

# Is Millennial Household Formation on the Rise?

By [Carrie Rossenfeld](#) July 26, 2017 • [Reprints](#)

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Since the end of the recession, [millennials](#) have been moving out of their parents' basements and renting, but now they too want to buy, First American Financial Corp.'s chief economist Mark Fleming tells [GlobeSt.com](#). In a recent report from the firm, Fleming says as more and more millennials marry and have children — among the strongest determinants for the desire to be a homeowner — demand for housing will remain robust.

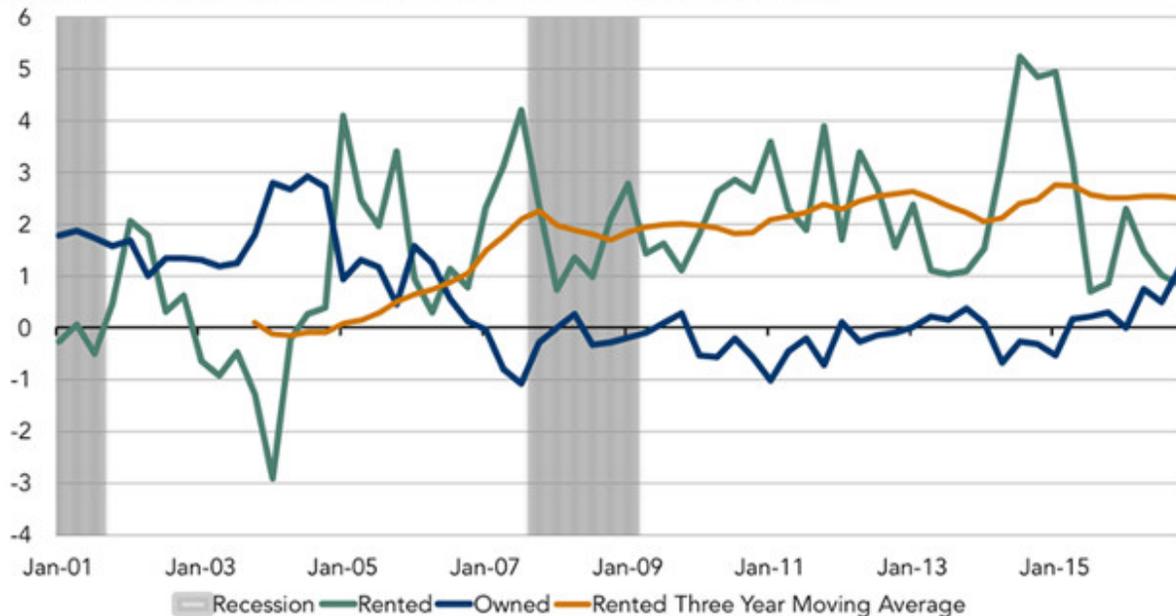
Fleming adds that while the housing market faces a dilemma that is restricting the inventory of homes for sale thanks to the increasing cost to finance a mortgage, wage growth has been at 2.5% over the past 12 months, and unemployment at its lowest level since May 2001. This means that economic conditions that favor millennial household formation will continue to drive strong demand, despite decreasing affordability.

Fleming says there is evidence that millennial household formation is on the rise. “The data on household formation has shown a significant amount of growth in new rental-household formation since the end of the recession, while there has been barely any growth (until just recently) in new owner households (see the chart below). Since the end of the recession, millennials have been moving out of their parents' basements and renting, but now they too want to buy.”

The data on household formation has shown a significant amount of growth in new rental-household formation since the end of the recession, while there has been barely any growth (until just recently) in new owner households. (Chart courtesy of First American Financial Corp.)

### Gen Why? Renting First

Household Formation by Occupancy Type (Year-Over-Year Inventory Growth, %)



Source: Census Bureau, FRED Q1 2017

Fleming says the expectation is that millennials will continue to age into ownership as they get married, form families and enter their early 30s. “That seems to be the sweet spot for first-time homebuyer millennials.”

He does see the percentage of people who own homes versus renting increasing significantly in the future. “Many of the rental households that have formed since the end of the recession will want to make that transition to ownership. The housing market is likely to benefit for the next decade from the demographic tailwind of millennial homeownership demand. Later than prior generations, yes, but not at all dissuaded.”

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