

Memorandum

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To: National Association of REALTORS®
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PULSE Top 25 Metropolitan Statistical Areas (MSAs) Survey Executive Summary

As Americans struggle to emerge from the country's economic recession, the domestic housing market is in a state of flux for most. On the one hand, the market does not appear to be getting worse; but on the other hand, there is no sense that the market is improving either. Economic uncertainty abounds, and the fragile job market remains the largest barrier to the housing market recovering. While there are some positive trends, for most Americans the overwhelmingly outlook for the housing market in the months ahead is more of the same.

Homeowners and prospective home buyers remain very much in a "wait and see" mind set when it comes to home sales. Many homeowners would like to move, but do not believe they could sell their house for what they paid for it. Most renters place a high priority on becoming homeowners, but consistently cite affordability as the primary obstacle to purchasing a home. Foreclosures also remain a problem, adding to the glut of available homes and depressed home values.

Yet despite this static market, a large majority of Americans (77 percent) continue to believe that buying a home is a good financial decision. This finding, however, comes with a caveat: the percentage who agree with this statement has dropped 6 points from last year and is at the lowest level measured in the past four PULSE surveys. Nevertheless, a broad majority of Americans remain convinced that home ownership is overall in their best financial interests.

Broadly, the state of the national economy drives most of the opinions in this year's PULSE survey of the country's top 25 Metropolitan Statistical Areas (MSAs)¹. New to this year's survey is the inclusion of cell phone interviews and additional interviews with renters to explore their attitudes about home ownership. Key findings from this year's study include:

¹ On behalf of the National Association of Realtors, American Strategies and Myers Research | Strategic Services, LLC designed and administered this telephone survey conducted by professional interviewers. The survey reached 1209 adults, 18 years or older. The survey was conducted September 12-17, 2010. A 140-interview oversample among renters was weighted into the base. The sample size with these weights applied is 1060, and has a margin of error of +/- 3.1%.

- Americans continue to believe that buying a home is a good financial decision (77 percent believe total strongly or not so strongly, 68 percent strongly so).
- Two-thirds (68 percent) say that now is a good time to buy a home.
- A majority of renters say that owning a home at some point in the future is either one of their highest priorities (39 percent) or a moderate priority (24 percent). Just 21 percent of renters say that owning a home is not a priority at all.
- Most Americans say that it is harder to sell a home in their neighborhood than it was a year ago.
- Looking forward, 70 percent expect real estate sales in their neighborhood to remain about the same over the next few months. A nearly identical number (69 percent) expect home values to remain the same too.
- Nearly one-quarter (23 percent) are now very concerned about the number of homes and condos for sale in their area - up 7 points from last year.
- Most Americans are more concerned about the DROP in home values than they are about home costs being too high. Still, cost remains the significant barrier to many who would otherwise like to buy a home.
- As we saw in last year's PULSE survey, job insecurity and the lack of jobs continues to be the primary obstacle to home ownership and market recovery.
- Frustration with banks is up, and now a majority worry that banks have made it too hard to qualify for a home mortgage loan.
- A majority (51 percent) say foreclosures remain a big or moderate problem in their area. While there has been a significant drop in the percentage who say foreclosures have increased (-15 points from June 2009), most (51 percent) say that the rate of foreclosures is about the same as it was last year.
- The recession and loss of jobs is now cited as the main reason for the foreclosure problem, a shift from last year when Americans were more likely to blame people who bought homes they could not afford.

Underneath these mostly static results from earlier PULSE surveys, there are some positive trends, though these positives must be interpreted within the context of the generally downbeat overall numbers:

- The percentage saying that the market has "slowed down" is at its lowest point in four years.

- While just 16 percent say it is “easier” to sell a house today than it was a year ago, this represents a four-point increase from last year and double the percentage from what we observed in 2007.
- Nearly a quarter (22 percent) say that house prices in their neighborhood are more expensive than they were a year ago - up six points from last year’s survey.

To be sure, these are at best slight upticks and do not constitute strong positive movement in the overall direction of the market. Economic anxiety is simply too great today, and there is unlikely to be significant positive change in the housing market until the economy moves forward in tangible ways Americans can feel. However, these trends are some evidence of a market waiting to recover.

Buying A Home Still A Good Decision, Although Less So Than In Previous Years

While most Americans continue to believe that buying a home is a good financial decision, the sentiment has softened somewhat over the past four years. Indeed, just over two-thirds now say that they strongly believe buying a home is a good decision, down 7 points from last year.

In general, do you believe buying a home is a good financial decision, or not?

BUYING A HOME STILL A GOOD DECISION ALTHOUGH LESS SO THAN IN PREVIOUS YEARS				
	Sep 2010	June 2009	Sept 2008	Oct 2007
Total Good decision	77	83	85	87
Good decision, strongly	68	75	78	80
Good decision, not so strongly	10	8	7	7
Total Not a good decision	16	13	11	10
Not a good decision, not so strongly	5	5	4	4
Not a good decision, strongly	11	8	7	6
<i>(Don't know/refused)</i>	6	3	4	3

Still, current housing costs leave most Americans (68 percent) saying that now is a good time to buy a home - although again, the overall percentage who agree with this sentiment dropped seven points from last year. Homeowners (74 percent) are much more likely to agree that now is a good time to buy than renters (51 percent), suggesting some disconnect between those already in a home and having suffered a drop in value, and those who are not homeowners.

Most See Market Staying the Same

Most Americans view the housing market as stuck. Seventy percent say that home sales are likely to remain the same over the next three months, with a nearly identical 69 percent projecting that home values will also remain the same. And with 69 percent saying that it is harder to sell a house in their neighborhood now than it was a year ago, the outlook for improvement is not promising.

Indeed, more Americans now report being “very” concerned about the number of homes and condos for sale in their area (up 7 points to 23 percent). Overall, 51 percent now say they are very or somewhat concerned about the problem. Concern is especially high in the South and Central regions of the country.

From a broader perspective, however, there are some encouraging trends. Fewer Americans today say that activity in the housing market has slowed down than in past years.

In the last year in the area in which you live, do you feel that activity in the housing market has slowed down, meaning the pace of buying and selling homes has dropped off; increased, meaning the pace of buying and selling a home has picked up; or, having things in the housing market stayed about the same?

MOST SEE MARKET STAYING THE SAME				
	Sep 2010	Jun 2009	Sept 2008	Oct 2007
Slowed Down	51	58	70	67
Increased	13	11	9	13
Stayed the Same	31	26	18	17
<i>(Don't know/refused)</i>	4	4	3	3

In addition, some (22 percent) say housing prices have increased in their neighborhoods, a sign of increased activity. This is especially true in the Northeast (28 percent) and New York MSA (33 percent). However, the perception that prices have increased are held primarily by younger, less educated and lower income Americans, suggesting that price sensitivity may have more to do with economic class than anything else.

Many Obstacles to Recovery, First and Foremost is Job Security

As in the 2009 PULSE survey, jobs and the economy remain the top concern of most Americans, with confidence in job security the top obstacle to home ownership. Half cite job layoffs and unemployment as a very big problem in their area - identical to last year's results. Consequently, “having enough confidence in their job security” tops the list of obstacles to home ownership, continuing a trend we saw last year.

Please tell me whether you think “having enough confidence in their job security” is a huge obstacle for people in your area, a medium-size obstacle, a small obstacle, or not an obstacle at all that makes housing unaffordable for people in your area.

MANY OBSTACLES TO RECOVERY, LED BY JOB SECURITY						
	Sep 2010	June 2009	Sept 2008	Oct 2007	Jun 2006	May 2005
Total Huge / Medium Obstacle	83	83	72	68	69	68
Huge Obstacle	49	51	35	28	25	25
Medium Obstacle	34	31	37	40	44	44
Total Small / Not an Obstacle	14	14	25	28	27	25
Small Obstacle	8	6	16	17	14	15
Not an Obstacle At All	6	8	9	11	13	10
<i>(Don't know/refused)</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>6</i>

The economic pressures are also evident in secondary obstacles to home ownership, with “having enough money for a down payment and closing costs” cited by just under half as a “huge” obstacle (46 percent). In addition, “banks making it too hard to qualify for a home mortgage loan” is a growing concern, with 43 percent citing it as a huge obstacle.

The rank order of these concerns is similar across demographics, although there are distinct class and education divides. In short, the less money you make or education you have, the higher the obstacle that job security or having money for a down payment is. But even among middle and upper income Americans, job security, having enough money for a down payment, and banks making it difficult to qualify for a loan are the top obstacles.

A new question in this year’s PULSE survey underscores how difficult it is for many working Americans who hold low paying jobs to enter the home market. Nearly half (48 percent) say it is a huge obstacle that they have a job, but still do not make enough money to afford a home or apartment close to where they live. This sentiment is especially high among younger non-college graduates (64 percent huge obstacle), women without a college degree (63 percent), single women (57 percent) and those making less than \$40,000 a year (62 percent).

Housing and Mortgage Costs Add to Economic Strain

Survey data on the strains of making home and rent payments remain mostly unchanged from last year, reflecting the economic stagnation that most Americans are experiencing. As a result, large numbers of Americans report significant personal concerns about housing costs:

- Almost half say that paying their rent or mortgage each month is a significant (22 percent) or slight (26 percent) strain;
- One third (35 percent) worry that they or members of their family may have their home repossessed or foreclosed upon because they are unable to make monthly

payments on their mortgage (this percentage has continuously increased every year since 2006);

- One-in-five (20 percent) are fairly or very worried that they personally will have difficulty making their mortgage payments over the next year.

Foreclosures Remain A Major Concern

A majority of Americans (51 percent) continue to say that foreclosures in their area remain a very big or moderate problem - a percentage that is unchanged from last year's PULSE survey and mirrors most voters' perceptions of an unchanged economy. There is, however, a shift in who voters blame for the foreclosure problem. More people (36 percent) now blame the recession, loss of jobs and the poor economy as the main reason for the foreclosure problem, up 9-points from last year. Last year, Americans were more likely to blame people who bought homes they could not afford (32 percent in 2009, down to 27 percent this year). Just 18 percent now blame banks and mortgage companies (down five points from 23 percent last year).

While nearly one-quarter (24 percent) report that their area has experienced more foreclosures than last year, this number is down significantly from 2009 when 39 percent reported more foreclosures. As the table below shows, the percentage reporting "significantly" more foreclosures is down by more than half since 2008.

Has the area in which you live experienced more foreclosures or fewer foreclosures in the last year, or is the rate of foreclosures about the same?

MAJORITY REPORT SAME NUMBER OF FORECLOSURES AS LAST YEAR				
	Sep 2010	Jun 2009	Sep 2008	Oct 2007
Total More	24	39	42	32
More - increased significantly	12	22	27	18
More - increased just slightly	11	17	15	14
Total Fewer	10	7	8	6
Fewer - decreased just slightly	8	6	6	5
Fewer - decreased significantly	2	1	2	1
Rate of foreclosures about the same	51	41	33	39
<i>(Don't know/refused)</i>	<i>15</i>	<i>13</i>	<i>17</i>	<i>23</i>

While it is encouraging that most Americans are not seeing "more" foreclosures, most now report about the same number of foreclosures as last year. Just 10 percent say there are fewer. Unfortunately, a growing number of Americans have big (18 percent) or moderate (18 percent) worries that they or members of their family may have their home repossessed or foreclosed upon because they cannot pay rising monthly mortgages. This concern is particularly high among African Americans (48 percent big or moderate worry) and Hispanics (56 percent).

Most Renters Would Like To Own Someday

This year's PULSE survey included additional interviews with renters in order to have greater statistical confidence in the renter subsample results². Renters do aspire to homeownership, with 63 percent saying it is one of their highest or moderately highest priorities for the future. Just 30 percent of renters say they prefer to rent and do not want to own a home. But for most renters, affordability is the primary obstacle to homeownership.

Indeed the financial strains on renters are apparent throughout the survey. Renters are much more likely to say that paying their monthly rent is a significant strain (39 percent), compared to just 16 percent of homeowners who feel significantly burdened by their monthly mortgage payment. More than half of renters (57 percent) worry that the cost of housing is so high that they will never be able to buy a home. Renters are also more likely to be worried that they will be forced to live in less desirable areas or areas that require longer commutes because they cannot afford housing in more desirable or closer in areas.

Most of these concerns are driven by the financial and demographic makeup of renters. A majority (54 percent) make less than \$40,000 a year and renters are much more likely to describe themselves as "working class" (45 percent) or "struggling" (23 percent) than professional or business class (21 percent). Demographically, renters are younger overall (44 percent under the age of 40) than homeowners (21 percent), and they tend to be more female (57 percent) and non-college graduates than homeowners (64 percent of renters are non-college graduates, compared to 43 percent of homeowners). More than one-third (36 percent) are single women. In partisan terms, renters tend to be more Democratic (49 percent) than their home-owning counterparts (30 percent identify as Democrats).

Workforce Housing Not on Radar, Although People are Sympathetic to Problem

The term "workforce housing" is not familiar to most Americans. Just 12 percent say they are very or somewhat familiar with the term. However, once explained, most (78 percent) agree that it is important that people who provide community services are able to afford to live in the community where they work. There is some intensity to this sentiment, with 47 percent saying it is very important.

Interestingly, there is greater concern about the lack of affordable housing for working class and service employees than for public service employees (like teachers and firemen). More than two-thirds (67 percent) express some concern about the former, and just 56 percent for the latter. This is likely due to the perception that public service employees enjoy job security that most Americans lack in this economy.

² This survey consisted of an oversample of 140 extra interviews among renters, bringing the total number of interviews among renters to 408. The margin of error for these data is +/- 4.9%.

There are distinct partisan, class and gender divisions involved among those who characterize the issue as “very” important (after hearing the definition of workforce housing). Democrats are more likely to place very high importance on the issue (57 percent very important) than either Republicans (42 percent) or independents (39 percent). Women (55 percent very important) and lower income voters (57 percent very important) - both groups tend to identify as Democrats - give considerably more intensity to the issue than men and middle or upper income voters. Younger women without a college degree (60 percent) and single women (61 percent) are particularly intense in their feelings. Geographically, voters in the South place more importance on the issue (55 percent) than in other areas (average 46 percent).