
2020 Profile of Home Buyers and Sellers New Jersey Report

Prepared for:
New Jersey REALTORS®

Prepared by:
NATIONAL ASSOCIATION OF REALTORS®
Research Group

January 2021



2020 Profile of Home Buyers and Sellers New Jersey Report

Table of Contents

| | |
|--------------------|---|
| Introduction | 2 |
| Highlights | 4 |
| Methodology | 8 |

Report
Prepared
by:

Jessica Lautz
202-383-1155

Brandi
Snowden
202-383-1048

Matt
Christopherson
202-383-1022

Sidnee Holmes
202-383-1017

2020 Profile of Home Buyers and Sellers New Jersey Report

Introduction

The NATIONAL ASSOCIATION OF REALTORS® Profile of Home Buyers and Sellers is an annual survey of recent home buyers and sellers who purchased in the last year, from July 2019 to June 2020. This report allows industry professionals to gain insight into detailed buying and selling behavior. While every year is a unique time capsule where buyers and sellers purchase amid a changing economic environment, 2020 is especially distinctive as COVID-19 impacted Americans' lives starting in March 2020.

Buying a primary residence for home buyers is a financial decision, but also an emotional decision that involves many lifestyle factors. For most home buyers, the purchase of a primary residence 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. The information provided supplies understanding, from the consumer level, of the trends that are transpiring. This 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.

The Profile of Home Buyers and Sellers report has been the leading industry source of trusted insight into consumer behavior for nearly four decades. It has grown and evolved to keep up with changing home buying trends and the need for more information. NAR first administered the survey in 1981 with just 59 questions. In 2020, the survey contained 131 questions. Although the report has evolved, data has been collected for more than three decades describing the demographic characteristics of home buyers and sellers, buyers and sellers' experience in the home transaction process, as well as market characteristics including the use of real estate agents. One measure of how the market has changed is the manner in which the data is collected. In 1981, only a paper copy of the survey was offered. Today, recent home buyers can take the survey via paper or online, and in English or Spanish. Because of its long history and timely information available each year, the report is valued by REALTORS®, market analysts, and policymakers.

Data is collected from a nationally representative sample of recent home buyers who purchased a primary residence in the 12-month period between July and June. Data is also representative of the geographic distribution of home sales. Consumer names are obtained from Experian, a firm that maintains an extensive database of recent home buyers derived from county records.

Given the unique data collection time period, this report continues to include eight chapters on buying and selling activity, but also includes two additional chapters. Chapter 9 separates buyers who closed on their transaction before April 2020 and those who closed on their transaction after April 2020. While buyers who may have established they intend to purchase before COVID-19, their search process and closing process may differ. Not every chart is reported in Chapter 9, only those which show unique differences in buyers and buyer behavior. Buyers who purchased during the onset of COVID-19 were more likely to have higher household incomes, purchase at a higher price point, and more likely to purchase a multi-generational home. Similarly, Chapter 10 focuses on the unique differences in sellers

who closed in their home sale transaction before and after April 2020. While these sellers may have listed their home prior to the onset of COVID-19 in March, they closed on their transaction during a timeframe when many state and local areas had restrictions in place. Sellers who sold after April 2020 were more likely want to sell at least somewhat urgently, were more likely to sell in the suburbs, and need a larger home.

Among all buyers last year, the share of first-time home buyers continued to fall to 31 percent, from 33 percent the year before. This is the lowest share since 1987 when it was at 30 percent. While first-time buyers have had record low interest rates they have also faced a housing environment that has scarce inventory and rising home prices.

Tightened inventory is affecting the home search process of buyers. Due to suppressed inventory levels in many areas of the country, buyers are typically purchasing more expensive homes as prices increase. The number of weeks a buyer searched for a home fell to eight weeks from 10. Many buyers took advantage of new virtual tours and virtual listings and used those in their search process. Buyers continue to report the most difficult task for them in the home buying process was just finding the right home to purchase.

Increased prices are also impacting sellers. Tenure in the home remained at a high of 10 years this year. Historically, tenure in the home has been six to seven years. Sellers may now have the equity and buyer demand to sell their home after stalling or delaying their home sale.

Buyers needed the help of a real estate professional to help them find the right home for them, negotiate terms of sale, and help with price negotiations. Eighty-eight percent of buyers used an agent to help them purchase a home. Sellers, as well, turned to professionals to help market their home to potential buyers, price their home competitively, and sell within a specific timeframe. The use of agent to sell the home reached historical highs of 89 percent. While the survey asked about iBuyer options, less than one percent of sellers used these online-only programs. Only eight percent of sellers sold via For-Sale-By-Owner (FSBO).

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 provide the information necessary to address the needs of America's real estate consumers.

The data set provides a wealth of data that is used to create a number of spin-off NAR reports including: *Home Buyer and Seller Generational Trends Report*, *Buyer Bios*, *Real Estate in a Digital Age*, *Veterans and Active Military Home Buyers and Sellers Profile*, *Profile of LGB Buyers and Sellers*, *A Snapshot of Race and Home Buying in America*, *Downpayment Expectations and Hurdles to Homeownership*, and *Moving with Kids*.

2020 Profile of Home Buyers and Sellers

New Jersey Report

Highlights

Characteristics of Home Buyers

- First-time buyers made up 31 percent of all home buyers, down slightly from 33 percent last year and the lowest share since 1987. In New Jersey, 38 percent were first-time buyers.
- The typical buyer was 47 years old this year, and the median household income for 2019 rose again this year to \$96,500. In New Jersey, buyers were 45 years old and have a median income of \$103,600.
- Sixty-two percent of recent buyers were married couples, 18 percent were single females, nine percent were single males, and nine percent were unmarried couples. In New Jersey, 61 percent were married couples, 18 percent were single females, nine percent were single males, and nine percent were unmarried couples.
- Twelve percent of home buyers purchased a multi-generational home, to take care of aging parents, because of children over the age of 18 moving back home, for cost savings, and to spend more time with aging parents. In New Jersey, that share was 11 percent.
- Ninety-one percent of recent home buyers identified as heterosexual, three percent as gay or lesbian, and one percent as bisexual. In New Jersey, 89 percent identified as heterosexual, three percent as gay or lesbian, and two percent as bisexual.
- Eighteen percent of recent home buyers are veterans and two percent are active-duty service members. Twelve percent are veterans and one percent are active-duty service members in New Jersey.
- At 29 percent, the primary reason for purchasing a home was the desire to own a home of their own. In New Jersey, this was 31 percent.

Characteristics of Homes Purchased

- Buyers of new homes made up 15 percent and buyers of previously owned homes made up 85 percent. In New Jersey, this share is five percent for new homes and 95 percent for previously owned homes.
- Most recent buyers who purchased new homes were looking to avoid renovations and problems with plumbing or electricity at 44 percent. Buyers who purchased previously-owned homes were most often considering a better overall value at 35 percent. In New Jersey, 56 percent of new home buyers were looking to avoid renovations and problems with plumbing or electricity and 33 percent of previously owned homes were looking for a better price.
- Detached single-family homes continue to be the most common home type for recent buyers at 81 percent, followed by seven percent of buyers choosing townhomes or row houses. In New Jersey, buyers bought single-family homes at 75 percent.
- Senior related housing declined slightly this year at 12 percent, with 17 percent of buyers typically purchasing condos and nine percent purchasing a townhouse or row house. Eleven percent bought senior related homes in New Jersey.
- There was a median of only 15 miles between the homes that recent buyers purchased and the homes that they moved from. In New Jersey, it was 15 miles.

- Home prices increased again this year to a median of \$272,500 among all buyers. Buyers typically purchased their homes for 99 percent of the asking price. In New Jersey, the median home price was \$300,000 at 98 percent of the asking price.
- The typical home that was recently purchased was 1,900 square feet, had three bedrooms and two bathrooms, and was built in 1993. In New Jersey, the typical home was 1,800 square feet and built in 1999.
- Overall, buyers expect to live in their homes for a median of 15 years, while 21 percent say that they are never moving. In New Jersey, that number is 20 years.

The Home Search Process

- For 43 percent of recent buyers, the first step that they took in the home buying process was to look online at properties for sale, while 18 percent of buyers first contacted a real estate agent. In New Jersey, 41 percent looked online first and 14 percent contacted a real estate agent.
- Recent buyers found their real estate agent to be the most useful information source, with 72 percent citing them as very useful, followed by mobile or tablet search devices at 62 percent. Eighty-two percent found real estate agents and 81 percent found mobile and tablet search devices very useful in the home search process in New Jersey.
- Buyers typically searched for eight weeks and looked at a median of nine homes, five of which were viewed solely online. In New Jersey, buyers searched for 10 weeks and looked at 10 homes, three of which were solely online.
- The typical buyer who searched primarily on a laptop or desktop spent 10 weeks searching and visited 10 homes, compared to those who searched primarily on mobile devices and searched for eight weeks and visited nine homes. In New Jersey, those who searched via desktop/laptop looked at 10 homes over 10 weeks; those who searched via mobile devices looked at 10 homes over 12 weeks.
- Among buyers who used the internet during their home search, 89 percent of buyers found photos and 86 percent found detailed information about properties for sale very useful. In New Jersey, 91 percent found photos very useful in their home search process.
- Sixty-four percent of recent buyers were very satisfied with their recent home buying process, up from 63 percent a year ago. In New Jersey, 61 percent were very satisfied with the process.

Home Buying and Real Estate Professionals

- Eighty-eight percent of buyers recently purchased their home through a real estate agent or broker, and six percent purchased directly from a builder or builder's agent. In New Jersey, 92 percent purchased through a real estate agent.
- Having an agent to help them find the right home was what buyers wanted most when choosing an agent at 51 percent. In New Jersey, 54 percent worked with an agent to find the right home.
- Forty percent of buyers used an agent that was referred to them by a friend, neighbor, or relative and 13 percent used an agent that they had worked with in the past to buy or sell a home. In New Jersey, 48 percent used referrals to find their real estate agent.
- Seventy-three percent of buyers interviewed only one real estate agent during their home search. In New Jersey, this was 69 percent.
- Ninety-one percent of buyers would use their agent again or recommend their agent to others. Ninety-one percent would recommend their agent again in New Jersey.

Financing the Home Purchase

- Eighty-seven percent of recent buyers financed their home purchase on a national level and 84 percent in New Jersey. Those who financed their home purchase typically financed 88 percent and in New Jersey it was 89 percent.
- First-time buyers who financed their home typically financed 93 percent of their home compared to repeat buyers at 84 percent. In New Jersey, the share was 95 percent of first-time buyers and 85 percent of repeat buyers.
- For 58 percent of buyers, the source of the downpayment came from their savings. Thirty-eight percent of buyers cited using the proceeds from the sale of a primary residence, which was the next most commonly reported way of securing a downpayment. In New Jersey, 64 percent used savings and 33 percent used proceeds from sale of a primary residence.
- For 11 percent of buyers, the most difficult step in the home buying process was saving for a downpayment. In New Jersey, 17 percent said saving was the most difficult step.
- Of buyers who said saving for a downpayment was difficult, 47 percent of buyers reported that student loans made saving for a downpayment difficult. Forty-three percent cited high rent/current mortgage payment, 36 percent cited credit card debt, and 35 percent cited car loans as also making saving for a downpayment hard. In New Jersey, 35 percent reported having student loan debt, 28 percent had credit card debt, 21 percent cited high rent/current mortgage payment, and 21 percent had car loans.
- Buyers continue to see purchasing a home as a good financial investment. Eighty-three percent reported they view a home purchase as a good investment and 82 percent in New Jersey.

Home Sellers and Their Selling Experience

- The typical home seller was 56 years old, with a median household income of \$106,500. In New Jersey, the median age was 57 years with a median income of \$114,600.
- For all sellers, the most commonly cited reason for selling their home was the desire to move closer to friends and family (15 percent), followed by that it was too small (14 percent), and a change in family situation (12 percent). In New Jersey, the reasons include home is too small (18 percent), to move closer to friends and family (13 percent), and home is too large (16 percent).
- Sellers typically lived in their home for 10 years before selling. In New Jersey, sellers sold after 15 years.
- Ninety percent of home sellers worked with a real estate agent to sell their home and 90 percent in New Jersey.
- For recently sold homes, the final sales price was a median 99 percent of the final listing price and in New Jersey it was 98 percent.
- Recently sold homes were on the market for a median of three weeks, the same as last year and four weeks in New Jersey.
- Thirty-three percent of all sellers offered incentives to attract buyers; this was 21 percent in New Jersey.
- This year, home sellers cited that they sold their homes for a median of \$66,000 more than they purchased it. In New Jersey, the median was \$71,500.
- Sixty-nine percent of sellers were very satisfied with the selling process and 64 percent in New Jersey.

Home Selling and Real Estate Professionals

- Sixty-seven percent of sellers found their agent through a referral from a friend, neighbor, or relative or used an agent they had worked with before to buy or sell a home. In New Jersey, that figure was 59 percent.
- Seventy-five percent of recent sellers contacted only one agent before finding the right agent they worked with to sell their home. In New Jersey, it was 74 percent.
- Ninety-one percent of sellers listed their homes on the Multiple Listing Service (MLS), which is the number one source for sellers to list their home. In New Jersey, it was 100 percent.
- Seventy-seven percent of sellers reported that they provided the agent's compensation, compared to 84 percent in New Jersey.
- The typical seller has recommended their agent twice since selling their home. Thirty-eight percent of sellers recommended their agent three or more times since selling their home. In New Jersey, this share was 28 percent.
- Eight-nine percent said that they would definitely (74 percent) or probably (15 percent) recommend their agent for future services. In New Jersey, 78 percent said definitely and 13 percent said probably.

Methodology

In July 2020, NAR mailed out a 131-question survey using a random sample weighted to be representative of sales on a geographic basis to 132,550 recent home buyers. The recent home buyers had to have purchased a primary residence home between July of 2019 and June of 2020. A total 8,212 responses were received from primary residence buyers. After accounting for undeliverable questionnaires, the survey had an adjusted response rate of 6.2 percent. For New Jersey there were 278 responses, accounting for a response rate of 2.8 percent.

Respondents had the option to fill out the survey via hard copy or online. The online survey was available in English and Spanish.

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 2020, with the exception of income data, which are reported for 2019. 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.

Data gathered in the report is based on primary residence home buyers. From the Realtors Confidence Index, 85 percent of home buyers were primary residence buyers in 2019, which accounts for 5,270,000 homes sold in 2019 (accounting for new and existing homes). Using that calculation, the sample at the 95 percent confidence level has a confidence interval of plus-or-minus 1.08%.