MILLENNIALS/BABY BOOMERS, MULTIFAMILY HOUSING AND SUSTAINABLE GROWTH STRATEGIES: WHICH WAY IS IT GOING?

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Selma Hepp, PhD, Senior Economist
DEMOGRAPHICS SET THE TABLE
POPULATION AND ITS COMPOSITION DEFINE THE FUTURE

US Live Births by Year and Generation

Source: Realtor.com Analysis of US National Center for Health Statistics
MILLENNIALS IMPACT ON HOMEOWNERSHIP ONLY TO BEGIN
LENDING STANDARD DROVE 50% OF THE DECLINE BETWEEN 2001 AND 2012

- The housing turnover rate observed in the ACS data indicates a total of a 1.5pt decline from 2001 to 2012.
- The demographic effect (0.2pt or 15%), the cyclical effect (0.6pt or 35%) and the lending standard effect (0.7pt or 50%) combined explain all of the decline.

Source: Goldman Sachs Global Investment Research.
...AND THEY ARE DELAYING ADULTHOOD

Median marriage age has increased in the last few decades...

...and also child-bearing age

Percent of Married Individuals by Age:
- 1970s
- 1980s
- 1990s
- 2000s
- 2010s

Percent of Women Having Children by Age:
- 1970s
- 1980s
- 1990s
- 2000s
- 2010s
How important is home ownership to you on a scale of one to 10, with one being not at all important and 10 being extremely important?
MOST EXPECT TO BUY A HOME WITHIN 5 YEARS

When do you expect to buy a home?

- Within a year: 3%
- In 1-3 years: 23%
- In 3-5 years: 32%
- When I get married: 17%
- When I have a child: 3%
- Never: 2%
- Other: 3%
- Don't know: 17%
MANY YOUNGER MILLENNIALS EXPECT TO BUY WHEN THEY GET MARRIED

When do you expect to buy a home?

- In 1-3 years: 19%
- When I get married: 23%
- Don't know: 23%

By age group:
- 18-26: 17%
- 27-34: 17%
- All: 17%
MILLENNIALS ARE ESPECIALLY ACTIVE
AN ESTIMATED 2/3 OF SEARCHES IN JAN WERE MILLENNIALS
IMPEDIMENTS TO PURCHASE
BIGGEST ISSUES ARE SUPPLY, TIME, AND DOWN PAYMENT

What's Getting in the Way of Making a Home Purchase?

- Currently on a lease
- Can't sell current home
- I owe more on my current home than it is worth
- Lack enough funds for down payment
- Need to improve credit score
- Haven't decided on a specific neighborhood/town
- Just starting to explore
- Always overbid by other buyers
- Cannot find a good house in my budget range
- Have not yet found a house that meets my needs

Source: Realtor.com Survey of Buyer Traffic, January 2015
HOUSING AFFORDABILITY DOWN SHARPLY SINCE Q1 2012

California vs. U.S. – 1984-2014

% OF HOUSEHOLDS THAT CAN BUY A MEDIAN-PRICED HOME

SERIES: Housing Affordability Index of Traditional Buyers
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
AFFORDABLE INVENTORY AVAILABLE TO MEDIAN-INCOME HOUSEHOLDS

2015 Q1

SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®
What are your biggest concerns about home ownership?

- Price/affordability
- Problems with credit, mortgages, taxes
- Maintenance/upkeep
- Satisfaction with home/location
- Responsibility
- Losing the home
- Depreciation of the home value
- Security
- Other

MILLENIALS’ BIGGEST CONCERNS

0% 10% 20% 30% 40% 50%

18-26 27-34 All
Which of the following features would you like to have in your ideal home?
AFFORDABILITY TOPS CONCERNS

**FIGURE 16: Relative Future Importance of Residential Community Features**

<table>
<thead>
<tr>
<th>Community Feature</th>
<th>Number ranking feature No. 1</th>
<th>Number ranking feature in top five</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of housing</td>
<td>510</td>
<td>1,042</td>
</tr>
<tr>
<td>Neighborhood safety</td>
<td>183</td>
<td>894</td>
</tr>
<tr>
<td>Proximity to work</td>
<td>131</td>
<td>856</td>
</tr>
<tr>
<td>K-12 school quality</td>
<td>118</td>
<td>435</td>
</tr>
<tr>
<td>Community character, ambience, and visual appeal</td>
<td>100</td>
<td>628</td>
</tr>
<tr>
<td>Proximity to family and friends</td>
<td>60</td>
<td>500</td>
</tr>
<tr>
<td>Small town/rural setting</td>
<td>33</td>
<td>181</td>
</tr>
<tr>
<td>Urban setting</td>
<td>25</td>
<td>152</td>
</tr>
<tr>
<td>Proximity to shopping, dining, and entertainment</td>
<td>18</td>
<td>470</td>
</tr>
<tr>
<td>Suburban setting</td>
<td>18</td>
<td>214</td>
</tr>
<tr>
<td>Walkability</td>
<td>17</td>
<td>287</td>
</tr>
<tr>
<td>Availability of mass transit</td>
<td>8</td>
<td>201</td>
</tr>
<tr>
<td>Parks and recreation opportunities</td>
<td>4</td>
<td>265</td>
</tr>
</tbody>
</table>

Sample size=1,225.

**Source:** UDR/Lachman Associates Survey, November 2014.

**Note:** Not answered by 45 who still expect to be living with parents in five years.
URBANITES = SUBURBANITES

• only 13 percent of the total sample lives in or near downtown areas
  – represent 10.2 million young people who like living in the urban core
HOMEOWNERSHIP EXPECTATIONS

- 70 percent expect to be homeowners by 2020, only 26 percent own today.
- Even among those who do not expect to own in five years, 92 percent believe they will eventually purchase homes.
- 55 percent agree and 45 percent disagree homeownership is a good long-term investment.
- Only 11 percent have applied for a home mortgage, and were rejected and are therefore renters by default.

**Figure 15: Gen Y’s Expected Homes by 2020**

- **62%** Single-family home
- **18%** Duplex, townhouse, rowhouse
- **10%** Low-rise apartment/condo building
- **9%** Mid- or high-rise building
- **1%** Mobile home

Sample size 1,270.

BABY BOOMERS STAYING PUT
MAJORITY DO NOT PLAN TO SELL HOME WHEN THEY RETIRE

Do you plan to sell your current home when you retire?

- Yes, 10%
- No, 59%
- Don't know/unsure, 32%
Why do you not plan to sell your current home when you retire?

- 78%: I like my home
- 10%: I cannot afford to buy another retirement home
- 8%: I plan to give the home to my child(ren)
- 5%: Another reason

MAJORITY WON’T SELL BECAUSE THEY LIKE THEIR HOME
PERCENT OF RETIREES WHO HAVE MOVED OR ANTICIPATE TO MOVE

- 36% do not anticipate moving in a retirement
- 37% have moved in retirement
- 27% have not yet moved, but anticipating moving

SERIES: Home in Retirement: More Freedom, New Choices Study
SOURCE: Age Wave, Merrill Lynch
What type of new home are you planning on purchasing?

- Smaller: 47%
- Townhouse/condominium: 31%
- Detached single-family home: 22%
- I do not plan to purchase another home: 16%
- Don't know/unsure: 11%
- Same size, but in a different location: 9%
- Other: 4%
- Larger: 2%
RETIREE’S MOST RECENT MOVE WAS INTO A...

- Smaller home, 51%
- Larger home, 30%
- Same sized home, 19%

SERIES: Home in Retirement: More Freedom, New Choices Study
SOURCE: Age Wave, Merrill Lynch
MAIN MOTIVATIONS FOR UPSIZING

- More room for family members to visit: 33%
- More room for additional family members to live with me: 20%
- More prestigious home: 19%
- More room for friends to visit: 16%

Series: Home in Retirement: More Freedom, New Choices Study
Source: Age Wave, Merrill Lynch
TOP REASONS WHY RETIREES WOULDN'T LEAVE THEIR CURRENT HOME

- I love my house: 54%
- Family is close by: 48%
- I don't want to lose independence: 44%
- I love my community: 42%
- Friends are close by: 31%
- I can't afford to move: 28%

SERIES: Home in Retirement: More Freedom, New Choices Study
SOURCE: Age Wave, Merrill Lynch
TOP PREFERENCE FOR RECEIVING CARE

- Own home, 85%
- Assisted living facility, 10%
- Nursing home, 1%
- Family member home, 4%

SERIES: Home in Retirement: More Freedom, New Choices Study
SOURCE: Age Wave, Merrill Lynch
NUMBER OF NURSING HOME RESIDENTS


SERIES: Home in Retirement: More Freedom, New Choices Study
SOURCE: Age Wave, Merrill Lynch, Centers for Medicare and Medicaid Services
NEARLY 1/2 PLAN TO MOVE OUT OF STATE

Where do you plan on moving when you retire? N = 45

- Another State: 44%
- Southern CA: 18%
- Other CA: 18%
- Norther CA: 18%
- Another Country: 2%

Where do you plan on moving when you retire? N = 45
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