

# Market Observations Amid The COVID-19 Pandemic



*By Chris Leighton*

I hope all is well with everyone and that you and our loved ones are safe and getting through this.

**There is a tremendous amount of uncertainty in our daily lives and it doesn't look like it is going to change anytime soon.**

We are still working here at **WADOT**, our office is open and we have some people working remotely. We are processing payments and draw requests, funding files in the pipeline and looking at new ones.

**The entire hard money landscape has changed in the last few weeks.** Several of the out-of-state lenders have stopped lending and a couple of local lenders have put a pause on new loans. The lenders still open are looking at loans but being very conservative in their underwriting (read more down payments required). WADOT Capital is no different.

I have spent the last couple weeks answering calls from borrowers who had loans in process with other lenders that were dropped prior to closing. For the majority, there is nothing we can do. **The low fee low interest lenders have gone away and they are not coming back anytime soon.**

**What does it mean moving forward? What is the market doing?** I have a personal interest in Tacoma so I have been watching the market there on a daily basis and have seen a couple of interesting trends. Prior to the slow down, there were between 20 and 30 listings a day and 20 to 30 pending sales a day. Since the lock down, these numbers have gone way down but there are still people buying. Last weekend, there were 32 listings and 21 pending sales, less than half the normal volume but not as slow as I would have anticipated. This week, listing are running in the low teens and pending sales have averaged less than ten. so a third of pre-lockdown volume. I haven't kept as close a watch on other sub-markets but they tend be trending in the same manner

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**There is a slow increase in inventory.** With less than one months supply of inventory in January and 3+ months supply generally needed to get into buyers market territory, there is still room for inventory to go up and not cause a turn in the market.

**Average sale price of pending sales is higher than normal.** This leads me to believe the move up market is where people are buying right now. This may just be an anomaly given the short amount of data or it may mean that more established borrowers are jumping in at a time with less competition.

**Listed properties with rehab potential are sitting.** Properties that were rehab candidates that would have had multiple offers a month ago are sitting on the market longer. It looks like rehabbers are being more cautious and the availability of easy money has put the brakes on a lot of speculative buying.

**Jumbo loans (anything over \$741k)** are not eligible to be guaranteed by Fannie Mae or Freddie Mac. They are financed instead by the secondary bond market. This market has seized up and is going to hit the higher end real estate market even harder. If you have a property with a sale price over that amount a buyer needs to come in with the difference to get it below that mark. For example I have a client with a property for sale at \$1.05mm, any buyer will need to come in with \$309K down to get the loan under the loan limit. For a \$1mm property in Seattle, 30% down payments are probably not a huge stretch but say you have a home at \$1.5mm, that's a \$759k down payment or roughly 50% down. This is going to hit that market disproportionately hard.

**The entry level to median price has been the** market I have been recommending people aim for as that is where the majority of the buyer are. The fundamentals are strong and interest rates should remain low so employment is key and confidence a priority.

**The lockdown** is currently to May 4th, but from everything I am hearing, we are looking at ending the lockdown towards the end of May or first part of June. If so we have another 4- 6 weeks of this still ahead of us.

**It's going to get interesting if things tighten up and inventory goes up.** Buyers will be able to be picky so your going to need to make sure your projects are polished and tight. Things that we used to get away with are going to get called out. Inspections are going to be more than a formality. Negotiation will become an in demand skill as just putting a sign in the yard will not ensure a quick sale.

**The same holds true if you're looking for your next project.** There are going to be more opportunities with less competition so you can be more picky. Right now if I find a deal I'd buy, if it's iffy I would walk or wait and don't be afraid to negotiate.

**Stay safe and sanitized.**

### **About the Author**

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