

# DEMOGRAPHIC DRIVERS OF THE U.S. HOMEOWNERSHIP RATE: HOW SHOULD POLICY MAKERS RESPOND?

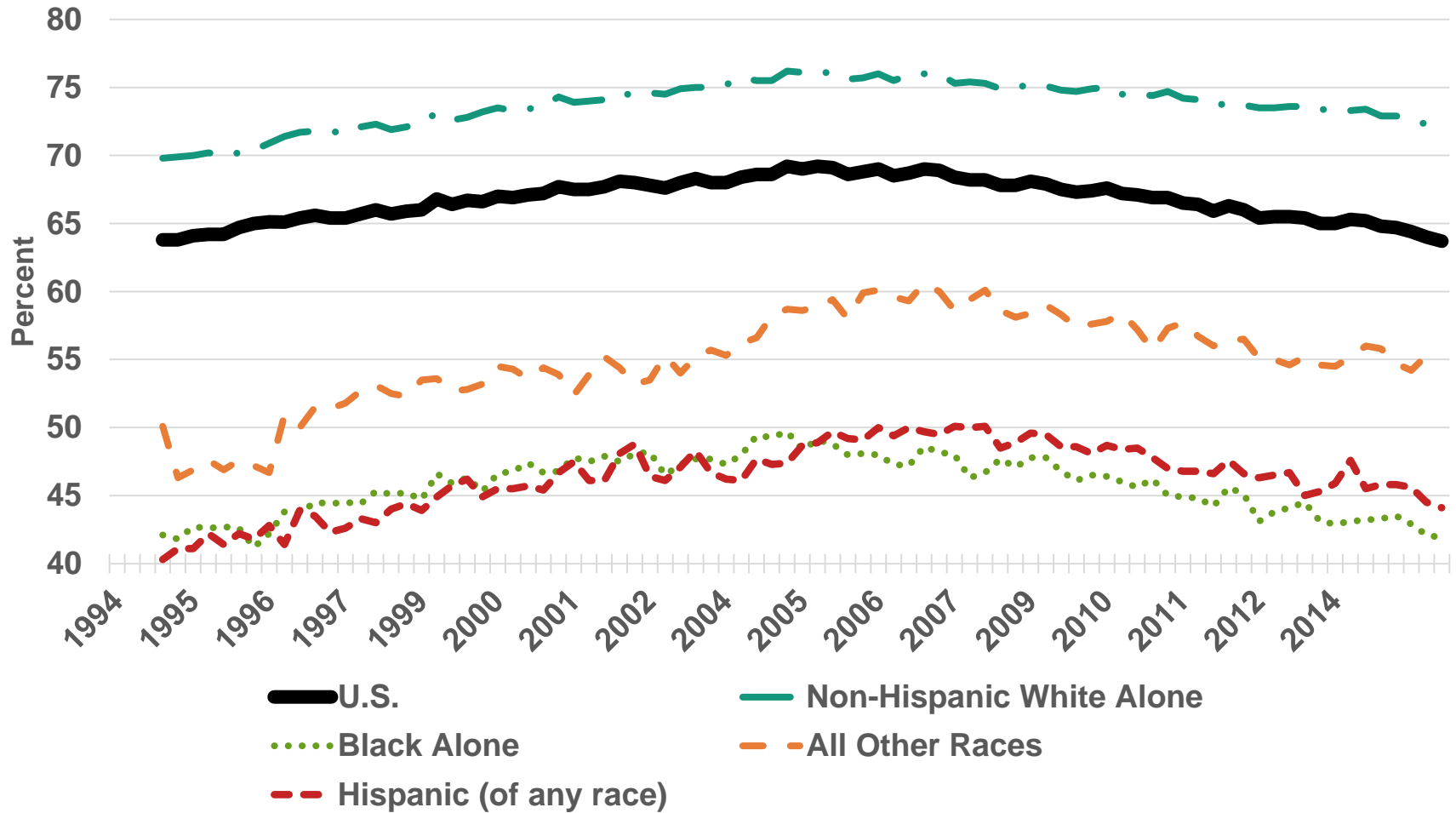
**Emile J. Brinkmann**

**Former Chief Economist, Mortgage  
Bankers Association**

**Former Trustee of the Research Institute  
for Housing America**

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# Trends in U.S. Homeownership Rate



Source: US Census Bureau

# What Should the Policy Response Be?

Potential causes of the decline in homeownership that policy makers might impact:

- Credit Tightening
- Housing costs
- Overhang from the recession

# But What Factors Are Beyond the Control of Governments?

- Lifestyle choice
  - ▶ Fewer marriages and children
  - ▶ Migration to urban areas with more expensive housing options (“I can’t afford to live where I want to live.”)
  - ▶ Mobility
- Immigration and race/ethnicity trends
- Changing age of the population

# Homeownership by Race & Ethnicity - 2014

Age:	White	Black	Hispanic	Asian	Other
25-34	48%	19%	30%	33%	40%
35-44	70%	38%	45%	60%	50%
45-54	79%	51%	56%	75%	63%
55-64	82%	56%	59%	75%	71%
65-74	85%	63%	63%	73%	70%
75 and over	82%	67%	68%	63%	74%
Total	75%	46%	48%	60%	58%

Data Sources: US Census Bureau, IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)

# Change in Homeownership By Age and Ethnicity, 2005 – 2014

Age:	White	Black	Hispanic	Asian	Other
<b>25-34</b>	<b>-10%</b>	<b>-11%</b>	<b>-7%</b>	<b>-11%</b>	<b>-3%</b>
<b>35-44</b>	<b>-8%</b>	<b>-10%</b>	<b>-9%</b>	<b>-4%</b>	<b>-13%</b>
<b>45-54</b>	<b>-4%</b>	<b>-7%</b>	<b>-3%</b>	<b>5%</b>	<b>-3%</b>
<b>55-64</b>	<b>-3%</b>	<b>-11%</b>	<b>-7%</b>	<b>3%</b>	<b>-6%</b>
<b>65-74</b>	<b>-1%</b>	<b>-4%</b>	<b>-3%</b>	<b>-3%</b>	<b>-8%</b>
<b>75 and over</b>	<b>1%</b>	<b>-6%</b>	<b>2%</b>	<b>10%</b>	<b>-9%</b>
<b>Total</b>	<b>-4%</b>	<b>-7%</b>	<b>-4%</b>	<b>-2%</b>	<b>-6%</b>

Data Sources: US Census Bureau, IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)

# Owner-Occupied Households - 2014

Number of households in millions

Age:	White	Black	Hispanic	Asian	Other	Total
25-34	5.8	0.5	1.1	0.6	0.2	8.2
35-44	8.8	1.1	1.7	0.9	0.2	12.8
45-54	12.6	1.6	1.8	1.0	0.3	17.2
55-64	13.7	1.6	1.3	0.9	0.3	17.7
65-74	10.6	1.0	0.7	0.5	0.2	12.9
75 and over	8.5	0.8	0.5	0.3	0.1	10.2
Total	60.0	6.6	7.0	4.2	1.4	79.1

# Projected Population Changes - 2014-2025

	<b>White</b>	<b>Black</b>	<b>Hispanic</b>	<b>Asian</b>	<b>Other</b>
<b>Under 25</b>	<b>(4.0)</b>	<b>(0.4)</b>	<b>3.1</b>	<b>1.0</b>	<b>1.1</b>
<b>25-34</b>	<b>(0.3)</b>	<b>0.9</b>	<b>2.2</b>	<b>0.6</b>	<b>0.5</b>
<b>35-44</b>	<b>1.4</b>	<b>0.9</b>	<b>1.9</b>	<b>0.8</b>	<b>0.3</b>
<b>45-54</b>	<b>(5.5)</b>	<b>(0.1)</b>	<b>2.1</b>	<b>0.7</b>	<b>0.2</b>
<b>55-64</b>	<b>(2.1)</b>	<b>0.5</b>	<b>2.3</b>	<b>0.6</b>	<b>0.2</b>
<b>65-74</b>	<b>6.0</b>	<b>1.5</b>	<b>1.8</b>	<b>0.8</b>	<b>0.3</b>
<b>75 and over</b>	<b>5.8</b>	<b>0.9</b>	<b>1.1</b>	<b>0.6</b>	<b>0.2</b>
<b>Total</b>	<b>4.0</b>	<b>4.0</b>	<b>10.2</b>	<b>3.9</b>	<b>1.5</b>



## So What Does This Mean For the Homeownership Rate?

Given the expected population changes, and assuming:

1. The same household formation to population ratios for each age and race/ethnicity category.
2. The same home ownership rate within each category

It is possible to forecast out the homeownership rate for a number of years.

# Projected US Homeownership Rates Based on Demographic Changes Alone

<b>2014*</b>	<b>64.7%</b>
<b>2014**</b>	<b>66.9%</b>
<b>2020</b>	<b>66.6%</b>
<b>2025</b>	<b>66.5%</b>
<b>2030</b>	<b>66.4%</b>
<b>2035</b>	<b>66.2%</b>
<b>* Rate including those under age 25</b>	
<b>** Rate excluding those under 25</b>	

Despite the demographic trends of large increases in the Hispanic population with lower homeownership rates, why is the overall homeownership rate not falling faster? The negative effects on the rate from a growing young Hispanic population are almost exactly offset by aging Whites moving into peak homeownership years.

The 2014 homeownership rate here differs from the official rate because it is based on a different US Census population estimate to maintain consistency with the forecast for future years.

# What could cause the homeownership rates to change within each age/race/ethnicity category?

- Changes in household formation rates and household structure are more than transitory.
- The historical transition from rental to homeownership does not occur, particularly among non-Hispanic Whites.
- A change in the mix of Hispanics between native born, long-term residents, and recent arrivals.
- A growth in the socioeconomic problems that limit homeownership.

# Number of Renters by Family Structure

(in thousands)

<u>Ages:</u>		<u>2005</u>	<u>2014</u>	<u>Change</u>
<b>25 to 34</b>	<b>Married couples</b>	<b>2,919</b>	<b>3,319</b>	<b>400</b>
	<b>Male headed, no wife</b>	<b>607</b>	<b>839</b>	<b>232</b>
	<b>Female headed, no husband</b>	<b>2,068</b>	<b>2,374</b>	<b>306</b>
<b>35 to 44</b>	<b>Married couples</b>	<b>2,074</b>	<b>2,856</b>	<b>782</b>
	<b>Male headed, no wife</b>	<b>475</b>	<b>568</b>	<b>93</b>
	<b>Female headed, no husband</b>	<b>1,722</b>	<b>2,055</b>	<b>333</b>

# Percent of Renters on Food Stamps

Age:	White	Black	Hispanic	Asian
25 to 34	15%	37%	29%	6%
35 to 44	16%	31%	26%	7%
45 to 54	20%	32%	24%	4%
55 to 64	21%	32%	26%	10%
65 to 74	19%	23%	37%	19%

- **82% of Black renter households receiving food stamps are headed by women.**
- **17% of all Black renter households between the ages of 25 and 44 are headed by women who are on food stamps, have never married and have children (an average of 2.5 children) at home.**

# Homeownership by Years since Immigrating to the US

	<u>Hispanic</u>	<u>Asian</u>
<b>Native born</b>	<b>55%</b>	<b>68%</b>
<b>Over 20 years</b>	<b>52%</b>	<b>72%</b>
<b>10 to 20 years</b>	<b>38%</b>	<b>66%</b>
<b>Less than 10 years</b>	<b>23%</b>	<b>30%</b>

## Homeownership Rates After Certain Rental Groups are Excluded

	1995	2005	2014	2014 - 1995	2014 - 2005
<b>All</b>	<b>64.6</b>	<b>69.2</b>	<b>64.6</b>	<b>0.0</b>	<b>-4.6</b>
<b>Only 25 and Older</b>	<b>67.9</b>	<b>72.5</b>	<b>67.4</b>	<b>-0.5</b>	<b>-5.1</b>
<b>Excluding Rentals with Food Stamps</b>	<b>72.9</b>	<b>75.4</b>	<b>72.6</b>	<b>-0.3</b>	<b>-2.8</b>
<b>Excluding Rentals of Immigrants Arriving in Previous 15 years</b>	<b>74</b>	<b>77.9</b>	<b>75</b>	<b>1.0</b>	<b>-2.9</b>

Exclusions are cumulative. The exclusion of renters on food stamps also excludes all households under 25 years old. The exclusion of recent arrival immigrants also excludes those under 25 and renters on food stamps.

# Implications for the United States

- While demographic factors such as age and the changing composition of the population impact the overall homeownership rate, the effects largely offset each other in the US over the next 20 years.
- Changes in rates for the individual subgroups will drive any changes in the homeownership rate:
  - Declining population and changes in traditional transition from renting to homeownership among Whites.
  - Homeownership is a function of time in country US for Hispanics.
  - Growing Asian population with very high homeownership rates.
  - Continued declines in the Black homeownership rate coincident with continuing socioeconomic issues.



# Implications Internationally

- Do cross-border comparisons of homeownership rates make any sense?
- While traditional methods of supporting homeownership (tax policies, direct subsidies, low interest rates) have some effect, the overall rate will be driven by:
  - Age demographics
  - Immigration policies
  - Impact of slow economic growth on delaying the ability of young people to establish careers and form households.

# Contact Information:

**Emile (Jay) Brinkmann**  
**[Jay@BrinkEcon.com](mailto:Jay@BrinkEcon.com)**

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The raw data for this analysis are from various (and sometimes inconsistent due to varying methodologies) reports of the U.S. Census Bureau.

In addition, the author made extensive use of data from:

Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. *Integrated Public Use Microdata Series, Current Population Survey: Version 3.0*. [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

# **Additional slides for Reference**

# US Population Change, 2005 - 2014

## Population Change in Millions

Age:	White	Black	Hispanic	Asian	Other
Under 25	(5.3)	(0.3)	5.0	1.2	1.7
25-34	0.8	0.4	1.1	0.6	0.3
35-44	(5.4)	(0.4)	1.5	0.6	0.1
45-54	(2.1)	0.3	2.0	0.7	0.1
55-64	5.9	1.6	1.6	0.8	0.3
65-74	5.4	0.6	0.7	0.5	0.1
75 and over	0.8	0.3	0.5	0.3	0.1
Total	0.1	2.5	12.4	4.5	2.8

# Change in Homeownership 1995-2014

<b>Age:</b>	<b>White</b>	<b>Black</b>	<b>Hispanic</b>	<b>Asian</b>	<b>Other</b>
<b>25-34</b>	<b>-4%</b>	<b>-1%</b>	<b>1%</b>	<b>0%</b>	<b>-1%</b>
<b>35-44</b>	<b>-2%</b>	<b>-2%</b>	<b>-1%</b>	<b>6%</b>	<b>-5%</b>
<b>45-54</b>	<b>-2%</b>	<b>-4%</b>	<b>1%</b>	<b>17%</b>	<b>-13%</b>
<b>55-64</b>	<b>-2%</b>	<b>-7%</b>	<b>-3%</b>	<b>12%</b>	<b>3%</b>
<b>65-74</b>	<b>1%</b>	<b>-1%</b>	<b>2%</b>	<b>5%</b>	<b>1%</b>
<b>75 and over</b>	<b>6%</b>	<b>3%</b>	<b>3%</b>	<b>12%</b>	<b>14%</b>
<b>Total</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>	<b>8%</b>	<b>-1%</b>

Data Sources: US Census Bureau, IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)

# Age and Race/Ethnicity Contributions to Overall Homeownership Rate

Ownership rates weighted by number of households

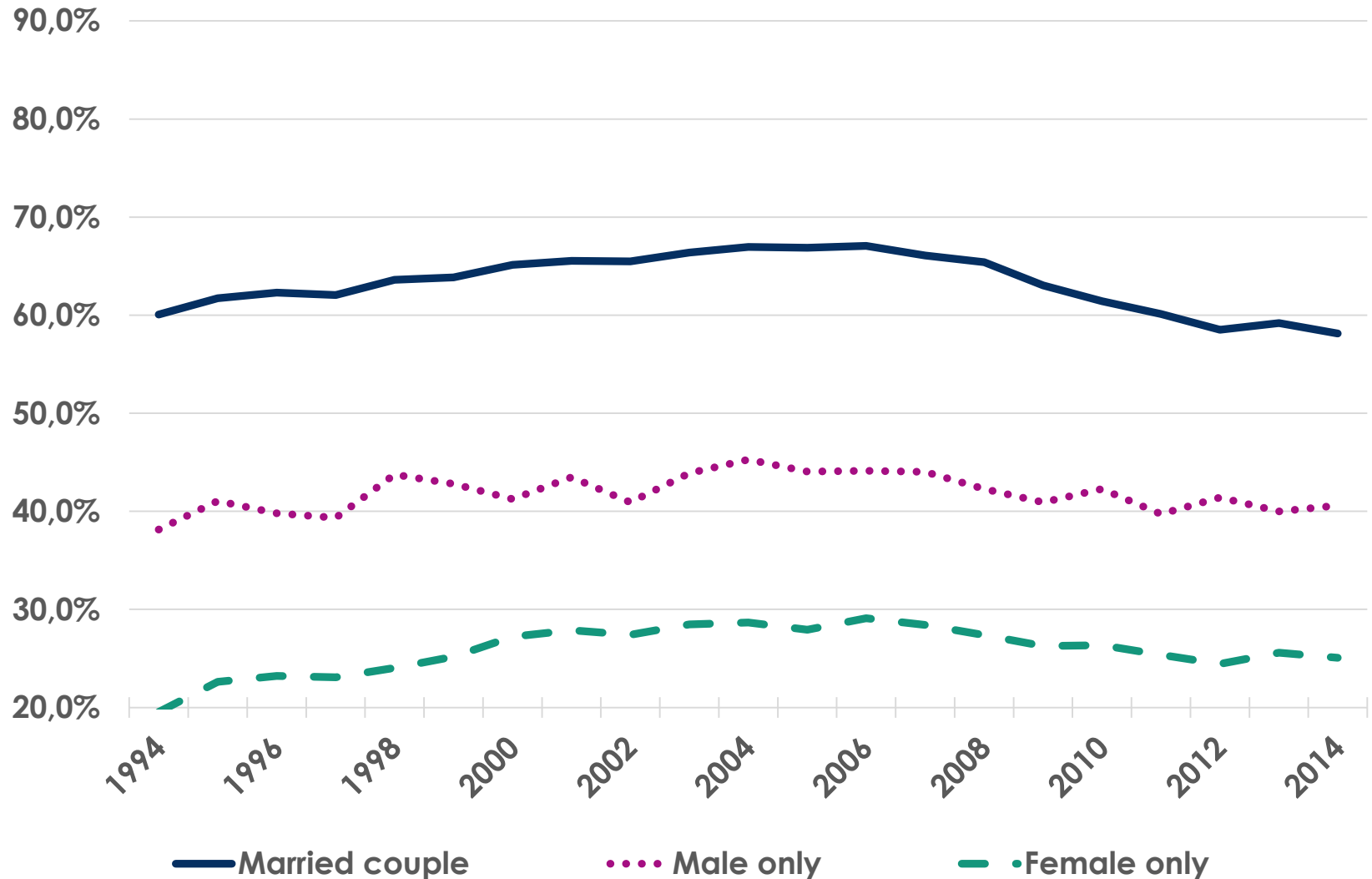
Age:	White	Black	Hispanic	Asian	Other
25-34	4.9%	0.4%	0.9%	0.5%	0.2%
35-44	7.5%	0.9%	1.4%	0.8%	0.2%
45-54	10.6%	1.4%	1.5%	0.9%	0.3%
55-64	11.6%	1.4%	1.1%	0.7%	0.3%
65-74	8.9%	0.9%	0.6%	0.4%	0.2%
75 and over	7.2%	0.6%	0.4%	0.2%	0.1%
Total	50.7%	5.6%	5.9%	3.5%	1.2%
Overall 2014 Homeownership rate: <u>66.9%</u>					

Each cell represents that group's contribution to the overall homeownership rate.

# Projected Population Changes - 2014-2035

Age	White	Black	Hispanic	Asian	Other
Under 25	(6.6)	(0.0)	5.8	2.0	2.3
25-34	(2.6)	0.6	3.9	1.1	0.8
35-44	1.0	1.7	4.0	1.3	0.7
45-54	(3.7)	0.8	3.9	1.5	0.5
55-64	(6.5)	0.5	4.2	1.3	0.4
65-74	4.2	1.9	3.7	1.4	0.5
75 and over	13.1	2.5	2.9	1.4	0.5
Total	(1.1)	7.9	28.4	9.9	5.8

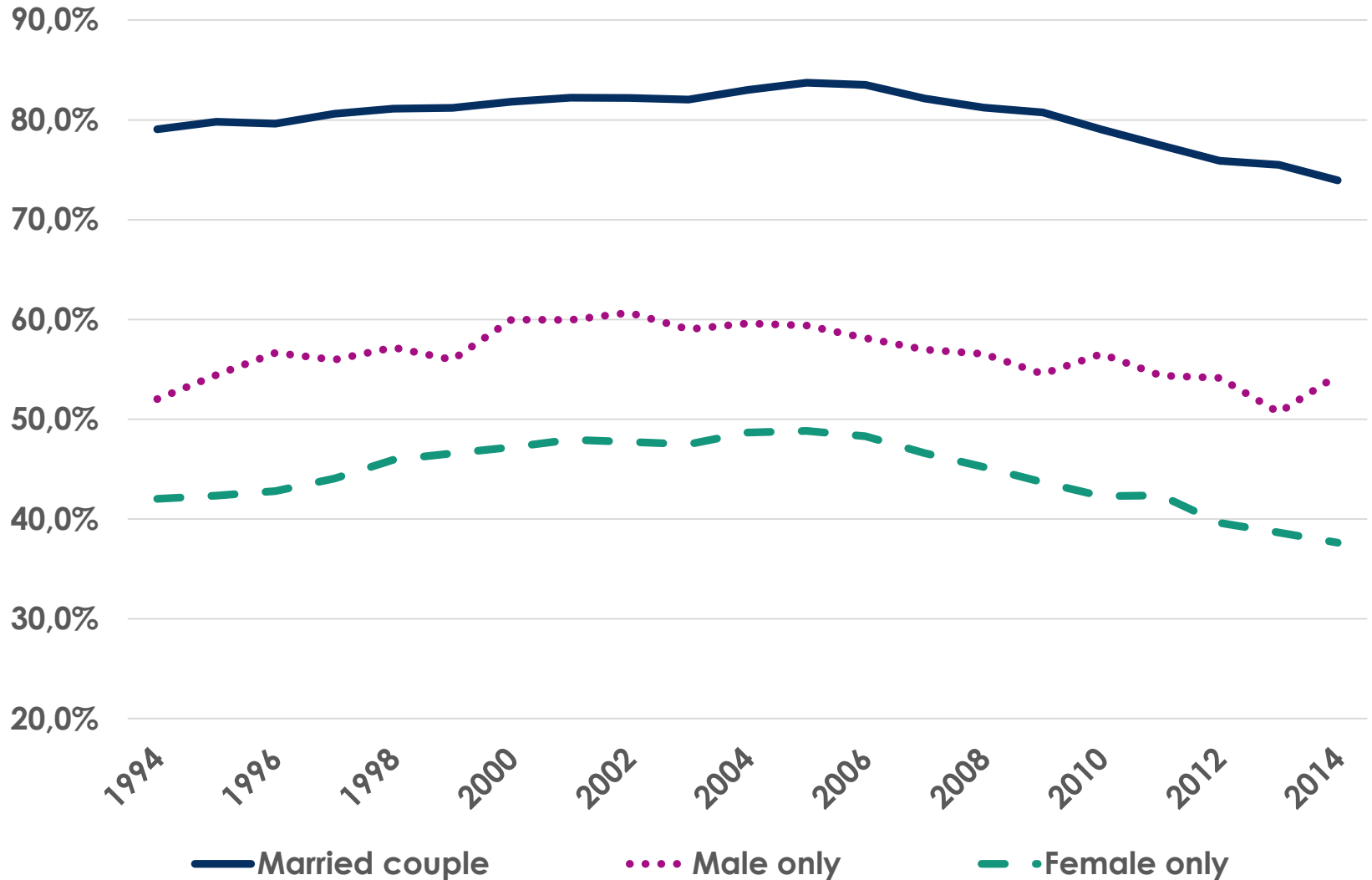
# Homeownership by Family Structure Ages 25 to 34



Data Source: IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)



# Homeownership by Family Structure Ages 35-44



Data Source: IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org)