Will More Americans Buy A Home Because Of The Coronavirus?

[Dima Williams](#) Contributor
FORBES-[Real Estate](#)
May 18, 2020, 01:52pm EDT

Getty

While economic slumps typically depress home buying and owning, the current coronavirus-triggered slowdown could buck conventional wisdom and lead to an increase in the U.S. homeownership rate.

Prior to the onset of the COVID-19 outbreak, which largely shuttered the economy in mid-March, the homeownership rate stood at 65.3% for the first quarter of 2020, marking a 1.1% increase from a year ago. In the last three months of 2019, the rate – at 65.1% – exceeded 65% for the first time since the end of 2013.

“Before this pandemic hit, we had one of the strongest three months of home buying activity across all ages and sectors,” said Lesley Deutch, principal with John Burns Real Estate Consulting. “Really, the industry was about the strongest it has been since the last downturn.”

Because of that, many real estate professionals and analysts believe that the COVID-19 pandemic has created pent-up demand that will flood the market later this year. According to real estate brokerage Redfin RDFN , home buying demand has already exceeded its post-pandemic level.

“One reason why we might see the homeownership rate increase is that just before the pandemic, there was a historically high appetite for buying homes,” says Ralph McLaughlin, chief economist and senior vice president of analytics at real estate company Haus. “In fact, the number of new homeowners in the U.S. was over 2 million. That's basically the highest on record in a one year period.”

The viral outbreak has also sharpened the need for new abodes among certain demographics of home shoppers. According to analysis by John Burns Real Estate Consulting, millennials – both first-time home buyers and up-sizing young families – are seeking new homes to replace their currently crammed spaces or escape apartment buildings that preclude social distancing.

“I think now we're seeing a shift in that the home itself and where people live and how people live in their homes on a daily basis [have become] a renewed emphasis,” said Ken Perlman, principal with John Burns Real Estate Consulting. “I think that will be a long-term trend.”

This newfound focus on the home is arguably already pushing city dwellers, renting in dense urban cores, toward the suburbs and secondary, less-populated cities, where homes are cheaper. Some New Yorkers, for instance, are now discovering that their money could buy spacious single-family homes (compared to pricey Manhattan units) on the edges of the city, where both rent and for-sale prices are more affordable.

Several scenarios could push more Americans toward owning a home

Deutch and Perlman agree that it is too early to definitively say whether more Americans will opt to own because of the pandemic. But McLaughlin points to several non-mutually exclusive scenarios that could prop America’s homeownership rate.

For one, the federal government has rolled out coronavirus protections that stretch further for homeowners than for renters.

“Renters are disproportionately being affected by the great lockdown,” said McLaughlin. “The majority of those that have lost their jobs are in the hospitality, leisure and service sectors – those employees overwhelmingly tend to be renters.

“If the number of renters fall, that could actually cause the homeownership rate to go up, if homeowners are being able to stay put in their homes.”

In the first quarter of 2020, renter households dropped by 640,000. If, back then, some of that decrease could be neatly attributed to renters becoming homeowners, today, there are different dynamics that are pulling renters in disparate directions.

As they lose their jobs and rent turns unaffordable due to the pandemic, some tenants – especially those living in expensive cities – are moving in with friends or back with their parents – and, effectively, reducing the number of renter households.

At the same time, however, some Americans, including renters, are collecting more from state unemployment benefits as well as supplemental federal insurance (amounting to $600 a week) than what they had earned working.

With few options to spend those extra funds (as a slate of businesses around the country have been shuttered for over a month), many have chosen to preserve them. According to [data site Statista], the rate of personal savings – or the ratio between savings and disposal income – in the U.S. jumped to 13.1% in March, compared to a previous high of 8.8% in December of 2018.

In some cases, those savings are morphing into down payments, further growing buyers' demand amid mortgage rates that are under 3.5% for a 30-year conventional loan (and expected to fall further).

Nonetheless, there are obstacles and unknowns that remain for home shoppers. Lenders have tightened their mortgage origination requirements – both credit scores and down payments – shunning some buyers from the housing market.

Moreover, nervousness continues to shroud the country's jobless claims and unemployment rate, even though both figures have recently slowed down in their growth as the national economy attempts a reopening.

"So, what we're likely to see, as far as the homeownership rate is concerned, is a bit like a cursive 'V,'" says McLaughlin. "We will see an initial increase in the ownership rates, probably a flattening or maybe even a slight drop, followed by a more persistent increase in homeownership rate over the next five years."