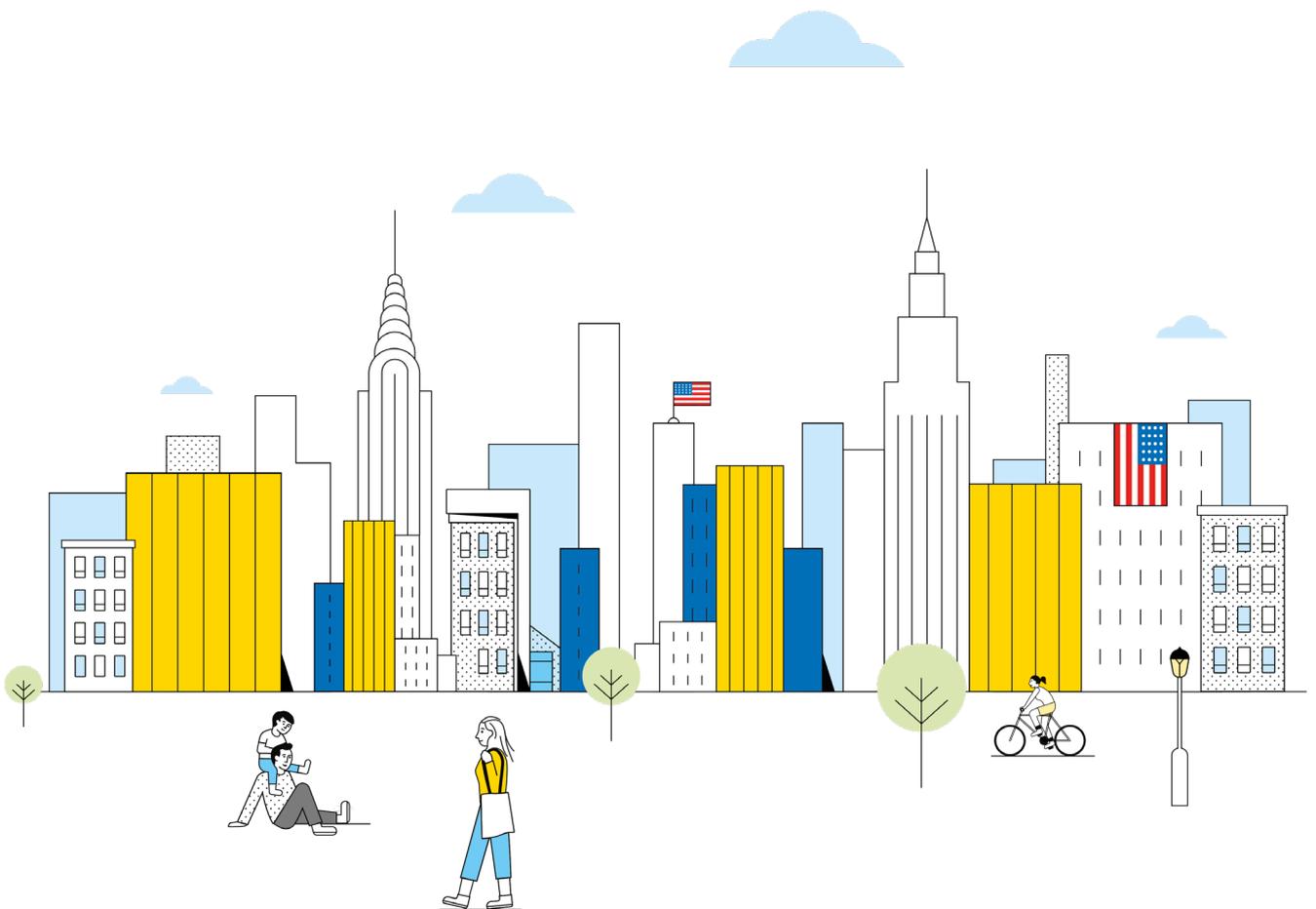


Legal & General U.S Housing Study

2021 U.S Millennials and Home Ownership - A Distant Dream for Most



Part 1: For Millennials, Has Covid-19 Made the American Dream of Home Ownership More Myth than Reality?

- **7 out of 10 of U.S. Millennials Living in Large Metropolitan Areas Say That Their Area is Hard or Extremely Hard to Afford**
- **56 Percent of all U.S. Millennials Find Their Area Hard or Extremely Hard to Afford**
- **37 Percent Would Move to a Smaller Town Due To Affordability**
- **Cost of Renting Is So High, Home Ownership is Put on Back Burner**

In 2019, Harvard's State of the Nation's Housing report found that 37.1 million U.S. households were "[housing cost burdened](#)," while 17.6 million households were "severely cost burdened," spending half or more of their income on housing. While renters were more than twice as cost burdened as homeowners, in total homeowners made up 40 percent of all households with severe housing cost obligations. Shocking as that was at the time, we now face an even tougher set of challenges around affordable housing, after a year of Covid-19.

This problem doesn't only exist in the U.S. Today in England, 7.6 million people have had at least one major housing problem relating to overcrowding, affordability or poor-quality housing going into Covid-19, and as of March 2021, 1.4 million households remain on the waiting list for an affordable home.

Some five years ago, with house prices in the U.K. continuing to increase much faster than wages, Legal & General started looking closely at how young people are dealing with the crisis in affordable housing. To learn more, we launched an annual study called the [Bank of Mum and Dad](#) (BoMaD). This research measured the role played by family and friends in assisting first home purchases, ranking them against mortgage lenders, as if collectively, they were a bank.

In 2016, our first run with this study, we found that BoMaD was lending or giving some \$7 billion (£5 billion) to younger generations to secure their purchase of a first home. Moreover, this represented about a quarter of all U.K. home purchasing transactions.

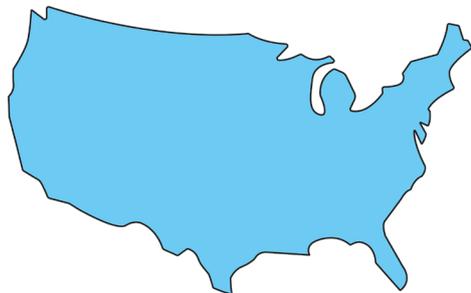
To get a measure of what was happening in the U.S., we ran the Bank of Mom and Dad study in 2019, similarly finding that here in the U.S. family and friends play a correspondingly significant role, supporting the purchase of some \$317 billion worth of property across America in 2018. That accounted for 1.2 million homes, with an average sum of \$39,000 lent or given. And if The Bank of Mom and Dad were an actual financial institution, it would have ranked the Number 7 housing lender, up in the Top 10 U.S. mortgage lenders.

To learn more, we decided to take a fresh look at housing affordability (or lack thereof)—a major problem in the U.S., specifically among millennials, as there's probably no group as severely affected as young people trying to find their way onto the home ownership ladder.

This year, as we started to emerge from the pandemic, we undertook a new study specifically zooming in on U.S. millennials and their broad financial issues as well as attitudes around housing purchase decisions. We looked at a number of factors affecting this group, noting that this generation is not a monolith -- millennials themselves break down into three distinct age categories, each with very different needs. Junior Millennials, now in the 25 to 29-year-old age range, seek high-wage jobs in big cities; Mid-age Millennials 30 to 34 are starting families and contemplating moves to more affordable places; and Mature Millennials 35 to 40 are well along in career and family life and trying to figure out how to buy a home.

We looked at where these young people live and where they want to live; the degree to which student and medical debt burdens affect their ability to save for a down payment and finance a home; the affordability or non-affordability of housing where they live or want to live; their hurdles toward saving for a down payment on a home and building credit; and of course, whether and to what degree Covid-19 has been an exacerbating factor in their quest to own a home. We are releasing our findings through a series of short research papers, this being the first, presenting what we learned in this new study, U.S. Millennials and Home Ownership – A Distant Dream for Most.

Here in Part 1 of the study, we provide a broad overview of the top-level findings from our research and discuss what it all rolls up to: a generation that needs access to a bigger and more broadly available supply of affordable housing than currently exists. Survey participants, representing of the overall U.S. millennial population of people 25 to 40 years old, are having to make difficult decisions about where to live. Whether this means that they need to go back home to their parents or hometown in order to afford their own place to purchase, or remain in a larger metro area or perhaps their college town—will this part of the American Dream ever be within their reach?



City or Small Town: Where Do Millennials Live? And Where Do They Want to Live?

In Part 1 of our study, we find 23% of millennials are attracted to cities: 6 out of 10 live in cities of more than half a million inhabitants, or in nearby suburbia. However, as noted above, millennials not a homogenous generation; their preferences differ depending on their life stage priorities. Nearly half (47 percent) of the oldest (mature) millennials (35-40) live in large metropolitan or metropolitan areas, while Mid-Age millennials (30 to 34 years old), are more likely to live in suburban towns. Junior Millennials prefer the largest cities (24 percent) or suburbia (25 percent), for total of 49 percent. Couples and males are more likely to live in large metropolitan areas. With this layout of preferred living, ownership is a problem for many—73 percent of Millennials who don't own property rent; 16 percent live rent-free with family or friends; and one in 10 pay rent to live with friends or relatives.

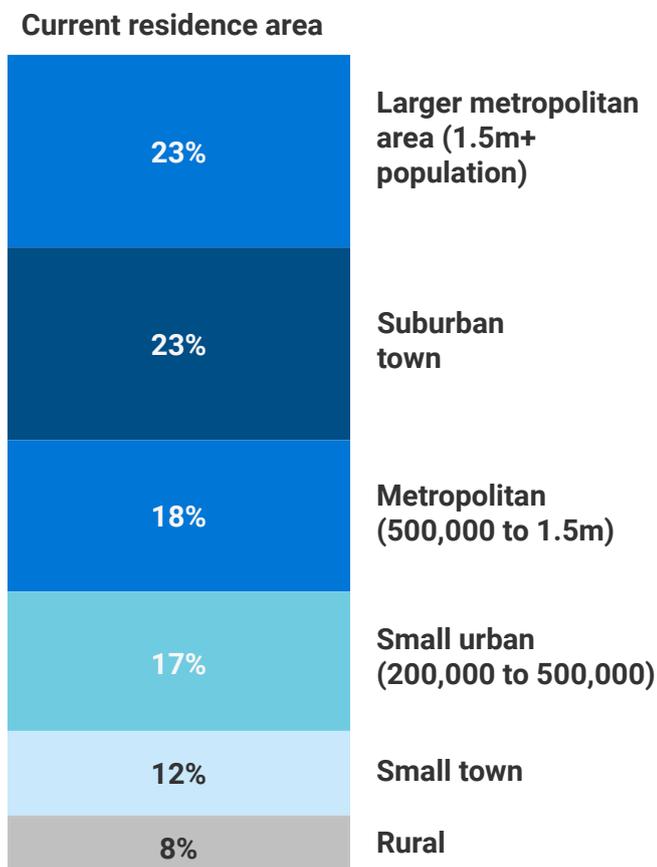


Figure 1: Breakdown of locations where millennials are living

Here's where things get complicated for millennials: Living in big cities and even the nice suburbs outside them doesn't come cheap. Not surprisingly, across all age groups and demographics, the majority of millennials (56 percent) find home ownership where they live to be "hard" or "extremely hard" to afford. That goes up to 7 out of 10 among those living in largest metropolitan areas.

Nearly half of millennials we surveyed—particularly Mature Millennials and those living in big cities—are happy with their current location. However, the other half would like to move to a different area—to be more specific, 30 to 40 percent of them would prefer to move to a smaller town or area. Within that group, 66 percent of those who want to move to smaller areas currently live in cities of over half a million inhabitants; and 69 percent of them are older than 35. Again, the youngest millennials are the largest group who would like to live in a larger area than where they live now—only 38 percent of junior millennials are happy where they currently live, fewer than other age groups, and many of them (62 percent) would like to move. However, while other demographics are more likely to look at smaller areas, young millennials are equally attracted to large cities. Among millennial couples, 45 percent are happy where they live, but one-third (33 percent) want to move to a smaller area, driven by affordability.

And are they ready to move to more affordable places? It depends. These days, coming out of the pandemic with all the economic pandemonium that has entailed, nearly a quarter of millennials overall (24 percent) would move for job opportunities. Among Junior Millennials (25 to 29 years old), 29 percent would move for work. However, across all age groups millennials are strongly influenced by affordability: 37 percent said they would move to a smaller area due to affordability, particularly those living in large metropolitan areas—it’s noteworthy that the Junior Millennial category on its own is slightly less concerned (16 to 20 percent) about affordability. Dicing down the demographics of the study respondents a bit more, we saw that for millennials older than 30, the attraction of higher paying work is overshadowed by affordability as the main reason they’d move.

This also applies to millennial couples, parents, females, and those already saving for a down payment (there’s much more to be said about this cohort)—affordability is their main reason to move. Those already living in big cities are equally driven by job opportunities, but affordability has a slight edge as an incentive to

Covid has shifted perceptions about possible places to live. More than half of Millennials would like to move to a different area. Most of them would prefer to move to a smaller place

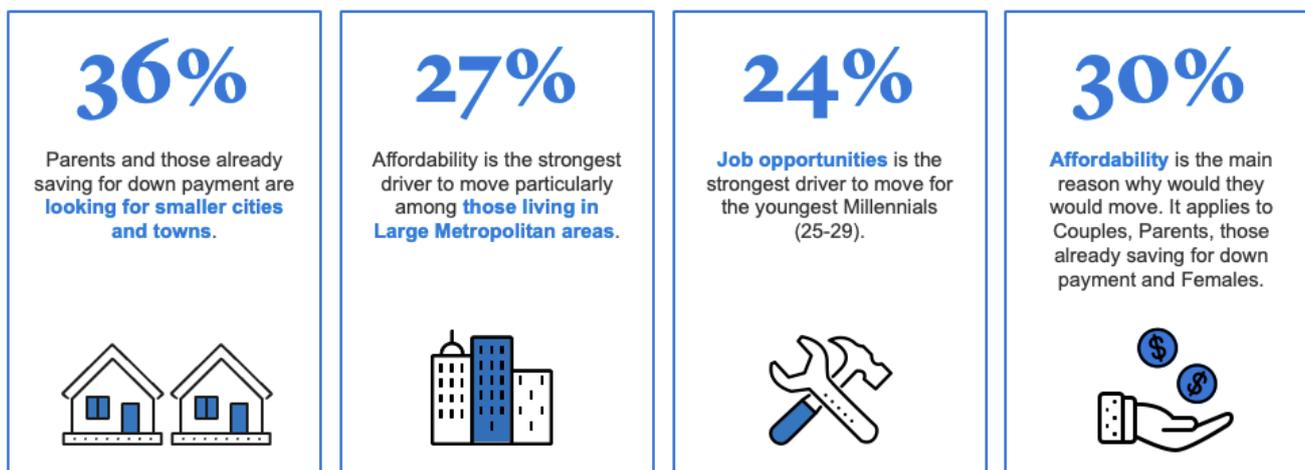


Figure 2: Housing aspirations among Millennials

It’s a real Catch-22: millennials, and especially those in the younger age group, often feel they need to move to bigger cities to find higher paying jobs. Once they get there, the cost of even rental housing is so overwhelming that their plans for home ownership are put on a remote back burner. And there are many other complicating factors. Here’s how one millennial put it:

“ I think it’s just easier to rent. Down payments are a huge obstacle, since wages are the way they are and everything else is going up, on top of crazy high levels of student debt. And then you have to worry about property taxes, your own maintenance, either for appliances, plumbing, lawn care, etc. It’s just a lot for a young person to take when they’re just starting out and there are no real incentives. You’re also tied to one place if you buy and with the job market the way it is, that could end up being a huge issue for someone who might need to move in a year or two, either because of their job or Covid...”

In future parts of our study, we'll talk about many other fascinating aspects of this generation's attitudes toward the system and home ownership in particular. Many millennials feel they were handed a raw deal by Covid, by the system, and by the older generations—and these are not idle complaints. Consider a few of their verbatim comments:

“Housing costs have risen too much and are pricing out people like me who have above-median incomes (but also tons of student debt).”

“We feel cheated because, no matter how hard we work and save, we can never get ahead—we're always three steps behind. This American dream is seeming more like a myth...”

“It is an American Dream that has been taken from us.”

“Housing is way too expensive. There are not enough starter homes. It takes way too long to build a career and get a stable job. I'm 37 and my first stable adult job begins after the pandemic. There are way too many impediments to even considering buying a home. I thought I would be married and a home owner by my early 30s and that is not how it worked out, through no fault of my own.”

Even though they may feel they are plodding up a steep hill, 9 out of 10 millennials still want to buy a home—and for half of them, owning a home is a priority more important than paying off student debt or saving for retirement. Over the next few weeks, we'll be releasing detailed findings, including those looking at the following topic areas:

- 1. Mind the Gap: The Intergenerational Money Blues**
Boomers are bumming millennials out by snatching up all the small, affordable house as they down size.
- 2. Wage Stagnation flips the equation on housing costs for millennials.**
Wage increases have not kept up with cost-of-living increases; this is not lost on millennials seeking their own home.
- 3. Buying a House is on Millennials' Bucket List—But Will They Get There?**
Of the top 10 items on millennials' bucket list, owning a home is #2, just after 'get in shape.'
- 4. Student Debt and Cost of Healthcare Make Building Credit a Vicious Cycle for Millennials**
Consider that 36 percent of millennial respondents said student debt had a strong or very strong impact on their ability to buy a home.
- 5. Retirement Plans: Half of Millennials Don't Have Them...**
... And those without retirement plans unlikely to start one anytime soon.

Please stay tuned.

Survey Methodology

To understand millennials' attitudes to home ownership, drivers and barriers to ownership in particular the impact of Covid and student debt, we ran a survey of 875 Millennials based in the U.S. who don't own a property. The online survey was carried out in March/April 2021.

Study Authors

Nigel Wilson is Group Chief Executive of [Legal & General](#), where he rose to the role in 2012 after having served as Chief Financial Officer since 2009. He won the 'Most Admired Leader' award at Britain's Most Admired Companies Awards 2017, for Management Today. In 2015 - 2016 Nigel was a member of the Prime Minister's Business Advisory Group, and he currently serves on U.K. Prime Minister Boris Johnson's [Build Back Better Council](#).

John Godfrey is Corporate Affairs Director at Legal & General. He has worked in the City of London for over 30 years. Having joined the firm in 2006, with responsibility for communications, public policy issues and the group brand, he spent 2016-2017 working at Number Ten Downing Street as Head of Policy under Prime Minister Theresa May, where his team was responsible for advice on a broad range of UK domestic and Brexit-related issues.

Edyta Borowy is Group Brand Insight Manager at Legal & General, where she specializes in designing and developing research studies that look into current consumer and customer behavior and sentiment; eliciting insights from the findings, she then translates them into business initiatives and strategies.

