

Researchers say easing risk for developers could spur affordable condos

Removing barriers to condo development could spur the creation of condominiums that are affordable to families earning the median household income and help ease the housing shortage, according to a new study funded by interest on Realtors' escrow accounts.

The 22-page report, ["Incentivizing Condominium Development in Washington State: A Market and Legal Analysis."](#) was released late last month by the University of Washington's Runstad Center for Real Estate Studies. Researchers concluded the lack of affordable condos in the Seattle area is due to a combination of real estate, insurance and market forces, as well as geography, land use regulation and state legislation.

Peter Orser, Runstad Center director, said that if built in sufficient numbers and at less than high-rise densities, condos could provide an attractive option, "potentially affordable to families earning the median household income."

Researchers concluded both Seattle and Washington state could help foster the development of more affordable housing by easing the legal risk (or the appearance of risk) in condominium development, construction, liability and insurance.

Runstad researcher David Leon examined housing and condo availability data for Las Vegas, Los Angeles, Portland, Phoenix, San Diego, and San Francisco. His research showed Seattle's production of new condos over the past five years has been among the highest of major West Coast cities. For example, there were 304 new condos sold in Seattle last year versus only 111 in San Francisco.

While Seattle may be out-producing other West Coast cities, it is still not keeping up with demand. Moreover, Leon reported average prices are unaffordable to most area households. Prices jumped 84 percent between 2010 and 2015, far exceeding increases in household income.

As part of the study, researchers also looked at the law in British Columbia where more than 10,000 condos have been built each year since 2010. Notably, the province has a process to resolve disputes between developers and buyers. Only one percent of the 3,920 claims filed last year turned into lawsuits.

The study's author suggests removing some of the perceptions of risk and uncertainty imposed by the Washington Condominium Act could be beneficial. Among concerns he recommends for revision are:

- clarifying the nature of a construction defect
- incentivizing repairs rather than money damages as a remedy;
- making arbitration mandatory and binding;
- narrowing the standard of appeal from arbitration decisions, and

- limiting attorneys' fees or adjusting them to a knowable schedule.

The report concluded developers have sufficient incentive to build condos in Seattle's downtown core where larger buildings that bring higher prices are allowed. "Because the potential economic returns of this type of large-scale development offsets the higher costs and any actual or perceived risks, the market has seen a preponderance of this higher end product," the report noted.

Lowering the regulatory costs and construction costs are subjects for another study, according to the Runstad Center's report. However, researchers believe it is clear that insurance costs and the risk of litigation are factors that, if mitigated, can contribute to tipping the scale toward the delivery of more affordable for-sale condominium product, as there is clearly a very strong demand."

The Runstad Center undertook the \$50,000 study following the city of Seattle's July 2015 Housing and Livability Agenda (HALA) report, which suggested Seattle work with the center "to explore options to stimulate the condo development market, including revising the warranty scheme in the (Washington State Condominium Act)."

Orser said future research might include more study of other cities and states to determine best practices in condominium construction, insurance, financing and legal liability.

Western Washington real estate brokers see early signs of “a more balanced market”

KIRKLAND, Washington (Aug.4, 2016) – Home prices are still rising but the supply of homes is improving, prompting brokers to suggest some relief is in sight for would-be buyers. “We might actually be starting to move very *slowly* back toward a more balanced market,” said OB Jacobi, president of Windermere Real Estate, in commenting on July's figures from Northwest Multiple Listing Service.

The MLS report summarizing last month's activity shows active listings (including single family homes and condominiums) are at the highest level since September 2015 and the volume of new listings added to inventory topped the 12,000 marked for the third consecutive month.

With inventory shortages apparently easing in some areas, once-sidelined and frustrated house-hunters may be resuming their search, based on the latest statistics. Pending sales for the 23-county service area rose nearly 4 percent compared to a year ago, setting a new high for volume during July.

Member brokers reported 11,657 pending sales system-wide last month, a slight drop from June when they notched 11,995 mutually accepted offers. Despite that dip, the four-county Puget Sound region had its best-ever volume of pending sales for July (8,545), eclipsing last year's record number (8,248).

“We are experiencing a record breaking market,” exclaimed J. Lennox Scott, chairman and CEO of John L. Scott, Inc. “Last month was the best July in history in the Puget Sound real estate market. We’re in a frenzy hot market with a large backlog of buyers.” He credits improving inventory with spurring sales. “That additional inventory gave us the boost to not only be able to claim an all-time, best ever July, but to also position the last three months as the best in history for [pending] sales activity in the Puget Sound region.”

Some brokers, including MLS director Frank Wilson, expect the robust activity will slow in August as families focus on vacations and back-to-school preparations.

Brokers added 12,178 new listings to the selection during July, which compares to 11,198 additions during the same month a year ago for an improvement of nearly 8.8 percent. At month end, there were 18,287 active listings for sale versus the year-ago figure of 21,069. That represents a year-over-year drop of “only” 13.2 percent; it’s been hovering in the minus-20 ranges for most months since spring 2015.

King, Snohomish and Pierce counties still have less than two months of supply, with double-digit increases in prices compared to a year ago, prompting some buyers to expand their search to outlying areas.

“Buyers are feeling the squeeze every day, and now, outlying areas are seeing multiple offers like the major cities have been experiencing the last two years,” noted Northwest MLS director George Moorhead.

Buyers are using driving apps with their searches to determine whether or not to consider a home and its proximity to their workplace, according to Moorhead, the designated broker at Bentley Properties.

“Our difficulty with limited inventory and multiple offers continues in Snohomish County,” reported Diedre Haines, a past chairman of the Northwest MLS board. “The biggest problem right now is a resurgence of low appraisals – often between \$30,000 and \$35,000 below the agreed upon price.”

Also concerning to Haines is a tendency to forgo due diligence during competitive bidding situations, something she says she sees nearly every day. “In my opinion, sellers and buyers should not consider offers with waived financing, inspection, investigations, etc. as good offers,” she stated, adding, “They should be mindful of our state’s ‘buyer beware’ protections and allow buyers the time and ability to perform their due diligence.”

Haines, Coldwell Banker Bain’s principal managing broker for South Snohomish County, said the appraisal problem is plaguing all market areas of the county, and involves different appraisers.

“This is indeed a strange situation, especially when taking into consideration that most sellers are cautious in their decision to not take the highest offer – even in multiple offer scenarios,” Haines remarked. She is also troubled by appraisers’ current practice of using comparable properties that are only with one-half mile of the subject property, rather than the historically typical 2-to-3-mile radius, resulting in a “not good comp” that sometimes leads to failed sales.

One notable exception to the existence of low appraisals is new construction, according to Haines. “It continues to return to our marketplace at a slow but steady pace.”

“Our brokers in Seattle proper, and now more broadly in King County, say sales are slowing down. With the increase in inventory, there may finally be some relief for home buyers,” suggested Mike Grady, president and COO at Coldwell Banker Bain. However, he added, “Prices continue to rise at impressive rates in many areas.”

Grady also mentioned the “ripple effect” is continuing, with Seattle’s experience of shrinking inventory and rising prices occurring in surrounding areas.

The median price for last month’s 9,466 closed sales of single family homes and condos (combined) was \$350,000. That reflects a jump of 9.6 percent from a year ago when it was \$319,250. Within the 23 counties in the report, the median price ranged from \$57,950 in Ferry County to \$505,000 in King County.

A comparison of prices by counties shows San Juan County topping the chart. The median price on last month’s sales (including single family homes and condos) was \$507,500, a jump of nearly 21 percent from a year ago. That edged out King County where the median sales price of \$505,000 was up 15 percent from twelve months ago when it was \$439,000, but down slightly from June’s figure of \$510,000.

For single family homes (excluding condos), the area-wide median selling price was \$358,150, a 9.2 percent gain from a year. King County had the highest median price for single family homes at \$555,000. That’s a 14.4 percent year-over-year increase.

Condo prices for July surged 17.3 percent from a year ago, from \$260,000 to \$305,000. Inventory shortages persist, with less than 1.3 months of supply area wide, and less than a month (0.90) in King County.

Commenting on the market in Kitsap County, where his office is based, MLS director Wilson said there’s a significant backlog of buyers. Multiple offers on new listings and steady traffic at open houses are continuing, he added.

Scarce inventory and end-of-summer priorities will likely create “a bit of a pause” in the market, predicts Wilson, the branch managing broker at John L. Scott, Inc. Poulsbo. He expects vacations and back-to-school shopping will divert some prospective buyers and sellers, but come mid-September “the market will take off again until Thanksgiving.”

Elaborating on his comment about a possible shift to a more balanced market, Jacobi said King County “really sticks out for me” when looking at the entire region. Single family home inventory levels match those of a year ago, yet home sales have slowed year-over-year. “Price growth also appears to be slowing from the rapid growth that we’ve become used to in recent months.”

Brokers who commented on the latest MLS report dismissed murmurs of a housing bubble.

Wilson emphasized this market is not like it was in 2005-2007 when it was driven by speculation and loans to people who could not afford them. He believes the market's future holds two certainties: "Home prices are heading up and interest rates are soon to follow." Wilson also described this market as "need driven based on an improving job market in King County as well as simple supply and demand." Remember, he added, "normal markets have adjustments . . . ours will come in a couple of years."

"An imminent bubble is not likely," said Moorhead. "Even though we cannot predict the future, if interest rates remain low and inventory levels remain at historic lows, a bubble is unlikely," he said.

Scott expects current market conditions will continue at least into the summer of 2017. "The best opportunity for homebuyers to find a home will be in the next three months," he suggested, noting new listings coming on the market historically taper off in November. "Because of the current increase in inventory, now may be a great time for buyers who were discouraged from entering the market to rethink their decision," he added.

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership of nearly 2,100 member offices includes more than 25,000 real estate professionals. The organization, based in Kirkland, Wash., currently serves 23 counties in Washington state.

Statistical Tables Follow.

Statistical Summary by Counties: Market Activity Summary – July 2016

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	4,385	4,316	4,098	3,653	\$616,644	\$505,000	1.18	1.18
Snohomish	1,877	1,969	1,795	1,515	\$411,643	\$385,000	1.30	1.74
Pierce	2,057	2,819	2,098	1,499	\$308,077	\$280,000	1.88	2.22
Kitsap	654	944	554	439	\$359,889	\$290,000	2.15	2.24
Mason	180	489	171	127	\$217,859	\$202,125	3.85	5.36
Skagit	282	543	303	211	\$346,856	\$285,000	2.57	3.40
Grays Harbor	195	624	154	127	\$161,824	\$140,000	4.91	6.02
Lewis	138	407	144	119	\$194,524	\$172,500	3.42	5.45
Cowlitz	157	285	180	108	\$213,298	\$199,000	2.64	3.63
Grant	117	453	90	76	\$191,074	\$165,000	5.96	4.67
Thurston	687	1,129	656	514	\$282,232	\$265,000	2.20	2.66
San Juan	58	353	53	34	\$587,077	\$507,500	10.38	14.89
Island	240	547	214	187	\$367,097	\$305,000	2.93	3.17
Kittitas	119	312	122	97	\$345,947	\$259,990	3.22	5.31
Jefferson	82	301	70	71	\$311,264	\$268,000	4.24	5.04
Okanogan	73	432	57	42	\$232,367	\$215,500	10.29	15.53
Whatcom	455	1,001	473	359	\$320,425	\$300,000	2.79	3.47
Clark	60	90	51	44	\$326,971	\$282,400	2.05	2.18
Pacific	84	326	82	39	\$163,407	\$148,010	8.36	7.98
Ferry	8	59	7	3	\$62,617	\$57,950	19.67	70.00
Clallam	111	324	91	63	\$251,030	\$235,000	5.14	4.31
Chelan	74	308	97	80	\$359,649	\$294,000	3.85	3.78
Douglas	43	104	51	33	\$246,666	\$247,000	3.15	3.29
Others	42	152	46	26	\$236,696	\$242,450	5.85	7.63
Total	12,178	18,287	11,657	9,466	\$440,746	\$350,000	1.93	2.24

Tables continue on next page.

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	7179	6977	5703	4475
016	5420	6703	8130	8332	9153	8869	8545					

 \$87 million earmarked for workforce housing near transit centers in King county

More than 1,000 homes near transit centers are expected to be created in King County thanks to landmark legislation authorizing the investment of \$87 million in bonds for affordable workforce housing. County officials said up to \$15 million from the pool of funds will be awarded this year as part of the county's annual Housing Request for Proposals. (*Editor's note:* The RFPs were expected to be posted by early August.)

Builders whose projects are within a half mile of existing and future bus and rail transit stops seek funds, which covers both new construction and preservation of existing housing. Funding will come from a portion of King County's hotel/motel tax revenue now used to pay the debt on CenturyLink Field.

Council members approved a measure in July to accept a Transit-Oriented Development Bond Allocation Plan proposed by King County Executive Dow Constantine. The investment nearly doubles the \$48 million first proposed for the program.

“This is an incredibly robust and intentional plan that will allow the County to address the urgency and scale of today’s crisis and strategically invest in creating equitable communities for years to come,” said Kelly Rider, Director, Government Relations & Policy at the Housing Development Consortium Seattle - King County. “By providing affordable homes near transit, this Plan will cut household expenses for low-income people, reduce traffic congestion, and ensure families can spend more time together rather than stuck in traffic.”

The projects include:

- **Countywide:** \$32.3 million for projects with nonprofits and partner agencies
- **I-90 Corridor:** \$10 million for projects near transit stations along the I-90 Corridor between Issaquah and North Bend
- **Northgate:** \$10 million for a project or projects at the Northgate Transit Center
- **South County:** \$10 million for projects near the Des Moines or Federal Way transit stations
- **Eastside:** \$10 million for projects near Bel-Red Corridor transit stations
- **Seattle South Downtown:** \$14.7 million total, of which \$8.7 million would be dedicated to the Historic South Downtown Public Development Authority, \$3 million for the Pacific Tower affordable housing project, and \$3 million for affordable housing near Othello Station.

The program builds upon the Transit Station Housing and Development Initiative launched by the Executive in September following passage of the Workforce Housing Bill by state legislators earlier last year.

That measure gives King County the ability to issue bonds backed by revenues from a portion of the hotel/motel tax that will become available in 2021 when the stadium debt is scheduled to be paid off. Until then, including this year, nonprofit affordable housing builders and private developers can start using some of the future revenues. The county will essentially borrow from itself now and pay itself back later.

At a signing ceremony with housing advocates and council members, County Executive Constantine called the legislation “an innovative approach to connect more communities across King County to jobs and opportunity.”

“Creating and supporting diverse, vibrant, mixed-income communities served by high-capacity transit is an important step in addressing our affordable housing crisis,” said King County Council Chair Joe McDermott. “I am pleased to act fast, making it possible to build new projects before land in transit corridors get even more expensive.”

Rents in the metro region have been rising 7 percent annually since 2009, according to Apartment Insights of Seattle. Their data show average rents range from around \$1,100 in SeaTac to nearly \$2,350 in downtown Seattle.

Fewer young adults forming households, yet household growth is accelerating

Fewer young adults are forming households, with many of them opting instead to live with their parents. In fact, a new report from Pew Research Center found that for the first time in the modern era a higher share of adults age 18-34 are living with parents rather than living with partners or spouses.

Daniel McCue, a senior research associate at The Joint Center for Housing Studies at Harvard University said the ongoing trend is increasingly meaningful to housing markets. Contrary to what might be surmised, household growth has been accelerating since 2012, and did so again in 2015 according to the Census Bureau's Housing Vacancy Survey.

McCue said the explanation lies in the shifting age distribution of millennials, noting the rate of living with parents drops sharply across the age spectrum. While around 50 percent of adults age 20-24 live with parents, it drops down to 15 percent for the 30-34-year-old group. Notably, over the past decade, the majority of population growth for young adults was skewed towards the younger side of the 18-34 year old cohort as the millennials replaced the smaller, Gen-X population in the 20-24 and 24-29 year old groups.

JCHS researchers report that over the next decade, the aging of the millennial generation will shift the bulk of population growth from the 20-24 and 24-29 age groups to the 30-34, 35-39 and 40-44 year old age groups. "At these older age groups, changes in rates of living with parents and overall household headship have been much more moderate and remain closer to recent historical levels."

"This all suggests that future expected population growth in the 30-44 year old age groups will translate more directly into household growth over the next decade, even if living with parents continues to remain high for 20-somethings," McCue reported. He believes the pick-up in annual household growth levels since 2012 as reported by the Housing Vacancy Survey is a sign that this has begun.

By now, the region’s population has eclipsed the 4 million mark

With the addition of 86,320 people in the past year (a 2.2 percent year-over-year increase), population in the central Puget Sound region reached 3,985,040.



Puget Sound Regional Council

In its [Puget Sound Trends](#) report, Puget Sound Regional Council noted the growth spurt marked the biggest population gain this century. It was also the highest growth rate in the past 20 years. Every county grew, led by King (home to 52,300 new residents) and Snohomish (home to 15,260 newcomers).

Population of Central Puget Sound Counties, 2014 to 2016

	2014 POPULATION	2015 POPULATION	2016 POPULATION	2014–2015 POP CHANGE	2015–2016 POP CHANGE
Region	3,835,450	3,898,720	3,985,040	63,270 / 1.6%	86,320 / 2.2%
King	2,017,250	2,052,800	2,105,100	35,550 / 1.8%	52,810 / 2.5%
Pierce	821,300	830,120	844,490	8,820 / 1.1%	14,370 / 1.7%
Snohomish	741,000	757,600	772,860	16,600 / 2.2%	15,260 / 2.0%
Kitsap	255,900	258,200	262,590	2,300 / 0.9%	4,390 / 1.7%

Source: U.S. Census Bureau, Washington State Office of Financial Management.

PSRC noted the region’s pace of growth in 2015-2016 is not unprecedented, and in fact marked the fifth time since 1960 when the region added more than 80,000 people over the course of a year. Also noteworthy is the 5 percent rate of growth in the late 1960s -- twice the rate the region just experienced. There have been only four years in the past 56 when the region’s population did not increase (the early ‘70s during the “Boeing Bust”).

Growth plans must be aligned with market realities

Current methods for incorporating growth in the region may need to be reexamined, suggested leaders from three real estate organizations.

“Our regional planning efforts ignore the fact that the market still demands additional construction of a variety of housing types, from dense mixed-use developments to single-family homes,” agreed Shannon Affholter, Russ Hokanson and Peter Orser. In a guest opinion piece published by *The Seattle Times*, the trio said the Puget Sound Regional Council’s recent rejection of five cities’ comprehensive plans “on the

premise they are accepting too many residents suggest we may need a reality check on how our region manages growth.”

In the [quest commentary](#), the co-authors raised several questions about the planning process, and whether the original purpose of Washington’s Growth Management Act is working as intended.

Affholter is executive director of the Master Builders Association of King and Snohomish Counties, Hokanson is CEO of Seattle King County REALTORS®, and Orser is the director of the Runstad Center for Real Estate Studies at the University of Washington.

News & Notes from Northwest MLS

Listing Data Checker

Northwest MLS started using a new compliance system on July 21 to ensure accurate listing data and compliance with MLS listing input rules. In announcing the changes, NWMLS said the Listing Data Checker, as it is called, enhances ongoing efforts to maintain an accurate and reliable database of listing and sale information.

Among changes the MLS highlighted are:

- E-mails sent from the NWMLS Compliance Department will have a new look;
- The new system will regularly re-check previously flagged items for compliance to ensure the integrity of the database; and
- The “Report a Violation” tool on Matrix listings (whistle icon) will have a different interface.

New Showing Time Feature

Based on user feedback, ShowingTime has added a “Status Change Notification” feature. When a listing is confirmed to show and a property’s status change (e.g., from Active to Pending), the showing agent gets an email notification. This notice will provide the property information, the previous listing status, and the new listing status.

Members and subscribers who have not yet activated their ShowingTime accounts are invited to read the [Getting Started with ShowingTime user guide](#) and get started now!

New Version of Transaction Desk

When a new, faster, smarter and friendlier version of Transaction Desk is unveiled in mid-August, users can expect to save time with many of its features including:

- Transaction improvements: simplified wizard, integrated menus & signings
- New templates feature replaces quick-start groups
- New customizable dashboard
- Easier access to “Super User” tools

The new version allows toggling between the current “Pro & Lite” version, with both of them available to members and subscribers during a “get acquainted” transitional period. Visit the Northwest MLS website for a schedule of in-person and webinar training opportunities.

PSRC seeks members for two advisory boards

Two key advisory boards for the Puget Sound Regional Council are seeking non-voting members representing business/labor and community/environment. Applicants for terms starting in January have until August 26 to [apply](#).

The openings are for the Transportation Advisory Board and the Growth Management Planning Board. Both meet monthly. Applicants for the three-year terms must be willing to commit several hours each month to discussions on important regional issues.

PSRC expects to select its new advisory board members by the end of October.

BROKERAGE DESIGN – BY JEREMY CONAWAY

Managing Innovation Generated Team Conflict



The American real estate industry has been tracking, examining, debating and denying a wide range of innovative disruptions and transitional forces over the past several years. By way of example, transaction management has been on the industry menu for almost twenty years and is just now about to become mainstream. Agent rating can be traced back six years and is only now preparing to take its place as an industry staple. The idea of developing and implementing superior consumer experiences is starting to gain traction after having competed with agent centrality for years. Integrating intensified agent portal participation promises to be challenging given its inherent chain of command conflicts. Perhaps most dramatic will be the management shifts and transitions that brokerages will have to integrate into their operations as a result of the new Upstream broker centric data management program. These are but a few of the internal and/or external innovations that the industry is currently preparing to incorporate.

Each of these surviving innovations and developments (as well as a score of others working their way through the system) has followed a predictable course on its way to industry acceptance. Most started with a visioning experience gained through either industry publications or any one of several industry conferences provide “coming out” events for new innovations.

At some point these introductions blossom into discovery relationships as R & D, marketing and promotional activities and/or internal innovation programs seek out ideal candidates for beta testing, utilization and adoption phases. When the discovery programs find traction, the innovation journey moves to the design phase where specific needs and applications are addressed and resolved. It is during this phase that the future of the innovation is either sealed or rejected.

Once the process finally evolves a workable, rational and equitable model, the innovated product, process or program graduates into the development phase, the decision to ‘go with it’ having been made. With this advancement the innovation begins to enjoy the benefits of company ownership, greater funding and senior management parenting.

What began as a concept is now a reality and it is time to implement the innovation and allow it to stand on its own feet. Implementation is accomplished through some combination of Alpha and Beta testing programs.

By this point the concept has evolved into a program, product or service that has been found to be relevant and appropriate to the brokerage’s overall operation. Now comes the final test. Could the innovation be successfully integrated into the brokerage’s overall operation? This is where the proverbial rubber meets the road. It is in this phase where individuals, teams and entire departments, many of which stood as silent witnesses hoping the innovation would fail earlier in the process, now sense their last opportunity to ambush the innovation before its ultimate disruption is delivered. This is where the real conflict rises up from the dissenting ranks.

Over the next twelve to eighteen months a record number of newly innovated real estate management, consumer relations, data and outreach programs, products, technologies and processes will reach the integration phase within their parent or subscribing brokerages. In most integrating organizations there will be players, or groups of players, that, having patiently stood by during the phases outlined above, come to realize that now is the time to attack the innovation in an effort to avoid its natural disruptions. This is where team conflict rises to the surface.

Team conflict takes shape in several ways. The most common is failing to cooperate and/or collaborate in the integration process. In many cases this response is amazingly subtle, and only an executive or manager who is totally focused on the project is likely to identify it. It is at this point that the dissenters seek out their “rabbis” within the organization and call in long-standing “chits” to kill the project. This is the point where the dissenters suddenly discover that individuals or partnering organizations with which they have enjoyed career long positive relationships have suddenly acquired unacceptable and “un-American” beliefs and philosophies. It is at this moment when longtime respected superiors are called into question because stress or personal problems seem to have negatively impacted their traditional thinking.

Team conflict also manifests itself through individual mannerisms. Body English is a popular manifestation. Negative Stereotypes suddenly emerge (“You just can’t trust those engineers you know.”) Communications become cloudy and disrupted. Formerly undisclosed priorities and deadlines that conflict with those established for the innovation suddenly rise up from the calendar. Previously undisclosed “sub-budgets” appear on stage. Most destabilizing is the rise of a whole new subliminal company culture that was apparently missed over the past several years of study, planning and SWOT analysis.

Team conflict is the face of innovation and creativity, and should never surprise a competent executive. It must be anticipated and managed from the first phase.

The most common mistake made by executives attempting to overcome team conflict is the election of the “I am the boss” option. Management “cram-downs” may appear to net immediate success, but most often are simply forcing descent to a more intimate level. The classic “as long as you live in my house” approach didn’t work at home and it certainly won’t work in a real estate business environment.

Business process experts have evolved several solutions. All of them seem to have the following elements in common:

- Transparency and open discussion are critical
- Efforts to discover and articulate the “real” points of dissent are essential
- Seemingly unrelated factors such as geographic location, attitudes, behaviors, personalities, attitudes about time, conflicting priorities, deadline obsessiveness, self-promotion, differing levels of aggressiveness and departmental loyalties all contribute to team conflict and must be considered when managing team conflict.
- Even minimal cultural differences between departments, units and internal elements can give rise to team conflict.
- In today’s more diversified work environment language and communications styles can unintentionally feed team conflict.
- The more intimate one’s understanding becomes with respect to the dynamics of a team the more important various “states of mind” become. The levels of knowledge, skill and competency necessary to maintain the modern workplace means a wide range of mind-states are present. Each group of experts (or professionals) on the team is likely to have a different mind-state about the innovation. Even those who wholeheartedly support the project are likely to differ with respect to how they feel about it.
- In attempting to root out the cause of team conflict one must not ignore emotions as a likely suspect. Any individual worth having on a project or a team will bring their own unique emotional pattern to the table. However annoying, they must be dealt with in an appropriate fashion.

Team conflict is most frequently the result of factors that have little or nothing to do with the innovation at hand. Frequently the innovation simply ignites a long-standing or previously formed tinderbox. Real estate brokerages integrating innovations into their culture and operations must understand that team conflict management and resolution is necessary and must be addressed at the onset and continuously throughout the project.

News In Brief

- **According to a recent survey by AAA, Seattle is the second-best road trip destination, topped only by Orlando, Florida.** Nearly 56 percent of us are planning a driving vacation this summer.
- There are now 65 building projects now in construction in downtown Seattle, according to *The Seattle Times*. New data shows how intense the building frenzy is – and how much more is to come. **There are currently 65 major buildings under construction across downtown Seattle, South Lake Union and surrounding neighborhoods, more than at any point since the figures were first tracked in 2005.**
- The flurry of construction in the region hasn't done much to keep rents in check, according to the *Puget Sound Business Journal*. **According to a new report by Apartment Insights of Seattle, since the end of March, rents in King and Snohomish counties increased 4.1 percent while the vacancy rate dropped to just under 3.9 percent.** Over the last year, Seattle rents increased 10.1 percent, with the average rent in downtown Seattle nearly \$2,350.
- Last June, Sound Transit board members voted unanimously to put a massive expansion “ST3” before Puget Sound voters on the November ballot. **It's a \$54 billion, 25-year program to extend light rail and other services across the region using federal grants and three tax increases – sales, MVET and property.** It would add 62 miles of light rail with stations serving 37 new areas, growing the existing system to 116 miles between Tacoma, Seattle, Everett and the Eastside.
- **Employers added 287,000 jobs in June, a robust pace that suggests a resilient U.S. economy recovering from a slump early in the year.** The June hiring spurt marked a sharp improvement from May's showing, when only 11,000 jobs were added, and April's gain of 144,000. June's increase was the largest since October 2015. The unemployment rate rose from 4.7 percent to a still-low 4.9 percent, but the uptick occurred mainly because more Americans began seeking jobs.
- **Population in the central Puget Sound region reached nearly 4 million people in April 2016, growing by 86,320 people (2.2 percent increase) in the past year, according to the Puget Sound Regional Council.** This is the biggest population gain this century, and the highest growth rate in the past 20 years. King, Kitsap, Pierce and Snohomish counties all experienced population

growth this past year. King county grew by 53,000 people (2.5%), while Kitsap grew by 4,390 (1.7%), Pierce by 14,370 (1.7%), and Snohomish by 15,260 (2%).

Calendar of Events through September 9, 2016

Dates	Event	Time	Location	Contact
SEATTLE—King County REALTORS®				
8/16/16	Affiliate Council	9:00 am – 10:00 am	SKCR	425-974-1011
8/20/16	RPAC Wine Auction	5:00 pm – 8:30 pm	Overlake Country Club	425-974-1011
9/5/16	Holiday – Office Closed			
9/7/16	Board of Directors	9:30 am – 12:30 pm	SKCR	425-974-1011
9/9/16	State Director Caucus	1:00 pm – 3:00 pm	SKCR	425-974-1011
For updates visit: www.nwrealtor.com and click “events”				