



# Tracking Real Estate Market Conditions

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

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*September 2009*

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## Introduction

Campbell Surveys and Inside Mortgage Finance announce a unique survey series to track both home sales and mortgage usage patterns. Respondents to the survey are real estate agents and brokers—a group with unparalleled insight into rapidly changing local real estate markets and homebuyer mortgage preferences.

Inside Mortgage Finance is a leading publication in the mortgage industry and a data source recognized for its accuracy by major industry players. Campbell Surveys has conducted syndicated research for the mortgage and real estate industries since 2001. The research products resulting from their continuing survey collaboration have been purchased by nearly every major financial institution, including mortgage originators accounting for more than half of current United States mortgage production.

Metrics covered in this white paper of past survey results include:

- The proportions of homebuyers, including first-time homebuyers, investors, and current homeowners
- The proportions of property transactions, including damaged REO, move-in ready REO, short sales, and non-distressed properties
- Financing methods used by homebuyers, including cash, FHA, VA, Fannie Mae/Freddie Mac, and non-agency loans
- Average prices for various property types
- Average time on market for various property types
- Average number of offers for various property types
- Diffusion indexes for sales prices and inventory
- Textual comments from real estate agents on local market conditions
- Data at both the national and regional levels

Example data presented in this document is from the period August 1-31, 2009 unless otherwise noted. Subscribers to the survey results have access to prior and subsequent periods and can track month-to-month trends and changes.

Inquiries regarding subscriptions to the full survey results should be addressed to:

John Campbell  
[jcampbell@campbellsurveys.com](mailto:jcampbell@campbellsurveys.com)  
(202) 363-2069

## Survey Methodology

During the first week of each month, Campbell Surveys solicits real estate agents by email, asking them to complete an online survey instrument. The period surveyed is the previous calendar month. The online survey instrument consists of five discrete sections, each covered by a separate data acquisition page:

- Respondent Information—respondent name, email, location, specialty, and number of buyer-side and listing side transactions
- Listing Agent Transactions—a detail of transactions for the previous month
- Buyer’s Agent Transactions— a detail of transactions for the previous month
- Changes in Your Local Housing Market—diffusion index questions regarding month-to-month changes in number of transactions, prices, time on market, and inventory
- Bonus Question—a question that may vary month-to-month, designed to highlight current issues in the market

The email solicitation database has been developed over the course of eight years of real estate agent surveys. Typically one-third of respondents have responded to a previous Campbell Survey; the remaining two-thirds are new respondents.

The following validation criteria are used for respondents:

- Only real estate agents and brokers actively showing or listing residential properties are allowed to respond to the survey
- Each respondent must identify themselves by name and email address
- Respondents can respond to the survey only once per month

The survey typically obtains respondents in excess of 1,500, representing all major regions of the country. Due to natural variations in response rates, not every region or state will achieve the same response rate. Accordingly, survey results are weighted by the number of transactions in individual states, using the most recent quarterly data available.

## Monthly Survey Deliverables

The survey and associated deliverables were designed with the needs of the sophisticated economic researcher or financial analyst in mind. Monthly deliverables include:

- A database of buyer-side transactions with data elements for location of respondent, time period, property category, homebuyer type, financing method, sales price and buyer-side commission
- A database of listing-side transactions with data elements for location of respondent, time period, property category, homebuyer type, sales price, listing price, time on market, number of offers and listing-side commission
- Individual index responses on monthly changes in home prices, number of closed transactions, REO inventory, short sale inventory, and non-distressed inventory, with each response coded by location of respondent and time period
- Textual comments from survey respondents on local market conditions that can be sorted by both time period and location of the respondent

To aid in analysis without the need for custom-programming, all data is delivered in an Excel spreadsheet format. Additionally, more than 20 pre-programmed pivot tables are included to speed initial analysis of the data.

Pivot tables may be used to compare trends across 10 pre-formatted regions. These regions were designed to include states that are geographically adjacent and share similar drivers of economic performance. Pivot table data is geographically weighted to account for any monthly variation in response rates.

Compiled survey data is released to subscribers by the 15<sup>th</sup> calendar day of each month, or by the first business day following the 15<sup>th</sup> if that day falls on a weekend or federal holiday.

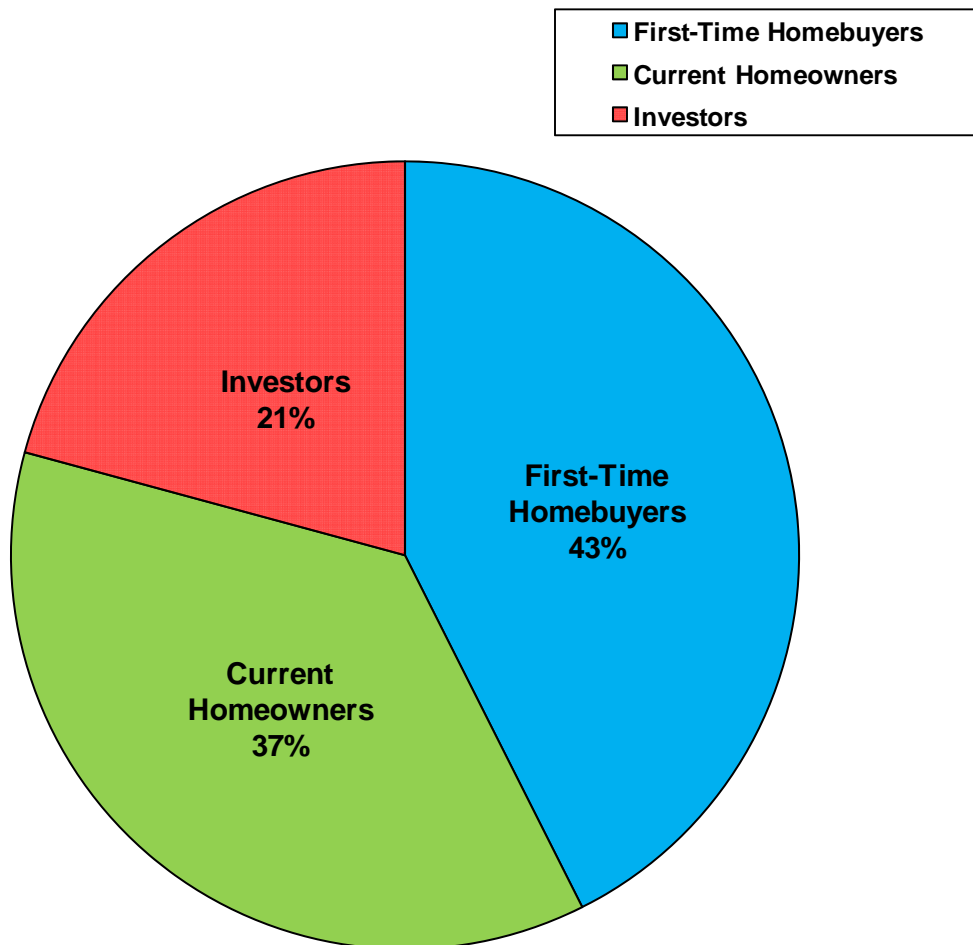
In order that survey subscribers retain a significant competitive advantage, distribution and dissemination of survey data is carefully controlled and sequenced. Survey subscribers are given access to the complete set of survey deliverables before release of selected data to media outlets. Any release of data to the media is limited to a small set of top-line statistics, augmented by incomplete regional data and qualitative, not quantitative, analysis. And a private teleconference with subscribers to discuss survey results is always conducted before any news conferences or press releases.

## Survey Segmentation Scheme

The survey uses an innovative segmentation scheme to divide the housing market into three components of demand and four components of supply. The three surveyed components of demand are first-time homebuyers, investors, and current homeowners. The four surveyed components of supply are damaged REO, move-in ready REO, short sales, and non-distressed properties.

### *Homebuyer Demand Segmentation*

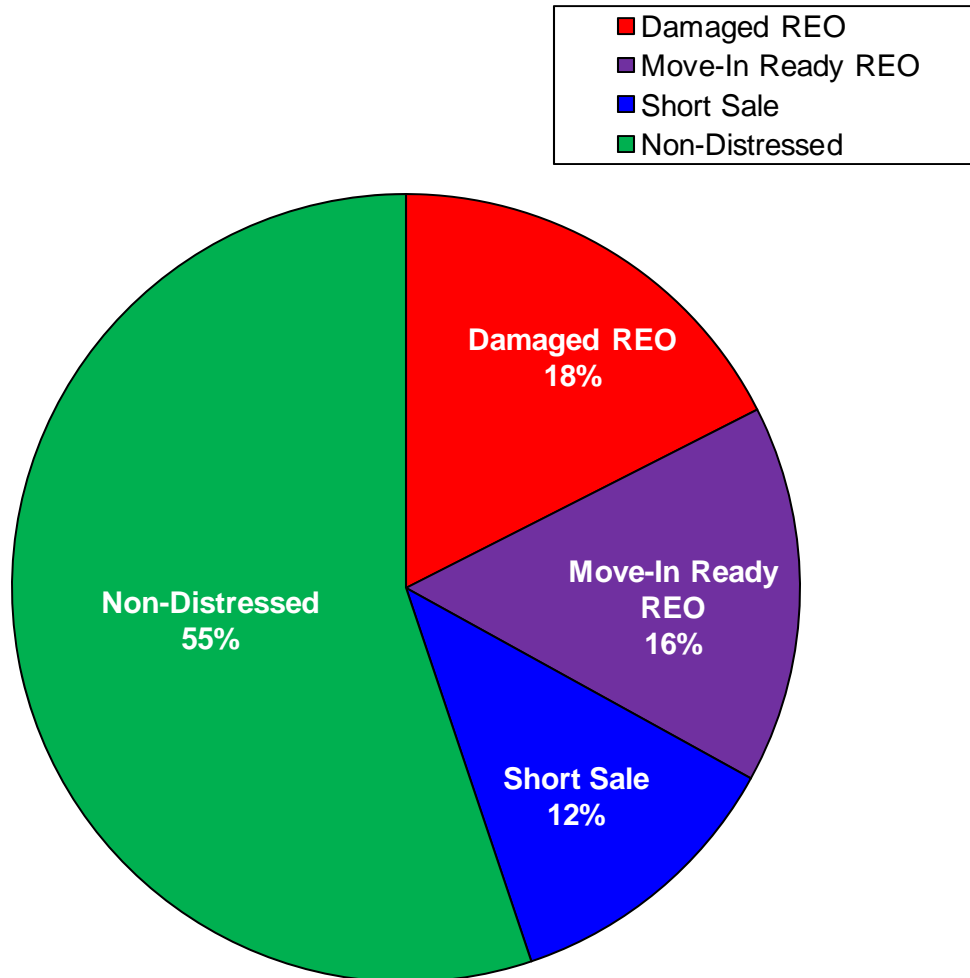
#### Home Purchase Market by Homebuyer Category



Survey results show that first-time homebuyers, motivated by first-time homebuyer tax credit, made up the largest component of demand in August 2009. In the summer months, current homeowners also make up a significant component of demand. (Note: rounding on graph figures precludes totaling to 100%.)

## *Property Supply Segmentation*

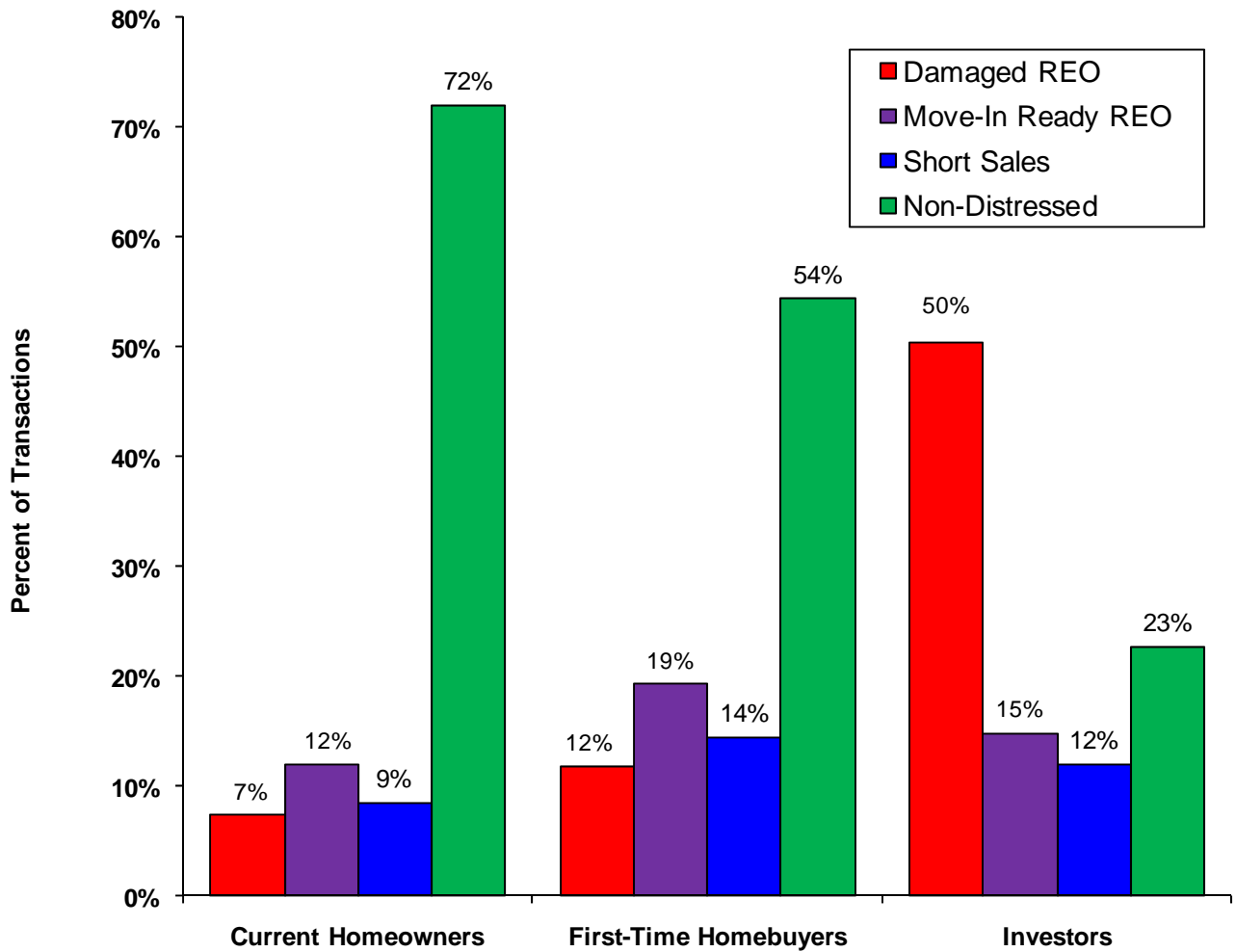
### Home Purchase Market by Property Type



Surveyed transactions can be segmented by property type. In August 2009, distressed properties accounted for nearly half of home purchase transactions. Unlike alternative sources of information on REO properties, this survey divides REO into two distinct components: damaged REO and move-in ready REO. Short sales are also explicitly covered as a distressed property type. (Note: rounding on graph figures precludes totaling to 100%.)

## Matrixed Segmentations

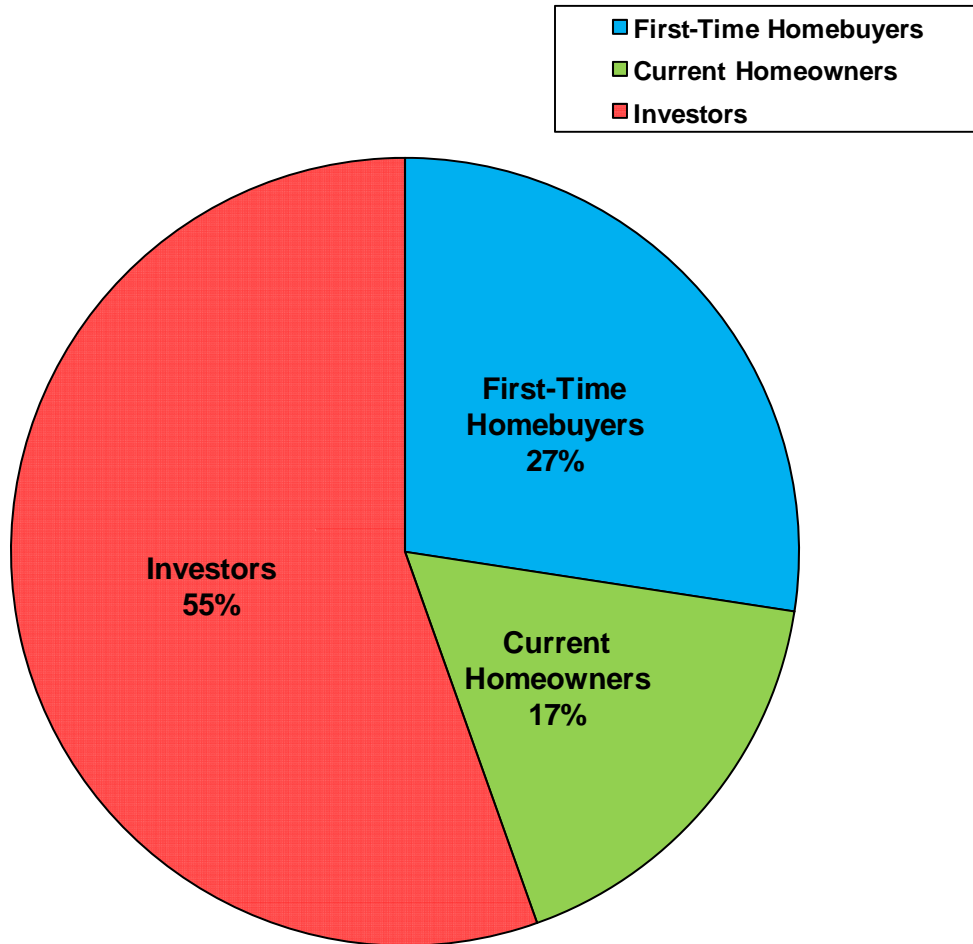
### Homebuyer Preferences



Because the survey data is collected on a per-transaction basis, it can easily be filtered to produce matrixed segmentations. For example, it is possible to see how the population of current homeowners, first-time homebuyers, and investors divide up their purchases among damaged REO, move-in ready REO, short sales, and non-distressed properties. (Note: rounding on graph figures precludes totaling to 100%.)

Current homeowners almost universally prefer to buy non-distressed properties. Investors concentrate their purchases on damaged REO.

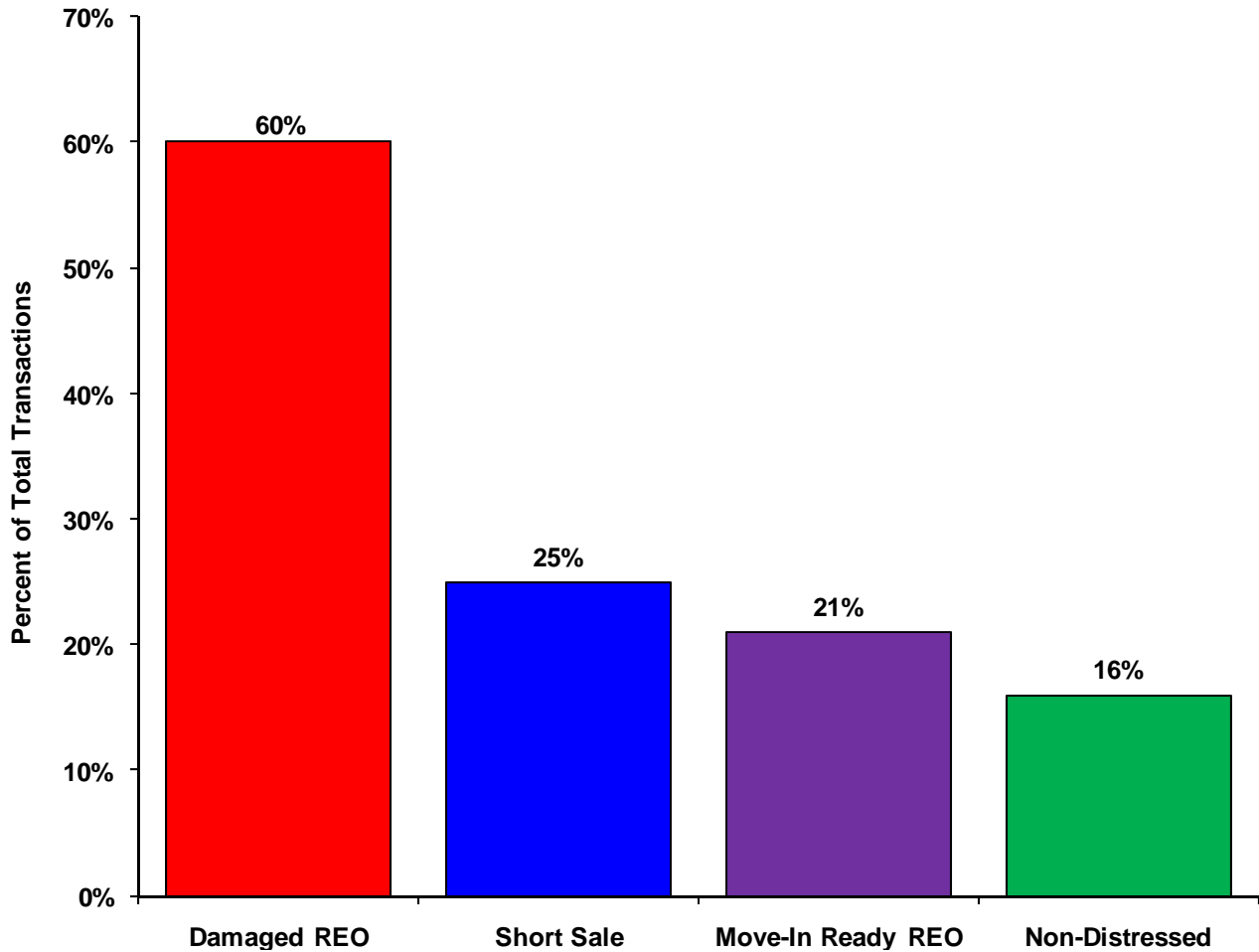
## Purchasers of Damaged REO Properties



It is also possible to use the survey results to determine which types of homeowners buy a particular type of property. For example, investors buy the majority of damaged REO.

## Financing Methods

### Percent of Transactions Financed by Cash

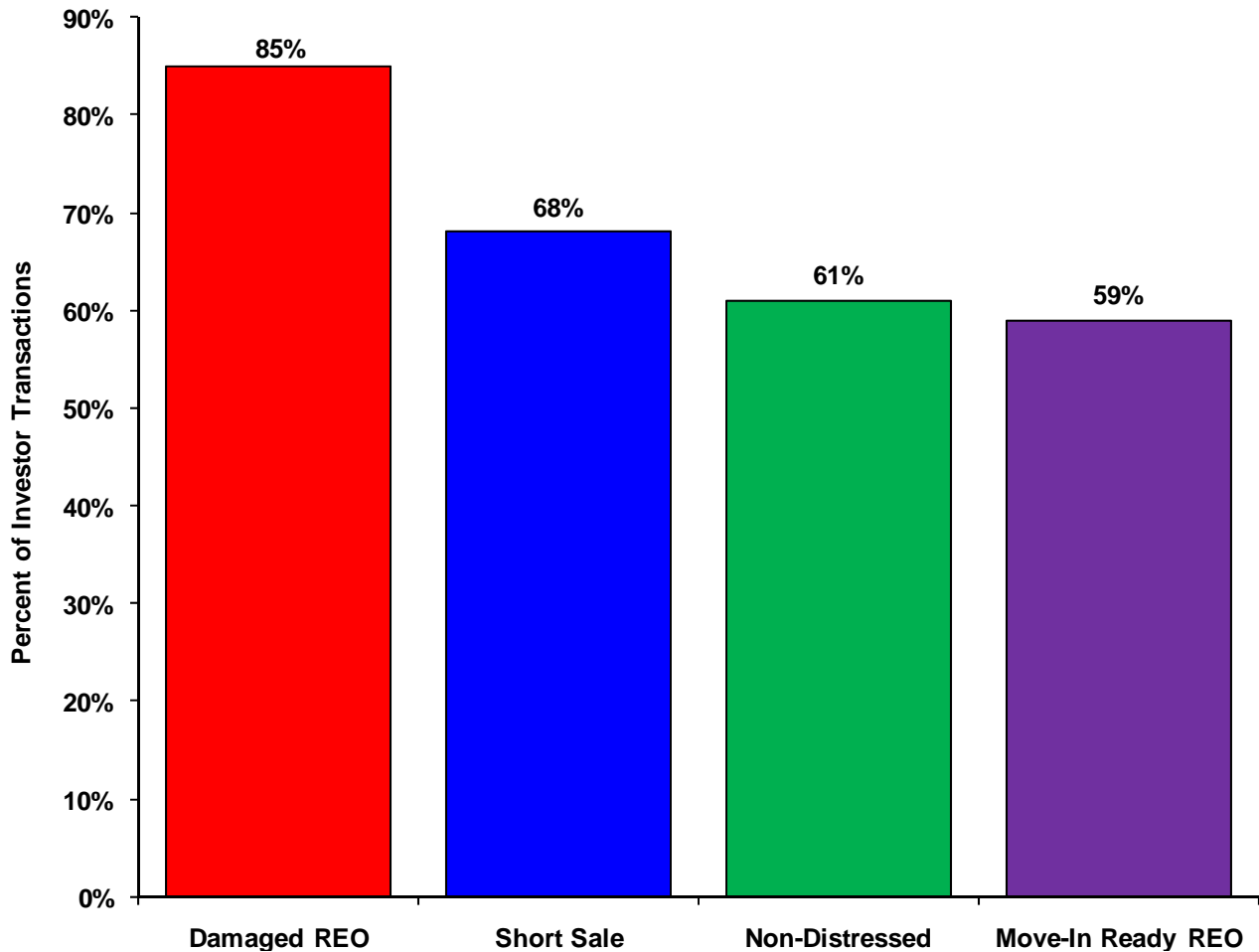


Buyer-side transactions can be broken down by financing method; survey respondents indicate one of the following types of financing for individual transactions:

- Cash
- Fannie/Freddie
- FHA
- Non-agency lender
- VA
- Don't know
- Other financing

In the above example, transaction data was filtered to find the percent of transactions financed by cash, broken down by property type. Cash is the predominant financing used for damaged REO.

## Use of Cash by Investor Homebuyers

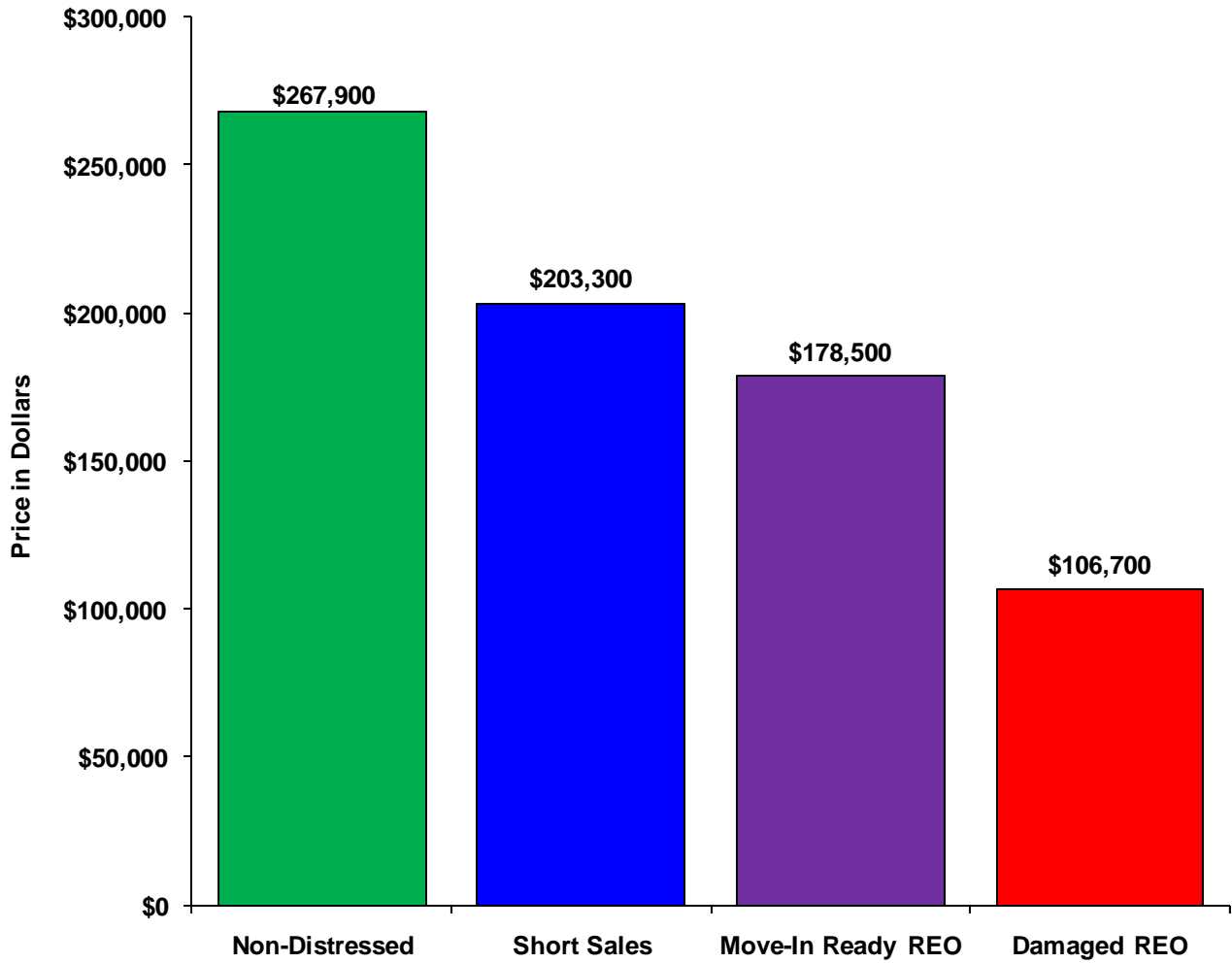


Surveyed transaction data can be further filtered to find the percent of investor transactions financed by cash, broken down by property type. When investors bought damaged REO in August 2009, they used cash 85% of the time.

Cash purchases are often necessary for damaged REO because few mortgage financing programs exist for this type of property.

# Sales Prices

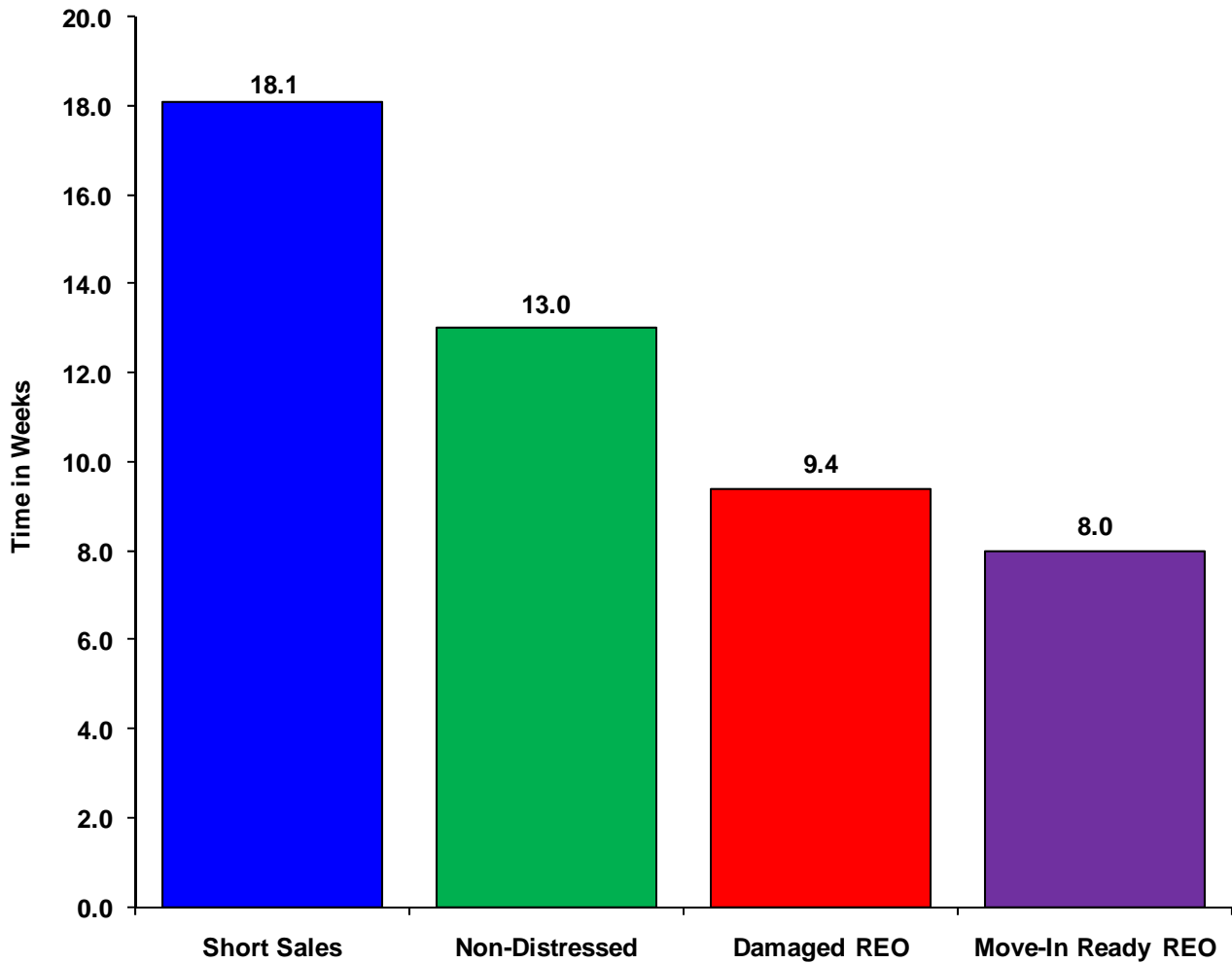
## Average Sales Price



Survey results reveal that sales prices vary significantly by property type. Damaged REO is typically sold at extreme discounts compared to other property types, with move-in ready REO and short sales sold at more moderate discounts.

## Time on Market

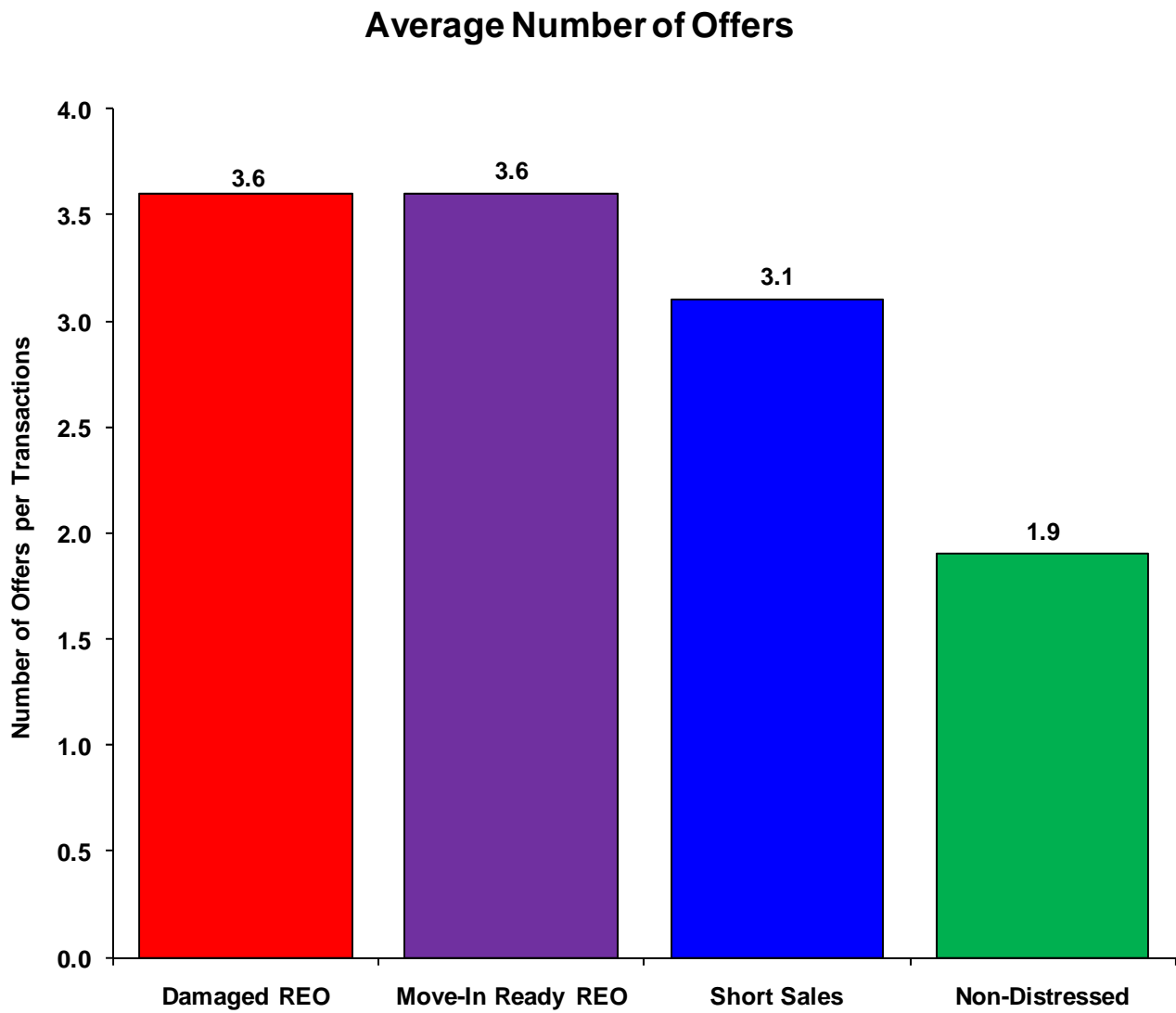
### Average Time on Market



Survey results show that damaged REO and move-in ready REO are in high demand and stay on the market for relatively short periods. Non-distressed properties, often priced higher, stay on the market much longer.

Short sales, while significantly discounted, sell slowly. Short sale properties stay on the market longer than any other property category because mortgage servicers take 2-3 months, on average, to provide “yes” or “no” responses to short sale offers. Real estate agent respondents indicate that slow answers on short sale offers are a significant impediment to potential homebuyers.

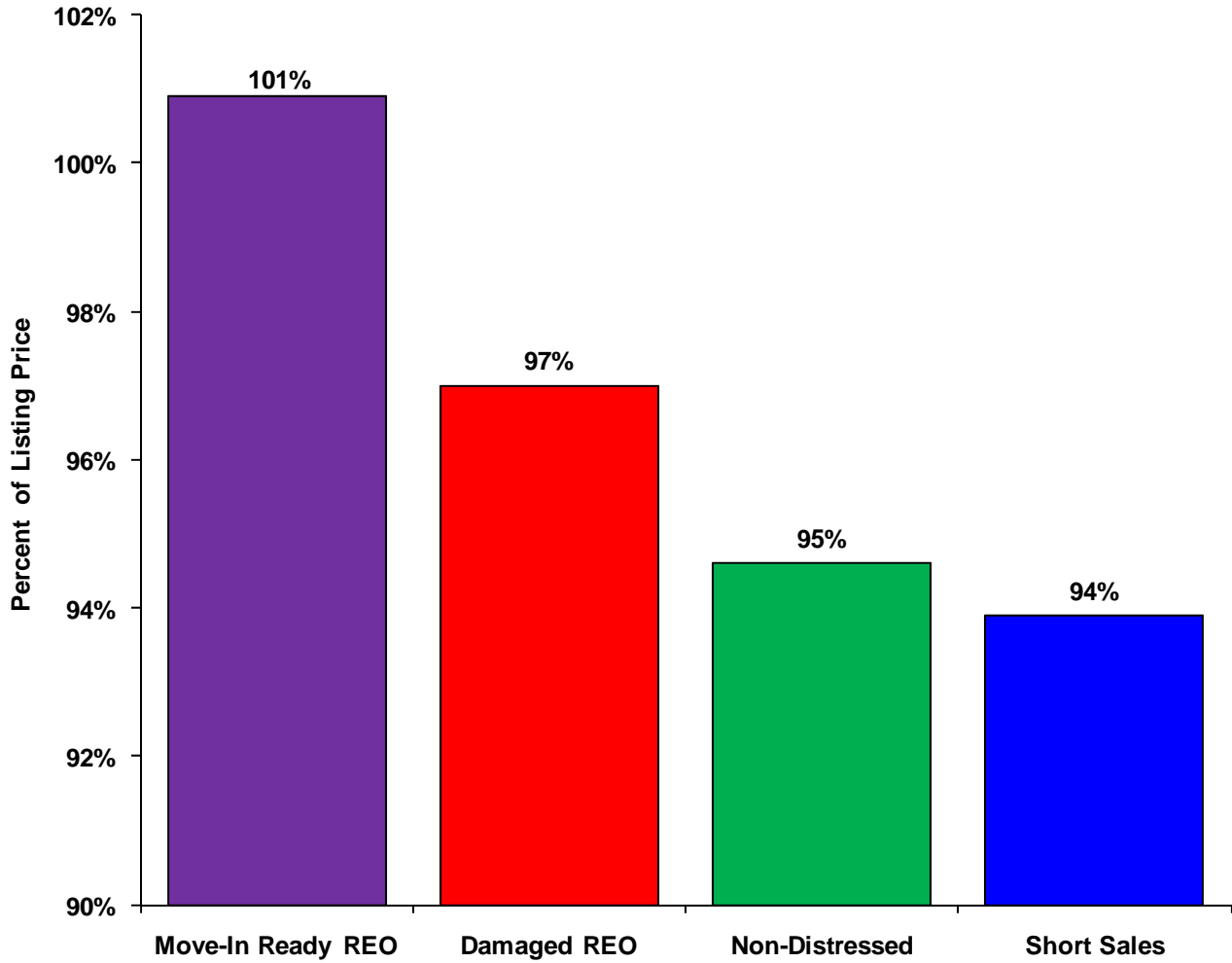
## Number of Offers



Survey results show that non-distressed properties, often priced higher, receive the fewest offers. Damaged REO and move-in ready REO receive the most offers.

## Sales Price to Listing Price Ratio

### Average Sales Price to List Price



Survey results show that REO properties, often priced lower, sell close to listing price. Short sales and non-distressed properties sell at a discount to listing price.

## Diffusion Indexes

Diffusion indexes are calculated based on survey responses regarding month-to-month changes in inventory, prices, transactions, and time on market. On a scale of 0 to 100, a value of 50 indicates no change; a value of less than 50 indicates a decline, and a value of more than 50 indicates an increase.

### *Inventory*

United States			
<b>0=Falling Fast; 50=Level; 100=Rising Fast</b>			
	Period		
Diffusion Index	Jul 2009	Aug 2009	
Non-Distressed Inventory	51.9	51.8	
REO Inventory	57.5	56.0	
Short Sale Inventory	65.7	64.1	

Survey results show that month-to-month change in non-distressed inventory was close to flat for July and August 2009, while survey respondents indicate both REO and short sales inventories increased in both months. Note that short sale inventories increased faster than REO inventories.

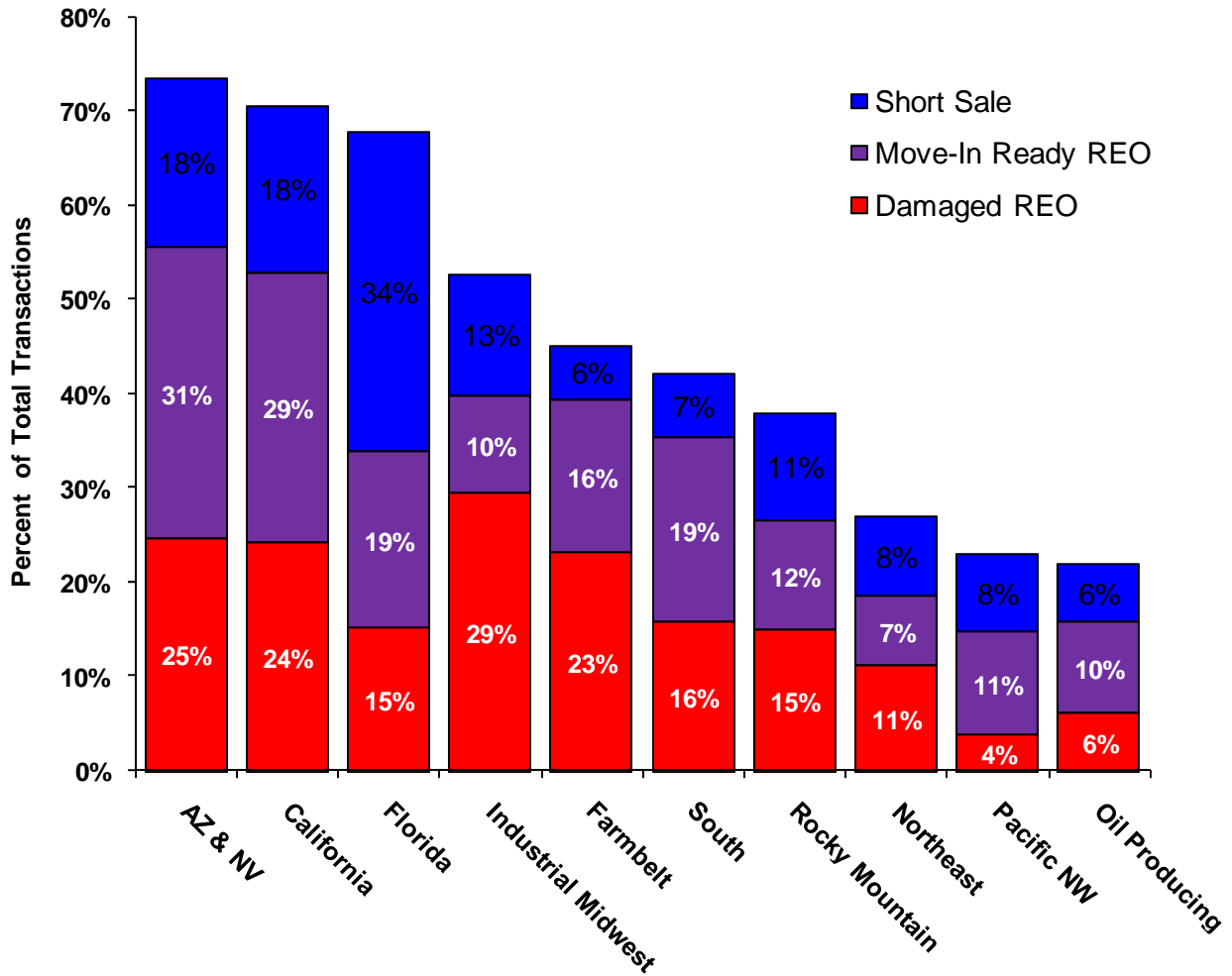
### *Sales Prices*

United States		(All)	
<b>0=Falling Fast; 50=Level; 100=Rising Fast</b>			
Sum of Index Value	Period		
Diffusion Index	Jul 2009	Aug 2009	
High-End Sales Price	31.1	32.5	
Low-End Sales Price	48.0	49.3	
Sales Prices	39.7	41.1	

Diffusion indexes produced by survey results indicate that the change in low-end prices was close to flat for July and August 2009, while high-end prices fell.

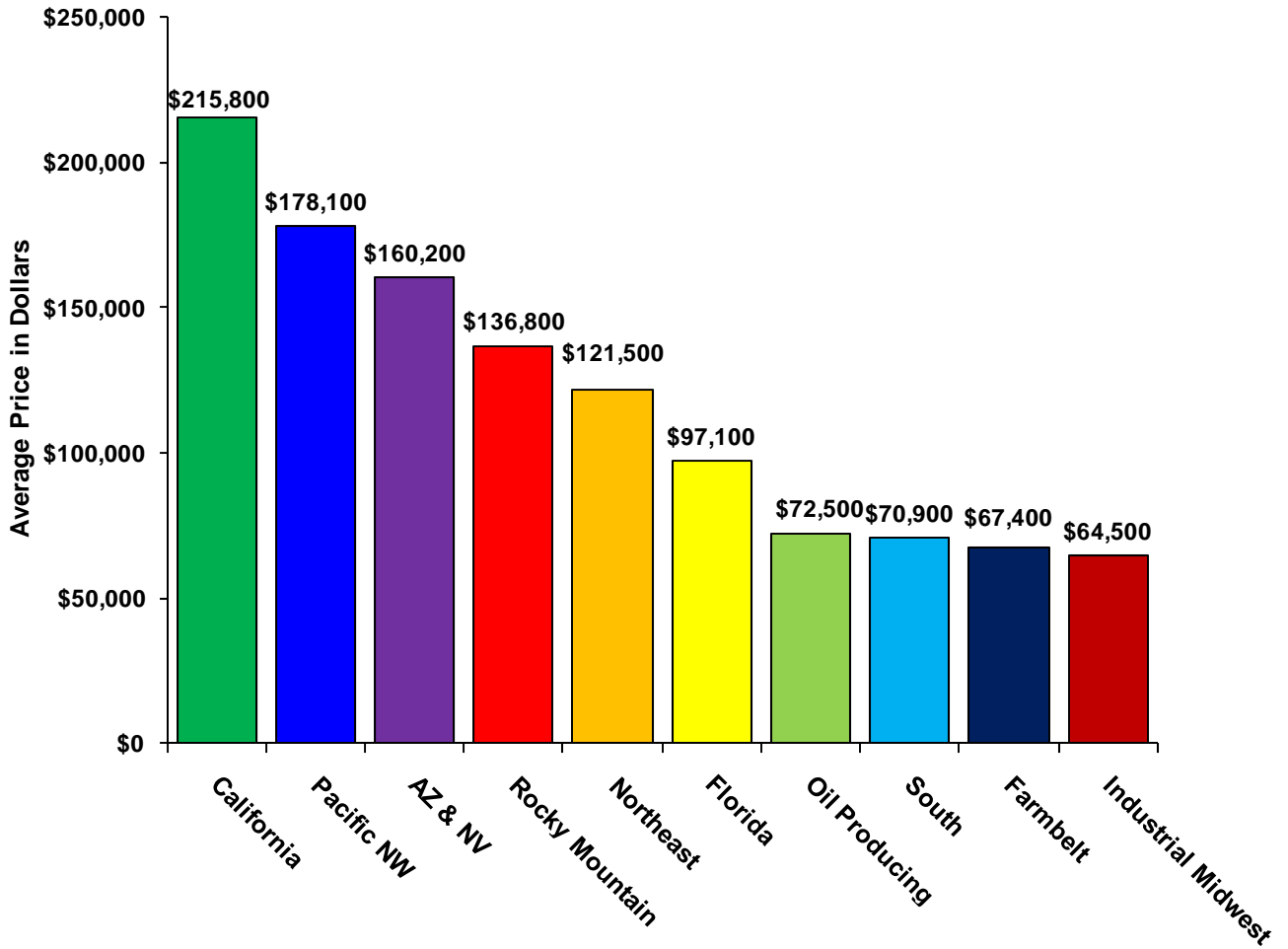
# Regional Breakdowns

## Percent Distressed Properties



Survey results show a wide variance in the percent of distressed properties by region. Notably, survey results confirm the conventional wisdom that the “sand states” of Arizona, California, Florida, and Nevada have the highest proportion of distressed property transactions.

## Average Damaged REO Sales Prices



The survey results provide insights into regional price differences that are not available from other sources of housing prices. For example, this tabulation shows regional sales price differences for the subset of damaged REO properties.

## Textual Comments by Real Estate Agent Respondents

About one-quarter of survey respondents typically provide textual comments on local market conditions. Below are examples of comments from the August 2009 survey:

*“WE NEED MORE LISTINGS! Our real estate market is being annihilated by the moratoriums. We have many first time buyers who continue to be beat out by investors. All these investors are going to create serious problems in our communities by establishing large inventories of rental properties....”*

*“50% of listings are now short sales. Up from less than 10% just four months ago! Selling same property 3 and 4 times before short sale lender finally finishes process. Of course by the time you go several months with a buyer and no answer or sign of progress, buyers no longer want to work with you and move on. There's other buyers in the wing and you start all over again. Unfortunately, we only get paid once.”*

*“We are seeing many more short sales in the available inventory - of which I'd say 40-50% have offers that are awaiting bank approval. REO's are drastically declining although many homes have foreclosed but banks are not listing them....unknown reasons why not? We are seeing owner occupied homeowners listing their properties now as well. New builds are becoming popular again - with the buyers being able to purchase new for the price of the distressed...”*

*“In some cases I am told there are at least 10 offers on one property. Buyers are becoming very frustrated as they are putting offers in on 5 or more properties before theirs is accepted. REO's are very hard for first time buyers but are in their price range.”*

*“REO's in short supply. More buyers than properties. Cash is competing with FHA and first time buyers. REO agents do not respond to offers. REO Agents cannot keep up with multiple offers, offers, and status. Investors starting to flip-and buyers cannot use FHA financing. Short Sales still taking too long, causing market to drop further. Banks will not substitute buyers, even with same or higher cash offers, when short sale is approved and original buyer has walked. Agents must restart process. Buyer agents forced to bid high in order to get into first position. Appraisals are not holding up to offer prices, or even to list prices. If property 250k or less, bank is choosing to put back on market for cash, thus no appraisal. More and more REO'S missing appliances, again not allowing FHA buyer.”*

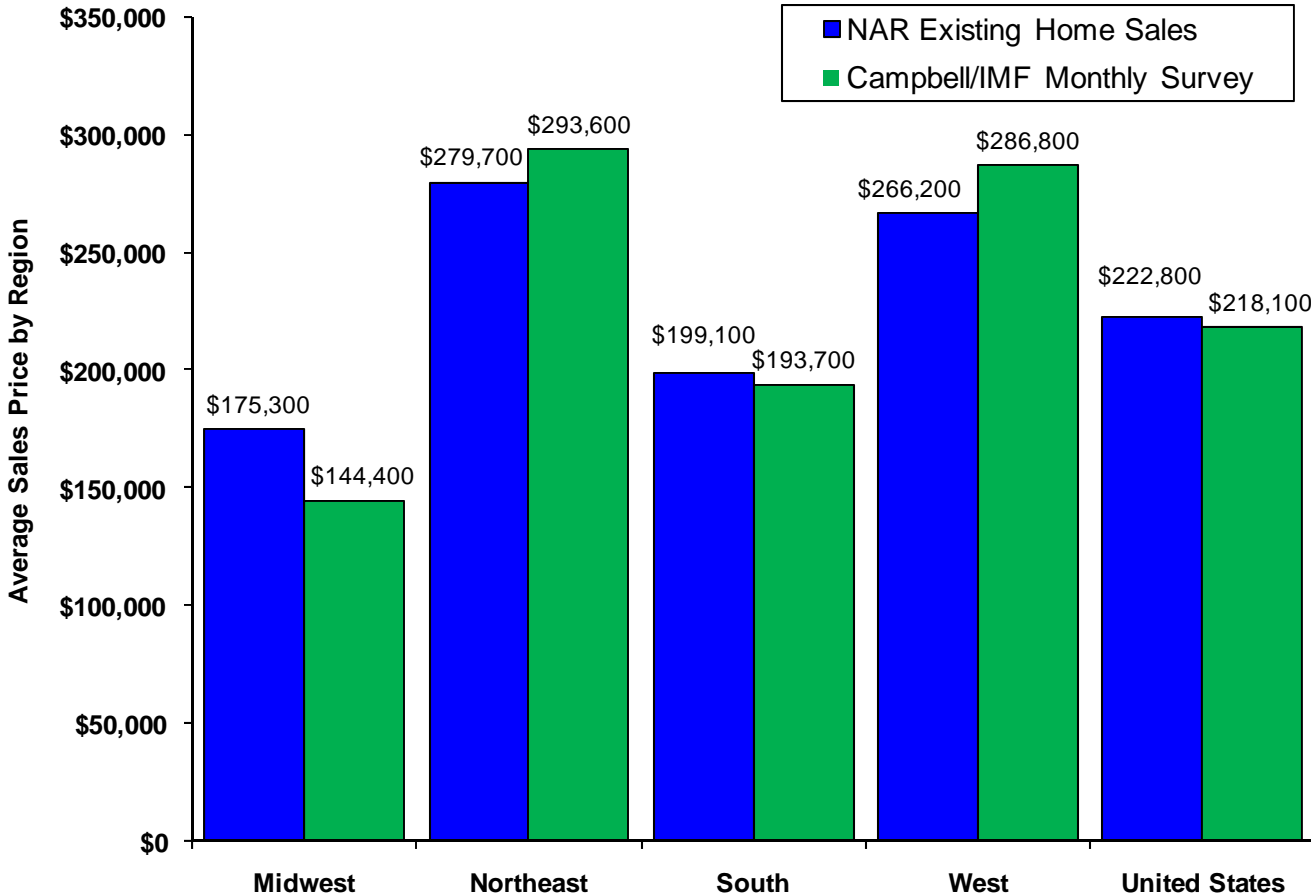
*“The high-end properties are currently undergoing downward price adjustments. High-end properties (ie, \$1M+) are moving more slowly this month. On the other hand, lower-priced properties (ie, \$75K-\$200K) are receiving multiple offers as Buyers take advantage of the recent trends in pricing. Some appraisers I know are telling me that lenders sometimes favor an all-cash deal at a lower price over a financed purchase at a higher price.”*

# Comparison to Existing Home Sales Series Published by NAR

Survey results from the Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions can be compared to the Existing Home Sales series published by the National Association of Realtors (NAR). Notable points of comparison are average prices and change in number of transactions month-to-month. The NAR Existing Home Sales series provides data for the United States and each of four regions established by the U.S. Census Bureau. Because the Campbell/Inside Mortgage Finance Monthly Survey collects data by state, tabulations by these same four Census Bureau regions can be produced.

## Average Sales Prices

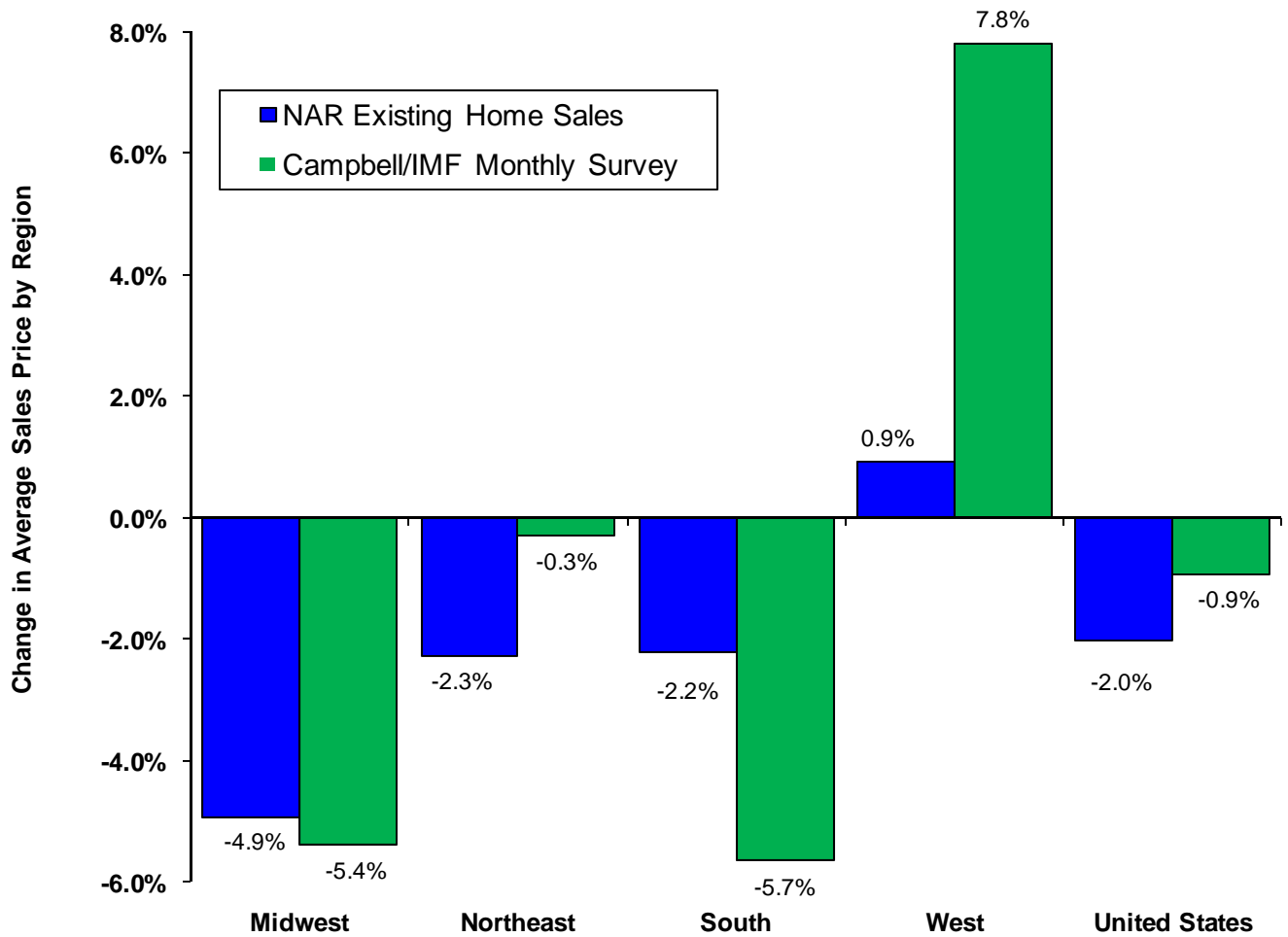
**Average Sales Prices—August 09**



Average sales prices produced by the NAR Existing Home Sales series and the Campbell/Inside Mortgage Finance Monthly Survey align well when tabulated by region. A comparative tabulation of average sales prices for the entire United States differs by only 2%.

## Change in Average Sales Prices

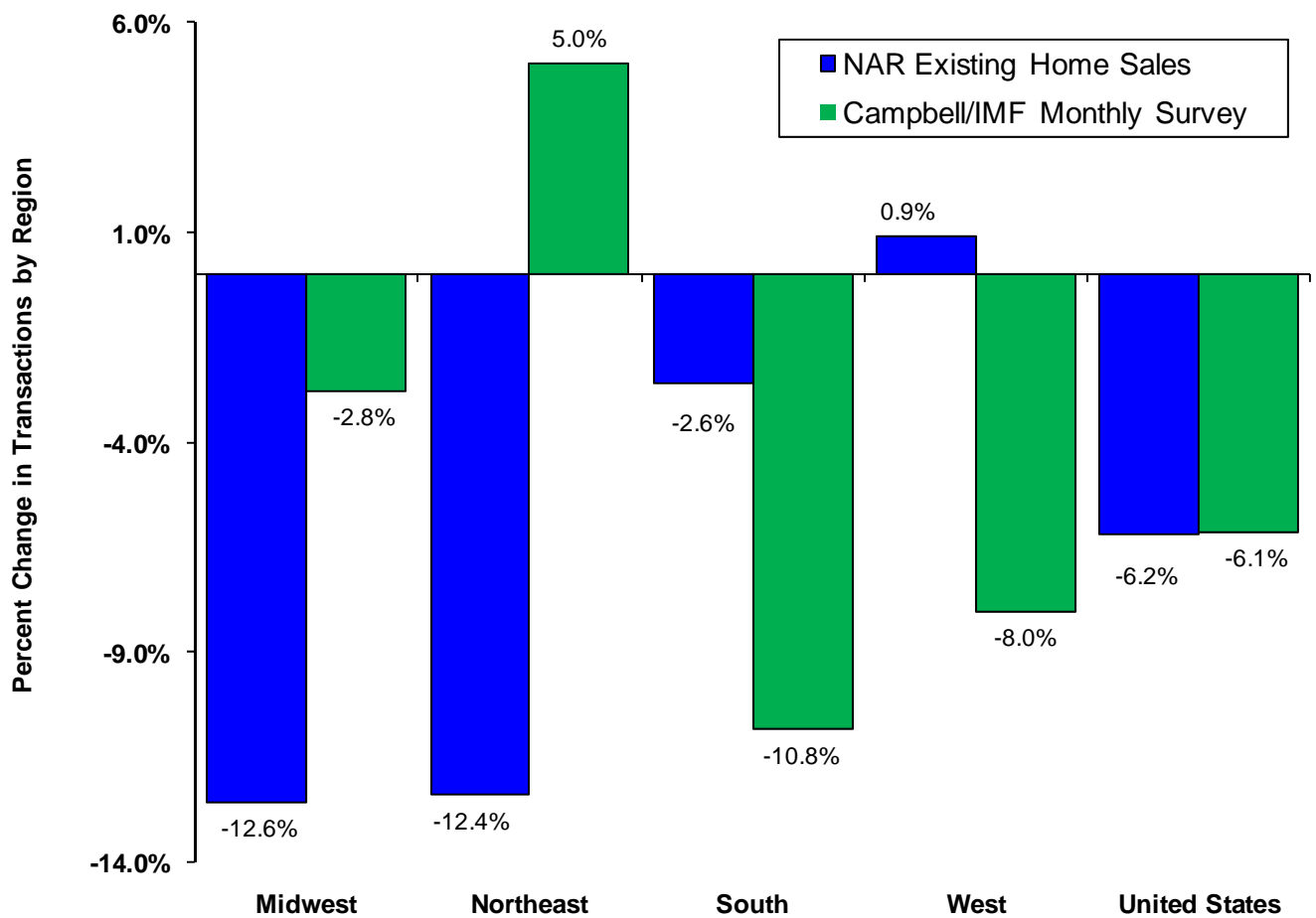
### Change in Average Sales Prices—July 09 to August 09



The Campbell/Inside Mortgage Finance Monthly Survey appears to be directionally predictive of month-to-month price changes in the NAR Existing Home Sales series, for the United States as a whole and for individual census regions.

## Change in Transactions

### Percent Change in Transactions—July 09 to August 09



The NAR Existing Home Sales series estimates total transactions, both for the United States and individual census regions. In contrast, the Campbell/Inside Mortgage Finance Monthly Survey collects data on number of transactions for individual respondents. While the data are not directly comparable, the percent change in existing home sales transactions from NAR can be compared to the percent change in average transactions per respondent from the Campbell/Inside Mortgage Finance Monthly Survey.

Data from the Campbell/Inside Mortgage Finance Monthly Survey does not appear to be predictive of the non-seasonally adjusted existing home sales as reported by NAR, when the data is examined by individual census region. However, when data is aggregated for the entire United States, the percent changes appear to align closely. For example, NAR reported a 6.2% decline in existing home sales from July 2009 to August 2009. Campbell/Inside Mortgage Finance Monthly Survey results show a 6.1% decline in average buyer-side transactions per respondent for the same time period.

## **Conclusion**

The Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions has several advantages in better predicting shifts in home sales and mortgage usage. Foremost, the survey results, released only days after the close of the observation period, are timelier than other nationally representative sources. Key indicators of housing market conditions—such as proportion of property types transacted and homebuyer categories—can be used to develop revealing segmentations. The survey results are delivered in both aggregate and individual record formats, allowing analysts to perform their own proprietary analysis.

Regional breakdowns based on survey results show dramatically different conditions in local housing markets, including wide variances in the percent of distressed property transactions. Survey results also show that sales prices for certain property types, such as damaged REO, also vary dramatically by region. Notably, well-known price indexes available from private and government sources do not break down housing prices by categories such as non-distressed, short sale, damaged REO, and move-in ready REO—breakdowns that are essential for understanding changes in the housing and mortgage markets.

Compiled textual comments from real estate agent respondents provide up-to-date understanding of market nuances that are not explicitly measured by quantitative survey data.

In summary, the results of this unique tracking survey can provide an understanding of changes in the housing and mortgage markets not available from other sources.

## **For More Information**

Technical questions about this paper should be directed to the lead author, Thomas Popik, director of research for Campbell Surveys and designer of the monthly tracking survey. Mr. Popik, who holds a BS degree in engineering from MIT and an MBA from Harvard Business School, has 18 years' experience as a researcher in the mortgage industry. [tpopik@campbellsurveys.com](mailto:tpopik@campbellsurveys.com)

Questions about subscriptions to the Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions should be directed to John Campbell. [jcampbell@campbellsurveys.com](mailto:jcampbell@campbellsurveys.com).