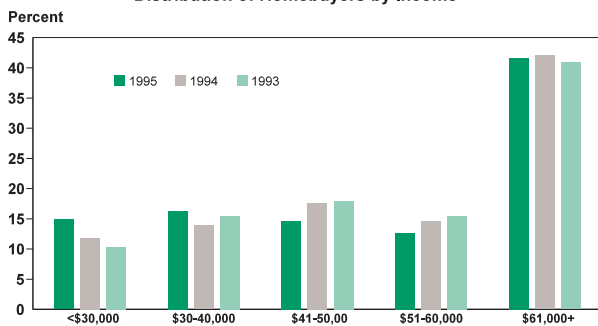


## Strong Purchases by Lower-Income Homebuyers Stalls Prices

Home purchases by families earning less than \$40,000 outpaced transactions by middle-income buyers in 1995. The shift in buying patterns by income effectively stalled median home-price gains, according to the Chicago Title and Trust Family of Title Insurers.

Distribution of Homebuyers by Income



Source: Chicago Title and Trust Family of Title Insurers

resulting from corporate down-sizing fears. These and other findings emerge from the company's 20th annual survey of recent homebuyers, titled *Who's Buying Homes in America*, released in January 1996.

Increased home-buying activity among buyers with incomes up to \$40,000 was strongest among repeat purchasers, whose ranks swelled by 24 percent between 1993 and 1995. The number of first-time buyers of modest means also grew by 16 percent for the same period.

The gains came at the expense of middle-income buyers with annual incomes of \$41,000 to \$60,000. The number of repeat buyers and first-time buyers in this income group dropped by 27 percent and 14 percent, respectively.

The upsurge of less affluent homebuyers boosted demand for less expensive homes. This dealt a blow to the trade-up market and contributed to weak home-price gains overall. Nationally, the 1995 median home price rose only 1.6 percent over the previous year to \$147,700, the survey found.

The increasing presence of unmarried buyers in the housing market also contributed to the median home-price dip. The share of single, divorced, separated and widowed buyers grew nearly 3 percentage points during the last three years.

High mortgage interest rates in early 1995 largely were responsible for pushing the average monthly payment higher for both first-time and repeat homebuyers last year. First-time buyers in 1995 paid an average \$988 monthly, up from \$945 in 1994. Trade-up buyers paid \$1,125, up from \$1,114.

Chicago Title's annual survey polls a representative sample of homebuyers in 18 leading metropolitan housing markets: Atlanta, Boston, Chicago, Cleveland, Dallas/Fort Worth, Denver, Detroit, Los Angeles, Memphis, Minneapolis, New York City, Orange County, Orlando, Philadelphia, Phoenix, San Francisco, Seattle-Tacoma and Washington, DC. Together these markets account for about one-third of all home sales and about one-half of all urban-market sales nationwide.

Weak housing activity in economically depressed California and the Northeast offset modest gains in other markets. Denver, for example, showed a median home-price gain of 8.3 percent, while Cleveland and Washington, D.C. saw increases of 6.5 percent and 4.5 percent, respectively.

**TABLE 1: NATIONAL VS. REGIONAL HOUSING MARKET ACTIVITY**

	NATIONAL	REGIONAL			
	1995	New York	Cleveland	Dallas/ Fort Worth	San Francisco
First-time buyers	46.2%	56.9%	42.9%	38.7%	57.8%
Repeat buyers	53.8	43.1	57.1	61.2	42.2
Married	66.4%	78.1%	68.6%	82.5%	52.2%
Single	19.5	12.5	17.7	8.5	35.6
Divorced/separated	11.2	6.9	10.0	7.0	10.0
Widowed	2.9	2.5	3.7	2.0	2.2
Property purchased					
Single-family	83.1%	76.5%	87.2%	94.9%	56.6%
Multifamily	2.5	13.1	1.4	1.0	6.7
Condominium	14.0	8.8	11.4	4.1	36.7
Median home price	\$147,700	\$169,700	\$98,800	\$108,600	\$254,300
First-time buyers	128,300	153,000	82,500	90,200	238,500
Repeat buyers	164,300	197,500	126,200	120,200	276,100
Average monthly payment	\$1,062	\$1,354	\$751	\$967	\$1,497
First-time buyers	988	1,309	693	855	1,376
Repeat buyers	1,125	1,428	889	1,058	1,665
Median income	\$61,400	\$66,600	\$51,800	\$64,500	\$79,600
First-time buyers	51,100	58,400	43,400	55,000	73,700
Repeat buyers	70,200	78,300	58,100	62,500	88,000
Down payment as % of sales price	20.4%	22.9%	20.5%	18.6%	21.4%
First-time buyers	13.3	20.2	14.3	11.9	17.0
Repeat buyers	26.8	26.4	25.1	22.7	27.5
Fixed- rate mortgage	55.5%	66.1%	68.7%	65.8%	27.0%
Adjustable- rate mortgage	36.2	30.3	25.1	26.6	65.2

Source: Chicago Title and Trust Family of Title Insurers

In spite of a statewide recession, California's two largest markets showed the strongest gains in first-time homebuyers of all metropolitan areas surveyed. The percentage of first-time buyers in Los Angeles reached 60 percent in 1995, up from 56.4 percent in 1994. In Orange County, the first-time-buyers share jumped dramatically to 46.7 percent from 37.8 percent a year earlier.

San Francisco, the most expensive of the housing markets surveyed, had the highest median household income at \$79,600, as well as the highest for first-time buyers at \$73,700. The sizable Bay-area incomes allowed many to buy some of the priciest residences, on average, in the country. San Francisco also reported the largest percentage of single and other nonmarried homebuyers, at 35.6 percent and 47.8 percent, respectively.

To request a copy of the 1996 edition of *Who's Buying Homes in America?* call Chicago Title at (312) 223-2000.