

**Northwest MLS brokers say market stays "extremely competitive;"
some industry experts believe "housing affordability may never be better"**

NWMLS, Kirkland, WA, July 3, 2013 – Current market conditions – including rising mortgage rates, tight inventory and declining unemployment – are driving even more buyers into what is already an "extremely competitive housing market," reported OB Jacobi, a member of the board of directors for Northwest Multiple Listing Service.

New figures from the MLS show pending sales during June jumped 10.6 percent from twelve months ago as buyers scrambled to lock in loan rates and bid on a limited supply of homes. Members in the 21 counties served by Northwest MLS reported 9,484 mutually accepted offers last month, outgaining the year-ago number of pending sales by 907 transactions.

"In June, our brokers reported anywhere from 2-to-7 offers on homes in the lower to mid-price ranges," said Jacobi, president of Windermere Real Estate Company in Seattle. He noted interest rates for 2013 reached a new high in mid-June – "a result of improved confidence in the U.S. economy. And now, with Seattle's jobless rate below 5 percent we expect even further pressure on housing as new workers move to the area," he added.

"Multiple offers situations are almost old news," remarked Frank Wilson, an officer on the Northwest MLS board. He recommends sellers prepare to deal with multiple offers by discussing a strategy with their broker when they list their home. Buyers should consider writing offers that may be above list price and contain an escalation clause, Wilson suggests.

While would-be purchasers jostled for acceptance of their offers during June, 7,318 newly-minted homeowners took possession of their home. That volume of closed sales compares to 6,214 completed transactions for the same month a year ago for a 17.8 percent increase.

For the first six months of 2013, the year-to-date number of completed transactions totaled 35,115, surpassing the figure of 29,777 for mid-year 2012. That equals a 17.9 percent year-over-year increase.

Prices continue to rise. The median price for last month's closed sales area-wide was \$279,950, which is about 9.8 percent higher than the year-ago figure of \$255,000. Three counties reported double-digit price gains on sales of single family homes and condominiums: Kittitas (up 17 percent); Snohomish (up 14.4 percent) and King (up 10.1 percent).

Single family home prices (excluding condominiums) rose more than 8 percent, from \$268,162 to \$290,000, while condo prices spiked 17.3 percent (from \$183,350 to \$215,000). In King County, the median sales price on last month's closed sales of single family homes (excluding condos) was \$427,500, up 12.5 percent from June 2012 when the selling price was \$380,000.

Inventory shortages persist, with only about 2.5 months of supply system-wide. Both King and Snohomish counties have less than 1.4 months of supply.

MLS members added 10,806 new listings to its database during June, improving on the year-ago total of 9,104 additions. At month end, inventory stood at 23,581 listings, which is down 11.2 percent from the year-ago selection that totaled 26,545 properties.

"With higher interest rates and potentially going higher, more resale listings are coming on the market," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. "Many potential sellers are now realizing if they are going to purchase another home, they will be purchasing at a higher interest rate, so they are choosing to move forward now," Scott continued. "The additional inventory is appreciated by the backlog of buyers trying to purchase a home, though we are still in a quick action market. "

An industry expert whose career dates to 1976 said he's been through many "hot markets," but never one quite like the current one. "I've never seen the in-city market so stressful for buyers because there is such intense competition on anything priced well," said Mike Skahen, a past chairman of the Northwest MLS board and the just-retired owner/designated broker at Lake & Co. Real Estate in Seattle.

Commenting on the current market, Skahen said what's relatively new is buyers doing pre inspections before they make their offer so it is not subject to inspection. "Often, buyers are even waiving financing and risking low appraisals where they have to make up the difference in cash," he reported. He cited an example of a Wallingford listing priced around \$650,000 that drew 14 offers and 12 pre inspections. "It's common to have six or seven offers and five pre inspections so the inspectors are thrilled, but the buyers and agents hate it. This was not nearly as common in past hot markets but now it's become typical."

"We desperately need more properties to sell to satisfy the current demand," said Mike Gain, president and CEO of Prudential Northwest Realty Associates. Despite shortages, Gain said "on-the-fence" buyers are jumping into the market now to lock into today's low interest rates at today's prices before they rise further," which is expected. "Today's buyers may never see a better time to purchase a home," he added.

Several brokers commented on rising interest rates:

- "Higher interest rates gouge into buying power," said MLS director Frank Wilson. "That decreases a buyer's ability to purchase a home," he explained, noting interest rates have gone up more in the past 30 days than they have over the past three years. An interest rate increase of .75 percent on a \$350,000 home will cost a buyer \$30,000 in affordability, he explained, adding, "If buyers still qualify this will jump their monthly principal and interest payment by \$247. For an economy that is not yet firing on all cylinders that is real money to the average family."
- "In Kitsap we are seeing buyers who are in contract and did not or could not lock loans that are now not able to qualify for the house they want to buy," reported Wilson, the Kitsap district manager at John L. Scott Real Estate and branch managing broker for its Poulsbo/Kingston office. "The importance of locking a loan rate has not been an issue over the past few years but today a loan lock may save a buyer's ability to buy the home they want." He also called short sales "especially challenging" because many lenders will not lock a loan rate until the short sale bank on the seller's side has approved the sale.
- Commenting on rising interest rates, Prudential's Gain emphasized they're still at historically low rates. "I am hopeful they will remain stable for a short time before they begin to rise more. Last month's 1 percent increase in interest rates cost the average homebuyer \$100 per month. As rates and prices continue to rise, this trend will continue. Now is the time to buy a home!"
- MLS director Darin Stenvers expects rising interest rates will contribute to a tight market and some relief for short sellers. "As interest rates slowly creep up buyers should note that the movement of a ½ of 1 percent rise in interest rates will mean about a 5 percent loss in the maximum loan amount. Combined with the slow rise in home pricing that means a tight market for homes that are near or under the median prices in all markets at least through summer."

Stenvers, the office managing broker for John L. Scott in Bellingham, also noted homeowners who were under water are benefiting from the recovering market. "These owners are seeing their home price slowly rise to a position where many of them are no longer required to do a short sale. Sellers who can now sell with the long delay of short sales are able to ride the lower interest rate tide that is also helping buyers get the monthly payments they desire."

- "The recent rise in interest rates has definitely brought more buyers into the market but, the inventory remains so low we have not seen a significant increase in sales," reported MLS director Diedre Haines. Coupled with depleted inventory in Snohomish County, where she is regional manager broker for Coldwell Banker Bain, she described conditions as an "uber seller's market."
- "In talking with local lenders it appears that more first time buyers are entering the fray, anxious that they might get priced out of the market either through actual property price increases or interest rate increases," said Dick Beeson, principal managing broker at RE/MAX Professionals in Tacoma.

- Gain compared the certainty of a fixed rate loan with renting. "Homeownership is even more attractive today when one compares the monthly cost to own to what is paid for rent. When you purchase with a fixed rate mortgage your monthly payments stay the same while the monthly cost of rent will likely continue to increase."

- "Today's buyers know the current environment presents a huge value," stated Ken Anderson, president and designated broker at Coldwell Banker Evergreen Olympic Realty in Olympia. "They are eager to jump into the market to lock in both low prices and borrowing rates. These savvy shoppers know how rising interest rates impacts purchasing power. As a result, it will be a busy summer in Northwest home sales."

Northwest MLS brokers emphasized both buyers and sellers need to be realistic in today's market.

"I would caution sellers that it is still possible to over price a listing by anticipating automatic price appreciation in this market," said Gary O'Leyar, owner and designated broker at Prudential Signature Properties. He believes the best marketing strategy is to "price realistically within the price range of current active competing listings and within recent sales that have closed -- and not add dollars to a listing price by automatically assuming incremental appreciation."

"Sellers should still be concerned about over pricing their homes," Stenvers cautioned, saying some markets will handle over pricing, but others will not. "If buyers are not coming to see a new listing, it means they cannot afford it or don't feel the home is worth the asking price. Today's buyers seem to be very patient and well educated about comparables in their market."

Stenvers is also detecting a shift in buyer expectations. "Buyers today seem to be content with smaller homes and less stressed financial futures. They seem to be turning back to a time where sweat equity and affordable home improvement projects that will benefit them now and in the future are more popular."

Tacoma broker Beeson said sellers -- never ones to be blind to an obvious advantage -- have come out swinging, asking more money than they thought possible just a short year ago." He believes some will make the critical mistake of pricing so far above the market that "they aren't really in the market, because an outlier today will not sell, even in this market."

Commenting on reported increases in all cash offers, along with price hikes and depleted inventory, Haines said buyers that have been trying for months are becoming more frustrated and fatigued. But unlike the heated market of 2005-2006, she said sellers are not always taking the highest offer "due to continuing appraisal issues." Instead, they are focusing more on terms, amount of down payment, buyer's financing letter of approval, closing dates and amount of earnest money."

O'Leyar offered encouragement to buyers who feel real estate prices have eluded them. "They should look out a little further and broaden their search parameters by one more freeway exit or consider a nearby suburban community. It is surprising how much difference in home prices a few miles or a different zip code can make. Be open minded to broader area possibilities."

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership includes more than 21,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 21 counties in Washington state.