



# Tracking Real Estate Market Conditions Using the HousingPulse Survey

September 2014

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## Introduction

Campbell Surveys and Inside Mortgage Finance conduct a unique survey series to track both home sales and mortgage usage patterns. The survey instrument and results are dynamic and capture changing market conditions. Respondents to the *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey* are real estate agents and brokers—a group with unparalleled insight into rapidly changing local real estate markets and homebuyer mortgage preferences.

Campbell Surveys has conducted syndicated research for the mortgage and real estate industries since 2001. Inside Mortgage Finance is a specialized information company that tracks the residential mortgage market and its data is widely used by major industry players. The research products resulting from their continuing survey collaboration have been purchased by nearly every major financial institution, including mortgage originators accounting for more than half of current United States mortgage production.

Metrics covered in this white paper of past survey results include:

- The proportions of homebuyers, including first-time homebuyers, investors, and current homeowners
- The proportions of property transactions, including damaged REO, move-in ready REO, short sales, and non-distressed properties
- Financing methods used by homebuyers, including cash, FHA, VA, Fannie Mae/Freddie Mac, and non-agency loans
- Average prices for various property types
- Average time on market for various property types
- Average number of offers for various property types
- Sales-to-list prices for various property types
- Diffusion indexes for homebuyer traffic
- Closing times and reasons for delays of scheduled closings
- Textual comments from real estate agents on current local market conditions
- Bonus one-time questions based on input from customers
- Data at both the national and regional levels

Inquiries regarding subscriptions to the full survey results should be addressed to:

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## Survey Methodology

During the first week of each month, Campbell Surveys solicits real estate agents by email, asking them to complete an online survey instrument. The period surveyed is the previous calendar month. The online survey instrument consists of five discrete sections, each covered by a separate data acquisition page:

- Respondent Information—respondent name, email, and location
- Listing Agent Transactions—a detail of transactions for the previous month
- Buyer's Agent Transactions— a detail of transactions for the previous month
- Changes in Your Local Housing Market—diffusion index questions regarding month-to-month changes in number of transactions, prices, time on market, and inventory
- Closing Times and Reasons for Delays
- Bonus Question—a question that may vary month-to-month, designed to highlight current issues in the market

The email solicitation database has been developed over the course of eight years of real estate agent surveys. Typically one-half of respondents have responded to a previous *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*, the remaining one-half are new respondents.

The following validation criteria are used for respondents:

- Only real estate agents and brokers actively showing or listing residential properties are allowed to respond to the survey
- Respondent must identify themselves by name and email address
- Respondents can respond to the survey only once per month

The survey typically obtains respondents in excess of 2,000, representing all major regions of the country. Due to natural variations in response rates, not every region or state will achieve the same response rate. Accordingly, survey results are weighted by the number of transactions in individual states, using the most recent quarterly data available.

## Monthly Survey Deliverables

The *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey* and associated deliverables were designed with the needs of senior company executives, policymakers, sophisticated economic researchers or financial analysts in mind. Monthly deliverables include:

- An executive summary and PowerPoint presentation of the latest survey results
- A database of buyer-side transactions with data elements for location of respondent, time period, property category, homebuyer type, financing method, sales price and buyer-side commission
- A database of listing-side transactions with data elements for location of respondent, time period, property category, homebuyer type, sales price, listing price, time on market, number of offers and listing-side commission
- Individual index responses on monthly changes in home prices, number of closed transactions, number of offers, and time on market, with each response coded by location of respondent and time period
- Individual responses on closing times by financing type and reasons for delays in closing
- Textual comments from survey respondents on local market conditions and current topics that can be sorted by location of the respondent
- A monthly conference call with customers to review the latest survey results and to answer any questions they might have

To aid in analysis without the need for custom programming, all data is delivered in an Excel spreadsheet format. Additionally, more than 20 pre-programmed pivot tables are included to speed initial analysis of the data.

Pivot tables may be used to compare trends across 10 pre-formatted regions. These regions were designed to include states that are geographically adjacent and share similar drivers of economic performance. Pivot table data is geographically weighted to account for any monthly variation in response rates.

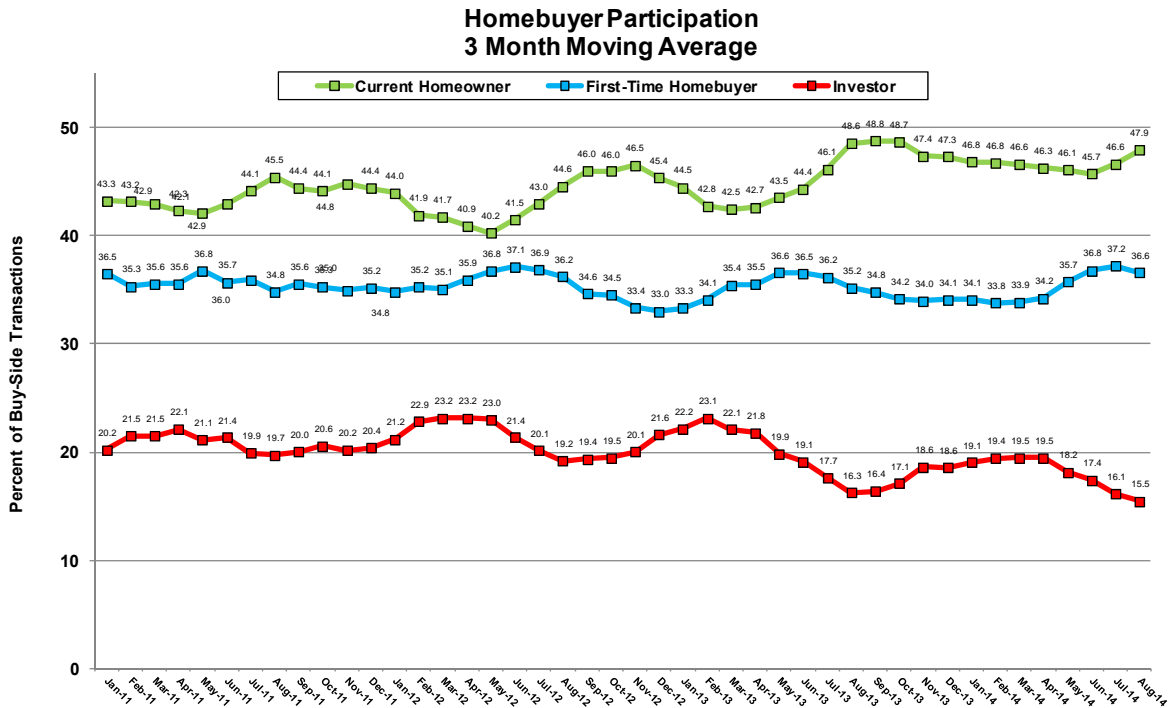
Compiled survey data is released to subscribers by the 15<sup>th</sup> calendar day of each month, or by the first business day following the 15<sup>th</sup> if that day falls on a weekend or federal holiday.

In order that survey subscribers retain a significant competitive advantage, distribution and dissemination of survey data is carefully controlled and sequenced. Survey

subscribers are given access to the complete set of survey deliverables before release of selected highlight data to media outlets. Any release of data to the media is limited to a small set of top-line statistics, augmented by incomplete regional data and qualitative, not quantitative, analysis. And a private monthly teleconference with subscribers to discuss survey results is always conducted before any survey results are publically released.

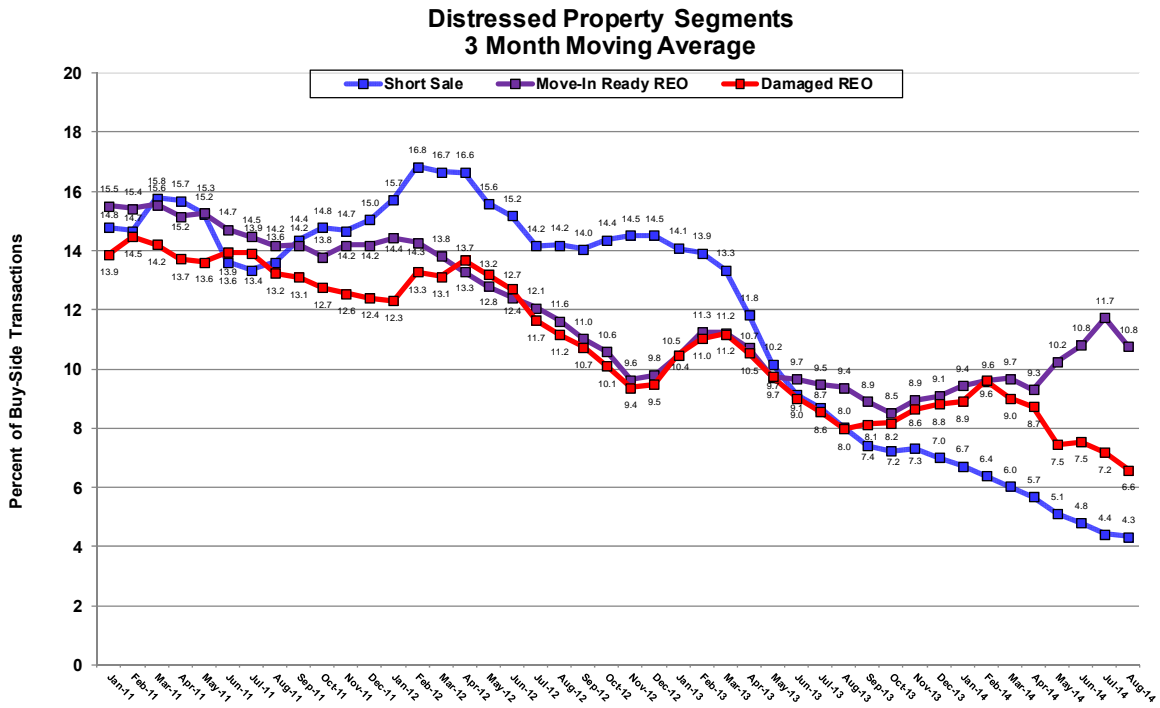
# Survey Segmentation Scheme

The survey uses an innovative segmentation scheme to divide the housing market into three components of demand and four components of supply. The three surveyed components of demand are first-time homebuyers, investors, and current homeowners. The four surveyed components of supply are damaged REO, move-in ready REO, short sales, and non-distressed properties.



Survey results show that current homeowners make up the largest component of demand, followed by first-time homebuyers. Since the recovery of the housing market, investors have been reducing their participation.

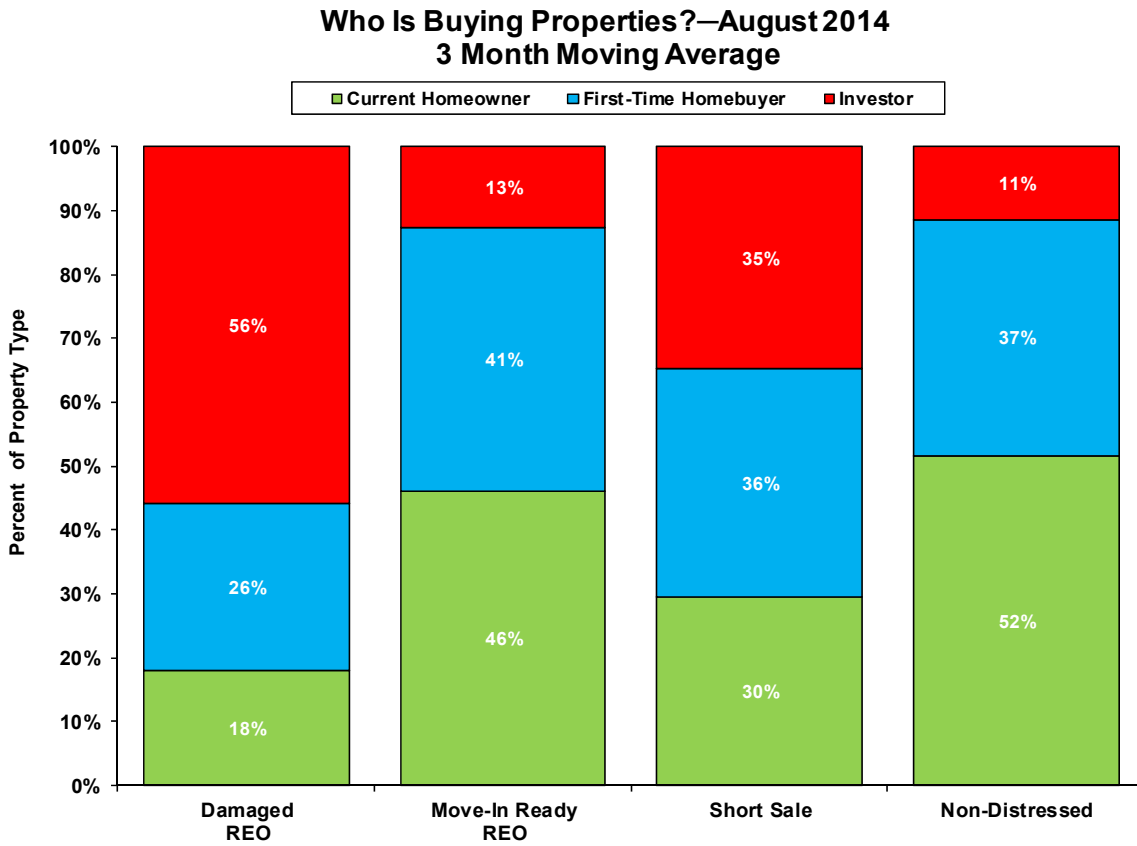
## Property Supply Segmentation



Surveyed transactions can be segmented by property type. For the period up to December 2013, the U.S. Congress had established a tax exemption for homebuyers participating in a short sale. On January 1, 2014, forgiven debt in a short sale became taxable. The results are clear—short sales have dramatically declined through 2014, with move-in ready REO substituting for these transactions.

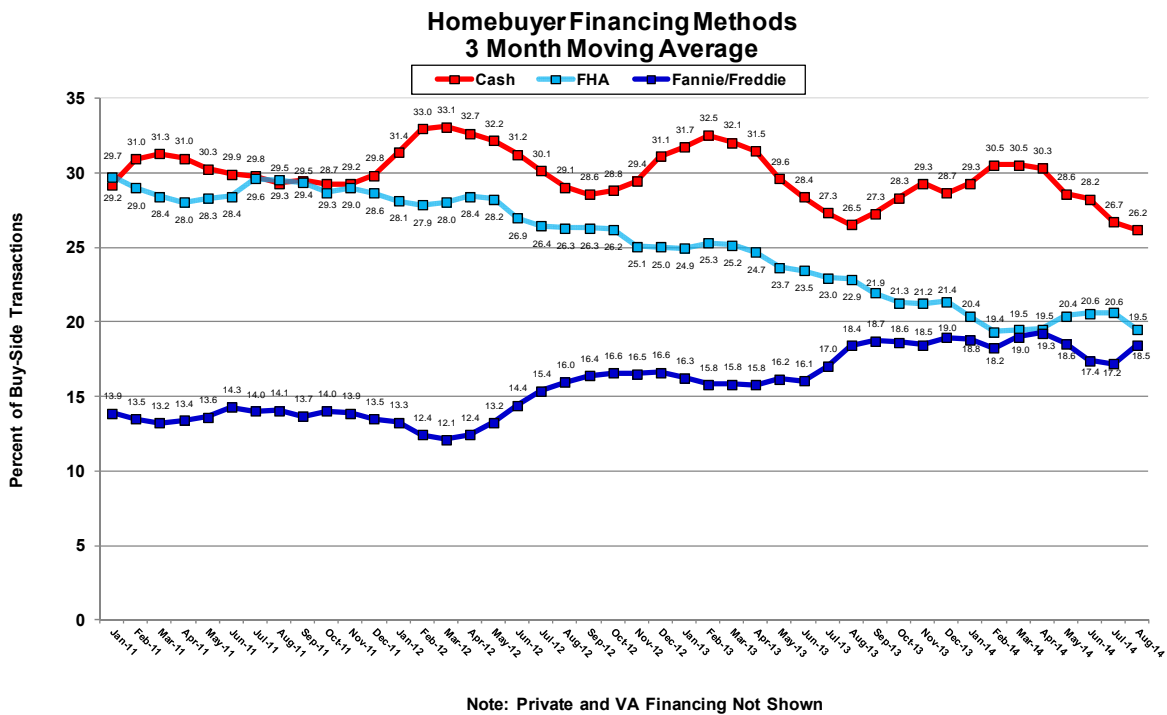


## Matrixed Segmentations



Because the survey data is collected on a per-transaction basis, it can easily be filtered to produce matrixed segmentations. For example, it is possible to see the purchasers of damaged REO, move-in ready REO, short sales, and non-distressed properties. The market for damaged REO consists mostly of investors, while current homeowners make up the majority of non-distressed property purchasers.

# Financing Methods

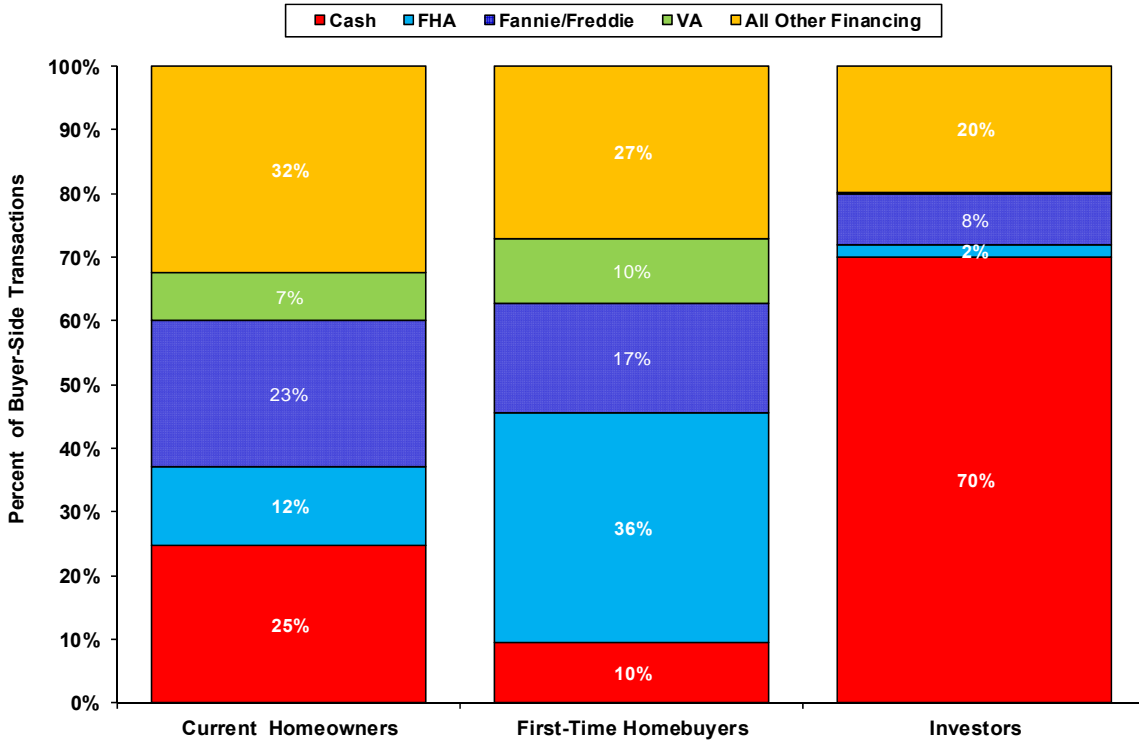


Buyer-side transactions can be broken down by financing method; survey respondents indicate one of the following types of financing for individual transactions:

- Cash
- Fannie/Freddie
- FHA
- Non-agency lender
- VA
- Don't know
- Other financing

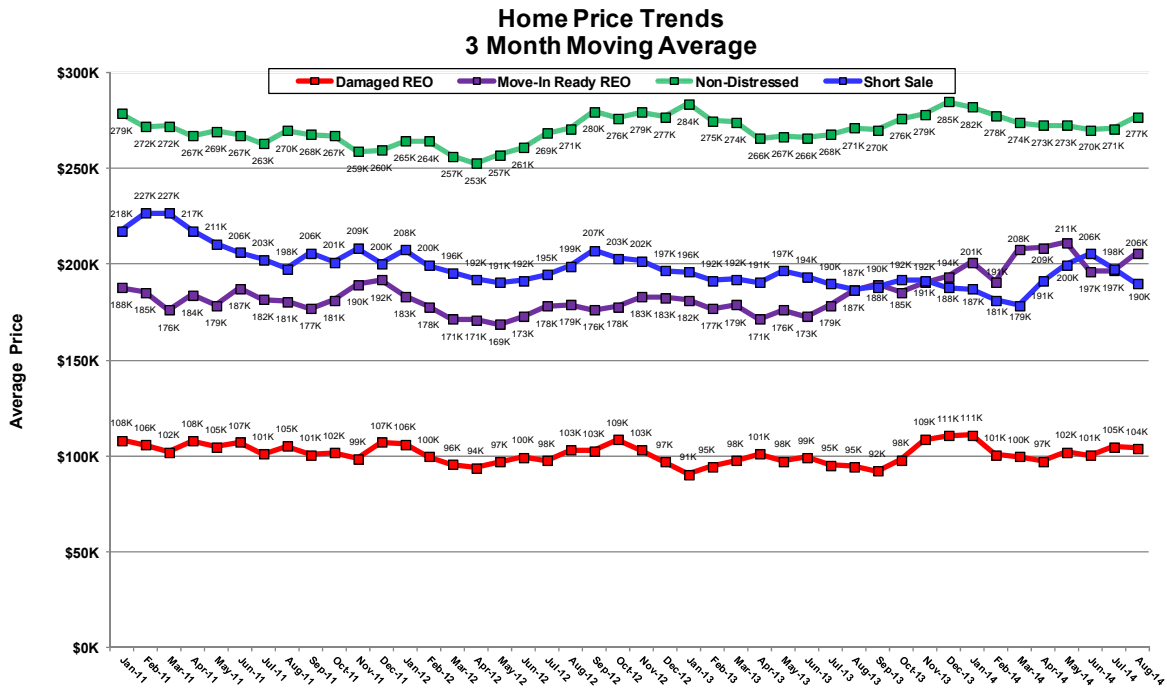
In the above example, trend data is presented for cash, FHA, and Fannie/Freddie transactions. Trends do not total to 100% because other financing methods are not shown on this graph.

### Financing for Homebuyers—August 2014 3 Month Moving Average

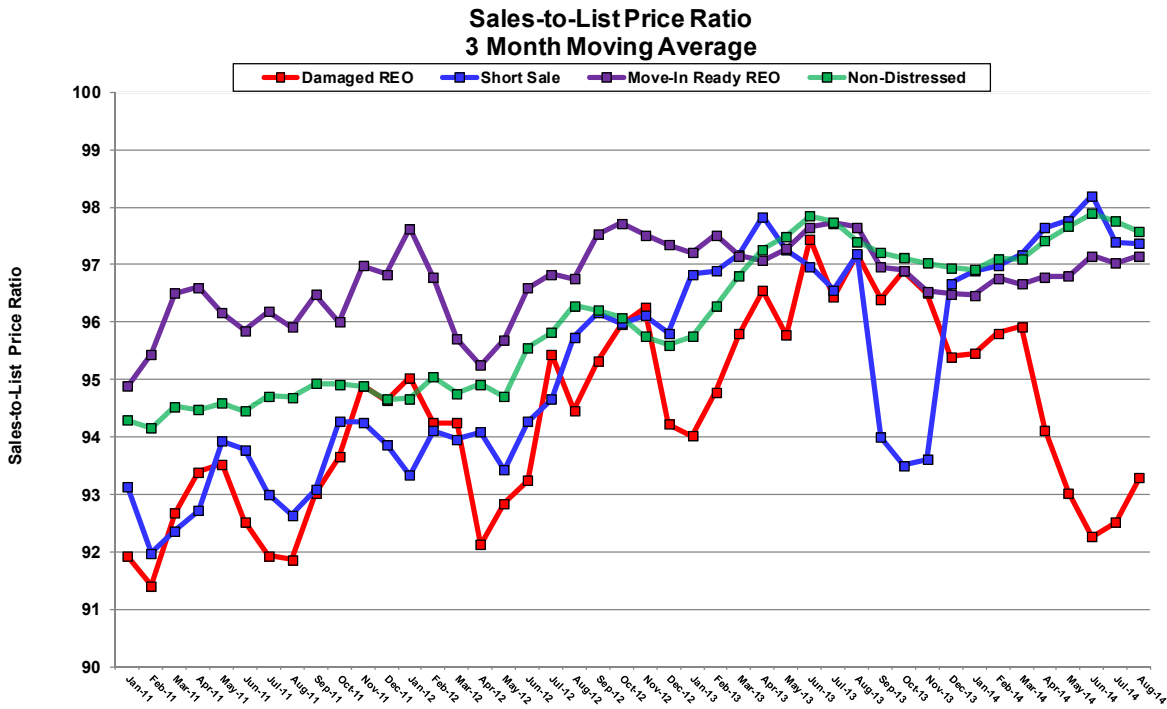


Surveyed transaction data can be further filtered to determine the type of financing used by different types of homebuyers. This data from August 2014 reveals that investors predominantly use cash financing while first-time homebuyers predominantly use FHA financing.

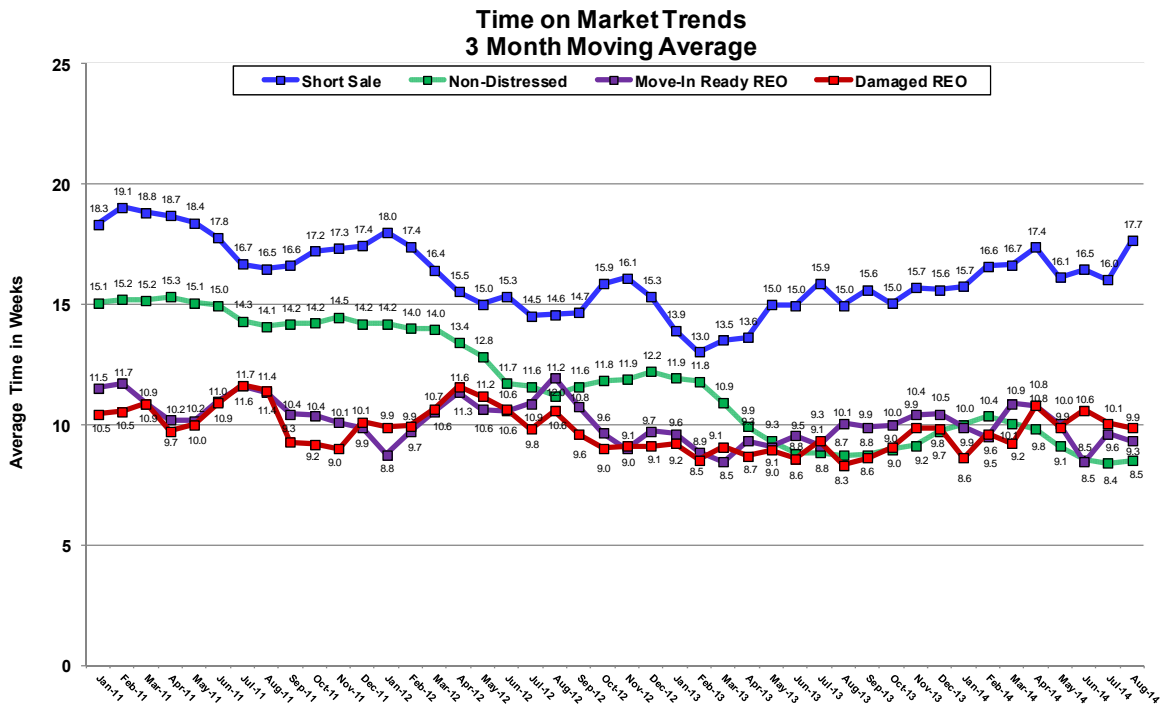
# Sales Prices



For volatile data series, a three month rolling average can be employed. These survey results reveal that sales prices vary significantly by property type; damaged REO is typically sold at extreme discounts compared to other property types. Computed sales-to-list price ratios show high demand for non-distressed properties.

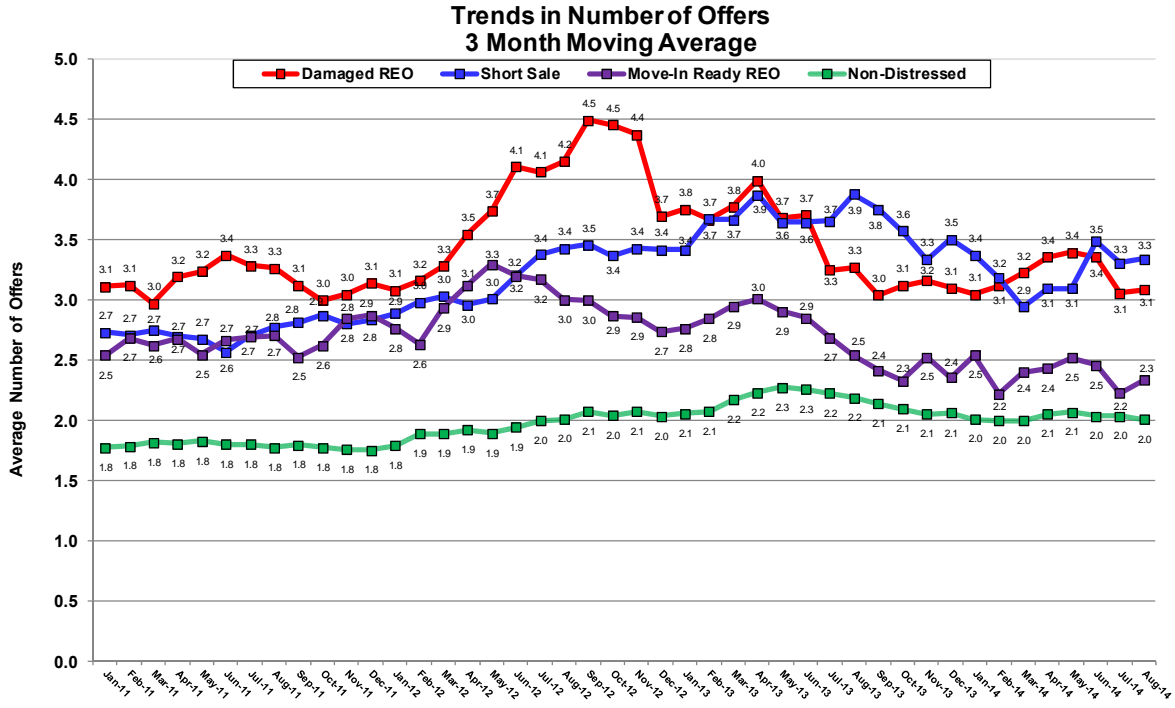


# Time on Market



Survey results show that time on market for non-distressed properties has moved lower in 2013 and 2014. Short sales, while significantly discounted, sell slowly. Short sale properties stay on the market longer than any other property category because mortgage servicers take 2-3 months, on average, to provide “yes” or “no” responses to short sale offers. Real estate agent respondents indicate that slow answers on short sale offers are a significant impediment to potential homebuyers.

# Number of Offers

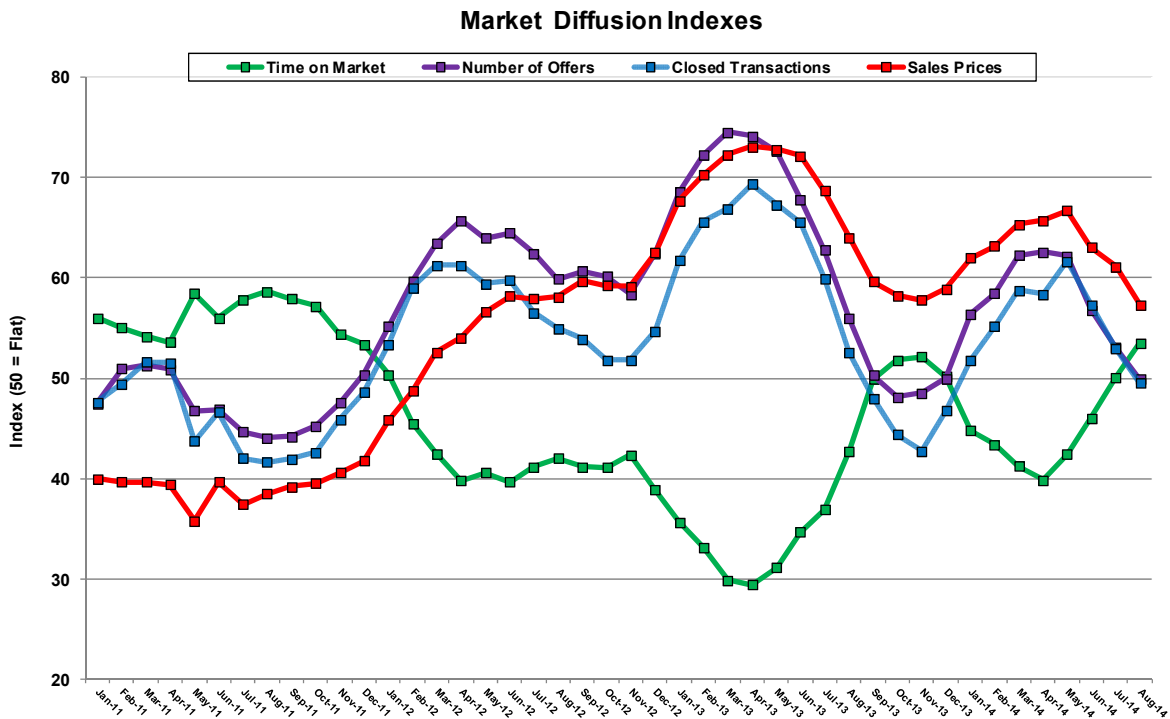


Survey results show that non-distressed properties, often priced higher, receive the least offers. Damaged REO and short sales receive the most offers.

## Diffusion Indexes

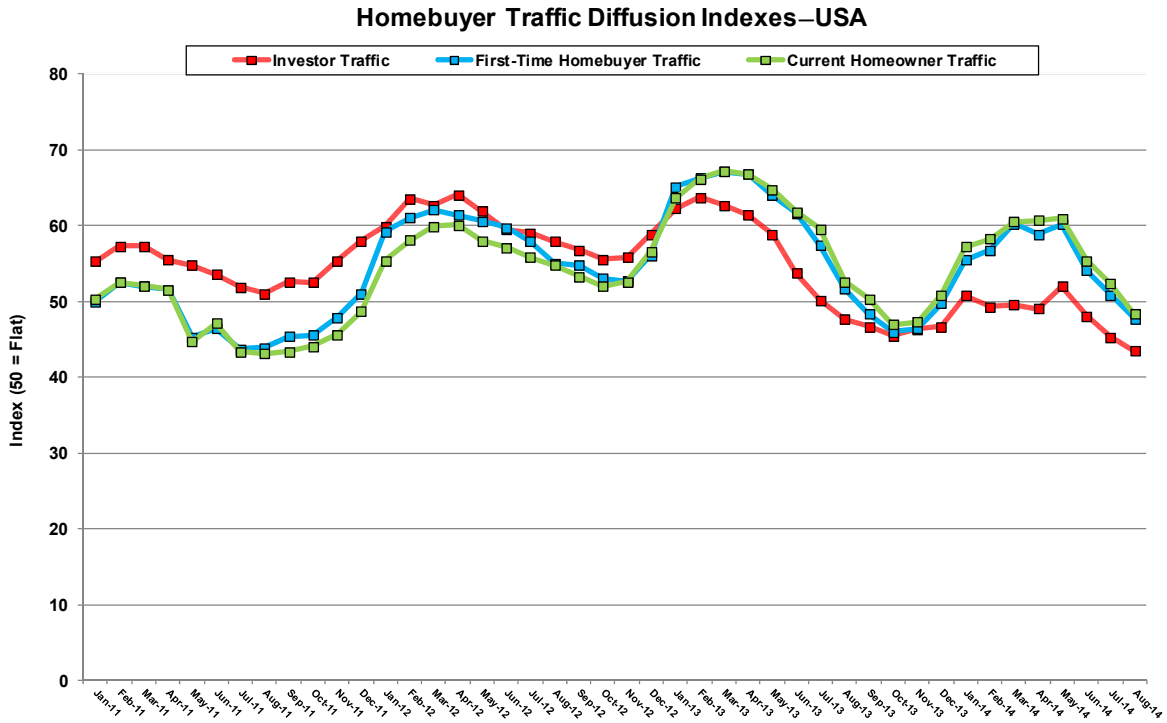
Diffusion indexes are calculated based on survey responses regarding month-to-month changes in inventory, prices, transactions, and time on market. On a scale of 0 to 100, a value of 50 indicates no change; a value of less than 50 indicates a decline, and a value of more than 50 indicates an increase.

### *Real Estate Market Diffusion Indexes*



Market diffusion indexes are quantified indicators of real estate agent sentiment. Note that sentiment tends to peak in the spring months and trough in the fall. Sentiment was more positive in spring 2013 than in spring 2014.

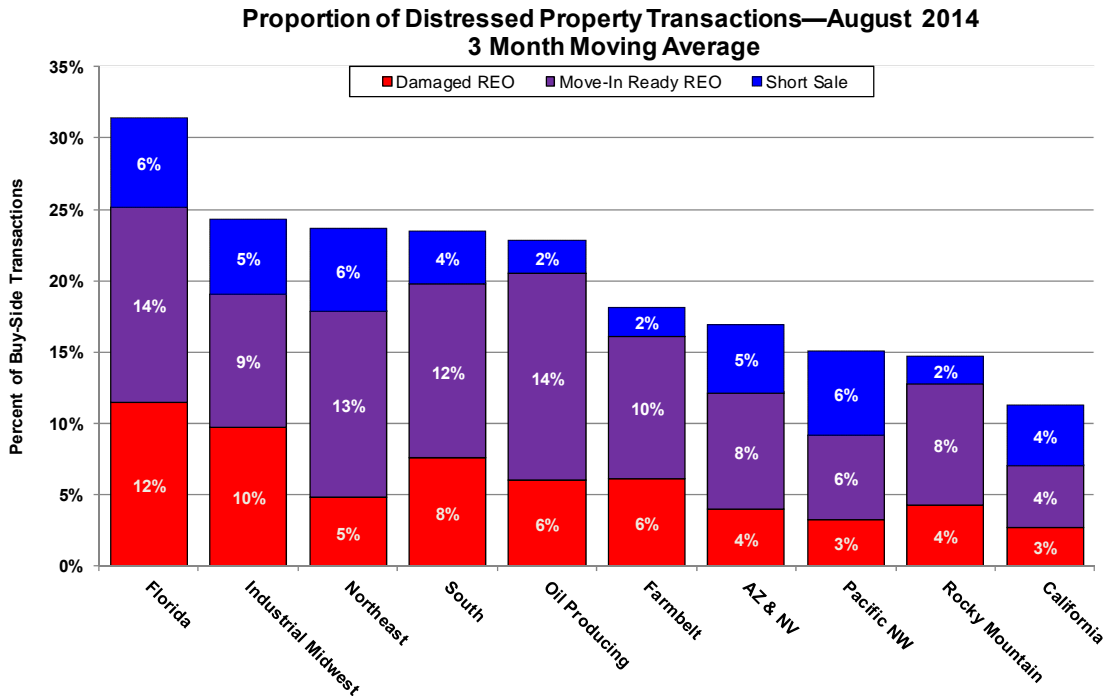
# Homebuyer Traffic Indexes



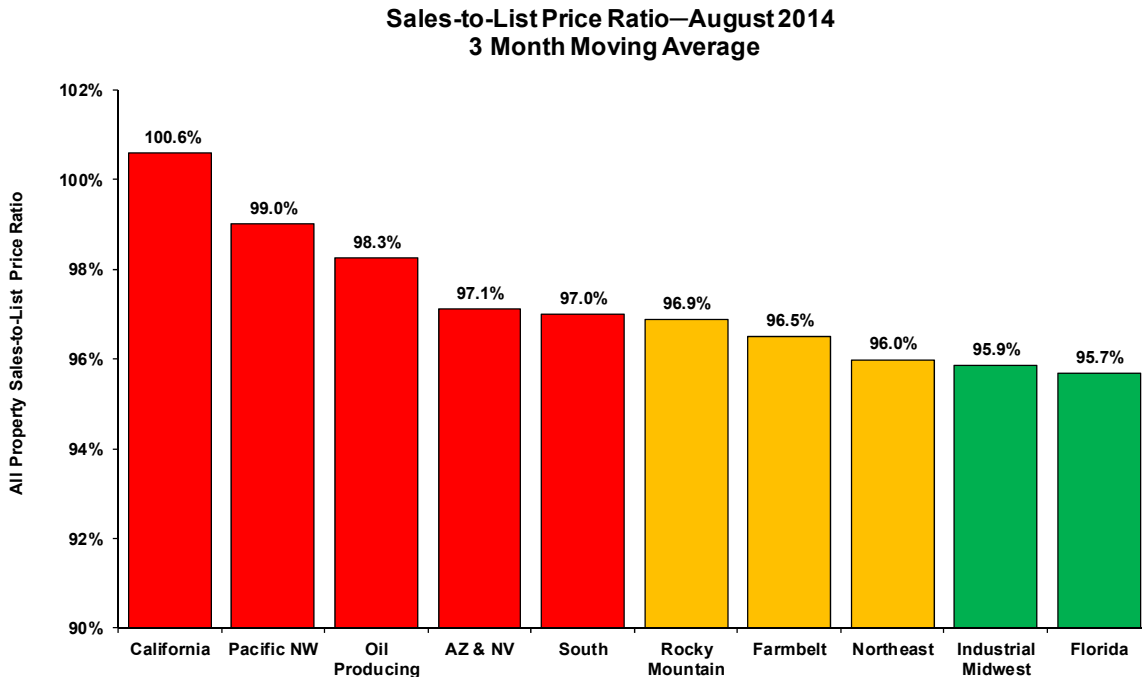
Diffusion indexes produced by survey results indicate first-time homebuyer traffic, current homeowner traffic, and investor traffic. As investors have pulled back from the market, the investor traffic index is lower than the owner occupant indexes.



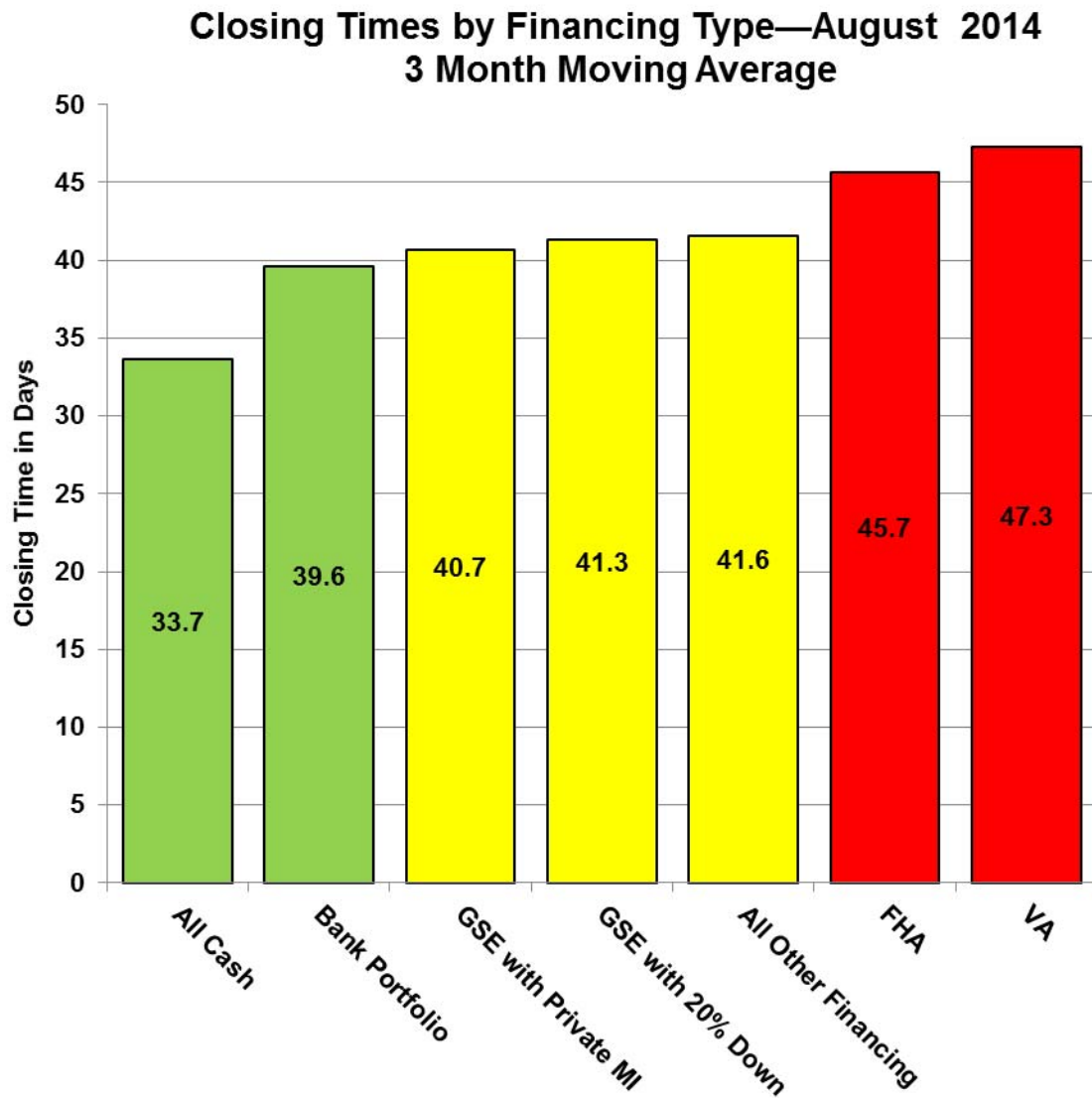
## Regional Breakdowns



Survey results can be broken down by region and important correlations made. For example, in California, the proportion of distressed property is low and sales-to-list price ratios is high. The data shows the opposite for the state of Florida, with the proportion of distressed property high and a significantly lower average sales-to-list price ratio.



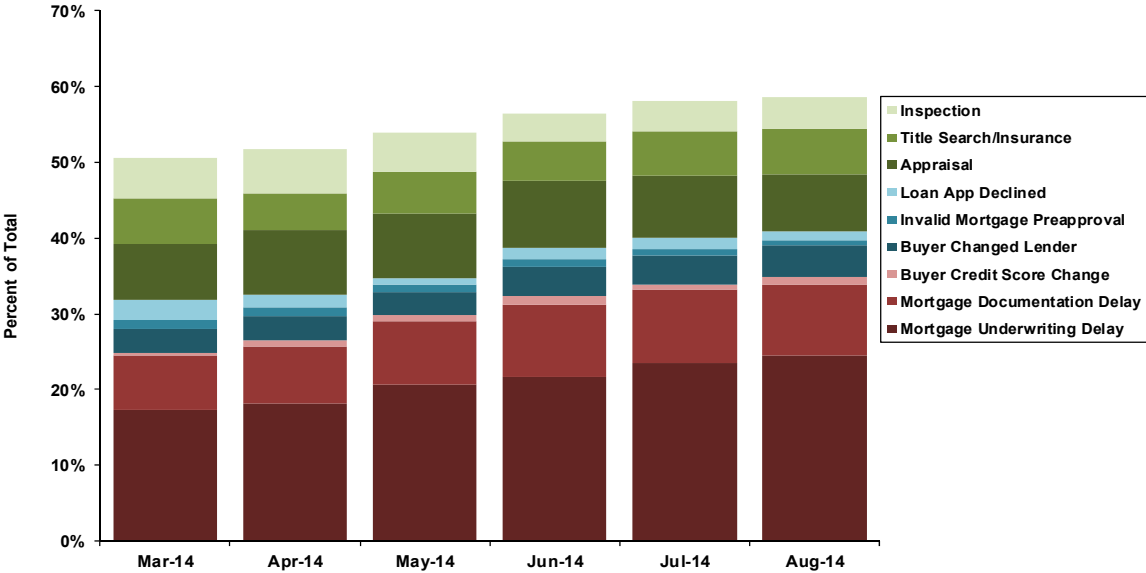
## Closing Times



A tracking question for closing times by financing type gives mortgage finance managers a benchmark against their own closing times. In addition real estate agents can use this data to set realistic closing time expectations for homebuyers and sellers. In the above graph, we compare closing times among financing types; the monthly survey presentation also contains trend lines for this data.

# Reasons for Mortgage-Related Delays in Closing

Mortgage-Related Reasons for Delayed Closings  
3 Month Moving Average



When closings are delayed, a follow-up question in the survey determines the reasons why. In this August 2014 data, a majority of closing delays are caused by mortgage related factors, with mortgage underwriting delays and documentation delays being the most significant.

## Textual Comments by Real Estate Agent Respondents

About one-quarter of survey respondents typically provide textual comments on local market conditions. In addition, respondents provide answers to the monthly “Bonus Question.”

Below are examples of textual comments from the August 2014 survey:

*“Housing market hot for last 24 months. Taking a breather into a slower seasonal time.” (AZ)*

*“There seems to be some nervousness in the general communities about the overall economy. Buyers seem to be more cautious about their offers. They are more willing to lose out on some deals and get the price point that they want rather than engage in the bidding war.” (CA)*

*“Hot market throughout the summer, now seems to have cooled dramatically. Time on market for listings is longer, less showings.” (FL)*

*“After a very brisk spring, the summer has really slowed down in the Baltimore metropolitan area. I have two active listings that have been on the market for 2 months, one with no showings and is below the market value, the other is in a very, very slow market. Showings but no offers and we’ve reduced the price.” (MD)*

*“Market has been very slow for the past 2 months. Slowly beginning to pick up a bit. Not many buyers as credit approval harder to obtain.” (OH)*

*“I have noticed a widening gap between price market segments. Everything under \$300,000 that is priced appropriately is moving at about the same pace but homes over \$300K are moving significantly slower than those below and the lag gets worse as the price point increases.” (WA)*

## **Conclusion**

The Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions has several advantages in better predicting shifts in home sales and mortgage usage. Foremost, the survey results, released only days after the close of the observation period, are timelier than other nationally representative sources. Key indicators of housing market conditions—such as proportion of property types transacted and homebuyer categories—can be used to develop revealing segmentations. The survey results are delivered in both aggregate and individual record formats, allowing analysts to perform their own proprietary analysis.

Regional breakdowns based on survey results show dramatically different conditions in local housing markets, including wide variances in the percent of distressed property transactions. Survey results also show that supply of certain property types, such as damaged REO, also varies dramatically by region. Notably, well-known price indexes available from private and government sources do not break down housing prices by categories such as non-distressed, short sale, damaged REO, and move-in ready REO—breakdowns that are essential for understanding changes in the housing and mortgage markets.

Compiled textual comments from real estate agent respondents provide up-to-date understanding of market nuances that are not explicitly measured by quantitative survey data.

In summary, the results of this unique tracking survey can provide an understanding of changes in the housing and mortgage markets not available from other sources.

## **For More Information**

Questions about subscriptions to the Campbell/Inside Mortgage Finance Monthly Survey of Real Estate Market Conditions should be directed to John Campbell.  
[icampbell@campbellsurveys.com](mailto:icampbell@campbellsurveys.com).