

HOUSING TRENDS UPDATE

October 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



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 monthly survey panel.

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

202-363-2069
john@campbellsurveys.com

Copyright © 2010 by Campbell Surveys

www.campbellsurveys.com

Recent Foreclosure Delays Come On Heels of Rise in Distressed Properties

The proportion of foreclosure and other distressed property sales found in the housing market continued to climb in September, according to the latest Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions. The new data suggests that any significant delay in foreclosures resulting from the recent legal controversy could have major repercussions for the housing market in the coming months.

The September results pointed to two disturbing but related trends. One, a growing share of home sale transactions involve distressed properties – namely real estate owned (REO) or homes acquired through a foreclosure, and short sales. Two, first-time homebuyers, who have been the most active purchasers of distressed properties, are reducing their activity.

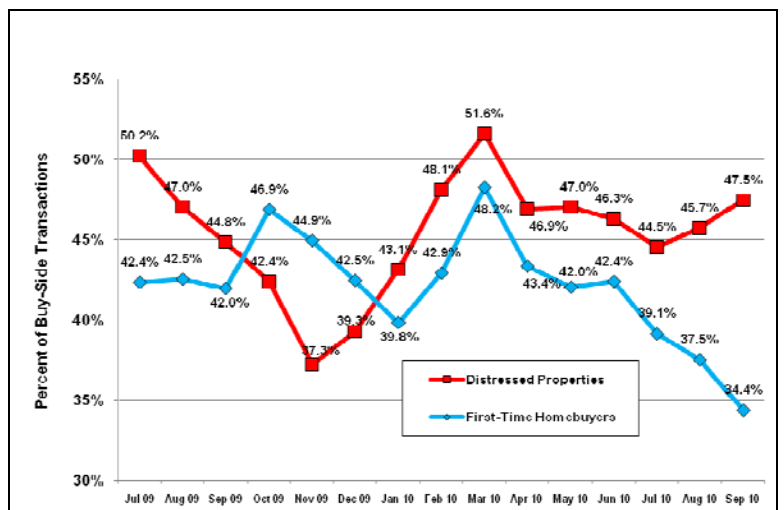
Distressed properties as a share of total home purchase transactions hit 47.5% in September, the latest survey found. That was up from 45.7% in August and up from 44.8% in September of 2009. Importantly, damaged REO saw one of the sharpest rises as a share of all transactions – going from 13.6% in August to 14.7% in September.

While the inventory of distressed properties in the housing market is expected to grow because of the recent foreclosure stoppages related to potential legal problems, the share of distressed property sales will probably drop due to the delays. “Banks have halted sales on many foreclosed homes, but not all. Three of my potential closings were halted until further notice,” reported one real estate agent responding to the September survey. “Bank freeze on closings will cause a lot of problems as 80% of [my] sales are REO sales,” added another agent responding to the survey.

First-Time Homebuyers and Distressed Properties

As first-time homebuyers continue to reduce their home purchases, share of distressed properties has risen.

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

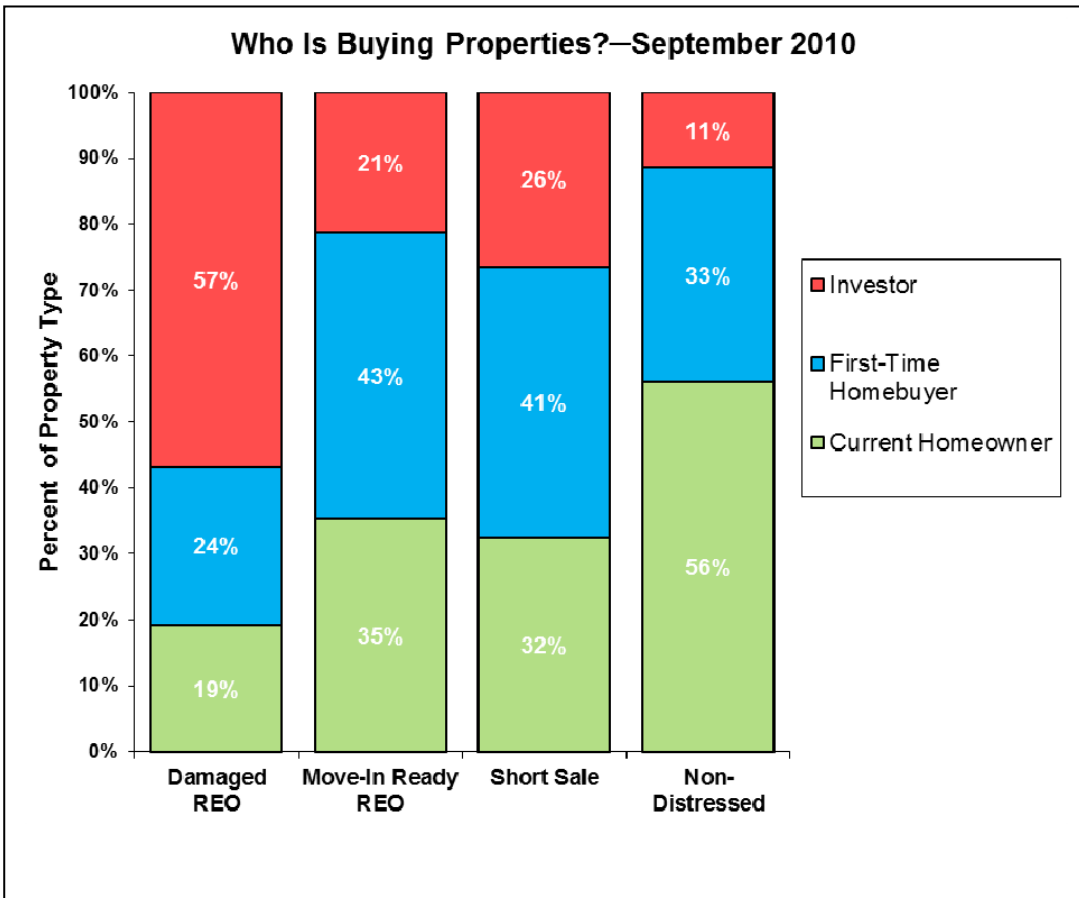


Housing Trends Update October 2010

The decline in first-time homebuyers is not surprising given the end of the federal tax credit in late spring. Since early summer, the Campbell/Inside Mortgage Finance Survey has seen the percentage of first-time homebuyers drop from 42.4% in June to just 34.4% in September.

“For much of 2009 and early 2010, the proportion of first-time buyers followed the proportion of distressed properties,” commented Thomas Popik, research director for Campbell Surveys. “Current homeowners sell a home when they buy a home, resulting in no net take-up. Likewise, many investors buy, rehab, and sell, providing no take-up. In contrast, first-time homebuyers absorb excess housing stock. However, in recent months, they have been able to play this role less frequently because of restricted financing.”

September survey results show that first-time homebuyers are the No. 1 category of purchaser for move-in ready REO and short sales. In contrast, investors are the most important buyers of damaged REO. Current homeowners concentrate their purchases on non-distressed properties, which typically have the most predictable closing dates.



Because first-time homebuyers disproportionately buy distressed properties, their exit from the market is likely to affect both demand and prices for these types of properties. “Mortgage servicers would be well-advised to expedite processing for move-in REO and short sale properties, while prices are still favorable for the investors in their defaulted mortgages,” Popik stated.