

NATIONAL ASSOCIATION OF REALTORS®

Profile of Home Buyers and Sellers 2012



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Introduction

For most home buyers, the purchase of real estate is one of the largest financial transactions they will make.

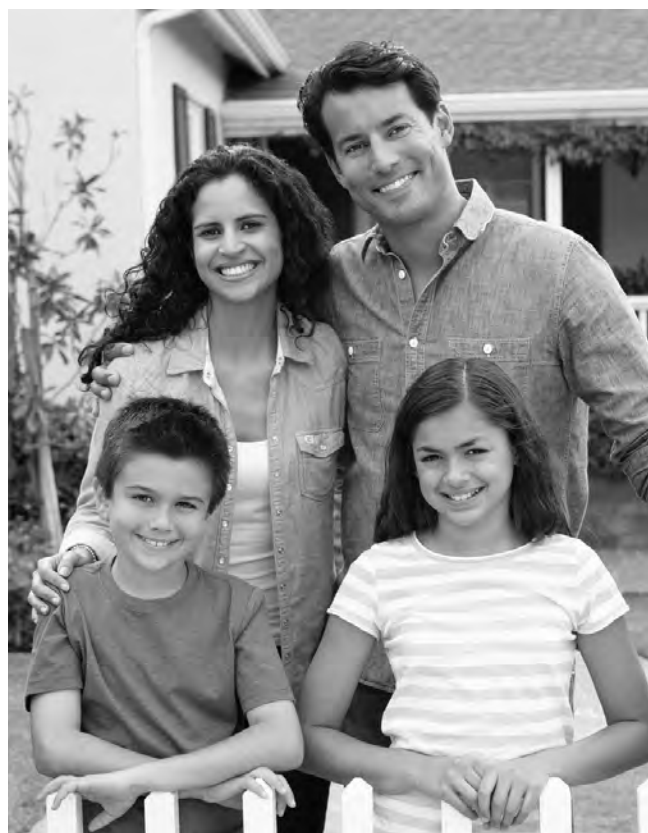
Buyers purchase a home not only for the desire to own a home of their own, but also because of changes in jobs, family situations, and the need for a smaller or larger living area. This annual survey conducted by the NATIONAL ASSOCIATION OF REALTORS® of recent home buyers and sellers provides insight into detailed information about their experiences with this important transaction. This information from the consumer perspective, highlights trends that are transpiring and the changes taking place. The survey covers information on demographics, housing characteristics and the experience of consumers in the housing market. Buyers and sellers also provide valuable information on the role that real estate professionals play in home sales transactions.

Many buyers are now facing tighter credit standards than seen in previous years. For this reason, recent buyers are different from those of past years. For example, this year's report displayed the highest share of married couples and the lowest share of single buyers since 2001. Married couples who purchased a home have the advantage of more buying power and added financial stability—their typical household incomes are higher than single households.

The selling market continues to show tightened inventory in many areas of the country. Buyers are looking at fewer homes than in past years, just 10 homes compared to 12 homes. If buyers don't find the right home for them on the market, they are contacting home owners directly. Twenty percent of for-sale-by-owner sellers who did not know the buyer before the sale reported selling by this method because a home buyer contacted them directly to purchase their home—this compares to 15 percent in 2010.

Buyers need the help of a real estate professional to help them find the right home for them, help them understand the process, and negotiate terms of sale. Sellers, as well, turn to professionals to help sell their homes within a specific timeframe, market their home effectively and find the right buyer. As the market changes and evolves, the need for a professional to help has increased, and more buyers and sellers are turning to professionals to help them with this transaction. Satisfaction with agents continues to be high.

This report provides real estate professionals with insights into the needs and expectations of their clients. What do consumers want when choosing a real estate professional? How do home buyers begin the process of searching for a home? Why do some sellers choose to forego the assistance of an agent? The answers to these questions, along with other findings in this report, will help real estate professionals better understand the housing market and also provide the information necessary to address the needs of America's real estate consumers.



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The Housing Environment

Housing economists agree that the real estate market is showing signs of stabilization. The commercial real estate market continues to strengthen as vacancy rates decline and rental rates rise in many areas of the country. REALTOR® members are seeing home prices increase as demand for homes in many areas increases. While mortgage rates are near historic lows, lending standards remain tight. Overall, GDP growth is subpar, but there are signs of improvement in employment, retail and auto sales, and consumer confidence.

It is important to note that while the economy as a whole does affect the housing market, most buyers purchase for the plain desire to own a home and establish a household of their own. Homeowners, who purchase a property as their primary residence, are also buying in to a neighborhood. A long and distinguished body of academic research has shown that homeownership strengthens the community; homeowners have a stake in the community and are likely to invest through their participation in civic activities such as voting or volunteering their time. Moreover, it is now well-documented that homeowners and their families benefit in a number of ways ranging from more positive feelings about the future to better health. Although the financial aspects of homeownership are important, they do not stand alone as the primary motivators for the purchase of a home.



Highlights

Characteristics of Home Buyers

- Thirty-nine percent of recent home buyers were first-time buyers, a slight rise from 2011, but closer to the historical norm of 40 percent.
- The typical buyer was 42-years-old, a decrease from last year's 45-years-old.
- The 2011 median household income of buyers was \$78,600. The median income was \$61,800 among first-time buyers and \$93,100 among repeat buyers.
- Sixty-five percent of recent home buyers were married couples—the highest share since 2001. Sixteen percent of recent home buyers were single females—the lowest share since 2001.
- For 30 percent of recent home buyers, the primary reason for the recent home purchase was a desire to own a home.

Characteristics of Homes Purchased

- New home purchases continue to drag at a share of 16 percent of all recent home purchases.
- The typical home purchased was 1,900 square feet in size, built in 1992, and had three bedrooms, two bathrooms.
- Seventy-nine percent of home buyers purchased a detached single-family home.
- The quality of the neighborhood, convenience to job, and overall affordability of homes are the top three factors influencing neighborhood choice, however, neighborhood choice varies considerably among household compositions.
- When considering the purchase of a home, heating and cooling costs were at least somewhat important to 87 percent of buyers and commuting costs were considered at least somewhat important by 76 percent of buyers.

The Home Search Process

- For 41 percent of home buyers, the first step in the home-buying process was looking online for properties, and 11 percent of home buyers first looked online for information about the home buying process.
- The use of the Internet in the home search rose slightly to 90 percent, and for buyers under the age of 44 this share increased to 96 percent.
- Real estate agents were viewed as a useful information source by 87 percent of buyers who used an agent while searching for a home.
- The typical home buyer searched for 12 weeks and viewed 10 homes.
- Approximately nine in 10 recent buyers were at least somewhat satisfied with the home buying process.

Home Buying and Real Estate Professionals

- Eighty-nine percent of buyers purchased their home through a real estate agent or broker, similar to last year's report—a share that has steadily increased from 69 percent in 2001.
- Forty percent of buyers found their agent through a referral from a friend or family member and 10 percent used an agent they had used before to buy or sell a home.
- Two-thirds of recent buyers only interviewed one agent before they found the agent they worked with.
- About nine in 10 buyers would use their agent again or recommend to others.

Highlights

Financing the Home Purchase

- Eighty-seven percent of home buyers financed their recent home purchase. Among those who financed their home purchase, the buyers typically financed 91 percent.
- The share of first-time buyers who financed their home purchase was 96 percent compared to 81 percent of repeat buyers.
- About half of home buyers reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing.
- Twenty-three percent of buyers reported the mortgage application and approval process was somewhat more difficult than expected and 17 percent reported it was much more difficult than expected.

Home Sellers and Their Selling Experience

- Forty-six percent of home sellers traded up to a larger size and higher-priced home and 62 percent purchased a newer home.
- The typical seller lived in their home for nine years. The median tenure has increased in recent years. In 2007, the typical tenure in home was only six years.
- Eighty-eight percent of sellers were assisted by a real estate agent when selling their home.
- Recent sellers typically sold their homes for 95 percent of the listing price, and 60 percent reported they reduced the asking price at least once.
- Forty percent of sellers offered incentives to attract buyers, most often assistance with home warranty policies and closing costs.

Home Selling and Real Estate Professionals

- Thirty-eight percent of sellers who used a real estate agent found their agent through a referral by friends or family, and 23 percent used the agent they worked with previously to buy or sell a home.
- Approximately two-thirds of home sellers only contacted one agent before selecting the one to assist with their home sale.
- Ninety-three percent of sellers reported that their home was listed or advertised on the Internet.
- Among recent sellers who used an agent, 84 percent reported they would definitely (66 percent) or probably (18 percent) use that real estate agent again or recommend to others.

For-Sale-by-Owner (FSBO) Sellers

- The share of home sellers who sold their home without the assistance of a real estate agent was nine percent. Thirty-three percent of FSBO sellers knew the buyer prior to home purchase.
- The primary reason that sellers choose to sell their home without the assistance of a real estate agent to a buyer they did not know was that they did not want to pay a fee or commission (43 percent), they sold it to a relative, friend, or neighbor (25 percent), or the buyer contacted the seller directly (15 percent).
- Approximately one-third of FSBO sellers took no action to market their home, and 60 percent did not offer any incentives to attract buyers.
- The typical FSBO home sold for \$174,900 compared to \$215,000 among agent-assisted homes

Methodology

In July 2012, NAR mailed out a 120 question survey to a random sample of 93,502 recent home buyers. The recent home buyers had to have purchased a home between July of 2011 and June of 2012. The Tailored Survey Design Method was used to survey the sample, which includes a pre-postcard mailing, the survey, a follow-up letter and a re-mailing of the survey. Using this method, a total of 8,501 responses were received. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 9.1 percent.

Consumer names and addresses were obtained from Experian, a firm that maintains an extensive database of recent home buyers derived from county records. Information about sellers comes from those buyers who also sold a home.

All information in this Profile is characteristic of the 12-month period ending June 2012, with the exception of income data, which are reported for 2011. In some sections comparisons are also given for results obtained in previous surveys. Not all results are directly comparable due to changes in questionnaire design and sample size. Some results are presented for the four U.S. Census regions: Northeast, Midwest, South and West. Survey responses were weighted to be representative of state level sales. The median is the primary statistical measure used throughout this report. Due to rounding and omissions for space, percentage distributions may not add to 100 percent.

