

The Pacific Northwest Housing Market Update

By J. Lennox Scott, chairman and CEO, John L. Scott Real Estate

It's been an interesting year for the mortgage market, and by association, the housing market as well. Few could have predicted the meltdown caused by the decline of sub-prime and alt-a loans or the subsequent hike in interest rates on jumbo loans. But the dreary picture being painted by the media is not entirely accurate; at least not in the Pacific Northwest. And the truth of the matter is that while lending standards have adjusted, there are still ample opportunities for homeownership for all types of buyers.

Mortgage Market

This year has been a time of adjustment for the housing market. Going into 2007 we knew that we were not going to experience the same record-setting sales that took place in previous years, but we could not have anticipated the impact of the mortgage market decline which culminated on August 3. This event added stress to the housing economy and shook consumer's confidence levels. Fortunately, in the Northwest, we have been fairly insulated from the mortgage disruption due to the fact that we have one of the lowest rates of sub-prime loans and mortgage defaults in the nation. Furthermore, we have a strong regional economy. In most areas throughout the Northwest, there is positive job growth, healthy home appreciation, and a high quality of life. Combined with low interest rates, this is the foundation for a healthy housing market.

Buyers

More than ever, it's critical for buyers to partner with a reputable lender who has a proven track record with legitimate mortgage products. Look to your real estate agent for a quality referral, such as from John L. Scott's in-house lender, Response Mortgage Services. Buyers should also go the extra step of getting pre-approved early in the buying process so that you and your agent know how much home you can afford. The tightening credit market has caused a definite shift towards more traditional lending practices in which a borrower's credit plays a more pivotal role in the loan process. That being said, there are still a variety of mortgage products available through FHA, Fannie Mae, and Freddie Mac for first time buyers and buyers with lower credit who may have previously been targeted for sub-prime loans.

Sellers

Tightening credit standards and fewer mortgage products has resulted in a smaller pool of qualified buyers. This fact, along with higher inventory levels, suggests that sellers can no longer afford to be as selective as they may have been in previous times. Sellers must work closely with their real estate agent to determine the current market value of their home. The most effective way to do this is to review recently sold comparable homes and price accordingly. The key is to look to your real estate agent to guide you through this process as every market has its own unique conditions. More than ever, this is a time when you want to have a trusted, full-service real estate professional on your side.

Homeowners

If you are a homeowner who has an adjustable rate mortgage that is scheduled to reset during the next 12 months, you should strongly consider refinancing now; even if it results in a pre-payment penalty. The volatility of the mortgage market is making it difficult to predict what is going to happen in the coming months; therefore it could be in your best interest to refinance to a fixed-rate mortgage before your payments spike. Consult your mortgage professional about the best course of action; if you do not have a mortgage professional, ask your real estate agent for a quality referral.

Interest Rates

The Federal Reserve recently lowered the federal funds rate, which is expected to have a positive impact on interest rates and boost confidence in the housing market. The current interest rate on a 30 year fixed rate mortgage is in the 6 percent range. Five year adjustable rate mortgages have a rate from the low to mid 6's and jumbo loans (loan amount of \$417,000 or higher) are coming in around the high 6 percents to 7 percent.

Federal Housing Administration

In March of this year, Congress drafted a bill that is designed to improve the Federal Housing Administration loan program, which provides mortgage insurance to low and moderate income homebuyers. The bill provides for increased loan amounts and more flexible down payments, and aims to serve homeowners who need a safe alternative to the sub-prime market. The bill was passed by Congress on September 18 and is now up for review by the Senate with the hopes of securing Presidential approval by the end of the year. The passing of this bill would result in increased opportunities for low- and moderate-income, minority, and first-time homebuyers.

The Forecast

All the key indicators are in place for a healthy market in 2008, including low interest rates, job growth, a stable economy, household income growth, higher inventory levels, and the pent up demand of buyers. All of these factors point to a more balanced housing market in the coming year with ample opportunities for homeownership for all types of buyers.

###

About John L. Scott Real Estate:

John L. Scott Real Estate was founded in 1931 and is currently led by third generation chairman and CEO, J. Lennox Scott. With over 52,000 closed transactions last year, John L. Scott grossed more than 18 billion dollars in sales volume, making it the fourth most productive regional real estate company in the nation. John L. Scott has 148 offices and over 4,700 sales associates located throughout Washington, Oregon, and Idaho. The award-winning website, www.johnlscott.com, receives over one million user visits a month producing over nine million listing views.