

60 years old is not that old anymore, but what does this have to do with the shortage of single-family homes in the U.S.?

In the early 90's, at 60 years old, most homeowners transitioned out of their single-family home. This would result in a home coming to the market for a new owner. In 2019 the average transition age was 74 years old. Keep in mind this current cohort is the massive baby boomer generation, consisting of 71.6 million people currently aged 57-75 years young. As a result, there has been a 14-year increase in the usage of homes by existing owners before becoming available to the next generation.

Let's look at this "next generation", the Millennials, consisting of 72 million people, who have loved living in urban apartments and to the dismay of parents everywhere (mine included) have delayed family formation. Well, millennials are starting to form families, albeit later in life than previous generations, and they are ready to transition out of apartments and into a single-family home. On Invitation Homes [\\$INVH](#) (owner of 80k+ single-family rentals) Q2 earnings call, the CEO stated the average age of their new tenants is 38.5 years old. 38.5 years old is near the front end of the millennial cohort age band, currently 27-42 years old.

Luckily, over the last 15 years the U.S. has built a ton of single-family homes in preparation of this increasing demand that would inevitably arrive. Well not exactly, from 2009 to 2019 home building came to a standstill as the U.S. housing market recovered from the collapse during the 2008 Great Financial Crisis. It wasn't until 2019 that new home building really began to recover. The U.S. essentially lost an entire decade of new supply. Then in March of 2020, the Covid-19 outbreak brought panic, resulting in home building to pause for another 18 months as the world grappled with containing the spread of the virus and the resulting supply chain disruptions. In early 2022 new home builders came back roaring; the demand for single-family homes had become glaringly apparent.

At the same time the demand for homes was being recognized, the Federal Reserve sprang into action to combat inflation, substantially raising the Fed Funds rate and as a result the 30-year mortgage rates. At the time of writing a new 30-year mortgage is currently being quoted at 7.9%, two years earlier this same mortgage was quoted at 2.9%. Currently, 80% of existing U.S. homeowners have a mortgage rate 4% or less and 95% have a mortgage rate below 5%. With new mortgage rates approaching 8%, unless forced, most owners will elect to stay in place vs. transition into a new home. Constricting supply further.

In Summary:

Boomers are staying in their homes longer.

Millennials' demand for SFH is drastically increasing.

The U.S. has massively underbuilt homes for the last 12+ years.

Interest rates make it very unattractive for existing homeowners to trade up, down or sideways.

