RADAR LOGIC INCORPORATED

# Press Release

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## *Home Prices Strengthened Considerably In February, But The Strength May Not Last*

### *Investment Buying and Mild Weather May Be the Cause*

New York, NY – April 26, 2012 – According to the February 2012 RPX Monthly Housing Market Report released today by Radar Logic Incorporated, the RPX Composite price, which tracks home prices in 25 major US metropolitan areas, increased 1.9 percent over the month ending February 16, 2012. This is in direct opposition to other major housing price indices, which decreased from January to February.

The strength in the RPX Composite price during February was accompanied by strong growth in home sales. Transactions in the 25 metropolitan statistical areas (MSAs) tracked by the RPX Composite increased 22.9 percent month-over-month through February 16. While home sales typically increase on a month-over-month basis in February, the uptick in sales activity in 2012 was particularly robust.

Notwithstanding the strength exhibited by home prices in February, the RPX Composite price was 3.18 percent lower than it was in February 2011. Transaction activity in the 25 MSAs increased 16 percent on a year-over-year basis.

"The month-over-month trend in the RPX Composite differs from those of other housing price indices because the RPX is constructed in such a way as to be particularly sensitive to recent shifts in the housing market," said Quinn Eddins, Director of Research at Radar Logic. "The RPX methodology allows us to calculate prices daily using a sample period of 28 days as opposed to monthly using a 90-day sample period, as is the case with most other housing price indices. As a result, the month-over-month strength in the RPX reflects the fact that the housing market strengthened in February, while the decline in other indices reflects the fact that the weakness in the housing market in December and January was greater than the strength in February."

Investment buying and mild weather likely contributed to the strength in the housing market during February. Unfortunately, the positive impact of both these factors will probably be temporary.

Since 2009 there has been a rapid increase in home sales in which the buyer is a corporate investor. For example, corporate investor purchases in the New York metropolitan area increased 126 percent from January 2009 to February 2012, while the total count of housing transactions increased 69 percent. In the Los Angeles metropolitan area, corporate investor purchases increased 421 percent over the same period, versus a 36 percent increase in total sales.

The influx of corporate investors has helped stabilize housing values, particularly at the low-end of the market and in the market for foreclosed homes. It may also have a salutary impact on seller psychology. When word gets out that large investors are buying up houses by the dozen, sellers have a strong incentive to hold or raise their prices. As a result, home prices start to firm throughout the market.

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However, once the investors have fully deployed their capital, or once prices have risen to a point that diminishes their returns, the positive influence of this type of buyer may dissipate and the market could return to its prior levels. Corporate investors will not drive a lasting recovery in home prices.

The strong month-over-month gains in home prices and sales activity in February may also be a consequence of the mild weather across much of the country this winter. The mild climate may have facilitated home shopping and allowed the seasonal uptick in sales to begin earlier than usual, and as demand increased so did home prices. It is likely that February's home buyers would have purchased homes later in the spring or summer had the weather been harsher, so the mild winter pulled through demand from later in the season rather than generating new demand. As a result, February's strength likely will come at the cost of weakness later in the buying season.

The complete February 2012 RPX Monthly Housing Market Report is available on Radar Logic's website.

## *Report Methodology*

The RPX Monthly Housing Market Report is produced by Radar Logic Incorporated, a New York-based real estate data and analytics company. These reports provide insight and detailed analysis of Radar Logic's 25 Metropolitan Statistical Areas (MSAs) and the Manhattan Condo market. This study is based on the premise that each of the MSAs, while having economic influences in common like credit and mortgage rates, is influenced primarily by local conditions.

Data in the RPX Monthly Housing Market Report reflect the 28-day aggregated value of Radar Logic Daily™ Prices. The price per square foot metric used is a powerful tool for analyzing housing markets because it significantly reduces the influence of property sizes on overall housing price trends, which can skew results. The Daily Prices for each MSA are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual MSAs.

The March 2012 RPX Monthly Housing Market Report will be released on May 24, 2012, at 4:00 PM EDT.

## *About Radar Logic*

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset via property derivatives marketed by major financial institutions. RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot.

For more information on Radar Logic and the RPX, including licensed dealers, please visit www.radarlogic.com.

***Media Contact:*** Quinn Eddins, Radar Logic Incorporated, 212-965-9982, qeddins@radarlogic.com.

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