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Seattle area sees surge in new homes

After a long, recession-induced hiatus, Seattle-area builders are starting to build houses again.

It's another facet of the local real-estate market's modest recovery in 2012. Sales volume is up, in part because of record-low interest rates. Prices have bounced back from last winter's post-bust lows.

Experts generally anticipate more of the same for 2013.

New-home construction is on a pace this year for its best showing since 2007. Builders and analysts expect that surge, too, will continue into the new year.

"I don't know what's driving it — pent-up demand, or job growth, or something else — but the market is strong. Land prices are climbing," says Bill Hurme of Kirkland new-home marketing firm TeamBuilder JLS.

Through October, local governments in King County had issued about 3,300 building permits for new houses, the U.S. Census Bureau estimates.

That's up 36 percent from 2011 — and up a whopping 99 percent from 2009, when new construction hit bottom.

It's still nowhere near the heated pace of the pre-bust years — local governments issued more than 4,600 single-family permits during the first 10 months of every year from 2002 through 2007.

But builders aren't complaining.

Observers attribute the resurgence in homebuilding to several factors, including at least two that are particular to this recovery:

- While overall home sales are up, the number of houses listed for sale — old and new — has hit its lowest level since at least 1999. That's partly because many homeowners and potential sellers still owe lenders more than their houses are worth.

"The builders can sense what everyone else can sense — that there's not a lot of inventory out there," says real-estate blogger Tim Ellis of Seattlebubble.com.

"It's kind of a no-brainer" that they would build more houses to help fill the gap, he adds.

- Since the recession, national homebuilders have jumped into the Greater Seattle market in a big way, bringing a different mindset and resources that may not have been available to small local builders who once dominated the scene.

"They filled a void," Todd Britsch of New Home Trends, a Bothell research and consulting firm, says of the national builders. "Without them, we wouldn't have been able to keep up with demand."



(206) 999-6937

(206) 526-5544

rturner@windermere.com

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SEATTLE EVENT CALENDAR

HOT CHOCOLATE 15k/5k

March 3, 2013 – Seattle, WA

Join your fellow runners, walkers and chocolate lovers for the most scrumptious post race party in the nation!!! Hot Chocolate and Fondue will only be the icing on the cake.

Location:

Fisher Pavilion
Seattle Center
305 Harrison Street
Seattle, WA 98109

Date & Times

Fri., March 1, 2013 - 10am – 8pm
Sat., March 2, 2013 - 10am – 6pm

Course will start and finish at the Seattle Center*

5K start time – 6:45am* 15K start time – 7:40am*

*start times subject to change

NORTHWEST WOMEN'S SHOW

March 1-3, 2013
CenturyLink Field and
Event Center - Downtown Seattle

This 3-day Women's Show will feature seminars on health, wellness & finance; fashion shows; cooking demonstrations. Past celebrity appearances featured the world-famous Richard Simmons ... Anne Rule ... Susan Powter ... and Martin Yan.

Additional show activities include demos on faux painting, home repair and tools just for women.

Northwest Women's Show hours are
Fri 11 AM - 7 PM, Sat 10 AM - 6 PM,
Sun 10 AM - 5 PM. Tickets are \$15.

Big national volume builders are less sensitive to the vagaries of the local marketplace. "They were put on the planet to do one thing," says Seattle land-use economist Matthew Gardner, "and that's build stuff."

During the recession's darkest days they could self-finance and pay banks cash for foreclosed lots, when many smaller local builders probably would have had trouble qualifying for loans.

Home equity values roar back

With all the depressing reports about the "fiscal cliff" and potential roll-backs in tax benefits for homeowners, you might have missed some of the positive trends under way for real estate.

Start with homeowners' equity. It's growing again significantly after five years of declines and stagnation.

This is a huge piece of good news that hasn't received the attention it deserves.

After hitting a low of \$6.45 trillion in the final three months of 2011, Americans' combined home equity jumped nearly \$1.3 trillion during the next nine months to \$7.71 trillion — a 20 percent gain — according to the "flow of funds" quarterly estimate released in December by the Federal Reserve.

A homeowner's equity is the difference between the market value of his or her house and the amount of mortgage debt it is carrying. If your real estate would sell for \$400,000 and you have a mortgage balance of \$200,000, your equity is \$200,000.

Equity is a key measure of wealth — often the largest single item on a family's financial balance sheet — and the Federal Reserve tracks the estimated equity holdings of millions of owners to come up with its quarterly numbers.

As recently as 2007, homeowners' collective equity exceeded \$10.2 trillion. Between that year and late 2011, owners lost nearly \$4 trillion in real-estate wealth.

So the \$1.3 trillion turnaround during the first nine months of 2012 was a big deal.

It reflected the first sustained rebound in home prices in a long time in many — though not all — local real-estate markets.

In a study released just before Christmas, researchers at Seattle-based Zillow.com found that of 177 major metropolitan markets, 135 had experienced net increases in cumulative home values during 2012.

Even if you have negative equity, it's likely that, thanks to appreciation in your area and your continuing payment of principal on your mortgage, your equity position improved.

What's causing price surges like these in cities that cratered just a few years back? Part of it is a recognition by buyers, including investors, that prices hit bottom and won't drop any further.

The intrinsic economic values of houses and land simply exceeded the near giveaway, foreclosure-sale prices prevalent in the post-recession years. Now prices are correcting upward as buyers come back into the market.

But something else has been at work: Virtually all major real-estate markets across the country have seen declines in the availability of homes for sale, in part because some sellers still fear they won't get a good price, and because in some areas large numbers of potential sellers are still underwater on their mortgages.

In Seattle, there were 43 percent fewer homes listed for sale toward the end of 2012 than the same time the year before. In San Francisco, the deficit was 41 percent, Los Angeles 37.5 percent, metropolitan Washington, D.C., around 28 percent.

Fewer listings mean more competition for what's available for sale on the market, sometimes multiple offers, higher prices, and even the return of escalation clauses in contracts, where buyers' offers contain automatic increases in multiple bid situations. That's already well under way in parts of California, the Pacific Northwest and Washington, D.C., among other areas.

Ultimately higher prices should begin to persuade more sellers to list their homes, pushing inventory higher and creating a healthier, more balanced real-estate environment for 2013.

2013: Another Good Year for Housing

Posted in Market News by Matthew Gardner

Well, the time has come again to polish up the old crystal ball, gaze into it, and see what's in store for the housing market in 2013.

Having spent long hours staring into the mists, it appears as if this year will be about as easy to predict as last year. Not because of any fundamental change in the housing market itself – although I do see plenty of adjustments afoot – rather the future is clouded because of the prevailing fractured political environment.

That said, here is what I am looking for this year.

1. Interest rates are likely to stay at close to historic lows at least through the middle of this year. Inasmuch as there are some mumblings from members of the Federal Reserve relative to a slowing down in Qualitative Easing (which is basically the printing of money which is then added to the economy in order to stimulate growth) before the end of the year, I do not see this as putting rapid upward pressure on interest rates in the near-term. That said, I do think that they will start to come off their current lows, so now may well be a good time to lock in.
2. Housing prices have bottomed out and we will continue to see appreciation in values across the board in 2013. The caveat here is that we are unlikely to see the kind of upward pressure in values that was seen in 2012. Unless we see a rapid increase in inventory levels, look for more modest price increases – but increases we will certainly see.
3. In 2012, many were heralding the veritable tsunami of foreclosed homes that were certain to come to market and cause a rapid reversal in price gains. This, of course, did not happen. Many may remember the huge numbers that were being bandied around as to the number of foreclosed homes that were supposedly heading our way. I personally heard numbers as high as five million units. Now that the smoke has cleared somewhat, the numbers are becoming a little clearer.

With a shadow inventory of around 2.3 million units of pending supply, I am actually not too worried at all. We need to get these homes to market and sold, and we will. It's just a matter of how long it will take. With over half of these homes delinquent, but not yet subject to foreclosure proceedings, I believe there will continue to be a shadow well into 2014.

That said, demand from the investment community, as well as from buyers who are not finding sufficient choice in the non-distressed market, should continue to reduce the number of distressed properties.

4. Household formations should start to increase but this will not be enough to get the homebuilding industry back into full swing. Many builders are still uncertain, and while they see a supply/demand imbalance in the market, they have not yet pulled the trigger and gotten back to full production. This is likely to remain the case in 2013.
5. There are several buyer groups that are expected to make an entry into the market in 2013.

EMERALD CITY COMICON

March 1-3, 2013

**Washington State Convention Center
Downtown Seattle**

An estimated crowd of over 20,000 people are expected to attend the annual Emerald City Comicon. This three-day event features everything from games, fun tournaments, panels, exhibitors and artists - to celebrity appearance by Lexa Doig, Patrick Stewart, Gillian Anderson and many, many more.

Comicon hours and ticket prices are: Fri 2-8 PM (\$25), Sat 10 AM - 7 PM (\$35) & Sun 10 AM - 5 PM (\$25). 3-day passes are \$65.

IRISH FESTIVAL

March 16-17, 2013

**Seattle Center
Downtown Seattle**

Irish tunes, step dancing and the Irish jig breathe Irish spirit and life into the Irish Week Festival. Festival-goers can participate in Gaelic games, trace their own Irish history with the help of genealogists or take Irish language lessons. Enjoy movies, cultural exhibits and demonstrations, mingle with Irish celebrities and have a great time. Presented by the Irish Heritage Club of Seattle.

ST. PATRICK'S DAY PARADE

March 17, 2013

Seattle Center

Starting from 4th Ave at Jefferson in downtown Seattle at 12:30 PM... the parade heads north on 4th Ave to the reviewing stand at Westlake Park, with closing ceremonies at 2 PM at Seattle Center.

Entry level buyers - First-time homebuyers have been sitting on the sidelines waiting for a sign that we're at the bottom. As they hear about price increases in their desired neighborhood(s) they are likely to rush to become homeowners.

Move-up buyers - The price appreciation that has occurred in the last year has already lifted over one million underwater homeowners above water, with future price appreciation to lift them even more. Look to see many of them considering trading up.

Move-down buyers - Empty nesters and retirees, who still have equity in their existing home, will think about buying a home that is more suitable to their current lifestyle. This may, or may not, include adult children as well as their aging parents.

Investors - Investors and, yes, even flippers, will continue to grow in numbers as they realize housing is the best risk-adjusted return on their money.

The recovery in the housing market has been a very long time coming, but I believe that it is here to stay, and all things being equal, I expect 2013 to be another good year.

US new home sales jump to fastest rate in 2 1/2 years

Americans bought new homes last month at the fastest pace in more than two and a half years, further evidence of a sustained housing recovery.

Sales of new homes rose 4.4 percent in November from October to a seasonally adjusted annual rate of 377,000, the Commerce Department said Thursday. That's the fastest pace since April 2010, when a federal tax credit boosted sales.

New-home sales have also increased 15.3 percent over the past year, although the improvement comes from depressed levels. Sales remain below the 700,000 that economists consider healthy.

Sales in the Northeast rebounded in November from disruptions caused by Superstorm Sandy. Sales in the region increased 12.5 percent last month. That followed a decline of 27.3 percent in October.

The housing market has steadily improved this year, helped by stable job gains and record-low mortgage rates. More people are looking to buy or rent a home after living with relatives or friends during and immediately after the Great Recession.

Another big reason for the rebound: The excess supply of homes that were built during the housing boom has finally thinned out. Only 149,000 new homes were for sale at the end of last month, according to the report. That's just above a record low of 143,000 in August.

The increase in the supply of new homes for sale was the first sustained rise in five years. Economists said that reflects growing optimism among builders that the housing recovery will endure.

Builder confidence rose this month to its highest level in 6 1/2 years, according to the National Association of Home Builders/Wells Fargo survey released last week.

The pace of home construction is nearly 22 percent higher than a year earlier, according to government data. Builders are on track this year to start work on the most homes in four years.

There have been other signs of a recovery in the housing market.

Home prices are also increasing. The Standard & Poor's/Case-Shiller national home price index released Wednesday increased 4.3 percent in October compared with a year ago. That's the largest year-over-year increase in two and a half years. And prices rose for the 12-month period in 18 of the 20 cities tracked by the index.

Sales of previously occupied homes rose to the highest level in three years in November, the National Association of Realtors said last week.

Though new homes represent only a small portion of the housing market, they have a disproportionate impact on the economy. Each home built creates an average of three jobs for a year and generates about \$90,000 in tax revenue, according to statistics from the National Association of Home Builders.

ROGER TURNER

(206) 999-6937 • (206) 526-5544 • rjturner@windermere.com • <http://www.rogerjturner.com>