

NAR HOME Survey: Desire to Buy Strong Despite Affordability, Economic Concerns

WASHINGTON (December 17, 2015) — Although only half of surveyed households believe the economy is currently improving, nearly all young renters eventually want to buy a home, and a convincing majority still view homeownership as part of their American Dream, according to a new quarterly consumer survey released today by the National Association of Realtors®. Additionally, a newly-introduced index tracking the financial outlook of households found that compared to earlier this year an increasing share believes their personal financial situation will improve in the months ahead.

NAR's inaugural quarterly household survey, *Housing Opportunities and Market Experience (HOME)*, tracks topical real estate trends, including current renters and homeowners' views and aspirations regarding homeownership, whether or not it's a good time to buy or sell a home, and expectations and experiences in the mortgage market¹. New questions may be added to the survey each quarter to reflect timely topics impacting real estate.

The HOME survey data reveals that an overwhelming majority of current renters who are 34 years of age or younger want to own a home in the future (94 percent). Overall, 83 percent of polled renters have a desire to own, and 77 percent believe homeownership is part of their American Dream.

[Lawrence Yun](#), NAR chief economist, says the survey's findings

debunk the notion that young adults aren't interested in buying a home. "Despite entering the workforce during or immediately after the worst of the financial and housing crisis, the desire to become a homeowner appears to be a personal goal for a convincing majority of young renters," he said. "Furthermore, there appears to be sizeable, pent-up demand for buying that currently remains untapped because of a variety of economic and personal reasons impacting many households."

The top two reasons given by renters for not currently owning was the inability to afford to buy (53 percent) and needing the flexibility of renting rather than owning (19 percent). When asked what would likely be the main reason for buying in the future, renters cited lifestyle considerations such as getting married, starting a family or retiring (33 percent) and an improvement in their financial situation (26 percent).

"A combination of factors such as rising rents and home prices, limited supply, repaying student debt, and getting married and having children later in life has more to do with the currently underperforming share of first-time buyers than the idea that buying a home is not as desirable as it used to be," adds Yun.

Households lukewarm about the U.S. economy

Among all households (renters and homeowners) in the survey, the results highlight a split between those who agree the U.S. economy is on the right track and those who disagree. Only half of respondents believe the economy is currently improving, and 44 percent think the economy is actually in a recession.

Renters were only slightly more optimistic about current economic conditions, with 57 percent believing the economy is improving. Regardless of their confidence in the U.S. economy today, over three-quarters (76 percent) of those who don't think the economy is improving still want to eventually buy a home.

"The promising stretch of job creation in several parts of the country in recent years has the housing market in 2015 on track for its best year of sales since the downturn," says Yun.

"However, that only half of surveyed households believe the

economy is improving can be attributed to the fact that some areas have been slow to recover and wages have yet to grow in a meaningful way for far too many families."

Adds Yun, "With roughly 26 million more people in the U.S.² compared to the peak year of home sales in 2005 (7.08 million), the pace of existing sales would likely be more robust if not for the economy's subpar growth since the downturn and wage gains that have failed to keep pace with rents and home prices."

Homeownership remains good financial decision, part of American Dream

Despite uncertainty about the economy's current performance, at least 84 percent of all households within all surveyed age groups and education levels believe owning a home is a good financial decision. When asked if they believe this strongly or moderately, 76 percent who believe it's a good decision feel strongly about it. Additionally, at least 85 percent of surveyed households in each age category as well as across all education levels believe homeownership is part of their personal American Dream. The most appealing aspects of homeownership cited by those with this feeling include a place to raise a family (36 percent), owning their own place (26 percent) and a nest egg for retirement (14 percent).

Good time to buy, but skeptical about ability to obtain a mortgage

NAR's survey found that more homeowners (82 percent) than renters (68 percent) during the polling period believe that it's a good time to buy a home. Furthermore, of those who thought it was a good time to buy, 64 percent felt strongly about buying. Among current owners, 61 percent believe it is a good time to sell a home, of which 53 percent felt strongly that it was a good time to sell.

According to the survey, roughly two-thirds (65 percent) think it would be very or somewhat difficult to obtain a mortgage.

Furthermore, there are differences among income brackets.

Renter households making between \$30,000 and \$40,000 were the most likely to be declined a mortgage (10 percent), while 51 percent of those who make more than \$50,000 a year have not tried but feel confident they would succeed in getting a mortgage. Overall, five percent of renters have recently tried and failed to obtain financing for a home.

By nearly double the amount of other responses, the most common reason homeowners purchased a home was for lifestyle changes such as getting married, starting a family or retiring (35 percent). Eighteen percent said the desire to settle down in one location influenced their decision to buy, and 15 percent cited an improvement in their financial situation.

Direction of home prices, financial outlook on the rise

Reflecting the ongoing recovery of home values throughout most of the country, 89 percent of respondents said home prices in their communities have either risen or stayed the same in the past year. Looking ahead toward the next six months, 91 percent of respondents believe home prices in their community will increase or stay the same.

The HOME survey also calculates a monthly Personal Financial Outlook Index³ measured by household type, age, income and type of location. Since tracking began in March, the index representing all households has slowly trended upward to its highest current reading in December – reflecting stronger confidence that respondents' financial situation will be better in six months. Currently, renters, younger households and those living in urban areas are more optimistic about their future financial situation.

"Young adults, who make up the majority of all renter households, are typically more optimistic about their future," adds Yun. "As more of them settle down and begin plans to start a family, the allure of owning their own home as well as the long-term financial stability homeownership provides will drive their emergence into the housing market. However, the extent to how fast this occurs will greatly depend on more entry-level housing

supply coming onto the market and needed improvements in affordability conditions."

About NAR's HOME survey

In March through early December 2015, a sample of U.S. households was surveyed via random-digit dial, including half via cell phones and the other half via land lines. The survey was conducted by an established survey research firm, TechnoMetrica Market Intelligence. Each month approximately 900 qualified households responded to the survey. The data was compiled for this report and a total of 9,034 household responses are represented.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing over 1.1 million members involved in all aspects of the residential and commercial real estate industries.