USAA Real Estate Company

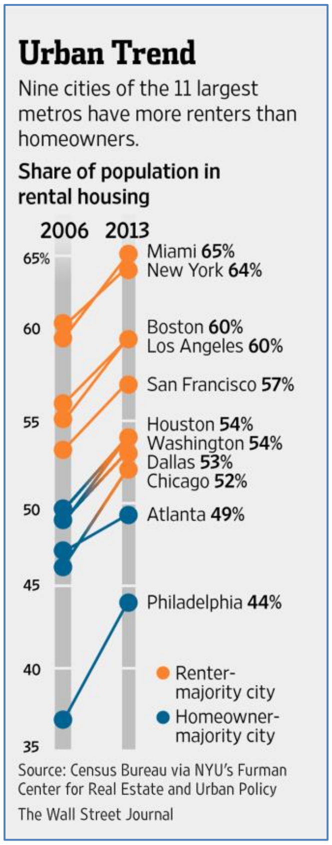
# WHY ARE WE BECOMING A NATION OF RENTERS?

## RESEARCH ARTICLE

FEBRUARY 2015

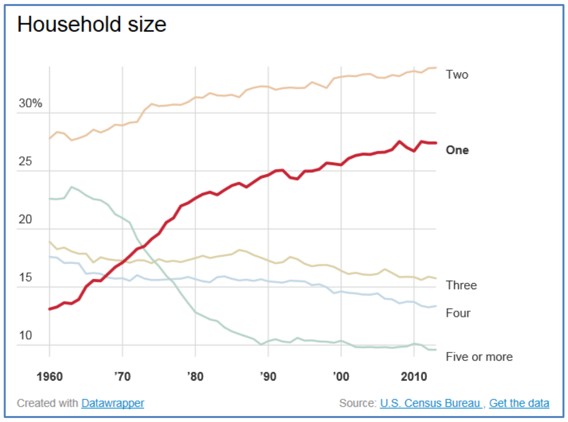
## WHY ARE WE BECOMING A NATION OF RENTERS?

As of 2013, the majority of people in 9 of the 11 largest U.S. cities chose to rent rather than own a home. This trend marks an increase from 2006, when only 5 of the 11 largest cities had more renters than homeowners.[1] The U.S. housing bubble was responsible for much of the renting surge during this time as thousands of people lost jobs, defaulted on mortgages, and experienced a decline in personal credit scores. We believe, however, that a long-term trend in household formations, predating the housing bubble, has played a critical role in increasing rental demand.




Over the last 50 years, single-person households have been the country's fastest growing household-formation segment. During the 1960s, one-person dwellers accounted for only 13.0% of all U.S. households, the lowest of any group. At the time, nearly 58.0% of Americans lived with three or more people as large families and multi-generational households thrived. By 2012, however, solo dwellers more than doubled to 27.0%, and homes with three or more people fell to half the 1960s level. To put this in perspective, the U.S. Census Bureau estimates that more than 30 million people currently live alone in the U.S., which has ramifications for homeownership rates.

U.S. homeownership increased to a record level during the same period that one-person households doubled in size; however, this rate increase was primarily due to elevated demand from married couples. In 2004, homeownership rates reached 69.4%, the highest level on record. Yet, only 55.8% of solo dwellers were homeowners compared to 84.0% of married couples at the time. We believe this divergence of homeownership rates is partially due to a decline in housing affordability amongst single renters. A recent National Association of Realtors study found that saving enough money for a down payment is the most difficult hurdle for potential homebuyers, which can be tougher to overcome for a single-income household. Although some people prefer renting for a multitude of reasons, this data suggests single dwellers are more likely to rent, particularly in urban cities where the cost of homeownership can be expensive.




Obviously, single-person households are not the sole driver of U.S. rental demand, as many socio-economic factors continue to influence this emerging movement. However, we believe that household-formation trends can inform underwriting assumptions for multifamily

[1] Data provided by NYU Furman Center/Capital One Affordable Rental Housing Study

investments.  Over the long-term, homeownership rates are likely to rebound from record lows in 2014, but if single-living preferences strengthen in the near-term, real estate investors will continue to benefit from elevated apartment demand.

## CREDITS & DISCLOSURES


**Dr. Will McIntosh**
Global Head of Research
Phone: 210-641-8416
Email: will.mcintosh@usrealco.com

**Mark Fitzgerald, CFA**
Research Analyst
Phone: 210-690-6706
Email: mark.fitzgerald@usrealco.com

**John Kirk, CCIM**
Research Analyst
Phone: 210-690-6715
Email: john.kirk@usrealco.com