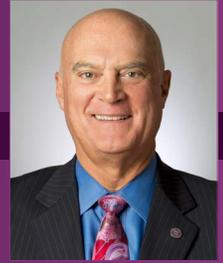


THE CHAIRMAN'S REPORT



Fourth Quarter
2015 Update

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



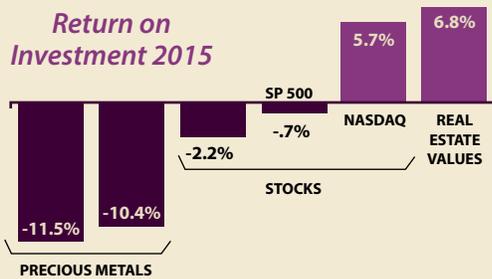
REAL ESTATE SHINES AS AN INVESTMENT IN 2016

Courtesy of KCM Blog

A survey by The Joint Center of Housing Studies at Harvard University reveals that when a family is buying a home, they consider the financial benefits of homeownership along with the social benefits. The survey mentions things like:

- Paying rent does not make sense
- Homeownership provides a good financial opportunity
- Owning a home helps you build family wealth
- Buying a home is investing in your retirement
- Home equity gives you something to borrow against

So how did homeownership match up against other investments in 2015? Here is a chart that compares its return on investment against precious metals and the stock market last year:



Bottom Line

Not only did homeownership offer all its social benefits, it also was a great investment financially.

INFOGRAPHIC: 5 REASONS TO USE A REAL ESTATE AGENT IN 2016

5 Reasons to Resolve to Use a Real Estate Professional in 2016

- Paperwork**
They help with all disclosures & paperwork necessary in today's heavily regulated environment.
- Experience**
They are well educated in and experienced with the entire sales process.
- Negotiations**
They act as a "buffer" in negotiations with all parties throughout the entire transaction.
- Pricing**
They help you understand today's real estate values when setting the price of a listing or an offer to purchase.
- Understanding of Current Market Conditions**
They simply & effectively explain today's real estate headlines & decipher what they mean to you.

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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
4th Quarter 2015	6,749	7,436	7,580	\$361,066	\$314,666	51
3rd Quarter 2015	11,577	9,812	9,560	\$360,900	\$313,066	44
Year-to-date 2015	40,815	34,568	33,307	\$354,500	\$308,000	54
4th Quarter 2014	6,343	6,238	6,663	\$334,400	\$288,666	70
3rd Quarter 2014	10,637	8,057	7,642	\$351,933	\$294,933	60
Year-to-date 2014	37,654	28,220	27,752	\$333,000	\$285,500	70
4th Quarter Change	6.4%	19.2%	13.7%	7.9%	9.0%	-27.1%
3rd Quarter Change	8.8%	21.7%	25.0%	2.5%	6.1%	-26.6%
Prev. Quart. Change '15	-41.7%	-24.2%	-20.7%	.04%	.5%	15.9%
Year-to-date Change	8.4%	22.5%	20.0%	6.5%	7.9%	-22.8%

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
4th Quarter 2015	1,754	1,880	1,999	\$306,033	\$273,833	67
3rd Quarter 2015	2,996	2,496	2,238	\$305,066	\$270,933	57
Year-to-date 2015	10,625	8,780	8,391	\$298,300	\$265,000	72
4th Quarter 2014	1,672	1,573	1,677	\$280,466	\$249,833	86
3rd Quarter 2014	2,641	2,137	1,961	\$283,166	\$249,000	85
Year-to-date 2014	9,718	7,258	7,025	\$274,700	\$244,000	92
4th Quarter Change	4.9%	19.5%	19.2%	9.1%	9.6%	-22.0%
3rd Quarter Change	13.4%	16.7%	14.1%	7.7%	8.8%	-32.9%
Prev. Quart. Change '15	-41.8%	-24.6%	-10.6%	.3%	1.1%	17.5%
Year-to-date Change	9.3%	21.0%	19.4%	8.6%	8.6%	-21.7%

DON'T LET RISING RENTS TRAP YOU!



There are many benefits to homeownership. One of the top ones is being able to protect yourself from rising rents and lock in your housing cost for the life of your mortgage.

Don't Become Trapped

Jonathan Smoke, Chief Economist at realtor.com, recently reported on what he calls a "Rental Affordability Crisis." He warns that, "Low rental vacancies and a lack of new rental construction are pushing up rents, and we expect that they'll outpace home price appreciation in the year ahead."

The Joint Center for Housing Studies at Harvard University recently released their 2015 Report on Rental Housing, in which they reported that 49% of rental households are cost-burdened, meaning they spend more than 30% of their income on housing. These households struggle to save for a rainy day and pay other bills, such as food and healthcare.

It's Cheaper to Buy Than Rent

In Smoke's article, he went on to say, "Housing is central to the health and well-being of our country and our local communities. In addition, this (rental affordability) crisis threatens the future value of owned housing, as the burdensome level of rents will trap more aspiring owners into a vicious financial cycle in which they cannot save and build a solid credit record to eventually buy a home." "While more than 85% of markets have burdensome rents today, it's perplexing that in more than 75% of the counties across the country, it is actually cheaper to buy than rent a home. So why aren't those unhappy renters choosing to buy?"

Know Your Options

Perhaps, you have already saved enough to buy your first home. HousingWire reported that analysts at Nomura believe:

"It's not that Millennials and other potential homebuyers aren't qualified in terms of their credit scores or in how much they have

saved for their down payment. It's that they think they're not qualified or they think that they don't have a big enough down payment."

Many first-time homebuyers who believe that they need a large down payment may be holding themselves back from their dream home. As we reported last week, in many areas of the country, a first-time home buyer can save for a 3% down payment in less than two years. You may have already saved enough!

Bottom Line

Don't get caught in the trap so many renters are currently in. If you are ready and willing to buy a home, find out if you are able. Have a professional help you determine if you are eligible to get a mortgage.

THINKING OF BUYING A HOME? THREE QUESTIONS EVERY BUYER SHOULD ASK.



If you are debating purchasing a home right now, you are probably getting a lot of advice. Though your friends and family will have your best interest at heart, they may not be fully aware of your needs and what is currently happening in the real estate market. Answering the following 3 questions will help you determine if now is actually a good time for you to buy in today's market.

1. Why am I buying a home in the first place?

This truly is the most important question to answer. Forget the finances for a minute. Why did you even begin to consider purchasing a home? For most, the reason has nothing to do with money. A study by the Joint Center for Housing Studies at Harvard University reveals that the four major reasons people buy a home have nothing to do with money. They are:

- A good place to raise children and for them to get a

good education

- A place where you and your family feel safe
- More space for you and your family
- Control of that space

What does owning a home mean to you? What non-financial benefits will you and your family gain from owning a home? The answer to that question should be the biggest reason you decide to purchase or not.

2. Where are home values headed?

According to the latest Home Price Index from CoreLogic, home values are projected to increase by 5.3% over the next 12 months. What does that mean to you? Simply put, if you are planning on buying a home that costs \$250,000 today, that same home will cost you an additional \$13,250 if you wait till next year. Your down payment will need to be higher as well to account for the higher home price.

3. Where are mortgage interest rates headed?

A buyer must be concerned about more than just prices. The 'long term cost' of a home can be dramatically impacted by even a small increase in mortgage rates. The Mortgage Bankers Association (MBA), the National Association of Realtors and Freddie Mac have all projected that mortgage interest rates will increase by approximately three-quarters of a percent over the next twelve months as you can see in the chart below:

Mortgage Rate Projections:

Quarter	Fannie Mae	Freddie Mac	MBA	NAR	Average of all four
2016 Q1	4.0%	4.1%	4.2%	4.1%	4.10%
2016 Q2	4.0%	4.3%	4.4%	4.3%	4.25%
2016 Q3	4.1%	4.5%	4.6%	4.6%	4.45%
2016 Q4	4.1%	4.7%	4.8%	4.9%	4.63%

Bottom Line

Only you and your family will know for certain if now is the right time to purchase a home. Answering these questions will help you make that decision.

FIVE REASONS YOU SHOULDN'T FOR SALE BY OWNER

In today's market, with homes selling quickly and prices rising, some homeowners might consider trying to sell their home on



their own, known in the industry as a For Sale by Owner (FSBO). There are several reasons this might not be a good idea for the vast majority of sellers. Here are five of those reasons:

1. There Are Too Many People to Negotiate With

Here is a list of some of the people with whom you must be prepared to negotiate if you decide to For Sale By Owner:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies, which work for the buyer and will almost always find some problems with the house
- The appraiser if there is a question of value

2. Exposure to Prospective Purchasers

Recent studies have shown that 89% of buyers search online for a home. That is in comparison to only 20% looking at print newspaper ads. Most real estate agents have an internet strategy to promote the sale of your home. Do you?

3. Results Come from the Internet



Where do buyers find the home they actually purchased?

- 44% on the internet
- 33% from a Real Estate Agent
- 9% from a yard sign
- 1% from newspaper

The days of selling your house by just putting up a sign and putting it in the paper are long gone. Having a strong internet strategy is crucial.

4. FSBOing has Become More and More Difficult

The paperwork involved in selling and buying a home has increased dramatically as industry disclosures and regulations have become mandatory. This is one of the reasons that the percentage of people FSBOing has dropped from 19% to 8% over the last 20+ years. The 8% share represents the lowest recorded figure since NAR began collecting data in 1981.

5. You Net More Money when Using an Agent

Many homeowners believe that they will save the real estate commission by selling on their own. Realize that the main reason buyers look at FSBOs is because they also believe they can save the real estate agent's commission. The seller and buyer can't both save the commission. Studies have shown that the typical house sold by the homeowner sells for \$210,000 while the typical house sold by an agent sells for \$249,000. This doesn't mean that an agent can get \$39,000 more for your home, as studies have shown that people are more likely to FSBO in markets with lower price points. However, it does show that selling on your own might not make sense.

Bottom Line

Before you decide to take on the challenges of selling your house on your own, sit with a real estate professional in your marketplace and see what they have to offer.

I'm pleased to present this valuable offer!



My company, Berkshire Hathaway HomeServices Northwest Real Estate, has teamed up with Pure Environmental, the Northwest's odor and decontamination specialists, to offer Oregon and Washington homeowners a special discount. Always researching emerging technologies and innovative services, you can trust Pure Environmental to provide permanent and guaranteed results with the least impact on the environment – and your environment.

~ Attic Mold Clean Up ~

Special Rate: \$1²⁵/ft²

(Normal Rate: \$1⁵⁰/ft²)

Other services: Odor Removal, Crawlspace Restoration, Bed Bug Eradication, Indoor Air Quality Restoration.

Please call (503) 893-9731 to schedule an appointment or email andy@pureenvironmental.com.

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UPDATE Volume 2 Number 1

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Bert Waugh, Jr., Chairman
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