

## Shadow Buyers: The Changing Characteristics of Young Homebuyers

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Over the course of the past 5 years, home mortgage lenders have coined several new terms as part of the “shadow mortgage” side of the housing industry. Shadow inventory, those homes not yet on the market due to foreclosures but are lurking in the background, has been a staple for some time now. Additionally, real estate agencies have had their own unannounced shadow inventory full of homes from their regular consumer base that only other real estate agents knew were going to market soon.

The shadow market now has new group players to introduce – the shadow buyers. The shadow homebuying group consists of two separate types of buyers. The first group includes those who were previously involved in a short sale of a home and have been parked on the homebuying bench for 3 or so years, during which time they were focused on cleaning up their financial portfolios so they would be ready to hit the ground running once their required bench time was complete.

The second group is a new phenomenon and one many industry insiders have yet to develop an effective plan for ... the shadow buyers from Generation Y. That’s right—the Millennials are back and bringing with them a new challenge to the recovering housing market.

The largest group of the currently living generations has been sitting on the sidelines awaiting its turn in the housing market. Many of them have been living with parents or other family members due to the lack of jobs during the recent Recession.

Industry researchers and analysts trying to plan for upcoming market growth have overlooked these Millennials, and haven’t included them in the estimates for what’s coming next in the mortgage industry.

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While laying low in the background, the Millennials have been knocking down their debt, paying off student loans, and slowly accumulating and securing resources for down payments. They are now beginning to emerge and are flooding the market, taking advantage of great deals and low rates on smaller single-family homes and condos across the country.

So why are these shadow buyers posing a possible issue to the housing market? Without an accurate count, planning for these groups is off. Even the homebuilding industry has failed to build enough new housing to keep pace with this upcoming generation of homebuyers.

### Preparing for the Shadow Buyers

To prepare for this unknown volume of shadow buyers, many in the industry are beginning the process of digging through their files and reaching out to those identified as previous clients who had to sell using a short sale. Many who found themselves in a previous short-sale position are now eligible to return to the market and are being pre-approved by home mortgage lenders.

Industry experts are also guiding home mortgage personnel to seek out alumni associations to connect with shadow buyers who could have been keeping a low profile for the past few years as they paid off student loan debt while living at home with family.

Many in the industry will find the trick to working with members of this new shadow homebuying group is the ability to locate them. Having been told they were unable to qualify for so long, many have been pushed to the side and have been pulled from the “active target lists” of potential and prospective homebuyers. Once located, educating them about their options will be the first task in working with this group.

Over the course of the next 2to3 years, the shadow buyers will become the group to watch and the group to set the pace for the next stages of the recovering housing market.

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