



Northwest MLS brokers say motivated home buyers turn to creative financing options

KIRKLAND, Washington (November 7, 2022) – Brokers with Northwest Multiple Listing Service (NWMLS) are reporting a return to some creative financing methods as motivated home buyers and sellers grapple with higher mortgage rates. Despite that, and the seasonal slowdown in activity, 6,435 hopeful homebuyers succeeded in having sellers accept their offers to purchase during October.

“Buyers are benefiting from more choices in inventory and less competition, while sellers are more negotiable when it comes to contingencies,” reported NWMLS director Meredith Hansen. “We are seeing more 2/1 buydowns and adjustable-rate mortgages with buyers planning to refi when the rates come back down,” added Hansen, the founder and operating principal at Keller Williams Greater Seattle.

The latest Northwest MLS shows 6,435 pending sales last month, and about the same volume (6,464) of closed sales. Both figures were down from the year-ago totals, with pending sales dropping about 39% and closings declining around 35%.

Median sales prices still rose year-over-year in most of the 26 counties on the report. Area-wide, the median price on last month’s completed sales of single family homes and condominiums was \$595,000. That was an increase of about 3.5% from twelve months ago, but a decline of approximately 9% from May when prices peaked at \$660,000.

Homes and condos in San Juan County commanded the highest prices, with a median sales price of \$911,000 – and that was a 7.5% decline from a year ago. Last month’s closings in King County had a median price of \$811,000, up more than 8% from the year-ago figure of \$750,000.

A comparison of counties shows price drops in nine of them. Seven counties had double-digit gains, but improved inventory and interest rates were the storyline for many of the brokers who commented on the NWMLS statistics.

NWMLS director Jeff Pust said, “There is no doubt the market has changed with higher interest rates being the main culprit.” He acknowledged some buyers are waiting to see if rates and home prices drop. “My fear is that buyers who take this approach may miss out on the perfect home as some fantastic properties have come on the market that have sellers who are determined to sell and move on,” added Pust, the owner/designated broker at Van Dorm Realty, Inc., in Olympia.

Brokers added 7,260 new listings during October, down about 21% from the same month a year ago. At month end, the selection included 14,214 active listings of single family homes and condos system-wide. That was more than double the year-ago inventory of 6,588.

The uptick in supply boosted the months of inventory figure to 2.2. That is the highest level, based on this metric, since January 2019.

“Buyers’ opportunities abound,” proclaimed Gary O’Leyar, owner/CFO at Berkshire Hathaway HomeServices Signature Properties in Seattle, noting inventory in several counties is two-to-three times larger than a year ago.

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“As for the interest rate ‘elephant in the room,’ the time has come for buyers and sellers to revisit financing methods from previous markets,” O’Leyar said, mentioning the use of buydowns, adjustable-rate loans, carrying back second deeds of trust, and closing cost allowances as possible options.

“Interest rates can and will change. When they drop, refinancing is an option or taking out a shorter term 5/1 ARM. For buyers with foresight and market savvy, here is their opportunity.”

“Inventory continues to grow,” said Frank Leach, broker owner at RE/MAX Platinum Services in Silverdale and a member of the NWMLS board of directors. He described the market in Kitsap County as “strong and competitive. Open house traffic continues to be very active and buyers are being offered a number of seller concessions to soften the blow of increasing interest rates, especially on new construction,” he reported. “Mortgage programs are offering below-market rates with various buydown options – something we have not seen for years!”

John Deely, executive vice president of operations at Coldwell Banker Bain, also commented on building inventory and strong open house traffic. “We are continuing to move into a more traditional market. Buyers are out looking and watching the market, and they have more time to make informed choices with the help of seasoned brokers.”

Unlike the recent past, when buyers encountered multiple offer situations and not being able to get into a property because they were outbid, Deely said the question for them now is affordability in the neighborhoods where they want to live. “We are seeing sellers who are concerned about further rate increases come to the market now to beat the traditional build-up during the first of the year and in the spring. With less competition, now is the time to get into the market.”

Dean Rebhuhn, owner of Village Homes and Properties in Woodinville, echoed those comments. “We’re seeing buyers find opportunities, with sellers offering good pricing,” he stated. “Lifestyle decisions continue to drive sales. Even though rising interest rates make it more difficult for some buyers, pent up demand continues.”

Describing the market as bifurcated, with some listings coming on the market and sitting for several weeks and others that come on and immediately get multiple offers or above asking price offers, broker Frank Wilson said both buyers and sellers need to be prepared.

“Buyers still have to act quickly and put their best foot forward when making an offer,” stated Wilson, branch managing broker at John L. Scott, Inc. in Poulsbo. He also recommended relying on their real estate broker’s expertise in determining the value of the home that interests them in today’s market.

Sellers need to be “laser focused on price and condition,” advised Wilson, adding, “What your neighbor’s house sold for six months ago has very little bearing on your home’s value today.”

Wilson also noted buyers tend to focus more on their monthly payment instead of the price of the home. “If they need a home today, they may need to budget for higher monthly payments until they can refinance to a lower rate a year or two from now, when hopefully rates will begin to go down again.”

“Even with more choice on the market than we’ve seen in several years, pending sales fell last month,” remarked Matthew Gardner, chief economist at Windermere Real Estate. “The cause is almost certainly rising mortgage rates, which rose from 6.65% early in the month and ended above 7.1%; this is clearly having an impact on buyers,” he added.

Gardner believes many buyers may remain sidelined until mortgage rates stabilize, but added he had “bad news for those buyers who are sitting on the fence waiting for home prices to implode.” He expects regional home values will turn modestly negative in 2023, but said, “those who hope to pick up a home ‘on the cheap’ are likely in for a long wait.”

“Real estate pros like this kind of market,” proclaimed Dick Beeson, managing broker at RE/MAX Northwest in Tacoma/Gig Harbor, explaining “They get to display their negotiation and marketing skills,” he explained.

Beeson believes “We are now experiencing a balanced market. I said the new normal was 2-to-4 months of supply back two or three years ago. We’ve finally reached that point. This is the new normal until interest rates go down.”

A few of the Northwest MLS spokespersons commented on new construction.

“Homebuilders are lowering prices and some are offering incentives such as interest rate buydowns to attract sales,” reported Rebhuhn.

“While we don’t track land on these MLS reports, we are seeing a definite uptick in activity with undeveloped land,” stated Leach. “Rentals now under construction and being completed are at the highest numbers in Kitsap County’s history.” While rental prices should be more competitive with expanding choices, he said landlords may offer concessions, but he doesn’t expect rents to be reduced. Nevertheless, he remarked, “There should be ample housing for every budget and lifestyle in the coming year.”

Also commenting on interest rates was the National Association of REALTORS®, which noted the slight dip in mortgage rates this week despite the Federal Reserve approving another 0.75% rate hike for the fourth time this year.

NAR cited Freddie Mac’s 30-year fixed mortgage rate that fell to 6.95%, down from 7.08% the previous week. “It seems that rates have already priced in some of the effect of the Fed’s higher interest rates. It is also promising that this was likely the last rate hike of this magnitude, as indicated by the Fed,” wrote Nadia Evangelou, NAR’s senior economist and director of forecasting.

Evangelou also speculated “a return to the sky-high interest rates of the 1980s isn’t likely in today’s economy” and drew comparisons to payments now with those of 40 years ago in today’s money. “In real terms, after adjusting the median home price for inflation, the monthly mortgage payment was about \$450 higher in 1982 than it is now,” she wrote in a blog, adding, “If mortgage rates were currently 9% the monthly mortgage payment would be comparable to 1982 rates. Thus, in real values, current buyers pay less for their home purchase than buyers who purchased their home 40 years ago, although home prices are significantly higher now.”

About Northwest Multiple Listing Service

As the leading resource for the region’s residential real estate industry, NWMLS provides valuable products and services, superior member support, and the most trusted, current listing data and industry information for real estate professionals. NWMLS is a member-owned, not-for-profit organization with more than 2,500 member offices and 32,000 real estate brokers throughout Washington state. With extensive knowledge of the region, NWMLS operates 20 service centers and serves 26 counties, providing dedicated support to its members and fostering a robust, cooperative brokerage environment. nwmls.com.

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Single Fam. Homes + Condos	LISTINGS		PENDING SALES	CLOSED SALES			MONTHS OF INVENTORY	
	New Listings	Total Active	# Pending Sales	# Closings	Avg. Price	Median Price	This month	Same mo., year ago
King	2,587	4,355	2,140	2,047	\$1,004,517	\$811,000	2.13	0.57
Snohomish	992	1,748	901	957	\$751,909	\$700,000	1.83	0.36
Pierce	1,086	2,141	1,020	1,076	\$580,055	\$525,000	1.99	0.64
Kitsap	337	659	349	333	\$602,415	\$510,000	1.98	0.72
Mason	108	255	125	109	\$427,203	\$370,000	2.34	0.74
Skagit	135	341	138	148	\$571,559	\$498,000	2.30	0.90
Grays Harbor	135	389	119	122	\$335,485	\$319,250	3.19	1.09
Lewis	121	332	118	102	\$434,331	\$427,000	3.25	1.28
Cowlitz	116	265	118	106	\$427,484	\$392,500	2.50	0.87
Grant	116	232	89	86	\$368,656	\$370,000	2.70	1.24
Thurston	364	628	341	383	\$532,658	\$499,950	1.64	0.48
San Juan	23	117	18	24	\$1,575,694	\$911,000	4.88	2.14
Island	135	306	105	140	\$650,426	\$560,000	2.19	0.56
Kittitas	77	219	48	57	\$695,458	\$510,000	3.84	1.07
Jefferson	50	97	59	49	\$658,672	\$600,000	1.98	0.65
Okanogan	53	169	39	40	\$429,436	\$344,500	4.23	2.61
Whatcom	297	679	253	263	\$573,989	\$540,000	2.58	0.86
Clark	77	155	71	57	\$526,830	\$500,000	2.72	0.48
Pacific	57	163	49	41	\$376,421	\$310,000	3.98	1.47
Ferry	2	23	7	5	\$429,480	\$490,000	4.60	5.40
Clallam	86	192	74	74	\$498,464	\$441,000	2.59	1.00
Chelan	109	260	82	88	\$662,498	\$594,500	2.95	1.50
Douglas	47	98	45	32	\$554,977	\$495,000	3.06	1.08
Adams	15	54	15	6	\$314,601	\$307,500	9.00	3.11
Walla Walla	63	122	45	53	\$505,772	\$420,000	2.30	1.10
Columbia	15	34	4	7	\$294,571	\$250,000	4.86	1.58
Others	57	181	63	59	\$451,455	\$410,000	3.07	1.13
Total	7,260	14,214	6,435	6,464	\$724,761	\$595,000	2.20	0.66

4-county Puget Sound Region Pending Sales (SFH + Condo combined)

(totals include King, Snohomish, Pierce & Kitsap counties)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	4746	5290	6889	6837	7148	7202	7673	7135	6698	6552	4904	4454
2004	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
2005	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
2006	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
2007	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
2008	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
2009	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
2010	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
2011	4272	4767	6049	5732	5963	5868	5657	5944	5299	5384	4814	4197
2012	4921	6069	7386	7015	7295	6733	6489	6341	5871	6453	5188	4181
2013	5548	6095	7400	7462	7743	7374	7264	6916	5951	6222	5083	3957
2014	5406	5587	7099	7325	8055	7546	7169	6959	6661	6469	5220	4410
2015	5791	6541	8648	8671	8620	8608	8248	7792	7179	6977	5703	4475
2016	5420	6703	8130	8332	9153	8869	8545	8628	7729	7487	6115	4727
2017	5710	6024	7592	7621	9188	9042	8514	8637	7441	7740	6094	4460
2018	5484	5725	7373	7565	8742	8052	7612	6893	6235	6367	5328	4037
2019	5472	4910	7588	8090	8597	8231	7773	7345	6896	6797	5788	4183
2020	5352	6078	6477	5066	7297	8335	8817	9179	8606	7934	6122	4851
2021	5216	5600	8002	7716	8674	8824	8049	8586	7880	7405	6022	3943
2022	4405	5560	7312	6908	7482	6031	5934	6581	5208	4410		