

The Silver Tsunami: An Analysis of Baby Boomers' Impact on the Housing Market and the Generational Response

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Abstract

This study explored how the aging Baby Boomer generation may shape the U.S. housing market and how younger generations, especially Millennials, may respond. I developed a theoretical framework linking retirement, delayed mobility, intergenerational wealth transfer, and expected home prices to future housing supply and demand. Empirically, the study uses IPUMS census and ACS microdata to estimate logistic regression models of renting and recent residential mobility across generations. The regression results show that renting declines with age, income, and household size, while generational differences remain important even after controlling for those factors. Millennials are more likely to rent at younger ages than Boomers, but their rental probability falls faster over time, suggesting eventual convergence in homeownership. At the same time, Boomers are less likely to move later in life than comparable members of earlier generations, indicating slower housing turnover. Overall, the findings suggest that the housing effects of population aging will likely be delayed and uneven: rather than triggering an immediate and widespread Silver Tsunami, Boomer aging may produce a gradual release of supply that is absorbed over time as younger households move into ownership.

The Silver Tsunami

The Silver Tsunami is the new term used to describe the passage of wealth from the Baby Boomer generation. Born between 1946 and 1964, Boomers are known as one of the largest and most prosperous generations in American history. The 70 million large and wealthiest generation will entirely be of retirement age (65) by the year 2030. Boomers can have a profound impact on many different financial markets in their latter stage of life. Depending on the source, there is an estimated \$40 - \$125 trillion of Boomer wealth that is set to be passed to their inheritors.

Boomers account for nearly 40% of all homeowners in America and will play a central role in determining future housing supply. At the same time, younger generations, specifically Millennials, will shape the demand side of the market as they grow into their prime home buying years. Understanding the cross-generation interaction and dynamics is critical for predicting future housing market implications.

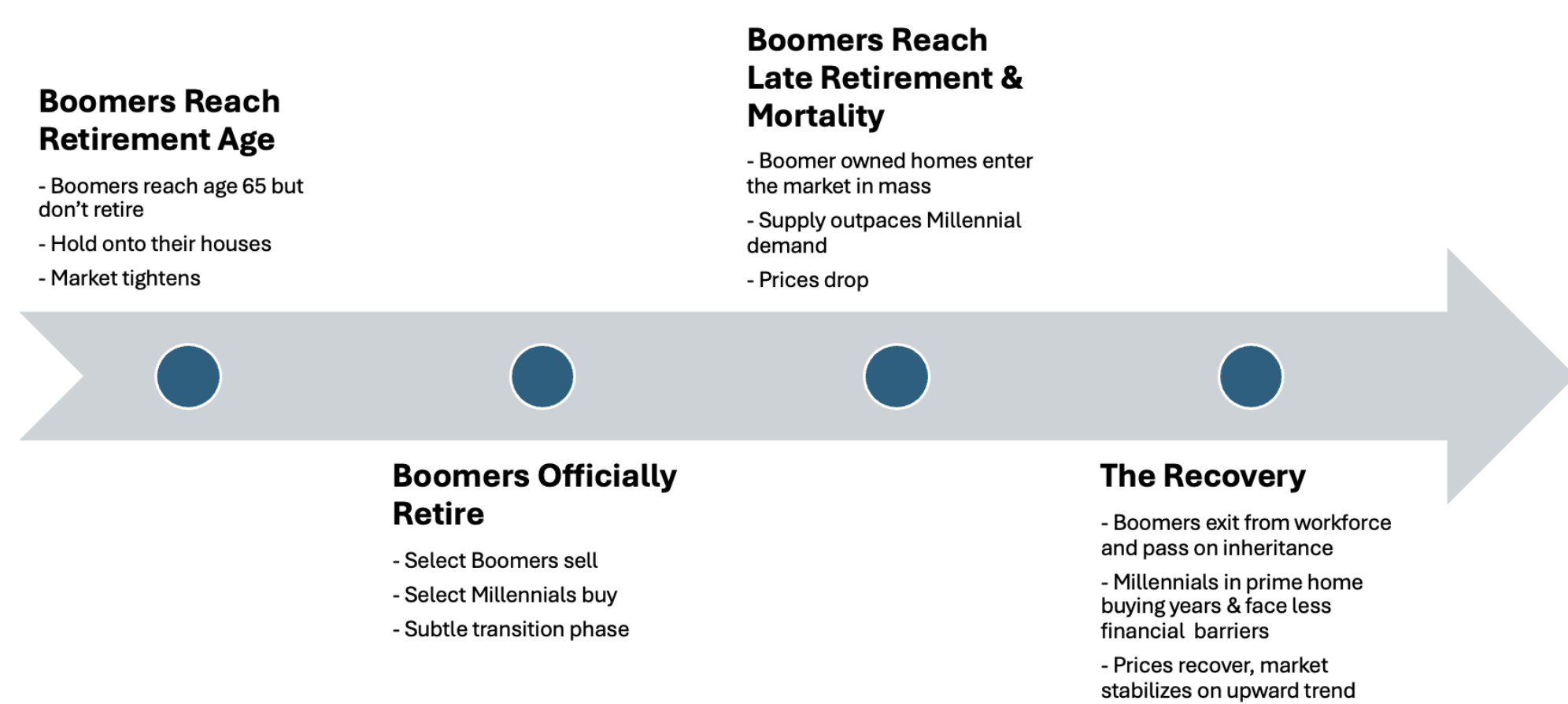


Figure 1: Hypothesis Progression

Past Literature

Existing literature emphasizes the importance of demographic and generational dynamics in shaping housing markets. Prior studies find that housing demand and supply evolve across cohorts. Academics mention older generations typically transitioning into net sellers as they age, thereby influencing housing availability, with some claiming Boomers will delay this pattern. Research also highlights how major economic events have had lasting effects on younger generations, potentially delaying homeownership and increasing early-life renting rates among Millennials. Overall, the literature frames the housing market as a product of interacting demographic trends, generational behavior, and macroeconomic shocks.

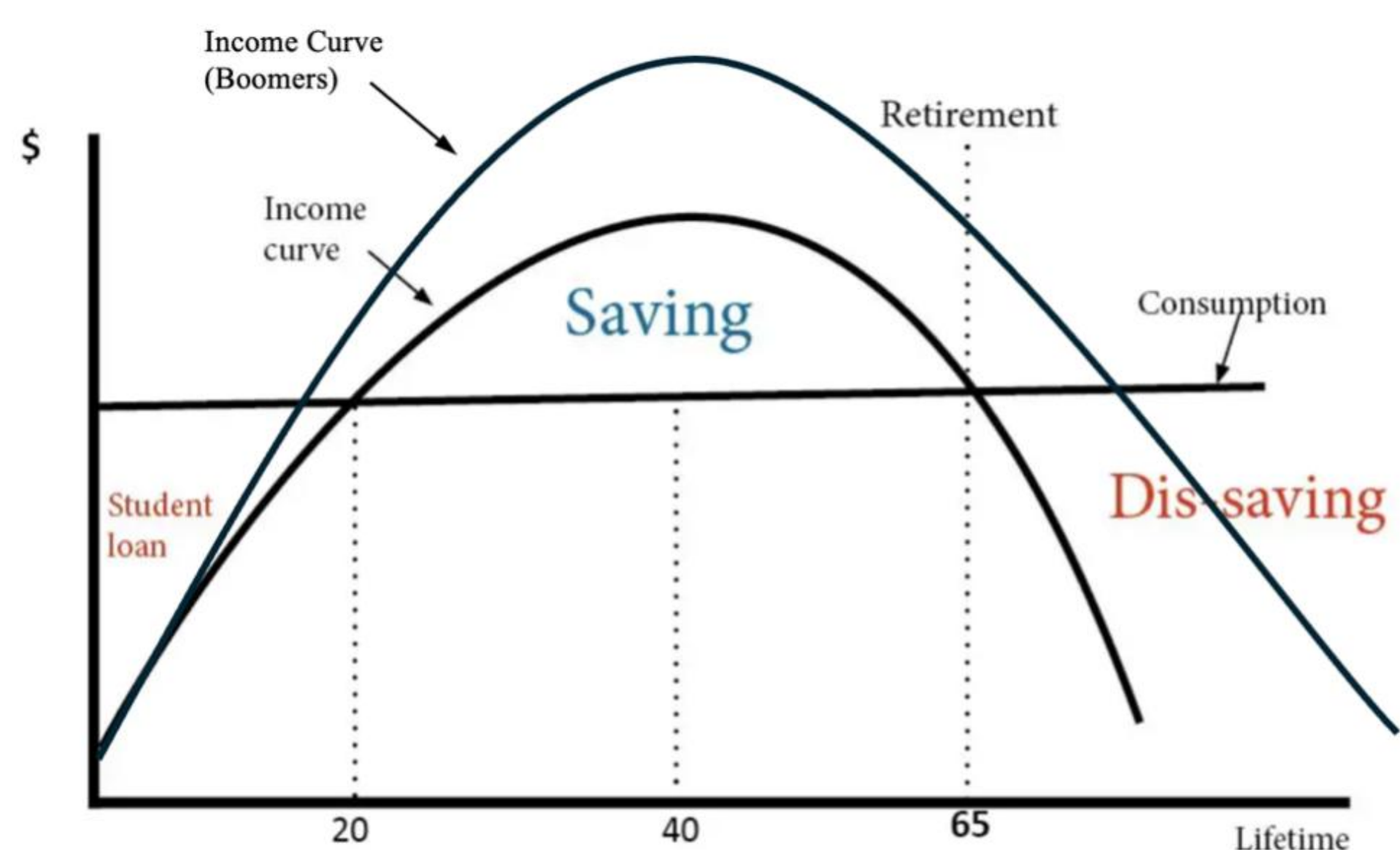


Figure 2: Life Cycle Graph Depicting an Altered Curve for Boomers

Theory

This paper builds on lifecycle housing theory, where individuals adjust housing consumption based on age, income, and preferences over time. Younger households are expected to prioritize flexibility and face tighter budget constraints, leading to higher rental rates, while older households accumulate wealth and transition into homeownership.

On the supply side, the theory assumes that older homeowners eventually release housing stock as they downsize, relocate, or exit the market. The timing and magnitude of this transition are critical in shaping overall market conditions.

Together, these mechanisms link demographic structure, generational behavior, and housing market outcomes within a unified framework.

Utility Models

Renter's Utility Function

$$U_R = \sum_{t=0}^T \beta^t [aC_t + (1 - a)H_t]$$

subject to the budget constraint

$$S_{t+1} = (1 + r)S_t + Y_t - C_t - R_t$$

The Utility Decision:

Buy if $E[U_{BM}] > E[U_{RM}]$

Buyers Utility Function:

$$E[U_{BM}] = \sum_{t=0}^T \beta_M^t [\alpha_M \ln(C_{tM}) + (1 - \alpha_M) \ln(H_{tM}) + \gamma_M W_{tM}]$$

Subject to

$$A_{t+1} + E_{t+1} = (1 + r_f)(A_t + Y_t - C_t - M_t - Tax_t - Maint_t) + (1 + r_h)E_t$$

Keepers Utility Function:

$$E[U_{sBoomers}] = \sum_{t=0}^T \beta_s^t [\alpha_B \ln(C_{tB}) + (1 - \alpha_B) \ln(H_{tB}) + \theta_B S_{tB}]$$

Subject to:

$$A_{t+1} = (1 + r_f)(A_t + Y_t - C_t - M_t - Tax_t - Maint_t) + (1 + r_h)E_t$$

The Utility Decision:

Sell if $E[U_s] > E[U_k]$

Sellers Utility Function:

$$E[U_{sBoomers}] = \sum_{t=0}^T \beta_s^t [\alpha_B \ln(C_{tB}) + (1 - \alpha_B) \ln(h_{tB}) + \lambda A_{tB}]$$

Data and Methodology

The data used in this study comes from the integrated public use microdata series (IPUMS) which is run by the University of Minnesota. I collected ACS data decennially from 1960-2000 and continuously from 2000-2024. The final dataset contained 237,040 households representing about 7,000 - 10,000 per year collected. This data was used to run logistic regressions and a time series model forecasting home prices.

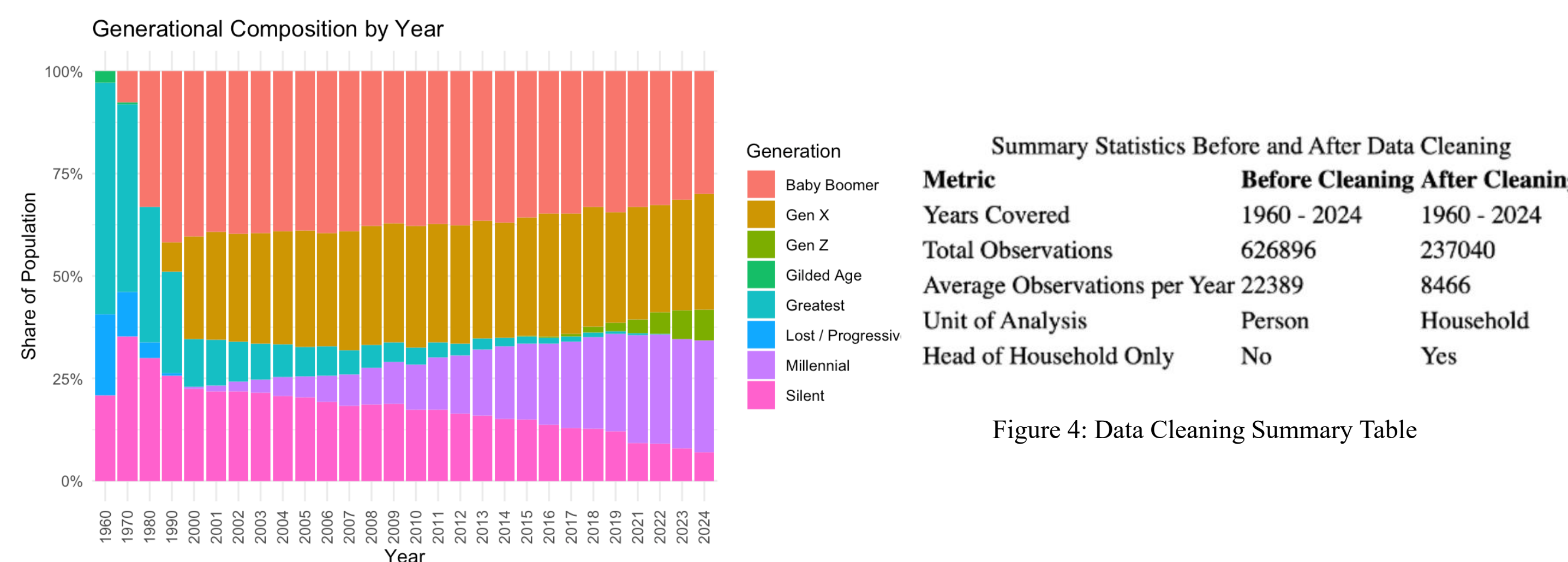


Figure 3: Generational Composition by Year

Results

These logistic regressions are used in the predicted probability models below.

$$\log\left(\frac{P(Rent_i = 1)}{1 - P(Rent_i = 1)}\right) = \beta_0 + \beta_1 AGE_i + \gamma_5 generation_{it} + \delta_1 (AGE_i \times generation_{it}) + \beta_2 HHINCOME99_i + \beta_3 hh_size_i$$

Equation 1: Logistic regression predicting rental rate

$$\frac{P(Recent_mover_i = 1)}{1 - P(Recent_mover_i = 1)} = \beta_0 + \beta_1 AGE_i + \beta_2 HHINCOME99_i + \beta_3 hh_size_i + \beta_4 VALUEH99_i + \beta_5 OWNERSHPD_i + \beta_6 generation_i$$

Equation 2: Logistic regression predicting mobility rate

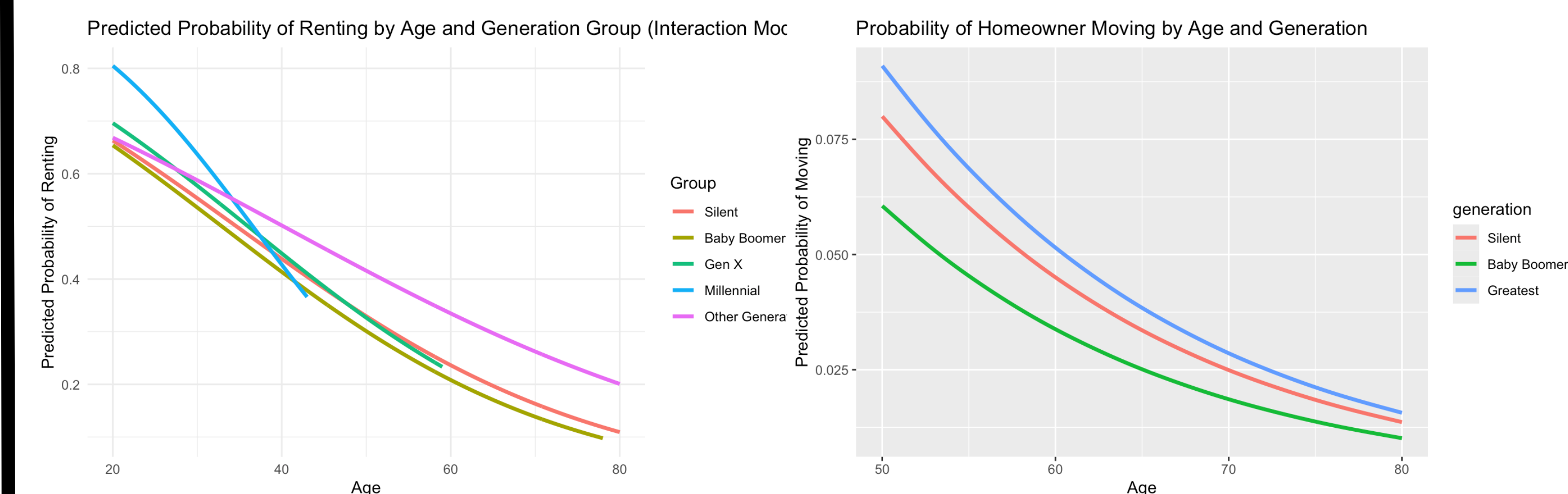


Figure 5: Homeownership rate and mobility rate predicted probability models

The results further confirm my earlier theoretical hypothesis.

- 1) Boomers are less likely to move in their late life stages than past cohorts of the same age → will hold on to their homes longer than past cohorts
- 2) Millennials rent at much higher rates than past generations in their 20s, but by age 40 they own homes at rates higher than Boomers → Millennials can and will lead the recovery

Conclusion

The findings suggest that the U.S. housing market will remain constrained longer than many current forecasts predict, largely due to reduced mobility and delayed home sales among Baby Boomers. This "Silver Tsunami" is not an immediate shock, but a gradual demographic shift that prolongs limited housing supply in the near term.

However, as Boomers reach advanced age and eventual mortality, a significant increase in housing supply is expected. While this may initially place downward pressure on housing prices, strong demand from Millennials and younger generations is likely to stabilize and support a long-term market recovery. Overall, the housing market outlook is characterized by short-term tightness followed by a transitional correction and eventual equilibrium driven by generational turnover.

References

- [1] Green, Richard K., and Hyojung Lee. 2016. "Age, Housing Demand, and Homeownership Trends."
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