

Competition among home buyers "still fierce;" rising interest rates adding to fury

NWMLS, Kirkland, WA, June 5, 2013 – Well-priced homes continue to draw multiple offers and sell at a brisk pace around Western Washington as buyers react to increases in interest rates and asking prices.

Northwest Multiple Listing Service reported double-digit gains in several key indicators it tracks for the 21 counties in its service area. Compared to a year ago, the number of new listings climbed 16 percent, pending sales increased about 10 percent, closed sales jumped nearly 22 percent, and prices rose more than 13 percent. Despite gains in listing activity, inventory remains tight.

Commenting on the latest report, brokers said the fast pace is frustrating some buyers -- and surprising sellers with unrealistic expectations. One broker cautioned against an overheated market. "We do not want a market that escalates too fast and topples again," commented Frank Wilson, Kitsap district manager at John L. Scott Real Estate and branch managing broker for its Poulsbo/Kingston office.

"Overly aggressive sellers find themselves disappointed when no or low offers are presented," remarked Northwest MLS director Kathy Estey, the managing broker at John L. Scott in downtown Bellevue.

With inventory apparently improving, some would-be buyers are staying on the sidelines. The increased inventory is "cooling some buyers," reported George Moorhead, managing broker at Bentley Properties in Mill Creek and a member of the MLS board of directors. "We also have buyers who are stepping back as they are frustrated with current inventory and multiple offers going well above asking price," he added.

Inventory showed signs of improving with the addition of 11,445 new listings during May, the highest number since April 2010. May's total outgained the year-ago figure of 9,861 new listings for a 16 percent gain.

"It has been refreshing to see more listings coming on the market, but with overall inventory remaining low the competition among buyers is still fierce for homes that are priced properly," commented Estey.

At month end, there were 21,943 total active listings in the Northwest MLS database, a drop of 4,248 from the same time a year ago for a decline of more than 16 percent.

Buyers looking for condominiums will find slim pickings. Condos currently account for only about 10 percent of the available inventory. The area-wide selection, which numbers 2,253 listings, is down more than 26 percent from a year ago.

Brokers reported nearly as many pending sales system-wide (10,045) as new listings (11,445). Nine counties reported year-over-year gains in pending sales that exceeded 30 percent (Clallam, Cowlitz, Ferry, Grant, Grays Harbor, Island, Kitsap, Lewis, and Okanogan).

Most metro area counties had more modest gains in pending sales: King (up 6 percent) Snohomish (down 5.8 percent) and Pierce (up 10.6 percent).

Closed sales continue to track well ahead of a year ago. During May, members tallied 7,349 completed transactions, outpacing the year ago total of 6,027 by nearly 22 percent.

Prices jumped 13.4 percent from twelve months ago, rising from an area-wide median selling price of \$242,500 to last month's price of \$275,000. The median price for homes and condos that sold in both King County and San Juan County was \$375,000 (\$100,000 higher than the area-wide figure). In King County, that represented a gain of 15.4 percent, while for San Juan County prices edged up only about 1.8 percent compared to a year ago.

"We're seeing the trajectory of home prices beginning to soften and the number of days on the market decline," observed Mike Grady, president and COO of Coldwell Banker Bain, adding, "The trends suggest inventory levels are slightly more sustainable, but we're still clearly in a seller's

market. For the foreseeable future, buyers will continue to pay more the longer they wait to purchase a home."

Frank Wilson, who is also a board member for Northwest MLS, said recent market activity is affecting home values. In Kitsap County, where his office is located, brokers added 575 new listings to inventory during May, improving on the year-ago total of 515. During the same period, MLS members reported 567 pending sales to soar past the year ago figure of 414 sales for an increase of nearly 40 percent. Median selling prices in Kitsap County rose 5.3 percent, from the year-ago figure of \$228,000 to \$240,000.

"Slow and steady is the key here," Wilson cautioned, while also raising concern about low appraisals, which he described as the "inchworm effect" of the market. "As prices begin to appreciate we will continue to see challenges with low appraisals," he predicted.

Moorhead said increased activity is very noticeable, with mixed outcomes. "We are seeing multiple offers at 5-to-12 percent over list price in highly sought-after areas," he reported, but also noted "there are other homes on the market that are not selling with no real reason why."

Some brokers also commented on rising interest rates.

Wilson said the biggest effect of the upswing in the real estate market has been the erosion of a buyer's buying power. In May alone, interest rates jumped almost 0.75 percent, he noted, which reduces a buyer's ability to purchase a \$350,000 home by almost \$31,000. Coupled with an increase in price, he said it "creates a compounding affect, which will frustrate buyers in today's market."

Estey said interest rate increases are "adding fury to the already frenzied buyers who must finance their purchase." A one-half percentage point increase in interest rates reduces buying power by 5 percent, she explained, adding, "so as prices increase about a percentage a month, the feeling of urgency mounts too."

Commenting on the challenges buyers are encountering, Estey said, "The joy of buying a home in today's market is in the long-term result of settling in, but the competitive process is sometimes not so joyful! Hiring the right broker who can add some fun elements and insights while wisely guiding buyers through the decision process can make a huge difference," she suggests.

Federal officials are downplaying rising interest rates. In a recent interview, Frank Nothaft, Freddie Mac's chief economist, commented on the latest rise that marked three consecutive weeks of increases. "While this may slow some of the refinance momentum, rates are nonetheless low and home-buyer affordability high, which should further aid home sales and construction in coming weeks," he remarked, adding, "The rates are also lower today than they were a year ago at this time."

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.