

Market Talk With Paul Isenburg

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**MARKET
STATS :**

- Inventory is down 25-27% in King/Sno. Counties
- Sales up 10-30% per month Y-T-D in both counties
- Median prices in King Co.: \$425K vs. \$374 in '04
- Median prices in Sno. Co.: \$320K vs. \$261 in '04
- 535 \$1M+ homes for sale on eastside, 180 sold YTD in '05

**INTEREST
RATE IDEAS**

30 Yr Fixed	5.625%
15 Year Fixed	5.375%
5 Year Fixed	5.25%
1 Year Adjustable	5%
Non-owner occupied	6%
Zero down limit	\$400K
Call me if you have a specific need/idea	206-948-5885

R E A L E S T A T E S T I L L A H O T T O P I C

It seems everything we hear and everything we read talks about real estate prices going up and the pace continuing to be hot. It's true. Between all the people looking for a home, people looking for a second or vacation home and others looking to buy real estate for an investment alternative, the market continues to surprise us with its strength and stamina. Many local neighborhoods have experienced 10-13% appreciation in the past 6 months; some areas much more. Still some price ranges remain more stable in price due to geography, price range, style, competing inventory or a combination of these factors. While the high end properties, over \$1M, have tripled their

sales over last year, pricing has only gone up 5% for some and stable for others, again due to style, area or condition.



Pricing is becoming much more of a snapshot in time as local home prices rise by the month not the year.

It is almost impossible to find good homes under \$250K anywhere and under \$300-350 in most close in areas. This has created the strongest condominium market in the

past 4 years. Price appreciation has been higher than detached homes in many areas.

Oddly, despite all this appreciation the rate of foreclosures is growing. This fuels investor interest in real estate and the cycle continues to spin faster. Low interest rates are making home owners out of many renters, causing the rental market to have stagnant rent growth but this isn't dampening investor demand as their concern is that land and home prices will appreciate to a rate or point that rents can't catch up, where today the gap isn't that bad, relative to other investment risks. High-end foreclosures are happening at amazing rates as (see page 2)

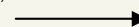
Appreciation & foreclosures rise >>

**W H A T I S M A R K E T K N O W L E D G E
W O R T H ?**

Many people are wondering if there is a need for competent real estate assistance in a market like we're in. After all, there are fees for our services. I respond, as you might expect, with a resounding "yes!" In our current market you can sell your home yourself or even

work with an agent that isn't qualified to help you but you will likely find you gave up thousands of dollars while trying to "save" money. Those of us that have lived in or been in real estate in this area for a long time are amazed at the prices we're seeing for our

homes, but this reward is coming due to exposure to the whole market, preparation of seller's homes, experienced negotiating and proper pricing from the outset. You don't want to be comparing your home to homes that sold 6 months ago, the standard line



APPRECIATION AND FORECLOSURES BOTH ON THE RISE?

many home owners have turned to less reputable lenders and lender programs to try and solve their financial problems. Since they haven't changed the conditions that caused the financial problems, they soon find their homes aren't worth as much as they were appraised for, their loan payment balloons or rate increases come due and they lose their home, even in the face of fantastic

price appreciations and strong market sales. It is an unusual combination of events that is increasing and driving more investors in to our local market from around the country and the world. Those of us fortunate enough to own our homes and enjoy financial stability are benefiting from this price escalation and the financial equity it provides. Will it burst, stop or continue to climb on? As for

foreclosures, they will continue to rise as interest rates creep up, more balloon payments come due and lender policies continue to relax in response to the general decline in refinances. As for home appreciation, I expect we'll see that continue but not as robust as the pace we've seen in the past 12 months. Is it a bubble that will burst? Not likely as buyer demand continues to grow.



Expect to see a continuing rise in home prices and foreclosures for the next 2 years.

Selling a home may be easy, but selling it for maximum value, on a schedule you desire is more difficult than it appears.

A COMPETENT AGENT SHOULD SAVE YOU MONEY AND GRIEF

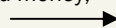
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for pricing homes. You need to focus on homes that sold last week, in the last month or that are for sale today. To do otherwise will likely result in under pricing your home. Yes, it will sell, but you will likely give away 3-10% of your home's value. As well, if you aren't fully exposed to all active buyers in a busy market place, how do you know

you got "the right" buyer, the one willing to pay top dollar for your home.

Next is the process of receiving offers, comparing relevant factors, negotiating the best deal and knowing that it will close. Many offers are being written with escalator clauses, where a buyer says they will beat any other written offer by X amount, up to a maximum

price of \$XXX. Many sellers, and unwise agents, will jump at these offers; but these sales don't always close as the buyer's lender wants to see a supporting appraisal. Often these escalated values can't be supported and if your buyer, like many out there, is buying zero down, you're stuck selling your home again. This may well cost you money,



MANY BENEFITS TO BUYER AGENCY

So, the market is crazy, prices are escalating to seemingly insane values, multiple offers are on every home, loan rates are rising and affordability seems almost out of reach. But you want to buy a home anyway. Join the crowd. All of these factors are contributing to

the insanity and yet also to the desire of more buyers to "get in before it's too late". While most of us can look for a home on line, or driving neighborhoods, talking to friends, family and co-workers, it is a much different scenario when we want to actually buy one. My pre-

shopping appointment now is much more focused on how to win in this market and on you understanding why I will only be a buyer's agent for you. The law allows me to represent buyers, sellers or both. I only practice single agency, meaning if you work with me to buy a home,



I help you understand your options in the marketplace.
I wish I had his hair though.

BUYER AGENCY BENEFITS, CONTINUED



With your goals and my team, we'll put the pieces together so you have many happy memories in your new home

When you work with me, I only represent you, whether you are a buyer or seller.

I am only a buyer's agent, representing just your interests, as the buyer. This allows me to help you write the best offer, not usually one with an escalator clause or which has you waiving reasonable contingencies, like inspections or financing. It helps me be a better advocate for you with sellers. I also help you determine the best financing options to keep you comfortable with your new home today and in the future as well as address any other concerns you might have such as finding a competent inspector or coordinating

your purchase with a home sale or other events in your life. I am there, keeping you informed of what to expect and options for actions that help take some of the insanity out of the process, even if not the pricing. My goal is to give you options, educate you on outcomes and put you in touch with competent professionals to help ensure your satisfaction with your new home, its financing, the closing and your move in. I'm on your side, being your advocate and mentor while taking care of the multitude of details along the way.

COMPETENT PLANNING IS ESSENTIAL TO SUCCESS

time, inconvenience and a lot of grief; not to mention a home that you may have been planning on moving into when yours closed. Scenarios like these play out daily in our business. Home owners or inexperienced agents, not familiar with the market or alternative solutions can walk you right down this seemingly golden path. I help you make better

decisions on offers that meet your goals and realize all your home's real market value.

Yes, competent help does come at a cost, but in our current market I can make my sellers more money than they think they will save. You need someone who is "in" the market daily to see what other buyers and their agents are

seeing, advising you on price adjustments as needed, preparing your home to sell, conveniently, on your schedule and ensuring your home maximum exposure to all of the buyers in our marketplace. With 19 years of experience in our market, I'm prepared to design a selling strategy to meet all your home selling needs and concerns. Call me.

Taking the highest offer may be a mistake. Compare all of the offer's terms before deciding.



BUBBLE, BUBBLE, DOES IT SPELL TROUBLE?

So everyone wants in to real estate and prices are escalating rapidly but there must be a ceiling, right? Have we passed it and we just don't know it? Am I paying too much for this home? These are very normal questions and quite well founded, given the losses many of us sustained in the stock market over the past few

years. There must be a ceiling but it may be considerably higher than where we are. Relative to other major metropolitan areas, our home prices are still extremely affordable. Our land values are continuing to rise, due to the Growth Mgmt Act, environmental constraints, zoning and use issues plus our traffic snarls which

push up closer-in land values and therefore new home pricing. This also makes the in-fill of small developments and tear downs of existing homes more feasible. All this drives up the costs of new homes which moves up the ceiling for resale home values. Combined with increases in the local population, jobs and salaries the bub-

ble theory seems to have burst. If our interest rates stay relatively stable and these other factors continue, our local market has no bubble to worry about.

Call me to discuss any real estate concerns you have. I'm available and I'd be honored to help you. Paul Isenburg

**Paul Isenburg, Certified Residential Specialist
Associate Broker**

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Windermere Real Estate-Yarrow Bay
3933 Lake Washington Blvd NE
Kirkland, WA 98033

Office Phone: 425-822-5100
Fax: 425-827-3400
E-mail: pauli@windermere.com

Paul sells the most important homes, YOURS!!

My office moved one building south from our long time location. Please note the new address if you are mailing to me. If you were coming by to see me, you drive to the exact same area and we are now the building on the left instead of on the right, as you enter the parking areas. My phone, fax and email information remain the same.

I strive to build my business on referrals from my satisfied past clients, like you. I would appreciate your help to make this happen.

A R E N E W F I N A N C E O P T I O N S R I G H T F O R Y O U ?

In the past few years a couple of options have gained a strong market share in our local and national real estate markets. First are interest only loans. These are as simple as they sound. You pay the interest only on your loan with no amount going towards principal reduction. In a strong appreciating market these can be very attractive. Some lenders have variations that don't require even all of the interest due to be paid and allow borrowers to change their payment every month. These loans are great for people with strong future earnings. If you know you will have a jump in your earnings but want to buy today, then it's a great loan. If you're doing it with

no expected jump in earnings or poor job stability, you need to beware. They can still work well for you, but you need a well thought out plan.

A second choice is for zero down borrowers. There are many ways to do this, but should you? Again the issues become one of expected earnings, alternative investment returns, and your intentions with this purchase. In our current market conditions both of these can be great programs for many, as your equity will grow, even if you're not paying down the balance. What both of these loan types indicate most is the need for a real loan consultant, not just someone that will loan you money. A professional who will look at

your big financial picture and guide you to the right loan program. While 15 or 30 yr fixed were considered the right choices in low rate times, there are now so many choices you need to balance the money you have, what you want to buy and borrow, other anticipated expenses, anticipated income and other assets you already have. They used to say "It's not your father's Oldsmobile", it is no longer your fathers home loan either. Loan programs are available for any scenario you can imagine, with lower fees and rates than you might expect. Call me for a referral to a lending expert that can customize the right loan for your needs and budget. Thanks again, *Paul*