

WINDERMERE REAL ESTATE PRESENTS

THE GARDNER REPORT

WESTERN WASHINGTON | FOURTH QUARTER 2016

The following analysis of the Western Washington real estate market is provided by Windermere Real Estate Chief Economist Matthew Gardner. We hope that this information may assist you with making better-informed real estate decisions. For further information about the housing market in your area, please don't hesitate to contact me.



WINDERMERE.COM

ABOUT MATTHEW GARDNER Mr. Gardner is the Chief Economist for Windermere Real Estate, specializing in residential market analysis, commercial/industrial market analysis, financial analysis, and land use and regional economics. He is the former Principal of Gardner Economics, and has over 25 years of professional experience both in the U.S. and U.K.

ECONOMIC OVERVIEW

Washington State finished the year on a high with jobs continuing to be added across the market. Additionally, we are seeing decent growth in the area's smaller markets, which have not benefitted from the same robust growth as the larger metropolitan markets.

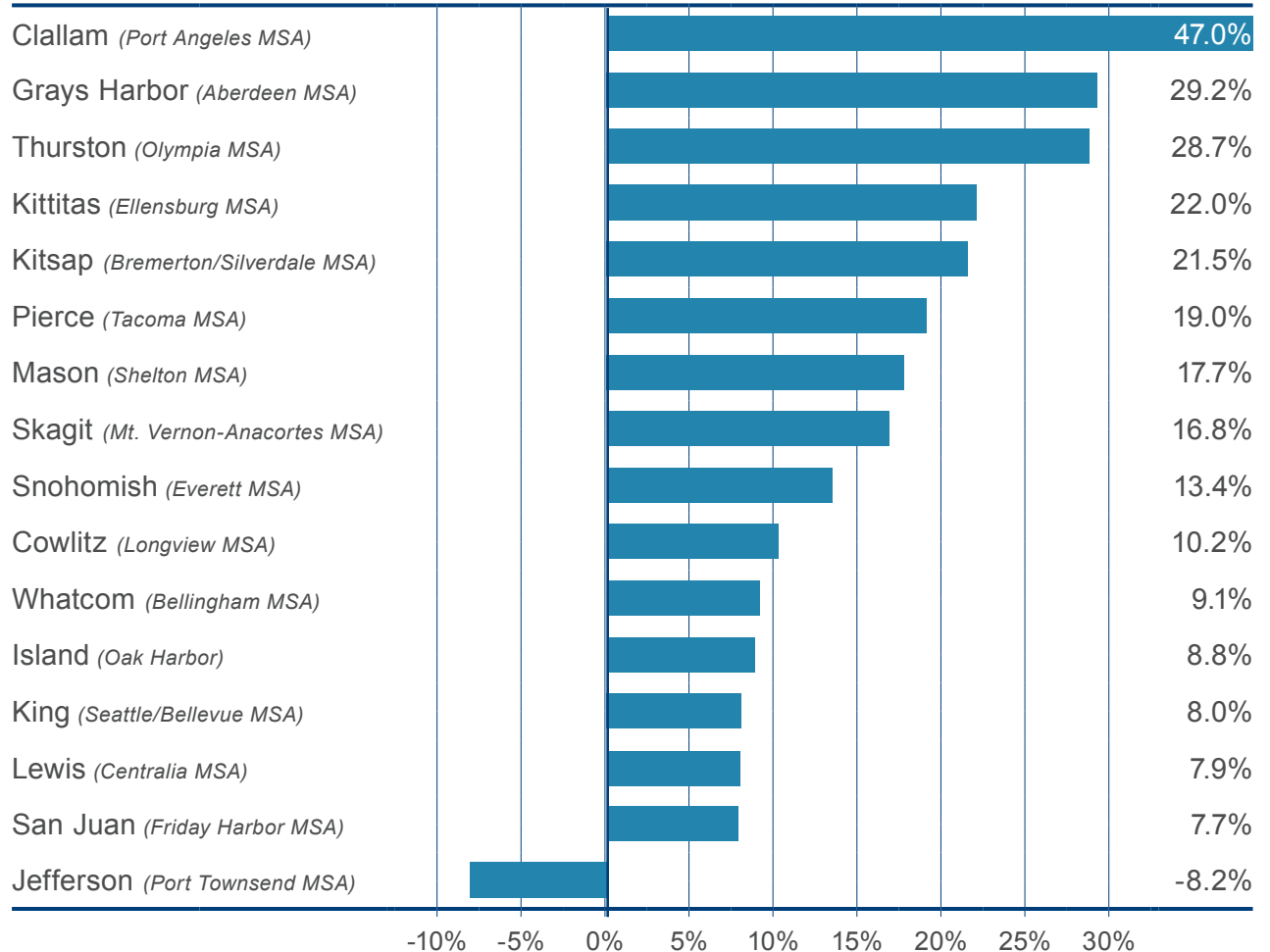
Unemployment rates throughout the region continue to drop and the levels in the central Puget Sound region suggest that we are at full employment. In the coming year, I anticipate that we will see substantial income growth as companies look to recruit new talent and keep existing employees happy.

HOME SALES ACTIVITY

- There were 19,745 home sales during the fourth quarter of 2016—up by a very impressive 13.4% from the same period in 2015, but 18.7% below the total number of sales seen in the third quarter of the year. (This is a function of seasonality and no cause for concern.)
- Sales in Clallam County grew at the fastest rate over the past 12 months, with home sales up by 47%. There were also impressive sales increases in Grays Harbor and Thurston Counties. Jefferson County had a fairly modest decrease in sales.
- The number of available listings continues to remain well below historic averages. The total number of homes for sale in the fourth quarter was down by 13.7% compared to the same period a year ago.
- The key takeaway from this data is that 2017 will continue to be a seller's market. We should see some improvement in listing activity, but it is highly likely that demand will exceed supply for another year.

ANNUAL CHANGE IN HOME SALES

Q4-2015 TO Q4-2016

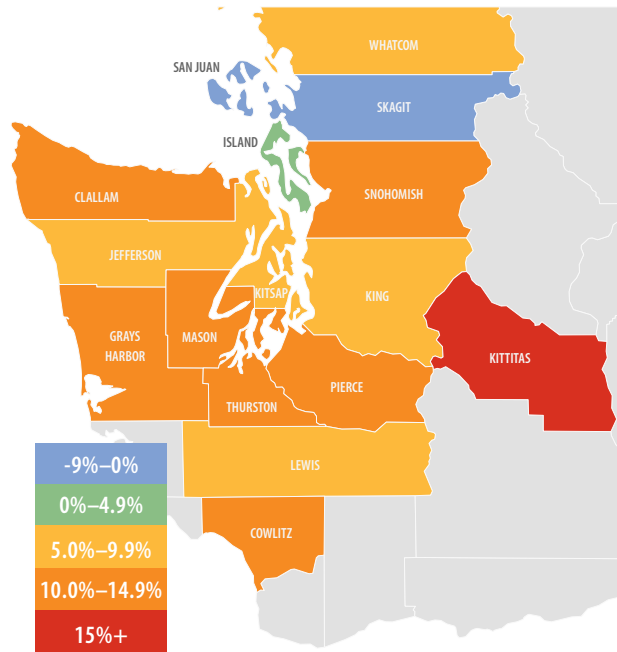


HOME PRICES

- Demand continued to exceed supply in the final three months of 2016 and this caused home prices to continue to rise. In the fourth quarter, average prices rose by 7.1% but were 0.4% higher than the third quarter of the year. The region's average sales price is now \$414,110.
- In most parts of the region, home prices are well above historic highs and continue to trend upward.

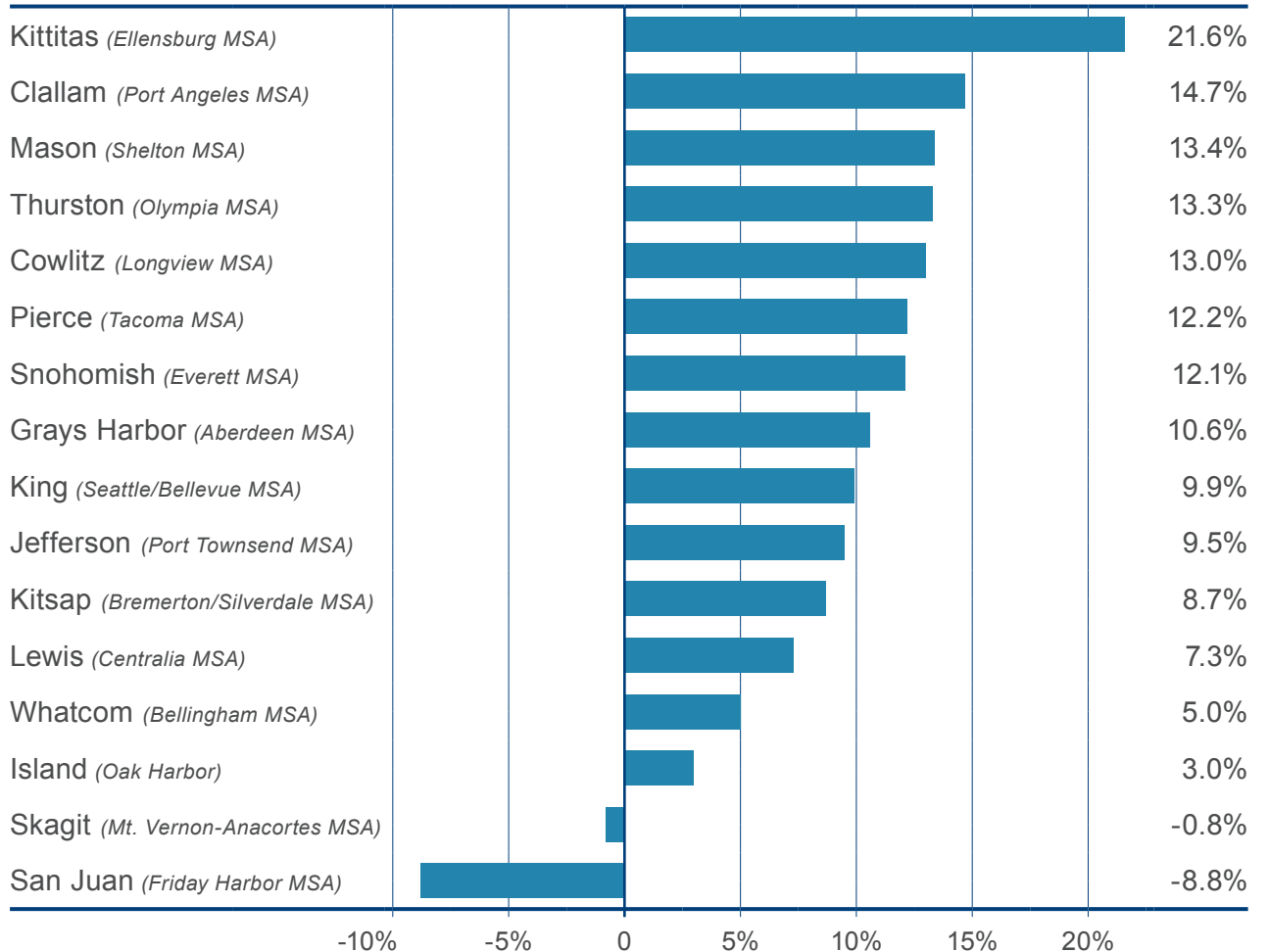
- When compared to the fourth quarter of 2015, price growth was most pronounced in Kittitas County. In total, there were eight counties where annual price growth exceeded 10%. We saw a drop in sales prices in the notoriously volatile San Juan County.

- The aggressive home price growth that we've experienced in recent years should start to taper in 2017, but prices will continue to increase at rates that are higher than historic averages.



ANNUAL CHANGE IN HOME SALE PRICES

Q4-2015 TO Q4-2016

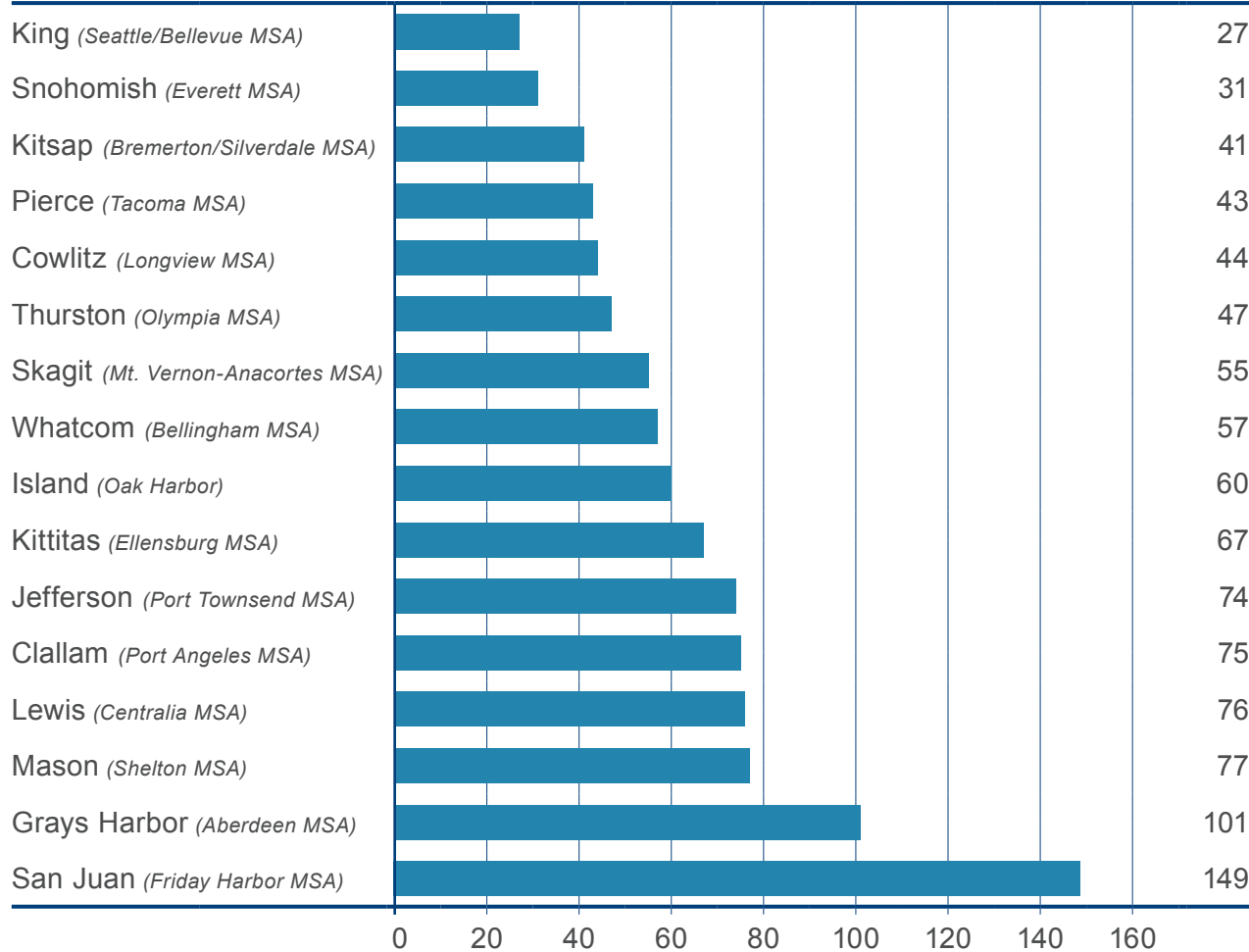


DAYS ON MARKET

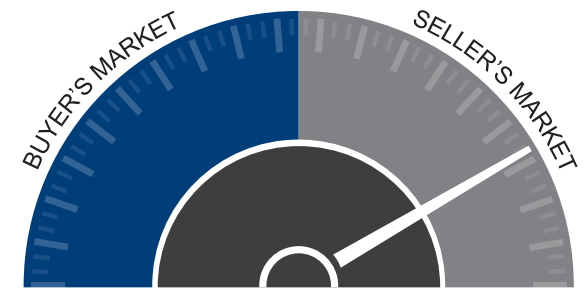
- The average number of days it took to sell a home in the fourth quarter dropped by 15 days when compared to the fourth quarter of 2015.
- King County was the only area where it took less than a month to sell a home, but all markets saw decent improvement in the time it took to sell a home when compared to a year ago.
- In the final quarter of the year, it took an average of 64 days to sell a home. This is down from the 78 days it took in the third quarter of 2015, but up from the 52 days it took in the third quarter of 2016. (This is due to seasonality and not a cause for concern.)
- We may experience a modest increase in the time it takes to sell a home in 2017, but only if there is a rapid increase in listings, which is certainly not a given.

AVERAGE DAYS ON MARKET

Q4-2016



CONCLUSIONS



This speedometer reflects the state of the region's housing market using housing inventory, price gains, sales velocities, interest rates, and larger economic factors. For the fourth quarter of 2016, I actually moved the needle a little more in favor of buyers, but this is purely a function of the increase in interest rates that was seen after the election. Higher borrowing costs mean that buyers can afford less, which could ultimately put some modest downward pressure on home prices in 2017. That said, the region will still strongly favor sellers in the coming year.