



What the Mortgage Market Reads



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First-Time Homebuyer Share Of Home Purchases Increasing As Spring Homebuying Season Nears

The first-time homebuyer share of home purchases increased for the second consecutive month in January, according to results from the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. The increase is part of a seasonal trend where first-time homebuyers take market share from current homeowners as part of the spring homebuying season, though there could be some constraints on first-time homebuyer activity this year.

First-time buyers accounted for 35.9 percent of home purchases in January, based on a three-month moving average. Their share increased from a trough of 35.1 percent in November. The current homeowner share of home purchases in that time declined from 49.2 percent to 47.8 percent, with investors also gaining some share from current homeowners.

Tom Popik, research director for Campbell Surveys, noted that low inventory is a continuing issue for the housing market, with the types of properties targeted by first-time homebuyers often subject to multiple offers.

“We see a lot of multiple offers, especially for first-time buyer ranges,” said a real estate agent in Washington State.

First-time homebuyers are heavily reliant on government-insured mortgages. The real estate agent noted that first-time homebuyers’ financing options and financial situations limit the price the potential homebuyers can pay for a home. “They can’t go crazy with offers over asking price to win the bid,” the agent said.

A real estate agent in California added that desirable properties continue to garner multiple offers and sell substantially above asking prices.

Real estate agents were divided on whether fluctuations in the stock market will have an impact on the spring homebuying season. “Seems like it is jump-starting first-time home buyers,” said a real estate agent in New York.

“I think this will push the first-time buyers to make a move, or anyone who has been sitting on the fence,” added an agent in Illinois.

An agent in Ohio said losses in the stock market could reduce demand

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from potential homebuyers. “I think buyers will feel that their wealth has been reduced and they may not feel like taking on a large expense, like buying a home, especially for first-time buyers,” the agent said.

Others suggested that the vast majority of homebuyers don’t have significant stock holdings and they won’t be impacted by stock market declines.

However, a decline in stock prices could prompt increased competition in the housing market from investors. “Stock market declines are likely to cause more investors to diversify into residential real estate,” Popik said, summarizing survey responses from real estate agents. ♦