

DEMOGRAPHIC INFORMATION

California's population growth continues to slow as the birth rate declines and immigration remains steady. As the baby boomer generation ages into retirement, millennials have become the largest component of the workforce and have surpassed the boomers as the most populous generation. Millennials are in the age group that traditionally starts families and forms new households, resulting in an increasing demand for housing. Rising home prices and dwindling affordable housing inventory, however, can delay these decisions and have long-term consequences for California.

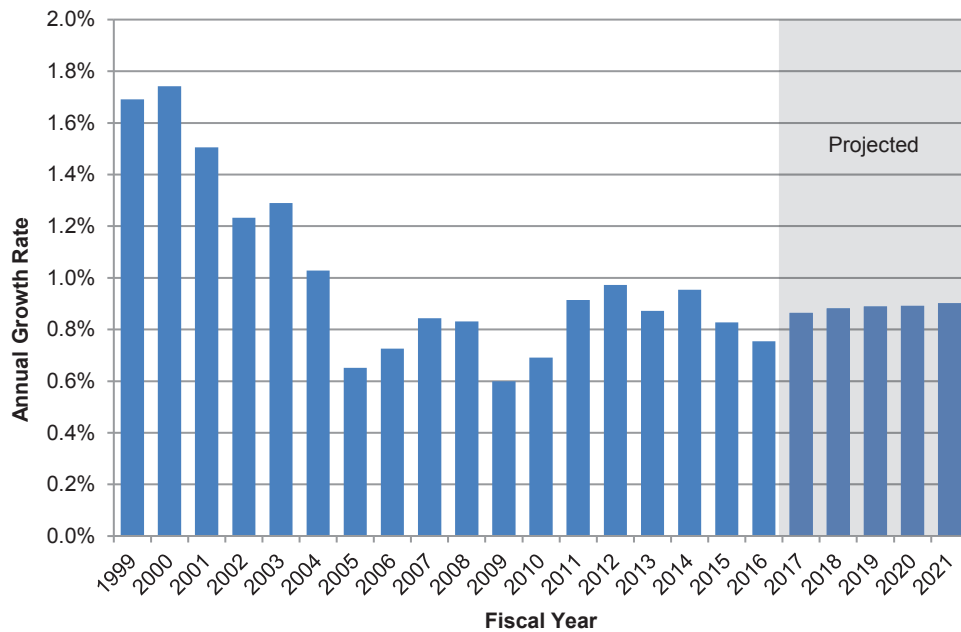
DEMOGRAPHIC OUTLOOK

California experienced moderate population growth of 0.75 percent in fiscal year 2016. As of July 2016, there were an estimated 39.4 million people residing in California. The population is projected to increase to 39.7 million by 2017 and 40.0 million by 2018, with short-term annual growth rates of 0.9 percent for both years. California's population is expected to reach 40.8 million in 2020.

Over the next five years, the state is projected to grow by an average of 355,000 residents annually. Natural increase (births minus deaths) will account for most of the growth. The number of individuals moving to California from other states and countries will continue to exceed those moving out, primarily from international migration.

Figure DEM-01 displays the growth rates of California's population from 1999 to 2021.

Figure DEM-01
California's Annual Population Growth Rate

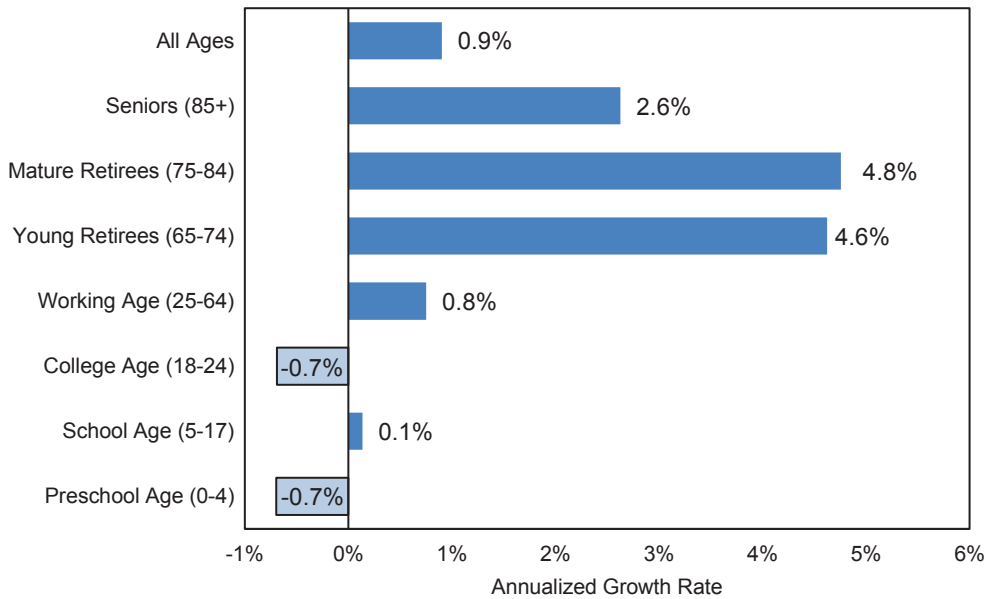


POPULATION CHANGE

Over the next five years, California’s population will grow the most in the older age groups (see Figure DEM-02). Individuals born in the baby boom era (1946-1964) are one of the largest cohorts. Although the baby boomers continue to swell the ranks of the 65 to 74 year olds, the fastest growing ten-year age group will become the 75 to 84 year olds as the first of the boomers reach 75 in 2021.

The 0 to 4 age population will shrink over the next five years by 0.7 percent per year due to declines in fertility driven by higher levels of educational attainment and delayed family formation. As millennials (born 1980-1994) fully age into the working-age population, the college-age population is also expected to decline. Despite the decline in these younger age groups, currently nearly 9.1 million people, or 23 percent of California’s current population, are less than 18 years old. California has a slightly higher share of the population younger than 18 than the share in the remainder of the U.S. and has a lower share of those ages 65 and older. California’s median age will remain lower than that of the U.S. as a whole.

Figure DEM-02
**Projected Annualized California Population Growth Rate
 by Age Group (2016-2021)**

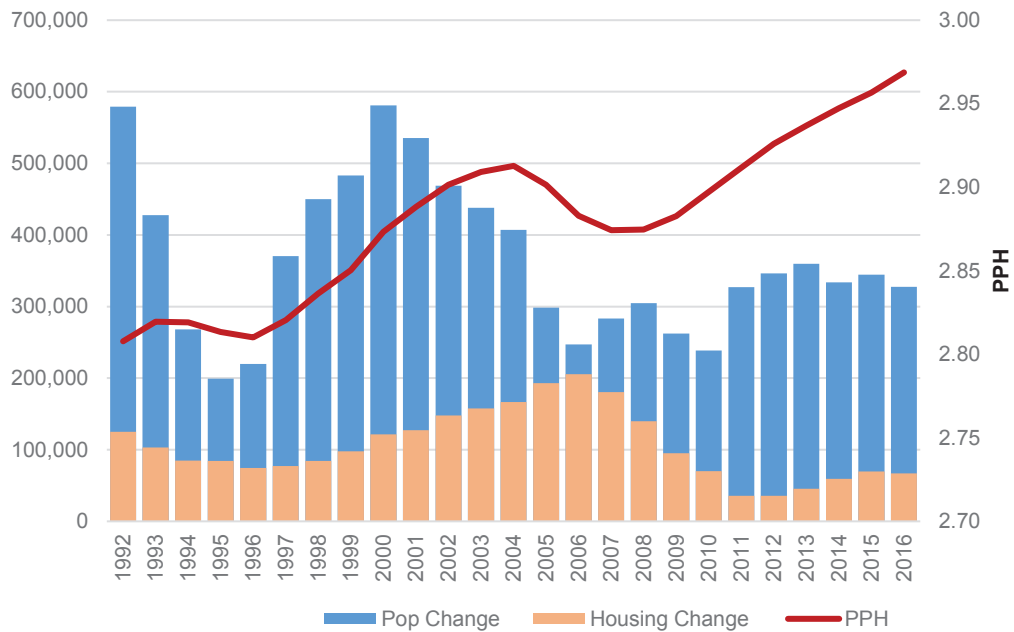


HOUSING CHALLENGES

Growth in the housing stock has not kept up with population growth, particularly in the last eight years, leading to increasing numbers of persons per household (Figure DEM-03). Doubling up and the return of adult children to the familial home serves to reduce demand for housing-related goods and services. Additionally, such arrangements tend to delay the birth of children and in turn, lower the total number of children born to a woman over her lifetime.

For all regions, levels of housing growth were greater than population growth between 2005 and 2010. In contrast, between 2010 and 2015, all regions had population growth exceeding housing growth by considerable margins. The Bay Area had the greatest mismatch between housing and population over the last five years.

Figure DEM-03
Housing, Population Change and Persons per Household (PPH)

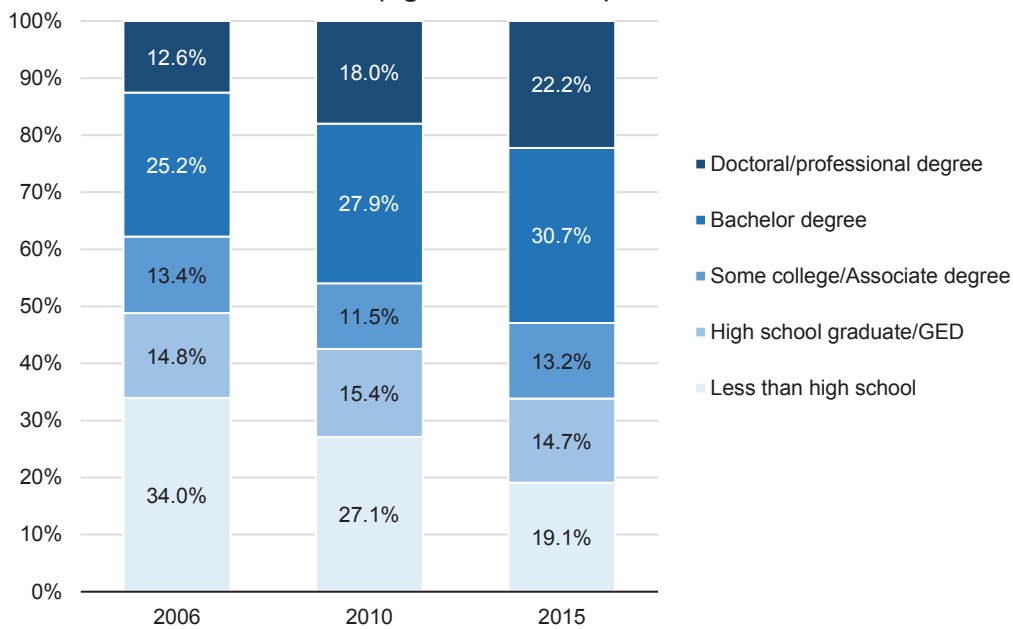


IMMIGRATION

The majority of immigrants to California previously came from Latin America, but immigrants from Asia currently represent the largest group by region. Whereas previous immigrants largely congregated in existing neighborhoods in inner cities, or agricultural communities in California’s Central Valley, newer immigrants are increasingly moving to suburban neighborhoods.

Educational attainment of immigrants to California has been rising over time (Figure DEM-04). For those immigrants with a college degree, California posted significant gains (7.1 percent) between 2010 and 2015 in those with majors in Technology, Engineering, and Math. All other degree types held relatively constant. Such increases in overall education and skill levels are reflected in the rising incomes of immigrants over the past ten years. Real median personal income for employed immigrants doubled from \$11,345 in 2006 to \$23,029 in 2015.

Figure DEM-04
**Changing Educational Attainment of California Immigrants
 (Age 25 and Older)**



DEMOGRAPHIC INFORMATION

The changing nature of immigration to California will be reflected in California’s labor force, since immigrants comprise more than one third of the workforce. Over the past decade, the distribution of immigrants by occupation has shifted away from the agriculture, manufacturing, and service sectors, and increasingly into the telecommunications, information technology, and professional services sectors (Figure DEM-05).

Figure DEM-05
Occupations of California Immigrants
(Age 16 and Older)

