Declining Home Prices Woo New Buyers To Housing Market

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Young adults and minorities represent bright spots amid mortgage doom & gloom

The housing boom of 2004-2005 led to a bust that's worse than most expected. Home prices are still falling, foreclosures rising, and home ownership rates are starting to drop.

Still, market research firm Mintel sees golden opportunities in this dismal market: young adults and minorities. Mintelâ€™s latest mortgage report suggests Echo Boomers (currently aged 13-30) and Hispanic, Asian and Black Americans will be key to the real estate marketâ€™s turnaround.

â€œAs home prices fall, we see more first-time buyers stepping up,â€• explains Susan Menke. â€œThose who couldn't afford to during the housing boomâ€”and now have nothing to sellâ€”are taking advantage of lower prices. Lenders should focus on first-time buyers, especially Echo Boomers and minorities, to pump life back into the mortgage market.â€•

Mintel finds home ownership rates rising fastest among young adults and minorities. In 2007, nearly 25% of under-25s owned a home, up substantially from 16% in 1990. Likewise, 51% of Hispanic, Black and Asian Americans owned homes in 2006, a notable rise from 44% in 1995.

Mintelâ€™s consumer survey revealed that more young adults and minorities plan to buy a house in the next five years. Though just 23% of the general population plans to buy, 38% of adults aged 18-24 and 39% of those 25-34 say they will. Across age groups, more Asians (42%), blacks (37%) and Hispanics (30%) say they will buy a home in the next five years than whites (20%).

â€œYoung adults and minorities represent tremendous opportunity,â€• comments Menke. â€œEcho Boomers comprise a quarte todayâ€™s population and span two decades; minority groups are some of the fastest growing in the US. By helping these individuals prepare for future home ownership, lenders can tap their demographic power and lead them to eventual home-buying success.â€•