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WHY THE HOMEOWNERSHIP RATE ISN'T LIKELY TO TAKE OFF ANYTIME SOON

The rate is being dragged down by tight credit and young households putting off purchasing their first homes

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The homeownership rate fell again in the fourth quarter, underscoring the challenges President Donald Trump faces in fulfilling his promise to bring back the American dream of homeownership.

The homeownership rate declined to 63.7% in the fourth quarter from 63.8% a year earlier, the Census Bureau said Tuesday.

The seasonally adjusted homeownership rate also ticked down slightly to 63.5% from 63.6% a year earlier, though it was up slightly from 63.4% in the previous quarter.

Despite improvements in the housing market, the homeownership rate is being dragged down by tight credit and young households putting off purchasing their first homes because of student debt or mediocre wage growth.

Even largely positive economic trends are working against homeownership. Rising home prices and rents are making it difficult for people to save for down payments. More young people appear to be leaving their parents' basements and renting apartments, which also drives down the share of households who own.

Indeed, 805,000 new households were formed in the fourth quarter compared with a year earlier – of which 54% were renter-occupied.

While the homeownership rate can be volatile quarter to quarter, the overall trend for the homeownership rate has been negative or flat even as the housing market overall has strengthened. The historical average for the homeownership rate sits around 65%.

The rate has ticked up from the second quarter of 2016, when it hit a five-decade low of 62.9%. Mr. Trump, then a presidential candidate, tweeted in response, "WE will bring back the 'American Dream!'"

Mr. Trump and congressional Republicans have pledged to roll back federal regulations that make it more difficult for builders to build homes and for banks to make mortgages, boosting homeownership. But an improving economy could drive down the rate of ownership if more young people strike out on their own and rent apartments.

A recent Trulia survey found that young people's optimism about owning a home actually declined in 2016 for the first time in five years. The share of young adults who said they consider homeownership part of their American dream declined to 72% from 80% a year earlier.

"It's a great political statement to say you're going to make America great again by bringing back the homeownership rate, but some of the reasons why the homeownership rate is falling doesn't have to do with economic policy at all. A lot has to do with demographics," said Ralph McLaughlin, chief economist at Trulia.

Demographic realities make it unlikely the homeownership rate will tick up significantly for at least a few years. Americans typically purchase their first homes in their early 30s and the median age of the large millennial generation is still just 27, according to Mark Zandi, chief economist at Moody's Analytics.

Mr. Zandi said he believes the homeownership rate has bottomed out and will continue to hover around 63.5% until the beginning of the next decade.