

# HOUSING TRENDS UPDATE

September 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



### 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@housingpulse.com

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## First-Time Homebuyers Losing Interest In Short Sales, Latest *HousingPulse* Finds

Processing delays have taken their toll on first-time homebuyer interest in short sales, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

First-time homebuyer purchases of short sales dropped to 39.7% of short sale transactions in August, *HousingPulse* found. That represented a three-month slide and was the lowest level for first-time homebuyers ever recorded by the survey.

The first-time homebuyer share of short sales hit a peak of 54.1% of all short sale transactions in November 2009, just before the originally scheduled expiration of the federal homebuyer tax credit.

Given that home purchases by current homeowners do little to absorb the supply of distressed properties, the housing market is increasingly dependent on investors to pick up any slack in purchases by first-time homebuyers.

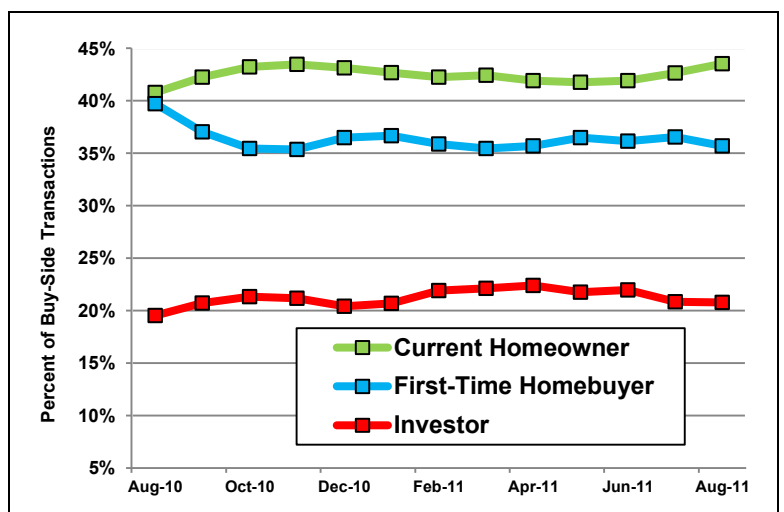
Short sale transactions have long been problematic for buyers and sellers alike, with typical approval times of several months after a homebuyer first submits an offer. Factors slowing down short sale approvals include lost paperwork, coordination with multiple investors, slow appraisals, and mortgage servicer understaffing.

Still, for many first-time homebuyers, average short sale prices of 27% lower than non-distressed properties compensated for the wait time. But with average time-on-market for short sales stalled at 16.6 weeks—with the majority of that time spent waiting for short sale approval—short sale transactions are becoming less popular with first-time homebuyers.

### Buyers of Short Sales – 3-Month Moving Average

The latest *HousingPulse* data shows that first-time homebuyers reduced their share of short sale purchases to 39.7% in August – the lowest level ever recorded.

Source: Campbell/Inside Mortgage Finance *HousingPulse Tracking Survey*

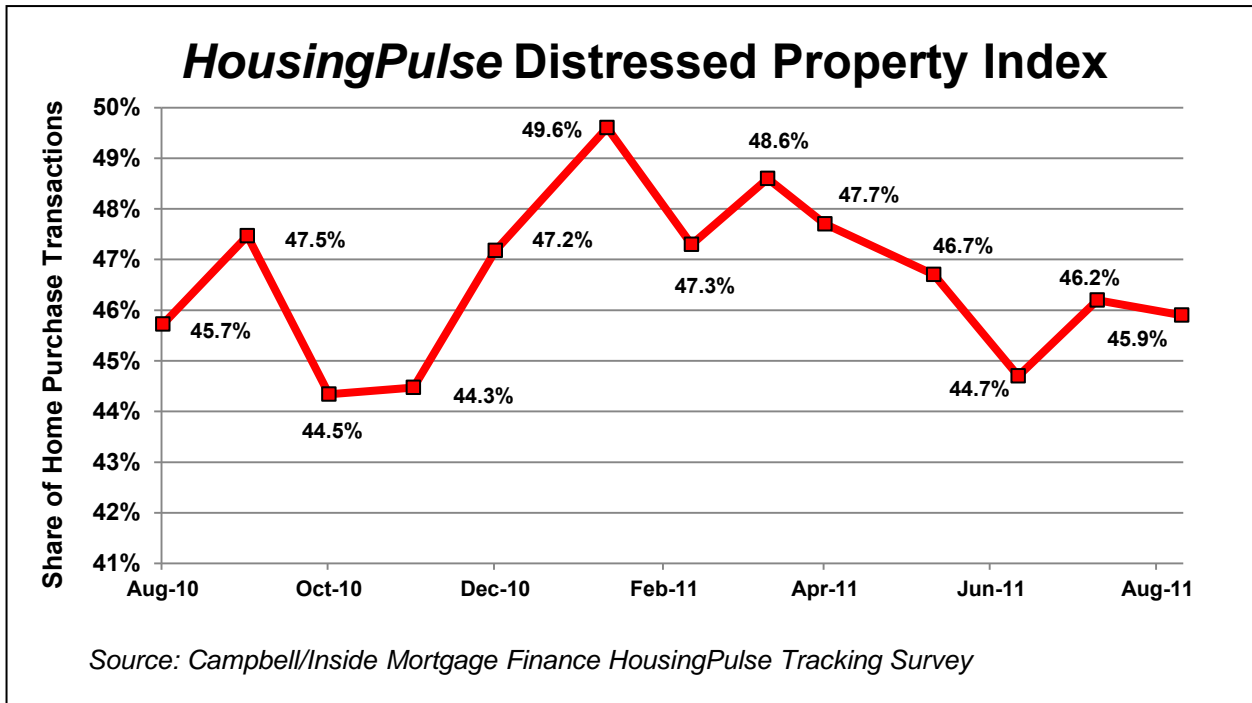


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Short sales are just one type of distressed property, with damaged REO and move-in ready REO also being significant components of today's housing market. In August 2011, short sales accounted for 17.1% of the home purchase market, with damaged REO and move-in ready REO accounting for 13.2% and 15.6%, respectively.

The total proportion of distressed property, as represented by the *HousingPulse* Distressed Property Index (DPI), fell to 45.9% in August from 46.2% in June.

Real estate agents responding to the August survey indicated that homebuyers frustrated



with short sale delays are resorting to placing offers on multiple properties, with the intention of closing on only one. This practice can overload the short sale approval process at mortgage servicers.

In August 2011, the typical closed short sale transaction had 2.8 offers on average, compared to 1.8 offers on average for non-distressed transactions. While offers on non-distressed properties are often considered by the seller simultaneously, offers on short sales frequently come sequentially—after the first offer is withdrawn by the potential buyer, a second potential buyer places an offer, hoping that the approval process will be further along at the mortgage servicer. Only by the third offer is the approval process far enough along for the transaction to be completed before the buyer walks.

The state of California is a hotbed of short sale activity, with these sales accounting for 31% of home purchases in the month of August. Numerous California real estate agents provided comments about short sales for the survey. “Short sales buyers/investors were generally looking at several properties and if one already had 1st and 2nd approval, buyers would move towards the property that had a better chance of closing sooner. They would get tired of waiting on the short sale process,” commented one agent.

“I feel that selling agents are telling the buyers it's okay to write multiple offers because they can walk away with no risk, especially on short sales,” reported another agent. “The short sale market is fraught with deceit and corruption. First-time home buyers are hardly in the game when they try to purchase a short sale listing,” added a third agent.

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:

[September 2011 HousingPulse Audio File](#)

## Residential Real Estate Pricing and Commission Metrics

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

Average Listing Side Commissions	2011 Year to Date			
	Damaged	Move-In Ready	Short Sale	Non-Distressed
<u>Region</u>	<u>REO</u>	<u>REO</u>	<u>Short Sale</u>	<u>Distressed</u>
AZ & NV	2.63%	2.47%	2.89%	2.79%
California	2.53%	2.55%	2.80%	2.65%
Farmbelt	2.70%	2.79%	2.86%	2.91%
Florida	2.71%	2.80%	2.87%	2.90%
Industrial Midwest	2.72%	2.82%	2.82%	2.85%
Northeast	2.67%	2.75%	2.83%	2.78%
Oil Producing	2.77%	2.69%	2.90%	2.76%
Pacific NW	2.78%	2.64%	2.75%	2.74%
Rocky Mountain	2.72%	2.79%	2.94%	2.73%
South	2.71%	2.67%	2.86%	2.81%
<b>National Average</b>	<b>2.69%</b>	<b>2.70%</b>	<b>2.85%</b>	<b>2.80%</b>

Average Buy Side Commissions	2011 Year to Date			
	Damaged	Move-In Ready	Short Sale	Non-Distressed
<u>Region</u>	<u>REO</u>	<u>REO</u>	<u>Short Sale</u>	<u>Distressed</u>
AZ & NV	2.81%	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	2.87%	2.88%	2.82%	2.84%
Northeast	2.75%	2.68%	2.66%	2.66%
Oil Producing	2.88%	2.86%	2.82%	2.92%
Pacific NW	2.81%	2.82%	2.70%	2.80%
Rocky Mountain	2.90%	2.87%	2.76%	2.85%
South	2.90%	2.91%	2.84%	2.88%
<b>National Average</b>	<b>2.83%</b>	<b>2.85%</b>	<b>2.76%</b>	<b>2.82%</b>

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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	\$100,866	\$188,994	\$176,070	\$244,655
California	\$215,196	\$266,010	\$311,446	\$452,517
Farmbelt	\$64,673	\$140,420	\$165,390	\$215,806
Florida	\$77,694	\$150,018	\$159,733	\$265,269
Industrial Midwest	\$60,836	\$115,716	\$147,832	\$208,463
Northeast	\$148,323	\$303,974	\$247,131	\$332,947
Oil Producing	\$70,710	\$139,330	\$171,501	\$217,006
Pacific NW	\$111,784	\$242,576	\$279,454	\$314,691
Rocky Mountain	\$153,765	\$187,656	\$194,876	\$251,403
South	\$77,626	\$154,916	\$205,691	\$229,063
<b>National Average</b>	<b>\$99,364</b>	<b>\$182,093</b>	<b>\$210,674</b>	<b>\$266,293</b>

