

December 9, 2022 04:17 PM GMT

## Luxury goods | Europe

# Chart of the day: Nearly half of young adults in the US currently live with their parents

**Bottom Line.** One of the key debates in the luxury space today amongst investors is to assess to what extent the very significant growth of luxury in the US (and the West more generally) over the past three to five years is a function of wealth creation (i.e. some factors which might prove cyclical) or more structural drivers, such as a broadening of the industry's TAM. Amongst the factors which have contributed to a broadening of the TAM are the fact that luxury consumers in the West have clearly been getting younger over the past few years (they were already young in China pre-pandemic, with an average age ranging from 25 to 30 years old). We think the structural change in demographics might have been overlooked. One of the key demographic trends in the US (and the broader Western market) has been the rising number of young adults living with their parents, driven by financial concerns (i.e. rental costs) as well as other sociological factors (e.g. higher penetration of higher education and increasingly delayed age for marriage). As per US Census Bureau data, nearly half of young adults (defined as 18 to 29 years old) in the US are currently living with their parents, the highest on record since (see chart below). We believe that the trend benefits discretionary spending. When young adults free up their budget for daily necessities (e.g. rent and grocery), they simply have more disposable income to be allocated to discretionary spending. This is of course not the only reason luxury goods consumers are getting younger in the West (social media playing also an important part) but we see it as fundamentally positive for the industry.

**What's new?** Recent data from US Census Bureau and survey results from [PropertyManagement](#) suggest that nearly half of young adults are living with parents today - a historical high level since the Great Depression.

**What the data says.** According to data from US Census Bureau, around half of the young adults in the US are living with their parents now (see [Exhibit 1](#)). The same trend can be observed in other developed countries, such as the UK, where the change has also been significant (see [Exhibit 2](#)). Aside from sociological drivers, such as higher percentage of people pursuing higher education and marriage being increasingly delayed (The Atlantic, 3-Jul-20), [PropertyManagement](#) data also pointed out that monetary incentive was one of the key drivers. More specifically, when asked about the incentives to move in with parents, 51% of the young adults said that it was to save money and 39% of them said that it was because they could not afford rent.

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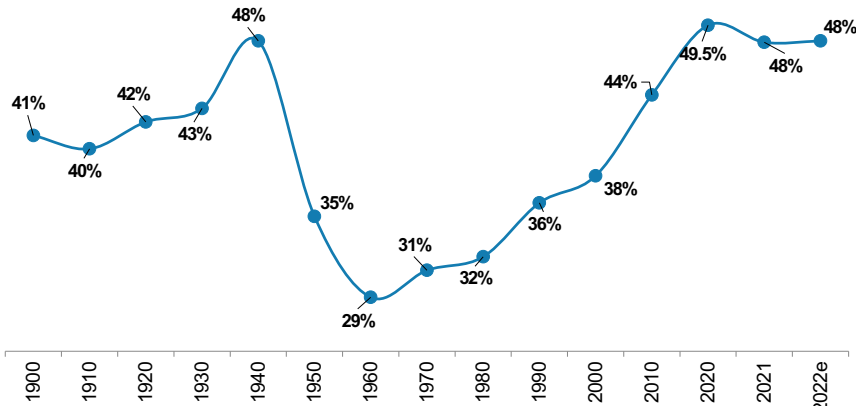
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**Exhibit 1:** Share of young adults living with parents rises to levels not seen since the Great Depression era

Share of young adults living with parents



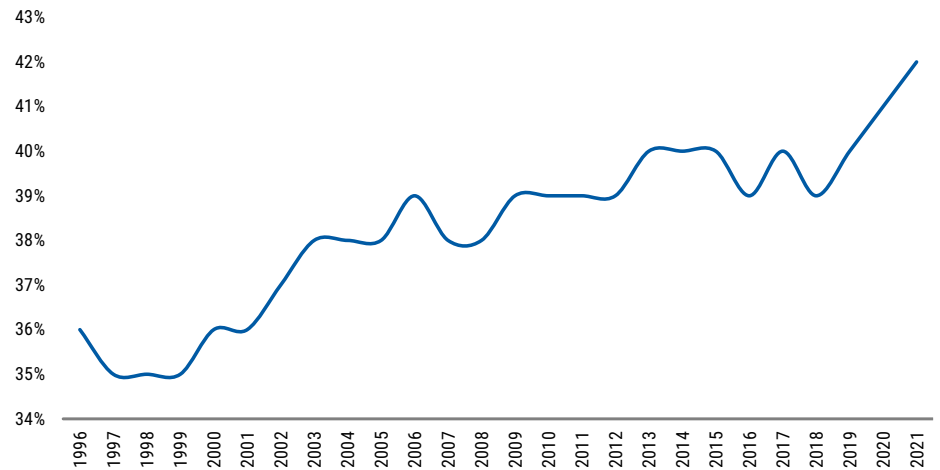
Source: Pew Research Center analysis, USA TODAY tabulations of Census Bureau Current Population Surveys, University of Minnesota, Morgan Stanley Research

Note: 1/ "Living with a parent" refers to those who are residing with at least one parent in the household. 2/ Young adults are defined with population aged from 18 to 29 YO. 3/ July-22 data is estimated based on press article ("In July 2022, half of adults ages 18 to 29 were living with one or both of their parents.") We assume that the % is on par with 2021. 4/ 2020 and 2021 data are the average of monthly data for 2020 and 2021 published by USA TODAY. For 2021, USA TODAY only published data for Jan to Oct.

# Appendix

**Exhibit 2:** Share of young adults living with parents has been soaring in the UK

Share of 15-34 YO living with parents



Source: ONS, Morgan Stanley Research

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	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
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<b>Equal-weight/Hold</b>	<b>1646</b>	<b>45%</b>	<b>327</b>	<b>47%</b>	<b>20%</b>	<b>732</b>	<b>48%</b>
<b>Not-Rated/Hold</b>	<b>3</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>625</b>	<b>17%</b>	<b>77</b>	<b>11%</b>	<b>12%</b>	<b>216</b>	<b>14%</b>
<b>TOTAL</b>	<b>3,634</b>		<b>690</b>			<b>1541</b>	

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Dr. Martens Plc (DOCS.L)	E (03/11/2021)	193p
Dufry AG (DUFN.S)	E (08/12/2021)	SFr 38.31
EssilorLuxottica SA (ESLX.PA)	O (09/23/2019)	€178.40
Hermes International S.C.A. (HRMS.PA)	E (08/07/2018)	€1,517.50
Hugo Boss AG (BOSSn.DE)	O (07/15/2021)	€52.56
Kering (PRT.PA)	E (05/19/2017)	€522.60
LVMH Moët Hennessy Louis Vuitton SA (LVMH.PA)	O (01/17/2018)	€719.00
Moncler SpA (MONC.M)	E (06/24/2020)	€48.48
Pandora A/S (PNDORA.CO)	E (01/25/2018)	DKr 536.20
Prada SpA (1913.HK)	E (09/23/2022)	HK\$45.20
PUMA SE (PUMG.DE)	E (10/25/2022)	€50.98
Richemont SA (CFR.S)	O (12/11/2020)	SFr 123.20
Salvatore Ferragamo SpA (SFER.M)	U (01/18/2022)	€16.98
Swatch (UHR.S)	U (01/18/2022)	SFr 255.70
Tod's SPA (TOD.M)	U (01/18/2022)	€32.94

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