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September 3, 2015

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Opinions vary on possibility of a housing slowdown, but numbers show solid activity

KIRKLAND, Washington (September 3, 2015) – Some brokers from Northwest Multiple Listing Service detected a slowdown in housing activity during August, “but nowhere near what is typical,” according to one industry veteran. Among MLS leaders who commented on the service’s latest report, expectations for the remainder of 2015 ranged from one who predicted “we’re on the cusp of a slowdown,” to others describing activity as “torrid” and saying “sales will continue at a fast pace.”

Newly released statistics show solid gains for several indicators used to track activity, including pending sales, closed sales, and median prices.

For the fifth month this year, pending sales system-wide outpaced the number of new listings added to the inventory. During August, members reported 10,603 mutually accepted transactions and 9,921 new listings. That new listing total for the 23 counties in the MLS service area was the lowest level since February.

“The velocity of sales activity continues at a very fast pace with pending sales eclipsing new listing inventory. This sales activity is keeping the selection of available properties at historic lows,” commented John Deely, principal managing broker at Coldwell Banker Bain. He said the low listing inventory continues to impact some sub-markets, including Seattle’s where multiple offers and escalation clauses are “the rule rather than the exception.”

Like new listings, total inventory also declined. At the end of August, Northwest MLS members reported 20,749 total active listings in its database. That reflects a slight drop from July’s total selection of 21,069, but a 23.3 percent decline from the year-ago inventory when there were 27,060 homes for sale.

Supply, as measured by months of inventory, showed slight improvement in August, inching up to 2.38 months overall. That’s up from July’s figure of 2.24 months. In King and Snohomish counties, supply remained well under two months. Many industry analysts use a range of four-to-six months as an indicator of a balanced market.

“The biggest challenges our buyers face are the lack of inventory and the quality of homes to choose from,” said MLS director George Moorhead. Sellers who have been “pushing the pricing envelope too hard are experiencing pushback from buyers as their homes sit on the market,” according to Moorhead, the designated broker and owner at Bentley Properties.

Commenting on prices, which showed year-over-year gains in most areas, Moorhead reported mixed outcomes. “We have been seeing price reductions more frequently during the normal slower market times of summer, but well-priced homes in desirable areas are still drawing multiple offers and offers above the listing price,” he explained.

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MLS figures show last month's closed sales of single family homes and condominiums had a median selling price of \$315,000 area-wide for a 9.6 percent increase from a year ago. Ten counties reported double-digit gains, including King County where the median price was \$450,700. That translates to a 13.2 percent increase from the year-ago figure of \$398,000.

The volume of completed sales, numbering 8,718, jumped more than 12 percent from the year-ago total of 7,775 closings. Single family homes accounted for more than 85 percent of the total transactions.

Single family homes in King County sold for a median price of \$499,950, just below the figure of \$500,000 the MLS reported in June, believed to be an all-time high for the monthly reports. Year-over-year prices for this segment jumped 14.4 percent.

For condos, both the volume of sales and selling prices showed sizable gains from a year ago. The overall number of condo sales rose from 1,026 to 1,248 for a 21.6 percent gain. Condo prices surged 17 percent, rising from \$221,000 to \$258,750.

In King County, where 60 percent of condo sales occurred, the volume was up nearly 21.7 percent. Median prices increased 19.7 percent from a year ago, rising from \$249,950 to \$299,250.

"I don't think any real estate market/economy can sustain steadily increasing prices like we've seen without a leveling or a drop-off of sorts," cautioned Gary O'Leyar, designated broker/owner at Berkshire Hathaway HomeServices Signature Properties and a past chairman of the Northwest MLS board.

"As Seattle home prices reach (and in some cases exceed) the 2007 peak, I believe more potential sellers will gradually consider selling," O'Leyar stated, adding, "Since the post-2007 recovery period I think many property owners have been waiting to recapture lost equity. If that has been the obstacle for some sellers to enter the market, we are reaching that point of value/equity recovery."

Another industry leader also commented on a possible leveling of activity.

"Given the seasonality of real estate and low inventory levels, I think we're on the cusp of a slowdown in the housing market," stated OB Jacobi, president of Windermere Real Estate. "The continued double digit increases in home sales simply cannot be sustained unless we see inventory growth," he emphasized. That is unlikely, he suggested, "since we're entering the time of year when fewer people list their homes.

Brokers in Snohomish County were mostly upbeat about the market.

"There were slight slowdowns but nowhere near what is typical," remarked Diedre Haines, whose experience in the industry dates to 1976. "Multiple offers continue, interest rates are still low, economic forecasts for Snohomish County remain strong and inventory is still needed," she reported.

"Recent volatility in the stock market has had little if any negative impact on our local real estate activity," stated Haines, Coldwell Banker Bain's principal managing broker for South Snohomish County. More and more investors are returning to real estate as being the best investment they can make, she noted. Commenting on a clause from the preamble to the Realtor® Code of Ethics, which states "Under all is the land" she added, "As we all know, it is impossible to create more of it!"

David Maider, owner/broker at Windermere Real Estate in Everett, said the market in Snohomish County "continues at its torrid pace," bolstering his observation by citing MLS data. The latest numbers show pending sales in that county increased more than 17 percent from a year ago, with closed sales jumping nearly 24 percent.

Maider, a member of the Northwest MLS board of directors, said the primary market drivers include a general lack of supply across all price points (less than two months worth of inventory), historically attractive interest rates, and a very tight rental market. "Multiple offers are commonplace," he reported, suggesting buyers should be prepared to be decisive and to propose compelling terms to the seller. "This is not a market for sitting on the fence," he emphasized, adding, "We are seeing a very active market, even in higher price points."

Dick Beeson and J. Lennox Scott echoed the optimism.

"The number of buyers in the market place today leaves little doubt that third quarter sales will continue at a fast pace," stated Beeson, principal managing broker at RE/MAX Professionals in Tacoma.

"Conditions are optimal for the home buying surge in the Puget Sound Region to continue, due to job growth and historically low interest rates," suggested J. Lennox Scott, chairman and CEO of John L. Scott. "We can also expect the severe shortage of homes for sale close to job centers, and in the more affordable and mid-price ranges in all Puget Sound markets, to persist," he added.

Scott suggests the fall season will create new challenges for home buyers. He expects price appreciation to remain consistent as inventory continues to decrease, noting new listing inventory historically drops about 50 percent in the winter months.

Northwest MLS brokers continue to remind sellers about the consequences of overpricing and to caution would-be buyers about the pitfalls of overextending themselves.

"Accurate pricing remains critical," emphasized Deely, a director with Northwest MLS. "The market is reacting quickly to accurately priced listings but overpriced ones are sitting with little activity."

Looser lending criteria is one such pitfall. "One trend we are seeing, sadly enough, is a return to some of the 'no doc/low-doc' programs with insufficient verification of a borrowers' income, assets or employment.

"Yes, these programs may help less qualified buyers attain the dream of homeownership, but they could also be their downfall if they stretch too far without enough foundation to maintain financial security," he suggested.

Buyers, sellers and brokers are expressing some frustration with the fast-paced market.

Getting offers accepted, and then getting the transactions to close can be frustrating, according to Haines. She expects forthcoming changes affecting mortgage lending will offer "more positives than negatives."

"Finding a buyer for a property remains the easy part. Getting a sale to closing remains very difficult," said Beeson. "More often than not, lenders, appraisers, inspectors and new Federal RESPA (Real Estate Settlement Procedures Act) regulations appear at times to do all they can to ensure closing *doesn't* occur. Brokers sometimes overcome tremendous obstacles to help the buyers and sellers get to closing. . . Success comes after a lot of hard work," he added.

Speculation around the direction of interest rates may also be fueling activity, according to some brokers.

"With the Federal Reserve reticent about raising rates due to international instability, U.S. homeowners will enjoy the benefit of continued low single-digit rates," said Beeson.

"There is a general conversation -- and expectation -- that interest rates will be on the rise, and that is spurring buyers even more to find the perfect home before rates go up," said Moorhead. He expects interest rates will be one percent higher a year from now. "That will continue to push buyers to aggressively find the right home which will continue to push inventory levels downward."

Some potential purchasers may be retreating to the sidelines in hopes the competition will ease.

“Some buyers are becoming discouraged and calling it quits after losing in the multiple offer market. However, positive housing news like dropping mortgage rates continues to bring new prospective home buyers and sellers into the market,” reported Deely.

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 23,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 23 counties in Washington state.

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Sources quoted * denotes current member, Northwest MLS Board of Directors

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Statistical summaries follow

Statistical Summary by Counties: Market Activity Summary – August 2015**

Single Fam. Homes + Condos	LISTINGS		PENDING SALES	CLOSED SALES			*Months of Inventory	
	New Listings	Total Active	# Pending Sales	# Closings	Avg. Price	Median Price	This month	Same mo., year ago
King	3,618	4,352	3,879	3,333	\$551,016	\$450,700	1.31	2.07
Snohomish	1,609	2,536	1,634	1,442	\$371,989	\$347,800	1.76	2.65
Pierce	1,569	3,307	1,722	1,352	\$281,959	\$250,000	2.45	3.34
Kitsap	493	1,033	557	409	\$314,262	\$259,950	2.53	3.89
Mason	116	563	174	114	\$193,789	\$175,000	4.94	6.64
Skagit	232	637	245	186	\$283,863	\$260,000	3.42	4.76
Grays Harbor	161	645	162	107	\$137,293	\$133,900	6.03	9.60
Lewis	141	604	139	111	\$182,721	\$168,000	5.44	7.42
Cowlitz	167	414	172	118	\$192,850	\$180,000	3.51	4.98
Grant	127	501	93	89	\$189,962	\$175,000	5.63	6.78
Thurston	495	1,158	523	404	\$268,019	\$248,450	2.87	3.83
San Juan	42	394	42	31	\$572,277	\$433,100	12.71	18.17
Island	197	576	235	173	\$339,436	\$303,000	3.33	5.21
Kittitas	101	473	112	93	\$270,571	\$225,000	5.09	8.03
Jefferson	68	360	91	74	\$306,862	\$271,270	4.86	10.12
Okanogan	47	466	49	39	\$204,827	\$177,500	11.95	16.59
Whatcom	384	1,247	405	368	\$300,094	\$280,000	3.39	5.31
Clark	42	104	53	40	\$270,904	\$252,500	2.60	3.67
Pacific	60	332	67	53	\$149,723	\$130,000	6.26	11.60
Ferry	6	67	1	3	\$186,633	\$166,900	22.33	86.00
Clallam	92	322	78	74	\$241,615	\$225,750	4.35	6.88
Chelan	82	327	74	43	\$290,963	\$259,900	7.60	6.71
Douglas	44	120	52	29	\$257,097	\$265,000	4.14	6.00
Others	28	211	44	33	\$179,882	\$145,000	6.39	5.98
MLS TOTAL	9,921	20,749	10,603	8,718	\$395,316	\$315,000	2.38	3.48

**Please note: 1) Starting January 2015, statistics for Chelan and Douglas counties appear on separate lines, instead of being part of the "Others" data. 2) Months of inventory are calculated using active listings/closed sales.

4-county Puget Sound Region Pending Sales (SFH + Condo combined)

(totals include King, Snohomish, Pierce & Kitsap counties)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	3706	4778	5903	5116	5490	5079	4928	5432	4569	4675	4126	3166
2001	4334	5056	5722	5399	5631	5568	5434	5544	4040	4387	4155	3430
2002	4293	4735	5569	5436	6131	5212	5525	6215	5394	5777	4966	4153
2003	4746	5290	6889	6837	7148	7202	7673	7135	6698	6552	4904	4454
2004	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
2005	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
2006	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
2007	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
2008	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
2009	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
2010	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
2011	4272	4767	6049	5732	5963	5868	5657	5944	5299	5384	4814	4197
2012	4921	6069	7386	7015	7295	6733	6489	6341	5871	6453	5188	4181
2013	5548	6095	7400	7462	7743	7374	7264	6916	5951	6222	5083	3957
2014	5406	5587	7099	7325	8055	7546	7169	6959	6661	6469	5220	4410
2015	5791	6541	8648	8671	8620	8608	8248	7792				