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Cover Story

Home is where the highest bidder lives: Superheated market unsettles Realtors, thwarts buyers, makes recruiting a challenge

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Catherine Courteau moved to Seattle from Minnesota in December for a job in tax and finance at Nordstrom.

Then she set out to buy a home.

One Westlake condo had nine offers the week it went on the market; the agent told her not to even bother.

Several frustrating experiences later, she finally found a way in — by putting down \$20,000 in earnest money on a new West Seattle townhouse that hadn't even hit the market yet.

"The biggest shock was truthfully just that treatment or feeling you got when you put in an offer at list and they're not even going to consider it," she said. "I hope other people can find homes more easily."

They can't. Record-high housing prices and record-low inventory are disrupting everyone involved in the home-buying process, from buyers to agents to appraisers to mortgage brokers.

The drum-tight market has touched off political reverberations, culminating in Seattle Mayor Ed Murray's controversial plan this week to impose developer fees and force multifamily developers to add below-market units. (see pages 3 and 9)

The situation also is upending hiring efforts by area companies whose recruits cannot find a place to live.

"The cost of living in Seattle is a real issue for us," said Sharelle Klaus, CEO of Seattle's Dry Soda. "It's housing prices. This is a recruiting issue for sure. I have to pay them a lot more to live here because people can't buy houses here. People have to move farther and farther away."

We're No. 1

The Pied Piper is jobs. The Seattle area ranks No. 1 in the nation in technology job growth, according to Forbes. In just two years, tech jobs in the Seattle area have increased 12 percent, surpassing even Silicon Valley's growth rate.



BUSINESS JOURNAL PHOTO | ANTHONY BOLANTE

Windermere agent Sandy Brown has resorted to calling up homeowners in desirable neighborhoods and trying to persuade them to put their house up for sale.

Meanwhile, investors in China and Taiwan discovered Seattle, funneling to the region an increasing share of their \$28.6 billion payout for U.S. houses during the last year.

Combined, these forces have pushed the cost of the median home in King County (not including condos) up 10.25 percent in just a year — to \$500,000 in June, according to the Northwest Multiple Listing Service. In Seattle, the median price climbed 15.23 percent to \$575,000.

The median price for condos was \$287,000 in King County in June 2015, up 7 percent from last year, when it was \$268,000.

Yet the region's job boom also is keeping people from selling. There were 37 percent fewer homes listed in Seattle last month than the previous June. King County-wide, the drop was 23 percent.

As a result, efforts to surmount the odds and acquire a piece of Seattle have become the stuff of legend:

Buyers plunk down \$1 million-plus for houses they haven't even seen. That's how an Atlanta couple recently snared a 2,900-square-foot home in Seattle's Ravenna neighborhood (a real estate agent did "show" them the property via smartphone).

It's no time to be picky. Even a 50-foot cliff for a yard — and scary cracks in nearby foundations — didn't stop a Bellevue home from attracting three offers in less than a week and selling for 6 percent above the asking price.

A loan? Who has time for that? Sandy Brown, a Windermere agent in West Seattle, recently listed a West Seattle home for \$1.1 million on a Monday. After getting three all-cash offers, it sold the following Monday for \$1.2 million. "Nothing is lasting on the market," Brown said. "It's just been crazy."

No waiting allowed

Even the concept of a home being "for sale" has crumbled.

Windermere's Brown also has made a lot of deals in the last two years on "off-market" homes, calling up homeowners who might not have been interested in moving and convincing them to sell to satisfy the demand.

Wendy Carrington, an agent with Seattle-based John L. Scott Real Estate, has even taken to approaching builders of unfinished houses. Making an offer on something that's still under construction can be the perfect way to beat out other offers.

"The market is forcing us to look out of the box," she said, "and under every stone."

She found one client, who works in tech and is moving here from San Francisco, a 1,900-square-foot home on Capitol Hill for \$885,000 and closed the deal before construction was even finished.

"I was persistent with the builder, and had to force them to get some things done earlier rather than later," she said.

Stresses mount

The financial side of the residential real estate industry also feels the heat.

Lorraine Stewart, vice president of mortgages at Seattle's BECU credit union, said appraisers are overwhelmed with buyers frantic to close a deal.

The frenzy means that sometimes appraisers can't get to a property for two to three weeks.

"There's a lot of stress on appraisers," Stewart said. "That causes a delay for us. On purchase transactions, it means we can't get the final loan approval or get the documents drawn."

In extreme cases, delays like this can cause a deal to fall through and buyers to forfeit earnest money. More commonly, Stewart said, sellers "aren't that cold," and will extend a contract. Many contracts will charge buyers \$100 per day if they need an extension.

In an era where agents need to be prepared to close a deal immediately after their clients make an offer, Stewart added, automated credit pre-qualifications aren't cutting it anymore. Sellers and lenders want a much closer look at a potential buyer's background and finances. That makes for a lot more work.

Last decade's financial crash forced lenders to take a deep-dive into pay stubs, assets — and now that getting deals done has taken on such urgency, delays can impact someone's ability to qualify. Now agents make sure buyers have their finances fully vetted before making an offer, Stewart said.

Come October, the process isn't going to get any faster. A new rule from the Consumer Finance Protection Bureau, which was created by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, will require a three-day waiting period before closing a mortgage.

That rule is expected to create even more delays.

Speed demons

Vikram Deol's experience offers a glimpse into just how tight the Seattle market really is. Deol, a Windermere agent, recently had to help two of his clients buy a 2,400-square-foot Bellevue home in just one day.

After making an offer on the house, his clients weren't able to obtain financing by the scheduled closing date. Deol asked for a one-week extension, but the sellers said no. They were interested in the deal closing as quickly as possible.

"We contacted the lenders and pulled out all the stops," Deol said.

The mortgage lenders verbally approved the loan by 4 p.m. on a Monday, leaving less than 24 hours to secure the paperwork and record the sale with the county.

"The lenders actually went with the buyers to the escrow office," Deol said. "Then the lender took the papers back to her management office and hand-delivered them so there were no delays from the courier."

At 1:57 p.m., the escrow agent raced to the county courthouse to record the sale, beating the deadline by one minute. The buyers ended up paying \$858,000 for the house.

Masters of psychology

In the hothouse of Seattle real estate, agents discover that their first job is to cool buyers' expectations. Sarah Clifton, a managing broker at Windermere, tells home shoppers to be ready for a lot of competition and have at least 20 percent ready for their down payment.

"If they don't have that," Clifton said, "it's very difficult to impossible to get them into a successful situation."

When all else fails, agents often tell buyers to try to connect with sellers on a personal level. That can mean writing a letter trying to convince a seller that you're the right person to buy the home, even if you're not the highest bidder.

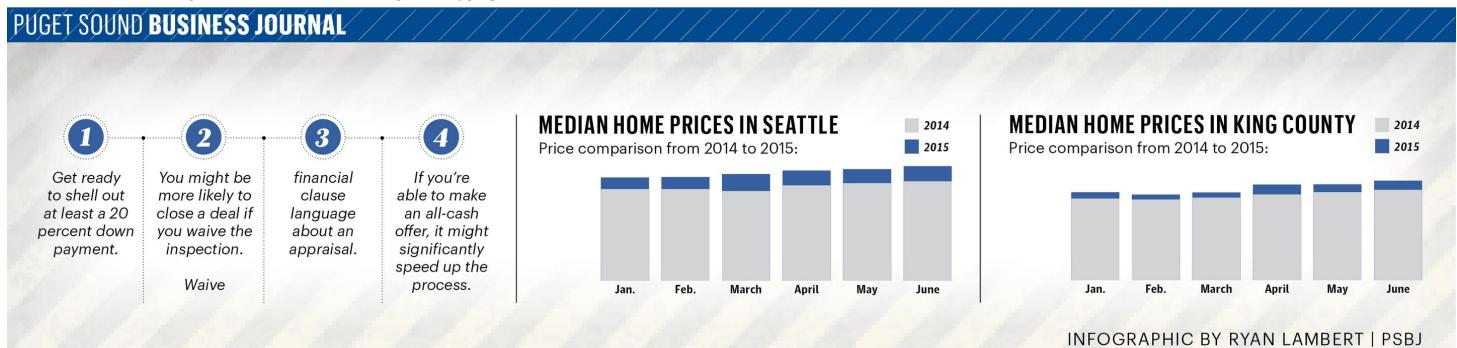
"It is emotionally difficult working with buyers right now," Daughtrey said.

"Not to use the term 'fair' — because this is capitalism and it's how the world works — but ... it's almost unfair not to be able to have enough homes to provide to people who are moving here to work here."

Former staff writer Rachel Lerman contributed to this report.

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