

HOUSING TRENDS UPDATE

January 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



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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 HousingPulse survey panel.

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First-Time Homebuyers Remain Active At Year-End as HousingPulse DPI Surges

Purchases of distressed properties surged in December as many banks resumed foreclosures and REO sales following stoppages in the late fall. At the same time, first-time homebuyer activity remained strong as purchasers rushed to close transactions ahead of rising interest rates. These are two of the major findings of the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

One of the biggest developments in December was a sharp jump in the *HousingPulse* Distressed Property Index or DPI, a key indicator of the health of the housing market. Last month's DPI was 47.2% and reflected the share of total home sale transactions that involved distressed properties. December's level was up from 44.5% in November and nearly matched the recent 47.5% peak in the index reached in September, right before the so-called "robo-signing" controversy forced major servicers to temporarily halt foreclosures.

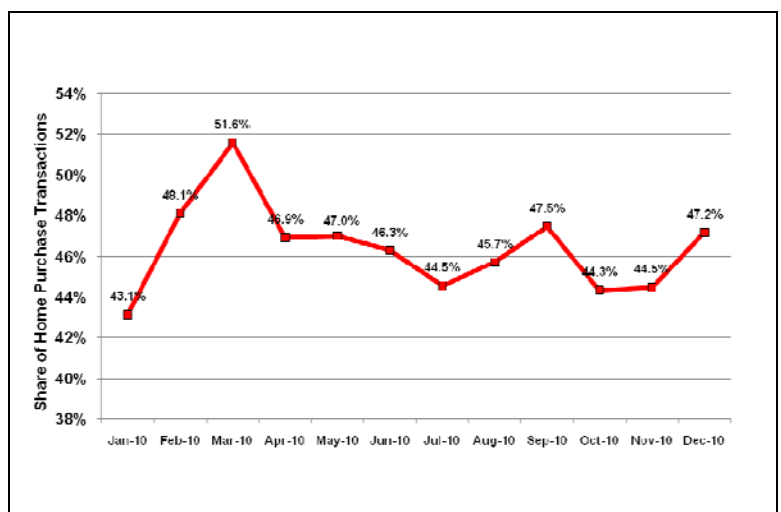
Distressed property sales were not distributed evenly around the country. In California, a state hit hard by the foreclosure crisis, a huge 66% of all transactions tracked in December involved distressed properties. The combined area of Arizona and Nevada similarly suffered, with 62% of transactions being distressed. However, in the oil-producing states of Texas, Oklahoma, and Louisiana, only 29% of transactions were distressed.

Real estate agent comments confirmed the high proportions of distressed property. "About 30% of the market are traditional sales, 40% REO and 30% short sales," commented an agent in California. "REO closings at 45%, short sale closings at 26%, and non-distressed sales at 29%," wrote an agent in Nevada.

HousingPulse Depressed Property Index Climbs

A return to more foreclosures and more REO sales by major banks pushed the *HousingPulse* Depressed Property Index in December to its third highest level in 2010.

Source:
Campbell/Inside Mortgage Finance HousingPulse Tracking Survey

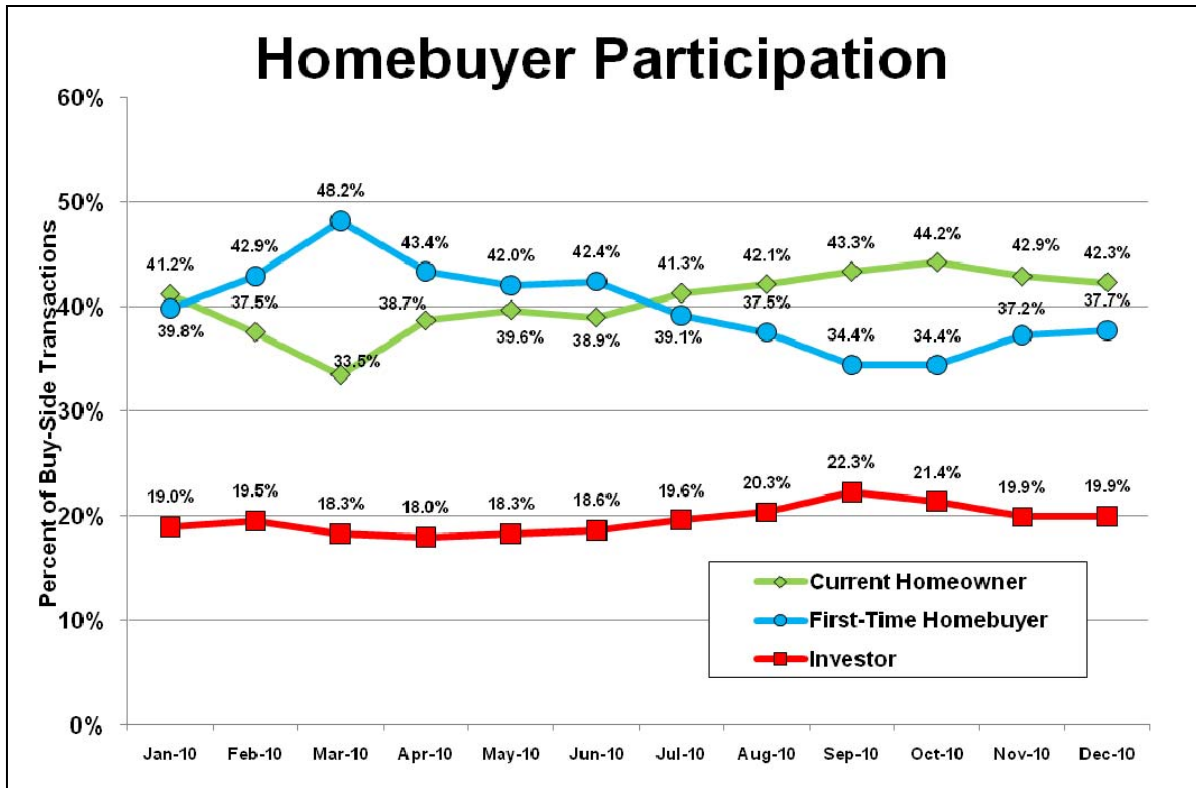


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Separately, sales to first-time homebuyers continued at the high level of 37.7% of all transactions tracked in December, a strong increase from the 34.4% percent level found in the months of September and October. Fears of rising interest rates prompted first-time homebuyers to get off the fence and buy before another burst of interest rate-increases. At the same time, investors reduced their activity amid fears of falling house prices.

“The combination of increased property supply and growing homebuyer demand caused a blow-out month for home sales,” commented Thomas Popik, research director for Campbell Surveys. “We knew this was coming because average transactions for our survey respondents rose from 2.9 in November to 3.4 in December.”

December existing home sales, released by the National Association of Realtors several



days after the Campbell Surveys results, showed a strong increase that exceeded nearly all macroeconomist predictions. The normal seasonal pattern is for existing home sales to be nearly flat between the months of November and December. However, in 2010 existing home sales rose 13.8% between November and December, while falling 2.2% over the same two months back in 2009.

Campbell Surveys predicts the surge in home buying may not last. “January and February are typically the slowest months of the year for home buying,” explained Popik. “And we’ll still have a backlog of foreclosed homes coming on the market during the winter, so prices may come under pressure, too.”

Agents responding to the survey also weighed in on prices. “Market prices are being driven by REO and short sales. The sellers of non-distressed properties are still trying to get their prices. Buyers are still saying, ‘No we are not going to pay that price.’ We have somewhat of a standoff,” reported an agent in Montana. “It’s extremely difficult to obtain a ‘fair’ price for a non-distressed homeowner. The competition from foreclosures and short sales is overwhelming,” responded an agent in New York.