



# R P X M O N T H L Y H O U S I N G M A R K E T R E P O R T

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The following is an abridged copy of the RPX Monthly Housing Market Report for November 2012. [To purchase the complete report, please visit Radar Logic's website.](#)

## *It's Still Too Early to Call a Housing Recovery*

### *Increasing Home Price Indices Reflect Weakness in 2011 More Than Strength in 2012*

Exhibit 1: Change in the RPX Composite Price (28-Day) from July 1

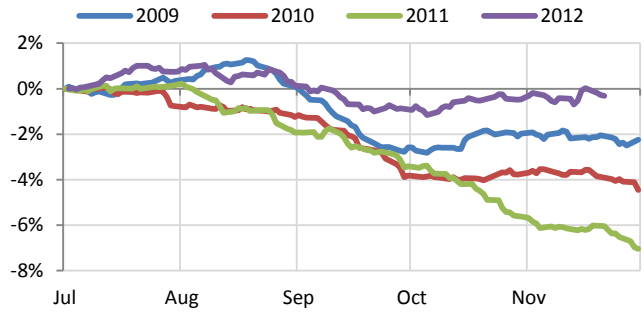


Exhibit 2: Change in RPX Composite Price (28-Day) From July 1 to November 21

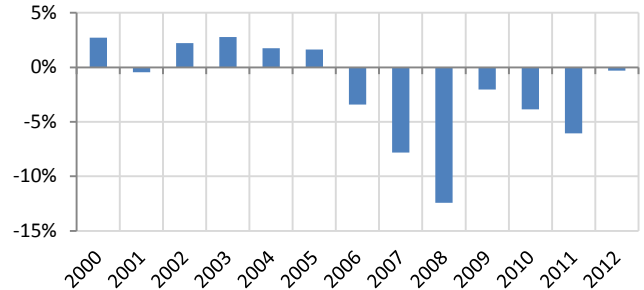
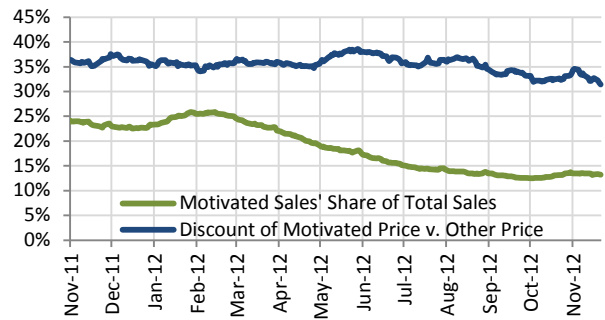


Exhibit 3: Motivated Sales as Share of 25-MSA RPX Transaction Count and Discount in Composite Motivated Price Vs. Composite Other Price

It has been widely reported that housing price metrics have increased considerably over the last year, but we believe the public discussion has missed a critical point. While the 25-MSA RPX Composite price has increased considerably over the last year (9.2 percent as of November 21) this gain must be viewed in the context of unseasonable weakness during the second half of 2011.



In each year since the end of the housing boom, the RPX Composite has weakened during the second half of the year. In 2011, it weakened more than usual. Exhibit 1 shows the percentage change in the RPX Composite price from July 1 through the date designated on the X-axis for each year from 2009 to 2012. The RPX Composite fell seven percent through November in 2011, further than in any other year since 2009. Exhibit 2 widens the context by comparing the changes in the RPX Composite from July 1 to November 21 for each year from 2000 to 2012, covering the entire history of RPX data. The decline in 2011 was the third largest behind 2007 and 2008, when home prices were in free-fall during the housing bust.

So when we talk about a 9.2 percent year-over-year gain in the RPX Composite, it is a gain off an unusually low base. It does not simply reflect strength in housing prices during the 2012, but also extreme weakness in housing prices during the second half of 2011. If the RPX Composite price had followed a more typical seasonal pattern during 2011, the year-on-year gains in November 2012 would not have been nearly so large.

Moreover, as we explained in the [2012 RPX Year In Review](#) published last week, the year-on-year increase in broad-based housing price indices has been largely driven by a shift in the composition of sales rather than appreciation in the value of individual properties. As shown in Exhibit 3, REO sales and foreclosure auction sales (i.e., “motivated sales”) have declined from 24 percent of the 25-MSA RPX transaction count in November 2011 to 12 percent in November 2012. Over the same period, the 25-MSA composite price for motivated sales was 32 to 39 percent lower than the composite price for all other sales. When we control for the shift in the mix of sales by looking solely at the composite price for non-motivated sales, we find that home prices increased at slightly over half the rate of the RPX Composite price.

We believe this shift in sales mix has been driven by institutional investors seeking to build large portfolios of rental properties. These investors have temporarily reduced the available supply of desirable REO properties and driven up prices to the point where many investors have turned to other segments of the housing market in search of properties. The problem is there are still a historically large number of homes in the foreclosure process and on their way into REO inventories. If they enter the market in sufficient quantity, they could drive down REO prices to a point where investors will shift their attention back to foreclosures and REO. Motivated sales would then increase as a percentage of total sales, and home price indices would start to fall once again.

**A real recovery in the housing market will be driven by an increase in household demand. Improvements driven by investor demand will likely be temporary.**

## Hurricane Sandy

As of November 21, the 28-day RPX transaction count for the New York MSA had declined 33.4 percent year over year and 29.2 percent month over month, the largest declines in the 25 MSAs that make up the RPX Composite. The large reductions in sales activity can be attributed to the disruption caused by Hurricane Sandy, which made landfall near Atlantic City, NJ, early on October 29.

Exhibit 4 shows the number of housing transactions recorded by county governments in six regions within the New York Metropolitan Area between September 5 and November 21, 2012.<sup>1</sup> The X-axis shows the dates the transactions were closed, and the Y-axis indicates the 1-day transaction count. Transaction counts for the various regions are stacked, so they add up to the 1-day transaction count for the entire New York MSA. Exhibit 4 shows that sales activity essentially stopped during the storm, and though it picked up again soon thereafter in western Connecticut, it remained extremely light in the other regions for about a week. Sales activity did not resume again in Long Island for more than two weeks.

<sup>1</sup> The six regions and their constituent counties are as follows:

New York City: Bronx County, Kings County, New York County, Queens County and Richmond County;

Long Island: Nassau County and Suffolk County;

Northern New Jersey: Bergen County, Essex County, Hudson County, Hunterdon County, Morris County, Passaic County, Somerset County, Sussex County and Union County;

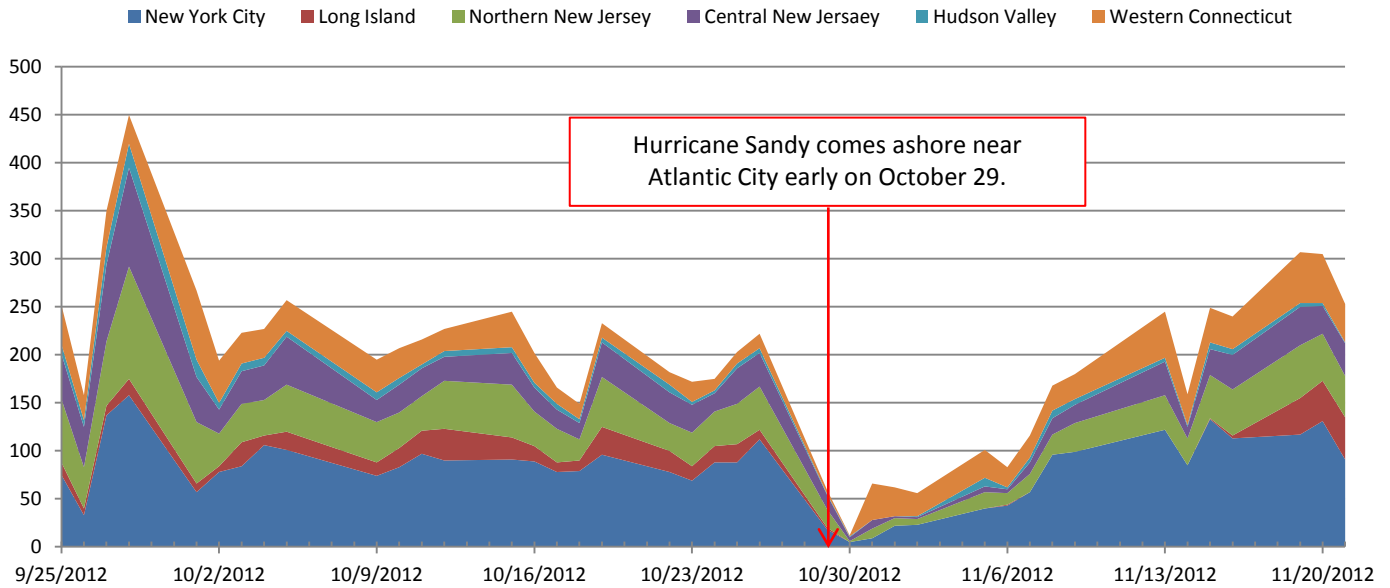
Central New Jersey: Middlesex County, Monmouth County and Ocean County;

Hudson Valley: Putnam County, Rockland County and Westchester County;

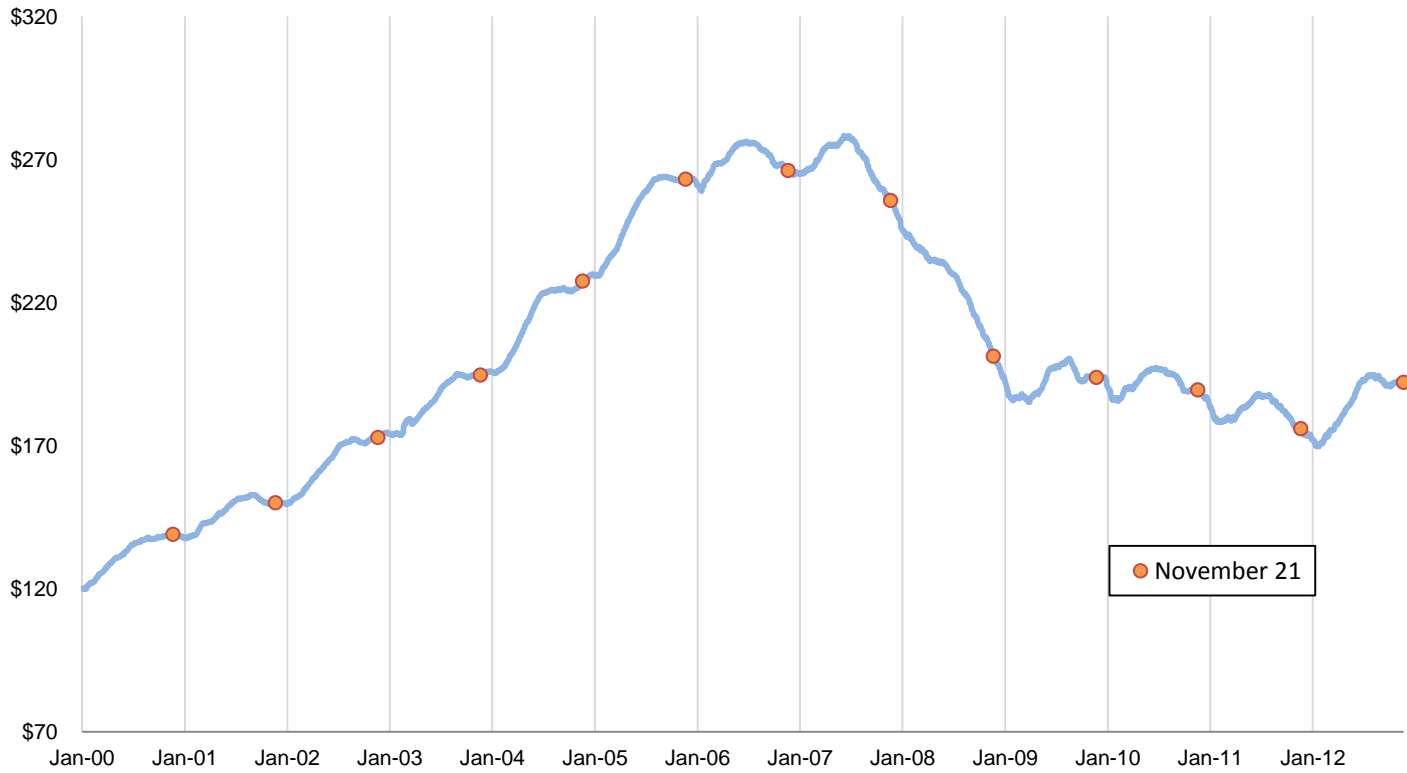
Western Connecticut: Fairfield County.

The temporary yet precipitous decline in home sales in the wake of Hurricane Sandy does not seem to have had a significant impact on home prices in the metropolitan area as a whole. The 28-day New York RPX price declined 1.7 percent from October to November, just slightly less than the 2 percent decline over the same period in 2011. The New York RPX increased 2 percent year over year.

Exhibit 4: Daily Count of Housing Transactions Recorded By County Governments in the New York Metropolitan Statistical Area

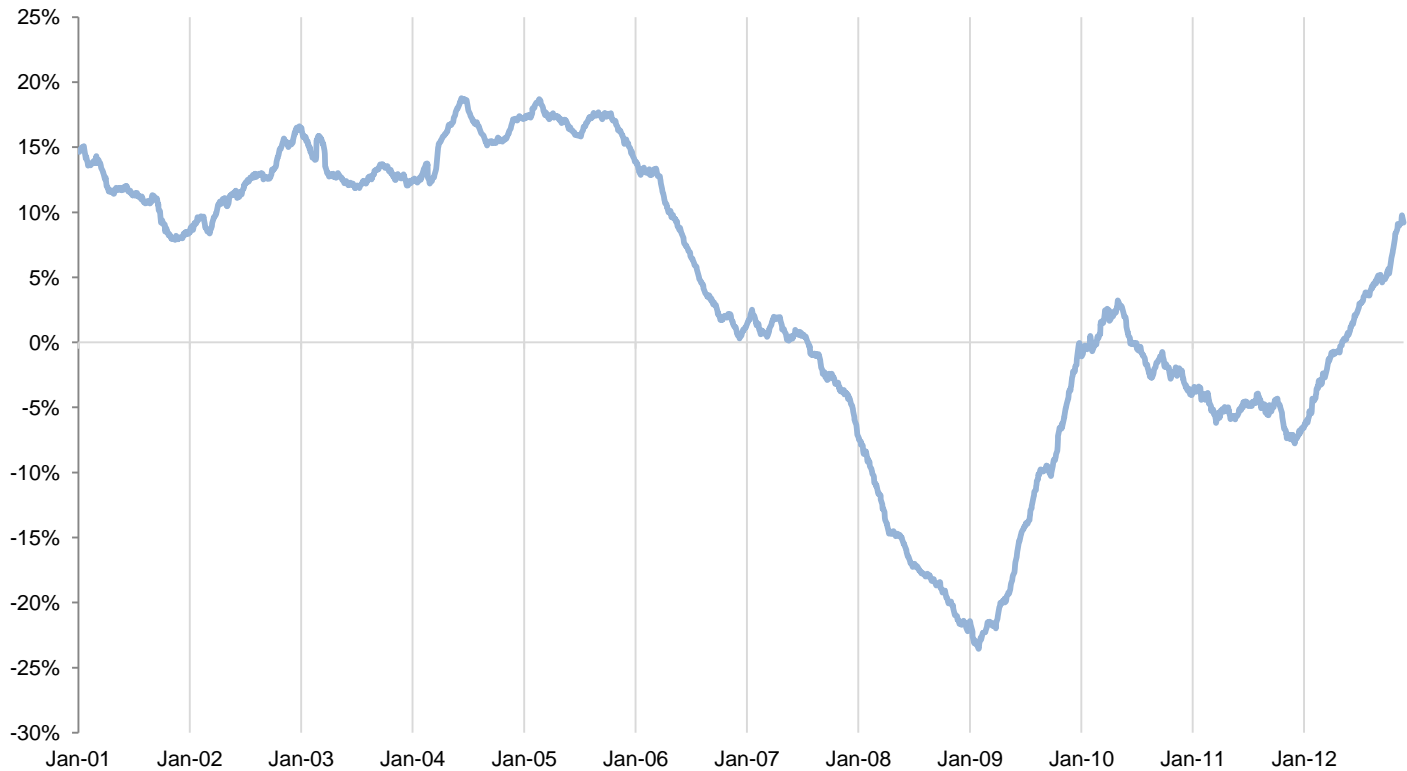


Appendix 1: 25-MSA RPX Composite Price (28-Day), 2000-2012



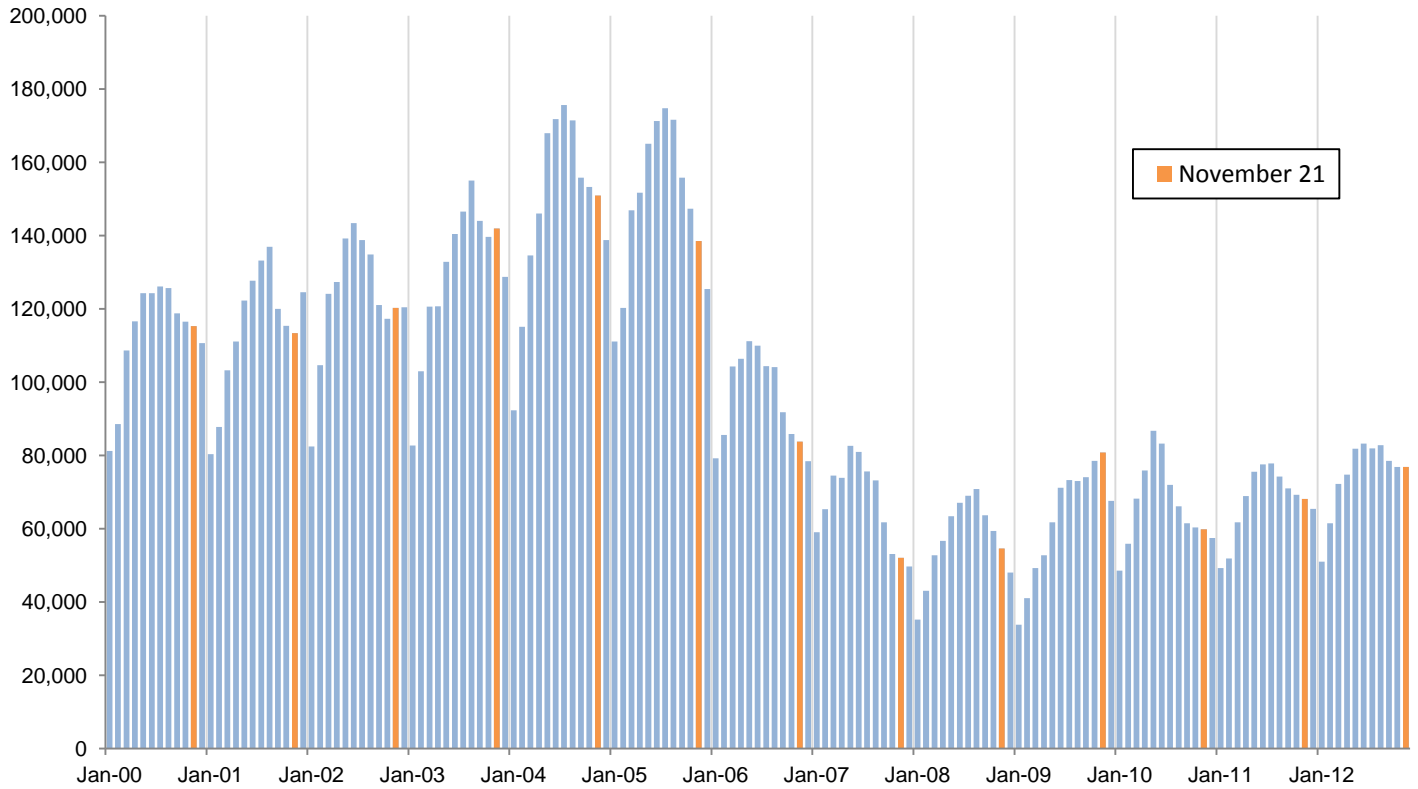
Source: Radar Logic, 28-Day RPX™ Composite price as of 11/21/2012

Appendix 2: Year-Over-Year Change in 25-MSA RPX Price (28-Day), 2001-2012



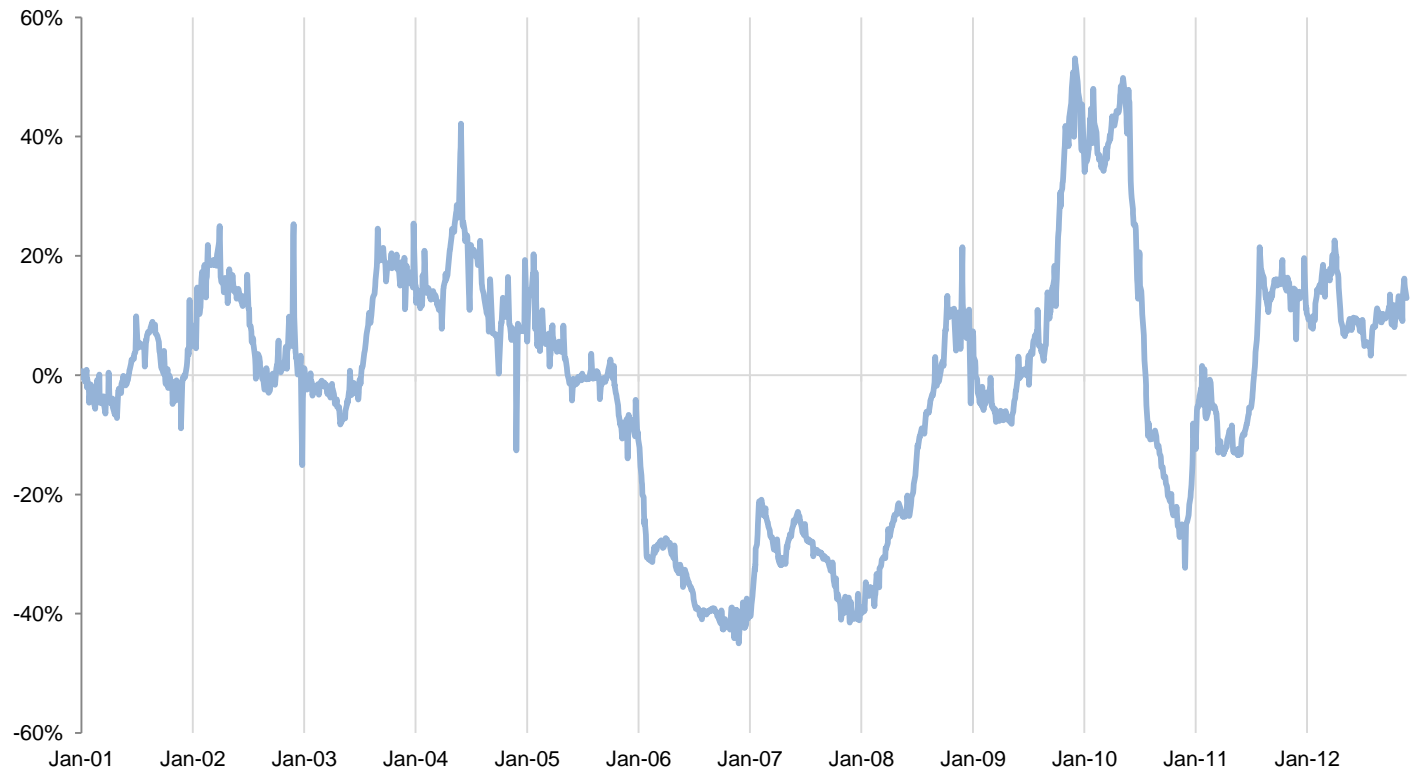
Source: Radar Logic, 28-Day RPX™ Composite price as of 11/21/2012

Appendix 3: 25-MSA RPX Transaction Count (28-Day), 2000-2012



Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 11/21/2012

Appendix 4: Year-Over-Year Change in 25-MSA RPX Transaction Count (28-Day), 2001-2012



Source: Radar Logic, 28-Day RPX™ Composite transaction count as of 11/21/2012

## *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. 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 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 RPX Monthly Housing Market Report provides insight and detailed analysis of Radar Logic's 25 MSAs and the Manhattan Condo market. This study is based on the premise that there is no national housing market; rather, each MSA, while having some economic influences in common, is influenced primarily by local conditions.

The December 2012 RPX™ Monthly Housing Market Report will be released on February 21, 2013, at 4:00 PM EST.

## *RPX Analytics & Research*

Radar Logic offers specialized analytic services which allow real estate and financial professionals to view current and historical price per square foot and transaction count trends for all markets and sub-markets we track. MSAs can be segmented by location (zip code and county), property type (single family, multi-family and condo), property size, date range, and sale price. The database is derived from our neutral, public source records.

Our data provide a means for all entities associated with or affected by housing prices to maintain market data streams on a constant, neutral and daily-updated basis.

For additional insight on this report or for inquiries about research or analytic products, please contact:

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