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News from NW Multiple Listing Service

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Motivated buyers returning to the housing market

KIRKLAND, WA, February 3, 2011. Dramatic increases in open house activity and shrinking inventory are fueling optimism among members of the Northwest Multiple Listing Service. Commenting on the just-released MLS report on January's housing activity, one director stated, "There is a strong belief in the industry that the worst is behind us and we can look forward with confidence."

Darin Stenvers, managing broker at John L. Scott in Bellingham, who made that comment, also noted consumers are gaining confidence and buyers may be seeing what they believe is the bottoming of the market. "I'm very optimistic about the housing market for 2011 and the buyers and sellers should be as well," he exclaimed.

Year-over-year pending sales were down somewhat, the volume of new listings declined more than 23 percent, sales prices continued to slip, but the number of closed sales increased slightly across the 21 counties in the Northwest MLS service area.

Last month's pending sales lagged totals for the same month a year ago, but only by 186 units system-wide, a decline of about 3.3 percent. Northwest MLS director Matt Deasy, the broker at Windermere Real Estate/East in Bellevue, said he considered anything within 5 percent of a year ago when tax incentives were boosting sales a "home run."

Members reported 5,393 pending sales (mutually accepted offers) of single family homes and condominiums during January. That compares to 5,579 pending sales for the same period a year ago, and marked a big gain from both January 2009 (4,353 pending sales) and January 2008 (4,499 pending sales).

"I expect sales to be soft through April when compared to last year since first quarter sales volume was artificially inflated by the rush to take advantage of the tax credit that expired on April 30," said OB Jacobi, president of Windermere Real Estate Company. "A more apples-to-apples assessment of sales will be to compare first quarter this year with first quarter 2009," he suggested.

Closed sales rose a modest 2.1 percent from a year ago, increasing from 3,142 transactions to 3,207 sales. Prices on those completed sales were down about 6.3 percent. The overall median price for last month's closed sales of single family homes and condominiums was \$243,500, which compares to the year-ago selling price of \$259,903. For single family homes (excluding condominiums) the median selling price was \$250,000, down about 5 percent from a year ago; for condos, last month's sales had a median price of \$200,000, down 16.7 percent from twelve months ago.

Only four counties (Clallam, Cowlitz, Kitsap, and Okanogan) reported year-over-year price gains.

In King County, the median sales price on last month's sales was \$333,500, a drop of 4.7 percent from twelve months ago when it was \$350,000.

Brokers attribute part of the price drop to sales of distressed homes (in general, meaning homes under foreclosure or impending foreclosure).

"Distressed properties are making up an increasingly greater share of sales than a year ago, and that trend is expected to continue," observed Jacobi. Noting the sales price for distressed properties could be 20-to-30 percent less than for normal sales, he said "it's no surprise that a greater percentage of low-priced distressed properties is pulling down the median price."

Whether considering a property classified as distressed or a conventional listing, house-hunters can choose from 32,647 active listings in the Northwest MLS system at the end of January. That selection is 4.7 percent smaller than a year ago when there were 34,256 properties listed with member-brokers.

Not nearly as many newly listed homes were offered for sale last month compared to twelve months ago. MLS members recorded 8,556 new listings, which included 7,167 single family homes and 1,389 condominiums. The combined total is down nearly 24 percent from the same month a year ago when members added 11,206 new listings to inventory.

MLS director Bobbie Petrone Chipman said overall, January was a positive month around Pierce County, where her office is located. Noting that area experienced a 27 percent reduction of new listings, a 2.4 percent increase in pending sales and a 10.8 percent jump in closed sales, Petrone Chipman, co-managing principal broker at Coldwell Banker Bain Tacoma/Puyallup, said the month reflected "a bit more balance as we dip our toe into the new year."

Deasy also expects more balance, with sales more evenly distributed during the year, unlike 2010 when sixty percent of their sales occurred in the first half of the year. He also predicts closed sales will increase year over year, while at the same time pending sales might decrease year over year. This is the result of a higher percentage of pending sales actually closing, he explained, citing various factors. "Banks are better at short sales, brokers are better at short sales, appraisal issues are less frequent, and lending standards are becoming more stable."

Based on anecdotal reports of open house traffic, brokers are hopeful of upticks in sales.

"The buyer activity at open houses in the close in Seattle neighborhoods has increased dramatically in the past month, said Northwest MLS director Mike Skahen. "If there were more good new listings coming on the market there would be more sales," he suggested.

Skahen, the owner/broker at Lake & Co. Real Estate in Seattle, believes the shortage of new listings is causing an increase in multiple offers. As an example, he said a small Green Lake townhouse project that had been on the market for more than four months with no offers finally had one unit sell a few weeks ago. Last weekend four offers came in on another unit. "I have not seen buyers this motivated in three years," he remarked, adding, "Sellers should not wait for spring flowers to bloom to put their homes on the market as they usually do because there is much less competition now than there will be soon."

Industry leaders have recommendations to benefit both sellers and buyers.

Accurate pricing is paramount. "Sellers are learning there is a small window of opportunity to have consumers see their home before ruling it out and moving on," suggested Stenvers.

"My advice to buyers in today's market is to get pre-approved prior to starting their home search in order to avoid any delays that might result from the new lending standards process," said J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. "This way," he explained, "buyers are ready to act quickly when they do find a home on which to make an offer."

As for sellers, Scott said pricing and presentation have never been more important. "Pricing must be comparable with the other properties that have recently sold in their local area and the home must be in pristine show condition from day one."

MLS director Pat Grimm, owner/broker at Windermere Real Estate/Capitol Hill, detected some hesitancy to list properties now. Distressed properties sell for less, but buyers face uncertainty and a long timeframe, he explained, noting the large percentage of distressed properties on the market has resulted in an interesting side effect: sellers of non-distressed properties are having an advantage.

"On one hand, I'm seeing sellers that are hesitant to bring their listings onto the market and compete with the price of short sale properties," Grimm commented. On the other hand, he said buyers are looking at all the inventory and, because of the complications of purchasing distressed properties, are favoring properties that are not short sales or bank owned.

In Seattle, Grimm said the sweet spot is homes priced \$400,000-500,000, in good shape that are not distressed. "They appeal to both first-time buyers and downsizers," he reported, citing two examples: A Capitol Hill home went on the market at \$450,000, received seven offers and sold in a week for significantly more than asking price. In the second example, a View Ridge listing priced at \$499,000 had 25 groups through an open house in a two-hour span. It has a view and a great location above the Burke-Gilman trail. "Both homes were in the \$400-\$500,000 price range, well maintained, and not distressed."

Several other NWMLS directors commented on the impact of distressed properties:

- "We still have the better part of the next five years to work through short sales and bank owned property but this is a start," commented Frank Wilson, branch managing broker at John L. Scott Real Estate in Poulsbo. He described January 2010 as an anomaly due to the tax credit, and said even though last month was down in many respects compared to last year, it better reflects the true market. "It is good to start a new year off without any government incentives and is hopefully the start of returning to normal."
- Some owners are opting to rent their homes as the market recovers. As demand increases and rents rise, investors are returning, said Stenvers. Also emerging is a new group of renters – past owners who lost their home to foreclosure or short sale, he noted, adding, "These renters are willing to sign long-term contracts so they can get their credit rating repaired." For example, Stenvers said his office recently listed a rental. The renters were a professional couple in the midst of a short sale in Florida. "They are looking at a very long term commitment to renting to help them save money and recover from their loss."
- "Buyers are reluctant to look at distressed properties not because of the characteristics of the property, but because of the process," said Grimm. He called the long delays with lenders regarding the sale of distressed properties "a major choke point." Grimm acknowledged there has been significant progress with the banks trying to figure out the situation, but stated, "We're still a long way from making it buyer-friendly."

Figures from the National Association of Realtors® show distressed homes rose to 36 percent of sales of existing homes in December, up from 33 percent in November and 32 percent a year ago. Such homes are typically discounted by 10 to 15 percent, according to NAR research.

Commenting on the volume of distressed homes on the market, Windermere's Jacobi said, "Hopefully new regulations requiring banks to speed up the sales process for distressed homes will help move that inventory more quickly."

Northwest Multiple Listing Service, owned by its member brokers, is the largest full-service MLS in the Northwest. Its membership includes more than 24,000 brokers and agents. The organization, based in Kirkland, currently serves 21 counties in Western and Central Washington.

Statistical Summary by Counties: Market Activity Summary - January 2011

January 2011 Single Family Homes + Condos	LISTINGS		PENDING SALES	CLOSED SALES		
	New Listings	Total Active	# Pending Sales	# Closings	Average Price	Median Price
King	3,311	10,294	2,101	1,259	\$411,353	\$333,500
Snohomish	1,475	4,691	938	533	\$263,195	\$239,000
Pierce	1,345	5,124	985	554	\$225,206	\$200,000
Kitsap	391	1,515	248	145	\$271,257	\$239,000
Mason	130	649	62	34	\$160,849	\$154,250
Skagit	202	1,016	105	81	\$207,543	\$197,000
GraysHarbor	159	874	76	37	\$155,976	\$130,000

Lewis	108	694	63	37	\$169,248	\$165,000
Cowlitz	103	560	72	42	\$163,588	\$154,950
Grant	76	480	39	21	\$175,689	\$153,000
Thurston	385	1,528	241	155	\$225,735	\$214,950
San Juan	30	325	10	9	\$554,480	\$450,000
Island	144	845	68	45	\$290,644	\$258,000
Kittitas	63	386	33	27	\$177,499	\$157,000
Jefferson	48	421	26	24	\$286,345	\$243,500
Okanogan	34	339	8	9	\$188,344	\$159,500
Whatcom	287	1,463	193	110	\$262,916	\$232,250
Clark	87	261	33	21	\$215,401	\$198,550
Pacific	29	315	30	11	\$161,009	\$118,000
Ferry	4	54	0	1	\$85,000	\$85,000
Clallam	62	369	39	21	\$245,690	\$220,000
Others	83	444	23	31	\$176,960	\$157,500
MLS TOTAL	8,556	32,647	5,393	3,207	\$305,428	\$243,500

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											

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