

Millennials and Their Homes: Still Seeking the American Dream

The economy is getting better, albeit slowly, and a generation faced with numerous economic challenges is looking ahead. The weight of Millennial influence on the economy and housing market will be significant over the next five years - Generation Next has become *Generation Now*.

But despite the growing influence of Millennials, many myths to the contrary persist. When they move, they will all move to the city and rent; they don't want to own things; they won't need cars anyway - and there will be a massive slump in demand because they are all going to be living single in their parents' basements for the foreseeable future, right? Not quite.

Like most myths, there is some truth here - but only some. Last summer, The Demand Institute surveyed more than 1,000 Millennial households (18- to 29-year-olds) about their current living situation, moving intentions and home preferences, as part of a broader effort to understand where future home and community demand is headed. What we learned was often counterintuitive to the prevailing wisdom about this important generation, which is likely to behave more like earlier generations than many appear to expect.

Please click the arrow on the right to view our findings.

Leaving the Nest

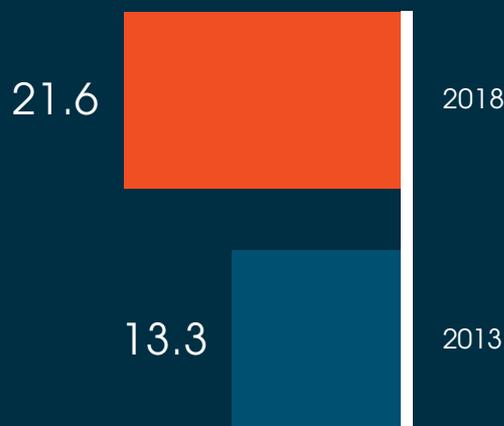
During the downturn, an unprecedented share of young adults did choose to live with their parents rather than strike out on their own, hindering household formation and economic activity. As economic prospects improve, however, Millennials will emerge from their parents' basements. Today, there are just 13.3 million households headed by Millennials, but this number will swell to 21.6 million by 2018, and they will spend more than \$2 trillion on rent and home purchases combined – more on a per-household basis than any other “generation” over the next five years.

In the next 5 years...

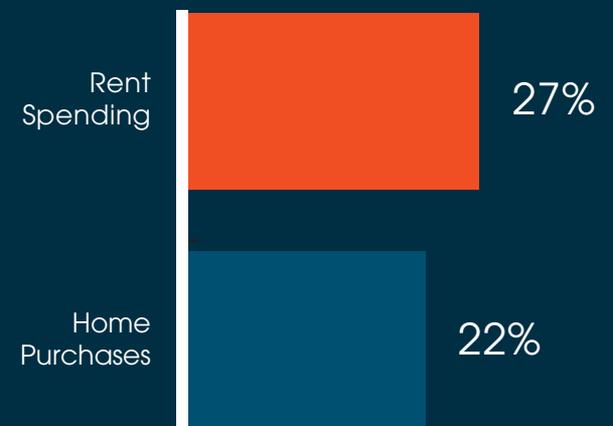
8.3 million new Millennial households form

Millennials spend **\$1.6 trillion** on home purchases and **\$600 billion** on rent

Households Headed by Millennials (millions)



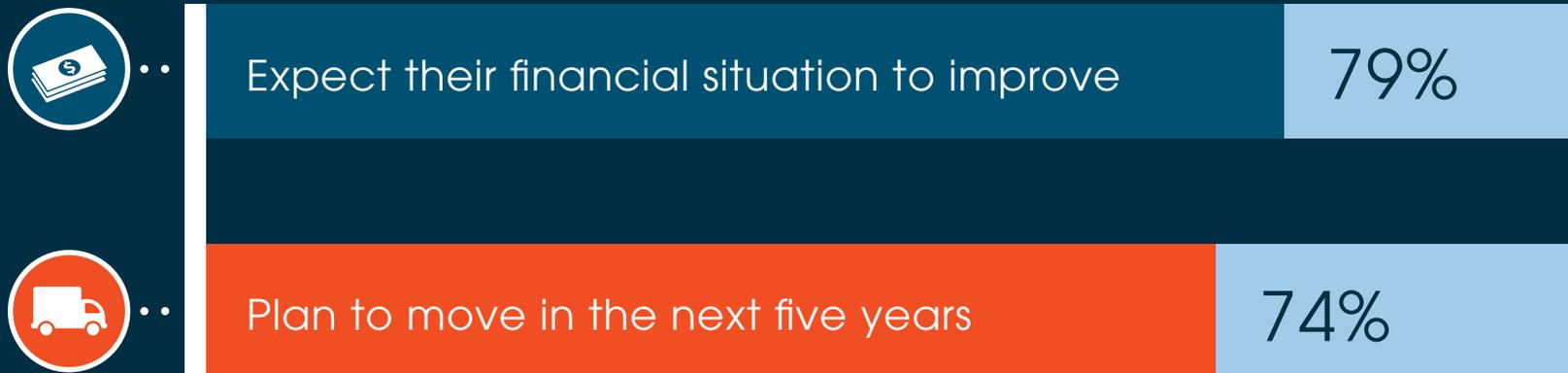
Millennial Share of Spending on Housing, 2014-2018



Note: Millennials defined as those between the ages of 18 and 29 in 2013. Millennial household formation is due to multiple factors, including moving out of parental or roommate homes, as well as immigration.
Source: 2013 Demand Institute Housing & Community Survey; 2013 Demand Institute Housing Forecasts

Not So Glum

Despite all of the doom-and-gloom reports about their financial situation, Millennials themselves are overwhelmingly optimistic about the future. They expect their finances to improve, and most have plans to move in the next five years. Further, Millennials are looking to upgrade their living situations, whether that means moving into a nicer, more spacious rental or purchasing a home for the first time.



Top Reasons to Move...



71%
for a better
home/apartment



59%
for more privacy
or space



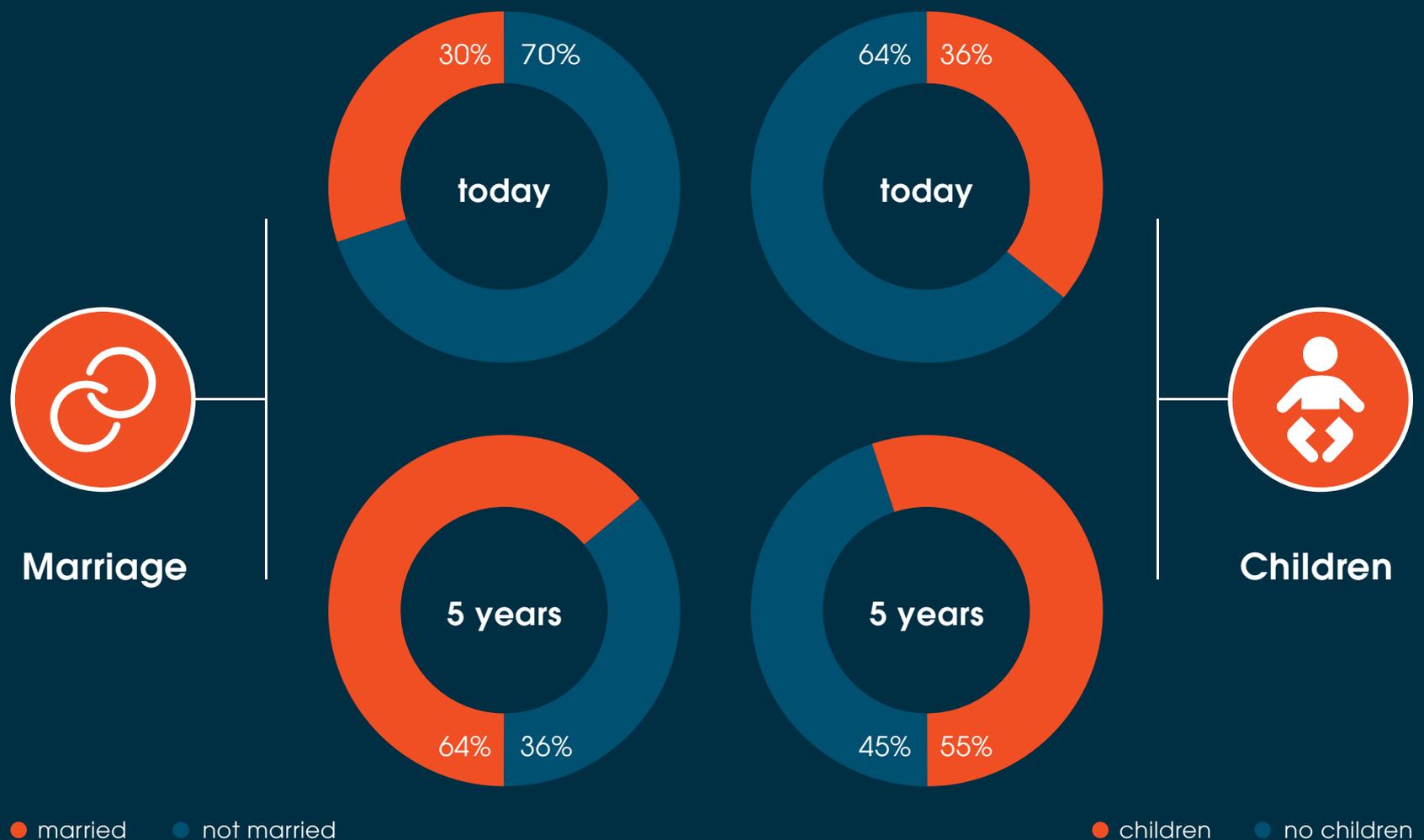
50%
to establish
own household



48%
to own,
not rent

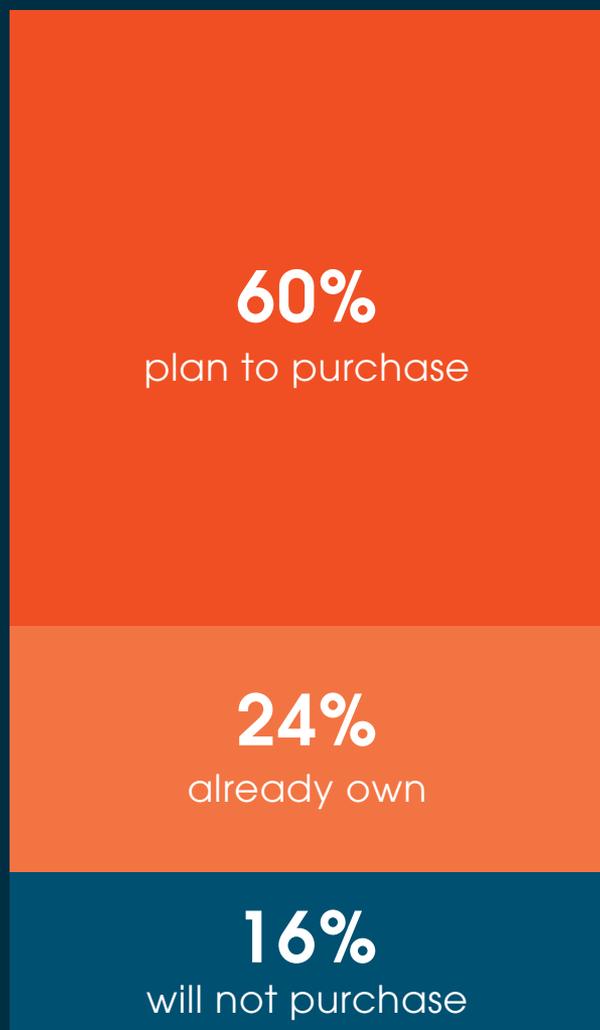
Starting Families

As Millennials seek new places to live, the necessities of raising a family will be a key factor for many – just like generations before them. While it is true that most Millennials are currently single, and marriage rates among young adults have been falling for decades, most Millennials still plan to be married or have kids in the next five years.



Still an Ownership Society

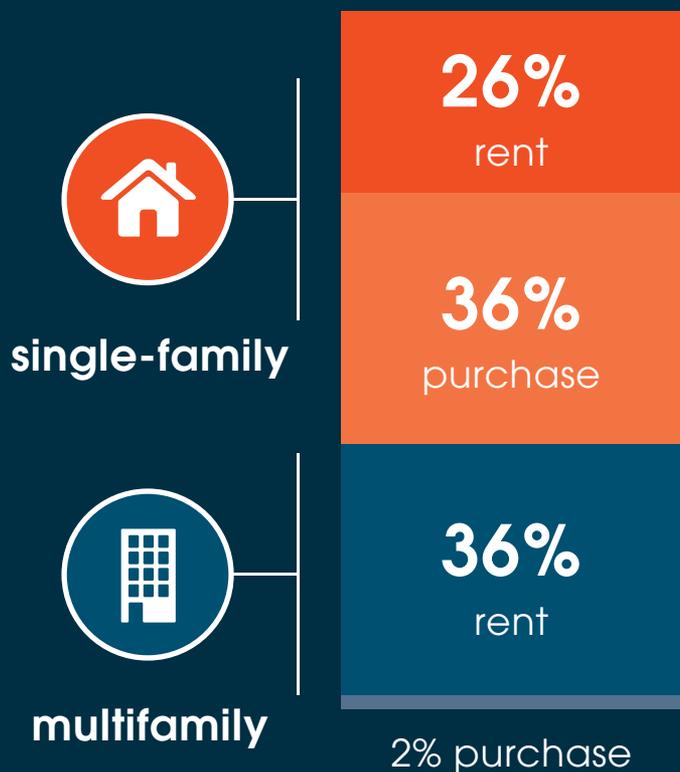
Not surprisingly, those seeking to set up a stable family unit want a stable place to live. While most Millennial movers will rent their next home, more than 8 in 10 already own or plan to own their own home someday. Nor has the recent crash in home prices led Millennials to believe home ownership is a poor investment. Based on stated aspirations, there is no indication that this generation will be any less likely than previous generations to own their homes.



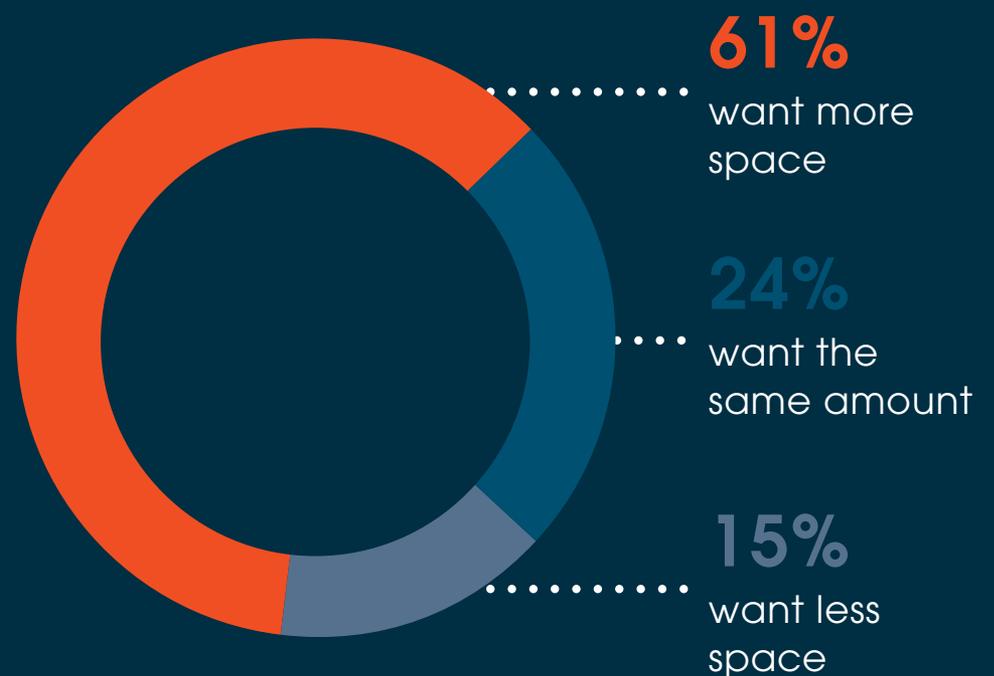
Seeking More Space

When they do rent or buy their next home, Millennials are mostly looking for more space, not less. Multifamily demand should continue to be strong in the coming years due to sustained rental demand, but the single-family home remains the ideal. For those not yet ready to purchase, but looking for more space or a place where they can raise a family, single-family rentals are an increasingly popular alternative.

Next Home Type



Space Preferences



*Note: Single-family includes detached single-family homes, townhouses, row houses and mobile homes; Multifamily includes apartment, condominium or co-op buildings, as well as duplex or triplex homes.
Source: 2013 Demand Institute Housing & Community Survey*

Headed for the Suburbs

As Millennials start families, they will head for the suburbs. This runs counter to common portrayals of Millennials as quintessential city-dwellers. While some Millennials aspire to a more urban lifestyle, the larger part of the cohort will seek benefits typical of the suburbs – more space, safer streets and better schools. What's more, most Millennials are fine being a short drive – rather than walking distance – from grocery stores, restaurants and the like.

Millennial Location Preferences for Their Next Home



Still Got Wheels

What, then, of the conviction held by many that the car's preeminence in America is over? After all, communities are becoming more walkable and bike-able, and new car- and ride-share models like Lyft and ZipCar have emerged. All that may be so, but for those who live outside the largest metropolitan areas, a car is as much a necessity as it ever was – so much so that the overwhelming percentage of Millennial households own a car today, just as the same age group did over a decade ago.

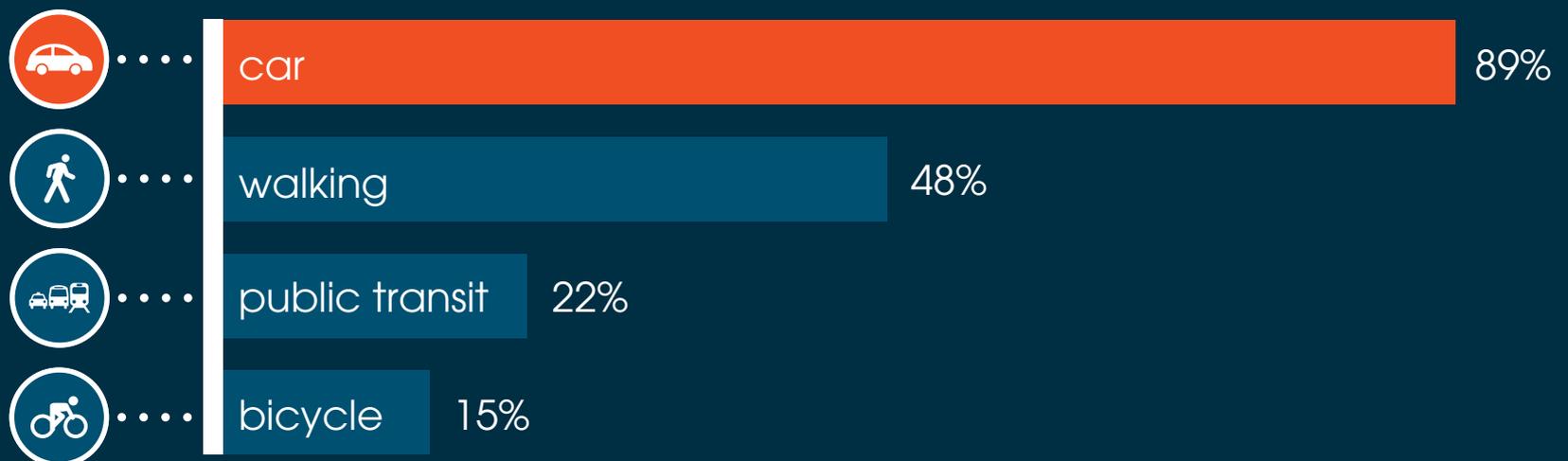


88%

of Millennial households
own a car

(compared with 89% in 2001)

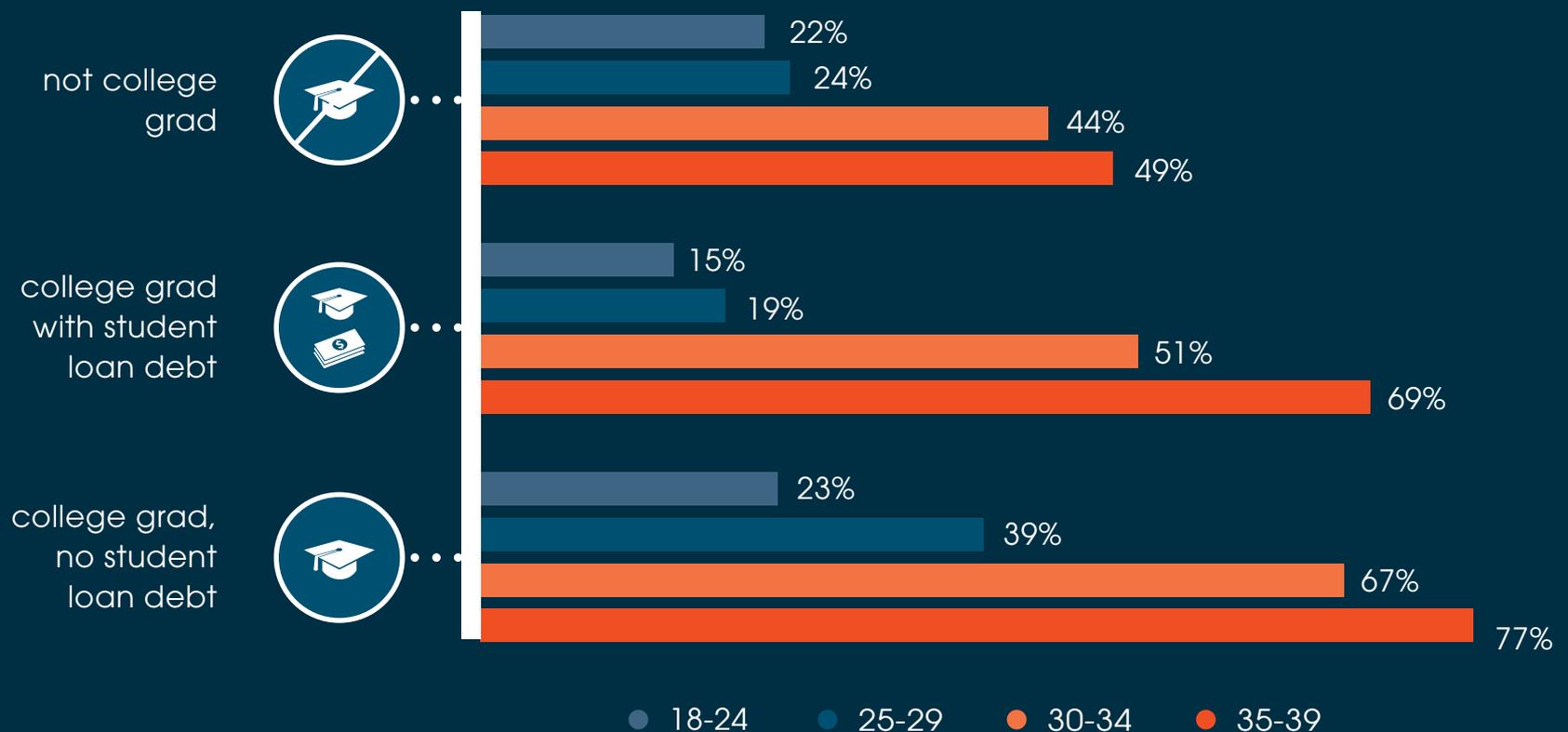
Transportation Modes: Use Once a Week or More Often



Grads with Loans Do Own

How can it be that Millennials will still purchase homes and cars, similar to other generations, when they are buried in student loan debt? While it is true that outstanding student loan debt has nearly tripled over the past decade, the increase is partly due to more young adults going to college. Student loans do delay home ownership, but more education still translates into higher income and rates of home ownership as people enter their thirties.

Current Home Ownership Rates



Open to New Paths to Ownership

While mounting student loan debt does not spell disaster for home ownership, coming of age during the recent economic downturn has left Millennials at a financial disadvantage. Millennial households have little saved for a down payment, and many are concerned about qualifying for a mortgage. So it follows that they are open to new approaches to home finance, including a lease-to-own approach in which a renter accrues equity and is then given the option to purchase the home.



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The implications of these findings are important for a range of consumer-facing industries and policies. Below are just a few examples.

Transforming the Suburbs

The suburbs are going to remain important destinations for young families, but the ideal suburban location for Millennials may not be the same as it was for previous generations. Communities that can offer the best of urban living (e.g., convenience and walkability) with the best of suburban living (e.g., good schools and more space) will thrive in the coming decade – we already see evidence of that, as described in our recent report, [A Tale of 2000 Cities](#).

Cars & Roads for a New Century

The vast majority of Millennials has cars and uses them regularly — and it is doubtful this dynamic will change anytime soon. Providing transportation alternatives is important, but innovations to make cars and thoroughfares more efficient, safe and intelligent will be even more critical to the success of American communities in the years to come.

New Approaches to Home Finance

Millennials still aspire to home ownership, but financing that dream has become more difficult, and they are seeking new ways to close the gap between aspiration and reality. Millennials show strong interest in less traditional housing options, such as the “lease-to-own” finance model and single-family rentals. Creating alternative mechanisms so that Millennials can also achieve the American dream is a significant innovation opportunity in both the business and public sectors.

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