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HomeServices

NEWS RELEASE



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Confidence in Real Estate Market Rises; Interest Rate Concerns Remain in Berkshire Hathaway HomeServices' Latest Homeowner Sentiment Survey

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Survey also finds that satisfaction with the U.S. economy increased across all age groups, and homebuyers report a surprising key factor in the home-buying process

IRVINE, CA (May 17, 2017) – Optimism toward the U.S. economy and real estate market rose across all generations of current and prospective homeowners in Berkshire Hathaway HomeServices' latest Homeowner Sentiment Survey released today. However, rising interest rates continue to be a concern among prospective homeowners – Millennials in particular – who reported a sense of urgency to buy before mortgage rates rise further.

Overall, 62% of prospective homeowners and 61% of current homeowners said they are satisfied with the U.S. economy, with respondents from both groups overwhelmingly reporting that the general economic outlook is a critical factor impacting their real estate decisions. When looking at views toward the real estate market, 68% of prospective homeowners and 70% of current homeowners hold a favorable view, an increase of 5 percentage points and 4 points, respectively, from the last wave of the survey¹. Nearly half of current homeowners cited lower interest rates as the top reason for their favorability toward the market; 43% of this group also pointed to the increased value of real estate as a factor driving favorability.

Respondents are also encouraged by accelerating home construction, with three out of four citing a rise in available homes created by new construction as a factor contributing to market momentum. Additionally, 75% of current and 83% prospective homeowners cited increased construction in urban centers, offering homeownership options close to places of employment, as a top factor.

“Optimism in the real estate market and economy are at levels we have not seen since we first began fielding this survey in 2015,” said Gino Blefari, president and CEO of Berkshire Hathaway HomeServices. “Mortgage rates remain near historic lows even with recent upticks, and we’re seeing rising wages, job growth and construction rates, which continue to make homeownership a compelling and realistic investment for many Americans.”

Interest Rates Remain Top Concern; Housing Inventory Still Tight

Optimism notwithstanding, uncertainties related to rising interest rates persist, especially among Millennials (defined in the survey as people ages 18-34). A full 68% of prospective Millennial homeowners said they feel a sense of urgency to buy a home as interest rates may continue rising, and one in five reported a desire to buy a home before mortgage rates increase. Moreover, 55% of this group also reported “feeling discouraged” about buying a home due to the prospects of rising rates.

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¹ Statistics from last wave refer to data included in the sixth wave of Berkshire Hathaway HomeServices' Homeowner Sentiment Survey, released in December 2016

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“The sense of urgency expressed by Millennials shows they understand the advantages of locking in a low mortgage rate now,” Blefari said. “However, we also recognize rising interest rates can make the home-buying process feel challenging. It’s important to remember that interest rates and mortgage rates remain low by historical standards, and with guidance from a skilled real estate professional, prospective buyers can be empowered to find a home that meets their needs and financial objectives.”

A tight supply of available homes in many markets – particularly at lower and entry-level price points – presents another challenge for buyers. Builders this year are responding with more focus on lower-priced homes, according to builder-trade groups, which may serve as an important nudge to hesitant Millennials. In the survey, 70% of prospective homeowners said they are willing to wait – even with the likelihood of rising mortgage rates – to buy a home that suits their needs now. “Younger buyers are telling us they don’t necessarily want a traditional starter home you fix over time,” Blefari explained. “They want move-in ready without the hassles and hammers.”

Most Important Neighborhood Feature

Respondents made a surprising top choice for the most important neighborhood feature: friendly neighbors. Prospective homebuyers ranked “friendly neighbors” (50%) ahead of financial considerations such as the “accurate market value of a home” (39%) and “confidence that the home will be a good investment in the future” (37%). Other neighborhood characteristics valued by prospective homebuyers included walkability (45%) and a good school district (41%).

Large, walk-in closets topped the list of home amenities sought by current and prospective homeowners, ahead of patios/balconies and hardwood floors. Respondents cited energy-efficient appliances and smart-home features such as learning thermostats and automated lighting as the most important trends in home interior design.

“It will be interesting to see how rising consumer optimism plays out in the spring and summer home-buying buying seasons,” said Blefari. “All real estate is local -- each market has its own characteristics and conditions. Contact your local real estate professional to learn how you may take advantage in the current environment.”

Full survey details are available upon request.

Berkshire Hathaway HomeServices Homeowner Sentiment Survey Methodology

Interviews with 2,521 respondents were conducted online by Edelman Intelligence in March 2017. 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 +/-2.18% for current homeowners and +/- 4.36% for prospective homeowners.

About Berkshire Hathaway HomeServices

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.

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