



In the Loop

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Millennials and the Future of the Housing Market: January/February 2015 A Critical Period for Growth

The future of housing looks different than it did one decade ago. The conversation has changed from single-family detached to attached and clustered single- and multi-family units. Additionally, more children are moving back in with their parents and aging adults are moving back in with their children, keeping the average household size steady but lowering the demand for new housing. Dr. Arthur Nelson, formerly a professor of planning and public policy at Georgia Tech and current director of the Metropolitan Research Center at the University of Utah, said, "This is a brand new housing ball game and we are way out to lunch with our zoning codes and planning; this is our future and our zoning codes are based on a reality that no longer exists."

Two of America's largest groups – millennials and baby boomers – are changing the landscape for the next generation of housing. Drove of millennials, America's largest generation, are entering their thirties, what has been considered the traditional home-buying age. And it's predicted that in the next 15 years, more than half of the housing market demand will come from adults 65 and older. Coincidentally, these two groups have very similar housing needs and wants: low-maintenance apartments, condos, and smaller single-family housing. To ensure continued prosperous growth, we must focus on the needs and desires of millennials and future generations since there is no ignoring the influence they will continue to command on the housing market. To accomplish this, we have to shift our thinking from the suburban-built 1990s to the urban culture of today.

Millennials' Shared Experiences Shape their Housing Preferences

Millennials are the largest, most diverse generation in the U.S. population. They were the first generation to have had access to the Internet during their formative years, and thus have been shaped by technology. They value community, family, and creativity in their work. They have also invested in human capital more than previous generations. About 61% of millennials are college graduates, and many are entering the workforce with massive student loan debts. This generation is contending with the effects of starting careers during a historic economic downturn, as many millennials came of age during the recession. Understanding the factors which have shaped millennials' experiences will help us better understand their decisions when it comes to their preferences in the housing market.

Millennials are Delaying Homeownership

Though college-educated millennials will soon be entering their peak earning years – which has historically overlapped with years of peak housing consumption – many are choosing more flexible lifestyles rather than being tied down to a mortgage that they can't quickly get out of, at least for now. Their unwillingness to commit to owning a home results from experience; after all, this is the generation that saw more than one million people get burned by homeownership. Therefore, the rental market will play a large role for this generation, with home ownership seeing a steady decline from a high of 69% in 2005 down to 64% in 2020, according to Dr. Nelson. If the trends continue at their current pace, the renter share of the market will increase to 45% between 2010 and 2030 in the Metro Atlanta Region.

Additionally, many are unable to secure a mortgage. "A lot of people 10 to 15 years ago who were able or willing to get a mortgage, now they can't," said Ian Shepherdson, chief economist for Pantheon Macroeconomics. "They're caught in an awful Catch-22 trying to get a down payment" now that they're spending on rent. The homeownership rate for millennials is 42%, compared with 65% for the total U.S. population, according to Redfin tabulation of U.S. Census data. And given the recession that hit many of them just as they were graduating from college and entering the "real world," that figure isn't surprising.

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President's Message

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This year has started out with a great amount of enthusiasm and optimism, and with good reason. Building permits are up in all segments and most local governments are back to full throttle in approval and permitting process. Council members from around the Region report robust activity and new job creation for 2015 is projected to exceed 78,000.

This activity buoyed by major corporate relocations such as Mercedes along with business expansions and regional relocations resulting in additional new jobs is good news for everyone. That is assuming that our employees will be able to get to work and home again within our ailing transportation infrastructure.

The Council has long held that the key to a sustained robust economy is a strong, ever expanding and multi option regional transportation infrastructure. With Federal funding as its lowest level ever and congress patching the future together, and State funding coffers running dry we are hitting the bottom of our funding resources really fast.

Many good things are happening. Gratefully, local SPLOSTS have provided the lion's share of local intra-County and City improvements. Public-Private Partnerships have also allowed the Managed Lane projects North and South on I-75 to push forward along and the extended lanes on I-85 are soon to come. The much needed re-build of Ga-400 and I-285 is imminent and will bring serious relief to the top end perimeter and the whole City.

However, we aren't near where we need to be. The Joint House and Senate Study Committee identified a clear need for \$1 to \$1.5 Billion per year in new money for transportation.

This is a critical time for this State and stepping forward now to meet these needs is essential.

Our State Legislature is at the precipice of making bold and substantial progress. The current bill under consideration, HB 170 is a strong beginning and we full support this bill and further enhancements to it in order to insure a dedicated and substantial funding stream.

Solving this problem is the number one issue on the Councils legislative agenda for 2015. The Council Board Board is fully committed and we are a part of the leadership of the Georgia Transportation Alliance whose sole mission is to accomplish this funding objective. Your help as a Council member is essential. We must provide strong support to members of the Legislature and continue to help them understand how important this funding objective is.

Please stay informed and involved and continue to insist on a robust and sustainable future solution. Failure is not an option this time because this is truly about the economic future of Georgia.



UPCOMING EVENTS

To Register, Go To

www.councilforqualitygrowth.org

and click on the event tiles for these events

Or Contact Mallory Johnson at 770-813-3370, mj@councilforqualitygrowth.org



UPCOMING EVENT

2015 Meet & Greet with County Commission Chairs & Metro Region Mayors



Wednesday
March 25
5:00pm – 7:00pm
The Georgian Club



UPCOMING EVENT

2015 Rockdale State of the County Address with Chairman and CEO Richard Oden



March 5
8:00am – 9:30am
Springfield Baptist Church
1877 Iris Drive
Conyers, GA

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Millennials are Delaying Marriage

The median age for a first marriage increased by six years from 1960 to 2011 (from 23 to 29 for men and 20 to 26 for women), according to U.S. Census data. And the recession has pushed marriage back even further for many young people who want to be financially stable before tying the knot. Redfin San Francisco agent Mark Colwell observed, "Home buying goes with getting married and starting a family. That's one thing that hasn't changed. Many millennials delay these major life events, focusing instead on building their careers and enjoying their limited free time with their like-minded friends in the city. Millennials who flock straight from college to San Francisco and other expensive cities are making a choice to spend their income on quadruple-digit rents and eight-dollar gourmet hot dogs from trendy food trucks. This means they're not saving for a down payment, further removing them from the housing market."

The millennial generation's overall home purchases are down—but they probably won't be down forever. Zillow's analysis shows that if millennials were marrying at the same pace as previous generations, their rate of homeownership would be higher than now, and roughly the same as in the 1990s. Once this generation begins to settle down, evidence suggests that millennials will be buying homes at least as frequently as older Americans once did.

But Homeownership is Still a Long Term Goal

A current Redfin survey conducted by Harris Poll found that 92% of people in this age group who don't own a home want to buy one in the future, said Nela Richardson, the real-estate company's chief economist. But even as some millennial renters transition to homeownership, they are seeking out homes in places that are similar to the urban areas in which they once rented.

What Millennials Want

Access to Public Transportation/Walkability

Great transit is a prime factor in determining real estate value. In a number of surveys of Americans, attached and small-lot housing were preferred over large-lot housing. Walkable destinations and rising gas prices are also becoming a large factor when purchasing or renting. Surveys show that more people are considering these options, and almost half of this demographic prefers mixed-use neighborhoods with walkability or want to live in a smart-growth community. The National Realtors Associations 2011 survey showed people would choose smaller houses on smaller lots with a shorter commute time versus larger houses and a longer commute time – by a 59% to 39% margin. So it's not surprising that a new study by the American Public Transportation Association and the National Association of Realtors found that home values performed 42% better between 2006 and 2011, on average, when the properties were located near public transportation.

Health

Health is also a new metric, as millennials prefer neighborhood's where physical activity and walkability are common themes – therefore safer streets, reduced exposure to toxic emissions, and increased access to health care and healthy food play a part in this equation.

Multipurpose Space

A recent survey of 1,000 18 to 35 year olds conducted for Better Homes and Garden Real Estate found that 77% preferred an "essential" home over a "luxury" model. They more often want a modern home with cost- and energy-efficient designs that better reflect how they live comfortably. They don't want to pay to heat and cool rooms that they don't regularly use. This generation prefers multipurpose spaces over, for example, traditional dining rooms that are reserved for formal holiday gatherings.

Home Offices

Millennials' work routines also impact their housing choices. Many are used to being able to – or needing to – work remotely. Millennials view their homes as a place to work, not just a place to return to after the workday. Therefore, more than half (56%) of a recent Better Homes and Garden Real Estate survey respondents believe the technological capabilities of a house are more important than its "curb appeal." Almost two-thirds (64%) stated that they would not want to live in a home that wasn't "tech-friendly."

Quality School Districts

Millennials are less likely than other generations to compromise on school districts, according to a Realtor.com survey. Fifty-two percent of millennials – in comparison to 31% of all buyers – said the quality of a school district could be a deal breaker in their search for the perfect home

Multi-Family Housing is the Answer

Millennials select multi-family housing (for rent and purchase) because it allows them to live in high-demand urban areas without having to pay the higher price tags of single-family homes. This type of housing has obvious financial advantages and also benefits

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the surrounding communities, which is often overlooked by those who fear that small-lot housing will have negative effects on nearby property values. Multi-family housing is an answer to traffic congestion, crowded schools, air pollution, and more. Multi-family housing is a key component of smart growth, as it houses more people on less land, preserves more open space, requires less public infrastructure (roads, electricity, etc.), makes it financially feasible to integrate commercial and retail uses into a neighborhood, and has a smaller per-housing-unit fiscal impact on local governments (because it has a smaller impact on local schools; apartment and condominium residents effectively subsidize the education of children from nearby single-family homes). Multi-family is often more environmentally friendly than low-density development, as residents tend to drive fewer miles per unit and more often use public transit than residents in single-family housing. It's more efficient and affordable to pick up trash and recyclables, and to pick up and deliver mail. And onsite multi-family recreational facilities (such as fitness centers, pools, etc.) reduce the need for auto trips, as residents can walk to the amenities.

But affordability will be critical in fostering growth in metro Atlanta and other urban centers in Georgia. Numerous studies show that educated millennials prefer urban environments, close to where they work. But not surprisingly, these are also among the most expensive places to live. So the key to attracting members of this generation and growing homeownership will be to connect housing to transportation. ARC's 2014 "Metro Atlanta Speaks" Survey found that by age, millennials are the biggest supporters of future transit; 78% said that it was "very important." Council for Quality Growth Chairman Emeritus and Weissman, Nowak, Curry & Wilco partner Doug Dillard, strongly echoed Nelson and believes the Metro Region is behind the curve for the new landscape of development.

The good news for Georgia is that metro Atlanta continues to be a preferred place to live. More than 60% of Metro Atlanta Speaks respondents rated metro Atlanta as either an "Excellent" or "Good" place to live. And 43% of survey respondents said that job opportunities are "Excellent" or "Good, which is higher than last year's response rate at 36%. So millennials are happy here, but we need to be sure that we're building for them.

Thanks to our Premier Members



