

REAL ESTATE GUIDE 2009: **NEW RATES, NEW RULES**

SEATTLE METROPOLITAN

96
NEIGHBORHOOD
PROFILES

7
TRUE TALES
OF BUYERS
& SELLERS

2,379 REAL
ESTATE FACTS
(BUT WHO'S
COUNTING)

14
BURNING
MARKET
QUESTIONS
ANSWERED

BUY SELL HOLD

APRIL 2009

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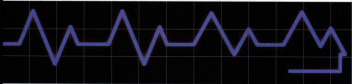
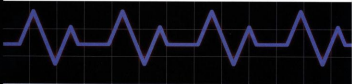


Buddy, can you spare a house payment?

A marching band for a pro soccer team? No way

A Seattle lawyer stands up to Big Peanut





REAL ESTATE GUIDE 2009

BUY? SELL? OR HOLD ON FOR DEAR LIFE?

True tales of Seattle real estate and expert advice to help you navigate the new rules of homeownership. BY MATTHEW HALVERSON

WHAT'S A LEASE-TO-PURCHASE OPTION, AND IS IT A SMART MOVE FOR ME?

TRUE STORY Last summer, a family in Lake Stevens had virtually run out of options. A job relocation to Utah had forced them to bid their four-bedroom home on the market, but after a year in which they dropped the price from \$398,000 to \$290,000, they'd failed to find a buyer. At the same time a couple that was moving to Seattle from California was searching for a new construction home in the same neighborhood, but credit problems were delaying their plans.

And that's when domestic serendipity took over. The seller's agent, Stacy Lange, of Windermere, used to sell homes for the builder that the hopeful buyers planned to buy from, and one of Lange's former coworkers there called and said the couple was a great fit for the relocating family's house—if a lease-to-purchase arrangement could be hammered out.

REALTY CHECK And like it sounds, a lease-to-purchase option allows potential buyers to rent a house for a predetermined period of time, after which they have the option to purchase the property. And given the current market—where sellers need to bring in cash while they look for buyers and buyers need a place to live while they repair their credit—

Lange says rent-to-buy is becoming a more common transaction in Seattle.

It's also a complicated one. First, buyers are typically expected to pay a nonrefundable option fee—think of it as earnest money. Then both sides must agree on a monthly rent and how much, if any, of it will be applied to the eventual purchase of the home, should the would-be buyers exercise the option. The Lake Stevens buyers signed a 12-month lease last August, at \$2,345 per month. The contract stipulated that if they bought within the first six months, before February, they'd get a \$1,000 credit. But the low-

ger the renters delay the decision, the less attractive the credit. If they wait another six months until the end of the lease in August to buy, they'll receive only an additional \$800 for a total credit of \$9,800. Sellers want to keep as much of the rent as they can, as a cost of doing business, but real estate attorney Craig Blackman says picking the rent can have its drawbacks. "The more the seller is willing to credit the buyer, the more likely it is that the buyer will exercise the option," he says.

LAST WORD The most important part of the deal, though, is settling on the purchase price. Blackman suggests agreeing on a mechanism to determine the price at the end of the lease, such as a third-party appraisal, because it protects both sides in the case of severe market fluctuations. Home values hadn't started their steep fall when the Lake Stevens parties agreed to a \$305,000 sale price last August, which worked in the sellers' favor.

But then again the sellers were already taking a hit: They'd have to bring \$20,000 to the closing because they ended up underwater on the loan. "We even talked about them walking away from the house," Lange says, "but they felt like they made a commitment to the bank and their situation dictated that they had to move, so they're just going to write a check in the end."

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NUMBER OF SEATTLE AREAS, AS DEFINED BY THE NORTHWEST MULTIPLE LISTING SERVICE, WITH LESS THAN SIX MONTHS OF SUPPLY THROUGH-OUT 2008

Six months of supply is the industry-accepted benchmark for a balanced inventory; dip below that number and you have a seller's market and higher prices; jump above it and the buyers are in control and prices drop. Greenleaf, Ballard, and Greenwood—lumped together and identified by the NWMLS as "map area 795"—saw inventory sink close to three months in June. Surprisingly, the median sales price in that area dropped 10 percent year over year, between January '08 and January '09.

