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Next Generation of Homeowners Are Freaked Out

A new research paper by IPA Research Affiliate **Julian Jamison** of the Boston Federal Reserve Bank is cited in the Wall Street Journal's *Real Time Economics* [blog](#):

The younger you are, the more freaked out you are likely to be by the housing market crash.

A [new paper](#) by **Federal Reserve Bank of Boston** economists used consumer sentiment data collected in the **Michigan Survey of Consumers** over the summer to try to find out how the housing market's terrible state of affairs was affecting the willingness to buy a new home. Age mattered, which suggests a new generation may be coming along that will cast a wary eye at home ownership for a long time to come. The finding also suggests a new headwind to future growth levels, given that it's hard for the economy to achieve a better rate of growth when the housing sector remains moribund.

The Michigan data suggests younger survey respondents “are relatively less confident about home ownership after larger declines, while older respondents are relatively more confident,” the paper said.

Importantly, attitudes were affected by personal experience. For both age groups attitude changes were “observed only for those with personal experience of loss (via themselves or someone close) during the crash.”

The paper said that older survey respondents with stable attitudes on home ownership's value, even in the face of price declines, were over the age of 58. The paper's authors, **Anat Bracha** and **Julian Jamison**, both of the Boston Fed, speculated “in terms of the striking age differential, one possibility is that relatively younger respondents were indeed more malleable, and hence they internalized the sharp drop as a regime change.”

Meanwhile, “older respondents “whose models of the world are harder to alter “see the drop in house prices as a temporary dip in a stable long-term upward trend, making it a particularly good time to purchase.”

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