

Seattle Real Estate: Where We've Been & Where We're Going

By J. Lennox Scott

As we approach the holidays and near the end of the calendar year, I felt this was an opportune time to reflect back on 2007, as well as look forward to the coming year. Despite the turbulence of the last few months, people are still buying and selling homes and real estate remains one of the best investments an individual or family can make.

The 2007 housing market has been a wild ride. The year started out with predicted slowing from the peak sales of the previous two years. Sales were down, but our local markets were stronger than most and we were beginning to experience more balance between buyers and sellers. That all changed on August 3 when the mortgage markets erupted. The tightening of credit standards and decrease in mortgage products reduced the pool of qualified buyers. Compounding this was the reaction by the media which caused fear in many buyers who subsequently decided to wait to see what the market would bare. As a result, inventory levels increased significantly, interest rates rose in reaction to the mortgage markets, and real estate sales suffered the effects.

In mid September, the Federal Reserve lowered the Federal Fund Rate by half a point, followed by additional cuts in October and December. As a result, interest rates on conforming loans are currently at the same levels they were during the height of the 2005 housing boom. Consumers have been somewhat slow to react, but local housing sales still remain some of the strongest in the country and Realtors are predicting a spike in activity after the first of the year.

With the market adjustment, Realtors are encouraging their seller-clients to respond accordingly by pricing more aggressively and focusing more on the presentation of their home. As seller reality of the housing market adjusts, home sales are subsequently expected to increase. As for buyers, they now have a unique opportunity to take the necessary time they need to find the best home at the best price. A great selection of housing combined with aggressive pricing and low interest rates is providing buyers with one of the best buying opportunities we've seen in years; I call it the optimum buy zone.

Last week, a huge win for housing saw the U.S. Senate pass legislation that aims to draw people away from subprime loans which offer low "teaser" rates that can jump as high as 11 percent after two or three years. It has been estimated that by the summer of 2010, about 600,000 people nationwide with such loans are expected to lose their homes because they will not be able to make the higher monthly payments. Through this legislation, hundreds of thousands of minority and moderate-income home buyers will become eligible for low-rate, low-down-payment mortgages insured by the federal government. This activity is expected to have a positive impact on the housing market and the overall economy.

Heading into 2008, interest rates are back down to where they were prior to the mortgage market turbulence. There is increased confidence in the housing economy and Realtors are helping their clients buy and sell smart within the current market conditions. The coming year marks the start of the optimum buy zone phase of the next real estate cycle which is expected to result in an up-tick in sales starting with those markets that are closest to the major job centers.

The past year has been one of transition, yet as we head into 2008, we do so with a positive outlook and strong momentum. With the close of 2007, I feel blessed to live in such a beautiful place where the dream of homeownership is alive and well for so many people. I wish you all a Happy Holiday season and prosperous New Year.

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