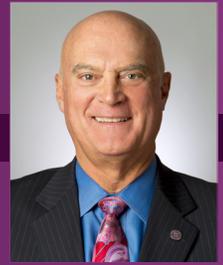


# THE CHAIRMAN'S REPORT



Second Quarter  
2014 Update

**Real Estate Update from Bert Waugh, Jr.**  
*Chairman of Berkshire Hathaway HomeServices Northwest Real Estate*



## 5 REASONS TO SELL NOW

Courtesy of KCM Blog

Many sellers are still hesitant about putting their house up for sale. Where are prices headed? Where are interest rates headed? Can buyers qualify for a mortgage? These are all valid questions. However, there are several reasons to sell your home sooner rather than later. Here are five of those reasons:

### 1. Demand is Strong

There is currently a pent-up demand of purchasers, as many home buyers pushed off their search this past winter & early spring because of extreme weather. According to the National Association of Realtors (NAR), the number of buyers in the market, which fell off dramatically in December, January and February, has begun to increase again over the last few months. These buyers are ready, willing and able to buy...and are in the market right now!

### 2. There Is Less Competition Now

Housing supply is still under the historical number of 6 months' supply. This means that, in many markets, there are not enough homes for sale to satisfy the number of buyers in that market. This is good news for home prices. However, additional inventory is about to come to market.

There is a pent-up desire for many homeowners to move as they were unable to sell over the last few years because of a negative equity situation. Homeowners are now seeing a return to positive equity as prices increased over the last eighteen months.

### Portland Metro Quarterly Market Highlights from RMLS

Portland Metro Highlights	New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2nd Quarter 2014	11,899	8,779	7,243	\$334,233	\$286,666	67
1st Quarter 2014	8,027	6,409	4,720	\$323,600	\$273,833	80
Year-to-date 2014	19,926	15,188	11,963	\$328,916	\$280,249	73
2nd Quarter 2013	11,207	8,724	7,318	\$311,133	\$266,166	82
1st Quarter 2013	7,893	6,664	4,655	\$289,566	\$246,666	114
Year-to-date 2013	19,100	15,388	11,973	\$300,349	\$256,416	98
2nd Quarter Change	6.1%	0.6%	-1.0%	7.4%	7.7%	-18.2%
1st Quarter Change	1.6%	-3.8%	1.3%	11.7%	11.0%	-29.8%
Prev. Quarter Change	48.2%	36.9%	53.4%	3.2%	4.6%	-16.2%
Year-to-date Change	4.3%	-1.2%	-0.1%	9.5%	9.2%	-25.5%

Our 60-second Market Videos, produced from the latest MLS data, delivers clear and accurate real estate activity and price trends. [Click here to get a true market snapshot of your area.](#)

### 3. The Process Will Be Quicker

One of the biggest challenges of the 2014 housing market has been the length of time it takes from contract to closing. Banks are requiring more and more paperwork before approving a mortgage. As the market heats up, banks will be inundated with loan inquiries causing closing timelines to lengthen. Selling now will make the process quicker.

### 4. There Will Never Be a Better Time to Move-Up

If you are moving to a larger, more expensive home, consider doing it now. Prices are projected to appreciate by over 19% from now *continued on next page...*

### SW Washington Quarterly Market Highlights from RMLS

SW Washington Highlights	New Listings	Pending Sales	Closed Sales	Average Sale Price	Median Sale Price	Total Market Time
2nd Quarter 2014	3,094	2,164	1,759	\$267,100	\$238,400	95
1st Quarter 2014	2,116	1,686	1,159	\$256,800	\$230,100	115
Year-to-date 2014	5,210	3,850	2,918	\$264,300	\$235,000	103
2nd Quarter 2013	2,799	2,099	1,726	\$247,433	\$220,666	100
1st Quarter 2013	2,006	1,614	1,153	\$239,566	\$210,666	126
Year-to-date 2013	4,805	3,713	2,879	\$243,499	\$215,666	113
2nd Quarter Change	10.5%	3.0%	1.9%	7.9%	8.0%	-5.0%
1st Quarter Change	5.4%	4.4%	0.5%	7.1%	9.2%	-8.7%
Prev. Quarter Change	46.2%	28.3%	51.7%	4.0%	3.6%	-17.3%
Year-to-date Change	8.4%	3.6%	1.3%	8.5%	8.9%	-8.8%

to 2018. If you are moving to a higher priced home, it will cost you more in raw dollars (both in down payment and mortgage payment) if you wait. You can also lock-in your 30 year housing expense with an interest rate in the low 4's right now. Rates are projected to be over 5% by the end of next year.

**5. It's Time to Move On with Your Life**

Look at the reason you decided to sell in the first place and determine whether it is worth waiting. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

Only you know the answers to the questions above. You have the power to take back control of the situation by putting your home on the market and pricing it to sell. Perhaps, the time has come for you and your family to move on and start living the life you desire. That is what is truly important.

**13,397 HOUSES SOLD YESTERDAY**



If you read certain headlines, you might be led to believe that the housing recovery has come to a screeching halt. Naysayers are claiming that the threat of rising mortgage rates and a lack of consumer confidence are

keeping Americans on the fence when it comes to purchasing real estate. That is actually far from reality.

After all 13,397 houses sold yesterday, 13,397 will sell today and 13,397 will sell tomorrow.

That is the average number of homes that sell each and every day in this country according to the National Association of Realtors' (NAR) latest Existing Home Sales Report. According to the report, annualized sales now stand at 4.59 million. Divide that number by 365 (days in a year) and we can see that, on average, over 13,000 homes sell every day.

If you are considering whether to put your house up for sale, don't let the headlines scare you. There are purchasers in the market and they are buying - to the tune of 13,397 homes a day.

**BUYING A HOME:  
THE COST OF WAITING**

Whether you are a first time buyer or a move-up buyer, you should look at the projections housing experts are making in two major areas: home prices and mortgage rates.

**PRICES**

Over 100 economists, real estate experts and investment & market strategists were recently surveyed. They were asked to project where home prices were headed. The average value appreciation projected over the next twelve month period was approximately 4%.

**MORTGAGE INTEREST RATES**

In their last Economic & Housing Market Outlook, Freddie Mac predicted that 30 year fixed mortgage rates would be 4.8% by this time next year. As of last week, the Freddie Mac rate was 4.14%.

What does this mean to you? If you are a first time buyer currently looking at a home priced at \$250,000, this is what it could cost you on a monthly basis if you wait to buy next year:

Date	Mortgage	Interest Rate*	P&I**
Today	\$250,000	4.17	1,218.17
July 2015	\$260,000	4.8	1,364.13
<b>Difference in Monthly Payment</b>			<b>\$145.42</b>

\*Average Commitment Rate per Freddie Mac \*\*Principal and Interest Payment

If you are a move-up buyer currently looking at a home priced at \$500,000, this is what it could cost you on a monthly basis if you wait to buy next year:

Date	Mortgage	Interest Rate*	P&I**
Today	\$500,000	4.17	2,436.34
July 2015	\$520,000	4.8	2,728.26
<b>Difference in Monthly Payment</b>			<b>\$291.92</b>

\*Average Commitment Rate per Freddie Mac \*\*Principal and Interest Payment

The bottom line, with both home prices and interest rates projected to increase, buying now instead of later might make sense.

## RESURGENCE OF CONSUMERS VS. INVESTORS BUYING HOMES

Ron Peltier, CEO of HomeServices of America, shared his perspective on the real estate market in an interview on Fox Business news in March. In the video below, he discusses inventory, home sales and pricing trends. Please click below to watch the interview.



The Fed did start reducing the bond purchases in December but mortgage rates have actually retreated as financial markets realized the Fed intended a gradual reduction of the long term interest rate support it has been providing the economy. Rates on 30-year mortgages stood at 4.12 percent last week.

The median price of a home sold in June was \$223,300, up 4.3 percent from a year ago.

For June, sales were up in every region of the country, led by a 6.2 percent increase in the Midwest and a 3.2 percent rise in the Northeast. Sales rose 2.7 percent in the West and edged up a slight 0.5 percent in the South.

Potential buyers have grappled with a limited supply of homes that is driving prices higher. Lending standards have also been tightened in response to the housing boom of the last decade, when financial institutions granted too many mortgages to home buyers who were unable to meet the monthly payments, resulting in millions of foreclosures.

Five years into the recovery from the deep recession that was triggered in part by the collapse in housing, home sales have yet to return to historic averages. The pace for sales this year is below the 5.1 million homes sold last year and the 5.5 million annual sales that would be consistent with a healthy housing market.

## U.S. HOME SALES UP 2.6% IN JUNE



Sales of previously owned homes rose for a third straight month in June, pushing activity to the highest level in eight months and providing evidence that housing is regaining lost momentum.

The National Association of Realtors said Tuesday that sales of existing homes increased 2.6 percent to a seasonally adjusted annual rate of 5.04 million homes. It marked the first time that sales have been above the 5 million-mark since October.

Even with the three months of increases, however, sales were still 2.3 percent below the sales rate in June of last year.

Sales peaked in July last year and then lost momentum as mortgage rates rose from extremely low levels. Sales were further hurt by an unusually severe winter.

After peaking at 5.38 million units last July, sales had been falling as mortgage rates climbed from historic lows after then-Fed Chairman Ben Bernanke indicated in June that the central bank could begin trimming its monthly bond purchases later in the year.

## MORE HOMEOWNERS BECOMING LANDLORDS

Low mortgage rates and soaring rents have convinced a growing number of homeowners to hang onto their former homes and become landlords instead. "Clients tell us all the time, we're never going to sell our home, even after we buy a new one," said Glenn Kelman, CEO of the brokerage, Redfin.

Susan Young of Lawrence, Kansas, refinanced the mortgage on her house in 2013, landing a 3.25% rate on a 30-year fixed loan. She bought another house but has not put her old home on the market.

*continued on next page...*

"If the interest rate was high, I'd sell," she said. "But this is such a perfect loan package, I just can't bring myself to give it up."

She gets \$1,100 a month in rent, several hundred dollars more than her expenses, and is using the profits to pay off her mortgage.

Redfin reports that 19% of current homeowners either purchased or refinanced homes between 2011 and 2013 -- when rates were historically low, falling just below 3.4%.

Chris Cannon and his wife currently live in Pennsylvania and plan to move to start a family. But he will have a hard time letting go of his home. "It would be incredibly hard to give up the 3% mortgage we have," he said. "When we bought in November 2012, rates were at the bottom -- about 3.4% for a 30-year -- and we paid a couple of points to get ours down to 3%."

He figures he can rent his home in Mt. Lebanon for \$1,400 to \$1,500 a month, easily covering his mortgage payment and taxes which total \$1,100 a month.

The math works in most landlords' favor these days. Rents have risen by about 20% nationwide since mid-2006, the housing bubble peak, while home prices are still about 21% below what they were at that time.

For people who are still underwater on their mortgages and unable to profit from a sale, renting helps soften the blow.

Juliana Ruiz and her husband Mauricio Jimenez bought their three-bedroom Pembroke Pines, Florida, home for \$362,000 in June of 2005 when the market was red hot. They opted for an adjustable rate mortgage, which turned out to be a great deal: rates have plunged, as have their mortgage payments. Now, they pay a 2.75% rate and owe \$250,000 on the home, which is worth about \$300,000 thanks to a recent surge in home values.

But since they now have three children and both Juliana and Mauricio work mostly from home, they needed more room. They bought a six-bedroom home nearby and have been renting their old place out for a year.

"The local real estate market allows me to cover the mortgage and small incidentals with the rent collected," said Ruiz. "At the same time, my property value is increasing."

Please join us...

## 23rd Annual Transitional Youth GOLF TOURNAMENT



*Help at-risk and homeless youth  
by joining us for a great afternoon of golf!*

### Tri-Mountain Golf Course

September 15, 2014 • 12:30pm

**\$120 registration fee includes:**

Boxed lunch • Green fees • Practice balls  
BBQ Dinner • Prizes

[www.TransitionalYouth.org](http://www.TransitionalYouth.org)

Like Ron Peltier, CEO of HomeServices of America, I am confident the housing market is gaining momentum and I look forward to seeing the industry get stronger in the months and years ahead.

**Good to know.™**

Bert Waugh, Jr., Chairman  
Founder, Transitional Youth



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