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U.S. HOMEOWNERSHIP RATE FALLS

Share of Americans who own their homes declined to 63.7% in fourth quarter

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The U.S. homeownership rate fell in the fourth quarter, frustrating the efforts of policy makers trying to embolden more Americans to buy their own homes as the economy strengthens.

The share of Americans who own their homes declined to 63.7% in the fourth quarter from 63.8% a year earlier, the Census Bureau said Tuesday.

The rate hit a five-decade low of 62.9% in the second quarter and had ticked up in the third quarter. It remains well below the historical average of 65%.

"The homeownership rate is stuck," said Nela Richardson, chief economist at Redfin, a real-estate brokerage. "We are rapidly transitioning into a world where homeownership is aspirational and middle-class homeownership is hard to attain."

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

Seemingly positive economic trends such as rising home prices and rents are working against the homeownership rate by making it more difficult for people to save for down payments. And while more young people appear to be leaving their parents' homes and renting apartments, that in turn drives down the share of households who own.

In all, 805,000 new households were formed in the fourth quarter compared with the same period a year earlier—of which 54% were renter-occupied.

While the homeownership rate can be volatile quarter to quarter, the overall trend has been negative or flat even as the housing market overall has strengthened.

The seasonally adjusted 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.

Officials in the Department of Housing and Urban Development in recent years have tried to boost the homeownership rate in part by cutting fees on certain federally backed mortgages to make homes more affordable. Hours after taking office, the Trump administration suspended a reduction to annual mortgage premiums instituted by the Obama administration in its last weeks.

Fannie Mae, Freddie Mac and the Federal Housing Finance Agency, as well as several big banks, have rolled out programs allowing borrowers to get mortgages with as little as a 3% down payment.

Congressional Republicans and President Donald Trump, meanwhile, have pledged to roll back federal regulations that make it more difficult for developers to build homes and for banks to make mortgages, which in theory would boost homeownership.

A recent Trulia survey found that young people's optimism about owning a home 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 is good politics to promise to boost the homeownership rate, said Ralph McLaughlin, chief economist at real-estate website Trulia, "but some of the reasons why the homeownership rate is falling don't have to do with economic policy at all."

Demographics, for example, make it unlikely the 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 ownership rate has bottomed out and will continue to hover around its current level for several years to come.

"I don't think we see big moves up back toward 65% until early in the next decade when millennials grow up and start having kids," he said.