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REAL ESTATE INVESTORS HAVE SOURED ON THE CURRENT MARKET ACCORDING TO THE FALL 2021 REALTYTRAC® INVESTOR SENTIMENT SURVEY™

Individual residential real estate investors are concerned over the impact that rising home prices and the lack of housing inventory are having on their real estate investments. Perceived risk of losing market share to iBuyers and other institutional investors is also on the rise.

IRVINE, Calif. – September 29, 2021–RealtyTrac® recently completed its second RealtyTrac Investor Sentiment Survey™, surveying over 300 individual real estate investors across the country to find out how they viewed the market, what problems and opportunities they faced, and what their impression was of today's environment for real estate investing.

- 48% of investors believed that the investment market is worse or much worse than it was a year ago
- Almost 63% of survey respondents listed the rising cost of homes as a major challenge for residential real estate investing
- The lack of available inventory was identified as the second-biggest challenge (57%) by the investors

"Real estate investors continue to face the dual challenges of low inventory and rising home prices," said Rick Sharga, executive vice president at RealtyTrac, an ATTOM company. "Coupled with strong competition from traditional homebuyers and rising material and labor costs, it's no wonder that individual investors believe that the market is less favorable today than it was a year ago."

About 48% of investors believed that the investment market is worse or much worse than it was a year ago, and 36% believe that conditions will remain the same over the next six months. Rising home prices (63%) have replaced lack of inventory (57%) as the #1 challenge cited by investors, although they trade places in the investor six-month outlook. Competition from traditional homebuyers (28%) fell out of the top three problems for investors and was replaced by increased material costs (36%).

Still, many investors believe that ongoing competition from homebuyers will continue to be a challenge, and 27% said it will likely remain a top concern six months from now. The unprecedented demand from homebuyers has created an unusual market dynamic for individual investors: instead of competing with larger institutional investors, mom-and-pop investors find themselves competing with more traditional consumer homebuyers.

The investors who participated in the survey are representative of the majority of real estate investors—the typical mom-and-pop investors who purchase between 1-10 properties a year. It is these individual investors who exert the most influence on market conditions. Nearly 90% of the 19 million single-family rental properties in the country are owned by mom-and-pop investors, while the largest institutions—collectively— own less than 2%. The fix-and-flip market similarly is populated by thousands of small investors who average about one flip a month, but who now face growing competition from the so-called iBuyers like Opendoor, Offerpad and Zillow, which are essentially institutions that do flipping at scale.

While respondents to the previous RealtyTrac survey were almost evenly split between fix-and-flip and buy-and-hold investors, the respondents to the Fall 2021 investor sentiment survey included more investors who purchased properties for the purpose of renting them out. This could be a reflection of current market conditions -- ATTOM Data has reported that the number of flips in Q2 2021 was down year-over-year, as were flippers' gross profits.

"Investors are more optimistic about the future than they are about current market conditions," Sharga noted. "But they do worry about inflation – about 81% of the investors surveyed were concerned about inflation causing material and labor costs to rise, making affordability an issue for prospective homebuyers and renters, and increasing the costs of financing."

The Foreclosure Factor

Foreclosure activity today has virtually ceased due to the government's foreclosure moratorium and the CARES Act mortgage forbearance program. While August foreclosure activity was up by 27% from July numbers, it was 70% lower than August of 2019, prior to the COVID-19 pandemic, and the implementation of the government foreclosure prevention programs. The inventory of homes in foreclosure is now at the lowest level ever recorded in the RealtyTrac database, contributing to the extreme shortage of homes available for sale.

While it's unrealistic to expect that default activity won't rise somewhat after these government protections expire, the investors answering the survey aren't expecting a flood of distressed properties. About 30% of the respondents believe that foreclosure activity will return to its normal, historical level (about 1% of mortgage loans in a given year), while 33% said that foreclosures will surpass normal levels, but remain well below the levels seen during the Great Recession. With a record $23 trillion in homeowner equity, it's likely that most homeowners in default will be able to sell their properties prior to the foreclosure auction, and very few will ultimately be repossessed by the banks and subsequently listed for sale.

About RealtyTrac

Founded in 1996, RealtyTrac publishes the largest database of foreclosure property information in the U.S. along with other real estate and mortgage data used by real estate investors and professionals to find, analyze and purchase residential and commercial distressed properties. RealtyTrac is owned and operated by ATTOM Data Solutions, a leading provider of publicly recorded tax, deed, mortgage and foreclosure data as well as proprietary neighborhood and parcel-level risk data for more than 150 million U.S. properties. For more information, visit www.RealtyTrac.com.

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