

United States

May 8th 2021 edition

The house wins

American home-ownership rises

After years of decline, American home-ownership is rising



May 8th 2021



DURING THE PANDEMIC America's housing market has behaved oddly. Prices have increased rapidly, even as the economy fell off a cliff, defying predictions. In contrast with the last recession, few people have defaulted on their mortgages. A less-noticed trend is that the home-ownership rate has jumped (see chart). Part of the apparent increase, especially the enormous rise in the second quarter of 2020, is a statistical mirage: the pandemic made it hard to collect data, meaning that home-owners were oversampled in the surveys. Yet there is little doubt that a genuine surge in home-ownership is under way.

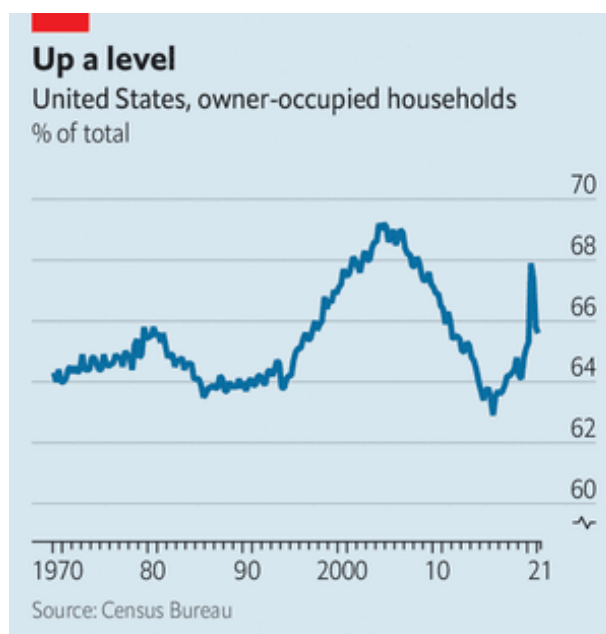
Listen to this story

0:00 / 0:00

→ Enjoy more audio and podcasts on iOS or Android.

Politicians the world over would welcome such a rise, believing that owning a house turns people into model citizens. The evidence for this is surprisingly weak—and other research suggests that home-ownership has some negative consequences too, such as less entrepreneurial spirit and unwillingness to move in order to find work.

Yet rising home-ownership may bode well for America's economic recovery from the pandemic. Home-owners are likelier than renters to live in single-family homes. This encourages the construction of such houses, instead of other types. And this, in turn, is likely to boost GDP, because single-family homes tend to be higher-quality and have more amenities. Spending per completion is almost 50% higher for single-family units than for multifamily ones, according to a paper published in 2017 by Goldman Sachs, a bank.



The Economist

The pandemic has boosted home-ownership for a number of reasons. People's

preferences have shifted. In a world of stay-at-home orders and social distancing, security of tenure may be even more desirable than it was before (being evicted in the middle of a pandemic is grim). Families who have cut back on meals out and holidays have also accumulated more savings for a deposit (down-payment), making it easier to clamber onto the housing ladder. Generous fiscal-stimulus handouts have also helped swell households' savings accounts. Interest rates on mortgages have fallen sharply.

Yet the rise in home-ownership predates the pandemic by a few years, meaning that other factors must also be in play. One relates to the last recession, more than a decade ago. From 2007 onwards many home-owners found themselves underwater and were forced to foreclose. This process, however, took many painful years to play out, reducing the home-ownership rate until about 2016-17. In addition, for much of the 2010s mortgage-lending standards were tight, making it difficult for a new generation of home-owners to emerge. Only in the latter part of that decade did lending conditions loosen sufficiently to allow the home-ownership rate to increase once again.

Long-term demographic change is another important factor behind America's rising home-ownership rate. Millennials, on average, are less likely to be home-owners than their parents were at the same age. Blame that in part on high levels of student debt, which make other sorts of borrowing difficult. Nonetheless the millennial generation is entering its prime home-buying period (the median age of a first-time home-buyer is 34). After falling prior to 2012, the share of 30-somethings in the overall American population is now rising.

How much higher could home-ownership go? The biggest impediment could prove to be the supply of available homes. People cannot become home-owners if they have nowhere to move to. The number of houses available to buy is now near historical lows. Yet there are some signs of a revival in home-building; in January the number of new authorised housing permits hit its highest level since before the financial crisis of 2007-09. Housing starts, meanwhile, are also looking surprisingly strong. America's home-ownership surge could last for a while yet. ■

This article appeared in the United States section of the print edition under the headline "The house wins"



CHECKS AND BALANCE

The best of our coverage of American politics

Delivered to your inbox every Friday

Sign up

More from United States

Time and money

Black Americans spend more of the day being kept waiting

Assuming the position

Joe Biden's government has not yet committed to a path on trade in technology with China

Crime without punishment

America's homicide rate has declined since the 1990s. So have homicide-clearance rates

Subscribe

Reuse our content

Group subscriptions

Help and contact us

Keep updated



Published since September 1843 to take part in “*a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress.*”

The Economist

About

Advertise

Press centre

The Economist Group

The Economist Group

The Economist Intelligence Unit

The Economist Events

The Economist Store

Careers

Which MBA?

GMAT Tutor

GRE Tutor

Executive Jobs

Executive Education Navigator

Executive Education

[Terms of Use](#) [Privacy](#) [Cookie Policy](#) [Manage Cookies](#) [Accessibility](#) [Modern Slavery Statement](#)

[Do Not Sell My Personal Information](#)

Copyright © The Economist Newspaper Limited 2021. All rights reserved.