

## Uncertainty, Captivity, and Opportunity: Homebuying in the Age of COVID-19 April 2020

At OJO Labs, we are obsessed with decision making, and we set out to better understand the relationship between COVID-19 (the coronavirus) and homebuying. As unemployment soars, interest rates drop, mortgage requirements tighten, and shelter-at-home guidelines require people to stay home, what impact has this uncertainty and captivity had on the decision to purchase a home?

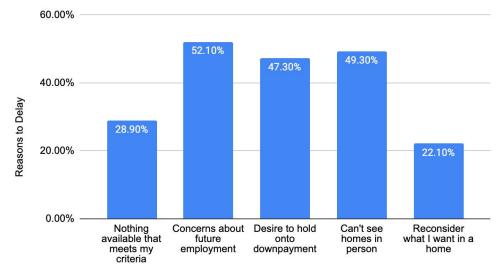
The team at OJO conducted a study -- a survey with 200 homebuyers who had planned to purchase in the next 6 months, prior to C-19, and video diaries with a select group of 10 participants. We found that the virus has amplified many of the existing difficulties along the homebuying journey and made apparent the value of both technology and human expertise.<sup>1</sup>

#### 1. Financial uncertainty and social distance remove the illusion of control from buyers.

Buying a home means gaining more control over one's living and financial situation - an important milestone. But many buyers are delaying this next step because their financial future is so uncertain in the wake of C-19. Until they have more certainty about employment, house dreams are on hold.

- 80% of buyers said their timeline was delayed or even stopped altogether.
- 60% of first time buyers cite concerns over future employment prospects and 54% cite an inability to see homes in person as the reason for delays.

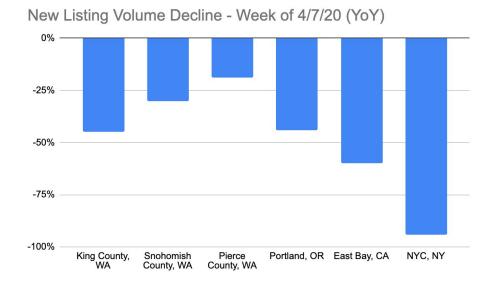




<sup>&</sup>lt;sup>1</sup> All statistics cited are from the aforementioned survey, unless otherwise noted via footnote.

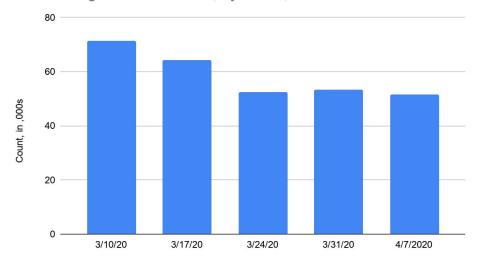
Buyers can't see houses, but there aren't a lot of houses to see right now.

• One of the strongest leading indicators of transaction volume -- new listings -- dropped an average of 63 percent in the earliest, hardest hit markets.<sup>2</sup>



MLS data shows similar, but less dramatic declines; new listings are down 28% off March peaks in 60 OJO markets.<sup>3</sup>



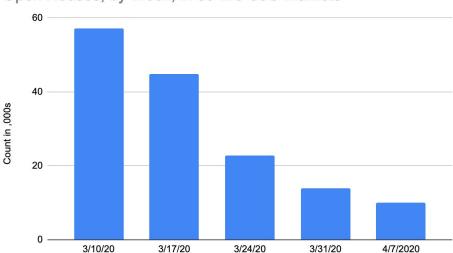


<sup>&</sup>lt;sup>2</sup> Source: Mike DelPrete.

<sup>&</sup>lt;sup>3</sup> Source: Wolfnet MLS data from 60 live OJO markets.

Even if they found a few viable options, they can't go see them because it's uncertain as to what's allowed in "shelter in place" markets. Relying on virtual tours and photos for a purchase this large is simply too risky. They don't want to get catfished because photos and videos lie.

Open houses have declined substantially - 82% lower than March peak.<sup>4</sup>



Open Houses, by Week, in 60 live OJO markets

Yet 30% of buyers report looking at photos of listings more often than before
 C-19 and 28% of buyers report taking a video tour more than before C-19.

#### 2. Home search provides a meaningful but laborious escape from daily life.

Search behavior is habitual and provides a nice escape from the current moment -- envisioning oneself not captive, in a better space. Regardless of timeline, people are still searching, with many of the same tactics and tools they were using prior to C-19, enjoying the enhanced visuals -- video and photo -- available.

- Delayers still report looking at listing photos (28%) and taking virtual tours of homes (25%) more often than before C-19.
- OJO Home's unique app opens rose 103% between Feb. 3 and March 23.

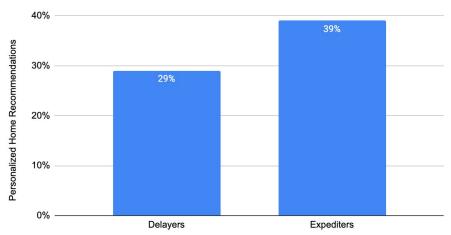
But comparison as a way of narrowing down viable options is difficult when only digital. Buyers have hacked together workarounds within their existing workflows to try and get a better sense as to if a home is a contender. They're relying heavily on visuals to compare and verify information about a listing, but it's not a real substitute for seeing a listing in person.

- Virtual tours are more valuable than prior to C-19 for both Delayers (42%) and Expediters (41%).
- Personalized home recommendations are seen as more valuable to Expediters.

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<sup>&</sup>lt;sup>4</sup> Ibid.





The value of a trusted advisor becomes clear in the wake of "remote connecting." Buyers struggle to access mortgage brokers to move the process forward. While real estate agents are accessible virtually, often the value they bring when pointing out opportunities and imperfections on a home tour and educating through the offer process loses something in this virtual translation.

 41% of expediters report an increase in remote communication with agents (ZOOM, Skype, FaceTime); 32.6% are still meeting with agents in person and 39% report an increase in walking around their desired neighborhood as a means for vetting a home.

#### 3. But this pandemic feels like a home-buying opportunity in disguise...

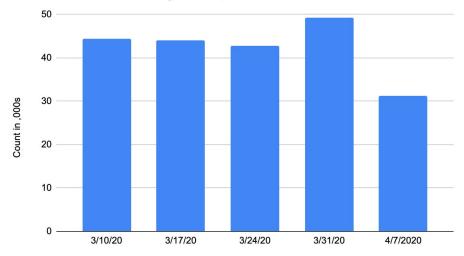
Buyers expect to come out of this crisis more competitive than they were before. Some buyers expect home prices to go down and rates to be and remain low after a return to work and life. This pause gives them more time to save up. So if the market is less competitive or if they're more competitive in it, they believe they'll be able to get a great deal after this is all over.

And for some, necessity and opportunity collide, and they're taking the leap to buy. Buying a home in this environment is out of necessity and opportunity. When a deal is too good to pass up, someone who planned to delay can make an offer. When a home is just too full of people, others find a way to speed up the process.

• Transactions are continuing, but at lower levels.<sup>5</sup>

<sup>&</sup>lt;sup>5</sup> Ibid.





- 20% of buyers said they are expediting their timeline. Reasons for expediting include:
  - Desire to take advantage of low interest rates (56.5%)
  - Getting a good deal on a home (45.6%)
  - Current residence is no longer meeting their needs (43.5%)
- 74% of those expediting their timeline are repeat buyers.

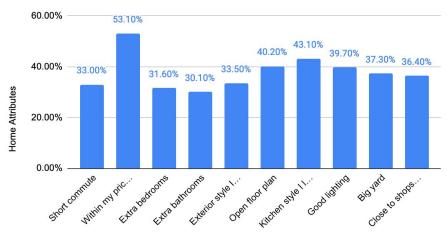
### 4. After shelter-in-place, buyers want better common spaces at a price they can afford.

They want to be able to comfortably spend time in their next home. Common spaces, particularly kitchens, are becoming more important as buyers live, eat, sleep, work, exercise, parent, and socialize in their home. As they're forced to spend more time in their kitchens, they want a more spacious, updated kitchen.

- 43% of buyers say kitchen style is more important than before.
- Expediters find extra bedrooms (43.5%), open floor plan (45.7%), kitchen style I like (50%), and good lighting (45.7%) more important than before C-19.

They want to be able to afford their home if this happens again. Price is becoming more important. Buyers are making sure they can afford the homes they're currently looking at, and some are even lowering their price maximum, so that they feel confident they can weather any future uncertainty.

# Rated the value of home attributes more important than prior to C19



• 53% of buyers say it is more important than ever that homes be within their price range.