



First-time Buyers: Gain Equity Early On

BY PETER MILLER, CTW FEATURES

Millions of young adults live at home and – financially at least – that may be the quickest route to homeownership.

The central reason for so much staying with Mom and Dad is that housing costs have simply outrun incomes.

"Homebuyers must earn \$75,849 annually to afford the typical U.S. starter home, up 8.2% (\$5,767) from a year ago," said Redfin in a March report.

"Starter homes," it added, "are roughly half as affordable as they were before the pandemic. Americans needed to earn \$40,465 annually to afford the typical U.S. starter home in February 2020, when the median sale price was \$169,000 and the average mortgage rate was about

3.5%.

In other words, it's possible to both earn a good income and not be able to afford a home, a situation forcing many young adults to live with parents or other family members.

A 2023 study by the LendingClub Corporation, the parent company of the LendingClub Bank, found that "Among consumers earning \$50,000 to \$100,000, 65% lived paycheck to paycheck as of June 2023, compared to 60% in June 2022. Meanwhile, the shares of high-income consumers — those earning more than \$100,000 annually — and low-income consumers — those earning less than \$50,000 annually — living paycheck to paycheck in June 2023 sit at 45% and 77%, respectively, relatively unchanged from June 2022."

One reason we see so many young adults with jobs living at home is simple economics. Take a regular income and subtract costs for cars, student loans, credit cards, and taxes and a big chunk of the paycheck has already been spent.

A 2023 Harris study for Bloomberg found that among those 18 to 29 living at home was common — about 45% were staying with family, a total of roughly 23 million people.

While some people are troubled by large numbers of young adults living at home, what we're seeing today reflects past realities. In the 1940s, reports Bloomberg, the percentage of young people living at home was about the same as it is today.

For what it's worth, we're likely to see many young adults living with family for years to come. Here's why.

First, living at home can be a financial gift for young adults. The money not paid for rent can be put into savings to build up the cash needed for the down payments and closing costs needed to buy a home. The savings can be significant. According to the Census Bureau, the median gross rent across the US was \$1,268 between 2018 and 2022. That's \$15,216 a year.

Second, although family dynamics are different for every household, it may be helpful for parents and grandparents to have someone in the home who can help with chores and light repairs.

Third, providing free or low-cost rent is an affordable type of assistance for

many households. That's because housing costs are largely unchanged when young adults move home. Mortgage payments remain the same, heating and cooling costs are steady, and repair and maintenance expenses can be stable.

Fourth, figures from the Census Bureau show that almost 45 million individuals between the ages of 25 and 34 live with family in 2023. While some of the reason for this choice concerns finances, there are other reasons as well. Think of couples marrying later and having kids when they're older, meaning it's fairly easy to move back with parents in their 20s and 30s.

It may be that in the future the term "living at home" will take on a new and more socially acceptable definition. That's because homes often have excess and unused space. Many single-family zoning plans are being replaced with new standards that allow auxiliary dwelling units (ADUs) — small, separate living units — that can be built into existing homes or added to existing lots. For property owners, such space can be used for offices, income-producing rental units, as well as housing for friends and relatives, including adult children.

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