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# 2012 Profile of Home Buyers and Sellers New Jersey Report

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NATIONAL ASSOCIATION OF REALTORS®

*The Voice for Real Estate®*

# 2012 Profile of Home Buyers and Sellers New Jersey Report

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# 2012 Profile of Home Buyers and Sellers New Jersey Report

## 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 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.

Many buyers are now facing tighter credit standards than seen in previous years. For this reason, the buyers we see are different from past years. For example, this year's report displayed the highest share of married couples and the lowest share of single buyers that has been seen since 2001. 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. The selling market continues to show tightened inventory in many areas of the country. Buyers are looking at fewer homes than in past years. Twenty percent of for-sale-by-owner sellers who did not know the buyer before the sale reported selling by this method because a home buyer contacted them directly to purchase their home.

Buyers need the help of a real estate professional to help them find the right home for them, help them understand the process, and negotiate terms of sale. Sellers, as well, turn to professionals to help sell their homes within a specific timeframe, market their home effectively and find the right buyer. As the market changes and evolves, the need for a professional to help has increased. More buyers and sellers are turning to professionals to help them with this transaction. Satisfaction with agents continues to be high.

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.

## The Housing Environment

Housing economists agree that the real estate market is showing signs of stabilization, both in sales and pricing. The commercial real estate market continues to grow as vacancy rates lower and rental rates rise in many areas of the country. REALTOR® members are seeing home prices increase as demand for homes in many areas increases. The mortgage market, while showing historically low rates, also has historically tightened lending standards. Overall in the economy, GDP continues to at a below normal growth level, but there are signs of improvement in the employment market, retail and auto sales, and consumer confidence.

It is important to note that while the economy as a whole does affect the housing market, most buyers purchase for the plain desire to own a home and establish a household of their own. Homeowners, who purchase a property as their primary residence, are also buying in to a neighborhood. A long and distinguished body of academic research has shown that homeownership strengthens the community; homeowners have a stake in the community and are likely to invest through their participation in civic activities such as voting or volunteering their time. Moreover, it is now well-documented that homeowners and their families benefit in a number of ways ranging from more positive feelings about the future to better health. Although the financial aspects of homeownership are important, they do not stand alone as the primary motivators for the purchase of a home.

# 2012 Profile of Home Buyers and Sellers

## New Jersey Report

### Highlights

The real estate market offers a variety of choices, opportunities and challenges for home buyers, sellers, and real estate professionals helping them with their transactions. For home buyers, there are numerous ways to search for and find a home, a variety of mortgage products to finance their home and a growing list of services that their agent can provide to assist them in the process.

Home sellers can choose to sell their home themselves or enlist the professional assistance of an agent who can provide various levels of service to best suit each home seller's needs. Because the real estate market is always evolving, it is important for real estate professionals to have a clear picture of today's home buyers and sellers. The *2012 Profile of Home Buyers and Sellers* describes the characteristics and motivations of recent home buyers and sellers in Connecticut and in so doing helps real estate professionals track the changing demands of consumers in a dynamic market.

### Characteristics of Home Buyers

- Forty-one percent of recent home buyers were first-time buyers in New Jersey, compared to a national level of 39 percent, which is a slight rise from 2011.
- The typical buyer in New Jersey was 43 years old, while nationally the typical buyer was 42 years old, a modest decrease from 45 in 2011.
- The 2011 median household income of buyers was \$102,900 in New Jersey and \$78,600 nationally. The median income was \$92,900 among first-time buyers and \$114,300 among repeat buyers, compared to \$61,800 among first-time buyers and \$93,100 among repeat buyers nationally.
- Nationally, 65 percent of recent home buyers were married couples—the highest share since 2001. In New Jersey, the figure was 66 percent. Sixteen percent of recent home buyers were single females nationally—the lowest share since 2001; 17 percent were single females in New Jersey.
- For 30 percent of recent home buyers nationally, the primary reason for the recent home purchase was a desire to own a home. In New Jersey, this was the primary reason for 28 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. This is reflective/not-reflective of conditions in New Jersey, where 11 percent of homes were new.
- 79 percent of home buyers purchased a detached single-family home in New Jersey, compared to seventy-nine percent of home buyers nationally.
- The quality of the neighborhood, convenience to job, and overall affordability of homes are the top three factors influencing neighborhood choice; however, neighborhood choice varies considerably among household compositions.
- When considering the purchase of a home, heating and cooling costs were at least somewhat important to 87 percent of buyers and commuting costs were considered at least somewhat important by 76 percent of buyers nationally, compared to 87 percent and 73 percent of buyers in New Jersey respectively.

## The Home Search Process

- For 41 percent of home buyers, the first step in the home-buying process was looking online for properties and 11 percent of home buyers first looked online for information about the home buying process on a national level. In New Jersey, 45 percent of home buyers looked online for properties as a first step and 12 percent searched for information about the process online.
- The use of the Internet in the home search rose slightly on a national level to 90 percent and for buyers under the age of 44 this share increased to 96 percent. In New Jersey, this number was 91 percent of all buyers and 96 percent of buyers under the age of 44.
- Real estate agents were viewed as a useful information source by 97 percent of buyers who used an agent while searching for a home in New Jersey, the same percentage as buyers nationally.
- The typical home buyer in New Jersey searched for 14 weeks and viewed 14 homes, compared to 12 weeks and 10 homes on a national level.
- Nine in ten recent buyers were satisfied with the home buying process nationally. Eighty-eight percent of buyers were satisfied with the process in New Jersey.

## Home Buying and Real Estate Professionals

- Nationally, eighty-nine 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 New Jersey, this share was 91 percent.
- Forty percent of buyers found their agent through a referral from a friend or family member and 10 percent used an agent they had used before to buy or sell a home on a national level. In New Jersey, 41 percent used a referral to find an agent and 10 percent used an agent they had used previously.
- About two-thirds of recent buyers nationally only interviewed one agent before they found the agent they worked with, slightly more than the 62 percent figure reported in New Jersey.
- Nearly nine in ten buyers nationally would use their agent again or recommend them to others. In New Jersey, that number is 86 percent.

## Financing the Home Purchase

- On a national level, 87 percent of home buyers financed their recent home purchase. Among those who financed their home purchase, the buyers typically financed 91 percent. In New Jersey, 81 percent of buyers financed their recent purchase and 84 percent of the purchase was financed.
- The share of first-time buyers who financed their home purchase was 95 percent compared to 81 percent of repeat buyers, nationally. In New Jersey, that share was 96 percent of first-time buyers and 71 percent of repeat buyers.
- More than a third of home buyers nationally reported they have made some sacrifices such as reducing spending on luxury items, entertainment or clothing. This also holds true in New Jersey.
- Nationally, 23 percent of buyers reported the mortgage application and approval process was somewhat more difficult than expected and 17 percent reported it was much more difficult than expected. These numbers are roughly equivalent to the New Jersey numbers, where 31 percent of buyers reported the process was somewhat more difficult than expected and 21 percent reported it was much more difficult than expected.

## Home Sellers and Their Selling Experience

- The typical national seller lived in their home for nine years. The median tenure has increased in recent years. In 2007, the typical tenure in home was only six years. In New Jersey, the median tenure is 11 years.
- Eighty-eight percent of sellers were assisted by a real estate agent when selling their home nationally, and 89 percent were assisted in New Jersey.
- Nationally, recent sellers typically sold their homes for 95 percent of the listing price, and 60 percent reported they reduced the asking price at least once. In New Jersey, recent sellers sold their homes for 92 percent of the listing price and 71 percent reduced the asking price at least once.
- Forty percent of sellers offered incentives to attract buyers nationally, most often assistance with home warranty policies and closing costs. In New Jersey, 24 percent of sellers offered incentives.

### **Home Selling and Real Estate Professionals**

- Nationally, 38 percent of sellers who used a real estate agent found their agents through a referral by friends or family, and 23 percent used the agent they worked with previously to buy or sell a home. In New Jersey, the share of sellers found their agents through a referral was 48 percent and 12 percent used an agent they had worked with before.
- Two-thirds of home sellers only contacted one agent before selecting the one to assist with their home sale on a national level, and this was also true in New Jersey.
- Ninety-three percent of sellers reported that their home was listed or advertised on the Internet nationally, and 91 percent in New Jersey.
- Among recent sellers nationally who used an agent, 84 percent reported they would definitely (66 percent) or probably (18 percent) use that real estate agent again or recommend to others. In New Jersey, 86 percent of sellers reported they would definitely (70 percent) or probably (16 percent) use the real estate agent again or recommend to others.

### **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. Thirty-three percent of those sellers knew the buyer prior to home purchase. In New Jersey, the share was ten percent and seventy percent knew the buyer.
- 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 (43 percent), at the national level. In New Jersey, 13 percent did not want to pay a fee or commission.
- More than one-third of FSBO sellers nationally took no action to market their home, and 60 percent did not offer any incentives to attract buyers. These numbers are similar to New Jersey, where 63 percent of FSBO sellers took no action to market the home and 76 percent did not offer any incentives.

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## Conclusion

Home buying and selling remains an important segment of the national and local economies, especially due to the housing sector's unique power to revitalize the economy during challenging times. With historically low mortgage rates, buyers and sellers continue to have opportunities to trade up, trade down, relocate or purchase a second home. First-time buyers are now 50 percent of the market, are discovering and capturing the benefits of homeownership, which contributes to significant wealth accumulation, among other financial, social, and personal rewards.

Consumers rely on the experience and expertise of real estate professionals to assist when buying and selling a home. Working in an extremely competitive environment, agents and brokers provide high levels of service to meet the varied needs of home buyers and sellers. The value that consumers place on the services offered by real estate professionals is reflected in the large majority of both buyers and sellers who would use their agents again or recommend them to others.



## Methodology

In July 2012, NAR mailed out a question survey to a random sample of 93,502 recent home buyers. The recent home buyers had to have purchased a home between July of 2011 and June of 2012. The Tailored Survey Design Method was used to survey the sample, which includes a pre-postcard mailing, the survey, a follow-up letter and a re-mailing of the survey. Using this method, a total of 8,501 responses were received. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 9.1 percent. For New Jersey there were 274 responses, accounting for a response rate of 7.3 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 2012, with the exception of income data, which are reported for 2011. 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. Survey responses were weighted to be representative of state level sales. 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.