

Generation Z Study

Key Takeaways and Insights

- Freddie Mac wants to be at the forefront of thought leadership regarding Generation Z—the post-Millennial generational cohort that is beginning to reach young adulthood.
- The objectives of this study are to:
 - » Examine Generation Z’s views and attitudes toward housing and finance
 - » Advance Freddie Mac’s insights, expertise, and status as a thought leader
 - » Inform the creation of content for corporate communications and other outreach activities

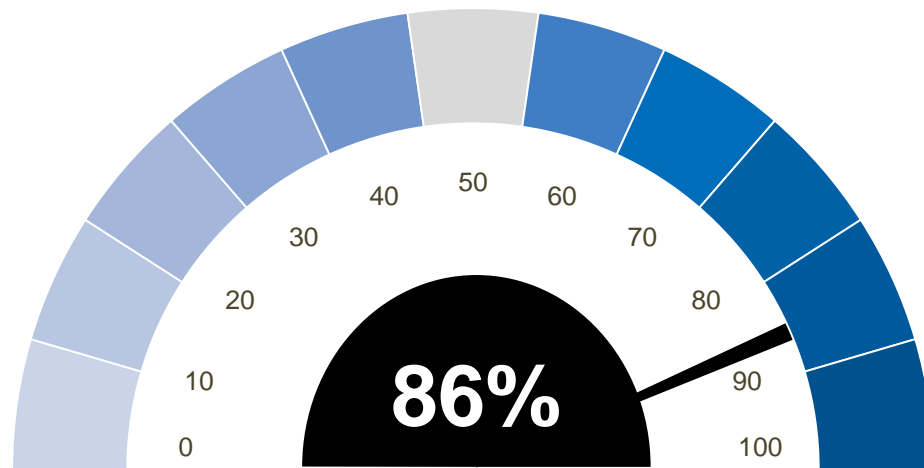
- Ipsos conducted an online survey of 1,531 American teenagers and young adults ages 14 to 23 years old—members of the generational cohort known as “Generation Z” (Gen Z).
- For analysis purposes, respondents were divided into two age groups:
 - » 14- to 17-year-olds ($n=708$)
 - » 18- to 23-year-olds ($n=823$)
- The online survey fielded July 12–24, 2019, using the Ipsos KnowledgePanel®.
- Out of 1,531 respondents, 1,083 were recruited through parents, and 448 were recruited directly.
 - » 101 respondents took the survey in Spanish.
 - » 338 Hispanic and 143 African American respondents took the survey.
- These data were weighted and scaled. The margin of error for the total sample is +/-2.5 percentage points.
- Generational comparisons to past Freddie Mac studies with Ipsos, GfK and Harris Poll

- **The dream of homeownership is alive and well within Generation Z, despite some perceived barriers to reaching this goal. Further, ownership is preferred to renting.** The overwhelming majority of these youth have strong positive views of homeownership and want to own a home someday. They see some barriers to homeownership—such as high home prices, saving for a down payment, and student debt—but they largely believe they will overcome these obstacles.
- **Generation Z has received a financial education at home and are at least somewhat confident in their future financial wellbeing.** Their parents have talked to them about managing personal finances, often beginning these lessons early in their lives. Most report that they make a conscious choice to save money, carefully consider whether they can afford something before buying it, and are at least somewhat confident that they will have a financially comfortable adulthood.
- **Generation Z is looking forward to the years to come,** often describing themselves as “hopeful” and “excited” about their future. They believe happiness as an adult results from close relationships and having a job they enjoy. Like generations before them, most plan to marry and have children.

Future Homeownership among Generation Z

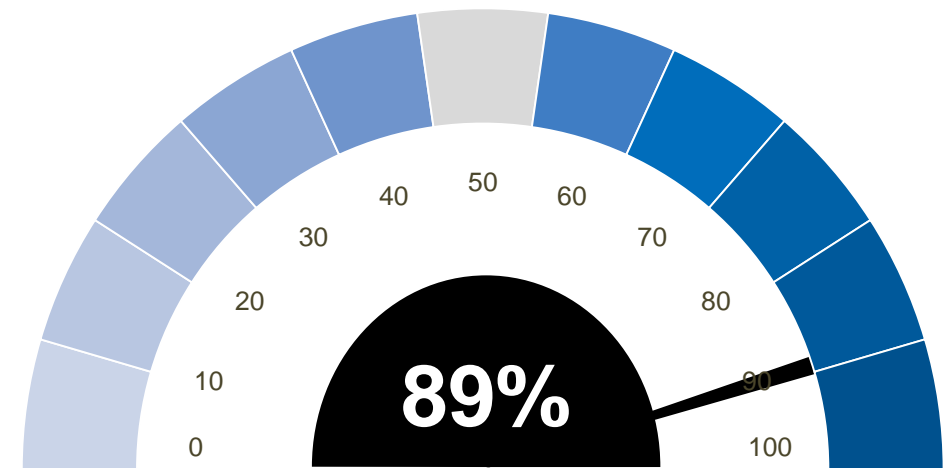
Desires, Perceptions of, and Barriers to Homeownership
Attitudes toward Renting

- Most of Generation Z wants to own a home at some point in the future and believes it is at least *somewhat likely* they will.



of Generation Z wants to own a home someday

n=1,531



of Generation Z believes it is at least *somewhat likely* they will be homeowners someday

n=1,531

Median Self-Estimated Age at Time of First Home Purchase:

Among respondents who believe it is either “somewhat” or “very” likely that they will purchase a home someday
n=1,362

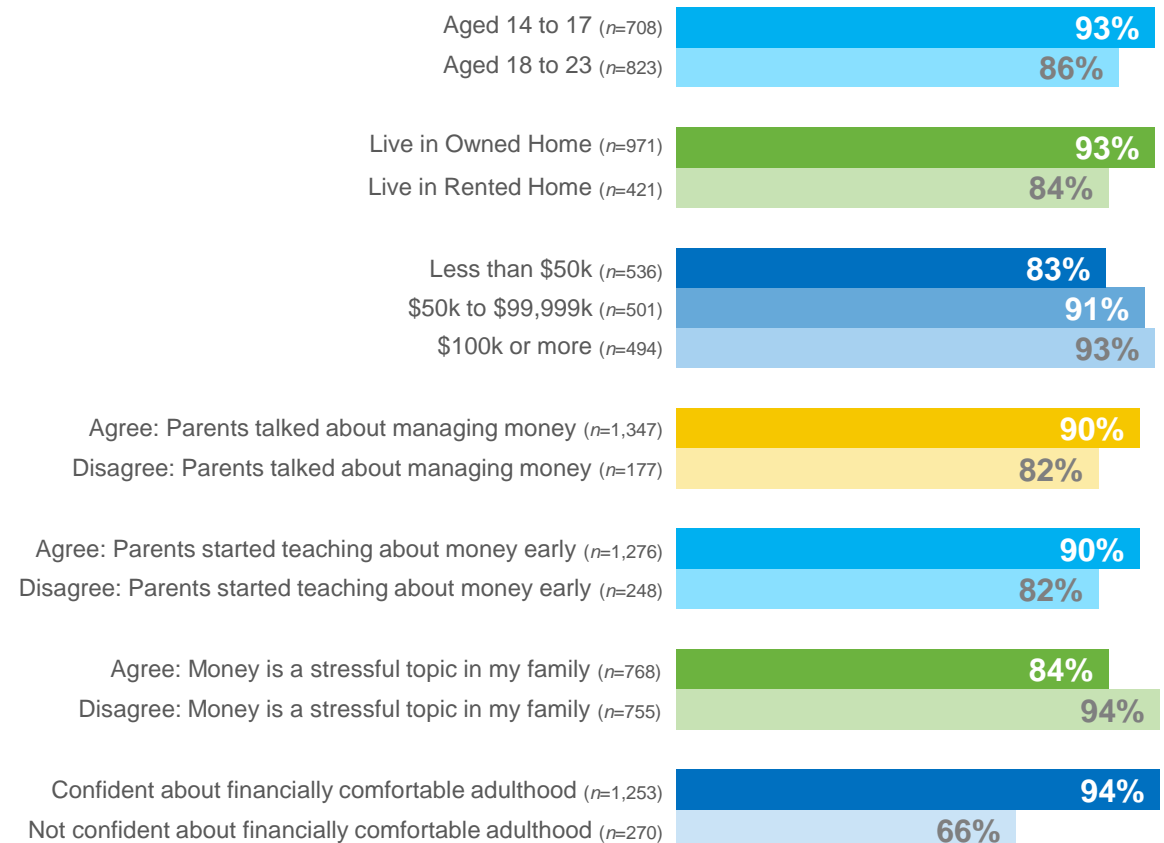
~30 years old

Who are Most Likely to Own



- The likelihood of purchasing/owning is perceived to be higher by Gen Zers who:
 - » Are aged 14 to 17
 - » Currently live in owned homes
 - » Come from households earning at \$50k or more
 - » Received a financial education from parents
 - » Have less stress, more confidence regarding financial matters

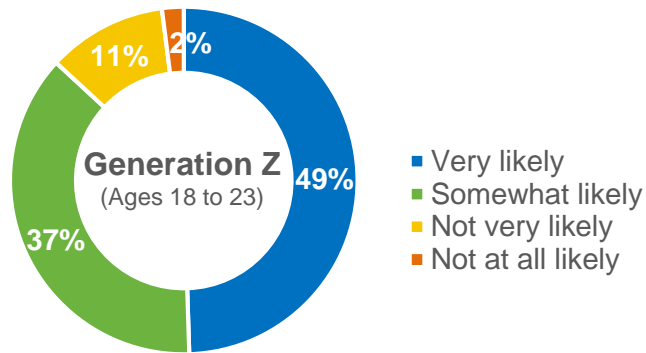
How likely do you think it is that you will ever purchase/own a home?
% Very/Somewhat Likely



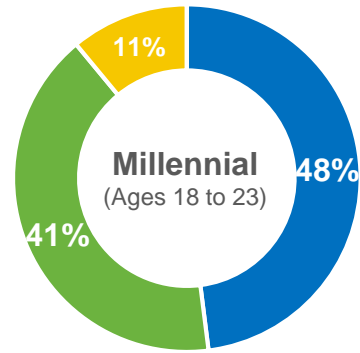
Generational Comparisons: Likelihood to Own and Accessibility

- Generation Zers are as likely as Millennials to believe they will own a home someday, but their perceptions of the accessibility of homeownership are more negative than the perceptions of Millennials.

How likely do you think it is that you will ever purchase/own a home?



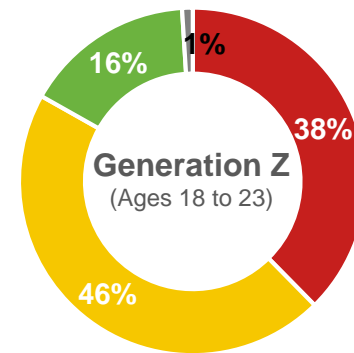
n=823



n=85 (Renters)

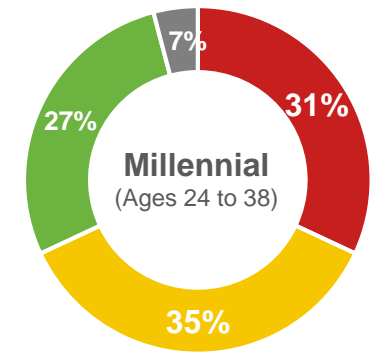
SOURCE: Harris Poll, April 2015

Do you think that homeownership is more or less accessible than it was three years ago?



(Ages 18 to 23)
n=823

■ Less accessible
■ Same
■ More accessible
■ Don't know

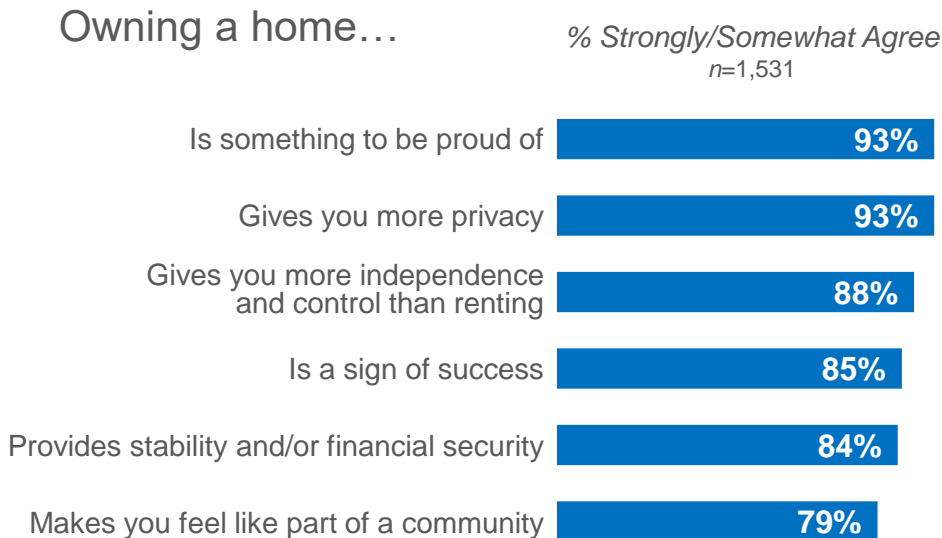


*n=1,190

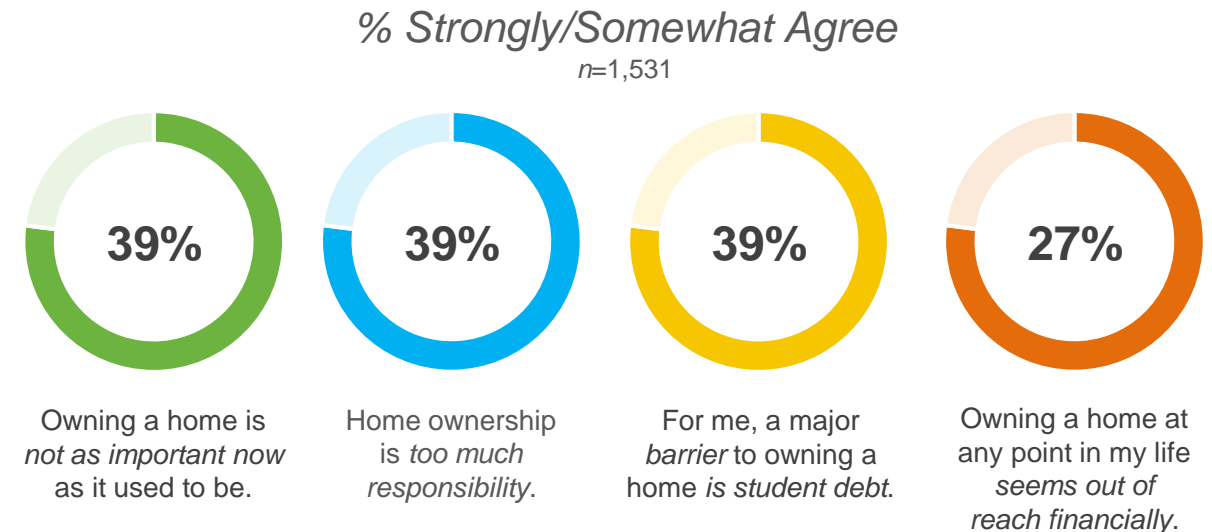
SOURCE: Harris Poll, April 2019

Note: Percentages may not sum to 100% due to rounding and refusals.

- Generation Z’s desire to own a home is reflected in their favorable views of homeownership. They see homeownership as something to be proud of, a sign of success, and something that provides privacy, independence, and control.

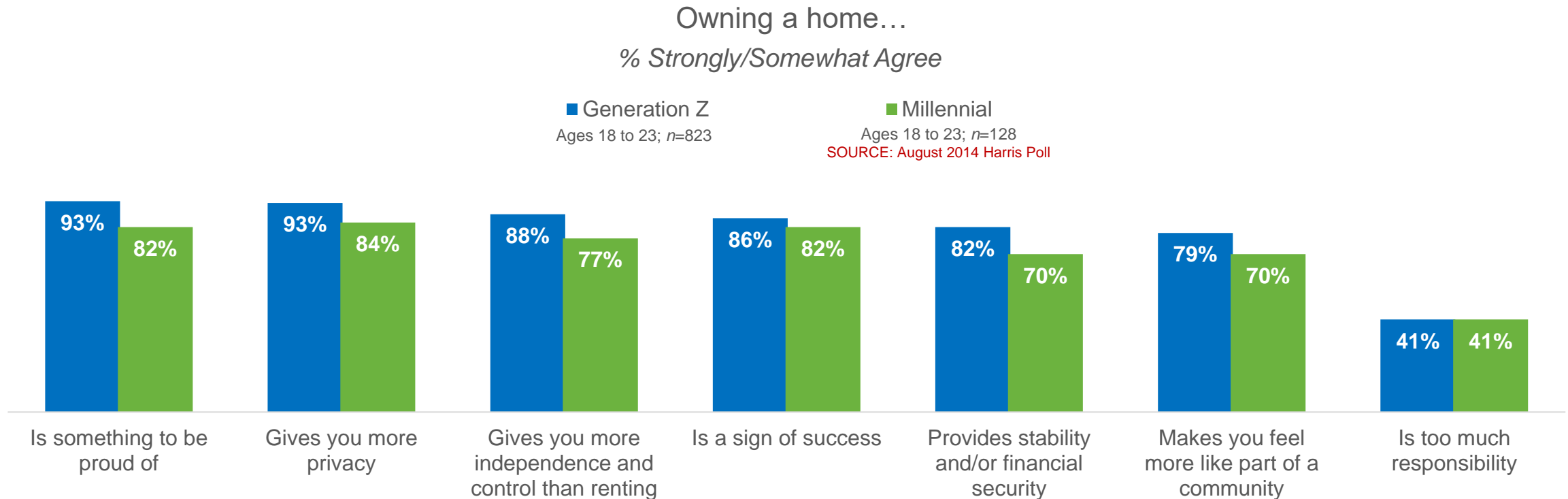


- Although not the majority, about four in 10 Gen Zers believe the importance of owning a home has diminished over time—with older Gen Zers more likely to have this perception (42% vs. 36%).
- One-quarter think owning a home at any point in their life seems out of reach financially.



Perceptions of Owning: Generational Comparison

- Generation Z's positive perceptions of homeownership are similar to or more positive than those of Millennials at the same age.



Note: Differences of 5% or greater can be considered to be statistically different

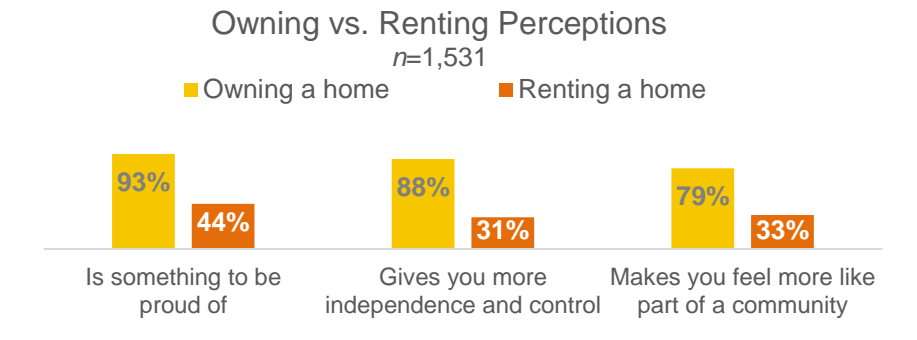
Perceptions of Renting



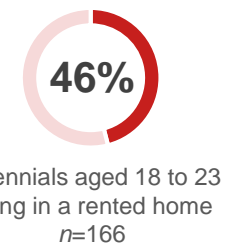
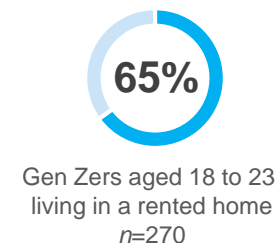
- Generation Z holds somewhat negative views of renting, seeing it as less appealing than owning.
- Still, they agree there are some positive aspects of renting: flexibility, lower stress than owning, and allowing more affordable proximity to a major city and the ‘action’ there. Gen Zers who currently live in a rented home also see renting as a good choice on the path to homeownership.

Please indicate how much you agree or disagree with each statement. <i>% Strongly/Somewhat Agree</i>	Gen Z Total <i>n=1,531</i>	Live in Owned Home <i>n=971</i>	Live in Rented Home <i>n=421</i>
When you rent, you have to live by a landlord’s rules	93%	94%	93%
Renting feels like you are throwing your money away	76%	79%	72%
Renting allows you to have more flexibility over where you live	68%	67%	71%
Renting a home is less stressful than owning a home	63%	60%	69%
Renting makes it possible to be closer to a major city and the "action" there	62%	66%	58%
Renting a home is something to be proud of	44%	41%	52%
It costs less to rent a home than to own a home	40%	39%	40%
Renting makes you feel like part of a community	33%	30%	38%
Renting gives you more independence and control than owning a home	31%	28%	35%
Renting a home is much more appealing to me than buying a home	19%	16%	21%

= Indicates a significantly higher percentage than comparison group



“Renting is a good choice for me now—I can’t afford to buy a home but would like to at some point.”



SOURCE: Harris Poll, Q1 2016

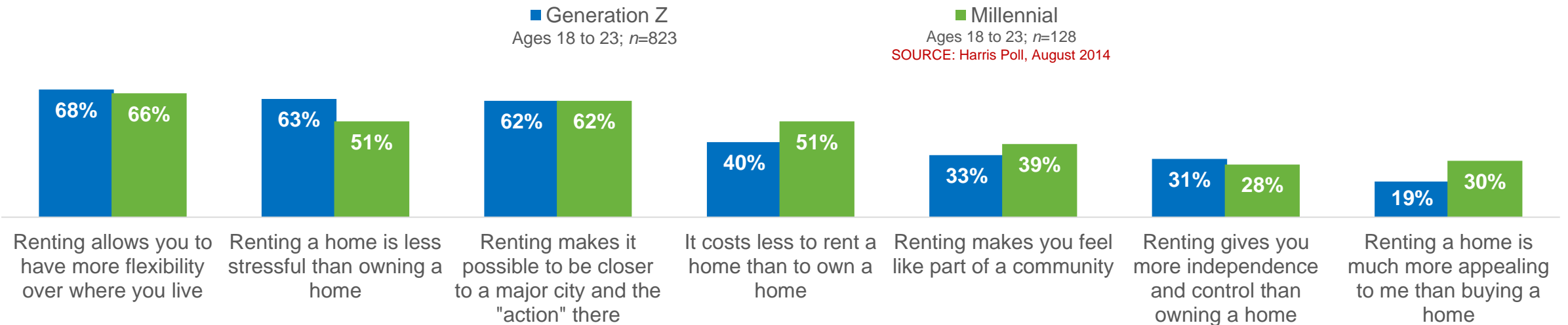
Perceptions of Renting: Generational Comparison



- Generation Z's perceptions of renting are largely similar to those of Millennials, but they are considerably less likely to see renting as more appealing than buying.

Please indicate how much you agree or disagree with each statement.

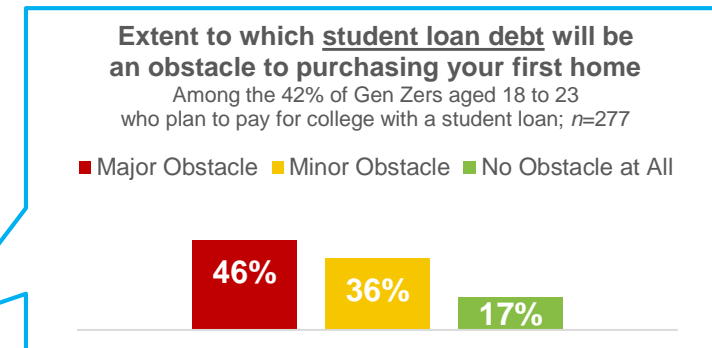
% Strongly/Somewhat Agree



Note: Differences of 5% or greater can be considered to be statistically different

- High home prices are the most commonly cited major obstacle among 18- to 23-year-olds who think it is at least somewhat likely that they will purchase a home someday.
- Most Gen Zers in this age range do not see student loan debt as a major obstacle.
 - » Student debt is the second most-cited major obstacle to homeownership among 18- to 23-year-olds with a student loan.

Please indicate to what extent each of the following will be an obstacle to purchasing your first home. Gen Zers aged 18 to 23 who think it is at least <i>somewhat likely</i> that they will purchase/own a home; <i>n</i> =778	Major obstacle	Minor obstacle	No obstacle at all
High home prices	64%	28%	7%
Unstable job or job change	37%	31%	31%
Hard to save for down payment	32%	50%	17%
Not having established a credit history to qualify for a loan	30%	38%	30%
Student loan debt	27%	27%	45%
Not knowing how to start the process of buying a home	22%	49%	29%
Not knowing someone to help with the home buying process	16%	41%	42%
Credit card debt	16%	24%	59%



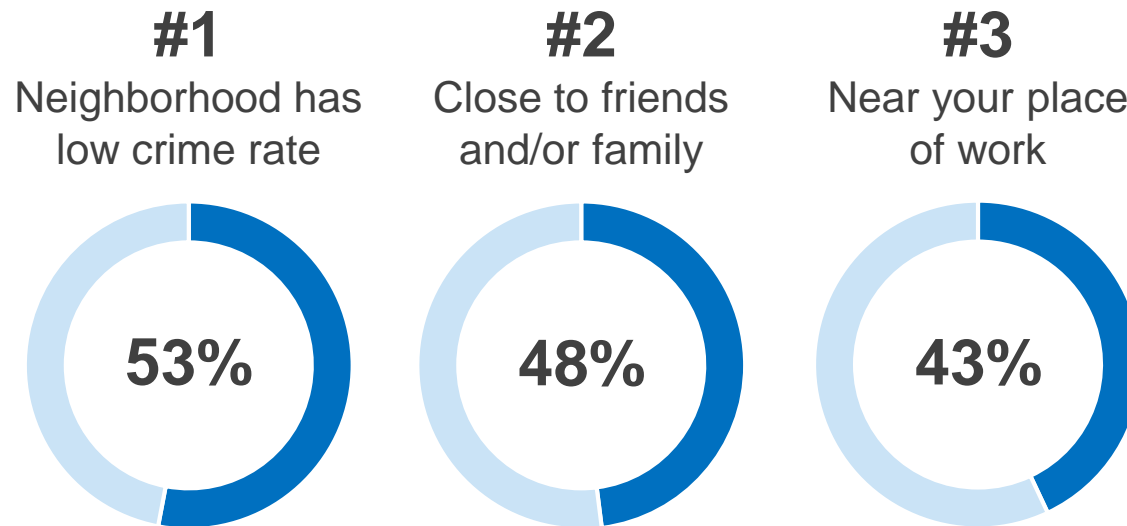
Note: Percentages may not sum to 100% due to rounding and refusals.

Most Important Attributes for a Place to Live

- For Generation Z, a neighborhood with a low crime rate, a location near friends and family, and a location close to one's place of work are the most important attributes for a place to live.

What are the three most important attributes you are looking for in a place to live?

n=1,531



Other Attributes Selected	
Close to stores/restaurants/entertainment	33%
Appealing yard or outdoor space	24%
Good school or school district	23%
Close to parks and outdoor recreation	15%
In a walkable area	12%
Home with energy saving solutions	8%
Close to public transportation	5%
Home with sustainable construction materials	4%
Home with charging station for an electric vehicle	1%

- Gen Zers across gender, age, race/ethnicity, region, urbanicity, and household income are more likely to prefer single-family homes, medium-sized homes, and homes in the suburbs over all other types, sizes, and locations.

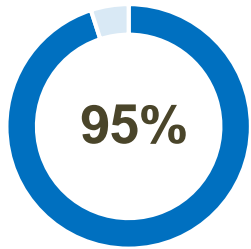
What kind of home would you choose? <i>n</i> =1,531		What size would your ideal home be? <i>n</i> =1,531		And in what kind of area would you want to live? <i>n</i> =1,531	
Single-family home	77%	Small (e.g., 1-2 bedrooms)	9%	Suburb (of a big or medium size city)	35%
Townhome	8%	Medium	59%	Big or medium size city / urban area	16%
Apartment	4%			Rural area or countryside	16%
Condominium	4%	Large	27%	Small town (surrounded by countryside)	14%
Manufactured/Mobile home	1%	Huge (e.g., mansion)	4%	Small city	14%
Other	5%			In another country (not in the U.S.)	4%

Note: Percentages may not sum to 100% due to rounding and refusals.

- Before buying a home, nearly all Gen Zers want to have a job, good credit, and money saved up for a down payment. Finishing education and paying off student debt are also priorities before purchase.

How important would each be if you wanted to buy and own a home?

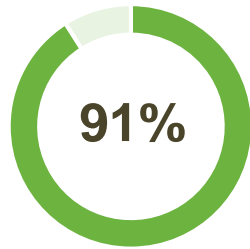
% Very Important
n=1,531



To have a job



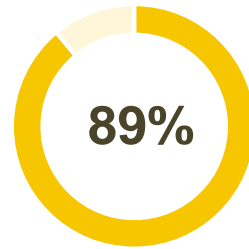
Among these Gen Zers (n=1,465), **11%** believe they will need a second job or additional source of income before being able to purchase a home.



To have good credit



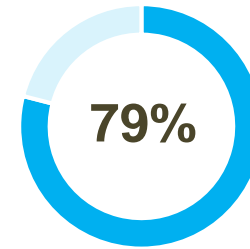
Half (**51%**) of Generation Z claim to know how to check their credit score, including **64%** of those aged 18 to 23 (n=823) and **33%** of those aged 14 to 17 (n=708).



To save money for house down payment



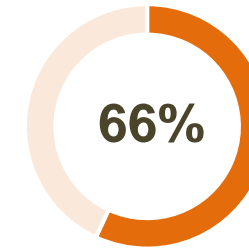
One in four (**25%**) Gen Zers think that the required home down payment is 20% or more of a home's sale price.



To finish my education



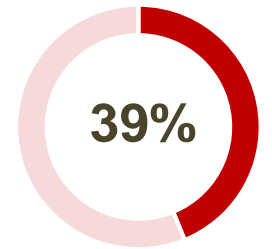
Seven in 10 (**71%**) of these Gen Zers (n=1,200) want to achieve at least a Bachelor's degree before buying a house.



To pay off student debt



Four in 10 (**41%**) Gen Zers aged 14 to 17 (n=708) and three in 10 (**31%**) 18 to 23 (n=823) are not sure whether a person must pay off student debt before he/she can buy a home.



To get married/
to be in a relationship



Four in 10 (**43%**) of Gen Zers do not know or are not sure if it is legal to buy a house with someone you are not married to or in a legal union with.

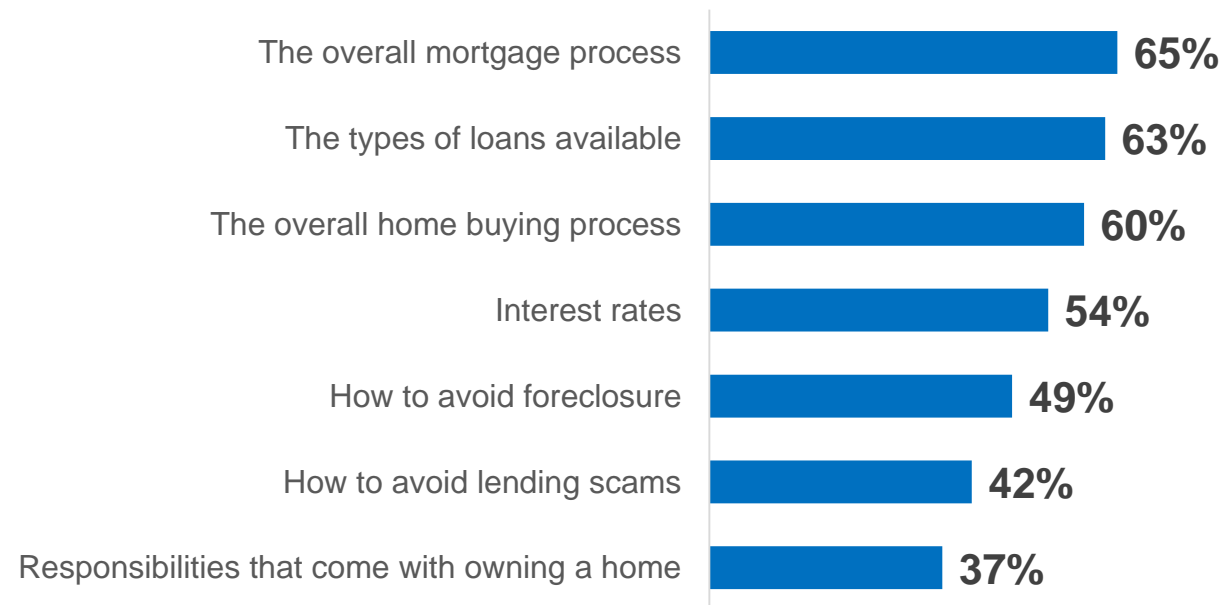
Confidence in Knowledge of Homebuying



- Most 18- to 23-year-olds are either *not at all* or *not very confident* in their knowledge of various aspects of the homebuying process.
- If they wanted to learn more, Generation Zers would be most likely to go to a parent, a realtor, or the internet.

How confident do you feel in your knowledge of each of the following?

% Not at all confident/Not very confident among Gen Zers aged 18 to 23; n=823



If you wanted to learn more about the process of buying a home what sources would you use?	Gen Z Total n=1,531
Parent	71%
Real estate agent/Realtor	58%
Internet and technology (e.g., real estate websites, smartphone apps)	54%
Other family (e.g., siblings, spouse) and/or friends	45%
Bank or mortgage lender	41%
Financial counselor	25%
Library and/or books	11%
Debt management counselor or credit counselor	9%
Government agency	6%
Religious institution (e.g., church, synagogue, mosque)	3%

Confidence in Knowledge of Homebuying: Generational Comparison



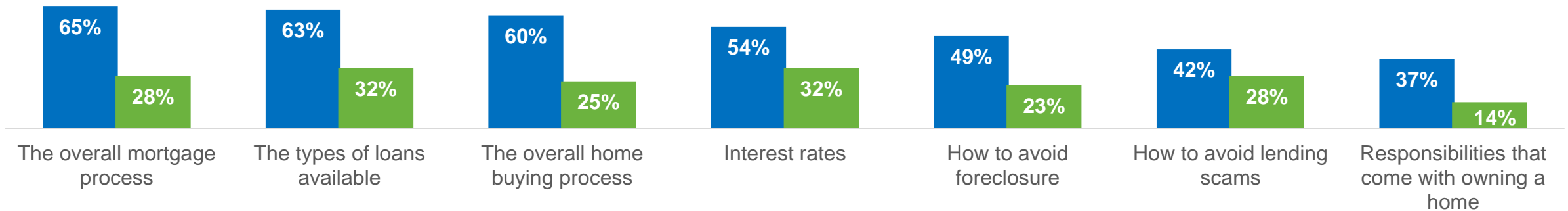
- Most 18- to 23-year-olds are considerably less confident than Millennials are in their knowledge of various aspects of the homebuying process.
 - » Much of Generation Z's lack of knowledge is certainly attributable to their age and inexperience, but these generational differences demonstrate just how much Generation Z still has to learn.

How confident do you feel in your knowledge of each of the following?

% Not at all confident/Not very confident

■ Generation Z
Ages 18 to 23; n=823

■ Millennial
Ages 24 to 38; n=795
SOURCE: Harris Poll, April 2019

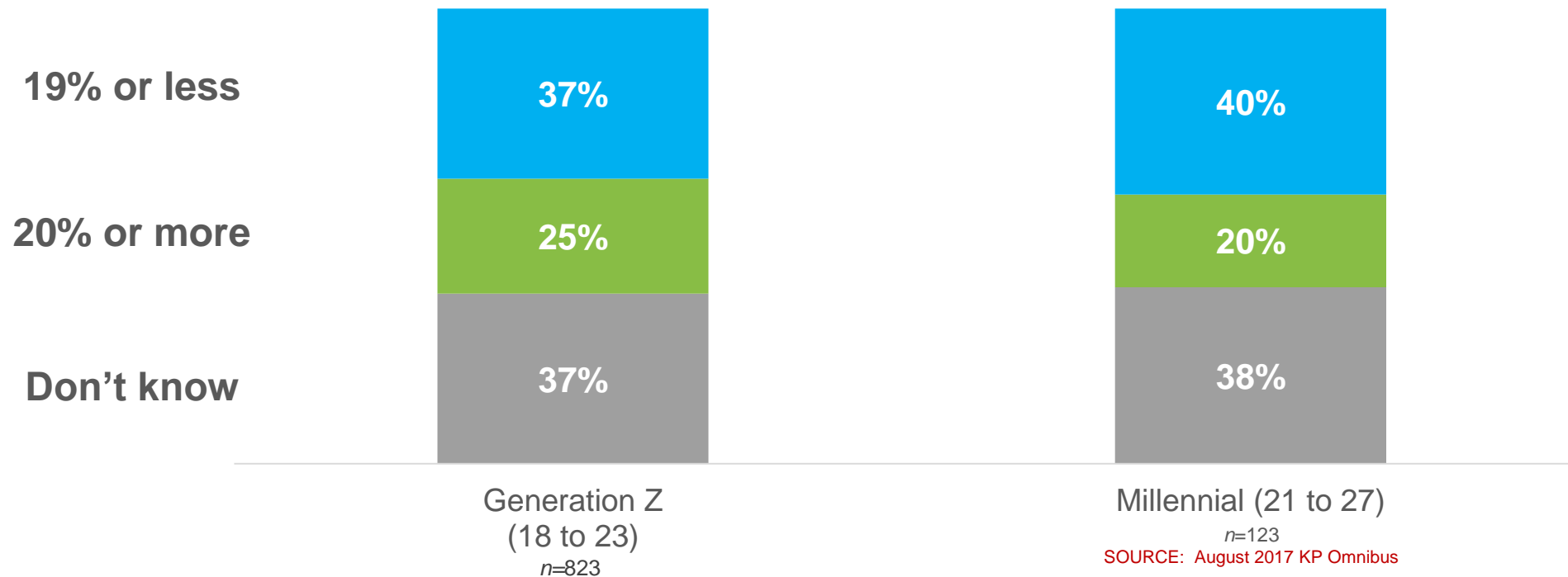


Knowledge Down Payment Amount: Generational Comparison



- Gen Zers and Millennials, at a similar age, are unsure of how much is required for a down payment.

To the best of your knowledge, what is the percentage of a home's sale price lenders **require** borrowers to pay as a down payment for a typical mortgage today?



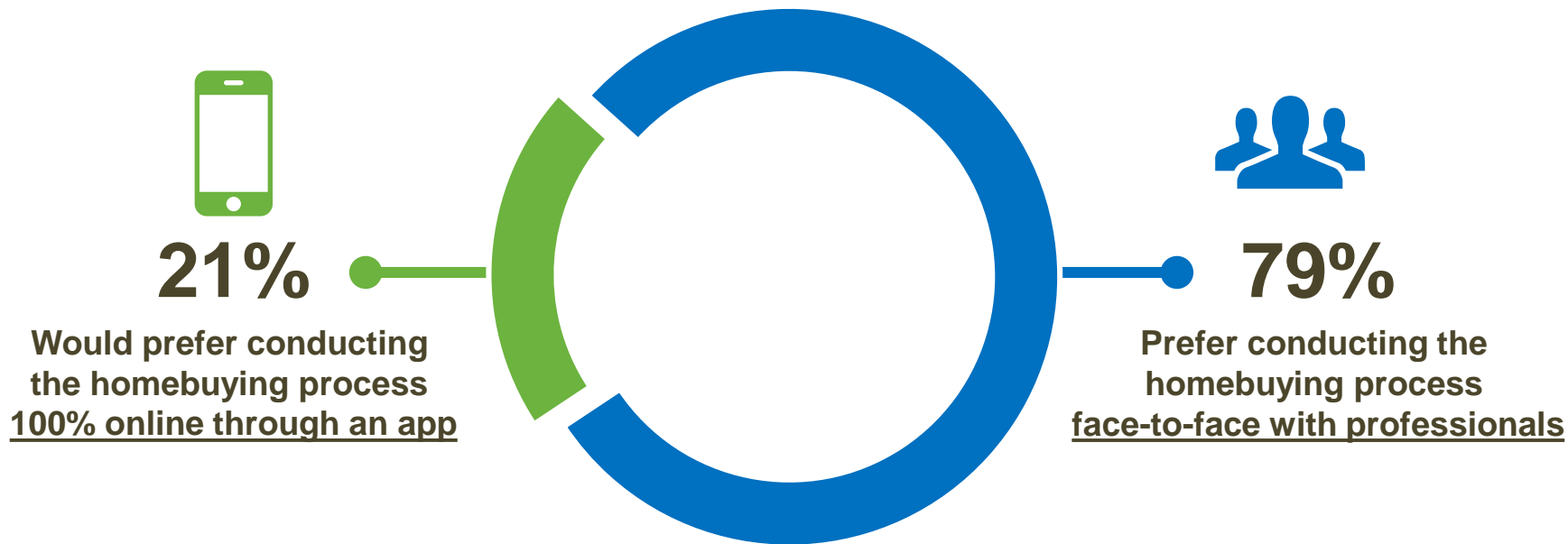
SOURCE: August 2017 KP Omnibus

Note: Percentages may not sum to 100% due to rounding and refusals.

100% Online versus Human Interaction to Buy a Home

- Generation Z sees the home buying process as complex. When they are ready to purchase a first home, they would rather have face-to-face interactions with professionals than carry out the process fully online through an app.

Preferred Homebuying Method
n=1,531



Preferences by Group	Prefer Online	Prefer Offline
Age		
14 to 17 (n=708)	24%	76%
18 to 23 (n=823)	19%	81%
Gender		
Male (n=693)	24%	76%
Female (n=838)	19%	81%
Gender by Age		
Males 14 to 17 (n=335)	23%	77%
Males 18 to 23 (n=358)	24%	76%
Females 14 to 17 (n=373)	25%	75%
Females 18 to 23 (n=465)	15%	85%

= Indicates significantly higher percentage than comparison groups

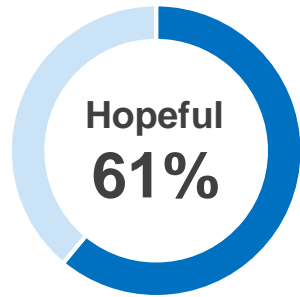
Who is Generation Z?

Profile of an Emerging Generation

Thoughts about the Future

Feelings about the Future: “Hopeful” and “Excited” n=1,531

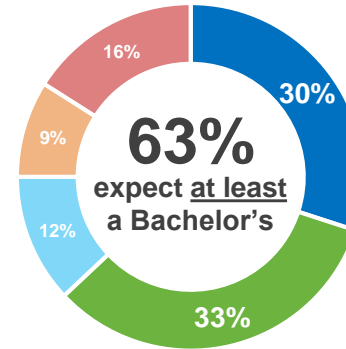
Please select the words that best describe your feelings about your future.



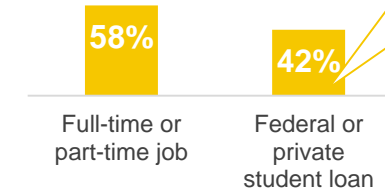
Educational Aspirations and Ways to Pay: Higher Education via Jobs and Loans n=1,531

32% of the U.S. population* has at least a Bachelor's degree, but among Gen Z...

- Master's
- Bachelor's
- Some college
- Associate's
- High school or less



Will pay for education with a... (n=713)



52% of Gen Zers using a student loan will move in with family or friends to afford the loan.
(n=310)

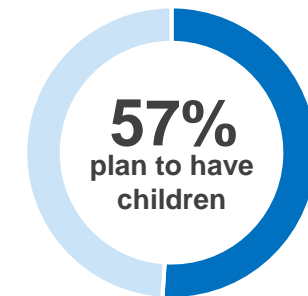
*U.S. Census Bureau's Educational Attainment in the United States: 2018

What Makes a Happy Adulthood? An Enjoyable Job and Close Family Relationships n=1,531

Which three of the following are most important for you to have a happy life?

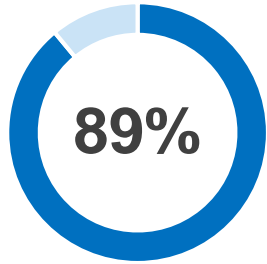


“Yes” to Marriage and Children n=1,531

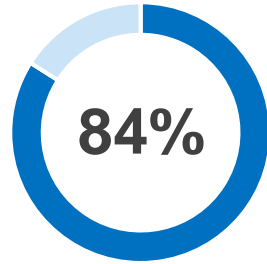


An Early Financial Education

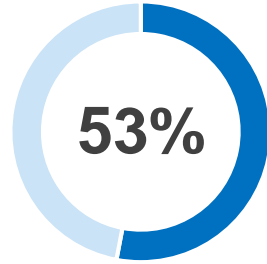
% Strongly/Somewhat Agree
n=1,531



My parent(s) have talked to me about managing my finances



My parent(s) started teaching me about money early in my life



My parent(s) have involved me in family financial decisions

Financial Products Used

n=1,531



39%
Ages 14 to 17
(n=708)

83%
Ages 18 to 23
(n=823)



59%
Ages 14 to 17
(n=708)

69%
Ages 18 to 23
(n=823)

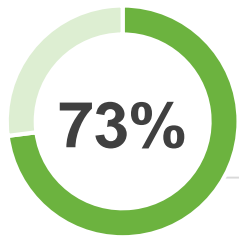


11%
Ages 14 to 17
(n=708)

45%
Ages 18 to 23
(n=823)

Financially Savvy Savers

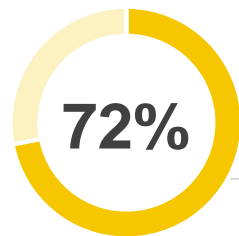
% Strongly/Somewhat Agree
n=1,531



69%
Ages 14 to 17
(n=708)

76%
Ages 18 to 23
(n=823)

I make a conscious choice to save my money.



68%
Ages 14 to 17
(n=708)

75%
Ages 18 to 23
(n=823)

Before I buy something, I carefully consider whether I can afford it.

Confident about a Financially Comfortable Future

n=1,531

How confident are you that you will have a financially comfortable adulthood?

- Very confident
- Somewhat confident
- Not too confident
- Not at all confident

% Very/Somewhat Confident by Gender

85%
Males
(n=693)

79%
Females
(n=838)

