

REALTORS® CONFIDENCE INDEX

Report and Market Outlook

November 2012 Edition

Based on Data Collected November 26 through November 30, 2012



NATIONAL ASSOCIATION OF REALTORS®

Research Department

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SUMMARY

Jed Smith and Gay Cororaton

The *REALTORS® Confidence Index (RCI)* report provides monthly information pertaining to expectations about overall market conditions, buyer/seller traffic, price, buyer profiles, and issues affecting real estate. Collection of this data began in January 2008 to supplement information on existing home sales trends and provide timely feedback from REALTORS® on the real estate market (*see the Data Appendix of this Report for the historical series*).

The November edition is based on responses of about 3,700 REALTORS® to a survey conducted during November 26 through November 30, 2012.¹ All real estate is local: conditions in specific markets may vary from the overall national trends presented in this report.

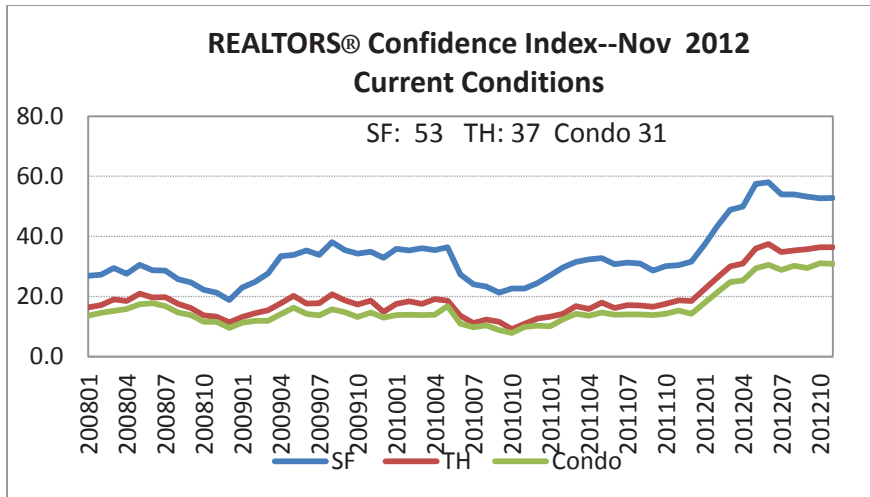
Executive Summary--Current Conditions: Major Indicators

- The current confidence index for single family homes held steady at 53, indicating that the market appears to have stabilized. Activity is significantly up from its level of 30 in the same period last year. An index of 50 means moderate expectations. The index for townhouses and condominiums remains below 50, below moderate expectations but higher than in the recent past (*see the Data Appendix for the historical series*).

The REALTORS® Confidence Index - Current Conditions for Single Family Homes held steady at 53 in November, unchanged from October but significantly up from last year's level of 32. An index above 50 indicates above moderate expectations.

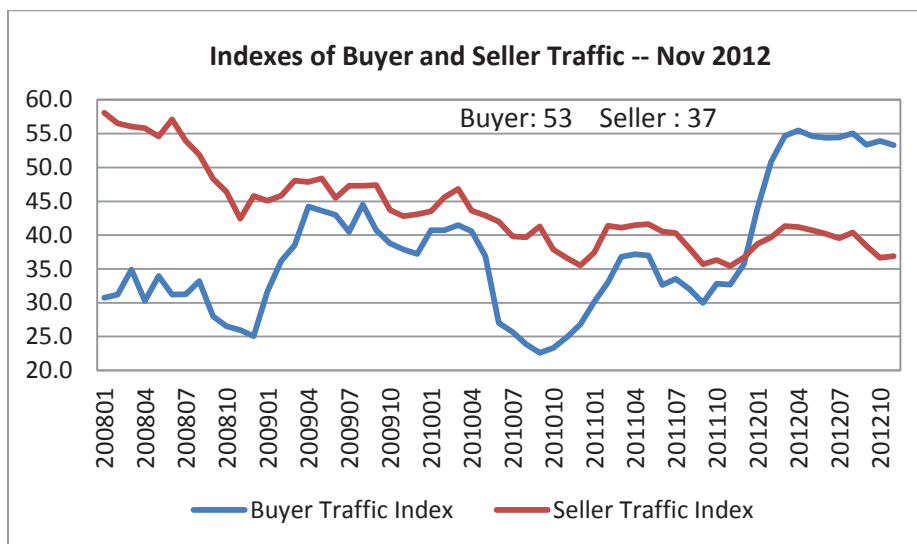
- Activity is generally better compared to a year ago with generally more REALTORS® holding above moderate expectations about both current conditions and the outlook for the next 6 months. The majority of REALTORS® continued to report rising home prices and declining days on the market. However, REALTORS® reported that the market remains hampered by a “demanding and rigid loan qualification process” that has made mortgage underwriting “a nightmare” and “the toughest hurdle.” This has led to cash buyers and investors easing out first time buyers using mortgage financing. Low inventory persists, and REALTORS® have reported homes selling above the list price. Policy uncertainties on a variety of economic and tax issues, as well as tepid job growth, continue to dampen the market. Hurricane Sandy also caused a temporary market slowdown in the affected areas.

¹ There were 3,766 respondents to the November survey, which was sent to approximately 50,000 REALTORS®.



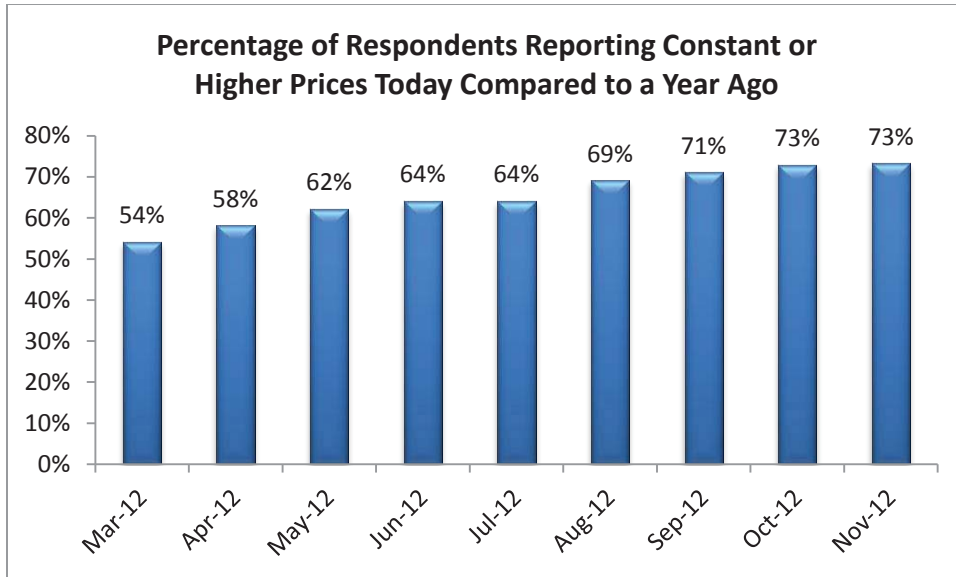
- Demand continues to outstrip supply. The buyer traffic index is at 53, while the seller traffic index is essentially unchanged at 37 from a peak of 42 last year. Buyer traffic dipped slightly, reflecting in part the seasonal slowdown and possibly a wait-and-see stance as buyers and sellers await clearer direction with regard to measures to avert the fiscal cliff. Inventory has been generally tight, as REALTORS® reported that sellers continue to hold back, waiting for prices to rise further or for better valued appraisals. REALTORS® reported numerous cases of multibidding, with investors competing against first time home buyers. REALTORS® have reported that “bank-owned properties go under contract within 7-10 days,” that “there are 8-10 offers for houses that are turn-key ready,” and that “85% of all REO properties have multiple offers.”

Demand outstrips supply: the Traffic Buyer's Index is at 53 while the Seller's Traffic Index is at 37. An index of 50 indicates moderate conditions .

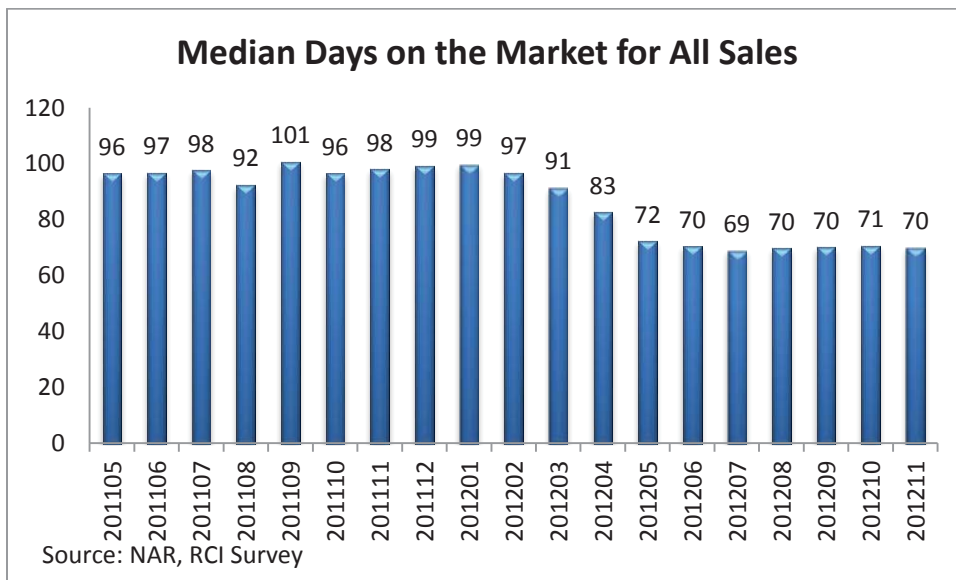


- The tight inventory of homes for sale has strengthened prices and shortened listing time. There are reports that “REO properties are selling over the list price.” About 73 percent of REALTORS® reported constant or increasing prices compared to their average home transaction a year ago.

About 73% of REALTORS® expect constant or increasing prices. The median days on the market is at 70 days.



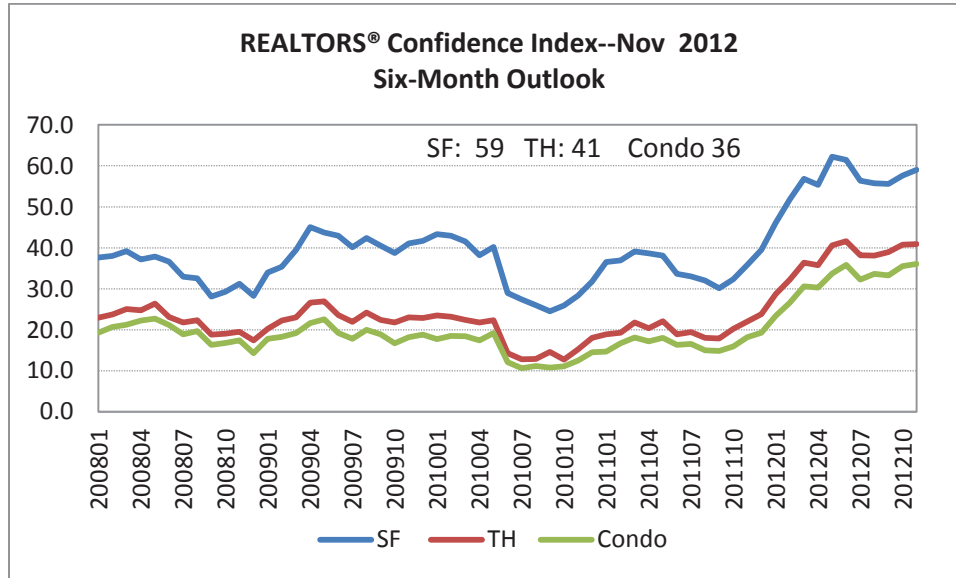
- The median days on the market slightly fell to 70 days in November (70 in October) and is below last year’s 98 days.



Market Outlook

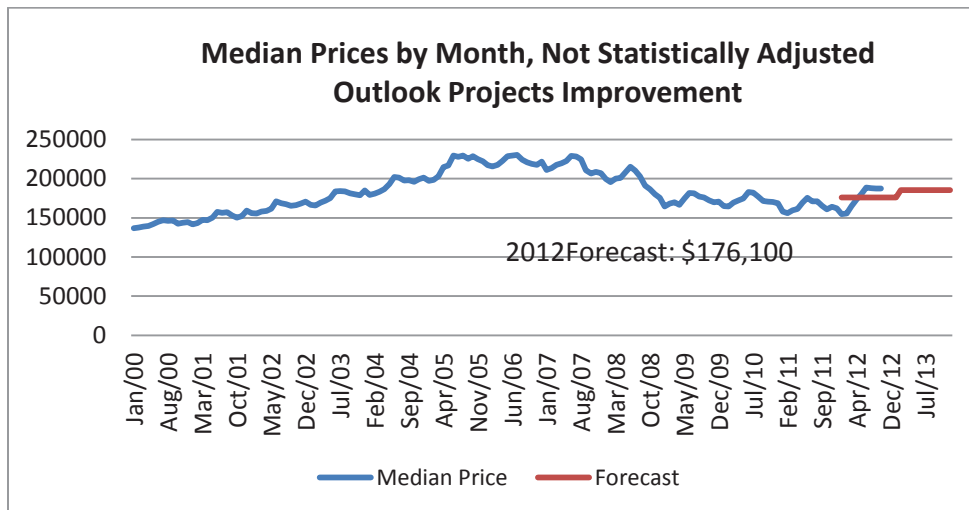
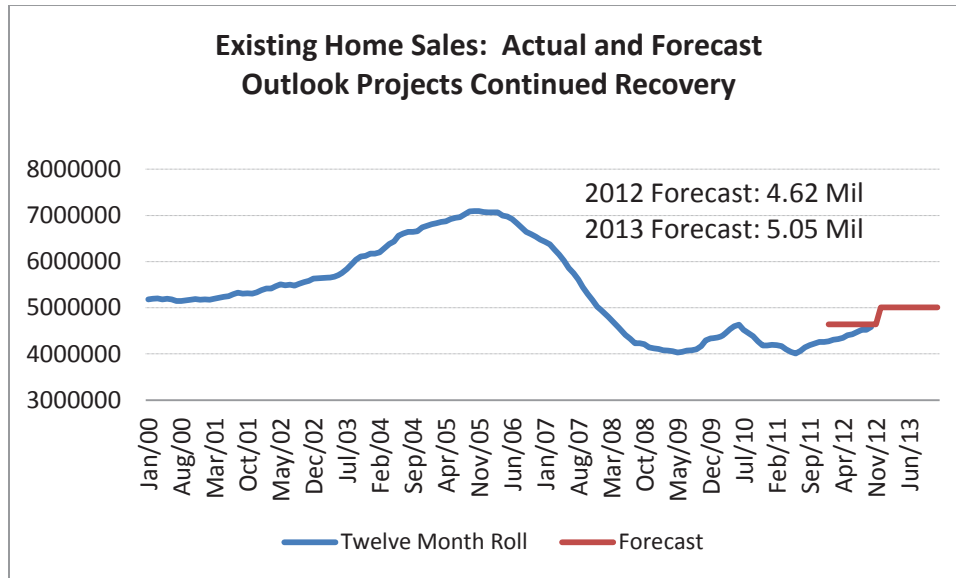
REALTORS® generally are upbeat about the outlook for the next 6 months. The single family sales index rose to 59 and is up compared to October (58) and a year ago (36). The six-Month Outlook Confidence Index for townhouses and condos also improved although the expectation is somewhat lower.

REALTORS® remain generally optimistic for the next 6 months. The REALTORS® Confidence Index – Six Month Outlook for Single Family Homes rose to 59 in November.



NAR's latest economic projection is for continued increases in residential home sales along with continued price improvement (although sales and price trends will vary from market to market). Existing home sales are projected to expand to 4.6 million in 2012 (5 million in 2013).

The median price for existing home sales is forecasted at \$176,100 in 2012 (\$185,200 in 2013). Shadow inventory is still high, but it is about 1 million fewer homes than two years ago and is anticipated to steadily diminish over time. Decreases in months of inventory of homes for sale and a decline in percentages of existing home sales that are distressed are projected to lead to continued market improvement.



The forecast is based on an economy expected to grow at 2.1 percent in 2012 (2.5 percent in 2013) and with 30-year mortgage rates at 3.7 percent (4.0 percent in 2013) .

What Does This Mean For REALTORS®?

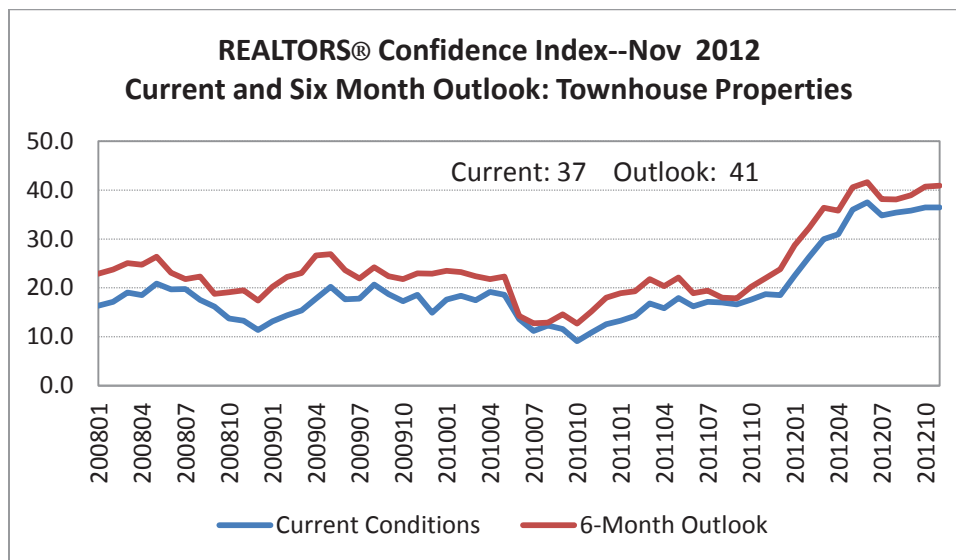
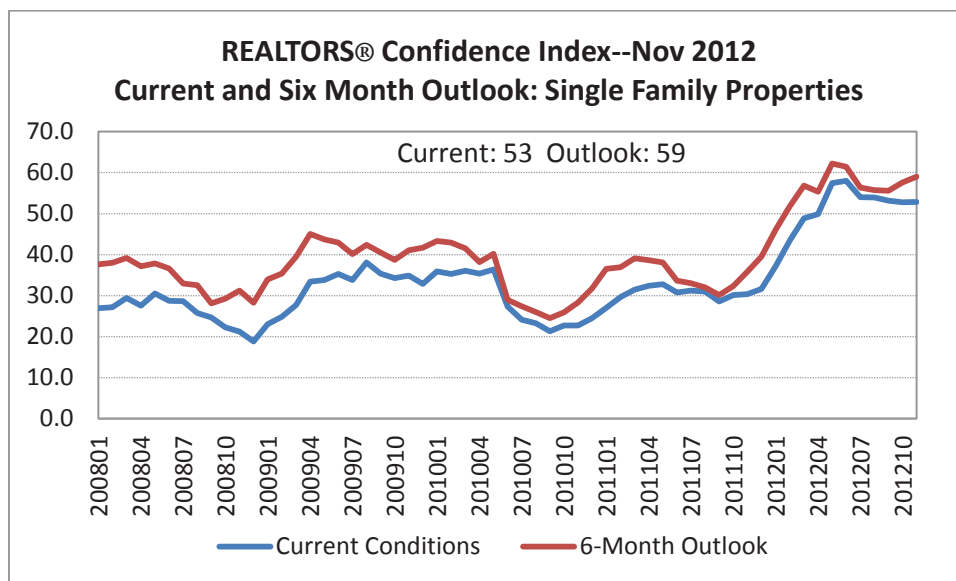
The real estate market continues to recover both in terms of sales and price. Continued restrictive mortgage availability with tight underwriting standards is a problem, but REALTORS® report that loans are frequently available at smaller banks and credit unions. Making sure that appraisers are qualified and that appropriate comps are used are important. Finally, tight inventories are making markets increasingly competitive.

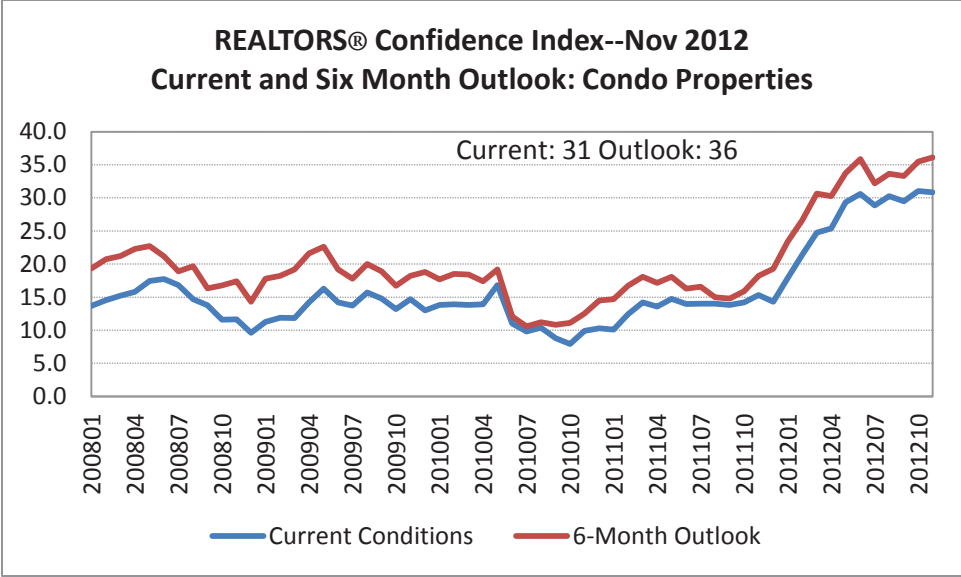
I. Market Conditions

REALTORS® Confidence Index Is Up in November

The current confidence index is essentially unchanged for single-family homes at 53, indicating no major change in confidence compared to October levels and a level of confidence that is significantly up from the same period last year (32). The current conditions indexes for townhouses and condominiums continue to increase.

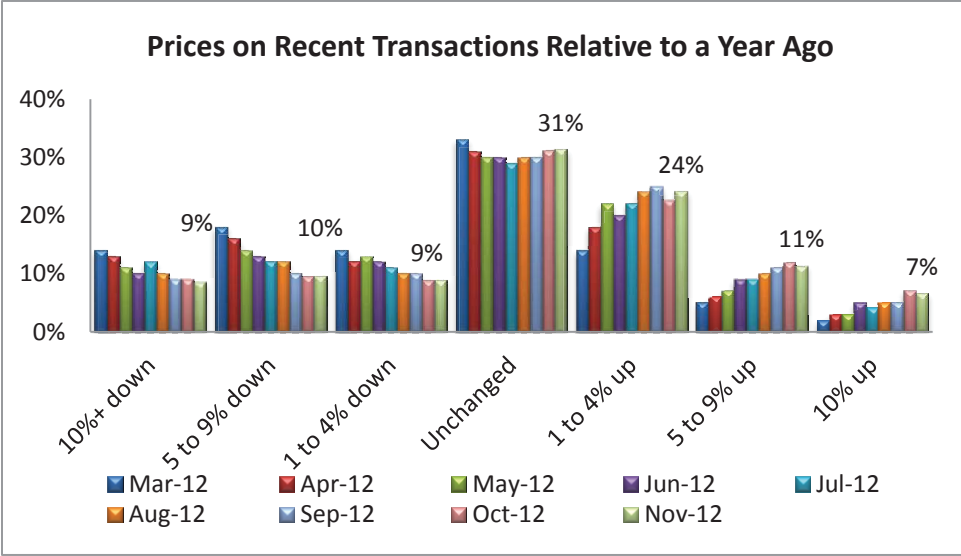
Across all property types, REALTORS® are generally upbeat for the next 6 months.





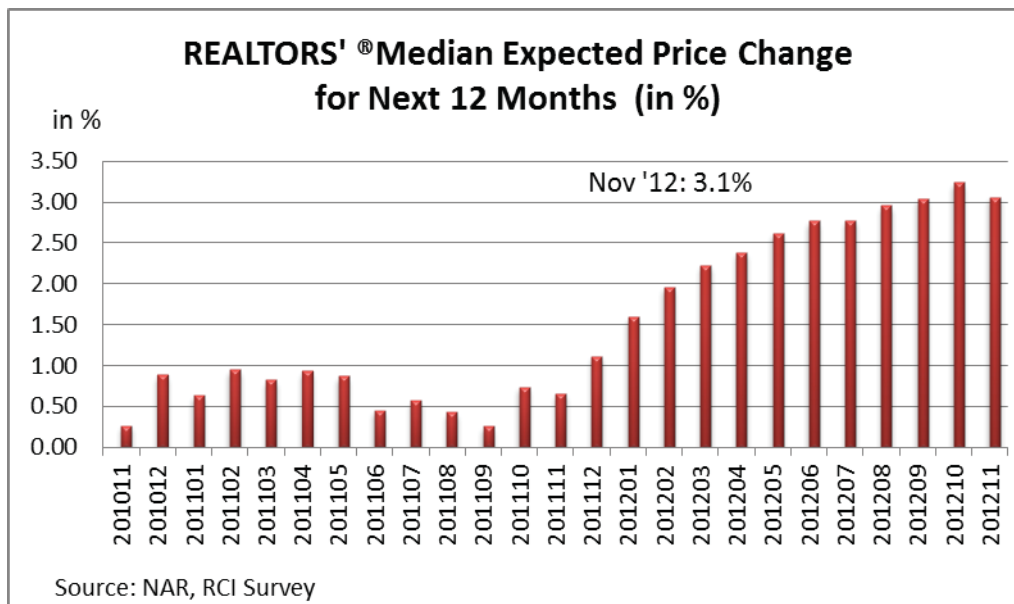
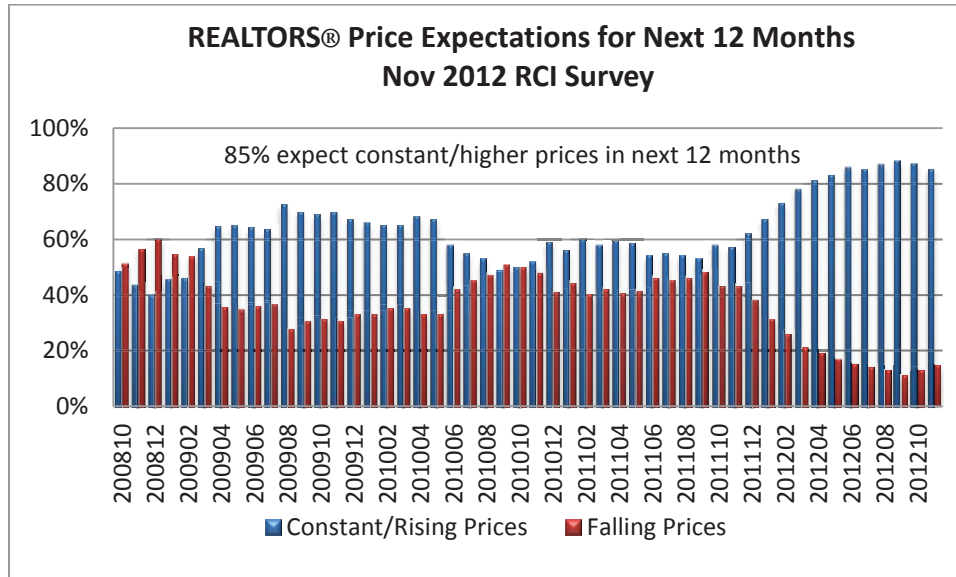
Seventy –three Percent of REALTORS® Reported Constant or Higher Prices on Recent Transactions Compared to a Year Ago

Home prices continue to firm up as demand for existing home sales is reported to be increasing faster than the supply of available homes. About 31 percent of REALTORS® reported constant home prices while 42 percent reported rising prices. As the graph below shows, there are increasingly more REALTORS® reporting rising prices compared to year ago level since the March 2012 survey. Many REALTORS® noted a significant increase in multi-bidding on properties, especially for lower priced and ready- to-move- in houses .



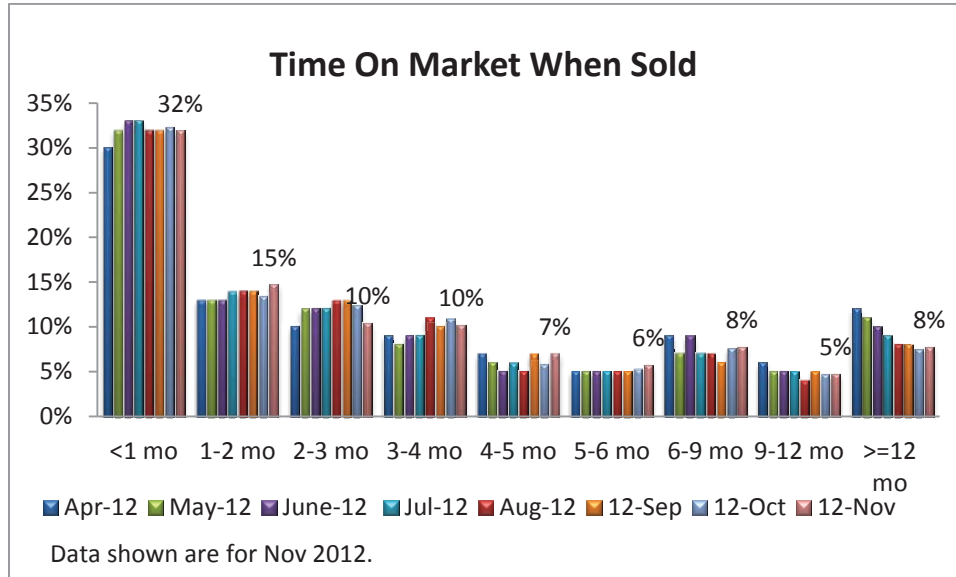
Eighty-five Percent of Responding REALTORS® Expect Constant or Higher Residential Prices in the Next 12 Months

Eighty-five percent of respondents reported the expectation of constant or higher prices in the next year. Many REALTORS® noted a significant increase in multibidding on properties. The median expected price change in the next 12 months is 3.1 percent.



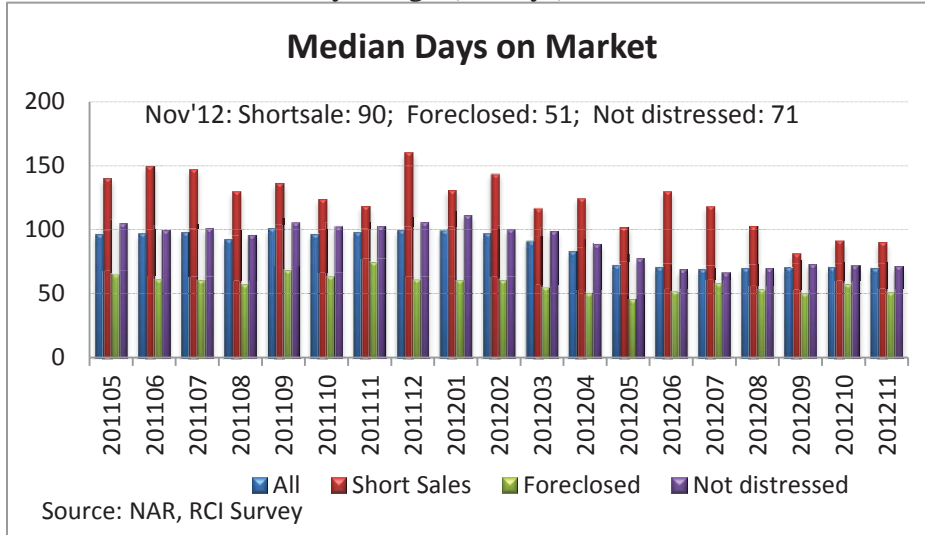
Thirty-Two Percent of Houses Sold in One Month

Multiple offers have led to shorter time on the market for a property to sell. Approximately a third of REALTORS® noted that recently sold properties were on the market for less than a month when sold, and 57 percent were sold within 3 months. The percentage of REALTORS® reporting that the house sold had been on the market for 6 months or more is down to 20 percent from 28 percent a year ago.



Median Days on Market at 70 Days

The median days on market in November was 70 days, down from 98 days a year ago. Tight inventory and multibidding is shortening the days on the market. Although the short sale process is still viewed as protracted, short sales were at a median 90 days on market, significantly down in the same period last year (119 days). Foreclosures were at 51 median days on market down from a year ago (74 days).



Distressed Sales Account for 22 Percent of Sales

About 22 percent of respondents reported selling distressed property (foreclosed and short sales), down substantially from what had been the case a year or two ago. REALTORS® reported strong demand for REOs from investors who typically pay cash and who are willing to renovate the properties and turn them into rentals. Cash sales accounted for roughly 46 percent of distressed sales (41 percent in October 2012).

