

HOUSING TRENDS REPORT

QUARTER 3, 2020

(Data Collected: September 14-27)



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:

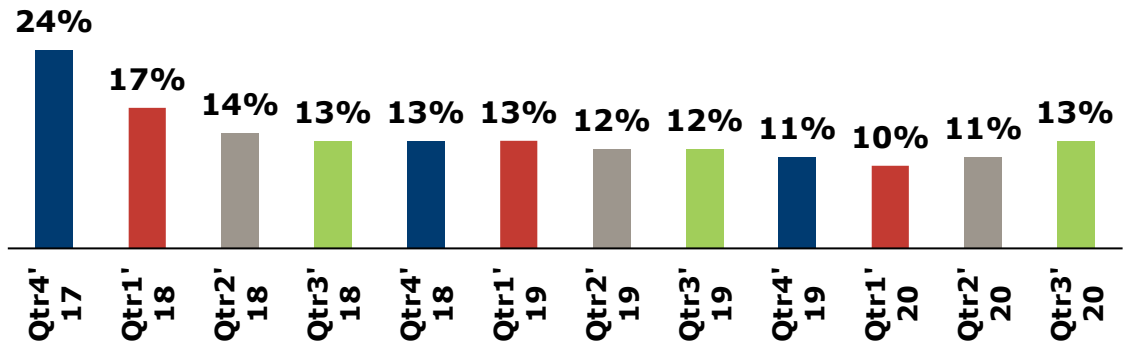
The interviews were conducted online and the data were weighted to approximate a target sample of adults based on age, educational attainment, gender, race, and region. In qtr1'19, weights were refined to better match the general US population and provide more consistent distributions across demographic 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.

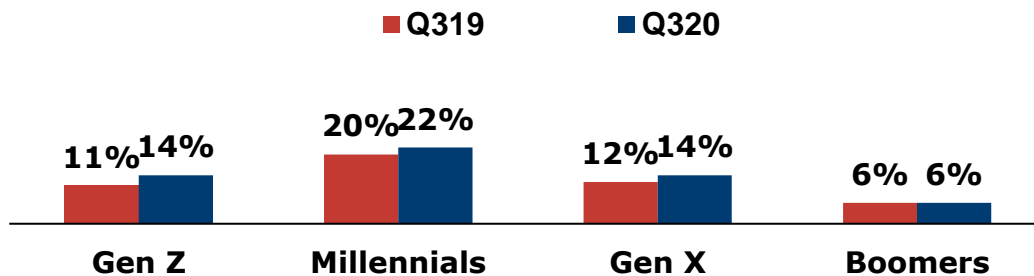
Results are not yet seasonally adjusted due to the short-time horizon of the series; therefore, only year-over-year comparisons are statistically valid.

PLANNING TO BUY A HOME WITHIN 12 MONTHS

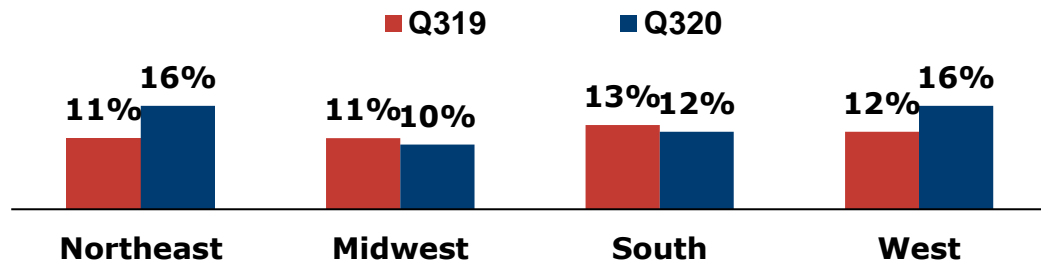
- 13% of respondents in Qtr3'20 are prospective home buyers (they have plans to buy a home within 12 months), 1 percentage point higher than a year earlier. This is the first year-over-year gain in the 3-year history of this series.



- BY GENERATION: Millennials are the generation most likely to want to buy a home (22%), even slightly higher than a year earlier (20%).



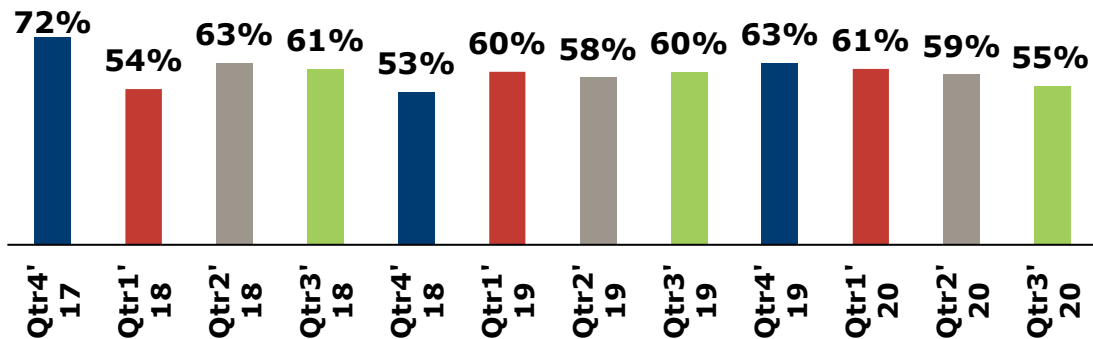
- BY REGION: The share of respondents planning to buy a home in the Northeast rose to 16% in Qtr3'20, up from 11% a year earlier. In the West, the share rose from 12% to 16%.



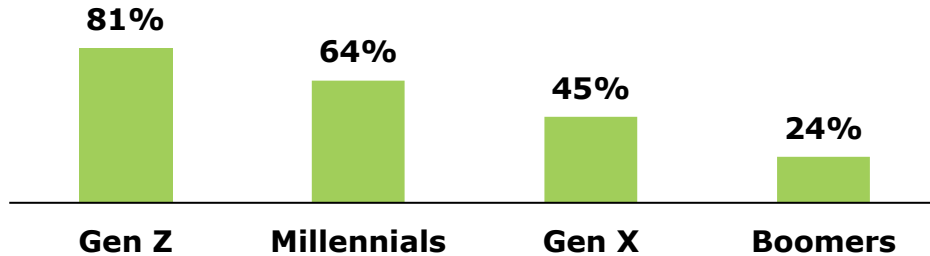
The rest of this report is based entirely on prospective home buyers, i.e. those planning to buy a home within the next 12 months.

1ST-TIME HOME BUYERS

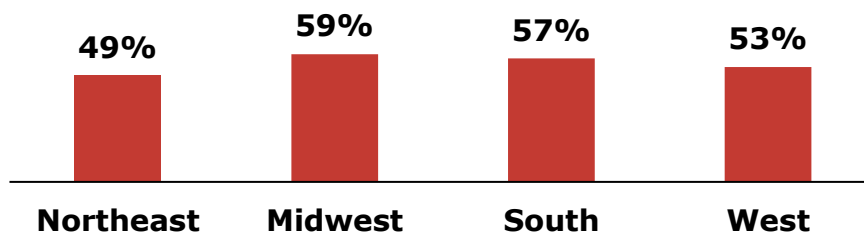
- The share of prospective buyers who are first-timers is declining: from 61% in Qtr3'18, to 60% in Qtr3'19, to the latest 55% in Qtr3'20.



- BY GENERATION: 81% of Gen Z's planning to buy a home are first-timers, compared to 64% of Millennials, 45% of Gen X'ers, and 24% of Boomers.

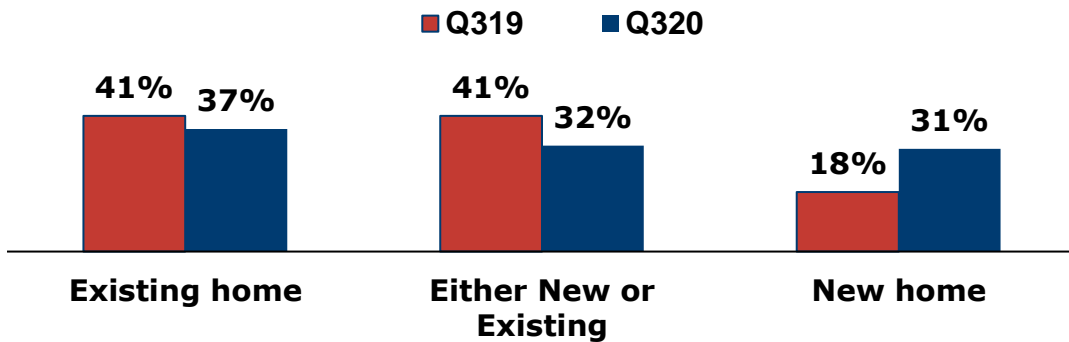


- BY REGION: About half (49%) of prospective buyers in the Northeast are purchasing a home for the first time. The share is highest in the Midwest, where it reaches 59%.

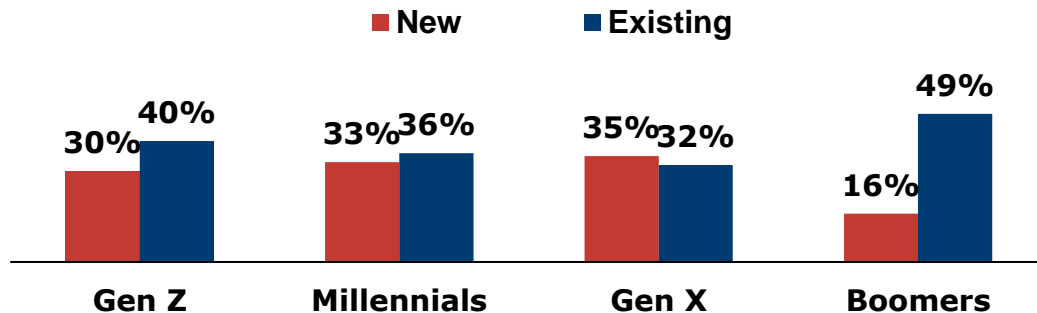


NEW OR EXISTING HOME?

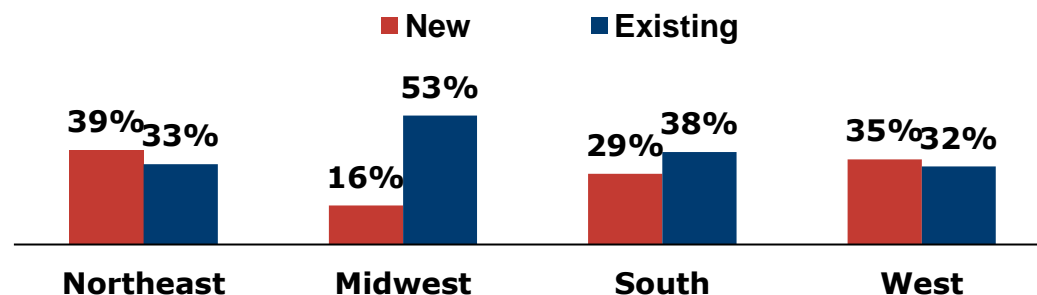
- The share of buyers looking to purchase a newly-built home rose to 31% in Qtr3'20, up from 18% a year earlier. The share indifferent between a new or existing home, on the other hand, declined from 41% to 32%.



- By GENERATION: At least 30% of every generation would prefer a new home, with the exception of Boomers (only 16%). Instead, 49% of this oldest cohort prefer an existing home.

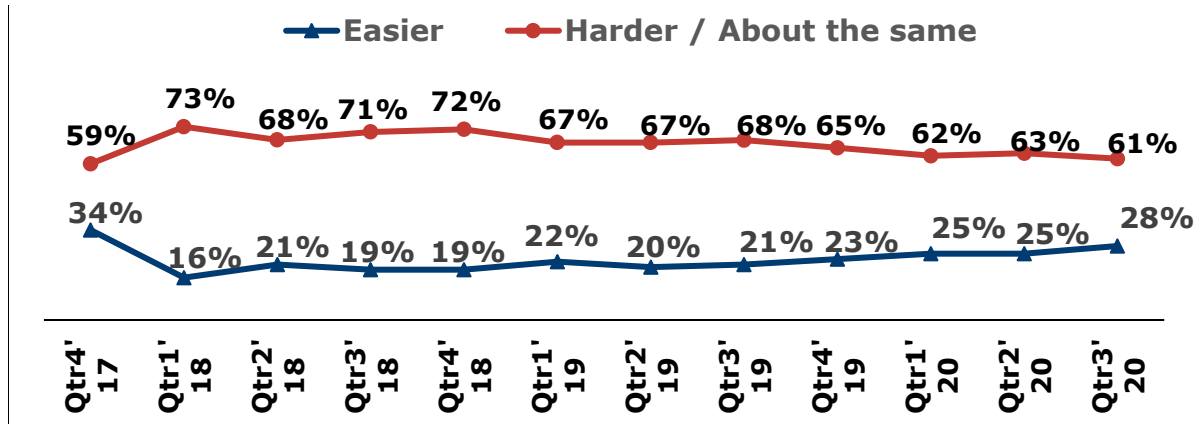


- BY REGION: In the Northeast and West regions, more buyers would prefer new homes over existing ones. The opposite is true in the South and especially in the Midwest, where 53% prefer existing homes.

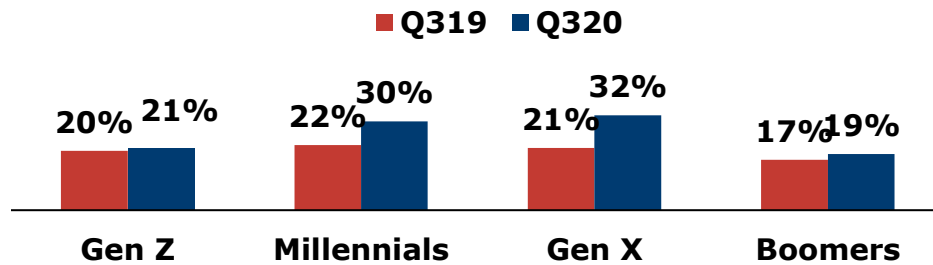


AVAILABILITY EXPECTATIONS

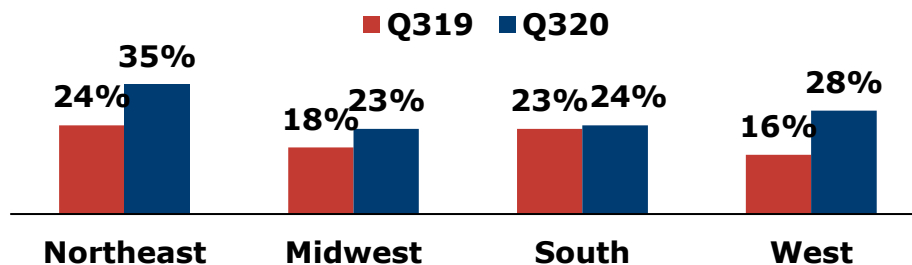
- In Qtr3'20, 28% of prospective home buyers expect that finding the right home will get easier in the months ahead, compared to 21% a year earlier. Strong home sales in the summer of 2020 may have contributed to buyers' improving perceptions.



- BY GENERATION: Between the third quarters of 2019 and 2020, expectations that housing availability will ease up improved most significantly among Gen X buyers (21% to 32%) and Millennials (22% to 30%).

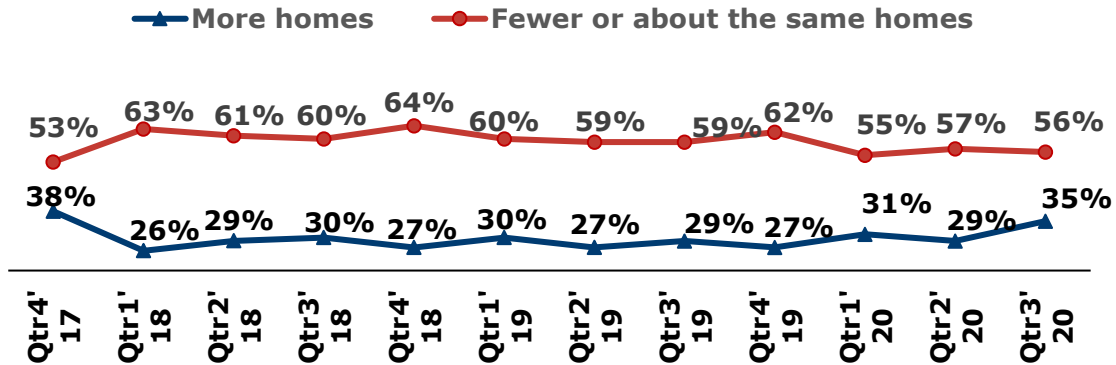


- BY REGION: Between the third quarters of 2019 and 2020, expectations that housing availability will ease up improved significantly in the West (16% to 28%) and the Northeast (24% to 35%).

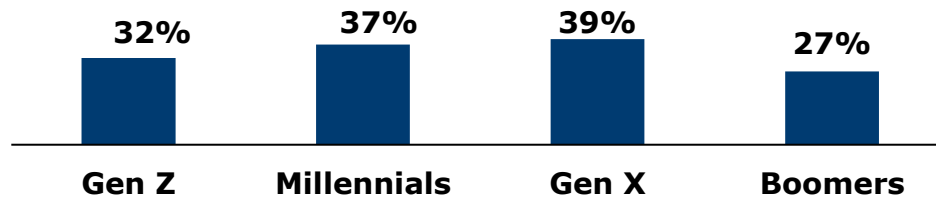


CHANGES IN INVENTORY

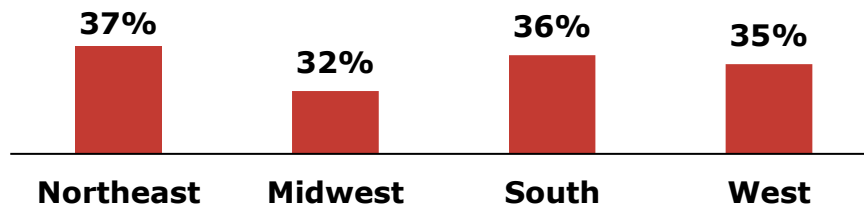
- 35% of buyers report seeing **more** homes for-sale* in Qtr3'20 than a quarter earlier (i.e. the peak of the COVID crisis). This finding reflects increased levels of new home production and listings of existing homes between the spring and summer of 2020.



- BY GENERATION: The two generations most likely to report seeing **more** homes for-sale in Qtr3'20 than three months earlier are Gen X (39%) and Millennial (37%) buyers.



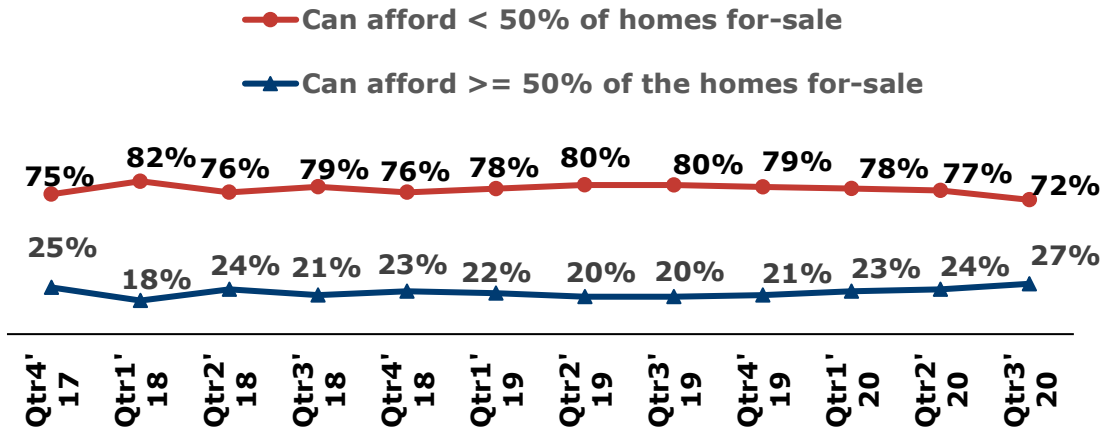
- BY REGION: Buyers in the Northeast are the most likely to report seeing **more** homes for-sale (37%), followed by those in the South (36%) and West (35%).



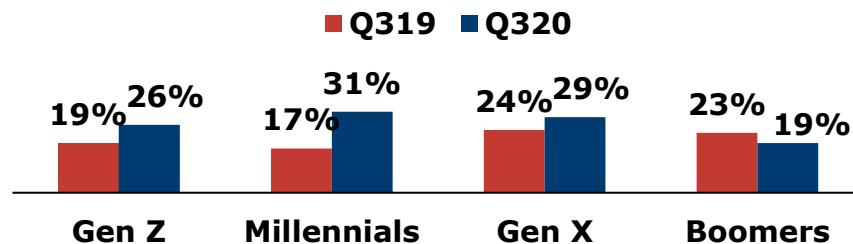
* Homes with buyer's desired features and price point.

AFFORDABILITY EXPECTATIONS

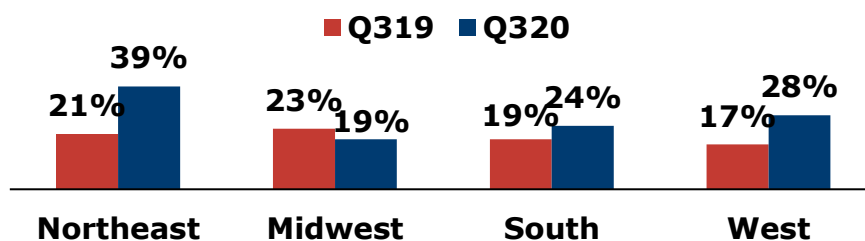
- 27% of buyers in Qtr3'20 say they can afford ***half or more*** of the homes available in their markets, compared to 20% a year earlier. The increase is an indication that lower mortgage rates have had a stronger impact on buyers' perceptions of affordability than rising home prices.



- BY GENERATION: Between the third quarters of 2019 and 2020, the share of buyers who can afford ***half or more*** of the homes available rose most significantly among Millennials (17% to 31%), but dropped among Boomers (23% to 19%).

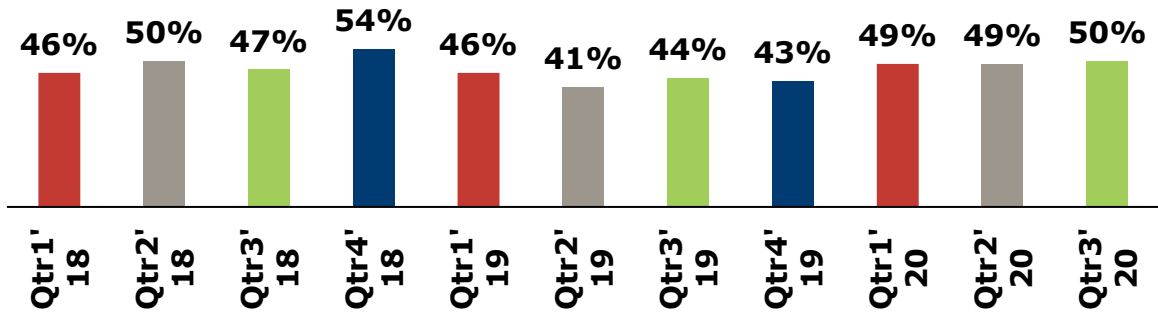


- BY REGION: Between the third quarters of 2019 and 2020, the share of buyers who can afford ***half or more*** of the homes available rose most significantly in the Northeast (21% to 39%), but dropped in the Midwest (23% to 19%).

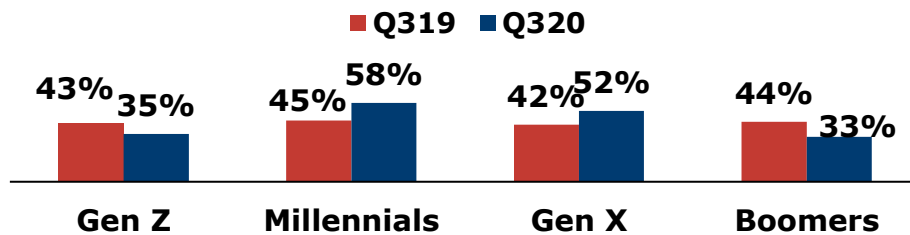


BEYOND JUST PLANNING

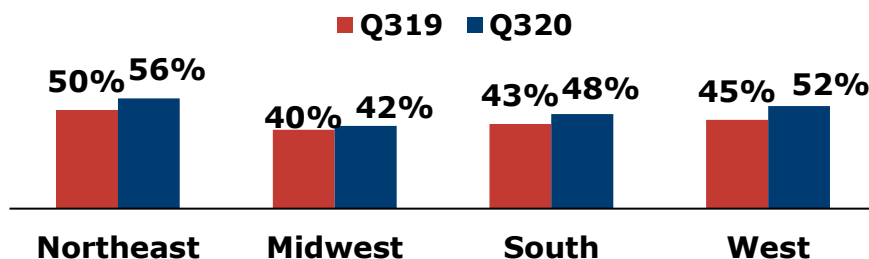
- 50% of adults with plans to purchase a home have moved beyond planning and are actively trying to find one to buy, compared to 44% a year earlier. This suggests the COVID-19 crisis and its accompanying low mortgage rates continue to lead some passive buyers to engage and begin the purchase process.



- BY GENERATION:** Between the third quarters of 2019 and 2020, larger shares of Millennials (45% to 58%) and Gen X'ers (42% to 52%) planning to buy a home have become engaged and are actively searching for a home. In contrast, fewer prospective Gen Z and Boomer buyers report having started the process.



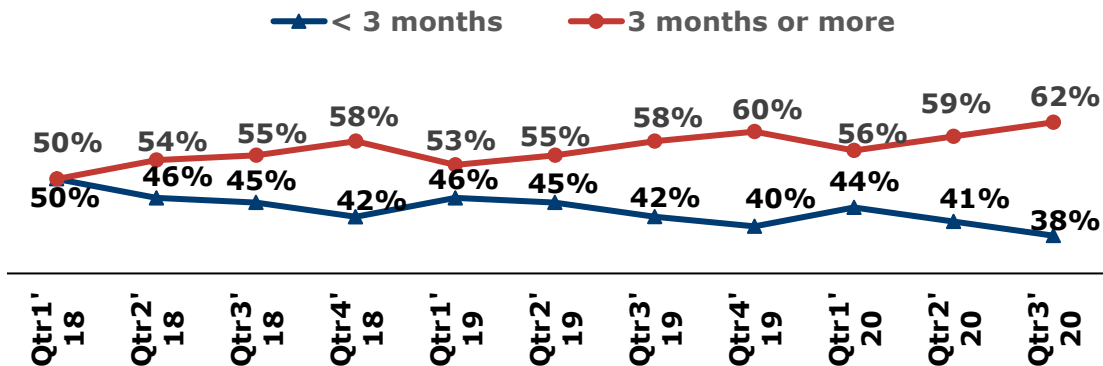
- BY REGION:** Between the third quarters of 2019 and 2020, larger shares of prospective buyers in every region are actively trying to find a home to buy.



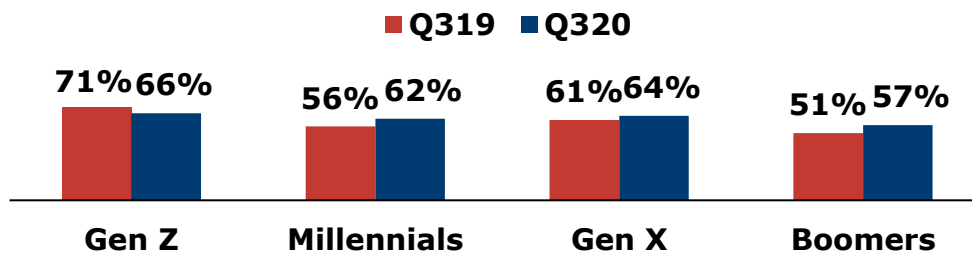
Remaining set of findings are based solely on responses from buyers who are already actively engaged in trying to find a home (i.e. active buyers)

TIME SPENT SEARCHING FOR A HOME

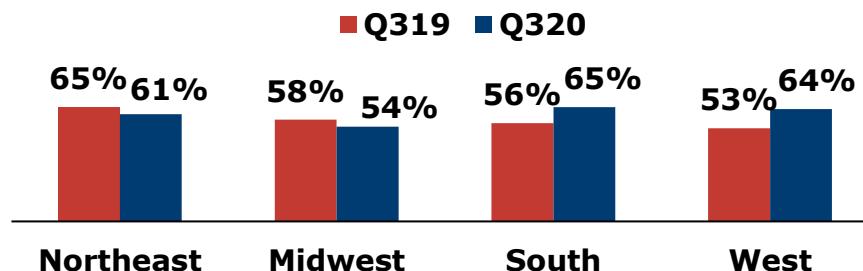
- The length of time spent searching for a home continues to grow. In Qtr3'20, 62% of buyers actively engaged in the purchase process have spent 3 months or longer looking, compared to 58% a year earlier.



- BY GENERATION: 62% of Millennial and 57% of Boomer active buyers have been trying to find a home for at least 3 months, compared to 56% and 51%, respectively, a year earlier.

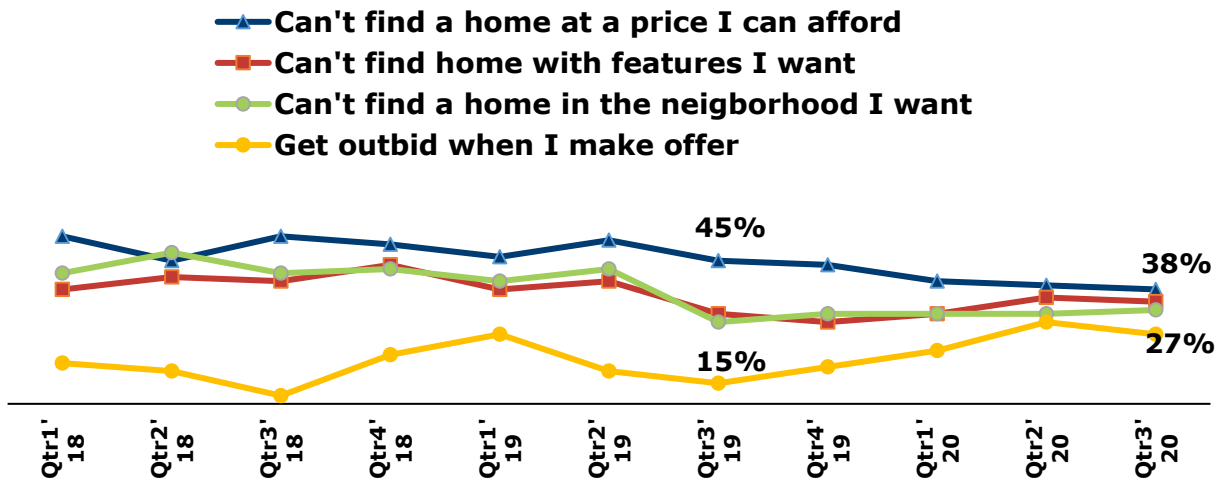


- BY REGION: 64% of active buyers in the West and 65% in the South have been trying to find a home for at least three months, compared to 53% and 56%, respectively, a year earlier.

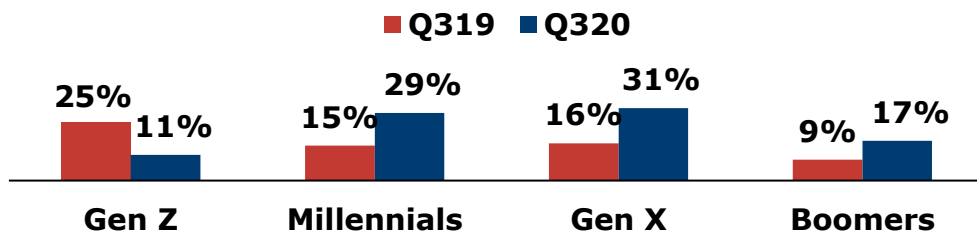


TOP REASONS BUYERS ACTIVE FOR 3+ MONTHS HAVE NOT BEEN SUCCESSFUL

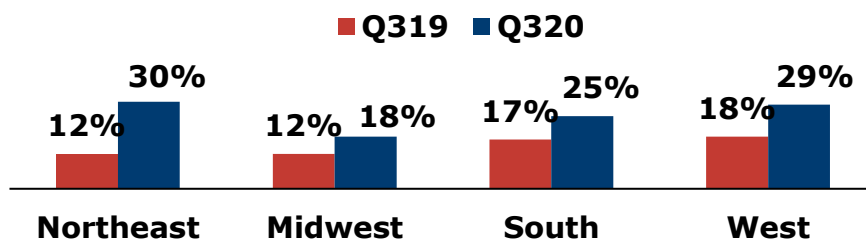
- Although the top reason long-time searchers haven't pulled the trigger continues to be the inability to find an affordable home (38%), that share is lower than a year ago (45%). On the other hand, the share who blame getting outbid by other offers almost doubled in the last year, from 15% to 27%.



- BY GENERATION:** Losing out to higher offers is the reason 31% of Gen X'ers and 29% of Millennials searching for 3+months haven't been successful, up from 16% and 15%, respectively, a year earlier.

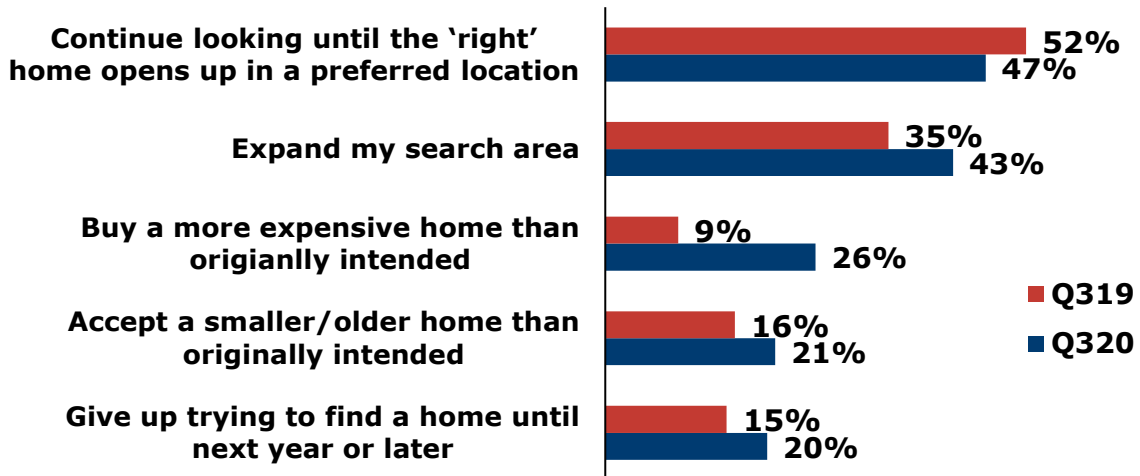


- BY REGION:** Between the third quarters of 2019 and 2020, larger shares of active home buyers (looking for 3+months) in every region have failed to buy a home because their offers are getting outbid.

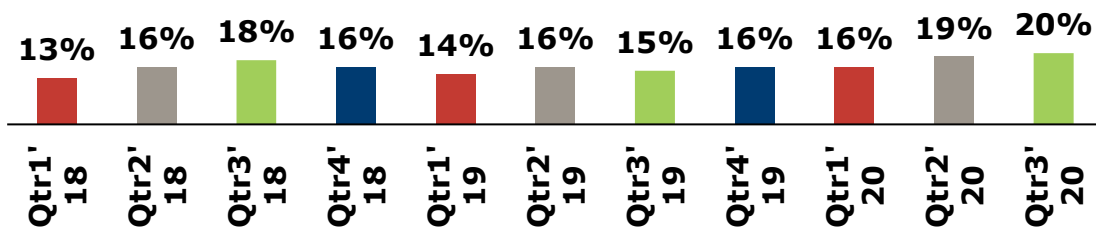


NEXT STEPS IF STILL UNABLE TO FIND HOME IN MONTHS AHEAD

- When asked what they'll do next if still unable to find a home in the next few months, 26% say they'll buy a more expensive home, up significantly from 9% a year earlier. The share who will expand their search area is also higher, up from 35% to 43%. The one thing they are less likely to do than a year ago: continue looking in the same location (down from 52% to 47%).



- Difficulties finding a home to buy will likely lead 20% of active buyers to give up until next year or later. That share is up from 15% 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.

	Sample size	Collection Period
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