

2020

Profile of Home Buyers and Sellers



NATIONAL
ASSOCIATION OF
REALTORS®

2020 PROFILE OF HOME BUYERS AND SELLERS

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INTRODUCTION

The NATIONAL ASSOCIATION OF REALTORS® *Profile of Home Buyers and Sellers* is an annual survey of recent home buyers and sellers who purchased in the last year, from July 2019 to June 2020. This report allows industry professionals to gain insight into detailed buying and selling behavior. While every year is a unique time capsule where buyers and sellers purchase amid a changing economic environment, 2020 is especially distinctive as COVID-19 impacted Americans' lives starting in March 2020.

Buying a primary residence for home buyers is a financial decision, but also an emotional decision that involves many lifestyle factors. For most home buyers, the purchase of a primary residence is one of the largest financial transactions they will make. Buyers purchase a home not only for the desire to own a home of their own, but also because of changes in jobs, family situations, and the need for a smaller or larger living area. The information provided supplies understanding, from the consumer level, of the trends that are transpiring. This survey covers information on demographics, housing characteristics, and the experience of consumers in the housing market. Buyers and sellers also provide valuable information on the role that real estate professionals play in home sales transactions.

The *Profile of Home Buyers and Sellers* report has been the leading industry source of trusted insight into consumer behavior for nearly four decades. It has grown and evolved to keep up with changing home buying trends and the need for more information. NAR first administered the survey in 1981 with just 59 questions. In 2020, the survey contained 131 questions. Although the report has evolved, data has been collected for more than three decades describing the demographic characteristics of home buyers and sellers, buyers and sellers' experience in the home transaction process, as well as market characteristics including the use of real estate agents. One measure of how the market has changed is the manner in which the data is collected. In 1981, only a paper copy of the survey was offered. Today, recent home buyers can take the survey via paper or online, and in English or Spanish. Because of its long history and timely information available each year, the report is valued by REALTORS®, market analysts, and policymakers.

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Data is collected from a nationally representative sample of recent home buyers who purchased a primary residence in the 12-month period between July and June. Data is also representative of the geographic distribution of home sales. Consumer names are obtained from Experian, a firm that maintains an extensive database of recent home buyers derived from county records.

Given the unique data collection time period, this report continues to include eight chapters on buying and selling activity, but also includes two additional chapters. Chapter 9 separates buyers who closed on their transaction before April 2020 and those who closed on their transaction after April 2020. While buyers who may have established they intend to purchase before COVID-19, their search process and closing process may differ. Not every chart is reported in Chapter 9, only those which show unique differences in buyers and buyer behavior. Buyers who purchased during the onset of COVID-19 were more likely to have higher household incomes, purchase at a higher price point, and more likely to purchase a multi-generational home. Similarly, Chapter 10 focuses on the unique differences in sellers who closed in their home sale transaction before and after April 2020. While these sellers may have listed their home prior to the onset of COVID-19 in March, they closed on their transaction during a timeframe when many state and local areas had restrictions in place. Sellers who sold after April 2020 were more likely want to sell at least somewhat urgently, were more likely to sell in the suburbs, and need a larger home.

Among all buyers last year, the share of first-time home buyers continued to fall to 31 percent, from 33 percent the year before. This is the lowest share since 1987 when it was at 30 percent. While first-time buyers have had record low interest rates they have also faced a housing environment that has scarce inventory and rising home prices.

Tightened inventory is affecting the home search process of buyers. Due to suppressed inventory levels in many areas of the country, buyers are typically purchasing more expensive homes as prices increase. The number of weeks a buyer searched for a home fell to eight weeks from 10. Many buyers took advantage of new virtual tours and virtual listings and used those in their search process. Buyers continue to report the most difficult task for them in the home buying process was just finding the right home to purchase.

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Increased prices are also impacting sellers. Tenure in the home remained at a high of 10 years this year. Historically, tenure in the home has been six to seven years. Sellers may now have the equity and buyer demand to sell their home after stalling or delaying their home sale.

Buyers needed the help of a real estate professional to help them find the right home for them, negotiate terms of sale, and help with price negotiations. Eighty-eight percent of buyers used an agent to help them purchase a home. Sellers, as well, turned to professionals to help market their home to potential buyers, price their home competitively, and sell within a specific timeframe. The use of agent to sell the home reached historical highs of 89 percent. While the survey asked about iBuyer options, less than one percent of sellers used these online-only programs. Only eight percent of sellers sold via For-Sale-By-Owner (FSBO).

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 provide the information necessary to address the needs of America's real estate consumers.

The data set provides a wealth of data that is used to create a number of spin-off NAR reports including: *Home Buyer and Seller Generational Trends Report*, *Buyer Bios*, *Real Estate in a Digital Age*, *Veterans and Active Military Home Buyers and Sellers Profile*, *Profile of LGB Buyers and Sellers*, *A Snapshot of Race and Home Buying in America*, *Downpayment Expectations and Hurdles to Homeownership*, and *Moving with Kids*.



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HIGHLIGHTS

Characteristics of Home Buyers

- First-time buyers made up 31 percent of all home buyers, a dip from last year's 33 percent.
- The typical buyer was 47 years old this year, holding steady from last year, and the median household income for 2019 rose again this year to \$96,500.
- Sixty-two percent of recent buyers were married couples, 19 percent were single females, nine percent were single males, and nine percent were unmarried couples.
- Twelve percent of home buyers purchased a multi-generational home, the same as last year, to take care of aging parents, because of children over the age of 18 moving back home, and for cost-savings.
- Ninety-one percent of recent home buyers identified as heterosexual, three percent as gay or lesbian, one percent as bisexual, and five percent preferred not to answer.
- Eighteen percent of recent home buyers were veterans and two percent were active-duty service members.
- At 27 percent, the primary reason for purchasing a home was the desire to own a home of their own. For first-time buyers, this number jumps to 64 percent.

Characteristics of Homes Purchased

- Fifteen percent of buyers purchased a new home, and 85 percent of buyers purchased a previously-owned home.
- Most recent buyers who purchased new homes were looking to avoid renovations and problems with plumbing or electricity at 44 percent. Buyers who purchased previously-owned homes were most often considering better overall value at 35 percent.
- Detached single-family homes continued to be the most common home type for recent buyers at 81 percent, followed by townhomes or row houses at seven percent.
- Senior-related housing held steady this year at 12 percent, with 17 percent of buyers typically purchasing condos and nine percent purchasing a townhouse or row house.
- The median distance between the home that recent buyers purchased and the home they moved from was only 15 miles.
- Home prices increased slightly this year to a median of \$272,500 among all buyers. Buyers typically purchased their homes for 99 percent of the asking price.

- The typical home that was recently purchased was 1,900 square feet, had three bedrooms and two bathrooms, and was built in 1993.
- Heating and cooling costs were the most important environmental features for recent home buyers, with 83 percent finding these features at least somewhat important.
- Overall, buyers expected to live in their homes for a median of 15 years, while 21 percent said that they were never moving.

The Home Search Process

- For 43 percent of recent buyers, the first step that they took in the home buying process was to look online at properties for sale, while 18 percent of buyers first contacted a real estate agent.
- Ninety-one percent of recent buyers found their real estate agent to be a very or somewhat useful information source.
- Buyers typically searched for eight weeks and looked at a median of nine homes, and viewed five of these homes only online.
- The share of home buyers who used the internet to search for a home increased to an all-time high of 97 percent.
- When asked where their internet searches were conducted, home buyers were split; they typically conducted 50 percent of their search on a desktop/laptop and 50 percent on a mobile device(s).
- Sixty-four percent of recent buyers were very satisfied with their recent home buying process.

Home Buying and Real Estate Professionals

- Eighty-eight percent of buyers recently purchased their home through a real estate agent or broker, and six percent purchased directly from a builder or builder's agent.
- Having an agent to help them find the right home was what buyers wanted most when choosing an agent at 51 percent.
- Forty percent of buyers used an agent that was referred to them by a friend, neighbor, or relative and 13 percent used an agent that they had worked with in the past to buy or sell a home.
- Seventy-three percent of buyers interviewed only one real estate agent during their home search.
- Ninety-one percent of buyers would use their agent again or recommend their agent to others.

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Financing the Home Purchase

- Eighty-seven percent of recent buyers financed their home purchase. Those who financed their home purchase typically financed 88 percent.
- First-time buyers who financed their home typically financed 93 percent of their home compared to repeat buyers at 84 percent.
- For 58 percent of buyers, the source of the downpayment came from their savings. Thirty-eight percent of buyers cited using the proceeds from the sale of a primary residence, which was the next most commonly reported way of securing a downpayment.
- For 11 percent of buyers, the most difficult step in the home buying process was saving for a downpayment.
- Of buyers who said saving for a downpayment was difficult, 47 percent of buyers reported that student loans made saving for a downpayment difficult. Forty-three percent cited high rent/mortgages and 36 percent cited credit card debt also making saving for a downpayment hard.
- Buyers continue to see purchasing a home as a good financial investment. Eighty-three percent reported they view a home purchase as a good investment.

Home Sellers and Their Selling Experience

- The typical home seller was 56 years old, with a median household income of \$107,100.
- For all sellers, the most commonly cited reason for selling their home was the desire to move closer to friends and family (15 percent), that it was too small (14 percent), and a change in family situation (12 percent). Sellers typically lived in their home for 10 years before selling, similar to last year.
- Eighty-nine percent of home sellers worked with a real estate agent to sell their home.
- For recently sold homes, the final sales price was a median of 99 percent of the final listing price.
- Recently sold homes were on the market for a median of three weeks, the same as last year.
- Forty-six percent of all sellers offered incentives to attract buyers.
- This year, home sellers cited that they sold their homes for a median of \$66,000 more than they purchased it.
- Sixty-nine percent of sellers were very satisfied with the selling process.

Home Selling and Real Estate Professionals

- Sixty-seven percent of sellers found their agent through a referral from a friend, neighbor, or relative or used an agent they had worked with before to buy or sell a home.
- Seventy-seven percent of recent sellers contacted only one agent before finding the right agent they worked with to sell their home.
- Ninety-one percent of sellers listed their homes on the Multiple Listing Service (MLS), which is the number one source for sellers to list their home.
- Seventy-seven percent of sellers reported that they provided the agent's compensation.
- The typical seller has recommended their agent once since selling their home. Twenty-seven percent of sellers recommended their agent four or more times since selling their home.
- Eighty-nine percent said that they would definitely (74 percent) or probably (15 percent) recommend their agent for future services.

For-Sale-by-Owner (FSBO) Sellers

- Only eight percent of recent home sales were FSBO sales this year. This remains close to the lowest share recorded since this report started in 1981.
- The median age for FSBO sellers is 57 years. Sixty-four percent of FSBO sales were by married couples that have a median household income of \$96,700.
- FSBOs typically sell for less than the selling price of other homes; FSBO homes sold at a median of \$217,900 last year (up from last year), and significantly lower than the median of agent-assisted homes at \$242,300.
- FSBO homes sold more quickly on the market than agent-assisted homes. Seventy-seven percent of FSBO homes sold in less than two weeks—often because homes were sold to someone the seller knows.
- Eighty-one percent of successful FSBO sellers who knew the buyer were very satisfied with the process of selling their home.

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Home Buyers Before and During COVID-19

- Buyers who purchased after March were more likely to purchase a multi-generational home at 15 percent compared to 11 percent who purchased before April. Pandemic buyers purchased multi-generational homes for a number of reasons.
- Buyers who purchased after March have a shorter expected tenure in the home they purchased, just 10 years compared to those who purchased before the pandemic who expect to own their home for 15 years.
- Fifty-seven percent of buyers who purchased during the pandemic purchased in a suburban location, compared to 50 percent of pre-pandemic buyers. However, 23 percent of buyers who purchased pre-pandemic purchased in a small town compared to 16 percent of buyers post-pandemic.
- Buyers who purchased during the pandemic purchased a home that typically was \$339,400 compared to pre-pandemic buyers who purchased a home that was \$270,000. Twenty-three percent of buyers who purchased after March purchased a home that was \$500,000 or more.
- Buyers who purchased after March of 2020 searched for just two weeks before working with an agent compared to those who purchased pre-pandemic who searched for three weeks before an agent.
- Finding the right property was the most difficult step for half of buyers before and after March. However, one in six buyers after March ran into the inability to move forward in their buying process due to COVID-19.

Home Sellers Before and During COVID-19

- The top reason for sellers before April to sell their home was because they wanted to be closer to friends and family. Home sellers who sold their home after March were more likely to report the main reason for selling was because their home was too small.
- Home sellers who sold after March were more likely to say they were somewhat urgent in their need to sell their home—46 percent compared to 39 percent of those who sold before April.
- Sellers who sold after March were more likely to use technology as a marketing tool. The biggest difference seen is among those using virtual tours. Twenty-seven percent used virtual tours after March compared to 16 percent of those pre-April.
- The median time both sellers who sold before and after March owned their homes was 11 years. However, 39 percent of sellers who sold after March had owned their home for 16 years or more compared to 34 percent of sellers who sold before April.
- Home sellers who sold after March sold their home for \$300,000 while those who sold before April sold it for \$270,700.



