

# 2005 Real Estate Report

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**W**hatcom County had another year of real estate price increases in 2005 with the amount of sales staying generally the same, but with far more homes available. Here are some of the trends we saw:

Sales seem to be moving from the Bellingham and Lynden areas, the highest priced areas, into the Sudden Valley and Blaine/Birch Bay areas. However, this doesn't seem to have impacted the rate of price increase, which is fairly consistent in all areas.

The number of homes available for sale has increased substantially in all areas, particularly in Bellingham where there are nearly twice as many homes available as this time last year. The number of sales currently pending is holding near or slightly less than last year in all areas except for Blaine/Birch Bay, which is up substantially. We expect this to contribute to a longer time on the market and possibly, but not necessarily, a slower rate of increase in prices.

Reality is land prices are so high that the lower end (which is keeping the median down) cannot help but rise. Since over half the sales are obviously on the lower end, an increase there will impact both the average and median even if the upper end becomes relatively stagnant.

While agents feel that more buyers are attempting to negotiate on price, the average sale price to list price ratios are still extremely high. This could indicate 2 things: sellers may be reducing prices up front to stimulate the offer or they may be holding firm on their pricing despite lower offers. In our office, we are seeing both.

Long term interest rates are still very good, and actually declined throughout December. This would indicate that people will still be able to buy, although their ability to stretch may be impacted by the rise in short term rates on products like ARM's (adjustable rate mortgages) and HELOC's (home equity lines of credit).

The distance between median and average prices in Bellingham and Lynden may prove to be beneficial for home sellers of "in between" homes that are neither new construction or classics. Each of those market segments has its own attraction for specific market groups, but the homes in between (particularly built in the 60's and 70's) have not generally seen price appreciation at as high a rate. With prices getting so high and lots getting so small (particularly for new construction), more buyers may start to look favorably at the "in betweens".

So here is our forecast for 2006: A strong, rising market, particularly in those areas where average prices are currently lower; price appreciation closer to 15%, most of it coming in the lower ranges; and interest rates rising, but less than in 2005.

The data chart of 2005 real estate activity is on the back—Lylene loves to talk about it so feel free to give her a call.

As we move into a new year, it is an excellent time to look at one's overall financial picture and do some planning. Whether you own one house or multiple properties, never lose sight of the fact that your real estate is an asset and should be evaluated on a regular basis, much as a stock portfolio. If you need information to do an effective analysis, think of us as your real estate resource. We're on call.

# 2005 Real Estate Data Chart

|                  | Year | 12/31 Active | 12/31 Pending | Total Sales | Avg Price Sold | % Increase Year to Year | Avg Price List | % SP to LP | Median Sold Price | Median List Price | DOM |
|------------------|------|--------------|---------------|-------------|----------------|-------------------------|----------------|------------|-------------------|-------------------|-----|
| Bellingham       | 2003 | 236          | 135           | 1354        | \$235,648      |                         | \$237,844      | 99.1%      |                   |                   | 44  |
| Area 860         | 2004 | 209          | 171           | 1425        | \$266,393      | 13%                     | \$268,931      | 99.1%      |                   |                   | 40  |
|                  | 2005 | 401          | 165           | 1270        | \$327,825      | 23%                     | \$331,998      | 98.7%      | \$285,000         | \$288,500         | 41  |
| Ferndale         | 2003 | 125          | 56            | 455         | \$190,239      |                         | \$193,443      | 98.3%      |                   |                   | 61  |
| Area 870         | 2004 | 103          | 52            | 446         | \$237,964      | 25%                     | \$243,314      | 97.8%      |                   |                   | 56  |
|                  | 2005 | 138          | 52            | 457         | \$292,391      | 23%                     | \$296,529      | 98.6%      | \$273,585         | \$275,000         | 50  |
| Sudden Valley    | 2003 | 46           | 22            | 240         | \$173,722      |                         | \$175,790      | 98.8%      |                   |                   | 56  |
| Area 850         | 2004 | 43           | 34            | 236         | \$223,203      | 28%                     | \$223,979      | 99.7%      |                   |                   | 48  |
|                  | 2005 | 70           | 26            | 265         | \$272,383      | 22%                     | \$274,988      | 99.1%      | \$256,700         | \$259,900         | 56  |
| Blaine Birch Bay | 2003 | 165          | 50            | 415         | \$191,829      |                         | \$196,468      | 97.6%      |                   |                   | 85  |
| Area 880         | 2004 | 156          | 47            | 442         | \$228,723      | 19%                     | \$236,676      | 96.6%      |                   |                   | 67  |
|                  | 2005 | 225          | 78            | 528         | \$281,440      | 23%                     | \$286,156      | 98.4%      | \$245,000         | \$245,000         | 59  |
| Lynden           | 2003 | 82           | 32            | 265         | \$196,043      |                         | \$200,237      | 97.9%      |                   |                   | 62  |
| Area 885         | 2004 | 61           | 27            | 284         | \$253,491      | 29%                     | \$258,129      | 98.2%      |                   |                   | 60  |
|                  | 2005 | 85           | 29            | 264         | \$316,486      | 25%                     | \$321,196      | 98.5%      | \$276,750         | \$279,000         | 52  |

\*Data comes from the Bellingham Whatcom County Multiple Listing Service and the Northwest Multiple Listing Service and is deemed to be accurate, but not guaranteed.