

Tenure Projections of Homeowner and Renter Households for 2018-2038

MARCH 2019 | JONATHAN SPADER



JOINT CENTER FOR
HOUSING STUDIES
OF HARVARD UNIVERSITY

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March 2019

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Abstract

Following the rise and fall in the U.S. homeownership rate over the past two decades, considerable uncertainty exists about its future trajectory. This paper presents the Joint Center for Housing Studies' (JCHS) tenure projections for 2018-2038, which build on the household projections in McCue (2018). The initial sections of the paper review the range of factors that contribute to homeownership rate outcomes and discuss alternative methodologies for constructing tenure projections. The paper then presents JCHS's tenure projections for 2018-2038 under three different scenarios for the overall homeownership rate. Given the recent volatility in the homeownership rate, these scenarios provide insight about the implications of alternative homeownership rate trajectories for the number and distribution of homeowner and renter households by age group, race/ethnicity, and family type.

The "base" scenario, which holds homeownership rates constant at their 2018 levels, shows that projected changes in the demographic composition of U.S. households by age, race/ethnicity, and family type largely offset one another, contributing to a small increase in the homeownership rate from 64.3 percent in 2018 to 64.5 percent in 2028 followed by a small decrease to 64.1 percent by 2038. Projected household growth under this scenario adds 8.0 million homeowner households and 4.2 million renter households by 2028, and 13.6 million homeowner households and 8.1 million renter households by 2038. These growth projections are lower than JCHS's previous projections for 10-year growth of 8.9 million homeowner households and 4.7 million renter households for 2015-2025 (Spader, McCue, and Herbert 2016). The differences reflect reductions in the household projections presented in McCue (2018), which are due to the Census Bureau's revised assumptions about international immigration and the three-year shift in the projection period.

The "high" scenario projects what would occur if homeownership rates rebounded to their longer-term averages. Under this scenario, the projected homeownership rate increases to 65.9 percent in 2028 and then falls slightly to 65.6 percent in 2038. Projected household growth adds 10.1 million homeowner households and 2.1 million renter households by 2028, and 15.8 million homeowner households and 5.9 million renter households by 2038. Conversely, the "low" scenario projects what would occur if the homeownership rate fell by an amount proportional to the increases in the high scenario. Under this scenario, the projected homeownership rate falls to 63.0 percent in 2028 and 62.6 percent in 2038. Projected household growth adds 6.0 million homeowner households and 6.2 million renter households by 2028, and 11.5 million homeowner households and 10.3 million renter households by 2038.

Introduction

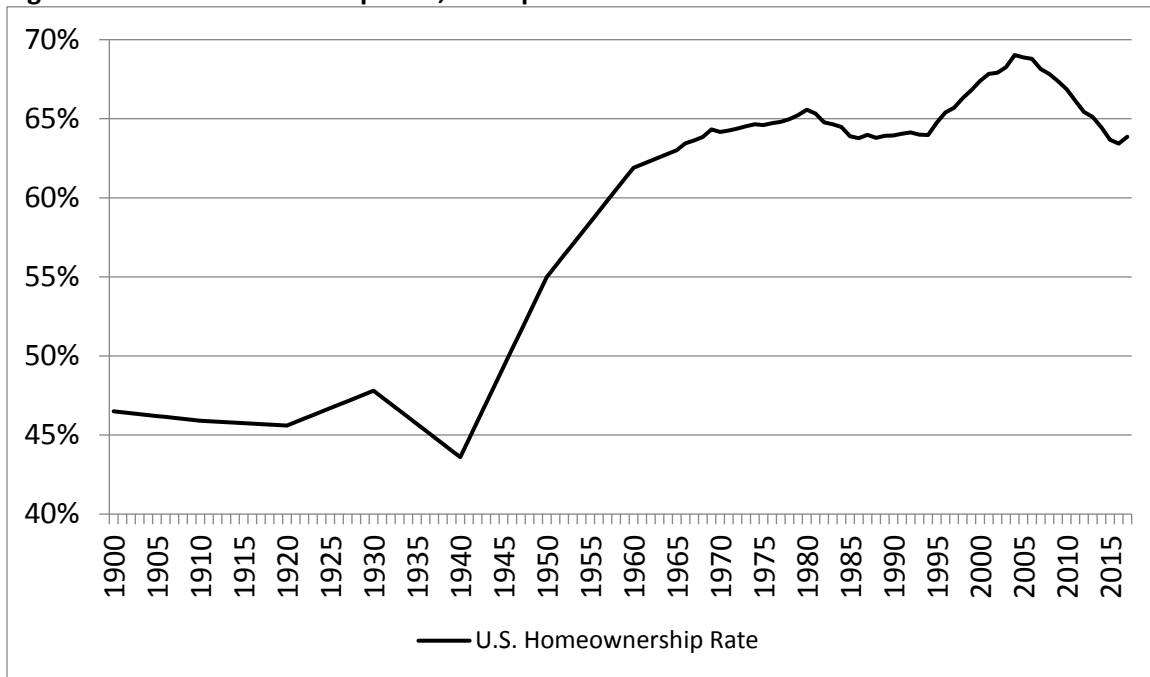
This paper presents the Joint Center for Housing Studies' tenure projections for 2018-2038, which supplement the household projections presented in *Updated Household Growth Projections: 2018-2028 and 2028-2038* (McCue 2018). The tenure projections in this paper also update JCHS's prior tenure projections in *Homeowner Households and the U.S. Homeownership Rate: Tenure Projections for 2015-2035* (Spader, McCue, and Herbert 2016). The rationale for updating the prior tenure projections is twofold. First, the U.S. Census Bureau recently released updated population projections which incorporate revised assumptions about immigration and other population-level factors. Second, there has been a reversal in the decade-long decline in the national homeownership rate, which reached a low of 63.4 percent in 2016 but subsequently increased to 63.9 percent in 2017 and 64.4 percent as of the third quarter of 2018.

Following this introduction, the initial section of the paper examines the homeownership rate's recent increase, the factors that influence the homeownership rate, and the key points of uncertainty related to the homeownership rate's future trajectory. The second section then provides an overview of the methods used to project future homeownership outcomes, discussing the accuracy and limitations of projections based on demographic data. The third section presents JCHS's homeownership projections for 2018-2038, defining the three projection scenarios and discussing the results. The fourth section concludes with a brief summary.

Recent Trends in the Homeownership Rate

The recent history of the homeownership rate is atypical relative to historical precedent, reflecting the unique nature of the housing boom and the subsequent foreclosure crisis and Great Recession. Between 1994 and 2004 the homeownership rate rose by 5.1 percentage points to a peak of 69.0 percent in 2004. The subsequent decline of 5.6 percentage points between 2004 and 2016 is unprecedented in American history (Figure 1). While the homeownership rate appears to have reached a low in 2016 and turned upwards, the uniqueness of the homeownership rate's recent decline means that analysts do not have a clear historical precedent for the future trajectory of the homeownership rate. Instead, tenure projections must be informed by longer-term trends and economic fundamentals, while also acknowledging current sources of uncertainty.

Figure 1: U.S. Homeownership Rate, 1900-present



Source: U.S. Decennial Census, 1900-1960; Housing Vacancy Survey 1965-2017.

Prior to 2004, the largest decline in the homeownership rate occurred between the 1930 and 1940 Censuses, when the homeownership rate fell 4.2 percentage points, albeit from a much lower base, as the nation experienced the Great Depression. During the post-war period, a combination of a robust economy, the expansion of mortgage lending through the Veterans Administration and the Federal Housing Administration, and an opening up of suburban markets through massive investment in new highways all led to robust increases in homeownership that continued for nearly four decades.

During the 65-year period from 1940 to 2005, the only other notable decline occurred between 1980 and 1986, concurrent with the double dip recession of the early 1980s and very high mortgage rates. According to Fannie Mae's Primary Mortgage Market Survey, interest rates for a 30-year fixed-rate mortgage exceeded 10 percent for the majority of this period and rose as high as 18 percent in 1981, sharply limiting the ability of would-be homebuyers to afford the mortgage payments associated with a new home purchase. In this environment, the homeownership rate slowly declined by 1.8 percentage points to 64 percent in 1985, where it remained for nearly a decade before beginning the dramatic boom and bust from 1994-2016.

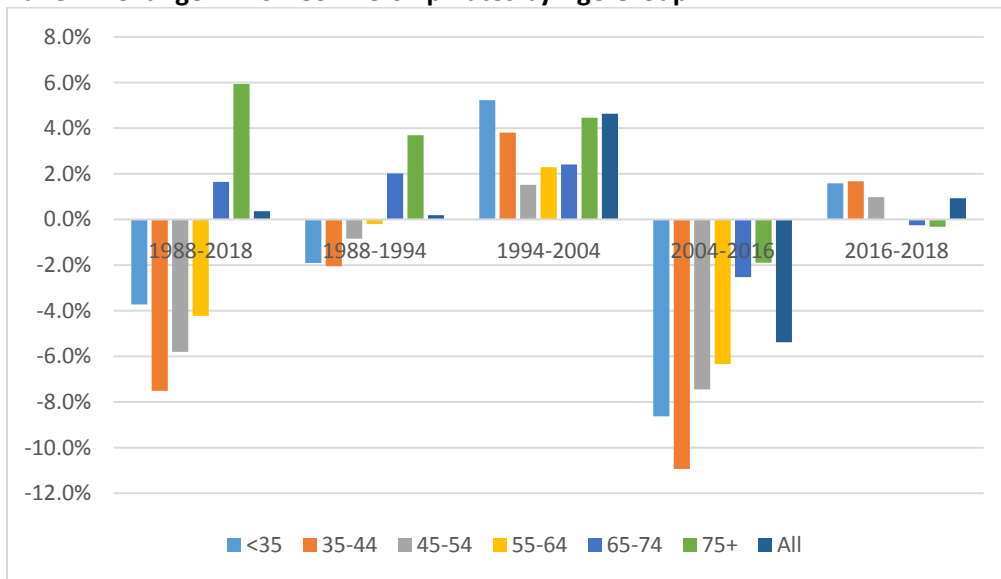
The homeownership rate's recent increase from 63.4 percent in 2016 to 63.9 percent in 2017 and 64.4 percent as of the third quarter of 2018 appears to suggest that the homeownership rate's decline is over, marking a new period in its trajectory. While the homeownership rate's current momentum appears to be upward, considerable uncertainty exists about the sources of this increase and the homeownership rate's future trajectory.

While it is difficult to attribute the timing of the homeownership rate's movements in any precise way, the foreclosure backlog and cyclical economic factors likely each played some role. First, Spader and Herbert (2017) estimate that the foreclosure crisis resulted in approximately 4.8-5.8 million foreclosures of owner-occupied properties through the first quarter of 2015—an estimate equivalent to a decline of

3.3 to 4.0 percentage points in the homeownership rate. While these estimates are rough approximations, they suggest that the downward pressure on the homeownership rate from foreclosure-related exits from homeownership likely accounts for about half or more of the homeownership rate’s decline. Because many properties remained in foreclosure for extended periods before a foreclosure completion, this downward pressure likely remained present through 2017 when the backlog of properties in the foreclosure pipeline finally returned to its pre-crisis levels.

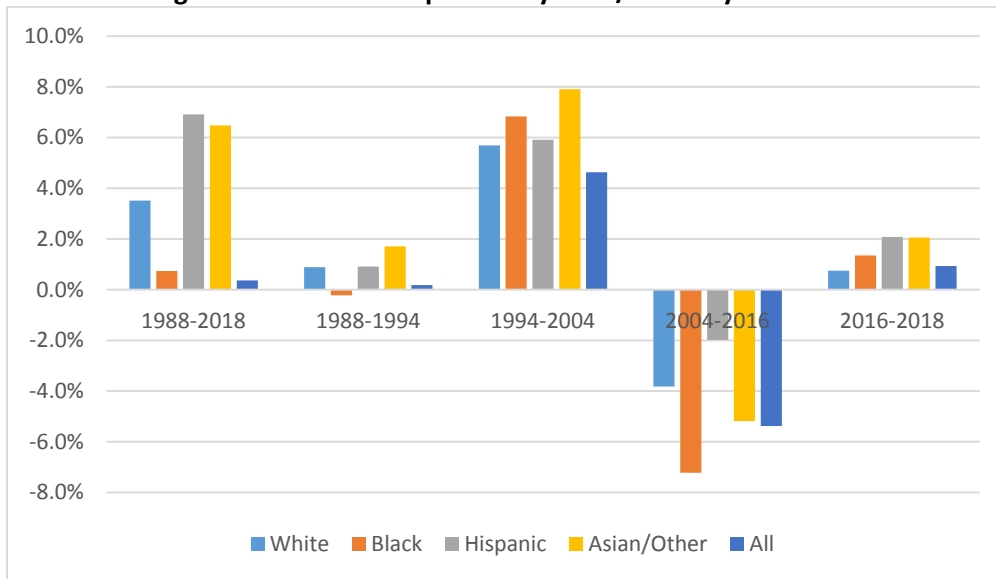
The economy’s current strength is likely an additional factor contributing to the homeownership rate’s recent increase. Figure 2 presents estimates of the short- and long-term changes in the homeownership rate by age group, race/ethnicity, and family type using the Current Population Survey’s Annual Social and Economic Supplement (CPS/ASEC) for 1988, 1994, 2004, 2016, and 2018. The estimates by age group (Panel A) show that between 2016 and 2018 the homeownership rate increased by 1.6 percentage points among households younger than age 35, 1.7 percentage points among those aged 35-44, 1.0 percentage points among those aged 45-54, and remained flat or declined slightly among households age 55 or older. This trend reverses the patterns of both the homeownership bust period from 2004 to 2016 and the long-term trend between 1988 and 2016 for households younger than age 55. Additionally, the trend among the youngest households age 35 or below—whose oldest members would have only just started buying homes when the foreclosure crisis began—suggests that the effects of the strengthening economy on households’ finances are contributing to the uptick in the homeownership rate.

Figure 2: Change in Homeownership Rates by Age Group, Race/Ethnicity, and Family Type, 1988-2018
Panel A: Change in Homeownership Rates by Age Group



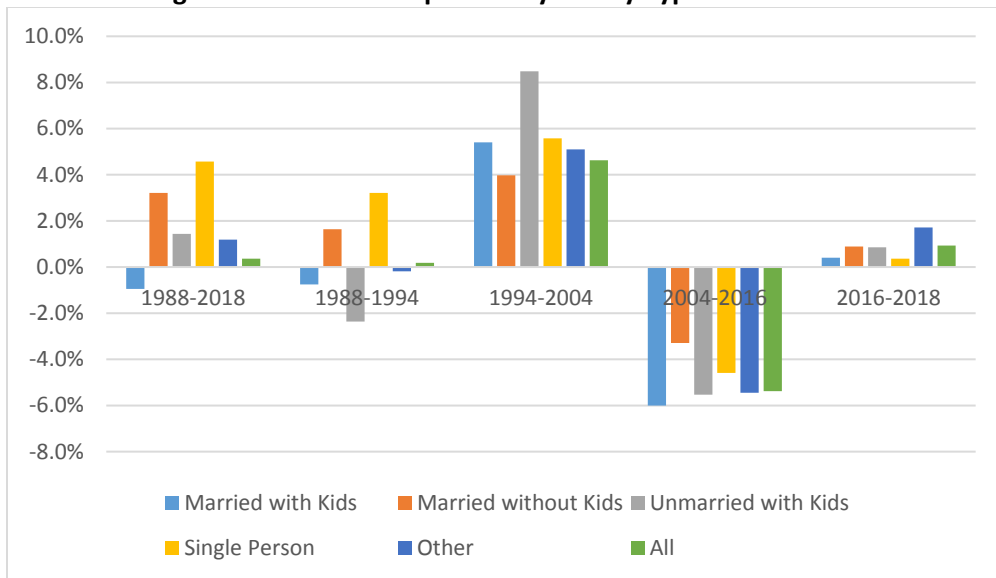
Source: JCHS analysis of CPS ASEC, 1988-2018.

Panel B: Change in Homeownership Rates by Race/Ethnicity



Source: JCHS analysis of CPS ASEC, 1988-2018.

Panel C: Change in Homeownership Rates by Family Type



Source: JCHS analysis of CPS ASEC, 1988-2018.

The estimates by race/ethnicity (Panel B) show that homeownership rates increased 2.1 percentage points among Hispanic households and among Asian/other households, compared to 1.3 percentage points among black households, and 0.7 percentage points among white households. This pattern indicates that the recent uptick in the homeownership rate has been broadly shared across groups and consistent with longer-term trends. The primary caveat is that the recent increase among black households is modest when compared with the disproportionate effects of the foreclosure crisis on the black homeownership rate. The long-term trend shows that the homeownership rate among black households in 2018 was just 0.7 percentage points above its level in 1988, and that the black-white homeownership rate gap increased by 2.8 percentage points between 1988 and 2018. Given this history,

the recent uptick in the black homeownership rate is not as large as might be expected if the recent uptick were simply a reversal of the homeownership declines between 2004 and 2016.

By family type (Panel C), the homeownership rate increased 0.4 percentage points among married households with children and among single-person households, 0.9 percentage points among married households without children and among unmarried households with children, and 1.7 percentage points among other households. This pattern reinforces the conclusion that the recent uptick has included increases across a broad set of demographic subgroups.

Looking forward, substantial uncertainty exists about the extent to which these recent increases in the homeownership rate are likely to continue. In particular, the uncertain future of the broader macroeconomy prevents any firm conclusions about the strength of homeownership demand in coming years. Moreover, over the long term, the homeownership rate is determined by the complex interplay of multiple factors that analysts are not able to model precisely. The set of contributing factors includes a large number of variables that relate to households' demand for housing as a place to live, their demand for the investment attributes of homeownership, any constraints on their ability to access mortgage credit, and the supply of available homes for sale.¹ The upshot is that the tenure projections in this paper should not be interpreted as firm predictions of the homeownership rate's future, but rather used as guideposts for understanding the implications of alternative scenarios for the number and distribution of homeowner and renter households by age group, race/ethnicity, and family type.

Tenure Projection Methods and Assumptions

Uncertainty about future economic conditions and their implications for the homeownership rates of different groups motivates this paper's use of "constant homeownership rates" to construct alternative scenarios for future homeownership rates. To implement this approach, analysts use current or historical data to calculate homeownership rates across multiple age, race/ethnicity, or other subgroup categories and then apply these rates to projected household counts to construct projections of homeowner and renter households. As this description indicates, a central assumption underlying this approach is that homeownership rates will remain approximately constant over time for each of the defined categories. Put another way, this approach assumes that for each group there is some "normal" homeownership rate around which homeownership rates will fluctuate over the long term. Given this assumption, the choice of how to define the homeownership rates for each group is central to constructing and interpreting projections using the constant homeownership rates approach.

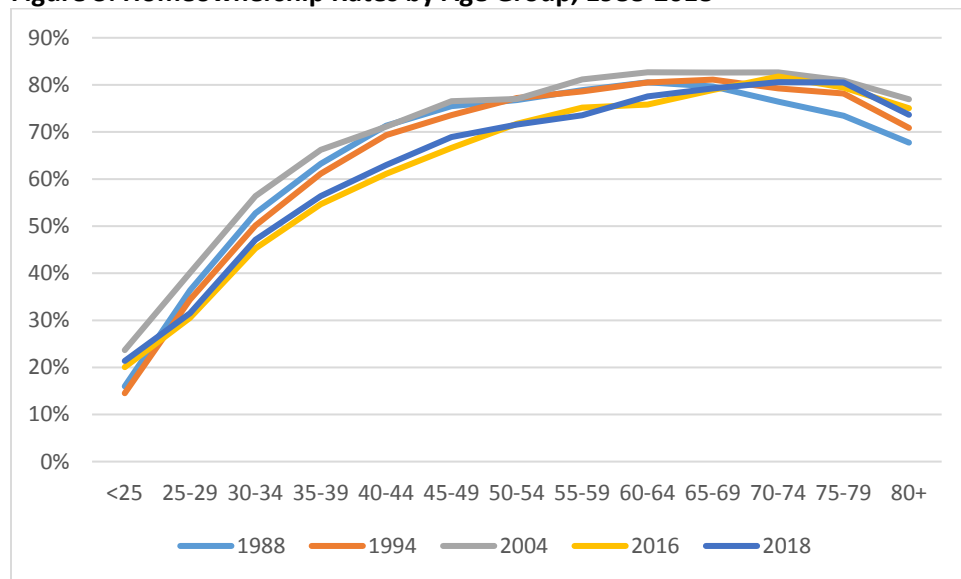
Figure 3 presents the age curves for homeownership rates in 1988, 1994, 2004, 2016, and 2018, describing the extent of variation in age-specific homeownership rates over time. Between 1988 and 1994, the homeownership rates of young and middle-aged households decreased slightly while the homeownership rates of households aged 65 and over rose substantially. The housing boom from 1994 to 2004 then pushed homeownership rates upward among all groups, and the subsequent housing bust from 2004 to 2016 witnessed homeownership rates falling severely among all but the oldest age groups, with particularly steep declines in young and middle-aged groups.

As these historical patterns make clear, the use of constant homeownership rates is an approximation and not a precise estimate of future homeownership. Instead, analysts must choose which time period to use as the basis for projections. Given the variation in the age curves displayed in Figure 3—including

¹ See Spader and Herbert (2017) for a more detailed overview of the determinants of homeownership.

the period from 1988 to 1994 when the overall homeownership rate was stable—there is no obvious choice for a “normal” age curve. Analysts must therefore define a set of constant rates that approximate an expected long-term equilibrium for homeownership rates, with the potential for substantial variation in individual years due to cyclical economic factors and other influences. Reflecting these considerations, analysts frequently apply either current homeownership rates or the homeownership rates from some historical period thought to approximate a long-term equilibrium.

Figure 3: Homeownership Rates by Age Group, 1988-2018



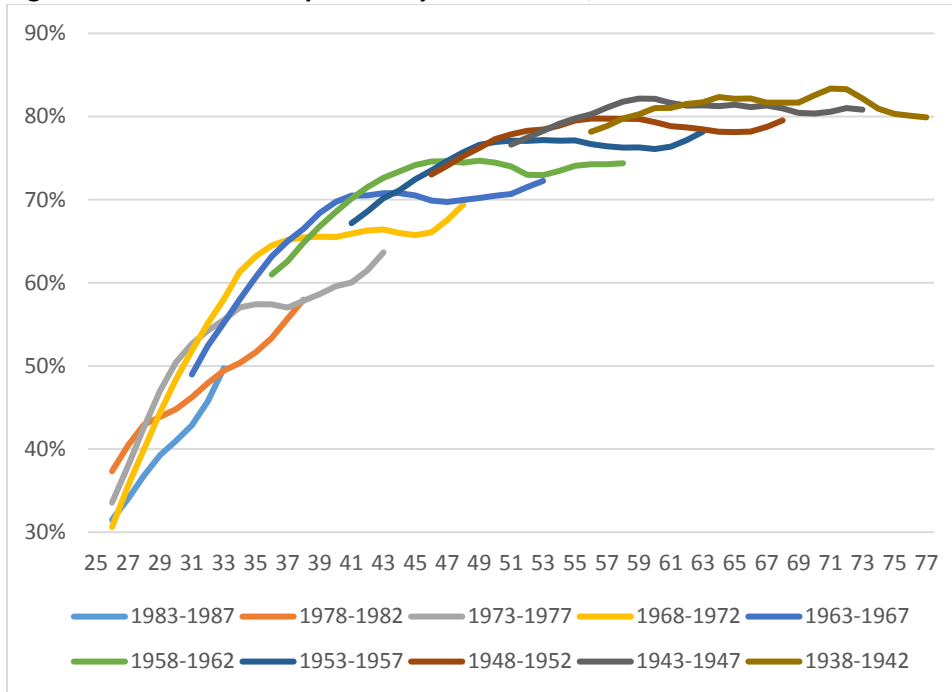
One alternative to the constant homeownership rates approach is to rely on “cohort trends” in homeownership rates observed by following specific birth cohorts as they age. This approach acknowledges the potential for cohorts to carry with them over time the inertia established in achieving certain levels of homeownership. For example, the foreclosure crisis and Great Recession may place many cohorts on lower trajectories than the homeownership attainment of previous cohorts. Among middle-aged cohorts, the lasting impacts of foreclosure may reduce homeownership attainment to the extent that some households who experienced foreclosure do not re-enter homeownership. Conversely, older age cohorts were not hit as hard by the foreclosure crisis and many households now have zero or low mortgage balances, so these cohorts may carry their high levels of homeownership into the future. Among younger cohorts, slowed labor market earnings and employment during the Great Recession period might carry lasting implications for future earnings trajectories, reducing the likelihood and speed of homeownership entry.

As these examples suggest, cohort trending can be a powerful tool for improving the accuracy of projections when cohorts exhibit clear trends that are expected to continue into the projection period. However, the critical assumption of this approach is that the future trajectory of the trend can be projected accurately throughout the duration of the projection period. In practice, tenure projections based on cohort trends are highly sensitive to choices about the starting and ending points used to measure the trend and the functional forms used to project the trend, making this approach more volatile than the use of constant homeownership rates.

Figure 4 displays the cohort trajectories from 1995 to 2018 for 5-year birth cohorts, plotting the homeownership attainment of each cohort as it ages. These cohort trajectories have the same basic

shape as the age curves shown in Figure 3, with homeownership attainment rising with age and peaking above 80 percent around age 70. However, these cohort trajectories also show substantial variation across cohorts at each age milestone. For example, the cohort born from 1968-1972 reached a homeownership rate of 64 percent in 2005 when it was aged 33-37—the highest homeownership rate observed among 35-year-olds. Over the next ten years, the cohort’s homeownership rate rose only 0.7 percentage points to 65 percent in 2015, the lowest homeownership rate observed among 45-year-olds. In the most recent period, the rate among this group has begun to increase sharply, closing the gap with the prior cohort.

Figure 4: Homeownership Rates by Birth Cohort, 1995-2018



Note: Estimates are 3-year rolling averages except for the final year, which is the single-year estimate for 2018.
Source: JCHS analysis of CPS ASEC data.

These cohort trajectories illustrate the relationship between cohort trends and the age curves in Figure 3. During periods when the cohort trends did not change much across cohorts, the age curve remained relatively stable. In contrast, the age curve shifts noticeably upward and downward during periods when the cohort trends deviate more sharply as cohorts experience particularly favorable or unfavorable periods for homeownership. As this relationship implies, projections based on cohort trends will therefore cause the age curve to continue to shift in its current direction until the defined cohort trends produce a stable age curve. This outcome may improve the accuracy of projections to the extent that the cohort trends reflect long-term shifts, but may also reduce the accuracy of long-term projections to the extent that the cohort trends reflect only temporary shifts that will not persist over time.

Given the extent of recent volatility in both the overall homeownership rate and the cohort trajectories in Figure 4, the tenure projections in this paper use the constant homeownership rates method. This choice reflects the acknowledgment that precisely projecting the future homeownership rate trajectories of subgroups based on recent or historical trends is likely not possible. Instead, the analysis uses the constant homeownership rate method to develop multiple homeownership rate scenarios that

offer alternative guideposts for the expected number and share of homeowners and renters under different conditions.

Tenure Projections, 2018-2038

The tenure projections build on the household projections in McCue (2018), which project the number of U.S. households through 2038 using data from the Census Bureau's Population Estimates Program and the Current Population Survey's Annual Social and Economic Supplement (CPS/ASEC). The resulting projections produce household counts by age, race/ethnicity, and family type.

For the tenure projections, we calculate homeownership rates for each age, race/ethnicity, and family type category using the CPS/ASEC data.² Age is defined in thirteen 5-year age bands bounded by an under-25 age group and an 80-and-over group.³ Race/ethnicity is defined in four categories: non-Hispanic white, Hispanic, non-Hispanic black, and non-Hispanic Asian, multiracial, or other race. Family type is defined in five categories: married with children, married without children, unmarried with children, single-person, and other family types.⁴ The full interaction of age, race/ethnicity, and family type therefore creates a grid with 260 cells. To improve the precision of the CPS/ASEC homeownership rates for each cell, we calculate the homeownership rates in each year using 3-year trailing averages with an across-the-board adjustment to these rates to match the 2018 rate of 64.3 percent.⁵

The tenure projections use these inputs to estimate the number of homeowner and renter households and the associated homeownership rates in 2028 and 2038. Separate tenure projections are calculated for three scenarios that capture a broad range of potential homeownership outcomes:

- Scenario 1 ("Base Scenario") – Homeownership rates remain at their 2018 levels. The base scenario applies the 2018 homeownership rates by age, race/ethnicity, and family type to the projected household counts for 2028 and 2038. This scenario therefore describes the likely outcomes if homeownership rates stabilize near their current levels. By holding homeownership rates constant, this scenario also reveals the implications of changes in the distribution of U.S. households by age, race/ethnicity, and family type for the future homeownership rate.
- Scenario 2 ("High Scenario") – Homeownership rates for each subgroup return to the higher of their long-term average for the 30-year period from 1988-2018 or their current level. This approach uses the 1988-2018 average rates to approximate the homeownership rates for each group that might constitute a longer-term equilibrium. It then adjusts the rates upward to the 2018 rates for older households and other groups for whom longer-term upward trends have kept the 2018 rates above their long-term average. The resulting homeownership rates therefore define a high scenario in which homeownership rates increase to levels slightly above their 30-year average, but well below the 2004 peak.

² The CPS/ASEC data is collected from the Integrated Public Use Microdata Series (Flood et al. 2018).

³ We combine the 15-19 age group with the 20-24 age group for the homeownership rate projections due to thin samples of homeowners in these age groups.

⁴ Households in which the head lives with an unmarried partner are categorized as unmarried with children or other family type, depending on whether children are present in the household.

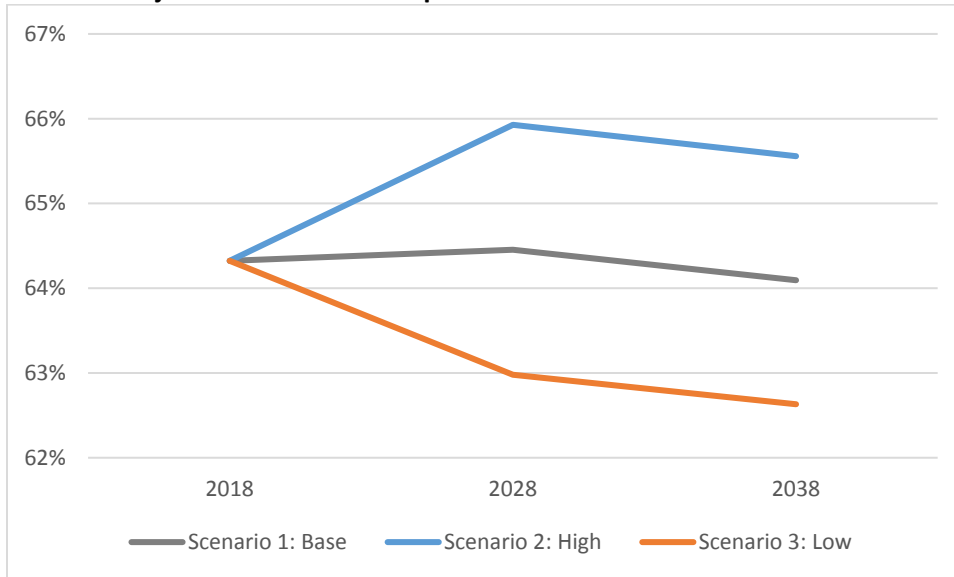
⁵ For example, the estimated 2018 homeownership rate of 64.32 percent is 0.59 percentage point above the three-year trailing average estimate of 63.73 percent, so the three-year estimates for each cell are boosted by 0.59 percentage point to center the 2018 rates on the 2018 homeownership rate estimate. They are then reduced by 0.04 percentage point to account for the difference between estimates based on the CPS/ASEC household counts and the household counts produced by McCue (2018).

- Scenario 3 (“Low Scenario”) – This scenario assumes that the recent homeownership rate uptick reverses and that the homeownership rate experiences further declines. To the extent that the recent uptick in the homeownership rate is due to cyclical factors, it remains possible that the longer-term trend is downwards. This scenario therefore approximates the effects of further declines in the homeownership rate by 2028 and 2038. It is constructed by applying constant homeownership rates that use the difference between the high and base scenario rates as an estimate of how far rates are now from their long-term average, and then subtracting this amount from the base scenario rates. In essence, this approach assumes that the current divergence from the long-term average will increase over the next decade and then hold constant after that. This definition reflects the need to incorporate differences in the volatility of the homeownership rates for different subgroups—e.g., the homeownership rates of older households are more stable than the rates of younger households, which showed much larger changes across the boom-bust cycle. The resulting homeownership rates therefore define a low scenario in which further decreases in the overall homeownership rate are apportioned across subgroups to reflect existing differences between current homeownership rates and their long-term averages.

Figure 5 displays the projected homeownership rates (**Panel A**) and growth in the number of homeowner and renter households (**Panel B**) implied by each scenario. To supplement this figure, Appendix Table A.1 reports the projected number of households, homeownership rate, homeowner and renter households, and homeowner and renter growth for each scenario and year.

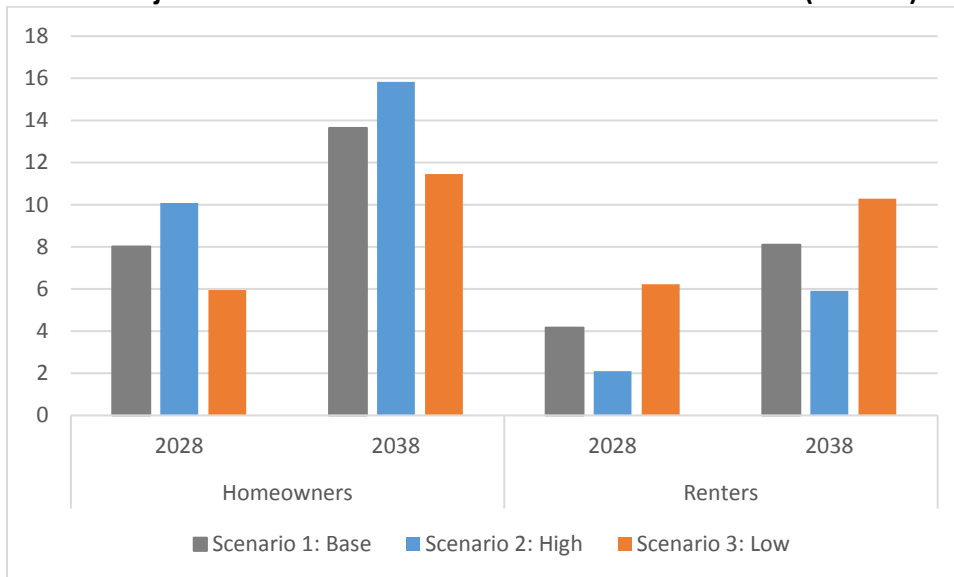
The base scenario shows that changes in the distribution of households by age, race/ethnicity, and family type will not substantially alter the homeownership rate between 2018 and 2038. The projected homeownership rate increases slightly from 64.3 percent in 2018 to 64.5 percent in 2028 before falling to 64.1 percent in 2038. Because the base scenario holds the rates for each age, race/ethnicity, and family type category constant at their 2018 levels, the changes (or lack thereof) reflect the cumulative effect of trends in the profile of U.S. households, such as population aging, increased racial and ethnic diversity, and delayed marriage and childbirth. The upshot is that these trends largely offset one another, affecting the overall homeownership rate only minimally. Instead, increases in the number of homeowner and renter households are driven by household growth, producing 8.0 million additional homeowner households and 4.2 million additional renter households by 2028, and 13.6 million additional homeowner households and 8.1 million additional renter households by 2038.

Figure 5: Projected Homeownership Rates and Homeowner Growth by Scenario and Year.
Panel A: Projected Homeownership Rates



Note: See also Appendix Table A.1.

Panel B: Projected Growth in Homeowner Households from 2018 (millions)



Note: See also Appendix Table A.1.

These estimates of household growth are smaller than the projections in Spader, McCue, and Herbert (2016) due to decreases in the population and household projections.⁶ McCue (2018) provides a detailed discussion of the changes in the population and household projections, projecting 10-year household growth of 12.2 million for 2018-2028 compared to 13.6 million for 2015-2025. Lower Census Bureau population projections, which assume lower levels of immigration than the previous population projections, account for 1.0 million of the 1.4 million reduction in projected household growth. Shifting

⁶ See McCue (2018) for discussion of the changes in the population and household projections.

the starting point of the projection forward three years from 2015 to 2018 accounts for most of the remainder due to slowing adult population growth during this period.

The changes to the tenure projections allocate a slightly higher share of this projected household growth to homeowner growth rather than renter growth, because of the use of constant 2018 rates rather than constant 2015 rates. The homeownership rate increased 0.8 percentage point from 63.5 percent in 2015 to 64.3 percent in 2018. The projected household growth of 12.2 million additional households from 2018-2028 therefore includes approximately 100,000 additional homeowner households (and thus 100,000 fewer renter households) than would be the case using the 2015 rates.

The high and low scenarios differ more significantly from the previous projections due to changes in the projection assumptions. Because the homeownership rate halted its decade-long decline in 2016 and increased in 2017 and 2018, the high and low projection scenarios define a higher range of potential outcomes than the scenarios applied in 2015. Specifically, the updated high scenario projections describe homeownership outcomes if rates return back to their 30-year averages. The projected homeownership rates for the high scenario increase from 64.3 percent in 2018 to 65.9 percent in 2028 or 65.6 percent in 2038. This higher homeownership rate trajectory implies the addition of 10.1 million homeowner households and 2.1 million renter households by 2028, and 15.8 million homeowner households and 5.9 million renter households by 2038.

The higher homeownership rates produced by this scenario reflect the long-term average rates for each subgroup from 1988-2018, as well as the adjustment for subgroups whose 2018 rates have remained above their long-term average. While there is no clear “normal” equilibrium for the homeownership rate, this approach is used to approximate the levels that might be a longer-term equilibrium for each subgroup. A potential limitation of this high scenario is that it may overestimate future homeownership outcomes to the extent that the 30-year average rates are inflated by the housing boom of the mid-2000s. The adjustment for subgroups whose 2018 rates have remained above their long-term average further pushes the high scenario rates to levels slightly above their 30-year averages. Conversely, the high scenario may underestimate future homeownership outcomes among subgroups that have experienced longer-term homeownership rate increases, particularly older adults. To the extent that such increases continue into future years, the use of constant rates means that the high scenario will underestimate the homeownership outcomes of these subgroups.

The low scenario describes the consequences of a reversal in the homeownership rate uptick followed by a longer-term downward trend through 2028 or 2038. Under this scenario, the projected homeownership rate falls from 64.3 percent in 2018 to 63.0 percent in 2028 or 62.6 percent in 2038. While these homeownership rate decreases are relatively small, they have outsized effects on the relative allocation of growth between homeowner and renter households. Whereas the base scenario allocates roughly two-thirds of household growth to homeowner households, the low scenario produces an approximately even allocation of growth between homeowner and renter households—adding 6.0 million homeowner households and 6.2 million renter households by 2028, and 11.5 million homeowner households and 10.3 million renter households by 2038.

The projected decline in the homeownership rate through 2028 reflects the amplification of existing differences between current homeownership rates and their long-term averages. One potential limitation of this approach is that, to the extent that current homeownership rates reflect the unique effects of the foreclosure crisis, the projected homeownership rates may over- or under-estimate the actual changes for subgroups that were disproportionately affected by the housing boom and bust. The

projected homeownership outcomes under this scenario should therefore be interpreted with this caveat in mind.

Because the homeownership rate's recent rise and fall reflect influences beyond changes in the demographic profile of U.S. households, none of these scenarios is likely to precisely capture the complex interplay of factors that will determine the homeownership rate in future years. Instead, each scenario provides a reference point for understanding the size of changes to the homeownership rate and number of homeowners that are likely to result from each set of assumptions. Additionally, because it is possible that future homeownership rates might extend outside the range defined by the high and low scenarios, the differences between projection scenarios also offer useful information about how alternative homeownership rate trajectories might affect the number and distribution of homeowner and renter households by age, race/ethnicity, and family type. The remainder of this section highlights and discusses several of the trends implied by the projection scenarios. Appendix Tables A.2 and A.3 additionally provide the projected number and growth in homeowner households for 2028 and 2038, respectively, by age, race/ethnicity, and family type. Appendix Tables A.4 and A.5 present similar information on the projected number and growth in renter households.

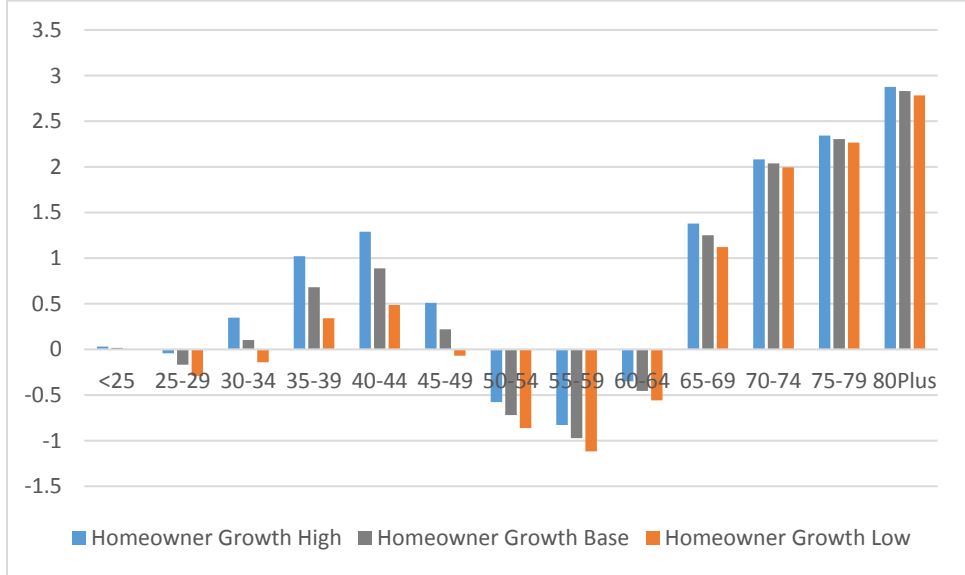
A first insight from these totals is that growth in the number of homeowner households is concentrated among households aged 65 and over. For example, Panel A of Figure 6 displays growth in the number of homeowner households through 2028 by age group under each scenario, showing dramatic growth among older age groups. This pattern reflects the aging of the population as the Baby Boom generation follows a comparatively smaller generation. Because most baby boomers already own homes, the pattern does not necessarily imply growth in new homeownership entries. Instead, Panel B displays a measure of new homeowners—defined as the change in the number of homeowners from 2018 to 2028 following birth cohorts as they age. This measure shows that growth in new homeowners is largest among younger age groups, reflecting higher rates of homeownership entry among younger households. Because these young cohorts follow more comparably-sized cohorts, the new homeowners do not produce substantial *growth* in the number of homeowner households in each age group.

Panels C and D of Figure 6 display growth in the number of renter households through 2028 by age group under each scenario, as well as a measure of new renters—defined as the change in the number of renters from 2018 to 2028 following birth cohorts as they age. The highest levels of renter growth appear among households aged 65 and over and among households aged 30-44, reflecting the aging of the baby boom and millennial generations into these age groups by 2028. In contrast, the measure of new renters highlights the concentration of new renterships among households below age 30.

A final finding from Figure 6 is that the differences between scenarios are largest among households between ages 30 and 50 for both measures. This outcome is mirrored in the projected age curves for each scenario in 2028, shown in Figure 7. These age curves show the largest differences in middle-aged groups, an outcome that reflects the disproportionate effects of the foreclosure crisis and Great Recession on the homeownership rates of households in these age groups. Figure 7 also displays the 2004 and 2016 age curves for comparison, showing that all three scenarios fall well below the 2004 peak and closer to the 2016 trough.

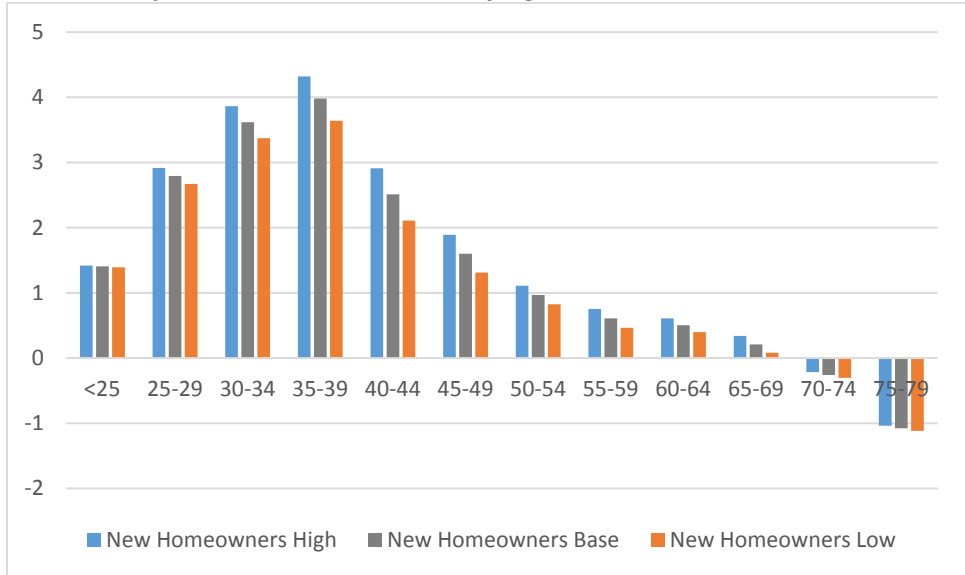
Figure 6: Projected Homeowner and Renter Outcomes by Age in 2028.

Panel A: Projected Homeowner Growth by Age, 2018-2028 (millions)



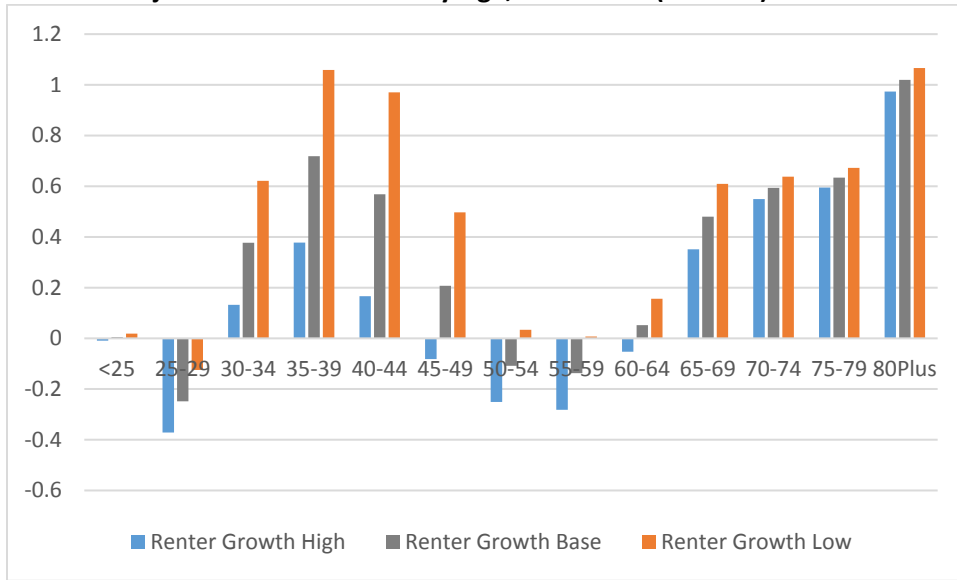
Note: See also Appendix Table A.2.

Panel B: Projected New Homeowners by Age, 2018-2028 (millions)



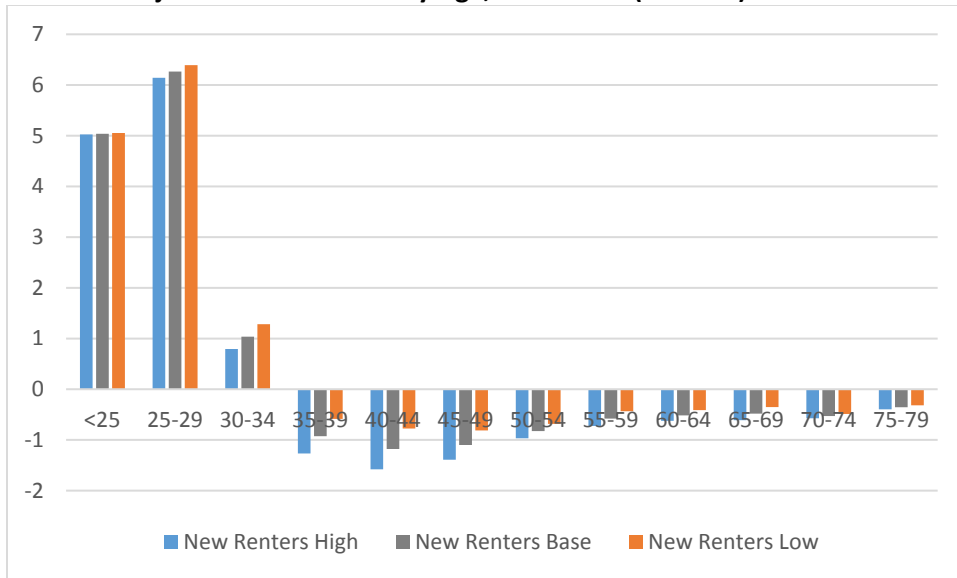
Note: See also Appendix Table A.2.

Panel C: Projected Renter Growth by Age, 2018-2028 (millions)



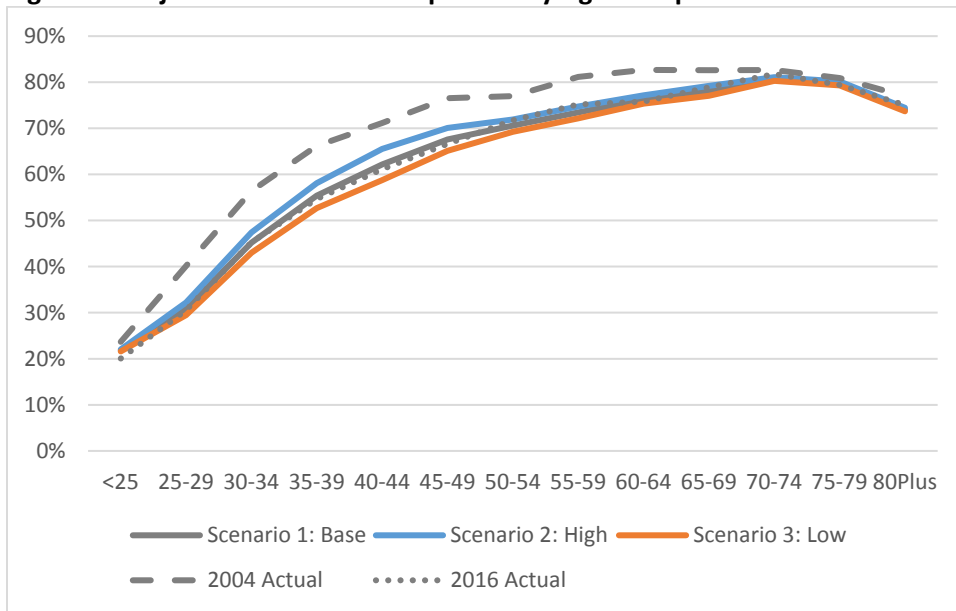
Note: See also Appendix Table A.2.

Panel D: Projected New Renters by Age, 2018-2028 (millions)



Note: See also Appendix Table A.2.

Figure 7. Projected Homeownership Rates by Age Group and Scenario in 2028.



Note: See also Appendix Table A.8.

Summary and Conclusions

The declines in the homeownership rate during the foreclosure crisis generated substantial discussion over the future of homeownership in the United States. While the recent uptick in homeownership rates appears to have ended the decade-long decline, considerable uncertainty continues to exist about the homeownership rate's longer-term trajectory. Given this outlook, this paper provides a brief discussion of projection methods before presenting the JCHS tenure projections for 2018-2038, which include three scenarios that describe a range of possible outcomes. The base scenario, which holds homeownership rates constant at their 2018 levels, shows that projected changes in the demographic composition of U.S. households by age, race/ethnicity, and family type will largely offset one another, contributing to a small increase in the homeownership rate from 64.3 percent in 2018 to 64.5 percent in 2028 and a small decrease to 64.1 percent by 2038. Projected household growth under this scenario will add 8.0 million homeowner households and 4.2 million renter households by 2028, and 13.6 million homeowner households and 8.1 million renter households by 2038.

The growth projections of 8.0 million homeowner households and 4.2 million renter households by 2028 are both below JCHS's previous projections for 10-year growth of 8.9 million homeowner households and 4.7 million renter households from 2015-2025 (Spader, McCue, and Herbert 2016). Changes to the methodology and assumptions for the tenure projections contribute very little to the differences in these projections. Instead, the reductions are primarily due to the reduction in projected household growth from 13.6 million households for 2015-2025 to 12.2 million households for 2018-2028. The primary source of this reduction is the Census Bureau's revised assumptions about international immigration. The shift of three years in the starting point for the projections from 2015 to 2018 also makes a smaller contribution due to slowing adult population growth during this period (McCue 2018).

To supplement this base scenario, the low and high scenarios describe the implications of alternative homeownership rate trajectories. The high scenario describes homeownership outcomes if the

homeownership rate continues to increase towards its longer-term average over the past 30 years. Conversely, the low scenario describes homeownership outcomes if the homeownership rate's recent uptick reverses and if it instead experiences further declines by 2028 or 2038. The resulting projections for these scenarios are intended to provide useful guideposts for understanding the implications of alternative homeownership rates for growth in the number of homeowner and renter households and for the projected distribution of homeowner and renter households by age, race/ethnicity, and family type. Additionally, because it is possible that future homeownership rates might extend outside the range defined by the high and low scenarios, these projections also offer useful reference points for understanding how larger changes in the homeownership rate might affect homeownership outcomes.

In the near term, the homeownership rate's actual trajectory will likely depend on the occurrence and timing of broader changes in the macroeconomy. Over the longer-term, the homeownership rate's trajectory will be influenced by a larger set of factors related to households' demand for housing as a place to live, their demand for the investment attributes of homeownership, any constraints on their ability to access mortgage credit, and the supply of available homes for sale. JCHS will therefore be updating these projections in coming years as updated population projections are released or if changes in any of these factors substantially alter our projections for the homeownership rate's future trajectory.

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APPENDIX TABLES

A.1: Projected Homeownership Rates and Homeowner/Renter Households by Scenario and Year.

	Actual	Projected	
	2018	2028	2038
Total Households	127,807,188	139,981,622	149,545,790
Scenario 1: Base			
Homeownership Rate	64.3%	64.5%	64.1%
Total Homeowners	82,210,018	90,223,639	95,850,398
Homeowner Growth 2018-		8,013,621	13,640,380
Total Renters	45,597,170	49,757,983	53,695,391
Renter Growth 2018-		4,160,813	8,098,222
Scenario 2: High			
Homeownership Rate	64.3%	65.9%	65.6%
Total Homeowners	82,210,018	92,286,996	98,038,407
Homeowner Growth 2018-		10,076,978	15,828,389
Total Renters	45,597,170	47,694,625	51,507,383
Renter Growth 2018-		2,097,456	5,910,213
Scenario 3: Low			
Homeownership Rate	64.3%	63.0%	62.6%
Total Homeowners	82,210,018	88,160,281	93,662,390
Homeowner Growth 2018-		5,950,263	11,452,372
Total Renters	45,597,170	51,821,340	55,883,400
Renter Growth 2018-		6,224,171	10,286,230

A.2: Projected Number of Homeowner Households in 2028 by Age, Race/Ethnicity, and Family Type.

	2028			Change 2018-2028		
	Low	Base	High	Low	Base	High
<25	1,391,611	1,405,577	1,419,543	1,826	15,791	29,757
25-29	2,670,265	2,793,575	2,916,885	-290,435	-167,125	-43,815
30-34	4,763,532	5,008,218	5,252,904	-141,867	102,819	347,505
35-39	6,600,486	6,941,015	7,281,544	340,492	681,021	1,021,550
40-44	7,013,741	7,415,615	7,817,489	485,481	887,355	1,289,229
45-49	7,571,520	7,860,821	8,150,121	-69,624	219,676	508,976
50-54	7,354,058	7,496,373	7,638,688	-862,235	-719,920	-577,605
55-59	8,104,574	8,249,233	8,393,892	-1,117,581	-972,922	-828,264
60-64	8,615,181	8,719,908	8,824,635	-559,418	-454,691	-349,964
65-69	9,302,990	9,431,867	9,560,744	1,121,520	1,250,397	1,379,275
70-74	8,871,553	8,915,686	8,959,819	1,993,130	2,037,263	2,081,396
75-79	7,065,673	7,104,296	7,142,918	2,266,014	2,304,636	2,343,259
80Plus	8,835,096	8,881,456	8,927,815	2,782,960	2,829,319	2,875,679
White	63,467,372	64,496,395	65,525,417	1,692,075	2,721,098	3,750,121
Black	7,642,174	8,213,431	8,784,687	578,837	1,150,093	1,721,350
Hispanic	10,320,384	10,593,275	10,866,166	2,130,390	2,403,281	2,676,172
Asian/Other	6,730,352	6,920,539	7,110,725	1,548,961	1,739,148	1,929,335
Married with Children	18,108,884	18,688,000	19,267,116	364,364	943,480	1,522,596
Married without Children	35,425,669	35,779,663	36,133,658	2,702,207	3,056,202	3,410,197
Unmarried with Children	3,757,135	4,016,871	4,276,608	-68,252	191,485	451,222
Single Person	20,366,526	20,885,211	21,403,897	2,278,949	2,797,635	3,316,320
Other Family Type	10,502,068	10,853,892	11,205,716	672,995	1,024,819	1,376,643
Total	88,160,281	90,223,639	92,286,996	5,950,263	8,013,621	10,076,978

A.3: Projected Number of Homeowner Households in 2038 by Age, Race/Ethnicity, and Family Type.

	2038			Change 2018-2038		
	Low	Base	High	Low	Base	High
<25	1,395,407	1,409,275	1,423,144	5,622	19,490	33,358
25-29	2,601,639	2,725,568	2,849,498	-359,061	-235,132	-111,202
30-34	4,715,585	4,960,115	5,204,645	-189,814	54,716	299,246
35-39	6,288,036	6,616,407	6,944,779	28,042	356,413	684,785
40-44	7,293,020	7,719,888	8,146,757	764,760	1,191,628	1,618,497
45-49	8,524,089	8,856,592	9,189,094	882,945	1,215,447	1,547,950
50-54	8,423,181	8,587,214	8,751,247	206,888	370,921	534,954
55-59	8,381,361	8,531,658	8,681,954	-840,794	-690,498	-540,202
60-64	7,903,394	8,005,988	8,108,582	-1,271,205	-1,168,611	-1,066,017
65-69	8,378,393	8,500,905	8,623,417	196,923	319,435	441,947
70-74	8,535,525	8,588,775	8,642,026	1,657,102	1,710,352	1,763,603
75-79	8,373,794	8,424,603	8,475,413	3,574,134	3,624,944	3,675,754
80Plus	12,848,966	12,923,409	12,997,852	6,796,830	6,871,273	6,945,716
White	63,545,478	64,542,356	65,539,233	1,770,181	2,767,059	3,763,937
Black	8,723,370	9,353,140	9,982,909	1,660,033	2,289,803	2,919,572
Hispanic	13,039,754	13,375,691	13,711,628	4,849,760	5,185,697	5,521,635
Asian/Other	8,353,788	8,579,212	8,804,636	3,172,397	3,397,821	3,623,245
Married with Children	18,843,595	19,457,163	20,070,731	1,099,075	1,712,643	2,326,211
Married without Children	36,977,309	37,360,024	37,742,739	4,253,848	4,636,562	5,019,277
Unmarried with Children	3,898,483	4,177,429	4,456,375	73,097	352,043	630,989
Single Person	22,465,915	23,005,799	23,545,684	4,378,338	4,918,223	5,458,108
Other Family Type	11,477,088	11,849,983	12,222,878	1,648,015	2,020,910	2,393,804
Total	93,662,390	95,850,398	98,038,407	11,452,372	13,640,380	15,828,389

A.4: Projected Number of Renter Households in 2028 by Age, Race/Ethnicity, and Family Type.

	2028			Change 2018-2028		
	Low	Base	High	Low	Base	High
<25	5,052,281	5,038,315	5,024,349	18,683	4,718	-9,248
25-29	6,389,985	6,266,675	6,143,365	-124,755	-248,065	-371,375
30-34	6,315,962	6,071,276	5,826,590	621,551	376,865	132,179
35-39	5,928,994	5,588,465	5,247,937	1,058,791	718,262	377,733
40-44	4,918,884	4,517,010	4,115,136	970,176	568,302	166,428
45-49	4,058,544	3,769,244	3,479,943	496,795	207,495	-81,805
50-54	3,266,278	3,123,963	2,981,648	33,984	-108,331	-250,646
55-59	3,128,129	2,983,470	2,838,811	7,403	-137,256	-281,915
60-64	2,819,606	2,714,879	2,610,153	156,527	51,800	-52,927
65-69	2,768,226	2,639,349	2,510,472	609,156	480,279	351,402
70-74	2,176,961	2,132,828	2,088,695	637,491	593,358	549,225
75-79	1,841,082	1,802,459	1,763,837	672,320	633,697	595,075
80Plus	3,156,409	3,110,049	3,063,689	1,066,049	1,019,690	973,330
White	24,298,096	23,269,073	22,240,050	1,154,039	125,016	-904,007
Black	10,483,001	9,911,744	9,340,488	1,358,857	787,601	216,344
Hispanic	11,643,953	11,371,062	11,098,170	2,398,202	2,125,311	1,852,419
Asian/Other	5,396,291	5,206,104	5,015,917	1,313,073	1,122,886	932,699
Married with Children	7,884,753	7,305,637	6,726,521	1,229,911	650,795	71,679
Married without Children	7,495,449	7,141,454	6,787,459	1,061,268	707,273	353,278
Unmarried with Children	7,438,727	7,178,990	6,919,253	705,701	445,964	186,228
Single Person	19,016,434	18,497,748	17,979,063	2,364,561	1,845,876	1,327,190
Other Family Type	9,985,978	9,634,154	9,282,330	862,730	510,905	159,081
Total	51,821,340	49,757,983	47,694,625	6,224,171	4,160,813	2,097,456

A.5: Projected Number of Renter Households in 2038 by Age, Race/Ethnicity, and Family Type.

	2038			Change 2018-2038		
	Low	Base	High	Low	Base	High
<25	5,076,962	5,063,094	5,049,225	43,365	29,497	15,628
25-29	6,421,507	6,297,577	6,173,648	-93,234	-217,163	-341,093
30-34	6,484,372	6,239,842	5,995,312	789,961	545,431	300,901
35-39	5,851,357	5,522,986	5,194,615	981,153	652,782	324,411
40-44	5,357,534	4,930,666	4,503,797	1,408,827	981,958	555,089
45-49	4,744,375	4,411,872	4,079,370	1,182,627	850,124	517,622
50-54	3,794,885	3,630,852	3,466,818	562,591	398,558	234,525
55-59	3,360,297	3,210,000	3,059,704	239,571	89,274	-61,022
60-64	2,773,091	2,670,497	2,567,904	110,011	7,418	-95,176
65-69	2,702,004	2,579,491	2,456,979	542,933	420,421	297,909
70-74	2,304,612	2,251,361	2,198,110	765,141	711,891	658,640
75-79	2,320,104	2,269,294	2,218,485	1,151,342	1,100,532	1,049,722
80Plus	4,692,302	4,617,859	4,543,416	2,601,942	2,527,500	2,453,057
White	24,057,998	23,061,120	22,064,242	913,942	-82,936	-1,079,814
Black	11,322,326	10,692,556	10,062,787	2,198,182	1,568,412	938,643
Hispanic	14,028,164	13,692,227	13,356,289	4,782,413	4,446,476	4,110,538
Asian/Other	6,474,912	6,249,488	6,024,064	2,391,694	2,166,270	1,940,846
Married with Children	8,476,418	7,862,850	7,249,282	1,821,576	1,208,008	594,440
Married without Children	8,228,314	7,845,600	7,462,885	1,794,133	1,411,419	1,028,704
Unmarried with Children	7,802,159	7,523,213	7,244,267	1,069,134	790,188	511,242
Single Person	20,785,816	20,245,931	19,706,047	4,133,943	3,594,059	3,054,174
Other Family Type	10,590,692	10,217,797	9,844,902	1,467,443	1,094,548	721,653
Total	55,883,400	53,695,391	51,507,383	10,286,230	8,098,222	5,910,213

A.6: Projected Share of Homeowner Households by Age, Race/Ethnicity, and Family Type.

	2018	2028			2038		
	Actual	Low	Base	High	Low	Base	High
<25	1.7%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%
25-29	3.6%	3.0%	3.1%	3.2%	2.8%	2.8%	2.9%
30-34	6.0%	5.4%	5.6%	5.7%	5.0%	5.2%	5.3%
35-39	7.6%	7.5%	7.7%	7.9%	6.7%	6.9%	7.1%
40-44	7.9%	8.0%	8.2%	8.5%	7.8%	8.1%	8.3%
45-49	9.3%	8.6%	8.7%	8.8%	9.1%	9.2%	9.4%
50-54	10.0%	8.3%	8.3%	8.3%	9.0%	9.0%	8.9%
55-59	11.2%	9.2%	9.1%	9.1%	8.9%	8.9%	8.9%
60-64	11.2%	9.8%	9.7%	9.6%	8.4%	8.4%	8.3%
65-69	10.0%	10.6%	10.5%	10.4%	8.9%	8.9%	8.8%
70-74	8.4%	10.1%	9.9%	9.7%	9.1%	9.0%	8.8%
75-79	5.8%	8.0%	7.9%	7.7%	8.9%	8.8%	8.6%
80Plus	7.4%	10.0%	9.8%	9.7%	13.7%	13.5%	13.3%
White	75.1%	72.0%	71.5%	71.0%	67.8%	67.3%	66.9%
Black	8.6%	8.7%	9.1%	9.5%	9.3%	9.8%	10.2%
Hispanic	10.0%	11.7%	11.7%	11.8%	13.9%	14.0%	14.0%
Asian/Other	6.3%	7.6%	7.7%	7.7%	8.9%	9.0%	9.0%
Married with Children	21.6%	20.5%	20.7%	20.9%	20.1%	20.3%	20.5%
Married without Children	39.8%	40.2%	39.7%	39.2%	39.5%	39.0%	38.5%
Unmarried with Children	4.7%	4.3%	4.5%	4.6%	4.2%	4.4%	4.5%
Single Person	22.0%	23.1%	23.1%	23.2%	24.0%	24.0%	24.0%
Other Family Type	12.0%	11.9%	12.0%	12.1%	12.3%	12.4%	12.5%

A.7: Projected Share of Renter Households by Age, Race/Ethnicity, and Family Type.

	2018	2028			2038		
	Actual	Low	Base	High	Low	Base	High
<25	11.0%	9.7%	10.1%	10.5%	9.1%	9.4%	9.8%
25-29	14.3%	12.3%	12.6%	12.9%	11.5%	11.7%	12.0%
30-34	12.5%	12.2%	12.2%	12.2%	11.6%	11.6%	11.6%
35-39	10.7%	11.4%	11.2%	11.0%	10.5%	10.3%	10.1%
40-44	8.7%	9.5%	9.1%	8.6%	9.6%	9.2%	8.7%
45-49	7.8%	7.8%	7.6%	7.3%	8.5%	8.2%	7.9%
50-54	7.1%	6.3%	6.3%	6.3%	6.8%	6.8%	6.7%
55-59	6.8%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%
60-64	5.8%	5.4%	5.5%	5.5%	5.0%	5.0%	5.0%
65-69	4.7%	5.3%	5.3%	5.3%	4.8%	4.8%	4.8%
70-74	3.4%	4.2%	4.3%	4.4%	4.1%	4.2%	4.3%
75-79	2.6%	3.6%	3.6%	3.7%	4.2%	4.2%	4.3%
80Plus	4.6%	6.1%	6.3%	6.4%	8.4%	8.6%	8.8%
White	50.8%	46.9%	46.8%	46.6%	43.1%	42.9%	42.8%
Black	20.0%	20.2%	19.9%	19.6%	20.3%	19.9%	19.5%
Hispanic	20.3%	22.5%	22.9%	23.3%	25.1%	25.5%	25.9%
Asian/Other	9.0%	10.4%	10.5%	10.5%	11.6%	11.6%	11.7%
Married with Children	14.6%	15.2%	14.7%	14.1%	15.2%	14.6%	14.1%
Married without Children	14.1%	14.5%	14.4%	14.2%	14.7%	14.6%	14.5%
Unmarried with Children	14.8%	14.4%	14.4%	14.5%	14.0%	14.0%	14.1%
Single Person	36.5%	36.7%	37.2%	37.7%	37.2%	37.7%	38.3%
Other Family Type	20.0%	19.3%	19.4%	19.5%	19.0%	19.0%	19.1%

A.8: Projected Homeownership Rate by Age, Race/Ethnicity, and Family Type.

	2018	2028			2038		
	Actual	Low	Base	High	Low	Base	High
<25	21.6%	21.6%	21.8%	22.0%	21.6%	21.8%	22.0%
25-29	31.2%	29.5%	30.8%	32.2%	28.8%	30.2%	31.6%
30-34	46.3%	43.0%	45.2%	47.4%	42.1%	44.3%	46.5%
35-39	56.2%	52.7%	55.4%	58.1%	51.8%	54.5%	57.2%
40-44	62.3%	58.8%	62.1%	65.5%	57.6%	61.0%	64.4%
45-49	68.2%	65.1%	67.6%	70.1%	64.2%	66.7%	69.3%
50-54	71.8%	69.2%	70.6%	71.9%	68.9%	70.3%	71.6%
55-59	74.7%	72.2%	73.4%	74.7%	71.4%	72.7%	73.9%
60-64	77.5%	75.3%	76.3%	77.2%	74.0%	75.0%	75.9%
65-69	79.1%	77.1%	78.1%	79.2%	75.6%	76.7%	77.8%
70-74	81.7%	80.3%	80.7%	81.1%	78.7%	79.2%	79.7%
75-79	80.4%	79.3%	79.8%	80.2%	78.3%	78.8%	79.3%
80Plus	74.3%	73.7%	74.1%	74.5%	73.2%	73.7%	74.1%
White	72.7%	72.3%	73.5%	74.7%	72.5%	73.7%	74.8%
Black	43.6%	42.2%	45.3%	48.5%	43.5%	46.7%	49.8%
Hispanic	47.0%	47.0%	48.2%	49.5%	48.2%	49.4%	50.7%
Asian/Other	55.9%	55.5%	57.1%	58.6%	56.3%	57.9%	59.4%
Married with Children	72.7%	69.7%	71.9%	74.1%	69.0%	71.2%	73.5%
Married without Children	83.6%	82.5%	83.4%	84.2%	81.8%	82.6%	83.5%
Unmarried with Children	36.2%	33.6%	35.9%	38.2%	33.3%	35.7%	38.1%
Single Person	52.1%	51.7%	53.0%	54.3%	51.9%	53.2%	54.4%
Other Family Type	51.9%	51.3%	53.0%	54.7%	52.0%	53.7%	55.4%