

Christine Estes



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**"To be well-informed is to have the world at your fingers."**

**—Joseph Jones**

Dear Friend,

January 2008

Did you know that 2007 was actually the fifth highest year for home sales in history? (I believe they started tracking these numbers in 1952.) Take a closer look at the numbers and you will discover that the state of the real estate market may not be everything the media leads you to believe (and certainly not in Seattle!). Sometimes we all need a little historical perspective to see the big picture clearly.

As you would expect, I have some data for you. This month's flyer includes a variety of interesting and informative statistics that illustrate why last year was a good year overall for home sales. With mortgage rates historically low and new, innovative mortgage programs being unveiled, there is even greater promise for home sales in 2008.

One component of this flyer that I especially like is the concept of 'looking beyond the headlines.' There was an article on the front page of the Sunday Seattle Times on December 30<sup>th</sup> that caught my attention. Not so much the headline itself "Real-estate anxiety: What's next?" We all know they write the headlines to get our attention and we all know that most of the time there's some fine print somewhere in the article that continues to say that the Puget Sound area real estate market is weathering the current situation better than most. But this one specifically highlighted the 2200 luxury condominium complex in Seattle and a seller with a one-bedroom home on the 17<sup>th</sup> floor with an unobstructed view. "Three Decembers ago... [the seller] erected a tent... and within days, 2200 was nearly sold out... Today the neighborhood is awash in new housing... Trying since September, Kelly (the current seller) has been unable to sell... Hardly anyone has come to see it, he says."

Beyond the headlines, I can tell you that:

- The builder is still selling out the complex and is cutting prices to do so.
- Mr. Kelly bought his unit as a resale in April '07 (yes, just eight months ago) – and he paid \$604K. He was asking for \$639.9K (after reducing his original price from \$659K). He gave up after three months.
- Sales *are* happening in this complex when priced to what the market will accept. There have been seven contracts since October 1<sup>st</sup> in this complex – five have closed, one is Subject to Inspection and one is Pending. Two were sales by the developer and five are resales. The Pending property was just purchased for \$790K in March of '07 and got a contract after reducing their price from \$859K to \$759K. (How do you spell 'way under water?') Of the other resales, one seller made 8%, one 9.5%, one 15%, and one sold at just +4%. (As a reminder, it costs ~9% to sell in this state.)
- Each of these resale sellers owned the property for less than a year.

This scenario is exactly what I ask each of you whom I have worked with as buyers to consider. Please purchase a home or investment property to hold it for at least a few years. Flipping frequently costs more money than it will make for you. Yes, there may be tremendous advantages in buying a pre-sale condo property. By the time the building is completed and you see the appraisal for your closing, you will have already made money... on paper. But if you and several of your neighbors try to turn it right around and sell it again for that 'on paper' value, especially if the builder is still selling out the property (and getting aggressive in pricing to do so), you will end up driving the prices down because of the pressure of sitting on vacant property. 'Normal' appreciation in this area averages out to 3-to-5% a year; sometimes it is even higher. Holding properties works. Real estate is not a quick-turn investment, but it is certainly a consistently proven investment. I would be happy to share more perspective on a particular property with you at any time...

Back to the flyer! On the backside, you will find an interesting study on the rising trend of vacation home sales. Nearly one-third of vacation homes are being purchased with the intent of becoming a full-time residence upon the buyer's retirement. With today's mortgage rates, renting options and family gathering advantages, buying a vacation home may be a great option for you to consider. There are also a wealth of financial strategies that look forward 10,

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20, even 30 years to show you the relative savings and tax benefits by doing something now... so long as it makes financial sense of course! If you'd like a lender to brainstorm with regarding tax advantages and other implications for your thought process, just let me know and I would be delighted to introduce you.

I have some other data for you that will take this national summary perspective down to a much more local view. Check out the following... and know that we will be adding this kind of information to the website shortly, updating it on a monthly basis ([www.thechristineestesgroup.com/market.stats.ihtml](http://www.thechristineestesgroup.com/market.stats.ihtml)).

This is a look at single family homes over a 12 month period for King and Snohomish counties. Included in this data are 3 key metrics:

- Months of inventory available (the statisticians call 0-3 months of inventory a Seller's market, 3-6 months = Balanced market, 6+ months = Buyer's market)
- Average Combined Days on Market – how long, in days, that the average house takes to sell
- Average selling price (I think this is a much more understandable number than the median)

<b>King County</b>	<u>6-Nov</u>	<u>7-May</u>	<u>7-Nov</u>
Inventory - in months	3.5	3.5	7.4
Average Combined Days on Market	63	64	67
Average selling price	\$530,000	\$593,000	\$534,000

<b>Eastside</b>	<u>6-Nov</u>	<u>7-May</u>	<u>7-Nov</u>
Inventory - in months	4	4.1	9.7
Average Combined Days on Market	73	68	77
Average selling price	\$698,000	\$815,000	\$733,000

<b>Seattle Metro</b>	<u>6-Nov</u>	<u>7-May</u>	<u>7-Nov</u>
Inventory - in months	3	2.8	6.3
Average Combined Days on Market	55	53	53
Average selling price	\$535,000	\$605,000	\$536,000

<b>Snohomish County</b>	<u>6-Nov</u>	<u>7-May</u>	<u>7-Nov</u>
Inventory - in months	4.2	4.6	10.4
Average Combined Days on Market	65	76	79
Average selling price	\$387,000	\$410,000	\$385,000

My viewpoint? Yes, the market is adjusting – and that's a good thing. This market has done so every ten years or so for decades... we just sort of missed the last one. We were due – this is good business for everyone, including sellers so long as they have owned their property for some period of time. And in this quieter time when there are more choices, it's an excellent time for any buyers (homeowners and investors alike) with a longer term view. Inventory is up, prices appear to be relatively stable vs. their sold property comparisons of a year ago (not what some hopeful sellers still seem to think they can get!), and the economic forecast for this region is outstanding.

With so much to take into account, I am always available to help you sort out what you determine as the best course for you. Just think of me as your personal real estate consultant!

We have some new logistics for you to consider. In the interest of saving paper if you would rather have email, we are switching to sharing this information with you via email if we have an account for you. You'll get a link to the web site and all of this information will be easy to see there. And for those of you who would rather have hardcopy, that's easy too! Just call or email me to let me know your preference. I love it when you want to file these!

By the way, we've also added our list of classes – both currently scheduled and not – to the web site. Upcoming classes include Understanding order, layout and energy in your *Composed Domain*, Outdoor container planting with a Pro, and using *Affirmations* and focusing on *Gratitude* to uplift your entire life. Check out our web site for more information – go to [www.thechristineestesgroup.com/classes.ihtml](http://www.thechristineestesgroup.com/classes.ihtml). When you'd like to sign up for a class or suggest one that's not listed, just give me a call or send me an email. And please plan to bring a guest!

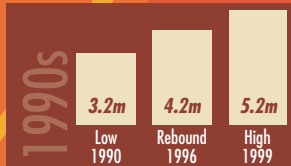
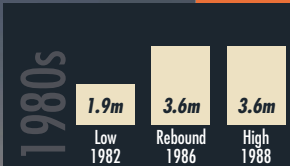
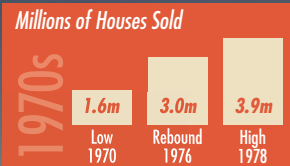
Sincerely,

***Delighted to consult with anyone in your life... if you know of someone who would appreciate the level of service I provide, please call me with their name and business number, and I'll be happy to follow up and take great care of them.***

One thing remains constant—real estate sales go up over time.

TAKE A CLOSE LOOK:

# 2007 HOME SALES FIFTH BEST IN HISTORY



During the 70's, 80's and 90's, there were significant changes in the economy, some of which were reflected in the housing market. The trend was always the same. The housing market rode it out and improved. 2005 and 2006 were strong years for home sales, but did you know that 2007 was actually the fifth best in history? \*Existing home sales are projected at 5.92 million this year (2007), rising to 6.27 million in 2008, compared with 6.48 million in 2006.\*<sup>1</sup>

## GOOD NEWS—The Housing Market Is Relative

When you buy and sell is relative. Taxes are structured to accommodate the premise that when most people sell their home, they are also buying another one because they need a place to live. There are financial incentives encouraging this timely reinvestment. So, regardless of market conditions, buying and selling in a relatively close period of time levels the playing field—if you sell in a high market, you are also buying in a high market. If you bought years ago, the market has likely appreciated significantly—it always does.

2007 is on pace to show a 1.15% increase in average sales price

2007 is on track to be the fifth best year in the history of real estate

### U.S. EXISTING HOMES STATISTICS<sup>5</sup>

	Homes Sold	Avg. Price
2004	6.7 million	\$195,400
2005	7.0 million	\$219,600
2006	6.4 million	\$221,900
2007 (est.)	5.5 million	\$224,500

## Mortgage Rates Are Historically Very Low

Mortgage availability is restricted, but that applies more to ARMs and subprime lenders than fixed-rate mortgages from prime lenders. Despite 2007 market fluctuations, rates have stabilized and are quite low by long-term standards. Lenders are more selective, and you should be, too.

## Seek the Advice of Professionals

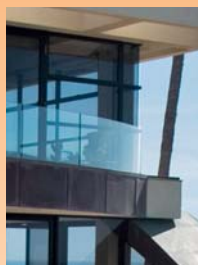
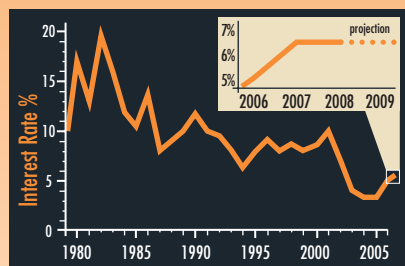
The prime lenders in the mortgage industry remain strong. Through a professional qualification process, they provide market stability via sound lending policies. Seek their advice for traditional financing programs that will fit your needs long term. They are best qualified to “sort things out for you” and provide responsible advice regarding home loans and refinancing.



## MORE GOOD NEWS—Look Beyond the Headlines

### The U.S. Economy Is Stable

Unemployment is low and has been holding steady at about 4.6 percent for the last two years. This is better than all but three years in the last 30.<sup>2</sup> U.S. personal income held steady in 2007.<sup>3</sup> Gross Domestic Product is forecast to grow in 2008.<sup>4</sup>



## Market UPDATE

The latest news at time of publication:

A modest recovery for existing-home sales is expected in 2008 as the impact of the credit crunch subsides, while pending home sales indicate near-term stability. Lawrence Yun, NAR chief economist, said the housing market will improve from a steady unleashing of pent-up demand and from a wide abundance of safer mortgage products. “Even with relatively low fourth quarter sales, 2007 will be the fifth highest year on record for existing-home sales. The median existing-home price in 2007 will have fallen by less than 2 percent from an all-time high set in 2006,” Yun said.

## Interest Rates Are Low

The Federal Reserve Board adjusts interest rates as a means of holding inflation in check while keeping our economy moving. Over the last 20 years, during tight housing markets, inflation and interest rates have been high, causing or compounding the situation. Currently, interest rates are historically low. Lower interest rates generally equate to lower house payments and may be a strong motivator to sell or buy during a tight market.

There will always be opportunities to sell and buy a home—make sure the timing is right for you.

1 Nat'l Assn. Realtors 09/07. <http://www.realtor.org/Research.nsf/htmlarchives/ResearchUpdate091407>

2 [http://www.bls.gov/cps/prev\\_yrs.htm](http://www.bls.gov/cps/prev_yrs.htm)

3 <http://www.forecasts.org/personal-income.htm>

4 <http://www.cbo.gov/ftpdocs/cfm?index=7731>

5 Nat'l Assn. Realtors, Existing Homes Sales. [http://www.realtor.org/Research.nsf/files/ehsreport.pdf/\\$FILE/EHSreport.pdf](http://www.realtor.org/Research.nsf/files/ehsreport.pdf/$FILE/EHSreport.pdf)





# VACATION HOME SALES ARE ON THE UPSWING.

A rising trend in the real estate market is the purchase of second homes. In fact, vacation home sales rose nearly 5 percent in 2006. The average buyer's age was 44, and one-third already had plans to eventually make the vacation home their full-time residence.

There are several reasons why now is a good time to consider purchasing a house for your retirement:



**The market is good.** Competing bids are rare in today's market, and sellers are eager to make a deal. This gives you better bargaining power.

**Sooner is better than later.** You can be assured that the price of a home is lower now than it will be in 10 years. Consider also that the prices of the most desirable locations, such as waterfront and resort properties, are likely to rise even faster.

**Mortgage rates are low.** Now is a good time to get a great deal on a mortgage, and you cannot be certain of rates down the line.

**Time is on your side.** Fortunately, you aren't in the position to have to make a snap decision. Take the time to research your purchase and the areas you are interested in living.

**Sort out your finances now.** Another added benefit of having time to plan your secondary home purchase is the ability to crunch the numbers ahead of time and figure out what you can afford and what your fixed expenses would be.

**Rent to own.** You have the option to rent out the house to help decrease costs. This won't necessarily make your vacation home a profitable venture, but it can make it more attainable. As a rule of thumb: if one week of peak rental income can cover a month of mortgage expense, it is a good deal.

**Establish your roots.** Buying a retirement house early makes it easier to move into when the time comes. You will already have an attachment to the home with sentimental memories, be familiar and comfortable with the area and already know your neighbors and the community.

**Create a family retreat.** Owning a home in a vacation setting will quickly make it a top destination for quality family time. Buying while your children are still in the household will make them much more likely to visit on vacation with their children after they move out.



## CONSIDER THESE THINGS WHEN YOU ARE LOOKING FOR A RETIREMENT OR VACATION HOME:

- Is it affordable? You obviously don't want to spend more than you can afford.
- Is it convenient to get to? Generally, it should be within three hours from a major city.
- Can you rent it out? If you plan on renting it out to lower costs, make sure you are buying in an active vacation rental market.
- What is there to do? You'll want to make sure there is plenty to do around the area.
- Is there room to grow? The most desirable destinations are usually in the least saturated markets.
- Is it both a winter and summer retreat?

## 5 BEAUTIFUL PLACES TO OWN ON A BUDGET



1. WHITE MOUNTAINS, ARIZONA
2. CENTRAL SIERRA MOUNTAINS, CALIFORNIA
3. SOUTH PADRE ISLAND, TEXAS
4. AMELIA ISLAND, FLORIDA
5. MURRELLS INLET AND SURFSIDE BEACH, SOUTH CAROLINA