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HomeServices

NEWS RELEASE



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FOR IMMEDIATE RELEASE

Interest Rates Are on the Minds of Consumers in Berkshire Hathaway HomeServices' Latest Homeowner Sentiment Survey

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Overall favorability toward residential real estate holds steady ahead of the Federal Reserve's December meeting; Millennials, the most optimistic group surveyed, look beyond starter houses to dream homes

IRVINE, CA (Dec. 13, 2016) – Current and prospective homeowners – particularly Millennials — remain optimistic about the state of the U.S. real estate market yet they expressed concern over the prospects of rising interest rates in Berkshire Hathaway HomeServices' latest Homeowner Sentiment Survey released today.

Overall, 66% of current homeowners and 63% of prospective homeowners view the U.S. real estate market favorably – a sentiment that has remained steady throughout 2016. Notably, Millennials (defined in the survey as people ages 18-34) were the most optimistic generation, with 74% reporting a favorable view, representing a 15-percentage point jump since the same time last year¹. Two-thirds of Gen-Xers (ages 35-50) also expressed a favorable view – an 8-percentage point increase from last year.

While respondents showed overall confidence in the market, compared with last year, they expressed greater concern about how an increase in the Federal Reserve's benchmark interest rate may affect their ability to buy a home. Many economists expect a rate increase in December, which may exert upward pressure on mortgage rates.

In fact, 76% of current homeowners and 79% of prospective homeowners cite increasing interest rates as a challenge impacting the real estate market today. These figures represent 16- and 8-percentage point jumps, respectively, from the same time last year – just before the Fed raised its benchmark rate for the first time in nearly a decade. Similarly, 44% of current homeowners and 70% of prospective buyers said they would feel anxious if mortgage rates were to go up, representing 11- and 8-percentage point jumps from last year, respectively.

"People feel good about real estate because housing is doing well in many markets across America," said Gino Blefari, CEO of Berkshire Hathaway HomeServices. "Although the idea of a rate hike can grab headlines and initially create some unease, it's important to remember rate increases are often the mark of an improving, healthy U.S. economy. That is the case today."

A majority of respondents acknowledged that higher mortgage rates would make it more difficult for them to buy a home. Yet, when it comes to perception of current mortgage rates, less than half of current homeowners and only 17% of prospective homeowners described them as "low."

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¹ Statistics from last year refer to data included in the third wave of Berkshire Hathaway HomeServices' Homeowner Sentiment Survey, released in December 2015

2-2-2

“Mortgage rates remain near historic lows, although it may not seem that way to recent, first-time buyers and those considering a home purchase,” said Stephen Phillips, president of Berkshire Hathaway HomeServices. “Mortgage rates ticked up following the presidential election, and we may see rates rise a little more in response to anticipated Fed action. Still, I expect mortgage rates to remain low for the foreseeable future.”

A conforming, 30-year fixed-rate mortgage carried a rate of 4.125% in early December, up from 3.75% during the same period a year ago. Phillips believes conforming rates will remain below 5% for the next 2-3 years. “I anticipate moderate, steady growth for the U.S. over the next few years as Baby Boomers (ages 50-65) move into new phases of their lives and Millennials come into their own as consumers. All things considered, this is a formula for continued lower mortgage rates.”

Millennials Look Past ‘Starter’ Homes

In the survey, Millennial enthusiasm was expressed in an openness to enter the real estate market. Six in 10 showed interest in purchasing a starter home. When asked about the advantages of starter homes – ones requiring TLC to be fixed over time -- Millennials recognize affordability and the opportunity to build credit and become a homeowner sooner.

The top reason keeping Millennial renters on the fence -- they are saving to buy their dream home. Of those who said they’re waiting for their dream home, half cited the desire to go through the home-buying process only once and 37% said they don’t want the hassles of renovating an older home.

“Starter homes can provide first-time buyers with independence and an attainable investment,” said Blefari. “The process of buying one – while never easy – may not be as difficult as it’s perceived it to be. Of course, a trusted real estate agent will be an ally to help any new buyer get a foot in the door on their way toward accomplishing longer-term real estate goals.”

Homeowner Sentiment on Real Estate Technology

When it comes to emerging technologies in real estate, 50% of current homeowners and 49% of prospective homeowners said they were most excited about virtual reality tours as a home-buying tool. About one-quarter of prospective homeowners labeled mortgage rate calculators as “confusing,” suggesting that agents can provide value in helping clients understand the mortgage process.

Despite technology’s growing role, nearly all current and prospective homeowners (85% and 83%, respectively) agree real estate professionals remain essential to the home-buying process for their negotiation skills, property assessments and home tours, among other services. Respondents indicated an eagerness to participate directly in the process, as six in 10 said they prefer to harness the power of a real estate agent along with respondents’ own online searches and use of other available real estate tools and resources.

The full survey details are available upon request.

Berkshire Hathaway HomeServices Homeowner Sentiment Survey Methodology

Interviews with 2,509 respondents were conducted online by Edelman Intelligence in October and November 2016. Respondents captured were either current homeowners (individuals who currently own a home as a primary residence) or prospective homeowners (individuals who do not currently own a home and are likely to buy a home as their primary residence in the next six months). The margin of error is +/-2.19% for current homeowners and +/- 4.38% for prospective homeowners.

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About Berkshire Hathaway HomeServices and HSF Affiliates LLC

Berkshire Hathaway HomeServices, based in Irvine, CA, is a real estate brokerage network built for a new era in residential real estate. The network, among the few organizations entrusted to use the world-renowned Berkshire Hathaway name, brings to the real estate market a definitive mark of trust, integrity, stability and longevity. Visit www.berkshirehathawayhs.com.

Irvine, CA-based HSF Affiliates LLC operates Berkshire Hathaway HomeServices, Prudential Real Estate and Real Living Real Estate franchise networks. The company is a joint venture of which HomeServices of America, Inc., the nation's second-largest, full-service residential brokerage firm, is a majority owner. HomeServices of America is an affiliate of world-renowned Berkshire Hathaway Inc.

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