



*First American*

# The State of Homeownership:

## Millennials and Supply Restricted Real Estate Markets

February, 2020



#FirstAmEcon



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**“It ain’t what you don’t  
know that gets you into  
trouble. It’s what you know  
for sure that just ain’t so.”**

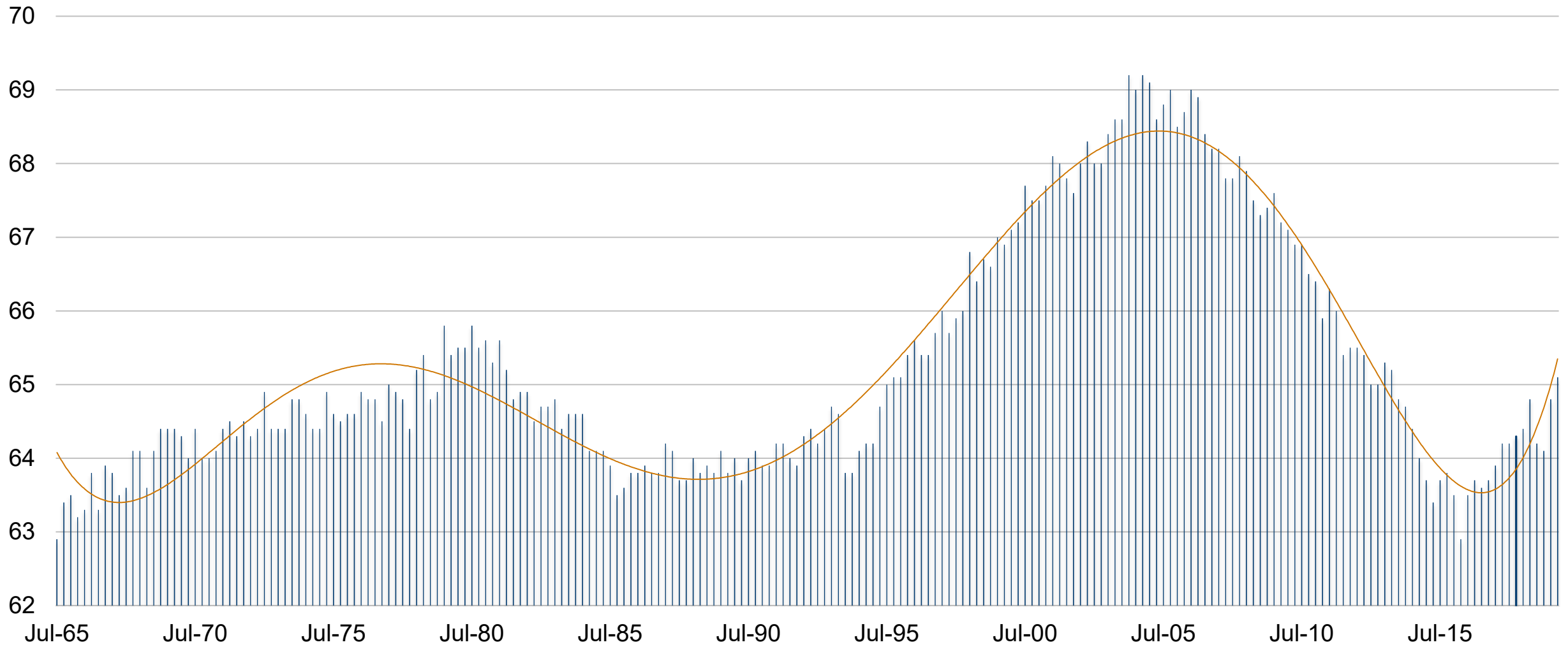
**- Mark Twain**



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# Homeownership Demand Resurgent

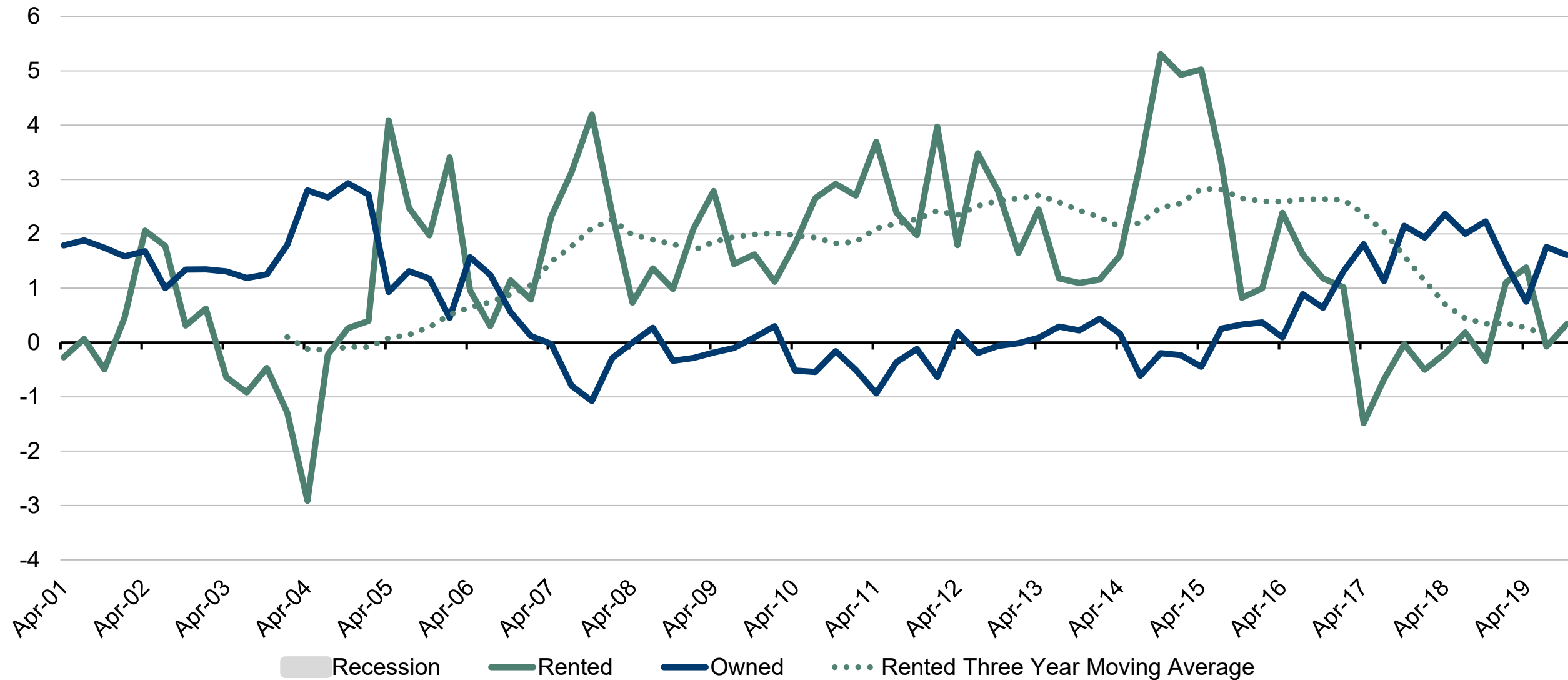
Homeownership Rate (%)



Source: US Census Bureau, Q4 2019

# The Tenure Choice Transition is On Again

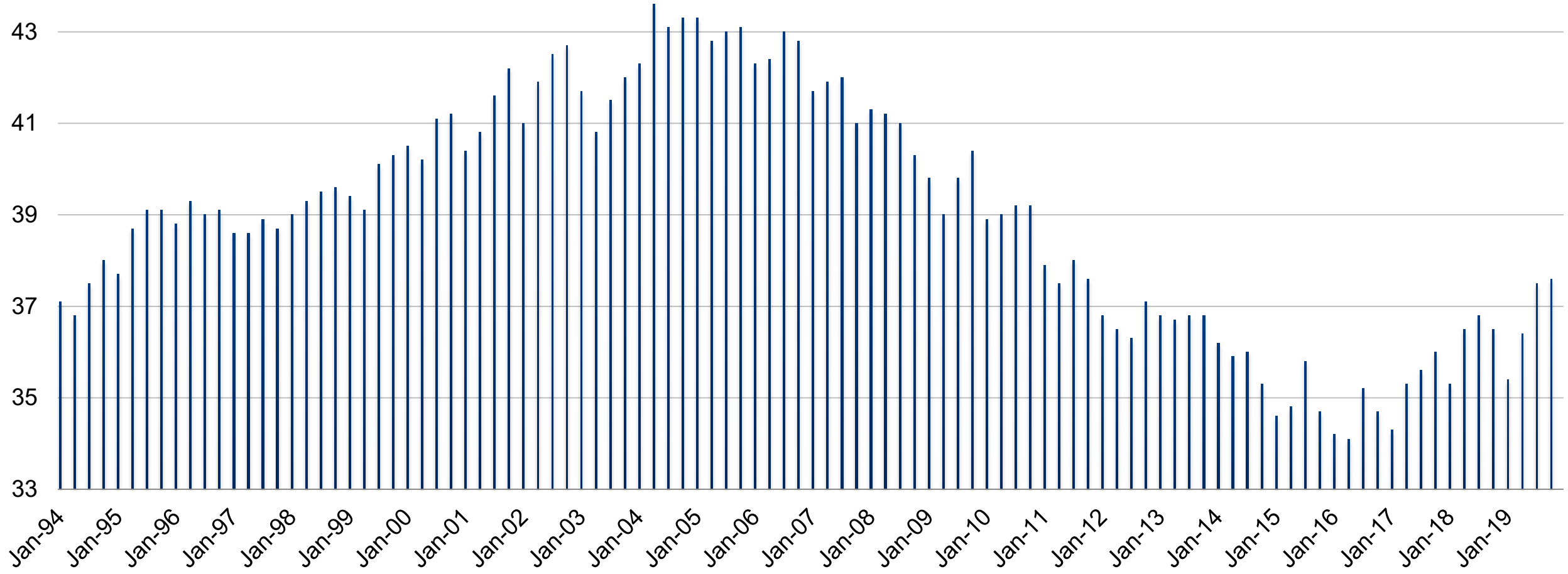
Household Formation by Occupancy Type (Year-Over-Year Inventory Growth, %)



Source: Census Bureau, FRED Q4 2019

# Gen Why? Why Own a Home?

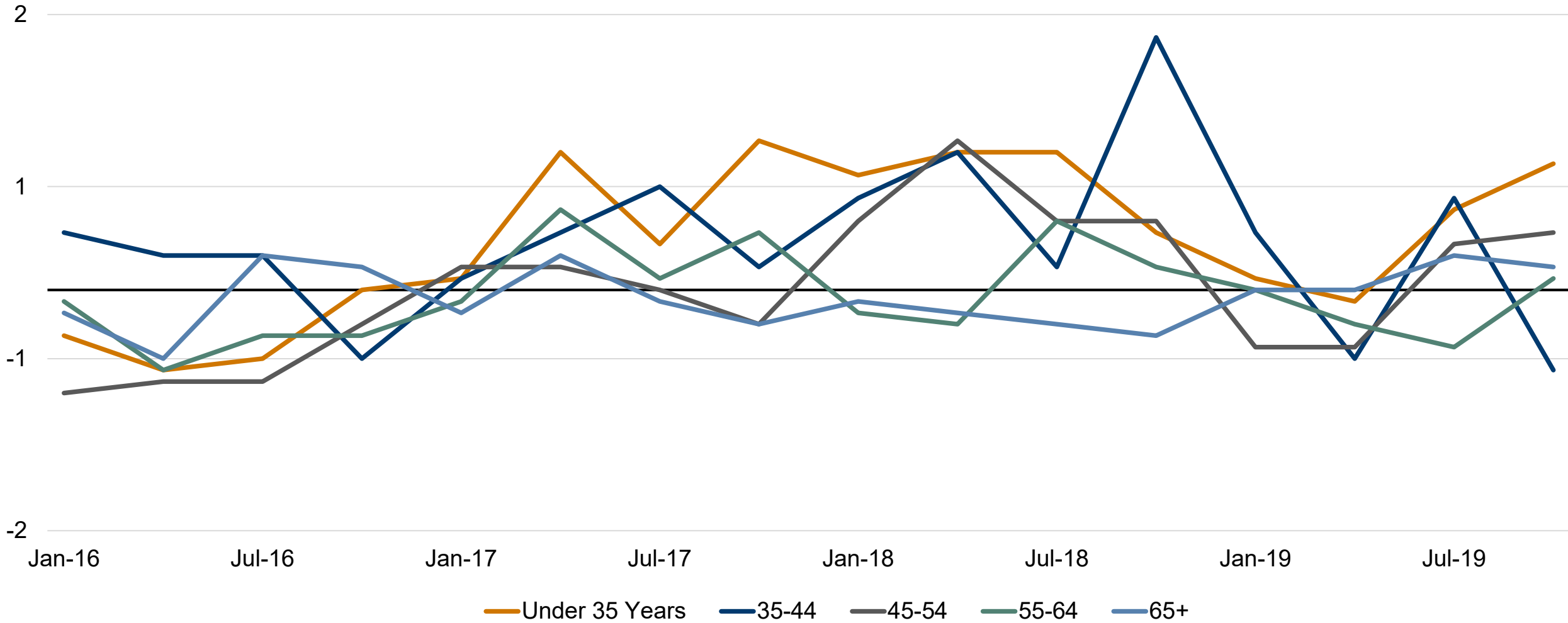
Homeownership Rate for Households Under 35



Source: Census Bureau CPS/HVS, Q4 2019

# Millennials Drive Homeownership Growth

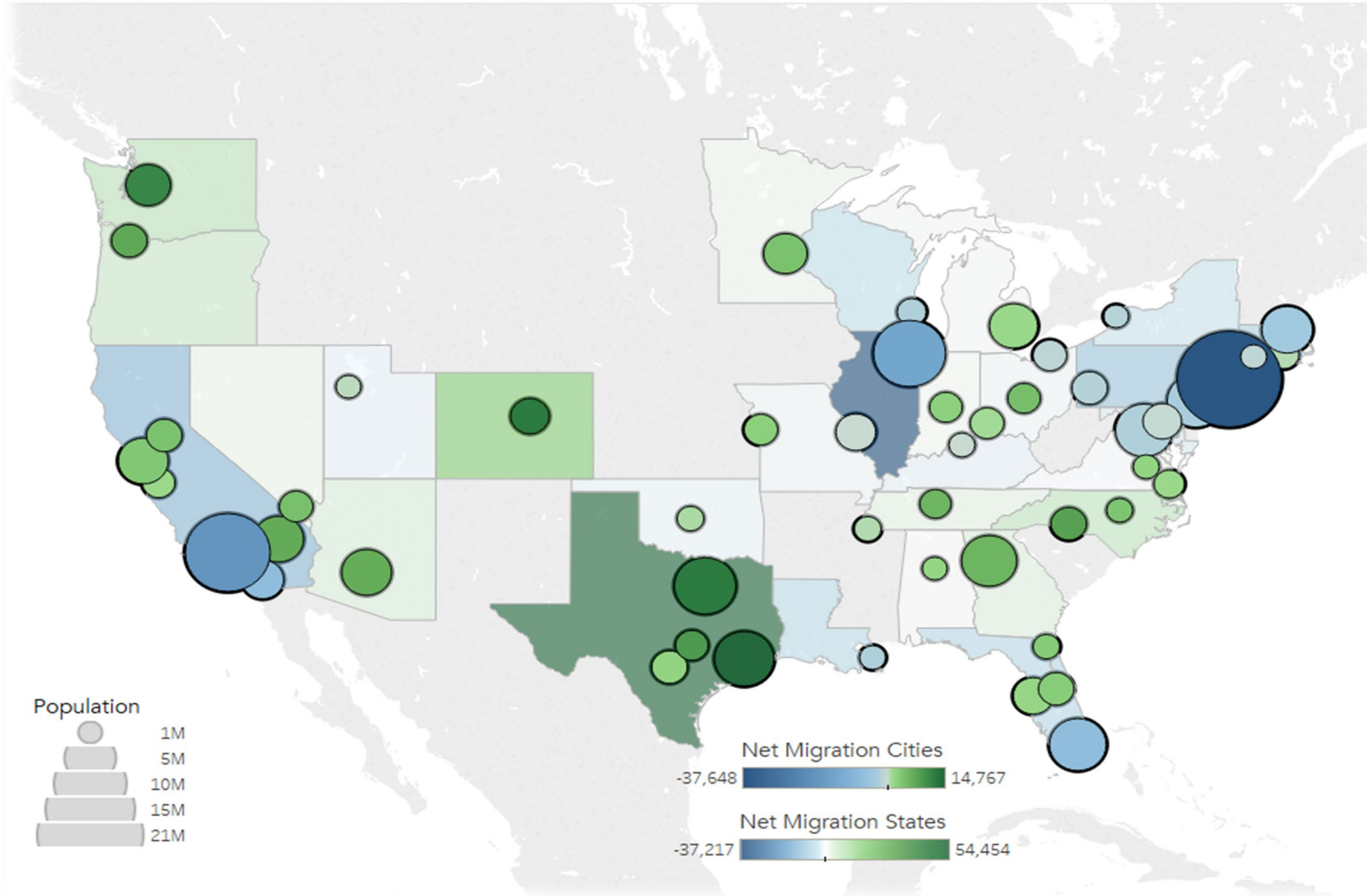
Homeownership Rate by Age Cohort (%)



Source: Source: US Census Bureau, Q4 2019

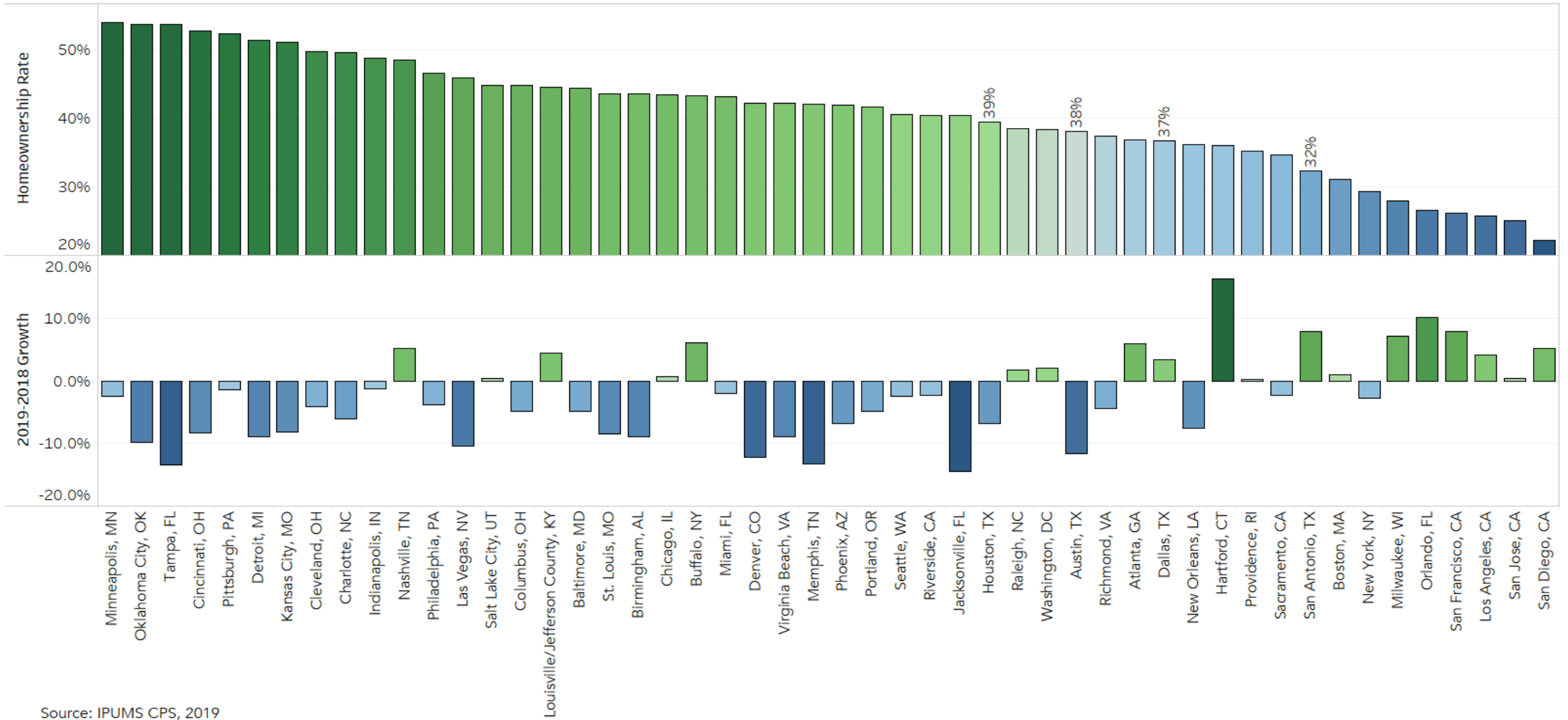
# Where Millennials Are Moving

Annual net migration of residents ages 25 to 34, 2012-2017



# Where is Millennial Homeownership Highest and Growing?

Millennial HR 2019 (Top) and Year-over-Year Change (Bottom), %



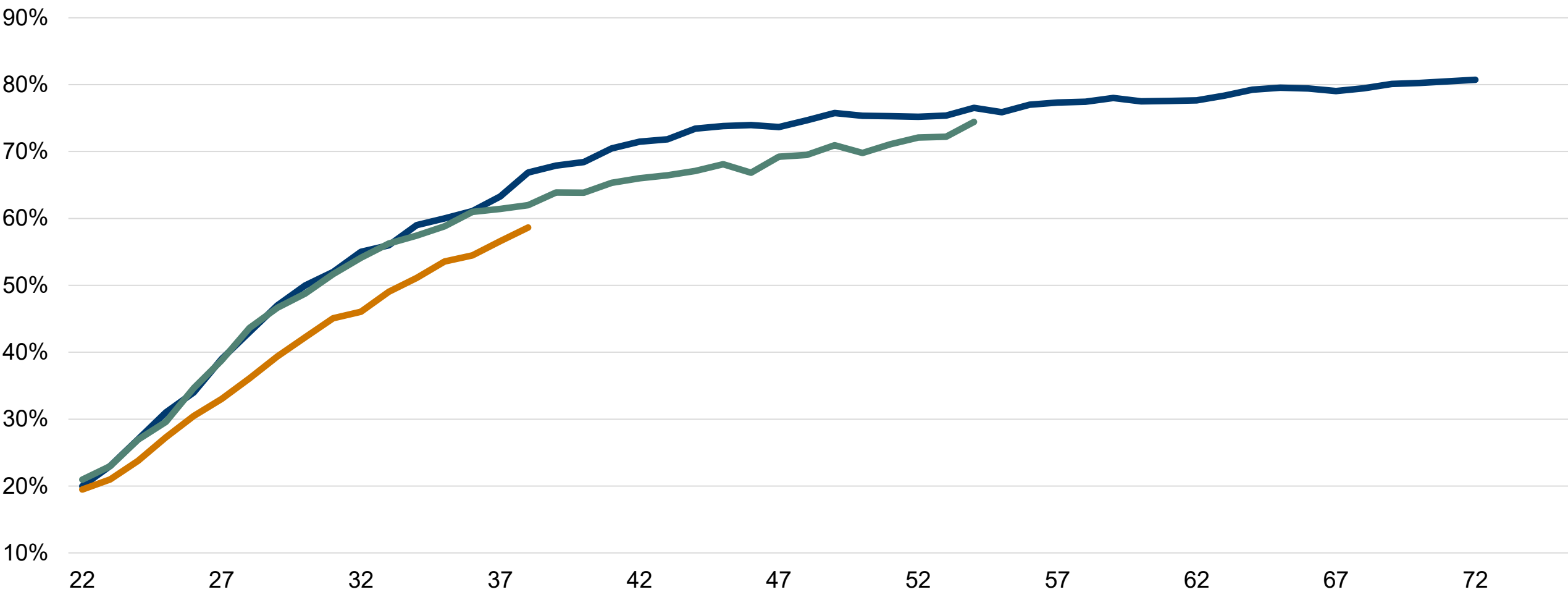
Source: IPUMS CPS, 2019





# Millennials Playing Catchup

Homeownership Rate by Generation



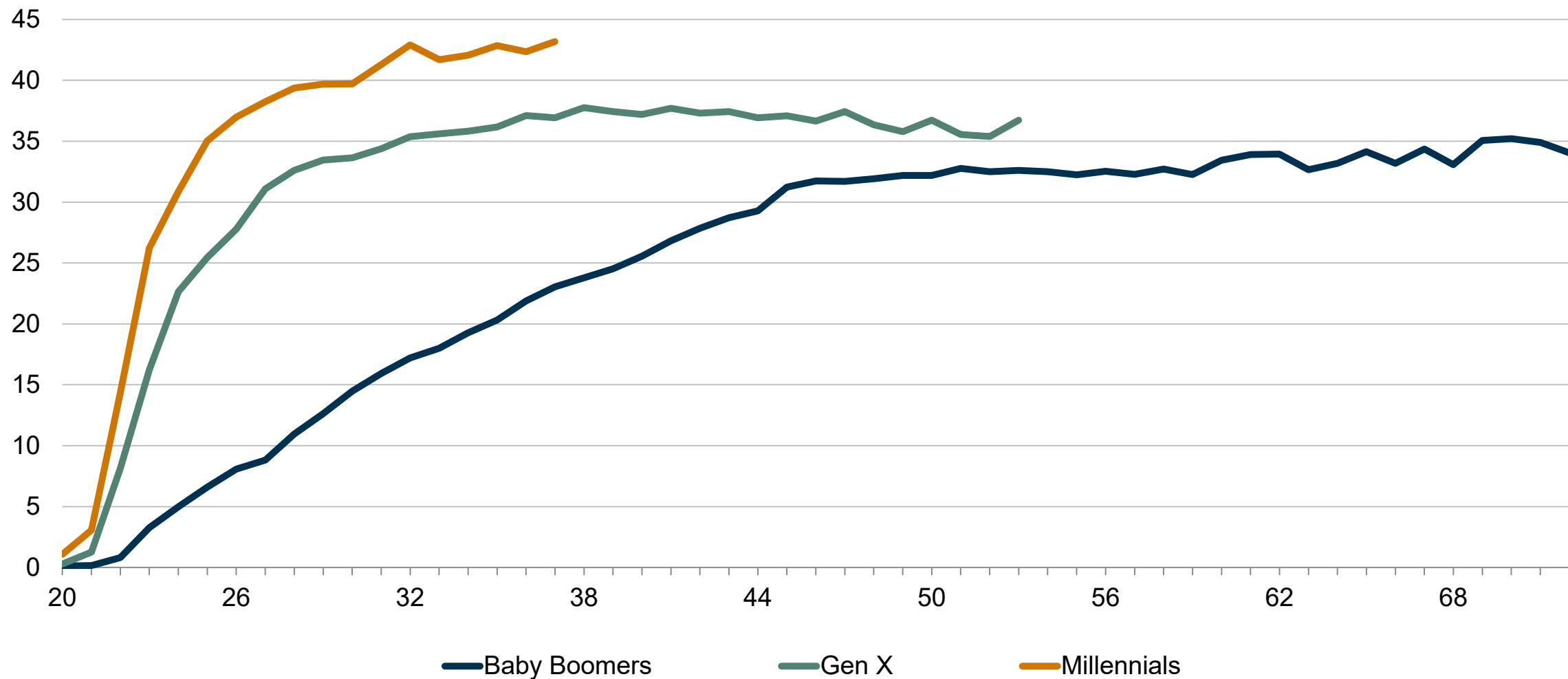
Source: IPUMS CPS, First American Calculations, 2019

— Baby Boomers — Gen X — Millennials



# Delaying Homeownership- Education Takes Time

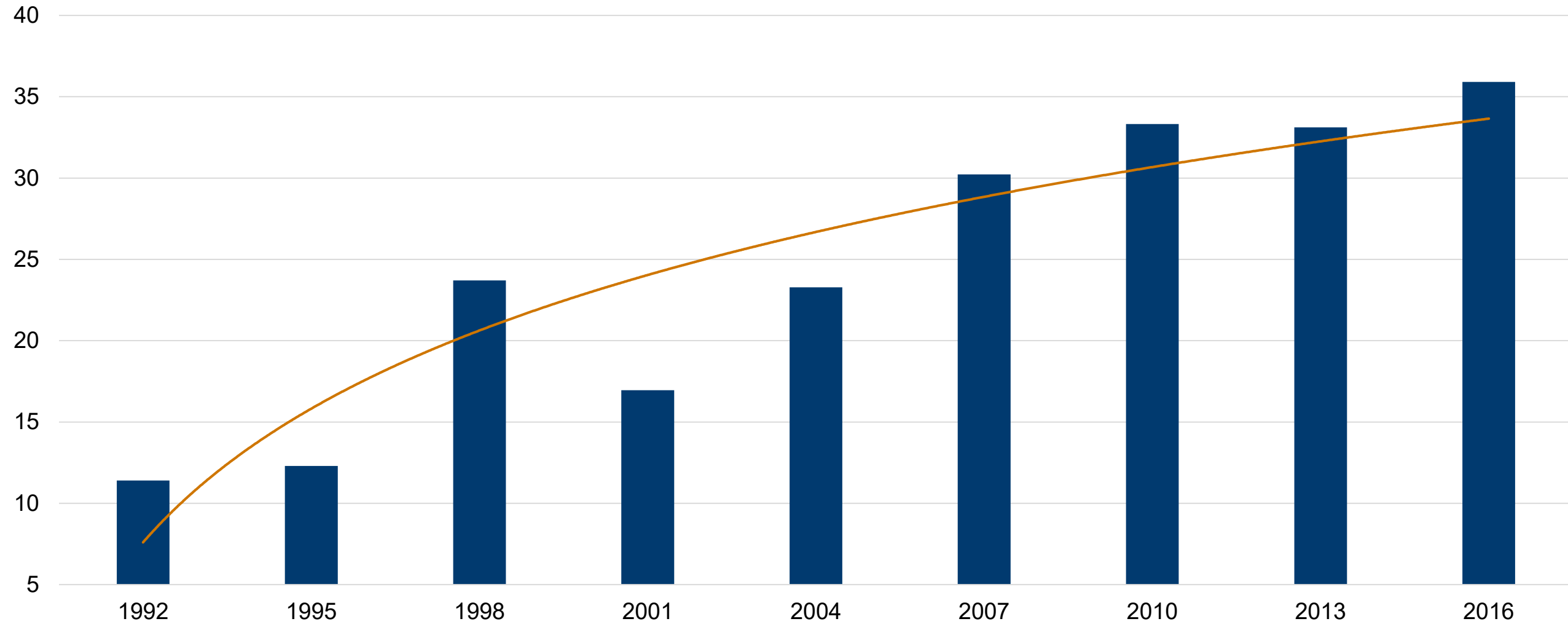
Percent Share of Population with Bachelors Degree or Higher



Source: ACS IPUMS, 2019

# Rising Student Loan Burdens

Average Outstanding Balance for all Student Loans, \$ (Thousands)



Source: Federal Reserve Board of Governors SCF, 2016

# Where's the Burden

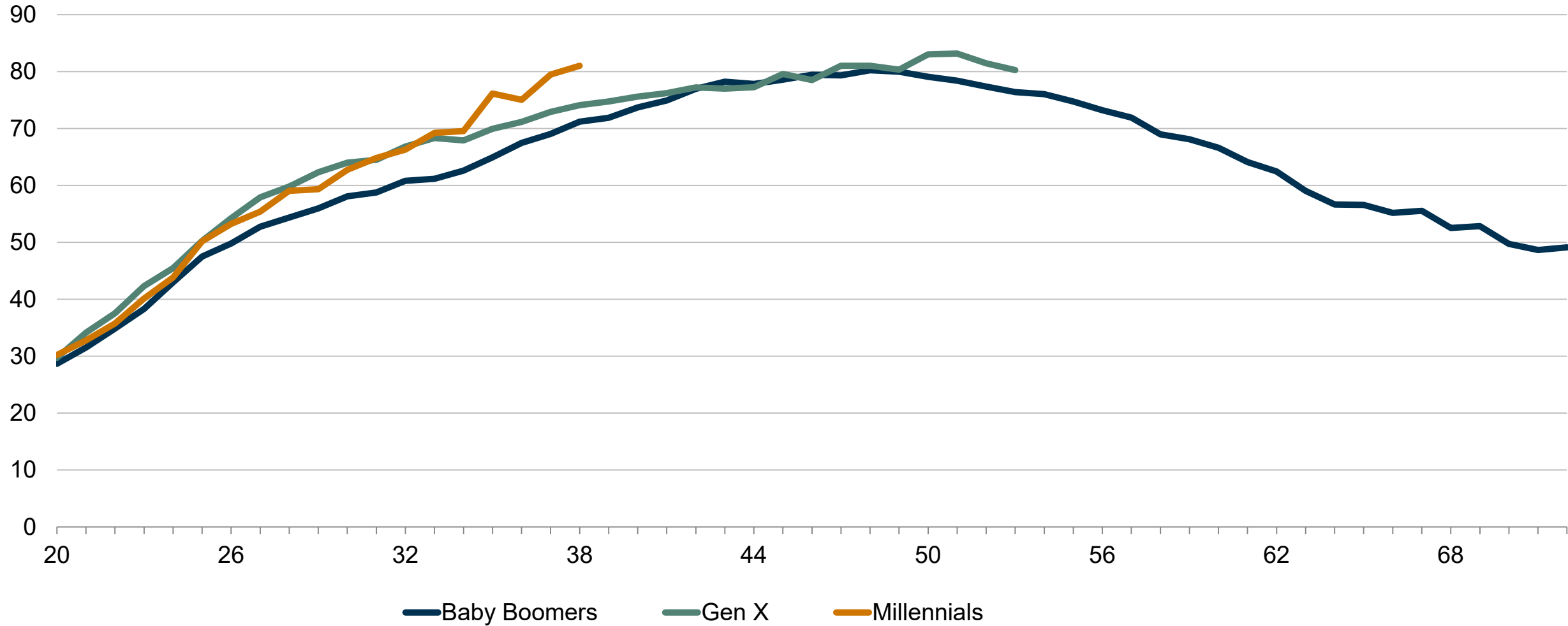
Average Loan Term (Years) and Payment-to-Income Ratio



Source: Federal Reserve Board of Governors SCF, 2016

# Millennials Outpace Baby Boomers

Median Income by Generational Cohort, Thousands (\$)

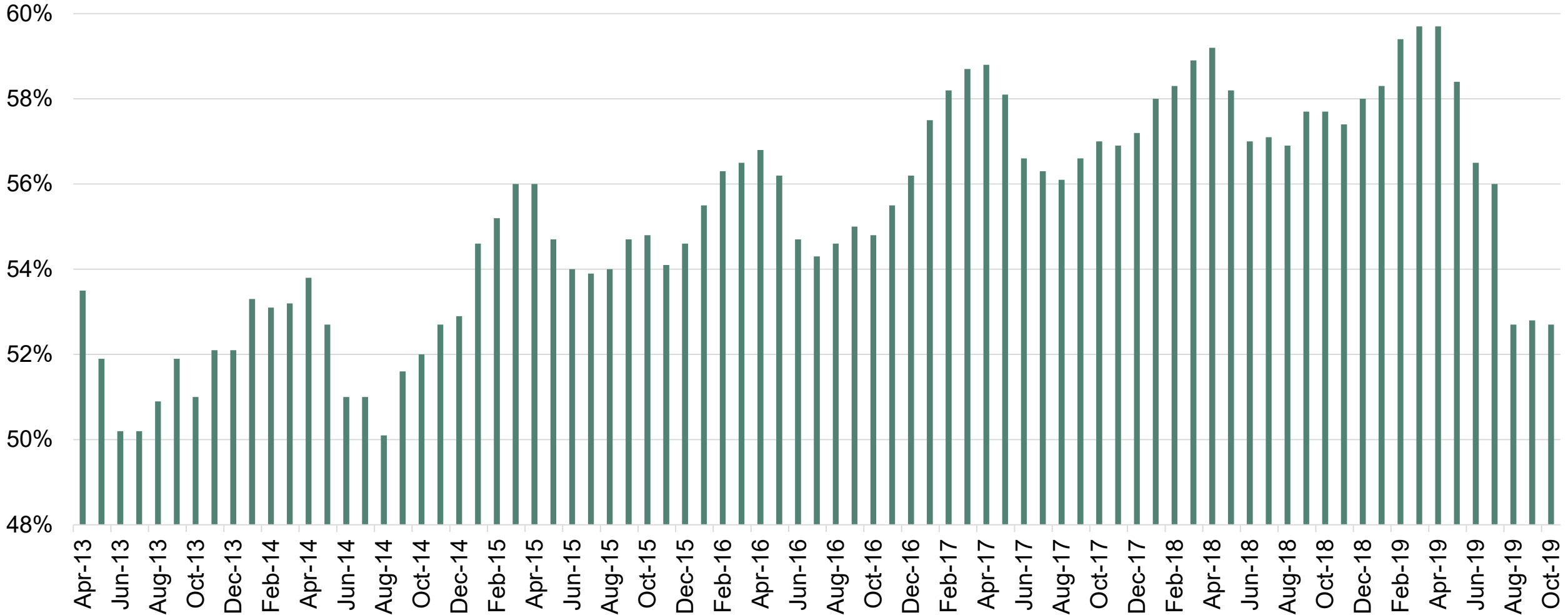


Source: IPUMS CPS, First American Calculations, 2019



# Know Your Customer?

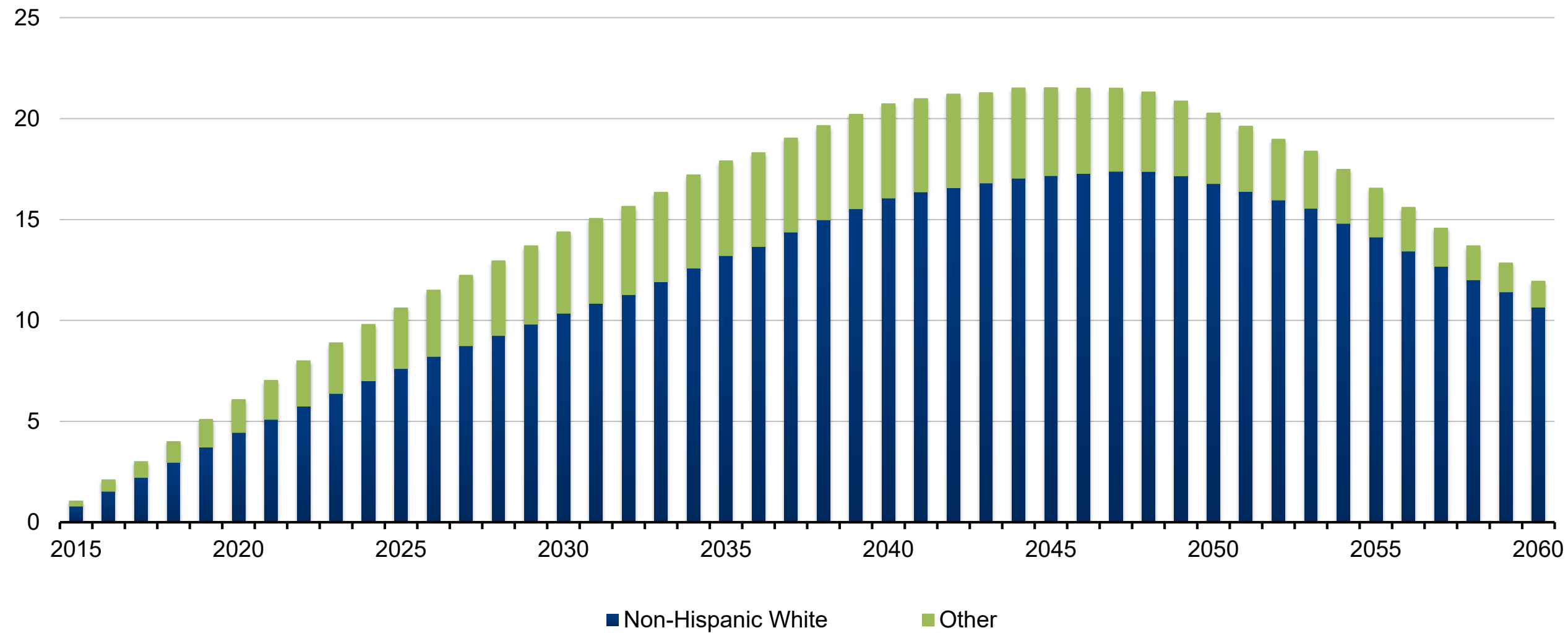
First-Time Homebuyer Market Share (%)



Source: AEI International Center on Housing Risk, Oct. 2019

# Wait For it....

Cumulative Net New Owner-Occupied Households (17-35 Yrs. Old in 2015, Millions)



Source: Census Bureau, FirstAm Calculations

# The Existing Owner's Dilemma

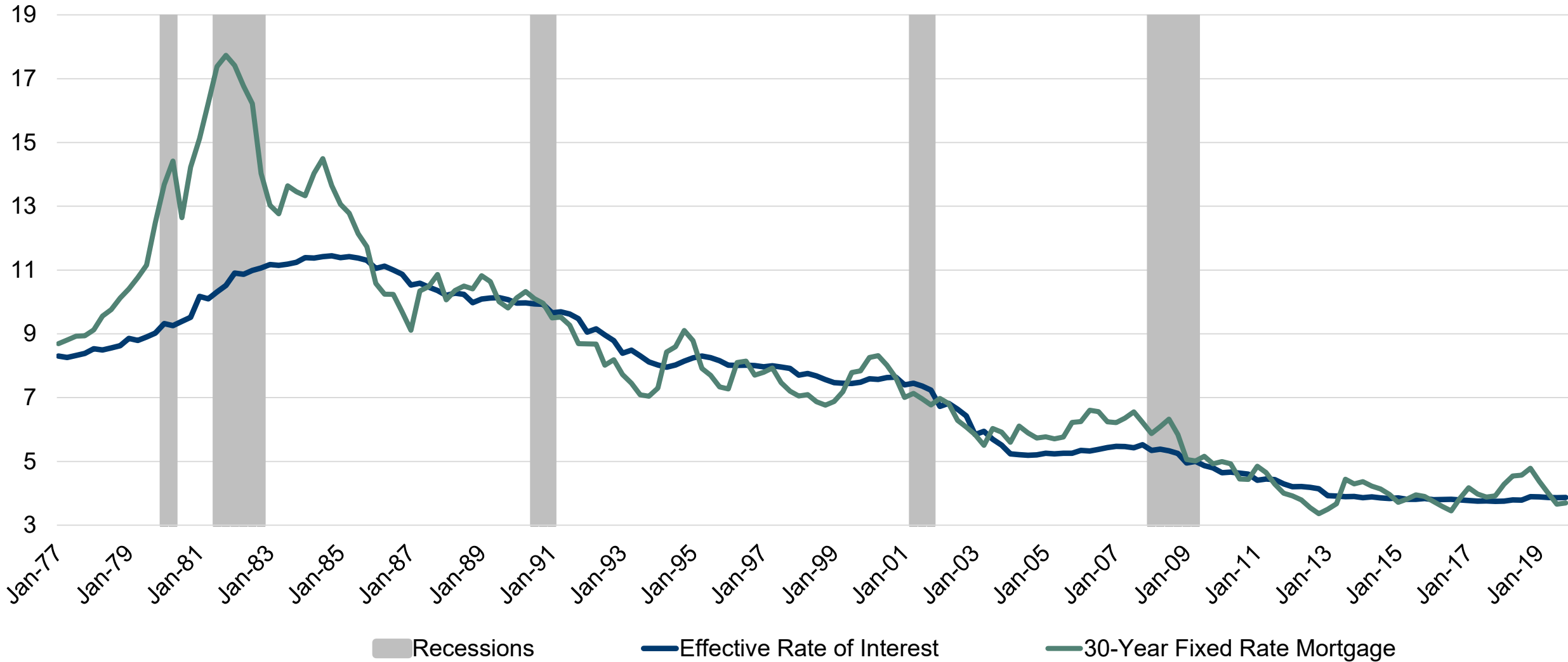
## A Nation of Homebodies





# Never Shall We See Those Rates Again

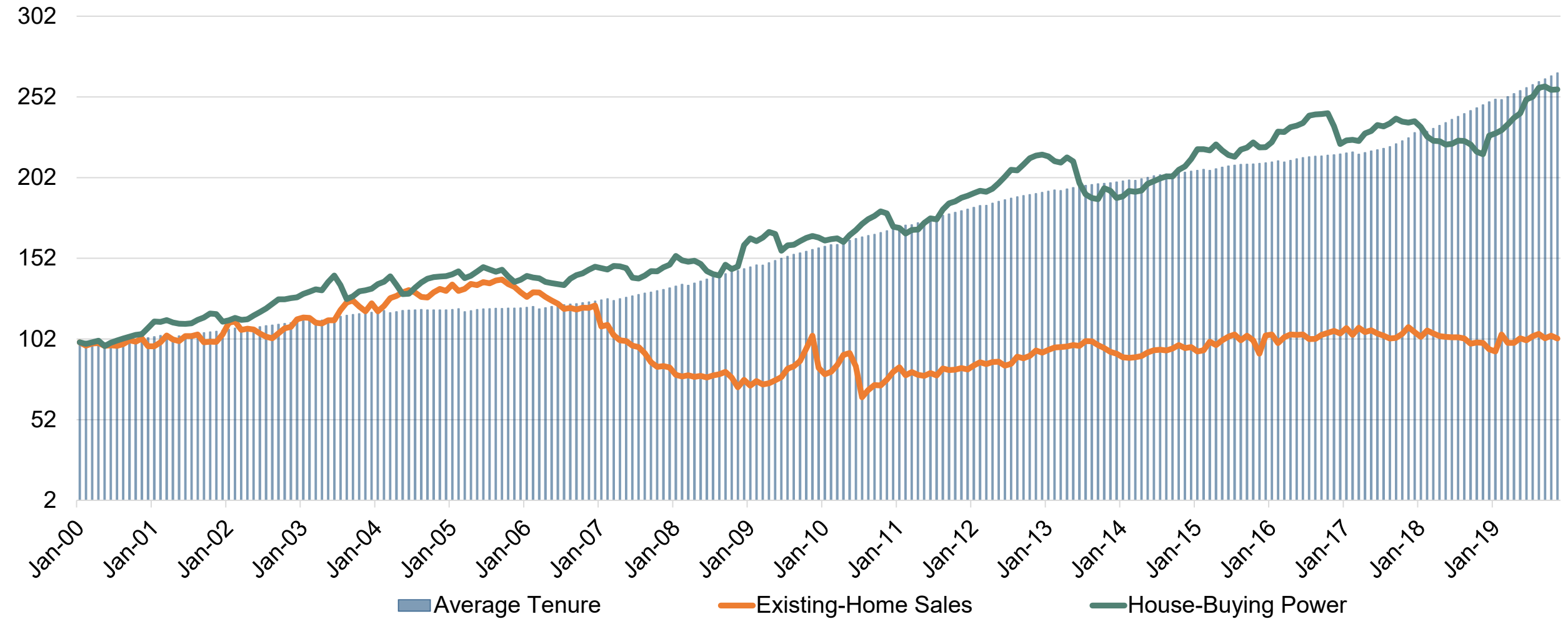
30-year Fixed Rate (%), Effective Rate of Interest on Mortgage Debt Outstanding Residential Housing (%), NSA



Source: Bureau of Labor Statistics, FRED, Q4 2019

# The Duality of Mortgage Rates

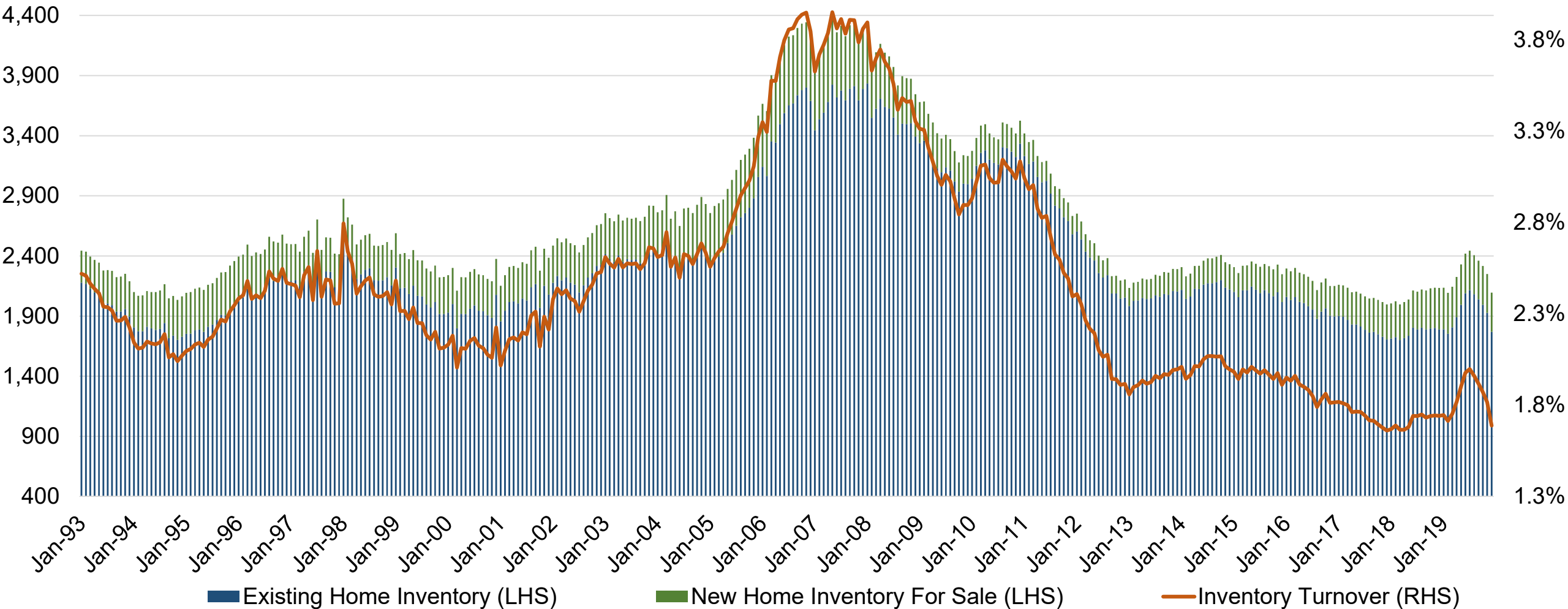
Average Tenure Length, Existing Home Sales, House-Buying Power, (Jan. 2000=100)



Source: DataTree by First American, NAR, FRED, Dec. 2019

# Supply Near Quarter Century Low

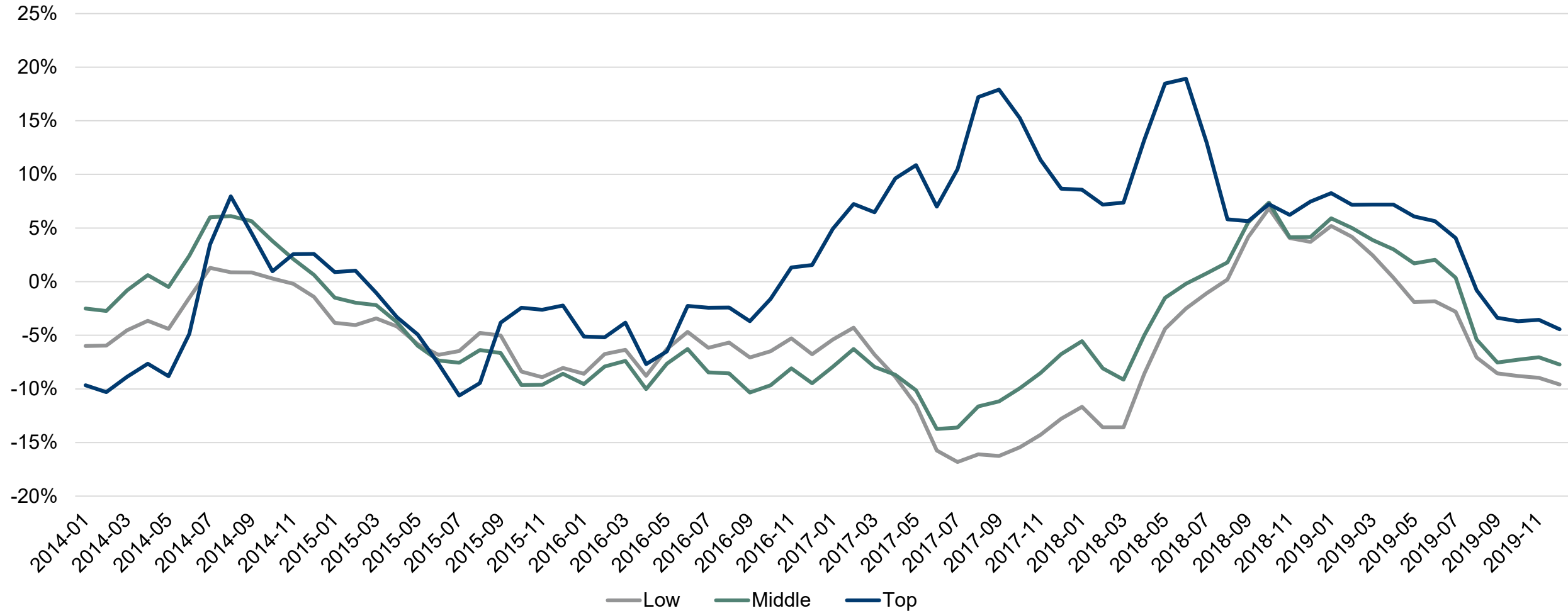
New and Existing Inventory for Sale (Thousands, SA, % of Households)



Source: NAR, Census, FRB St. Louis, First American Calculations, Dec. 2019

# What's For Sale?

For-Sale Inventory by Price Tier in U.S., YoY Growth



Source: Zillow, Dec. 2019

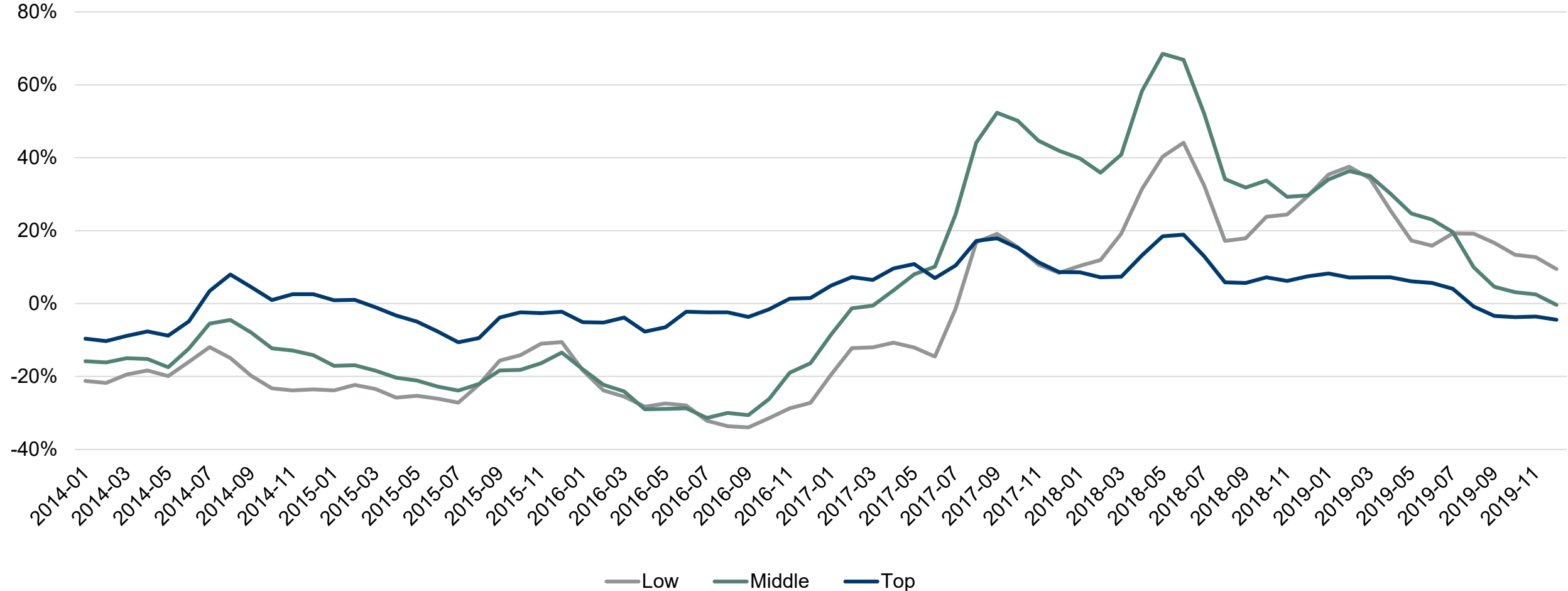
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# Bottoms Up

For-Sale Inventory by Price Tier in Dallas, YoY Growth



Source: Zillow, Dec. 2019

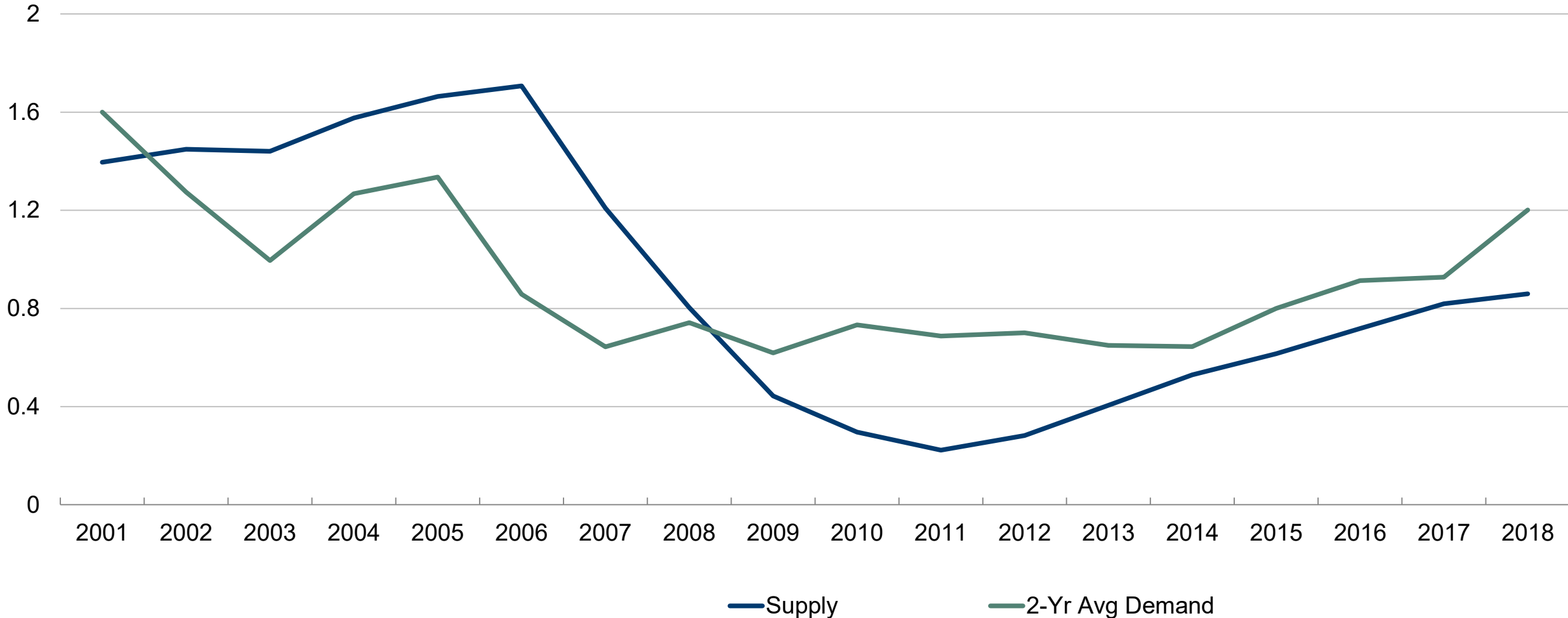
# Builders' Woes

## The Challenges of Building More Homes



# Keeping Up With Increasing Demand

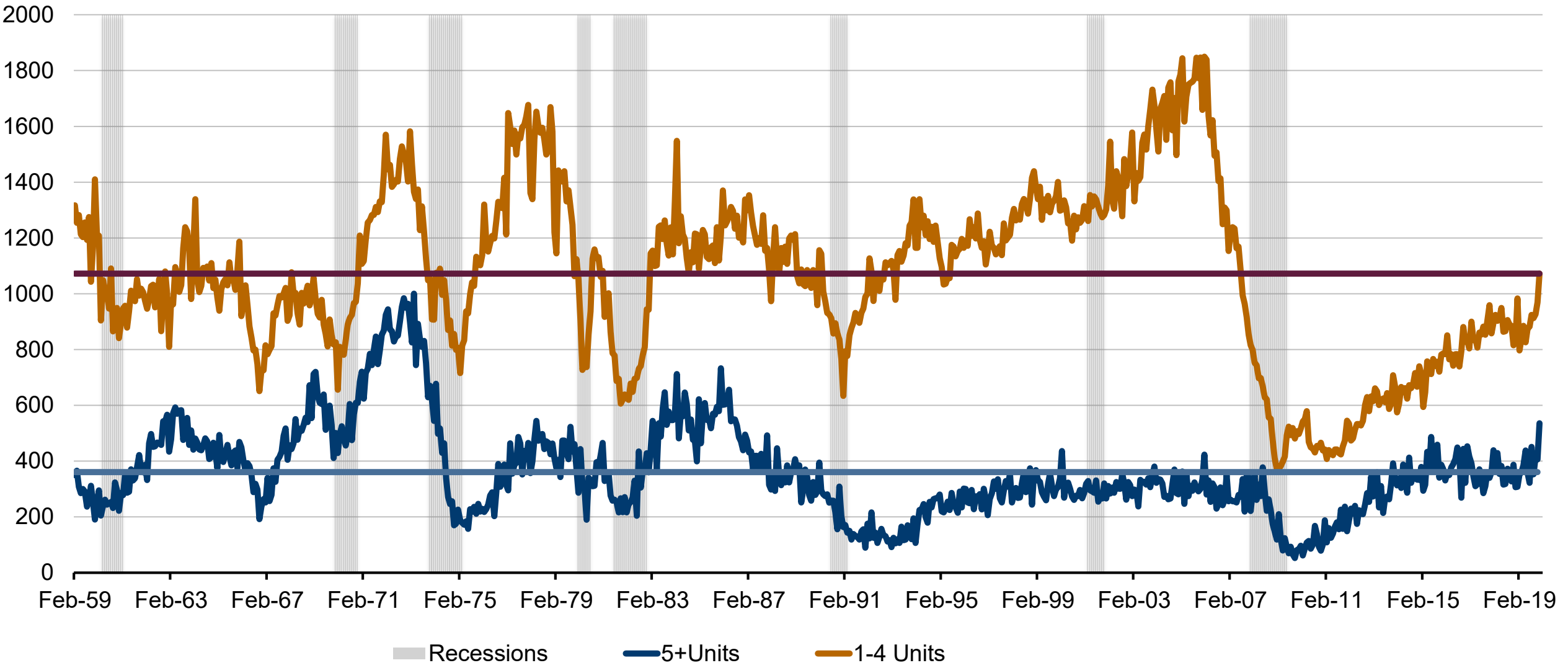
New Housing Units and Households (Year-Over-Year, Millions)



Source: Census Bureau, HUD (obsolescence rate of 0.31% of existing stock), 2018

# A Building Boom, Of Only One Kind

Single and Multifamily Housing Starts ('000s,Units)

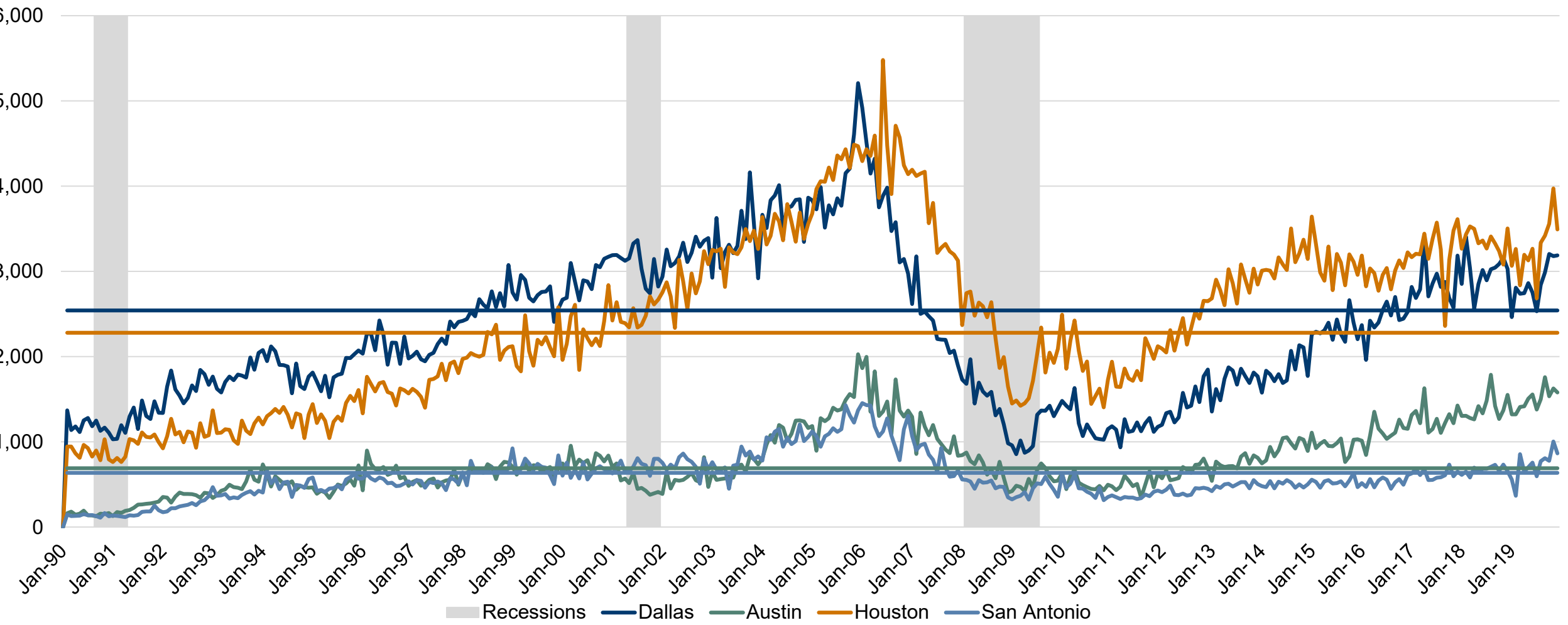


Source: US Census Bureau, FRED, Dec. 2019



# Permits Rise to Meet Demand

New Private Housing Units Authorized by Building Permits: 1-Unit Structures



Source: U.S. Census Bureau, Dec. 2019

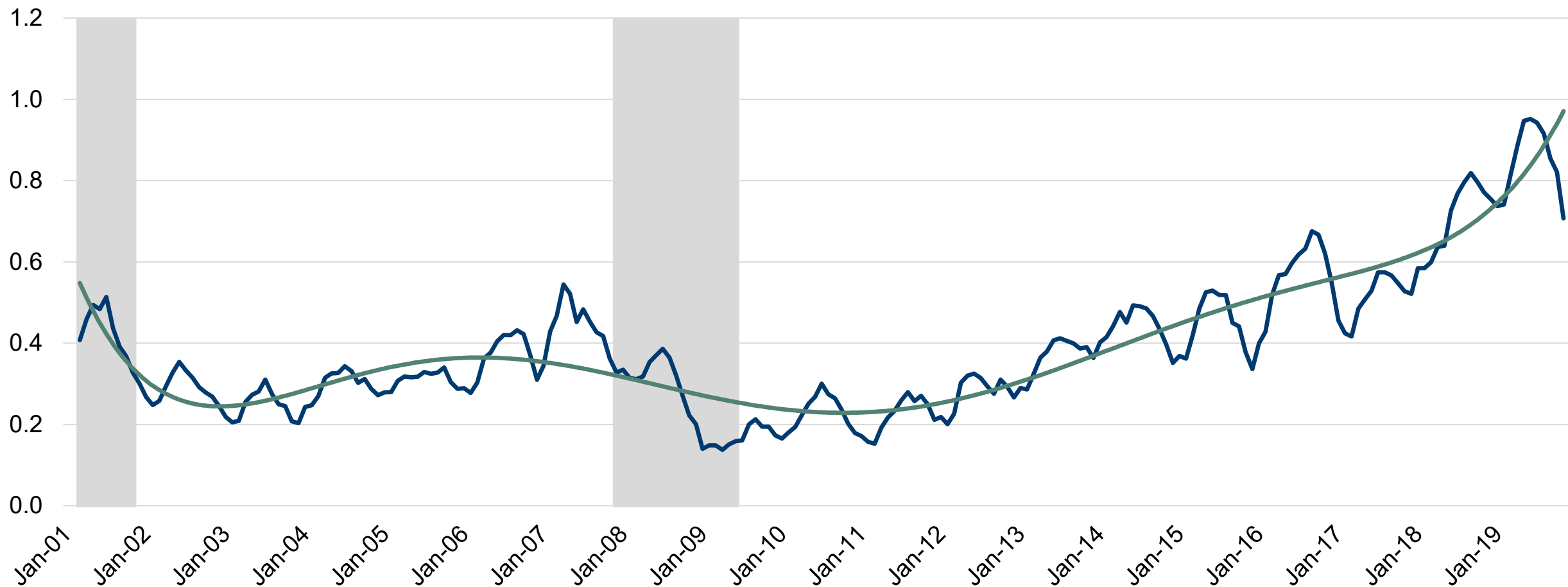
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# A Lack of Labor

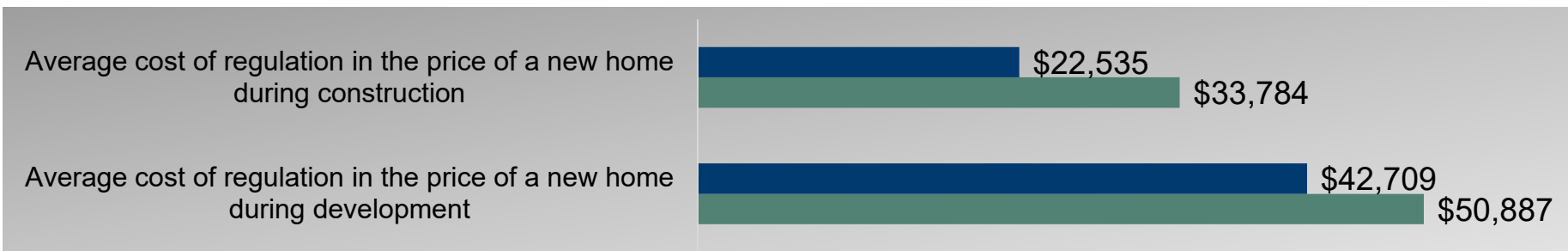
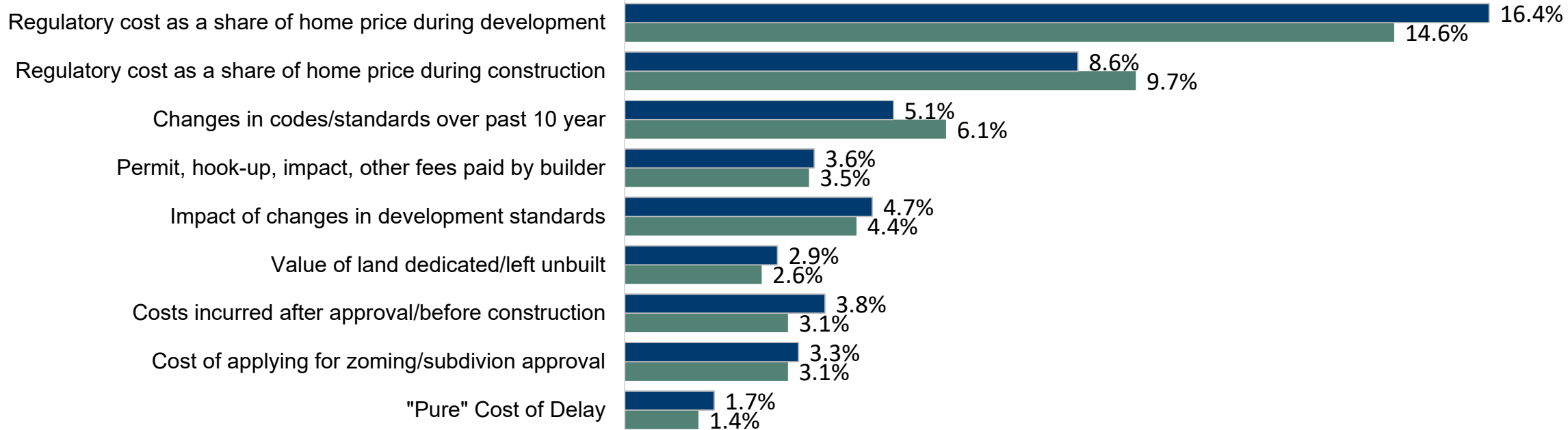
Months Supply- Ratio of Construction Job Openings to Hires (Thousands, SA)



Source: JOLTS BLS, First American Calculations, Nov. 2019

# The Process Costs More Too

Costs as a Share of Final Price of the Home Sold to the Ultimate Buyer

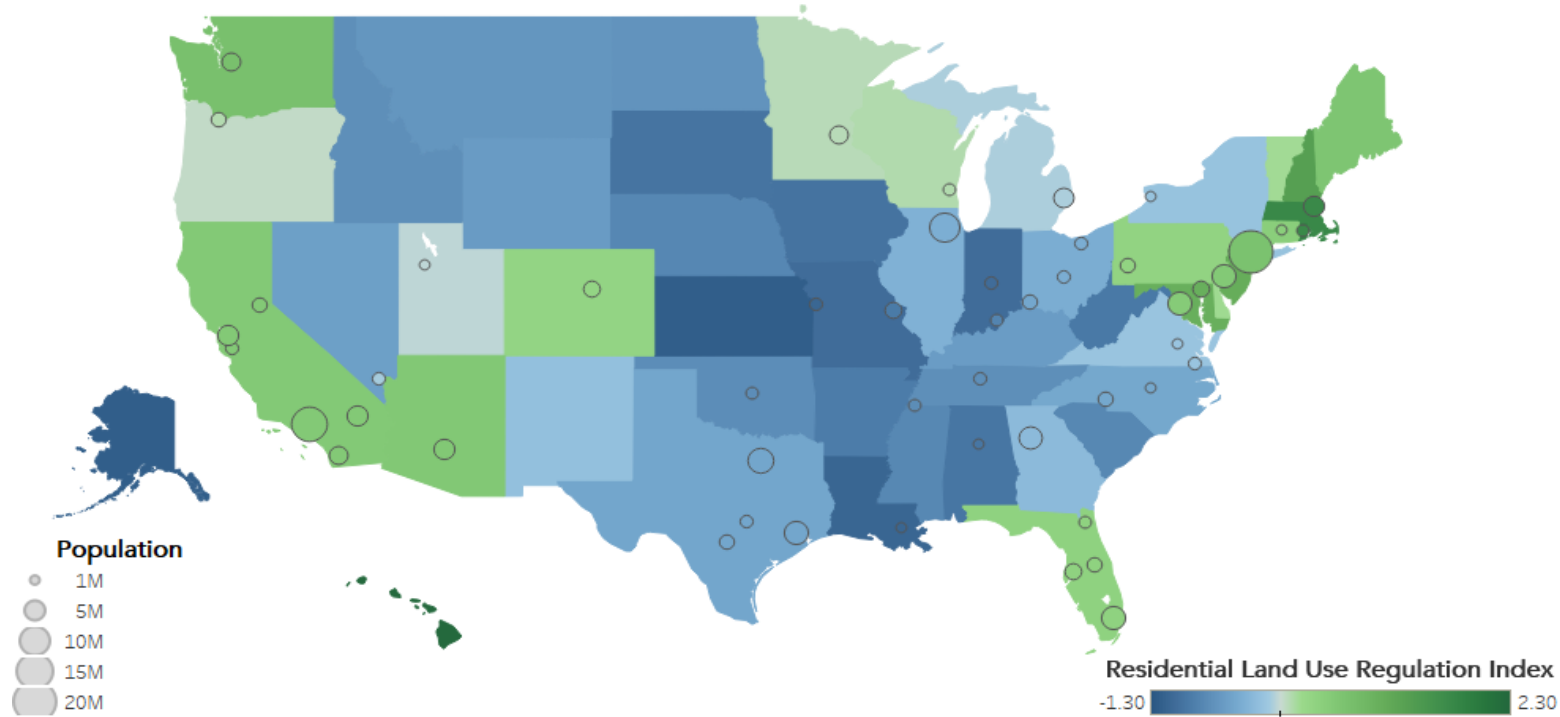


■ 2011 ■ 2016

Source: NAHB, 2016

## Residential Land Use Regulation Index

(Higher Values Indicate More Regulation)



CBSA Name	Residential Land Use Regulation Index	State	Residential Land Use Regulation Index
Providence-Warwick, RI-MA	1.8436	HI	2.30
Baltimore-Columbia-Towson..	1.8189	RI	1.83
Boston-Cambridge-Newton,..	1.7472	MA	1.73
Memphis, TN-MS-AR	1.2106	NH	1.29
Seattle-Tacoma-Bellevue, WA	1.0802	NJ	1.03

Gyourko, Joseph, Albert Saiz, and Anita A. Summers, "A New Measure of the Local Regulatory Environment for Housing Markets: The Wharton Residential Land Use Regulatory Index", Urban Studies, forthcoming. First American Calculations



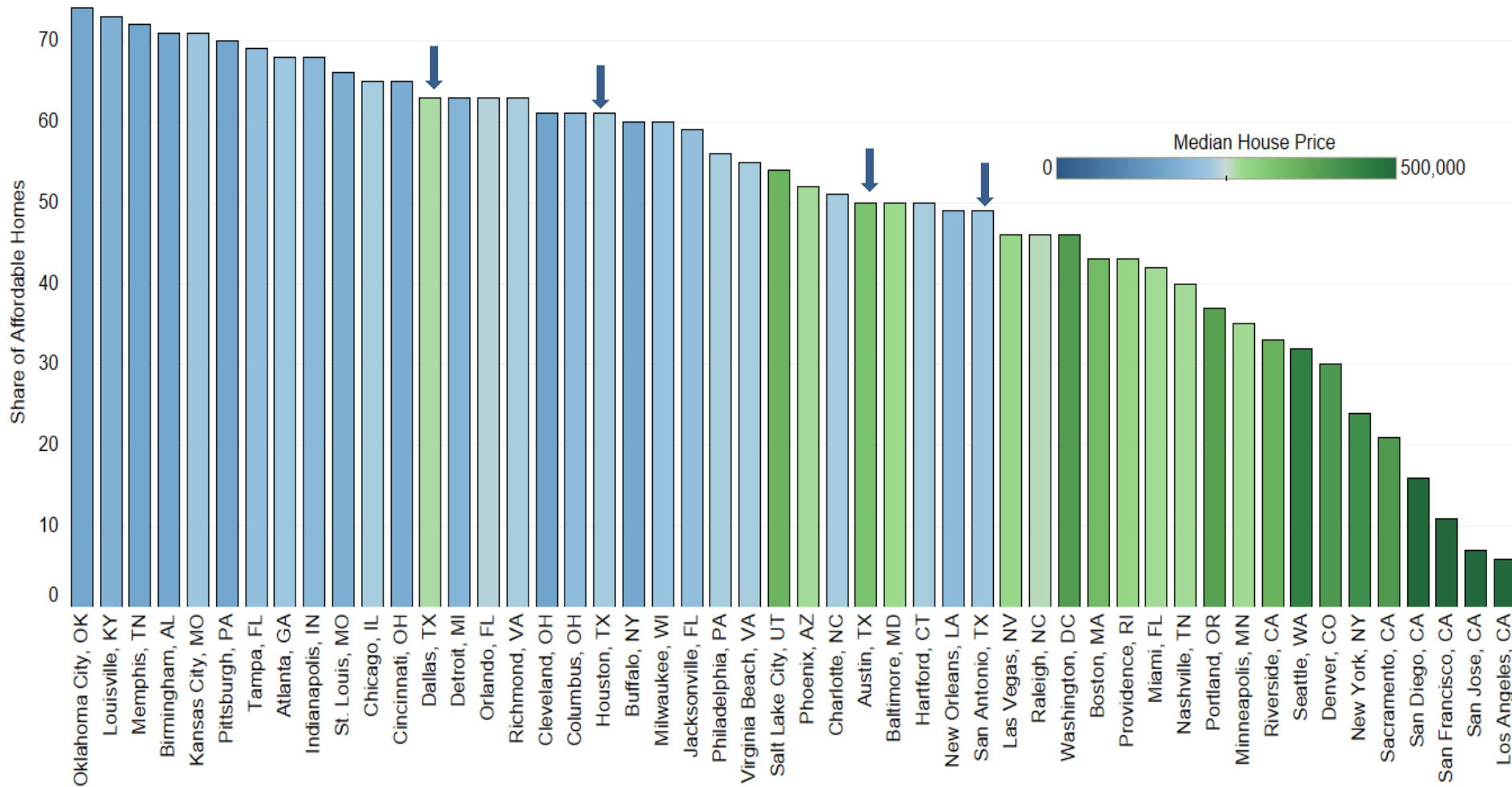
Supply or Demand Restricted?

**A Supply Restricted Market  
Drives up Prices**



# Where Can Renters Find the Largest Supply of Affordable Homes?

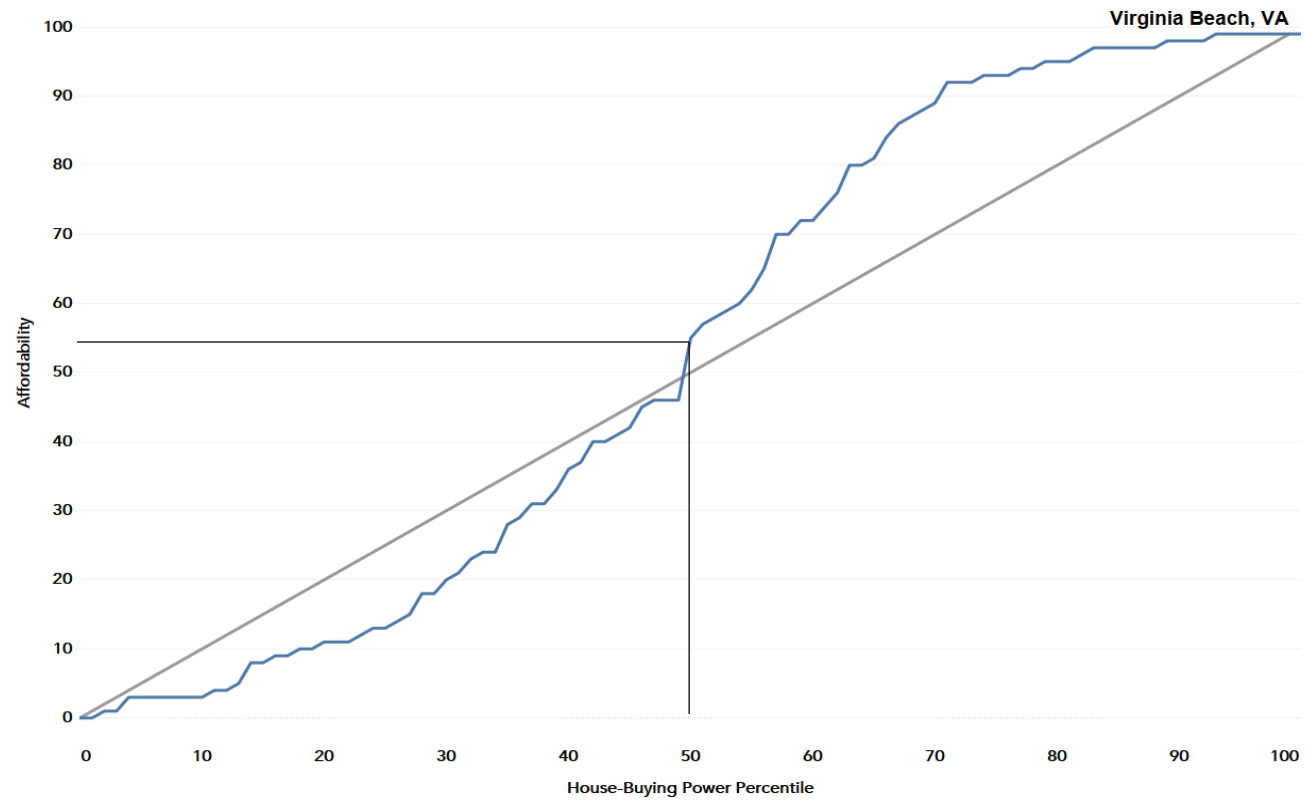
Median Renters: Share of Affordable Homes



Source: DataTree by First American, Standard & Poor's, Freddie Mac, Census, IPUMS CPS, Q3 2019

# When It Comes to Affordability, Place Matters

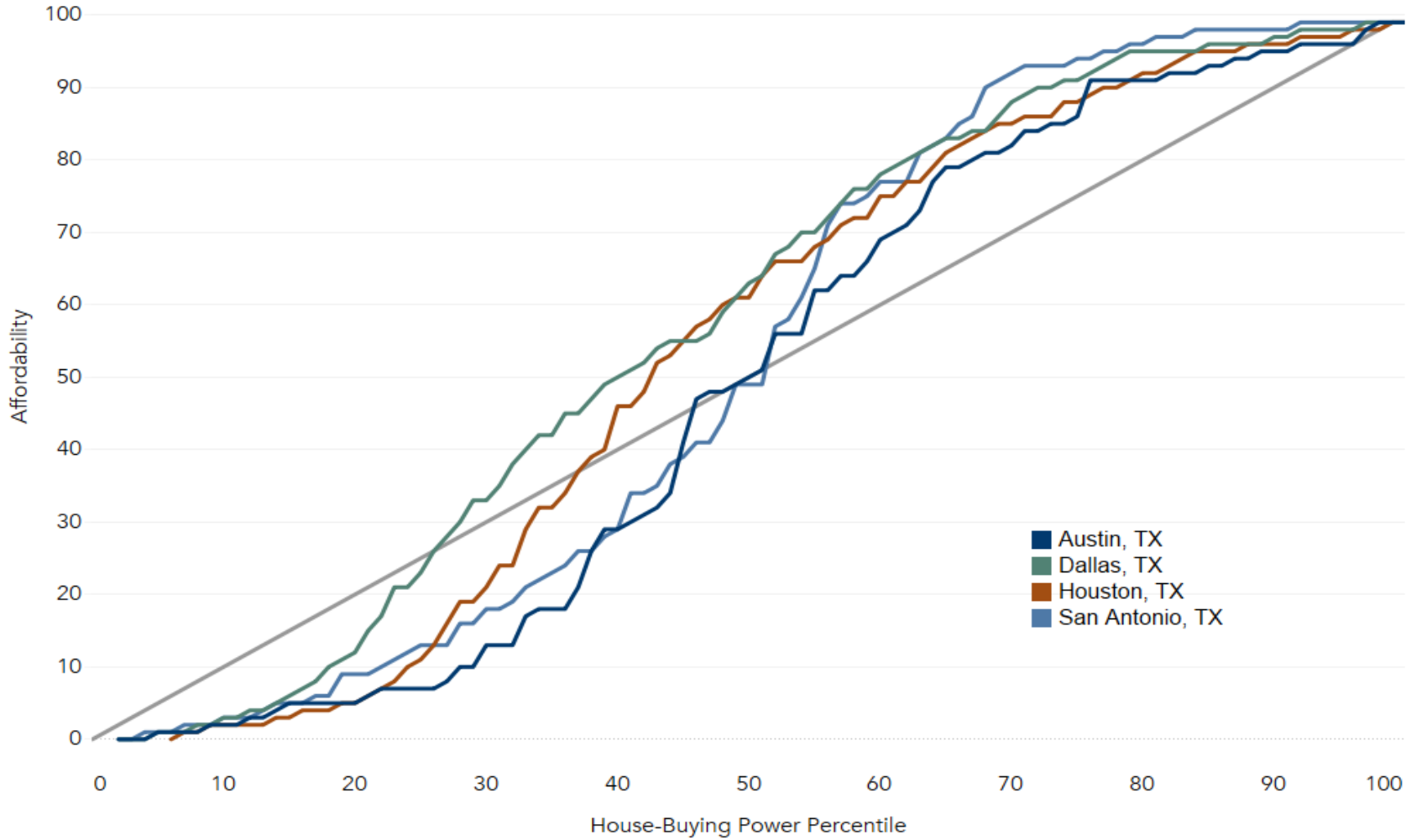
Median Renter: Share of Sold Homes



Source: DataTree by First American, Standard & Poor's, Freddie Mac, Census, Q3 2019

# How Much Can a Renter Afford to Buy?

Share of Affordable Homes, %

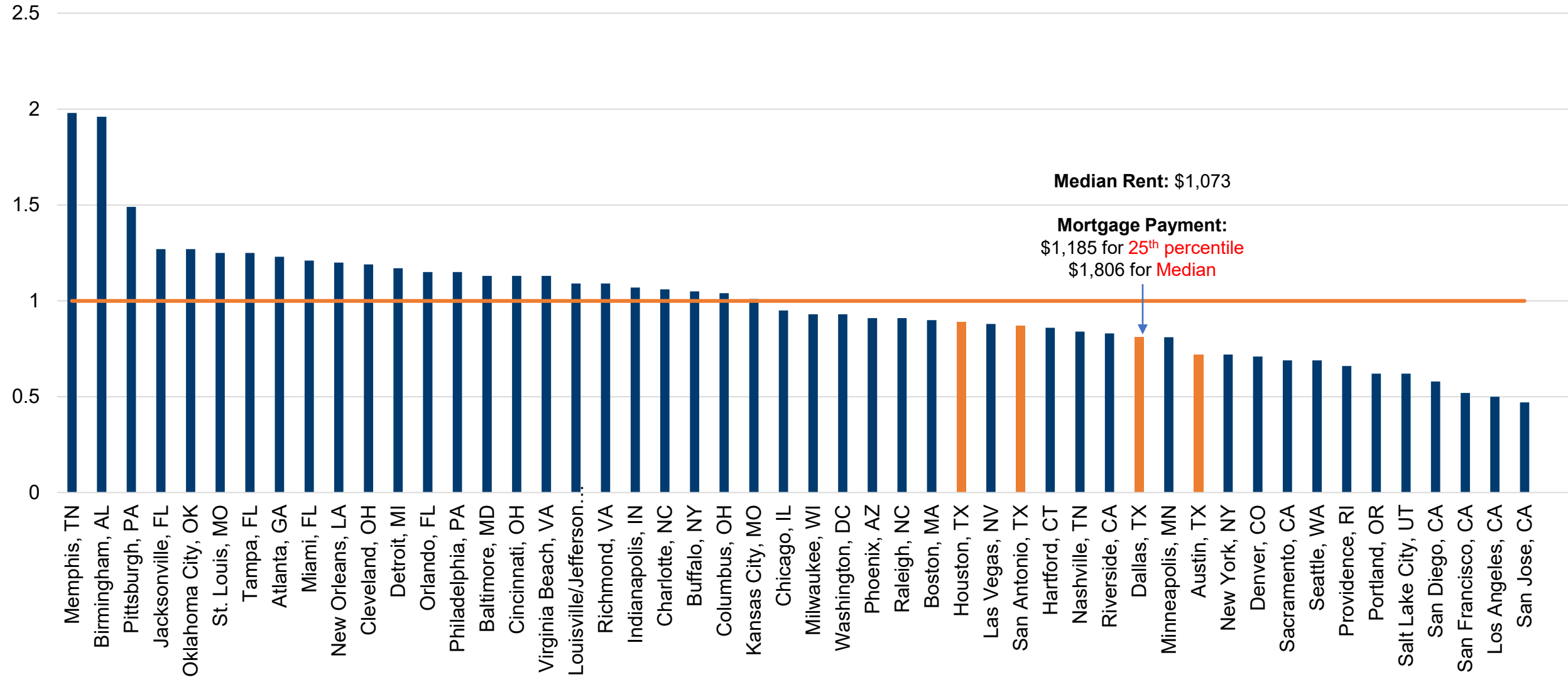


Source: DataTree by First American, Standard & Poor's, Freddie Mac, Census, Q3 2019



# In Major Markets, It's Cheaper to Rent

Rent-to-Buy Ratio



Source: DataTree by First American, ACS, 2019

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