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Despite the hurdle of mounting student loan debt, millennials still consider homeownership a high priority, study says

Seventy-two percent of millennials in a new Bank of America survey said homeownership is very important. (Lucian Perkins/For The Washington Post)

Millennials are prioritizing homeownership well above the goals of getting married and having children, according to a new study by Bank of America.

Bank of America's 2018 Homebuyer Insights Report finds that "millennials are redefining life's priorities by placing homeownership above nearly all other key milestones, including marriage." Surprisingly, being able to retire ranked the highest in priority.

Eighty percent of the respondents to the study ranked retirement as the top priority; 72 percent said that homeownership is most important; 61 percent selected travel as a priority; and marriage and children trailed behind at 50 percent and 44 percent, respectively.

Obviously, love and marriage are not completely off the table, evidenced by the 35 million unique monthly views on Match.com alone. First-time buyers did say that they prefer to purchase with a spouse or partner, but they will not postpone homeownership until they marry. Zillow's 188 million monthly visits proves this to be the case.

I asked my peers on a private Facebook page for real estate agents for their thoughts on the survey. Many agents across the country agreed that young, single buyers are entering the market in higher numbers.

"I'm a millennial and work primarily with millennials," said Rachel Bernhardt, a real estate broker with Cooper Realty in Portland, Ore. "Over fifty percent, probably even more, of my millennial buyers bought a house before they were married."

"My children are young millennials," said Jenifer Brown, a real estate agent with Iowa Realty in Ankeny, Iowa. "They will be in the market for a home long before getting engaged."

The high cost of renting is a major reason millennials are jumping into home-buying rather than waiting to purchase with a spouse or partner. The majority of those who participated in the study agreed that their rent will continue to rise every year or every other year, and nearly half already pay more than 30 percent of their income in rent each month.

Besides increasing rents, higher mortgage interest rates are motivating single buyers to enter the market now. Monthly mortgage payments increase as mortgage interest rates increase, thus lowering the benefits of owning versus renting. As the gap between paying rent and paying a mortgage shrinks, the motivation to buy a home could slowly decline. First-time buyers are jumping in now to take advantage of the current financial benefits before they disappear.

Some millennial home buyers are keeping in mind their plans to settle down when making a home purchase. A single millennial homeowner recently told me that "marriage and raising a family are very important to me. I picked a home that has a little extra room for a young family."

Buying a home, however, is not so simple for those in the millennial generation, particularly if they plan to buy a first home in an expensive part of the country.

A new study by the American Enterprise Institute's (AEI) Center on Housing Markets and Finance concludes that it is much easier to become a first-time buyer in some parts of the nation than in others. "When it comes to being able to easily buy your first home, it's not how much you make, but where you buy," the study concludes.

The study compared the median home price to income ratio for the 50 largest metro areas. Overall, the median first-time buyer spent 3.3 times household income to purchase a home.

The most affordable locations include Pittsburgh, Cleveland, Cincinnati, St. Louis, Detroit, Milwaukee, Oklahoma, Houston and Indianapolis. In Pittsburgh, the median first-time buyer spends 2.3 times their annual income to purchase a home. The least affordable locations include San Jose, Los Angeles, San Francisco, San Diego, Denver, Salt Lake City, Seattle, Portland, Ore., and Sacramento. San Jose, being the most expensive, requires five times annual income to buy a home.

D.C. and New York City ranked among the least affordable. Surprisingly, D.C. is less affordable than New York City. In D.C., the median first-time buyer spends 3.8 times annual income to purchase a home, while in New York City a buyer spends 3.6 times annual income.

The AEI study concludes that the most affordable locations remained constant in their affordability, while it has worsened in the least affordable ones.

Student loan debt is also a barrier to homeownership. Mortgage lenders take into account debt-to-income ratios when approving a loan, which includes student loan debt. The higher the debt-to-income ratio, the less you can borrow, if you can borrow at all.

Despite the obstacles to becoming a homeowner, our nation's youth are reprioritizing their lifetime goals. Being financially stable is first and foremost on their minds.