

Puget Sound Housing Market Update

By J. Lennox Scott

There is certainly a lot going on in the financial markets right now which is having a direct impact on the real estate market. There's the take over of Fannie Mae and Freddie Mac, the Bailout Bill, and subsequently, the volatile stock market. Yet, despite these events, people are still buying and selling homes, albeit at newly adjusted levels.

Sales activity in the Puget Sound has declined, but over the next four years, it is expected to increase 40-60 percent from current levels. Home sales activity is markedly better for those homes that are purchased using a conforming loan. This can be attributed to the fact that interest rates for non-conforming (jumbo) loans continue to sit about two points higher than those for conforming loans.

Housing inventory levels peaked in May and have since declined in King County by six percent which is an indication that buyers are still buying and sellers are understanding that they need to be truly motivated to sell in this market. The further the distance from the job centers, the higher the inventory levels, so those areas outside of King County have seen home sales decline more sharply.

The volatility of the financial markets is causing some homebuyers to pause, but the truth of the matter is that market conditions are ideal for first time buyers, move up buyers, and investors. And what's driving many buyers in today's market is a desire to move closer to work, to be near family, or to downsize to a smaller home.

I've had the opportunity to listen to several economists recently, including Lawrence Yun from the National Association of Realtors, and I feel good about what I'm hearing. The bottom line is that the situation is manageable and things will improve. The recent passage of the Bail out Bill is a step in the right direction, but it will take time to see the results work their way into the economy.

Interest rates continue to be quite advantageous for conforming and FHA loans and there are a variety of great mortgage options, despite perceptions to the contrary. Consumer confidence will take time to rebuild, but in the meantime, advantageous market conditions currently exist for those who are motivated to buy. And despite the uncertainty of the financial markets, homeownership continues to be one of the most solid investments an individual or family can make.

REALTOR® J. Lennox Scott is the Chairman and CEO of John L. Scott Real Estate. Visit his Web site at www.johnlscott.com

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Shelley Rossi
Director of Public Relations
John L. Scott Real Estate
(206) 230-7627

shelleyro@johnlscott.com