



REAL ESTATE LICENSEE UPDATE



JAY INSLEE, GOVERNOR
VOLUME IX, ISSUE 1

PAT KOHLER, DIRECTOR
WINTER 2016

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DOL Enhances Online Real Estate Licensing System

The Department of Licensing (DOL) is making the real estate licensing processes more accessible and efficient! We're modernizing our online system, with self-service available 24/7. Now you'll be able to accomplish many real estate licensing transactions from your home or office computer. The system, called Solar, is the same one brokers and managing brokers currently use to renew licenses. Over the next few months, we'll be adding many new features.

Soon, you'll be able to use Solar to renew your license, as well as update your name, address, email, order a duplicate license, change your license status, and provide supplemental documentation to DOL. Solar will eliminate the need for mailing large packets of information, and will provide real-time prompts for any missing information. This is one step in a series of improvements, including the future ability to apply for a license, print your own license, and track continuing education hours.

Real Estate Brokers, as well as Managing Brokers, Firms and Branch Offices will see new functionality in Solar beginning in summer 2016, in three phases.

1. The first phase will offer the ability to renew licenses, update personal information (name, address, adding an email address), and order duplicate licenses.
2. The second phase will add functionality specific to firms, branch offices, and designated brokers.
3. The third phase will incorporate changes to streamline the broker transfer process.

Please watch for communications from the DOL regarding Solar. You will receive a postcard prompting you to update your email soon. When notified, it is important that you take action as soon as possible – especially updating your email address – so you can use Solar and all its features.

You may also hear about the new Solar features on renewal notices or when visiting the DOL website. We'd like you to help spread the word, too. Please let others in the real estate industry know about these exciting changes coming your way!

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.

Housing inventory shortages persist despite new listings

Northwest Multiple Listing Service June News Release

KIRKLAND, Washington (June 6, 2016) - Just as expected, the month of May had an uptick in new listings (12,272), but just as many buyers (12,275) made offers on homes during the month to keep inventory depleted, according to the latest figures from Northwest Multiple Listing Service.

"Inventory is being squeezed from all directions," reported Frank Wilson, branch managing broker at John L. Scott in Poulsbo. He said the pool of house-hunters includes young first-time buyers, renters whose rents are escalating, buyers who are returning to the market after recovering from a foreclosure or short sale, investors, and baby boomers who are purchasing for their retirement needs. Additionally, in Kitsap County where his office is located, there are military families who are transferring to a base there and want to buy.

By month end, member brokers reported 15,198 active listings in the Northwest MLS database. That's down more than 22 percent from a year ago when buyers could choose from an inventory of 19,515 listings across the 23 counties served by the listing service.

"The May housing market was not just hot, it was frenzy hot," commented J. Lennox Scott, chairman and CEO of John L. Scott Real Estate. "Brokers are working like bees in a hive as the housing market creates a buzz of sales activity in the Seattle-Central Puget Sound area." By his analysis, 80 percent of the homes coming on the market in King and Snohomish counties are selling within the first 30 days. "Many sell within the first week," Scott reported, adding, "A healthy/normal market would have 30 percent selling in the first 30 days."

MLS figures show there is only 1.76 months of supply system-wide. In both King and Snohomish counties, there is barely more than one month of supply - well below the 4-to-6 months that many experts use as an indicator of a balanced market.

"With less than two months of inventory, every new listing seems to draw multiple offers," Wilson remarked. He also said homeowners who want to move up in this same market know they face a conundrum: "If we sell today, will we be able to buy tomorrow?"

Buyers are becoming more and more aggressive with offers and pricing, and that concerns some brokers, said Northwest MLS director George Moorhead. As the gap between pricing and value widens, some would-be buyers may overextend themselves. Also, appraisers are struggling with a lack of comparable sales versus multiple offers that escalate well beyond the listing price, said Moorhead, the designated broker at Bentley Properties. Since lenders base loans on appraised values, buyers will likely need to make up the shortfall.

Even though brokers say paltry inventory is limiting sales, the year-over-year volume of pending sales rose more than 7.4 percent last month. Members reported 12,275 mutually accepted offers, up from the year-ago total of 11,425. MLS data going back to 2004 shows that one-month total is the highest on record.



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Runstad Center for Real Estate Studies staff at the University of Washington, copy/design

'Housing Inventory Shortage', continued from page 2

Prices also rose. The median price area-wide for last month's 8,630 closed sales of single family homes and condominiums (combined) was \$339,950. That's up more than 7.2 percent from twelve months ago when purchasers paid \$317,000 for the median-priced home. Ten counties reported double-digit price hikes.

In King County, the median price jumped more than 11.7 percent, from \$434,000 to \$485,000. Prices on single family homes surged nearly 16.5 percent, rising from \$480,942 to \$560,000. Condo prices were up 9 percent, but finding one proved challenging as inventory dropped 29 percent in King County.

Former MLS board member Ken Anderson, the president/owner of Coldwell Banker Evergreen Olympic Realty in Olympia, said last month set records for both pending and closed sales. "Low inventory coupled with the huge number of buyers has our market moving at a record pace," according to his calculations. "Well-priced homes are selling in an average of just 12 days - a full month faster than the peak of the market in 2006," he commented.

Brokers offer various suggestions to prospective buyers as they vie for scarce inventory:

- "The best advice I can offer to potential first-time buyers is to think outside the box" said Gary O'Leyar, a past chairman of the Northwest MLS board. He encourages buyers to consider purchasing a "stepping stone" property. Since the close-in neighborhoods in Seattle and Bellevue hold little opportunity for first-time buyers, their best option is to look further out, he suggests. "Consider future growth, such as in areas near light rail or other transit services, and areas that have good public schools," said O'Leyar, the owner and designated broker at Berkshire Hathaway Home Services Signature Properties in Seattle. "Waiting on the sidelines to buy will likely lead to increasing rental costs, so why not make a real estate investment purchase and have some hedge against future inflation," he added.
- "Relationships are paramount in this market," said Lennox Scott. "If you're looking for a home, make sure your broker knows your story and can convey it in a compelling way."
- "Buyers must carefully study the market so they can make decisive but smart offers when new listings arrive on the market," emphasized Anderson. "With the robust activity, success for buyers means making an offer that stands above the competition." He also urges buyers

to not forgo important protections like home inspection contingencies.

Wilson and other brokers do not see an easing in the inventory crunch "for some time to come." Even if the Fed raises interest rates, he believes shortages will persist because of the backlog of buyers.

Moorhead noted new home construction is also seeing prices soar as many of the defunct projects from 2008 to 2012 are being completed and built out. "Finding land for new home plats is forcing more teardowns and pushing builders/developers farther out where services are not as prevalent. He said first-time buyers tend to be hardest hit since they're priced out of many close-in areas and must look at commute times of 45 minutes or more.

"There's good news for luxury homebuyers," Scott suggests. It's prime time to showcase such properties, he explains, and "this is the season when more luxury inventory hits the market. The good selection in King County is easing the pressure for homebuyers in the luxury (\$1 million and above) market. A search of the MLS database shows there are currently more than 900 listings in King County with asking prices of \$1 million or more.



"Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership of nearly 2,100 member offices includes more than 25,000 real estate professionals. The organization, based in Kirkland, Wash., currently serves 23 counties in Washington state."

Access news release at: <<http://www.northwestmls.com/index.cfm?/News--Information>>



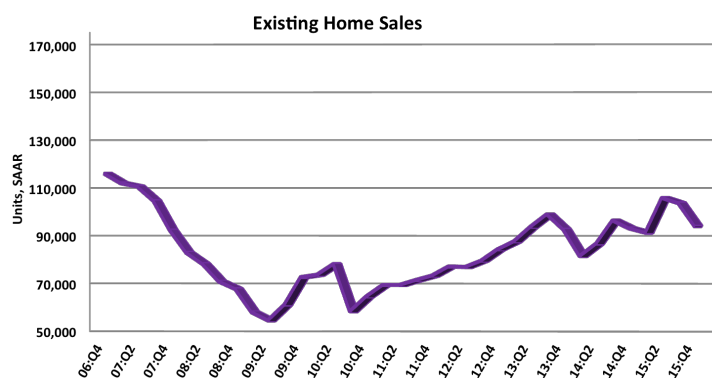
Real Estate Market Roundup

Runstad Center for Real Estate Studies, University of Washington

By the end of 2015, the housing market had slowed down from fourth quarter of the previous year. However, foreclosures and seriously delinquent mortgages also continued their decline. Housing prices increased from mid-year, with the rate of increase slowing from Q3 to Q4. Rising home prices over the course of the year were similarly met with a decrease in housing affordability for all buyers as well as first time buyers.

Sales and Construction Activity

By mid-year, home sales activity in Washington had bounced back to recent peak levels seen at the end of 2014. But sales dipped again in the quarters three and four. Compared to a year ago, the seasonally adjusted annual sales rate (SAAR) decreased 6.3 percent to a level of 93,911 homes.

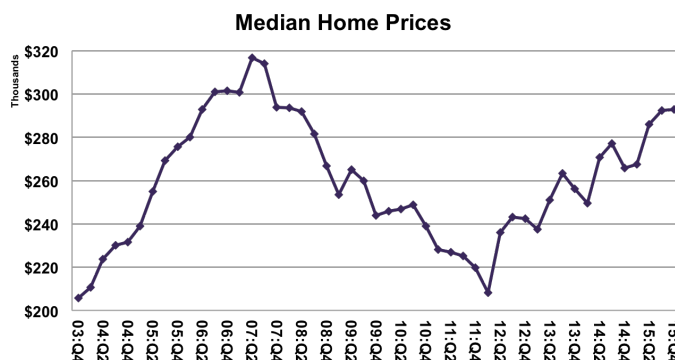


This decline is reflected in the quarter-over-quarter changes in seasonally adjusted annual rate of sales. In total, 5, 25 counties declines in sales from the third to fourth quarter of 2015. Though not as stark, 15 of the state's counties recorded a decline in SAAR sales when compared to the fourth quarter of 2014. It is important to note, however, that this decline in sales over the second half of the year is reflected in similar declines seen in quarters three and four of the previous two years.

Construction activity, which is measured by the number of single and multi-family building permits issued by cities and counties throughout the state, is reported to and published monthly by the US Census Bureau. While the accuracy of all public information relies on the efficiencies of the reporting jurisdiction, a total of 4,715 building permits were issued statewide during the fourth quarter of 2015. This represents a 25.1 percent increase over the total number of building permits issued in the fourth quarter of 2014, but a 39.2 percent decrease from the second quarter of this year.

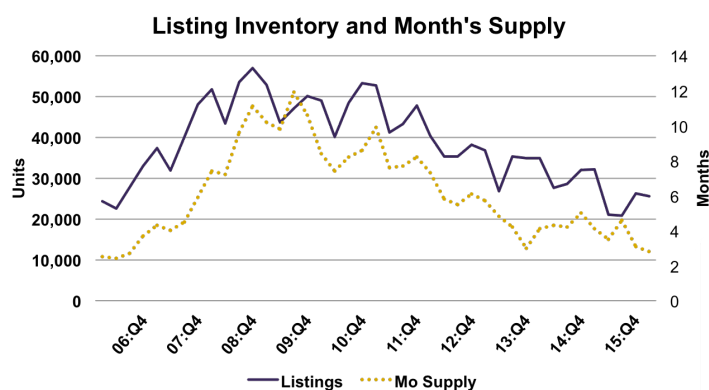
Home Prices

Compared to a year earlier, the relative increase in the median resale price of a single-family home in Washington was 10.2 percent. In absolute terms, the increase was \$26,000. At \$292,900, the median home price during the fourth quarter of 2015 is up substantially from the previous year, and similar to the fourth quarter of 2007. More locally, median house values ranged from a high of \$494,500 in King County to a low of \$70,000 in Columbia County. Despite these overall increases, a total of seven counties reported a lower median price than a year ago.



'Market Roundup', continued from page 4

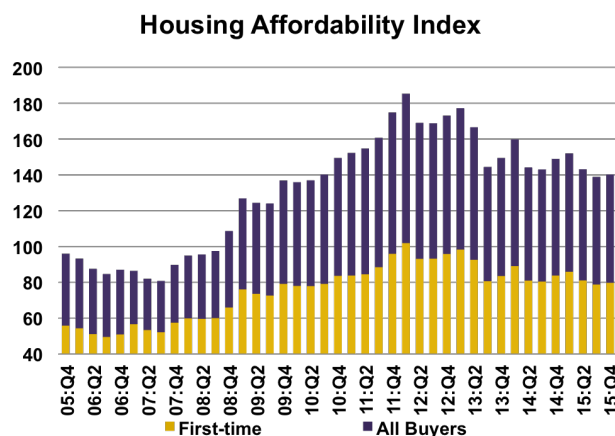
Double-digit increases in medians were reported in twelve counties. Several groups, especially S&P CaseShiller and the Federal Housing Finance Agency (FHFA), utilize repeat sales measures to calculate the rate of home price appreciation. This process requires the documentation where at least two independent 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 February, 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 second quarter at 10.7 percent.

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 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 fourth quarter was 140.2, meaning the typical family has 40.2 percent more income than the minimum required to qualify for a mortgage on the median price home. Only San Juan County reported an index level below 100. While the overall level of affordability is high by historic standards, the index declined by 8.7 points from a year ago.



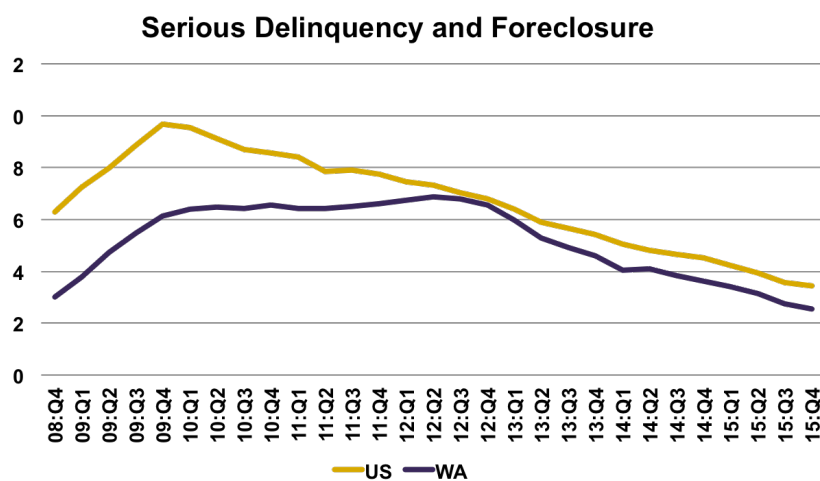
In general, renter households confront greater challenges on the path towards potential home ownership. To reflect that reality, the Runstad Center's First Time Buyer Affordability Index assumes a less costly home (85 percent of area median), a lower down payment (10 percent) and a lower qualifying income (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

'Market Roundup', continued from page 5

the lower end of the income distribution. In the fourth quarter of 2015, the statewide index stood at 79.7, 4.1 points lower than this time last year. First-time buyer affordability indexes ranged from a low of 37.2 in San Juan County to a high of 264.6 in rural Lincoln County. As a point of reference, the Runstad Center has established an index benchmark 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

In the second half of 2015, Washington State mirrored the national trend of decreasing percentages of seriously delinquent mortgages. 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 2.55 percent in Washington and 3.44 percent nationwide. That number represents the lowest rate since the third quarter of 2008.



Public Land For Affordable Housing: An Evaluation Of A HALA Proposal In Seattle

By Joshua Janet, 2016

Chair of Thesis Supervisory committee: Dr. Christine Bae

Seattle is one of the fastest growing high-tech cities in the United States. Under the Washington State Growth Management Act, there is a finite urban land supply for housing development within the designated Urban Growth Areas. In return, Seattle's housing affordability is in crisis. The city of Seattle formed the Housing Affordability and Livability Agenda (HALA) task force in 2014 and it produced 65 recommendations for how the city can facilitate the construction of 20,000 affordable housing units and 30,000 market rate housing units over the next ten years. One of the recommendations (Strategy L.1: Prioritize Use of Public Property for Affordable Housing) proposes that the city revise its existing reuse and disposition policies for surplus and underutilized publicly-owned property to prioritize these properties for the construction of affordable multifamily housing. This thesis seeks to add to existing research by examining one question: How feasible and effective would a policy be to prioritize the use of surplus and underutilized publicly-owned land for the development of affordable housing to meet HALA's growth target?

Any program intended to address affordable housing concerns must be palatable, practical, and have a reasonable chance of producing positive results for all parties involved in order to succeed. This research presents a grounded theory study that uses both qualitative and quantitative measures to document the

This is an abstract from a UW graduate student's thesis, highlighting the creative and analytical work being done in the College of Built Environments. Josh Janet is graduating this spring with a Master's in Urban Planning.



HOUSING AFFORDABILITY
AND LIVABILITY AGENDA

complexity of the issues associated with using publicly-owned surplus and underutilized land for affordable housing development, including comparative case studies and Geographic Information Systems (GIS) land analyses. The feasibility and effectiveness of a revised property reuse and disposition policy is established using three development scenarios (low-build, medium-build, and high-build) for existing surplus and underutilized public land based on a buildable lands analysis. The research and its subsequent analysis provide a blueprint for understanding the challenges associated with housing development on public land. The conclusion of this research is that modifications to the city's existing reuse and disposition policies would present minimal-to-no additional costs to implement and could result in the development of between 495 and 4,450 affordable housing units, or between 2.5% and 22.25% of HALA's target for affordable housing units. The achievement depends on how aggressive the policies were enforced, but it would require robust political support from the city and creative development approaches to be most effective towards the development of more

For a copy of the full report, please contact the author at jjanet1@uw.edu.

Disciplinary Actions

June 2015

Jonathan Leslie — Kirkland

Finding: Unprofessional conduct — Failed to disclose judgments, and falsified continuing education report.

Action: Real Estate Designated Broker License suspended 1 year, all stayed (not imposed) for a period of 4 years; and assessed a fine of \$500.

August 2015

Bob Park — Federal Way

Finding: Unprofessional conduct — Providing false payoff documents; conversion of funds; and failing to disclose a license denial by the Department of Financial Institutions.

Action: Real Estate Broker License revoked 5 years.

Mary Pong — Kirkland

Finding: Unprofessional conduct — Judgment and failure to timely report judgment.

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

Shane Ison — Bremerton

Finding: Unprofessional conduct — Failure to timely notify Department of criminal charges; and failure to cooperate with an investigation unrelated to criminal charge.

Action: Real Estate Designated Broker License suspended for a minimum of 6 months or until he cooperates with the investigation, whichever is longer.

October 2015

Surinder-Pal Khela — Kent

Finding: Unprofessional conduct — State Certified Residential Real Estate Appraiser License was revoked for 3 years for deceptive conduct.

Action: Real Estate Managing Broker License suspended 1 year, all stayed for a period of 3 years; and shall not have delegating managing broker responsibilities during the 3 year stay.

December 2015

Greg C. Hanson — Port Angeles

Finding: Unprofessional conduct — Failure to pay \$500 fine.

Action: Real Estate Designated Broker License suspended until \$500 fine has been paid in full.

February 2016

James Parker — Spokane

Finding: Unprofessional conduct — Failed to maintain property management records.

Action: Real Estate Designated Broker License suspended for 1 year, all stayed (not imposed) for a period of 5 years; assessed a fine of \$1,500; and shall complete a course in Real Estate Broker Supervision.

Luping Fan — Seattle

Finding: Unprofessional conduct — Conducted property management services outside the brokerage.

Action: Real Estate Broker License suspended for 1 year, all stayed (not imposed) for a period of 3 years; and shall complete a course in Real Estate Broker Practices and Real Estate Fundamentals.

Doug R. White — Redmond

Finding: Unprofessional conduct — Conviction for identity theft and mortgage fraud.

Action: Real Estate Designated Broker License revoked for 10 years

March 2016

Richard S. Brown — Bellevue

Finding: Unprofessional conduct — Misrepresentation of client funds; failed to deliver earnest money.

Action: Real Estate Broker License revoked for 3 years; and assessed a fine of \$2,500.

Cheryl Rivera — Tacoma

Finding: Unprofessional conduct — Conviction for theft in first degree.

Action: Real Estate Broker License revoked for 10 years.

'Disciplinary Actions', continued from page 8

April 2016

Jessica Martin — Bellevue

Finding: Unprofessional conduct — Submitted false continuing education certification.

Action: Real Estate Broker License suspended 1 year, 30 days actual, with the remaining 335 days to be stayed for 3 years; and assessed a fine of \$2,500.