

ADVERTISEMENT

MONEY | Wed Jan 11, 2017 | 11:51am EST

Impatience and desperation derail home sales in tight market



A real estate sign advertising a new home for sale is pictured in Vienna, Virginia, outside of Washington, October 20, 2014. REUTERS/Larry Downing/File Photo

ADVERTISEMENT

TRENDING STORIES

- 1 **Former MI-6 spy known to U.S. agencies is author of reports on Trump in Russia**
- 2 **U.S. stocks off to worst start in 2017 after Trump speech**
- 3 **Trump, tech tycoons talk overhaul of H1B visas**
- 4 **Tillerson says China should be barred from South China Sea islands**
- 5 **Exclusive: EPA to accuse Fiat Chrysler of excess diesel emissions - sources**

By **Beth Pinsker** | NEW YORK

Dan and Kelly Neubeck do not know what sunk the deal to buy their dream house in Chicago last fall. The process was rolling along after they signed the contract for a full-price offer, but somehow their love was unrequited.

The sellers abruptly pulled out and left them bereft.

"It is difficult to not quickly become attached to a home that you really want," said Dan Neubeck, 37, who works for the city of Chicago. "I would definitely advise home buyers to stay open-minded and not fall in love with a property until the whole process is complete."

Home sale deals always fall through from time to time, but in today's tight housing market, the numbers are jumping. [A new study released on Wednesday from housing website Trulia.com](#) compiled data on homes that were reported to be "in contract" before their status changed back to active.

Nationally, the failed sales rate nearly doubled in 2016.

Many sales that never closed involved first-time buyers eager to jump into a hot market. Starter and trade-up housing was on the shakiest ground, while deals for new homes and those built before 1920 were the least likely to unravel.

Some metropolitan areas exhibited bigger failure rates than others.

PHOTOS OF THE DAY

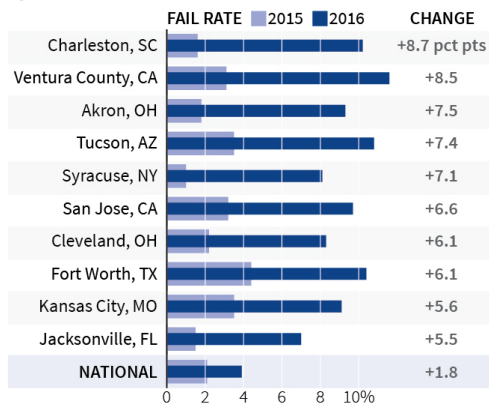
Since 2014, when Trulia began to aggregate data from local multiple listing services all over the country, Las Vegas has led the pack with 7.6 percent of listings reverting back to "for sale" at least once.

Last year, Charleston, South Carolina, had the biggest rise in failure rates, jumping to 10.2 percent from just 1.6 percent in 2015. Other hot spots include Ventura County, California; Tucson, Arizona; and Atlanta.

Failed home sales in the U.S. are on the rise

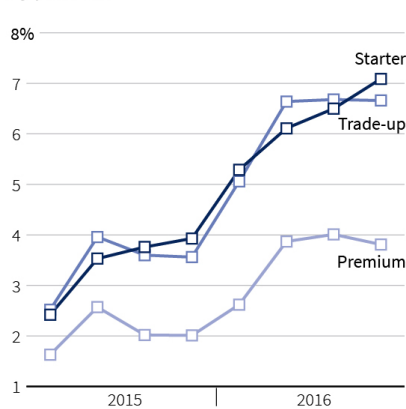
Rushed contracts are to blame for many contracts falling through.

Top 10 U.S. metropolitan areas
by increase in failed real estate sales



* Based on 100 largest U.S. metropolitan areas
Source: Trulia
S. Culp, 06/01/2017

U.S. quarterly real estate sales fail rates*
by price tier



REUTERS

Photos of the day

ADVERTISEMENT

SPONSORED TOPICS

In Charleston, real estate agent Mark Mitchell attributes most of the failed sales to buyers' rushing into an extremely popular market where few homes are available.

ALSO IN MONEY

With new leverage, NYC's Stringer could reshape boardrooms

Younger Americans embrace value of unbiased financial advice

Mitchell, as associate broker at [Dunes Properties](#), had two sales fail in the last 30 days. One couple was moving to the area from Indianapolis to retire and start a business on the side. Even though Mitchell tried to send them to a mortgage broker before signing a contract, they skipped that step and missed out on a purchase because they did not qualify for the financing they sought.

"They were making an emotional move," Mitchell said, and now they are downsizing their dreams from a \$500,000 house to condos in the \$250,000 range.

Another Charleston broker, Jan Snook of [Carolina One Real Estate](#), said her office had about seven failed contracts out of more than 50 last year. Some were because of mortgage problems on the buyer's side, but more often than not, sales failed because of issues with the houses.

One buyer was intent on a house that Snook knew would have problems because of the age and condition of the roof. The client wanted to try anyway, but lo and behold, the inspection said the roof would need to be replaced to qualify for a loan insured by the Federal Housing Administration.

"It was unrealistic expectations on both sides," Snook said. "But that's why those FHA protections are there."

Felipe Chacon, the Trulia housing data analyst who authored the sales failure study, said buyers need to do their homework and be willing to wait for the right home at the right price.

"You want to get your preapproval for a mortgage and ask a lot of questions because you don't want surprises to come up," he said.

From the seller side, Chacon said the most important thing is to be honest about problems and fix what you can.

Also, list the house at a reasonable price so the appraisal does not come back lower than that and cause banks to deny a mortgage.

David Liu, a 33-year-old who works in healthcare information technology, learned that lesson when he put a house on the market near San Francisco in 2014.

Despite the hot market there, two deals fell through because the buyers had financing issues. He eventually sold the house after several price cuts.

Sellers may also want to get a pre-emptive inspection on the property they are trying to sell and start making the needed repairs, said [USRealty.com](#) Chief Executive Officer Colby Sambrotto.

This is key in a market like Austin, Texas, said [Redfin](#) agent Andrew Vallejo. He said most of the failures he has seen recently are because the topography of the area causes foundation problems for concrete slab homes that are 50 to 80 years old.

Vallejo has hopes for better houses coming on the market this spring. "It almost feels like it was leftovers on the market this past year," he said.

(Editing by Lauren Young and Lisa Von Ahn)

NEXT IN MONEY

How to use year-end summaries to spend less and save more



NEW YORK Is your money vice too many movies? A costly dry cleaning habit? Too much wine?

The value stock reflation may be at hand: James Saft



If the Trump reflation actually comes few will be happier than value investors.

Ex-Visium hedge fund manager cheated investors, U.S. jury hears



NEW YORK An ex-portfolio manager at Visium Asset Management LP corruptly sought to boost the value of one of its hedge fund's holdings, defrauding investors while enabling the investment firm to earn millions of dollars, a U.S. prosecutor told jurors on Wednesday.

MORE FROM REUTERS

SPONSORED CONTENT

FROM AROUND THE WEB

Promoted by Taboola

Follow Reuters:

Subscribe: [Feeds](#) | [Newsletters](#) | [Podcasts](#) | [Apps](#)

[Reuters News Agency](#) | [Brand Attribution Guidelines](#)

Reuters is the news and media division of [Thomson Reuters](#). Thomson Reuters is the world's largest international multimedia news agency, providing investing news, world news, business news, technology news, headline news, small business news, news alerts, personal finance, stock market, and mutual funds information available on Reuters.com, video, mobile, and interactive television platforms. Learn more about Thomson Reuters products:

EIKON

Information, analytics and exclusive news on financial markets - delivered in an

ELEKTRON

Everything you need to empower your workflow and enhance your enterprise data

WORLD-CHECK

Screen for heightened risk individual and entities globally to help uncover hidden risks in

WESTLAW

Build the strongest argument relying on authoritative content, attorney-editor

ONESOURCE

The most comprehensive solution to manage all your complex and ever-expanding

CHECKPOINT

The industry leader for online information for tax, accounting and finance professionals

intuitive desktop and mobile
interface

management

business relationships and
human networks

expertise, and industry defining
technology

tax and compliance needs

All quotes delayed a minimum of 15 minutes. [See here for a complete list](#) of exchanges and delays.

© 2017 Reuters. All Rights Reserved. | [Site Feedback](#) | [Corrections](#) | [Advertising Guidelines](#) | [▶ AdChoices](#) | [Terms of Use](#) | [Privacy Policy](#)