

Waiting for the Millennials? They're here

Readers of news articles about the housing industry have been inundated for a while with stories about Millennials and their desire to live in the city. Headlines such as “Millennials Prefer Cities to Suburbs, Subways to Driveways” and “The New American Dream Is Living in a City, Not Owning a House in the Suburbs” cropped up frequently. And polling companies provided the data to back it up: The Nielsen Company, for example, reported that 62 percent of young people “like having the world at their fingertips,” preferring to live in “dense, diverse urban villages where social interaction is just outside their front doors.”

But around the middle of 2015, the stories about Millennials started to shift. We began to see more stories like, “Think Millennials Prefer the City? Think Again ...” And now, a survey from the National Association of Realtors says that Millennials are finally starting to buy homes. And where are they buying them? In the 'burbs.

Why the change? It may be that Millennials are now ready to buy because they're starting families and prices are cheaper in the suburbs. Or because they want to raise their kids in places that are like where they grew up. Whatever the reasons, the numbers show that buyers under the age of 35 now make up the largest share of homebuyers (35 percent) and that 51 percent of them bought homes in the suburbs or in subdivisions.

It stands to reason that these buyers, whose median age is 30, are the leading edge of their generation. As the rest of this generation, 80 million strong, reach their 30s, they will likely follow the same path—research from the Demand Institute says 75 percent of Millennials consider homeownership an important long-term goal and 48 percent say they plan to buy within the next five years. The question is, are you building homes they will want to buy?

And what is it, exactly, that they want? Well, they want the same things almost all of us want: a nice neighborhood; good schools; access to public transportation; convenient outdoor space to walk,

run, bike, and exercise; and nearby shops, cafés, and restaurants. Also, an open plan, storage, energy efficiency, low-maintenance living, space for easy entertaining, and good cell reception. But the single most important thing Millennials are looking for in a home is being able to afford it.

Unfortunately, there just aren't enough new homes being built that Millennials can afford. Because of land and labor costs and zoning and other regulations, most builders are targeting a smaller, more affluent group of buyers. New homes are, for the most part, large and include more—and more expensive—amenities. A recent study by real estate advisors RCLCO revealed that when first-time buyers considered new and existing homes in their searches, only 18 percent of them bought a new home.

There are some success stories out there, though. RCLCO reports that a concerted effort by some master planned communities to offer a range of product types, such as townhomes, cottage court



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bungalows, and small single-family homes—in addition to conventional single-family homes—“can still achieve premiums on a dollars-per-square-foot basis.” The company cites the Daybreak master plan near Salt Lake City as a good example of a project that successfully integrates midscale, mid-priced product within a larger community.

Companies that are building more affordable homes and marketing them to Millennials are already starting to reap the rewards. It's time for more builders to start thinking about creating product that is attainable for the largest cohort of buyers we may ever see.

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