

HOUSING TRENDS UPDATE

March 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.

For information on joining the panel contact John Campbell at Campbell Surveys.

202-363-2069
john@campbellsurveys.com

Copyright © 2011 by Campbell Surveys

www.campbellsurveys.com

Distressed Property Slips in February as Investors Step Up Home Purchase Activity

The housing market sent mixed signals in February as the percentage of distressed properties in home purchase transactions dipped while investors stepped up their home buying. These are two of the major findings of the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

In what could normally be viewed as a positive development, the *HousingPulse* Distressed Property Index or DPI, a key indicator of the health of the housing market, fell from 49.6% in January to 47.3% in February. This marked the first decline in the DPI seen since last fall.

But the drop in distressed property transactions was not likely the result of a healing housing market. Rather, it appeared linked to a nationwide delay in the listing and sale of distressed properties as mortgage servicers continued to deal with legal and regulatory fallout surrounding title and paperwork issues.

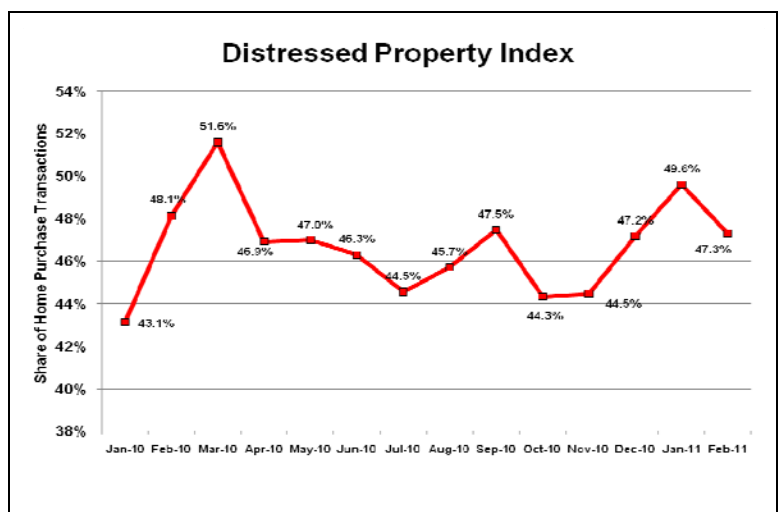
The proportion of move-in ready foreclosed properties or real estate owned, one category of distressed property, took a tumble in February, going from 17.5% in January to 15.4% in February. Some move-in ready REO may have been converted into damaged REO during extended vacancies caused by mortgage servicer processing delays.

For many homebuyers, mortgage financing is becoming an increasing obstacle. This was highlighted in the latest *HousingPulse* tracking survey as cash transactions set a new record, accounting for a huge 33.7% of purchases in February. The increase in cash purchases paralleled a rise in investor activity. Investors accounted for 23.5% of home purchases in February, up from 19.9% percent in only 2 months.

HousingPulse Depressed Property Index Jumps

The *HousingPulse* Depressed Property Index in February fell to 47.3% after reaching 49.6% in January.

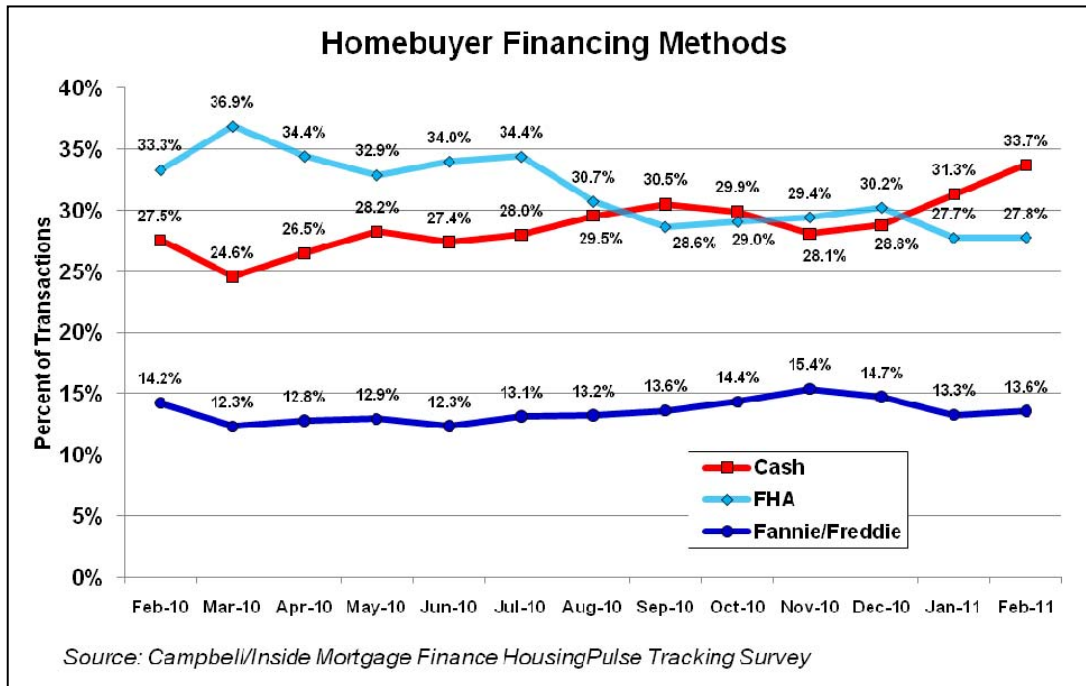
Source:
Campbell/Inside Mortgage Finance HousingPulse Tracking Survey



Housing Trends Update March 2011

For many homebuyers, mortgage financing is becoming an increasing obstacle. This is highlighted in the latest *HousingPulse* tracking survey as cash transactions set a new record, accounting for a huge 33.7% of purchases in February. The increase in cash purchases paralleled a rise in investor activity. Investors accounted for 23.5% of home purchases in February, up from 19.9% percent in only 2 months.

Real estate agents who participated in the February survey confirmed the surge in investors. “We are seeing investors come back into the market. One investor told me that one house he wanted came on Wednesday PM and had 9 offers by Thursday AM,” stated an agent in New Jersey. “There are a number of investors and businesses buying up the



short sale and REO properties and renovating them and then selling them as traditional sales,” reported an agent from Arizona.

A significant number of respondents complained about origination timelines when purchasing distressed properties. Mortgage servicers often set a closing date that is inconsistent with the time required to obtain mortgage financing. Frustrated individual homebuyers then drop out, leaving properties to investors.

“Mortgage lenders cannot meet the closing deadlines for distressed properties. I had a client in January that had to pay \$150 in late fees to the REO bank because their loan could not close in the 30 days allocated due to the lender guidelines and timeframes. This is happening in most transactions in my office that are part of an REO transaction,” said an agent in California. “It is difficult with the new lending rules for mortgages to be approved and funded in less than 45 days let alone the usual 30 day requirements from the short sale lenders,” reported an agent in Florida.

“Mortgage lenders need to be more flexible and expedite closings. Average closings take about 45-60 days from major banks. I have heard that they do not have enough underwriters to review loans,” commented another agent in Florida.

In a sign that housing sales are slipping at a time of the year when they should be increasing, average transactions per real estate agent in the survey fell from 2.1 in January to 1.7 in February. In most years transactions rise from January to February and the lack of an expected increase may indicate that the spring buying season will start with a deficit. Weather may have been a contributing factor to the low transactions in February.