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Investors, Distressed Properties Gain Market Share

The start of fall marked a reversal of trends in the housing market, according to results from the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. In September, investors gained market share from current homeowners and first-time homebuyers, and the distressed property share of home sales increased.

The gains in market share were part of a seasonal pattern. And while the trends aren't necessarily positive for mortgage-industry participants in the short term, the metrics are better than they were a year ago.

Investors accounted for 15.2 percent of homebuyers in September, based on a three-month moving average. The investor share of home purchases increased from 14.4 percent the previous month but remained below the 15.5 percent share for investors in September 2014.

Investors are much less reliant on mortgage financing than first-time homebuyers or current homeowners. The non-cash share of financing for home purchases fell to 75.5 percent in September. In July, the non-cash share of homebuyer financing hit 76.4 percent, a level last seen in 2010.

While the cash share of home-purchase financing has increased for the following two months, the non-cash share remained above the 73.9 percent share seen in September 2014.

Meanwhile, the share of sales from real estate owned properties and short sales increased for the first time in seven months in September. Distressed properties accounted for 17.5 percent of home sales during the month, up from a 16.6 percent share in August. Distressed sales were more prevalent a year ago as the properties had a market share of 21.3 percent in September 2014.

Foreclosure filings – default notices, scheduled auctions and bank repossessions – also increased by 3 percent in the third quarter of 2015 compared with the third quarter of 2014, according to RealtyTrac. The firm said there were 327,258 properties with foreclosure filings during the third quarter of 2015.

"In states such as New Jersey, Massachusetts and New York, a flood of deferred distress from the last housing crisis is finally spilling over the legislative and legal dams that have held back some foreclosure activity for years," said Daren Blomquist, a vice president at RealtyTrac. "That deferred distress often represents properties with deferred maintenance that will sell at more deeply discounted prices, creating a drag on overall home values."

Analysts at DBRS said there are isolated pockets of judicial states with lengthy foreclosure processes where a large number of REO properties will continue to flood the market. "However, the overall housing market keeps showing signs of recovery with home prices continuing to rebound, and delinquency and foreclosure rates remaining at their lowest levels in years," the rating service said. ►