



MAY 2019

# Millennial Homeownership & Living Arrangement

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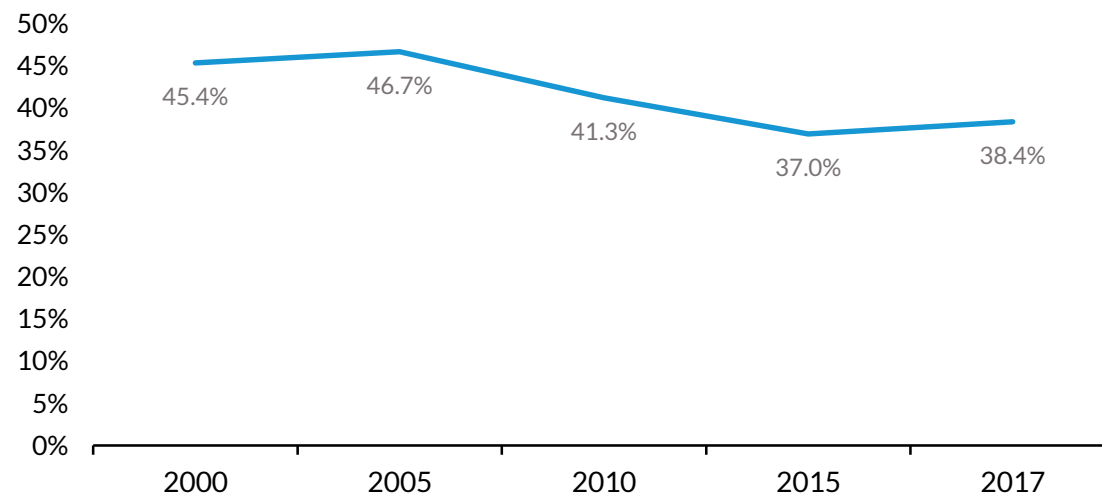


# Homeownership & Living with Parents

Compared to Baby Boomers and Gen Xers, Millennial Homeownership rate is **7-8** percentage lower.

If the homeownership rate for millennials had stayed the same as previous generations, there would be about **2.4 million** more young homeowners (age: 25-34) today.

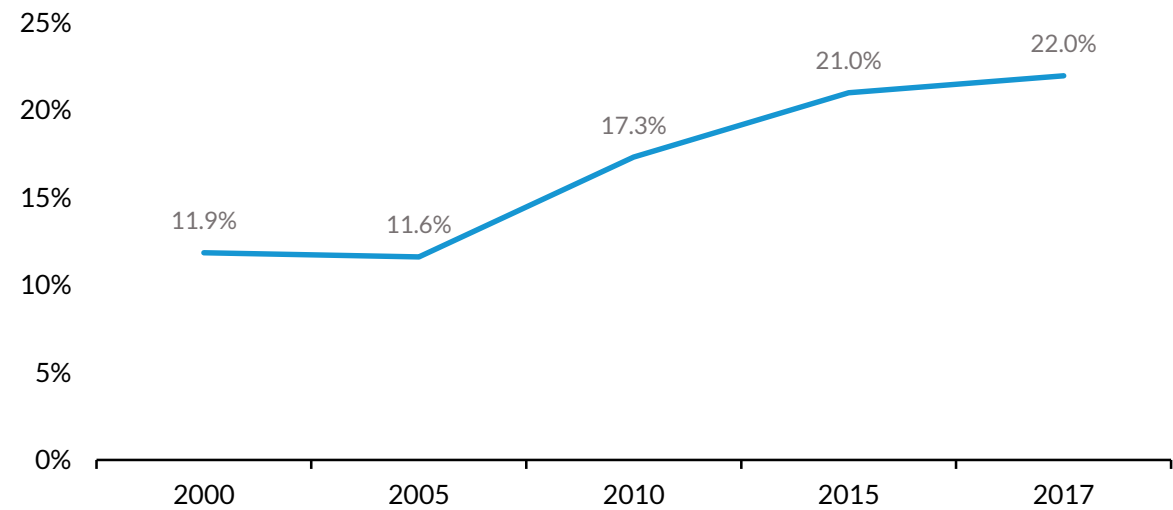
### Homeownership Rate (Heads 25-34)



Source: Decennial Census & American Community Survey

The share of young adults living with their parents has increased from **12 to 22%** between 2000 and 2017, adding about **5.1 million** more young adults living under their parent's roof.

### % Young Adults (25-34) Living with Parents

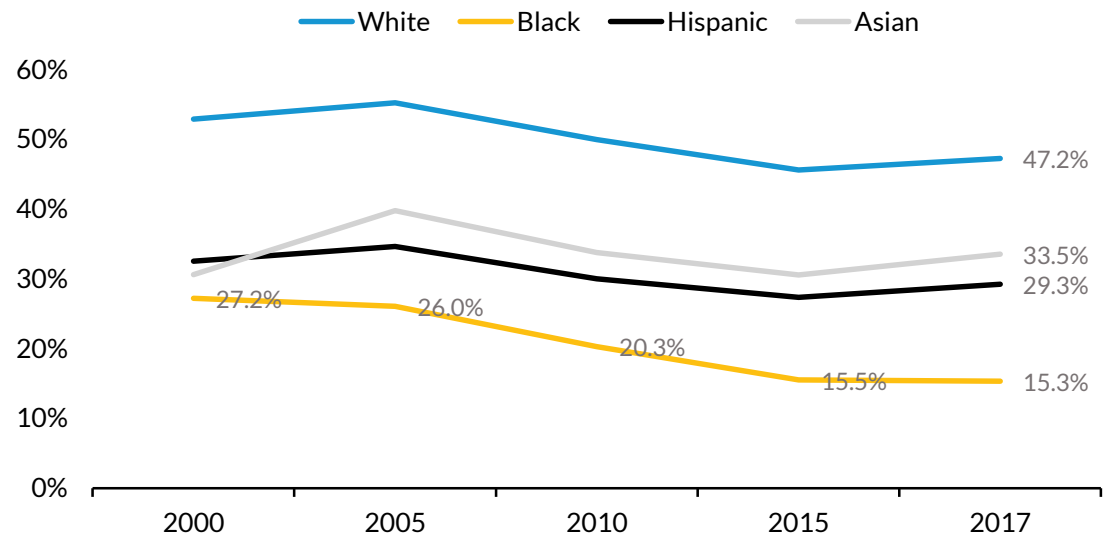


Source: Decennial Census & American Community Survey

Black millennials have the lowest homeownership rate (**15.3%** in 2017).

The black-white millennial homeownership gap increased from **25.7%** in 2000 to **31.9%** in 2017.

### Homeownership Rate (Heads 25-34)

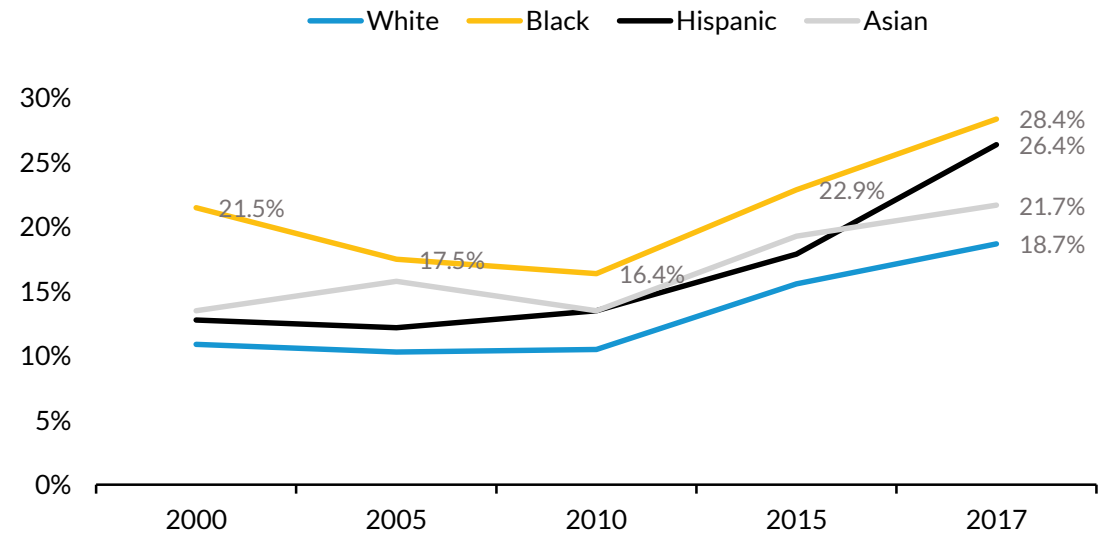


Source: Decennial Census & American Community Survey

Black millennials are most likely to live with their parents (**28.4%** in 2017)

Between 2010 and 2017, the share of black millennials living with parents increased by **12** percentage points.

### % Living with Parents (Age 25-34)

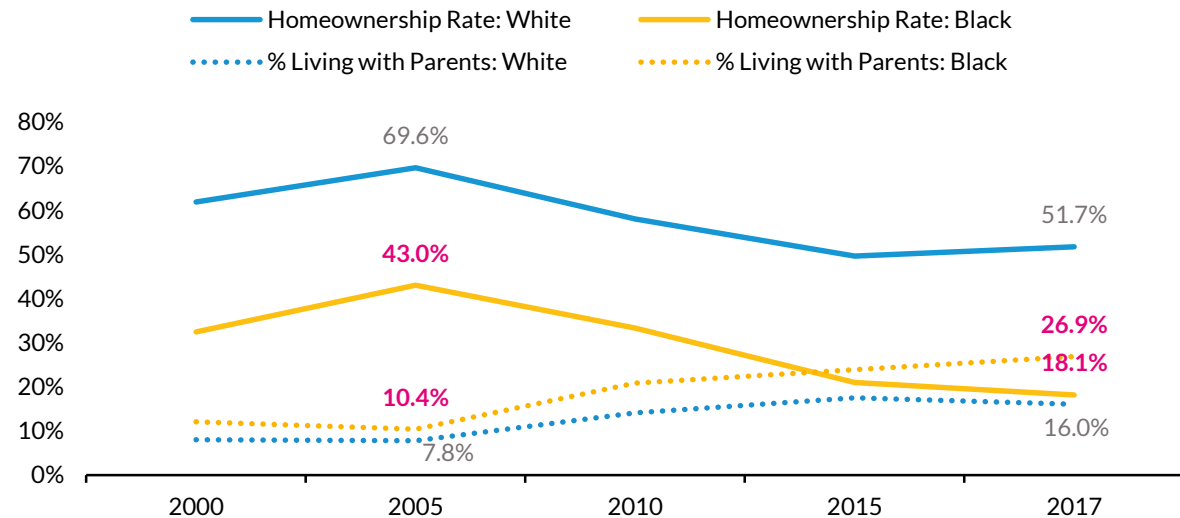


Source: Decennial Census & American Community Survey

In 2017, black millennials' homeownership rate in Atlanta was **18.1%**, a significant drop from **43.3%** in 2005.

The share of black millennials living with parents increased from **10.4%** to **26.9%** between 2005 and 2017.

## Homeownership Rate & % Living with Parents Atlanta



Source: Decennial Census & American Community Survey

# Why are Millennials Owning Less and Living with Their Parents More?



# Are Millennials Different?

## Shift in Preferences

- Multiple surveys find that millennials have **strong desire to pursue homeownership**.
- Many millennials **prefer living in high cost cities and core urban areas**, where housing is relatively expensive.

## △ Demographic/Socioeconomic Characteristics

- Millennials are more **racially and ethnically diverse**, and the people of color have lower homeownership rate than whites.
- Millennials **delay marriage** (and child birth). Only 40 percent of Millennials ages 25 and 34 were married in 2017, a substantial decrease from almost 60 percent in 1990.

# Do They Face Greater Barriers?

## Employment & Income

## Student Debt

## Limited Housing Supply

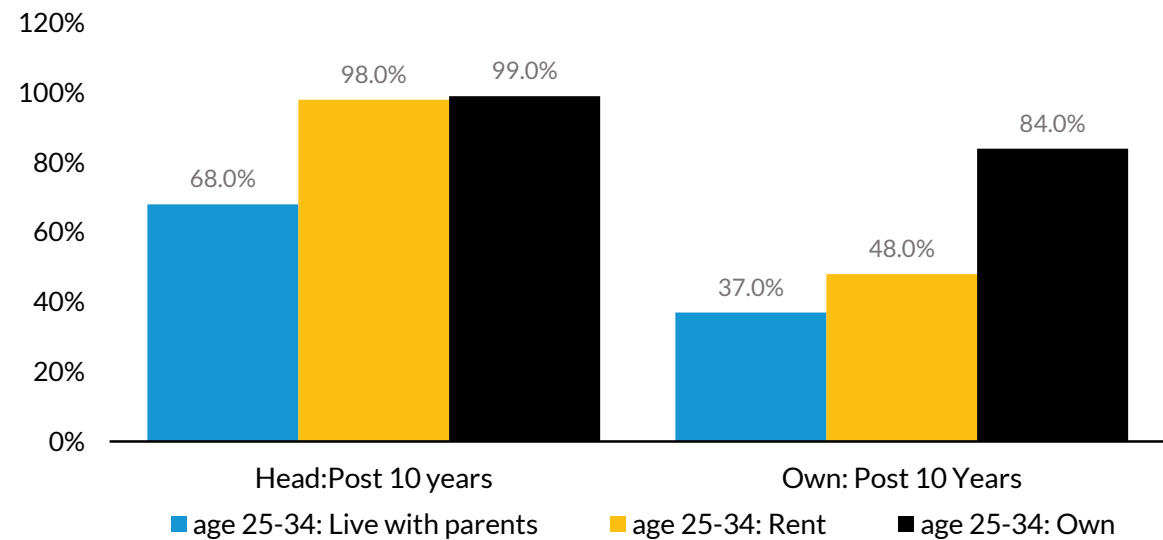
## Tight Credit

- Young adult's unemployment rate shot up to **10 %** in 2010. However, the unemployment rate fell to **4%** by 2019 Q1.
- The average student debt of young adults ages 25 and 34 increased from **\$4,346** in 2001 to **\$17,120** in 2016.
- The number of new housing starts in 2018 **is lower than that of the 1960s**, when the U.S. population is only about 55 percent of what it is today.
- The median credit score for mortgages at origination was **736** in April 2019 —higher than the median of **692** in 2000, a period of reasonable lending standards .

# What are the Long-Term Consequences?

Young adults who stayed with their parents at ages 25-34 are less likely to be heads and homeowners 10 years after.

### Headship & Homeownership 10-Years Later



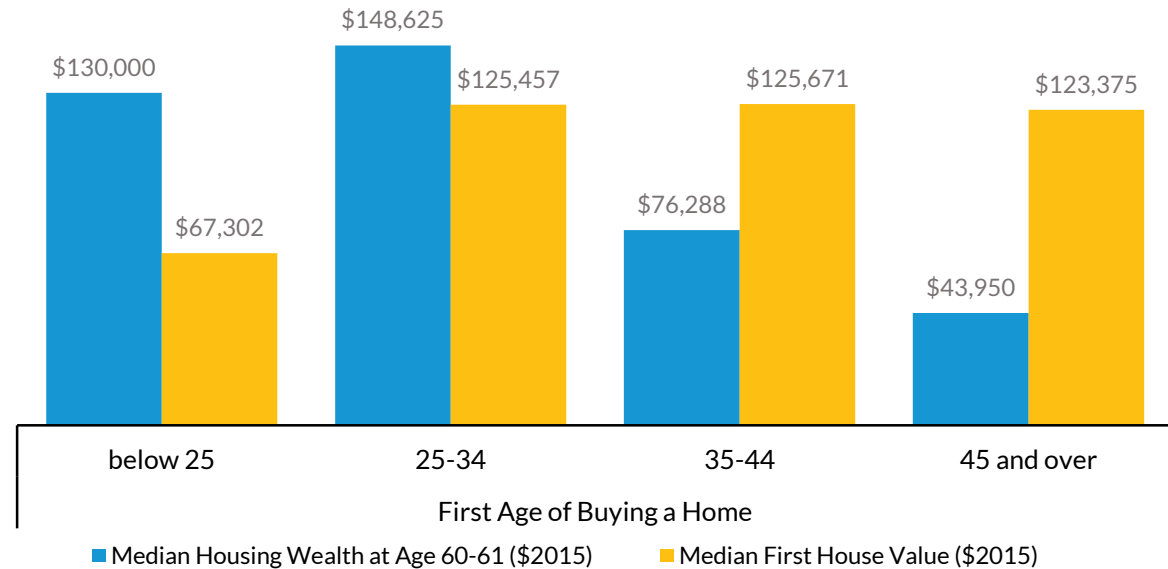
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Source: Panel Study of Income Dynamics

Homeownership is an important tool to build future wealth.

The younger you buy, the greater return you gain from your initial housing investment.

### Median Home Equity at Age 60/61 and Median First House Value



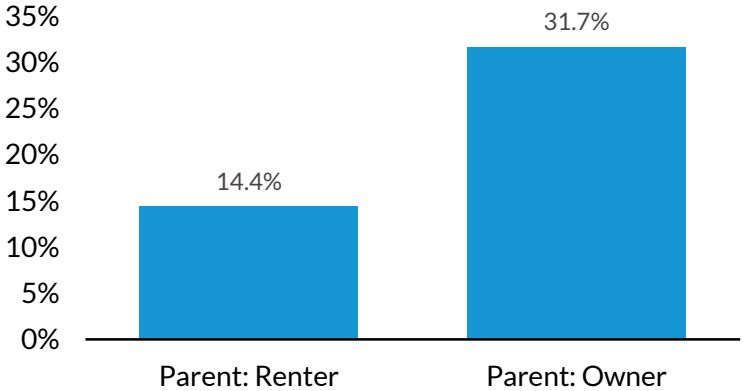
Source: Panel Study of Income Dynamics

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# Impact on Future Generations

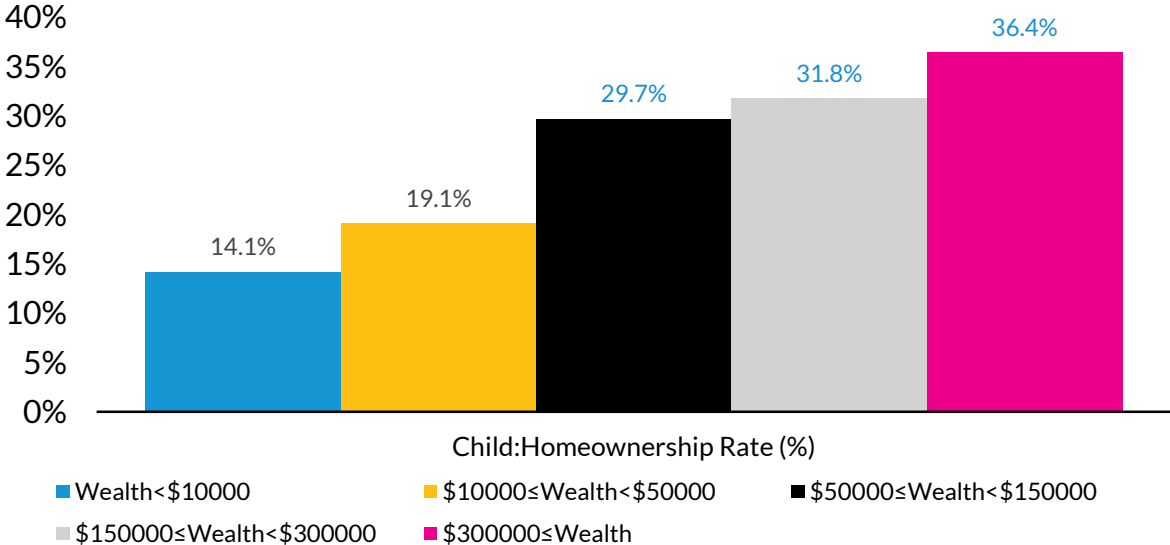
- Parental Wealth and Homeownership explains **12%** of the black-white young adults' homeownership gap.
  - Children of homeowner parents are **4-5** percentage points more likely to be homeowners, all else equal. A 10 percent increase in parental wealth increases child's likelihood of owning by **0.15-0.20** percentage points.

**Child Homeownership by Parent Ownership**



Source: PSID

**Child Homeownership by Parent Wealth**



Source: PSID

Who should we reach out to?

# How many black millennials are mortgage-ready?

- In the 31 largest MSAs, there are over **1.7** million black millennials who would qualify for a mortgage.
- **Atlanta**, New York City, Washington, DC, and Chicago each have more than 100,000 blacks ready for homeownership.

**Source:** Freddie Mac calculations using anonymized credit bureau data.

**Notes:** A consumer is mortgage ready if he or she does not have a mortgage, is 40 or younger, has a FICO score of 620 or above, has a debt-to-income ratio not exceeding 25 percent, has no foreclosures or bankruptcies in the past 84 months, and has no severe delinquencies in the past 12 months. Based on September 2016 data.

