



# REAL ESTATE LICENSEE UPDATE



JAY INSLEE, GOVERNOR  
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PAT KOHLER, DIRECTOR  
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## DOL's new online features make real estate license management easy

The modernization of the Department of Licensing's (DOL) online features is a success! The tool is the same one brokers and managing brokers have used to renew their licenses for some time. Over the past few months, DOL added new features for real estate brokers, firms, and branches. Users can now use the tool 24/7 to:

- Renew licenses,
- Update their name and address,
- Order a duplicate license, and
- Upload documents.

### Add/release feature now available

More recently, DOL added features to add or release a broker from a branch or firm online. The forms used in the past will no longer be available. Instead, moving a broker from one firm/branch to another will be done in a streamlined, online process. **Note: The prospective broker/managing broker must have a current e-mail with DOL in order to receive the firm's invitation to join.** If you or someone you know need to update contact information, log in at <https://fortress.wa.gov/dol/solar/login.aspx>, and use the Update links to do so.

This new process will expedite the process significantly for firms and brokers. To see how it works, visit our website:

- Brokers/managing brokers:  
<http://www.dol.wa.gov/business/realestate/brokersupdate.html>
- Firms: <http://www.dol.wa.gov/business/realestate/firmsupdate.htm>

The new features are working well for real estate professions.

- There have been more than 6,400 renewals and 30,000 logins.
- The tool is using a "star" rating system; at the end of a session, the user is asked to rate their experience from one (low) to five (high) stars. Overall, we have consistently received scores of 4 and 5.

These are the first in a series of improvements. In the future, DOL anticipates online features will include the ability to apply for a license, print licenses, and track continuing education hours.

We are committed to providing equal access to our services. If you need special accommodation, please call (360) 664-6526 or TTY (360) 644-0116.

## Changes for the Runstad Center and WCRER

Simon Stevenson joined the University of Washington in late 2016 as Director of the Runstad Center and the John and Rosalind Jacobi Family Professor of Real Estate. He will also take up the position as Chair of the new Department of Real Estate at UW which will come into being later this year. Simon joins UW from the Henley Business School, University of Reading in the UK. He brings close to two decades of experience in leadership positions in developing Master's Degree programs and has over 75 research publications in internationally recognized refereed academic journals.

Simon takes over from Interim Director, Peter Orser. "I have confidence that the appointment of Professor Stevenson is a great first step for the new Department of Real Estate and the Runstad Center for Real Estate Studies," Orser said in a statement, later adding, "Simon is uniquely placed in international leadership positions within the real estate discipline to add immensely to the academic offerings and opportunities that the real estate programs at the University of Washington provide."

In other changes, James Young was appointed as Research Director of the Runstad Center for Real Estate Studies as well as Director of the Washington Center for Real Estate Research. James joined UW in January from the University of Auckland in New Zealand and has over 25 years' experience in both real estate research practice and academics throughout the world. Originally from the US, he has 14 publications in highly rated internationally recognized academic journals as well as having produced numerous research reports for government agencies, professional organizations, and other groups during his career.

James said, "I look forward to learning about the real estate markets in Washington and providing data driven analysis to decision makers throughout the state, especially to those that work in areas that need reliable real estate market information the most, those outside of the Seattle area." Glenn Crellin, the founding Director of the WCRER and former Research Director for the Runstad Center added, "I have met and worked with James on several occasions and have every confidence that he is the right man to take over the Washington Center for Real Estate Research and as Research Director of the Runstad Center. To the extent that I can, I look forward to assisting him in any way possible."



Professor Simon Stevenson  
Director, Runstad Center for  
Real Estate Studies  
John and Rosalind Jacobi Family  
Professor of Real Estate



James Young  
Research Director, Runstad  
Center for Real Estate Studies /  
Director, Washington Center for  
Real Estate Research



Real Estate Licensee Update  
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George Pilant, Tacoma  
Jess Salazar, Federal Way  
Jeff Thompson, Kennewick  
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## New Department of Real Estate at the University of Washington

The University of Washington's Board of Regents has approved the creation of a new Department of Real Estate, which will come into being later this year. This is a key step in the major expansion of the UW real estate program. The new department will house the real estate faculty, who up until this point have been part of the Department of Urban Design & Planning. The new department will be home to the well-established Master of Science in Real Estate (MSRE) program, which will see its eighth intake this fall. In addition, a new undergraduate minor will be rolled out over the 2017-8 and 2018-9 academic years.

The creation of a separate and distinct department highlights the commitment and ambition at the University of Washington in developing a world leading center of excellence in real estate research and education. As part of the establishment of the department the university is currently hiring three new faculty. These developments follow the arrival in late 2016 of Simon Stevenson as Director of the Runstad Center. Professor Stevenson will also act as the inaugural Chair of the Department of Real Estate. As noted elsewhere in the newsletter, 2017 has already seen the appointment of James Young as Research Director of the Runstad Center and Director of the Washington Center for Real Estate Research.

The expansion in faculty and research capability will provide a level of scale not previously seen, resulting in one of the largest academic real estate groups in the country. This will allow us to pursue more initiatives and substantially expand our research activities, both academic and applied. With the increased focus that the new department will provide, we welcome the opportunity to ensure that the new faculty will have access to industry leaders who can support their research and classroom activities. It will also enable UW to more proactively engage with the industry and all of our stakeholders and help inform policy and decision making.

These initiatives build upon the success of the Runstad Center for Real Estate Studies, which celebrates its 15th anniversary this year, and the Washington Center for Real Estate Research. The Runstad Center will continue to provide a vital role in industry engagement through its wide range of activities, including the Runstad Fellows program and its student internship and mentoring schemes. Not only will the WCRER continue to provide its ongoing series of research reports but the increased resources available will allow us to expand its activities to provide a more comprehensive research service for our stakeholders across the state.

## Washington Real Estate Commission Opening

Washington Governor Jay Inslee will be appointing a new member to the Washington Real Estate Commission later this summer when Commissioner George Pilant of Tacoma concludes his twelve years on the Commission.

Interested parties should submit a letter of interest, resume and a completed application to serve on the Washington Real Estate Commission. Applications can be obtained by accessing Governor Inslee's web page at <http://www.governor.wa.gov/boards-commissions/board-and-commissions/apply-serve-board-or-commission-0>



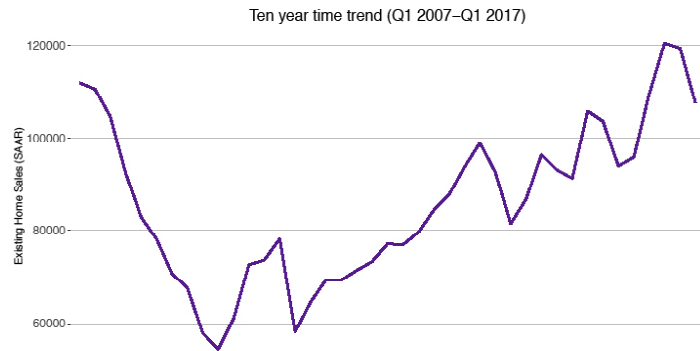
# Real Estate Market Roundup

*Runstad Center for Real Estate Studies, University of Washington*

The housing market has heated up over the last year, with sales rising sharply from first quarter 2016 to 2017. Housing prices also increased significantly over the course of the year, with the median price 12.1% higher in the first quarter of 2017 as compared to the same period in 2016. This price increase was coupled with a downturn in affordability for both first-time buyers and all buyers. Meanwhile, foreclosures and seriously delinquent mortgages continued their decline.

## Sales and Construction Activity

Home sales activity in Washington followed a familiar pattern in 2016, with sales steadily increasing through quarter 3 before dipping slightly in the winter months.



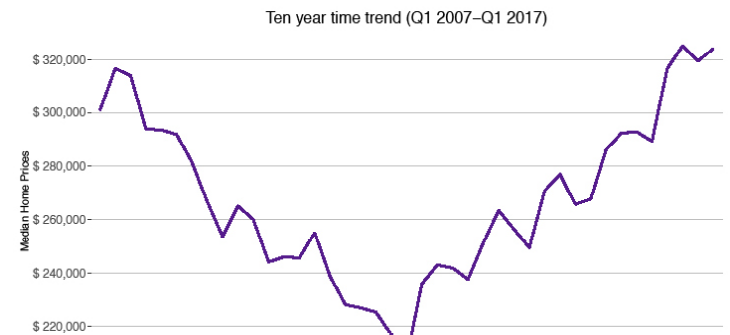
Compared to a year ago, the seasonally adjusted annual rate (SAAR) of home sales for quarter 1 of 2017 increased 12.2 percent to 107,590 homes. Seasonally adjusted annual rate values are based on single quarter sales and indicate the number of sales that would be expected in a year if that quarter's relative sales pace was to continue.

Despite strong statewide sales, a total of 9 counties saw their seasonally adjusted annual rate of sales decline over the course of the year. However, only one of these (Clark County) was among the ten counties with the highest number of recorded home sales. In fact, seven of the top ten counties in recorded home sales experienced year-over-year increases of more than 10%.

Similar increases were seen in statewide construction activity, measured by the number of single and multi-family building permits issued by cities and counties throughout the state. In the first quarter of 2017, a total of 8,878 building permits were issued statewide. This represents a 11.1 percent increase over the total number of building permits issued in the same quarter the previous year. Construction activity is reported to and published monthly by the US Census Bureau. For less populous counties, building permit data prior to 2017 may be based upon sampled estimates. The accuracy of all public information relies on the efficiencies of the reporting jurisdiction.

## Home Prices

Like home sales, the statewide median resale price for single-family homes rose sharply through the spring and summer months before declining slightly in winter. At \$324,300, the sales price was 12.1 percent higher than in

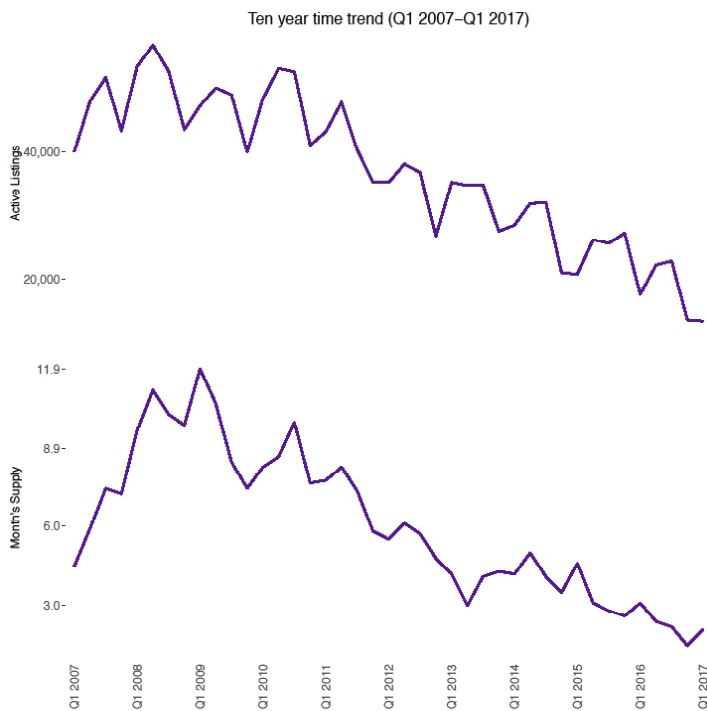


quarter 1 of 2016, an increase of \$34,900. This statewide total was driven largely by two counties with both high sales volume and prices, King (\$577,300) and Snohomish (\$414,700) counties. All but four of the state's remaining counties fell below the statewide median sales price, with a low of \$70,000 in Lincoln County.

Several groups, especially S&P CaseShiller and the Federal Housing Finance Agency (FHFA), utilize repeat-sales measures to calculate the rate of home price appreciation. This process requires the documentation where at least two independent and arms-length sales transactions have occurred at the same property and over time. Once these sales are "paired" together, adjustments to the sales prices are made to account for changes in quality (e.g. substantial rehabilitation or additions) and the rate (time) of inflation. Once calculated, the results are not reported as a difference in price, but rather as a change relative to a benchmark index over time.

Due to the sophisticated statistical modeling involved, the data are often released with considerable delays (especially Case-Shiller). Further, no data on non-urban markets are available from either source. The CaseShiller report is limited to 20 major metropolitan markets while the FHFA reports all metropolitan areas and statewide measures. In January, the FHFA reported in their U.S. House Price Index Report that the one-year appreciation in Washington home prices was the fourth highest among the states in the fourth quarter of 2016 at 10.2 percent.

Real Estate Market Roundup, continued from page 3



**Affordability**

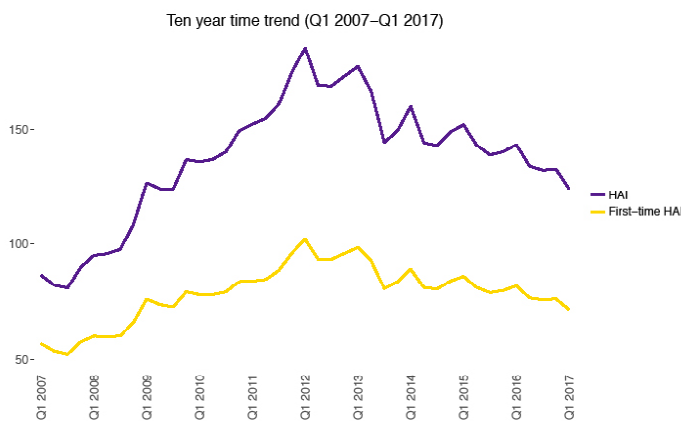
The Runstad Center produces two measures of housing affordability, following the model developed in 1982 at the National Association of Realtors®. The All-Buyer Housing Affordability Index (HAI) compares the mortgage payments on a median price home to median FAMILY income (2 or more persons, related by blood, marriage or adoption) assuming a 20 percent downpayment and allocating 25 percent of gross income to principal and interest payments. Adjusted for the size of the family, an index of 100 means median family income is sufficient to afford the median price home. The higher the index value the higher the degree of affordability. The statewide HAI in the first quarter of 2017 was 124.3, meaning the typical family has 24.3 percent MORE income than the minimum

required to qualify for a mortgage on the median price home. Three counties reported an index level below 100, including King County (86.4). Overall, the level of affordability declined by 19.1 points from a year ago.

In general, renter households confront greater challenges on the path towards potential home ownership. To reflect that reality, the Runstad Center's First Time Buyer Affordability Index (FTBHAI) assumes a less costly home (85 percent of area median), a lower down payment (10 percent) and a lower qualifying income (70 percent of median HOUSEHOLD income). The substitution of household for family income is done to capture a percentage of the single-person household; which by historical standards is a population on the lower end of the income distribution. In the first quarter of 2017, the statewide FTBHAI stood at 71.4, 10.4 points lower than the first quarter of 2016. First-time buyer affordability indexes ranged from a low of 37.5 in San Juan County to a high of 334.6 in rural Lincoln County. As a point of reference, the Runstad Center has established a FTBHAI of 80 to represent a reasonable opportunity for a well-qualified first-time homebuyer to find an acceptable home they can afford.

**Foreclosures and Delinquent Mortgages**

The number of foreclosure recorded in Washington state fell by 8% in 2016 according to data provided by RealtyTrac. At 2,308 units, the number of statewide foreclosures in quarter 4 2016 was 15.2% less than the same quarter of the previous year, but more than 200 units more than in quarter 3 of 2016. In terms of seriously delinquent mortgages, Washington State mirrored the national trend of decreasing percentages from 2015 to 2016. While several sources of this type data exist, the Runstad Center uses information compiled by the Mortgage Bankers Association of America. They report the number of outstanding mortgages and the share of those mortgages that are at least 90-days past due or at some stage of the foreclosure process (but not yet REO). As of the end of the fourth quarter, the percentage of seriously delinquent mortgages stood at 1.97 percent in Washington and 3.13 percent nationwide. That number represents a 0.58 point reduction as compared to a year ago.



# Sustainability and Real Estate

*James Young, Runstad Center for Real Estate Studies, University of Washington*

One of the key issues that comes up in product marketing is sustainability. You have sustainable eggs, milk and food products. You have sustainable packaging materials and take out containers. You have recycling bins and composting bins popping up everywhere. But one area where sustainability has proven to be more problematic is in the marketing of real estate. Why?

## Defining Sustainability in Real Estate

The biggest problem is that sustainability means different things to different property users and different people. If someone lives in the desert, then sustainability might come down to water usage and efficient use of electricity and insulation for indoor climate control. Alternatively, if someone lives in a wet climate, such as Seattle, then they may care more about controlling runoff and drainage rather than the ability to use solar panels for electric generation.

While all real estate markets are local and local brokers will know what features are likely to enhance marketability, the lack of hard and fast rules on defining sustainable property creates a minefield for any broker investigating how sustainability might impact the ability to sell a property. What are the guidelines for what is sustainable? What are the definitions and how are they used? In this respect, some of the latest research provides a guide on whether sustainable real estate provides a benefit to sellers, buyers, owners, and occupiers.

## Research in Commercial Real Estate

Sustainable real estate in the commercial real estate sphere has been an important topic of investigation for some time. Many corporate occupiers have sustainability as a part of their company mission statements as well as making it a part of their corporate image. In short, a sustainable image is thought to enhance the value of their businesses and brands. As a result, they want to occupy properties that fit into that image.

Fortunately, several groups have developed ways to identify and outline the extent to which a building meets sustainability objectives. In the US, the LEED Rating system developed by the US Green Building Council provides a way of determining whether a building meets sustainability objectives. (<http://www.usgbc.org/leed>) By measuring several different criteria, such as materials used and building performance in key areas like electricity consumption and water efficiency, the LEED Ratings system is meant to promote sustainable design by developing objective methodologies for evaluation. This also holds true for several other measures of commercial real estate sustainability used throughout the world (NABERS in Australia and BREEAM in the UK, for example).

In other words, these rating systems provide consistency in how green is measured in buildings and provides an opportunity to test whether they are effective in marketing real estate. More importantly to brokers and agents, these systems have presented opportunities for researchers to investigate key issues in whether sustainable real estate pays dividends to owners and/or occupiers using verifiable and consistent ratings on the importance of green features in a building.

For example, if it costs more for an investor to incorporate sustainable features into a new building, is the tenant willing to pay more for it? If not, then what are the benefits in developing green real estate?

Using these ratings systems, recent research in Australia has shown that while commercial occupiers may not be willing to pay much more in rent for a green building (Gabe and Rehm, 2013). This means that on a triple net lease, all of the cost savings and energy efficiencies accrue to the tenant while the developer or investor may face higher development costs. However, it has also been found that these occupiers are also going to be less likely to move in the near future and are also more likely to occupy their premises for longer creating what might be called an occupancy premium. Finding in the US have been similar (Appraisal Institute, 2013), but with the additional finding that many larger investors and REITs are willing to invest in sustainable features with the idea that it will assist in longer term cash flows (through lower vacancies).

## Is There a Green Premium for Housing?

The simple answer to this question is, it depends! While almost every broker can agree that new homes incorporating green features will likely sell for more than a house that does not have them, the question then becomes what features sell and which features are a waste of spending?

Unfortunately, there are no set sustainability measures for residential housing in the US. However, evidence from other markets suggests that a green premium might exist for both new homes and existing residential properties. For example, the European Union began mandating home energy ratings for all residential property transactions starting in 2009. Fuerst, McAlister, Nanda, and Wyatt (2015) found that existing homes in the UK with the best energy ratings tended to achieve significantly higher prices than those properties that had average or lower ratings.

One of the few studies to investigate these issues in a US context is Kok and Kahn (2012) who investigated whether there was an observable premium for properties certified and labeled by the USGBC, the EPA and other agencies on an ad hoc basis in Berkeley, CA. While they found a 9% premium for sustainable houses, the lack of a nationwide

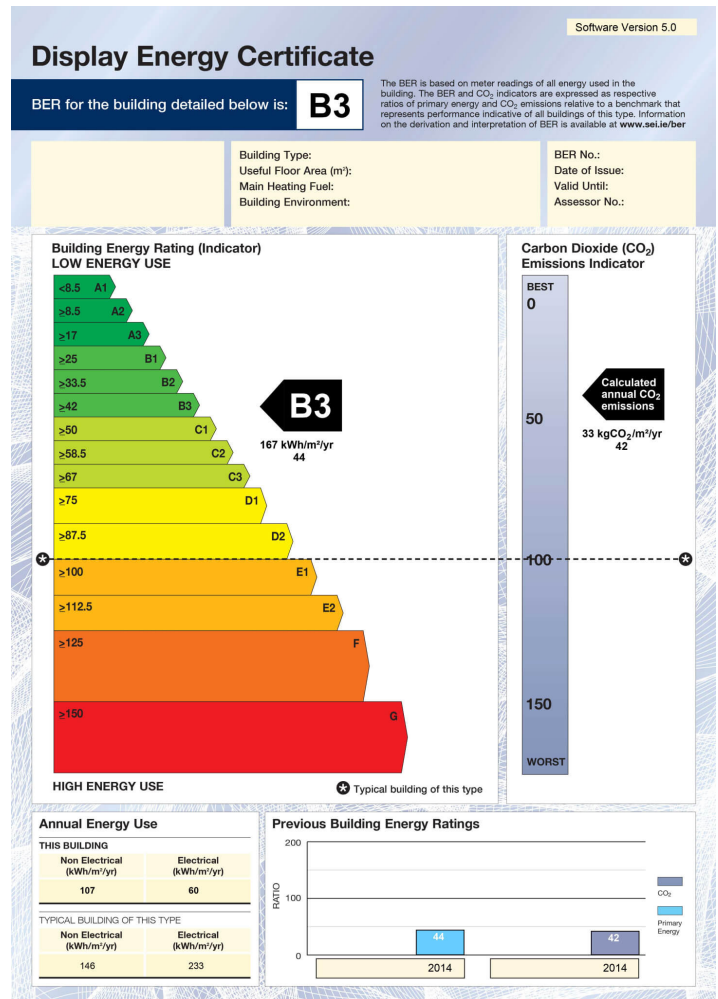
Sustainability and Real Estate, continued from page 5

system for defining sustainability has proven a problem for generalizing these findings.

So while a green premium is thought to exist for residential homes, the lack of a consistent measurement or ratings system, such as the ones that exist in Europe, Australia, and elsewhere prevent anyone from actually estimating what effect the incorporation of sustainable features into existing homes might mean for sale prices.

### The Challenge

Probably the biggest challenge for residential brokers in advising clients on incorporating sustainable features in an existing property is the lack of a standard benchmark for measuring how ‘sustainable’ a property might be. In some cases, it may mean replacing the climate control system and in others it might include replacing a gas hot water system with a solar one. For most brokers, this may seem like common sense. But where homeowners cannot afford the time or expense of incorporating some of these features, the lack of a coherent system for measuring sustainability comes down to the knowledge of the local broker in terms of what will add most to a property value. Until a more systemic approach to rating the sustainability and energy usage of residential properties is developed, such as the ones that exist for commercial real estate, brokers should be mindful of the current trends in their area and whether or not sustainability sells.



Building Energy Rating Certificate for a house - Ireland

# Disciplinary Actions

## February 2017

### Priscilla Mayer — Bellingham

Finding: Unprofessional conduct — Conversion of trust funds; failure to use skill and care; failure to deal honestly and in good faith; failure to turn in transaction documents and failure to cooperate with Department.  
Action: Real Estate Broker License revoked for 10 years and assessed a fine of \$5,000.

### Mauricio Muguira — Kirkland

Finding: Unprofessional conduct — Unlicensed loan origination activity; failure to cooperate with Department.  
Action: Real Estate Broker license revoked for 5 years and assessed a fine of \$1,000.

### Rodney Morasch — Vancouver (North Dakota)

Finding: Unprofessional conduct — Misrepresentation of material facts in listing a home; failure to use skill and care and to deal honestly and in good faith.  
Action: Real Estate Broker license suspended for 1 year and assessed a fine of \$5,000.

### Barbara Nelson — Tacoma

Finding: Unprofessional conduct — Failure to notify Department of judgment; conversion of funds and failure to cooperate with Department.  
Action: Real Estate Designated Broker license revoked for 10 years and assessed a fine of \$5,000.

## October 2016

### Debbie Biggs — Aberdeen

Finding: Unprofessional conduct — Failure to maintain adequate records, conversion of trust funds, failure to supervise staff and provide documents to the Department.  
Action: Real Estate Designated Broker License suspended for 3 years, all stayed (not imposed) for a period of 5 years. Relinquish all property management contracts and fined \$2,000 due within 9 months.

### Jackie T. Nguyen — Seattle

Finding: Unprofessional conduct — Kept designated broker from accessing firm records. Failure to answer transfer application questions truthfully. Failure to report judgments to Department.  
Action: Real Estate Broker License suspended for 1 year, all stayed (not imposed) for a period of 3 years and fined \$1,000 due within 1 year.

### Jane H. So — Seattle

Finding: Unprofessional conduct — Agreed to Stipulation to Disbarment by WSBA.  
Action: Real Estate Broker License suspended for 5 years.

## August 2016

### Jill Billings — Vancouver

Finding: Unprofessional Conduct — Acceptance of referral fees paid outside of real estate firm. Failure to keep or deliver transaction documents to designated broker.  
Action: Real Estate Managing Broker license suspended for 1 year, all stayed (not imposed) for a period of 3 years and fined \$1,500 due within 9 months.

### Ronny T. Wilson — Federal Way

Finding: Unprofessional Conduct — Failure to keep or deliver transaction documents to designated broker timely. Failure to deliver earnest money within 2 business days of mutual acceptance.  
Action: Real Estate Broker license suspended for 1 year, all stayed (not imposed) for a period of 3 years and fined \$1,500 due within 9 months.

## July 2016

### Frank Lopez — Yakima

Finding: Unprofessional Conduct — Acceptance of commission paid outside of real estate firm. Failure to cooperate with Department.  
Action: Real Estate Broker license suspended for 1 year, all stayed (not imposed) for a period of 3 years and fined \$500 due within 1 year.

## June 2016

### Renee Rouleau — Fircrest

Finding: Unprofessional Conduct — Failure to keep and/or maintain adequate records. Failure to provide documentation to Department. Failure to use reasonable skill and care.  
Action: Real Estate Managing Broker License is suspended for 5 years.

### Bryce Sheldon — Puyallup

Finding: Unprofessional Conduct — Theft in the Second Degree.  
Action: Must be in compliance with treatment program for at least 1 year and shall retake required education courses for re-licensure.

### Derek Stebner — Bellingham

Finding: Unprofessional conduct — Failed to maintain security deposits and rental funds in trust accounts. Failed to provide documents to the Department.  
Action: Real Estate Designated Broker License revoked for 3 years.



Disciplinary Actions, continued from page 7

**Angela K. Barnes — Shelton**

Finding: Unprofessional conduct — Production of false document.

Action: Real Estate Designated Broker License suspended for 1 year, all stayed (not imposed) for a period of 3 years and fined \$1,000, due within 1 year.

**Michael J. Whitney — Mount Vernon**

Finding: Unprofessional conduct — Embezzlement of funds.

Action: Real Estate Broker License revoked for 5 years.

**May 2016**

**Edward Flanigan — Seattle**

Finding: Unprofessional conduct — Misrepresentation of lease agreements.

Action: Real Estate Broker License suspended for 1 year, all stayed (not imposed) for a period of 3 years.