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First-time homebuyers play a key role in the housing market.

In making the transition from renter to homeowner, the first-time buyer starts a chain of events that allows repeat buyers to move up the housing ladder.

In fact, one indicator of the vitality of the current housing market is the large number of first-time buyers. In the Real Estate Center's recent survey of homebuyers, more than 30 percent of respondents had bought a home for the first time.

#### Who Completed the Surveys?

In the summer of 2000, the Real Estate Center, in cooperation with Lawyers Title Company, mailed questionnaires to 3,000 homebuyers who had purchased homes in late 1999 in Dallas-Fort Worth, Houston, San Antonio and Austin. The survey asked about all aspects of the homebuying experience.

Three hundred eighty people responded to the survey. The median age of respondents was 40.3 years. Four of every five were non-Hispanic whites. Seven percent were Hispanic, 4 percent were non-Hispanic blacks, 4 percent were native Americans and 2.4 percent were Asian.

The average respondent was probably more affluent than the average homebuyer, as the \$140,000 median home price reported was considerably higher than the median home price (\$109,000) recorded by the MLSs in those areas.

**R**esearch indicates that once people become homeowners, they tend to remain homeowners for the rest of their lives. Getting over that initial hurdle is tough, though, and not all of the problems are financial. The first-timer enters the complicated buying process with no prior experience but with the realization that a mistake could be costly. Not surprisingly, survey results indicate that first-time buyers rely heavily on professionals to see them through the home-buying process.

#### Who Are They?

Obviously, first-time homebuyers are younger than repeat buyers. Among survey respondents, the median age of first-time buyers was 32.1 years, compared with 45.9 years for

repeat buyers. However, fewer than 9 percent of first-timers were younger than age 25, and one respondent was older than 65.

Mortgage lenders have been making a concerted effort in recent years to make loans more available to minorities. Because of these policies and generally increasing prosperity, the ranks of first-time buyers are becoming more ethnically diverse. Among survey respondents, Hispanics made up 9.6 percent of first-time buyers, but only 6.5 percent of repeat

**Table 1. Type of Home Purchased**

Type	First-time Buyers (percentage)	Repeat Buyers (percentage)
Detached single-family	88.5	86.2
Condominium apartment	4.4	5.4
Town house	2.7	3.9
2-4 family unit	1.8	0
Manufactured home	1.8	1.5
Other	0.9	2.7

Source: Real Estate Center at Texas A&M University

buyers. African-Americans were 7 percent of first-timers and 2.7 percent of repeats. Asians were 3.5 and 1.9 percent, respectively.

### What Types of Homes Did They Buy?

The overwhelming choice of both first-time and repeat buyers was the detached, single-family house (Table 1). A small number of first-time buyers were using duplexes as their passport to homeownership. Regardless of the type of home purchased, the median price of first homes was significantly lower: \$102,100 compared with \$163,300 for homes purchased by repeat buyers.

### Why Did They Move?

When asked about their primary and secondary reasons for moving, almost all first-timers said they became homeowners because they were “tired of renting” (Table 2). Almost half cited the desire for a larger home. Surprisingly, this reason was more common with first-time buyers than with repeat buyers. First-time buyers were more likely to move because they got married or were forced to move (perhaps because they lost their lease). On the other hand, they were much less likely to

**Table 2. Primary or Secondary Reasons for Moving**

Reason	First-time Buyers (percentage)	Repeat Buyers (percentage)
Tired of renting	81.0	19.5
Larger home	45.7	38.7
Better neighborhood, schools	25.9	21.5
Relocated from another town	17.2	28.7
More convenient location	16.4	18.8
Marriage	12.1	2.3
Forced move	6.1	1.0
Smaller home, lower maintenance	5.2	14.9
Divorce	4.3	3.8

Source: Real Estate Center at Texas A&M University

be relocating from another town or looking to downscale their housing.

### How Did They Buy Their Homes?

Despite their lack of experience, first-timers actually spent less time searching the market — 3.7 months on average compared with 4.4 months for repeat buyers — and visited fewer homes — an average of 15.1 compared with 17.3 for repeat buyers. One reason may be that first-time buyers were much more likely to use the services of a real estate agent (90.4

**Table 3. How Respondents Selected A Sales Agent**

Selection Basis	First-time Buyers (percentage)	Repeat Buyers (percentage)
Recommendations of friends	37.9	27.6
Reputation of agent	20.7	18.4
Yard sign	11.2	11.5
Reputation of firm	10.3	8.1
Classified ads	8.6	3.5
Internet listings	5.2	4.6
Agent referral, relocation company	2.6	11.5
Open house or tour	2.6	3.1
Magazine ad	1.7	0
Television ad	1.7	0

Source: Real Estate Center at Texas A&M University

**Table 4. How Brokerage Services Were Valued and Rated**

Service	First-time Buyers		Repeat Buyers	
	Valued as Important (percentage)	Service Performed Rated Very Good/Excellent (percentage)	Valued as Important (percentage)	Service Performed Rated Very Good/Excellent (percentage)
Keeping informed	79.4	68.6	67.2	71.6
Helping find appropriate houses	79.3	75.7	75.7	75.4
Preparing contract	72.9	76.2	71.1	78.4
Negotiating	70.5	70.2	58.9	65.7
Touring homes	65.1	69.2	70.6	81.1
Getting ready for closing	61.3	67.6	49.8	68.0
Determining how much to offer	57.0	62.9	41.5	60.9
Qualifying	45.7	54.7	31.5	48.8
Providing neighborhood information	45.3	57.8	38.6	58.8
Referring mortgage lender	42.9	51.5	28.6	56.3
Explaining loan choices	32.1	39.8	24.1	40.8

Source: Real Estate Center at Texas A&M University

percent compared to 78.4 percent for repeat buyers). Overall, those who used agents tended to spend less time searching. Interestingly, about the same proportion of each group used a buyer's agent (64.5 for first-timers and 63.5 percent for repeat buyers).

This pattern of reliance on the agent is reflected in the way first-time buyers applied for financing. A larger percentage of first-timers applied for a loan in the broker's office than did repeat buyers, either through some point-of-sale system with the assistance of the agent (18.4 percent compared to 8.2 for repeat buyers) or through an in-house mortgage banking-brokerage operation (13.8 compared to 7 percent).

**H**ow did first-time buyers select the agents who sold them a house? The most popular way for both first-time and repeat buyers was the recommendation of a friend, although this reason was cited more often by first-timers (Table 3). Both groups, in almost equal proportions, were influenced by the reputation of the agent or the firm or picked their agent from a yard sign. Because fewer first-time buyers were relocating from out of town, they were less likely to find an agent through a referral from another agent.

The types of brokerage services that buyers find most important vary little between first-time and repeat buyers (Table 4). However, first-timers value certain services more highly, including being kept informed about the progress of the trans-

action, receiving help in figuring out how much house they can afford, putting together an offer and finding a mortgage lender. These tasks probably induce more insecurity among novice buyers than among veterans.

Respondents' ratings of how well these services were provided by brokers and agents are similar for first-time and repeat buyers (Table 4). The one notable difference concerned satisfaction with the homes the buyer was shown by the agent (see "Helping look at homes" in Table 4). More than 80 percent of repeat buyers reported that the service was performed in a very good or excellent manner. But only 69 percent of first-timers concurred. Perhaps in the current market, first-time buyers, with limited resources and bargaining power, may find home tours frustrating and may make the agent the target of their dissatisfaction.

Helping the novice homebuyer is a special challenge for real estate agents. The effort pays off, however, as entry-level buyers pave the way for move-up buyers to cash out accumulated equity. Real estate professionals should take comfort in the knowledge that first-time buyers, in particular, recognize the need for and seek out good professional assistance. ♣

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