



MARKET UPDATE

As the spring 2011 real estate market continues to improve, we thought it would be interesting to take a look back across the past 3 years to see what has happened in the market over that period of time.

To look at the last 3 years of market activity, we have gone to the archived statistics of the Northwest Multiple Listing Service and compiled the data on a month-by-month basis. We were primarily interested in 3 things: the number of homes that were "Active" on the market for each month; the number of homes that went "Pending" during each

month; and what the resulting strength of the market was for each month.

The statistical area that we were interested in was for the East Side market which includes Bellevue, Kirkland, Mercer Island,

Redmond, Woodinville, and the south part of Bothell (from approximately downtown Bothell south to Kirkland).

This research was done on all single-family residential style housing only, and includes all price ranges.

For most of us, our home is the single largest asset that we own, and we are all interested in what is happening that may affect its value.

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Q&A

This is our Q&A column with questions from our clients. Thank you to Kelly Peterson for this month's question.

Q?:

What is the likelihood of mortgage interest deduction sticking around beyond the next couple years?

A:

The mortgage interest deduction (MID) is a tax deduction based on the interest a homeowner pays on a home loan. It has been proposed that this deduction be eliminated.

The elimination of this credit is still being debated. In fact, our good friend and fellow agent, Wolf Puls is in Washington D.C. this week fighting this very issue. Wolf is the current President of the Seattle / King County Association of Realtors.

Next issue: We will follow up on the outcome of Wolf's visit to D.C.

Active and Pending History (refer to "Active to Pending" Chart)

The first chart shows two of the most important statistics that we watch - the number of homes "Active" for any given month, and the number of homes that went into contract ("Pending") during that month. The pending activity is our window into what the buyers are doing. The more homes that go pending, the stronger the market.

The "Active" graph line shows just how volatile the seller side of the market has been over this period of time. The number of homes active on the market reached a peak of 4,349 in May of 2008 and then dropped to 3,169 by December of that year. Another huge increase to 3,824 homes occurred by May of 2009, and then bottomed out at December 2009 at 2,404 homes.

The swings continued as sellers again increased the number of homes available to 3,470 homes by July 2010. To our surprise sales moved along fairly well in mid to late 2010 and the number of homes available dropped to a low of around 2,400 by December of 2010.

Even more interesting now is that the number of homes coming on the market has greatly slowed this year - note the line on the graph showing a fairly shallow climb from December 2010 to March 2010.

How Do We Determine Market Strength (refer to the Months Available Chart)?

To determine market strength, we divide the total number of homes that are "Active" for the month by the number of homes that went "Pending" during that month. For example, if there were 450 homes "Active" in a given month, and 50 homes went "Pending," then it would take 9 months (at 50 homes per month) to sell off all of the available inventory of "Active" homes at that time.

The second chart ("Months of Available Inventory") shows the market strength for each month over that 3 year period of time. This chart is very informative. The greater the number of months available, the weaker the market. Fewer is better.



Market Strength Improves in 2009

Even starting at 8.6 months of inventory, this chart shows a weak market in January 2008, which got worse. By December 2008 the market had reached its worst point (13.0 months), but then began improving throughout 2009. We believe that this improvement in statistical strength was largely a result of sellers refusing to bring their homes onto the market at what they felt were large losses in value compared to the market 2 years earlier (note the significant decrease in “Active” homes for the same period on the previous chart). So while the market appeared to be improving, it was more of a stoppage than an improvement.

And Where Are We Now?

Referring to both charts, we can see that the number of homes available continued to drop from July 2009 to December 2009 and this number has increased only gradually in the first few months of this year. At the same time, the number of buyers in the market has continued to increase (pendings) which has resulted in a greatly improved market as we came into this spring season.

In Summary

None of the above discussion is about home values, it is all about available inventory and market strength. Home values have taken a significant hit over this same period of time and remain depressed in general - although we are starting to see improvements in certain areas and certain price ranges.

It has been quite a ride - Next month we will talk about the condominium market.

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