Housing experts say it's time to reset housing policies

Citing "numerous and urgent housing challenges" and describing the nation's housing system as outdated and ill-equipped to keep pace with changing needs, an internationally recognized housing expert said housing deserves the concerted attention of the nation's leaders.

Speaking before a capacity crowd at the Harvard Graduate School of Design, J. Ronald Terwilliger, chairman emeritus of Trammel Crow Residential, noted housing rarely makes the platform of the two major political parties. Addressing the housing deficit needs to be a top priority, not an afterthought, he emphasized.

Terwilliger, a former chairman of both the Urban Land Institute and Habitat for Humanity, said federal policymakers should discard "prevailing orthodoxies" and redirect the government's $200 billion in annual expenditures on housing to support more vulnerable households. In particular, he noted evolving needs due to demographic changes and a burgeoning senior population have enormous implications for housing.

Changing trends will challenge housing policymakers to develop new, more effective strategies, Terwilliger stated, including ways to increase the supply of affordable rental housing to meet the rising demand in the marketplace.

In discussing the rising need for rental housing, Terwilliger reminded the audience of his long career as a real estate developer. "I am not anti-housing," he emphasized, but said changing demographics and needs point to a shrinking rate of homeownership. He believes the new paradigm will be homeownership rates near 60 percent.

Following what he called a quick tour through "housing policy innovations," including the Housing Act of 1949, the creation of HUD, Section 8 programs, the Fair Housing Act, and the Tax Reform Act of 1986 providing for low income housing tax credits, the speaker said the U.S. is facing "another strategic inflection point."

Terwilliger believes changing demographics, particularly around aging and more diverse populations, will require fundamental changes in housing policy "to match the new realities of the marketplace."

According to Harvard's Joint Center for Housing Studies, about 70 percent of the 11.8 million net new households that form in the United States between 2010 and 2020 will be headed by members of minority groups, with much of this growth attributable to Hispanic households. By 2020, minority households are projected to constitute one-third of all U.S. households and a growing share of the younger renter population.

Echo boomers (born between 1981 and 1995, and the children of baby boomers) are a cohort of around 62 million individuals, Terwilliger noted. Having waited on the sidelines during the Great Recession, these individuals are now forming new households. Together with growing populations of Hispanics and other minorities, they will need housing, but tighter mortgage underwriting will constrain their ability to purchase a home.

In discussing the rising demand for affordable rental housing, Terwilliger referenced a much-anticipated report titled *Housing America's Future: New Directions for National Policy.* The 136-page, bipartisan report culminated a 16-month scrutiny of key issues in housing, with the goal of providing "a blueprint for an entirely new system of housing finance for both the ownership and rental markets."

In calling for the new direction, the report described the nation's housing system as "broken," and said the problems are "so significant and so urgent that inaction is no longer a viable option." The publication was produced by the Bipartisan Policy Center's Housing Commission, which outlined key principles for guiding policy changes that would improve "access to homeownership and its considerable benefits" (*see* box).

During his remarks, Terwilliger cited data from the Housing Commission's report, along with statistics attributed to the Joint Center for Housing Studies. Researchers found an "astonishing" one in two rental households is *already* cost-burdened, paying more than 30 percent of household income on rent and utilities, the federal standard for housing affordability.

"A decent home in a suitable living environment should be at the core of our nation's housing policy," Terwilliger declared. He believes a more balanced approach in allocating limited resources is needed. Of approximately $200 billion in housing expenditures, around three-fourths of the money supports homeowners, “despite the fact that homeowners have twice the income of renters. It makes no sense,” he remarked.

“The path forward is clear,” according to the speaker. Terwilliger said wiser, more effective spending is crucial. The approach to subsidizing homeownership should be reformed to help those who truly need help purchasing and sustaining a home suitable for their family. He also supports down payment assistance and subsidized interest rates for first-time, low-wealth home buyers.

“We should then put the significant savings that result to work supporting the (phased-in) production of hundreds of thousands of new affordable rental homes.”

Congress should also preserve and expand the Low Income Housing Tax Credit program, Terwilliger said. “The housing credit works,” he emphasized, adding, “Without question it’s been our nation’s most effective tool in supporting the production of rental housing for low and moderate income families.”

The speaker believes one of the best features of the tax credits is that it engages private market forces while minimizing risks to the federal government and taxpayers. “It is a true public-private partnership,” he noted, saying eliminating it would be “a colossal mistake.”

“I have lived the American Dream,” the speaker told his audience. Based on his decades of experience in both the for-profit and nonprofit sectors, Terwilliger said the most significant impediment for achieving the American Dream for many low income families is the lack of suitably located, affordable housing.”

“It is time to rethink our federal housing policy,” who noted he was the first private sector developer to speak at the annual John T. Dunlop Lecture.

Now in its 14th year, the lecture commemorates the life and work of the late John T. Dunlop, Lamont University Professor Emeritus of Harvard University (1985-2003) and U.S. Secretary of Labor during the Ford administration. Professor Dunlop was also a widely respected leader in the nation’s housing and construction related communities.

Proposed Principles to Guide Policies to Expand Homeownership Opportunities

- A new and reinvigorated commitment to homeownership requires a strong vibrant housing finance system where creditworthy borrowers can get a mortgage, along with responsible lending practices and a stable regulatory regime that provides clear rules of the road for mortgage lenders and borrowers.
- Support a production system capable of constructing homes that will be affordable and suitable for the millions of households who will seek to become homeowners for the first time.
- Make housing counseling and education a central component of any strategy to expand homeownership opportunities, particularly as a means of preparing first-time homebuyers for the financial and other responsibilities of homeownership.
- Mortgage lending, zoning, and land-use policies should support new forms of homeownership that can lower costs and preserve affordable homeownership opportunities over time.

The commission also noted it supports the continuation of tax incentives for homeownership, “but recognizes that, in the ongoing debate over tax reform and budget priorities, all revenue options will be evaluated.”

“Housing America’s Future: New Directions for National Policy”
Housing Commission, Bipartisan Policy Center

Home sales "pause" with government shutdown, but brokers mostly bullish on market recovery

KIRKLAND, Wash. (Nov. 5, 2013) – Home sales "paused" during October but prices continued to rise, according to the latest statistics from Northwest Multiple Listing Service. Commenting on year-to-date totals for 2013 compared to 2012, one industry expert remarked, "I would say the real estate market is recovering nicely."

Pending sales during October dipped 2.7 percent when compared to the same month a year ago, but rose nearly 3.2 percent from September's volume. October's decline was the first negative change in year-over-year comparisons since April 2011. (That drop-off was attributed in part to a frenzy during April 2010 when buyers were scrambling to take advantage of a federal tax credit that was expiring.)

Brokers point to the federal shutdown during the first two weeks of October, below-normal inventory, and shaken consumer confidence as factors in the slowdown.

MLS figures summarizing last month's activity across the 21 counties in its service area show year-over-year improvement in inventory (up 5.5 percent), double-digit increases in the volume of closed sales (up 12.5 percent), and moderate increases in selling prices (up 7.7 percent).

Mike Gain, president and CEO of Prudential Northwest Realty Associates, believes the market has taken a "slight pause," but emphasized one month's numbers don't indicate a trend.

"We are two years into what has been a very steady recovery. It's okay – and actually healthy – to have a slight slowdown," he remarked. The government shutdown "definitely hurt consumer confidence" and put many would-be buyers on the sidelines, according to Gain.

Consumer confidence "deteriorated considerably" in October as a result of the shutdown and debt ceiling squabbles, according to The Conference Board. A recent Gallup poll found some improvement in Americans' economic confidence, but reported it is still well below mid-September, before the shutdown.

Gain said despite improving inventory the limited supply of homes for sale is also hampering sales. "Numerous buyers are looking but just can't find the right home to fit their needs," he reported.

Northwest MLS brokers reported 8,086 pending sales during October, down from the year-ago total of 8,312 sales, but outgaining the number of mutually accepted offers in September by 247 transactions for a 3.2 percent increase. Eleven counties had fewer pending sales last month versus a year ago.

In King and Snohomish counties the "torrid pace" of home sales activity has eased to a "healthy/strong level," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. He believes the housing market is transitioning from a recovery market to a sustainable mode.

Prices on sales that closed last month rose 7.7 percent ($19,375) from a year ago. Area-wide, the median price for single family homes and condominiums (combined) was $271,000.

Homes that sold in San Juan County last month fetched the highest median price at $384,000, up 17.2 percent from a year ago. King County prices were slightly lower at $380,000, about 11 percent more than the median price of a year ago.

For single family homes only (excluding condos), King County prices topped the list. The median price for last month's completed sales was $426,000, or 15.1 percent higher than the year-ago selling price of $370,000. System-wide, the median price for single family homes (only) was $283,000, about 8.4 percent higher than twelve months ago when it was $261,050.

Gain said the increases reflect a healthy and stabilizing real estate market. "It is good to see the prices rising modestly, allowing the market to become more balanced," he stated.

Northwest MLS director George Moorhead agreed, saying more moderate and balanced growth helps “mitigate huge home price fluctuations.” The slowdown is also reflected in the time it is taking listings to sell, he noted. “We are seeing inventory staying on the market longer, which will continue through the holiday season until late January to mid-February,” said Moorhead, the managing broker at Bentley Properties in Bothell.

More inventory is still needed to meet demand, suggested Dick Beeson, principal managing broker at RE/MAX Professionals in Tacoma and a past chairman of the Northwest MLS board of directors. In Pierce County, where his office is located, inventory is about even with year-ago levels, but 2,019 more sales have closed so far this year for a jump of 25.4 percent.

Three counties – King, Pierce and Snohomish – have less than three months of supply, well below the 4-to-6 month level that is generally considered to be an indicator of a balanced market.

“It still looks like a potential housing shortage in Puget Sound come 2015 if building doesn’t increase,” Beeson commented.

At least one segment of the new construction market shows signs of rebounding: condominiums.

“Most residential developers went into hibernation during the real estate bear market of the past five years, but this past month heralded a bullish resurgence of several developments,” said John Deely, a member of the Northwest MLS board of directors. Last month was like spring in the South Lake Union neighborhood, he reported.

Deely, the principal managing broker at Coldwell Banker Bain in Seattle, cited the opening of sales for a new 41-story condominium community and the restart of two other major residential developments as positive indicators. The projects include a high-rise residential development near the Space Needle and the restart of a hotel-condo building in the Denny Triangle area of downtown Seattle. “This is good news as the market is starving for new condominium inventory,” he stated.

Beeson also commented on upticks in condo activity. He said some condo developers who placed units in the rental pool during the 2008-2010 downturn are converting them back to for-sale housing and trying to sell them in today’s improved market. “The price points have still not returned to 2006-2007 levels but the chance to move some product now exists,” he commented.

MLS brokers added more than 1,000 new listings to condo inventory last month, a jump of 24.3 percent from a year ago. Total inventory is 9.1 percent higher than at this time last year. Closed sales during October jumped 15.3 percent, with prices rising about 5.3 percent.

Condos that closed during October had a median price of $200,000. In King County, which accounted for about two-thirds of those sales, the median price was $234,000.

“The real estate market has been moving in the right direction,” observed Gain, adding, “It has been a huge improvement over the past several years.” To underscore his point, he noted pending sales year-to-date are up by nearly 6,000 units (at 5,994) for a 7.3 percent increase. YTD closed sales are already up 10,167 units from a year ago for an increase of almost 19 percent (18.8), and prices are up by $27,000 for an increase of 11.1 percent. “I would say the real estate market is recovering nicely,” he concluded.

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 21,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 21 counties in Washington state.

Statistical Summaries follow…

Statistical Summary by Counties: Market Activity Summary – **October 2013**

Single Fam. Homes + Condos	**LISTINGS**		**PENDING SALES**	**CLOSED SALES**			**MONTHS SUPPLY**
	New Listings	Total Active	# Pending Sales	# Closings	Avg. Price	Median Price	
King	3,047	5,799	3,306	2,798	$461,138	$380,000	1.75
Snohomish	1,217	2,629	1,219	1,041	$293,894	$270,000	2.16
Pierce	1,217	3,571	1,324	1,014	$236,761	$217,898	2.70
Kitsap	400	1,483	373	328	$286,658	$244,975	3.98
Mason	113	710	91	75	$194,380	$165,800	7.80
Skagit	174	796	180	150	$268,572	$232,710	4.42
Grays Harbor	115	757	109	77	$121,497	$118,000	6.94
Lewis	89	696	79	54	$156,788	$148,700	8.81
Cowlitz	111	456	114	107	$172,207	$153,000	4.00
Grant	102	501	74	54	$161,476	$148,000	6.77
Thurston	380	1,276	370	302	$222,805	$203,495	3.45
San Juan	27	389	22	25	$450,260	$384,000	17.68
Island	150	757	139	112	$270,065	$255,000	5.45
Kittitas	64	440	57	60	$238,981	$201,675	7.72
Jefferson	52	428	58	38	$259,120	$267,000	7.38
Okanogan	54	482	34	23	$211,470	$128,000	14.18
Whatcom	272	1,440	276	280	$282,221	$249,000	5.22
Clark	60	207	55	36	$269,104	$239,000	3.76
Pacific	44	429	37	31	$142,745	$124,000	11.59
Ferry	8	69	2	3	$89,667	$79,000	34.50
Clallam	56	397	63	58	$216,245	$200,000	6.30
Others	142	679	104	86	$222,125	$194,500	6.53
MLS TOTAL	**7,894**	**24,391**	**8,086**	**6,752**	**$339,607**	**$271,000**	3.02

-

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		

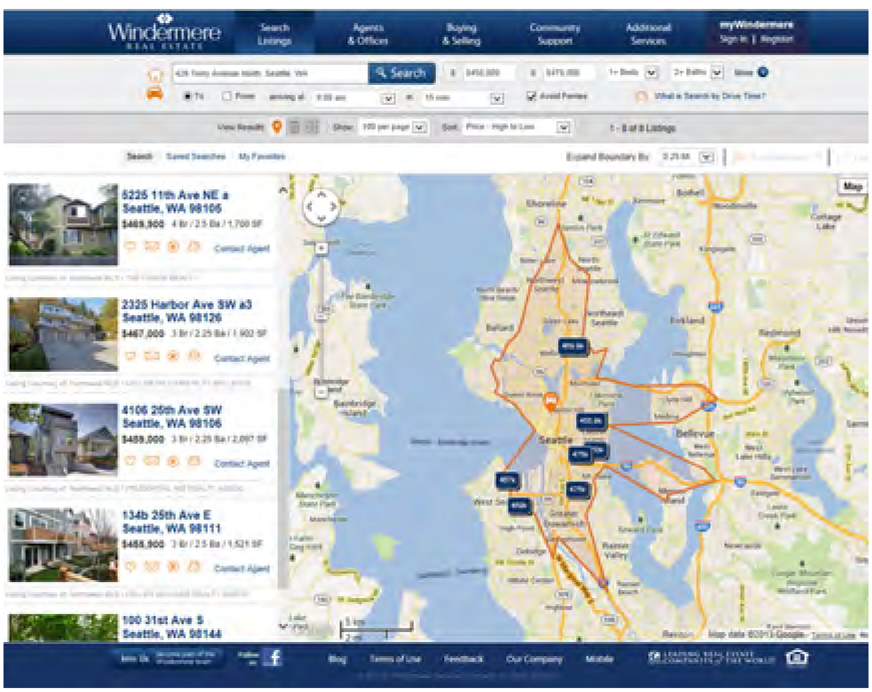
Kirkland company unveils improved tool to monitor traffic speeds and snarls

In a quest to "break free from shackles of traditional traffic technology" and to help cities cut costs for traffic-monitoring infrastructures, INRIX introduced XD™ Traffic, a new service to improve traffic technology for the world's one billion drivers.

A free mobile app for consumers' smart phones promises to empower drivers with real-time traffic information and to improve urban mobility. The tool takes into account traffic congestion, road construction, accidents and alternate routes.

Based in Kirkland, INRIX officials say their company's "extreme definition" service (XD) will cover more roads with greater precision than any other provider of traffic data. Using crowd-sourced data from millions of places, the company says it can now detail traffic speeds in 800-foot increments, and on smaller, less busy roads not covered by competitors.

"Future mobility depends on all drivers, transportation agencies, and news organizations having access to detailed, up-to-the-minute insight into what's happening on every road, everywhere," said Bryan Mistele, INRIX president and CEO. "Just as INRIX revolutionized mapping and navigation with crowd-sourced traffic information and traffic influenced routing, we're doing it again with INRIX XD Traffic."



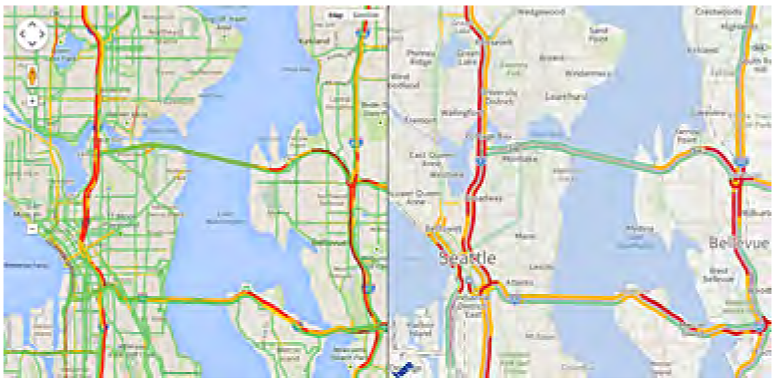
When unveiled in late October, the robust snapshot of traffic information covered 4 million miles in 37 countries. The enhancement added a million miles of roads to its coverage area.

Unlike government traffic tracking methods, INRIX's data platform does not rely on sensor networks that are usually found on the busiest roads. Scott Sedlik, VP of product planning for INRIX, outlined features and advantages of its technology in interviews with GeekWire and Automotive World. By fusing together information from multiple sources, including smartphones, fleet vehicles, and GPS navigation systems, INRIX can determine actual speeds and is able to quickly identify accidents, road closures and "smarter driving decisions."

As an example, Sedlik said when the bridge in Skagit County collapsed last May, INRIX monitors detected an abrupt stoppage of traffic flow data and decided to close the bridge on their maps, then validated the cause of the disruption with Washington DOT cameras. It reported the anomaly and closure a half-hour before competitors.

"In a world measured in miles, INRIX is measuring in minutes," said Roger Lanctot, senior analyst at Strategy Analytics. "Traffic is the single most important telematics application and INRIX XD Traffic is the first service with the potential to help the industry deliver on the promise of real-time navigation. Without reliable and accurate traffic data, it is impossible to determine the best routes, accurate arrival times, or even vehicle range based on fuel resources."

INRIX spun out of Microsoft Research more than eight years ago and now has 300 employees. Its clients and partners include the automotive market, mobile enterprises, fleets, news media, the government/public sector (including Washington's Department of Transportation), and real estate businesses.



INRIX believes it can save governments and transportation agencies money by providing "real-time, predictive and historical traffic information, and real-time incident and weather safety alerts unlike any others," and as a maintenance-free alternative to building infrastructures. In Seattle, for example, the mayor proposes an expenditure of $1.6 million to improve access and traffic flow in the Central Business District by installing 75 street sensors and 32 closed circuit TVs to monitor traffic and hiring additional engineers.

Another industry it targets is real estate. Earlier this year, INRIX partnered with a real estate company with offices in 10 states to introduce "Drive Time," a platform that uses crowd-sourced information from a community of approximately 100 million vehicles and devices. With this tool, drive times between listed homes and destinations such as offices and schools may be calculated in 15-minute increments. INRIX notes a recent study by the National Association of REALTORS® shows that 73% of new home buyers consider drive time to work as a key buying criterion.

INRIX is one of the fastest growing big data technology companies in the world. The company leverages crowd-sourced data and sophisticated analytics to reduce the individual, economic and environmental toll of traffic congestion. In introducing its XD Traffic service, the company said it will help "more than 150 million drivers save time, fuel and frustration."

Photos courtesy of INRIX

Builders Bullish on Local Real Estate

Four distinguished panelists spoke in mostly upbeat tones as they discussed recent successes and challenges as well as their outlook for the future. Appearing at the annual John L. Scott Builder Breakfast were Joseph McCarthy from Stoel Rives, Peter Orser from Weyerhaeuser, Marc Rousso from JayMarc Homes, and Joseph Strobele from the LEXAS Companies.

In opening remarks before a capacity crowd of builders, developers, bankers and brokers, J. Lennox Scott, chairman and CEO of John L. Scott Real Estate, provided a snapshot of the market, comparing activity in the four-county Puget Sound region, and contrasting inventory and prices to 2007, when the market peaked.

Moderator Gordon Prouty, publisher of *Puget Sound Business Journal*, invited the panelists to set the stage for the discussion by providing a quick synopsis of their own backgrounds and situation.

Peter Orser, the president and CEO of Weyerhaeuser Real Estate Company (WRECO), said the first two quarters of 2013 were “very, very strong.” He believes we’re “on the way to a slow and reasonable recovery,” and said he is “really excited about next year.”

Joseph McCarthy, a partner in the real estate and construction group at Stoel Rives, noted renewed interest in condominium and multifamily development, and also used the word “exciting” in his outlook.

Marc “Captain Vision” Rousso of JayMarc Homes reflected on his decade of experience in sales with John L. Scott before moving on to become a land developer and home builder. During the downturn, he went three years with no paycheck and found fundraising to be “a huge challenge.”

He also shared his company’s core values for providing customers with “the best new home building experience,” saying he believes these values have helped propel JayMarc’s growth.

Joseph Strobele, the co-developer of ESCALA and the co-founder and president of the LEXAS Companies, discussed how both his military background and work on the services side of real estate in banking helped prepare him for his current role.

Prouty then asked each member of the panel to discuss current successes and challenges.

For Strobele, getting sites proves to be challenging. McCarthy mentioned the re-emergence of condo developments as a positive. Orser said WRECO, through its homebuilder subsidiaries (including Quadrant in the Puget Sound region), is rebounding and anticipates selling 3,000 homes this year. Rousso said financing is a source of both successes and challenges, but expects a new CFO will help the company better match growth and execution.

The moderator also asked panelists for their perspectives on the local economy, and how it differs from other markets.

Orser described Seattle as “a very unique spot” with a red-hot economic engine. Texas stands out as the best place to do business. “They support free enterprise,” he declared.

In response to another question, the panelists offered comments on taxes and regulations.

McCarthy, whose law practice encompasses multifamily, condominiums and planned communities, noted the rollout of the Rental Registration and Inspection Ordinance in the City of Seattle as an example of a new regulation. The program is intended help ensure rental housing meets basic safety and maintenance requirements With it, he expects a ramp-up of enforcement mechanisms for tenant complaints, even though RRIO does not cover complained-based enforcement of City housing standards. He also mentioned the SeaTac wage initiative, and noted an emerging trend of “wage- theft” complaints and lawsuits on non-unionized real estate sites, which will likely raise costs.

Orser expressed frustration about timelines for obtaining building permits. “No one is home to process them.”

Strobele said “everything is taking longer.” In downtown Seattle, it’s inspections, while on the Eastside, growth is straining infrastructures.

As for costs for construction materials and labor, Orser reported many items are more costly, including concrete, lumber and labor, but relationships have enabled WRECO to manage them. A bigger challenge he cited is getting workers for the residential construction industry, and suggested vocational opportunities are needed. Rousso echoed that comment, noting during the downturn, the labor force moved to other industries, and has not returned.

For Strobele's projects, costs for materials have not increased as much as labor, in part because they tend to purchase bulk quantities of appliances and other needed items for large-scale projects.

In summarizing the discussion, the moderator noted challenges are apparent, but said he also detected a lot of optimism.

The ever-optimistic Lennox Scott wrapped up the meeting with comments on the evolving role of technology in today's real estate arena, noting more than 90 percent of buyers use the Internet at the outset of their search. In response to consumers' rising preference for using mobile devices in their search, he showcased his company's a real-time GPS Home Search App. Regardless of the platform, buyers are empowered and "it's all about the photos," Scott remarked.

Scott also expects next year to be a transition time for real estate and his company's network of 110 offices and 2,500 brokers. He believes the market will transition from recovery mode to a sustainable level.

Editor's Note:

http://www.bizjournals.com/seattle/morning_call/2013/11/weyerhaeuser-selling-homebuilding-unit.html?ana=e_sea_rdup&s=newsletter&ed=2013-11-04

Weyerhaeuser Co. said it's selling its homebuilding unit to Tri Pointe Homes Inc. of California for $2.7 billion.

Home Prices Rebounding, Bargains Elusive

"Home prices have come back strong," according to veteran real estate consultant John Burns, CEO of a California firm that bears his name.

Burns illustrated his optimism in a recent blog that compared price-to-income ratios for 21 housing markets his company tracks. In 20 of those markets, including Seattle, the ratio of median home price to median household income now exceeds historical averages.

For Seattle, John Burns Real Estate Consulting found a current average of 5.8, up from the historical average of 4.1. San Francisco, at 11.1, had the highest ratio. Its historical average, using data since 1981, is 7.4.

In the U.S., the current price-to-income ratio is 3.7, up from the historical average of 3.1. Among the 21 markets in the survey, only Atlanta's ratio of 2.0 dipped below its historical average of 2.1.

Burns noted mortgage rates remain near historical lows and said his firm remains optimistic on the future of home prices and housing construction, but acknowledged housing bargains are hard to find. He tempered his optimism by acknowledging it is founded more on "assumed low mortgage rates, solid economic growth, and low new home supply than it is on household income growth and solid demographics."

John Burns Real Estate Consulting conducts housing market research, analysis and consulting for builders, developers, banks, lenders, investors and building product manufactures.

Why Can't Everyone Just Do His or Her Job?

The Setting: A high tech conference facility in the Silicon Valley
The Event: A strategic leadership conference sponsored by one of the country's leading MLS operations.
The Scene: The conference participants include some of the most engaged and enlightened industry leaders in the country. They are nearing the end of the first day of a two-day high intensity interactive program designed to prepare them to make a series of decisions that will reconfigure their organization and allow it to move to the next level. Within the past several hours, conference participants have heard from...

- Jeremy Conaway on current industry strategies and tactics
- Stefan Swanepoel on industry positioning
- Curt Beardsley on current interactive industry relationships
- Robert Bailey on the Art of Visioning
- Chris Crocker on the expanding role of portals
- Marilyn Wilson on the growing influence of consumers

From these presentations they have learned that some combination of the following constituted the industry issues and challenges of the day.

- The Realty Alliance (representing the 70 largest brokerages in the country) is preparing to take their current and potentially destabilizing MLS/public facing website initiative to the next level
- The Consumer Financial Protection Bureau (CFPB) has prepared a portfolio of 972 new regulations, many of which will take effect in January of 2014. In their present configuration these regulations will significantly change the eligibility and procedures for many mortgage transactions.
- There is increasing evidence that the Consumer Financial Protection Bureau (CFPB) may extend its regulatory program to the real estate transaction. The CFPB is currently blanketing the mortgage industry.
- The "off MLS" marketing epidemic continues to grow in markets across the country. There is increasing evidence that this situation will damage the effectiveness of the MLS, the agent value proposition and public confidence in the real estate market.
- Portals appear to be winning the race for the consumer's eyeballs and are accordingly becoming more and more powerful in the real estate marketplace.
- Boomers seeking to save money for retirement and "X" and "Y" generations trying to stretch their purchase cash are raising the probability that a "do it yourself" assisted transaction program will be introduced.
- Increasingly the 80 million strong "Y" Generation is finding itself locked out of the American Dream of home ownership. Rising mortgage rates, student loan debt and lower employee compensation is driving this trend.
- More and more agents are promoting themselves as "Portal Agents" thus weakening the power and influence of the brokerage industry. The portal agent is the fastest growing sector in the industry. Associations and brokerage will have to come up with ways to manage and coordinate this element.
- The agent value proposition, long held secret from the real estate consumer, has come under significant pressure from portals, empowered consumers and supporting technologies are increasingly given consumers the impression that agents are not required for much of the transaction.
- By and large traditional brokerages are choosing not to respond to the circumstances outlined in trends 1 – 9 above and are choosing to pursue traditional systems and practices.

The Defining Moment:

Given the natural course of events it was time for the participants to hear from and about the brokerage community around which many of these issues revolve. Selected to provide this crucial perspective was John Thompson, Founder and Executive Vice President of Intero Realty Services, one of the largest brokerages in California.

This was a tense moment in the program. No one in the room was taking or making any bets with respect to what direction John would take. Would he be critical of the growing role of associations and MLSs? Would he take this opportunity to call out the portal sector for their contributions to the current confusion? Would he offer a menu of change for the brokerage community, assert the correctness of their current stance or make excuses for their apparent position?

Those who know John or of his leadership style know that he is a very dynamic individual. I recently had the privilege of spending time in his office discussing issues and observing his management style. His immediate peers and sphere of responsibility includes some of the most successful real estate service and management personalities in the country. Watching him work is like watching an admiral on the bridge of his flagship during a major operation. His knowledge of the current business situation is total and his command instincts are instant, flexible and most impressive. Moreover, what becomes quickly obvious is that his troops possess and demonstrate a level of respect that is most uncharacteristic of our industry.

So given this situation and these facts John takes the floor and delivers an absolutely compelling, relevant and to the point presentation.

With respect to the portals one must keep in mind that while their “5 point” analysis is entertaining it is really just another way to describing how to pick the “low hanging” fruit. The portals have wisely elected not to get their hands dirty with the real day-to-day business of parenting and protecting real estate transactions. There isn’t a brokerage in the country that wouldn’t love to take this position. However, it is the nature of things that sooner or later one must address the fruit at the top of the tree and that which has fallen to the ground. This is where the real and long term challenge lies and this is where brokerage firms are making their stand.

Sure, many brokers are envious of the position taken by the portals but each, at some level, understands what is necessary to succeed in the long run.

Since when, he asks, is this industry uncomfortable with people who are knowledgeable and informed? He points out that among his team are some of the most knowledgeable and informed people he has ever met. Being knowledgeable and informed is a way of life for his team member in everything they do both professionally and personally. The challenge is to learn how to recognize this new consumer and how to work with them at the level in which they want to interact.

With respect to the amazing range of new technologies and tools that are being made available to real estate professionals, John suggests that adaptation goes to the very spirit of the American experience. It shouldn’t be seen as a threat, but, rather as an opportunity. He sees on a daily basis the benefits of adaptation to the firm and agent bottom line.

He then carefully reviews and articulates the points, arguments and challenges that have been repeated in one way or another by virtually every expert and every speaker during the day. He pauses for a moment and then makes his winning point. “It appears to me that if every agent and broker just did their jobs that these problems and these complications would disappear overnight.” Why can’t we just do our jobs and get on with it?

A standing ovation follows.

Thanks John. What more can one say?

News In Brief

- **Bellevue has been named one of the Top 100 Best Places to Live by Livability.com, a national website that ranks quality of life amenities of America's small and mid-sized cities.** Livability.com partnered with Richard Florida's Martin Prosperity Institute, the world's leading think tank on the role of location, place and city-regions in global economic prosperity to produce its inaugural Top 100 Places to Live. The Top 100 Places to live was a month's long study of more than 1,700 cities and the factors that make them the best places to live, work and play. The factors included 8 categories – economics, housing, amenities, infrastructure, demographics, social and civic capital, education and healthcare, which were used to determine each city's LivScore. Palo Alto ranked #1 and Bellevue ranked #12. Other cities in Washington among the top 100 include: Bellingham (#25), Tacoma (#41), Redmond (#62), Everett (#73) and Vancouver (#96). See the entire list at Livability.com/top-100-best-places-to-live.
- **New England has the largest average lot size for new homes, nearly five times the size of lots in Washington and Oregon, according to data from the Census Bureau's Survey of Construction.** The median lot size for single-family homes that began construction in 2012 was three quarters of an acre in the New England area compared to 0.14 acres in the Pacific Division, which includes Washington and Oregon.
- **Dwell Development (Seattle), LLC, was named U.S. Department of Energy Challenge Home 2013 Winner in this year's Housing Innovation Awards.** This year's Challenge Home pushed builders to building homes which met a HERS score of 50 or less. This means the home is 50% more efficient than homes built to existing code. Dwell Development's Passive House achieved a score of 45.
- **Though Americans have expressed optimism about the housing recovery over the last few months, their feel-good attitudes took a turn for the worse in the run-up to the government shutdown, Fannie Mae reported in its latest National Housing Survey.**
  The percentage of Americans who say they believe home prices will increase over the next 12 months fell from 55 percent in August to 52 percent in September. And 63 percent said they believe mortgage rates will keep rising, and all-time high for the survey and an uptick from 60 percent in August. Still, 72 percent say it's a good time to buy a house, and 38 percent say it's a good time to sell, according to the survey.
- **King County posted the highest wage growth among the nation's 10 largest counties in the first quarter,** according to data released last month by the Bureau of Labor Statistics. Average weekly wages in King County rose 1.6 percent from a year earlier to $1,288 for the period ended March 31, led by solid growth in the professional and business-services sector. King County ranks as ninth-largest job market nationwide.
- A report commissioned by advocates for the aerospace industry estimates that **Boeing directly and indirectly injected $70 billion into the local economy last year.**
- According to a report issued last month by Dupre + Scott Apartment Advisors, this year **developers in the tri-county region will open about 7,500 new apartment units.** That's the highest level since 1991, but not a record.

Calendar of Events - Through January 23, 2014

Dates	Event	Clock Hours	Time	Location	Contact
SEATTLE-*King County* REALTORS®					
12/17	Affiliate Council		9am-10am	SKCR	425-974-1011
12/24-25	Holiday		Office Closed		
1/1	Holiday		Office Closed		
1/8	Board of Directors		10:30am-1:30pm	SKCR	425-974-1011
1/20	Holiday		Office Closed	SKCR	425-974-1011
1/23	Legislative Hill Day		All Day	Red Lion Hotel Olympia	425-974-1011
For updates visit: www.nwrealtor.com and click "events"					
SNOHOMISH COUNTY-CAMANO ASSOCIATION OF REALTORS®					
For updates visit: www.sccar.com and click "events"					