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Relocation & Moving

How Millennials are Impacting the U.S. Housing Market

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Reshape Your Relocation Practices and Mobility Programs to Account for Millennial Workers

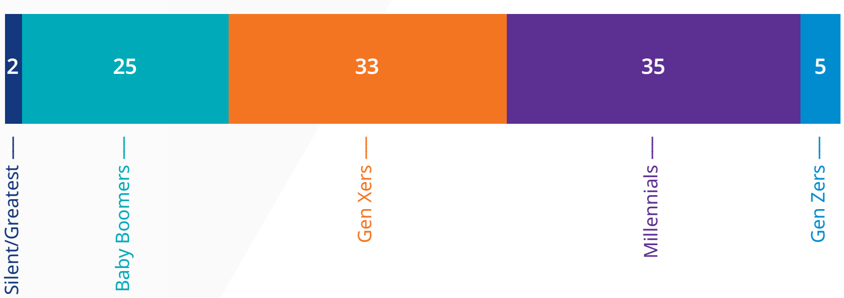
As baby boomers age out of the workforce, millennials are quickly becoming the single biggest workforce population in the nation. According to the Pew Research Center, millennials are poised to overtake baby boomers as the largest generation by the end of 2019[1] when their numbers will have swelled to 73 million strong.

Millennials now make up 35% of the U.S. workforce, with Pew Research reporting that 56 million of them are either holding a job or actively looking for one.[2] Generation X and baby boomers trail behind, at 53 million and 41 million, respectively.

Corporations across every vertical and industry need to update their policies and practices to account for this generational shift and continue to attract the best employees possible. In particular, millennial housing trends will have a major impact on corporate hiring practices, especially in metropolitan areas. Organizations that realign their relocation practices and mobility programs to millennials' behavior – and, further down the road, Generation Z behavior – will be in a far better position to compete for available talent.

More than a third of the workforce are Millennials[2]

% of the U.S. labor force in 2017



The Generations Defined

Gen Z
Born 1997 and later

Millennial
Born Between 1981 - 1996

Gen X
Born Between 1965 - 1980

Baby Boomer
Born Between 1946 - 1964

Silent & Greatest
Born 1945 or earlier

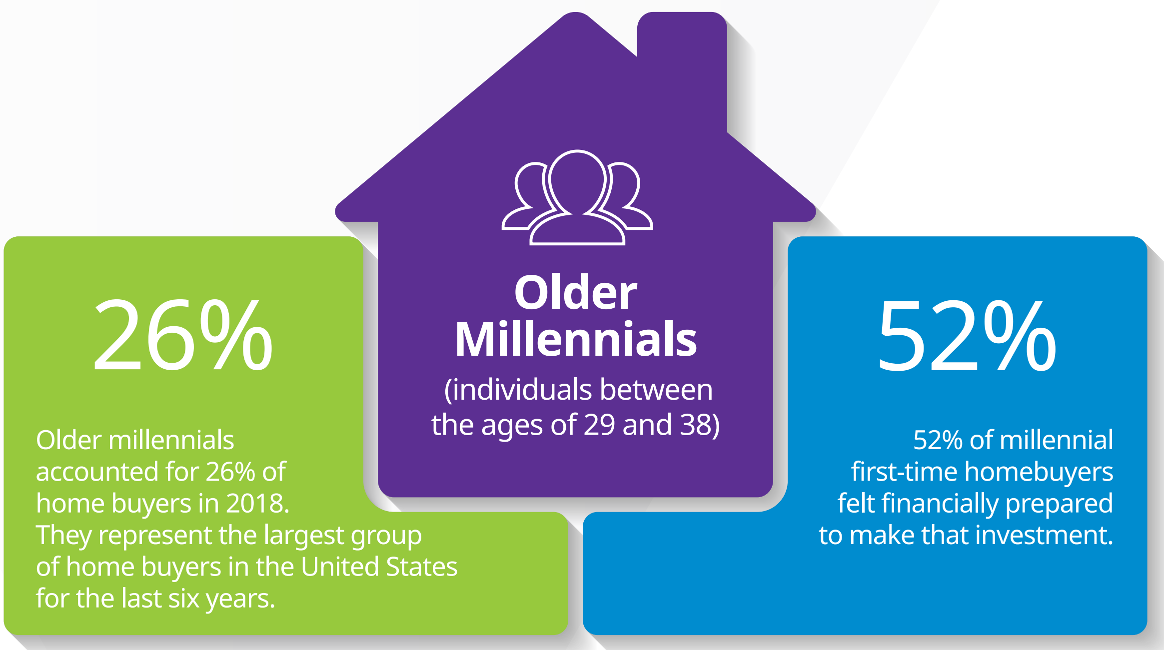
Source: Pew Research Center

[1] Pew Research Center. “Millennials projected to overtake Baby Boomers as America’s largest generation.” 2018.
[2] Pew Research Center. “Millennials are the largest generation in the U.S. labor force.” 2018.

Millennials Shift from Renting to Buying

As millennials continue to establish their careers and start families, many are considering settling into one location and buying homes rather than continuing to rent. According to the National Association of Realtors, older millennials - individuals between the ages of 29 and 38 - accounted for 26% of home buyers in 2018.[3] This sub-demographic has represented the largest group of home buyers in the United States for the last six years.

Older millennials have more buying power than their slightly younger colleagues, making the prospect of home ownership more conceivable than ever before. A 2019 Chase survey revealed that 52% of millennial first-time homebuyers felt financially prepared to make that investment.[4] With the continually rising cost of rental properties across the U.S. - the national average hit an all-time high of $1,405 in June 2018[5] - the appeal of buying vs. renting is undeniable. Monthly mortgage payments can be lower than rental payments in certain markets, and it may make more financial sense to invest in a property rather than continue renting.



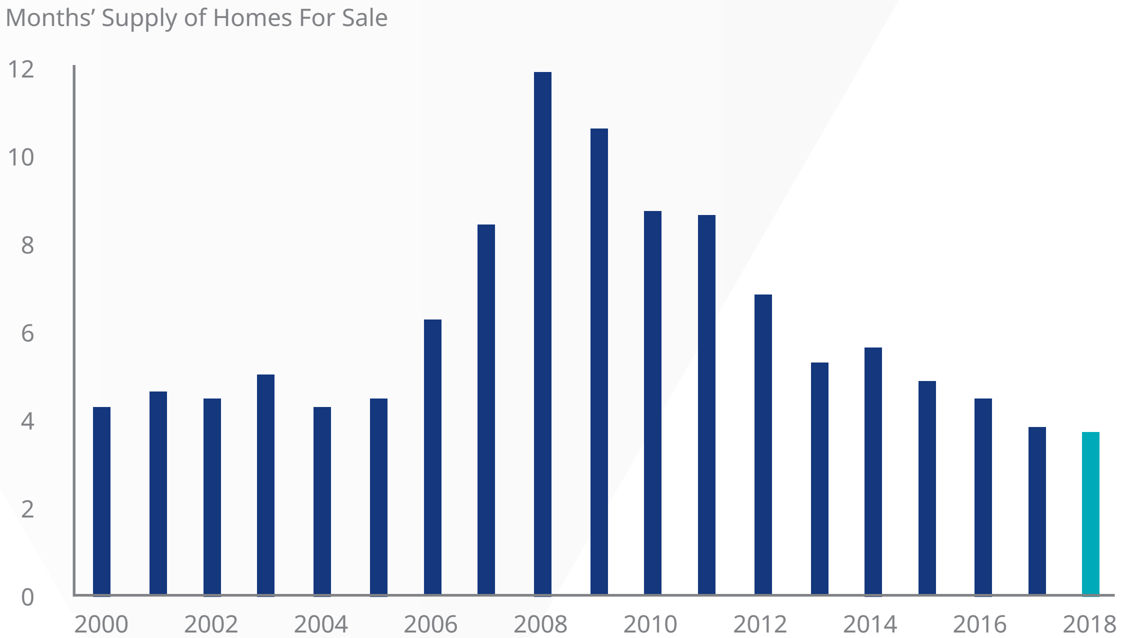
[3]National Association of Realtors. "Older Millennials: Growing Up and Settling Down." 2019.
[4]Chase Home Lending. "New Chase Study Finds That the Majority of First-time Millennial Homebuyers Feel Financially Ready, Excited to Purchase a Home." 2019.
[5]HousingWire. "Rent just jumped to an all-time high." 2018.

Millennials Face Challenges in Real Estate Market

Depending on where first-time homebuyers are located, they may find limited options, however. Major technology and industry hubs like New York, San Francisco, Los Angeles and Seattle have some of the most competitive real estate markets in the country.[6] Many of those metropolitan areas also have some of the highest rents nationwide,[7] leaving no cost-effective alternative to buying.

Further exacerbating the situation is the added competition presented by baby boomers looking to downsize their homes as they enter retirement. A 2016 Freddie Mac study revealed that more than 27 million people over the age of 55 would prefer to move at least one more time[8] in their lives. With millennials and baby boomers both targeting modestly sized homes and driving up demand, home prices could continue to soar due to limited inventory. According to CoreLogic, real estate supply is at its lowest point in 18 years,[9] and is especially low for entry-level homes.

Months' Supply Lowest in More Than 18 Years[9]



Source: CoreLogic: Numbers are for month of march each year.

[6]CNBC. "The 15 most difficult places to buy a home in the US." 2019.
[7]USA Today. "America's 25 least affordable housing markets: California home to 17 of them." 2019.
[8]Freddie Mac. "Are Baby Boomers the Key to the Single-Family Market?" 2016.
[9]CoreLogic. "U.S. Economic Observations." 2018.

Millennials may also have significant debt from college loans that affects how much they can spend on housing. According to the Board of Governors of the Federal Reserve System, the total amount of student loan debt in the United States is more than $1.6 trillion,[10] and college graduates could spend years paying down that debt.

These various limiting factors make relocation potentially challenging for millennials, regardless if they rent their current properties or own them. Homeowners may not be able to sell their current homes to relocate to a job in a more competitive region without taking a significant loss on their investments. That's especially true if they need to sell a home within a small window before starting their new jobs. As such, they may either reject the job offer or demand a large relocation package, which may include a home sale benefit, to offset those losses.

Home sale support may be a nontaxable benefit, if properly administered, which could help ease the burden of selling property and relocating on short notice.

[10]Board of Governors of the Federal Reserve System. "Consumer Credit - G.19." 2019.

Uncertain Real Estate Future Raises Questions

There are several potential developments that could impact the real estate market, affecting inventory levels, housing prices and buyer behavior. Regardless of the outcome, the upcoming 2020 presidential election will likely cause turmoil in the U.S. housing market. Historically, financial markets have a more measured response to elections when the results are predictable[11], whether the incumbent or challenger comes out on top. With the 2020 election shaping up to be a hotly contested affair, it creates a lot of uncertainty for the real estate market.

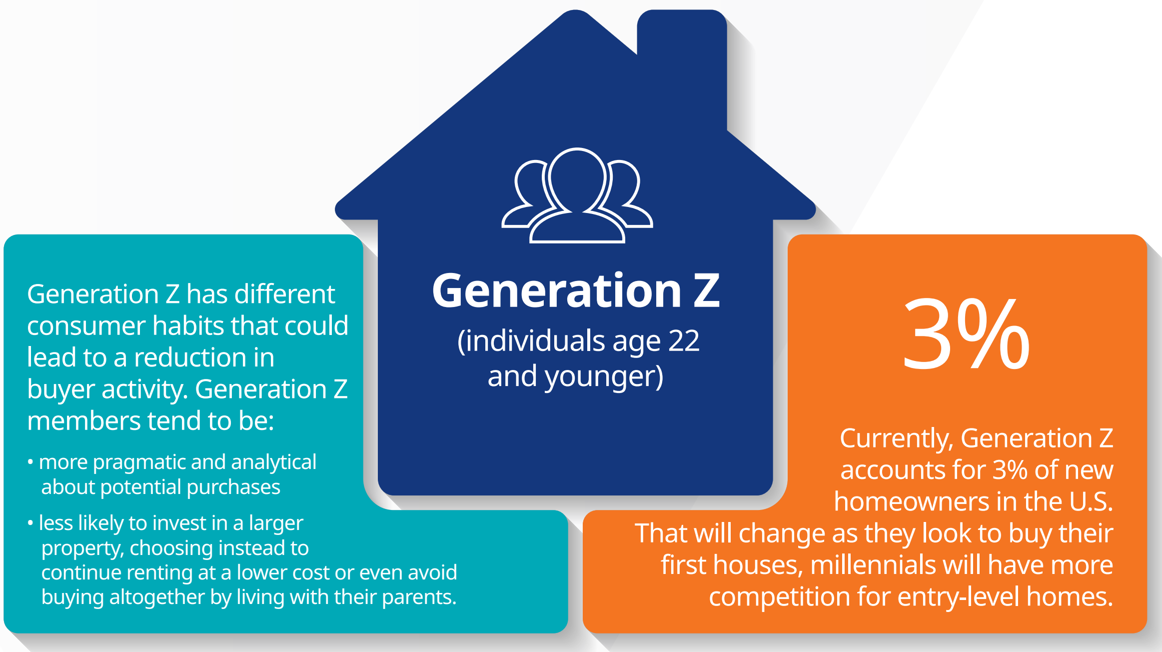
Current, ongoing trade wars with several nations have resulted in a price increase on building materials, and that trend could continue. Builders may be more judicious about the projects they decide to take on with these raised costs, reducing the amount of new inventory in the market.

Another point of uncertainty is the potential for a market downturn in the coming years. Many real estate experiments and economists have predicted that the U.S. could enter the next recession as early as 2020. With memories of the 2008 housing crisis still fresh, developers could be hesitant to construct single-family homes. Apartment blocks could present a safer investment with less risk.

[11]First Colorado Land Office. "The Housing Market After a Presidential Election." 2018.

Looking further down the road, the growing importance of Generation Z as a consumer force could also have far-reaching effects on the housing market. Currently, Generation Z only accounts for 3% of new homeowners in the United States.[12] That will change in the coming years, however, and as more Generation Z members look to buy their first houses, millennials will have to contend with more competition for entry-level homes.

Generation Z has also exhibited different consumer habits than previous generations that could lead to a reduction in buyer activity. As McKinsey & Company noted, Generation Z members tend to be more pragmatic and analytical about potential purchases.[13] They may be less likely to invest in a larger property, choosing instead to continue renting at a lower cost or even avoid buying altogether by living with their parents.



[12]MarketWatch. "Generation Z home buyers have family money and move fast to purchase property." 2018.
[13]McKinsey & Company. "Generation Z characteristics and its implications for companies." 2018.

What US Housing Market Trends Mean for Relocation Practices

Companies need to consider what millennials are looking for in their housing options when devising relocation practices and policies. That often means more modestly sized homes near local amenities. City-fringe suburbs will be in high demand since they strike the right balance between cost, size and convenience. Policy support for relocation to those areas will be critical to adequately support recruiting efforts.

Flexibility is incredibly important as well. Organizations cannot afford to limit the options available to their millennial employees when it comes to relocation packages. Supervisors need to have direct conversations with their employees to discuss their future plans and manage expectations accordingly. In the past, mobility programs have been fairly rigid and managers rarely had to consider millennial staff members' aspirations for homeownership.

As older generations retire and age out of the workforce, businesses will rely more on millennial and Generation Z talent.

Companies can provide many of the features that millennial employees are looking for if they develop relocation and mobility programs with those individuals in mind. For instance, building home sale programs into mobility policies may lower the cost of relocation and offer ample incentive for prospective candidates to move to a new region for work.

As older generations retire and age out of the workforce, businesses will rely more on millennial and Generation Z talent. Home sale programs should be viewed as an investment in that talent, giving employees more reason to stay in the same organization and provide return on investment (ROI) on their training and professional development.

Companies can spend as much as 33% of a departing worker's salary to find a suitable replacement and onboard them.[14] Giving employees flexible options to relocate and stay in the organization can help reduce these costs and give businesses better return on their employee development efforts.

As millennials and Generation Z employees become a growing percentage of the workforce, it will be crucial for companies to develop compelling relocation and mobility programs that will meet their needs. While this may represent a significant investment of time and resources at the onset, the long-term rewards will be significant – allowing businesses to recruit, retain and relocate the best talent in their industries.

[14]Employee Benefit News. "Avoidable turnover costing employers big." 2017.

About SIRVA, Inc.

SIRVA Worldwide Relocation and Moving is a global leader in moving and relocation services, offering solutions for mobility programmes to companies of every size. With 75 owned locations and more than 1,000 franchised and agent locations in 177 countries, we offer unmatched global breadth supported by localised attention and innovative technology that strikes the right balance of self service and human support. From relocation and household goods to commercial moving and storage, our portfolio of Brands (SIRVA, Team Relocations, Allied, northAmerican, Allied Pickfords and SMARTBOX) provides the only integrated moving/relocation solution in the industry. By leveraging our global network, we deliver a superior experience that only a 'one-stop shop' can provide.

For more insights on developing a business relocation program that will address the needs of millennial and Generation Z employees, contact: **concierge@sirva.com**.

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SIRVA WORLD HEADQUARTERS
One Parkview Plaza, Oakbrook Terrace, IL 60181
+1 800 341 5648
concierge@sirva.com
www.sirva.com