



2013 Predictions

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Managing Broker
**AB, ABR, ASR, CLHMS,
CRS, CNE, GRI, EcoBroker,
e-PRO, TRC**

Business: 360-692-6102
Seattle: 206-282-5340
Cell: 360-620-2690
mollyells@windermere.com
www.mollyells.com



Windermere Real Estate/West Sound, Inc.
9939 Mickelberry Rd NW - Silverdale, WA 98383

If you are already working with an agent, this is not meant as a solicitation for that business.

Each year I take time to look back at what the industry has brought us... and forward to what the real estate market can expect in the coming year. The word to best sum up the 2012 real estate market...stabilization.

We saw inventories stabilize across the country and in fact, several areas are seeing a shortage of inventory. As a result, prices have pushed back up and most areas are seeing positive increases in price over last year. The latest Case-Shiller data released on December 26th indicates house prices rose 4.3% between October 2011 and October 2012. The Federal Housing Finance Agency data released on November 27th shows the percent change in house prices for the Bremerton/Silverdale area for the period ending September 30, 2012 for one year is -4.28% and for 5 years is -25.91% . For the third quarter of 2012 the percent change is 0.08%.

Nationally, our unemployment rate is down – way down from the 10% high we hit in October of 2009. In fact, we are currently sitting at 7.7% nationally. And we have avoided going over the fiscal cliff, which experts indicated could have set our unemployment rate back to the 9% level.

And consumer confidence, which rolls the facts and feelings about how we are doing as a country into one neat package – has been inching up over the last few months – to 73.7. According to The Conference Board, this Index is currently the highest it has been in four-and-a-half years.

And although we are still faced with some uncertainties including what will happen with the debt ceiling in the coming months as well as government spending cuts, one thing is certain: we all need a place to live while the drama of the world unfolds around us.

Unlike publically-traded companies which can come and go in a span of a few years, unlike metals and commodities whose values can wax and wane with time, and unlike the cold hard cash that one might stash under the mattress, only to see its value get lost in inflation, real estate remains a strong investment which has stood the test of time. Although we had a few years of depreciation, in many areas we are well on our way to recovery and then some. And unlike paper stock or bonds, our homes are an investment that is used – and loved – on a daily basis.

What do I foresee in the coming year? Below are my top predictions for the 2013 real estate market based on what I have been seeing in the market and economy:

Housing Inventory – Housing inventory will reach record low levels in 2013 which will cause a surge in house prices depending on the specific area and the demand for particular styles of homes.

Our six year shortage of new home construction has left the market with a shortage of housing. It will take months and months of building before we can hope to catch up to the housing demand, and prices should stay at these levels or inch higher due to the lack of supply.

Household Formation – Household formation is a big part of what drives the real estate market. Household formation refers to the number of homes we need based on how we choose to live together. Bad markets and recessions bring household formation numbers down (as adult children may choose to live with parents instead of on their own, or people may wait to get married due to economic uncertainty). Additionally, other factors such as immigration and migration affect household formation. 2013 will be the year household formation sees an increase which will also increase demand.

Mortgage Rates – The Federal Reserve indicated they would be keeping interest rates low for some time to come. As of the time of this writing, the rates on a 30-year fixed-rate mortgage was averaging 3.34% which is near record lows.

These record low interest rates will help buyers remain in a good buying position, which will also help keep demand for housing up.

House Prices – Although I touched on this above, the demand for housing will stay strong due to lack of inventory, an increase in household formation, and low mortgage rates. Demand coupled with low supply equates to higher prices.

2013 will bring opportunity to both buyers and sellers. The last few years have given us some ups and downs – let me help you be educated on exactly where you stand. Please give me a call at 360-620-2690 or send me an email to mollyells@windermere.com to set up an appointment today.

