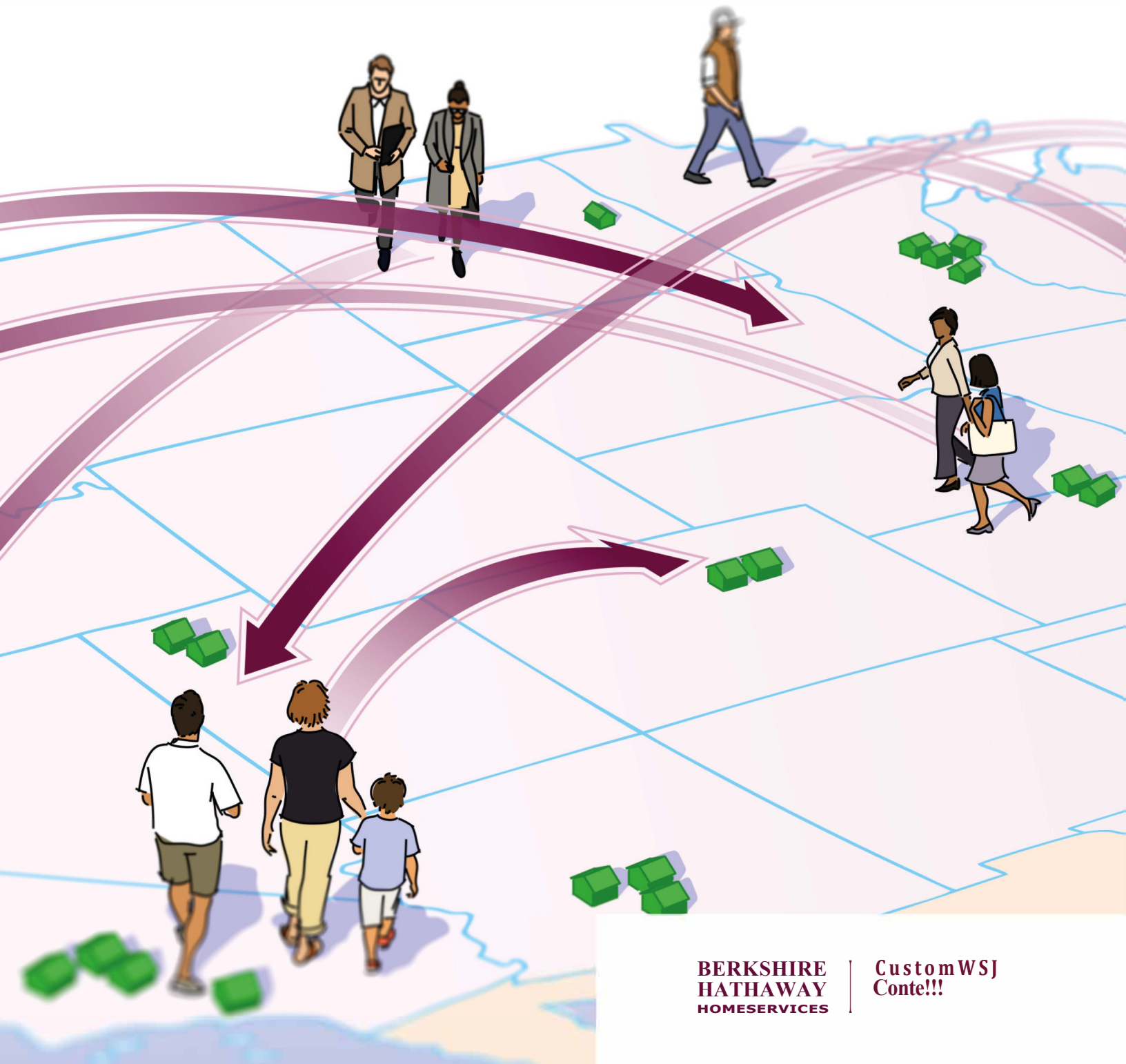


THE KEY

Real Estate's Generation Gap



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INTRODUCTION

Real Estate Strategies- No Matter Your Life Stage

Whether you're planning on buying or selling a home, how you approach your next real estate transaction depends greatly on where you currently sit on the property ladder. That's particularly true in this fast-changing market, where strategies must be fine-tuned to match your financial situation, long-term living plans and geographic location.

Take a first-time homebuyer-who, according to research by the National Association of Realtors, is an average age of 35-they might be feeling the financial crunch of rising interest rates while wondering how to compete with all-cash offers. For Baby Boomers on the opposite end of the spectrum, a lack of housing inventory in their desired areas may be keeping them from downsizing. Stuck in the middle of this equation are elder Millennials and Gen Xers who are ready to upsize to a "forever home" but must also contend with inventory issues, bidding wars and the financial realities of a current mortgage with a historically low rate.

These are complicated challenges that demand expert insights to navigate successfully. In the pages that follow, leaders from the Berkshire Hathaway HomeServices network analyze and unpack some of the most common generational real estate scenarios that each age group is facing today. Hopefully the information they share can be a valuable resource in your real estate journey-whether you're just starting to climb that real estate ladder or are already a few rungs up.

Best,

Gino Blefari

Chairman and CEO of Berkshire Hathaway HomeServices



Real Estate's Generation Gap

Experts share strategies and insights on how different age groups should navigate our current real estate market.

The American dream of owning a home remains a steadfast goal for every generation in the country. According to the National Association of Realtors' 2024 *Home Buyers and Sellers Generational Trends Report*, first-time buyers grew to 32% of all homebuyers in the United States, an increase from 26% last year. Baby Boomers, on the other hand, are still an active demographic in the real estate market, representing 31% of buyers in the country.

But with each individual life stage comes unique challenges and desires. When is the right time to purchase a forever home? Is the market too competitive right now for first-time buyers? Does downsizing make sense when you're mortgage-free?

We asked readers of *The Wall Street Journal* across generations who are considering a home purchase or sale in the next six months what's keeping them on the sidelines. Below is a sampling of popular questions, along with answers and insights from Berkshire Hathaway HomeServices' network leaders.

Q: I have about 5% saved for a house down payment, but is it worth it to wait on buying a place and to save more for a bigger down payment? Right now renting is dramatically cheaper than a mortgage.

Craig West, CEO, Berkshire Hathaway HomeServices Indiana

Realty: There's a small rule of thumb that I've always used in my career to help clients make a good decision when it comes to this exact question—and it feels topical now as many markets across the nation have rents that seem to be cheaper than investing in a mortgage. I use an equation called the price-to-rent ratio and it helps you look beyond the short term when it comes to financials.

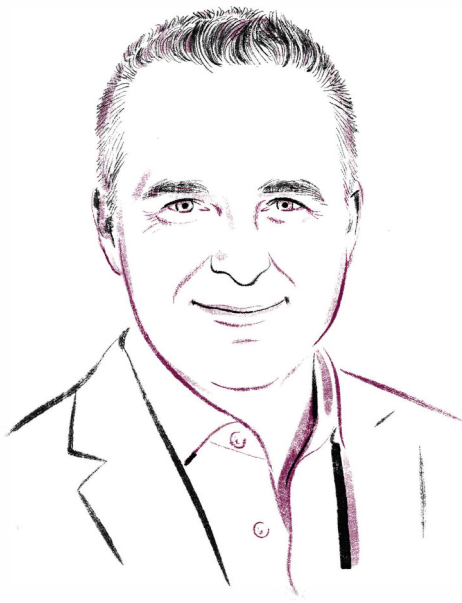
In this equation, you multiply your monthly rent amount by 12 to get an annual number. For example, I'm in the greater Indianapolis metro market and our average rent price right now for a 900-square-foot apartment is \$1,200. If you annualize that out, the amount you're paying is \$14,400 a year. The average sale price for a home in the Indianapolis market that is comparable to that type of a rental is \$275,000. So, if you divide the \$275,000 by the annualized rent payment of \$14,400, that gives you a ratio of around 19.

The rule of thumb is if it's 20 or higher, you're in a good position to stay renting. If you're 20 or lower as a ratio, this is probably a good time for you to take a look at buying. So in this case, at 19, it would make more sense for you to start seriously thinking about buying a home.

Another question I tell potential homebuyers to ask themselves is, do you see yourself staying in this home for five to seven years? If the answer to that is yes, then it's usually a good sign you're ready to commit to making the investment in an asset of your own home over renting.



Craig West
CEO
Berkshire Hathaway HomeServices
Indiana Realty



Troy Reiersen
CEO

Berkshire Hathaway HomeServices
Arizona, California and Nevada
Properties

Q: We are interested in buying a larger house, but feel trapped in the house we currently own because of our low-rate mortgage. What are the pros of buying a house now in our current market environment?

Troy Reiersen, CEO, Berkshire Hathaway HomeServices Arizona, California and Nevada Properties: In March of 2022, we felt a drastic shift in interest rates as historically low rates started to climb pretty rapidly, and we have yet to see those come down even close to where they were. So this is making many folks feel trapped while challenging how they get what they want when they want it.

So what's that homeowner to do? Well, they should start by taking an honest assessment of their current home's form and function. Does it still work for their family? Maybe at this point you stay and you do a mild remodel or a makeover. But on the other hand, if you've absolutely outgrown your home, there are options.

If you have some equity in your home, you can do a couple of things. One strategy I've seen many people in my market use is opening a home equity line of credit-which is called HELOC in the mortgage industry-and use this line of credit to serve as a down payment on a new home while keeping their departing residence as an investment property. If the financials make sense for your family, this strategy could offer an opportunity to earn an income on that original home that hopefully balances out what that new mortgage payment on the new house would be.



Q: We're currently mortgage-free and want to sell soon, but are worried about overpaying for a home that will lose value if a bubble bursts in our market. Should we be concerned about losing money on a new home purchase?

Casey Bryan, President, Berkshire Hathaway HomeServices Florida Properties Group:

Honestly, I don't predict there to be any bubble. Last year, we had close to a 30-year low in the total number of units sold in the real estate industry. In my market in particular, we're seeing small appreciation. We don't have the same economics that we had 15 years ago during the previous recession. I also don't see the crazy inflation that we experienced in the past few years continuing either.

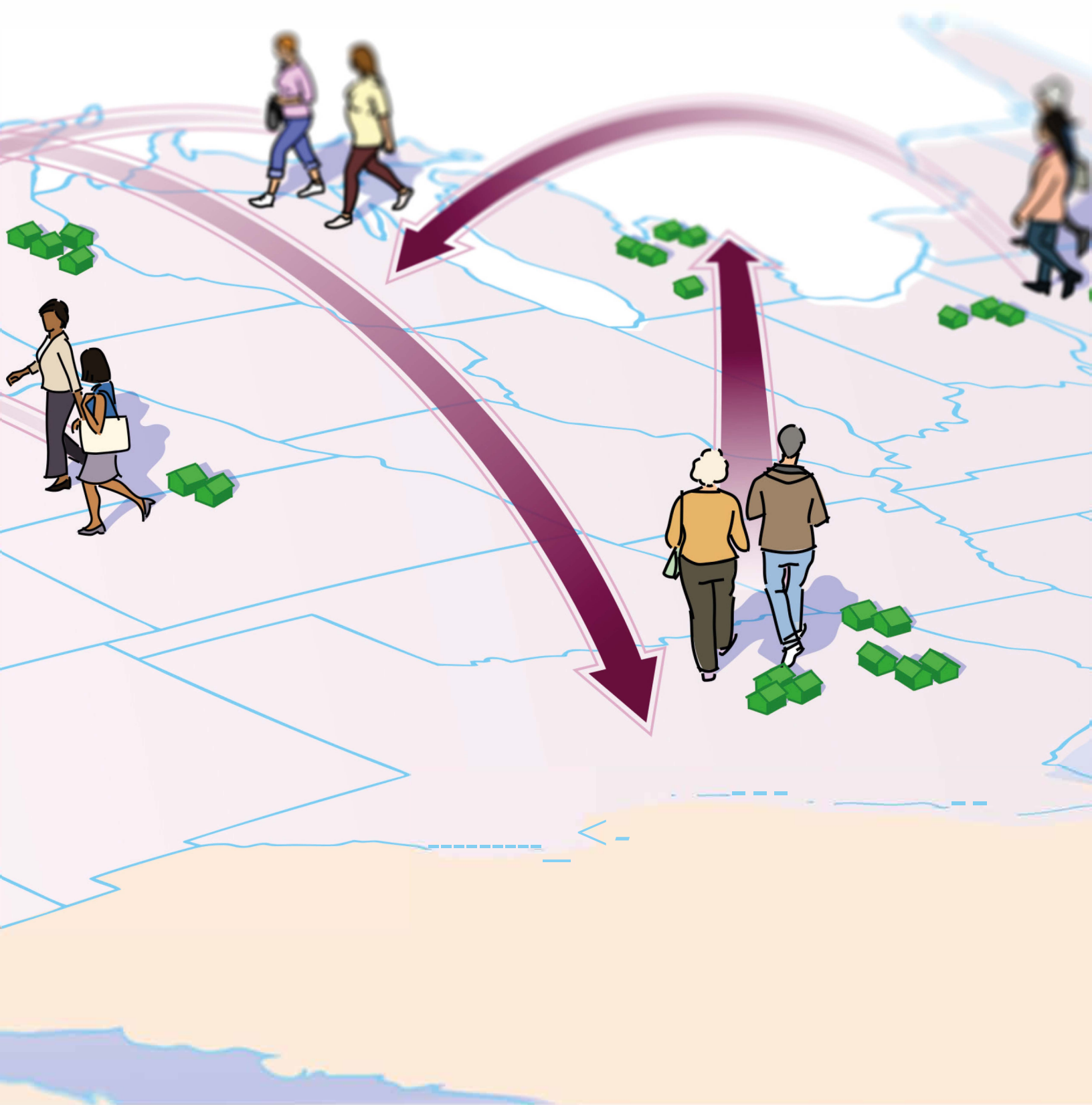
For Boomers specifically, who live in their home mortgage-free and want to downsize, it's going to depend on how much time they plan to spend in the market. For instance, if they've got 10 years that they anticipate living in their next home, there's plenty of time for them to see market cycles and see a significant appreciation that would mitigate any worries about overpaying for a property.

If you're only planning on owning a home for three years, that's a much shorter window and a slightly greater risk. Your financial ability to stay in the house versus your overall health ability to stay in the house is what's really important when Baby Boomers are considering their next real estate move. If you're going from a mortgage-free home that's just too much space and downsizing into a smaller home, which I would suspect would also be mortgage-free, you're going to have enough equity in the home you're selling in order to put that money into the next house. Since both houses are mortgage-free, we're not really talking interest rates at this point. What we're talking about is the ability to sell and recoup the costs that they used to purchase the home. If health concerns may find you selling that home in, say, three years, the appreciation on the home might not equal the amount you paid in fees such as closing costs.

Learn more about the state of real estate at berkshirehathawayhs.com.



Casey Bryan
President
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