

Perceptions of Home Acquisition Priorities by Millennials: The “Entitled Generation”

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Abstract

This study surveys college-age young adults’ (Millennials) desire to purchase a home in the future and what sacrifices they would consider to achieve home ownership. We find that they predominantly live in a shared arrangement, or with family members, and a majority work part- or full-time. Roughly one half seek to own a home within five to ten years, and only a small fraction of the respondents indicated no desire to own a home in the future. Further, the results indicate that a significant fraction of respondents would consider postponing a wedding, a honeymoon, and/or having a child to be able to afford the purchase of a home. The survey results parallel those of a recent national survey of Millennials administered by Harris Polls.

Introduction

At the conclusion of World War II, soldiers (men and women alike) returned home to the United States with three very different views of the opportunities that a government can provide: health care, education, and housing. The military provided soldiers health care: preventative, emergency and comprehensive with respect to dental, vision and medical services. Prior to WWII, citizens from rural United States had never experienced such high quality of health care since it was typically unavailable in rural settings. Similarly, the military training experienced by the soldiers inculcated into the minds of many the concept of adult learning. Finally, soldiers returning home required housing and spurred the growth of suburbia.

Expectations by returning soldiers were high and the US legislature, desiring to assist those who fought this “war to end all wars” passed legislation to assist in each of three areas: the GI Bill to provide educational opportunities for returning veterans; low interest rate loans for home purchases, with more favorable terms for new construction which encouraged millions of Americans to move from urban apartments into suburban homes; and finally, federal and state funding to build hospitals (Altschuler and Blumin 2009; Jackson 1985). The “G.I. Bill” was signed into law on June 22, 1944 by President Franklin D. Roosevelt.

Returning veterans started families and the children of those marriages produced the largest single generation of children in the history of the United States, labeled the “Baby Boomers.” This generation comprises those born from 1946 through 1964, and currently represents approximately twenty percent of the United States population.

The Baby Boomers stimulated the housing market in the United States and many of those individuals purchased single family homes, as did their parents returning from the World War II. The children of the Baby Boomers, or “Millennials”, are loosely defined as those born in the 1980s and 1990s. They are now the largest population of individuals since the Baby Boomers and are estimated at 75-80 million, almost 25% of the US population (Hudson 2015). If we use Tapscott’s definition as those born from 1977 to 1997, the Millennials add up to over 81 million young people, which is approximately 30 percent of the US population and makes them the largest generation -exceeding even the Baby Boomers. Regardless of the definition and

population count, the Millennials are a significant component of the current US demographic profile and consequently play an important role in its housing dynamics.

Twenge labels the Millennials as “confident, assertive, entitled and more miserable than ever before” (Twenge 2006). Tapscott describes them as “self-centered and obsessed with short-term gratification” (Tapscott 1998). Other authors have similarly labeled the Millennials as a population of young adults with a dominant characteristic of desiring immediate gratification (Howe 2000; Hudson 2015; Huntley 2006). Misery is evident in home purchasing. “But for young people buying their first houses, or looking to upgrade as their families grow, the hot housing market is creating an enormous economic squeeze. The benefit for the Boomers and older folks is being paid out of the pockets of young people: it’s generational warfare by mortgage” (Twenge 2006). Housing requires a significant amount of funds for both the down payment and the ability to qualify for a substantial mortgage. Crawford asserts a possible reason Millennials postpone large purchases like a home: “Without the huge sums of money required to buy property or the security of a ‘job for life,’ spending on things like travel, clothes, and technologies seems like a good alternative for [Millennials]¹.” (Crawford 2004). Student loans, now at an all-time high, have complicated the first-home purchasers ability to accumulate the necessary funds to qualify for a home mortgage. “We are already seeing the signs of economic drag from student loan debt,” according to Rohit Chopra of the federal Consumer Financial Protection Bureau: “The impact on the housing market is the most troubling part” (Steele 2014).

While the notion that a form of “consumption of despair” is operative for the Millennials is appealing, in this survey we find that regardless of what eventuates, it is generally not their intent at the outset. Other research points to similar conclusions: A Harris Poll, on behalf of Redfin company, conducted a survey December 8-10, 2014 among 2,021 adults ages 18 and older, and finds that thirty-eight (38) percent of American Millennials (aged 18-34) reported that they would, or have, put off a wedding or honeymoon in order to afford to buy a home (Redfin 2015). The survey also notes that “In 2012, 40% of Millennial men (ages 18-31) lived at home and 26% of them lived in a multigenerational household.² According to the US Census Bureau, 15 to 34-year olds comprise the smallest percentage of total home owners and renters (Stakhanovskaya 2014).

Similarly, an Urban Land Institute survey (to be released in 2015) of Americans ages 19 to 36 discussed their housing preferences and finances concluding that “more millennials are renting now than were five years ago, but most of them still aspire to live in single-family, detached homes in the near future” (Hudson 2015). The National Association of Home Builders released a survey in January 2015 finding that most Millennial respondents intend to eventually purchase single-family homes in the suburbs (ibid 2015). As Hudson states, “The trouble for the housing industry is that millennials have abstained from buying a home for longer than previous generations did at their age. Homeownership among Americans 35 and younger registered 34.6% in the first quarter, down markedly from the peak of 43.6% in the second quarter of 2014. The relative dearth of home purchases by first-time and entry-level buyers has kept the home-construction rebound subdued and subsequently helped constrain the supply of existing homes for sale (Hudson 2015). This notion is echoed by Doug Duncan, chief economist for Fannie

¹ Crawford labels Millennials as the “X” and “Y” generations.

² The US Census counts young adults living in college dorms as living with their parents.

Mae, who reports that “The millennials are telling us they want to own a home eventually, no different from the aspirations of their parents or grandparents, but they’re not in a hurry. They still need some income rebuilding.” Jed Kolko, Trulia’s chief economist responsible for the national Housing Vacancy Survey, states, “In short: although the share of young adults who actually own a home remains considerably lower today (even with the uptick in 2013) than at any time since 1983, it is roughly at late 1990s levels after taking demographic shifts into account. Unless those long-term demographic trends reverse, there might be little room for young adult homeownership to increase” (Badger 2014).

I. Methodology

The population surveyed was a convenience sample of registered undergraduate students at a large (20,000 students) public university located in Southern California. Students were solicited via the university’s learning platform, Blackboard, by faculty from the College of Business Administration. The students were identified from both business courses as well as general education classes to obtain a broad spectrum representative of the university’s overall student population. Faculty solicited student participation on a voluntary basis.

The survey instrument was designed using the Survey Monkey platform which prevents multiple responses by the identical computer user. The survey was open for a period of 34 days straddling the months of May and June, 2015.

II. Survey Results

307 registered students responded to the Survey Monkey instrument conducted in June, 2015. The age range for the respondents is presented in Table I. While the target audience for the survey are those individuals between the ages of 18 and 35 (born in the 1980s and 1990s) it was not possible to separate out those born prior to 1980 (whose age would be 36 and over at the time of this survey). Fortunately this constitutes only 2.6% of the total survey respondents and is thus not statistically significant relative to the views presented by the Millennials. With an age range of 18-35 for the millennial generation, 97.3% of the survey respondents fall into this category.

Refer Table 1

The gender of the respondents is presented in Table II and is closely split between male and female with a slight bias towards female respondents. Table III shows the marital status of the survey respondents.

Refer Tables II and III

The current employment status of the survey respondents is presented in Table IV, along with the corresponding income level in Table V.

Refer Tables IV and V

To better understand the current living arrangements/situation of the survey respondents, three questions were asked pertaining to where they are living, with whom, and how are they paying for that living arrangement. The survey respondents’ answers those three questions are presented

in tables VI, VII and VIII. Table VIII focuses on the independence of the survey respondents as to their living arrangements.

Refer Tables VI-VIII

Surveying the expectations of Millennials regarding future home purchases was the basis for this research project. One question focuses on the respondents' future housing expectations, and three questions on choices that Millennials would consider regarding the tradeoff between the purchase of a home and an event: postponing a wedding, postponing a honeymoon, and postponing having a child. The survey results for these four questions are presented in tables IX-XII.

Refer Tables IX-XII

III. Interpretation and Conclusions

Millennials face three powerful forces influencing decisions in their young adult life: College loans, poor job prospects upon graduation and/or low paying jobs, and the high cost of home ownership, exacerbated by the real estate collapse in 2008, resulting in underwriters requiring up to 20% down payments. Many of the new jobs that graduates are finding are in expensive cities, particularly on both coasts. Young graduates are also carrying more student-loan debt than previous generations, with the national average at approximately \$25,000 (Bhatt, 2015). With these pressures, making critical life-changing decisions, like home ownership, constitutes a significant decision in the lives of millennials.

While the millennial generation has been labeled "self-centered and absorbed in self-gratification," this survey reports that approximately 43.3% of the 307 respondents of those student-aged citizens in a public university are willing to consider postponing a wedding; 43.8% are willing to postpone a honeymoon; and 50.0% are willing to postpone having a child to be able to accumulate the necessary funds for home purchasing. These survey results support the national Harris Poll conducted in 2014 with 2,021 adults aged 18-34 which reported 38% of millennials would postpone marriage or a honeymoon for first home purchasing. Alanna Finn states, "That statistic shouldn't be too surprising considering that the average cost of a wedding in the U.S hit an all-time high of \$29,858 last year, according to TheKnot.com" (Finn, 2015).

The results of this survey characterize the respondents as 66.8% (50.2% + 16.6%) working part-time or full-time, 48.7% currently living rent-free, 50.5% living with their parents and 34.7% (28.3 + 6.4) living with one or more roommates.

Future plans for the respondents surveyed indicate that 24% desire home acquisition within 5 years and another 16.3% within 10 years. Only 12.5% have no plans for home ownership in that time frame. The Millennials surveyed in this questionnaire have a strong desire for home ownership and are willing to make sacrifices to obtain their first home.

Future studies focused on exactly how the millennials plan to obtain the necessary funding for their first home will be critical to the real estate investment community throughout the United States. "The trillion-dollar question facing the housing market in 2015 is how many young

people in their 20s and early 30s will make that leap to ownership. These so-called millennials haven't been buying homes at the same rate as previous cohorts of young people" (Blatt, 2015).

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Tables

Table I. Age of the survey respondents.

Age	Response Percent	Response Count
18-22 years old	52.9%	162
23-26	31.0%	95
27-30	9.8%	30
31-35	3.6%	11
36-40	1.0%	3
Greater than 40	1.7%	5
	Answered Question	306
	Skipped Question	1

Table II. Gender of the survey respondents.

Gender	Response Percentage	Response Count
Male	46.4%	141
Female	53.6%	163
	Answered Question	304
	Skipped Question	3

Table III. Martial status of the survey respondents.

Options Provided	Response Percentage	Response Count
Single	87.6%	255
Engaged	4.1%	12
Married	8.3%	24
Other (please specify)*		13
	Answered Question	291
	Skipped Question	16

* Of the thirteen who did not respond using the three categories provided, two (2) self identified as “Divorced” and eleven (11) self identified as “In a relationship”.

Table IV. Current Employment Status of the Survey Respondents

Options Provided	Response Percentage	Response Count
Student, not working	33.2%	100
Student, working part-time (less than 40 hours per wk.)	50.2%	152
Student, working full-time (40 or more hours per wk.)	16.6%	50
Other, please specify*		8
	Answered Question	302
	Skipped Question	6

* Of the eight (8) respondents who selected “Other” to respond to this question, seven of the eight self identified as “about to graduate” or “recent graduate”. One (1) of the eight self identified as working in an “unpaid internship”.

Table V. Current Annual Income of the Survey Respondents

Income Ranges	Response Percentage	Response Count
\$0 - \$12,000 per year	61.1%	187
\$12,001 – 24,000	19.6%	60
\$24,001 – 50,000	12.4%	38
\$50,001 – 75,000	2.6%	8
\$75,001 – 100,000	1.3%	4
Greater than \$100,000	3.0%	9
	Answered Question	306
	Skipped Question	1

Table VI. Current Housing Arrangement of the Survey Respondents

Housing Options	Response Percentage	Response Count
Dorm	3.6%	11
Apartment on Campus	10.1%	31
Apartment off Campus	21.8%	67
House	64.5%	198
Other (please specify)*		2
	Answered Question	306
	Skipped Question	1

* Of the two respondents who selected “Other”, one (1) stated, “in transit” and the other stated, “garage”.

Table VII. Current financial arrangement of housing of the survey respondents

Financial Arrangement	Response Percentage	Response Count
Living Rent-Free*	48.7%	143
Living in a dorm or apartment on campus	13.9%	41
Renting an apartment (off campus)	17.7%	52
Renting a House	12.6%	37
Making Mortgage Payments on a House	6.1%	18
Own a House with no Mortgage Payments	1.0%	3
Other (please specify)**		12
	Answered Question	294
	Skipped Question	13

* This option was provided with an example of living with your parents or a sibling.

** All twelve (12) of the respondents to this question who selected “Other” self identified as paying rent to parents while living at home.

Table VIII. Independent Living Arrangements by the Survey Respondents

Living Arrangement	Response Percentage	Response Count
Alone	3.4%	10
With Roommate	6.4%	19
With Roommates	28.3%	84
With Parents	50.5%	150
With Spouse	6.3%	19
With Spouse and Children	5.1%	15
Other (Please Specify)*		16
	Answered Question	297
	Skipped Question	10

* Of the 16 respondents who selected “Other”, ten (10) are living with a relative, four (4) are living with their boyfriend, and two (2) are living as single parents with their children.

Table IX. Housing plans for the future from survey respondents.

Response	Response Percentage	Response Count
I’m living in a house now owned by me, making monthly payments on a mortgage	23.1%	61
I’m living in a house now fully paid for	23.9%	63
I’m living in an apartment now but expect to purchase a home in the next five years	24.2%	64
I’m living in an apartment now but expect to purchase a home in the next ten years	16.3%	43
I’m living in an apartment now with no plans to purchase a home in the future	12.5%	33
Other (Please specify)*		16
	Answered Question	264
	Skipped Question	43

* Of the sixteen respondents who responded “Other”, six (6) stated that they intend to move into an apartment in the future, eight (8) responded that they would going to continue living with their parents, and two (2) provided no explanation.

Table X. Survey response to the question “Would you, or have you, put off a wedding to afford to buy a house?”

Response	Response Percentage	Response Count
Yes	43.3%	132
No	56.7%	173
	Answered Question	305
	Skipped Question	2

Table XI. Survey response to the question “Would you, or have you, put off a honeymoon to afford to buy a house?”

Response	Response Percentage	Response Count
Yes	43.8%	134
No	56.2%	172
	Answered Question	306
	Skipped Question	1

Table XII. Survey response to the question “Would you, or have you, put off having a child to afford to buy a house?”

Response	Response Percentage	Response Count
Yes	50.0%	153
No	50.0%	153
Other (Please specify)*		3
	Answered Question	306
	Skipped Question	1

* Of the three respondents who answered “Other”, two (2) stated that they were not planning on having children and one (1) stated, “I believe parents should be settled before having children”.

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