

HOUSING TRENDS UPDATE

June 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 1,500 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 monthly survey panel.

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Homebuyer Traffic Tumbled in May as First-Time Homebuyer Shopping Stalled

Homebuyer traffic nationwide tumbled in May, according to the latest *Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions*. Most of the decline was attributable to first-time homebuyers who sharply reduced their home shopping last month.

The survey's first-time homebuyer traffic index, which measures home shopping activity on a scale of 1 to 100, registered an anemic 35.1 in May. This was down from an index of 63.5 in April. Since September 2009, the index had never been below 50, which represents a flat, or neutral, condition in home purchase activity.

"The decline of first-time homebuyer traffic is undoubtedly related to the expiration of the federal homebuyer tax credit," stated Thomas Popik, research director for Campbell Surveys. "Homebuyers had until April 30 to sign a purchase and sale agreement and receive the credit. Once we entered the month of May, the government stimulus disappeared."

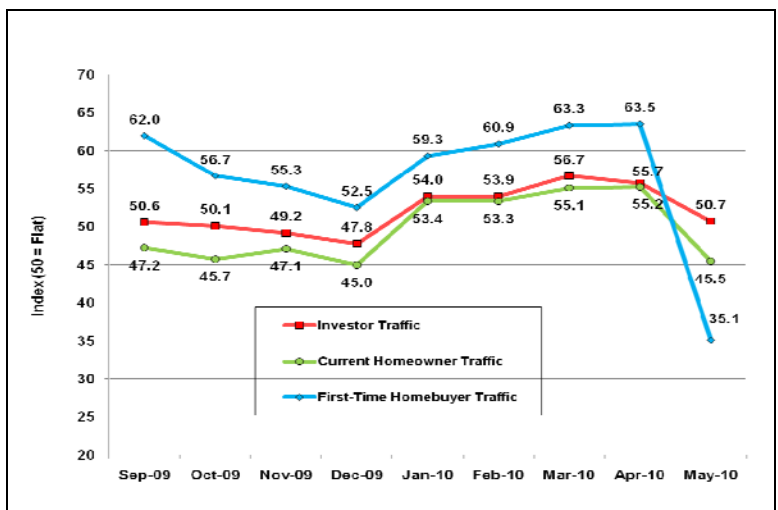
Thanks to its own tax break, California fared better than the country overall in terms of first-time homebuyer activity, the survey found. The California index for first-time homebuyer traffic jumped to 63.1 in April, but still managed to stay relatively flat in May at 49.4, California enacted its own \$10,000 credit for first-time homebuyers on May 1, the day after expiration of the federal tax credit.

Real estate agents responding to the survey commented on the decrease in homebuyer traffic in May, which ultimately will produce fewer closed transactions later in the summer. "The expiration of the tax credit caused a significant decline in buyer activity in May, with buyers who didn't get a suitable house in time for the tax credit opting to wait and see what happens to prices without the availability of the

Homebuyer Traffic Dips Nationwide

First-time homebuyers significantly reduced their home shopping in May as the appeal of a federal tax credit vanished.

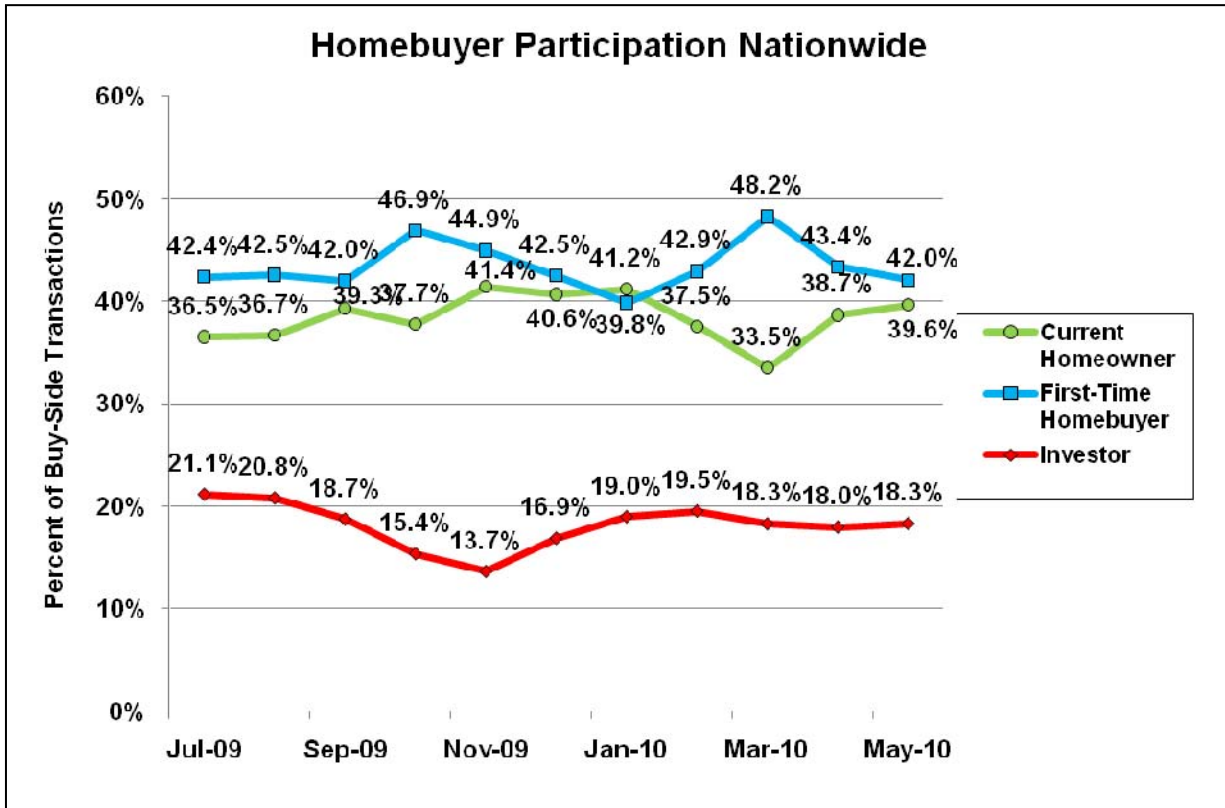
Source:
Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions



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tax credit. I expect to see a significant decrease in July's closed transactions," commented an agent in Arizona.

"We have noticed a substantial decrease in activity since April 30th. There are a lot less Purchase and Sales Agreements being typed and other agents are complaining it's slow again," stated an agent in Massachusetts. "I got no signed purchase agreements in May. I think the number of closed transactions in July will be very low," added an agent in Indiana.



Traffic among current homeowners seeking to upsize or downsize also softened in the month of May, but to a lesser degree, the latest survey found. The nationwide index for current homebuyer traffic registered 45.5 in May, down from 55.2 in April. Expiration of the homebuyer tax credit for current homeowners was less of a factor because the tax credit dollar incentive was lower, both on an absolute basis and on a percent of transaction basis.

Interestingly, the proportion of closed transactions for first-time homebuyers also declined in May, furthering a trend first observed in April. In March, first-time homebuyers accounted for 48.2% of home purchases; by April their proportion had declined to 43.4%. The trend continued in May, with first-time homebuyers accounting for 42.0% of home purchases. This decline is surprising since first-time homebuyers have until the end of June to close transactions and receive the federal tax credit.

A significant number of agents responding to the survey believe that transactions will rebound as homebuyers waiting out the end of the tax credit come back into a housing market that has fewer people bidding up the price of properties. "We saw a drop in activity for 3-4 weeks and now it is back to a more normal summer market. I anticipate that it will continue to increase and pick up after school gets out," stated an agent in Minnesota.

"The first-time homebuyer tax credit, originally due to expire last November and then extended through the first half of 2010, appears to have depleted the pool of willing buyers earlier than expected," commented Popik. "Whether this depletion is temporary or whether the market will rebound won't be known until we measure traffic in June and July."