

Market Talk With Paul Isenburg

A S S O C I A T E B R O K E R , C R S 2 0 6 - 9 4 8 - 5 8 8 5

MARKET TIBITS

- 2007 Pending sales down 15% from '06
- Avg. home prices went up by 9% locally in 2007
- Avg. King Co. Home price in 2007 was \$564,468
- Avg. King Co. Home price in 1997 was \$230,345
- 145% appreciation in 10 yrs; w/ 10% or less down payment as the norm for most buyers
- Inventory is up 40-60% in most areas; still, we need good homes for ready to act buyers

INTEREST RATE IDEAS

30 Yr Fixed	5.625%
15 Year Fixed	5%
5 Year Fixed	4.875%
1 Year Adjustable	3.5%
Investor Buyer Rate	6%
Zero down limit	\$417K
Call me if you have a specific need/idea	206-948-5885

REAL ESTATE IS STILL A HOT TOPIC

It seems like real estate continues to drive many conversations these days; socially and economically. News reports and headlines seem to bring up home prices and sales on a daily basis. The problem is many of these reports and headlines are talking about home sales nationally or regionally; but most real estate is neighborhood driven. You can't talk in general terms as there are too many variables. Certainly we hear that foreclosures are rising, nationally and locally, but compared to what. We have about 3% of homes in our Puget Sound area in foreclosure. This compares to 1-1.5% as a normal level. We have home prices moderating and in some price ranges and some areas even dropping; but

we're talking price drops of 2-5% on average. Compared to the 50% price appreciation we've seen over the past 4 years is it



Investing in real estate is a wise decision for a diversified portfolio and more reliable than stock prices in many cases.

really a surprise or a major negative impact to see prices level off. In reality, most regions still saw home prices appreciate from 2006 to 2007. How many of us own stocks that have dipped in value by 2-5%? That's

Boeing dropping from its high last year of \$103/share to \$100; but in reality it dropped to \$76. Starbucks has struggled from the low \$40's to under \$20 and we've all seen Microsoft struggle to get out of the \$20s after years in the \$100 range. But we still consider them wise investments. Even Google is having corrections. The point being, if you're looking for a new home or a good investment home, real estate still works well for diversifying your portfolio. Since most people don't buy a home or investment property with the expectation of selling it within 1-2 years and you shouldn't expect it will double in value in one year, so why be concerned that it's value might drop by 1-2% in the first

INTEREST RATES, THE FED AND REAL ESTATE. HOW DO THEY FIT?

By now most of us know the Federal Reserve lowered the Federal Funds Rate 1.25% in the last 2 weeks. There is some expectation they will cut this again in the near future. What does this mean? As far as most home loans go, not much. While we do see some

lenders make small changes in their 15 and 30 year fixed mortgages, these changes may not last long. We've seen declining interest rates since the new year but the Fed cut is usually seen as negative for long term rates as the Fed cuts are designed to stimulate

the economy and that raises concerns about inflation. People wanting to invest in long term security want to see a stable economy, not an inflationary one. Most fixed rate mortgages are based on mortgage backed securities, the ones in the news with all the

REAL ESTATE IS STILL A HOT TOPIC, CONT.

LOOK FOR OPPORTUNITIES NOT DOWNFALLS

year your own it We tolerate fluctuations in our other investments; expect some in your real estate too, but don't be so afraid of a small downside that you ignore the buying opportunities that are in front of you now. If you're looking for a sound investment with good equity growth and you're planning on owning that property at least 3 years, real estate offers very attractive options.

There is every expectation that our local economy and jobs market will continue to be strong, which means our home prices will be stable to increasing in the coming years. Buy when the market is soft and rates are low. With more home selection than we've had in 4 years and some of the best interest rates in 2-3 years, plus a somewhat negative seller psyche, this can be the best

time to look for that new home. For sellers, this spring is likely to offer the most buyer demand and best interest rates for them to get financing we'll see this year. This can be the best time to be in the market. If you or someone you care about is considering buying or selling, give me a call to talk about the market specifics for your home and areas of interests. I'd be honored to help you.



This spring offers the best mix of home selection and interest rates in 4 years.

Part of the new economic stimulus package calls for raising the FHA loan limit to \$417,000 and the conforming loan limit from \$417K to \$625K. This means lower down payments for lower priced homes and could mean 1% or more lower rates on larger loans for this spring & summer. Be ready to act if this interests you. Call me for details on how this helps you.

INTEREST RATES, THE FED & YOU CONT.

talks of defaults, foreclosures, write downs and shady lender and investor practices. These rates are not set or controlled by the Fed but fluctuate with overall market conditions. While the stock market was on a 17% decline to begin this year, it was creating investors for mortgage backed securities which was driving down our interest rates. So what impact

does the Fed change have for you. Many of us have home equity lines of credit or second mortgages based on the Prime rate. These loans are affected by this move and that can help many of us by lowering the costs, payments or qualifications for these loans. While many buyers are worried about buying a home in what they think is a declining home value

market, I would point out that a .5% interest rate drop will benefit them more than waiting for a \$25K drop in a home values, even more at higher price points. This spring may also bring changes in our FHA and conforming loan limits lowering rates and qualifications for these loans by as much as 1%. This could be great news for many buyers.

CLOSING THOUGHTS FOR YOU

With 20 years of experience in our local market, I try to offer you some real-life insight and perspective on our changing market conditions. Information analysis and opportunity recommendations help you make better plans and have a better understanding than headlines and most articles will tell you. Knowing that

multiple offers are still taking place or that interest rates rose after the Fed cuts but are likely to lower later this spring are just a few examples of this knowledge. While there are many places for you to find information on-line or elsewhere, analysis of how it impacts you is hard to find. I hope you continue to consider me a

valuable resource for you in understanding the market. I also need some assistance from you. I would greatly appreciate referrals of people you care about that are contemplating a real estate purchase or sale. The present market has challenges and opportunities for all of us and I would appreciate

your help with people you care about that would benefit from my help. I strive to build my business by your referrals and your assistance is very much appreciated by me.

Thank you for your time in reading this. I hope this letter finds you well.

Paul