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Pending sales skyrocket, but trouble with comparisons

October 02, 2014 - Spotlights

Real estate moves in mysterious ways, and in recent months a slight mystery has begun to emerge: All this summer, the Massachusetts market was breaking new records for pending sales - that is, homes for which a purchase offer has been accepted but for which the deal has not yet been done. August's 4,994 pending single-family home sales were the highest of any August since the Massachusetts Association of Realtor (MAR) began tracking homes under agreement in 2004, the trade group reported, and pendings hit similar highs in June and July.

But while the number of deals in process is higher than ever, the number of actual completed sales has dipped slightly during that same period. Single-family sales dipped 4.2 percent in July, according to data from The Warren Group, publisher of Banker & Tradesman.

The number of pending sales in a given month never lines up precisely with the number of sales - it often takes several weeks for a deal to close, and some offers which are accepted never result in a final sale, for a variety of reasons. But the two trends should generally head in the same direction, and it's not clear what's causing them to diverge.

One possible cause for the difference could be that fewer sales that go under agreement are actually closing, and some agents are seeing more difficulties and delays in getting closings done. Bill Kuhlman, broker/owner of Kuhlman Residential Real Estate, said about 20% of his closings were facing delays in recent months, often because attorneys weren't getting the documents they need to review from lenders in a timely manner.

"I recently had one where they sent the closing attorney the docs at about 1:30 p.m. the day after the closing was supposed to take place," said Kuhlman. After a round of hasty corrections, and a mad dash to the registry, the closing was completed, but just barely. "The deed was recorded at 3:55 p.m.," in a registry that closes at 4 p.m., he said.

The Trouble With Comps

Many agents said cautious lenders are still reviewing all loans with a fine-tooth comb, and several reported renewed difficulties with appraisals. As sales have slowed this year, it can often be difficult for appraisers to find similar properties which have sold in the past six months to use as comparisons, and lenders have sometimes balked at issuing a loan if the comps don't meet all of their criteria.

"We're back in a situation where appraisals are getting really challenging," said Amy Tierce, vice president and regional sales manager at Wintrust Mortgage in Needham. "You can't have a ranch comped to a Cape comped to a colonial, and in smaller towns, where there have been fewer transactions, it's making it very difficult" to close sales.

Others were more hopeful that even if it's taking deals longer to get done, the shift in pendings may portend an unusually strong fall market, despite the weak summer sales.

"We have noticed that inventory has been increasing, in certain pockets since about June, but now

more widespread," said Peter Ruffini, 2014 president of MAR. More homes on the market and more deals in process should portend a stronger fall, Ruffini suggested. "That's encouraging, especially with respect to pricing. Our hope is that as we get further into the fall, we'll start to see positive growth in year-over-year [sales] numbers."

That would be a boon to agents whose confidence in the market has been in decline for the past several months, according to MAR's Realtor confidence indices.

This article first appeared in the Sept. 22, 2014 issue of Banker & Tradesman.

Chart info:

	Pending Home Sales*	Completed Home Sales**
June 2014	6,253	5,795
July 2014	5,339	5,688
August 2014	4,994	5,417

*Source: The Massachusetts Association of Realtors

**Source: The Warren Group

Colleen Sullivan is a reporter with The Warren Group, Boston.