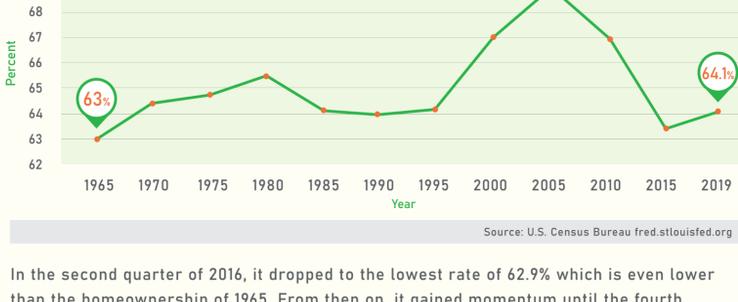




Why hasn't the U.S. homeownership rate recovered?



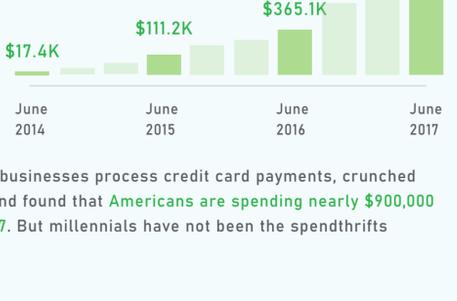
We Are a Decade Into the US Economic Recovery Yet The Homeownership Rate is at the Same Level it Was in 1965



Source: U.S. Census Bureau fred.stlouisfed.org

In the second quarter of 2016, it dropped to the lowest rate of 62.9% which is even lower than the homeownership of 1965. From then on, it gained momentum until the fourth quarter of 2018 with a rate of 64.8%. As of the second quarter of 2019, it stands at 64.1%.

The issue is not Avocado toast



Square, a tech company that helps businesses process credit card payments, crunched data from sellers around the U.S. and found that Americans are spending nearly \$900,000 per month on Avocado Toast by 2017. But millennials have not been the spendthrifts geazers accuse them of being.

Millennials Struggle to Buy Homes

The drop in homeownership is largely due to a delay in homebuying by the millennials, who have the lowest ownership rate of their age group in history.



Reason #1: Monopoly Money



Since the great recession central banks have expanded their balance sheets to \$19.4 trillion buying financial assets. This was done to drive the wealth effect by lifting asset prices. If you are poor and do not own financial assets this does not help you.

Since the recession private equity firms & hedge funds like Blackstone have spent over \$40 billion buying over 200,000 homes that millennials could have purchased.



By 2017, Innovation Homes & American Homes 4 Rent control a big chunk of the market.



By 2017, Invitation Homes & American Homes 4 Rent controlled nearly 60% of the market.

Average Rent Increase from 2016 to 2018 by American Homes 4 Rent and the Top 30 markets in the country

Reason #2: Carrying High Student Debt

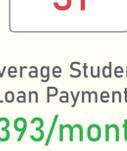
Average Annual Cost of Tuition, Room, and Board (2018 Dollars)



Even when accounting for inflation, the cost of tuition, room, and board has more than doubled since 1971. From \$8,730 to \$21,370 for public universities and \$18,140 to \$48,510 for private nonprofit universities.



Current US Student Loan Debt: \$1.53 Trillion



Average Student Loan Payment: \$393/month



Average Student Loan Debt: \$37,172



1 in 4 Americans has a Loan Debt est 44.7 million

Reason #3: Impact of Great Recessions on Earnings

Civilian Employment-Population Ratio. Shaded areas indicate US Recession



"In the Civilian Employment-Population Ratio, recession plays an important part on earnings and employment rate within the US. Shaded part shows there's a sudden drop in employment rate every recession."

The data suggest that declines in the size and average wages of first employers of young college graduates could explain about 30-40 percent of the initial wage losses from starting a career in a recession.



Displaced workers who were affected by the great recession that had reentered the workforce still earned 16 percent less than comparable workers who had not been displaced.

Reason #4: Rising Rent Costs

Monthly median asking rent for unfurnished apartments in the United States from 1980 to 2017



Renters paid out record \$504 billion for housing in 2018, more than the entire GDP of Belgium (\$494.7 billion), as rent rose in throughout that year.



US Total Rent Payout: \$504.4 Billion



Total GDP of Belgium: \$494.7 Billion

33% of 25 to 29 lived with their parents & grandparents in 2016. That's three times as many in 1970.



Reason #5: House Price Inflation

Median Sales Price of Houses Sold for the United States



The median sales price of a home nationwide was \$257,400 in 2007 Q1 at the prior bubble peak & was \$320,300 in 2019 Q2.

Like rents, properties are appreciating far faster in mega city metro regions than in less populated areas. In San Francisco the median single family home listed for \$1.7 million & the median condo was listed at \$1.3 million.



Increase in Average Price Lower-Priced Homes 2012 to late 2018



Increase in Average Price of High-End Homes 2012 to late 2018

if a person saved 5% of the median local income each month to save up for a downpayment it would take



36 years to have a 20% downpayment saved in New York City



40 years to have a 20% downpayment saved in San Francisco



43 years to have a 20% downpayment saved in Los Angeles

“There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning.”

WARREN BUFFETT

Young Americans now view socialism as more attractive than capitalism.

