

HOUSING TRENDS UPDATE

July 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 2,500 real estate agents each month and provides up-to-date intelligence on home sales and mortgage usage patterns throughout the United States, broken down by region.



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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Home Prices May Not Have Hit Bottom, June HousingPulse Survey Results Suggest

Home prices, which have been sputtering along for much of the year, are likely to dip further by the end of 2011, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

Factors driving an expected decline include restricted financing for real estate investors, a large gap between the supply of distressed properties and demand from first-time homebuyers, and the shadow inventory of both foreclosed and short sale properties.

“Rather than trying to discern short-term patterns from the home price indexes, we look at fundamental factors affecting home prices,” commented Thomas Popik, research director for Campbell Surveys.

“If we have several factors pushing in the same direction, we look at this as good evidence of a future trend in prices,” he noted.

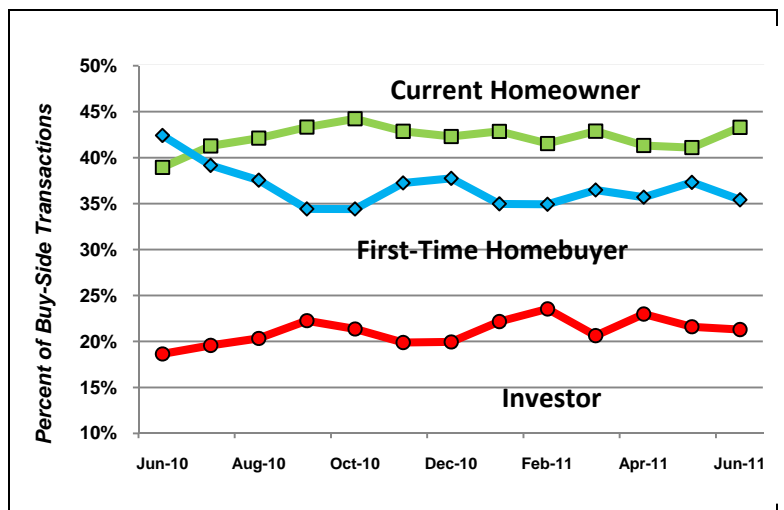
Since the end of the homebuyer tax credit in the spring of 2010, investors have effectively placed a floor on housing prices, accounting for more than 20% of purchases on average. But investors have generally been forced to use cash to finance their home purchase transactions.

In the June *HousingPulse Survey* results, 75% of investor transactions were financed with cash. Real estate agents responding to the survey report that most investors are individuals and small groups relying on bank deposits, home equity lines of credit, and borrowings from retirement accounts—all limited sources of cash that can be easily depleted if properties purchased by investors cannot be quickly resold.

Homebuyer Participation in Housing Market

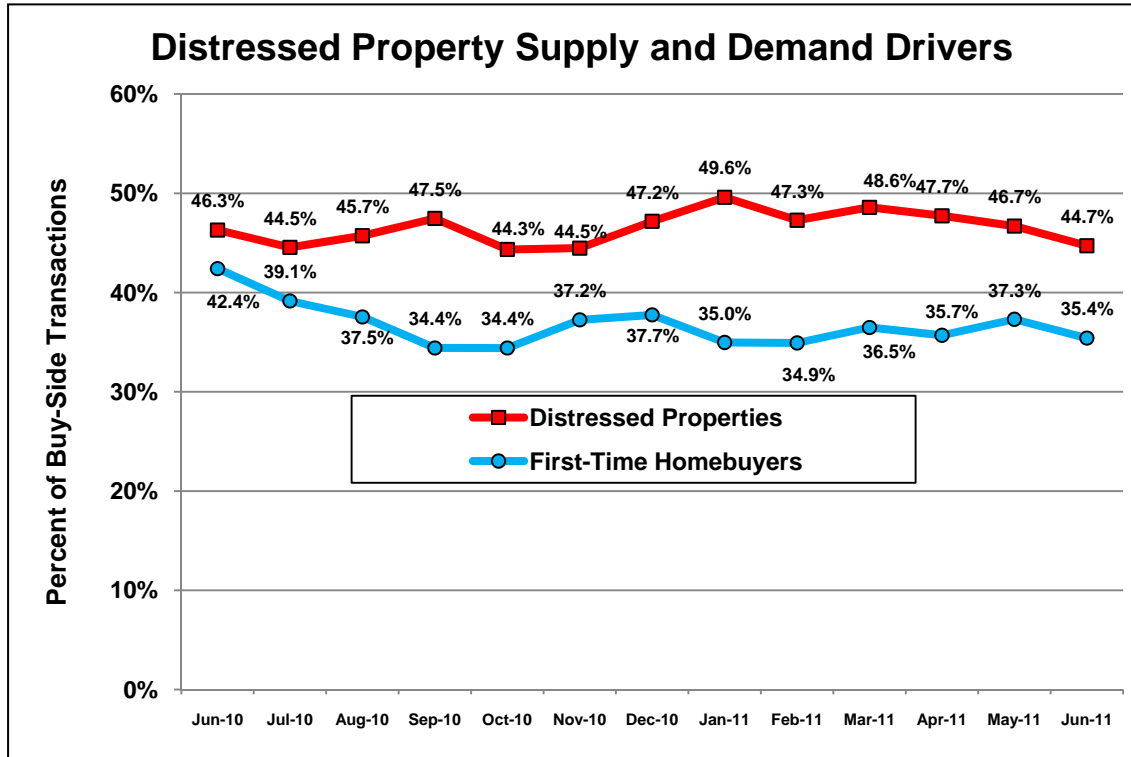
The latest *HousingPulse* data shows that only current homeowners increased their share of home purchase activity in June. First-time homebuyer activity saw the biggest decline last month.

Source:
Campbell/Inside Mortgage Finance HousingPulse Tracking Survey



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The latest *HousingPulse Survey* also showed the proportion of first-time homebuyers in the housing market fell to 35.4% in June, from 37.3% in May. Meanwhile, the HousingPulse Distressed Property Index (DPI) fell to 44.7% in June from 46.7% in May. The gap between first-time homebuyers and distressed property supply was 9.3 percentage points in June, nearly unchanged from the high 9.4 percentage points found in May.



A year ago in June 2010, the gap between first-time homebuyers and distressed property supply was just 3.9%. Because current homeowners buy a new residence and sell their old residence nearly simultaneously, their transactions do little to absorb the supply of distressed property. To buy and hold distressed property, investors must have access to cash or mortgage financing. A previous *HousingPulse Survey* indicated that after a year of absorbing distressed property supply, investor cash is getting depleted. That leaves first-time homebuyers as the next group best able to absorb distressed property supply. But increasingly, first-time homebuyers have trouble qualifying under strict mortgage underwriting guidelines.

Shadow inventory is also likely to weigh on the housing market in the months ahead. Survey respondents stated that both foreclosed properties and potential short sales are sources of shadow inventory. "There are tens of thousands of homes that have not even received a NOD (notice of default) that have not made a mortgage payment in months or years. The NOD's get postponed month after month without a foreclosure. So you tell me. We won't see a bottom until the economy turns in earnest and or the default inventory is exhausted," said an agent in California.

"Too many more short-sales that could be foreclosed on and many more foreclosures to come. I know of some that have been sitting for more than 2 years and still the foreclosure process hasn't begun. I think the shadow inventory is going to affect our market for at least 2-3 more years," reported an agent in North Carolina.

To listen to a recording of Thomas Popik, research director for Campbell Surveys, explain more on the dynamics of the June housing market, click on this link:

[June 2011 HousingPulse Audio File](#)

Residential Real Estate Pricing and Commission Metrics

Average Sales to Listing Price Ratio	2011 Year to Date			
	Damaged REO	Move-In Ready REO	Short Sale	Non-Distressed
Region				
AZ & NV	95%	99%	95%	93%
California	98%	98%	96%	96%
Farmbelt	86%	98%	92%	94%
Florida	95%	97%	90%	92%
Industrial Midwest	91%	92%	91%	94%
Northeast	94%	95%	92%	94%
Oil Producing	92%	99%	91%	96%
Pacific NW	100%	94%	96%	95%
Rocky Mountain	88%	94%	95%	95%
South	88%	96%	91%	95%
National Average	93%	96%	93%	94%

Average Listing Side Commissions	2011 Year to Date			
	Damaged REO	Move-In Ready REO	Short Sale	Non-Distressed
Region				
AZ & NV	2.58%	2.49%	2.88%	2.79%
California	2.52%	2.53%	2.82%	2.66%
Farmbelt	2.65%	2.74%	2.88%	2.90%
Florida	2.74%	2.82%	2.86%	2.90%
Industrial Midwest	2.72%	2.83%	2.83%	2.85%
Northeast	2.68%	2.75%	2.81%	2.78%
Oil Producing	2.72%	2.67%	2.90%	2.76%
Pacific NW	2.84%	2.65%	2.75%	2.74%
Rocky Mountain	2.75%	2.78%	2.94%	2.73%
South	2.70%	2.69%	2.86%	2.81%
National Average	2.68%	2.71%	2.85%	2.80%

Average Buy Side Commissions	2011 Year to Date			
	Damaged REO	Move-In Ready REO	Short Sale	Non-Distressed
Region				
AZ & NV	2.82%	2.88%	2.79%	2.92%
California	2.70%	2.77%	2.69%	2.68%
Farmbelt	2.77%	2.86%	2.77%	2.77%
Florida	2.84%	2.88%	2.84%	2.94%
Industrial Midwest	2.86%	2.88%	2.82%	2.84%
Northeast	2.75%	2.68%	2.65%	2.65%
Oil Producing	2.88%	2.86%	2.82%	2.92%
Pacific NW	2.81%	2.83%	2.70%	2.80%
Rocky Mountain	2.89%	2.88%	2.76%	2.86%
South	2.90%	2.91%	2.84%	2.88%
National Average	2.83%	2.85%	2.76%	2.81%

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Average Property Price by Region--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	\$89,275	\$181,390	\$253,645	\$175,297
California	\$215,421	\$273,076	\$463,614	\$314,472
Farmbelt	\$54,638	\$135,422	\$223,433	\$170,173
Florida	\$74,296	\$149,933	\$274,749	\$162,941
Industrial Midwest	\$57,938	\$114,015	\$205,604	\$150,493
Northeast	\$146,131	\$292,181	\$335,311	\$254,795
Oil Producing	\$74,107	\$141,596	\$216,376	\$171,552
Pacific NW	\$104,545	\$247,161	\$299,122	\$283,479
Rocky Mountain	\$122,463	\$191,046	\$260,974	\$197,221
South	\$79,973	\$159,060	\$227,811	\$202,022
National Average	\$95,642	\$182,164	\$269,111	\$213,874

HousingPulse Regional Map

