

**From:** Lesley Groff <[REDACTED]>  
**To:** Ike Groff <[REDACTED]>  
**Subject:** Re: Homes Sell in Two Weeks With Low Supply for Spring Buyers  
**Date:** Tue, 05 Feb 2013 18:03:20 +0000

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yes for sure

On Feb 5, 2013, at 12:49 PM, Ike Groff wrote:

Lets hope our timing to be long two houses is good!

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**From:** Ike Groff [mailto:[REDACTED]]  
**Sent:** Tuesday, February 05, 2013 7:05 AM  
**To:** Ike Groff  
**Subject:** Homes Sell in Two Weeks With Low Supply for Spring Buyers

### Homes Sell in Two Weeks With Low Supply for Spring Buyers

The U.S. housing market, entering its busiest season, is tipped so far in favor of sellers that almost a third of listings in areas from Washington, D.C., to Denver and Seattle are under contract in two weeks or less.

One home in Washington attracted 168 offers in December and sold for almost twice the asking price. About 70 people lined up last month for a lottery to select buyers for four available houses in a San Ramon, California, subdivision where, in August, bidders camped for weeks to secure purchases.

A plunge in U.S. home listings to a 12-year low is driving up prices and preventing transactions from returning to historically normal levels. Many potential sellers are holding off until values rise more, while investors are snatching up distressed properties before they reach the market. Builders, reporting their best orders in years, can't increase production fast enough. As buyers seek to take advantage of record-low mortgage rates, the supply and demand imbalance threatens to further limit deals as the key spring selling season approaches.

"There is just no inventory for buyers," said Bob Cilk, an agent with Re/Max Accord in Pleasanton, California, where only 27 single-family houses are available for sale, about a third of the normal level. "There are lots of losers in the marketplace now. When you have multiple offers, there are several losers and only one winner for each home."

### Price Gains

U.S. home prices rose 5.5 percent in November from a year earlier, the biggest annual gain since August 2006, the S&P/Case-Shiller index of values in 20 cities showed last week. Existing home sales fell 1 percent to a 4.94 million annual rate in December as tight supply put a lid on deals, according to the National Association of Realtors. A normal level is 5 million to 5.5 million transactions, said Walter Molony, a spokesman for the group in Washington.

While rising values eventually compel would-be sellers to list their homes, inventories may remain tight for a year or two because prices need to rise another five or 10 percent before enough sellers can cover mortgage and transaction costs, said Mark Zandi, chief economist for Moody's Analytics Inc. in West Chester, Pennsylvania.

"Nobody wants to sell at the bottom and everybody wants to buy at the bottom," said Paul Diggle, property economist for Capital Economics Ltd. in London. "That might create some kind of standoff until home prices

rise sufficiently so that sellers come back to the market at a larger scale.”

### **Biggest Concern**

About a third of homeowners say their biggest concern about selling now is that they will miss out on future price gains, according to a January survey by Redfin, a Seattle-based brokerage. That surpassed the economy as the top worry.

New listings in 21 of the largest U.S. cities plunged 21 percent last month from a year earlier, led by declines of more than 35 percent in the San Francisco Bay area, Las Vegas and Atlanta, Redfin said. At the end of 2012, about 28 percent of home listings nationally went under contract within 14 days, with cities in California’s Silicon Valley and Los Angeles areas exceeding 40 percent. In Washington, Seattle and Denver it was more than 30 percent.

While more homeowners usually list properties after the start of the year, the buyer and seller logjam probably will continue into the spring as the appetite for real estate increases, said Jed Kolko, chief economist of San Francisco-based Trulia Inc. (TRLA), which operates an online property-listing service.

“Inventories start growing in February and peak in July, but without even more new construction and more homeowners willing to sell, inventory will stay tight through this housing season,” Kolko said.

### **Homebuilder Demand**

For homebuilders, the spring selling season is traditionally viewed as starting the weekend after the National Football League’s Super Bowl, which was held two days ago. The companies can’t increase production fast enough because of labor shortages and rising competition for lots in the best locations, said Brad Hunter, chief economist of Metrostudy, a Washington-based research firm that tracks construction.

“They’re barely keeping up with the demand and their backlogs are growing,” Hunter said. “And that emboldens them to raise prices.”

PulteGroup Inc. (PHM), the largest U.S. homebuilder by market value, is “purposefully slowing our rate of sales as we focus on maximizing margin over driving volume,” and raising prices in areas such as Phoenix and Florida, Chairman and Chief Executive Officer Richard Dugas said on a conference call with analysts last week. The Bloomfield Hills, Michigan-based company reported a 27 percent jump in fourth-quarter orders as profit quadrupled.

### **Distressed Decline**

Much of the dropoff in listings of existing properties is tied to fewer foreclosure deals and short sales, where the homeowner sells for less than is owed on the mortgage, said Tim Ellis, real estate analyst with Redfin.

Listings for short sales fell in more than 60 percent of 102 major metropolitan areas in 2012 from the previous year, matching the share for bank-owned properties, according to RealtyTrac, an Irvine, California-based data provider. The processing of delinquent loans slowed starting in late 2010 after allegations that lenders used workers to sign foreclosure documents without verifying the paperwork.

Distressed listings may increase in 2013 because foreclosure filings began picking up last year, especially in states that require court approval for repossessions, such as New York, New Jersey, Illinois, Ohio and Florida, said Daren Blomquist, vice president of RealtyTrac. It takes about 600 days, on average, from the time a property enters the foreclosure process until a bank sells it, Blomquist said.

### **New Supply**

“We would anticipate in the markets with the biggest increases in foreclosure activity in 2012, the supply shortage will be eased somewhat in 2013 as those properties are listed for sale,” Blomquist said.

In Washington, a 2,850-square-foot (265-square-meter) foreclosed home near Union Station went on the market in late November for \$337,000 and attracted 168 offers during a 10-day bidding period that was closed to investors, said Michelle Johnson of Tri-State Realty LLC in Bowie, Maryland, who is representing the Department of Housing and Urban Development in the sale of the property.

“When it was on the market, you could go there any hour and you would think it was happy hour -- there were always agents and buyers there, even at night,” Johnson said.

### **Private Equity**

Private-equity firms such as Blackstone Group LP (BX) began purchasing thousands of foreclosed homes last year, taking them out of the for-sale inventory and converting them into rentals. New York-based Blackstone, the largest investor in the business, has spent more than \$2.5 billion on 16,000 homes and is buying in nine markets, from Miami to Phoenix.

“The incredible emergence of big money is a significant reason why we have less supply,” said Thomas Lawler, a former Fannie Mae economist who’s now a housing consultant in Leesburg, Virginia.

Rising prices may spur some investors to test the sales market, along with “reluctant landlords” who needed to move for jobs or family changes but chose not to sell during the downturn, Lawler said.

Elyn Yao became a landlord five years ago after moving out of her two-bedroom townhouse in Seattle’s Fremont neighborhood to the Madrona area, seeking to be closer to her job at Microsoft Corp. While the rent hasn’t completely covered her costs, she was waiting for the market to improve. Her agent, Kevin Lisota, listed the home in early January and it was under contract four days later for \$450,000, \$5,000 above the asking price.

### **New Places**

“The market was starting to pick up and it was a good opportunity to get out of the business of being a landlord,” said Yao, who bought the property in 2004 for \$452,000.

In the tightest markets, homeowners are worried that if they sell, they may not be easily able to find a place to buy, Lisota said. The improving job market and restrictive lending standards are also pushing up rents for apartments across the country.

“The seller’s No. 1 concern is, ‘Can I get the price I want,’ followed up by ‘Will I be able to find a replacement in a reasonable time frame,’ Lisota said.

In Silicon Valley, demand is so brisk that some buyers are agreeing not to make deals contingent on successful financing, inspection or appraisal, and are accepting properties in “as is” condition, said Mary Pope-Handy, an agent in Los Gatos, California. Some buyers are allowing sellers to remain in the home after closing for months without paying rent, she said.

### **Camping Out**

At the Solaire at Gale Ranch community in San Ramon, prospective buyers camped out in tents for as long as two weeks in August before the developer released nine houses for sale, said Sonal Basu, an agent with Redfin.

The builder, Shapell Homes, shifted to a lottery system this year after neighbors complained about people living outdoors for weeks, Basu said. Last month, about 70 people waited in line for the chance to buy four Solaire model homes, ranging from \$729,000 to \$989,900, she said. A few dozen families ultimately participated in the lottery.

“In 10 minutes, they sold four homes for full price,” Basu said. “Buyers were lining up like crazy because there is no inventory.”

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