

2021 | Virginia REALTORS®



The Home Buying Process in Virginia

Experiences of Recent Home Buyers

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March 2021

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The Home Buying Process in Virginia

The National Association of REALTORS® conducted a survey of home buyers and sellers between July 2019 and June 2020. This survey includes information on demographics, housing characteristics, and the behaviors of consumers in the housing market, along with information about the home buying process. For most home buyers, the purchase of a home represents the largest financial transaction they will undertake. The home buying decision is not only a financial decision, but also an emotional one. Understanding consumers' home buying experiences is important so that REALTORS® can meet and exceed clients' needs, expand home ownership opportunities, and help build communities.

This report is designed to provide real estate professionals insights into the experience of recent home buyers in Virginia. How do home buyers search for a home? What are the biggest obstacles to purchasing a home? How important is the internet to the home search process? How do real estate professionals add value to the home buying process?

Home Search Process

First Steps

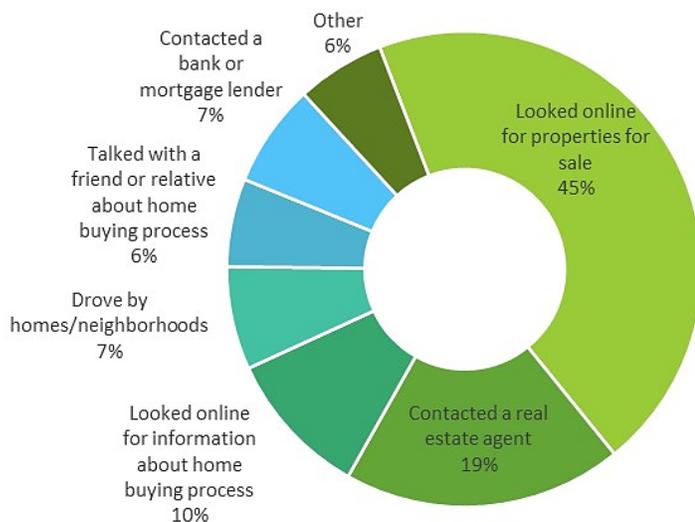
Use of the internet for home searches hit an all-time high in 2020, as a result of expanded online home search options and because many people were staying at home during the COVID-19 pandemic. More than half of all recent home buyers in Virginia began their home search on the internet, and nearly all home buyers used the internet at some point during their home buying process.

As the first step in their home search, 45% of Virginia home buyers used the internet to look online for properties and 10% searched online for information about the home buying process. Therefore, more than half of recent home buyers went online for the first step in their home buying process.

Other home buyers were more likely to reach out to a real estate professional as their first step. About one out of five home buyers in Virginia (19%) contacted a real estate agent¹ before looking online for homes. First-time home buyers were somewhat more likely than repeat buyers to contact a real estate agent as the first step in their home search process.

Other first steps in the home search process included driving by neighborhoods (7%), contacting a bank or mortgage lender (7%), and talking with a friend or relative about the home buying process (6%).

Figure 1. First Step Taken During Home Buying Process



Information During the Home Search Process

Throughout the home search process, prospective home buyers get information from a wide variety of sources, but real estate professionals were a source of information for nearly all recent home buyers in Virginia. Nearly nine out of ten home buyers in Virginia (86%) relied on a real estate agent for information during their home search process. Ninety-nine percent of home buyers said that they found information provided by a real estate agent either “very useful” or “somewhat useful.”

Online searching was also a common way to search for homes. About three quarters (74%) used tablet or mobile search devices to find information. Open houses, yard signs, and online video sites were less common sources of information for home buyers in Virginia; about four out of ten home buyers relied on one or more of these resources for information.

Finding the Home Purchased

Nationally, the average length of time home buyers searched for a home increased in 2020, the first time since 2014. In Virginia, home buyers searched for an average of eight weeks (the same as home buyers nationally). Virginia home buyers viewed six homes, on average, before purchasing (compared to an average of nine homes viewed by home buyers nationally). First-time home buyers in Virginia spent longer looking for a home—12 weeks compared to eight weeks for repeat buyers.

In recent years, the internet has been the main source buyers have used to find the home they ultimately purchase, supplanting real estate agents as the most common source. Half of home buyers in Virginia first saw the home they ultimately purchased through an internet search. Thirty percent first found out about the home they purchased from a real estate agent.

Figure 2. Where Buyer First Saw The Home They Purchased

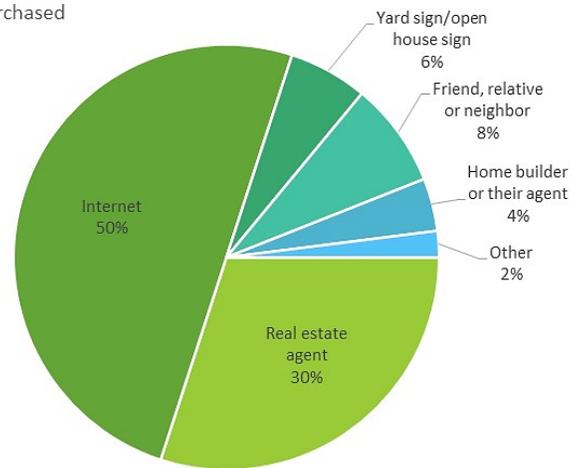
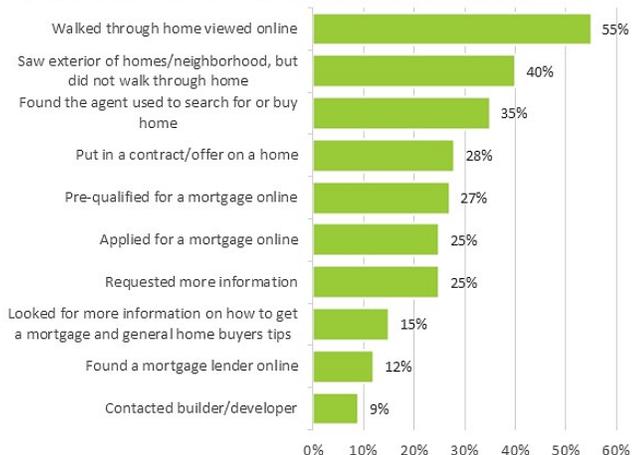


Figure 3. Actions Taken as a Result of Internet Home Search



Using the Internet

Ninety-nine percent of home buyers in Virginia used the internet at some point during their home search and home buying process. Half of buyers searched the internet on a desktop or laptop, while half used a tablet or mobile device for their search.

The most common activity on the internet was virtual walk-throughs. More than half (55%) of Virginia home buyers walked through a house online. Forty percent viewed the exterior of the home online but did not do a virtual walk-through. More than a third of home buyers (35%) found the real estate agent they used to search for or buy a home. More than a quarter (28%) of home

¹ The survey of home buyers did not specifically ask whether the real estate agent was a REALTOR®.

buyers in Virginia said that they put in a contract or made an offer online.

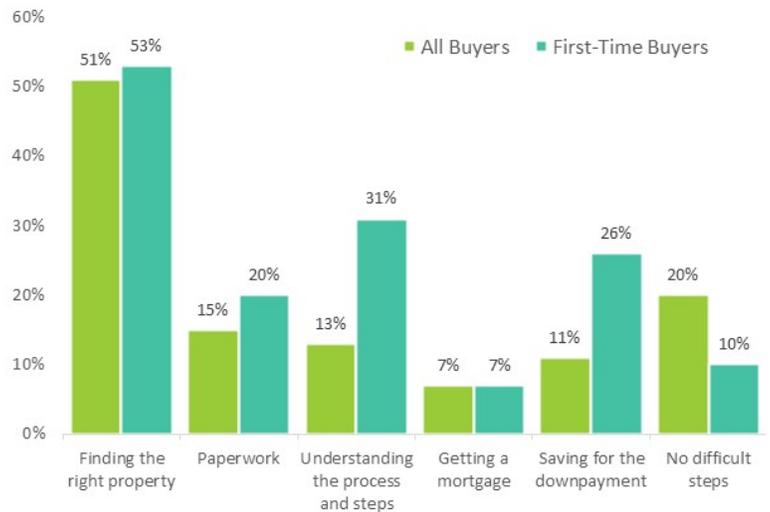
About nine out of ten home buyers (89%) found photos and detailed information about properties for sale to be “very useful” information available on web sites. Seventy percent said being able to see floor plans was a “very useful” feature of web sites and 58% said virtual tours were “very useful.” Less useful were virtual open houses and the ability to make virtual listing appointments; only about a third of home buyers said these features were “very valuable.”

Difficulties in the Home Buying Process

Finding the right property was the most challenging part of the home buying process in Virginia. More than half of Virginia home buyers (53%) said that finding the right home was the most difficult step. For 15% of home buyers, paperwork was the most difficult step and 13% said understanding the home buying process provided the most challenge. One in five home buyers (20%) said that there were no difficult steps in the home buying process.

First-time home buyers were more likely than repeat buyers to say that paperwork and understanding the steps in the home buying process were the most difficult parts of buying a home. More than one quarter of first-time home buyers (26%) reported that saving for a down payment was the biggest challenge.

Figure 4. Most Difficult Step in Home Buying Process



Home Buying and Real Estate Professionals

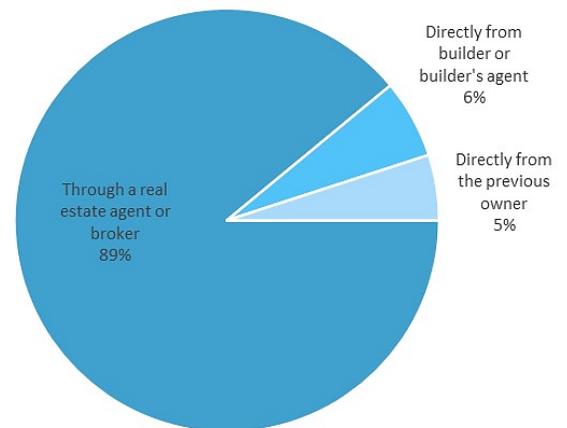
Value of a Real Estate Agent

About 89% of recent home buyers in Virginia purchased their home through a real estate agent or broker. Six percent purchased their home directly from a builder or builder’s agent and five percent purchased their home directly from the previous owner.

Sixty-1% of recent home buyers in Virginia signed an agent representation disclosure, either at the first meeting, when the contract was written, or at some other time. Forty-three percent signed a written agreement, while 16% said they had an oral agreement for the real estate agent to represent them. More than a quarter of home buyers (27%) said that they did not have a buyer representative agreement or arrangement, and 14% said they did not know.

In most recent home sales transactions, real estate agents in Virginia were compensated by the seller (54%) or through a

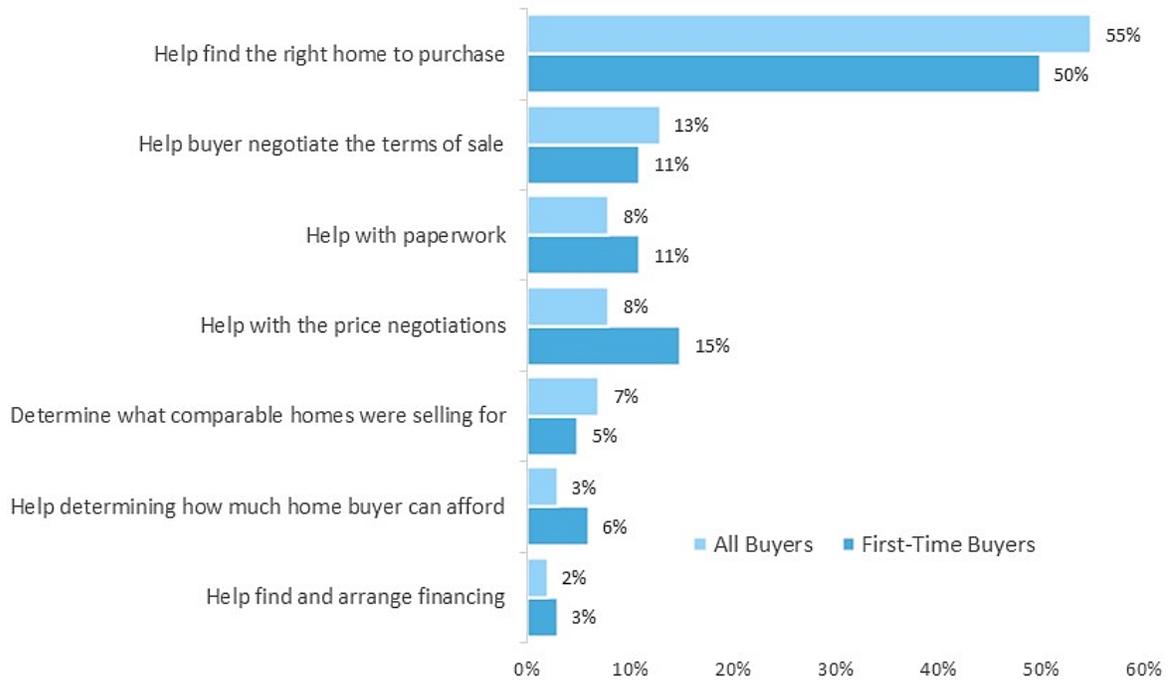
Figure 5. Home Buying and Real Estate Professionals



combination of seller and buyer compensation (13%). In one out of five (21%) home sales transactions in Virginia, the real estate agent was compensated entirely by the buyer, according to the survey of recent home buyers in the state.

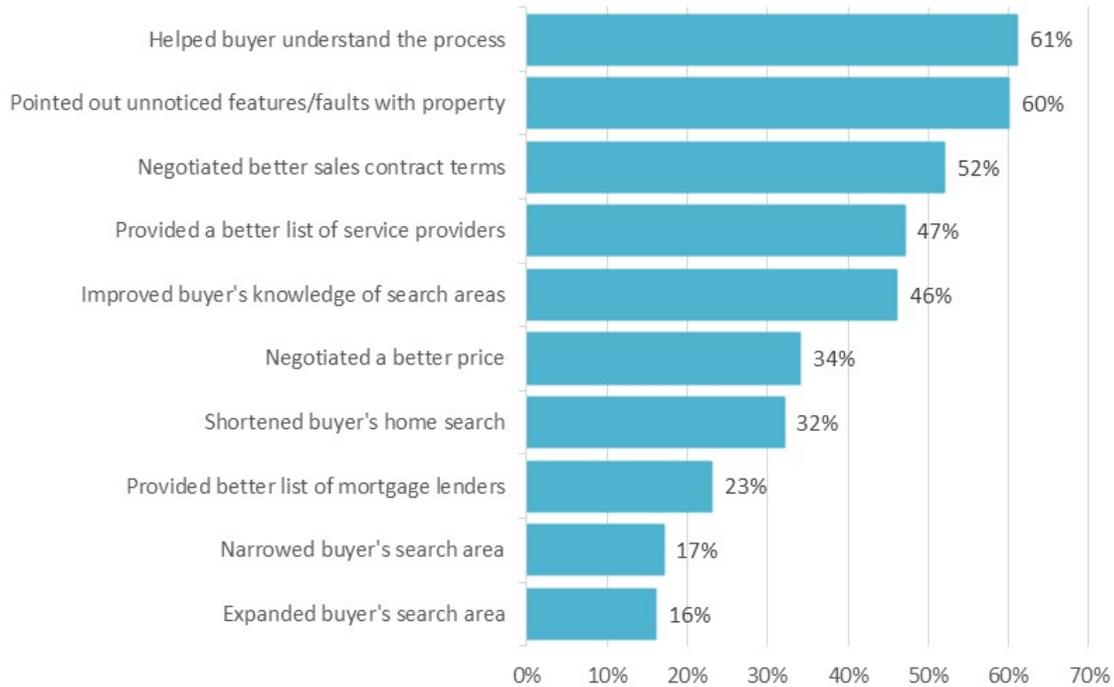
Real estate agents provide tremendous value to the home buying experience, but buyers are looking for specific guidance from their agents. In Virginia, 55% of recent home buyers said what they wanted most from their real estate agent was help in finding the right home. Thirteen percent said helping to negotiate the terms of sale was what they were most looking for, and another 8% said they wanted help with price negotiations. First-time home buyers were more likely than repeat buyers to look to their real estate agent for help with paperwork and help with price negotiations.

Figure 6. What Buyers Want Most From Their Real Estate Agent



During the home buying process, home buyers in Virginia discovered the wide range of benefits working with a real estate professional can provide. About 60% of home buyers said that their real estate agent was able to help clarify the home buying process. Sixty percent also said they valued the fact that their real estate agent was able to point out unnoticed features or faults in a property. More than half of home buyers (52%) said that their real estate agent successfully negotiated improved terms of sale and 34% said that they helped negotiate a better price.

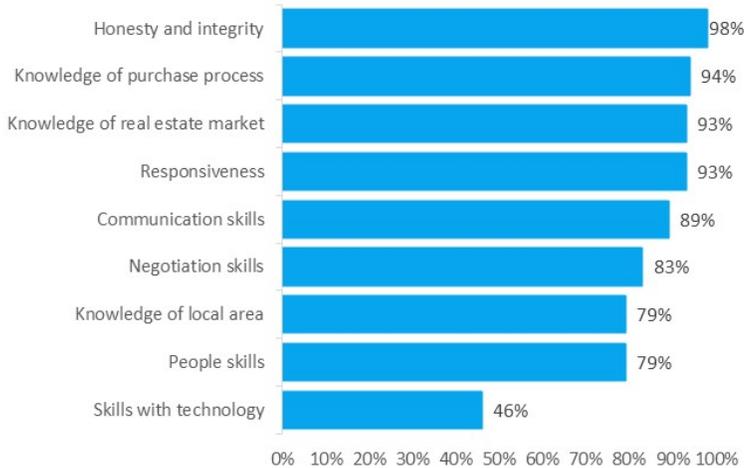
Figure 7. Benefits Provided by Real Estate Agents During Home Buying Process



Finding Their Real Estate Agent

Referrals were the most common way home buyers in Virginia found their real estate agent. Among recent home buyers, 37% had their agent referred to them by a friend, neighbor, or relative. Fifteen percent worked with an agent that they had used during a previous transaction and 8% found their agent via an internet search, without a specific referral. First-time home buyers were more likely than repeat buyers to find their real estate agent through a personal referral. They were also somewhat more likely to find their agent through a web search.

Figure 8. Importance of Real Estate Agent Qualities
Percent saying quality is "very important"



Three quarters of Virginia home buyers interviewed just one real estate agent to help them with their home search. Eighteen percent interviewed two professionals, 5% interviewed three, and 4% interviewed four or more real estate agents.

Home buyers typically initially reached out to their agent by phone (39%), although some emailed (15%), and some filled out a web form to ask to be contacted (10%). Agents commonly responded to buyers on their first attempted contact.

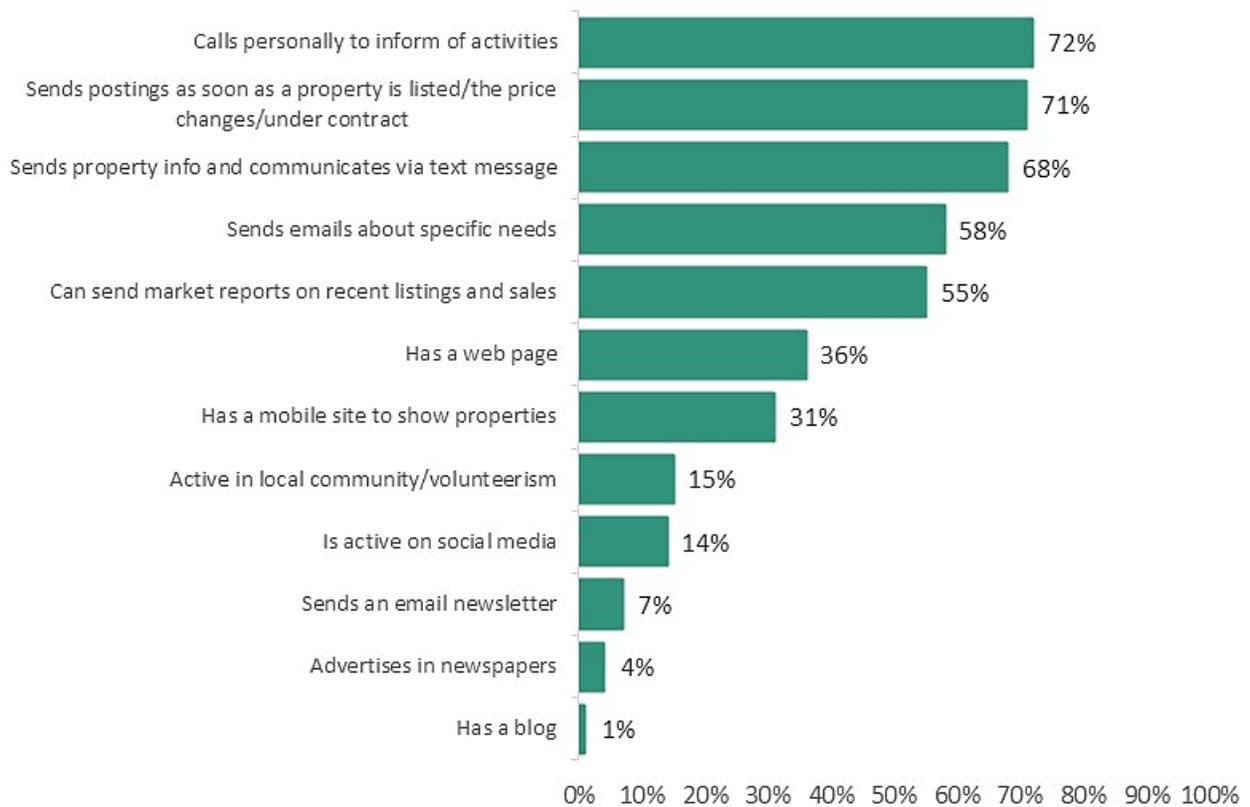
The most important factors home buyers considered when selecting a real estate agent were his or her honesty and trustworthiness (20%), experience (18%), and reputation (18%). In fact, having an agent with honesty and integrity was "very important" to 98% of recent home buyers in

Virginia. Other characteristics that home buyers considered “very important” included knowledge of purchase process (94%), responsiveness (93%), knowledge of the real estate market (93%), and communication skills (89%).

Working with a Real Estate Agent

Agent communication is very important to home buyers. While technology is a growing means of communication, most prefer good old-fashioned phone calls. Overall, 72% of recent home buyers in Virginia felt that it was very important for their agent to call them personally to inform them of any activity. Most home buyers also said that it was important that their real estate agent send postings as soon as a property is listed/the price changes/under contract (71%), send property information and communicate via text message (68%), and send emails about specific needs (58%).

Figure 9. Importance of Agent Communications



Financing the Home Purchase

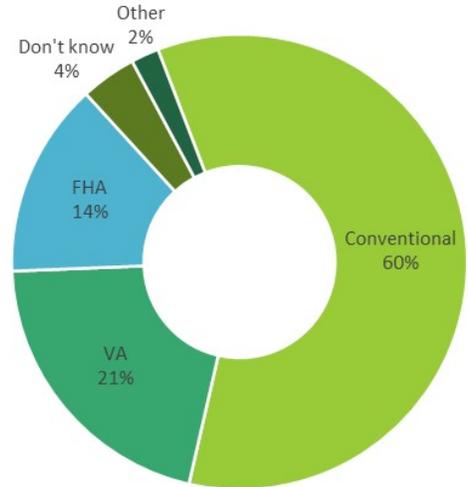
Mortgages

Nearly nine out of ten recent home buyers in Virginia financed their home purchase. Younger buyers (age 25 to 44) are more likely than older buyers to finance their home, and first-time buyers are more likely to finance than are repeat buyers.

Among those who financed their home purchase, 60% used a conventional home loan for their purchase. Repeat buyers were more likely than first-time home buyers to use a conventional loan.

Fourteen percent of home buyers in Virginia, including 22% of first-time buyers, used an FHA loan for their home purchase. Buyers in Virginia were more likely than buyers nationally to use a VA loan. Among recent home buyers in Virginia, 21% of both repeat and first-time buyers used a VA loan, compared to 15% of home buyers nationally.

Figure 10. Type of Home Loan



Down Payments

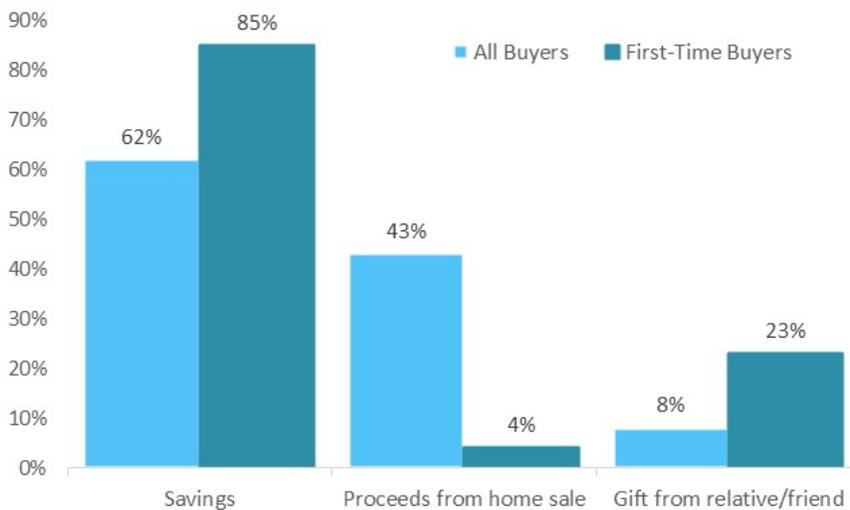
In Virginia, about one in five home buyers (19%) financed 100% of the purchase price of their home. During the July 2019 through June 2020 period, the median down payment among home buyers in Virginia was 13%. Thirty percent of Virginia home buyers put down 20% or more. Nationally, there was a trend towards higher down payment amounts in 2020.

Nearly two-thirds of Virginia home buyers (62%) used savings for at least part of their down payment, slightly higher than the share nationally. Overall, 43% had proceeds from the sale of a home to put towards a down payment. Other

sources for the down payment were much less common, including a gift from a relative or friend (8%), sale of stocks or bonds (7%), retirement account loan (5%), and inheritance (5%).

First-time buyers were much more likely than repeat buyers to use savings (85%) or a gift from a friend or relative (23%) to make their down payment.

Figure 11. Sources of Down Payment



Challenges with Financing

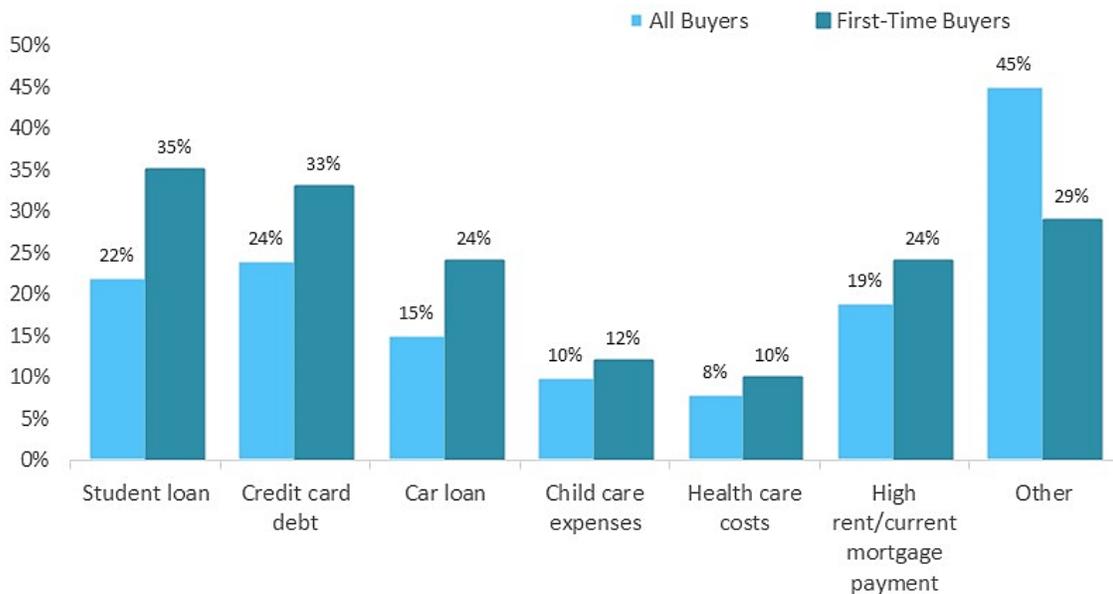
Debt was a challenge for some home buyers, leading them to delay their home purchase. Among recent home buyers in Virginia, about a quarter (23%) had delayed their home purchase for more than five years as a result of debt.

Eleven percent of all home buyers and 26% of first-time home buyers said that saving for a down payment was the most challenging part of the home buying process. Debt was a major factor for these home buyers. In fact, nearly a quarter of recent home buyers in Virginia said that they delayed their home purchase by five years or more because of debt. The median length of time buyers delayed was three years.

Of those that cited debt as a major reason for the challenge, 24% said credit card debt was a problem, 22% said student debt was a challenge, and 19% said high rent or high current housing payments were a problem. Student debt was a challenge for a higher share of first-time home buyers, with 35% saying that student debt was an obstacle.

The median amount of student loan debt among home buyers in Virginia was \$30,000. However, 26% of all buyers and 28% of first-time buyers reported that they had \$75,000 or more in student debt, which are higher levels of debt than buyers nationally.

Figure 12. Expenses That Delayed Saving for a Home Purchase
Percent of Those Who Said Saving for a Down Payment Was a Challenge



Overall Satisfaction with the Home Buying Process

Overall, recent home buyers in Virginia said that they see home buying as a good financial investment and that they were satisfied with the home buying process. The value that a real estate agent provided during the process was an important factor in home buyers' satisfaction.

Eighty-two percent of repeat buyers and 85% of first-time home buyers in Virginia said that buying a home was a good financial investment. More than a third of recent buyers (36%) said that they thought purchasing a home was a better financial move than investing in the stock market and another third (34%) said purchasing a home and investing in the stock market were equally good financial decisions.

This survey of home buyers was conducted over the period of July 2019 through June 2020, which includes a few months of the COVID-19 pandemic. Despite the increased challenges the pandemic brought to the housing market, home buyers were happy with their home buying process. Sixty-one percent of recent home buyers in Virginia said that they were "very satisfied" with the home buying process and 34% said that they were "somewhat satisfied."

One measure of home buyers' appreciation of the value of real estate professionals during the home buying process is the likelihood that they would recommend their real estate agent to a friend or family member. Nearly 90% of recent home buyers in Virginia said that they would "definitely" or "probably" recommend their real estate agent to others. In fact, recent home buyers had recommended their real estate agent an average of two times since their home purchase and 20% of buyers had recommended their real estate agent to four or more others.

Figure 13. Buyers' View of Home Purchase as a Financial Investment

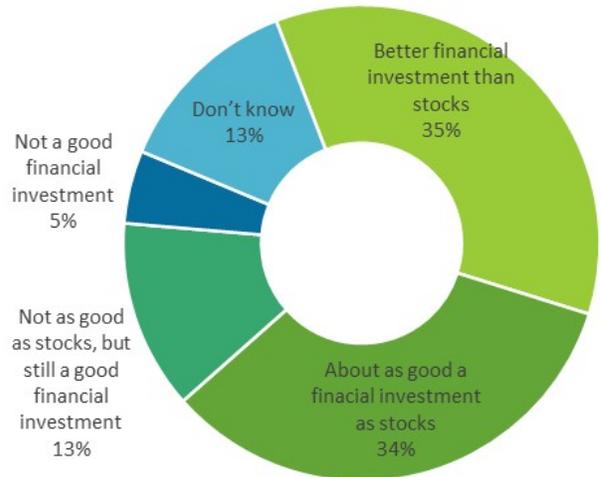
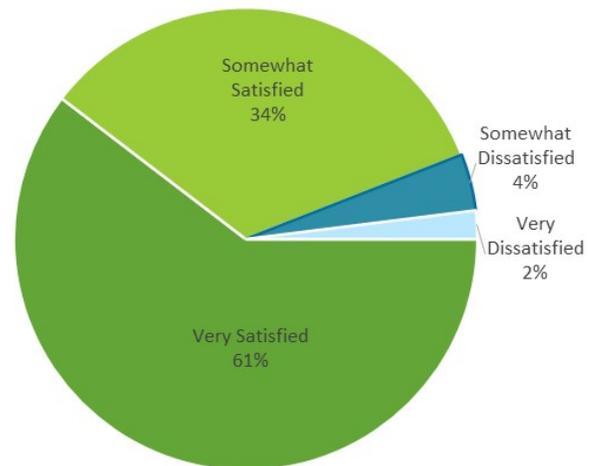


Figure 14. Buyers' Satisfaction with the Home Buying Process



Detailed Tables

TABLE A-1. METHOD OF HOME PURCHASE

	Virginia	U.S.
Through a real estate agent or broker	89%	88%
Directly from builder or builder's agent	6	6
Directly from the previous owner	5	5
Knew previous owner	3	3
Did not know previous owner	2	2

TABLE A-2. FIRST STEP TAKEN IN HOME BUYING PROCESS

	Virginia	U.S.
Looked online for properties for sale	45%	43%
Contacted a real estate agent	19	18
Looked online for information about the home buying process	10	9
Drove-by homes/neighborhoods	7	7
Talked with a friend or relative about home buying process	6	7
Contacted a bank or mortgage lender	7	6
Visited open houses	2	4
Other	6	9

TABLE A-3. WHERE BUYER FOUND THE HOME THEY ULTIMATELY PURCHASED

	Virginia	U.S.
Real estate agent	30%	51%
Internet	50	28
Yard sign/open house sign	6	7
Friend, relative, or neighbor	8	6
Home builder or their agent	4	5
Other	3	3

TABLE A-4. MOST DIFFICULT PART OF HOME BUYING PROCESS

	Virginia	U.S.
Finding the right property	51%	53%
Paperwork	15	17
Understanding the process and steps	13	15
No difficult steps	20	20
Getting a mortgage	7	7
Saving for the down payment	11	11
Appraisal of the property	5	4
Inability to move forward in process due to COVID-19	3	2
Other	8	6

TABLE A-5. ACTIONS TAKEN AS A RESULT OF INTERNET HOME SEARCH

	Virginia	U.S.
Walked through home viewed online	55%	56%
Saw exterior of homes/neighborhood, but did not walk through home	40	37
Found the agent used to search for or buy home	35	35
Requested more information	25	26
Pre-qualified for a mortgage online	27	26
Looked for more information on how to get a mortgage and general home buyers tips	15	14
Applied for a mortgage online	25	22
Found a mortgage lender online	12	12
Put in a contract/offer on a home	28	23
Contacted builder/developer	9	9

TABLE A-6. VALUE OF WEB SITE FEATURES
PERCENT SAYING "VERY USEFUL"

	Virginia	U.S.
Photos	89%	89%
Detailed information about properties for sale	89	86
Floor Plans	70	67
Virtual tours	58	57
Interactive maps	48	52
Real estate agent contact information	64	63
Neighborhood information	55	54
Detailed information about recently sold properties	54	55
Pending sales/contract status	54	53
Information about upcoming open houses	40	46
Virtual open houses	36	38
Virtual listing appointment	33	35
Videos	48	47
Real estate news or articles	33	34

TABLE A-7. HOW REAL ESTATE AGENT WAS COMPENSATED

	Virginia	U.S.
Paid by seller	54%	55%
Paid by buyer and seller	13	12
Paid by buyer only	21	22
Other	2	1
Don't know	10	10

TABLE A-8. WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS

	Virginia	U.S.
Help find the right home to purchase	55%	51%
Help buyer negotiate the terms of sale	13	13
Help with the price negotiations	8	11
Help with paperwork	8	8
Determine what comparable homes are selling for	7	6
Help determining how much home buyer can afford	3	4
Help find and arrange financing	2	3
Other	3	5

TABLE A-9. TYPE OF LOAN

	First-Time Buyers	Repeat Buyers
Conventional	49%	65%
VA	21	21
FHA	22	10
Don't know	3	4
Other	4	1

TABLE A-10. PERCENT OF HOME PURCHASE PRICE FINANCED

	First-Time Buyers	Repeat Buyers
Less than 50%	8%	15%
50% to 59%	*	4
60% to 69%	1	4
70% to 79%	6	14
80% to 89%	12	20
90% to 94%	23	14
95% to 99%	25	11
100% – Financed the entire purchase price with a mortgage	25	16
Median percent financed	95%	83%

*less than 1%

TABLE A-11. YEARS DEBT DELAYED HOME BUYERS FROM SAVING FOR A DOWN PAYMENT

	First-Time Buyers	Repeat Buyers
One year	13%	29%
Two years	26	26
Three years	11	6
Four years	5	10
Five years	16	19
More than five years	29	10
Median	4 years	2 years

TABLE A-12. EXPENSES THAT DELAYED SAVING FOR A DOWN PAYMENT OR SAVING FOR A HOME PURCHASE

	First-Time Buyers	Repeat Buyers
Saving for down payment was most difficult task in buying process	26%	5%
Debt that delayed saving		
Student loans	35%	11%
Credit card debt	33	18
Car loan	24	8
Child care expenses	12	8
Health care costs	10	8
High rent/current mortgage payment	24	14
Other	29	57

TABLE A-13. HOME BUYERS IN VIRGINIA WHO HAVE STUDENT LOAN DEBT

	First-Time Buyers	Repeat Buyers
Have student loan debt	32%	11%
Under \$10,000	13	7
\$10,000 to \$24,999	23	38
\$25,000 to \$49,999	26	10
\$50,000 to \$74,999	10	21
\$75,000 or more	28	24
Median amount of student loan debt	\$27,000	\$58,000

TABLE A-14. SATISFACTION IN HOME BUYING PROCESS

	Virginia	U.S.
Very satisfied	61%	64%
Somewhat satisfied	34	30
Somewhat dissatisfied	4	5
Very dissatisfied	2	2

