

THE 2006 NATIONAL ASSOCIATION OF REALTORS® PROFILE OF HOME BUYERS AND SELLERS

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PREFACE

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OME BUYERS AND SELLERS RELY ON REAL ESTATE PROFESSIONALS TO ASSIST

them in many aspects of the home sales transaction. From the initial search to the closing, real estate agents and brokers help guide home buyers through the many steps that culminate in a successful home purchase. Real estate professionals also help home sellers by developing a marketing plan, pricing the home competitively and utilizing their experience to assist sellers through each step of the process.

The NATIONAL ASSOCIATION OF REALTORS® surveys home buyers and sellers annually to gather detailed information on the home buying and selling process. These surveys provide information on demographics, housing characteristics and the experience of buyers and sellers in the housing market. Buyers and sellers also share information on the role of real estate professionals in home sales transactions.

The *2006 NATIONAL ASSOCIATION OF REALTORS® Profile of Home Buyers and Sellers* describes the critical role that real estate professionals play in the real estate market. Buyers report that they depend on agents and brokers to help them find the right home and guide them through the process of completing the purchase. Sellers note that real estate professionals are key to marketing their home and negotiating the best price, contingencies, transaction date and other important elements.

This report provides REALTORS® with insights into the characteristics and needs of their clients. It also helps REALTORS® to improve their client service. Others benefit from the findings of this research by better understanding the housing market and how the unique role of real estate professionals continues to be important as the housing market evolves.

THE HOUSING ENVIRONMENT

After more than a decade of setting one sales record after another, the housing market entered a period of somewhat lower sales and less robust price gains in late 2005 and early 2006. Existing-home sales peaked at over 7.2 million units in the second half of 2005 but have declined steadily through the first half of 2006. At the same time, the inventory of homes for sale rose bringing with it a softening of home prices.

Reasons for the readjustment in the housing market are obvious: homes in many areas of the country became too pricey, affordability suffered and the home buying public lost confidence. Households and investors moved to the sidelines with many waiting to get back into the real estate market when property prices retreat to more suitable levels.

As the housing market eases from the frenzied pace of the past few years, home buyers, and especially first-time buyers, will benefit. They will have a greater

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selection of homes to choose from while reducing the odds that they will be priced out of the market due to rapidly escalating prices. Although mortgage rates have risen modestly from their recent lows, few analysts are predicting a sharp uptick in rates in the near-term.

Looking beyond to the intermediate term, the fundamentals for the housing market remain solid. The U.S. Census Bureau projects that more than one million new households will be formed annually over the next several years. This pace of household formation is similar to the growth rate during the past decade. Most of this increase will stem from the natural formation of new households as children leave home. But some of this increase will also be attributable to population gains from immigration. Homeownership of non-native-born households meets and exceeds that of native-born households after about 25 years. With the strong flow of legal immigrants to the United States over the past 30 years, the gains in homeownership from this segment should continue.

In addition to the demand for housing based on increases in population, the aging of the U.S. population is also an important factor. The homeownership rate approaches 80 percent for households in their 60s and peaks at nearly 83 percent for households in their early 70s. Baby boomers, now just reaching age 60, will continue to purchase homes. Most will purchase a primary residence, but a significant share will also purchase a vacation home or investment property in the years ahead.

NOTES

In August 2006, the NATIONAL ASSOCIATION OF REALTORS® mailed an eight-page questionnaire to 129,500 consumers who bought a home between July 2005 and June 2006. The survey yielded 7,548 usable responses with a response rate, after adjusting for undeliverable addresses, of 6.3 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 2006, with the exception of income data, which was reported for 2005. 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. Some results are presented for the four Census regions: Northeast, Midwest, South and West. 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.

REPORT HIGHLIGHTS



WHEN BUYING OR SELLING A HOME, TODAY'S REAL ESTATE CONSUMERS HAVE

more choices than ever. For home buyers there are numerous ways to search for and find a home, a broad array of mortgage products with which they can finance their home and a growing list of services that their agent can provide to assist them in the process. Home sellers can choose to sell their home themselves or enlist the professional assistance of an agent who can provide various levels of service to best suit each home seller's needs. Because the real estate market is always evolving, it is important for real estate professionals to have a clear picture of today's home buyers and sellers. The *2006 NATIONAL ASSOCIATION OF REALTORS® Profile of Home Buyers and Sellers* describes the characteristics and motivations of recent home buyers and sellers and in so doing helps real estate professionals track the changing demands of consumers in a dynamic market.

CHARACTERISTICS OF HOME BUYERS

- The typical home buyer was 41 years old. Among first-time buyers, the median age was 32.
- More than one-quarter of buyers reported a 2005 household income of at least \$100,000.
- Sixty-one percent of recent home buyers were married.
- For repeat buyers, the most important reason for their purchase was a desire for a larger home.

CHARACTERISTICS OF HOMES PURCHASED

- One in five homes purchased by recent buyers was newly built.
- Three-quarters of homes purchased were detached single-family homes.
- Neighborhood quality was the most important factor for buyers in selecting a location.
- The typical buyer purchased a home that was slightly more than 1,800 square feet in size.

THE HOME SEARCH PROCESS

- Eighty-five percent of home buyers used a real estate agent during their search for a home.
- Nearly three-quarters of buyers viewed the Internet as a very useful tool in their home search.
- A majority of buyers reported that they drove by a home viewed online.
- Typical buyers searched for eight weeks before finding the home they purchased.

HOME BUYING AND REAL ESTATE PROFESSIONALS

- Over three-quarters of buyers used a real estate agent to purchase their home.

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