Coach's Corner - June 23, 2010

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REAL ESTATE | MORTGAGE

Last month, I mentioned the turmoil from all the changes and upsets in the mortgage and real estate markets. The news this month is INTEREST RATES ARE THE LOWEST I'VE EVER SEEN in 20 years in this business. Today, June 22nd, a well-qualified borrower can a 30 year fixed rate loan under 4.375% and a 5/1 ARM for 3%!! Yes, your eyes are reading correctly, that's 3%!!

I have one client who's expecting rates to drop to 3.5% for a 30 year fixed and he's already getting his refinance in place for what he considers to be that likelihood. Who knows where rates will end up? I've always tried to caution clients about assuming rates will go lower, but right now I'm not so sure that they won't go lower. Greece, the Euro and the European Union and the BP oil spill in the Gulf. Those are BIG events and it's hard to predict how they will affect the bond market and mortgage rates.

So, if low rates like that interest you, you might want to consider taking action sometime in the next month or so. And, as always, if you have questions, feel free to ask anytime.

Thank you,

Ed

In this issue of Coach's Corner:

Top 10 best cities in the next decade

Some U.S. cities, though slowed by the Great Recession, still thrive. In Kiplinger's latest search for top cities, Seattle was recognized as one of the top 10 best cities in the next decade due to our innovation, economic vitality and livability

2. Seattle, Wash.

Rain City? We'd say Brain City. Home to a well-educated workforce, a world-class research university, über innovators Microsoft, Amazon and Boeing, and a host of risk-taking, garage-tinkering entrepreneurs, Seattle crackles with creative energy. "We only have two products here: smart people and great ideas," says Mark Emmert, president of the University of Washington.

Seattle is revising its tax, zoning and permit policies to make them more business-friendly. Meanwhile, this sophisticated Pacific Rim city has other qualities to recommend it, including great food, a glorious setting, an outdoorsy culture, and, yes, enough rain to keep the locals' complexions looking dewy.

You can see the full Kiplinger's article at www.kiplinger.com.

The rest of the list:

1. Austin, Tex.

3. Washington, D.C.

4. Boulder, Colo.

5. Salt Lake City, Utah

6. Rochester, Minn.

7. Des Moines, Iowa

8. Burlington, Vt.

9. West Hartford, Conn.

10. Topeka, Kan.

Giving back to the community

This month I want to announce that we are launching a new neighborhood blog site designed to create a sense of community and connection between neighbors and businesses in central Kirkland and the charities that serve folks in need in that area. I believe that people in our society are becoming more and more isolated from each other, more technology results in less person-to-person contact, there's very little sense of neighborhood or community compared to 50 and 100 years ago, that this isolation is causing us to feel lonely and disconnected in our lives and it doesn't feel good. We're all searching for some way to be involved with others, especially close to our homes, in our neighborhood and close-in community.

I've lived in the central Kirkland neighborhood called Norkirk for 29 years and I've seen lots of changes in the direction I'm referring to. So, our new neighborhood blog site (www.whySKREAM.com) is an attempt to help return us to a strong feeling of community and connection with our neighbors. It'll look and feel even better when we get it moved over to our own server in the next 2-3 weeks.

Last month I mentioned our first neighborhood event, the donation drive for Eastside Baby Corner where Kirkland neighbors donated 15 TRUCKLOADS of used clothing for EBC. You can read about that drive on the EBC page of our blog site and view 14 different short videos to learn all about EBC, which is a fascinating organization. Our next event will be a neighborhood picnic in central Kirkland on August 28th. You can keep up to date on the picnic also on the same blog site.

Thanks for tuning in. We'll keep you advised on how our neighborhood events and the blog site progress over the next few months.

Goldman Sachs predicts Seattle home prices to fall another 20% in next 2 years

If you're one of those homeowners who is always looking for shreds of optimistic news about the Seattle market, well, you might want to avert your eyes.

Goldman Sachs is predicting that Seattle home prices will fall 20 percent in the next two years. That's twice as much as anywhere else except Portland. Apparently, the folks at Goldman Sachs think the Seattle market is still overpriced.

"For Seattle and Portland, the model projects back-loaded price declines as house prices currently look overvalued," the report says. The report points to "high home vacancy rates and steeply rising delinquencies" as the catalysts for the projected decline.

Tim Ellis at Seattle Bubble, a consistent voice of reason in the Seattle real estate community, has been projecting a significant drop, but even he was surprised by the Goldman Sachs report. He says he doesn't have a PhD in finance and he hasn't constructed a 6-variable model of home prices, but his estimates have been for only another 10-15% decline in Seattle area home prices.

My personal view is that some areas will feel more of this pinch than others. The residential areas north of downtown Seattle and close-in areas such as Kenmore and Kirkland will have very little value reduction, but south of Seattle and further out in the suburbs will likely experience more significant value reductions.

Tough times in store for the housing market

There are growing concerns that the effects of the current economic downturn will have a long-lasting effect on the housing market. One recent study concluded that the current financial crisis and recession have exceeded the devastation created by other post-World War II recessions. What does that mean to you and me?

First, it means that we'll probably wise up and start saving more of the money we earn. Many of us will continue to cut spending sharply, some out of necessity and others out of fear of what the future holds. Second, when it comes to housing, we'll continue to see an increase in loan delinquencies, foreclosures and bankruptcies in the foreseeable future. And third, home prices will likely stay low, and in some areas still decrease some more. Unemployment will remain high for an extended period and banks will be less willing (and able) to provide credit, due to the increase in problem loans.

Who's going to feel the impact of this the most? Young first-time would-be buyers ("twenty-somethings") and 'active-adult' purchasers ("fifty-somethings") who want to downsize as their children grow up and move out. Unemployment for young people could have a lasting effect on both their lifetime earnings and their attitudes toward risk and social policies. Another major factor is that those nearing retirement are delaying it and re-entering the labor force in an effort to rebuild some of the retirement wealth that was wiped out by the recession.

The housing industry had been banking on all these groups to sustain growth during the coming decades — especially the empty-nester baby boomers. These tougher economic circumstances will weigh on housing demand over the coming decade, with the greatest direct impact on those two market segments, the "twenty-somethings" who won't be able to buy a home and the "fifty-somethings", who might have to wait to downsize from their primary residence and who will also be less likely to buy a second-home.

Granted, that's a fairly dismal outlook, but even those who do not share it still do not hold rosy projections, because today's housing market is clearly imposing more discipline by requiring bigger down payments and better credit scores for buying homes.

Many are predicting that our national homeownership rate will drop from its current 69% back down to pre-1995 levels of about 64%. And there's lots of discussion right now about whether that might not be a good thing, overall, for both the economy and the society. The mortgage industry is already requiring that you prove you can afford to buy the home you want and repay the loan you're requesting. Pretty revolutionary, eh?? And the financial-overhaul package now making its way through Congress will increase the pressure on lenders to be even more demanding.

Bottom line: For a long time, it's going to be harder to get a loan to buy a home.

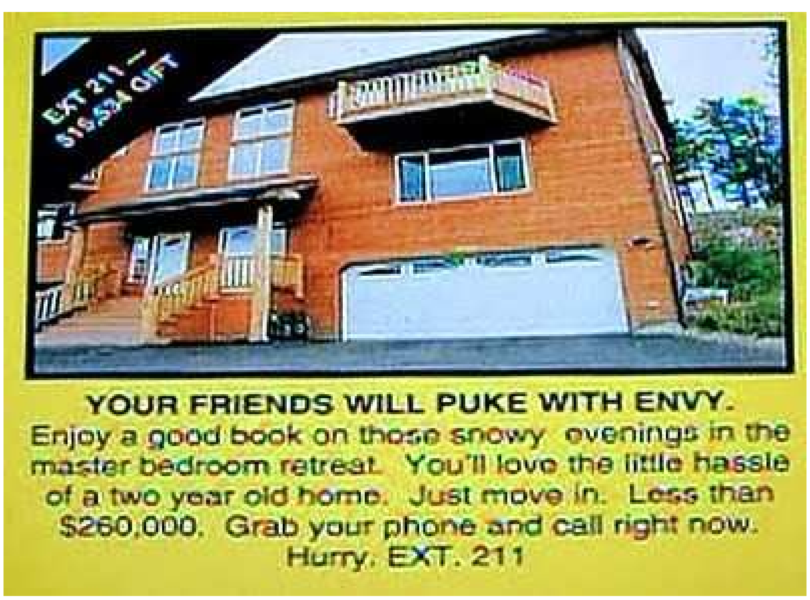
Creative real estate ads

Creativity is the key to most any advertising campaign, and real Estate is no exception. Sometimes when trying to describe a property agents simply have to be creative and come up with words that will catch the attention of the reader, sometimes it works better than others....

Here are just a few examples that caught my eye! ☺

Motivated Seller:

I think the best example of this can be found in an ad where the forested hills of California are blazing behind the photograph of a house, with the subtitle *“Seller very motivated. This one won’t last long!”*



At a loss for words:

Not every advertising choice is a great one, sometimes the agent may be at a loss for words and just go with whatever pops into their head. Really, if you have any doubts please ask your broker before using words like ***PUKE***!

You have heard of bank owned.... Here's a twist:

Well; that will certainly get your attention, I guess if it had been owned by an extra-terrestrial that would have really turned some heads!