



## Are Millennials Shying Away From Investing in Real Estate?

By Mark Seruya

**Millennials – now the largest age group in the nation, with an estimated 83.1 million individuals – dictate our economic trends to a large degree. This may well be the case for real estate.**

Classified as the group of individuals born between 1982 and 2000, and now representing more than one quarter of the nation's population, this generation is facing many challenges when it comes to buying a home.

Despite rising rents and low interest rates, many Millennials are delaying the purchase of a home. One reason might be the hefty burden of student loan debt, which impedes the requisite debt-to-income ratios required by lenders for a mortgage. National student loan debt now tops \$1 trillion.

Making the burden of student loan payments that much trickier is the flat job market: For 18 to 29 year-olds looking for employment, the unemployment rate topped 13 percent last summer.

Buying a home is the most oft-cited milestone that Millennials with student loan debt will put off. Buying a car was a close second in this age group. Public transportation, alternative modes of transportation such as bicycle, motorcycle or even moped, or repairs to an old car all can make this purchase non-essential for many.

The recent recession, the resulting plunge in home values, in combination with increased compe-

tion for higher-paying jobs, may make home ownership at least temporarily lose its appeal.

However, the real estate market has been steadily – albeit leisurely – improving for the past six years. It may seem unbelievable, especially to buyers in hot markets such as San Francisco or New York, but in general, US homes remain affordable. And this relative affordability is convincing some Millennials who've either been renting, or perhaps living with family, to buy.

People under the age of 34 accounted for the largest share of homebuyers for the second consecutive year, according to the National Association of Realtors (NAR) 2015 Homebuyer and Seller Generational Study. Millennials accounted for 34 percent of buyers in 2014 and Generation X, followed close behind with 27 percent.

Despite Millennials' rough start into real estate, there are signs of hope that the next generation of home buyers is ready to capitalize on homeownership.

### About the Author:

Mark Seruya is managing director and senior portfolio manager with the global wealth management division of Morgan Stanley Wealth Management in Manhattan. He can be reached at 212-903-7699.

