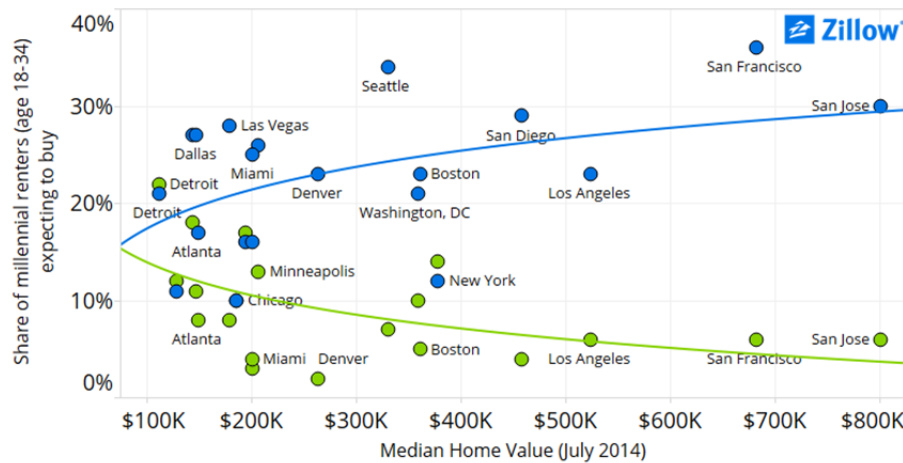


## Millennials Sidelined in More Expensive Housing Markets

Posted by: Aaron Terrazas | Posted date: January 19, 2015

- In markets where home values are relatively low, greater shares of young adult renters say they plan to buy a home in the next year.
- In markets with higher home values, greater shares of young adult renters say they plan to wait at least five years until buying a home.

**Figure 1:** Share of Millennial Renters (18-34) Expecting to Buy



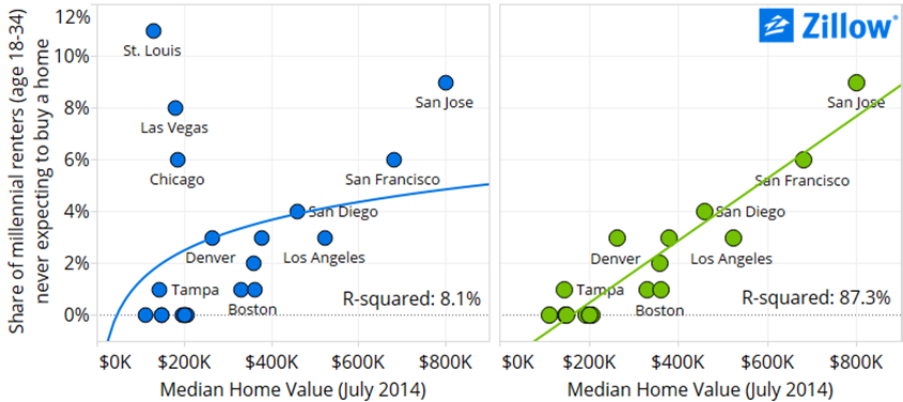
■ More than 5 years in the future ■ Within the next year

Home values have recovered

about half of the losses incurred during the housing recession, helping reduce the share of homeowners in negative equity. These gains are welcome news for homeowners, but also create barriers to homeownership for current renters who are struggling to save for ever-growing down payments and who do not benefit from greater equity as home values rise. In particular, high home values are pushing young adults to delay their homeownership plans, according to data from the Zillow Housing Confidence Index.

Comparing the 20 metro areas included in the survey, greater shares of young renters say they plan to buy a home in the next year in metros where home values are lower. In areas with higher home values, greater shares of young adult renters say they plan to wait at least five years until buying a home (figure 1).

**Figure 2:** Millennials are More Discouraged About Homeownership in Places with High Home Values



Note: The closer the R-squared value is to one, the more the variation in home values explains the variation in the share of millennials who say they will never buy a home.

High home values may also be making some young adults very pessimistic about their ability to buy a home in the future. Home values explain a large portion of the cross-metro differences in the shares of young adult renters who say they never plan to buy a home, particularly if three outliers – Chicago, Las Vegas and St. Louis – are excluded from the analysis (figure 2).

Affordability is clearly a concern for young adults. Data shows that married young adults living on two, full-time incomes are more than three times as likely to own a home as their unmarried peers. Additional analysis shows that young adults have largely been moving to metro areas where jobs are plentiful, but housing is expensive.

The questionnaire includes six options when asking renters when they plan to buy a home: within the next year, one to two years in the future, three to five years in the future, more than five years in the future, never or not sure. Since the survey was administered in July 2014, we compare the shares to home values reported for July 2014.

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

Write ups on the topic of Twin Cities Millennial home buyer activity by Home Destination are available at:

[Millennials Moving into Minneapolis St Paul MN Homes](#) – February 2, 2015

[Minneapolis a Top City for Millennial Home Owner Growth](#) – December 5, 2014

[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