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2022

State of Homebuying Report

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# How homebuyers are adapting to the white-hot market

The 2022 ServiceLink State of Homebuying Report (SOHBR) features timely data from a survey of 1,000 homeowners who purchased a home within the past five years. ServiceLink partnered with Schlesinger Group to uncover data and generational trends among recent homebuyers, their attitudes toward alternative paths to homeownership and the role technology plays throughout the process.

With the pandemic still impacting many parts of the housing industry and homebuying experience, buyers had to adjust to white-hot market conditions that were both favorable and challenging. While interest rates remained low (particularly in 2020 and 2021), inventory continued to lag behind demand in many markets, pushing the average home price in the U.S. to an all-time high in the fourth quarter of 2021.

Record-setting real estate prices and a lack of inventory impacted the overall appetite to buy over the past year, as nearly a quarter of survey respondents (24%) considered buying but decided against it. Nearly half (44%) in this 2022 SOHBR said the reason for abandoning the buying process was because options were too expensive, which is a significant spike from 30% in the 2021 SOHBR<sup>1</sup>.

Other reasons include changes in their financial situation (29%) and low housing inventory (28%). To help homebuyers compete in the challenging market, those who chose to move forward with a recent home purchase increasingly sought out resources and guidance. Fifty-nine percent sought expertise from their real estate agent and 46% conferred with family and friends.

The auction market, which has been popular among investors for years, is now starting to gain traction, particularly among the youngest subset of homebuyers. ServiceLink's data shows that more than half (55%) of Gen Z/millennials have bought or are willing to buy at auction. This shift could signal that the youngest demographic of homebuyers may have experienced the challenges associated with the current housing landscape and are open to alternative ways to achieve homeownership. And Gen Z/millennial buyers aren't the only ones who can see the benefits. While it's not the traditional path to homeownership, potential cost savings (72%) and a faster homebuying process (44%) are motivating factors for today's buyers to go the auction route, across age demographics.

Considering this is unfamiliar territory for most, there is an opportunity for greater education on auction properties and how to navigate the purchase process.

As many industries accelerated digital transformation and adopted virtual technologies in response to the pandemic, data from the report shows that homebuyers embraced this shift in real estate. Citing convenience/ease of use (72%) and time savings (60%) as benefits, the role of technology in the homebuying process continues to increase across all surveyed demographics.

This survey offers a snapshot into buyers' current desires, generational tendencies and their outlook on the housing market. Lenders and others in the housing space can benefit from the findings in this report to better understand what is driving consumers' decisions, how to best serve them and where more education is still needed to guide them in their homeownership journey.

<sup>1</sup> ServiceLink's State of Homebuying Report | ServiceLink (svclnk.com)



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# Key Findings

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# Almost a quarter of respondents (24%) considered buying a home but then decided against it



44%

said options were too expensive  
*(as compared to 31% in the 2021 SOHBR)*

29%

said their financial situation changed  
*(as compared to 24% in the 2021 SOHBR)*

28%

said housing inventory was low  
*(as compared to 8% in the 2021 SOHBR)*



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**Recent homebuyers  
overwhelmingly chose  
a traditional bank lender  
to finance their new home**

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**53%**

More than half of respondents  
used a traditional lender  
*(up from 42% in the 2021 SOHBR)*

**17%**

Alternatively, 17% of respondents used an  
online or digital lender to finance their home  
*(up from 14% in the 2021 SOHBR)*



## Gen Z/millennials will play another big role in the housing market in 2022

32%

are likely to refinance this year (compared to 23% of Gen X and 9% of baby boomers)

26%

are likely to purchase a new home this year (compared to 12% of Gen X and 6% of baby boomers)

23%

would purchase a home without seeing it in person first (compared to 16% of Gen X and 5% of baby boomers)

55%

either have, or are willing to buy at auction (compared to 50% of Gen X and 23% of baby boomers)



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1/3 of respondents (33%)  
would consider buying  
a home at auction

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30%

of respondents aren't sure if they would  
be willing to buy at auction because they  
don't know enough about the process

11%

of respondents have bought at auction



## Top motivations for buying at auction:

**72%** potential cost savings

**44%** faster homebuying process



## Primary use for a home purchased at auction:

**31%**  
to fix and flip

**29%**  
use as a primary residence

**23%**  
leverage for rental income





# Real estate technology continues to help facilitate a smoother homebuying experience



The biggest benefits of technology in the homebuying process across age and gender:

72%

Convenience/ease of use

60%

Time savings

*This is similar to the results of the 2021 SOHBR where 68% cited convenience/ease of use and 68% cited time savings.*



## The number one reason for homeowners to refinance?

**62%** say securing a better mortgage rate

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**25%** refinanced to make home improvements, compared to 53% in the 2021 SOHBR

**64%** say they are 'not very likely' or 'not likely at all' to refinance in 2022



# Homebuying Findings

As U.S. homeowners embarked on another year plagued by the lingering implications of a pandemic, survey data indicates that many have adapted to COVID-19's effect on the housing market and homebuying experience. Characterized by record-setting home prices, limited housing inventory and low interest rates, market conditions presented a number of obstacles, yet also a few opportunities, for borrowers.



# A total of 38% of survey respondents bought a home over the past two years,

which is representative of the contingent who was most heavily impacted by pandemic-related effects on the market. In general, motivation for buying was split based on the buyers' life stage.

As the youngest and fastest-growing segment of buyers<sup>2</sup> in the country, 42% of Gen Z/millennials who recently purchased a home said their main motivation to buy was to upsize, as compared to 32% for Gen X and 13% for baby boomers. Conversely, the oldest generation of buyers bought in order to downsize (36%), while 11% of Gen X and 8% of Gen Z/millennials did the same.

As the average 30-year fixed mortgage rate hovered in record-low territory not seen since the Great Recession<sup>3</sup>, buyers from multiple generations capitalized on these favorable terms.

Both Gen Z/millennials (21%) and Gen X (21%) cited the interest rates as a motivator to buy, compared to 14% for baby boomers.

However, buyer's remorse did play a role for a subset of homeowners. Ten percent of those who recently purchased a home say they regret it due to overpaying (31%), not doing enough research before buying (27%) and not consulting enough with experts before purchasing (23%).

<sup>2</sup> Millennials and homebuying, Bankrate

<sup>3</sup> Average mortgage interest rates, Business Insider

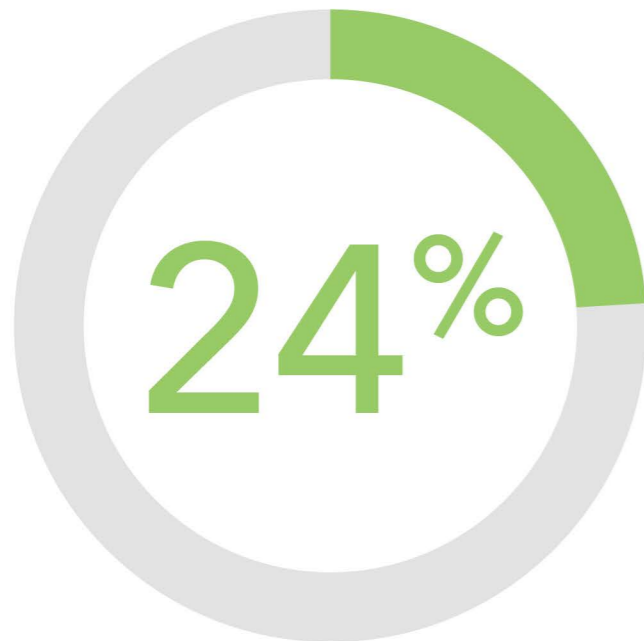
## Interest rates spark interest in buying





# In a survey-to-survey comparison, buyers were still hesitant to enter the market, but their reasons shifted.

The median home sales price in the U.S. reached an all-time high in the fourth quarter of 2021 totaling \$355,000<sup>4</sup>, an increase of 14.2% from 2020. Survey findings indicate this factor, among others, caused some buyers to adjust their timeline and strategy for achieving the goal of homeownership.



Considered buying a home in the last 12 months but decided against it.

*Compared to 33% who abandoned the buying process in the 2021 SOHBR.*



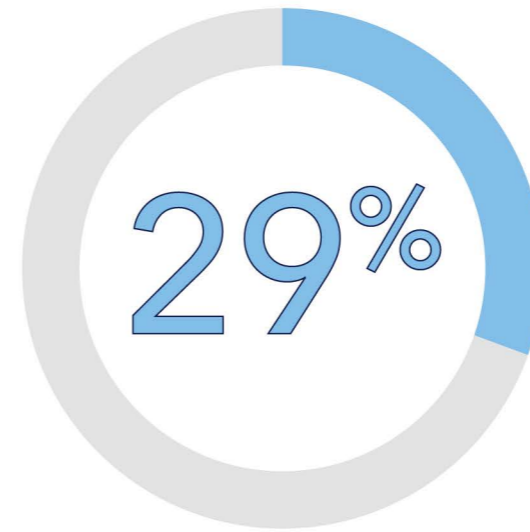
<sup>4</sup> National Association of Realtors, 2022 forecast



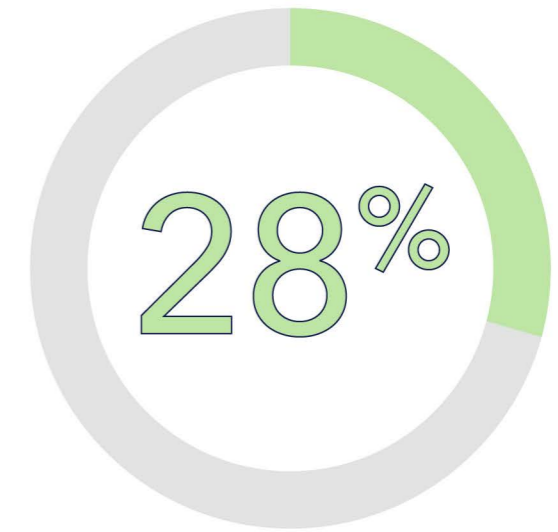
## Many consumers who considered entering the housing market found that conditions were no longer favorable, particularly due to affordability.

Rising real estate prices were the biggest deterrent for those who chose not to buy. A total of 44% said options were too expensive (as compared to 31% in the 2021 SOHBR). This increase underscores the difficulty of competing in a hot market and paints a clearer picture of how some were quite literally priced out of the market.

Among the other reasons for not buying: 29% of those who decided against it indicated their financial situation had changed and 28% said housing inventory was low. Baby boomers say they were particularly impacted by the low housing inventory as 41% cited it as the reason to not buy a home, compared to 28% of Gen X and 25% of Gen Z/millennials.



said their financial situation had changed



said housing inventory was low

Baby boomers say they were particularly impacted by the low housing inventory, as compared to their younger counterparts.

41%

Baby boomers

28%

Gen X

25%

Gen Z/millennials



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## Respondents seem to be taking a "wait-and-see" approach to the housing market.

In terms of what would prevent the overall cohort from buying a home in 2022 (aside from those who recently purchased a property), 25% said they are waiting for the housing market to level out, followed by 24% who reported they did not have enough funds for a down payment. Gen Z/millennials led responses in both of these categories at 29% (compared to 24% of Gen X and 20% of baby boomers) and 31% (compared to 26% of Gen X and 13% of baby boomers), respectively.

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25%

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said they are waiting for the housing market to level out

24%

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did not have enough funds for a down payment



## Despite some hesitancy among consumers, many are not giving up on the dream of homeownership.

In a generational breakdown, data shows Gen Z/millennials are the most poised to sign on the dotted line, with 26% of this cohort stating they are likely to buy a new home this year compared to 12% of Gen X and 6% of baby boomers.



Further underscoring younger generations' eagerness to buy, 23% of Gen Z/millennials say they would even consider purchasing a home without seeing it in person first, compared to 16% of Gen X and 5% of baby boomers.





# SkYROCKETING home prices, low inventory and other market-related factors proved to be challenging for the most recent group of homebuyers.

In terms of the hardest steps in the process, almost half of respondents said finding a property in their budget range (49% ranked it in their top three hardest steps) and finding a property in their preferred location (48% ranked it in their top three) proved to be the most challenging. This sentiment provides another glimpse into the difficulty of the market, even for those who may have previously purchased a home.

Compared to 2021's report, there was a noted difference in whom buyers chose to consult with before moving forward with a home purchase. In 2022, more buyers chose to turn to the experts. A total of 59% of recent homebuyers asked their real estate agent for advice (compared to 49% in the 2021 SOHBR) while another 46% asked friends and family (down from 54% in the 2021 SOHBR).

Despite likely being the most familiar with the homebuying process, baby boomers were most reliant on real estate agents for advice. Sixty-one percent of respondents from this generation turned to real estate agents (compared to 59% of Gen Z/millennials and 55% of Gen X), yet sought counsel from friends and family in the lowest numbers (33%), compared to Gen Z/millennials (57%) and Gen X (42%). In addition to consulting both agents and friends/family, Gen Z/millennials and Gen X also led the pack in reading articles, blogs and other information online (38% of Gen Z/millennials and 35% of Gen X compared to 23% of baby boomers).



Although there's been a surge in the popularity of digital tools, particularly at the onset of the pandemic, respondents overwhelmingly chose to finance their homes with a traditional bank lender.

Up from 42% in the 2021 SOHBR, more than half of respondents (53%) selected a traditional lender to journey with them through the purchase process. A total of 17% used an online/digital lender, however this option was most popular among the youngest, most tech-savvy generation.

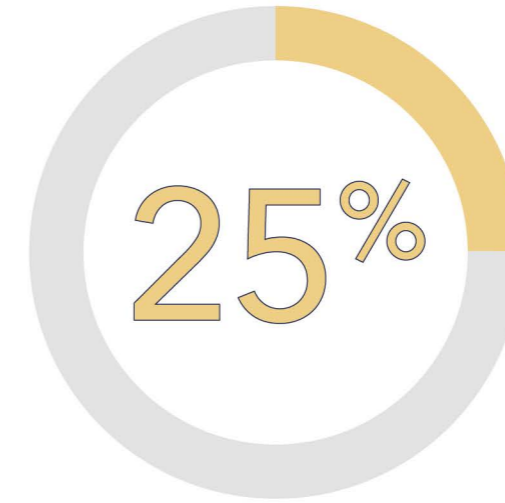




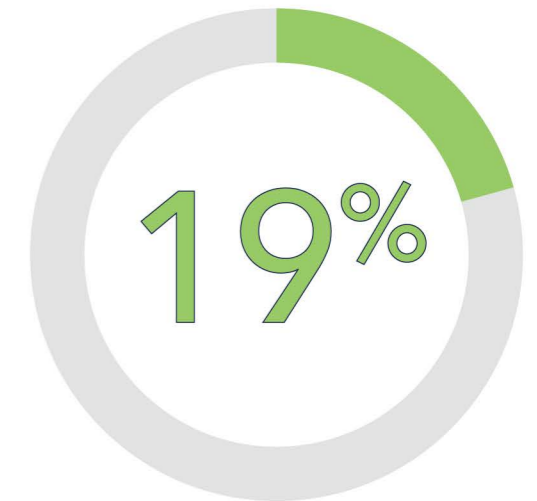
Gen Z/millennials made up the lion's share of respondents who leveraged an online/digital lender with 25%, compared to 19% for Gen X and 5% for baby boomers.

Comparatively, these percentages are up slightly from the 2021 SOHBR where 19% of Gen Z/millennials went with an online lender, compared to 15% for Gen X and 3% for baby boomers.

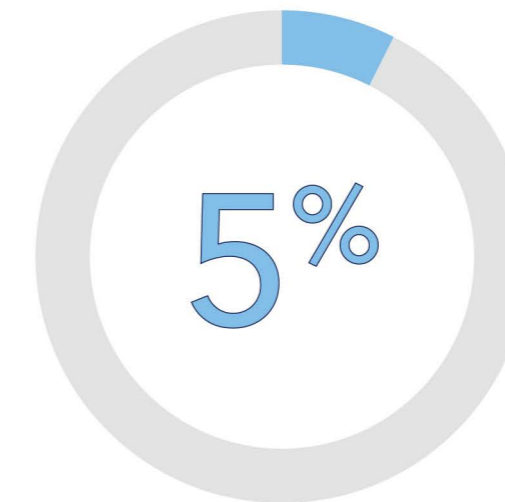
For years the digital/online lending space has been booming and growing in influence, however, this survey indicates it still owns a relatively small piece of the pie. Whether it's a result of lender loyalty or a lack of awareness, there's an opportunity for digital lenders to further educate the generations that have yet to embrace this digital path to home lending.



Gen Z/millennials



Gen X



Baby boomers



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# Auction Findings

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Auction is an emerging sector of the housing industry, particularly as more foreclosed properties enter the market now that the default moratoria have been lifted. While this avenue to homeownership is not the first stop for the average consumer, given the housing shortage nationwide, the appetite for auction is growing.



11% of respondents have bought at auction and another third (33%) would consider it.

Gen Z/millennials are the most open to buying an auction property as 55% have either already purchased one or would be willing to do so (compared to 50% of Gen X and 23% of baby boomers).

This is an area of the market that could greatly benefit from increased education or outreach considering 30% of respondents say they aren't sure they would be willing to buy at auction because they don't know enough about the process.

## Most willing to buy at auction

55%  
Gen Z/  
millennials

50%  
Gen X

23%  
Baby  
boomers



## Motivation to buy a home at auction

In terms of motivation to buy a home at auction, a staggering 72% cited potential cost savings, followed by a faster homebuying process (44%) and being able to bid remotely via an app or online (37%). Baby boomers are most motivated by potential cost savings (86%), compared to Gen X (78%) and Gen Z/millennials (65%).

72%

cited potential  
cost savings

44%

faster homebuying  
process

37%

being able to bid  
remotely via an app  
or online

## Most motivated by potential cost savings

86%

Baby boomers

78%

Gen X

65%

Gen Z/millennials



# Primary use of a home purchased at auction

When considering their primary use of a home purchased at auction, the majority (31%) said they would buy to fix and flip, 29% said they would use it as a primary residence and 23% would leverage it for rental income.

With the growing popularity of platforms like Airbnb, it's not surprising that Gen Z/millennials are most likely to buy at auction to use the property for rental income (28%), compared to 19% of Gen X and 11% of baby boomers.

Investors have used auction platforms for years to add to their portfolios, but there is an opportunity for everyday buyers to further explore this segment. With features like remote bidding technology, auction properties have the potential to become a more mainstream source for housing and revenue opportunities in the years to come.



31% said they would buy to fix and flip



29% said they would use as a primary residence



23% would leverage it for rental income



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# Refinance Findings

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The surge in refinance activity has been a major headline in the housing industry over the past two years. ServiceLink data shows a quarter (25%) of respondents have refinanced their current home, once again led by the largest subset of borrowers-- Gen Z/millennials. Thirty-five percent of Gen Z/millennials have refinanced compared to 19% of Gen X and 16% of baby boomers.





In terms of whether they are 'very likely' or 'likely' to refinance in 2022, Gen Z/millennials seem most eager at 22%, compared to 17% of Gen X and 8% of baby boomers. A large percentage of all respondents, 64%, say they are 'not very likely' or 'not likely at all' to refinance in 2022. Of that group, 56% said they already had a rate they were comfortable with, while another 18% say they are waiting for the rates to go down further.

 Not likely to refinance in 2022

56%

said they already had a rate they were comfortable with

18%

say they are waiting for the rates to go down further



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At the height of this recent refinance boom, borrowers who bought prior to the pandemic and did not take advantage of the historic low interest rates likely left money on the table.

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For example, with the average mortgage rate below 3%, those who refinanced in the first half of 2021 saved an average of \$2,800 annually.<sup>5</sup>

Across all generations, securing a better mortgage rate was the biggest motivating factor for those who refinanced. Sixty-two percent of this year's respondents say they refinanced to lock-in a more favorable rate, compared to 52% in the 2021 SOHBR.

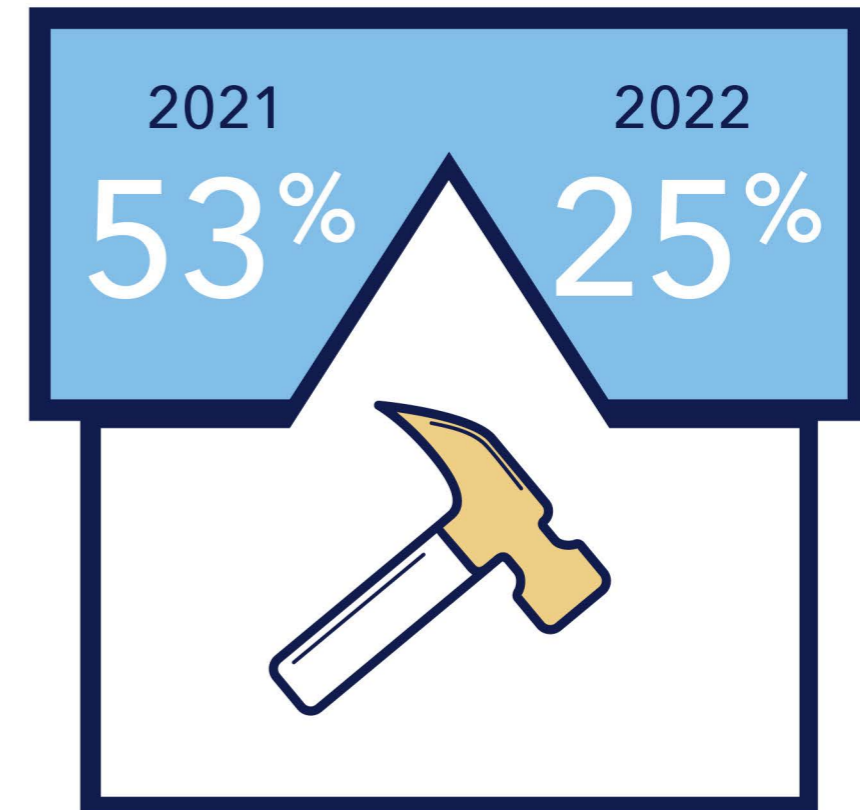
<sup>5</sup> *Refinance Trends in the first half of 2021, FreddieMac*



## Borrowers have adjusted their strategy in terms of refinancing

As found in the 2021 SOHBR, 53% of respondents refinanced in order to make home improvements. That number plummeted by more than half (to 25%) in the 2022 survey, potentially suggesting that the home renovation boom may be cooling off, perhaps due to the increase in labor and material costs, or that borrowers are simply shifting their financial priorities altogether.

### Percentage of respondents who refinanced in order to make home improvements



### Other notable reasons for refinancing

23%

changing the terms of the loan

23%

paying down debt



## The majority of borrowers (53%) selected a traditional bank lender to finance their home purchase.

It appears though that brand loyalty may not be as strong when it comes to the refinance process: Data shows that 47% of homeowners either chose or would choose a regional/community bank or credit union to refinance their home. National banks and online/digital lenders trailed with 41% and 38% respectively.

Gen X is most likely to select a regional/community bank or credit union for refinancing (48%), followed closely by Gen Z/millennials at 47% and baby boomers at 45%. These strong numbers support the growing popularity of credit unions.

**48%**  
Gen X

**47%**  
Gen Z/millennials

**45%**  
Baby boomers



## Refinancing with a regional bank or credit union

Often driven by their ability to offer lower fees and a more personalized experience, credit union membership has surged over the past few years and now totals 130 million members<sup>6</sup> nationwide.

For national banks and online/digital lenders, improving overall brand loyalty and awareness could go a long way in securing repeat, referral or other channels of business.

<sup>6</sup> Credit Unions Mark Unprecedented Growth



## The refinance process is one in which most consumers feel relatively comfortable navigating.

A combined 86% of those who refinanced say it was a 'very easy' or 'somewhat easy' process. The overall refinance timeline was also fairly swift as a combined 69% said it only took between one and four weeks to finalize.

In this digital age, the majority of consumers are open to using technology to facilitate the refinancing or home equity loan process.

80%

say they are 'very willing', 'willing', or 'somewhat willing' to submit videos or photos of their home

Not willing at all to submit photos or videos

19% 16% 7%

Baby boomers

Gen X

Gen Z/millennials



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# Technology Findings

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Real estate-related technology continues to drive fundamental changes in the way Americans buy and sell homes, and this became particularly true throughout the pandemic. The evolution of financial technology has taken historically manual processes and turned them into digital experiences, providing a new level of convenience for today's borrowers. What once required in-person interaction can now be done virtually and with greater speed, accuracy and transparency.



## The majority of respondents reported using technology at some point in the homebuying process (only 14% reported not using technology).

Of those who leveraged technology, most used it to research property listings online (69%), take a virtual tour of property listings (37%), eSign documents (36%) or digitally review documents before closing (34%).

It's no surprise that Gen Z/millennials have embraced technology the most, even the more emerging technologies. Twelve percent of this cohort did a virtual inspection (compared to 9% of Gen X and 1% of baby boomers) and 9% bought a property online, sight unseen (whereas only 6% of Gen X and 2% of baby boomers did so).



69% research property listings online



37% take a virtual tour of property listings



36% eSign documents



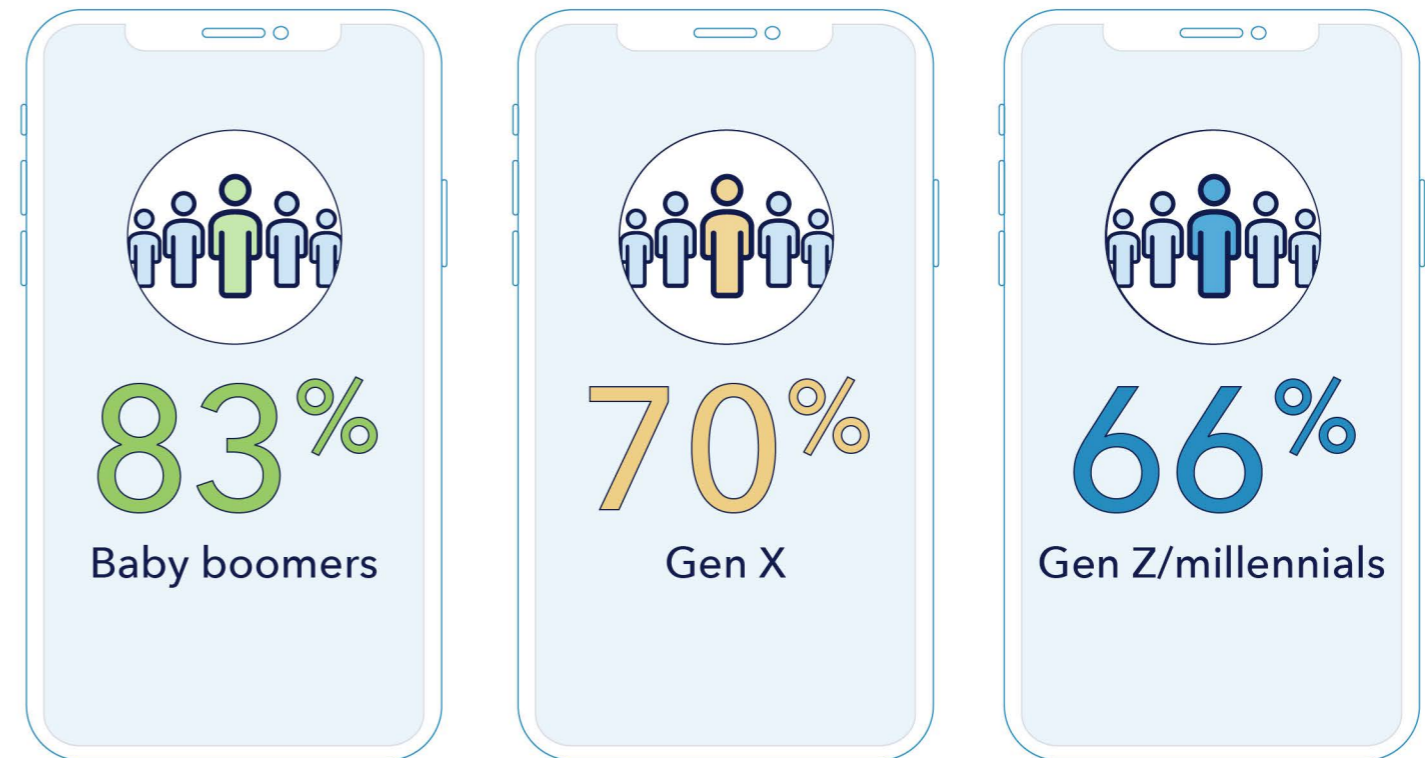
34% digitally review documents before closing



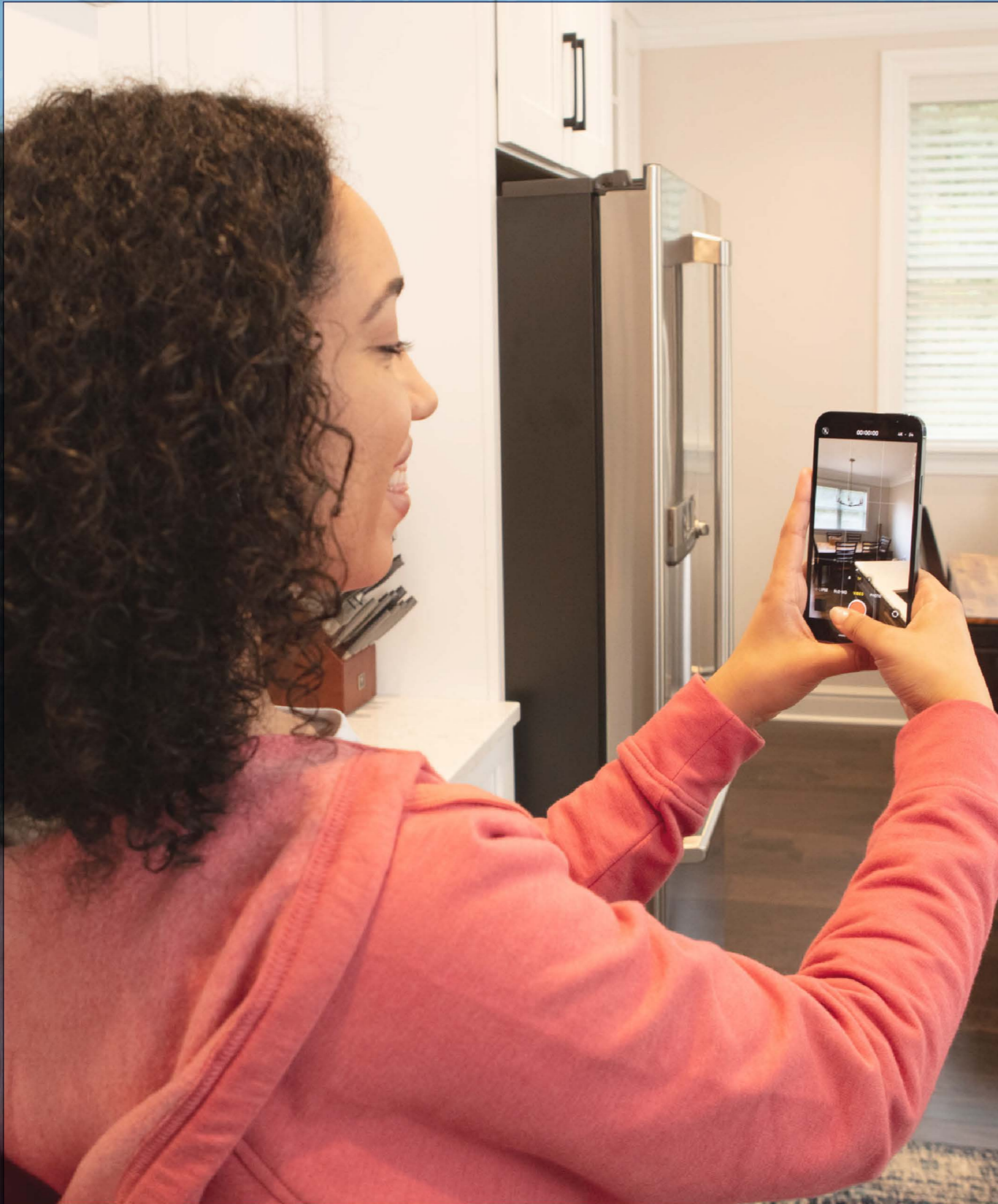
## The overall availability of real estate technology continues to help facilitate a smoother homebuying experience across age and gender.

Convenience/ease of use (72%) and time savings (60%) have been consistently ranked as the biggest benefits of technology. These numbers are in line with 2021's SOHBR where 68% cited convenience/ease of use and 68% cited time savings.

While anecdotally they're described as the most tech-averse generation, 83% of baby boomers cited convenience/ease of use as the top benefit of using real estate technology. Those numbers were lower for Gen X at 70% and Gen Z/millennials at 66%.







## While technology is being adopted across the board, there is still room to grow, especially in the areas of emerging technologies.

Virtual inspections, for example, are quickly growing as an alternative valuation product in the refinance space. These inspections utilize a smartphone or tablet where the homeowner can capture video of their home and its features (leveraging artificial intelligence and other leading technologies) and then submit it to an appraiser to complete the valuation process. Borrowers seem to be split, with 45% saying they would not feel comfortable with a virtual inspection.

The remaining set of homebuyers either feel 'confident' or 'somewhat confident' in the technology, particularly if it is reviewed by a qualified appraiser afterward. Only 17% stated they would feel 'totally confident' in purchasing a home that was inspected virtually.

Even with advances in real estate technology, the behind-the-scenes steps of the homebuying process have not changed much over the years. Lenders must still collect personal data and move methodically through each step before moving onto the next.



## Today's borrowers, however, would like a more streamlined experience.

When asked what they would change about the homebuying process, 36% of respondents said they wanted less paperwork, followed by not having to provide the same documentation multiple times (26%) and more transparency around fees (24%). These same three factors ranked highly in the 2021 SOHBR, suggesting that borrowers desire less burden and more transparency.

Forty-two percent of baby boomers say they 'wouldn't change anything' about the homebuying process, whereas 28% of Gen X and only 13% of Gen Z/millennials say the same. This could indicate that Gen Z/millennials expect lenders to provide a more efficient experience that is in line with their tech-driven lifestyle, while the older generations seem to be more accustomed to the homebuying process.

## When asked what they would change about the homebuying process:



36% of respondents said they wanted less paperwork



26% of respondents said not having to provide the same documentation multiple times



24% of respondents said more transparency around fees

*These same three factors ranked highly in the 2021 SOHBR, suggesting that borrowers desire less burden and more transparency.*



# Key Takeaways:

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## Lenders

**Be a source of education.** Borrowers are seeking out experts in greater numbers, particularly as market dynamics fluctuate. Being able to offer resources and guidance in a variety of formats helps to increase trust and strengthen brand loyalty.

**Digital/online lenders have an opportunity to increase market share** by appealing to the older demographics that currently only consider traditional lenders for their banking/lending needs.

## Borrowers

**Do your research.** There are ebbs and flows within the housing market, so before you decide to purchase or refinance, educate yourself and seek the advice of experts. The timing of a purchase or refinance can have a lasting impact on your financial future.

**Auction is an option.** As more homes hit the auction market, buyers have the potential to tap into a whole different pool of properties.



# Conclusion

The results of this survey provide a unique look at the state of the current housing market, generational attitudes and perceptions, and an overall outlook on the 2022 market through a consumer lens. They also offer a glimpse into what the future may hold as Gen Z/millennials continue to leave their mark on the housing industry. Prepared to purchase, refinance and even dive into the auction space in larger numbers than other generations, this subset of buyers will likely be the driving force behind new trends and innovation this year and in the years to come.

## Methodology

This ServiceLink study was completed online via a panel of potential respondents who had purchased a home in the past five years. A total of 1,000 panel respondents completed the survey. Interviewing was conducted by Schlesinger Group from January 7 to January 13, 2022.