

Sources of New Home Buyers and Renters

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Paul Emrath, Ph.D.

A key aspect of housing markets is where buyers of homes and new tenants in rental housing originate. If they are newly formed households, they represent an increase in the number of housing units needed. If they are relocating over long distances, they impact demand for housing in the local markets where they move to and from. If they are switching from renting to owning, or vice versa, there may be mismatches between the types of homes demanded and those available in the market, as owner-occupied and rental housing units tend to have somewhat different characteristics.

The standard source of data for backtracking home buyers and renters to their sources is the HUD/Census Bureau [American Housing Survey](#) (AHS). The AHS is one of the few data sources that captures information about the previous, as well as current, residences of home owners and renters. NAHB's analysis of the latest data from the AHS shows that, compared to recently moving renters, home buyers are more likely to be former owners, less likely to be newly formed households. Home buyers are also more likely to have higher incomes, and to be trading up both in terms of cost and subjectively measured housing quality. Sometimes, however, buyers (as well as households moving into newer rental housing) are moving into housing that they like better without necessarily paying more for it. Whether they are buying or renting, the majority of recent movers are coming from less than 50 miles away, but seldom from the same neighborhood.

The rest of this article describes the data and discusses these results in more detail.

Data

The AHS is funded by the Department of Housing and Urban Development and conducted in odd-numbered years by the U.S. Census Bureau. Data from the 2015 have become available fairly recently (in fact, as of this writing, newer versions of the public use data files are still being released).

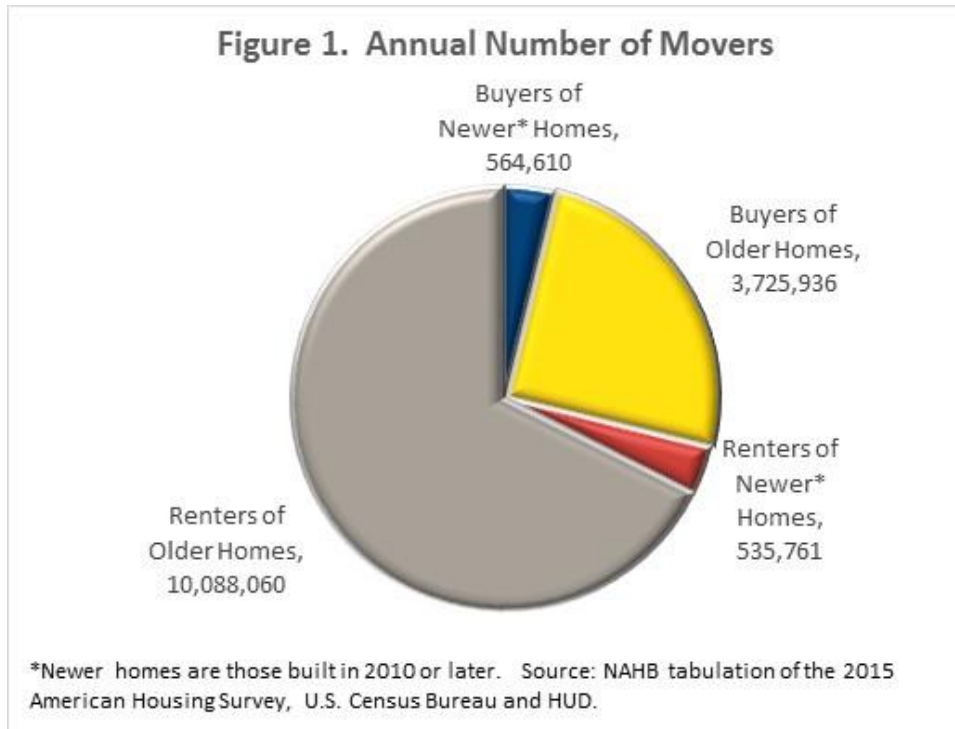
Although the AHS is a standard source of data that researchers have used to study the behavior of home buyers and renter and renters, several have changed with the data for 2015. For one thing, the survey was completely redesigned, with a new questionnaire and a new sample based on more recent metropolitan boundaries. Also, the increasing availability of private “big data” has intensified the Census Bureau’s concern over the confidentiality of its survey respondents and limited the amount of data on individual it is willing to release.

One result is that, in many ways, results from the 2015 AHS are not perfectly comparable to earlier years, including the way buyers and renters who moved over the past one or two years are identified and counted. For this report, NAHB identified recent movers based on the “mover group” to which the head of the household belongs.¹ This is somewhat different than the criterion that has been used previously, but is consistent with the common practice of characterizing a household based on the characteristics of its head.

Numbers and Sources of Movers

Using this criterion, the 2015 AHS shows that a total of 29.8 million households moved into their present homes in the two-year period before the survey was conducted—roughly 14.9 million households moving per year.² The majority of these recent movers are renters. Although there are more home owners than renters in the U.S. (the latest [homeownership rate](#) was 63.7 percent), it is well known that higher mobility rates for renters is enough to more than offset this. Two-thirds—or 10.1 million—of the recent movers are renters of older (built before

2010) housing units, and one-fourth are buyers of older homes.³ The remaining, smaller slice of the pie is divided roughly evenly between buyers and renters of homes built in 2010 or later (fig. 1).

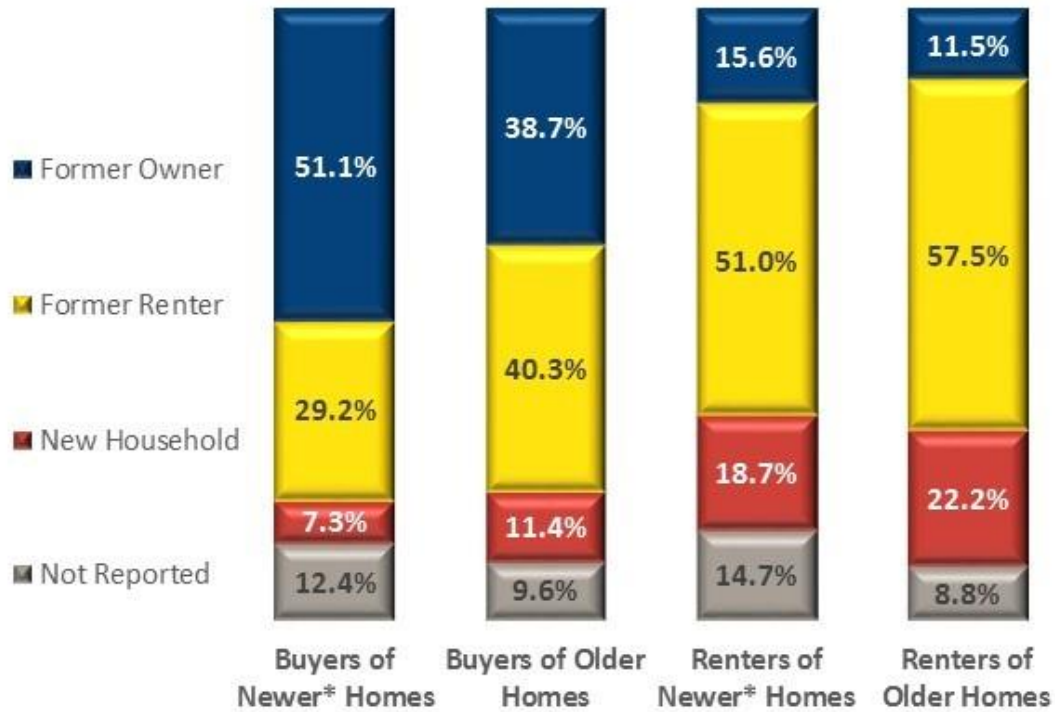


Home buyers and new tenants in rental housing can come from households that were previously owners, households that were previously renters, and newly formed households. Overall, 52 percent of recent movers in the AHS are former renters, 20 percent are former owners, and 19 percent are new households (the data are missing for the remaining 9 percent), but the percentages are drastically different depending on the type of home moved into.

Former home owners account for a significantly larger share of home buyers than of new tenants in rental housing. In other words, a large share of home buyers consists of repeat buyers. This is especially true for buyers of newer homes, where repeat buyers account for 51 percent of the market. Former renters and new households account for larger shares of the home buying market for older homes,

still larger shares of the market for newer rental housing, and shares even larger than that of the market for older rental housing (fig. 2).

Figure 2. Sources of Home Buyers & New Renters



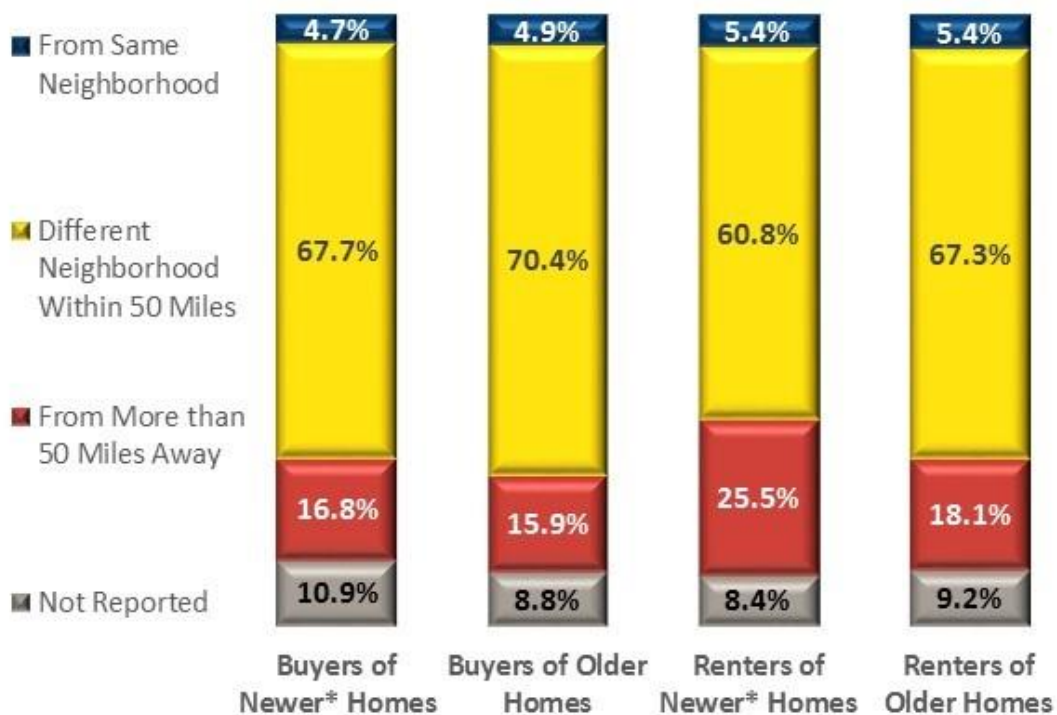
*Newer homes are those built in 2010 or later. Source: NAHB tabulation of the 2015 American Housing Survey, U.S. Census Bureau and HUD.

Although some markets have been successful in attracting movers from a relatively long distance away (such as certain areas in the sun belt attracting movers from colder climates the Northeast and Midwest⁴), housing markets in general tend to be driven by shorter distance movers.

The AHS data show that a relatively small share (about five percent) of recent movers stay within the same neighborhood, and moving within a neighborhood is only slightly more common among renters than among home buyers. However, a strong majority (over three-fifths) of recent movers are moving into different

neighborhoods but staying within a 50-mile radius. And this is true for movers into owner-occupied or rental housing, whether the homes newer or older. Long-distance moves of more than 50 miles account for a larger share of the rental housing market, especially the market for newer rental housing, but even here the share is only about 25 percent (fig. 3).

Figure 3. How Far Buyers and Renters Moved



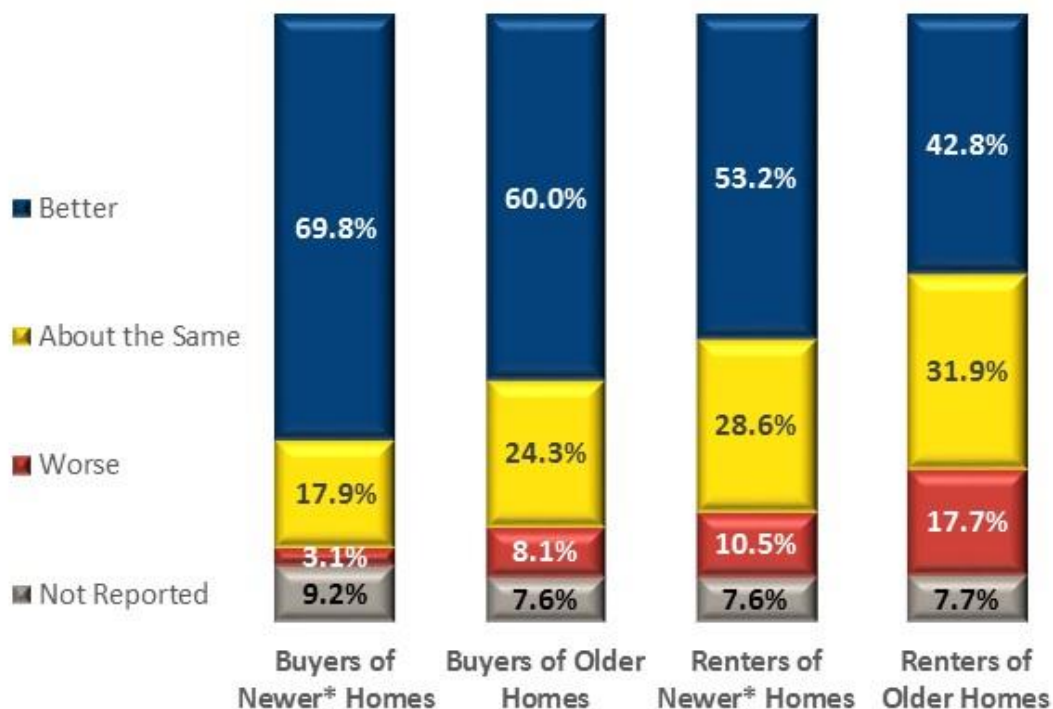
*Newer homes are those built in 2010 or later. Source: NAHB tabulation of the 2015 American Housing Survey, U.S. Census Bureau and HUD.

New and Former Residences Compared

A related question is how the new homes of buyers and renters compare to the previous ones. Are movers trading up, down or sideways? In terms of the quality of the homes buyers and renters believe perceive they're getting, the most common answer is trading up. This tendency, however, is more pronounced for buyers than for renters, and for movers into newer rather than older homes. Nearly 70 percent

of buyers of newer homes say their new residences are better than their previous ones, compared to 60 percent of buyers of older homes, 53 percent of renters of newer homes, and only 43 percent of renters moving into older homes (fig. 4).

Figure 4. How Buyers & Renters Rate Their New Homes Compared to Previous Ones



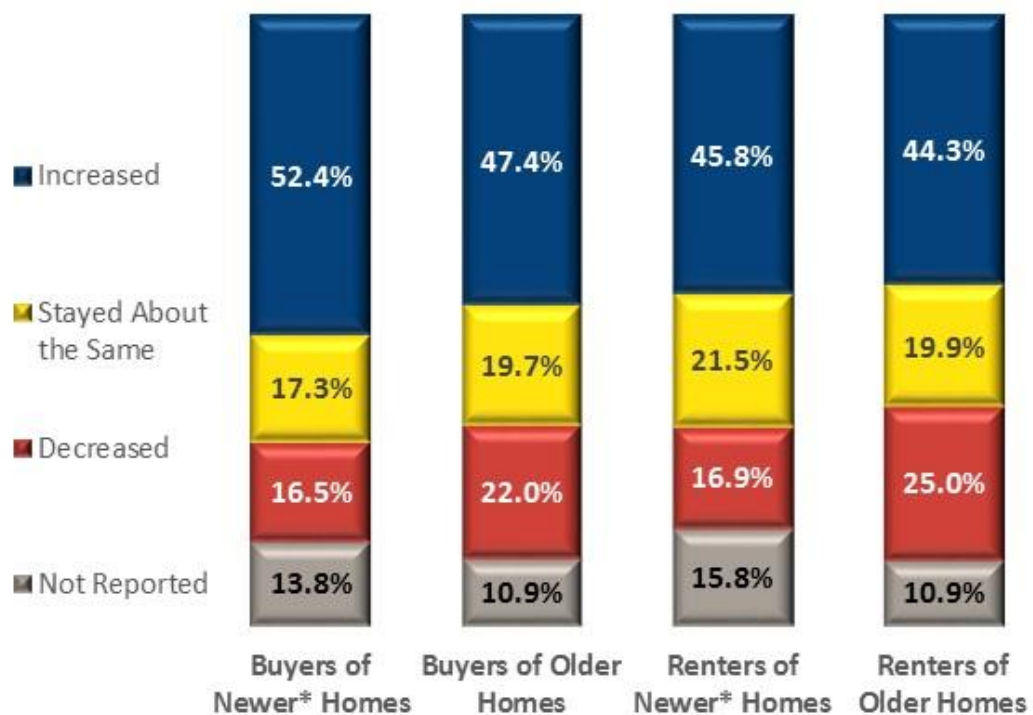
*Newer homes are those built in 2010 or later. Source: NAHB tabulation of the 2015 American Housing Survey, U.S. Census Bureau and HUD.

Next to trading up to better residences, the most common move is sideways—that is, into a residence that buyers and renters rate as about as good as the previous ones. Trading down into a worse home is the least common of the three possibilities. However, compared to buyers of newer homes, sideways and downward trades are both more common among buyers of older homes, more common still among renters of newer homes, and most common of all among renters of older homes.

It is interesting that home buyers trade up in quality more often than they trade up in cost. For example, while 70 percent of buyers of newer homes trade up in

quality, only 52 percent of them trade up in terms of cost (fig. 5). There are similar but smaller spreads between quality and cost trade-ups for buyers of older homes and renter of newer homes. In contrast, renters of older homes trade up in cost about as often as they trade up in quality. However, renters of older homes trade down in cost (25 percent of the time) more often than they trade down in quality (18 percent of the time).

Figure 5. Cost of New Home Compared to Previous One

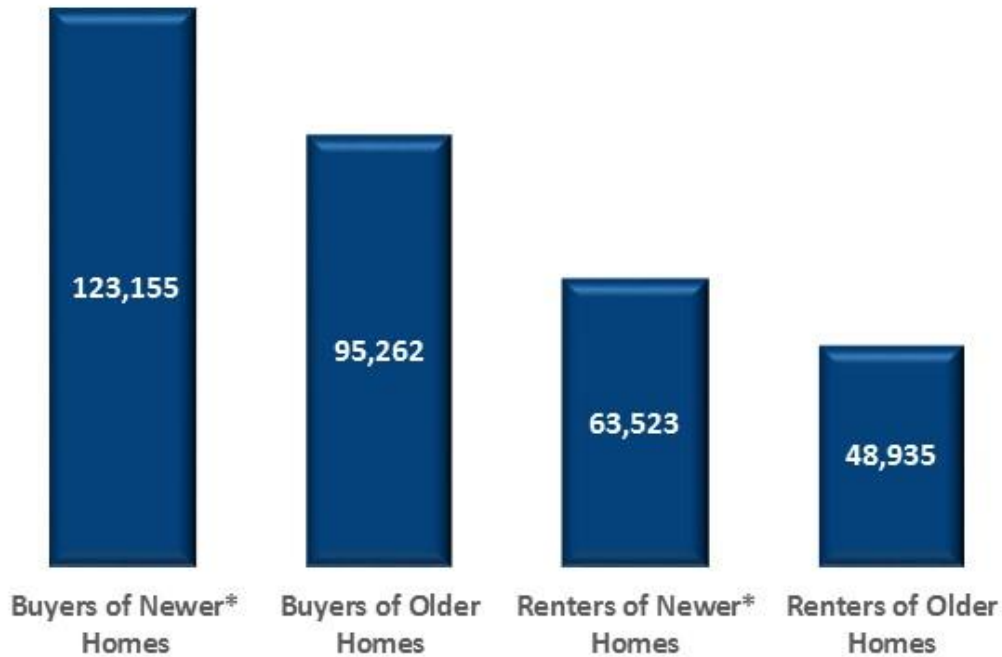


Buyer and Renter Incomes

The AHS also allows us to look at the incomes of households moving into older and newer homes. The results are interesting if not particularly surprising. Of the four types of moving households considered in this article, buyers of newer homes tend

to have the highest incomes, renters of older homes the lowest. The average income of buyers of newer homes is \$123,000, compared to \$95,000 for buyers of older homes, \$64,000 for renters of newer homes, and \$49,000 for renters of older homes (fig 6).

Figure 6. Average Incomes of Buyers & New Renters



*Newer homes are those built in 2010 or later. Source: NAHB tabulation of the 2015 American Housing Survey, U.S. Census Bureau and HUD.

As you would expect, the movers with the highest incomes are the ones most likely to be trading up, both in terms of the cost and subjectively measured quality of the homes they are moving into.

Conclusions

NAHB analysis of the 2015 AHS has shown, that in many respects, the different categories of recent movers form a natural hierarchy:

1. Buyers of Newer Homes
2. Buyers of Older Homes
3. Renters of Newer Homes
4. Renters of Older Homes

As you move up the scale from 4 to 1, the following interrelated tendencies become evident:

- The movers have, on average, higher incomes.
- More of the movers are previous home owners.
- Fewer are newly formed households (moving out of homes owned or rented by someone else).
- More are moving up in terms of subjectively measured housing quality.
- More are also moving up in terms of housing costs.

However, all four types of movers are either moving up in quality more often than in cost, or (for renters of older homes) moving down in cost more often than in quality. In other words, movers are acquiring better housing without always paying more for it, or (for renters of older homes) achieving lower housing costs without always sacrificing quality.

In addition, all four types of movers most often move relatively short distances (from less than 50 miles away) but without staying in the same neighborhood.

¹ The AHS provides separate information about four different groups of people who could have moved into the home from different places.

² This is a slight undercount, as some homes may have turned over more than once in that two-year period.

³ For purposes of this report, homes are divided into “newer” and “older” categories based on whether they were built after 2009 or before 2010. An association of home builders would obviously prefer a more precise definition of new construction, but this is the only one the Census Bureau has been willing to provide so far. NAHB is lobbying to change this.

⁴ See for example [Domestic Net Migration in the United States: 2000 to 2004](#), published by the U.S. Census Bureau.