

GAINING PERSPECTIVE ON THE REAL ESTATE MARKET

A Letter from Geoff Wood, CEO, Windermere Real Estate

Whether you're a lifelong resident or one of our newest neighbors, you know that the Puget Sound region is an exceptional place to call home. And it's not just the scenery that makes our area unique. The Puget Sound housing market remains one of the strongest in the nation.

Though we hear a lot of negative news about the "national housing market," it's crucial to remember one universal truth: **All real estate is local.** And just as your neighborhood has its own unique market conditions, so too does the rest of the country.

For example, I recently visited our offices in Arizona where the housing market is dramatically different. With a surplus of available and inexpensive land, speculators developed thousands of acres of homes during the past decade. In the height of the market, people were buying these homes in great volume, many using sub-prime financing or delayed balloon payment options. As prices began to rise, the buying frenzy cooled—while many of those balloon payments came due. This created an explosive market force which is still being experienced. The state now has plenty of unsold homes and an unprecedented number of people nearing default on their home loans. (By the way, if you've been thinking about a second home or relocation to Arizona, this is a great time to invest.)

HERE IS NOT THERE

In contrast, home prices in the Puget Sound area continue to outperform the rest of the country. Though average prices have slipped in the last 60 days, we're not experiencing the severe declines reported in other areas. In fact we saw a 9% increase in the median price of King County homes sold year-end 2006 to 2007.

According to land-use economist Matthew Gardner of Gardner Johnson, our area tends to be insulated by four key factors:

1. **Sprawl-Proof Geography:** With limited available land, there is simply not enough room to over-build.
2. **Jobs and Population:** Both employment and population growth are forecasted to increase by 2% in 2008.
3. **Personal Income:** Our strong local economy is expected to generate a 6% increase in personal income this year.
4. **Industry:** Boeing and Microsoft are just two examples of our diversified economic base which includes construction, professional services and information sectors.

REALITY CHECK

Yes, house prices have slowly declined in the last couple of months. But prices are still higher today than they were six months, a year or even two years ago. Nobody knows for certain what prices will do in the next few months, but experience tells us they will rise again. So, if you are looking for a long-term investment and want to find a home at a fair price, now is a great time to jump in.

