

Millennial Report

Experts are slowly unraveling what Millennials want in a home and a lifestyle; that information is key to your future success.



The Contemporary Farmhouse delivers an open floor plan and openings to the outdoors.

For Millennials, the 82-million-strong segment of the population born between 1980 and 1996, major life milestones such as moving out on their own, getting married, and having children, are delayed about a decade from when their Baby Boomer parents experienced them. Nowhere has this phenomenon had a greater impact than on the housing market.

According to the Census Bureau's "American Community Survey," the rate of homeownership among 25-to-34-year olds dropped from 46.7 percent in 2006 to a low of 36.9 percent in 2014, an average loss of 231,000 homeowners per year, or 1.8 million total homeowners during the period.

Now experts say those at the leading edge of the Millennial generation are finally dipping their toes into the housing market. According to John McManus, editorial director of *Builder* magazine, 30 percent of home sales today are to first-time homebuyers, of whom Millennials make up the greatest percentage. The Census Bureau estimates the number of Millennial homeowners will grow by 74,000 a year.

"Millennials do want to buy homes and they have traditional views about home ownership, but it's happening later in life – in their 30s rather than their 20s," says Spencer Roscoff, CEO of the online real estate database company *Zillow*, in an interview on *CBS This Morning*.

Another thing that's different from their parents: their idea of an ideal home. Research shows Millennials want homes that are adaptable, flexible, and personalized, with large, open floor plans and seamless indoor-outdoor living spaces. The problem is, many of the homes and homemaking products currently in the marketplace don't mesh with what makes this group tick.

Responsive Home

A new demonstration-home project, The Responsive Home, built in the Inspirada planned community in Henderson, Nevada, and unveiled during the International Builders Show in January, incorporates all the attributes important to Millennial homebuyers. Two demonstration homes were designed and developed for different segments of Millennial buyers, in a collaborative effort between TRI Pointe's Pardee Homes, *Builder* magazine, Bassenian Lagoni Architects, and interior designer Bobby Berk of Bobby Berk Home. The homes reflect the trends, amenities and features important to young homebuyers as identified by the team's market research partner, Ketchum Global Research & Analytics.

The Contemporary Farmhouse.

The Transitional Home.

One home, the 2,130-sq.-ft. Contemporary Farmhouse priced at \$320,000, is designed with younger, first-time buyers in mind. It features an open floor plan with contemporary kitchen, living and dining areas that all open to sheltered Outdoor Rooms that mirror and extend the indoor living spaces.

The Transitional Home, a 3,194-sq.-ft. modern dwelling with a \$450,000 price tag, is targeted to more established Millennials ready to upgrade. It features a covered outdoor kitchen area with a large built-in grilling island and a parallel dining island, as well as a magnificent pool and waterfall feature, an outdoor media and entertaining space, and a linear outdoor fireplace at the center of it all. Inside the home, a sleek, double-sided, linear gas fireplace links the master bedroom and bathroom.

Both homes offer access to outdoor living spaces through multiple oversized sliding doors that, in some cases, even recess into walls, to ensure seamless indoor-outdoor flow.



Affordability

According to Klif Andrews, president of Pardee Homes, the Contemporary Farmhouse's \$320,000 price fits within FHA limits, and is affordable for first-time homebuyers with at least \$75,000 annual household income. With a five percent down payment, the monthly mortgage would be around \$1,950, he says, an amount not much higher than an apartment rental in nearby Las Vegas.

While these financials might make a convincing argument for home ownership versus renting in this case, according to *USA Today*, there has been an overall national shift toward renting in every age bracket.

Homeownership dropped from its peak at 69 percent a decade ago, to less than 64 percent today, with each

percentage point representing more than a million households. A study by the Urban Institute predicts that, by 2030, the rate of U.S. homeownership could drop to 61 percent.

While some Millennials may prefer to rent, the fact is that many have put off homeownership because they simply can't afford to buy. The average home price in the U.S. was \$355,500 in 2015, more than double the price of 20 years ago, according to the Census Bureau. In the Northeast, the average home price was \$573,100 last year, well out of reach of most first-time buyers.

As a result, according to *Builder* magazine, more than 36 percent of Millennials lived with their parents in 2012. The reason behind this for 52 percent of them, according to *USA Today*, is insufficient funds.

Historic student loan debt is another reason Millennials lack money for a downpayment. In addition, many graduated during the Great Recession and spent years unemployed or underemployed. Those who did leave home after college often moved into high-rent city apartments, further preventing them from saving.

Andrews says that 30 percent of his Millennial buyers still need help with down payments from their parents. Many more are looking for creative ways to make monthly mortgage payments more affordable.

Flexibility

The Responsive Home project addresses this issue through unique and flexible floor plans that incorporate “revenue suites.” These spaces can be rented to roommates or used as Airbnb suites to generate income to offset mortgage payments. In the Contemporary Farmhouse, a 384-sq.-ft. optional flat over the garage can be converted into an apartment, as can a first-floor bedroom with full bath, kitchenette and separate entrance.



The Contemporary Farmhouse has an over-the-garage casita that represents a long-term rental income opportunity.

The Transitional Home has a spacious casita behind the garage with its own covered patio, small kitchen and full bath that could be used for rental income.

According to Andrews, these flexible suites can morph and change over time as homeowners' needs and financial situations change, eventually becoming guest rooms, children's bedrooms, or even in-law suites for older parents.

“The young adult buyer realizes there will be changes in their life structure in the coming years and they want their home to be able to adapt,” says McManus. “This generation is used to a sharing economy,” adds Andrews. “Just

look at the popularity of Uber, Lyft and Zipcar. Our research shows Millennials are very open to roommates. This is a huge change from how previous generations thought of a home.”

Location, Location, Location

Contrary to popular belief, Millennials are willing to move to the suburbs. However, they prefer “urban conveniences in suburban settings,” according to McManus. They want to live in a “connected” way in walkable communities close to parks and recreation amenities, jobs, entertainment, restaurants and grocery stores.

Research by *Zillow* bears this out. It shows that while average U.S. home values have increased 71 percent over the past 17 years, the value of homes near Starbucks rose 100 percent, near Whole Foods, 140 percent, and near Trader Joes, 148 percent.

“To be compelling to 30-year-olds, a home needs to connect them to the feeling of an urban lifestyle, but offer more indoor and outdoor living and entertaining space than they could have in the city,” says McManus.

Outdoor Living Is a Major Priority

Millennials place a huge value on outdoor living spaces. The Responsive Home research shows outdoor living space is the number-one must-have for 59 percent of Millennial homebuyers. A study by Garden Media Group shows 85 percent of 18-to-35-year-olds rated Outdoor Rooms with areas for cooking and relaxing as “very important.”

A *Better Homes and Gardens* survey reveals 51 percent of Millennials decorate their outdoor living space as they would an indoor dining or living room, and 77 percent say they want their outdoor living space to feel like a relaxing retreat. The survey also shows Millennials are interested in upgrading their outdoor spaces with landscape lighting (27%), a fire pit (26%), lamps or party lights (24%), and comfortable outdoor seating, dining sets and other accessories (24%) to “make the outdoor area feel like a room.”



The Outdoor Room area in the Transitional Home contains pool, fireplace, outdoor kitchen and ample room for gatherings.

Bobby Berk of Bobby Berk Home, the creative director and interior designer on the Responsive Home project, says Millennials want cohesiveness and integration between indoor and outdoor living spaces to enlarge the overall

entertaining area. “Indoor-outdoor living is so important to them,” he says.

Berk says the design plans for the Contemporary Farmhouse originally called for an upscale built-in outdoor kitchen in addition to a comfortable outdoor dining space, hip seating area, and a “living wall” for growing herbs and vegetables. The grilling island was ultimately nixed in favor of a less expensive, cart-based grill.

“The original outdoor kitchen might have looked amazing, but it would have cost well over \$10,000,” say Berk. “It wasn’t representative of reality for most first-time Millennial homebuyers. This generation spends money wisely. Good function is good enough, especially when the indoor kitchen is only five steps away.”

To drive home the indoor-outdoor integration, two refrigerator drawers were positioned at the end of the indoor kitchen island near the expansive doors that open to the outdoor kitchen area, eliminating the need for an outdoor refrigerator, according to Berk.

“When Millennials are ready to move up, they want that aspirational outdoor kitchen in the Transitional Home,” Berk says. “But with the smaller Contemporary Farmhouse, we wanted to show that anyone can create a nice outdoor cooking and living space, even with a limited budget.”

Andrews says Pardee Homes offers a large selection of outdoor living amenities as optional add-ons, including eaves-mounted infrared heaters, outdoor fireplaces, fire pits, pavers and sliding-door upgrades. But, he says, it was intentional that the Contemporary Farmhouse features simpler, less expensive outdoor living spaces.

“We want to inspire Millennials with easy and affordable DIY ways to create outdoor living spaces,” he says. “They can buy an inexpensive fire pit for \$200, string up some market lights, get a nice, affordable patio set, add some outdoor pillows and a rug, and they’ve got a great outdoor entertaining space. It is very important that we demonstrate this to give buyers ideas.”

The Responsive Home models also showcase indoor and outdoor art from local artists in the community, which potential homeowners can buy directly from the artist. “Someone might see an outdoor sculpture for \$300 and say, ‘That’s cool; I can swing that,’” says Andrews. “We want to excite, inspire and stimulate ideas to show Millennial buyers that this is within their budget.”

To appeal to young Millennials, outdoor entertaining spaces must offer the same flexibility as indoor spaces. “They want options that can change or adapt to their needs,” says McManus, “They prefer semi-permanent, rather than permanent features in their outdoor living spaces.”

For example, McManus says Millennials like an outdoor fire feature on the patio as a “gathering hub,” but they prefer a fire pit over a fireplace. The reason: a freestanding fire pit offers the flexibility to move it to create more floor space for dining or seating during a party. Likewise, young homebuyers prefer a freestanding grill on a mobile cart, or a modular outdoor kitchen on casters, compared with a “static, permanent, more formalized outdoor kitchen island,” he says.

Personalization, Please

This kind of flexibility helps smaller homes “live big,” according to Berk. He says functionality is a driving force for Millennials who would rather sacrifice space in non-essential areas, such as foregoing elaborate master suites with sitting rooms and 200-sq.-ft. closets, in favor of larger living and entertaining spaces.

“Millennials have less interaction in other parts of their lives than previous generations,” says Andrews. “They shop online and might work remotely. So they really want homes with expansive indoor-outdoor entertaining spaces they can use for connecting and socializing with friends.”

“They also want to have a say in how the home lives and functions,” says McManus. “Personalizing their home is a

huge priority for them.” That’s no surprise considering Millennials are used to customizing their food at restaurants like Chipotle, their music playlists on Pandora and Spotify, and their TV viewing thanks to Netflix and other on-demand platforms.

According to *Better Homes and Gardens’* 2015 survey on homeowner attitudes and behavior trends, 63 percent of Millennials say having a home customized to their tastes and needs is a top priority, and 60 percent say having a home “that is a reflection of me” is more important to them than to their parents. The Responsive Home study shows 71 percent of Millennials believe the ability to personalize a home is important, and they are willing to spend an average of 21 percent of their home-buying budget on renovations to do so.

“Millennials have grown up with HGTV shows like Property Brothers and Fixer Upper, and with Pinterest and YouTube DIY tutorials,” says Andrews. “They expect to personalize their space.”

“A Millennial doesn’t want a cookie-cutter home,” adds Berk. “They want something customized and unique.”



The kitchen in the Transitional Home is both spacious and upscale.

Design Preferences

That feeling also applies to the overall design of the home. “Millennials are interested in good design with strong architectural themes,” says Andrews.

According to Berk, Millennials prefer a cool, urban, minimalistic aesthetic, but often juxtapose it with warm and rustic elements. McManus says, “They want a contemporary feel, but they also like anything that smacks of old and vintage, but in a revitalized, energized way.” That might translate to a sleek, linear fireplace with a rustic, natural-stone surround, or contemporary outdoor furniture paired with a DIY coffee table made from reclaimed wood pallets.

These schizophrenic tastes are reflected in the Contemporary Farmhouse through the use of dark-stained, distressed wood beams in the modern kitchen, and a wall covered with reclaimed barn boards in an otherwise contemporary bedroom.

“Our generation likes real and natural elements,” says Berk, a 30-something Millennial himself. “And when we can’t

afford 'real,' we'll find ways to reuse, repurpose and upcycle materials in DIY projects. We hate *faux*. In my opinion, I hate those glass beads and color-changing LED lights on modern fireplaces, fire pits, and fire tables today – yuck!"

Indoor Hearths

Fireplaces are desired by Millennials, but are not a top priority for the youngest buyers. For that reason, an indoor fireplace is not included in the Contemporary Farmhouse; instead, it is offered as an optional upgrade. On the other hand, the double-sided contemporary fireplace surrounded by bold, honeycomb-patterned tile in the master suite of the Transitional Home, is a big draw for slightly older Millennial homebuyers.

"Millennials want to see fireplaces, but they are too expensive for most first-time buyers," says Andrews. "We believe they'll want to add a fireplace down the road."

When they do, McManus says, they'll likely opt for a contemporary design. "Contemporary fireplaces excite them and fit with their desire to create a cool atmosphere for gathering and relaxing," he says. "They bridge the suburban-urban look and appeal to buyers from their 30s into their 40s."

Manufacturers and retailers of hearth, barbecue and patio products would be wise to keep their finger on the pulse of this large and emerging home-buying demographic, and be prepared to offer products relevant to them.