

Home sales, prices still rising in Western Washington despite lean inventory and increasing mortgage rates

NWMLS, Kirkland, WA, August 6, 2013 – Rising interest rates, rising prices and rising consumer confidence are creating a "positive cyclone of home sales activity," according to members of the Northwest Multiple Listing Service. A robust job market around the Greater Seattle area is also spurring sales.

Member-brokers reported 9,565 pending sales during July for an increase of more than 13.6 percent from a year ago – the highest year-over-year gain since January. Last month's mutually accepted offers across 21 counties also marked a slight improvement on June's total of 9,484 pending sales.

Northwest MLS director John Deely, the principal managing broker at Coldwell Banker Bain in Seattle, said multiple offers are being reported in all price ranges "with properly priced new listings, and we're still seeing a surprising number of all cash buyers." He also noted many transactions are conditioned on the closing of a pending sale as move-up sellers enter the market to buy a new property.

The number of closed sales and the prices on those transactions both rose by double digits compared to a year ago. Members recorded 7,772 completed transactions area-wide to outgain the year-ago volume by 27.5 percent. The median price of those closed sales, which included single family homes and condominiums, was \$282,363. That's up 10.8 percent from the year-ago figure of \$254,900.

"We experienced a mini power surge of sales activity that was touched off by a sudden raise of interest rates during the month of May," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. Scott attributes part of the surging activity to buyers who rushed forward to purchase a home before rates climb higher. He also reported more sellers are listing their homes "due to the realization that the next home they purchase will be at a higher interest rate." As these sellers become buyers, they're contributing to the "positive cyclone of sales activity," Scott stated.

MLS members added 10,860 new listings to inventory during July to boost the system-wide selection to 25,272 active listings. That is only about 5.5 percent fewer listings than a year ago when inventory stood at 26,747 active listings.

Despite improving inventory overall, supplies remained low, particularly around job centers. Area-wide there is about 2.6 months of supply, which indicates a seller's market. (In a normal market, a healthy supply level favoring neither buyers nor sellers is around 6 months, according to industry analysts.)

Three counties have less than three months of supply. At the current pace of sales in King County, it would take just 1.5 months to sell the current supply. In Snohomish there is only 1.6 months of supply and in Thurston County the existing supply would be exhausted in about 2.9 months.

Deely said some sellers are testing the waters with aggressive pricing, but they are experiencing longer market times.

MLS director Frank Wilson, representing Kitsap County where there is 3.3 months of supply, expects the seller's market will continue for at least the next few months. He noted 16 percent more homes in Kitsap County went under contract than the same month a year ago, crediting some of that uptick to the sense of urgency that buyers are feeling because of recent jumps in interest rates.

The average fixed rate on a 30-year mortgage was 4.37 percent last week, up from January's rate of 3.41, according to Freddie Mac.

Buyers should be aware of interest rates now and lock in a rate, stressed Wilson, the Kitsap District manager and branch managing broker at John L. Scott Real Estate Poulsbo – Kingston. "There is nothing more disappointing than having your offer accepted on a home, then have an interest rate jump disqualify you from the purchase," he remarked, adding, "If you want to

gamble go to Las Vegas; if you want to buy a home lock the rate."

Brokers believe robust private sector job growth should have a positive impact on sales momentum. "Builders will have to keep up with the influx of families moving to the area for employment in order to sustain our growing need for housing," remarked Mike Grady, president and COO of Coldwell Banker Bain in Bellevue.

Buyers searching for single family homes may have an easier time than those seeking condominiums.

Northwest MLS figures show the inventory for single family homes is down 4.6 percent from a year ago, while the selection of condo listings has declined about 13.2 percent. Prices on single family homes that closed during July were up about 9.9 percent from a year ago. Condo prices jumped more than 16.8 percent.

Prices for single family homes (excluding condominiums) in King County continue to climb, with last month's completed transactions commanding a median sales price of \$434,000. That figure reflects an increase of 15.7 percent from a year ago when the median price was \$375,250.

Since January, the median sales price for a single family home in King County has risen by \$84,000, but the escalation hasn't seemed to crimp activity. Through July, closed sales of single family homes sold with the county have outgained year-ago totals by nearly 17.9 percent. "This is one of the busiest summer markets I have observed in my 30 plus year real estate career," Deely commented.

Although some economists expect weaker U.S. economic growth for the remaining months of 2013 and moderating home price increases, brokers say investors are active participants in the local housing market.

"It's a perfect time to be an investor in Kitsap," said Wilson. "Home price have not yet started to rise substantially and the rental vacancy rate continues to drop as more homeowners become renters due to short sales or foreclosure."

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.