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ECONOMIC Synopses

Understanding the Generational Gaps in Homeownership

Victoria Gregory, Economist
Kevin Bloodworth, Research Associate

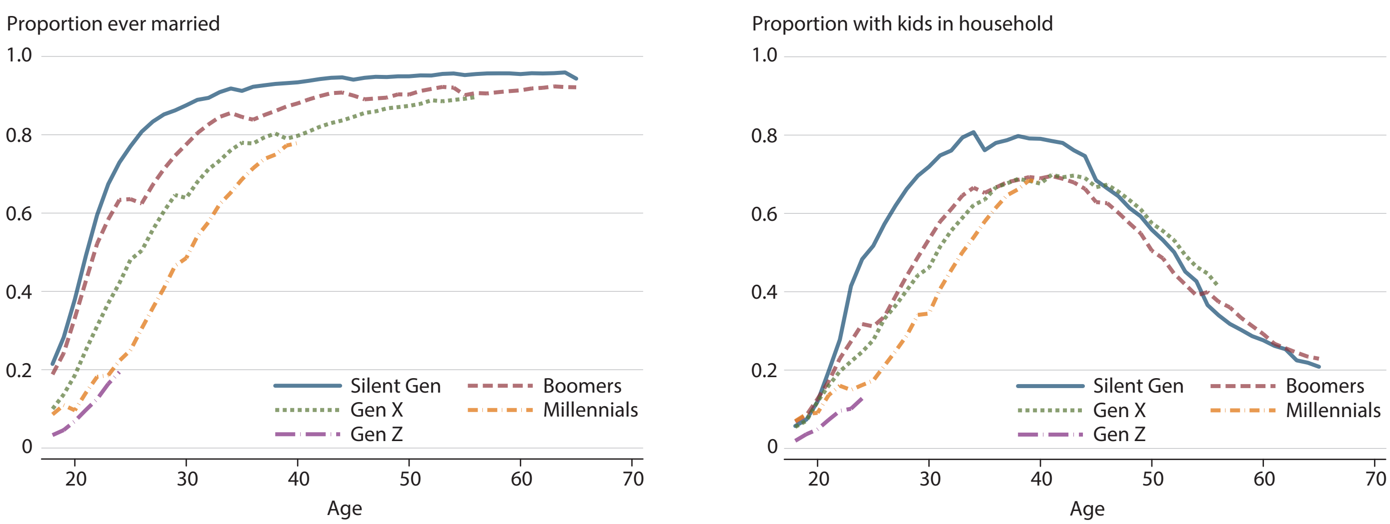
Within the United States, homeownership is the primary way for individuals to build wealth. A recent essay, "Generational Gaps in Income and Homeownership," describes that, over the entire life cycle, non-college-educated Baby Boomers had not only a higher median income than their Millennial counterparts, but also a higher probability of homeownership. College-educated Baby Boomers had no difference in median income but still had a much higher probability of homeownership than their Millennial counterparts at every age. This essay expands on the previous one, further examining why each subsequent generation after Baby Boomers has been waiting later in life to purchase a home. We'll specifically examine the roles of marriage, children, and student loan debt.

We use data from the American Community Survey (ACS), which the US Census Bureau has conducted annually since 2000 and every 10 years prior to that. The ACS contains information on income, employment status, homeownership status, and demographic information for a representative sample of the population. We categorize individuals by their birth years as follows: Silent Generation (1928-1945), Baby Boomers (1946-1964), Generation X (1965-1980), Millennials (1981-1996), and Generation Z (1997 onward).

First, we examine the proportion of individuals who have ever married as a function of age, starting at age 18 (left panel of figure); here we can see stark differences over the cohorts. The proportion of Millennials married at age 30 is approximately 40%—much lower than their older generational counterparts. At age 30, approximately 60% of those in Gen X were married, and approximately 80% of Boomers were married. As age increases, we see the proportions of married individuals converge to around 85-90%. From this, the major implication is that Millennials, on average, are deciding to get married much later in life than their older generational counterparts.

Next, we look at the proportion of individuals with children in the household as a function of age (right panel of figure). Later generations are becoming less likely to have children living in their household at nearly all ages. For example, the proportion of Millennials at age 30 with children living in their household is approximately 35%, whereas this number for both Gen X and Boomers is approximately 45%. As age increases, we see a large drop

Marriage and Children



SOURCE: American Community Survey.

Student Loan Debt

Cohort	Share with student loan debt conditional on having at least some college	Median debt-to-income ratio among student loan debt holders
Baby Boomers	13%	0.04
Generation X	40%	0.24
Millennials	47%	0.27

NOTE: Each generational cohort comprises those in their 30s.

SOURCE: Survey of Consumer Finance.

in the number of children living in the household, which can be attributed to those children eventually growing up and moving away from home.

These trends may be connected to homebuying behavior. Millennials deciding to get married later in life could potentially delay homeownership: By having two incomes, married individuals can better save for large payments, such as a down payment for a home. Millennials are also deciding to have children later in life compared with their previous generational cohorts, which may reduce their need to buy a home since these two life events are often connected.

Of note, there's anecdotal evidence suggesting that student loan debt is getting in the way of Millennial homeownership. According to CNBC, "half of people who haven't yet purchased a home blame their student debt" and "sixty percent of millennials say that loans hold them back." Knowing that a college education is one of the best ways to increase lifetime earnings, subsequent generations became more likely to go to college. At the same time, the cost of formal higher education has skyrocketed over the past decades. As a result, students are taking on much more student loan debt to further finance their education.

Our data on student loan debt come from the Survey of Consumer Finance (SCF), which is hosted at the Board of Governors of the Federal Reserve System and conducted at three-year intervals, starting in 1986. It contains information on many forms of household wealth for a representative sample of the population. Here, we focus on student loan debt for Boomers, Gen X, and Millennials when they were in their 30s.[1]

The table shows that nearly half of Millennials with at least some college education have student loan debt in their 30s, compared with only 13% of Boomers at the time they were in their 30s. We also see that Millennials have the highest median debt-to-income ratio of 0.27, compared with only 0.04 for Boomers. Gen X is not far behind Millennials on both metrics. The burden of student loan payments could make it more difficult for prospective homeowners to save up for a down payment. Moreover, having a high debt-to-income ratio can reduce the chances of being able to qualify for a mortgage. Thus, as examined in the previous essay, even though college-educated Millennials and Gen Xers are earning as much as Boomers, we find here that a big difference between the college-educated individuals across cohorts is the presence of student loan debt, which is conceivably a contributor to the homeownership gap. ■

Note

[1] The survey began too late to capture the Silent Generation in their 30s, and Gen Z is not yet in their 30s.

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