

News

## Island County home prices see small jump in 2013

- by JUSTIN BURNETT, South Whidbey Record Editor
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On the heels of a four-year downward slide, homes values in Island County may be showing signs of true and lasting recovery.

The cost of a median single-family home rose for the second year in a row, from \$249,900 in 2011 to \$250,000 in 2012 and \$255,000 last year, according to the Northwest Multiple Listing Service. And while the 2013 increase is a rise of just 2 percent, economists are hailing the pattern as good news.

It's an indication that the descending spiral of home values across the state since the housing market burst in 2008 is finally be over, said Glen Crellin, associate director for research at the University of Washington's Runstan Center for Real Estate Studies.

"The early indication is that the market is stabilizing a bit," he said.

Holding true to past patterns, South Whidbey median values remained the highest on the island at \$316,000. That compares with \$250,000 on Central Whidbey and \$229,500 on North Whidbey, according to real estate statistics provided by Windermere Real Estate in Freeland.

Broken down by school district, South Whidbey's median values for single family homes came in at \$309,950, Coupeville at \$254,000 and Oak Harbor at \$224,000.

A median value is the middle number in a series. For example, the median of 1, 2, and 3 is 2.

Despite low gains, Crellin believes market stabilization and two consecutive years of modest growth are evidence of a healthier real estate market.

"It says it's a much more balanced recovery," Crellin said. "Except for areas like

Seattle, it's consistent with much of the rest of Washington.”

Counties throughout the state saw similar increases in median single-family home values over the past year. Larger urban areas, such as King and Snohomish counties, proved the exception, with values soaring as high as 14 percent.

“We did have a strong market last year, but our appreciation rate doesn't mirror anything like King County,” said Joe Mosolino, owner of Windermere in Freeland.

Why? Mosolino and Crellin agree the answer is simple — it's all about jobs.

“And in one word: Amazon,” Crellin said. “They have just taken over the city (Seattle).”

Employment opportunity is one of the spark plugs that run the engine of home values, and with big companies like Boeing and Amazon in Everett and Seattle, those communities will see greater gains in values.

It's a matter of supply and demand, according to Matthew Gardner, of Seattle-based Gardner Economics. People want to live near their jobs and are will to pay for it.

“It's all about living close to where you work,” Gardner said. “King County will always have the highest values.”

That same reason is why South Whidbey enjoys higher values than other areas of the island. Oak Harbor is home to the county's greatest employer, the U.S. Navy, but the advantage is mitigated by base housing and makes South Whidbey's commuter's the area's home-value driver, Gardner said.

Gardner, Crellin and Mosolino all agree that home values will continue to see modest increases in 2014. That will likely improve seller confidence that the time is again right to put homes on the market, which will in turn snowball into increased inventory.

That can affect prices, but Gardner believes rising interest rates will keep them in check. They can have a massive impact on a buyer's ability to purchase a home, he said.

“For every 1 percent increase, that decreases a buyer's buying power by 10 percent,” he said.

Gardner expects existing rates of about 4.3 percent for a 30-year fixed loan to rise to

about 5 percent in 2014. It's a long way from the 3 percent rates of recent years, but those were an anomaly compared to rates of past decades: 10 percent in 1992 and 20 percent in 1982.

"And people were still buying houses," Gardner said.

"Those rates (3 percent) will never be seen again," he added.

Similarly, homeowners who bought in 2007 at the peak of the market — Island County's median value was \$305,000 — should not expect to recover their investment over the next, Crellin said. It may happen someday, but not in 2014.

"I wouldn't say never, but they have to be very, very patient," Crellin said.

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