

RESEARCH REPORT

# Young Adults Living in Parents' Basements

**Causes and Consequences**

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# Executive Summary

The share of young adults ages 25 to 34 living with their parents increased from 11.9 percent in 2000 to 22.0 percent in 2017. This translates to more than 5.6 million additional young adults under their parents' roofs between the two years. This trend matches the decline in young adults' marital rate (from 55.3 percent to 40.0 percent) during this period. Increases in rents and student debt plays an important role in young adults' decisions to stay with their parents. Metropolitan statistical areas with higher unemployment rates experienced a greater increase in the share of young adults living under their parents' roofs.

This early life choice could have long-term consequences. Young adults who stayed with their parents between ages 25 and 34 were less likely to form independent households and become homeowners 10 years later than those who made an earlier departure. Even if they did ultimately buy a home, young adults who stayed with their parents longer did not buy more expensive homes or have lower mortgage debts than did young adults who moved out earlier, suggesting that living with parents does not better position young adults for homeownership, a critical source of future wealth, and may have negative long-term consequences for independent household formation.



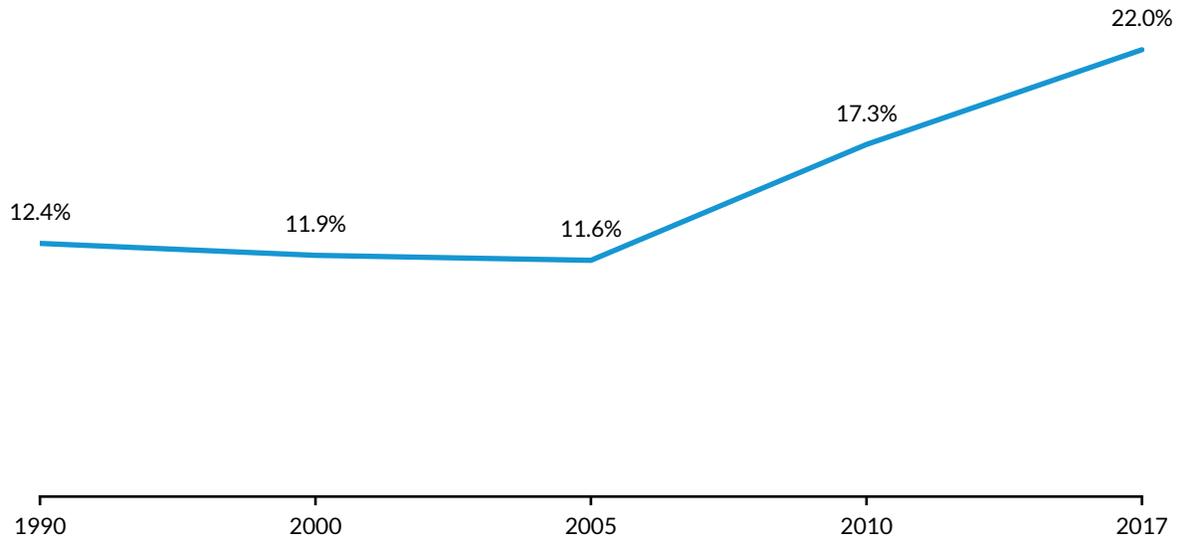
# Young Adults Living in Parents' Basements

Millennials living in their parents' basements or their childhood bedrooms and giving out tech advice may seem cliché, but the numbers support the idea: millennials are delaying homeownership and are increasingly remaining in their parents' homes. Today's young adults are less likely to move out and form independent households than those of the same age in previous generations. The headship rate of young adults ages 25 to 34 decreased from 47.0 percent in 2000 to 41.2 percent in 2017.

Our previous research on millennials focused on why millennials are less likely to become homeowners; we showed that between 2000 and 2017, the homeownership rate of young adults decreased from 45.4 percent to 38.4 percent (Choi et al. 2018). This research investigates another important housing choice these young adults are making—living with their parents. The share of young adults ages 25 to 34 who live with their parents increased from 11.9 percent in 2000 to 22.0 percent in 2017 (figure 1), which translates to more than 5.6 million additional young adults under their parents' roofs. This trend is in many ways more puzzling—the homeownership rate for the 25-to-34-year-old cohort has stabilized the past few years, while the share of young adults living with parents continues to rise.

FIGURE 1

Share of 25-to-34-Year-Olds Living with Parents



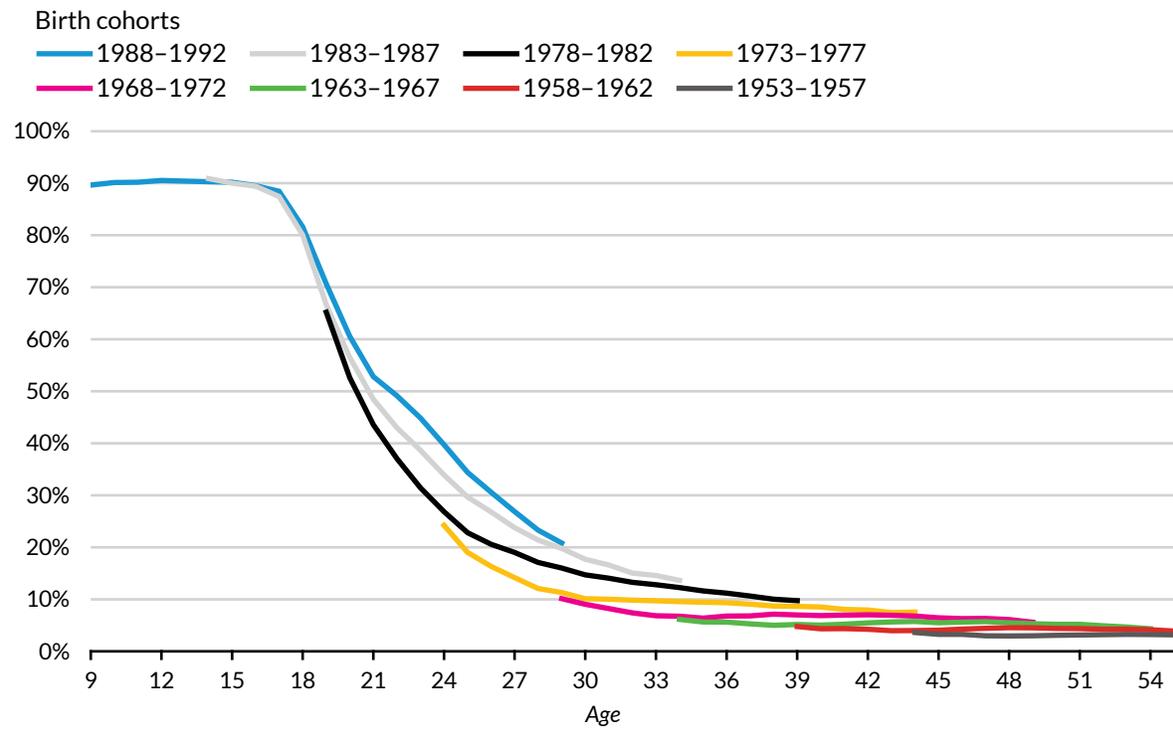
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Sources: The Decennial Census and the American Community Survey.

Figure 2 separates the sample by birth years and shows the trajectories of young adults living with parents for different birth cohorts, five years apart. The x axis shows the age, and the y axis shows the share of young adults living with parents. As young adults age, they are less likely to stay in their parents' homes. A huge drop in living with parents appears between ages 18 and 30. However, if we dive deeper into the trajectories, we can see that figure 2 echoes figure 1—more young adults in later generations live with their parents. By age 30, roughly 9 percent of the 1968–72 cohort lived with their parents, compared with 20 percent of the 1983–87 cohort, a difference of more than 10 percentage points. While we do not know the terminal values for the later birth years, it is clear that, compared with older cohorts, millennials live with their parents for much longer periods. The share of millennials living with parents is projected to reach 10 percent around age 40, while the 1973–77 cohort reached this share 10 years earlier, at age 30.

FIGURE 2

Share of Young Adults Living with Parents, by Birth Cohorts



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Sources: The Decennial Census and the American Community Survey.

In the first part of this report, we examine why today’s young adults are more likely to live under their parents’ roofs. We find that both young adults’ demographic and socioeconomic characteristics and regional housing costs explain about 56 percent of the 10.1 percentage-point change in the share of those living with parents between 2000 and 2017. A significant increase in student debt and tight credit conditions may also contribute to this trend.

In the second part of the report, we investigate the potential consequences of living with parents longer. If living with parents helps young adults save for a down payment, it could accelerate homeownership later in life. Saving for a down payment could also facilitate the purchase of a more expensive home or allow a young adult to put more down, resulting in a smaller mortgage payment. However, our findings show that those living with their parents from ages 25 to 34 are less likely to form independent households and be homeowners 10 years later, compared with those who were renters or homeowners in the same age bucket. We did not find a significant difference in home values across the three groups. Meanwhile, those who became homeowners earlier had lower mortgage debt,

again suggesting that those who lived with their parents did not save more to put toward a higher down payment.

Because homeownership is important for future wealth building, a delay in moving out of their parents' homes could have long-term financial consequences for millennials, as those who buy their homes at an earlier age get the best bang for their buck (Choi et al. 2018). While forming independent households may have become more challenging for millennials and Generation Zers, our research suggests that delaying the formation of independent households has long-term negative economic consequences.

## Why Are Young Adults More Likely to Live with Their Parents?

We use the Decennial Census and the American Community Survey (ACS) to explore why young adults choose to live with their parents. The ACS, conducted by the US Census Bureau, uses monthly samples to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the Decennial Census long-form sample. We use 1990 and 2000 Decennial Census data and 2005, 2010, and 2017 ACS data.

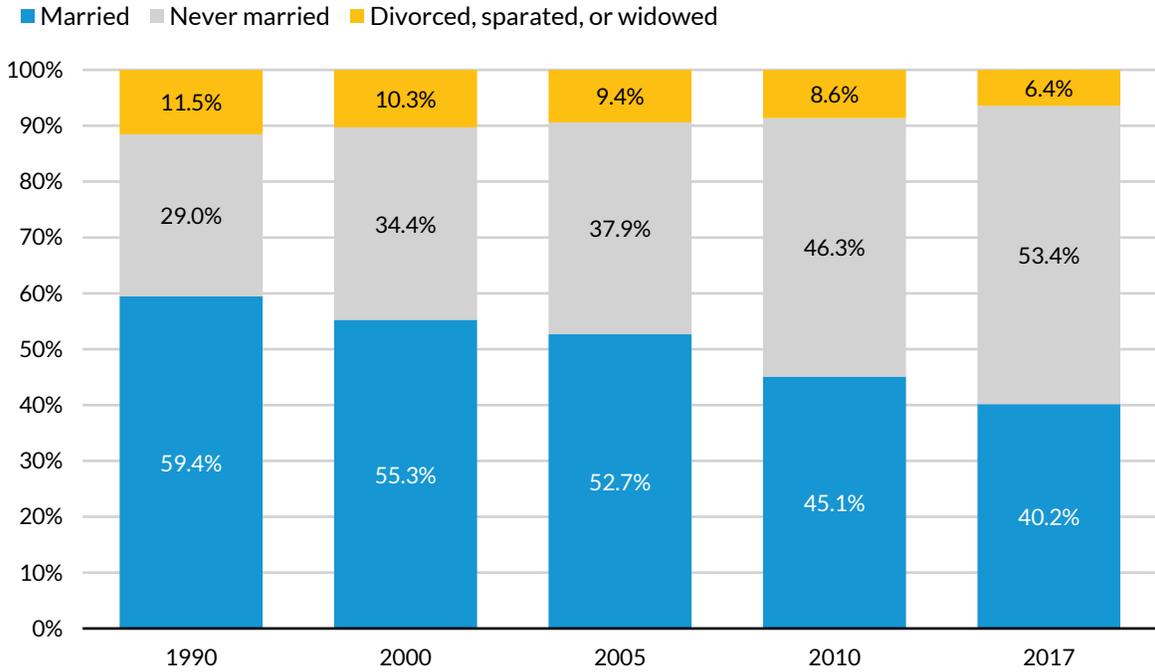
Using the dataset, we explore the reasoning behind the long-run increase in young adults living with their parents. We first look at how shifts in individual characteristics have affected young adults' decisions to live with their parents. Then, we examine how housing costs played a role and how young adults in different income groups responded to the increase in rental prices. Finally, we use regression analysis and the Oaxaca decomposition method to estimate how much each variable explains the increase of young adults living in their parents' homes, controlling for other factors.

### Marital Status

The most prominent trend among young adults is a delay of their first marriage. Because single adult children are more likely to live with their parents than those who are married, this is the single largest explanatory factor in the increase of adult children living with their parents. The median age of first marriage has increased steadily for the past four decades (Goodman, Pendall, and Zhu 2015). Between 1990 and 2017, the share of married young adults (ages 25 and 34) dropped almost 20 percentage points, from 59.4 percent to 40.2 percent. Those who never married increased by almost 25 percentage points, from 29.0 percent to 53.4 percent.

FIGURE 3

Marital Status among 25-to-34-Year-Olds



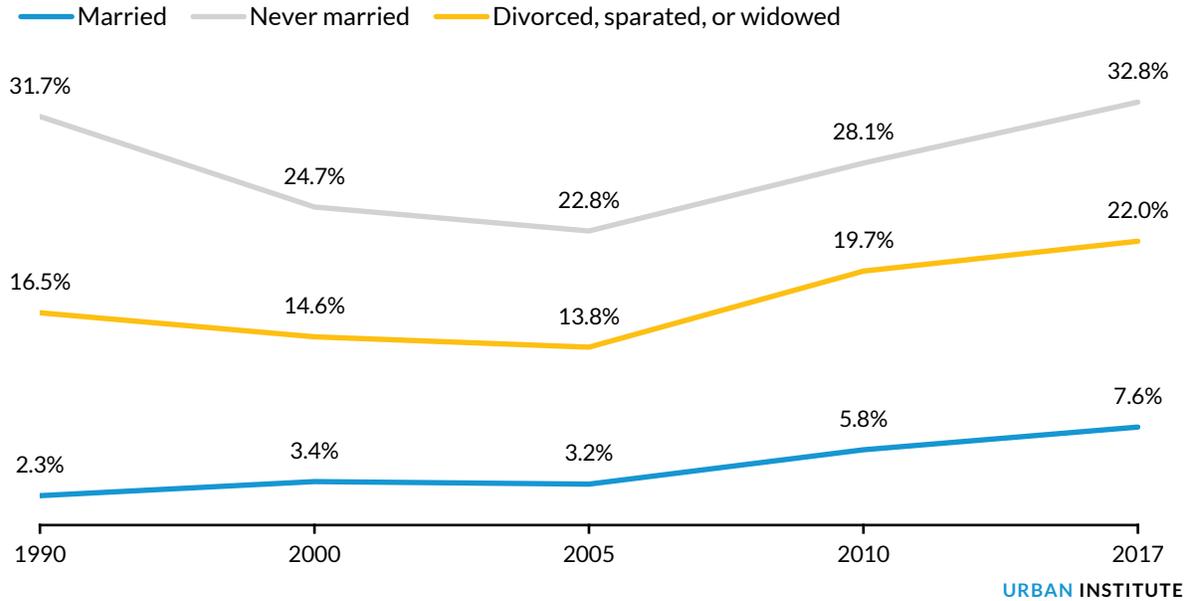
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Sources: The Decennial Census and the American Community Survey.

Figure 4 shows that young adults who have never been married are most likely to live with their parents, while those who are currently married are least likely to live with their parents, indicating that the decline in the marital rate indeed affected the increase in the share of young adults living with parents. However, this relationship is not the only explanation for the rise in young adults living with their parents. Figure 4 shows that the share increased for all three groups of young adults since 2005. If the marital composition in 2017 had been the same as in 2000 while the share of young adults living with their parents stayed at the 2017 rate, 17.8 percent of young adults would be living with their parents in 2017. This is lower than the actual rate of 22.0 percent in 2017 but is still significantly higher than in 2000 (11.9 percent). Common factors such as employment status and high cost of living may also affect young adults' decisions to delay both marriage and moving out of their parents' homes.

FIGURE 4

Share of 25-to-34-Year-Olds Living with Parents, by Marital Status

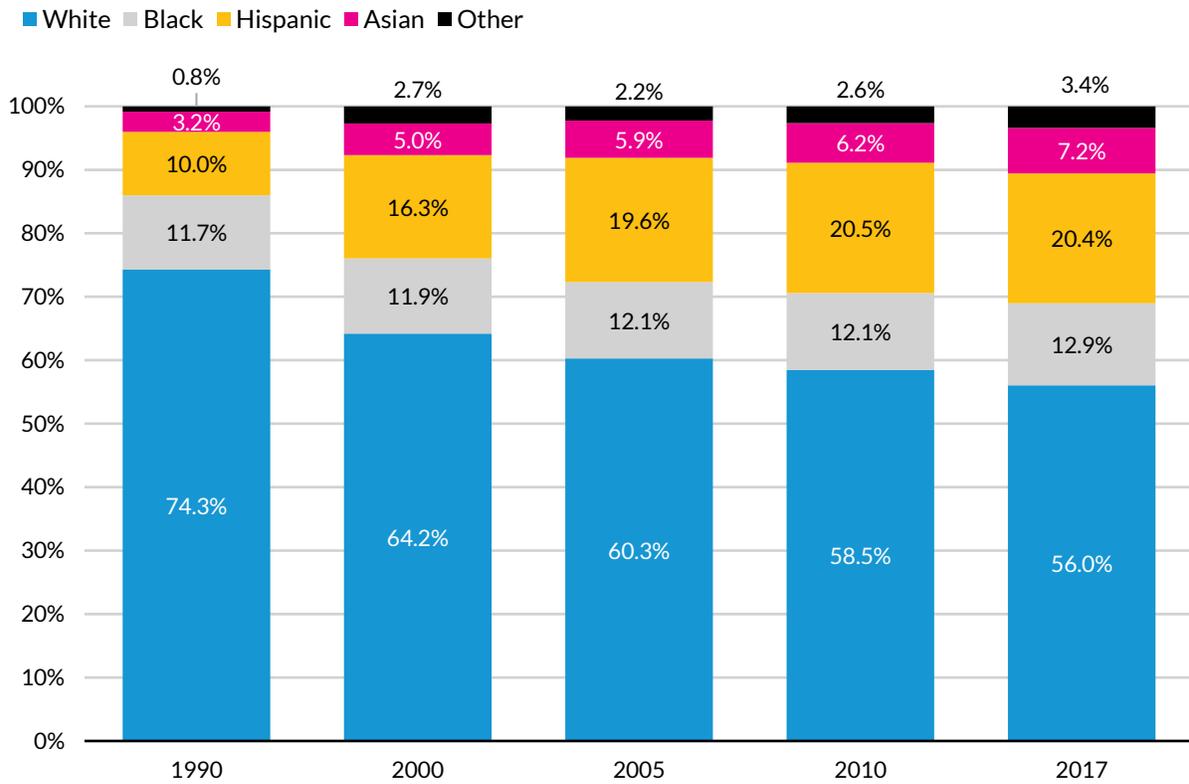


Sources: The Decennial Census and the American Community Survey.

### Race and Ethnicity

Young adults' racial and ethnic composition has also changed in the past decade, but this does not appear to be a significant contributor to adult children living with their parents. The share of white young adults dropped from 74.3 percent in 1990 to 56.0 percent in 2017. While the share of black young adults stayed relatively stable, the share of Asian and Hispanic young adults compensated for most of the 18 percentage-point drop in white young adults.

**FIGURE 5**  
**Racial and Ethnic Composition of 25-to-34-Year-Olds**



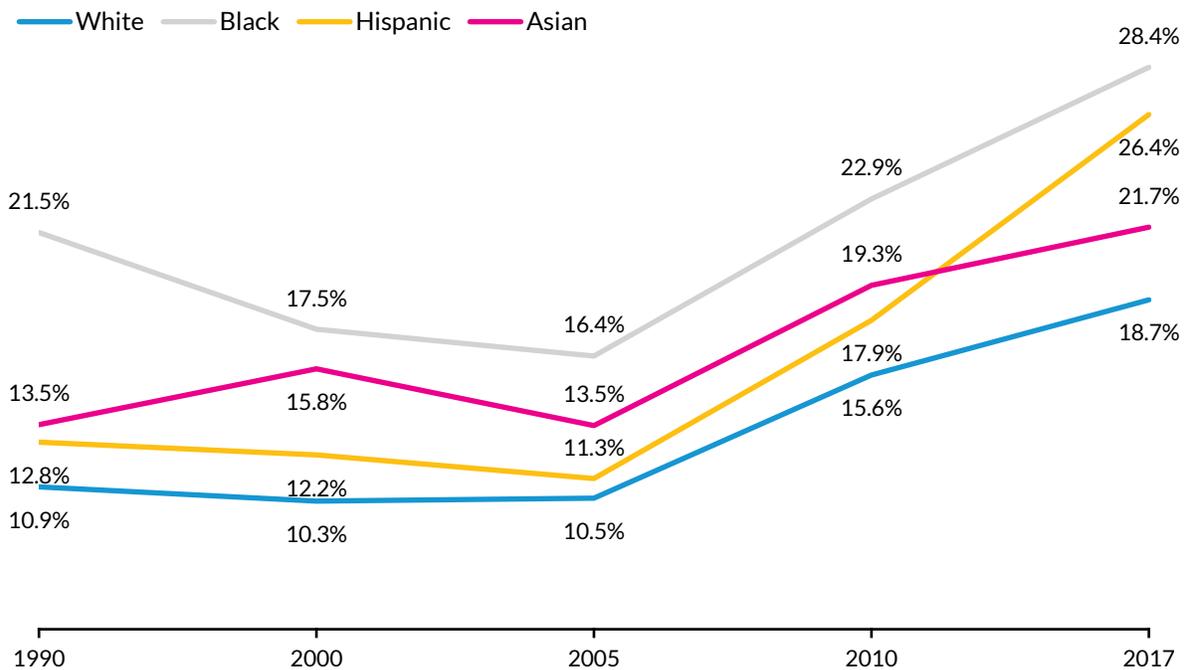
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Sources: The Decennial Census and the American Community Survey.

Although Asians and Hispanics are commonly perceived as more likely to live with their parents, black young adults live with their parents at the highest rates, which may be because of the lower incomes of black young adults, on average, compared with other racial and ethnic groups. When we control for income in the regressions below, we see that black young adults are no more likely to live with their parents than white young adults. Since 2006, the share of young adults living with parents increased for all groups but increased the most for Hispanic young adults. The shift in racial and ethnic composition, however, is not a major factor behind the increase of young adults living with their parents. In fact, if the racial and ethnic composition stayed the same as in 2000, the current share of young adults living with their parents would be 21.4 percent, only a 0.6 percentage-point drop from the current rate and much higher than the 11.9 percent in 2000.

FIGURE 6

Share of 25-to-34-Year-Olds Living with Parents, by Race or Ethnicity



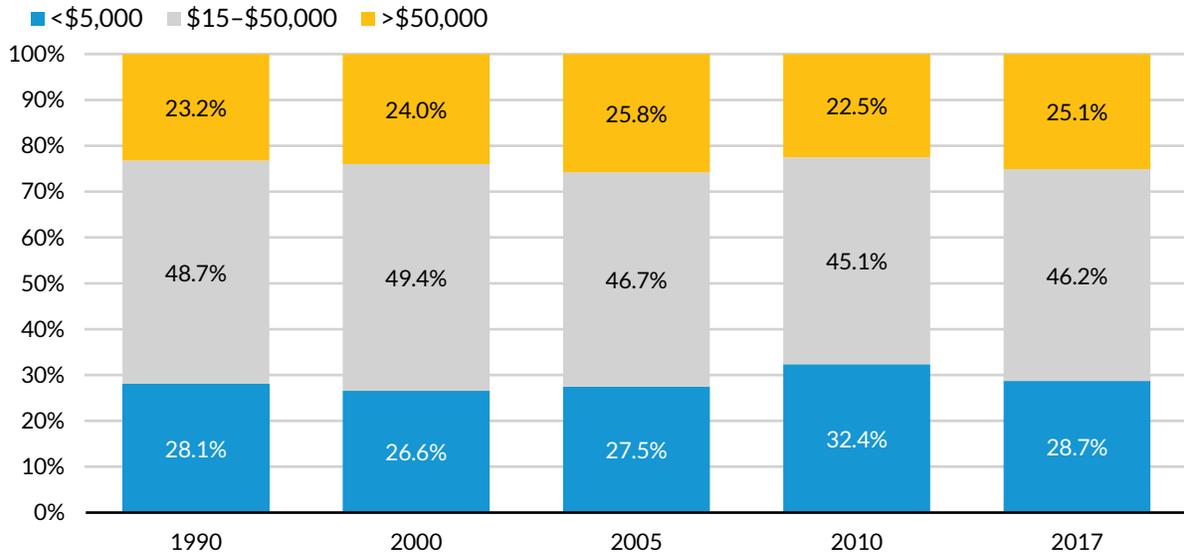
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Sources: The Decennial Census and the American Community Survey.

## Income

Many millennials were looking for their first job following the 2007 financial crisis. They struggled to find stable employment, and even for those who had a job, real wages continued to decline before increasing in the past few years. While low-income millennials are more likely to live with their parents, we find income is a weak explanation of the increase in the share of young adults living with their parents. Figure 7 shows that the share of young adults who earned less than \$15,000 a year (in constant 2017 dollars) increased between 2005 and 2010, while the number of those earning more than \$50,000 decreased. But as the economy recovered, income distribution in 2017 returned to the precrisis level.

**FIGURE 7**  
**Income Distribution among 25-to-34-Year-Olds**  
 2017 dollars

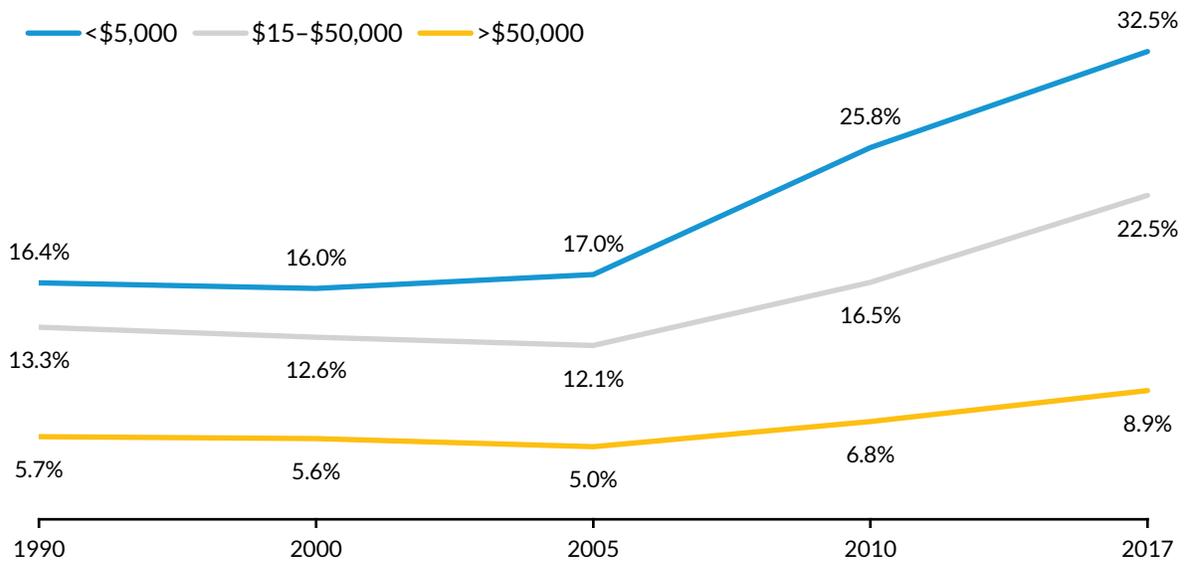


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Sources: The Decennial Census and the American Community Survey.

Figure 8 shows that those with lower incomes are more likely to live with their parents. The share of young adults living with their parents showed the greatest increase in the lowest income group, increasing from 17.0 percent in 2005 to 32.5 percent in 2017. The share also increased for those earning more than \$50,000, but only by 3.9 percentage points. While income is an important determinant for a young adult’s decision to live with his or her parents, the share of young adults living with parents has increased in the past seven years, when incomes have actually started to recover. If the income composition in 2017 was the same as in 2000, 21.9 percent of young adults would live with their parents, which is only 0.1 percentage points below the current rate. While these results are significant, they may not be the last word on this topic. Lag effects could explain this result, and we need to wait a few more years to see the full effect of the more recent recoveries in incomes.

**FIGURE 8**  
**Share of 25-to-34-Year-Olds Living with Parents, by Income**  
 2017 dollars



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Sources: The Decennial Census and the American Community Survey.

## Employment and Education

Employment and education also affect young adults' decisions to live with their parents. In our dataset, the unemployment rate of young adults increased from 5.0 percent to 10.9 percent between 2000 and 2010. By 2017, the unemployment rate had decreased back to 5.4 percent. In our regression results, we find that those who are unemployed are 2.3 percentage points more likely to live with their parents.

Education could also influence young adults' living arrangements. The share of college graduates increased from 28.1 to 36.4 percent between 2000 and 2017. The share of college graduates living with their parents is 15.2 percent, and the share among high school graduates is 28.6 percent. Indeed, college graduates are more likely to move out of their parents' homes, likely because of attractive job opportunities with higher incomes, a conclusion consistent with the regression results below.

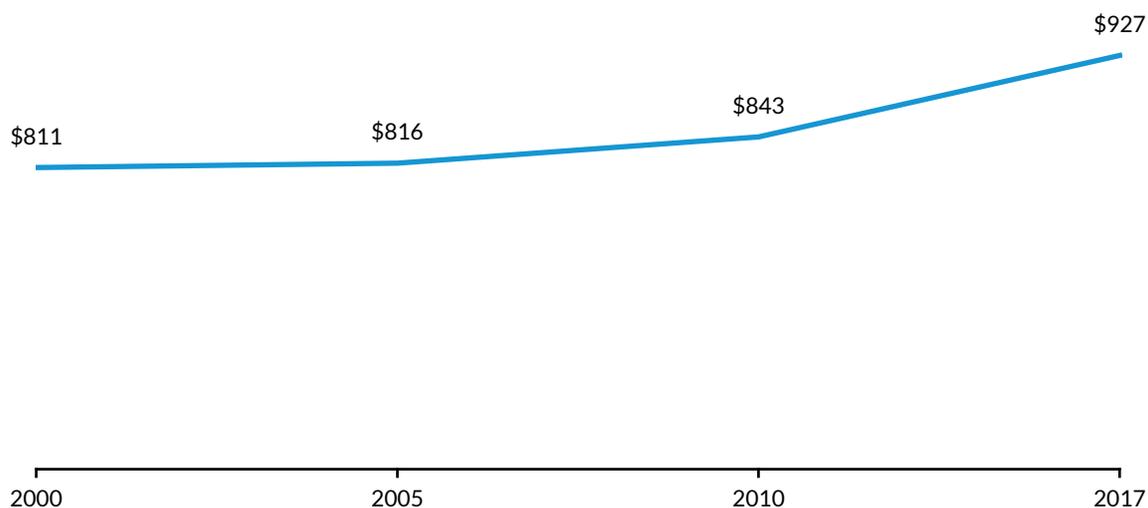
Additionally, studies show that young adults choose to stay in school when the economy is bad (Long 2015). Our regression results also show that those enrolled in school are more likely to stay with their parents. Young adults' school enrollment rates went up from 11.4 percent to 14.0 percent between 2000 and 2010 but returned to 11.7 percent in 2017 as the economy recovered. Since 2017, the college share has increased, and school enrollment and unemployment has returned to the previous

level. Therefore, these three variables cannot explain the significant increase in the share of millennials living with their parents.

## Housing Costs

In addition to changes in individual characteristics, real rents today are at historic highs, no doubt affecting the decision of today's young adults to stay with their parents. Since 2005, rental costs have increased despite the sluggish economy. The median gross rent for two-bedroom apartments in US MSAs has increased from \$811 in 2000 to \$927 in 2017 (all numbers in 2017 dollars). The median monthly rental cost of a two-bedroom apartment has gone from 33 percent of a 25-to-34 year-old's median monthly income to 40 percent. The increased cost of living is likely to influence young adults' decisions to live independently.

**FIGURE 9**  
**Median Gross Rent of Two-Bedroom Apartments in All Metropolitan Statistical Areas**  
*2017 dollars*



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**Sources:** The Decennial Census and the American Community Survey.

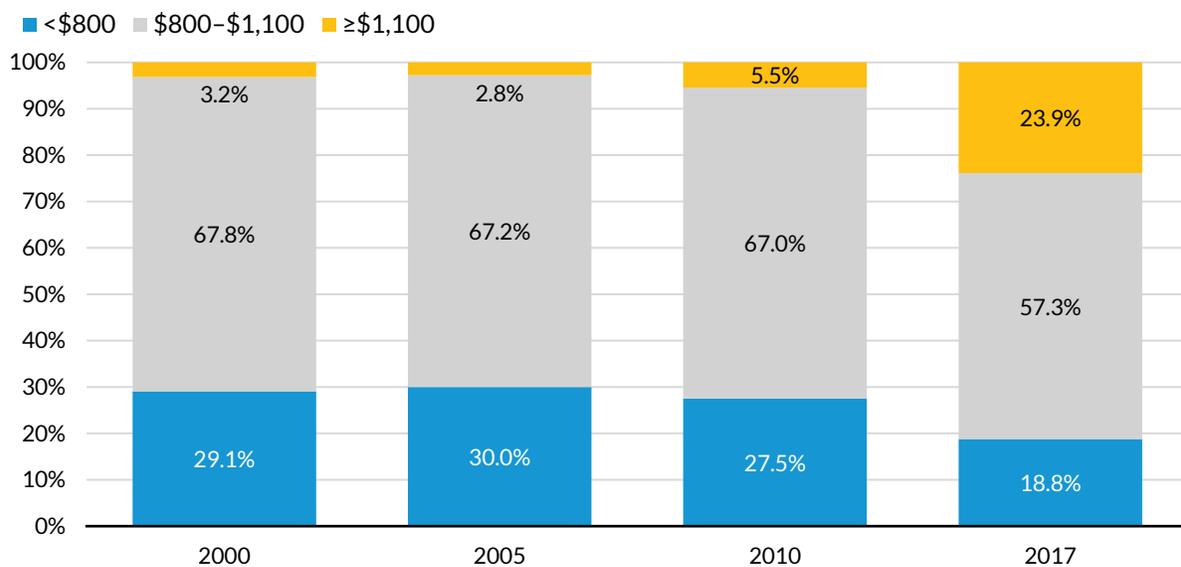
We classify MSAs into three groups by their median gross rental price of two-bedroom apartments—(1) low-cost MSAs have median rents below \$800, (2) middle-cost MSAs have median rents between \$800 and \$1,100, and (3) high-cost MSAs have median rents of \$1,100 or more—to examine how the housing cost is associated with a young adult's decision to live with his or her parents.

Between 2010 and 2017, there has been a significant increase in the number of young adults living in cities with median rents of at least \$1,100. Only 5.5 percent of young adults ages 25 to 34 were living in high-cost cities in 2010, but in 2017, the share was 23.9 percent.

**FIGURE 10**

**Profile of 25-to-34-Year-Olds by Metropolitan Statistical Area Median Rental Costs**

2017 dollars



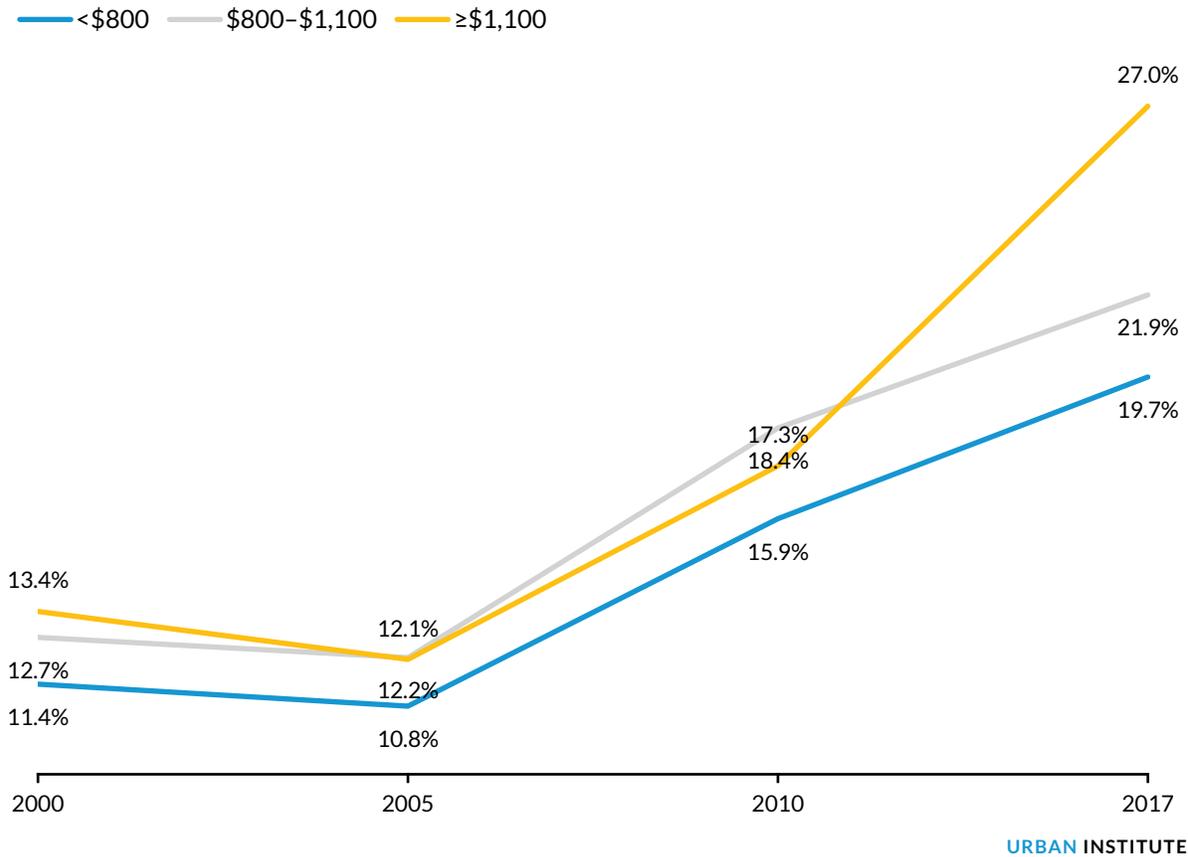
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Sources: The Decennial Census and the American Community Survey.

The share of young adults living with their parents increased the most in cities with high rental costs. Until 2010, when there were few high-cost cities, the share of young adults under their parents' roofs were similar in high-, middle-, and low-costs cities. The shares diverged between 2010 and 2017, when more cities became expensive and more young adults in these cities chose to live with their parents. However, even in low- and middle-cost cities, the proportion of young adults staying with their parents has increased continuously since 2005.

FIGURE 11

Share of 25-to-34-Year-Olds Living with Parents, by Median Rent



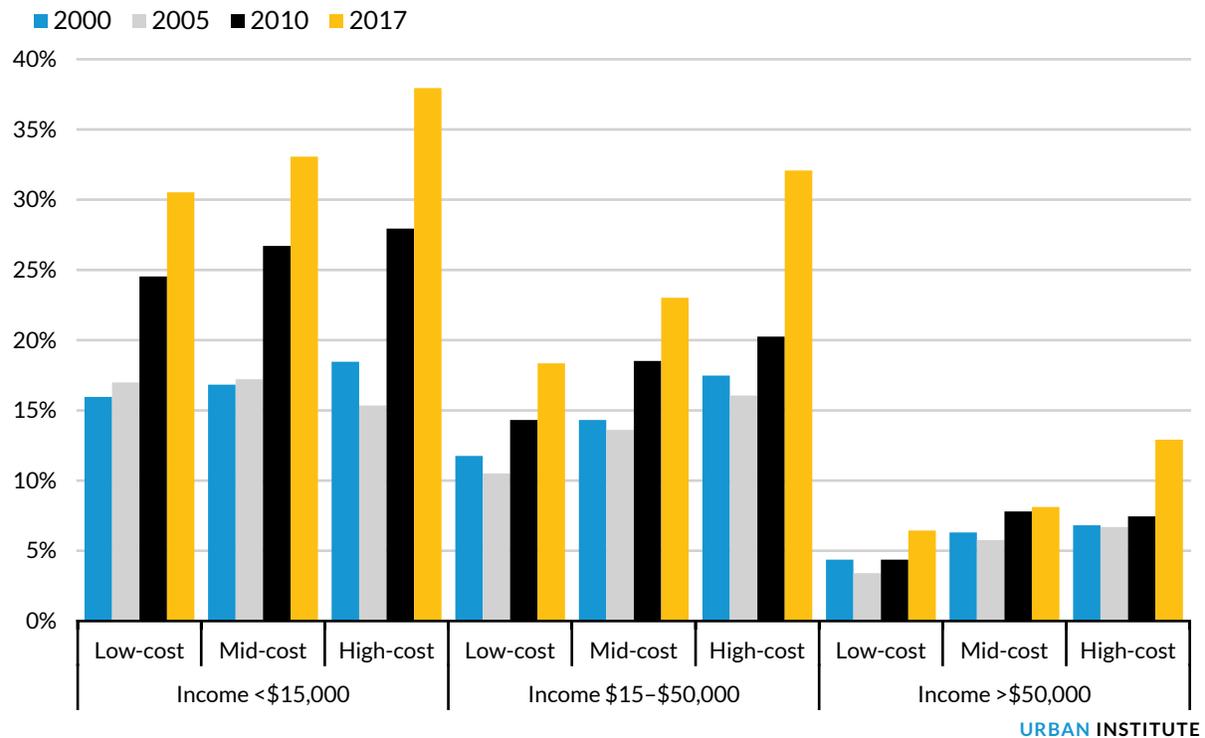
Sources: The Decennial Census and the American Community Survey.

Note: Median rent is for a two-bedroom apartment.

Figure 12 shows how income and housing costs are concurrently associated with young adults' decisions to live with their parents; low-income young adults are most likely to stay with their parents. For all three income groups, the share living with parents has increased since 2005, although the increase has been the greatest in high-cost cities. For the highest income group, the share of those living with their parents has not increased as much as in low- and middle-cost cities. However, for low- and middle-income groups, the share of those living with their parents increased in all cities.

FIGURE 12

Share of 25-to-34-Year-Olds Living with Parents, by Income and Housing Cost



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Sources: The Decennial Census and the American Community Survey.

BOX 1

Regression Analysis

Before exploring other reasons a greater portion of young adults are currently living with their parents, we conducted regression analyses that include all variables we have discussed so far and estimate the relative importance of these factors.

We use a logit model where the dependent variable equals 1 if the child lives with his or her parents. We transform the coefficients to marginal effects, so they can be directly interpreted. The first two columns show the results for all population. Because we have median rent information only for MSAs, we run the regression only for young adults living in MSAs (which is about 75 percent of the sample) in columns 2 to 4. State fixed effects are included in all four regressions.

The year coefficients show how the share of young adults living with their parents is different from the year 2000 after including the control variables. After including the control variables, the difference in the share living with parents between 2000 and 2017 decreases from 10.1 to 5.4 percentage points.

Comparing columns 1 and 2, we find that the gap in living arrangements is greater in the MSA sample. Also, the year dummies show that even after including the control variables, there are noticeable gaps in the share of young adults living with their parents across years.

As expected, young adults are less likely to live with their parents as they become older. Women are also less likely to live with their parents. After including the control variables, Asian and Hispanic young adults are more likely to live with their parents, but black young adults are no more likely to live with their parents than white young adults. Immigrants are also less likely to live with their parents once the control variables are added. Those who are married or have been married are less likely to live with their parents. Moreover, those who have graduated from four-year universities are less likely to stay with their parents than less-educated young adults. Higher income is associated with a lower likelihood of living with parents. Unemployed young adults are more likely to live with their parents.

We also include log value of median rent and the unemployment rate at the MSA level. Both variables are statistically significant. Young adults are more likely to live with their parents in high-rent or high-unemployment MSAs. In the final column, we include the log value of rent to income, instead of including them separately. As expected, as rent increases relative to income, the young adult's likelihood of living with his or her parents also increases.

## Logit Regression: Likelihood of Young Adults Living with Parents

	Total		MSA Only	
	(1)	(2)	(3)	(4)
Age	-0.009 (70.81)***	-0.01 (67.70)***	-0.01 (67.94)***	-0.01 (67.93)***
Female	-0.035 (46.37)***	-0.033 (39.23)***	-0.033 (39.32)***	-0.033 (39.35)***
Black	0.001 (1.01)	0.002 (1.76)*	0.000 (0.00)	0.000 (0.10)
Asian	0.087 (39.51)***	0.09 (39.43)***	0.089 (38.80)***	0.089 (38.90)***
Hispanic	0.027 (22.08)***	0.029 (22.17)***	0.027 (20.70)***	0.027 (20.79)***
Others	0.016 (7.69)***	0.014 (5.77)***	0.013 (5.38)***	0.013 (5.41)***
Married	-0.176 (226.59)***	-0.169 (196.21)***	-0.169 (194.86)***	-0.169 (195.51)***
Divorced, separated, or widowed	-0.058 (38.72)***	-0.051 (29.17)***	-0.05 (28.60)***	-0.05 (28.68)***
High school	0.042 (30.31)***	0.048 (29.46)***	0.047 (29.36)***	0.048 (29.40)***
Some college	0.021 (14.05)***	0.027 (15.77)***	0.027 (15.62)***	0.027 (15.67)***
Bachelor's degree or higher	-0.012 (8.26)***	-0.01 (6.14)***	-0.011 (6.73)***	-0.011 (6.65)***
Inschool	0.006 (5.97)***	0.009 (7.60)***	0.009 (7.66)***	0.009 (7.63)***
Income	-0.038 (113.39)***	-0.039 (102.62)***	-0.039 (102.91)***	
Unemployed	0.021 (14.03)***	0.023 (13.12)***	0.021 (12.17)***	0.021 (12.15)***
Immigrant	-0.064 (47.67)***	-0.065 (46.03)***	-0.066 (47.08)***	-0.066 (47.08)***
MSA employment rate			0.005 (19.15)***	0.005 (20.31)***
Log(median rent)			0.043 (16.69)***	
Log(median rent/income)				0.039 (103.40)***
2005	-0.013 (16.75)***	-0.016 (17.71)***	-0.025 (23.84)***	-0.024 (24.10)***
2010	0.019 (23.84)***	0.018 (20.08)***	-0.01 (6.04)***	-0.009 (6.04)***
2017	0.054 (60.14)***	0.059 (57.12)***	0.052 (46.58)***	0.053 (50.12)***
State fixed effects	Y	Y	Y	Y
Pseudo R <sup>2</sup>	0.16	0.16	0.16	0.16
Observations	2,596,032	1,959,895	1,959,895	1,959,895

Sources: The Decennial Census and the American Community Survey.

Notes: MSA = metropolitan statistical area. Coefficients show the marginal effects and are weighted by person weights. Numbers in the parentheses are t-statistics.

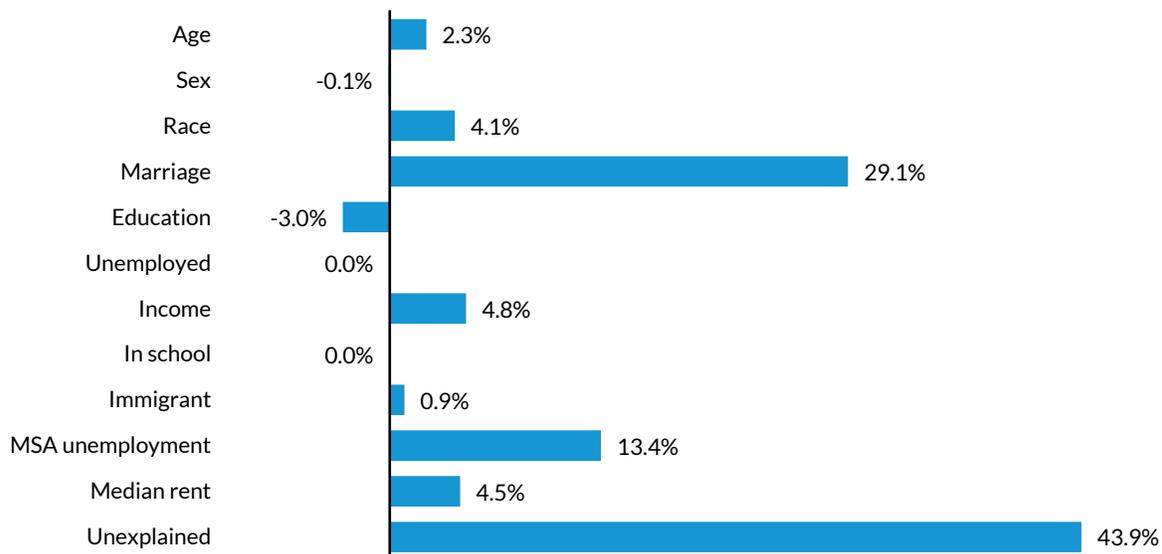
\*\*\*  $p < 0.01$ .

## Oaxaca Decomposition

Using the Oaxaca decomposition method, we calculate how much variables in the regression model above explain the gap young adults' living arrangements between 2000 and 2017. Marital status explains 29 percent of the gap, followed by MSA unemployment rate (13 percent) and income (5 percent). Race and ethnicity explain 4 percent of the gap, median rent explains 5 percent, and education explains 3 percent. About 44 percent of the gap remains unexplained. These factors are not independent—a marriage decision is likely to be related to financial stability and access to credit, which may also affect living decisions.

FIGURE 13

Oaxaca Decomposition: Explaining the Difference in Share of 25-to-34-Year-Olds Living with Parents in 2000 and 2017



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Sources: The Decennial Census and the American Community Survey.

Note: MSA = metropolitan statistical area.

## What Other Factors Explain the Increase of Young Adults Living with Parents?

The control variables in the census and the ACS data explain about 56 percent of the difference in the share of young adults living with their parents between 2000 and 2017, suggesting that there are additional factors influencing young adults' decisions to live with their parents.

## **Tight Credit**

Tight credit affects millennials' housing choices. Following the recession, obtaining mortgages has become difficult, especially for young adults, who are more likely to have a low credit score or no credit score at all. Credit not only affects homeownership but the decision to rent, as renting with no or a low credit score is also hard. Landlords prefer renters who can prove their financial stability.

The median credit score in 2016 was 640 for millennials, 662 for Gen Xers, and 728 for baby boomers (Choi et al. 2018). And 19 percent of adults (45 million) do not have a credit score, including people who have credit records that cannot be scored (because their credit record is insufficient or stale) and people who have never had credit. The unscored population is disproportionately skewed younger: 80 percent of 18-to-29 year-olds, 40 percent of 20-to-24 year-olds, and over 20 percent of 25-to-29-year-olds (Brevoort, Grimm, and Kambara 2015).

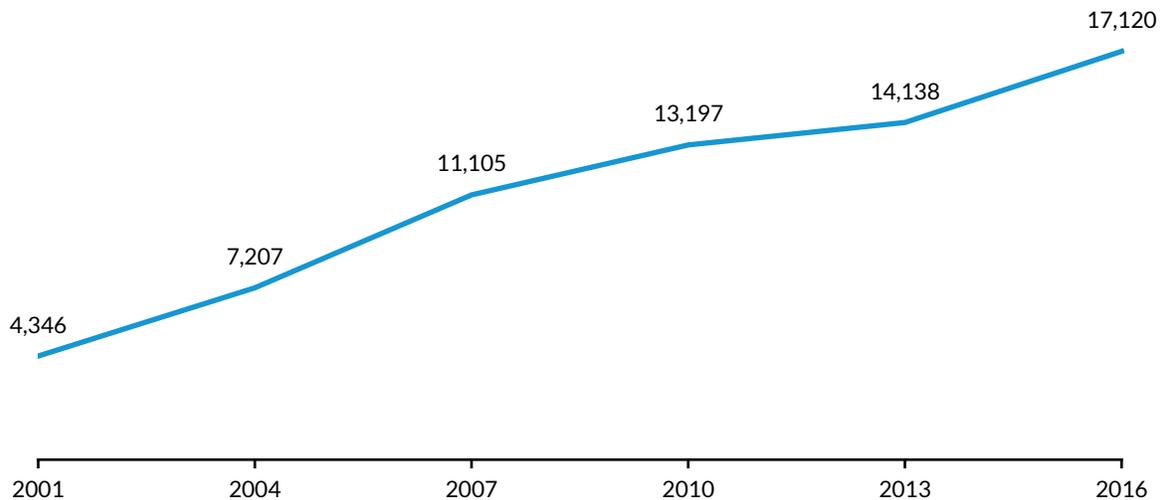
## **Student Debt**

Since 2000, student debt has more than tripled. Data from the Survey of Consumer Finances show that the average student debt of adults between the ages of 25 and 34 increased from \$4,346 in 2001 to \$17,120 in 2016.

FIGURE 14

**Average Student Debt among 25-to-34-Year-Olds**

2016 dollars



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Sources: The Decennial Census and the American Community Survey.

Research found that higher student debt has a negative impact on millennials' attaining homeownership (Bleemer et al. 2017, Choi et al. 2018). According to a recent survey (American Student Assistance and National Association of Realtors 2017), 75 percent of millennials with student debt said it affected their home purchase, and 58 percent said it influenced their ability to rent alone or change their living arrangement. Forty-two percent answered that student debt was delaying them from moving out of a family member's home after graduating from college. Among those who answered that student loan debt is delaying their homeownership, 85 percent said debt made it difficult to save for a down payment. Seventy-four percent said student debt makes them feel financially insecure and reluctant to take on additional debt, and 52 percent said they could not qualify for a mortgage because of a high debt-to-income ratio.

We use the 2016 Survey of Consumer Finances to analyze the financial characteristics of 25-to-34-year-olds in 2016 by their education levels. Fifty-nine percent of those with a college degree have student loan debt, but they also have an income that makes this debt burden manageable. In contrast, 53 percent of those with some college education have student loan debt and an income no higher than that of high school graduates. With a high debt burden, these college dropouts are more likely to stay with their parents. Some young adults with no college education have student debt, although the

average amount is small. These young adults may have accumulated the debt through a trade program or nondegree certification program.

**TABLE 1**

**Average Student Debt, Income, and Assets by Education Level, 2016**

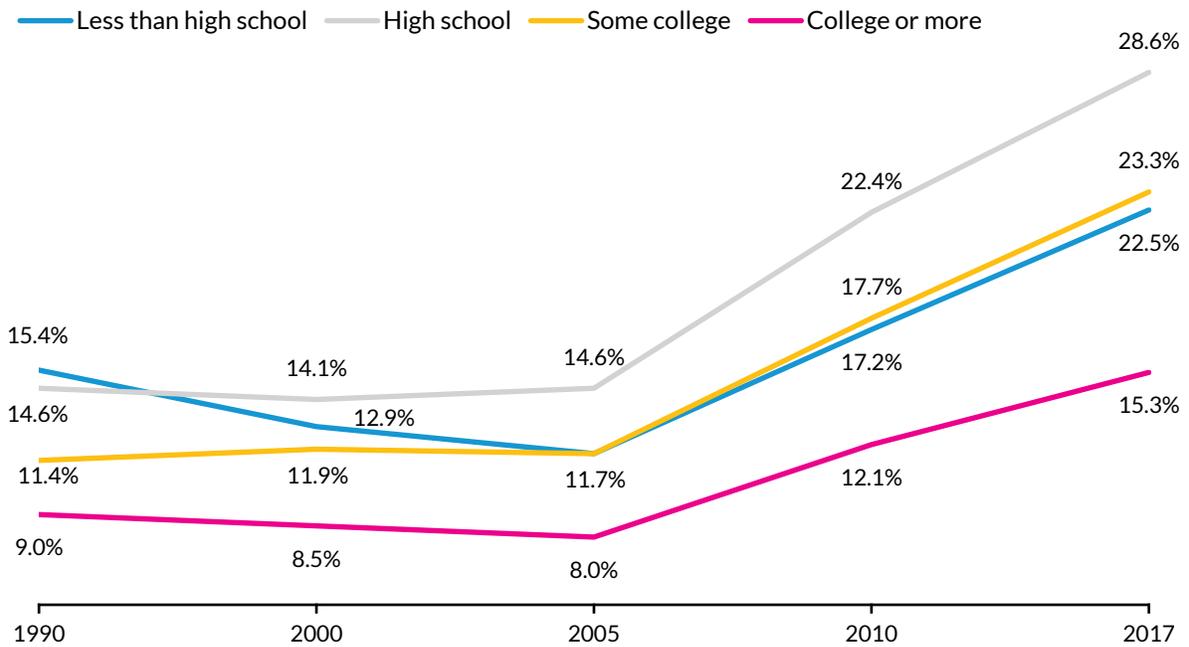
	Share with student loan	Income	Student debt	Net worth	Assets	Debt
High school dropout	11%	\$28,852	\$2,122	\$16,976	\$43,267	\$26,291
High school graduate	32%	\$49,520	\$4,720	\$46,280	\$97,792	\$51,511
Some college	53%	\$50,953	\$11,228	\$43,138	\$101,987	\$58,849
College	59%	\$92,923	\$34,040	\$109,646	\$239,990	\$130,344
<b>All</b>	<b>47%</b>	<b>\$63,955</b>	<b>\$17,120</b>	<b>\$65,759</b>	<b>\$145,957</b>	<b>\$80,198</b>

Source: 2016 Survey of Consumer Finances.

Figure 15 shows that for all education groups, a greater share of young adults lived with their parents in 2017 than in 2000. The group that completed high school had the steepest increase. Because the share of those with student debt and the average amount of student debt is lower for less educated people, student debt alone cannot fully explain the remaining gap in the share of young adults living with their parents.

FIGURE 15

Share of 25-to-34-Year-Olds Living with Parents, by Education



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Sources: The Decennial Census and the American Community Survey.

## What Are the Long-Term Consequences of Living with Parents?

In addition to identifying factors affecting millennials’ decisions to stay with their parents, we examine the long-term consequences of their living arrangements. Will millennials catch up with previous generations in forming independent households and owning a home, or will this trend continue and result in a new equilibrium in housing demand and consumption? How will the current decision affect millennials’ future housing wealth?

### Future Headship and Homeownership

Perhaps there is a benefit to living with parents; it could help millennials save, which could facilitate homeownership later in life. We investigate this theory using data from the Panel Study of Income Dynamics (PSID) and find this is not the case.

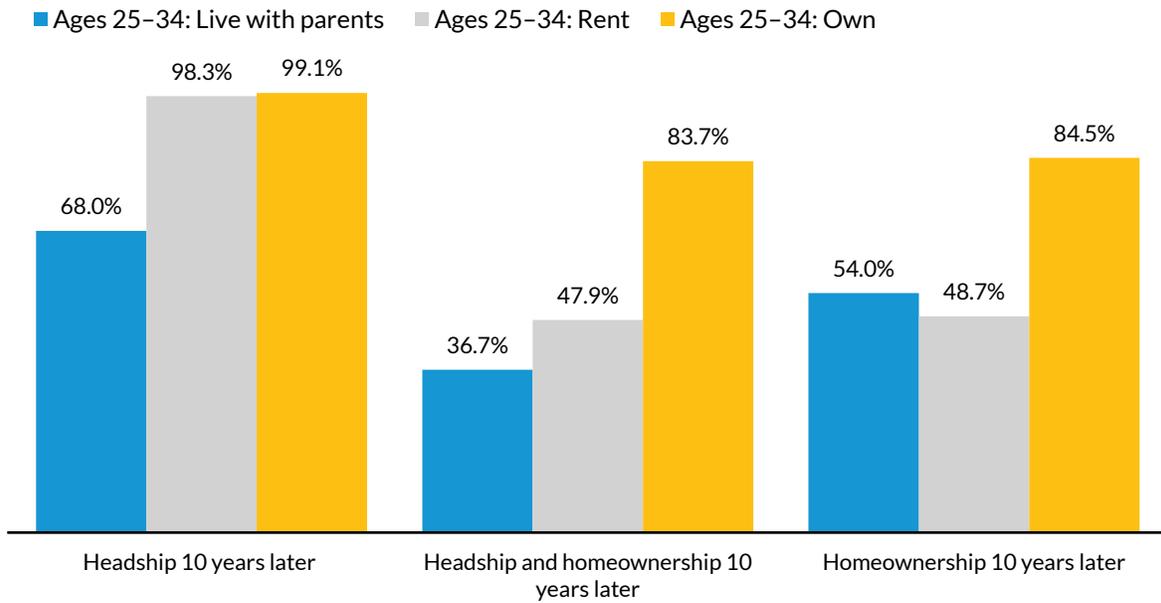
The PSID has followed a sample of individuals and households in the US since 1968. Since 1997, the survey has been conducted biannually. Like the census data, the PSID contains extensive information on individual and household-level demographic and socioeconomic characteristics. Because the data follow the same individuals over time, we can track their changes in living arrangements. We use data from 1999 to 2015 to examine the long-term consequences of living with parents.

Using the PSID, we selected individuals from 1999 to 2005 between the ages of 25 and 34 and examined their living arrangements after 10 years, from 2009 to 2015. Figure 16 shows the headship rate, the share of household-head homeowners, and homeownership rate at ages 35 to 44 for all three groups: (1) those who lived with their parents, (2) those who were renters, and (3) those who were owners between the ages of 25 and 34. The headship rate at ages 35 to 44 was the lowest for those who lived with their parents 10 years earlier (68.0 percent).

Almost all of those who were heads of household at ages 25 to 34 ago remained heads 10 years later. Those who lived with their parents at ages 25 to 34 were the least likely to be homeowners 10 years later. The share of household-head homeowners was 36.7 percent for those who lived with their parents 10 years earlier, compared with 47.9 percent for those who were renters and 83.7 percent of those who were homeowners. Among household heads, the homeownership rate was slightly higher for those who lived with their parents than those who were renters 10 years ago (54.0 percent versus 48.7 percent). Once we run a regression controlling for other factors, that difference disappears. As would be expected, those who were previously homeowners had a significantly higher homeownership rate (84.5 percent) after 10 years.

FIGURE 16

Headship and Homeownership among 35-to-44-Year-Olds



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Source: Panel Study of Income Dynamics.

BOX 2

Regression Analysis

Using a logit regression, we examine the likelihood of being a head and a homeowner after controlling for age, sex, race or ethnicity, education, marital status, income, and employment. We also include state and year fixed effects to control for unobserved variations across time and locations. The first column tests the likelihood of being a head of household, the second tests the likelihood of being both a head of household and a homeowner, and the third column tests the likelihood of homeownership among those who are heads of households.

While the gap becomes smaller once the control variables are added, we find that those who were renters and owners are still significantly more likely to be head of a household 10 years later than those who lived with their parents. Both renters and owners were 16.8 percentage points more likely to be a household head from ages 35 to 44 than the young adults who stayed in their parents' houses, after including the controls. Moreover, both renters and owners were more likely to be heads of household and homeowners after 10 years.

The likelihood being both a head and homeowner after 10 years was 6.7 percentage points higher for renters and 31.6 percentage points higher for owners compared with those who live with their parents. Finally, the gap in the homeownership rate after 10 years between those who lived with their parents and those who rented disappears once the control variables are added. Our logit results do not

find evidence that living with your parents helps you save more or promotes homeownership in later years.

### Logit Regression: Likelihood of Being a Head and Owning a Home after 10 Years

	(1) Head	(2) Owner and head	(3) Owner (heads only)
Head: Renter (10 years ago)	0.168 (6.66)**	0.067 (2.07)**	-0.02 (0.59)
Head: Owner (10 years ago)	0.168 (6.43)**	0.316 (9.25)***	0.23 (6.58)***
Age	0.001 (0.97)	0.002 (1.01)	0.003 (1.04)
Female	0.007 (1.02)	0.008 (0.45)	0.004 (0.24)
Black	0.015 (2.09)**	-0.067 (2.42)**	-0.077 (2.69)***
Asian	-0.013 (0.96)	0.036 (1.14)	0.043 (1.35)
Hispanic	-0.062 (1.37)	-0.017 (0.32)	0.002 (0.04)
Others	0.01 (0.86)	0.041 (0.98)	0.037 (0.87)
Never married	-0.055 (4.52)***	-0.238 (8.24)***	-0.212 (7.10)***
Divorced, separated, or widowed	-0.033 (3.23)***	-0.266 (10.12)***	-0.256 (9.57)***
High school	0.016 (1.34)	0.044 (1.11)	0.034 (0.81)
Some college	0.031 (2.76)***	0.103 (2.56)***	0.094 (2.22)**
College or more	0.007 (0.51)	0.17 (4.12)***	0.172 (3.97)***
Labor income (in \$1,000)	0.001 (5.79)**	0.001 (4.38)***	0.001 (3.72)***
Unemployed	0.021 (1.90)*	-0.051 (2.02)**	-0.061 (2.35)**
2011	-0.005 (0.96)	-0.059 (4.37)***	-0.059 (4.32)***
2013	-0.008 (1.19)	-0.1 (6.74)***	-0.099 (6.52)***
2015	-0.01 (1.47)	-0.119 (7.43)***	-0.122 (7.36)***
State fixed effects	Y	Y	Y
Observations	5,325	5,577	5,284

Source: Panel Study of Income Dynamics.

Notes: Coefficients show the marginal effects and are weighted by person weights. Numbers in the parentheses are t-statistics. Standard errors are clustered by individual ID.

\*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$ .

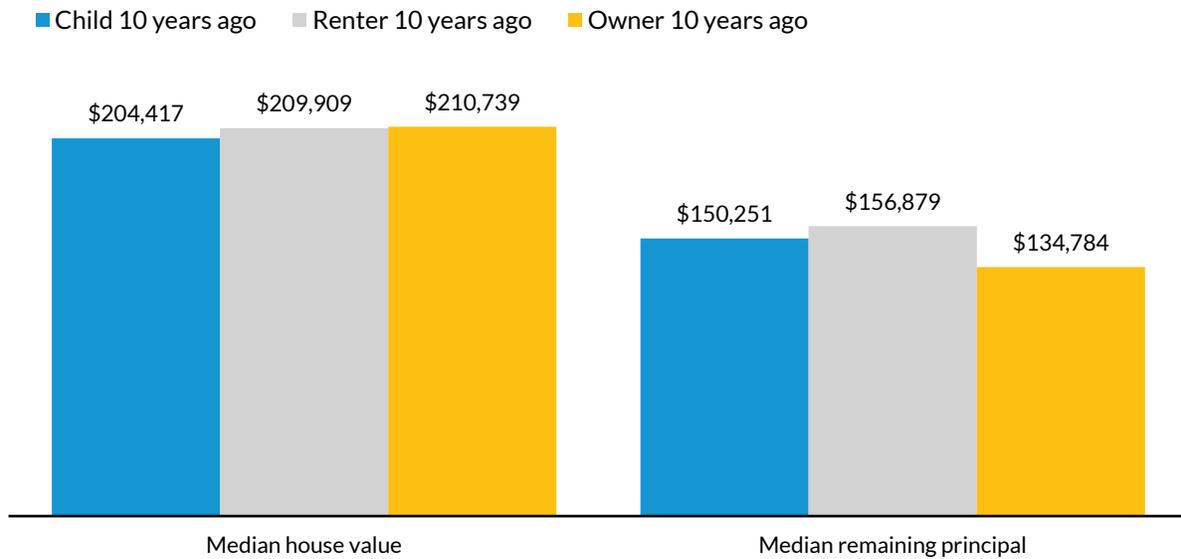
## Housing Value and Mortgage Principal

While 25-to-34-year-olds who live with their parents are less likely to be a head of a household and are less likely to own a house after 10 years, maybe those who do become homeowners have the financial ability to buy a more expensive house or put more down using the money saved from staying with their parents. However, median house values are not significantly different across the three groups (figure 17). In fact, those who lived with their parents have slightly lower home values than those who owned or rented 10 years ago. Those who lived with their parents have lower mortgage debt than those who rented, but the \$6,200 difference is close to the \$5,500 difference in median house values. On the other hand, those who were homeowners 10 years ago have the smallest amount of mortgage debt, as they have had more time to pay it back. These results hold even after including the control variables in the regression below.

FIGURE 17

**Median House Value and Remaining Mortgage Principal**

2015 dollars



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Source: Panel Study of Income Dynamics.

BOX 3

**Regression Analysis**

The table below presents the results of the ordinary least squares regressions, where the dependent variables are home value (column 1) and remaining mortgage principal (column 2). Once we include demographic and socioeconomic characteristics, we do not observe significant differences in home values for homeowners ages 35 to 44 across three groups: those who lived with their parents 10 years ago (base), those who rented, and those who owned. Column 2 shows that those who were homeowners 10 years ago have significantly lower mortgage debt remaining, and we do not find a statistical difference between those who rented and those who lived with their parents. This does not support the hypothesis that those who live with their parents are likely to have greater savings to initially purchase a more expensive house or to make a larger down payment.

## Ordinary Least Squares Regression: House Value and Remaining Mortgage Debt after 10 Years

	(1) House value (in thousands of 2015 dollars)	(2) Remaining principal (in thousands of 2015 dollars)
Head: Renter (10 years ago)	-36.629 (37.528)	-12.958 (14.402)
Head: Owner (10 years ago)	-37.571 (37.682)	-32.855** (14.580)
Age	5.392*** (2.032)	-1.178 (1.172)
Female	25.207 (15.570)	13.499 (8.268)
Black	-77.811*** (15.514)	-25.561*** (10.800)
Asian	12.159 (21.577)	30.282* (15.749)
Hispanic	107.543 (95.982)	16.703 (34.841)
Others	9.117 (24.477)	22.019 (20.025)
Never married	-58.416* (32.814)	-69.210*** (11.226)
Divorced, separated, or widowed	-37.477** (16.391)	-34.588*** (10.795)
High school	52.707*** (16.713)	23.066 (14.637)
Some college	100.456*** (21.233)	52.370*** (15.634)
College or more	153.417*** (18.921)	87.049*** (16.089)
Labor income (in \$1,000)	1.149*** (0.175)	0.812*** (0.098)
Unemployed	47.412 (57.857)	7.057 (17.520)
Constant	-55.766 (87.437)	150.655*** (48.101)
Observations	3,116	3,049
R <sup>2</sup>	0.216	0.253

Source: Panel Study of Income Dynamics.

Notes: Coefficients show the marginal effects and are weighted by person weights. Numbers in the parentheses are *t*-statistics. Standard errors are clustered by individual ID.

\*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$ .

## Conclusion

The sluggish labor market and the increase in housing and education costs following the housing market crisis have encouraged millennials to stay with their parents. These shifts may have long-term consequences, as those who live with their parents delay headship and homeownership. Even though

they may save some money by extending their stay with their parents, our results show that such behavior could have a negative long-term impact on their wealth. While many have experienced a decline in their housing wealth during the recession, housing is still one of the most important tools for building long-term wealth. Goodman and Mayer (2018) find that homeownership as an investment has financially outperformed stocks and bonds, even without including benefits from tax subsidy. Choi and coauthors find that those who bought homes between the ages of 25 and 34 have the greatest housing wealth at age 60.<sup>1</sup> Those who bought before age 25 receive the biggest housing investment return.

In this report, we find no long-term advantage to living with parents. After controlling for other factors, living with parents delays headship and homeownership. Moreover, there is no evidence that those who lived with their parents were able to buy more expensive homes or put more down. While these conclusions should be treated as tentative—considering the study’s limited time frame and because the observations of long-term consequences were drawn from an older group—our results suggest that living with parents has negative long-term economic consequences.

# Note

- <sup>1</sup> Jung Choi, Laurie Goodman, and Jun Zhu, “Buy Young, Earn More: Buying a House before Age 35 Gives Homeowners More Bang for Their Buck,” *Urban Wire* (blog), Urban Institute, November 8, 2018, <https://www.urban.org/urban-wire/buy-young-earn-more-buying-house-age-35-gives-homeowners-more-bang-their-buck>.

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