

National Association of Home Builders

The Changing Market: What Do Millennials – the Largest Generation in History – Want?

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Robert Dietz, Ph.D.
Vice President, Tax and Market Analysis
@dietz_econ www.eyeonhousing.org





Status of the Recovery for Home Building

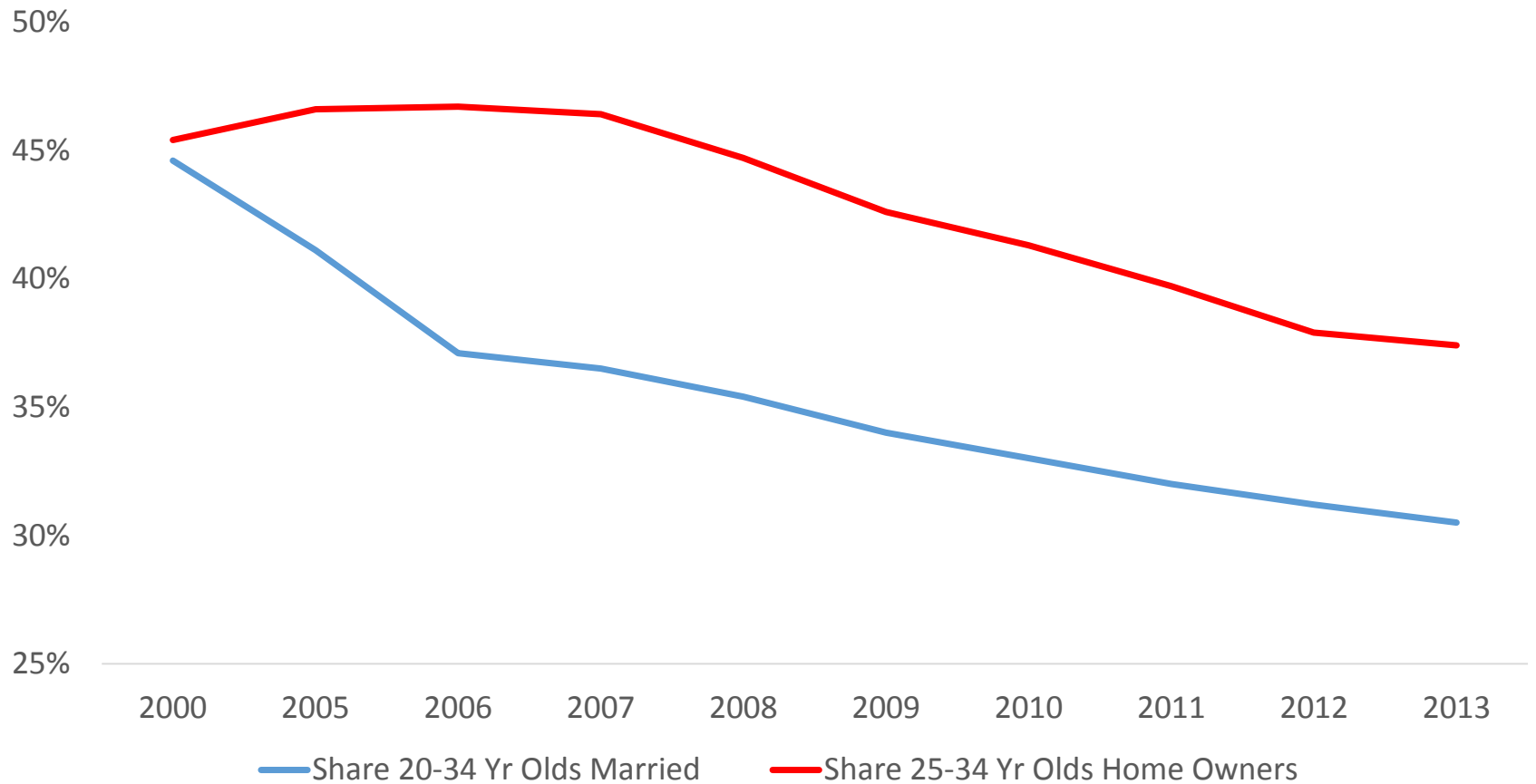
Characteristics of Recent New Homes

What Builders Will Build This Year

What Millennial Home Buyers Want

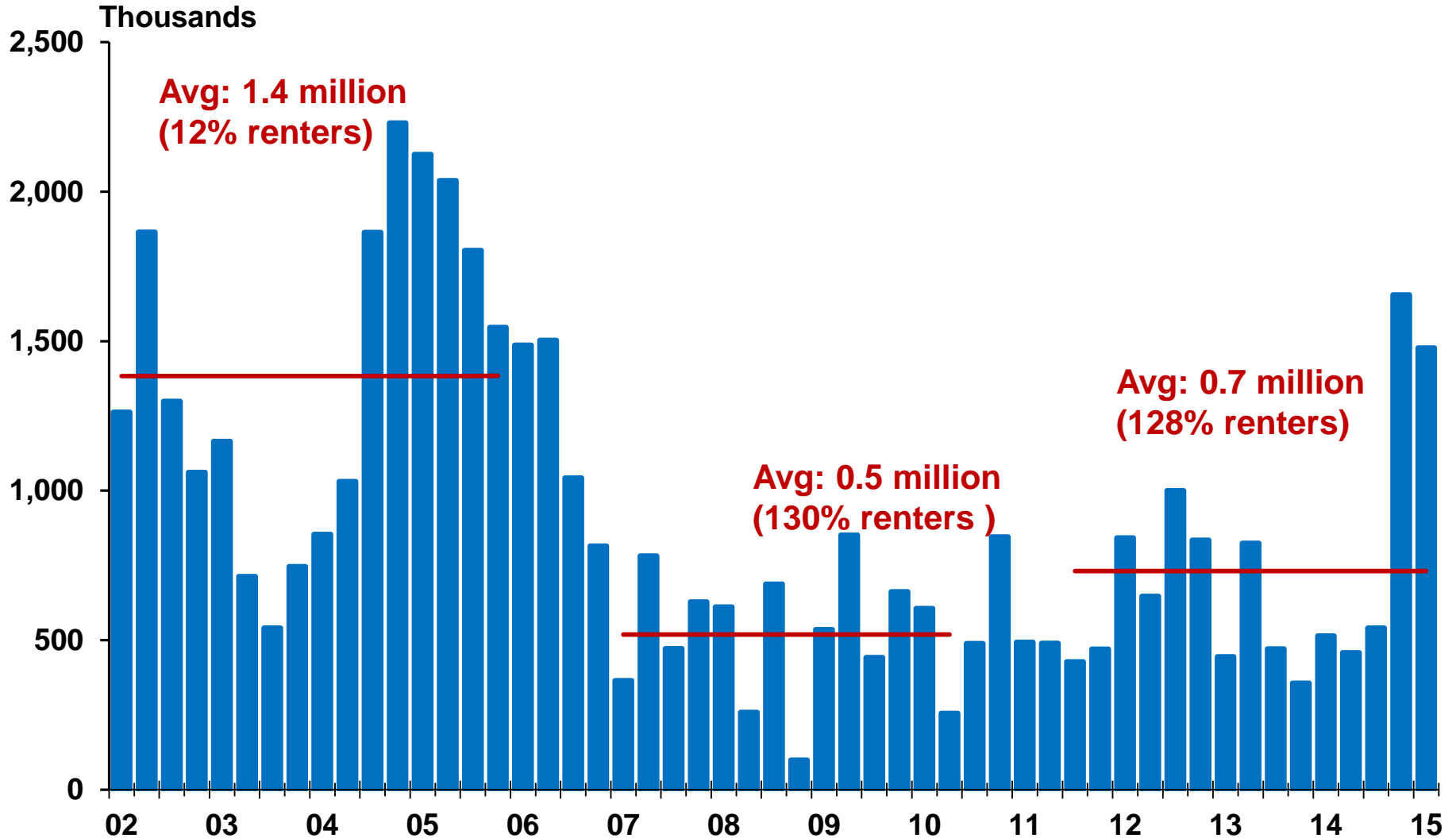
Forecasts

The Great Delay

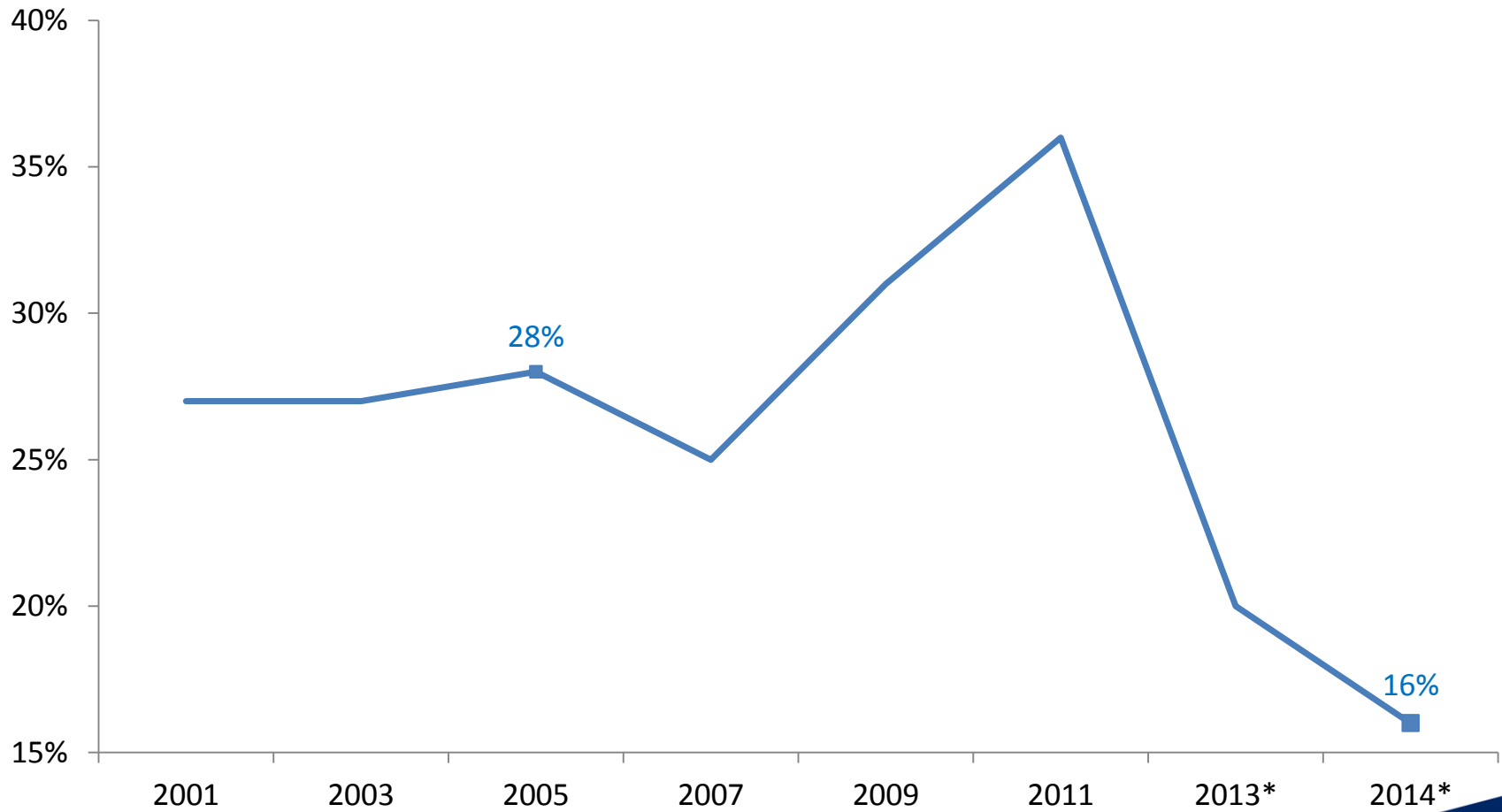


Household Formations on the Rise?

Uptick in year-over-year change in households



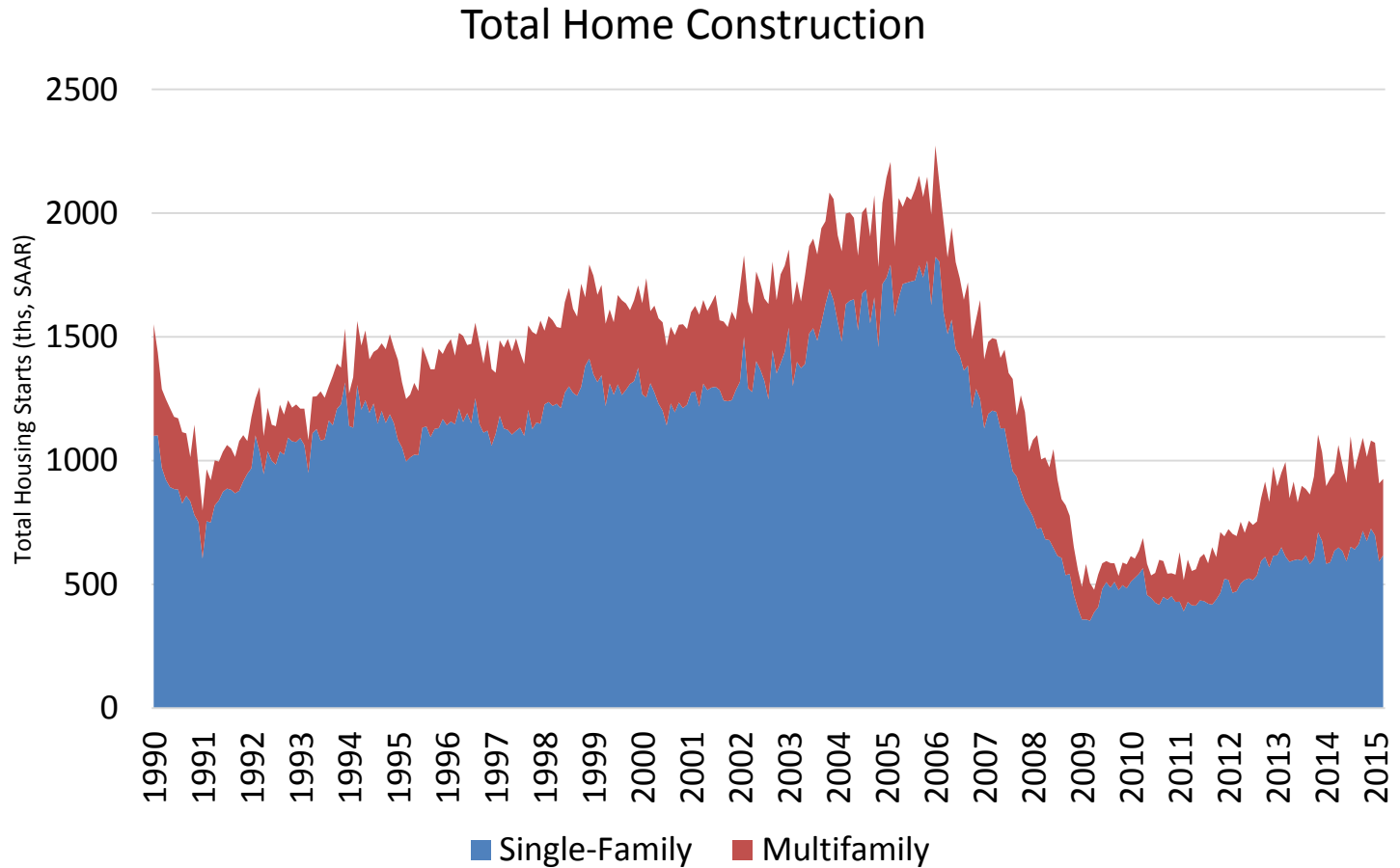
First-time Home Buyer Share of New Home Sales



Composition of Home Construction

80% Typical Single-Family Share

Currently Only 66%

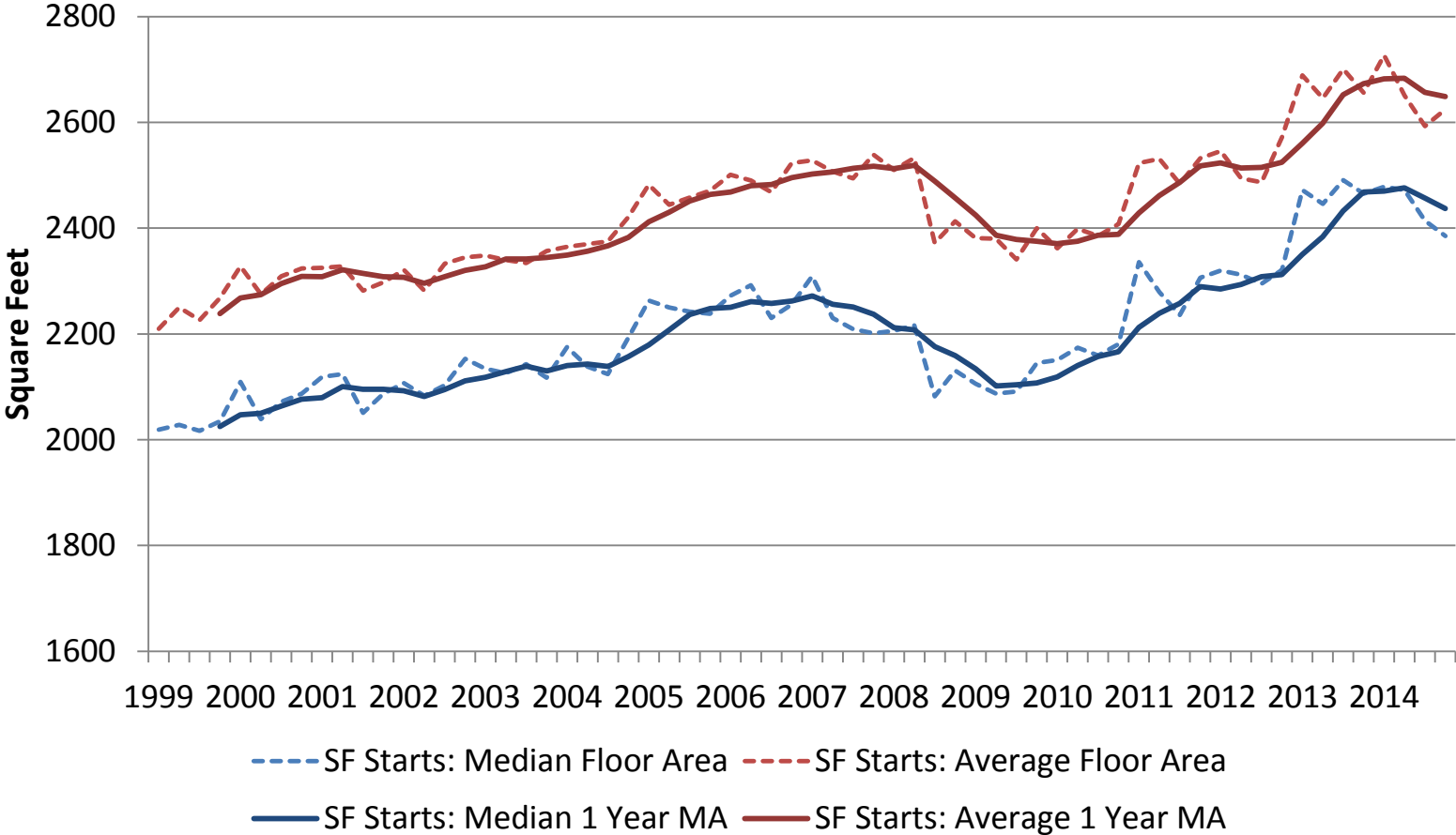




Characteristics of Recent New Homes

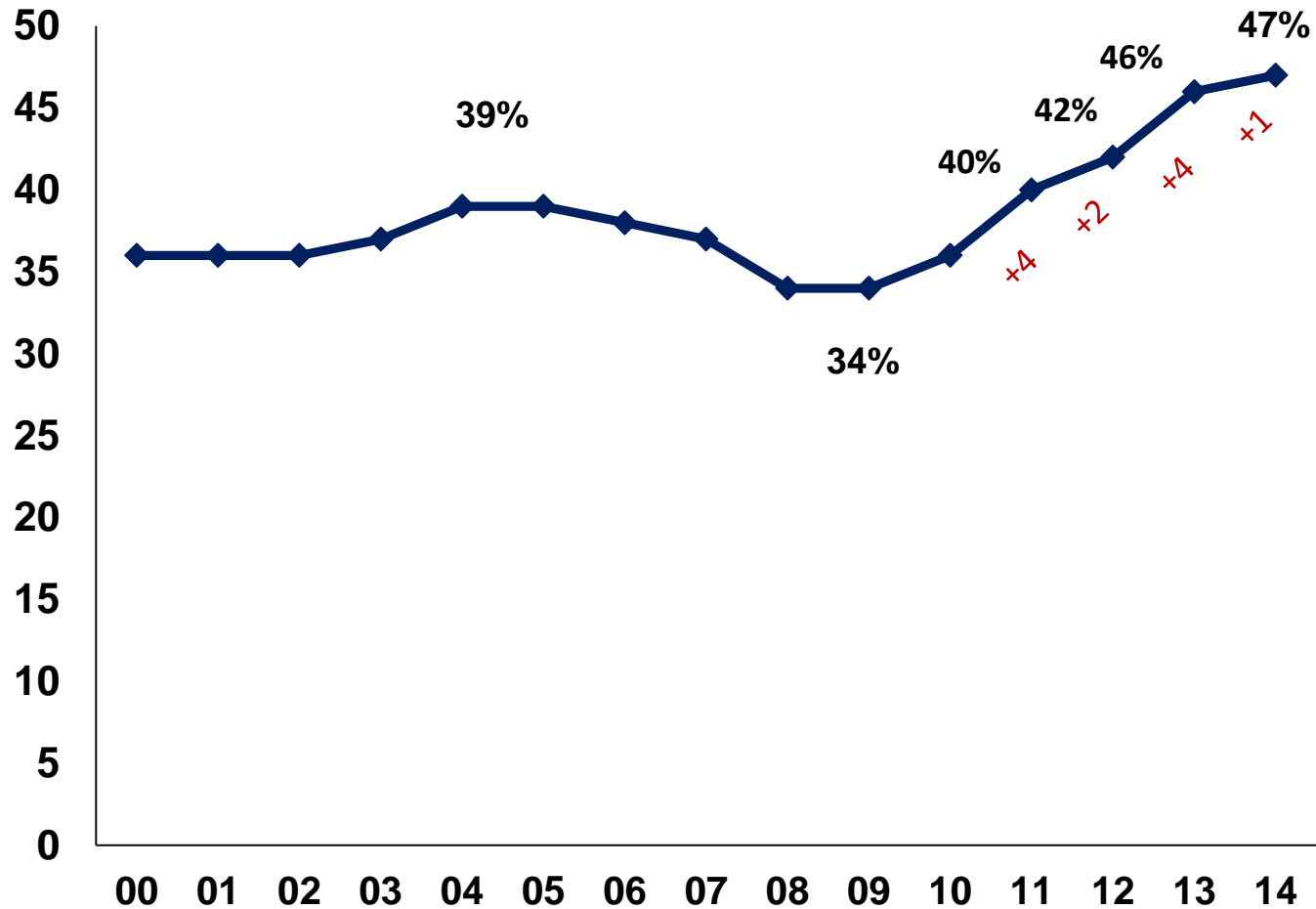
Builders Shifted Production to Higher End of the Market

Size of New Single-Family Homes



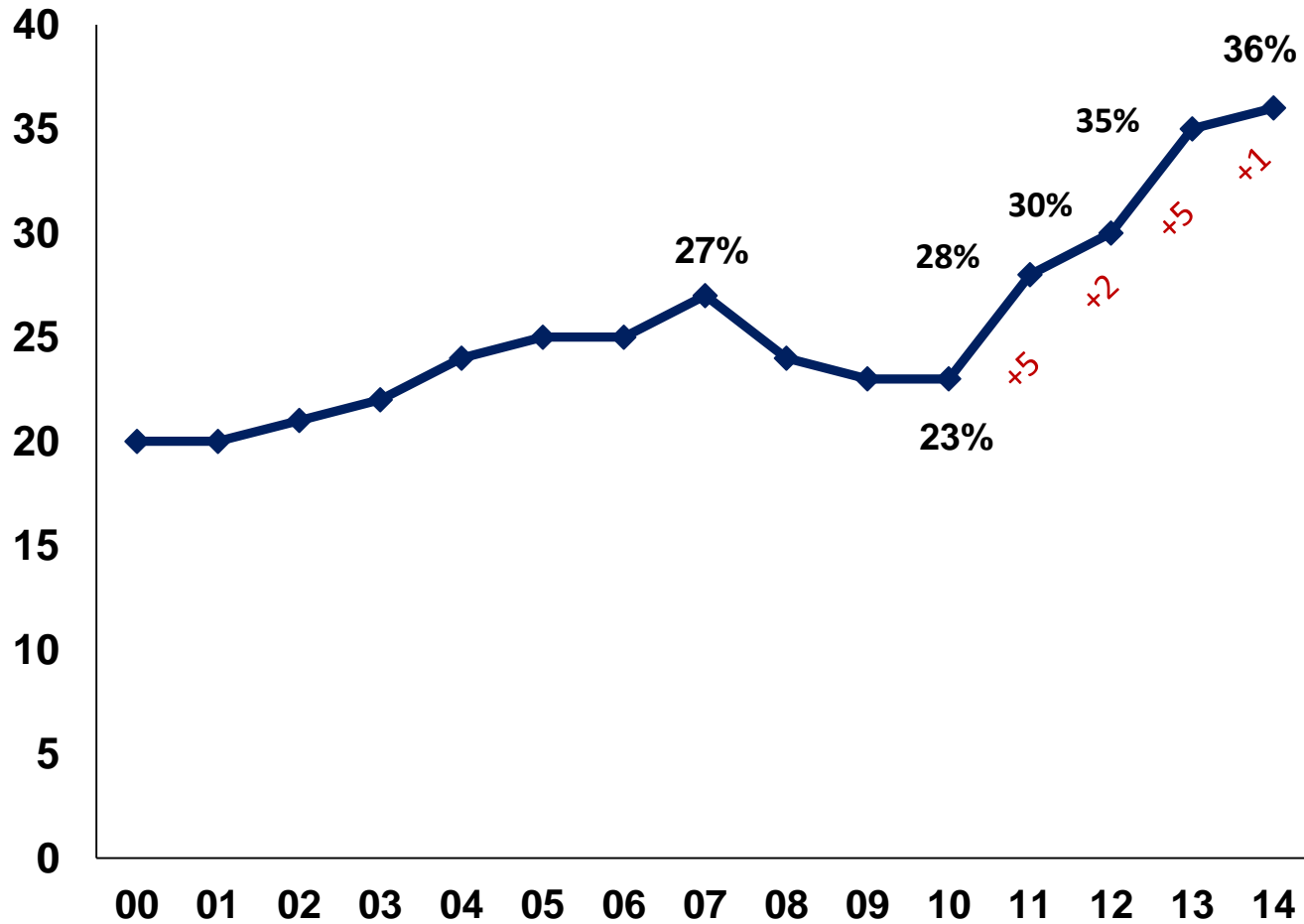
Homes with 4+ Bedrooms

(% of single-family homes started)



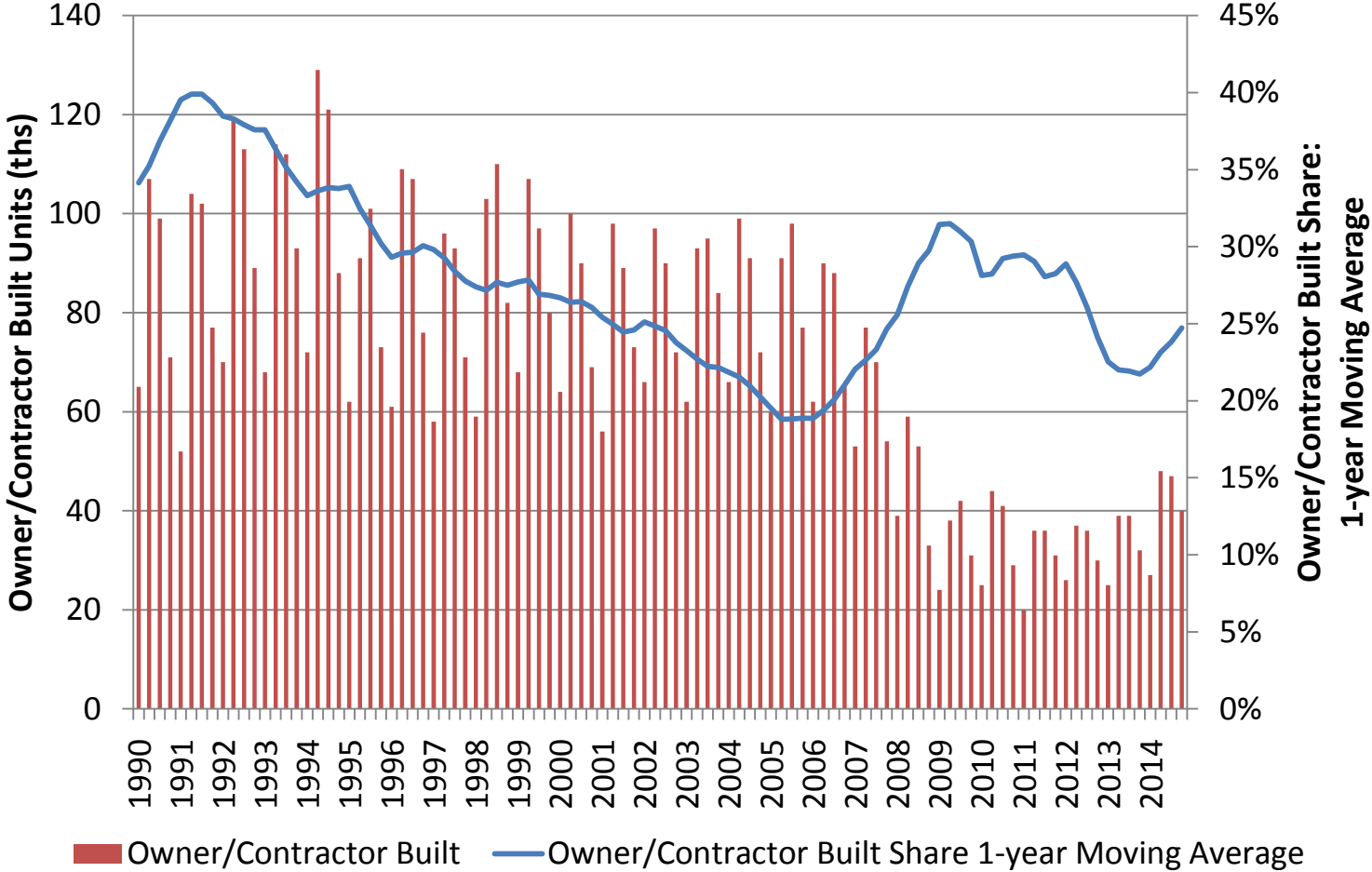
Homes with 3+ Full Bathrooms

(% of single-family homes started)



Custom Building Share Is Elevated

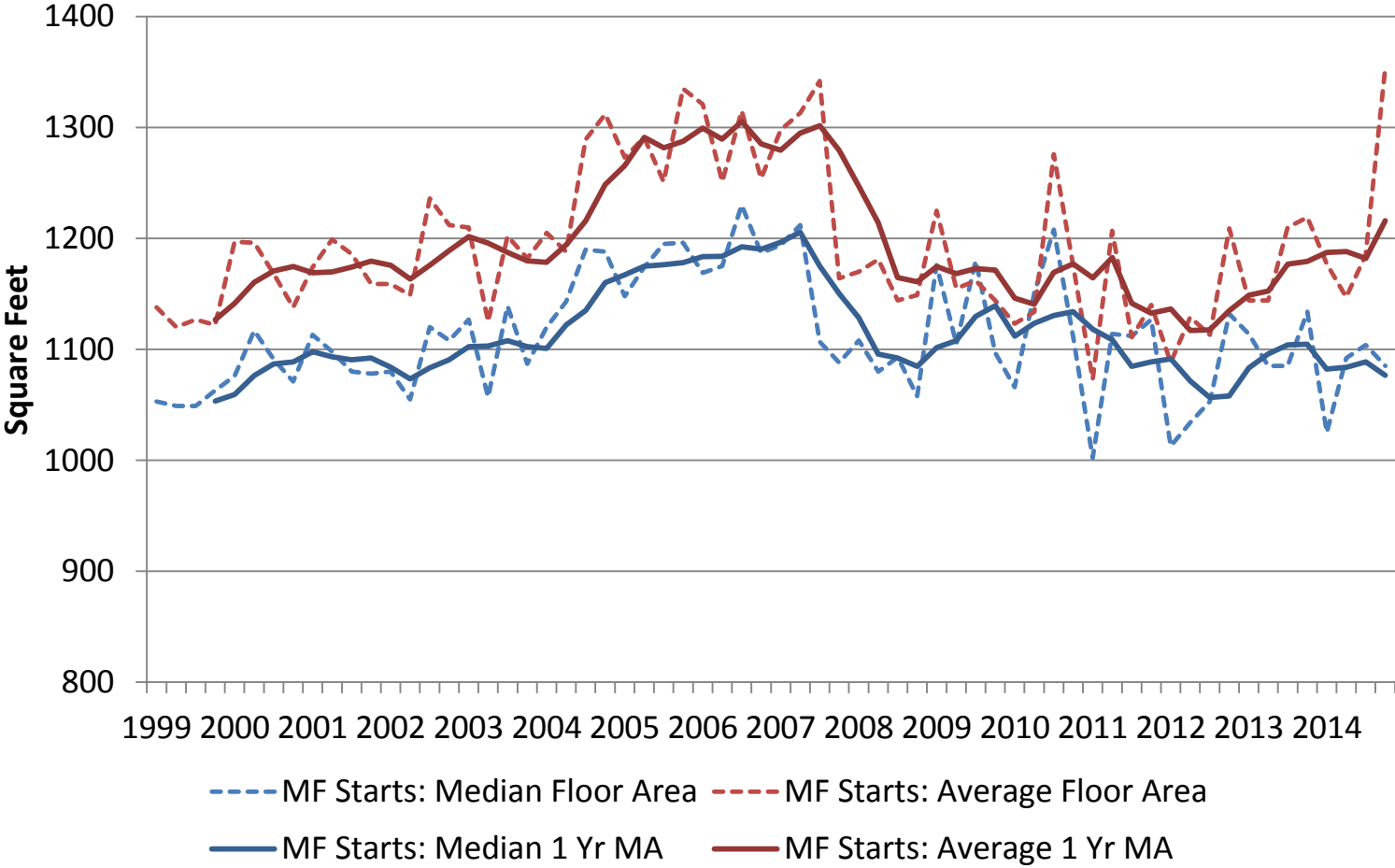
Custom Home Building



Condo Market Dormant

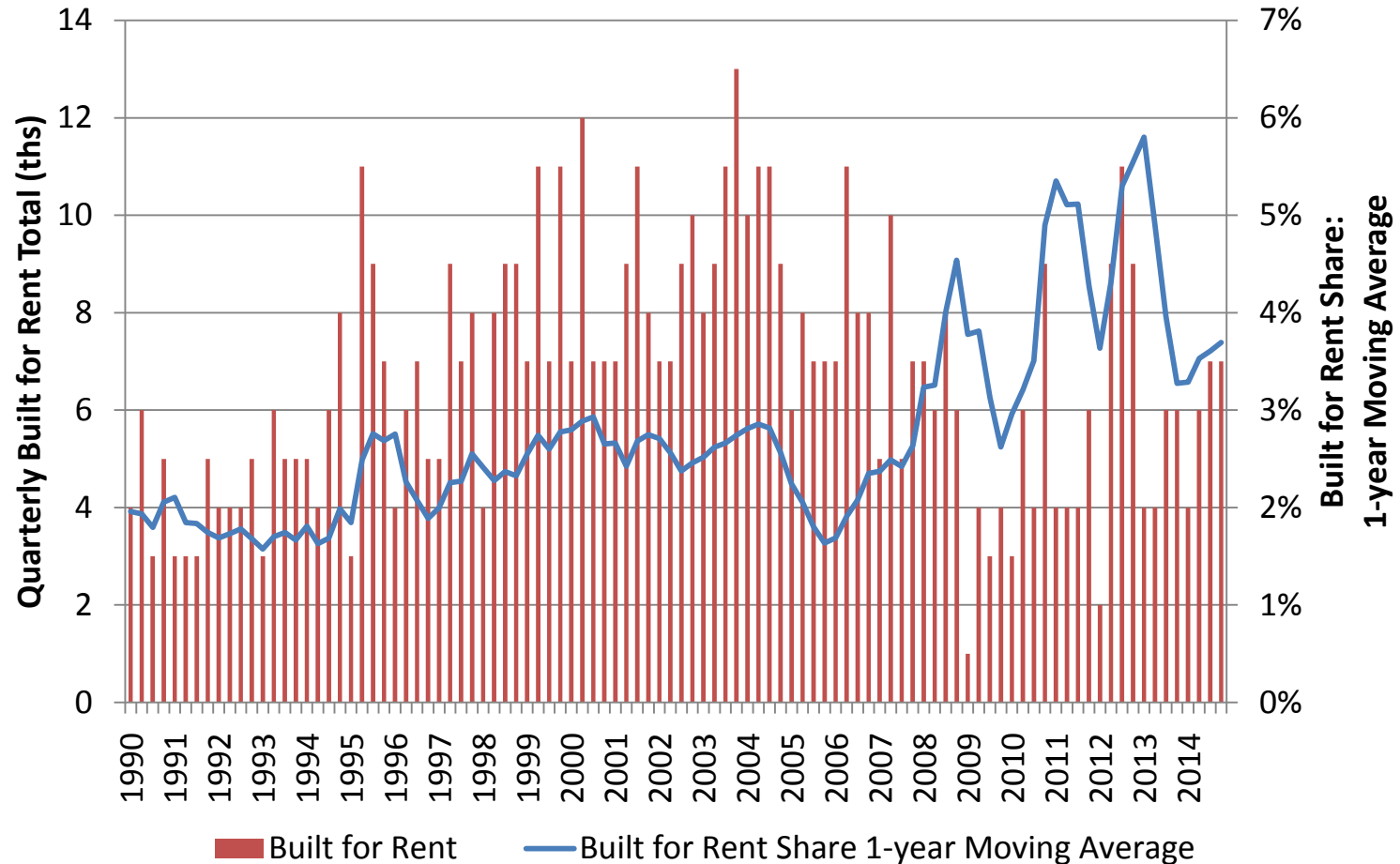
Multifamily Size Lower on Rental Concentration

MF Starts: Average Size



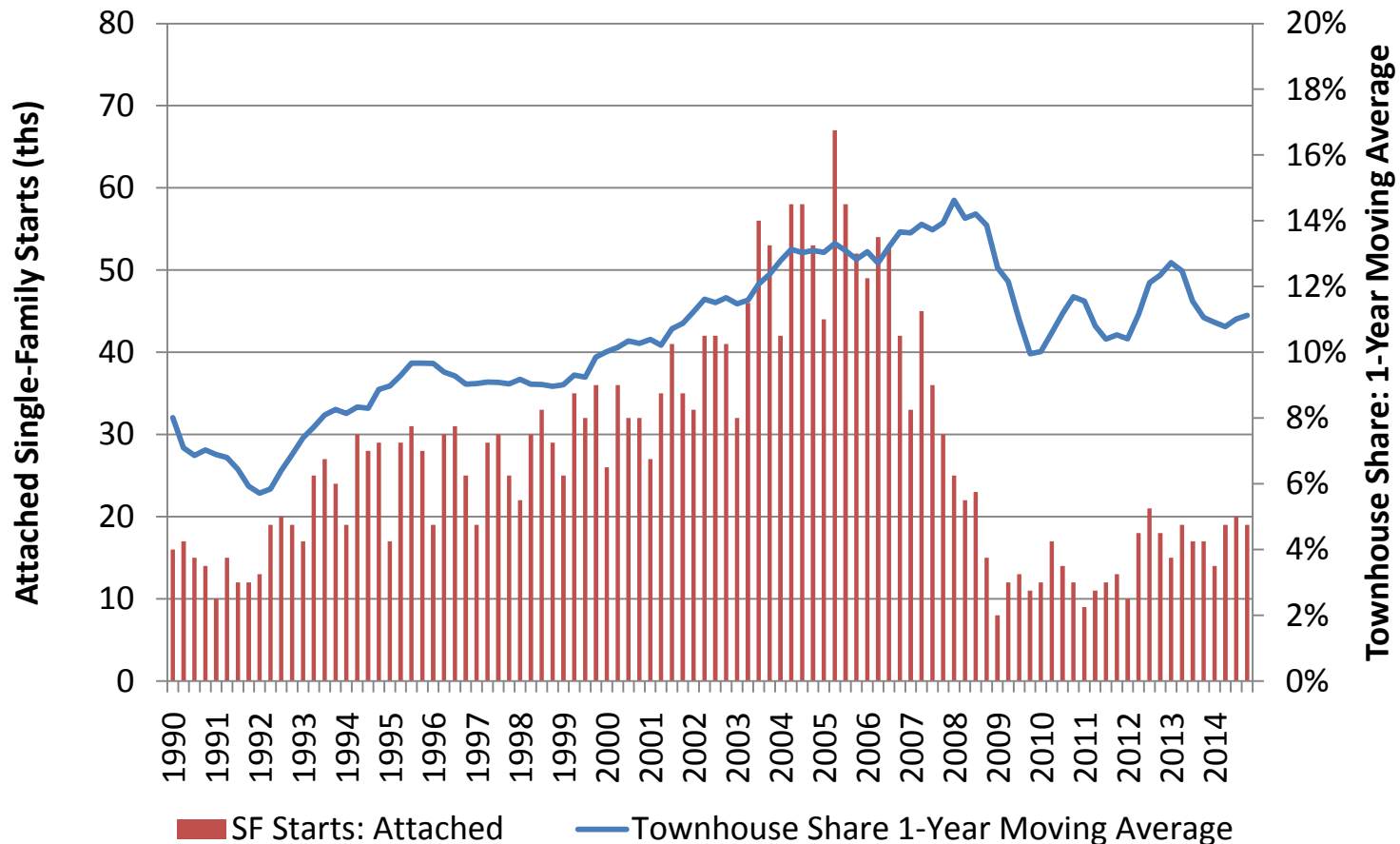
Single-Family Rental Production Remains Small But Elevated

Single Family Starts Built for Rent



When First-Time Buyers Come Back Townhouse Market is Leading Indicator

Townhouse Construction



What Will Happen to Home Size in 2015?

Average will likely continue to recede

3M jobs created in 2014 – most since 1999

New rules to loosen credit tightness

Moderating home price growth

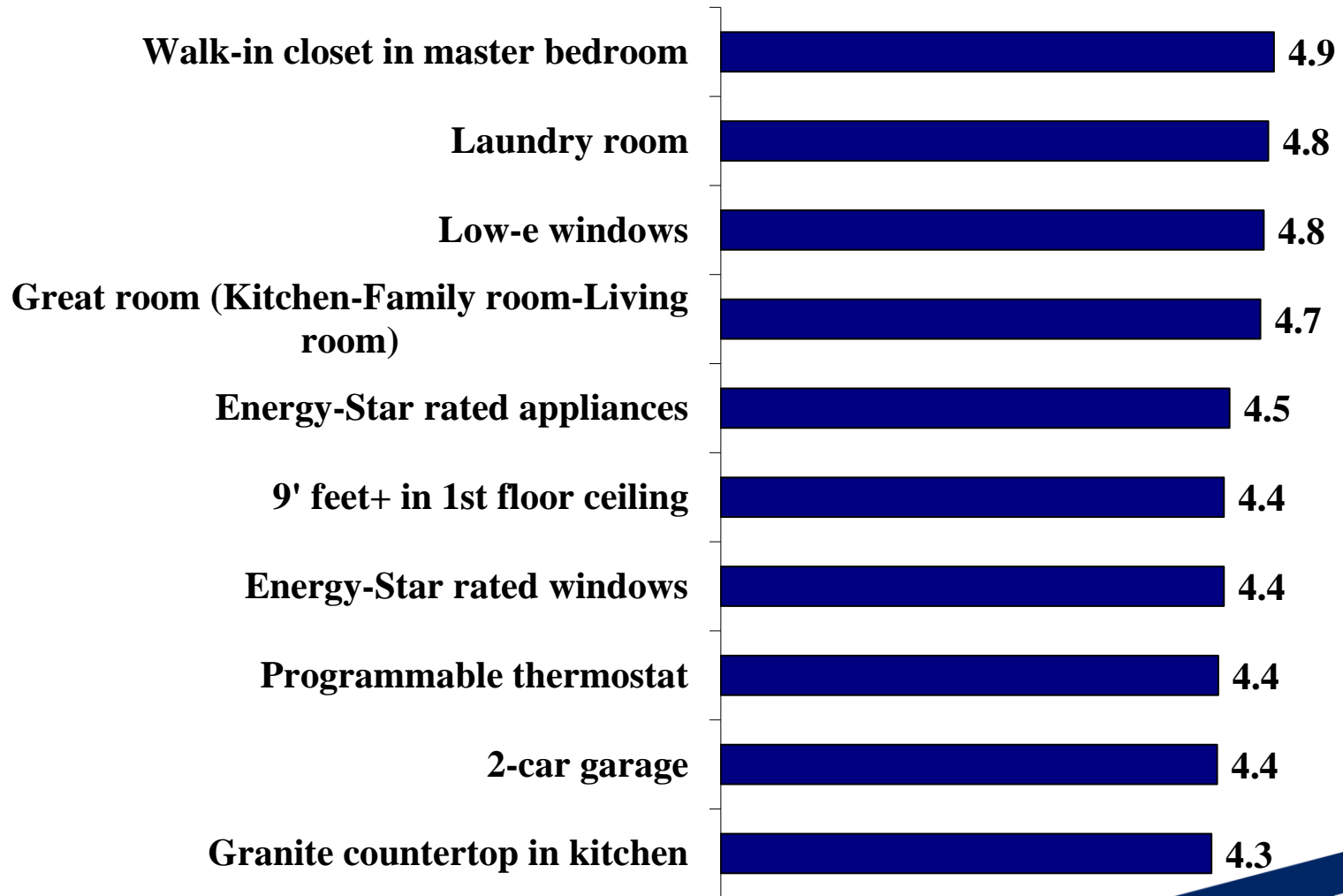


Will allow more people (young, 1st-time buyers)
to enter market.

They will demand smaller, more affordable homes.

10 Most Likely Features in Typical Single-Family Home in 2015

(1=Not at all likely, 5=very likely; avg. rating)





What Millennial / Generation Y Home Buyers Want

Type of Home Wanted



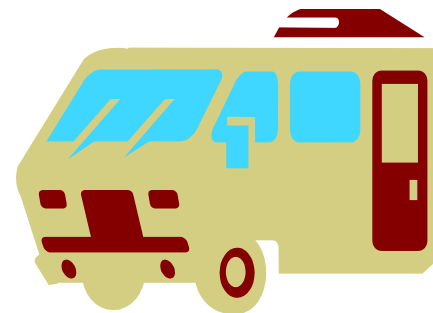
Single-family: 75%



Townhouse: 11%



Multifamily Apartment: 4%



Manufactured Home: 3%

Type of Area Preferred



Suburbs: 66%



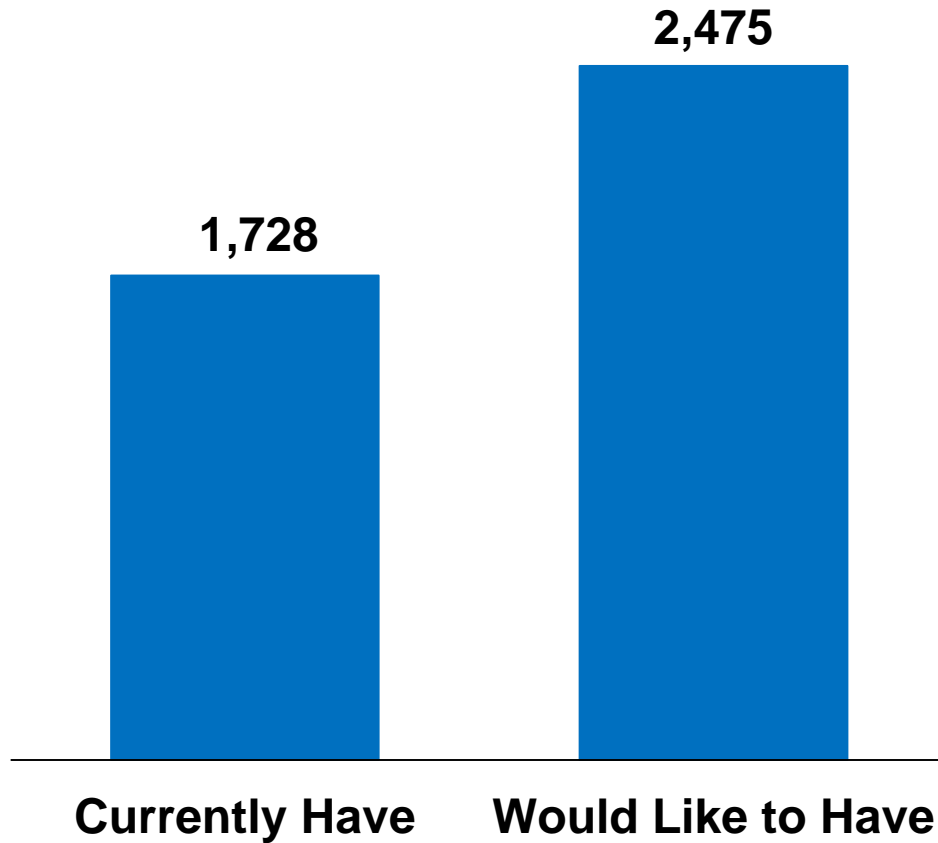
Rural: 24%



Central City: 10%

Home Size

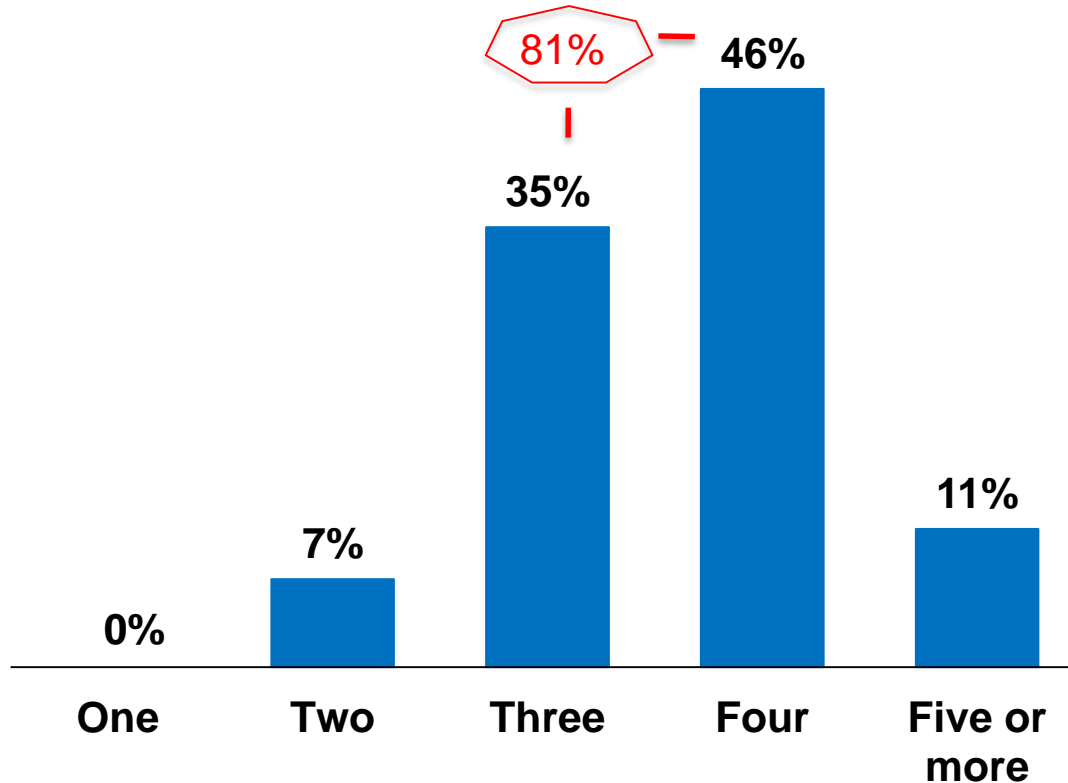
(Median Square Feet)



Millennials
want 43%
more space
than they
have now.

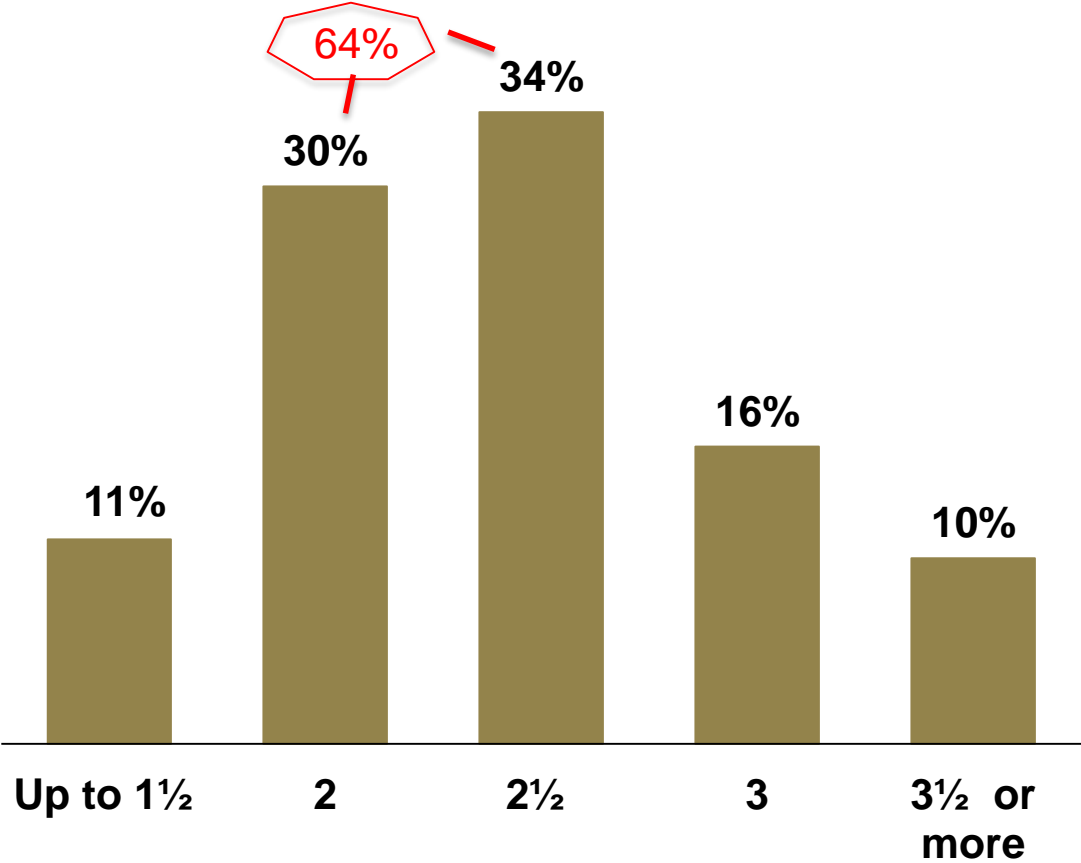
Most Millennials Want 3 or 4 Bedrooms

(% of Gen Y Respondents)



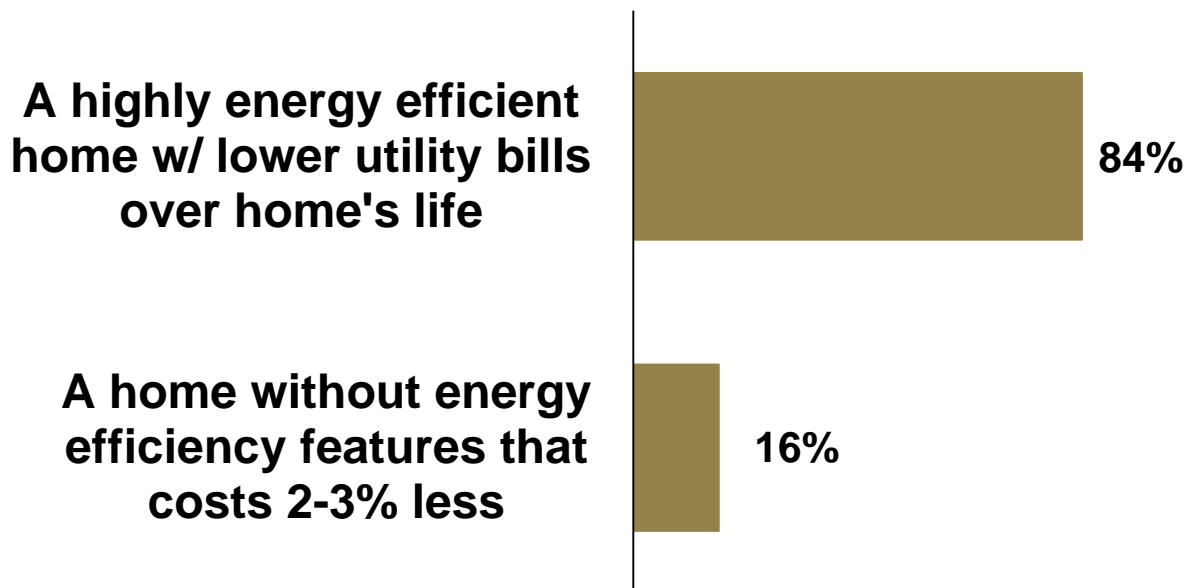
2 1/2 Baths Are Enough for Most Gen Y Buyers

(% of Gen Y Respondents)



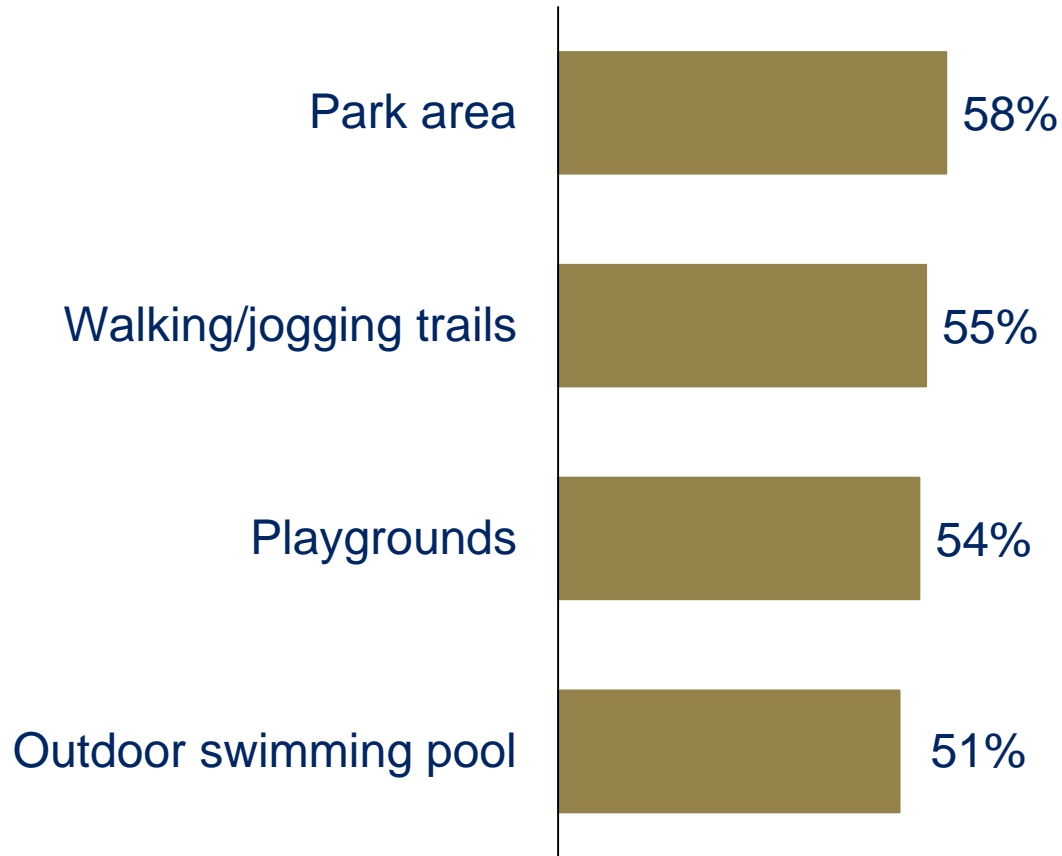
Most Millennials Will Pay 2%-3% more for Energy Efficient Home

(% of Gen Y Respondents)



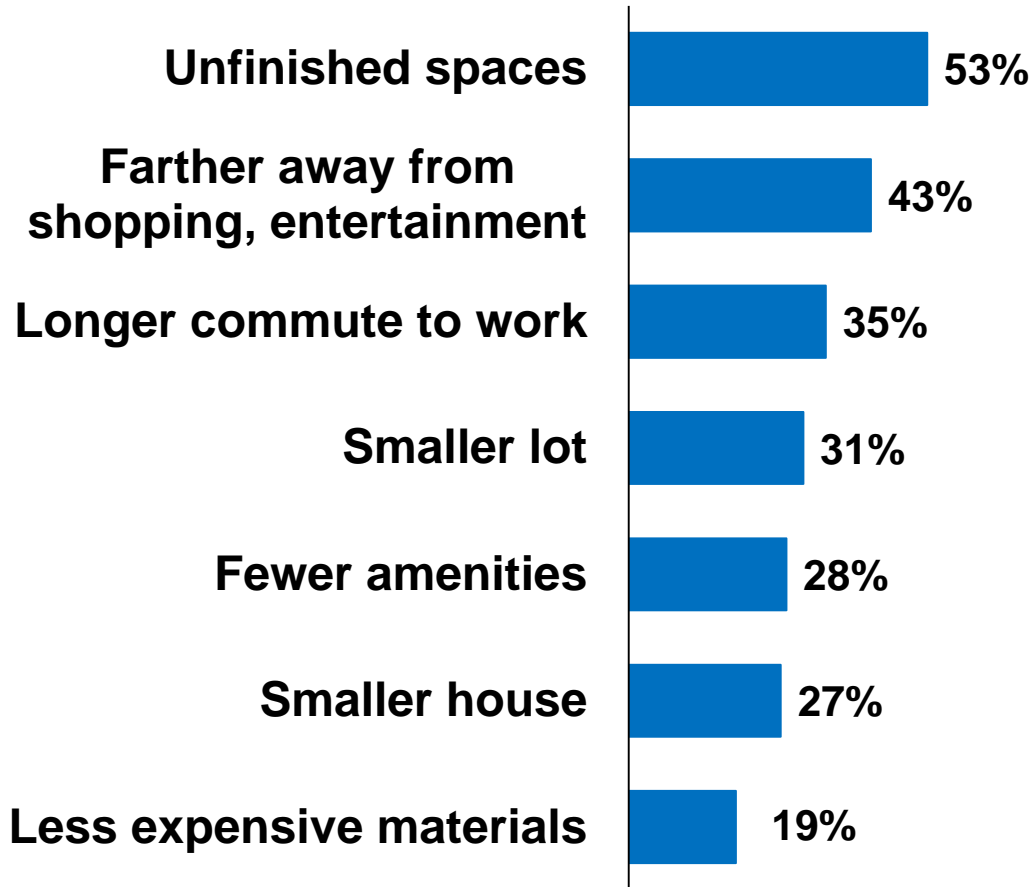
Most Would Be Seriously Influenced to Move to a Community if It Had...

(% of Gen Y Respondents)



Willing to Accept to Make Home Affordable

(% of Gen Y Respondents)

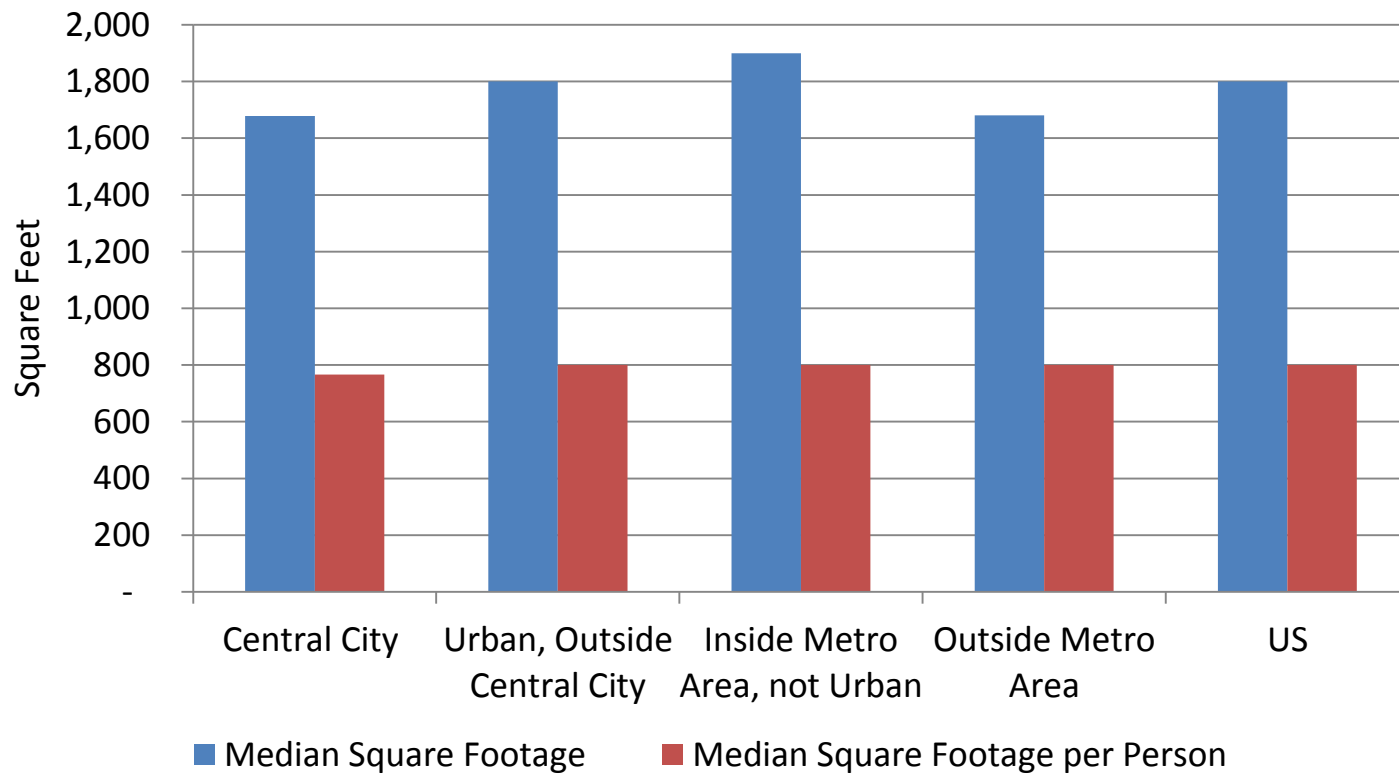


“A Suburban Place to Call Their Own”

U.S. New Economic Intelligence article

April 8, 2015

Home Size by Location and Occupancy





Trust But Verify

Fannie Mae Survey:

90% of young renters were likely to purchase in the future

Only 7% plan to remain renters

21% of current young renters were preparing financially for homeownership



Trust But Verify

Fannie Mae Survey:

76% of young renters thought homeownership was a wise long-run financial decision

Demand Institute:

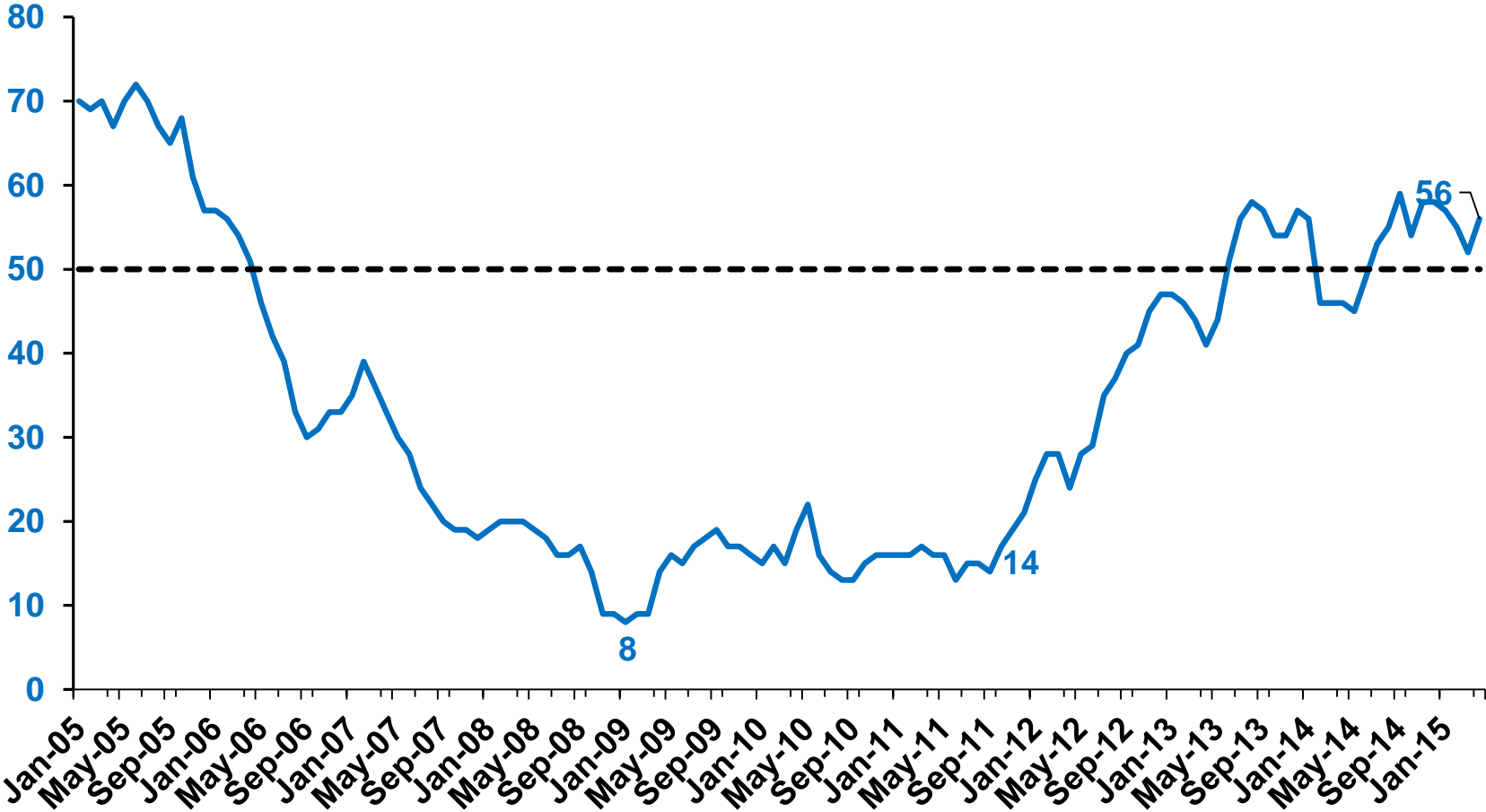
**75% of 18-29 year olds: homeownership a goal
73% thought homeownership an excellent investment**



Forecasts

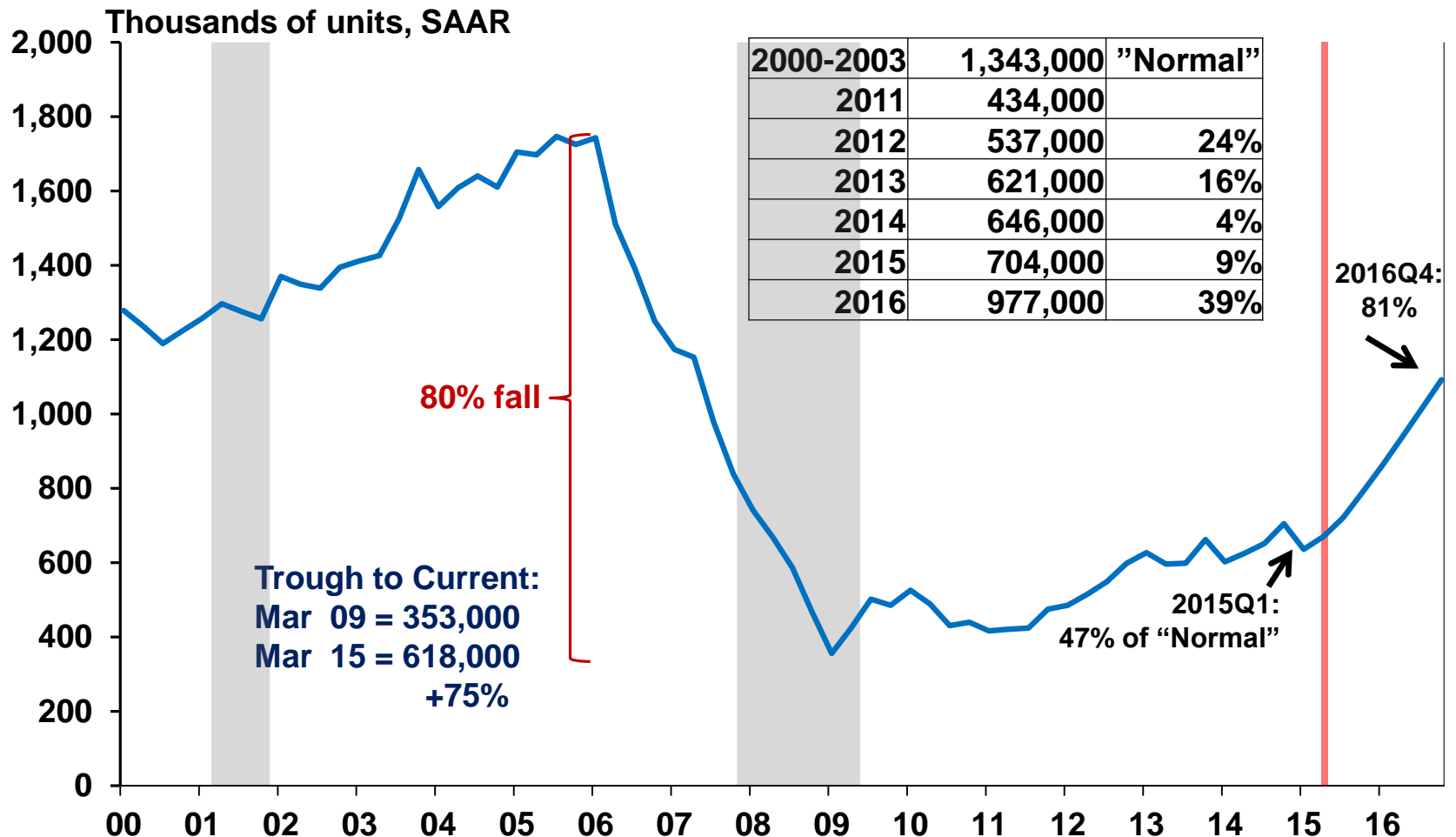
NAHB/Wells Fargo Housing Market Index

Builders remain optimistic



Single-Family Starts

Continuing to recover

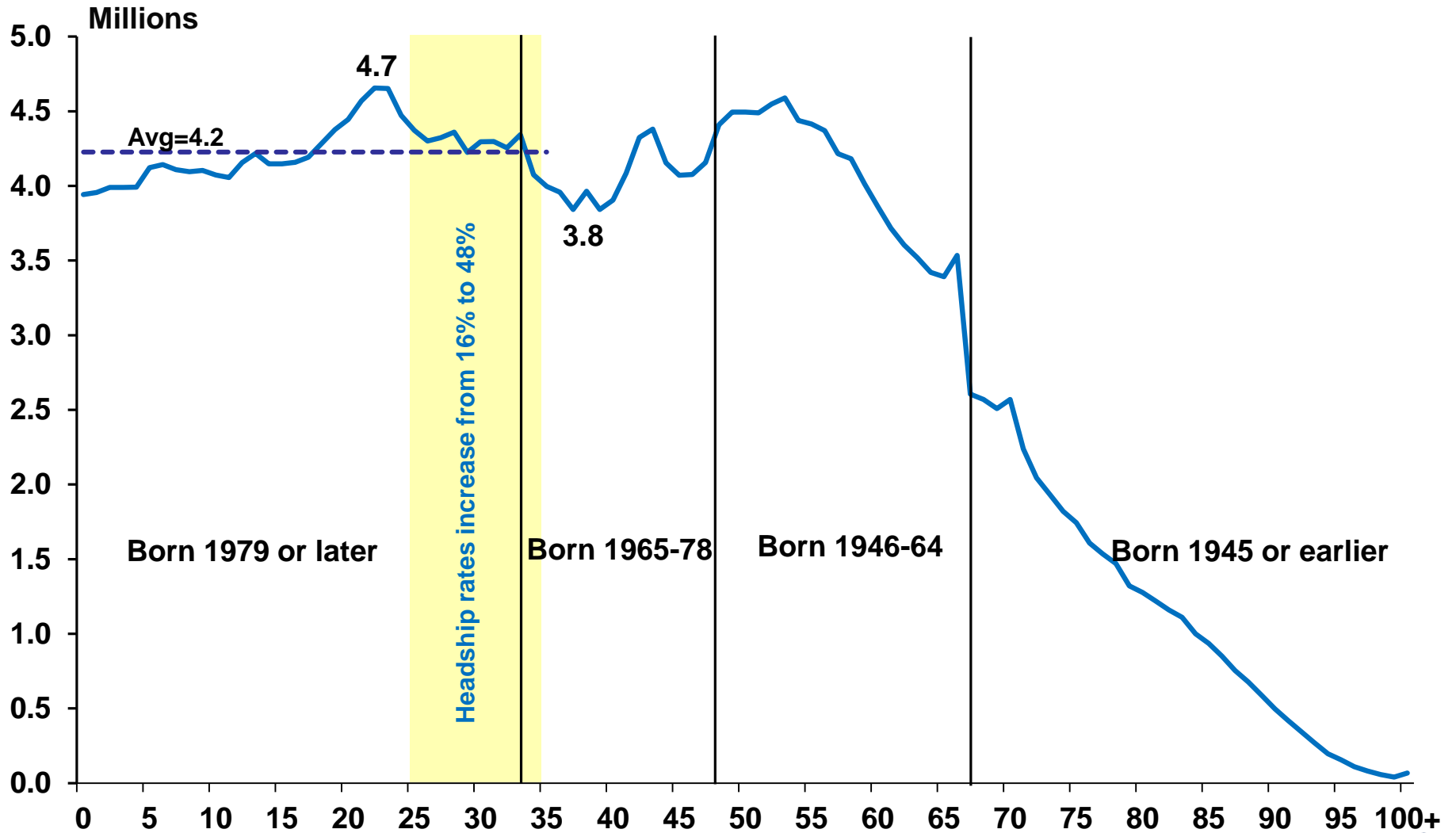




Positive Long-Run Outlook for Housing

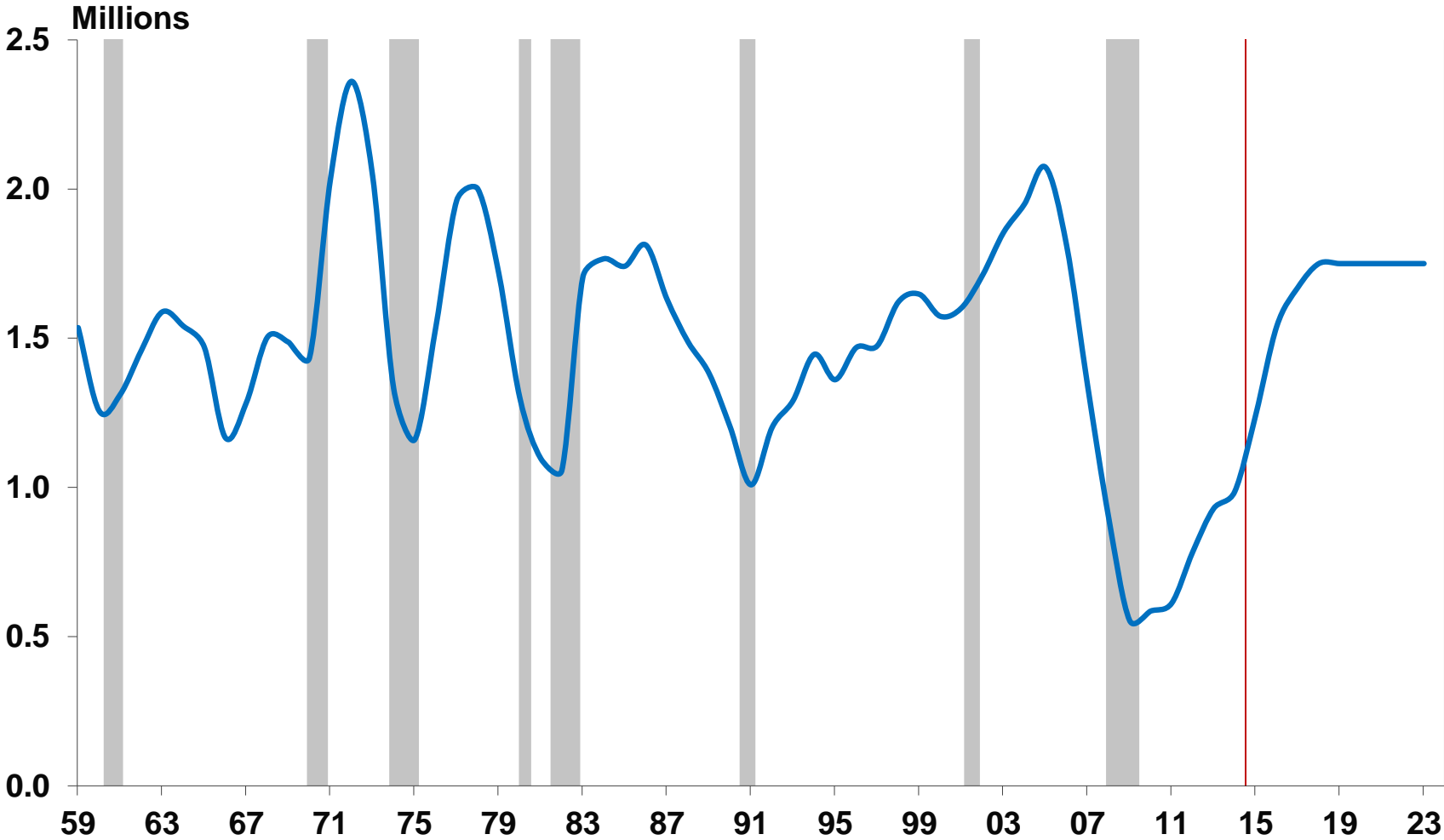
Population by Single-Year of Age

Rising population in prime household formation years



Total Housing Starts

Expected to normalize by second half of decade





Summary

Growth for home construction ahead

Gen Y aspires to homeownership

Gen Y prefers single-family, suburban housing

Builders need to respond with energy-efficient homes with nearby amenities

Questions?

www.eyehousing.org

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