

The number of first-time homebuyers is plummeting. Why that's bad news for the US economy.

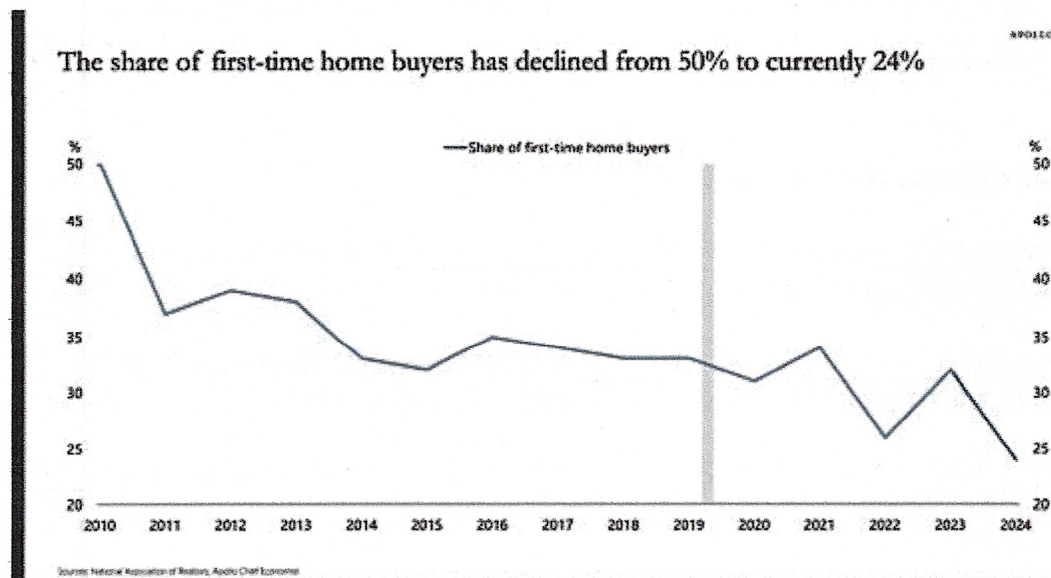
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- Data shows that the number of first-time home buyers has dropped.
- Younger people are feeling locked out of housing, but are also not embracing it like older generations.
- The consequences of fewer first-time home buyers can have negative effects on the broader economy.

Economists are always [watching the housing market](#) as a barometer for the health of the broader economy, and some see trouble ahead if first-time buyers can't start climbing the real estate ladder.

The brutal US housing market has been particularly tough for younger people who typically make up a large portion of first-time buyers. Prices soared during the pandemic, and never came back down in most parts of the country. Mortgage rates, meanwhile, are the highest they've been in over 20 years.

A chart from Torsten Slok, chief economist of Apollo Global Management, [showed in June](#) that the number of first-time home buyers has fallen from 50% in 2010 to just 24% in 2024



Gen Z's shifting views

Despite still being young overall, Gen Z's approach to the housing market is stark compared to older generations.

"They have a lot of marks in their lives that have been associated with financial situations and financial crisis," Virginia Love, an industry principal at Entrata, told Business Insider. Things like the COVID-19 market crash and the volatility of the 2020s so far have made the generation more cautious around major life decisions like buying a house. *

Millennials displayed similar habits as they approached homebuying age. However, unlike Gen Z, they seem to have mostly embraced the idea of owning a house.

"At age 31, their homeownership rate lagged Gen X and boomers by just over 6 percentage points," Odeta Kushi, deputy chief economist at First American, said. "But by age 42, millennials essentially closed that gap, reaching a homeownership rate nearly identical to Gen X at 66 percent."

Gen Z's behavior suggests they may be different, though.

In a recent study, Entrata found that three out of four Gen Zers view renting a home as a smarter financial move than buying one. "This is not a generation that wants to spend a lot of time at a home improvement store on a Saturday. They want experiences. They want travel," Love said.

Her thesis is supported by the fact that 83% of respondents said they see leasing a home as a way to "save for life experiences" rather than invest in property ownership.

Economists and housing experts say that's a major economic shift compared to other generations who were taught that homeownership is one of the keys to the American dream, and it threatens to stall one of the economy's greatest drivers.] *

The ripple effects of fewer first-time buyers

The housing market is often seen as a bellwether for the economy. When it's struggling, it can create ripple effects that negatively impact other areas.

"First-time buyers usually kick off the whole chain, and without them, it's harder for current homeowners to move up or down," Taylor Kovar, CEO of 11 Financial, told BI.

"That means fewer listings, slower construction, and less money moving through industries tied to homeownership like appliances, insurance, remodeling—you name it."

These factors could impact the broader economy in the near-term. As Kovac noted, "Housing has always been a major engine in the economy, so when a whole generation steps back, that's going to create some drag."

Kushi added that if Gen Z continues to resist homeownership, it could lead to financial problems for them down the road, as they are depriving themselves of a powerful wealth-building tool.

"While delaying homeownership doesn't eliminate its wealth-building potential, it does compress the time horizon over which individuals can benefit, which may have ripple effects on lifetime savings, retirement security, and intergenerational wealth transfer," she said.

Kovac echoed that view, highlighting the historical importance of owning property as a common foundation for financial stability.

"Not owning a home could have a serious ripple effect," he said. "For past generations, that was one of the biggest ways to build equity and pass something on. Without that, Gen Z could struggle to build lasting wealth, especially if they're stuck paying rising rent and not putting money toward something that grows."

