

# 3 Reasons Millennials Are Driving the Housing Market

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This week's economic news was a repeat of the positive trends I've highlighted lately, so rather than repetitive reporting, I wanted to share a few insights.

I recently presented at the National Association of REALTORS® conference on the topic of [millennials and home buying](#). Here's my key takeaway:

I'm bullish about the housing market—in part, because I'm bullish about millennials.

That's because this generation of people, born between 1981 and 2000, is our largest—made up of approximately 90 million people.

The narrative of millennials not forming households and not buying homes is stale and overplayed.

In fact, they're just getting started, and their sheer size will drive activity in housing for decades. Here's why.

## **1. Millennials Are Moving On Up**

Today, millennials head up about 20 million households in America.

That number is small relative to the number of people in this generational grouping, but that's more a reflection of their age—the median age of a millennial today is 23—and initial economic circumstance.

It doesn't reflect any true shift in attitude regarding their desire to succeed or the value they place on independence and home ownership.

In fact, this summer alone, millennials made up nearly 30% of buyers, and they represented the largest cohort of serious shoppers.

Think millennials don't already own homes? An estimated 14% of sellers this year were millennials.

## **2. Millennials Are Starting Families**

So what's driving millennials to shop and buy homes? Quite simply, life.

A whopping 86% of millennial home shoppers indicated they were buying now because of a change in their household size and composition—which includes marriage, having children or planning to start a family.

This “growing household” trigger was much higher for millennials than for any other type of home shoppers. Likewise, millennials were way more likely to say that a stable or improving income triggered them to shop.

And that's the most encouraging sign that circumstances are improving in the right way for millennials. They started entering the job market out of college at the wrong time and suffered the most from an unemployment perspective.

But that scenario has changed dramatically in the last two years. Their unemployment rate hovers close to the same level as the general population. And this year, millennials are experiencing 60% better job growth than the country as a whole—during a banner year of job creation.

Going forward, job creation favors millennials. Economic opportunity and gains are leading them to form households and buy homes.

## **3. Cost of Education Will Pay Off**

One cause often cited as the reason millennials are holding back from buying is the rise in student debt. It's true that a larger portion of students are carrying debt, and the amount of debt has risen—but that debt is an investment as well.

How so? Because of their desire for higher education, millennials are the most educated generation.

Long-term, this should be great for their economic opportunities.

Short-term, 70% of student loan borrowers owe less than \$25,000. That number is manageable as employment and income opportunities improve.

Millennials are young and just getting started. Their education, diversity, tech savvy and desire to succeed will be vital to the economic success of the United States.

Right now, credit access and affordability are challenges to their ability to buy a home. That's why you see a wide range of millennial homeownership rates in U.S. markets, from 23% in expensive Los Angeles to 56% in affordable Grand Rapids, MI.

Yet even in L.A., there are enough millennials with incomes. The L.A. market ranks sixth nationwide for the number of most millennial home-owning households.

## **A New Economic Force**

We're on the cusp of seeing the impact millennials will have. They should represent two-thirds of all household formations over the next five years. Job creation will favor them. Their economic opportunities are strong. And they're planning to start families, which increases the desire to purchase a home.

That's why we see record numbers of millennials educating themselves on home buying, mortgage qualification and local housing conditions. Collectively, they will drive housing trends for at least the next 20 years.

So move over, baby boomers—there's a new economic force in town.

The original article may be found at: [www.realtor.com](http://www.realtor.com).

Write ups on the topic by Home Destination are available at:

[Millennials Sheer Size Will Drive Housing For Decades](#) – November 17, 2014

[Twin Cities Millennial generation buyers Favor Living in the Twin Cities](#) – November 12, 2013

[Why Home Sellers Must Heed Market Adjustments by Millennials](#) – November 10, 2014

[Millennial Homebuyers Predicted to Boost Twin Cities Housing](#) - August 6, 2014