

Northwest MLS Tallies Busy December as First-time Buyers, Investors Return

KIRKLAND, Wash. (January 7, 2013) – Home buyers around western Washington made offers on 5,314 residences during December, outnumbering the 3,857 owners who listed their homes for sale. The imbalance helped push up prices and further thin already depleted inventory.

While the expected seasonal slowdown occurred last month, determined buyers were undaunted by sparse inventory and record-breaking rainy days, according to December statistics from Northwest Multiple Listing Service.

“This is a unique housing market,” said J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. “There is nothing normal about the combination of factors fueling the current market,” he added.

MLS members reported 5,314 pending sales of single family homes and condominiums last month for a modest year-over-year increase of 1.5 percent. That volume of mutually accepted offers fell from November’s total of 6,522, but far exceeded the number of new listings, 3,857, that members added to the MLS system during December. It also marked an unprecedented fourth straight month when pending sales outnumbered new listings.

MLS members tallied 5,267 closed sales during December, outgaining the same month a year ago by 526 transactions for an increase of about 11.1 percent. The 2012 total of 64,624 closed sales was 14.8 percent higher than the volume reported for 2011.

Brokers expect the housing market rebound to continue, while cautioning sellers to refrain from becoming too greedy and expressing hope for “controlled natural growth” to sustain the recovery. They also believe distressed properties, rising rents and re-engaged investors will have an impact on activity for the foreseeable future.

“Buyers are taking note of sellers who overprice their homes,” reported Northwest MLS director Darin Stenvers. “These buyers are not wasting their time looking at that section of the market for fear of losing a “turnkey ready” home that they can buy and close on,” added Stenvers, the office managing broker at John L. Scott, Inc. in Bellingham.

Frank Wilson, another member of the Northwest MLS board of directors and the managing broker at John L. Scott’s Poulsbo’s branch, noted similar shifts in attitudes about distressed properties. He said many buyers are no longer considering short sales or bank owned property because of the uncertainty and complexity of those transactions, opting instead to focus on non-distressed listings that would likely close in a more reasonable and more predictable timeframe. “I think as time goes by the short sale and bank owned home will become more and more of an investor target,” he remarked.

Even with distressed properties (and the lower prices they usually fetch) being part of the mix of sales, median sales prices are edging up. Last month’s buyers paid more for their home than purchasers of a year ago, and the number of properties that sold for a million dollars or more jumped nearly 56 percent, rising from 68 in December 2011 to 106 last month.

The median price area-wide was \$255,000, up 13.3 percent from twelve months ago when the price was \$225,000. Prices rose by double digits in ten of the 21 counties in the Northwest MLS service area. Homes and condos that sold in King County commanded the highest prices at \$342,000, reflecting a gain of more than 17.5 percent.

For single family homes (excluding condos), the median selling price rose \$30,000 system-wide (about 12.8 percent) climbing from \$235,000 a year ago to \$265,000.

In King County, the median sales price of a single family home jumped nearly 18.8 percent, from \$320,000 to \$380,046. Within the county, the biggest increases on single family homes that sold were reported in Skyway/Bryn Mawr area (up 89.8 percent), Central Seattle (up 50.2 percent), Vashon (up 35.6 percent), Bellevue west of I-405 (up 28.6 percent) and Burien-Normandy Park (up 26.9 percent).

Prices and the number of multiple offers may be rising in part because of shrinking inventory. At the end of December, there were only 17,718 properties for sale, which compares to 26,639 active listings for the same time a year ago (down 33.5 percent). Months of supply declined to 3.3 months, down from about 5 months of supply for the same period a year ago.

In Snohomish County, year-over-year inventory was down more than 53 percent, while in King County the selection was about half the year ago levels: 3,801 listings versus 7,472.

Looking ahead, many brokers expect a strong market in 2013, with some expressing concern about “frenzied bubble growth.”

“Last year was the best year in real estate for both buyers and sellers since 2007, with better pricing for homes, lower interest rates than ever recorded in history, and best of all, the opinion the market has finally bottomed out,” said MLS director George Moorhead, branch manager at Bentley Properties in Bothell. Those factors combined to “start a buyer frenzy” from February to mid-August, he noted, but added, “We never quite got that level of excitement back for the months of September to December.”

Moorhead expects a "traditionally slow" January as buyers and sellers start to "build energy to make the next move." He fears another "perfect storm" with double-digit appreciation will return, but prefers "controlled natural growth" as the best recipe for long term economic stabilization, "not frenzied bubble growth with no foundation for support."

Wilson said he expects an exciting spring real estate market in Kitsap County, citing the imbalance between inventory and buyers and record low interest rates. "The numbers are lined up for a bit of a frenzy," which he believes will lead to shortages of homes in some areas and some price ranges.

Low unemployment, less inventory, low interest rates and rising rents are among factors that will create a strong housing market in 2013, Stenvers suggested. The return of first-time buyers who find it is becoming cheaper to own than rent and the imminent multi-billion dollar settlement involving foreclosure mishandlings by 14 banks also bode well for a more balanced recovery, he noted.

"We will see a continuation of year 2012 market conditions throughout 2013," declared Scott. "Historically low interest rates, healthy job growth, a shortage of homes for sale in many areas and price ranges, strong sales activity from both local home buyers and residential investors are creating multiple offers and price increases in areas with inventory shortages," he noted.

Another positive indicator brokers noted is improving builder confidence. It recently rose to its highest level in more than six years, according to a National Association of Home Builders (NAHB)/Wells Fargo survey released last month. Although newly built homes account for only a small portion of the housing market, they are considered to be a leading revenue and job creator. Each home built creates an average of three jobs for a year and generates about \$90,000 in tax revenue, according to NAHB research.

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.