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Slowing Investor Purchases Boost Mortgage Share

Mortgage lending has gained significant market share in the home-purchase market in recent months due to a pullback by investors, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

The combined market share for current homeowners and first-time homebuyers increased again in August, according to Tom Popik, research director of Campbell Surveys. The two groups accounted for 84.5 percent of the homes purchased in August, based on a three-month moving average. The investor share of home purchases was 15.5 percent in August, down from a 19.5 percent share as recently as April.

In the nearly five-year history of *HousingPulse*, the investor share peaked at 23.2 percent in March 2012. Investors predominantly buy with cash, while owner-occupants rely much more on mortgage financing.

In August 2014, non-cash financing was used in 73.8 percent of home purchases, up from a 69.7 percent share in April. When investor activity peaked in early 2012, non-cash financing was used in 66.9 percent of home purchases.

Popik said elevated home prices and a smaller supply of distressed properties have prompted many investors to switch from buying to selling. In August, two properties were sold by investors for every property bought by an investor, on average. Investors switched from net buyers to net sellers in April 2013.

Investors focus their purchases on distressed properties, which offer lower prices and higher profit margins than non-distressed properties. As loan performance has improved, the amount of distressed properties has declined, and uncertainty regarding tax obligations has limited the number of short sales completed this year.

Short sales and real estate-owned properties accounted for only 21.7 percent of homes sold in August, down from a 23.7 percent share in April and a 36.2 percent share as recently as February 2013.

“This summer’s housing market was for owner-occupants,” Popik said, noting the declining supply of distressed properties. Investors accounted for only 11.0 percent of the non-distressed properties purchased in August.

Current homeowners accounted for 47.9 percent of the homes purchased in August and first-time homebuyers had a 36.6 percent share. The current homeowner share of home purchases has been relatively level in the past year, while first-time homebuyers have picked up some market share from investors.

FHA mortgages, a traditional financing option for first-time buyers, accounted for 19.5 percent of home purchases in August, down from a 26.3 percent share in August 2012. Higher fees on FHA loans have shifted some business to the government-sponsored enterprises and portfolio lending has gained market share in recent years. ►