
2020 Profile of Home Buyers and Sellers Colorado Report

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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

Colorado 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 Colorado, 25 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 Colorado, buyers were 47 years old and have a median income of \$108,800.
- 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 Colorado, 67 percent were married couples, 15 percent were single females, nine percent were single males, and seven 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 Colorado, 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 Colorado, 90 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. Seventeen percent are veterans and five percent are active-duty service members in Colorado.
- At 29 percent, the primary reason for purchasing a home was the desire to own a home of their own. In Colorado, this was 25 percent.

Characteristics of Homes Purchased

- Buyers of new homes made up 15 percent and buyers of previously owned homes made up 85 percent. In Colorado, this share is 25 percent for new homes and 75 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 Colorado, 36 percent of new home buyers were looking to avoid renovations and problems with plumbing or electricity and 35 percent of previously owned homes were looking for a better overall value.
- 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 Colorado, buyers bought single-family homes at 84 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. Six percent bought senior related homes in Colorado.
- There was a median of only 15 miles between the homes that recent buyers purchased and the homes that they moved from. In Colorado, 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 Colorado, the median home price was \$411,000 at 100 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 Colorado, the typical home was 2,230 square feet and built in 2005.
- Overall, buyers expect to live in their homes for a median of 15 years, while 21 percent say that they are never moving. In Colorado, that number is 15 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 Colorado, 38 percent looked online first and 24 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-three percent found real estate agents and 74 percent found mobile and tablet search devices very useful in the home search process in Colorado.
- Buyers typically searched for eight weeks and looked at a median of nine homes, five of which were viewed solely online. In Colorado, buyers searched for eight 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 Colorado, those who searched via desktop/laptop looked at nine homes over 10 weeks; those who searched via mobile devices looked at 10 homes over six 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 Colorado, 86 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 Colorado, 64 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 Colorado, 86 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 Colorado, 56 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 Colorado, 38 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 Colorado, this was 74 percent.
- Ninety-one percent of buyers would use their agent again or recommend their agent to others. Ninety-two percent would recommend their agent again in Colorado.

Financing the Home Purchase

- Eighty-seven percent of recent buyers financed their home purchase on a national level and 87 percent in Colorado. Those who financed their home purchase typically financed 88 percent and in Colorado it was 86 percent.
- First-time buyers who financed their home typically financed 93 percent of their home compared to repeat buyers at 84 percent. In Colorado, the share was 95 percent of first-time buyers and 81 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 Colorado, 53 percent used savings and 48 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 Colorado, 13 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 Colorado, 31 percent had credit card debt, 31 percent cited high rent/current mortgage payment, 28 percent reported having student loan debt, and 18 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 91 percent in Colorado.

Home Sellers and Their Selling Experience

- The typical home seller was 56 years old, with a median household income of \$106,500. In Colorado, the median age was 47 years with a median income of \$108,800.
- 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 Colorado, the reasons include to move closer to friends and family (16 percent), change in family situation (14 percent), and job relocation (13 percent).
- Sellers typically lived in their home for 10 years before selling. In Colorado, sellers also sold after 10 years.
- Ninety percent of home sellers worked with a real estate agent to sell their home and 92 percent in Colorado.
- For recently sold homes, the final sales price was a median 99 percent of the final listing price and in Colorado it was also 99 percent.
- Recently sold homes were on the market for a median of three weeks, the same as last year and two weeks in Colorado.
- Thirty-three percent of all sellers offered incentives to attract buyers; this was 23 percent in Colorado.
- This year, home sellers cited that they sold their homes for a median of \$66,000 more than they purchased it. In Colorado, the median was \$48,500.
- Sixty-nine percent of sellers were very satisfied with the selling process and 64 percent in Colorado.

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 Colorado, that figure was 71 percent.
- Seventy-five percent of recent sellers contacted only one agent before finding the right agent they worked with to sell their home. In Colorado, it was 76 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 Colorado, it was 97 percent.
- Seventy-seven percent of sellers reported that they provided the agent's compensation, compared to 78 percent in Colorado.
- 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 Colorado, this share was 32 percent.
- Eight-nine percent said that they would definitely (74 percent) or probably (15 percent) recommend their agent for future services. In Colorado, 80 percent said definitely and 11 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 Colorado there were 270 responses, accounting for a response rate of 2.7 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%.