Who Is Your Client When Millennials Buy Real Estate?

Over the years, millennials have gotten a bit of a reputation for being entitled, whiny and pretentious. But when it comes to building meaningful relationships, they're often right on the money. Approximately 1/4th of the population is made up of millennials and over time you'll begin to engage more and more with this audience. About half of all first-time homebuyers are represented by millennials. Undeterred by college debt, millennials comprise a large number of buying influence and a lot of them see the importance of buying a home versus renting. As products of the information age, they are more dedicated than their predecessors to the search process and are eager to absorb information from friends, reference sites and, of course, local real estate professionals. Their mobile lifestyle coupled with their deep-seated curiosity will likely result in pursuing real estate transactions more frequently than generations before them, buying and selling at an even higher rate.

Millennials love their technology. They grew up with high-tech gadgets, desktop computers, and smart devices. When marketing to Millennials, know that they are more likely to respond to online marketing and communication efforts as opposed to newspaper ads, flyers, and postcards. Although you may have a physical office at your brokerage firm or at home, don't forget to take advantage of an online virtual office, too. This will allow you to interact with prospective millennial home buyers online—whether through social media, email, Skype, text alerts, or other means.

Parents Will Be Decision Makers/Influencers:

For purposes of this discussion, a "couple" may either be married or merely involve living together. Single parenthood can result either from divorce or from the death of one parent.

Divorce usually entails a significant change in the relative wealth of spouses. In some cases, the non-custodial parent (usually the father) will not pay the required child support, and even if he or she does, that still may not leave the custodial parent and children as well off as they were during the marriage. On the other hand, in some cases, some non-custodial parents will be called on to pay a large part of their income in child support. This is particularly a problem when the non-custodial parent remarries and has additional children in the second (or subsequent marriages).

Individual members of families often serve different roles in decisions that ultimately draw on shared family resources. Some individuals are information gatherers/holders, who seek out information about products of relevance. These individuals often have a great deal of power because they may selectively pass on information that favors their chosen alternatives. Influencers do not ultimately have the power decide between alternatives, but they may make their wishes known by asking for specific products or causing embarrassing situations if their demands are not met.

Take a Value Approach for the Financial Backers:

Buying a home can be a daunting task, especially if it's your first time. Deciding if it's a good investment or not can be more complicated. Much depends on a variety of factors including the intent of the investment, your time horizon, liquidity and other factors. One useful calculation to use is the capitalization (or “cap”) rate, which is the ratio of net rental income to the purchase price of the property. Start with your gross rental income, which is simply the total of one year’s worth of rents for all of the units combined. Subtract 5% or so to account for occasional vacancies throughout the year. It’s safest to use existing rents, but you can conservatively increase the amounts if you are planning to improve the units and raise rents. In general, if you're buying for the long term, then market cycles matter less as compared to buying for a quick fix and flip.