
2016 Profile of Home Buyers and Sellers Greater Boston Association of REALTORS® Report

Prepared for:
Greater Boston Association of REALTORS®

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NATIONAL ASSOCIATION OF REALTORS®
Research Division

December 2016



NATIONAL ASSOCIATION OF REALTORS®

The Voice for Real Estate®

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Introduction

Buying a primary residence for home buyers is a financial decision but also an emotional decision that involves many lifestyle factors. For most home buyers, the purchase of a primary residence is one of the largest financial transactions they will make. Buyers purchase a home not only for the desire to own a home of their own, but also because of changes in jobs, family situations, and the need for a smaller or larger living area. This annual survey conducted by the NATIONAL ASSOCIATION OF REALTORS® of recent home buyers and sellers helps to gain insight into detailed information about their unique experience with this transaction. The information provided supplies understanding, from the consumer level, of the trends that are transpiring. 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.

This year's *2016 Profile of Home Buyers and Sellers* is a special commemorative anniversary report. NAR has administered the survey since 1981. To mark the 35th year of publication, the report highlights key trends in home buyer and seller behavior that has changed or stayed the same over the decades with historical trend line data. In this year's edition, there are expanded time series using the history of the collection.

The report has grown and evolved to keep up with changing home buying trends and the need for more information. The 1981 survey was just 59 questions long. The 2016 survey contained 132 questions. Although the report has evolved, data has been collected for more than three decades describing the demographic characteristics of home buyers and sellers, buyers and sellers' experience in the home transaction process as well as market characteristics including the use of real estate agents. One measure of how the market has changed is the manner in which the data is collected. In 1981 only a paper copy of the survey was offered. Today recent home buyers can take the survey via paper or online, and in English or Spanish. Because of its long history and timely information available each year, the report is valued by REALTORS®, market analysts, and policymakers.

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

Today the data set provides a wealth of data that it is used to create a number of spin-off NAR reports including: *Home Buyer and Seller Generational Trends Report*, *Recent Home Buyer Profiles*, *Profile of Home Buyers and Sellers in Sub-regions*, *Real Estate in a*

Digital Age, Veterans and Active Military Home Buyers and Sellers Profile, and Moving with Kids.

In 2016, the share of first-time home buyers was 35 percent, a three-point increase over last year's 32 percent. This figure gravitates back towards the historical norm at 40 percent of the market. The median household income increased again this year, likely due to a nationwide increase in home prices caused by a lack of housing inventory. Married and unmarried couples have double the buying power of single home buyers in the market and may be better able to meet the price increases of this housing market. Repeat buyers are also returning to the market.

Tightened inventory is affecting the home search process of buyers. Due to suppressed inventory levels in many areas of the country, buyers are typically purchasing more expensive homes as prices increase. The number of weeks a buyer is searching for a home remained at 10 weeks. Buyers continue to report the most difficult task for them in the home buying process is just finding the right home to purchase.

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

Buyers need the help of a real estate professional to help them find the right home for them, negotiate terms of sale, and help with price negotiations. Sellers, as well, turn to professionals to help market their home to potential buyers, sell within a specific timeframe, and price their home competitively. For-sale-by-owner sales have dropped to the lowest level recorded in this data set at eight percent of sales again this year, while the use of the agent to sell the home stays at historic highs. Likewise, the buyer use of the agent is at historic highs as buyers purchasing directly from a previous owner or through a builder falls.

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.

2016 Profile of Home Buyers and Sellers

Greater Boston Association of REALTORS® Report

Highlights

Characteristics of Home Buyers

- First-time buyers made up 35 percent of all home buyers, an increase over last year's near all-time low of 32 percent. In Boston, 45 percent were first-time buyers.
- The typical buyer was 44 years old again for the third straight year in a row, and the median household income for 2015 rose again this year to \$88,500. In Boston, buyers were 37 years old and have a median income of \$131,800.
- Sixty-six percent of recent buyers were married couples, 17 percent were single females, seven percent were single males, and eight percent were unmarried couples. In Boston, 71 percent were married couples, nine percent were single females, three percent were single males, and 13 percent were unmarried couples.
- Eleven percent of home buyers purchased a multi-generational home, to take care of aging parents, for cost savings, and because of children over the age of 18 moving back home. In Boston, that share was 10 percent.
- Ninety percent of recent home buyers identified as heterosexual, three percent as gay or lesbian, one percent as bisexual, and seven percent preferred not to answer. In Boston, 87 percent identified as heterosexual, and six percent as gay or lesbian.
- Eighteen percent of recent home buyers are veterans and two percent are active-duty service members. Four percent are veterans and one are active-duty service members in Boston.
- At 31 percent, the primary reason for purchasing a home was the desire to own a home of their own. In Boston, this was 39 percent.

Characteristics of Homes Purchased

- Buyers of new homes made up 14 percent and buyers of previously owned homes made up 86 percent. In Boston, this share is seven percent for new homes and 93 percent for previously owned homes.
- Most recent buyers who purchased new homes were looking to avoid renovations and problems with plumbing or electricity at 34 percent. Buyers who purchased previously-owned homes were most often considering a better price at 32 percent. In Boston, 43 percent of new home buyers were looking to avoid renovations or problems with plumbing or electricity and 37 percent of previously owned homes were looking for a better price.
- Detached single-family homes continue to be the most common home type for recent buyers at 83 percent, followed by seven percent of buyers choosing townhomes or row houses. In Boston, buyers bought detached single-family homes at 77 percent.

- Senior related housing stayed the same this year at 14 percent, with 20 percent of buyers typically purchasing condos and eight percent purchasing a townhouse or row house. Five percent bought senior related homes in Boston.
- There was only a median of 12 miles between the homes that recent buyers purchased and the homes that they moved from. In Boston, it was 10 miles.
- Home prices increased slightly this year to a median of \$227,700 among all buyers. Buyers typically purchased their homes for 98 percent of the asking price. In Boston, the median home price was \$435,000 at 99 percent of the asking price.
- The typical home that was recently purchased was 1,900 square feet, had three bedrooms and two bathrooms, and was built in 1991. In Boston, the typical home was 1,800 square feet and built in 1964.
- Overall, buyers expect to live in their homes for a median of 12 years, while 18 percent say that they are never moving. In Boston, that number is 15 years.

The Home Search Process

- For 44 percent of recent buyers, the first step that they took in the home buying process was to look online at properties for sale, while 17 percent of buyers first contacted a real estate agent. In Boston, 50 percent visited open houses and 50 percent looked up information about different neighborhoods or areas.
- Seventy-nine percent of recent buyers found their real estate agent to be a very useful information source. Online websites were seen as the most useful information source at 86 percent. Eighty-seven percent found online websites and 76 percent found real estate agents to be useful in the home search process in Boston.
- Buyers typically searched for 10 weeks and looked at a median of 10 homes. In Boston, buyers searched for 15 weeks and looked at 12 homes.
- The typical buyer who did not use the internet during their home search spent only four weeks searching and visited four homes, compared to those who did use the internet and searched for 10 weeks and visited 10 homes. In Boston, those who did not search the internet looked at one home over less than a week.
- Among buyers who used the internet during their home search, 89 percent of buyers found photos and 85 percent found detailed information about properties for sale very useful. In Boston, 93 percent found photos useful in their home search process.
- Sixty percent of recent buyers were very satisfied with their recent home buying process, up from 59 percent a year ago. In Boston, 60 percent were also very satisfied with the home buying process.

Home Buying and Real Estate Professionals

- Eighty-eight percent of buyers recently purchased their home through a real estate agent or broker, and six percent purchased directly from a builder or builder's agent. In Boston, 89 percent purchase through a real estate agent.
- Having an agent to help them find the right home was what buyers wanted most when choosing an agent at 50 percent. In Boston, 52 percent worked with an agent to find the right home.

- Forty-two percent of buyers used an agent that was referred to them by a friend, neighbor, or relative and 11 percent used an agent that they had worked with in the past to buy or sell a home. In Boston, 38 percent used referrals to find their real estate agent.
- Nearly seven in 10 buyers interviewed only one real estate agent during their home search. In Boston, this was sixty-six percent.
- Eighty-eight percent of buyers would use their agent again or recommend their agent to others. Eighty-nine percent would recommend their agent again in Boston.

Financing the Home Purchase

- Eighty-eight percent of recent buyers financed their home purchase on a national level and 94 percent in Boston. Those who financed their home purchase typically financed 90 percent and in Boston it was also 90 percent.
- First-time buyers who financed their home typically financed 94 percent of their home compared to repeat buyers at 86 percent. In Boston, the share was 89 percent of first-time buyers and 79 percent of repeat buyers.
- For 61 percent of buyers, the source of the downpayment came from their savings. Thirty-five percent of buyers cited using the proceeds from the sale of a primary residence, which was the next most commonly reported way of securing a downpayment. In Boston, 95 percent used savings and 32 percent used a gift from a relative or friend.
- Forty percent of buyers saved for their downpayment for six months or less. In Boston, this was 33 percent.
- The most difficult step in the home buying process was saving for a downpayment, as cited by 13 percent of respondents. In Boston, 28 percent said saving was the most difficult step.
- Of buyers who said saving for a downpayment was difficult, 49 percent of buyers reported that student loans made saving for a downpayment difficult. Forty percent cited credit card debt, and 34 percent cited car loans as also making saving for a downpayment hard. In Boston, 66 percent reported having student loan debt, 28 percent had car loans, and 24 percent had child care expenses.
- Buyers continue to see purchasing a home as a good financial investment. Eighty-two percent reported they view a home purchase as a good investment and 87 percent in Boston.

Home Sellers and Their Selling Experience

- The typical home seller was 54 years old, with a median household income of \$100,700. In Boston, the median age was 37 years with a median income of \$156,300.
- For all sellers, the most commonly cited reason for selling their home was that it was too small (18 percent), followed by the desire to move closer to friends and family (15 percent), and a job relocation (14 percent). In Boston, the reasons were the home was too small (29 percent), followed by wanting to move closer to their current job (13 percent), and because the home was too large (11 percent).

- Sellers typically lived in their home for 10 years before selling, an increase from nine years in last year's report. In Boston, sellers sold after 11 years.
- Eighty-nine percent of home sellers worked with a real estate agent to sell their home and 91 percent in Boston.
- For recently sold homes, the final sales price was a median 98 percent of the final listing price and in Boston it was 99 percent.
- Recently sold homes were on the market for a median of four weeks and two weeks in Boston.
- Thirty-six percent of all sellers offered incentives to attract buyers; this was 17 percent in Boston.
- This year, home sellers cited that they sold their homes for a median of \$43,100 more than they purchased it. In Boston, the median was \$94,500.
- Sixty-one percent of sellers were very satisfied with the selling process and 62 percent in Boston.

Home Selling and Real Estate Professionals

- Sixty-four percent of sellers found their agent through a referral from a friend, neighbor, or relative or used an agent they had worked with before to buy or sell a home. In Boston, that figure was 61 percent.
- Seventy-two percent of recent sellers contacted only one agent before finding the right agent they worked with to sell their home. In Boston, it was 80 percent.
- Ninety-two percent of sellers listed their homes on the Multiple Listing Service (MLS), which is the number one source for sellers to list their home. In Boston, it was 97 percent.
- Agents receive their compensation predominantly from sellers at 77 percent and at 75 percent in Boston.
- The typical seller has recommended their agent twice since selling their home. Thirty-three percent of sellers recommended their agent three or more times since selling their home. In Boston, sellers have typically recommended their agent one time.
- Eighty-five percent said that they would definitely (70 percent) or probably (15 percent) recommend their agent for future services. In Boston, 80 percent said definitely and eight percent said probably.

Methodology

In July 2016, NAR mailed out a 132-question survey using a random sample weighted to be representative of sales on a geographic basis to 93,171 recent home buyers. The recent home buyers had to have purchased a primary residence home between July of 2015 and June of 2016. A total of 5,465 responses were received from primary residence buyers. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 5.9 percent. For Boston there were 151 responses, accounting for a response rate of 5.4 percent.

Respondents had the option to fill out the survey via hard copy or online. The online survey was available in English and Spanish.

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 2015, with the exception of income data, which are reported for 2014. 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. 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.

Data gathered in the report is based on primary residence home buyers. From the *2016 Investment and Vacation Home Buyer Survey*, 65 percent of home buyers were primary residence buyers, which accounts for 3,738,000 homes sold in 2015. Using that calculation, the sample at the 95 percent confidence level the confidence interval is plus-or-minus 1.32%.