

Understanding the Next Generation of Homebuyers

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The ABCs of Gen Y and Z | Part Three of Three

Introduction

Are you ready for the generational shift in homebuying? As noted in part one of this three-part series, Younger Gen Y homebuying grew significantly in 2019/2020 and as many as 29 million members of Gen Z could be shopping for homes by 2026.¹ In Part Three, we discuss how loan originators can reach and resonate with this emerging home buyer demographic.

Defining Gen Y and Z

- Younger Gen Y Millennials are generally defined as people born in the years 1990 through 1998. In 2022, the youngest members of this cohort will turn 24 and the oldest will turn 32.
- Gen Z is generally defined as those born in the years 1997 through 2012. In 2022, the oldest members of Gen Z will turn 25.
- There will be some variance within the generational definitions throughout this document since reference sources may choose slightly different date ranges.

Digital Fluency

Younger Gen Y Millennials (born 1990 through 1998) can't remember living in a world without technology.² They grew up with the transition from dial-up to broadband, DVDs to streaming, and flip phones to smart phones.³ Ecommerce (think Amazon and Poshmark) and social media (think Snapchat and TikTok) are integral to their everyday lives.

Generation Z goes a step further. They enjoy the distinction of being the first generation of digital native, born into a world already awash in 24/7 internet access, WiFi mobility, online shopping, and viral memes. With technology literally at their fingertips, 70% of Gen Z would rather go without their wallet than their phone.⁴

For loan originators, a digital presence is almost essential for reaching these always-online generations. But getting noticed can be a challenge when we consider that reports suggest the average attention span of a Millennial is 12 seconds and the average attention span of Gen Z

is only 8 seconds.⁵ As with marketing to any demographic group, a headline that captures the attention of one generation won't necessarily be of interest to another. Within each demographic, it's important to understand what topics do and don't resonate.

What do we know about the interests of Younger Generation Y Millennials and Gen Z?

Money Talks. Younger generations are surprisingly savvy about the need for effective money management. Establishing credit history is a top priority for members of Gen Z while personal budgeting apps are especially popular with Millennials.^{6,7} When it comes to home financing, however, studies suggest that there's an education gap. A 2019 Freddie Mac survey found that 39% of younger Millennial respondents (ages 24 – 29) and 60% of Gen Z (ages 18-23) respondents were not confident in their knowledge of the overall homebuying process.⁸ An even greater percentage (45% of younger Millennials and 63% of Gen Z) of survey respondents were not confident in their knowledge of the types of mortgage loans available.⁹

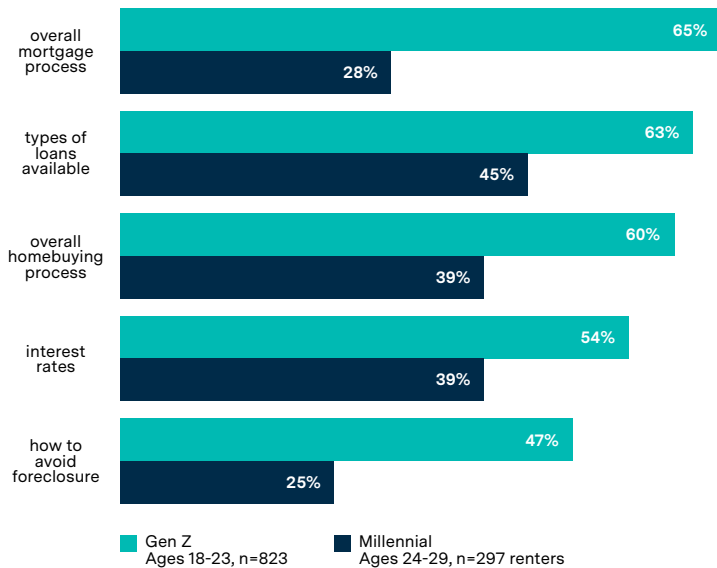
In addition:

- 39% of Younger Millennials (ages 24 – 29) and 54% of Gen Z (ages 18-23) said they were not at all or not very confident in their knowledge of interest rates.¹⁰
- Among all Millennials, 42% said they weren't sure or thought that home purchases required a minimum down payment of 20%.¹¹

- Among Gen Z, more than one in four surveyed said they think they will need to put down more than 20% and more than 63% said they believe they will need to put down more than 11%.¹²

Figure 1 | Millennial and Gen Z Financial Literacy Survey

How confident do you feel in your knowledge of the following?
% Not at all confident/Not very confident



SOURCE: Freddie Mac

Key Takeaway: Loan originators have a unique opportunity to connect with Younger Gen Y and Gen Z through website blogs, social media posts, and videos that help to de-mystify the various phases of the home buying and mortgage application process.

(Mobile) Technology Walks The majority of Younger Gen Y and Gen Z aren't ready to take the homebuying process entirely online.¹³ But that doesn't mean these generations don't love technology tools. For example:

- In a 2021 survey, younger generations were more likely to say they would be comfortable viewing a digital floor plan or 3D virtual tour, receiving email notifications from a real estate website or app, and unlocking a home with their phone and touring it on their own time.¹⁴
- Among those who bought a home in 2019/2020, 87% of Younger Gen Y homebuyers surveyed said they searched for homes on mobile or tablet devices.¹⁵

- A majority (86%) of younger homebuyers surveyed said they shopped for mortgages online (compared to only 55% of buyers aged 55+).¹⁶

Key Takeaway: If your company offers technology, flaunt it. Promoting mobile-friendly outreach, online applications, automatic updates, and eClosings can give loan originators an edge when it comes to winning business from Younger Gen Y Millennials and rising Gen Z.

It's Personal Authenticity is a theme that resonates with Younger Gen Y and Gen Z perhaps due to their unprecedented degree of diversity. Younger Gen Y Millennials are more ethnically and culturally diverse compared to older generations. Gen Z is even more so: they are more likely to have been raised in a single parent household, an ethnically diverse household, or a household with non-traditional gender roles.¹⁷ Approximately one in six identify as LGBTQ and a third know someone who uses gender neutral pronouns.^{18, 19}

According to surveys...

- Gen Z are 25% more likely than other generations to give up personal information in exchange for personalized recommendations.²⁰
- 82% of Gen Z said they trust a company more when they use images of real customers in their advertising campaigns.²¹
- 43% of Gen Z-ers said they would participate in a product review and 62% of Gen Z said that good user reviews make them feel confident to buy.²²
- When they are ready to purchase their first home, a significant majority of Gen Z (79%) said they would rather have face-to-face interactions with professionals than carry out the process fully online.²³

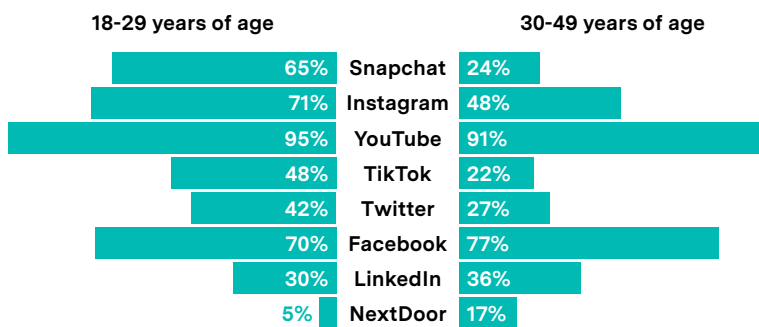
Key Takeaway: Younger generations value authentic, personalized relationships with brands. Sharing personal stories – your own and those of your customers – is a great way for loan originators to connect and build relationships with Younger Gen Y Millennials and Gen Z.

Channeling Your Messages

Social media can be an effective channel for reaching Younger Gen Y Millennials and members of Gen Z. Both cohorts use social media regularly, but their channel preferences can vary. Facebook and YouTube, for example, are equally popular among Gen Z and Millennials, but the use of Instagram, Snapchat and TikTok are especially common among adults under 30.

Figure 2 | 2021 Social Media Use By Age

Percent of US adults in each demographic who say they ever use...



SOURCE: Pew Research Center²⁴

Five Digital Content Starters

Whether you're publishing a website blog, sharing an Instagram story, posting a tweet, or sending an email, content is often the biggest hurdle to overcome when reaching out to Younger Gen Y Millennials and Gen Z. Here are five content topic suggestions that can help get you started:

Highlight pet projects. Younger generations love their pets, so much so that in a recent survey

more Millennials cited dogs over marriage or children as a key factor in their home purchasing decision.²⁵ Loan originators can tap into this interest by showcasing photos and short stories about their own four-legged friends. Those without pets can still connect with younger generations by sharing information about local dog parks, pet-friendly restaurants, opportunities to donate to animal shelters and so forth.

Showcase renovation tips. Younger generations are shopping older, smaller, less expensive homes. Sharing links to before/after renovation photos, tips for vetting a responsible contractor, and profiles of older residential areas are just some ways in which loan originators can connect with first-time homebuyers in the Younger Gen Y and Gen Z age groups.

Demonstrate community involvement. Perhaps more than any other generation, societal issues are top of mind among Younger Gen Y Millennials and especially Gen Z. Let them know that you care too by sharing your personal and/or corporate involvement in philanthropic efforts.

Demystify down payments. Studies continue to demonstrate a lack of awareness about down payment requirements among first-time homebuyers. A series of educational posts that demystify down payment requirements can establish loan originators as helpful advisors to Younger Gen Y and Gen Z.

Celebrate successes. Did you just help a young couple navigate the ins and outs of the mortgage application process? Close on the perfect home for a beloved pet? Feed into the appeal of authenticity among younger generations by putting a face on your successes. This could be as simple as asking for permission to post a photo of your most recent client.

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