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Off the fence, into the market

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They watched.

They waited.

And now they are jumping into the fray, fueling what appears to be a frenzy of housing sales this spring.

Buyers and sellers alike leaped into America's existing-home market when interest rates suddenly rose in late March after months near 45-year lows. Metro Milwaukee's April sales volume and new listings were at three-year highs, and the national market posted the second-highest volume in its history.

Industry experts were impressed by the current "fence jumping," a market phenomenon in which procrastinators, worriers and gamblers who sense disappearing opportunities pull the trigger and move on buying or selling a home or refinancing before interest rates rise more.

"People missed the once-in-a-generation, possibly once-in-a-lifetime opportunity," said Doug Duncan, chief economist for the Mortgage Bankers Association in Washington, D.C. "That was last June, when the (30-year mortgage) rate was 5 percent. But it's a sudden event, this turn in rates, that convinces people, 'I gotta make a decision, and I gotta make it today.' "

It's been an adrenaline rush, industry veterans say, and it's not over.

"Everybody's out there buying - trade ups, first-time buyers, even kids right out of college," said Lynne Knurr, a broker with Coldwell Banker Residential Brokerage in Brookfield. "We put in a bid on one house and we're one of 10 offers."

Bob LaFond, a loan officer at Equitable Bank in Wauwatosa, said "you get

Home Sales



Quotable

clobbered if you don't move" quickly on homes that are for sale.

"Houses are flying off the market, especially \$150,000 houses," he said.

Expect the number of home sales in May, which will be reported later this month, to be strong, said Walt Molony, senior associate of public affairs for the National Association of Realtors in Washington, D.C.

The home sales market is in the middle of fence jumping, he said, triggered by warnings this spring that these 1950s-era rates might vanish soon.

"Here's the psychology: People are shopping, they want to buy, but they're taking their time," Molony said. "Suddenly the rates kick up, and that causes the phenomenon - all these people saying, 'We'd better get going. We don't want to pay even more in a few weeks.' "

Economists warned for months that super-low mortgage rates couldn't and wouldn't last. Then suddenly the nation's 30-year mortgage average rose from 5.3% in mid-March to 6% and briefly 6.5% in April before settling to the current level of around 6.25%, according to the Mortgage Bankers Association.

Fence jumping happened in April and May, Molony said, and metro Milwaukee's sales volume reflects that. In Milwaukee, Waukesha, Ozaukee and Washington counties, there were 1,691 sales in April, about 8% more than a year earlier. Nationally there were an annualized 6.64 million sales.

Werner De Bondt, a professor of behavioral finance at De Paul University in Chicago, said he sees the fence-jumping phenomenon as a classic example of regret theory.

"People are now so painfully aware of what might have been," he said. "With all those low rates, you either look at them as great opportunity or you say, 'let's wait a month, and they can get even better.' Instead, the rates go up. There's regret. But it makes people more focused and spurs them to act."

Fence jumping plays out in stages, said Duncan, the economist.

"For refinancers, it's sudden," he said. "They already have the house. A turn in rates they believe is a sustainable direction, and the decision is simple: lock in."

Home buyers can't move as fast.

For those with a house in mind and a mortgage under way, "it was lock that rate and off they go," Duncan said.

But for shoppers just starting out or deciding between houses, fence jumping just means "you accelerate the process - maybe instead of three, four months it takes you three, four weeks."

In a market already showing strong, sustained demand like metro Milwaukee, the mood gets crazy, said Mike

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**- Walt Molony,
National
Association of
Realtors**

Ruzicka, president of the Greater Milwaukee Association of Realtors.

"Just try to find affordable housing," he said. "And by that I mean a nice suburban place, 1,500 to 1,800 square feet, \$200,000. There's still such a huge amount of pent-up demand for this, it seems like it could continue for years."

But for all the drama, the spike of deals ultimately means little to the overall market, experts said.

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Duncan agreed, saying he expects a couple of turbo-charged months followed by a lag with overall home sales this year near the record levels posted in 2003.

That is what happened the last time fence jumping sparked the nation's housing market. Molony said interest rates soared from a 6.6% average in November 2001 to 7.1% in December 2001, dropping to 7% in January 2002.

A surge in home sales ensued, lagging by about a month: 5.17 million annualized sales in November 2001 increased to 5.41 million in December 2001 and 5.80 million in January 2002. Then sales slipped to an annualized 5.74 million in February 2002 and 5.52 million in March 2002.

The current activity is tempting for potential home sellers to exploit. Why not cash in on buyers' eagerness.

Joe McLean, sales associate for Shorewest Realtors in Shorewood, said sellers shouldn't try because current buyers might be eager but they are also savvy and will snub an overpriced property.

"If you don't sell now because you were greedy, you risk being left behind when the market slacks off," he said.

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