

HOUSING TRENDS UPDATE

November 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

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Foreclosure Mess Prompts Homebuyers To Avoid Distressed Properties in October

The ongoing controversy surrounding foreclosures is taking its toll on the housing market as a significant share of home shoppers refused to even look at distressed properties in October, according to the latest Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions.

Meanwhile, both the share of home purchases involving distressed properties and average prices for foreclosed properties fell last month, the survey found.

News reports that major servicers were pulling real estate owned or foreclosed properties off the market, including some already under contract, clearly spooked would-be homebuyers.

The closely-watched monthly survey found that 14% of owner-occupant homebuyers and 6% of investors refused to view foreclosed properties in October. This homebuyer fear was even worse for short sale properties where 30% of owner-occupant shoppers and 20% of investors refused to view these homes.

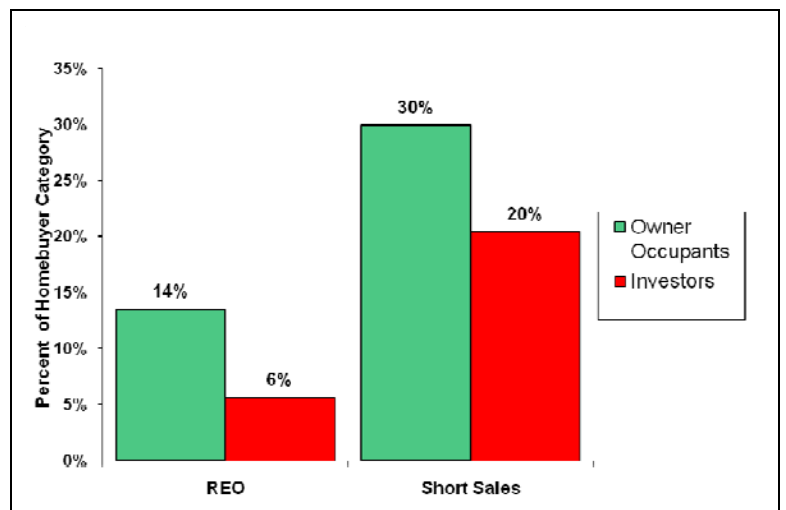
Servicing problems disrupted both short sales and REO sales last month. Survey results show that 24% of closings scheduled for October were delayed or canceled due to issues with short sales, while 12% were delayed or canceled due to REO title issues.

Although distressed properties have dominated home sales for much of this year, recent foreclosure problems helped trigger a noticeable dip in their share of the market last month. In October, distressed properties accounted for 44.3% of transactions tracked in the latest survey – down from 47.5% in September.

Homebuyers Shun Distressed Properties

Faced with problems surrounding foreclosures, homebuyers in October avoided shopping for distressed properties.

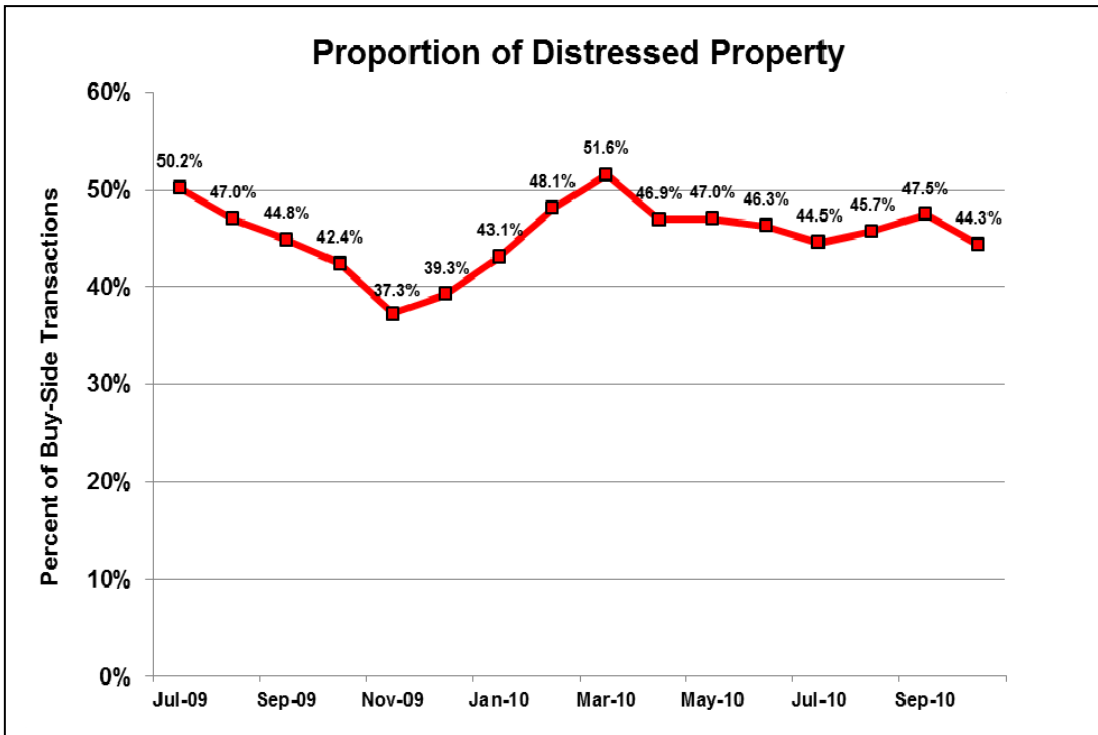
Source:
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Importantly, sales of move-in ready REO, damaged REO, and short sales all fell in October. While media reports have concentrated on the effects of foreclosure stoppages on sales of REO, many of the same title problems affect short sales—especially short sales with multiple mortgage liens. Additionally, staffing issues at mortgage servicers may have exacerbated a long-standing pattern of delayed responses on offers to buy short sale properties.

Not surprisingly, the drop in overall distressed property sales activity helped produce a decline in average prices for short sales, move-in ready REO and damaged REO in



October. At the same time, average prices for non-distressed properties rose.

"It's clear that decreased homebuyer demand for distressed properties has resulted in lower prices," commented Thomas Popik, research director for Campbell Surveys. "Homebuyers were squeezed into non-distressed properties that resulted in a higher average price for this type of transaction."

"With the foreclosure 'fraud' issue still out there, buyers are skeptical to purchase a REO. Until the fraud mess gets cleared up, most of our clients are second guessing their interest in REO properties," reported a Florida real estate agent responding in the latest survey.

"Since short sales are more than likely to fail before closure, I completely discourage buyers from wasting their time or mine if they NEED to buy a home. There is no telling how many good deals or properties the buyer could miss while waiting for any type of answer (even a 'no' takes up to 12 months)," complained an agent located in Michigan

Still, some agents report that homebuyer resistance against distressed property sales may only be temporary. "All people want to see are REO's. With the scare with Bank of America there was a reluctance that lasted maybe a week against REO's," stated an agent located in Florida.