

# THE MILLENNIAL POPULATION MAY BE GROWING AGAIN, BUT MILLENNIAL HOUSEHOLD FORMATION IS SHRINKING



**LIA**  
Long Island Association  
Research Institute

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## Executive Summary

Since the founding of Levittown, home ownership has been at the core of the suburban way of life for Long Islanders and the regional economy. However, that axiom has shifted for those between the ages of 25-34 (known as millennials since 2001<sup>1</sup>). On many social and economic measures of well-being, the existing millennial generation fares poorly compared with the same age group of past decades.<sup>2</sup> The problems millennials are said to face nationally are even more acute on Long Island, due to the higher cost of living which has led to delays in forming new households (in either a house or an apartment). The LIA Research Institute examined recent census data regarding millennials on Long Island. Some of the highlights of that research include:

- Long Island millennials have not been forming new households at the rate they had been in prior decades. In 1970, 86.4% of 25-34 year-olds on Long Island were heads of their own household (either renters or owners living independently). By 2016, it had dropped to 36.5%.
- According to the U.S. Census Bureau, Long Island had 23,898 fewer total households in 2016 than it had in 2010 even though Long Island's total population increased by 21,201 during the same time period.
- While 68.2% of 25-34 year-olds on Long Island owned their own home (or was the spouse of a homeowner) in 1970, only 20.8% were homeowners in 2016.
- The percentage of 25-34 year-olds living in a household where at least one parent was the head-of-household increased from 9.9% in 1970 to 44.4% in 2016 (the estimated national rate was 16% in 2016). Even among married millennials, 20% were living with at least one parent in 2016, compared with only 1.9% in 1970.
- In 1970, 83.3% of 25-34 year-olds on Long Island were married and 75.9% had at least one child. By 2016, 36.6% of millennials were married and 29.9% had at least one child. Marriage and children are key factors in deciding when to form a new household.
- While median wages and salaries of millennials have declined over the past four decades, housing prices have risen at a torrid pace. Between 1970-2016, in inflation adjusted dollars, wages and salaries were down more than 22% while monthly rents increased 58.2% and home prices climbed 150%. This has categorically shifted the living arrangements and life choices of millennials.
- Consequently, the economics of housing markets on Long Island appear to be a significant factor in the reduction of independent households formed by millennials.
- The reduction in households has resulted in an annual \$707.2 million loss to Long Island's economy.

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<sup>1</sup> While many refer to millennials as individuals between 18-34 (or even 39) years old, our research study refers to millennials as individuals between the ages of 25-34.

<sup>2</sup> Joel Kotkin and Wendell Cox, "Fading Promise: Millennial Prospects in the Golden State," Newgeography.com, May 3, 2017, <http://www.newgeography.com/content/005605-fading-promise-millennials-prospects-golden-state>.

## INTRODUCTION

### Who are the millennials?

The term “millennials” came into popular usage during the first presidential election of the millennium in 2000 to describe young adults voting in a national election for the first time. With age parameters for the group variously given as anywhere between 18-39 years of age, the Pew Research Center reports that millennials constituted the largest part of the workforce nationally in 2017 and would soon surpass in number the “baby boomers” as the largest demographic generation overall.<sup>3</sup>

Historically, it is at some point during their millennial years that people graduate from college, enter the workforce, start businesses, buy homes and settle down to have families. Perhaps the most critical—and often overlooked—activity taken up by millennials is the formation of new “households.” (A household is any group of individuals living together or an individual living alone in a separate residential housing unit). Vibrant and sustainable communities are dependent on young adults who move away from their parents and establish new residences, which helps spur decades of economic activity for a variety of services concomitant to maintaining a home and beginning the next phases of their lives.

## Definitions

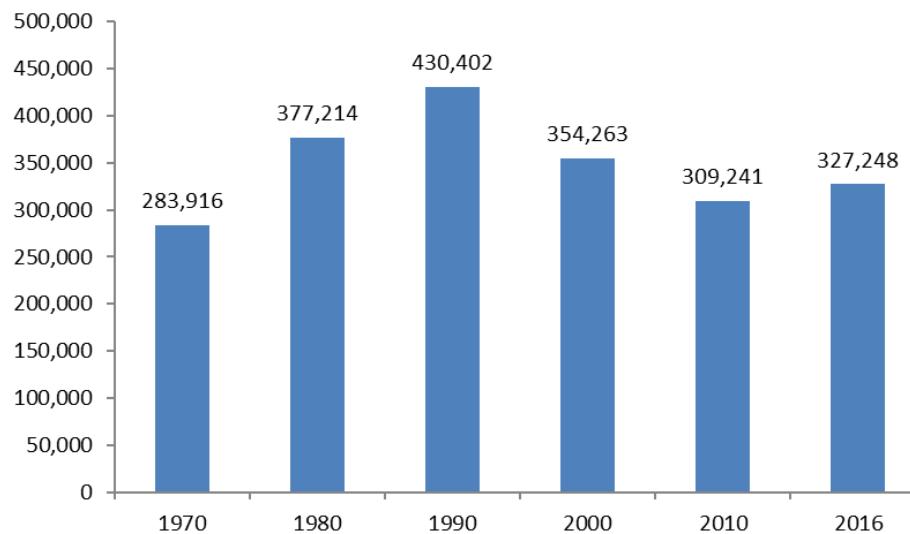
We limited our analysis to millennials between 25-34 years of age because that group represents the point of entry for most individuals into post-education adulthood and the pursuit of “their own place to live.” Those younger than 25 are likely to identify more with the teenage and college experiences while those older than 34 are likely to be set in their journey toward better income producing years. The term “millennial” in this report thus refers specifically to those ages 25-34 living on Long Island, the region encompassing both Nassau and Suffolk Counties.

### Millennial Demographics

The number of 25-34 year-olds on Long Island has declined from its peak of 430,402 in 1990 to 327,248 in 2016, a drop of 24%. However, the population of 25-34 year-olds was 18,007 higher in 2016 than it was in 2010 (309,241), and may by the end of the decade recover all of its losses since 2000. The millennial population on Long Island peaked at 16.5% of the total population in 1990 and today constitutes 11.5% of the total population.

<sup>3</sup> Pew Research Center, “Millennials,” retrieved from <http://www.pewresearch.org/topics/millennials/>.

### Long Island Millennials 25-34 Year-Olds Total Population

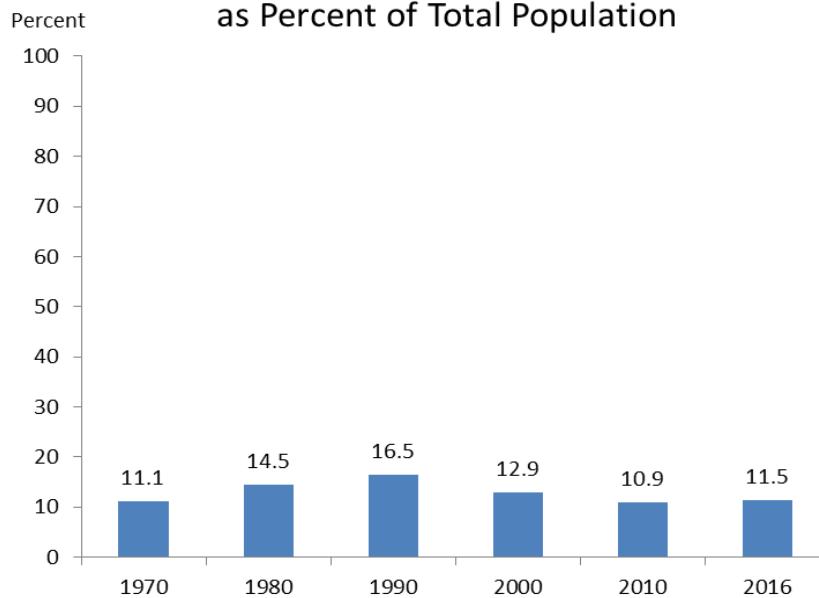


Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool, Minnesota Population Center, University of Minnesota.

### Long Island Millennials

#### Ages 25-34

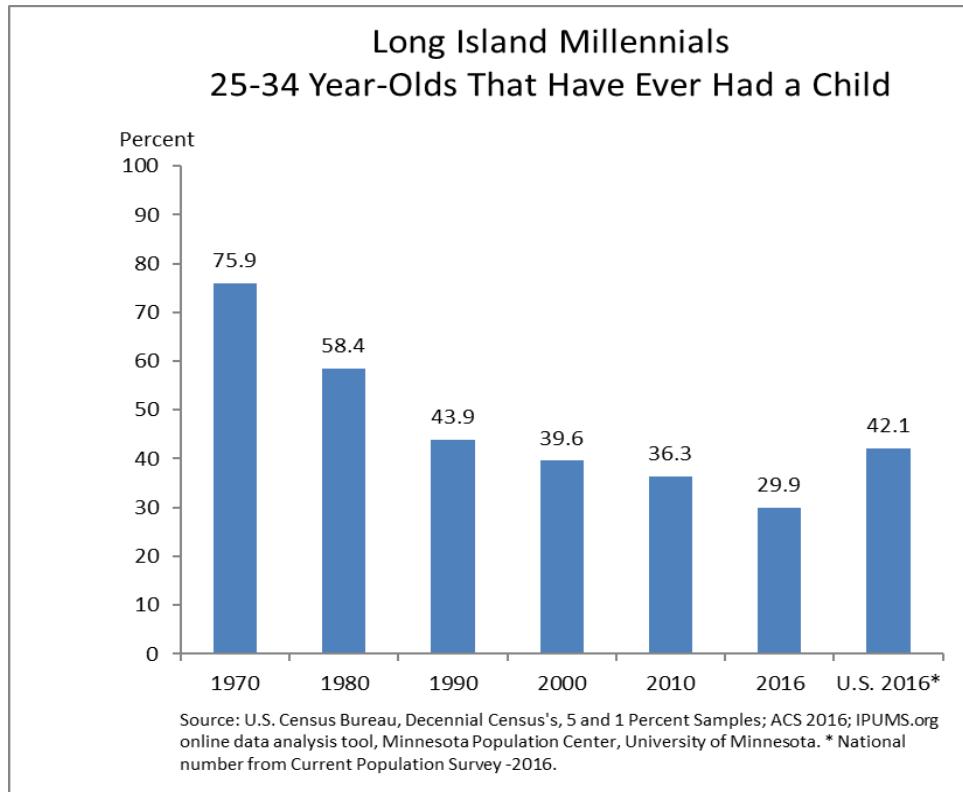
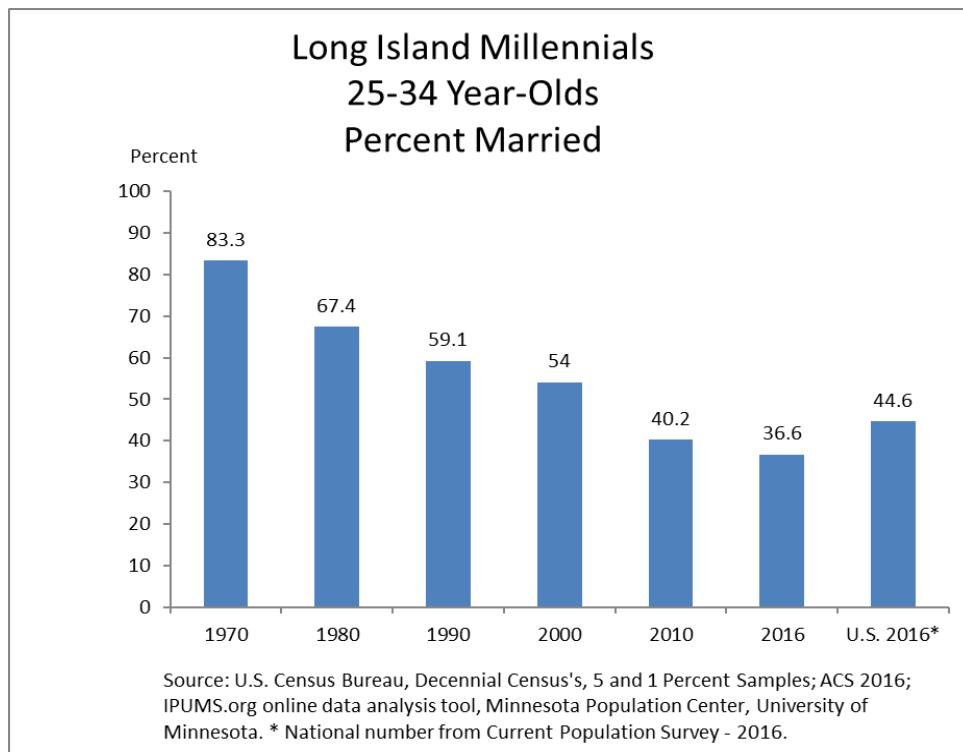
#### as Percent of Total Population



Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; Population Estimates; IPUMS.org online data analysis tool, Minnesota Population Center, University of Minnesota.

The percentage of 25-34 year-olds on Long Island who are married dropped from 83.3% in 1970 to 36.6% in 2016. Nationally, 44.6% were married in 2016.

In 1970, 75.9% of individuals ages 25-34 on Long Island reported having at least one child. By 2016, that had fallen to 29.9%. Nationally, 42.1% had at least one child in 2016.

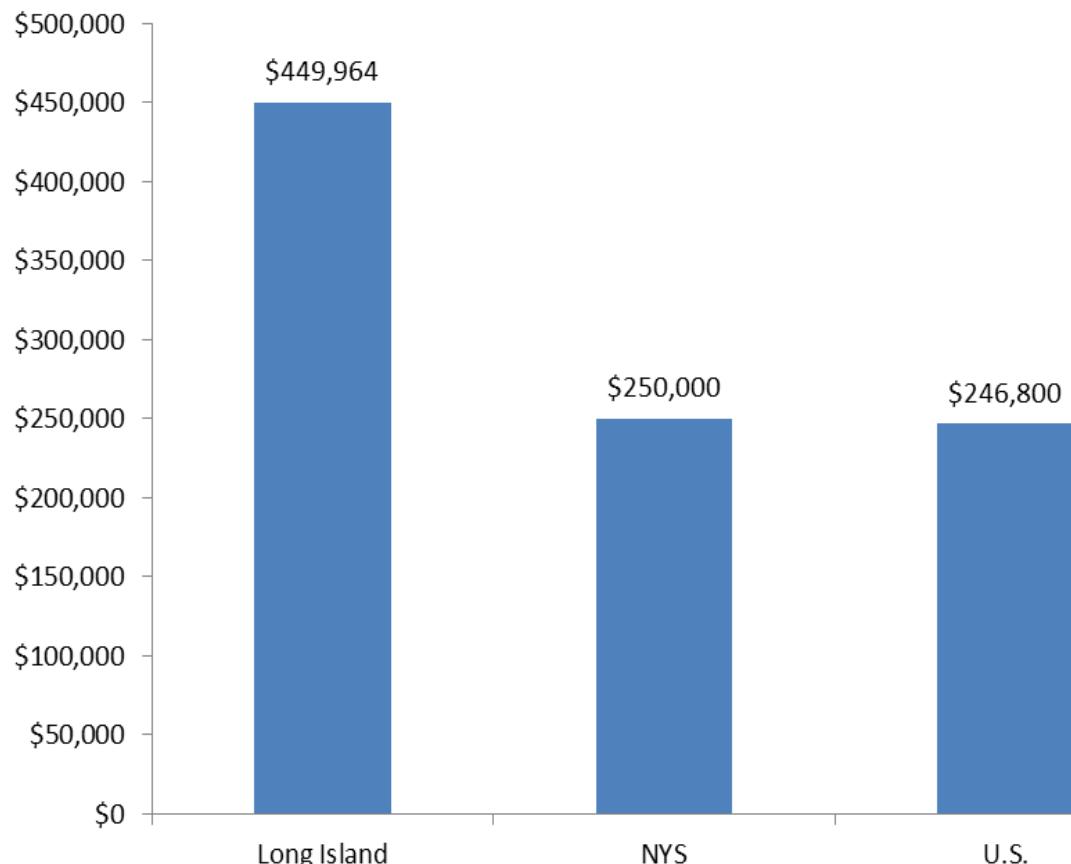


## Housing and Household Formation

While the inflation adjusted median wage and salary of 25-34 year-olds has dropped over the past four decades, housing costs have risen dramatically.

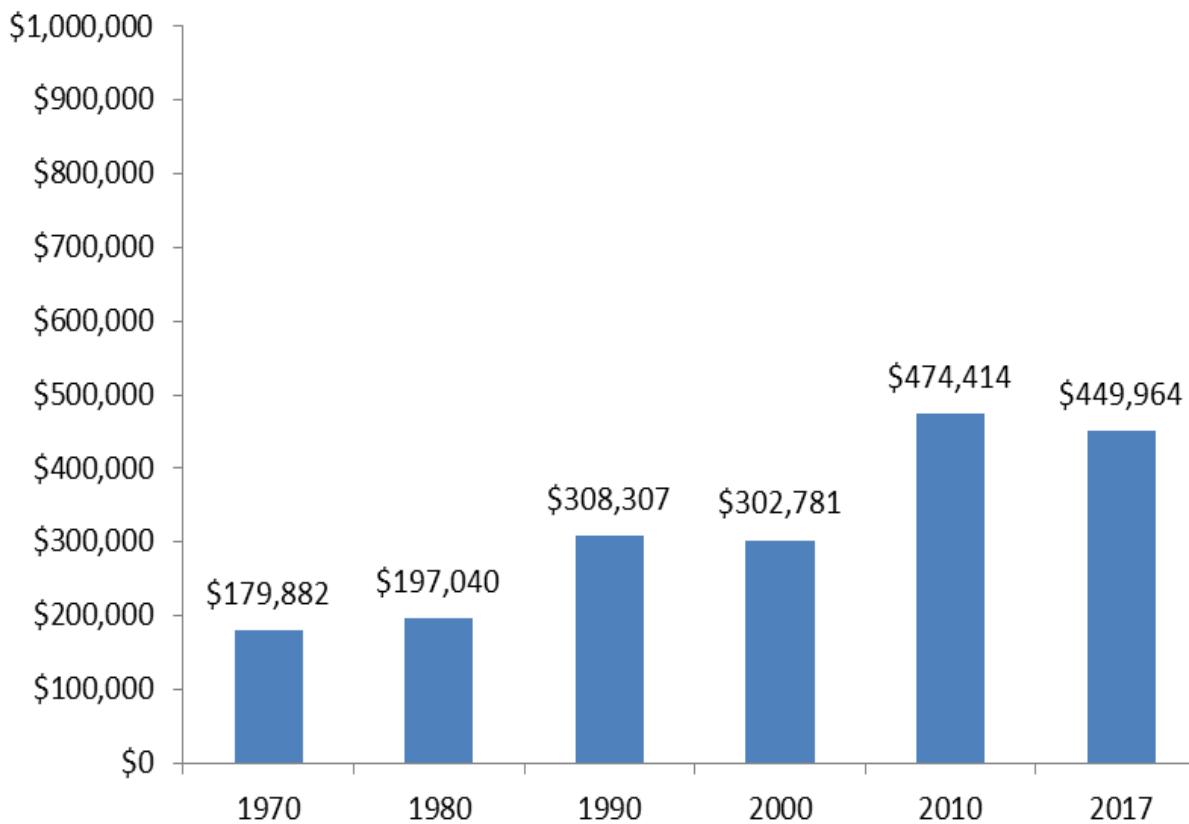
Property values are generally higher on Long Island than they are elsewhere in the state and nation. The median home value on Long Island in the final quarter of 2017 was \$449,964, or 182.3% higher than the median for the United States as a whole (\$246,000), and 180% higher than for New York State as a whole (\$250,000).

Median Home Price Comparison  
2017



Source: National Association of Realtors.

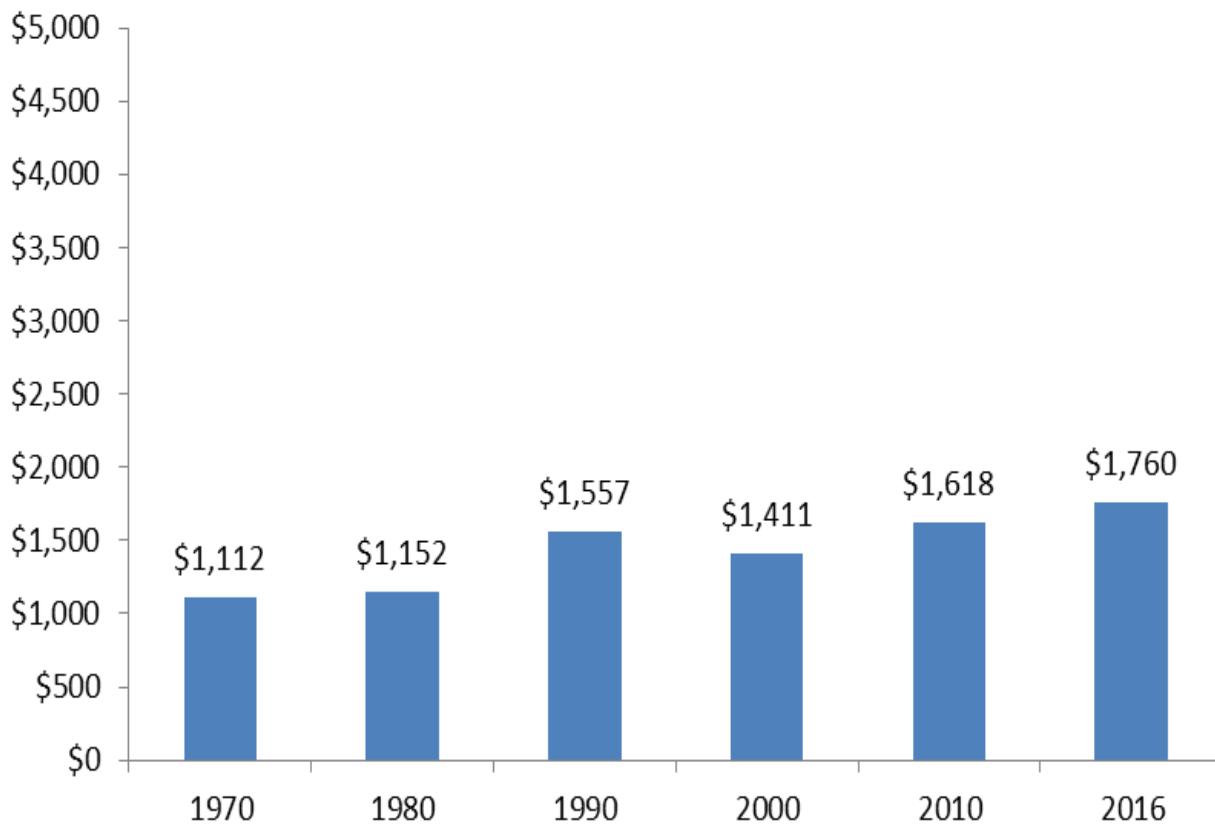
## Median Home Price Long Island (2017 \$)



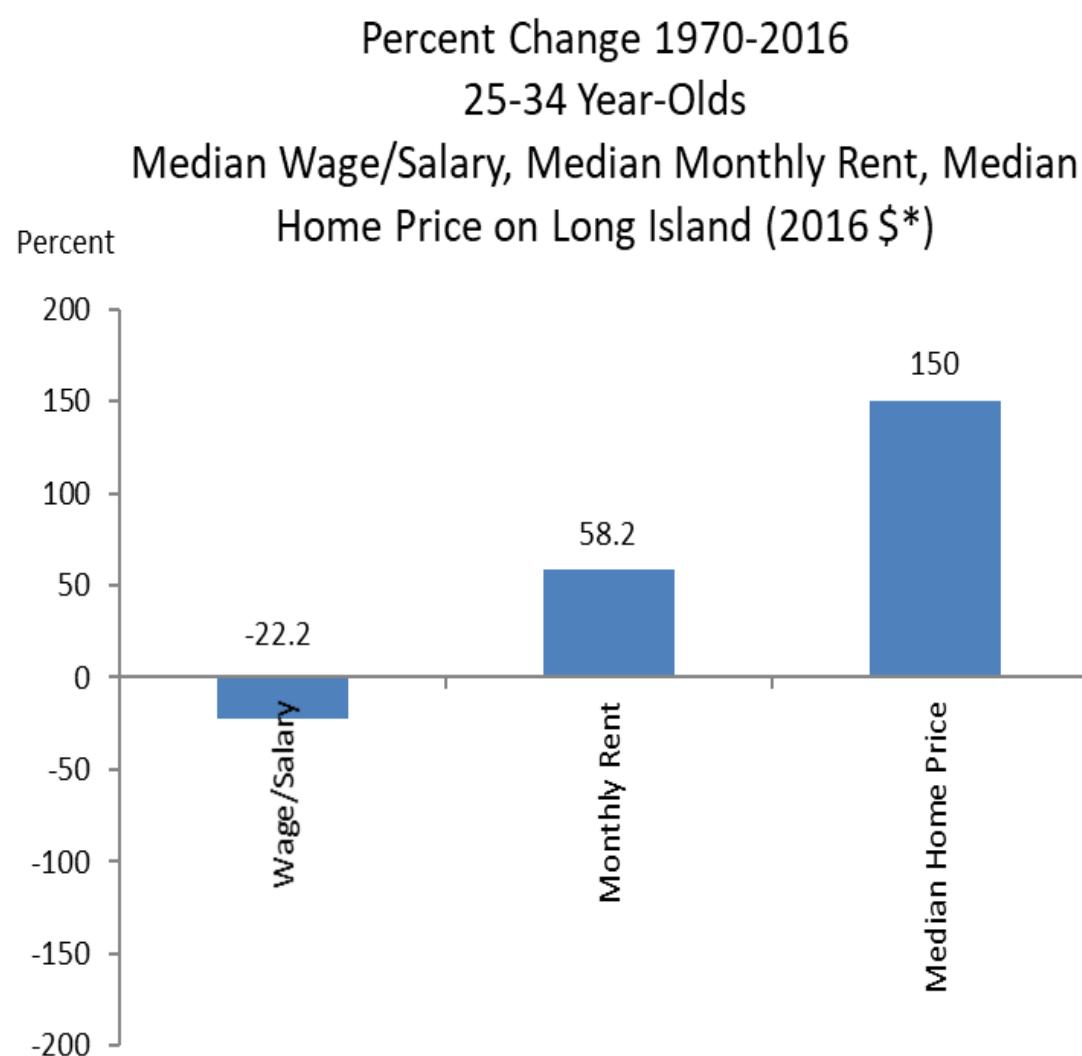
Source: 2017 = National Association of Realtors; 1970-2000 = Multiple Listing Service of Long Island, LI Reg. Planning Board, *Newsday: Long Island at the Crossroads*, March 19-31, 1978; 2010 = U.S. Census Bureau, American Community Survey 2010.

From 1970-2016, monthly rents paid by millennials who are heads-of-households grew by 58.2% (increasing from \$1,112 to \$1,760) while the median millennial wage and salary declined by 22%.

## Apartment Renters Median Monthly Rent Paid by Long Island Millennials (2016 \$)



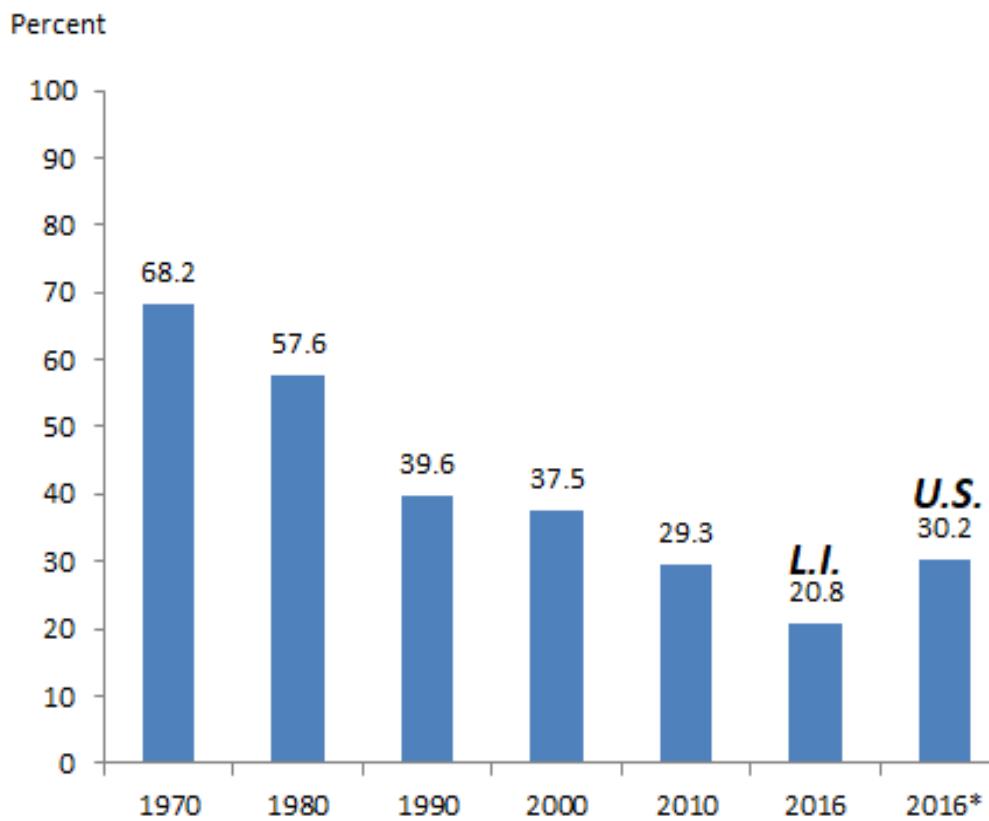
Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool, Minnesota Population Center, University of Minnesota.



Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool, Minnesota Population Center, University of Minnesota. \*Median Home Price from National Assoc. of Realtors estimate for 2017.

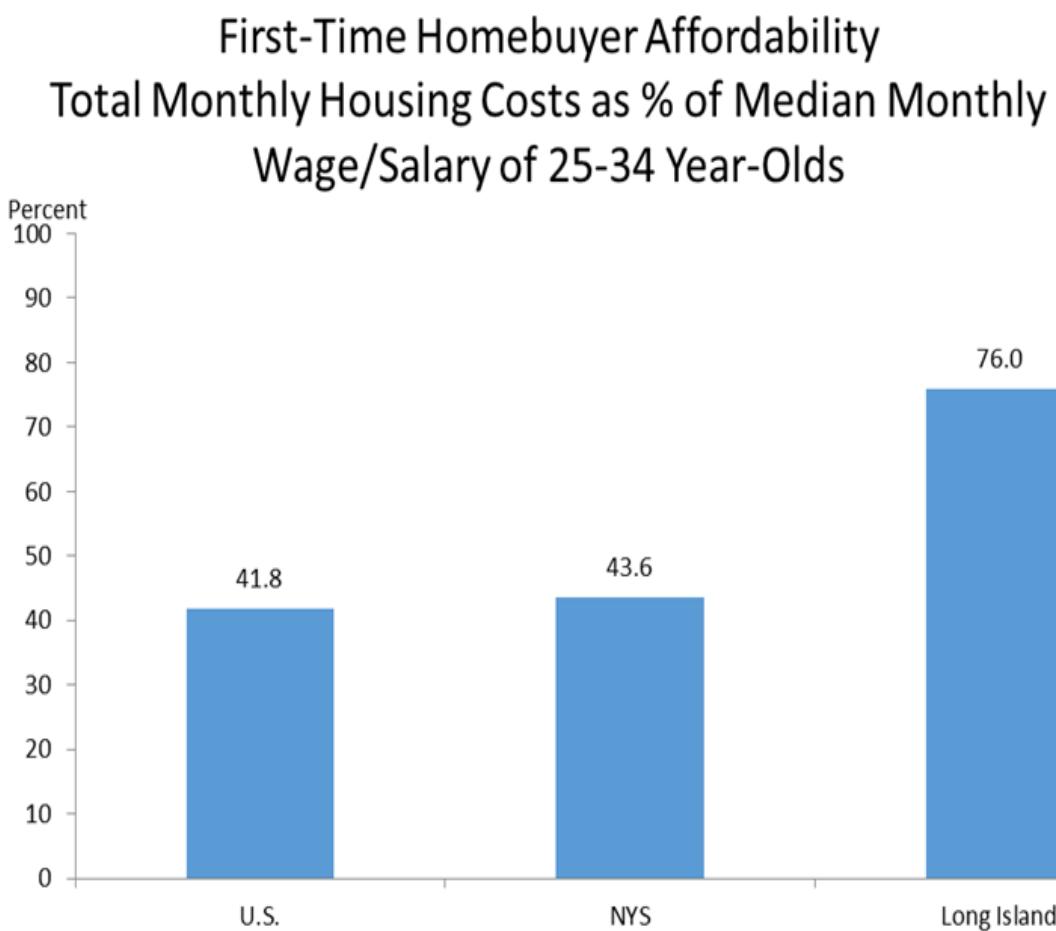
This mismatch between millennial incomes and home prices is reflected in the decline in homeownership among 25-34 year-olds on Long Island. The percentage of 25-34 year-olds on Long Island who own their own home (or is the spouse of a homeowner) has decreased from 68.2% in 1970 to 20.8% in 2016. The 20.8% homeownership rate compares with a 30.2% homeownership rate nationally for the same age group in 2016.

## Percentage\* of 25-34 Year-Olds on Long Island Who Are Homeowners



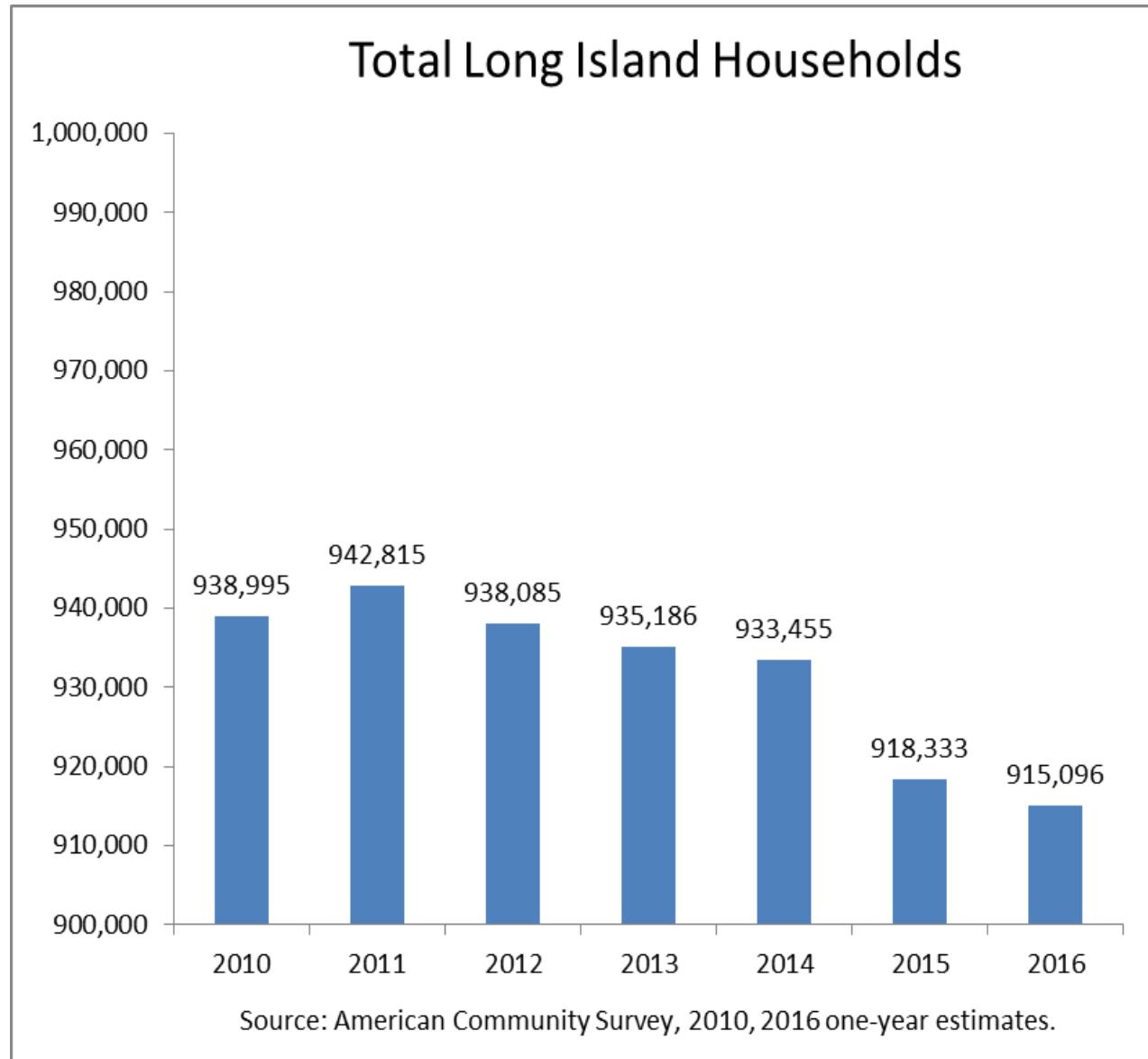
Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool, \*Homeowners and spouses as percent of total 25-34 population. National figure from U.S. Census Current Population Survey - 2016.

A primary driver of the region's lower homeownership rate is best illustrated in the home affordability index, developed by the National Association of Realtors ("NAR") and adapted for Long Island (see Appendix 1). The index calculates the monthly housing costs of owning a home compared with the ability to pay. Using NAR assumptions about interest rates, estimated starter home prices and property taxes, monthly housing costs for a starter home on Long Island consume 76% of the millennial median wage or salary. The federal government considers a "cost burden" to be when an occupant pays 30% or more of their income in housing costs.<sup>4</sup>

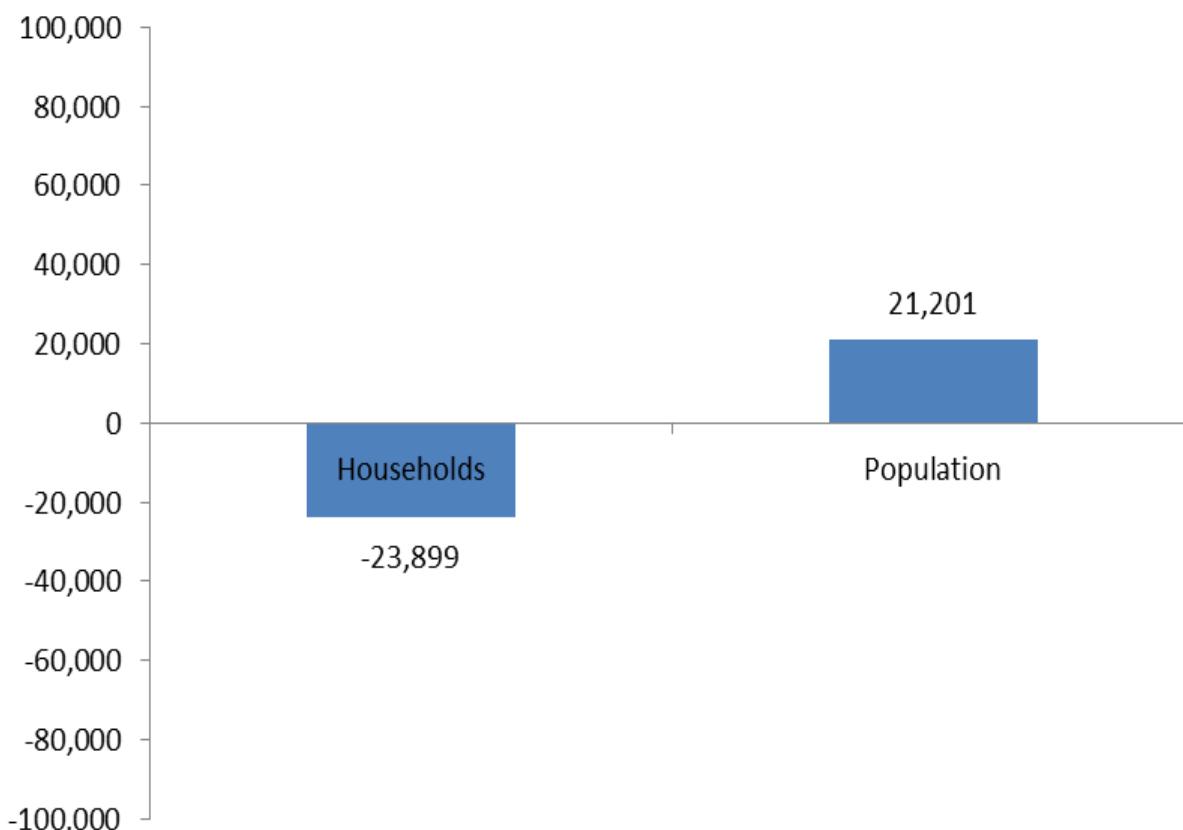


<sup>4</sup> U.S. Department of Housing and Economic Development, "Affordable Housing," Hud.gov, retrieved on May 31, 2018 from <[https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing](https://www.hud.gov/program_offices/comm_planning/affordablehousing)>.

The increasing cost burden of homeownership, along with lower inflation adjusted wages and salaries, and waiting longer to get married and have children are likely impacting the decision of many Long Island millennials to delay forming new households. According to the U.S. Census Bureau, Long Island had 23,898 fewer total households in 2016 than it had in 2010, a period which saw Long Island's total population increase by 21,201.



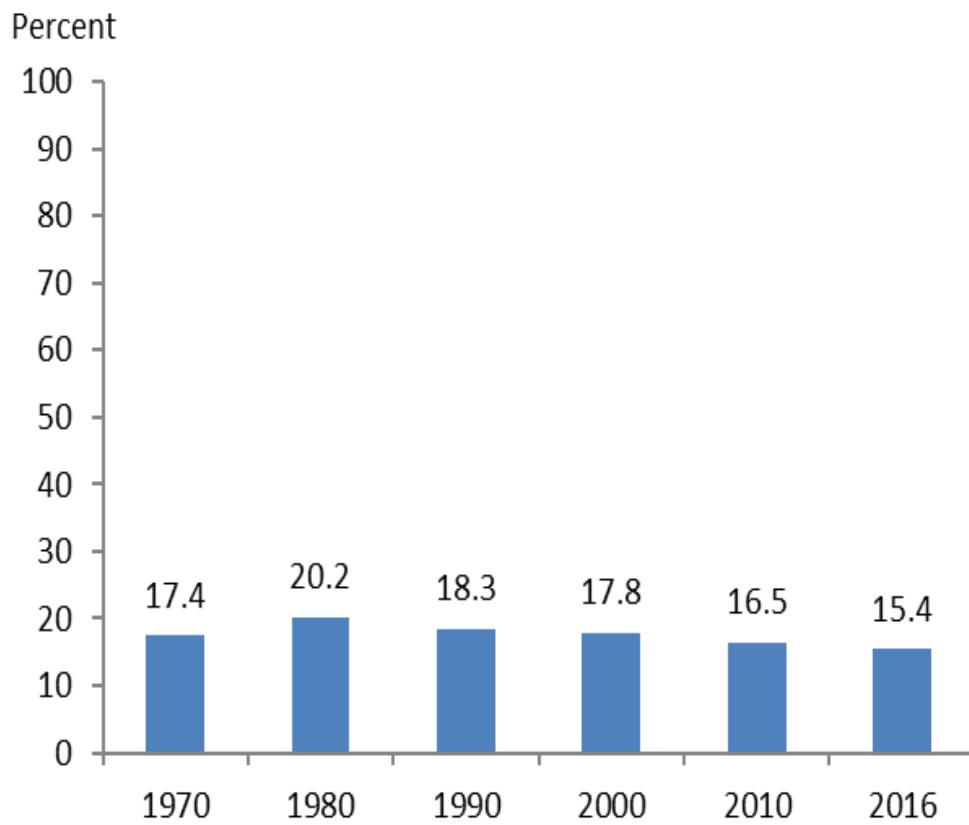
## Long Island Change in Total Households vs. Change in Total Population 2010-2016



Source: American Community Survey, 2010, 2016 one-year estimates and 20012-20165-Year Estimates.

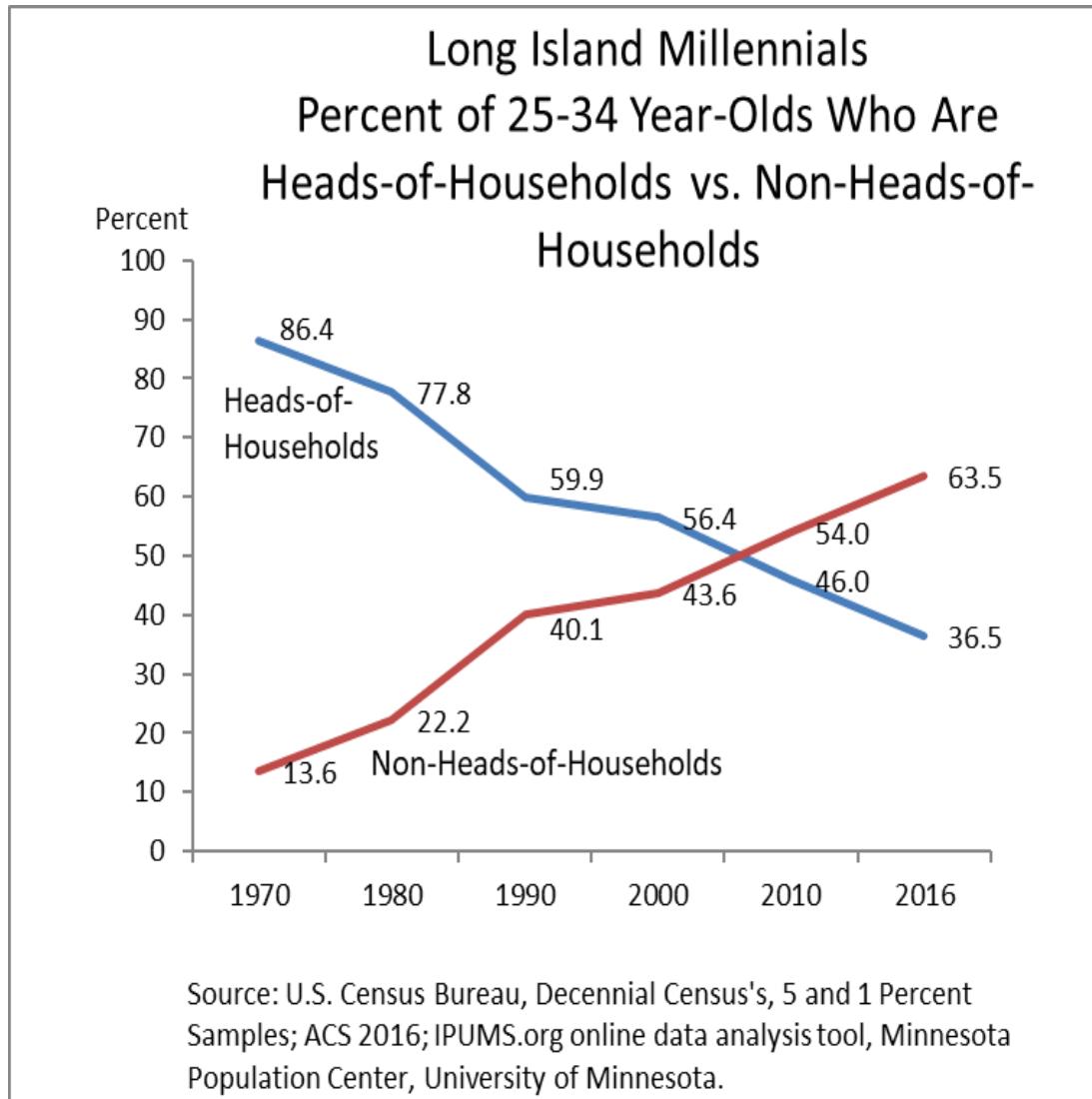
In Long Island rental markets, the median priced rental requires approximately 52.8% of the millennial median monthly wage or salary. Accordingly, the percentage of 25-34 year-olds who are renters is lower in 2016 (15.4%) than in previous decades.

## Percentage\* of 25-34 Year-Olds on Long Island Who Are Renters



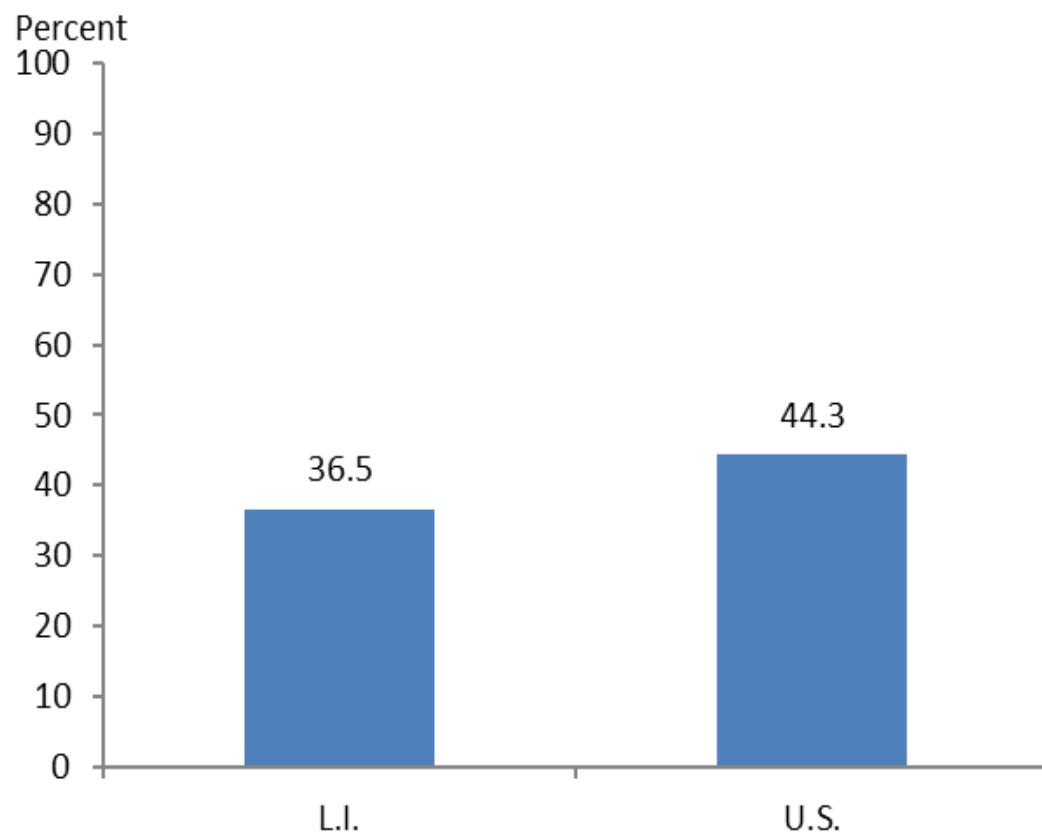
Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool, Minnesota Population Center, University of Minnesota. \* Percent of total 25-34 year-old population who are renters/spouses of renters.

With higher housing costs on Long Island, many millennials have decided to remain living with their parents. In 1970, 86.4% of 25-34 year-olds or their spouses were heads of their own households (either renters or owners living independently). By 2016, it declined to 36.5%. For the entire country, the National Association of Realtors estimates that this “headship rate” for 25-34 year-olds was 44.3% in 2016.<sup>5</sup>



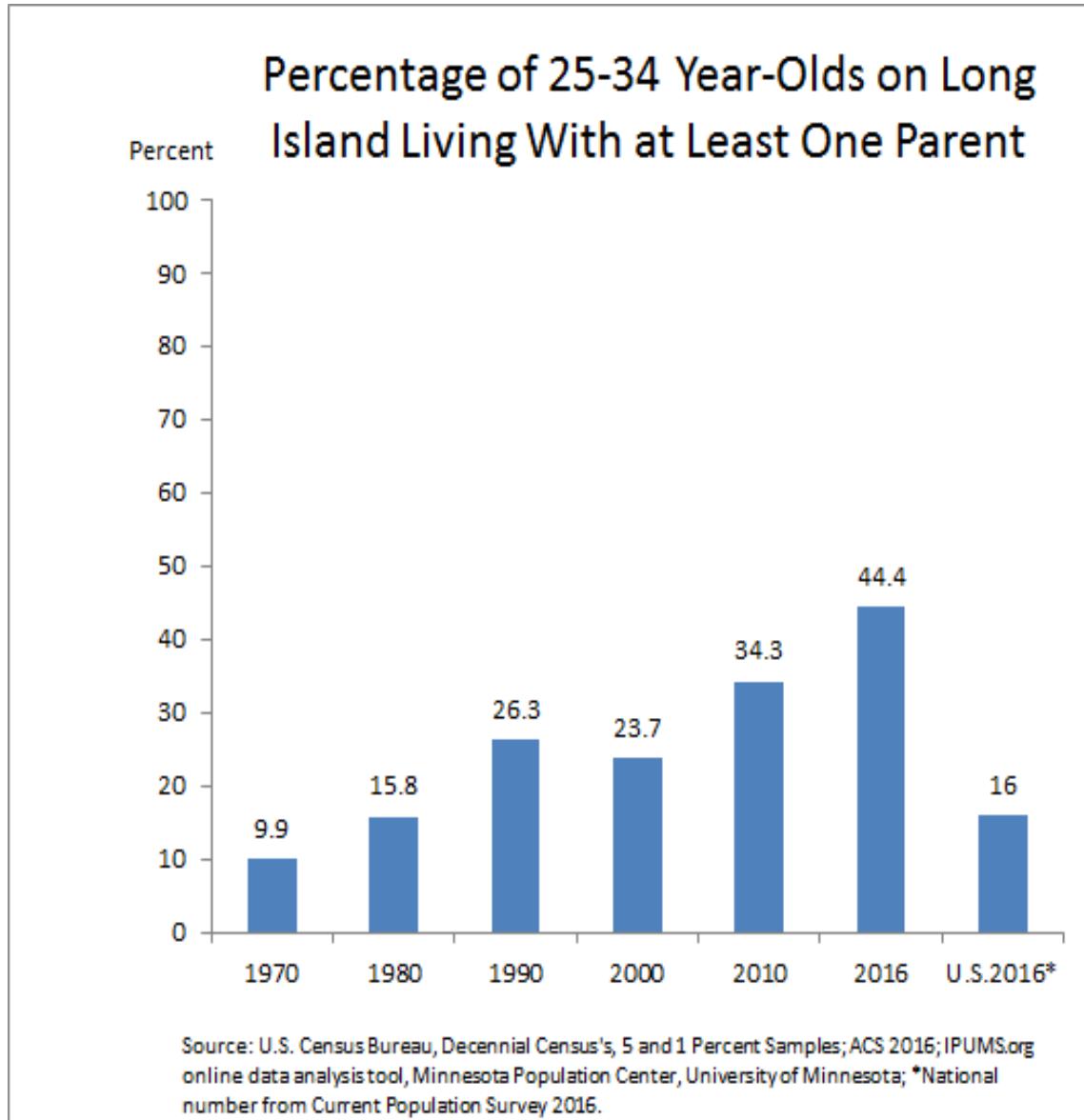
<sup>5</sup> The “headship rate” is the ratio of household heads to total population, in this case of 25-34 year-olds. See Scholastica Cororaton, “25-34-Year-Old Population Has Been Rising, But Not Household Formation,” National Association of Realtors, July 2, 2018. Accessed on July 20, 2018 from <<http://economistsoutlook.blogs.realtor.org/2018/07/02/25-34-year-old-population-has-been-rising-but-not-household-formation/>>.

## "Headship Rate" for 25-34 Year-Olds Long Island vs. U.S. - 2016



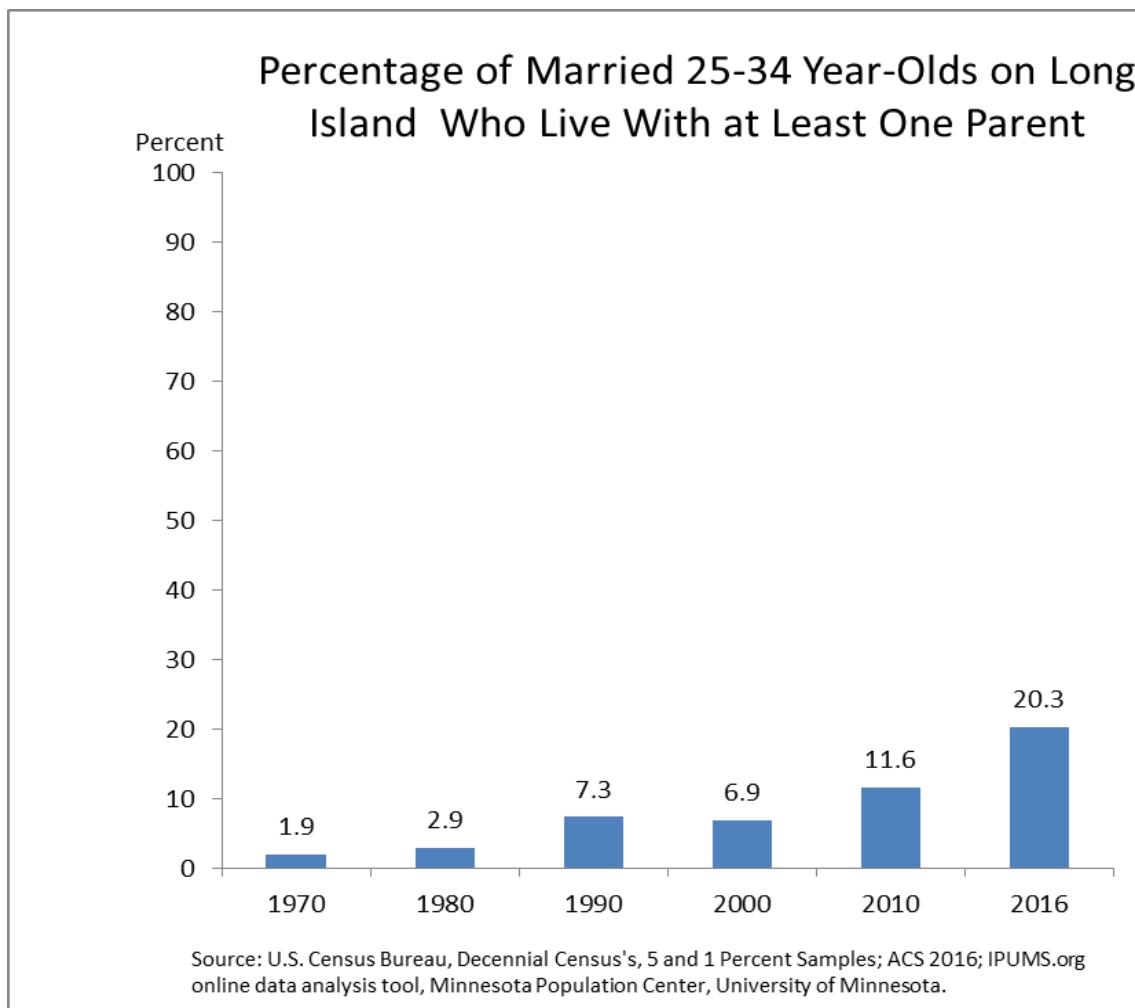
"Headship Rate" = ratio of household heads to population. Source: U.S. Census Bureau, Decennial Census's, 5 and 1 Percent Samples; ACS 2016; IPUMS.org online data analysis tool. National number from National Association of Realtors.

The percentage of 25-34 year-olds living in a household where at least one parent was the head-of-household increased from 9.9% in 1970 to 34.3% in 2010 and then jumped to 44.4% in 2016, more than 10% in only six years. Nationally, however, only 16% remained living with at least one parent in 2016.<sup>6</sup>



<sup>6</sup> Pew Research Center published an analysis for 2016 that reinforces these data. That study put the percentage of 25-35 year-olds nationally living with parents at 15%. See Richard Fry, "It's becoming more common for young adults to live at home – and for longer stretches." Pew Research Center, May 5, 2017, <http://www.pewresearch.org/fact-tank/2017/05/05/its-becoming-more-common-for-young-adults-to-live-at-home-and-for-longer-stretches/>.

Among married millennials on Long Island, approximately 20% were still living with at least one parent in 2016, compared with only 1.9% in 1970.



## Household Formation's Impact on the Economy

According to former President Barack Obama's Council of Economic Advisors, household construction and household consumption constitute about 16% of Gross Domestic Product ("GDP").<sup>7</sup> With a GDP on Long Island that reaches approximately \$170 billion, the one million households that comprise Nassau and Suffolk Counties therefore account for \$27.2 billion locally and each individual household contributes approximately \$27,200 to the regional economy.

Between 2010-2016, however, Long Island lost nearly 24,000 total households which resulted in a \$707.2 million negative impact to the economy.

<sup>7</sup> Jason Furman, "America's Millennials in the Recovery," Chairman, Council of Economic Advisers, The Zillow Housing Forum, Washington, DC, July 24, 2014,

[https://obamawhitehouse.archives.gov/sites/default/files/docs/americas\\_millenials\\_in\\_the\\_recovery\\_if\\_7.24.14.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/americas_millenials_in_the_recovery_if_7.24.14.pdf).

## Conclusion

Household formation is chronically overlooked but essential to keep a region growing. When more people buy homes and rent apartments, the impact ripples through our economy, helping drive the expansion of primary markets, accelerating the potential for starting or expanding a family and fostering additional spending to furnish and upkeep homes and property. When new homes are not established at a vigorous rate, the economic impact is significant as evidenced by the nearly three quarters of a billion dollars our region could have seen materialize if not for the reduction in households from 2010-2016.

On Long Island, the steep decline in household formation among 25-34 year-olds and the commensurately sharp increase in those living with parents may primarily be the result of rapidly increased housing costs, along with other complex long-term social, cultural and economic trends.

Our public and private leaders should prioritize the formation of new households, particularly among millennials, by reexamining our tax structure, housing costs, transportation infrastructure, job availability, educational opportunities and health and welfare service delivery (including affordable child care opportunities).

## Appendix I

Millennial First-Time Homebuyer Affordability - 2016-2017											
Year	Starter Home Price	10% Down Payment	Loan Amount	Effective Int Rate Plus PMI	Monthly Mortgage Payment	Monthly Property Tax	Homeowners Insurance HOI	Total Monthly Cost	Median Monthly Wage/Salary	Total Monthly Cost as % of Monthly Wage/Salary	
New York State	\$212,450	\$21,245	\$191,205	4.42	\$959	\$421	\$74.36	\$1,455	\$3,333	43.6	
Long Island	\$382,380	\$38,238	\$344,142	4.42	\$1,749	\$776	\$133.83	\$2,659	\$3,500	76.0	
U.S.	\$210,600	\$21,060	\$189,540	4.42	\$951	\$195	\$73.71	\$1,220	\$2,917	41.8	

This table is based on model used by National Association of Realtors  
 Starter home price is estimated by the National Association of Realtors as  
 85% of median home value.  
 Zillow - estimates homeowner's insurance at \$35 per month for every \$100k of coverage  
 Median property tax from American Community Survey 2016  
 Effective interest rate and PMI calculated by National Association of Realtors  
 Median wage/salary aged 25-34 calculated from Current Population Survey  
 using IPUMS online analysis tool from the Minnesota Population Center  
 of the University of Minnesota.