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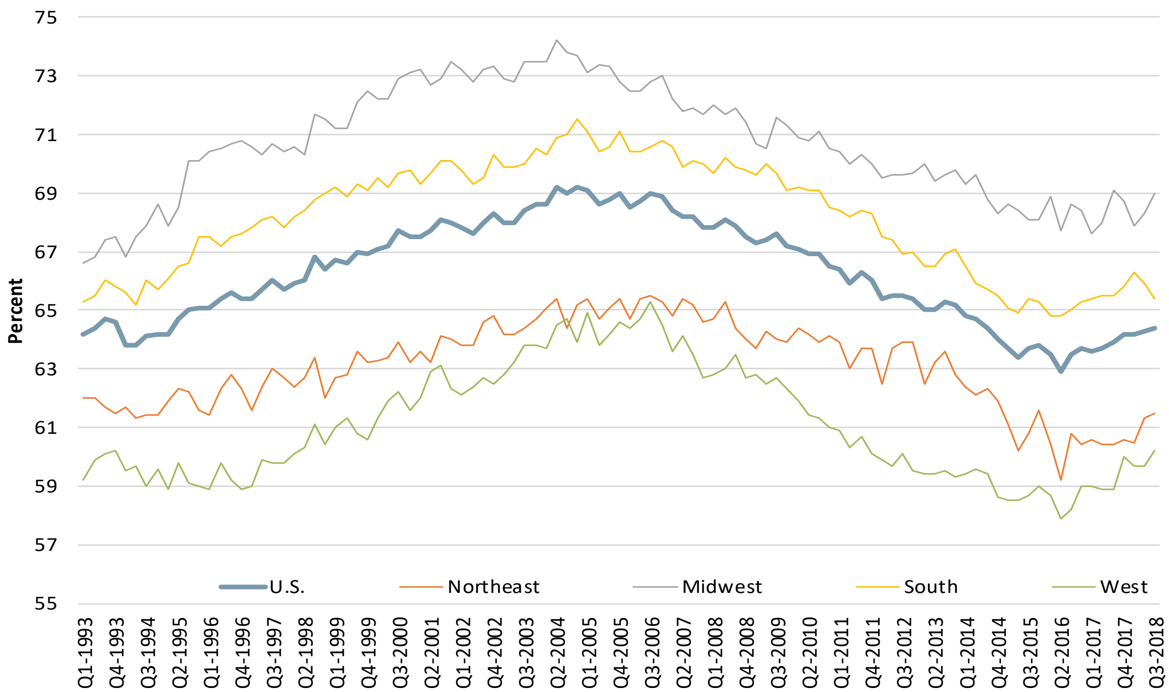
Chart of the Week

INVESTMENT TOPICS AND MARKET TRENDS USING CURRENT AND HISTORICAL ECONOMIC DATA

February 6, 2019

The Shift from Homeownership to Rentals



Source: U.S. Census Bureau, November 28, 2018.

Homeownership rates have been declining since 2004 across the U.S. and all its regions

U.S. homeownership rates are historically low. The chart shows that homeownership rates in the third quarter of 2018 declined by 5% from the 2004 highs, to 64.4%. U.S. homeownership in the western region (green line) and northeastern region (red line) was even lower, likely due to stable (or growing) populations and limited affordability.

We expect rising interest rates, along with the cost of homes themselves, to continue pressuring homeownership rates lower. When homeownership becomes less affordable, we would expect more U.S. citizens to rent—and in fact, we've seen rental vacancy rates decline to historically low levels, indicating solid demand for rental units.

What it may mean for investors

As we approach the latter stages of the economic cycle, it is important to assess where real estate opportunities still exist. We expect well-located and stable multifamily real estate to benefit from growing demand for rental housing across three key constituents—Millennials, seniors, and U.S. immigrants.

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This chart was excerpted from the Investment Strategy report dated January 28, 2019.

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