

NEVIN REAL ESTATE ADVISORS

Tomorrow: An Aging World

Every month I thumb through the Costco Magazine and it appears to me that the vast majority of advertising is geared to seniors and their needs. The advertisements dwell on pharmaceuticals, easy-to-wear clothing, hearing aids, stress-free touring and aids for walking and climbing steps.

I suspect that Costco wouldn't inundate their customers with senior-oriented merchandise unless they sell a lot of it.

And that leads me to the crux of this article: the world (and particularly the industrialized world) is getting older. And fairly quickly at that.

For most of industrialized countries, at least a quarter of their population is over age 60, with the U.S. not far behind.

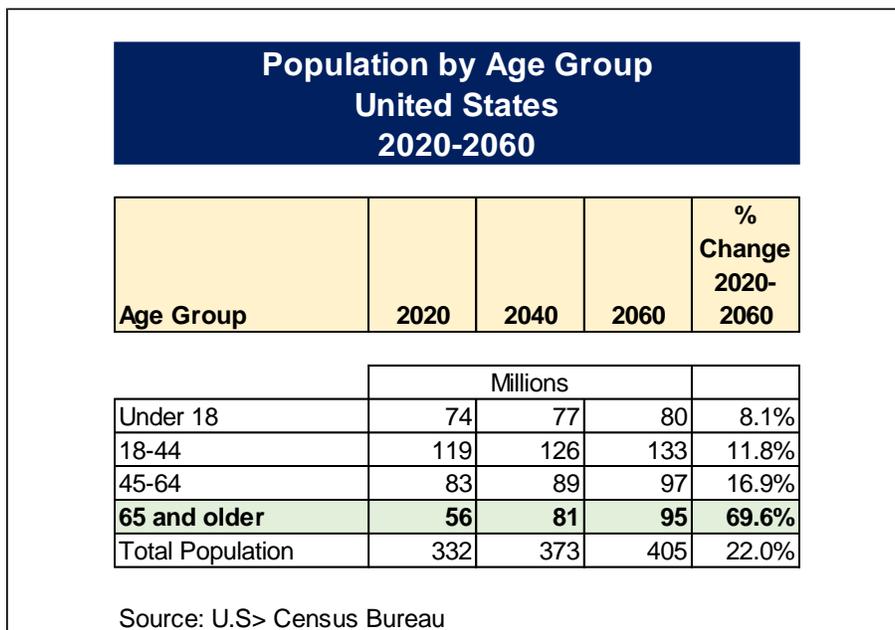
Population by Age The Oldest Major Countries as of 2022			
Country	% 60+	%70+	% 80+
Japan	34%	22%	9%
Italy	30%	18%	8%
Germany	29%	16%	7%
France	27%	15%	6%
UK	24%	14%	5%
US	23%	11%	4%
Russia	22%	10%	4%
South Korea	23%	11%	4%

Source: United Nations Population Section

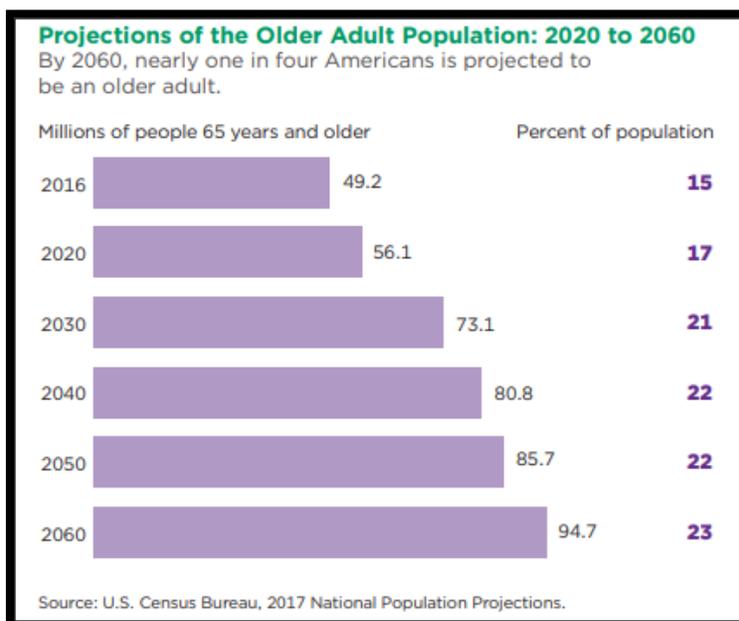
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The United States

The United States offers a good example of the aging pattern. According to the Census Bureau, in the 2020-2060 timeframe, folks 65 and older will increase almost 70%.



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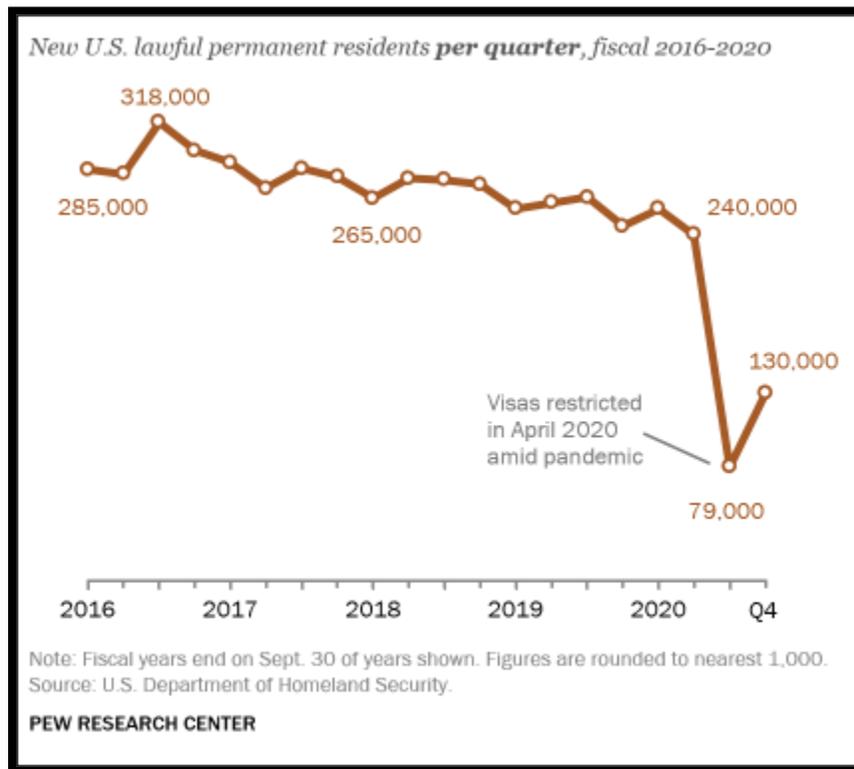
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The long-term implications of an aging population are economically troubling and discouraging. But more on that later.

“ Overall, 2021 will go down as the year with the slowest population growth in U.S. history’

(Miriam Jordon and Robert Gebelof, New York Times)

The sluggish growth is due to three elements: the number of births has fallen sharply in recent years; the number of deaths has increased (partially COVID-driven) and the gain from immigration has declined.



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It appears that with lower birth rates and higher death rates, the only way the U.S. can grow is through immigration. In 2021, new residents from other countries totaled a quarter million. This is still substantially lower than in previous decades when the U.S. often had 1.0+ million immigrants. But the Trump administration put the brakes on immigration and it gradually ebbed downward until the Biden administration.

Currently, immigrants represent 13% of the U.S. population, compared to 28% one hundred years ago. **Notably, the U.S. has more immigrants than any other country in the world.**

Native & Foreign Born Population United States 1920-2020

Year	Native-Born		Foreign Born		total	
	No.	%	No.	%	No.	%
1920	58,421,957	72%	22,686,204	28%	81,108,161	100%
2020	285,400,000	87%	44,100,000	13%	329,500,000	100%

Source: Census Bureau

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The major difference in the foreign-born population in 1920 and 2020 is that in 1920, the foreign born population was 43% Negro (the term Negro is the Census terminology in 1920).

Foreign Born Population United States 1920

White	Negro	Total
13,712,754	10,463,121	24,175,875
57%	43%	100%

Source: 1920 Census

1.7

Today, 25% of the foreign-born are from Mexico; 28% from Asian countries; 25% from other Latin America and 9% from Africa and other locales, according to a recent Pew Research Center report.

Origin of U.S. Immigration Population 2020	
Europe and other North America	13.0%
Asia	28.0%
Other Latin America	25.0%
Mexico	25.0%
Africa & Other	9.0%
Total	100.0%

Pew Research Center

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The foreign-born population is increasingly concentrated among **middle-age groups**. About one in five Americans between the ages of 40 and 64 were born overseas. And 2/3rds of foreign-born residents have been in the country more than a decade.

As the World Turns

In the exhibit below, I show that countries like Japan and China are losing population at a rate that does not augur well for their economies. Japan is, by far, the biggest loser among the world's mature nations. **In the next 40 years, Japan will lose almost one quarter of its population** and it's almost too late to do much about it.

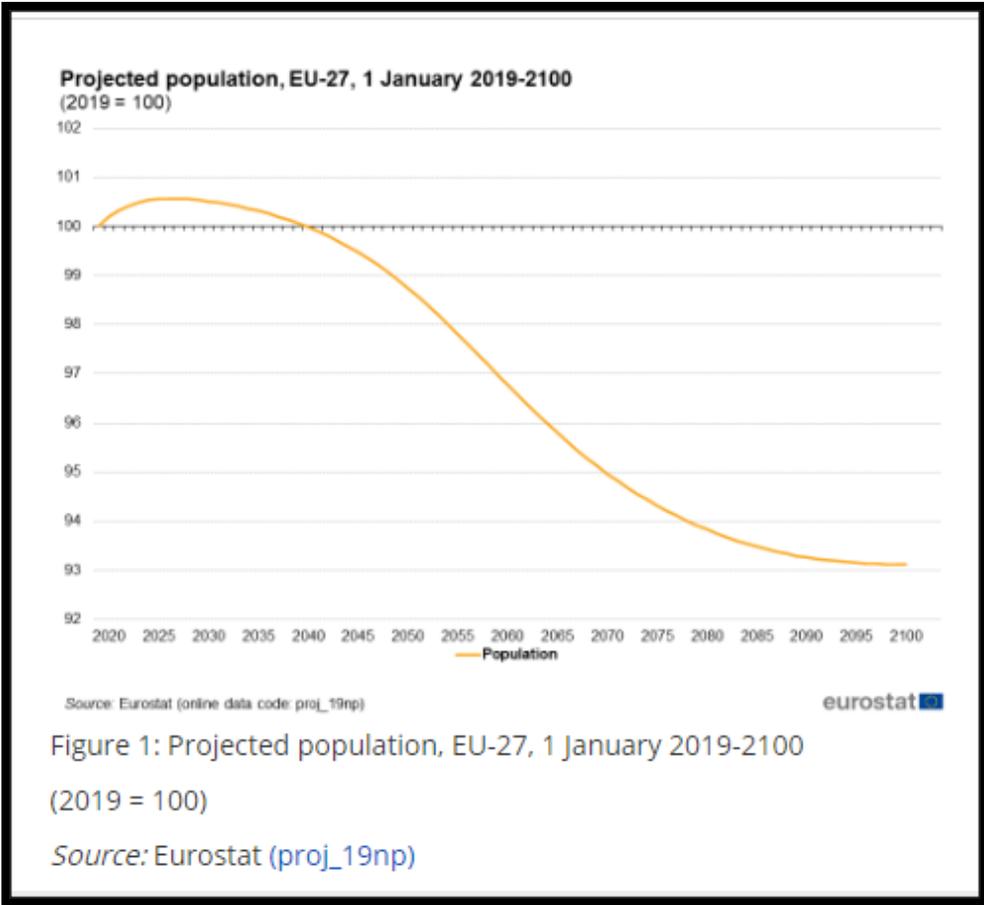
The three major Asian countries (Japan, China and South Korea) have negligible in-migration so cannot depend on that source of new population, unlike the U.S.

Population (Millions) Major Countries 2020-2060 (Projected)				
Country	2020	2060	2020-2060	
			Change	% Change
India	1,389,000	1,646,862	257,862	19%
United States	325,700	404,500	78,800	24%
Viet Nam	103,808	121,833	18,025	17%
South Korea	51,245	46,900	(4,345)	-8%
Russia	142,021	126,898	(15,123)	-11%
European Union	448,825	432,470	(16,355)	-4%
Japan	127,141	99,100	(28,041)	-22%
China	1,410,539	1,286,294	(124,245)	-9%
Total	3,998,279	4,164,857	166,578	4%

Source: United Nations Population Division

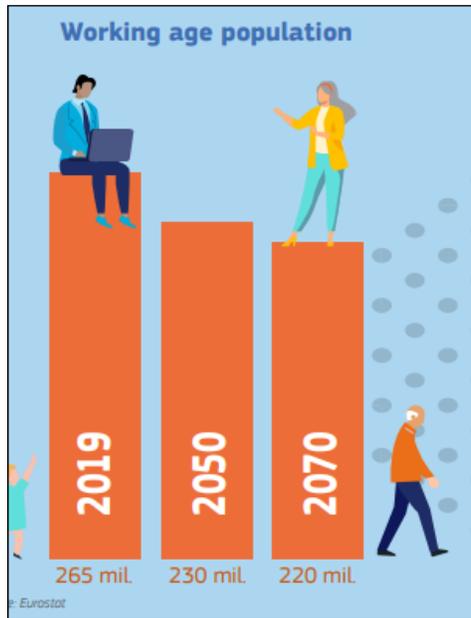
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The exhibit below tells a very vivid story about the future of the **European Union** of 28 countries. In about 20 years, given their present rate of fertility and in-migration they will begin to decline in population.



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The implications of this aging pattern are not pretty as the working age population declines on a very dependable basis and the demands of Social Security, social services and healthcare expand:



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China Population Problem

In pure numbers terms, **China is the big loser**. Starting with the one child rule of the Mao generation, the fertility rate in China plummeted. This year, China announced that its birthrate declined for a fifth straight year.

The falling Chinese birthrate, coupled with the increased life expectancy, means that the number of persons of working age, relative to the growing number of people too old to work, has continued to decline.

Pointedly, that could result in major labor shortages which, in turn, could hamper economic growth and reduce the tax revenue needed to support an aging society.

China's ruling Communist Party now allows as many as three children. It is also offering incentives to young families and promising improvements in workplace rules and early education.

In China, the current number of persons born this past year was equal to the number who died. Not a good sign for China.

The Fertility Rate

The fertility rate (children per woman) in the industrialized countries is on a steady decline.

Fertility (Children Per Woman) Major Countries 1990-2060 (Projected)

Country	1990	2020	2040	2060
India	3.81	2.10	1.80	1.74
France	1.80	2.03	1.78	1.71
United States	3.03	1.84	1.83	1.83
Mexico	3.33	1.67	1.75	1.71
United Kingdom	1.72	1.62	1.67	1.70
Russia	1.87	1.60	1.60	1.60
China	2.21	1.45	1.56	1.60
Japan	1.49	1.38	1.52	1.66
Germany	1.23	1.36	1.65	1.70
Spain	1.16	1.27	1.56	1.70
Italy	1.18	1.22	1.52	1.68
South Korea	1.69	1.10	1.29	1.40

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The long-term decline in most of the countries can be chalked up to several factors:

- Women are entering the work force and remaining in it for much longer than in the past, thereby delaying childbirth, often as late as age 40.
- The number of persons reaching retirement age has caused employers to offer benefits for employees to stay on the job longer, a situation that has been particularly attractive to women who ordinarily would have had children earlier in life.

- The cost of living in most of the countries has increased substantially in recent years, resulting in women working longer in order to live better and bolster their savings.

The key to economic solvency in the first world countries is to have **2.0 children per household**. France is the only first world country that meets that standard, with the U.S. not far behind. Most of the other first world countries are far behind in that category.

The French fertility rate meets the 2.0 level because of two factors: a substantial number of foreign born women and, of more importance, France has generous pro-child policies and childcare is well organized (i.e. there is gender equality).

Japan is a primary example of how to economically survive when your fertility rate is low and your senior population is growing rapidly: They have looked to other countries to produce their goods, particularly cars. For instance, Toyota has 125 plants around the world. Therefore, the profits from those cars allow Japan to be economically solvent and to support the growing number of retirees with health and welfare services.

The U.S., on the other hand, currently has sufficient labor in all age groups to produce everything it needs or wants.

Evolving Countries

The major population gains in the next 40 years will be in the populous **Evolving Countries**, as noted below. Note, however, that the fertility rates have subsided dramatically in most of these populous countries as they strive to achieve more capitalistic economies.

Fertility (Children Per Woman) Evolving Countries 1990-2060 (Projected)

Country	1990	2020	2040	2060
Afghanistan	8.00	4.82	3.22	2.60
Nigeria	6.03	4.72	3.74	3.03
Iraq	6.00	3.10	2.35	2.14
Pakistan	5.80	3.60	2.50	2.22
Iran	5.32	1.94	1.78	1.70
Viet Nam	3.53	2.05	1.80	1.70
Egypt	3.45	3.11	2.03	1.99
Brazil	2.78	2.38	1.70	1.71

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Despite the projected reduction in children per woman, these countries will experience substantial population growth over the next 40 years, as shown here:

**Population Projections (000)
Evolving Countries
2020-2060 (Projected)**

Country	2020	2060	Change	% Change
Nigeria	213,986	515,386	301,400	141%
India	1,389,000	1,646,862	257,862	19%
Pakistan	233,431	403,522	170,091	73%
Egypt	103,994	162,616	58,622	56%
Afghanistan	38,346	71,937	33,591	88%
Iraq	38,828	69,817	30,989	80%
Viet Nam	101,745	121,833	20,088	20%
Brazil	214,752	234,439	19,687	9%
Iran	84,038	101,418	17,380	21%
Total	2,418,120	3,327,830	909,710	38%

Source: census.gov/data-tools/demo/idb/#/country

1.14

If you are keeping score, you will observe that the mature countries (like the U.S. and the others in Exhibit 1.1) will be losing 91 million population **by 2060 while the evolving countries (Exhibit 1.13) will add almost a billion population.**

**Population Change
Major Mature & Evolving Countries
2020-2060**

Year	(000)	
	Mature	Evolving
2020	2,609,279	2,418,120
2060	2,517,995	3,327,830
Change	(91,284)	909,710
% Change	-3.5%	37.6%

Source: Census Bureau Population Division

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In total, between now and 2060, the world population will expand by 2.5 billion persons, or an annual rate of 65 million. The median age will grow, but very slowly.

Future World Population 2020-2060		
Year	Population	Median Age
2020	7,800,000,000	29.7
2060	10,381,000,000	31.6
Change	2,581,000,000	
Annual Change	64,525,000	

Source: United Nations Dept. of Economic & Social Affairs

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Thus, the world will grow steadily in the next 40 years. In a future report, I will delve into how these evolving countries are moving forward toward second and occasionally first world status, but it's a long road.

Conclusion for the United States

Looking to the future, retirees and soon to be retirees in the first world countries have to figure out how to prepare for longer lives.

In this decade, **more than 24.0 million Americans will reach age 65 by 2030:**

Aging Population Persons over age 65 United States 2020-2030			
Year	Persons 65+		
	Men	Women	Total
2020	25,014	31,037	56,051
2030	40,216	40,216	80,432
Change	15,202	9,179	24,381

Source: Census Bureau

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And with an aging population come the costs of expanding health care. The health care costs in the United States continue to increase. **From 1980 to 2020, expenditures have increased by a factor of ten.**

Life Expectancy & Health Care Expenditures United States 1980-2020		
Year	Life Expectancy	Health Care Expenditure
1980	73.7	\$ 1,036
2020	78.9	\$ 11,945

source: Peterson KFF Health Care Tracker 2021
(Peterson Center on Healthcare)

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The U.S. health care expenditures are substantially higher than in other first world countries (and their life expectancies are the same as in the U.S. or higher). In the other countries, health care is socialized.

Annual Health Care Costs Selected First World Countries 2021	
Country	Expenditures
United States	\$ 11,945
Germany	\$ 6,731
Netherlands	\$ 6,299
France	\$ 5,564
Canada	\$ 5,370
United Kingdom	\$ 5,268
Japan	\$ 4,691

Source: KFF Health System Tracker

1.19

Housing Seniors

Given the forthcoming explosion of seniors in the U.S., providing housing specifically for that aging group is imperative.

The types of housing can be segmented into two: **subsidized** and **market-rate**.

Subsidized Units

There are numerous firms throughout the Nation that have been providing subsidized senior housing for seniors. According to PAHRC (Public & Affordable Housing Research Corporation), there are almost 3.0 million seniors living in subsidized housing in the U.S. They have also tabulated a current need for another 3.6 million units for seniors who have less than 80% of median housing income and pay more than 30% of their incomes for rent.

This category also includes low-income seniors who need assisted living.

Market Rate Housing Units

Market rate units for seniors with more than 100% of median housing income comprise the largest percentage of seniors. Typically, seniors with more than 100% of median housing income own their homes and, in most cases, have no mortgage. The home-owning sector accounts for 70% of seniors. Notably, the over 55 sector has the highest net worth of any age group because of the equity in their homes

The problem is that home-owning seniors are most often living in homes that are of a size relating to when they had children living with them and, if an opportunity presented itself, they would move to smaller quarters, most often in senior communities.

The major problem in the United States is that there are remarkably few communities that are designed for seniors. It is a market that remains largely untapped, with the exception of a few states like Florida and Arizona.

Certainly, Florida and Arizona are attractive from a climate standpoint, but most seniors want to remain near their children and friends and medical and other services that are a major part of their lives.

As noted in the beginning of this report, in the next 40 years, there will be 39 million Americans 65 years of age or older. Their appropriate housing accommodations for seniors are paramount if we are to free up housing for younger households.

A Closing Thought

In closure, Americans and those in other first world countries will most probably have to **work longer** and **save more** to prepare for a longer life. There is no other viable option.



Alan Nevin
August 2022