CPA Practice Advisor

ago.

Feb. 07, 2023

By Tim Henderson, Stateline.org (TNS)

From 2016 to 2021, nearly every state saw a spike in the number of young adults between the ages of 25 and 44 forming new households, a development with far-reaching implications for state populations, economic growth and infrastructure.

For many millennials, the economic fallout of the Great Recession a decade and a half ago postponed what for many is a major milestone: leaving their parents' house or housing shared with roommates to form their own household. But millennials

However, high housing prices and rising interest rates in the past year might be cooling the trend.

Florida and New Jersey were among the states that saw big increases in young households between 2016 and 2021 as many millennials reached their 30s.

New England states, where births to 30-something parents have been booming, also saw some of the biggest increases in households headed by people ages 25-44, compared with the previous five-year period, 2011-2016.

"We saw just a massive return to New Jersey in 2020 and 2021. Millennials had been fleeing the state for New York City and downtown Philadelphia, but they found that living in a shoebox in Brooklyn was not very attractive when there's a pandemic, and you're raising children," said James Hughes, a professor of urban planning at Rutgers University.

In New Jersey, the number of households headed by people ages 25-44 grew 13% between 2016 and 2021, after shrinking 7% between 2011 and 2016. Households are defined as any single person or group living together, including families and couples.

The number of Maine households headed by millennials grew 21% between 2016 and 2021, after shrinking 12% the previous five years. In Florida, the growth rate was 18% after no growth in the previous five years.

An analysis released last month by the Joint Center for Housing Studies at Harvard University found the biggest growth in new millennial-headed households occurred between 2019 and 2021, contributing to high demand for housing that drove up home prices and rents.

"Maybe they wanted to be out on their own earlier, but they were just not able to," said Daniel McCue, a senior research associate at the center and the author of the

Harvard analysis.

Realtors survey period, down from 34% the previous year. Racial disparities also worsened: Homebuyers were 88% White from mid-2021 to mid-2022, up from 82% the year before.

Rising rents are making it difficult for people to save for a down payment, “further holding back Black buyers, who are also more likely than others to be first-time buyers,” the Realtors report concluded.

In a report last year, Daniel Garcia Molina, a senior economist for the Federal Reserve System, also pointed to especially high rates of household formation between 2019 and 2021. But more recent data suggests a reversion to lower rates, he said.

“We had seen in 2021 what seemed like a strong rebound from the early pandemic days, when many younger people moved in with family,” Garcia Molina said. As of last year, however, new households had declined again to 2019 levels: “Absent a rebound, it does not look like we’re seeing much make-up of previously postponed households following the Great Recession,” he said.

Rick Harrison, 33, a real estate agent and construction worker, moved to the Fort Myers, Florida, area from Connecticut five years ago. He and his wife recently bought a house, but he wishes they had done so when they first arrived.

“For millennials and Gen Z right now, a house has to be something you can comfortably afford, and there’s a lot of uncertainty about the economy now,” Harrison said. “Job security isn’t a real thing anymore. You don’t want to end up house-rich and money-poor.”
