

More young adults are living with their parents than previous generations did

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Welcome back: The number of young adults living with their parents has risen by 1.5 million over the past decade.

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A potentially worrisome trend is emerging among young adults. Instead of landing a job and moving to the big city after graduation, many are moving back into their childhood homes instead. About 1.5 million more adults under 35 live with their parents today than a decade ago. That's a 6.3% jump, more than double the rate of growth for the young adult population overall.

The issue is affordability. Over the past decade, urban rents have climbed about 4% per year, while wages for full-time workers have increased by only 0.6% annually. That means it's harder than ever to live in a big city on the typical salary – especially if you're a new graduate without much work experience.

The situation is even more challenging for aspiring homeowners: The median house price in the U.S. has risen about 90% in just 10 years, or more than 6% each year. And as prices rise – the median home sells for more than \$400,000 now – so too do the ages of homebuyers. The median first-time U.S. homebuyer is 38 years old, up from 31 about a decade ago.

Why is the rent so high?

Put simply, there isn't enough housing. As an economist, I know that when demand rises faster than supply, prices have to increase. And supply is severely limited in the places where people most want to live: big cities such as New York and San Francisco.

In most of these cities, planning and zoning laws prevent developers from building enough to meet demand. For example, rezoning a plot of land from commercial to residential often requires mountains of paperwork. And in many cities, objections from neighbors can stall a proposed development. These are just two of many obstacles local governments throw in homebuilders' way.

One city that has tried something different is Austin, Texas. After deliberately relaxing its zoning laws a few years ago, Austin has seen a boom in home construction. Rents fell by 10% in one year and by as much as 22% in two years after that change. By making it easier to build, Austin has made it cheaper to live there.

I don't think it's a coincidence that Austin has a far lower share of its young adults living with their parents than many other cities do. Just 6% of working adults in the Austin metro area live with their parents, one analysis found, versus nearly 14% in Greater San Antonio and 20% in Greater Los Angeles.

The pros and cons of living with the 'rents

One obvious advantage of living with parents is that they tend to charge below-market rents, or nothing at all. That makes it easier to save for a deposit on a house, helping young adults get on the property ladder sooner than they would otherwise. Indeed, homeownership rates among those 25 to 34 have risen slightly since 2016.

There are also potential disadvantages, however, particularly when it comes to socializing. Living at home with parents can make it much more challenging to meet new people. This, in turn, could partly help explain why Americans are getting married and having children later in life. These delays might not seem important, but they can leave people feeling like they're behind in life, which can affect their health and well-being.

I also wonder whether living with parents is indirectly making young adults unhappier at work. That's because older adults often live far from the urban centers where young people are most likely to find jobs directly related to their degrees. Job satisfaction rates are substantially lower among 18- to 29-year-olds than among the rest of the working population.

A problem for the entire US

The housing shortage isn't just an issue for young adults. A recent analysis I found insightful was headlined "The housing theory of everything." It argued that the issue helps explain at least part of the current malaise in the U.S. economy.

For example, when people can't live and work where they want, they're unable to use their talents fully. That contributes to the relatively slow productivity growth the U.S. has experienced in recent years.

Similarly, if people can't live in areas where they might meet and work with like-minded individuals, they have fewer opportunities to share ideas, which can hinder innovation.

And if the housing shortage is indeed encouraging young adults to delay having children, it could make it harder for the U.S. to fund Social Security and other government programs in the future.

Making it easier to build new homes in places people want to live and work could go a long way to easing these problems. It's possible high rents translate into high barriers to adulthood, too.

I am acquaintances with the authors of the article "The Housing Theory of Everything."

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