

Housing market sizzles, shows no sign of bubble

By **Elizabeth Rhodes**

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Despite conjecture that the local **housing market** is a high-priced **bubble** ready to burst, key signs of weakening are nowhere to be seen, according to homes-sales figures released yesterday by the Northwest Multiple Listing Service.

When a **bubble** bursts, prices decline; the number of homes for sale grows; and it takes longer to sell them.

But here's what the Multiple Listing Service says happened in June: Compared with June 2004, prices jumped 13 percent in the 15-county region that the group covers. The number of homes and condominiums for sale fell 17.5 percent.

Those fewer properties moved briskly, taking 47 days on average to sell, down from 58 a year ago.

King County's numbers were more dramatic. It has roughly a third fewer homes on the **market** than it did this time last year. Real-estate brokers say a major reason is homeowners' fear that if they sell, they won't be able to land a replacement house.

With supply low, King County properties last month sold in an average 37 days, fastest in the region, and prices rose 14 percent.

This appreciation gain has exacerbated what is now a multiyear shortage of entry-level **housing**. Throughout King County yesterday, only 69 single-family homes were priced under \$200,000. At the other end of the spectrum, buyers had 827 million-dollar homes to choose from.

The **market** "is just continuing to stay very, very strong," said Rebecca Kuno, an agent with Keller Williams Realty in Bellevue.

She has first-hand knowledge, having put two homes on the **market** last week. The two, in Kent and Issaquah, each had several offers and sold within two days for more than the asking price. "Part of what is going to keep it from being a **bubble** are low interest rates," Kuno said.

So many buyers are using adjustable-rate mortgages, an avenue to low initial house payments, that this factor alone "is just going to perpetuate the **housing market**," Kuno said. Mortgage rates that have defied predictions and stayed at or below 6 percent for a year continue to add buyers. Their eagerness to buy fuels higher prices.

Price gains in the Seattle metro **market**, in particular, are enough to earn it a "white hot" ranking by Merrill Lynch in its June economic commentary on activity in the top 52 U.S. markets.

According to calculations by Merrill Lynch economist Claudia Lokody, local **housing** prices are increasing much faster than local incomes. That's why she says the Seattle area is overheated. "Compared to a 15-year average, Seattle is not affordable," Lokody said. "Home prices have greatly outstripped income gains in Seattle and other cities."

However, it's her belief that home prices won't "roll over" until there's a significant increase in interest rates.

Lokody didn't examine all of Western Washington. If she had, she would have found San Juan County, not King County, is the most expensive. Last month, the median price of a single-family house in San Juan was \$447,000. (Median means half the properties sold for more, half for less). King County followed at \$375,000, in large part because of strong Eastside price gains. Several areas, including Mercer Island and parts of Bellevue and Redmond, saw June prices up 30 percent or more from a year ago.

Of the four Central Puget Sound counties — King, Snohomish, Pierce and Kitsap — Pierce posted last month's lowest median sales price for condos and detached houses combined: \$235,000. Outside of King, it also had the most homes to choose from: 3,778.

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