

Developing Trends

- **While listings under \$200,000** continue to fall, overall total properties available for sale in April increased for a fourth consecutive month. With sales activity holding relatively in line with levels over the past two years, the months supply of inventory loosened to 4 months.
- **The median single-family home** price rose 5.5 percent over the past 12 months to \$259,900. Sales of homes above \$250,000 continue to rise, following a trend of higher-priced home sales in the new-home market. The median price of a new residence was \$312,700 in April.
- **The majority of U.S. households** are already located in the suburbs and that number is set to rise as young adults living in downtown areas form families and choose larger housing options in more affordable areas. Many companies targeting millennial workers moved to the urban core to tap into this workforce that was also choosing to enjoy a live-work-play lifestyle. However, as this generation's housing needs shift and companies are faced with soaring rents and few options for expansion in downtown locations, many office tenants will follow.

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Millennials Driving Force Behind Home Sales; Affordable Suburban Locations Gaining Popularity

For a fifth consecutive year, millennials led home purchase activity, comprising 36 percent of the buyers in 2017. The oldest millennials are now 37, and as this generation ages and starts families, a wave of potential new buyers are moving into the market. Approximately two-thirds of first-time buyers in 2017 were millennials, but housing affordability remains a concern in 2018 as home listings under \$200,000 continue to shrink. Homes in this price tranche have fallen 59* percent since May 2012.

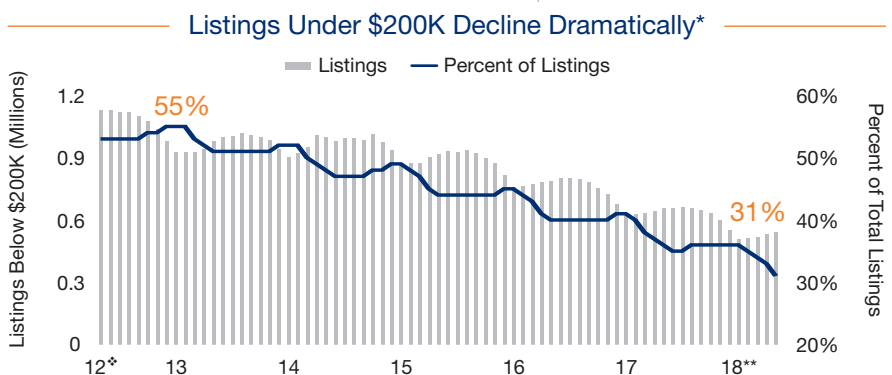
As home prices in urban areas have appreciated faster than those in the suburbs, millennial buyers active in the market are reversing a trend of moving to the core. For a third straight year, more than 50 percent of homes sold to this generation during 2017 were in the suburbs as they seek out affordable housing options. Over the next five years, the young adult population in downtown cores is expected to fall

by an average of 0.7 percent each year, compared with annual growth near 1.5 percent since 2000.

While millennials are a driving force behind home purchases, first-time buyer activity constituted just 33 percent of sales in April, well below the long-term average of 40 percent. Homeownership among young adults is also the lowest of all age segments, with slightly more than 35 percent of those under age 35 owning a home, down from approximately 43 percent before the recession. The limited supply of entry-level housing, both new and existing, and the rising cost of debt will restrain millennial home purchases. Younger millennials are also just entering the workforce, and delays in other major milestones, such as marriage and having children, will contribute to a large share of these individuals choosing to rent over the next few years.

\$259,900 Median price of existing single-family homes in April 2018

4.0 Months of supply at current sales pace in April 2018



* May 2012

** Through May 2018

* compiled from the realtor.com residential listings database at www.realtor.com/research/data
Sources: Marcus & Millichap Research Services; U.S. Census Bureau; Real Page, Inc.; National Association of Realtors; National Association of Home Builders; New York Fed Consumer Credit Panel/Equifax