

Income, Saving, and Debt Patterns of the Young Adult Generation

Implications for the Future of the U.S.
Housing Market

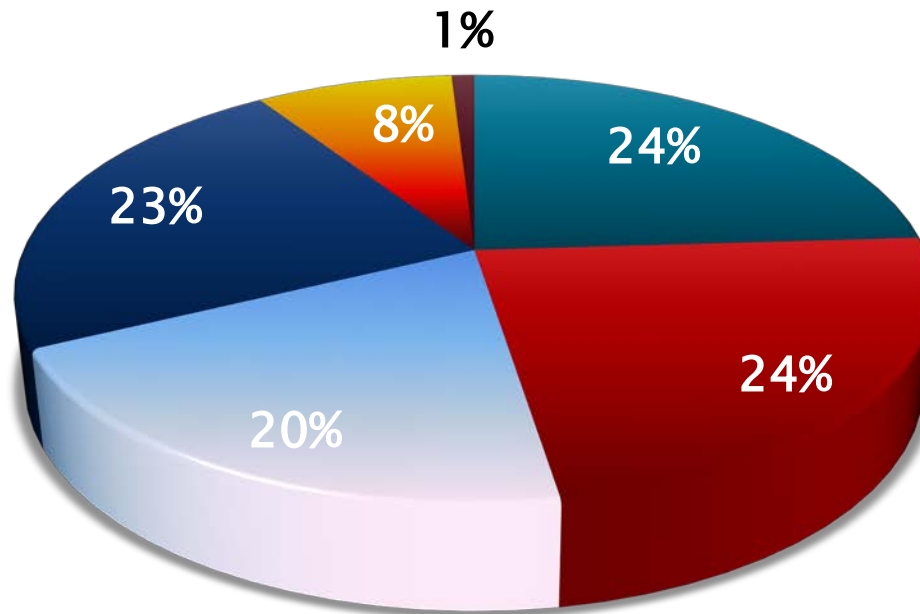
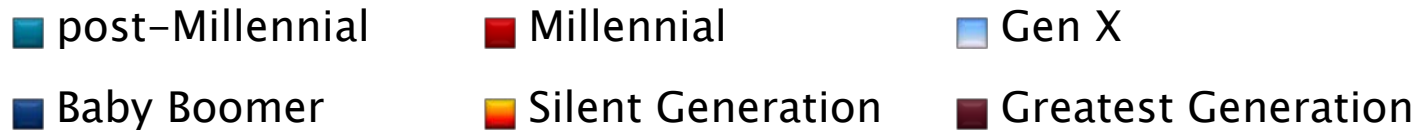
Presented by:
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October 20, 2017

Presentation Outline

- ❑ Income Patterns of the Young Adult Generation
- ❑ Saving Patterns of the Young Adult Generation
- ❑ Debt Patterns of the Young Adult Generation
- ❑ Implications for the Future of the US Housing Market
- ❑ Wrap-up

The Generations Defined

Cohort Populations

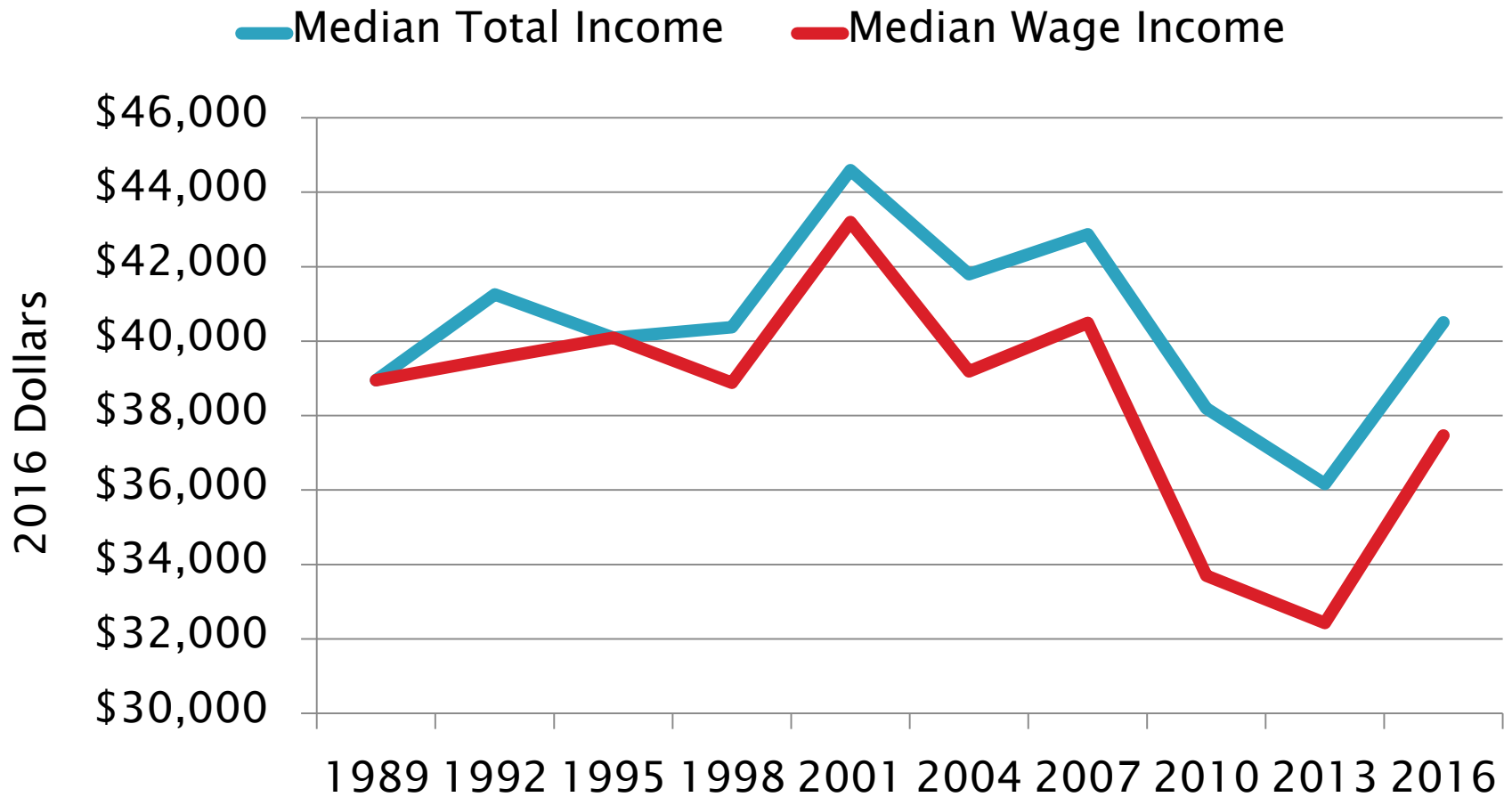


Source: U.S. Census Bureau, Pew Research Center

Income Patterns of the Young Adult Generation

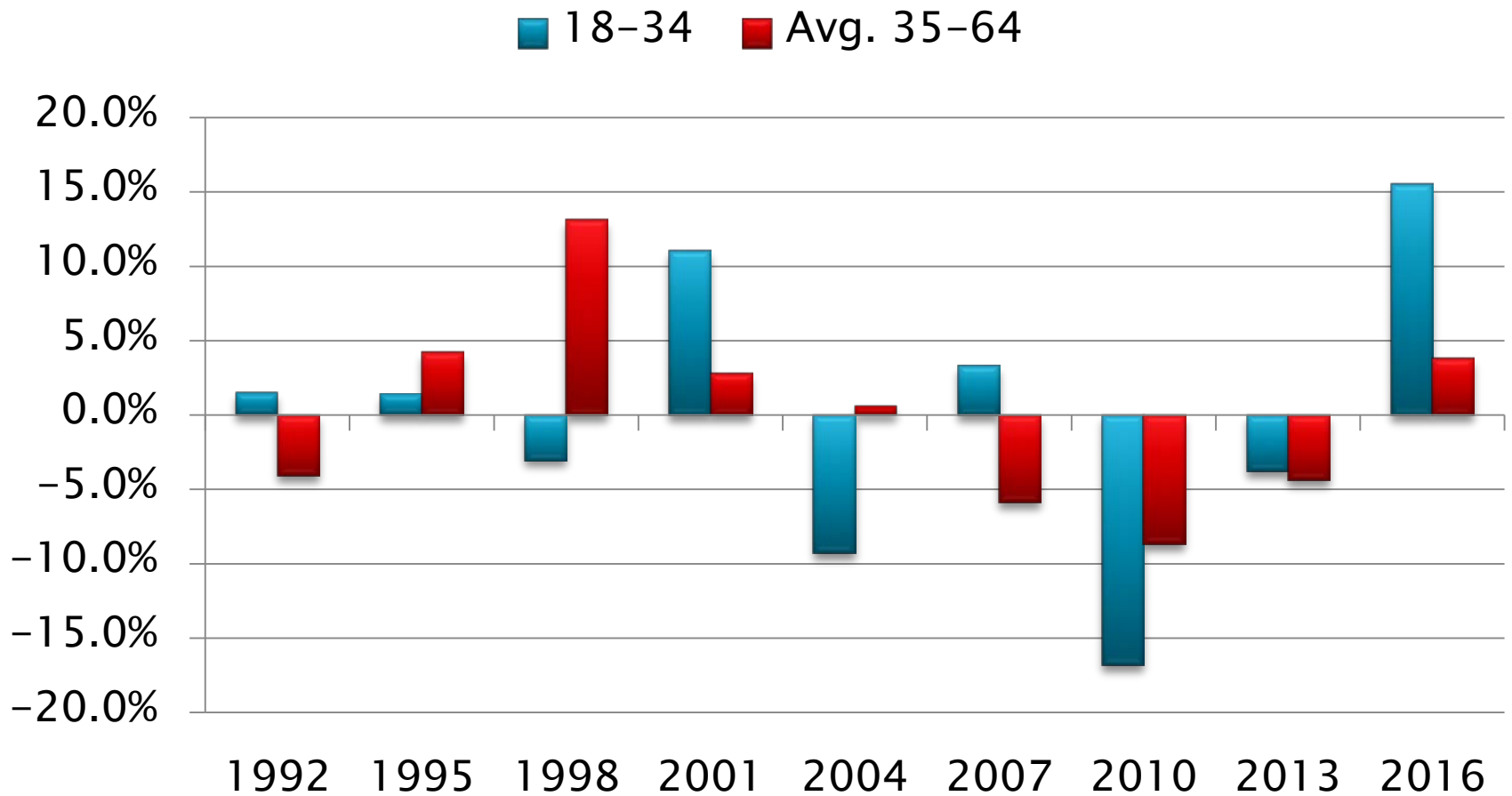


Real Median Income Levels for Young Adults Aged 18–34



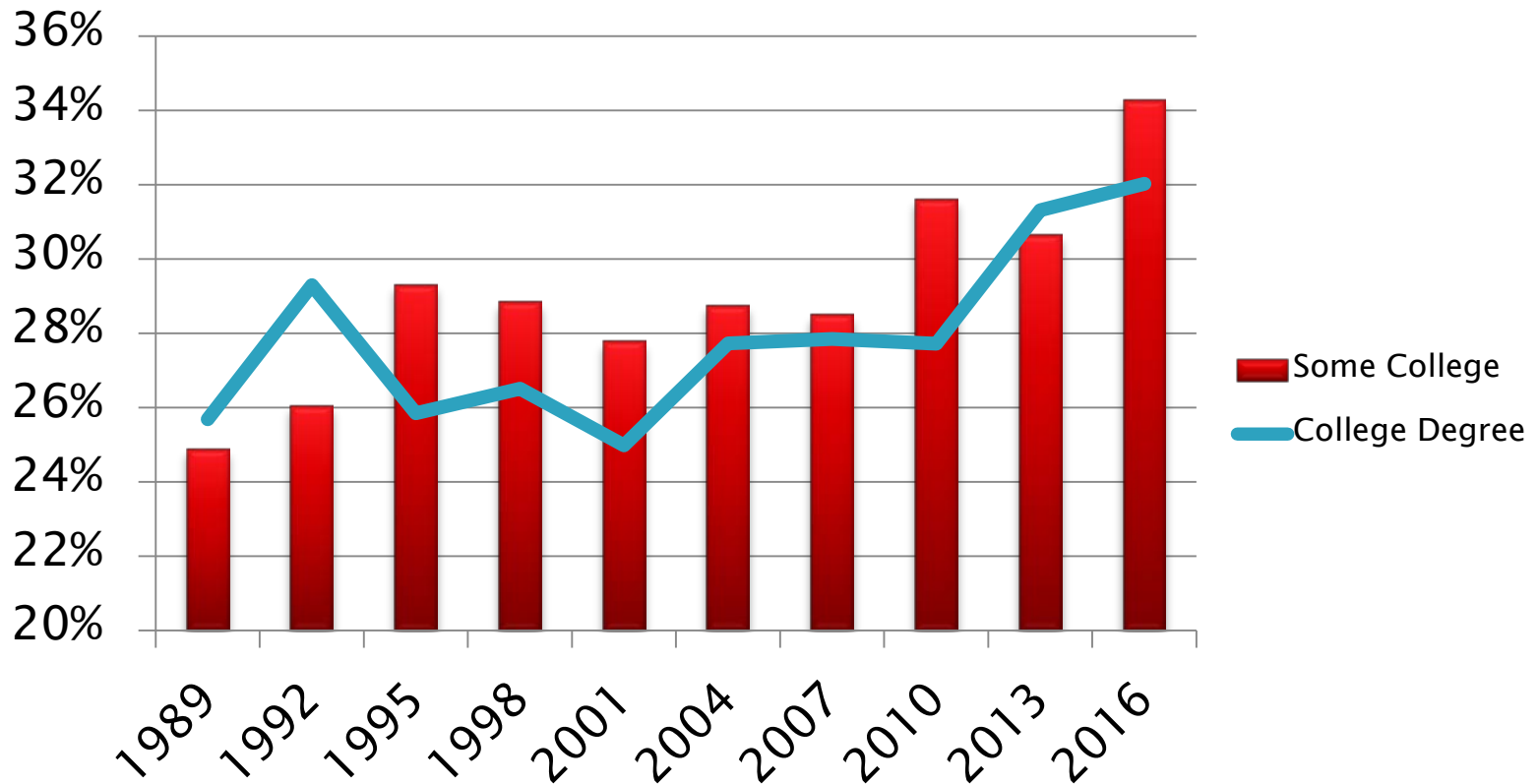
Source: Federal Reserve Board Survey of Consumer Finances, 2016

Real Median Wage Growth by Age Group



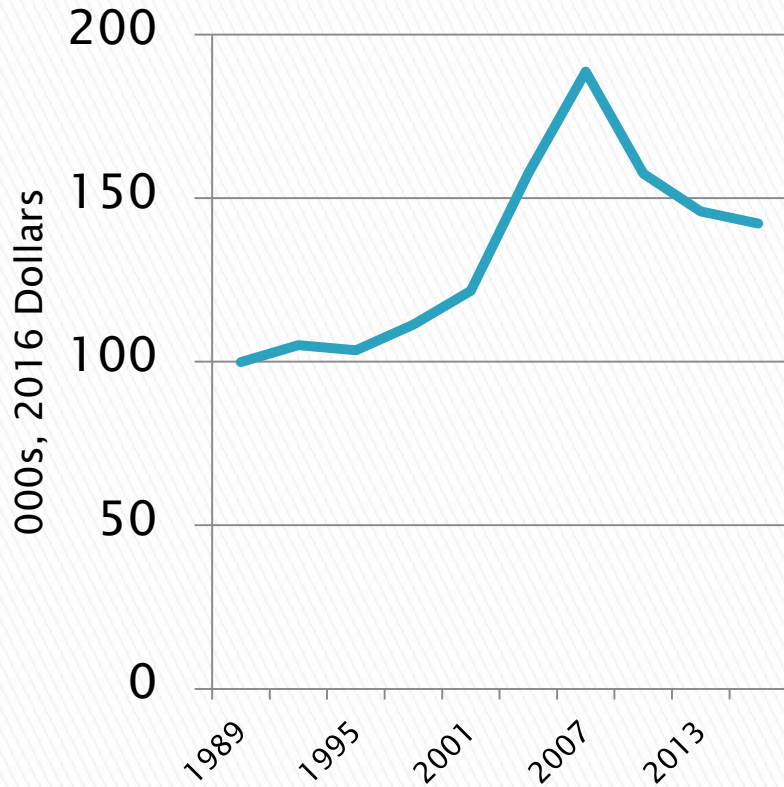
Source: Federal Reserve Board Survey of Consumer Finances, 2016

Percentage of Young Adults Aged 18–34 with College Degrees or Some College

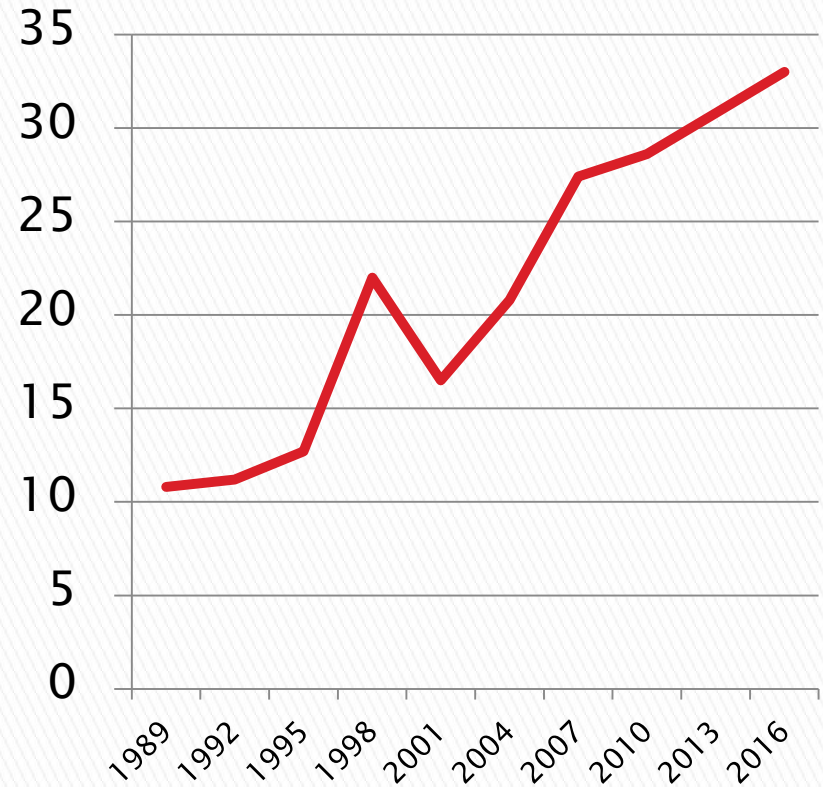


Source: Federal Reserve Board Survey of Consumer Finances, 2016

Mean Value of Selected Debt Types for Young Adults Aged 18–34 who hold this Debt Type



Mortgages



Education Loans

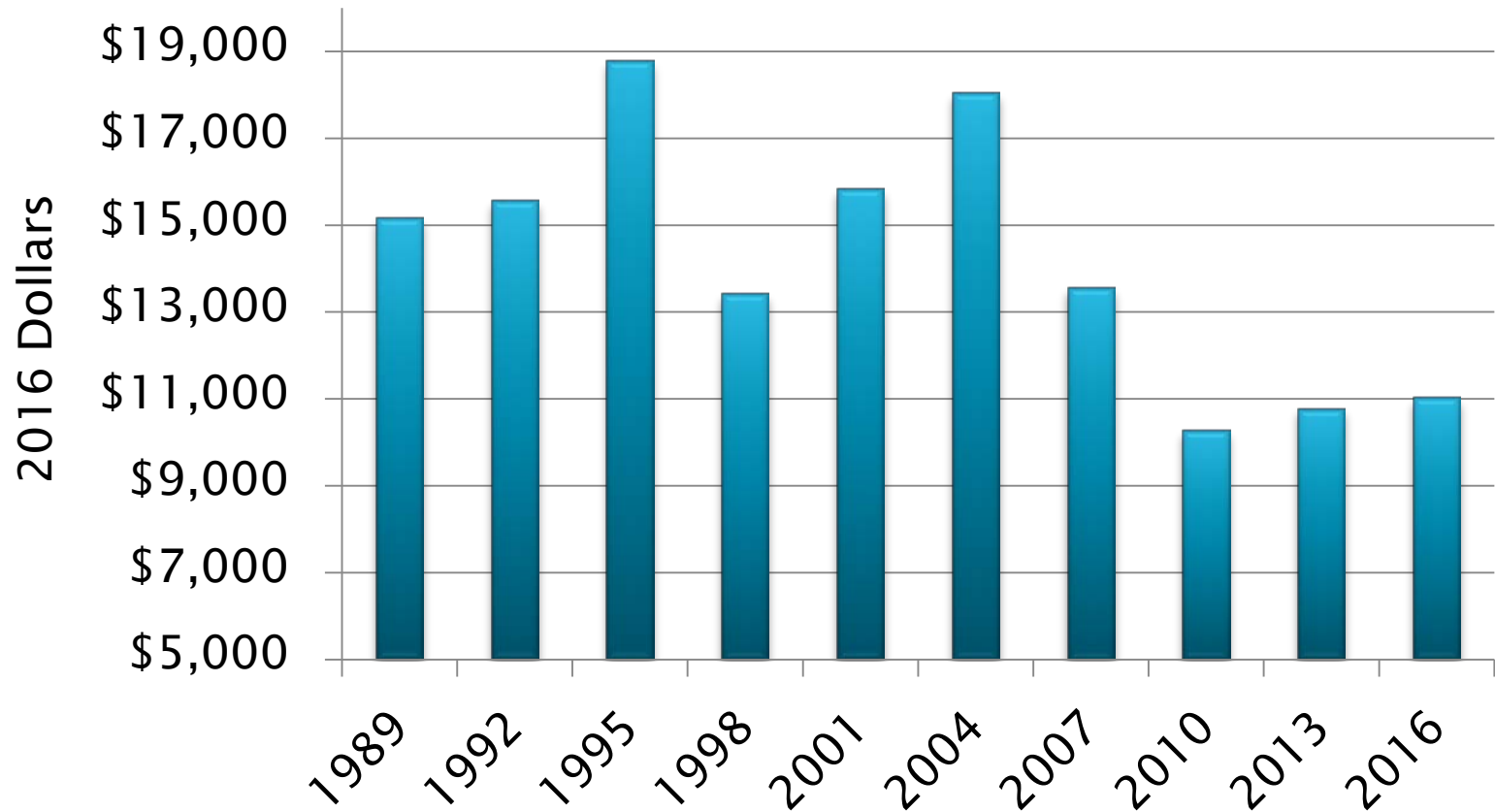
Observations on Young Adults' Income Behavior

- ▶ Despite recent recovery, real median wage levels for young adults remains below 1990s levels.
- ▶ Having experienced the greatest declines during the period of the Great Recession, Young Adults have experienced the largest recovery in real wages since 2013.
- ▶ Young adults have invested heavily in education since 2007 and, significantly, grown their holdings of education loans, thus impacting their consumption of other goods and services.

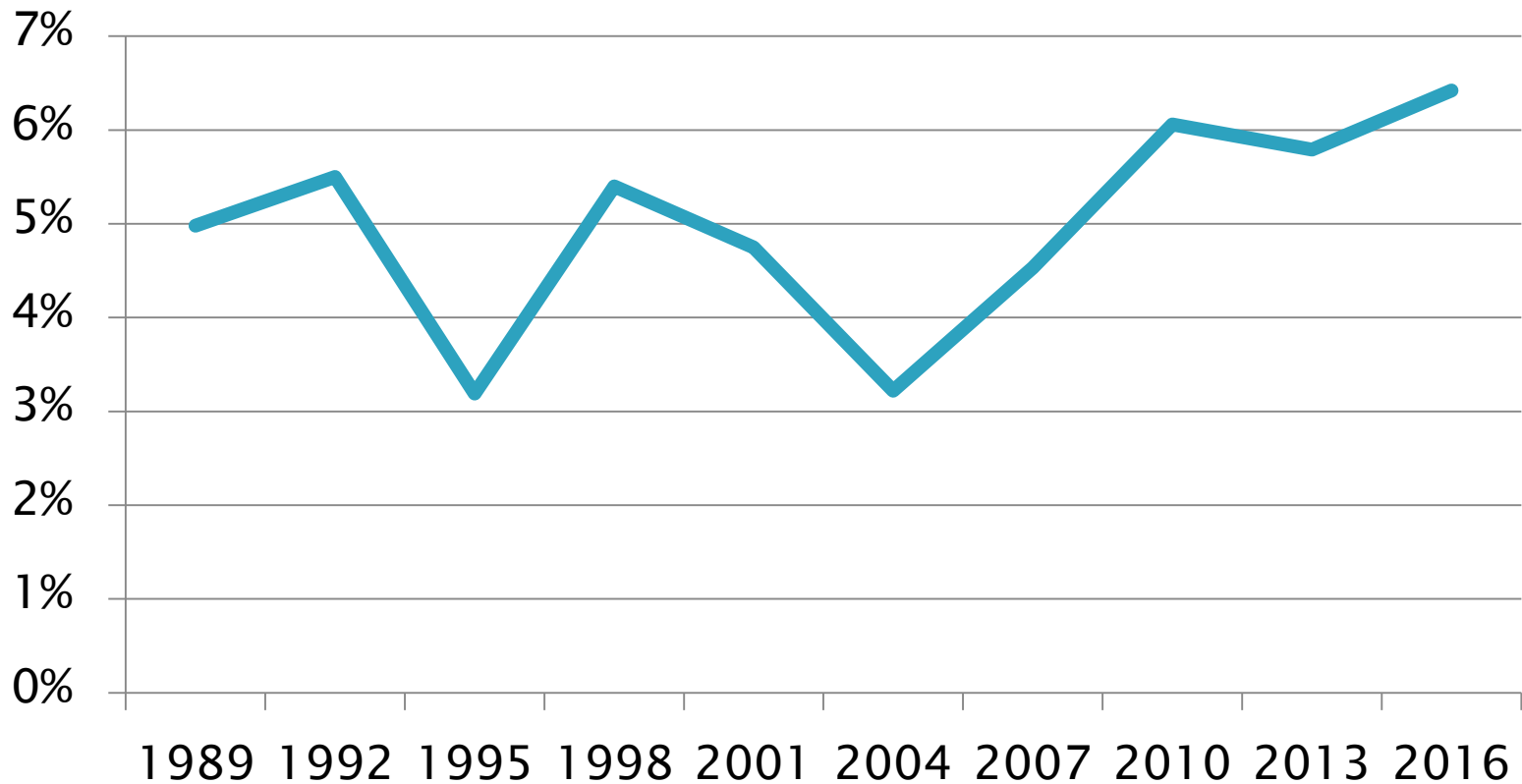
Saving Patterns of the Young Adult Generation



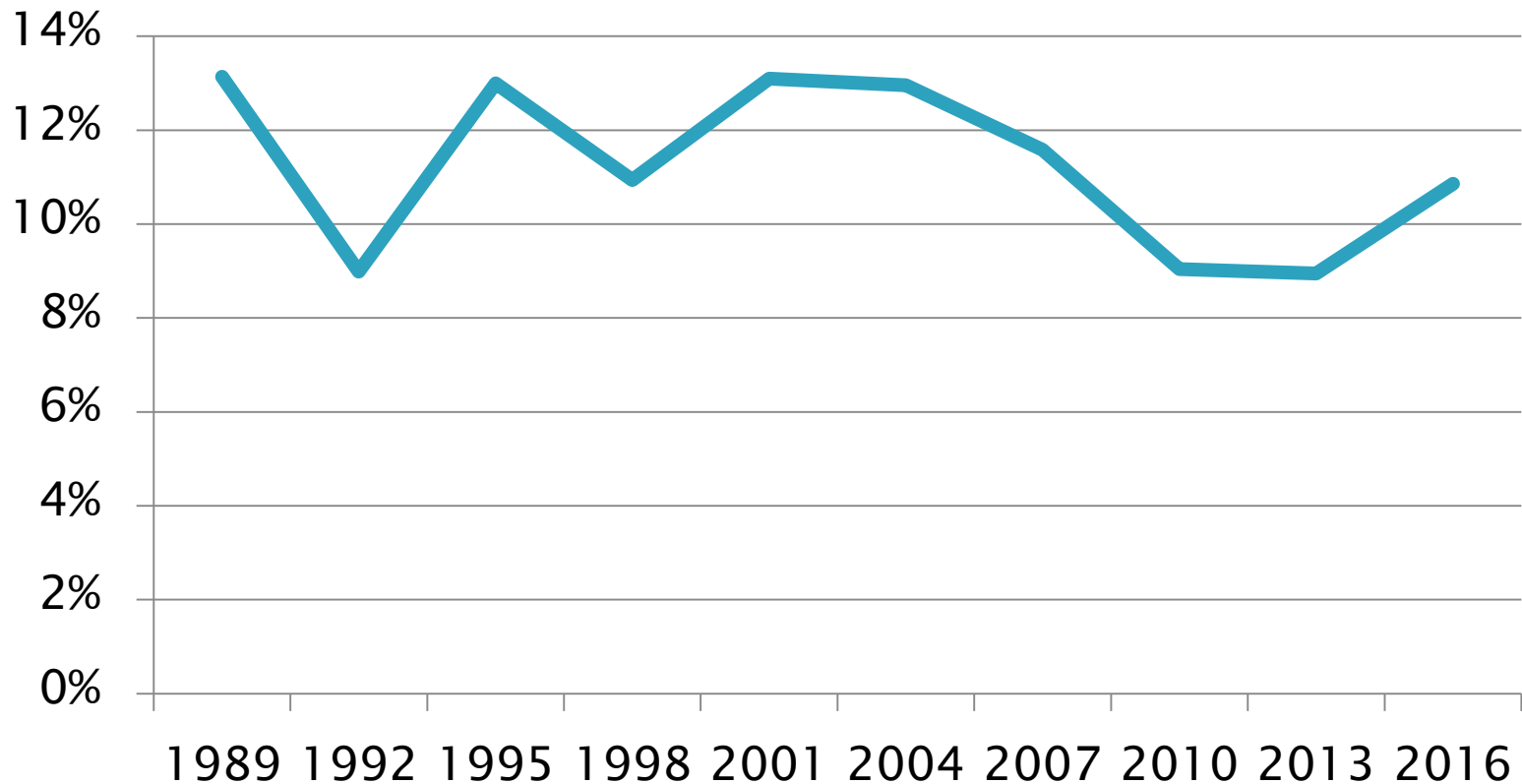
Median Net Worth for Young Adults Aged 18–34



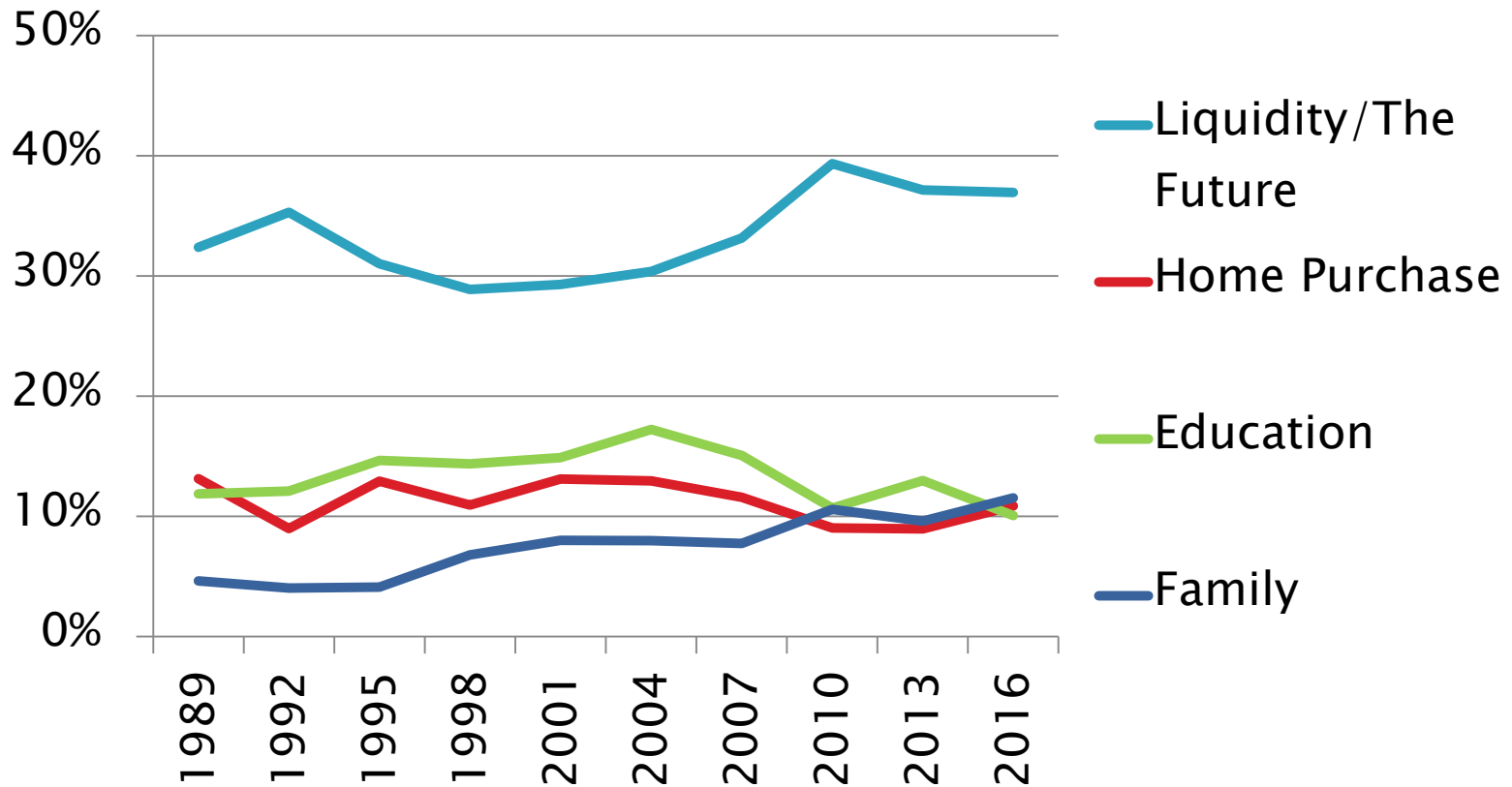
Median Savings as a Percentage of Total Assets for Young Adults Aged 18–34



Percentage of Young Adults Saving for the Purchase of their First Home

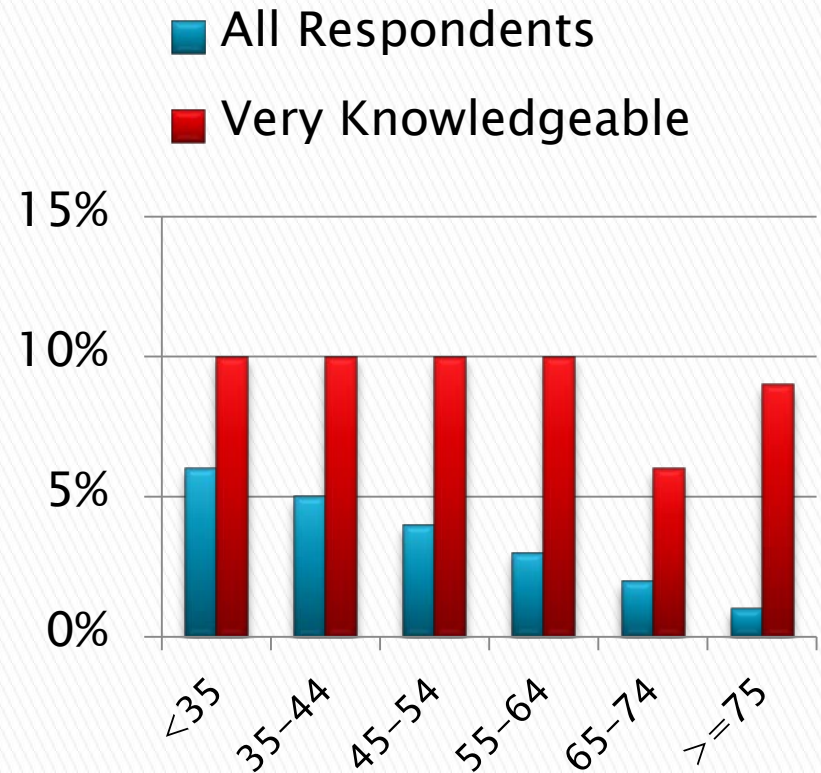
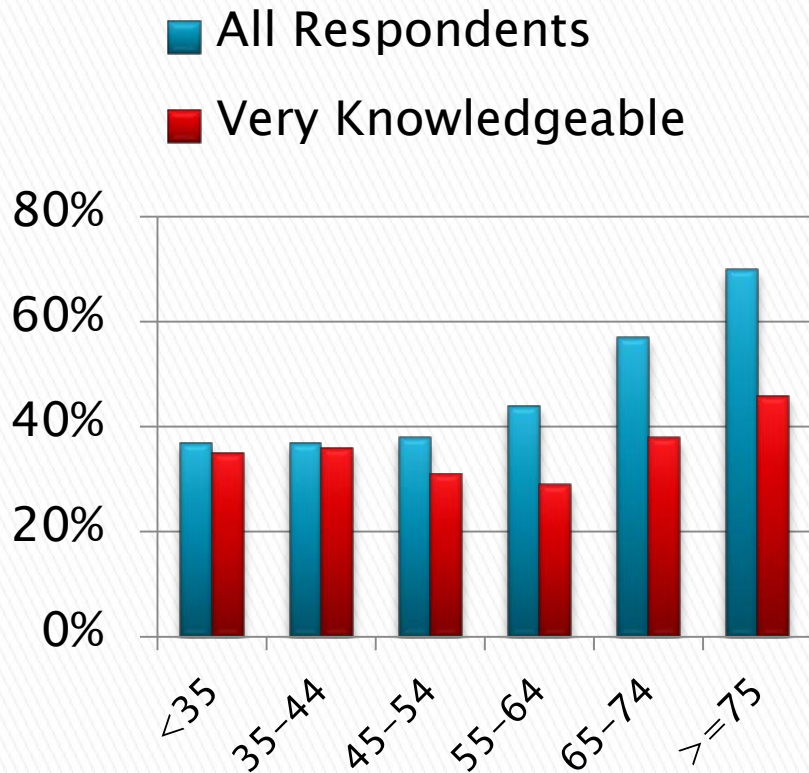


Primary Reason Stated for Saving by Young Adults Aged 18–34



Source: Federal Reserve Board Survey of Consumer Finances, 2016

Young Adults Willingness to take a Financial Risk



Unwilling to take a Financial Risk

Willing to take a Financial Risk

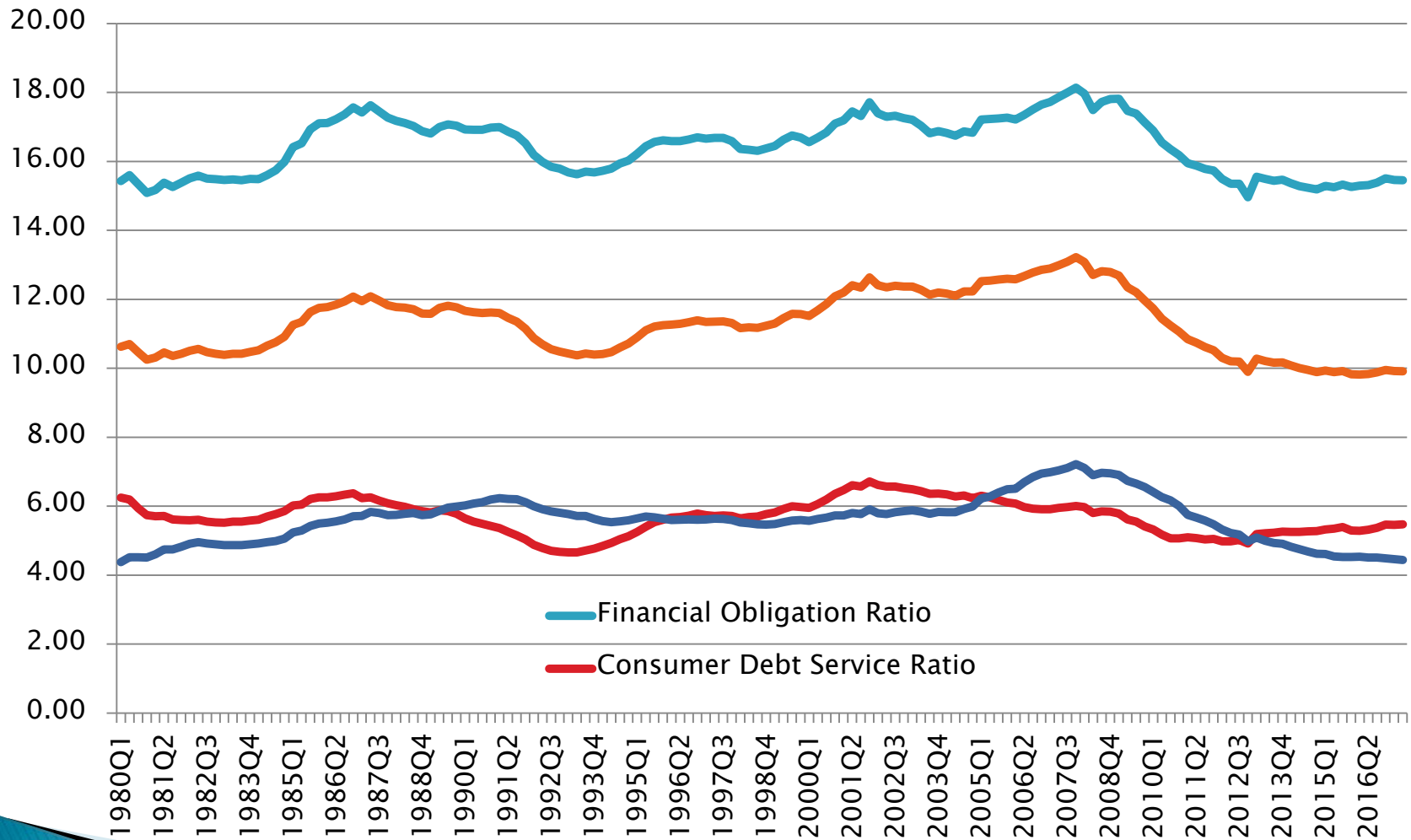
Observations on Young Adults' Saving Behavior

- ▶ In response to a dramatic decline in Net Worth as a result of the Great Recession, Young Adults have significantly increased their financial savings as a percent of their total assets.
- ▶ Recently, a greater percentage of Young Adults are saving for their first home, but a much greater percentage are increasing their saving rate for precautionary purposes – liquidity and unknown future events.
- ▶ Young Adults who classify themselves as “very knowledgeable” about personal finance, are no more likely than most other age groups to take a significant financial risk, despite having more time to recover from potential negative returns.

Debt Patterns of the Young Adult Generation

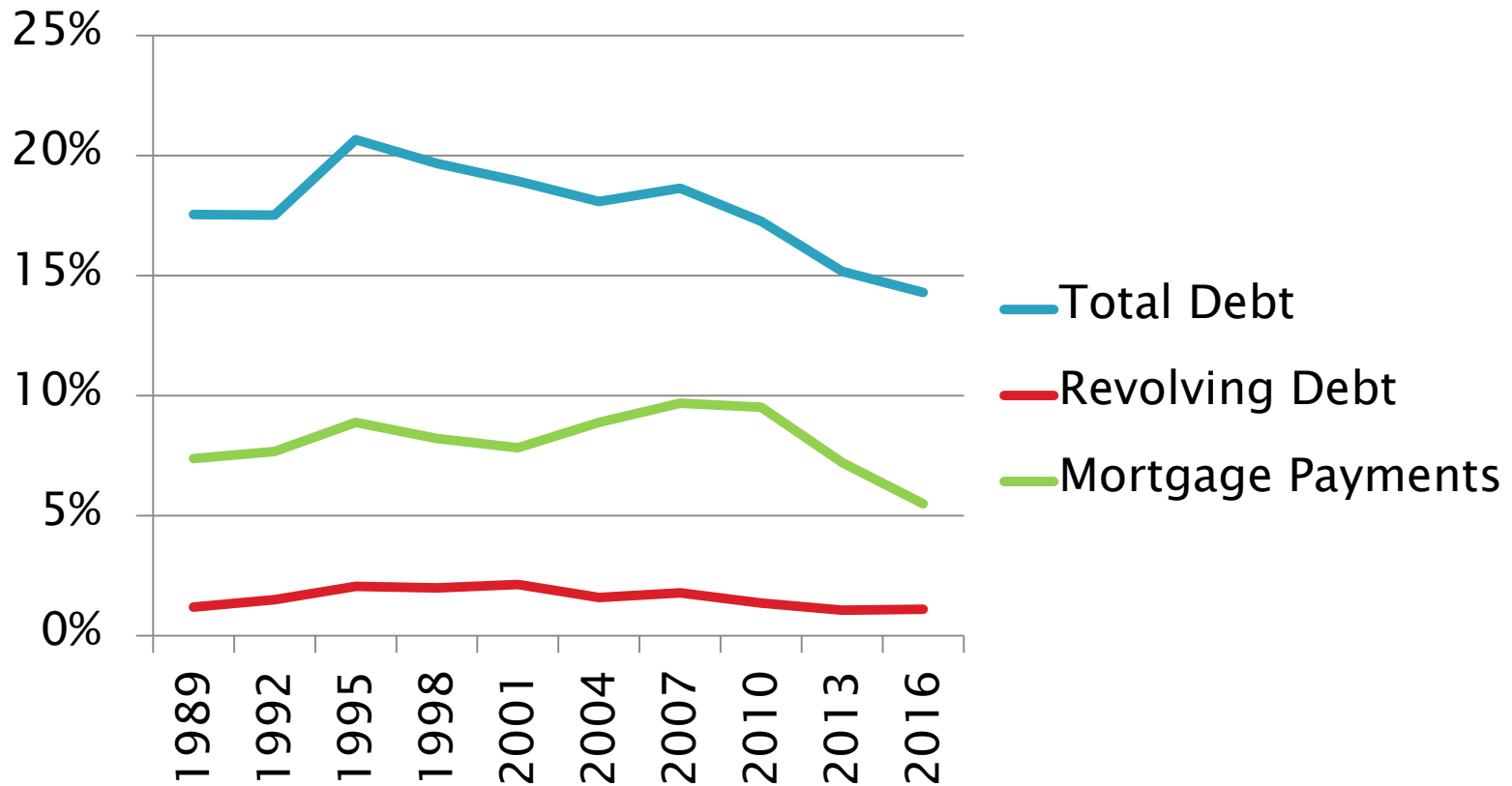


Consumer Financial Obligation and Debt Service Ratios



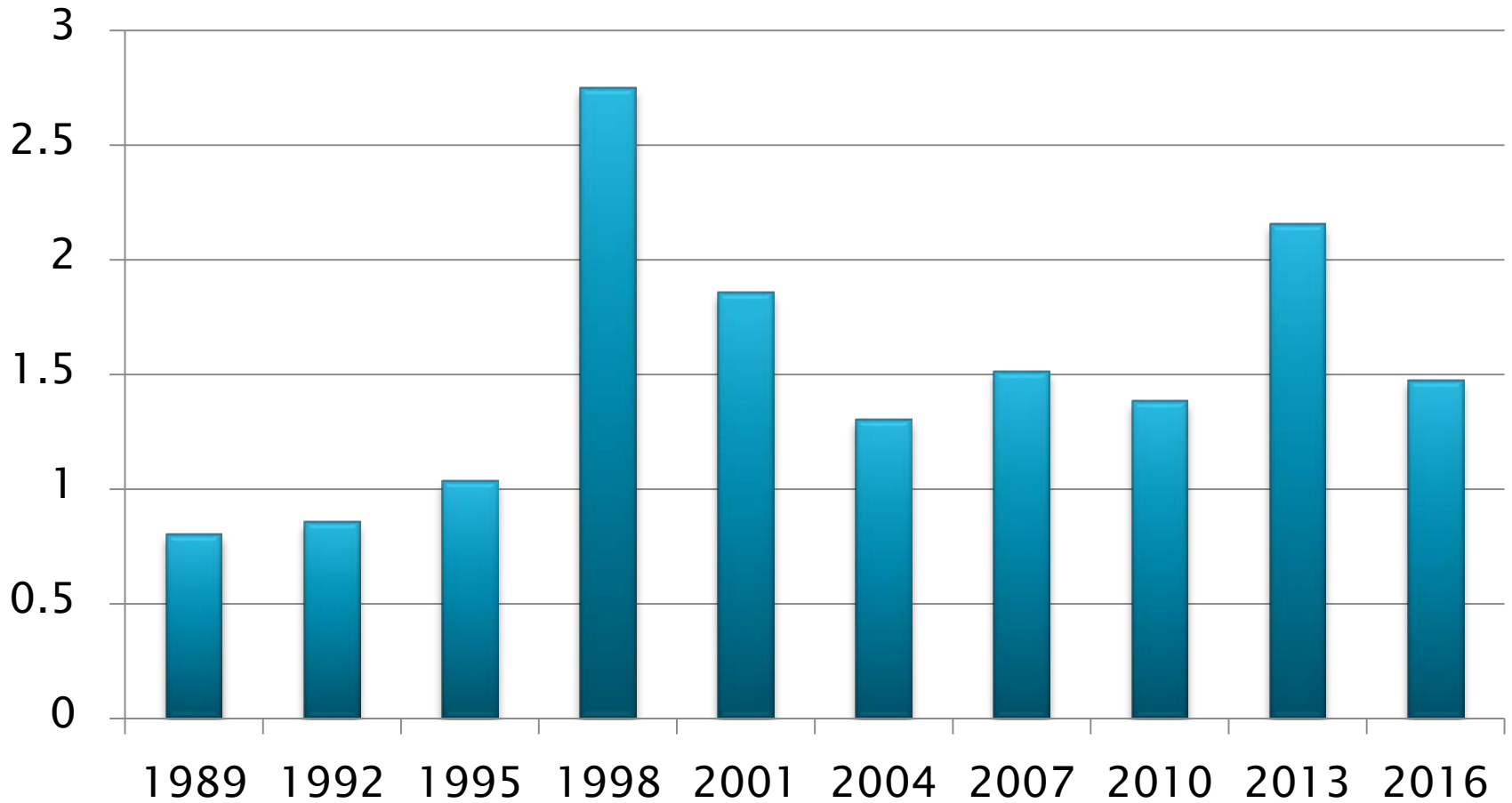
Source: Federal Reserve Board of Governors

Ratio of Monthly Debt Payments to Monthly Income for Young Adults Aged 18–34

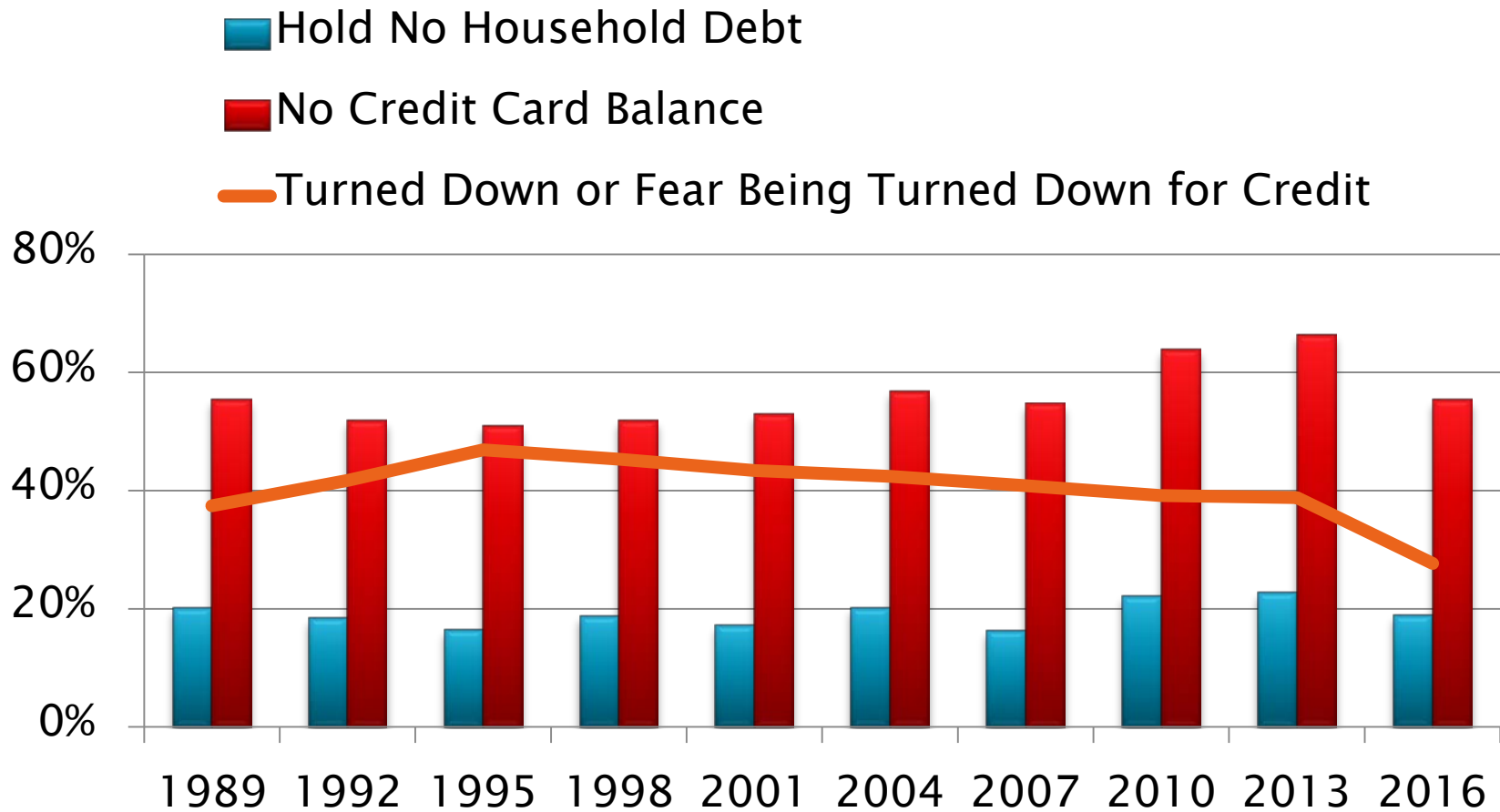


Source: Federal Reserve Board Survey of Consumer Finances, 2016

Ratio of Total Debt to Total Income for Young Adults Aged 18–34



Credit Conditions Comparisons for Persons Aged 18–34



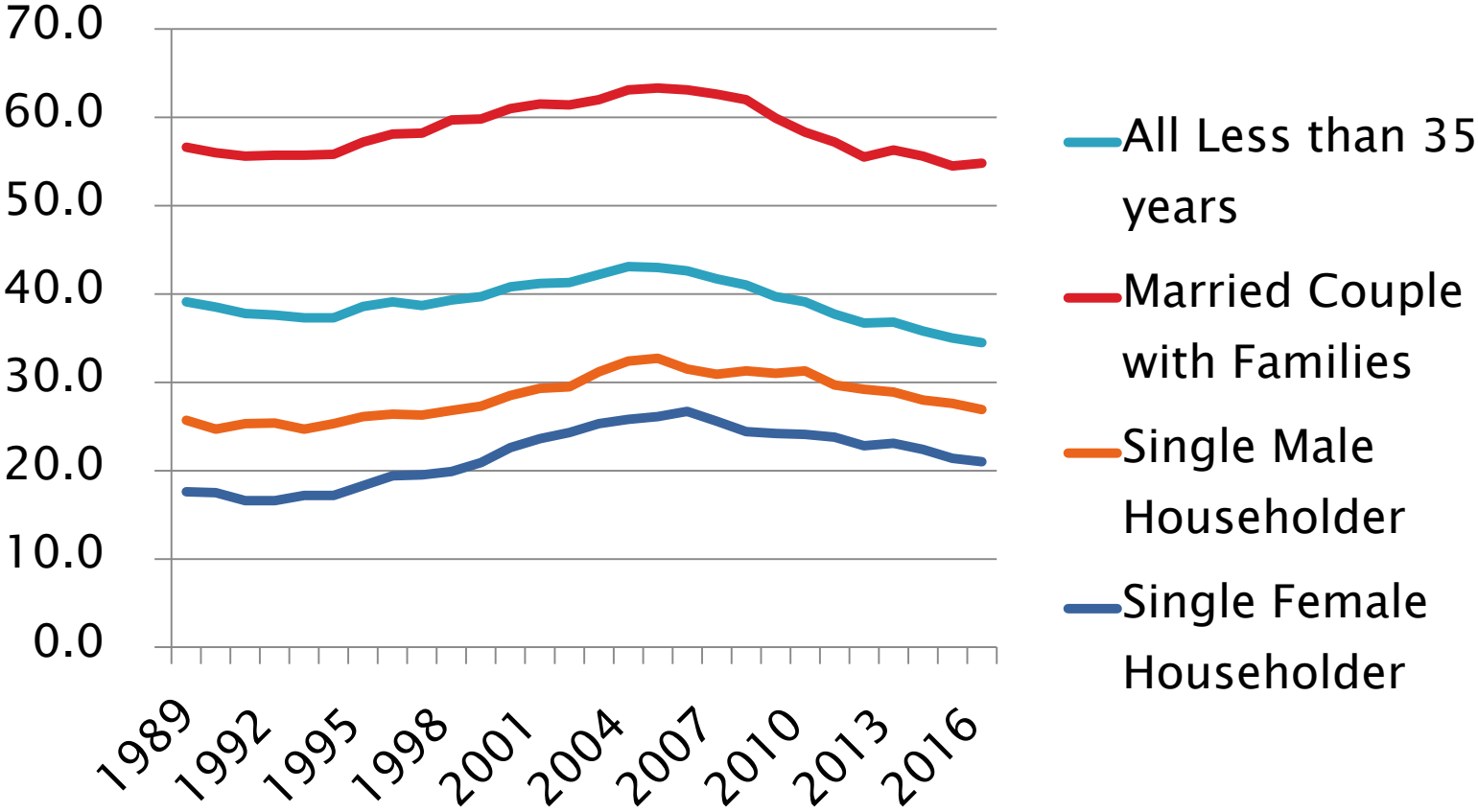
Observations on Young Adults' Debt Behavior

- ▶ Balance sheets improved significantly for Young Adults since the end of the Great Recession.
- ▶ Debt to Income ratios are at levels at or below the late 1990s.
- ▶ Fear of negative credit application outcomes has declined.

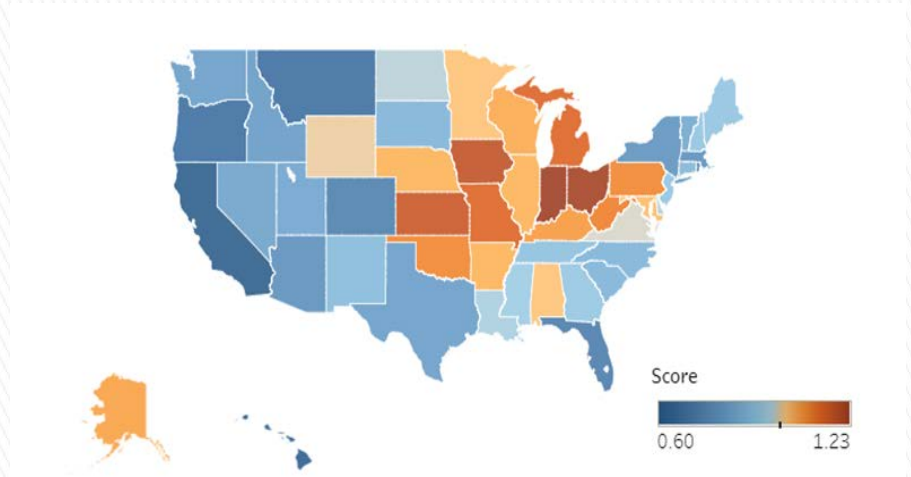
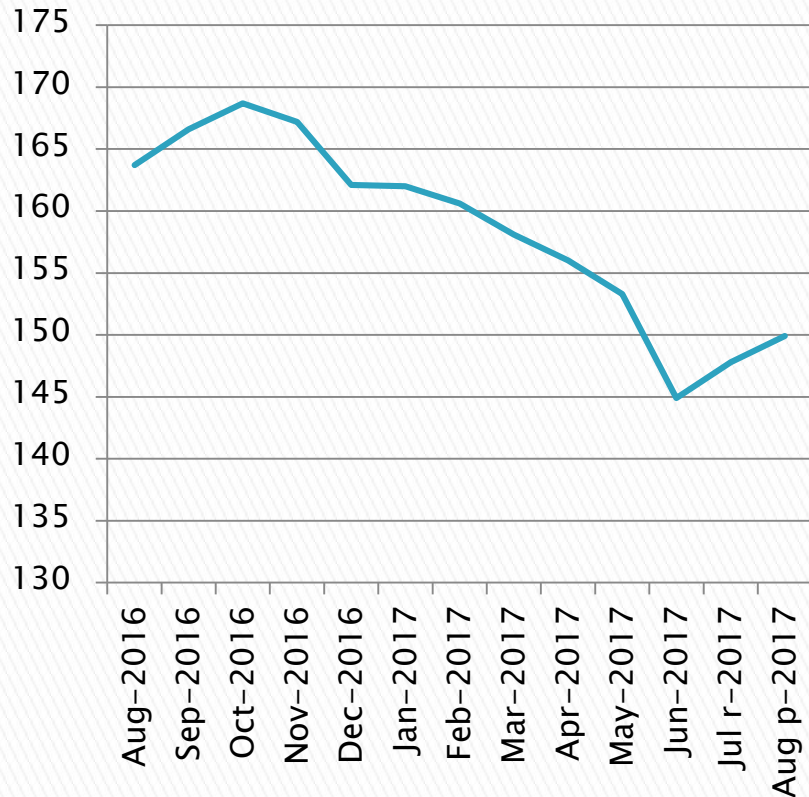
Implications for the U.S. Housing Market



Selected Homeownership Rates for Persons Aged 18-34



Implication #1 - Affordability will remain key to the Young Adults' purchase decision.



NAR Housing
Affordability Index

Realtors Affordability
Distribution Score

Implication #2 – Young Adults are better positioned financially to purchase a home, but may remain hesitant due to competing demands for their savings.

Reason for Saving	Rank	% Stating this Reason
Liquidity/The Future	1	36.95%
Retirement	2	14.59%
Purchases	3	13.25%
Family	4	11.54%
Home	5	10.86%
Education	6	10.07%
Investment	7	2.13%
No Particular Reason	8	0.37%
Can't Save	9	0.25%

Survey Size = 42,682

Implication #3 – Smaller versus larger purchases are likely to be more appealing due to fear of financial unknowns, and other lifestyle considerations.

Characteristics of Home Purchased

	32 and Younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and Older
Previously Owned	85%	84%	84%	82%	82%	83%
Detached Single Family	80	85	80	76	68	61
Median Price	\$165,000	\$235,000	\$200,000	\$185,000	168,000	191,000
Median Square Foot	1,700	2,100	2,000	1,800	1,750	1,500
Median Year Built	1986	1991	1993	1995	1997	1991

Source: National Association of Realtors, 2014 Home Buyers/Sellers Generational Trends Survey

Implication #3 – Smaller versus larger purchases are likely to be more appealing due to fear of financial unknowns, and other lifestyle considerations.

Neighborhood Choice

	32 and Younger	33 to 47	48 to 57	58 to 66	67 to 87	88 and Older
Quality of the Neighborhood	68%	65%	55%	56%	52%	30%
Convenient to Job	62	48	43	25	4	*
Overall Affordability of Homes	48	37	35	38	27	32
Convenient to Friends/Family	44	29	28	37	45	46
Convenient to Schools	29	36	15	4	3	*

* Less than 1 percent

Source: National Association of Realtors,
2014 Home Buyers/Sellers Generational Trends Survey

Thank You.