



**DANTER  
COMPANY**

# Apartment Resources

A Real Estate Research Periodical

*Apartment Resources is a monthly publication designed for apartment developers, lenders and builders involved in all forms of multifamily housing.*

*Volume 7 Number 9 April 1993*

## **PAGE**

---

# **2 Understanding the Tenants You're Losing: A Profile of First-time Housebuyers**

Who are the households leaving multifamily housing to buy a home? The results of a special in-depth unpublished distribution of first-time housebuyers done by the Census Bureau from the *American Housing Survey of 1989*

---

# Understanding the Tenants You're Losing: A Profile of First-time Housebuyers

One of the most important sources of tenant losses for the multifamily market is first-time housebuyers. The United States Bureau of the Census has recently finished a detailed analysis of first-time housebuyers based on its 1989 *American Housing Survey* (AHS). This detailed analysis of first-time housebuyers is based on a special unpublished tabulation.

The tabulation covers 1,673,000 households who are first-time housebuyers who were also recent movers. The survey was conducted from July to December 1989, and all respondents had moved to their present home (which they own) in the year prior to being surveyed.

It is critical for multifamily professionals to understand the first-time housebuyer market, as these are the tenants that the market is losing. In these days of decreased formulation of new households due to the aging of the Baby Boomers, understanding those leaving (or choosing not to enter) multifamily housing is more important than ever.

## Previous Residence

Approximately 13,000 first-time buyer households (0.7%) had a previous residence in another country. Of the remainder, 756,000 (45.2%) previously lived in a house; 793,000 (47.4%) previously lived in an apartment; 95,000 (5.7%) lived in a mobile home; and 0.9% lived another type of unit.

Of those whose previous residence was an apartment, 77.9% moved into a house, 8.7% moved into a mobile home, and 13.4% moved into another apartment (this time as an owner). It is not specified, but we believe the majority of those moving into apartments as an owner actually bought a condominium (rather than buying an apartment

It is clear that the multifamily industry must make a better case for the financial benefits of renting and the renter lifestyle in order to retain households in the rental pool.

building and living in one of the units.) All told, over four-fifths of first-time housebuyers (80.8%) moved from a renter-occupied unit.

## Household Composition

Just over half (50.2%) of first-time homebuyers lived in a one- or two-person household. A distribution of all first-time housebuyer households by number of members is as follows:

Household Size	Percent
One	14.2%
Two	36.2%
Three	22.5%
Four	15.7%
Five	6.6%
Six or More	4.9%
Total	100.0%

The majority of the first-time housebuyers households include no children under 18, as indicated in the following distribution.

Number of Single Children Under 18	Percent
None	52.2%
One	22.5%
Two	15.3%
Three	6.7%
Four or more	3.4%
Total	100.0%

These two distributions indicate that a substantial number of households are not waiting until they have children to buy a home, an important fact for apartment professionals to keep in mind. Attracting and retaining childless couples may be more important in keeping households in the rental base than keeping households with young children.

The median age of the householder is 31. Just over a third were between 25 and 29, a prime age range targeted by multifamily developments. A distribution of householders by age is on the following page:

Age of Householder	Percent
Under 25	13.8%
25 to 29	33.4%
30 to 34	24.5%
35 to 44	18.2%
45 to 54	6.4%
55 to 64	2.5%
65 or over	1.1%
Total	100.0%
Median Age	31 years

Of the total households with children, the majority (78.0%) consist of married couples. Of the married couples with children, over half (59.5%) have only one: 33.0% under 6 years of age and 26.5% between 6 and 17. Of those with more than one child, 15.0% of married couples with children have one child under 6 and one or more between 6 and 17, 20.6% have two or more children below 6 only, and 5.0% have two or more below 6 and one or more between 6 and 17.

A total of 11.1% of all the households with children are in a household with two or more adults, and 10.9% are in a households with only one adult.

Just over half (50.8%) of the households with no children consist of married couples. Households with two or more adults total 22.0% of the households with no children, and single-person households total 27.1%.

### Reasons for Moving

The most popular response given by first-time housebuyers for leaving their previous unit was “change from renter to owner” (44.5%). A distribution of reasons given for moving is as follows:

Reasons for Moving	Percent
Change from renter to owner	44.5%
To establish own household	23.4%
Needed larger house or apartment	11.0%
Wanted better home	10.4%
New job/job transfer	6.6%
Married	5.4%
Closer to work/school	3.2%

This table indicates that it is the actual “ownership” of the house that is most appealing to the first-time buyers. While a change to ownership may also involve a desire to embrace the home owner lifestyle, it is clear

that the multifamily industry must make a better case for the financial benefits of renting and the renter lifestyle in order to retain households in the rental pool.

### The Neighborhood

The factor named by the largest number of first-time homebuyers when asked about choosing their new neighborhood was “the looks/design of the neighborhood” (24.5%). Other responses included “convenient to job” (22.7%), “convenient to friends/relatives” (13.4%), “good schools” (8.0%), and “convenient to leisure activities” (5.2%). Over one-third (35.6%) indicated that the “house was the most important consideration.”

Most looked at homes in more than one neighborhood (68.5%), while 27.4% looked in only the neighborhood in which they eventually bought.

Most (51.7%) felt their current neighborhood was better than their previous neighborhood, compared with 6.7% who thought it was worse and 31.9% who thought it was about the same. A total of 4.7% moved within the same neighborhood.

### Current Home

By far the most important consideration in choosing their current home was “financial reasons” (55.2%). A distribution is as follows:

Reasons for Choosing Current Home	Percent
Financial reasons	55.2%
Room layout/design	28.3%
Size	14.1%
Yard/trees/views	10.6%
Quality of construction	9.8%
Exterior appearance	9.7%
Kitchen	2.7%

Most first-time housebuyers consider their house better than their previous residence (70.7%). However, some consider it worse (7.4%) or about the same (17.2%).

### Income characteristics

The median income for a first-time home buyer is \$34,842. A distribution by income follows:

Monthly Housing Costs	Percent
Less than \$200	9.0%
\$200 to \$299	5.5%
\$300 to \$349	2.7%
\$350 to \$399	5.0%
\$400 to \$449	3.7%
\$450 to \$499	4.1%
\$500 to \$599	11.4%
\$600 to \$699	11.2%
\$700 to \$799	9.7%
\$800 to \$999	16.1%
\$1,000 or more	21.5%
Total	100.0%
Median	\$676

### Housing Costs

Housing costs increased for most first-time housebuyers (74.9%) with the move, stayed about the same for 9.9% of households, and decreased for 9.3%. (5.9% did not respond.)

The median monthly housing cost (the mortgage payment plus utilities, taxes, or other fees) for first-time housebuyers in 1989 was \$676. A distribution of monthly housing costs follows:

Monthly Housing Costs	Percent
Less than \$200	9.0%
\$200 to \$299	5.5%
\$300 to \$349	2.7%
\$350 to \$399	5.0%
\$400 to \$449	3.7%
\$450 to \$499	4.1%
\$500 to \$599	11.4%
\$600 to \$699	11.2%
\$700 to \$799	9.7%
\$800 to \$999	16.1%
\$1,000 or more	21.5%
Total	100.0%
Median	\$676

The median monthly housing cost as a percentage of household income was 26%. A distribution of monthly housing cost as a percentage of income follows .

Monthly Housing Costs as a Percent of Income	Percent
Less than 10%	8.2%
10% to 19%	21.5%
20% to 24%	17.8%
25% to 29%	17.3%
30% to 34%	10.8%
35% to 39%	6.3%
Over 40%	17.3%
Total	100.0%
Median	26%

When including only principal and interest, the median monthly payment for first-time housebuyers was \$523. A distribution of monthly principal and interest payments is as follows.

Monthly Payment for Principal and Interest	Percent
Less than \$200	6.1%
\$200 to \$299	11.3%
\$300 to 399	10.4%
\$400 to \$499	12.2%
\$500 to \$599	12.4%
\$600 to \$699	9.3%
\$700 to \$799	5.6%
\$800 to \$999	8.8%
\$1,000 or more	9.5%
Total	100.0%
Median	\$523

### Value/Purchase Price

A distribution of units by value is as follows:

Value	Percent
Less than \$29,999	19.1%
\$30,000 to \$49,999	16.8%
\$50,000 to \$69,999	15.6%
\$70,000 to \$79,999	9.0%
\$80,000 to \$99,999	14.8%
\$100,000 to \$119,999	4.6%
\$120,000 to \$149,99	7.1%
\$150,000 or over	13.2%
Total	100.0%
Median	\$68,355

The median purchase price for first-time housebuyers was \$60,142. It should be noted that the value distribution includes all houses surveyed, including those that were inherited or received as a gift, while the purchase price distribution includes only those houses bought by the household residing there. A distribution of units by purchase price is as follows:

Purchase Price	Percent
Less than \$20,000	15.6%
\$20,000 to \$29,999	6.5%
\$30,000 to \$39,999	10.4%
\$40,000 to \$49,999	9.3%
\$50,000 to \$59,999	8.1%
\$60,000 to \$69,999	8.5%
\$70,000 to \$79,999	8.8%
\$80,000 to \$99,999	11.7%
\$100,000 to \$119,999	5.9%
\$120,000 to \$149,999	5.8%
\$150,000 or over	9.3%
Total	100.0%
Median	\$60,142

The majority of first-time housebuyers used savings or cash on hand for the down payment on their home (72.6%). Other methods of coming up with the down payment included 4.6% who borrowed it in a way other than a mortgage, 4.5% who used an inheritance or gift, 1.3% who sold another investment, 0.8% who used the land on which the building was built for financing, and 3.6% who used another method not specified. A total of 11.0% did not make a down payment.

## Mortgages

A total of 13.0% of first-time housebuyers had no mortgage, instead owning the house free and clear. Most first-time housebuyers with a mortgage did not use any sort of government financing. A total of 25.5% used FHA financing, 7.9% used VA financing and 0.8% used FmHA financing. The vast majority (63.0%) used another type of financing. A total of 15.1% used a lower-cost state or local program. It is not specified whether those who used state or local programs used them instead of federal programs or in addition to federal programs.

The majority of the mortgages were fixed payment self-amortizing (77.9%). Other payment plans include adjustable rate (10.6%), graduated payment (4.1%), balloon payment (0.6%), and adjustable term (0.3%).

Most mortgage payments include property taxes and/or property insurance. Only 26.6% of mortgages included only principal and interest, while 64.2% included property taxes and 60.8% included property insurance.

The vast majority (68.1%) of mortgages carried terms of between 28 and 32 years, with a median of 29 years.

The median interest rate of those who reported was 9.8%. A distribution of mortgages by interest rate is as follows:

Current Interest Rate	Percent
Less than 6%	2.5%
6.0% to 7.9%	3.6%
8.0% to 9.9%	37.9%
10.0% to 11.9%	48.0%
12.0% to 13.9%	6.2%
14.0% or more	1.8%
Total	100.0%
Median	9.8%

The median loan as a percent of value for first-time housebuyers in 1989 was 82.3%. A distribution of loans by percentage of value follows:

Current Total Loan as a Percent of Value	Percent
Less than 20%	2.7%
20% to 39%	2.0%
40% to 59%	13.0%
60% to 79%	26.7%
80% to 89%	25.1%
90% to 99%	22.7%
100% or more	7.9%
Total	100.0%
Median	82.3%