

September 28, 2013

Who Wants to Buy a House?

By THE EDITORIAL BOARD

The public has every reason to be confused about where the housing market is headed. Even analysts and experts have been backing and forthing about recent housing data, in part because what appears to be good news is, on closer inspection, mixed.

Take home sales. They've been rising lately, but some of the gain appears to be from buyers who rushed to buy in the summer because they feared that interest rates would keep rising. If rates decline, as they might, home purchases are likely to level off.

Similarly, [home prices have gone up](#), rising 12.4 percent from July 2012 to July 2013. But month-to-month price gains have slowed considerably the last several months. This suggests that prices have begun to plateau, even as millions of homeowners who owe more on their mortgages than their homes are worth are counting on rising prices to restore their equity.

The bottom line here? A healthy, sustained housing rebound remains elusive — and is likely to stay that way until jobs and incomes rebound markedly for Americans, especially those in their late 20s and early 30s, the traditional first-time and trade-up buyers.

At the moment, that important group is not in good shape. At last count in August, only 74.8 percent of 25- to 34-year-olds were employed — barely up from a monthly low of 73.3 percent earlier in the recovery, and historically still well below healthy levels.

As a rule — no job, no house. But even young adults who have jobs are likely to find home buying out of reach. That's because many workers age 25 to 34, including many well-educated workers, [now find themselves in low-wage jobs](#). And many in that group, though out of school, are still paying for college. Combine low wages with high student debt, and homeownership becomes an impossible dream.

All of which helps explain why many 25- to 34-year-olds — 10.1 million in the [latest census data](#) — are living with their parents, other relatives or friends. While some of them may be saving for a down payment, more than two in five would fall below the poverty line if they were on their own.

Low interest rates and relatively low prices can take the housing market only so far. For the market to truly heal, the economy must also heal.