

HOUSING TRENDS UPDATE

July 2010

Housing Trends Update is derived from the

Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions

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 monthly survey panel.

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Home Prices Tumble in Most Categories During June, Providing Buying Opportunity

A drop in homebuyer activity helped trigger a noticeable decline in home prices between May and June, according to the latest Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions.

The closely-watched survey found that home prices fell in three out of four property categories last month. Average prices tumbled by 6.8% for move-in ready foreclosed properties, 6.3% for short sales, and 4.6% for non-distressed properties. In contrast, prices for damaged foreclosed properties increased by 5.9%, on average in June.

“These price declines are related to decreased homebuyer demand surrounding the end of the tax credit,” noted Thomas Popik, research director for Campbell Surveys. “Some housing market analysts had expected demand to remain strong through the end of June, but in retrospect it’s clear that the peak of first-time homebuyer activity occurred three months earlier, in March.”

The first-time homebuyer share of home purchase transactions was 42% in June, well below the 48% level seen in March. This reflected the fact that first-time homebuyers were given a federal tax incentive of up to \$8,000 for buying a primary residence, provided that they signed a purchase contract by April 30.

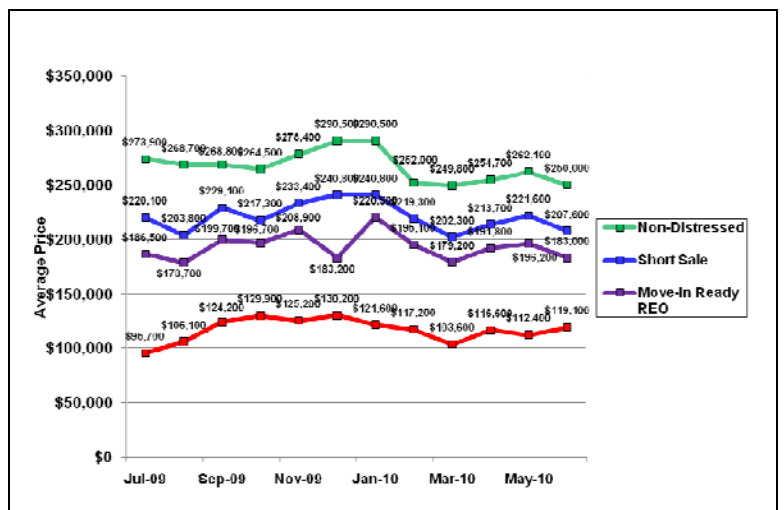
“Prices are dropping...same house that had 2 showings a day in April with hopes of a closing by June at \$139,000 now gets a showing of just one a week if we are lucky and at \$129,000,” reported a real estate agent responding to the survey and located in Florida.

“Buyers just plan on deducting the \$8,000 off what they are going to offer now. So, now prices are dropping to compensate for the credit not being available,” stated

Home Price Trends

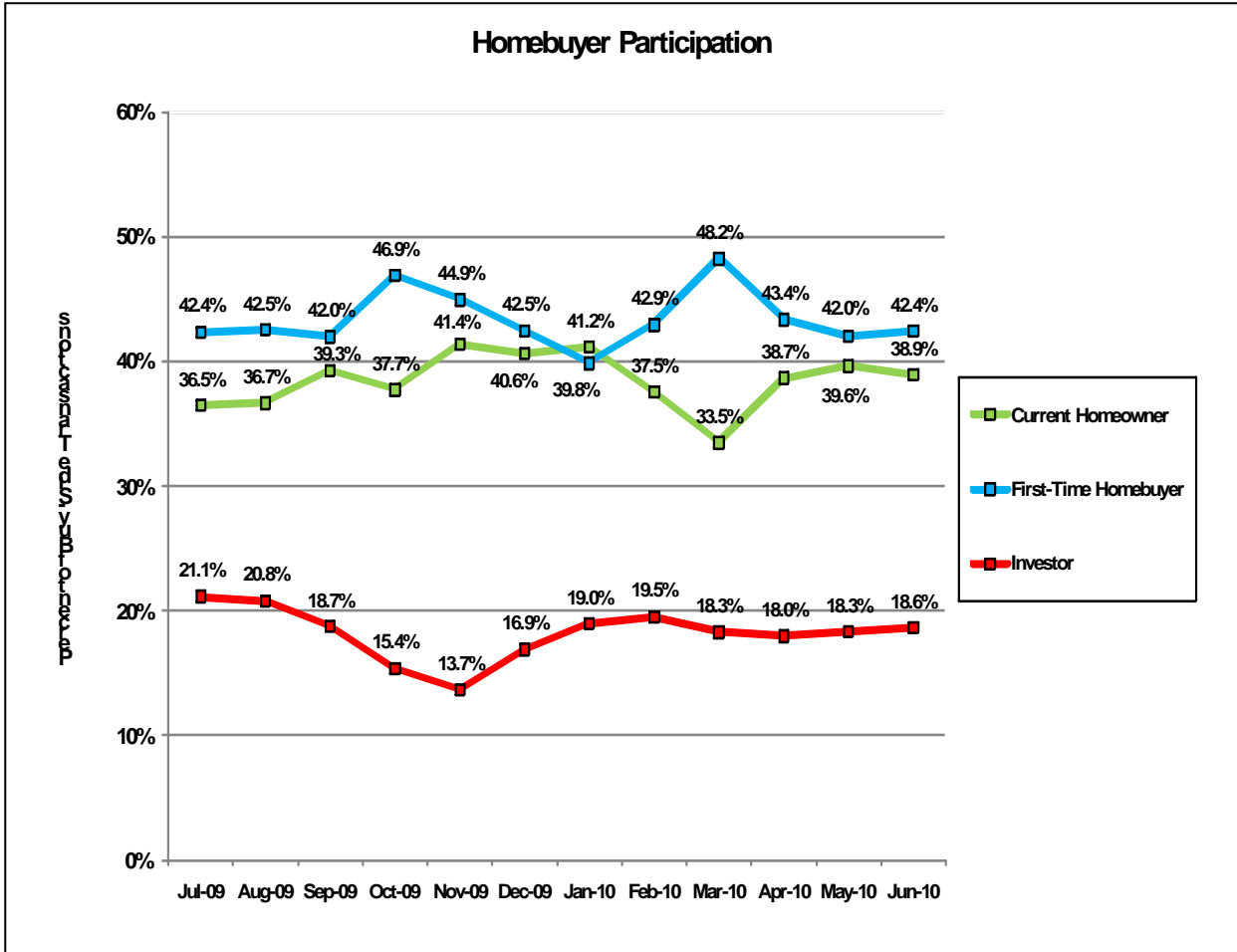
All sectors of the home purchase market, with the exception of damaged REO, saw a drop in average sale prices during June.

Source:
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an agent located in Ohio. “(With) the homebuyer tax credit coming to an end, I’ve noticed many of the homes reducing their list prices by \$5,000 to \$10,000 for prices in the over \$150,000 range,” added an agent located in Pennsylvania.



Survey results suggest that home prices are likely to continue their decline in the months of July and August. Real estate agents were asked in the June survey, “With the end of the homebuyer tax credit, do you notice prices for contracts signed in June going up, down, or staying flat?” Agents responding “down” outnumbered those responding “up” by a ratio of 10 to 1.

“Contracts signed in June will be closing in July and August,” explained Popik. “That’s why we know prices for closed transactions will continue their decline. But this won’t be reflected in the publicly-released price indexes until October or November.”

What’s the bottom line for real estate agents and their clients regarding this data? Holding out for top dollar on non-distressed properties may be a poor strategy for the summer months—clients with inflated opinions of their property value may end up with stale listings that chase the market down. On the other side, homebuyers should be able to find a greater selection of properties than before the tax credit expiration—and in many markets, they also will find attractive prices and low interest rates, a compelling combination.