



REALTORS[®] CONFIDENCE INDEX

Report on the February 2017 Survey

National Association of REALTORS[®]
Research Department

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REALTORS® CONFIDENCE INDEX SURVEY

Report on the February 2017 Survey

The *REALTORS® Confidence Index (RCI)* report provides monthly information about real estate market conditions and expectations, buyer/seller traffic, price trends, buyers' characteristics, and issues affecting real estate transactions based on a monthly survey of REALTORS®.

The February 2017 report is based on the responses of 2,347 REALTORS®, 1,208 of which closed a sale.¹ Respondents reported on local market conditions experienced in February and the characteristics of their most recent sale for the month. The National Association of REALTORS® (NAR) collects the data from a random sample of REALTORS® and the data is viewed to be representative of the sales for the month. NAR conducted the online survey from March 2–12, 2017. To correct for over- or under-response at the state level, NAR weights the responses by a factor that aligns the sample distribution of responses to the distribution of NAR membership. All real estate is local: conditions in specific markets vary from the overall national trends presented in this report. REALTORS® may be interested in comparing their markets against the national summary.

The RCI report is an output of the Research Division of the NATIONAL ASSOCIATION of REALTORS®.² For questions or information about this report, please email dhale@realtors.org.

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¹ The survey is sent to 50,000 REALTORS® who are selected through simple random sampling. To increase the response rate, the survey is also sent to respondents in the previous three surveys who provided their email addresses. The number of responses to a specific question varies because the question may not be applicable to the respondent or because of non-response. To encourage survey participation, eight REALTORS® are randomly selected to receive a gift card.

² The team acknowledges Jessica Lautz, Managing Director, Survey Research and Communications, Meredith Dunn, Research Communications Manager, Amanda Riggs, Research Survey Analyst, and Brandi Snowden, Research Survey Analyst, for their inputs in improving the survey and in editing and disseminating the report. Acknowledgement also goes to Lisa Herceg, Director, Marketing Research, who sends out the survey to members.

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Summary

While local conditions vary, the *REALTORS® Buyer Traffic Index* and the *REALTORS® Confidence Index—Current Conditions* for single-family homes, townhomes, and condominiums remained above 50 in February 2017, indicating that more respondents reported “strong” than “weak” conditions. Both indices were higher than their levels one year ago and in the previous month.³ The *REALTORS® Seller Traffic Index* decreased slightly from its levels one year ago and was unchanged from its level in the previous month. It has remained below 50 since January 2008, indicating that seller activity is still “weak.”

In February 2017, first-time homebuyers accounted for 32 percent of sales.⁴ Amid solid job creation, the share of first-time homebuyers has been on a modest rise, up from 29 percent in 2014. With fewer new foreclosures, distressed properties accounted for seven percent of sales, purchases for investment purposes made up 17 percent of sales, and cash sales accounted for 27 percent of sales. Amid tight supply, half of properties that sold in February 2017 were on the market for 45 days or less compared to 59 days in February 2016.

Lack of supply and appraisal-related problems were the main issues reported by REALTORS®. Respondents also expressed concern about the impact of rising mortgage rates and economic policy changes under the Trump Administration on the recovery of the housing market. Overall, respondents remained confident about the outlook over the next six months for the single-family homes, townhomes, and condominium markets, with the six-month outlook confidence indices for each of these markets registering above 50.

February 2017 REALTORS® Confidence Index Survey Highlights			
	Feb-17	Jan-17	Feb-16
RCI Buyer Traffic Index	70	63	65
RCI Seller Traffic Index	41	41	43
RCI Current Conditions: Single-Family Sales	69	63	64
RCI Six-Month Outlook: Single-Family Sales	80	79	76
First-Time Home Buyers, as Percent of Sales	32	33	30
Sales to Investors, as Percent of Sales	17	15	18
Cash Sales, as Percent of Sales	27	23	25
Distressed Sales, as Percent of Sales	7	7	10
Median Days on Market	45	50	59
Sold at Original List Price or Premium, as Percent of Sales	36	38	37
Median Expected Price Growth in Next 12 Months (%)	3.8	3.5	3.6

³ An index greater than 50 indicates the number of respondents who reported “strong” (index=100) outnumbered those who reported “weak” (index=0). An index equal to 50 indicates an equal number of respondents reporting “strong” and “weak” market conditions. The index is not adjusted for seasonality effects.

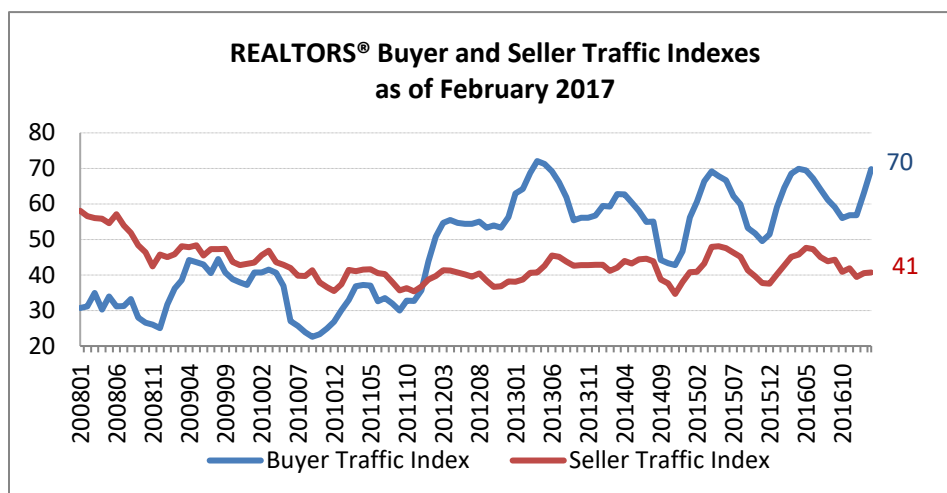
⁴ NAR’s *2016 Profile of Home Buyer and Sellers (HBS)* reports that among primary residence home buyers, 35 percent were first-time home buyers, up from 32 percent in 2015. The HBS surveys primary residence home buyers, while the monthly *RCI Survey* surveys REALTORS® and captures purchases for investment purposes and vacation/second homes.

I. Market Conditions

REALTORS® Reported Strong Buyer Traffic and Tight Supply

The *REALTORS® Buyer Traffic Index* registered at 70 in February 2017 (63 in January 2017; 65 in February 2016), indicating that more respondents viewed buyer traffic conditions as “strong” rather than “weak.”⁵ Homebuying demand is likely being bolstered by sustained job growth, with 2.4 million jobs added in the last 12 months and 16 million jobs generated since February 2010.⁶ Future interest rate increases may also be prompting first-time homebuyers to take advantage of the current mortgage rates. In the week of March 9, the 30-year fixed mortgage rate averaged 4.21 percent.⁷ Mortgage rates are likely to continue to rise modestly to an average of 4.4 percent in 2017 and 5.0 percent in 2018.⁸

The *REALTORS® Seller Traffic Index* registered at 41 in February 2017 (41 in January 2017; 43 in February 2016), indicating that more respondents viewed seller traffic conditions as “weak” rather than “strong.” Supply conditions have remained largely tight in many areas, with the index registering below 50 since January 2008.



Local conditions vary in each state, but the *REALTORS® Buyer Traffic Index* indicates that buyer traffic conditions can be characterized as “moderate” to “very strong” in many states except in North Dakota and Delaware where buyer traffic conditions were “weak.”⁹ Buyer traffic conditions were “very strong” in the states of Washington and Rhode Island.

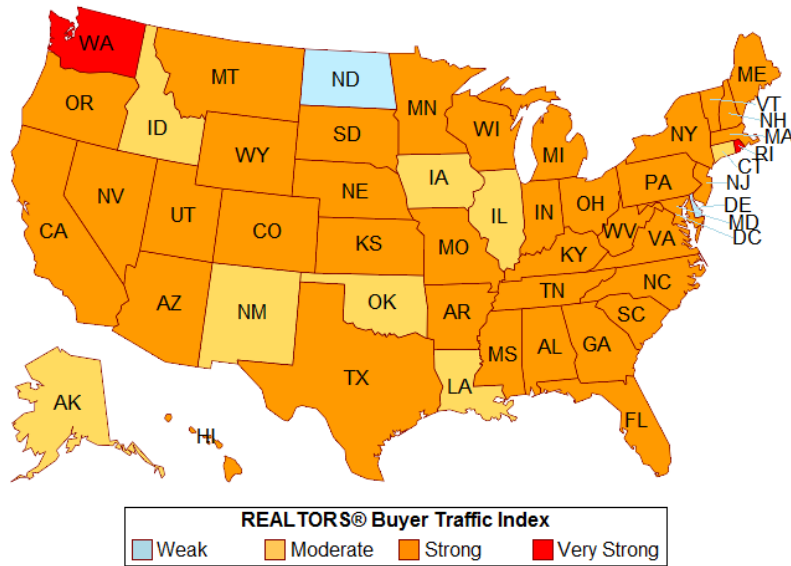
⁵The *REALTORS® Buyer Traffic Index* provides information on the level of homebuying demand or interest, which may materialize as a contract to purchase or closed sale after two or three months.

⁶The last 12 months refers to February 2016 to February 2017. Nearly 8.7 million jobs were lost from February 2008–February 2010, so the gain above previous peak employment is 7.3 million jobs.

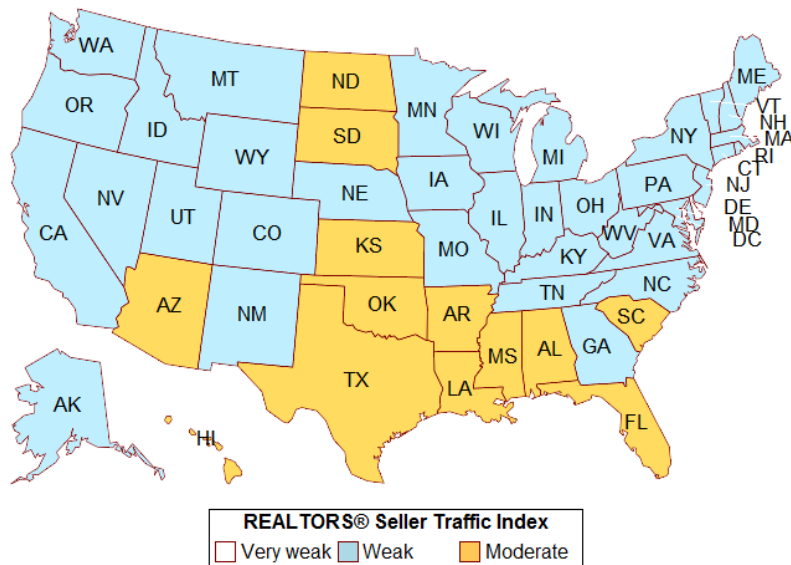
⁷Mortgage rates in this report refer to the average contract rates on 30-year conventional mortgages reported by Freddie Mac.

⁸NAR forecast. See <https://www.nar.realtor/sites/default/files/reports/2017/embargoes/forecast-02-2017-us-economic-outlook-02-27-2017.pdf>.

⁹To increase the number of observations for each state, NAR computes the index based on data for the last three months. Small states such as AK, ND, SD, MT, VT, WY, WV, DE, and D.C., may have fewer than 30 observations. The survey asks, “How do you rate the past month’s buyer/seller traffic in the neighborhood(s) or area(s) where you make most of your sales?” Respondents rated conditions or expectations as “Strong (100),” “Moderate (50),” and “Weak (0).” NAR compiles the responses into a diffusion index. For graphical



The *REALTORS® Seller Traffic Index* indicates seller traffic conditions were “weak” in most states, although 13 states had “moderate” seller traffic conditions. Respondents reported that demand is strong, but there is a severe lack of supply, especially of homes that are affordable to buyers. This is consistent with available data on the affordability of active housing inventory.¹⁰

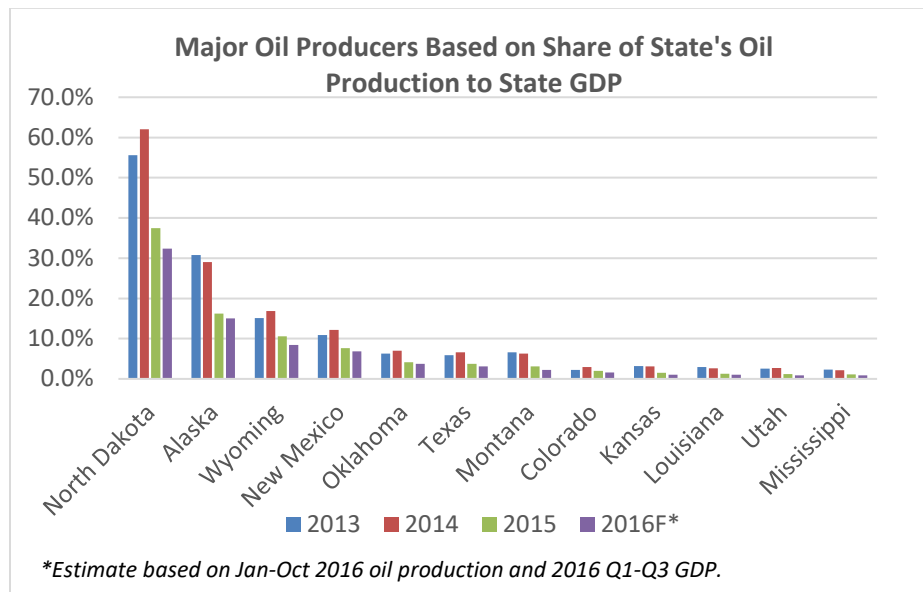
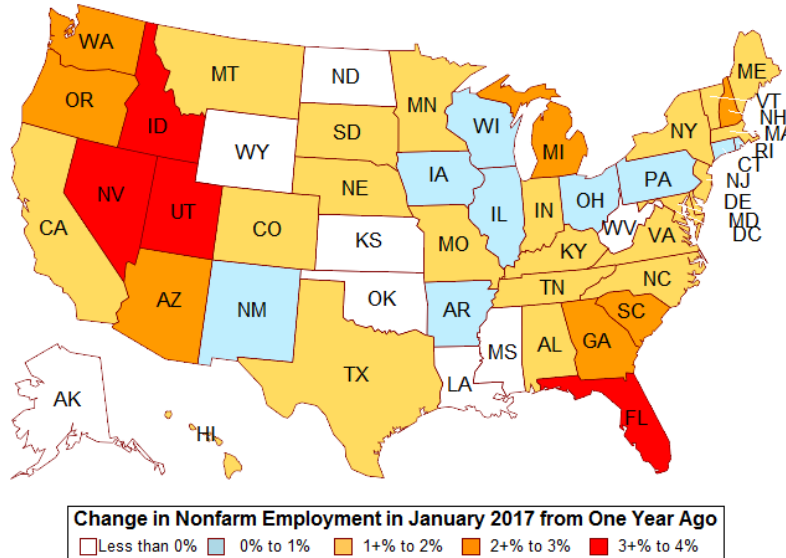


Employment conditions affect the supply and demand for housing. The chart that follows shows the change in non-farm employment from January 2016 to January 2017 by state. Nationally, employment rose 1.6 percent in January 2017. Employment growth was strongest in Idaho, Nevada, Utah, and

purposes, index values 25 and lower are labeled “Very Weak,” values greater than 25 to 45 are labeled “Weak,” values greater than 45 to 55 are labeled “Moderate,” values greater than 55 to 75 are labeled “Strong,” and values greater than 75 are labeled “Very Strong.” The range of +/-5 around 50 approximates the historical margins of error at the 95 percent confidence level for small states.

¹⁰ See for example: <https://www.nar.realtor/news-releases/2017/02/nar-realtorcom-identify-growing-rift-between-housing-availability-and-affordability> and <https://www.nar.realtor/topics/realtors-affordability-distribution-curve-and-score>

Florida. In these states, buyer traffic was “moderate” to “strong”. Non-farm employment contracted in the oil-producing states of Alaska, North Dakota, Wyoming, Kansas, Oklahoma, Louisiana, and Mississippi, as well as in West Virginia.¹¹ In some of these states, the job cutbacks have led to “moderate” seller traffic conditions, based on the *REALTORS® Seller Traffic Index*. Texas, which has a more diversified economy, has been more resilient than other oil-producing states, with employment growing slightly above the national average.¹²

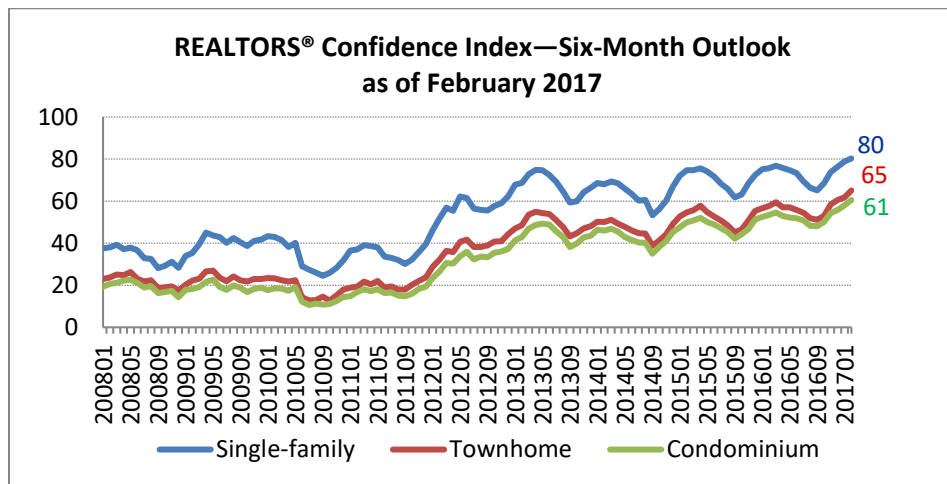


¹¹ Source: U.S. Department of Energy. See https://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbldpd_a.htm.

¹² For a review of states in which oil has an outsized economic impact, see this blog: <http://economistsoutlook.blogs.realtor.org/2016/03/21/is-california-an-oil-producing-state/>

REALTORS® Are Generally Optimistic Over the Next Six Months

The *REALTORS® Confidence Index—Six-Month Outlook* for single-family homes, townhomes, and condominiums each registered above 50, indicating that more REALTOR® respondents expected market conditions to be “strong” than “weak” over the next six months.¹³



The index for condominiums was at 61 in February 2017 (58 in January 2017; 53 in February 2016), the highest level since this index was generated in 2008. The approval of H.R. 3700, the “Housing Opportunity Through Modernization Act of 2016,” appears to be bolstering homebuying in the condominium market.¹⁴ Among other measures, the law eases access to FHA condominium financing by reducing the FHA condominium owner occupancy ratio from 50 to 35 percent, directing the FHA to streamline the condominium re-certification process, and providing more flexibility for mixed-use buildings.

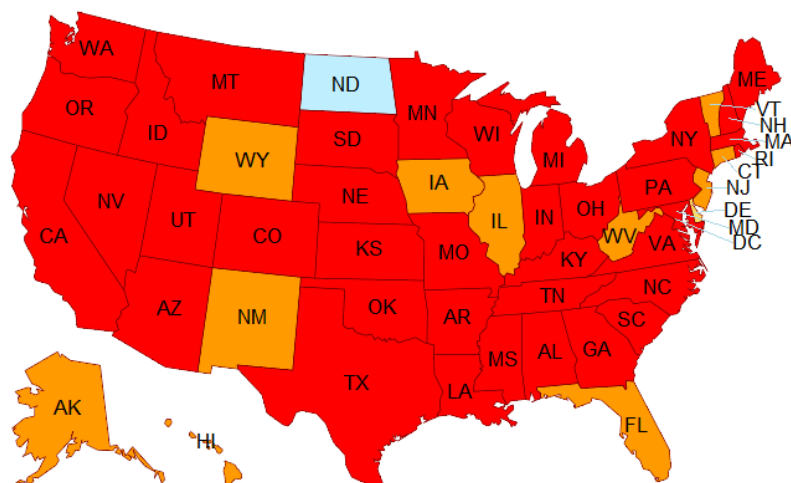
In the single-family homes market, the outlook in the next six months is “moderate” to “very strong” in nearly all states and in the District of Columbia.¹⁵ Only North Dakota registered a “weak” outlook. In the townhomes market, the outlook is mostly “moderate” to “strong” with only five states registering “weak” and three states plus the District of Columbia registering “very strong.” In the market for condominiums, only nine states registered a “weak” outlook, while 23 states plus the District of

¹³ The survey asks, “What are your expectations for the housing market over the next six months compared to the current state of the market in the neighborhood(s) or area(s) where you make most of your sales?” NAR compiles the responses into a diffusion index. An index of 50 indicates a balance of respondents having “weak” (index=0) and “strong” (index=100) expectations or all respondents having moderate (=50) expectations. The index is not adjusted for seasonality.

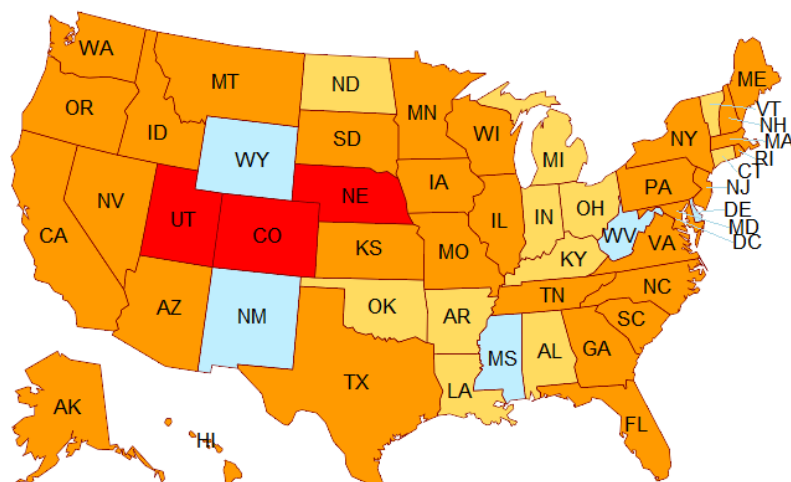
¹⁴ The bill, which was championed by NAR, passed the House of Representatives 427-0 and the Senate under unanimous consent on July 14, 2016 and was signed by President Obama on July 29, 2016. See <http://www.realtor.org/articles/president-obama-signs-hr-3700>

¹⁵ To increase the number of observations for each state, the index is based on data for the last three months. Small states such as AK, ND, SD, MT, VT, WY, WV, DE, and D.C., may have fewer than 30 observations. Respondents rated conditions or expectations as “Strong (100),” “Moderate (50),” and “Weak (0).” NAR compiles the responses into a diffusion index. A diffusion index greater than 50 means that more respondents rated conditions as “Strong” than “Weak.” For graphical purposes, index values 25 and lower are labeled “Very Weak,” values greater than 25 to 45 are labeled “Weak,” values greater than 45 to 55 are labeled “Moderate,” values greater than 55 to 75 are labeled “Strong,” and values greater than 75 are labeled “Very Strong.” The range of +/-5 around 50 approximates the historical margins of error at the 95 percent confidence level for small states.

Columbia registered a strong outlook. Post-election factors may boost the outlook in the District of Columbia.¹⁶

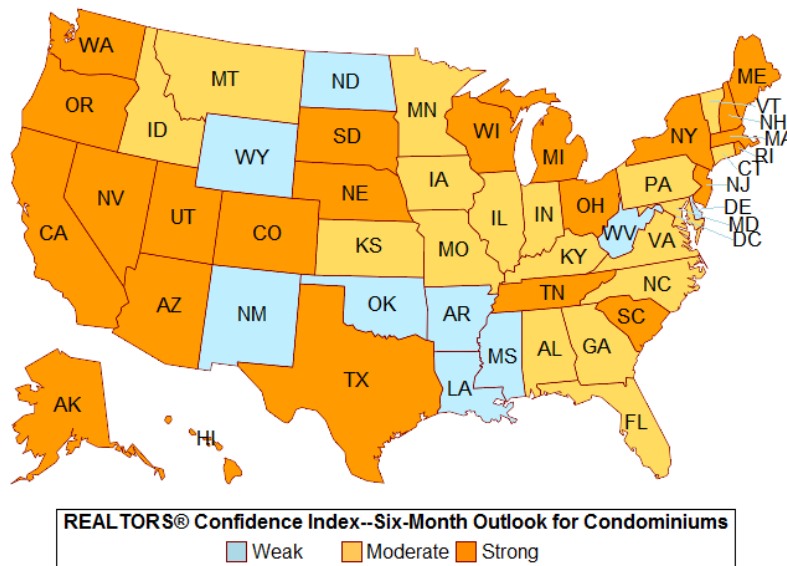


REALTORS® Confidence Index--Six-Month Outlook for Single-family Homes
 Weak Moderate Strong Very Strong



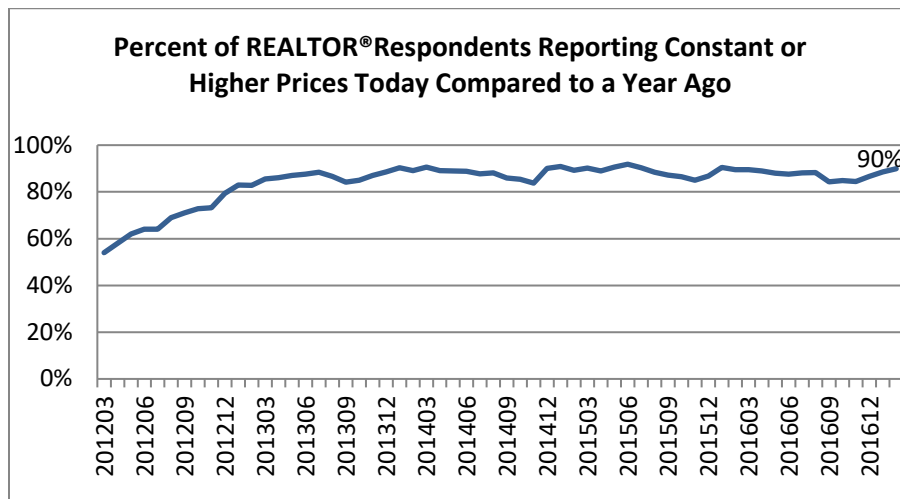
REALTORS® Confidence Index--Six-Month Outlook for Townhomes
 Weak Moderate Strong Very Strong

¹⁶ See for example this review: <http://economistsoutlook.blogs.realtor.org/2016/10/05/do-elections-affect-the-housing-market-in-washington-dc/>



Ninety Percent of Respondents Reported Constant or Higher Prices Compared to One Year Ago

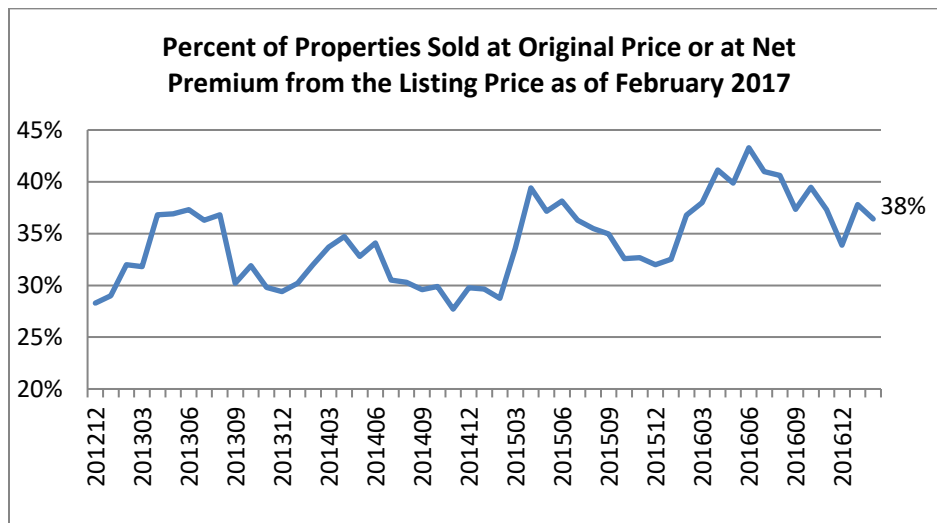
Given the low level of inventory of homes for sale in many areas coupled with strong buyer traffic in most areas, 90 percent of respondents reported that home prices either remained constant or rose in February 2017 compared to one year ago (88 percent in January 2017; 90 percent in February 2016).¹⁷



Because conditions are competitive for buyers, offers continue to be high relative to asking price; 36 percent of properties sold at or above the original listing price (38 percent in January 2017; 37 percent in February 2016). When this survey first gathered this information in February 2012, only 28 percent of

¹⁷ The survey asks, "Considering your average home transaction from the past year, at what average price would the very same home be sold today?"

properties sold at or above the original list price. Because this measure tends to rise in the spring and summer, we expect the share of properties sold at or above listing price to increase in the months ahead.

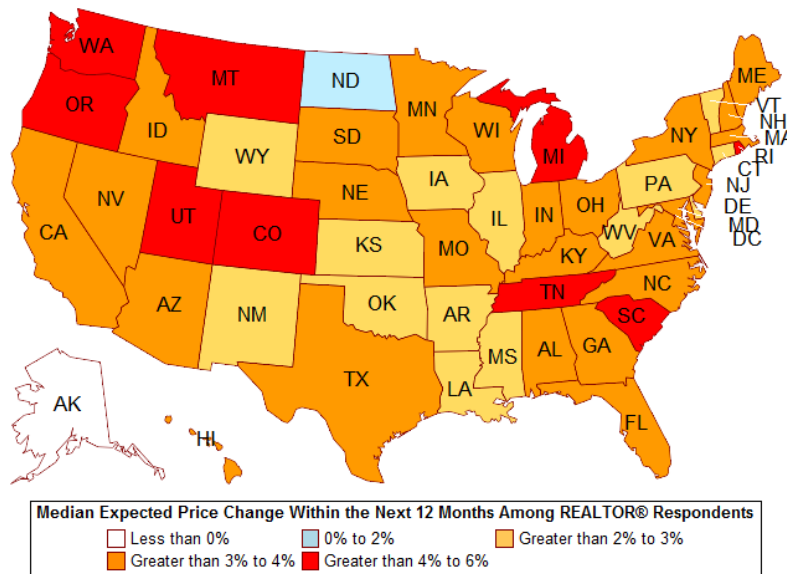


REALTORS® Expect Modest Price Change in Next 12 Months

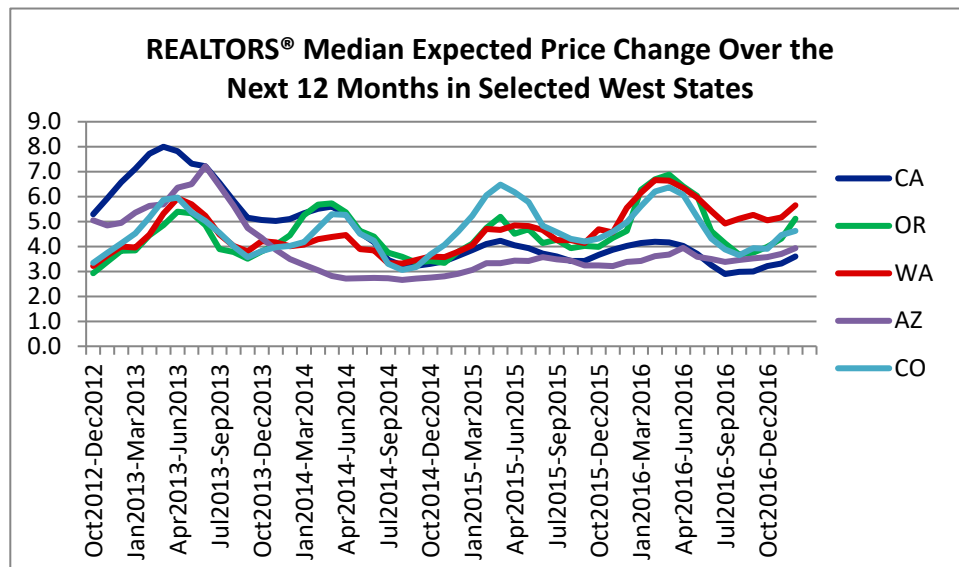
Among REALTORS® who responded to the February 2017 survey, the median expected home price change in the next 12 months was 3.8 percent, which means that half of respondents expect home prices to increase by less than 3.8 percent over the next 12 months while half of respondents expect home prices to increase by more than 3.8 percent in that time.

The map below shows the median expected price change of the respondents in the next 12 months at the state level.¹⁸ The state of Washington has the highest median expected price growth at nearly six percent, followed by the states of Oregon, Montana, Utah, Colorado, Michigan, Tennessee, South Carolina, and Rhode Island at four to five percent. The oil-producing states of Alaska and North Dakota have the lowest median expected price change; respondents expect a slight decline in Alaska home prices and growth of less than two percent in North Dakota in the next 12 months.

¹⁸ The median expected price change is a measure that represents the middle value of the distribution of responses.

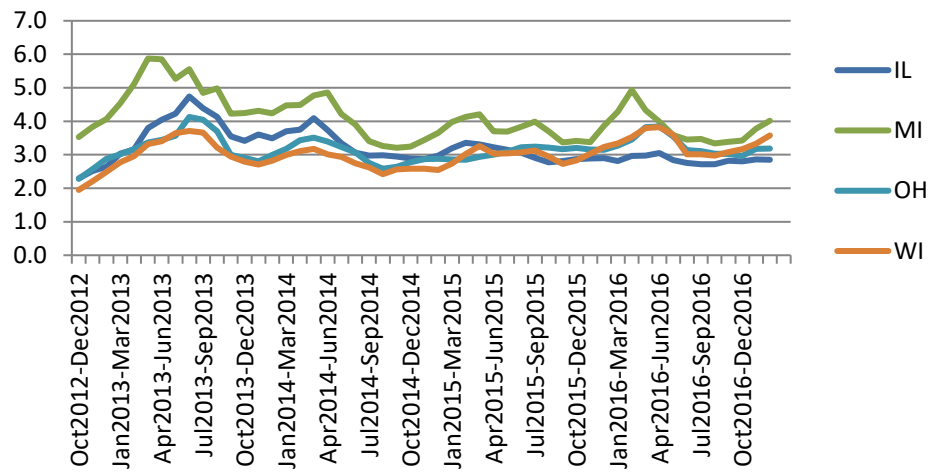


Looking at the values over time in selected states, the median expected price change appears to be increasing again, indicating that respondents expect demand to remain strong, even as home prices continue to rise.¹⁹ In many states, the expected price change in the next 12 months is higher than the expected price change one year ago.

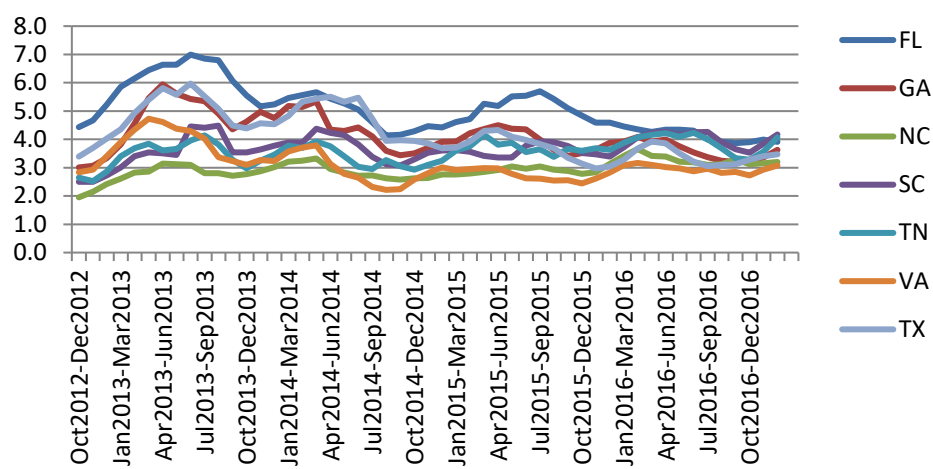


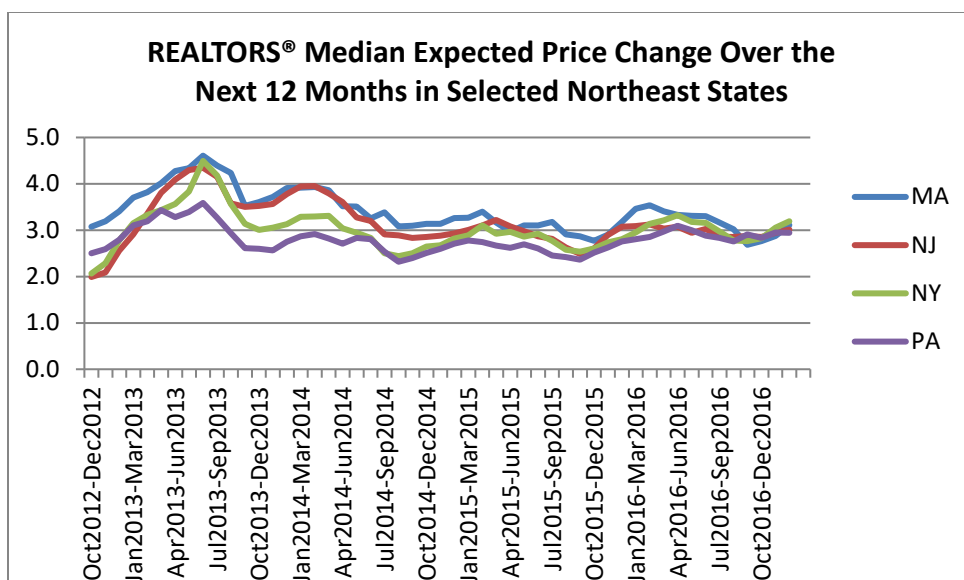
¹⁹ To increase the number of observations for each state, NAR uses data from the last three surveys. The selected states shown in these charts are those with approximately 150 observations.

REALTORS® Median Expected Price Change Over the Next 12 Months in Selected Midwest States



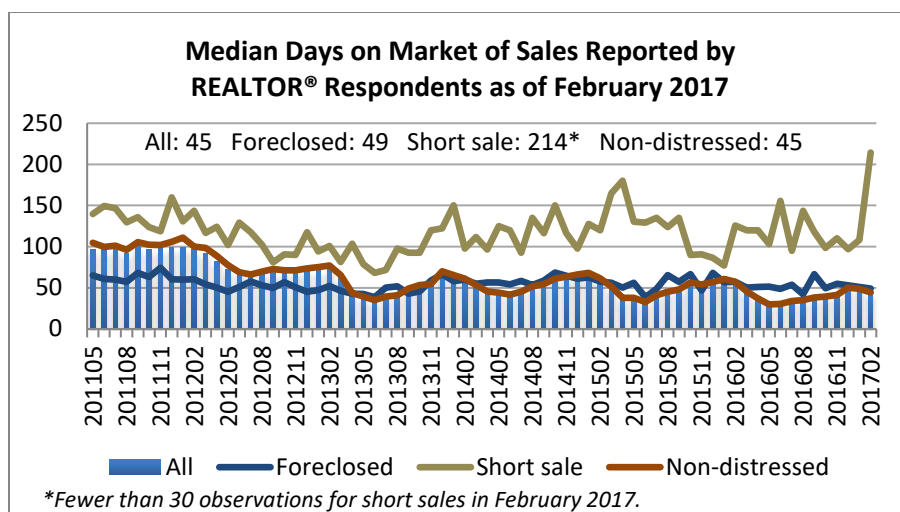
REALTORS® Median Expected Price Change Over the Next 12 Months in Selected South States





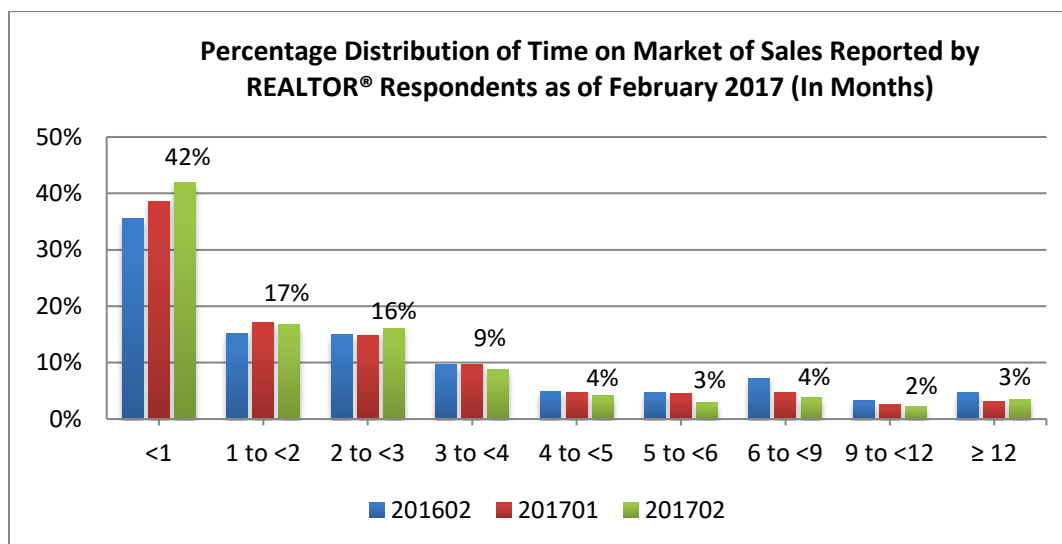
Properties Typically on the Market for 45 Days

Properties stayed on the market for fewer days in February 2017 compared to one year ago, amid strong demand and tight supply. Nationally, properties sold in February 2017 were typically on the market for 45 days (50 days in January 2017; 59 days in February 2016).²⁰ The length of time properties are on the market has fallen as demand has outpaced the inventory of homes for sale. In 2011, properties were typically on the market for 97 days.



²⁰The survey asks, "For the last house that you closed in the past month, how long was it on the market from listing time to the time the seller accepted the buyer's offer?" The median is the number of days at which half of the properties stayed on the market. In generating the median days on market at the state level, NAR uses data for the last three surveys to have close to 30 observations. Small states such as AK, ND, SD, MT, VT, WY, WV, DE, and D.C., may have fewer than 30 observations.

Nationally, 42 percent of properties that sold in February 2017 were on the market for less than a month (38 percent in January 2017; 35 percent in February 2016).²¹ Only nine percent of properties were on the market for six months or longer (11 percent in January 2017; 15 percent in February 2016).

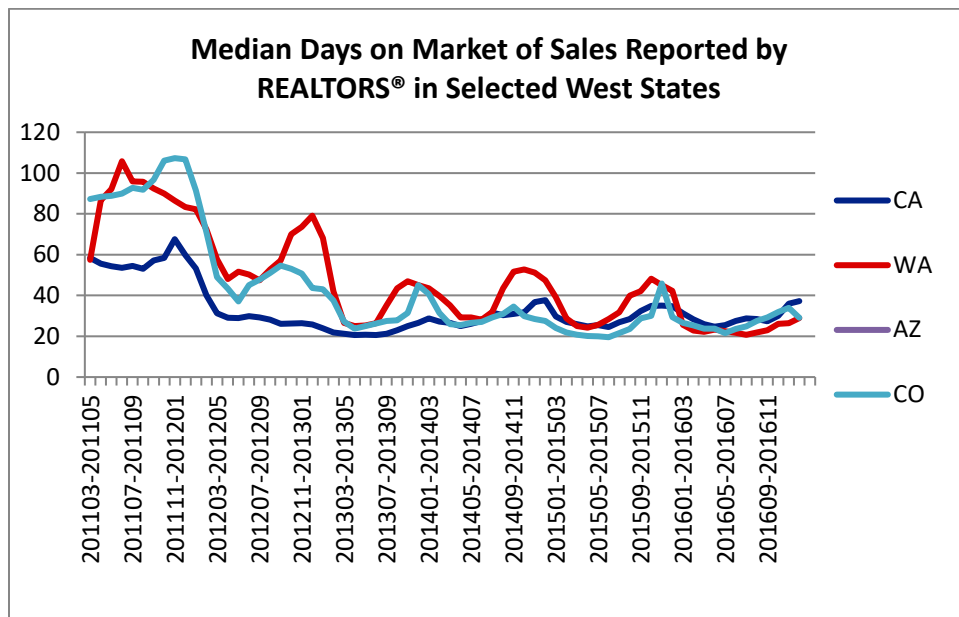
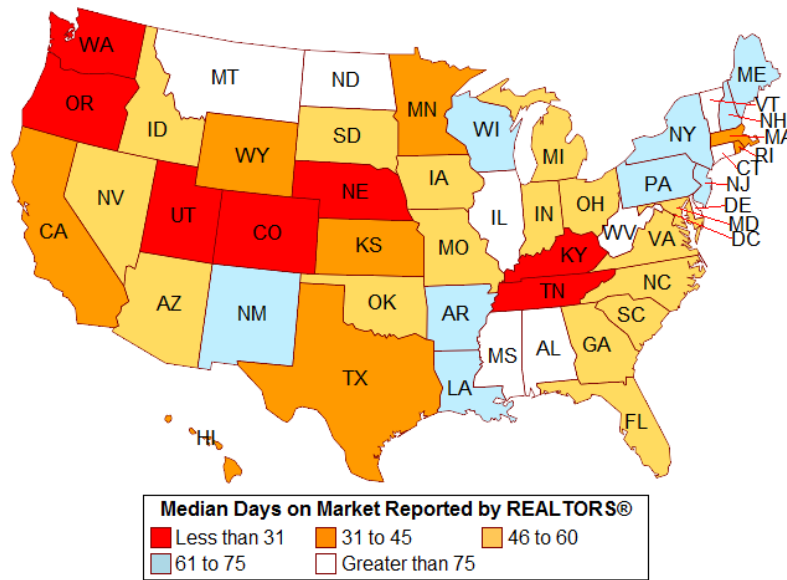


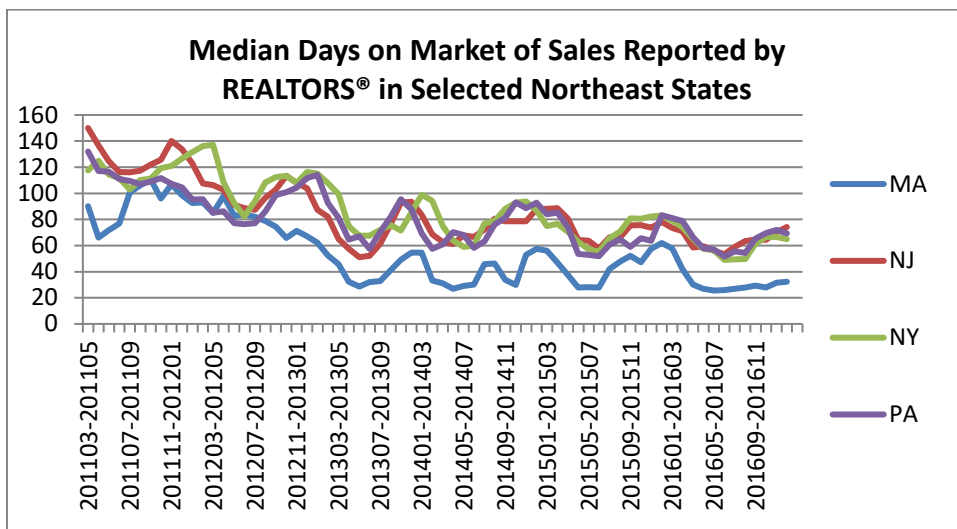
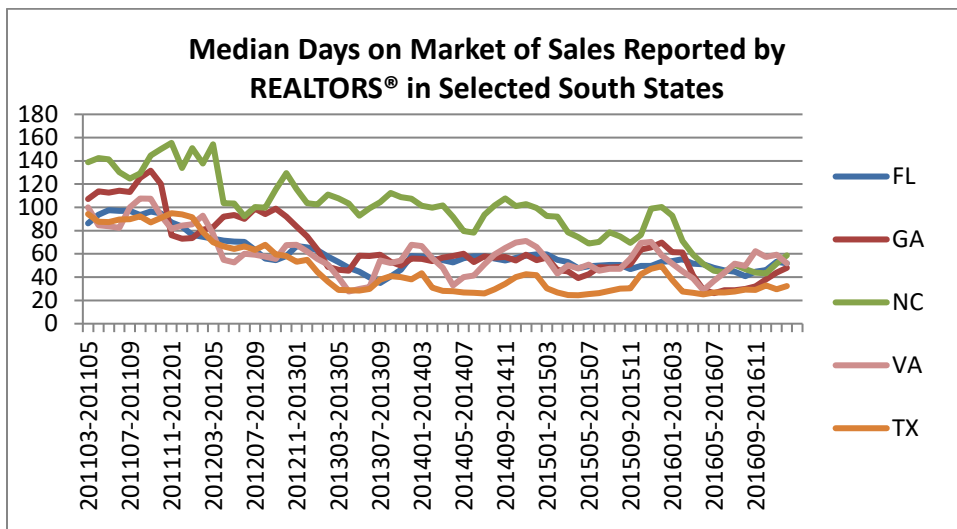
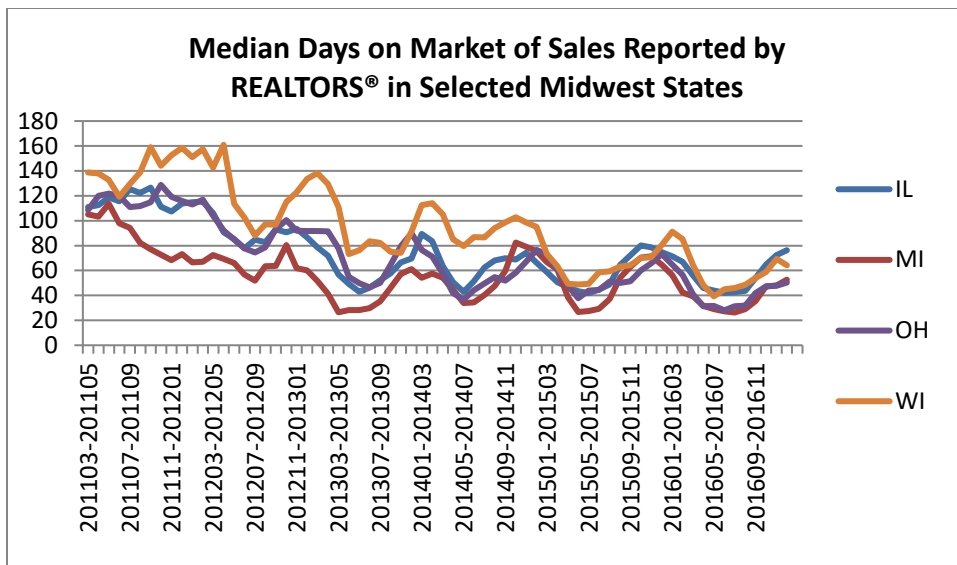
Properties that sold in December 2016–February 2017 were typically on the market for less than 31 days in Washington, Oregon, Colorado, Utah, Nebraska, Kentucky, Tennessee, and the District of Columbia.²² Looking at the values over the last few years, in most states the median length of time that properties stay on the market has trended downwards, though the graphs also show that days on market in some states fluctuate seasonally.²³ Local conditions vary, and the data is provided for REALTORS® who want to compare local markets against other states and the national summary.

²¹ Days on market usually refers to the time from listing date to contract date.

²² There is only one observation for Alaska so the median days on market cannot be calculated.

²³ To increase the number of observations for each state, NAR uses data from the last three surveys. The selected states shown in these charts are those with approximately 150 observations.

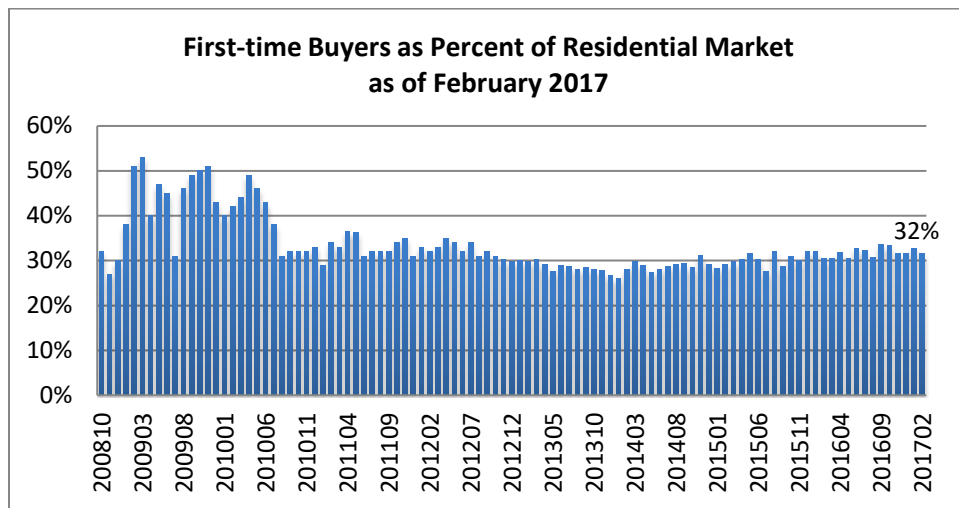




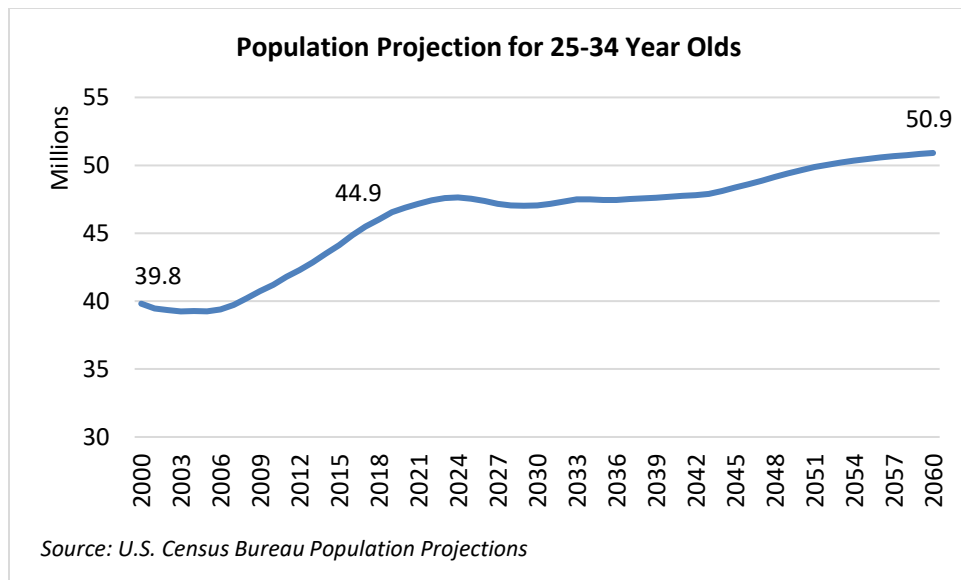
II. Buyer and Seller Characteristics

Sales to First-Time Buyers: 32 Percent of Sales

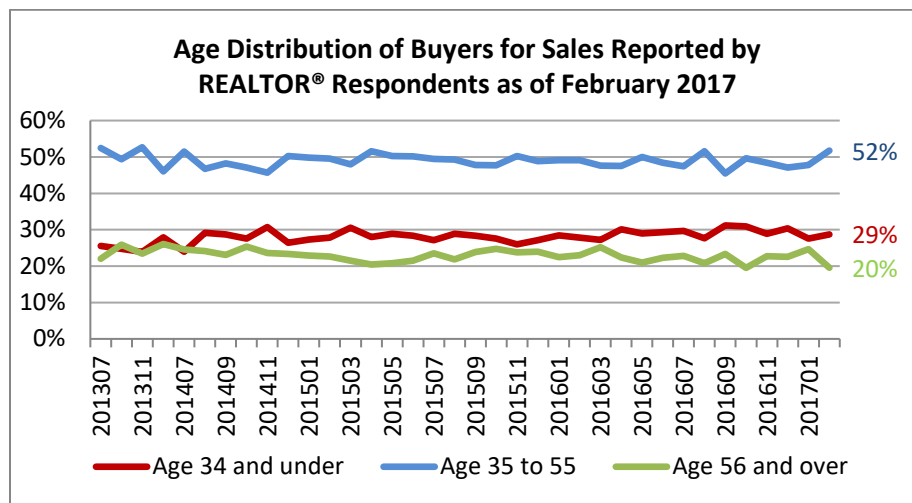
Sales to first-time homebuyers accounted for 32 percent of residential sales in February 2017 (33 percent in January 2017; 30 percent in February 2016). Sustained job growth and improving incomes along with the aging of the Millennial generation are likely underpinning the continued, albeit modest, increase in homebuying by first-time buyers. The anticipation of further increases in interest rates may also have prompted first-time buyers to enter the market.²⁴ As shown below, the population most likely to be first-time home buyers—those aged 25 to 34—is projected to continue to increase through 2024 at which point many Millennials will have aged out of this age group.



²⁴ Mortgage rates in this report refer to the average contract rates on 30-year conventional mortgages reported by Freddie Mac. The average 30-year mortgage rate was 3.54 percent in the week of November 3, 2016. It broke above four percent, to 4.03 percent, in the week of November 24, and it climbed to 4.32 percent in the week of January 29. Since that time, rates have eased somewhat. The average rate stood at 4.21 percent in the week of March 9, 2017.



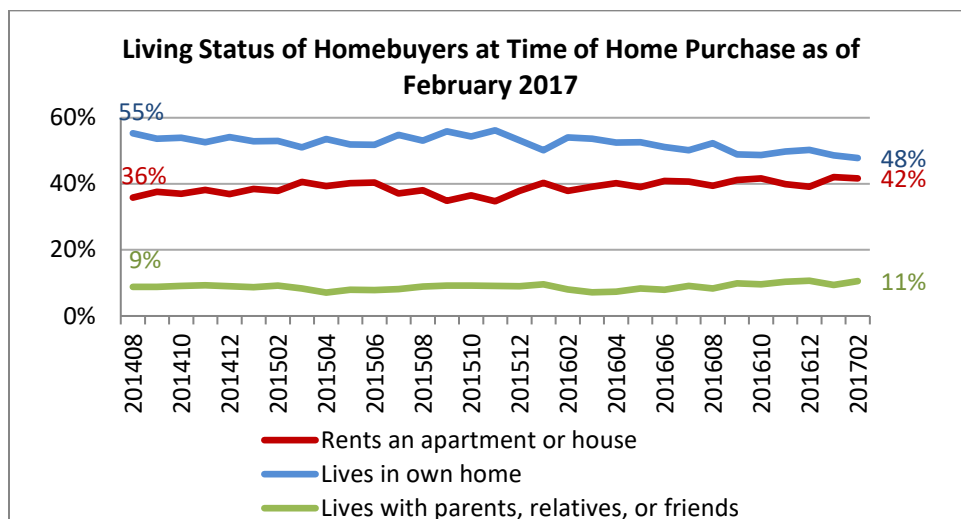
Buyers 34 years old and under, who are likely to be first-time buyers, accounted for 29 percent of residential buyers in February 2017 (28 percent in January 2017; 28 percent in February 2016). The share of buyers 34 and under appears to be on a gradual uptrend from the 26 percent share in July 2013 when this information was first collected in the survey.²⁵



Homebuyers who were renting prior to their recent home purchase accounted for 42 percent of sales in February 2017 (42 percent in January 2017; 38 percent in February 2016). The fraction of buyers who were renting prior to their recent home purchase has increased from the 36 percent share in January

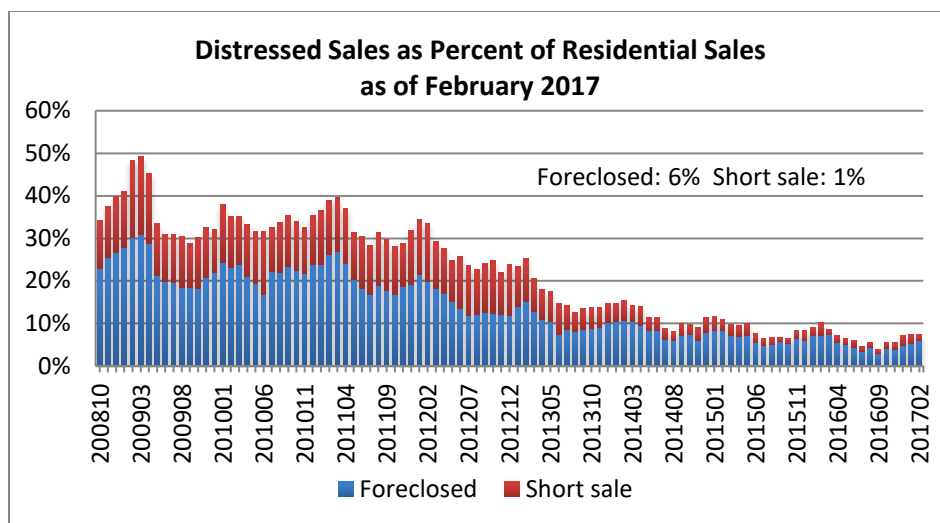
²⁵ NAR's 2016 *Profile of Home Buyer and Sellers (HBS)* reports that among primary residence home buyers, 28 percent were 18-34 years old. The HBS surveys primary residence home buyers, while the monthly *RCI Survey* surveys REALTORS® and captures purchases for investment purposes and vacation/second homes.

2014 when this information was first collected.²⁶ At the same time, the share of buyers who were living in their own home at the time of their recent home purchase has decreased.



Distressed Sales: Seven Percent of Sales

Distressed sales accounted for seven percent of sales in February 2017 (seven percent in January 2017; 10 percent in February 2016). Foreclosed properties were six percent of residential sales, while short sales were only one percent of residential sales.²⁷ With rising home values, improved economic conditions, and fewer foreclosures, the share of sales of distressed properties has generally continued to decline. Distressed sales accounted for about a third to half of sales until 2012 when they began to fall below this level.

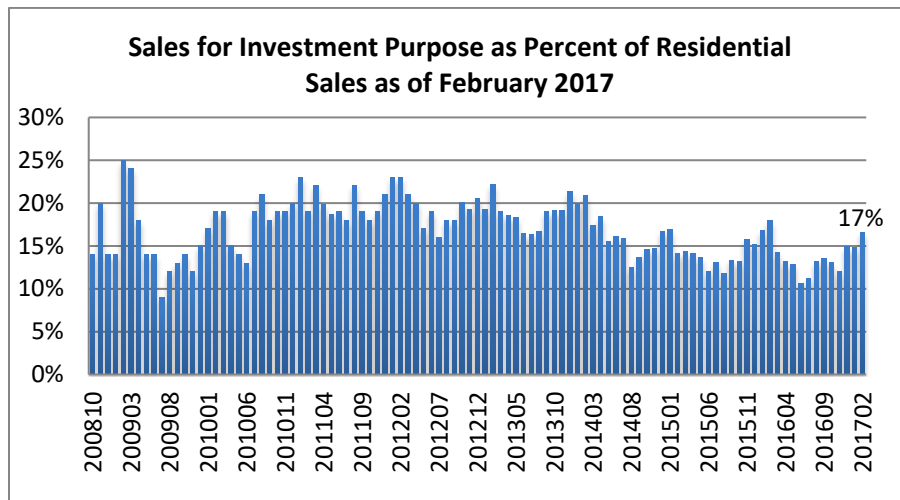


²⁶ NAR's 2016 *Profile of Home Buyer and Sellers (HBS)* reports that among primary residence home buyers, 41 percent rented an apartment or house. The HBS surveys primary residence home buyers, while the monthly *RCI Survey* surveys REALTORS® and also captures purchases for investment purposes and vacation/second homes.

²⁷ The survey asks respondents who had a sale in the month to report on the characteristics of the most recent sale closed.

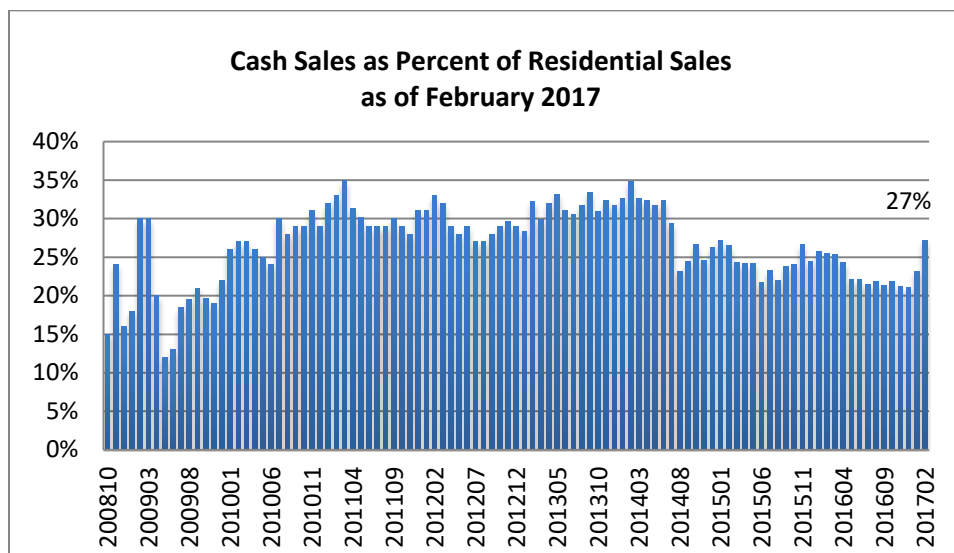
Sales for Investment Purposes: 17 Percent of Sales

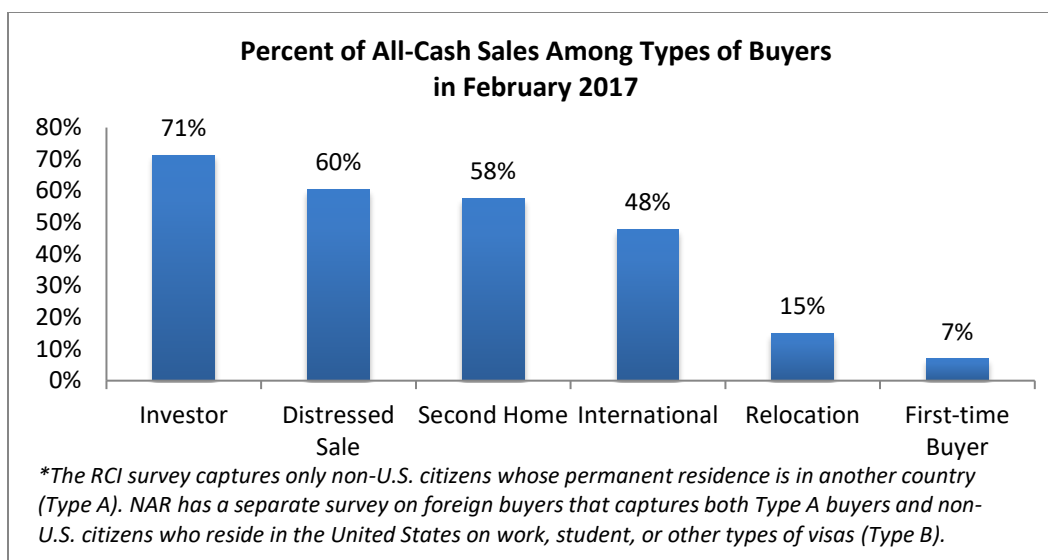
Investment sales made up 17 percent of sales in February 2017 (15 percent in January 2017; 18 percent in February 2016). Purchases for investment purposes have generally been on the decline since 2011–2012 when investment sales accounted for 20 percent of sales. Purchasing for investment has become less attractive with fewer distressed sales on the market and with home prices rising, but a seasonal pick-up in the share of investment purchases can often be seen from November to February.



Cash Sales: 27 Percent of Sales

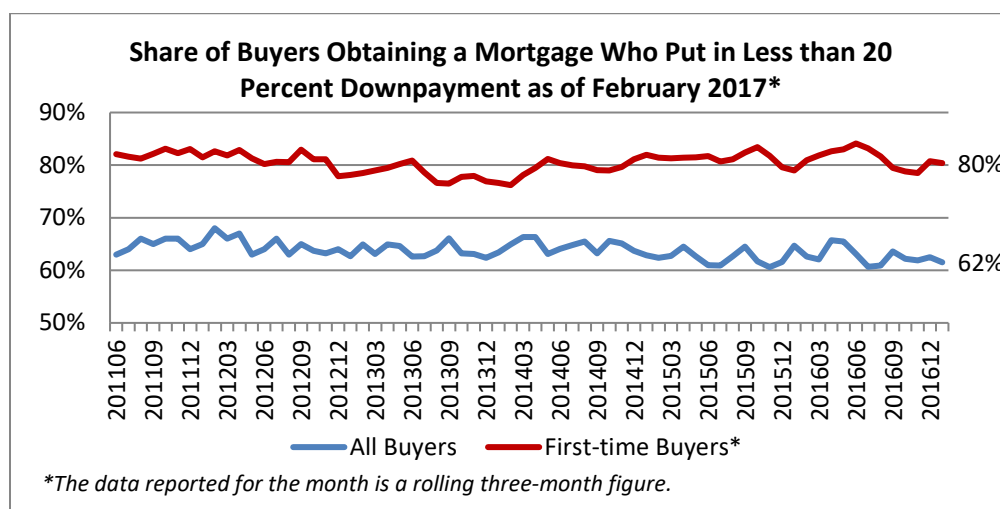
In February 2017, 27 percent of sales were cash sales (23 percent in January 2017; 25 percent in February 2016). Buyers of homes for investment purposes, distressed sales, second homes, and foreign clients are more likely to pay cash than first-time home buyers. As the shares of investment and distressed sales have declined, so has the share of cash sales. This month's uptick in cash sales is likely to be a one month phenomenon, but higher mortgage rates and the elevated stock market could be behind the increase in cash sales.





Eighty Percent of First-time Buyers Put Down Less than 20 Percent Downpayment

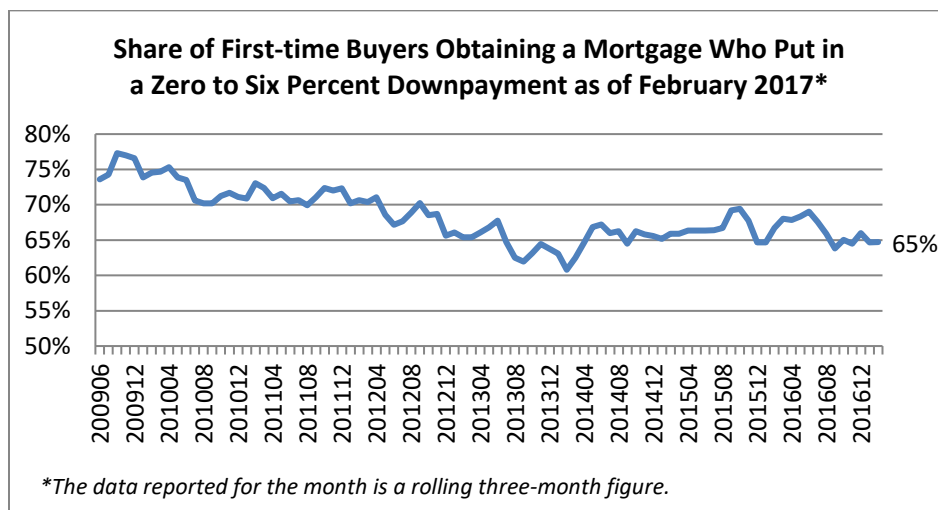
More first-time homebuyers take advantage of a low downpayment loan compared to all homebuyers. Among all buyers whose transaction closed in February 2017, 62 percent of those who obtained a mortgage made a downpayment of less than 20 percent. Among first-time homebuyers who obtained a mortgage and whose transactions closed in December 2016–February 2017, 80 percent made a downpayment of less than 20 percent.²⁸



Among first-time homebuyers, 65 percent put down a zero to six percent downpayment, a decrease from the 74 percent share in June 2009 when NAR started collecting this information in the *RCI Survey*. The Federal Housing Administration (FHA) and the Government Sponsored Enterprises (GSEs) have implemented policies to make credit more widely available, such as FHA's reduction of its annual mortgage insurance premiums and the Government Sponsored Enterprises (GSEs) acceptance of three

²⁸ To increase the sample size for first-time homebuyers, NAR uses information from the last three surveys.

percent downpayment mortgages. However, the impact of these measures in attracting first-time homebuyers appears to be modest for a variety of reasons. Lack of information about these products may be one reason. In fact, NAR's 2016 Q3 Housing Opportunities and Market Experience (HOME) Survey found that only 13 percent of those aged 34 or under believe they need a downpayment of five percent or less.²⁹ Additionally, although low downpayment loans are available, some buyers may want to save for a bigger downpayment to meet underwriting standards (e.g., debt-to-income ratios, loan-to-value ratios), save on mortgage insurance, or get a lower interest rate.

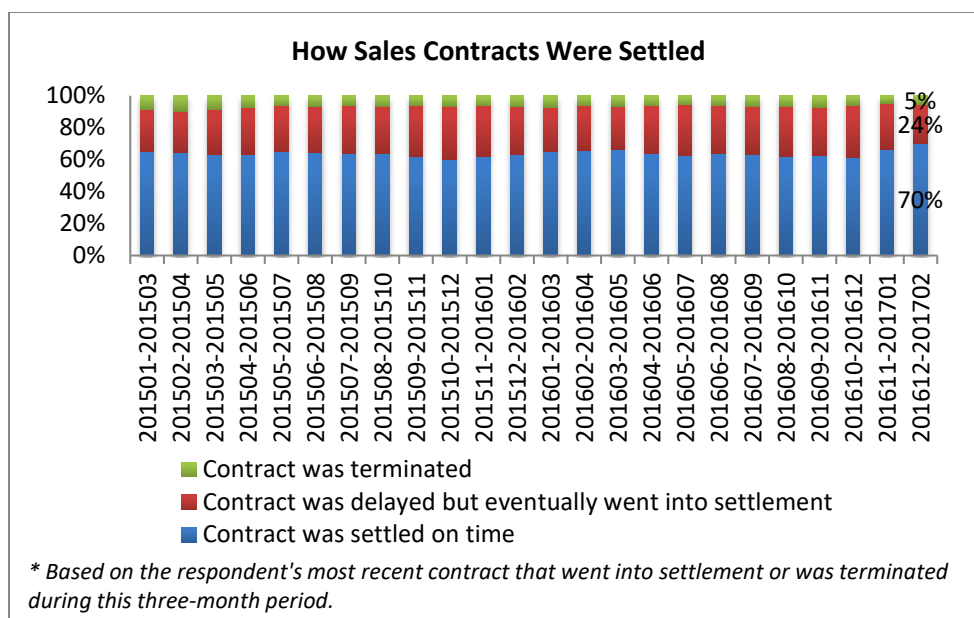


III. Issues Affecting Transactions

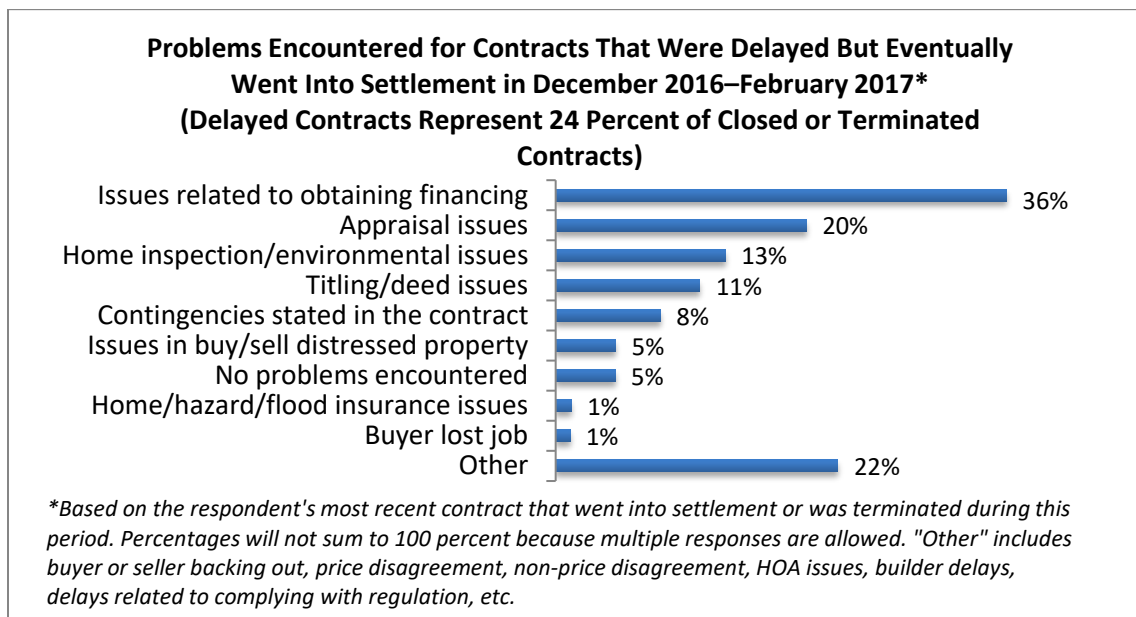
Contract Settlement: Financing, Home Inspection, and Appraisals Are Major Issues

Most contracts are settled on time. Among respondents who reported they had a contract that went into settlement or was terminated over the period December 2016–February 2017, 70 percent reported that the contracts were settled on time, 24 percent had a delayed settlement, and five percent reported that the contract was terminated.

²⁹ See: <http://www.realtor.org/reports/2016-q3-homeownership-opportunities-and-market-experience-home-survey>.

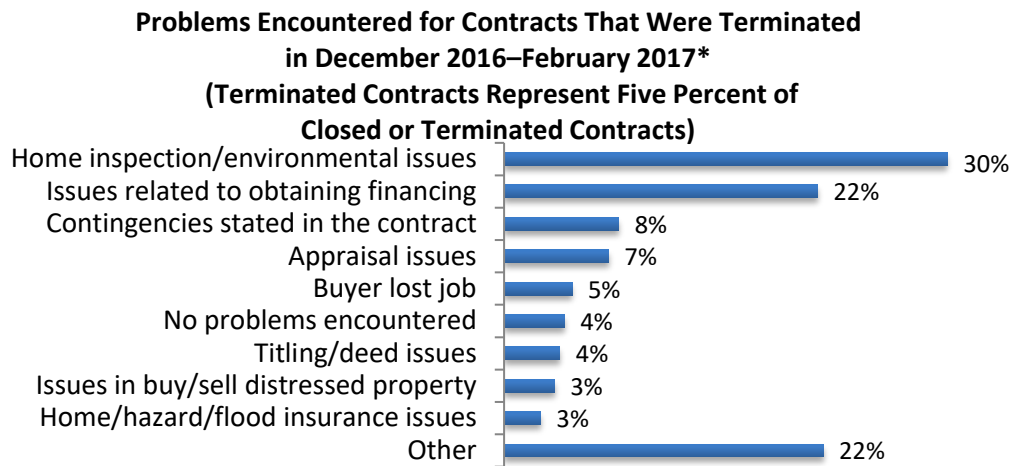


Among contracts that had a delayed settlement (24 percent), 36 percent faced issues related to obtaining financing and 20 percent had appraisal issues. Regarding appraisal issues, respondents reported facing appraisal delays due to a shortage of appraisers, valuations that are not in line with market conditions, and “out-of-town” appraisers who are not familiar with local conditions. In [NAR’s Survey of Mortgage Originators](#), 55 percent who took part in the survey reported some level of issues getting appraisals.³⁰ Other specific issues that led to delays involved titling, sale contingencies, problems related to distressed sales, home/hazard/flood insurance issues, and the buyer losing a job.



³⁰ Ken Fears, 2016 Survey of Mortgage Originators, Fourth Quarter, Economists Outlook Blog. See <http://economistsoutlook.blogs.realtor.org/2017/02/07/survey-of-mortgage-originators/>

Among contracts that were terminated (five percent), 30 percent faced issues related to home inspections and 22 percent had issues related to the buyer's ability to obtain financing.



**Based on the respondent's most recent contract that went into settlement or was terminated during this period. Percentages will not sum to 100 percent because multiple responses are allowed. "Other" includes buyer or seller backing out, price disagreement, non-price disagreement, HOA issues, builder delays, etc.*



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