
2014 Profile of Home Buyers and Sellers Cleveland Report

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2014 Profile of Home Buyers and Sellers Cleveland Report

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Introduction

For most home buyers, the purchase of real estate is one of the largest financial transactions they will make. Buyers purchase a home not only for the desire to own a home of their own, but also because of changes in jobs, family situations, and the need for a smaller or larger living area. This annual survey conducted by the NATIONAL ASSOCIATION OF REALTORS® of recent primary residence home buyers and sellers helps to gain insight into detailed information about their experiences with this important transaction. The information provided supplies understanding, from the consumer level, of the trends that are transpiring and the changes seen. The survey covers information on demographics, housing characteristics and the experience of consumers in the housing market. Buyers and sellers also provide valuable information on the role that real estate professionals play in home sales transactions.

Buyers continue to face tighter credit standards than seen in previous years. A notable finding from this year's report was the drop in first-time home buyers to a share not reported since 1987. Buyers in this year's report showed incomes of buyers continuing to increase and buyers this year more likely to have the financial capability to own more than one property. Additionally, there is a continuation of trends seen last year of an elevated share of married couples and suppressed levels of single buyers. Married couples who purchased a home have the advantage of more buying power and added financial stability—their typical household incomes are higher than single households.

Tightened inventory is affecting the home search process of buyers and the homes that buyers are purchasing. Due to suppressed inventory levels in many areas of the country, buyers are typically buying more expensive homes as prices increase. The number of weeks a buyer is searching fell in this year's report. Buyer's continue to report the most difficult task for them in the home buying process is just finding the right home to purchase.

Buyers need the help of a real estate professional to help them find the rights home for them, negotiate terms of sale, and help with price negotiations. Sellers, as well, turn to professionals to help market their home to potential buyers, sell within a specific timeframe, and price their home competitively. For-sale-by-owner sales remain at historic lows, while the use of the agent to sell the home stays at historic highs. Likewise on the buyer use of the agent is at historic highs as buyers purchasing directly from a previous owner or through a builder falls.

This report provides real estate professionals with insights into the needs and expectations of their clients. What do consumers want when choosing a real estate professional? How do home buyers begin the process of searching for a home? Why do some sellers choose to forego the assistance of an agent? The answers to these questions, along with other findings in this report, will help real estate professionals better understand the housing market and also provide the information necessary to address the needs of America's real estate consumers.

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Highlights

Characteristics of Home Buyers

- 33 percent of home buyers were first-time buyers in Cleveland, the same as the national level of 33 percent, which is still at a suppressed level of the historical norm of 40 percent.
- Thirteen percent of buyers nationally purchased a multi-generational home due to children over the age of 18 moving back into the house, cost savings, and health and caretaking of aging parents. In Cleveland, this was 14 percent.
- In Cleveland, the typical buyer was 48-years-old, while the typical first-time buyer was 32 and the typical repeat buyer was 54. Nationally the typical buyer was 44-years-old, while the typical first-time buyer was 31 and the typical repeat buyer was 53.
- The 2013 median household income of buyers was \$84,500 nationally and \$73,500 in Cleveland. The median income was \$68,300 among first-time buyers and \$95,000 among repeat buyers nationally, and in Cleveland this was \$62,200 and \$73,500 respectively.
- Sixty-five percent of recent home buyers were married couples. 71 percent of recent home buyers were married couples in Cleveland.
- Nationally, for 24 percent of recent home buyers, the primary reason for the recent home purchase was a desire to own a home. This was similar to Cleveland at 25 percent of recent home buyers.

Characteristics of Homes Purchased

- New home purchases continue to drag at a share of 16 percent of all recent home purchases on a national level. In Cleveland, this share is 8 percent.
- The typical home purchased was 1,870 square feet in size, was built in 1993, and had three bedrooms and two bathrooms. In Cleveland, the typical home purchased was 1,760 square feet, built in 1970, and also had three bedrooms and two bathrooms.
- Seventy-nine percent of home buyers purchased a detached single-family home nationally; in Cleveland, that figure was 81 percent.
- Thirteen percent of recent buyers over the age of 50 bought a home in senior-related housing, and 8 percent over the age of 50 made a similar purchase in Cleveland.
- When considering the purchase of a home, heating and cooling costs were at least somewhat important to 86 percent of buyers nationally and 81 percent in Cleveland. Commuting costs were considered at least somewhat important by 70 percent of buyers nationally and also in Cleveland.

The Home Search Process

- For 43 percent of home buyers nationally, the first step in the home-buying process was looking online for properties and 12 percent of home buyers first looked online for information about the home buying process. In Cleveland this was 45 percent for properties and 9 percent for information.
- Ninety-two percent of buyers used the internet in some way in their home search process and 50 percent of buyers use a mobile website or application in their home search nationally; 90 percent in Cleveland, and 39 percent used a mobile website or application

- Real estate agents were viewed as a useful information source by 98 percent of buyers who used an agent while searching for a home. In Cleveland this share was also 98 percent.
- The typical home buyer searched for 10 weeks and viewed 10 homes nationally; in Cleveland, 10 weeks and 10 homes.
- Approximately nine in 10 recent buyers were at least somewhat satisfied with the home buying process. In Cleveland, 85 percent of buyers were satisfied with the process.

Home Buying and Real Estate Professionals

- Nationally, 88 percent of buyers purchased their home through a real estate agent or broker—a share that has steadily increased from 69 percent in 2001. In Cleveland, this share was 86 percent.
- Forty percent of buyers found their agent through a referral from a friend or family member nationally, and 43 percent in Cleveland. Twelve percent used an agent they had used before to buy or sell a home nationally, with that figure 13 percent in Cleveland.
- Two-thirds of recent buyers only interviewed one agent before they found the agent they worked with, in Cleveland 70 percent interviewed only one agent.
- Eighty-eight percent of buyers nationally would use their agent again or recommend to others. 81 percent of buyers in Cleveland would do the same.

Financing the Home Purchase

- Eighty-eight percent of home buyers financed their recent home purchase on a national level and 86 percent in Cleveland. Among those who financed their home purchase, nationally buyers typically financed 90 percent and in Cleveland it was 88 percent.
- The share of first-time buyers who financed their home purchase was 95 percent compared to 84 percent of repeat buyers; in Cleveland the share was 94 percent of first-time buyers and 82 percent of repeat buyers.
- Forty-six percent of home buyers reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing. In Cleveland 42 percent reported they have made some sacrifices.
- Twenty-six percent of buyers reported the mortgage application and approval process was somewhat more difficult than expected nationally, and 28 percent of buyers reported the same thing in Cleveland. Eighteen percent reported it was much more difficult than expected on a national level, and 15 percent in Cleveland.
- Twelve percent of buyers overall cited saving for a downpayment was the most difficult task in the home buying process. Among those buyers, 48 percent report credit card debt, 44 percent reported student loan debt, and 36 percent car loans delayed them saving from a downpayment. In Cleveland, 11 percent of buyers cited saving for a downpayment was difficult and 44 percent reported student loans, 38 percent credit card debt and 38 percent car loans as getting in the way.
- Eight in ten buyers believe their home is a good financial investment. In Cleveland 74 percent of buyers believe that their home is a good financial investment.

Home Sellers and Their Selling Experience

- The typical seller lived in their home for ten years, up from 2007 when the typical tenure in home was only six years. The median tenure has increased in recent years. In Cleveland, the typical seller lived in their home for 13 years.
- Eighty-eight percent of sellers were assisted by a real estate agent when selling their home nationally; in Cleveland, that figure was 89 percent.

- Recent sellers typically sold their homes for 97 percent of the listing price, and 45 percent reported they reduced the initial asking price at least once. In Cleveland, sellers typically sold their homes for 96 percent of the listing price and 50 percent reduced the asking price at least once.
- Seventeen percent of recent sellers had to delay or stall selling their home because the value of their home was worth less than their mortgage on a national level. This share was 20 percent in Cleveland.
- Thirty-six percent of sellers offered incentives to attract buyers, most often assistance with home warranty policies and closing costs overall. In Cleveland, 45 percent of sellers offered incentives.

Home Selling and Real Estate Professionals

- Nationally, thirty-eight percent of sellers who used a real estate agent found their agents through a referral by friends or family, and 22 percent used the agent they worked with previously to buy or sell a home. In Cleveland, 39 percent of sellers found their agent through a referral and 24 percent used the agent they had worked with previously.
- Seventy percent of home sellers only contacted one agent before selecting the one to assist with their home sale, a trend that is also true in Cleveland where 66 percent of home sellers contacted only one agent.
- Ninety-one percent of sellers reported that their home was listed or advertised on the multiple listing (MLS) website overall, and 90 percent in Cleveland.
- Among recent sellers who used an agent, 83 percent reported they would definitely (68 percent) or probably (15 percent) use that real estate agent again or recommend to others. In Cleveland, 81 percent reported they would definitely (60 percent) or probably (21 percent) use the agent again.

For-Sale-by-Owner (FSBO) Sellers

- The share of home sellers who sold their home without the assistance of a real estate agent was nine percent nationally, and eight percent in Cleveland. Forty-four percent overall and 38 percent in Cleveland knew the buyer prior to home purchase.
- Among sellers who did not know the buyer of the home previously, 15 percent were contacted by a buyer they did not know to buy the home. In Cleveland 13 percent were contacted by a buyer they did not know to buy the home.
- The primary reason that sellers choose to sell their home without the assistance of a real estate agent to a buyer they did not know was that they did not want to pay a fee or commission (47 percent nationally, 38 percent in Cleveland).
- FSBOs typically have a lower median selling price: \$208,700 compared to \$235,000. Thus, the typical agent-assisted home sale typically has a 13 percent higher sales price than the typical FSBO sale. In Cleveland the median selling price of FSBO sales is \$145,000 compared to agent-assisted sales at \$174,000. Thus, in Cleveland the typical agent-assisted home sale typically has a 20 percent higher sales price than the typical FSBO sale.

Methodology

In July 2014, NAR mailed out a 127-question survey using a random sample weighted to be representative of sales on a geographic basis to 72,206 recent home buyers. The recent home buyers had to have purchased a home between July of 2013 and June of 2014. A total of 6,572 responses were received from primary residence buyers. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 9.4 percent. For Cleveland there were 223 responses, accounting for a response rate of 10.3 percent.

Consumer names and addresses were obtained from Experian, a firm that maintains an extensive database of recent home buyers derived from county records. Information about sellers comes from those buyers who also sold a home.

All information in this Profile is characteristic of the 12-month period ending June 2014, with the exception of income data, which are reported for 2013. In some sections comparisons are also given for results obtained in previous surveys. Not all results are directly comparable due to changes in questionnaire design and sample size. Some results are presented for the four U.S. Census regions: Northeast, Midwest, South and West. The median is the primary statistical measure used throughout this report. Due to rounding and omissions for space, percentage distributions may not add to 100 percent.