

18% of Prospective First-Time Home Buyers Say Extending \$8,000 Tax Credit Would be Primary Influence on Decision to Buy

September 25, 2009—Nearly one in five (18%) prospective first-time home buyers said extending the \$8,000 tax credit would be the primary influence on their decision to buy a home before the end of 2010, according to a Zillow survey. That would equate to 334,000 buyers from Dec. 1, 2009 to Nov. 30, 2010 – a likely time period for an extension, according to additional analysis.

Zillow queried adults who qualify as a first-time home buyer, asking them if an extension of the tax credit would influence their plans to buy a home before the end of 2010. If the credit were extended, of those who intend to buy a home, 18% called the credit the “primary influence” in their decision, 25% said it would be a “significant influence,” and 27% said the credit would have “some” influence on any home buying decision. Thirty-one percent said it would have no influence on their decision.

Zillow analysis of current market trends shows that, if the credit were extended, a total of 1.86 million first-time home buyers would purchase homes between Dec. 1, 2009 and Nov. 30, 2010. If all could take advantage of the full \$8,000 tax credit, this could mean up to \$14.86 billion in tax credits. “Although nearly two million first-time home buyers may receive the tax credit if it is extended for another year, the incremental impact of the credit is far smaller,” said Zillow Chief Economist Stan Humphries. “These numbers suggest that extending the credit might bring an additional 334,000 homebuyers who would not otherwise purchase a home into the market. While 334,000 may seem like a small number relative to the total number of home buyers who would claim the credit, their addition to the market next year could make the difference between a robust annual increase in home sales next year and a flat or negative change in home sales relative to this year.

“There’s little doubt that the tax credit will boost demand at the margin, and that fact will make it easier to work down our current high inventory levels of existing homes on the market. That said, the cost of bringing these additional home buyers into the market is substantial. Assuming 1.86 million first-time buyers take advantage of the full credit once extended, this translates into an additional \$14.86 billion in government spending. For every five home buyers who receive the credit, four would have bought their home even without the credit.”

The current \$8,000 first-time home buyer tax credit is set to expire on Nov. 30, 2009. Home buyers who do not currently own a primary residence and have not owned one for the past three years can be eligible for the credit.

For more information, visit www.zillow.com.

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