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A Message from Timothy Baron:

"Interesting data here. Let's start talking to the next generation of homebuyers now!"

Move Over Millennials, Gen Z is Ready for Homeownership

Apparently it is time to shift our total attention from the Millennial generation. A new survey from Freddie Mac introduces the housing hopes and dreams of its successor - Generation Z. This group, defined as those Americans who are now aged 14 to 33, is smaller than the massive cohort that preceded them, partially because the generation is defined narrowly as those born over a ten-year span as opposed to the usual 15-year definition, 1981 to 1996, of Millennials.

The survey was conducted online last summer with 1,531 members of Generation Z. Two-thirds of the sample, which contained both Hispanic and African American respondents and was available in Spanish, was recruited through parents, the remainder were recruited directly. The sample was dived into two groups by age, those 14 to 17 and those 18 to 23 with the latter group having a slightly larger share.

The company says "The dream of homeownership is alive and well" within the generation. It has a **more positive perception of what it means to own a home** than Millennials at the same age. Eighty-six percent want to own a home someday and **89 percent believe it is at least somewhat likely they will be able to do so**. Among that latter group the median estimate as to when they will achieve that goal is age 30, three years younger than the current median homebuying age of 33.

Of note, more than one-quarter of respondents think that owning a home at any point in their life seems out of reach financially. This is higher among those who report that money has been a stressful topic in their family (36 percent). It is also higher among those currently living in a rented home.

Freddie Mac's survey data and other research show that the generation believes owning a home provides more privacy, control and independence than renting. They feel owning a home is a sign of success, is something to be proud of and provides stability and/or financial security.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	0.00	0.00
15YR Fixed	6.92%	0.00	0.00
30YR FHA	6.91%	+0.01	0.00
30YR Jumbo	7.52%	-0.03	0.00
7/6 SOFR	6.70%	-0.08	0.00
30YR VA	6.92%	+0.01	0.00

Rates as of: 11/2

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	100.02	+0.21
10 YR Treasury	4.8817	-0.0482
30 YR Treasury	5.2507	-0.0575

Pricing as of: 11/2 11:33AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

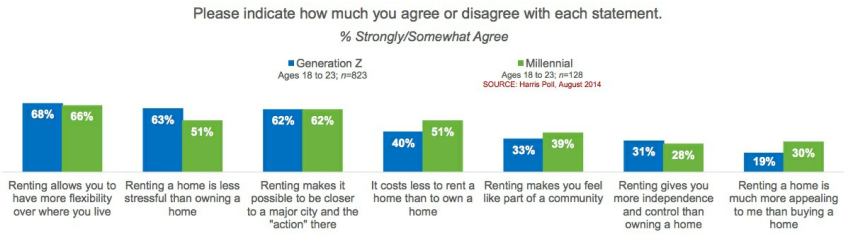
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Comparing this survey with earlier ones, Freddie Mac found 19 percent of Gen Z respondents seeing renting as more appealing than buying compared to 30 percent of Millennials at the same age. **Fewer see renting as making one feel part of a community** (33 percent of Gen Z vs. 39 percent of Millennials) or that it costs less to rent than to buy (40 percent compared to 51 percent.)

- Generation Z's perceptions of renting are largely similar to those of Millennials, but they are considerably less likely to see renting as more appealing than buying.

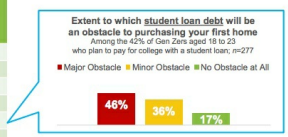


While they want and plan to own a home, they view access to that goal more negatively than did Millennials in a separate survey. Thirty-eight percent thought homeownership was less accessible than it was three years ago compared to 31 percent of Millennials who were asked the question.

High home prices was the most commonly cited barrier to homeownership. Fewer than half of the older share of Gen Z saw student debt as a major hurdle, but that may be because many in that age group would not yet have yet completed college.

- High home prices are the most commonly cited major obstacle among 18- to 23-year-olds who think it is at least somewhat likely that they will purchase a home someday.
- Most Gen Zers in this age range do not see student loan debt as a major obstacle.
  - Student debt is the second most-cited major obstacle to homeownership among 18- to 23-year-olds with a student loan.

Please indicate to what extent each of the following will be an obstacle to purchasing your first home. Gen Zers aged 18 to 23 who think it is at least *somewhat likely* that they will purchase/own a home; *n*=778	Major obstacle	Minor obstacle	No obstacle at all
High home prices	64%	28%	7%
Unstable job or job change	37%	31%	31%
Hard to save for down payment	32%	50%	17%
Not having established a credit history to qualify for a loan	30%	38%	30%
Student loan debt	27%	27%	45%
Not knowing how to start the process of buying a home	22%	49%	29%
Not knowing someone to help with the home buying process	16%	41%	42%
Credit card debt	16%	24%	59%



"The data show that while members of Gen Z clearly aspire to homeownership, they are realistic about potential barriers and understand the potential benefits of renting," said David Brickman, CEO of Freddie Mac. "Although these results are good news for the housing markets, they also highlight the challenges many in Gen Z will face as they enter the market to rent or buy."

The survey data show that about three-quarters of Gen Z would choose to live in a single-family home over other types of homes, and more than half (59 percent) report their ideal home would be medium-sized. Additionally, 35 percent would choose to live in a suburb of a big or medium-sized city, with an additional 30 percent preferring to live in a rural area or small town.

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- Gen Zers across gender, age, race/ethnicity, region, urbanicity, and household income are more likely to prefer single-family homes, medium-sized homes, and homes in the suburbs over all other types, sizes, and locations.

What kind of home would you choose? n=1,531	
Single-family home	**77%**
Townhome	8%
Apartment	4%
Condominium	4%
Manufactured/Mobile home	1%
Other	5%

What size would your ideal home be? n=1,531	
Small (e.g., 1-2 bedrooms)	9%
Medium	**59%**
Large	27%
Huge (e.g., mansion)	4%

And in what kind of area would you want to live? n=1,531	
Suburb (of a big or medium size city)	**35%**
Big or medium size city / urban area	16%
Rural area or countryside	16%
Small town (surrounded by countryside)	14%
Small city	14%
In another country (not in the U.S.)	4%

"One of the biggest challenges Millennials face today is the **lack of affordable starter homes**," said Sam Khater, Freddie Mac's Chief Economist. "Given Gen Z's desire for suburban medium sized homes close to urban areas with amenities, demand for entry-level homes will intensify."

The survey shows the generation has received financial education at home, but 65 percent say they are not confident in their knowledge of the mortgage process. Perhaps surprisingly for this digital generation, when they are ready to purchase their first home, a significant majority of Gen Z (79 percent) would rather have face-to-face interactions with professionals than carry out the process fully online. The majority would consult parents (71 percent) to obtain more information while around one-third to half would talk with a real estate agent, family or friends or a bank or mortgage lender. Slightly more than half would utilize the internet.

Brickman added, "It's clear that many in Gen Z reflect the times in which they have lived. They were generally young children during the economic crisis of 2008 **but have grown up during a remarkable period of sustained economic growth and prosperity**. In general, they are **more financially educated and aware than previous generations**, and they appear to have a clear understanding of the benefits offered by our nation's housing market - and some of its challenges. We will continue to follow this emerging generation closely, to ensure Freddie Mac is leading the industry towards new and innovative ways to serve them."

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The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me to be your mortgage lending partner.

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