

For Immediate Release March 25, 2009

Stimulus Plan Beginning to Take Hold in Puget Sound

Seattle—J. Lennox Scott, chairman and CEO of John L. Scott Real Estate, reports that housing activity in the “more affordable” price ranges in the Puget Sound region is beginning to see an uptick which he attributes to the American Recovery and Reinvestment Act that was signed into law by President Obama on February 17. Scott defines “more affordable” as homes that are priced at or below the median home price in a designated market area.

“February 17 will go down in history as one of the most significant events in real estate,” said Scott. “The guidelines set forth in the stimulus package to aid first time homebuyers are starting to work.”

One such guideline is an \$8,000, non-repayable tax credit that is available to qualified first time homebuyers who purchase a home between Jan. 1 and Nov. 30, 2009. Scott points out that for the purposes of the tax credit, first time homebuyers are defined as purchasers who have not owned a home in the past three years. “When combined with historically low interest rates, an ample selection of homes, and increased affordability, it’s an opportune time for first time buyers to take a look at purchasing a home,” said Scott.

Scott says buyers are listening because real estate professionals throughout the Puget Sound region are reporting a marked increase in activity, especially by first time homebuyers. He adds that inventory levels in the “more affordable” price ranges are also back down to pre-October-stock-market-crash levels and values appear to be stabilizing.

According to the Washington Research Council (www.researchcouncil.org), every 1,000 home sales generate \$112.4 million of economic activity for our state. This is because home buyers spend about \$71.9 million of direct economic activity on real estate services and home sale preparation. The Washington Research Council adds that the ripple of consumer activity eventually hits the employment sector, generating about one job for every home sale.

Scott says that first time homebuyers aren’t the only ones taking advantage of market conditions. According to Erik Hand, president of Response Mortgage Services, John L. Scott’s in-house lender, refinance application volumes have nearly doubled since interest rates dropped below 5% on March 18. Switching his focus to first time buyers, Hand adds that the perception that you must have a perfect credit score to purchase a home is false, “While good credit is important, loan programs such as FHA allow for a more flexible credit profile as compared to conventional loans,” said Hand.

Scott concludes by recognizing that effects of the stimulus plan are just starting to be felt in the “more affordable” price ranges, but he feels confident that it’s a sign of things to come. “First time buyers are critical to our economy because their home buying activity stimulates a chain reaction of sales up the price points,” said Scott.

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