How More First-Time Homebuyers Are Successfully Navigating This Challenging Housing Market

By Clare Trapasso

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More first-time homebuyers have been successfully navigating the extremely pricey and challenging housing market.

Despite the myriad obstacles in their way, first-time buyers made up about a third of those purchasing homes to live in, according to the National Association of Realtors® 2023 Profile of Home Buyers and Sellers. They increased from 26% in the previous year to 32% this year.

“It’s encouraging that we’re seeing first-time buyers edge back into the market,” says **Jessica Lautz**, deputy chief economist at NAR. They got a bit of an edge in the market as mortgage rates rose and other less determined buyers dropped out—or were priced out.

“It’s likely that because there was less competition they stood a chance to have their offer accepted,” explains Lautz. However, she points out that their numbers are still depressed.

First-timers typically make up about 38% of buyers. However, they’re now grappling with historically high home prices, mortgage rates that briefly flirted with 8% this year, and a dearth of homes for sale. Saving up for a home has become even more onerous due to inflation, pricey rents, and the resumption of student loan payments.

The report is based on an NAR survey of 6,800 buyers who purchased primary homes between July 2022 and June 2023. Investment and vacation home purchases were excluded from this report. Income data is from 2022.

First-time buyers were generally better off financially than they were in past years. They had a $95,900 median household income over the past year—up about 35% from $71,000 in the previous year.

The reason for that big shift: Only those first-timers with higher incomes could afford to enter this real estate market. With home prices and mortgage rates so elevated, they needed the extra money to afford the larger down payments and monthly mortgage payments.

“You have to have a higher income to be able to afford the housing market,” says Lautz.

“It looks like they’re essentially cutting spending anywhere they can to save for a down payment,” says Lautz.

They’re borrowing against their 401(k) accounts, selling cryptocurrency, borrowing money from family and friends, and using tax refunds and gifts from family members to achieve homeownership.

“They’re finding money anywhere they can, probably even under a couch cushion, to buy a house,” says Lautz.

Who is buying homes?

The question on the mind of many folks: Who is still out there in the housing market now that it’s become so expensive to buy?

The vast majority of those shopping for homes, 81%, were white. That was down from 88% last year. They were a median age of 49.

While more people of color became homeowners over the past year, they made up a fraction of all purchases: Just 7% were Black (up from 3%), 7% were Hispanic (down from 8%), 6% were Asian (up from 2%), and 6% identified as another race.

First-time buyers were more likely to be from communities of color, at 38%, compared with repeat buyers, at 17%.

Buyers tended to be coupled off, with dual incomes helping many to afford homeownership. More than half of recent buyers, 59%, were married couples, and 9% were unmarried couples. Nearly a fifth, 19%, were single women, and 10% were single men.

About 3% of buyers identified as gay, and 2% were bisexual.

Veterans were also active in the housing market. Roughly 16% of buyers were vets, and 2% were active-duty personnel.

Surprisingly, most shoppers weren’t buying homes to accommodate young children. About 70% didn’t have kids under the age of 18 living with them. Just 14% purchased a multigenerational home.

“It’s the lowest share we’ve recorded of households who don’t have children,” says Lautz.

Who is selling their homes?

When mortgage rates shot up, more than doubling over the past two years, many homeowners who were thinking about selling their homes reconsidered. Those who were able to lock in a rate in the 3% range or below didn’t want to purchase a new home at a much higher rate if they didn’t have to do so. That’s kept the number of homes for sale low, much too low for buyers.

However, some folks did sell their homes. They were generally relocating to be closer to family and friends or wanted a larger or smaller home due to a new marriage, divorce, or the birth of a child.

Sellers tended to be older (aged about 60) and married, and had spent about a decade in their properties before listing them.

About half did minor renovations, and 12% did major upgrades to get their home ready for the market. The rest sold their residences as is.

What kinds of homes are being purchased?

The typical home sold was a three-bedroom, two-bathroom, single-family home spanning 1,860 square feet in the suburbs. It was built in 1985.

Buyers continued to choose detached, single-family homes—these properties made up 79% of purchases. Townhomes and row houses made up 8% of purchases.

Most buyers purchased a previously owned home, and just 13% bought new construction. Existing homes are typically cheaper than newer ones, and there are more of them on the market. Those who sought out new construction generally didn't want to deal with renovations or issues with plumbing and electrical systems.

About 47% of buyers closed on homes in the suburbs, up from 39% last year. Fewer buyers chose small towns and rural communities this year, at 23% and 14% respectively. Meanwhile, more people bought properties in the urban areas, at 14% compared with 10% last year.

"People are buying what is available, and that traditionally is a single-family home in a suburban area," says Lautz.

Buyers typically didn’t go very far. They moved a median of 20 miles from their previous places—compared with 50 miles last year when COVID-19 pandemic relocations were still common.