NW REporter

Serving More Than 23,000 Real Estate Professionals in the Northwest

September 2015

Borrowers making energy efficient upgrades may qualify for new incentives from FHA

Borrowers who want to make energy efficient upgrades to their homes may be able to use Single Family FHA financing for properties with existing Property Assessed Clean Energy (PACE) loans. The allowance was part of new guidelines the FHA announced in late August.

In the same announcement, FHA unveiled a new partnership with the Department of Energy (DOE) to help borrowers using Single Family FHA's Energy Efficient Home (EEH) program take advantage of energy cost savings when measured by DOE's Home Energy Score.

PACE programs allow participants to finance energy efficiency and renewable energy projects through property assessments that last the functional life of a project, typically five to 20 years. One of the benefits of the PACE model, according to the National Conference of State Legislatures (NCSL), is that it is built from a municipal financing model. Such models have been used for decades for items that serve the public good, such as street paving, parks, water and sewer systems, or municipal street lighting.

PACE programs can help increase both the accessibility and the affordability of energy saving measures, resulting in lower energy bills to residents and reduced environmental footprints of participating localities. Another benefit is preservation of the marketability of properties with PACE loans.

According to the U.S. Energy Information Administration, 40 percent of total U.S. energy consumption is consumed in residential and commercial buildings. Some property owners have been reluctant to invest in energy efficient or renewable energy systems, citing high up-front costs and statistics indicating residents move every six to nine years on average.

The new guidelines would ease such barriers. Now, when a property is sold, the unpaid balance of the PACE loan stays with the more energy efficient property, with the new owner responsible for repaying the loan (usually through property taxes).

These new tools will help homeowners make smart choices for their pocketbooks and for the environment, said HUD Secretary Julián Castro. "PACE allows homeowners to benefit from the improvements immediately and spread the cost over time."

A statement from the White House coinciding with the FHA announcement of the guidelines said executive actions and private sector commitments "will continue to promote the use and development of smart, simple, low-cost technologies to help households save on their energy bills and help America transition to cleaner, and more distributed energy resources." The statement also noted PACE programs could potentially unlock alternative sources of capital to accelerate renewable energy and efficiency retrofits for households, and reduce energy costs for consumers.

FHA also announced an initiative that allows consumers to qualify for a higher loan amount due to cost savings associated with energy efficient improvements. With that program, offered in partnership with

DOE, the FHA will provide flexible underwriting to recognize the reduced costs of utilities when those costs are established with DOE's Home Energy Score in areas where such performance scores are available.

DOE's new Home Energy Score is a low cost, reliable method for estimating the energy use of a home. Officials say the score is similar to the easily-understood "miles per gallon" label. It measures the energy efficiency of homes on a scale of 1–10.

NCSL said PACE has stimulated energy saving investments and rapid acceptance across the U.S. Establishing a PACE program typically requires enabling authorization by each state's legislature. NCSL data show legislation is authorized in 31 states and Washington, D.C., with 12 states and the District of Columbia having active PACE programs. Washington state is not among them.

The announcement of the new guidelines and partnership coincided with the White House National Clean Energy Summit in Las Vegas. At this year's 8th annual event, President Obama told the audience "we're here today because we believe that no challenge poses a greater threat to our future than climate change." Attendees included policymakers, business executives, energy policy experts, entrepreneurs, investors, citizens, and students.

Opinions vary on possibility of a housing slowdown, but numbers show solid activity

KIRKLAND, Washington (September 3, 2015) - Some brokers from Northwest Multiple Listing Service detected a slowdown in housing activity during August, "but nowhere near what is typical," according to one industry veteran. Among MLS leaders who commented on the service's latest report, expectations for the remainder of 2015 ranged from one who predicted "we're on the cusp of a slowdown," to others describing activity as "torrid" and saying "sales will continue at a fast pace."

Newly released statistics show solid gains for several indicators used to track activity, including pending sales, closed sales, and median prices.

For the fifth month this year, pending sales system-wide outpaced the number of new listings added to the inventory. During August, members reported 10,603 mutually accepted transactions and 9,921 new listings. That new listing total for the 23 counties in the MLS service area was the lowest level since February.

"The velocity of sales activity continues at a very fast pace with pending sales eclipsing new listing inventory. This sales activity is keeping the selection of available properties at historic lows," commented John Deely, principal managing broker at Coldwell Banker Bain. He said the low listing inventory continues to impact some sub-markets, including Seattle's where multiple offers and escalation clauses are "the rule rather than the exception."

Like new listings, total inventory also declined. At the end of August, Northwest MLS members reported 20,749 total active listings in its database. That reflects a slight drop from July's total selection of 21,069, but a 23.3 percent decline from the year-ago inventory when there were 27,060 homes for sale.

Supply, as measured by months of inventory, showed slight improvement in August, inching up to 2.38 months overall. That's up from July's figure of 2.24 months. In King and Snohomish counties, supply remained well under two months. Many industry analysts use a range of four-to-six months as an indicator of a balanced market.

"The biggest challenges our buyers face are the lack of inventory and the quality of homes to choose from," said MLS director George Moorhead. Sellers who have been "pushing the pricing envelope too hard are experiencing pushback from buyers as their homes sit on the market," according to Moorhead, the designated broker and owner at Bentley Properties.

Commenting on prices, which showed year-over-year gains in most areas, Moorhead reported mixed outcomes. "We have been seeing price reductions more frequently during the normal slower market times of summer, but well-priced homes in desirable areas are still drawing multiple offers and offers above the listing price," he explained.

MLS figures show last month's closed sales of single family homes and condominiums had a median selling price of $315,000 area-wide for a 9.6 percent increase from a year ago. Ten counties reported double-digit gains, including King County where the median price was $450,700. That translates to a 13.2 percent increase from the year-ago figure of $398,000.

The volume of completed sales, numbering 8,718, jumped more than 12 percent from the year-ago total of 7,775 closings. Single family homes accounted for more than 85 percent of the total transactions.

Single family homes in King County sold for a median price of $499,950, just below the figure of $500,000 the MLS reported in June, believed to be an all-time high for the monthly reports. Year-over-year prices for this segment jumped 14.4 percent.

For condos, both the volume of sales and selling prices showed sizable gains from a year ago. The overall number of condo sales rose from 1,026 to 1,248 for a 21.6 percent gain. Condo prices surged 17 percent, rising from $221,000 to $258,750.

In King County, where 60 percent of condo sales occurred, the volume was up nearly 21.7 percent. Median prices increased 19.7 percent from a year ago, rising from $249,950 to $299,250.

"I don't think any real estate market/economy can sustain steadily increasing prices like we've seen without a leveling or a drop-off of sorts," cautioned Gary O'Leyar, designated broker/owner at Berkshire Hathaway HomeServices Signature Properties and a past chairman of the Northwest MLS board.

"As Seattle home prices reach (and in some cases exceed) the 2007 peak, I believe more potential sellers will gradually consider selling," O'Leyar stated, adding, "Since the post-2007 recovery period I think many property owners have been waiting to recapture lost equity. If that has been the obstacle for some sellers to enter the market, we are reaching that point of value/equity recovery."

Another industry leader also commented on a possible leveling of activity.

"Given the seasonality of real estate and low inventory levels, I think we're on the cusp of a slowdown in the housing market," stated OB Jacobi, president of Windermere Real Estate. "The continued double digit increases in home sales simply cannot be sustained unless we see inventory growth," he emphasized. That is unlikely, he suggested, "since we're entering the time of year when fewer people list their homes.

Brokers in Snohomish County were mostly upbeat about the market.

"There were slight slowdowns but nowhere near what is typical," remarked Diedre Haines, whose experience in the industry dates to 1976. "Multiple offers continue, interest rates are still low, economic forecasts for Snohomish County remain strong and inventory is still needed," she reported.

"Recent volatility in the stock market has had little if any negative impact on our local real estate activity," stated Haines, Coldwell Banker Bain's principal managing broker for South Snohomish County. More and more investors are returning to real estate as being the best investment they can make, she noted. Commenting on a clause from the preamble to the Realtor® Code of Ethics, which states "Under all is the land" she added, "As we all know, it is impossible to create more of it!"

David Maider, owner/broker at Windermere Real Estate in Everett, said the market in Snohomish County "continues at its torrid pace," bolstering his observation by citing MLS data. The latest numbers show pending sales in that county increased more than 17 percent from a year ago, with closed sales jumping nearly 24 percent.

Maider, a member of the Northwest MLS board of directors, said the primary market drivers include a general lack of supply across all price points (less than two months' worth of inventory), historically attractive interest rates, and a very tight rental market. "Multiple offers are commonplace," he reported, suggesting buyers should be prepared to be decisive and to propose compelling terms to the seller. "This is not a market for sitting on the fence," he emphasized, adding, "We are seeing a very active market, even in higher price points."

Dick Beeson and J. Lennox Scott echoed the optimism.

"The number of buyers in the market place today leaves little doubt that third quarter sales will continue at a fast pace," stated Beeson, principal managing broker at RE/MAX Professionals in Tacoma.

"Conditions are optimal for the home buying surge in the Puget Sound Region to continue, due to job growth and historically low interest rates," suggested J. Lennox Scott, chairman and CEO of John L. Scott. "We can also expect the severe shortage of homes for sale close to job centers, and in the more affordable and mid-price ranges in all Puget Sound markets, to persist," he added.

Scott suggests the fall season will create new challenges for home buyers. He expects price appreciation to remain consistent as inventory continues to decrease, noting new listing inventory historically drops about 50 percent in the winter months.

Northwest MLS brokers continue to remind sellers about the consequences of overpricing and to caution would-be buyers about the pitfalls of overextending themselves.

"Accurate pricing remains critical," emphasized Deely, a director with Northwest MLS. "The market is reacting quickly to accurately priced listings but overpriced ones are sitting with little activity." Looser lending criteria is one such pitfall. "One trend we are seeing, sadly enough, is a return to some of the 'no doc/low-doc' programs with insufficient verification of a borrowers' income, assets or employment. "Yes, these programs may help less qualified buyers attain the dream of homeownership, but they could also be their downfall if they stretch too far without enough foundation to maintain financial security," he suggested.

Buyers, sellers and brokers are expressing some frustration with the fast-paced market. Getting offers accepted, and then getting the transactions to close can be frustrating, according to Haines. She expects forthcoming changes affecting mortgage lending will offer "more positives than negatives." "Finding a buyer for a property remains the easy part. Getting a sale to closing remains very difficult," said Beeson. "More often than not, lenders, appraisers, inspectors and new Federal RESPA (Real Estate Settle Procedures Act) regulations appear at times to do all they can to ensure closing doesn't occur. Brokers sometimes overcome tremendous obstacles to help the buyers and sellers get to closing… Success comes after a lot of hard work," he added. Speculation around the direction of interest rates may also be fueling activity, according to some brokers.

"With the Federal Reserve reticent about raising rates due to international instability, U.S. homeowners will enjoy the benefit of continued low single-digit rates," said Beeson. "There is a general conversation — and expectation — that interest rates will be on the rise, and that is spurring buyers even more to find the perfect home before rates go up," said Moorhead. He expects interest rates will be one percent higher a year from now. "That will continue to push buyers to aggressively find the right home which will continue to push inventory levels downward."

Some potential purchasers may be retreating to the sidelines in hopes the competition will ease.

"Some buyers are becoming discouraged and calling it quits after losing in the multiple offer market. However, positive housing news like dropping mortgage rates continues to bring new prospective home buyers and sellers into the market," reported Deely.

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 23,000 real estate brokers. The organization, based in Kirkland, Wash., currently serves 23 counties in Washington state.

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Statistical Summary by Counties: Market Activity Summary – **August 2015****

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	3,618	4,352	3,879	3,333	$551,016	$450,700	1.31	2.07
Snohomish	1,609	2,536	1,634	1,442	$371,989	$347,800	1.76	2.65
Pierce	1,569	3,307	1,722	1,352	$281,959	$250,000	2.45	3.34
Kitsap	493	1,033	557	409	$314,262	$259,950	2.53	3.89
Mason	116	563	174	114	$193,789	$175,000	4.94	6.64
Skagit	232	637	245	186	$283,863	$260,000	3.42	4.76
Grays Harbor	161	645	162	107	$137,293	$133,900	6.03	9.60
Lewis	141	604	139	111	$182,721	$168,000	5.44	7.42
Cowlitz	167	414	172	118	$192,850	$180,000	3.51	4.98
Grant	127	501	93	89	$189,962	$175,000	5.63	6.78
Thurston	495	1,158	523	404	$268,019	$248,450	2.87	3.83
San Juan	42	394	42	31	$572,277	$433,100	12.71	18.17
Island	197	576	235	173	$339,436	$303,000	3.33	5.21
Kittitas	101	473	112	93	$270,571	$225,000	5.09	8.03
Jefferson	68	360	91	74	$306,862	$271,270	4.86	10.12
Okanogan	47	466	49	39	$204,827	$177,500	11.95	16.59
Whatcom	384	1,247	405	368	$300,094	$280,000	3.39	5.31
Clark	42	104	53	40	$270,904	$252,500	2.60	3.67
Pacific	60	332	67	53	$149,723	$130,000	6.26	11.60
Ferry	6	67	1	3	$186,633	$166,900	22.33	86.00
Clallam	92	322	78	74	$241,615	$225,750	4.35	6.88
Chelan	82	327	74	43	$290,963	$259,900	7.60	6.71
Douglas	44	120	52	29	$257,097	$265,000	4.14	6.00
Others	28	211	44	33	$179,882	$145,000	6.39	5.98
MLS TOTAL	**9,921**	**20,749**	**10,603**	**8,718**	$395,316	**$315,000**	**2.38**	**3.48**

***Please note:* 1) Starting January 2015, statistics for Chelan and Douglas counties appear on separate lines, instead of being part of the "Others" data. 2) Months of inventory are calculated using active listings/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	6469	5220	4410
2015	5791	6541	8648	8671	8620	8608	8248	7792				

Citizens invited to help shape Seattle's future

Like many jurisdictions, Seattle is updating its Comprehensive Plan to guide how to accommodate the 120,000 people and 115,000 jobs the city anticipates gaining by 2035. (*Forbes* ranks Seattle #5 on its latest list of America's fastest-growing cities.)

As part of the process, the city is conducting a yearlong, citywide conversation about the city's past, current and future direction. Public comments on the 159-page draft plan for managing growth as well as more diversity will be accepted through September 30.

The best way to comment, according to the city's Department of Planning and Development, which authored the draft, is to use the online comment tool at *2035.Seattle.gov*. Citizens can view comments by others and add their own thoughts and ideas about policies and growth strategies.

Citizens can also testify at a September 15 public hearing. The City Council's Planning, Land Use, and Sustainability (PLUS) Committee will hold the hearing on proposed Comprehensive Plan amendments for 2015 amendment cycle. The hearing starts at 2 p.m. at Seattle City Hall.

The Council will be considering three bills at the hearing, including measures affecting periodic updates, one neighborhood plan, and provisions related to affordable housing. Those wishing to testify must sign-up 15 minutes prior to the start of the committee meeting.

The draft plan is presented in two sections: Citywide Goals & Policies (with 13 subsections) and Neighborhood Planning. The subsections address topics such as land use, transportation, housing, parks and open space, community well-being, capital facilities, economic development, and the environment.

In introducing the plan, the authors said the update is intended to answer key questions, including:

- How can we make sure everyone benefits from decisions made?
- How will people get around in 2035?
- What types of new housing are needed and where?
- With a growing population, how will we preserve the parks and open spaces we have and maintain our quality of life?

City officials also noted since the Plan was first adopted in 1994, it has embraced the concept of sustainable growth," meaning the City would accommodate additional people and businesses, while also aiming to maintain and enhance resources for future generations."

Reflecting on the initial Plan, the authors of this year's update noted the 1994 plan was based around an Urban Village strategy. That strategy designated certain neighborhoods as Urban Centers or Urban

Villages, with housing, job, and transit options within each center. Since then, about 75 percent of new housing and jobs have located within these designated areas.

Planners say the primary goal of the Comp Plan is to guide the physical development of the city, but add it is also viewed as a guide “to achieving a future we want.”

“In shaping how we create new spaces for people to live, work, and play, this Plan also promotes better access to jobs, education, affordable housing, parks, community centers, and healthy food for all of Seattle’s residents,” the authors wrote, adding, “If we plan well, we can build a safe, vibrant, affordable, interconnected and innovative city for all.”

Despite many positive indicators, builders reluctant to notch up housing starts

Economists with Morgan Stanley expect 4.5 percent home price appreciation and up to 1.3 million total housing starts by the end of 2015. Of that total, about 700,000 will be single family starts.

As part of a mid-year outlook for builders, analysts at Morgan Stanley estimate an additional one million new households will be formed by year end. Renters are fueling much of that activity, according to that firm’s research. Consequently, the homeownership rate is slipping.

New home sales are tracking toward the anticipated total of 500,000 to 550,000, resulting in year-over-year growth of 15-to-25 percent.

Ryan Gilbert, an equity analyst with Morgan Stanley’s research department described this year’s housing starts as “choppy.” Figures show that segment with a low single-digit growth rate, but some improvement is evident.

Gilbert called existing home sales a “standout,” citing figures showing the volume is heading toward the high end of projections.

Analysts say both housing affordability and existing homes sales are positive. Another positive note is an uptick in activity among first-time buyers, which Morgan Stanley analysts believe will be more pronounced in 2016. The outlook is tempered by the knowledge that rising mortgage rates could restrain sales since this segment is price-and rate-sensitive.

Despite many positive indicators, Gilbert said builders his company follows are split on making additional investments, with some saying the necessary improvement for them does not yet exist.

During the mid-year webinar, Gilbert also presented highlights of a builder survey it conducts with HomeSphere, a digital lead generation service for the industry.

When asked to identify their major concerns, local and regional builders who responded during July listed homebuilder labor shortage as their top concern, followed by the rising cost of building materials.

A recording of the 30-minute webinar on the "2015 Outlook for the U.S. Housing Market" is available for reply on the HomeSphere website.

Four ways to boost a home's exterior appeal

Home Advisor, the free nationwide online home improvement marketplace, suggests four exterior projects to enhance a home's curb appeal – and possibly prevent major repairs. They include landscaping, exterior paint, roofs/gutters, and fencing.

Spruce up landscaping. Overgrown shrubs, worn-out mulch, and brown spots in lawns project a tired, rundown image, but can be remedied with pruning, laying sod and new plantings and mulch. In the course of planning the improvements, HomeAdvisor suggests examining the grade surrounding the home to make sure it isn't compacted and sloping toward the house, which could threaten the foundation.

Touch up paint. Chipped and peeling paint could lead to rotting, mold or warping on a home's siding. A little preventative maintenance can help preserve the life of the paint (typically about 15 years). Taking time to prep the chipped areas with sandpaper and primer, and then painting the damaged area can help prevent costly repairs if maintenance is deferred. The pros also recommend pressure washing the home in the spring to remove dirt and help prevent mold and mildew.

Repair roofs and gutters. Missing shingles and sagging gutters are more than an aesthetic concern – they can lead to spendy repairs. HomeAdvisor notes water takes the path of least resistance, and those routes include cracks, gaps and holes. Deferred repairs could mean water in sub roofing. Unrepaired gutters also have costly consequences. Periodic roof inspections are advised.

Fix fences before they tumble down. Prompt repairs can save the time and expense of replacements. From pressure washing to replacing damaged boards and resetting posts, or applying a fresh coat of stain or paint, these simple measures can enhance the appearance and extend the life of an existing fence.

Since its launch in 1998, HomeAdvisor has grown to become the nation's largest online home improvement marketplace with a network of more than 90,000 pre-screened home service professionals. Free to homeowners, it enables finding and connecting with pre-screened home improvement, maintenance and repair professionals. *Built In Colorado* named HomeAdvisor the largest digital tech employer in that state.

FHA offers localized widget for broker websites

Real estate professionals are invited to add a free tool that displays loan limits to their own websites.

The customizable widget from FHA.com allows showing up to five counties in a licensee's state. Users can select a widget size and color scheme.

As noted on the Federal Housing Administration (FHA) website, loan limits vary based on a variety of housing types and a property's location.

FHA.com is a privately owned website. It is not a government agency (or affiliate of the U.S. government), and it does not make loans. Instead, it provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories.

The FHA is the largest insurer of mortgages in the world, insuring over 34 million properties since its inception in 1934.

Judge silences plaintiffs, tosses noise disclosure complaint

A Skagit County Superior Court judge sided with two real estate brokerages and dismissed a lawsuit by two Coupeville residents who claimed noise disclosures required by Island County code were inadequate.

In tossing the complaint the judge agreed with the defendants' contention that no unfair or deceptive acts under the state Consumer Protection Act were committed, and that disclosures provided were sufficient to alert homeowners of aircraft noise impacts. The judge further determined that reasonable inspection would have revealed the facts available in a second more detailed disclosure statement.

Island County requires disclosures related to aircraft noise from the naval air station on Whidbey Island. The code requires real estate brokers to present two different disclosures to potential home buyers within "impacted areas" in the vicinity of navy operations near Oak Harbor and Coupeville.

The plaintiffs had sought class-action status, damages, and injunctive relief. The case was heard in Skagit County Superior Court after Island County judges recused themselves.

BROKERAGE DESIGN – BY JEREMY CONAWAY

What is the deal with the Millennials?

Brokerages are currently being challenged in their efforts to capture a commanding share of what some in the industry are trying hard to classify as a "Millennial land rush." The fact of the matter may be that the current situation may not constitute a land rush at all but rather a generation playing out its unique developmental destiny.

The industry's conference and literature environments are currently awash with presentations and articles about the consumer behaviors of the 80 million Americans between the age of 18 and 34 that comprise what is generally known as the Millennial generation. While much of the information that is being shared is simply a rehash of extremely limited professional and previous offerings, there is one new publication that meets everyone's five star test of relevancy, accuracy and power.

Last week the Pew Research Center, a unit of the Pew Charitable Trusts, issued what is probably, at this point in time, the definitive report regarding the Millennial Generation and their current interactions with the housing industry.

The Pew Charitable Trust is an independent non-profit, non-governmental organization (NGO), founded in 1948. With over US $5 billion in assets, its stated mission is to “serve the public interest by improving public policy, informing the public, and stimulating civic life.” It is, by any criterion, an amazing fountain of knowledge that matters.

The Pew report is entitled *More Millennials Living With Family Despite Improved Job Market.* The report contains a revealing analysis of U.S. Census Bureau data regarding this increasingly important demographic. For real estate professionals seeking to effectively work with this group the following insights will be essential.

- The post great recession economic recovery has now been in existence for over 5 years.
- Despite this history fewer individuals within the 18–34 years old group are currently living independently in their own households than in the height of the recession in 2007.
- The employment economics of the Millennials are also recovering nicely. In 2015 Millennials with a college education will make an average of $51,000 while those with a high school diploma and “some” higher education will make about $30,000. These statistics suggest that income is very close to having recovered to pre-recession rates. Some experts suggest that what the Millennials lack is not adequate income but rather the ability to live on the same level as their boomer parents.
- 51% of Millennials with a college education are running their own households as opposed to 43% of those without a degree. These statistics are somewhat below pre-recession rates.
- The data also suggests that while the repayment of education related debt is a factor in deciding whether or not Millennials live independently it is not as critical a factor as previously thought.
- The latest census data indicates that there has been no significant increase in the percentage of Millennials living with their families since 2007.
- Neither is being “doubled up” (either living with parents or having a roommate) significantly increased since the recession.
- Of special interest to housing and real estate professionals is the fact that in 2015 only 25 million Millennials head up their own households compared with 25.2 million in 2007 despite the fact that there are some 3 million more individuals in this demographic group. This has had a very negative impact upon the housing market. There is no evidence that household formation rates in 2015 have significantly increased over 2010.
- Another demographic factor impacted by the recession was college enrollment. During the 2010–2012 period there was a dramatic increase in enrollment but those numbers have retreated over

> the past three years. Despite media stories that suggest that higher education doesn't "pay off," the evidence provided by the Pew report differ dramatically and suggest that education, even with student loan debts, remains one of the best investments a young individual can make.

The relevance of the information presented in the Pew report is something that every real estate professional should study and apply to their unique business. They should beware of the stereotypes and generalities that are currently being peddled as contemporary marketing savvy. Many are nothing more than short-term observations that their authors are attempting to convert into long-term marketing wisdom.

What the Pew report was not charged with, and did not comment on, are the vast number of philosophical, lifestyle and cultural factors that are now formatting the lives of the 18 to 34 year old set. The factors that are contributing to the hesitancy of the Millennials to engage in certain housing decisions (e.g. purchase) are complex and significant. They go well beyond how agents are interacting, what they are saying and how they are presenting the issues connected to owning one's own home. They are not all about economics.

Perhaps the most significant of these factors is that many were raised by the most complex of all generations; the "boomers." Only history will disclose the full impact and force of having boomer parents. Boomers themselves demonstrated the impact of having "civic" generation parents. Most couldn't escape that oppressive environment fast enough. The Millennials are demonstrating just the opposite behavior. The basis of this attraction and relationship may well be the foundation of the real estate industry's challenge with this demographic.

It is becoming increasingly obvious (Supported by the Pew Report) that the impact of the recession on the Millennial generation may be far less than previously assumed. A strong case can be made to support the idea that what is happening relative to this generation and its housing decisions may well be a product of the culture in which they were raised. Consider the fact that nearly 50% of Millennials who have purchased a residence received significant funding support from their families. What expectations will these actions by Boomer parents carry into the future? Given the economic realities of upcoming retirements, is it possible that Boomer parents will demand repayment of these grants at the very moment that the Millennials are feeling the heaviest burdens of raising families?

It is way too early and there has been far too little history connected to the Millennials for real estate professionals to believe that a dependable set of Millennial centric rules and procedures have emerged. Caution is the key here. Do some homework and closely track emerging research such as that recently contributed by the Pew organization.

$930 million "Move Seattle" levy awaits Seattle voters

Seattle voters will decide the fate of an ambitious $930 million levy—the biggest in Seattle history—when they cast their ballots in November. The measure, called The Transportation Levy to Move Seattle, would replace an existing levy that expires at year end.

On September 29, voters are invited to a free "Seattle Speaks" interactive discussion on the 9 year $930 million levy. The program will be held from 7 to 8 p.m. at Seattle's Town Hall. (Doors open at 6 p.m.) Admission is free but seating is limited so pre-registration is recommended.

Introduced by Seattle Mayor Ed Murray, Move Seattle would integrate transit, walking, biking, and freight. The proposition requires all levy proceeds to be used for transportation improvements. Proponents say it would contribute to a safe, interconnected, vibrant, affordable, and innovative city while helping Seattle keep pace with growth.

Some critics are questioning where the levy dollars would go, believing the proposal "is a collection of disconnected projects."

The levy would be paid for through a property tax, which would cost the owner of a median priced ($450,000) Seattle home about $275 per year, according to campaign materials. That compares to a cost of $130 per year for the expiring Bridging the Gap levy.

Seattle CityClub, Seattle Channel and **Town Hall** will are presenting the upcoming event. Seattle Speaks is an Emmy Award-winning series that brings together local leaders, critics, stakeholders and citizens to "deliberate pivotal moments" in the city's history. Seattle Channel's **Brian Callanan** is the program's host.

Citizens are invited to submit thoughts and opinions by taking a preshow poll.

Free Housing Summit promises lively debate on accommodating growth

Accommodating the region's expanding economy and population is a topic that elicits lively debate. On Tuesday, Sept. 15, industry experts will join three featured speakers at the 2015 Housing Summit to offer their ideas.

Titled "Transportation & Land Supply: Where do we go from here?" the discussion is a presentation of the Master Builders Association of King and Snohomish Counties. The complimentary event at Bellevue's Meydenbauer Center includes networking from 7 a.m. to 8 a.m. followed by the program from 8 a.m. to 11:30 a.m.

Speakers include: **Dow Constantine**, King County Executive; **Josh Brown**, executive director, Puget Sound Regional Council; and **Matthew Gardner,** chief economist at Windermere Real Estate. Their presentations will be followed by a panel discussion with industry experts who will likely propose their own solutions for accommodating the influx of new residents.

Registration may be made online at the Master Builders.

Puget Sound Energy and Parr Lumber Company are sponsoring the Summit.

Green builder buys lot from city, plans affordable housing in Seattle's International District

Up to 170 affordable housing units are planned for the edge of Seattle's Chinatown-International District under an agreement between the city and a private developer.

The project is the first development to be announced after the city's Housing Affordability and Livability Agenda (HALA) committee released a report outlining 65 recommendations to build or preserve 50,000 housing units in the next two decades.

Seattle-based Stream Real Estate Development & Investment purchased the small city-owned parcel adjacent to another lot it was buying at Yesler Way and Sixth Avenue South. The agreement requires the units to remain affordable for 50 years to someone making $46,100 a year or less (in today's dollars). That translates to a cap of around $1,235 for a one-bedroom apartment, according to a report in the *Puget Sound Business Journal*.

The company plans a six- or seven-story project on what is now a surface parking lot.

Stream Real Estate bills itself as developers of Sustainable Apartment Living, with every unit it has built so far being LEED® certified. It also "intentionally develops buildings within close proximity of public services such as bus lines, trolleys, bike routes and corporate transportation." One of its projects, a 70-unit apartment building called Stream Belmont on Capitol Hill, earned Green Builder Media Home of the Year honors.

Marc Angelillo, Stream's managing member, said the project's timeline has not been set, but the company hopes to start building in 12 to 18 months.

The transaction needed City Council approval via legislation. Proceeds from the sale, estimated at $1.4 million, will be used to build more affordable housing elsewhere.

News In Brief

- **The median market time for a Seattle-area home has reached an all-time low of nine days, according to real estate brokerage Redfin.** Redfin's barometer of national median time on the market dropped to just 26 days in June, the shortest time on record. Denver homes sold in six days or fewer in June; Portland was 10 days, and Boston was 11 days, according to Redfin. The strength of the local economy, employment and income growth, and low inventories of homes for sale compared to demand are all factors that lead to faster selling times, according to economists. The National Association REALTORS® also has a market-time gauge. NAR revealed that national properties typically stayed on the market for 34 days in June, the shortest number of days since it began tracking in May 2011. Short sales spent the most time on the market with a median of 129 days, foreclosures sold in 39 days, and non-distressed homes were on the market for 33 days. NAR reported that 47 percent of homes sold in less than a month in June.

- **Over the next five years, the housing market will see approximately 1.5 million eligible return buyers jump back into home ownership, according to a new study by the National Association of REALTORS®.** These return buyers, nicknamed "boomerang buyers," lost their homes during the housing crisis. They have restored their credit and are ready to impact the already low inventories of homes for sale. Since 2006, 950,000 of these former owners have already purchased a home again and more are on the way. Close to 700,000 of the 7.3 million homeowners who went through foreclosure or short sales are now are eligible to get a mortgage again this year, reported Daren Blomquist, vice president of Realty Trac.

- **The tight supply of available homes is prompting more house hunters to bid up home prices, according to national housing analysts and reported in mynorthwest.com.** "Prices are rising just too fast," said Lawrence Yun, chief economist for the National Association of REALTORS®, the nation's largest trade association. "And certainly far ahead of people's income." NAR recently reported that the limited number of homes for sale was pushing the national median sales price above its 2006 peak. In its latest existing-home sales report, NAR noted that the median home price for all housing types reached $236,400 in June — 6.5 percent above year ago levels and surpassing the peak median sales price set in July 2006 at $230,400. Housing's inventory problem is occurring across housing types. Condos made up just 5.5 percent of all multifamily building in the first quarter of this year, the lowest on record for the Commerce Department, which has been tracking such information for more than four decades. Single-family construction is also about half of what it should be, according to Bob Denk, senior economist at the National Association of Home Builders. As for what's hindering the new-home supply, Denk points to a skilled labor shortage in the building industry as well as a shortage in the number of lots to build on. "We are having these supply chain headwinds," Denk said. "It's hard to just double overnight. But the other part of that is we have produced at this level before, so it's not impossible."

- **Today's first-time homebuyer is older and more likely to be single than first-timers in the 1970s and 1980s, according to Seattle-based Zillow.** Americans are renting for an average of six years before buying their first homes. In the 1970s, they rented for an average of 2.6 years. First-timers also spend a bigger chunk of their incomes to buy: In the 1970s, first-time homebuyers bought homes that cost about 1.7 times their annual income. Now they're buying homes that cost 2.6 times their annual income, according to Zillow. Part of that can be attributed to the housing markets where millennials are moving: more expensive cities on the coasts, where there are growing job markets. The average first-time homebuyer is about 33, at the front end of the millennial generation. The median income hovers near $54,340, which is about the same as what first-time homebuyers made in the 1970s when adjusted for inflation. In the late 1980s, 52 percent of first-time homebuyers were married. Today, only 40 percent are married.

Calendar of Events Through October 16, 2015

Dates	Event	Time	Location	Contact
SEATTLE—*King County* REALTORS®				
9/9/15	Board of Directors	8:30 – 11:30 am	SKCR	425-974-1011
9/11/15	SKCR Caucus Meeting	12:30 pm – 2 pm	SKCR	425-974-1011
9/16-18/15	WR Fall Conference		Wenatchee	425-974-1011
10/6/15	Gov't Affairs Committee	10:30 am – 1:30 pm	SKCR	425-974-1011
10/16/15	TREC Project	9:30 am – 3 pm	Dunn Gardens	425-974-1011
For updates visit: **www.nwrealtor.com** and click "events"				