

U.S. NEWS

Millennials Want to Buy Homes but Aren't Saving for Down Payments

Less than 30% of 25- to 34-year-olds can save enough for a 10% down payment in next three years



A real-estate agent checks his phone while waiting for potential home buyers in the San Francisco's Castro District on May 7. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

By *Laura Kusisto*

Updated May 25, 2017 2:27 p.m. ET

Most millennials have saved virtually nothing for a down payment on a home, according to a new study, suggesting many will face steep obstacles to homeownership in the years ahead.

Nearly 70% of young people ages 18 to 34 years old said they have saved less than \$1,000 for a down payment, according to a survey by Apartment List, a rental listing company, expected to be released Friday. About 40% said they aren't saving anything on a monthly basis.

Even senior members of the group are falling short. Nearly 40% of older millennials, those age 25 to 34, who by historical measures should already own or be a few years away from homeownership, said they are saving nothing for a down payment each month.

The study helps illuminate a tension at the heart of the housing market. The vast majority—some 80%—of millennials said they eventually plan to buy a home. But 72% said the primary obstacle is that they can't afford it.

“It's encouraging that millennials do want to buy homes. It suggests that they are delaying forming households but they're not giving it up,” said Andrew Woo, director of data science and growth at Apartment List. “The biggest reason [they aren't buying] is because of affordability.”

Catie Peterson, a 22-year-old graphic designer in Fort Lauderdale, Fla., said she doesn't expect to start saving for a down payment for another five years or so. “I barely have enough savings to cover my car if it were to break down,” she said.

Ms. Peterson said she pays \$975 a month in rent for a small one-bedroom apartment, which is about one third of her paycheck, leaving little room to save. “Once I get settled in my career and settled in my family, I think buying a house would be reasonable,” she said.

The reasons young people are falling behind include student loan debt, rising rents and the slow starts many got to their careers during the recession. Living in vibrant urban centers with ready access to restaurants, bars and entertainment might also make saving seem less urgent.

Many are children of the affluent baby boomer generation and some expect their parents to give them a boost when the time comes. In all, about one-quarter of millennials ages 25 to 34 expect to receive help from friends or family, according to the survey. Still, three-quarters said they expect to receive less than \$10,000, which might not be enough to close the gap.

There is evidence to suggest that at least some young people could be saving more. On average, millennials who make more money save a smaller share of their incomes. Those making less than \$24,000 save about 10% of their incomes, for example, while those making more than \$72,000 save just 3.5%, according to the survey.

To be sure, by some measures more millennials are finding a way to buy homes than a few years ago. First-time buyers have accounted for 42% of buyers this year, up from 38% in 2015 and 31% at the lowest point during the recent housing cycle in 2011, according to Fannie Mae. The mortgage giant defines first-time buyers as anyone who hasn't owned a home in the past three years, a group that could include older people as well.

Yet some millennials face daunting odds. Less than 30% of 25- to 34-year-olds can save enough for a 10% down payment in the next three years, while just 15% could save that much within a year, according to the Apartment List survey.

Some programs allow first-time buyers to purchase homes with even smaller down payments, though those loans typically come with costly mortgage insurance.

Gina Fontana, a 33-year-old data analyst, said she has saved a bit for a down payment but doubts she will use it anytime soon because home prices are so far out of reach.

Ms. Fontana said she saved enough for a 10% down payment on a \$200,000 house when she was living in Philadelphia, but couldn't buy anything in the neighborhoods she liked.

Now she has moved to Berkeley, Calif., and said the area's home prices—where starter homes can go for close to \$1 million—make the odds of buying a home essentially zero.

"I don't see that ever happening," she said. "I just prefer to travel."

Write to Laura Kusisto at laura.kusisto@wsj.com