

## Home buyers still competing for sparse inventory in Western Washington, driving up prices – especially for sought-after condominiums

KIRKLAND, Washington (February 5, 2018) – “The Seattle area real estate market hasn’t skipped a beat with pent-up demand from buyers is stronger than ever,” remarked broker John Deely in reacting to the latest statistics from Northwest Multiple Listing Service. The report on January activity shows a slight year-over-year gain in pending sales, a double-digit increase in prices, and continued shortages of inventory.

Deely, the principal managing broker at Coldwell Banker Bain in Seattle and a board member at Northwest MLS, noted a shift in the ratio of pending sales to new listings in King County.

Member brokers added 6,805 new listings of single family homes and condominiums to the system-wide database last month for a gain of about 4.6 percent from a year ago. During the same period, they reported 7,820 pending sales. In King County, the number of new listings outgained pending sales for the first time since September:

King County (FH+Condos)	Jan. 2018	Dec. 2017	Nov. 2017	Oct. 2017	Sep. 2017
New Listings	2,326	1,165	2,102	3,088	3,856
Pending Sales	2,282	1,850	2,831	3,533	3,514
Difference	45	-685	-729	-445	342

“Sellers that have put their properties on the market early this year have less competition and are seeing multiple offers. Open houses are experiencing heavy traffic with hundreds of potential buyers attending,” reported Deely.

For the MLS overall, last month’s 7,820 pending sales marked a slight increase compared to January 2017 when members reported 7,724 mutually accepted offers, a gain in of 1.24 percent. Not all areas reported increases. Of 23 counties served by Northwest MLS, eight counties, including three in the Puget Sound region (King, Kitsap and Snohomish), reported fewer pending sales than a year ago. In King County, where acute inventory shortages exist in many neighborhoods, pending sales dropped 7.5 percent and closings dropped 18.5 percent.

Condo inventory is especially tight in Snohomish County (0.8 months of supply) and King County (0.92 months). System-wide there is under a month’s supply (0.93 months). For the four-county Puget Sound region, there were only 427 active condo listings at month end, down almost 31 percent from a year ago.

Despite the sparse selection, brokers expect inventory to improve.

"I actually believe 2018 will bring us moderately more listings, which should help offset the growing demand that continues to result from the area's strong economy," remarked Jacobi.

"The month of March can't come soon enough for home buyers," said J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. "In March, the number of new listings will bump up substantially from the low number of new listings typical for winter months. Better selection will start in March as we enter the spring housing season," Scott predicts.

In the meantime, Scott reported "a multiple-offer everything, virtually sold out market" in all price ranges close to job centers and in the more affordable and mid-price ranges in surrounding counties. "Sellers are receiving premium pricing and home buyers are pouncing on each new listing," he added.

George Moorhead, designated broker at Bentley Properties, agreed. "January still saw aggressive buyers as they jockeyed for homes in some of the hottest areas in Seattle and the Eastside," he commented.

Prices continue to rise in all but a few counties, even as the volume of closed sales fell about 9.3 percent. For January's 5,325 closed sales, the median price was \$363,500, a jump of about 11 percent from the year-ago figure of \$327,500. Twelve counties reported double-digit spikes.

Within the four-county Puget Sound region, King County had the largest year-over-year gain. Prices for homes and condos combined shot up 20.3 percent in that county, rising from \$475,000 to \$571,250. Pierce County reported a jump of 15 percent, followed by Snohomish County at about 12.2 percent and Kitsap County at nearly 3.5 percent.

The depleted supply of condos meant premium prices. Area-wide the median price for last month's completed transactions rose nearly 18.6 percent, from \$269,900 to \$320,000. Snohomish County's condo prices surged nearly 25.5 percent, followed by King County at nearly 22.6 percent.

Some brokers expect the hefty price gains to ease.

"As interest rates rise, the rate of price increases will slow down," predicts Northwest MLS director Dick Beeson, principal managing broker at RE/MAX Professionals in Gig Harbor. Despite this expectation, he believes sparse supply and the area's appeal both nationally and internationally will mean ongoing competition and multiple offer situations.

"What it costs to rent small spaces astounds me," he remarked citing recent reports that put Tacoma and Olympia on lists of top cities for increased rents during 2017. "Investors, because rents are high, compete daily with home buyers, and they often win the deal in the lower priced homes. Because they are buying all cash, they consistently beat out buyers who have to get loans."

Builders are trying to respond to the pent-up demand, according to Moorhead. Seattle and the Eastside are seeing a growing number of infill homes in the core areas, some on lots as small as 3,000 square feet, he

said. Builders are doing smaller releases and setting offer review dates, and then determine price ranges for the next phase.

“The decline in sales last month can’t be blamed on the holidays, weather or football. It’s simply due to the ongoing shortage of housing that continues to plague markets throughout Western Washington,” said OB Jacobi, the president of Windermere Real Estate.

With January’s additions, the number of total active listings at month end stood at 8,037 homes and condos, down nearly 17.6 percent from a year ago when the selection totaled 9,750 listings. Measured by months of supply, there was only about 1.5 months overall, well below the 4-to-6 month level many industry experts use as a gauge of a balanced market.

“What used to be an affordable way to build homes has now become more mainstream for both smaller and larger builders,” Moorhead stated, adding, “Historically, infill homes did not get the same return as homes built in large community plats, but now they’re realizing similar price points.”

The luxury market is also off to a quick start in 2018. “Close to job centers, the luxury market is gaining positive momentum due to the wealth effect of the stock market, the strength of the U.S. economy, and homebuyers from the Pacific Rim, especially China,” noted Lennox Scott.

Northwest MLS figures show sales of homes selling for \$2 million or more are far outpacing year-ago activity. Last month, member-brokers reported selling 55 residences at this price threshold. That’s up 66 percent from the same month a year ago when brokers sold 33 such homes.

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership of more than 2,200 member offices includes more than 28,000 real estate professionals. The organization, based in Kirkland, Wash., currently serves 23 counties in the state.

*Statistical tables follow*

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	2,326	1,509	2,282	1,635	\$586,775	\$571,250	0.92	0.94
Snohomish	1,024	667	1,194	836	\$421,750	\$426,250	0.80	0.95
Pierce	1,233	1,360	1,570	998	\$295,396	\$307,250	1.36	1.43
Kitsap	376	379	438	311	\$344,917	\$300,000	1.22	1.95
Mason	65	186	119	78	\$213,041	\$241,450	2.38	3.42
Skagit	175	274	219	117	\$315,032	\$339,000	2.34	2.37
Grays	133	325	137	95	\$168,648	\$170,000	3.42	5.43
Lewis	88	233	128	78	\$204,667	\$195,250	2.99	3.37
Cowlitz	102	175	164	100	\$233,862	\$230,000	1.75	1.70
Grant	75	235	97	56	\$206,388	\$152,900	4.20	5.73
Thurston	411	462	459	287	\$264,937	\$280,000	1.61	2.06
San Juan	18	153	25	20	\$548,301	\$486,600	7.65	7.38
Island	137	245	184	130	\$375,867	\$334,500	1.88	2.45
Kittitas	40	118	56	40	\$306,254	\$309,975	2.95	3.10
Jefferson	35	140	51	37	\$381,143	\$375,000	3.78	5.62
Okanogan	25	194	28	27	\$232,748	\$182,000	7.19	8.43
Whatcom	252	485	312	217	\$318,803	\$345,000	2.24	2.30
Clark	49	76	43	37	\$305,480	\$350,000	2.05	2.09
Pacific	41	194	36	34	\$153,483	\$216,250	5.71	5.84
Ferry	4	39	4	5	\$143,625	\$165,000	7.80	13.75
Clallam	72	183	108	77	\$283,454	\$250,000	2.38	3.56
Chelan	54	161	72	41	\$315,046	\$303,750	3.93	4.30
Douglas	35	99	46	37	\$250,448	\$245,000	2.68	2.67
Others	35	145	48	32	\$217,315	\$124,450	4.53	4.59
<b>Total</b>	<b>6,805</b>	<b>8,037</b>	<b>7,820</b>	<b>5,325</b>	<b>\$413,601</b>	<b>\$363,500</b>	<b>1.51</b>	<b>1.66</b>

*Tables continue on next page*

**4-county Puget Sound Region Pending Sales (SFH + Condo combined)**

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2000</b>	3706	4778	5903	5116	5490	5079	4928	5432	4569	4675	4126	3166
<b>2001</b>	4334	5056	5722	5399	5631	5568	5434	5544	4040	4387	4155	3430
<b>2002</b>	4293	4735	5569	5436	6131	5212	5525	6215	5394	5777	4966	4153
<b>2003</b>	4746	5290	6889	6837	7148	7202	7673	7135	6698	6552	4904	4454
<b>2004</b>	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
<b>2005</b>	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
<b>2006</b>	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
<b>2007</b>	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
<b>2008</b>	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
<b>2009</b>	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
<b>2010</b>	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
<b>2011</b>	4272	4767	6049	5732	5963	5868	5657	5944	5299	5384	4814	4197
<b>2012</b>	4921	6069	7386	7015	7295	6733	6489	6341	5871	6453	5188	4181
<b>2013</b>	5548	6095	7400	7462	7743	7374	7264	6916	5951	6222	5083	3957
<b>2014</b>	5406	5587	7099	7325	8055	7546	7169	6959	6661	6469	5220	4410
<b>2015</b>	5791	6541	8648	8671	8620	8608	8248	7792	7179	6977	5703	4475
<b>2016</b>	5420	6703	8130	8332	9153	8869	8545	8628	7729	7487	6115	4727
<b>2017</b>	5710	6024	7592	7621	9188	9042	8514	8637	7441	7740	6094	4460
<b>2018</b>	5484											


**Northwest MLS brokers report 2017 home sales valued at record-high \$46.5 billion despite depleted inventory**

KIRKLAND, Washington. (Jan. 18, 2018) – Members of Northwest Multiple Listing Service reported 99,345 closed sales during 2017, outgaining the prior year’s volume of 95,500 transactions for an increase of more than 4 percent. Inventory dipped to record lows while prices continued to rise.

Measured by dollars, last year’s sales of single family homes and condominiums were valued at more than \$46.5 billion. Compared to 2016, that dollar volume represents a gain of 6.2 percent.

The sales activity reflects the work of more than 28,000 brokers across 23 counties in the member-owned Northwest MLS.

Of last year's 99,345 completed sales, 85,819 were single family homes (86.4 percent of the total) and 13,526 were condos (13.6 percent). About 11 percent of these sales were newly built residences.

The area-wide median price for last year's sales of single family homes and condominiums (combined) was \$370,000, a gain of 9.6 percent from the year-ago figure of \$337,500. A comparison by county shows median sales prices ranged from \$133,000 in Ferry County to \$562,000 in King County. All counties registered year-over-year price increases.

Year-over-year prices for single family homes (excluding condominiums) increased 9.2 percent system-wide, rising from \$348,000 in 2016 to last year's median price of \$380,000. Condo prices jumped 10.1 percent from the 2016 figure of \$287,000 to last year's median selling price of \$316,000.

Inventory shortages persisted throughout 2017. Member-brokers logged 120,706 pending sales (mutually accepted offers) during 2017, while adding 114,297 new listings to inventory. As a result of the market imbalance, competitive bidding and multiple offers on homes in the most desirable areas were common.

Last year, the area-wide supply, as measured by months of inventory, averaged only 1.48 months, down from the previous year's figure of 1.86 months. Among the counties in the MLS service area, King County had the lowest level, averaging only 0.88 months. In general, industry analysts use a 4-to-6 month range as an indicator of a balanced market, favoring neither buyers nor sellers.

High-end sales also surged during 2017. Northwest MLS members reported 5,727 sales of single family homes priced at \$1 million or more, up more than 76 percent from the 2016 total of 3,251 "luxury" sales. A total of 2,604 condos sold for \$500,000 or more, outgaining 2016's total of 1,771 half-million dollar-plus sales (up 47 percent).

	CLOSED SALES: SFH + CONDOS		
	UNITS		
	2017	2016	% Change
King	35,122	35,539	-1.17%
Snohomish	15,649	15,172	3.14%
Pierce	17,337	15,924	8.87%
Kitsap	5,094	4,760	7.02%
Mason	1,421	1,171	21.35%
Skagit	2,222	2,244	-0.98%
Grays Harbor	1,401	1,258	11.37%
Lewis	1,218	1,078	12.99%
Cowlitz	1,497	1,358	10.24%
Grant	959	871	10.10%
Thurston	5,601	5,042	11.09%
San Juan	346	326	6.13%
Island	1,951	1,836	6.26%
Kittitas	907	871	4.13%
Jefferson	674	658	2.43%
Okanogan	438	391	12.02%
Whatcom	3,740	3,701	1.05%
Clark	478	457	4.60%
Pacific	538	512	5.08%
Ferry	57	40	42.50%
Clallam	1,082	804	34.58%
Chelan	757	762	-0.66%
Douglas	364	360	1.11%
Out of Area	492	345	42.61%
<b>Total</b>	<b>99,345</b>	<b>95,500</b>	<b>4.03%</b>

The highest-priced single family home that sold during 2017 by a member of Northwest MLS was a property in Medina that commanded nearly \$23.4 million. Topping the chart of high-priced condominiums was a penthouse unit in a downtown Seattle high-rise that sold for \$7.5 million.

Among other highlights in its annual compilation of statistics, Northwest Multiple Listing Service reported:

About 45 percent of last year's home sales had three bedrooms; of the condo component nearly 76 percent had two or fewer bedrooms.

The median price for a 3-bedroom home that sold in 2017 was \$311,000. A comparison by county shows the median price for 3-bedroom home ranged from \$178,650 in Grant County to \$600,000 in King County.

Of the condo sales, nearly six of every 10 (about 60 percent) were located in King County.

For the new construction component involving Northwest MLS brokers, newly built condos fetched higher prices than single family homes, just like 2016. Last year's sales included 10,309 newly built single family homes that sold for a median price of \$455,000 (up about 4.4 percent from 2016), and 705 condos that sold for a median price of \$554,950, about the same as the previous year (\$552,900).

Prices vary widely among school districts. Homes that sold in the Mercer Island district had a median price of \$1,546,000, the highest among all districts.

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## NWMLS integrates Down Payment Resource to assist buyers

Atlanta-based Down Payment Resource (DPR), the nationwide databank for homebuyer programs, is now integrated into the listing database at Northwest Multiple Listing Service. The service allows Northwest MLS's 28,000 real estate brokers to search and review eligibility and benefit details of all homeownership programs in Washington, helping connect their buyers with available programs.

With the new tool, Northwest MLS member brokers can connect local homebuyers to programs that may help them save on their down payment and buy their home sooner. Sixty-one percent of current MLS property listings are eligible for one or more programs. The MLS is offering live webinars to members to acquaint them with the new tool and its advanced features.



Down Payment Resource, named one of 2017's most innovative technology companies by HousingWire [TECH100™](#), is licensed in various configurations to REALTOR® associations, Multiple Listing Services, REALTORS®, lenders and housing counselors.

Down Payment Resource's database uses a proprietary rules engine that automates the process of matching eligible property listings and borrowers with affordable lending programs, including down payment assistance, grants, Mortgage Credit Certificates and more. DPR tracks approximately 2,500 programs nationwide, including more than 80 programs in Washington.

Today's buyers are motivated, but the down payment is frequently cited as the primary challenge. A [new report](#) from the Urban Institute's Housing Finance Policy Center found that only 23 percent of consumers are familiar with low down payment programs. Forty percent say they do not know how much of a down payment lenders expect and another 30 percent erroneously believe that lenders expect 20 percent or more.

The Urban Institute report also showed how many homebuyers could have taken advantage of down payment assistance and other affordable lending programs in 2016. In Seattle, 40 percent of loans would have been eligible for down payment assistance, with an average assistance of \$21,435.

"Down Payment Resource provides our brokers information that can help their clients with one of the biggest obstacles to homeownership," said Tom Hurdelbrink, President/CEO of Northwest Multiple Listing Service. "The service is fully integrated into our listing database and automatically provides a link to potential financial programs when they are available for a specific listing. We are excited to add Down Payment Resource as a valued tool that NWMLS brokers can provide to their clients."

"Too often, renters let a lack of information about their options keep them on the sidelines. Information about homeownership programs can help start a conversation with a buyer and motivate them to evaluate their options," said Rob Chrane, CEO of Down Payment Resource. "We're pleased to partner with Northwest MLS and their members to help educate more buyers about down payment programs that could help them get in a home sooner than they would otherwise."

### **About Down Payment Resource**

Down Payment Resource (DPR) creates opportunity for homebuyers, REALTORS® and lenders by uncovering programs that get people into homes. The company tracks approximately 2,500 homebuyer programs through its housing finance agency partners. DPR has been recognized by Inman News as "Most Innovative New Technology" and the HousingWire Tech100™. DPR is licensed to Multiple Listing Services, Realtor Associations, lenders and housing counselors across the country. For more information, please visit [www.DownPaymentResource.com](http://www.DownPaymentResource.com) and on Twitter at [@DwnPmtResource](https://twitter.com/DwnPmtResource).

## Immigrants account for growing share of worker-strapped construction industry

With the housing industry gaining momentum and native-born workers slow to return to the construction industry since the 2007 downturn, labor shortages are topping the list of crucial impediments to the home building sector. The aging US workforce is an added concern.



A new report from the National Association of Home Builders (NAHB) underscores its members' growing reliance on immigrant workers.

Two-thirds of builders reported shortages of workers in some construction occupations when surveyed in mid-2017, up from about 30 percent in mid-2012.

NAHB's Economics and Housing Policy Group examined data from the American Community Survey (ACS) and its own studies to better understand the role and share of foreign-born workers, concluding they now account for close to one in four members of the construction labor force. The full [13-page report](#) is available compliments of Housing Economics Online.

More than 300 construction-related jobs are included in the government's system for classifying occupations. Of these, 31 are construction trades, but NAHB found they account for two-thirds of the construction labor force; the remaining third work in finance, sales, administration and other off-site activities.

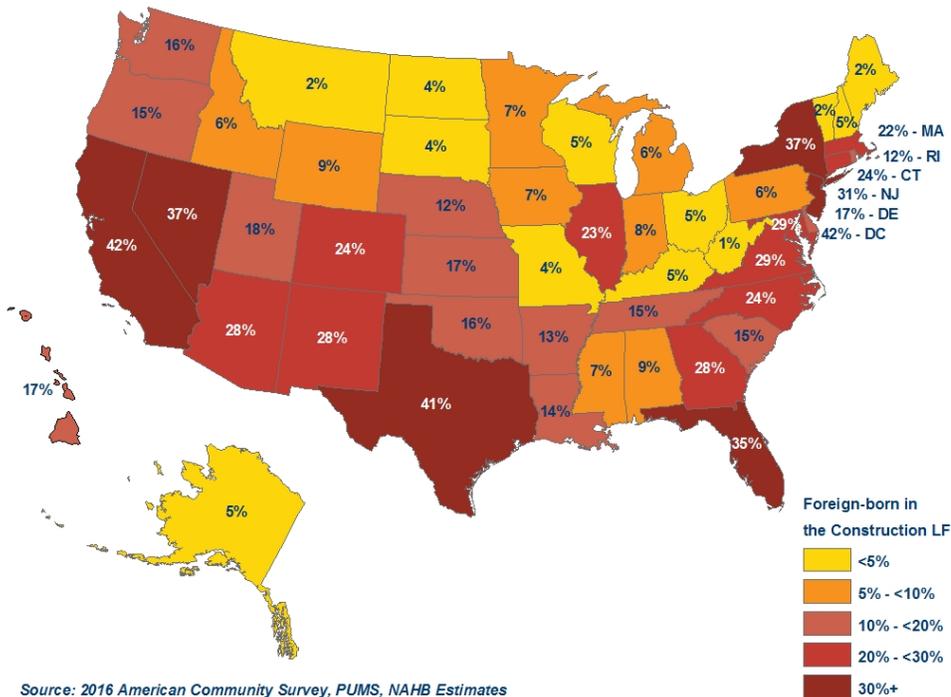
Researchers found the concentration of immigrants is particularly high in trades needed to build a home, like carpenters, painters, drywall/ceiling tile installers, brick masons, and construction laborers. The report notes such trades require less formal education but consistently register some of the highest labor shortages.

Foreign-born workers make up more than a third of all construction laborers (37 percent) and about 31 percent of carpenters.

Researchers also compared shortages among the states, noting traditionally, immigrants are concentrated in a few populous states. More than half the immigrant labor force lives in California, Florida, New York and Texas. These same states are also particularly reliant on foreign-born labor, led by California at 28 percent and New York with 26 percent.

NAHB reported the construction industry is even more dependent on foreign-born workers. More than a third of that industry’s workforce in these states comes from abroad. California and the District of Columbia are most dependent with 42 percent of their construction labor force coming from abroad.

**Immigrant Workers in the Construction Labor Force, 2016**



Source: 2016 American Community Survey, PUMS, NAHB Estimates

The ACS gathers data about the country of origin, age, year of entry, industry, and employment status of immigrants on an annual basis, but does not gather information on the legal visa status of immigrants. Instead, it only differentiates between naturalized citizens and “not citizens” of the United States. Estimates in the NAHB report include all workers of foreign-born origin regardless of citizenship status or date of entry into the U.S.

## Survey reveals cooling optimism for housing and the economy

Fewer households believe now is good time to buy or sell a home, surprising representatives with the “Housing Opportunities and Market Experience (HOME) survey.” An independent research firm conducts the quarterly studies for the National Association of Realtors®.

The latest survey, from the fourth quarter of 2017, also found that households are less confident about the economy and their financial situation.

The cooling optimism was unexpected given steady job creation, record stock market gains, and faster economic growth, the NAR noted in a statement. Lawrence Yun, the association’s chief economist, faulted “pitiful supply levels” and weaker affordability conditions as likely reasons for the waning optimism.

“The trifecta of faster economic expansion, robust hiring and low mortgage rates should be generating a surge in optimism and home sales as 2017 winds down,” said Yun upon seeing the data. “Sadly, this is not the case. While overall demand remains high, it is not translating to meaningful sales gains. Too many prospective first-time buyers see few options within their budget and home prices that are rising much faster than their incomes.”

The survey, conducted from October through early December, found despite highly favorable sellers’ markets across the country, the share of homeowners who believe now is a good time to sell a home was 76 percent, a decline from the prior quarter’s figure of 80 percent. Even though it dropped, it remained much higher than a year ago when only 62 percent thought it was a good time to sell.

Similar to previous quarters, households in the West continue to be the most optimistic about selling a home but the least optimistic about buying.

The share of renters who believe now is a good time to buy dipped to 60 percent, down from 62 percent for the third quarter, but up from the year-ago number of 57 percent.

Overall the most optimistic segment about buying are current homeowners, households with incomes above \$100,000, and those living in the more affordable Midwest and South regions. Respondents living in rural and suburban areas remained more optimistic than urban dwellers.

“Until we start seeing a steady increase in new and existing inventory, sales will fail to deliver on their full potential and many would-be first-time buyers will be forced to continue renting,” Yun said, adding, “The good news for possible inventory gains heading into 2018 is the fact that a much larger share of homeowners compared to a year ago think it’s a good time to sell.” He also believes it is very likely more households will feel upbeat about their future if housing supply improves enough next year to boost the nation’s homeownership rate.

Slightly lower economic confidence in the fourth quarter also led to households having slightly diminished feelings about their financial situation. The HOME survey's monthly Personal Financial Outlook Index, showing respondents' confidence that their financial situation will be better in six months, fell from 62.0 in September to 59.1 in December. A year ago, the index was 59.8.

NAR's HOME survey tracks topical real estate trends, including current renters and homeowners' views and aspirations regarding homeownership, whether or not it's a good time to buy or sell a home, and expectations and experiences in the mortgage market. New questions are added to the survey each quarter to reflect timely topics impacting real estate.

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## **Washington 6<sup>th</sup> among inbound movers**

U-Haul's annual analysis of inbound and outbound movers pegged Washington as the 6<sup>th</sup> most popular destination. Among move-to cities, Tacoma was the highest ranking in the state, landing 5<sup>th</sup> on that list.

A similar study by United Van Lines also had Washington among the top 10 states for inbound migration in 2017. Reporting on 110,000 interstate moves, that company said 59 percent of last year's relocations involving Washington were inbound.

Texas topped U-Haul's list, retaining the title from 2016. Rounding out the top five were Florida, Arkansas, South Carolina and Tennessee. U-Haul's data is based on more than 1.7 million one-way truck rentals entering the state versus leaving a state during a calendar year.

U-Haul's "growth city" list had Tempe, Arizona in first place followed by Boise, Miami, Atlanta, and Tacoma. Olympia was No. 11; no other city in Washington was among the top 25 cities for in-migration. The rankings are based on information from all 50 states and U-Haul's network of 21,000 locations.

United's top inbound states were Vermont (#1), Oregon, Idaho, Nevada and North Dakota. Its analysis of why people moved to Washington indicated 51 percent do so for a job, 23 percent move for family reasons, 15 percent chose the state for its retirement destination, 14 percent cited lifestyle reasons, and 8 percent come here for their health.

Outbound moves were highest in Illinois, followed by New Jersey (#2), New York, Connecticut and Kansas, according to United's report.

The number of Americans moving to new locations has been slowly declining in recent years. U.S. Census Bureau figures show 11 percent of the population moved in 2017.

## **Burns is bullish on homebuilding because “demographics are massively clear”**

Pent-up demand, sparse supply, and shifting demographics are prompting real estate consultant John Burns to pivot from his reputation as a homebuilding pessimist to becoming “one of the most aggressive forecasters” for both price and volume in this sector.

During an interview at last month’s International Builders’ Show, Burns, the CEO at John Burns Real Estate Consulting, commented on remarkable results for home sales during the last quarter of 2017, when year-over-year volumes jumped 16 percent over 2016. The increases are particularly noteworthy as fourth quarter is when things are supposed to be slow, he commented.

“Even if the economy has some sort of downturn, it will be the construction industry that is the ‘good story’ to make sure it is a softer recession,” Burns stated.

Burns credits extremely strong demographics for propelling the optimism. The consumer is coming back strong, and builders are reacting, he noted, adding, “There are plenty of buyers and sellers right now.”

Citing findings from his book, *Big Shifts Ahead* (based on 9,000 hours of research) the demand will be entry-level buyers and those ages 65-plus, along with home sellers shifting to rental homes.

Burns also noted other strong indicators of builder optimism, saying “Our feasibility and portfolio valuation businesses are booming.” Additionally, builders and building products companies are well capitalized and will be able to withstand a downturn, which he believes would be a “hiccup” rather than a “downturn,” given the industry dynamics.

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BY ALLISON BUTCHER, SENIOR POLICY ANALYST, MBAKS

## **Experts Share Insights on Housing and Economic Trends, Provide Outlook for Year Ahead at annual MBAKS Economic Forecast**

On Wednesday, January 31, the Master Builders Association of King and Snohomish Counties (MBAKS) kicked off its first general membership meeting of the year—an economic forecast breakfast presented by the association’s Sales & Marketing Council.

The breakfast took place at The Westin Bellevue and featured presentations by Metrostudy Regional Director Todd Britsch and Morgan Stanley Financial Advisor Dan Becraft.

Becraft, a Certified 401(k) Professional®, touched on highlights of Morgan Stanley's investment outlook for 2018. In short, the report states that global economic expansion delivered strong returns last year, but we should not expect the same in 2018. Morgan Stanley is not anticipating a recession this year but rather that markets will begin to normalize.

The forecast already factors in recent tax cuts, Becraft said. A look back at the U.S. stock market over the last 37 years shows that tax cuts are not correlated to market performance. In the year after President Ronald Reagan's tax cuts took effect in the 1980s, for example, the market dropped.

Becraft offered additional observations, including ways in which demographics influence a country's economy, and predictions on interest rates (he expects they will stay low and may even be cut).

The biggest risk to our economy going forward, he noted, is our national debt, which stands at \$20 trillion. However, China's national debt is significantly higher. Whereas the United States' debt-to-GDP ratio is around 100 percent, the ratio in China is closer to 460 percent. Becraft said that some are speculating this could lead to a move by China within 36 months to repatriate capital that has flowed out of their country in recent years. If this were to happen, it could result in investments being pulled out of real estate in the United States, including the Seattle market, and transferred back to China.

Britsch focused on economic and housing data in the Puget Sound region and provided compelling information in his presentation as well, particularly related to the lack of future housing inventories.

Britsch's presentation highlighted the fact that population and job growth continue to be very strong in the Puget Sound region, with 137,000 jobs added since 2015 and continued low unemployment in King and Snohomish counties. Furthermore, data from the Department of Licensing show that net driver in-migration into the region has averaged more than 6,300 per month since 2012, for a total of 460,000 new drivers from outside the area.

Britsch also stressed that housing supply is not keeping up with demand. Looking at the driver license data, he estimates this growth has created a demand for 100,000 owner-occupied homes between 2012 and 2017. However, during this time we have built and sold roughly 60,000 homes, creating a housing supply shortfall and causing upward pressure on home prices. The average list price for new construction within formal subdivisions, Britsch stated, has risen 20 percent in Snohomish County and 24 percent in King County year over year.



Britsch warned we are running out of land at a very rapid pace. With 10 months' supply of vacant developed lots in Snohomish County, he said we're at "crisis level" in terms of lot inventory. The North Creek market area, which has been very robust in recent years, has dried up, Britsch said.

Since 2009, the entire Puget Sound region has had a net loss of 3,018 lots coming out of the system, not to be replaced. More importantly, in that same time frame, the available finished lot inventory has declined by 17,879. Britsch also pointed to Northwest Multiple Listing Service data, which shows King and Snohomish counties have just over a two-week supply of homes for sale.

Although the current housing market is showing signs of weakening, Britsch believes it will remain strong. The housing market is all part of a cycle, and we can expect an adjustment in sales, he said. Britsch predicts that core areas from King County to South Snohomish County will continue to see double-digit appreciation due to lack of inventory.

Founded in 1909, the Master Builders Association of King and Snohomish Counties (MBAKS) has grown to become the largest residential home builders association in the United States. With 2,900 member companies, the association is dedicated to membership value, housing advocacy, community service, and financial stewardship throughout the Puget Sound region.

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## **Coming in June: the first-ever NWMLS EXPOsed**

Northwest Multiple Listing Service will be holding its first educational convention for its membership called "NWMLS EXPOsed" on Wednesday, June 13. Registration for the event will open in the spring. The \$40 fee includes lunch, snacks and a happy hour at the conclusion of the event.



Participants at the one-day education EXPO will include staff, MLS product vendors, industry experts and special guest speakers. Along with educational sessions on topics such as legal issues and form updates, the event will feature product demonstrations and a keynote luncheon speaker. Up to 5.5 clock hours will be available depending on which sessions participants chose to attend.

## Soundtracks added to Google Street View

Since 2007 when Google Street View launched, the technology has evolved to feature panoramic 360-degree photos of locations on all seven continents and the latest enhancement: soundtracks.

The acoustics are thanks to AI, with early reviewers praising the results as mostly convincing, although they're not without some hiccups. "It's a good reminder of both the promise and limitations of AI," writes Mark Wilson, a senior writer at Fast Company.

The addition of background sound is via a web-based installation created by Nao Tokui at [Imaginary Soundscape](#). His system uses a pair of neural networks first developed by MIT. One network identifies the content within the street images, while the second pinpoints audio the machines pull from 15,000 sounds in an open-source library. No human is involved in the pairings.

One example that can be experienced is Antoni Gaudi's famous unfinished Roman Catholic Church in Barcelona, La Sagrada Familia, where visitors will hear a priest chanting in Latin as they explore the cavernous cathedral. The site also invites random selections or searches by address. (It only works on PC in Chrome and Firefox.)

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## NWMLS adjusts map area boundaries in two counties

Working with member-brokers, Northwest Multiple Listing Service adjusted boundaries for map areas within Skagit and Kittitas counties. The revisions affect areas 830 and 835 in Skagit County, and areas 948 and 949 in Kittitas County.

MLS staff will make necessary area and community adjustments to any listing affected by the changes. Brokers whose listings are adjusted will receive an email for review and confirmation.

Details and revised maps are on the NWMLS website.

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## Builders invited to add sites to Green Home Tours in Seattle, Tacoma and Olympia

"Environmentally aware" builders of sustainable homes, multifamily projects, ADUs and other green-themed projects are invited to register them for the Northwest Green Home Tour, now in its eighth year. The annual educational event, open to the public, is held in the Greater Seattle area on April 28-29 and is adding Tacoma and Olympia this year with tours on May 19-20.



Produced by the nonprofit [Northwest EcoBuilding Guild](#), the tours showcase local, sustainable, and green new homes, remodels, and energy retrofits.

The Guild provides open-source materials to the construction industry and general public to “encourage building practices that dramatically reduce carbon emissions, are self-sustaining, contribute to local economies, and create optimal conditions for human health and community.”

[Green Home Solutions](#), providers of earth friendly building products, is the presenting sponsor.

## National Association of REALTORS® invites nominations for a pair of prestigious awards and grant monies

REALTORS® who give back to their communities are eligible to receive a pair of awards from the National Association of Realtors®. Both awards could mean grant monies for their worthy nonprofit organizations or charitable causes.

Entry deadlines are February 23 for NAR’s Volunteering Works program and May 4 for the Good Neighbors Awards. Nominations should be made using the [online forms](#).



Ideal candidates for Volunteering Works awards are Realtors who have been active in small-scale charity work, can identify specific challenges they would like to address, and have specific goals for the future of their community service project. Recipients are selected based on their dedication to volunteering and the potential for their charitable work to expand or improve with assistance from an expert mentor.

Five Volunteering Works recipients will receive a year of one-on-one mentoring from a member of the Good Neighbor Society and a \$1,000 grant as seed money to help implement improvements in their community program. (The society consists of past recipients of *REALTOR® Magazine's Good Neighbor Award*.)

NAR’s Good Neighbor Award, presented by *REALTOR® Magazine*, honors individual members who have made an impact on their community, or on the national or world stage or through community service.

Nominees will be considered based on their contributions that improve the livability of a local community (e.g., may include crime prevention, youth mentoring, and homelessness prevention). The selection committee also judges nominees on the level and impact of personal contributions, the broadness of their impact, and the project’s suitability as a role model for other Realtors.

Since 2000, the Good Neighbor Awards program has donated more than \$1.1 million to Realtor-led nonprofits around the country. More than 180 Realtors have been recognized. NAR credits the program's success to support of primary sponsors realtor.com and Wells Fargo Home Mortgage.

Seventy-one percent of REALTORS® volunteered in their community last year, according to NAR's 2017 Member Profile.

## SKCR Endorses Funding for School Districts

Please remember to vote in the February 13 special elections. Seattle King County REALTORS endorses funding requests from three school districts.



## News In Brief

- **Rents are dropping significantly across the Seattle area for the first time this decade, as a flood of new construction has left apartments sitting empty in Seattle's hottest neighborhoods.** The average rent across King and Snohomish counties dipped 2.9 percent in December compared with the [prior quarter](#), according to a new quarterly landlord survey by Apartment Insights/RealData. Rents sometimes drop by a few bucks this time of year. But the latest quarterly drop is the biggest this decade by far, and amounted to a savings of about \$50 a month for the average renter across the region. In neighborhoods in and around downtown Seattle, the dip equates to an average of \$100 in monthly savings for renters signing new leases. The biggest rent decreases were mostly in the popular Seattle neighborhoods that are getting the most new apartments. Rents dipped more than 6 percent compared with the prior quarter in First Hill, downtown

Seattle, Belltown, South Lake Union and Ballard, along with Redmond and the Sammamish/Issaquah area. Compared with a year earlier, rents still increased 4.5 percent regionwide, but that was the slowest year-over-year growth since 2011 and down from the double-digit increases that became common over the last few years. The slowdown comes as the number of new apartments opening across the area has hit record levels and has begun to significantly outpace the number of new renters.

- **Amazon has leased two more mid-sized office buildings in South Lake Union as the company's rapid growth in Seattle continues unabated, according to the *Seattle Times*.** The company confirmed Friday it has leased all the office space in the new 11-story, [162,000-square-foot building](#) at 9th and Thomas, as well as about 186,000 square feet in the former [Pemco Insurance headquarters](#) on Eastlake Avenue, next to the REI flagship store. The Puget Sound Business Journal first reported the leases. For just about any other local company, the moves would amount to a huge expansion. For Amazon, [which has more than](#) 8 million square feet in Seattle already and plans to get to 12 million soon, it's a drop in the bucket. A year-end report from the Broderick Group, out Friday, said Amazon had five of the seven biggest leases signed in Seattle in 2017. Those deals added another 1.65 million to the company's footprint. The two latest deals mean the company has seven of the nine biggest leases in the city since the start of 2017. In all, the company has expanded by 2 million square feet just since last January. For perspective: No other company has 2 million square feet total in the city.
- **The U.S. Supreme Court will hear Washington's culvert case this year, heating up a 17-year legal battle over the state's duty to protect and restore salmon habitat as part of its obligation to respect tribes' treaty fishing rights, according to the *Seattle Times*.** The case, *Washington v. U.S. et al.*, initially was filed by 21 Washington tribes with treaty-protected fishing rights in 2001. At issue is the state's obligation to repair road culverts that block salmon from their spawning habitat. Culverts that are too small, or pitched too high above the stream bed, or in other ways are unsuitable for fish passage destroy miles of habitat above the culvert. That depletes fish runs which tribes rely on and are entitled to by treaties. In signing treaties with the U.S. government that in the 1850s ceded thousands of miles of territory for non-Indian settlement, tribes reserved their right to fish at their usual and accustomed places. That right to fish was affirmed in 1974 by U.S. District Court Judge for the Western District George Boldt, and later upheld by the U.S. Supreme Court. It divided the catch between tribal and non-tribal fishers and also established tribes as co-managers of salmon with the state of Washington. The culvert case is an extension of that decision, in which tribes have argued that their reserved treaty right is meaningless if habitat that sustains fish runs is allowed to degrade until there are no fish to catch. Courts have agreed. In 2013, U.S. District Court Judge Ricardo Martinez for the Western District ruled the tribal treaty right to harvest salmon [includes the right to have salmon protected](#) so there are enough to harvest. The court gave the state 17 years to

reopen about 450 of its 800 culverts that pose the biggest barrier to fish in Western Washington. The state appealed that case to the Court of Appeals for the 9th Circuit and lost, and [lost again when the state asked the appeals court to reconsider](#). Meanwhile, culvert repair has continued under the state Department of Fish and Wildlife, Department of Natural Resources, and state parks. The Washington Department of Transportation, with the most culverts to repair, has committed additional funding to culvert repairs, which it has continued to make as it does road projects all over the region. At the rate repairs are going, WSDOT is close to meeting the court's mandate, though more funding is needed. Tribes and the state have been in negotiations to settle the case but in a news release issued Friday, Washington Attorney General Bob Ferguson said discussion so far did not resolve his concern that the Ninth Circuit decision is overbroad and could be used by tribes to insist on other steps, such as dam removal or curtailment of logging, farming or construction that affects fish habitat.

- **Governor Inslee signed into law, SB 6091, a “Hirst fix” that allows rural property owners with well water.** Highlights of the bill include: 1) allows 950 gallons of water per day in some basins, and 3,000 gallons of water per day in other basins, 2) charges a \$500 fee for a new exempt well, 3) declares existing exempt wells are not impacted, 4) allows counties to rely on Ecology rules for water resources, 5) spends \$300 million on projects to enhance stream flows, 6) creates two pilot projects on measuring water use, and 6) does not require metering.
- **A new report, as published on KOMONews.com, from the group [Advocates for Highway and Auto Safety](#) says Oregon and Washington roads are some of the safest in the country.** The group ranked all 50 states based on the traffic safety laws they have in place. Oregon and Washington both ranked high on the list thanks to their enforced cell phone restrictions and strict seat belt laws. The group says car crashes cost the U.S. economy more than \$830 billion a year. California, Louisiana, Rhode Island, Delaware and Washington DC also had high-ranked roads.
- **Our region's population hit 4 million people just over a year ago. Now, there's a prediction that it will reach nearly 6 million by 2050.** It's the latest [growth projection](#) from The Puget Sound Regional Council. The numbers are expected to hold even though our big jobs engine, Amazon, plans to grow elsewhere. The Puget Sound Regional Council says [we'll continue to expand as a tech hub](#), gaining 1.2 million jobs by mid-century. That will bring an average of 55,000 people a year, which is actually slow growth compared to the last few years. However, many of the workers moving to our region live alone. Back in the 1970s the average household had three people. By 2050, the average is expected to drop to just over two. That's a trend that will put sustained pressure on our housing supply.

- **The SP200 (Swanepoel Power 200) provides a ranking of the leaders and executives in the residential real estate brokerage industry and is published annually by T3 Sixty.** The SP200 team invests more than 400 hours analyzing hundreds of bios, annual reports and transaction and sales volume data. Several brokers in Washington state were recognized in the SP 200: <https://www.t360.com/power200/2018>


**Calendar of Events Through March 14, 2018**

Dates	Event	Time	Location	Contact
<b>SEATTLE—King County REALTORS®</b>				
<b>2/19/18</b>	Holiday—Office Closed		SKCR	425-974-1011
<b>2/20-23/18</b>	NAR Region 12		Skamania	425-974-1011
<b>2/21/18</b>	Affiliate Council	1:30 pm – 2:30 pm	SKCR	425-974-1011
<b>3/14/18</b>	Board of Directors	9:30 am – 12:30 pm	SKCR	425-974-1011