Zillow GROUP

# CONSUMER HOUSING TRENDS REPORT 2017

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# FOREWORD

In the economic rebound from the last recession, homeowners have seen the values of their most important material assets—their homes—trend up once again, sometimes dramatically so. The typical U.S. home is now worth more than it was at its pre-recession peak, and people who once feared they would never be able to move, remodel or retire are breathing easier. In some markets, people have gotten rich, on paper at least, with home value growth rocketing into the double digits.

However, it has become increasingly clear that not everyone—and not even all markets—are bouncing back. In some places, less than 5 percent of homes have returned to their pre-recession peak values even now, a decade after the housing market crashed. Some populations—notably, African-Americans/blacks and Hispanics/Latinos—remain underrepresented among homeowners.

The Zillow Group Consumer Housing Trends Report 2017 builds on the exploration we did last year into how Americans rent, buy, sell and think about home. This year, we delved into the unique experiences and particular concerns of the substantial segment of the population that struggles with housing, and, in the case of the younger generation, faces headwinds as it turns toward homeownership. There are a variety of pain points, including roughly a third of low-income homeowners who don't plan to sell their home saying they cannot afford to sell, in many cases because they are tied to homes that lost value during the recession and remain underwater. Down payments remain a major hurdle to homeownership, and that's something that touches everyone—but especially people who spend a large portion of their incomes on rent.

We found that Millennials are the most frustrated generation among home buyers and sellers: Almost half of Millennial buyers say they have trouble finding a home in their price range, and almost half of Millennial sellers have a hard time selling their homes at the price and in the time frame they would like. Many are selling a home for the first time and experiencing the same pressures that other first-time sellers do, including trying to buy and sell homes simultaneously.

We also took a close look at the challenges that minorities face and found that rent increases pushed 61 percent of African-American/black and 70 percent of Hispanic/Latino renters, compared with 44 percent of Caucasian/white renters, to move. When they do buy homes, African-American/black and Hispanic/Latino buyers also report more dissatisfaction with the process than whites—possibly because many minorities have a harder time accessing credit, and because they tend to be younger and therefore less experienced as home buyers.

The revolution in finding and selling homes online is more than a decade old, and consumers are more empowered than ever to make smart decisions. Our hope is that the knowledge and insight in the Zillow Group Consumer Housing Trends Report 2017 will take that effort a step further, toward a marketplace that's more equitable—and more enjoyable—for everyone.

# EXECUTIVE SUMMARY

In 2017, the housing market for both renters and buyers is fast-paced and expensive. Finding an affordable home in a desirable location is a daunting task, especially in a handful of competitive markets across the country.

Fewer people are moving today than at any point in recent history, and buying a home in today's market is a high-pressure endeavor that requires patience, ingenuity and the help of available tools, including online resources, trusted real estate professionals, and family and friends.

Amid rising home prices and limited housing inventory, the Zillow Group Consumer Housing Trends Report 2017 reports the inventive ways Americans are finding homes for themselves and their families.

Post-recession, renting is more than a precursor to homeownership. It's often a lifestyle choice made at all phases of life. Renters account for a larger share of American households than they have in decades, in part because of the unaffordability of homeownership and the lasting effects of the housing bust—but also because some people are choosing to rent instead of own.

When it comes to home buying, demographic groups bring different needs and challenges. Millennials—the largest group of home buyers—most often consider renting while searching for a home to purchase, accepting the reality that buying a home can be a long, frustrating and sometimes unsuccessful process.

African-American/black and Hispanic/Latino home seekers and sellers face more challenges than Caucasian/white households as they buy and sell. Non-white buyers in particular say they feel satisfied with the home-buying process less often than Caucasian/white buyers do. They report bigger hurdles at all stages of the process, from finding an agent to getting approved for a mortgage.

Different demographic groups and life stages have different needs for housing. Families with children are incredibly selective about where they move and why. Home shoppers in rural markets aren't looking for a home that will suit their needs for now; instead, they're often buying a home they expect to pass on to their children when they die. And a new generation—Generation Z—is entering the housing market as renters, and is already pushing the boundaries of on-demand real estate information and service.

The common ground? As an emotional milestone, a symbol of comfort and security, or a vehicle for financial wealth, home is top of mind for Americans.

## Renters

- The median age of today's renter is 32, and most make less than $50,000 (60 percent), and are single (48 percent) yet live with others (78 percent).
- Apartments are the most popular home type for renters. Nearly two-thirds (65 percent) seek them out, and 49 percent actually choose an apartment.
- Over a quarter (28 percent) rent a single-family home.
- Half of renters consider buying instead.
- Renters take around 2 1/2 months, on average, searching for their new home.

*Renters, continued*

- Online tools are the top way renters are searching for their home (83 percent), but most renters pay their rent in person (53 percent).
- More than half of all renters (57 percent) had a rent increase impact their decision to move.
- Renters cast a wide net and submit 2.5 applications on average when searching for their new home.
- Renters expect responses from potential landlords and property managers within a day or less (72 percent).
- Almost a third (32 percent) of renters encounter difficulties trying to determine whether a rental listing is illegitimate or fraudulent.
- One in two renters (53 percent) move within the same city, with 12 percent staying within the same neighborhood.
- The median rent across the nation is $1,010.[1]
  - $1,223 in the West
  - $1,169 in the Northeast
  - $974 in the South
  - $851 in the Midwest
- 70 percent of renters are satisfied with the process of searching for their new rental home.

## Buyers

- Today's buyers have a median age of 40, are married or living with a partner (70 percent), earn a median household income of $87,500 annually and are overwhelmingly Caucasian/white (73 percent).
- The typical home purchased has 3 bedrooms and 2 1/2 bathrooms, is 1,800 square feet and costs $200,000.
- Over 4 in 10 (42 percent) of all home buyers are first-time buyers, and nearly a third (32 percent) of first-time buyers are non-white.
- More than anything else, buyers want their home to be in a safe neighborhood (71 percent) and within their desired price range (67 percent).
- One of the top four required home characteristics is air conditioning (62 percent).
- Over half (52 percent) of buyers consider new construction homes, and nearly one-third consider other types of nontraditional for-sale homes, such as foreclosures (36 percent) and short-sale homes (34 percent).
- Buyers take over four months (4.3) on average searching for their home, with Millennials taking the least amount of time (3.9 months) and their grandparents in the Silent Generation taking the longest (5.6 months).
- Buyers rely on both online tools (79 percent) and agents (74 percent) to find their homes. They typically reach out to only one agent (53 percent).
- Most buyers are staying put and purchasing homes in the same city (57 percent).
- Almost half (49 percent) purchase a home in the suburbs, followed by urban (31 percent) and rural areas (19 percent).

*Buyers, continued*

- Nearly 3 in 10 (29 percent) of buyers go over budget, with urbanites the most likely to go over (42 percent vs. 25 percent of suburban and 20 percent of rural home buyers).
- Buyers financing their home with cash are more likely to have a household income of less than $25,000 (24 percent).
- Millennial and Generation X buyers are most likely to obtain mortgages (80 percent and 84 percent, respectively).
- Only a quarter (24 percent) of buyers put 20 percent down on their home, with an additional 21 percent putting more than 20 percent down.

## Sellers

- Today's typical seller has a median age of 45, is disproportionately Caucasian/white (78 percent) and has a median income of $87,500.
- Six in 10 sellers (60 percent) live in their home for at least a decade before selling, with nearly one-quarter (24 percent) owning their home for more than two decades before selling.
- Millennials make up almost one-third (32 percent) of sellers.
- Most sellers are selling for the first time (61 percent) and are simultaneously looking to buy a home (71 percent).
- Eighty-nine percent of sellers list with an agent and 36 percent attempt to sell their homes on their own, although only 11 percent of sellers actually sold without an agent.
- Sellers usually have to make at least one compromise to sell their homes (76 percent), with the most popular concession being lowering the sales price (34 percent).
- One in two sellers (50 percent) sell the home for less than the list price.

## Homeowners

- Homeowners today are 57, predominately Caucasian/white (76 percent), married (68 percent) and make a median income of $62,500 annually.
- Almost half (46 percent) live in the first home they purchased. And most (85 percent) live in a single-family home.
- Homeowners view their home as both a financial investment (52 percent) and a reflection of who they are personally (48 percent).
- Eighty-six percent of homeowners have no plans to sell within the next three years.
- Less than a quarter (23 percent) say their home is in like-new condition, with more than 6 in 10 (61 percent) saying their home could use a little updating.
- The typical homeowner with a mortgage still owes 62 percent of their home's value.[2]
- Four in 10 homeowners (41 percent) with a mortgage have refinanced their home at least once, and 21 percent have tapped into their home equity to take out cash in the form of a Home Equity Line of Credit (HELOC) at least once.
- The most popular improvements homeowners plan to make in the next year are painting the interior (25 percent), bathroom improvement (22 percent) and landscaping (21 percent).

# METHODOLOGY

## Research Approach

In order to gain a comprehensive understanding of the behaviors, motivations, pain points and successes of consumers of residential real estate in the U.S.—and how they work with professionals to help achieve their housing goals—Zillow Group partnered with independent market research firm Lieberman Research Worldwide® to conduct a nationally representative, online quantitative survey. The self-administered study was fielded between May 17 and June 5, 2017. The results underwent substantial internal analysis and review by a team of statisticians, researchers and economists at Zillow.

## Completes & Qualifications

This survey gathered information from a total of 13,125 key household decision-makers who self-identified as one of the following consumer groups:

| Households Interviewed | Base Size (n) | Definition |
|---|---|---|
| **BUYERS** | **2,965** | • Moved primary residence in past 12 months<br>• Resides in a home that they purchased in past 12 months<br>• Is the primary (or joint) decision-maker for the household when it comes to major housing-related decisions |
| **SELLERS** | **2,920** | • Moved primary residence in past 12 months<br>• Sold a home that was a primary residence<br>• Is the primary (or joint) decision-maker for the household when it comes to major housing-related decisions |
| **HOMEOWNERS** | **3,040** | • Has not moved primary residence in past 12 months<br>• Resides in a home that they own<br>• Is the primary (or joint) decision-maker for the household when it comes to major housing-related decisions |
| **RENTERS** | **3,047** | • Moved primary residence in past 12 months<br>• Resides in a home that they rent<br>• Is the primary (or joint) decision-maker for the household when it comes to major housing-related decisions |
| **LONG-TERM RENTERS** | **1,153** | • Has not moved primary residence in past 12 months<br>• Resides in a home that they rent<br>• Is the primary (or joint) decision-maker for the household when it comes to major housing-related decisions |

In addition to the subgroup-specific definitions stated above, all respondents surveyed were adults (18 years of age or older).

## Research Design & Analysis

The survey gathered information on a wide range of areas, including but not limited to:

- Home and community characteristics
- Behaviors and attitudes surrounding the process of finding, living in and moving to and from a home
- Resource usage
- The role of professionals (e.g., agents, property managers, landlords, mortgage providers, etc.)

Because of rounding, certain percentages expressed throughout this report may not add up to exactly 100 percent.

## Sampling & Weighting

To guarantee robust base sizes for analysis, data was collected via both general market and additional targeted subgroup sampling. Several steps were taken to ensure adequately representative sampling. The initial recruitment to the general market sample was balanced to all households from the U.S. Census Bureau, Current Population Survey 2016's estimates on the basis of age, ethnicity/race, education, household income, region and gender. The general market sample was divided into relevant consumer groups for the study based on responses to screening questions. Additional targeted subgroups were sampled on the basis of all six key household demographic characteristics, which were further balanced to subgroup estimates from the U.S. Census Bureau, American Housing Survey 2013, and Current Population Survey 2016.

This is different from the methods employed in the Zillow Group Consumer Housing Trends Survey 2016, in which respondents were balanced to population estimates—not household estimates—from the U.S. Census Bureau, Current Population Survey, 2015 (which was the latest data available at the time of analysis). In addition, this year we balanced all consumer subgroups on all six demographic characteristics, whereas last year we only balanced consumer subgroups on age and race/ethnicity from the U.S. Census Bureau.

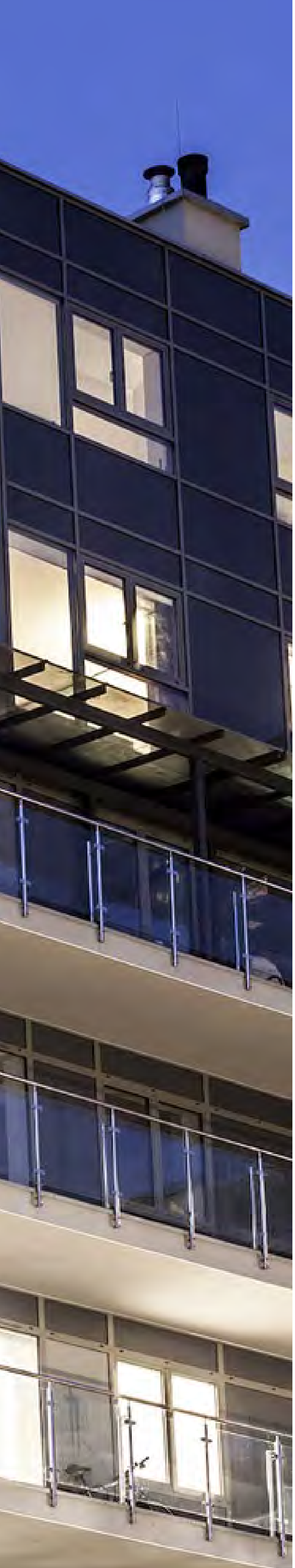
## Quality Control

The study was blinded—Zillow Group was not revealed as the sponsor to reduce response bias. Several additional quality-control measures were also taken to ensure data accuracy:

- Proprietary digital fingerprinting techniques were employed to identify and terminate any professional respondents, robots, or those taking the survey on multiple devices.
- Speed checks ensured those surveys submitted by respondents who rushed through the screener or survey did not count as complete.
- In-survey quality control checks identified illogical or unrealistic responses.

Speeders, those identified via digital fingerprinting and those who failed a given number of quality-control checks within the survey were removed from the study, and their survey submissions were not counted as completions.

# 1



# RENTING IN AMERICA

A larger share of Americans are renting today than they have in decades, due in part to market forces, as well as lifestyle choices.

Renters account for 37 percent of all households in America—or just over 43.7 million homes, up more than 6.9 million since 2005.[3] This rise in renting is due in part to the 8 million homes lost to foreclosure during the housing bust, which turned many former homeowners into renters.

Even so, for many, renting isn't just a stagnant middle ground until homeownership becomes a more achievable reality. Some renters are actively choosing to rent their homerather than own it, often because it supports their lifestyle.[4] Tight inventory is limiting the number of homes available that suit their preferences and needs.

Others rent by necessity—largely due to income and insufficient savings for a down payment. The typical renter household has an income of less than $50,000, which aligns with the top concern for most renters: finding a place within their desired price range (58 percent of all renters surveyed).

Today's rental market is also closely tied to two young and diverse generations: Generation Z (adults ages 18-22) and Millennials (ages 23-37). These two generations comprise the largest share of households renting in the past year at 64 percent combined.

Although many renters are younger and have less income, the desire to be a homeowner is still top of mind for many renters. Over half of Generation Z (57 percent) and Millennial (55 percent) renters consider buying over renting.

Renters in general rely on online resources (83 percent) to help them find a rental—especially those younger generations. However, once renters settle on a new place, the rest of the rental transaction is still offline. Signing the lease (84 percent) and paying rent (73 percent) most often occur either in person or through other means that don't involve online tools.

While renting can be just the beginning for many who will eventually transition to buying, owning and, later, selling, renting serves as a multifaceted solution for people in all phases of life.

"This rise in renting is due in part to the 8 million homes lost to foreclosure during the housing bust."

# THE TYPICAL AMERICAN RENTER

For the purpose of this analysis, renters are defined as people who moved to a home that they began renting within the past 12 months.

Today's typical American renter is 32 years old, unmarried (67 percent) and has a median household income of $37,500. Close to 4 in 10 renters (38 percent) have a high school diploma or less, while 31 percent have a bachelor's degree or higher. The vast majority are repeat renters: 69 percent are moving from a home that they previously rented.

Although much of Generation Z has yet to break loose from Mom and Dad, the adult members of Generation Z (ages 18-22) have a strong foothold in the rental market. They currently represent 14 percent of all households rented within the past year. Their older siblings, Millennials—ages 23-37—represent half. Generation X (ages 38-52) accounts for an additional 20 percent, while Baby Boomers (ages 53-72) and the Silent Generation (ages 73 or older) together make up the remainder, with only 3 percent of renters being over the age of 72.

Renters are a racially and ethnically diverse group—more so than buyers, homeowners or sellers. Just over half (55 percent) are Caucasian/white, and an additional 1 in 5 (19 percent) are African-American/black. Hispanics/Latinos account for 17 percent of renters, while Asian/Pacific Islander renters (7 percent) and renters of some other race or combination of races (3 percent) round out the remaining rental population. For perspective, Caucasians/whites make up 67 percent of all adult U.S. households.[5]

Nearly half of renters are single (48 percent), including a third (34 percent) who have never married and 14 percent who are divorced, separated or widowed. The other half of renters are married (33 percent) or living with a partner (19 percent).

Although many renters are single, the majority live with others (78 percent), and most often this includes a family member. Over half (52 percent) of renters live with a spouse or partner, more than a third (35 percent) live with children under the age of 18, and 14 percent share their space with parents or other relatives. Less than 1 in 5 (13 percent) double up with roommates or other adults. Nearly 1 in 3 renters have pets (32 percent), with dogs the most common four-legged housemate (22 percent). Only 12 percent of renters live completely alone.

## R-1: TODAY'S HOME RENTER

Rented home in past 12 months.

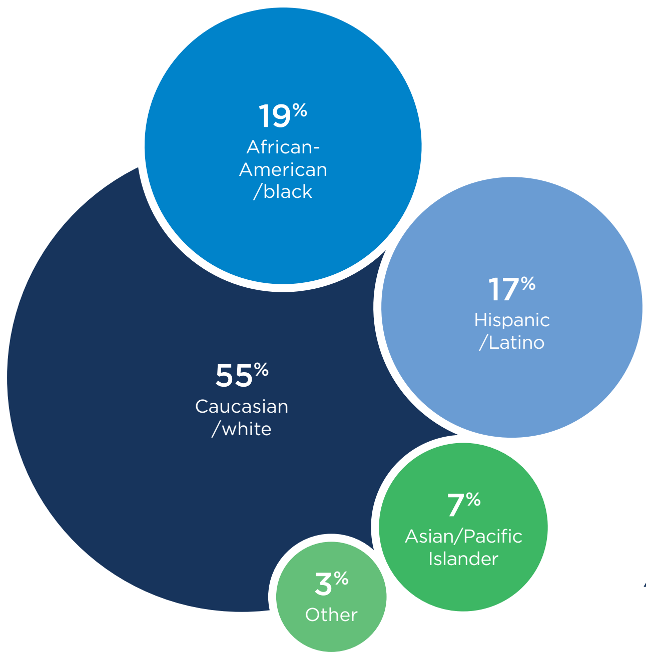
MEDIAN AGE

# 32

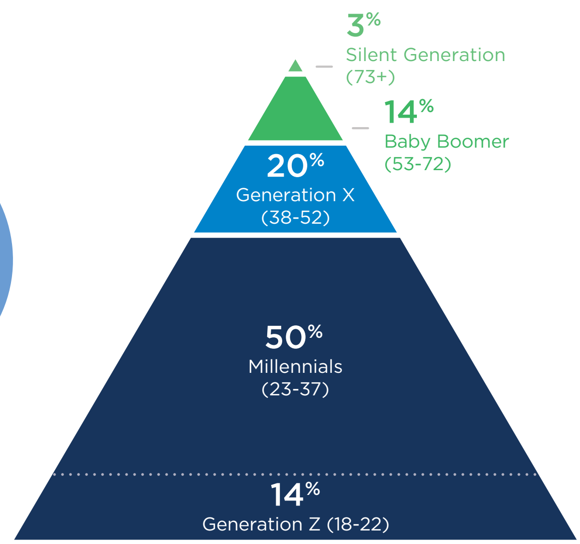
YEARS OLD

MEDIAN HOUSEHOLD INCOME

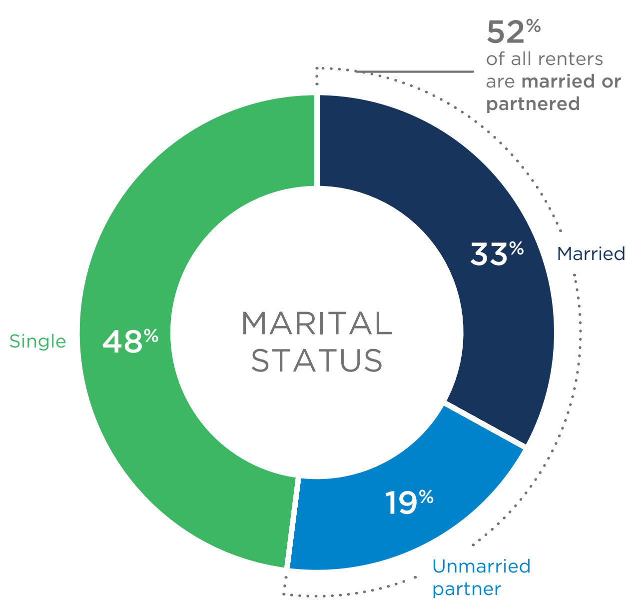
# $37,500

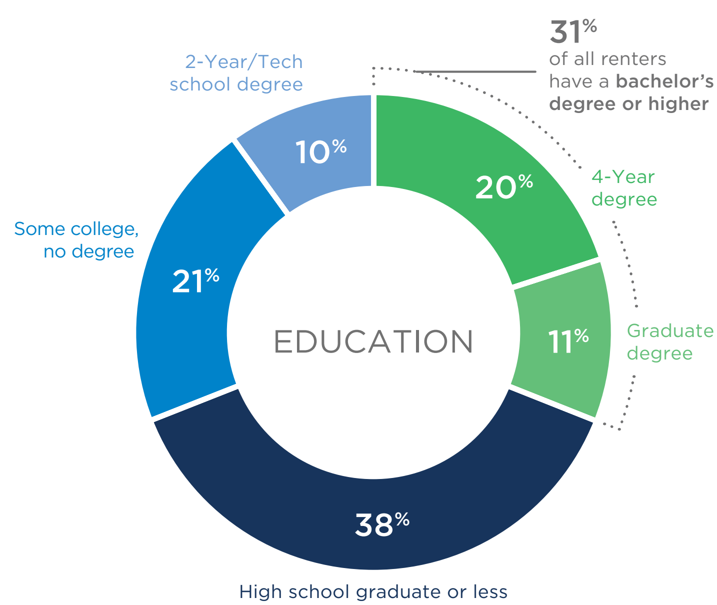



RACE




GENERATION



## Half Consider Buying Instead

Rents have risen steadily over the past few years, while incomes have remained largely stagnant. Given these market dynamics and persistently low mortgage rates, purchasing a home, and the low monthly payments that come with it, has become increasingly attractive—so long as the down payment isn't an insurmountable barrier. It is no wonder, then, that 50 percent of renters consider buying a home instead, with 18 percent seriously considering it.

This is especially true for younger renters who have entered the market during an increasingly unaffordable time: More than half of Generation Z and Millennial renters consider buying a home rather than renting (57 percent and 55 percent, respectively). Elderly renters, however, are more likely to remain renters, perhaps because owning a home usually involves home maintenance that becomes overwhelming with age; over 9 in 10 (92 percent) Silent Generation renters never consider buying.

Single renters, who either have never married or are divorced, separated or widowed, are also more set on renting, likely because they prefer the renting lifestyle, or the down payment on a home is too large a hurdle with a single income. Two-thirds (66 percent) of single renters never consider buying. Families with children in the household who currently rent their home, however, are more likely to consider buying (60 percent). Even among would-be renters, buying has an appeal for families because it can help to ensure stability, and future housing payments are more predictable with a mortgage than with a rented home. It is also not always easy to find a rental in areas that appeal strongly to some families.

## 8 in 10 Renters Saw Rents Increase in Past 12 Months

When renters do decide to move to a new place, it's often prefaced by an increase in rent. Seventy-nine percent of renters who moved from a previous rental experienced a rent increase before moving, with over half (57 percent) indicating that their decision to move was directly impacted by that increase, including 26 percent who state they were greatly impacted by a rent increase previously. Only 21 percent experienced no rent increase in their prior home before moving.

> "When renters do decide to move to a new place, it's often prefaced by an increase in rent."

# WANTS & NEEDS

With rising rents across the nation, affordability is understandably top-of-mind for most renters. When searching, 77 percent of renters indicate that the rental being within their price range was a top requirement.

Other top characteristics renters report requiring in their home include: having their preferred number of bedrooms (60 percent list as a requirement), having air conditioning (63 percent list as a requirement) and allowing their pets (41 percent list as a requirement).

Additional home characteristics desired are around preferred size, floor plan and amount of storage in their rental (50 percent, 45 percent and 52 percent, respectively). One option that has little bearing for renters is whether the home is furnished. Nearly three-quarters (74 percent) of renters indicate that furnishings had no influence on their decision.

## Renters Value Safe Neighborhoods, Secure Homes

When it comes to neighborhood requirements, safety ranks first for renters. Many renters require that the home be in a safe neighborhood (67 percent listed as a requirement), followed by being in a secure building (46 percent listed as a requirement), while being in a preferred neighborhood (28 percent listed as a requirement) and preferred school district (only 19 percent listed as a requirement) are less top of mind. That said, this list of requirements can depend on who is in the home. For example, families with children are, understandably, much more likely to place weight on finding a rental home in their preferred neighborhood or school district (78 percent and 67 percent, respectively, require or desire these traits).

## Proximity to Work Important to Many

Forty percent of all renters list proximity to work as a desired feature of their new rental home, with 30 percent listing this as a requirement. This trend holds nearly uniformly regardless of household income, indicating that renters across the spectrum value being close to work. The one exception is those renters who earn less than $25,000 per year. They are significantly less likely to require being close to work (24 percent, compared to 30 percent of all other renter households). For some households, proximity to work may not be sought after because retirees—nearly half (47 percent) of whom are living on a fixed income of less than $25,000 each year—are no longer working. For other households earning less than $25,000 per year, finding a rental home close to work comes with a premium—a luxury that these households know they cannot afford.

## Families Seek Bathrooms, Air Conditioning

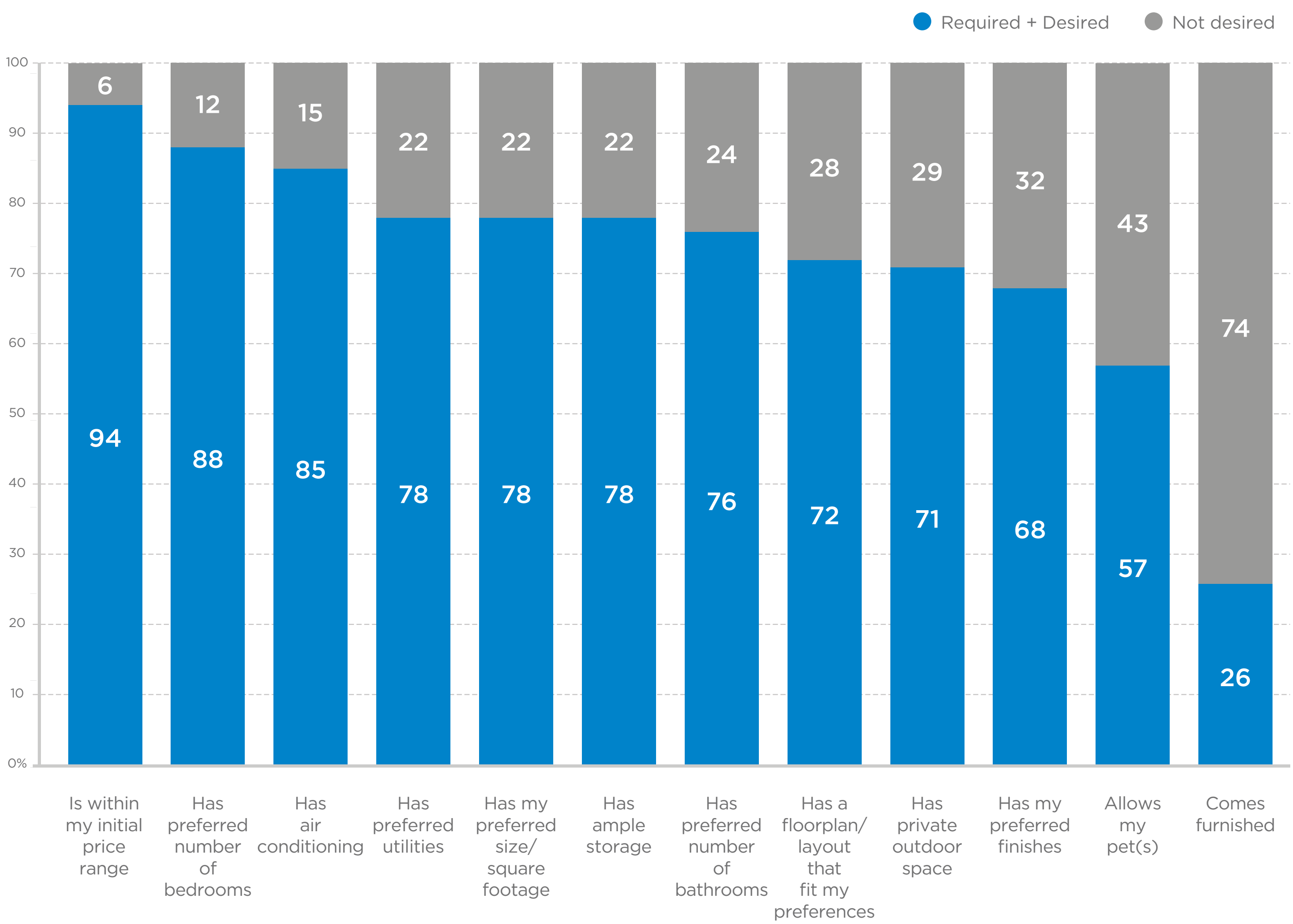
Renters with children have unique needs centered on home layout and amenities. Must-have rental home features include having the desired number of bedrooms (73 percent, compared with 53 percent for renters without kids), as well as having the preferred number of bathrooms (38 percent, compared with 32 percent for renters without kids), and preferred square footage (31 percent, compared with 26 percent for renters without kids). Renters with children in the home are also more likely to seek air conditioning (66 percent, compared with 61 percent for renters without kids) and a private outdoor space (30 percent, compared with 21 percent for those without kids) as a requirement.

## Generation Z Is Picky About Utilities

Generation Z renters, many of whom are breaking out on their own for the first time, have unique needs and preferences that often relate back to their youth. Half of Generation Z renters state having their preferred utilities (i.e., gas or electric) as a requirement (compared with 40 percent for all renters), perhaps in an attempt to better mirror their former home with Mom and Dad. They are also more likely to require or desire that the rental come furnished (44 percent, compared with 26 percent of all renters)—a sign of their youth and the fact that they've not yet acquired all the furniture necessary to fill a rental home.

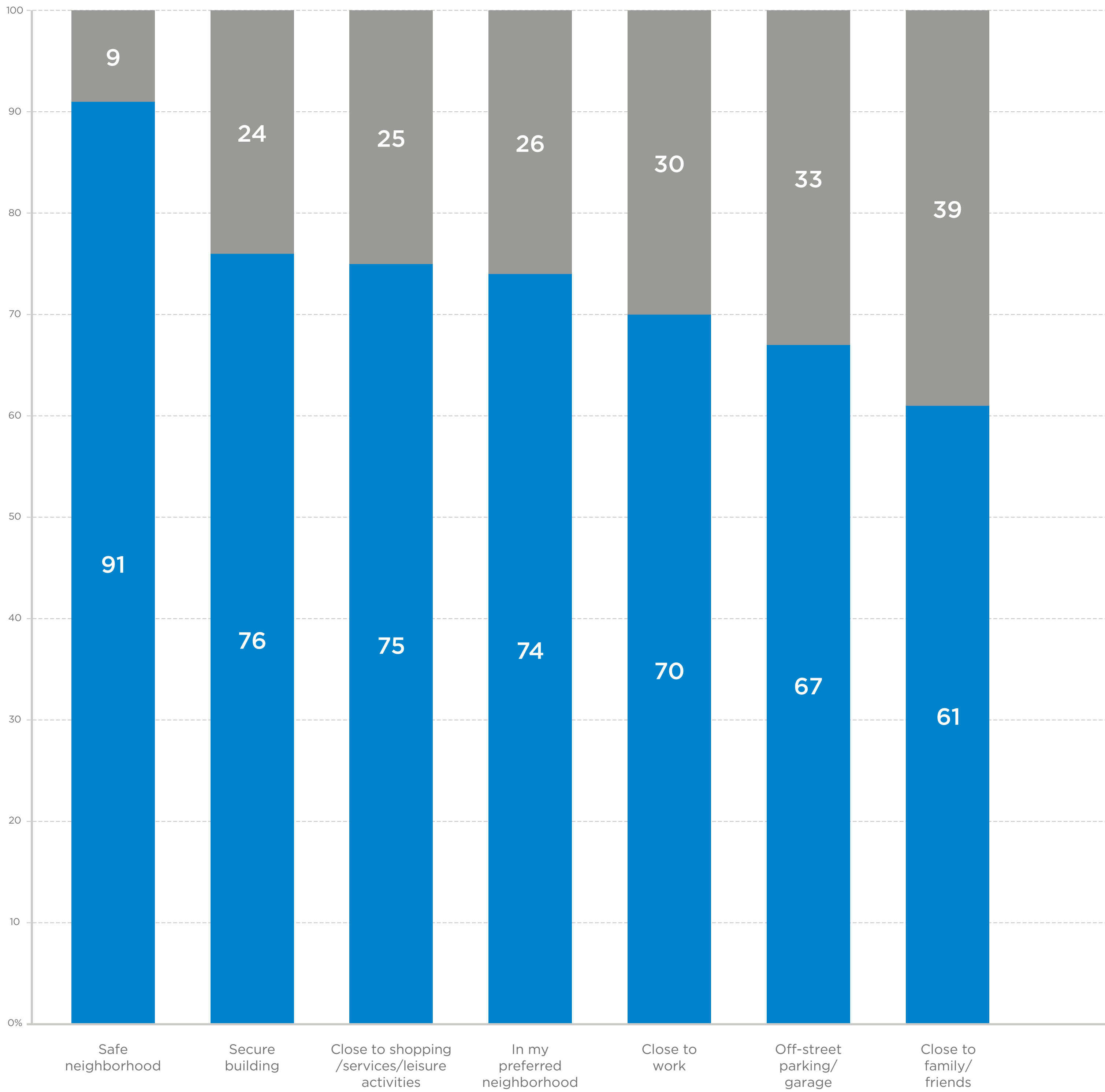
### R-2: REQUIRED AND DESIRED HOME CHARACTERISTICS FOR RENTALS

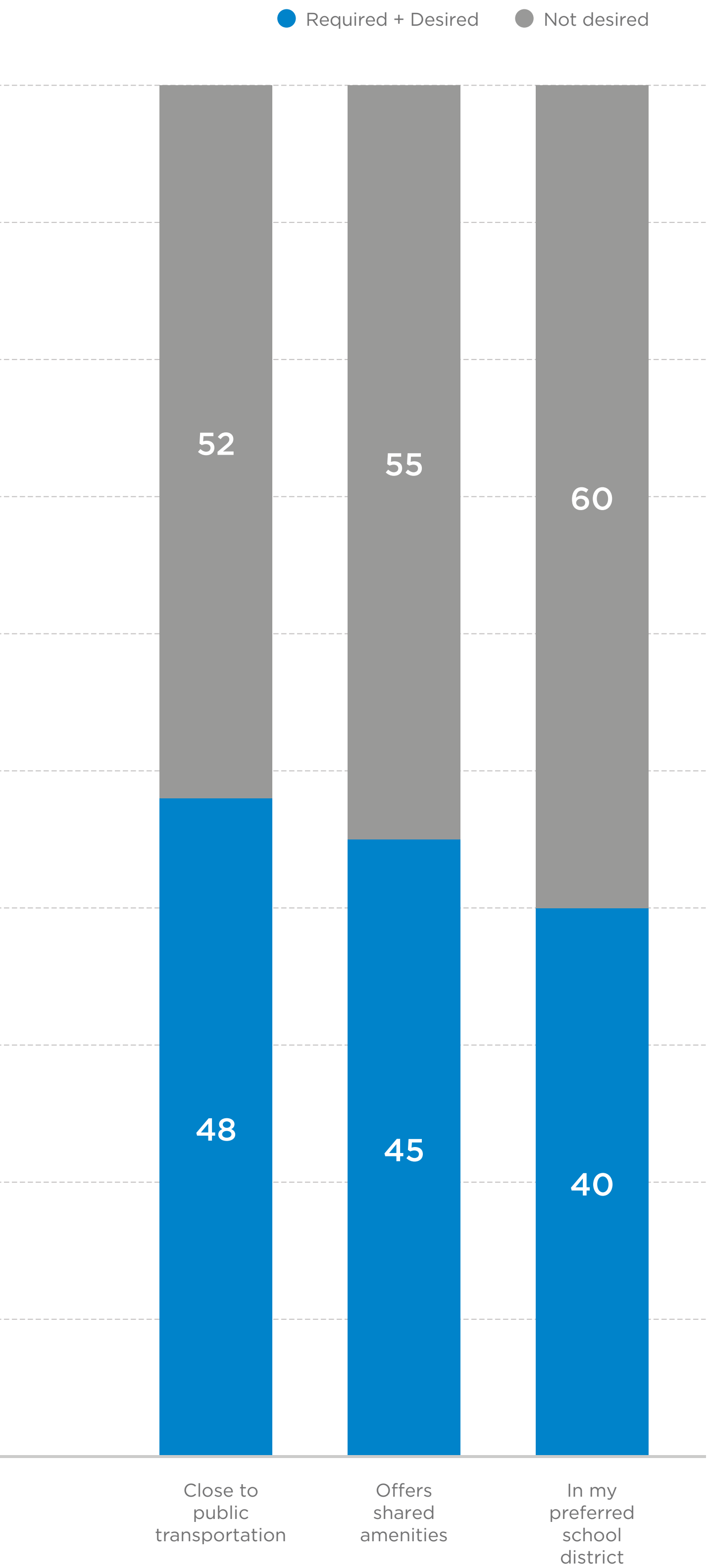
Rented home in past 12 months.



## R-3: REQUIRED AND DESIRED BUILDING AND NEIGHBORHOOD CHARACTERISTICS FOR RENTALS

Rented home in past 12 months.






## Types of Homes Considered

Nearly two-thirds (65 percent) of renters consider renting apartments, the most popular home type for renters. But single-family homes haven't lost their appeal—they're just harder to come by. Forty-five percent of renters consider single-family homes, 30 percent are considering townhomes and 20 percent, a duplex/triplex.

While renters consider a wide variety of homes, different generations have their own distinct home preferences.

Generation X renters are the most likely to consider renting a single-family home (57 percent, compared with 31 percent of Generation Z, 47 percent of Millennials, 42 of percent Baby Boomers, and 14 percent of the Silent Generation), which comes as little surprise given that almost half (49 percent) of Generation X renters have children under the age of 18 in the household.

Generation Z and Millennial renters, along with their grandparents in the Silent Generation, are most interested in apartment living (77 percent, 67 percent and 71 percent, respectively, consider apartments). Medium-size apartment buildings, with 10-49 units, hold particular appeal to Generation Z and Millennial renters (43 percent and 38 percent consider them, respectively, compared with 35 percent of all renters). Larger buildings with 50 or more units are often sought out by renters from the Silent Generation (43 percent), as well as Millennials (35 percent). For Silent Generation renters, these types of buildings are likely retirement communities, while Millennials may be renting in a city where large apartment buildings are simply more common.

# THE RENTAL SEARCH

Universally, finding a rental takes place within an incredibly tight timeline. On average, renters spend around 2 1/2 months searching for their new home. A little over a quarter (26 percent) of renters spend less than one month searching, while a larger share spends between one and two months (40 percent). Just over 1 in 3 renters (34 percent) take longer than two months searching.

## Most Search With Family, Friends

The process of finding a rental home is rarely done alone. Renters shop for their home with other family members or adults, including roommates, at a high rate: Two-thirds (66 percent) of renters search with family, which includes half (51 percent) who look with a spouse or partner, and nearly 1 in 5 (17 percent) search with a friend, colleague or roommate. Only 23 percent shop for a home on their own.

Generation Z renters are the most likely to share the role of searching for a home with friends, colleagues or roommates. Notably, Generation Z renters are at the age where entering college or the workforce is common, and they are looking to ease the burden of living on their own by splitting the cost with potential roommates. A quarter of Generation Z renters list their occupation as student (compared with just 6 percent of total renters), an additional 6 in 10 (61 percent) are employed in some other capacity.

## Baby Boomers More Likely to Shop Alone

Baby Boomer and Silent Generation renters are the most likely to be searching alone. Over a third (35 percent) of Baby Boomers and 26 percent of Silent Generation renters don't co-shop for a rental with another person, which is likely because these are the two generations most likely to be divorced, separated or widowed (42 percent of Baby Boomer and 44 percent of Silent Generation renters).

## Online Tools No. 1

Online tools are the No. 1 way renters shop for a new home. Four in five renters (83 percent) used an online resource, followed by referrals from a friend, relative or neighbor (57 percent). Half or more turn to landlords (56 percent) or property managers (49 percent) as a resource during their rental home search.

Consistent with the trend of younger generations turning to online resources as a whole, the younger the renter, the more likely they are to use online resources to shop for their rental. About 9 in 10 Generation Z (88 percent) and Millennial (90 percent) renters utilize online resources, while 79 percent of Generation X, 70 percent of Baby Boomer and 41 percent of Silent Generation renters turned to websites or applications to aid in their search.

## R-4: RESOURCES USED DURING RENTAL SEARCH

Rented home in past 12 months.

83%
ONLINE RESOURCE (NET)

71%
WEBSITE (LAPTOP/DESKTOP COMPUTER)

60%
MOBILE WEBSITE (SMARTPHONE /TABLET)

42%
APP (SMARTPHONE /TABLET)

57%
FRIEND, RELATIVE OR NEIGHBOR

56%
LANDLORD/OWNER OF THE HOME

49%
PROPERTY MANAGER /LEASING AGENT

33%
YARD SIGN OR OPEN HOUSE SIGN

29%
PRINT AD

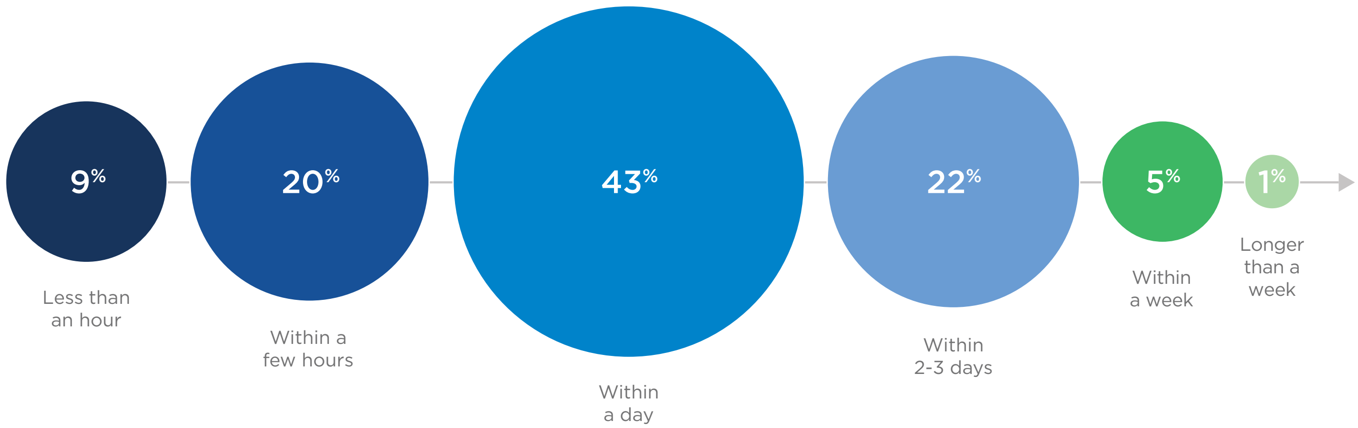
24%
REAL ESTATE AGENT OR BROKER

13%
DIRECT MAIL

10%
OTHER

## R-5: RESPONSE TIME EXPECTATIONS FROM RENTAL PROFESSIONALS

Rented home in past 12 months and contacted a landlord or property manager.




### 1 in 5 Find Their Next Home via Someone They Know

Just under 1 in 5 (19 percent) renters first learn about the home they ultimately end up renting from a friend, relative or neighbor. This is especially true for renters who wind up in single-family homes (22 percent, compared with 17 percent of renters of other home types), signaling that having connections may be the way to secure these often-coveted rentals.

### The Typical Renter Submits 2.5 Applications

Today's renters cast a wide net to find a new place, contacting a variety of property managers and landlords, all while hoping for a timely response back. On average, a renter contacts 4.5 landlords or property managers and submits 2.5 applications. Almost a third (32 percent) submitted three or more applications, demonstrating that for renters in competitive and fast-moving markets, disappointment and competition are now an unfortunate part of the rental process.

### Most Expect Response Within 24 Hours

A large share of renters (69 percent) are moving from another rental, and therefore have less flexibility surrounding move-in dates. This creates a short timeline to locate and move into a property, and makes timely responses from landlords and property managers all the more critical. Following their initial query, most renters who contact a landlord or property manager expect their potential landlord or property manager to respond within a day or less (72 percent). Twenty-nine percent expect a faster response—within a few hours—including 1 in 10 (9 percent) who expect a response in less than one hour.

And most property managers and landlords follow through. About three-quarters of the time (76 percent), renters report the landlord or property manager does in fact respond in a timely manner consistent with their expectations.

However, if the expected follow-through is not there, many renters will try contacting the rental professional again via a phone call (42 percent). That said, almost one-third (32 percent) of renters will simply move on, choosing to follow up on another rental listing if they've not heard back within their anticipated time frame. This is particularly true for Millennial and Generation X, who will move on to their next option if they lack a timely response (35 percent of the time for both generations, compared with 18 percent for Generation Z, 30 percent for Baby Boomer and 17 percent for Silent Generation renters).

# HOMES SELECTED BY RENTERS

Ultimately, almost half (49 percent) of renters choose an apartment. Single-family homes are the second most popular choice, representing about a quarter of renters (28 percent). It's notable that far fewer renters ultimately end up renting a single-family home than consider them, which is likely due to the limited inventory and reduced churn of stand-alone homes, especially in certain markets.

The typical rental, across all home types, is a 2-bedroom home with one to two bathrooms. It has 1,000 square feet and rents for $1,010 per month.[6] That rental figure includes at least some of their utilities for just over half of renters (52 percent).

## Generation Z Renters Have Smallest Rental Footprint

Nearly half (49 percent) of Generation Z renters live in a home with less than 1,000 square feet, and 11 percent live in less than 500 square feet. Small studios and micro-apartments, which are often less expensive, have become a trend in many urban areas where people are building up, not out, due to land constraints and density. In certain competitive markets, smaller rental spaces may be the only affordable way for Generation Z to rent on their own.

**R-6: TYPICAL RENTAL**

| 2 | 2 | 1,000 | $1,010 |
|---|---|---|---|
| BEDS | BATHS | SQ. FEET | MONTHLY RENT |

Conversely, Generation X renters have the largest homes, with a median footprint of 1,200 square feet. As the generation most likely to have kids in the home, this is a result of their need for additional space for their growing families.

## Biggest Rental Homes Are in Suburbs

Suburban rental homes are often larger than those in cities or rural areas. While the typical rental in urban and rural areas has 1,000 square feet, the typical suburban home has an additional 200 square feet—just about the size of a small master bedroom or large master bath.

## 1 in 2 Renters Stay in Same City

Renters are often known for being a mobile and transient group, in part because it's easier to move as a renter than as a homeowner. Some renters move to new locations because of work—either a better job or closer proximity to their current employer—while others search for more affordable housing or a home that better matches their lifestyle preferences.

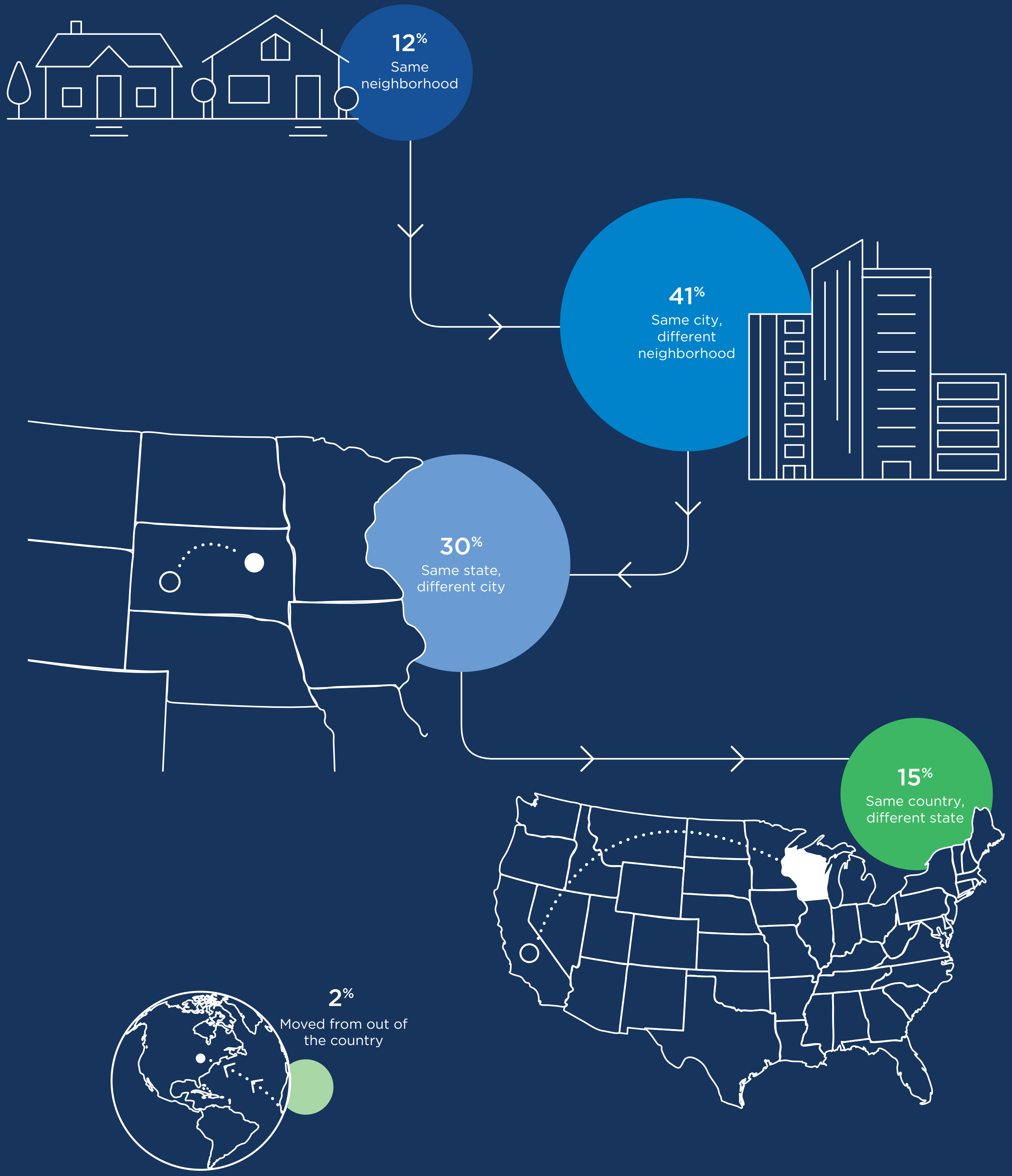
While they have the ability to pick up and move, the reality is that most renters aren't moving far. Most renters stay within the same city (53 percent), with 12 percent even staying in the same neighborhood. Only 30 percent move to a different city (but stay in the same state), and half as many (15 percent) move to a different state. When it comes down to it, moving can be a heavy lift, and many renters may end up becoming comfortable with their neighborhood and its offerings.

## Most Don't Have to Look Beyond Original Location Considered

Renters know what they want in terms of location, and tend to get it. Three in four renters (75 percent) did not have to look beyond the location that they initially considered to secure a new rental home. That said, renters who submitted multiple applications are more likely to look outside their desired area—30 percent of those submitting three or more applications and 29 percent of those submitting four or more applications rented in an area they initially did not consider—implying that steep competition in a popular area may have forced them to look in alternative locations.

## R-7: DISTANCE RENTERS MOVED

Rented home in past 12 months.



# SIGNING THE LEASE

"...the majority (84 percent) sign their lease in person instead of electronically..."

Over two-thirds of renters (68 percent) sign the traditional 12-month lease. Shorter leases, while less common, are not unheard of. Thirteen percent of renters sign a month-to-month lease, and just 7 percent sign a six-month lease.

Who signs these shorter leases? The answer is largely Generation Z and rural renters—but for different reasons. Almost 3 in 10 Generation Z renters (28 percent) sign a six-month lease or less. Because a considerable number of Generation Z renters are also students, they likely seek out more flexible lease agreements that are more amenable to the typical school schedule. And in rural markets, 1 in 5 renters (20 percent) have month-to-month commitments, compared with 13 percent of urban and 12 percent of suburban renters. This is likely driven by the higher concentration of seasonal residents, whether due to agriculture or seasonal tourism, in rural areas.

When renters seal the deal, the majority (84 percent) sign their lease in person instead of electronically (16 percent). This does not necessarily reflect preferences, but rather is just what is most widely used by rental professionals across America.

# PAYING RENT

Conventional wisdom suggests that the typical renter should plan to set aside 30 percent of their income each month to cover housing costs. Rising rents and slow income growth have meant that Americans across the nation are putting just about that much toward rent alone—more than the recent historical average of 26 percent. In some of the fast-growing markets, rents can consume upward of 40 percent of a typical renter's income.[7]

The median rent across the country is currently $1,010 per month. Renters in the West pay the highest median monthly rent at $1,223. Those in the Northeast spend $1,169. The typical renter pays $851 in the Midwest and $974 in the South.[8]

## Generation X Pays Highest Monthly Rent

It should come as no surprise that the generation with the largest homes—Generation X—is also the generation dishing out the most money per month to pay for their home. The median rent among Generation X is $1,062 per month. The youngest renters, Generation Z, are typically paying the least at $882 per month.[9] This echoes the notion that Generation Z renters are opting to rent the smallest apartments or homes, which translates to lower monthly rental payments.

Approximately half of renters (47 percent) are paying for all of their utilities in addition to rent. Only 19 percent of renters have all utilities included in their rent. A third (33 percent) have some utilities included. Single and low-income renters are slightly more likely to have their utilities included in the monthly rent.

This could be because singles are more likely to live in apartment buildings, where a flat rate for utilities in addition to rent is more common. Singles may self-select to live in places where utilities are included, as it makes budgeting housing costs easier with a single income. Ease of budget may also be enticing to those with lower incomes, as flat-rate utilities ensure there won't be an unexpected and unaffordable utility bill.

## Median Rent Varies by Ethnicity

Across ethnicities, Asian/Pacific Islander renters are paying the most per month at $1,333, and African-Americans/blacks are paying the least at $913 per month. Caucasians/whites and Hispanics/Latinos fall in the middle at $1,026 and $1,015 per month, respectively.[10]

## Majority Still Pay Rent in Person

While renters, especially those from the younger generations, are tackling much of their rental search online, rent is still predominantly being paid in person or at a bank (53 percent). Just over 1 in 4 renters (27 percent) pay their rent online, while only 14 percent send their rental check through the mail.

When renters pay in person, they most commonly just drop it off (61 percent). Those who pay online typically do so via their landlord or property manager's website (67 percent).

"Renters in the West pay the highest median monthly rent at $1,223. Those in the Northeast spend $1,169. The typical renter pays $851 in the Midwest and $974 in the South."

# CHALLENGES

Generally, the majority of renters (70 percent) are satisfied with the process of searching for their new rental home, despite increasingly competitive and pricey rental markets in many boom cities. It follows, then, that when renters do face challenges, the biggest issues are around finding a home in their desired price range (58 percent), within their desired time frame (47 percent) and in their desired location (46 percent). Another issue is timing: When asked what they would do differently next time around, a significant share of renters report they would start their search for their new home earlier (32 percent).

## Fraudulent Listings

Nearly one-third (32 percent) of renters report having an issue determining whether an advertised rental home is legitimate or fraudulent. Generation Z and Millennial renters are slightly more likely (37 percent and 35 percent, respectively) to struggle with this particular issue, as are renters with kids in the household (37 percent of whom encountered this problem during their rental home search). This could be due to the fact that these groups often search online, where, in some instances, scams are more prevalent.

## House-Specific Regrets

Overall, younger renters are less satisfied with the home they end up in, compared with their older counterparts. If they could start the process all over again, over a quarter of Generation Z renters (26 percent) would choose a different home, and more than 1 in 5 Millennial renters (22 percent) would select another home. These frustrations will likely be tempered by experience. Older renters—Generation X, Baby Boomers and Silent Generation renters—are generally happier with the home they chose (just 20 percent, 14 percent and 2 percent would choose a different home, respectively).

# UNDERSERVED GROUPS

## African-American/Black & Hispanic/Latino Renters

African-American/black and Hispanic/Latino renters confront additional and different challenges than Caucasian/white renters. Many of the challenges experienced by non-white renters are tied to barriers to access to affordable housing, as well as the disproportionate and ongoing fallout from the housing bust and subsequent recession.

African-American/black and Hispanic/Latino renters are more likely to have lower median incomes than Caucasian/white and Asian/Pacific Islander renters. Among the major racial and ethnic groups, Asian/Pacific Islander households have the highest median income ($77,166). The median income of Caucasian/white households is $62,950, and for African-American/black households, $36,898. For Hispanic/Latino households, the median income is $45,148.[11]

Not only are African-American/black and Hispanic/Latino households earning lower incomes, they are also typically spending a greater percentage of their income on rent. The typical renter in a Hispanic/Latino community can expect to spend 48 percent of their household's income on rent, and the typical renter in an African-American/black community can expect to spend a 44 percent share of household income on rent. Meanwhile, typical Caucasian/white renters expect to spend 31 percent of their household income on rent.[12]

As such, African-American/black and Hispanic/Latino renters are much more likely than Caucasian/white renters to say a rent increase at a previous home greatly impacted their decision to move (34 percent of African-American/black and 31 percent of Hispanic/Latino renters, compared with only 21 percent of Caucasian/white renters).

African-American/black and Hispanic/Latino renters also struggle more to rent in their preferred neighborhoods. Slightly over one-third (35 percent) of African-American/black and 32 percent of Hispanic/Latino renters ended up in a home outside of the location(s) they initially considered, which is significantly more than their Caucasian/white renter counterparts (20 percent). Both of these groups are also most likely to move to a different neighborhood within the same city than other renters (47 percent of African-American/black renters and 50 percent of Hispanic/Latino renters vs. 38 percent of Caucasian/white renters), which could suggest that these groups are being priced out of certain locations.

While moving to a new neighborhood could be by choice, these struggles with location could be why both African-American/black and Hispanic/Latino renters report they would choose a different community to live in next time they rent at higher rates than Caucasian/white renters (20 percent of both African-American/black and Hispanic/Latino renters, compared with 13 percent of Caucasian/white renters).

Looking outside their immediate or initially desired neighborhood may be why African-American/black and Hispanic/Latino renters take a significantly longer time to search for and find their new rental than Caucasian/white renters (3.2 months for African-American/black renters and 3.1 months for Hispanic/Latino renters, compared with 2.3 months for Caucasian/white renters).

However, the longer search time experienced by African-American/black and Hispanic/Latino renters isn't due to lack of trying. On average, African-American/black and Hispanic/Latino renters end up submitting more rental applications than Caucasian/white renters. African-American/black renters submit 3.1 and Hispanic/Latino renters submit 2.8 applications for a rental home, on average, compared with just 2.3 for Caucasian/white renters.

"Not only are African-American/black and Hispanic/Latino households earning lower incomes, they are also typically spending a greater percentage of their income on rent."

# THE LONG-TERM RENTER

More Americans are renting compared with any other time in recent history, evolving our notion of the standard renter. This includes a large share that could afford to buy a home, but are choosing to stay renting for the long haul.[13]

While renters move more than homeowners—with 26 percent of renters moving to a new home in the past 12 months, compared with just 6 percent of homeowners moving in the same time period —a significant portion (74 percent) of renters have not changed residences in the past 12 months.[14]

The typical long-term renter, defined as someone who has been renting their current home for at least one year,[15] has lived in their rental home for an average of seven years. This length of tenure is likely due to the age of long-term renters. The median age of a long-term renter is 44 years old, over a decade older than the typical active renter (or those who moved in the last year), who is 32 years old.

Long-term renters' homes are similar to the homes of renters who moved recently (in the past 12 months). Most commonly, they are renting in apartment buildings (50 percent) and single-family homes (28 percent). The typical long-term rental home is about 1,000 square feet.

## Money and Value

Nearly 6 in 10 long-term renters (57 percent) experienced a rent increase since they moved in, with more than a third of increases occurring in the past year (38 percent). Despite rising rents, these long-term renters are opting to stay in the home and absorb the additional rental payment over moving to a new rental property. On the other end of the spectrum, rent has not increased or decreased since moving in for 4 in 10 renters (43 percent). Staying in a rental home, regardless of a rental increase, is likely a better strategy for saving money, as landlords typically raise rents at a slower rate for renewing tenants. Renter households that moved within the past year pay, on average, $329 more in rent each month.[16]

Long-term renters in the West are most likely to have experienced a rent increase in the past year (47 percent), while renters in the Southeast are the least likely to have experienced an increase in rent in the last year (28 percent), likely due to the booming regions in many Western states. In fact, almost 6 in 10 Southeast renters (59 percent) haven't had an increase since they moved in.

## Staying for the Long Haul

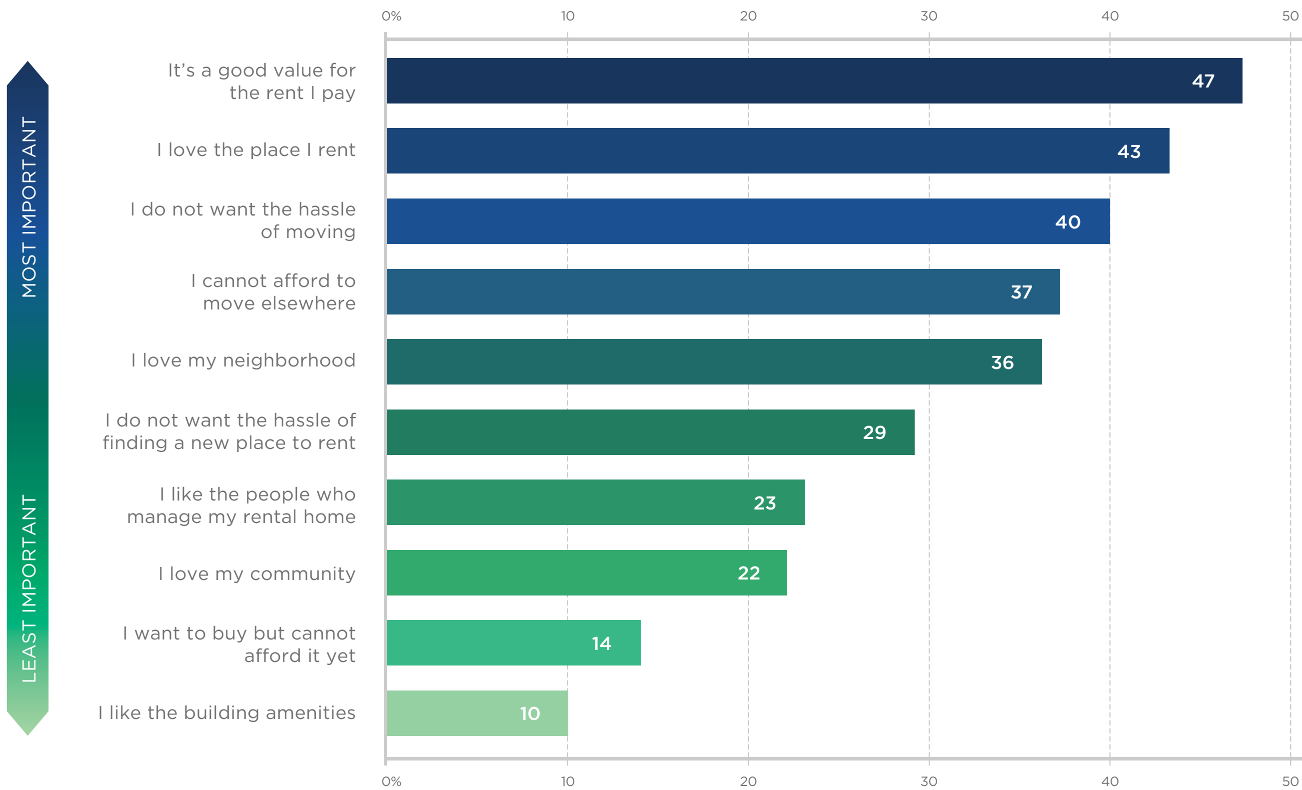
A quarter (25 percent) of long-term renters have no plans to move. Forty-two percent of long-term renters are considering moving within the next year, an additional 1 in 5 (18 percent) plan to move in two to three years, and 14 percent might consider moving, but not within the next three years.

The older the long-term renter, the more decided they are to stay in their home. Combined Generation Z and Millennial long-term renters are the most likely to have plans to move within the next three years

"A significant portion (74 percent) of renters have not changed residences in the past 12 months."

## R-8: REASONS LONG-TERM RENTERS AREN'T LOOKING TO MOVE

Long-term renters with no plans to move within the next three years.




(81 percent), including more than half (58 percent) who are planning a move in the next year. While many Generation X long-term renters are also considering a move within three years (59 percent), they are significantly more likely than Millennial renters to consider moving more than three years from now (19 percent). By contrast, Baby Boomer and Silent Generation long-term renters are the most likely to have no plans to move (41 percent and 58 percent, respectively).

There are a number of factors that could be driving the decision to stay. Tight inventory limits the number of affordable homes both for rent and for sale in competitive markets. For some renters, additional financial hurdles impact the feasibility of homeownership or even finding a new rental home at the current market rental rate. For others, the desire to avoid additional responsibilities that accompany owning one's home or their preference for their current rental home and the lifestyle it provides has them staying put. Many renters cite that more than one of these factors weighed in on their decision.

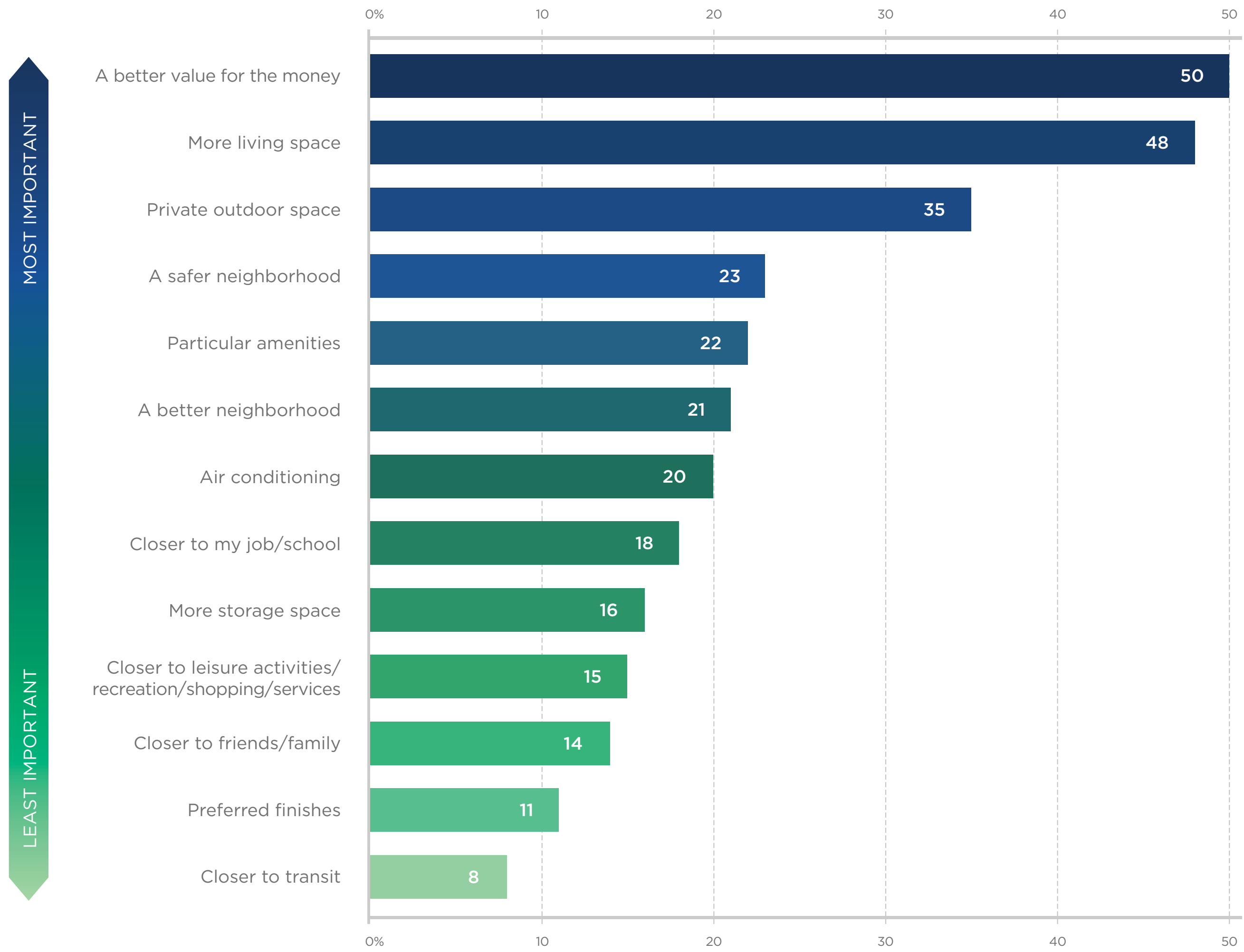
For those with no plans to move in the next three years, most long-term renters credit their decision to stay with their feeling that their current rental is a good value for what they pay (47 percent), and that they love their rental home (43 percent). Forty percent of long-term renters are opting to stay put to avoid the hassle of moving.

That said, for some, the decision to stay is more due to circumstance than personal preference. More than a third of long-term renters who have no plans to move are staying in their current home because they can't afford to move elsewhere (37 percent). Not surprisingly, long-term renters with incomes of less than $25,000 are most likely to indicate they are staying in their current rental because they can't afford to move elsewhere (48 percent).

Change can be hard: The longer a renter is in their home, the harder it may be to eventually decide to move. Renters who have been in their home five or more years are most likely to indicate they have no plans to move (30 percent). In addition, those who have been renting the same unit for five or more years are the most likely to indicate they aren't moving because they can't afford to move elsewhere (41 percent), likely because their rent has remained the same or risen only marginally, while market forces have driven rents of other

## R-9: MOST IMPORTANT ITEMS TO LONG-TERM RENTERS

Long-term renters who plan to move within the next three years.




units much higher. Many of these long-term renters are also older, and other forces, like a growing family or new job, are less likely to drive them to find a new place.

### Those With Plans to Buy

Thirty-seven percent of long-term renters who intend to move in the next year want to purchase their next home.

The desire to move from a rental to a purchased home wanes with age: 40 percent of combined Generation Z and Millennial and 38 percent of Generation X long-term renters have plans to buy their next home, compared with 28 percent of Baby Boomer and Silent Generation long-term renters combined. Those seeking to move to a purchased home are also most likely to have children in the household under 18, and the stability of a purchased home may be appealing.

Long-term renters with more education are more likely to plan to purchase a home in the next year. Nearly half (49 percent) of those with a college education or graduate degree plan to purchase a home, compared with 41 percent of those with some college or a two-year degree, and just 26 percent of those with a high school diploma or less. By comparison, 70 percent of those with a high school education or less who are planning to move intend to keep renting. College degrees generally increase earning potential, so many of these long-term renters may be choosing to rent as they save for their down payment in today's housing market.

# INTRODUCING GENERATION Z

A new group is making their entrance into the housing market. Generation Z, defined as those born between 1995 and 2010, already comprises 21 percent of the American population—66.3 million people—a small portion of whom are beginning to enter the housing market as renters.[17]

In fact, Generation Z is expected to outnumber their older Millennial siblings (ages 23-37) by nearly 1 million people by 2020. Generation Z is also the most ethnically and racially diverse generation in U.S. history, with close to half (47 percent) identifying as non-white.[18]

As the first generation born after internet access became commonplace, the majority of Generation Z doesn't remember a time before smartphones, apps, and omnipresent social media. As more of Generation Z moves into adulthood, the needs of this high-tech demographic will influence the real estate industry in surprising ways for years to come.

## Home Is Prized, Key to American Dream

Despite only just beginning to enter the housing market as renters, a subset of Generation Z (defined in our survey as those ages 18 to 22) has home on the brain. Generation Z's pre-emptive dreaming and proactive thinking about owning their own homes is a heartening signal about homeownership rates in the future.

These older members of Generation Z are just as likely as most older generations to indicate that owning a home is a key component of the American Dream (62 percent).[19] According to the Zillow Housing Aspirations Report, Q1 2017, when asked how often they think about owning their own home, Generation Z and Millennials are the most likely to think about it often (80 percent and 82 percent, respectively).

While the vast majority of Generation Z (who live on their own) rents and lacks experience navigating the housing market, homeownership is still an aspiration for this generation. Even in their young age, over half (57 percent) of Generation Z renters consider buying instead of renting. Coming years will show whether Generation Z's consideration of home buying leads to action in the marketplace.

## Community Is Integral to Finding and Making a Home

Generation Z households bring their social personalities home, desiring communal amenities and features geared toward bringing people together more than other generations. More than half (52 percent) of Generation Z renter households desired or required that their home offer shared amenities (compared with 45 percent of all renters). In addition, they care about their own role within this community: Almost a third (32 percent) are very involved with their community or neighborhood, more so than any generation except for Silent Generation renters (35 percent).

Generation Z also brings their social network—both online and off—into the home search process, looking for a rental with both savviness and caution. More than 3 in 5 (63 percent) Generation Z renters rely on family, friends, or neighbors to help with the process of finding a home, compared with 59 percent of Millennial, 51 percent of Generation X, 49 percent of Baby Boomer, and a slight uptick—58 percent—of Silent Generation renters. In fact, Generation Z renters are more likely to share the role of searching for units with friends, colleagues, or roommates compared with most renters (30 percent of Generation Z renters vs. 17 percent of all renters).

## Roommates Wanted

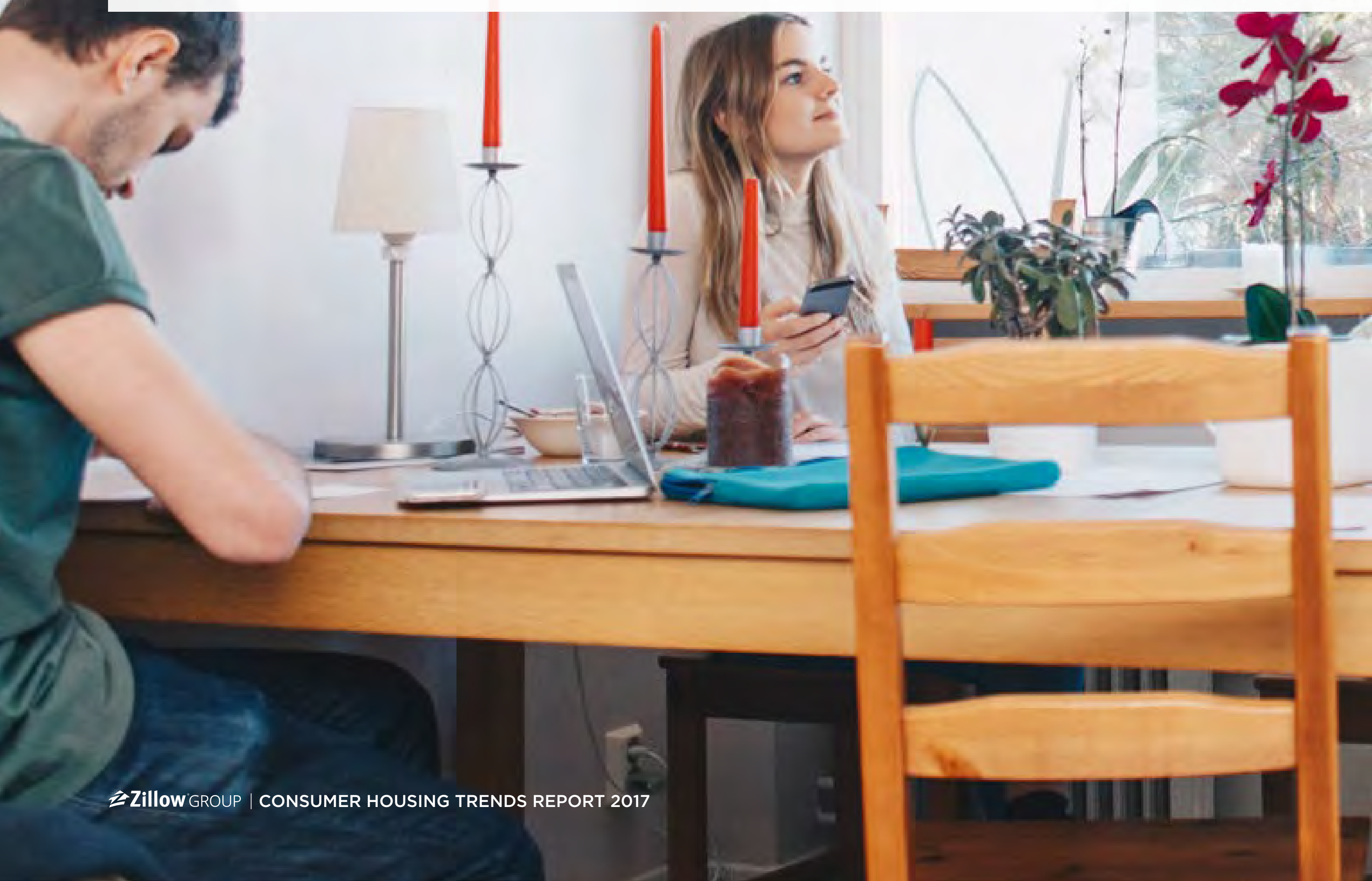
While living with others is common among many generations, approximately 4 in 5 (82 percent) Generation Z renters live with someone else. On the whole, Generation Z renters are twice as likely to be living with roommates, friends, and family members than all renters from all generations.

More than a quarter (26 percent) of Generation Z renters share their rental home with a roommate, compared with just 11 percent of all renters who live with a roommate. While fewer Generation Z renters live with their parents than with roommates, they're still twice as likely to be living with their parents than older generations; 14 percent of Generation Z renters do, vs. 6 percent of all renters.

Generation Z renters are also more likely than other renters to rent an apartment in a smaller or medium-sized building. Twenty-two percent rent in a smaller size apartment building with less than 10 units (compared with 16 percent of all renters), and 23 percent rent in a medium-size building with 10-49 units (compared with 16 percent of all renters). This may be due to the fact that smaller apartment buildings offer better opportunities for residents to meet and connect with their neighbors, or that, while in school, they have not yet moved to dense job centers where larger buildings are more common.

## Limited Income = Limited Choices

Due in part to this cohort's current life stage—with one-quarter of Generation Z enrolled in school (compared with 6 percent of all renters) and an additional 61 percent just getting started in their career—their housing choices are limited by what they can afford. The median household income for Generation Z renters is $27,827, with 44 percent earning less than $25,000.[20] While finding a home at



the right price point is a universal challenge, actually being able to afford the rental home is a challenge faced most frequently by young renters. More than half (54 percent) of Generation Z renters struggle to determine what they can afford when it comes to their rental home, compared with 42 percent of Millennial, 36 percent of Generation X, 30 percent of Baby Boomer, and 16 percent of Silent Generation renters. Determining the type of home to rent is also a challenge for this young generation (47 percent vs. 33 percent of all renters).

Given affordability concerns and life stage, it's not surprising that Generation Z renters are currently living in smaller spaces than older generations. Nearly half (49 percent) of Generation Z renters live in less than 1,000 square feet, including 11 percent who live in less than 500 square feet. However, as these renters age and their incomes rise, it's likely that they will upsize to larger units or enter the market as first-time home buyers.

## Home Is Oriented Around Their Life (and Work), Not the Other Way Around

Most Generation Z renters (86 percent) are either currently attending college or working at an entry-level first job, making proximity between their work and home a key driver in their home selection.

In fact, Generation Z renters would rather be closer to work than live in their preferred neighborhood. Two in five (40 percent) Generation Z renters list being close to work as a requirement when choosing where to live, while half of that amount (17 percent) require being in their preferred neighborhood. In fact, neighborhood selection isn't even important for many Generation Z renters; 36 percent say it had no influence on their decision of which home to rent.

Perhaps because of the tension between proximity to work and what they can afford, being close to neighborhood amenities, like shopping centers, leisure activities and services, also has less impact on their decision-making. Over a third (34 percent) say being close to those amenities has no influence on their decision, compared with a quarter of total renters.

## Used to On-Demand Information and Service

Generation Z has never known a world where they couldn't simply "Google it." This immediate availability of information, and the ease with which they can access it, has set high expectations for the ways they tackle the process of renting and how they expect to interact with real estate professionals.

These renters work hard to win a home and end up submitting more rental applications than any other generation. Generation Z renters submit an average of 3.1 applications during their search for a rental home, compared with an average of 2.6 for Millennial, 2.4 for Generation X, 2.2 for Baby Boomer and 1.3 for Silent Generation renters.

They also move quickly through the process, spending the least amount of time searching. Three in ten (30 percent) Generation Z renters spend less than one month searching, compared with 26 percent of all renters. This is likely due in part to the constraints of Generation Z's current life stage, which is oriented largely around school and work logistics (including timelines), as well as their behavioral tendency to demand instantaneous communication and access to information.

## Demand Flexible, Move-In-Ready Home Features

Generation Z renters are the most likely to sign a 6-month lease or less (28 percent of Generation Z, compared with 20 percent total renters), likely because a 12-month lease (the most common kind of lease signed by all renters of all generations) spans a longer period than a school year—which is a consideration for those currently enrolled in school who might want—or need—to spend summers elsewhere.

Generation Z renters are also less picky about certain home features, likely because they can't afford to be or haven't yet cultivated preferences through experience because of their young age. Generation Z renters are less likely to require the rental have their desired floor plan or layout (19 percent, compared with 27 percent of all renters).

However, Generation Z renters are significantly more likely than any other generation to demand move-in-ready features, as many are finding—and renting—their first home after living with their parents, and likely haven't yet accumulated the furniture and belongings needed for a fully-stocked household. As such, 1 in 2 (50 percent) of Generation Z renters require their home to have their preferred utilities (compared with 40 percent of all renters), and a notable 15 percent of Generation Z renters want a furnished rental home, up from just 9 percent of all renters.

# 2

# BUYING IN AMERICA

Buying a home today is an overwhelming yet rewarding process. Whether a buyer is looking to purchase a home in the most or least competitive market, the process is marked by both excitement and inevitable frustration.

Across the United States, the number of homes available for sale has fallen year-over-year every month since February 2015, leaving fewer homes for buyers to choose from and, in turn, stiffening the competition for the homes that are out there.

Today's buyers are spending over four months (4.3) searching for their new home, and as these homes get swept off the market quicker than before, competition among buyers—particularly in tight markets—is presenting its own set of unique buying nuances. Cash offers can feel like a necessity in some of the nation's most competitive markets, where homes often receive multiple offers. Some home buyers in these markets even forgo inspections and other contingencies to make their offer more desirable to a seller.

These hurdles are challenging to all buyers, but may be especially frustrating to first-time buyers. With more than 2 in 5 home buyers (42 percent) purchasing for the first time, many have just recently transitioned from renting and are only now experiencing the complexities of purchasing a home.

To help soothe these home-buying stresses and walk them through what is often a fast-moving and intricate process, buyers rely on support from real estate professionals. About three-quarters (74 percent) of buyers work with agents, and those who do report higher levels of satisfaction with the process overall (74 percent of buyers who use an agent, compared with 67 percent who don't use an agent).

In addition to working with agents, buyers are tapping into every possible resource and increasingly looking to online tools, with nearly 4 in 5 buyers (79 percent) shopping online for their home. This is true across generations: While younger buyers use them more than their older counterparts, more than half of buyers in every generation incorporate these tools into their shopping process.

Buying a home requires patience, work and trust. Some buyers will have to compromise and act fast to secure their home, but preparation and tailored guidance from agents can help buyers feel more at ease as they navigate through each step of the process.

"Today's buyers are spending over four months (4.3) searching for their new home."

# THE TYPICAL AMERICAN HOME BUYER

"Today's average American home buyer is young, educated and becoming increasingly more diverse."

A buyer is defined as someone who moved into a home that they purchased within the past 12 months.

Today's average American home buyer is young, educated and becoming increasingly more diverse. While the typical buyer is 40 years old, it's the Millennial generation (defined here as buyers 18-37) that makes up the largest segment of home buyers today (42 percent of all buyers who purchased a home in the past 12 months). A majority (70 percent) of home buyers are married or living with a partner, almost half (45 percent) are college-educated, and they earn a median annual household income of $87,500.

Caucasian/white households are overrepresented when it comes to buying. They account for 67 percent of U.S. households, but are 73 percent of the home-buying population.[21]

However, younger first-time buyers entering the market are more likely to be non-white: Thirty-two percent of first-time buyers are non-white, compared with 24 percent of repeat buyers. The younger the buyer, the more likely they are to be ethnically diverse: Nearly a third (32 percent) of buyers under the age of 53 are non-white, compared with 14 percent of buyers 53 years of age or older. This trend is likely to continue and accelerate in coming years if growth in non-white households continues in line with Census household projections.

## B-1: TODAY'S HOME BUYER

Purchased home in past 12 months.

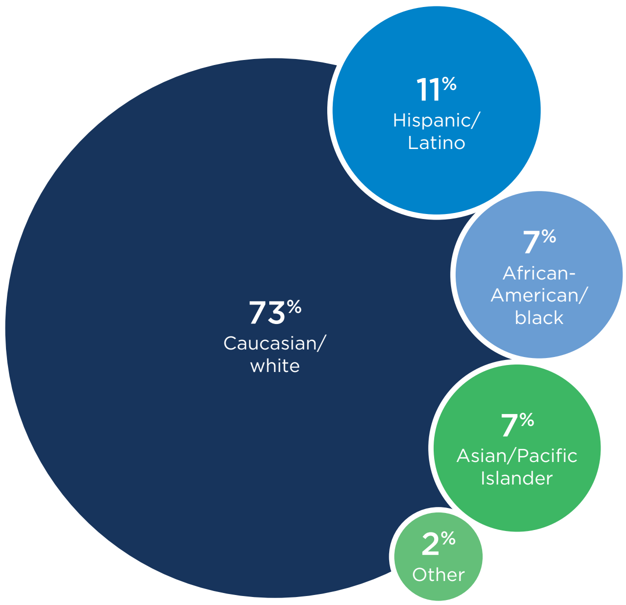
MEDIAN AGE

# 40

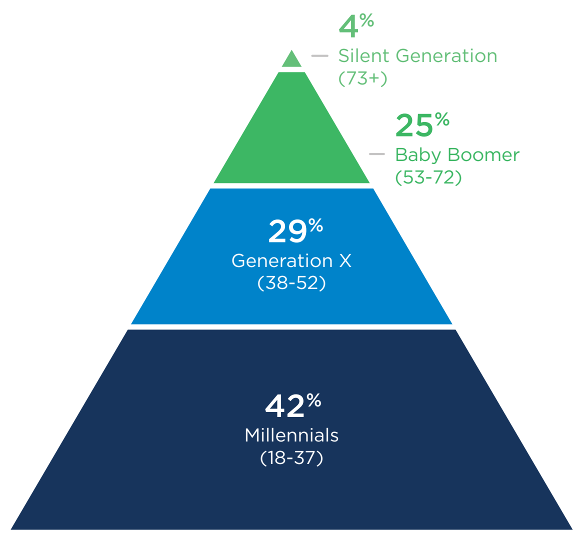
YEARS OLD

MEDIAN HOUSEHOLD INCOME

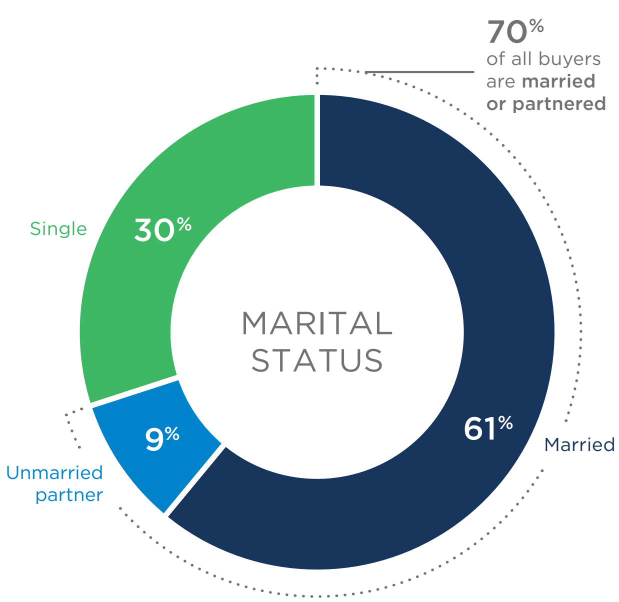
# $87,500

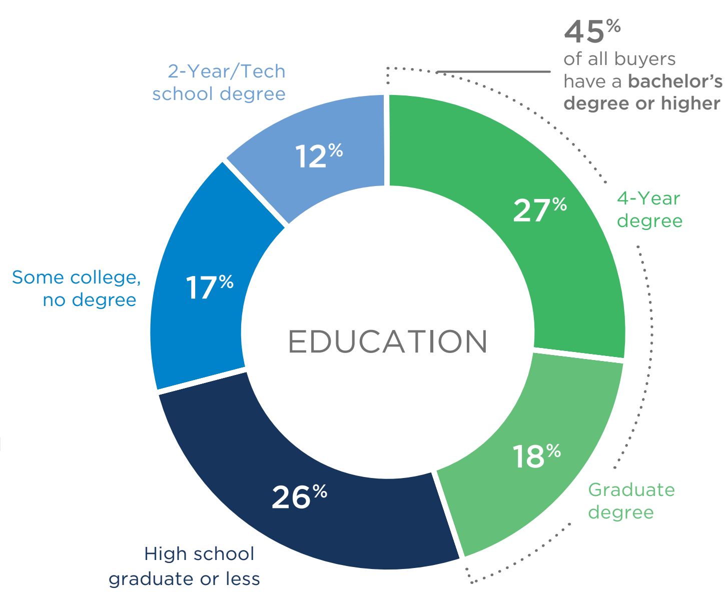



RACE



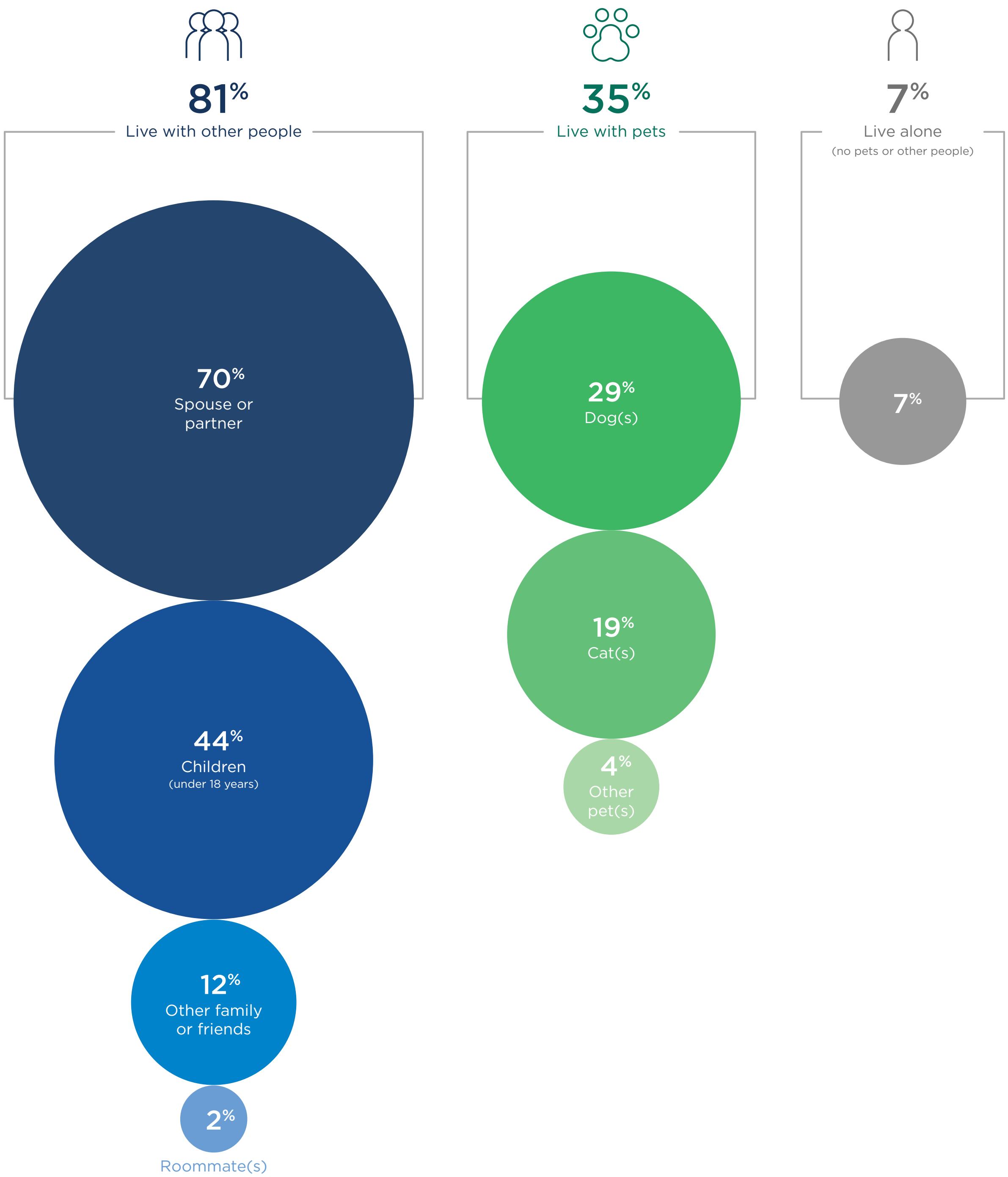

GENERATION



## B-2: HOUSEHOLD COMPOSITION

Purchased home in past 12 months.



## 4 in 10 Are Buying for the First Time

Just over 2 in 5 buyers (42 percent) are purchasing their first home, and Millennials account for the vast majority of them (71 percent). Generation X buyers account for 18 percent, Baby Boomers 10 percent and Silent Generation buyers are just 1 percent of those buying for the first time.

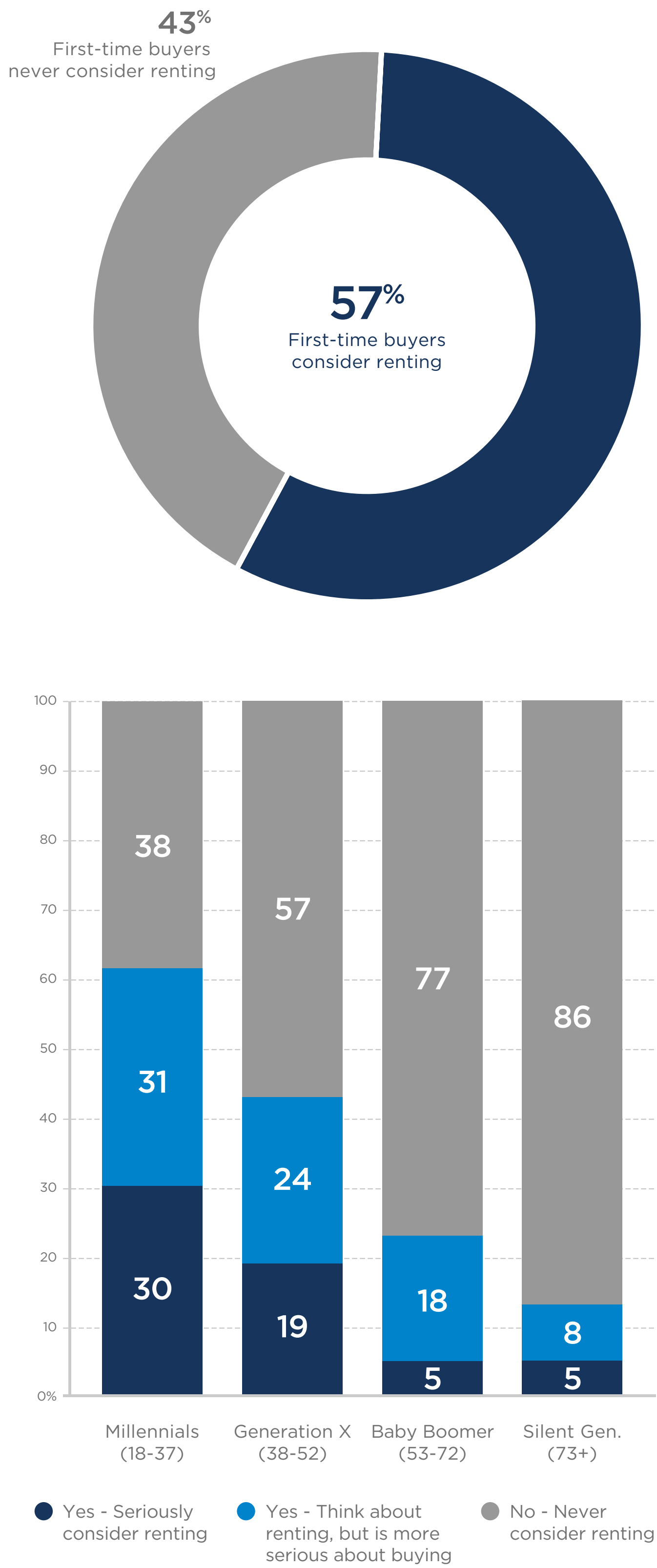
Many minorities are purchasing a home for the first time. For more than half of African-American/black buyers (51 percent), this is the first home they have ever purchased. About half of Asian/Pacific Islander (50 percent) and Hispanic/Latino (49 percent) buyers are first-time buyers as well. Among Caucasians/whites, 40 percent of recent buyers are first-time purchasers.

The suburbs remain a popular destination for all buyers, and are home to 45 percent of first-time buyers and 52 percent of repeat buyers. However, first-time buyers account for a larger share (52 percent) of all buyers in urban areas, while repeat buyers dominate in suburban and rural locales: Sixty-one percent of buyers in the suburbs and 63 percent of buyers in rural areas are repeat buyers.

> "Just over 2 in 5 buyers (42 percent) are purchasing their first home, and Millennials account for the vast majority of them (71 percent)."

## B-3: ALSO CONSIDER RENTING

Buyers who purchased a home within the past 12 months.



# WANTS & NEEDS

The wish list of today's home buyer is long, but flexible—and includes both home features and neighborhood characteristics. Neighborhood safety and finding a home within their initial price range are the two features that buyers most frequently require, at 71 percent and 67 percent, respectively.

Beyond price, buyers are most concerned with finding a home that fits the daily needs of their household. Most buyers require that their home have air conditioning (62 percent of buyers), their preferred number of bedrooms (62 percent), and their preferred number of bathrooms (53 percent).

## Kitchens, Energy Efficiency Most Desirable Home Features

Nice-to-have features—those deemed not a requirement, but highly desirable—highlight increasing trends toward sustainability and customization. Topping the list, close to 1 in 2 buyers (48 percent) list energy efficiency and preferred style of kitchen (also 48 percent of buyers) as desired home characteristics. Preferred finishes (e.g., flooring, countertops and appliances) follow closely at 47 percent.

## Safety, Parking Top Neighborhood Requirements

Home features are not the only factors that influence home buyers' decision-making; neighborhood characteristics are important, too. In addition to requiring that the home is in a safe neighborhood, a sizeable share of buyers require that the home has ample parking (40 percent) and is located in their preferred neighborhood (39 percent).

## Air Conditioning More Important Than Decks, Patios and Yards

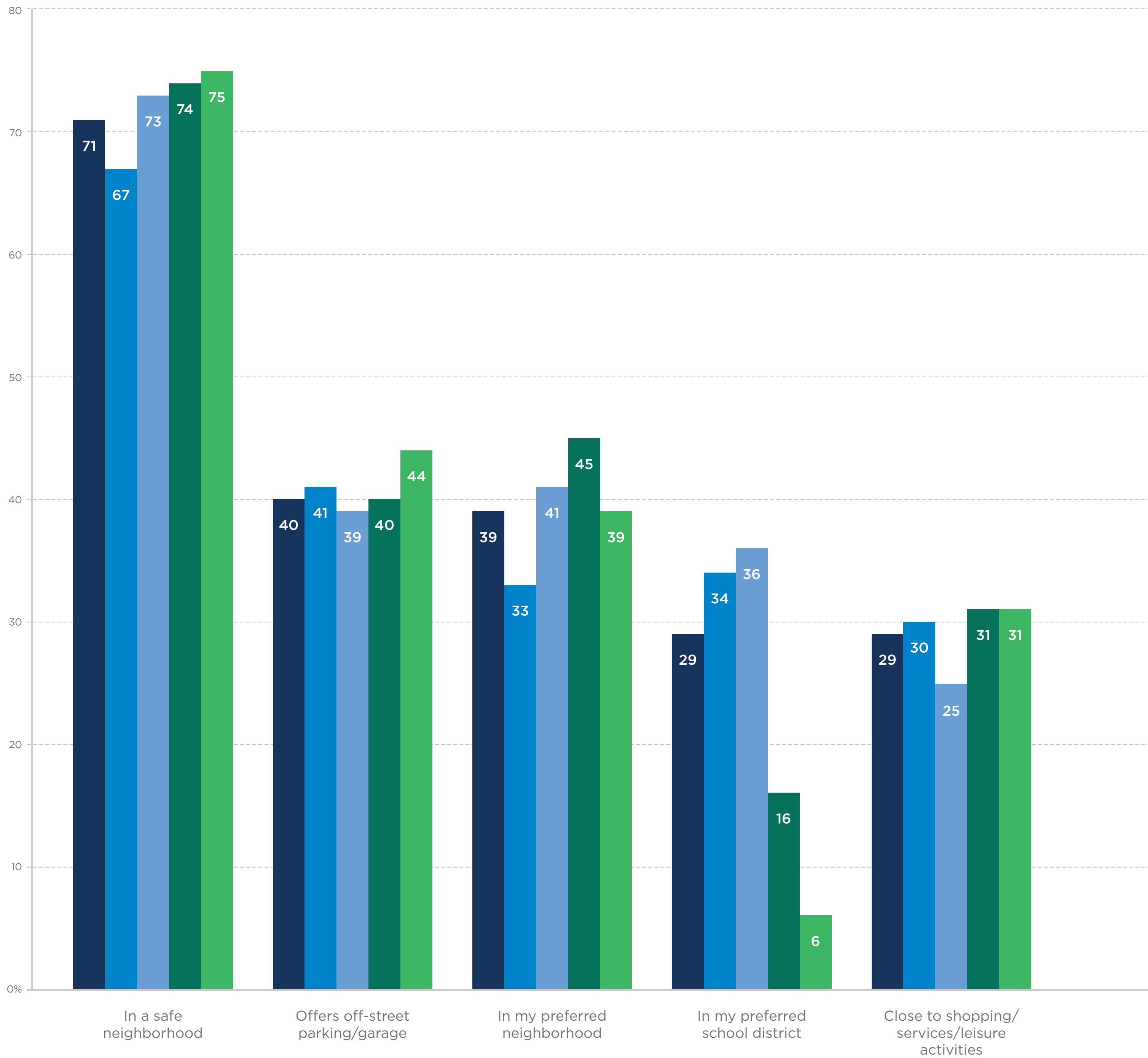
Staying cool indoors is clearly more important to buyers than enjoying the perks of outdoor space, with air conditioning among buyers' four most essential home features. In fact, a larger share (62 percent) of buyers list air conditioning as a required feature in their new home than those who view private outdoor space, like a patio, deck or yard, as essential (48 percent of buyers require a private outdoor space).

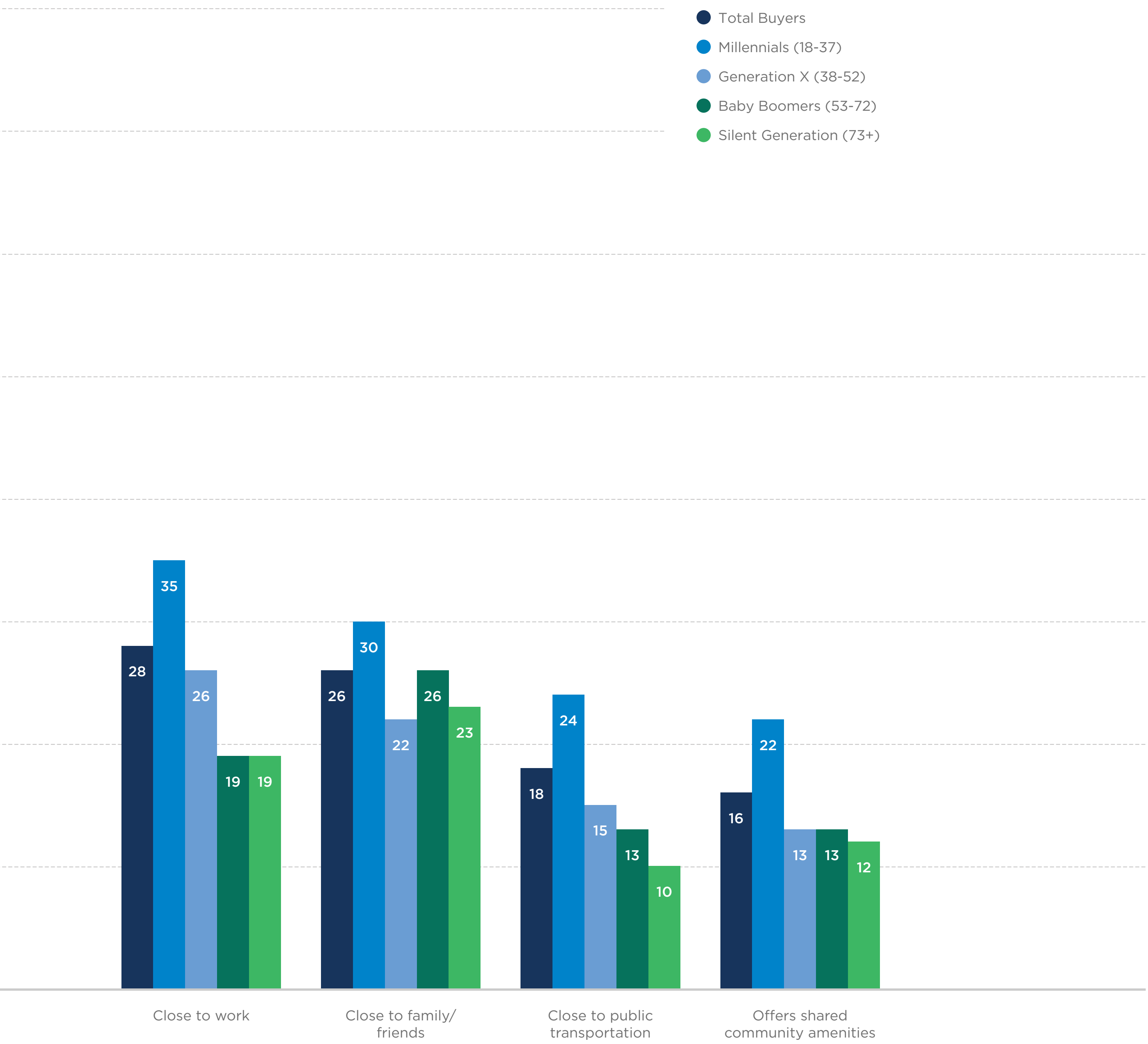
Luckily, air conditioning is an amenity already common in most American homes; today, about 65 percent of all homes in the United States have central air conditioning, and an additional 27 percent of homes have individual air-conditioning units.[22] But for markets where air conditioning isn't as prevalent in homes, such as in the West, air conditioning is an increasingly sought-after feature for home buyers of all demographics and generations. This is due, in part, to the rising number of days with temperatures over 65 F, particularly in California, Nevada and New Mexico, according to the Environmental Protection Agency.[23]

In warm climates, rising incomes are another factor; one recent study conducted by researchers from UC-Berkeley and the National Bureau of Economic Research found that for every additional $1,000 of household income, air conditioner adoption increases 3 percentage points.[24] This is not surprising, given that air conditioning is a luxury often associated with additional utility and maintenance costs.

## B-4: REQUIRED NEIGHBORHOOD CHARACTERISTICS

Purchased home in past 12 months.




Total Buyers
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
28
35
26
19
19
26
30
22
26
23
18
24
15
13
10
16
22
13
13
12
Close to work
Close to family/ friends
Close to public transportation
Offers shared community amenities

## The Suburban Dream Is All About Bathrooms

Bathrooms play a fundamental role in the home-buying process for suburban buyers. More than half (58 percent) of suburban buyers say it is a requirement that a home has their preferred number of bathrooms (compared with 52 percent of rural and 47 percent of urban buyers). The explanation for this trend is pretty simple: Generation X households (those aged 38-52) often purchase homes in the suburbs and are more likely to have children under the age of 18 at home (62 percent of Generation X buyers have young children, compared with 53 percent of Millennial and 16 percent of Baby Boomer buyers). As their children grow from toddlers to teenagers, having an extra bathroom or two quickly goes from a "nice-to-have" to a "necessity."

Likely for many of the same reasons, Generation X buyers place more requirements around the size of their home in general than the average buyer. Generation X buyers require that their home have their preferred number of bathrooms (59 percent vs. 53 percent for all buyers), preferred number of bedrooms (70 percent vs. 62 percent for all buyers), and preferred home size or square footage (52 percent vs. 47 percent of all buyers).

## Location, Location, Location

Location has always been a primary factor in the home-buying process, and it's no different for today's buyer. Buyers are craving an optimal spot when searching for the perfect home, whether it be in their preferred neighborhood (80 percent list this as a requirement or desired characteristic); a location close to family and friends (68 percent list as a requirement or desire); near shopping, services and other leisure activities (78 percent list as a requirement or desire); or close to work (69 percent list as a requirement or desire).

For Millennial and Generation X buyers, the location of the home must check all the boxes. This includes requiring or desiring a home that is close to work (81 percent of Millennial and 75 percent of Generation X, compared with 50 percent of Baby Boomer and 31 percent of Silent Generation buyers), and close to family and friends (72 percent of Millennial and 66 percent of Generation X, compared with 63 percent of Baby Boomer and 59 percent of Silent Generation buyers).

## Living Close to Family, Friends Is a Requirement for Some

Looking for a home close to family and friends is also more of a requirement for different ethnic groups: Hispanic/Latino (29 percent) and Caucasian/white (28 percent) buyers are more likely to require being close to family and friends (compared with 17 percent of African-American/black and 18 percent of Asian/Pacific Islander buyers).

## Proximity to Work a Requirement for Many

Nearly half (45 percent) of buyers want to be close to public transportation, and almost 7 in 10 (69 percent) require or desire proximity to work. This is especially true among younger generations and those living in larger cities, where traffic is likely heavier and public transportation is a key part of a commute. Specifically, 33 percent of urban buyers require their home to be close to work (compared with 28 percent of suburban and 21 percent of rural buyers), and 31 percent look for a home close to public transportation (in contrast to 13 percent of suburban and 10 percent of rural buyers).

Because many Millennials buy in urban areas, it follows that they are also the most likely to not only desire easy access to public transportation, but to list it as a requirement (24 percent, compared with 18 percent of total buyers).

Being close to mass transit is seen as a requirement more often by Hispanic/Latino (26 percent) and African-American/black (25 percent) buyers than Asian/Pacific Islander (17 percent) or Caucasian/white (16 percent) buyers. This could be due to these two groups' increased likelihood to buy in urban areas, where transit is prevalent. Hispanic/Latino buyers purchase in urban areas at 47 percent, African-American/black buyers at 43 percent, and Asian/Pacific Islander buyers at 38 percent, compared with just 28 percent of Caucasian/white buyers.

## Younger Buyers Seek Out Schools

It's no surprise that more than a third of Generation X and Millennial buyers require that their home be in their preferred school district (36 percent and 34 percent, respectively), since these two groups are the most likely to have children in the household. Fifty-seven percent of buyers under the age of 53 have children under the age of 18 at home, compared with 13 percent of buyers over the age of 53. For comparison, just 16 percent of Baby Boomer and 6 percent of Silent Generation buyers require that their home is located in their preferred school district.

## Safety Is Key for Suburbanites

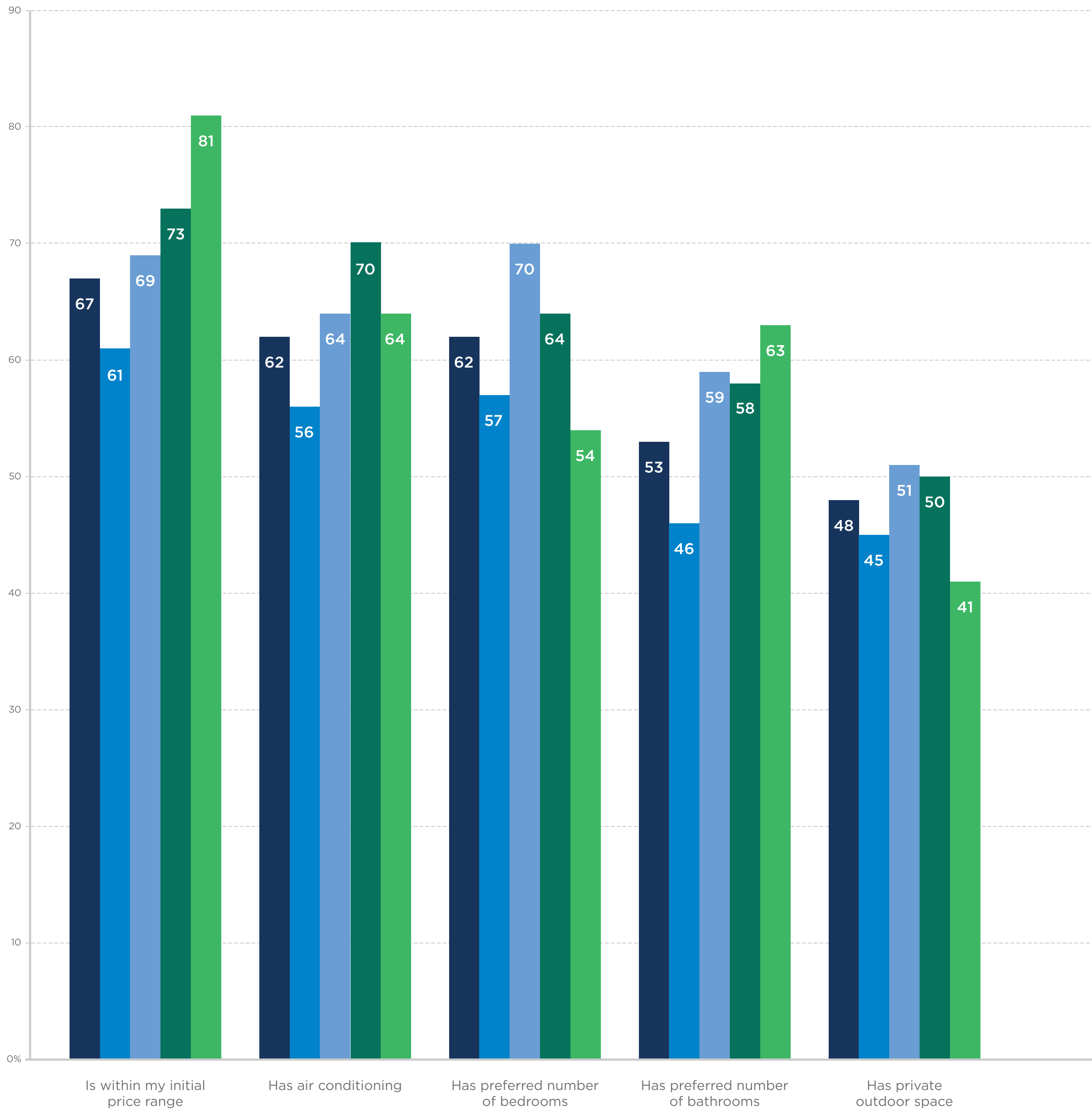
Being in a safe neighborhood is a priority for almost all buyers, regardless of whether they live in an urban, suburban or rural area. Suburban buyers, however, are more concerned with safety than their urban and rural counterparts (78 percent require this characteristic, compared with 59 percent of urban buyers and 70 percent of rural buyers).

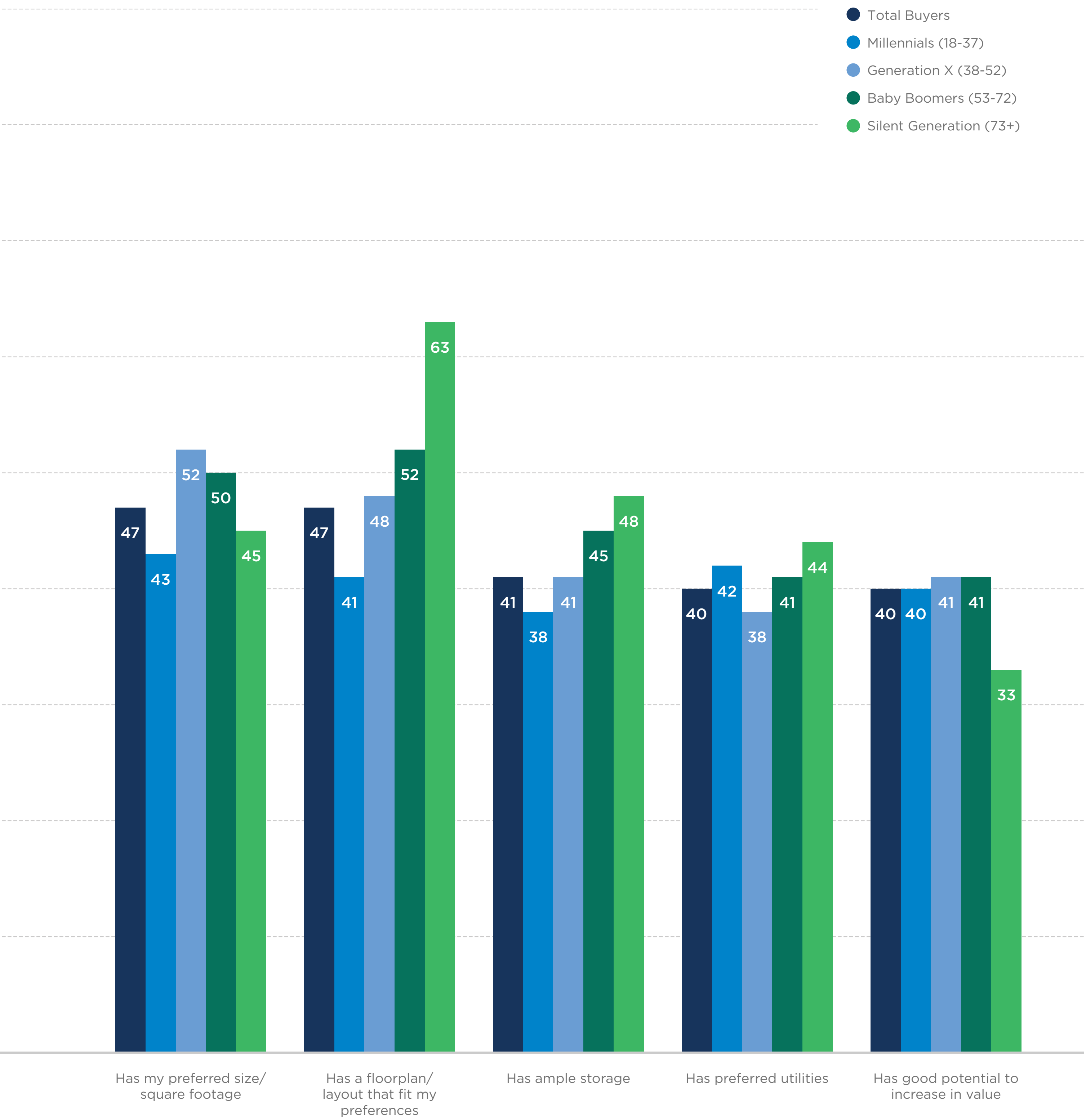
Unsurprisingly, a safe neighborhood becomes even more critical when children are involved. Seventy-four percent of households with children indicate safety as a requirement, versus 68 percent of households without kids.

"Nearly half (45 percent) of buyers want to be close to public transportation, and almost 7 in 10 (69 percent) require or desire proximity to work."

## B-5: REQUIRED HOME CHARACTERISTICS

Purchased home in past 12 months.




Total Buyers
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
47
43
52
50
45
47
41
48
52
63
41
38
41
45
48
40
42
38
41
44
40
40
41
41
33
Has my preferred size/ square footage
Has a floorplan/ layout that fit my preferences
Has ample storage
Has preferred utilities
Has good potential to increase in value

## Over Half Consider New Construction Homes

Over half (52 percent) of buyers consider new construction homes. Buyers are drawn to new homes because of their desirable location (43 percent), appealing features (39 percent), and the fact that everything in the home is new (35 percent). Higher-income buyers are most likely to consider purchasing newly built homes (65 percent of buyers earning $100,000 or more annually consider them, vs. 45 percent of buyers earning less than $100,000 a year).

## Many Consider Distressed, Non-Traditional Homes

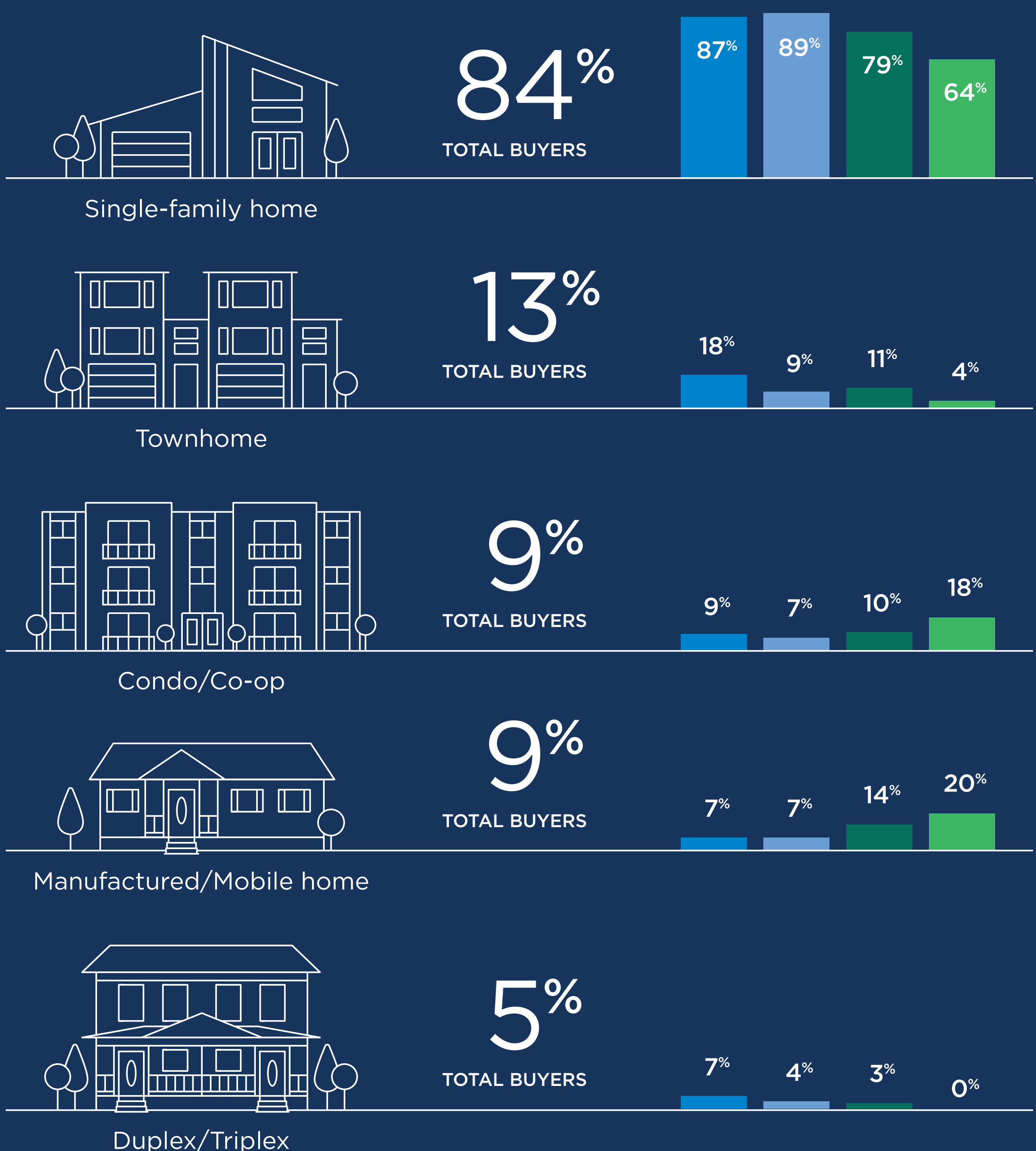
As buyers attempt to balance their desires against their budget, some look outside traditional for-sale homes and consider distressed or non-traditional home purchases as another option. Thirty-six percent of buyers consider a foreclosure, 34 percent consider a short-sale home, 22 percent consider buying a home at an auction and 27 percent look at buying a lot/land with no existing home on-site.

Buyers in the Northeast and West are significantly more likely to consider buying a home at auction (27 percent in each region, compared with 22 percent of total buyers). This is likely due to low for-sale inventory in Northeastern and Western urban areas. Buyers in these highly competitive areas are understandably looking at alternative methods for finding something they can afford in the area where they want to live.

Buyers drawn to non-traditional home sales for the short-term savings on list price often end up spending more on repairs. While fixer-upper homes generally list for 8 percent less than market value, the money saved on the home purchase doesn't go far. That 8 percent—or roughly $11,000 saved—generally won't be enough to make the repairs needed on the home, especially if they're anything more than cosmetic.[25]

## B-6: TYPES OF HOMES CONSIDERED

Purchased home in past 12 months.



# THE HOME-SEARCH PROCESS

Buyers spend just over four months (4.3) on average searching for their new home. Forty-four percent of buyers spend less than three months searching for a home, 28 percent spend three to six months searching, 20 percent spend seven to 12 months, and 8 percent take longer than a year to find their home.

The average Silent Generation buyer spends more time than the average buyer from any other generation searching for a home, averaging a 5.6-month search. The pace quickens for younger buyers: Baby Boomers spend 4.7 months searching, followed by Generation X (4.4 months) and Millennials (3.9 months). Almost half (47 percent) of Millennial buyers spend less than three months searching, contrasting with 20 percent of the Silent Generation who spend longer than a year.

## Most Shop Together

The search for a home is widely a shared role, with 81 percent of buyers searching with someone else. Seventy percent of buyers share home-shopping duties with their spouse or partner, while 21 percent include their children in the process, and 7 percent search with a friend, colleague or roommate. Only 18 percent of buyers search on their own.

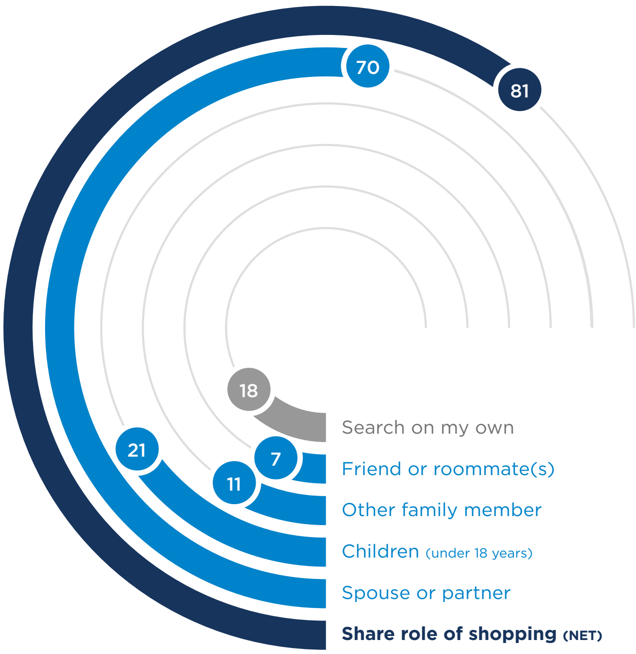
## Online Resources and Agents Remain Critical

In an increasingly digital age, buyers continue to demand the guidance of an agent. Online searching has not replaced the use of an industry professional, and most buyers use online tools as a complement to their partnership with an agent. Seventy-nine percent of buyers shop online, and 74 percent of them work with an agent. Not only are a majority of buyers using agents, but those who do partner with a professional are more satisfied with the process than people who shop on their own (74 percent of those using an agent report satisfaction with the process, compared with 67 percent for those who did not use an agent).

Tech-savvy Millennials turn to online resources to help them buy a home more than any other generation. Use of online resources is still high for other generations, but it steadily decreases as buyers age (88 percent of Millennial buyers use online resources, compared with 79 percent of Generation X, 70 percent of Baby Boomer, and only 51 percent of Silent Generation buyers).

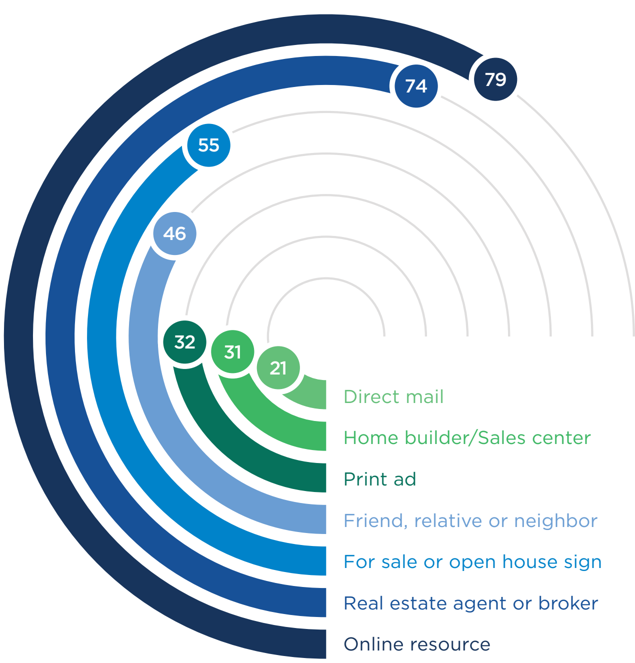
## B-7: CO-SHOPPING

Purchased home in past 12 months.




## B-8: RESOURCES USED TO SEARCH

Purchased home in past 12 months.




## Buyers Want to See Homes in Person

Even with online resources at a buyer's fingertips and an agent serving as the guide, finding a home takes a lot of time and work. On average, buyers take four private tours of homes, attend two open houses, make two offers, and have one home inspection conducted.

When searching for a home, buyers everywhere and in all demographic groups value seeing it in person to help them decide if a home is right for them. This includes both taking a private tour (78 percent) and attending an open house (43 percent).

Suburban buyers take significantly more private tours (4.7 tours on average, compared with an average of 3.4 for urban and 3.9 for rural buyers). Repeat buyers also take significantly more private tours than first-time buyers, at 4.6 homes compared to 3.5 homes, respectively.

## Younger Buyers Want More Visuals

Younger buyers, particularly Millennials, place more importance on different ways of seeing the home than older buyers—especially when it comes to photos and virtual tours. They prioritize seeing professional photos (58 percent of Millennial buyers say professional pictures are important in their decision, compared with 48 percent of Generation X, 37 percent of Baby Boomer and 18 percent of Silent Generation buyers) and taking a live virtual tour of the home (45 percent of Millennial buyers cite a live virtual tour as important, compared with 35 percent of Generation X, 28 percent of Baby Boomer and 18 percent of Silent Generation buyers) in particular.

## Most Buyers Don't Care About Home Staging

Home staging, an offering provided by many agents, is not particularly impactful to most buyers when deciding if a home is right for them (only 28 percent consider it to be an important factor). The exception to this is Millennials: Forty-one percent of Millennial buyers feel having the home staged is important in helping them decide whether to purchase the home (compared with 26 percent of Generation X, 13 percent of Baby Boomer and 6 percent of Silent Generation buyers).

# THE BUYER-AGENT PARTNERSHIP

Across all generations and demographics, the majority of buyers (74 percent) are working with a real estate agent when buying a home. Agents play an integral role in the home-buying process for nearly everyone, regardless of location, age, income or whether the buyer is purchasing a home for the first time. Especially in some of the increasingly fast-paced and competitive housing markets, buyers view agents as trusted advisers who help guide them through the buying process (82 percent of buyers working with an agent value this) and take the lead on contract negotiations (82 percent of buyers working with an agent report this as a benefit).

Buying is complex, and many buyers also value an agent's counsel with legal advice (valued by 76 percent of buyers who work with agents), as well as an agent's insight as they literally walk with buyers through each room on private home tours (82 percent of buyers who use an agent value this service).

Buyers with higher incomes and those in suburban areas are even more likely to rely on an agent. Seventy-nine percent of suburban buyers use an agent, compared with 72 percent of urban and 65 percent of rural buyers. And whereas only 57 percent of buyers with incomes under $25,000 use an agent when buying, 79 percent of those with incomes above $100,000 work with an agent at some point during the process of buying their home.

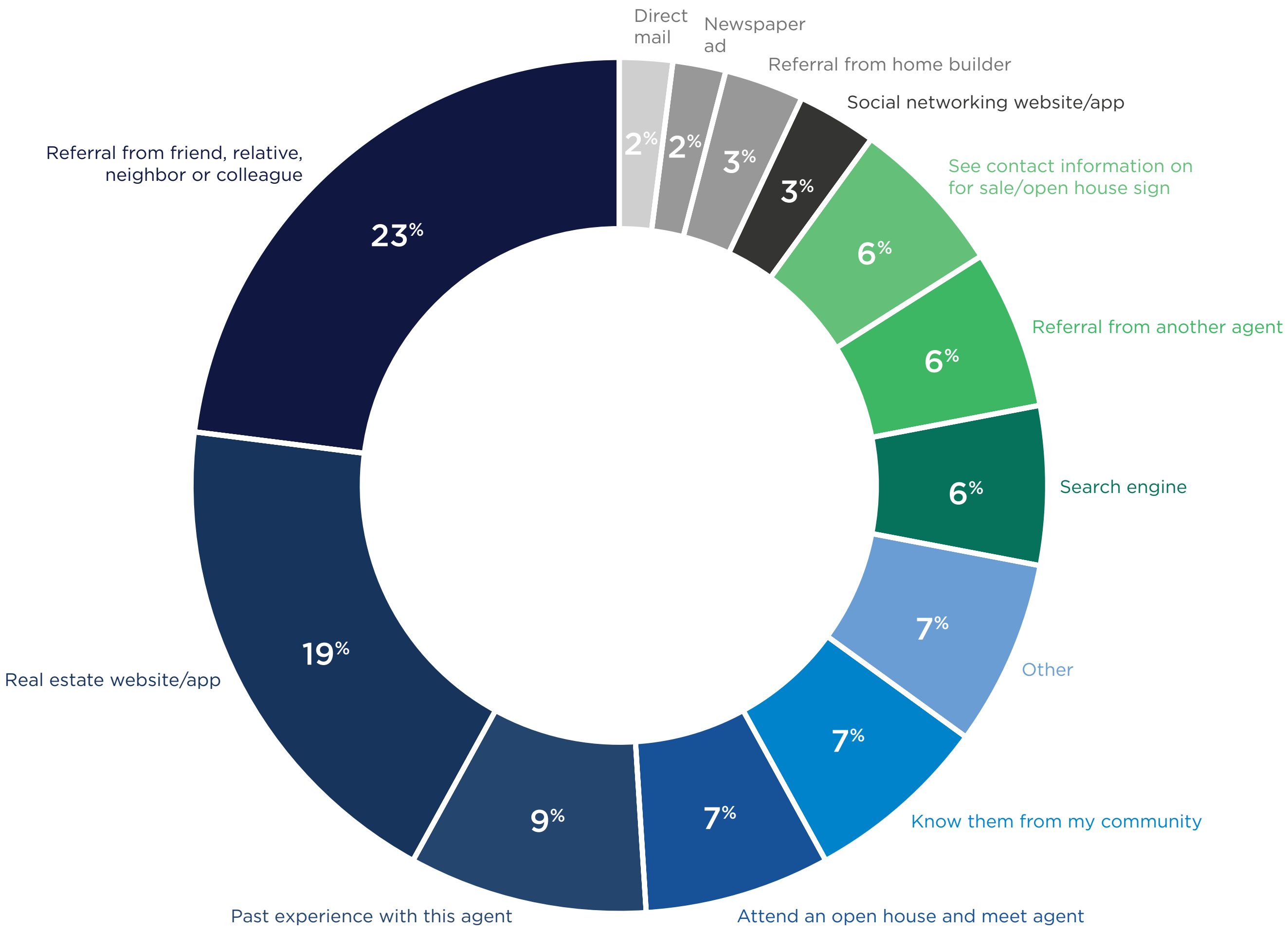
## How Many Agents Do Buyers Consider?

In the run-up to a home purchase, buyers who use an agent consider, on average, two agents. Over half (53 percent) of buyers who use an agent reach out to only one agent, 26 percent contact two agents, and 21 percent contact three or more agents.

The number of agents contacted varies based on age and location. Millennials and Generation X buyers who collaborate with a real estate professional are significantly more likely to consider multiple agents, with 54 percent of Millennial and 48 percent of Generation X buyers considering more than one agent, compared with 36 percent of Baby Boomers and 34 percent of Silent Generation buyers. Similarly, over half (51 percent) of first-time buyers who use an agent—many of them Millennials—consider multiple agents, compared with 44 percent of repeat buyers. This speaks to Millennials' and first-time buyers' overarching tendency to research all aspects of the home-shopping process.

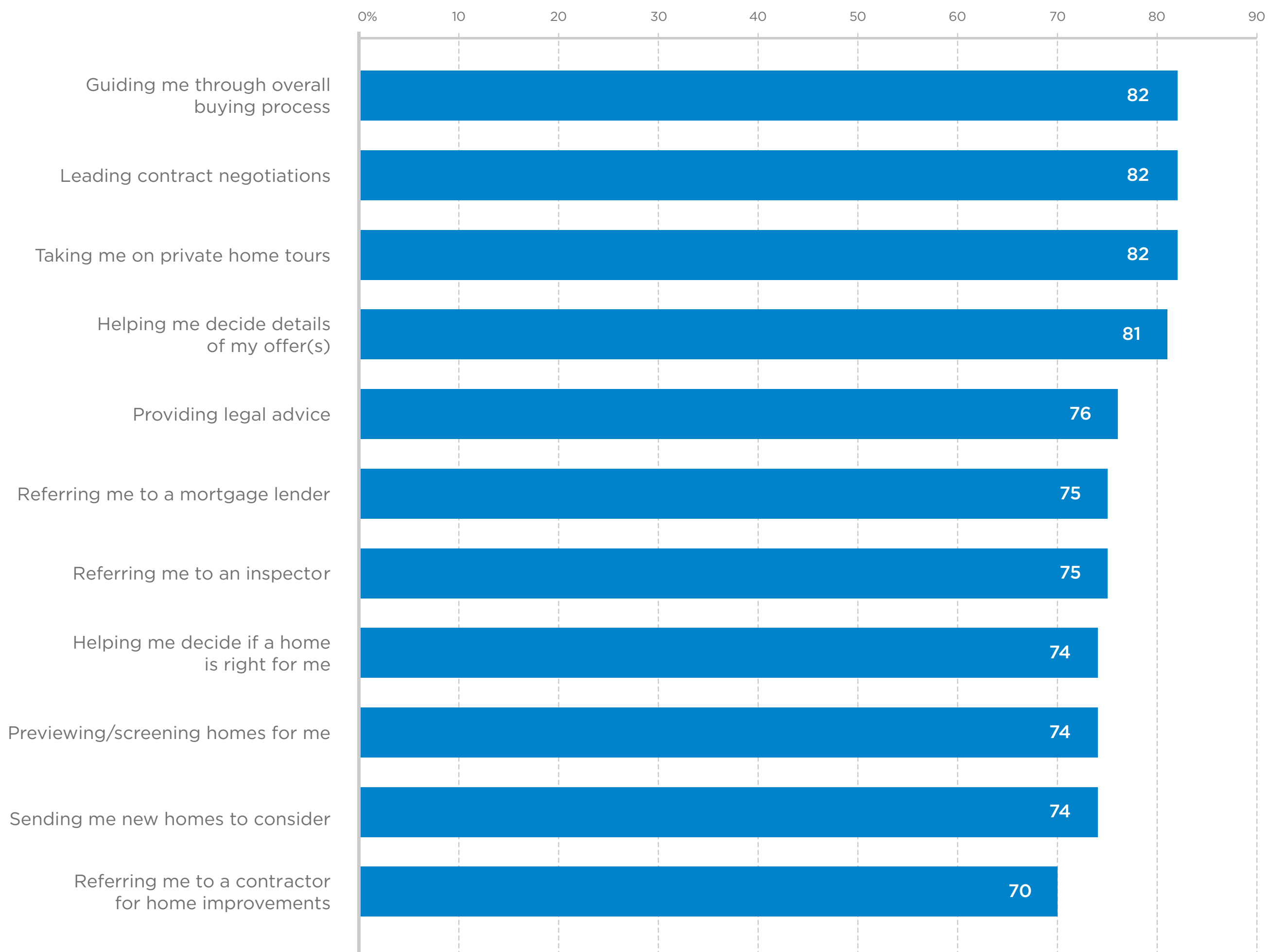
## B-9: HOW BUYERS FIND THEIR AGENT

Purchased home in past 12 months and used an agent.



## B-10: VALUE OF SERVICES PROVIDED BY AGENT

Purchased home in past 12 months and used an agent.




The majority of urban buyers who had help from a real estate professional also reached out to multiple agents (56 percent), compared with 43 percent of both suburban and rural buyers. The competitive and high-pressure markets in some urban areas could prompt buyers to expect more from their agents, leading them to do more research before finding the right industry partner.

### How Buyers Evaluate Potential Agents

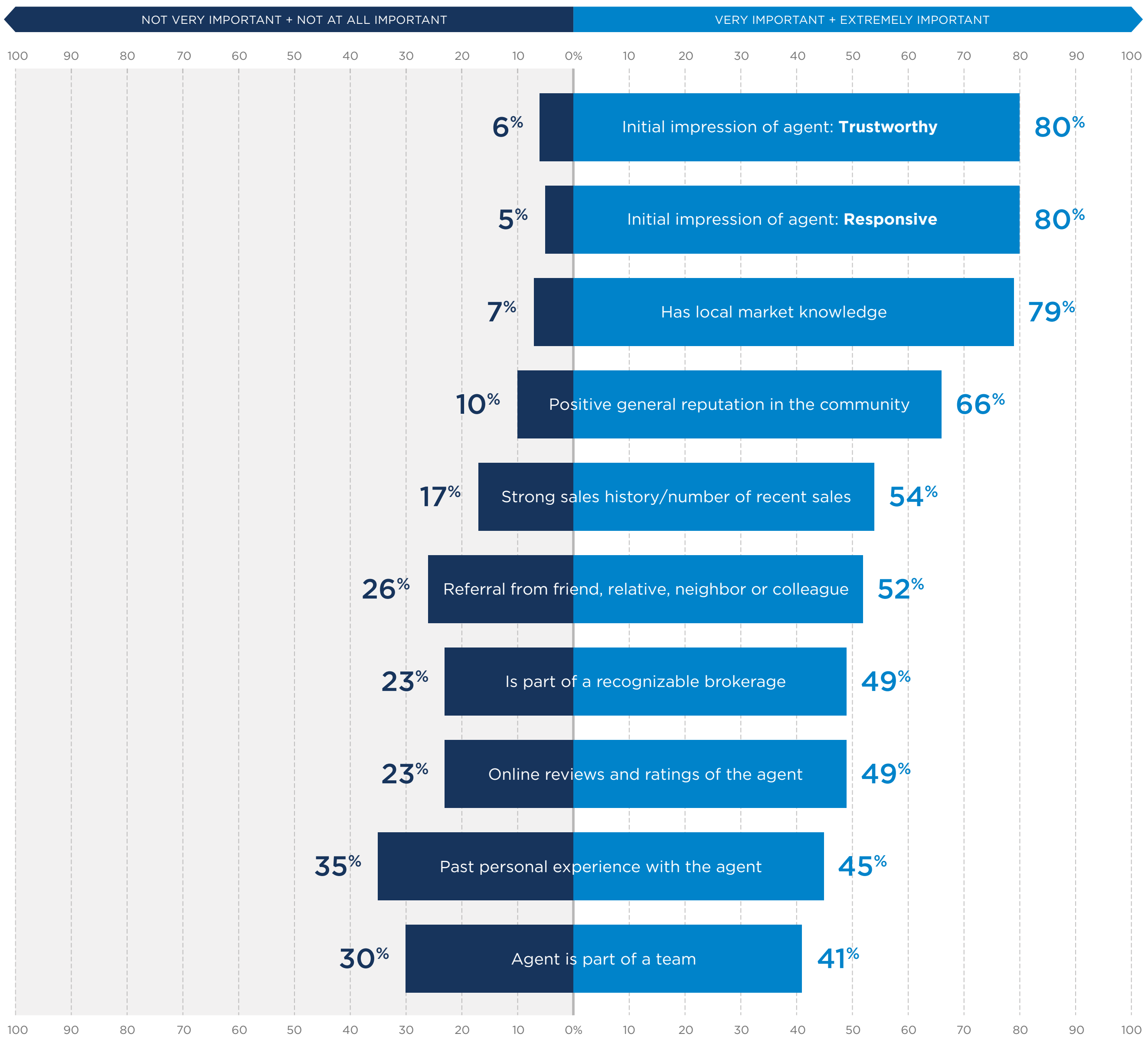
Buyers generally want to be as informed as possible before they decide to work with a particular agent, looking to multiple sources to determine whether an agent is right for them. Over half (51 percent) ask a friend or family member about their experience with the agent, another half (51 percent) visit the agent's brokerage website, and 48 percent read online reviews of the agent to evaluate them. Forty-one percent look up the agent's past sales history, and 41 percent also interview the agent(s).

### How Buyers Decide Which Agent to Work With

Buyers have a list of characteristics they use to determine which agent to work with, but when it comes down to it, first impressions carry the most weight. Eighty percent of buyers find their initial impression of the agent's trustworthiness and responsiveness to be important in their decision (these characteristics tie as the No. 1 most important factor for buyers). Buyers also list local market knowledge of the agent

## B-11: IMPORTANCE OF AGENT CHARACTERISTICS

Purchased home in past 12 months and used an agent.




(79 percent) and their positive general reputation in the community (66 percent) as ways they evaluate an agent.

A little over half of buyers also use an agent's sales history (54 percent), as well as a personal referral (52 percent), to make a decision. Finally, a little under half of buyers also feel that their agent being part of a recognizable brokerage (49 percent) and reading online reviews and ratings (49 percent) helps them in choosing an agent.

First-time buyers place more importance on reputation signals than repeat buyers. When it comes to deciding which agent to actually work with, they are more likely to place importance on online reviews of an agent (54 percent, compared with 45 percent of repeat buyers), an agent's positive general reputation in the community (69 percent, compared with 65 percent of repeat buyers), and a referral (55 percent, compared with 49 percent of repeat buyers).

## High Expectations for Agent Response Times

Buyers want responsive agents who offer quick communication. The majority (81 percent) expect a response to their initial communication with the agent within a day or less, with 30 percent expecting a response within a few hours and 13 percent in less than an hour.

Home shoppers who use online resources to help them buy a home have even higher expectations for rapid responses from agents. Almost half (45 percent) of buyers who use online resources expect a response within a few hours or less, compared with 35 percent who do not use online resources.

Agents clearly know their clients demand a fast response. On average, 88 percent of buyers indicate the agent(s) they contact respond in a timely manner.

## Phone Calls Are Still No. 1

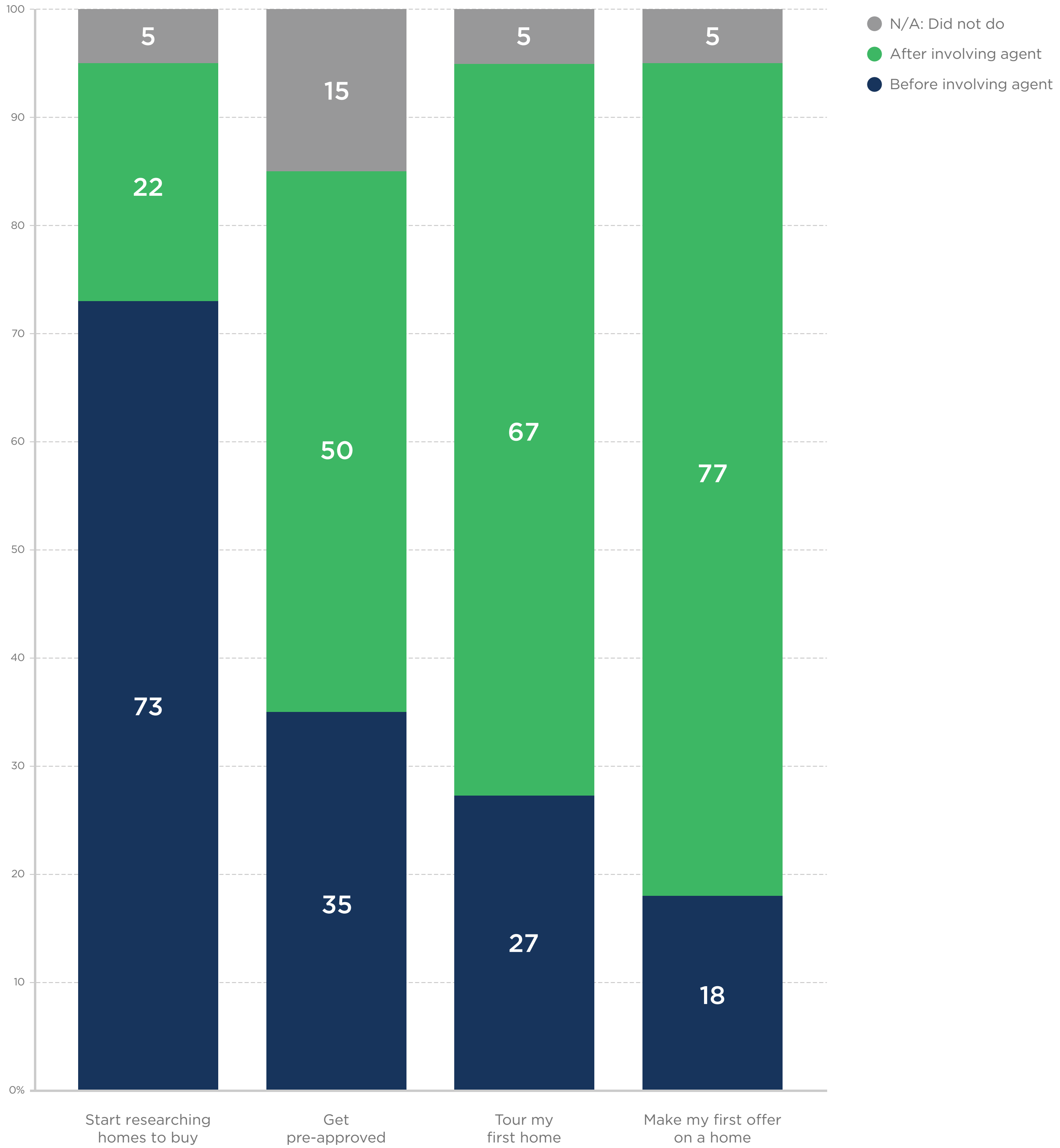
More than half of buyers prefer non-digital communication with their agent. Phone is the most preferred means of communication (30 percent), followed by meeting in person (26 percent). Other buyers prefer digital communication, including emails (21 percent), texts (19 percent) and virtual interaction (4 percent).

Contrary to the internet-obsessed Millennial stereotype, Millennial buyers also prefer phone calls (29 percent) and meeting in person (26 percent) over electronic forms of communication (20 percent prefer texts, 18 percent prefer emails and 7 percent prefer virtual interaction). Generation X buyers are also likely to prefer texting (25 percent of Generation X buyers do), but, like Millennials, still prefer phone calls more than other forms of communication (30 percent of Generation X buyers prefer phone calls, 21 percent prefer emails, 21 percent prefer in-person conversations and 3 percent prefer virtual interaction).

Silent Generation buyers generally follow the same preferences as Millennials, despite the wide age gap between the two generations, but are far less open to texting (only 6 percent), and none of them prefer virtual interaction. Silent Generation buyers would prefer meeting in person (43 percent) over phone calls (33 percent). A quarter (25 percent) of Baby Boomers say they prefer email. But even email-inclined Boomers prefer phone calls (31 percent) or in-person talks (30 percent) more.

## B-12: WHEN BUYERS ENGAGE IN KEY ACTIVITIES

Purchased home in past 12 months and used an agent.



## Meeting the Needs of Minority Buyers

Non-white buyers are significantly more likely to face challenges finding the right home, and subsequently with financing their home purchase. Because agents are often viewed as strategic partners throughout the whole process of home shopping, there's an opportunity for agents to do more to help minority buyers and mitigate some of these challenges.

Hispanic/Latino, African-American/black and Asian/Pacific Islander buyers are more likely to have a difficult time determining the type of home—e.g., condo vs. townhouse vs. single-family home—to buy (45 percent, 43 percent and 37 percent, respectively, find this challenging, compared with 27 percent of Caucasian/white buyers). This may be one reason that these buyers value open houses significantly more than Caucasian/white buyers (60 percent of African-American/black, 56 percent of Hispanic/Latino and 54 percent of Asian/Pacific Islander buyers say they value open houses, compared with just 38 percent of Caucasian/white buyers) as a way to determine which home type is best for them.

Many minorities play a more active role in shopping for a home themselves, in a way not limited to just attending open houses. For example, non-white buyers are less likely to have their agent take the lead with respect to negotiations and offers. While 71 percent of all buyers report that their agent led contract negotiations, 59 percent of African-American/black buyers and 60 percent of Hispanic/Latino buyers report the same, perhaps indicating that they themselves are leading negotiations or relying on someone other than the agent to guide the process. Similarly, African-American/black and Hispanic/Latino buyers are less likely to receive help with offer details (66 percent and 60 percent, respectively), compared with Caucasians/whites (72 percent) and Asians/Pacific Islanders (78 percent).

When they do get help from an agent, however, minority buyers find a lot of value in their services. Many find their real estate professional's evaluation of the home very valuable, particularly African-American/black and Hispanic/Latino buyers (62 percent and 56 percent, respectively, compared with 50 percent of all buyers). In fact, African-American/black buyers really value their agent's ability to guide them through the overall process of buying (90 percent, compared with 82 percent of all buyers).

Other ways that minority buyers are looking for support is in regards to financing options. Many minority buyers struggle to connect with the right mortgage lender (38 percent of African-American/black and 37 percent each of Asian/Pacific Islander and Hispanic/Latino buyers, compared with 28 percent of Caucasian/white buyers). Hispanic/Latino and African-American/black buyers are also significantly more likely to wish they had chosen a different way to finance their home (22 percent and 14 percent, respectively, compared with 10 percent of Caucasian/white and 9 percent of Asian/Pacific Islander buyers).

"Non-white buyers are significantly more likely to face challenges finding the right home, and subsequently with financing their home purchase."

# THE HOMES BUYERS PURCHASE

The typical home purchased is a 3-bedroom, 2.5-bathroom house with 1,800 square feet and a price tag of $200,000. Four in five buyers (80 percent) purchase a single-family home. The remaining 20 percent of buyers purchase another type of home, with townhouses and manufactured/mobile homes as the next two leading home types (7 percent each). Only 5 percent of buyers purchase a condo or co-op, and 2 percent buy a duplex or triplex.

Millennials are more likely than older generations to purchase townhouses (9 percent), compared with Generation X (4 percent), Baby Boomers (5 percent) and the Silent Generation (4 percent), while the Silent Generation is most likely to purchase condos/co-ops or manufactured/mobile homes (16 percent and 20 percent, respectively), compared with all buyers (5 percent and 7 percent, respectively). This could be attributed to older buyers moving to retirement communities and/or smaller homes that require less upkeep.

While a 3-bedroom is the gold standard for homes purchased across all generations, incomes and locations, the footprint of the home changes as the buyer ages. Generation X buyers purchase the largest homes, with a median square footage of 2,000, and Silent Generation buyers select the smallest homes, with a median of 1,450 square feet. Millennials and Baby Boomer buyers tend to purchase similar-size homes, at 1,800 square feet.

Like all buyers, the majority of rural home buyers purchase single-family homes (82 percent). However, rural buyers are more likely than any other group to purchase manufactured/mobile homes (15 percent, compared with 7 percent of all buyers). This is due, in part, to the increased availability of manufactured and mobile homes in rural communities, relative to urban and suburban locales.[26]

## Square Footage Is a Key Driver of Purchase

The typical buyer is upgrading—both in size (usually by 200 square feet) and in price (typically by $5,000).

Size also increases with income. For those earning less than $25,000, the median home purchased was 1,300 square feet, while those earning $150,000 or more purchased a home with a median square footage of 2,300.

## New Homes Most Popular in West

A little over 1 in 10 (11 percent) of all annual home sales nationwide are new homes.[27] Buyers who are purchasing newly built homes are almost always buying a single-family home (86 percent). Repeat buyers account for 67 percent of new construction purchases but only 56 percent of existing home purchases, and these newly built homes are larger (a median of 2,200 square feet) than existing homes (a median of 1,792 square feet).

And while 32 percent of new home buyers choose a newly-built home because they believe it is the best value for the money, new home buyers are more likely to go over their initial budget (36 percent) than those who purchased existing homes (28 percent). This is perhaps due to the additional opportunities to customize a new home, which can add costs.

New home buyers are more likely to require that their home be in their preferred neighborhood (48 percent) than buyers of existing homes (37 percent). And, most of the time (70 percent), new home buyers are moving into a community with 10 or more brand-new homes.

Buyers in the West are most likely to consider new homes (59 percent), perhaps due to the large share of new homes being built in the West. According to the U.S. Census Bureau, 27 percent of all new homes sold in July 2017 were in the West, up from 24 percent a year prior.[28]

"The majority (57 percent) of buyers purchase a house within the same city, including 17 percent who don't even leave their neighborhood."

## Majority of Buyers Stay Close to Home

Buying a home doesn't usually equate to a big move. The majority (57 percent) of buyers purchase a house within the same city, including 17 percent who don't even leave their neighborhood. A smaller portion of buyers find a home in a different city in the same state (29 percent), 13 percent move to a different state entirely, and only 2 percent move outside the country.

The younger generations are more likely than older generations to purchase a new home within the same city or neighborhood. Sixty-two percent of Millennial and 60 percent of Generation X buyers purchase a home within the same city or neighborhood, compared with only 45 percent of Baby Boomer and 41 percent of Silent Generation buyers. Baby Boomers are most likely to purchase a home and move out of state (24 percent), likely due to many older buyers seeking homes close to extended family or flocking to warmer climates for retirement.[29]

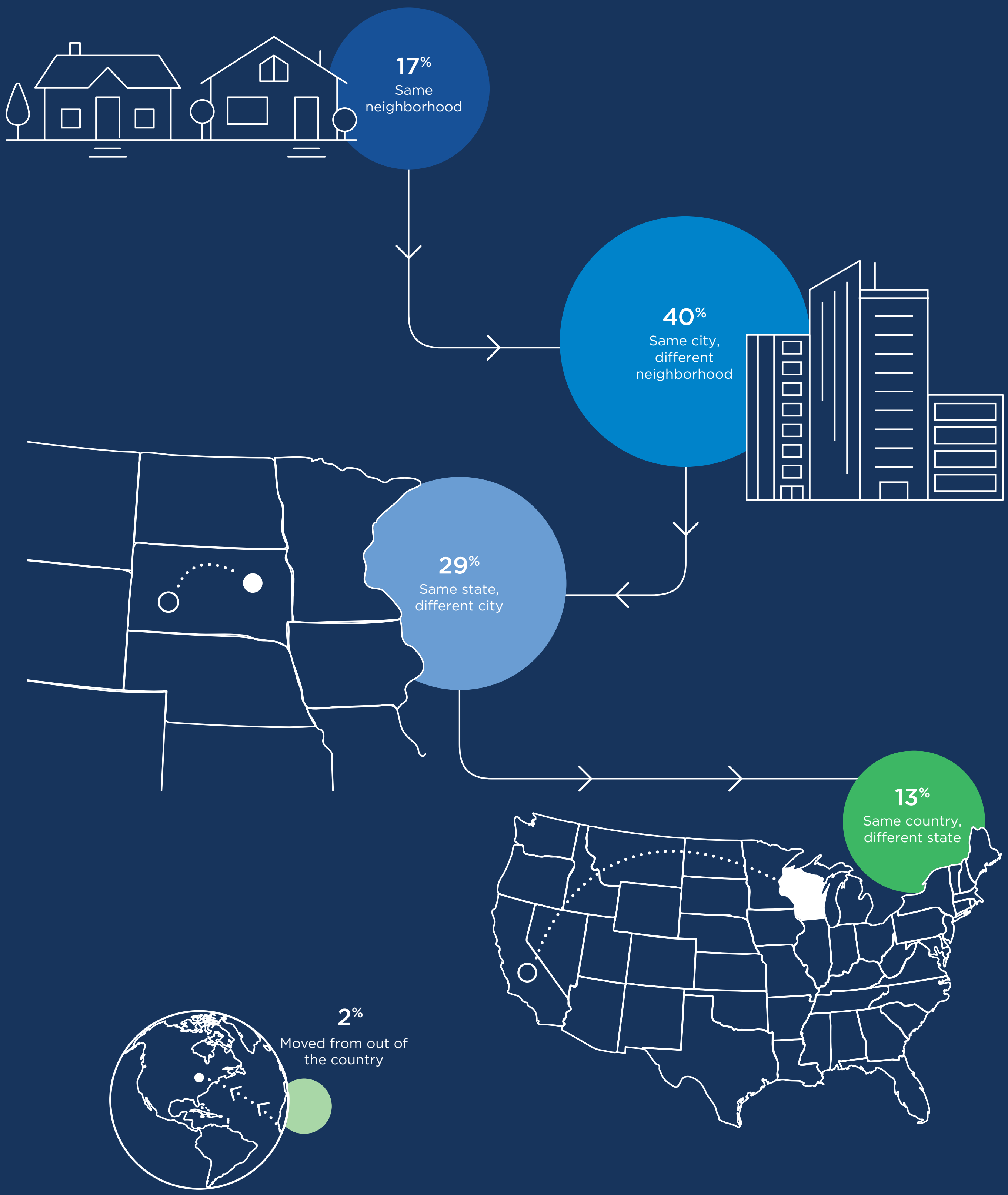
Buyers who live in urban areas are more likely to remain in the same city or neighborhood as well, with 73 percent of urban buyers staying close, compared with 52 percent of suburban and 42 percent of rural buyers.

### B-13: TYPICAL HOME PURCHASED

| 3 | 2.5 | 1,800 | $200,000 |
| --- | --- | --- | --- |
| BEDS | BATHS | SQ. FEET | PURCHASE PRICE |

## B-14: DISTANCE BUYERS MOVED

Purchased home in past 12 months.



## Suburbs Remain Most Popular Destination

Americans have traditionally placed a lot of value on the perks of suburban life, and likely will continue to do so. Almost half of buyers (49 percent) purchase a home in a suburban location. The remaining buyers buy in urban locations (31 percent) and rural areas (19 percent). The suburbs are likely attracting more buyers simply because suburban areas offer larger homes, yet still provide many of the location benefits of an urban area, like proximity to jobs, recreation or services.

The suburbs are even more popular among Silent Generation buyers (59 percent) and Baby Boomers (56 percent). Urban areas find favor among Millennial buyers (43 percent), while Generation X buyers tend to mirror the average home buyer in terms of whether they choose a home in an urban, suburban or rural locale.

## Yet, Some Families Are Choosing to Stay in Cities

The suburbs are a preferred locale for a majority of those households with children buying a home. However, a number of parents are choosing to stay in the city. Over a third (37 percent) of buyers nationwide with kids in the household purchase homes in urban areas, compared with only 27 percent of buyers without kids. This trend is even more pronounced in the West, where more than half (52 percent) of buyers with kids in the household purchase a home in an urban area—the only region to display this trend. In general, buyers without children at home are significantly more likely to buy a home in the suburbs (52 percent) than those with kids (45 percent).

## Typical Monthly Mortgage Is Less Than Monthly Rent

When transitioning from renter to homeowner, the typical buyer adds one bedroom and 400 square feet to their home. The monetary gap between renting and owning is so substantial that, assuming a typical monthly mortgage payment and a 20 percent down payment, the average renter could purchase this larger home and still pay $330 less per month on their mortgage alone (principal and interest) than if they were renting.

However, homeowners have to account for homeowners insurance, mortgage insurance (if applicable), the added costs of utilities for a larger home, HOA fees (if applicable) and property taxes, among other costs. Based on a recent Zillow analysis, these could easily add up to more than just the $330 in mortgage savings per month.[30] Despite these costs, if a buyer can overcome the hurdle of the initial down payment, in some regions, the monthly mortgage payment could pencil out as more affordable overall than monthly rent.

## 1 in 3 Millennial Buyers Go Over Budget

While the majority of buyers (58 percent) stay within their budget, and 13 percent spend less than initially planned, nearly 1 in 3 (29 percent) spend more than originally intended, and no one is going over budget more than Millennial buyers.

Over one-third (37 percent) of Millennial buyers go over budget, compared with 27 percent of Generation X buyers, 19 percent of Baby Boomers and 25 percent of the Silent Generation.

Perhaps due to their inexperience, first-time buyers (many who are Millennials) are more likely to exceed their budget (32 percent) than repeat buyers (27 percent).

## Location's the Budget-Buster

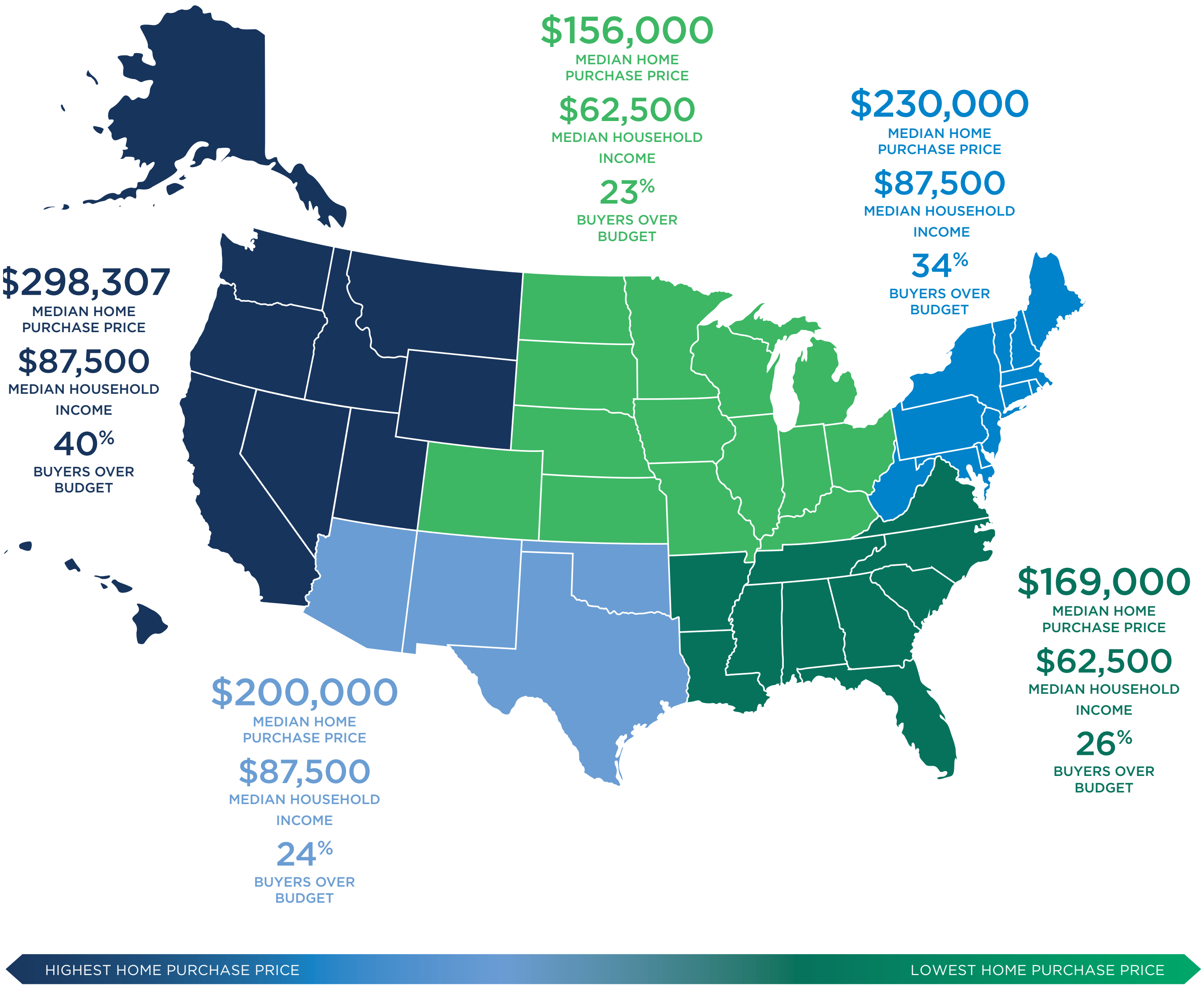
Urban buyers are significantly more likely to go over budget (42 percent) than suburban (25 percent) or rural (20 percent) buyers. Suburban buyers are more likely to stay within their initial budget (63 percent of suburban buyers keep to their budget, compared with 50 percent of urban and 59 percent of rural buyers), while rural buyers are most likely to come in lower than they initially planned (22 percent of rural buyers spend less than planned, compared with 7 percent of urban and 13 percent of suburban buyers).

Some of the major markets in the West and Northeast are very competitive, and buyers are faced with limited inventory, occasional bidding wars, and generally more expensive homes. As a result, the West and Northeast are regions where buyers are most likely to spend more than initially budgeted (40 percent and 34 percent, respectively). Ultimately, the typical buyer in the West will spend $298,307—nearly $100,000 more than the national median home value of $200,000.

"Urban buyers are significantly more likely to go over budget (42 percent) than suburban (25 percent) or rural (20 percent) buyers."

## B-15: PRICE, INCOME AND BUDGET BY REGION

Purchased home in past 12 months.




| | WEST | NORTHEAST | SOUTHWEST | SOUTHEAST | MIDWEST |
|---|---|---|---|---|---|
| MEDIAN HOME PURCHASE PRICE | $298,307 | $230,000 | $200,000 | $169,000 | $156,000 |
| MEDIAN HOUSEHOLD INCOME | $87,500 | $87,500 | $87,500 | $62,500 | $62,500 |
| BUYERS OVER BUDGET | 40% | 34% | 24% | 26% | 23% |

# MONEY & FINANCING

Financing is the biggest perceived hurdle to buying a home; in another recent Zillow survey, 68 percent of renters cited saving for a down payment as the biggest hurdle to buying a home.[31] Money is understandably top of mind for buyers, whether first-time or repeat, and most buyers (76 percent) say they obtain a mortgage to finance their new home.

## Who Pays Cash?

Cash buyers are primarily those at either extreme of the income spectrum. Specifically, just over half of those making less than $25,000 pay for their home in full (51 percent), followed by 28 percent of buyers making between $25,000 and $50,000.

At the other end of the income bracket, 23 percent of buyers earning $150,000 or more pay in cash, compared with just 17 percent of buyers who earn between $50,000 and $150,000. While low-income buyers are likely either in retirement (living on a restricted income but using the proceeds from the sale of a previous home) or credit-constrained (have difficulty getting a mortgage), high-income urban and suburban buyers sometimes pay cash to be competitive, especially in tighter markets.

Regionally, rural buyers are more likely to pay for their home outright (33 percent of rural buyers purchase their home with cash, compared with 22 percent each of urban and suburban buyers).

## Who Gets a Mortgage?

Generation X and Millennial buyers are the most likely to obtain a mortgage, at 84 percent and 80 percent, respectively. Still, over two-thirds of Baby Boomer buyers finance their home purchase with a mortgage (65 percent), but less than half of Silent Generation buyers do (46 percent).

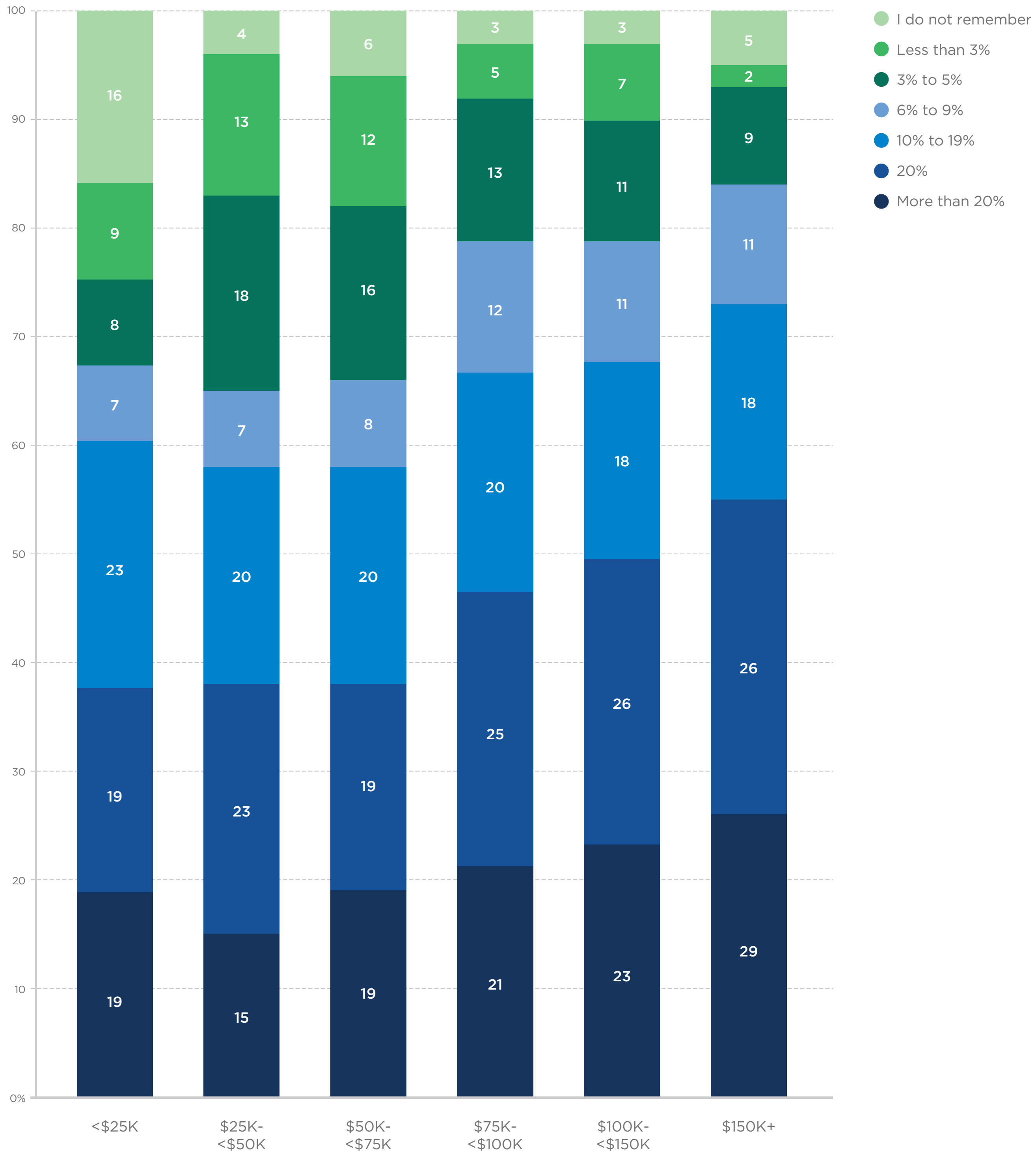
Where buyers live also plays a role in whether they buy in cash or get a mortgage. Seventy-eight percent of both urban and suburban buyers get a mortgage, compared with 67 percent of rural buyers. Urban and suburban homes, however, are generally more expensive than rural homes, and financing may be required to help make ends meet.

## Pre-Approval Is Key to Financing, Major Barrier Without It

Nearly 4 in 5 buyers (79 percent) apply and are accepted for pre-approval. However, 19 percent never apply for pre-approval, and 3 percent apply for pre-approval but are not

## B-16: DOWN PAYMENT PERCENTAGE BY HOUSEHOLD INCOME

Purchased home in past 12 months and obtained a mortgage.



“Despite common beliefs, a 20 percent down payment is not a requirement for homeownership.”

accepted. Overall, 92 percent of buyers who finance their home with a mortgage get pre-approved first.

Buyers who use an agent are more likely to obtain pre-approval than those who do not work with an agent (83 percent, compared with 67 percent), indicating that pre-approval is either a prerequisite to securing an agent or highly recommended by their agent.

Millennial (87 percent) and Generation X (84 percent) buyers are significantly more likely to get pre-approved than Baby Boomer and Silent Generation buyers (64 percent and 46 percent, respectively).

However, over half (54 percent) of Silent Generation buyers and more than a third (36 percent) of Baby Boomer buyers don’t secure pre-approval. Older buyers may get pre-approved less frequently because they have less of a need to get a mortgage, instead purchasing their home with cash —35 percent of Baby Boomers and 54 percent of Silent Generation buyers paid for their home in full upon purchase.

Urban (84 percent) and suburban (80 percent) buyers are significantly more likely to obtain pre-approval than rural (66 percent) buyers, likely due to the fact that rural buyers, like older generations, are more likely to pay with cash. And the higher their income, the more likely they are to get pre-approved: Only 50 percent of those earning less than $25,000 obtain pre-approval, while 82 percent of those earning $150,000 or more obtain pre-approval. Just like older generation buyers, these trends may be due in part to the fact that rural buyers and lower-income buyers pay for their home outright more frequently than other buyers.

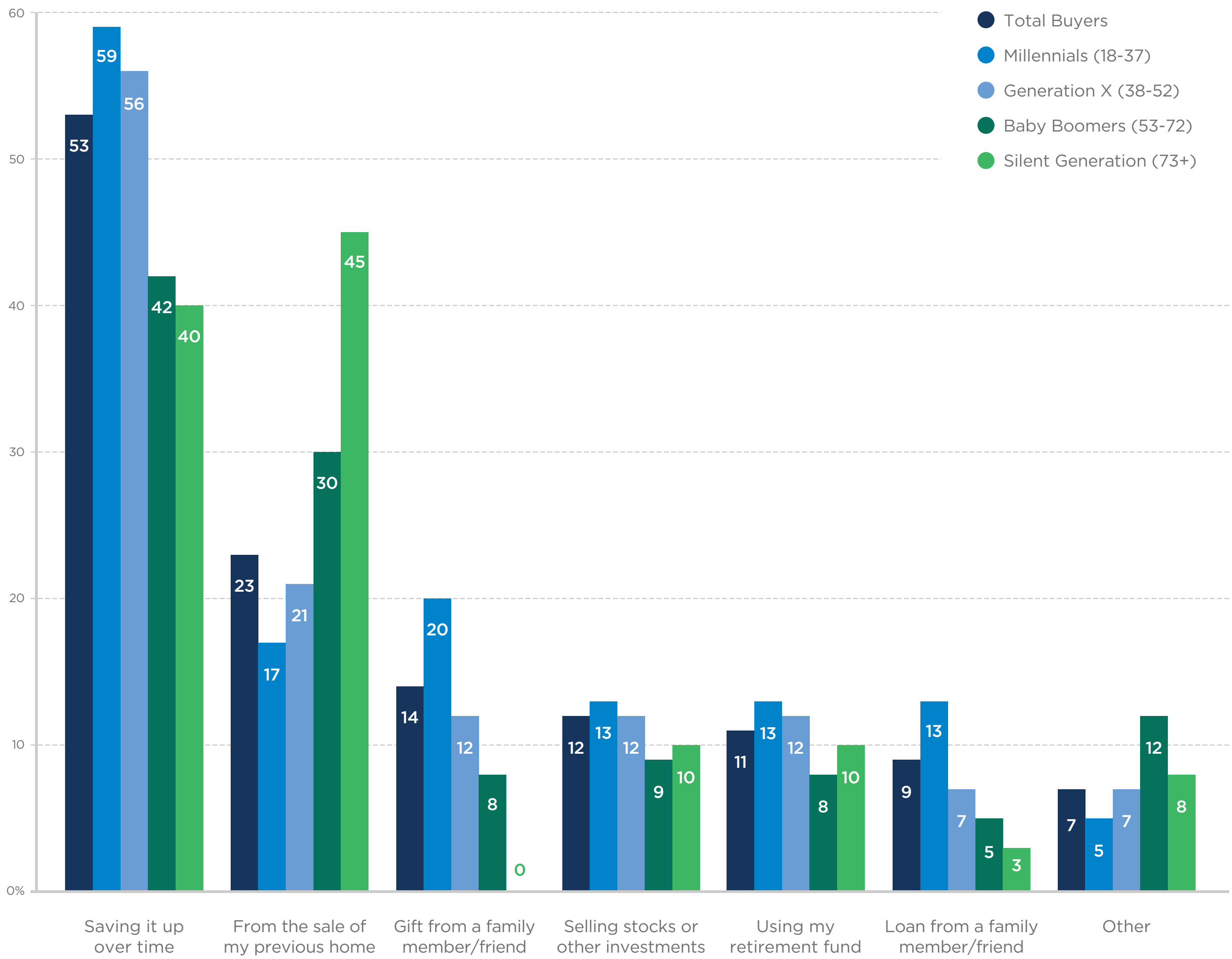
## The Myth of the 20 Percent Down Payment

Despite common beliefs, a 20 percent down payment is not a requirement for homeownership. Buyers who aren’t putting a full 20 percent down will have to pay a premium for the extra risk lenders take, most often in the form of Private Mortgage Insurance (PMI). But even with the premium, today’s low mortgage rates make it so a monthly mortgage payment is still likely to be lower than a monthly rental payment in many markets. Buying may not be as far out of reach as many think.

Only one-quarter of buyers (24 percent) pay 20 percent of their home’s purchase price upfront as a down payment,

## B-17: SOURCES USED TO PROVIDE A DOWN PAYMENT

Purchased home in past 12 months and obtained a mortgage.




with an additional 21 percent putting more than 20 percent down. Repeat buyers put more money down on their home than first-time buyers: Fifty-two percent of repeat buyers pay 20 percent or more, while only 37 percent of first-time buyers pay 20 percent or more as a down payment. First-time buyers are more likely to put down 3 to 9 percent (29 percent of first-time buyers do) than repeat buyers (17 percent).

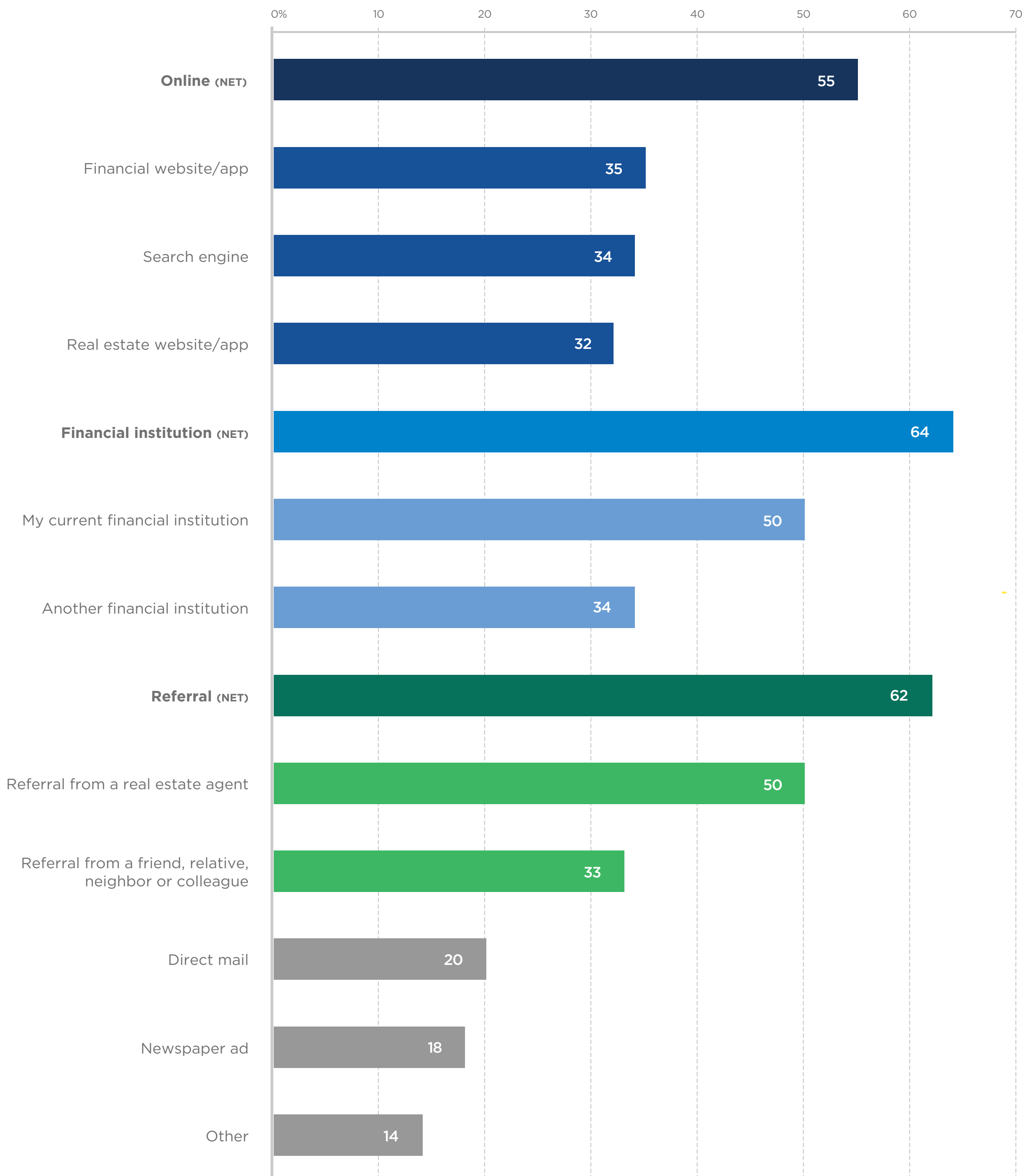
Larger down payments are also more prevalent for buyers in the West (47 percent put down 20 percent or more) and Northeast (52 percent put down 20 percent or more) because of tighter markets and the need to come to the table with a competitive offer.

### How Are Buyers Sourcing Their Down Payment?

Almost one-third (29 percent) of buyers express difficulty saving money for their down payment. But among those successful in gathering a down payment, most home buyers manage to do it the old-fashioned way—saving up over time (53 percent). Buyers are also getting creative when it comes to piecing together a down payment for a home, including 20 percent who get a gift or loan from family or friends. Nearly one-quarter (24 percent) of buyers are combining two or more sources to finance their down payment.

## B-18: RESOURCES USED FOR FINANCING

Purchased home in past 12 months and obtained a mortgage.



Buyers who experienced difficulties finding a house within their time frame and/or price range were more likely to have used multiple resources to finance their down payment than buyers who did not experience these difficulties. These trends map to the challenges faced by buyers in competitive markets; the more competitive the market, the more likely buyers are to need to leverage multiple sources to come up with a high enough down payment. They are also more likely to have a harder time staying within budget and finding a home within the desired time frame. Twenty-eight percent of buyers having price-range difficulties and 29 percent of those having time-frame difficulties used multiple sources for their down payment, compared with 20 percent of buyers who did not experience difficulties staying within budget and 21 percent of those who did not have time-frame difficulties.

Millennials, who may not have other financial assets beyond savings (such as other investments or proceeds from previous home sales), are also significantly more likely to get help from others to finance their down payment (29 percent of Millennial buyers get help from others, compared with 17 percent of Generation X, 13 percent of Baby Boomer and 3 percent of Silent Generation buyers). Baby Boomer (30 percent) and Silent Generation (45 percent) buyers are significantly more likely to use the proceeds from the sale of their previous home (compared with 17 percent of Millennials and 21 percent of Generation X).

Urban (32 percent) and Millennial (31 percent) buyers are the groups most likely to use more than one source for their down payment. First-time buyers were also more likely to rely on help from others to afford their down payment. Nineteen percent of first-timers receive gifts from family or friends, compared with only 10 percent of repeat buyers. Buyers with kids in the household are also more likely to indicate their down payment included gifts and loans from others (24 percent vs. 17 percent for buyers without children).

## Most Buyers Don't Shop Around for Lenders

Although a home is the biggest investment many make in their lifetime, buyers generally don't shop around for a mortgage (52 percent only ever consider a single lender). A little over 1 in 4 (26 percent) contacted two lenders, and the remaining 22 percent contacted three or more lenders.

Education, age and location factor into how many lenders shoppers seek out. The less educated the buyer, the more likely they are to reach out to only one lender. The majority (61 percent) of buyers with a high school education or less contacted only one lender, which is higher than the 55 percent of buyers with some college education and 47 percent of buyers with a four-year college education or higher who contacted a single lender.

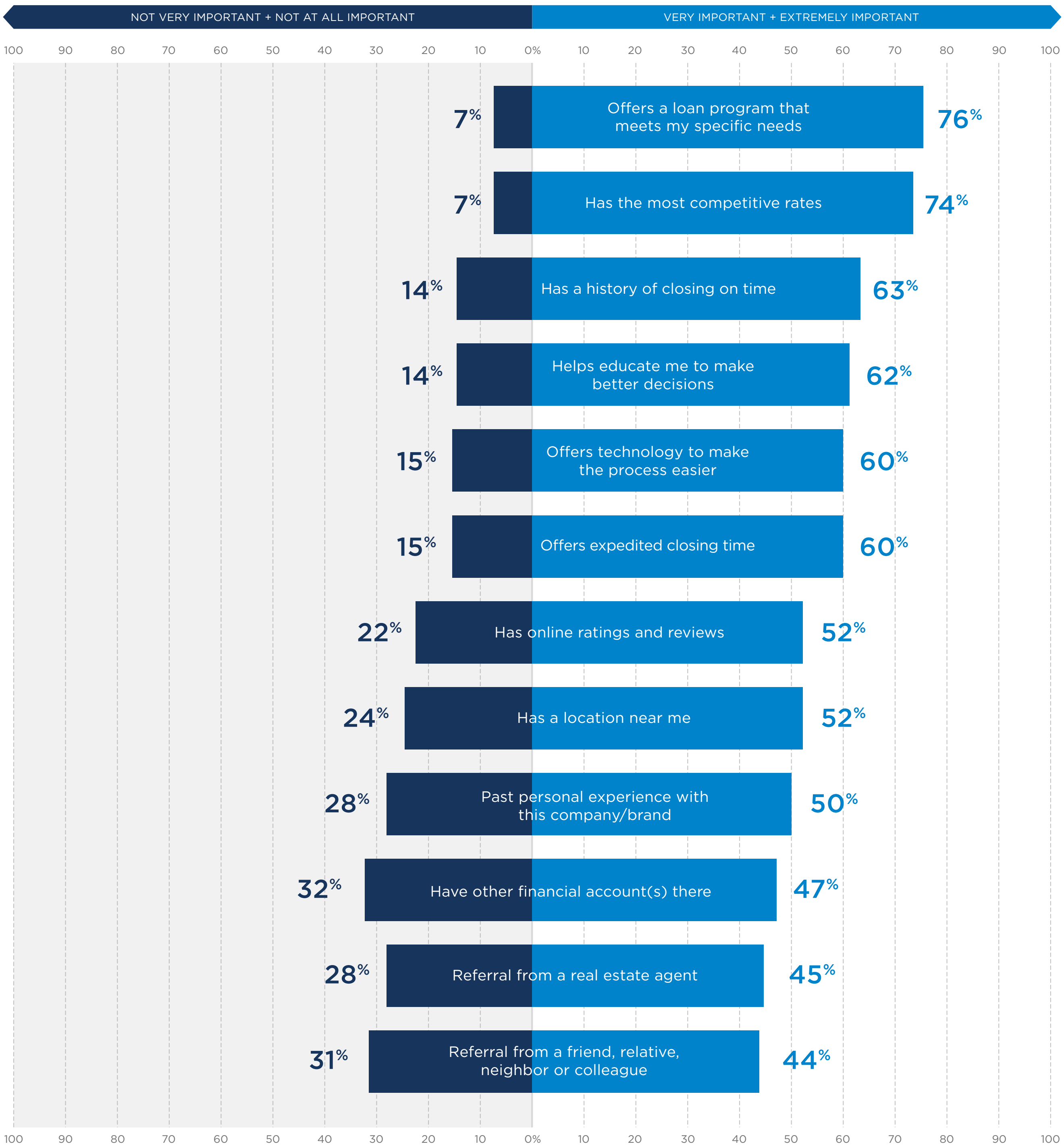
Younger buyers are much more likely to shop around for lenders, continuing the trend of the research-prone Millennial. Only 46 percent of Millennials contacted only one lender, compared with 54 percent of Generation X buyers, 60 percent of Baby Boomer buyers and 72 percent of Silent Generation buyers.

Urban buyers are significantly more likely to reach out to more than one lender, compared with suburban and rural buyers. Forty-three percent of urban buyers contacted only one lender, compared with 56 percent of suburban and 58 percent of rural buyers. Because homes in urban areas are generally pricier, shopping around for the right interest rate could save home shoppers money in the long run.

"Although a home is the biggest investment many make in their lifetime, buyers generally don't shop around for a mortgage (52 percent only ever consider a single lender)."

## B-19: IMPORTANCE OF LENDER CHARACTERISTICS

Purchased home in past 12 months and obtained a mortgage.



## Relationships Are Key to How Buyers Find Lenders

The most common methods for finding their lender are similar to how buyers find their agent. Thirty-five percent of buyers find their lender through a referral, while 26 percent find their lender through a website. Past experience with the lender is also important, with 16 percent of buyers relying on their history with a lender.

When evaluating lenders, the most important factors come down to time, money, and personalization. Unsurprisingly, the top three most important factors to buyers who use lenders are: offers a loan program that caters to the buyer's specific needs (76 percent), has the most competitive rates (74 percent), and has a history of closing on time (63 percent).

## Technology Is Crucial to Closing

Consumers are looking for customization, expedited offerings and better technology in the closing process. Sixty percent of buyers who obtain a mortgage say that technology to simplify the process is very important in their decision of which mortgage provider to use, as well as being able to offer expedited closing (60 percent).

Communicating often with a lender is key to closing a home deal on time. Similar to agent communication preferences, buyers who work with a lender prefer to communicate by either phone (30 percent) or email (29 percent), and very few prefer texting (7 percent) or communicating via virtual interaction (4 percent). While Baby Boomer buyers are more likely to prefer emails when communicating with their agent, their preferred method of communication with lenders is over the phone (37 percent), significantly more so than any other generation (33 percent of Silent Generation, 28 percent of Generation X and 27 percent of Millennial buyers prefer to speak on the phone with their lender).

"Consumers are looking for customization, expedited offerings and better technology in the closing process."

# CHALLENGES

## Buyers Look Beyond Single-Family Homes

While most buyers still want a stand-alone house, affordability concerns are driving buyers to consider other housing options, such as condos and townhouses, in order to find a home that fits their needs within their desired location.

The lower a buyer's income, the more likely they are to consider housing options other than a single-family home. Forty percent of buyers with a household income under $50,000 consider homes outside of traditional single-family residences, compared with only 24 percent of buyers with a household income of $50,000 or more.

## Buyers With Kids Grapple With Unique Pressures

Housing and child care are typically the two largest budget items for young families, and choosing where to live—even within a larger metro area—can result in substantially higher or lower costs. A 2017 study by Care.com and Zillow found that urban-dwelling families throughout the U.S. spend around $9,073 more per year to cover basic housing and child care costs than suburb-dwelling families.[32]

As such, the process of buying a home is understandably more challenging when there are children in the household. Buyers with children report having problems with many more aspects of their home search than buyers without children—including finding a home in their desired location (42 percent of buyers with kids, compared with 36 percent without kids) and finding a home with their desired amenities (43 percent vs. 34 percent without children).

Buyers with children also have more difficulties with the financial aspects of the home-buying process, because raising children involves additional—and oftentimes significant—expenses. These difficulties include saving for a down payment (34 percent vs. 25 percent without kids), and qualifying for a loan (31 percent vs. 20 percent without kids).

Many families with children are likely balancing school schedules and housing transitions within the buying process, making timing a challenge. They are significantly more likely to have problems with having too much time between their offer date and closing date (32 percent) than buyers without children (23 percent).

## Many Buyers Are Potential Renters, and Vice Versa

Home shopping isn't a binary choice between renting and buying; in fact, almost half (45 percent) of all buyers consider renting during the process of buying their home. For buyers purchasing their first home, renting is considered more frequently; more than half (57 percent) of first-time buyers consider renting instead. This could be due to a number of factors: the financial hurdle of putting together a down payment, balancing the timing of buying a home, or being priced out of more competitive markets.

Among generations, Millennial buyers are the most likely to consider renting (62 percent). Only 43 percent of all Generation X buyers, 23 percent of Baby Boomers, and a scant 14 percent of the Silent Generation consider renting during the buying process. This is likely due to older buyers' increased familiarity with the buying process and proceeds from a previous home sale, as well as a better understanding of their own preferences (due to their experience).

Less surprisingly, the majority of buyers in urban locations (61 percent) are highly amenable to considering renting as an option (compared with 38 percent of suburban and 34 percent of rural buyers) as they try to navigate markets with tight inventory and rising for-sale prices.

## Families With Young Kids More Likely to Consider Renting

Contrary to societal tropes of families filling suburban houses with white picket fences, renting is a common consideration among families with kids in the household. One in two households with kids (50 percent) is open to renting instead of buying. While this may seem high, it's not. Forty percent of families with children at home are renters.[33] This could be an indication that young families who want to buy may find it difficult to find the right home to purchase or need a bit more time to come up with a down payment.

## Millennials Are the Most Frustrated

Younger, more diverse generations experience more frustration with the process of buying a home overall. Millennial buyers are significantly more likely than older generations to indicate they have experienced issues during the buying process, and they cite facing each unique challenge and problem more frequently than older generations.

Why? This is likely, in part, due to lack of experience; 71 percent of Millennial buyers are buying their first home, which means they are navigating the unique—and often stressful—challenges of home buying while also renting.

One place where their frustration shows is when the buying process didn't match their initial expectations. Almost half of Millennial buyers express difficulty finding a home within their desired price range (49 percent vs. 41 percent of all buyers), and 43 percent have difficulty finding a home within their desired time frame (compared with 34 percent of all buyers).

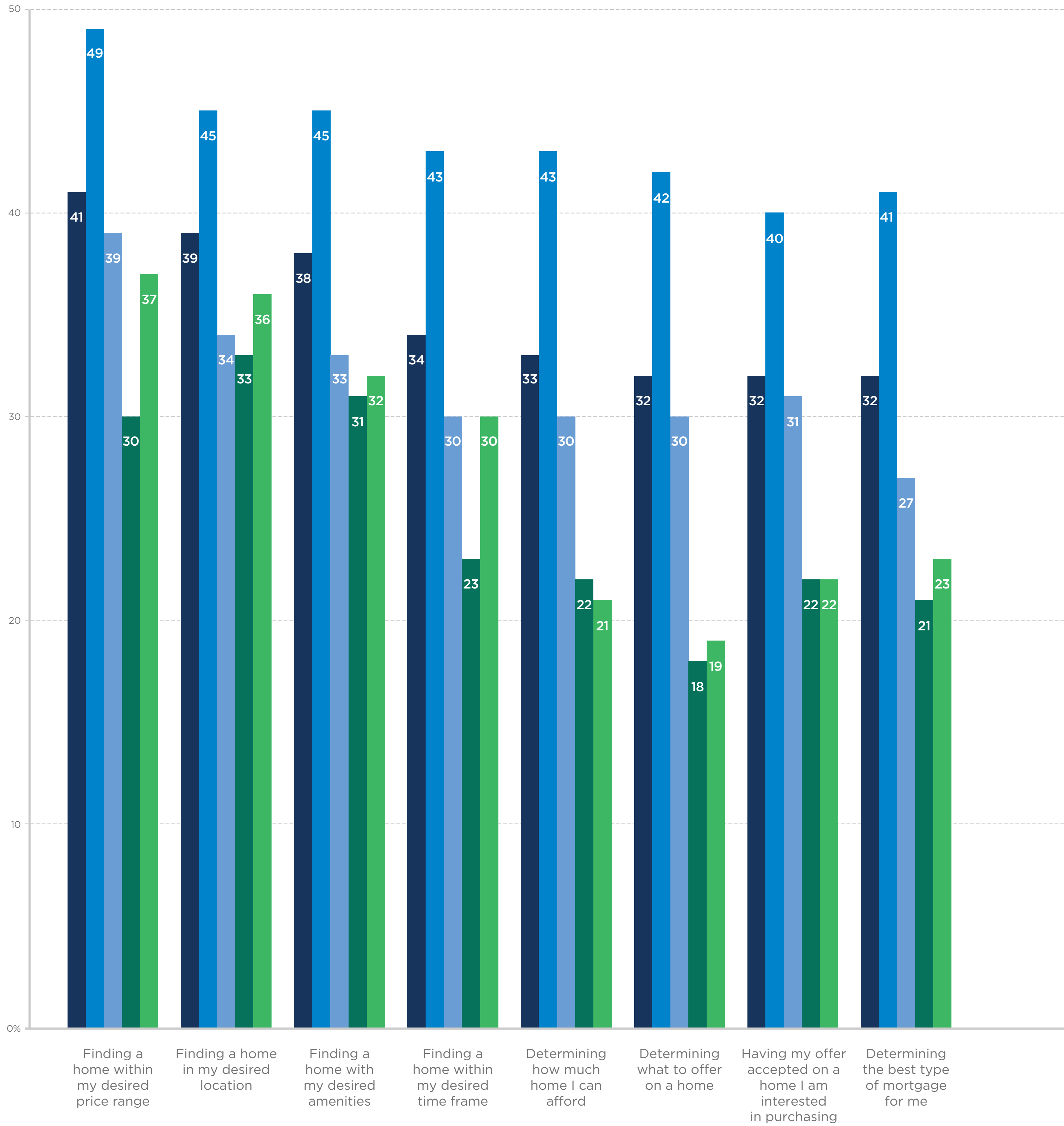
An additional 45 percent have difficulty finding a home in their desired location (compared with 39 percent of all buyers) and with their desired amenities (45 percent, compared with 38 percent of all buyers).

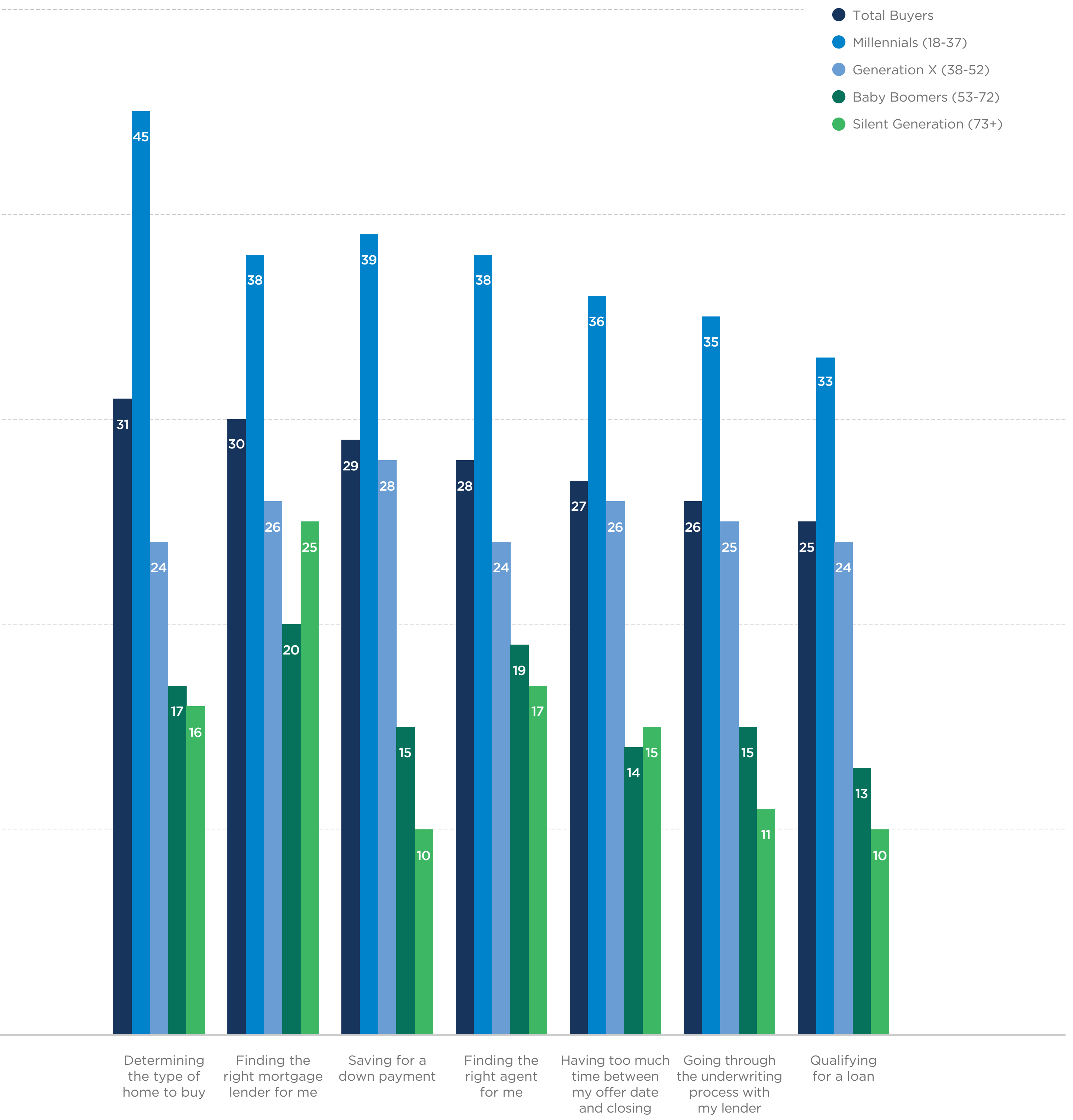
Millennial buyers also struggle with the financing and mortgage process more than other generations. Specifically, they report difficulty saving for a down payment (39 percent vs. 29 percent of all buyers), qualifying for a loan (33 percent vs. 25 percent of all buyers) and determining how much home they could afford (43 percent vs. 33 percent of all buyers).

And the mortgage process overall can be confusing, as Millennial buyers also report struggling with determining the best type of mortgage for them (41 percent vs. 32 percent of all buyers), and even finding the right mortgage lender (38 percent vs. 30 percent of all buyers). Fortunately, age and experience largely mitigate most of this angst.

"Forty percent of families with children at home are renters."

## B-20: TOP BUYER CHALLENGES BY GENERATION




Total Buyers
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
31
45
24
17
16
30
38
26
20
25
29
39
28
15
10
28
38
24
19
17
27
36
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14
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35
25
15
11
25
33
24
13
10
Determining the type of home to buy
Finding the right mortgage lender for me
Saving for a down payment
Finding the right agent for me
Having too much time between my offer date and closing
Going through the underwriting process with my lender
Qualifying for a loan

# UNDERSERVED GROUPS

## Minority Buyers

Minority home seekers experience significant challenges when it comes to buying and financing homes. As minority households increasingly enter the home-buying process, there's additional incentive to address these Americans' wants and needs.

Minority buyers, in particular, indicate more dissatisfaction with the home-buying process than white buyers do; 43 percent of Caucasian/white buyers are satisfied with all aspects of the buying process and wouldn't change a thing, compared with 37 percent of African-American/black buyers, 33 percent of Asian/Pacific Islander buyers, and just 25 percent of Hispanic/Latino buyers.

African-American/black and Hispanic/Latino buyers are also significantly more likely to struggle with all aspects of financing than other groups. Yet, African-American/black and Hispanic/Latino buyers are just as likely or more likely to apply for pre-approval relative to Caucasian/white buyers. Eighty-four percent of African-American/black buyers and 86 percent of Hispanic/Latino buyers apply for pre-approval, compared with 80 percent of Caucasian/white buyers.

Despite their efforts toward obtaining a mortgage in advance of the home purchase and being a competitive buyer, African-American/black and Hispanic/Latino buyers are more likely to be denied pre-approval for their mortgage. Just 3 percent of Caucasian/white buyers are unable to have their pre-approval application accepted. For African-American/black and Hispanic/Latino buyers, the rate of denial is nearly double that of Caucasian/white buyers—6 percent of African-American/black and 5 percent of Hispanic/Latino buyers are denied pre-approval.

And these denial rates are higher for non-white buyers not only when seeking pre-approval, but for all mortgage applications. When applying for a conventional loan, African-American/black applicants are 2.6 times and Hispanic/Latino applicants are 2 times more likely than Caucasian/white applicants to be denied, according to Zillow's latest analysis of Home Mortgage Disclosure Act data.[34] Non-white FHA mortgage loan applicants fare a bit better—African-American/black applicants are 1.8 times more likely and Hispanic/Latino applicants are 1.4 times more likely than white applicants to be denied.

These denial rates are likely leading to the overall decrease in mortgage applications by African-Americans/blacks and Hispanics/Latinos. While African-Americans/blacks make up 12 percent of the adult U.S. population, they filed only 6 percent of all mortgage purchase applications in 2015. Hispanics/Latinos make up 16 percent of the adult population and filed 10 percent of the applications. In contrast, Caucasians/whites make up 64 percent of the adult U.S. population and also filed 64 percent of mortgage purchase applications.[35]

"Minority buyers indicate more dissatisfaction with the home-buying process than white buyers do."

# FINDING HOME AS A PERSON OF COLOR

People of color—in particular, African-American/black and Hispanic/Latino households—face significant challenges and frustrations throughout the process of finding, selling and even owning a home, often feeling less supported than their Caucasian/white counterparts. While some difficulties are attributable to different educational, financial and social circumstances, others are compounded by long-standing historical setbacks.

Relative to Caucasian/white households, people of color have unique and significant challenges as they navigate the housing market, namely: age, income, geographic concentration, access to credit and systemic historical discrimination. Each of these obstacles often makes it harder to rent, buy, sell or own a home as a person of color.

Less than half of African-American/black and Hispanic/Latino households own a home, compared with more than half of Asian/Pacific Islander households and a large majority of Caucasian/white households. Particularly when it comes to the divide between black and white homeownership, this gap has persisted for well over a century.

And yet—despite rampant barriers and frustrations—African-American/black and Hispanic/Latino households still have a bright outlook when it comes to homeownership, illustrated by their increased activity in the market, as well as their incredibly strong belief in home as part of the American Dream. Together, these signals provide some hope that the housing market will adjust to meet the many currently unmet needs of these households.

But the housing industry also won't have a choice but to adjust to meet the needs of minority home seekers, as households headed by people of color will drive—and are currently driving—the future of household growth in America.

## Unique Characteristics and Experiences

### UNDERREPRESENTED IN HOMEOWNERSHIP

For many Americans, their home is their single largest financial asset. Like any significant investment, a home's value typically (though not always) increases over time and offers a solid financial opportunity—one with the added bonus of also providing shelter. But minorities are disproportionately underrepresented among today's home buyers. Nationwide, Caucasians/whites, who make up 67 percent of adult households in the U.S., comprise almost three-quarters (73 percent) of all buyers.[36]

Seventy-six percent of homeowners are Caucasian/white, which means that less than a quarter (24 percent) are minorities. Meanwhile, African-Americans/blacks and Hispanics/Latinos, who account for 13 percent each of all U.S. households, only account for 8 percent and 9 percent of U.S. homeowners, respectively.[37]

Caucasian/white sellers outnumber their non-white counterparts even more dramatically. Over 7 in 10 sellers (78 percent) identify as Caucasian/white. Hispanics/Latinos are next at 10 percent, followed by African-Americans/blacks (6 percent), Asians/Pacific Islanders (4 percent) and other (2 percent).

If minorities aren't owning and buying homes, they're renting them. Forty-five percent of renters are non-white—well above the 33 percent of all U.S. households that are minorities.[38] The largest share of non-white renters are African-Americans/blacks (19 percent), followed closely by Hispanics/Latinos (17 percent), while 7 percent identify as Asian/Pacific Islander and 3 percent identify as other.

### SKEW YOUNGER

First, whether renting, selling, buying or owning, African-American/black and Hispanic/Latino households are often younger than their Caucasian/white counterparts. This age difference is due in part to the influx of younger generations that are more diverse and increasingly more active in the housing market.

Nearly a third (32 percent) of buyers under the age of 53 identify as minorities, compared with just 14 percent of buyers 53 years of age or older. Similar gains are apparent for sellers and homeowners as well. For example, 30 percent of sellers and 33 percent of homeowners under the age of 53 identify as minorities, compared with just 9 percent of sellers and 17 percent of homeowners 53 years of age or older.

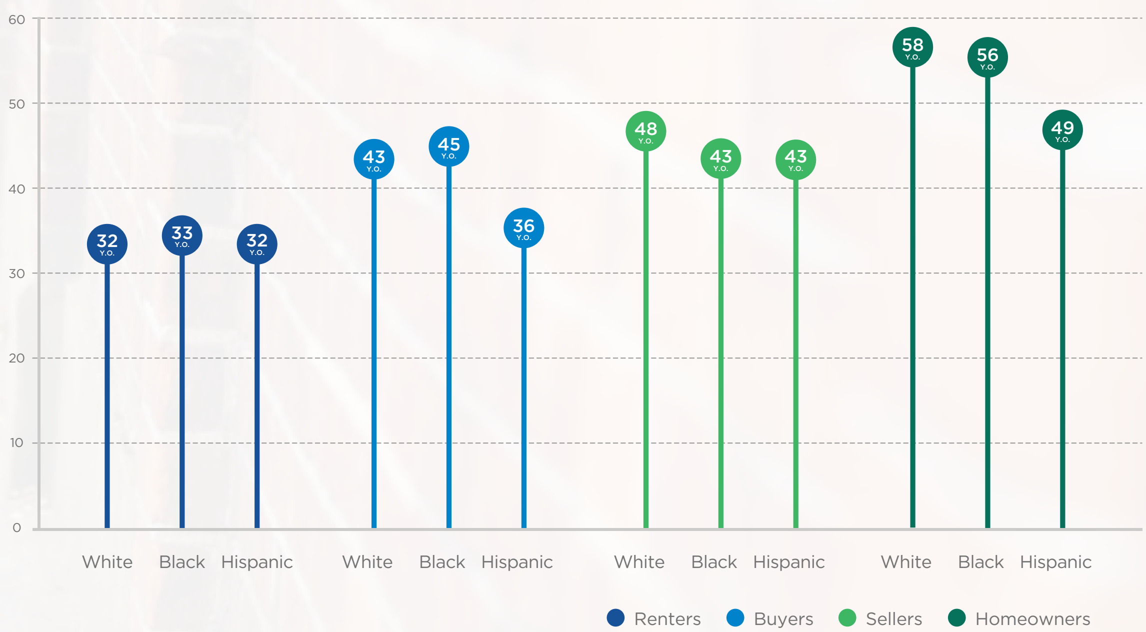
### PREFER TO LIVE IN OR NEAR CITIES

Location within or outside of a metropolitan area is also a differentiator between households of color and their Caucasian/white counterparts. Regardless of whether they're renting, buying, selling or owning, African-American/black and Hispanic/Latino households display a preference toward urban locales, some of which are among the most popular and competitive markets today, which can make navigating the market ever more challenging.

Almost half of Hispanic/Latino and African-American/black buyers purchase a home in urban cores (47 percent and 43 percent, respectively). Only 28 percent of Caucasian/white buyers purchase a home in the city.

## F-1: MEDIAN AGES BY ETHNICITY

From U.S. Census Bureau, Current Population Survey, 2016



All minority renters (including both those who moved in the past 12 months and those who are "long-term" renters) are more likely to live in urban areas. African-American/black (54 percent), Asian/Pacific Islander (49 percent) and Hispanic/Latino (41 percent) renters are more likely than Caucasians/whites (34 percent) to have recently moved to an urban area. This trend holds for long-term renters—those who have rented the same place for longer than a year—who are also more likely to be non-white (55 percent of African-American/black, 52 percent of Hispanic/Latino renters, and 51 percent of Asian/Pacific Islander long-term renters live in urban areas, compared with 35 percent of Caucasian/white long-term renters.)

## Historical Setbacks

### LINGERING HOUSING BUST SCARS

Even for those who were successful in achieving homeownership over the years, many minority households were disproportionately affected by the housing bust. As home values spiraled downward, millions of homeowners of all backgrounds suddenly found themselves in negative equity, or underwater, owing more on their home than it was worth. As a result, many were forced into foreclosure, or at best forced to stay in a home they couldn't reasonably expect to sell without undergoing a costly short-sale process.

At its peak, roughly a third of homeowners with a mortgage were underwater. The recovery has helped lift millions of homeowners into positive equity in the years since, but minorities have been disproportionately left behind.

Today, the overall negative equity rate hovers around 10 percent. But in minority communities nationwide, deep scars still linger. In communities with a majority of black homeowners, the negative equity rate as of the third quarter of 2016 was 20 percent; in largely Hispanic communities, it was 12 percent.[39] In majority-white communities, the negative equity rate was less than 10 percent.

### RENT BURDEN & ACCESS TO CREDIT

Adding to the aforementioned challenges are long-standing historical setbacks that have made it more difficult for minorities to penetrate the housing market. In spite of the incremental progress that has been made socially and politically, minority households today still struggle to keep pace economically. This relates to housing in two key ways: income and access to credit.

The typical African-American/black and Hispanic/Latino household earns significantly less than the typical Caucasian/white household. Given the rising costs of housing, this causes serious affordability concerns, especially for African-American/black and Hispanic/Latino renters. Renters in largely African-American/black and Hispanic/Latino communities can expect to spend upwards of 40 percent of their income on rent each month, compared with just 30 percent for renters in Caucasian/white communities.[40]

And that's just a national median—in many large markets, including Boston, New York and San Francisco, it can take nearly two-thirds or even almost as much as three-quarters of a renter's income to afford the typical rent in minority communities. When the share of income going to the landlord each month is that high, it makes it very difficult to save for a down payment—or anything, for that matter.

At the same time, access to credit for those who are seeking to buy a home remains a huge barrier, with African-American/black and Hispanic/Latino buyers both less likely to even apply for a mortgage and more likely to be denied when they do, compared with their Caucasian/white peers. Combined, these economic impacts make the purchase of a home incredibly difficult.

## Unique Challenges

### HALF ARE ENTERING HOUSING MARKET FOR FIRST TIME

People of color are more likely to be first-time buyers and sellers, and they encounter more challenges in the real estate processes—likely due, in part, to a lack of experience and the difficulties they express in finding the right help to navigate it all.

The majority of minorities are either buying, selling or owning a home for the first time. Approximately half of all minority buyers—including African-Americans/blacks (50 percent) and Hispanics/Latinos (49 percent)—are purchasing a home for the first time, compared with 40 percent of Caucasian/white buyers.

A larger proportion of minorities are owning a home for the first time, as well, including 63 percent of African-American/black households and 49 percent of Hispanic/Latino households, compared with just 42 percent of Caucasian/white households. And while 55 percent of Caucasian/white households are first-time sellers, that figure is significantly higher for Hispanic/Latino (85 percent) and African-American/black (83 percent) households.

### IT'S A BIG STRUGGLE TO FIND THE RIGHT PROFESSIONALS

Many minorities report that a common pain point is landing the right real estate agent. Not having a trusted agent on their side can have a negative impact on many of their experiences—especially when trying to sell a home. Because the majority of selling activities—including open houses, listing a home and accepting offers—typically involve an agent, non-white sellers are at a significant disadvantage from the outset.

Almost half (47 percent) of African Americans/blacks say they struggle to find the right agent to help them through the process of selling a home, and those who use an agent also reach out to more agents than their Caucasian/white counterparts (an average of 2.2 agents contacted, compared with 1.7 for Caucasians/whites).

Overall, non-white sellers generally report being more burdened with the process of selling their home. Four in five (83 percent) of Hispanic/Latino sellers and close to 7 in 10 (68 percent) of African-American/black sellers said they were not completely satisfied and would make at least one change to the selling process if they could do it over, compared with just over half (54 percent) of Caucasian/white sellers.

### URBAN CONCENTRATION = FINANCIAL HURDLES

With housing costs rising more quickly in urban areas, African-American/black and Hispanic/Latino home seekers' preference for the city can also lead to financial hurdles. Both groups are more often hit with rent increases and are more likely to move because of them. Over a third (34 percent) of African-American/black renters and 31 percent of Hispanic/Latino renters said their decision to move was impacted to a great extent by a rent increase in their previous home, compared with only 21 percent of Caucasians/whites. Additionally, Caucasian/white renters (25 percent) were more likely to not have a rent increase in their previous home than non-whites (16 percent).

Non-white renters are more likely to move to a different neighborhood within the same city—which can be an indicator of getting priced out of an area. The trend is especially prevalent for Hispanics/Latinos (50 percent) and African-Americans/blacks (47 percent), compared with 38 percent of Caucasians/whites and 34 percent of Asians/Pacific Islanders.

Location may be a contributing factor as to why Hispanics/Latinos and African-Americans/blacks are significantly more likely to consider buying homes at auction (30 percent for both, compared with 22 percent of total buyers) and in income-restricted communities (23 percent of African-American/black and 27 percent of Hispanic/Latino buyers, compared with 16 percent buyers overall).

### MANY STRUGGLE TO SECURE FINANCING, AFFORD DOWN PAYMENT

In addition to renting a home, financial difficulties are also common when it comes to affording a home and cobbling together a down payment on a home purchase. African-American/black and Hispanic/Latino buyers more often struggle with all aspects of financing a home, from pre-approvals (6 percent of African-Americans/blacks and 5 percent of Hispanics/Latinos have their pre-approval application turned down, compared with 3 percent of Caucasians/whites) to the loan qualification (32 percent of African-Americans/blacks and 34 percent of Hispanics/Latinos experience challenges with qualifying for their loan, compared with 22 percent of Caucasians/whites).

The final underwriting process is also frustrating for these two minority groups. Thirty-four percent of African-Americans/blacks and 35 percent of Hispanics/Latinos experience challenges, compared with 24 percent of Caucasians/whites.

### HISPANIC/LATINO HOUSEHOLDS STRUGGLE THE MOST WITH FINANCING

Of all ethnic groups, Hispanic/Latino buyers receive the most assistance when sourcing funds for their down payment. Over a quarter (27 percent) of Hispanics/Latinos get help from others, typically in the form of a gift (19 percent). On the flip side, only 12 percent of Caucasians/whites receive gifts for their down payment.

Hispanics/Latinos, in particular, would change different aspects of the financing process if they could. Twenty-two percent of Hispanics/Latinos would choose a different way to finance/pay for their home, compared with 14 percent of African-Americans/blacks, 10 percent of Caucasians/whites, and 9 percent of Asians/Pacific Islanders. In addition, 23 percent of Hispanics/Latinos would choose a different mortgage provider to finance their home, compared with 13 percent of African-Americans/blacks, 13 percent of Caucasians/whites, and 11 percent of Asians/Pacific Islanders.

## Conclusion

Despite all of these challenges, minority households still have a bright outlook when it comes to housing. In spite of the numerous obstacles in each of the home life cycles, non-white individuals aspire more to be homeowners than Caucasians/whites, and in fact are more likely to say homeownership is a key part of the American Dream.[41]

Over three-quarters of Hispanics/Latinos (78 percent), 77 percent of African-Americans/blacks and 73 percent of Asians/Pacific Islanders think about owning their own home one day, compared with just 64 percent of Caucasians/whites. Hispanics/Latinos associate homeownership with the American Dream the most (73 percent), followed closely by Asians/Pacific Islanders (70 percent). African-Americans/blacks and Caucasians/whites share the view of homeownership as the American Dream (63 percent).

And despite added frustrations and challenges during specific aspects of the process, the majority of minority home-seeking households ultimately feel satisfied with the overall process. That provides some hope that the housing market will adjust to meet the needs of these households.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# SELLING IN AMERICA

With fewer people moving than at any point in recent history,[42] it's no wonder homes are in short supply. While buyers in select large, competitive markets struggle with low inventory, the market dynamics of high demand and low supply are great news for sellers—until those sellers re-enter the same market to buy their next home.[43]

Although some markets are favorable for sellers, selling isn't always a walk in the park, especially for younger and minority sellers who are largely going it alone and often underserved. The entire process requires attention, work and a helping hand from others to move smoothly and successfully.

To alleviate some of the pain in the process, today's seller relies on a collective effort from family members, friends and a real estate agent. With help from others, it should come as no surprise that most sellers (70 percent) are, for the most part, satisfied with the process of selling their home.

Sellers today have two very clear objectives: to sell their home within their preferred time frame and for the highest sale price. When sellers do face obstacles, the majority of problems are due to the fact that many sellers are also buyers—and balancing both can be an incredibly tricky endeavor.

For many, selling can also be more than a financial transaction. The typical seller has lived in their home for 12 years, and making the decision to sell can be emotional. As the market has rebounded, many sellers may be above water for the first time in years, and selling is an opportunity to recoup their investment.

The entire process is one where sellers are looking for support, and it is one of the best opportunities for the real estate industry to provide tools and innovation to make it more seamless and less painful.

"As the market has rebounded, many sellers may be above water for the first time in years, and selling is an opportunity to recoup their investment."

# THE TYPICAL AMERICAN HOME SELLER

"Nearly 1 in 4 sellers (24 percent) own their home for more than 20 years before selling."

Today's typical seller is 45 years old, has a median income of $87,500 and is selling for the first time (61 percent). Two-thirds (66 percent) of sellers are married couples, and 42 percent have children under the age of 18 living at home.

At 78 percent, seller households are disproportionately Caucasian/white compared with other households active in the housing market. By contrast, buyer and renter households are more diverse, with 73 percent of buyers and just 55 percent of renters identifying as Caucasian/white. However, younger generations are starting to change seller demographics: Seventy percent of sellers under the age of 53 are Caucasian/white.

Aligning with the trend of people staying in their homes longer, the majority of sellers (60 percent) live in their home for at least a decade before selling. Nearly 1 in 4 sellers (24 percent) own their home for more than 20 years before selling.

Millennials make up nearly one-third of sellers (32 percent), with almost another third of sellers belonging to Generation X (31 percent). Baby Boomer households make up 28 percent of sellers, while only 9 percent are from the Silent Generation.

Thirty-three percent of sellers are selling a home in an urban area, almost half (49 percent) sell a suburban home, and 18 percent sell a home in a rural area, naturally aligning with the areas buyers are buying in.

## S-1: TODAY'S HOME SELLER

Sold home in past 12 months.

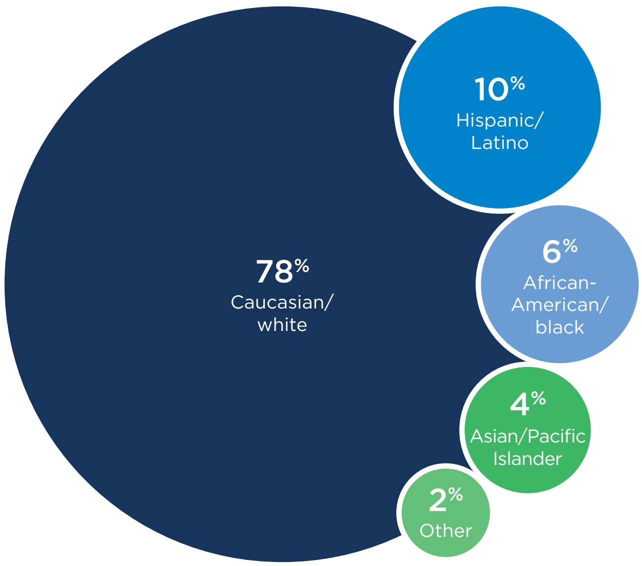
MEDIAN AGE

**45**

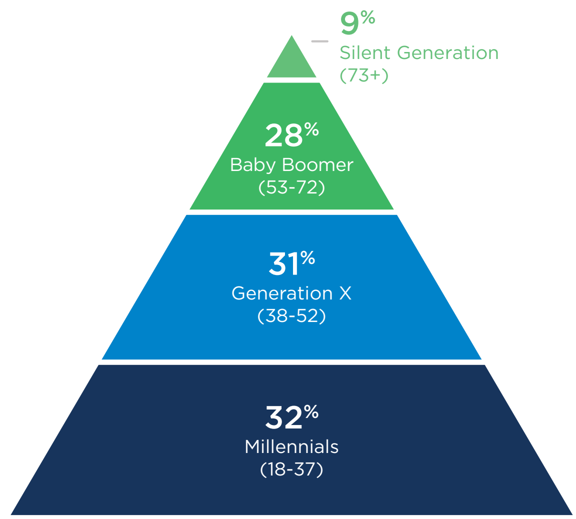
YEARS OLD

MEDIAN HOUSEHOLD INCOME

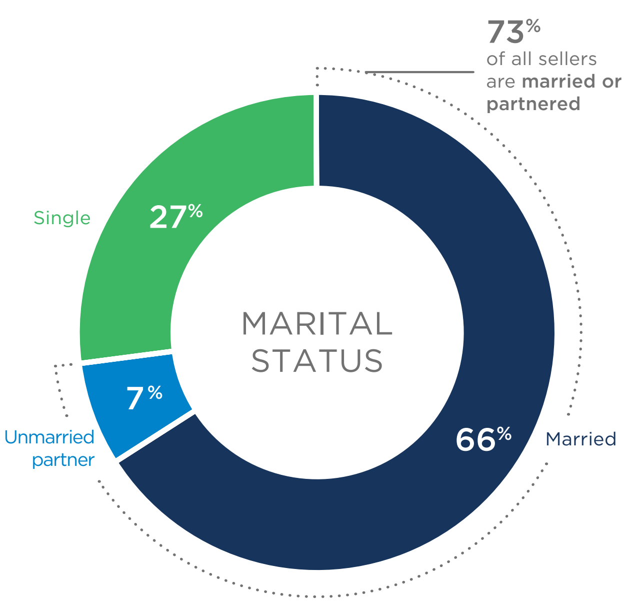
**$87,500**

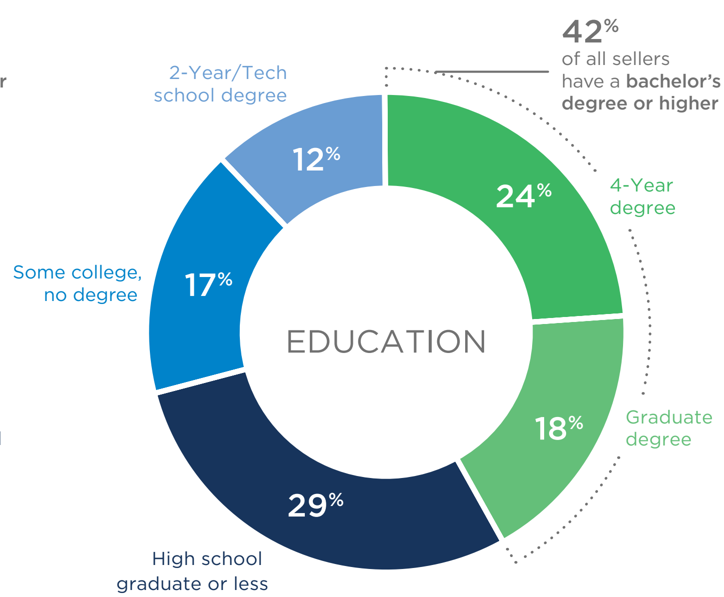



RACE




GENERATION



## Who Lives in the Homes Being Sold?

Over 8 in 10 sellers (84 percent) currently live with others, including 73 percent who live with their spouse or partner and 42 percent who live with children under the age of 18; 15 percent are multigenerational households—meaning more than one adult generation from the same family is all under one roof. More than one-third of sellers also have pets (34 percent).

The majority of Generation X and Millennial sellers are making the move with children. Sixty-one percent of Generation X sellers and 58 percent of Millennial sellers have children under the age of 18 in their homes.

Household composition also varies by location of the home sold. Urban sellers are significantly more likely—at 52 percent—to currently have children under 18 in the household, compared with 38 percent of suburban sellers and 34 percent of rural sellers. Contrary to the popular notion that starting a family spurs a move to the suburbs, only 8 percent of urban sellers with kids in the household move out of the city and into the suburbs after selling their home. A small fraction of urban sellers (6 percent) make a dramatic change and move to rural America.

## Majority of Sellers Haven't Sold a House Before

For most sellers (61 percent), this is the first time they are selling a home. Of sellers who have previously sold a home, just over half (51 percent) sold one home previously, and just under half (49 percent) have sold multiple homes previously.

A first-time seller is significantly younger than a repeat seller, with a median age of 38 versus 58, respectively. Almost half (46 percent) of first-time sellers are Millennials.

## Where Do Sellers Move Next?

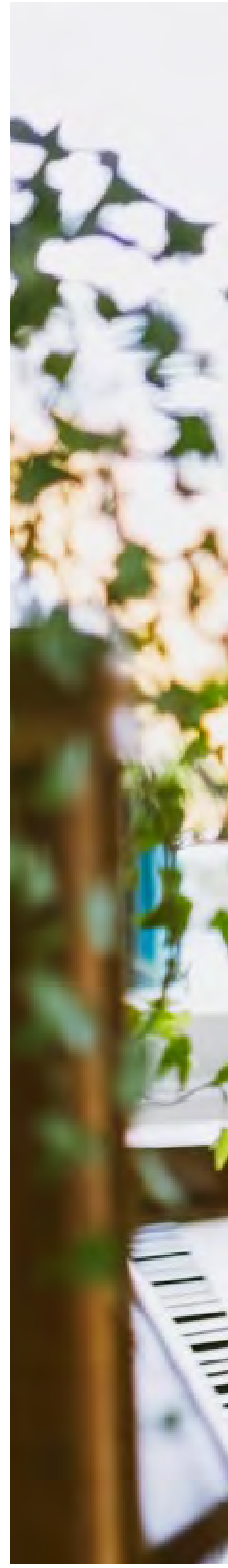
Most sellers (71 percent) are simultaneously looking to purchase their next home while selling. Only 12 percent are moving into a rental after the sale.

Sellers who are in the process of buying a home are usually living with others (86 percent), including kids under 18 (46 percent). The majority of these sellers are upgrading to a larger home, likely to provide more room for their family. Just 6 percent of these sellers are living alone—without a human or pet companion.

Sellers who rent their next home are also significantly more diverse—71 percent of sellers who rent their next home are Caucasian/white, compared with 80 percent of sellers who purchase their next home.

Moving to a rental could also be due to affordability constraints. Sellers who transition to renting have significantly lower incomes than sellers who purchase their next home. Fifty-one percent of sellers who move to a rental home make less than $50,000, compared with only 24 percent of sellers who purchase a home.

Sellers today have two common goals in mind: to successfully sell their home as quickly as possible and for the highest sale price. Hence, the wants and needs of today's sellers center on timing and money—and the delicate dance that many face as they try to find a new home while selling a current home.



# WANTS & NEEDS

## Start Sooner in Today's Market

If they could start over, nearly a quarter (24 percent) of sellers say they would begin the journey of selling their home earlier, and nearly 1 in 5 (17 percent) would begin searching for a new home to purchase or rent sooner.

In competitive markets this is especially true, as sellers who are also buying face incredible pressure to secure a new home to move into. More than one-quarter (28 percent) of those selling and buying say they encounter problems entering a competitive market to find their next home after selling, and many of those issues are likely tied to the transactions happening so close together.

## Help With Pricing

An obvious and critical point in the selling process is deciding on the best list price for a home. One in three sellers (33 percent) indicate that determining the list price for their home was a challenge.

Beyond determining the list price, more than one-third (36 percent) of sellers report that trying to sell their home within their desired price range was a stressor. This hurdle often ties in with determining the optimal window to sell the home, given that list price often dictates how quickly the home will be purchased: List too high, and the home will likely sit on the market; list too low, and the home will sell quickly but perhaps for less than what the seller could have obtained.

## Constructive Feedback

Determining how well their home is doing on the market is vital to sellers, and the best metric of success is measuring buyer interest. The best way sellers can gauge buyer interest in their home is to get feedback from prospective buyers: Specifically, 60 percent of sellers place importance on buyers' insight into what changes could be made.

Being able to "see" buyer interest is also important to sellers. More than half (59 percent) of sellers find it important to know how many people contact their agent, while 59 percent also place importance on seeing how their home is performing against other similar for-sale homes in order to gauge buyer interest. Knowing how many people have even looked at their home online is an important signal of buyer interest for over half (53 percent) of sellers. These metrics often tie into decisions about pricing and timing—giving sellers more insight as they navigate their sale.

The typical seller is listing a 3-bedroom, 2.5-bath home measuring 1,800 square feet, which ultimately sells for $200,500. The vast majority of sellers (82 percent) are listing a single-family home for sale. The remaining 18 percent of sellers are offering townhouses (7 percent), condos/co-ops (5 percent), manufactured/mobile homes (4 percent) and duplexes/triplexes (2 percent). Unsurprisingly, the types of homes that sellers list (and successfully sell) closely mirror the types of homes that buyers purchase.

"Knowing how many people have even looked at their home online is an important signal of buyer interest for over half (53 percent) of sellers."

# THE TYPICAL HOME SOLD

Millennial sellers offer smaller homes than sellers from other generations, with a median size of 1,500 square feet, compared with 1,800 square feet for Generation X and the Silent Generation, and 1,900 square feet for Baby Boomers. Millennial sellers, many of whom have children under 18 in their household, are often selling to upgrade to larger homes.

Home sizes also can vary by the race and ethnicity of the home seller. Hispanic/Latino sellers, many of whom are younger, closely mirror Millennials and list significantly smaller homes (with a median of 1,471 square feet) than sellers of other ethnic groups. Asian/Pacific Islander households are selling the biggest homes at 1,976 square feet. Caucasian/white and African-American/black households are selling homes at the median of 1,800 square feet.

Suburban homes sold within the past year are significantly larger than those in urban or rural areas, a result of the smaller home sizes and types of homes available in both urban and rural regions. Often located in largely single-family home neighborhoods, sellers in the suburbs offer homes typically measuring 1,900 square feet.

In urban areas—where there's a mix of single-family homes, townhomes, condos and duplexes—sellers are typically offering a home with 1,500 square feet. Households in rural locales sell homes with a median size of 1,700 square feet, representing a combination of single-family homes and manufactured/mobile homes.

**S-2: TYPICAL HOME SOLD**

| 3 | 2.5 | 1,800 | $200,500 |
|---|---|---|---|
| BEDS | BATHS | SQ. FEET | PURCHASE PRICE |

"Suburban homes sold within the past year are significantly larger than those in urban or rural areas."

# THE LISTING PROCESS

"On average, sellers take about five months thinking about selling before listing their home on the market."

As with other real estate activities, selling is not often done on one's own. The vast majority of sellers (79 percent) share the process of selling their home with other members of their household or family. Most notably, the role is shared with a spouse/partner (61 percent) and, to a lesser extent, the seller's children (15 percent). Involving others in the process of selling a home is comparable to how frequently buyers share the role of searching for a home to purchase.

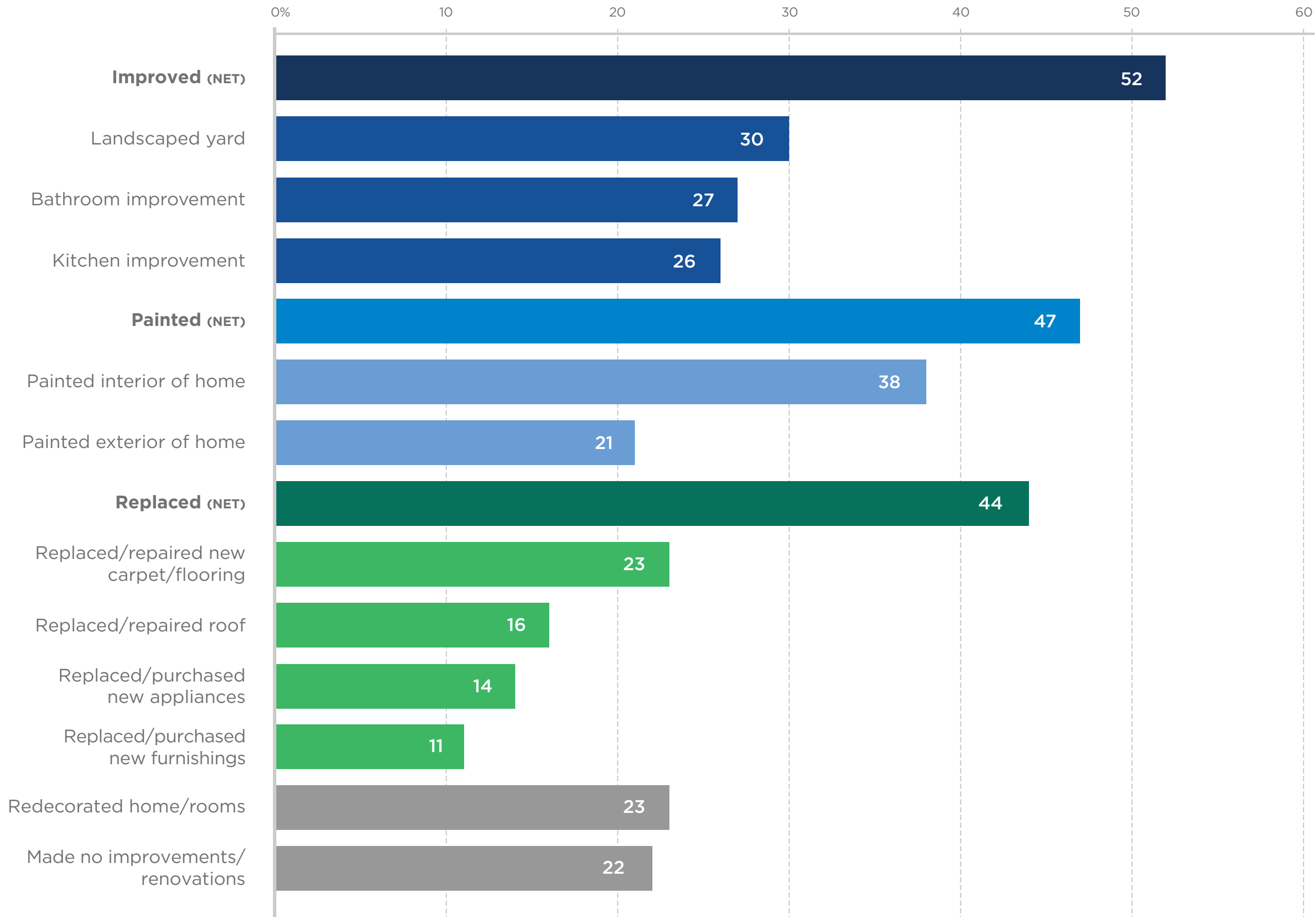
On average, sellers take about five months thinking about selling before listing their home on the market, weighing both the financial and emotional angles of the decision.

Millennial households are the quickest to make moves in the selling process, taking an average of 4.1 months to think about selling—the least amount of time for sellers from any generation. The amount of time sellers spend just thinking about selling before listing increases with age. Generation X sellers spend 5.1 months, Baby Boomers take 6.1 months and Silent Generation sellers spend an average of 6.3 months thinking about selling their home before listing.

And that's because change can be hard. Silent Generation sellers have been in their homes for longer stints (85 percent have been in their homes 10-plus years), and those who have owned their homes for longer also take more time to decide to sell. With longer tenures in the home, older sellers have had more of an opportunity to personalize and customize their home to make it feel more like them—a series of improvements that build over time.

## S-3: HOME IMPROVEMENTS MADE TO PREPARE HOME FOR SALE

Sold home in past 12 months.




Sellers who have been in their home for more than 10 years before selling take an average of 5.6 months to decide to sell, whereas those who have been in their home less than three years take just 3.7 months to make the same decision—which could be because they are less vested in the home given how long they've been in it.

### 8 in 10 Sellers Give Their Home Some TLC Before Listing

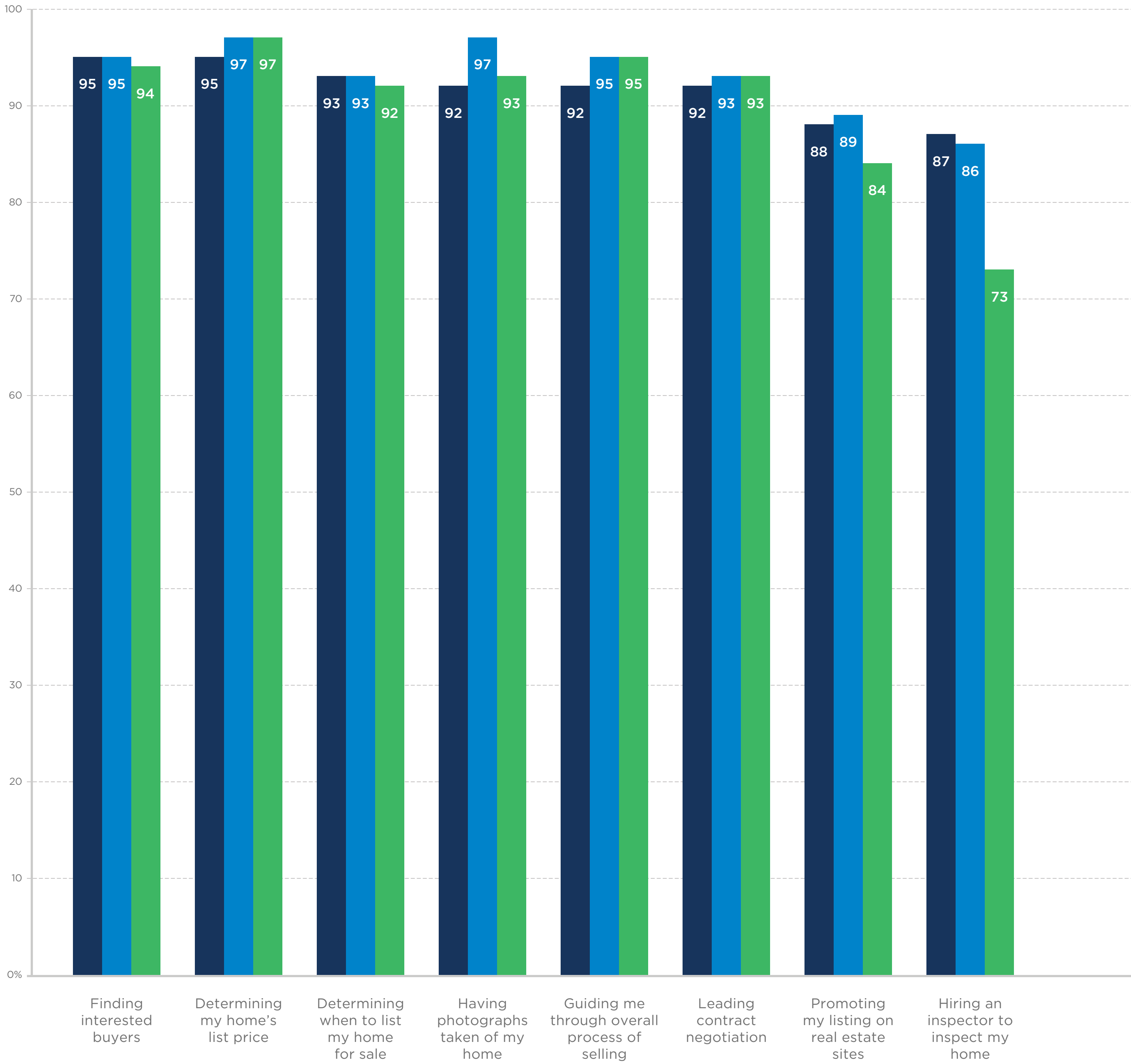
Adding to the process of determining when to sell and how much to sell for, many homeowners also have to make decisions about what to improve. Making updates to a home is a common practice, with almost 8 in 10 sellers (78 percent) making at least one renovation or improvement to prime their home for a sale, likely looking for that faster or more lucrative sale. On average, sellers make 2.3 renovations or improvements, with the most popular improvements relating to aesthetics: painting (47 percent) and landscaping (30 percent).

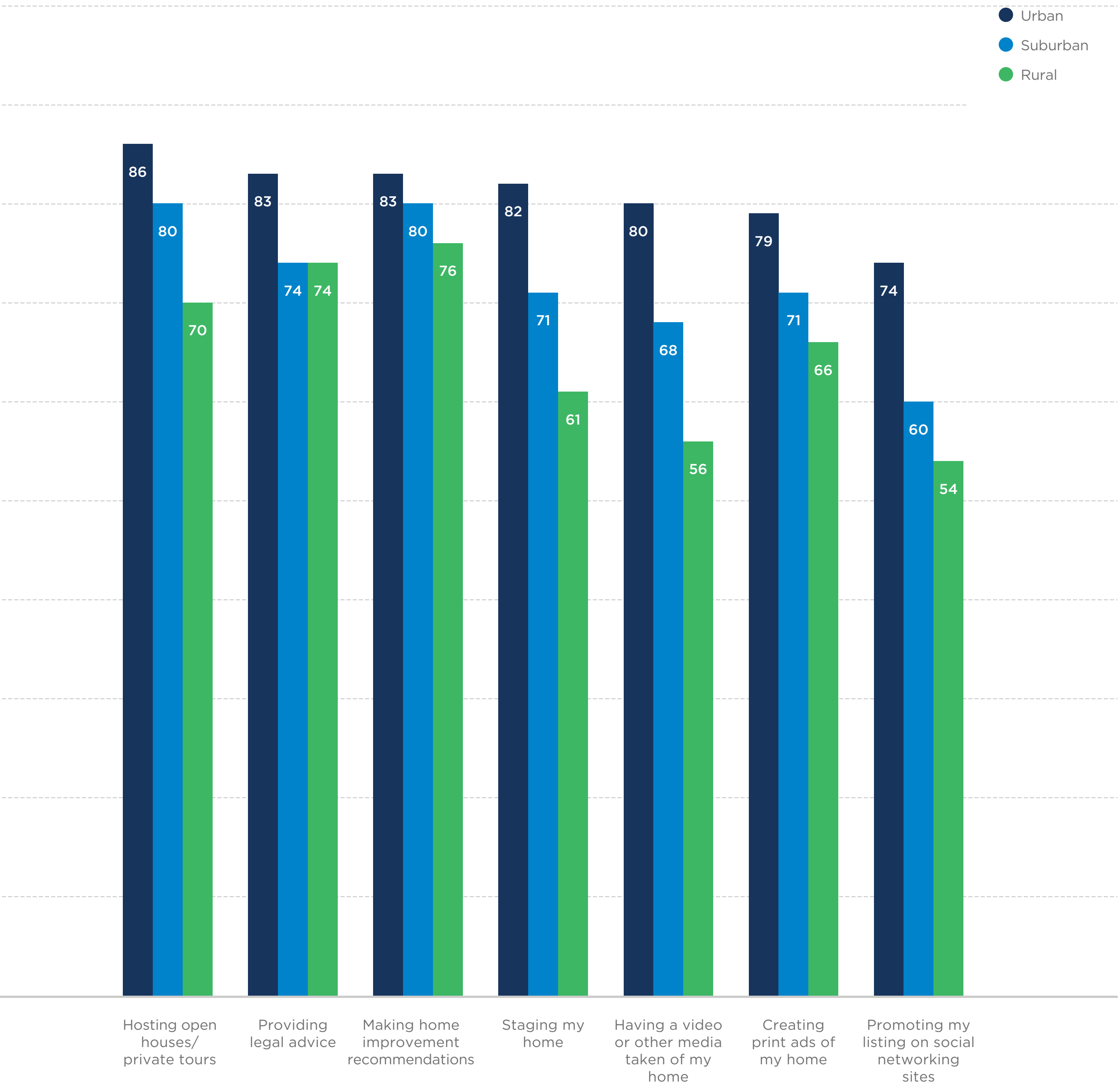
Millennial sellers are making more renovations to their homes than any other generation. Almost all Millennial households (91 percent) make at least one renovation or improvement to their home before selling. Baby Boomer and Silent Generation sellers are less likely to make any improvements (66 percent and 52 percent renovate or improve their home, respectively).

First-time sellers (83 percent)—who are often Millennials—are also more likely to make improvements or renovations to their home than repeat sellers (69 percent). This could be in an effort to do all they can to have a successful transaction their first time around.

## S-4: TOP PRE-LISTING ACTIVITIES CONDUCTED BY LOCATION OF HOME SOLD

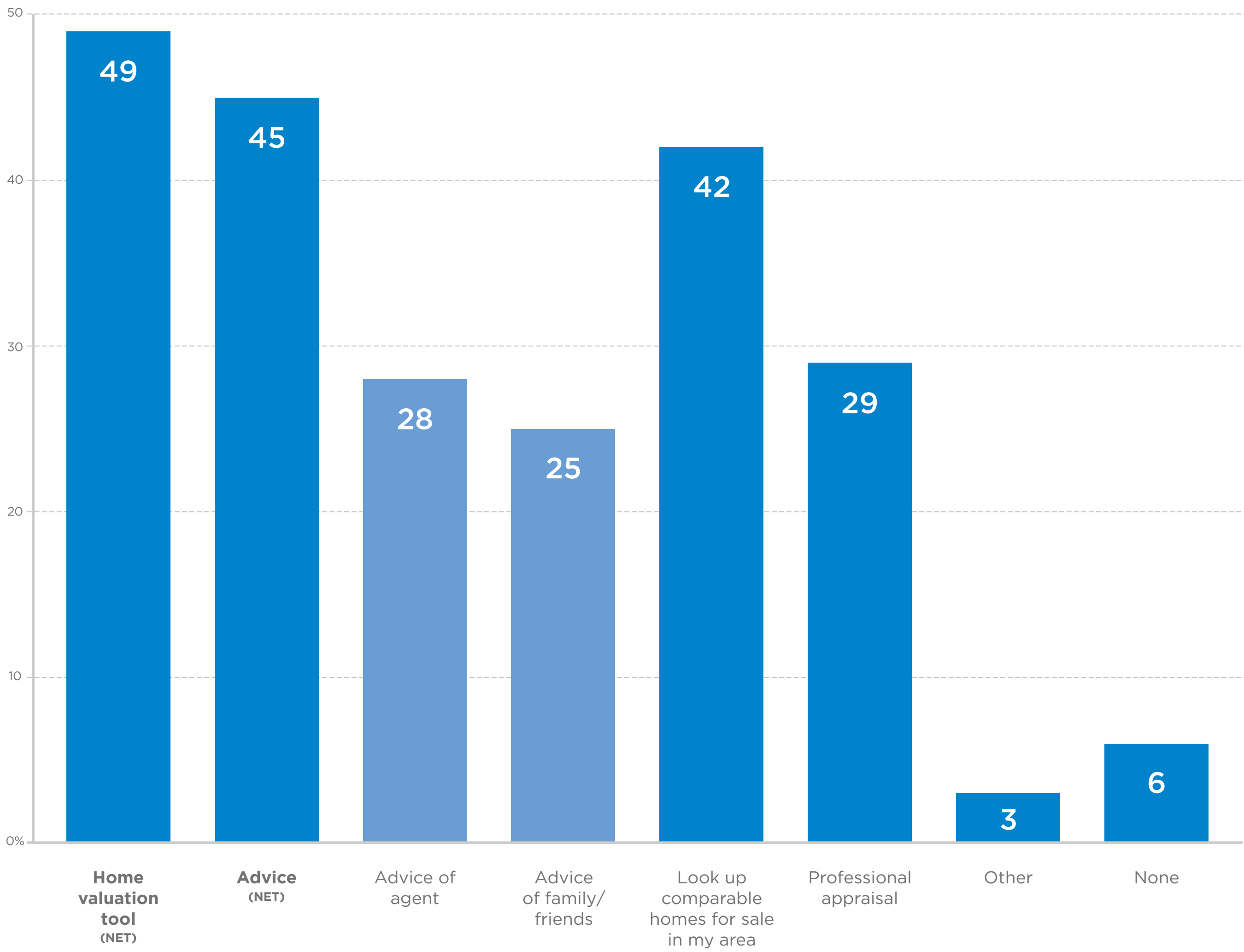
Sold home in past 12 months and used an agent.




Urban
Suburban
Rural
86
80
70
83
74
74
83
80
76
82
71
61
80
68
56
79
71
66
74
60
54
Hosting open houses/ private tours
Providing legal advice
Making home improvement recommendations
Staging my home
Having a video or other media taken of my home
Creating print ads of my home
Promoting my listing on social networking sites

## S-5: RESOURCES USED TO DETERMINE LIST PRICE

Listed a home for sale in past 12 months.




## How Sellers Determine List Price

Pricing the home is a key step of the selling process, and today, sellers who are listing their home and trying to sell it on their own use online tools, as well as advice from others, to come up with that final price tag. While almost half of these sellers are using online home valuation tools to get a realistic idea of what their home is worth (49 percent), advice from others was the second most common way to determine the best list price (45 percent). Over 2 in 5 sellers (42 percent) also look up comparable homes for sale in their area.

Unsurprisingly, internet-savvy Millennial sellers use online home valuation tools more than any other generation (59 percent), while Baby Boomer and Silent Generation sellers combined are using them the least (25 percent, compared with 45 percent for Generation X sellers).

Use of these online tools is especially prevalent in households with children at home. Over half of sellers with kids at home (58 percent) use valuation tools, compared with just 39 percent of households without kids, which may be due to additional constraints such as time.

First-time sellers (54 percent) also use valuation tools more than repeat sellers (35 percent). They are also more likely to seek advice from their agent, family or friends to determine their list price (49 percent of first-time sellers, compared with 33 percent of repeat sellers).

## S-6: RESOURCES USED TO SELL OR PROMOTE HOME

Sold home in past 12 months.

| | |
|---|---|
| ONLINE RESOURCE (NET) | 63% |
| WEBSITE (LAPTOP/DESKTOP COMPUTER) | 57% |
| MOBILE WEBSITE (SMARTPHONE/ TABLET) | 44% |
| APP (SMARTPHONE/ TABLET) | 39% |
| REAL ESTATE AGENT OR BROKER | 85% |
| FRIEND, RELATIVE OR NEIGHBOR | 44% |
| PRINT AD | 43% |
| DIRECT MAIL | 31% |

# THE SELLER-AGENT PARTNERSHIP

"Only 11 percent of sellers sell their home without partnering with an agent."

Today's sellers require an agent who serves as a strategic partner to guide them through the selling process and help get their home in front of a large audience of potential buyers.

Eighty-nine percent of sellers list with an agent, and they value an agent's ability to bring interested buyers to the home above all. Sellers also find their agent's ability to guide them through the process of selling (82 percent), lead contract negotiations (82 percent) and take photographs of their home (81 percent) to be very or extremely valuable.

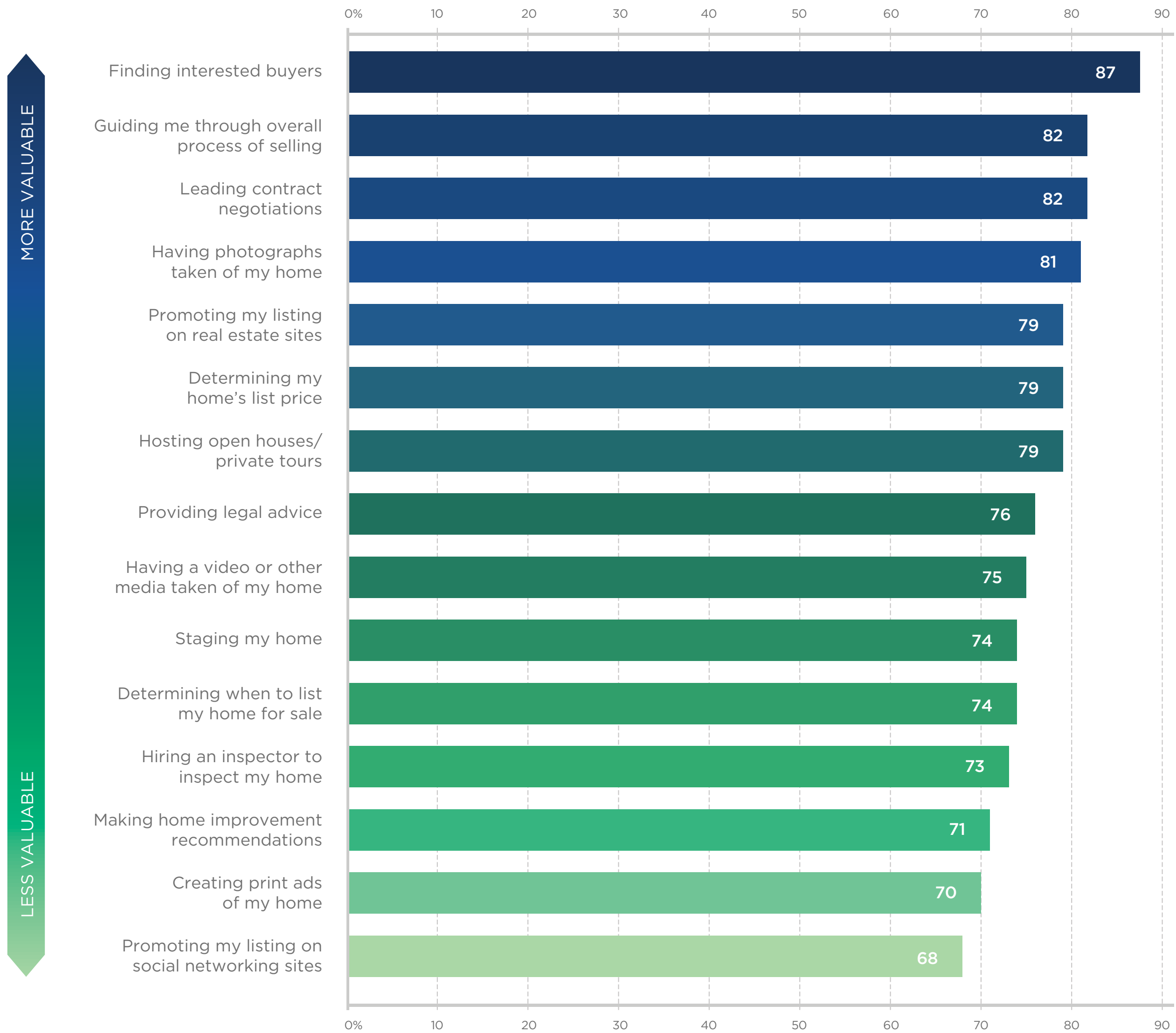
While over one-third (36 percent) of sellers are attempting to try and go it alone without this strategic partner, challenges lead many of them to eventually enlist the help of an agent. Ultimately, only 11 percent of sellers sell their home without partnering with an agent.

## Who Sells on Their Own?

Many sellers who attempt to sell or successfully sell their home as for sale by owner (FSBO) are inclined to do so because they believe it will save time (36 percent) and money (57 percent). Some FSBO sellers don't involve an agent because they feel they know their home better than any agent could (27 percent), or they've had negative experiences with an agent in the past (14 percent). Almost one-third of these sellers already have a potential buyer in mind (29 percent), eliminating the need to enlist help from an agent to market the home.

## S-7: VALUE OF AGENT SERVICES

Sold home in past 12 months and used an agent.




And with low inventory in many large housing markets, many buyers consider all types of homes, whether FSBO or listed by real estate professionals. Over half (55 percent) of buyers are open to purchasing an FSBO home, which bodes well for the sellers trying to go at it on their own.

Millennial households—who most often want to take the lead and do things themselves throughout both the buying and selling processes—are the most likely generation to try to sell their home on their own. Almost 3 in 5 (57 percent) of Millennials attempt to sell their home on their own, compared with 32 percent of Generation X and 19 percent each of Baby Boomer and Silent Generation sellers.

Sellers moving from urban areas, half of which are Millennial households, are also more likely to try to sell on their own (47 percent) than rural (33 percent) or suburban (29 percent) home sellers. Despite their inclination to try to sell on their own, urban and suburban sellers are the least likely to finish the transaction themselves (10 percent and 11 percent, respectively), without leveraging an agent at all in the process, while rural sellers are the most likely to sell without the help of an agent (16 percent).

Minority sellers—who are typically slightly younger than Caucasian/white sellers and more likely to be living in urban areas—more frequently attempt to sell their home on

their own than Caucasian/white sellers. More than half of Hispanic/Latino (58 percent), half of African-American/black (50 percent) and 42 percent of Asian/Pacific Islander sellers try to sell on their own, compared with only 32 percent of Caucasians/whites.

## Finding an Agent

Finding the right agent can be troublesome—nearly one-third (31 percent) of sellers who use an agent to sell their home say it's challenging to find that right strategic partner. Similar to buyers, sellers frequently find their listing agent through referrals (24 percent), online resources (18 percent) or past experiences with this agent (17 percent).

Millennials and Generation X sellers are significantly more likely to find their agent using online resources (28 percent of Millennial and 21 percent of Generation X sellers do so, compared with 10 percent of Baby Boomers and 1 percent of Silent Generation sellers).

Minority sellers are significantly more likely to find their agent online than Caucasian/white sellers (26 percent of Asian/Pacific Islander, 27 percent of African-American/black and 30 percent of Hispanic/Latino sellers find their agent online, compared with just 16 percent of Caucasian/white sellers).

Just 13 percent of first-time sellers use an agent they had experience with previously, while nearly a quarter of them (24 percent) rely on online resources to find an agent. In contrast, 24 percent of repeat sellers use an agent they've worked with previously, and just 1 in 10 use online tools.

## Sellers Seek Multiple Agents

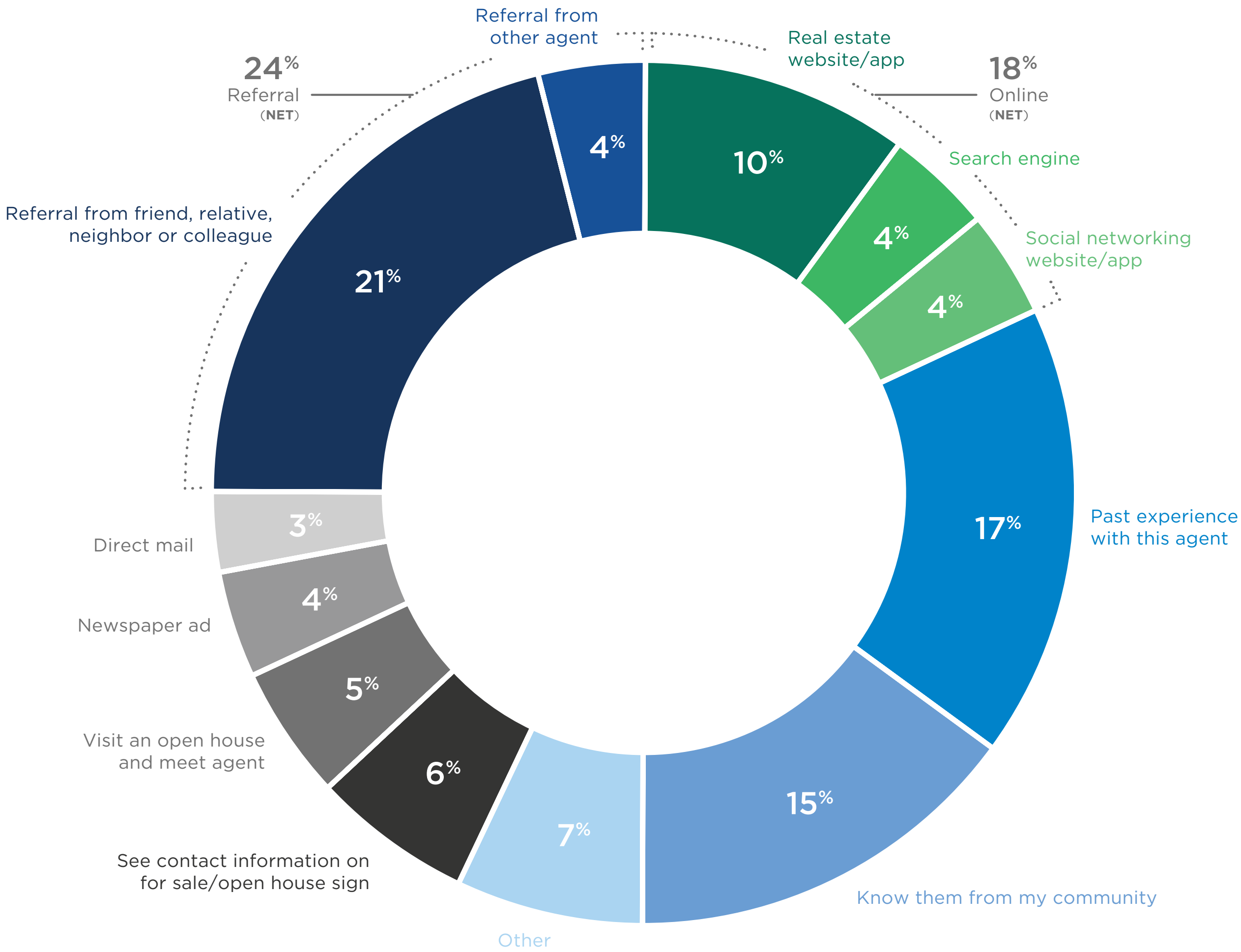
As it's hard to find the right real estate agent, savvy sellers (like savvy buyers) meet with more than one agent to ensure they will be satisfied throughout the entire process. Nearly 4 in 10 sellers (39 percent) who use an agent consider multiple agents, with 21 percent reaching out to two agents and 18 percent reaching out to three or more.

However, the number of agents sellers reach out to decreases as the seller gets older. Over half (53 percent) of Millennial sellers consider more than one agent, compared with 36 percent of Generation X, 31 percent of Baby Boomer and only 25 percent of Silent Generation sellers who contact multiple agents, which could be due to the fact that these older generations, who are likely repeat sellers, rely on agents they have previous experience with.

Like Millennials, first-time and urban sellers are more likely to consider multiple agents. This is likely because almost half of these sellers are, in fact, Millennials. Those young sellers account for 50 percent of households selling a home in an urban location and 46 percent of first-time sellers. Nearly half (49 percent) of sellers in city centers consider multiple agents, compared with 38 percent of sellers in rural locales and 33 percent of sellers in

## S-8: WHERE SELLERS FIRST LEARN OF THEIR AGENT

Sold home in past 12 months and used an agent.



suburban areas. Similarly, 43 percent of first-time sellers consider more than one agent, compared with only 34 percent of repeat sellers.

## Trust Is the Deciding Factor

Sellers want responsive, knowledgeable agents they feel they can trust. The seller's initial impression of the agent's trustworthiness is the top factor (82 percent) they use to decide which agent to use, followed by their impression of the agent's responsiveness (80 percent). This mirrors the same requirements buyers have.

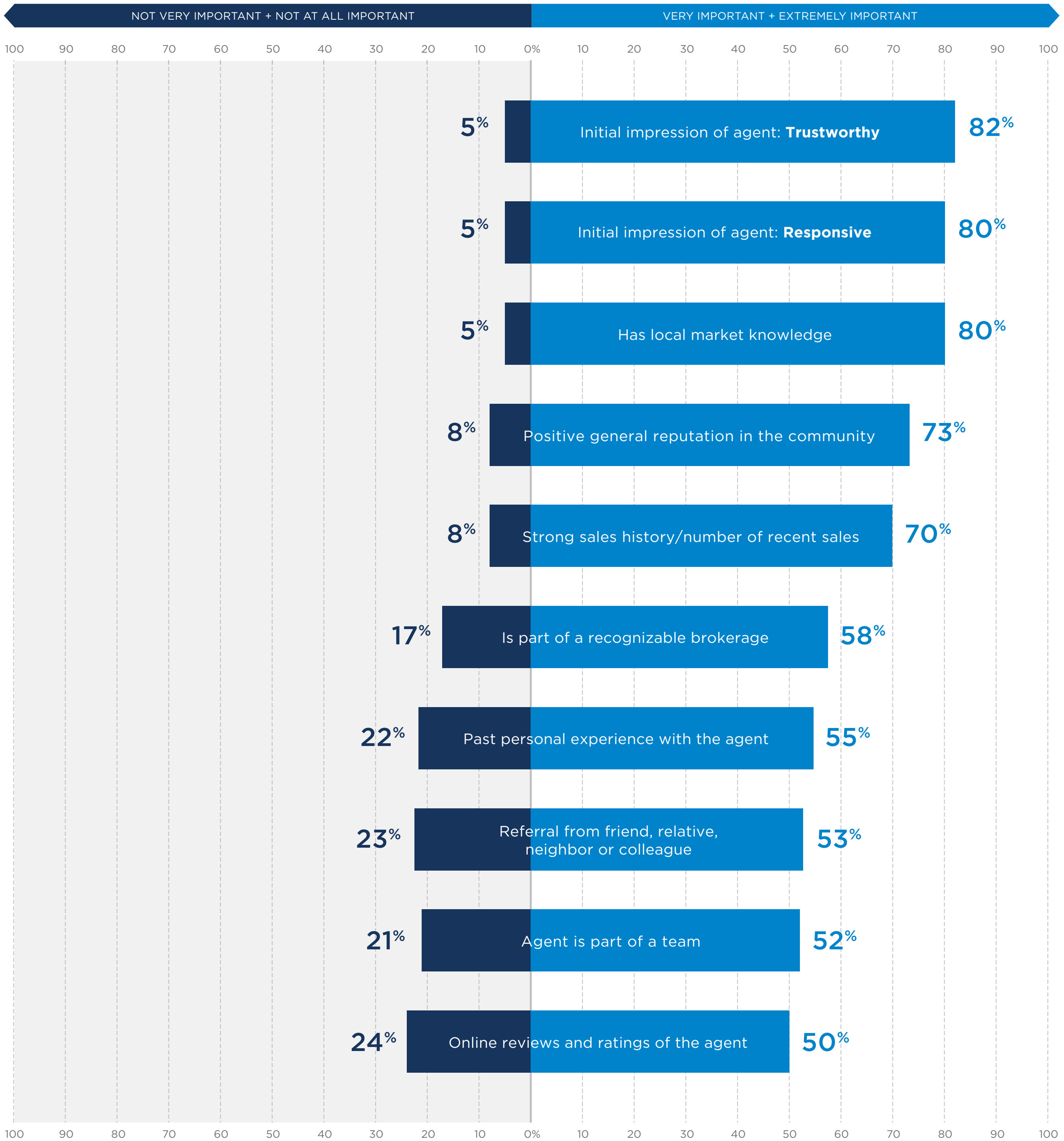
The agent's local market knowledge is also important to a seller. Eighty percent of sellers find the agent's local market knowledge to be important in helping them decide which agent to work with, and nearly 3 in 4 sellers (73 percent) also rate a positive reputation in the community as important. But, of course, all the good feelings about an agent amount to nothing if the agent doesn't have a track record of success. Seventy percent of sellers indicate that having a strong sales history is important in helping them to decide between agents.

Clues to whether an agent is trustworthy or has a good track record can be found in the online reviews left by other sellers. Half of sellers find online reviews and ratings of the agent to be important in helping them decide which agent to work with. Millennials and Generation X sellers, who are more likely to find their agents online, also place greater importance on online reviews of agents than other generations (64 percent of Millennial and 53 percent of Generation X sellers find online reviews important, compared with 38 percent of Baby Boomer and 27 percent of Silent Generation sellers).

Given that the majority of first-time and minority sellers are under the age of 53, online reviews prove to be an important consideration among these groups as well. Fifty-nine percent of first-time sellers find online reviews and ratings important in deciding whether to work with an agent (compared with 37 percent of repeat sellers). Similarly, the majority of Hispanic/Latino (59 percent) and African-American/black sellers (70 percent) find online reviews of the agent important in their evaluation of an agent (compared with 48 percent each of Caucasian/white and Asian/Pacific Islander sellers).

## S-9: IMPORTANCE OF AGENT CHARACTERISTICS

Sold home in past 12 months and used an agent.



## Agents Inspire Action

While sellers, particularly younger ones, like to immerse themselves in the activities around selling a home, there are some things the agent really drives. Almost three-quarters (73 percent) of sellers indicate that their agent is their primary guide through the selling process, and 69 percent report having just their agent lead contract negotiations.

Before they involve an agent, sellers are most likely to bear the responsibility of early-stage listing activities themselves, from tackling home improvement projects (49 percent) and determining the list price (46 percent) to deciding when to list their home (39 percent).

Sellers are most likely to wait until they partner with an agent to have potential buyers take tours of their home (71 percent), receive the first offer (82 percent) and have an inspection completed (65 percent).

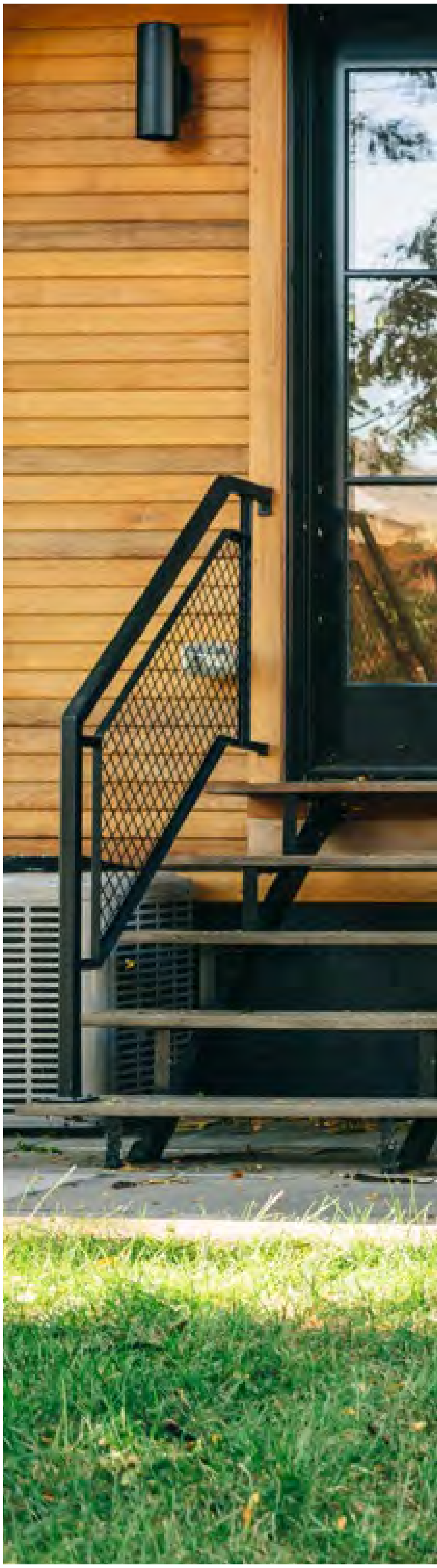
Generally, the younger the seller, the more personally involved they get in activities to help sell their home. Millennial sellers report taking an active role in hosting open houses and private tours in higher instances than any other generation (27 percent, compared with 16 percent of Generation X, 5 percent of Baby Boomer and 1 percent of Silent Generation sellers).

## Negotiating Terms

Almost 7 in 10 sellers (69 percent) accept their agent's compensation terms as-is without trying to negotiate. For the 31 percent of sellers who do negotiate, just under half (49 percent) are victorious in changing some or all of the terms.

Those who do try to negotiate are usually Millennial sellers, perhaps reflecting their desire to take charge in all parts of the selling process. Forty percent of Millennials attempt to negotiate terms (compared with 30 percent of Generation X, 27 percent of Baby Boomer and 27 percent of Silent Generation sellers). However, Millennials are generally less successful. Only a third (33 percent) of Millennial sellers who try to negotiate are successful in getting some or all of the agent's terms changed, compared with a 56 percent success rate for all other generations who are often more experienced sellers and may have more leverage when they negotiate.

"Almost three-quarters (73 percent) of sellers indicate that their agent is their primary guide through the selling process."



# CLOSING THE DEAL

After all the flurry of preparation to improve, price and list the home, sellers, on average, have their home listed on the market for just over three months. Combined with the five months sellers typically take thinking about and prepping to sell their home before listing, the entire process takes just over eight months.

But even with the elongated time frame for sellers, all their hard work pays off in the end. Ninety percent of sellers receive a formal offer from a potential buyer. In fact, most sellers (52 percent) receive two or more offers on their home, placing the power in the hands of the seller to choose between them.

And prepping a home for sale often works out: Sellers who make improvements to the home are more likely to receive multiple offers than those who made no renovations. In fact, 52 percent of those who make one to three improvements and 65 percent of those who make four or more renovations receive two or more offers, while only 38 percent of those who do not make improvements receive more than one offer.

## 3 in 4 Sellers Sweeten the Deal

On the way to closing the deal, more than three-quarters (76 percent) of sellers have to make at least one concession or compromise, and the most popular way to seal the deal is to lower the sales price (34 percent).

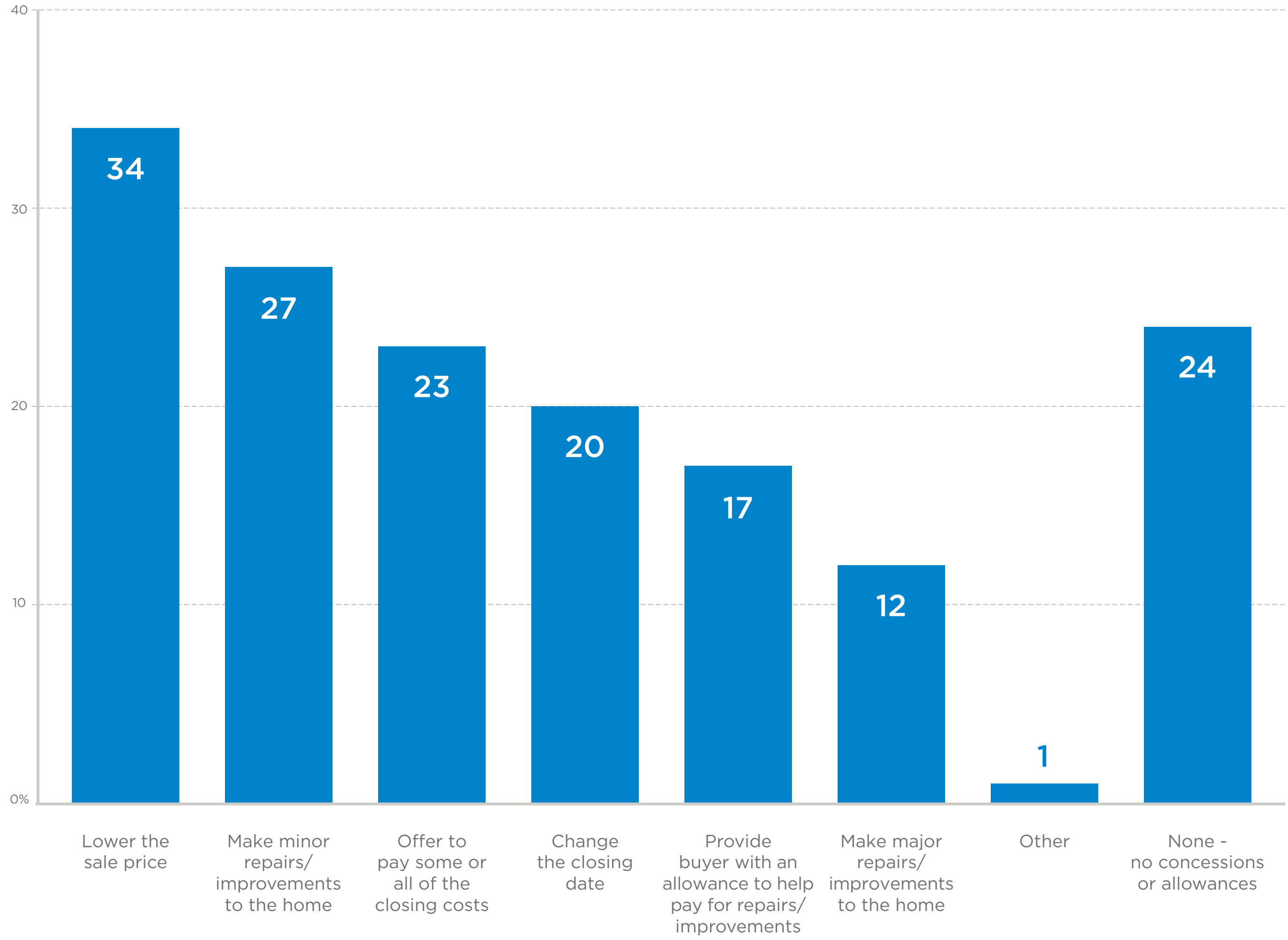
Over 8 in 10 Millennial sellers (85 percent) make compromises or allowances to finalize the sale of their home —more than any other group (compared with 75 percent of Generation X, 67 percent of Baby Boomer and 70 percent of Silent Generation sellers). Millennial sellers are also most likely to make major repairs or improvements to their home in order to ensure the sale goes through (23 percent, compared with 10 percent of Generation X and 3 percent each of Baby Boomer and Silent Generation sellers).

The fact that 72 percent of Millennial sellers are simultaneously looking to purchase their next home could explain why they are more willing to make concessions—they are under more constraints that may necessitate that they quickly sell their current home, and they are more likely to lack prior experience juggling both.

First-time sellers are also more inclined to make concessions than repeat sellers (78 percent, compared with 72 percent).

## S-10: CONCESSIONS TO FINALIZE OFFER

Sold home in past 12 months.




## Most Sellers Are Open to Changing List Price

Across generations, sellers receive multiple offers from prospective buyers about equally (56 percent of Millennial, 54 percent of Generation X, 52 percent of Silent Generation and 45 percent of Baby Boomer sellers receive more than one offer).

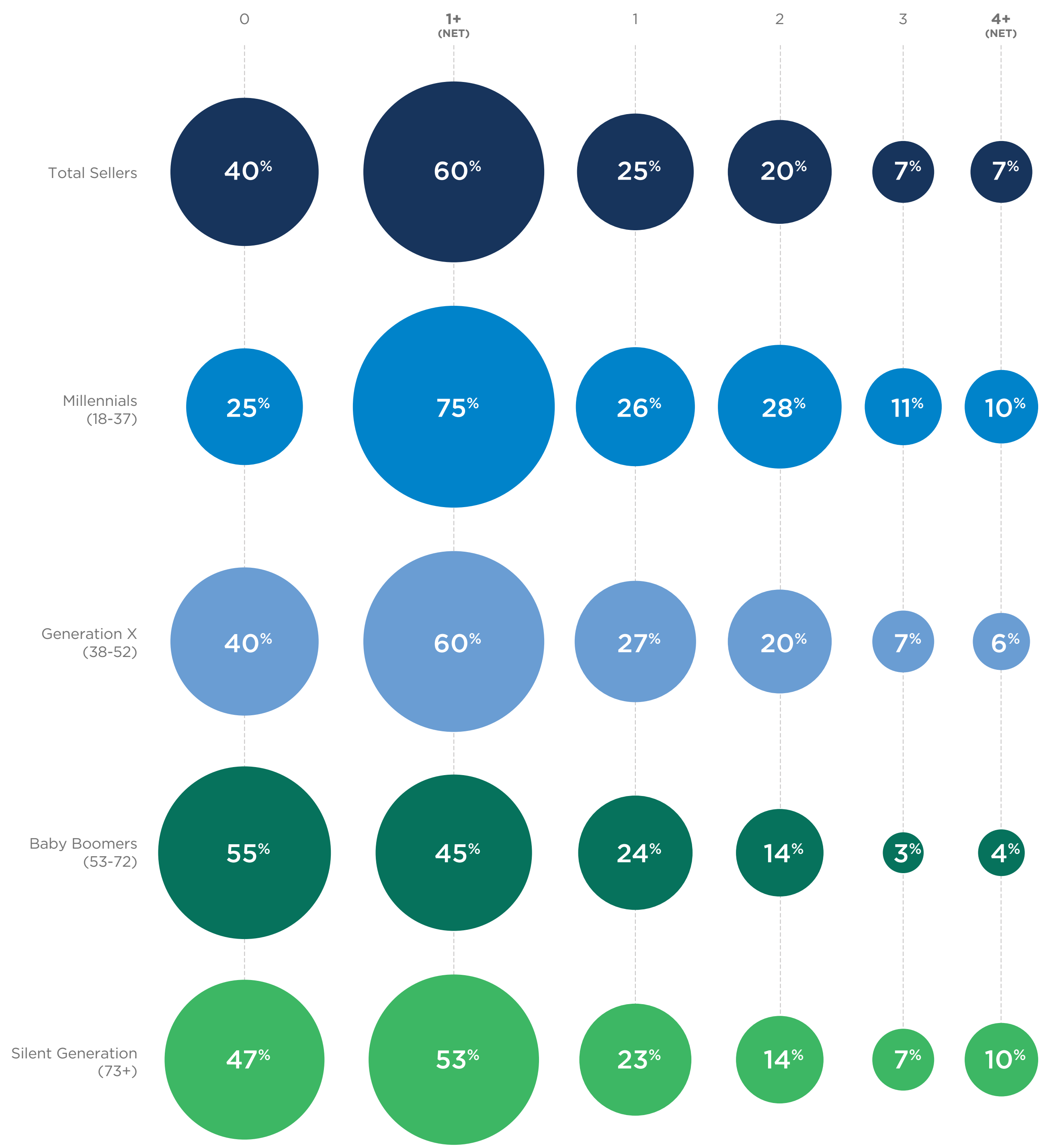
However, not all of these offers are good, and many sellers see an offer fall through. Millennial sellers are the most likely to have at least one offer fall through (61 percent, compared with 43 percent of Generation X, 25 percent of Baby Boomer and 29 percent of Silent Generation sellers).

If sellers are unable to garner an offer that works, many of them aren't afraid to regroup and try again; 6 in 10 (60 percent) change the list price of their home at least once. Roughly a third of sellers (34 percent) who change their list price do so twice, while about a quarter (24 percent) make three or more changes.

Millennials are the most amenable to changing the price of their home. This generation of sellers is the most likely to make at least one change to the list price (75 percent). Baby Boomer sellers, on the other hand, are the most likely to stick with their original list price—over half (55 percent) make no changes to the price while the home is on the market.

## S-11: NUMBER OF TIMES LIST PRICE CHANGED BY GENERATION

Sold home in past 12 months.



Like Millennials, first-time sellers are more apt to alter their list price than repeat sellers, although repeat sellers aren't immune to a price change. Nearly two-thirds (65 percent) of first-time sellers make at least one change to the original list price, compared with just over half (52 percent) of repeat sellers.

Caucasian/white and Asian/Pacific Islander sellers are less likely to make changes to their initial list price (42 percent of each make no changes, which means that 58 percent make at least one change). By contrast, nearly three-quarters of Hispanic/Latino sellers (74 percent) and almost 7 in 10 African-American/black sellers (68 percent), many of whom are under the age of 53 or selling for the first time, make at least one change to their original list price.

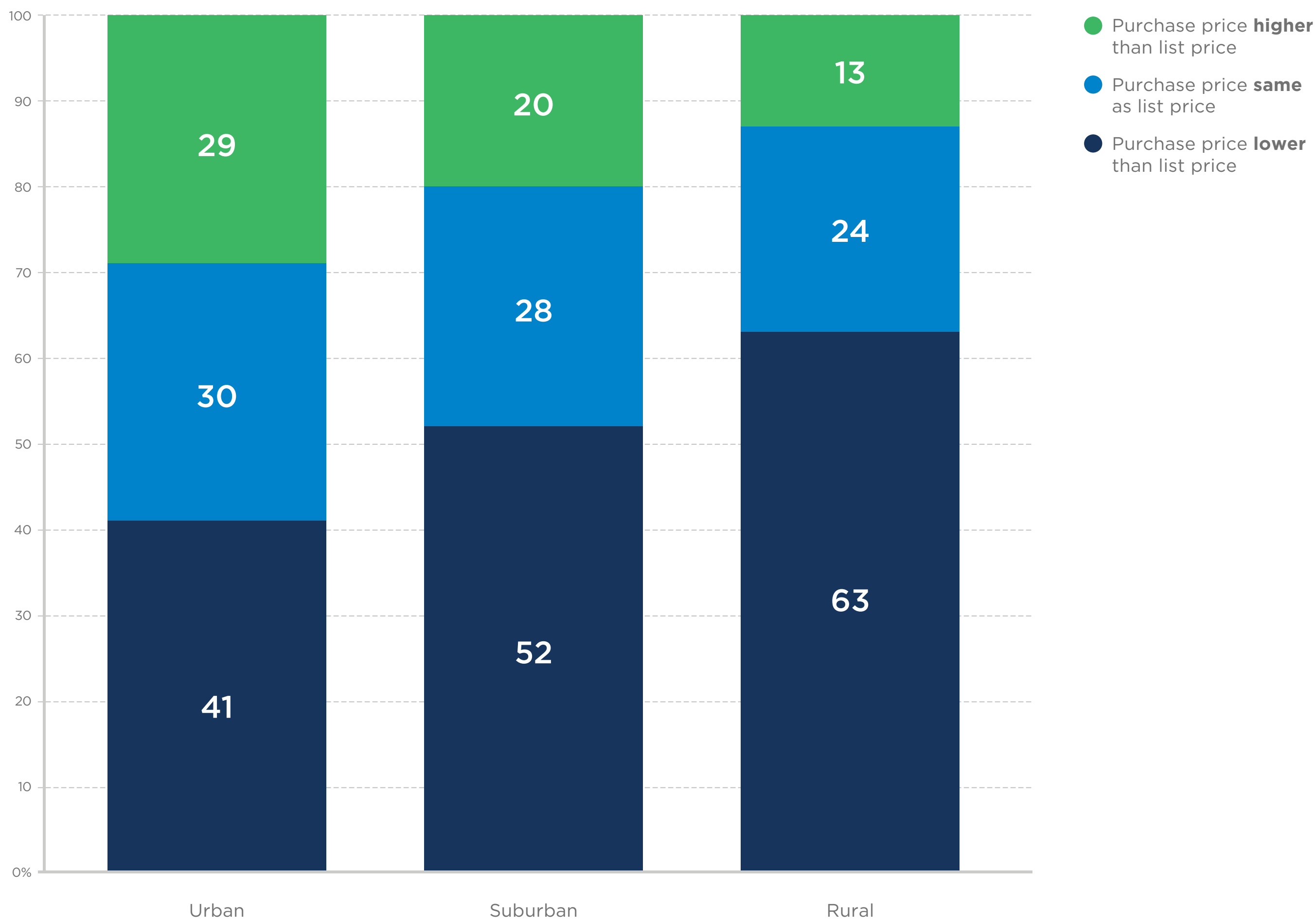
## 1 in 2 Sell Home for Lower Than List Price

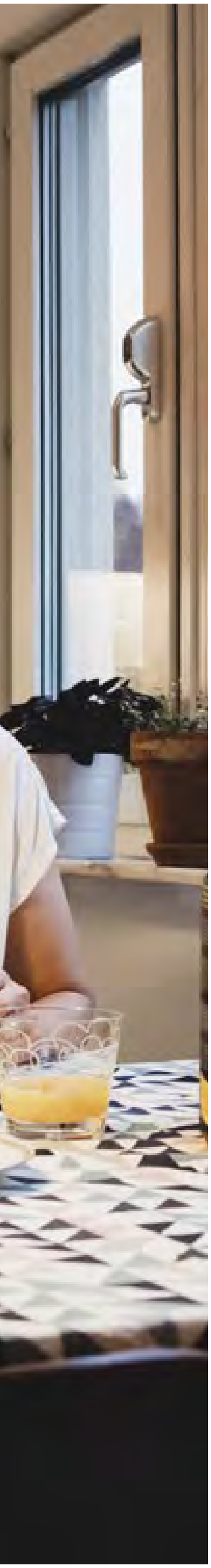
Pricing a home requires a certain mastery of the market, and many sellers struggle with nailing it. Half (50 percent) of sellers end up selling their home for less than the list price.

Millennial (30 percent) and Generation X sellers (24 percent) are more likely to sell their homes above list price than older generations (11 percent of Baby Boomer and 19 percent of Silent Generation sellers). This trend is attributable in part to location: Younger sellers are more likely to be selling a home in an urban area, where homes sell over their listing prices 29 percent of the time (compared with 20 percent in the suburbs and 13 percent in rural areas).

### S-12: SALE PRICE COMPARED TO LIST PRICE BY LOCATION OF HOME SOLD

Sold home in past 12 months and officially listed home for sale.





# CHALLENGES

## Advice Overload

Due to the complexity of the transaction, sellers solicit advice on their for-sale home from many different directions. Sellers place high importance on all forms of advice, from what updates to make to their home (71 percent find recommendations from their agent valuable) to determining the right list price (79 percent find their agent's help with this valuable) and asking friends to refer agents they trust (for 53 percent of sellers who use an agent, referrals from friends and family are important in making their decision about their real estate agent).

## Sellers With Kids Struggle to Ensure Stability

Kids in the household often complicate the dual process of selling and buying a home, especially as moves need to be coordinated around school schedules and family transitions. Forty-two percent of sellers with kids in the household struggle with timing the sale of their home with the purchase of a new one (whereas this same issue is experienced by only 32 percent of sellers without kids in the household).

Sellers with children at home are also more likely to indicate they struggle with determining the right list price for their home (41 percent for those with kids in the household vs. 27 percent of those without). Other common challenges include selling within their desired time frame (40 percent, compared with 33 percent of sellers without children) and negotiating with buyers (39 percent with kids in household vs. 25 percent of those without).

## Younger Sellers Are Doing More, But Find It a Challenge

Younger sellers take an active role in selling their home, and Millennial sellers are doing more themselves than any other generation. But the do-it-yourself attitude in selling isn't necessarily helping these younger sellers succeed.

Young sellers more often try to sell their homes without help from agents (57 percent of Millennial sellers, compared with 32 percent of Generation X, 19 percent of Baby Boomer and 19 percent of Silent Generation sellers). They are also most likely to be personally involved in activities to help sell their home.

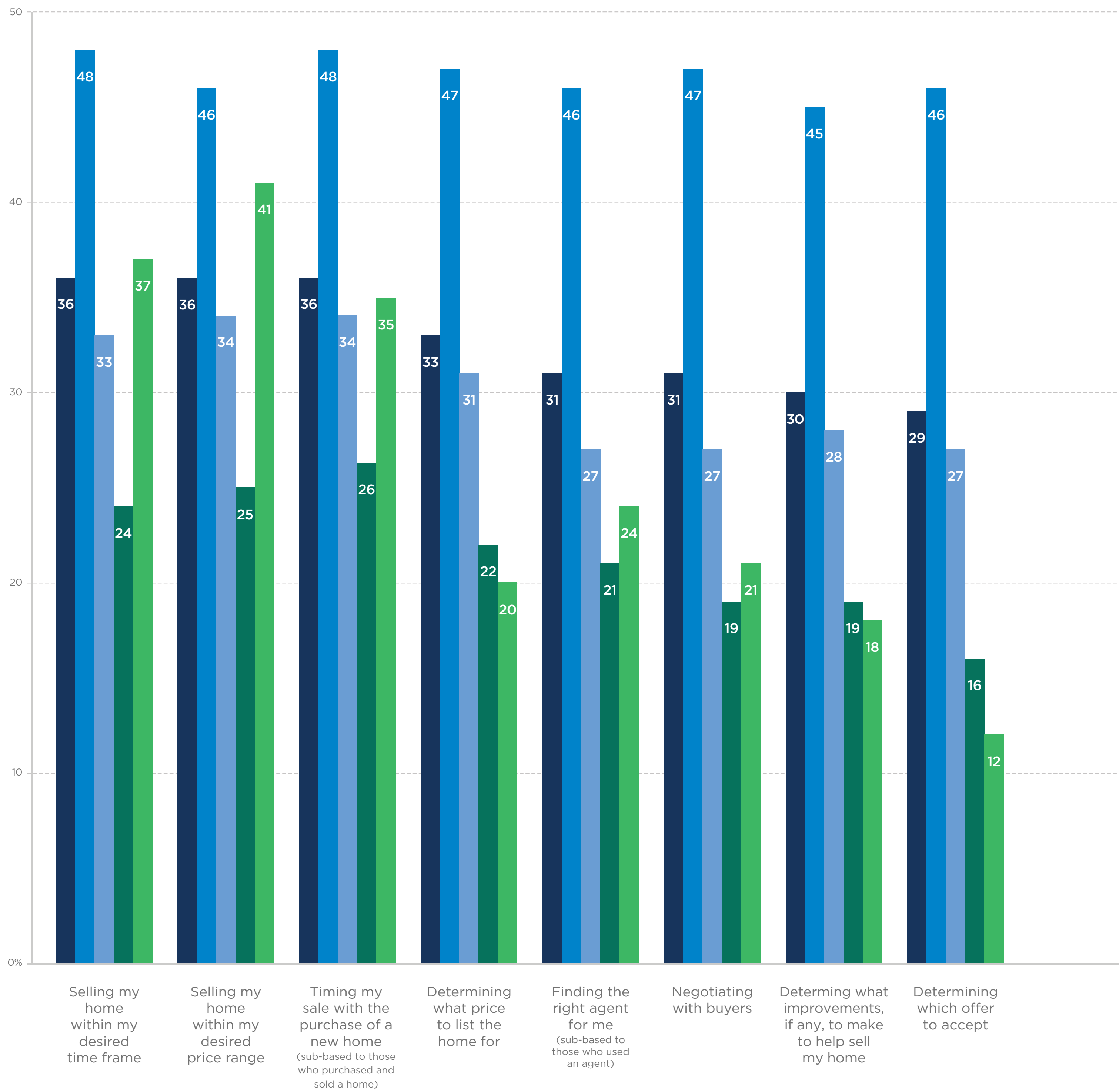
More than one-third (35 percent) of Millennial sellers either take their own photographs or hire someone to take photos of their home (compared with 22 percent of all sellers), and almost 3 in 10 (27 percent) take an active role in obtaining video or other media of their home (relative to 14 percent of all sellers). Millennial sellers also more frequently promote their own listing online on social networking sites (32 percent vs. 20 percent of all sellers) and on real estate websites (30 percent vs. 18 percent of all sellers).

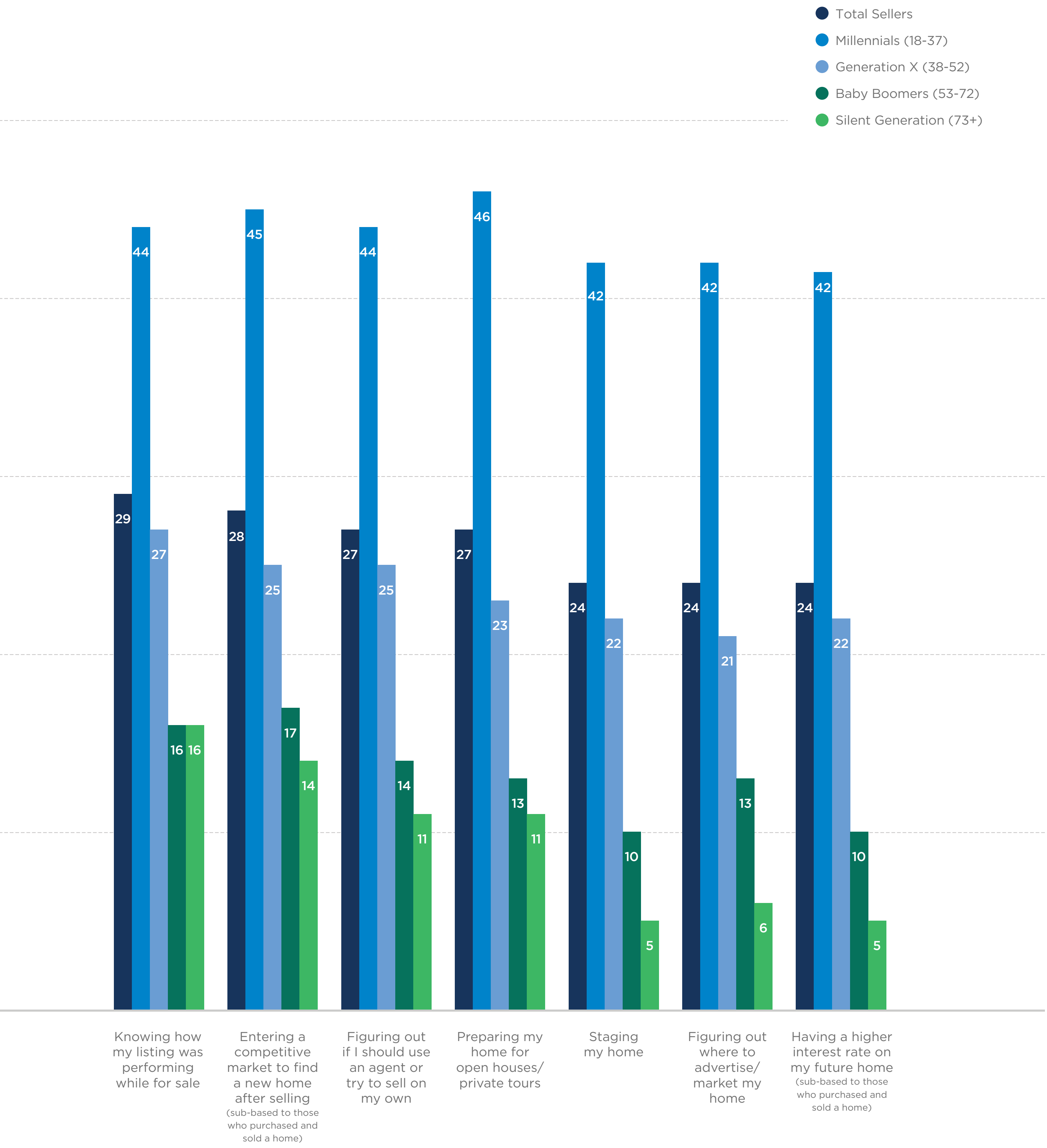
Yet Millennial sellers are most likely to have regrets about the process and would do things differently if they were going to sell again (35 percent vs. 30 percent of all sellers), perhaps due to the fact that many of these sellers are taking on so many activities themselves, yet aren't seeing the return on their investment they'd hoped for.

Millennials also are more likely to state they did not sell their home in their desired time frame (48 percent, compared with 36 percent of all sellers) or in their desired price range (46 percent vs. 36 percent of all sellers)—which could lead to regrets about the process. A greater share of Millennials also said they had trouble finding the right agent (46 percent, compared with 31 percent for all sellers).

## S-13: TOP SELLER CHALLENGES BY GENERATION

Sold home in past 12 months.




Total Sellers
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
29 44 27 16 16
28 45 25 17 14
27 44 25 14 11
27 46 23 13 11
24 42 22 10 5
24 42 21 13 6
24 42 22 10 5
Knowing how my listing was performing while for sale
Entering a competitive market to find a new home after selling (sub-based to those who purchased and sold a home)
Figuring out if I should use an agent or try to sell on my own
Preparing my home for open houses/ private tours
Staging my home
Figuring out where to advertise/ market my home
Having a higher interest rate on my future home (sub-based to those who purchased and sold a home)


# S-14: Considerations When Selling & Buying

Sold home and also purchased a home in past 12 months

**Approximately 71 percent of today's sellers are trying to a buy a home at the same time.** While there are many challenges to tackle, such as timing, interim housing and double mortgage payments, there is a way to buy and sell a home simultaneously—with less stress.

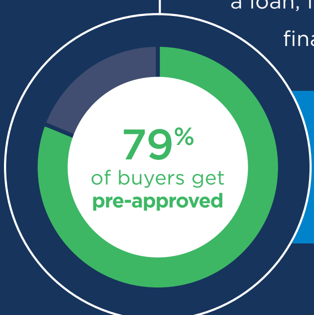
A bit more planning and exercising due diligence can make the process easier.

## Here are 5 things to consider:

## 1 Focusing on Finances Pays Off

When selling and buying, time can mean money. Nearly 1 in 3 buyers experience issues with determining the best type of mortgage (32 percent) and finding the right mortgage lender (30 percent). And one in four (25 percent) say they have problems qualifying for a loan.

In addition to getting pre-approved for a loan, it's important to know your finances—inside and out.




Getting pre-approved is one way to be competitive—especially when a seller is presented with multiple offers.


Consider getting a pre-inspection to identify the critical repairs that can sometimes impact closing.

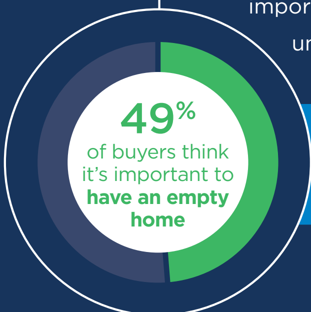
## 2 There's Real Value in Renovations

Home improvements, which 78 percent of sellers undertake, can be essential to selling a home. Failing to do updates can impact a home's time on the market, or worse, the final price.

Get a pre-inspection to identify the critical repairs needed. If budget is a major factor, curb-appeal activities—like painting or landscaping—can be the ideal place to start.

## 3 Clearing Clutter Serves Multiple Purposes

Packing early saves time when the home sells by making it easier to move, but it can also help it get sold faster. Nearly half of buyers say having the home empty or free of the seller's belongings is very or extremely important. And the same number of buyers say staging is not as important. Consider renting a storage unit to get boxes out of the way.




Remove any obstructions to help buyers picture themselves in the home.

## 4 Market Knowledge Matters

Learning about the housing market's dynamics can help with decision-making. Online resources, which provide information about the local market and a home's specific history, are the most common way buyers get informed (79 percent), followed by real estate agents and brokers (74 percent).

It's also beneficial to view comparable homes. Attending open houses can serve dual purposes for sellers—checking out the competition, as well as determining must-haves and deal breakers for the next home.


Get home values, check out comparable properties and take virtual tours—from the comfort of home or on the go.

## 5 Listing Takes Longer

The buying process takes 4 months on average. Selling a home can take twice as long—5 months for planning and 3 months on the market. By listing a home earlier, the selling window can be significantly shortened.

There are also additional market challenges for sellers. While competitive markets are ideal, they can sometimes produce complications—navigating multiple offers and tougher negotiations—that push against timetables. Less competitive markets may deliver offers with more contingencies, which can sometimes lead to closing delays.


Plan to spend twice as long trying to sell a home than buying one.

If an offer comes through before the seller purchases a new home, the seller can ask to remain in the home for a month or more as a renter. If the seller finds a new home before securing a buyer for their current home, the seller can make the new home offer contingent on the sale of their home.

Additional possibilities remain, depending on the local market and the seller's financial situation.

# UNDERSERVED GROUPS

## Minority Sellers

Minority sellers, just like minority buyers, are generally slightly younger than their Caucasian/white counterparts and are more likely to be selling for the first time. Perhaps because so many are going through this process for the first time, they are significantly more likely to experience challenges at every stage of the selling process.

## Time Frame, Multiple Offers Pose Challenges

Hispanic/Latino, Asian/Pacific Islander and African-American/black sellers struggle the most with selling within their desired time frame (52 percent, 51 percent and 42 percent, respectively, compared with 33 percent of Caucasian/white sellers) and determining which offer to accept (47 percent of Hispanic/Latino, 45 percent of Asian/Pacific Islander and 44 percent of African-American/black sellers note this as a challenge, compared with 25 percent of Caucasian/white sellers).

## Unclear About What Improvements Will Help Sell

Home improvement is a key strategy for sellers, but non-white sellers are less sure about which improvements would help their homes sell (48 percent of Asian/Pacific Islander, 45 of percent Hispanic/Latino and 38 percent of African-American/black sellers find this to be an issue, compared with 27 percent of Caucasian/white sellers).

## Even Finding the Right Agent Is a Struggle

Minority sellers report uncertainty in figuring out whether partnering with an agent would help them. This is most prevalent for Hispanic/Latino sellers (45 percent cite this as a challenge, compared with 24 percent of Caucasian white sellers).

Once minority sellers determine working with an agent would be helpful, nearly half of African-Americans/blacks (47 percent) have trouble finding the right agent. Asian/Pacific Islander and Hispanic/Latino sellers don't fare much better: Forty-three percent of each group say it's an issue, compared with only 29 percent of Caucasian/white sellers. Because the majority of selling activities are made easier with the help of an agent as a strategic partner, non-white sellers are at a significant disadvantage from the outset.

To try and find that right strategic partner, Hispanic/Latino sellers and African-American/black sellers will contact more agents than their Caucasian/white counterparts (an average of 3.2 and 2.2 agents, respectively, compared with 1.7 agents for Caucasian/white sellers).

## Some Try Selling On Their Own

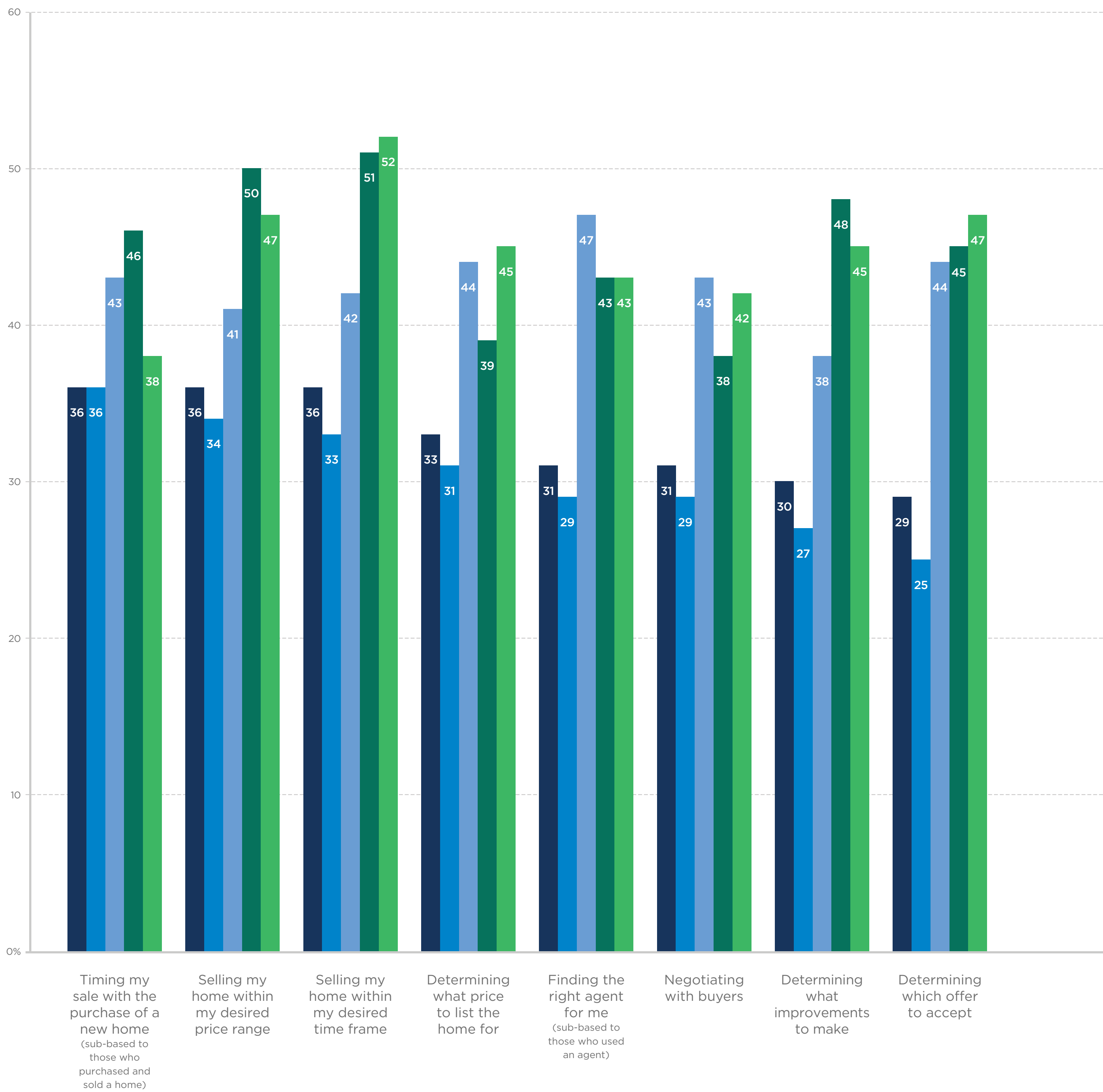
Although they contact more agents, African-American/black sellers are the most likely to sell their home on their own, with 17 percent of African-American/black sellers listing their home as for sale by owner and never listing with an agent (compared with only 14 percent of Asian/Pacific Islander, 11 percent of Caucasian/white and 10 percent of Hispanic/Latino sellers).

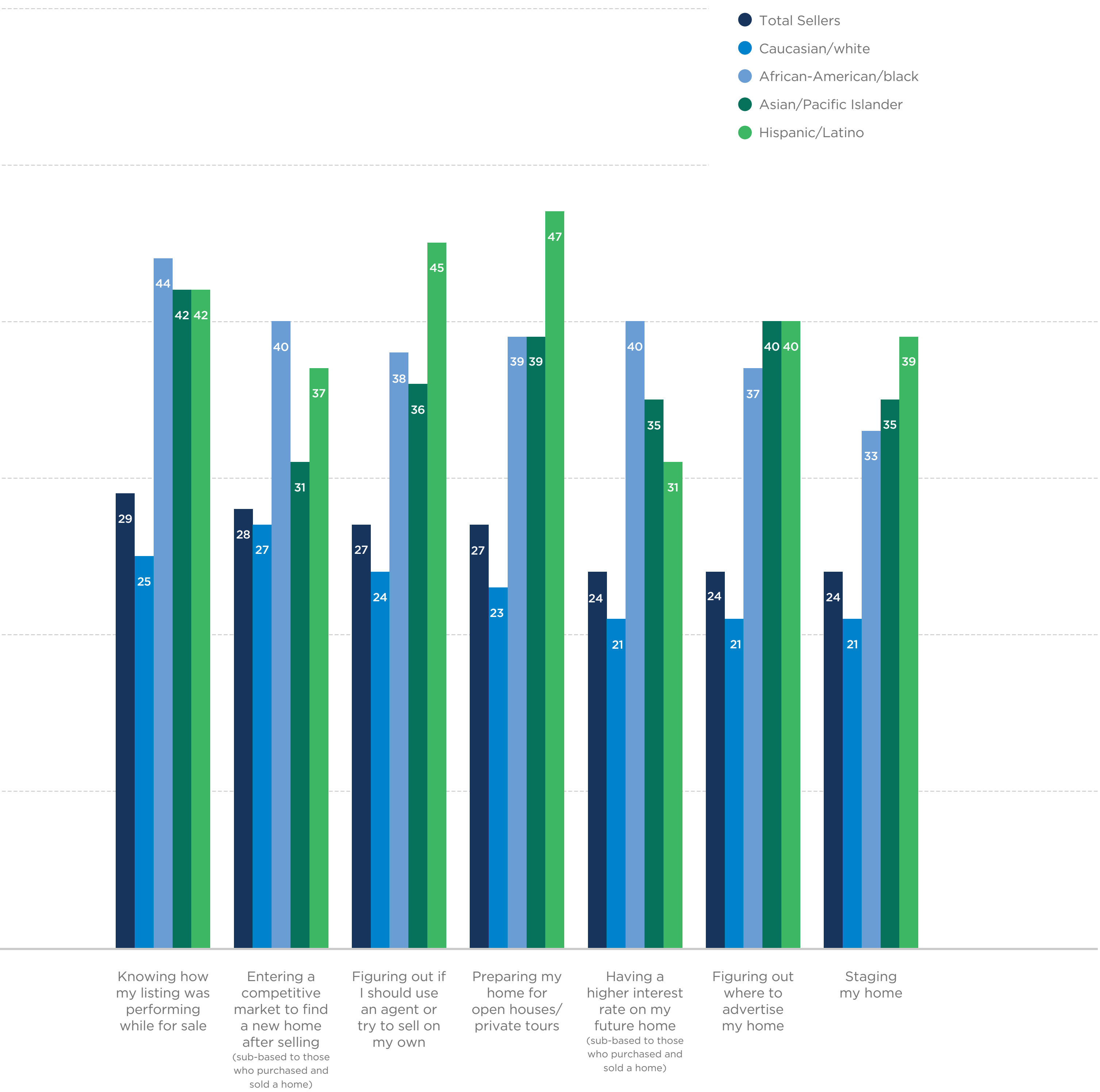
## Hispanic/Latino Sellers Least Satisfied With Selling Process

Although Hispanics/Latinos largely end up working with an agent, they report that they're significantly less satisfied with the selling process overall and say they would do things differently if they had to do it again (38 percent vs. 30 percent of all sellers and 29 percent of Caucasian/white sellers).

## S-15: TOP SELLER CHALLENGES BY RACE AND ETHNICITY

Sold home in past 12 months.





Total Sellers
Caucasian/white
African-American/black
Asian/Pacific Islander
Hispanic/Latino
29
25
44
42
42
28
27
40
31
37
27
24
38
36
45
27
23
39
39
47
24
21
40
35
31
24
21
37
40
40
24
21
33
35
39
Knowing how my listing was performing while for sale
Entering a competitive market to find a new home after selling
(sub-based to those who purchased and sold a home)
Figuring out if I should use an agent or try to sell on my own
Preparing my home for open houses/ private tours
Having a higher interest rate on my future home
(sub-based to those who purchased and sold a home)
Figuring out where to advertise my home
Staging my home

# FINDING HOME IN RURAL AMERICA

Rural America is comprised of a vast and varied landscape, and houses a population with vast and varied needs. Almost 1 in 5 Americans—about 60 million people—live in rural areas, which cover 97 percent of all of the land in America.[44]

While the total number of Americans living in rural areas has been roughly stable over the past century—as urban and suburban America have boomed—its share of the total population has declined, falling from 54 percent in 1910 to just 19 percent in 2010.[45] This is due in part to outmigration to urban cores, especially by younger generations and the middle class.

Rural Americans weren't hit as hard by the housing bust as their urban and suburban-dwelling peers, but the subsequent scars inflicted have yet to heal like they have in more populated areas. Saddled with stagnating home values and limited economic mobility, many rural Americans are staying put because they can't afford to move.

But there have been pockets of housing market strength in rural America. As land scarcity in some urban and suburban markets becomes more prevalent, the frontier of development has expanded into rural America, particularly those rural communities on the outskirts of booming cities. In addition, some rural communities close to recreational areas or coastlines have seen strong housing demand from Americans searching for vacation homes and retirees searching for leisure communities.

## Who Lives in Rural America?

There are several characteristics and experiences that differentiate rural America and its inhabitants from urban and suburban populations.

### MORE LIKELY TO BE OLDER, RETIRED

On the whole, whether renting, buying, selling or owning, rural Americans tend to be older than their suburban and urban counterparts. The median age of rural adults is 51, compared with a median age of 45 among urban adults.[46] While 19 percent of Americans live in rural areas, as of 2010, 1 in 4 American seniors live in a rural area. Additionally, 2 in 5 rural homeowners are retired—making this group of homeowners the largest share of retirees. By comparison, only 26 percent of urban homeowners are retired.

### MANY HAVE LOW OR FIXED INCOMES

Rural homeowners also tend to make less money than their urban and suburban peers. Half (50 percent) of homeowners in rural areas have an income of less than $50,000, compared with just over a third (36 percent) of all homeowners.

More than 2 in 5 renters (42 percent) living in rural areas make less than $25,000 (compared with 32 percent of all renters nationwide).

Because so many retirees live in rural areas, it may be misleading to look at income alone. Retirees tend to live on a planned, often fixed annual income, so their incomes appear to be relatively low, though many may have substantial asset wealth.

Retirees aren't the only rural residents constrained by fixed incomes; a handful of other groups are, too—including veterans and those on disability. According to Census data, veterans comprise 10 percent of the population of adults in rural areas, compared with 8 percent of adults in urban areas.[47]

### LESS LIKELY TO HAVE A COLLEGE DEGREE

Rural homeowners are also less likely to have completed college: Only a quarter (22 percent) of rural homeowners have obtained a four-year college degree or higher, compared with 37 percent of all homeowners. At the other end of the education spectrum, 48 percent of rural homeowners have a high school education or less, compared with 35 percent of all homeowners.

One contributing factor could be that rural Americans are more likely to be employed in professions and industries that don't require four-year college degrees. Also, older generations (who make up a large share of rural Americans) are less likely to have obtained a college degree, as that wasn't the standard even just 20-30 years ago.

### MAJORITY ARE CAUCASIAN/WHITE

Rural homeownership is overwhelmingly Caucasian/white compared with other regions. More than 8 in 10 rural homeowners (85 percent) are Caucasian/white, compared with 76 percent of homeowners nationwide. Hispanic/Latino homeowners comprise the largest minority group in rural areas, at 7 percent of the rural population, while African-American/black homeowners make up 5 percent of the region's homeowner population. A larger percentage (78 percent) of rural Americans are Caucasian/white, compared with 64 percent of all Americans.[48]

### MANY LACK HIGH-SPEED INTERNET ACCESS

While rural home seekers (those either looking to buy or rent a new home) are still using online resources, they're not using them as abundantly as urban and suburban home buyers and renters—likely due in part to the older age and the types of homes they seek, as well as the lack of access to high-speed internet in rural areas (which can be a limitation for those who want to do online research utilizing housing websites that provide rich data and multiple pictures of a potential new home). According to the Federal Communications Commission (FCC), just 3 percent of people in urban areas lack access to high-speed broadband internet, while 35 percent of people in rural areas have no access to the same resource.[49]

Possibly related to the lower rate of internet availability, rural home seekers are less likely to turn to online resources during the home-search process than their urban and suburban peers. For recent rural renters, 72 percent use online resources, compared with 85 percent each of urban and suburban renters. When it comes to rural buyers, even fewer households use online resources: Seven in 10 rural buyers (70 percent) use online tools, compared with over 8 in 10 suburban (81 percent) and 84 percent of urban buyers. All percentages are lower for buyers than they are for renters, which is likely a trend that can be attributed to age; the typical renter is younger and more likely to be internet-savvy than the typical buyer. Also, this contrast is even more stark for suburban households than rural households.

While rural home seekers are less likely to use online resources during the home search process, they're more likely to turn to their network to find their next home. Rural renters rely on word-of-mouth through family, friends and neighbors to learn about the home they ultimately choose to rent (29 percent). That means they're nearly two times more likely than urban renters (15 percent) and more than 1.6 times more likely than suburban renters (18 percent) to crowdsource knowledge about homes through their family, friends and neighbors. The same is true for buyers. Almost 2 in 10 rural buyers (19 percent) learn about their home the same way—a method used more than twice as frequently as urban and suburban buyers (8 percent each).

## Renting in Rural America

Moving to a rental home in rural America looks different from moving into a rental in urban and suburban America in three major ways: who renters live with, the type of home they rent, and

their experience with homeownership. Contrary to societal tropes of younger generations filling high-rise apartments on the way to homeownership, renting in rural areas is an option largely lived out in single-family homes, by families and accompanying pets, and utilized by households navigating life transitions.

The majority of rural renters (51 percent) end up in a single-family home, markedly above the 30 percent of suburban renters and 19 percent of urban renters who land a single-family home.

Just 25 percent of rural renters end up in an apartment building—of any size—compared with 57 percent of urban renters and 49 percent of suburban renters. These trends are due in part to inventory (more single-family homes are available to rent to rural residents than apartment buildings, as space is not a large constraint in rural areas, as one example), and in part due to more households with kids who may need extra space.

## FEW LIVE WITH ROOMMATES, MANY LIVE WITH KIDS

While rural renters are just as likely to live with others as their urban and suburban counterparts, where they differ is who they are most likely to be living with. While roughly the same percentage of rural renters are living with a spouse or partner compared with their urban and suburban counterparts (58 percent of rural renters, compared with 52 percent of all renters), rural renters are half as likely to be living with roommates as their urban and suburban peers, with just 6 percent reporting they live with a roommate, compared with 12 percent of urban and suburban renters living with roommates.

Rural renters are also more likely to have children under the age of 18 under the roof; close to half (45 percent) of rural renters who moved in the past year have kids under 18 in the household, compared with 35 percent of all renters. This trend is specific to renters who moved to a new home in a rural area in the past 12 months; buyers who moved to a new home they purchased in the past 12 months are likely to have children in the household (40 percent of rural buyers have kids under 18 in household).

The prevalence of families renting could be due to families experiencing life transitions and/or choosing to rent due to income constraints. It's probably also associated with age; the median age of the recent rural renter is 33, compared with 32 for all recent renters. The fact that incomes are lower in rural areas is one possible explanation as to why it may take longer for families to save up for the down payment on a home (if they want to buy). It also could be that they struggle to find a home to buy in the area desired, so renting is the best option.

## SINGLE-FAMILY RENTER HOUSEHOLDS MORE COMMON IN RURAL AREAS

In cities and suburbs, renting is largely the first housing choice on the way to homeownership, and the majority of urban renter households are either unmarried or living with a partner without children. Whereas almost 4 in 10 renters (38 percent) in urban areas are single and never married, just more than 2 in 10 renters (23 percent) in rural areas are single and never married (and 4 in 10 rural renters—40 percent—are married to a significant other). This is likely related to the older age of rural renters, who are more likely to be married and/or have children.

Single-family renter households are also more prevalent in rural areas. Eight percent of rural renters are single with kids (compared with 5 percent of all renters), including 6 percent of rural renters who are single mothers (and 1 percent who are single fathers). It's understandable, then, that rural renters also report higher instances of divorce and separation than other renters, with 16 percent of rural renters indicating they're divorced or separated, compared with 11 percent of all renters nationwide.

## FURRY FRIENDS ABOUND

Rural residents are more likely to have pets in the household, with 40 percent of all rural renting households including a furry friend, compared with 32 percent of all renter households nationwide. Dogs are the most popular furry household addition in rural areas. Twenty-nine percent of rural renters have dogs in the household, 20 percent have cats, and 5 percent have "other" animal friends living with them (e.g., a rabbit, horse, fish, etc.).

Like rural renters, rural homeowners are also more likely to have pets (46 percent of rural homeowners have pets in the household, compared with 40 percent of total homeowners).

## OUTSIDE THE TYPICAL LABOR FORCE

Rural renters are less likely to be employed in the civilian labor force than their urban and suburban counterparts, with 57 percent of rural renters indicating they are currently employed, compared with 65 percent each of their urban and suburban peers. Eighteen percent of recent rural renters are not currently employed, 10 percent are retired, 4 percent are students, and 8 percent have some other employment status. Rural renters are twice as likely to categorize their employment as “other,” likely due to higher instances of active-duty and veteran military households living in rural areas, as well as increased levels of disability claims.

For long-term renters,[50] this contrast is more significant: Sixty percent of rural renters who did not move to a new rental home in the past 12 months are not employed in the civilian labor force, including 28 percent who are retired, 15 percent who are not currently employed, 13 percent who list their employment status as "other" and 3 percent who are currently students.

## Buying in Rural America

Like the typical renter, the typical buyer in rural areas is also older than the typical buyer in other parts of the country. The median age of a rural home buyer is 46, compared with 40 for all buyers.

Though they have a tendency to be older than other home buyers, rural buyers have similar home preferences. The majority of rural home buyers purchase a single-family home (82 percent). The typical home purchased has 3 bedrooms, 2 bathrooms and a median square footage of 1,800. These figures are comparable to the typical home for all buyers, with just one fewer half bathroom.

### LOWER HOME PURCHASE PRICES

The median purchase price for a home is lower for rural buyers. These buyers report spending a median of $133,722 for their home, compared with $200,000 for all buyers. In general, home prices are about 26 percent ($35) cheaper per square foot in rural areas than in suburban areas, and about 56 percent ($124) cheaper per square foot in rural areas than urban areas.[51] In addition to paying lower prices, rural buyers are less likely to go over budget and are more likely to spend less than initially budgeted: Only 20 percent of rural buyers go over budget, compared with 29 percent of all buyers. Similarly, 22 percent of rural buyers end up in a home that was less than their initial budget, compared with 13 percent of all buyers.

### MANY FINANCE WITH CASH

Rural home buyers differ from other buyers nationwide in how they tend to finance their home purchase. About one-third (33 percent) of rural buyers pay cash for their home, compared with only

22 percent each of urban and suburban buyers. This trend may be due to several factors, including the large share of repeat buyers (63 percent of rural buyers are repeat buyers) who have liquid assets from the sale of a previous home, or because some rural buyers are buying mobile homes, which may not qualify for traditional home loan financing.

## Putting Down Roots

Rural America has some of the highest homeownership rates in the country: Over three-quarters (76 percent) of rural residents own their home, compared with only half of urban and 73 percent of suburban homes that are owner-occupied.[52] Not only are more rural residents owning homes than their city-dwelling and suburban counterparts, but they're also planting deeper roots. Over two-thirds (67 percent) of rural homeowners never plan to sell their home, compared with 62 percent of urban and 60 percent of suburban homeowners.

### MANY PLAN TO PASS HOME DOWN TO FAMILY

One leading reason rural owners often stay for the long haul is to pass their home down to their children or family rather than sell to new owners. Almost one-third (32 percent) of rural homeowners plan to pass their home on, compared with only 24 percent of urban owners and 17 percent of suburban owners. This trend is evenly distributed across all generations, not just older generations more likely to be engaged in estate planning.

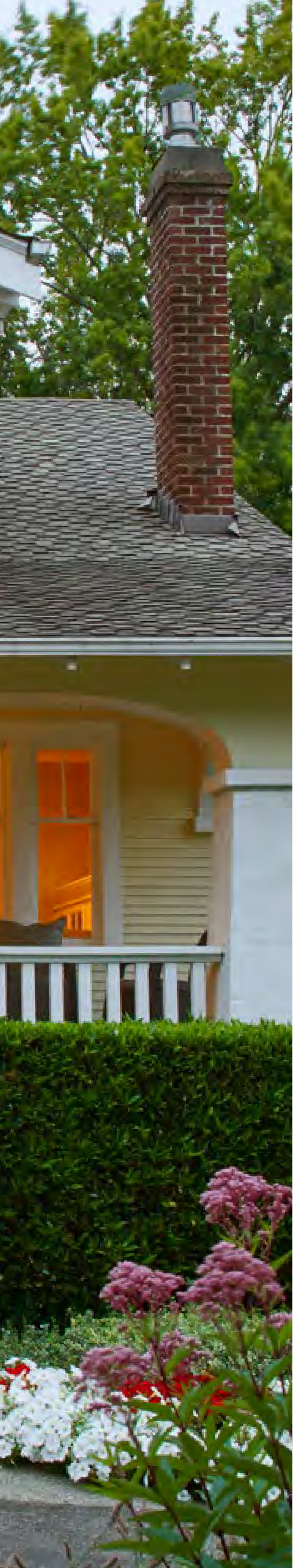
## The Future of Rural America

More people are leaving rural areas rather than moving to them. Close to 4 in 10 households (38 percent) who sold a home in a rural area moved to a new home in an urban or suburban area, which is a significant outmigration rate when compared with the 20 percent of those selling in suburban areas who move to urban or rural areas, and 21 percent of those selling in urban areas who move to new homes in rural or suburban areas.

Of all sellers who moved from an urban area to a rural area, half (52 percent) make $50,000 or less, 24 percent make between $50,000 and $100,000, and 24 percent make $100,000 or more. That trend looks much different for those sellers moving from suburban areas to rural areas; while 30 percent report household incomes of $50,000 or less, 38 percent make between $50,000 and $100,000, and an additional 32 percent make $100,000 or more. While rural areas are attracting an influx of lower-income households from less affordable urban markets, higher-income suburban sellers make up a sizable share of new residents in rural America, likely in search of second homes and recreational activity.

What's missing? The middle class. Due to higher rates of outmigration to urban and suburban areas by younger generations in search of greater economic mobility, rural America's middle class is rapidly shrinking—as are opportunities for increasing economic mobility. The future of rural America depends upon an influx of more jobs that attract more kinds of workers earning more money. Thanks to land scarcity and skyrocketing home values in competitive urban markets, the future of home in America depends upon greater dissemination of economic mobility from cities to rural areas.

# 4



# OWNING A HOME IN AMERICA

A home is often a person's biggest financial investment. In fact, the typical American homeowner has 40 percent of their wealth tied up in their home.[53] At the same time, home is an emotional anchor, a reflection of self, and the place where both your past and future live.

When asked to choose between two statements, most homeowners (52 percent) view their home more as an important financial investment, but almost as many (48 percent) view their home more as an important reflection of self and emblem of who they are personally.

Today, the financial headwinds blocking many from homeownership remain strong. The homeownership rate has steadily declined to generational lows over the past decade.[54] The housing crisis of 2008 drove many Americans out of homeownership. As the economy landed in a recession, many homeowners struggled to keep up with mortgage payments, leading to the foreclosure of millions of homes. Homes across the nation declined in value, which resulted in many homeowners owing more on their mortgage than their home was worth. Would-be homeowners, who watched the housing market collapse on a large scale, were scared off from pursuing homeownership in the first place.

Home remains the bedrock of both American wealth and the American Dream. Today, 72.4 million—or about 97 percent of—owner-occupied households have owned their homes for more than one year.[55] While owning—and holding onto—a home is no easy feat, younger homeowners give us hope that some of the barriers to homeownership are giving way. Just like buyers, the profile of who owns a home in America is becoming more diverse.

A higher proportion of younger homeowners than ever before are African-American/ black, Hispanic/Latino or Asian/Pacific Islander.

And, despite coming of age in the depths of this recession, an overwhelming majority (69 percent) of Millennials believe owning a home is an essential part of the American Dream—more so than any other generation.[56]

# THE TYPICAL AMERICAN HOMEOWNER

"Almost half of homeowners (46 percent) live in the first home they purchased."

For the purpose of this analysis, a homeowner is defined as someone who has owned and lived in their home for more than one year.[57]

The median age of today's homeowner is 57 years old. Notably, they are older than those in other stages of the home cycle—including buyers, sellers and renters—by at least a decade. They are predominantly Caucasian/white (76 percent), married (68 percent), and have lived in their home for a median of 15 years. At $62,500, the median household income for a typical homeowner is $25,000 less than the median household income of a typical home buyer.

Almost half of homeowners (46 percent) live in the first home they purchased. But that percentage understandably decreases with the age of the homeowner, as home size needs and preferences change during the course of one's lifetime. Over three-quarters of Millennial owners (77 percent) live in the first home they purchased, while 52 percent of Generation X, 39 percent of Baby Boomer and a quarter (25 percent) of Silent Generation homeowners are still in the first home they purchased.

## H-1: TODAY'S HOMEOWNER

Owned home for more than a year.

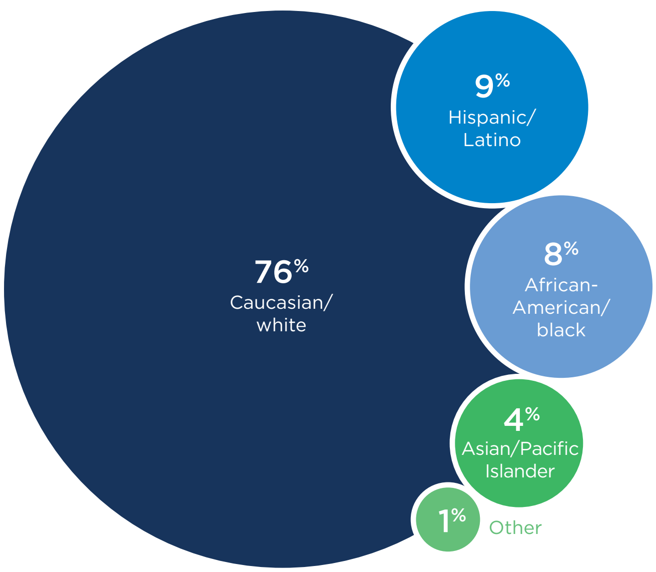
MEDIAN AGE

# 57

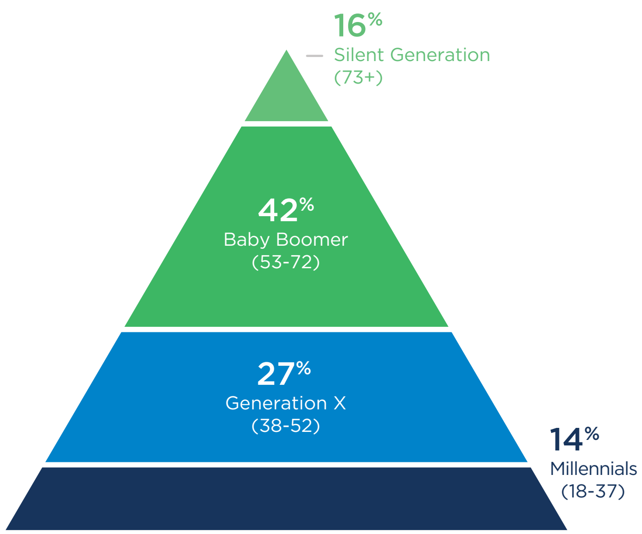
YEARS OLD

MEDIAN HOUSEHOLD INCOME

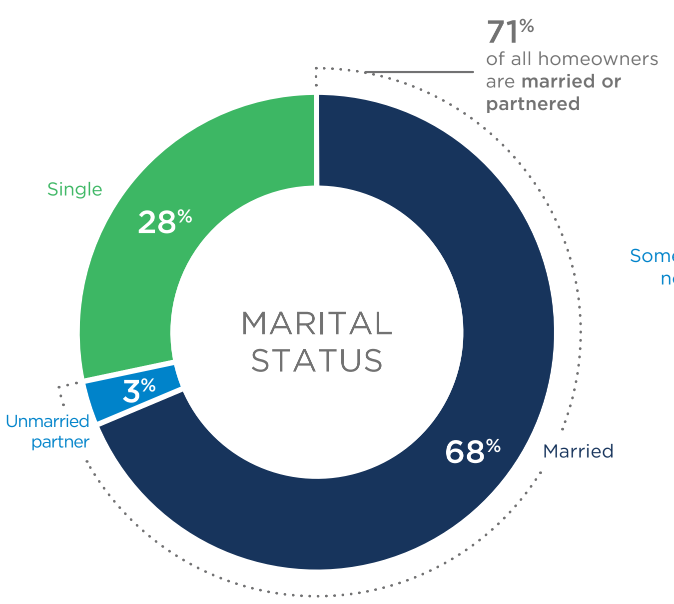
# $62,500

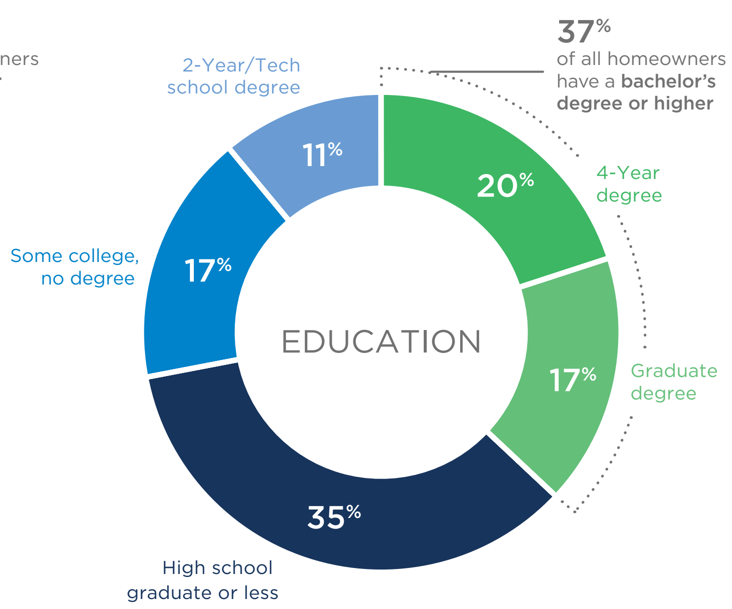



RACE




GENERATION



## Typical Home Owned

The majority (85 percent) of homes owned in the United States are single-family homes with an average of 3 bedrooms and 2.5 baths, and a median size of 1,800 square feet.

Just like for other housing groups, suburban homeowners have the largest homes, with a median square footage of 1,998. These homes are significantly larger than the homes owned in urban (1,587 square feet) and rural (1,783 square feet) areas, a result of more space for housing developments and higher incomes that are often prevalent in the suburbs across the U.S.

Because many major Northeast cities are lined with townhomes, brownstones and condominiums, it should come as no surprise that homeowners in the Northeast are more likely to live in a townhouse (6 percent, compared with 4 percent of all homeowners), duplex/triplex (3 percent, compared with 1 percent of all homeowners) or condo/co-op (9 percent, compared with 5 percent of all homeowners)—at least relative to other regions across the United States. This does not mean, however, that single-family homes aren't king in the Northeast. Eighty-one percent of Northeast homeowners reside in a single-family home, comparable to homeowners overall.

## Who Lives in the House

Most homeowners (81 percent) live with other people, which includes those who live with a spouse or partner (71 percent) and those who live with kids under the age of 18 (28 percent). Although more than 1 in 4 (28 percent) are single (including those widowed or divorced), just 11 percent live entirely alone, without a human or pet companion.

Multigenerational households, in which more than one adult generation is present in the home, account for 17 percent of homes owned today. These households may include aging parents, grown children possibly with their own young children in tow, and boomerang younger adults returning to live with their parents. These multigenerational households are most common among younger (ages 53-62) Baby Boomer-headed households (25 percent are multigenerational households). Many households in this age group are balancing the needs of less-mobile, aging parents, along with the needs of grown children who may not yet be able to afford to buy—or even rent their own home.

It's not just humans filling American homes; 40 percent of homeowners live with one or more pets. Thirty percent of homeowners have a dog, and 20 percent have a cat.

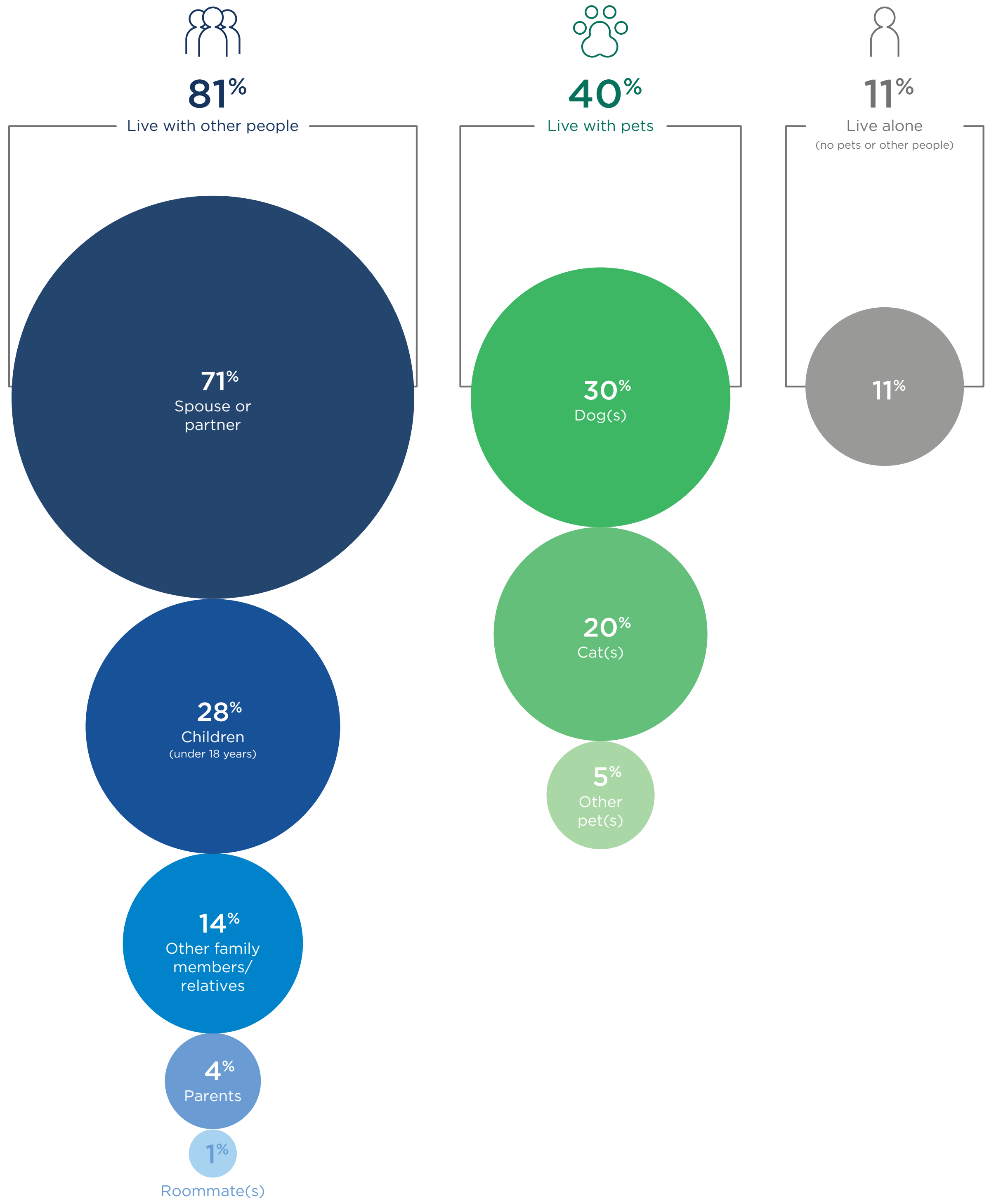
### H-2: TYPICAL HOME OWNED

| 3 | 2.5 | 1,800 | $135,000 |
| --- | --- | --- | --- |
| BEDS | BATHS | SQ. FEET | PURCHASE PRICE |

"Multigenerational households, in which more than one adult generation is present in the home, account for 17 percent of homes owned today."

## H-3: HOUSEHOLD COMPOSITION

Owned home for more than a year.



# WANTS & NEEDS

Homeowner priorities reflect both their emotional and practical views of what is typically their largest financial investment and the place where they spend most of their time.

## Return on Their Investment

A home is more than just a house. While approximately half of homeowners (52 percent) view their home as a financial investment, the other half (48 percent) see their home as a reflection of who they are personally.

Homeowners who are still living in the first home they ever purchased are more likely to view their home as a reflection of themselves (51 percent), relative to homeowners who have owned at least one home previously (46 percent). This is different from how recent first-time buyers view their home—58 percent of these buyers view it as an investment. This is likely because the physical transaction is still top of mind when you've owned a home for less than a year. Over time, as owners customize, the home becomes a better reflection of themselves.

Suburban homeowners are more likely to view their home as a financial investment (54 percent), which is likely driven by the fact that suburban homeowners typically purchased homes at a higher price point, and the majority (67 percent) are still paying off their mortgage—more so than homeowners in urban and rural areas (64 percent and 49 percent, respectively, still owe money on their mortgage).[58] One possible reason the financial aspect might seem more top of mind to these homeowners could be their recurring monthly payments. By contrast, rural homeowners, whose homes were typically less expensive at the time of the sale and who are more likely to have paid off their homes, are significantly more likely to identify with their home being a personal reflection (52 percent).

With all of this in mind, it comes as little surprise that staying up-to-date on the value of their home is of paramount importance to homeowners (76 percent).

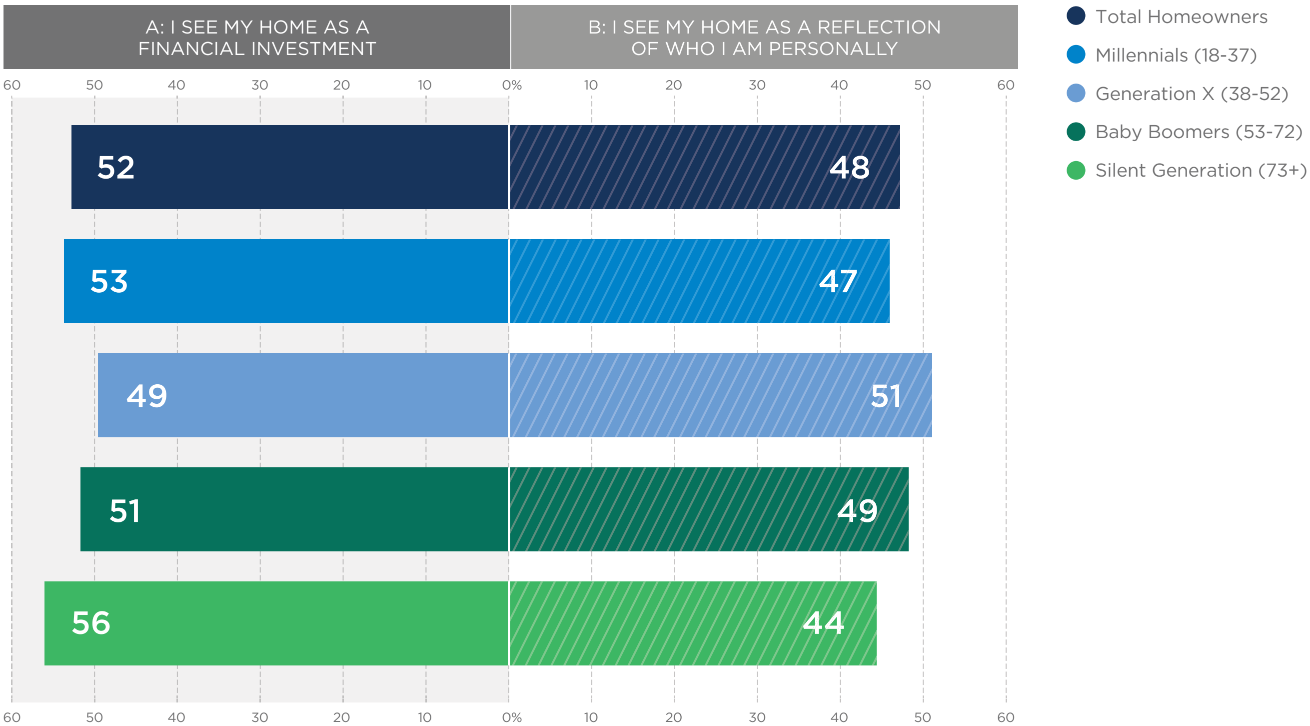
## Neighborhood Safety

Along with staying up-to-date on the value of their home, 79 percent of homeowners find it either very important or extremely important to be aware of all information relating to crime rates in their neighborhoods. The safety of their community is cited as much more important than planning concerns, such as zoning changes/rezoning (46 percent), information on construction permits and new developments (35 percent), or even changes to commutes (34 percent).

In addition to crime rates and home values, homeowners place importance on information that impacts their personal living, including the quality of school districts in their neighborhood (53 percent), retail and shopping options (43 percent), and restaurants and dining options (39 percent).

## H-4: HOME AS A FINANCIAL INVESTMENT VS. REFLECTION OF SELF

Owned home for more than a year.




### Community Involvement Popular Among Millennials, City Dwellers

Millennial homeowners report being more involved in their community or neighborhood than their older counterparts. Forty-eight percent of Millennial homeowners play an active role in their community, compared with 41 percent of Generation X, 33 percent of Baby Boomer, and 36 percent of Silent Generation homeowners. Millennial homeowners, the majority of whom are living in the first home they ever purchased, might feel more vested in their community because homeownership is still relatively new and exciting. They are also the generation most likely to have children in the household (58 percent do), followed by Generation X homeowners (56 percent), which may also incentivize them further to be involved in the surrounding community.

Urban homeowners are more involved, too. For people living in the city, 44 percent say they're involved in their community and neighborhood, compared with 36 percent of suburban owners and 35 percent of rural owners. This is partially explainable by the prevalence of more community-oriented condominiums and co-ops owned by urban dwellers. Condos and co-ops account for 10 percent of all homes owned by urban homeowners, compared with just 5 percent nationwide.

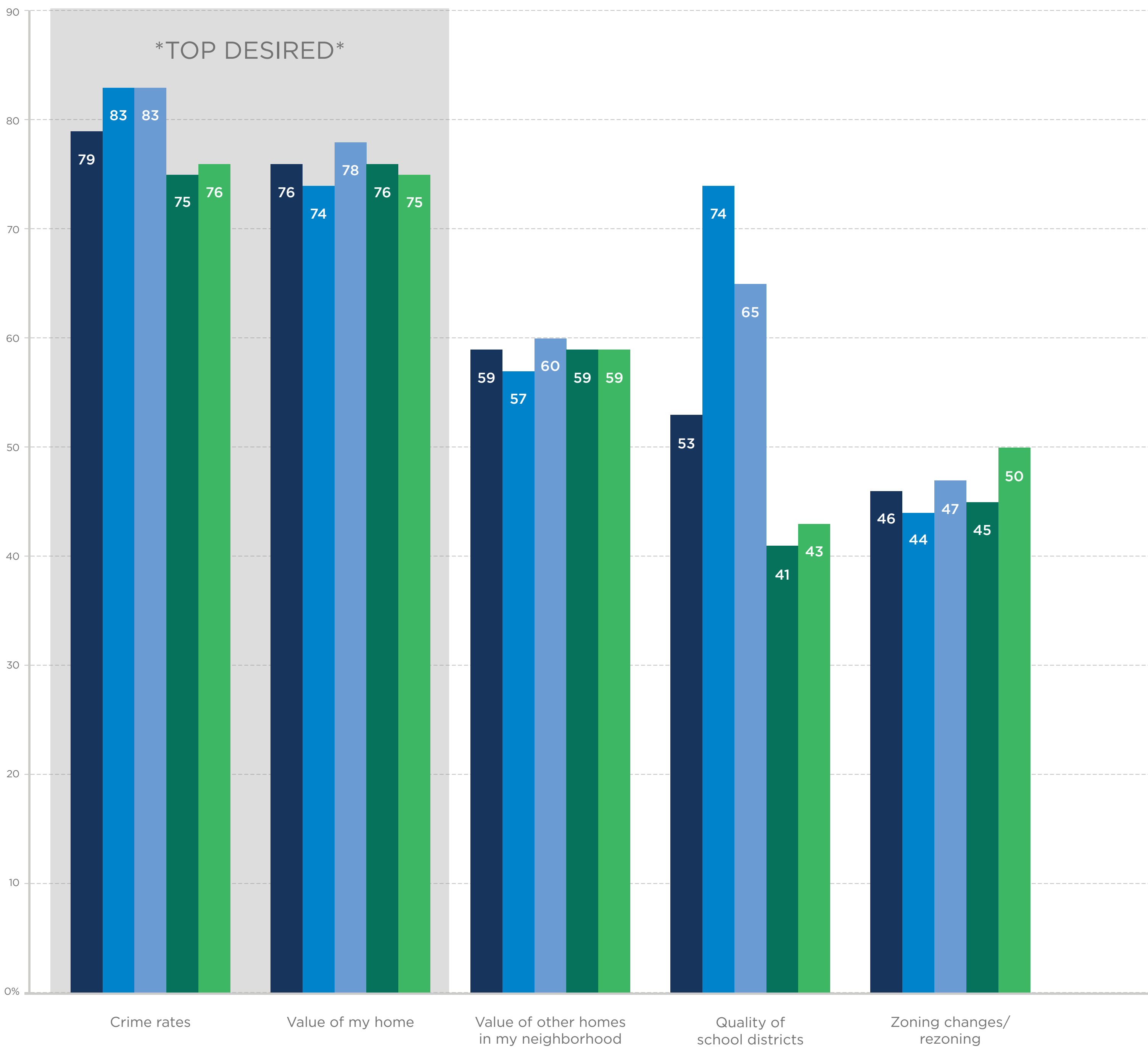
### More Resources for Necessary Upkeep

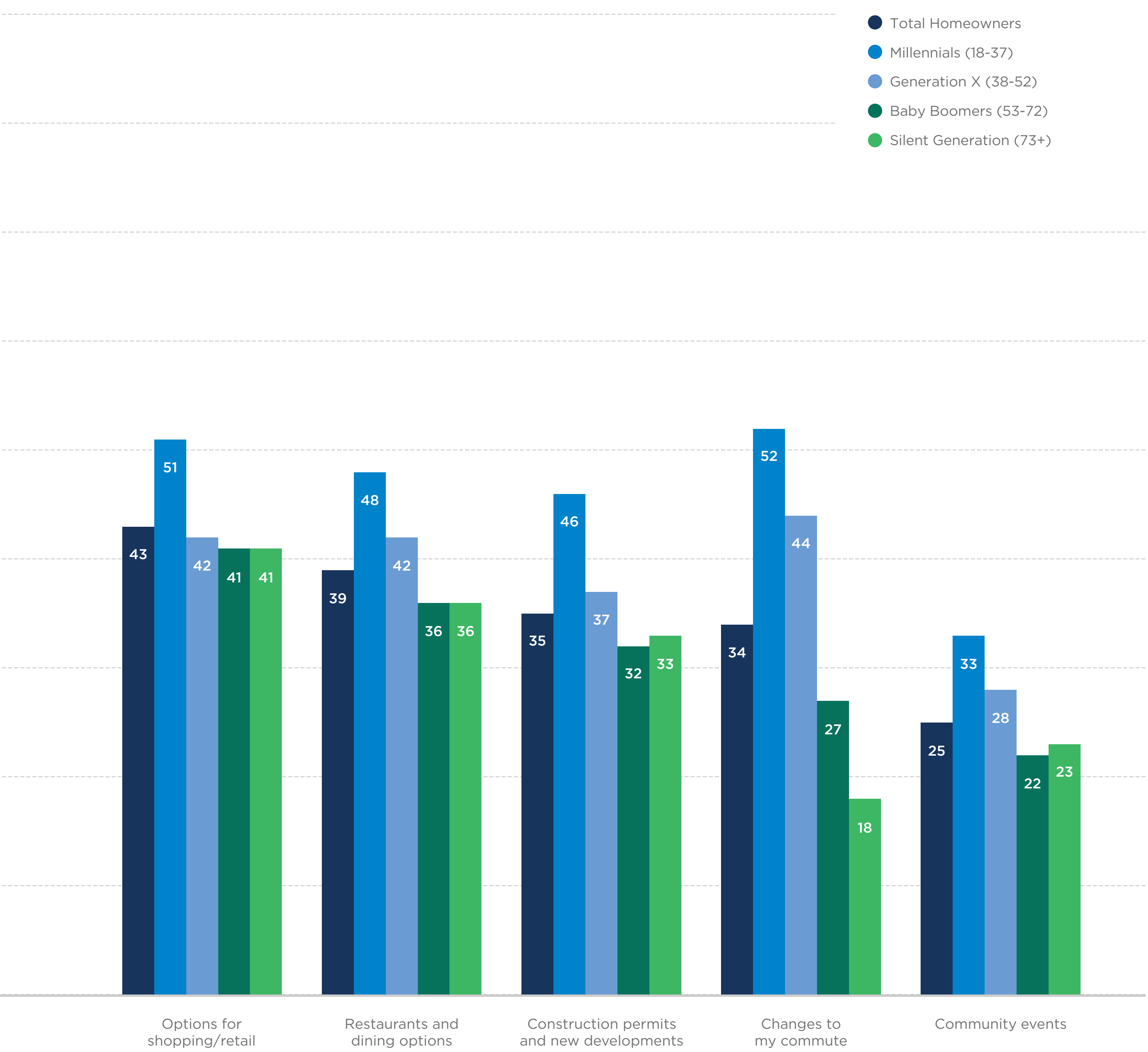
Maintaining a home is par for the course for homeowners. More than 3 in 5 (61 percent) say their home could use a little updating. An additional 14 percent report that their home needs serious updating, and just 2 percent say their home is in need of a complete overhaul. Just under one-quarter (23 percent) indicate their home is "like new."

Even though most homeowners admit their home needs at least a little updating, only about one-third (34 percent) indicate they actively plan what improvements and maintenance they will make to their home. The majority (59 percent) indicate that they take a more reactive approach and fix things as they come up, while 7 percent do as little as possible to just keep the home running.

## H-5: TOP NEIGHBORHOOD INFORMATION IMPORTANT TO HOMEOWNERS

Owned home for more than a year.




Total Homeowners
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
43
51
42
41
41
39
48
42
36
36
35
46
37
32
33
34
52
44
27
18
25
33
28
22
23
Options for shopping/retail
Restaurants and dining options
Construction permits and new developments
Changes to my commute
Community events

# PLANNING TO STAY

The majority of homeowners—more than 46.9 million American households—have absolutely no plans to sell within the next three years, and an additional 18.2 million households might consider selling eventually, but not within the next three years. Those planning to stay in their homes list love of their home (58 percent) and neighborhood (45 percent) as the top reasons they don't plan to sell.

In addition to these positive emotional reasons for staying, many homeowners are also choosing to stay to avoid what they perceive to be negative experiences, like moving. Close to 2 in 5 (38 percent) of homeowners staying put have decided to stay in their current home because they do not want the hassle of moving.

## Many Seek Stability for Their Family (Now and In the Future)

For the most part, homeowners plan to stay put and have no intention of selling: Eighty-six percent of homeowners have no plans to sell within the next three years. Homeowners without children still in the home are even less likely to consider selling in the near future (87 percent vs. 84 percent of households with children). This could be due to the fact that these homeowners are older, with a median age of 62, compared with 42 for those with kids in the household, and are no longer growing a family. Among other reasons, these homeowners may already have the necessary space for their current point in life and don't need to upsize or downsize.

More than a third (37 percent) of homeowners who have no plans to move in the next three years would like to stay in their current home because they want stability for themselves and/or their family. Understandably, for households with kids, this reason is especially important: Forty-seven percent do not plan to sell because they value the stability their current home provides. Millennial and Generation X homeowners who do not plan to move want stability for themselves and their family more than older homeowners (53 percent of Millennial and 41 percent of Generation X homeowners, compared with 33 percent of Baby Boomer and 26 percent of Silent Generation homeowners).

## 1 in 4 Plan to Pass Home Down to Family

Almost one-quarter of homeowners (23 percent) plan to pass along their home to a family member. This rationale for holding onto the home is especially prevalent among lower-income households, as well as homeowners in rural communities. Almost one-third (32 percent) of homeowners making less than $50,000 plan to pass their home down to family, compared with just 17 percent of homeowners with an income of $50,000 or above. While some of these homeowners are older, the trend still holds when we examine younger owners across the income distribution. A similar share (32 percent) of rural homeowners also intends to pass their home to family members, compared with 24 percent of urban owners and 17 percent of suburban owners. For both lower-income and rural households, a home is typically the largest financial asset they have, making up a considerable share of their household's net worth and a significant item to pass on. Additionally, these two groups of homeowners are more likely to view their home as a reflection of themselves, so passing a home on could be seen as a way to remember or value family members.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## Many Aren't Moving Because They Love Their Neighborhood

Although many homeowners plan to stay for the long haul because they love their neighborhood (45 percent), only 38 percent indicate that they are very involved in their neighborhood or community. Not all homeowners lack involvement in their community, though. In fact, certain demographics find that being part of a strong community is important.

Kids play a big part in whether homeowners are involved in their community. Half (50 percent) of households with children are involved in their neighborhood, compared with 33 percent for homeowners without children. This is perhaps due to families' increased reliance on community resources, like libraries and schools, as part of their daily lives.

## Many Can't Afford to Move

Like most things home, the decision to stay is both emotional and financial. Twenty percent of all homeowners not planning to sell (ever, or in the next three years) say they can't afford to sell and move elsewhere. An additional 14 percent say they're waiting for the value of their home to increase before they would consider moving. Unsurprisingly, homeowners with an income of less than $50,000 per year are more likely to indicate they don't plan to sell (90 percent, compared with 86 percent of all homeowners who don't plan to sell) because they can't afford to move elsewhere (29 percent, compared with 20 percent of all homeowners who don't plan to sell).

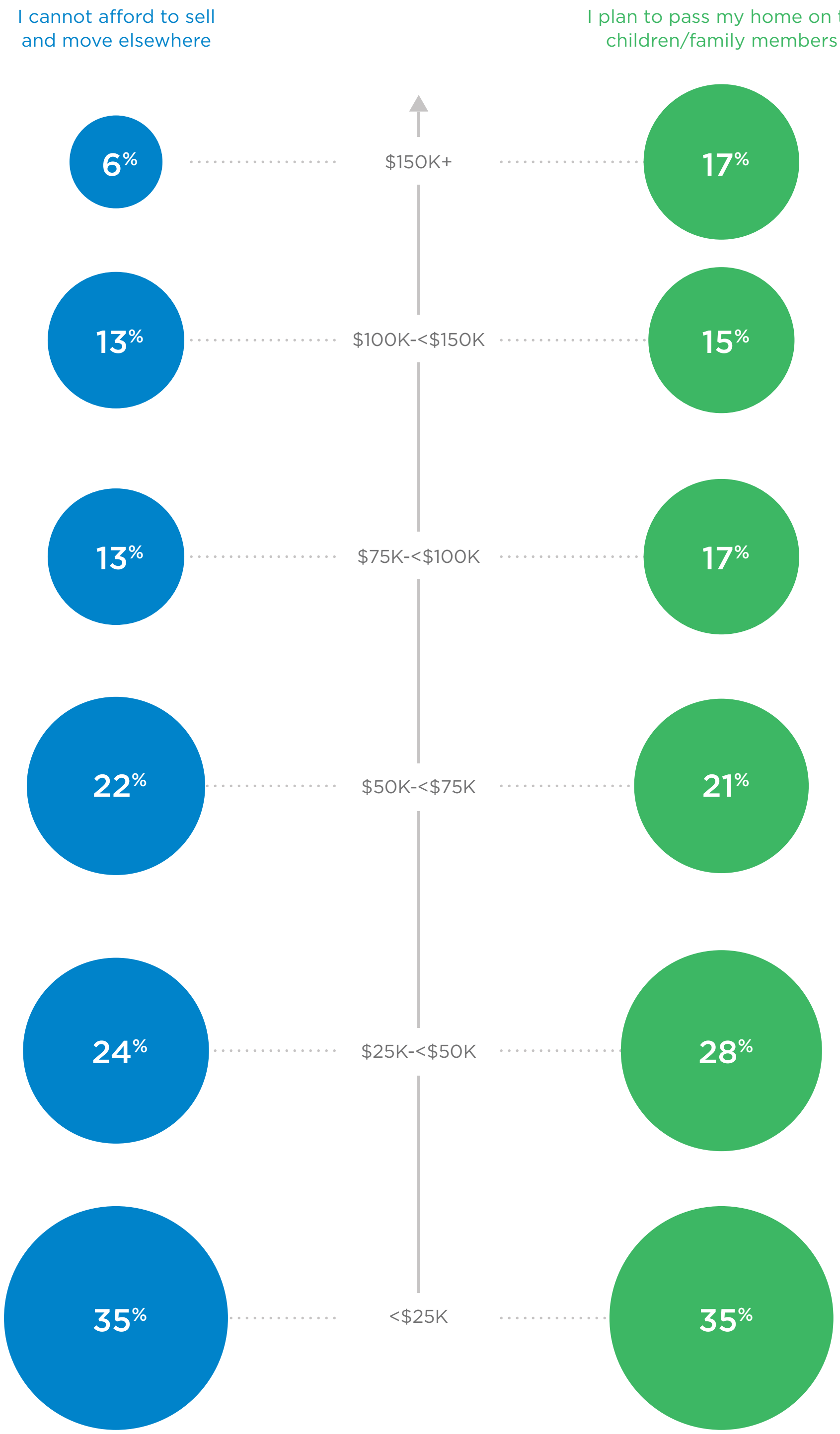
The longer a homeowner has been in their home, the more common it is for them to say they can't afford to sell and move elsewhere. Many of the individuals who have lived in their home for a longer period of time are older and more likely to be retired and living on a fixed income. Among homeowners with no plans to sell, 22 percent of those who have lived in their home for 10 or more years indicate that affordability is a reason for staying put, compared with 19 percent of those who have owned their home for 6-9 years and 12 percent of those who have lived in their home for 5 years or less. This concern makes sense in light of the rapid appreciation of home values and rents over the past five years. Many homeowners—particularly lower-income, older homeowners who have been in their home for a long time and own their home free and clear—would experience a major change if they sought out a new home to buy or rent and were forced to pay monthly housing payments.

## Moving Is a Hassle

For many homeowners, the final reason to stay put is because the work involved with moving is overwhelming (38 percent). This is especially true for older homeowners, with 41 percent of Baby Boomers and 47 percent of the Silent Generation citing the stress of moving as a factor to stay in their home, versus 27 percent of Millennials and 34 percent of Generation X homeowners.

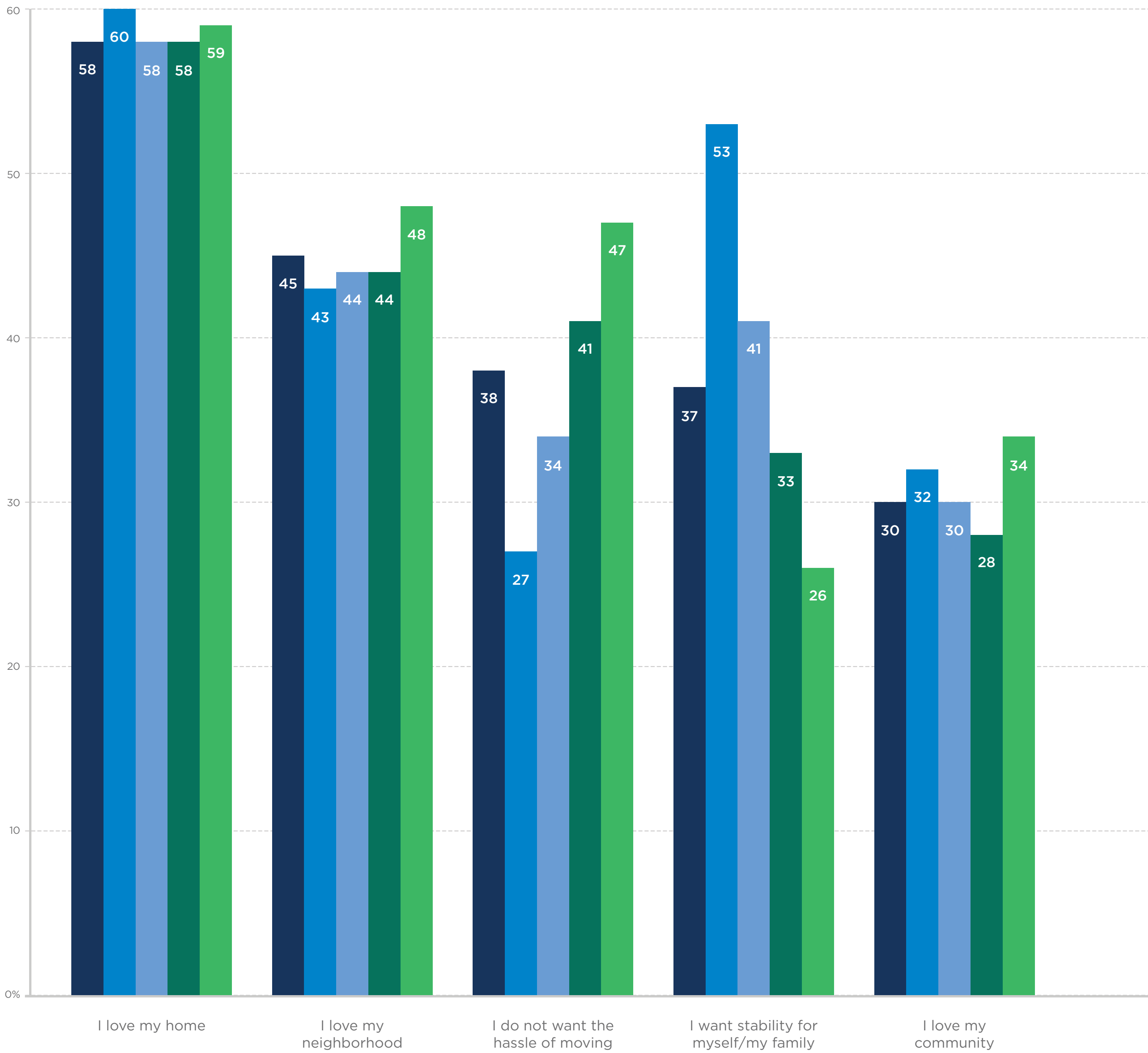
## H-6: REASONS FOR STAYING IN HOME BY INCOME

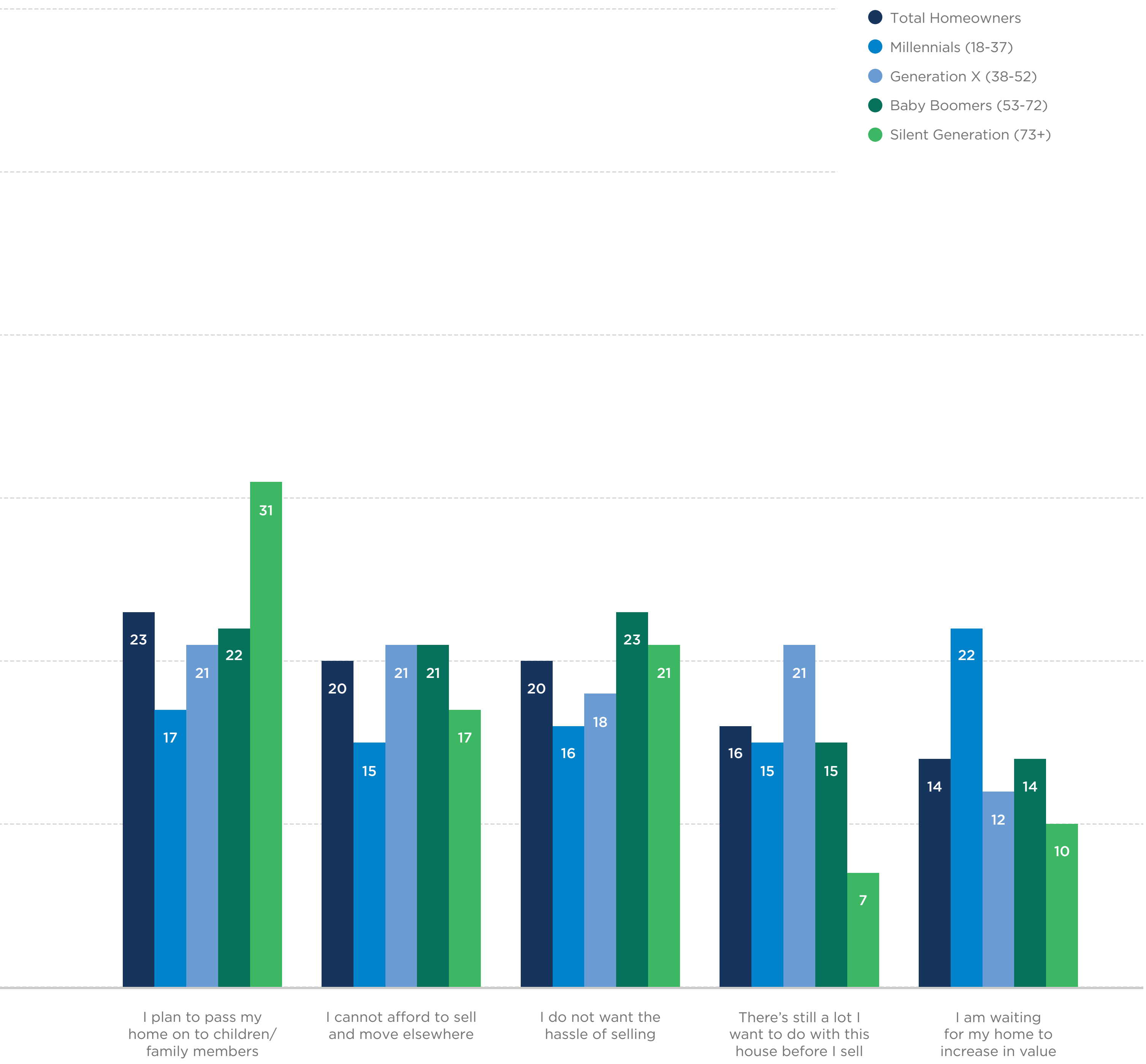
Owned home for more than a year with no plans to sell within next three years.



## H-7: REASONS FOR NOT SELLING

Owned home for more than a year with no plans to sell within next three years.




Total Homeowners
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
23
17
21
22
31
20
15
21
21
17
20
16
18
23
21
16
15
21
15
7
14
22
12
14
10
I plan to pass my home on to children/ family members
I cannot afford to sell and move elsewhere
I do not want the hassle of selling
There's still a lot I want to do with this house before I sell
I am waiting for my home to increase in value

# MORTGAGES & REFINANCING

Home is a significant financial investment that many are still paying off. Just over 3 in 5 homeowners (63 percent) are still making monthly mortgage payments toward their home.[59] The typical homeowner with a mortgage still owes 62 percent of their home's value.[60]

In spring 2017, the national median home value surpassed the pre-recession peak. Over the past few years, home values have been rising in many parts of the country, while mortgage rates have remained near historic lows. This low-rate environment is one of the reasons that 41 percent of mortgaged homeowners have refinanced their home during the time they have owned the home. Of those who refinance, most commonly homeowners want to reduce their monthly mortgage payment (64 percent) or reduce the length of time left on the loan (26 percent).

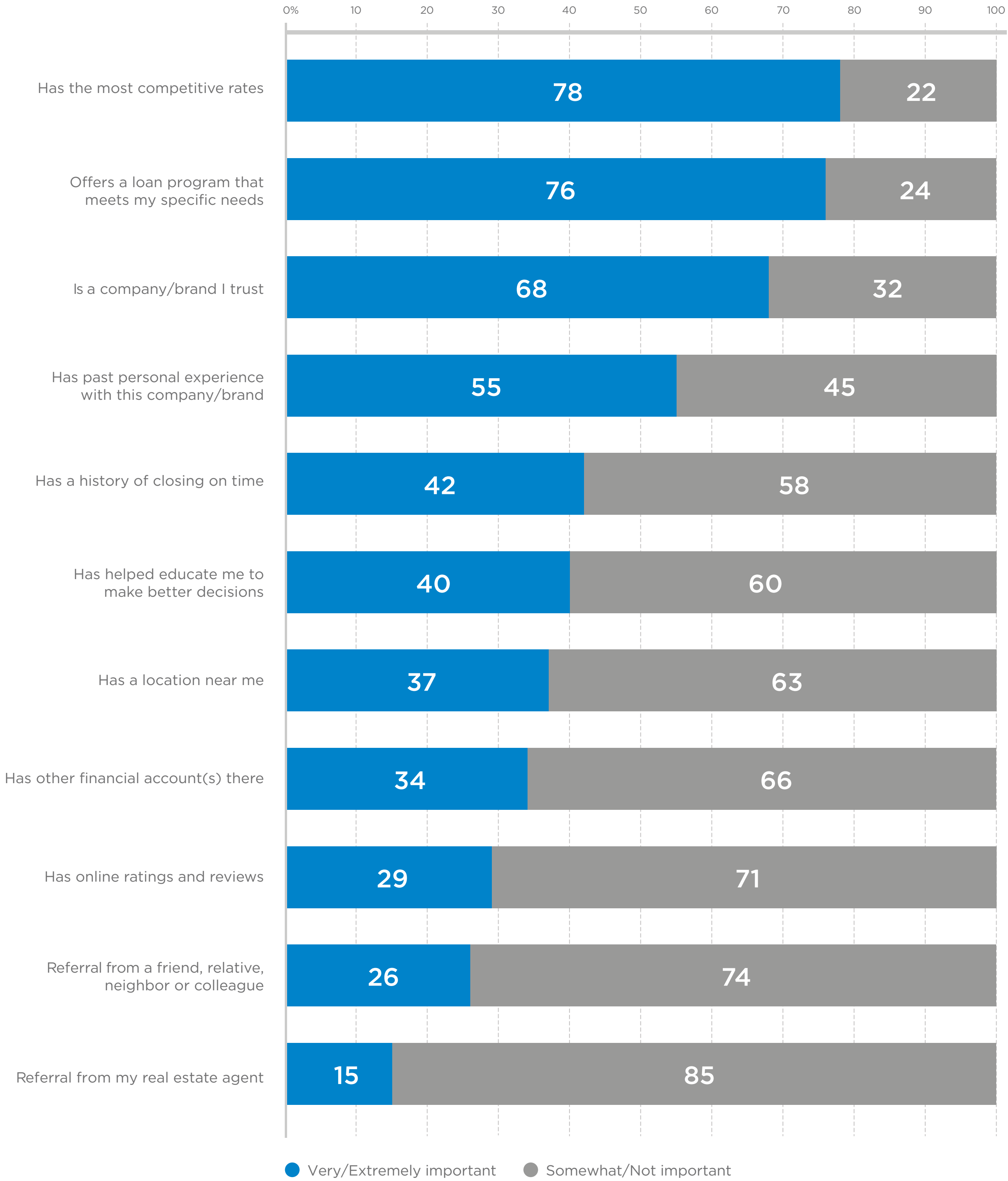
Homeowners in the suburbs and in the West who have a mortgage have been slightly more likely to refinance over the past several years. Forty-four percent of mortgaged suburban homeowners have refinanced their home at some point, compared with just 36 percent of urban and 37 percent of rural homeowners with a mortgage. Due to the size and price of homes in the suburbs, a small change in the mortgage interest rate can mean large savings in monthly housing costs. Similarly, in the West, where home values have risen sharply over the past few years, refinancing can translate into significant savings, which is partially why 56 percent of mortgaged homeowners in this region have refinanced during the time that they have owned their home.

## Trust and Relationships Key to Lender Selection

Among homeowners who refinance, almost half (47 percent) do so with their current financial institution. An additional 1 in 5 (19 percent) get a referral from an agent, friend or family member, and 10 percent find a new lender online. When selecting their refinance lender, homeowners who refinance place the most importance on lenders who offer the most competitive rates (78 percent), who have a loan program that meets their specific needs (76 percent), and those who are associated with a company or brand they trust (68 percent).

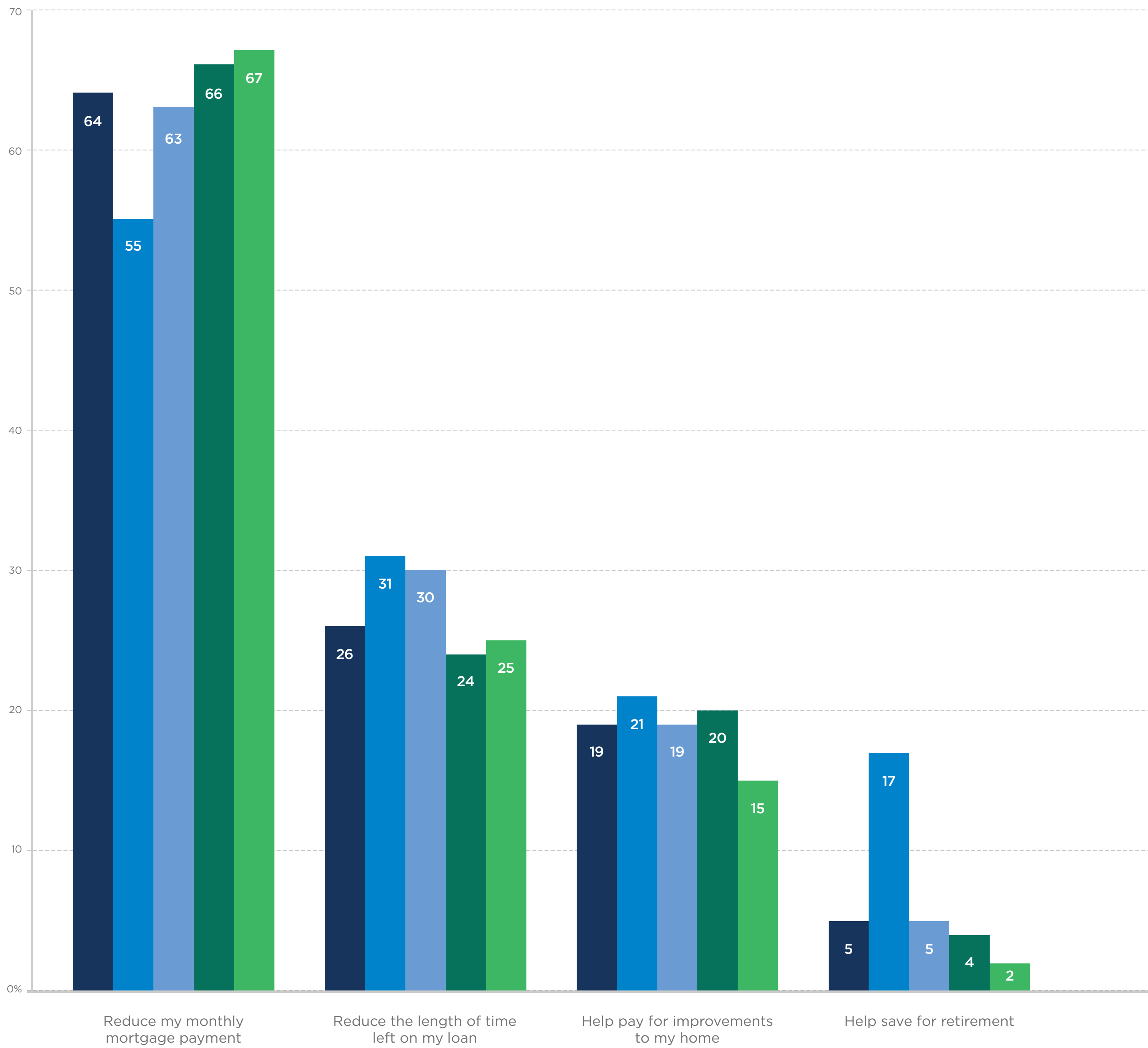
## H-8: IMPORTANCE OF REFINANCE LENDER CHARACTERISTICS

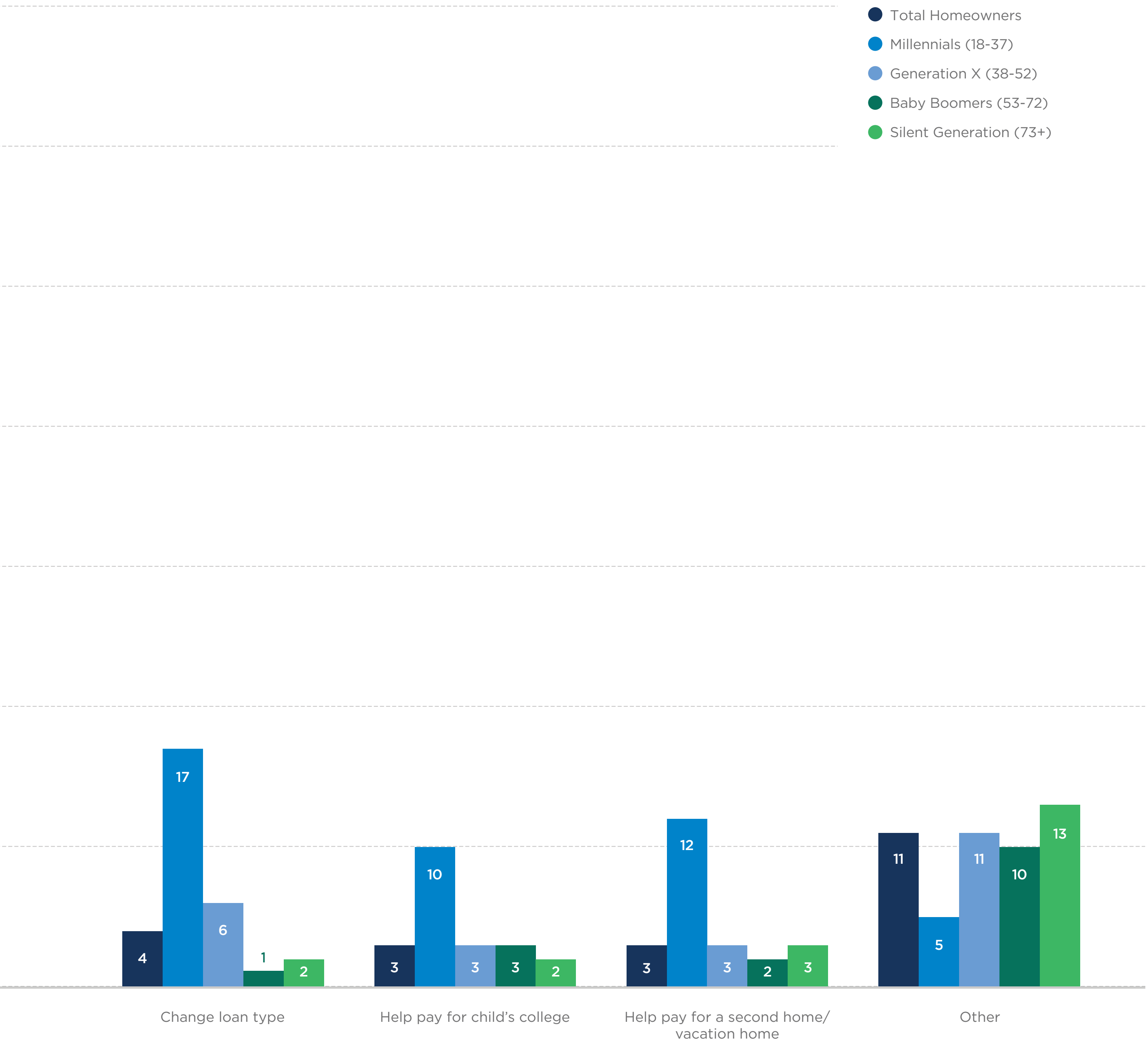
Owned home for more than a year and have refinanced.

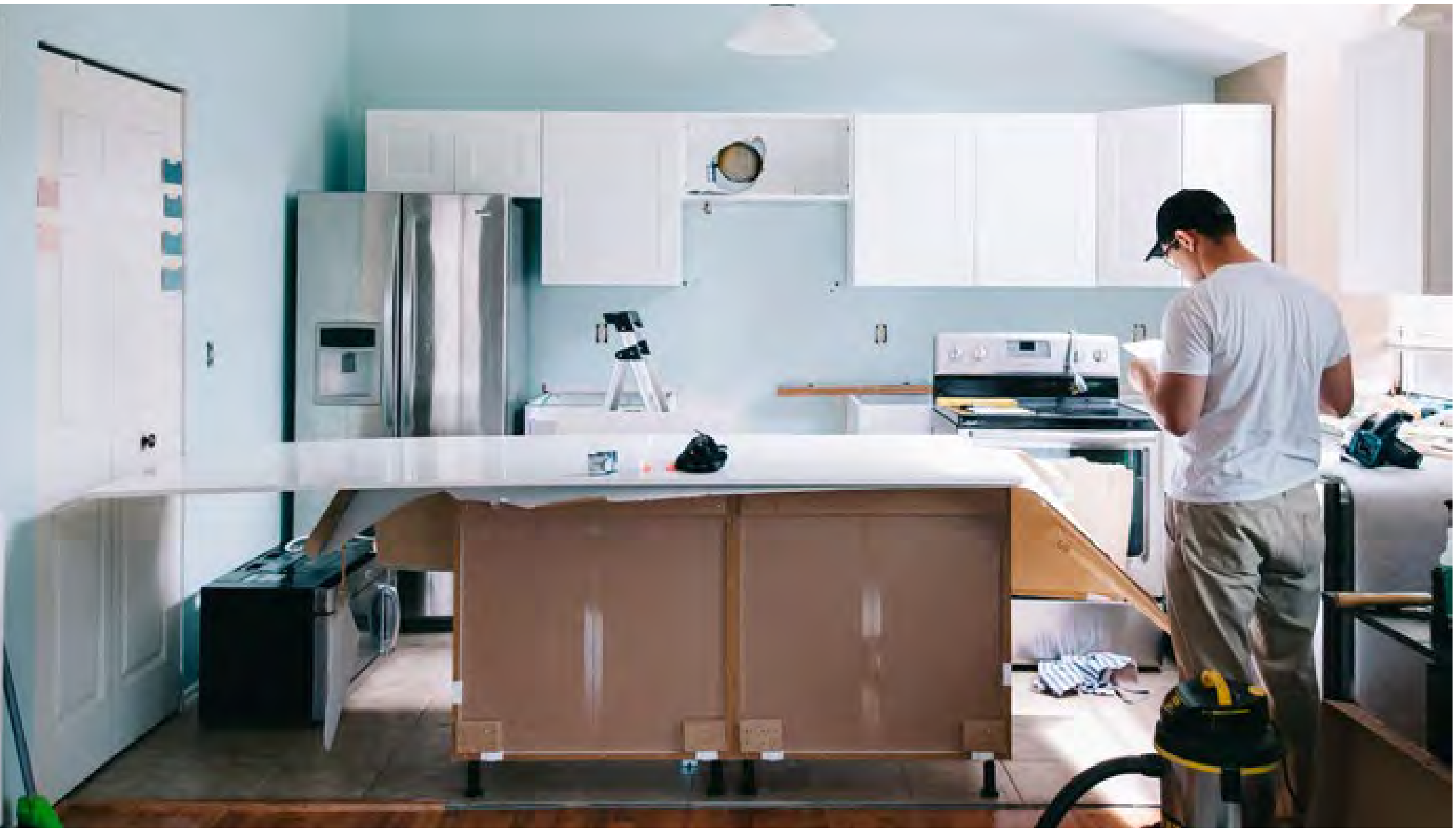


## H-9: REASONS HOMEOWNERS REFINANCE THEIR MORTGAGE

Owned home for more than a year and have refinanced.




Total Homeowners
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
4
17
6
1
2
3
10
3
3
2
3
12
3
2
3
11
5
11
10
13
Change loan type
Help pay for child's college
Help pay for a second home/ vacation home
Other



## Why Some Refinance

While the majority of homeowners who refinance do so in order to reduce their monthly mortgage payment, some homeowners who refinance have other uses in mind for their savings.

Homeowners with kids who refinance are more likely to refinance their home to help pay for their children's college (7 percent, compared with 2 percent without kids), save for retirement (8 percent vs. 4 percent without kids), or change their loan type (9 percent vs. 2 percent without kids). These reasons showcase the fine act of balancing various financial needs while raising children, as well as demonstrate the ways a home can be leveraged as an asset.

Urban homeowners who refinance are more likely to be thinking about their home and retirement when they go through the process. A larger share of urban homeowners refinance in order to help pay for improvements to their current home (31 percent, compared with 19 percent of all homeowners who refinanced), save for retirement (9 percent, compared with 5 percent of all homeowners who refinanced), or help pay for a second home (7 percent, compared with 3 percent of all homeowners who refinanced).

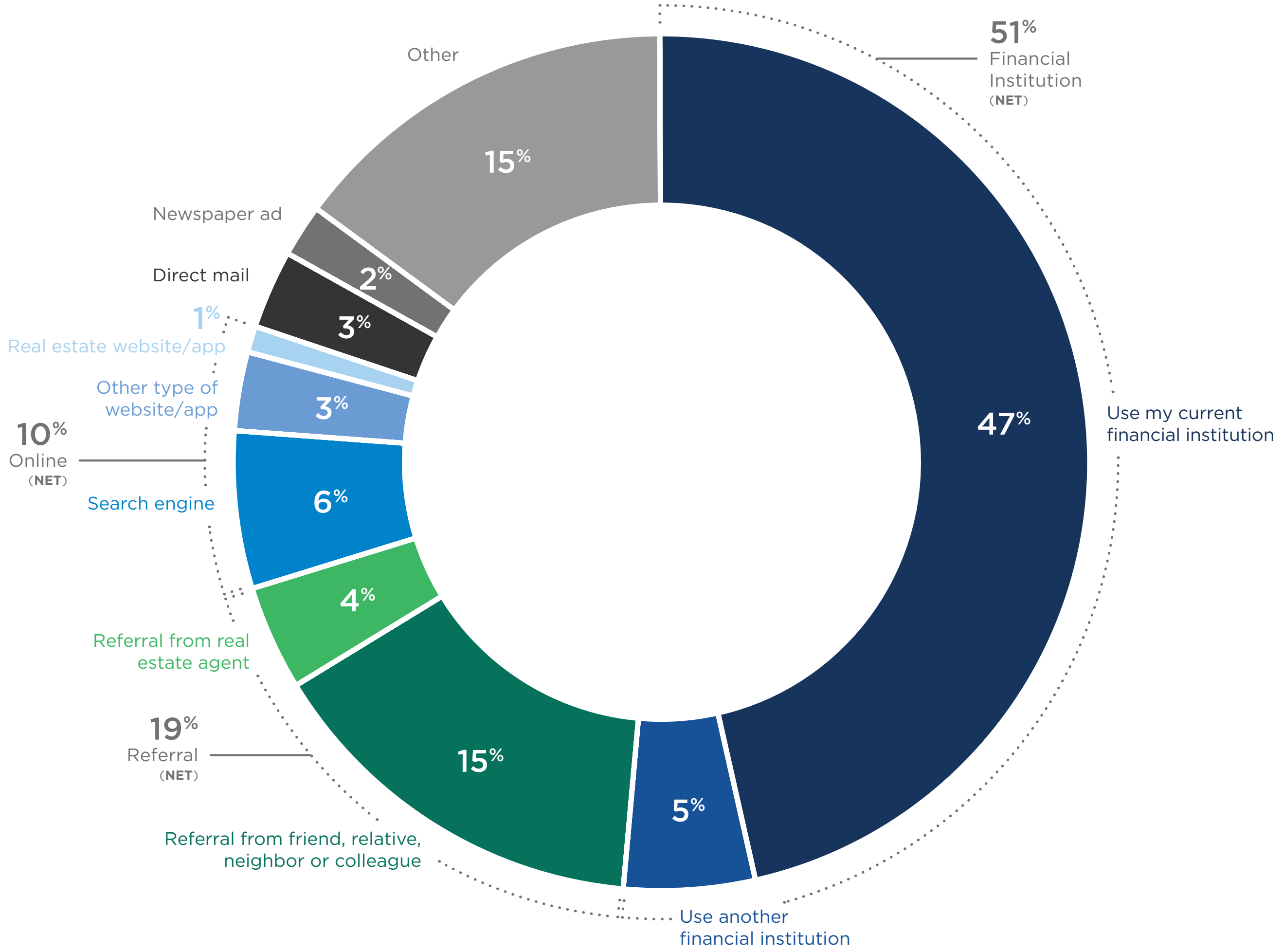
As many first-time homeowners live in urban areas, the same trend occurs. Twenty-five percent of first-time homeowners refinance to pay for home improvements, compared with 19 percent of all homeowners who refinanced.

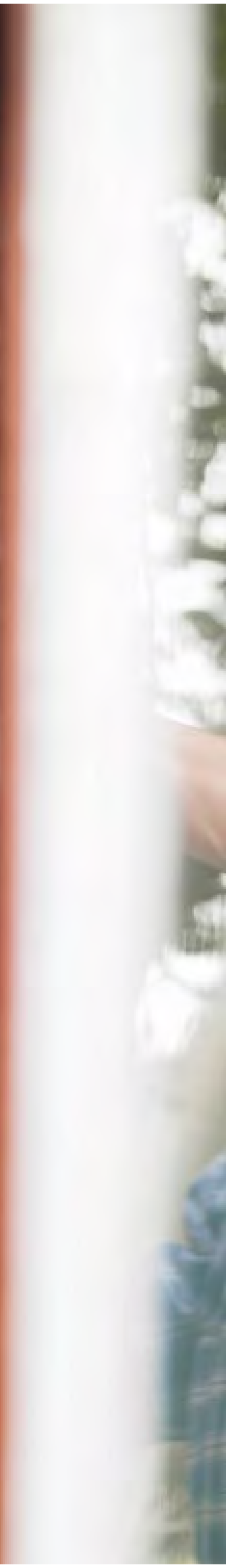
## HELOCs for Home Improvements

Twenty-one percent of homeowners say they have tapped into their home equity to take out cash in the form of a Home Equity Line of Credit (HELOC). Homeowners who obtained a HELOC in the past two years did so primarily to pay for improvements to their home (55 percent). Most homeowners approach HELOCs as they do refinancing—and are just as likely to obtain a HELOC from their current financial institution (68 percent) as those who refinance. The top three most important factors in selecting a financial provider for a HELOC are once again having the most competitive rates (73 percent), offering programs that meet their specific needs (78 percent), and being a company or brand they could trust (78 percent).

## H-10: HOW HOMEOWNERS FIND REFINANCE LENDER

Owned home for more than a year and have refinanced.





# HOME IMPROVEMENT & REPAIRS

In addition to monthly mortgage payments, homeowners can expect to spend $9,080 per year on unavoidable costs and basic maintenance. The typical U.S. homeowner pays $2,110 per year in property taxes, $2,953 in utility costs and $996 in insurance costs—all unavoidable expenses associated with homeownership.[61]

Beyond these expenses, many owners spend extra money on optional home improvements to spruce up their home. The typical U.S. homeowner can spend an additional $3,021 per year on home improvement projects, such as landscaping, cleaning and maintenance.[62]

Most homeowners who have made improvements to their home prepare for these home projects and repairs through a home improvement retailer like Home Depot or Lowe's (70 percent), or as they do when they buy or rent, find their resources online (55 percent).

## 7 in 10 Have Plans to Make Improvements

Given that 77 percent of homeowners admit that their home could use at least a little updating in a few areas, it's not surprising that 72 percent of homeowners have plans to conduct at least one home improvement project in the next 12 months.

## Painting Projects Are Most Popular

The most popular home improvement that homeowners intend to complete over the next year is painting the inside of their home (25 percent), followed by a bathroom improvement (22 percent), landscaping (21 percent), and replacing carpet or flooring (21 percent).

Millennial and Generation X homeowners are more likely to have plans to improve their home—namely to paint the interior, improve their kitchen, and landscape their yard—relative to older homeowners. Thirty-one percent of Millennial and 29 percent of Generation X homeowners intend to paint the interior of their home, compared with 24 percent of Baby Boomer and 18 percent of Silent Generation homeowners.

A comparable share of Millennial and Generation X homeowners (25 percent and 28 percent, respectively) intend to make kitchen improvements within the next year, while just 17 percent of Baby Boomer and 11 percent of Silent Generation homeowners intend to tackle this type of project.

Landscaping the yard is also more commonly on the horizon for Millennial and Generation X homeowners (32 percent and 29 percent, respectively), compared with older homeowners (17 percent of Baby Boomer and 12 percent of Silent Generation homeowners).

## More Money = More Projects

The higher the homeowner's household income, the more home improvement projects they have planned for the next 12 months. More than half of homeowners with an income of $75,000 or above (56 percent) plan to complete two or more projects in the next year. By contrast, a third of homeowners earning less than $75,000 (33 percent) have no plans to make any improvements over the next year.

Many of the projects that higher-income homeowners plan to accomplish over the next year are less about functionality and more about aesthetics. Higher-income homeowners are slightly more likely to replace or purchase new furnishings (19 percent of those with incomes of $75,000 or above, compared with 10 percent of those with incomes under $75,000) and redecorate rooms in their home (20 percent of those with incomes of $75,000 or above, compared with 11 percent of those with incomes under $75,000).

## Spouse, Budget Biggest Hurdles to Home Improvement

What is the biggest challenge to making home improvements? Money. Being able to pay for what they want to do (49 percent) and trying to figure out how much things will really cost (47 percent) are the top two challenges homeowners face in making improvement-related decisions, followed closely by finding the time to work on it themselves (46 percent). One in four homeowners (25 percent) say they struggle with getting their spouse or partner on board with their plan.

Lower-income homeowners find decisions around financing improvement projects to be more of an issue than higher-income homeowners do: Seventy-one percent of homeowners with an income under $25,000 say that being able to pay for the project is the biggest challenge.

## Home Improvement Gets Easier With Age

The younger the homeowner, the more challenging home improvements seem to be. While 24 percent of Silent Generation and 17 percent of Baby Boomer homeowners indicate they have not faced any challenges when making home improvement-related decisions, only 13 percent of Millennial and 12 percent of Generation X homeowners feel the same way.

Millennial and Generation X homeowners experience more difficulties across the board. Perhaps due to their relatively young age and the length of time they have owned a home, they have trouble prioritizing projects. Fifty-five percent of Millennial and exactly half (50 percent) of Generation X homeowners struggle with deciding what to fix or improve next, compared with 40 percent of Baby Boomer and 31 percent of Silent Generation homeowners.

## Many Can't Afford to Make Improvements They Want

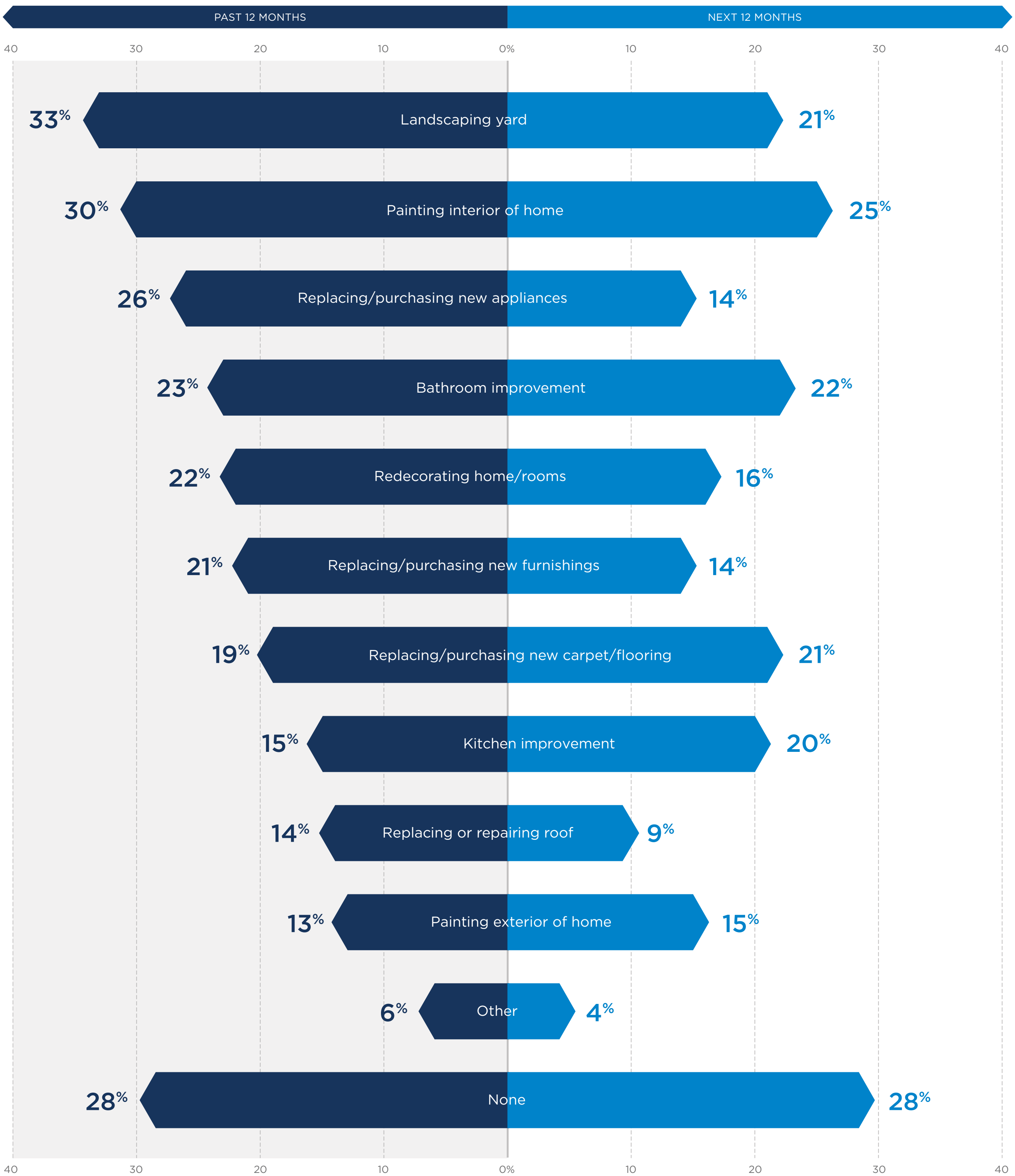
Financing is also a major issue. More than half of Millennial and Generation X homeowners have a hard time being able to pay for what they want to do (56 percent and 55 percent, respectively), as well as figuring out how much projects will really cost (54 percent and 55 percent, respectively). For comparison, less than half of Baby Boomer and Silent Generation homeowners struggle with these aspects of home improvement (47 percent and 37 percent, respectively, are challenged by their ability to pay, while just 44 percent and 40 percent, respectively, struggle to figure out the true cost of a project).

## Savings, Cash Are King

While many homeowners are tackling home improvement projects, few go into debt to do them. Most homeowners (57 percent) pay for improvements with either cash or debit, and 27 percent pay with a credit card they pay off right away. Almost a quarter (24 percent) pull from their general savings, and the same share (24 percent) use a credit card that they pay off via a monthly payment. Nearly 1 in 5 (18 percent) use savings they have specifically set aside for home improvements.

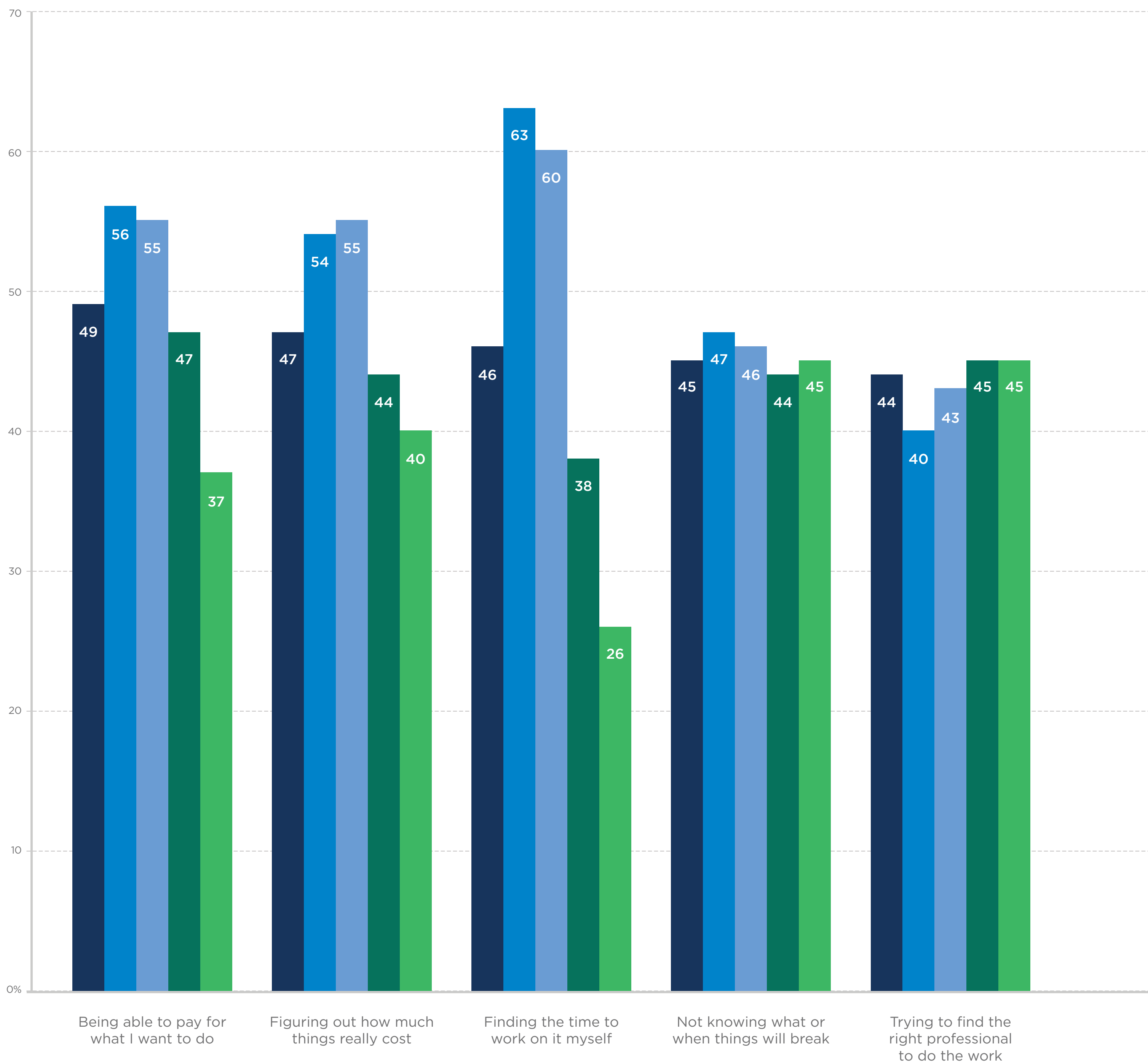
## H-11: HOME IMPROVEMENTS MADE AND PLANNED

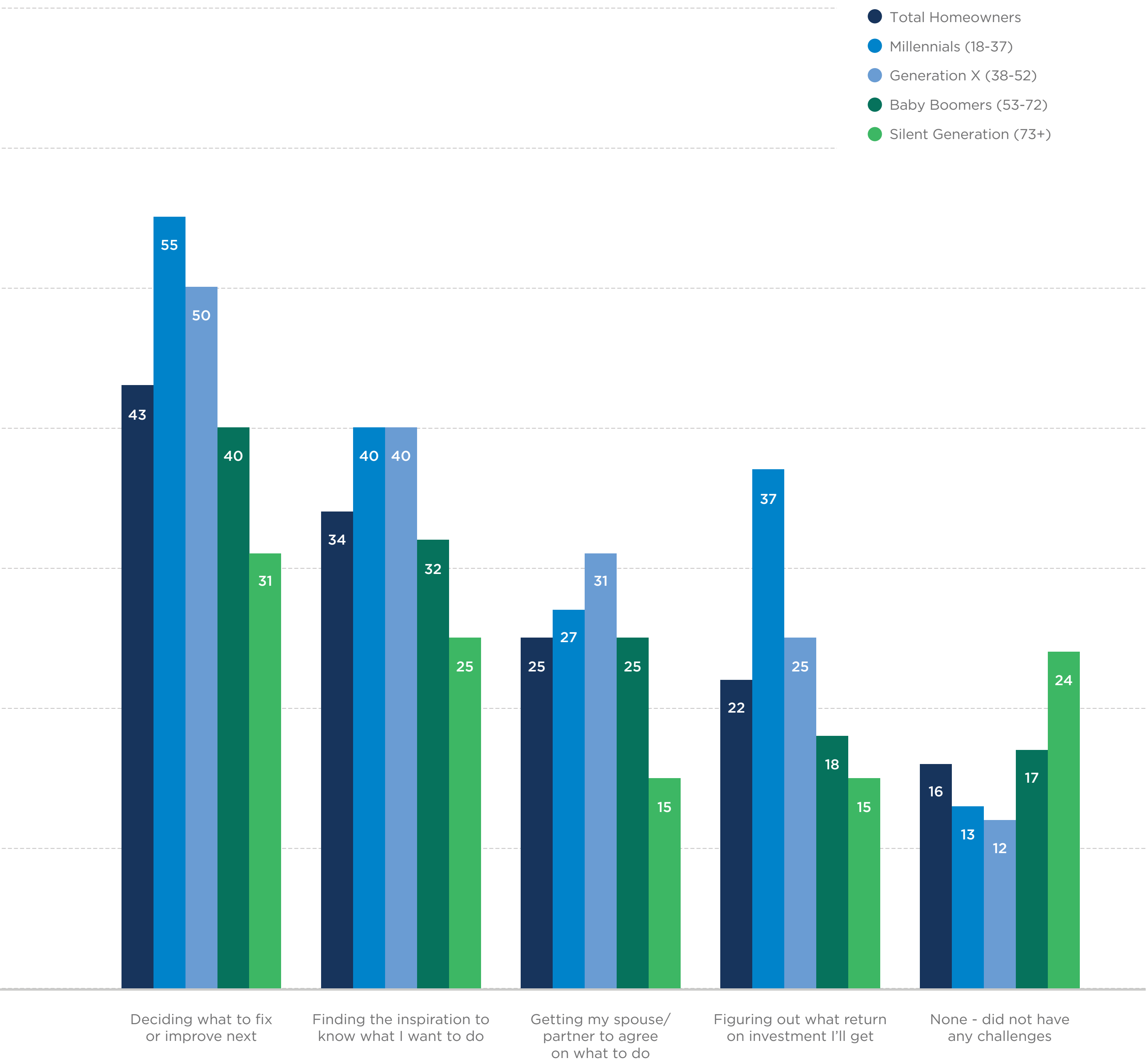
Owned home for more than a year.



## H-12: TOP HOME IMPROVEMENT CHALLENGES

Owned home for more than a year.




Total Homeowners
Millennials (18-37)
Generation X (38-52)
Baby Boomers (53-72)
Silent Generation (73+)
43
55
50
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31
34
40
40
32
25
25
27
31
25
15
22
37
25
18
15
16
13
12
17
24
Deciding what to fix or improve next
Finding the inspiration to know what I want to do
Getting my spouse/ partner to agree on what to do
Figuring out what return on investment I'll get
None - did not have any challenges

# UNDERSERVED GROUPS

## Lower-Income Homeowners

The housing boom and bust had a disproportionate impact on lower-income households.

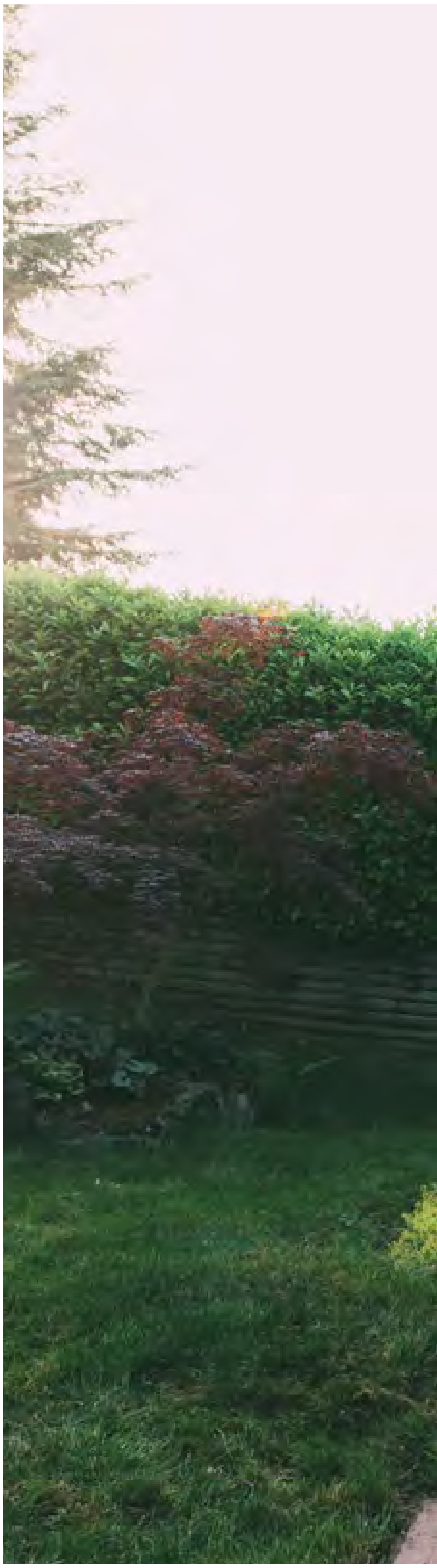
During the housing bubble, homeownership rates rose from 65 percent in 2000 to nearly 70 percent by 2006.[63] A big driver of this increase was a lot of newly minted, low-income homeowners who invested whatever wealth they had into down payments and artificially low monthly mortgage payments. Once the bubble popped, less-expensive homes—many of which were purchased by lower-income homeowners—were more likely to be foreclosed, as those same homeowners struggled to make payments each month. As home values dropped, other homeowners found themselves owing more on their homes than they were worth.

Not only are homeowners living in their homes longer, but they're also less inclined to sell in the future. Seventy-one percent of homeowners making less than $50,000 don't plan to sell their home, and nearly a third (29 percent) specifically cite the fact that they can't afford to sell and move elsewhere. Only 14 percent of homeowners making $50,000 or more and not planning to move share that same concern. Having enough money to afford a new home is one of many reasons that select homeowners are not currently thinking about selling and moving.

Homeowners who are holding onto their homes leverage it as a financial asset for their family. Almost a third (32 percent) of those in households below $50,000 plan to pass their home on to their family, compared with only 17 percent of those who make $50,000 or more. Because lower-income homeowners are more likely to view their home as a reflection of themselves, passing it down to family could be a way to carry on their legacy.

As these homeowners stay put for longer and homes begin to age, home improvements and repairs become a common occurrence and anticipated part of owning a home. When the inevitable time comes for these homeowners to make upgrades and improvements to their homes, financing is more of an issue than for those with higher incomes. Particularly for homeowners with an income less than $25,000, 71 percent struggle to pay for home improvement projects.

"Homeowners who are holding onto their homes leverage it as a financial asset for their family."



# HOME IMPROVEMENT & REPAIRS

Home improvement is an integral part of selling, buying and making a home in America. Home improvement allows homeowners to customize their homes to suit their preferences, helps sellers in less competitive markets, and keeps homes livable as homeowners age.

In the U.S. alone, home improvement and repair spending reached a record high of more than $340 billion annually in 2015, driven primarily by homeowners whose spend is expected to increase by an average of 2 percent annually through the next few years.[64]

More than 7 in 10 homeowners (72 percent) who have lived in their home for more than a year made at least one improvement to their home in the past 12 months, and the same share of homeowners plan to make at least one home improvement in the next 12 months.

Home improvements and repairs can take many different forms—from redecorating and painting to major overhauls of kitchens and bathrooms. The desire (or in some cases, the need) for home improvements and renovations is cyclical—commonly peaking when the home is first purchased, occurring intermittently as needed as the years go by, and increasing in frequency again before the home is listed for sale.

## People Are Staying In Their Homes Longer

Additionally, competitive markets and low inventory in select markets are seemingly deterring people from moving out of their current home, possibly out of fear that they won't easily find a new home that fits their budget or needs.

The typical homeowner has lived in their home for 15 years. Over two-thirds (68 percent) of all homeowners have lived in their homes for 10 years or more, including 35 percent of homeowners who have lived in their home for 20 years or more.

For others, their current stage in life may keep them in their current home. Instead of moving, many homeowners are instead opting to stay in place and renovate their home to suit their evolving needs—whether that means repurposing rooms, expanding space to accommodate a growing family or retrofitting their home to allow for aging in place.

## Improvement Activity Peaks During First Years in Home

Homeowners make the most improvements early on in their ownership tenure, and are also the most active in working on the home themselves during the first few years in the home. Only 20 percent of those in their homes 5 years or less made zero improvements in the past 12 months, a trend that continues for those in their home for 6-9 years (20 percent of whom made zero improvements).

For homeowners who have lived in their home less than 10 years, the focus is primarily on interior improvements that bring their own style into the home, possibly speaking to that initial excitement that a new homeowner may feel, as well as their desire to make a home their own. Nearly 2 in 5 (39 percent) of these homeowners paint the interior, 33 percent

redecorate rooms, 30 percent purchase new furnishings, and 29 percent replace or purchase new appliances.

While most improvements are made to the interior of the home, 40 percent of homeowners who have lived in their home for 5 years or less also spend time sprucing up and landscaping the yard.

People with longer tenures in their homes are much less likely to make improvements on an ongoing basis. More than 3 in 10 (31 percent) of those living in their home 10 or more years made no improvements in the past year. This may be because they've had previous opportunities to make all of the necessary renovations, they're waiting to make upgrades closer to when they hope to sell, or they're satisfied with the current state of their home.

Average number of improvements made within the past year by time in home:

- 5 years or less: 2.8
- 6-9 years: 2.7
- 10-plus years: 2.0

Several home improvement activities become less common at the 10-year mark; for example, while 42 percent of those in their homes 6-9 years landscaped their yard this past year, only 29 percent of those in their homes 10-plus years got out in the garden to do the same.

## Homeowners in Homes Longer Are Less Likely to Plan Out Repairs

The improvements required—and the challenges that accompany them—tend to increase alongside the tenure of the homeowners. Almost 1 in 5 homeowners (19 percent) who have lived in their home for 10 or more years say their home could use some serious updating, or even a complete overhaul. Only 11 percent of those who have lived in their home less than 10 years claim the same.

Yet despite a higher incidence of living in homes that require some work, homeowners with longer tenures are also not as likely to be proactive in planning their home improvement activities. Less than one-third (31 percent) of those living in their home 10 years or more say they actively plan for the improvement projects they will be working on, compared with 41 percent of those living in their homes for less than 10 years.

## Millennials Lead the Drive to DIY

The younger the homeowner, the more likely they are to have made improvements to their home in the past 12 months. Eighty-six percent of Millennials and 82 percent of Generation X homeowners made at least one improvement, compared with only 68 percent of Baby Boomers and 56 percent of Silent Generation homeowners.

More than half (58 percent) of Millennial home-owners say their approach to home improvement and repairs is to take the lead and do things them-selves; that's also true of a majority (55 percent) of Generation X homeowners. Older homeowners are less likely to take on DIY projects, with less than half (48 percent) of Baby Boomers and just 34 percent of Silent Generation homeowners saying they want to tackle projects themselves; instead, they prefer to rely on the guidance of professionals.

Older homeowners have also been in their homes the longest, so this depressed activity could be due to having made a number of improvements already, earlier on in their ownership tenure, or could also speak to the reality of balancing everyday life with a long list of projects that need doing.

The higher instances of DIY activity among younger homeowners may be a possible sign of depleted savings after shelling out a sizable down payment or part of the financial balancing act required to support the needs of a growing family.

## Many Homeowners Struggle to Pay for Improvements

Despite the apparent work that many aging homes need to stay livable—and to evolve to support the growing needs of the residents—most homeowners are likely waylaid by the simple fact that home improvement is not an easy task. From figuring out how to DIY a project to finding the right professional, home improvements come with their own set of hurdles, even for more experienced homeowners.

The vast majority of homeowners face at least one challenge during the home improvement process—most notably, coming up with the money to make the desired improvements.

While popular home improvement television shows capture a project's progress from start to finish in just half an hour, real-life home projects are often much more time- and labor-intensive, opening the doors for more challenges and frustrations, which can sometimes lead to projects being more costly than anticipated.

Nearly half (49 percent) of owners struggle with being able to pay for improvements they would like to make, 47 percent have trouble figuring out what their improvement will really cost, and 46 percent express difficulty finding time to make the improvements themselves.

Aside from finding the money for improvements, more than 2 in 5 (43 percent) have trouble even deciding what to fix next, which could, in part, be due to not knowing what or when things will break and require replacement (45 percent).

## 1 in 2 Use Online Resources

From Pinterest to blogs to how-to videos, there's no shortage of inspiration for home improvement and repair projects online. While online resources aren't as prevalent in the home improvement process as in the home shopping process, the majority (55 percent) of homeowners who make improvements use online resources to help them do so.

Of those who turn to the internet, social media is far and away the most-used online resource. Almost three-quarters (72 percent) of people who used an online tool and made an improvement used social media, with YouTube topping the list (51 percent). Pinterest, where DIY inspiration dominates much of the home improvement content, came in a close second (40 percent). While not as common, other homeowners that used online resources used Facebook (25 percent) or Instagram (11 percent).

Millennial homeowners overwhelmingly turn to social media for home improvement inspiration. Nine in 10 Millennials who made improvements and used an online resource sought out social media for help. This group of young homeowners turned to YouTube (70 percent), Pinterest (53 percent), Facebook (40 percent) and Instagram (26 percent).

## More Improvements Net More Offers

Homeowners who are planning to sell in the next three years are more likely to make improvements—and more of them—than those not planning to sell. Of those planning to sell in the next three years, 81 percent made at least one improvement (compared with 71 percent of those not planning to sell), with an average of 2.6 improvements made in the past 12 months (compared with 2.2 on average among homeowners with no intentions to sell in the next three years).

Additionally, first-time sellers make more improvements than repeat sellers (with 2.5 vs. 1.9 renovations made, respectively, during the selling process).

The return on home improvement activity looks promising for those sellers investing the time and money. Sellers who make more renovations receive

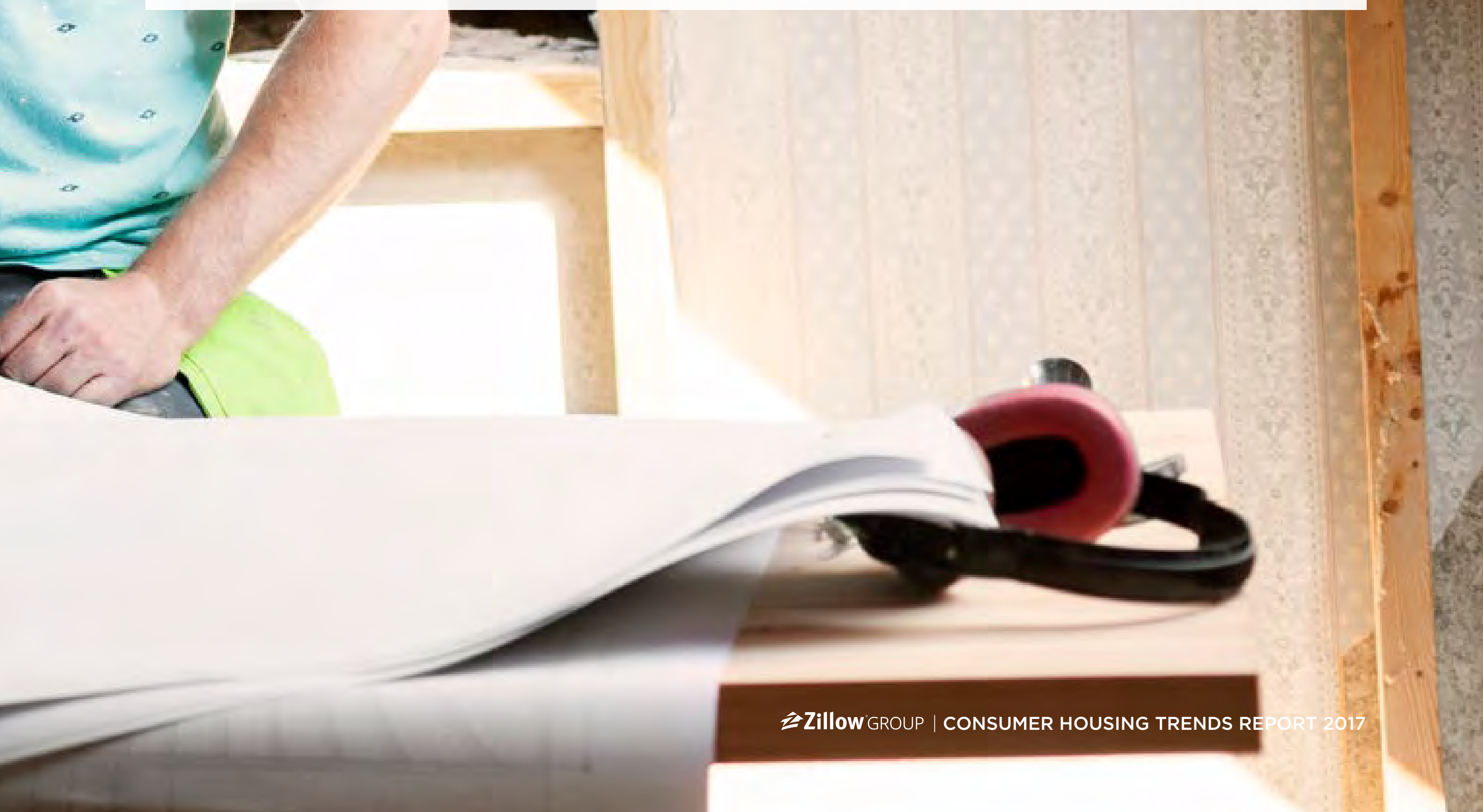
more offers; 65 percent of sellers who make four or more renovations had more than one offer on their home, compared with 51 percent of sellers who make between one and three renovations and 37 percent of sellers who make no renovations.

In addition to netting more offers, home improvement is a tool leveraged by sellers facing difficulty selling at their desired price or in their desired time frame. Eighty-four percent of sellers who struggle to sell their home at their desired price make at least one renovation during the process of selling, compared with 74 percent of sellers who had no difficulty with the time frame. Similarly, 85 percent of sellers who have a hard time selling their home in their desired time frame make at least one improvement to their home, while only 74 percent of sellers without that challenge made an improvement.

## Conclusion

While there are many variables affecting home improvement activity, they largely center on three recurring themes: age and condition of the home, age and life stage of the owner, and length of owner tenure in the home. Each has implications for home improvement activity, be it an aging house requiring more work to be livable, or an aging owner assessing the requisite customizations needed to age in place, or a first-time homeowner proactively decorating in the first years living (and nesting) in the home. Future home improvement activity—and industry growth—will be driven by the needs of both aging homes and their aging owners, as well as younger homeowners eager to make their homes their own.

While the home improvement industry will always be driven by homeowners making necessary repairs, more and more of its growth will be tied to eager-to-DIY younger homeowners tackling their first projects. And as tenure in the home increases, those on the other end of the spectrum will also increasingly leverage home improvement as a way to stay in their homes longer. It follows that the record highs in home improvement spending—and America's collective interest in home improvement—is likely to stick around for the foreseeable future.



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