

Buyer & home seller survey shows rising use of Internet, reliance on agents

WASHINGTON -- Jan. 18, 2006 -- Technology is transforming how Americans buy and sell homes in unexpected ways, including how they work with real estate associates and brokers, according to one of the largest surveys of real estate consumers ever conducted. The 2005 National Association of Realtors® Profile of Home Buyers and Sellers survey is based on more than 7,800 responses to a questionnaire mailed to a large national sample of consumers located through county deed records.

Nine out of 10 homebuyers use a real estate agent in the search process, but use of the Internet to search for a home has risen dramatically over time, increasing from only 2 percent of buyers in 1995 to 77 percent in 2005 and 74 percent in 2004. The next largest source of information for buyers is a yard sign, mentioned by 71 percent of buyers.

When asked where they first learned about the home purchased, 24 percent of buyers identified the Internet, up strongly from 15 percent in 2004 and only 2 percent in 1997. Although most buyers use an agent to complete the transaction, 36 first learn about the home they buy from a real estate agent; 5 percent get information from yard signs; five other categories were 7 percent or less.

NAR President Thomas M. Stevens says the findings underscore the complexity of the home-buying process. "The real estate industry today bears little resemblance to the way we did business 10 years ago. It is hard to find another industry that has adopted technology so readily to its customers," Stevens says. "Realtors have invested a lot of time and money in building information technology, and because of these efforts, more consumers than ever are using the Internet in their home search."

The survey shows 81 percent of buyers that use the Internet to search for a home purchase that home through a real estate associate, while 63 percent of non-Internet users buy through an associate. Non-Internet users are more likely to purchase directly from a builder or an owner they knew in advance of the transaction.

"We find that the level of for-sale-by-owners is on a sustained decline and is now at a record low. In addition, a growing share of FSBO properties are not placed on the open market -- they're private transactions," Stevens says.

A clear downtrend in FSBOs has been seen since that market share experienced a cyclical peak of 18 percent in 1997. Only 13 percent of sellers conducted transactions without the assistance of a real estate professional in 2005; and 39 percent of those FSBO transactions were "closely held" between parties that knew each other in advance, up from 32 percent in 2004. The FSBO market share was at 14 percent in both 2003 and 2004. NAR began tracking the FSBO market in 1981; the record was 20 percent in 1987.

"In reality, the term FSBO is a misnomer when used to broadly describe homes sold directly by owners. Since two out of five of these transactions are between related parties, and those properties are not placed on the open market, we believe that

'unrepresented sellers' would be a much more accurate term to describe this segment," Stevens says.

The median home price for sellers who use an agent is 16 percent higher than a home sold directly by an owner: \$230,000 vs. \$198,200, with no significant differences between the types of homes sold. "While many unrepresented sellers are motivated to save on paying a commission, we think the price difference speaks for itself," Stevens says. "Owners without professional assistance also have problems in understanding and completing paperwork, prepping the home for sale, getting the right price and selling within the time planned."

"The housing market today contrasts sharply with predictions a decade ago that the Internet would 'disintermediate' real estate agents, including speculation that NAR membership would fall in half," adds Stevens. "In reality, it has grown dramatically - selling real estate is not like selling a book or buying an airline ticket," he said.

Realtor.com was the most popular Internet resource, used by 54 percent of buyers, followed by multiple listing service (MLS) Web sites, 50 percent; real estate company sites, 38 percent; real estate agent Web sites, 31 percent; and local newspaper sites, 15 percent; other categories were smaller.

Married couples make up the largest share of the housing market, accounting for 61 percent of transactions. Single women purchase 21 percent of homes, while single men account for 9 percent. Unmarried couples comprise 7 percent of the market, and 2 percent were listed as other. In 2004, single women were 18 percent of buyers, and single men were 8 percent.

The typical buyer walked through nine properties, searched eight weeks to buy a home and moved 12 miles from the previous residence. The typical seller placed a home on the market for four weeks, had lived in it for six years, moved 15 miles to the new residence and previously owned three homes, including the one just sold.

NAR's senior economist Paul Bishop says buyers and sellers use traditional methods to choose a real estate agent. "Word-of-mouth recommendation is the most common way to learn about real estate professionals," Bishop said. "The most important criteria, whether you're buying or selling, are the individual agent's reputation and their knowledge of the local market."

In finding a real estate professional, 44 percent of buyers were referred by a friend, neighbor or relative; 11 percent used an agent from a previous transaction; 7 percent found an agent on the Internet; 7 percent met at an open house; and 6 percent saw contact information on a "for sale" sign. Six other categories accounted for smaller shares each.

The most important factor in choosing an associate was reputation, according to 41 percent of homebuyers, followed by an associate's knowledge of the neighborhood, 24 percent. In terms of desired qualities in an associate, three categories were rated as very important by more than nine out of 10 buyers: knowledge of the purchase process, responsiveness and knowledge of the market. Of buyers who use an associate, 63 percent choose a buyer representative. Satisfaction with real estate associates is very high, with 85 percent of buyers saying they were likely to use the associate again.

Seller responses are comparable: 43 percent chose associates based on a referral by a friend, neighbor or relative; 28 percent used their associate previously; and 10 other categories were 5 percent or less. Fifty-seven percent of sellers said reputation was the most important factor in selecting an associate, followed by their knowledge of the neighborhood, 17 percent. Eighty-two percent said they were likely to use the same associate again or recommend to others.

Four out of 10 respondents are first-time buyers, a finding that is consistent for more than a decade. The median age of entry-level buyers is 32 years, also typical over time, and the household income was \$57,200. They made a downpayment of 2 percent on a home costing \$150,000, but 43 percent purchased with no money down. Of first-time buyers who made a downpayment, 23 percent received a gift from a friend or relative.

The typical repeat buyer is 46 years old and had a household income of \$83,200. They placed a downpayment of 21 percent on a home costing \$235,000, but 11 percent of repeat buyers paid cash for their home. In all, 94 percent of buyers and sellers believe their home purchase is a good financial investment.

The most important factors in choosing a location to purchase a home are neighborhood quality, cited by 68 percent; proximity to a job or school, 43 percent; close to family or friends, 36 percent; and the school district, 23 percent; seven other categories were under 20 percent.

The 2005 National Association of Realtors® Profile of Home Buyers and Sellers can be ordered by calling (800) 874-6500. The cost is \$50 for NAR members and \$125 for non-members.

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