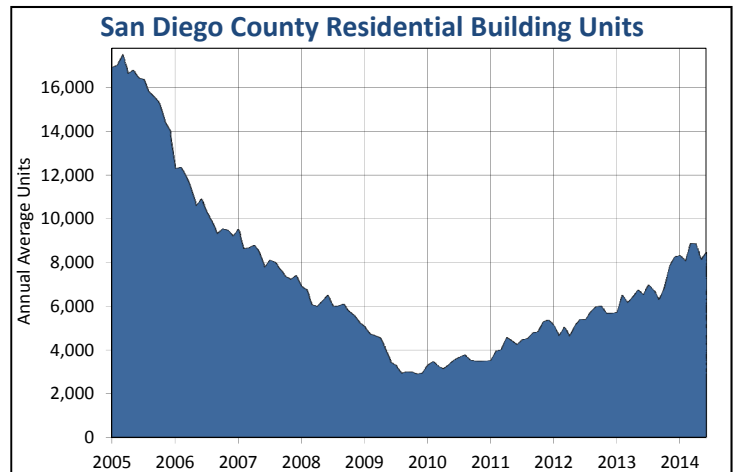
Dashboard Observations—June 2014

By Kelly Cunningham, Economist and Senior Fellow

Rarely since before the recession, all four indicators of San Diego economic activity were positive during June 2014. San Diego's unemployment rate continued to improve to 6.1 percent as of June 2014, 1.7 percentage points lower than in June 2013. The seasonally adjusted rate was the lowest for San Diego since June 2008. San Diego also matched the nation's unemployment rate and remained more than a full percentage point lower than California's 7.3 percent.

Residential building, for the most part, continues to increase jumping 92 percent in June and 76 percent over a year ago. The annual pace somewhat slackened the past few months, but the trend is clearly continuing to recover since bottoming in 2009.

New business licenses issued by the City of San Diego totaled 1,076 in June, up 11.6 percent for the month and 17 percent from a year ago. The average for the



Source: U.S. Department of Commerce.

Indicator	Jun 2014	Month Change (Sea. Adj.)	Annual Change
Unemployment Rate¹ San Diego County	6.1%	-0.4% ▲	-1.7% ▲
Residential Building² Units authorized for construction San Diego County	797	92% ▲	76% ▲
New Business Licenses³ Issued by City of San Diego	1,076	12% ▲	17% ▲
San Diego Stock Index⁴ San Diego based companies	168	5.2% ▲	14% ▲

¹California Employment Development Department.

²U.S. Bureau of the Census.

³Business Tax Program, City of San Diego.

⁴Second Thursday of month, Bloomberg News, San Diego Daily Transcript.

past two years remains around 1,100 issued each month.

Stumbling a bit from earlier in the year, the stock index of publicly traded companies headquartered in San Diego rose 5.2 percent in June, and 14 percent over the year. Although down from a high of 183 in March, the index remains at historically elevated levels.



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