Experts predict prices, mortgage rates, homebuilding to rise during 2015

With the best year in the country's economic recovery since the recession of 2008-2009 in the books, housing industry experts are turning their attention to 2015. Economists tend to agree the new year will bring increases in mortgage rates, home prices and housing starts.

Millennials (also known as Generation Y and generally consisting of those born between the early 1980s and early 2000s) are expected to play a big role in sustaining the housing sector recovery.

Jonathan Smoke, chief economist at realtor.com, noted millennials are at an age when many marry and start families. He expects this cohort will "drive two-thirds of household formations over the next five years," thereby accounting for about 65 percent of first-time home buyers. "Of the millennials who are buying a home, 86 percent indicate that their motivation is a change in family size," Smoke stated.

The optimism around Gen Y is tempered by tough credit qualification standards, and the fact that many millennials have limited credit history. Consequently, Smoke believes they're expected to buy more in affordable areas in the Midwest and the South.

Seattle should still fare well in attracting millennials, in part due to its growing tech sector.

For example, Amazon recently announced it needs developers to build 6,000 residential units to accommodate its growing work force, which has an average age of 31.

Commenting on the company's focus on Seattle's urban core, Amazon CEO Jeff Bezos said the types of people his company employs and tries to recruit "appreciate the energy and dynamism of an urban environment." That company's plans for a new five-acre headquarters with a tri-sphere biodome (*see photo*) reflect its desire to create a more natural setting for employees to work and socialize.

Millennials and other would-be home buyers can expect to pay higher (but still reasonable) interest rates on their mortgages in 2015, thanks in part to the improving domestic economy and a lack of stimulus from the Federal Reserve. Economist Smoke expects the 30-year fixed rate to reach 5 percent by the end of 2015, but believes the one-year adjustable rate will likely rise less if much at all. "We are likely to see a shift into more adjustable and hybrid mortgages over fixed," he suggested.

Economists also expect home price increases to decelerate. Most economists polled by Fortune predict rising values, but at a slower rate than during 2014. Surveys of homeowner sentiment indicate more owners look to sell their homes next year, which should put more downward pressure on prices. Affordability is also expected to decline in some markets.

To ease tight supplies, builders are likely to start more new housing units in 2015 than during 2014. Their focus is also expected to shift from multifamily to single family dwellings.

Smoke, the realtor.com economist, forecasts a 16 percent increase in housing starts, driven by 21 percent growth in single-family starts. But he cautioned that shortages of labor and building product material could limit further growth in construction and keep overall supply tight.

Another positive note for housing is the dwindling number of foreclosures.

“We are on pace for foreclosure inventories to end 2014 down more than 30 percent, and next year should see a slightly greater decrease as foreclosures fall to normal levels,” remarked Smoke.

Industry insiders say one area of concern continues to be a lack of access to credit. Strict mortgage qualification standards are keeping many would-be owners, especially younger ones, from purchasing with a bank loan. Smoke believes opening up access to credit would be a “game changer.”

Various new federal housing policy initiatives could help loosen qualification standards.

“If you just look at the distribution of credit scores, at least 10 percent of current homeowners with mortgages would not qualify for a new mortgage today,” Smoke said. More access could allow 500,000 to 750,000 prospective buyers to achieve the dream of homeownership.

In making their predictions, the economists emphasized housing is a local issue, with situations differing in every market – even among neighborhoods, according to Smoke. “Each has its own unique long-term trends in home values, which reflects local demand and supply conditions.”

Downtown Seattle is a neighborhood with upward trending demand for housing.

Following a Northwest Emerging Trends 2015 event presented by the Urban Land Institute, that group’s Northwest executive director was upbeat about Amazon’s call for developers to build 30 new residential buildings in and around downtown Seattle with at least 300 units each to accommodate its employees.

Mann noted Seattle ranks third nationally for real estate development and fourth for investment. “We are very fortunate to have such strong growth in our region,” he added.

In an interview with GeekWire’s Todd Bishop, the ULI executive said, “At the end of the day, jobs drive real estate value . . . Amazon is hiring and their new hires need places to live. This demand will support a healthy housing market for the foreseeable future.”

Local real estate leader calls December "One of best on record"

Real estate brokers around Western Washington reported a strong finish to 2014. December's sales outpaced the same month a year ago by double digits, according to new figures from Northwest Multiple Listing Service.

"December was one of the best Decembers on record," observed J. Lennox Scott, chairman and CEO of John L. Scott Real Estate upon reviewing the latest statistics from the listing service.

MLS members reported modest year-over-year price gains (about 5.5 percent) for homes and condominiums that sold last month compared to 12 months ago. The number of new listings added to inventory was nearly identical to activity of a year ago, but with pending sales outpacing new listings, the selection, as measured by total active inventory, dwindled by about 8 percent compared to a year ago.

Commenting on the combination of scarce inventory in some areas and expectations of rising interest rates, the head of one large real estate company advised, "Anyone thinking of buying a home should do it early in 2015!"

"Prices, interest rates, and rents will continue to rise," stated Mike Gain, CEO and president of Berkshire Hathaway HomeServices Northwest Real Estate in Seattle. "The cost of buying a home is not determined by price alone but by price and the mortgage rate," he explained, adding, "The longer a buyer waits, the higher the mortgage payment as prices and interest rates continue to increase."

Many buyers appeared to heed Gain's advice during December. MLS members reported 5,794 pending sales (mutually accepted offers) for an increase of nearly 11 percent from the year-ago total of 5,224 pendings. In the four-county Puget Sound region, brokers notched 4,410 pending sales, the highest December volume since 2005.

High-end homes are selling well, according to brokers and MLS data.

"Above the one million dollar price point in King County, we have seen back to back years of very strong sales activity," commented Scott. Northwest MLS figures show nearly 2,000 homes priced at one million dollars and up sold in King County during 2014. That's up more than 25 percent compared to 2013.

For more modestly priced homes, first-time and move-up buyers are taking advantage of loosening lending standards.

"It's much easier for purchasers to qualify for a loan now than it was just a few months ago," reported Gain. "The much needed 3 percent down payment loans are finally back for qualified purchasers," he noted, adding, "This will allow more first-time buyers to break into homeownership."

Northwest MLS director John Deely agreed the new low down payment loan programs and mortgage rates are a boost to activity.

"In December our brokers experienced high open house traffic and strong demand from buyers as listing inventory declined," reported Deely, the principal managing broker at Coldwell Banker Bain in Seattle. "Buyers are determined to take advantage of the continued low interest rates and to make their move sooner rather than later," he added.

George Moorhead, designated broker and owner at Bentley Properties, reported market activity stayed steady all the way into New Year's. "If this level of activity continues, we will see yet another sellers' market as inventory drops," suggested Moorhead, who is also a member of the Northwest MLS board of directors.

MLS figures show there were 4,367 new listings added to inventory during December, about the same as a year ago when members added 4,333 homes to the selection. At month end, there were 17,659 homes and condos for sale. That's down nearly 8.1 percent from the year-ago inventory of 19,214 active listings.
Brokers are reporting tight inventory in several neighborhoods, particularly around job centers.

"Buyers barely slowed down long enough to take a break for Christmas," said Windermere Real Estate president OB Jacobi. "All this sales activity has eaten even further into already low inventory levels."

MLS figures show about 2.8 months of inventory system-wide. Of the 21 counties in the monthly statistical report, King County has the tightest inventory, with only 1.4 months of supply. Snohomish County was slightly better, with about 2.2 months of supply. Six months is typically considered a healthy balance between supply and demand.

Jacobi noted many Seattle neighborhoods have less than a month's supply, increasing the competition among buyers.

Prices climbed nearly 5.5 percent from a year ago, rising from an area-wide median selling price of $275,000 to last month's figure of $290,000. That matches the price reported for October's sales, a figure that was only surpassed in July when the median sales price overall was $300,000.

Some MLS members, including Diedre Haines, expect similar increases this year.

"While some recent reports indicate a cooling of appreciation in 2015, unless more inventory hits the market, I anticipate the percentage increases to be about the same as 2014 due to sustained demand," said Haines, who is Coldwell Banker Bain's principal managing broker for South Snohomish County.

Haines, a past board member at Northwest MLS, cautioned sellers about unrealistic pricing. "It is well worth repeating that if sellers are serious about getting their homes sold, it is not a good idea to 'go fishing' even though there may be high demand," she advised, adding, "Buyers are serious about making a purchase, but they are in no mood to play games as they are very well educated regarding price. If the house is overpriced - even by a small amount - buyers will simply not make offers," she emphasized while urging sellers to heed the advice of their agent.

Brokers also stressed the importance of a home's appearance.

"Homes need to be in the best condition possible, de-cluttered, including cupboards and closets, cleaned, especially carpets and floors, freshly painted, and attractively staged," advised Haines. "The outside appearance needs to be in top-notch condition and have the best 'curb appeal' possible. These factors are vitally important in obtaining the best and highest price," she added.

Looking ahead, brokers believe many factors signal a continuing housing market recovery. For example, Mike Gain, a past chairman of Northwest MLS, points to Fannie Mae's recent National Housing Survey. Its research shows 44 percent of consumers say now is a good time to sell a house, an all-time survey high. Nearly two-thirds of survey respondents (65 percent) say now is a good time to buy. "These results and attitudes will drive a healthy housing market in 2015," Gain believes.

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 23 counties in Washington state.

Next page: summary statistics

Statistical Summary by Counties: Market Activity Summary – **December 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	1,421	3,600	2,130	2,500	$496,561	$400,000	1.44	1.76
Snohomish	649	2,001	956	920	$339,889	$318,250	2.18	2.49
Pierce	819	2,961	1,018	979	$254,715	$225,000	3.02	3.39
Kitsap	205	893	306	324	$287,669	$235,000	2.76	4.73
Mason	68	466	60	75	$174,503	$150,375	6.21	8.40
Skagit	94	517	129	155	$291,978	$260,000	3.34	4.07
Grays Harbor	77	593	62	78	$141,243	$120,000	7.60	9.87
Lewis	79	532	79	66	$174,361	$167,500	8.06	9.42
Cowlitz	104	428	101	92	$166,757	$146,900	4.65	4.99
Grant	48	421	49	59	$176,532	$152,040	7.14	7.74
Thurston	262	1,018	294	292	$250,537	$239,975	3.49	3.81
San Juan	10	270	19	20	$618,406	$449,700	13.50	16.83
Island	78	489	88	121	$304,165	$270,500	4.04	5.04
Kittitas	56	392	47	55	$287,043	$224,990	7.13	6.23
Jefferson	20	319	44	48	$292,066	$252,750	6.65	8.63
Okanogan	30	374	29	36	$209,544	$213,000	10.39	11.06
Whatcom	162	1,003	203	243	$288,458	$265,000	4.13	5.51
Clark	39	143	37	40	$332,239	$227,382	3.58	5.83
Pacific	36	324	35	33	$157,064	$165,000	9.82	11.46
Ferry	5	71	1	3	$95,300	$89,000	23.67	N/A
Clallam	40	303	41	53	$204,515	$190,000	5.72	7.92
Others	65	541	66	92	$278,191	$232,250	5.88	8.22
MLS TOTAL	**4,367**	**17,659**	**5,794**	**6,284**	**$364,141**	**$290,000**	**2.81**	**3.36**

∗ Months of inventory are calculated using active listings divided by closed sales.

<u>4-county Puget Sound Region Pending Sales (SFH + Condo combined)</u>

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

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

Postponed marriages a "game changer" for housing industry

Real estate professionals clearly understand the impact life stage changes can have on housing, so recent research by John Burns Real Estate Consulting may be of particular interest.

Its latest studies show significant changes in housing preferences associated with marital status and the addition and subtraction of children. That firm found that compared to 1970, the share of 25-29 year olds who are married is down by almost 48 percent for men and about 43 percent for women. Authors of the study call that fact "one of the biggest game changers in the housing industry."

Changes centered on marital status and children affect where consumers want to live and influence what kind of home and community they choose. Among key findings:

- Singles are more likely to rent and live in locations that are closer to entertainment and employment, and these areas are seeing more demand today than they have historically.
- Marriage usually ignites the desire to own a home with a variety of locational and housing choices depending on income and family present.
- Cohabitation has certainly been on the rise in recent decades, but homeownership rates for cohabitating couples are much lower than rates for married couples.

- The addition of children makes owning a home almost a necessity, given the need for yards, toys, education, and social circles.
- Children moving out often results in lifestyle changes, including different social circles, home size, and floor plan needs. Locational preferences also begin to shift.

The findings were based on Burns' Consumer Insights survey of more than 22,000 new home shoppers and its Housing Demand Model by Lifestage and Price Point.

John Burns Real Estate Consulting is a national source of independent housing research, analysis, advice and consulting. The California based firm work with builders/developers, banks/lenders, investors, building product manufacturers, governments and other decision makers.

Millennials delaying marriage and homeownership, but potential looms large for housing industry

Millennials – those born between 1980 and 2000 – present some great opportunities for real estate professionals, especially for those who are patient.

During a recent webinar, a demographer and consultant from John Burns Real Estate Consulting teamed up to discuss what the 92 million Gen Y members mean for the housing industry.

A comparison to previous generations illustrates several significant differences. For example, in 1967, among adults ages 25-29, more than two-thirds (68 percent) were married with children.

Today, among the same age group, only about one quarter (24 percent) are married with children. Not surprisingly, their homeownership rate is lower than generations that predate them.

Gen Y presents some great opportunities for the future, said Mollie Carmichael, one of the consultants with Burns Real Estate. The millennials will be getting married and having children – just at a delayed pace, she assured her audience.

In anticipation of filling a pent-up demand, the Burns firm conducts research to provide its clients with insight on consumer attitudes and values. That research yields valuable information for builders, developers and other industry professionals regarding consumer preferences for home designs and styles, as well as desired community attributes.

Its 2014 Consumer Insights survey drew more than 50,000 responses. Among the 100-plus questions, researchers segmented the 15 percent of millennials who are shopping for homes today by age groups. The majority (63 percent) of these future new home consumers are 30 years or older. One third are in the 25-to-30-year age group.

A look at lifestages shows 10 percent are single, 46 percent are young couples, and 40 percent are families. "Couples and family formation are a big deal for new housing," the speakers reminded the webinar participants.

By 2019, the Gen Y group should begin rivaling their parents in the home shopping world. Understanding what motivates them when buying a new home is important to serving their needs, the Burns consultants suggested.

Location and price top the list for both millennials and the population at large, with more than 90 percent naming these factors as their foremost considerations. Home design, safety and schools round out the list of top five motivators. Less important were energy savings (with 21 percent listing it), prestige (12 percent), and environmentally sensitive practices (6 percent).

Asked about their favorite styles, "modern traditional" topped the chart, followed by "style on a budget," "casual organic" and "modern."

In a departure from other generations, three-fourths of millennials want a big home (2,000 to 3,000 square feet). Only 44 percent of all generations chose this option. By 2013, the average floor area was 2,200 square feet, up from 1500 in 1970 and 1,000 square feet in 1950.

The Gen Y group also expressed a much stronger than average preference for an outdoor play area for children, and for pets. Thirty percent stated a preference for a large open backyard -- twice the percentage of the national average.

While single and renting, the Gen Ys want to be close to entertainment, but the majority, like the national average, want suburban, either as part of a master plan or with a large lot in the 'burbs.

Asked about locational preferences, the highest percentage (55 percent) want inner suburban, followed by outer suburban at 38 percent. Only 16 percent chose the city's core, with "bedroom suburban community" being the least popular choice (5 percent).

A large majority, 84 percent, prefers a single family detached style, but, Carmichael emphasized, it comes down to affordability.

In summarizing the trends, the consultants from Burns emphasized trends differ by geography and price.

Top 10 Trends, Gen Y

1. Design matters. Home design is amongst the top motivating factors.
2. Yes...they want to own.
3. They want suburban and single family detached as they marry and have children. Single Gen Y households are more attracted to more urban locations for rental opportunities.
4. Affordability is #1. They WILL drive for affordability. However, they want to live 15 to 45 minutes from the core. Like their parents, they will drive for size as they marry and have children.
5. The want bigger...inside and out for their growing households.
6. Focus on function over size.
7. Think social. Social indoors and outdoors. They are a more casual generation and privacy is less important.
8. They want energy efficiency but they are not ready to pay for it yet. They want efficiency most! Time is the greatest commodity.
9. They love their dogs too! Pet parks are important for Gen Y and their parents.
10. Gear up for Gen Y to more than double in size in 2019+. Look for this generation in the home shopping world in their late 20's and early 30's.

Issues & Impacts - Fourth Quarter Edition (October - December 2014)

Issues & Impacts is a quarterly publication produced by the SEATTLE *KingCounty* REALTORS® to inform members about current issues and successes within your Governmental Affairs Department.

SEATTLE *KingCounty* REALTORS® (SKCR) is ensuring that public policies support homeownership and your business's bottom line.

View the full publication (PDF, 8 pages, 700KB)

Report on moving trends has Washington among top destinations

Washington was a popular destination for relocating families during 2014, according to a study by Allied Van Lines, one of the world's largest moving companies.

The Evergreen State landed in 6th on Allied's ranking of Most Inbound States. Texas retained top spot for the 10th consecutive year. Rounding out the top five were Florida (2nd), Arizona (3rd), South Carolina (4th), and Colorado (5th).

The company uses internal data to track U.S. migration patterns. Net relocation gains are based on the difference between inbound moves and outbound moves performed by Allied Van Lines,

Texas' net relocation gain of 1,973 families in 2014 is calculated by the difference between inbound moves and outbound moves performed by Allied Van Lines.

Allied classified Washington as a "Big Mover" state, moving from the 19th outbound to 6th inbound. (*See chart)*

Top 10 "Big Mover" States

State	Outbound	Inbound	Net Moves	2014 Rank	2013 Rank	Rank Change 2013-2014
TX	5,450	7,423	1,973	1	1	0
FL	4,807	6,558	1,751	2	2	0
AZ	1,821	2,553	732	3	3	0
SC	1,454	1,955	501	4	6	2
CO	2,011	2,485	474	5	5	0
WA	2,081	2,549	468	6	32	26
OR	748	1,133	385	7	4	-3
GA	2,131	2,466	335	8	7	-1
NC	2,690	2,929	239	9	9	0
UT	759	973	214	10	8	-2

Allied Van Lines

"Other than a few big changes, most states remained relatively stable," said Lesli Bertoli, general manager and vice president of Allied Van Lines. "While we've seen an increase in the number of moves overall, trends demonstrate a heavy movement toward warm-weather, retirement-friendly states."

The states with the biggest drops in magnet status include Minnesota, moving from 22nd most outbound to 11th outbound, and both Arkansas and Delaware, which each dropped eight positions.

Allied handled 73,000 moves in North America during 2014, which was the largest number it reported since the start of the recession in 2008.

Lawyer says Seattle's proposed linkage fees are flawed

Linkage fees to fund affordable housing in Seattle won't work, according to an attorney with a nonprofit public interest watchdog organization.

In a guest opinion piece in The Seattle Times, attorney Ethan Blevins contends the linkage fee would increase the cost to develop, and could make the city's housing even more expensive. Moreover, he suggests the City Council's resolution violates statutes and constitutional provisions that prohibit cities from imposing taxes or fees on development.

Blevins, who is with Pacific Legal Foundation, notes cities can impose "impact fees" on new developments to help pay for needed public infrastructure. However, he writes, the proposed "linkage fee" would fund housing and force developers to pay exorbitant fees that have no relationship to the infrastructure and facilities that are needed to serve the new development.

Brokerage Design

Two Contemporary Trends Converge to Contribute to the New Real Estate Industry

By Jeremy Conaway

After years of pushback and denial from some elements of the industry media with respect to stories regarding industry change, it would now appear from the past three months of publication that both the print and electronic media now agree that the North American real estate industry is in a state of almost complete disruption. With this historic moment behind us one might surmise that the industry has now given itself permission to universally get on with the tasks of innovation and creativity that will be so critical if either the existing brokerage or agent communities are to assume a leadership position in the new configuration of all things real estate.

While many brokers and agents might suggest that such a succession is virtually guaranteed (and thus not worth discussing) the fact is that a review of the current industry environment does not allow any rational person to make any such assumption. In fact, to the contrary, there is every evidence that the convergence of one or more of the current trends, directions and forces impacting the industry may well be the turning point that creates the perfect opportunity for outside forces to gain control of both the marketplace and the transaction.

Most of our readers are more than familiar with the plethora of trends that are currently impacting the traditional industry. From regulatory forces to the growing number of internal and external portals, from the Realty Alliance's "Upstream" project to its cousin the Broker Public Portal project and from NAR's organizational realignment manifesto to the growing focus on broker profitability there is no shortage of potential game changers to monitor and for which to prepare.

With the current industry also comes the time to stop sweating bricks and to start taking meaningful action. For many brokerages the opportunity to respond to external change will be trumped by the record number of industry and brokerage executives who are now expected to cash in their chips and head for a hopefully happy retirement.

No one should be surprised by this industry trend. How many 65-year-old men or women brokers are going to be willing or able to ring the bell and announce that at such an age they are prepared to undertake the challenge of reinventing themselves and renovating their firms? For most of this group the challenges simply exceed the amount of energy and passion available to meet such opportunities. Accordingly the industry should assume that either sooner (as in now) or later (when the bullets start flying) many seasoned veterans will collect whatever hard earned chips they have set aside and be off.

Given the secondary fact that most brokerages are "light on the management bench" many firms will be forced to either turn the helm over to a well meaning senior manager who will attempt to push the traditional model for a few more years (thus exhausting institutional capital) or employing a new age executive who is likely to have some capital but no practical experience running a brokerage. From this later group the choice is likely to be between a young technologically fused person with little or no sense of management dynamics or a 40 plus year old member of the X Generation who has already been living with technology and digital disruption for over twenty years. This is the digitally native CEO. Easily stated, but difficult to implement, many brokerages will opt for this second option

Having made the decision to fashion the future of their brokerage on a strategic relationship with an individual who may look and act nothing like the departing owners, the ultimate challenge begins. By the way, both this article and the situation it speaks to assume that the legacy owners have been unable to find a suitably financed buyer for their precious business asset and thus will be carrying a lion's share of the unpaid balance themselves. The further presumption is that they will, in all likelihood find themselves, at least for a several year period, in some manner of a weird partnership with this new executive.

The next thing that we know is that, moving forward, most brokerage firms will have to go through a period of high impact innovation. It simply has to be done. If the current owner submits to the idea, generally sponsored by their legal counsel, that no significant changes can be made, in all likelihood they will condemn both the firm and the its new principle to certain failure.

So if the determining factor regarding the success of this succession plan is going to revolve around innovation, the solution is to selectively head into an innovation experiment. The objective here is to see whether or not the new recruit has the essential talent necessary to take the firm through what lies ahead and, perhaps of equal importance, whether or not the parties can work through the process without sinking the ship.

The following steps might just solve the problem and create a working resolution for all. The first step is to carefully study the firm's current business model, become familiar with the trends, directions and forces currently impacting the marketplace or industry and prepare a list of likely changes that will have to be made moving forward if the brokerage is to survive the new market environment.

The second step is to identify from the above list which of the potential objects of change the parties will use to test the needs of their new working relationship. The selected issue doesn't have to be a doomsday event, but it does need to have sufficient weight and importance to establish the key points.

The third step is to set about developing a solution. There are several benefits to this step. It allows the new executive to fashion the solution and allows the retiring broker to use the wisdom of his or her experience to make a judgment regarding the feasibility of the intended steps. Those who would suggest that such a process would unfairly limit the new person's options may not be familiar with the terms of today's commercial loan where no prior business history exists. Commercial lenders are not in the business to stand by while cavalier behaviors endanger their security.

The final step is to implement the plan by creating a new business model that incorporates the operational and financial realities of the new operational program, process or service.

The benefits of this program are several. Through this process the brokerage is availing both the creative and innovative competencies of the buyer and the wisdom and experience of the previous owners. Such an arrangement can be a "win-win" proposition.

Moving forward innovation will not be an option. However, success will remain optional. Protect yourself and your success by surrounding your innovation process with the perfect collaborative protection.

February is show time for homeowners in Western Washington

For garden enthusiasts, the Northwest Flower & Garden Show is a must. Scheduled for Feb. 11-15 at the Washington State Convention Center in downtown Seattle, the annual extravaganza includes six acres of gardens plus a Marketplace showcase of 350 exhibitors and their wares. Also featured are 100-plus free seminars and demonstrations. Visit the Garden Show website for details, including ticket information.

On Feb. 14 and continuing through Feb. 22, the annual Seattle Home Show opens at the CenturyLink Field Event Center. Now in its 71st year, the show includes hundreds of displays of home and garden products and building materials. Whether looking for tips for DIY projects or the latest on décor, appliances and living green, homeowners will likely find it at the Home Show. "Meet the Experts" seminars and wine tasting add to the fun. Check out the show's website for details.

REALTORS® in King County Honor 10 for Special Achievements During 2014

Ten members of SEATTLE *King County* REALTORS® (SKCR) shared the spotlight for special achievements at a sold out industry event held last month. The occasion also featured the installation of the organization's 2015 leaders and fundraising for a scholarship program.

Joining together for the celebrations were members, affiliates and guests of SEATTLE King County REALTORS®, the Women's Council of REALTORS®, and SKCR's Young Professionals Network (YPN).

SKCR's top honor, the Realtor® of the Year award, went to **Patti Hill**, whose industry involvement encompasses national, state and local associations, with a particular interest in local issues and politics. She is a managing broker at the Ballard office of Windermere Real Estate Northwest and has been a director with the Washington Realtors since 2009. Hill earned her real estate license in 2000 and is completing a term as vice present of governmental and public affairs for the Association. In 2015, in addition to serving as that association's president-elect, the Seattle resident will also serve on various Political Action Committees at the national level.

A special President's Award went to **Roni Strupat** for decades of service as chair of the Seattle-King County First Citizens Awards program. In singling her out, Larry Christensen, the outgoing president of SKCR spoke of Strupat's tireless commitment to the program, which has a 76-year history of honoring community leadership, volunteerism and civic engagement that enhances the region's quality of life. Strupat is a broker at RE/MAX Performance Plus in Renton.

Other 2014 recipients of SKCR awards include (*listed alphabetically by award name*)

- Affiliate of the Year - Luis Hernandez, Banner Bank, Capitol Hill Branch, Seattle
- Government Affairs Volunteer of the Year- David Irons, Coldwell Banker Bain, Issaquah
- Instructor of the Year - Larry Christensen, RE/MAX Performance Plus, Kent
- One to Watch - Trish Englund, Windermere RE/East Inc., Yarrow Bay (Kirkland)
- Outstanding Professional - Johna Beall, Real Living Northwest, Bothell
- Pacesetter Award - Washington Association of Mortgage Professionals
- REALTOR® Achievement - Sam DeBord, Coldwell Banker Danforth, Seattle
- REALTOR® Community Service - Tom Bernard, Windermere Real Estate Northwest, Ballard

Luis Hernandez, a residential loan officer with Banner Bank's Capitol Hill Branch, was honored for his volunteer service to SKCR's Affiliate Council, which he chaired in 2014, and other community activities. He serves on the Association's board of directors, and volunteered at its annual habitat restoration project and legislative "Hill Day." Hernandez also helped organize and sponsor free quarterly forums for Realtors. The Puerto Rican native also volunteers with Entre Hermanos, a nonprofit organization that works to improve the health and well-being of the LGBTQ Latino community.

SKCR’s Government Affairs Volunteer of the Year honors went to **David Irons**, who served as 2014 vice president-elect of Governmental and Public Affairs and chair of its Political Action Committee (PAC). In his PAC role he is credited with significant increases in both the number of investors and amounts invested. The former King County Councilmember serves the Association as a key contact to four state legislators and volunteered on several candidate interview panels. He is a broker at the Issaquah office of Coldwell Bank Bain.

Larry Christensen, the outgoing president of SKCR and a state certified instructor, was named Instructor of the Year. He has been a real estate professional since 1968 and an Association volunteer since 1986, during which time he has served on numerous committees. After managing an office of 50-plus agents, he started his own real estate school and began instructing full time in 2001. Along with teaching, he is the author of several state approved real estate courses. Christensen, who is affiliated with RE/MAX Performance Plus in Kent, is also an approved ethics instructor for Realtor associations in several counties around Washington state.

The Realtors honored **Trish Englund** with its “One to Watch Award” for young professionals. She is affiliated with the Yarrow Bay office of Windermere Real Estate/East, which she joined in 2007, initially in an administrative position. In 2012 she became a licensed broker and the following year earned a business degree from Northwest University. She also serves as a new construction specialist with Lockwood-Lozier Custom Homes. In 2015 Englund will chair the Association’s Young Professionals Network and serve on SKCR’s board of directors. The award recognizes members under age 35 who demonstrate ingenuity, leadership and community involvement. Englund supports several nonprofit organizations, including overseas missions and local groups.

“Outstanding Professional” honors went to **Johna Beall**, managing broker at Real Living NW Realtors in Bothell and the founder/instructor at HomeOwnershipU. Since the beginning of her real estate career in 1998, Beall has been a dedicated volunteer instructor for the Washington State Housing Finance Commission where she teaches free classes for first-time buyers to help them avoid predatory lending and other costly mistakes. She is the incoming state chapter president of the Women’s Council of Realtors® (WCR). Beall is a past president of the Seattle Chapter of WCR and helped start that organization’s first Masquerade Ball fundraiser. Its efforts benefit Brettler Family Place, a Sand Point Housing program for formerly homeless families with young children. Beall, a graduate of UC Berkeley, has a master’s degree in psychology as well as several professional designations.

Sam DeBord was honored with the Realtor Achievement Award in recognition of outstanding service to the local and state Realtor associations, and to the community. He is a managing broker at Coldwell Banker Danforth and part of the Seattle Homes Group team. DeBord authors content for several real estate and technology news outlets, both nationally and locally. His background includes web development and consulting for tech startups – skills he applies to SeattleHome.com, one of the region’s most powerful and popular real estate platforms. In addition to serving as a director for both SKCR and Washington Realtors, DeBord has been active on several committees for both associations, plus Presidential Advisory Groups for the national organization.

For outstanding contributions to the industry, SKCR presented its Pacesetter Award to the **Washington Association of Mortgage Professionals**. The Bellevue-based trade association serves licensed mortgage professionals and consumers. Through education, events, communications, and public affairs, WAMP promotes professionalism and high ethical standards for loan officers. As part of its efforts to promote a competitive and informed marketplace and to foster home ownership, WAMP is committed to working with Realtors and other industry partners.

Tom Bernard from Windermere’s Ballard office was singled out for the 2014 Realtor Community Service Award. Among his volunteer activities, he is involved with the Ballard Food Bank, where he serves on the board, and with Compass Housing’s “Road to Housing” program. The longtime Ballard resident coordinates grocery retrieval every Monday morning for the Food Bank. His service to the Compass Housing Alliance is focused on its “Road to Housing” program, which provides 24/7 access to safe parking, bathroom facilities and a microwave for men, women and families who are forced by circumstances to live in their cars.

As part of the evening's festivities, banquet attendees participated in a 50/50 raffle and dessert auction to raise funds for the Seattle First Citizen Scholarship Foundation. Nearly $5,000 was raised for scholarships, which are awarded in part for good citizenship and community involvement.

The SEATTLE KingCounty REALTORS®, with more 5,700 members, is a local board of the National Association of Realtors® (NAR). Its members adhere to a strict Code of Ethics and participate in matters at all levels of government that affect private property rights, housing supplies, affordability and homeownership opportunities. Membership is voluntary, and only members may use the term REALTOR®, which is a licensed collective trademark.

Bellevue places 3rd on list of Best Places to Retire

Bellevue's quality of life, access to health care and other amenities earned it a No. 3 ranking on the "Best Places to Retire" list published by Livability.com. Springfield, Missouri and Knoxville, Tennessee edged out Washington's fifth largest city in the annual rankings.

Editors of the list cited Bellevue's high-end housing, vibrant entertainment options, low crime, excellent health care and strong economy as attractions for retirees. The city holds the highest ratio of primary care physicians to residents on the Livability.com list. Researchers also noted its retiree-friendly tax benefits.

Livability.com is a website that explores what makes small to mid-sized cities great places to live, work, play and visit. It uses data from Esri, County Health Rankings, Kiplinger, the Census Bureau, the Department of Housing and Urban Development, and the Bureau of Labor Statistics for its evaluations.

Barracks at former Naval Station to be renovated into affordable housing

Mercy Housing Northwest will redevelop former Navy barracks at Magnuson Park into 128 affordable housing units. The nonprofit agency received $9.7 million in state funding from the Washington State Department of Commerce for the project, which is expected to cost about $60 million.

The dilapidated 90-year-old building will undergo extensive renovation. Known as Building 9, it encompasses 223,000 square feet. Parts of the building's historic architecture will be preserved, including its historic entrances, corridors, stairwells, windows and third floor dormers.

When completed in mid-2018, the apartments will be priced for renters who earn up to 60 percent of the Seattle area's median income. In addition to creating a community for working families, Mercy Housing intends to reach out to veterans and individuals with disabilities.

On-site amenities will include a computer lab, laundry facilities on each floor, an exercise studio, bike storage and maintenance area, and children's indoor play areas in the basement. In addition, a portion of the building will be devoted to a full-service community health center operated by SeaMar Community Health Clinics. The clinic will provide medical, dental and behavioral health services to residents of Building 9, Sand Point and the greater Northeast Seattle area.

Since 1981, when Mercy Housing became active in the Northwest, it has developed and now manages almost 2,400 affordable rental homes throughout the region serving more than 5,100 residents each day. The organization has also helped more than 100 families build and purchase their own homes.

Mercer Housing was selected following a competitive application process.

News In Brief

- **Fannie Mae and Freddie Mac recently announced that first-time home buyers can now qualify for loans with down payments as low as 3 percent.** Housing analysts say that will expand credit for qualified home shoppers who may have been sidelined the last few years because of higher down payment requirements. Freddie Mac launched Home Possible Mortgage, a conventional mortgage with a 3 percent down payment requirement geared to low-and-moderate income borrowers. It's a conforming conventional mortgage with a maximum loan-to-value ratio of 97 percent. To qualify, first-time home buyers are required to participate in a borrower education program. With Fannie Mae's 3 percent down payment offering, borrowers must still meet standard eligibility requirements, including underwriting, income documentation, and risk management standards. Any buyer can take advantage of Fannie's loans as long as at least one co-borrower is a first time buyer, and the loans will require private mortgage insurance.
- **In a recent editorial as reported by Tom Kelly, The New York Times blasted those who warn of a new foreclosure crisis stemming from the recent loosening of credit standards for cash-strapped borrowers**. The editorial board said that the oft-cited misconception that many who lost their homes in the foreclosure crisis were not ready to be homeowners in the first place is harmful to low-income people and the housing market in general. "The notion that borrowers brought foreclosure on themselves ignores evidence to the contrary," the board wrote. "The notion that low- and moderate-income borrowers cannot sustain homeownership is further undermined by evidence showing that the key to success is not a hefty down payment or even perfect credit, but rather carefully underwritten, 30-year fixed-rate loans that can be paid off in stable monthly increments." The paper instead blamed predatory lending and rampant unemployment for the foreclosure waves, and credited inadequate foreclosure relief programs with failing to stem the tide. It urged lawmakers to center reforms on banks, rather than borrowers: "For politicians and regulators, the lesson of the housing bust is that curbing financial recklessness, predation and discrimination will create the conditions for sound homeownership. The lesson is not to deny lower- and moderate-income families the tools they need to become successful homeowners."
- **Zumper, a national apartment rental site, recently released its November 2014 rent report, naming the following top 10 priciest rental markets in the U.S.** The median rent for a one-bedroom apartment is listed for each city:

  1. San Francisco: $3,350
  2. New York: $3,000
  3. Boston: $2,330
  4. Washington, D.C.: $2,050
  5. Chicago: $1,750
  6. Miami: $1,700
  7. Los Angeles: $1,690
  8. **Seattle:** $1,610
  9. San Diego: $1,400
  10. Philadelphia: $1,400

Denver likely will make the list soon, as renters increasingly face hefty rental costs there. Denver is the fastest-rising rental market, according to the report, with prices for one-bedroom apartments there surging 9.6 percent.

- **Real estate agents and brokers subscribing to Zillow and Trulia premium services spent more than $33 million in the latest quarter to secure new leads, but a new survey revealed that brokers view leads that their agents already have in their address books as being far more valuable as reported by Tom Kelly in mynorthwest.com.** "A real estate agent's best lead is organic," said Renwick Congdon, chief executive officer of Bellevue-based Imprev, a real estate technology company that conducted the study. "It comes directly from his or her sphere of influence, company or personal website, and through local marketing, such as yard signs, flyers, and open houses." The 2014 Imprev Thought Leader survey asked which leads were most valuable to more than 270 broker-owners and top executives at leading franchises and independent brokerage firms that were responsible for nearly half of all U.S. residential real estate transactions last year. Eighty-six percent of those responding said organic leads from an agent's sphere of influence-past clients, and referrals-offer exceptional value (based on quality of the lead or return on investment), compared to only 8 percent citing Zillow, 7 percent citing Realtor.com, 5 percent citing Craigslist and 4 percent citing Trulia. "Real estate leaders are telling us their agents already have the gold-they just need to mine it," Congdon said. "The nurturing of organic leads from capture to transaction is crucial, and an area that I believe is not adequately embraced by the typical real estate agent." The Imprev Thought Leader Survey showed that organic lead sources dominated the list of most-valuable lead sources: An agent's sphere of influence ranked first, followed by the broker's website, with 32 percent of the real estate leaders rating the quality or ROI as exceptionally valuable; in third place was local marketing, (flyers, walk-ins, signs, open houses) with 27 percent.

Calendar of Events - Through February 3, 2015

Dates	Event	Time	Location	Contact
SEATTLE-*King County* REALTORS®				
1/14/15	Board of Directors	10:30am - 1:30pm	SKCR	425-974-1011
1/19/15	Holiday - Office Closed			
1/20/15	WR Board of Directors	4 pm	Red Lion Olympia	425-974-1011
1/21/15	WR Committees	All Day	Red Lion Olympia	425-974-1011
1/22/15	Legislative Hill Day	All day	Red Lion Olympia	425-974-1011
2/3/15	Gov't Affairs Committee	10:30am - 1:30 pm	SKCR	425-974-1011
For updates visit: **www.nwrealtor.com** and click "events"				