



Characteristics of Home Buyers
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Economics and Housing Policy

Introduction

In 2010, NAHB used the 2009 American Housing Survey (AHS) to better understand two important groups of home buyers—those who bought a brand new home, and those who bought a home for the first time [\[see Characteristics of New and First-Time Home Buyers\]](#). The American Housing Survey is a biennial survey of housing units, conducted in odd-numbered years by the Census Bureau for the Department of Housing and Urban Development. This article updates that study with recently released data from the 2011 AHS. This article also compares what buyers actually bought to what they say they want using results from a new NAHB consumer preference study—[“What Home Buyers Really Want”](#). The 2011 AHS shows that about 6.8 million households bought a home in the previous two years, about 1.6 million less than the 8.4 million households that were reflected in the 2009 AHS.

Key findings about the 6.8 million home buyers:

- Reflecting the severe downturn in new construction, only 8 percent of home buyers purchased a new home. Yet, 55 percent of prospective and recent buyers say they would prefer to buy new.
- Forty-six percent of home buyers were purchasing their first home.
- Overall, buyers had a median income of \$64,998—\$59,964 if they were first-time buyers, and \$81,715 if there were buying a new home.
- The median new home buyer is 38 years old, and the median first-time buyer is 31 years old.
- The median number of homes a buyer looks at is 6 homes before purchasing a new home, and 10 homes before buying an existing one.

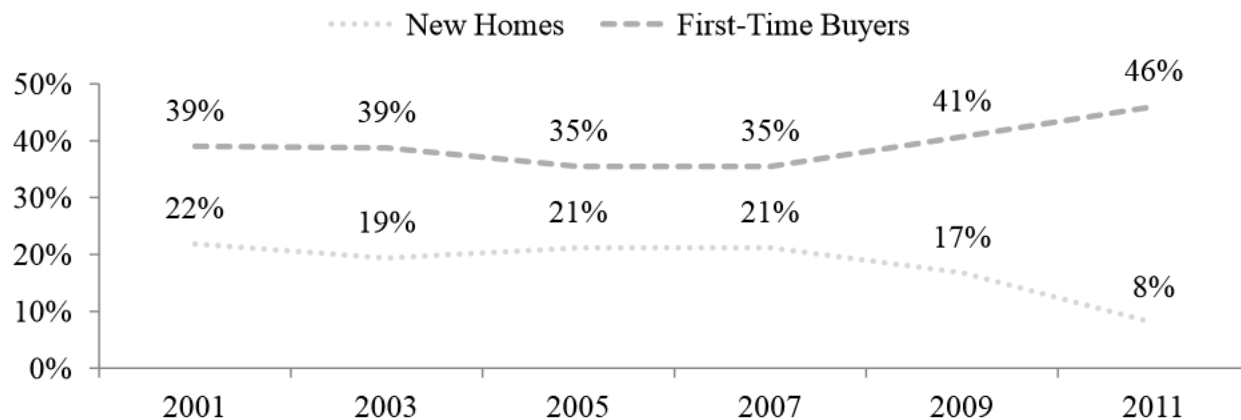
Key findings about the homes they purchased:

- Buyers say they would prefer a 2,200 square foot home. This is slightly under the median size of new single-family homes that have been started since the beginning of 2011.
- An increasing share of the homes—57 percent—are being purchased with savings (rather than the sale of an existing home) as the main source of down payment.

Home Buyers

Among the 6.8 million households that bought a home in the past two years, only 8 percent bought a new home. This share has seen a huge downturn, and is less than half of what it was in 2009—that year 17 percent of buyers bought a new home (see Graph 1). According to NAHB's "What Home Buyers Really Want" report, more than half (55 percent) of home buyers would prefer to purchase a new home.

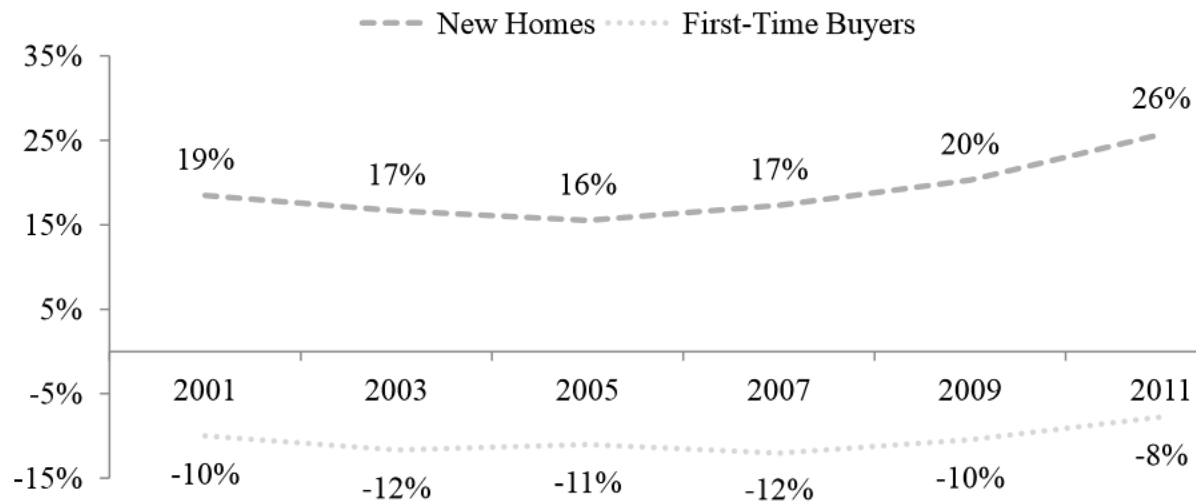
Graph 1. Share of All Buyers



Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

Forty-six percent of the 6.8 million who purchased a home in the last two years were first-time buyers. This share is up from 35 percent in both 2005 and 2007, and 41 percent in 2009 (see Graph 1). The Home Buyer Tax Credit, signed into law in the middle of 2008 and expired in April 2010, initially targeted first-time buyers.

The new home buyer has a median income of \$81,715 and the existing home buyer has a median income of \$64,192. About a third of new home buyers, make less than \$60,000, 29 percent make between \$60,000 and \$99,999, and the remaining 38 percent make \$100,000 or more.

Graph 2. Percent Above or Below the Income of All Buyers

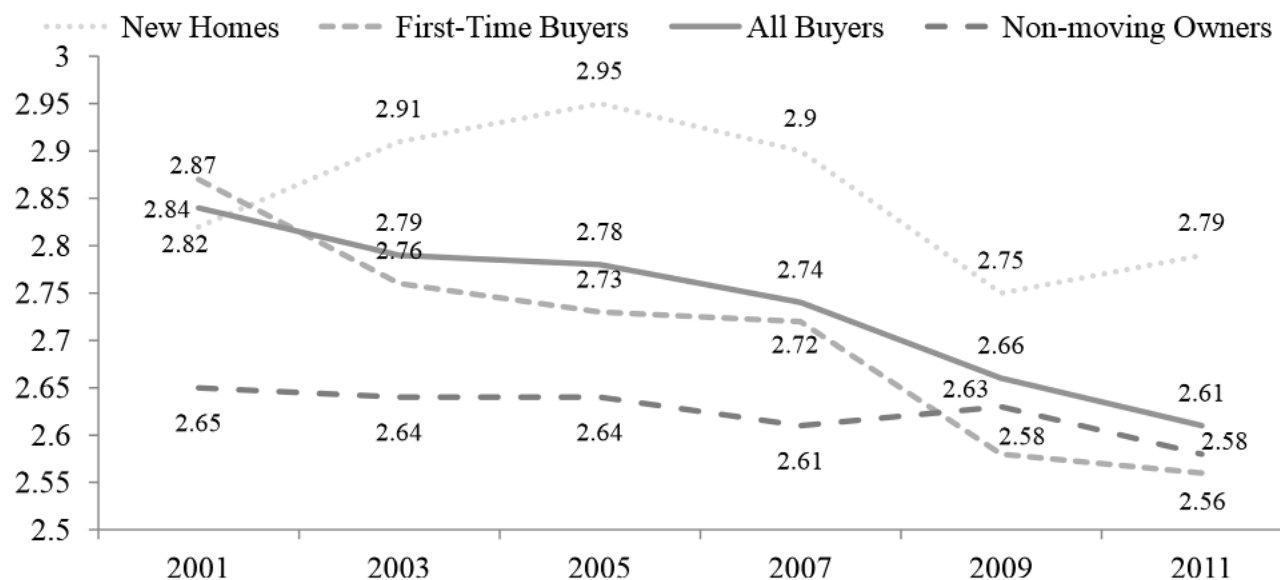
Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

The median income of first-time home buyers is \$59,964. About half earn less than \$60,000, 27 percent earn between \$60,000 and \$99,999, and 22 percent earn \$100,000 or more. The median income of trade-up buyers is \$71,964, and about a third of them earn \$100,000 or more. In 2011, the median income of first-time home buyers is the closest it has ever been to the median income of all buyers. In 2011, the median income of first-time home buyers is only 8 percent below that of all home buyers (see Graph 2).

New and existing home buyers are similar in both age and racial/ethnic distribution. There is a 16 year age difference between first-time buyers and trade-up buyers. The median age of the first-time home buyer is 31 years, while the median age of the trade-up buyer is 47 years. Sixty-nine percent of first-time home buyers are white (non-Hispanics), compared to 80 percent of trade-up buyers.

Sixty-four percent of new home buyers are married—38 percent are married with children, and 26 percent are married without children—compared to about half of existing home buyers. Trade-up buyers are more likely to be married than first-time buyers—55 percent of trade-up buyers are married, compared to 45 percent of first-time buyers.

Overall, the average household size, among all buyers, has been declining over the years—from 2.84 persons in 2001, to 2.61 persons in 2011 (see Graph 3). An exception to this is that the average household size for new home buyers increased from 2.75 persons in 2009 to 2.79 in 2011. This is likely a result of new home buyers

Graph 3. Average Household Size

Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

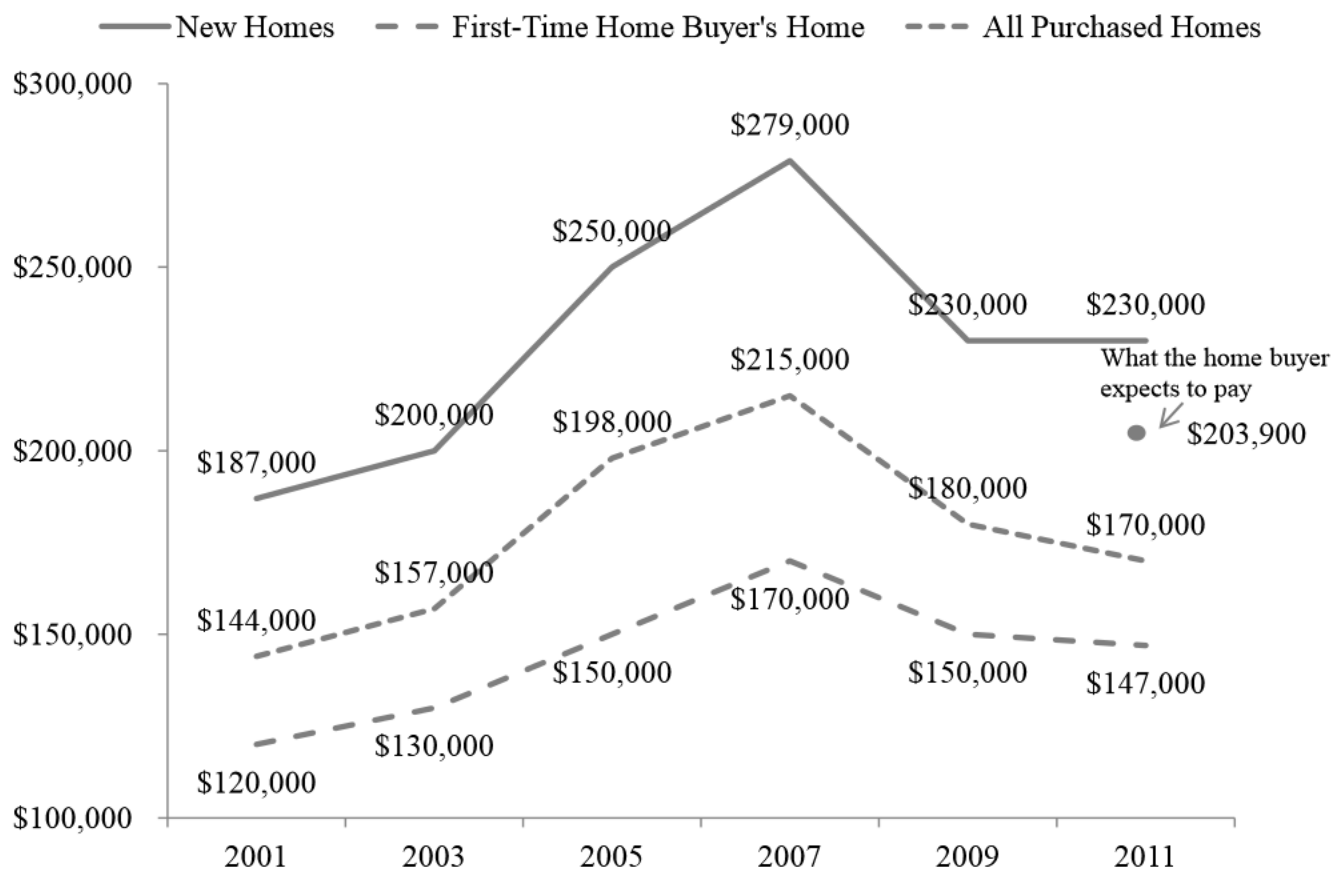
More facts about new home buyers can be found in Table 1, available in the “Additional Resources” box appearing at the top of the online version of this article.

Homes Purchased

Compared to existing homes purchased in the last two years, new homes are higher priced and bigger. The median market value of a new home purchased is \$230,000, and only \$162,000 for an existing home. The median market value of a new home is 35 percent above that of all homes purchased. This spread is the highest it has been since 2001.

The median dollar value of all homes purchased has been declining since it peaked at \$215,000 in 2007. However, the rate of decline slowed down after 2009. The median value of new homes purchased also peaked in 2007 at \$279,000, and after falling to \$230,000 in 2009, it remained unchanged in 2011. (see Graph 4).

According to the “What Home Buyers Really Want” report, home buyers expect to pay a median of \$203,900. This median is lower than the median value of new homes purchased (\$230,000), but higher than the median value of all homes purchased (\$170,000).

Graph 4. Median Market Value of Homes Purchased

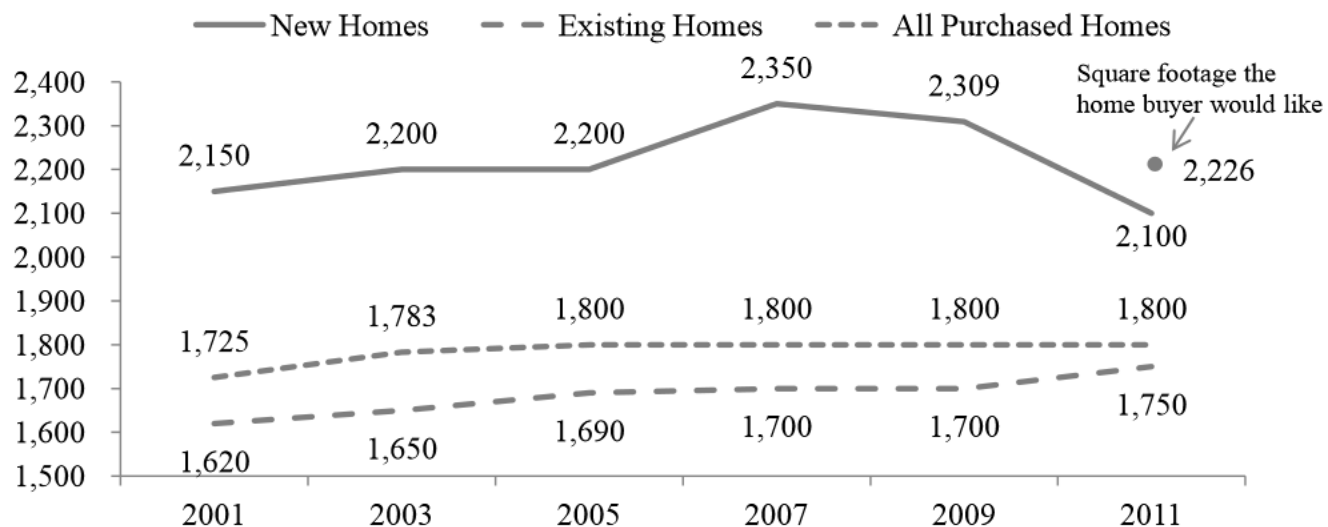
Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

The median square footage of new homes purchased is 2,100 square feet, and the median square footage of existing homes is 1,750 square feet. Although the square footage of existing homes has been slowly increasing since 2001, the median square footage of new homes saw a 250 square foot drop between 2007 and 2011. The median square footage of a new home in 2007 was 2,350, compared to only 2,100 in 2011 (see Graph 5).

While the AHS reports on homes bought in the preceding two years, the Census Bureau's Manufacturing and Construction Division reports the median size of [single-family homes started quarterly](#). Historically, the AHS and the Census Bureau's median size follow a similar trend, but the quarterly starts series provides more current information ¹ Looking at the Census Bureau's more recent data shows us that home sizes are on the

report, the home buyer would like a median of 2,226 square feet in their home. According the Census Bureau's Manufacturing and Construction Division, the size of new homes has been running over 2,200 square feet since the beginning of 2011.

Graph 5. Median Square Footage of Homes Purchased



Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

In general, first-time home buyers are purchasing lower priced and smaller homes than trade-up buyers. The median market value of a first-time buyer's home is \$147,000, compared to \$200,000 for a trade-up buyer's home. The median dollar value of the first-time buyer's home has been declining since it peaked at \$170,000 in 2005 (see Graph 4).

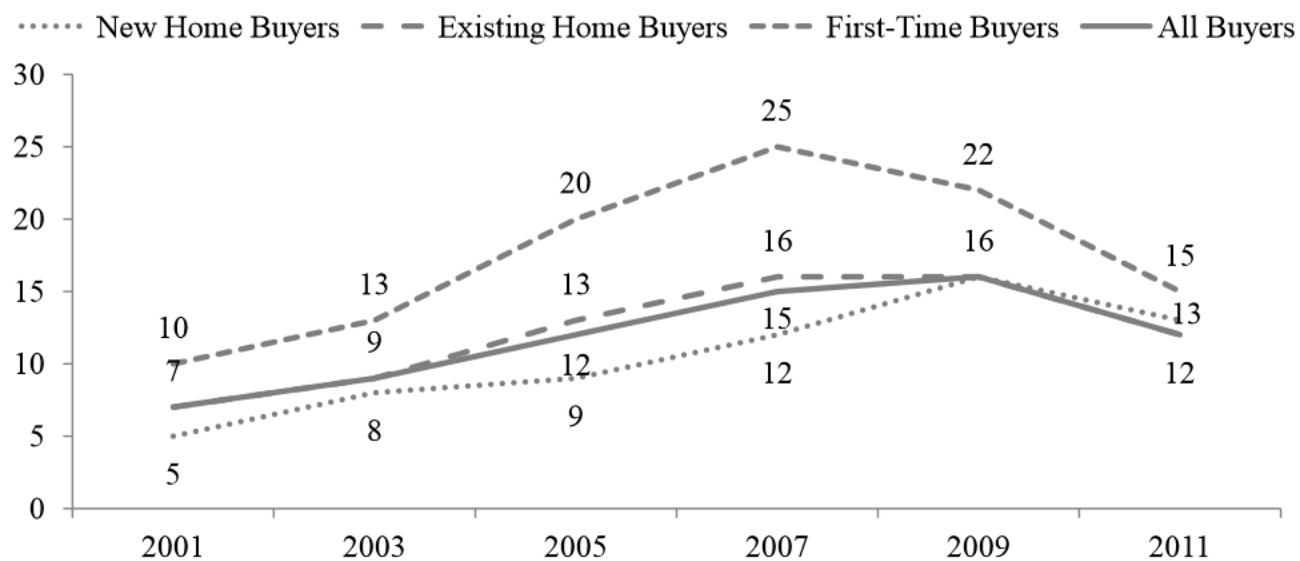
The median square footage of a first-time buyers' home is 1,600 square feet, compared to 2,000 for a trade-up buyer. The median square footage of a first-time buyer's home dropped 100 square feet between 2009 and 2011. This is the only change the square footage of a first-time buyer's home has seen in the last decade.

The large majority, 87 percent, of new homes purchased were single-family detached, while 10 percent were single-family attached, and 3 percent were multifamily condos. This agrees reasonably well with NAHB's "What Home Buyers Really Want" where 83 percent of home buyers say they want a single-family detached home, 13 percent want a single-family attached home and 4 percent want a multifamily condo.

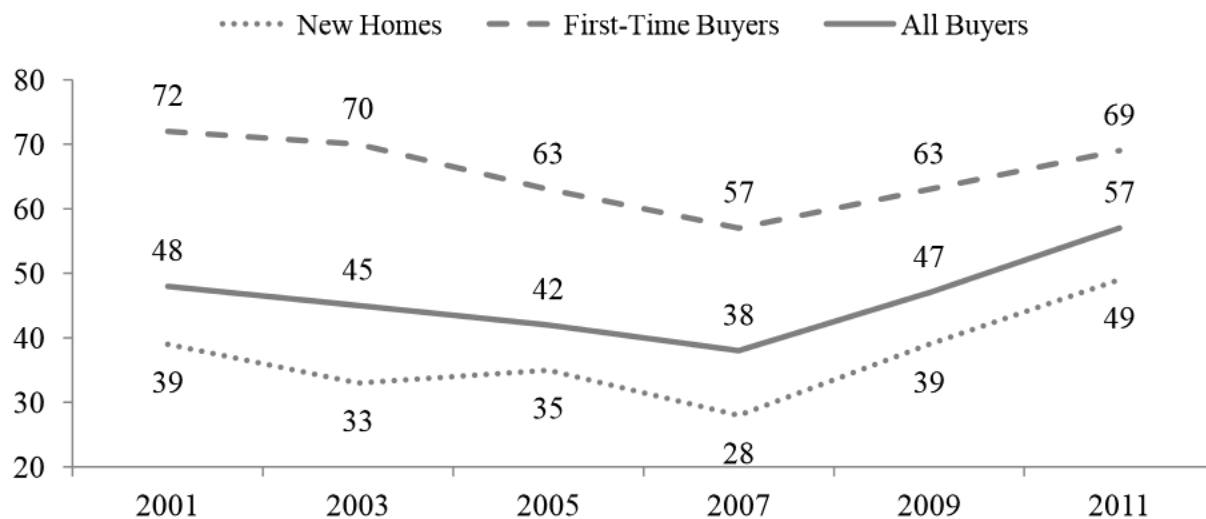
After steadily increasing over the past decade, the share of new home buyers with no down payment has dropped from 16 percent in 2009 to 13 percent in 2011 (see Graph 6). The share of existing home buyers (and all home buyers) with no down payment has seen a similar downturn, increasing over the past decade and then dropping from 16 percent in 2009 to 12 percent in 2011. The share of first-time home buyers with no down payment has also been declining in recent years—from 25 percent in 2007 to 15 percent in 2011.

Forty-nine percent of new home buyers used their savings as the down payment for their new home and 26 percent used the sale of their old home. Since 2007, the share of new home buyers using their savings as the down payment has been increasing—from 28 percent in 2007 to 49 percent in 2011. More first-time home buyers have been using their savings as the down payment—this share is up from 57 percent in 2007 to 69 percent in 2011 (see Graph 7).

Graph 6. Percent of Buyers with No Down Payment



Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

Graph 7. Percent of Buyers Who Use Savings as Down Payment

Source: NAHB tabulation of data from the 2011 American Housing Survey, Department of Housing and Urban Development and the U.S. Census Bureau.

More facts about the process of buying a home can be found in Table 3 (see the “Additional Resources” box).

The AHS asked the buyer to list all reasons for choosing a particular home. The layout/design of the home was the most important reason for both new and existing home buyers—47 and 34 percent, respectively. About a quarter of new home buyers listed each of the following reasons for choosing a particular home: price (26 percent), quality (25 percent), size (24 percent), and exterior (23 percent). The quality was more important to new home buyers than to existing home buyers—25 percent of new home buyers listed this as a reason for choosing a home, compared to only 16 percent of existing home buyers. Seventeen percent of new home buyers chose the home at least in part because of the yard/view, and 15 percent because of the kitchen.

The price of the home was the most common reason first-time buyers chose their home, and the price of a home was significantly more important to first-time buyers than to trade-up buyers. Thirty-eight percent of first-time buyers chose their home because of price, compared to only 26 percent of trade-up buyers. Aside from the price, first-time and trade-up buyers listed similar reasons for choosing a home.

The AHS also asked buyers to list all reasons for choosing a particular neighborhood. The two most popular reasons among new home buyers were the looks/design of the neighborhood and the neighborhood’s proximity to work—30 and 27 percent, respectively. Nineteen percent of new home buyers chose the neighborhood because of the house itself, 16 percent because it was close to friends/family, 14 percent

The most common reason first-time home buyers chose a neighborhood was its proximity to work, and this reason was more important to first-time home buyers than it was to trade-up buyers. Thirty percent of first-time buyers choose a neighborhood because of its proximity to work, compared to only 20 percent of trade-up buyers. The remaining reasons do not vary significantly between first-time and trade-up buyers.

A large, multipurpose survey like the AHS can only collect a limited amount of detail on the reasons buyers choose particular homes and neighborhoods. This is one of the reasons NAHB conducted its own very detailed survey of “What Home Buyers Really Want”.

Historical Tables 1, 2 and 3 for the 2001, 2003, 2005, 2007 and 2009 AHS can be found in the “Additional Resources” box.

Conclusion

Although 55 percent of home buyers in the “What Home Buyers Really Want” report prefer a new home, only 8 percent of homes actually purchased between 2009 and 2011 were new. The new homes were bigger and more expensive than other homes on the market. The new home buyer, although the same age as all buyers, is earning about 25 percent more money. About two thirds of new home buyers are married and they have 2.79 people in their household. About half of them pay for their down payment with their savings. The new home buyer is most concerned with how the home and neighborhood look.

The share of home buyers purchasing a home for the first time is 46 percent—the highest it has been since before 2001. First-time home buyers earn about 8 percent less than all home buyers, and pay about 14 percent less for their home. The first-time home buyer’s home is about 400 square feet smaller than the median size of the trade-up buyer’s home. Forty-five percent of first-time home buyers are married, and their average household size is 2.56. Sixty-nine percent of them pay for their down payment with their savings. Price is the most important factor for a first-time home buyer.

¹ Not only is the starts series released quarterly vs. once every other year for the AHS, there is a lag between the time a housing unit is started and the time it is completed and can be added to the AHS sample.

