



BERKSHIRE HATHAWAY

HomeServices

Homeowner Sentiment Survey Q1 2015



Berkshire Hathaway HomeServices

Homeowner Sentiment Survey: A Study of Value

Berkshire Hathaway HomeServices wants to know what's on the minds of homeowners and prospective homeowners as real estate and the U.S. economy move forward.

Are people confident in their housing investment and what are their priorities now? How do they perceive home value today and what plans do they have for the near- and long-term? With the real estate downturn in the rearview mirror for many, have people's perceptions of real estate changed?

To answer these questions and more, Berkshire Hathaway HomeServices created the **Homeowner Sentiment Survey**, a quarterly assessment of people's sentiments and aspirations for homeownership, the real estate market and the U.S. economy.

We will query at least 2,000 homeowners and 500 potential homeowners each quarter to track perceptions about residential real estate. Findings will be released in national press announcements, the monthly Homeowner Sentiment Survey Video Series and more.

Methodology

Study conducted among **n= 2,573** respondents living in the U.S. The survey was fielded from Feb. 6-27, 2015.

Audience	Audience Definition	Sample Size	Margin of Error
Current Homeowners	Individuals who currently own a home as their primary residence	n= 2,073	+/- 2.2%
Prospective Homeowners	Individuals who are likely to buy a home as their primary residence in the next six months	n= 500	+/- 4.4%
Total		n= 2,573	+/- 1.9%

Generational Data: We conducted a subgroup analysis among Millennials (n= 617), Gen Xers (n= 894) and Boomers (n= 1,062). We analyzed the generational data to include both current homeowners and prospective homeowners to have a more robust sample size.

Approach to Factor Analysis

To understand the definition of value among consumers, we developed 29 statements based on the different ways value could be defined.

The quantitative data enables us to group the statements in a more precise way using a statistical factor analysis. This analysis groups like-statements based on how respondents evaluated each statement.

Factor analysis is a data-reduction technique that seeks to remove redundancy within a data set by creating clusters of variables that “behave” similarly, allowing us and to identify patterns in the data.

Based on the factor analysis, the statements fit into the following seven themes:

- Smart Long Term Investment
- Fits Needs Now & In The Future
- Ease of Purchase Decision
- Makes Me Feel Proud
- Location & Community
- Benefit the Entire Family
- Opportunity to Create



Our factor analysis identified seven themes in which all statements fall; these tell us the different “themes” or components that are involved in creating value

Most Important



Smart Long Term Investment	Fits Needs Now & In The Future	Ease of Purchase Decision	Makes Me Feel Proud	Location & Community	Benefit the Entire Family	Opportunity to Create
These statements have to do with enabling confidence that you are making a good decision and that your home will yield a higher return for your family in the future	These statements are about ensuring that the home itself offers the space, security and flexibility to fit your immediate needs and will be accommodating for future needs and lifestyle changes	These statements revolve around the real estate process itself and the process of purchasing your ideal home	These statements have to do with the emotions that go into being a homeowner; being proud to show off your home and feeling that you are living the “American Dream”	These statements have to do with the community and neighborhood offerings associated with living in a particular home	These statements revolve around the benefits a home can have for the entire family, such as employment and educational opportunities	These statements revolve around the idea of being able to create, design and renovate your dream home

How Is Value Defined Today?



Uncovering the true definition of value: What we found in our research

People's perception of home value is shifting beyond traditional measurements.

Value = Confidence

1

*Value is not just about the actual **price** of the home when purchased, it's also about the **confidence people feel in securing an investment for the future**. In sum, a home is more than its price tag.*

Value = More holistic than just a house

2

*Value is not only defined by home's **location**, value is how the home itself **meets the entire needs of the family now, and in the future***

Value = Finding a "dream home"

3

*Value is not **about creating your dream home**, value is **finding your dream home as "ready to go" as possible***

Value Definition # 1

Beyond price, home value is determined by the confidence people feel in making a smart decision and investing in the future.

Value = Confidence ... A home is more than its price tag.

“Personally, I feel that a home is one of the **strongest investments a person can make**. It may not escalate like some stocks in the market, but in the long run a home will still provide a stronger investment with a good rate of return.”

“I like the freedom you have with your own home. In addition I'm always looking for ways to **improve my investment**.”

“Owning a home is important because it gives you the stability that renters do not have. Renting is like throwing money away. As the real estate market fully recovers, at least **homeowners will have a nice investment**.”

“I feel **confident in owning a home today**. In the long run, homeownership is the best investment a person can make.”

“You’re not giving money to someone but **buying for yourself an investment**.”

“I believe it is the best form of an investment and **retains its value and will appreciate over time**.”

Value Definition # 2

Location and community remain important factors yet value is also determined in a home that is the right fit and will evolve with family needs.

Value = More holistic than just a house

Among current homeowners

Fits Needs Now & In The Future – 71%	
A place I can see my family living in for a while	79%
Large enough to accommodate my family as we go through all life stages	72%
Ready to live in as soon as I purchase it	71%
A place I can see myself living in when I retire	71%
Has a room that appeals to everyone in my family	68%
In a neighborhood where I see myself and my family forming relationships with neighbors	63%

VS.

Location & Community – 50%	
Enough space to accommodate many activities, work and chores I need to do at home	75%
In a location that encourages me to live a healthier lifestyle	55%
Is located in a lively neighborhood with various dining and retail options	46%
In an area where the local and state politicians share my same political beliefs	37%
A place that will encourage me to be involved in civic participation and community service	36%

Value Definition # 3

Value is also defined in ease of a purchase decision and a simple purchase process, more so than “creating” a dream home.

Value = Find a dream home as "ready to go" as possible

Among current homeowners

Ease of Purchase Decision – 70%	
I feel confident I am able to afford the home	86%
Real estate agent provides comparable sales information I need to make an informed decision	66%
The process of buying a home is an easy and stress free experience	64%
Being able to close on the home immediately	52%

VS.

Opportunity to Create – 43%	
Has features or resources that allow me to have a positive affect on the environment	51%
A home that makes me excited to work on a new project	49%
Provides opportunities to do major renovations to enhance the home	42%
The home needs work but will allow me to create my “dream home”	28%

What Is Most Important by Audience?



What's most important to whom?

What respondents deemed “extremely important” (top 3 box) when it comes home value ...

Smart Long Term Investment	Fits Needs Now & In The Future	Ease of Purchase Decision	Makes Me Feel Proud	Location & Community	Benefits Entire Family	Opportunity to Create
<u>Retirees, previous and current homeowners</u> are more likely to prioritize the value of a home by its investment value vs. being an ideal place to raise a family	<u>Married couples with children over 18 living at home</u> say it's most important to have a home large enough to accommodate the family as they prepare for their lifestyle changes	<u>Millennials who face the most barriers related to personal finances and people who have spent less time searching</u> for a home see value as a process that is short and simple	<u>First-time buyers and women</u> have more emotional feelings toward homeownership compared to other groups <u>and</u> want a home they feel proud to show to friends and family	<u>Southerners and full-time employees</u> prioritize value in a home that accommodates various activities, work and chores they do at home	<u>Families with children under 18 living at home, city dwellers, Millennials and individuals with a lower household income</u> prioritize value as a home that provides employment opportunities while they build a career and need to live in a community with good schools	<u>Owners of multiple homes</u> and people who are “ <u>very favorable</u> ” toward the real estate market are more optimistic and likely view now as an opportune time to create/renovate a home to maximize its value

Prospective homeowners' perception of value varies from current homeowners

Prospective homeowners are more likely to define value by the process of buying a home and consider “Ease of Purchase Decision” as the top driver of value.

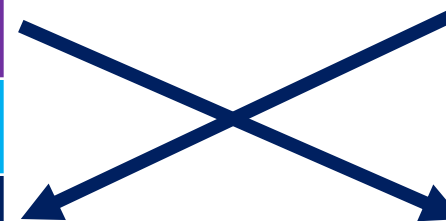
Stated Importance of Themes that Maximize Home Value

Displaying Average Theme Percentage

Most Important

Prospective Homeowners

Ease of Purchase Decision	74%
Fits Needs Now & In The Future	70%
Smart Long Term Investment	66%
Makes Me Feel Proud	65%
Benefit the Entire Family	60%
Location & Community	53%
Opportunity to Create	52%



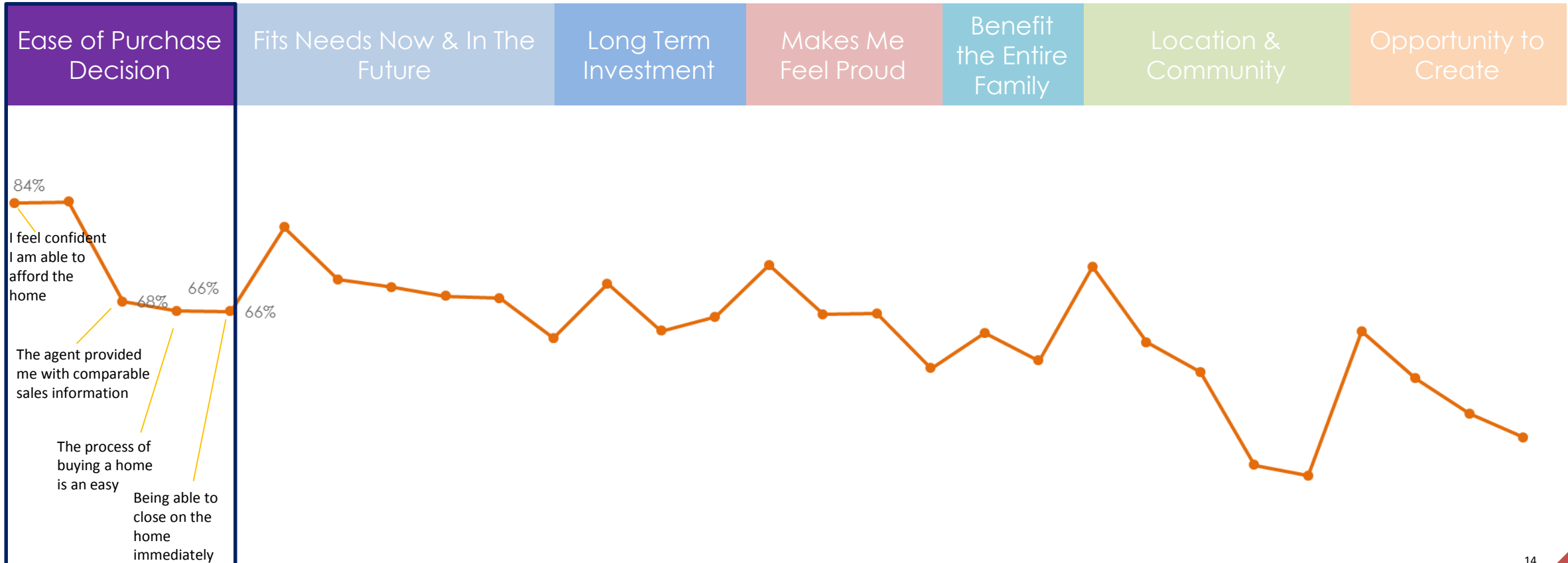
VS.

Current Homeowners

Smart Long Term Investment	74%
Fits Needs Now & In The Future	71%
Ease of Purchase Decision	70%
Makes Me Feel Proud	62%
Location & Community	50%
Benefit the Entire Family	50%
Opportunity to Create	43%

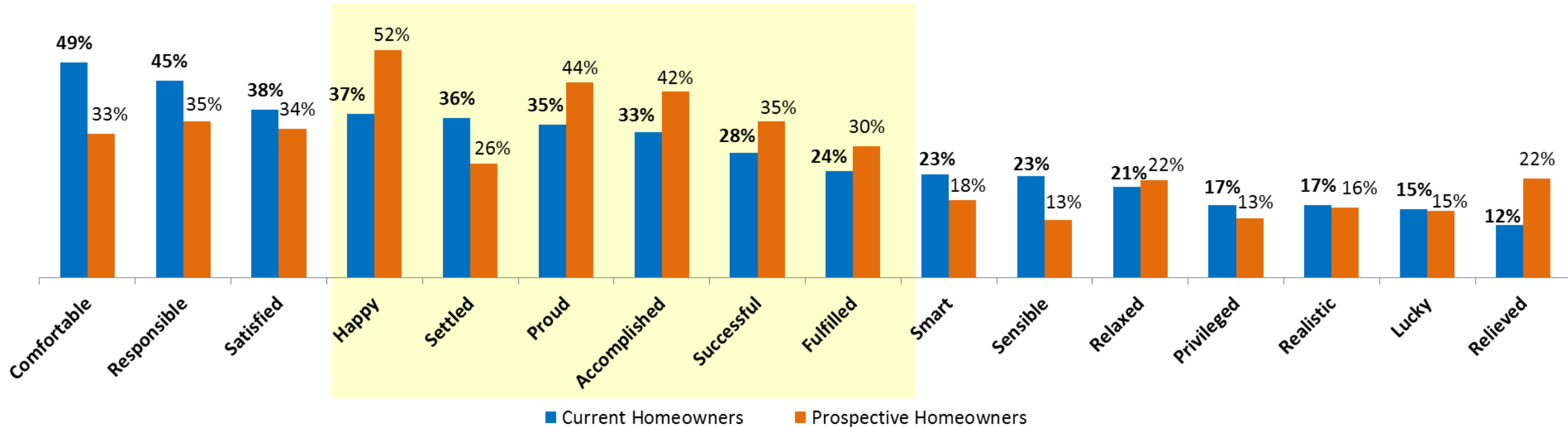
Since the prospect of owning a home represents a new life stage, prospective homeowners indicate they are more focused on the immediate and emotional aspects of what homeownership signifies

Stated Importance of Value-Ranked by Theme Average (Top 3 Box)
Among prospective homeowners



And that is why prospective homeowners use more emotional words such as “happy,” “proud,” and “successful” to describe what homeownership represents to them

Top five words to describe what it means to be a homeowner?



Generational Preferences



Millennials vs. Gen Xers vs. Boomers

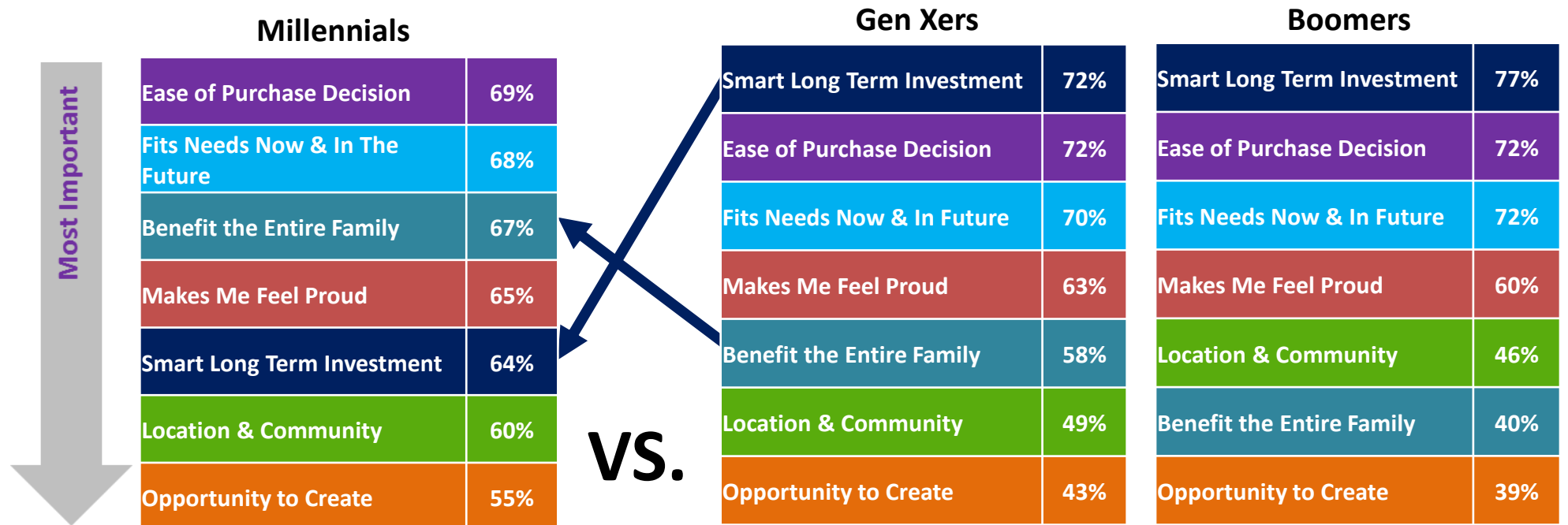
Compared to Gen Xers and Boomers, Millennials are “thinking in the now”

AND

Millennials prioritize attributes offering instant satisfaction with their purchasing decisions

Stated Importance of Themes that Maximize Home Value

Displaying Average Theme Percentage



VS.



Millennials vs. Gen Xers vs. Boomers

That's why Millennials prioritize the "Ease of Purchase Decision" & "Fits Needs Now & in the Future"
Stated importance of Value (Top 3 Box)

Among Millennials

Ease of Purchase Decision – 69%	
I feel confident I am able to afford the home	80%
Being able to close on the home immediately	62%
Process of buying a home is an easy, stress free experience	61%
Real estate agent provided comparable sales information to make an informed decision	61%

&

Fits Needs Now & In The Future – 68%	
A place I can see my family living in for a while	78%
Large enough to accommodate my family as we go through all life stages	71%
Ready to live in as soon as I purchase it	69%
Has a room in the house that appeals to everyone	66%
In a neighborhood where I see myself and my family forming relationships with our neighbors	65%
A place I can see myself living in when I retire	61%

Millennials vs. Gen Xers vs. Boomers

Millennials also value a home that makes them feel proud and enables them to have a healthy work/life balance; traditional qualities are of highest importance to them

- 73%** To own a home that you are **proud to show to family and friends**
(Compared to 64% of Gen X and 64% of Boomers)
- 72%** For a home to be located in a **community with a great school district** that provides the best education for my family (Compared to 58% of Gen X and 46% of Boomers)
- 65%** For a home to be in a location that **encourages you to live a healthier lifestyle**
(Compared to 52% of Gen X and 55% of Boomers)
- 62%** To live in a **community with promising employment opportunities for the future**
(Compared to 58% of Gen X and 33% of Boomers)
- 61%** To be in a lively **neighborhood with a variety of dining and retail options**
Compared to 48% of Gen X and 39% of Boomers

Priorities for Increasing Home Value



Homeowners express satisfaction with their homes; about one-third have considered selling in the near future . . .

Among Current Homeowners

89%

are **satisfied*** with their home and living situation

AND

33%

have thought about selling their current home in the near future

18%

are thinking about selling their home now for investment purposes

*Satisfied= Very Satisfied + Satisfied

Q38. How satisfied are you with your current home / living situation?

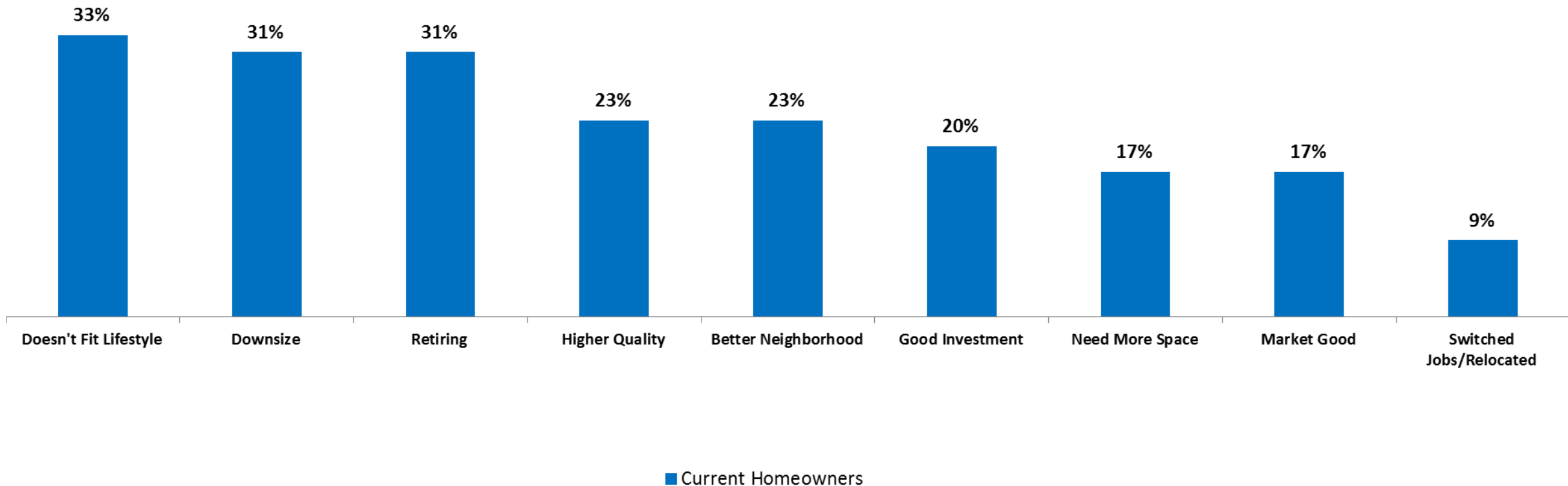
Q40. Have you either thought about selling your current home or do you plan on selling your current home in the near future?

Q39. You stated you were [INSERT RESPONSE FROM Q36] with your current home. In thinking about your current home and your plans for the future would you say you are more likely to...

A majority of those selling homes want properties that better fit their changing lifestyles

Which of the following reasons have encouraged you to consider selling your home?

Among Current Homeowners



A sizeable majority is renovating to ensure their home is in good shape when they decide to sell ...

Among Current Homeowners

88%

say it's **important*** to update or renovate their home over time



75%

have done renovations to their current home

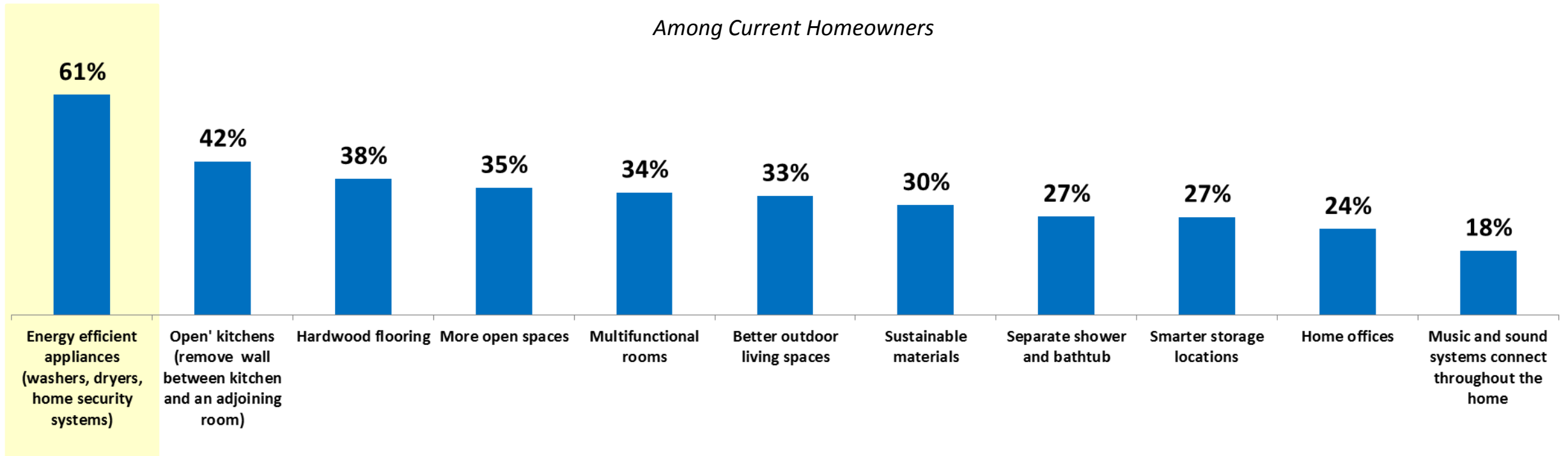
*Important= Very Important + Important

Q43. How important is it that you update and renovate your home over time, either as it naturally experiences wear and tear or in order to keep up with other homes on the market?

Q45. Since the day you purchased your current home, have you done any renovations to the interior or exterior of the home?

What will they renovate? Respondents chose these projects as most important in the near future?

Among Current Homeowners



Agents: Adding Value to the Real Estate Process



Nearly half of prospective homeowners said they faced challenges in the process of finding a home

48%

**Of prospective homeowners
rated their own process in the
real estate market as difficult**

Rank by % who agree	Top Challenges
# 1	Trying to save money
# 2	Finding a home that suits your family's wants and needs
# 3	Securing a good interest rate on a mortgage loan or home financing
# 4	Selecting a home that is competitively priced in the market

Top challenges consumers face include finding a home that fits their needs and is within budget

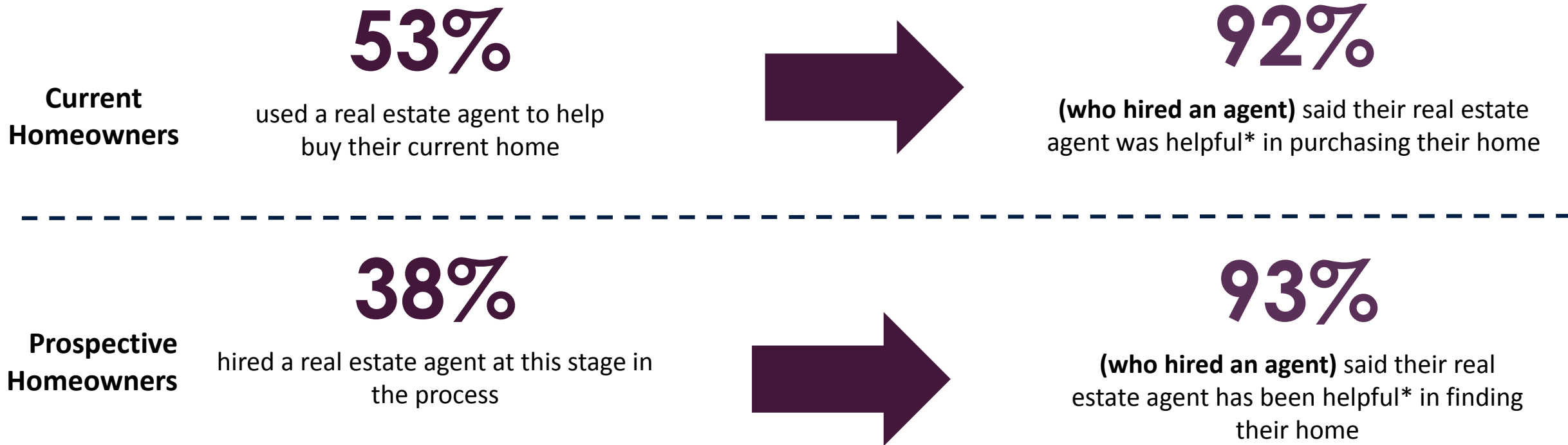
"Prospective Homeowners" on this slide also include current homeowners looking to move in the next 6 months

Q32. Thinking about your own experiences in the real estate market, please rate the level of difficulty it has been to buy a home?

Q34. Below is a list of several challenges or barriers that could impact ones decision to purchase a home. For each of the following, please select to what extent you agree or disagree that each of the following is / was a challenge or barrier that impacted you at any point throughout the process.

Real estate agents add value to the process

Nearly all who hired an agent said the agent successfully helped them purchase their home



"Prospective Homeowners" on this slide also include current homeowners looking to move in the next six months

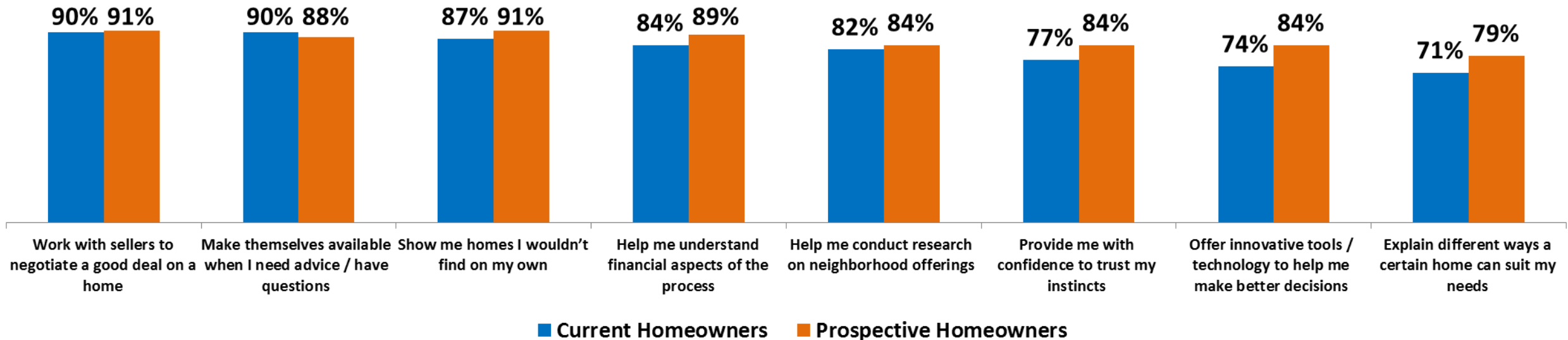
*Helpful = Very Helpful + Somewhat Helpful

Q49. Did you hire a real estate agent to help you buy the home you currently own? / Q50. How helpful was your real estate agent in helping you purchase your home?

Q51. Have you hired a real estate agent to help you with any part of the process of buying a new home? / Q52. How helpful is / was your real estate agent in helping you with the process of buying a home?

Respondents: Agents' most valuable qualities start with negotiating a good deal and being available

Showing Very Important + Important

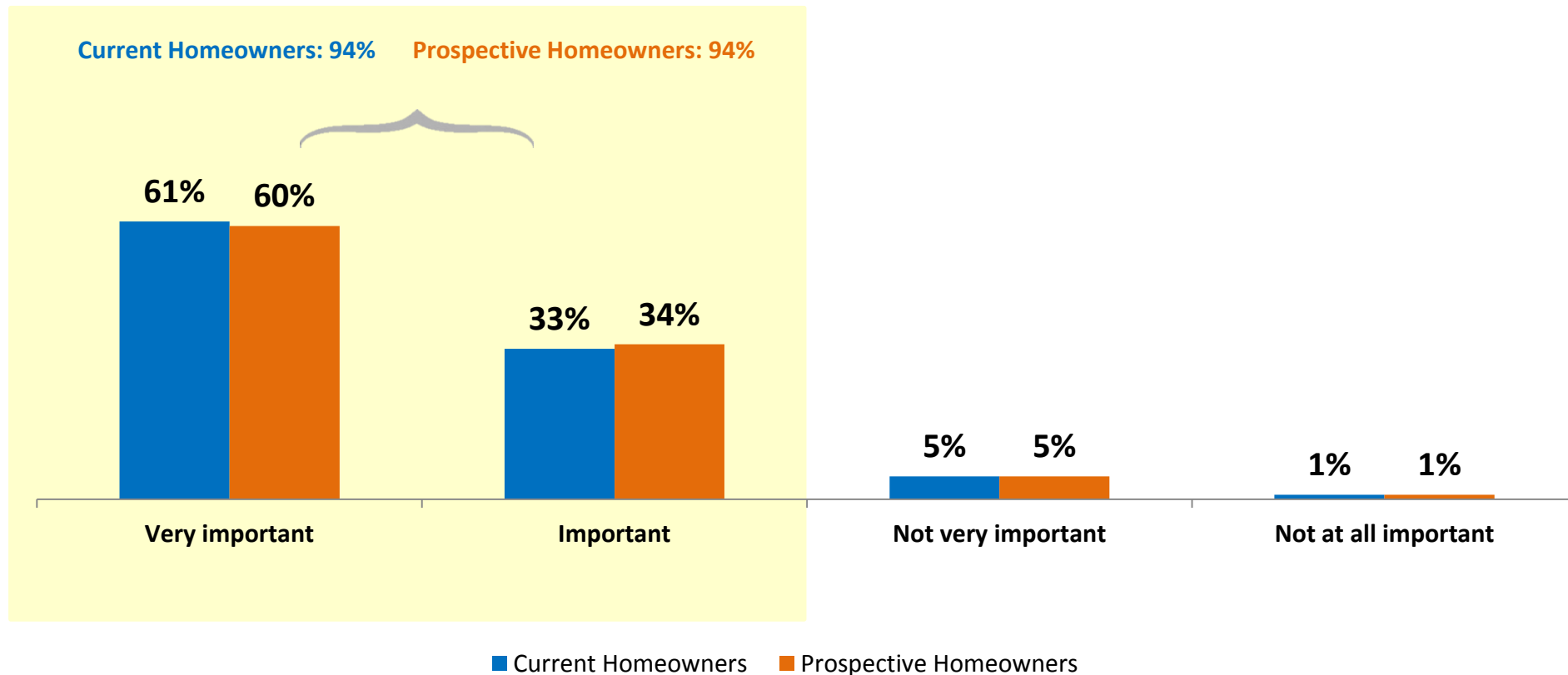


Homeowner Sentiments: The Real Estate Market Today

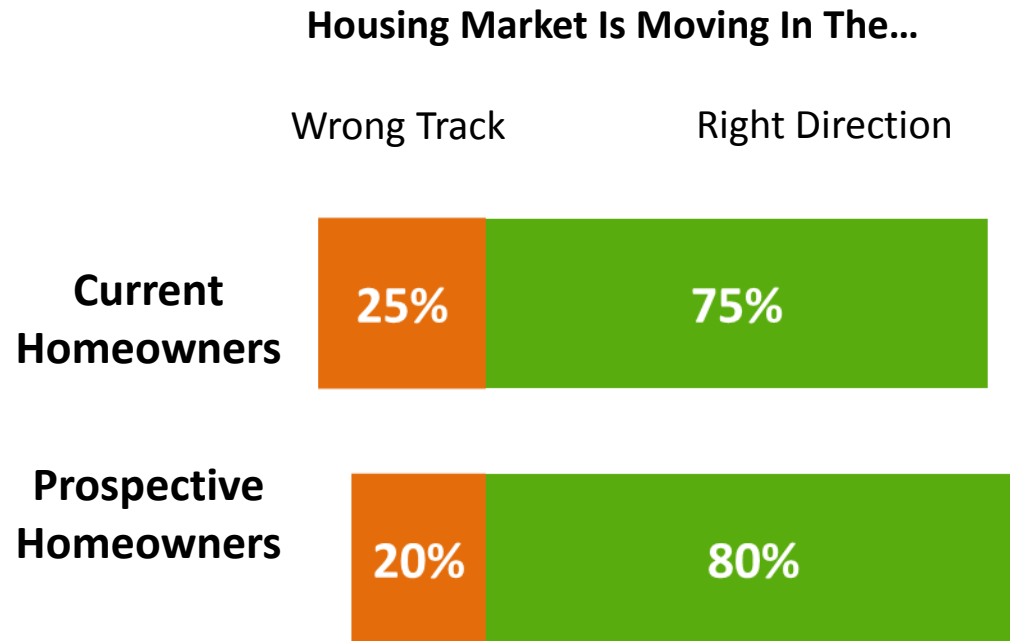


Near universal agreement . . . homeownership is important

How important is owning a home to you?



Near universal agreement . . . housing market moving in the right direction



Who's more likely to believe the market is moving the right direction?

- 83% Millennials
- 79% Individuals with children living at home
- 80% Individuals living in the West
- 77% Married couples/partners

What's driving positive perceptions of the real estate market?

- **Lower interest rates** are the **#1 favorable driver** of market perceptions (64% of current and 51% of perspective homeowners are favorable due to interest rates).
- **State of the U.S. economy** (74% of current and 82% of perspective homeowners agree* the U.S. economy played a role in helping the market recover).

*Agree= Strongly Agree + Agree

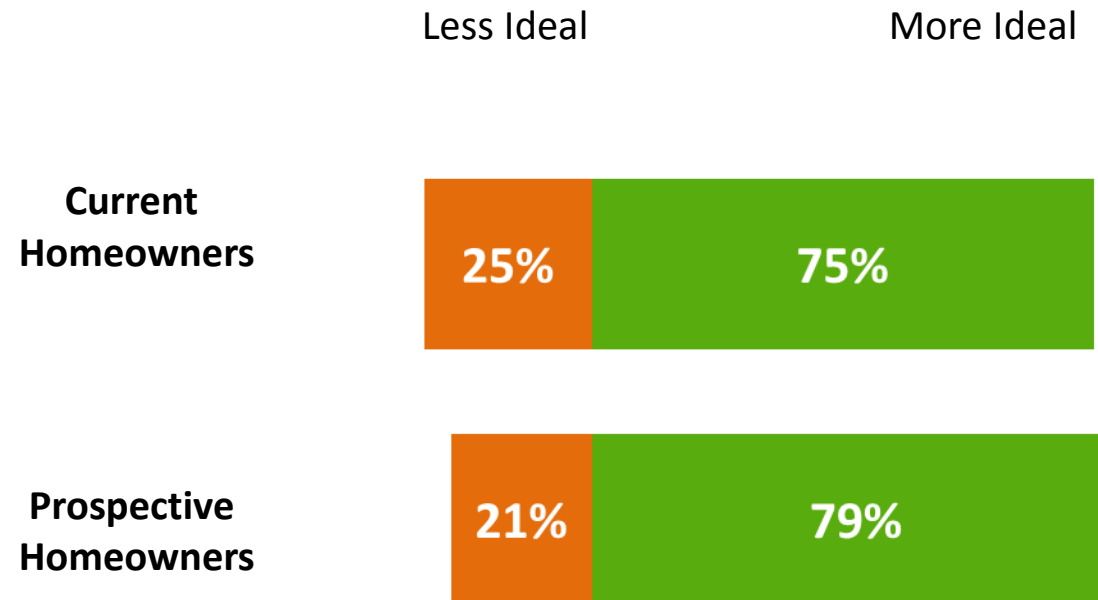
Q3. Compared to last year, do you believe that the housing market is [moving in the right direction] or [off on the wrong track]?

Q2.IF FAVORABLE (Q1=1 OR 2): You previously stated that you have a favorable impression of the residential real estate market in the United States. Which of the following reasons best describes why you are favorable towards the real estate market? (SELECT ALL THAT APPLY) [RANDOM ROTATE]

Q5. To what extent do you agree that the current state of the U.S. economy played a role in helping to recover the US housing market?

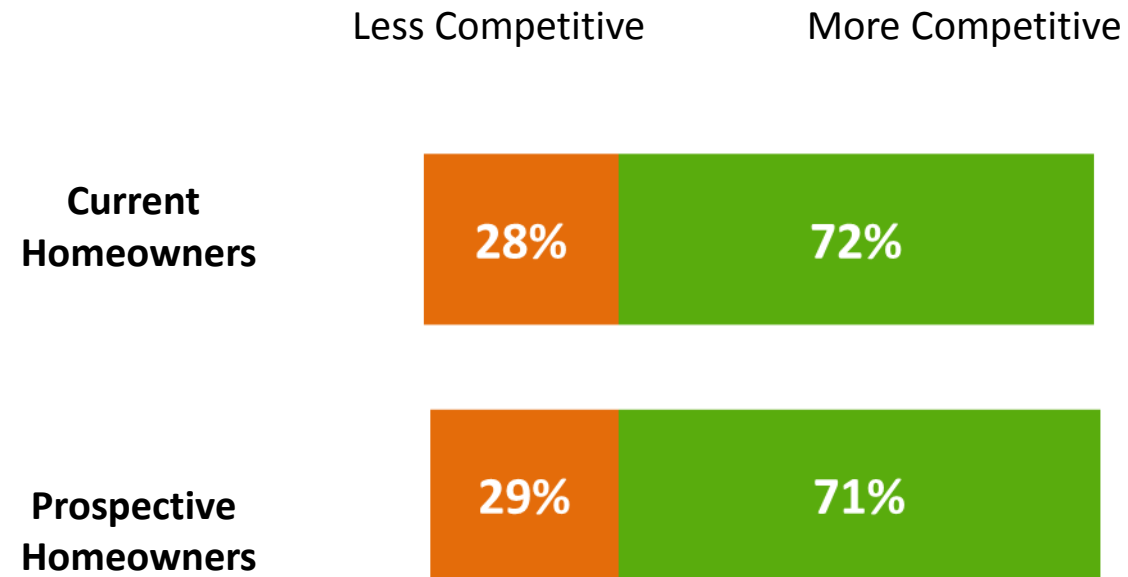
‘Today’ is seen as a more ideal time to buy a home

Compared to last year, is it a more or less ideal time to buy or sell a home?



The housing market is seen as more competitive now

Compared to last year, do you think the real estate market is more or less competitive?





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