

Statistical Brief

Buying That First Home — A Look At New First-Time Homeowners

Because home prices have risen faster than income over the last couple of decades, it's gotten harder for people to buy that first home. However, it is not impossible.

That was proven by the 1.7 million householders who, between 1988 and 1989, *did* manage to move into the first home they ever owned ("first-time owners"). This Brief compares them with the 2.7 million other owners who also moved into a home during the period, but whose home wasn't the first they owned ("repeat owners"). Their demographic and financial characteristics, as well as the characteristics of their property, are examined.

Data were collected by the 1989 American Housing Survey (AHS). The AHS is conducted by the Census Bureau and sponsored by the Department of Housing and Urban Development.

Demographics differ.

Not surprisingly, first-time owners were younger than repeat owners (a median of 30 years compared with 42). Along

with their relative youth came other demographic differences. First-time owners were:

- More likely to be currently unmarried or separated (35 percent versus 28 percent) as well as to never have been married (23 percent versus 6 percent).
- More apt to have children under age 6 only in their home (22 percent versus 14 percent).
- Less likely to have a college degree (27 percent versus 36 percent).

First-time owners buy older homes.

Thirty-seven percent of first-time owners purchased homes built

before 1960, compared with 23 percent of repeat buyers. On the other hand, first-time owners were less likely to have bought homes built between 1975 and 1989 (45 percent versus 58 percent). See graph below.

First-time owners choose smaller homes.

First-time owners bought homes containing a median of 1,458 square feet and 5.6 rooms. The respective figures for repeat owners were 1,900 square feet and 6.5 rooms.

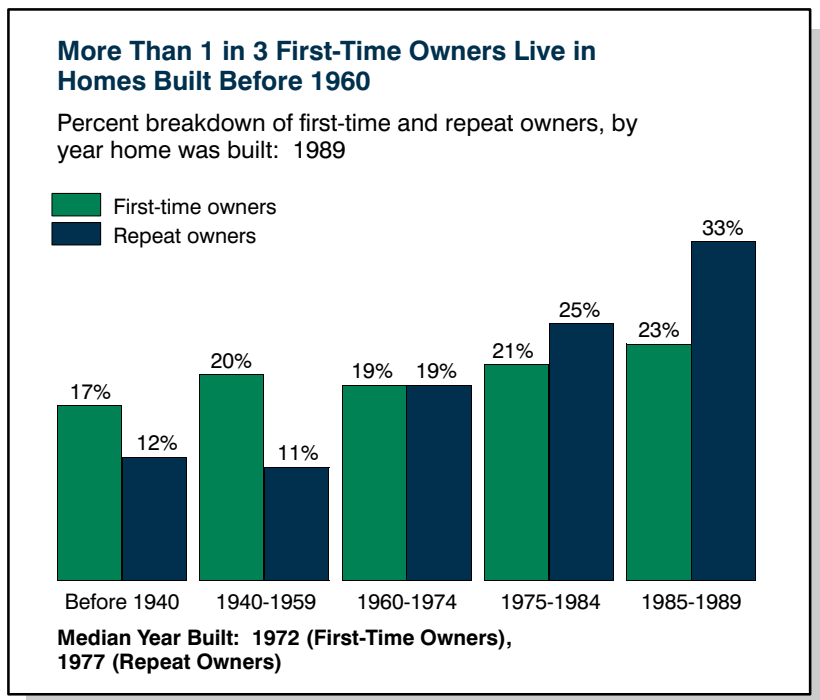
More first-time owners live in or near central cities.

First-time owners bought homes inside urbanized areas more often than repeat owners (62 percent versus 52 percent). And



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their homes were more likely to be in central cities (31 percent versus 19 percent).

First-time owners select homes with fewer amenities

First-time owners had fewer amenities than repeat owners. Proportionately fewer first-time owners purchased homes with porches, decks, balconies, or patios (78 percent versus 88 percent). In addition, a smaller percentage had usable fireplaces, separate dining rooms, and garages or carports (see graph at bottom right). First-time owners were also slightly likelier to report their homes had moderate or severe physical problems (6 percent versus 4 percent).

.....yet like their homes better.

Despite their more basic homes, it was more common for first-time than for repeat owners to like their new home better than their previous residence (74 percent versus 64 percent). Why? Moving from nonowner to owner status may lead to a greater improvement in living conditions than moving from one owner-occupied home to another. Also, brand new homeowners may be more tolerant of perceived or actual problems with their homes.

First-time owners pay less for housing.

Reflecting the fact they bought less expensive homes, first-time owners had lower median monthly housing costs than repeat owners (\$744 versus \$907 for mortgaged owners, \$174 versus \$214 for nonmortgaged owners). The median purchase price of their homes was \$60,112, much lower than the \$86,563 paid by repeat owners.

But because first-time owners also had a lower median household income (\$34,780 versus \$43,371), their housing burden — the percent of their income

they spent on shelter each month — was about the same as that of repeat owners.

Down payments smaller for first-time owners.

Savings or cash on hand were the primary sources for first-time owner's down payments (74 percent); repeat buyers most often used proceeds from the sale of their previous home (48 percent). As a result, the median down payment made by repeat owners was about four times that of first-time owners: \$22,008 versus \$5,129.

There are more earners in first-time owner households.

While it was more common for first-time owner households to contain two earners (49 percent versus 39 percent for repeat owners), it was less likely for them to have no earners (7 percent versus 16 percent). The fact that repeat owners are likelier to be of retirement age partially explains the differences.

More information:

First-Time Homeowners in 1989: A Comparative Perspective, Current Housing Reports, Series

H121/93-1. Contact Customer Services (301-763-4100) for ordering information. Also, Statistical Brief 91-13 (*New First-Time Homeowners*) has additional data from the 1989 AHS not contained in this Brief. Call Customer Services for a free copy.

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