



What the Mortgage Market Reads



# INSIDE MORTGAGE FINANCE®

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## First-Time Homebuyers Gaining Market Share Even with Strong Competition For Limited Inventory

Despite low inventory and financing conditions that can favor other types of homebuyers, first-timers are increasing their market share, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

First-time homebuyers accounted for 38.9 percent of home purchases in April, based on a three-month moving average. That was up from a 38.1 percent share the previous month and a 37.2 percent share in April 2015.

“Demand from first-time homebuyers is surging in springtime,” said Tom Popik, research director for Campbell Surveys.

As of the end of April, the market share for first-time buyers had increased for five consecutive months, taking share from both current homeowners and investors. Current homeowners accounted for 45.7 percent of home purchases in April and investors had a 15.4 percent share.

Traffic from first-timers has been stronger than traffic from the other homebuyer types for much of the past year, but first-time buyers face a number of impediments to completing home purchases.

First-time buyers tend to target homes with lower prices, which have been in particularly short supply recently. “We need more affordable new home construction so current owners can move up to a nicer larger home and sell their current home and also for current owners who want to downsize,” said a real estate agent in California.

And first-time buyers tend to rely on mortgages with low downpayments, which can look less attractive to sellers than all-cash offers, bidders with larger downpayments or those more likely to close.

“It is really hard for first-time homebuyers, especially if they don’t have a very large downpayment,” according to a real estate agent in Oregon. “They have to find a home in a less popular area so there aren’t as many offers and the price doesn’t get bid up.”

Move in-ready real estate owned properties targeted by some first-time homebuyers received an average of 2.4 offers in April and non-distressed properties received an average of 2.2 offers during the month. Many real

7910 Woodmont Avenue  
Suite 1000  
Bethesda, MD  
20814-1709  
Tel. (301) 951-1240  
Fax (301) 656-1709  
www.imfpubs.com

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estate agents reported that desirable properties often receive 10 or more offers.

Agents stress that in a seller's market, first-timers should have a mortgage pre-approval from a lender before shopping for a home. "Get pre-qualified and shop mortgages before looking at homes to make it possible to meet new rules on mortgage companies giving complete data to the home-buyer so we can move on to the inspection contingency, etc.," said an agent in Florida.

"They must remain vigilant as homes are selling quickly at or above full price," added a real estate agent in Michigan. "They have to be prepared to make an offer on the spot." ♦