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Wells Fargo study finds new kind of homebuyer on the way: Millennials

Posted By JON PRIOR On March 25, 2011 @ 10:47 am | 1 Comment

The still struggling housing industry might actually be scraping the surface of the largest home-buying opportunity in generations: the Millennials.

According to a study from Wells Fargo (WFC ^[1]: 31.895 -0.14%), there are 51.5 million potential first-time homebuyers born between 1979 and 1991. Roughly 6 million more of these Millennials are reaching the prime homebuying age than baby boomers did in 1977.

Often characterized as hoodie-wearing college kids strapped to iPods and iPhones, this generation is the most diverse, more technology driven and actually more inclined to trust institutions than their predecessors, the Gen Xers and baby boomers, according to a **Pew Research Center** study ^[2].

In fact, when Wells surveyed more than 3,000 Americans, it found attitudes toward homeownership are still optimistic, especially in this younger crowd.

For the last three years, the mortgage industry has been mired in problems throughout the process. Poorly written loans taken out by homebuyers who could not afford them on the origination side drove foreclosure levels to new heights, overwhelming servicers, who quickly found themselves embroiled in investigations ^[3] and new stricter regulations.

The result has been a growing shadow inventory of foreclosed homes needing to be sold, reaching as high as a 10-year supply ^[4] in New York, according to **Standard & Poor's**. Meanwhile, home sales plummeted ^[5] as recently as February to its lowest rate since the **Commerce Department** began measuring the statistic.

Between 1980 and 2000, membership at the **National Association of Realtors** hovered around 750,000. But by 2006, that number grew to 1.36 million. Since the collapse, membership fell to about 1 million, according to NAR.

Of the Realtors still in the business, 40% reported gross income of less than \$25,000 in 2010.

The upcoming qualified residential mortgage could dry up home sales even more. The QRM rule could force lenders to retain 5% of the risk after securitization on any loan written without 20% down. What the rule will definitively say is still speculation at this point. In a letter written to regulators ^[6], NAR and the **National Association of Homebuilders** said it would take a family earning a median income 14 years to save the 20% necessary for the down payment on a new home.

Despite all these setbacks, homeownership is still a destination. More than 70% of those surveyed by Wells Fargo still want to own a home. Millennials even responded to more rigorous credit requirements favorably, describing them as beneficial to their goal of remaining in the home once they make the purchase.

Roughly 26,000 real estate agents attended a Wells Fargo presentation Thursday shown in 100 theaters nationwide. Brad Blackwell, executive vice president at Wells Fargo told the audience this wave of Millennials will be the new lifeblood for the industry.

"We're going to have to figure out how to reach them," Blackwell said.

Lisa Zakrajsek, another EVP at Wells and the leader on the study, told HousingWire after the presentation the bank will begin putting together homebuying workshops aimed at the younger crowd this year. The banking giant also plans to make changes to its website for this more tech-savvy generation.

"We've invested hugely in this infrastructure," Zakrajsek said. "We're making great enhancements to meet the needs of younger buyers."

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URLs in this post:

[1] WFC: <http://finance.yahoo.com/q?s=WFC>

[2] study: <http://pewresearch.org/pubs/1437/millennials-profile>

[3] embroiled in investigations: <http://www.housingwire.com/2011/03/07/state-ag-settle-with-mortgage-servicers>

[4] as high as a 10-year supply: <http://www.housingwire.com/2011/03/25/sp-puts-shadow-inventory-principal-balance-at-450-billion>

[5] home sales plummeted: <http://www.housingwire.com/2011/03/23/new-homes-sales-crater-17-in-february-to-lowest-level-yet>

[6] letter written to regulators: <http://www.housingwire.com/2011/03/22/higher-mortgage-down-payments-may-cripple-homebuilder-recovery>

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Market Trend Comparison - 2010 vs 2009

Single Family Homes, Condos, Townhouses

San Joaquin County	
Unit Sales (Pended)	
2010	10,527
2009	14,452
Change	-37%
Unit Sales (Closed)	
2010	9,851
2009	12,251
Change	-24.4%
Sales Volume	
2010	\$1,774,461,000
2009	\$2,087,159,000
Change	-17.6%
Average Sales Price	
2010	\$180,130
2009	\$170,366
Change	5.4%

Stanislaus County	
Unit Sales (Pended)	
2010	7,958
2009	10,961
Change	-38%
Unit Sales (Closed)	
2010	7,614
2009	9,416
Change	-23.7%
Sales Volume	
2010	\$1,163,255,000
2009	\$1,391,980,000
Change	-19.7%
Average Sales Price	
2010	\$152,778
2009	\$147,831
Change	3.2%

Solano County	
Unit Sales (Pended)	
2010	5,643
2009	7,070
Change	-25%
Unit Sales (Closed)	
2010	4,945
2009	6,070
Change	-22.8%
Sales Volume	
2010	\$1,146,016,000
2009	\$1,346,454,000
Change	-17.5%
Average Sales Price	
2010	\$231,752
2009	\$221,821
Change	4.3%

Sacramento	
Unit Sales (Pended)	
2010	18,591
2009	24,579
Change	-32%
Unit Sales (Closed)	
2010	17,721
2009	20,392
Change	-15.1%
Sales Volume	
2010	\$3,644,032,000
2009	\$4,056,484,000
Change	-11.3%
Average Sales Price	
2010	\$205,634
2009	\$198,925
Change	3.3%

Tulare County	
Unit Sales (Pended)	
2010	3,811
2009	3,756
Change	1%
Unit Sales (Closed)	
2010	3,153
2009	3,332
Change	-6%
Sales Volume	
2010	\$469,954,000
2009	\$495,574,000
Change	-5%
Average Sales Price	
2010	\$149,050
2009	\$148,732
Change	0.2%

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Craig Lewis

From: ed shandrew [edshandrew@cox.net]
Sent: Wednesday, March 23, 2011 11:09 AM
To: ed shandrew

Subject: California pending home sales, distressed sales rise in February

California pending home sales, distressed sales rise in February

For release: March 21, 2011

LOS ANGELES (March 21) – Pending home sales rose in February, as did the share of distressed properties sold, the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) reported today.

Pending home sales:

Pending home sales in California increased in February, according to C.A.R.'s Pending Home Sales Index (PHSI)*. The index was 112.1 in February, rising 20.6 percent from January's revised index of 93.0, based on contracts signed in February. The index was down 1.6 percent from February 2010, when the presence of housing tax credits played a strong role in home sales. Pending home sales are forward-looking indicators of future home sales activity, providing information on the future direction of the market.

"The increase in pending sales is typical for this time of year, as we usually see a seasonal improvement in the spring," said C.A.R. President Beth L. Peerce.

Distressed housing market data:

- The total share of all distressed property types sold statewide increased in February to 56 percent, up from 54 percent in January and up from 55 percent in February 2010.
- Non-distressed sales made up the remaining share at 44 percent in February, down from 46 percent in January and down from 45 percent in February 2010.
- Of the distressed properties sold statewide, the total share of REO (real estate-owned) sales was 33 percent in February, up from 32 percent in December, but was down from 36 percent in February 2010.
- The statewide share of short sales increased to 23 percent in February, up from 22 percent in January and up from 19 percent in February 2010.
- The median price of homes sold in the state differed dramatically depending on the property type, with non-distressed properties selling for much higher prices than short sales and foreclosures.
- The statewide median price of non-distressed properties sold in February was \$370,000, \$95,000 or 34.5 percent higher than the short sale median price of \$275,000 recorded in February, and \$170,100 or 85.1 percent higher than the February REO median price of \$199,900.

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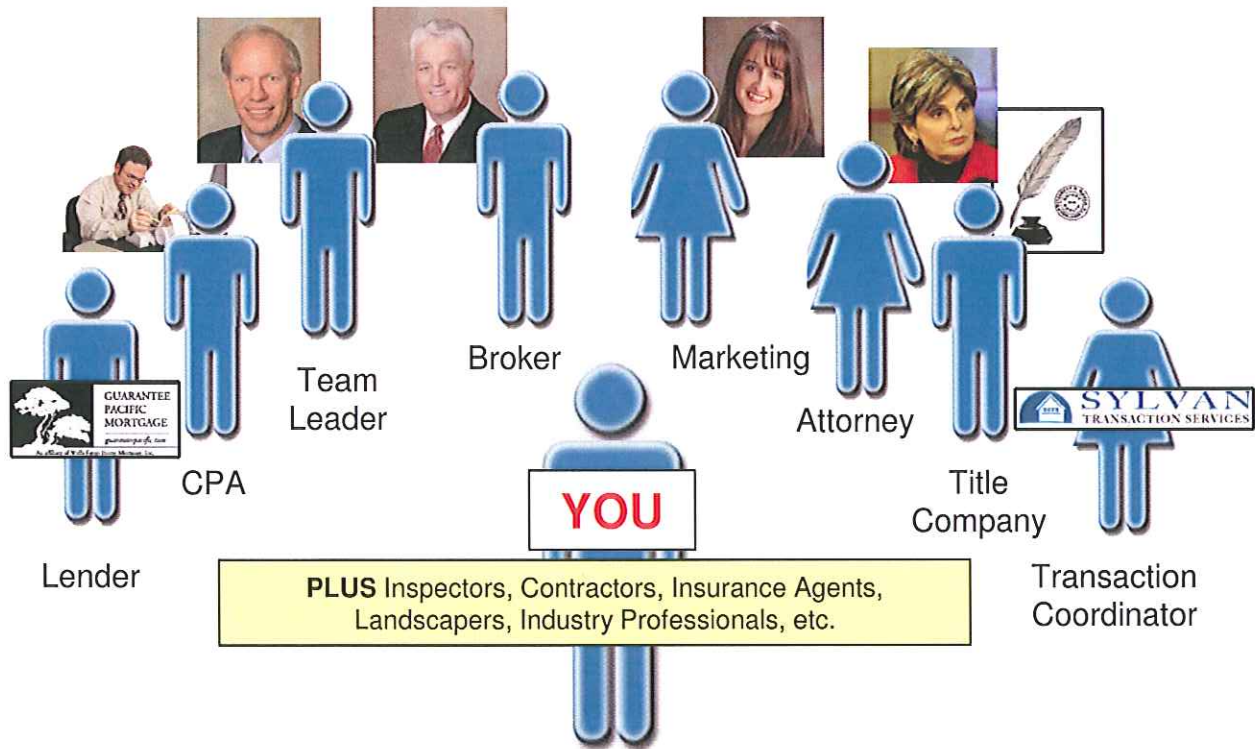
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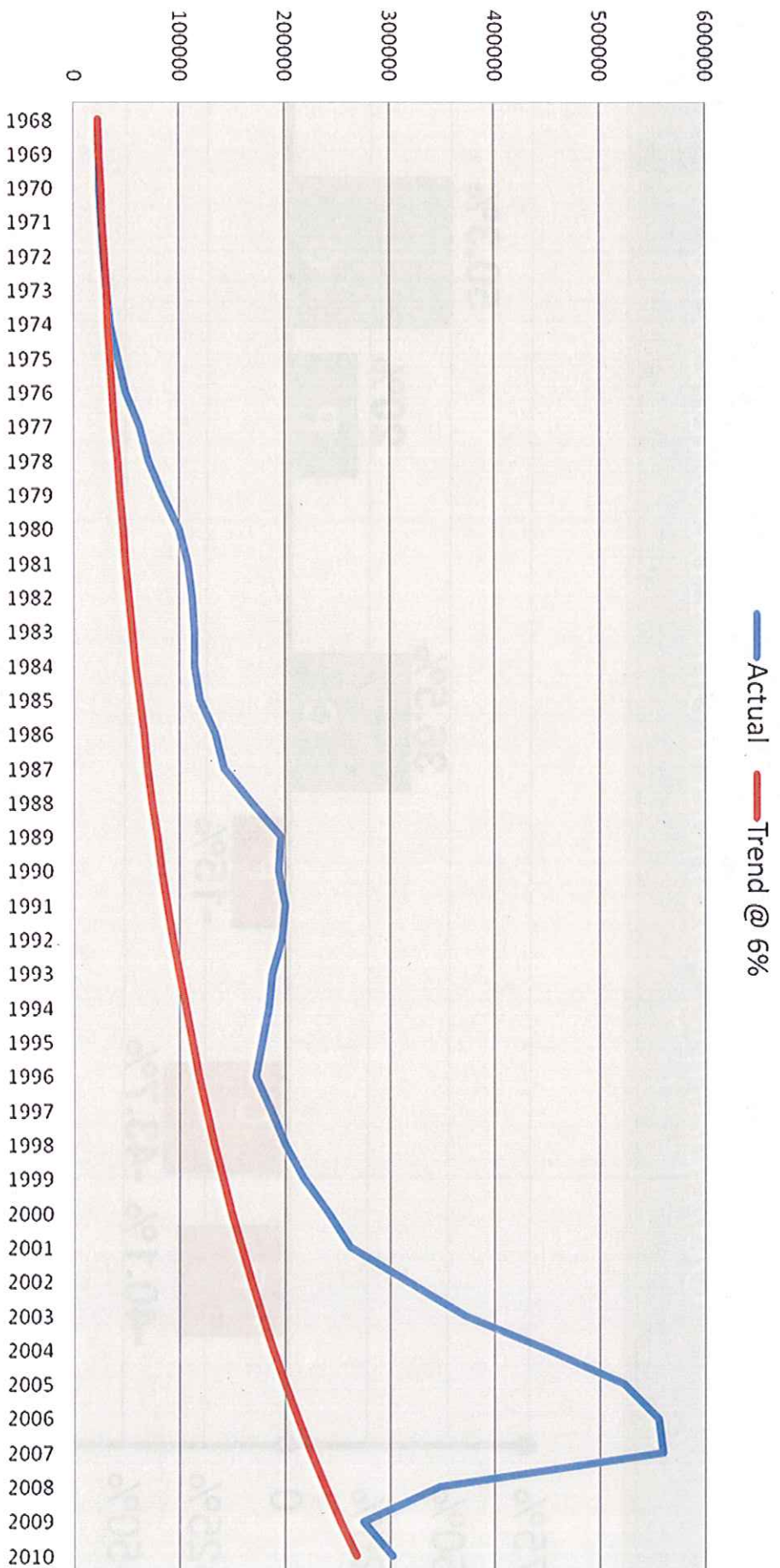
Establish Your Team of Experts and Resources



Provide a greater level of service to your clients by delivering valuable information they can use and benefit from.



Median SFR prices 1968 - 2010



Historical Sales Price for SFR 1968 to 2010 Actual versus trend at 6%
Annual Appreciation

Source: California Assn Of Realtors