beyond the headlines

5 reasons the millennial homeownership rate is low

Source: Housing Wire

Millennials waited, and continue to wait, longer than previous generations to own a home, and new data from the Urban Institute reveals why.

The generation's homeownership rate was 37 percent in 2015, about 8 percentage points lower than the rate of Gen Xers and Baby Boomers when they were ages 25 to 34.

Read the full story:

- Delayed marriage: Yes, delaying family formation is, in fact, a hindrance to homeownership. As it turns out, being married increases the probability of owning a home by a full 18 percentage points, after accounting for other factors such as age, income, race/ethnicity and education. If the marriage rate in 2015 had been the same as it was in 1990, the Millennial homeownership rate would be about five percentage points higher.

- Greater racial diversity: White households have the highest homeownership rate by-far, therefore the increasing diversity within the Millennial population also contributes to the lower homeownership rate. If the racial composition remained the same in 2015 as it was in 1990, the Millennial homeownership rate would be 2.6 percentage points higher.

- Increased education debt: Student debt has been a growing problem, and could even be turning into a crisis. But how much does it affect homeownership rates? The Urban Institute's data shows a 1 percent increase in student debt decreases the likelihood of owning a home by 0.15 percentage points.

- Increased rents: Nationwide, rent just jumped to a new all-time high, surpassing an average $1,400 per month. And now, data shows that a 1 percent increase in a household's rent-to-income ratio decreases the likelihood of homeownership by 0.07 percentage points.

- Delayed child bearing: Not only are Millennials taking longer to get married, but they are also spending more time before having children. For those who are married, having a child increases the probability of owning a home by 6.2 percentage points.

Read the full story: https://www.housingwire.com/articles/46041-here-are-5-reasons-the-millennial-homeownership-rate-is-low

In other news…

3.6 million fewer families with kids own a home compared to 10 years prior

Source: Rent Cafe

The big fallout during the housing crisis followed by air-tight lending rules, an alarming shortage of entry-level homes, and skyrocketing home prices are the main items on a long list of reasons fewer and fewer young families have a home to their name. The number of families with minor children who own their home has decreased by almost 3.6 million in one decade (2006-2016), while the number of families with children living in rentals has increased by 1.9 million over the same period of time, according to U.S. Census Bureau estimates.

As of 2016 (the most current Census estimates), 14.3 million households with minor children rent in the U.S. (up from 12.4 million in 2006), representing 33 percent of all renter households. By comparison, there are 22.1 million families with minor children that own their home (down from 25.7 million in 2006), representing 29 percent of owner households.

In the big scheme of things, 10 years is just a blip on the radar. These statistics show the tremendous effects of this relatively short but eventful period of time on American families. These 3.6 million fewer owner households are families who lost their homes in foreclosures or otherwise, they are young families who are unable to overcome the current financial barriers to become homeowners, and they are also homeowners whose children grew up and no longer fall into this category. Additionally, there are other contributing factors. The birthrate in the U.S. is declining, people are having children later in life, and the cost of raising a child has soared.

Full story: https://www.rentcafe.com/blog/rental-market/real-estate-news/3-6-million-fewer-families-kids-home-compared-10-years-ago/

Wall Street is taking an even bigger bet on rentals

Source: REALTOR® Magazine

Investors are bullish that more Americans will choose to be renters, and they're buying up even more single-family homes to make sure they are ahead of the trend. The number of homes purchased by major investors in 2017 was about 29,000, up 60 percent from the previous year, according to Amherst Capital Management LLC, a real estate investment firm. That is also the first time since 2013 that investors purchased more homes on an annual basis.

Investors are increasingly eyeing single-family homes over apartments. A rising number of apartments in recent years have increased vacancies and driven down rental yields. That has prompted investors to turn back to single-family homes for rentals.

Full story: https://magazine.realtor/daily-news/2018/07/11/wall-street-is-taking-an-even-bigger-bet-on-rentals

Which tech company’s workers can afford to rent in SF?

Source: Curbed

Who can afford to rent in SF? Assuming that “afford” means spend no more than 30 percent of monthly income on housing—a naive standard in 21st century Bay Area, but the the standard nevertheless—it depends on what we assume the city’s median rent to be.

According to the U.S. Census, the median rent in SF in 2016 was a little more than $1,600. In which case the Silicon Valley set can afford the city with ease, with the exception of Tesla and Yelp workers, who occupy the bottom two spaces on the Journal’s salary list.

But if tech workers are shopping for apartments online, the median price for a one-bedroom apartment is more than twice the average cited in the census report. For Q2, the Zillow-owned listing site Hotpads reported an SF average of $3,520/month, the highest among its peer platforms.

That means that workers have to bring in roughly $11,735/month to avoid becoming “rent burdened” at those prices—or $140,820/year.

While most Facebook employees can afford it, how does the rest of the valley fare?

Full story: https://sf.curbed.com/2018/7/11/17561280/tech-companies-silicon-valley-median-income-san-francisco-afford-rent

Here are the hottest housing markets ranked by Realtor.com

Source: Forbes

A Realtor.com just released its hottest market list. Compiled from June data, Realtor.com studied listing searches in each U.S. market along with supply, demand and prices.

The list revealed surprises. For the first time in six years, California markets did not rank in the top five.

“California is not as hot as it was. It’s because of low inventory and median home prices in some areas that are close to a million dollars,” explains Realtor.com’s Chief Economist Danielle Hale. “We are seeing people looking elsewhere to less expensive areas,” Hale adds.

The markets hitting three sweet spots—limited supply, strong demand and prices rising made the hottest market list. Days on Market (Realtor.com calls it Median Age of Inventory) is a key indicator determining a market’s health. That number averaged only 34 days in Realtor.com’s top 20 markets nationwide.

Full story: https://www.forbes.com/sites/ellenparis/2018/07/07/here-are-the-hottest-housing-markets-ranked-by-realtor-com/#249987212003

San Francisco house prices grew the fastest ever in the first half of 2018 as the tech boom shows no signs of slowing

Source: CNBC

The average price of a house bought in San Francisco rose by $205,000 in the first half of 2018, the largest six-month increase in history, according to MLS data compiled by local real estate agency Paragon.

The average house in the city limits now costs $1.62 million. Condo prices also rose by $71,000, which is a significantly slower pace of change than in past years, but still comes in at a startling $1.21 million.

This is a direct outgrowth of the current tech boom in Silicon Valley, which shows no signs of slowing down.

Full story: https://www.cnbc.com/2018/07/06/san-francisco-house-prices-grew-fastest-ever-in-the-first-half-of-2018.html

What you should know

- Mortgage application volume rose 2.5 percent last week, seasonally adjusted, compared with the previous week. The increase was driven entirely by purchase applications.
- Total volume is 4.3 percent lower than a year ago, according to the Mortgage Bankers Association, because of continuing weakness in loan refinancing.
- Mortgage applications to purchase a home jumped 7 percent for the week and were 8 percent higher than the same week one year ago.