

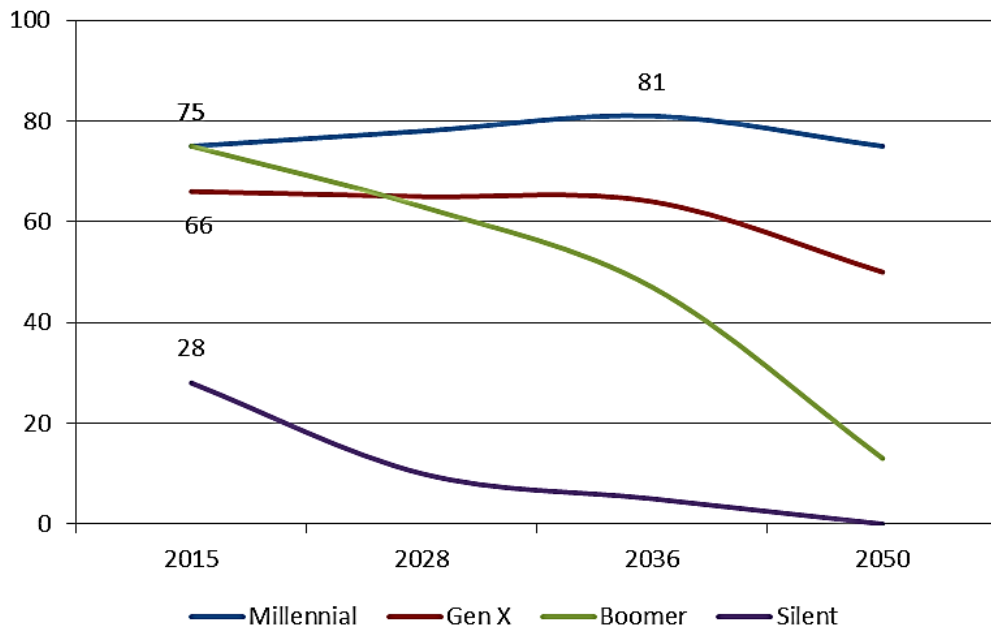
## Housing and Millennials Update

The home-buying or renting behavior of the U.S. Millennial generation continues to generate varying data and predictions. Although there is now some converging agreement on Millennials, in some areas, divergent opinion continues about the now-largest age group. While definitions of Millennials differ, most sources use ages in the range of 18-20 to 34-36.

In an April 2016 article titled *Millennials Overtake Baby Boomers as America's Largest Generation*, the Pew Research Center provided graphic predictions of how each of four defined the age groups would change over time in the U.S. as seen in the table and chart below.

	<b>Born</b>	<b>Age in 2017</b>
Millennial	1981-1997	20-36
Generation X	1965-1980	37-52
Baby Boom	1946-1964	53-71
Silent Generation	1928-1945	53-69
Greatest Generation	Before 1928	90-102

### Projected Generational Population Size - Approximations in Millions



<http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/>

An April 2017 Census report, *The Changing Economics and Demographics of Young Adulthood: 1975–2016*, presented data about the young adult population, defined as 18-34 years old, focusing on two periods: 1975 and currently (using data covering 2012–2016). The report contains extensive data and charts supporting these six highlights about demographic and economic characteristics of young adults:

1. Most of today's Americans believe that educational and economic accomplishments are extremely important milestones of adulthood. In contrast, marriage and parenthood rank low: over half of Americans believe that marrying and having children are not very important in order to become an adult.
2. Young people are delaying marriage, but most still eventually tie the knot. In the 1970s, 8 in 10 people married by the time they turned 30. Today, not until the age of 45 have 8 in 10 people married.
3. In 2005, the majority of young adults lived independently in their own household, which was the predominant living arrangement in 35 states. A decade later, by 2015, the number of states where the majority of young people lived independently fell to just six. About 24 million 18 to 34-year-olds lived in their parents' homes in 2015.
4. More young men are falling to the bottom of the income ladder. In 1975, only 25 percent of men, aged 25 to 34, had incomes of less than \$30,000 per year. By 2016, that share rose to 41 percent of young men. (Incomes for both years are in 2015 dollars.)
5. Between 1975 and 2016, the share of young women who were homemakers fell from 43 percent to 14 percent of all women aged 25 to 34.
6. Of young people living in their parents' homes, 1 in 4 is idle, that is they neither work nor attend school. This figure represents about 2.2 million 25 to 34-year-olds.



<https://www.census.gov/content/dam/Census/library/publications/2017/demo/p20-579.pdf>

A January 2017 *Housing & Mortgage Market Review* article by mortgage industry company Arch MI provides predictions about trends in the market for 2017 and beyond. Generally, Arch predicts rising home prices and continued lack of affordability. Some of the predictions are as follows:

- Home prices and rents will rise faster than incomes. The rental market will remain strong with low vacancy rates, and the inventory of single-family homes for sale will continue to be very tight. Housing unaffordability will hurt Millennials and renters the most and homeownership rates will continue to lag.

- Policy Changes will stimulate demand more than supply, increasing prices. Lending guidelines will be loosened increasing demand, but impact on supply will be limited and prices will remain high.
- There will be wide variation in home price growth, depending on local economic conditions such as job growth. Rapid price increases will continue to be in areas that are downtown, with high-income or high-education levels, areas popular with foreigners and retiring baby boomers, and tech centers.
- Mortgage rates will continue to increase, partly because low unemployment is finally starting to cause acceleration in wage growth in many places.

Arch MI is a mortgage insurance industry company developing origination opportunities for lenders. This company partners with lenders, community banks and credit unions across the United States.

[http://www.themreport.com/wp-content/uploads/2017/01/HaMMR\\_Winter2017.pdf](http://www.themreport.com/wp-content/uploads/2017/01/HaMMR_Winter2017.pdf)

Some sources continue to indicate that Millennial generation entering their early- to mid-30s who graduated from college at the beginning of the housing recession still have problems earning enough to cover their expenses of student loans, rent, and other daily living costs, while trying to save for a home down payment. Those who graduated from college 2008-2012 found a weak job market, and many moved back into their parents' homes.

Older Millennials saw parents lose jobs, cash out their 401(k)s, and take lower-paying jobs that often did not offer benefits. They saw parents losing homes to foreclosure. However, it appears that with the recovering economy, Millennials (especially older members) have been starting to build careers with increased financial stability. These older Millennials are getting married, starting families and beginning to look for a home to buy.

Millennials tend to prefer paying for use rather than ownership and so are not as tied to a particular property as their parents might have been. Homeownership is often considered a short-term investment. Those who buy often anticipate moving in the near future for a job or just want the financial benefits of homeownership such as a homeowner tax deduction.



A January 2017 article from Meyers Research, based on a December 2016 survey of Millennials, described three key findings that help frame the dilemma of predicting Millennial housing choices and behavior:

- **One size does not fit all.** There are approximately 75 million people under 35 in the U.S. A 25-year-old buyer in the Midwest may have very different preferences than a 25-year-old in Oregon or Florida.
- **Fifty-five percent of survey respondents wanted to buy in the next 1-5 years.** Many Millennials want to own a home at some point, but the Myers survey indicated that 30% of Millennials wanted to buy a home in the next 1-3 years, and 25% in the next 3-5 years.
- **Location was valued most.** When asked about what was valued most about buying a home, location was number one, followed by price.

Top Values Of Where One Lives	
Location	30%
Price	19%
Outdoor Space	11%
Walkability	9%
Design	8%

<http://www.meyersresearchllc.com/perennial-millennial-3-keys-things-know/>

Even though some sources indicate difficulty for younger homebuyers, other research indicates that this group has been buying homes. Since 2013, the National Association of Realtors® has reported on generational trends in the housing market. In a March 2017 article, NAR research analysts provided their findings, some of which were the following:

- For four years, 34% of homebuyers had been in the age group 36 and younger (Millennials/Gen-Y) and were the largest share of homebuyers.
- Almost half (46%) of this group of buyers reported student loan debt with a median loan balance of \$25,000.
- Most likely to buy a multi-general home were buyers aged 52 - 61.
- Buyers aged 62 - 70 generally moved the furthest (a median of 25 miles) and were least likely to make compromises on their home purchases.

<https://www.nar.realtor/sites/default/files/reports/2017/2017-home-buyer-and-seller-generational-trends-03-07-2017.pdf>

According to the National Association of Realtors®, the entire residential real estate market process is changing due to Millennials' increased use of personal technology. Younger homebuyers will not be using the telephone to find homes. Instead, they will email or text, so real estate agents and developers will have to be tech-savvy. Smart phones are primary way Millennials search for homes. Millennials search for everything on the internet including homes and they look at multiple sources to get accurate information. These buyers are used to looking at reviews and review web sites. Younger buyers want to know what to expect and

when – they use digital spreadsheets and charts, checklists and to-do lists and want to know what’s happening at all stages of the house search process.

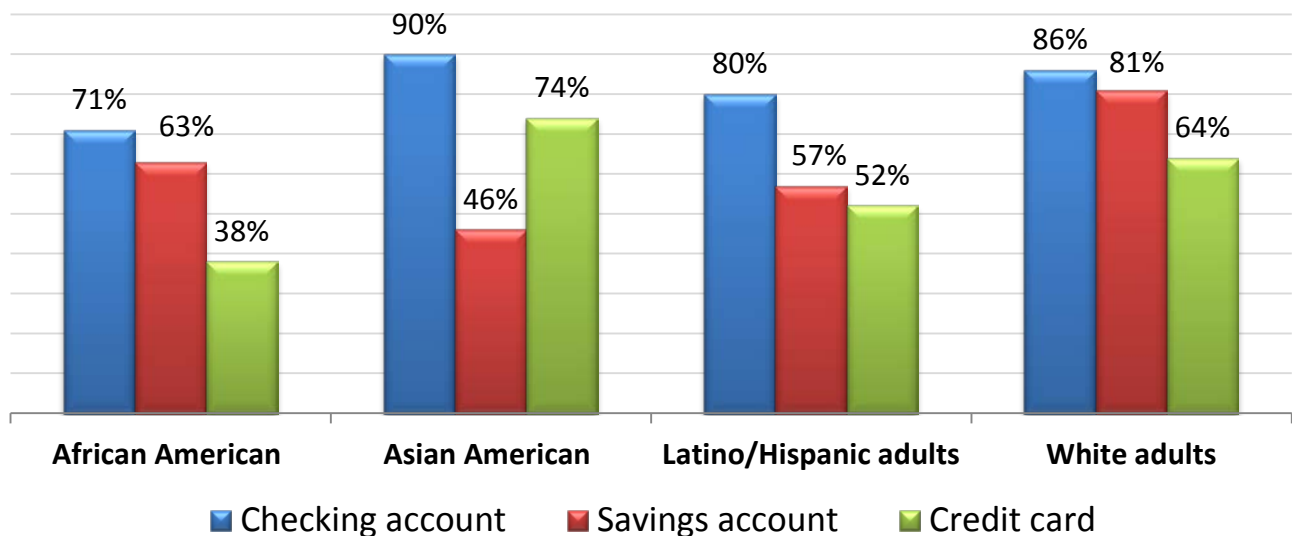
### Racial/Ethnic Differences

Among the writing about Millennials, there is consensus that there are differences between younger and older people in that category. Presumably, there are also other dissimilarities among subgroups. One example of research in this area involves racial and ethnic differences found in the Millennial cohort.

The Black Youth Project (BYP) at the Center for the Study of Race, Politics, and Culture at the University of Chicago works to understand the challenges and opportunities faced by young people of color. This project strives to show that not all Millennials are alike, and that dissimilarities by race exist even within sub-groups of younger and older Millennials. Their efforts include the GenForward Survey project. For this study, interviews were conducted from with young adults in the GenForward® nationally representative survey panel of adults ages 18-34. GenForward® was funded by grants from the John D. and Catherine T. MacArthur Foundation and the Ford Foundation.

Among the several measures showing dissimilarities among the Millennial age group interviewed during this multi-year study are differences in the use of traditional banking products as shown in the Chart below.

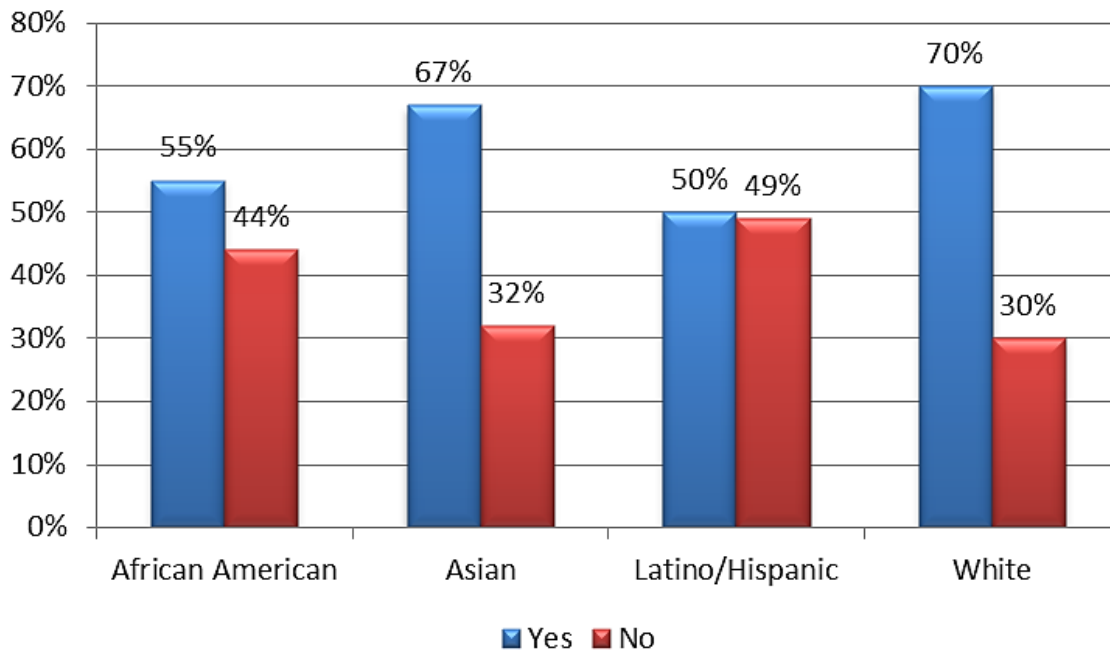
Use of Traditional Banking Products by Race/Ethnicity



Source: GenForward April 2017 *Toplines: Economic Lives*.  
<http://genforwardsurvey.com/assets/uploads/2017/06/Toplines-economic-lives.pdf>

This project also reported similarities in some economic factors studied. When asked, "Do you know what a personal credit score is?", at least half in each racial/ethnic category responded positively, although there was still a difference in degree as shown in the chart below.

### Knowledge About Personal Credit Scores



More information about economic differences by race and ethnicity of Millennials is in a June 2017 report, *A Report on the Lived Economic Lives of Millennials*.

<http://genforwardsurvey.com/assets/uploads/2017/06/Millennials-Economic-Lives.pdf>

Other reports are also available at the GenForward data site: <http://genforwardsurvey.com/data/>