

## **Home Buyer & Seller Survey Shows Rising Use of Internet, Reliance on Agents**

WASHINGTON (January 17, 2006) – Technology is transforming how Americans buy and sell homes in unexpected ways, including how they work with real estate agents and brokers, according to one of the largest surveys of real estate consumers ever conducted. The study was released today by the National Association of Realtors®.

Nine out of 10 home buyers 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; it was 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 and 15 percent from yard signs; five other categories were 7 percent or less.

The *2005 National Association of Realtors® Profile of Home Buyers and Sellers*, based on more than 7,800 responses to a questionnaire mailed to a large national sample of consumers located through county deed records, is the latest in a series of surveys evaluating demographics, marketing and other characteristics of home buyers and sellers.

NAR President Thomas M. Stevens from Vienna, Va., said the findings underscore the complexity of the home-buying process. “Buyers who use the Internet in searching for a home are more likely to use a real estate agent than non-Internet users, and consumers rely on professionals to provide context, negotiate the transaction and help with the paperwork,” said Stevens, senior vice president of NRT Inc.

“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 said. “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 who use the Internet to search for a home purchase through a real estate agent, while 63 percent of non-Internet users buy through an agent; 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 said.

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 who 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 said.

The median home price for sellers who use an agent is 16.0 percent higher than a home sold directly by an owner; \$230,000 vs. \$198,200; there were 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 said. “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.”

Survey data don’t explain the price difference, but Stevens offered some context. “Agents know best how to prepare a home and maximize value, agents provide broader exposure to the market and are more likely to generate multiple bids, and the portion of sales that are between private parties are likely to be at a lower price than those on the open market.”

“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. In reality, it’s 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 were 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 their previous residence. The typical seller placed their home on the market for four weeks, had lived in it for six years, moved 15 miles to their new residence and previously owned three homes, including the one just sold.

NAR's senior economist Paul Bishop said both 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 agent was reputation, according to 41 percent of home buyers, followed by an agent's knowledge of the neighborhood, 24 percent. In terms of desired qualities in an agent, 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 agent, 63 percent choose a buyer representative. Satisfaction with real estate agents is very high, with 85 percent of buyers saying they were likely to use the agent again.

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

Four out of ten 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.

“To underscore the value of housing as an investment, all you have to do is look at the difference in how repeat buyers purchase their next home – the wealth effect of homeownership provides the greatest source for their downpayment, which is significantly larger,” Bishop said. Aside from sellers who pay cash for their new home, 66 use the equity from their previous home for a downpayment.

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

NAR mailed an eight-page questionnaire to a national sample of 145,000 home buyers and sellers, based on county records, who purchased their homes between August 2004 and July 2005. It generated 7,813 usable responses; the response rate was 5.4 percent.