



NATIONAL ASSOCIATION OF REALTORS®

Profile of Home Buyers and Sellers

2008



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REALTOR®

NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate

The NATIONAL ASSOCIATION OF REALTORS®[®], “The Voice for Real Estate,” is America’s largest trade association, representing more than 1.2 million members, including NAR’s institutes, societies and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, sales agents, 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 the purpose of preserving the free enterprise system and the right to own real property.

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INTRODUCTION



FOR MOST HOUSEHOLDS, THE PURCHASE OR SALE OF A HOME IS ONE OF THE

most significant financial and lifestyle choices they can make. Even for experienced buyers, the process is often complex and requires a number of choices and decisions about such matters as location, commuting distance, type of home, price range and financing alternatives. Sellers are faced with a different array of equally challenging tasks on their path to the successful completion of a home sale.

Most home buyers and sellers rely on real estate professionals to assist them with their transaction. Surveys of both buyers and sellers consistently reveal that consumers value the guidance and advice offered by real estate professionals. Consumers expect real estate professionals to display high levels of knowledge, integrity and expertise. Most buyers and sellers report that their agent met or exceeded their expectations. In fact, a substantial majority of both buyers and sellers report that they would use the same real estate agent again or recommend that agent to others.

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

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

Paul C. Bishop, Ph.D

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THE HOUSING ENVIRONMENT

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LTHOUGH THE PACE OF ACTIVITY IN THE HOUSING MARKET HAS BEEN SLOWING

since mid-2005, the past several months have proven even more challenging for homeowners as well as home buyers and sellers. Beginning in the fall of 2007, credit markets faltered and ultimately came to a near standstill following large losses on mortgage-related securities at financial institutions. As these losses cascaded throughout the financial system, lenders became increasingly reluctant to underwrite mortgages for all but the most creditworthy.

As credit market conditions tightened, the inventory of homes for sale rose markedly. Not only did those households compelled to sell their home for customary reasons such as job relocation place their home on the market, but rising foreclosures and sellers facing possible foreclosure added to the number of homes for sale. One consequence was a further decline in home prices as buyers bargained more aggressively while sellers had little recourse but to lower prices sufficiently to complete a sale. Despite a large selection of homes and lower prices in many areas, some potential buyers took a wait and see attitude and have remained sidelined.

As of fall 2008, the outlook for the economy and housing market is cloudy. Policymakers in the U.S. and abroad have taken actions aimed at restoring confidence in financial markets in order to forestall—to the extent possible—spillovers to the overall economy.

For home buyers and sellers, the current environment is more challenging than at any time in several years. Still, buyers and sellers are overcoming hurdles leading to the successful completion of home sales transactions. But, buyers and sellers are also making compromises and changing expectations along the way, most notably in the financing of their home. For example, buyers who completed their home purchase by the end of September 2007 more frequently financed 100 percent of the purchase price than buyers who completed a transaction since September (26 percent versus 21 percent). This shift has also required buyers to depend on savings for a downpayment more frequently since fall 2007. Furthermore, when asked about the timing of their home purchase, a greater share of buyers who purchased a home after September

2007 (16 percent) indicated that improved affordability of homes influenced when they made their home purchase compared with those that purchased before the onset of the turmoil in credit markets (6 percent).

With the increase in foreclosures, some home buyers have been more willing to consider such properties when searching for a home. Although still a small percentage, 6 percent of recent home buyers reported that they purchased a foreclosed property, up from 1 percent or less in recent years. When searching for a home, four in ten buyers considered properties in foreclosure, but noted that they could not find a property that they liked or had concerns about the complexity of the purchase process.

While home buyers and sellers are right to consider current conditions, it is important to remember that housing is also a long-term investment with both financial and non-financial rewards. Over a period of several years – even in markets experiencing lower than average rates of price appreciation – equity gains remain one of the chief sources of household wealth accumulation. In addition to the potential financial gains, buyers routinely point to other reasons for their home purchase. Chief among these is a desire to own a home to accommodate changing lifestyle considerations such as a growing family, retirement or job relocation.

HIGHLIGHTS

CHARACTERISTICS OF HOME BUYERS

- Forty-one percent of recent home buyers were first-time buyers.
- The typical first-time home buyer was 30 years old, while the typical repeat buyer was 47 years old.
- The 2007 median household income of buyers was \$74,900. The median income was \$60,600 among first-time buyers and \$88,200 among repeat buyers.
- About one-quarter of first-time buyers identified their race or ethnicity as non-white.
- Twenty percent of recent home buyers were single females, and 10 percent were single males.
- For two-thirds of recent home buyers, the primary reason for the recent home purchase was a desire to own a home.

CHARACTERISTICS OF HOMES PURCHASED

- New home purchases were 21 percent of all recent home purchases, down somewhat from 23 percent one year before.
- The typical home purchased was 1,825 square feet in size.
- Seventy-eight percent of home buyers purchased a detached single-family home.
- The median price of homes purchased was \$218,000 in the Northeast, \$174,500 in the Midwest, \$185,000 in the South, and \$267,000 in the West.
- When considering the purchase of a home, commuting costs were considered very or somewhat important by 80 percent of buyers.

THE HOME SEARCH PROCESS

- For one-third of home buyers, the first step in the home-buying process was looking online for properties.
- Eighty-seven percent of all home buyers and 94 percent of buyers aged 25 to 44 years used the Internet to search for homes.
- Real estate agents were viewed as a very useful information source by 81 percent of buyers who used an agent while searching for a home.
- The typical home buyer searched for 10 weeks and viewed 10 homes.
- Six percent of buyers purchased a home in foreclosure.

HOME BUYING AND REAL ESTATE PROFESSIONALS

- Eighty-one percent of buyers purchased their home through a real estate agent or broker. Among those who purchased a new home, this percentage increased to 54 percent from 50 percent last year.
 - Forty-three percent of buyers found their agent through a referral from a friend or family member.
 - Seventy percent of buyers would definitely use their real estate agent again or recommend the same agent to others.
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FINANCING THE HOME PURCHASE

- Ninety-three percent of home buyers financed their recent home purchase.
- The percentage of first-time buyers who financed 100 percent of the purchase price with a mortgage dropped to 34 percent from 45 percent last year.
- Nearly half (46 percent) of home buyers reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing in order to qualify for a mortgage.
- One-quarter of first-time buyers reported that the mortgage application and approval process was somewhat more difficult than they expected, and one-in-ten reported it was much more difficult than expected.

HOME SELLERS AND THEIR SELLING EXPERIENCE

- Slightly over half of home sellers traded up to a larger and higher priced home and slightly more than one-fifth traded down to a smaller and less expensive home.
- Eighty-four percent of sellers were assisted by a real estate agent when selling their home.
- Recent sellers typically sold their homes for 96 percent of the listing price, and 60 percent reported they reduced the asking price at least once.
- Forty-two percent of sellers offered incentives to attract buyers, most often assistance with closing costs and home warranty policies.

HOME SELLING AND REAL ESTATE PROFESSIONALS

- Thirty-eight percent of sellers who used a real estate agent found their agents through a referral from friends or family, and 26 percent used the agent they worked with previously to buy or sell a home.
- Ninety percent of sellers reported that their home was listed or advertised on the Internet.
- Among recent sellers who used an agent, 85 percent reported they would definitely (65 percent) or probably (20 percent) use that real estate agent again or recommend the agent to others.

FOR-SALE-BY-OWNER (FSBO) SELLERS

- The share of home sellers who sold their home without the assistance of a real estate agent was 13 percent. About half of them, 45 percent, knew the buyer prior to the home sale transaction.
- The primary reason that sellers chose to sell their home without the assistance of a real estate agent to a buyer they did not know was that they did not want to pay a fee or commission (59 percent).
- One-quarter of FSBO sellers took no action to market their home, and 72 percent did not offer any incentives to attract buyers.
- Forty-two percent of FSBO sellers used yard signs, and more than one-quarter listed on the Internet.