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Housing consultant shares insights on "new faces" of home shoppers

JOHN BURNS REAL ESTATE CONSULTING

Understanding what people want when planning to buy a home – and what they'll pay for – can yield a better approach to housing, according to a national housing consultant. Such knowledge will also enable builders and REALTORS® to better anticipate and meet their clients' needs said Mollie Carmichael, guest speaker at the annual "Builder & Developer Breakfast" hosted by John L. Scott Real Estate.

Carmichael, a principal at John Burns Real Estate Consulting, told her audience the insights she gained while working with developers and builders, coupled with her quest to understand Wall Street have served her well in her current role as a consultant at Burns, a housing market research and consulting company that reports on 70 MSAs (Metropolitan Statistical Areas) every month.

In her remarks last month, Carmichael said the firm's goal is to understand multiple facets of today's shoppers, including Who? How many? Where? What? Why? and When? Applying information about market trends, as well as shoppers' demographics and lifestyles can help developers and builders make astute decisions about their product offerings.

Titled "The New Faces of Residential Opportunity," the speaker's presentation focused on demographic shifts, generational segments, and consumer and product solutions.

Thinking only about four commonly identified generations (GenY, Gen X, Boomers and the Silent Generation) is "the easy discussion," Carmichael said. Only one percent of people looking to buy is under age 25, so the focus should be on those aged 26 and older. It's also important to recognize differences within the generations, she advised.

Research by John Burns Real Estate indicates four major influencers can sway shoppers. These include lifestage, economic, societal and technology/innovation. Recognizing this, the firm believes a better approach to housing strategies is to further segment by decades.

Carmichael identified seven groups or lifestages, the characteristics for each (accompanied by an iconic person), and the implications for housing. In brief, they included:

Decade	Formative Years/ Societal Influence	Characteristics (partial)	Housing Implication
1940s Achievers (27 million, aged 67-76) (icon: Dolly Parton)	Raised in the new suburbia. Freeways are born	Paved the way for equality. Double income families; Divorce rate spikes.	#5 Opportunity (tied) #2 Net worth 70% retired

		"Traditional, thriving, triumphant"	Wealthiest retirees. Prefers communicating via phone. Will drive for SFD.
1950s Innovators (40 million, aged 57-66) (icon: Steve Jobs)	Doing things different (unconventional décor, unique schemes). Entrepreneurism soars. First to begin challenging government, authority. Split families grow	Rock star rebels. Influenced by fantasy shows. The Pill changed household formation. Innovators lead a treasured life. More entrepreneurial growth. "Innovative, unique, different."	#2 Opportunity #1 Net worth (but less savings or pension) 70% still work. Email, phone preferred communication mode. Lifestyle and location first. Tend to be tied to current home, but may opt for a 3-story townhome with elevator. They think 20 years younger.
1960s Equalers (43 million, aged 47-56) (icon: Michelle Obama)	Hard rock, disco bands, female power, non-conformists. Families are redefined. Latch key kids, blended families	Microwaves! PCs enter workplace. More stay at home dads. Helicopter parents. Ethnically diverse.	#4 Opportunity #3 Net worth Mature couple or mature family. Multi-generational. Prefers email or text.
1970s Balancers (41 million, aged 37-46; 23% foreign-born) (icon: Jennifer Aniston)	Nontraditional families influence formative years. Many Balancers were raised in McMansions	Seek work-life balance. First generation to be fully immersed in technology. 9/11 changes everything. Family continues to be redefined.	#1 Opportunity (tied) #5 Net worth. Children before marriage. Family size begins to rise. "Value design and size" for frugal growing family. 2-story. Prefer text or social media

1980s Sharers (44 million, aged 27-36; 41% single moms) (icon: Mark Zuckerberg)	Motivated by "tribe and travel." Grew up during "great recession."	Sharing economy begins to change everything (including housing choices). Highly educated with high student debt.	#2 Opportunity #6 Net worth Luxury is out, thrifty is in. Prefers experiences over stuff. Homeownership is 28-30+
1990s Connectors (44 million, aged 17-26) (icon: Selena Gomez			#7 Opportunity #7 Net worth Renters for now

Innovators are the #1 new home shopper in the U.S. overall, followed by Balancers and Equalers. In Seattle, Balancers are #1 home shoppers, followed by Innovators and Sharers, according to findings from the latest Consumer and Product Insights survey by Burns. The research was conducted to uncover what is motivating consumers today, and to identify retirement trends.

Carmichael reported lifestage is very distinct between generational segments. Two groups – mature couples and young families – are the top lifestage looking for a home today.

Of those surveyed, 76 percent think today is a good time to buy, despite clearly identified obstacles. Leading the list of obstacles is the inability to find what they want. Half of today's consumers who are looking for a home cited this problem, with Balancers reportedly the most challenged.

Design matters, Carmichael reminded the audience. Home design ranks #2 across all generational segments as a motivation to move. To underscore the point, she said a vast majority (88 percent) will take a smaller backyard if designed well for entertainment and privacy (80 percent want privacy outdoors). Also critical is natural light (more than 70 percent said they would pay another $4,500 for a "wide wall" of glass).

"Emotion sells," the housing consultant stated. People may set out to "just look," she acknowledged, "but good design pulls them over the finish line."

Along with location and interior home design, affordable price is a key motivator for today's shoppers. (The less affluent will drive farther to get what they want.)

"Financial security is important," Carmichael said, especially among those aged 50-plus, who are the #2 Shopper prospect. Of those surveyed, 36 percent think they won't have enough money to retire.

Underscoring the importance of design, she suggested developers and builders think in terms of privacy, charm and affordability. (It was also noted that 80 percent of the world can't see 3D, so other visuals should be used to help shoppers visualize features and amenities.)

Survey participants said their five most important priorities are topped by style, then function, affordability, interior size, and exterior size.

Based on research by the Burns firm, Carmichael said demand for multi-generational housing will grow. "Younger generational segments are more likely to want to accommodate their elderly parents," she stated. More than half said they may also consider accommodating their adult (aged 18+) children in their next home, she added.

Carmichael also highlighted a few findings from a comparison of the generations, including:

- Balancers and Sharers are twice as likely to want Modern over Traditional.
- Innovators and Achievers are more inclined toward Traditional, but at least one of every four in this group want Modern.
- Outdoor living is about privacy first for all generational segments except Sharers.
- Pets are a priority for many of today's shoppers (more than half have pets, but only 29 percent have young children).
- Balancers and Sharers are more likely to choose transitional styles.
- Equalers, Innovators, and Achievers are more likely to choose Craftsman.

Builders also need to be mindful of shoppers' expectations on technology features. Air conditioning leads the list, followed by fans, keyless entry, smart technology, USB outlets and security with two security cameras. Health is another priority for today's shoppers, with 65 percent saying they value being physically fit. Nearly seven of every 10 shoppers (69 percent) said they would pay $1,200 more for clean air.

"Going green" is also growing in popularity. Fifteen years ago, only three percent of shoppers said they would pay for solar panels; now half will invest in that amenity.

Topping the list, when asked what matters most, is family. A whopping 89 percent want to spend their time with family first.

Commenting on their firm's latest survey, which went to more than one million new home shoppers across the country, Carmichael said there's no reason to go beyond 3,200 square feet when building new homes today, "other than lazy design." Moreover, she said, it's not true that more square footage means more revenue. "Builders need to understand what consumers will pay for. By listening and asking crucial questions you can add significant dollars to the bottom line."

Real estate brokers expect no holiday breather as sales stay strong and supplies remain low

KIRKLAND, Washington (Dec. 5, 2016) - Pending sales of homes hit an all-time high for the month of November according to the latest statistics from Northwest Multiple Listing Service. The report covering 23 counties around Washington state also shows the number of new listings added during the month plunged to the lowest level in 11 months, prompting MLS leaders to predict a busy winter for residential real estate as buyers compete for the smallest inventory since March.

"Last year's holiday season ended up being the best time to sell a home around King County as sellers took the winter months off, but buyers remained persistent. The supply of homes for sale hit a post-recession low, and so far, this year is mirroring last winter's trends," remarked Northwest MLS director Robert Wasser, owner/broker at Prospera Real Estate in Seattle.

Figures for November show a 13.2 percent drop in inventory of single family homes and condominiums, a 9.4 percent gain in pending sales, a 31.3 percent spike in closed sales, and an 11 percent increase in prices compared to the same month a year ago.

At month-end, there was only 1.69 months of supply system-wide, believed to be a new low. For the 4-county Puget Sound region there is only 1.22 months of supply, with King County having the lowest level at under a month (0.96).

Pending sales (mutually accepted offers) totaled 8,217, and eclipsed the number of new listings (5,779) by 2,438 units. That imbalance depleted total inventory, dropping the number of active listings to 13,303, down 13.2 percent from a year ago.

"November's pending sales for the four-county area of King, Snohomish, Pierce and Kitsap were the highest since 2005. There were 44 percent more pendings than new listings," noted J. Lennox Scott, chairman and CEO of John L. Scott Real Estate, who described market activity as a mini power surge. "Every time interest rates increase 0.5 percent we see these surges because buyers become anxious about increasing rates - but on a historical basis rates are still amazing," he remarked.

John Deely, vice chairman of the Northwest MLS board, said the Seattle residential real estate market is not taking time off for an end-of-year breather. "The seemingly inexhaustible supply of ready, willing and able buyers continues to purchase available inventory. This imbalance in supply and demand continues to fuel multiple offers and drive prices upward," said Deely, the principal managing broker at Coldwell Banker Bain in Seattle. Well-paying jobs in the tech sector are fueling demand, with "the increase in equity and tick up in interest rates enticing more sellers to the market."

George Moorhead, another member of the MLS board, echoed those sentiments. "We have seen the market pick up significant speed since the mild slowing during the summer months." He cited NAR reports that the Puget Sound area is 73,180 units short of demand, calling it a staggering number.

"Like the last two years we expect strong sales to continue through December, then taper off in January, only to pick back up mid-February with another flurry of aggressive buyers," Moorhead continued. He also believes an uptick in interest rates will driver buyers into the market even harder, with inventory likely to plunge even lower.

The median price on last month's closed sales of single family homes and condominiums area-wide was $342,000, up 11 percent from the year-ago figure of $308,000. August was the only other month this year with year-over-year double-digit appreciation for prices area-wide.

Thirteen counties in the Northwest MLS service area reported double-digit price increases last month compared to 12 months ago. Prices in King, Pierce and Snohomish counties jumped between 14.4 and 15.3 percent, but the largest spikes were in Okanogan (up 41.4 percent) and Jefferson (up 39.5 percent) counties. Last month's overall median price for single family homes and condos that sold was down about 2 percent from this year's high of $350,000 for sales that closed in June, July and August.

Prices for single family homes (excluding condos) rose 10.9 percent from a year ago to $350,500. King County reported the highest median price for single family homes at $550,000 (up 10 percent year-over-year).

Condo prices reflected more modest price hikes, perhaps a reflection of depleted inventory (down 18 percent) that is dragging down sales. Pending sales fell nearly 1.9 percent from a year ago. Last month's median selling price area-wide was $280,000, about 5.7 percent higher than a year ago. In King County, which accounted for more than six of every 10 condo sales, year-over-year prices jumped more than $30,000 -- from $298,500 to $328,844 (up about 10.2 percent).

"Seattle continues to defy all forecasts and now has the distinction of being the hottest market with the fastest-rising prices in the nation," said Mike Grady, commenting the latest home price index from S&P Case-Shiller. "We believe the market will continue to be extremely active through the winter and beyond, although the Fed's expected interest rate hike may affect this somewhat and provide some relief to buyers."

Even with the much-anticipated increase in interest rates, Grady said he does not expect much leveling off of home prices or activity. Expectations of an easing of mortgage underwriting stringencies by the new Administration will result in additional buyers entering the market, which Grady believes "will add fuel to the fire. We anticipate being very busy through 2017."

Other brokers agreed.

"Overall, the market continues to be frenzy hot on a seasonality basis, as we're seeing the same positive momentum in the Puget Sound real estate market as last year," stated Scott, adding, "We'll be entering 2017 with an extremely severe inventory shortage that is going to lead us into a huge price appreciation boost after the first of the year."

"Looking ahead to 2017, the Seattle market will continue to perform well, even with the expected interest rate increase," stated OB Jacobi, president of Windermere Real Estate. "The regional economy is in full stride and this will continue to create increased demand for housing across the board," he added. He also said he expects price growth to cool somewhat as inventory levels rise modestly, but he believes "2017 should be another banner year for the housing market."

"This market engenders confidence and high expectations by sellers as they continue to command center stage," remarked Dick Beeson, principal managing broker at RE/MAX Professionals in Tacoma.

"Inventory levels were supposed to increase by this time of year, yet stubbornly, would-be sellers remain on the sidelines, so buyers will continue to struggle to find a home and compete with other buyers through most, if not all of 2017," added Beeson, a member of the MLS board of directors.

Beeson also commented on the "hottest market" label from Case-Shiller. "It sounds like an enviable position, but it brings its own set of problems and issues," he noted. Lengthy times to obtain appraisals due to the limited number of appraisers, low appraisals, buyers being forced to pay cash for the difference between appraised value and the sales price, sellers refusing to make repairs on their property, lenders requiring repairs to be done prior to closing, and multiple offers were among concerns he listed.

Industry-watchers say conditions are ripe for sustained activity through the holidays, citing historically low interest rates, motivated sellers, fewer players (less competition), faster closings (fewer transactions to process) and the appeal of year-end tax deductions are motivators.

Gary O'Leyar, broker/owner of Berkshire Hathaway HomeServices Signature Properties, described the current market as "one of the most extreme I've seen in 42 years of working in the Greater Seattle area." Although there may be a public perception that brokers are "having a heyday" he said it's actually one of the hardest markets he and fellow brokers have encountered. One listing may generate multiple offers, but at the end of the day there is only one sale. "Along with buyers who are so tested by this market are the brokers who partner with them to work through this rugged gauntlet to secure a successful sale," he noted.

Beeson also commented on the current market challenges, saying "even in a hot market sellers and buyers need the guidance of an experienced broker to navigate the waters." For sellers, he said, finding a buyer is like the tip of an iceberg - it's easily seen. "However," he explained, "helping a buyer find the right home and winning in a multiple-offer situation, helping sellers choose the right offer, helping both parties close the sale are all under the surface and require a knowledgeable, experienced broker to avoid crashing against a failed sale."

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 Summary by Counties: Market Activity Summary – **November 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	1,960	2,803	2,856	2,911	$607,743	$497,500	0.96	1.28
Snohomish	939	1,451	1,314	1,270	$408,418	$379,950	1.14	1.78
Pierce	1,017	2,173	1,518	1,298	$312,301	$280,370	1.67	2.74
Kitsap	330	758	427	389	$337,988	$280,000	1.95	2.57
Mason	95	382	112	82	$207,382	$193,750	4.66	6.04
Skagit	124	415	217	169	$306,748	$272,000	2.46	3.77
Grays Harbor	85	485	104	113	$193,284	$155,000	4.29	8.18
Lewis	80	312	111	94	$186,974	$167,450	3.32	6.32
Cowlitz	64	186	129	124	$205,932	$195,000	1.50	3.13
Grant	61	351	52	64	$183,153	$178,495	5.48	5.62
Thurston	326	829	421	454	$278,228	$259,987	1.83	3.45
San Juan	16	256	42	28	$512,550	$434,950	9.14	10.79
Island	112	417	158	120	$357,537	$295,000	3.48	3.23
Kittitas	46	234	60	78	$419,153	$254,000	3.00	5.85
Jefferson	42	231	59	50	$381,700	$362,450	4.62	6.07
Okanogan	29	300	33	36	$269,191	$224,500	8.33	13.92
Whatcom	215	699	287	308	$325,194	$301,750	2.27	4.00
Clark	29	56	47	42	$348,446	$320,500	1.33	1.87
Pacific	35	221	33	40	$162,840	$141,250	5.53	8.97
Ferry	5	65	1	3	$79,667	$45,000	21.67	28.50
Clallam	62	259	97	83	$257,873	$239,000	3.12	5.02
Chelan	54	209	74	65	$348,681	$275,000	3.22	6.73
Douglas	18	74	29	22	$304,082	$271,000	3.36	4.48
Others	35	137	36	34	$185,580	$167,450	4.03	8.85
Total	**5,779**	**13,303**	**8,217**	**7,877**	**$430,856**	**$342,000**	**1.69**	**2.55**

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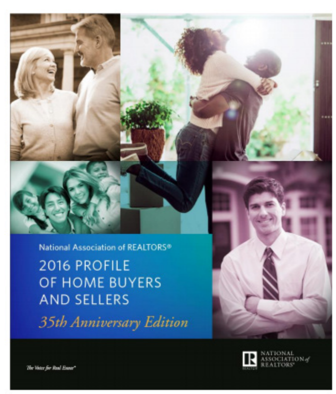
4-county Puget Sound Region Pending Sales (SFH + Condo combined)

(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
2016	5420	6703	8130	8332	9153	8869	8545	8628	7729	7487		

First-time buyers, women make up growing share of home buyers

They're back!



Reversing a downward trend for the past three years, the share of first-time home buyers ticked up to 35 percent in a new survey by the National Association of REALTORS®. That's the highest number since 2013, when it was 38 percent, and a revival from the near 30-year low of 32 percent in 2015.

Another noteworthy nugget from the 35th edition of NAR's *Profile of Home Buyers and Sellers* is the growing presence of single women. This segment accounted for 17 percent of total purchases, the highest number since 2011 when it reached 18 percent.

Single women account for a growing share of the home buyer pie, according to new research from the National Association of REALTORS®. The 35th edition of also revealed a small rebound of first-time buyers.

For-sale-by-owner (FSBO) transactions remained at 8 percent, marking an all-time low for the second straight year. Married couples continued to make up both the largest share of buyers, at 66 percent, and the highest income, at $99,200, according to NAR's findings.

The comprehensive report is based on responses to 132 questions covering demographic characteristics of home buyers and sellers, their experiences in the home transaction processes, the use of real estate agents and more.

Other key findings in the report included:

- The share of first-time home buyers was 35 percent, up from the year-ago figure of 32 percent.
- Two-thirds of recent buyers (66 percent) were married couples, 17 percent were single females, 7 percent were single males, and 8 percent were unmarried couples.
- Veterans made up 18 percent of recent home buyers, with another 2 percent identifying as active-duty service members.
- The median age of first-time buyers in this year's survey was 32, matching the all-time high last set back in 2006, and edging up from 31 the past five years. For repeat buyers, the typical age was 52, a year younger than the previous year.
- More than one in every 10 buyers (11 percent) purchased a multi-generational home. These buyers cited the need to take care of aging parents, cost savings, or adult children moving back home as reasons for their decision.
- Detached single-family homes continue to be the most common style for 83 percent of recent buyers.
- Down payment amounts are held steady in recent years at around 6 percent for first-timers and 14 percent for repeat buyers.
- Tight inventory is affecting the home search process. Buyers typically search for 10 weeks and say their biggest challenge is simply finding the right home to purchase.
- Tenure in the home has returned to a peak of 10 years, a rise from the historical average of six to seven years.
- Among recent buyers, 44 percent said the first step they took in the process was to look online, while 17 percent first contacted a real estate agent.

- Not surprisingly, mobile devices and tablets are an increasingly popular resource for home buyers. Their usage rose to 72 percent in this year's survey, up from 61 percent a year ago and 45 percent in 2013. Nearly six of every 10 buyers (58 percent) indicated they found the home they purchased on a mobile app.
- Home prices increased slightly this year to a median of $227,700 among all buyers. Purchasers typically paid 98 percent of the asking price.

As in past surveys, for-sale-by-owner (FSBO) homes typically sold for less than the selling price of other homes ($185,000 last year), but they usually sold quicker than agent-assisted homes, often because these homes are sold to someone the seller knows.

Researchers at NAR said the latest survey “convincingly proved once again that the two most popular resources for home buyers remain the internet (95 percent) and real estate agents (92 percent).”

"Regardless of the plethora of online resources readily available at the click of a mouse or the swipe of a thumb, consumers serious about buying a home continue to seek the expertise and market insights that only a REALTOR® can provide," said NAR President Tom Salomone, broker-owner of Real Estate II Inc. in Coral Springs, Florida.. "Given the numerous competitive markets with minimal supply, it's no surprise that both first-time and repeat buyers sought an agent for assistance finding the right home and negotiating the terms of the sale."

A record-high 51 percent of buyers said they found the home they purchased online, yet most buyers who used the internet still ended up purchasing their home through an agent (90 percent). A similar number (89 percent) of sellers sold their home with an agent. Eighty-eight percent of buyers would use their agent again or recommend that agent to others.

Survey respondents confirmed the value of relationships. Referrals and repeat business remain a large source of new opportunities for real estate brokers. Nearly two-thirds of sellers said they found their real estate agent via a referral from a friend, neighbor or relative, or used their agent from a previous transaction.

Lawrence Yun, NAR chief economist, noted more new homeowners were able to break through what continues to be a difficult market for many trying to enter. "Young adults are settling down and deciding to buy a home after what was likely a turbulent beginning to their adult life and career following the Great Recession," he said.

Yun attributes increased demand to a robust job market for those with college degrees, as well as renter fatigue at a time when homeowners continue to see their equity rise. “These factors were why more first-time buyers (67 percent) said a desire to own a home of their own was the primary reason for their purchase” (64 percent in 2015; in 2014 the figure was 53 percent).

Added Yun, "Even with the affordability challenges many buyers face, the allure of homeownership is not lost among the younger generation. Those under age 35 made up 61 percent of first-time buyer transactions."

Although encouraged by the increase in new homeowners, Yun believes their overall share of the market is still subpar. He points to the lack of affordable new and existing inventory, home prices in many markets rising far above wages, and difficulty saving for a down payment due to rising rents and student debt.

"First-timers' ability to enter the market more convincingly over the next year greatly depends on supply improvements at the lower end of the market and if wages can finally awaken from their sluggish pace of growth," added Yun.

Survey participants encompassed a nationally representative sample of owner-occupants who were invited to respond via paper or online, and in English or Spanish. Investors and buyers of vacation homes were excluded.

Conforming loan limits to rise for first time since 2006

Next year's loan limits backed by Fannie Mae and Freddie Mac will rise for the first time since the housing crisis, a move that will likely make it much easier and cheaper for some first-time homebuyers to enter the market.

The Federal Housing Finance Agency (FHFA) announced the increase in maximum conforming loan limits in late November following news that home prices in the third quarter eclipsed the level of a decade ago.

For most of the U.S., the limit on a single family homes rises from $417,000 to $424,100. For areas with the most expensive homes, the ceiling becomes $636,150 (150% of $424,100), up from $625,500. (*Editor's note*: The FHFA can set loan limits for individual counties in between the lower and upper thresholds depending on their cost. See the chart at the end of this article for limits within Washington state.)

In announcing the bump-up, FHFA acknowledged the threshold is important to homebuyers and the real estate industry. Jumbo mortgages sometimes have higher rates than loans that qualify for government backing. Additionally, these mortgages often carry steeper requirements from lenders, such as higher credit scores or down payments of 15 to 20 percent, the agency noted.

Conforming loan limits for Fannie and Freddie are determined by the Housing and Economic Recovery Act of 2008. That measure established the $417,000 baseline limit. It also mandated that, after a period of price declines, that limit could not rise again until home prices returned to pre-decline levels, which was pegged to be the third quarter of 2007.

The average U.S. home price remained below the pre-decline level until the latest quarter when FHFA's Home Price Index made it "clear" that average home prices surpassed the level for 2007's third quarter.

The adjustment in confirming loan limits is a long time coming, according to William E. Brown, the 2017 president of the National Association of REALTORS®.

"Today's conforming loan limit increase is a much needed recognition of rising home prices in high-cost markets, and a help to first-time and lower-income borrowers looking to utilize an FHA mortgage," said Brown, a second-generation REALTOR. Noting credit remains tight, he said this decision "will help more qualified buyers address the hurdles and high costs standing between them and the dream of homeownership."

Phil Ganz, a Boston-based loan officer with Fairway Mortgage, said many first-time buyers are shut out of the market because the houses they want to buy are too expensive to qualify for government-backed mortgages.

Many potential homebuyers have decent incomes but can't come up with more than 3 percent for a down payment, Ganz reported. "When you raise the limits, it's about giving young, successful people the chance to get in the game," he added.

Ken Fears, NAR's director of housing finance and regional economics believes the new limits indicate health is finally returning to the market. He also believes they reflect "an opportunity for a true expansion of credit."

The FHFA's announcement should lead a government loan program with even looser borrower requirements to raise its own loan limits, according to Fears. The Federal Housing Administration typically sets its own loan limit at 65 percent of the Fannie Mae-Freddie Mac limit, he explained. That would mean a rise to $275,665 from $271,050 for FHA mortgages, which some buyers with a credit score of 580 could obtain with down payments as low as 3.5 percent.

Some industry-watchers suggest the increase could bring a negative reaction from some Republicans who say the government should have a smaller footprint in the mortgage market. (About 72 percent of new mortgages are backed by the government according to *Inside Mortgage Finance,* a trade publication.) Guy Cecala, that magazine's publisher downplayed the possible pushback. "Given that this isn't a huge increase, I don't think there will be a big hue and cry about the government increase their share," he stated.

(Chart follows)

Fannie Mae and Freddie Mac Maximum Loan Limits for Mortgages in Washington State

(Acquired in Calendar Year 2017 and Originated after 10/1/2011 or before 7/1/2007)

Limits were determined under the provisions of the Housing and Economic Recovery Act of 2008

COUNTY	One-unit limit	Two-unit limit	Three-unit limit	Four-unit limit
King, Pierce, Snohomish	$592,250	$758,200	$926,450	$1,138,950
All other counties in Washington	$424,100	$543,000	$656,350	$815,650

New Census data bodes well for housing

Rising incomes should spur demand for housing, particularly among young adults, according to some analysts of recent Census data.

The Current Population Survey's 2016 Annual Social and Economic Supplement, which includes household income data for 2015, showed that real median household income rose 5.2 percent from 2014 to 2015. That marks the first annual increase in such income in nearly a decade.

The report also showed median household incomes rose in each region of the country, and across all age groups, as well as for non-Hispanic white, black, and Hispanic households.

Tabulations by the Joint Center for Housing Studies of Harvard University show personal earnings were up most sharply for the prime household formation and first-time homebuyer age groups.

"For several reasons, this growth is likely to have significant implications for housing markets," remarked Dan McCue, senior research associate at JCHS. With regard to affordability, McCue noted as higher income households are more likely to own homes, "increases in incomes among households will work against the continued decline in the US homeownership rate," but he also acknowledged "on the affordability front there is still a long way to go."

NW REporter

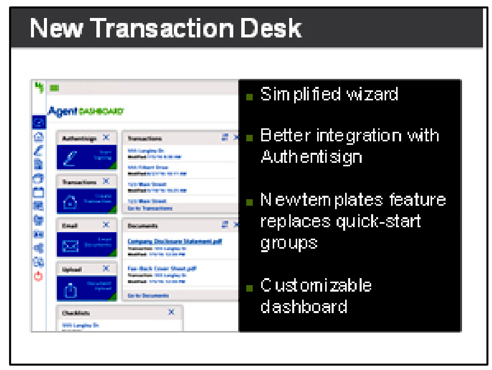
Serving More Than 23,000 Real Estate Professionals in the Northwest

December 2016

Updates, upgrades and previews on full agenda at Northwest MLS member meetings

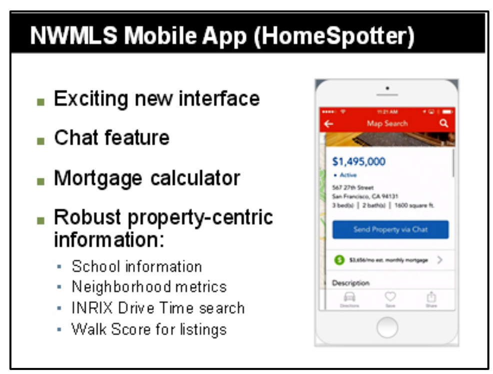
Fall meetings for Northwest MLS member brokers featured a cornucopia of information ranging from nominations for board of director positions in various districts to systems updates, an overview of rules and forms revisions, and "coming attractions."

Bob Gent, director of business development and member relations at Northwest MLS, opened the updates segment of the meeting with a progress report on the new Transaction Desk, which was released in mid-August. Its features include a simplified wizard, better integration with Authentisign, new templates, and a customizable dashboard.



During the rollout, nearly 2,500 subscribers took advantage of in-person training opportunities and more than 5,100 others availed themselves of online training. Within the first six week of the newly released tool more than 25 percent of subscribers were using it.

Other updates included the addition of the INRIX Drive Time icon with map searches. Brokers can quickly find listings based on a client's commuting time preferences. "Once you start using this simple add-on, you'll find it's a good tool to have," Gent remarked.



Looking ahead, Gent demonstrated some new statistical products the MLS will be unveiling in the next few weeks. One of these is a statistical product that will provide user-friendly reports and graphs (FastStats). Also forthcoming is a customizable interactive data tool for performing trend analysis on up to four locations (InfoSparks). The information can then printed for inclusion in CMAs or shared online – and data in the charts is updated nightly.

Also on the horizon is HomeSpotter, the NWMLS mobile app. The new interface will have a chat feature, a mortgage calculator, and robust property-centric information, including neighborhood metrics, Walk Scores, and more.

Following the systems update, attorney Justin Haag provided an overview of recent rules and forms changes. These included:

- New requirements (covered in Legal Bulletin 208) affecting both offer review and presentations dates, and showing rules (which prohibit concurrent showings). Haag said the revisions were prompted in part by the hot market and are intended to clarify relationships between competing interests. Also clarified are requirements related to the “offer review date.” Under the revised rules, a new required field for every listing is added that specifies the seller’s intentions (including timeline) for reviewing offers.
- The same legal bulletin also covers new requirements affecting Temporarily Off Market (TOMK) and directional signs. New Rule 127 states a listing must be TOMK at least 7 days and not more than 45 days, and that the sign and keybox must be removed, and that NWMLS must change the status. New Rule 142 says directional signs are only permitted for listed properties, and such signs must be removed when the listing is off market.
- A new system for compliance that includes an improved listing data checker.

Haag also outlined the most common issues involving rules and forms. The deficiencies he noted included legal descriptions, undisclosed owner name/number, untimely status change, failure to submit a primary photo within five days, and failure to select the correct supplement type.

The MLS attorney also previewed forthcoming forms revisions, which are expected to occur in late January or early February. They will cover Purchase and Sale Agreements (and various clauses and addenda) plus several new forms.

To conclude the meeting Tom Hurdelbrink, CEO at Northwest MLS, updated members on the remodeling project at its Kirkland office involving the lobby, member store and classroom. This is the first remodel since the early ‘90s – “back when the U.S. Senate passed a rule allowing women to wear pants in the Senate,” he noted.

Hurdelbrink also invited brokers to suggest questions for the semi-annual member satisfaction survey that is planned for 2017. In closing, he mentioned the recent DDoS (Distributed Denial of Service) attack, the largest cyber attack in history that affected NWMLS, along with Twitter, Netflix, Reddit, CNN and many other entities in Europe and the US. As part of his comments, he shared some of the amusing member feedback generated by that service disruption (e.g., “You guys are always making excuses; ” “Your sites should be immune from Internet Denial of Service attacks. It’s what we pay you for;”and “NWMLS should demand that the Department of Homeland Security work with us on this.”)

Tips to reduce holiday waste

Gift giving and get-togethers during the holidays can contribute more than merriment – they can result in a staggering amount of household waste.

In the U.S. alone, household waste increases by more than 25 percent between Thanksgiving and New Year's Day. According to Use Less Stuff, that translates to more than one million extra tons of food waste, shopping bags packaging, wrapping paper, bows and ribbons.

Several organizations have compiled practical tips for "reducing and reusing" during the holidays. Among them are The RE Store, "Rethink Recycling," and Big Green Purse.

The RE Store, for example, suggests wrapping gifts in old maps, Sunday comics or posters, and shopping at local businesses or markets. This Bellingham-based organization is known for its reclaimed building materials, vintage décor, building salvage services, and DIY inspiration. Its website urges citizens to "don't buy, DIY," and invites visitors to "steal these ideas for cheap and quick gifts."

"Rethink Recycling," the go-to guide for waste and recycling in the Twin Cities metropolitan area, has a comprehensive list for greening every aspect of the holiday season from earth-friendly gift wrapping alternatives to "10 simple ways to go green at a house party" list.

Big Green Purse teamed with GD Environmental to list "15 best ways to reduce holiday waste." The tips are organized into three categories: paper and plastic, electronics, and food. "You should be able to do every one of them!" suggests Diane MacEachern, award-winning entrepreneur and best-selling author , whose works also include green shopping principles, the Big Green Purse book, product reviews, and a green Amazon storefront.

News In Brief

- **According to *travelandtourworld.com*, Seattle was named the best homeport in North America.** With a picturesque waterfront, iconic skyline and new Central Link light rail system connecting cruise passengers to outlying areas and the airport, Seattle has been recognized by Cruise Critic as 2016's best homeport in North America.

- **The gig economy shows no signs of slowing down, and WeWork is betting it will continue according to a report in the *Puget Sound Business Journal*.** The company announced in October it will open an 80,000 square-foot co-working facility in Lincoln Square high-rise in Bellevue. The new facility, opening in early 2017, will be the fourth WeWork in the area, but the first outside Seattle.

- **According to the *Seattle* Times the Port of Seattle has released the latest design images for the new $660 million International Arrivals Facility at Seattle-Tacoma International Airport, scheduled to break ground early next year and to open in late 2019.** International passengers arriving at Sea-Tac currently disembark at the south satellite terminal, which is seriously overcrowded at peak times. On exiting this space, many passengers then load their bags on a conveyor belt and take a train to the main terminal where they have to wait at another baggage carousel to reunite with their luggage one more time. The new International Arrivals Facility (IAF) will be a 450,000 square-foot, self-contained add-on that wraps around the current Concourse A in the main terminal building.

- **Just six years ago, Auburn's downtown core was full of vacant properties, and residential options were also lacking.** But Doug Lein, former manager of Las Vegas' economic development division, recognized the city's potential. Lein came out of retirement to promote Auburn and South King County, and convinced developers that there are excellent economic opportunities in the area. His efforts seem to be working. New residential, commercial and industrial developments are cropping up, often spurred by investors turned off by skyrocketing real estate prices in Seattle, according to the *Puget Sound Business Journal.*

- **Energized by a thriving tech economy and fueled by a research arm that brings in more than a billion dollars in federal grant money each year, the University of Washington has ambitions to build 6 million additional square feet of academic, office and research space on its Seattle campus**. According to the *Seattle Times*, the new buildings would make the university a third larger than it is today, square-footage wise, as outlined by the UW's draft master plan.

- The federal government is increasing the limit for conforming mortgages in most regions of the United States starting January 1, 2017. **In the three county area of King, Pierce and Snohomish counties, the new conforming rate will be $592,250, up from the previous limit of $540,500.** The Federal Housing Finance Agency announced that this is the first such increase since 2006, which moves the baseline rate from $417,000 to $424,100. The approximately 1.7 percent bump in the baseline conforming loan limit follows the FHFA's announcement that the average U.S. home price has returned to its pre-decline peak, which it hit in the third quarter of 2007. The FHFA bases the loan cap on its quarterly Housing Price Index, which gauges average single-family home prices. The index rose 1.5 percent during the third quarter of 2016 and is up 6.1 percent over the past year, enough to push it above its previous high point. Conforming loan limits are significant because they apply to home loans that meet the underwriting guidelines of Fannie Mae and Freddie Mac, the government-sponsored entities that acquire mortgages from lenders and ensure a steady flow of money to the mortgage market. Interest rates for nonconforming, or jumbo mortgages, are generally higher than rates for loans that fall under the cap, and these types of mortgages can be more difficult to obtain.

Calendar of Events through January 11, 2017

Dates	Event	Time	Location	Contact
SEATTLE—*King County* REALTORS®				
12/8/16	Awards & Installation Banquet	5:30 pm – 9:00 pm	Glendale CC	425-974-1011
12/20/16	Affiliate Council	9:00 am – 10:00 am	SKCR	425-974-1011
12/23/16	Holiday – Office Closed		SKCR	425-974-1011
12/26/16	Holiday – Office Closed		SKCR	425-974-1011
1/2/17	Holiday – Office Closed		SKCR	425-974-1011
1/11/17	Board of Directors	9:30 am – 12:30 pm	SKCR	425-974-1011
For updates visit: **www.nwrealtor.com** and click “events”				