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# Profile of Home Buyers and Sellers 2012



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NATIONAL ASSOCIATION OF REALTORS®

# **Profile of Home Buyers and Sellers 2012**



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### Introduction

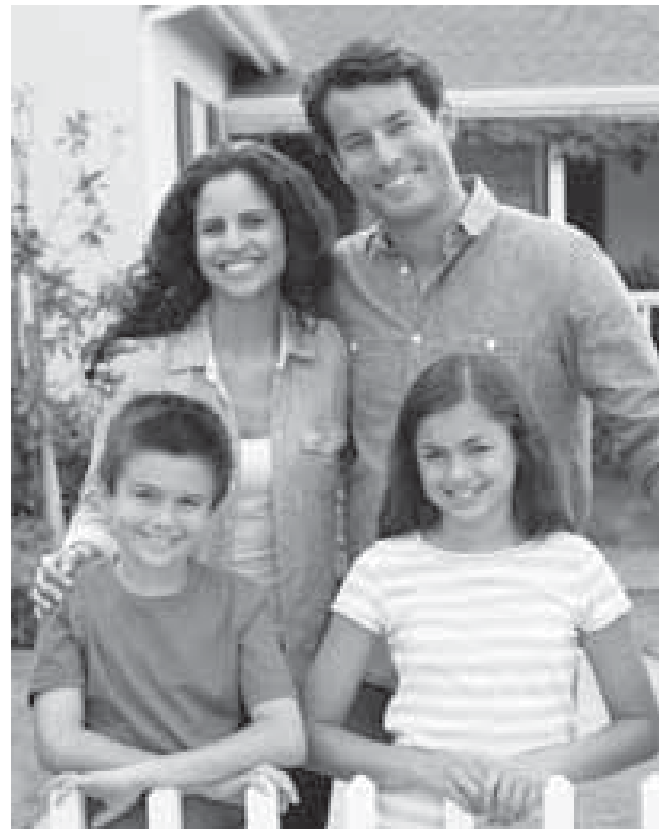
For most home buyers, the purchase of real estate is one of the largest financial transactions they will make. Buyers purchase a home not only for the desire to own a home of their own, but also because of changes in jobs, family situations, and the need for a smaller or larger living area. This annual survey conducted by the NATIONAL ASSOCIATION OF REALTORS® of recent home buyers and sellers provides insight into detailed information about their experiences with this important transaction. This information from the consumer perspective, highlights trends that are transpiring and the changes taking place. The 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.

Many buyers are now facing tighter credit standards than seen in previous years. For this reason, recent buyers are different from those of past years. For example, this year's report displayed the highest share of married couples and the lowest share of single buyers since 2001. Married couples who purchased a home have the advantage of more buying power and added financial stability—their typical household incomes are higher than single households.

The selling market continues to show tightened inventory in many areas of the country. Buyers are looking at fewer homes than in past years, just 10 homes compared to 12 homes. If buyers don't find the right home for them on the market, they are contacting home owners directly. Twenty percent of for-sale-by-owner sellers who did not know the buyer before the sale reported selling by this method because a home buyer contacted them directly to purchase their home—this compares to 15 percent in 2010.

Buyers need the help of a real estate professional to help them find the right home for them, help them understand the process, and negotiate terms of sale. Sellers, as well, turn to professionals to help sell their homes within a specific timeframe, market their home effectively and find the right buyer. As the market changes and evolves, the need for a professional to help has increased, and more buyers and sellers are turning to professionals to help them with this transaction. Satisfaction with agents continues to be high.

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.



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*Jessica Lautz*

*Thomas J. Doyle*

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**November 2012**

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## The Housing Environment

**H**ousing economists agree that the real estate market is showing signs of stabilization. The commercial real estate market continues to strengthen as vacancy rates decline and rental rates rise in many areas of the country. REALTOR® members are seeing home prices increase as demand for homes in many areas increases. While mortgage rates are near historic lows, lending standards remain tight. Overall, GDP growth is subpar, but there are signs of improvement in employment, retail and auto sales, and consumer confidence.

It is important to note that while the economy as a whole does affect the housing market, most buyers purchase for the plain desire to own a home and establish a household of their own. Homeowners, who purchase a property as their primary residence, are also buying in to a neighborhood. A long and distinguished body of academic research has shown that homeownership strengthens the community; homeowners have a stake in the community and are likely to invest through their participation in civic activities such as voting or volunteering their time. Moreover, it is now well-documented that homeowners and their families benefit in a number of ways ranging from more positive feelings about the future to better health. Although the financial aspects of homeownership are important, they do not stand alone as the primary motivators for the purchase of a home.



# Highlights

### Characteristics of Home Buyers

- Thirty-nine percent of recent home buyers were first-time buyers, a slight rise from 2011, but closer to the historical norm of 40 percent.
- The typical buyer was 42-years-old, a decrease from last year's 45-years-old.
- The 2011 median household income of buyers was \$78,600. The median income was \$61,800 among first-time buyers and \$93,100 among repeat buyers.
- Sixty-five percent of recent home buyers were married couples—the highest share since 2001. Sixteen percent of recent home buyers were single females—the lowest share since 2001.
- For 30 percent 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 continue to drag at a share of 16 percent of all recent home purchases.
- The typical home purchased was 1,900 square feet in size, built in 1992, and had three bedrooms, two bathrooms.
- Seventy-nine percent of home buyers purchased a detached single-family home.
- The quality of the neighborhood, convenience to job, and overall affordability of homes are the top three factors influencing neighborhood choice, however, neighborhood choice varies considerably among household compositions.
- When considering the purchase of a home, heating and cooling costs were at least somewhat important to 87 percent of buyers and commuting costs were considered at least somewhat important by 76 percent of buyers.

### The Home Search Process

- For 41 percent of home buyers, the first step in the home-buying process was looking online for properties, and 11 percent of home buyers first looked online for information about the home buying process.
- The use of the Internet in the home search rose slightly to 90 percent, and for buyers under the age of 44 this share increased to 96 percent.
- Real estate agents were viewed as a useful information source by 87 percent of buyers who used an agent while searching for a home.
- The typical home buyer searched for 12 weeks and viewed 10 homes.
- Approximately nine in 10 recent buyers were at least somewhat satisfied with the home buying process.

### Home Buying and Real Estate Professionals

- Eighty-nine percent of buyers purchased their home through a real estate agent or broker, similar to last year's report—a share that has steadily increased from 69 percent in 2001.
- Forty percent of buyers found their agent through a referral from a friend or family member and 10 percent used an agent they had used before to buy or sell a home.
- Two-thirds of recent buyers only interviewed one agent before they found the agent they worked with.
- About nine in 10 buyers would use their agent again or recommend to others.



## Highlights

### Financing the Home Purchase

- Eighty-seven percent of home buyers financed their recent home purchase. Among those who financed their home purchase, the buyers typically financed 91 percent.
- The share of first-time buyers who financed their home purchase was 96 percent compared to 81 percent of repeat buyers.
- About half of home buyers reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing.
- Twenty-three percent of buyers reported the mortgage application and approval process was somewhat more difficult than expected and 17 percent reported it was much more difficult than expected.

### Home Sellers and Their Selling Experience

- Forty-six percent of home sellers traded up to a larger size and higher-priced home and 62 percent purchased a newer home.
- The typical seller lived in their home for nine years. The median tenure has increased in recent years. In 2007, the typical tenure in home was only six years.
- Eighty-eight percent of sellers were assisted by a real estate agent when selling their home.
- Recent sellers typically sold their homes for 95 percent of the listing price, and 60 percent reported they reduced the asking price at least once.
- Forty percent of sellers offered incentives to attract buyers, most often assistance with home warranty policies and closing costs.

### Home Selling and Real Estate Professionals

- Thirty-eight percent of sellers who used a real estate agent found their agent through a referral by friends or family, and 23 percent used the agent they worked with previously to buy or sell a home.
- Approximately two-thirds of home sellers only contacted one agent before selecting the one to assist with their home sale.
- Ninety-three percent of sellers reported that their home was listed or advertised on the Internet.
- Among recent sellers who used an agent, 84 percent reported they would definitely (66 percent) or probably (18 percent) use that real estate agent again or recommend 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 nine percent. Thirty-three percent of FSBO sellers knew the buyer prior to home purchase.
- The primary reason that sellers choose 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 (43 percent), they sold it to a relative, friend, or neighbor (25 percent), or the buyer contacted the seller directly (15 percent).
- Approximately one-third of FSBO sellers took no action to market their home, and 60 percent did not offer any incentives to attract buyers.
- The typical FSBO home sold for \$174,900 compared to \$215,000 among agent-assisted homes

# Chapter 1:

## Characteristics of Home Buyers

Increased lending standards for home buyers continued to affect who is buying a home and why in 2012, although the market is beginning to show some signs of a return to normalcy.

First-time home buyers rose after a drop last year, inching towards 40 percent of home buyers—the historical norm. Although the demographic of buyers still remains shifted towards older buyers with higher incomes, both the average age of buyers and the average income is down a little from last year. Married couple buyers remain the lion's share of the market, rising slightly from last year, while the percentage of single buyers fell for the second year in a row.

The largest share of all buyers bought their home simply because of the desire to own their own home, although the need to trade up to a larger-sized home was the second most frequent reason given. For first-time buyers, the affordability of homes was also a major consideration, coming in after the desire to own a home. Repeat buyers cited the desire to own a larger home as the most frequent reason given to buy. A little over a third of buyers made their purchase because they felt that now was the right time, suggesting that despite tighter lending conditions a determined buyer will still find what they are looking for.

## DEMOGRAPHIC CHARACTERISTICS OF HOME BUYERS

### ▪ Exhibits 1-1 through 1-4

Age of buyers shifted slightly downwards in 2012 from 2011. The median age of home buyers fell from 45 to 42 -years-old. The share of buyers in this age group (35 to 44-years-old) made up 21 percent of buyers - up from 19 percent last year. The largest share of buyers remained in the 25 to 34 age group, which rose to 30 percent from 27 percent in 2011.

The median household income fell slightly, after an increase in 2011. This decline was seen in all regions except the Northeast, where income increased. The national median household income of buyers is \$78,600.

Household composition of buyers has changed due to tightened lending standards. The share of married couple buyers rose to its highest share since 2001, slightly higher than even the 2011 share. Conversely, the share of single buyers fell, approaching lows also not seen since 2001. Single female buyers only made up 16 percent of buyers while the share of single male buyers fell to nine percent. This may suggest that while tightened lending conditions continue, married couples are better able to provide the purchasing power needed to buy a home.

## RACE, ETHNICITY, LANGUAGE AND NATIONAL ORIGIN OF BUYERS

### ▪ Exhibits 1-5 through 1-8, and Exhibits 1-15 through 1-17

Similar to 2011, 85 percent of buyers nationally reported their ethnicity as Caucasian, although depending on the region in which they bought a home both race and ethnicity varies. The West remains the most diverse in composition of home buyers. As in 2011, 20 percent of those in the West identified as Hispanic or Asian in 2012. The South remained more diverse than the U.S. overall; 14 percent identified as Black or Hispanic, a slight decrease from 2011. Single female buyers remain more likely to be diverse in 2012 by household composition.

Ninety-six percent of home buyers speak English. This number rises to 98 percent in the Midwest and declines to 94 percent in the West. For the third year in a row, 90 percent of buyers reported they were born in the US. This number declines to 86 percent in the West and rises to 94 percent in the Midwest.

First-time buyers remain more diverse than repeat buyers overall, although the share of first-time buyers that identify as a race or ethnicity other than Caucasian decreased slightly in 2012 compared to 2011. However, they remain more likely than repeat buyers to speak a language other than English or to have been born in a country other than the United States.

## DEMOGRAPHIC CHARACTERISTICS OF FIRST-TIME AND REPEAT HOME BUYERS

### ■ Exhibits 1-9 through 1-14

The share of first-time home buyers rose slightly to 39 percent in 2012, after the drop to 37 percent reported in 2011 from 50 percent in 2010. This is very close to the historic share of 40 percent, which is a good sign of the market returning to normal conditions. The South and West had the smallest share of first-time home buyers at 37 and 39 percent respectively, and the Northeast had the largest share at 45 percent – a small increase from 2011.

The share of married first-time buyers rose in 2012 and remains the largest share of first-time buyers at 55 percent. Both the percentage of single male and single female first-time buyers fell. The number of children under the age of 18 living at home was generally similar between first-time and repeat buyers. The median age of first-time buyers is 31, unchanged from last year, while the typical age for repeat buyers dropped slightly to 51 years from last year's reported 53.

The median household income for first-time buyers and repeat buyers declined somewhat from the last report, recorded as \$61,800 for first-time buyers and \$93,100 for repeat buyers. Married repeat buyers continue to have the highest income among all buyers at \$102,600, slightly down from last year's report. Single female first-time buyers have the lowest income at \$46,600, similar to the 2011 profile.

## PRIOR LIVING ARRANGEMENT

### ■ Exhibits 1-18 and 1-19

Renting a home or apartment before making a home purchase was the most common among all buyers in 2012, at 46 percent. However, the share of home buyers who owned their previous residence prior to buying a new home was not far behind at 42 percent. Renting a home previous to purchase was most common among first-time buyers, although the number of repeat buyers who rented previous to purchasing a home was 26 percent.

In terms of household composition, married couples remained more likely than other household types to own their previous residence before buying. Unmarried couples were the most likely to rent a home before making a purchase. Single male and single female buyers were more likely than other household types to live with parents, relatives, or friends before buying.

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*The share of married couple buyers rose to its highest share since 2001, slightly higher than even the 2011 share. Conversely, the share of single buyers fell, approaching lows also not seen since 2001.*

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## PRIMARY REASON FOR HOME PURCHASE AND TIMING OF PURCHASE

### ▪ Exhibits 1-20 through 1-24

Although the demographics of home buyers often shift to reflect changes in the market, the motivations to make a home purchase are largely constant from year to year. The primary reason to purchase a home remains the desire to own a home of one's own. Nearly a third of all home buyers cited this as their reason to purchase a home in 2012, and 60 percent of first-time home buyers cited this as their primary reason to buy.

Repeat buyers are less likely to be motivated by the desire to simply own their own home and more likely to make a purchase as a result of changing circumstances: both the desire for a larger home and the need to relocate for a job or move were reasons cited most often. Other popular reasons to buy included the desire to be closer to family and friends, as well as a change in family situation. Among age groups of home buyers, there was a clear tendency for younger buyers to be more inclined to buy because of the desire to own a home, while older buyers (those in the 65 and older category) cited the desire to be closer to family and friends and retirement as the primary reasons to buy.

The timing of the home purchase remained largely driven by the buyers' feeling that it was just the right time to buy and the buyer felt ready to buy a home; a little over one-third of all buyers cited this as the primary reason. The second most common reasons remains affordability, although the share that cited this as a primary motivation decreased among all buyers from last year's report. Younger buyers were more likely to be motivated by affordability conditions as a reason to buy, while older buyers were more likely to buy because they felt they did not have much choice and had to make a purchase.

## OWNERSHIP OF MULTIPLE HOMES

### ▪ Exhibits 1-25 and 1-26

The number of recent home buyers who own more than one home was 20 percent in 2012, up slightly from 19 percent in 2011. The share of buyers who own a second or third home was largely concentrated among older buyers, those in the 45 to 64 and 65 and older categories. Ninety-nine percent of buyers aged 18 to 24 owned a single home, a number which drops to 74 percent among buyers aged 45 to 64. A little over one in 10 buyers in both the 45 to 64 age group and the 65 and older age group owns an investment property (in addition to their recent home purchase).

**Exhibit 1-1 AGE OF HOME BUYERS, BY REGION**

(Percentage Distribution)

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
18 to 24 years	3%	2%	4%	4%	3%
25 to 34 years	30	34	35	27	27
35 to 44 years	21	24	22	20	19
45 to 54 years	18	17	16	19	18
55 to 64 years	16	13	13	16	19
65 to 74 years	10	8	7	11	12
75 years or older	3	3	3	4	3
Median age (years)	42	40	39	44	45

**Exhibit 1-2 HOUSEHOLD INCOME OF HOME BUYERS, BY REGION, 2011**

(Percentage Distribution)

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
Less than \$25,000	5%	2%	5%	6%	5%
\$25,000 to \$34,999	7	5	8	7	6
\$35,000 to \$44,999	9	7	9	9	9
\$45,000 to \$54,999	9	9	11	9	9
\$55,000 to \$64,999	8	9	10	8	8
\$65,000 to \$74,999	9	9	11	8	10
\$75,000 to \$84,999	9	10	10	8	9
\$85,000 to \$99,999	11	12	10	10	11
\$100,000 to \$124,999	12	13	13	12	12
\$125,000 to \$149,999	7	9	6	8	7
\$150,000 to \$174,999	4	4	4	5	4
\$175,000 to \$199,999	3	3	1	3	3
\$200,000 or more	8	8	5	8	8
Median income (2011)	\$78,600	\$83,300	\$72,900	\$80,400	\$79,000

**Exhibit 1-3 ADULT COMPOSITION OF HOME BUYER HOUSEHOLDS, 2001-2012**

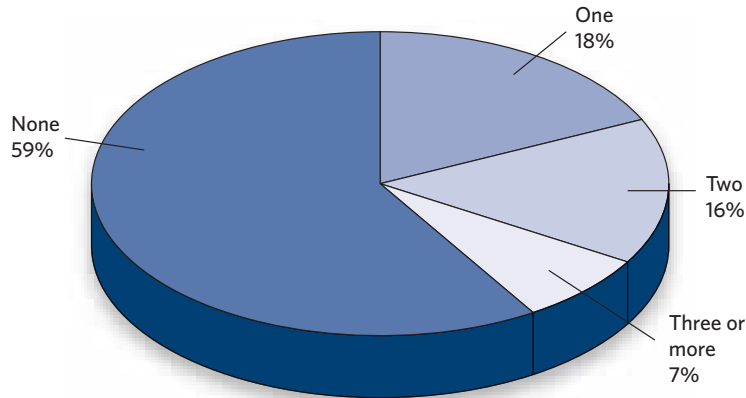
(Percentage Distribution)

	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Married couple	68%	59%	62%	61%	61%	62%	61%	60%	58%	64%	65%
Single female	15	21	18	21	22	20	20	21	20	18	16
Single male	7	11	8	9	9	9	10	10	12	10	9
Unmarried couple	7	8	9	7	7	7	7	8	8	7	8
Other	3	1	2	2	1	2	2	1	1	1	2

**Exhibit 1-4**

**NUMBER OF CHILDREN UNDER THE AGE OF 18 RESIDING IN HOUSEHOLD**

(Percentage Distribution)



**Exhibit 1-5**

**RACE/ETHNICITY OF HOME BUYERS, BY REGION**

(Percent of Respondents)

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
White/Caucasian	85%	89%	92%	84%	78%
Hispanic/Latino	7	3	2	7	12
Black/African-American	4	3	3	7	2
Asian/Pacific Islander	4	4	3	3	8
Other	2	2	1	2	3

Note: Respondents were permitted to select as many races and ethnicities as they felt applicable.

The percentage distribution may therefore sum to more than 100 percent.

**Exhibit 1-6**

**RACE/ETHNICITY OF HOME BUYERS, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percent of Respondents)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
White/Caucasian	85%	86%	79%	84%	85%	73%	81%	88%
Hispanic/Latino	7	7	6	7	8	9	10	4
Black/African-American	4	3	9	4	6	13	5	4
Asian/Pacific Islander	4	5	4	4	3	2	5	4
Other	2	2	3	3	3	4	2	2

Note: Respondents were permitted to select as many races and ethnicities as they felt applicable.

The percentage distribution may therefore sum to more than 100 percent.

**Exhibit 1-7**

**PRIMARY LANGUAGE SPOKEN IN HOME BUYER HOUSEHOLD, BY REGION**

(Percentage Distribution)

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
English	96%	97%	98%	95%	94%
Other	4	3	3	5	6

**Exhibit 1-8**

**NATIONAL ORIGIN OF HOME BUYERS, BY REGION**

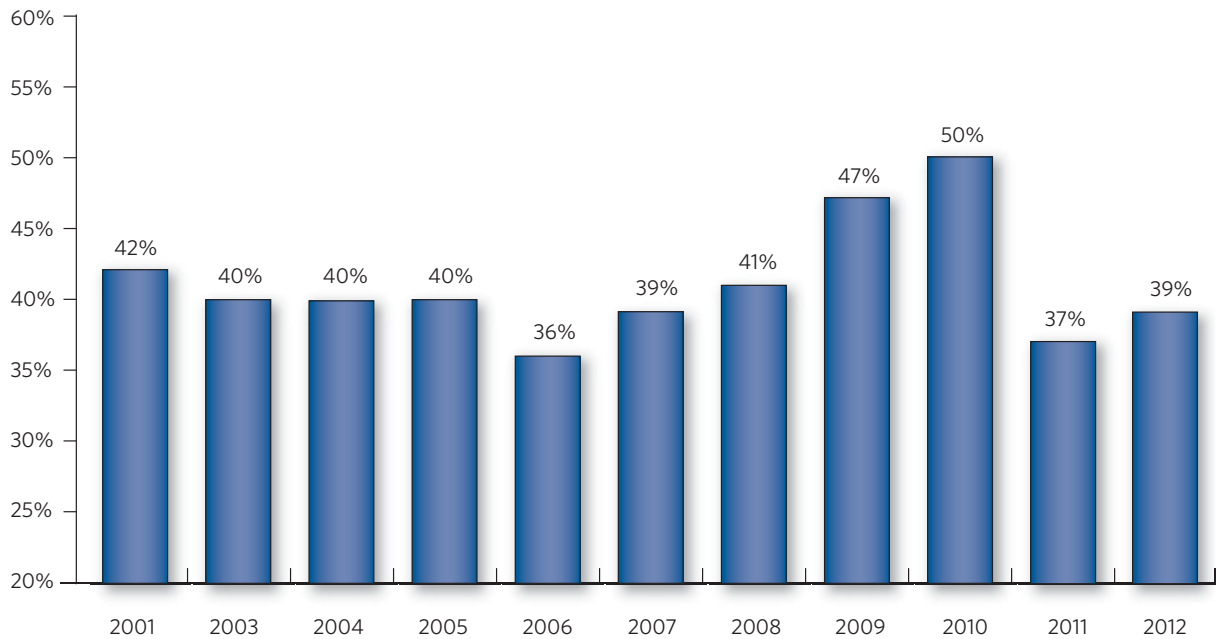
(Percentage Distribution)

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
Born in U.S.	90%	90%	94%	91%	86%
Not born in U.S.	10	10	6	9	14

**Exhibit 1-9**

**FIRST-TIME HOME BUYERS**

(Percent of all Home Buyers)

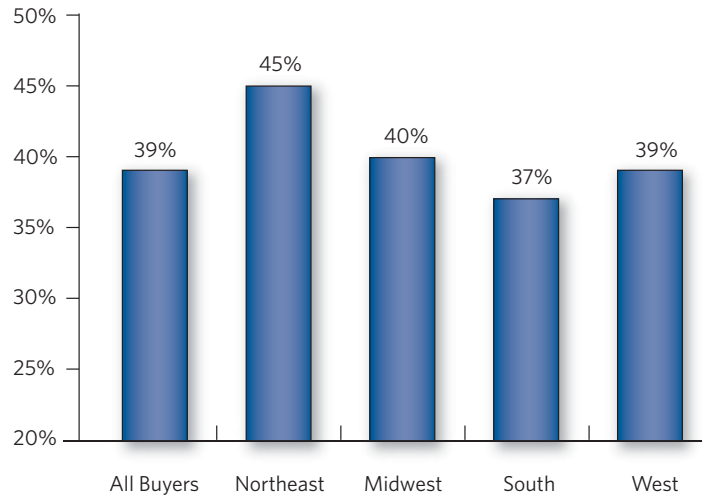




**Exhibit 1-10**

**FIRST-TIME HOME BUYERS, BY REGION**

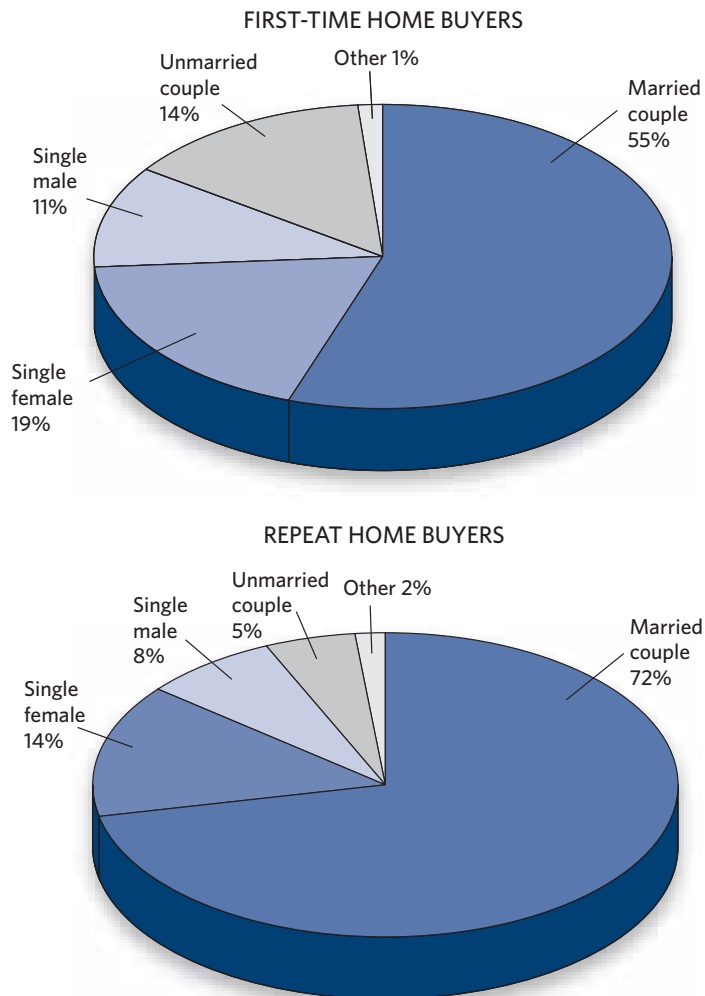
(Percent of all Home Buyers)



**Exhibit 1-11**

**FIRST-TIME AND REPEAT HOME BUYERS BY HOUSEHOLD TYPE**

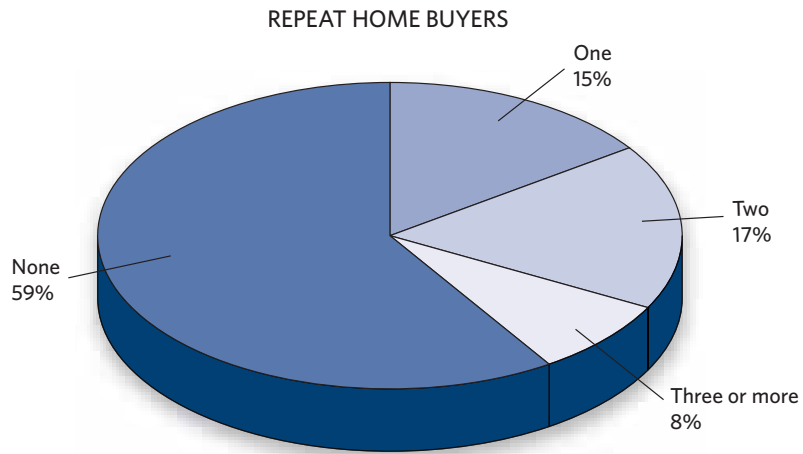
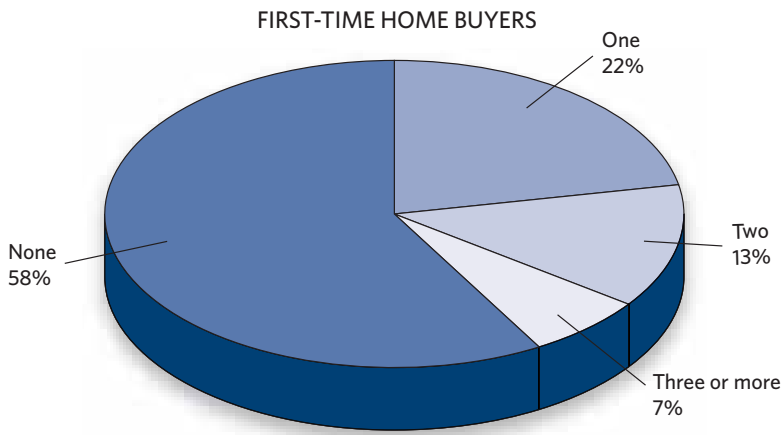
(Percentage Distribution)



**Exhibit 1-12**

**FIRST-TIME AND REPEAT HOME BUYERS BY CHILDREN IN HOUSEHOLD**

(Percentage Distribution)



**Exhibit 1-13****AGE OF FIRST-TIME AND REPEAT BUYERS***(Percentage Distribution)*

	All Buyers	First-time Buyers	Repeat Buyers
18 to 24 years	3%	9%	*
25 to 34 years	30	54	14
35 to 44 years	21	19	22
45 to 54 years	18	10	22
55 to 64 years	16	5	22
65 to 74 years	10	2	15
75 years or older	3	*	5
Median age (years)	42	31	51
Married couple	42	31	49
Single female	48	35	55
Single male	46	29	55
Unmarried couple	33	28	49
Other	55	47	57

\* Less than 1 percent

**Exhibit 1-14****HOUSEHOLD INCOME OF FIRST-TIME AND REPEAT BUYERS, 2011***(Percentage Distribution)*

	All Buyers	First-time Buyers	Repeat Buyers
Less than \$25,000	5%	7%	4%
\$25,000 to \$34,999	7	10	5
\$35,000 to \$44,999	9	13	6
\$45,000 to \$54,999	9	13	7
\$55,000 to \$64,999	8	12	6
\$65,000 to \$74,999	9	11	8
\$75,000 to \$84,999	9	9	9
\$85,000 to \$99,999	11	8	12
\$100,000 to \$124,999	12	8	15
\$125,000 to \$149,999	7	5	9
\$150,000 to \$174,999	4	2	6
\$175,000 to \$199,999	3	1	4
\$200,000 or more	8	2	11
Median income (2011)	\$78,600	\$61,800	\$93,100
Married couple	\$90,400	\$70,900	\$102,600
Single female	\$51,900	\$46,600	\$59,900
Single male	\$57,900	\$53,100	\$68,000
Unmarried couple	\$70,100	\$59,600	\$97,300
Other	\$53,600	\$42,500	\$62,100

**Exhibit 1-15**

**RACE/ETHNICITY OF FIRST-TIME AND REPEAT BUYERS**

(Percent of Respondents)

	All Buyers	First-time Buyers	Repeat Buyers
White/Caucasian	85%	77%	90%
Hispanic/Latino	7	10	5
Black/African-American	4	7	3
Asian/Pacific Islander	4	7	3
Other	2	3	2

Note: Respondents were permitted to select as many races and ethnicities as they felt applicable. The percentage distribution may therefore sum to more than 100 percent.

**Exhibit 1-16**

**PRIMARY LANGUAGE SPOKEN IN FIRST-TIME AND REPEAT BUYER HOUSEHOLDS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
English	96%	93%	98%
Other	4	7	2

**Exhibit 1-17**

**NATIONAL ORIGIN OF FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
Born in U.S.	90%	87%	92%
Not born in U.S.	10	13	8

**Exhibit 1-18**

**PRIOR LIVING ARRANGEMENT OF FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
Rented an apartment or house	46%	76%	26%
Owned previous residence	42	3	67
Lived with parents, relatives or friends	11	20	6
Rented the home buyer ultimately purchased	1	1	1

Note: After selling their previous home, buyers may have rented a home or apartment before purchasing their next home. A first-time buyer could have acquired ownership of their previous home (as an inheritance or gift, for example) without having been the buyer of the home. Thus, a first-time buyer could have owned a home prior to their first home purchase.

**Exhibit 1-19****PRIOR LIVING ARRANGEMENT, BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				CHILDREN IN HOME		
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
Rented an apartment or house	46%	42%	47%	52%	63%	37%	50%	44%
Owned previous residence	42	49	34	27	20	47	39	44
Lived with parents, relatives or friends	11	7	18	20	16	14	10	12
Rented the home buyer ultimately purchased	1	1	1	1	1	2	1	1

**Exhibit 1-20****PRIMARY REASON FOR PURCHASING A HOME, FIRST-TIME AND REPEAT BUYERS***(Percentage Distribution)*

	All Buyers	First-time Buyers	Repeat Buyers
Desire to own a home of my own	30%	60%	11%
Desire for larger home	11	3	16
Job-related relocation or move	9	3	13
Change in family situation	8	9	8
Affordability of homes	7	11	5
Desire to be closer to family/friends/relatives	6	1	9
Desire for a home in a better area	6	3	7
Retirement	4	1	7
Desire for smaller home	4	*	6
Desire to be closer to job/school/transit	4	2	5
Establish household	2	3	1
Desire for a newly built or custom-built home	2	1	2
Financial security	1	1	1
Desire for vacation home/investment property	1	*	1
Purchased home for family member or relative	1	1	1
Tax benefits	1	1	1
Greater number of homes on the market for sale/better choice	1	1	1
Other	4	2	5

\* Less than 1 percent

**Exhibit 1-21**

**PRIMARY REASON FOR PURCHASING A HOME, BY AGE**

(Percentage Distribution)

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
Desire to own a home of my own	30%	60%	11%	17%	6%
Desire for larger home	11	3	16	7	5
Job-related relocation or move	9	3	13	14	2
Change in family situation	8	9	8	8	5
Affordability of homes	7	11	5	8	5
Desire to be closer to family/friends/relatives	6	1	9	7	28
Desire for a home in a better area	6	3	7	5	5
Retirement	4	1	7	8	14
Desire for smaller home	4	*	6	6	12
Desire to be closer to job/school/transit	4	2	5	5	2
Establish household	2	3	1	1	*
Desire for a newly built or custom-built home	2	1	2	2	*
Financial security	1	1	1	2	1
Desire for vacation home/investment property	1	*	1	2	2
Purchased home for family member or relative	1	1	1	2	2
Tax benefits	1	1	1	1	2
Greater number of homes on the market for sale/better choice	1	1	1	1	1
Other	4	2	5	6	9

\* Less than 1 percent

**Exhibit 1-22****PRIMARY REASON FOR PURCHASING A HOME, BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
Desire to own a home of my own	30%	24%	41%	36%	48%	39%	29%	31%
Desire for larger home	11	14	4	3	8	12	19	6
Job-related relocation or move	9	12	3	4	3	2	12	7
Change in family situation	8	6	14	11	8	16	10	7
Affordability of homes	7	5	8	14	12	7	5	9
Desire to be closer to family/friends/relatives	6	7	7	5	1	4	3	8
Desire for a home in a better area	6	7	3	4	4	2	6	5
Retirement	4	5	3	5	2	4	1	7
Desire for smaller home	4	4	5	3	2	7	1	6
Desire to be closer to job/school/transit	4	4	2	3	2	*	5	3
Establish household	2	2	1	2	4	*	3	2
Desire for a newly built or custom-built home	2	2	1	1	1	*	1	2
Financial security	1	1	2	2	1	*	1	1
Desire for vacation home/investment property	1	1	*	1	*	2	*	1
Purchased home for family member or relative	1	1	1	1	*	4	1	1
Tax benefits	1	1	1	1	1	*	1	1
Greater number of homes on the market for sale/better choice	1	1	1	1	1	*	1	1
Other	4	4	4	3	3	3	2	5

\* Less than 1 percent

**Exhibit 1-23****PRIMARY REASON FOR THE TIMING OF HOME PURCHASE, FIRST-TIME AND REPEAT BUYERS***(Percentage Distribution)*

	All Buyers	First-time Buyers	Repeat Buyers
It was just the right time, the buyer was ready to buy a home	37%	43%	34%
It was the best time because of affordability of homes	19	22	17
Did not have much choice, had to purchase	14	9	18
It was the best time because of mortgage financing options available	12	16	10
It was the best time because of availability of homes for sale	7	5	8
Other	9	5	11
The buyer wished they had waited	2	1	2

**Exhibit 1-24**

**PRIMARY REASON FOR THE TIMING OF HOME PURCHASE, BY AGE**

(Percentage Distribution)

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
It was just the right time, the buyer was ready to buy a home	37%	44%	39%	34%	40%
It was the best time because of affordability of homes	19	22	20	17	16
Did not have much choice, had to purchase	14	6	12	20	13
It was the best time because of mortgage financing options available	12	15	15	11	7
It was the best time because of availability of homes for sale	7	5	6	7	8
Other	9	6	7	10	14
The buyer wished they had waited	2	2	1	2	2

**Exhibit 1-25**

**NUMBER OF HOMES CURRENTLY OWNED, BY AGE**

(Percentage Distribution)

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
One	81%	99%	85%	74%	76%
Two	15	1	12	19	18
Three or more	5	*	3	7	7

\* Less than 1 percent

**Exhibit 1-26**

**OTHER HOMES OWNED, BY AGE**

(Percentage Distribution)

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
Recently purchased home only	77%	97%	83%	69%	67%
One or more investment properties	11	1	10	13	11
Previous homes that buyer is trying to sell	5	*	3	6	9
Primary residence	5	2	3	7	8
One or more vacation homes	4	*	2	5	8
Other	3	*	1	4	4

\* Less than 1 percent



# Chapter 2:

## Characteristics of Homes Purchased

In last year's report, the type of home that the buyer was purchasing was different than in recent years, as buyer demographics shifted. This year's report is consistent with last year's information, showing a higher share of repeat buyers, with typical home size and price also increasing. The sale of new homes continued to lag as previously-owned homes are sold at higher rates.

Trends in home buying do remain, however. Repeat buyers purchase larger homes than first-time buyers, and new homes are larger than previously owned homes. Fourteen percent of recent home buyers over 50 years of age purchased a home in senior-related housing or an active adult community.

Once the buyer is moved in to their newly purchased home, they expect to live there for 15 years—the same figure as in the 2011 report, but substantially longer than the 10 year expected tenure reported in 2010. First-time home and younger buyers expect their tenure will be shorter, while older buyers expect their tenure to be longer.

## NEW AND PREVIOUSLY OWNED HOMES PURCHASED

- Exhibits 2-1 and 2-2

As construction slowed across the country during and after the recession, new home sales also slowed. In the 2010 report, only 15 percent of recent buyers reported purchasing a new home. In 2012, the share was slightly higher at 16 percent. By region, the South had the highest share of buyers who purchased a new home (21 percent) and the Northeast had the lowest share (9 percent).

## TYPE OF HOME PURCHASED

- Exhibits 2-3 through 2-5

Detached single family homes continue to be the most popular type of home purchased, accounting for 79 percent of the home buying market. Seven percent of households purchased a townhouse or row house and six percent purchased a condo.

First-time home buyers are slightly more likely to purchase a townhouse or a condo than repeat buyers. New homes that were purchased were slightly more likely than existing homes to be a townhouse or row house. Single buyers were more likely to purchase a townhouse or condo than married couples and unmarried couples.

## LOCATION OF HOME PURCHASED

- Exhibits 2-6 through 2-8

A little more than half of buyers purchased a home in a suburb or subdivision. Eighteen percent of buyers purchased in a small town, 17 percent purchased in an urban area, and 12 percent purchased in a rural area. Purchasing a home in a suburb was most popular in the South and least popular in the Northeast. First-time home buyers were more likely than repeat buyers to purchase a home in an urban or central city area. Buyers of new homes were most likely to purchase in a suburb. The highest share of repeat buyers, 26 percent, both purchased a home and sold a home in a suburban area.

## SENIOR HOUSING AND ACTIVE ADULT COMMUNITIES

- Exhibit 2-9

Fourteen percent of recent home buyers over 50 years of age purchased a home in senior-related housing or an active adult community, either for themselves or for a friend or family member. The share has risen incrementally from 11 percent in the 2010 report. Sixty-three percent of the homes purchased were detached single-family homes. Nineteen percent were condos and eight percent were townhouses. Most of the homes purchased were in the suburbs, but one in five was in a small town, and 17 percent were in resort or recreation areas.

## DISTANCE BETWEEN HOME PURCHASED AND PREVIOUS RESIDENCE

- Exhibit 2-10

Nationally, home buyers moved a median of 11 miles from their previous residence. Buyers in the South moved the farthest—a median of 14 miles from their previous residence, while buyers in the Midwest moved only 10 miles and buyers in the Northeast moved only nine miles.

## FACTORS INFLUENCING NEIGHBORHOOD CHOICE

- **Exhibits 2-11 and 2-12**

For the past several years, the top factor influencing where a buyer purchased a home was the quality of the neighborhood. Convenience to work was the second most significant factor with just under half of buyers citing its importance. Affordability of homes was also very important, with 39 percent citing it as a factor in their neighborhood choice. By family type there are variations in the importance of neighborhood factors. Single females place a higher priority on convenience to friends and family than other family types. Both single males and single females value affordability of homes. Married couples and those with children in the home place more priority on the quality and convenience to schools than other buyers. Unmarried couples and single males place a higher value on convenience to entertainment and leisure activities.

## PRICE OF HOME PURCHASED

- **Exhibits 2-13 through 2-16**

Following a two-year trend of prices declining, the typical buying price remained constant from last year for recent home buyers. This follows the trend of buyer demographics: a higher share of repeat buyers, higher household incomes, and older buyers typically purchase more expensive homes. The median price paid by all recent buyers from mid-2011 to mid-2012 was \$189,700, compared to the price from mid-2010 to mid-2011 of \$180,000. Prices were the highest in the West with a median of \$224,900, followed by the Northeast at \$215,000. Prices were the lowest in the Midwest at a median price paid of \$152,400.

Typically, new homes are more expensive than previously owned homes. The median price buyers paid for a new home was \$232,000 compared to \$179,900 for a previously owned home. The median price repeat buyers paid for their home was \$220,000 compared to a median price of \$154,100 for first-time buyers.

Buyers typically paid slightly less than the asking price, with the median purchase price 97 percent of the asking price, slightly up from 96 percent in the previous survey. Ten percent of buyers paid more than the asking price and one in five buyers paid the asking price of the home.

## SIZE OF HOME PURCHASED

- **Exhibits 2-17 through 2-21**

The median size of homes purchased was 1,900 square feet, the same as in the 2011 report. Repeat buyers usually purchase larger homes than first-time buyers. Repeat buyers typically purchased a 2,100 square foot home whereas first-time buyers purchased a 1,600 square foot home. Married couples and families with children under the age of 18 in their home typically purchased the largest homes, while single buyers typically purchased the smallest homes.

Homes purchased in the South were generally larger, at a median of 2,000 square feet. Looking at price per square foot makes it possible to compare prices across regions and types of homes. Homes purchased in the West and Northeast were more expensive per square foot compared to the Midwest and South. When looking at the type of home purchased, condos in buildings with five or more units were the most expensive type of home based on square foot, while detached single-family homes and duplex and condos in buildings with two to four units were the least expensive.

The typical buyer purchased a home with three bedrooms and two bathrooms. About seven in 10 single buyers purchased a house with three or more bedrooms compared to nine in 10 married buyers.

## **YEAR HOME WAS BUILT**

### ■ **Exhibit 2-22**

The typical home purchased was built in 1992. By region, the age of homes varies. Homes in the South were typically the newest homes, built in 1998, which is not surprising due to the high percent of new home sales in the South. Homes in the Northeast were typically the oldest homes, built in 1969. Homes in the Midwest were typically built in 1985 and homes in the West 1992.

## **ENVIRONMENT FEATURES AND COMMUTING COSTS**

### ■ **Exhibits 2-23 through 2-26**

Commuting costs and environmental efficiency have increasingly factored into home buying decisions due to higher energy costs, but also due to overall concern for the environment. Factors that are most important to buyers are those directly related to the buyers' pocketbook. Heating and cooling costs were at least somewhat important to 87 percent of home buyers. Commuting costs were at least somewhat important to 76 percent of home buyers.

## **CHARACTERISTICS OF HOME ON WHICH BUYER COMPROMISED**

### ■ **Exhibits 2-27 through 2-29**

Just over a third of respondents said that they did not make any compromises when purchasing their home. However, 18 percent of buyers reported that they compromised on the price of the home, and 16 percent compromised on the condition of the home. First-time buyers and unmarried couples were the most likely to make compromises when purchasing a home.

## **EXPECTED LENGTH OF TENURE IN HOME PURCHASED**

### ■ **Exhibits 2-30 and 2-31**

Forty-three percent of recent buyers were unsure of how long they expected to own their home. The typical buyer estimated they would live in their home for 15 years, a large increase from the estimated 10 years recorded in the 2010 report. First-time home buyers estimated they would live in their house for 10 years before moving. By age, buyers aged 18 to 24 had the shortest timeframe of 10 years, while buyers aged 45 to 64 had the longest timeframe of 20 years.

## **PRIMARY RESIDENCE AND SECOND HOME**

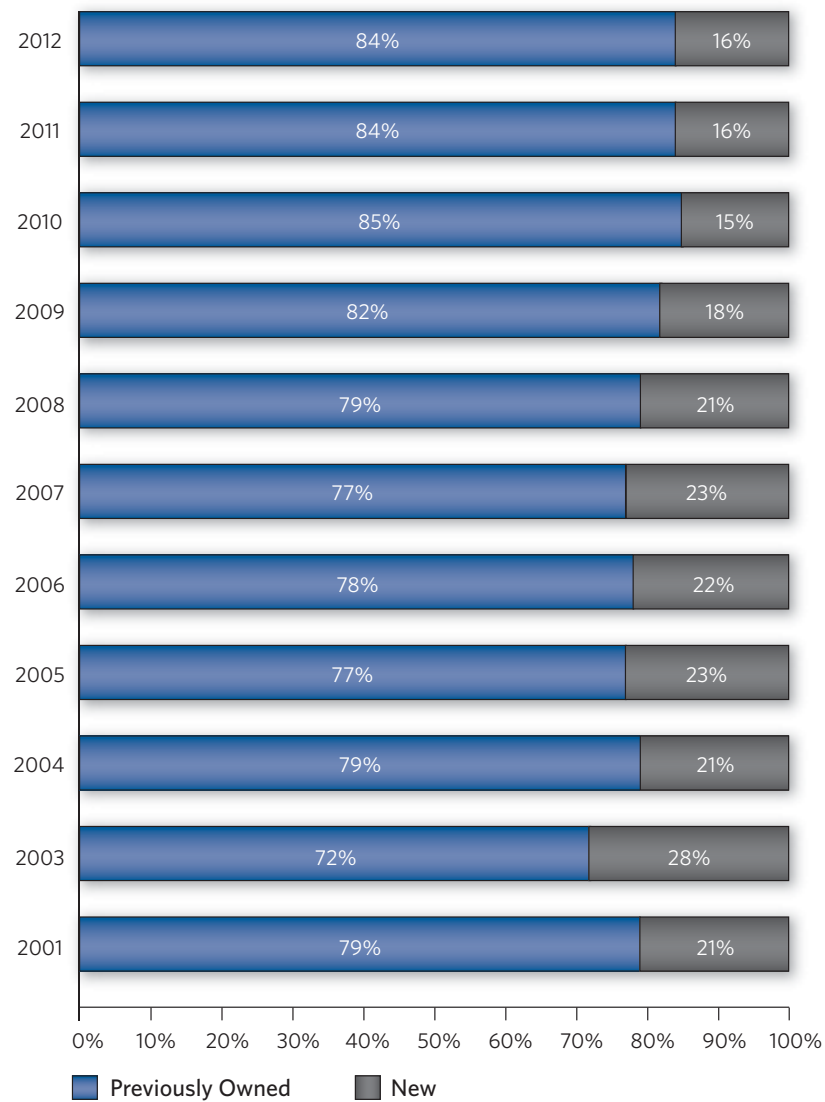
### ■ **Exhibits 2-32 and 2-33**

Second home buyers more often purchased condos (20 percent) than did primary home buyers (seven percent). The location of the second home was more likely to be in a small town, urban central city, or resort area than primary home purchases.

**Exhibit 2-1**

**NEW AND PREVIOUSLY OWNED HOMES PURCHASED, 2001-2012**

(Percentage Distribution)



**Exhibit 2-2**

**NEW AND PREVIOUSLY OWNED HOMES PURCHASED, BY REGION**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
New	16%	9%	11%	21%	15%
Previously Owned	84	91	89	79	85

**Exhibit 2-3 TYPE OF HOME PURCHASED, BY LOCATION**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A HOME IN A				
		Suburb/ Subdivision	Small town	Urban/ Central city	Rural area	Resort/ Recreation area
Detached single-family home	79%	85%	81%	64%	79%	63%
Townhouse/row house	7	6	5	11	3	5
Apartment/condo in building with 5 or more units	6	4	3	16	1	15
Duplex/apartment/condo in 2 to 4 unit building	2	1	2	3	2	3
Other	7	4	8	6	15	14

**Exhibit 2-4 TYPE OF HOME PURCHASED BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Detached single-family home	79%	77%	81%	79%	79%
Townhouse/row house	7	8	6	9	6
Apartment/condo in building with 5 or more units	6	6	6	5	6
Duplex/apartment/condo in 2 to 4 unit building	2	2	2	2	2
Other	7	7	6	5	7

**Exhibit 2-5 TYPE OF HOME PURCHASED, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percentage Distribution)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
Detached single-family home	79%	84%	67%	69%	80%	80%	86%	75%
Townhouse/row house	7	5	10	11	8	4	5	8
Apartment/condo in building with 5 or more units	6	3	11	12	5	3	2	8
Duplex/apartment/condo in 2 to 4 unit building	2	2	4	3	1	3	1	2
Other	7	7	8	6	6	10	6	7

**Exhibit 2-6 LOCATION OF HOME PURCHASED, BY REGION**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
Suburb/Subdivision	51%	38%	56%	57%	45%
Small town	18	30	19	14	17
Urban area/Central city	17	15	16	15	22
Rural area	12	16	9	11	13
Resort/Recreation area	3	2	*	4	3

\* Less than 1 percent

**Exhibit 2-7**

**LOCATION OF HOME PURCHASED BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Suburb/Subdivision	51%	47%	54%	62%	49%
Small town	18	19	17	14	18
Urban area/Central city	17	23	13	11	18
Rural area	12	11	12	10	12
Resort/Recreation area	3	1	4	3	3

**Exhibit 2-8**

**LOCATION OF HOME PURCHASED VERSUS LOCATION OF HOME SOLD**

(Percentage Distribution Among those that Sold a Home)

		LOCATION OF HOME PURCHASED				
		Suburb/ Subdivision	Small town	Urban/ Central city	Rural area	Resort/ Recreation area
LOCATION OF HOME SOLD	Suburb/Subdivision	26%	9%	8%	6%	1%
	Small town	10	3	3	2	1
	Urban area/Central city	7	3	2	2	1
	Rural area	7	2	2	2	1
	Resort/Recreation area	1	*	*	*	*

\* Less than 1 percent

**Exhibit 2-9**

**SENIOR RELATED HOUSING BY TYPE OF HOME PURCHASED AND LOCATION**

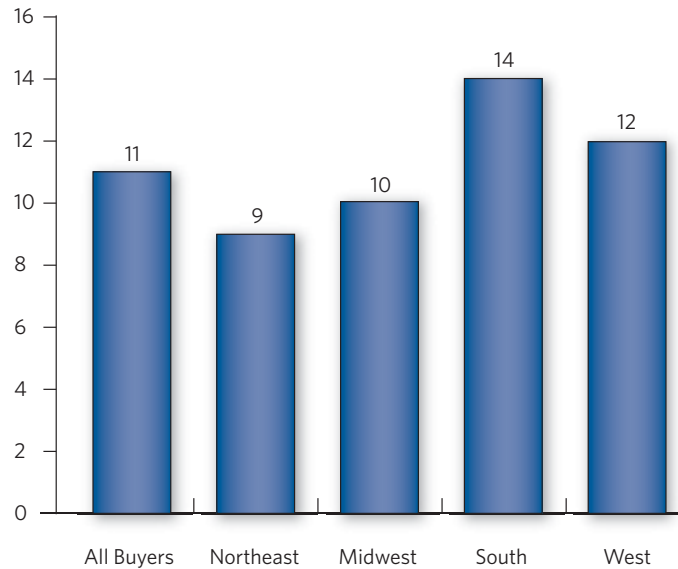
(Percentage Distribution)

ALL BUYERS OVER 50	
Share who purchased a home in senior related housing	14%
<b>BUYERS OVER 50 WHO PURCHASED SENIOR RELATED HOUSING:</b>	
<b>TYPE OF HOME PURCHASED</b>	
Detached single-family home	63%
Townhouse/row house	8
Apartment/condo in building with 5 or more units	12
Duplex/apartment/condo in 2 to 4 unit building	7
Other	11
<b>LOCATION</b>	
Suburb/ Subdivision	45%
Small town	21
Urban/ Central city	10
Rural area	7
Resort/ Recreation area	17

**Exhibit 2-10**

**DISTANCE BETWEEN HOME PURCHASED AND PREVIOUS RESIDENCE**

(Median Miles)



**Exhibit 2-11**

**FACTORS INFLUENCING NEIGHBORHOOD CHOICE, BY LOCATION**

(Percent of Respondents)

	BUYERS WHO PURCHASED A HOME IN A					
	All Buyers	Suburb/ Subdivision	Small town	Urban/ Central city	Rural area	Resort/ Recreation area
Quality of the neighborhood	61%	68%	55%	61%	41%	53%
Convenient to job	43	47	36	51	33	13
Overall affordability of homes	39	41	39	38	34	21
Convenient to friends/family	35	37	34	35	34	24
Design of neighborhood	26	29	20	28	18	29
Convenient to shopping	26	28	18	31	19	24
Quality of the school district	25	30	22	15	22	6
Convenient to schools	22	25	22	20	19	3
Convenient to entertainment/ leisure activities	19	20	10	33	8	34
Convenient to parks/ recreational facilities	18	18	15	22	11	29
Availability of larger lots or acreage	16	14	16	7	45	4
Convenient to health facilities	10	10	9	12	9	19
Home in a planned community	8	10	6	3	4	29
Convenient to public transportation	6	4	3	21	2	2
Convenient to airport	5	5	3	8	3	14
Green (environmentally friendly) community features	5	5	4	5	3	7
Other	5	4	5	5	8	14



**Exhibit 2-12****FACTORS INFLUENCING NEIGHBORHOOD CHOICE, BY ADULT COMPOSITION OF HOUSEHOLD AND CHILDREN IN HOUSHOLD***(Percent of Respondents)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
Quality of the neighborhood	61%	64%	57%	51%	61%	41%	63%	61%
Convenient to job	43	43	42	42	50	25	46	42
Overall affordability of homes	39	37	41	42	44	37	38	39
Convenient to friends/family	35	33	45	37	37	31	32	38
Design of neighborhood	26	27	24	21	27	26	24	28
Convenient to shopping	26	25	28	27	27	24	21	29
Quality of the school district	25	30	13	11	21	11	46	11
Convenient to schools	22	27	14	11	19	13	44	8
Convenient to entertainment/leisure activities	19	18	19	23	27	10	14	23
Convenient to parks/recreational facilities	18	19	13	17	18	13	20	16
Availability of larger lots or acreage	16	19	9	12	15	14	19	15
Convenient to health facilities	10	11	10	10	7	9	6	13
Home in a planned community	8	8	8	7	5	11	6	9
Convenient to public transportation	6	5	8	6	9	2	4	7
Convenient to airport	5	6	4	3	5	4	4	6
Green (environmentally friendly) community features	5	5	6	5	4	3	4	5
Other	5	5	7	5	4	13	4	6

**Exhibit 2-13****PRICE OF HOME PURCHASED, BY REGION***(Percentage Distribution)*

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
Less than \$75,000	8%	6%	12%	8%	4%
\$75,000 to \$99,999	8	7	11	9	5
\$100,000 to \$124,999	9	7	13	10	7
\$125,000 to \$149,999	10	7	13	10	8
\$150,000 to \$174,999	10	11	10	10	8
\$175,000 to \$199,999	8	9	9	7	10
\$200,000 to \$249,999	14	16	12	14	15
\$250,000 to \$299,999	9	10	7	10	10
\$300,000 to \$349,999	7	8	5	6	9
\$350,000 to \$399,999	5	7	3	4	5
\$400,000 to \$499,999	5	6	3	5	7
\$500,000 or more	8	8	3	7	12
Median price	\$189,700	\$215,000	\$152,400	\$185,000	\$224,900

**Exhibit 2-14**

**PRICE OF HOME PURCHASED, NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A	
		New Home	Previously Owned Home
Less than \$75,000	8%	1%	9%
\$75,000 to \$99,999	8	1	9
\$100,000 to \$124,999	9	5	10
\$125,000 to \$149,999	10	7	10
\$150,000 to \$174,999	10	12	10
\$175,000 to \$199,999	8	10	8
\$200,000 to \$249,999	14	21	13
\$250,000 to \$299,999	9	15	8
\$300,000 to \$349,999	7	9	6
\$350,000 to \$399,999	5	5	4
\$400,000 to \$499,999	5	6	5
\$500,000 or more	8	8	7
Median price	\$189,700	\$232,000	\$179,900

**Exhibit 2-15**

**PRICE OF HOME PURCHASED, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
Less than \$75,000	8%	10%	6%
\$75,000 to \$99,999	8	12	6
\$100,000 to \$124,999	9	13	7
\$125,000 to \$149,999	10	13	8
\$150,000 to \$174,999	10	10	10
\$175,000 to \$199,999	8	9	8
\$200,000 to \$249,999	14	12	15
\$250,000 to \$299,999	9	7	11
\$300,000 to \$349,999	7	5	8
\$350,000 to \$399,999	5	2	6
\$400,000 to \$499,999	5	3	6
\$500,000 or more	8	4	10
Median price	\$189,700	\$154,100	\$220,000
Married couple	\$215,900	\$172,000	\$240,000
Single female	\$146,200	\$127,700	\$165,000
Single male	\$155,000	\$138,000	\$161,300
Unmarried couple	\$152,000	\$135,700	\$220,000
Other	\$151,200	\$149,900	\$153,200

**Exhibit 2-16****PURCHASE PRICE COMPARED WITH ASKING PRICE, BY REGION***(Percentage Distribution)*

Percent of asking price:	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
Less than 90%	17%	22%	18%	18%	13%
90% to 94%	20	23	22	21	15
95% to 99%	32	32	36	31	29
100%	22	17	17	22	27
101% to 110%	8	6	5	6	14
More than 110%	2	1	2	1	3
Median (purchase price as a percent of asking price)	97%	95%	96%	96%	98%

**Exhibit 2-17****SIZE OF HOME PURCHASED, FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES***(Percentage Distribution)*

	BUYERS OF				
	All Buyers	First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
1,000 sq ft or less	1%	2%	1%	1%	1%
1,001 to 1,500 sq ft	14	23	9	5	16
1,501 to 2,000 sq ft	27	35	22	24	28
2,001 to 2,500 sq ft	24	24	25	26	24
2,501 to 3,000 sq ft	15	10	17	18	14
3,001 to 3,500 sq ft	10	5	13	14	9
3,501 sq ft or more	9	3	13	12	8
Median (sq ft)	1,900	1,600	2,100	2,100	1,800

**Exhibit 2-18****SIZE OF HOME PURCHASED, BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
1,000 sq ft or less	1%	1%	2%	2%	2%	1%	*	2%
1,001 to 1,500 sq ft	14	9	27	27	18	16	10	17
1,501 to 2,000 sq ft	27	23	36	33	30	30	22	30
2,001 to 2,500 sq ft	24	25	21	23	25	27	24	25
2,501 to 3,000 sq ft	15	18	6	8	13	14	18	12
3,001 to 3,500 sq ft	10	12	5	4	9	7	13	8
3,501 sq ft or more	9	12	3	3	4	5	14	6
Median (sq ft)	1,900	2,080	1,530	1,500	1,750	1,800	2,100	1,780

\* Less than 1 percent

**Exhibit 2-19**

**HOME SIZE AND PRICE PER SQUARE FOOT, BY REGION**

(Median)

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
All homes purchased					
Square feet	1,900	1,000	1,800	2,000	1,800
Price per square foot	\$100	\$120	\$90	\$90	\$120
Detached single-family home					
Square feet	2,000	1,900	1,900	2,100	1,920
Price per square foot	\$100	\$120	\$90	\$90	\$120
Townhouse or row house					
Square feet	1,620	1,490	1,670	1,700	1,600
Price per square foot	\$120	\$130	\$90	\$130	\$130
Duplex/apartment/condo in 2-4 unit building					
Square feet	1,500	1,850	1,700	1,500	1,300
Price per square foot	\$100	\$110	\$90	\$80	\$140
Apartment/condo in building with 5 or more units					
Square feet	1,140	1,050	1,360	1,200	1,040
Price per square foot	\$150	\$220	\$90	\$120	\$240

**Exhibit 2-20**

**NUMBER OF BEDROOMS AND BATHROOMS, BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
One bedroom	2%	2%	1%	2%	2%
Two bedrooms	15	16	15	11	16
Three bedrooms or more	83	82	84	88	82
Median number of bedrooms	3	3	3	3	3
One full bathroom	17	28	10	4	20
Two full bathrooms	59	60	59	65	58
Three full bathrooms or more	23	12	31	31	22
Median number of full bathrooms	2	2	2	2	2

**Exhibit 2-21****NUMBER OF BEDROOMS AND BATHROOMS, BY ADULT HOUSEHOLD COMPOSITION AND CHILDREN IN HOUSEHOLD***(Percentage Distribution)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
One bedroom	2%	*	4%	6%	2%	1%	*	3%
Two bedrooms	15	11	29	23	17	18	7	21
Three bedrooms or more	83	89	68	71	82	81	93	77
Median number of bedrooms	3	3	3	3	3	3	3	3
One full bathroom	17	12	28	28	26	17	16	19
Two full bathrooms	59	59	61	61	57	59	54	63
Three full bathrooms or more	23	29	11	11	17	24	30	19
Median number of full bathrooms	2	2	2	2	2	2	2	2

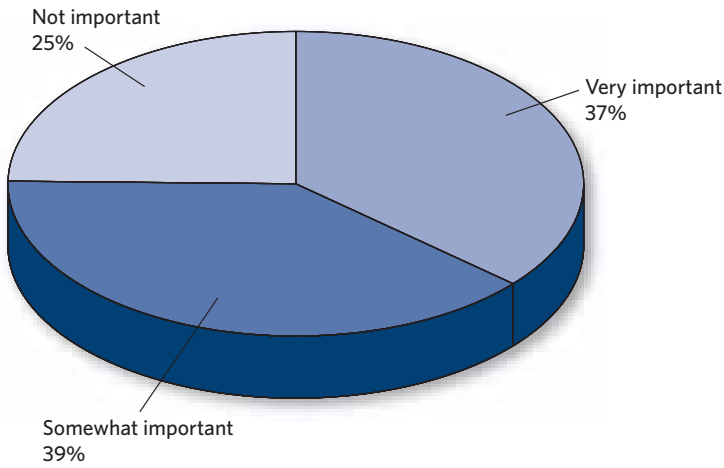
\* Less than 1 percent

**Exhibit 2-22****YEAR HOME BUILT, BY REGION***(Percentage Distribution)*

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
2011	14%	7%	9%	18%	13%
2008 through 2010	4	2	3	5	4
2005 through 2007	9	4	9	11	10
2000 through 2004	11	8	10	12	11
1985 through 1999	21	16	20	24	21
1960 through 1984	23	25	24	19	26
1911 through 1959	16	31	21	10	14
1910 or earlier	2	8	4	1	1
Median	1992	1969	1985	1998	1992

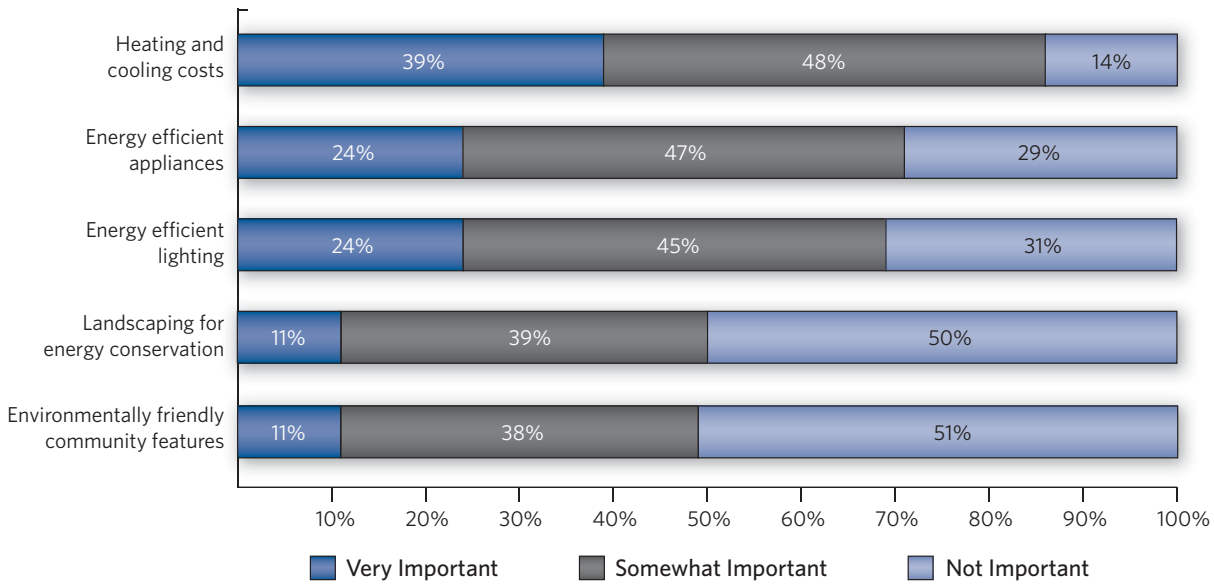
**Exhibit 2-23** **IMPORTANCE OF COMMUTING COSTS**

(Percentage Distribution)



**Exhibit 2-24** **IMPORTANCE OF HOME'S ENVIRONMENTALLY FRIENDLY FEATURES**

(Percentage Distribution)



**Exhibit 2-25**

**ENVIRONMENTALLY FRIENDLY FEATURES CONSIDERED "VERY IMPORTANT", BY REGION**

(Percent of Respondents)

	All Buyers	BUYERS WHO PURCHASED A HOME IN THE			
		Northeast	Midwest	South	West
Heating and cooling costs	39%	42%	38%	42%	33%
Energy efficient appliances	24	21	21	27	22
Energy efficient lighting	24	22	19	28	24
Landscaping for energy conservation	11	8	7	13	13
Environmentally friendly community features	11	8	7	13	11

**Exhibit 2-26**

**ENVIRONMENTALLY FRIENDLY FEATURES CONSIDERED "VERY IMPORTANT", BY YEAR HOME WAS BUILT**

(Percent of Respondents)

	All Buyers	2011	2008 through 2010	2005 through 2007	2000 through 2004	1985 through 1999	1960 through 1984	1911 through 1959	1910 or earlier
		Heating and cooling costs	39%	57%	42%	41%	32%	33%	36%
Energy efficient appliances	24	49	31	28	21	17	18	19	16
Energy efficient lighting	24	45	32	26	21	18	20	21	19
Landscaping for energy conservation	11	19	14	12	11	9	9	10	7
Environmentally friendly community features	11	23	13	11	10	8	9	7	10

**Exhibit 2-27**

**CHARACTERISTICS OF HOME ON WHICH BUYER COMPROMISED, BY LOCATION**

(Percent of Respondents)

	All Buyers	BUYERS WHO PURCHASED A HOME IN A				
		Suburb/ Subdivision	Small town	Urban/ Central city	Rural	Resort/ Recreation area
Price of home	18%	17%	15%	21%	17%	16%
Size of home	16	15	18	21	16	18
Condition of home	16	15	15	20	19	19
Lot size	13	14	14	11	10	9
Style of home	12	13	13	13	11	12
Distance from job	12	13	13	9	15	5
Distance from friends or family	6	6	6	5	8	5
Quality of the neighborhood	5	4	6	8	5	6
Quality of the schools	3	3	1	6	2	*
Distance from school	2	2	1	1	2	*
None - Made no compromises	37	37	39	31	40	47
Other compromises not listed	8	7	7	10	8	4

\* Less than 1 percent

**Exhibit 2-28**

**CHARACTERISTICS OF HOME ON WHICH BUYER COMPROMISED, FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage of Respondents)

	BUYERS OF				
	All Buyers	First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Price of home	18%	19%	16%	16%	18%
Size of home	16	20	14	16	17
Condition of home	16	16	16	3	19
Lot size	13	14	12	19	12
Style of home	12	14	12	13	12
Distance from job	12	16	10	15	12
Distance from friends or family	6	7	5	7	6
Quality of the neighborhood	5	7	4	5	5
Quality of the schools	3	4	2	4	3
Distance from school	2	2	1	2	2
None - Made no compromises	37	31	41	42	36
Other compromises not listed	8	8	7	6	8

**Exhibit 2-29**

**CHARACTERISTICS OF HOME ON WHICH BUYER COMPROMISED, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percentage of Respondents)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
Price of home	18%	16%	19%	19%	20%	17%	18%	16%
Size of home	16	15	18	16	19	20	17	16
Condition of home	16	16	18	15	16	22	17	16
Lot size	13	14	10	13	13	10	14	12
Style of home	12	12	13	11	12	10	14	11
Distance from job	12	13	11	11	14	9	14	11
Distance from friends or family	6	6	6	6	6	3	6	6
Quality of the neighborhood	5	5	6	5	5	6	5	5
Quality of the schools	3	3	2	1	4	2	4	2
Distance from school	2	2	1	1	1	2	3	1
None - Made no compromises	37	38	37	39	35	32	33	40
Other compromises not listed	8	7	10	6	7	9	8	8



**Exhibit 2-30****EXPECTED LENGTH OF TENURE IN HOME PURCHASED, FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES***(Percentage Distribution)*

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
1 year or less	1%	1%	1%	1%	1%
2 to 3 years	2	1	2	2	2
4 to 5 years	7	10	5	9	7
6 to 7 years	2	3	2	2	2
8 to 10 years	13	14	13	13	13
11 to 15 years	6	5	6	5	6
16 or more years	26	24	28	27	26
Don't Know	43	41	44	41	43
Median	15	10	15	15	15

**Exhibit 2-31****EXPECTED LENGTH OF TENURE IN HOME PURCHASED, BY AGE***(Percentage Distribution)*

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
1 year or less	1%	2%	1%	1%	2%
2 to 3 years	2	2	2	1	2
4 to 5 years	7	14	10	4	2
6 to 7 years	2	1	4	1	*
8 to 10 years	13	17	15	12	9
11 to 15 years	6	8	5	5	7
16 or more years	26	18	27	32	18
Don't Know	43	39	37	43	61
Median	15	10	12	20	15

\* Less than 1 percent

**Exhibit 2-32**

**TYPE OF HOME, PRIMARY RESIDENCE AND SECOND HOME**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A	
		Primary Residence	Non-primary Residence/ Second Home
Detached single-family home	79%	80%	62%
Townhouse/row house	7	7	6
Apartment/condo in building with 5 or more units	6	5	13
Duplex/apartment/condo in 2 to 4 unit building	2	2	7
Other	7	7	13

**Exhibit 2-33**

**LOCATION OF HOME, PRIMARY RESIDENCE AND SECOND HOME**

(Percentage Distribution)

	All Buyers	BUYERS WHO PURCHASED A	
		Primary Residence	Non-primary Residence/ Second Home
Suburb/Subdivision	51%	52%	27%
Small town	18	18	21
Urban area/Central city	17	17	22
Rural area	12	11	18
Resort/Recreation area	3	2	12

# Chapter 3:

## The Home Search Process

**T**he Internet continues to play an ever increasing role for home buyers in the home search process. Eight in 10 buyers used the Internet at some point while looking for a home and eight in 10 used the Internet frequently—the highest share reported. Over half of buyers started their home search online and 42 percent of recent buyers first found the home they purchased online.

The role of the real estate agent becomes increasingly important to the buyer as market conditions change in local areas of the country. With limited inventory on the market for many home buyers, the most difficult part of the search process for is finding the right property. Four in 10 first-time home buyers also reported paperwork and understanding the process and steps of home buying were difficult—both of which the real estate agent can help the home buyer where the Internet cannot. Overall, 92 percent of home buyers are at least somewhat satisfied with their search process to find a home.

## THE FIRST STEP IN THE HOME BUYING PROCESS

### ■ Exhibits 3-1 and 3-2

Forty-one percent of buyers first looked online for properties for sale as their first step—a jump from 35 percent in 2011. An additional 11 percent began by finding information online about the home buying process. Repeat home buyers were more likely to look online at properties for a sale while first-time home buyers were more likely to look online for information about the home buying process. As the age of home buyers increased, the likelihood that their first step would be contacting a real estate agent was increased. Buyers aged 18 to 24 were most likely, compared to other buyers, to talk to a friend or relative about the home buying process.

## INFORMATION SOURCES

### ■ Exhibits 3-3 through 3-6

Ninety percent of home buyers used the Internet as one of the information sources in their home search process. Ninety-six percent of home buyers under 44 years of age used the Internet in their home search.

The second most used information source was the real estate agent. Eighty-seven percent of buyers used real estate agents during their home search process. Buyers of previously owned homes were most likely to report using a real estate agent at 89 percent. The third most commonly used information source was use of yard signs. Fifty-three percent of home buyers used yard signs in their search.

Nearly all buyers ranked the Internet and the real estate agent the most useful information sources in their search process. Among home buyers who used home builders, open houses, or yard signs, nine in 10 ranked them useful in their home search.

## THE SEARCH PROCESS

### ■ Exhibits 3-7 through 3-11

The length of the search process has remained unchanged in recent years. The typical home search has been 12 weeks since 2009. While searching, buyers on average looked at 10 homes before deciding on their purchase—a decrease from 12 homes in 2011, which indicates a decline in inventory in many areas of the country. Buyers in the Northeast and South typically only looked at 10 homes, while buyers in the Midwest and West looked at 12 homes. Buyers usually spent three weeks searching before they contacted an agent—an increase from two weeks in 2011. First-time buyers also searched longer for their first home, 12 weeks, compared with repeat buyers who spent 10 weeks in the search process.

In 2001, eight percent of buyers found their home on the Internet; today 42 percent of buyers find the home they ultimately purchased on the Internet. The Internet has edged out all other sources in the process. The real estate agent remains the second most common source at 34 percent, but it has declined steadily from 48 percent in 2001. All other sources such as yard signs, word of mouth from friends, or relatives or home builders have declined.

Nearly the same share of home buyers considered purchasing a foreclosure this year in comparison to last year—56 percent. However, many ruled out buying a foreclosure because they could not find the right home, the home was in poor condition, or the process was too difficult. First-time buyers were most likely to consider a home in foreclosure, while buyers who ultimately purchased a new home were least likely to consider a home in foreclosure.

Housing inventory in many areas of the country has been tight. The most difficult step for home buyers in the home buying process was finding the right home to purchase (51 percent). For 23 percent of buyers the most difficult step was the paperwork, and 16 percent cited the most difficult step was understanding the process and steps involved. While 16 percent of recent buyers had no difficult steps, this was much more common among repeat buyers.

## INTERNET USAGE TRENDS

- **Exhibits 3-12 and 3-13**

Nine in 10 buyers today use the Internet. The use of the Internet dipped in 2010 and 2011 as the share of first-time buyers (who are more likely to use the Internet) dipped. While the use of the Internet overall is at the same level as in 2009, the frequency of use today is higher among recent home buyers. Seventy-nine percent of recent home buyers reported using the Internet to search for homes on a frequent basis—the highest share reported and a significant increase from the 42 percent reported in 2003.

Underscoring the value of the Internet are the actions that home buyers take after an Internet home search. Buyers are increasingly taking the next step such as driving by or viewing home (76 percent) or walking through a home they viewed online (62 percent). Nearly one-third of buyers found the agent used to search for or buy a home online and more than one-fifth requested more information.

## CHARACTERISTICS OF INTERNET SEARCHERS

- **Exhibit 3-14**

The buyers who use the Internet in their home search, compared to those who do not, vary along demographic lines. The typical buyer who used the Internet in their home search is 41-years-old and had a median 2011 household income of \$80,700. The typical buyer who did not use the Internet to search for home was 60-years-old and had a median 2011 household income of \$62,200. The typical buyer who used the Internet searched three times the length of time of the typical non-Internet searcher.

## SOURCES OF INFORMATION

- **Exhibit 3-15**

Those who used the Internet to search for a home used nearly all other information sources more frequently than those who did not use the Internet to search for homes, with the exception of builders. Nine in 10 buyers who used the Internet also used a real estate agent as an information source compared to just seven in 10 buyers who did not use the Internet. Fifty-three percent of buyers who used the Internet also used yard signs, compared to 44 percent who did not use the Internet.

## FINDING A HOME

- **Exhibit 3-16**

Among buyers who used the Internet to search for homes, 47 percent first found the home purchased through the Internet. Thirty-three percent of buyers who used the Internet first found their home through the real estate agent, compared to 40 percent of buyers who did not use the Internet. Buyers who did not use the Internet found their home more frequently through a yard sign or through a friend, relative or neighbor, or directly from the sellers, or through a builder or builder's agent than those who used the Internet to search.

## METHOD OF PURCHASE

### ■ Exhibit 3-17

While the vast majority of buyers use the Internet during the home buying process, the Internet does not replace the real estate agent in the transaction. Ninety-one percent of home buyers who used the Internet to search for homes purchased their home through an agent. In fact, buyers who used the Internet were more likely than those who did not use the Internet to purchase their home through an agent.

## WEBSITES

### ■ Exhibits 3-18 through 3-20

Because the use of the Internet in the home search process has increased so rapidly and there are so many sites available for buyers to use, it's essential to know what aspects offered by the sites are most important to buyers. About eight in 10 buyers rated photos and detailed information about properties for sale the most useful website features. About four in 10 buyers rated virtual video tours, real estate agent contact information, and interactive maps very useful among website features.

The most common website used by home buyers was a Multiple Listing Service Website at 54 percent. REALTOR.com® and real estate agent websites were used by about half of recent buyers. Mobile devices are becoming more popular for buyers to use in their home search process—about one in 10 buyers used mobile or tablet apps, mobile or tablet websites, or mobile or tablet search engines. Among buyers aged 18 to 24, one-fifth used a mobile or tablet search engine during their home search process.

## SATISFACTION IN BUYING PROCESS

### ■ Exhibit 3-21

Sixty-one percent of recent buyers were very satisfied with their recent home buying process. One-third of buyers were somewhat satisfied with the process. Eight percent were somewhat to very dissatisfied.

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*Forty-one percent of buyers first looked online for properties for sale as their first step—a jump from 35 percent in 2011. An additional 11 percent began by finding information online about the home buying process.*

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**Exhibit 3-1****FIRST STEP TAKEN DURING THE HOME BUYING PROCESS, FIRST-TIME AND REPEAT BUYERS***(Percentage Distribution)*

	All Buyers	First-time Buyers	Repeat Buyers
Looked online for properties for sale	41%	35%	45%
Contacted a real estate agent	18	14	20
Looked online for information about the home buying process	11	17	8
Drove-by homes/neighborhoods	8	5	9
Talked with a friend or relative about home buying process	6	11	3
Contacted a bank or mortgage lender	6	9	4
Visited open houses	3	3	4
Looked in newspapers, magazines, or home buying guides	1	1	2
Contacted builder/visited builder models	1	1	1
Contacted a home seller directly	1	1	2
Attended a home buying seminar	1	2	*
Looked up information about different neighborhoods or areas (schools, local lifestyle/nightlife, parks, public transpo	1	1	1
Read books or guides about the home buying process	*	1	*
Other	1	1	1

\* Less than 1 percent

**Exhibit 3-2****FIRST STEP TAKEN DURING THE HOME BUYING PROCESS, BY AGE***(Percentage Distribution)*

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
Looked online for properties for sale	41%	38%	44%	44%	29%
Contacted a real estate agent	18	10	14	20	29
Looked online for information about the home buying process	11	17	14	9	5
Drove-by homes/neighborhoods	8	6	6	8	14
Talked with a friend or relative about home buying process	6	16	7	3	5
Contacted a bank or mortgage lender	6	9	7	5	3
Visited open houses	3	*	2	4	5
Looked in newspapers, magazines, or home buying guides	1		1	2	3
Contacted builder/visited builder models	1	1	1	1	2
Contacted a home seller directly	1	*	1	1	3
Attended a home buying seminar	1	*	1	1	
Looked up information about different neighborhoods or areas (schools, local lifestyle/nightlife, parks, public transpo	1	*	1	1	1
Read books or guides about the home buying process	*	*	1	*	*
Other	1	1	*	1	1

\* Less than 1 percent

**Exhibit 3-3**

**INFORMATION SOURCES USED IN HOME SEARCH, BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percent of Respondents)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Internet	90%	93%	89%	87%	91%
Real estate agent	87	87	88	79	89
Yard sign	53	49	55	43	54
Open house	45	42	46	52	43
Print newspaper advertisement	27	25	29	27	27
Home builder	17	13	19	60	8
Home book or magazine	18	17	19	24	17
Relocation company	4	3	4	7	3
Television	5	5	4	9	4
Billboard	5	5	5	14	3

**Exhibit 3-4**

**INFORMATION SOURCES USED IN HOME SEARCH, BY AGE**

(Percent of Respondents)

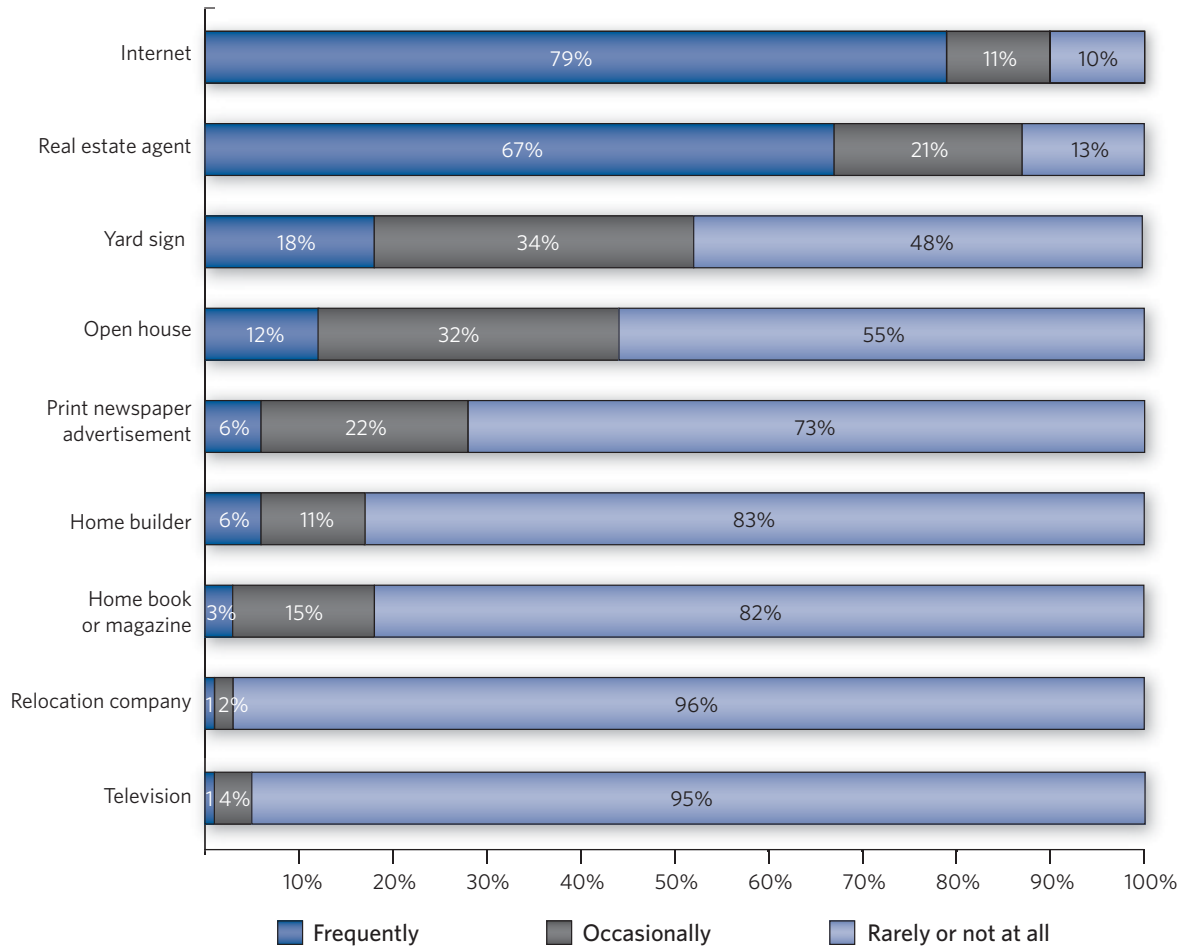
	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
Internet	90%	96%	96%	90%	69%
Real estate agent	87	88	87	87	89
Yard sign	53	45	51	54	52
Open house	45	28	46	45	41
Print newspaper advertisement	27	24	23	31	34
Home builder	17	18	16	17	19
Home book or magazine	18	20	16	20	18
Relocation company	4	2	3	4	2
Television	5	6	5	5	2
Billboard	5	3	5	5	3



**Exhibit 3-5**

**FREQUENCY OF USE OF DIFFERENT INFORMATION SOURCES**

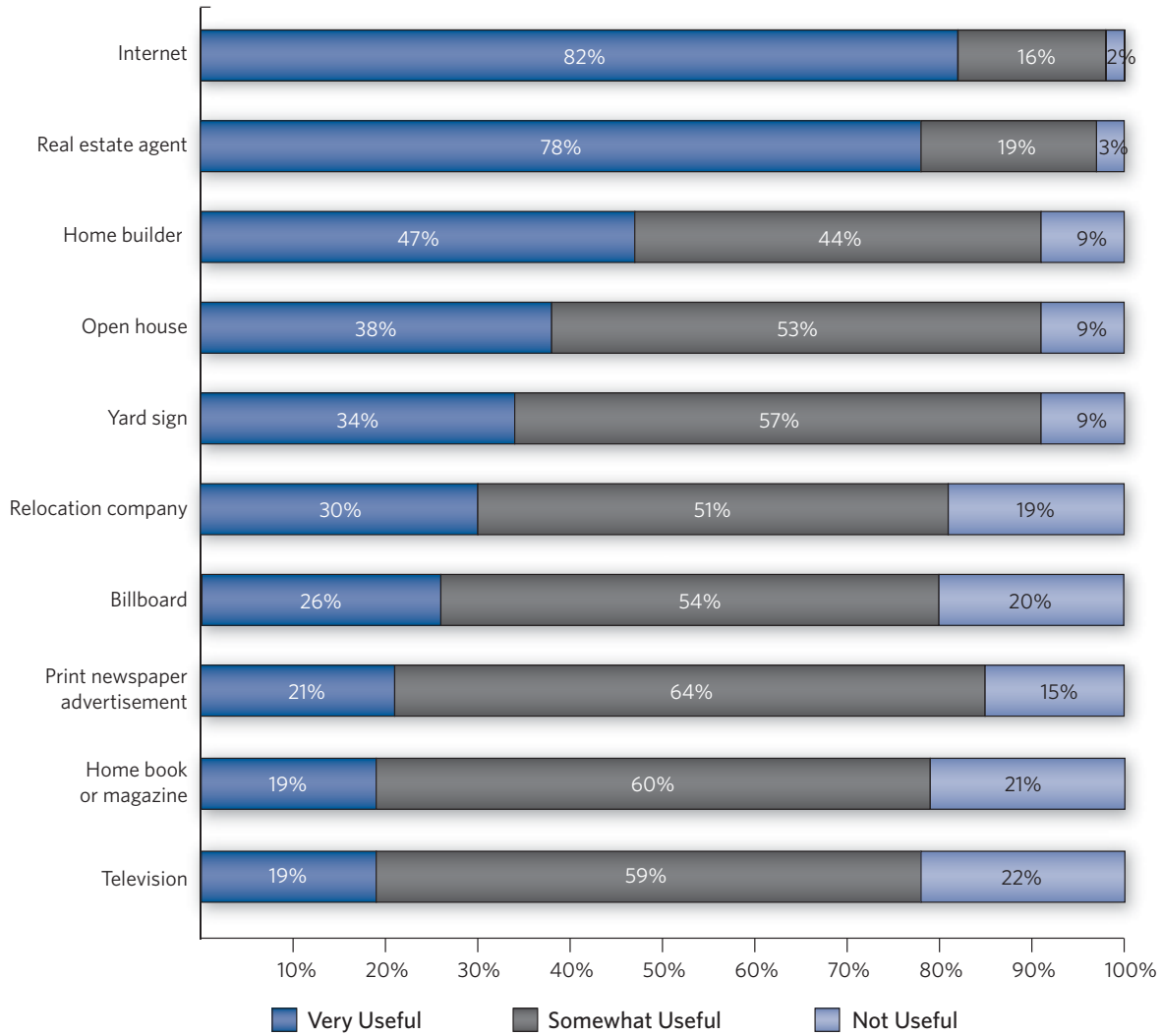
(Percentage Distribution)



**Exhibit 3-6**

**USEFULNESS OF INFORMATION SOURCES**

(Percentage Distribution Among Buyers that Used Each Source)



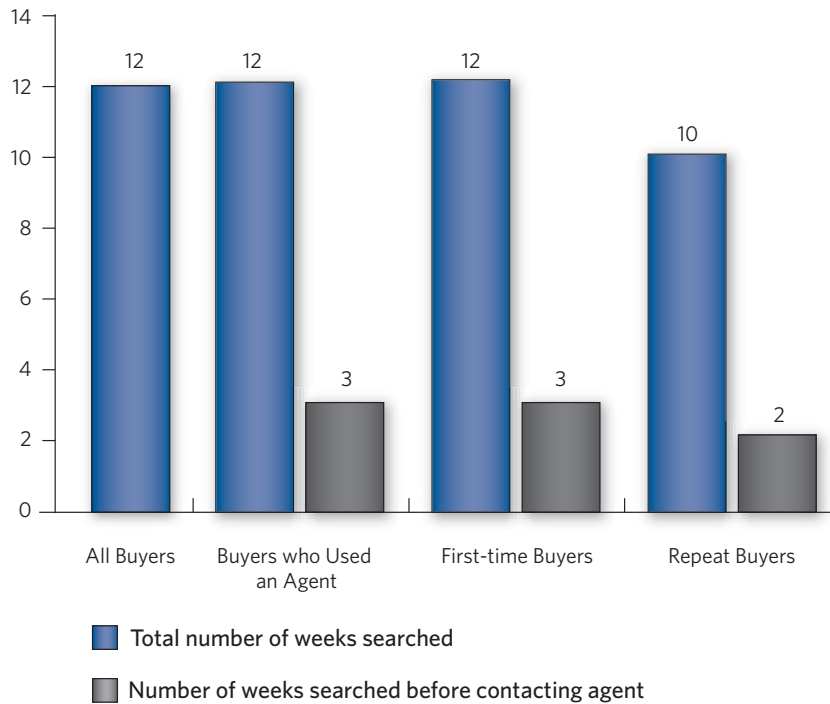
**Exhibit 3-7**      **LENGTH OF SEARCH, BY REGION**

(Median)

Number of Weeks Searched	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
2001	7	7	7	7	7
2003	8	10	8	8	6
2004	8	12	8	8	8
2005	8	10	8	8	6
2006	8	12	8	8	8
2007	8	12	8	8	8
2008	10	12	10	8	10
2009	12	12	10	10	12
2010	12	14	10	10	12
2011	12	12	10	10	12
2012	12	12	12	10	12
Number of homes viewed	10	10	12	10	12

**Exhibit 3-8**      **LENGTH OF SEARCH FOR BUYERS WHO USED AN AGENT, FIRST-TIME AND REPEAT BUYERS**

(Median Weeks)



**Exhibit 3-9**

**WHERE BUYER FOUND THE HOME THEY PURCHASED, 2001-2012**

(Percentage Distribution)

	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Internet	8%	11%	15%	24%	24%	29%	32%	36%	37%	40%	42%
Real estate agent	48	41	38	36	36	34	34	36	38	35	34
Yard sign/open house sign	15	16	16	15	15	14	15	12	11	11	10
Friend, relative or neighbor	8	7	7	7	8	8	7	6	6	6	6
Home builder or their agent	3	7	7	7	8	8	7	5	4	5	5
Directly from sellers/ Knew the sellers	4	4	5	3	3	3	2	2	2	2	2
Print newspaper advertisement	7	7	5	5	5	3	3	2	2	2	1
Home book or magazine	2	1	2	1	1	1	1	*	*	*	*
Other	3	6	4	--	--	--	--	--	--	--	--

\* Less than 1 percent

**Exhibit 3-10**

**BUYER INTEREST IN PURCHASING A HOME IN FORECLOSURE, BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percent of Respondents)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Did not consider purchasing a home in foreclosure	44%	35%	49%	60%	41%
Considered purchasing a home in foreclosure, but did not:					
Could not find the right home	29	33	27	24	30
The home was in poor condition	16	21	13	13	16
The process was too difficult or complex	15	17	14	12	16
The home price was too high	5	6	4	3	5
The neighborhood was undesirable	4	6	3	2	5
Financing options were not attractive	3	4	2	2	3

**Exhibit 3-11**

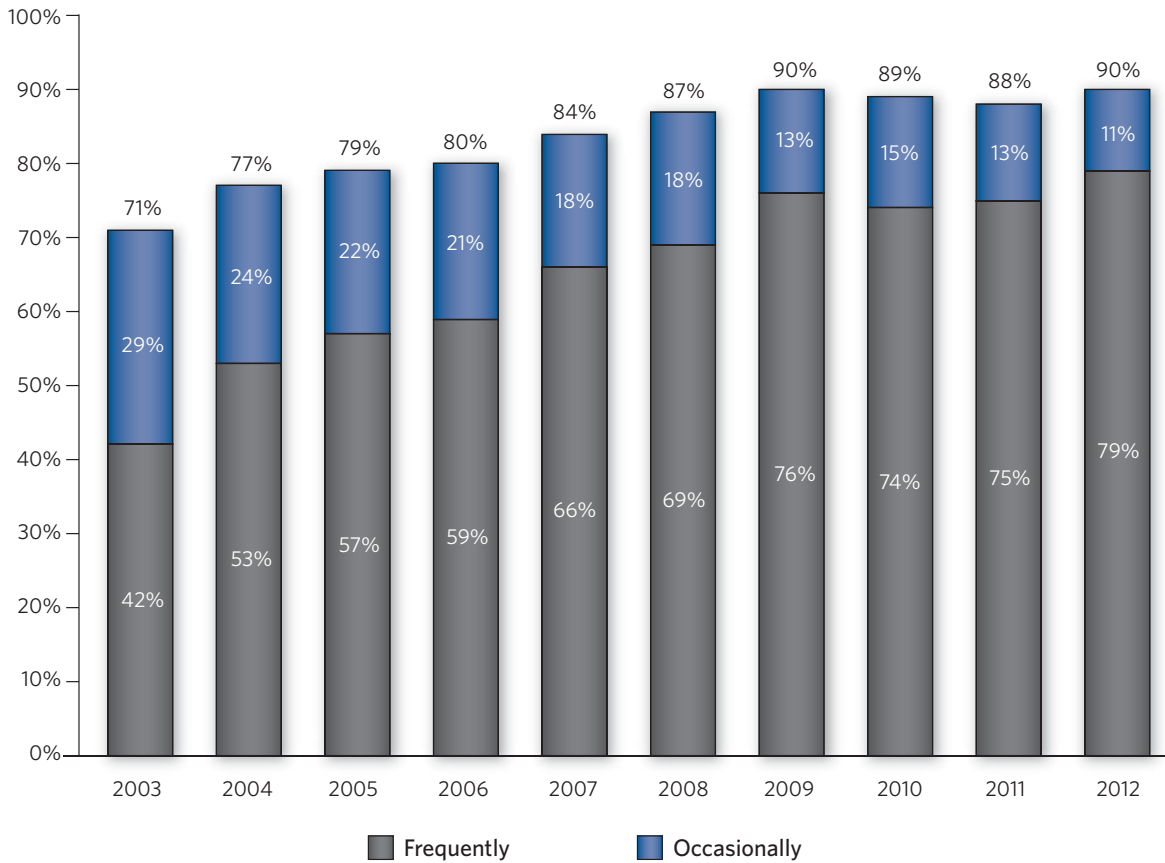
**MOST DIFFICULT STEPS OF HOME BUYING PROCESS BY FIRST-TIME AND REPEAT BUYERS AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Finding the right property	51%	50%	52%	44%	53%
Paperwork	23	31	19	23	24
No difficult steps	16	9	21	20	15
Understanding the process and steps	16	30	7	17	16
Getting a mortgage	13	15	12	14	13
Saving for the down payment	11	17	7	10	11
Appraisal of the property	6	6	5	3	6
Other	5	5	6	5	6

**Exhibit 3-12**

**USE OF INTERNET TO SEARCH FOR HOMES, 2003-2012**



**Exhibit 3-13**

**ACTIONS TAKEN AS A RESULT OF INTERNET HOME SEARCH, FIRST-TIME AND REPEAT BUYERS**

*(Percent of Respondents Among Buyers Who Used the Internet)*

	All Buyers	First-time Buyers	Repeat Buyers
Drove by or viewed home	76%	77%	76%
Walked through home viewed online	62	60	63
Found the agent used to search for or buy home	32	33	30
Requested more information	22	27	19
Pre-qualified for a mortgage online	13	16	12
Looked for more information on how to get a mortgage and general home buyer tips	13	23	7
Applied for a mortgage online	8	9	7
Contacted builder/developer	7	6	8
Found a mortgage lender online	6	7	4

**Exhibit 3-14**

**CHARACTERISTICS OF HOME SEARCHERS AND SEARCH ACTIVITY, BY USE OF INTERNET**

(Percentage Distribution)

Household Composition	Used Internet to Search	Did Not Use Internet to Search
Married couple	67%	53%
Single female	15	23
Single male	8	14
Unmarried couple	9	7
Other	2	3
Median age (years)	41	60
Median income	\$80,700	\$62,200
Length of Search (Median weeks)		
All buyers	12	4
First-time buyers	12	4
Repeat buyers	12	4
Buyers using an agent	3	1
Before contacting agent	3	*
Number of Homes Visited (median)	12	5

\* Less than 1 percent

**Exhibit 3-15**

**INFORMATION SOURCES USED IN HOME SEARCH, BY USE OF INTERNET**

(Percent of Respondents)

	Used Internet to Search	Did Not Use Internet to Search
Real estate agent	89%	71%
Yard sign	53	44
Open house	46	29
Print newspaper advertisement	28	25
Home book or magazine	19	9
Home builder	17	19
Television	5	2
Billboard	5	3
Relocation company	4	2

**Exhibit 3-16****WHERE BUYERS FOUND THE HOME THEY PURCHASED, BY USE OF INTERNET***(Percentage Distribution)*

	Used Internet to Search	Did Not Use Internet to Search
Internet	47%	N/A
Real estate agent	33	40
Yard sign/open house sign	9	19
Friend, relative or neighbor	5	19
Home builder or their agent	4	7
Directly from sellers/Knew the sellers	1	8
Print newspaper advertisement	1	4
Home book or magazine	*	*

\* Less than 1 percent

N/A- Not Applicable

**Exhibit 3-17****METHOD OF HOME PURCHASE, BY USE OF INTERNET***(Percentage Distribution)*

	Used Internet to Search	Did Not Use Internet to Search
Through a real estate agent/broker	91%	71%
Directly from builder or builder's agent	5	11
Directly from previous owner whom buyer didn't know	2	5
Directly from previous owner whom buyer knew	1	12
Other	1	1

**Exhibit 3-18****VALUE OF WEBSITE FEATURES***(Percentage Distribution Among Buyers Who Used the Internet)*

	Very Useful	Somewhat Useful	Not Useful	Did not use/Not Available
Photos	84%	14%	1%	1%
Detailed information about properties for sale	79	19	*	1
Virtual video tours	45	33	10	12
Real estate agent contact information	44	34	13	10
Interactive maps	41	34	11	15
Neighborhood information	34	44	12	9
Detailed information about recently sold properties	33	41	15	11
Pending sales/contract status	30	35	19	17
Videos	21	33	20	27
Information about upcoming open houses	20	31	25	24
Real estate news or articles	8	26	29	37

\* Less than 1 percent

**Exhibit 3-19**

**WEBSITES USED IN HOME SEARCH BY FIRST-TIME AND REPEAT BUYERS**

(Percent of Respondents Among Buyers Who Used the Internet)

	All Buyers	First-time Buyers	Repeat Buyers
Multiple Listing Service (MLS) website	54%	53%	54%
REALTOR.com®	51	48	53
Real estate agent website	47	46	47
Real estate company website	39	40	39
Other websites with real estate listings	27	30	25
Search engine	19	23	16
Mobile or tablet apps	13	16	11
For-sale-by-owner website	13	10	14
Mobile or tablet websites	12	15	10
Mobile or tablet search engine	11	13	9
Newspaper website	6	7	5
Real estate magazine website	4	4	4
Video hosting websites (e.g. YouTube, etc.)	2	2	2
Social networking websites (e.g. Facebook, Twitter, etc.)	1	1	1
Other	16	16	15

**Exhibit 3-20**

**WEBSITES USED IN HOME SEARCH, BY AGE**

(Percent of Respondents Among Buyers Who Used the Internet)

	All Buyers	AGE OF HOME BUYER			
		18 to 24	25 to 44	45 to 64	65 or older
Multiple Listing Service (MLS) website	54%	52%	56%	51%	53%
REALTOR.com®	51	57	52	50	44
Real estate agent website	47	52	47	46	47
Real estate company website	39	44	40	39	38
Other websites with real estate listings	27	30	29	26	26
Search engine	19	27	20	17	12
Mobile or tablet apps	13	18	18	8	3
For-sale-by-owner website	13	9	13	14	11
Mobile or tablet websites	12	16	17	7	3
Mobile or tablet search engine	11	21	13	8	3
Newspaper website	6	11	6	6	5
Real estate magazine website	4	7	3	5	4
Video hosting websites (e.g. YouTube, etc.)	2	*	2	2	2
Social networking websites (e.g. Facebook, Twitter, etc.)	1	1	2	*	*
Other	16	14	18	14	9

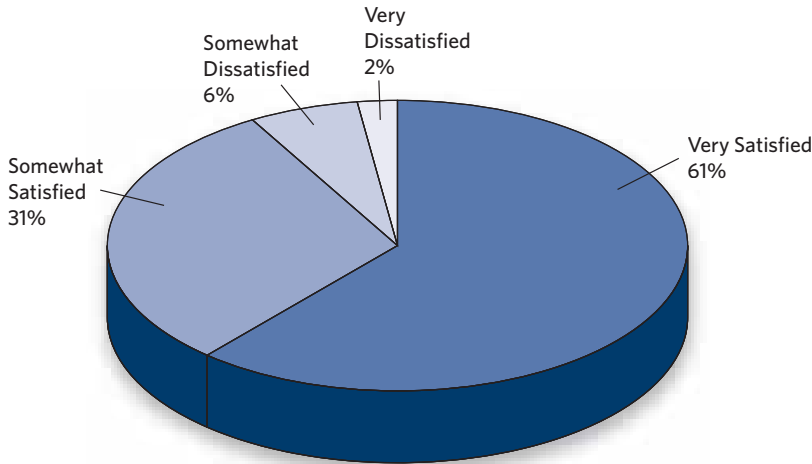
\* Less than 1 percent



**Exhibit 3-21**

**SATISFACTION WITH BUYING PROCESS**

(Percentage Distribution)



# Chapter 4:

## Home Buying and Real Estate Professionals

**M**ost buyers purchase their homes through a real estate agent or a broker. While nearly all buyers of previously-owned homes use real estate agents, a sizeable portion of new home buyers purchased their homes through developers, though that figure is lower than in past years.

Most agents have their buyers sign disclosure agreements, as agents and buyers share a lot of critical information. Buyer representative arrangements are often less formal agreements between buyers and agents. A number of real estate agents have been compensated by the buyer—although the majority is still compensated by the seller.

As has been the case in the past, buyers are most often looking for real estate agents to help them find the right home. For most buyers, referrals continue to be the primary method for finding an agent. Most buyers only interviewed one agent during their search process. Buyers tend to be looking for agents with a good reputation and who are honest and trustworthy. At the end of the process, most buyers are satisfied with their agent and would recommend their agent to others.

## METHOD OF HOME PURCHASE

- Exhibits 4-1 through 4-4

The majority of buyers purchased their home through a real estate agent or broker. In 2012, 89 percent of buyers used a real estate agent, up steadily from the 69 percent share in 2001. Six percent of purchases were made directly from the builder and five percent were directly from the previous owner.

In the West, 91 percent of homes were purchased through an agent, compared to 86 percent in the South. In the South, due to new construction in the region, eight percent of homes purchased were through a builder or builder's agent. Unmarried couples were most likely to use an agent to purchase a home and less likely to purchase directly through the builder.

## AGENT REPRESENTATION AND COMPENSATION

- Exhibits 4-5 through 4-7

Due to the nature of the information that agents and buyers share, disclosure agreements are essential. Sixty percent of buyers had a disclosure agreement, 29 percent of which were signed at the first meeting. A slightly larger share of repeat buyers signed a disclosure agreement than first-time buyers. Forty percent of buyers had a written buyer representative arrangement with the agent and 19 percent had an oral agreement.

Fifty-nine percent of agents were compensated by the seller only—a slight drop from 60 percent in the 2011 report. In 17 percent of transactions the buyer compensated the real estate agent, and in 12 percent of transactions the agent was compensated by the buyer and the seller.

## WHAT BUYERS WANT FROM AGENTS AND BENEFITS PROVIDED

- Exhibits 4-8 through 4-11

Buyers look to real estate agents most to help them find the right home. Fifty percent of buyers said that what they want most from their agent is help finding the right home. Twelve percent of buyers wanted their real estate agent to help negotiate the price, and 12 percent wanted help with the terms of sale. The share of home buyers was consistent over first-time and repeat buyers, new and previously owned home buyers, and by household composition.

Buyers most often noted that the benefit of having an agent was helping them understand the process (60 percent), more so for first-time buyers (78 percent). Also, more than half of buyers noted that real estate agents pointed out unnoticed features or faults with a property, while over four in 10 said real estate agents negotiated better sales contract terms, improved buyers' knowledge of search areas, and provided a better list of service providers.

## FINDING A REAL ESTATE AGENT

### ■ Exhibits 4-12 through 4-14

Real estate is an industry that works largely on word of mouth and the reputation of agents. Half of buyers find their real estate agent through a referral from a friend, neighbor, or relative or used an agent they had worked with before. First-time buyers are more likely to find their real estate agent through a referral. Repeat buyers more often use an agent they previously used to buy or sell a home. One in 10 buyers found their real estate agent through a website. Singles males and females tended to rely on referrals slightly more than other types of households, while married couples are more likely to use an agent they had worked with before.

Sixty-six percent of buyers only interviewed one real estate agent in their search. Only 14 percent of buyers interviewed three or more real estate agents before finding the best match. Repeat buyers were more likely to contact only one agent, as they are more likely to work with someone they had in the past.

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*The majority of buyers purchased their home through a real estate agent or broker. In 2012, 89 percent of buyers used a real estate agent, up steadily from the 69 percent share in 2001.*

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## FACTORS WHEN CHOOSING AN AGENT

### ■ Exhibits 4-15 through 4-18

Buyers are often making the largest purchase in their lifetime when they buy a home, so they need someone they can trust. Honesty and trustworthiness are ranked as the most important factor when choosing an agent to work with (24 percent). The reputation of the agent follows at 21 percent. Fifteen percent of buyers choose their agent because they are a friend or family member.

Aside from personal characteristics like honesty, integrity and responsiveness, all of which are very important skills and qualities that buyers look for in agents, knowledge of the real estate market and purchase process are very important qualities for over nine in 10 buyers. Among adult household composition these attributes consistently remain highly ranked.

## SATISFACTION WITH AGENT

### ■ Exhibits 4-19 and 4-20

Most buyers are satisfied with their agents. Almost nine in 10 (89 percent) buyers would recommend their agent to others. Buyers are most often very satisfied with their agents' honesty and integrity and their agents' knowledge of the purchase process. Buyers tend to have slightly less satisfaction overall with agents' negotiation and technology skills, however an agent's technological skills are also among the least important attributes to buyers.

**Exhibit 4-1****METHOD OF HOME PURCHASE, 2001-2012***(Percentage Distribution)*

	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Through a real estate agent or broker	69%	75%	77%	77%	77%	79%	81%	77%	83%	89%	89%
Directly from builder or builder's agent	15	14	12	12	13	12	10	8	6	7	6
Directly from the previous owner	15	9	9	9	9	7	6	5	5	4	5

**Exhibit 4-2****METHOD OF HOME PURCHASE, BY REGION***(Percentage Distribution)*

	BUYERS WHO PURCHASED A HOME IN THE				
	All Buyers	Northeast	Midwest	South	West
Through a real estate agent or broker	89%	90%	89%	86%	91%
Directly from builder or builder's agent	6	4	4	8	5
Directly from the previous owner	5	5	7	5	3
Knew previous owner	3	3	3	3	2
Did not know previous owner	2	3	4	2	1

**Exhibit 4-3****METHOD OF HOME PURCHASE, NEW AND PREVIOUSLY OWNED HOMES***(Percentage Distribution)*

	BUYERS OF		
	All Buyers	New Homes	Previously Owned Homes
Through a real estate agent or broker	89%	63%	93%
Directly from builder or builder's agent	6	36	N/A
Directly from the previous owner	5	N/A	6
Knew previous owner	3	N/A	3
Did not know previous owner	2	N/A	3

N/A- Not Applicable

**Exhibit 4-4****METHOD OF HOME PURCHASE, BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution)*

	ADULT COMPOSITION OF HOUSEHOLD					
	All Buyers	Married couple	Single female	Single male	Unmarried couple	Other
Through a real estate agent or broker	89%	89%	88%	87%	90%	86%
Directly from builder or builder's agent	6	6	5	6	5	2
Directly from the previous owner	5	5	5	5	4	12
Knew previous owner	3	2	3	4	2	7
Did not know previous owner	2	2	3	2	2	5

**Exhibit 4-5 AGENT REPRESENTATION DISCLOSURE, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

Disclosure Statement Signed?	All Buyers	First-time Buyers	Repeat Buyers
Yes, at first meeting	29%	26%	31%
Yes, when contract was written	20	19	22
Yes, at some other time	11	12	10
No	21	24	20
Don't know	19	20	18

**Exhibit 4-6 BUYER REPRESENTATIVE ARRANGEMENT WITH AGENT, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
Yes, a written arrangement	40%	37%	42%
Yes, an oral arrangement	19	21	18
No	28	26	30
Don't know	13	16	11

**Exhibit 4-7 HOW REAL ESTATE AGENT WAS COMPENSATED**

(Percentage Distribution)

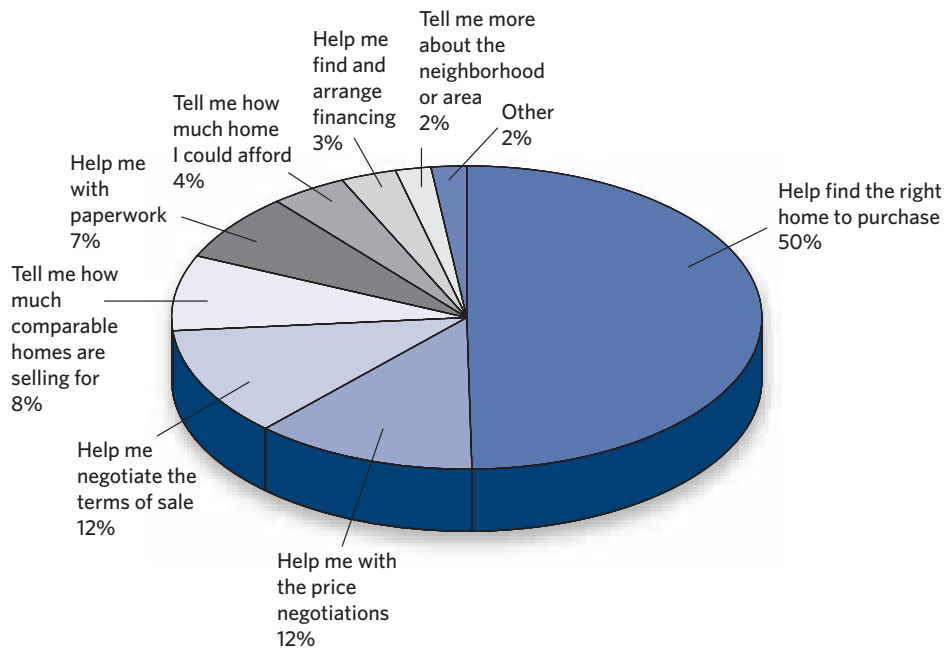
	All Types of Representation	TYPE OF AGENT REPRESENTATION	
		Buyer Only	Seller or Seller and Buyer
Paid by seller	59%	61%	57%
Paid by buyer and seller	12	11	12
Paid by buyer only	17	19	15
Percent of sales price	13	15	11
Flat fee	1	2	1
Other	*	*	*
Don't know	2	2	3
Other	2	2	3
Don't know	10	8	13

\*Less than 1 percent

**Exhibit 4-8**

**WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS**

(Percentage Distribution)



**Exhibit 4-9**

**WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS, FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	BUYERS OF				
	All Buyers	First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Help me find the right property to purchase	50%	50%	49%	49%	50%
Help me with price negotiations	12	13	12	11	12
Help me negotiate the terms of sale	12	11	12	12	12
Tell me how much comparable homes are selling for	8	8	8	10	8
Help me with paperwork	7	7	7	8	7
Tell me how much home I could afford	4	5	3	3	4
Help me find and arrange financing	3	3	3	3	3
Tell me more about the neighborhood or area	2	2	2	2	2
Other	2	*	4	2	2

\*Less than 1 percent

**Exhibit 4-10**

**WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percentage Distribution)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Help me find the right property to purchase	50%	49%	51%	46%	54%	50%
Help me with price negotiations	12	12	12	12	12	7
Help me negotiate the terms of sale	12	12	12	12	8	12
Tell me how much comparable homes are selling for	8	8	10	7	5	12
Help me with paperwork	7	7	6	9	7	8
Tell me how much home I could afford	4	4	3	5	4	2
Help me find and arrange financing	3	3	2	4	5	2
Tell me more about the neighborhood or area	2	1	2	2	3	5
Other	2	2	2	3	2	3

**Exhibit 4-11**

**BENEFITS PROVIDED BY REAL ESTATE AGENT DURING HOME PURCHASE PROCESS, FIRST-TIME AND REPEAT BUYERS**

(Percent of Respondents)

	All Buyers	First-time Buyers	Repeat Buyers
Helped buyer understand the process	60%	78%	48%
Pointed out unnoticed features/faults with property	53	55	52
Provided a better list of service providers	43	44	43
Improved buyer's knowledge of search areas	43	41	44
Negotiated better sales contract terms	42	44	41
Negotiated a better price	35	35	35
Shortened buyer's home search	28	30	27
Provided better list of mortgage lenders	21	22	20
Expanded buyer's search area	20	22	18
Narrowed buyer's search area	17	16	17
None of the above	6	6	6
Other	1	1	2



**Exhibit 4-12**

**HOW BUYER FOUND REAL ESTATE AGENT, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
Referred by (or is) a friend, neighbor or relative	40%	49%	34%
Internet website	11	12	9
Used agent previously to buy or sell a home	10	2	16
Saw contact information on For Sale/Open House sign	6	7	6
Visited an open house and met agent	6	5	6
Referred by another real estate agent or broker	5	5	6
Personal contact by agent (telephone, email, etc.)	4	4	4
Referred through employer or relocation company	4	2	5
Walked into or called office and agent was on duty	3	2	3
Search engine	1	1	1
Newspaper, Yellow Pages or home book ad	*	*	1
Direct mail (newsletter, flyer, postcard, etc.)	*	*	*
Advertising specialty (calendar, magnet, etc.)	*	*	*
Mobile or tablet application	*	*	*
Other	10	10	10

\*Less than 1 percent

**Exhibit 4-13**

**HOW BUYER FOUND REAL ESTATE AGENT, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percentage Distribution)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Referred by (or is) a friend, neighbor or relative	40%	38%	44%	44%	43%	26%
Internet website	11	11	9	10	14	6
Used agent previously to buy or sell a home	10	11	11	11	6	14
Saw contact information on For Sale/Open House sign	6	6	6	4	12	10
Visited an open house and met agent	6	6	5	5	6	4
Referred by another real estate agent or broker	5	6	5	6	3	6
Personal contact by agent (telephone, email, etc.)	4	4	3	4	4	4
Referred through employer or relocation company	4	4	2	3	2	*
Walked into or called office and agent was on duty	3	3	2	5	2	9
Search engine	1	1	1	1	*	2
Newspaper, Yellow Pages or home book ad	*	*	*	1	*	3
Direct mail (newsletter, flyer, postcard, etc.)	*	*	*	1	*	*
Advertising specialty (calendar, magnet, etc.)	*	*	*	*	*	*
Mobile or tablet application	*	*	*	*	*	*
Other	10	10	12	7	9	15

\*Less than 1 percent

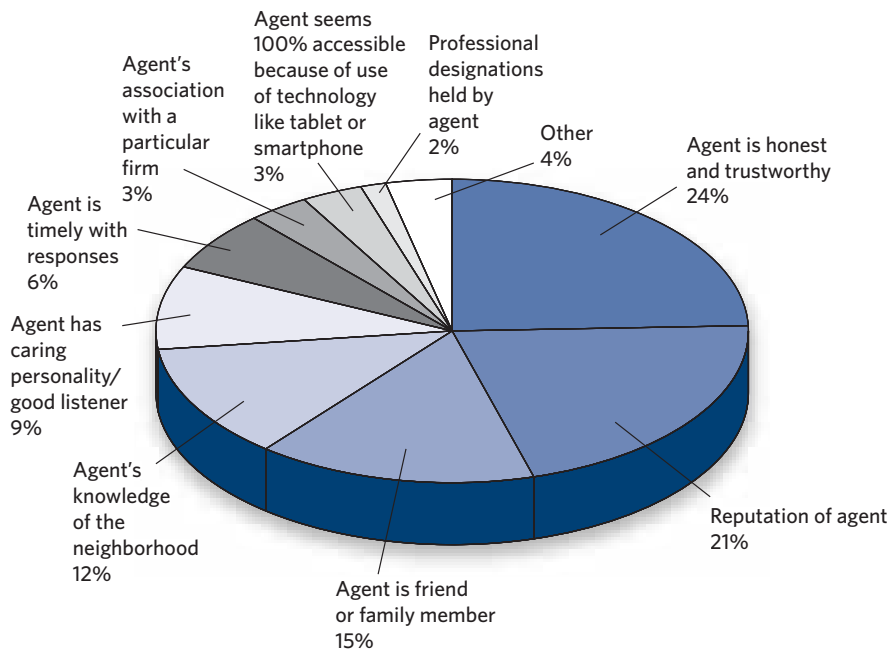
**Exhibit 4-14 NUMBER OF REAL ESTATE AGENTS INTERVIEWED BY FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution)

	All Buyers	First-time Buyers	Repeat Buyers
One	66%	62%	68%
Two	20	23	18
Three	8	8	9
Four or more	6	7	5

**Exhibit 4-15 MOST IMPORTANT FACTORS WHEN CHOOSING AN AGENT**

(Percentage Distribution)



**Exhibit 4-16 IMPORTANCE OF REAL ESTATE AGENT SKILLS AND QUALITIES**

(Percentage Distribution)

	Very Important	Somewhat Important	Not Important
Honesty and integrity	98%	2%	*
Responsiveness	94	6	1
Knowledge of purchase process	93	7	1
Knowledge of real estate market	91	8	1
Communication skills	84	15	1
Negotiation skills	84	15	1
People skills	80	19	1
Knowledge of local area	80	18	2
Skills with technology	41	50	9

\*Less than 1 percent

**Exhibit 4-17****AGENT SKILLS AND QUALITIES CONSIDERED 'VERY IMPORTANT' BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES***(Percent of Respondents)*

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Honesty and integrity	98%	97%	98%	98%	98%
Responsiveness	94	93	94	92	94
Knowledge of purchase process	93	95	91	91	93
Knowledge of real estate market	91	89	93	92	91
Communication skills	84	86	84	82	85
Negotiation skills	84	85	83	84	84
People skills	80	79	81	83	80
Knowledge of local area	80	76	83	85	79
Skills with technology	41	43	40	46	41

**Exhibit 4-18****AGENT SKILLS AND QUALITIES CONSIDERED 'VERY IMPORTANT' BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Honesty and integrity	98%	98%	98%	96%	98%	100%
Responsiveness	94	94	95	87	94	91
Knowledge of purchase process	93	92	96	90	91	100
Knowledge of real estate market	91	92	95	85	87	87
Communication skills	84	85	89	72	82	90
Negotiation skills	84	83	89	79	81	85
People skills	80	81	86	70	77	78
Knowledge of local area	80	81	82	73	76	91
Skills with technology	41	38	52	41	40	52

**Exhibit 4-19**

**SATISFACTION WITH REAL ESTATE AGENT SKILLS AND QUALITIES**

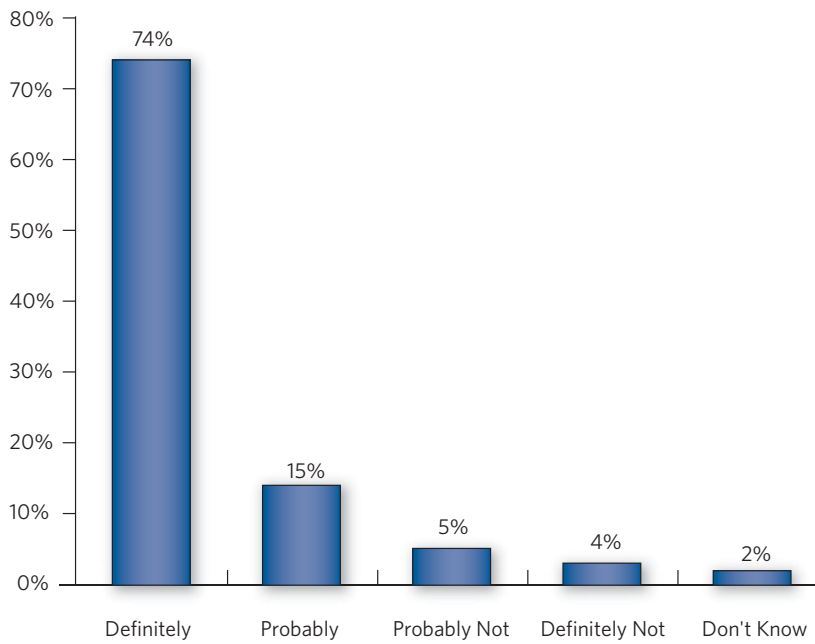
(Percentage Distribution)

	Very Satisfied	Somewhat Satisfied	Not Satisfied
Honesty and integrity	87%	10%	3%
Knowledge of purchase process	86	12	2
People skills	83	14	3
Knowledge of real estate market	83	15	2
Responsiveness	82	14	4
Communication skills	80	16	4
Knowledge of local area	80	16	4
Skills with technology	74	23	4
Negotiation skills	71	22	7

**Exhibit 4-20**

**WOULD BUYER USE REAL ESTATE AGENT AGAIN OR RECOMMEND TO OTHERS**

(Percentage Distribution)



# Chapter 5:

## Financing the Home Purchase

**T**he difficulties in financing home purchases are once again evident in the responses to this year's survey. Fewer than nine in 10 (87 percent) buyers financed a home purchase in 2012, the same share as in the 2011 report. Financing patterns by age remain roughly constant; younger buyers were more likely to finance their home purchase than older buyers.

Savings remain a key source of the downpayment for home buyers, both first-time and repeat buyers alike. The increased savings rate in the economy may bode well for future home buying. As in past years, home buyers made sacrifices to purchase their home, prioritizing homeownership over luxury goods, entertainment, and clothes shopping.

While the share of home buyers reporting that the process of obtaining a mortgage is more difficult than expected, the figure is about the same as in 2011—it is however considerably higher than the figures reported in the 2009 and 2010 reports. Conventional financing regained its position as the most common mortgage type, but FHA financing remains prominent, especially among first-time home buyers.

While attitudes on the investment quality of a home purchase have diminished somewhat among home buyers, a majority (78 percent) continue to say that the financial investment in a home is as good as or better than stocks.

## **BUYERS WHO FINANCED THEIR HOME**

### ■ Exhibits 5-1 through 5-3

Fewer than nine in 10 (87 percent) buyers responding to the survey financed their home purchase. This share is the same as reported in 2011. From 2003 to 2009, the share of home buyers financing their purchase consistently ranged from 92 to 93 percent. The survey captures a higher percent of owner-occupants and a smaller percent of investor buyers relative to the whole home purchase market, which pushes this figure higher than some other estimates.

Younger buyers were more likely to finance, with 96 percent of those aged 25 to 44 financing their home purchase, compared to 56 percent of buyers aged 65 years and older who used financing.

Similar to the patterns based on age, first-time buyers were more likely to finance their home purchase than repeat buyers. A higher share of unmarried couples used financing than did married couples or singles buyers who were less likely to use mortgage financing. Single females and other households had the largest divergence in the share using financing between first-time buyers and repeat-buyers.

Fifteen percent of buyers financed 100 percent of the entire purchase price with a mortgage. First-time buyers more often financed their entire purchase than did repeat buyers. The median percent financed among first-time buyers using financing was 96 percent, compared to 87 percent among repeat buyers using financing.

## **SOURCES OF DOWNPAYMENT AND SACRIFICES MADE TO PURCHASE HOME**

### ■ Exhibits 5-4 through 5-7

Two in three home buyers use savings as a source of funding for a downpayment. The next most cited source of downpayment funds was proceeds from the sale of a primary residence, by a quarter of buyers. Gifts from a relative or friend were also selected by a sizeable number of buyers (14 percent). First-time buyers are much more likely to rely on savings (76 percent) than repeat buyers (59 percent) for a downpayment. First-time buyers also more often rely on gifts and loans from friends or relatives as sources of a downpayment. Four in 10 repeat buyers listed proceeds from the sale of their primary residence as a downpayment source compared with just one percent for first-time buyers.

More than half of buyers said that they did not need to make any sacrifices to purchase their home. First-time buyers were more likely to indicate sacrificing for a home purchase and most commonly gave up spending on luxury or non-essential items. Single females and unmarried couples were most likely to sacrifice for a home purchase.

## **DIFFICULTY OF MORTGAGE APPLICATION AND APPROVAL PROCESS**

### ■ Exhibits 5-8 and 5-9

Forty percent of buyers said that the mortgage application and approval process was more difficult than expected. That is about the same share as 2011 and substantially higher than in 2009 and 2010, when less than a third indicated more difficulty than expected. Outcomes for buyers varied. Seventeen percent found the process easier than expected.

## TYPE OF MORTGAGE LOAN

- Exhibits 5-10 and 5-11

As in the 2011 report, 92 percent of buyers in this year's report chose fixed rate mortgages. Of those with an adjustable product, a fixed- then adjustable product was about twice as common as just an adjustable-rate mortgage. Repeat buyers were somewhat more likely to choose adjustable-rate financing than first-time buyers.

Conventional loans were the most common type of loan, though 33 percent of buyers reported using an FHA loan. FHA loans were much more prevalent among first-time buyers compared with repeat buyers, in part due to the restrictions and eligibility requirements of FHA loans. Just under half of first-time buyers (46 percent) chose FHA loans, while the share of repeat buyers relying on conventional financing was 61 percent.

## BUYERS' VIEW OF HOMES AS A FINANCIAL INVESTMENT

- Exhibits 5-12 and 5-13

Most home buyers continue to see their home purchase not only as a place to live, but also as a good financial investment, with 78 percent of buyers expressing that view in this year's report (the same percentage as in the 2011 report). Only six percent of buyers felt it was not a good investment. In the past, repeat buyers tended to have more favorable views of the investment value of homes, but in 2012 first-time buyers tended to have the more positive outlook. Despite the somewhat diminished outlook among some buyers, 69 percent believe that a home purchase is as good or better an investment as stocks.

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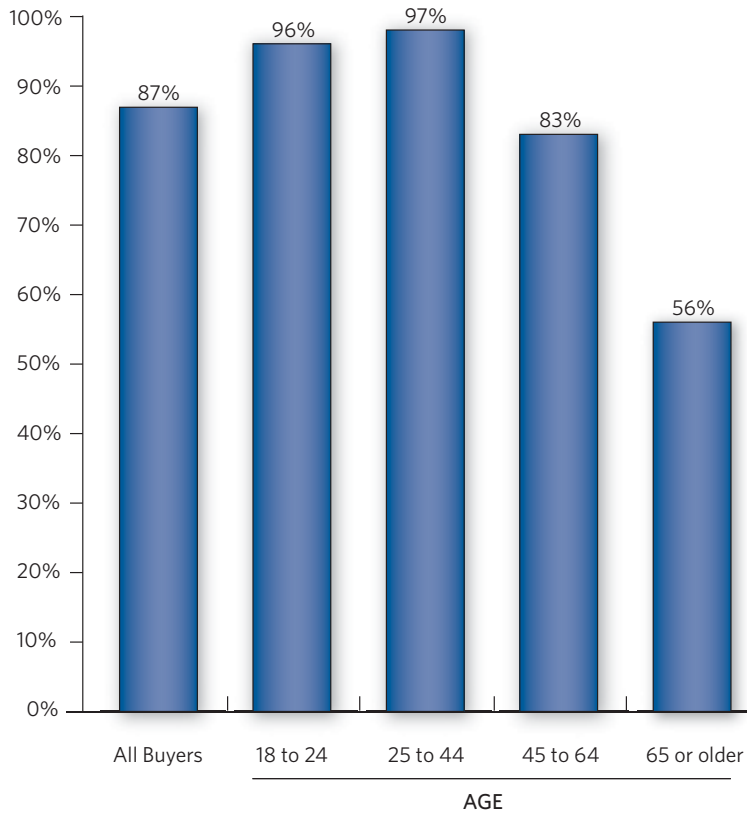
*Forty percent of buyers said that the mortgage application and approval process was more difficult than expected. That is about the same share as 2011 and substantially higher than in 2009 and 2010, when less than a third indicated more difficulty than expected.*

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**Exhibit 5-1**

**BUYERS WHO FINANCED THEIR HOME PURCHASE, BY AGE**

(Percent of Respondents)



**Exhibit 5-2**

**BUYERS WHO FINANCED THEIR HOME PURCHASE, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percent of Respondents)

	ADULT COMPOSITION OF HOUSEHOLD					
	All buyers	Married couple	Single female	Single male	Unmarried couple	Other
All Buyers	87%	88%	82%	83%	92%	76%
First-time Buyers	95	96	94	94	96	82
Repeat Buyers	81	84	71	74	84	73



**Exhibit 5-3****PERCENT OF HOME FINANCED BY FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES***(Percentage Distribution)*

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Less than 50%	9%	7%	10%	11%	8%
50% to 59%	3	1	4	5	3
60% to 69%	4	1	6	4	4
70% to 79%	11	6	15	12	11
80% to 89%	20	16	23	17	21
90% to 94%	13	13	13	12	13
95% to 99%	25	33	19	21	26
100% - Financed the entire purchase price with a mortgage	15	22	10	19	14
Median percent financed	91%	96%	87%	91%	91%

**Exhibit 5-4****SOURCES OF DOWNPAYMENT, FIRST-TIME AND REPEAT BUYERS***(Percent of Respondents Among those who Made a Downpayment)*

	All Buyers	First-time Buyers	Repeat Buyers
Savings	65%	76%	59%
Proceeds from sale of primary residence	25	1	40
Gift from relative or friend	14	24	8
401k/pension fund including a loan	9	11	9
Sale of stocks or bonds	8	6	9
Individual Retirement Account (IRA)	5	5	5
Loan from relative or friend	4	6	3
Inheritance	4	4	4
Loan or financial assistance from source other than employer	2	5	1
Equity from primary residence buyer continue to own	2	*	3
Proceeds from sale of real estate other than primary residence	1	1	2
Loan from financial institution other than a mortgage	1	1	1
Loan or financial assistance through employer	1	1	1
Other	4	5	4

\* Less than 1 percent

**Exhibit 5-5**

**SOURCES OF DOWNPAYMENT, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percent of Respondents Among those who Made a Downpayment)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Savings	65%	65%	58%	70%	71%	57%
Proceeds from sale of primary residence	25	29	25	14	13	24
Gift from relative or friend	14	12	14	15	22	8
401k/pension fund including a loan	9	9	10	10	11	8
Sale of stocks or bonds	8	9	7	11	5	5
Individual Retirement Account (IRA)	5	5	4	7	4	1
Loan from relative or friend	4	4	4	5	5	4
Inheritance	4	4	4	2	5	8
Loan or financial assistance from source other than employer	2	2	4	2	4	4
Equity from primary residence buyer continue to own	2	3	1	3	1	2
Proceeds from sale of real estate other than primary residence	1	1	2	1	1	1
Loan from financial institution other than a mortgage	1	1	1	1	1	3
Loan or financial assistance through employer	1	1	1	1	1	*
Other	4	4	4	5	6	7

\* Less than 1 percent

**Exhibit 5-6**

**SACRIFICES MADE TO PURCHASE HOME, BY FIRST-TIME AND REPEAT BUYERS**

(Percent of Respondents)

	All Buyers	First-time Buyers	Repeat Buyers
Cut spending on luxury items or non-essential items	32%	42%	26%
Cut spending on entertainment	26	35	20
Cut spending on clothes	20	27	15
Canceled vacation plans	13	14	11
Sold a vehicle or decided not to purchase a vehicle	6	7	6
Earned extra income through a second job	6	8	4
Other	5	5	5
Did not need to make any sacrifices	53	42	61

**Exhibit 5-7****SACRIFICES MADE TO PURCHASE HOME, BY ADULT COMPOSITION OF HOUSEHOLD***(Percent of Respondents)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Cut spending on luxury items or non-essential items	32%	31%	36%	32%	34%	38%
Cut spending on entertainment	26	24	30	28	30	17
Cut spending on clothes	20	18	28	16	21	16
Canceled vacation plans	13	12	12	16	12	13
Sold a vehicle or decided not to purchase a vehicle	6	6	6	7	7	4
Earned extra income through a second job	6	5	6	5	7	2
Other	5	4	5	5	6	12
Did not need to make any sacrifices	53	55	51	53	48	45

**Exhibit 5-8****DIFFICULTY OF MORTGAGE APPLICATION AND APPROVAL PROCESS, BY FIRST-TIME AND REPEAT BUYERS***(Percentage Distribution Among those who Financed their Home Purchase)*

	All Buyers	First-time Buyers	Repeat Buyers
Much more difficult than expected	17%	16%	17%
Somewhat more difficult than expected	23	26	21
Not difficult/No more difficult than expected	44	39	47
Easier than expected	17	19	15

**Exhibit 5-9****DIFFICULTY OF MORTGAGE APPLICATION AND APPROVAL PROCESS, BY ADULT COMPOSITION OF HOUSEHOLD***(Percentage Distribution Among those who Financed their Home Purchase)*

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Much more difficult than expected	17%	16%	15%	18%	18%	25%
Somewhat more difficult than expected	23	24	20	25	23	22
Not difficult/No more difficult than expected	44	45	43	40	42	36
Easier than expected	17	15	22	17	17	18

**Exhibit 5-10**

**TYPE OF MORTGAGE, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution Among those who Financed their Home Purchase)

	All Buyers	First-time Buyers	Repeat Buyers
Fixed-rate mortgage	92%	93%	91%
Fixed- then adjustable-rate mortgage	4	3	5
Adjustable-rate mortgage	2	1	3
Don't know	1	2	1
Other	1	1	2

**Exhibit 5-11**

**TYPE OF LOAN, FIRST-TIME AND REPEAT BUYERS**

(Percentage Distribution Among those who Financed their Home Purchase)

	All Buyers	First-time Buyers	Repeat Buyers
Conventional	49%	33%	61%
FHA	33	46	24
VA	10	10	10
Don't Know	4	6	3
Other	4	6	3

**Exhibit 5-12**

**BUYERS' VIEW OF HOMES AS A FINANCIAL INVESTMENT, FIRST-TIME AND REPEAT BUYERS, AND BUYERS OF NEW AND PREVIOUSLY OWNED HOMES**

(Percentage Distribution)

	All Buyers	BUYERS OF			
		First-time Buyers	Repeat Buyers	New Homes	Previously Owned Homes
Good financial investment	78%	82%	75%	78%	78%
Better than stocks	46	52	41	43	46
About as good as stocks	23	23	24	26	23
Not as good as stocks	9	7	10	9	9
Not a good financial investment	6	4	8	7	6
Don't know	16	14	17	15	16

**Exhibit 5-13**

**BUYERS' VIEW OF HOMES AS A FINANCIAL INVESTMENT, BY ADULT COMPOSITION OF HOUSEHOLD**

(Percentage Distribution)

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD				
		Married couple	Single female	Single male	Unmarried couple	Other
Good financial investment	78%	77%	76%	80%	85%	67%
Better than stocks	46	44	48	47	50	42
About as good as stocks	23	24	22	23	26	19
Not as good as stocks	9	10	5	10	8	6
Not a good financial investment	6	7	6	6	2	7
Don't know	16	16	19	14	13	26

# Chapter 6:

## Home Sellers and Their Selling Experience

**A**s the demographics among buyers have changed in the most recent report, there is also a change in the demographics of most recent sellers. Those who are performing real estate transactions in the last year are older, typically had a lower household income than was seen in previous years, and are more likely to be a married couple than other household compositions. The most common reasons for selling one's home were job relocation, the home being too small, or the desire to be closer to friends and family. The typical seller was in their home nine years before selling—a trend that continues to increase.

Eighty-eight percent of recent sellers turned to an agent to sell their home and just nine percent sold their home via FSBO sale. Among recently sold homes, the sales price was a median 95 percent of the listing price and the typical home was on the market for 11 weeks. Home sellers reported that they typically sold the home they purchased for \$20,000 more than they purchased it for—about a 12 percent price gain. This is significantly lower than was seen in the 2011 report.

## HOME SELLER CHARACTERISTICS

### ■ Exhibits 6-1 through 6-6

Much like with the demographics of buyers, the demographics of sellers is similar to the 2011 report, but quite different than in previous years. The typical age of home sellers is 53, whereas that figure was 49 in the 2010 report and 46 in the 2009 report. The typical income of recent sellers is over \$6,000 lower than in the previous report at \$95,400 for 2011. The typical median income for selling households in 2010 was \$101,500 compared to \$90,000 in 2009. Incomes in the Northeast and South were higher, while incomes in the Midwest and West were lower.

The share of married couples selling their home was again at elevated levels, and roughly the same as last year, when it was at its highest point seen in these reports. Seventy-six percent of selling households were married. From 2004 to 2010 the share of married couples ranged from 71 percent to 75 percent. Single females selling accounted for 14 percent of households, and single males for five percent. Sixty percent of households who sold their home had no children in their home.

Ninety-three percent of recent home sellers were white and 98 percent of selling households speak English primarily in their home.

## HOME SELLING SITUATION

### ■ Exhibits 6-7 through 6-10

A majority of repeat buyers (71 percent) reported that they had already sold their previous home. Twelve percent of repeat buyers do not intend to sell their previous home, six percent have a home that has not sold and is currently vacant, and six percent have a home that has not sold and they are renting to others. One-third of repeat sellers are first-time sellers.

Sellers with unsold homes are more concentrated in the South and the share of rented unsold homes in the South is much larger than both its share of vacant homes and sold homes. In the Northeast, the share of homes sold is larger than the share that are vacant. In rural areas there is a higher concentration of vacant homes than homes that are rented or homes sold.

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*The share of married couples selling their home was again at elevated levels, and roughly the same as last year, when it was at its highest point seen in these reports. Seventy-six percent of selling households were married. From 2004 to 2010 the share of married couples ranged from 71 percent to 75 percent.*

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## HOME SOLD VS. HOME PURCHASED

- **Exhibits 6-11 through 6-19**

Most home sellers (68 percent) remain in the same state when they purchase their next home. Sellers who moved to another region accounted for 17 percent, while sellers who moved within the same region, but to a different state, were a 15 percent share.

Eighty-one percent of sellers sold a detached single-family home, and the townhouse/row house was the second most frequent type of home sold (seven percent).

Forty-six percent of recent sellers purchased a home that was larger than the home they just sold, 29 percent purchased a home that was about the same size, and 25 percent traded down to a smaller home. Trading up to a larger home is most common among buyers who are 54 and younger. Buyers who are 55 to 64 years old tend to buy a similar-sized home and buyers over 65 tend to purchase a smaller home than the one they sold. The typical home that was sold had three bedrooms and two bathrooms, a number that has remained consistent over the past few years.

Sixty-two percent of sellers purchased a newer home than the home they recently sold, 17 percent purchased an older home and 21 percent purchased a home that was about the same age. Just under half of sellers traded up to purchase a more expensive home than the home they just sold, one-quarter purchased a home in the same price range and nearly one-third traded down to a home less expensive than the one sold. Buyers who are 54 and younger typically buy a more expensive home than the one they just sold. Buyers aged 55 to 64 typically buy a home that is about the same price, while buyers aged 65 and older typically buy a less expensive home.

The most common reasons for selling one's home was a job relocation, the home was too small, or the desire to be closer to friends and family. However, the motivation for selling one's home varies by age. Sellers who are aged 18 to 44 are most likely to move because the home is too small. Sellers who are 65 and older are most likely to move to be closer to friends and family. Sellers aged 45 to 54 are most likely to move for a job relocation or because of a family change.

## TENURE IN HOME

- **Exhibits 6-20 and 6-21**

As was the case in the 2011 report, the typical home seller has owned their home for nine years. Sellers of detached single-family homes, which account for the largest share of homes sold, owned their home for a median of 10 years. Younger sellers tend to have the shortest tenure in home—those aged 18 to 35 sold their home within five years, compared to those aged 55 to 74 who sold their home after a tenure of 13 years.

## DISTANCE MOVED

- **Exhibits 6-22 and 6-23**

Home sellers tended to stay relatively close when purchasing a home, only moving 19 miles away. Sellers in the South moved the farthest distance at 24 miles, while sellers in the Northeast moved the shortest at 17 miles. Distance moved also varies by the age of the seller. Younger sellers tend to move the shortest distance—those who are 18 to 34 moved only 14 miles. Those who are 65 to 74 years or older typically moved 71 miles away—they are also the most likely of all sellers to be moving due to retirement.

## METHOD OF SALE

### ■ Exhibits 6-24 through 6-27

Eighty-eight percent of home sellers sold their home with the assistance of a real estate agent. FSBO sales continued to be low, at just nine percent this year and 10 percent in the 2011 report. Working with an agent was highest in the West at 93 percent and lowest in the Midwest at 86 percent. FSBO sales, alternatively, were highest in the Midwest at 12 percent and lowest in the West at just six percent.

The method of sale tends to differ in conjunction with the relationship between the buyer and seller. If the buyer and sellers know each other, the sale can be either an arms-length transaction consistent with local market conditions or it may involve considerations that would be not be relevant in the absence of a prior relationship.

Among all home sellers, eight percent reported that they knew the buyer of their home. Among those sellers that were assisted by an agent, just five percent knew the buyer. In contrast, 37 percent of FSBO sellers indicated that they knew the buyer of their home before the transaction.

## SALES PRICE AND TIME ON THE MARKET

### ■ Exhibits 6-28 through 6-32

Among recently sold homes, the sales price was a median 95 percent of the listing price. There is little variation among regions between the asking and the selling price.

Sellers who reported needing to sell very urgently were more likely to accept a price that was less than 90 percent of the asking price while those who reported less urgency were more likely to receive 95 to 99 percent of the original asking price. However, the median sales price to asking price ratio differed little with the sellers need to sell urgently.

The median time on the market for recently sold homes jumped to 11 weeks in this year's report, versus nine weeks in the 2011 report. One-quarter of sellers reported that their home was on the market for two weeks or less. Homes in the Midwest and South were typically on the market for 12 weeks while homes in the West were on the market for eight weeks and homes in the Northeast for 10 weeks.

Time on the market and the ratio of sales price to listing price are highly correlated; generally, the longer a home is on the market, the greater the discount from the listing price upon sale. Homes that were on the market for less than one week received a median of 100 percent of their asking price—nine percent received more than the asking price. Homes that were on the market for 17 weeks or more typically received just 91 percent of the sales price as compared to the listing price.

Homes which are on the market longer tend to reduce their listing price. Eighty-six percent of homes that are only on the market for one week or less never reduced their asking price compared to just nine percent of homes that were on the market for 17 weeks or more. One-fifth of homes that were on the market for more than 17 weeks reduced their price four times or more.



## INCENTIVES TO PROSPECTIVE BUYERS

- **Exhibits 6-33 and 6-34**

Sellers occasionally add incentives to attract buyers, though there are regional variations. Incentives are least common in the Northeast and the West. The most frequently offered incentive regardless of region is a home warranty policy. The second most commonly offered incentive is assistance with closing costs. Not surprisingly, the longer a home is on the market, the more frequently sellers offer incentives. However, regardless of time on market, home warranty policies and assistance with closing costs remain the top two incentives most frequently offered by sellers.

## EQUITY BY TENURE

- **Exhibit 6-35**

Home sellers reported that they typically sold the home they purchased for \$20,000 more than they purchased it—about a 12 percent price gain. This is a significant decline from the typical equity seen in the 2010 report of \$33,000 and 24 percent. Generally, the longer a seller is in the home the greater the increase attributable to price appreciation; however, the recent path of home prices has resulted in the level of equity in homes with seller tenures of one to five years to vary from that trend. Sellers who owned a home for two to three years or less typically reported higher gains than those who owned a home for four to seven years. One explanation for these large gains is that they result from the rehabilitation and resale of formerly distressed properties.

## SATISFACTION WITH SALES PROCESS

- **Exhibit 6-36**

Fifty-four percent of sellers reported that they were very satisfied with the process of selling their home, 30 percent were somewhat satisfied, and 16 percent were dissatisfied with the process.

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*The most common reasons for selling one's home was a job relocation, the home was too small, or the desire to be closer to friends and family.*

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**Exhibit 6-1** **AGE OF HOME SELLERS, BY REGION**

(Percentage Distribution)

	SELLERS WHO SOLD A HOME IN THE				
	All Sellers	Northeast	Midwest	South	West
18 to 34 years	13%	9%	16%	13%	9%
35 to 44 years	21	22	24	21	16
45 to 54 years	20	21	19	20	21
55 to 64 years	22	26	21	21	24
65 to 74 years	18	18	15	19	21
75 years or older	7	5	6	6	9
Median age (years)	53	54	51	53	56

**Exhibit 6-2** **HOUSEHOLD INCOME OF HOME SELLERS, 2011**

(Percentage Distribution)

	SELLERS WHO SOLD A HOME IN THE				
	All Sellers	Northeast	Midwest	South	West
Less than \$25,000	4%	2%	2%	4%	5%
\$25,000 to \$34,999	4	3	4	4	5
\$35,000 to \$44,999	6	6	6	4	9
\$45,000 to \$54,999	6	8	5	4	9
\$55,000 to \$64,999	6	5	8	6	5
\$65,000 to \$74,999	7	6	10	6	7
\$75,000 to \$84,999	8	8	10	9	7
\$85,000 to \$99,999	13	12	12	13	15
\$100,000 to \$124,999	16	17	17	16	15
\$125,000 to \$149,999	9	13	9	10	6
\$150,000 to \$174,999	6	6	5	7	5
\$175,000 to \$199,999	3	5	2	3	3
\$200,000 or more	12	10	10	13	12
Median income (2011)	\$95,400	\$100,800	\$90,600	\$100,600	\$90,600

**Exhibit 6-3** **ADULT COMPOSITION OF HOME SELLER HOUSEHOLDS**

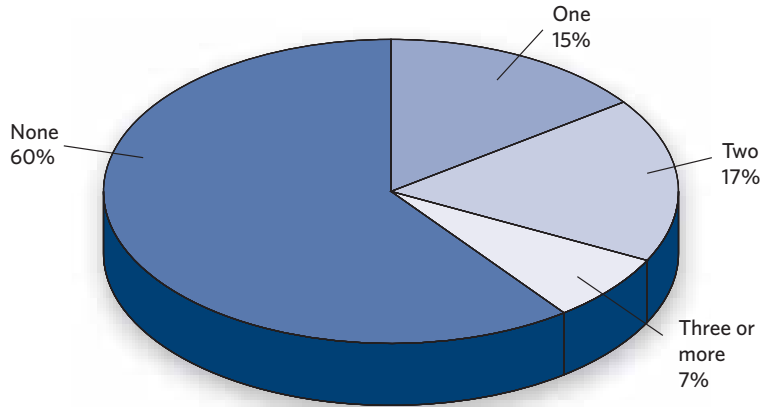
(Percentage Distribution)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Married couple	74%	71%	72%	75%	74%	75%	75%	77%	76%
Single female	15	17	17	15	15	14	16	16	14
Single male	5	6	6	6	7	6	6	6	5
Unmarried couple	5	3	4	3	3	4	3	3	4
Other	1	1	1	1	1	1	1	1	1

**Exhibit 6-4**

**NUMBER OF CHILDREN UNDER THE AGE OF 18 RESIDING IN HOME SELLER HOUSEHOLD**

(Percentage Distribution of Home Seller Households)



**Exhibit 6-5**

**RACE/ETHNICITY OF HOME SELLERS, BY REGION**

(Percent of Respondents)

	All Sellers	SELLERS WHO SOLD A HOME IN THE			
		Northeast	Midwest	South	West
White/Caucasian	93%	94%	96%	93%	89%
Black/African-American	2	2	1	2	1
Asian/Pacific Islander	2	2	1	2	5
Hispanic/Latino	3	2	1	3	7
Other	2	1	2	2	2

Note: Respondents were permitted to select as many races and ethnicities as they felt applicable.

The percentage distribution may therefore sum to more than 100 percent.

**Exhibit 6-6**

**PRIMARY LANGUAGE SPOKEN IN HOME SELLER HOUSEHOLD, BY REGION**

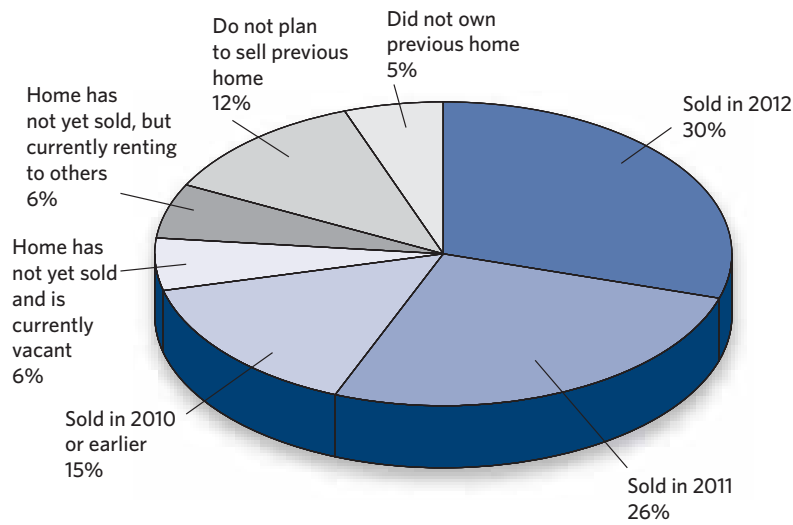
(Percentage Distribution)

	All Sellers	SELLERS WHO SOLD A HOME IN THE			
		Northeast	Midwest	South	West
English	98%	99%	99%	98%	97%
Other	2	1	1	2	3

**Exhibit 6-7**

**HOME SELLING SITUATION AMONG REPEAT BUYERS**

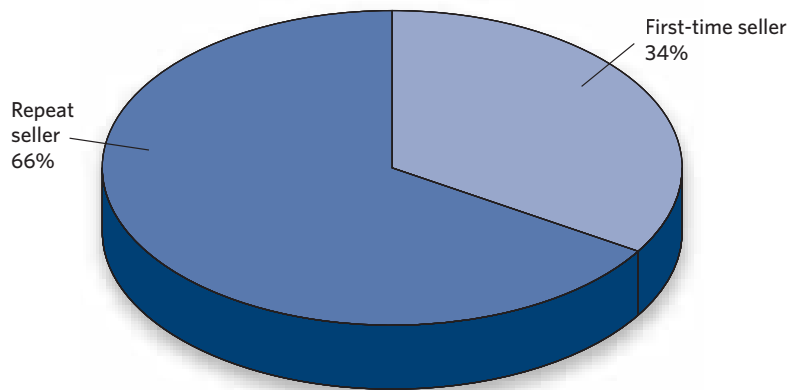
(Percentage Distribution)



**Exhibit 6-8**

**FIRST-TIME OR REPEAT SELLER**

(Percentage Distribution)



**Exhibit 6-9**

**HOMES SOLD AND FOR SALE, BY REGION**

(Percentage Distribution)

	Homes Sold	Home has not yet sold and is currently vacant	Home has not yet sold, but currently renting to others
Northeast	16%	14%	16%
Midwest	26	24	24
South	38	39	39
West	20	23	20

**Exhibit 6-10**

**LOCATION OF HOME SOLD**

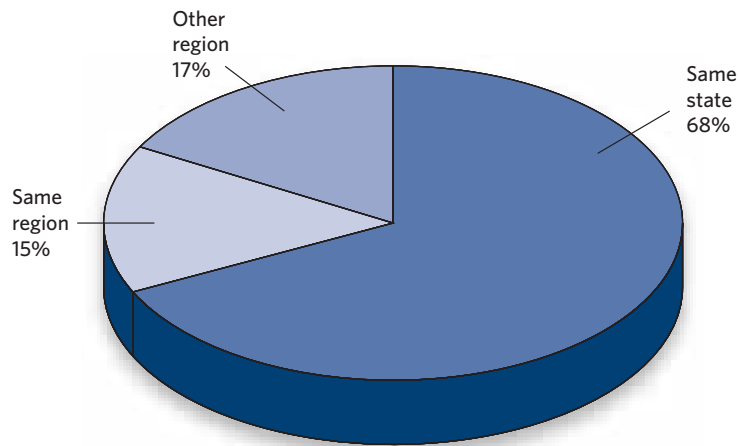
(Percentage Distribution)

	Homes Sold	Home has not yet sold and is currently vacant	Home has not yet sold, but currently renting to others
Suburb/Subdivision	51%	52%	53%
Small town	17	23	15
Urban area/Central city	17	7	20
Rural area	12	16	10
Resort/Recreation area	2	2	2

**Exhibit 6-11**

**PROXIMITY OF HOME SOLD TO HOME PURCHASED**

(Percentage Distribution)



**Exhibit 6-12**

**TYPE OF HOME SOLD, BY LOCATION**

(Percentage Distribution)

	All Sellers	SELLERS WHO SOLD A HOME IN A				
		Suburb/ Subdivision	Small town	Urban/ Central city	Rural area	Resort/ Recreation area
Detached single-family home	81%	80%	81%	82%	79%	84%
Townhouse/row house	7	8	3	3	10	
Apartment/condo in a building with 5 or more units	5	5	4	5	6	3
Duplex/apartment/condo in 2 to 4 unit building	2	2	1	2	3	*
Other	6	5	11	8	2	13

\* Less than 1 percent

**Exhibit 6-13**

**SIZE OF HOME PURCHASED COMPARED TO HOME RECENTLY SOLD**

(Percentage Distribution)

SIZE OF HOME SOLD	SIZE OF HOME PURCHASED					
	1,000 sq ft or less	1,001 sq ft to 1,500 sq ft	1,501 sq ft to 2,000 sq ft	2,001 sq ft to 2,500 sq ft	2,501 sq ft to 3,000 sq ft	More than 3,000 sq ft
1,000 sq ft or less	*	*	*	*	*	*
1,001 to 1,500 sq ft	*	2	4	3	2	1
1,501 to 2,000 sq ft	*	2	7	6	5	5
2,001 to 2,500 sq ft	*	1	4	7	5	8
2,501 to 3,000 sq ft	*	1	2	4	2	6
More than 3,000 sq ft	*	1	2	5	4	9

\* Less than 1 percent

46% Trading Up    29% Remaining at the same size range    25% Trading Down

**Exhibit 6-14**

**SIZE OF HOME PURCHASED COMPARED TO HOME RECENTLY SOLD, BY AGE OF SELLER**

(Median Square Feet)

	Size of home sold	Size of home purchased	Difference
18 to 34 years	1,560	2,450	890
35 to 44 years	1,840	2,600	760
45 to 54 years	2,200	2,400	200
55 to 64 years	2,000	2,040	40
65 to 74 years	2,100	1,850	-250
75 years or older	1,860	1,700	-160

**Exhibit 6-15**

**NUMBER OF BEDROOMS AND BATHROOMS BY ADULT COMPOSITION OF HOUSEHOLD AND CHILDREN IN HOUSEHOLD**

(Percentage Distribution)

	All Sellers	ADULT COMPOSITION OF HOUSEHOLD					CHILDREN IN HOME	
		Married couple	Single female	Single male	Unmarried couple	Other	Children under 18 in home	No children in home
One bedroom	1%	1%	1%	2%	4%	*	1%	1%
Two bedrooms	13	12	18	17	16	31	11	15
Three bedrooms or more	86	88	81	82	81	69	89	84
Median number of bedrooms	3	3	3	3	3	3	3	3
One full bathroom	16	16	16	17	18	30	19	15
Two full bathrooms	59	59	56	62	64	61	60	58
Three full bathrooms or more	25	26	28	22	18	9	22	27
Median number of full bathrooms	2	2	2	2	2	2	2	2

\* Less than 1 percent

**Exhibit 6-16**

**AGE OF HOME PURCHASED COMPARED TO HOME RECENTLY SOLD**

(Percentage Distribution)

YEAR PURCHASED HOME WAS BUILT

YEAR HOME SOLD WAS BUILT	2011	2008 through 2010	2005 through 2007	2000 through 2004	1985 through 1999	1960 through 1984	1911 through 1959	1750 through 1910
2011	*	*	*	*	*	*	*	*
2008 through 2010	1	*	*	*	1	*	*	*
2005 through 2007	2	1	1	1	2	1	*	*
2000 through 2004	4	1	3	2	3	2	1	*
1985 through 1999	5	2	3	4	8	4	2	*
1960 through 1984	4	1	3	4	8	7	2	1
1911 through 1959	1	*	1	2	4	4	3	1
1750 through 1910	1	*	*	*	1	1	1	*

\* Less than 1 percent

62% Purchased a Newer Home    21% Purchased a Home the Same Age    17% Purchased Older Home

**Exhibit 6-17**

**PRICE OF HOME PURCHASED COMPARED TO HOME RECENTLY SOLD**

(Percentage Distribution)

PRICE OF HOME PURCHASED

PRICE OF HOME SOLD	Less than \$100,000	\$100,000 to \$149,999	\$150,000 to \$199,999	\$200,000 to \$249,999	\$250,000 to \$299,999	\$300,000 to \$349,999	\$350,000 to \$399,999	\$400,000 to \$499,999	\$500,000 or more
Less than \$100,000	3%	2%	3%	1%	1%	*	*	*	*
\$100,000 to \$149,999	1	5	4	3	2	1	*	*	*
\$150,000 to \$199,999	1	3	5	4	2	2	1	1	1
\$200,000 to \$249,999	1	1	3	4	3	2	2	1	1
\$250,000 to \$299,999	*	*	1	2	2	1	1	1	1
\$300,000 to \$349,999	*	*	1	1	*	1	1	1	2
\$350,000 to \$399,999	*	*	*	1	1	1	*	1	1
\$400,000 to \$499,999	*	1	1	1	1	1	1	1	2
\$500,000 or more	*	*	*	*	*	1	1	2	4

\* Less than 1 percent

47% Trading Up    25% Remaining at the same price range    29% Trading Down

**Exhibit 6-18**

**PRICE OF HOME PURCHASED COMPARED TO HOME RECENTLY SOLD, BY AGE OF SELLER**

(Median)

	Price of home sold	Price of home purchased	Difference
18 to 34 years	\$160,200	\$250,000	\$89,800
35 to 44 years	\$210,000	\$297,000	\$87,000
45 to 54 years	\$230,100	\$259,000	\$28,900
55 to 64 years	\$223,000	\$220,200	-\$2,800
65 to 74 years	\$220,000	\$193,000	-\$27,000
75 years or older	\$174,900	\$160,000	-\$14,900

**Exhibit 6-19**

**PRIMARY REASON FOR SELLING PREVIOUS HOME, BY AGE**

(Percentage Distribution)

	All Sellers	AGE OF HOME SELLER					
		18 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 to 74 years	75 years or older
Job relocation	16%	26%	25%	25%	12%	1%	*
Home is too small	16	38	31	12	6	7	2
Want to move closer to friends or family	14	4	5	3	16	31	29
Neighborhood has become less desirable	11	10	15	11	11	8	8
Change in family situation (e.g., marriage, birth of a child, divorce)	9	9	6	11	11	6	7
Home is too large	8	*	1	9	11	11	14
Moving due to retirement	6	*	1	3	12	14	5
Want to move closer to current job	5	7	7	10	3	2	*
Upkeep of home is too difficult due to health or financial limitations	5		1	3	5	10	23
Can not afford the mortgage and other expenses of owning home	3	1	2	4	4	4	1
To avoid possible foreclosure	1	2	*	2	*	*	*
Other	7	1	7	7	8	8	11

\* Less than 1 percent

**Exhibit 6-20**

**TENURE IN PREVIOUS HOME, BY TYPE OF HOME**

(Percentage Distribution)

	All Types	Cabin/cottage	Duplex/ apartment/ condo in 2-4 unit structure	Apartment/condo in building with 5 or more units	Townhouse/ row house	Detached single-family home	Mobile/ manufactured home	Other
1 year or less	3%	*	*	3%	5%	3%	8%	5%
2 to 3 years	7	*	18	7	6	7	12	2
4 to 5 years	12	38	28	18	17	11	4	14
6 to 7 years	15	6	10	22	23	15	20	12
8 to 10 years	18	25	14	25	19	18	12	10
11 to 15 years	19	25	6	13	15	20	20	12
16 to 20 years	9	*	*	4	13	9	9	14
21 years or more	16	6	26	7	2	17	15	31
Median	9	8	7	8	7	10	8	10

\* Less than 1 percent



**Exhibit 6-21**

**TENURE IN PREVIOUS HOME, BY AGE OF SELLER**

(Percentage Distribution)

	All Sellers	AGE OF HOME SELLER					
		18 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 to 74 years	75 years or older
1 year or less	3%	4%	3%	3%	2%	4%	1%
2 to 3 years	7	16	7	7	7	4	5
4 to 5 years	12	31	15	11	6	9	3
6 to 7 years	15	30	21	17	6	11	4
8 to 10 years	18	18	28	13	17	14	11
11 to 15 years	19	2	22	29	21	15	20
16 to 20 years	9	N/A	4	12	16	10	16
21 years or more	16	N/A	1	9	25	34	41
Median	9	5	8	10	13	13	17

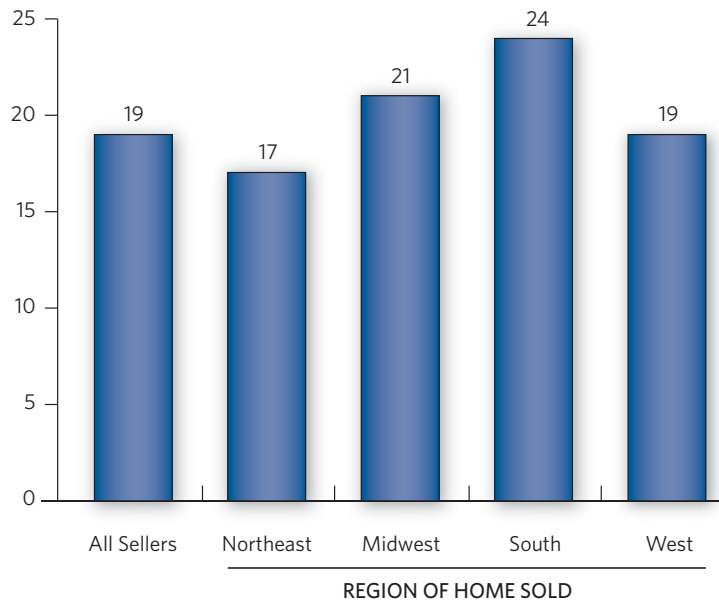
\* Less than 1 percent

N/A- Not Applicable

**Exhibit 6-22**

**DISTANCE BETWEEN HOME PURCHASED AND HOME RECENTLY SOLD, BY REGION**

(Median Miles)



**Exhibit 6-23**

**DISTANCE BETWEEN HOME PURCHASED AND HOME RECENTLY SOLD, BY AGE**

(Percentage Distribution)

	AGE OF HOME SELLER						
	All Sellers	18 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 to 74 years	75 years or older
5 miles or less	24%	24%	32%	22%	20%	20%	23%
6 to 10 miles	14	19	14	16	13	8	18
11 to 15 miles	8	11	7	7	8	8	8
16 to 20 miles	6	7	6	9	6	4	5
21 to 50 miles	10	9	10	9	11	9	6
51 to 100 miles	5	4	3	4	6	6	4
101 to 500 miles	11	11	10	10	9	13	10
501 to 1,000 miles	9	9	5	9	14	9	8
1,001 miles or more	15	7	13	14	13	25	18
Median (miles)	19	14	14	18	29	71	17

**Exhibit 6-24**

**METHOD USED TO SELL HOME, BY REGION**

(Percentage Distribution)

	SELLERS WHO SOLD A HOME IN THE				
	All Sellers	Northeast	Midwest	South	West
Sold home using an agent or broker	88%	91%	86%	87%	93%
Seller used agent/broker only	87	89	83	85	92
Seller first tried to sell it themselves, but then used an agent	2	1	3	2	*
For-sale-by-owner (FSBO)	9	7	12	9	6
Seller sold home without using a real estate agent or broker	7	6	9	7	5
First listed with an agent, but then sold home themselves	2	1	3	2	1
Sold home to a homebuying company	1	*	*	1	1
Other	2	2	2	3	1

\* Less than 1 percent

**Exhibit 6-25**

**METHOD USED TO SELL HOME, BY SELLER URGENCY**

(Percentage Distribution)

	SELLER NEEDED TO SELL			
	All Sellers	Very urgently	Somewhat urgently	Not urgently
Sold home using an agent or broker	88%	88%	91%	86%
Seller used agent/broker only	87	86	90	84
Seller first tried to sell it themselves, but then used an agent	2	1	2	2
For-sale-by-owner (FSBO)	9	7	7	11
Seller sold home without using a real estate agent or broker	7	7	6	8
First listed with an agent, but then sold home themselves	2	*	2	3
Sold home to a homebuying company	1	2	1	*
Other	2	3	1	2

\* Less than 1 percent

**Exhibit 6-26****METHOD OF SALE, BY BUYER AND SELLER RELATIONSHIP***(Percentage Distribution)*

Buyer and Seller Relationship	Seller Knew Buyer	Seller did not Know Buyer
All sellers	8%	92%
Sold home using an agent or broker	5	95
Seller used agent/broker only	5	95
Seller first tried to sell it themselves, but then used an agent	14	86
For-sale-by-owner (FSBO)	37	63
Sold home without using a real estate agent or broker	37	63
First listed with an agent, but then sold home themselves	37	63
Other	18	82

Method of Home Sale	All Sellers	Seller Knew Buyer	Seller did not Know Buyer
Sold home using an agent or broker	88%	53%	91%
Seller used agent/broker only	87	50	90
Seller first tried to sell it themselves, but then used an agent	2	3	2
For-sale-by-owner (FSBO)	9	40	6
Sold home without using a real estate agent or broker	7	32	5
First listed with an agent, but then sold home themselves	2	9	1
Other	3	6	3

**Exhibit 6-27****METHOD USED TO SELL HOME, 2001-2012***(Percentage Distribution)*

	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sold home using an agent or broker	79%	83%	82%	85%	84%	85%	84%	85%	88%	87%	88%
For-sale-by-owner (FSBO)	13	14	14	13	12	12	13	11	9	9	9
Sold to home buying company	1	1	1	1	1	1	1	1	1	1	1
Other	7	3	3	2	3	2	2	3	3	3	2

**Exhibit 6-28****SALES PRICE COMPARED WITH LISTING PRICE, BY REGION***(Percentage Distribution of Sales Price as a Percent of Listing Price)*

	All Sellers	SELLERS WHO SOLD A HOME IN THE			
		Northeast	Midwest	South	West
Less than 90%	23%	25%	28%	19%	20%
90% to 94%	22	26	22	21	19
95% to 99%	35	33	32	39	35
100%	15	10	15	15	18
101% to 110%	4	5	3	2	8
More than 110%	2	1	1	3	1
Median (sales price as a percent of listing price)	95%	94%	95%	96%	96%

**Exhibit 6-29**

**SALES PRICE COMPARED WITH LISTING PRICE, BY SELLER URGENCY**

(Percentage Distribution of Sales Price as a Percent of Listing Price)

	All Sellers	SELLER NEEDED TO SELL		
		Very urgently	Somewhat urgently	Not urgently
Less than 90%	23%	28%	27%	16%
90% to 94%	22	19	25	20
95% to 99%	35	36	33	37
100%	15	12	11	20
101% to 110%	4	3	4	5
More than 110%	2	3	1	2
Median (sales price as a percent of listing price)	95%	95%	94%	96%

**Exhibit 6-30**

**NUMBER OF WEEKS RECENTLY SOLD HOME WAS ON THE MARKET, BY REGION**

(Percentage Distribution)

	All Sellers	SELLERS WHO SOLD A HOME IN THE			
		Northeast	Midwest	South	West
Less than 1 week	4%	4%	4%	5%	6%
1 to 2 weeks	20	22	17	17	26
3 to 4 weeks	11	9	12	11	10
5 to 6 weeks	5	5	5	4	6
7 to 8 weeks	5	5	6	6	3
9 to 10 weeks	4	4	4	4	5
11 to 12 weeks	9	8	8	10	9
13 to 16 weeks	8	8	8	8	7
17 to 24 weeks	10	8	11	10	11
25 to 36 weeks	8	9	9	8	6
37 to 52 weeks	8	8	7	8	8
53 or more weeks	9	9	10	10	5
Median weeks	11	10	12	12	8

**Exhibit 6-31**

**SALES PRICE COMPARED WITH LISTING PRICE, BY NUMBER OF WEEKS HOME WAS ON THE MARKET**

(Percentage Distribution of Sales Price as a Percent of Listing Price)

	All Sellers	SELLERS WHOSE HOME WAS ON THE MARKET FOR					
		Less than 1 week	1 to 2 weeks	3 to 4 weeks	5 to 8 weeks	9 to 16 weeks	17 or more weeks
Less than 90%	23%	12%	3%	11%	13%	21%	43%
90% to 94%	22	3	9	21	28	30	25
95% to 99%	35	27	43	40	48	38	25
100%	15	50	32	22	9	8	4
101% to 110%	4	8	12	4	2	1	1
More than 110%	2	1	2	2	*	2	2
Median (sales price as a percent of listing price)	95%	100%	99%	97%	96%	94%	91%

\* Less than 1 percent

**Exhibit 6-32****NUMBER OF TIMES ASKING PRICE WAS REDUCED, BY NUMBER OF WEEKS HOME WAS ON THE MARKET***(Percentage Distribution)*

	All Sellers	SELLERS WHOSE HOME WAS ON THE MARKET FOR					
		Less than 1 week	1 to 2 weeks	3 to 4 weeks	5 to 8 weeks	9 to 16 weeks	17 or more weeks
None, did not reduce the asking price	40%	86%	80%	64%	44%	28%	9%
One	25	12	16	32	40	33	21
Two	17	1	3	5	10	28	26
Three	10	1	*	*	5	8	23
Four or more	8	*	1	*	1	4	21

\* Less than 1 percent

**Exhibit 6-33****INCENTIVES OFFERED TO ATTRACT BUYERS, BY REGION***(Percent of Respondents)*

	All Sellers	SELLERS WHO SOLD A HOME IN THE			
		Northeast	Midwest	South	West
None	60%	68%	55%	55%	70%
Home warranty policies	22	13	27	27	15
Assistance with closing costs	17	11	19	21	12
Credit toward remodeling or repairs	7	6	5	8	7
Other incentives, such as a car, flat screen TV, etc.	3	3	3	4	1
Assistance with condo association fees	*	1	*	*	*
Other	5	6	5	5	5

\* Less than 1 percent

**Exhibit 6-34****INCENTIVES OFFERED TO ATTRACT BUYERS, BY NUMBER OF WEEKS HOME WAS ON THE MARKET***(Percent of Respondents)*

	All Sellers	SELLERS WHOSE HOME WAS ON THE MARKET FOR					
		Less than 1 week	1 to 2 weeks	3 to 4 weeks	5 to 8 weeks	9 to 16 weeks	17 or more weeks
None	60%	87%	64%	58%	59%	58%	55%
Home warranty policies	22	6	19	27	22	26	24
Assistance with closing costs	17	4	14	15	21	17	21
Credit toward remodeling or repairs	7	3	6	6	6	5	9
Other incentives, such as a car, flat screen TV, etc.	3	2	1	3	2	2	6
Assistance with condo association fees	*	*	*	*	*	*	1
Other	5	3	5	4	5	5	5

\* Less than 1 percent

**Exhibit 6-35**

**EQUITY EARNED IN HOME RECENTLY SOLD, BY TENURE IN HOME**

(Percent of Respondents)

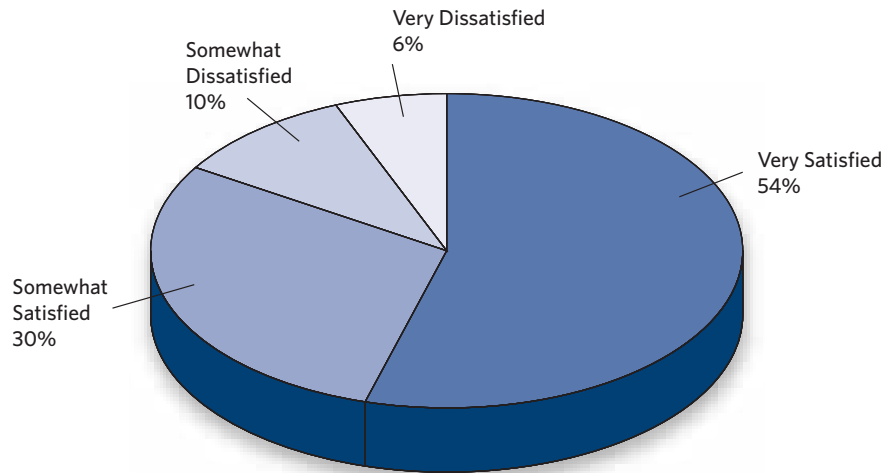
ALL SELLERS

TENURE IN HOME	Dollar value	Percent
1 year or less	\$0	0%
2 to 3 years	\$3,000	2%
4 to 5 years	-\$16,000	-8%
6 to 7 years	\$0	0%
8 to 10 years	\$10,000	6%
11 to 15 years	\$54,000	31%
16 to 20 years	\$76,300	58%
21 years or more	\$106,000	144%
Median	\$20,000	12%

**Exhibit 6-36**

**SATISFACTION WITH THE SELLING PROCESS**

(Percentage Distribution)



# Chapter 7:

## Home Selling and Real Estate Professionals

**H**ome sellers and real estate agents have worked together in a similar manner for the past several years, regardless of housing market conditions. Agents are typically recommended through personal referrals from friends and family of the sellers. Sellers place high importance on the reputation of the agent as a factor in hiring them. Sellers also find a high importance in whether the agent is honest and trustworthy. Sellers trust their agent to be able to perform the same four tasks as in previous years: help selling the home within a specific timeframe, helping the seller market the home to potential buyers, help in finding a buyer for the home, and help in pricing the home competitively.

Embracing technology and the Internet has become an integral role in marketing the home for sellers and seller's agents. Sellers are using nontraditional websites, social networking sites, and video hosting websites to market homes. However, traditional marketing methods are often used as well. The majority of the sellers had a positive experience with their real estate agent and would recommend them to others or use them again.

## **FINDING A REAL ESTATE AGENT**

### ■ Exhibits 7-1 through 7-3

Real estate is an industry that relies heavily on word of mouth to find a trusted professional to use. Referral by friend, neighbor or relative is the most commonly cited method sellers used to find their real estate agent. Thirty-eight percent of sellers used a referral to find their agent, and an additional 23 percent used an agent they had worked with before. The typical seller only contacts one agent during the selling process, further emphasizing the importance of personal relationships in real estate. Twenty percent of sellers contacted two agents before selling their home and 16 percent contacted three or more agents. Nearly half of sellers used the same agent to sell their home as they did for the home they purchased.

## **HOME LISTED ON MULTIPLE LISTING SERVICE AND LEVEL OF SERVICE**

### ■ Exhibits 7-4 and 7-5

The Multiple Listing Service (MLS) is the number one source for sellers to list their home. Ninety-one percent of sellers listed their homes on a MLS. Only three percent of sellers did not list their home on a MLS. Unchanged from 2011, 80 percent of sellers worked with an agent who could provide a broad range of services and manage most aspects of the sale. Twelve percent of sellers worked with an agent who listed the home on a MLS and performed few additional services and eight percent worked with an agent who performed a limited set of services.

## **WHAT SELLERS MOST WANT AND LEVEL OF SERVICE**

### ■ Exhibits 7-6 and 7-7

The top four tasks that sellers want from their agent has remained consistent regardless of the housing market—sellers place the highest priority on: help selling the home within a specific timeframe, helping the seller market the home to potential buyers, help finding a buyer for the home, and help pricing the home competitively. The top four priorities are important to sellers regardless of the level of service.

As many sellers use an agent that was recommended to them personally, it is not surprising that the reputation of the agent is the most important factor in choosing an agent to work with (37 percent). This is followed with the importance of the agent's honesty and trustworthiness at 19 percent and whether the agent is a friend or family member at 13 percent.



## METHODS USED TO MARKET THE HOME

### ▪ Exhibit 7-8

Sellers continue to embrace technology in marketing to potential home buyers. While listings on the Internet are the number one marketing source of sellers (93 percent), sellers are also using nontraditional websites (28 percent), social networking websites (seven percent), and video hosting websites (four percent) with more frequency than in previous years. Traditional marketing tools such as yard signs and open houses remain popular methods to market the home to potential buyers—used by 79 percent and 55 percent, respectively.

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*The top four tasks that sellers want from their agent has remained consistent regardless of the housing market—sellers place the highest priority on: help selling the home within a specific timeframe, helping the seller market the home to potential buyers, help finding a buyer for the home, and help pricing the home competitively.*

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## AGENT'S PERFORMANCE AND COMPENSATION

### ▪ Exhibits 7-9 through 7-11

The majority of agents are paid by sellers in full at 80 percent. Among compensations that are paid by the seller nearly all—74 percent—are paid as a percent of sales price. A small share of sales agents are compensated by the buyer and the seller—eight percent, or by the buyer only—four percent.

In 43 percent of sales the real estate agent initiated the discussion of compensation. In 31 percent of sales the client brought up the topic of compensation and in the majority of cases the real estate agent was willing and able to negotiate their commission or fee. Fifteen percent of sellers did not know the commission or fee could be negotiated.

With repeat business and referrals being the strongest sign of client satisfaction, most sellers — 84 percent — reported that they would recommend their agent or use the agent's services in the future. This share has remained unchanged for two years.

**Exhibit 7-1**

**METHOD USED TO FIND REAL ESTATE AGENT**

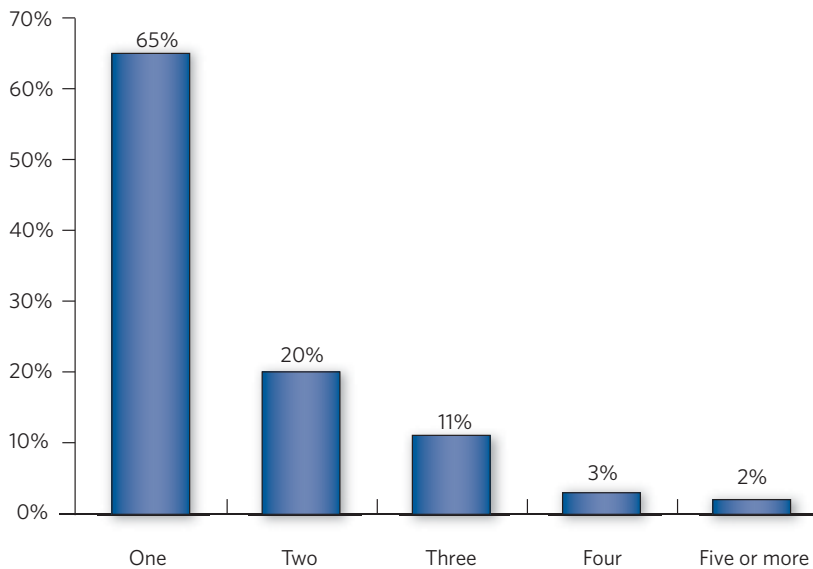
(Percentage Distribution)

Referred by (or is) a friend, neighbor or relative	38%
Used agent previously to buy or sell a home	23
Personal contact by agent (telephone, email, etc.)	5
Referred through employer or relocation company	4
Saw contact information on For Sale/Open House sign	4
Referred by another real estate or broker	4
Visited an open house and met agent	4
Internet website	3
Walked into or called office and agent was on duty	2
Direct mail (newsletter, flyer, postcard, etc.)	2
Newspaper, Yellow pages or home book ad	1
Advertising specialty (calendar, magnet, etc.)	1
Other	11

**Exhibit 7-2**

**NUMBER OF AGENTS CONTACTED BEFORE SELECTING ONE TO ASSIST WITH SALE OF HOME**

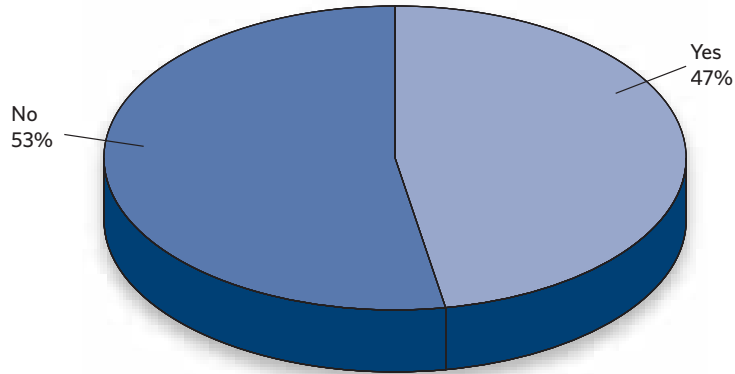
(Percentage Distribution)



**Exhibit 7-3**

**DID SELLER USE THE SAME REAL ESTATE AGENT FOR THEIR HOME PURCHASE?**

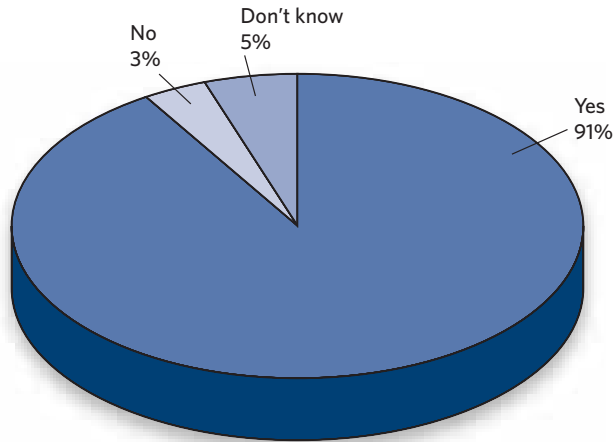
*(Percentage Distribution Among Sellers Who Used an Agent to Purchase a Home)*



**Exhibit 7-4**

**HOME LISTED ON MULTIPLE LISTING SERVICE**

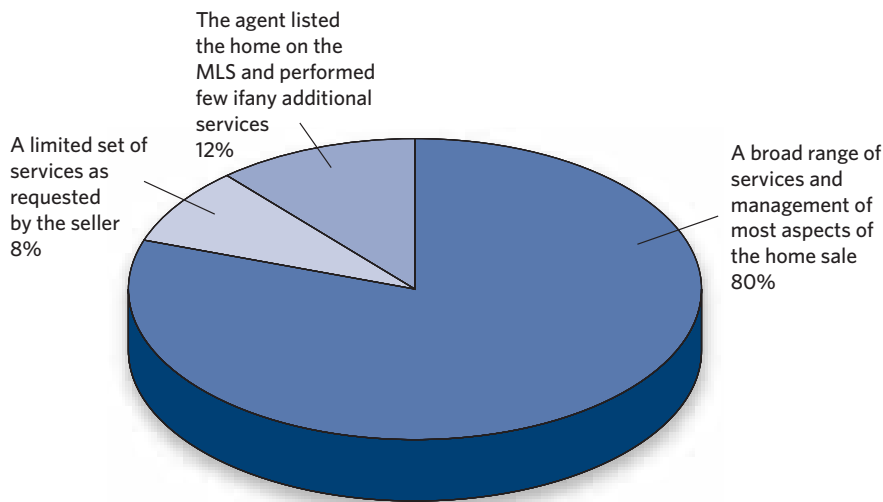
*(Percentage Distribution)*



**Exhibit 7-5**

**LEVEL OF SERVICE PROVIDED BY THE REAL ESTATE AGENT**

(Percentage Distribution)



**Exhibit 7-6**

**WHAT SELLERS MOST WANT FROM REAL ESTATE AGENTS, BY LEVEL OF SERVICE PROVIDED BY THE AGENT**

(Percentage Distribution)

LEVEL OF SERVICE SOUGHT FROM THE AGENT BY THE SELLER

	All sellers	A broad range of services and management of most aspects of the home sale	A limited set of services as requested by the seller	The agent listed the home on the MLS and performed few if any additional services
Help sell the home within specific timeframe	22%	22%	24%	22%
Help seller market home to potential buyers	21	23	15	11
Help find a buyer for home	19	18	23	23
Help price home competitively	18	18	16	16
Help seller find ways to fix up home to sell it for more	10	10	10	7
Help with negotiation and dealing with buyers	5	4	5	10
Help with paperwork/ inspections/preparing for settlement	3	3	6	3
Help seller see homes available to purchase	1	1	1	3
Help create and post videos to provide tour of my home	1	1	*	1
Other	1	1	1	3

\* Less than 1 percent

**Exhibit 7-7****MOST IMPORTANT FACTOR IN CHOOSING A REAL ESTATE AGENT TO SELL HOME, BY LEVEL OF SERVICE PROVIDED BY THE AGENT***(Percentage Distribution)*

	All sellers	LEVEL OF SERVICE SOUGHT FROM THE AGENT BY THE SELLER		
		A broad range of services and management of most aspects of the home sale	A limited set of services as requested by the seller	The agent listed the home on the MLS and performed few if any additional services
Reputation of agent	37%	39%	35%	28%
Agent is honest and trustworthy	19	19	22	20
Agent is friend or family member	13	13	11	11
Agent's knowledge of the neighborhood	12	12	11	9
Agent's association with a particular firm	4	3	7	7
Agent has caring personality/good listener	4	4	2	3
Agent's commission	3	3	5	6
Agent seems 100% accessible because of use of technology like tablet or smartphone	3	3	2	3
Professional designations held by agent	1	1	1	*
Other	5	4	6	12

\* Less than 1 percent

**Exhibit 7-8****METHODS REAL ESTATE AGENT USED TO MARKET HOME, BY TYPE OF HOME SOLD***(Percent of Respondents Among Sellers Who Used an Agent)*

	All Homes	TYPE OF HOME SOLD						
		Cabin/cottage	Duplex/apartment/condo in 2-4 unit structure	Apartment/condo in building with 5 or more units	Townhouse/row house	Detached single-family home	Mobile/manufactured home	Other
Listing on the Internet	93%	91%	80%	92%	93%	94%	79%	86%
Other websites with real estate listings (e.g. Yahoo, Google, etc.)	28	50	19	28	26	29	27	21
Social networking websites (e.g. Twitter, FaceBook, etc.)	7	9	5	4	3	8	2	5
Video hosting websites (e.g., YouTube, etc.)	4	*	*	3	3	4	*	2
Yard sign	79	91	56	32	68	83	86	79
Open house	55	25	44	62	67	55	31	51
Print newspaper advertisement	27	64	21	18	24	28	33	27
Real estate magazine	21	67	23	11	14	21	35	16
Direct mail (flyers, postcards, etc.)	17	17	16	18	17	18	10	19
Video	14	9	2	16	5	15	4	18
Television	2	*	5	1	*	3	3	7
Other	3	*	5	7	3	3	3	*

\* Less than 1 percent

**Exhibit 7-9 HOW REAL ESTATE AGENT WAS COMPENSATED**

(Percentage Distribution)

Paid by seller	80%
Percent of sales price	74
Flat fee	3
Per task fee	*
Other	*
Don't Know	2
Paid by buyer and seller	8
Paid by buyer only	4
Other	5
Don't Know	3

\* Less than 1 percent

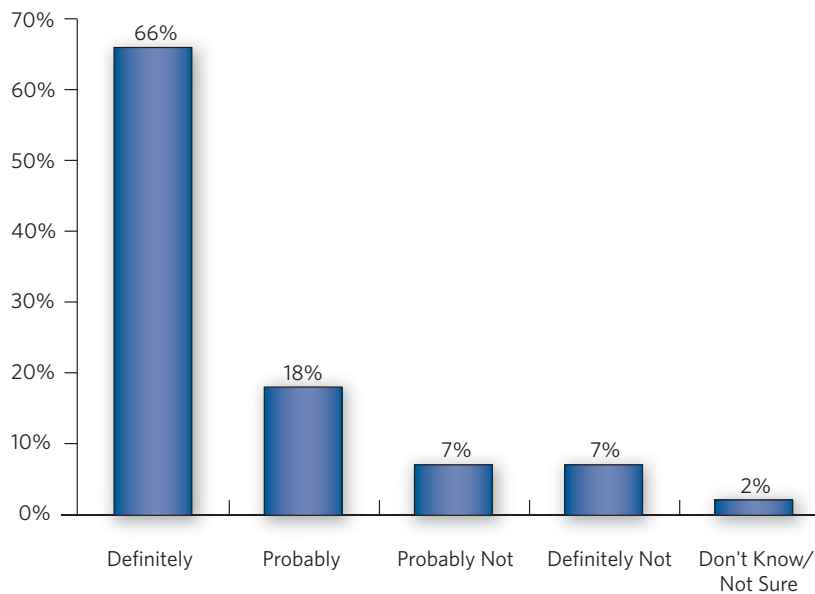
**Exhibit 7-10 NEGOTIATING THE COMMISSION RATE OR FEE WITH THE REAL ESTATE AGENT**

(Percentage Distribution)

Real estate agent initiated discussion of compensation	43%
Client brought up the topic and the real estate agent was able and willing to negotiate their commission or fee	22
Client brought up the topic and the real estate agent was unwilling or unable to negotiate their commission or fee	9
Client did know commissions and fees could be negotiated but did not bring up the topic	11
Client did not know commissions and fees could be negotiated	15

**Exhibit 7-11 WOULD SELLER USE REAL ESTATE AGENT AGAIN OR RECOMMEND TO OTHERS**

(Percentage Distribution)



# Chapter 8:

## For-Sale-By-Owner Sellers

**S**ellers today are more likely to use a professional real estate agent than to try to sell their home themselves. Only nine percent of today's sellers are FSBO sellers, and among those who chose the FSBO route one-third knew the buyer of their home.

Typically FSBO sellers have lower median incomes and are more often singles. FSBOs are also more common for mobile home sales and are more likely than other sales to be in urban areas.

Many sellers who opt for FSBOs are selling their property to someone they know, like a friend, relative, or neighbor or the buyer directly contacted the seller about selling the home. This helps keep FSBOs on the market for less time, and more often sellers receive 100 percent of the asking price as it is agreed on before an official offer is made. FSBOs are less likely to use incentives. Yard signs and Internet listings are the most popular method of marketing FSBOs.

## FSBO AND AGENT ASSISTED SALES, BY LOCATION AND OVER TIME

- **Exhibits 8-1 and 8-2**

Sellers are turning to agents to help sell their homes at higher rates than in the past—88 percent of home sales were agent-assisted compared to 82 percent in 2004. Only nine percent of recent sellers reported selling their homes as a FSBO—sales have dropped rapidly from 2003 when they were at 14 percent. Of sales, 66 percent of FSBOs or six percent of all sales were transactions where the seller did not know the buyer. Of sales 33 percent of all FSBOs or three percent of all sales were transactions where the seller knew the buyer—an arm’s length transaction.

## CHARACTERISTICS OF FSBO AND AGENT-ASSISTED SELLERS

- **Exhibit 8-3**

FSBO sellers and agent-assisted sellers have some similarities in age, but other demographics such as median income and household composition show differences. The median income for all FSBO sellers was \$80,400 while the median income for all agent-assisted sellers was \$97,600. The median income for agent-assisted sellers rises to \$98,000 when sellers who first tried to sell their home as a FSBO then turned to an agent are excluded. Household composition varies among sellers when looking at the share of single sellers. The share of single sellers is higher among sellers who sold as a FSBO compared to agent-assisted sellers.

## CHARACTERISTICS OF HOMES SOLD BY FSBO AND AGENT-ASSISTED SELLERS

- **Exhibits 8-4 through 8-6**

Among all homes sold, 81 percent are detached single-family homes. FSBO sales are less likely than other selling methods to involve a detached single-family home and more likely than other methods to be for a mobile or manufactured home. Ten percent of all FSBO sales are mobile homes. Among agent-assisted sales, 82 percent of all homes sold are detached single-family homes and just two percent are mobile or manufactured homes. FSBO sales are more likely than agent-assisted sales to happen in urban areas or central cities.

FSBOs typically have a lower median selling price, though FSBOs typically received 97 percent of their asking price, whereas agent-assisted sales typically received 95 percent of their asking price. Some of the explanation for this is that when looking at FSBO sales where the seller knew the buyer, 60 percent of the time the sales price was equal to or more than the asking price. Sellers who started as a FSBO, then ended up using an agent, reduced their price the most of all selling methods.



## THE SELLING PROCESS FOR FSBO SALES

- Exhibits 8-7 through 8-9

FSBOs were typically on the market for less time than agent-assisted homes. This was especially true of FSBOs where the seller knew the buyer. The median time on the market for FSBOs was eight weeks compared to 12 weeks for agent-assisted sales. In FSBOs where the buyer knew the seller, the median time on the market was one week. Those who first tried a FSBO then sought out an agent had a median number of 20 weeks on the market.

More than half of FSBO sellers did not need to sell their home urgently compared to 60 percent of agent-assisted sellers who needed to sell their home at least somewhat urgently.

Among FSBO sellers, using incentives to attract buyers was rare—reported by only 19 percent of sellers. Agent-assisted transactions were more likely to use incentives to attract buyers. Twenty-four percent of agent-assisted sellers used home warranties to attract buyers, and 17 percent of sellers used assistance with closing costs to attract buyers.

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*Sellers are turning to agents to help sell their homes at higher rates than in the past—88 percent of home sales were agent-assisted compared to 82 percent in 2004. Only nine percent of recent sellers reported selling their homes as a FSBO—sales have dropped rapidly from 2003 when they were at 14 percent.*

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## REASONS OF FSBOs, MARKETING, AND SELLERS EXPERIENCE

- Exhibits 8-10 through 8-13

Among sellers who did not know the buyer, 55 percent of FSBOs were sold as a FSBO because they did not want to pay a commission or a fee, and 20 percent because the buyer directly contacted the seller. Among sellers who knew the buyer, 65 percent sold the home as a FSBO because they knew the buyer and 20 percent because they did not want to pay the commission or fee, and five percent because the buyer contacted the seller directly.

Yard signs, internet listings, and word of mouth to friends, relatives and neighbors were the most common marketing methods for FSBOs. When the seller knew the buyer, 57 percent of the time the seller did not actively market the home.

Understanding and performing the paperwork was the most difficult task reported by FSBO sellers, followed by getting the price right and preparing and fixing up the home for sale.

Forty-five percent of FSBO sellers who knew the buyer would use a real estate agent rather than sell their current home themselves. However, among those who did not know the buyer, a larger share (38 percent compared to seven percent) would attempt to sell their homes themselves than use an agent.

**Exhibit 8-1 FSBO AND AGENT-ASSISTED SALES, BY LOCATION**

(Percentage Distribution)

SELLERS WHO SOLD A HOME IN A

	All Sellers	Suburb/ Subdivision	Small town	Urban/ Central city	Rural area	Resort/ Recreation area
For-sale-by-owner (FSBO)	9%	9%	8%	13%	3%	*
Seller knew buyer	3	4	5	5	1	*
Seller did not know buyer	6	6	3	8	2	*
Agent-assisted	88	88	89	83	94	100
Other	3	3	3	5	3	*

\* Less than 1 percent

**Exhibit 8-2 FSBO AND AGENT-ASSISTED SALES, 2003-2012**

(Percentage Distribution)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
All FSBO (For-sale-by-owner)	14%	14%	13%	12%	12%	13%	11%	9%	10%	9%
Seller knew buyer	5	5	5	5	5	6	5	5	4	3
Seller did not know buyer	9	10	8	7	7	7	6	5	6	6
Agent-assisted	83	82	85	84	85	84	85	88	87	88
Other	4	4	2	3	3	3	4	3	3	2

**Exhibit 8-3 CHARACTERISTICS OF FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

	All Sellers	FSBO			AGENT-ASSISTED		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
Median age	53	53	56	52	53	53	62
Median income (2011)	\$95,400	\$80,400	\$83,200	\$78,300	\$97,600	\$98,000	\$81,700
Household composition							
Married couple	76%	72%	67%	75%	77%	77%	90%
Single female	14	16	23	12	13	13	4
Single male	5	6	4	7	5	5	2
Unmarried couple	4	4	6	3	4	4	2
Other	1	2	*	3	1	1	2

\* Less than 1 percent

**Exhibit 8-4****TYPE OF HOME SOLD, FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

	All Sellers	FSBO			Agent-Assisted
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	
Detached single-family home	81%	75%	66%	79%	82%
Townhouse/row house	7	6	9	3	7
Duplex/apartment/condo in 2 to 4 unit building	2	1	2	*	2
Apartment/condo in a building with 5 or more units	5	3	2	3	5
Mobile/manufactured home	3	10	15	8	2
Other	3	6	6	6	2

\* Less than 1 percent

**Exhibit 8-5****LOCATION OF HOME SOLD, FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

	All Sellers	FSBO			Agent-Assisted
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	
Suburb/Subdivision	42%	45%	39%	49%	42%
Small town	17	15	21	11	17
Urban area/Central city	17	24	23	25	16
Rural area	15	11	7	13	15
Resort/Recreation area	10	5	10	2	10

**Exhibit 8-6****SELLING PRICE, FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

	All Sellers	FSBO			AGENT-ASSISTED		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
Median selling price	\$210,000	\$174,900	\$151,600	\$191,600	\$215,000	\$215,000	\$175,000
Sales price compared with asking price:							
Less than 90%	23%	18%	17%	19%	23%	23%	28%
90% to 94%	22	13	13	13	23	23	28
95% to 99%	35	33	11	45	36	36	28
100%	15	32	56	20	13	13	9
101% to 110%	4	3	1	4	4	4	2
More than 110%	2	1	3	*	2	2	6
Median (sales price as a percent of asking price)	95%	97%	100%	96%	95%	95%	92%
Number of times asking price was reduced:							
None	40%	50%	66%	41%	39%	39%	19%
One	25	28	24	31	25	25	33
Two	17	13	8	16	17	17	19
Three	10	6	3	8	10	10	12
Four or more	8	3	*	4	9	9	19

\* Less than 1 percent

**Exhibit 8-7**

**TIME ON THE MARKET, FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

	All Sellers	FSBO			AGENT-ASSISTED		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
Less than 1 week	4%	22%	45%	8%	2%	2%	*
1 to 2 weeks	20	12	10	14	21	21	12
3 to 4 weeks	11	8	6	9	11	11	6
5 to 6 weeks	5	5	6	5	5	5	4
7 to 8 weeks	5	8	6	10	5	5	10
9 to 10 weeks	4	2	*	3	4	4	2
11 to 12 weeks	9	10	5	13	9	9	4
13 to 16 weeks	8	4	*	5	8	8	12
17 to 24 weeks	10	6	1	8	10	11	8
25 to 36 weeks	8	3	1	4	9	8	16
37 to 52 weeks	8	11	8	13	8	8	2
53 or more weeks	9	10	11	9	9	8	26
Median weeks	11	8	1	12	12	12	20

\* Less than 1 percent

**Exhibit 8-8**

**SELLER URGENCY, FSBO AND AGENT-ASSISTED SELLERS**

(Percentage Distribution)

Sellers needed to sell:	All Sellers	FSBO			AGENT-ASSISTED		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
Very urgently	18%	15%	18%	13%	18%	18%	14%
Somewhat urgently	40	32	31	33	42	42	36
Not urgently	41	53	52	54	40	40	50

**Exhibit 8-9**

**INCENTIVES OFFERED TO ATTRACT BUYERS, FSBO AND AGENT-ASSISTED SELLERS**

(Percent of Respondents)

	All Sellers	FSBO			AGENT-ASSISTED		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
No	60%	81%	93%	73%	57%	57%	70%
Home warranty policies	22	6	2	8	24	24	19
Assistance with closing costs	17	13	1	20	17	17	15
Credit toward remodeling or repairs	7	2	2	2	7	7	2
Other incentives, such as a car, flat screen TV, etc.	3	1	1	1	3	3	*
Assistance with condo association fees	*	*	*	1	*	*	*
Other	5	4	*	7	5	5	*

\* Less than 1 percent

**Exhibit 8-10****MOST IMPORTANT REASON FOR SELLING HOME AS FSBO***(Percentage Distribution)*

	All FSBO	Seller Knew Buyer	Seller did not Know Buyer
Did not want to pay a commission or fee	43%	20%	55%
Sold it to a relative, friend or neighbor	25	65	3
Buyers contacted seller directly	15	5	20
Did not want to deal with an agent	8	3	12
Agent was unable to sell home	6	1	9
Seller has real estate license	1	*	1
Could not find an agent to handle transaction	*	*	*
Other	2	5	1

\* Less than 1 percent

**Exhibit 8-11****METHOD USED BY FSBO SELLERS TO MARKET HOME***(Percent of Respondents)*

	All FSBO	Seller Knew Buyer	Seller did not Know Buyer
Yard sign	48%	8%	69%
Listing on the Internet	32	1	49
For-sale-by-owner website	20	*	31
Other websites with real estate listings (e.g. Yahoo, Google, etc.)	11	*	18
Social networking websites (e.g. Facebook, Twitter, etc.)	10	1	15
Video hosting websites (e.g. YouTube, etc.)	2	*	3
Friends, relatives, or neighbors	30	41	24
Print newspaper advertisement	14	3	20
Open house	12	3	*
Direct mail (flyers, postcards, etc)	2	*	3
Video	1	*	2
For-sale-by-owner magazine	1	*	2
Television	*	*	*
None - Did not actively market home	31	57	15
Other	2	*	4

\* Less than 1 percent

**Exhibit 8-12 MOST DIFFICULT TASK FOR FSBO SELLERS**

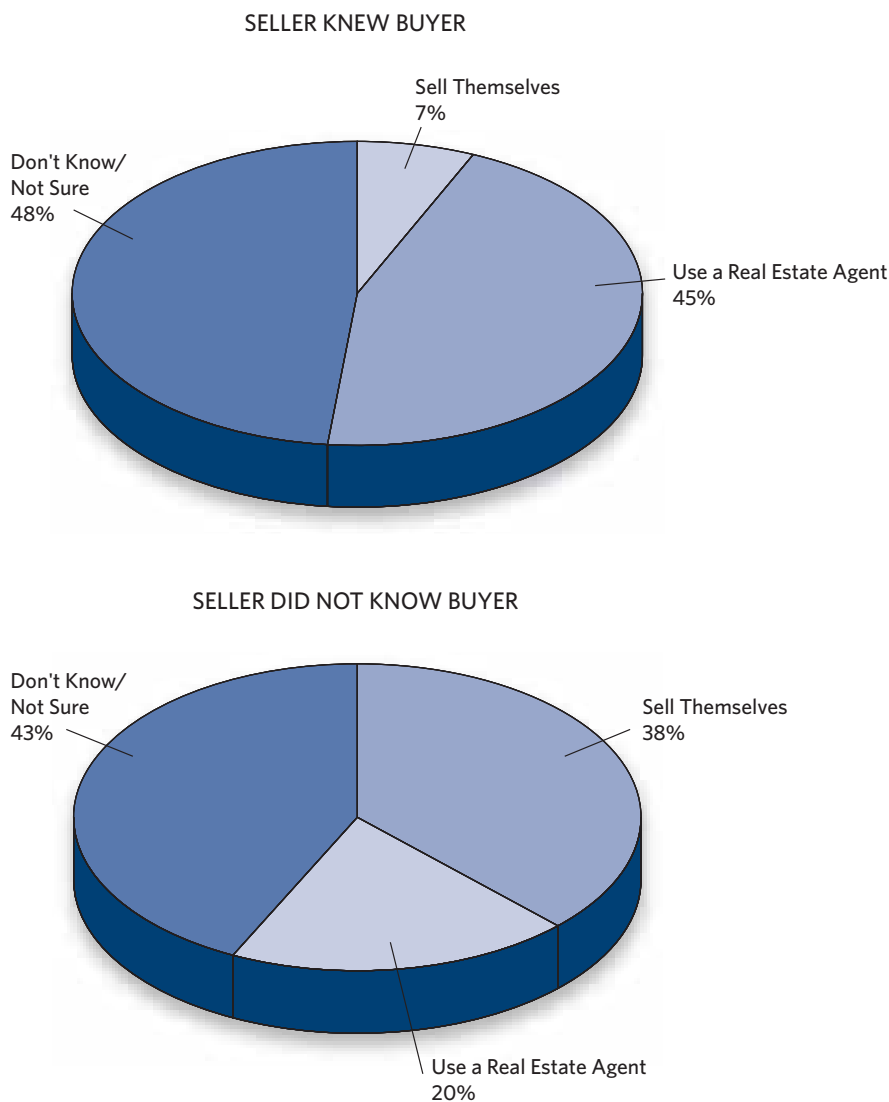
(Percentage of Distribution)

	All FSBO	Seller Knew Buyer	Seller did not Know Buyer
Understanding and performing paperwork	18%	17%	19%
Getting the price right	14	12	15
Preparing or fixing up the home for sale	11	3	15
Helping buyer obtain financing	6	6	6
Attracting potential buyers	6	5	7
Selling within the length of time planned	6	6	5
Having enough time to devote to all aspects of the sale	1	3	2
Other	1	*	2
None/Nothing	37	49	30

\* Less than 1 percent

**Exhibit 8-13 HOW FSBO SELLERS WILL SELL THEIR CURRENT HOME**

(Percentage of Distribution)



### Methodolgy

In July 2012, NAR mailed out a 120 question survey to a random sample of 93,502 recent home buyers. The recent home buyers had to have purchased a home between July of 2011 and June of 2012. The Tailored Survey Design Method was used to survey the sample, which includes a pre-postcard mailing, the survey, a follow-up letter and a re-mailing of the survey. Using this method, a total of 8,501 responses were received. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 9.1 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 2012, with the exception of income data, which are reported for 2011. 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 and sample size. Some results are presented for the four U.S. Census regions: Northeast, Midwest, South and West. Survey responses were weighted to be representative of state level sales. 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.



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