

## Bridging the Generational Home-Buying Gap



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The buzzword “millennial” seems to follow us around everywhere—at the coffee shop, at work and among friends. Perhaps it’s the word you use when you ask for help from your kids when you are having trouble with your iPhone. While millennials and their ways of life tend to be ever-present with new gadgets and social norms, the generation of the present and the future is lacking a presence when it comes to home buying.

The age of millennials is officially upon us. We have overtaken the baby boomer population in size, but there are some stark contrasts between the millennials and the generations before us when it comes to home buying.

National homeownership prior to the recession was just above 70 percent, compared to today at 63 percent—the lowest level since 1965. Millennials only make up 30 percent of today’s home purchases, while baby boomers continue to make up over 40 percent. Oddly enough, 91 percent of mil-

lennials intend to buy a home at some point in their lives.

So what’s the hold up? As a millennial and a residential real estate professional, I have seen a delay in home buying among my fellow millennials, and there are a multitude of factors contributing to this.

While this generation is considered impatient, that doesn’t seem to be the case when leaving the nest. Over one-third of millennials live at home for an extended period in their adult years, 10 percent higher than the generation prior to the recession.

Living at home has become a part of the millennial norm. It is common for a post-grad to live with his or her parents until they save up enough money to rent or buy independently or with a partner.

Contributing to this is a combination of increased student debt, higher costs of living and home values outpacing that of stagnant wages. Last year saw the largest increase in household income since 1967, halting the pattern in the lack of wage growth.

While this is a positive sign for millennials’ wallets, Los Angeles’ Westside home values have risen at a pace more than double that of wages over the last four years, leaving would-be home buyers at the wayside.

Homes in Los Angeles specifically have experienced increases in values due to numerous factors, including more square footage in single-family homes and growing demand. As a result of additional square footage, there are less entry-level homes on the market for new homebuyers.

More than half the homes sold today are over 2,400 square feet, compared to less than 40 percent of homes in the previous decade.

As it relates to the Palisades, the least expensive home sold in 2016 was for \$1.1 million. The house is on Sunset Boulevard, the most trafficked street in the area. The home with the least recorded square footage sold for over \$2 million, due to the value of the lot, which demonstrates the purchasing power of developers.

Lifestyle changes and increased development have contributed to this spike in square footage of single-family homes, thus driving up the price. All the while, builders continue to build bigger homes, typically not intended for entry-level homebuyers, as their profits continue to maximize for maximum square footage.

To combat the continued development of homes to their maximum square footage, the Los Angeles Planning Commission is limiting the size of new construction homes, or “Mc-Mansions,” with the revision to the Baseline Mansionization Ordinance (BMO). As a result, the planning commission is attempting to limit the percent of buildable square footage allocated to each property. If these restrictions pass, builders and investors that currently make up a significant amount of the purchasing power around the city will have to adjust their approach and accommodate the millennial population.

Commercial development is also a major contributor to attracting millennials to live in certain neighborhoods. In both urban

and suburban neighborhoods, mixed-use buildings and community centers are key to attracting would-be homebuyers to an area.

The **Palisades Village**, a project by **Caruso Affiliated**, will be a very attractive staple to the Palisades community, especially for younger families. While **The Village** has been the center of the Palisades for years, it is due for an upgrade, which is currently underway.

Subsequently, the question we receive as real estate specialists is, “Will the Caruso project affect home prices?” Positively yes. This attraction will make the Palisades even more desirable and ultimately cause a boost in home values in the surrounding neighborhood.

So, how can millennials be able to purchase homes like our parents and grandparents if we are being out priced by all of these different factors?

Hopefully an upward trend in household income is a sign of positive things to come in enabling the millennial generation to enter the conversation when it comes to home buying. Furthermore, as the BMO makes its way to the hands of the Los Angeles City Council, the landscape of available houses for entry-level buyers can change in the near future.

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