

How Buyers Find the Right Home

NAR's 2018 Generational Trends Shows Shifts in the Home-Search Process



Every year the National Association of Realtors® publishes a comprehensive study of “Home Buyers and Sellers Generational Trends.” The research points to a variety of factors that influence mortgage lending. The information can prove valuable in gauging your members who are seeking to buy homes as well as your own mortgage department and loan pipeline.

Last year, Jessica Lautz, NAR’s Director of Survey Research and Communications, spoke about “The Technology Trifecta: Buyers, Sellers and Realtors” to a packed room at the annual ACUMA Fall Conference. Lautz has approved ACUMA’s request to repurpose a portion of the 2018 Generational Trends report (specifically, data related to the home-search process) in the *Pipeline*, which follows.



Jessica Lautz

HOME SEARCH SUMMARY

In searching for a home, the first step that most buyers took was to go online, the 2018 NAR Generational Trends study found. Real estate agents remain a vital part of the home search process, and they are the second most frequently used information source for homebuyers.

“In 1995 only 2% of recent buyers used the Internet in their home search, today, nearly all do, 95%,” NAR’s Lautz noted. “Those who don’t search online likely already know the

home they are planning to purchase.”

Overall, the 2018 study found the length of the home search typically took between eight and 10 weeks, and the number of homes viewed varied from six to 10, depending on the generation.

Similar to the information sources used, the study showed that younger generations typically found the home they purchased through the Internet. The share of buyers that found their homes on the Internet decreases with age; conversely, the share of buyers

that found their home through an agent increases with age.

And in response to looking at homes on the Internet, buyers typically walked through the homes that they viewed online. Buyers also valued website features such as photos and detailed property information.

Overall, buyers of all generations continue to be very satisfied with their homebuying process.

HOME-SEARCH FIRST STEPS

Among nearly all generations of homebuyers, the first step taken was to look online for properties, except for buyers 72 and older who contacted a real estate agent first. The NAR study found that 40% of buyers 37 and younger looked online first for properties for sale. Also looking online first were 46% for buyers ages 38 to 52, and 48% for ages 53 to 71.

As age increases, the share that contacted an agent first increased, from 15% for buyers 37 and younger to 32% for buyers older than 72. Ninety-nine percent of buyers 37 and younger used online websites. Among buyers 72 and older, the most used information source was a real estate agent.

The search for homes was the longest for buyers 53 to 71 years old at 10 weeks, according to the study. For all

other generations, buyers searched for eight weeks. In addition buyers ages 38 to 71 viewed a median of 10 homes this year, with buyers 37 and younger viewing nine homes and buyers 72 and older viewing six homes.

“With tight housing inventory, the length of search has become longer,” Lautz said. “Entry-level buyers, and buyers who want to downsize, may have a longer search time navigating a limited inventory environment to

find the right property.”

Buyers ages 53 to 62 waited three weeks before contacting an agent, and all other generations waited two weeks to contact an agent.

(See Charts 1-3 for more information.)

THE HOME SEARCH PROCESS CHART 1

FIRST STEP TAKEN DURING THE HOME BUYING PROCESS

(Percentage Distribution)

	All Buyers	AGE OF HOME BUYER				
		37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Looked online for properties for sale	42%	40%	46%	48%	48%	26%
Contacted a real estate agent	17	15	16	17	20	32
Looked online for information about the home buying process	12	15	10	9	6	6
Contacted a bank or mortgage lender	8	9	8	6	5	3
Drove-by homes/neighborhoods	6	4	6	6	7	11
Talked with a friend or relative about home buying process	6	10	3	2	3	6
Visited open houses	3	3	4	3	3	6
Looked up information about different neighborhoods or areas (schools, local lifestyle/nightlife, parks, public transportation)	1	1	2	1	1	*
Contacted builder/visited builder models	1	1	2	2	2	4
Attended a home buying seminar	1	1	*	*	*	*
Contacted a home seller directly	1	1	1	1	2	3
Looked in newspapers, magazines, or home buying guides	1	1	*	1	1	2
Other	1	1	1	2	1	1

* Less than 1 percent

THE HOME SEARCH PROCESS CHART 2

INFORMATION SOURCES USED IN HOME SEARCH

(Percent of Respondents)

	All Buyers	AGE OF HOME BUYER				
		37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Online website	95%	99%	95%	93%	90%	70%
Real estate agent	89	90	86	88	89	88
Mobile or tablet search device	74	82	77	63	56	32
Open house	52	52	56	52	46	50
Yard sign	48	45	48	50	49	48
Online video site	39	30	37	46	48	45
Home builder	19	15	22	20	24	18
Print newspaper advertisement	15	11	13	19	22	28
Home book or magazine	12	8	12	16	13	15
Billboard	5	5	5	5	7	2
Relocation company	3	3	3	4	1	2
Television	2	2	3	2	2	3

THE HOME SEARCH PROCESS CHART 3

LENGTH OF SEARCH

(Median)

	All Buyers	AGE OF HOME BUYER				
		37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Number of Weeks Searched	10	8	8	10	10	8
Number of Weeks Searched Before Contacting an Agent	2	2	2	3	2	2
Number of homes viewed	10	9	10	10	10	6

FINDING THE PURCHASED HOME

Similar to the information sources used, younger generations typically found the home they purchased through the Internet, the NAR study found. The share of buyers that found their home on the Internet decreases with age; conversely, the share of buyers that found their home through an agent increases with age. Over half of buyers 37 and younger (56%) and buyers ages 38 to 52 years (51%)

found their home through the Internet. Forty-one percent of buyers ages 72 to 92 found their home through a real estate agent.

When looking during the home-search process, buyers 37 and younger were the most likely generation to consider purchasing a home that was in foreclosure. The NAR report showed that as the buyers got older, they were less likely to consider purchasing a home in foreclosure. Af-

fordability is likely playing a role in this decision, the study reported.

Across all generations, the most difficult step in the homebuying process was finding the right property. Younger buyers were more likely to say there are difficult steps in the homebuying process. Ninety-one percent of buyers 37 and younger say there was at least one difficult step compared to 67% of buyers ages 72 to 92.

(See Charts 4-6 for more information.)

THE HOME SEARCH PROCESS CHART 4

WHERE BUYER FOUND HOME THEY PURCHASED

(Percentage Distribution)

	AGE OF HOME BUYER					
	All Buyers	37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Internet	49%	56%	51%	45%	37%	24%
Real estate agent	31	28	27	32	37	41
Yard sign/open house sign	7	5	8	8	8	15
Friend, relative or neighbor	6	6	5	6	8	9
Home builder or their agent	6	4	6	6	8	8
Directly from sellers/Knew the sellers	2	2	3	1	2	1
Print newspaper advertisement	1	*	*	1	2	2
Home book or magazine	*	*	*	*	*	*
Other	*	*	*	*	*	*

* Less than 1 percent

THE HOME SEARCH PROCESS CHART 5

BUYER INTEREST IN PURCHASING A HOME IN FORECLOSURE

(Percentage of Respondents)

	AGE OF HOME BUYER					
	All Buyers	37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Did not consider purchasing a home in foreclosure	65%	57%	67%	69%	79%	87%
Considered purchasing a home in foreclosure, but did not:						
Could not find the right home	20	24	17	17	12	8
The process was too difficult or complex	9	11	7	7	4	3
The home was in poor condition	8	11	7	8	5	2
The home price was too high	3	4	3	3	2	1
The neighborhood was undesirable	3	4	3	3	2	1
Financing options were not attractive	3	5	3	2	1	*

THE HOME SEARCH PROCESS CHART 6

MOST DIFFICULT STEPS OF HOME BUYING PROCESS

(Percentage of Respondents)

	AGE OF HOME BUYER					
	All Buyers	37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Finding the right property	54%	57%	53%	53%	52%	44%
Paperwork	22	26	20	19	18	19
Understanding the process and steps	16	27	13	8	9	8
Saving for the down payment	13	24	13	5	2	1
Getting a mortgage	9	10	10	9	6	5
Appraisal of the property	5	6	6	4	4	4
No difficult steps	16	9	15	22	23	33
Other	6	5	6	7	7	5

WEBSITE AND MOBILE SEARCH

More than 74% of buyers from all generations frequently used the Internet to search for their home, according to the report. Ninety-two percent of buyers 37 and younger frequently used the Internet during their home search process. As a result of searching for homes on the Internet, buyers most often walked through the home that they viewed online.

Buyers 62 and younger saw the exterior of homes because of searching online for properties. The most important website feature was photos

for nine in 10 buyers under the age of 62. Detailed information about properties for sale were equally important website features for all generations.

Using mobile applications during the home search was common among younger generations of buyers. Among those who used mobile applications, 72% of buyers 37 and younger found their homes through a mobile application. Sixty-nine percent of buyers ages 38 to 52, 62% of those ages 53 to 62, and 54% of those ages 63 to 71 found their homes by using a mobile application—if they used a mobile device to search.

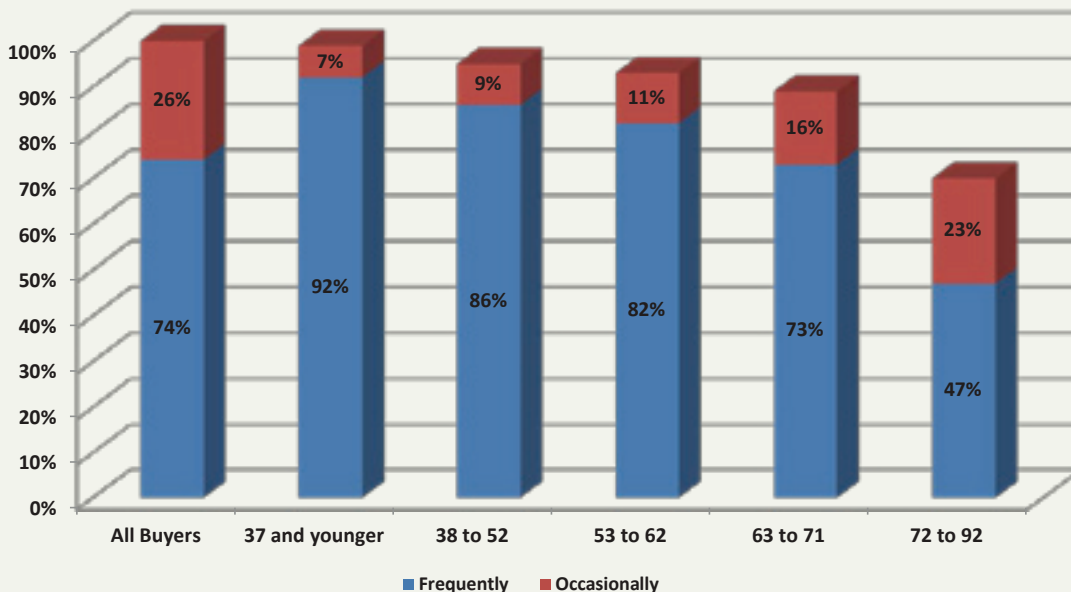
“The use of mobile device has skyrocketed in recent years; all generations are embracing mobile,” Lautz explained. “It’s increasingly common to search of listings in the line at your local coffee shop and text that listing to friends and family before heading out to search for a new home.”

Recent buyers also used mobile applications to find the agents they used during the homebuying process. Buyers ages 63 to 71, more than any other generation, found their agent through a mobile application.

(See Charts 7-10 for more information.)

THE HOME SEARCH PROCESS CHART 7

USE OF INTERNET TO SEARCH FOR HOMES



THE HOME SEARCH PROCESS CHART 8

ACTIONS TAKEN AS A RESULT OF INTERNET HOME SEARCH

(Percentage of Respondents Among Buyers Who Used the Internet)

	All Buyers	AGE OF HOME BUYER				
		37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Walked through home viewed online	63%	64%	67%	66%	63%	55%
Saw exterior of homes/neighborhood, but did not walk through home	43	48	42	42	34	32
Found the agent used to search for or buy home	32	31	30	36	36	41
Requested more information	29	35	28	24	22	23
Pre-qualified for a mortgage online	19	19	18	17	18	13
Looked for more information on how to get a mortgage and general home buyers tips	16	23	13	10	5	3
Applied for a mortgage online	14	15	13	11	11	6
Found a mortgage lender online	11	13	9	8	7	5
Contacted builder/developer	8	6	9	10	10	5

THE HOME SEARCH PROCESS CHART 9

VALUE OF WEBSITE FEATURES

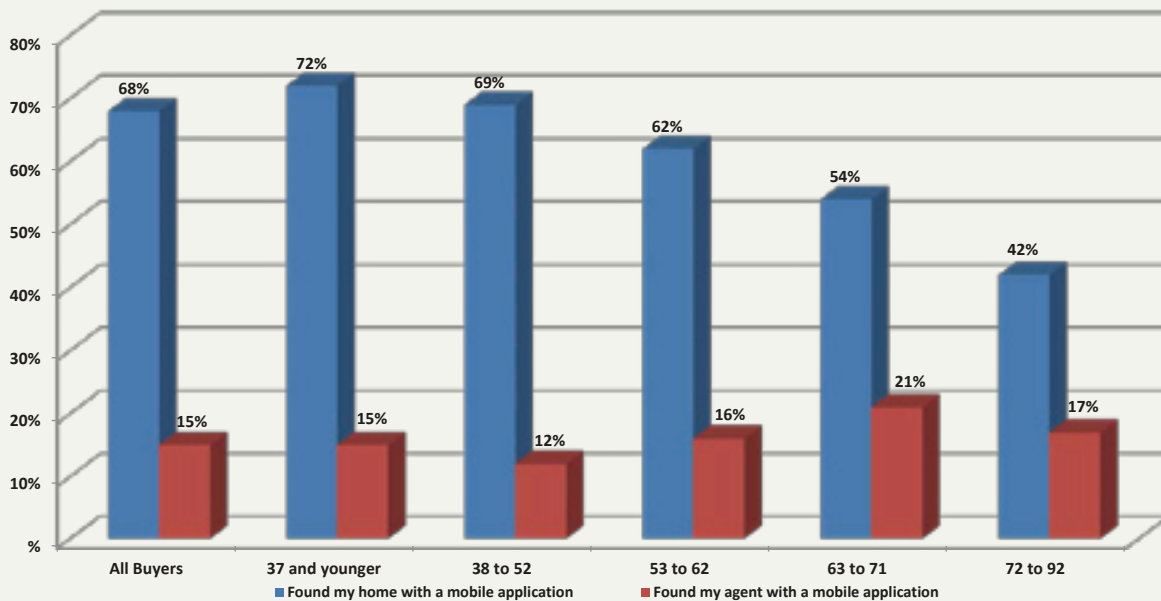
(Percentage Ranking Feature "Very Useful" Among Buyers Who Used the Internet)

	AGE OF HOME BUYER					
	All Buyers	37 and younger	38 to 52	53 to 62	63 to 71	72 to 92
Photos	89%	91%	91%	88%	83%	72%
Detailed information about properties for sale	84	85	86	84	83	74
Floor Plans	51	50	52	49	48	48
Virtual tours	48	43	49	52	53	49
Real estate agent contact information	42	38	39	45	50	52
Detailed information about recently sold properties	41	42	46	40	33	27
Neighborhood information	41	44	44	38	33	29
Interactive maps	38	39	44	35	31	21
Pending sales/contract status	38	42	44	34	25	19
Videos	27	26	28	30	27	26
Information about upcoming open houses	26	28	29	27	18	15
Real estate news or articles	8	8	9	9	7	10

THE HOME SEARCH PROCESS CHART 10

MOBILE SEARCH

(Percentage of Respondents Among Those Who Used Mobile Search)



SATISFACTION IN BUYING PROCESS

Buyers of all generations were very satisfied overall with their home-buying process. Buyers ages 63 to 71 were the most satisfied with the buying process with 67% saying that they

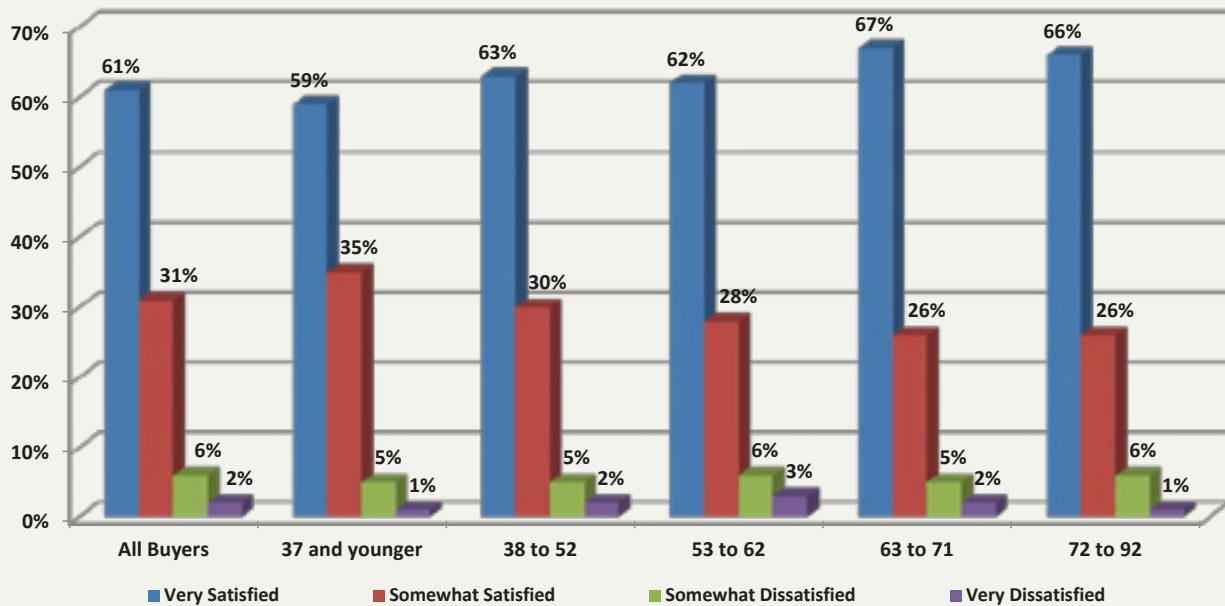
were very satisfied. Sixty-three percent of buyers ages 38 to 52, 66% of buyers older than 72, and 59% of buyers 37 and younger were very satisfied with the buying process.

(See Chart 11 for more information.)
 “The search process is constantly

evolving,” Lautz noted. “Staying on top of technology trends can be difficult, but the one aspect that is consistent is the high use of both buyer and seller agents in the process. Technology is just one tool in the home search process.”

SATISFACTION IN BUYING PROCESS

(Percentage Distribution)



■ PUTTING HOME SEARCHES IN PERSPECTIVE

Despite solid interest in buying a home—sparked by steady job gains, record low mortgage rates and higher rents—the severe drought in housing supply in much of the country over the past year accelerated price growth and kept many first-time buyers out of the market.

This is according to the National Association of Realtors® “2017 Profile of Home Buyers and Sellers,” which also identified numerous current consumer and housing trends, including:

- Mounting student debt balances and smaller down payments.
- Increases in single female and trade-up buyers.
- The growing occurrence of buyers paying the list price or higher.
- The fact that nearly all respondents use a real estate agent to buy or sell a home, which kept for-sale-by-owner transactions at an all-time low of 8 percent for the third straight year.

For the second straight year, the median age of first-time buyers was 32 years old. First-time buyers had a higher household income (\$75,000) than a year ago (\$72,000) and purchased a slightly smaller home (1,640-square-feet vs. 1,650-square-feet in 2016) that was more expensive (\$190,000 vs. \$182,500). Fewer first-time buyers purchased a home in an urban area (17% vs. 20%).

The age of repeat buyers increased to an all-time survey high this year (54 vs. 52 in 2016) as older households, perhaps with plans to stay in the workforce longer but with an eye toward retirement, felt more comfortable about buying. Overall, repeat buyers had roughly the same household income as last year (\$97,500 vs. \$98,000 in 2016) and purchased a 2,000-square-foot home (unchanged from last year) costing \$266,500 (\$250,000 in 2016).