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Millennials emerge as new "lifeblood" for housing; Understanding demands of the new breed of buyers

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Generations, like people, have personalities, and Millennials—the American 20-somethings currently making the passage into adulthood—are no different. They have begun to forge their identities as confident, self-expressive, liberal, upbeat and receptive to new ideas and ways of living. While the latest data from the U.S. Census Bureau shows homeownership among Americans 35 and under declined to 36.2%—the lowest on record since the census's Housing Vacancy Survey began tabulating homeownership by age in 1982—represents a strong segment of emerging homebuyers.

A study released over the summer by Trulia showed that demographic changes such as delaying marriage and parenthood, account for nearly all of the declines in homeownership among young adults. But according to Jed Kolko, Trulia's chief economist, many of these demographic shifts may simply postpone home buying, rather than ruling it out. Like their parents, many Millennials, once they finally marry and have kids, may want that white picket-fence, too. Kolko suggested there probably hasn't been a huge attitude shift in Millennials toward home ownership.

A recent survey by Wells Fargo points out that this group offers great opportunities for the real estate market because out of the 51.5 million Millennials, about six million of them are approaching the age at which Americans typically start to think about homeownership.

The study defined Millennials as those born between 1979 and 1991.

Brad Blackwell, executive VP at Wells Fargo, says the wave of Millennials will be the new lifeblood for the industry. "We're going to have to figure out how to reach them," Blackwell said.

In the Wells Fargo survey, in which 3,000 Americans were interviewed, homeownership was still a major goal, and was identified as a prevailing objective among the Millennials. Despite reading or hearing about the mortgage problems experienced by homeowners, more than 70% still want to own a home.

Wells Fargo also found that Millennials are more receptive to strict underwriting by mortgage lenders. They understand why banks need to implement more stringent credit requirements. The assessment of their financial standing is for their own benefit, as they need to be affirmed of their capability to sustain the monthly payments and remain in the home over the years.

What are the collective characteristics of the Millennials whose oldest members are now approaching their 30s? According to the Pew Research Center, these are the collective personality traits of the Millennials:

* They are more racially and ethnically diverse than previous generations. 59.8% are white, 18.5% are Hispanic, 14.2% are black, 4.3% are Asian and 3.2% belong to another race or are of mixed race.

* Texting, tweeting, Facebook, Google, YouTube and other digital innovations are part of their everyday lives.

* They're more politically aware and active than members of previous generations when they were young adults.

* Their level of trust in institutions is higher than that of previous generations.

When Millennials do enter the market, they will be looking for smart homes instead of luxury homes and smaller, functional homes rather than sprawling McMansions. Because they tend to be do-it-yourselfers, they will want to gut those "cookie cutter" homes, room-by-room and remodel them in the image of their own lifestyle. This is according to a new study from Better Homes and Gardens (BHG) Real Estate, which surveyed 1,000 adults, aged 18-35.

All professionals involved in the real estate transaction will need to be wired to the demands of the new breed of buyers. This doesn't only apply on how they connect with them, but also how they help Millennials visualize the Gen Y dream in an older existing home.

"It's critical that real estate professionals understand what embodies a quintessential home for the Millennial generation, which vastly differs from the traditional norms of generations before them," said Sherry Chris, president and CEO of BHG Real Estate. "Understanding technologies to communicate with this generation is now only one piece of the puzzle for agents; smart technological capabilities must now be ingrained into the home itself."

Another survey by Coldwell Banker Real Estate found that Millennial couples are more likely to buy a house together before they take their wedding vows than their parents and grandparents were.

The on-line survey of 2,116 adults found that couples who bought homes before marriage were all planning to tie the knot.

Their decision to buy a home first "was based on being financially savvy," said Robi Ludwig, a psychotherapist who works for Coldwell on lifestyle surveys and buyer habits. She told USA Today. "Opportunities were coming up in the real estate market and with low mortgage rates, and they take advantage of these ideal conditions and didn't feel they had to wait till they got married. It's almost like buying a home is the new engagement ring."

In the meantime, the U.S. homeownership rate dropped for the ninth year in a row in 2013. This is due in part to the fact that millions of 20- and 30-somethings were still living with their parents, according to the latest "State of the Nation's Housing" report from Harvard University's Joint Center for Housing Studies.

The study showed that the decline in homeownership rates from 2004 to 2013 was most dramatic among 25 to 34-year-olds (down nearly 8 percentage points). Some 15.3 million adults in their 20s and 3.1 million in their 30s were still living with their parents last year, helping bring the homeownership rate down to 65.1%.

The good news is that household formation should rebound to historical levels in the next decade, with demographic forces alone creating 1.1 million to 1.3 million new households a year from 2015-2025, up from 600,000 to 800,000 a year from 2007-2013. Millennials will drive this housing renaissance.

"Ultimately, the large millennial generation will make their presence felt in the owner-occupied market, just as they already have in the rental market, where demand is strong, rents are rising, construction is robust and property values increased by double digits for the fourth consecutive year in 2013," said Daniel McCue, research manager of the Joint Center.

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