

Signs point to more houses on the market

In the region, high prices are part of the reason.

BY MICHAELLE BOND (STAFF WRITER)

After dozens of showings and 22 offers in one day, a Northeast Philadelphia rowhouse left the market after two days. The house was listed at \$175,000 – a popular price point. The winning bidder will pay more than \$210,000.

Besides paying above asking price, some buyers continue to waive home inspections. Others are offering quick settlements and letting sellers stay in homes for free for a few months while they search for another home.

One Philadelphia buyer's offer to teach a seller Spanish sweetened a bid and was written into the agreement of sale, said real estate broker Carol McCann. Teacher and student completed the sale March 8.

"There's a lot of creativity going on," said McCann, an associate broker at RE/MAX Millennium based in Northeast Philadelphia. "It's very hard for buyers right now," especially first-time home buyers who can't use home equity from a sale to pay cash.

Rising home prices and low numbers of homes for sale have continued to challenge buyers. Mortgage rates have reached the highest levels since late 2018, speeding past 4.5%, and they likely will continue to rise. The spring market traditionally has been brisk, but the market has stayed busy over the last two years in the face of strong buyer demand and low housing supply.

Home seekers who can afford to buy should find more options in the coming months as others are priced out of the market and home builders work at the fastest pace in 16 years, said Danielle Hale, chief economist at Realtor.com. She expects housing supply to begin to increase this summer, which means "we will see a bit more balance" in the market.

"The real estate market in [the] Philadelphia [metro] is poised to do better than the national trends this year," Hale said. "If [buyers] are persistent and they're watching the market, they're at least seeing more homes cycle through than they would have seen last year."

The number of new listings in the Philadelphia metropolitan area – which includes Camden and Wilmington – is up about 3% from last year, while new listings nationwide are down about 3%, according to a report by Realtor.com.

The number of active listings of homes on the market is down from the same time last year. But the drop is less dramatic than in many other metros and the country as a whole. Active listings are down 5% in the Philadelphia region but down about 19% nationwide.

Julie Welker, associate broker and leader of the Welker Group under Compass, had at least five listing appointments in the last week of March. Sellers who have been reluctant to list homes because of the pandemic are feeling more comfortable, she said. Empty nesters are moving into condominiums.

"A number of properties are going to come on the market in the months of April and May, and buyers are already there," said Welker, who works with buyers and sellers mostly in Center City and around the Art Museum. She has clients who have been trying for a year or more to find the right home to buy.

"More people are putting their homes on the market because they know they're going to get a really good price," said McCann, leader of the Carol McCann Team. But some sellers still are reluctant to sell and become buyers.

"I have a lot of sellers who have chosen to sell their homes and just rent for a year until the market hopefully adjusts," she said.

Effect of rising mortgage rates on demand

What happens over the next few months largely will depend on mortgage rates.

"Mortgage rates have been a big wild card this year," Hale said. "They were expected to rise, and they have done so much faster than most forecasters expected. ...We're only just starting to see higher rates making their mark."

The average interest rate for a 30-year fixed-rate mortgage was 4.67% at the end of March, according to mortgage buyer Freddie Mac. That's up from an average rate of 4.42% the previous week and 3.18% a year ago.

Rising rates have started to slow demand and soften competition a bit nationwide. Fewer people are applying for mortgages, according to the Mortgage Bankers Association. A March report by Redfin found that fewer

people are starting online searches for homes and an increasing percentage of sellers are reducing their prices after they list their homes.

"Homebuyers may not feel like the market has gotten any easier. That's because they're often competing against investors, all-cash buyers and migrants from expensive cities who aren't as sensitive to mortgage rates," Daryl Fairweather, Redfin's chief economist, said in a statement. "But there are early indicators that the market is turning, and we expect the softening to become more apparent in the coming weeks, eventually causing home-price growth to slow."

McCann, in Philadelphia, said she expected rising mortgage rates to slow demand, but so far, "I don't see any difference at all."

She has had a few buyers who got frustrated with the stiff competition and "just gave up." Some are waiting for conditions to improve for buyers. Eventually, demand will ease as more buyers step back. But McCann said she doesn't expect much will change in the Philadelphia area over the next few months.

Welker said she anticipates a spike in activity in the coming months as buyers look to purchase before mortgage rates rise higher.

"When those interest rates go up too high," she said, "that will cool the waters."

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