



(UBS)

Is Gen Z "on the money" when it comes to saving for their first home?

21 March 2025, 9:49 pm EDT, written by US Editorial Team UBS Editorial Team

Affording a home in the current market has become an uphill battle, particularly for Gen Zers, who are faced with unique challenges that previous generations haven't encountered. However, with the right strategies and insights, young buyers can still find pathways to homeownership.

As noted recently in [Barron's](#), the median sales price of a home in the US was \$427,000 in [December 2024](#) versus just \$169,000 in [2000](#). Confronted with wage stagnation, rising affordability challenges, and mounting debt, Gen Z consumers may face challenges when making crucial financial decisions. Although buying a house may seem out of reach for Gen Z, focusing on credit, loan options, liquidity, and savings can help young consumers achieve this goal.

What is contributing to the affordability issue?

High Housing Costs

While inflation and higher interest rates have created a financial strain for many since the global pandemic, Gen Z faces a particularly troubling conundrum, paying the highest amount of rent of any generation. According to the [Washington Post](#), 19.8% of Gen Z's monthly spending is allocated to rent. This is a notably high percentage compared to other generations, who spend only 6.8% of their share of necessities on rent. Based on a survey by Bank of America, [73%](#) of Gen Zers say they've changed their spending habits owing to increased prices. As a result of increasing inflation and

interest rates, along with the inherently high cost of living in the US, Gen Z is encountering substantial obstacles in their efforts to save for homeownership.

High Rates

The Federal Reserve began raising interest rates in 2022, causing mortgage rates to increase, and in 2025 these rates remain elevated. In 2019, the pre-pandemic average annual inflation rate was 2.2%. By 2024, [this figure](#) had risen to an annual average of 3.4%. With inflation remaining above pre-pandemic levels, Gen Z is facing significant challenges as they enter a phase of life where saving is crucial.

Student Loan Debt

While individuals with student loan debt can purchase a home, mortgage lenders thoroughly assess your financial situation before approving a loan. Like other forms of debt, student loans affect the amount borrowers are eligible for and the interest rates on a mortgage loan. The [Fed Reserve Bank of St. Louis](#) reported that on average Gen Z carries 13% more in student loan debt than millennials, with a quarter of Gen Zers already admitting they have to adjust their housing expectations owing to student loan debt challenges, according to a [Nasdaq](#) report.

Things that you can control in a volatile economic environment

Consider liquidity

Considering liquidity needs is essential when saving for a first home, ensuring access to cash for unexpected expenses or emergencies in order to continue working toward savings goals regardless of what happens in the near term. Emergency savings should be kept separate from your down payment fund to better prepare for both immediate and longer-term needs. Before selecting a down payment fund, UBS recommends setting aside resources to cover six to 12 months of spending needs in an emergency fund. UBS Bank USA Core Savings can assist in maintaining your liquidity needs with FDIC insurance up to applicable limits while offering competitive yields. Learn more about UBS Bank USA Core Savings [here](#). Additionally, understanding how much of your income is allocated to retirement accounts and other savings accounts will help determine your time frame for a major purchase, like your first home.

For information on how to streamline your savings choices and prioritize account types based on their potential to create after-tax growth, see the Savings Waterfall [here](#).

Set a savings goal

Setting clear savings goals is crucial when preparing for a major purchase such as a home. When mapping out a savings plan, consider your timeline, your savings goal, and the best place to store your money. After setting aside a portion of your income into an emergency fund, a great option to save for known expenses in the near (but not immediate) future is a Certificate of Deposit or CD. This is a great way to save for someone who can resist the temptation to dip into their savings, as early withdrawals are penalized. A CD has a specified maturity date when money will be released to you, set by the issuer. There is little risk with this option, because once you put your money into the deposit, the amount will grow by a specified rate through interest payments. Alternatively, if you want a savings option with immediate access to your funds, a high-yield savings account may be worth considering.

Strengthen your credit profile

Strengthening your credit profile is crucial before buying your first home, because it directly affects the mortgage rates and loan options available to you. A higher credit score can help you secure a lower interest rate, saving you money over the life of the loan. To improve your credit, focus on paying bills on time, reducing existing debt, and avoiding new credit inquiries. Regularly checking your credit report for errors and disputing any inaccuracies can help boost your score.

Evaluate your loan options

When purchasing your first home, it is imperative to understand your mortgage loan options. From 2019 to 2024, monthly mortgage payments and interest rose from 27.5% to 39.0% of median household income, assuming a 7% mortgage rate and 10% down payment. Read more from UBS [here](#). Consider the investment timeline, risk tolerance, and monthly payments. Conventional loans are popular for first-time buyers owing to their lower down payment requirements but are dependent on your credit score and may include private mortgage insurance premiums. UBS Bank USA offers several

different types of real estate financing options, and various [lending strategies](#) to fit your financial needs. [Connect with a nearby financial advisor](#) to find the right residential loan financing solution for you.

While the current housing market may seem intimidating, having a strategic financial plan in place may facilitate the journey toward homeownership. By starting to save now, Gen Z can set themselves on the fast track to realizing their dream of homeownership in the future.

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