

Buyers and Sellers Adapting to Changes In Home Buying as Site Tours Are Limited

Apartment owners benefit from retreating home sales. The sale of existing homes in March posted the largest month-over-month decline in more than four years, retreating 8.5 percent. Yet sales are up 0.8 percent on an annual basis as properties in escrow before the shelter-in-place restrictions move through the pipeline. Purchasing is expected to continue to slow into the spring buying season due to more complicated logistics, employment uncertainty and limited inventory. These factors benefit apartment owners as many potential homeowners remain in the rental pool longer.

Buyers refinance as interest rates fall. Interest rates have been volatile during the past month. The rate on a 30-year mortgage fell to 3.45 percent in the week ending April 10. The attractive rate resulted in mortgage applications rising 7.3 percent from one week earlier, with refinancing comprising 76.2 percent of the total. During economic uncertainty, many homeowners are taking advantage of low interest rates to reduce mortgage payments.

Coronavirus changing purchasing process. Stay-at-home regulations due to the pandemic are slowing single-family sales, but closings are still completed. Restrictions on site visits vary from state to state and by jurisdiction, prompting more sellers to use virtual home tours to get properties noticed. The inability to visit houses in many locations has some owners delaying listings until conditions are more favorable. This is maintaining a tight supply of for-sale inventory as well as preserving home prices. Meanwhile, buyers in the market can take advantage of low interest rates and reduced competition as most online “ibuyers” like Zillow, Redfin-Now and Offerpad have moved to the sidelines. Some buyers may not be able to tour the home until they are in escrow, which has resulted in many purchase agreements containing a COVID-19 clause or addendum stipulating that closings can be extended or be canceled due to COVID-19 delays with deposits returned. In many cases closings are done by drive-through or curbside. Due to social distancing restrictions throughout the home buying process and delays in receiving appraisals, transactions are taking longer.

Trends

Fewer permits pulled. In March, building permits on privately owned housing units declined 6.8 percent from the prior month but are up 5.0 percent from one year ago. The monthly downturn heading into what is typically the most active home buying season may be an indication of less builder confidence in the near term.

Housing starts decrease. Housing starts were also down in March, dropping 22.3 percent from February, though they remain up 1.4 percent on an annual basis. These figures reflect a downturn in overall home purchasing activity as economic upheaval has many potential homebuyers taking a wait and see approach.

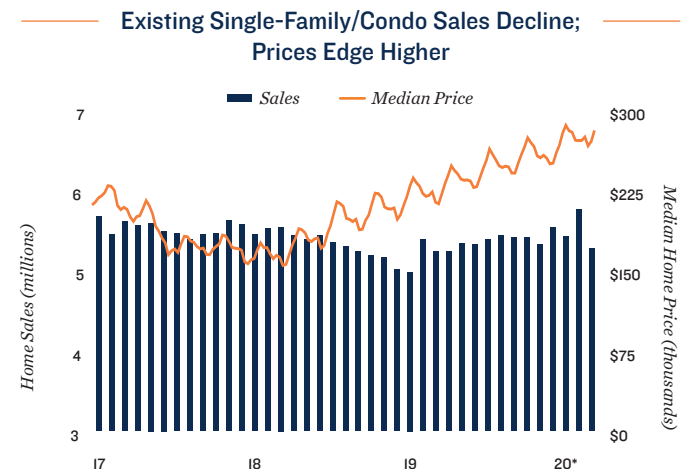
Prices sustain upward trend. Although sales activity slowed, home prices continued to climb as a for-sale supply shortage limited buyer options. Fewer owners are choosing to sell as they shelter in place. Home prices are up 8.0 percent from last year.

\$280,600

Median price of existing single-family home in March 2020

29

Days to Close in March 2020



* Through March 2020

Sources: Marcus & Millichap Research Services; Joint Center for Housing Studies of Harvard University; Mortgage Bankers Association; National Association of Realtors; National Association of Home Builders; Real Page, Inc.; U.S. Census Bureau



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