REALTORS® CONFIDENCE INDEX

Report on the March 2017 Survey

National Association of REALTORS®
Research Department

Lawrence Yun, Senior Vice President
and Chief Economist

The Voice for Real Estate®

NATIONAL ASSOCIATION of REALTORS®

REALTORS® CONFIDENCE INDEX SURVEY
Report on the March 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 March 2017 report is based on the responses of 2,703 REALTORS®, 1,484 of which closed a sale.[1] Respondents reported on local market conditions experienced in March 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 April 1–10, 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.

Lawrence Yun, Senior Vice President and Chief Economist
Danielle Hale, Managing Director, Housing Research
Gay Cororaton, Research Economist
Meredith Dunn, Research Communications Manager

Research Division
NATIONAL ASSOCIATION *of* REALTORS®
500 New Jersey Avenue, NW
Washington, DC 20001
202.383.1000

[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, ten 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.

Table of Contents

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 March 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 from its level one year ago, but it increased from its level in the previous month. It has remained below 50 since February 2008, indicating that seller activity is still “weak.”

First-time homebuyers accounted for 32 percent of sales.[4] Amid sustained 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 six percent of sales, purchases for investment purposes made up 15 percent of sales, and cash sales accounted for 23 percent of sales. Amid tight supply, half of properties that sold in March 2017 were on the market for 34 days or less compared to 47 days in March 2016.

Lack of homes for sale was the main issue reported by REALTORS®. Respondents reported a mixed effect from the uptick in mortgage rates since November 2016; some buyers are encouraged to act quickly while others are discouraged by diminished affordability. With the coming of spring and summer, more respondents expect the outlook to be “strong” than “weak” in the next six months compared to current conditions. The six-month outlook confidence indices for the single-family home, townhome, and condominium markets each registered above 50, with the indices all higher compared to their levels one year ago.

March 2017 REALTORS® Confidence Index Survey Highlights

	Mar-17	Feb-17	Mar-16
RCI Buyer Traffic Index	74	70	69
RCI Seller Traffic Index	43	41	45
RCI Current Conditions: Single-Family Sales	74	69	69
RCI Six-Month Outlook: Single-Family Sales	81	80	77
First-Time Home Buyers, as Percent of Sales	32	32	30
Sales to Investors, as Percent of Sales	15	17	14
Cash Sales, as Percent of Sales	23	27	25
Distressed Sales, as Percent of Sales	6	7	8
Median Days on Market	34	45	47
Sold at Original List Price or Premium, as Percent of Sales	42	36	38
Median Expected Price Growth in Next 12 Months (%)	4.0	3.8	3.7

[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.

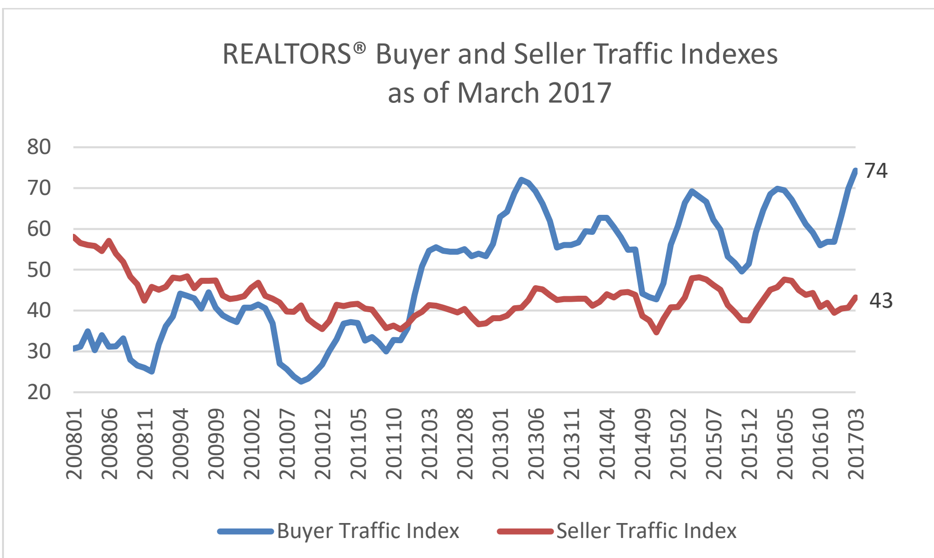
[4] NAR’s *2016 Profile of Home Buyer and Sellers (HBS)* reports that among primary residence home buyers, 35 percent were first-time home buyers, up from 32 percent in 2015. The HBS surveys primary residence home buyers, while the monthly *RCI Survey* surveys REALTORS® and captures purchases for investment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

I. Market Conditions

REALTORS® Reported Strong Buyer Traffic and Tight Supply

The *REALTORS® Buyer Traffic Index* registered at 74 in March 2017 (70 in February 2017; 69 in March 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 2.2 million jobs added in the last 12 months and 16 million jobs generated since February 2010.[6] The unemployment rate fell to 4.5 percent in March 2017, the lowest rate since the economic recovery from the 2008-2009 recession. Future interest rate increases may also be prompting first-time homebuyers to take advantage of the current mortgage rates. In the week of April 6, the 30-year fixed mortgage rate averaged 4.1 percent, and rates have held above four percent since the week of November 24, 2016.[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 43 in March 2017 (41 in February 2017; 45 in March 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 February 2008.



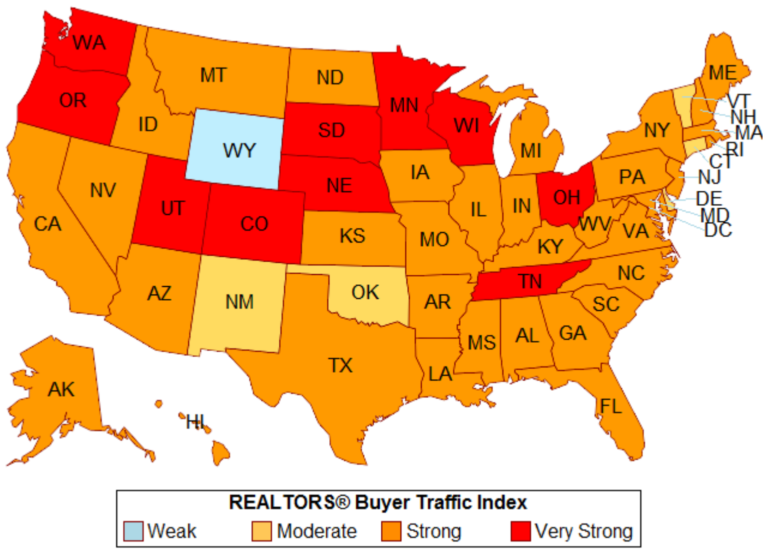
[5]The *REALTORS® Buyer Traffic Index* provides information on the level of homebuying demand or interest, which may materialize as a contract to purchase or closed sale after two or three months.

[6] The 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 7.4 million jobs.

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

[8] NAR forecast. See https://www.nar.realtor/sites/default/files/reports/2017/embargoes/forecast-03-2017-us-economic-outlook-03-29-2017.pdf.

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 Wyoming where buyer traffic conditions were "weak."[9]



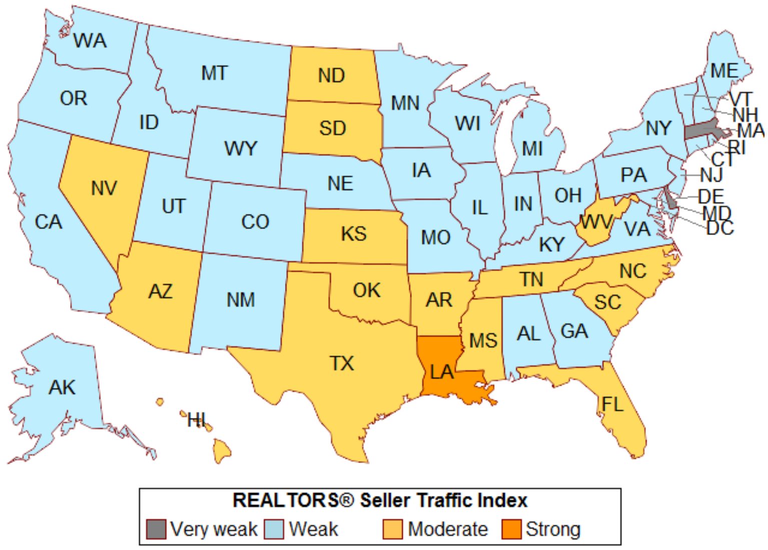
The *REALTORS® Seller Traffic Index* indicates seller traffic conditions were "very weak" to "weak" in most states, but conditions were "moderate" to "strong" in 15 states, which includes oil-producing states that have been impacted by the collapse in oil prices since the middle of 2014.[10] Respondents reported that demand is strong, but supply is lacking, especially homes that are affordable to buyers. This is consistent with available data on the affordability of active housing inventory.[11]

---

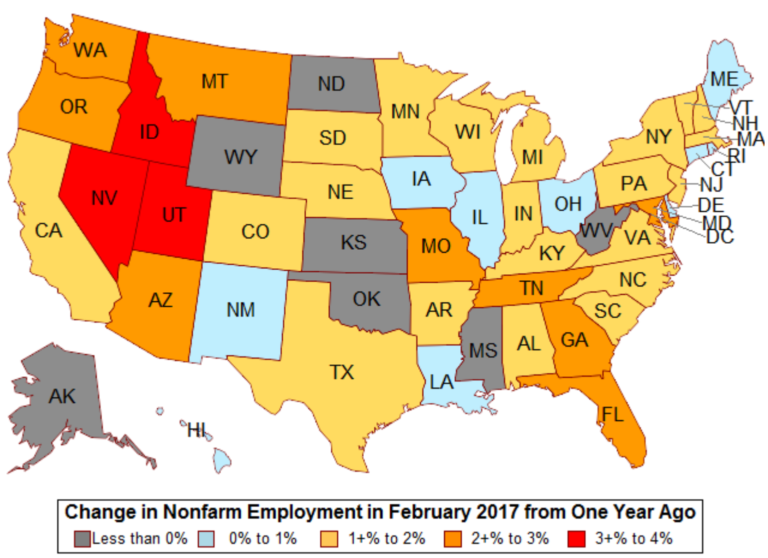
9 To increase the number of observations for each state, NAR computes the index based on data for the last three months. Small states such as AK, ND, SD, MT, VT, WY, WV, DE, and D.C., may have fewer than 30 observations. The survey asks, "How do you rate the past month's buyer/seller traffic in the neighborhood(s) 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 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 While the price of oil has picked up in the last year, the March 2017 price was roughly half the price that prevailed in Summer 2014 before the collapse, so oil-dependent economies may see some improvement, but generally remain at a low level.

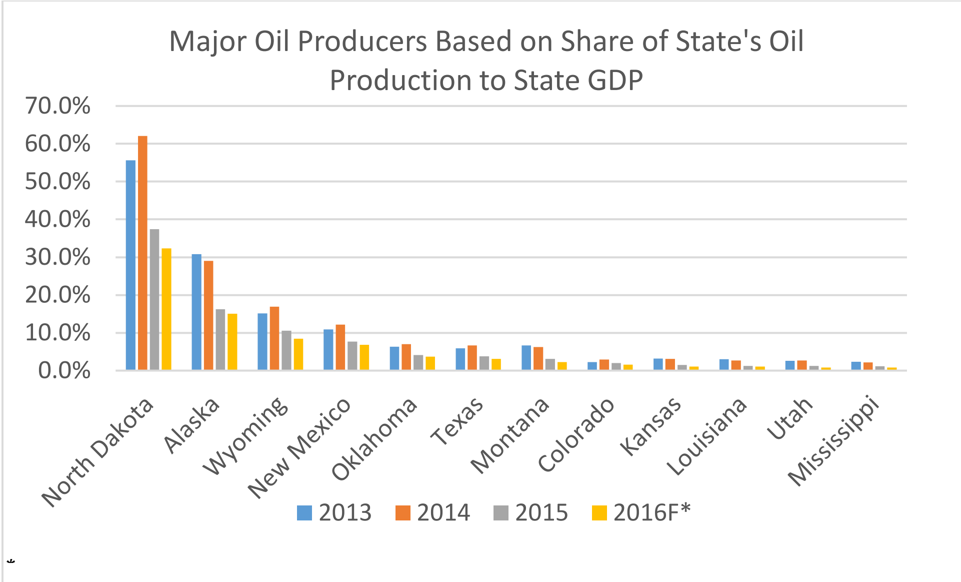
11 See for example: https://www.nar.realtor/news-releases/2017/02/nar-realtorcom-identify-growing-rift-between-housing-availability-and-affordability and https://www.nar.realtor/topics/realtors-affordability-distribution-curve-and-score



Employment conditions affect the supply and demand for housing. Nationally, employment rose 1.6 percent in February 2017 compared to February 2016. Employment growth was strongest in Idaho, Nevada, and Utah. In these states, buyer traffic was "strong" to "very strong". Non-farm employment contracted in the oil-producing states of Alaska, North Dakota, Wyoming, Kansas, Oklahoma, and Mississippi, as well as in West Virginia.[12] The chart below shows the share of oil production to the state's economy. 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.

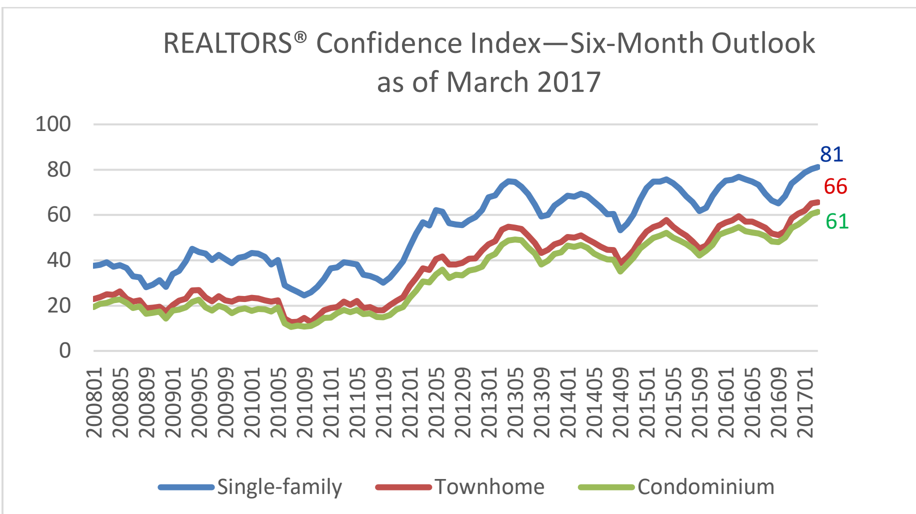


12 Source: U.S. Department of Energy. See https://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbblpd_a.htm.



REALTORS® Are Generally Optimistic Over the Next Six Months

With spring and summer rolling in, 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 compared to current conditions.[13]



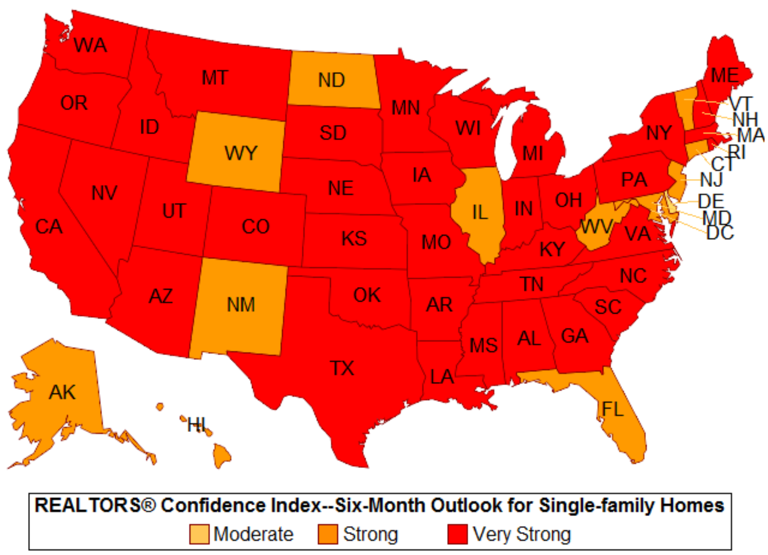
The index for condominiums was at 61 in March 2017 (61 in February 2017; 55 in March 2016), the highest level since this index was generated in 2008. The approval of H.R. 3700, the "Housing Opportunity Through Modernization Act of 2016," appears to be bolstering homebuying in the

---

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.

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 compared to current conditions is "strong" to "very strong" in nearly all states and "moderate" in Delaware and the District of Columbia.[15] In the townhomes market, the outlook is "moderate" to "very strong", except in Wyoming, New Mexico, and Mississippi. Respondents expect the townhomes market to be "very strong" in Washington, Oregon, Utah, and Colorado. In the market for condominiums, the outlook is "moderate" to "very strong" in many states, except in eight states and the District of Columbia.[16] Respondents expect markets to be "very strong" in Utah and Colorado.

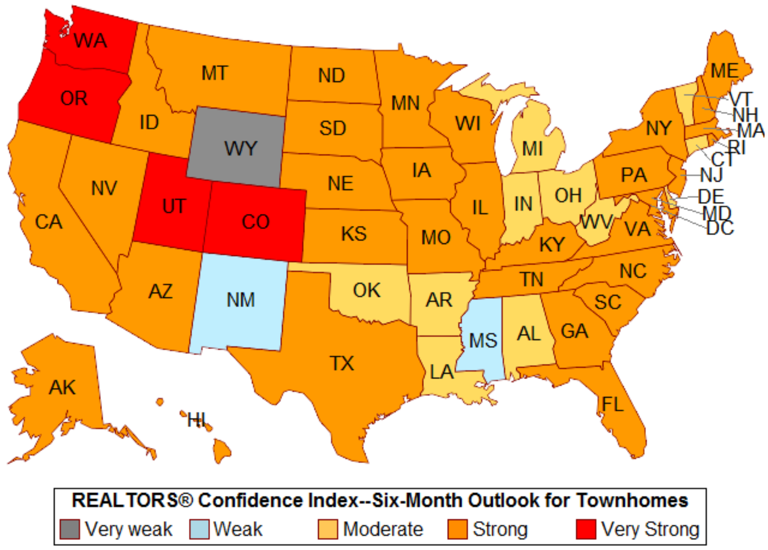


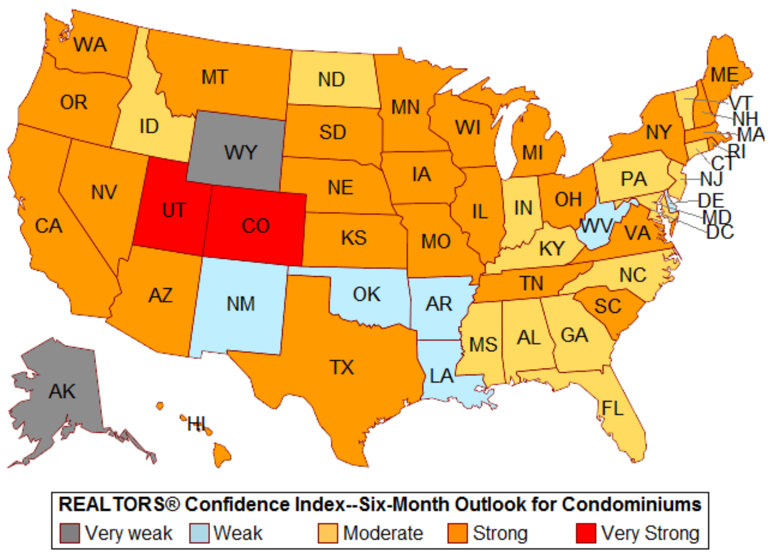
---

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.

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





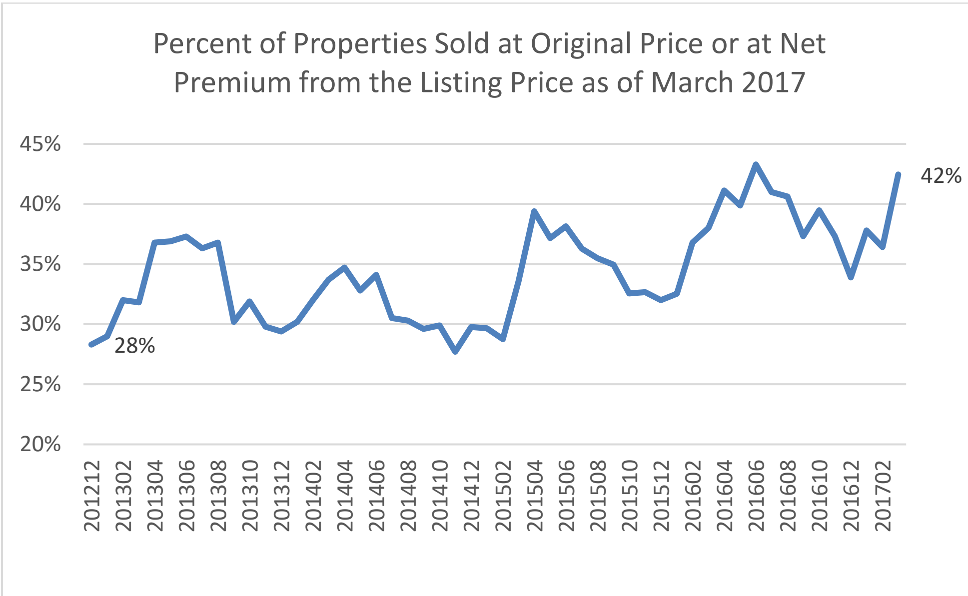
Most REALTORS® Reported Constant or Higher Prices Compared to One Year Ago

With the low level of inventory of homes for sale in many areas coupled with strong buyer traffic in most areas, 88 percent of respondents reported constant or higher home prices in March 2017 compared to one year ago (90 percent in February 2017; 90 percent in March 2016).[17]

---

[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?"

Because conditions are competitive for buyers, offers continue to be high relative to asking price; 42 percent of properties sold at or above the original listing price (36 percent in February 2017; 38 percent in March 2016). When this survey first gathered this information in March 2012, only 28 percent of 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.



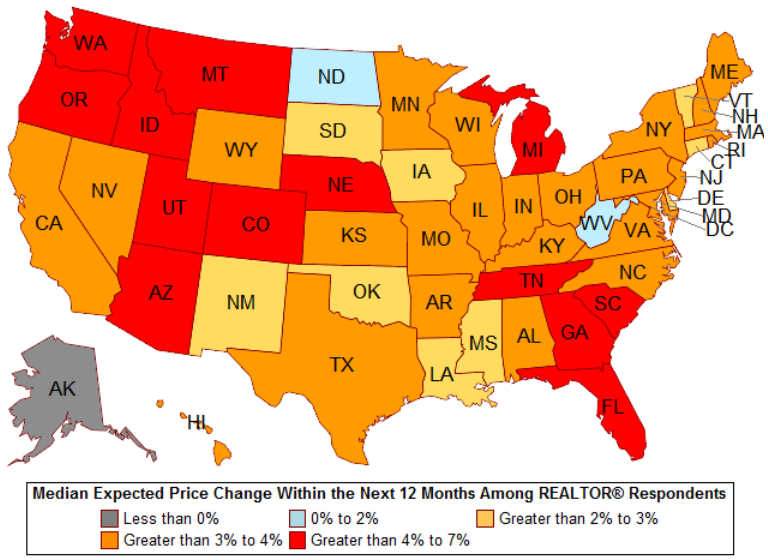
REALTORS® Expect Sustained Price Growth in the Next 12 Months

Among REALTORS® who responded to the March 2017 survey, the median expected home price change in the next 12 months was four percent (3.8 percent in February 2017; 3.7 percent in March 2016). [18] Lack of supply amid strong demand has propped up home prices.

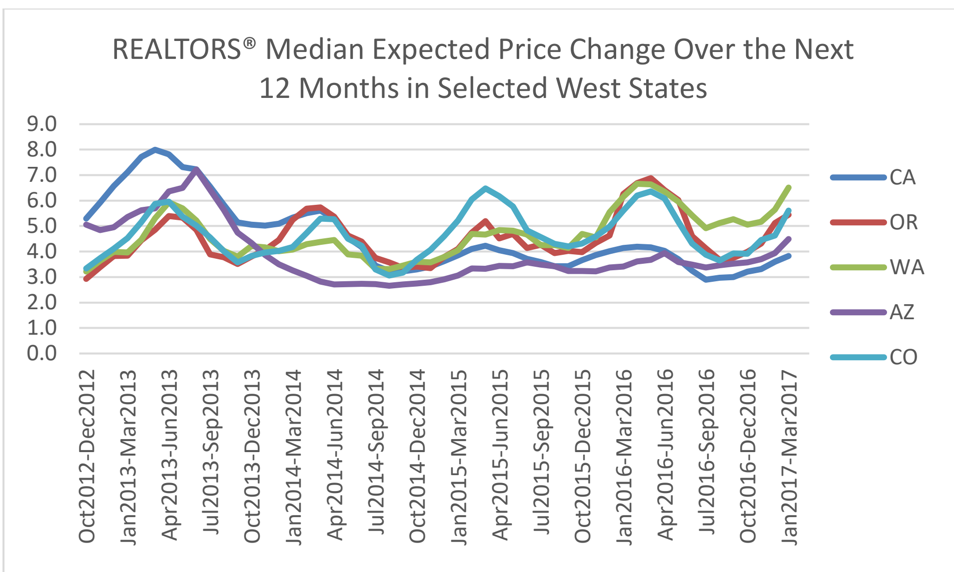
The map below shows the median expected price change of the respondents in the next 12 months at the state level.[19] Thirteen states, led by Washington, Colorado, and Utah, had median expected price growth in the range of four to seven percent. The oil-producing states of Alaska and North Dakota have the lowest median expected price change; respondents expect a decline in Alaska home prices and growth of 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.

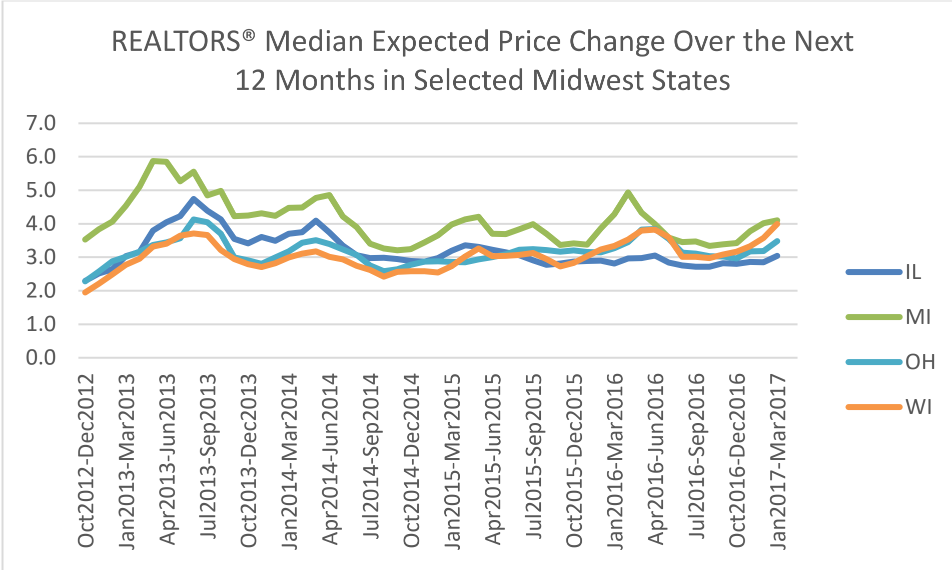
19 To increase the number of observations for each state, NAR uses data from the last three surveys.

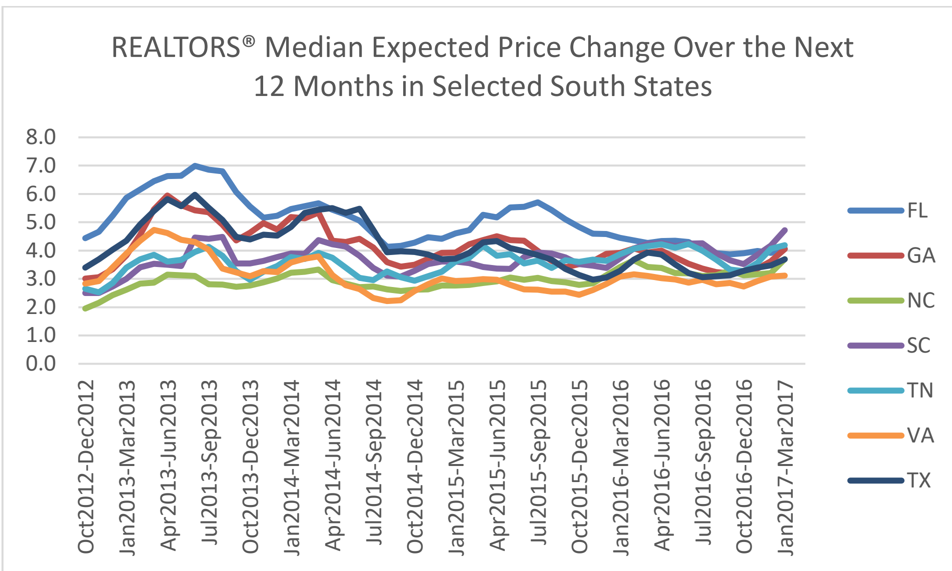


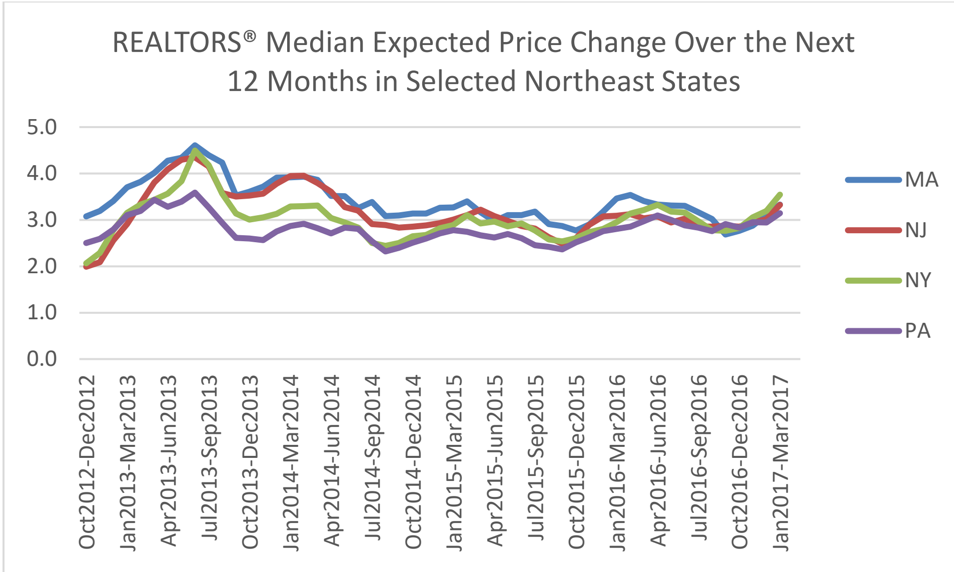
Looking at the values over time in selected states, the median expected price change appears to be increasing again, indicating that respondents expect demand to remain strong, even as home prices continue to rise.[20] In many states, the expected price change in the next 12 months is higher than the expected price change one year ago.



[20] The selected states shown in these charts are those with approximately 150 observations.

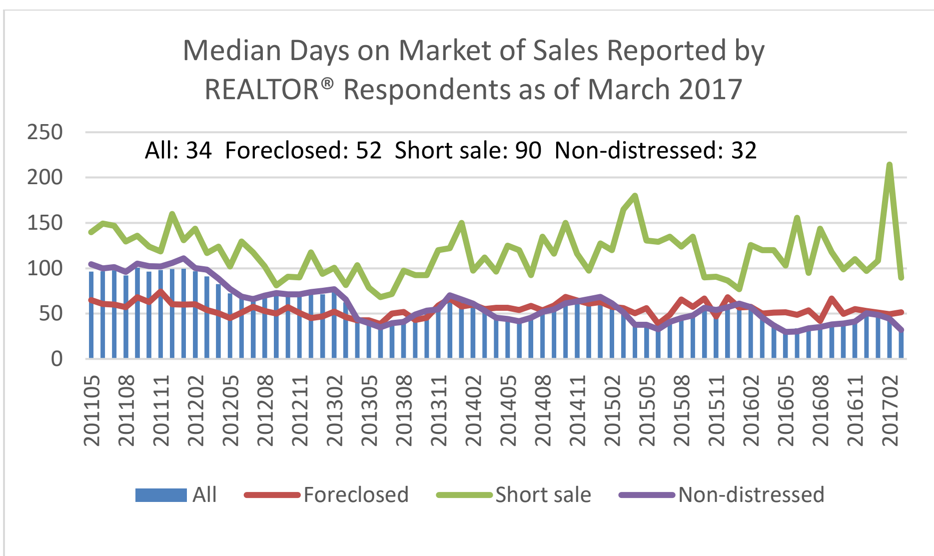

REALTORS® Median Expected Price Change Over the Next 12 Months in Selected Midwest States
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Oct2012-Dec2012
Jan2013-Mar2013
Apr2013-Jun2013
Jul2013-Sep2013
Oct2013-Dec2013
Jan2014-Mar2014
Apr2014-Jun2014
Jul2014-Sep2014
Oct2014-Dec2014
Jan2015-Mar2015
Apr2015-Jun2015
Jul2015-Sep2015
Oct2015-Dec2015
Jan2016-Mar2016
Apr2016-Jun2016
Jul2016-Sep2016
Oct2016-Dec2016
Jan2017-Mar2017
IL
MI
OH
WI


REALTORS® Median Expected Price Change Over the Next 12 Months in Selected South States
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Oct2012-Dec2012
Jan2013-Mar2013
Apr2013-Jun2013
Jul2013-Sep2013
Oct2013-Dec2013
Jan2014-Mar2014
Apr2014-Jun2014
Jul2014-Sep2014
Oct2014-Dec2014
Jan2015-Mar2015
Apr2015-Jun2015
Jul2015-Sep2015
Oct2015-Dec2015
Jan2016-Mar2016
Apr2016-Jun2016
Jul2016-Sep2016
Oct2016-Dec2016
Jan2017-Mar2017
FL
GA
NC
SC
TN
VA
TX



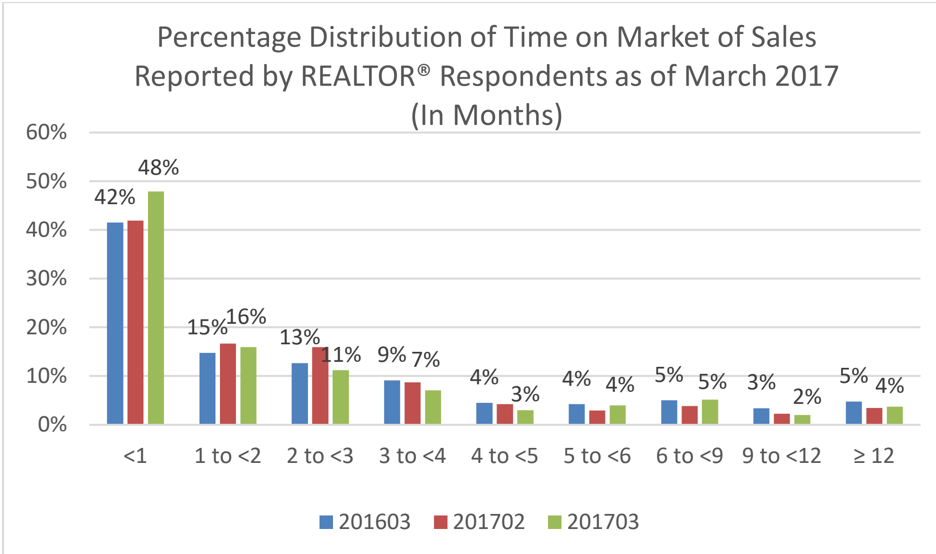
Properties Typically on the Market for 34 Days

Properties stayed on the market for fewer days in March 2017 compared to one year ago, amid strong demand and tight supply. Nationally, properties sold in March 2017 were typically on the market for 34 days (45 days in February 2017; 47 days in March 2016).[21] 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.

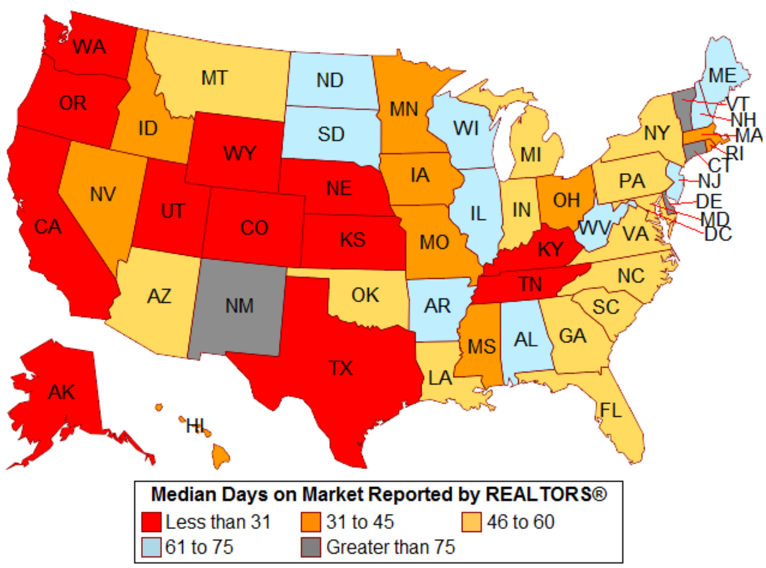


[21] The survey asks, "For the last house that you closed in the past month, how long was it on the market from listing time to the time the seller accepted the buyer's offer?" The median is the number of days at which half of the properties stayed on the market.

Nationally, 48 percent of properties that sold in March 2017 were on the market for less than a month (42 percent in February 2017; 42 percent in March 2016).[22] Only 11 percent of properties were on the market for six months or longer (10 percent in February 2017; 13 percent in March 2016).



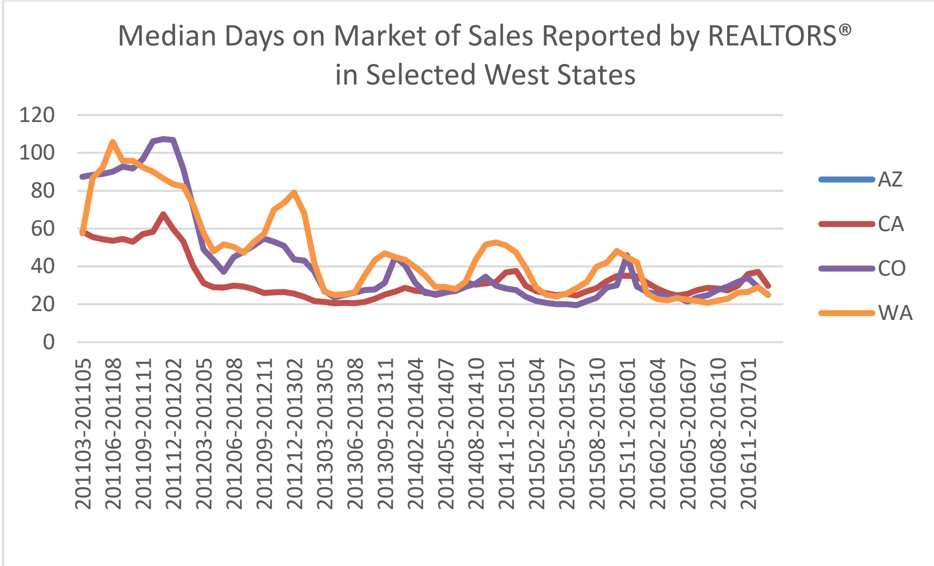
The chart below shows the median days on market by state.[23] Properties that sold in January–March 2017 were typically on the market for less than 31 days in 12 states and in the District of Columbia. Looking at the values over the last few years, in most states the median length of time that properties stay on the market has trended downwards, though the graphs also show that days on market in some states fluctuates seasonally.[24]

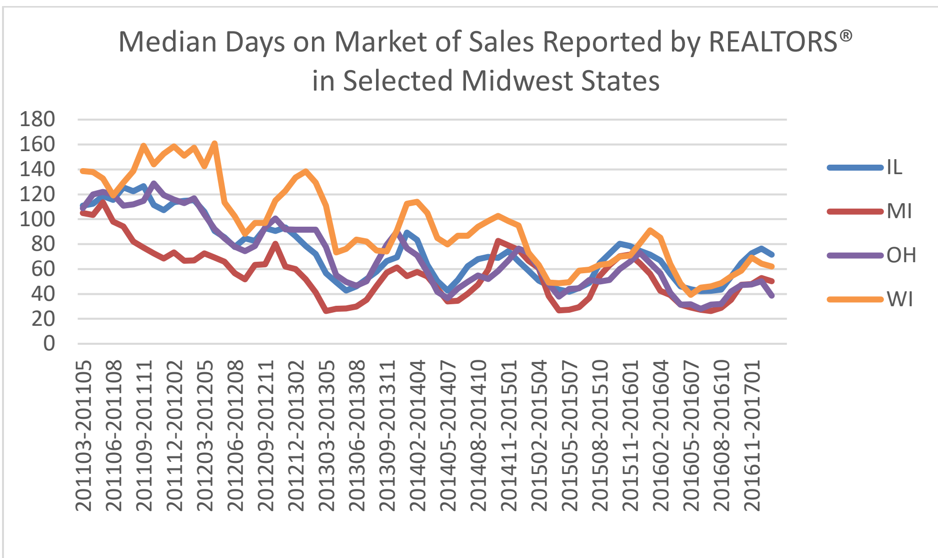


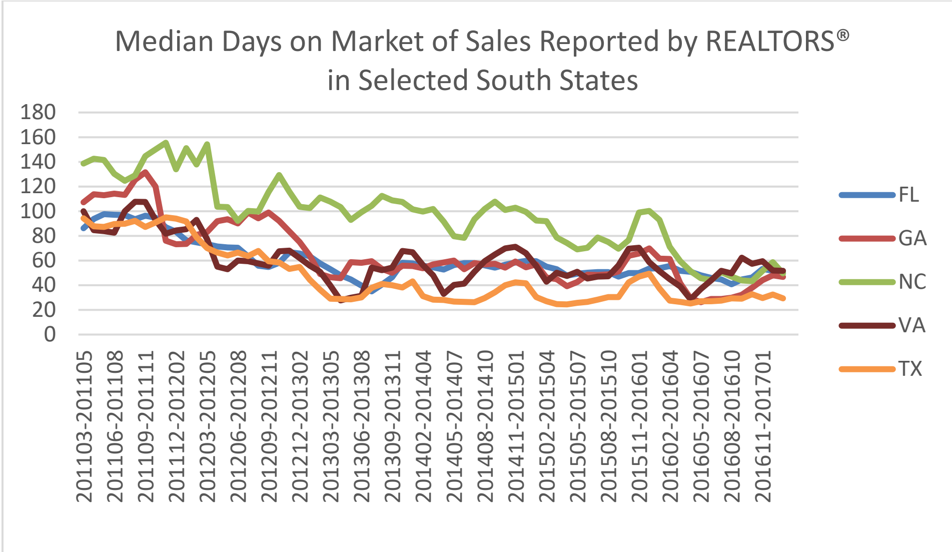
22 Days on market usually refers to the time from listing date to contract date.

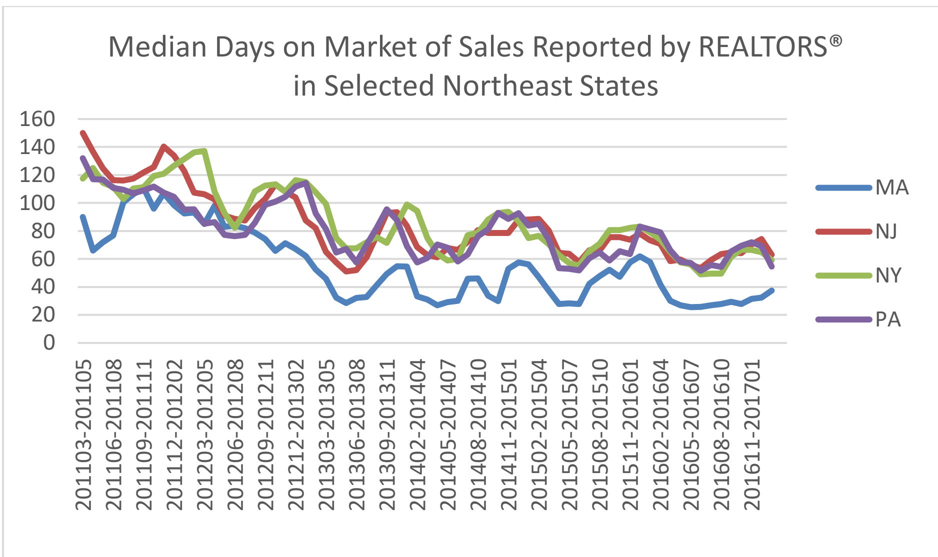
23 In generating the median days on market at the state level, NAR uses data for the last three surveys to have close to 30 observations. Small states such as AK, ND, SD, MT, VT, WY, WV, DE, and D.C., may have fewer than 30 observations.

24 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.


Median Days on Market of Sales Reported by REALTORS®
in Selected West States
120
100
80
60
40
20
0
201103-201105
201106-201108
201109-201111
201112-201202
201203-201205
201206-201208
201209-201211
201212-201302
201303-201305
201306-201308
201309-201311
201402-201404
201405-201407
201408-201410
201411-201501
201502-201504
201505-201507
201508-201510
201511-201601
201602-201604
201605-201607
201608-201610
201611-201701
AZ
CA
CO
WA


Median Days on Market of Sales Reported by REALTORS®
in Selected Midwest States
180
160
140
120
100
80
60
40
20
0
201103-201105
201106-201108
201109-201111
201112-201202
201203-201205
201206-201208
201209-201211
201212-201302
201303-201305
201306-201308
201309-201311
201402-201404
201405-201407
201408-201410
201411-201501
201502-201504
201505-201507
201508-201510
201511-201601
201602-201604
201605-201607
201608-201610
201611-201701
IL
MI
OH
WI

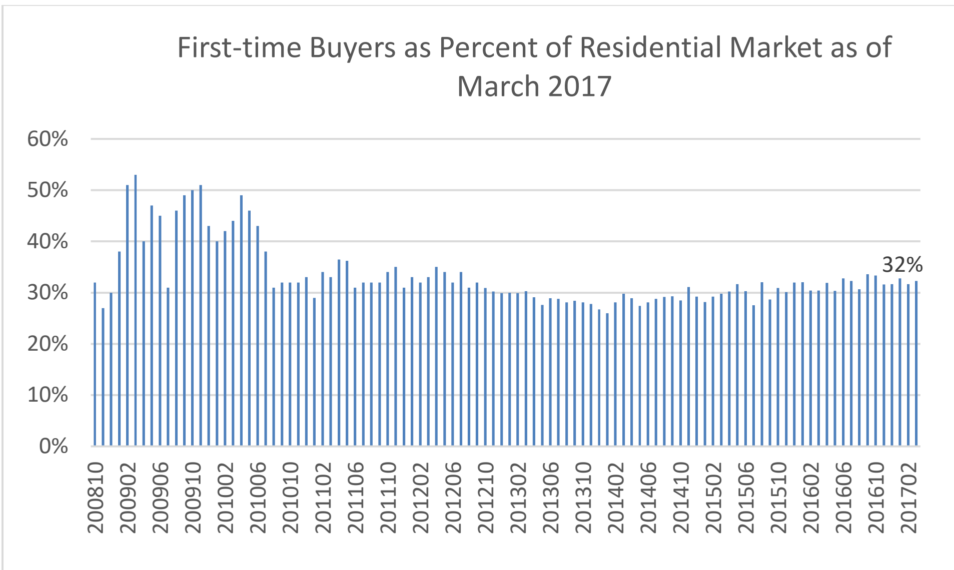

Median Days on Market of Sales Reported by REALTORS®
in Selected South States
180
160
140
120
100
80
60
40
20
0
201103-201105
201106-201108
201109-201111
201112-201202
201203-201205
201206-201208
201209-201211
201212-201302
201303-201305
201306-201308
201309-201311
201402-201404
201405-201407
201408-201410
201411-201501
201502-201504
201505-201507
201508-201510
201511-201601
201602-201604
201605-201607
201608-201610
201611-201701
FL
GA
NC
VA
TX


Median Days on Market of Sales Reported by REALTORS®
in Selected Northeast States
160
140
120
100
80
60
40
20
0
201103-201105
201106-201108
201109-201111
201112-201202
201203-201205
201206-201208
201209-201211
201212-201302
201303-201305
201306-201308
201309-201311
201402-201404
201405-201407
201408-201410
201411-201501
201502-201504
201505-201507
201508-201510
201511-201601
201602-201604
201605-201607
201608-201610
201611-201701
MA
NJ
NY
PA

II. Buyer and Seller Characteristics

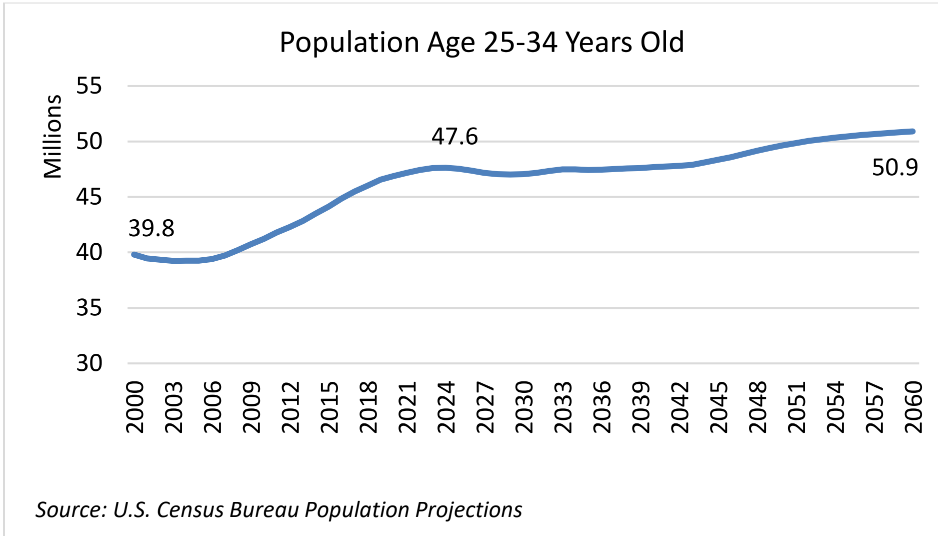
Sales to First-Time Buyers: 32 Percent of Sales

Sales to first-time homebuyers accounted for 32 percent of residential sales in March 2017 (32 percent in February 2017; 30 percent in March 2016). Sustained job and income growth are likely supporting the increasing purchases from first-time homebuyers. The anticipation of further increases in interest rates may also have prompted first-time buyers to enter the market.[25] The aging of the Millennial generation may also be underpinning the continued, albeit modest, increase in homebuying by first-time buyers. The chart below shows 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. The population in the 25 to 34 years old group will remain stable as the Gen Z cohort moves into this age group, and this cohort is likely to become the largest homebuyer age group as Millennial buyers get older.[26]

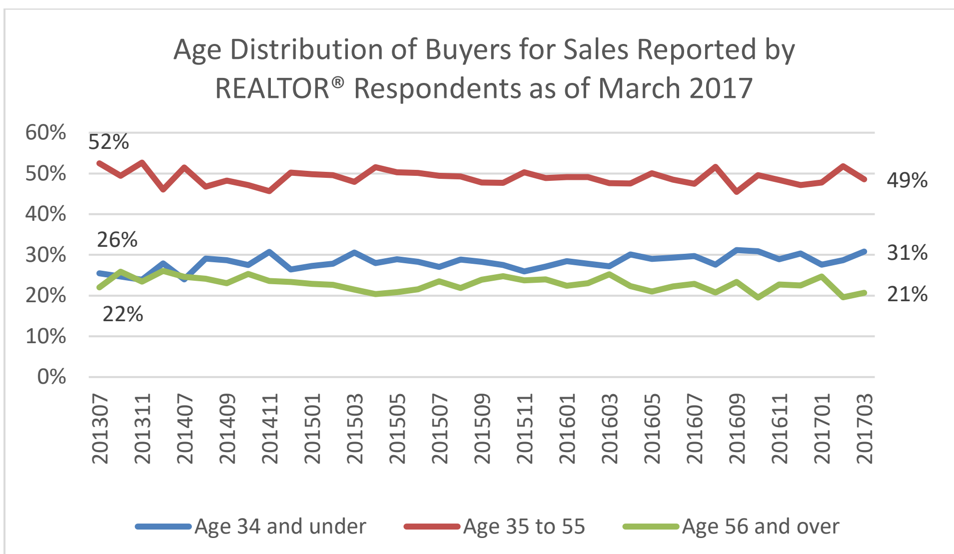


25 Mortgage rates in this report refer to the average contract rates on 30-year conventional mortgages reported by Freddie Mac. The average 30-year mortgage rate was 3.54 percent in the week of November 3, 2016. It broke above four percent, to 4.03 percent, in the week of November 24, and it climbed to 4.32 percent in the week of February 29. Since that time, rates have eased somewhat. The average rate stood at 4.1 percent in the week of April 6, 2017.

26 The U.S. Census Bureau identifies Millennials as those born from 1982 to 2000. The Gen Z group are those born after 2000.



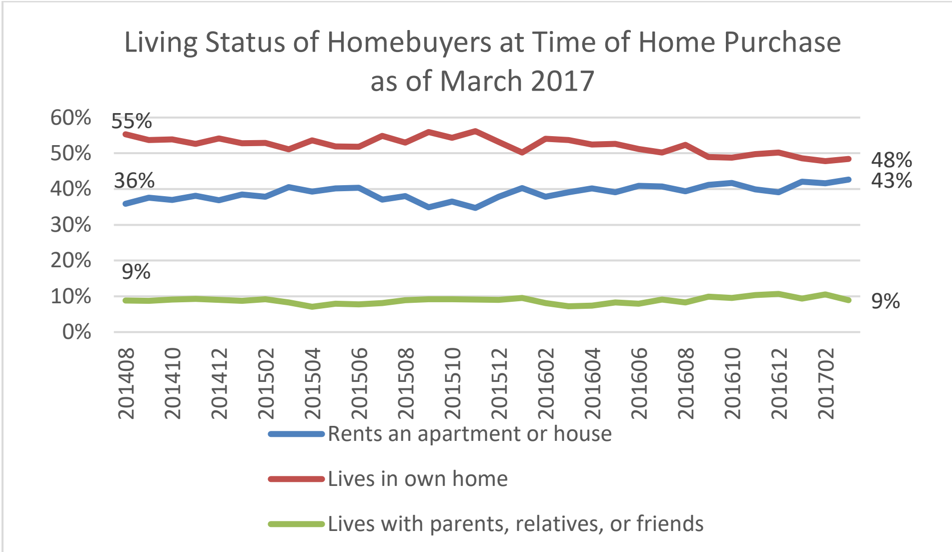
Buyers 34 years old and under, who are likely to be first-time buyers, accounted for 31 percent of residential buyers in March 2017 (29 percent in February 2017; 27 percent in March 2016). The share of buyers 34 years and under appears to be on a gradual uptrend from the 26 percent share in July 2013 when this information was first collected in the survey.[27]



Homebuyers who were renting prior to their recent home purchase accounted for 43 percent of sales in March 2017 (42 percent in February 2017; 39 percent in March 2016). The fraction of buyers who were renting prior to their recent home purchase has increased from the 36 percent share in February 2014

[27] 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.

when this information was first collected.[28] 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.

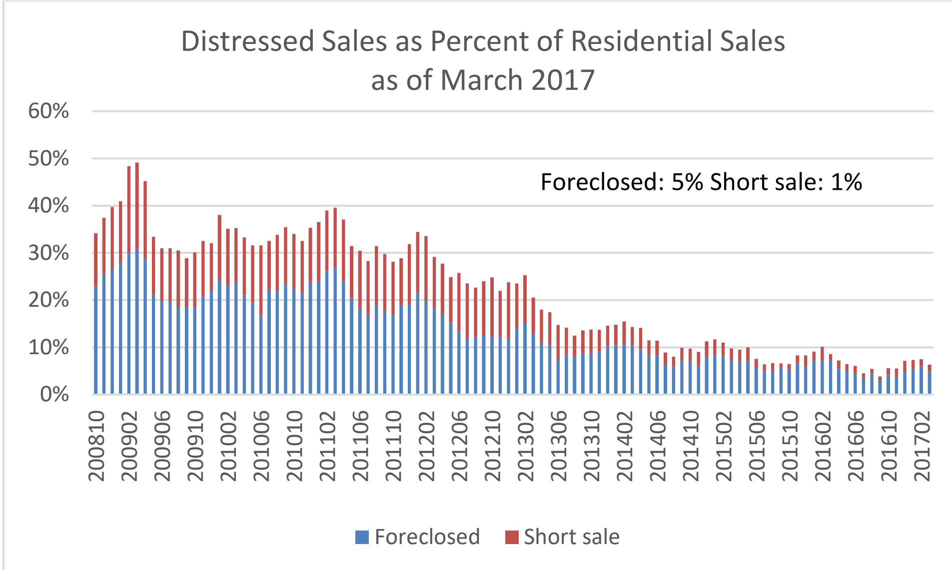


Distressed Sales: Six Percent of Sales

Distressed sales accounted for six percent of sales in March 2017 (seven percent in February 2017; eight percent in March 2016). Foreclosed properties were five percent of residential sales, while short sales were only one percent of residential sales.[29] 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.

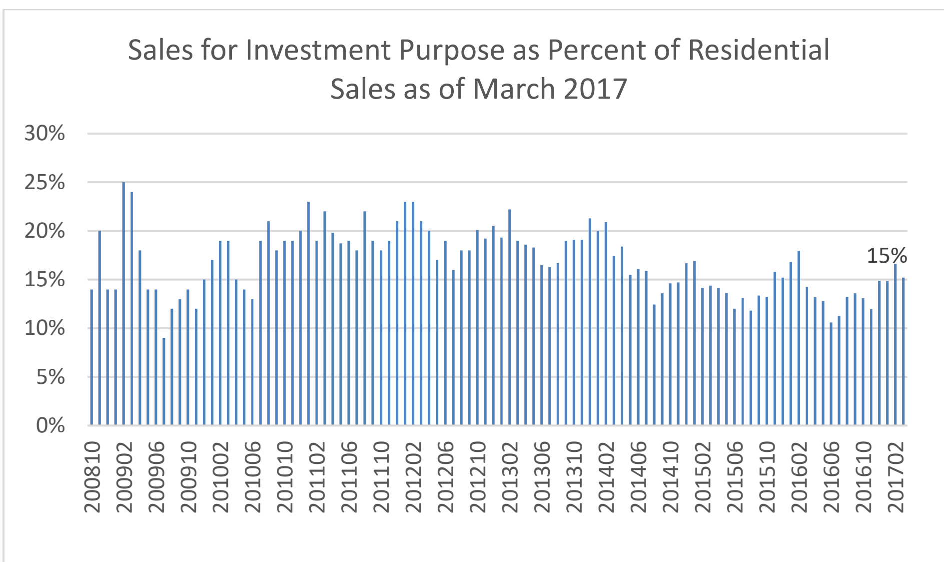
28 NAR's *2016 Profile of Home Buyer and Sellers (HBS)* reports that among primary residence home buyers, 41 percent rented an apartment or house prior to their home purchase. The HBS surveys primary residence home buyers, while the monthly *RCI Survey* surveys REALTORS® and captures purchases for investment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

29 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: 15 Percent of Sales

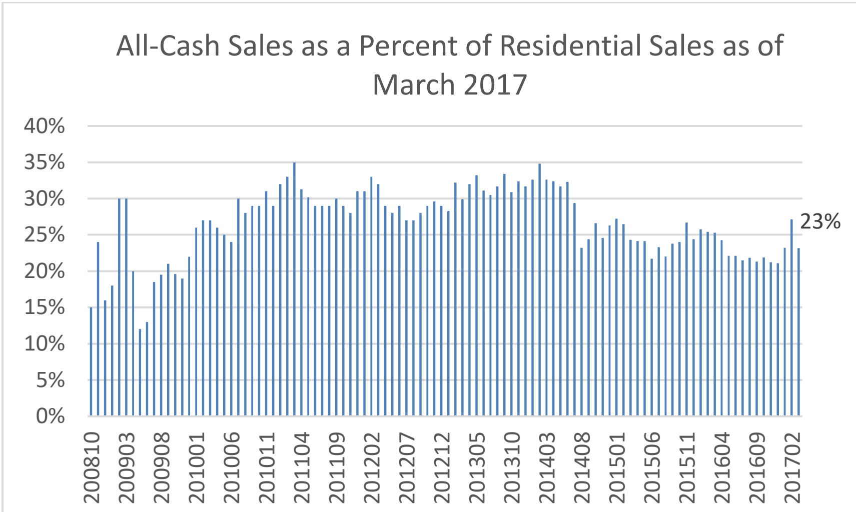
Investment sales made up 15 percent of sales in March 2017 (17 percent in February 2017; 14 percent in March 2016).[30] Purchases for investment purposes have generally been on the decline since 2011–2012 when investment sales accounted for 20 percent of sales. Purchasing for investment has become less 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 March.

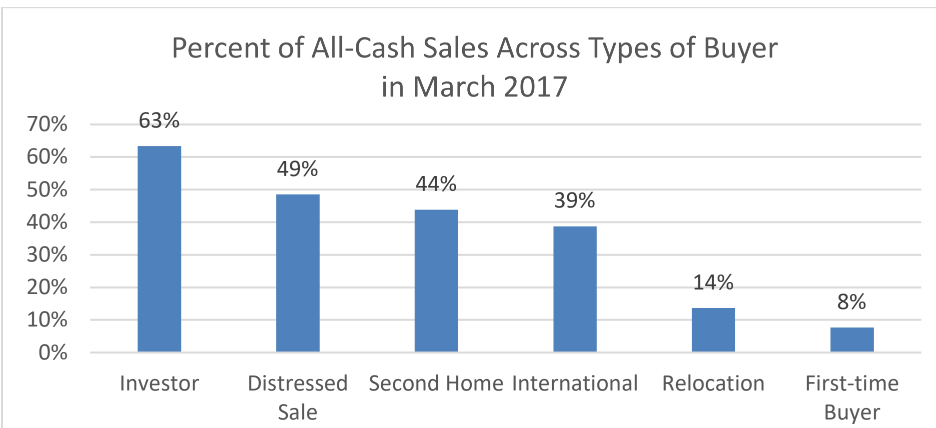


30 The *2016 NAR Investment and Vacation Homes Survey* reports that among home buyers, 19 percent purchased the property for investment purposes, to rent out or for asset diversification.

Cash Sales: 23 Percent of Sales

In March 2017, 23 percent of sales were cash sales (27 percent in February 2017; 25 percent in March 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.

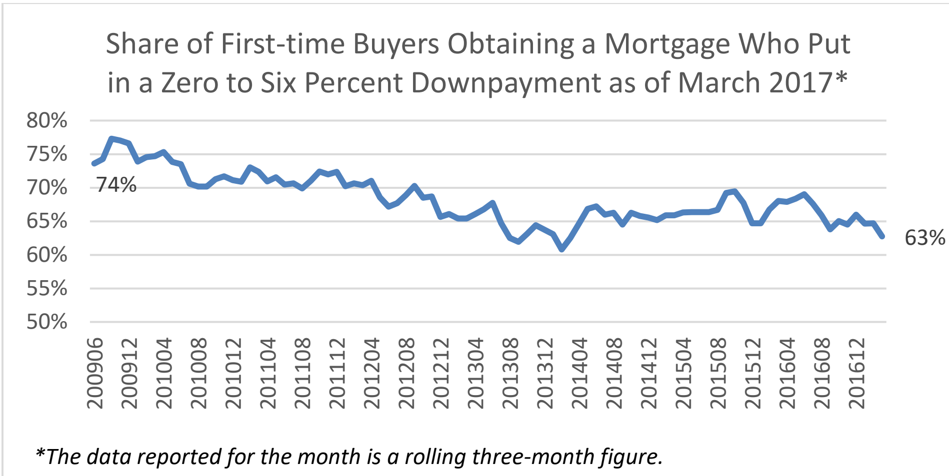




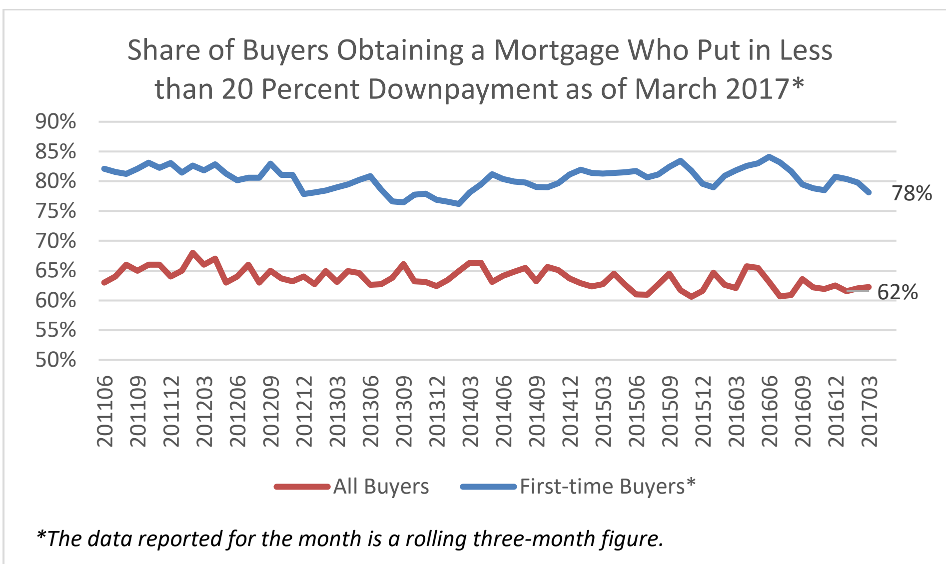
**The RCI survey captures only non-U.S. citizens whose permanent residence is in another country (Type A). NAR has a separate survey on foreign buyers that captures both Type A buyers and non-U.S. citizens who reside in the United States on work, student, or other types of visas (Type B).*

Fewer First-time Buyers Are Making a Low Downpayment

Among first-time homebuyers, 63 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 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 years or under believe they need a downpayment of five percent or less.[31] 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), save on mortgage insurance, or get a lower interest rate.



Still, first-time homebuyers are more likely to take advantage of a low downpayment loan compared to all homebuyers. Among first-time homebuyers who obtained a mortgage and whose transactions closed in December 2016–March 2017, 78 percent made a downpayment of less than 20 percent.[32] Among all buyers whose transaction closed in March 2017, 62 percent of those who obtained a mortgage made a downpayment of less than 20 percent.



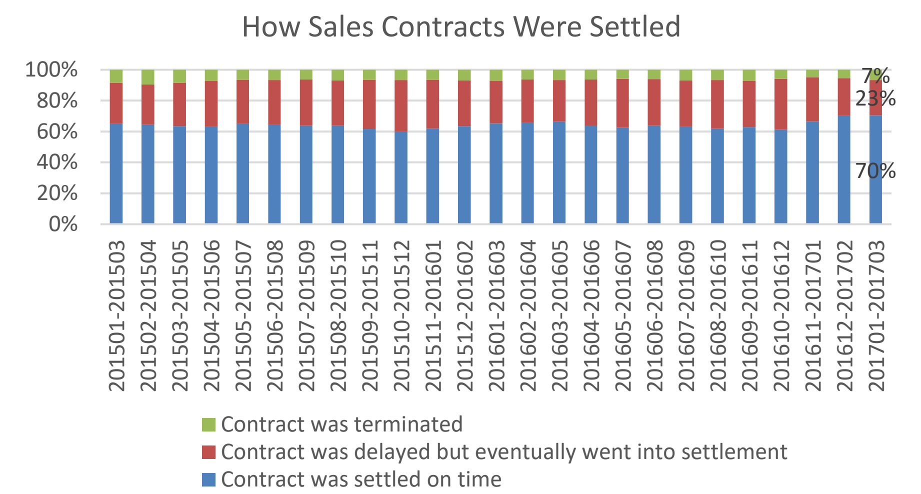
31 See: http://www.realtor.org/reports/2016-q3-homeownership-opportunities-and-market-experience-home-survey.

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

III. Issues Affecting Transactions

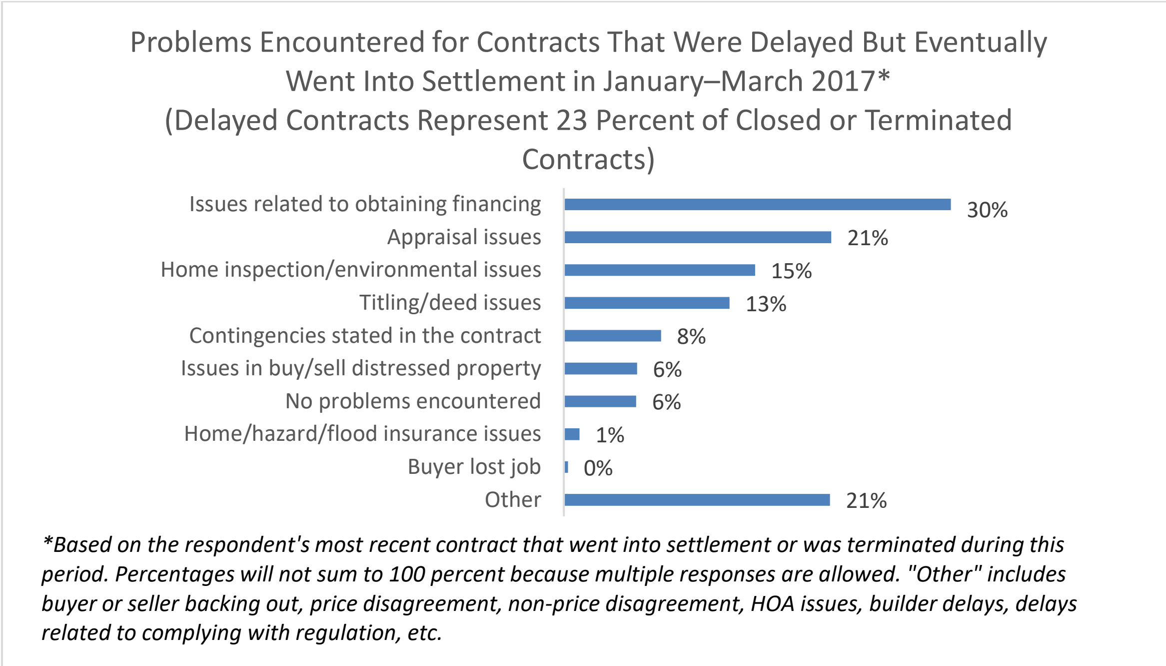
Contract Settlement: Financing, Home Inspection, and Appraisals Are Major Issues

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–March 2017, 70 percent reported that the contracts were settled on time, 23 percent had a delayed settlement, and seven percent reported that the contract was terminated.



** Based on the respondent's most recent contract that went into settlement or was terminated during this three-month period.*

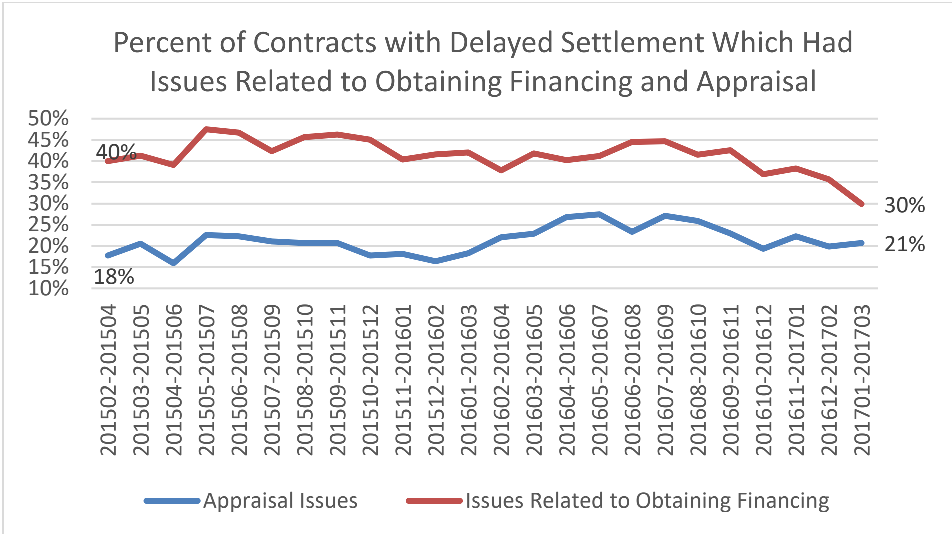
Among contracts that had a delayed settlement (23 percent), 30 percent faced issues related to obtaining financing and 21 percent had appraisal issues.



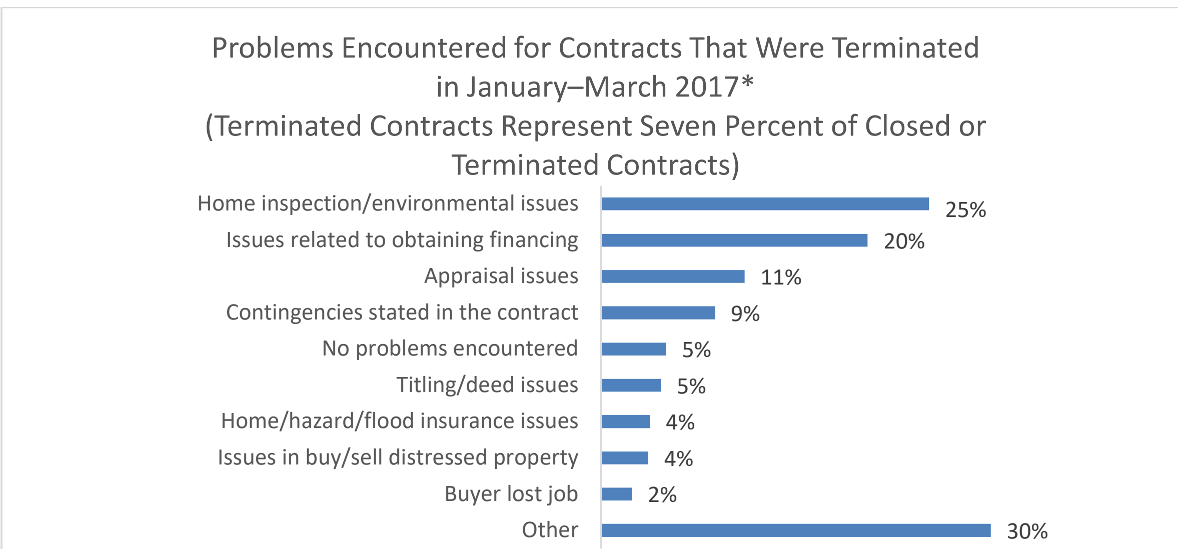
While they are still the top cause of delay, issues related to obtaining financing have been cited by fewer respondents than when NAR first tracked this indicator. Forty percent of those reporting a delay cited a financing issue. The decline may reflect the improvement in the economic environment, better credit histories from borrowers, and improvement in the loan evaluation processes of mortgage originators.

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.[33] 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.

33 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 (seven percent), 25 percent faced issues related to home inspections and 20 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.*

The NATIONAL ASSOCIATION *of* REALTORS®, "The Voice for Real Estate," is America's largest trade association, representing over 1 million members, including NAR's institutes, societies, and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, salespeople, property managers, appraisers, counselors and others engaged in both residential and commercial real estate. The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics. Working for America's property owners, the National Association provides a facility for professional development, research, and exchange of information among its members, and to the public and government for preserving the free enterprise system and the right to own real property.

The Mission of the NATIONAL ASSOCIATION *of* REALTORS® Research Division is to collect and disseminate timely, accurate, and comprehensive real estate data and to conduct economic analysis in order to inform and engage members, consumers, policy makers, and the media in a professional and accessible manner.

To find out about other products from NAR's Research Division, visit www.REALTOR.org/research-and-statistics

Also, follow NAR Research on
https://twitter.com/nar_research
https://www.facebook.com/narresearchgroup
https://www.pinterest.com/narresearch/
https://instagram.com/narresearch/

NATIONAL ASSOCIATION *of* REALTORS®
Research Division
500 New Jersey Avenue, NW
Washington, DC 20001
202.383.1000