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HOMES

Buying a Home During Coronavirus

An exclusive analysis of the country's top buyer's and seller's luxury markets following the Covid-19 outbreak, as well as a look at where \$1 million and up home-buyers could be headed next

By [Katy McLaughlin](#)

Oct. 29, 2020 12:25 pm ET



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18 minutes

Real estate is a local industry and, as a rule, varies widely from market to market. But when Covid detonated in March, even that constant was upturned: For two weeks or more, deals everywhere fell apart, closings were delayed, buyers didn't shop and sellers wouldn't let them in anyway.

We worked with the data team at Realtor.com to find out what happened next. ([News Corp](#), owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.) The first step was for Realtor.com to analyze closed sales of homes at \$1 million and up to find the 10 top buyer's and seller's markets nationwide. This process means that there is about a four-month lag between the home sales data and this guide, because it can take months for all of the counties to register the deeds in the public record.

Normally, that lag isn't a big obstacle to understanding current conditions: Market dynamics tend to turn like slow-moving ocean liners. But this year was anything but normal. In some of our markets, the patterns observed in the Realtor.com data changed so dramatically throughout the summer that agents were reporting the exact opposite conditions once they were interviewed in the fall.

To find out what is happening on the ground now, we interviewed over 50 agents and buyers in these markets. We also tapped Zillow for a list of the metro regions attracting the greatest number of luxury home searches by people who live in another region to give us a sense of where buyers are likeliest to flock next.

The result is The Wall Street Journal's second annual Buyers Guide, a data-driven report on market conditions rich with advice from insiders on how to negotiate during this strange time.

Seller's Market

What is a seller's market?

- The market has more demand than supply, with low levels of inventory and a high absorption rate.
- Sales prices in the top 5% of the market are growing at or above 4% year over year.
- Positive yearly percentage change in both \$1 million sales and absorption rates.
- Realtor.com analyzed data from April to the end of June 2020, in markets with at least 30 monthly listings on average and at least three monthly \$1 million sales.

Liz Lawson and Reed Kowitz lived in Los Angeles for 10 years and fit right in. Ms. Lawson, 40, was busy as the music supervisor on a roster of television shows, and Mr. Kowitz wrote screenplays and worked in production. Then Covid hit. Suddenly, their work evaporated, their 3-year-old son was isolated, and they wanted to be closer to their families, said Ms. Lawson.

Their target area: Arlington and Fairfax County, Va., which is the top seller's market in the country. In some ZIP Codes, over 40% of homes above \$1 million are purchased within one month of listing, according to Realtor.com's data. The region is so hot, it occupies both the first and second top spots in the study, with nearby Alexandria City coming up as the next strongest seller's market. The couple's real-estate agent, John Eric of Compass, issued a warning.

"He told us it was a really hot market and to be prepared for it to be competitive," said Ms. Lawson, who now works as the author of young adult novels.

Living in a Seller's Paradise

These buyers purchased homes in some of the hottest seller's markets in the country.



Reed Kowit and his wife Liz Lawson bought this home, currently under construction, in Falls Church, Va. It lies within Fairfax County, the strongest seller's market in the country. OLIVIA ALONSO GOUGH FOR THE WALL STREET JOURNAL

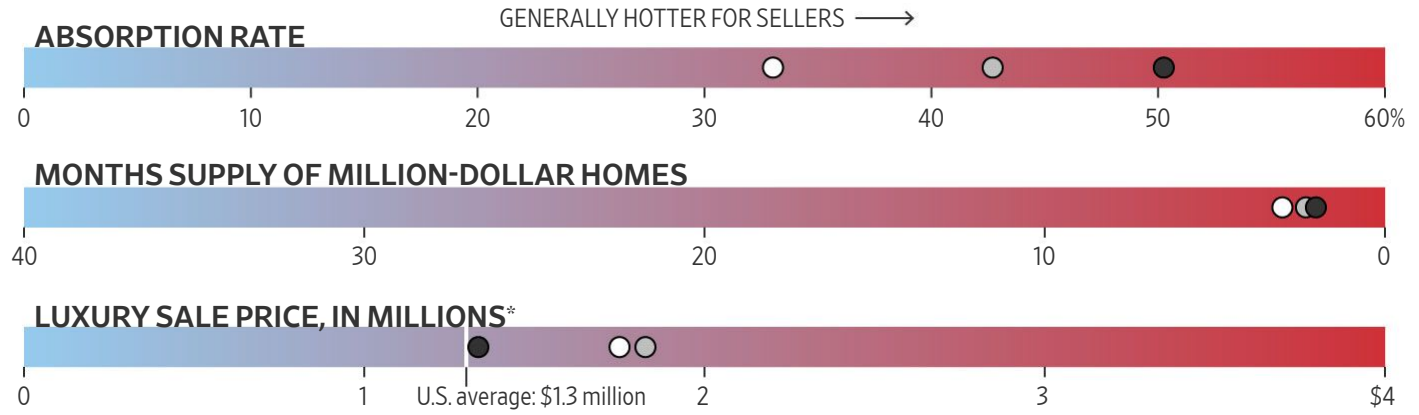
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“The impact of Covid has seen a massive influx of buyers from around the country in our market,” Mr. Eric said, citing Los Angeles, San Francisco, and New York City as primary feeder cities. Some parts of the region have been seller's markets for several years, driven by demand from workers in government and technology jobs. Between April and June, demand for homes in Fairfax County, Falls Church, Arlington County and Alexandria City grew, according to Mr. Eric and other agents in the market, and has only intensified since.

FAIRFAX CO., VA.

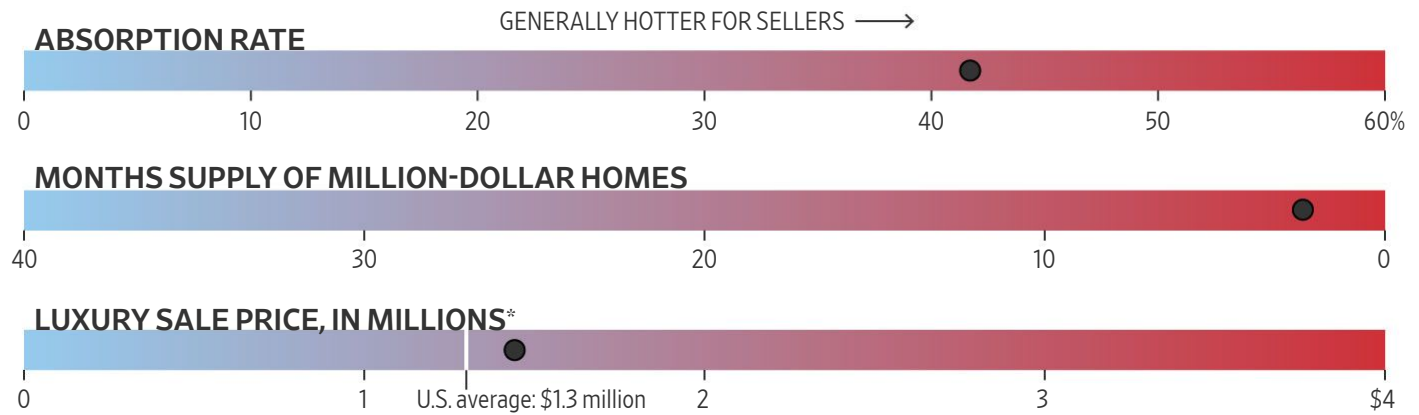
● Vienna (22182) ● Vienna (22180) ○ Falls Church (22043)



*Average of the 95th percentile sales prices in each zip code Note: Top three ZIP codes with the highest absorption rate in the county.
 Source: Realtor.com

ALEXANDRIA CITY, VA.

● Alexandria (22314)



*Average of the 95th percentile sales prices in each zip code Note: Top three ZIP codes with the highest absorption rate in the county.
 Source: Realtor.com

Ms. Lawson and Mr. Kowit flew across the country in May and looked at homes, soon landing on a 5,000-square-foot, five-bedroom white farmhouse under construction and listed for \$1.799 million in a part of Falls Church that lies within Fairfax County. Because it had another offer, Mr. Eric advised the couple of proffer their “best and final,” which was \$1.85 million in cash, with no design changes required. They got the home, which should be finished by early December.

Several of the top seller’s markets on Realtor.com’s list bear similarities to the region Ms. Lawson and Mr. Kowit coveted: They are suburban areas close to big employment centers that offer larger homes and lots and where new construction, home offices and pools are in high demand.

Seller's Markets

The top 10 seller's markets by county as of June 30, 2020

RANK	COUNTY	ABSORPTION RATE
1	Fairfax, Va.	42%
2	Alexandria City, Va.	41.7%
3	Essex, Mass.	30.2%
4	Riverside, Calif.	24.6%
5	Chester, Pa.	21.3%
6	Hillsborough, Fla.	19.9%
7	Broward, Fla.	14.8%
8	Cape May, Fla.	13.3%
9	Montgomery, Penn.	12.2%
10	Suffolk, N.Y.	6.1%

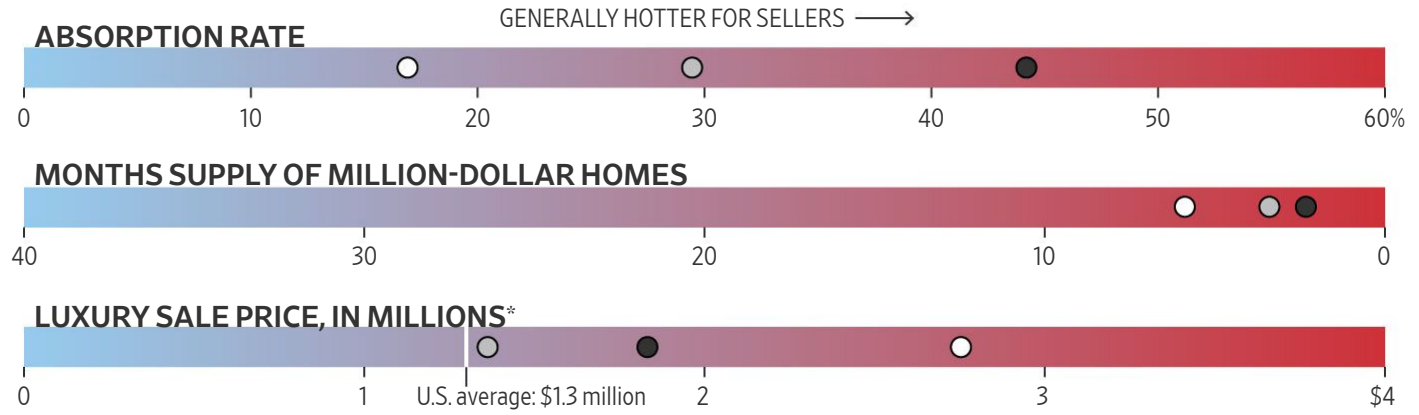
Absorption rate: number of sales a month divided by number of listings. The rate listed is average of three ZIP Codes with highest rate in each county.

Source: Realtor.com

Another such area is Essex County, Mass., north of Boston, where agents say demand has skyrocketed for luxury homes with beach access or water views. Syndi Zaiger of Nest Compass said that while "it's often difficult to sell homes of \$3 million and up," times have changed. She had clients who got into a bidding war in July for a Manchester-by-the-Sea home listed for \$2.949 million. The couple, who were about to get married, ended up getting it by offering the full asking price and no contingencies—not even a home inspection, Ms. Zaiger said. The fiancé then put his own home on the market, had his first showing the Thursday before Labor Day weekend, got two offers and went into contract that weekend for \$1.77 million—slightly below his \$1.79 million asking price.

ESSEX CO., MASS.

● Marblehead (01945) ○ Andover (01810) ○ Manchester (01944)



*Average of the 95th percentile sales prices in each zip code Note: Top three ZIP codes with the highest absorption rate in the county.
 Source: Realtor.com

In Riverside County, about an hour east of Los Angeles, the late spring, summer, and fall boom took some agents by surprise. Rob Murray, owner of Crest Sotheby’s International Realty who also owns an escrow company, said that in late March until about mid-April, 15% to 20% of his escrows canceled as deals fell apart and sellers took properties off the market. The market remained subdued throughout April and Mr. Murray steeled himself for major correction.

“I was dead wrong,” Mr. Murray said. Around May, he started to notice an influx of buyers and bizarrely high prices paid for homes that had been on the market for months and sometimes years.

One of Mr. Murray’s listings, a 7,845-square-foot, seven-bedroom hillside Mediterranean that had been listed for two years and was offered at \$1.695 million, sold for \$1.9 million. The buyers, who closed in mid-September, were Dwight and Luz Wilcox. Mr. Wilcox said they had lost out on a house in May, because it took the couple—who co-own a trucking company and two insurance companies—too long to get preapproved for a jumbo loan. When Mr. Wilcox saw his current home, he was determined to beat out any competitors, which led him to bid \$205,000 above the asking price.

ADVICE FOR BUYERS IN A SELLER'S MARKET

• **Control the bidding war:** Consider an “escalation addendum.” It says a buyer will go a certain amount over the next best offer the seller receives, up to a given amount. A “best and final offer” draws the line. These tactics show a buyer’s cards, but agents in competitive markets recommend this rather than a round robin of phone calls, which risks the seller picking a winner before all bids are in.

• **Talk to jumbo lenders early:** Since Covid, it is harder for self-employed people and business owners to qualify for jumbo loans. Before house hunting, get a lender or broker on your case and collect documentation about your business, assets and income.

• **Weigh building your own:** Sheltering in place means everyone wants home offices, pools and distance-learning spaces. Get quotes for prices and wait times to add these features to a new home—some markets have yearlong waits for a pool installation. Know before you buy what you can build yourself and what is worth competing for.

• **Waive contingencies:** Home-sale contingencies are deal breakers in many hot markets. Consider waiving financing if you can prove funds and have a mortgage lender who will work fast or do the loan post-sale. Consider waiving a home inspection but only if a contractor can look at the house with you and give you a sense of potential issues and costs to repair.

Buyer’s Market

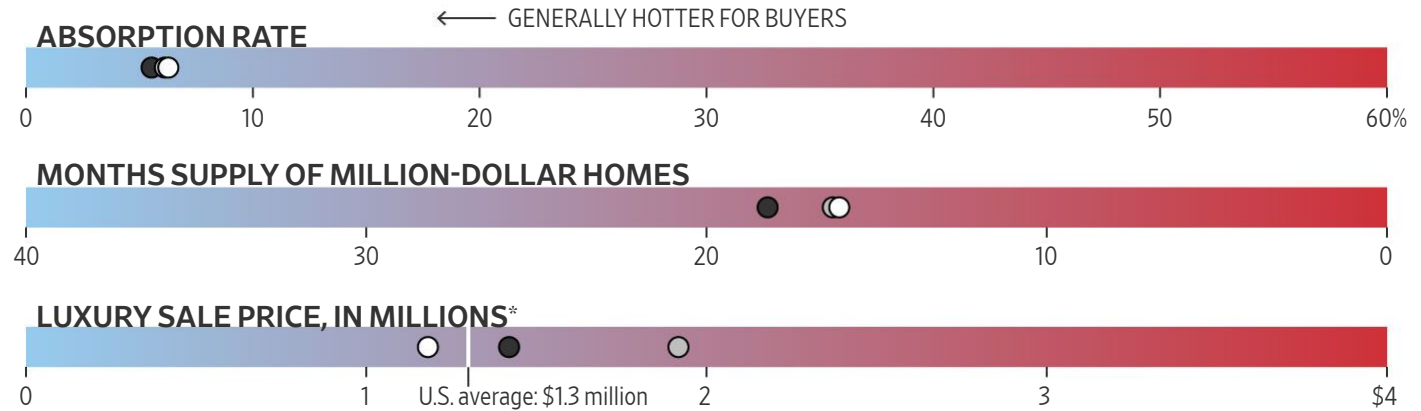
What is a buyer’s market?

- The market has more supply than demand, with high levels of inventory and relatively low levels of sales.
- Luxury sales prices—the top 5% of the market—were growing less than 1% or declining year over year.
- Negative year-over-year percentage change in both \$1 million sales and absorption rates
- Markets have at least 30 monthly listings on average and at least one monthly \$1 million sale.
- Realtor.com analyzed closed sales from April to June 30, 2020.

Chandler Rapson, a 48-year-old private-equity investor and entrepreneur, sold one of his companies and was ready to buy his family the dream home they’d always wanted. His wife Roslyn had her eye on \$2 million to \$4 million homes in Hillsborough County, Fla., which is on the seller’s market list. But Mr. Rapson smelled opportunity in one of the top buyer’s markets on the list: Pinellas County.

Clearwater and Clearwater Beach, like much of Pinellas County’s real-estate market, were hard hit by the Covid crisis, said Michael Wyckoff, managing broker for Engel & Völkers Madeira Beach. In Mr. Wyckoff’s words, the Pinellas market “went into the fetal position”—from March through June. Whole categories of buyers disappeared: Canadians—once 10% to 15% of the buyer pool, Mr. Wyckoff estimated—were unable to cross the border, and snowbirds from Michigan, Ohio, Illinois and upstate New York sheltered in place at home.

PINELLAS CO., FLA. ● St. Petersburg (33715) ○ St. Petersburg (33701) ○ Clearwater Beach (33767)



Source: Realtor.com

Since then, things have picked up, numerous agents in the area agreed. But the house Mr. Rapson spotted this summer was a 5,300-square-foot Colonial-style waterfront home in Clearwater that was lingering on the market. It had originally been listed in mid-2019 for \$1.6 million, but because it was outdated, buyers were turned off, Mr. Wyckoff said. Mr. Rapson estimated it needed about \$500,000 to turn it into a true contemporary luxury home.

“I offered \$1 million and I said ‘you have 24 hours to take it or leave it,’ ” Mr. Rapson said. The seller came back asking for \$1.1 million. The deal closed at the end of August.

Betting on Buyer's Markets

Inside a Solvang, Calif., property and a Weehawken, N.J., condo.



Jon Lukas, a 47-year-old investor, bought this 5-acre property in Solvang, Calif. in August. He wanted acreage for horses, goats and a bevy of other animals. SAM FROST FOR THE WALL STREET JOURNAL

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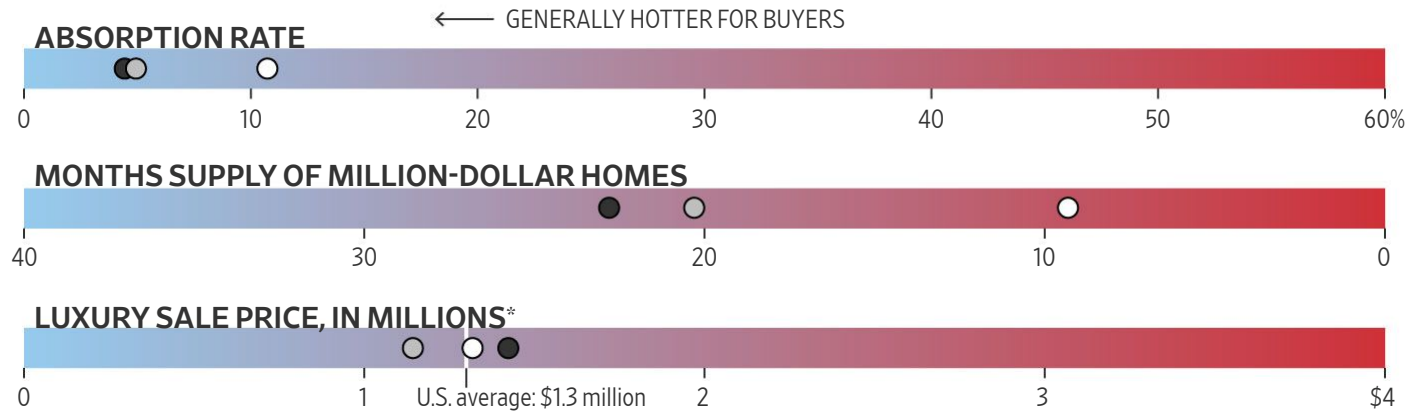
Some counties that rank high on the buyers list have been that way for a while, as non-Covid factors, such as an oversupply of luxury product, were degassing the market long before Covid hit. New York City and commuter areas in New Jersey experienced this, and then got a double-whammy in the form of the worst regional health crisis of the pandemic.

Since March, buyers have been getting major discounts, said Megha Moza, an agent with Prominent Properties Sotheby's International Realty. Ms. Moza said one of her buyer clients had agreed to pay \$1.1 million for a Weehawken, N.J., condo in April. Offers in this market are made verbally, so it hadn't been committed to paper. As the virus crisis wore

on, her buyer decided he didn't want the property unless he could reduce his bid to \$1.07 million, which was accepted. The deal closed in July.

HUDSON CO., N.J.

● Jersey City (07302) ● Weehawken (07086) ○ West New York (07093)



*Average of the 95th percentile sales prices in each zip code Note: Three ZIP codes with the lowest absorption rate in the county.

Source: Realtor.com

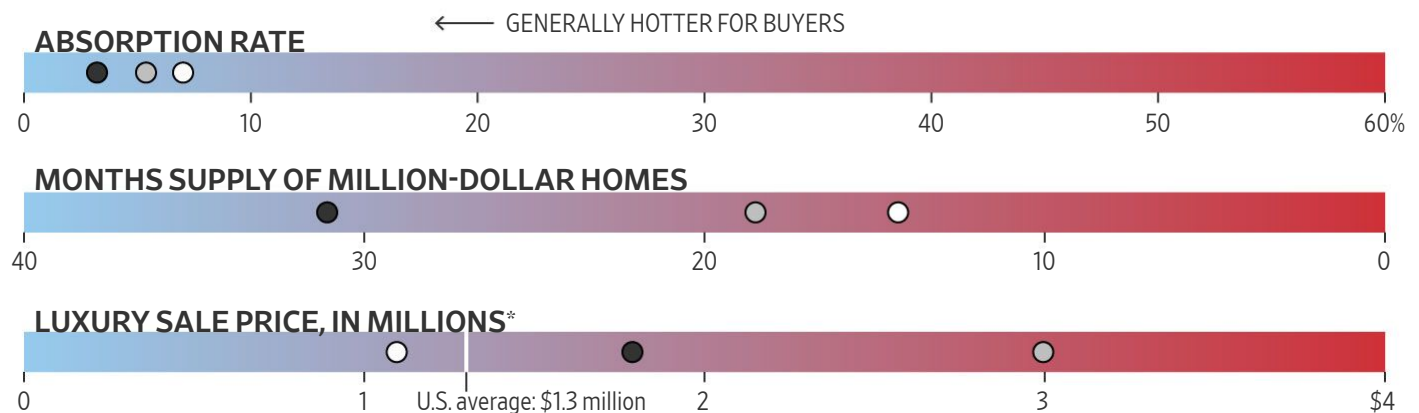
Other clients have received unprecedented incentives from builders, she said. For example, in March, a client who bid \$1.3 million for a Jersey City condo got a free storage space, closing costs and a year of waived homeowner association fees—a package worth \$100,000, Ms. Moza said.

“The developer doesn't want to reduce the price that can be seen by the public. But they will offer incentives” to close a deal, she said.

That brings the conversation to the curious case of Santa Barbara County, which ranked as the top buyer's market in this study. The statistics make it sound like a great opportunity to snap up a coastal resort home under optimal conditions.

SANTA BARBARA CO., CALIF.

● Solvang (93463) ● Santa Ynez (93460) ○ Goleta (93117)



*Average of the 95th percentile sales prices in each zip code Note: Three ZIP codes with the lowest absorption rate in the county.

Source: Realtor.com

Unfortunately for buyers, even in a normal year, a high position on this list doesn't mean that these areas are rife with bargains. Instead, buyer's market conditions represent a downshift from the prior year—which might have been smoking hot—as well as the pace at which property is moving at current prices. Sometimes, these conditions lead to price reductions, but not always—particularly if buyers storm back into the market and absorb the existing inventory.

Buyer's Market

The top 10 buyer's markets by county as of June 30, 2020

RANK	COUNTY	ABSORPTION RATE
1	Santa Barbara, Calif.	5.2%
2	Pinellas, Fla.	6%
3	Hudson, N.J.	6.7%
4	Collier, Fla.	6.9%
5	Summit, Colo.	7.1%
6	Orange, Calif.	10.7%
7	Boulder, Colo.	11.3%
8	Multnomah, Ore.	12.8%
9	Sonoma, Calif.	13.30%
10	Santa Cruz, Calif.	30.8%

Absorption rate: number of sales a month divided by number of listings. The rate listed is average of three ZIP Codes with lowest rate in each county.

Source: Realtor.com

Such was the case here in this unprecedented year, where roughly 10 real-estate agents laughed at the idea that buyers are controlling the current market in Santa Barbara County.

“It is anything but a buyer's market. There is no inventory,” said Wendy Gragg, the broker and owner of Distinctive Real Estate in Montecito.

Realtor.com's economic research analyst Nicolas Bedo credited the March freeze and subsequent surge for the disconnect between the data and the experience on the ground. “It's possible that downtown neighborhoods closer to the coast have experienced a more rapid recovery,” he said. “The situation is changing quickly.” Several agents who specialize in homes within Santa Barbara proper and Montecito said that after a dead

March and slow April, droves of buyers began flooding in from Los Angeles, San Diego, New York and elsewhere.

Agents in Solvang and Santa Ynez, two inland, agricultural areas of Santa Barbara County, understood why their market was characterized as favoring buyers in the early part of year, but also said that it is no longer true. Allan Jones, president of Santa Ynez Valley Real Estate Company, said while ranches typically take a long time to sell, “one started moving, then another, and now inventory is the lowest I’ve seen in 32 years.”

Among buyers was Jon Lukas, who closed on a 5-acre property in Solvang at the end of August. Mr. Lukas, a 47-year-old investor, has lived in Santa Barbara County for years but dreamed of a larger property where his daughter Savannah, 11, could ride her horse. On a walk, he came across his new home, listed for \$2.54 million.

The asking price might have been high for the area before Covid, said Patty Murphy, Mr. Lukas’s agent at Sotheby’s International Realty-Patty Murphy Country Estates. But in the pandemic-influenced market, demand for properties on larger parcels skyrocketed, she said. Mr. Lukas offered \$2.37 million and leased the property back to the sellers for a month, charging them only \$2,500 and running the risk that they would overstay. Everything worked out, however, and Mr. Lukas and his daughter moved in mid-October. Also making the move: Marble, Savannah’s quarter horse, and Albert, Mr. Lukas’s horse; Beatrice, Coco and Bon Bon, the family’s goats; 20 chickens, a cat, a dog, a bunny and a piglet named Hamlet.

ADVICE FOR BUYERS IN A BUYER’S MARKET

•**Ask for discounts:** In a worsening market, a buyer holds the power as sellers fear not being able to replace the offer.

•**Time-limit the offer:** As the market improves, sellers may use an offer to create urgency among other buyers. Setting a time limit—such as 24 or 48 hours—curtails the seller’s power to create an auction.

•**Seek incentives on new construction:** Developers want the public record to reflect higher prices so that comparable sales look strong. They are often willing to provide discounts via incentives that remain private: Ask for closing costs, HOA fees, free storage space, or design upgrades.

•**Offer nonfinancial deal sealers:** Make it easier for a seller to stomach a low offer by giving them the closing time they want or handling some repairs.

Migration Destinations

What is a migration destination?

- The metro areas with the most page views for homes valued at \$1 million and up by people who don't live in those metro areas, ranked by percentage increase since last year, according to an analysis by Zillow.

Drew Erra, a 52-year-old insurance broker and moving-company co-owner, and wife Melissa Erra, lived in Minneapolis for 24 years. But in July—when many Americans were realizing that working from home, remote learning and social distancing would be the new reality for a long time—they picked up and moved to Las Vegas. Their new home, a \$3.2 million, arts-and-crafts home with a pool and golf-course views, cost over \$2 million more than the one they sold in Minneapolis.

“I was paying 10.5% state income tax in Minnesota,” a rate which has now dropped to zero in tax-free Nevada, Mr. Erra said. “Just the tax savings alone covered the cost of the house.”

In their migration to Las Vegas, the Erras had company. Searches by out-of-towners for homes over \$1 million in the Las Vegas metro area surged by 155% from last year, according to Zillow's analysis. Ten agents and brokers in the area said they have never seen more relocation interest.

You Have Arrived at Your Destination

Las Vegas and Salt Lake City are among the hottest migration destinations in the country.



Drew and Melissa Erra paid \$3.2 million for this property in Las Vegas and moved from Minneapolis this summer. JENNA DOSCH FOR THE WALL STREET JOURNAL

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“More are driven to come here by high taxes in their states,” said Heidi Kasama, the listing agent at Berkshire Hathaway Home Services Nevada Properties for the home the Erras purchased. Weather is also a draw. “We have a few hot months, but we don’t have hurricanes or floods,” she said.

High on Zillow’s list are several traditional vacation-home destinations, where local agents say demand is up as more people look for an escape from the city where they live full time and as more people are relocating now that they can work from home. Hilton Head, S.C., Jackson, Wyo., and the towns on Cape Cod, Mass., all saw big search growth. The number two spot on the list is held by Kalispell, Mont., the metro area of the

Whitefish ski resort area, Glacier National Park and Bigfork Lake. Local agents say that after March, they got a surge in calls about both vacation and permanent homes.

“We’ve been seeing this growth for the last five years, but it’s on steroids now,” said Stephanie Sunshine, a broker with National Parks Realty in Whitefish.

Come From Away

Metro areas with the biggest increase in out-of-area page views for listings of \$1 million and up

TOWN	INCREASE FROM AUGUST 2019 TO AUGUST 2020
Las Vegas	155%
Kalispell, Mont.	132%
Salt Lake City, Utah	127%
Stamford, Conn.	117%
Bozeman, Mont.	116%
Santa Barbara, Calif.	114%
Edwards, Colo.	107%
Riverside, Calif.	104%
Glenwood Springs, Colo.	104%
Austin, Texas	100%

Source: Zillow

One of Ms. Sunshine’s buyers was Doug Allen, who closed on a \$1.2 million log-cabin-style home in Kalispell in March. Mr. Allen, a 45-year-old scrap-metal business owner and his wife, Janel Allen, 49, live in Longview, Texas. Mr. Allen became familiar with the Kalispell area while working as a pilot for a cargo airline in his late 20s and vowed to one day make the region part of his life.

The home now serves as a part-time escape for the Allens and their three children, who spent much of the summer there, mountain biking, zip lining, alpine sliding, and fishing for trout and salmon.

Austin, Houston and Dallas all showed out-of-town search increases since last year, which is no surprise to Marie Bailey, an agent with Fathom Realty in McKinney, Texas. After her own relocation from El Segundo, Calif., to Prosper, Texas, in 2017, she became a real-estate agent and the following year started a [Facebook](#) group called “Move to Texas from California!” The group now has over 21,000 members and has generated roughly 70 leads

to whom Ms. Bailey has sold homes. Interest has surged since March, Ms. Bailey said, noting that many posts on the page express outrage over restrictions on business and education imposed by state and local government in California, Ms. Bailey said.

“Most of my members are looking for a lower cost of living,” Ms. Bailey said. “They also feel there will be more political acceptance in Texas.”

A search for cheaper luxury homes is driving interest in Salt Lake City, the third entry on Zillow’s list.

Adam Kirkham, with Summit Sotheby’s International Realty in Salt Lake, said that as of Oct. 1, there was 45% less inventory above \$1 million compared with a year ago.

“Anecdotally, buyers are coming from Los Angeles and the Bay Area, which is by far the highest feeder market from California,” Mr. Kirkham said. “From the East Coast, it’s from Virginia, the D.C. area, New York and Boston.” Most transplants have some connection to Utah through family or having gone to school there, he said.

This year, Mr. Kirkham participated in deals for five buyers relocating from out-of-state who paid between \$2 million and \$3.5 million in the suburb of Holladay, he said. In August, a buyer moving from Seattle paid \$2.3 million for an 11,653-square-foot home Mr. Kirkham listed.

“A lot of buyers have equity from more expensive markets, like in California, and they are bringing it with them to the Mountain West,” he said.

ADVICE FOR BUYERS IN A POPULAR MIGRATION DESTINATION

Ask about rentals: It is usually advisable to rent before buying in a new area, but in some markets with surging relocations, such as Salt Lake City, finding a luxury rental is tricky. Talk a real-estate agent who wants to sell you a home with finding you accommodations during your search.

Quit your old state: For people relocating from high-tax to low- or no-tax states, quitting the former can be tricky as state auditors try to hold on. Talk to a local lawyer who specializes in these issues for the best advice.

Know the new market: Agents say buyers who move from high-cost to lower-cost areas have two reactions: They get overly excited about the bargains and bid high, or they expect rock-bottom prices and bid low. Examine recent, closed sales in each neighborhood to get a realistic grasp.

Write to Katy.McLaughlin at Katy.McLaughlin@wsj.com

What questions do you have about real estate in the era of Covid-19? Ask your question below and it may be answered in future reporting.

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Contact*

Residence (City, State) *

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SUBMIT

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