

# Housing and Millennials

No federally-recognized definition for the millennial generation exists, but most of the papers included in this review agree that Millennials are people born from 1980 through 2000.

## What Makes Millennials Different?

Members of every generation exhibit unique qualities that set them apart from their parents and grandparents. For example, Millennials value cars for their usefulness rather than their status symbol. If an alternative form of transportation is faster, cheaper, or more convenient, they are likely to stray from personal automobiles. As a result, Millennials are driving fewer miles than the generations before them (Lachman & Brett, 2015). Millennials also use the internet much more than Baby Boomers and older generations. Internet is essential to Millennials' lifestyles. Many watch shows and news via the internet. 46 percent of Millennials say they pay their rent electronically. Additionally, one-third of Millennials say they use the internet to look for housing, with the help of websites such as craigslist and Realtor.com (Lachman & Brett, 2015).

Millennials value a different lifestyle than older generations. Millennials who rent their home move frequently; almost half have moved two or more times in the last three years (Lachman & Brett, 2015). This transitivity could be one reason why most Millennials are choosing to “settle down” later than their parents and grandparents did. Some say “age 30 is what 20 used to be” because this generation is waiting until their 30s to get married, buy homes, and have children (Lachman & Brett, 2015; Logan, 2014). Today approximately 30 percent of Millennials are married and approximately 36 percent have children. However in 5 years, over 60 percent expect to be married and over 50 percent expect to have children (Burbank & Keely, 2013).

## Housing Preferences

The housing choices of Millennials are important because they are a very large generation and will have a big impact on the housing market. Depending on the birth years included, Millennials are as big, if not bigger than the Baby Boomer generation (Logan, 2014; Simmons, 2015). In the next five years, Millennials will spend more per-household on rent and home purchases combined than any other generation (Burbank & Keely, 2013). Half of the millennial generation lives in rental housing (Lachman & Brett, 2015), but most expect to own a home in the future (Burbank & Keely, 2013). Whether they rent or own, the housing preferences of Millennials can be characterized by privacy, convenience, and conservation.

Millennials value space and privacy, which is why many of them prefer single-family homes. The percentage of young households in single-family homes is rising for both renters and owners. Householders aged 25-34 are equally likely to occupy a single-family home today as they were in 2000, before the housing boom and collapse. Millennials also have an interest in a broader range of rental options (Lachman & Brett, 2015): 60 percent of Millennial renters live in apartments or condominiums and 38 percent live in single-family homes. Furthermore, millennial homeowners are more likely to own single-family homes than the previous generations (Simmons, 2015).

Millennials look for convenient features when finding a home. For renters, covered parking is one of the most important amenities (Lachman & Brett, 2015). Both renters and homeowners think it's important to live near their friends and family because they want the convenience of being able visit without traveling far distances (Lachman & Brett, 2015). Millennials have shown preference for mixed-use urban areas for their convenient walkability (Burbank & Keely, 2013;

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Logan, 2014). Most Millennials will choose the ideal location over greater square footage (Logan, 2014).

Millennials have shown an increased interest in ecofriendly living. They find environmentally friendly features such as energy efficiency, water conservation, and recycled housing materials desirable and are willing to pay more for them. They value having a backyard, which suggests they value proximity to nature (Lachman & Brett, 2015). Walking, biking and public transit are growing in popularity among Millennials living in larger metropolitan areas, which suggests that they care about reducing vehicle emissions to lower atmospheric pollution (Burbank & Keely, 2013).

Millennial renters prefer the city more than millennial homeowners. More than half of Millennials renting a house or room in a house live in cities—only 36 percent of Millennial homeowners live in cities (Lachman & Brett, 2015). Most Millennials will become homeowners eventually and likely move out of the city. In several surveys, Millennials responded that they believe homeownership is “an important long-term goal” and “an excellent investment” (Burbank & Keely, 2013; Lachman & Brett, 2015). Additionally, 48 percent said they would like their next home to be in the suburbs, 38 percent said they would like it to be in the city, and 14 percent said they would like it to be in a rural area (Burbank & Keely, 2013).

## Affordability

Homeownership rates in the United States have declined steadily since 2005. In the fourth quarter of 2005 the countrywide homeownership rate was 69 percent, while in the fourth quarter of 2014 it was 64 percent (Callis & Kresin, 2015). Lending standards for homebuyers are stricter now, than before the Great Recession. The current state of the economy and difficulties accessing credit have made purchasing a home problematic for many Millennials, and as a result, fewer young adults own their homes today. The percentage of Millennials who own homes fell 12 percent between 2006 and 2011 (Logan, 2014).

During the Great Recession, many Millennials chose to live with their parents instead of buying or renting their own homes, in large part due to financial burdens such as student debt. This generation has the most students graduating with debt and the highest average debt of any generation (Logan, 2014). Since loan debt usually delays homeownership, Millennials will wait longer to purchase homes. Fortunately, Millennials are optimistic about their future housing: 79 percent believe their financial situation will improve and 74 percent plan to move in the next five years. According to survey results collected by the Demand Institute from over 1,000 18 to 29 year olds, Millennial-headed households are expected to increase from 13.3 million in 2013 to 21.6 million in 2018.

## References

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