

Renters, Homeowners & Investors: The Changing Profile of Communities

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Renters, Homeowners & Investors: Jim Park

JIM PARK: Well, there's a -- I think there's a fundamental shift that's happening in the marketplace, you know, just a year or two ago, we thought there would be this overwhelming inventory of foreclosed properties hitting the market, dramatically bringing prices down, that certainly has not been the case. And point example is Phoenix; three years ago, there was almost 10 years of inventory that was sitting in Phoenix, today it's 3 to 6 months. And home prices went up by 20% last year so it is a massive shift that happened to quickly that I think many of us were a little caught off guard by it but it's all, you know, positive development. The market's stabilizing, home prices are moving up and now because home prices are moving up, the 50 some odd percent of the people who are under water are declining and so now more people can sell homes, the velocity of sales taking place in the marketplace are increasing and so all of these things are good. The challenge is because of this accelerated real estate business, we're seeing that many investors are really outbidding homeowners and homeowners are having a real hard time getting their bids accepted and so it does feel like that the window of opportunity for affordable housing, affordable home ownership is passing them by and I think we have to do something to ensure that they have -- continue to have some access to these inventories. You know, private capital is I think chasing after the returns and they're moving around the country, like it was a year ago, it was Phoenix. Six months ago, it was Atlanta, now I hear that it's Indianapolis so they're looking for the kinds of return that they view as acceptable and that they desire so we definitely see private capital moving around the country. Obviously they have brought some stability, price stability, more bids to the marketplace that has, you know, really helped to increase prices but the problem is, I think, over the long haul, as some of these

communities are now being 80% of the acquisitions are being acquired by investors. What kind of community are we actually creating for the long haul, particularly when you're thinking about an institution that's looking to hold these assets for 5 to 7 years, what happens at the end of that 5 to 7 years? Will home prices be too high for homeowners to acquire at that point? Will financing be as affordable as it is today? I think these are a lot of unknown questions in the marketplace and hopefully we can debate that now so that we don't have to deal with it 5 to 7 years from now.