



Young Adults Living with Parents

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By Natalia Siniavskaia

The NAHB analysis of the 1990, 2000 Censuses and 2000-2012 American Community Survey data shows that the share of young adults ages 18 to 34 living with parents or parents-in-law increased sharply in the late 2000s. While rising college enrollment among younger adults ages 18 to 24 helps explain their increased preferences for not leaving parental homes, deteriorating economic situation, rising unemployment rates and housing costs in the late 2000s help explain increased willingness of older young adults ages 25 to 34 to live with parents or parents-in-law. These older young adults traditionally represent about half of all first-time home buyers. Their delayed willingness and ability to leave parental homes and strike out on their own contributed to suppressing housing demand further during the Great Recession. Even though the national share of young adults living with parents continued to rise in 2012, some states registered modest declines signaling that pent-up housing demand may finally start turning into real housing demand.

Demographics of Young Adults Living with Parents

According to the most recent American Community Survey (ACS), one in three young adults ages 18 to 34, or more than 24 million, live in homes of their parents or parents-in-law in 2012¹. The majority of these young adults - close to 72 percent - live in parent-owned homes. The remaining 28 percent live in homes that their parents rent. Young adults living with parents are more likely to be enrolled in school or college. In 2012, 42 percent of these young adults attended school, college or graduate/professional school, compared to only 24 percent of adults of the same age who left parental homes. Young adults living with parents are twice as likely to be unemployed. The share of unemployed among young adults living with parents was 14 percent in 2012 and for those living on their own was 7 percent.

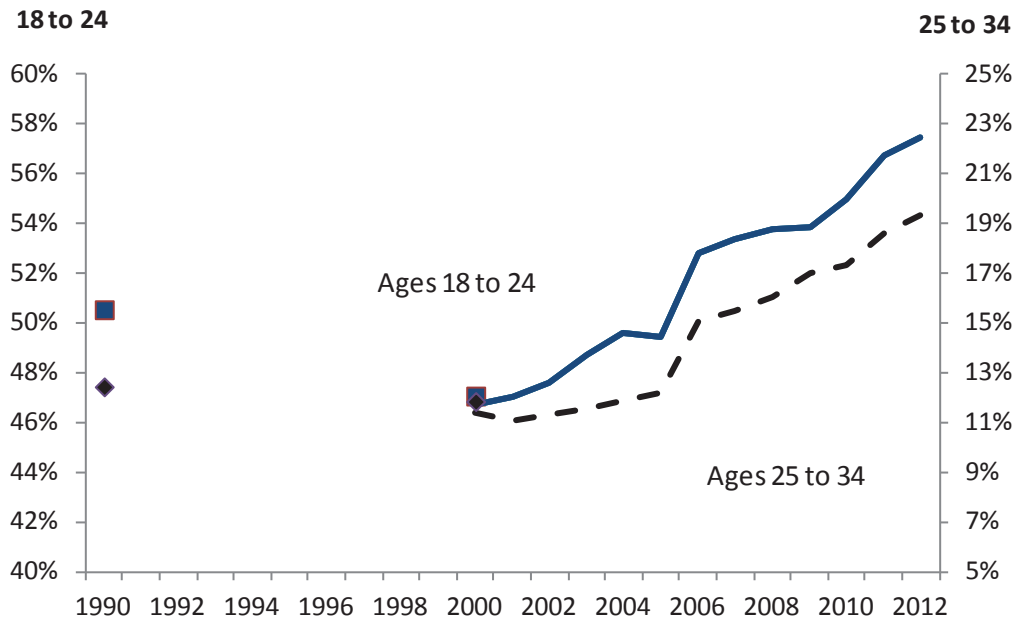
Rising Share of Young Adults Living with Parents

The high share of young adults living with parents represents a substantial increase from 1990 and 2000 when only one in four young adults ages 18 to 34 lived with their parents or parents-in-law. The closer examination of the data shows that the biggest shift in the preferences of young adults to live with parents happened after 2005. This is particularly true for older young adults, ages 25 to 34, whose share living with parents was fluctuating around 12 percent from 1990

¹ A young adult is considered to be living with parents if she or he is a child, stepchild or in-law child of a household head. If a young adult is a household head and has a parent or parent-in-law living in her/his household, this young adult is counted as living independently. College students living in dormitories and other young adults residing in group quarters are counted as living independently.

through 2005 and then quickly rose to exceed 19 percent in 2012 (see figure 1)². The younger cohort, ages 18 to 24, was more likely to live with parents in 1990, when more than half of these adults lived with parents, than in the early 2000s. However, by 2006 this share exceeded 50 percent again and grew to more than 57 percent in 2012.

Figure 1: Share of Young Adults Living with Parents

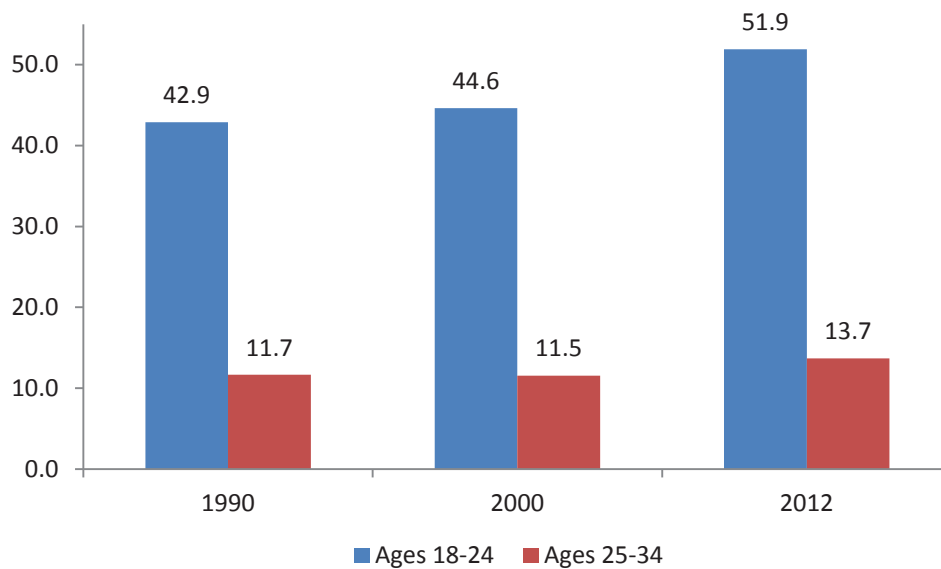


Source: US Census 1990, 2000, PUMS, 2000-2012 ACS, PUMS, NAHB Estimates

Since college students are more likely to live with parents, increased college enrollment helps explain rising reluctance of young adults to leave parental home, especially for those in the younger college-age group, ages 18 to 24 (see Figure 2). The majority of adults in this age group, 52 percent, attended school or college in 2012, compared to 45 percent in 2000 and 43 percent in 1990. College attendance plays a less important role in the decision of older adults, ages 25 to 34, to stay at parents' home. Less than 14 percent of adults in this older cohort were still in college or school in 2012, the comparable share in 1990 and 2000 was just slightly below, close to 12 percent.

² The 2000-2005 ACS PUMS do not include population in group quarters. To make the data comparable, population in group quarters is excluded across all years. Consequently, college students living in dormitories and other young adults residing in group quarters are not included and do not affect shares of young adults living with parents presented in the chart.

Figure 2: Share of Young Adults Attending School or College



Source: US Census 1990, 2000, PUMS, 2012 ACS, PUMS, NAHB Estimates

Around ages 25 to 34, better educated and more experienced young adults typically enter the stage in their lives when they move onto more stable, higher-paying jobs. The ability to find these jobs plays an increasing role in the decision of older young adults to leave parental homes and strike out on their own. In 2012 the share of unemployed in this age group was 14 percent among adults living with parents compared to 6 percent among adults of the same age who left parents' homes³. Rising unemployment rates and ever increasing sense of economic instability during the Great recession forced many young adults to postpone their decision to leave parents' homes. The shares of unemployed young adults ages 25 to 34 living with parents doubled since 2000, when 7 percent of young adults living with parents were unemployed. The share of unemployed among same age adults living independently was less than 4 percent in 2000.

Ages 25 to 34 also represent a life cycle stage when young adults typically feel ready to take on a mortgage and become home owners. The 2010 NAHB analysis shows that adults in this age group represent about half of all first-time home buyers⁴. However, from 2000 to 2012 young adults who left parental homes developed a strong inclination for renting. The Census data show that the share of renters among young adults ages 25 to 34 that left parents' home and were not residing in group quarter was less than 49 percent in 2000. By 2012 this share rose to almost 58 percent. This confirms that not only rising share of young adults postponed their decision to move out of parents' homes but the majority of those who did chose to rent and delayed their decision to buy a first home, thus contributing to the declining home ownership rates during the late 2000s.

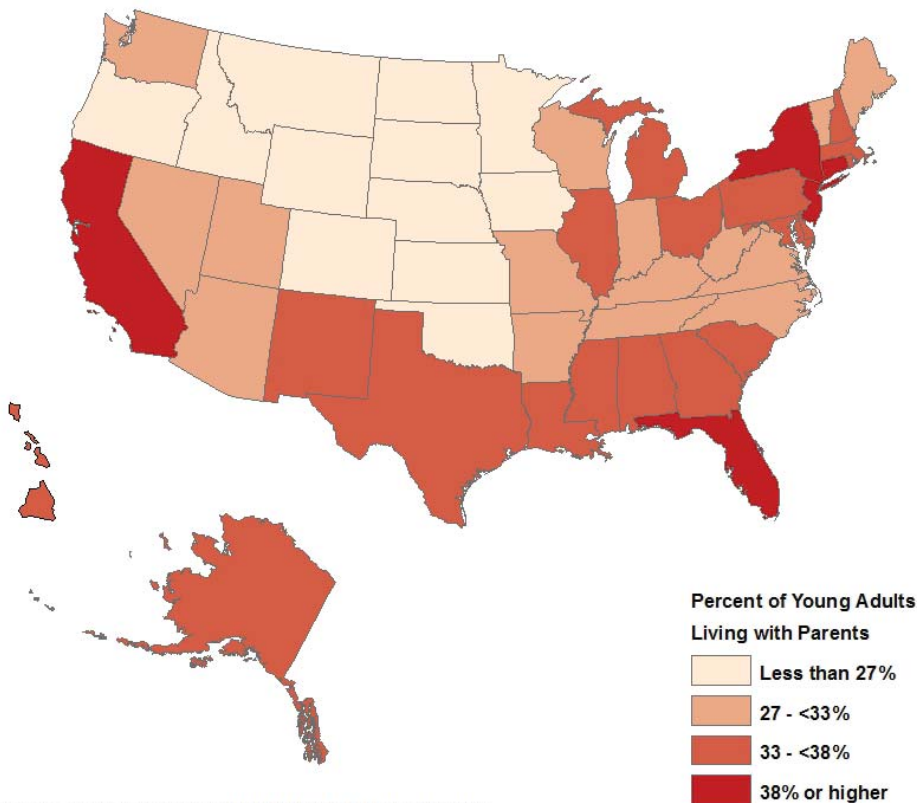
³ Young adults who do not have a job but are not looking for one either are not counted as unemployed, rather they are assumed to be out of the labor force.

⁴ ["Characteristics of New and First-Time Home Buyers"](#) by Heather Taylor, Housing Economics Online, September, 2010

Young Adults Living at Home: State Differences

The geospatial analysis provides additional insights into socio-economic and geographic patterns of young adults living with parents or parents-in-law. Three Northeast states – New Jersey, Connecticut, and New York - register the nation's highest shares of young adults ages 18 to 34 living with parents – 45, 42 and 41 percent, respectively (see the map below). California and Florida – two of the states hardest hit by the housing boom and bust - follow with their shares just slightly under 40 percent. At the opposite end of the spectrum are the District of Columbia known for its relatively stable job market and North Dakota known for its oil booming economy - both registering shares under 20 percent. The geographic distribution of young adults ages 25 to 34 largely mimics the overall distribution of young adults.

Share of Young Adults Ages 18 to 34 Living with Parents



Source: American Community Survey, PUMS 2012, NAHB Estimates

From 1990 to 2000, all states, with the exception of Washington DC, saw relatively stable shares of young adults living with parents. In the District of Columbia, the share of young adults living with parents declined sharply during that time period and never reached the 1990 peak again. From 2000 to 2012 all states registered rising shares of young adults living with parents. Washington DC and North Dakota again stand out on the list as states with the most stable shares where percent of young adults living with parents did not show large gains. In addition, the shares of adults living with parents in Hawaii, Wyoming and Utah showed relatively modest gains, smaller or comparable to those registered in the 1990s. Alaska, Nevada, New Hampshire, Florida, Georgia and North Carolina showed some of the fastest rising shares of young adults living with parents.

The analysis of state unemployment rates for young adults from the Bureau of Labor Statistics (BLS) provides further evidence that deteriorating economic situation and rising unemployment rates during the Great Recession are likely to have contributed to the growing share of young adults not leaving parental homes. Looking at the unemployment rates for adults ages 25 to 34 the data show that in the late 2000s unemployment rates increased rapidly in all states reaching

their peaks in most states in 2009-2010. Increases in unemployment rates and gains in shares of young adults living with parents are strongly and positively correlated across states, suggesting that, on average, states with larger increases in unemployment rates among young adults registered larger gains in percent of young adults living with parents.

Even though unemployment rates started to decline in most states in 2011, shares of young adults living with parents remain stubbornly high and even increased in some states, suggesting that it takes longer for young adults to overcome the overall sense of economic instability, gain confidence and financial independence before leaving parents' homes. This is particularly true for states hardest hit by the housing boom and bust, such as California and Florida, where percent of young adults living with parents continued to rise through 2012 despite improving job markets. Contrary, some states, including Rhode Island, Montana, Wyoming, Maine, Delaware and New Mexico among others, already passed their peaks and registered declining shares of young adults living with parents in 2012. Declining shares of young adults living with parents in some regions of the country could be one of the early signs that pent-up housing demand may finally start turning into realized housing demand.