



# Millennial Home Buying Trend Report



## Millennials are often disparaged for being the “Me Me Me Generation”

Millennials are frequently portrayed as millions of narcissistic, irresponsible, smartphone-wielding kids who live in their parents’ basements and reject all the trappings of adult life. But with each passing year, these assumptions are looking more and more outdated.

Not only are Millennials becoming more financially secure, starting to have children, etc., but they’re also increasingly committed to one of the most fundamental rituals of American adulthood: owning a home. Millennials are increasingly dominating every aspect of the U.S. economy, and the housing market is no exception. That’s why we developed Porch’s Millennial Home Buying Trend Report – an analysis that draws upon a wide range of sources to give you an accurate picture of trends in the Millennial housing market.



Millennials' tastes and material circumstances distinguish them from home buyers in other generations, and this report discusses many of these differences and how you should interpret them (particularly if you're planning to sell your home). But there's another theme at its core: the remarkable similarities between Millennials and older generations when it comes to home ownership – one of the cornerstones of the American Dream.

These similarities have vast implications: From telling us that the housing market is poised to see a Millennial-driven home buying surge to demonstrating that Millennials are behaving a whole lot like their parents (as both consumers and productive members of society) as they settle into their prime working years.

If we want to understand the modern economy, housing market, and American society, it's time to drop the complacent assumptions about Millennials and understand who they really are.

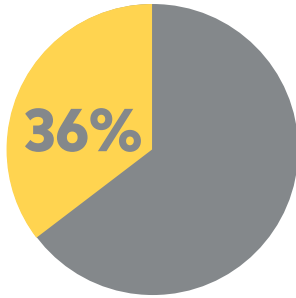
“

**The housing market is poised to see a Millennial-driven home buying surge.**

# Millennial home buyers: Not as unique as you might think



According to the National Association of Realtors' 2018 Home Buyer and Seller Generational Trends Report, 36 percent of the homes sold in the U.S. over the past year were purchased by Millennials. This means the soon-to-be largest generation constitutes the largest cohort of new homeowners in the country, which is why it's always a good idea to keep Millennials in mind when you make investments in your home.



## of homes sold in the past year were purchased by Millennials.

However, this doesn't mean Millennials' expectations are drastically different from other home buyers in the U.S. While Millennials have specific tastes and preferences that home sellers should be aware of, what's most remarkable about their behavior in the housing market is how similar they are to the generations that preceded them.

After conducting a survey of 1,573 Millennials, *Consumer Reports* identified a few features that appeal to this growing contingent of new homeowners: an updated kitchen, flexible living space, energy efficiency, hassle-free additions (wood floors, updated mechanical systems, etc.), new paint, outdoor recreation areas (such as a patio or a porch), and smart technology. While some of these features are slightly more Millennial-specific than others, all of them will be assets regardless of who ends up purchasing your home.

For example, a recent Porch survey of 2,000 American homeowners found that many of the most pressing home improvement projects were the same ones identified by *Consumer Reports*. New paint was the most frequently-cited project (55 percent), followed by bathroom remodeling (30 percent), new carpet (28 percent), landscaping (27 percent), and kitchen remodeling (27 percent). Note how many of these projects overlap with the ones cited above.

### America's To-Do List: The Nation's Top Home Improvement Tasks

- Painting - 55%
- Bathroom remodel - 30%
- New carpet - 28%
- Landscaping - 27%
- Kitchen remodel - 27%
- Drywall repair - 25%
- Fix/replace door(s) - 23%
- Fix/replace window(s) - 22%
- Flooring repair - 21%
- Roof repair - 20%
- Deck repair/installation - 20%
- Re-caulking - 20%
- Fix/replace faucet(s) - 16%
- Lighting installation - 15%
- New tiling - 15%
- Fix leak - 14%
- Fix/replace tub/shower - 14%
- Fix/replace toilet(s) - 14%
- Fix/replace plumbing - 12%
- Siding repair - 12%

Source:  
Porch Survey of 2,000 American homeowners, 2017

Instead of demonstrating that Millennials are some kind of alien species when it comes to their homes, the data suggest that many of the principles that have long underpinned American home ownership still hold true today.

*Consumer Reports* repeatedly cited the overlap between the generations in its report about the survey. A few examples:

1. Buyers of all kinds have long focused on the kitchen, but it holds particular sway over the newest wave of first-time homeowners.
2. Older homeowners who have felt the sting of escalating energy costs tend to be driving the interest [in energy efficiency]. But there are some early adopters among younger buyers, too, especially in regions of the country with more extreme weather.
3. Many younger buyers will envision the additional living spaces as a dedicated office, especially if they work from home.

Generations also converge on the ways they search for homes. According to a 2016 report by the Zillow Group, “Millennials use more resources to educate themselves and research agents and lending professionals.” Ninety-one percent of Millennials use online resources in their search for a home, while eight out of ten conduct research on their mobile devices.



**91% of Millennials use  
online resources in their  
search for a home.**

However, 90 percent of Gen X home buyers do online research when they're in the market for a new home – a proportion that falls to 84 percent among Baby Boomers and 71 percent among the Silent Generation.

This means a total of 87 percent of buyers are learning about homes, comparing prices, etc. online – not a significant drop from 91 percent among Millennials. No matter who your potential buyers happen to be, your real estate agent needs to take full advantage of the Internet – from providing digital walkthroughs to posting high-quality pictures and ample information online.





**“ These distinctions actually highlight how similar Millennials are to other generations – they’re moving out of their parents’ houses, having children, and moving into the suburbs. ”**



## **The NAR report found that the “quality of the neighborhood is the factor most influencing buyers of all ages, followed closely by convenience to a job for those up to working age (Millennials to younger Boomers).”**

The percentage of buyers who regard “convenience to job” as an important selling point drops precipitously as you move up the age brackets. Although 62 percent of Millennials say they need to live close to work, the average for all home buyers is only 42 percent (unsurprisingly, it falls to 11 percent and 3 percent for the 63-71 and 72-92 cohorts, respectively). For Millennial buyers, it’s important to be in a location that provides easy access to nearby employment opportunities, and this often means close proximity to a major urban hub (though, as we’ll soon see, the image of the urban Millennial is often exaggerated).

As more and more Millennials have children, they’re much more likely to be concerned with affordability and the quality of local school districts (as well as how close schools are to home). They’re even more interested in being close to friends and family than other generations – a fact that challenges preconceptions about Millennials as the “Me Me Me Generation.”

These distinctions actually highlight how similar Millennials are to other generations – they’re moving out of their parents’ houses, having children, and moving into the suburbs. While mountains of debt and a global recession have forced them to bypass many of the most important landmarks of adulthood, they’re circling back around and settling into the familiar patterns of American life.

# Millennials on the move



Over the past year, more than half of Millennial home buyers purchased a suburban home, and they were slightly more likely than Gen Xers or young Baby Boomers to live in a small town. But the generations still have plenty in common when it comes to the location of their homes. For example, while 52 percent of buyers under the age of 37 bought a suburban home last year, the proportion for all buyers was 51 percent. And while 21 percent of Millennials opted for a small town, the proportion for all buyers was 22 percent (this number was pulled up by homeowners in the 63-71 and 72-92 age brackets).

The Zillow report refutes the “common myth that all Millennials are short-term buyers seeking homes in trendy, urban neighborhoods. In reality, just one quarter of Millennial homeowners live in an urban area. Nearly half of all Millennials live in suburban communities, with eight in 10 adults under 25 living outside an urban core.” NAR found that the proportion of Millennials buying homes in urban areas has been steadily falling – from 21 percent to 15 percent in the span of a few years (bringing them close to the 13 percent of all homeowners who live in urban areas).

Despite all the talk we hear about the general migration into urban areas, only 2 percent of Millennials bought a condo in the past year. NAR’s chief economist, Lawrence Yun, offers an explanation: “While there is an overall trend among households young and old to migrate towards urban areas, the very low production of new condos means there are few affordable options for buyers – especially Millennials.” This reflects other trends in the Millennial market that were mentioned above, such as the the aversion to homes that require a lot of upkeep. However, the low inventory in the housing market limits options and drives up prices for everyone.

**While plenty of Millennials are attracted to places like New York and Los Angeles, many are moving to more affordable cities in the Midwest and the South.**

According to a 2015 report by the Manhattan Institute, metro areas in Chattanooga, Tennessee; Grand Rapids, Michigan; Pittsburgh, Pennsylvania; and St. Louis, Missouri all saw a 30 percent or greater increase in their populations of 25 to 34-year-olds with a bachelor’s degree or higher between 2000 and 2013. Although many of the fastest-shrinking cities in the United States are in the Rust Belt, this doesn’t mean the process of deindustrialization is impossible for these places to manage and ultimately recover from.

For example, the number of 25 to 34-year-olds with a bachelor's degree or higher in Pittsburgh surged by 33.9 percent between 2000 and 2013. An August 2017 article in *Harvard Political Review* explains that local government had a powerful hand in this transformation: "This demographic sea change didn't occur in a vacuum; rather, it was the result of a series of careful policy making decisions that came from the city. Firstly, the city invested in providing a top-notch education for its residents, collaborating with Carnegie Mellon and the University of Pittsburgh to transform Pittsburgh from the Steel City of the 1980s into a STEM juggernaut in fields like computing, robotics and biotechnology."

When a city sees an influx of college-educated Millennials, the benefits are unambiguous – from improved city services and more public works projects (thanks to the larger tax base) to better entertainment options, recreation, shopping, etc.

As the article in *Harvard Political Review* puts it: "Attracting a college-educated population is crucial for any city hoping to grow, as doing so boosts entrepreneurship, tax revenues, and economic growth." And what's the best way to do this? By attracting Millennials. The Harvard article continues: "Cities across the Rust Belt are following Pittsburgh's example. They've discovered that to bring in college graduates, they need to appeal to Millennials in general." As a home buyer, you should be wary of cities that haven't made this discovery.




**Home buyers shouldn't ignore factors like public investment and other initiatives that spur economic growth.**

It's also essential to remember that no generation is static. As Millennials age, their priorities and interests change. A 2017 Privcap report notes that many Millennials have been moving to "24-hour cities," like New York and Los Angeles, but points out that this trend is changing: "Now, as rents in these places soar, Millennials are migrating again – and investors are on their heels. For example, as San Francisco rents have ascended into nosebleed territory, priced-out Millennials have shifted across the bay to Oakland and other '18-hour cities,' with investors right behind, injecting capital into once-forlorn office, retail and residential properties."



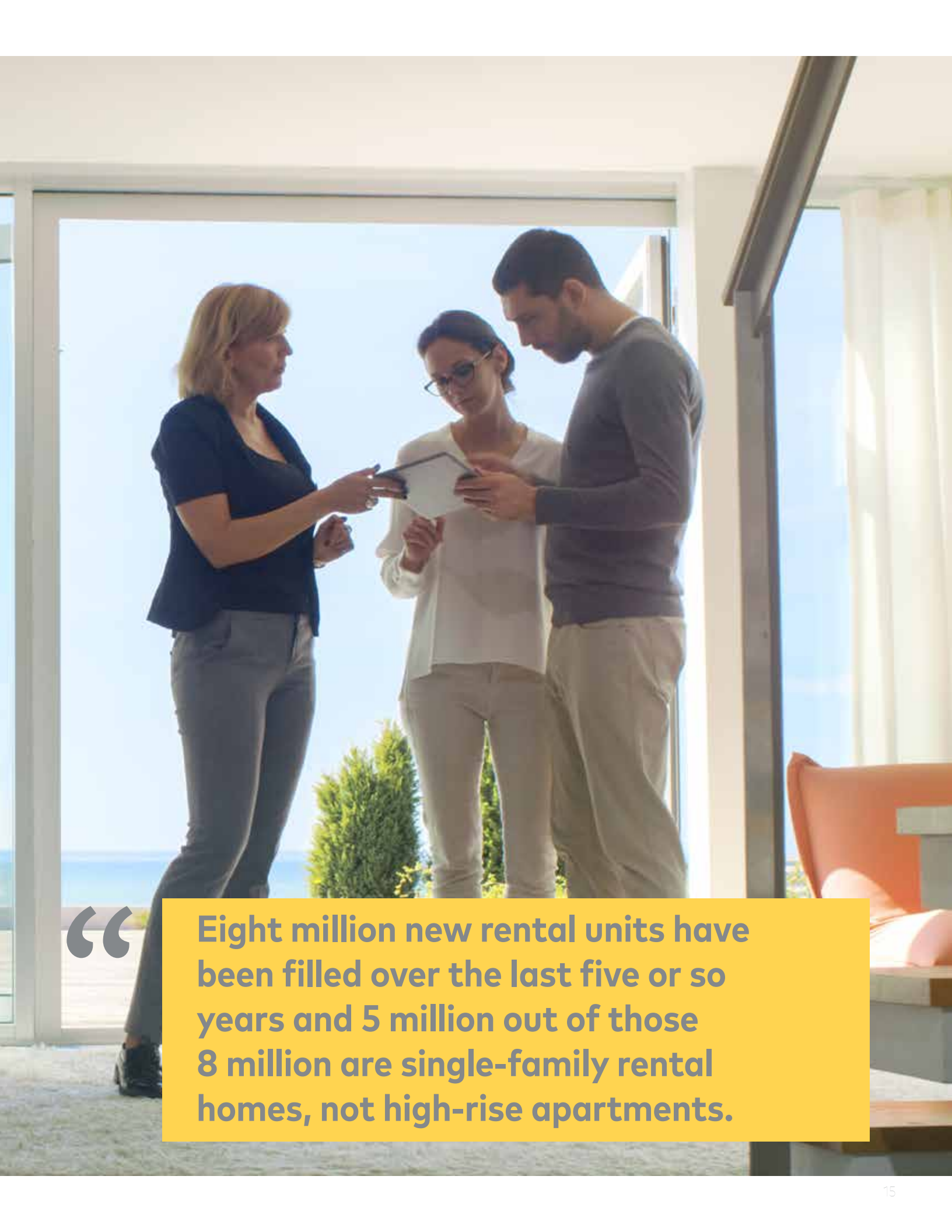
Michael Schwartz is a principal at RSM US, and he echoes the Manhattan Institute report about Millennials moving to the middle of the country: “In the 18-hour cities, we’re seeing an influx of people who don’t want to live in the 24-hour cities because of price. They’re moving to cities such as Columbus, Madison, Raleigh and Nashville.”

The Privcap report explains that Millennials are “growing up, of course, and as they do they’re getting married, having kids and moving out of downtown areas, primarily in search of better schools for their children.” In other words, they’re acting a whole lot like their parents. But many of them still don’t have the money to buy a home, and Privcap says this is why “single-family rentals are now the fastest-growing sector of the rental market. Eight million new rental units have been filled over the last five or so years and 5 million out of those 8 million are single-family rental homes, not high-rise apartments.”

A photograph of a modern living room. In the foreground, there is a dark wood TV stand with a large flat-screen TV mounted on the wall above it. To the right, a large window is covered with light-colored, pleated curtains. The room has a light-colored wall and a dark wood floor. The text is overlaid on a white rectangular background in the center-right of the image.

Millennials are eager to become homeowners, but for many of them, this desire has been frustrated by a series of obstacles – from a heavy debt burden to a lack of affordable homes on the market to the fact that many Millennials entered adulthood during the Great Recession. Still, these difficulties haven't prevented Millennials from becoming the largest group of home buyers in the United States – a proportion that's only expected to rise in the near future. The 2018 National Housing Forecast by Realtor.com predicts that 43 percent of the total mortgages at the end of this year will be taken out by Millennials.

It won't be long before Millennials hit their prime working years, which means their impact on the housing market will only continue to grow.



“

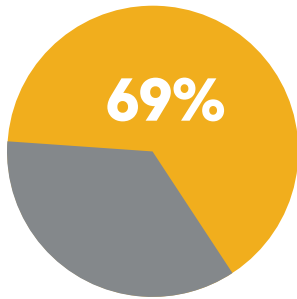
**Eight million new rental units have been filled over the last five or so years and 5 million out of those 8 million are single-family rental homes, not high-rise apartments.**

# Unique features of the Millennial housing market



According to a 2017 Zillow trend report, “An overwhelming majority (69 percent) of Millennials believe owning a home is an essential part of the American Dream – more so than any other generation.” The generation with a reputation for everything from nomadic moving patterns to a fondness for career mobility has ended up embracing one of the most familiar pillars of American domestic life.





**"An overwhelming majority (69 percent) of Millennials believe owning a home is an essential part of the American Dream – more so than any other generation."**

However, this doesn't mean we should ignore the differences between Millennial homeowners and their counterparts in other generations. For example, according to a Redfin survey conducted in 2016, a disproportionate number of Millennials said they expected home prices to rise (86 percent versus around three-quarters of other generations).

Other than the 35-44 age bracket, Millennials were more likely than any other group to be optimistic about the affordability of their cities in a decade. But this doesn't mean they expect to stay in the same place for long – although more than 30 percent of each older cohort said they expected to live in their homes for more than a decade, this number collapsed to 18 percent among Millennials. And more than half of Millennials said they expected to stay in the same home for less than five years.

Considering how often Millennials move and how many are entering the housing market, it's important to make sure your home is updated and well-maintained if you're planning to sell. But the data suggest that many Americans are procrastinating on projects that could add substantial value to their homes.

According to the Porch survey, 32 percent of homeowners have been delaying at least one home improvement project for a year or more. Moreover, 57 percent of homeowners say their home is still a “work in progress,” and the average home has nine repairs that need to be completed. A mere 10 percent of homeowners claim to be up to date with home maintenance.

Redfin points out that “Millennial homeowners are privileged to inherit some of the lowest borrowing costs in modern history.” This fact, coupled with Millennials’ “bullish price expectations will lead to a mass generational rethink about when and how to trade up from a starter home” (as Redfin puts it). And when they make that decision, 28 percent of Millennials say they want to rent their old home out instead of selling it – a proportion that declines starkly as generations age (6 percent of homeowners aged 55-64 want to be landlords, a number that falls to 2 percent for those who are 65 or older).



“

**Millennial homeowners are privileged to inherit some of the lowest borrowing costs in modern history.**



# Millennials are just getting started



All of that said, it's important to remember that Millennials are still in a state of transition. A 2017 report on trends in the remodeling industry from Harvard's Joint Center for Housing Studies emphasizes this fact in its outlook: "As members of the Millennial generation start to move into their peak spending years over the coming decade, their decisions to form households, get married, start families, and buy homes will increasingly set the pace of the remodeling market expansion."

A Goldman Sachs Global Investment Research report makes the same observation: “As Millennials enter their peak home-buying years, their reluctance to enter the housing market could change. The cohort’s sheer size, plus its desire to settle down in the future, could lead to a surge in home sales.”

**In 2016, Pew Research Center reported that Millennials had surpassed Generation Xers as the largest generation in the labor force. Pew also notes that Millennials are much better educated than previous generations – particularly among women, who are now more likely than men to hold a bachelor’s degree (for members of the Silent Generation, this balance was flipped). There is also a far higher proportion of Millennial women in the labor force, which increases total household income.**

Millennials are the largest group of consumers in U.S. history – Accenture predicts their total spending in the U.S. will reach \$1.4 trillion by 2020 (which means they will account for 30 percent of all retail sales). Yes, the rate of Millennial poverty is high, there’s a disproportionate number of renters between the ages of 18 and 35, and Millennials are less likely to own a home than members of previous generations at the same age, but these facts shouldn’t be over interpreted in the context of home ownership.

As noted above, Millennials are still in the process of accumulating wealth – a trend line that’s only moving in one direction.

A 2015 Deloitte report highlighted the huge increase in wealth Millennials can expect over the next few years: “Whilst being the largest adult segment, Millennials are also expected to grow their wealth significantly in the next years. Until 2020, the aggregated net worth of global Millennials is predicted to more than double compared to 2015, with estimates ranging from US\$19 to 24 trillion. Certainly most of the Millennials are currently still in the phase of creating wealth, but there is going to be a massive shift in the future driven by three major trends.”

**TREND ONE: Millennials will soon be entering their prime working years, which will result in a meaningful increase of liquid assets.**

**TREND TWO: Millennials' interest in entrepreneurship will accelerate the increase of assets.**

**TREND THREE: Millennials will “benefit from the wealth of their Baby Boomer parents” in the future.**



Millennials' relatively low rates of home ownership aren't a reflection of different priorities – they're a consequence of a once-in-a-century global recession. A January 2018 report from the Brookings Institution explains that home ownership rates were relatively stable from the 1960s until the start of the financial crisis, which “occurred just before most Millennials entered the market. This tamped down their homeownership rate compared with young adults at earlier ages, as high interest rates, a reluctance to buy, and debt or low savings prompted many Millennials to live with relatives or move to rental housing.”

But it's time to revisit many of the assumptions we have about Millennial homeowners – they aren't doomed to perpetual poverty, they don't want to have landlords for the rest of their lives, and their footprint in the American housing market will only continue to get larger.

# Trends in Millennial home investment and renovation



Although homeowners 55 and older “continue to spend roughly three times more than Millennial homeowners (25-34), Millennials invested 7 percent more in their homes in 2016 compared to 2015” according to a 2017 report by Houzz.

As is the case with many discrepancies between Millennial homeowners and their older counterparts, this will likely change over time. According to survey data collected by Porch, the average American homeowner has spent more than \$9,000 on home repairs and maintenance, while 20 percent have spent \$13,000 or more. While 55 percent of homeowners try to do a job on their own before calling a professional, this can be a risky decision – only 31 percent report being able to finish these projects without encountering major problems.



“

**Every week, Porch helps homeowners complete tens-of-thousands of projects, and the most common reasons that projects end up costing more than they should are because they were either put off for too long, or were not done by a professional the first time around.**

- Matt Ehrlichman, CEO of Porch

Although typical homeowners spend at least six hours working on home improvement projects every week, 32 percent of them say they've started a job only to abandon it after realizing that they couldn't get it done. Meanwhile, 42 percent of homeowners say they've postponed a maintenance project due to cost.

While plenty of homeowners are capable of completing projects without any assistance, sometimes hiring a professional is the quickest and most cost-effective way to get the job done. Perhaps this is why homeowners of all ages are increasingly likely to seek professional help in the home renovation process.

Houzz reports that 87 percent of homeowners who made renovations in 2016 hired a professional, including 85 percent of first-time homeowners – both numbers that increased from 2015. Moreover, when Houzz asked homeowners to name the biggest challenges they face in making renovations, almost 30 percent said “finding the right service providers.” This was the third-most-cited problem among survey respondents, beating out “staying on schedule,” “funding/financing the project,” and “dealing with the unexpected.”

First-time home buyers (many of whom are Millennials) are also much more cost-conscious than other groups when it comes to hiring professional help, with 54 percent citing low cost as a factor in who they hire. But despite their financial constraints, Millennials are eager to renovate their homes. According to LightStream’s 2017 Home Improvement Survey (which is conducted by Harris Insights & Analytics), Millennials planned “home-improvement projects this year at a rate well above the national average” – 69 percent. What may be even more striking than the huge number of Millennials who are renovating their homes is the fact that the number has increased by 25 percent in just three years.

“

**They have a reputation for being transient and restless, but they're actually the least mobile young American adults in half a century.**



While Millennials are less likely to be married, own a home, or have children than previous generations at the same age, Pew Research Center points out that their migration rates are lower than their predecessors at the same age. This is another way in which Millennials are confounding expectations: They have a reputation for being transient and restless, but they're actually the least mobile young American adults in half a century. Millennials are moving so infrequently that they have brought the percentage of total movers in the U.S. down to a historic low (according to the U.S. Census Bureau).

Yes, more than half of Millennial homeowners say they plan to move out of their homes in less than five years, but remember: The amount of time Americans spend in their homes has been shooting upward since the early 2000s. In fact, in the early-to-mid-2000s, the median length of occupancy for all homeowners was – you guessed it – less than five years.

# Conclusion:

## Millennials are a powerful force in the modern housing market



In the third quarter of 2006, home ownership in the United States was at almost 70 percent – a rate that collapsed to 62.9 percent by 2016. But since the second quarter of 2016, it has climbed to 64.2 percent – the biggest spike in more than a decade.

New Millennial homeowners are major contributors to this turnaround.

Although the home ownership rate for Americans 35 and under is only 36 percent, this proportion jumped from 34.7 percent from 2016 to 2017 – by far the largest increase of any age group. And this trend won't be leveling off any time soon.

As noted at the beginning of this report, 36 percent of the homes sold in the United States over the past year were purchased by Millennials. And by the end of 2018, Millennials are projected to take out 43 percent of the total mortgages – a proportion that will increase from 40 percent at the end of 2017.

**As Realtor.com's 2018 Housing Forecast puts it: "Millennials are a driving force in today's housing market. They already dominate lower price home mortgage and are getting close to overtaking older generations for mid- and upper-tier mortgages."**

This shouldn't come as a surprise. While it has long been fashionable to argue that Millennials are vastly different from other generations – more self-absorbed, less mature, uninterested in traditional American family life, etc. – this stereotype is crumbling under the weight of the data.

As Millennials occupy a larger and larger share of the housing market, it's essential to keep track of the ways their preferences are different from the generations that preceded them. But this doesn't mean we should exaggerate and seek to amplify those differences.

Instead, we should recognize that Millennials share many of the most fundamental values and aspirations of their parents and grandparents – including the desire to get married, have children, and yes, own a home.

## About Porch

Launched September 2013 as an online home improvement network connecting homeowners with qualified professionals, Porch has grown into the industry-leading partner for the home. With more than 250,000 active professionals across the U.S., Porch partners with large retailers like Walmart, Lowe's, and Pottery Barn, and technology companies like Facebook and Stroom, to provide direct-to-consumer access to more than 160 different home services offerings through Porch.com. Porch is focused on assisting customers at every stage of the "home journey" -- including moving in, installations, assembly, repairs, and ongoing maintenance. In 2017 alone, the company facilitated over 2 million home-related projects, generating almost \$1 billion in revenue for small business owners and sole proprietors in specialty areas such as plumbing, roofing, electrical work, carpentry, and more..