"All Is Not Well In The Housing Market" As All Cash Buyers Double In Past Year, Hit Record High

Confirming and continuing a trend we first described a year ago, overnight RealtyTrac reported, as part of its Q1 institutional investor and cash sales report, that the percentage of all-cash buyers has soared in the past year with "42.7% of all U.S. residential property sales in the first quarter were all-cash purchases, up from 37.8% in the previous quarter and up from 19.1% in the first quarter of 2013 to the highest level since RealtyTrac began tracking all-cash purchases in the first quarter of 2011."

Curiously this is happening as institutional investors, think Blackstone, are slowly exiting the market: "Institutional investors — entities that have purchased at least 10 properties in a calendar year — accounted for 5.6 percent of all U.S. residential sales in the first quarter, down from 6.8 percent in the fourth quarter of 2013 and down from 7.0 percent in the first quarter of 2013 to the lowest level since the first quarter of 2012."

> "Strict lending standards combined with low inventory continue to give the advantage to investors and other cash buyers in this housing market," said Daren Blomquist, vice president at RealtyTrac. "The good news is that as institutional investors pull back their purchasing in many markets across the country, there is still strong demand from other cash buyers — including individual investors, second-home buyers and even owner-occupant buyers — to fill the vacuum of demand left by institutional investors.
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> "While the institutional investor purchase share declined in the first quarter in 18 of the top 20 markets for institutional investor share a year ago,home prices continued to appreciate in most of those markets, albeit at a slower pace in many cases," Blomquist continued. "There are a couple notable exceptions that could be cause for concern: Jacksonville, Fla., where the institutional investor share of purchases

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> was down to 13.5 percent in the first quarter compared to 18 percent a year ago and where median home prices decreased 1 percent from a year ago in March after 15 consecutive months of annual increases; and Greensboro, N.C., where the institutional investor of purchases was down to 6.4 percent in the first quarter compared to 10 percent a year ago and where median home prices decreased 8 percent from a year ago in March following 14 of 16 months were median home prices increased annually."

Or, in other words, the smart money is fading the market as the last flippers scramble to pick up the pieces. And while one can debate the mix composition and what it means for future trends, one thing is clear. Via Bloomberg:

> "The cash buyers today mean that all is not well in the housing market," said Clifford Rossi, finance professor at the University of Maryland's Robert H. Smith School of Business. "First-time home buyers should make up 40 percent and we're not seeing it because of mortgage rules."

Actually we're not seeing it because US consumers are unable to chase home prices into the stratosphere and instead have opted to rent, as all the recent data has confirmed, and as even Jeffrey Gundlach confirmed recently with his bearish call on housing.

However, while the market reserved for the US middle class is floundering, one segment is still vibrant - that segment which allowed foreigners to launder their money with US real estate.

> "In Manhattan, you have foreign buyers coming in and using properties as a second, third, fourth or fifth home and hedging risks in their home countries," said Chris Mayer, a real estate professor at Columbia University Business School in New York.

And as long as the NAR continues to be exempt from anti-money laundering requirements, as Zero Hedge also described well over a year ago, this explicit money laundering will continue unabated. Them, and hedge fund managers still riding on the wave of Fed generosity of course:

> In Manhattan, buyers are using cash for trophy apartments and to gain an advantage over borrowers who must depend on loans to finance a purchase. Pej Barlavi, owner of brokerage Barlavi Realty LLC in Manhattan, said three of his five current clients buying homes prevailed with all-cash offers.
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> Barlavi said two of them are hedge fund managers who used year-end bonuses to buy the properties: a $2.2 million two-bedroom apartment in Midtown, selling for $150,000 above the asking price; and $1.5 million for a one-bedroom in Tribeca. His client in the second transaction was "nudged higher by a foreign buyer" before being chosen by the seller, Barlavi said.

Bottom line: in the Miami area, 67.1 percent of sales were cash deals; New York posted 57 percent; Detroit recorded 53.5 percent; Atlanta had 53.2 percent, and Las Vegas posted 52.2 percent.

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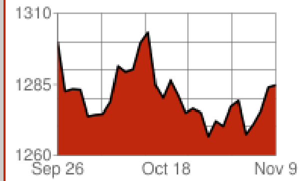

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Needless to add, with risk momentum still up as the global central banks continue to pump liquidity into the system at an unprecedented pace, the trajectory of all cash transactions will keep rising until inevitably it approaches 100%, if not for the entire country, then certainly for the abovementioned key markets. At that point, US housing will be nothing but a flippers game as the ultra-rich merely flip properties *from and* to each other at an ever faster pace.

Just like stocks.

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