

HOUSING TRENDS UPDATE

December 2010

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



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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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Rising Rates and First-Time Homebuyers Drive Housing Market During November

Rising mortgage rates helped push first-time homebuyers to buy properties in November, while investors lost some of their enthusiasm for distressed properties last month. These are two of the major findings of the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

The first-time homebuyer share of home purchases surged from 34.4% in October to 37.2% last month as long-time mortgage rates started to climb from record lows in early November.

Meanwhile, investor activity continued a two-month decline, falling from 21.4% for home purchase transactions in October to 19.9% in November. During September, investor participation peaked at 22.3%, a 15-month high, according to the closely watched survey. Separately, the market share of current homeowners also fell in November – going from 44.2% in October to 42.9% last month.

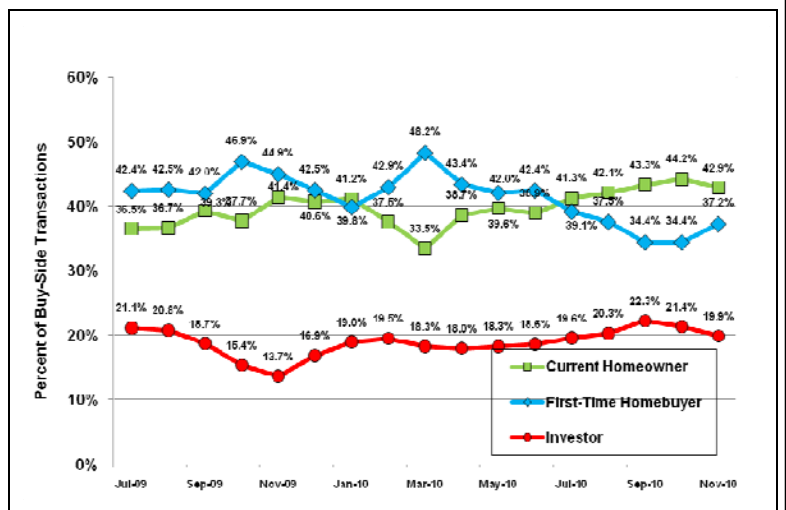
“The recent surge in interest rates has made potential homebuyers nervous,” explained Thomas Popik, director of the HousingPulse survey. “If rates go up much more, then a good percentage of them will no longer qualify for the properties they want. As a result, they’re making bids on homes and quickly closing before their rate locks expire.”

Real estate agents responding to the latest survey commented on the rate-induced surge of homebuyer interest. “First-time buyers are back looking at homes,” reported an agent in Oregon. “Interest rates have helped spur recent activity,” added an agent in Colorado.

First-Time Homebuyer Activity Picks Up

Faced with rising mortgage interest rates, first-time homebuyers jumped back into the housing market in November.

Source: Campbell/Inside Mortgage Finance HousingPulse Tracking Survey



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Current homeowners, many of whom must sell their current residence to purchase another, are often precluded from quickly closing on properties, Popik noted, in explaining their reduced share of home purchase transactions in November.

The surge in home buying did not affect sales of all properties equally. Short sales, which require many months to obtain mortgage-servicer approval, were often left out.

“Homebuyer concern for locking in interest rates while rates are low caused them to bypass short sale listings,” commented an agent in Hawaii. “Most people are not prepared to wait for a short sale to settle...Buyers are concerned that interest rates are rising and don't want to take a chance by agreeing to settle 5 or 6 months in the future,” wrote an agent in Virginia.

Investors continued to buy the majority of damaged REO in November, accounting for 55% of purchases. However, this may not continue in future months. The large inventory of distressed properties is making investors nervous that prices will decline in 2011, Popik reported, adding that many investors see their previous business model – buy, rehab, and immediately sell – becoming increasingly difficult to execute.

“Investors seem to prefer bank owned, but about 1/2 are willing to make offers on multiple properties and then rescinding those that don't work,” stated an agent in Colorado. “Investors interested in buy and hold have become more numerous in recent months,” added another agent in Virginia.

Nonetheless, investors in November continued to be less negative to showings of REO and short sales than potential owner-occupants were. Fourteen percent of owner occupants refused to view REO properties while only 4% of investors refused to see REOs. Thirty-four percent of owner occupants refused to view short sales while only 21% of investors refused to see these properties.

