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Coronavirus crimps home sales as agents grapple with new realities

Deals are falling apart, sales are slowing and sellers are pulling their homes off the market as the COVID-19 outbreak forces the industry to find new ways to complete transactions.



Jared Erfle, listing broker for this 3 Bedroom, 2 Bathroom home in Palmdale, CA., on Thursday, April 2, 2020, which ended up going back on the market after buyers backed out of the deal because of the novel coronavirus pandemic. (Photo by David Crane, Los Angeles Daily News/SCNG)



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Walter Manalu and his fiancée had just found the perfect house, one that's big enough for their blended family to share after they get married.

The two-story, 3,800-square-foot Jurupa Valley home has five bedrooms, a three-car garage, a downstairs office, front porch, huge great room and sits across the street from a park.

He had already leased out his current house, packed up all his boxes, bought new furniture and appliances and was making plans to hire contractors when his mortgage suddenly got canceled because of the novel coronavirus pandemic.

"We found out at the 11th hour the loan was not going through," said Manalu, a 41-year-old software consultant. "It was our dream home. It was like the wedding dress that fit perfectly. It had everything that we wanted. So I was devastated."

Manalu's deal was one of nearly 11,700 transactions that fell out of escrow in Los Angeles, Orange, Riverside and San Bernardino counties last month, according to Redfin. Most of those deals imploded for the usual reasons. But many crashed and burned due to [a global health crisis](#) that's putting [the brakes on the Southern California housing market](#).

Throughout the region, [escrows are getting canceled or delayed](#), loan approvals are getting harder, and appraisers and home inspectors struggle to do their jobs while keeping their distance.



The number of [pending new deals signed in the four-county region fell 16%](#) in the week after Gov. Gavin Newsom issued a stay-at-home order for all non-essential services and workers on March 19, according to Steve Thomas of [ReportsOnHousing.com](#)

“There aren’t as many escrows, and there are cancellations,” Thomas said. “If you aren’t able to work or can’t get paid, you’re not going to want to close on an escrow.”

In addition, 5% of active listings, or 999 Southern California properties, went from active status to being “on hold” during the week after Newsom’s order, figures from the California Regional Multiple Listing Service show.

“A lot of sellers are taking their homes off the market because they don’t want people in their homes,” said Kim Abbott, an escrow officer with North Orange County Escrow.

“Most escrows are going through. They may take a little bit longer because of (the difficulty) getting the appraisers out there and the inspections done. ... (But) people are emotional. ‘Will I have a job next month? Will I be able to make my payment?’ It’s an emotional time.”

Changing attitudes

Antelope Valley broker Jared Erfle lost three deals in the past few weeks — one just days away from closing — due to changed lending guidelines and uncertainty about the economy.

Two of those houses, both in Lancaster, are back on the market with a \$5,000 price cut.

In the third case, a Palmdale house that had been in a four-way bidding war went back up for sale after the buyers backed out because their loan was denied. Since the original deal fell through, the three other buyers backed out as well.

“Definitely, we can feel the change in the buyers,” said Erfle, broker-owner of Select Service Realty in Palmdale. “Overall, there was a question about whether it was the right time to buy a house. ... There’s nothing normal about this year.”

With mortgage rates at their fifth-lowest point in 49 years as of Thursday, some buyers still are being drawn to the market, agents say. But the number of homes to choose from has dropped with listings down 3% since the governor’s stay-at-home order — and down 32% from a year ago.



Buyer interest has waned, too, just as the spring homebuying season was getting revved up.

"Before the pandemic, there might be three or four buyers on a property. Now there might be one or two," said Philip DeMatteo of First Team Real Estate in Seal Beach.

"It's not all doom and gloom," he said. "(But) the environment is more challenging."

Masks, gloves and sterilization

Buyers now view homes through virtual tours rather than in person, and notaries verify signatures while maintaining social distancing and surface sterilization protocols, said Debi Peters, a senior escrow officer at Coast Cities Escrow and a California Escrow Association board member.

Buyers and sellers exchange signed documents electronically rather than meeting in the escrow office for closings. Home inspectors don masks and gloves and wait for all the residents to leave before entering a property. And appraisers are doing more "desk-top" and "drive-by" home valuations.

The California Association of Realtors rolled out a "rapid-response form" allowing buyers and sellers to agree upfront to postpone the closing of escrow or refund a deposit if COVID-19 issues like loss of income should arise.

"Real estate business is still being conducted and concluded successfully," Peters said.

Another challenge is verifying a buyer's employment status.

Marlon Ibarra, a senior loan officer for Firstline Home Loans of Newport Beach, said he's had difficulty getting work verifications for some teachers, firefighters and police officers because their human resources offices are shut down.

"If you can't verify employment, you can't close escrows," Ibarra said.

Many other loans have dried up because secondary market investors are pulling back from "non-qualifying mortgages," or non-QM loans, saying they're too risky.

A bigger house



Whittier agent Chris Vigil lost an escrow on a three-bedroom house when the buyer got laid off from her job as manager of a restaurant distribution center, making her ineligible for her loan.

"She prequalified going into it. ... The inspection and appraisal went well. That's when the lender started digging in and the stay-at-home orders started coming down," said Vigil, an agent with Century 21 Cornerstone.

Candice Blair's all-cash deal to sell a \$689,000 Dana Point condo fell through the day after Newsom's order came out. The buyer's financial adviser suggested it wasn't a good time because of the stock market crash.

"She was crying," Blair, a Coldwell Banker agent in Laguna Niguel, said of the buyer. "Our office, we were expecting our top month ever. It's not going to happen."

Because he is self-employed, Manalu was using bank statements instead of pay stubs to verify his income for a non-QM loan. His lender had 24 similar loans that got canceled in the same period.

Manalu had outbid six other buyers to get the Jurupa Valley house that listed for just under \$630,000. Now, none of the original bidders is interested in the home, and it's back on the market, the seller's agent said.

Manalu and his fiancée are at a loss as to what to do next. He said they're shopping for a bigger home — to rent or to buy.

"This was the house that was going to put us all under the same roof," Manalu said, referring to both his and her children. "The desire was to find a bigger house. We're taking it day-by-day right now."

— *SCNG business columnist Jonathan Lansner contributed to this report.*

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For more than a decade, Jeff Collins has followed housing and real estate, covering market booms and busts and all aspects of the real estate industry. He has been tracking rents and home prices, and has explored solutions to critical problems such as Southern California's housing shortage and affordability crisis. Before joining the Orange County Register in 1990, he covered a wide range of topics for daily newspapers in Kansas, El Paso and Dallas. A Southern California native, he studied at UC Santa Barbara and UC Irvine. He later earned a master's degree from the USC School of Journalism.

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