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U.S.

Housing Bust Lingers for Generation X

Ownership rates went from first to last, interrupting market's direction



Tim Mustard, 49, and his wife, Rebecca, in front of their home in Irvine, Calif. Mr. Mustard said the thought of buying a home now lacks appeal and prefers to rent. "The last recession was so devastating," he said. "There's still a little bit of fear in me." *PHOTO: STUART PALLEY FOR THE WALL STREET JOURNAL*

By **CHRIS KIRKHAM**

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The group of Americans known as Generation X has suffered more than any other age cohort from the housing bust, according to an analysis of federal data, suggesting homeownership rates for that group could remain depressed for years to come.

The data show an enormous swing in the fortunes of people born between 1965 and 1984, the group defined by the Harvard Joint Center for Housing Studies as Generation X.

Compared with previous generations, Generation X went from the most successful in terms of homeownership rates in 2004 to the least successful by 2015, according to the data, which date to the early 1980s.

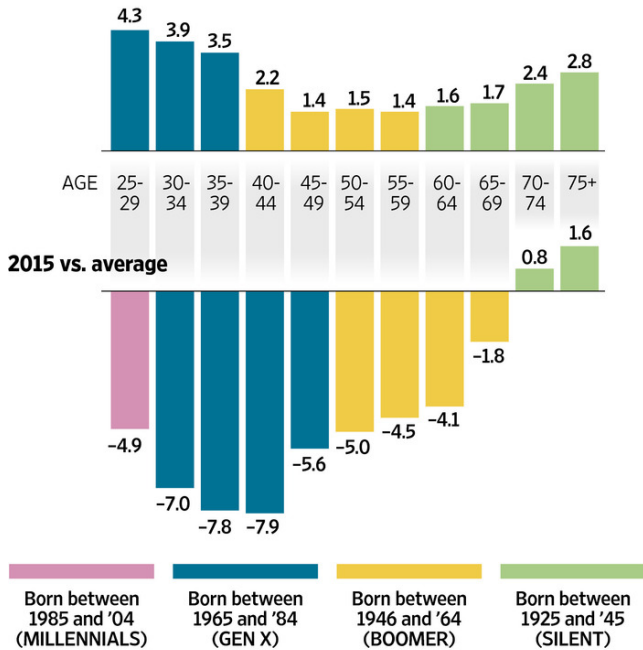
The culprit: a historic bull market for housing, fueled in part by easy-to-get mortgages, that encouraged record levels of home buying until

the financial system cracked and the housing market collapsed. Earlier generations such as baby boomers, who entered the market before the frenzy of the early 2000s, have fared better.

The Rise and Fall of Generation X

In 2005, the homeownership rate for those born between 1965 and 1984 was significantly higher than the historical average for that age group. Ten years later, the situation reversed: homeownership rates for Gen X were far below historical averages.

2005 homeownership rates vs. average per age group
(in percentage points)



Source: U.S. Census Bureau

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Generation X “came into the market at precisely the wrong time,” said Rick Sharga, executive vice president at Ten-X.com, an online real-estate brokerage. “We’ve effectively wiped out a group of

homeowners who historically would have been on their second or third properties by now.”

In 2004, people then-aged 25 to 34, the core of Generation X, had a homeownership rate of 49.5%, the highest for that age group since the U.S. Census Bureau started regularly collecting such data in the early 1980s.

Last year, by contrast, the homeownership rate for 35-to-44-year-olds was at a more than three-decade low of 58.5%, down from an average of 65.8% for that age group. The upshot: Generation X experienced a much smaller increase in homeownership rates than previous generations as they hit middle age.

Much of the discussion of the future of the housing market centers on millennials, the group born between 1985 and 2004, according to the Harvard Center. Their tendency to live at home with parents and delay getting married has raised concerns about long-term homeownership trends.

But Generation X’s travails promise to disrupt traditional real-estate patterns as well. The housing market can be viewed as a progression

through time: younger people start out renting, save enough to buy houses, build equity and then trade up to more desirable homes.

Now that trajectory has been interrupted, with fewer middle-aged buyers trading up, which would open up the inventory of smaller homes for younger buyers.

The challenge is compounded because the population of Generation X, roughly 83 million, is smaller than the roughly 87 million millennials. By 2025, millennials are expected to grow to 93 million, mainly due to immigration, while the size of Generation X will remain steady.



The Mustard children play in their Irvine backyard. Mr. and Mrs. Mustard took a loss when selling a home they bought in 2003. PHOTO: STUART PALLEY FOR THE WALL STREET JOURNAL

There are now three million more renters in their 30s and 40s today than 10 years ago, even though the number of households in that age bracket declined, according to data from the Harvard Joint Center.

“We need them to be buying houses and pushing the market,” said Dowell Myers, a professor of urban planning and demography at the University of Southern California. “But they’re not. They’re not moving. The whole system is gridlocked.”

Xavier Texidor, 33 years old, and his wife have bought and lost two homes outside Jacksonville, Fla., since he was in his early 20s.

The first was a condominium they bought in 2003, a property that left them underwater in 2008 after the value plummeted. After turning the condo over to the bank, they bought again in 2012, but the needed repairs on the home drove them deeper into debt, and eventually into bankruptcy in 2014.

The couple, who have two boys, are now renters, a lifestyle Mr. Texidor, a data-entry clerk, is beginning to enjoy after the wild ups and downs of homeownership.

“Growing up, I heard a lot of people say how renting was a waste of money. I don’t see it that way anymore,” he said. “I’m looking forward to buying a house again, but I plan on definitely taking my time.”

Many people who lost homes to foreclosures or short sales face long waits before lenders will consider them again—up to seven years for foreclosures and up to three years for a short sale. A study last year by the National Association of Realtors estimated that about a third of the 9 million buyers who went through distressed sales or foreclosures between 2006 and 2014 will never return to homeownership.

But while many Generation X rental dwellers were forced to the sidelines, some have simply opted out.

Tim Mustard, 49, is among those who believe renting is the best choice. He and his wife bought a home in Irvine, Calif., in 2003. As home values escalated through the mid-2000s, the couple refinanced their mortgage twice and took out a home-equity loan.

As they considered a third refinance in 2008 they consulted with two friends—a mortgage broker and an accountant—who advised them to sell instead and get out before the market hit bottom. They did so, taking a small loss.

Now Mr. Mustard, an architect, is on track financially, but he prefers to rent. They live in a good school district for their two children, and he is only 8 miles away from his job. The thought of buying lacks appeal.

“The last recession was so devastating,” he said. “There’s still a little bit of fear in me.”

Daniel Danyus, 34, is making the transition back. He and his wife lost three properties to short sales after getting in over their heads during the boom. He has since become a real-estate broker, in part to become more educated about the market that bruised him.

After repairing his credit, he and his wife have a contract on a home in Jacksonville, Fla., expected to close this month.

“I’ve definitely learned some things through this process,” Mr. Danyus said. “This wasn’t something that just happened to me. It was something we experienced as a culture.”

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