

Staying at home longer to become homeowners?

by Martin Turcotte

It is no longer news that young adults, on average, remain at home longer and are more likely to return after leaving. Demographers and sociologists have presented various explanations for these two trends, including the prolonged period of formal education and the accumulation of debt, the temporary nature of the jobs often held by young people, delayed formation of couples, changes in values and preferences, and so on.

More recently, the media and the popular press¹ have suggested another explanation: many young adults are living with their parents longer (or returning after their initial departure) in order to save so they can purchase their own home when they eventually leave their parents' home. Staying with their parents longer, or returning to the nest after a first departure, is thus a strategy for accessing home ownership more easily.

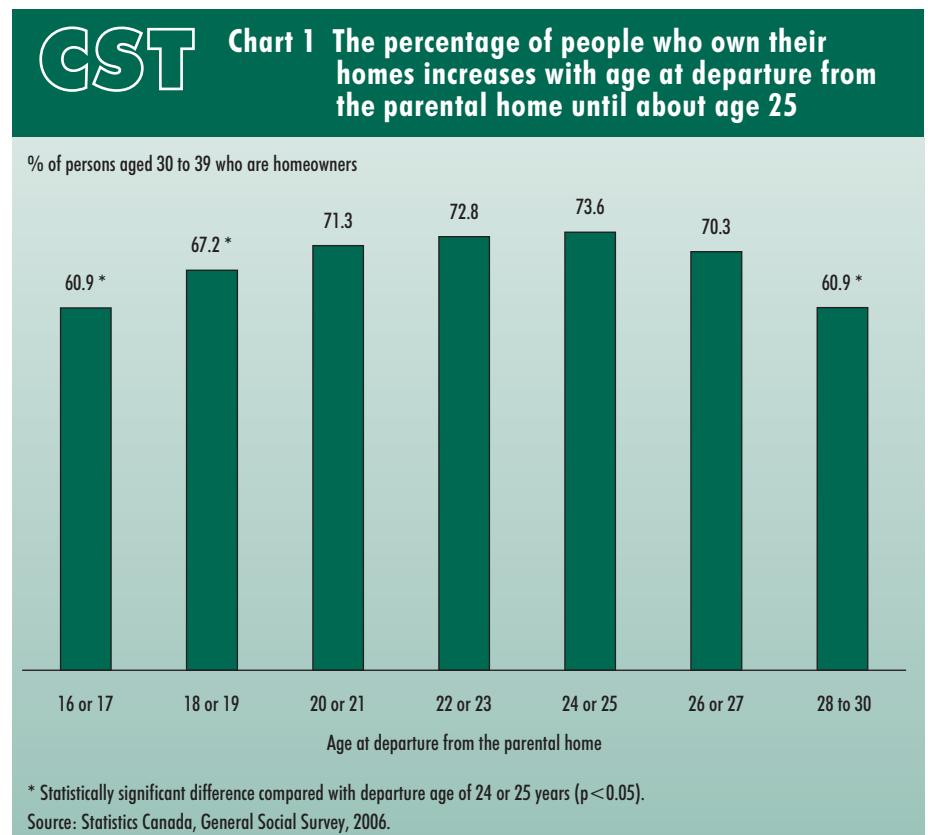
How closely do these theories reflect reality? Are young people who stay in the family home longer really more likely to purchase a home? And what about "boomerang kids" – those who return to live with their parents after initially leaving? Using data from the 2006 General Social Survey (GSS) on family transitions, this article examines whether there is a link between the age at which young people leave the family home, and the likelihood that they become homeowners in their 30s.

To do so, it will consider various factors highlighted in past research as influences on access to home ownership.

The age of leaving home and home ownership

The likelihood of becoming a homeowner increases in relation to the age at which the person left home,

but only to a certain point (Chart 1). In fact, for those who left home after the age of 25, the likelihood of becoming a homeowner in their 30s seems to decrease. The two groups that stand out most clearly, having the lowest rate of home ownership, are those who left the family home very early (at age 16 or 17) and those who left later (at age 28 to 30).



GST What you need to know about this study

This study is based on data from the 2006 General Social Survey (GSS) on family transitions. Only persons aged 30 to 39 who were not living with their parents at the time of the survey, and who had left the family home between the ages of 16 and 30, are considered. For those who had left the family home more than once before the age of 30, the date of the *last* departure was chosen as the date of departure. The study population represents 90% of all younger adults aged 30 to 39 who were no longer living with their parents.

People who left their parents' home before the age of 16 are excluded because their situation and life course is very different from that of the majority of young people. Please see "Leaving home before age 16" for more information about this group of younger adults.

The statistical analysis model

The statistical analysis uses odds ratios to identify various characteristics associated with the likelihood that a young adult aged 30 to 39 will own their own home. The results indicate whether there is a statistically significant relationship between the various characteristics included in the model, while holding the effects of the other variables constant. The variables included in the statistical model are age at time of departure, reasons for returning to the parental home (if so), household income, educational attainment, main activity in the past 12 months, having lived with both parents until at least age 15, place of residence, time since immigration, living arrangements and sex.

This conclusion remains exactly the same even after using a statistical model to hold constant the various factors associated with the probability of being a homeowner, such as household living arrangements, income and so on² (Table A.1). There is a positive relationship between leaving the family home at a later age and home ownership. However, contrary to the idea that a person's chances of being a homeowner increase the longer they remain in the parental home, the likelihood of home ownership increases only to a certain point.³ After the age of departure reaches about 25, the predicted probability of home ownership changes direction and begins to fall, although only slightly. (Chart 2).

Based on these results, it appears that the age of departure from the family home, although far from being the most significant factor, can make a difference in terms of access to home ownership. This is especially true for early departures, which are associated with a lower rate of home ownership. For later departures – that is, those that occur after the mid-20s – it seems that

other factors such as income, marital status, and so on take the lead. In short, these results partially confirm the idea that leaving the family home at a later age increases the possibility of subsequently becoming a homeowner.

Boomerang kids and home ownership

According to a recent survey, a large number of young adults return to live with their parents because they want to save for their first house.⁴ If that is the case, one would expect that boomerang kids now living on their own should be more likely to own their own homes than those who left home only once. However, that's not how it works.

In fact, the proportion of boomerang kids aged 30 to 39 who owned their own home (68%) was not statistically different than that for those who had left the parental home only once. Furthermore, the statistical model shows that, when other factors are held constant, the odds of boomerang kids being homeowners were less than those in their 30s who had left the family home and never returned (Table A.1).⁵

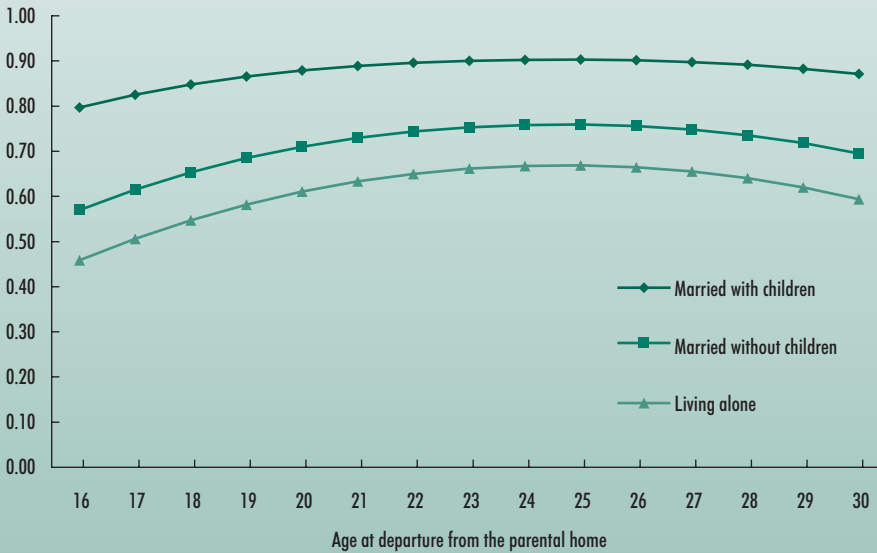
There are several reasons why young adults may return to live with their parents after initially leaving. These may include divorce, loss of employment or temporary financial problems. To adequately understand the relationship between being a boomerang kid and the likelihood of being a homeowner, the reasons behind a young adult's return to the family home must be included in the analysis.

Boomerang kids are not all equal in terms of access to home ownership. Those who returned to live with their parents because of loss of employment or for financial reasons were much less likely to be homeowners in their 30s than those who never returned.

However, holding the effect of the other factors constant, persons who "boomeranged" because a relationship ended or because they finished their studies were no less likely to become homeowners than those who never returned to live with their parents.⁶

Chart 2 No matter what their age at departure, the predicted probability of being a homeowner is highest for married persons with children³

Predicted probability of persons aged 30 to 39 being a homeowner



Source: Statistics Canada, General Social Survey, 2006.

Summary

This study has uncovered a positive association between the age at which young adults leave the family home and the likelihood of them becoming homeowners in their 30s. However, this finding is true only until a person reaches their mid-20s. Beyond about age 25, the later their departure, the lower their probability of being a homeowner in their 30s.

Furthermore, it seems that boomerang kids who return to live with their parents after initially leaving, are less likely to be homeowners in their 30s than those who left the family home only once. This is especially the case among persons who came back to live with their parents because they lost their jobs or were having financial problems.



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Leaving home before age 16

Few people aged 30 to 39 (less than 3%) had left the family home before the age of 16, according to the 2006 GSS. Nevertheless, they are the least likely to be homeowners, at only 54% compared with 74% of those who had left home at age 24 or 25. For several reasons, establishing a potential relationship between the age at departure and the likelihood of becoming a homeowner did not seem to be the right approach in this case.

First, a relatively high proportion of individuals in this group (40%) had left the family home because of the death or hospitalization of one or both parents compared with 20% of those who left at age 18 or 19 and less than 8% of those who left after age 19. These young adults may have suffered a multitude of repercussions and stress in their lives: adjustment to life in a new family, trauma caused by

the loss of parents, and so on. Among other things, it was probably more difficult for them to obtain the support that parents can often provide during the various transitions to adulthood, including the purchase of a home.

Furthermore, some young people may have left home at an early age because of a difficult family situation, which may also have long-term repercussions. The fact that the proportion of persons who did not finish their post-secondary education is significantly higher in persons who left home at a relatively young age (16% compared to 7% among those who left at age 16 or older) is an indicator of the various problems they may have encountered. Several other aspects characterizing the particular experiences of these young people that could explain their lower home ownership rate could probably not be measured using this survey.

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1. Boyle, Theresa. 2007. "Kids hang in with parents to raise a down payment", *Toronto Star*, April 28.
El Nasser, Haya. 2005. "Why grown kids come home" *USA Today*, http://www.usatoday.com/news/nation/2005-01-10-cover-kids_x.htm, website checked on July 6, 2007; "Boomerang kids," *Canadian Living*, September 2004.
 2. For a description of the various factors that were included in this analysis, see Turcotte, Martin. 2007. "Young people's access to home ownership," *Canadian Social Trends*, Catalogue no. 11-008-XIE no. 84.
 3. The predicted probabilities in Chart 2 were estimated holding the other factors included in the statistical analysis constant, so that they correspond to the profile of a "typical individual." This "typical person" had the following characteristics: a 35-year-old man with a household income between \$50,000 and \$59,999, who had completed a college diploma, held a permanent position and lived in the Toronto CMA.
 4. BMO Financial Group. 2007. *Reality Bites: Generation Y Moving Home to Break Into the Real Estate Market Unprecedented number of 21 to 34 year olds living with mom and dad*. News release, April 17, 2007. www.bmo.com (accessed on October 24, 2007).
 5. If the reference population is changed to include only adults aged 35 to 44 (and if we consider the fact that certain persons return to live with their parents after the age of 30), the conclusions remain exactly the same: boomerang kids are less likely to own their own homes than those who left the family home only once.
 6. The difference from the group of people who never returned home to live with their parents was not statistically significant in the logistic regression analysis.

Table A.1 Factors associated with home ownership among young adults no longer living with their parents and having left the parental home between 16 and 29 years of age, 2006

| | Odds ratios | | Odds ratios |
|--|-------------|--|-------------|
| Age at departure from parental home | 1.76* | Always lived with both parents until age 15 | |
| Age at departure squared¹ | 0.989* | <i>No</i> | 1.00 |
| Reason for return to parental home | | <i>Yes</i> | 1.33* |
| <i>No return to parental home</i> | 1.00 | Place of residence² | |
| Lost employment | 0.34* | Toronto CMA | 0.41* |
| Break-up of couple | 0.63 | Montréal CMA | 0.44* |
| Financial reasons | 0.48* | Vancouver CMA | 0.46* |
| Studies completed | 0.81 | Ottawa-Gatineau CMA | 0.60 |
| Other reason/no reason given | 0.81 | Calgary CMA | 0.96 |
| Household income | | Edmonton CMA | 0.43* |
| Less than \$30,000 | 0.14* | CMA with population 250,000 to 750,000 | 0.61* |
| \$30,000 to \$39,999 | 0.32* | CMA or CA with population 100,000 to 250,000 | 0.80 |
| \$40,000 to \$49,999 | 0.42* | CA with population 10,000 to 100,000 | 0.80 |
| \$50,000 to \$59,999 | 1.00 | <i>Rural areas and small towns</i> | 1.00 |
| \$60,000 to \$79,999 | 1.00 | Time since immigration | |
| \$80,000 to \$99,999 | 1.71* | Less than 5 years | 0.18* |
| \$100,000 or more | 1.72* | 5 to 9 years | 0.29* |
| Highest level of educational attainment | | 10 to 24 years | 0.61* |
| No secondary diploma | 0.84* | 25 to 39 years | 0.79 |
| Secondary completion | 0.83 | <i>Born in Canada</i> | 1.00 |
| College or trade diploma | 1.08 | Household living arrangements | |
| University degree | 1.00 | Married without children | 0.33* |
| Main activity during the previous 12 months | | Common-law union without children | 0.20 |
| <i>Permanent employment</i> | 1.00 | <i>Married with children</i> | 1.00 |
| Self-employed | 1.58* | Common-law union with children | 0.36* |
| Temporary employment | 0.58* | Lone parent | 0.28* |
| Looking for work | 0.20* | Alone | 0.21* |
| Student | 0.28* | Other | 0.08* |
| Caring for children/keeping house | 0.90 | Age | 1.05* |
| Other activity | 0.55 | Sex | |
| | | <i>Women</i> | 1.00 |
| | | <i>Men</i> | 0.90 |

1. Age of departure squared allows us to see the non-linear relationship between age of departure and the probability of being a homeowner in one's thirties.

2. CMA=Census Metropolitan Area; CA=Census Agglomeration.

* Statistically significant difference from the reference group shown in italics (p<0.05).

Source: Statistics Canada, General Social Survey, 2006.