

Millennials Aren't Having Kids.

Here's Why That's A Problem For Baby Boomer Real Estate & Retirement

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[...] The Center for Disease Control and Prevention released new data showing that the birthrate has dropped to an all-time low in the United States. It seems that the Millennials just aren't having kids, or at least they're not having them yet. The only cohort of women showing an uptick in first time births are women over 35 years old. In fact, the rate of first time births for women between ages 40 and 44 years old doubled between 1990-2012.

Observers have suggested a number of reasons why Millennials are proving slow to have children. Some point to economics. Although the recession has been over for nearly a decade, there may be a lasting economic insecurity that is causing young would-be parents to think twice before procreating. Others assert that student debt has delayed parenthood. Perhaps.

Given these pressures, pragmatic Millennials have simply concluded that raising children is too expensive. A recent New York Times article interviewed a 32-year-old woman who wants to wait until her career is further along before having kids. "Once I achieve a certain level of success," she says, "then I'll start thinking about a family."

Whatever the reason, the decision of Millennials to delay or forgo having children will have a ripple effect on wannabe Baby Boomer grandparents. [...]

The majority of Baby Boomers' wealth is not in the bank, in a pension plan or in an investment portfolio, but in their homes. Despite the popular urban mythology of Boomer life in the big city, more than 70% of Baby Boomers are still living in suburban and rural areas. An increasing number of soon-to-retire and recently retired Boomers are looking to downsize and cash out the decades of equity they have amassed in their homes as a source of income and a chance to live the good life. But how can they cash out without any buyers? [...]

Now, Millennials are not a different species. Most of them still dream of getting married, having children and of owning a home in the suburbs just as their parents did. Plenty of young buyers are already making the leap: Millennials are the largest cohort of home purchasers today, and they are mostly leaving urban spaces in favor of suburbia. But it's happening later in life for them than for their predecessors. And, while Millennials report a desire for larger homes, their needs and budgets are small. [...]

While some observers lament the lack of housing stock for Millennials as a byproduct of older generations refusing to move on, the reality may be that the home that most Baby Boomers own is not the house Millennials can afford, use or, in many cases, even want. It may be that the bigger your house is, the harder it will be to get out from under it.

Given this reality, the plans of many Boomers to downsize to a downtown area, transplant themselves to a beach or golf community or even to buy into a continuing care retirement community may have to be put on hold – a curious ripple effect in which the lengthening of one life stage for one generation leads to a delay in a life transition for a different generation.