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HOUSING MATTERS

Millennials Want Homeownership

Let's Not Leave Them Behind

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Homeownership is more common in the United States than in most other developed countries. Not only does owning a home provide shelter and stability but also it has become a

way to save and build wealth.

Homeownership peaked at almost 70 percent of households in the mid-2000s, but during the Great Recession the rate dropped to under 63 percent – a 50-year low. Only in 2017 did the rate begin to rise again, reaching just over 64 percent.

But the Millennial generation (persons born between 1981 and 1997) lags behind both Baby Boomers and the in-between Generation X in homeownership rates.

The current homeownership rate is 75 percent for Baby Boomers, about 60 percent for Gen Xers and in the 30s for Millennials. More Millennials rent (46 percent, according to one study) or live with relatives or friends (12 percent) than own.

According to Freddie Mac, which provides capital to mortgage lenders, home prices have increased inordinately since 2000 compared to incomes, and this along with the recession caused a lag in homebuying that is predicted to continue. For adults now aged 24 to 35, the homeownership rate in 2025 is predicted to be 36.6 percent – a whopping 9 percentage points below what it was for Gen Xers or Baby Boomers at that stage of life.

Millennials, about 75 million in number today, are the largest generation in the country's history. If they had bought houses like previous generations did, there would be about 3.4 million more homeowners today, according to a newsletter of the Urban Land Institute.

The low homeownership rate for Millennials is

attributed to delayed marriages, more education debt and the high costs of urban living. Also, Millennials are more racially diverse, with Hispanic and black Millennials in many cases falling behind economically.

Exacerbating the situation, homeownership was out of reach for many because of the drastic tightening of lending requirements that were imposed following the housing market collapse that accompanied the Great Recession.

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– Barry Bluestone,
professor of political economy,
Northeastern University

A recent slight increase in Millennial homeownership rates is important for many reasons, including demonstrating that Millennials are interested in owning. According to a Bank of America study in Boston, more than two-thirds of Millennial respondents said buying a home is a priority, ranking above getting married and having children.

Barry Bluestone, professor of political economy at Northeastern University, said he thinks time will help solve this problem. “As young people enter their 30s and marry with kids, they will start looking for places to live,” he said. “I think we’ll begin to see the homeownership rate tick up.”

But where will the housing stock come from? This is a huge structural problem.

Historically the United States has built housing to accommodate demand, Bluestone said. From the 1800s to mid-20th century in urban areas it was triple-deckers, built for immigrants to afford. Then, after World War II, the GI Bill and interstate highway system fueled suburban development. But today the housing just isn't there at the right price.

Surveying 600 Millennials, Bank of the West PNB Paribas found that quality of schools ranked high among Millennials' priorities.

David Begelfer, CEO of NAIOP Massachusetts, said Greater Boston is falling way behind. “It's a serious problem – we don't have high-quality schools in areas with low-cost housing,” Begelfer said.

What Millennials need is smaller homes on smaller lots, perhaps a sixth of an acre, Begelfer said. But local zoning rules and stiff opposition to density make that unlikely.

There have been targeted efforts to try to create housing to address this. Gov. Charlie Baker filed starter home legislation in late 2016. Municipalities also recognize the difficulty of creating housing at scale, and more recently with help of MAPC the Metro Mayors Coalition has come together to promote a regional approach to produce more housing in Greater Boston overall. But it takes time to ramp up production, at a time when the appetite among Millennials is strong and continues to build.

As a society and nation, it is essential we dispel the myth that Millennials don't want to be homeowners. While owning a home is not for everyone, there is a generation that we cannot afford to leave behind.

Although they have come to it later for a host of reasons, a majority of Millennials do dream of owning their own home. It is critical to find ways of eliminating the obstacles standing in their way. ◀

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