

REDFIN- Special Reports

Where Do College-Educated Millennials Live?

by [Nela Richardson](#) [September 10, 2014](#)

7 attributes of the urban neighborhoods where the young and educated cluster

There has been a lot of speculation about how the millennial generation (ages 25 to 34) is affecting today's housing market and how this group will affect its future.

Ninety-two percent of millennials who do not currently own a home say they do plan to purchase in the future, according to a survey conducted online within the United States by Harris Poll on behalf of Redfin in August 2014 among 2,000 adults ages 18+.

The homeownership rate for millennials is 42 percent, compared with 65 percent for the total U.S. population, according to Redfin tabulation of U.S. Census data. As they enter prime home-buying years, many college-educated millennials will begin their home search in neighborhoods that look very different than the rest of the U.S. As we show below, despite their demonstrated preferences and priorities for where they live now, affordability is the driving factor for whether they'll stay and buy in these areas.

Since education is strongly linked to higher incomes and a greater probability of buying a home, it follows that millennials with an associate degree or higher are more likely to be future homebuyers. To find out more about where these millennials live and why, we dissected Census data to find ZIP codes where they congregate, then examined the traits of these communities.

The takeaway from analyzing more than 200 of the largest ZIP codes where educated millennials live is that they prefer urban environments, close to where they work. Not surprisingly, these are also among the most expensive places to live. And even though educated millennials are earning good money, many are choosing a more flexible lifestyle rather than being tied down to a mortgage, at least for now.

“Home buying goes with getting married and starting a family. That’s one thing that hasn’t changed,” said Redfin San Francisco agent Mark Colwell. “Many millennials delay these major life events, focusing instead on building their careers and enjoying their limited free time with their like-minded friends in the city. Millennials who flock straight from college to San Francisco and other expensive cities are making a choice to spend their income on quadruple-digit rents and eight-dollar gourmet hot dogs from trendy food trucks. This means they’re not saving for a down payment, further removing them from the housing market.”

The chart below summarizes income and Redfin sale price statistics for the 20 ZIP codes with the highest population of educated millennials. To buy in these neighborhoods at or near the lowest mortgage rates, the average down payment is \$80,000.

Redfin Rank	City	Zip Code	Total Population	Millennial Percentage	Median Income	Median Sale Price	20% down payment
1	Arlington	22201	29,200	44%	\$110,300	\$543,100	\$108,600
2	Arlington	22209	11,000	43%	\$94,100	\$641,000	\$128,200
3	Chicago	60654	13,000	41%	\$88,800	\$383,200	\$76,600
4	Chicago	60657	54,900	39%	\$75,700	\$401,100	\$80,200
5	Miami	33131	9,200	36%	\$78,500	\$438,100	\$87,600
6	Philadelphia	19103	17,600	36%	\$61,800	\$467,900	\$93,600
7	Washington	20009	35,100	36%	\$82,700	\$532,700	\$106,500
8	Chicago	60642	13,200	34%	\$68,900	\$381,200	\$76,200
9	Chicago	60613	32,900	33%	\$65,100	\$285,600	\$57,100
10	Chicago	60607	16,000	33%	\$80,500	\$325,700	\$65,100
11	Chicago	60622	33,500	33%	\$67,500	\$414,400	\$82,900
12	Denver	80203	13,600	32%	\$40,400	\$244,500	\$48,900
13	Chicago	60614	42,200	32%	\$86,800	\$460,000	\$92,000
14	Arlington	22206	12,200	32%	\$95,000	\$383,500	\$76,700
15	Boston	2127	19,400	31%	\$67,000	\$504,200	\$100,800
16	Arlington	22203	13,200	30%	\$100,900	\$419,900	\$84,000
17	Seattle	98102	14,100	30%	\$57,400	\$482,500	\$96,500
18	Washington	20008	17,000	30%	\$92,400	\$491,200	\$98,200
19	Philadelphia	19106	7,000	30%	\$89,600	\$369,500	\$73,900
20	Atlanta	30309	12,900	30%	\$69,700	\$221,400	\$44,300

In our Harris Poll survey, millennials who plan to purchase their first home reported the same reasons for putting off home buying as other age groups: having too much debt (17%); still saving for a down payment (13%); and not being able to afford where they want to live (12%). But millennials indicated their desire for financial flexibility as a barrier to buying a home more than any other group (15%); they don't want to be tied down with a mortgage.

To further investigate the key attributes of the ZIP codes where educated millennials congregate, we expanded our analysis to cover 33,000 ZIP codes with a population of 1,000 or more residents, and identified over 300 ZIP codes (1 percent of the sample) where the proportion of educated millennials was over 20 percent.

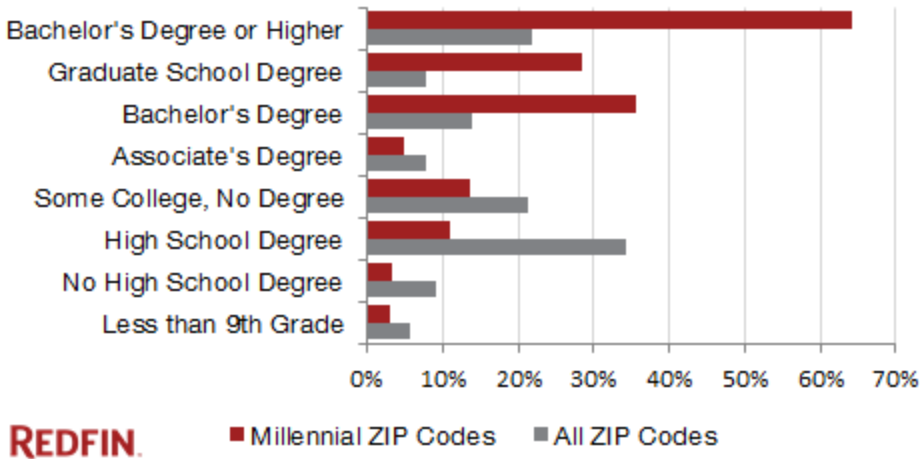
Below we report the common features of common millennial ZIP Codes, how they differ from all ZIPs and what factors are most likely to drive the home-buying decisions of educated millennials in the future.

Attribute 1: Highly Educated Populations

Over 64 percent of all residents in these ZIP codes have a bachelor's degree or higher, compared with 22 percent in all ZIP codes. In addition, 29 percent of residents in the ZIP codes where

college-educated millennials cluster have a graduate or professional degree, compared with just 8 percent in all ZIPs. A large proportion of residents with graduate degrees translates to both higher household income and a larger amount of school debt, the latter of which is an obstacle for millennials.

Educational Attainment

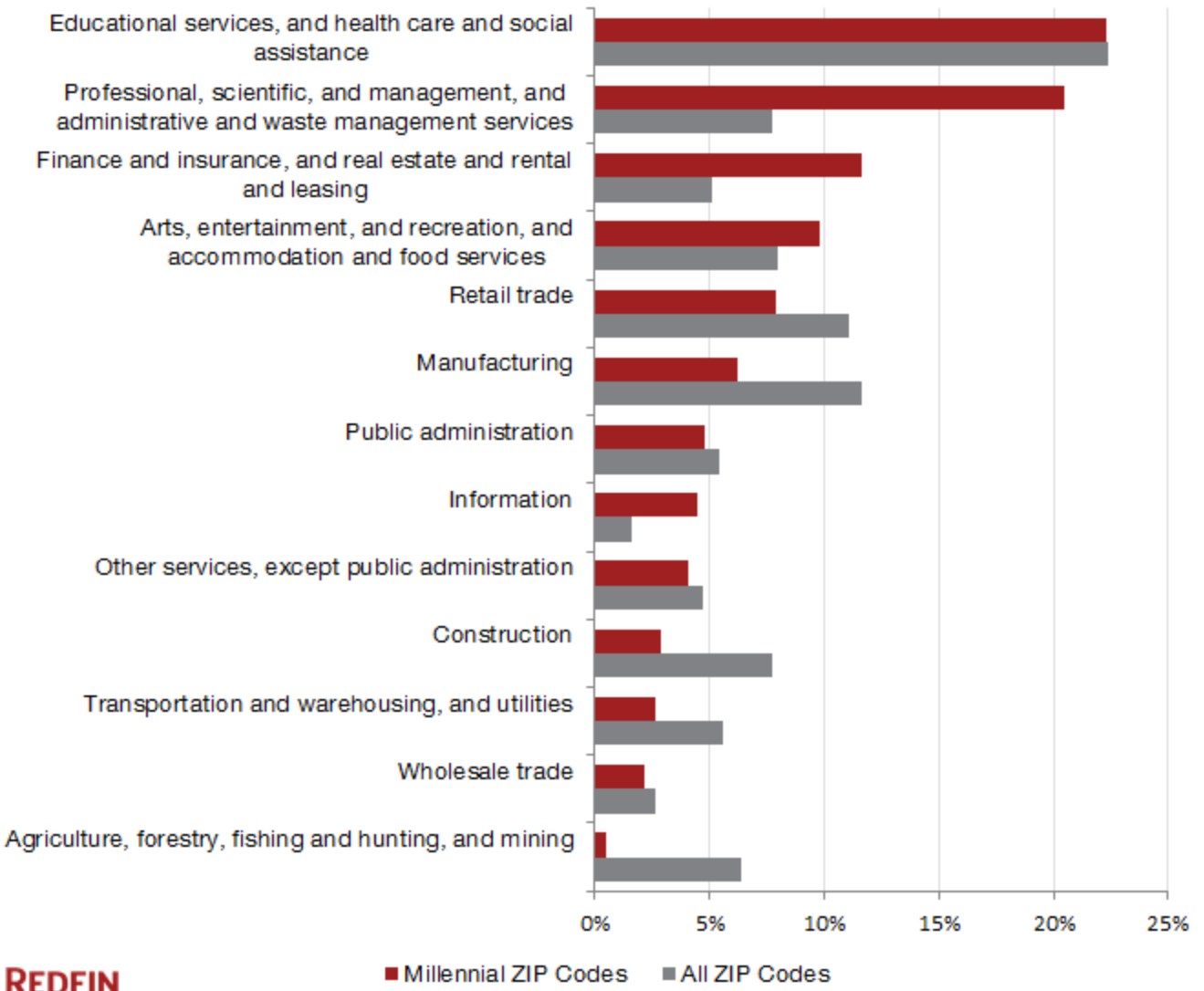


Attribute 2: Affluence

The median income of households in these college-educated millennial neighborhoods is more than 50 percent higher than in all ZIP codes. In 2012, the average household in these ZIP codes had a median income of \$74,000 and a mean income of \$104,000, compared with a median of \$47,313 and a mean of \$52,719 in all ZIPs. The proportion of highly affluent households was three times greater in millennial ZIPs: In 11 percent of households, income was more than \$200,000, compared with 3 percent in all ZIPs.

This may be due to the mix of industry and economic opportunity in millennial ZIP codes. The data shows that educated millennial residents gravitate toward tech and science hubs. In millennial ZIP codes, nearly 20 percent of residents are employed in the science and technology industry compared with 7 percent in all ZIPs. Employment tied to another lucrative industry, financial services, was also twice as high in millennial ZIPs as in all ZIPs.

Employment by Industry

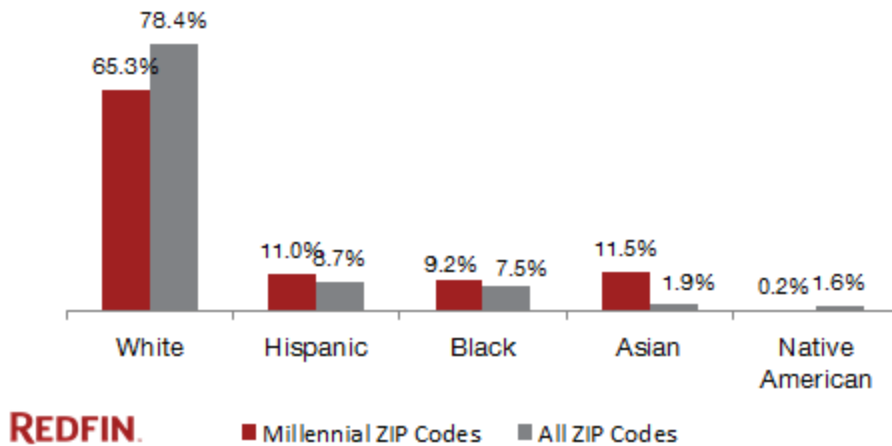


Attribute 3: Racial Diversity

Educated high-earning millennials choose to congregate in neighborhoods that are much more diverse than other areas. Millennial ZIP codes have a greater proportion of residents who are non-white and who are foreign born.

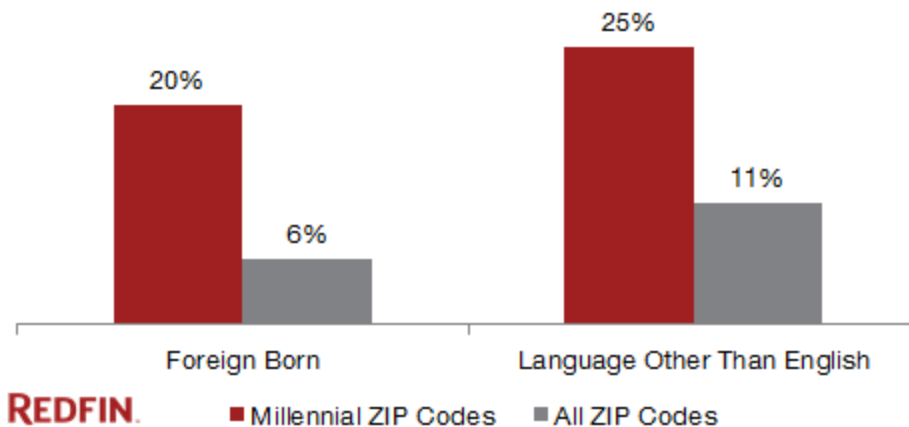
In the U.S., 78 percent of residents are white, but in these millennial ZIP codes just 65 percent of residents are white. While there is a greater concentration of nearly all racial groups in millennial ZIP codes, the biggest difference is in the percentage of Asian residents in these ZIPs. The Asian population in these millennial ZIPs is 11.5 percent, six times the 1.9 percent average in all ZIP codes.

Racial Diversity



In addition, millennial ZIP codes tend to be more international. On average, nearly 20 percent of residents in millennial ZIP codes are foreign born, compared with 6 percent for all ZIP codes. Twenty-five percent speak a language other than English at home, double the average percentage in other areas.

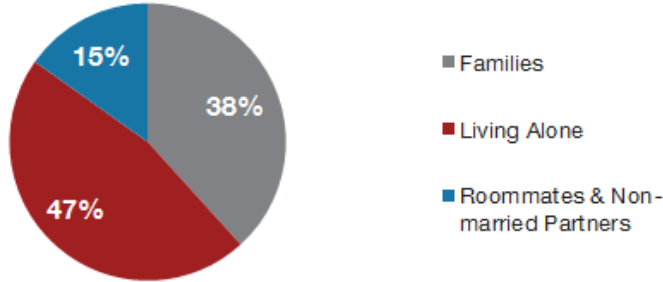
Foreign Born Population



Attribute 4: More Single Households, Roommates and Partners

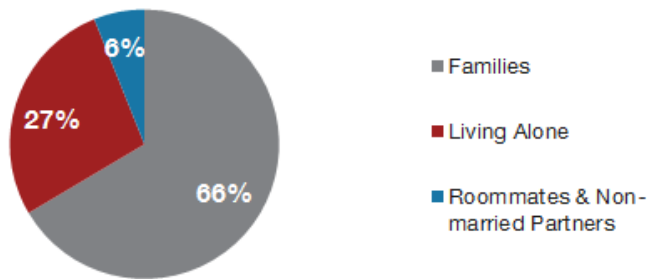
The percentage of people living alone in millennial ZIPs (47 percent) is larger than households with families (38 percent). The opposite is true for households in the rest of the country. One of the ways that millennials may be managing the high cost of living in their preferred areas is by taking on roommates. The number of households with roommates or non-married partners is 15 percent in millennial ZIP codes, more than twice that reported in all ZIP codes.

**Household Composition in
Millennial ZIP Codes**



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**Household Composition in
All ZIP Codes**



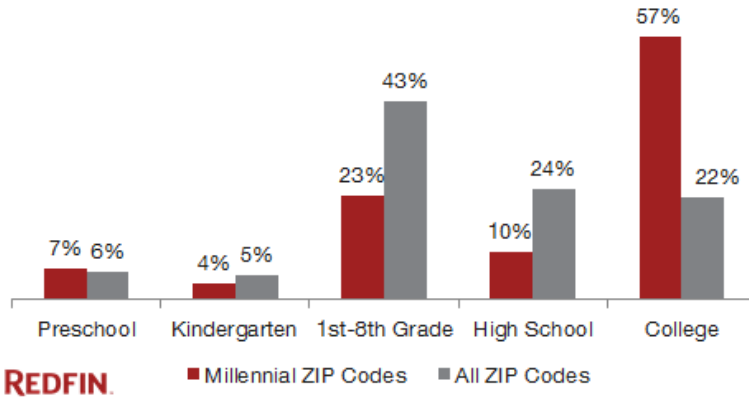
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Attribute 5: Fewer Families and More College Students

Only 38 percent of households in these millennial ZIPs are families. For this reason, for all but the youngest children, school enrollment in millennial ZIP codes is dwarfed by that in all ZIPs.

There is a dramatic difference in the level of college enrollment in millennial ZIPs: 57 percent versus 22 percent in all ZIPs. For this population of young people, often cited as likely to be the most educated in U.S, a high percentage are enrolled in college and tend to settle near where they went to school.

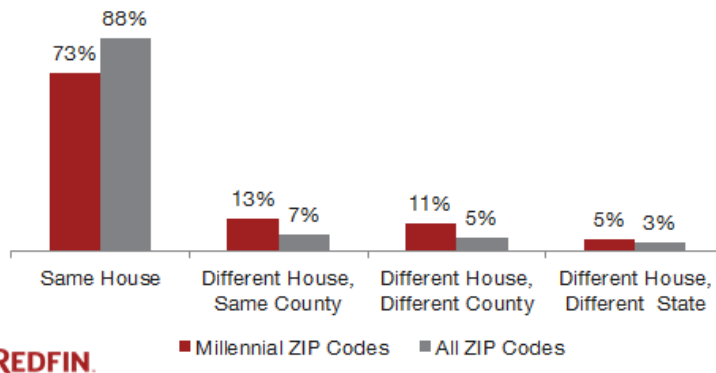
School Enrollment



Attribute 6: More New Neighbors

Since the recession in 2008, fewer people are moving across state lines, millennials included. But that doesn't mean they are staying put. Twenty-eight percent of people in millennial ZIPs lived in a different home a year before, compared with 13 percent of all ZIPs.

Residence a Year Ago



Attribute 7: High Home Values

We compared home values across three categories of ZIP codes: all U.S. ZIP codes with a population higher than 1,000, urban ZIP codes where the total population is 10,000 or more and our educated millennial ZIP codes.

Median home values are \$200,000 higher on average in millennial ZIPs than in urban areas and over \$255,000 higher than in all U.S. ZIP codes.

Finally, we looked at millennial ZIP codes that had a homeownership rate above and below the millennial ZIP average of 37 percent. In terms of diversity, industry characteristics, median household income, education, housing density and family percentage, they were all similar.

The biggest differentiator was housing costs. Home values are \$100,000 lower on average in millennial ZIPs with higher ownership concentrations. The average rent is \$1,400 more in these areas. The cost of housing plays a more muted role all ZIP codes, where income is a key difference in terms of homeownership.

Millennial Zip Codes		
Homeownership Status	Below Average	Above Average
Number of Zip Codes	150	158
Homeownership Rate	24%	53%
Median Household Income	\$70,039	\$69,648
Median Home Value	\$463,096	\$349,938
Gross Monthly Rent	\$1,275	\$2,679

Millennials are reaching the age when previous generations were in their peak home-buying years, but realizing the traditional American Dream of owning a home is more challenging than it was for their parents. Unparalleled student loan debt, tight mortgage credit conditions and career opportunities in expensive cities with few affordable homes means that millennials might have to wait longer to buy a home than their parents. When deciding where to live, diversity and job opportunities — particularly in tech and finance — play a big role. But when deciding where to buy, millennials want what other generations want: affordability.

Data Detail: For this report, we looked at Census data from the American Community Survey in 2012 to identify the largest college-educated millennial ZIP codes. To analyze the attributes of these ZIP codes we used 5-year aggregates of the 2012 survey. Top 20 ranking lists only metro areas served by Redfin.

Survey Methodology: This survey was conducted online within the United States by Harris Poll on behalf of Redfin from August 21-25, 2014 among 2,014 adults ages 18 and older. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For the purpose of the survey, millennials are defined as people age 18-34.

This entry was posted on September 10, 2014 and can be found on redfin.com.

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