

**A New Strategist Press White Paper**

**2018 #1**

# **Homeownership Rate Rises in 2017**

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By Cheryl Russell, editorial director of New Strategist Press

The nation's homeownership rate increased to 63.9 percent in 2017. This is 0.5 percentage points higher than the 63.4 percent of 2016—the post-Great Recession low. An 0.5 percentage point rise might not seem like a big deal, but it is. The small rise is a big deal because it's the first increase in the homeownership rate since 2004—the year the rate reached the all-time high of 69.0 percent. Is this rise the start of an upward trend?

To get historical perspective on just how bad the long decline in homeownership has been, let's see how our Great Recession losses stack up to the devastation of the Great Depression. By one measure, the Great Recession losses are worse. The decline in homeownership since the 2004 peak has exceeded, in percentage-point terms, the decline that occurred in the Great Depression. The homeownership rate fell 4.2 percentage points during the Great Depression and its aftermath (from 47.8 percent in 1930 to 43.6 percent in 1940). The rate fell by a larger 5.6 percentage points during the Great Recession and its aftermath (from 69.0 percent in 2004 to 63.4 percent when it bottomed out in 2016).

### **Homeownership rate, 2000 to 2017**

2017: 63.9%

**2016: 63.4% (post-Great Recession low)**

2015: 63.7%

2010: 66.9%

**2004: 69.0% (peak rate)**

2000: 67.4%

Clearly, the housing market has endured some rough years. But does 2017 mark a turnaround? So far, there are few signs that the market is returning to normal because the fundamentals are still in disarray. The orderly process of home buying, familiar to generations of American families and businesses, is broken. The pattern of home buying has changed. The funds young adults once directed toward homeownership are being spent on student loans and keeping up with monthly bills.

First-time home buyers are the heart of the housing market. Their purchase of starter homes puts the market in motion. First-time home buyers allow middle-aged homeowners to move to bigger and better homes as their families expand. In turn, the purchase of larger homes

by expanding families allows older homeowners to downsize as the nest empties. Without first-time home buyers, circulation slows, homeowners are stuck, mobility declines, and property values sink.

For more than a decade, the supply of first-time home buyers has been curtailed by the changed lives of young adults. First-time buyers have declined as a share of all home buyers, according to the [National Association of Realtors](#), and as yet there's no sign of a turnaround. In 2017, first-time buyers accounted for only 34 percent of all home buyers, not far above the all-time low of 32 percent (in 2015) and well below the historical norm of 40 to 42 percent.

Not only are potential first-time buyers hesitant to enter the housing market, but the age of first-time buyers has increased. We know this because the [Census Bureau](#) tracks homeownership by age on a quarterly basis and has been doing so since 1982. In every year from 1982 until 2011, householders aged 30 to 34 were the first-time buyers—the age group in which the homeownership rate first surpasses 50 percent. But as the Great Recession commenced in 2007, the homeownership rate of 30-to-34-year-olds went into a tailspin. In 2011, the rate fell below 50 percent for the first time. It's been stuck there ever since. The decline in the homeownership rate of 30-to-34-year-olds has been stunning, falling by 11.7 percentage points since the peak year—from 57.4 in 2004 to 45.7 percent in 2017. The new age of first-time home buying has advanced into the 35-to-39 age group, but even the homeownership rate of this age group is slipping toward the 50 percent market. Since 2004, the homeownership rate of households headed by people aged 35 to 39 fell 9.8 percentage points—from 66.2 to 56.4 percent in 2017. As householders in their thirties have postponed home buying, the decline in homeownership is moving into older age groups. The homeownership rate of households headed by people aged 40 to 44 fell by 10.1 percentage points between 2004 and 2017—from 71.9 to 61.8 percent.

The age of first-time home buying has advanced into middle age, lowering the overall homeownership rate in the process. According to projections by the [Joint Center for Housing Studies of Harvard](#), the overall homeownership rate will rise very slightly in the years ahead—even if homeownership rates by age, race, and household type remain the same—simply because of the aging of the population. That might explain the small 2017 rise. But the uptick might also mean that the homeownership rate has hit bottom (in 2016), and further declines are unlikely. After 13 years of decline, that's good news.