

# Market Talk with Paul

July 2010

An insider's look at the current housing market conditions

## Quick Market Stats

- Median Eastside house price: \$553,772 up 1.2% from '09
  - Median closed price for Eastside is off 1% at \$530,667
  - Eastside home sales up 33% YTD
  - June sales off 20% from '09
  - Median Eastside Condo price: \$292,589 up 6.6% from '09
  - Eastside condo sales up 39% YTD but off 21.2% for month of June
  - Median Seattle house price: \$471,614 up 12.5% from '09
  - Seattle home sales up 12.8% YTD but off 25.2% vs. June '09
  - Median Seattle Condo price: \$309,278 up 1.8% from '09
  - Seattle condo sales up 18% YTD but off 29.9% vs. June '09
  - 31% of Eastside sales in 1st quarter were short sales or foreclosures
  - Average Days on Market: 109
  - Months supply of inventory: 6.13 vs. 4.48 for June of '09
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- **Interest Rate Options**
  - 4.5% 30 Yr Fixed
  - 3.75% for 15 Year Fixed
  - 4.125% for 5 Year Fixed up to \$!M

## It's Time for Football!

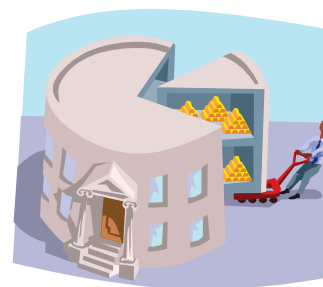
It's time for some yelling, cheering and screaming for the home teams. Use the schedule to plan some time for friends and family gatherings. It's really tough to be a serious sports fan in the north-west, so let's hope our football teams can give us something to celebrate and cheer for. We need it. Go Hawks, Dawgs, Cougs!

## When Will Real Estate Get Back to Normal?

I hear this question quite often but the answer is a bit more complicated. What's your definition of normal? We are in a normal market, right now, by many standards. Overall sales to inventory are a bit slow compared to our last 20 years, but not by much. Most neighborhoods and price ranges have sales in the 15-25% of inventory range, where 20-25% is our normal sale range. Even in our heated markets, where it seemed everything sold in hours to a few days, the reality was that we still only hit around 55% of the inventory selling in 60-90 days. We are still seeing a small percentage decline in home prices in most areas; along the lines of 1/2% per month or every

2 months anyway. That's much better than the 20% we saw decline in 2008 and another almost 10% in 2009. There are lots of conflicting data on the market, see the stats on left. Some show we're still sitting on the edge of another price decline as Washington has a larger segment of pre-foreclosed or bank owned homes that are not yet on the market. Yes, this affects many to all price ranges and neighborhoods, but not equally in all areas. To counter that, others will point to data that shows the Greater Seattle area being one of the strongest, most diverse economies in the country; offering better wages and a more stable job climate which does help stabilize

home prices and demand. So who's right? When will prices return to their 2007 levels? Who knows,



Wondering when your home's value will quit being sliced away? We all are.

but 2007 prices weren't normal and aren't coming back for the foreseeable future. Given our present national and international economic conditions, getting homes to appreciate, period, is a more realistic goal.

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## Real Estate After the Buyer Tax Credit

The Government tax credit for first time buyers or those that have owned their home at least five years expired at the end of April. Now what? Predictably sales have slowed but mostly in the lower price ranges. While the most active

price range had been homes under \$500K, under \$400 in most areas, now we're seeing homes priced in the \$500-750K range being the most active. This isn't that surprising as those with the tightest budgets couldn't pass up the \$8K tax credit

and bought. Now, it's buyers looking for specific homes and great interest rates that are the most active in the marketplace. Yes, we still have many looking for a "deal" rather than a "home" but I think they're missing the real opportunity to live in the

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## When Will Real Estate Be Normal? continued

Appreciation is happening in many areas around the country; mostly in areas least affected by the rapid rise in home values. Today, in our region, the more appropriate questions are, depending on your perspective, if you knew your home would be worth 8% less next year would you sell it today? Or, if you knew your new house payment would be 10% higher next year, would you put off making a buying decision today? If you'd be selling and buying, you can see how both of these questions would impact you. So what's the right next move?



Are you living in the home and neighborhood you want to be in?

That depends on what is going on in your life, the specific circumstances and changes taking place now and how you view your future. There isn't a right or wrong answer; only better questions to consider in helping you determine what makes the most sense for you. I expect these same questions and circumstances will be with us for the next few years while we work on getting all the economic uncertainties around the region, state, country and world more in focus. We won't solve these problems by then but maybe with some plans and some consensus we can create stability and a more secure sense of the future. So if you, or someone you

care about, have big changes going on now or are anticipating them in the next year, give me a call to discuss the right questions and find the right answers for what your next move should be. If selling and buying aren't right for you, you still may want to consider the opportunity to refinance your home to reduce your payment, payment term and interest rate; any of which could save you thousands in the long run. Refinancing doesn't normally make sense if you think you'll sell within the next 3 years, but if you're making the decision to sit still, maybe refinancing to save you money or offer you options to remodel or add on to your home is a worthwhile consideration. Give me a call for a reliable lender for you.

## Real Estate After the Buyer Tax Credit continued

home and area they really "want" to live in. Most neighborhoods have seen home prices fall back to 2005 price points. Yet in 2005 we were considered fortunate to get an interest rates in the 5.5% range. Today we're a full percent below that. That's the equivalent of another 10% lower purchase price or 10% lower monthly payment. While no one knows when home prices will rebound or rates rise, prudent judgment indicates that it is a good

time to find and buy *the* home in *the* neighborhood you've really wanted to live in. Yes, home prices will likely continue a slow decline in value but if you're living in the home and location you really want to be in, at an interest rate that is the lowest in almost 60 years, are you really as concerned about the home's value in the next 2 years? Most of us would say no. We'll be more concerned with getting the right home and location we really

want for the long haul at the most affordable payment we've seen in decades. Some might say, "well yeah but I still missed out on the tax credit". Yes, you did; but most sellers are agreeing to match that figure to achieve a sale. We're seeing a 2.5-4% differential in sales price to asking prices this year. This means you'll get your "tax credit" upon closing rather than when the IRS deems you worthy and processes your refund claim.

## Closing Thoughts on Market Uncertainties

We are living in interesting times. For all of the scholarly knowledge of our information age, we have no real model for accurately predicting the future. Global economics, political influences, sovereignty issues, currency questions, wars and social threats have created a new matrix of variables unlike any in history. What does this have to do with real estate? The credit crisis was part

reality, banking and government policies that were insane, and part fear by banks of how bad things could get. This fear has now created new laws and regulations, attempting to remove some uncertainties. Sadly they've not, but still the new rules exist. Despite some headlines, money is available to lend for buyers with good credit and verifiable income and assets. There are loans

available for as little as 3.5% down and reliable lenders are getting loans closed in 45 days. Don't let stories of appraisal issues or nightmare lender conditions scare you. The tighter standards are improving the quality of the loans which is helping investor's confidence and in turn helping keep our interest rates lower. Let me know if you have questions; I can help and I'd be honored to do so. *Thank you.*

*Paul*