

# **HOUSING TRENDS REPORT**

## **QUARTER 4, 2020**

**(Data Collected: December 15-23)**



# **HOUSING TRENDS REPORT**

The Housing Trends Report (HTR) measures prospective home buyers' perceptions about the availability and affordability of homes for-sale in their markets.

All data are derived from national polls of representative samples of American adults conducted for NAHB by Morning Consult. This report is released quarterly to track changes in buyers' perceptions over time.

## Generation definitions:

- Gen Z\*: Born 1997 to 2002.
- Millennial: Born 1981 to 1996.
- Gen X: Born 1965 to 1980.
- Boomer: Born 1946 to 1964.

## Methodology:

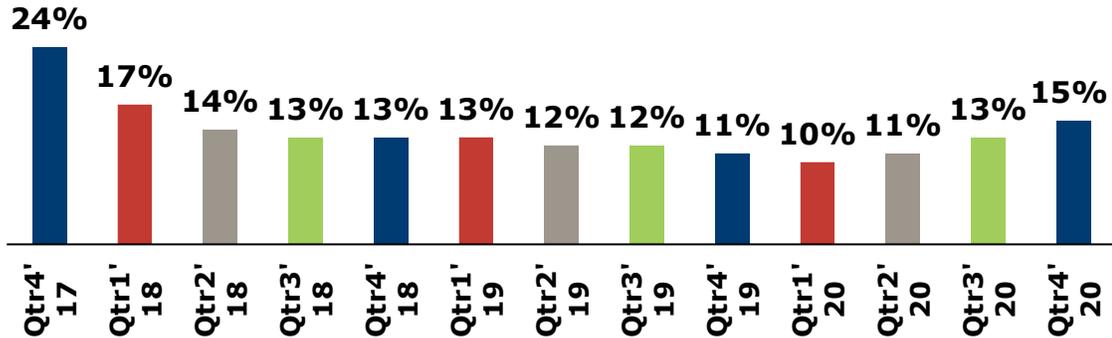
The interviews were conducted online and the data were weighted to approximate a target sample of adults based on age, educational attainment, gender, race, and region. In qtr1'19, weights were refined to better match the general US population and provide more consistent distributions across demographic groups over time. These new weights were applied retroactively to the entire series in order to maintain comparability. In qtr3'19, Gen Z was incorporated into the generational analysis for the first time.

\* In 2020, Generation Z is constrained to end in the year 2002 because only adults 18 or older can participate in the poll.

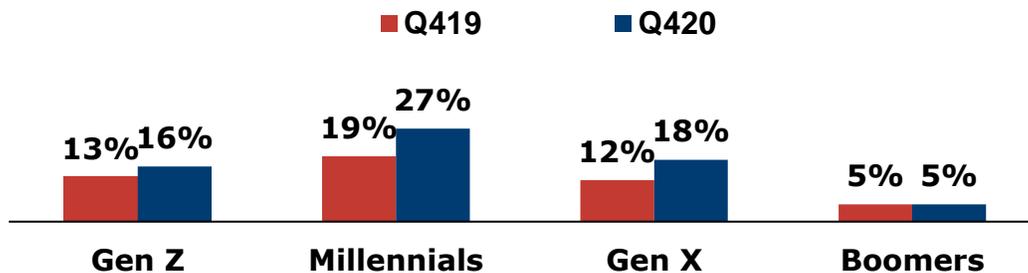
Results are not yet seasonally adjusted due to the short-time horizon of the series; therefore, only year-over-year comparisons are statistically valid.

## PLANNING TO BUY A HOME WITHIN 12 MONTHS

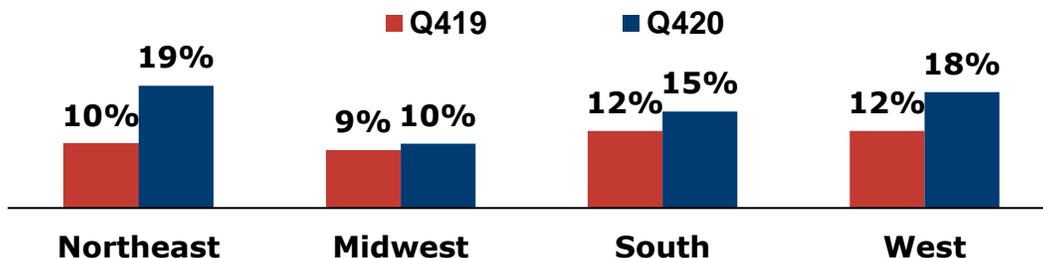
- The share of adults with plans to buy a home within 12 months (prospective buyers) rose to 15% in Qtr4'20, up from 11% a year earlier. This is the largest year-over-year gain in the 3+ year history of this series.



- BY GENERATION: A larger share of Gen Z, Millennials, and Gen X'ers have plans to buy a home in Qtr4'20 than did a year earlier. Millennials saw the largest increase, up from 19% to 27%.



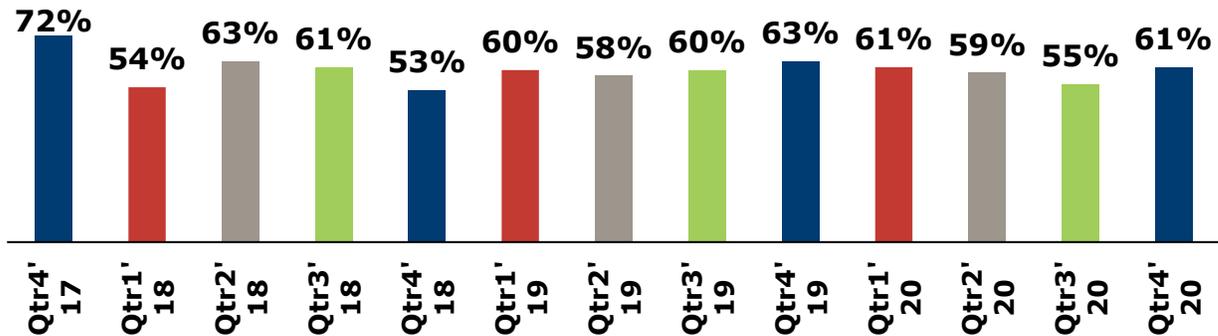
- BY REGION: A larger share of adults in every region have plans to buy a home in Qtr4'20 than did a year earlier. The Northeast saw the largest increase, up from 10% to 19%.



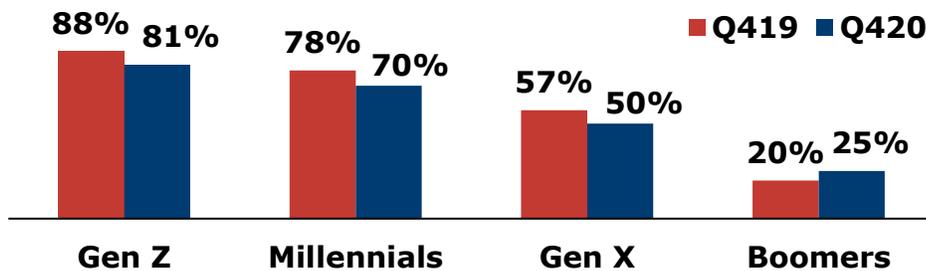
The rest of this report is based entirely on prospective home buyers, i.e. those planning to buy a home within the next 12 months.

## 1<sup>ST</sup>-TIME HOME BUYERS

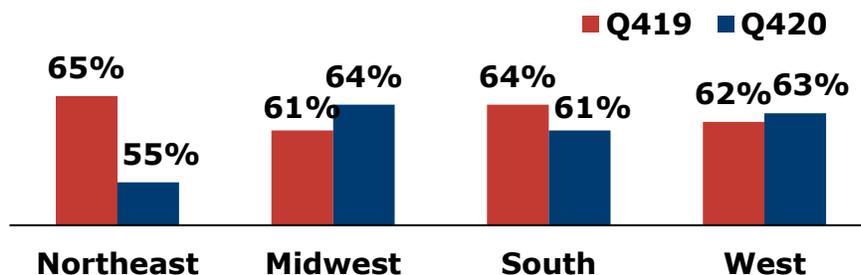
- The share of prospective buyers who are first-timers declined slightly in the year ended in Qtr4'20, down from 63% to 61%.



- BY GENERATION: Lower shares of prospective Gen Z, Millennial, and Gen X buyers are purchasing a home for the first time, compared to a year earlier. Gen Z has the largest share of 1<sup>st</sup>-timers, at 81%.

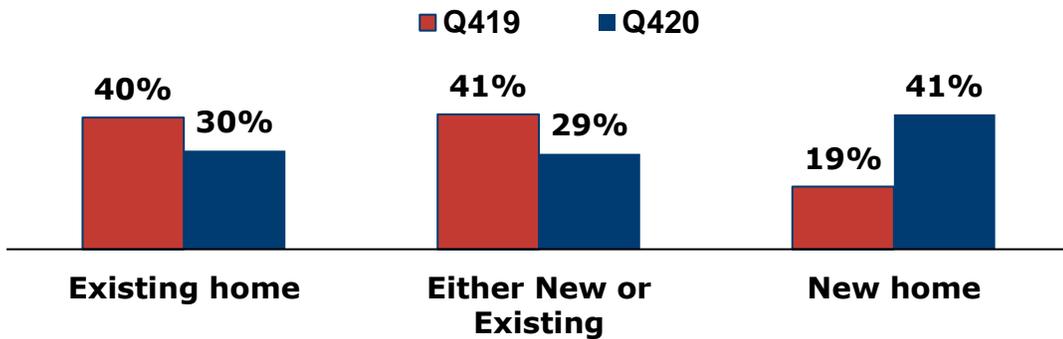


- BY REGION: Significantly fewer prospective buyers in the Northeast (55%) are 1<sup>st</sup>-timers compared to a year earlier (65%). The share was flat in the West, and changed slightly in the Midwest and South.

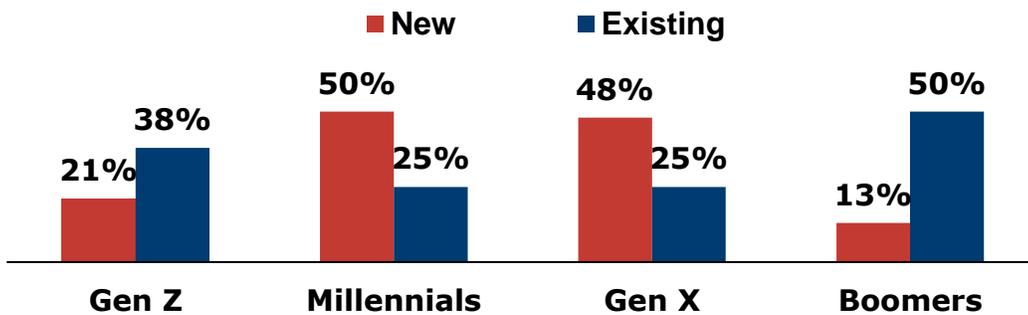


## NEW OR EXISTING HOME?

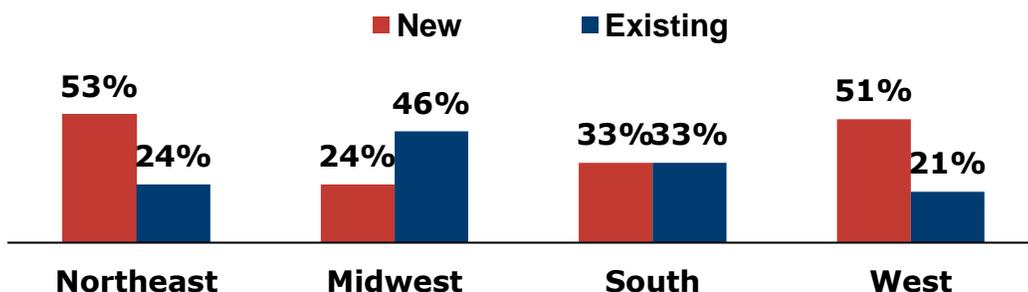
- 41% of buyers in Qtr4'20 are looking to purchase a newly-built home, more than twice the 19% share a year earlier. On the other hand, the share looking for an existing home declined from 40% to 30%.



- By GENERATION: 50% of Millennial and 48% of Gen X prospective buyers would prefer to buy a new home. In contrast, 50% of Boomers and 38% of Gen Z buyers are looking for an existing home.

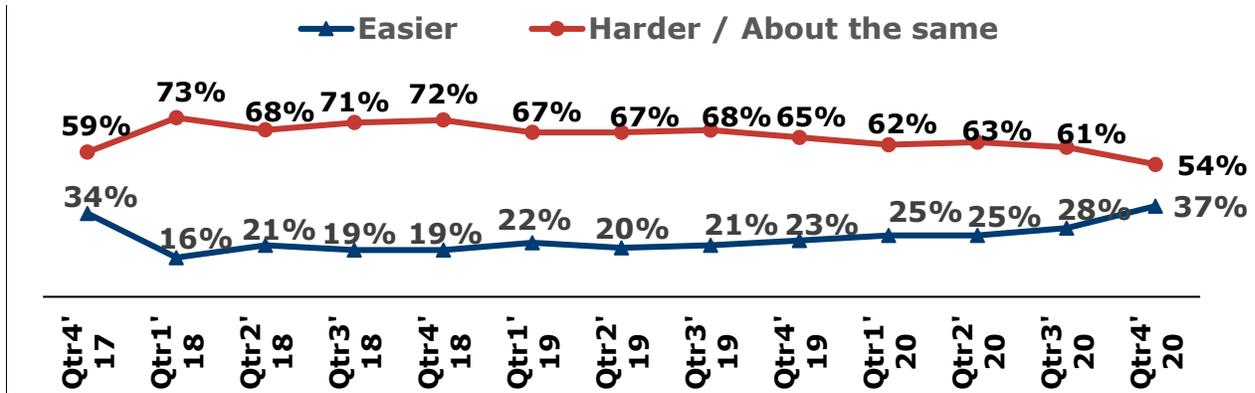


- BY REGION: In the Northeast and West regions, a majority of buyers would prefer a new home. In contrast, in the Midwest, 46% are looking for an existing home.

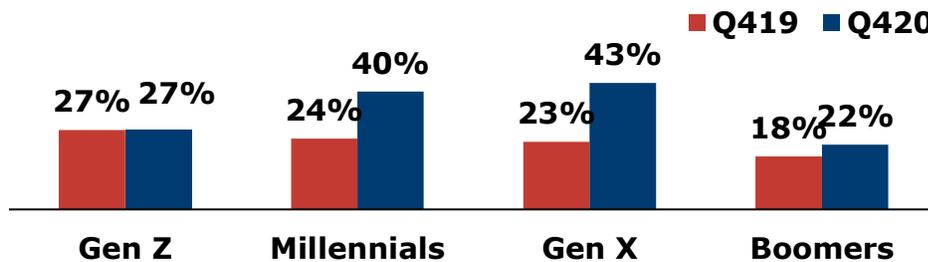


## AVAILABILITY EXPECTATIONS

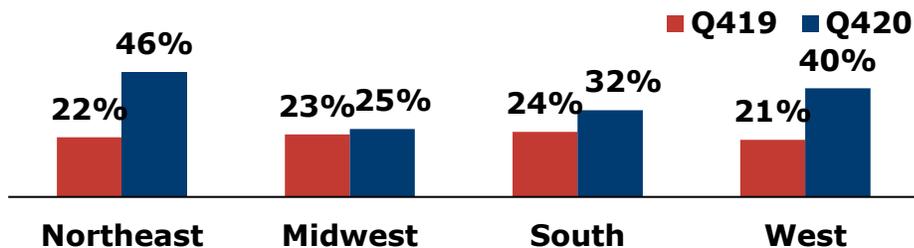
- In Qtr4'20, 37% of prospective home buyers expect that finding the right home will get easier in the months ahead, compared to 23% a year earlier. The improvement in buyers' perceptions on availability reflects the fact that more new and existing homes were sold in 2020 than in any year since 2006.



- BY GENERATION: Between the fourth quarters of 2019 and 2020, expectations that housing availability will ease up improved most significantly among Gen X buyers (23% to 43%) and Millennials (24% to 40%). Gen Z buyers did not experience similar increase.

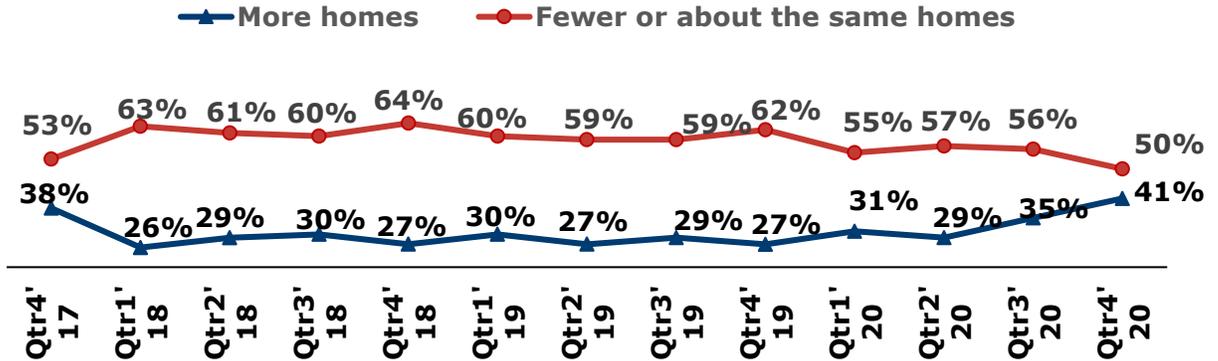


- BY REGION: Between the fourth quarters of 2019 and 2020, expectations that housing availability will ease up jumped up most significantly in the Northeast (22% to 46%) and the West (21% to 40%).

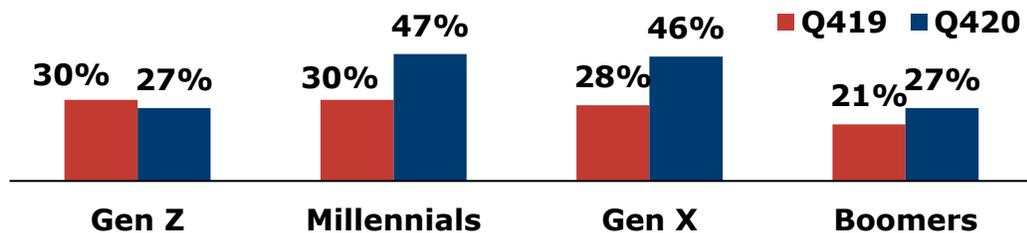


## CHANGES IN INVENTORY

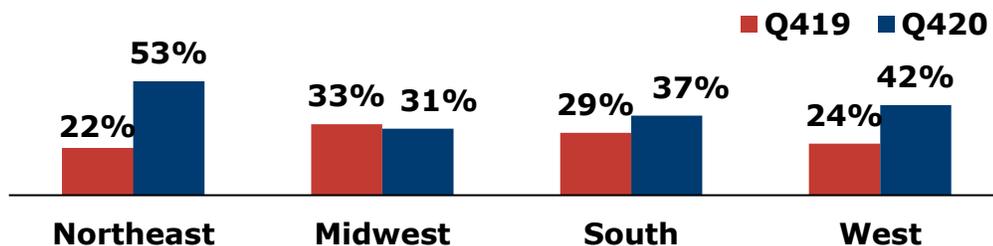
- 41% of buyers report seeing **more** homes for-sale\* in Qtr4'20 than the previous quarter, up from 27% in Qtr4'19. The improvement in buyers' perceptions on inventory also reflects the fact that new home production in 2020 reached its highest level since 2007.



- BY GENERATION:** Between the fourth quarters of 2019 and 2020, the share of buyers seeing **more** homes for-sale jumped significantly among Gen X (28% to 46%) and Millennial (30% to 47%) buyers.



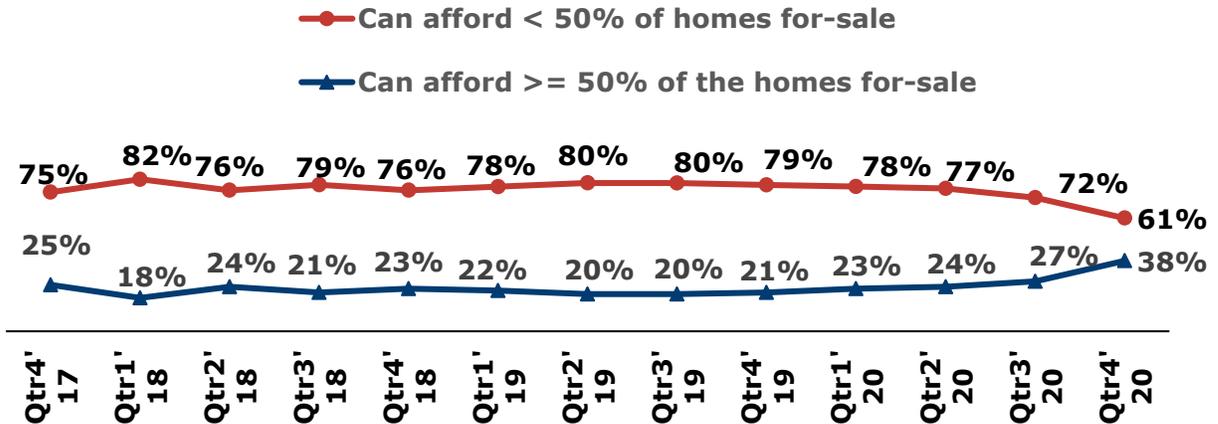
- BY REGION:** Between the fourth quarters of 2019 and 2020, the share of buyers seeing **more** homes for-sale more than doubled in the Northeast (22% to 53%) and rose significantly in the West (24% to 42%).



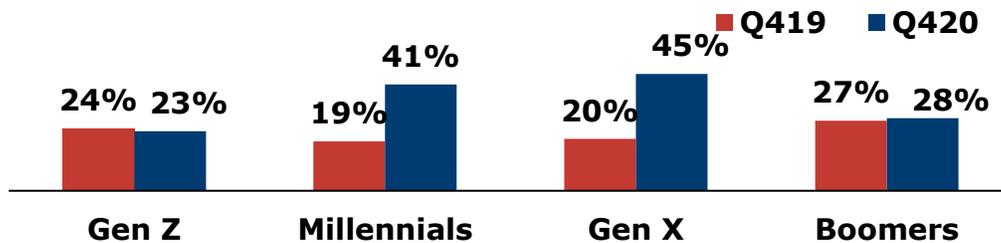
\* Homes with buyer's desired features and price point.

## **AFFORDABILITY EXPECTATIONS**

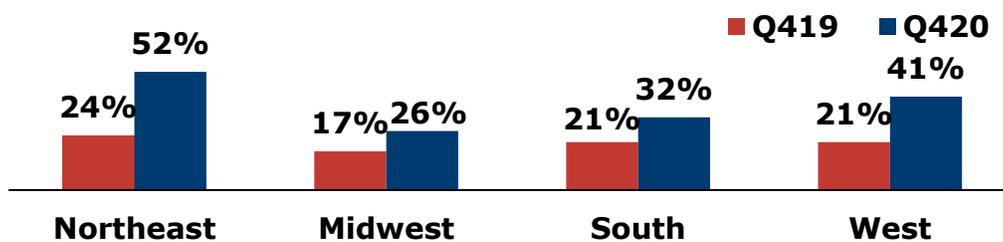
- 38% of buyers in Qtr4'20 are able to afford ***half or more*** of the homes available in their markets, up from 21% a year earlier. The increase is an indication that historically low mortgage rates continue to have a stronger impact on buyers' perceptions of affordability than rising home prices.



- BY GENERATION:** Between the fourth quarters of 2019 and 2020, the share of buyers who can afford ***half or more*** of the homes available rose significantly among Gen X (20% to 45%) and Millennial (19% to 41%) buyers.

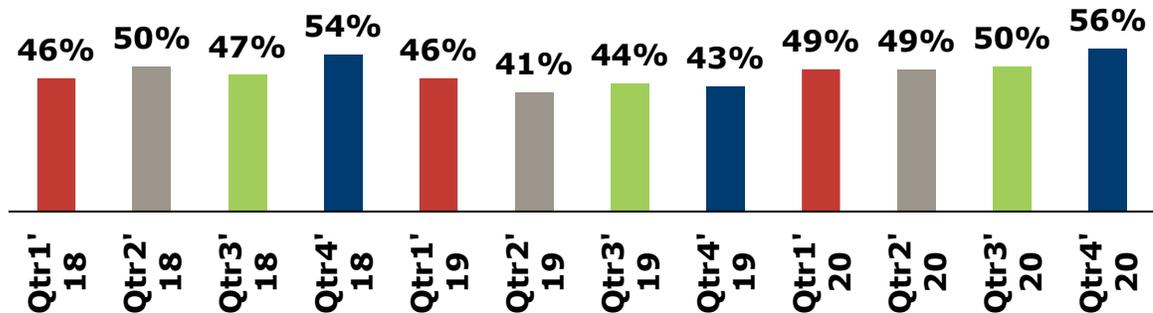


- BY REGION:** Between the fourth quarters of 2019 and 2020, the share of buyers who can afford ***half or more*** of the homes available rose most significantly in the Northeast (24% to 52%) and the West (21% to 41%).

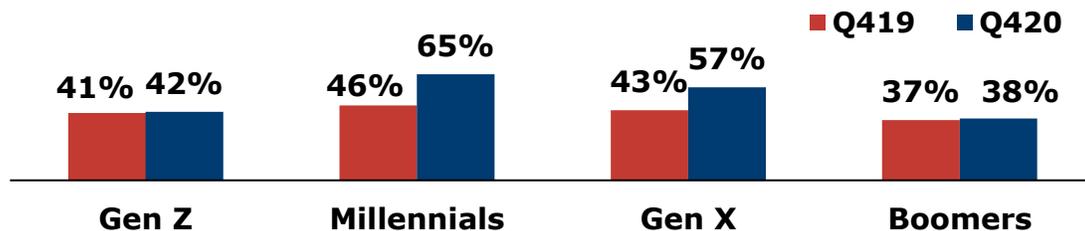


## BEYOND JUST PLANNING

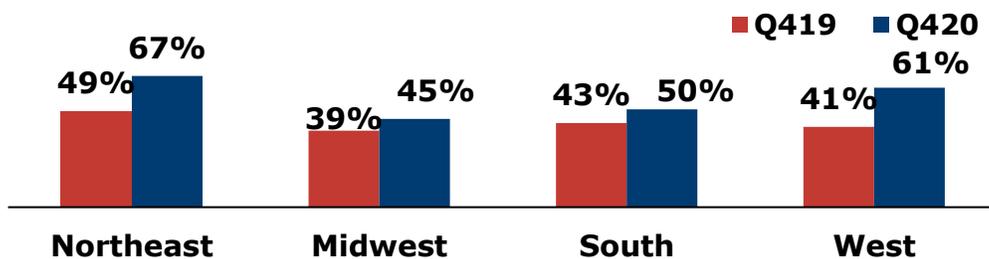
- 56% of adults with plans to purchase a home have moved beyond planning and are actively trying to find one to buy, up from 43% a year earlier. Several factors explain why more prospective buyers have become active, including fear of missing out on low mortgage rates, desire for more space due to COVID-19, and desire to move out to outlying suburbs.



- BY GENERATION: Between the fourth quarters of 2019 and 2020, larger shares of Millennials (46% to 65%) and Gen X'ers (43% to 57%) with plans to buy a home are actively engaged in the search process.



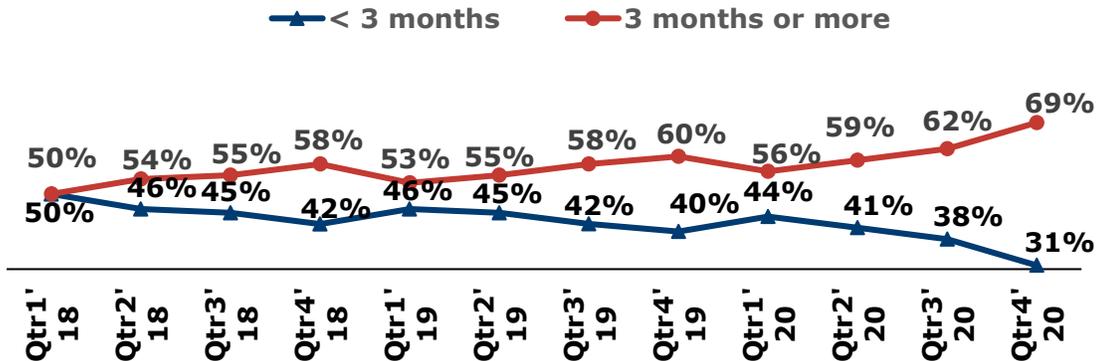
- BY REGION: Between the fourth quarters of 2019 and 2020, larger shares of prospective buyers in the West (41% to 61%) and the Northeast (49% to 67%) are actively trying to find a home to buy.



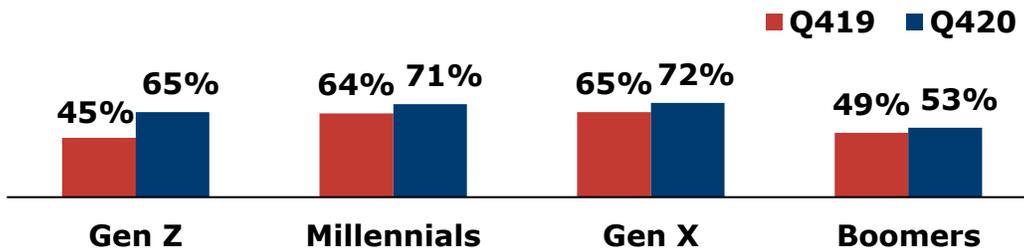
Remaining set of findings are based solely on responses from buyers who are already actively engaged in trying to find a home (i.e. active buyers)

## TIME SPENT SEARCHING FOR A HOME

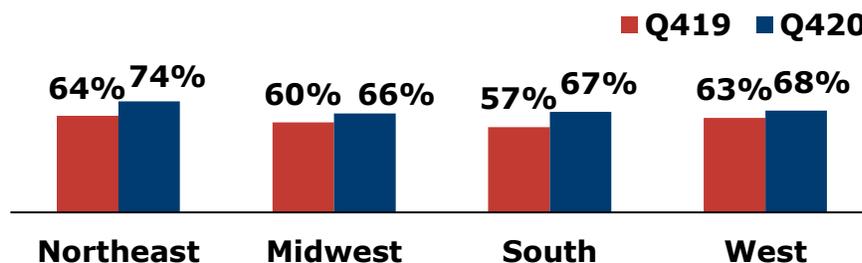
- The length of time spent searching for a home continues to grow. In Qtr4'20, 69% of buyers actively engaged in the purchase process have spent 3 months or longer looking, compared to 60% a year earlier.



- BY GENERATION: More than 50% of active buyers of every generation are spending 3+ months looking for a home, but Gen Z saw the largest jump in that share, from 45% to 65%, in the last year.

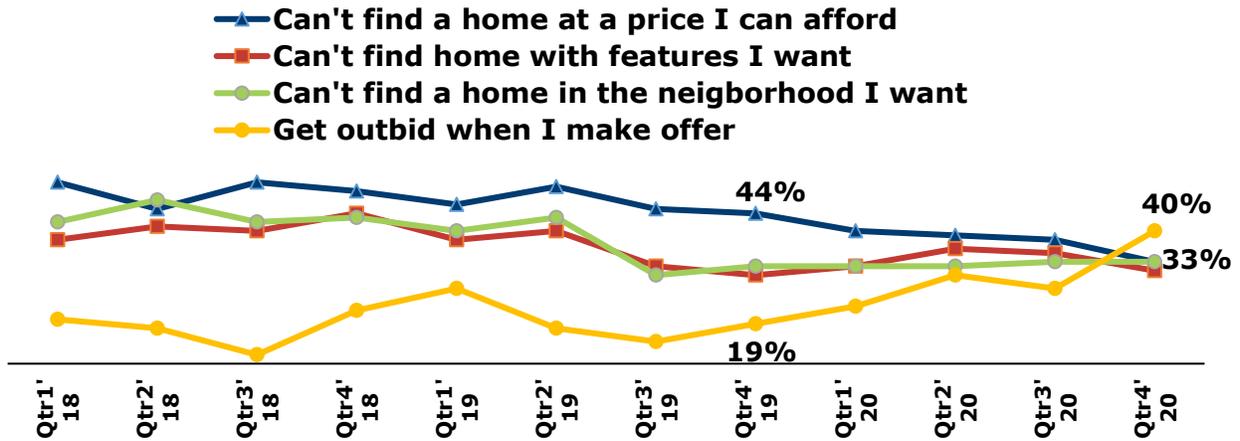


- BY REGION: At least 66% of active buyers in every region have been trying to find a home for 3+ months, with the Northeast (64% to 74%) and the South (57% to 67%) experiencing the largest increases in the last year.

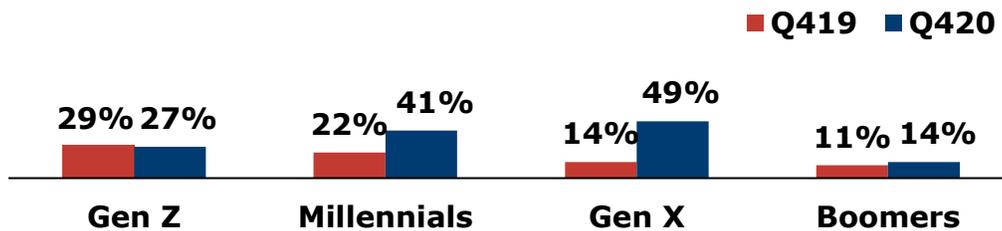


## TOP REASONS BUYERS ACTIVE FOR 3+ MONTHS HAVE NOT BEEN SUCCESSFUL

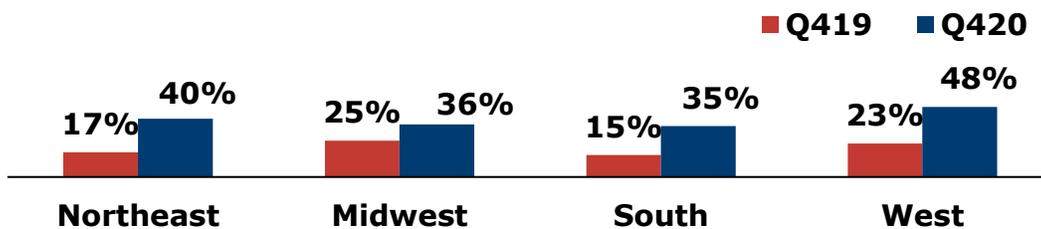
- For the first time in this series history, the number one reason long-time searchers haven't made a home purchase is not because of their inability to find an affordably-priced home (33%), but because they continue to get outbid by other offers (40%). The reasons are flipped from a year earlier, when 44% cited unaffordable prices and only 19% better offers by other buyers.



- BY GENERATION:** Losing out to higher offers is the reason 49% of Gen X'ers and 41% of Millennials searching for 3+months haven't been successful, up from 14% and 22%, respectively, a year earlier.

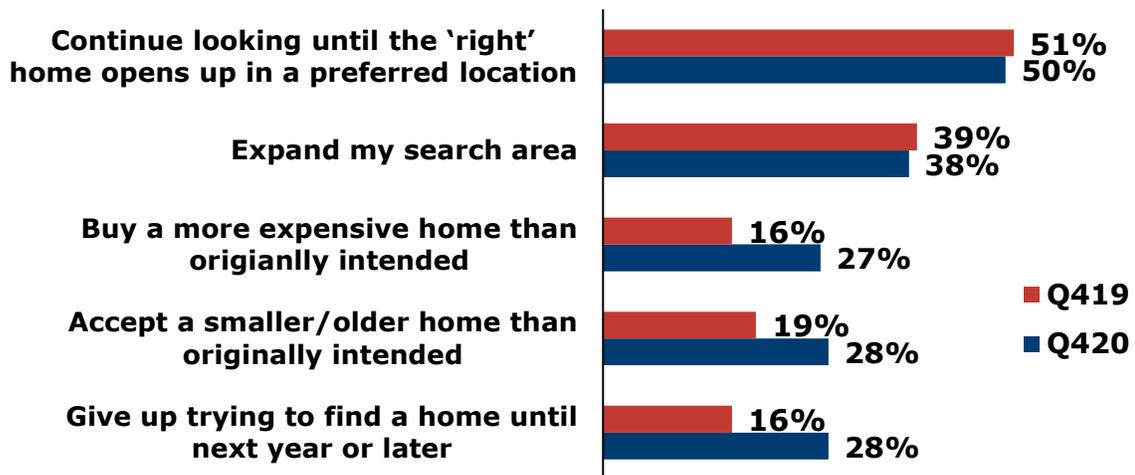


- BY REGION:** Losing out to higher offers is the reason 48% of 3+month active buyers in the West, 40% in the Northeast, and 35% in the South haven't been successful, up 20+points from a year earlier.

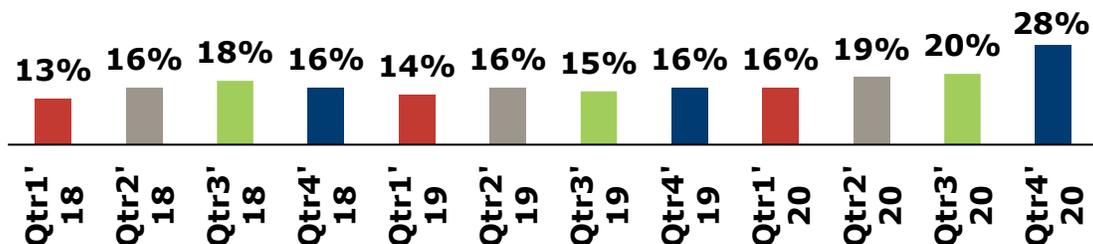


## **NEXT STEPS IF STILL UNABLE TO FIND HOME IN MONTHS AHEAD**

- When asked what they are most likely to do next if still unable to find a home in the next few months, 50% of active buyers searching for 3+ months will continue looking in the same location and 38% will expand their search area, but the largest changes from a year earlier come in the shares likely to give up until next year or later (16% to 28%), to buy a more expensive home (16% to 27%), and to accept a smaller/older home (19% to 28%).



- Difficulties finding a home to buy will likely lead 28% of active buyers to give up until next year or later. That share is up from 16% a year earlier.



## **POLL DESIGN**

- The Housing Trends Report is based on quarterly polls conducted for NAHB by the research firm Morning Consult.
- Polls are based on a national sample of adults selected to proportionately represent the US adult population in terms of age, gender, region, race/ethnicity, and education. Further weights are applied to the final set of respondents to ensure proper representation across these demographic variables.
- Table below shows sample size and dates of data collection.

	<b>Sample size</b>	<b>Collection Period</b>
Qtr4'17	2,800	November 16-19, 2017
Qtr1'18	11,674	March 28 – April 1, 2018
Qtr2'18	15,412	June 26 – July 8, 2018
Qtr3'18	20,051	September 25 – October 8, 2018
Qtr4'18	16,891	December 17 – January 9, 2019
Qtr1'19	15,401	March 18 – March 29, 2019
Qtr2'19	17,521	June 17 – June 27, 2019
Qtr3'19	17,601	September 9 – 22, 2019
Qtr4'19	19,804	December 17 – 24, 2019
Qtr1'20	21,652	March 17 – 28, 2020
Qtr2'20	19,800	June 16 – 28, 2020
Qtr3'20	17,601	September 14 -27, 2020
Qtr4'20	13,112	December 15 -23, 2020