

HOUSING TRENDS UPDATE

May 2011

Housing Trends Update is derived from the

Campbell/Inside Mortgage Finance HousingPulse Tracking Survey

It is based on a national survey of more than 3,000 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns throughout the United States



Housing Trends Update

Housing Trends Update is published monthly and is available only to real estate agents who are part of the Campbell/Inside Mortgage Finance HousingPulse survey panel.

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Deficit of First-Time Homebuyers Weighs on Housing Market, *HousingPulse* Data Suggest

The *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey's* Distressed Property Index, a key measure of the health of the U.S. housing market, fell slightly to 47.7% in April, although sales of distressed properties continued to account for nearly half of the market.

The monthly *HousingPulse Survey* also showed the proportion of first-time homebuyers in the housing market fell to 35.7% in April compared to 43.4% a year earlier. This resulted in the gap between first-time homebuyers and distressed property supply climbing to 12.0%. Back in April 2010, the gap between first-time homebuyers and distressed property supply was just 3.5%.

First-time homebuyers absorb housing supply, while move-up and move-down buyers produce no net take-up in inventory. When the supply of distressed properties exceeds the demand from first-time homebuyers, investors must step into the market to buy these properties, often at bargain-basement prices.

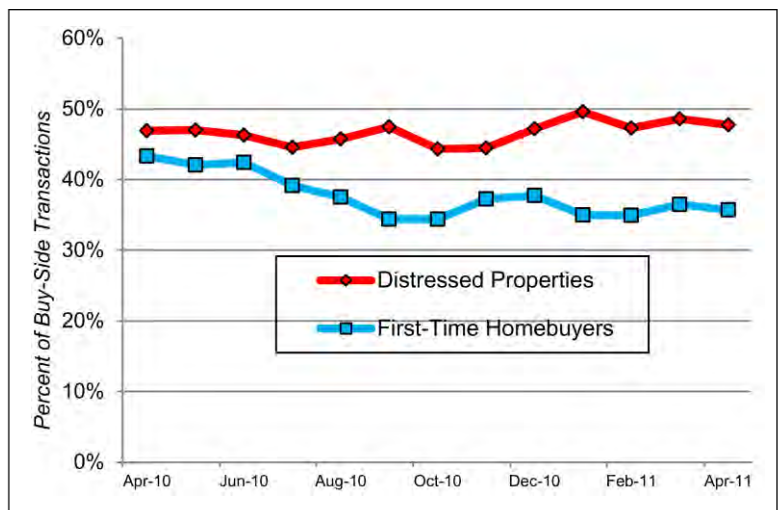
Investors accounted for 23.0% of the housing market in the month of April, up from 18.0% a year earlier, according to the *HousingPulse Survey*. A common business model for investors has been to buy damaged properties, renovate, and sell the properties to first-time homebuyers. But increasingly, investors are being forced to put renovated properties out as rental units as demand from first-time buyers drops.

Survey respondents in April reported that potential first-time homebuyers are having trouble finding foreclosed homes in move-in ready condition. For the month of April, 45% of foreclosed properties were damaged and not inhabitable without renovation. Because mortgage financing is generally not available for foreclosed

Distressed Property Supply and Demand Drivers

The latest *HousingPulse Survey* shows that the gap between the supply of distressed property and demand by first-time homebuyers has widened significantly over the past year.

Source:
Campbell/Inside Mortgage Finance *HousingPulse Tracking Survey*

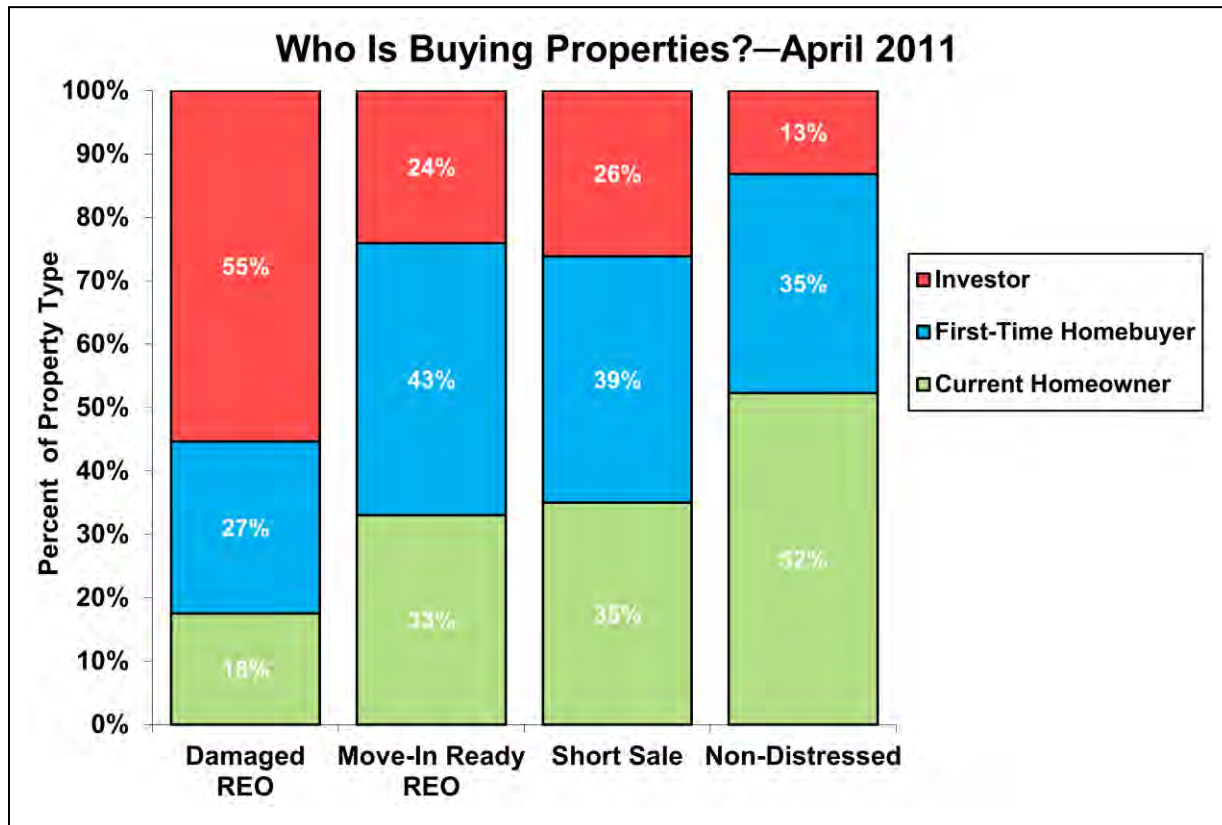


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properties that need major repairs, investors often buy these properties for cash. Fifty-five percent of damaged foreclosed properties were bought by investors in the month of April, while only 27% were bought by first-time homebuyers.

Survey respondents report that potential first-time homebuyers also are having difficulty meeting tough mortgage underwriting standards. A real estate agent in Oklahoma commented, “The frustration of obtaining a mortgage has been turning a lot of buyers off and driving them into renting. I recently visited with a leasing manager of an urban apartment building in downtown Tulsa. She said there are two key items that she is hearing her clients say: „They cannot find the home they want on the market’ and „The mortgage process was too frustrating.”

The deficit of first-time homebuyers is expected to weigh down the housing market in the coming months, the first buying season without a homebuyer tax credit since 2008. “The normal proportion of first-time homebuyers is about one-third of the market and that’s where we are now,” said Thomas Popik, research director for Campbell Surveys. “Unfortunately, that’s not enough demand to absorb the excess supply from homeowners defaulting on their mortgages. As a result, we expect existing home sales for the spring/summer buying season to be significantly below last year and that will put continued downward pressure on home prices.”



Agents responding to the survey also commented that mortgage servicers are delaying in placing REO properties on the market, also affecting spring sales. “This same time last year I was overwhelmed with REO listing assignments and a steady flow of buyers...around mid-November 2010 my listing assignments slacked off significantly, as did [sales for] other REO agents in my office, and to date has not resumed that same steady consistent pace experienced in 2010. Listing assignments are starting to come in but at a [1 to 4 ratio] relative to this same time in 2010. In addition, REO management companies are taking several more months to put properties on the market so consequently, my lack of inventory has resulted in [me] having no closed sales in April 2011,” complained an agent in Missouri.

Residential Real Estate Pricing and Commission Metrics

Average Sales to Listing Price Ratio

2011 Year to Date

<u>Region</u>	<u>Damaged REO</u>	<u>Move-In Ready REO</u>	<u>Short Sale</u>	<u>Non-Distressed</u>
AZ & NV	95%	100%	95%	92%
California	97%	98%	95%	96%
Farmbelt	85%	97%	91%	94%
Florida	95%	96%	89%	93%
Industrial Midwest	91%	92%	91%	94%
Northeast	95%	95%	92%	94%
Oil Producing	89%	100%	90%	95%
Pacific NW	98%	95%	96%	96%
Rocky Mountain	88%	96%	95%	94%
South	87%	96%	91%	95%

Average Listing Side Commissions

2011 Year to Date

<u>Region</u>	<u>Damaged REO</u>	<u>Move-In Ready REO</u>	<u>Short Sale</u>	<u>Non-Distressed</u>
AZ & NV	2.79%	2.58%	2.88%	2.81%
California	2.53%	2.51%	2.82%	2.67%
Farmbelt	2.52%	2.79%	2.84%	2.86%
Florida	2.67%	2.80%	2.83%	2.90%
Industrial Midwest	2.70%	2.84%	2.80%	2.83%
Northeast	2.64%	2.71%	2.77%	2.78%
Oil Producing	2.61%	2.67%	2.89%	2.77%
Pacific NW	2.89%	2.58%	2.73%	2.74%
Rocky Mountain	2.78%	2.76%	2.93%	2.74%
South	2.74%	2.70%	2.88%	2.81%

Average Buy Side Commissions

2011 Year to Date

<u>Region</u>	<u>Damaged REO</u>	<u>Move-In Ready REO</u>	<u>Short Sale</u>	<u>Non-Distressed</u>
AZ & NV	2.77%	2.87%	2.78%	2.92%
California	2.68%	2.77%	2.69%	2.69%
Farmbelt	2.75%	2.85%	2.75%	2.77%
Florida	2.85%	2.87%	2.81%	2.92%
Industrial Midwest	2.87%	2.86%	2.81%	2.82%
Northeast	2.74%	2.63%	2.62%	2.66%
Oil Producing	2.88%	2.90%	2.80%	2.94%
Pacific NW	2.85%	2.88%	2.72%	2.81%
Rocky Mountain	2.90%	2.87%	2.77%	2.85%
South	2.86%	2.91%	2.83%	2.88%

HousingPulse Regional Map

