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Homebuilders Have Designs On Millennial Homebuyers

BY [MARILYN MUCH](#), INVESTOR'S BUSINESS DAILY

Courting millennials with houses geared to the high-tech-sharing generation's tastes has become a priority for more homebuilders eyeing the younger crowd as a key to revving up first-time homebuying — and as potential generators of big sales and profits.

At 83.1 million strong, the millennials — people born between 1982 and 2000 — outnumber the 75.4 million baby boomers.

And while millennials have been skittish about moving into homeownership due to sparse financial resources, this generation — age 34 and younger — has represented the largest group of recent homebuyers for the last two years (at 32% of all buyers in 2014 and 31% in 2013), according to a survey by the National Association of Realtors.



Rendering shows the larger of TRI Pointe Group's "responsive homes," which feature adaptable floor plans.

Still, the share of first-time buyers in the U.S. housing market is at its lowest since 1987, according to NAR Chief Economist Lawrence Yun.

The millennials, many of whom are still sidelined by constraints such as lack of wage growth, are primed to move into the housing market in a bigger way as they form households, experts say.

"As the largest generation of homebuyers, the millennials are a force that will drive homebuilding and homebuilders' profits as well," Jessica Lautz, NAR's director of survey [research](#) and communications told IBD. "Because Generation Y (millennials) is such a large cohort, they will only grow as homebuyers in the market."

Homebuilders such as **Toll Bros.** (NYSE:[TOL](#)) and **TRI Pointe Group** (NYSE:[TPH](#)) are looking to tap that potential with homes that appeal to millennials' quest for features such as the ability to customize their homes to changing needs and homes that meet their tech requirements.

"Going through the recovery, the first-time buyer hasn't been there (in the housing market) because the millennials have delayed household formation," TRI Pointe Group's President and Chief Operating Officer Tom Mitchell told IBD. "They're now getting to an age and financial status where homebuying is important. We see the opportunity to increase market share by meeting their needs specifically."

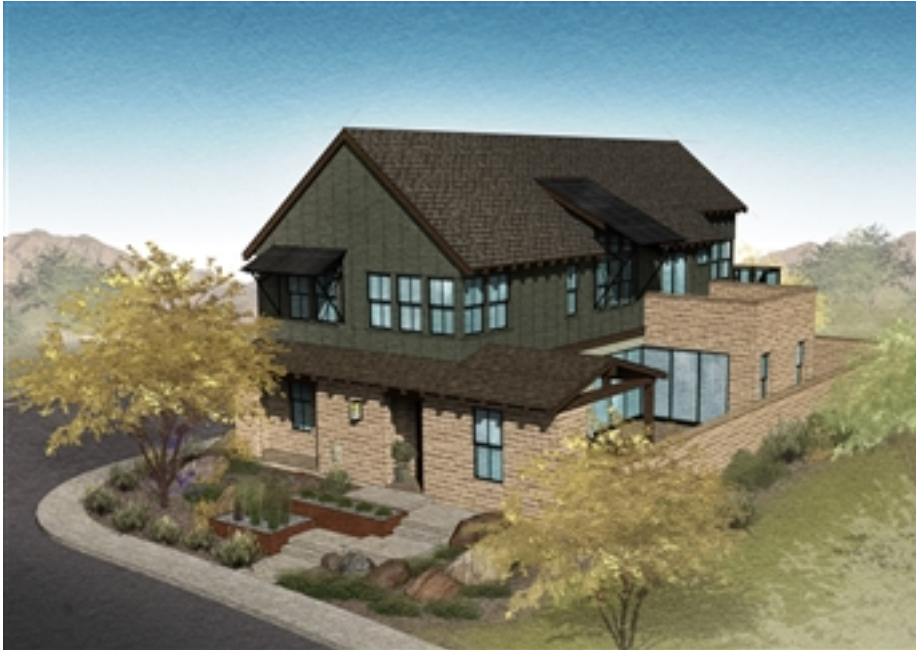
Adds Frederick Cooper, senior vice president of finance and investor relations at luxury homebuilder Toll Bros.: "We're an upscale builder. The opportunity will continue to grow as the millennials start to form households and have kids. We're planning to be at the forefront of their desire to buy move-up homes."

Quest For Data

Keeping the importance of the millennial segment in mind, TRI Pointe teamed up with Hanley Wood's Builder magazine for a two-home concept project dubbed the "responsive home." The homes are built by Pardee Homes — a member of TRI Pointe Group — at the Inspirada master-planned community in Henderson, Nev., a suburb of Las Vegas.

Both homes will be available for tour at the International Builders' Show in Las Vegas in January 2016 and will be available for sale a few months after the show.

A 2,514-square-foot contemporary farmhouse is one of two concept homes geared toward millennial buyers. The second concept is a 3,194-square-foot contemporary-transitional style home. Both feature adaptable floor plans with design flexibility. The project was driven by TRI Pointe's quest for data and knowledge about the millennial homebuyer, which "is going to be the largest segment" of homebuyers, says Mitchell.



When finished, this contemporary farmhouse will join TRI Pointe's other concept home in a master-planned community near Las Vegas.

He says the concept homes are geared to meet the needs of first-time buyers in all of TRI Pointe's markets. TRI Pointe Group consists of a family of six regional homebuilding companies.

"What we hope to do after unveiling (the homes) is to get enough feedback that validates more research, ... and that we can apply some of these concepts ... and what we learned into the first-time buyer homes we're already producing throughout all our markets and brands," he added.

Prices will vary, depending on the market, says Mitchell. In general, the homes are designed to be "in line" with first-time buyer housing costs in specific markets.

Mixing Urban And Suburban

The responsive home project involved a survey of millennials to gain opinions and insights on their ideal home.

Mitchell says the biggest takeaway from the research is that millennials "are gravitating toward homes with urban conveniences in suburban settings," such as being within walking distance from parks and schools.

Also important to millennials is having "more space," he adds, with integrated indoor and outdoor space. They're also looking for the ability to personalize their homes and to have the ability to grow and expand with them as life changes, Mitchell says.

Both of the concept homes offer features such as "evolution-over-time floor plans," technology-enabled automation, and energy performance. Homeowners can personalize their space in many ways, including options for additional bedrooms, office or fitness room, and living spaces for extended families.

"Studies indicate that millennials ultimately have the same desire for homeownership that previous generations had," said Cooper. "They are delaying marriage and having kids, which is (causing them to) delay becoming homeowners. But the desire for homeownership appears to be as strong as in previous generations."

Spanning Generations

Toll Bros. woos millennials in a variety of ways. It has the Toll Bros. City Living brand condos and town houses and Apartment Living rentals serving millennials who are interested in the metro New York City urban market, and Philadelphia and Washington, D.C., markets.

"We are also building rental apartments in the suburban Boston to Washington, D.C., corridor with the intention of taking our apartment rental [business](#) national," Cooper said.

In the single-family home market, Toll Bros. has developed "multigenerational" homes. Home buyers can substantially customize the home.

If, for example, a millennial may be living with his or her parents for a period of time, homebuyers have the option to have a home with guest suites with a bedroom with its own bath, walk-in closet, a sitting room and an optional private entrance.

For younger millennials, Toll Bros. is building student housing. The first project is an upscale student community at the University of Maryland, slated to accommodate students in fall 2016.

The community will feature a number of amenities, such as a fitness center and swimming pool.