



## Press Release

May 31, 2012

### **Recent Strength in Home Prices is Due to Temporary Factors**

#### ***In the Long Term, Oversupply Will Prevent Appreciation and May Drive Prices Lower***

New York, NY – May 31, 2012 – According to the [March 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, declined 0.87 percent year over year and increased 1.8 percent month over month as of March 29, 2012. The recent strength in the RPX Composite price is the result of temporary market forces.

“In light of the oversupply we continue to see in the market, we disagree with the widespread view that home prices have reached a bottom or will do so in the near future,” said Michael Feder, president and CEO of Radar Logic. “Given the abundance of supply, an exogenous shock to housing demand could send prices sharply lower. Such a shock could be psychological. A negative response to economic news, either in the US or elsewhere in the world, could undermine housing demand and seriously hurt home prices.”

The primary factor with long-term implications for home prices is the oversupply of houses on the market, on their way to market or poised to enter the market the moment prices start to increase. Large inventories of REO and homes in the foreclosure process still have to make their way into the ‘visible’ inventory of homes listed for sale, and as they do they will weigh on home prices. This supply overhang will prevent a sustained recovery in housing prices until it is absorbed, which could take years at the current rate of sales.

As long as distressed homes remain a significant portion of homes for sale, prices for non-distressed homes will be under pressure to converge with distressed prices. Considering the significant price discounts in distressed sales relative to non-distressed sales, non-distressed prices could have quite a bit further to fall.

Recent strength in home prices can be attributed to temporary market forces. For instance, large institutional investors seeking to implement a buy-to-rent strategy are bidding up prices for distressed properties in certain metropolitan housing markets. As investor purchases drive up distressed home prices to a point where investors can no longer realistically achieve their return targets, demand will decline and the positive price pressure will evaporate.

The mild weather across much of the country this winter also provided a short-term boost to home prices. The mild climate facilitated home shopping and allowed the seasonal uptick in housing demand to begin earlier than usual, and as demand increased so did home prices. It is likely that the buyers in February and March 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, March's strength may come at the cost of weakness later in the buying season.

The [complete March 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 April 2012 RPX Monthly Housing Market Report will be released on June 21, 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](http://www.radarlogic.com).

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