

How Building Product Brands Can Convert Millennial Homebuyers

A whitepaper by Kleber & Associates



K&A

How Building Product Brands Can Convert Millennial Homebuyers

A white paper by Kleber & Associates

Millennials are now the second-largest generation in the U.S. after Baby Boomers. In 2019, the oldest millennials are 38 years old and the youngest are around 23 years old. Millennials starting careers and families make up a significant portion of potential homebuyers and purchasers of home products to help them manage their busy lives.

Millennials, however, are entering the market at a time when available housing stock is contracting, home loans are becoming increasingly difficult to secure and work/living trends are changing rapidly. Millennial homebuyers, in particular, are often saddled with large amounts of student debt. Despite the [longer hours](#)^[1] many millennials are working, wage growth remains challenging. Government programs like the post-World War II G.I. Bill, which helped “The Silent Generation” (Baby Boomers) establish homes and financial stability, simply don’t exist anymore.

Realities for the Millennial Homebuyer

Millennial homebuyers often face greater hurdles to homeownership than their parents and grandparents did. In addition to having more debt, less downtime and less individual buying power than their forefathers, millennials are facing the growing realities of climate change – including extreme heat and more frequent and damaging storms. Cost is just one of the factors for first-time homebuyers – many are thinking more deeply about their home’s carbon footprint as well as the strength of the materials used both on the exterior and interior of their home. Let’s explore some of the realities and trends that are influencing the home buying habits of millennials.



^[1] Harvard Business Review. “Millennials Are Actually Workaholics, According to Research.” Aug. 17, 2016. <http://bit.ly/2kwbPCx>

Financial Constraints

Student loan debt consistently ranks as one of the biggest drags on the U.S. economy. As of June 2018, Forbes reported that total [US student debt was \\$1.52 trillion](#)^[2] and that 44.2 million people owed debt. The average student debt is \$38,390, while 2 percent of borrowers owe \$100,000 or more.

In addition to putting a damper on consumer spending and slowing the growth of new businesses, student debt also may delay homeownership. According to a [Federal Reserve study](#)^[3], student loans are keeping many in the 24 to 32 age group from buying a home. From 2005 to 2014, the percentage in that group who owned homes dropped from 45 percent to 36 percent. Each increase of \$1,000 in debt, reported the Fed, resulted in a 1- to 2-percentage-point decline in home ownership. In practical terms, 400,000 people who otherwise would have purchased homes did not do so because of their student loan burden.

Student debt is not the only the problem, however – it's also how far the student borrower's dollar will go. Education is more expensive than ever before. According to the [National Center for Education Statistics](#)^[4], accounting for inflation, the average cost of tuition, room and board in 1976-79 cost \$2,275. In 2007-08, the average cost was \$15,434... a 678 percent increase. In 2018, [according to the Fed](#)^[5], 54 percent of young adults who attended college took on some debt including student loans, while one-in-five borrowers who still owe money are behind on their payments. Many consumers who could be in the market for their first home are otherwise preoccupied with paying down student loans and debt.

Massive educational debt is compounded by the fact that wages have not kept up with inflation. According to a [2018 Pew Research Center report](#)^[6], despite the strong labor market, wage growth has lagged behind economists' expectations. In fact, today's real average wage (after inflation) has about the same purchasing power it did 40 years ago. The study further states that

^[2] Forbes. "Student Loan Debt Statistics in 2018: A \$1.5 Trillion Crisis." June 13, 2018. <http://bit.ly/2kg5UkJ>

^[3] CNBC. "Student loan debt is keeping young people from buying homes, Fed study finds." Jan. 16, 2019.

<https://cnb.cx/2kkgMzb>

^[4] National Center for Education Statistics. Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution: 1964-65 through 2006-0. <http://bit.ly/2kfsp9p>

^[5] The Federal Reserve. Report on the Economic Well-Being of U.S. Households in 2018 - May 2019.

<http://bit.ly/2mgqZME>

^[6] Pew Research. "For most U.S. workers, real wages have barely budged in decades." Aug. 7, 2018.

<https://pewrsr.ch/2kz31Me>

whatever wage gains have occurred... have mostly flowed to the highest-paid tier of workers. Those who have benefited from wage increases are not first-time homebuyers and, in general, money doesn't go as far as it used to.

People Moving Less, Staying in Homes Longer

Considering these factors, one could assume it takes longer for this target audience to save for a down payment for their first house. They'd be right. Nationally, the gap between income and home value is on the rise. Studying the median home values and annual gross median incomes of various cities in the U.S., [real-estate firm Unison](#)^[7] calculated how long it would take people saving 5 percent of their annual income to accumulate a 20 percent down payment. Using Unison's methodology, on average, it will take 14 years starting in 2019 to save up for a down payment, whereas the time it took in 1975 to amass the same amount was nine years.

For reasons such as these, more people are staying put. Baby Boomers are living longer than previous generations and are choosing more often to [age in place](#)^[8] rather than downsize or move into an assisted living facility. Moreover, many millennials are in [no rush to get married](#)^[9] and start their own families, and are instead choosing to live longer with their parents or continue to rent – for both freedom and financial reasons. In addition, the rise of hyper-connectivity via social networks and the Internet has changed the way people view and perform work, leading to an acceleration of the “gig” economy. As temporary and remote jobs become more normalized, millennials don't necessarily need to pack up and move to a new town for that first ‘great job.’ The Internet makes it possible to work from almost anywhere.

This convenience, however, poses a catch-22 scenario: If few people are moving, then fewer people can move. This trend is occurring despite mortgage rates that have dropped steadily since the beginning of 2019. [According to Realtor.com](#)^[10], a homeowner who made a 20 percent down payment in May 2019 versus May 2018 can expect to spend nearly \$45 less in monthly

^[7] The Atlantic. “Why Housing Policy Feels Like Generational Warfare.” June 13, 2019. <http://bit.ly/2lMo6D9>

^[8] USA Today. “More baby boomers stay in their homes as they reach retirement, skipping downsizing.” May 21, 2019. <http://bit.ly/2lLietH>

^[9] The New York Times. “Put a Ring on It? Millennial Couples Are in No Hurry.” May 29, 2018. <https://nyti.ms/2lNcsYE>

^[10] MarketWatch. “Mortgage rates are dropping — so why aren't more people buying homes?” June 15, 2019. <https://on.mktw.net/2lNchmw>

mortgage payment -- an annual savings of more than \$500 -- thanks to today's lower rates. However, there's a lack of home inventory... and as such, if the middle tier can't move up, neither can first-time homebuyers.

That said, when first-time homebuyers are finally ready to enter the market, they're more likely than ever before to be on the hunt for their "more permanent" home.

Busier Lifestyles

The interconnectivity of the Internet has had a huge impact on the way we live, learn and work. People once separated from learning by distance can achieve advanced academic degrees from the comfort of a laptop – at home or anywhere they choose. Parents can know where their children are virtually all the time through GPS tracking and notification apps. Work can be done from anywhere there's an Internet connection ... which is virtually everywhere. As a consequence, a substantial portion of the work that was once relegated to the office no longer has to be performed there. Cell phone technology, social media platforms and productivity software allow bosses, spouses, clients, children and distant relatives to reach us instantly, requiring our immediate attention. Many millennials are "leaning into" this reality by choosing to do more work from home. Or spending less time at home entirely. According to Harvard Business Review, millennials are actually more likely to see themselves — proudly — as "[work martyrs](#)^[11]" than older workers, and less likely to use all of their vacation time. As millennial parents become increasingly 'connected' to the lives of their children, these children [are often overscheduled](#)^[12] and may participate in daily activities that go late into the evening.

How this plays out in home buying is that features that mattered to first-time homebuyers 30 years ago [don't matter as much today](#)^[13]. For example, over-the-top landscaping and hard-to-maintain shrubbery that served as a status symbol decades ago is often a heavy burden to someone working 12-hour shifts or participating in the 'gig economy' after work to make additional money. Busy families stumbling in the door at all times of the evening are opting for kitchens with large eat-in islands and gathering spaces – reminiscent of fast-casual dining –

^[11] Harvard Business Review. "Millennials Are Actually Workaholics, According to Research." Aug. 17, 2016. <http://bit.ly/2kwbPCx>

^[12] Psychology Today. "Overscheduled Kids. How much of a good thing is too much?" Aug. 16, 2014. <http://bit.ly/2IUTLSD>

^[13] Realtor.com "5 Home Upgrades Millennials Couldn't Care Less About." Sep. 3, 2019. <http://bit.ly/2mf3oMj>

rather than formal dining rooms that take away from living areas. Millennials who are today, less defined by their possessions, are more likely to be interested in creative storage options than built-in cabinetry to display dusty tomes and old memorabilia. Builders, developers and manufacturers must be aware of these shifting consumer behaviors in order to make homes and products that will resonate with first-time homebuyers.

Millennials Priced Out of Urban Centers

From the Roaring 20s' to the “yuppies” of the 1980s, urban centers have stood as places where young, successful and well-paid people go to work, play and start their adult lives. Rising home prices, stagnant wages and lower available housing stock, however, are quickly changing that dynamic. The Wall Street Journal reports that rising urban costs [are causing millennials to abandon downtown](#)^[14] for suburbs that offer more affordable homes, less crowding and better-funded school systems.

Many millennials are willing to [brave commutes as long as two hours](#)^[15] to city centers in exchange for access to reasonably-priced housing options. According to Realtor.com, 45 percent of new homebuyers are [searching for homes in small towns or rural areas](#)^[16]. Armed with more information than previous generations of first-time homebuyers, millennials are becoming hyper-selective -- choosing towns and suburbs with good weather and job opportunities, resulting in suburban growth rates that are twice as high as those in neighboring cities. The ‘positive Yelp review effect’ has put a strain on many small towns, forcing them to rethink their urban planning and housing options.

Another aspect of the new economy is that more work is being accomplished remotely. In 2017, about 5.3 percent of adults in metro areas of between [500,000 and 3 million people worked from home](#)^[17]. This is up from 3.7 percent a decade earlier, according to an analysis of recent Census Bureau data. Millennials increasingly are able to take their good job and earnings with them to a

^[14] Wall Street Journal. “American Suburbs Swell Again as a New Generation Escapes the City.” July 1, 2019. <https://on.wsj.com/2m9afGX>

^[15] Business Insider. “Millennials are following in baby boomers' footsteps and heading for the suburbs.” July 2, 2019. <http://bit.ly/2m8jJlM>

^[16] Realtor.com. “First-Time Home Buyer Nightmare: Why It's Taking Longer to Find the Perfect Home.” July 12, 2019. <http://bit.ly/2kKVV7b>

^[17] Wall Street Journal. “Workers Are Fleeing Big Cities for Smaller Ones—and Taking Their Jobs With Them.” Sep. 7, 2019. <https://on.wsj.com/2mgnhmd>

location or city that is more remote or less traveled. Cities like Denver, Colorado and Boise, Idaho are growing fast and have been rated top destinations for millennial homebuyers.

Environmental Awareness

Millennials are often described as the “Woke Generation,” deeply aware of geopolitics and the impact their actions have on the environment. They care about the world because they have a greater window into it than any previous generation through the use of smartphones and social media. What’s more, they are seeing in real time the devastating impacts of climate change, such as rising sea levels and [more frequent and damaging storms](#)^[18]. They also come to the buying table with more tools, information and expectations than first-time homebuyers of any previous generation. For example, they want to know how well-suited the location of their potential home is for solar power generation (for example, [Zillow now offers a Sun Number™](#)^[19] rating in its home estimates to help homebuyers determine a home’s solar value). They also want to know if the exterior materials of the home (such as the roof) are wind- and impact-resistant, fully-recyclable and/or solar-reflective. And, they want to know if their potential home has access to public transportation, biking and walking paths as well as convenience to other local amenities. A home with built-in solar generation, bicycle storage and electric vehicle charging stations may convert more millennial homebuyers than luxury carpet and dramatic chandeliers.

Shifting Sands

The market for first-time homebuyers is radically different than even a decade ago, thanks to evolving technology, shifting demographics and a changing economy. Other shifts in first-time homebuyer behavior include:

- Millennials represent the largest share of the home-buying market and have for the past five years in a row - [Forbes](#)^[20]
- Millennials represented 36 percent of new homebuyers in 2018 - [Forbes](#)

^[18] The Weather Channel. “Hurricane Dorian Expected to Intensify into a Category 4; Poses a Growing Danger to Florida, Southeastern U.S.” Aug. 29, 2019. <https://wxch.nl/2m8jXJE>

^[19] Clean Energy Trust. “Sun Number Teams with Zillow to Estimate Solar Value.” Aug. 20, 2016. <http://bit.ly/2m8k2wW>

^[20] Forbes. “How Millennials Are Revolutionizing The Home Buying Process.” Aug. 31, 2019. <http://bit.ly/2lUaTb7>

- Millennials buying their first homes today are likely to pay 39 percent more than Baby Boomers who bought their first homes in the 1980s - [Student Loan Hero](#)^[21]
- In 2019, 81 percent of older millennials found their home through a mobile app - [Homebuyer & Seller Generational Trends](#)^[22]
- First-time home-buying rates in 2017 were highest among Asian households (2.3 percent of all Asians were new homebuyers), surpassing the rate among white households (1.5 percent of whites). Hispanics were the second-fastest growing group in the U.S (1.5 percent of Hispanics). – [Pew Research Center](#)^[23]
- Today, a larger share of new homeowners are unmarried and form new households at the time of purchase - [Citylab](#)^[24]

With all of these changes, builders and manufacturers must re-evaluate their approach to developing and selling useful spaces for first-time homebuyers.

What First-Time Homebuyers are Looking for Today

Many first-time homebuyers are turning away from ‘McMansions’ and large suburban dwellings of the past few decades and rather, in the direction of homes that are more efficient and better connected.

Smart home technology -- that helps homeowners automate functionality, control costs and mitigate crises from a distance -- is often considered more valuable than an additional bedroom, garage or turret.



^[21] Student Loan Hero. “Do Millennials Have It Better or Worse Than Generations Past?” May 30, 2018.

<http://bit.ly/2IUbbPf>

^[22] National Association of Realtors Research Group. “2019 Homebuyers and Sellers Generational Trends Report.”

April 2019. <http://bit.ly/2kbz0Se>

^[23] Pew Research. “Key facts about Asian Americans, a diverse and growing population.” Sep. 8, 2017.

<https://pewrsr.ch/2ISqokc>

^[24] Citylab. “Buying Your First Home? A Look at 20-Year Trends.” Sep. 3, 2019. <http://bit.ly/2ke5uLG>

What first-time homeowners are looking for:

Stronger, Efficient Roofing Materials

New Yorker contributor and novelist [Jonathan Franzen recently suggested](#)^[25] that people should “stop pretending” climate change is preventable, accept it as something that has already happened or is inevitably occurring, and prepare for it accordingly. Regardless of the political debate about climate change, the fact is that first-time homebuyers are confronting a future with hotter temperatures, more frequent wildfires and more frequent and damaging storms, tornados and hail events.

Places like America’s [“Hail Alley”](#)^[26], a center strip of the country that includes states like Texas, Oklahoma, Kansas and Nebraska, receive on average seven to nine hail events a year. Hail isn’t the worst possible natural disaster that can happen, but hail storms can do a surprising amount of long-lasting damage to roof systems, resulting in cracked shingles, difficult to repair leaks and damage sometimes requiring full roof replacement. Many homeowners are opting for impact-resistant and SBS (styrene-butadiene-styrene)-modified shingles for additional storm protection. Impact resistant shingles are typically thicker, more durable versions of traditional asphalt shingles. SBS-modified, or rubberized asphalt shingles, are typically the most impact-resistant asphalt products on the market. These products are ideally-suited for locations that experience extreme freeze/thaw cycles, as their rubberized nature gives them added flexibility and cold-weather resistance.

Thanks to its low maintenance requirements compared to shake, slate and other traditional roofing materials, metal roofing is becoming increasingly popular for new homes. In addition to being lightweight, recyclable and extremely durable, metal roofing is conducive to [‘Cool Roof’](#)^[27] colors, highly-reflective coatings that reflect more sunlight and absorb less heat than a standard roof. This can dramatically lower rooftop surface temperatures, which translates into lower air conditioning bills. [According to Energy.gov](#)^[28], 6 percent of energy use in the U.S. is attributed to air conditioning, costing homeowners \$29 billion a year. Reducing the need for air conditioning can amount to significant savings over the life of the home.

^[25] The New Yorker. “What if We Stopped Pretending?” Sep. 8, 2019. <http://bit.ly/2kgh8po>

^[26] The National Severe Storms Laboratory. “Severe Weather 101 – Hail.” <http://bit.ly/2kgiFvL>

^[27] Energy.gov. “Cool Roofs.” <http://bit.ly/2mhhJrF>

^[28] Energy.gov. “Air Conditioning.” <http://bit.ly/2lQiu1>

Home Features That Offer Convenience and Save Time

Despite millennials' reputation for laziness, they are often the workhorses of their organizations, willing to work longer hours or take work home when others won't. As a result, millennials are often overworked and overscheduled. Imbedded smart home features that allow homeowners to check on their property from work, open or lock doors for children arriving home from school, and control their heating and air conditioning systems remotely can be a godsend. [When a home is purchased through a TurnKey Home Purchase Service agent^{\[29\]}](#), the homeowner gets vouchers for free smart home products worth from \$1,000 to \$5,000 based on the home purchase price. The Amazon-partnered business will even include in the offer free in-home services like hanging TVs or cleaning, taking much of the hassle out of home buying.

While doorbell cameras, smart locks and connected thermostats are becoming more commonplace, some new homes are installing next-generation smart home devices, such as [water monitors^{\[30\]}](#), which can help homeowners track their water usage over time and even shutoff their water remotely or automatically if a major leak is detected. Some new bathrooms feature time-saving items like heated towel racks, which have been used in Europe for decades to keep towels fresh and dry while reducing dampness and mildew in bathrooms. Most operate using the same amount of energy as a few light bulbs, saving time, energy and money spent laundering wet towels and ridding bathrooms of mold. Fine touches that give homeowners more peace of mind and more time to spend with their families can be a big draw for first-time homebuyers.

Net-zero, Solar and Other Energy Efficiencies

Net-zero homes – homes that generate as much or more energy than they use – are in high demand among first-time homebuyers. These homes achieve that status by integrating a variety of energy-generation systems and building techniques that work in concert to save energy. This includes rooftop solar systems, geothermal heating and cooling, structurally-insulated panel systems that reduce energy loss, window positioning and lighting systems that optimize the use of natural light, superior walls and foundational systems and cutting-edge air filtration systems. By combining multiple energy-saving and energy-generating systems, net-zero homes can be important investments for buyers who are likely not planning to move anytime soon.

^[29] Forbes. "How Millennials Are Revolutionizing The Home Buying Process." Aug. 31, 2019. <http://bit.ly/2ISrEng>

^[30] Residential Tech Today. "The Five Best Smart Water Leak Detectors Compared." March 15, 2019. <http://bit.ly/2kLbKuz>

The most important factor in the net-zero equation is typically a rooftop solar system. The upfront cost of installing a solar system sometimes, however, can be a hurdle for cash-strapped first-time buyers. Some builders and communities are partnering with companies like SunStreet, which help builders develop solar communities where homes come equipped with rooftop solar systems that are installed and maintained by the company. Homeowners then pay SunStreet for cheap, clean energy rather than paying a local power company. This solution helps the builder spread out the cost of installing solar panels among several homes while homebuyers avoid the upfront cost of installing solar panels themselves. Companies like Mosaic work directly with contractors and homeowners to provide financing options for those wanting to purchase rooftop solar system or integrate them into their building plans.

Traditional rack-mounted rooftop solar systems are efficient and cost-effective. However, some homeowner associations and cities with strict building codes disapprove of rack-mounted systems, which are sometimes considered visually unappealing. To better match the character of certain neighborhoods, some developers are installing low-profile, roof-integrated solar roofing systems, in which solar shingles or tiles are installed flat alongside existing shingles and tiles. These discreet systems provide homeowners hungry for solar power with more options to balance the cost of their long-term home purchase.

Conclusion

Home buying preferences, the ways people buy homes and the economic factors influencing the habits of first-time homebuyers have shifted dramatically just over the past decade. Despite increased school debt, longer commutes and longer work hours, [survey after survey](#)^[31] show that millennials are eager to purchase homes. However, they face significant financial hurdles to homeownership that can often delay or derail home purchases. It is incumbent upon builders and manufacturers to compensate with innovative solutions and make strides to help mitigate these barriers in order to take advantage of the enthusiasm of the latest class of first-time homebuyers.

^[31] Housing Wire. "Millennials want to buy homes, but their wallets are saying no." July 29, 2019. <http://bit.ly/2ISrT1O>

About Kleber & Associates

Founded in 1987, Kleber & Associates is the established leader in brand development and integrated communications for clients in the construction and building products industry. The Atlanta-based agency works in partnership with a variety of client brands that market products for both residential and commercial construction applications targeted to consumers, architects and designers, as well as developers, builders, remodelers and contractors. The agency addresses its clients' needs through a strategic, disciplined brand development process, combined with customized communications programming and an in-depth knowledge of the marketplace.

Agency Founder, Steven Kleber, is the current president of the National Remodeling Foundation (NRF) and the immediate-past president of the Center for Kitchen & Bath Education and Research (CKBER). He serves on the board of trustees for the Home Projects Council as well as on the Global Opportunities Board of the National Association of Homebuilders.

Visit <http://www.kleberandassociates.com> for more information.