Rodents, regulations contribute to dwindling supply of housing lots

Rodents and regulations are among factors contributing to a shrinking supply of buildable land and rising housing costs, according to experts who spoke at a recent real estate summit.

Housing supply needs to be a top legislative priority for state and local leaders, stated Shannon Affholter, executive director of the Master Builders Association of King and Snohomish Counties, which organized the event.

In comments and documents provided to the summit's 400 attendees, Affholter referred to "trends, options and legal hurdles" and noted an "explicit link between the availability of buildable lands and housing affordability."

Affholter, a former Everett city council member, emphasized the importance of "finding a path forward" to ensure the area's housing needs are met. (Puget Sound is forecast to grow to 5 million people by 2040.) The region "must do a better job of utilizing existing land supply and infrastructure to meet current and future housing demand." He called upon state and local leaders to make housing supply a top priority.

To frame the discussion for the half-day housing summit, representatives of the National Association of Home Builders provided an overview of the economic impact of homebuilding in King and Snohomish Counties, and presented NAHB's national perspective of land supply issues. Speakers from NAHB were Kevin Kelly, chairman of the National Association of Homebuilders (NAHB) and Dr. David Crowe, the NAHB's chief economist and senior vice-president.

Todd Britsch, Northwest regional director for Metrostudy (and former president of New Home Trends, which Metrostudy acquired in mid-September) provided a snapshot of the region's land supply and pricing.

In King County, the price of a finished lot has jumped from $134,516 in 2012 to $185,555 in mid-2014, a jump of nearly 38 percent. His figures show Snohomish County prices have surged 44 percent during the same period (*see chart*).

Commenting on the data, Britsch told the audience, "We're seeing lot prices absolutely skyrocket, and the numbers are staggering. It's a long-term issue and we have to address it sooner rather than later," he said. "And if we don't, the Puget Sound region is going to become the next San Francisco Bay Area, where only the 'elite of the elite' can afford to own a home."

Average Finished Lot Prices, 2009 – 2014(Q2)

County	2009	2010	2011	2012	2013	2014 (Q2)
King	$100,963	$116,005	$82,493	$134,516	$142,489	$185,555
Kitsap	$89,873	$75,308	$43,127	$46,637	$49,715	$76,255
Pierce	$71,724	$48,253	$44,545	$47,115	$62,980	$81,368
Skagit	$106,829	$194,376	$60,405	$64,957	$52,010	$132,541
Snohomish	$90,119	$70,747	$60,939	$72,394	$99,920	$104,294
Thurston	$62,015	$46,183	$32,474	$31,809	$45,711	$56,122
Whatcom	$81,615	$70,968	$66,378	$61,684	$71,168	$96,454
Regional Avg	$86,163	$88,834	$55,766	$65,587	$74,856	$104,656

A Metrostudy analysis of 5-year lot supplies shows the Puget Sound area is facing critical shortages of land supply, which will lead to further price escalation and housing shortages. Based on projected population growth and housing demand, King County has 3.87 years of supply remaining. In Snohomish County, the projections show only 3.29 years of supply.

In his remarks, Britsch acknowledged other factors that are hampering the housing recovery, and offered several "crystal ball trends." He expects national builders will continue to control 35-to-40 percent of the market, but expects smaller builders to reenter the market. Median prices for homes in Puget Sound will rise upwards of 10 percent ('although they should not," he commented) and buyers will migrate north and south in search of affordability. Britsch also predicts a slight downturn in sales volume in the next few years due to higher interest rates.

Britsch and subsequent speakers also mentioned potential consequences of recent protections for four species of pocket gophers under the Endangered Species Act. The protections could affect developments and permitting in Pierce and Thurston counties, where the gophers are found. Property owners who disturb the animals' habitats without approval of the U.S Fish and Wildlife Service risk federal penalties.

Nancy Bainbridge Rogers, another speaker at the summit, discussed legal challenges to creating supply. A land use attorney at Cairncross & Hempelmann, she noted the GMA-mandated Buildable Lands Reports generated periodically by counties fail to provide a full and accurate picture of future trends.

"The reports compare housing targets to the actual growth. The reports must determine whether sufficient land exists to accommodate population projections," she stated, adding, "Unfortunately, the reports are not required to include a feasibility component or an assessment of affordability."

A lively panel discussion focusing on legislative solutions included Senator Joe Fain of Auburn (R-47th District); Senator Marko Liias (D-21st District), from Mukilteo; Representative Jay Rodne of Snoqualmie (R-5th District); and Representative Larry Springer (D-45th District), from Kirkland. Other participants included homebuilders Mark Kaushagen of the Pulte Group and Lynn Eshleman from Pacific Ridge Homes.

Individual panel members cited specific action items that could advance the goals of housing availability and affordability, including:

- coupling housing demand with affordability in future planning;
- passing a transportation package and infrastructure financing bill;
- comprehensive review of the Urban Growth Boundary and its possible expansion;
- requiring cities in King and Snohomish counties to do a planned action on remaining undeveloped lands to assess infill housing opportunities;
- eliminating redundancies in the review and permitting process, and establishing a meaningful time limit in which permits can be outstanding.

The event was supported by presenting sponsor Puget Sound Energy along with Cobalt Mortgage, Bill Korum's Puyallup Nissan, Regence and the MBA Health Trust.

The Master Builders Association is a trade association made up of approximately 2,700 member companies involved in the residential construction industry. It is the nation's oldest and largest local home building association affiliated with the National Association of Home Builders.

Home sales stay strong, but prices approaching "affordability ceiling" for some buyers

KIRKLAND, Washington (Oct. 6, 2014) – Pending sales of homes around Western Washington surged more than 13 percent in September compared to a year ago, and listing activity picked up slightly, fueling both broker optimism and words of advice for sellers.

Along with increases in the number of mutually accepted offers, the latest report from Northwest Multiple Listing Service shows year-over-year gains in the number of closed sales (up 4.6 percent) and prices (up 2.5 percent). Inventory for its service area, which encompasses 21 counties in Western and Central Washington, declined slightly (just under 1.2 percent).

Commenting on September's activity, industry veteran Gary O'Leyar said he expects the Greater Puget Sound real estate market will maintain a "healthy glow" in 2015 so long as there is no radical increase in interest rates. "I foresee a general leveling off in overall market activity as prices approach the affordability ceiling for many buyers," remarked O'Leyar, the designated broker/owner of Prudential Signature Properties in Seattle.

Northwest MLS members reported 8,875 pending sales during September to outpace the year-ago total of 7,839 pendings. The volume tapered off about 5 percent from the August figure of 9,342 mutually accepted offers. All but one of the 21 counties served by the MLS reported year-over-year increases.

The number of closed sales for September also rose, climbing from 6,711 a year ago to 7,020 for a 4.6 percent increase. Prices on those sales were up 2.5 percent.

The median price on last month's closed sales of single family homes and condominiums was $285,000, which compares to the year-ago figure of $278,000. Five counties reported double-digit increases (Grant, Jefferson, Kittitas, Lewis, and San Juan). King County prices jumped 9.1 percent from twelve months ago, rising from $384,925 to $420,000.

The median price for September's single family home sales (excluding condos) rose more than 2.2 percent, increasing from $291,000 a year ago to $297,500. In King County, the surge was 9.5 percent.

OB Jacobi, president of Windermere Real Estate, noted luxury home sales in the Greater Seattle area have been very strong, with agents reporting stiff competition in certain segments of the market, especially for homes over $2 million. “I attribute this to Seattle’s economic boom, which is attracting an increasing number of high-paying, executive level professionals and international interest,” he remarked.

Despite keen interest in high-end homes, overpriced homes will not draw offers, cautioned Northwest MLS director Diedre Haines. “It is extremely important for sellers to know if their house is overpriced, it may not garner offers and will eventually sell for below market,” she declared, adding, “This is an absolute that has always been the case, in all market conditions, and all locations!”

Haines, who is regional managing broker for Snohomish County at Coldwell Banker Bain, described some of the newer inventory as not saleable or overpriced. “Today’s buyers are more savvy and educated regarding market values, so correct pricing has become the key factor in selling a home.”

(Industry insiders say poorly maintained homes, homes in undesirable locations, and overpriced properties are sometimes considered unsalable.)

Another MLS director, George Moorhead, expects to see slight value increases, but slower sales volume as the year winds down and into 2015. “What we are seeing is market correction and a balance of pricing, inventory levels and overall market health,” commented Moorhead, the designated broker and owner of Bentley Properties/America’s Home Caretakers in Bothell.

Brokers added 8,878 new listings to inventory (359 more than a year ago), but offers were made on nearly the same number of homes (8,875), so supply remains tight in many areas. At month end, Northwest MLS members reported 25,717 active listings, slightly fewer than twelve months ago when inventory totaled 26,014 listings for a decline of nearly 1.2 percent.

Supply (months of inventory) remained below the four-to-six month level that many industry experts say reflects a balanced market.

For the market overall, MLS figures show about 3.7 months of inventory. In King County, there is only about 2.3 months of inventory, and in Snohomish County it’s slightly more than 2.8 months.

Frank Wilson, a MLS director in Kitsap County where there is about 4.1 months of supply, said his analysis shows about one-third of homes sell in the first 30 days after being listed, but about 30 percent of homes don’t sell after six months.

“Even though the market has picked up, it is still important to price your home at or close to market value, otherwise buyers move on to purchase another home,” Wilson suggested. “We are seeing a trend of buyers who are much more discriminating about what they are buying. Despite not having a lot of choices, buyers are willing to step aside from a transaction after an inspection if the home is not perfect.”

Even though buyers are becoming more selective, Wilson said traffic at open houses remains robust. Commenting on activity, he said they experienced some slowdown in August, “then our market picked up again after school started.”

Moorhead also commented on supply, noting bank owned inventory levels (REOs) have become “lackluster and not anywhere near the investment value they were between 2008 and 2012.”

Northwest MLS director Dick Beeson echoed Moorhead’s observation. “With fewer REOs on the market and fewer investors buying lower-end properties, the median price is ticking up, helping sellers as well as appraisers justify values.” Beeson, the principal managing broker at RE/MAX Professionals in Tacoma, suggested the Federal Reserve’s actions bear watching as it continues “tapering” its bond-buying program (QE3, or quantitative easing) to stimulate the economy, possibly leading to rising interest rates.

Northwest MLS representatives also commented on the impact of international buyers, recent layoffs and new construction on housing activity.

"The influx of buyers from China is very real," observed O'Leyar, who said these buyers are making "very significant purchases of prime properties," with particular interest in homes east of Seattle.

Beeson agreed, saying he expects the international connection between the Northwest and Far East will continue to grow. He believes the widely reported increase in interest from Chinese buyers is partly the result of the Vancouver BC market being so expensive. "Like the San Francisco Bay area, Vancouver was their location of choice," but skyrocketing values in those cities are prompting some to look elsewhere, including Puget Sound.

Parents who are purchasing homes for the kids are another segment contributing to the uptick in sales, according to one MLS director. "We've noticed an increase in parents purchasing rental properties for their children attending local universities as the demand for rental properties has pushed rents to all-time highs," reported John Deely, principal managing broker at Coldwell Banker Bain in Seattle. "Many of the only available rental options are sub-standard or compact, micro-sized 'apodments'" (a term sometimes used to describe compact, one-room housing units).

Commenting on emerging interest in micro-housing, O'Leyar expects some "amicable balance" will be found to accommodate the rapidly accelerating demand for close-in city housing. "Many buyers for these types of micro-housing are very much walking- and non-automobile oriented," O'Leyar noted, adding "that can be a good thing for the environment and traffic congestion."

Haines also commented on new home construction, pointing to activity in Snohomish County. "In 2015 it looks like new homes built by small local builders, as opposed to the national developers/builders, will be on the rise. This is something we have all been waiting for and are excited to see happening," she stated.

MLS officials seem unconcerned about recent layoffs announced by Microsoft, Boeing and other local employers.

"My observation is the Microsoft layoffs are mostly within the Nokia division," commented O'Leyar. "I think given the strength of the Eastside market if there is any impact at all it would be a minimal ripple, maybe only a slightly cooling effect, not any major shift," he stated.

Moorhead agreed. "Area employment reductions with companies have had a negligible effect on home inventory and pricing," he reported.

"The fourth quarter is expected to remain strong despite reports of the region losing jobs from both Boeing and Microsoft," said Haines, who noted reports of employers having difficulty filling several high-paying tech industry jobs. (In July, the CEO of the Washington Technology Industry Association said about 5,000 computer science positions are currently unfilled in the state.)

Another industry expert, J. Lennox Scott, chairman and CEO of John L. Scott Real Estate, shared the optimism about the housing recovery. "As we head into the fall, we expect sales to remain strong – and market conditions are already shaping up for a brisk market starting the first of the year."

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 Summary by Counties: Market Activity Summary – **September 2014**

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	3,578	6,107	3,406	2,690	$507,110	$420,000	2.27	2.24
Snohomish	1,376	2,990	1,328	1,057	$335,843	$310,000	2.83	2.58
Pierce	1,345	4,019	1,434	1,096	$245,564	$225,000	3.67	3.83
Kitsap	381	1,388	493	339	$301,171	$249,950	4.09	5.08
Mason	108	656	103	103	$203,834	$175,000	6.37	11.21
Skagit	199	758	216	169	$243,316	$216,500	4.49	6.73
Grays Harbor	99	760	122	100	$137,248	$134,300	7.60	10.65
Lewis	127	665	98	84	$178,988	$169,950	7.92	10.52
Cowlitz	131	531	120	107	$180,702	$166,000	4.96	5.13
Grant	105	535	80	64	$188,749	$166,000	8.36	7.15
Thurston	406	1,330	411	354	$254,287	$233,700	3.76	4.68
San Juan	24	392	39	24	$582,813	$473,500	16.33	30.71
Island	145	712	190	161	$299,898	$245,000	4.42	6.41
Kittitas	99	541	65	59	$293,923	$237,000	9.17	7.76
Jefferson	66	474	84	56	$291,223	$282,500	8.46	8.44
Okanogan	57	522	34	24	$187,522	$147,500	21.75	13.97
Whatcom	340	1,547	351	296	$282,648	$257,800	5.23	6.19
Clark	48	194	60	51	$267,708	$235,000	3.80	4.43
Pacific	54	422	59	37	$109,573	$107,000	11.41	12.41
Ferry	6	83	4	1	$106,000	$106,000	83.00	17.25
Clallam	59	387	80	50	$244,187	$203,500	7.74	7.75
Others	125	704	98	98	$281,060	$198,500	7.18	8.28
MLS TOTAL	**8,878**	**25,717**	**8,875**	**7,020**	**$362,437**	**$285,000**	**3.66**	3.88

∗ Months of inventory are calculated using active listings divided by 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			

Realtor's murder prompts reminders to re-educate on safety practices

REALTORS® everywhere got a sad reminder of the need to be ever-vigilant when planning to meet clients or show homes. On September 30 -- the final day of REALTOR® Safety Month – the body of Beverly Carter was discovered, shortly after the Arkansas REALTOR® had been kidnapped and murdered.

Ms. Carter, a broker at the Little Rock office of Crye-Leike, was reported missing on Sept. 25 after she was scheduled to meet an unknown person for a showing. Her car, with purse and wallet inside, was found at the home, but investigators found no trace of her or a crime, setting off a widespread search.

Shortly after the discovery of the body, a suspect was arrested and charged with capital murder.

In a statement following news of the tragedy, the owners of Crye-Leike lauded Ms. Carter, calling her a gracious mentor, a top agent, and a loving wife, mother and grandmother. They also expressed appreciation to volunteers who assisted with the search, and to REALTORS® across the country who have reached out in support of the victim's family, friends and colleagues.

The Arkansas REALTORS® Association is collecting donations in Beverly Carter's name through their Hearts & Homes program. For more information, visit arkansasrealtors.com

The latest incident involving a crime against a REALTOR® prompted reminders about the risks of working in real estate, and precautions brokers should take.

Miki Bass, CEO of the Arkansas REALTOR® Association, suggested the days when a stranger calls a number on a sign to have somebody show up and meet you at a vacant home "need to go away." Instead, REALTORS® are being urged to meet prospective clients in their office to complete a Prospect Identification Form and have their driver's license photocopied and shared with a colleague or family member.

In a statement, NAR 2014 president-elect Chris Polychron, expressed condolences "to everyone whose life Beverly touched." Noting he is both a REALTOR® and an Arkansan, the people in his industry face many forms of risk. "As an industry, we collectively work very hard to promote safety awareness among our members. We are fully committed to educating REALTORS® about potential threats and providing them with resources to protect themselves."

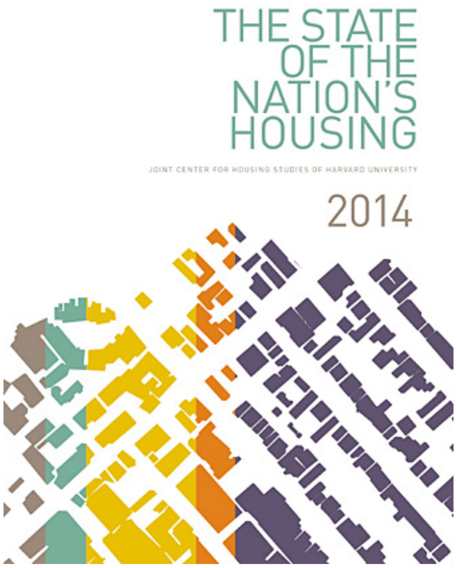
NAR's REALTOR® Safety resources include articles and blog posts, presentations and videos, webinars and training courses, and tools at realtor.org/safety.

Homeownership rates slump as incomes shrink, but desire to own remains strong

Continuing an eight year trend, the national homeownership rate declined in 2013 and now stands at its lowest point since 1995. Nevertheless, research indicates the majority of young adults want to own a home some day.

While a broad range of demographic groups are affected by the decline, the latest *State of the Nation's Housing* report states it has been most severe among the cohort that encompasses those in their late 20s through their early 40s. In fact, the share of households ages 25-44 that owns a home is at its lowest point since the early '70s when annual data became available.

"This substantial decline in owning has been an important reason for the continued weakness in the housing market," suggested Chris Herbert, acting managing director and research director at the Joint Center for Housing Studies (JCHS) of Harvard University, publishers of the *State of the Nation's Housing.*



Researchers at JCHS say predicting when homeownership rates will stabilize – and possibly turn back up – starts with an understanding of what has been driving the downtown. Among culprits they cite are:

- The dramatic fall in home values, which has made people wary of the financial risks associated with home buying.
- The "incredible increase in the use of student loans." Between 2001 and 2010 the share of 25-to-34 year olds with student loans jumped from 26 to 39 percent. Since 2010 the total amount of student debt outstanding surged by about 40 percent. Despite some staggering numbers, researchers say the median loan payment to income ratio has not exceeded historical levels, prompting them to conclude that "while mounting student loan debt and increasing delinquency among these borrowers is not the main reason young Americans are deferring homeownership, it is certainly a factor."
- More restrictive mortgage underwriting standards. The average credit score for new borrowers is now "well into the 700s," but roughly half of all consumers have credit scores under 700, making it hard for many to qualify for mortgages.

Herbert and his colleagues pinpoint household incomes as a key factor in explaining fluctuations in homeownership.

Median household income for 25-34 year olds and 35-44 year olds grew sharply from 1994 through 2000, a time when homeownership rates showed steady gains. As incomes softened during the mid-2000s, growth in homeownership slowed.

Since 2006, median household incomes have fallen substantially for those 25-44, with corresponding declines in the homeownership rate.

"While young households are facing a number of headwinds to buying a home, until we see resumption in income growth, we are unlikely to see an upturn in homeownership rates," the authors of the newest report wrote.

In earlier research on attitudes about homeownership, JCHS found large majorities of respondents (more than 85 percent) continue to feel that owning is a better financial choice than renting. Similarly, their analysis of Fannie Mae's National Housing Survey from mid-2010 through fall of 2011 found that almost 90 percent of respondents expect to own at some point in the future, with those most expecting to own being under the age of 45.

Of note, since 19 out of 20 of the younger adults expect to own a home at some point in the future, researchers believe their findings "certainly do not suggest that positive attitudes toward homeownership have diminished."

Herbert pointed out that even though Americans overall continue to view ownership favorably from a financial perspective, buying a home is not purely a financial decision.

"Non-financial factors are often overlooked in the discussion about homeownership's continued appeal," Herbert wrote, adding, "While buying a home is the most significant financial decision that many people make in their lifetime, the choice of whether to own and which house to buy is ultimately a choice about the type of housing that best meets a family's needs across a variety of dimensions: for daily living space, for a place to gather with family and friends, for the ability to change your home to suit your tastes, for the right to stay there as long as you like, for security and privacy, access to quality schools, and for a community where you can put down roots."

The Joint Center for Housing Studies is a collaborative unit affiliated with the Harvard Graduate School of Design and the Harvard Kennedy School. In 1988, the Center launched its signature report *The State of the Nation's Housing*. The widely referenced publication contains an annual assessment of housing markets, homeownership, and affordability challenges.

Issues & Impacts

Seattle KingCounty REALTORS® ~ 3rd Quarter Edition: July - September 2014

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Legislative Advocacy – 2014 Successes Report

Seattle KingCounty REALTORS®

Click Here for Legislative Advocacy: 2 page PDF, 181 KB

Bellevue Judged America's Second Most Livable City

Bellevue's well educated population and economic vitality helped propel it to second place in a recent ranking of America's 50 most livable cities. Topping the list was Newton, Massachusetts, a suburb of Boston.

The "most livable" rankings, compiled by 24/7 Wall St., were based on a range of variables, including crime rates, employment growth, educational attainment, housing affordability, and the availability of certain amenities such as parks, access to outdoor activities, and sports clubs.

None of America's largest cities were among the nation's best places to live, primarily due to high crime rates and above-average poverty rates.

In singling out Bellevue, the report's authors noted its "very well educated population" (more than 64 percent of adult residents have a college degree, among the highest rates in the nation.) Also noteworthy was its 4.7 percent unemployment rate. On the downside for scoring were the city's expensive homes (median home value reported to be $507,600) and relatively high taxes (in the absence of a state income tax).

To determine the "best cities" 24/7 Wall St. reviewed data on the 550 areas measured by the U.S. Census Bureau with populations of 65,000 or more. Its top ten most livable cities and their median house values are:

No. 1:	Newton, Massachusetts (suburb of Boston)	$689,900
No. 2:	Bellevue, Washington	$507,600
No. 3:	Mountain View, California (Santa Clara County)	$749,000
No. 4:	Pleasanton, California	$694,300
No. 5:	Evanston, Illinois	$360,900
No. 6:	Irvine, California (in Orange County)	$630,400
No. 7:	Troy, Michigan	$203,400
No. 8:	Cary, North Carolina (near Raleigh)	$298,200
No. 9:	Flower Mound, Texas (near Arlington)	$277,900
No. 10:	Johns Creek, Georgia (near Atlanta)	$337,900

24/7 Wall St., LLC is a Delaware corporation which runs a financial news and opinion company with content delivered over the Internet. The company's articles are republished by many of the largest news sites and portals.

Brokerage Design

Digital Disruption Will Soon Be Touching A Brokerage Very Near To You

Earlier this month the Inman News organization published an article about real estate industry mergers and acquisitions that was both informative and even a bit entertaining. The piece, entitled *Real Estate M&A: You ain't seen nothing yet*, started out by discussing several recent mergers and/or acquisitions such as Zillow purchase of Trulia, Realogy's purchase of ZipRealty, Trulia's purchase of Market Leader and Move Inc's purchase of ListHub. The piece also pointed out how most of these acquisitions were accompanied by purchases of lesser entities by the same buyers.

Following its factual review of recent mergers and acquisitions the piece went on to consider a number of fictional acquisitions that seemed to raise the theme covered by Zillow's latest video ad; "What If?"

But what the Inman piece really left to the reader's imagination is the functional convergence that occurred with each of the real mergers or acquisitions. From the perspective of those who spend their day-to-day lives in the internal affairs of the real estate industry the real issue behind this story is how each of these purchases will impact the real estate experience for the current consumer.

The most cogent issue from the Inman story, as it is for so much of what is happening in the industry today, is digital disruption. In today's rapidly transitioning North American real estate industry mergers and acquisitions are to digital disruption what troop movements are to invasions. Like the lightning bolt before the thunder each of the recent mergers and acquisitions constitutes due notice of yet another significant disruption that will occur six to eight months down the road. The growing number of acquisitions over the past few months is another wakeup call relative to what the marketplace, the transaction and the industry itself will look like next spring.

Despite the formidable amount of the industry's literature that has been given over to the subject during the past year, digital disruption remains a relatively obscure concept for most industry executives, managers and workers. While such a lack of knowledge might not normally have major consequences, in this case unawareness will be cataclysmic. Most acquisitions represent the tip of the digital disruption sword. Prior to making the purchase, the acquiring entity has spent many months envisioning, designing and preparing to implement its disruptive strategy. Taken together one must say that everyone in the North American real estate industry is on notice that the real estate business, as most have known it, is nearing the end of its long and honorable run.

Based upon an analysis of what is known today, it would appear that the lead columns of the digital disruption invasion will likely occur along the front that exists between the real estate service provider and the consumer. As Zillow has already established, this is probably the weakest point in the traditional real estate service provider's defenses.

The customer relationship and experience has also been the operational area almost totally ignored during the past several years while the industry has focused its attentions on matters such as syndication, off-MLS marketing practices, technologies, MLS practices, referrals, leads and the ownership of data. As a result of these decisions, consumers have increasingly had to find their own way through the real estate jungle. The necessity to accomplish this feat is also what has given birth to an increasingly predominant belief among consumers that the current real estate service provider value proposition may not be supporting its commission.

This is not to suggest that it is too late for the industry or its players to recover control and get on the right track, for it is not. It is however to suggest that given the current dearth of attention being paid to the consumer experience, it is somewhat unlikely that the focus of the industry will change in time to effect the required recovery.

The solution to this quandary is relatively simple. The following steps would go a long way to meeting the challenge:

The industry must double its efforts to understand how today's consumer has changed over the past few years. It has spent considerable time and effort understanding how the events of 2005 through 2010 impacted the industry itself but insufficient effort has been made to understand how this same period impacted consumers, especially those in the younger generations.

A second step is to gain an understanding relative to the difference between the traditional real estate consumer and today's digitally empowered consumer. It isn't just a matter of technical skills; rather it is an entirely new attitude and mindset brought about by the power of information.

The next step might be to better understand just how different the digital consumer experience is from the traditional one. Digital disruption is not about fusion. It is not like a local eatery suddenly mixing Asian food with southern cooking and giving it a catchy name. Digital disruption is more often about convergence. Two trends or forces collide to create something that is essentially new. In most cases any similarities between the new and the old exist only in the traditionalist's mind. Digital disruption creates new dynamics, new operating methodologies and new emotional and psychological reactions.

Continuing on, it is critical for the industry and its players to understand how companies that are leading the digital charge are dealing with transformation and change. These two factors represent a whole new arena of knowledge and competency. Digital strategists and digitally native executives are carving out new areas of power, influence and sustainability. These are not new tricks for old dogs but rather new tricks for new dogs. Traditional entities must respond by recruiting these new dogs and giving them the space and power to do their magic without a constant referral back to the "way we have always done it."

Finally the traditional entity must recognize that much of its solution lies within its own organization. Hundreds of real estate brokerages have within their existing ranks individuals who either have the answers or are developing the answers right under the broker's nose. The traditional caste system is no longer effective, certainly not in the midst of digital disruption. It is remarkable how few brokers and brokerage executives are looking internally for solutions.

For the longest time the real estate industry saw itself as a "people" business. The interesting thing is that when its digital disruption has been completed the industry will be more of a people business than ever before. The North American real estate industry has a long history of being really good at working with people. These skills, applied to the industry's post digital disruption configuration, will put it in good stead to succeed beyond it wildest dreams moving forward. Please don't miss the opportunity; it won't be the same without you.

Simply Washington booklet: fun facts for all!

Interested in knowing more about Washington? A new 56-page resource titled Simply Washington is a fact-filled resource for students learning civics, visitors or anyone just curious to learn more about The Evergreen State and some of its most unique features and attractions. All the information is in the public domain so users an invited to "feel free to use it as you see fit."

Simply Washington may be downloaded from the website of the Washington Secretary of State. .

News In Brief

- Joblessness in July was lower than a year ago in all of Washington state's 39 counties, but most of the state's largest counties saw slight increases from the previous month, data released last month by the state Employment Security Department show and reported by *The Seattle Times.* King County's unemployment rate in July was 4.9 percent, up slightly from 4.6 percent in June, but down from 5.4 percent in July 2013.

In Snohomish County, joblessness increased slightly over the month as well to 5.3 percent, up from 5.1 percent in June, but still down from 6 percent last year.

- The strengthening job market has more economists gaining confidence about the direction of the housing market over the next two years, according to a newly released Reuters poll of 29 housing analysts, including investors and economists. The economists surveyed expect existing-home sales to increase to 5.25 million units in the first three months of 2015. Currently, existing-home sales stand at 5.09 million. In May, the same group surveyed had expected much slower gains at 5.1 million expected in the first quarter of 2015. What's more, those polled expect home resales to continue to inch up in 2015, reaching 5.29 million by the second quarter of 2015. The job market is why most of the economists are starting to change their tone about housing's outlook. For the past six consecutive months in July, employers added more than 200,000 jobs. "Low mortgage rates and improving labor market dynamics should remain conducive to gradual growth in the housing sector," Gennadiy Goldberg, a strategist at TD Securities, said in a recent note to clients. The housing analysts surveyed expect mortgage rates to rise slower than they originally thought in May. Still, they contend rate rises are looming with expectations that the Federal Reserve will slowly begin to increase its benchmark interest rate around the middle of next year. The Fed has held the benchmark interest rate near zero since 2008. The economists polled expect the 30-year, fixed-rate mortgage to rise to 5.25 percent in 2016. That is a slight drop from the 5.68 percent average they had predicted in the May poll. The 30-year fixed-rate mortgage is currently averaging 4.10 percent, according to Freddie Mac. Nevertheless, the economists say the housing recovery likely won't be derailed by a gradual increase in mortgage rates. "If a rise in mortgage rates comes with a stronger economic recovery, the housing market will be able to absorb it," Alexander Lin, an analyst at Bank of America Merrill Lynch, told Reuters.

- After 10 years of asking, NAR finally got the result it was seeking. Late last month, the U.S. Department of Housing and Urban Development eliminated prepayment penalties on loans insured by the Federal Housing Administration (FHA). The policy change prohibits lenders from charging FHA borrowers interest on their home mortgages for days or weeks after a principal balance pay-off.

- John L. Scott Real Estate entered into an agreement to acquire the Kitsap County offices of Reid Real Estate. Reid Real Estate has over 45 brokers in Kitsap County with offices in Silverdale, Bremerton and Port Orchard. The acquisition of Reid Real Estate comes in advance of the upcoming Kitsap County retirement of owner Jerry Reid. The Reid Real Estate Silverdale and Port Orchard offices will be merged with John L. Scott's existing offices in those cities. Reid Real Estate's Bremerton office will be re-branded to John L. Scott Real Estate. Jerry will retain the Mason County Reid Real Estate office Belfair. Jerry Reid founded Reid Real Estate in 1967 and supports a number of local organizations like the Bremerton Rotary, Admiral Theatre, Boys & Girls Club, YMCA, Relay for Live, Habitat for Humanity, the Boy Scouts, Great Peninsula Conservatory, and the Olympic College Foundation.

- According to a report by Tom Kelly in MyNorthwest.com, the nation's interest for smart home technology is growing, with more home owners seeking greater control of their home's appliances, lighting, and systems. More than 70 percent of about 2,000 adults recently surveyed say they wish they could just control something in their home from their mobile device, according to Lowe's 2014 Smart Home Survey. What do they most want to be able to do? The survey showed respondents wanted to be able to adjust the thermostat, turn on the lights, or start the coffee pot before they get out of bed. Besides added convenience, 40 percent of adults surveyed say they believe a smarter home would help them trim costs and save money on their utility bills. Sixty-two percent said they find smart home systems are most beneficial for monitoring safety and security. So with the technology pool in the smart home arena ever-expanding, what's holding back adoption rates? The top considerations holding back respondents from purchasing such products were cost or fees (56 percent); ease of use (13 percent), and security (11 percent). Americans are more than twice as likely to prefer a do-it-yourself solution, without a monthly fee, over a professionally installed/monitored system with a monthly service fee, according to the survey.

Calendar of Events - Through November 10, 2014

Dates	Event	Clock Hours	Time	Location	Contact
SEATTLE-*King County* REALTORS®					
10/7	Gov't Affairs Committee		10:30am-1:30pm	SKCR	425-974-1011
10/21	Affiliate Council		9am-10am	SKCR	425-974-1011
10/22-24	WR Leadership Conference			Alderbrook	360-943-3100
11/5-10	NAR National Meeting			New Orleans	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"					