



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

June 1, 2015

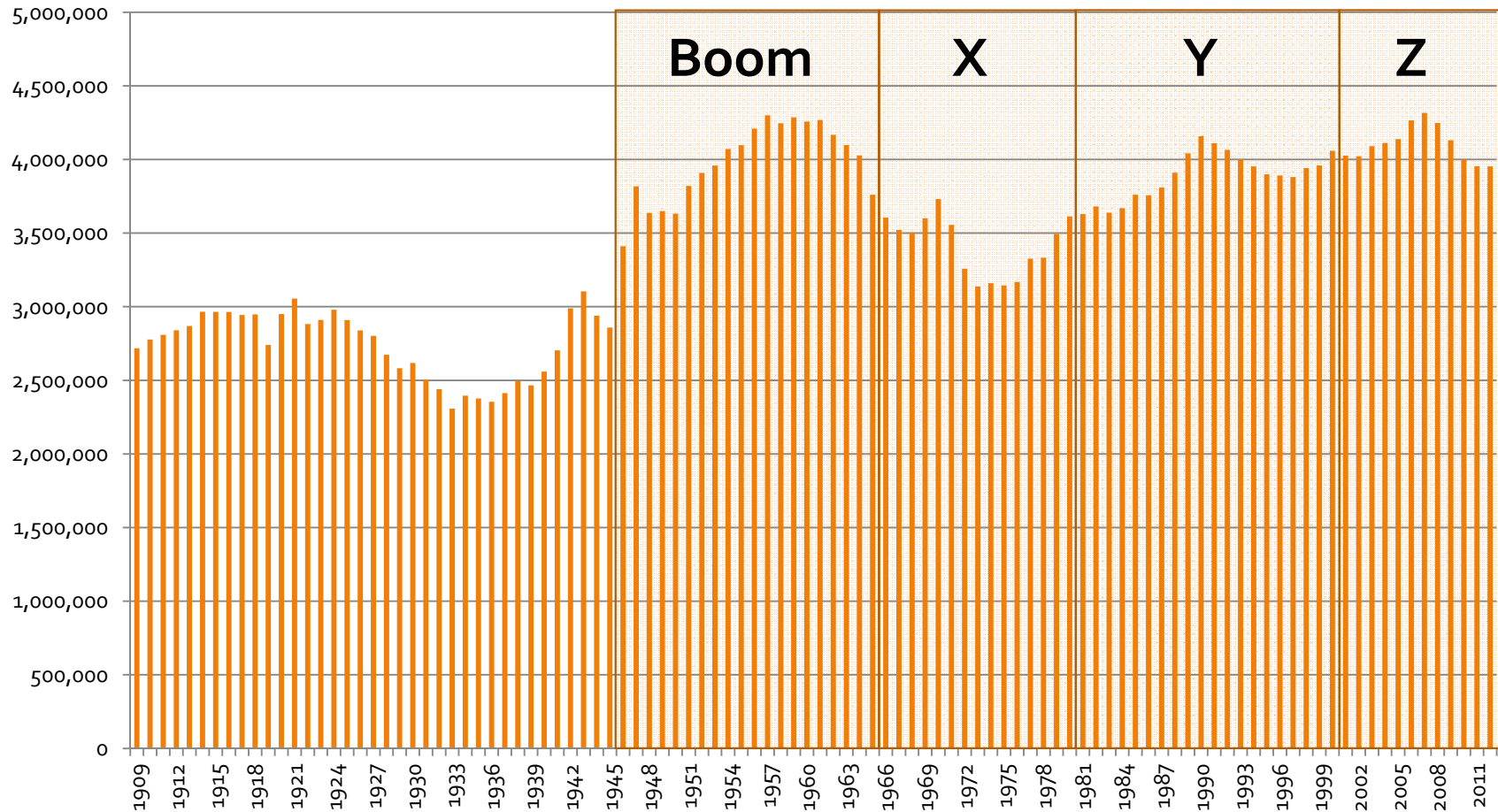
Selma Hepp, PhD, Senior Economist



# 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



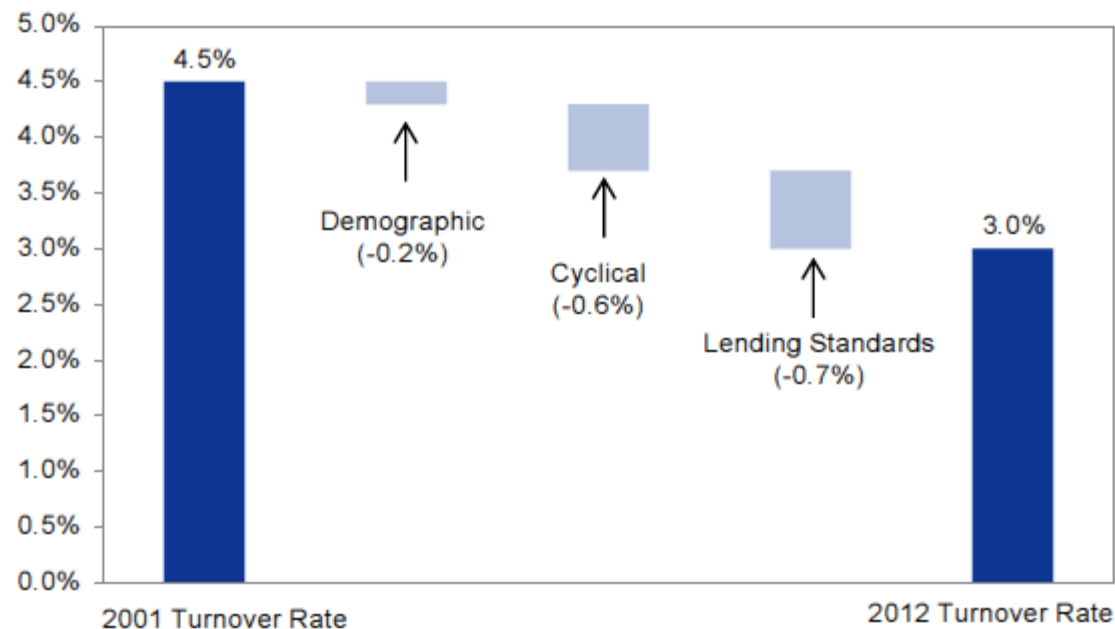
# MILLENNIALS IMPACT ON HOMEOWNERSHIP ONLY TO BEGIN

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# 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.

Disaggregation of decline into turnover into demographics, cyclical and lending standards

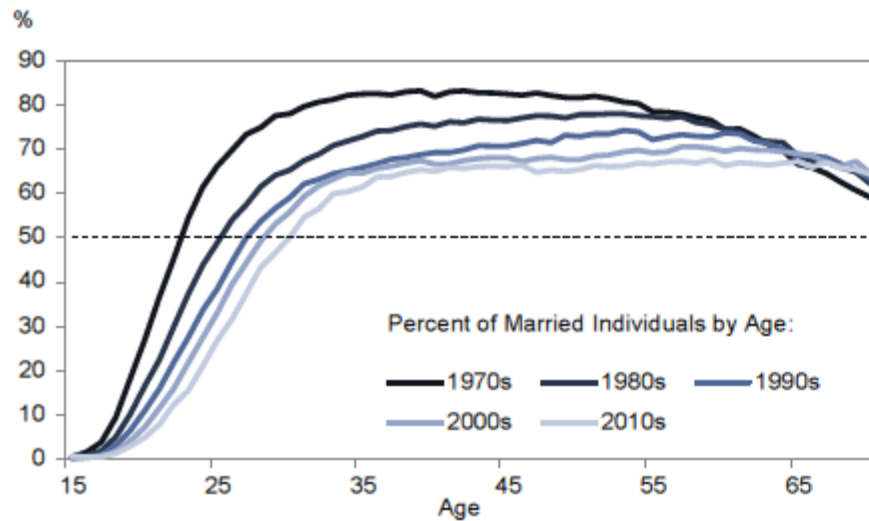


Source: Goldman Sachs Global Investment Research.

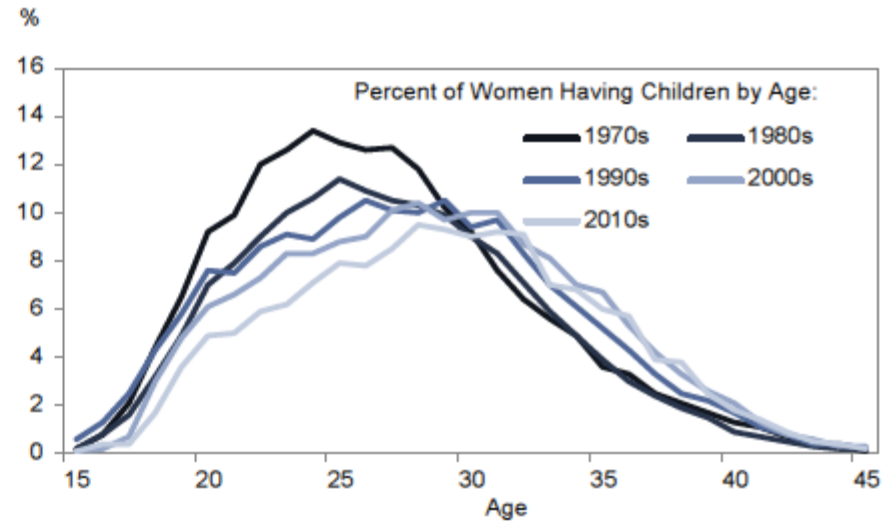


# ...AND THEY ARE DELAYING ADULTHOOD

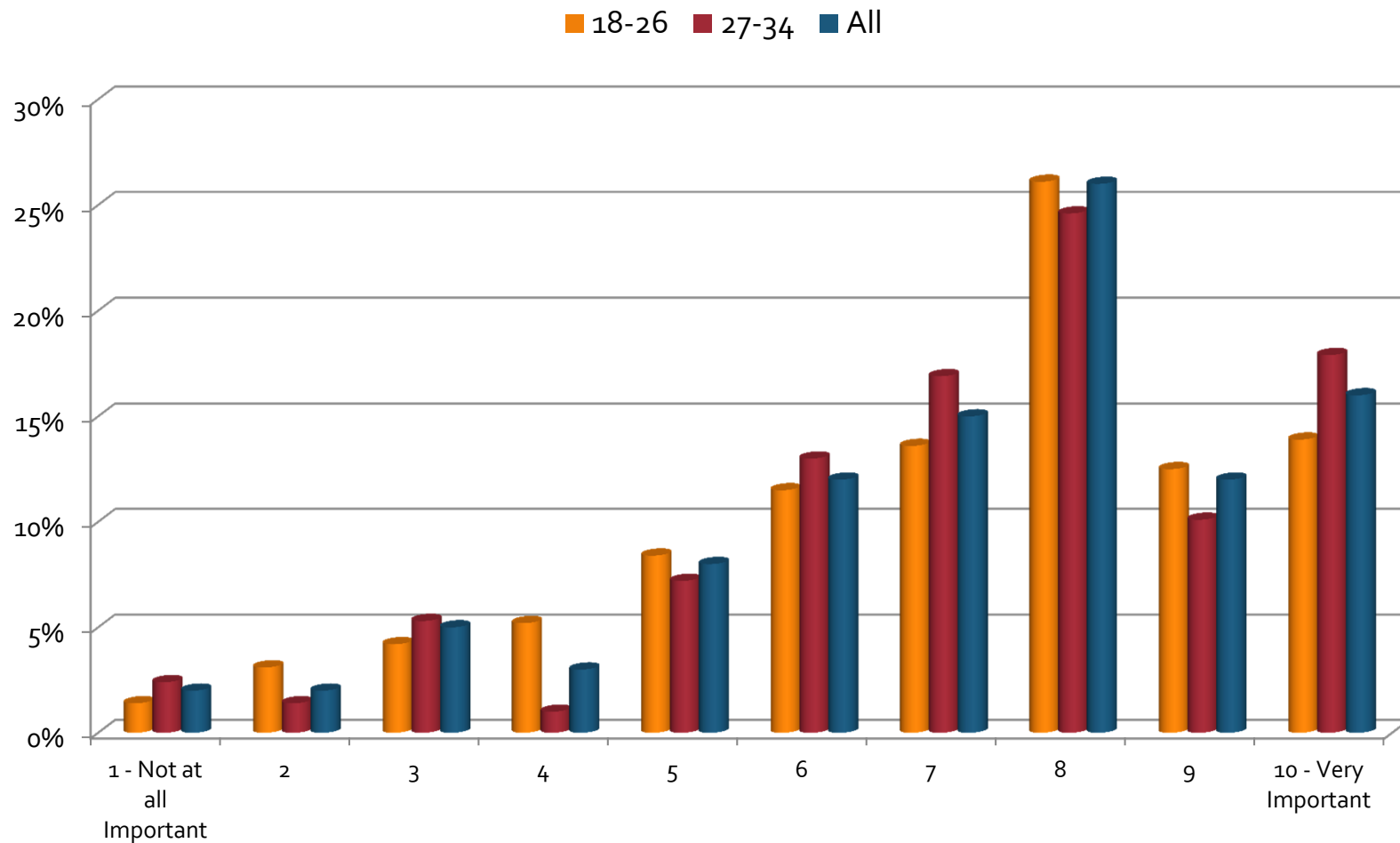
Median marriage age has increased in the last few decades...



...and also child-bearing age

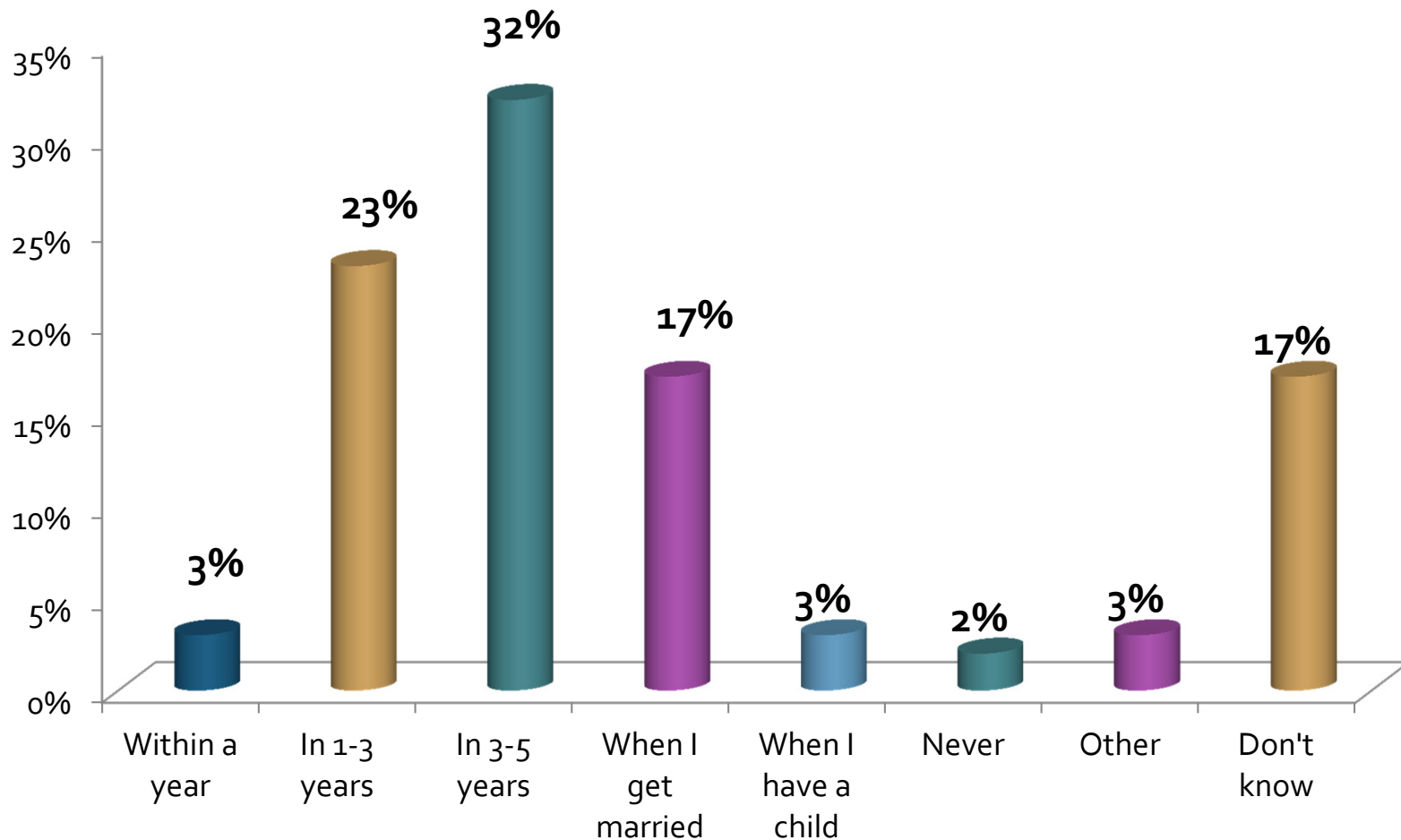


# 8/10 FEEL HOME OWNERSHIP IS IMPORTANT



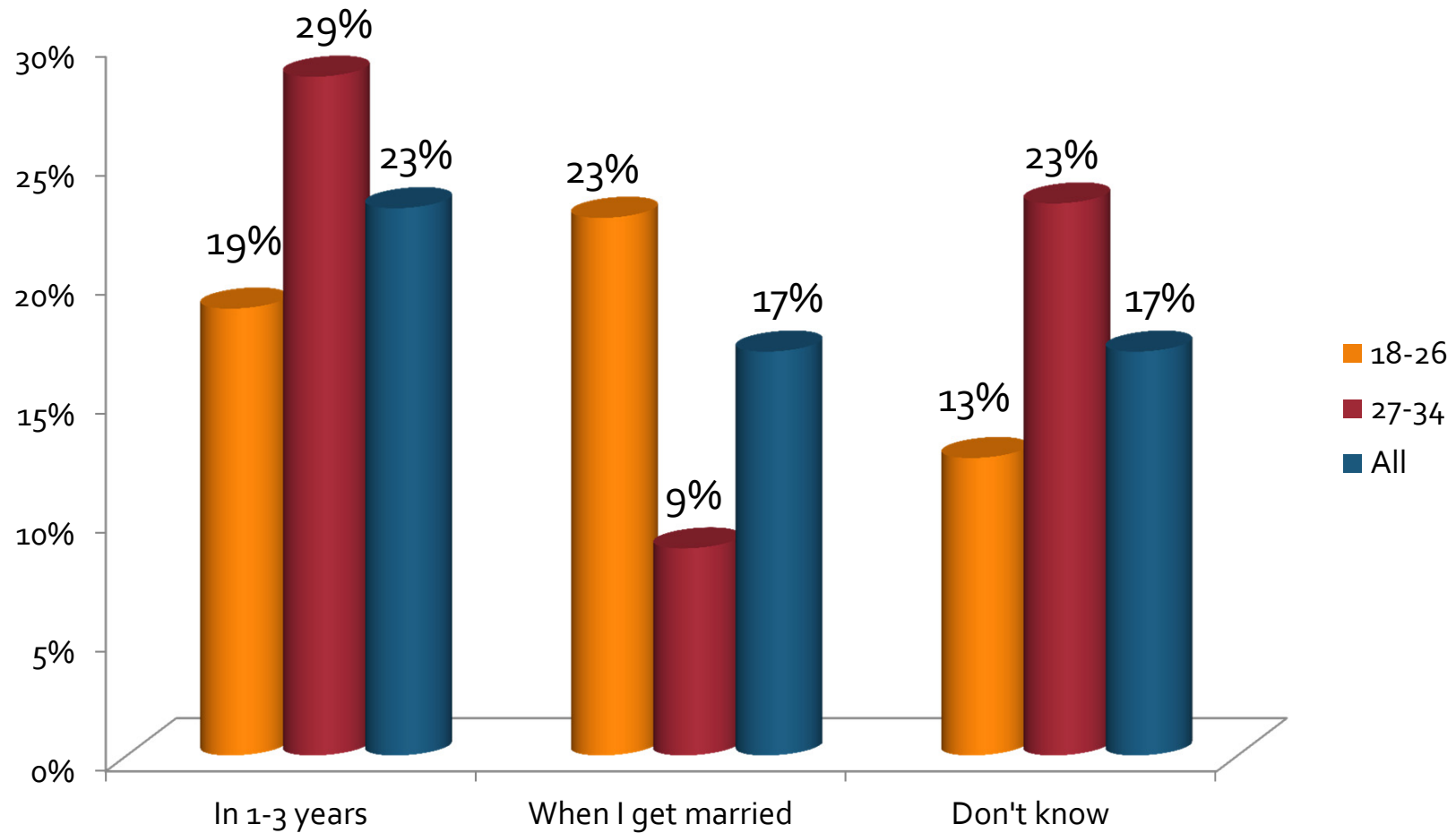
How important is home ownership to you on a scale of one to 10, with one being not at all important and 10 being extremely important?

# MOST EXPECT TO BUY A HOME WITHIN 5 YEARS



When do you expect to buy a home?

# MANY YOUNGER MILLENNIALS EXPECT TO BUY WHEN THEY GET MARRIED

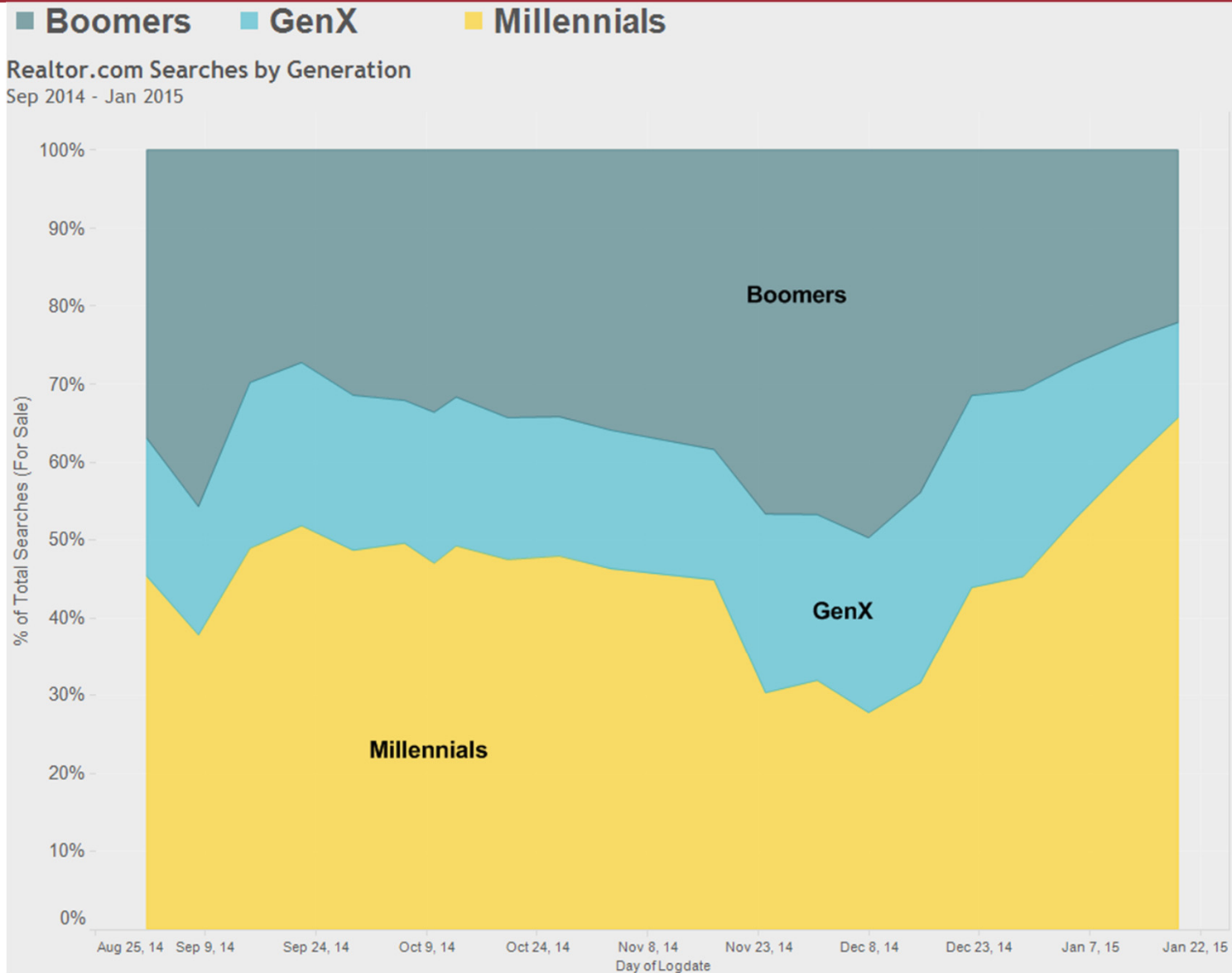


When do you expect to buy a home?



# MILLENNIALS ARE ESPECIALLY ACTIVE

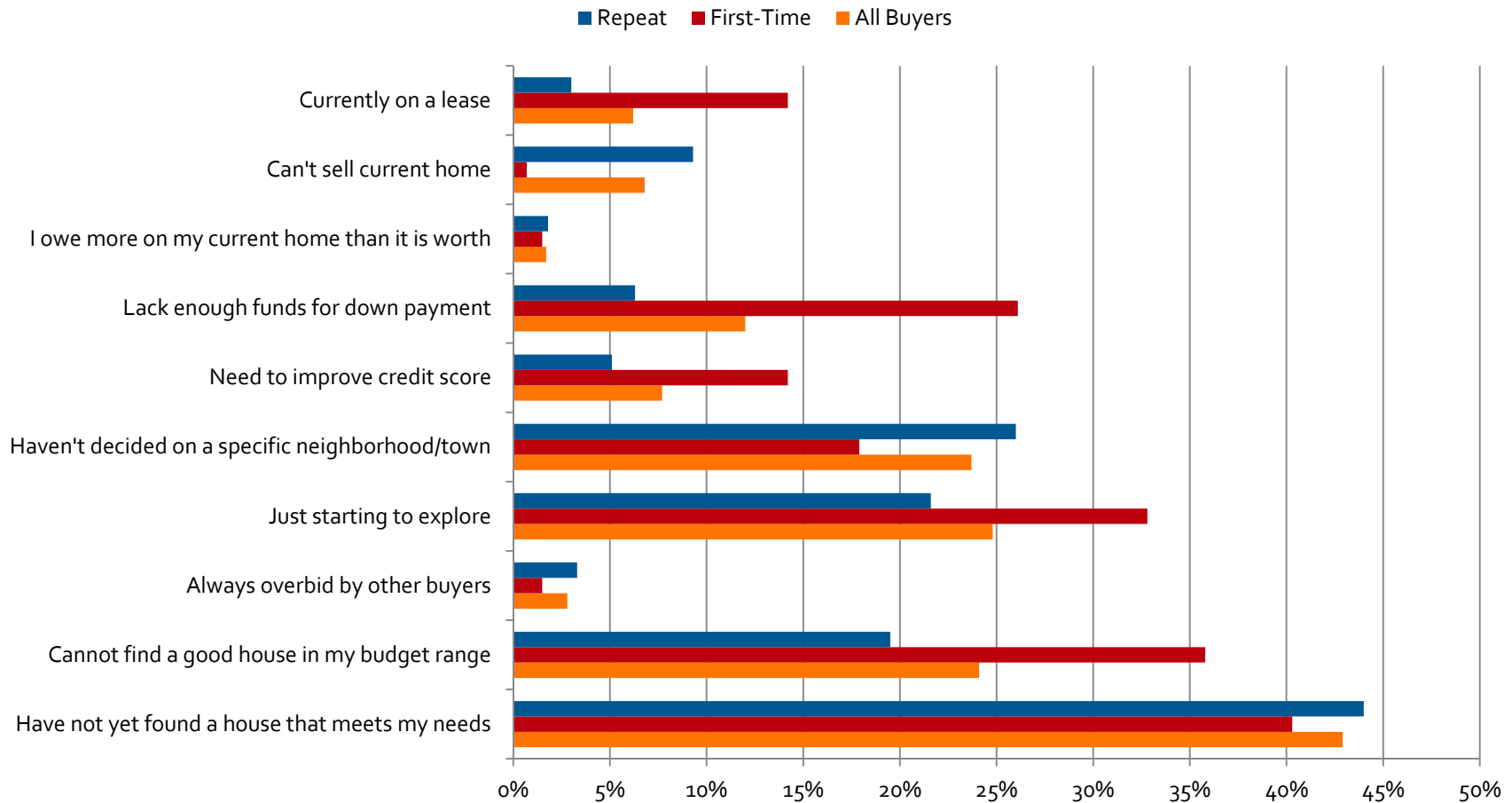
AN ESTIMATED  $\frac{2}{3}$  OF SEARCHES IN JAN WERE MILLENNIALS



# IMPEDIMENTS TO PURCHASE

## BIGGEST ISSUES ARE SUPPLY, TIME, AND DOWN PAYMENT

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



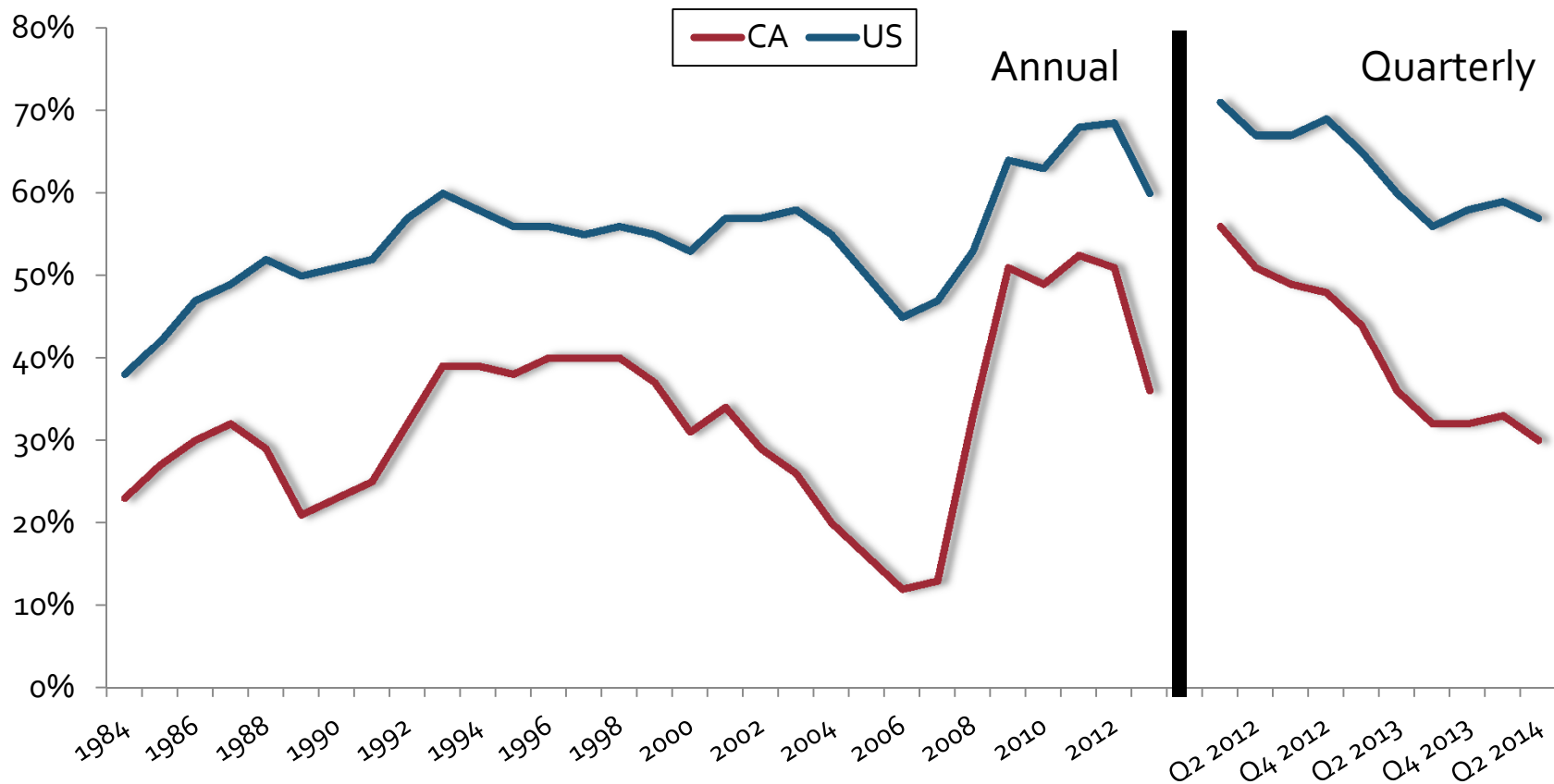
Source: Realtor.com Survey of Buyer Traffic, January 2015



# HOUSING AFFORDABILITY DOWN SHARPLY SINCE Q1 2012

## California vs. U.S. – 1984-2014

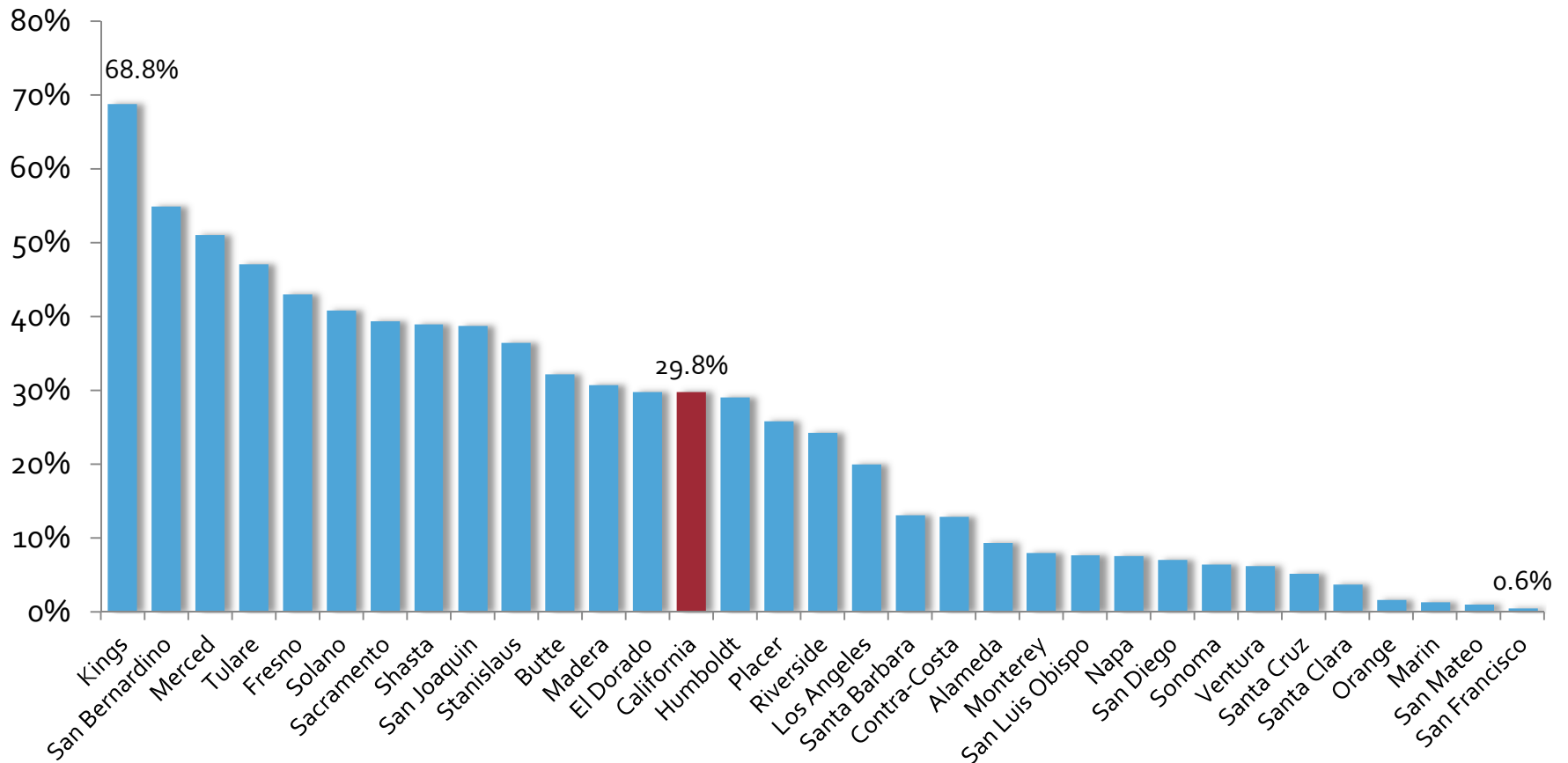
% OF HOUSEHOLDS THAT CAN BUY  
A MEDIAN-PRICED HOME



SERIES: Housing Affordability Index of Traditional Buyers  
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

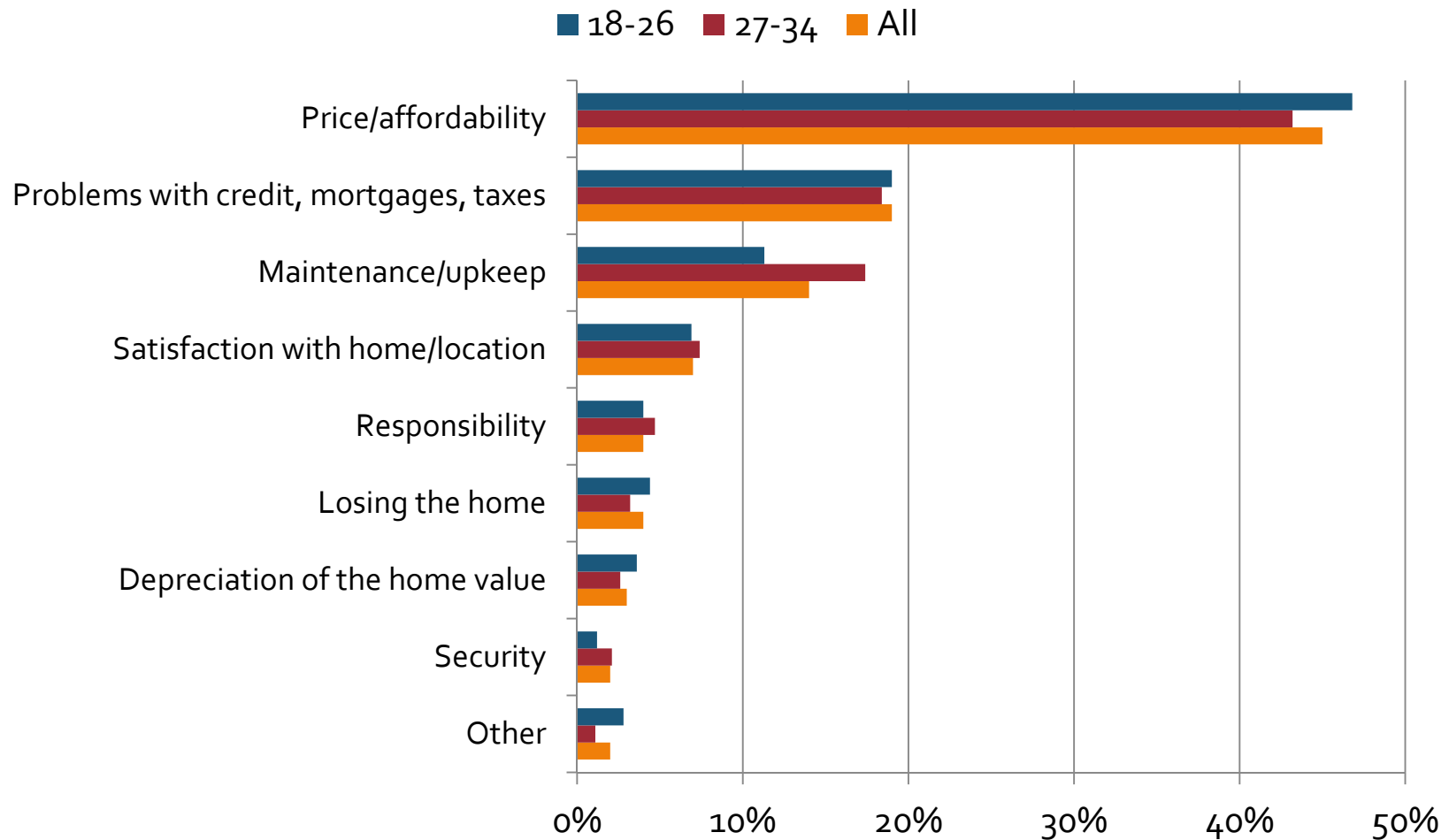
# AFFORDABLE INVENTORY AVAILABLE TO MEDIAN-INCOME HOUSEHOLDS

2015 Q1



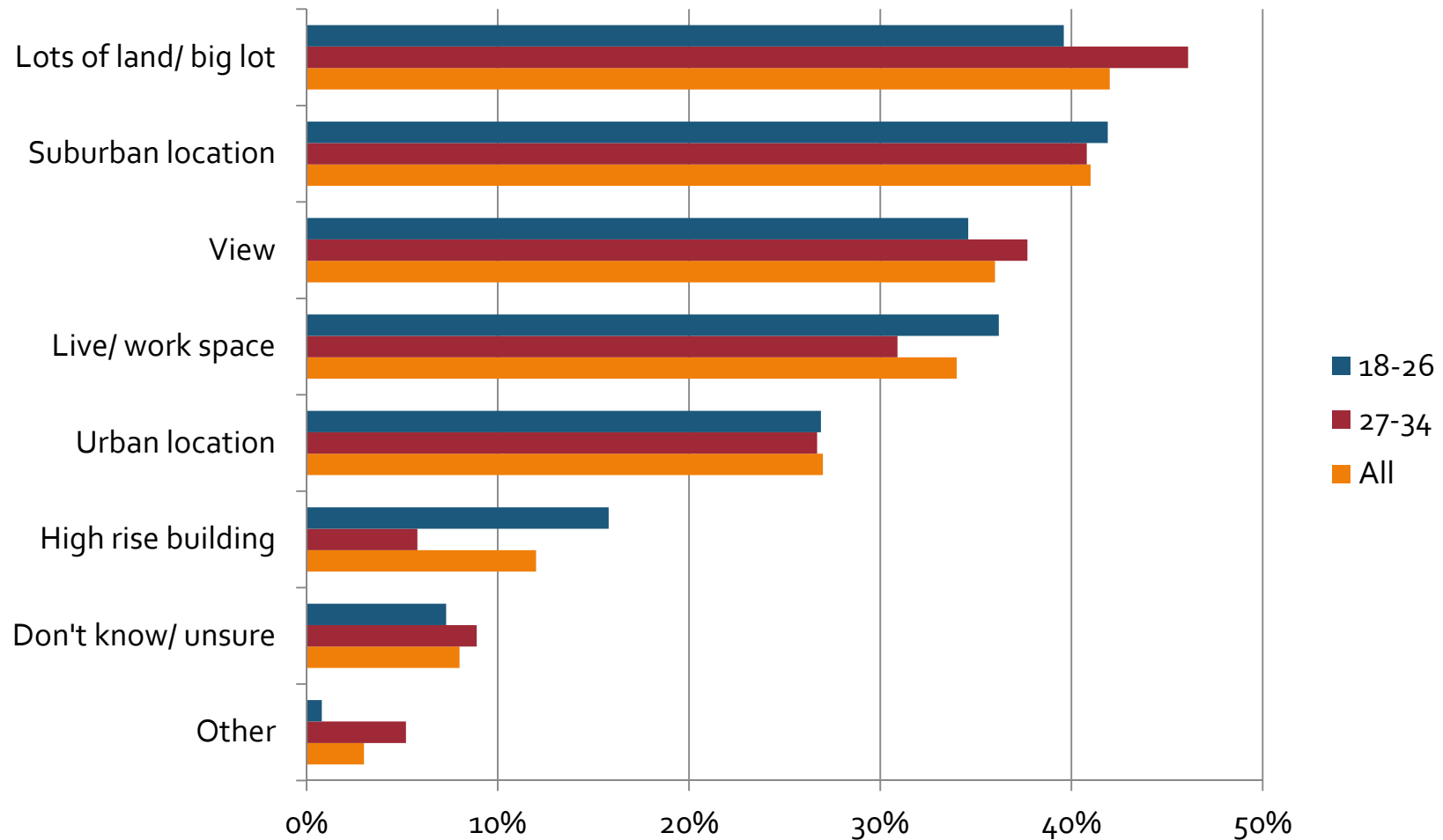
SOURCE: CALIFORNIA ASSOCIATION OF REALTORS®

# MILLENNIALS' BIGGEST CONCERNS



What are your biggest concerns about home ownership?

# BIG LOTS IN THE SUBURBS ARE HIGHLY DESIRABLE



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**

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

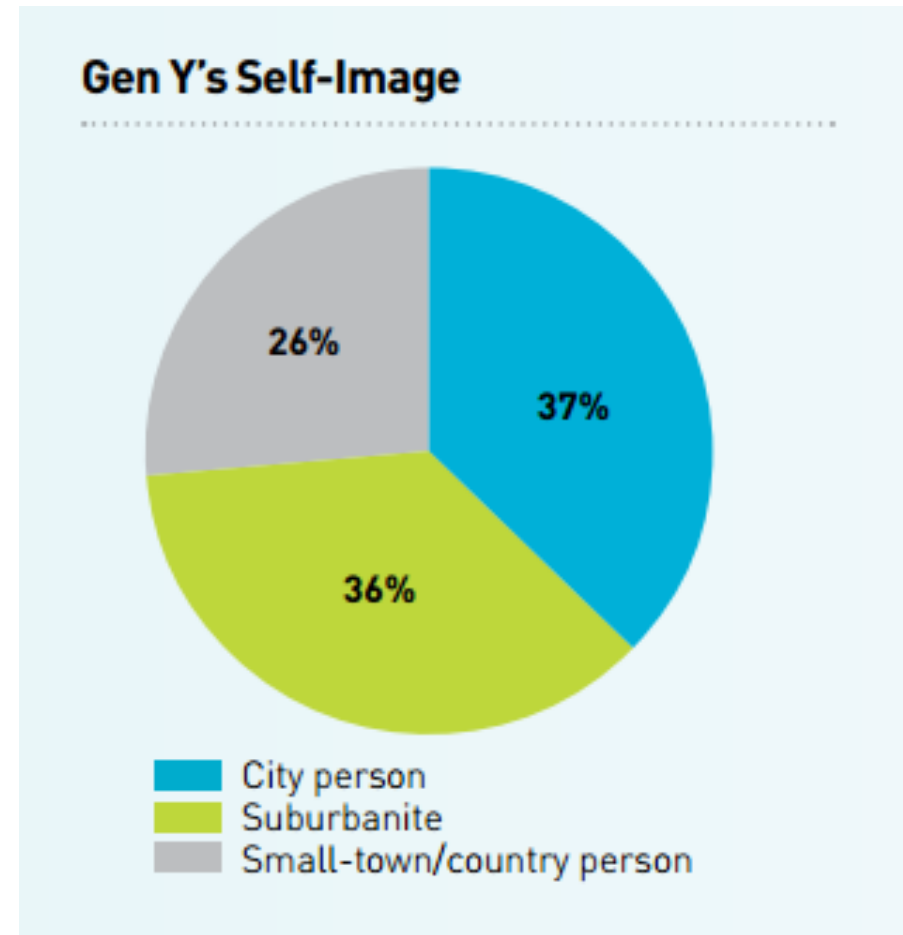
Sample size=1,225.

**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

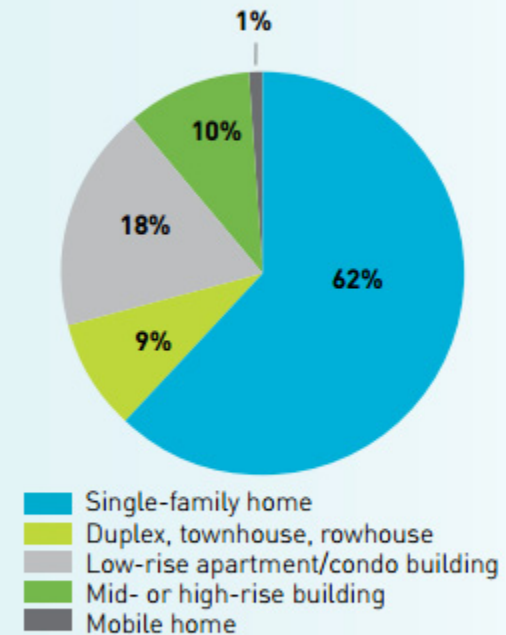




# HOMEOWNERSHIP EXPECTATIONS

- 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 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



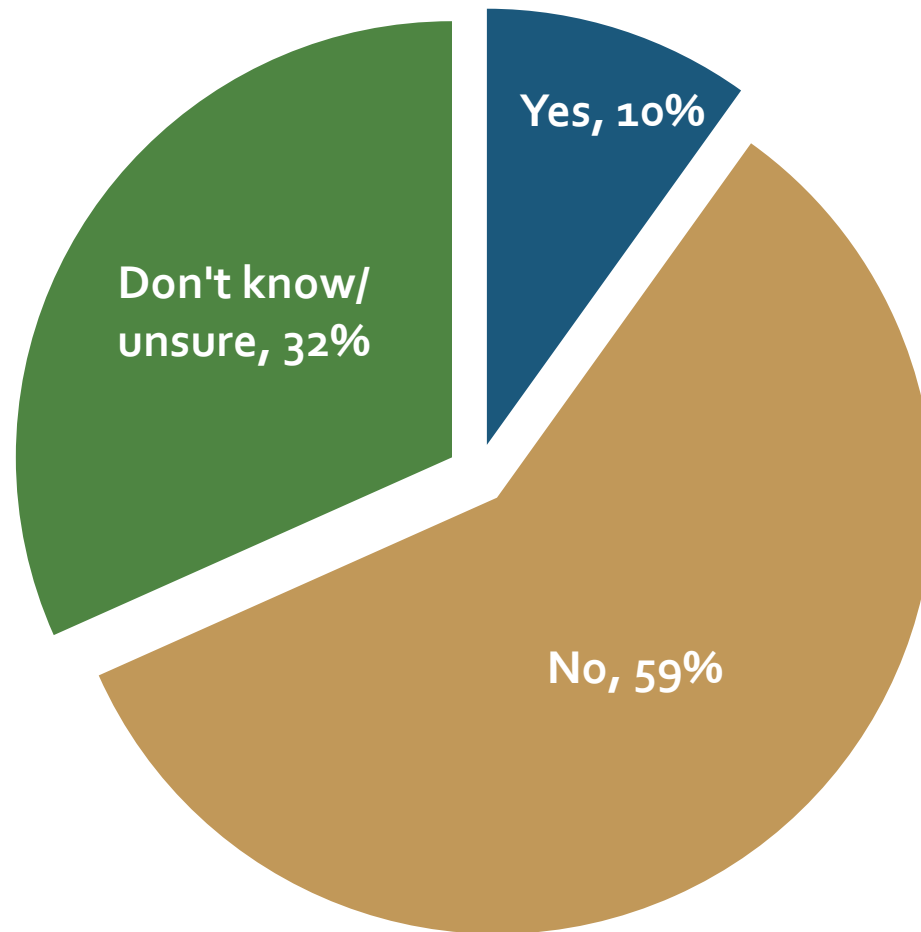
Sample size=1,270.

Source: UDR/Lachman Associates Survey, November 2014.

# BABY BOOMERS STAYING PUT

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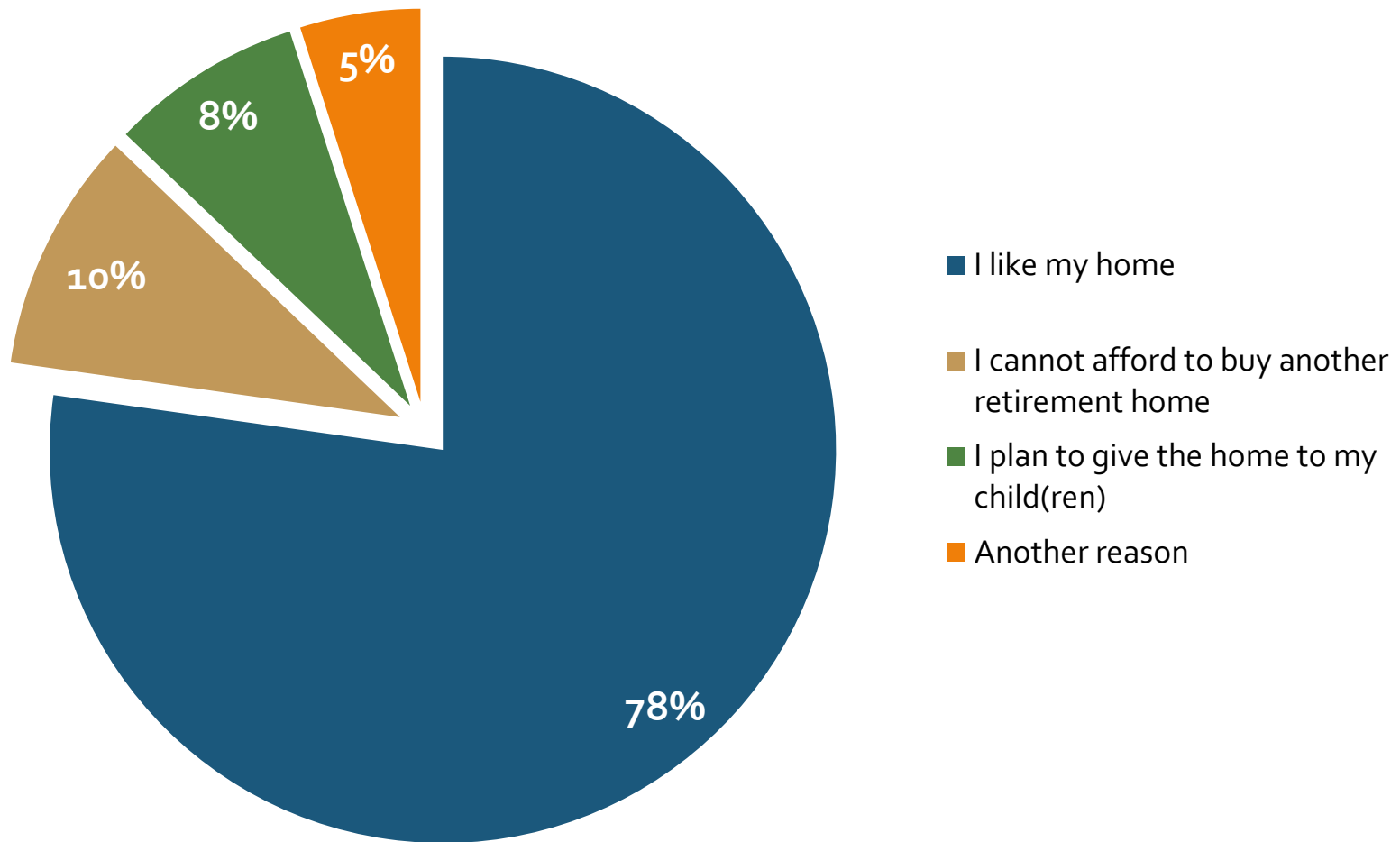
# MAJORITY DO NOT PLAN TO SELL HOME WHEN THEY RETIRE



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

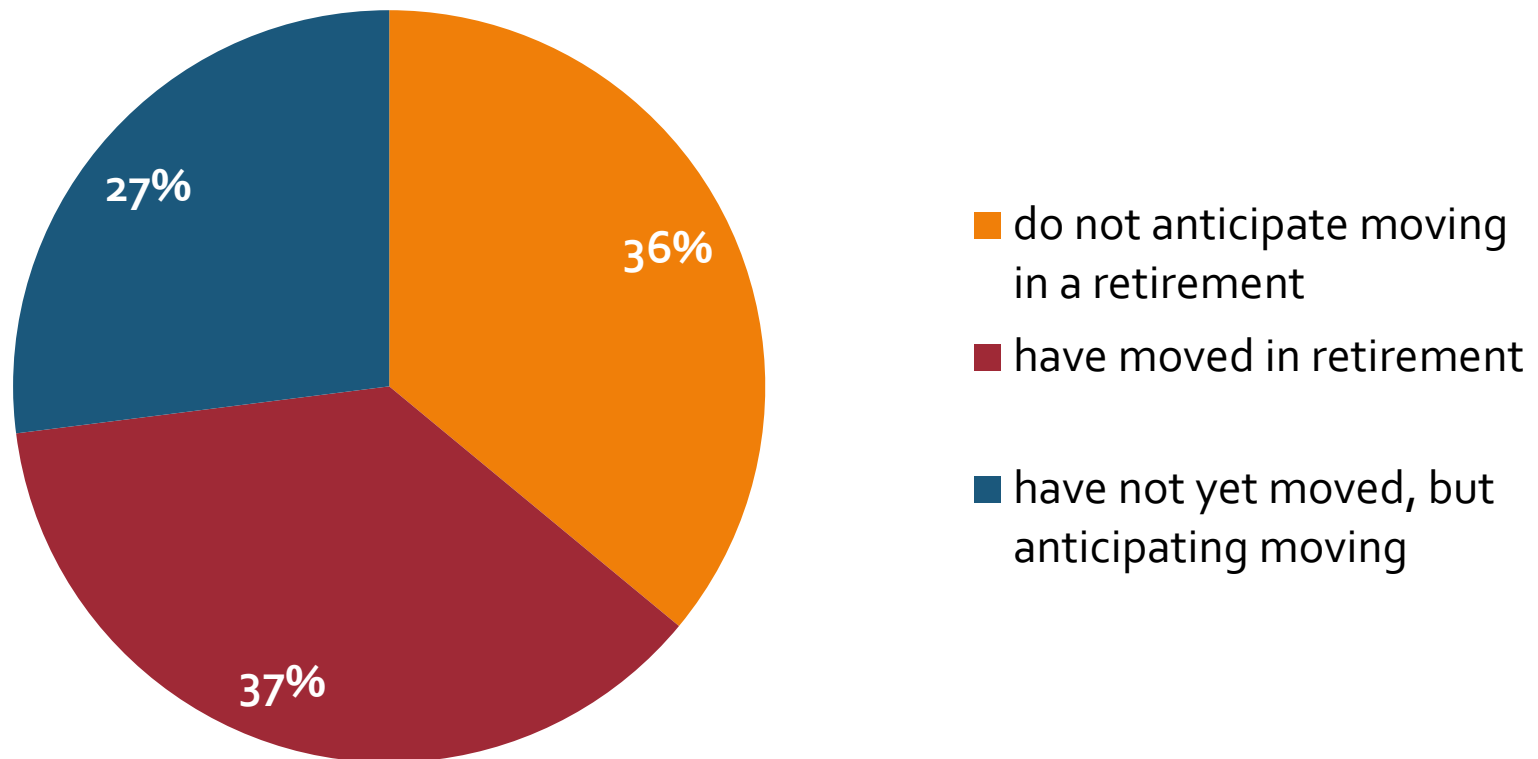
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# MAJORITY WON'T SELL BECAUSE THEY LIKE THEIR HOME



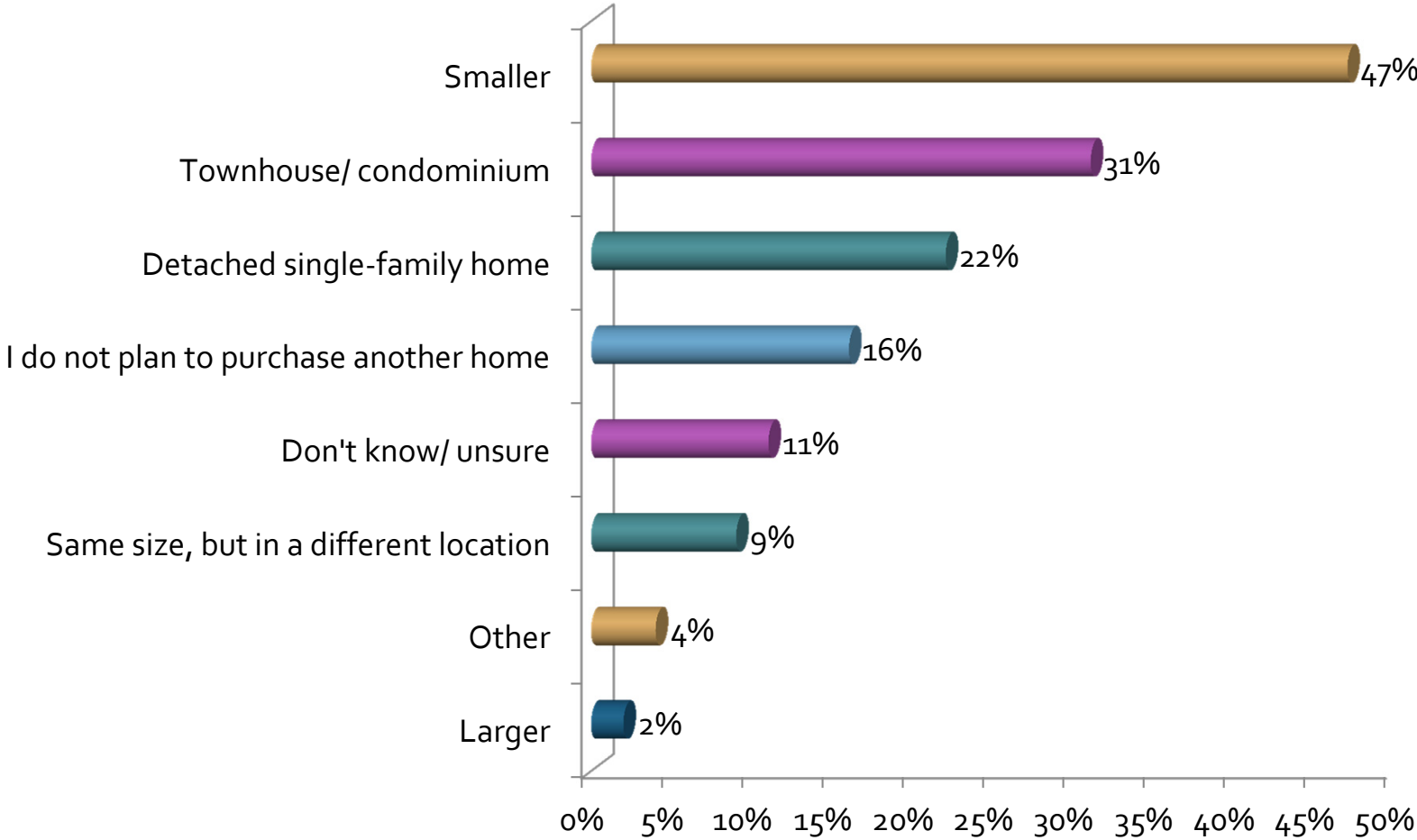
Why do you not plan to sell your current home when you retire?

# PERCENT OF RETIREES WHO HAVE MOVED OR ANTICIPATE TO MOVE



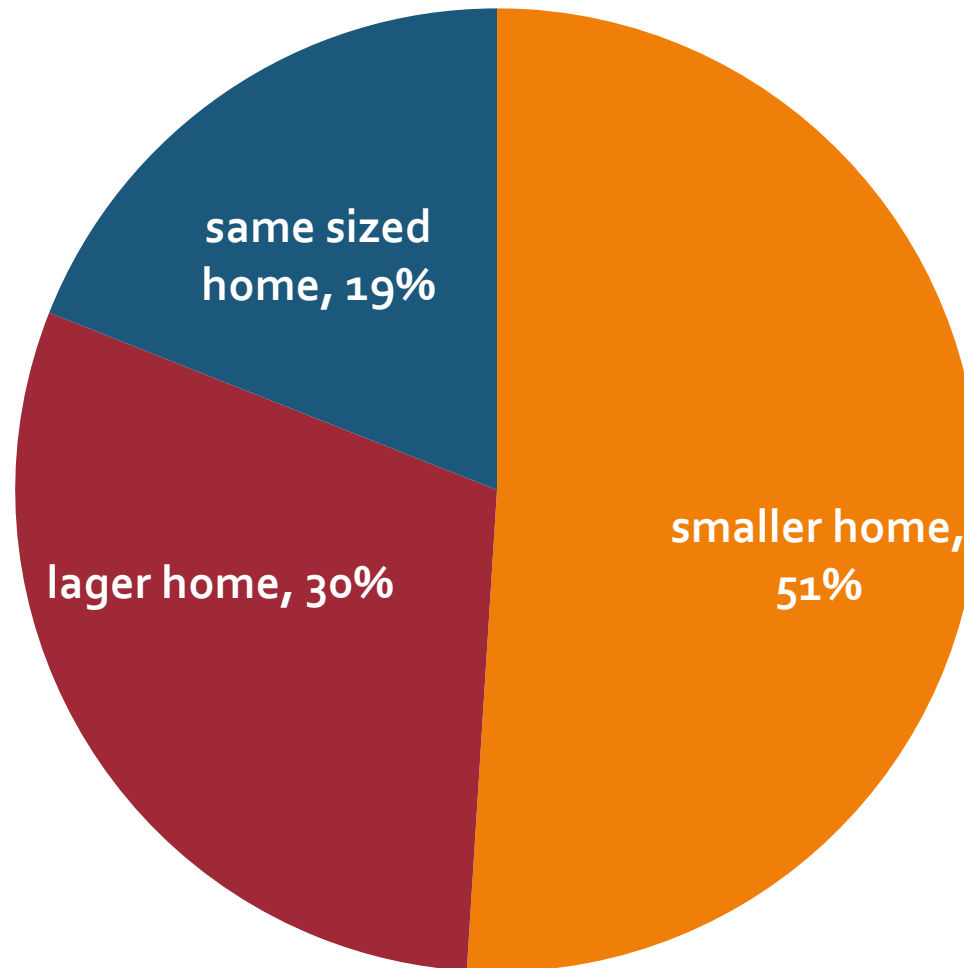
SERIES: Home in Retirement: More Freedom, New Choices Study  
SOURCE: Age Wave, Merrill Lynch

# NEARLY 1/2 PLAN TO DOWNSIZE



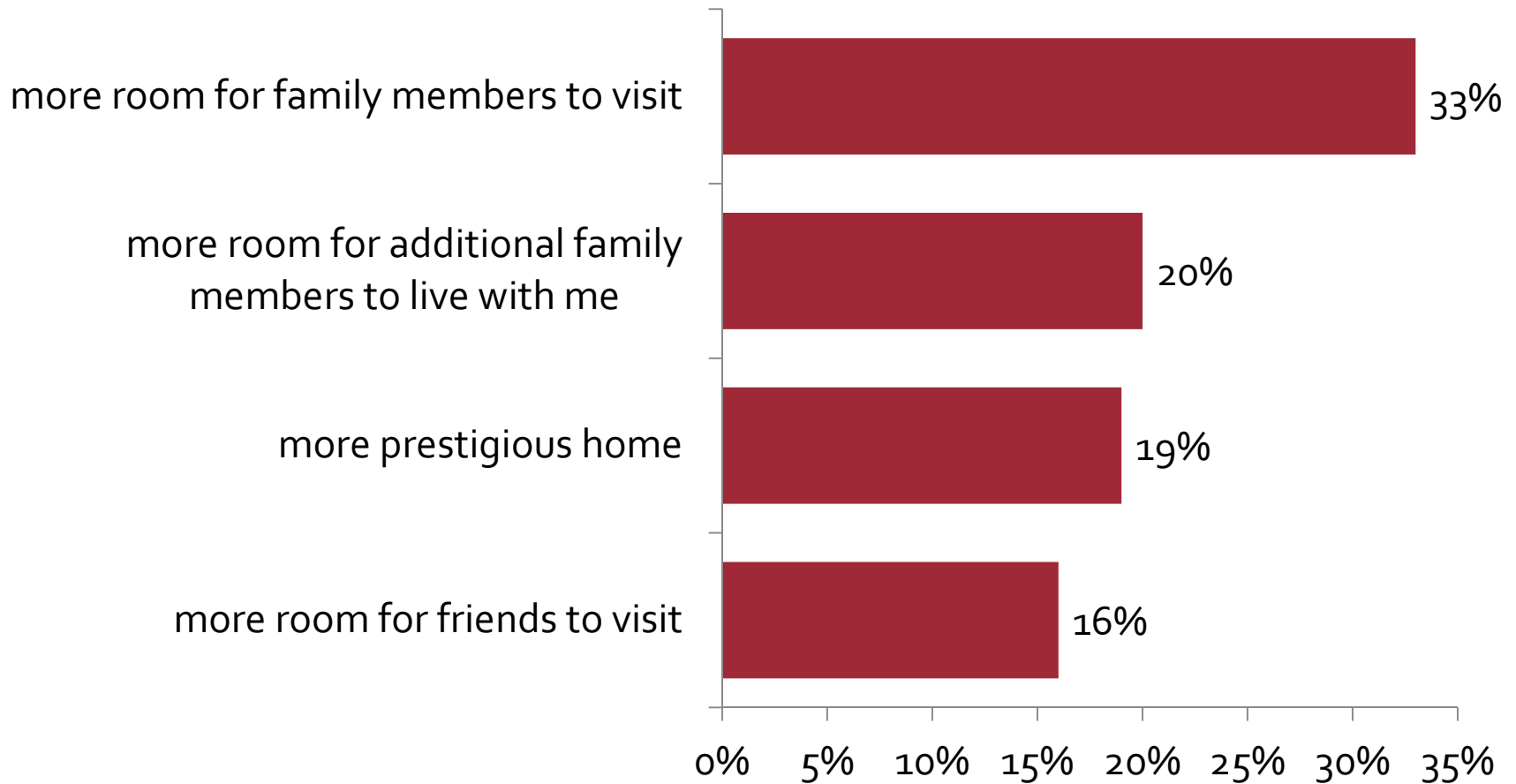
What type of new home are you planning on purchasing?

# RETIREE'S' MOST RECENT MOVE WAS INTO A...



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

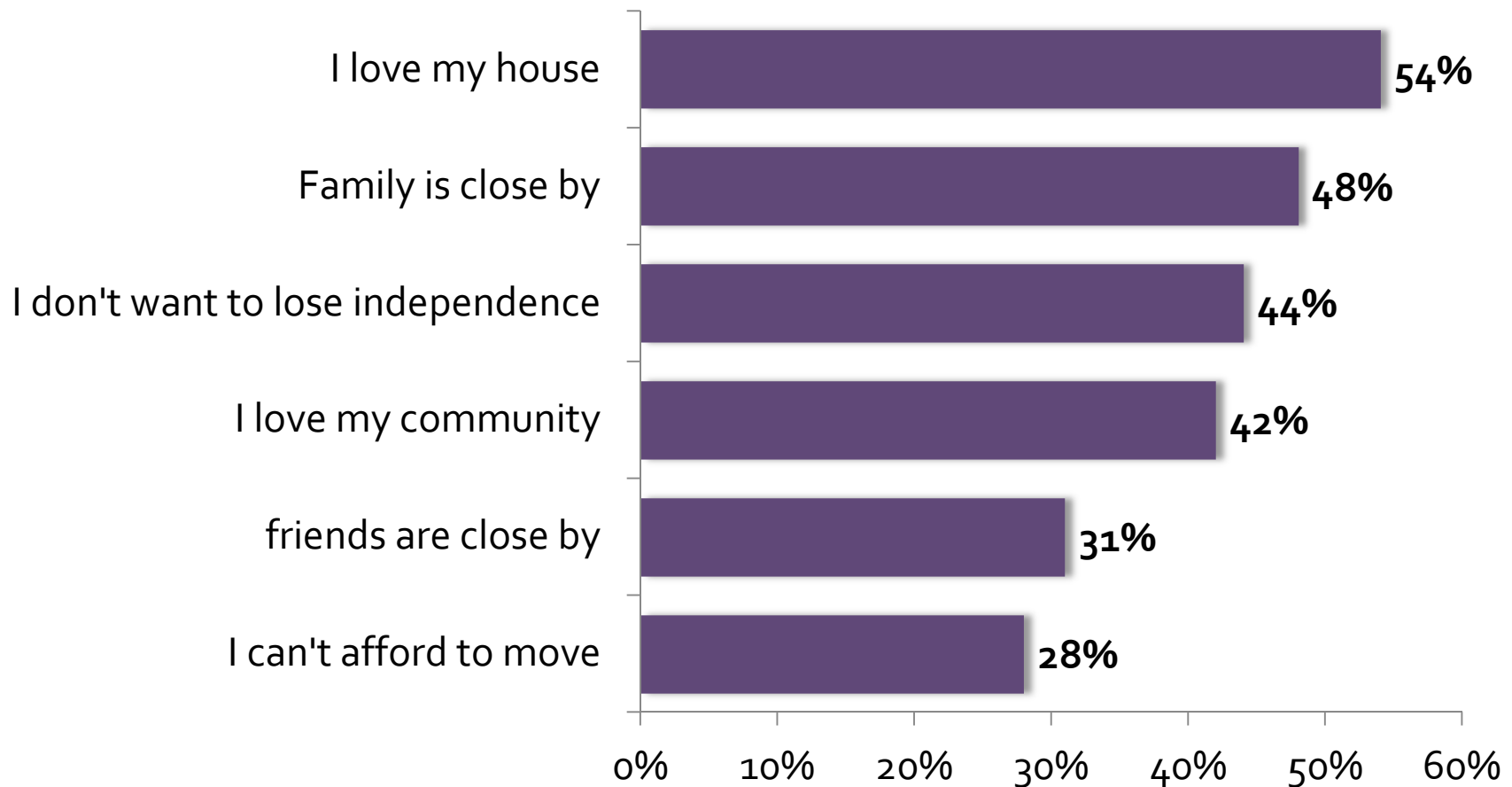
# MAIN MOTIVATIONS FOR UPSIZING



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

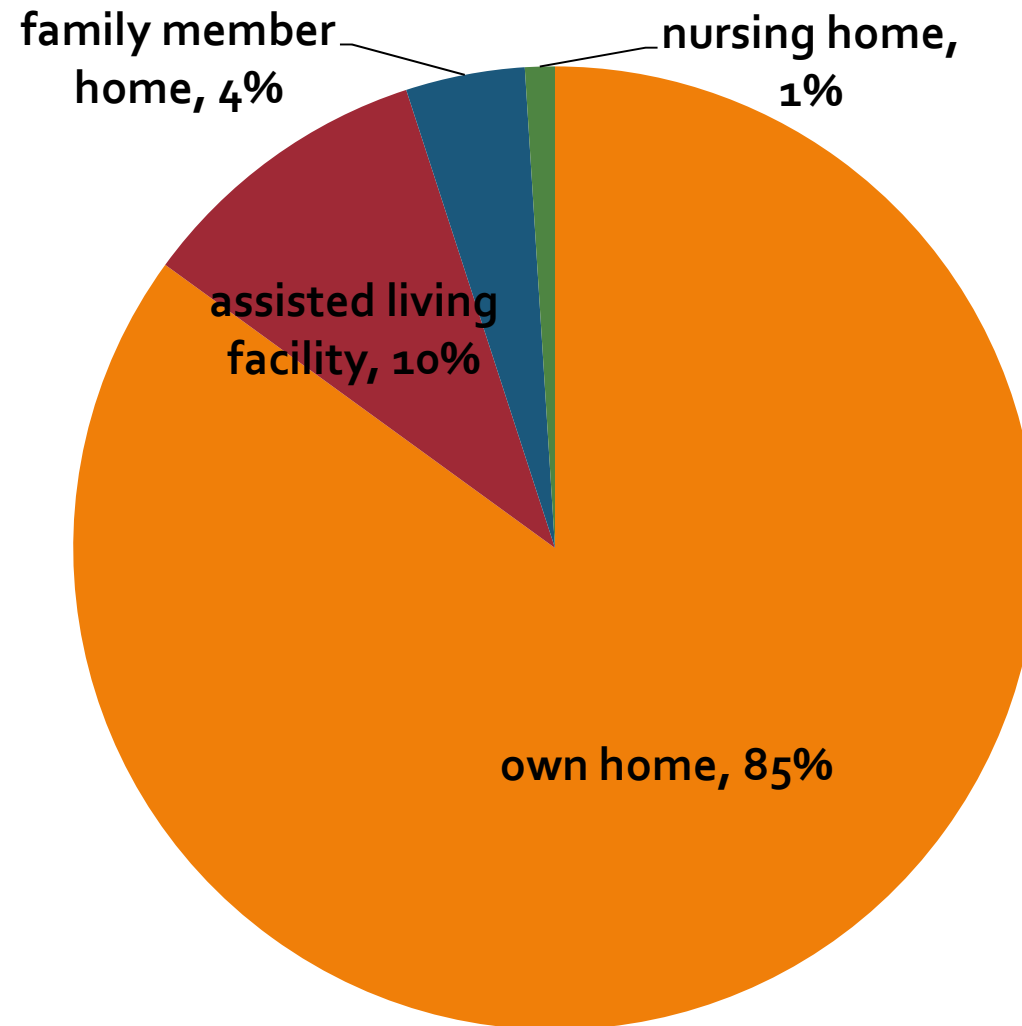


# TOP REASONS WHY RETIREES WOULDN'T LEAVE THEIR CURRENT HOME



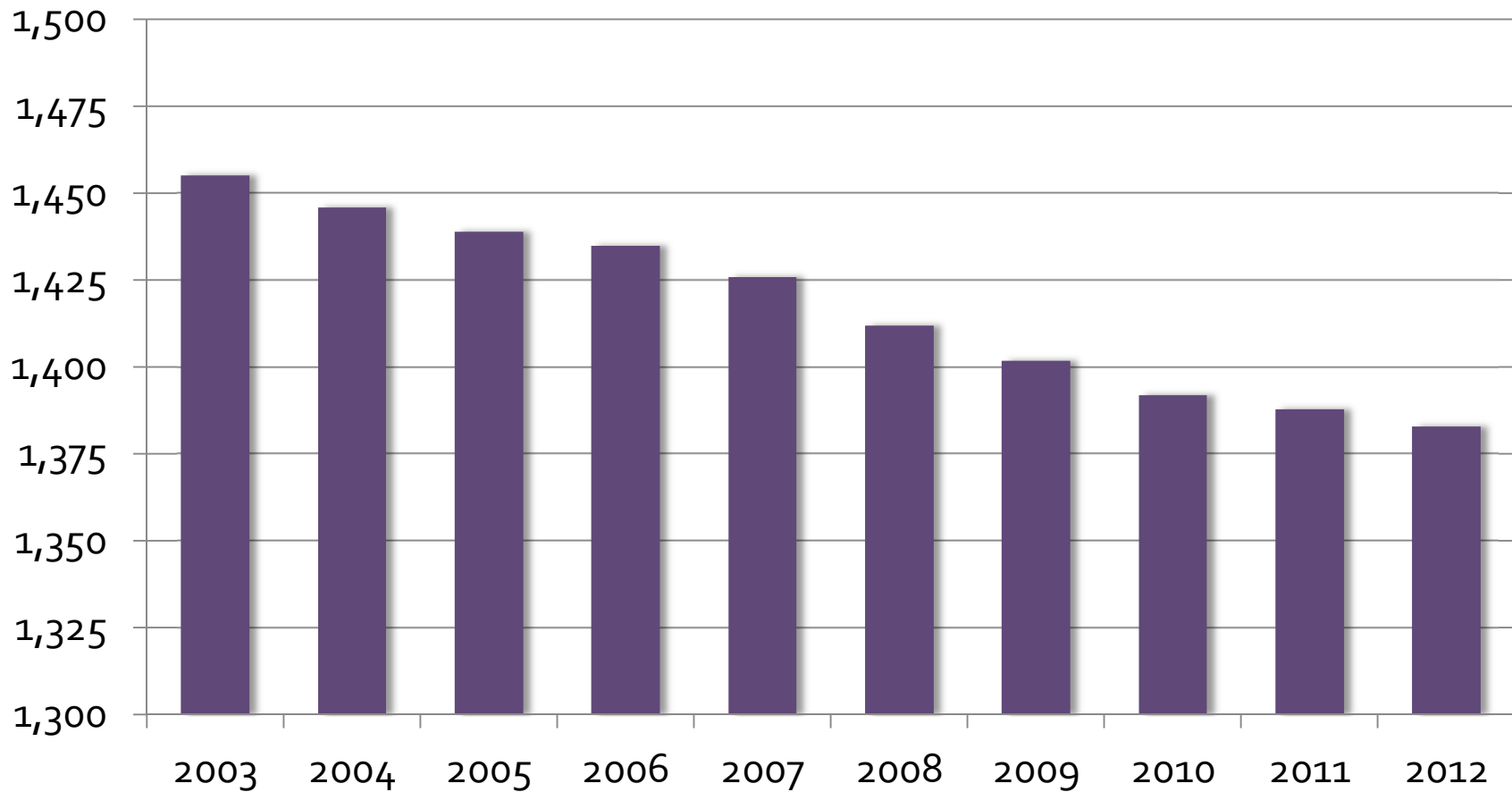
SERIES: Home in Retirement: More Freedom, New Choices Study  
SOURCE: Age Wave, Merrill Lynch

# TOP PREFERENCE FOR RECEIVING CARE



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

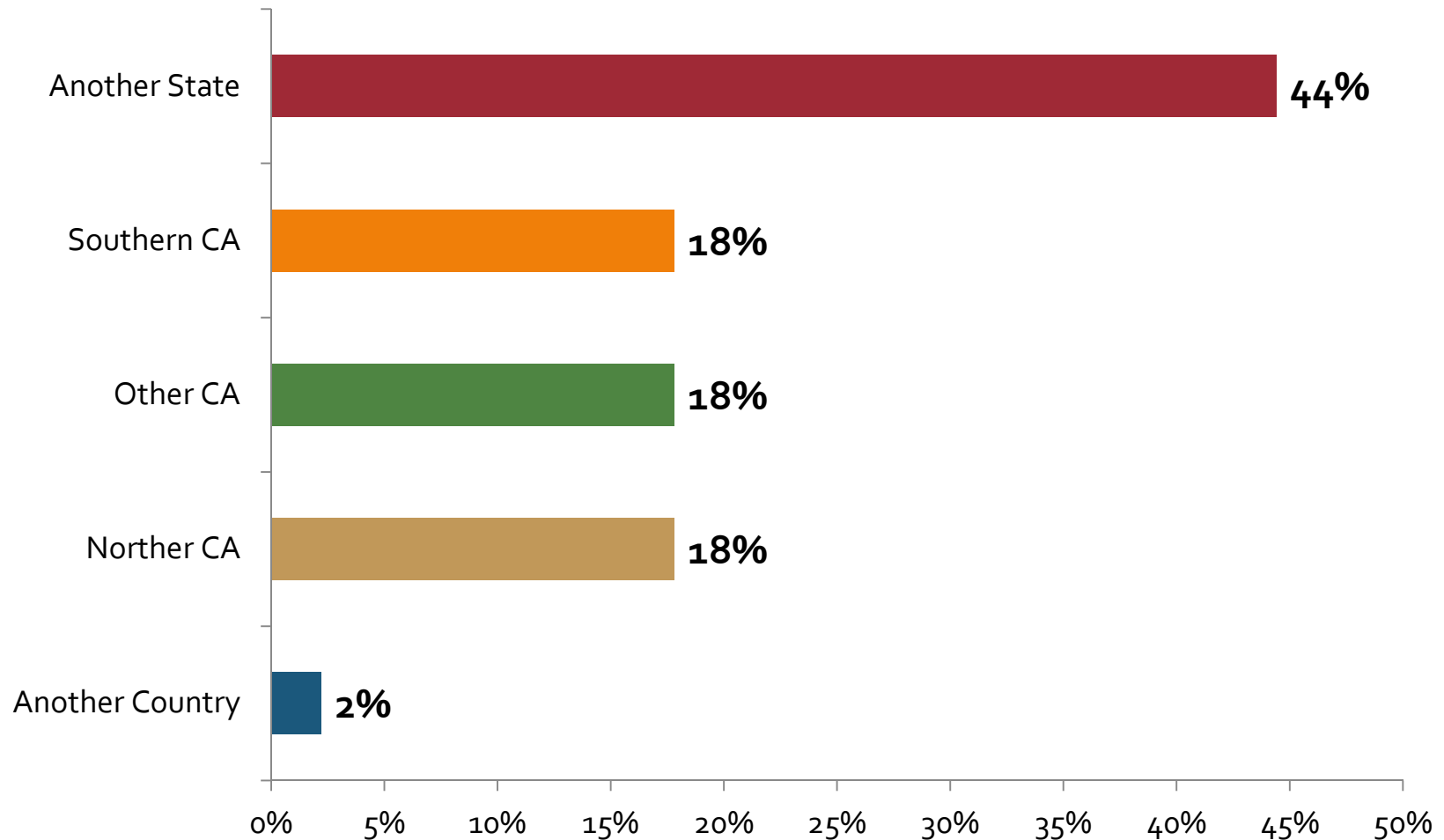
# NUMBER OF NURSING HOME RESIDENTS



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

# STAY CONNECTED WITH RESEARCH



CARResearchGroup



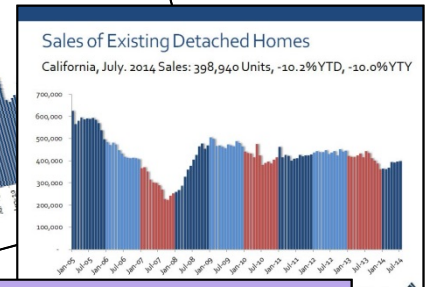
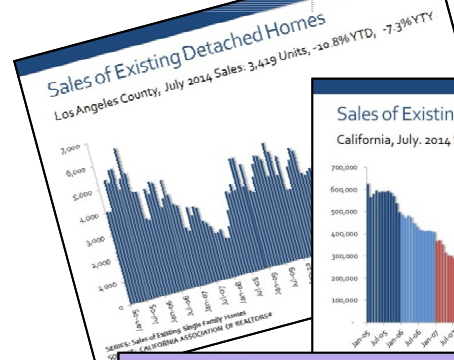
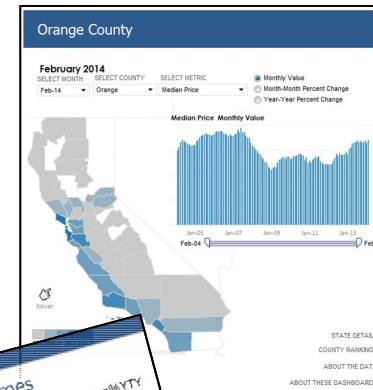
CARResearchInfo



On.car.org/CARResearch



Housingmatters.car.org



Market Snapshot  
California Association of Realtors

California July Sales  
Single Family Sales: 4,43K, 3,94K, 3,98K, 4,43K, 4,58K, 4,44K  
Median Price: \$438K, \$458K, \$464K

Market @ A Glance						
Category	Reporting Period	Current Period	Last Period	Year Ago	Change from 1 Year Ago	Change from Year Ago
Existing Home Sales (SARIS)	July 14	398,940	396,751	443,071	-1.0%	-10.0%
Median Home Price *	July 14	\$456,731	\$453,071	\$435,741	+0.8%	+3.9%
Months Inventory Index (Inventory)	July 14	3.0	3.2	2.8	-1.2%	-21.0%
Median Year-Old Median Price	July 14	35.7	33.9	37.9	+0.2%	-6.0%
Traditional Housing Affordability Index (Index)	July 14	104.0	103.0	105.0	-1.0%	-4.0%
San Francisco Bay Area Median Price (Index)	July 14	4.53%	4.59%	4.57%	-0.04%	-0.24%

# THANK YOU!

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