

July 2005  
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**Interesting Market Statistics to Know:**

<i>InVENTORY Avg. for '05</i>	<i>1.9</i>
<i>Previous 5 Yr Avg.</i>	<i>4.14</i>
<i>(in months)</i>	
<i>Eastside homes for sale under \$350K</i>	<i>Down 75%</i>
<i>compared to 2004</i>	
<i>\$350-500K</i>	<i>-61%</i>
<i>Eastside House Inventory</i>	<i>-29%</i>
<i>Median Price: \$491,824</i>	<i>+9.5%</i>
<i>Eastside Condo Inventory</i>	<i>-58%</i>
<i>Median Price: \$229,902</i>	<i>+2.8%</i>
<i>Seattle House Inventory</i>	<i>-15.4%</i>
<i>Median Price: \$439,500</i>	<i>+14.7%</i>
<i>Seattle Condo Inventory</i>	<i>-36.2%</i>
<i>Median Price: \$283,200</i>	<i>+15.6%</i>
<i>Eastside Houses For Sale</i>	<i>1,647</i>
<i>Eastside Sales YTD</i>	<i>6,845</i>
<i>Seattle Houses For Sale</i>	<i>910</i>
<i>Seattle Sales YTD</i>	<i>4,289</i>
<i>Condo Sales YTD</i>	<i>2,036</i>
<i>Condo Sales Total in '04</i>	<i>2,942</i>

*Summer Market Continues Hot in Seattle Area*

Summer time sizzle isn't just on the grill this year. Historically we have a slow down in sales during our good weather months, but this year continues to amaze and astound us. Our June pending sales were down slightly from May but our closed sales were still up while our inventory declined 2% more from May, 30% from last year. There is a feeling of fatigue among most buyers, sellers and agents in the market but the desire to "sell in time" or find a good home with a good interest rate and payment is still driving the market. Positive migration into our area and a desire for a lifestyle change are the main buyer

forces. Wage and employment rises along with continuing low interest rates add to market pressures. One month's inventory, or less, for homes up to \$750K tells the story most accurately. This means that we're selling as many homes, or more, per month in these price ranges than we bring on for sale. This compares with the 3.5-6 month range we've had over the past six years, which have all been strong activity years. How to succeed as a buyer or seller requires more expertise than years past. High end homes are moving quickly too. As an example, there are 94 homes for sale in Kirkland priced between



*One month or less of inventory in homes priced up to \$750K on the eastside illustrates the market pace.*

\$950K-\$3M, and we've had 24 sales since May 1. We sold 49 homes in this price range in all of '03 and 80 in '04. The market is moving. Are you interested? Call me if you or someone you care about needs assistance. I'd be honored to help.

Enclosed are the football schedules for the local team's coming season. Hopefully we'll have some good games to watch and good teams to cheer for. With lots of new faces for all of the teams, it should be a good season to get out and yell. No not at the team, with the team. Let me know if you need another schedule for your home or office. *Paul*

*Positive Points in the Deluge of Market Data*

So how is any of this good news for you? First and foremost, if you already own a home you've experienced record appreciation rates on value. In some markets and price ranges this is over 20% so far this year. But like the paper profits we had in our stock portfolios in 2000-01 these aren't easily realized if we

don't sell. It is this unsold potential that has been supporting our country since '01. Our positive attitudes and willingness to borrow this equity has pulled our country through and out of a mild recession.

As we go forward we should all expect to see rising interest rates. I expect to see fixed rates

in the 6-6.5% range by early next year; most likely 6.125%. These are still great rates just higher than the past 2 years. Where's the benefit in higher rates? Many investor buyers will get out of real estate. This combined with stock market rises will take some buyers out of the market. This helps in 2 ways. First, fewer buyers makes



*Our market has plenty of resilience for fewer buyers and more quality inventory*

## *Positive Market Implications, cont. from pg 1*

competing for a home easier. Second some of these speculators will be selling homes, increasing our inventory. Wait, do we really want fewer buyers and more inventory? In our current imbalance we can handle this shift. Our sales volume will actually rise with more inventory as we still have high pent up demand for more good homes. With inventory down 36-75%, we've got lots of room to improve inventory without harming pricing. This

won't pop any bubbles but actually improve the market. Sales will continue to increase with a better inventory of homes and condos for sale.

We had a dramatic stop in condominiums being built due to insurance and construction problems. These woes are being solved and this should help turn around a market screaming for more choices, especially in metropolitan areas.

In-city rebuilding and gentrifi-

cation is becoming a great source of new opportunity for buyers and sellers alike. This could help with urban sprawl.

Lastly, we're seeing some leveling off in new construction pricing as builders recognize the limits of the new home buyer's appetite and tolerance for pricing. Profit margins have been up and while land prices will continue to rise, builders will absorb some of this to keep building going forward.

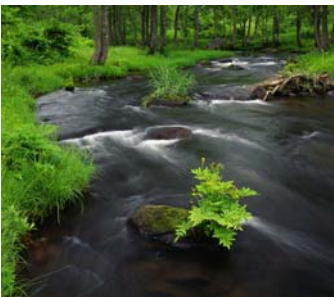
## *Rising Interest Rate Worries? Relax you've got options*

**Rising interest rates mean home mortgage payments will rise between \$140-200 per month for 30 Yr. fixed rate home loans.**

While many of us continue to hear about rates in the 3's or payments of \$1200 for \$400K loans the reality is interest rates are rising. The media has been touting this line since the first of the year while mortgage rates actually fell but since mid-June we're seeing rates rising to the 5.75% range. I expect these to bounce between 5.75-6%.

Effectively this raises a house payment \$197 on a \$500K loan to \$2,958 for a 30 Yr fixed at 5.875% from a 5.25% rate. 15 Yr fixed should stay under 6% and adjustable rates will continue to be desirable for those with shorter term ownership plans or increasing incomes. For those with stable incomes and feeling the pinch of price

increases, we have more loan programs than ever with shorter term fixed periods or even 40 year fixed rate loans. You also have increased home equity, which means a larger down payment, reducing your loan amount, even with our higher home prices. I can help you find the right loan to make your dream home affordable.



*Enjoy our summer weather. Thanks for your time and attention to read this newsletter. Let me know if you have any real estate questions. Paul*

## *Is it too late to refinance your home loan?*

Most of the present refinances will be for people consolidating their total personal debt. This is a great benefit to our home equity increases, provided you don't build back up that outstanding debt. If you have an adjustable rate mortgage and want to just get a 15 or 30 yr. fixed choice, this may still

make sense. You need to consider how long you have had your existing loan, how long is the fixed rate period, if there is one, and how long you plan to own this home or stay in it. While 15 or 30 yr programs sound great, the reality is most of us don't stay in our homes that long or we find a need to

draw out some of our equity, causing us to refinance, even if we stay in the home. If you or someone you care about have concerns about your loan, give me a call. Don't believe the teaser rates you hear. I'll give you some questions to consider and a lender that will help you determine the right choice.