



Prices “spiking” as home buyers compete for scarce inventory

KIRKLAND, Wash. (April 4, 2013) –Brokers added 9,332 new listings to the Northwest Multiple Listing Service database during March, but pending sales topped that number to further crimp inventory and trigger competitive bidding among buyers who are flocking to open houses.

“All price ranges are feeling a lift,” reported Dick Beeson, principal managing broker at RE/MAX Professionals in Tacoma. Northwest MLS director John Deely echoed that comment: “We are seeing many homes in Seattle meet and exceed pre-bubble price levels,” stated Deely, the principal managing broker at Coldwell Banker Bain in Seattle.

“The recovery continues on a slow and steady pace in most areas and surging hard in others,” concluded Darin Stenvers, vice chair of the MLS board.

Northwest MLS figures show year-over-year prices jumped 14.9 percent for the 21 counties in its service area. The median price for last month’s closed sales of single family homes and condominiums (combined) was \$258,500, rising from \$225,000 for the same month a year ago. Twelve counties reported double-digit gains, led by Ferry (up 70.9 percent), San Juan (up 47.3 percent), and Island (up 36.1 percent).

Prices for single family homes increased 14.3 percent, while the median sales price for condos, which accounted for about 12 percent of sales, surged 19.6 percent. Two-thirds of last month’s condo sales were in King County; prices there leaped 28.6 percent, increasing from \$175,000 to \$225,000. The price of a single family home that sold in King County jumped from \$330,000 to \$392,000 (up 18.8 percent).

Brokers reported 5,745 closed sales last month for a 13.9 percent increase from the previous year when they tallied 5,044 completed transactions.

“The market continues to be incredibly competitive with at least one in four buyers paying cash,” noted MLS director OB Jacobi. “For those not paying cash, the average down payment is between 20 percent and 50 percent,” he added.

Jacobi, the president of Windermere Real Estate Company in Seattle also reported the vast majority of home sales right now have multiple offers, and “it’s no longer restricted to the urban markets -- the outlying areas are now experiencing the same thing.”

Brokers say even distressed sellers are receiving multiple offers for their homes.

“As one of my brokers told me, when you have 12 offers on a short sale, it pushes the price of the home up to market value. This is clearly reflected in the appreciation we continue to see in prices across the board,” Jacobi stated.

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Stenvers, the branch manager at John L. Scott's Bellingham office, also noted the impact of distressed homes (including bank-owned and short sales) on the market. "They are not going away, but have slowly leveled off, leaving room for a sustainable return to the 'normal' market volume of 2001-2004," he reported. "This should help the market to continue its recovery, but appraisals will remain a looming concern for buyers until comparable sales can close," he added.

Inventory is depleted area-wide, with only 18,500 active listings in the MLS system at month end. That total is down by almost 6,400 listings year-over-year for a 25.7 percent drop. Counties with the largest declines include Clark (down 46 percent), Snohomish (down 43.8 percent) and King (down 42.4 percent).

System-wide, there is less than a two-month supply of homes, with the tightest selection in Snohomish (0.93 months), King (1.03 months), Clark (1.81 months) and Pierce (1.68 months) counties. In general, analysts consider four-to-six months of supply to be normal.

The upward spike in prices is largely the result of limited supply. "Whenever we get down to a severe shortage of homes for sale, we get double-digit home price appreciation," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate.

Demand continues to outpace supply, creating high absorption rates, Deely stated, adding "Open houses are drawing large crowds." For example, he reported several open houses from the past weekend experienced traffic exceeding 50 people per day.

"Fortunately, Kitsap is the eddy to Seattle's fast-current market," said Frank Wilson, Kitsap district manager for John L. Scott Real Estate and a member of the Northwest MLS board of directors. "Our homes are still selling nicely with a medium amount of multi offer activity and a 'normal market' spring ramp-up," he added, with a note of caution about rapid price jumps and low appraisals.

"Price appreciation is a two-edged sword. Too much, too fast will land us where we were a few years ago. Slow and steady appreciation is what we are seeing now and hopefully in the future. This will allow the average income earner in Kitsap to still be able to qualify for a home," Wilson stated. He also noted "significant investments" being made in that county by businesses such as Harrison Hospital and Safeway. "Investments like these are not made unless the businesses are bullish on the future growth of Kitsap County."

The South Sound market is responding to trends elsewhere, according to Dick Beeson, principal managing broker at RE/MAX Professionals in Tacoma. "Buyers are everywhere and sellers are strategizing when, how and at what price to come on the market," he commented, but said both parties sometimes have unrealistic expectations. In addition, he said "multiple offers create additional issues for brokers, buyers, appraisers, and lenders."

"Many buyers are still clinging to the idea that they have the upper hand in the real estate market. Well they do and they don't," Beeson remarked. Buyers have the upper hand when sellers want to list for "absurd prices and refuse to repair serious flaws in their properties," he explained.

Thinking that banks and short sale sellers and their corresponding underlying lenders are easy pickings and will accept any price is also flawed, according to Beeson, whose analysis shows about one-fourth of inventory is still made up of distressed properties. "With banks experiencing considerable pressure from Congress and the public not to foreclose, more short sales and fewer foreclosures are anticipated,) he suggested. Rising prices "could take some properties past the short sale price at which they started. That's good for all of us," he added.

"With sales trending upward and listing activity trending downward, it's no surprise inventory seems to be hitting new lows," said Mike Grady, president and COO of Coldwell Banker Bain. "Homeowners and investors appear to be holding out for property values to increase," he added.

Pending sales are mirroring the shifts in market conditions. Volume area-wide was up only 3.9 percent from a year ago, rising from 9,126 mutually accepted offers to 9,482.

Five counties – Ferry, Grays Harbor, Island, King, and Snohomish -- reported fewer pending sales than a year ago, likely a consequence of the limited selection.

"The old supply and demand equation is fully in play," observed Stenvers. Citing data from the chief economist for Stewart Title, Stenvers said the pressure on rental markets will continue to drive buyers back into home ownership for the next 15-24 months, magnifying inventory shortages. He said the northern regions of the state (encompassing Whatcom, Skagit, San Juan and Island counties) are experiencing declining inventory and rising sales consistent with a recovery.

Stenvers also noted most economists agree it's not a matter of if interest rates will go up, but only a question of which quarter of 2013 the rise will occur. "If inventory stays low and interest rates climb, buyers may feel they missed out on the bargain they are looking for and sales may slow again by the end of the year," he surmised. Nevertheless, he pointed out with home sales expected to return to 2003-2004 (pre-bubble) levels, and median prices not yet reaching those same levels, "homeownership is still very attractive and remains a solid investment."

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership includes more than 21,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 21 counties in Washington state.

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