

WINDERMERE REAL ESTATE PRESENTS

# THE GARDNER REPORT

WESTERN WASHINGTON | SECOND QUARTER 2017

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.



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**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 more than 30 years of professional experience both in the U.S. and U.K.

## ECONOMIC OVERVIEW

The Washington State economy has been expanding at a rapid pace but we are seeing a slowdown as the state grows closer to full employment. Given the solid growth, I would expect to see income growth move markedly higher, though this has yet to materialize. I anticipate that we will see faster income growth in the second half of the year. I still believe that the state will add around 70,000 jobs in 2017.

Washington State, as well as the markets that make up Western Washington, continue to see unemployment fall. The latest state-wide report now shows a rate of 4.5%—the lowest rate since data started to be collected in 1976.

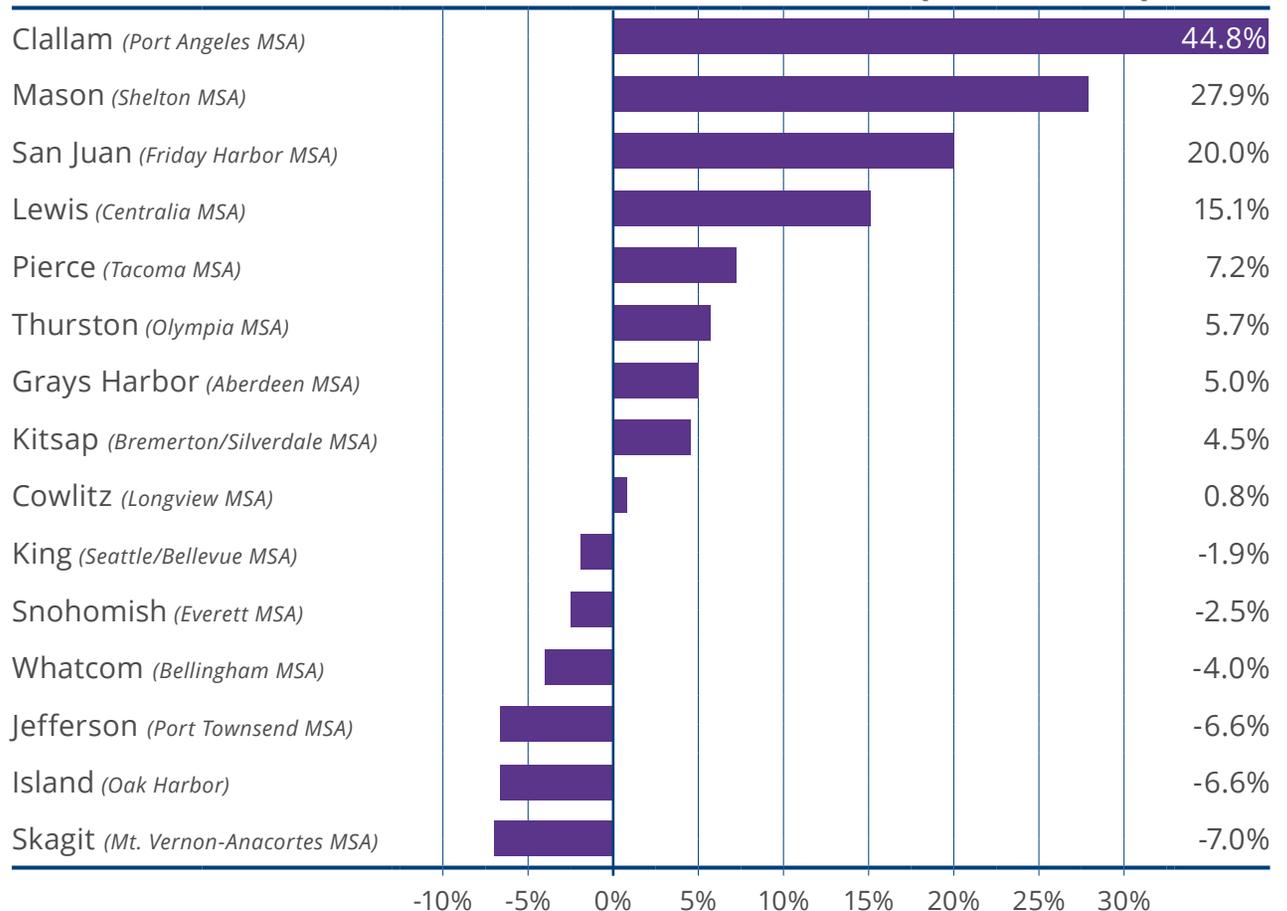
I believe that growth in the state will continue to outperform the U.S. as a whole and, with such robust expansion, I would not be surprised to see more people relocate here as they see Washington as a market that offers substantial opportunity.

## HOME SALES ACTIVITY

- There were 23,349 home sales during the second quarter of 2017. This is an increase of 1.1% from the same period in 2016.
- Clallam County maintains its position as number one for sales growth over the past 12 months. Double-digit gains in sales were seen in just three other counties, which is a sharp drop from prior reports. I attribute this to inventory constraints rather than any tangible drop in demand. The only modest decline in sales last quarter was seen in Grays Harbor County.
- The number of homes for sale, unfortunately, showed no improvement, with an average of just 9,279 listings in the quarter, a decline of 20.4% from the second quarter of 2016. Pending sales rose by 3.6% relative to the same quarter a year ago.
- The key takeaway from this data is that it is unlikely we will see a significant increase in the number of homes for sale for the rest of 2017.

## ANNUAL CHANGE IN HOME SALES

Q2-2016 TO Q2-2017

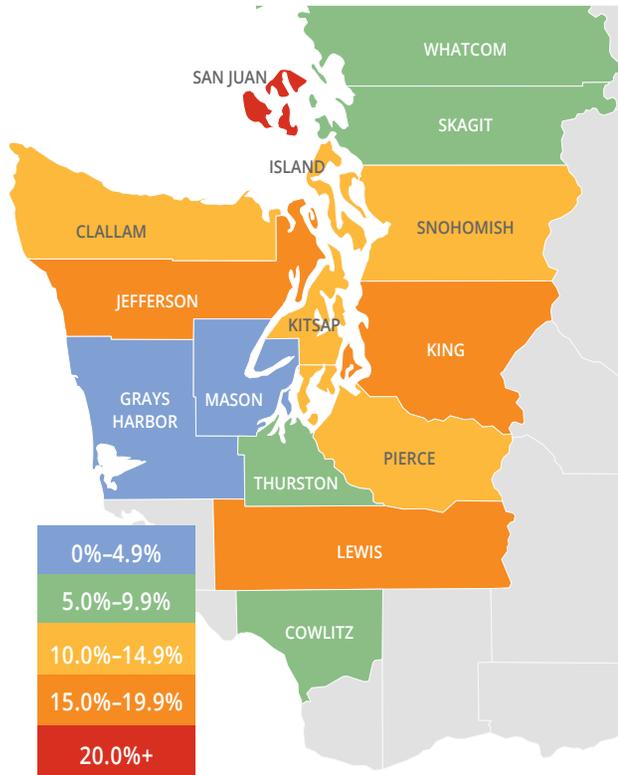


## HOME PRICES

- Along with the expanding economy, home prices continue to rise at very robust rates. Year-over-year, average prices rose 14.9%. The region's average sales price is now \$470,187.
- Price growth in Western Washington continues to impress as competition for the limited number of homes for sale remains very strong. With little easing in supply, we anticipate that prices will continue to rise at above long-term averages.

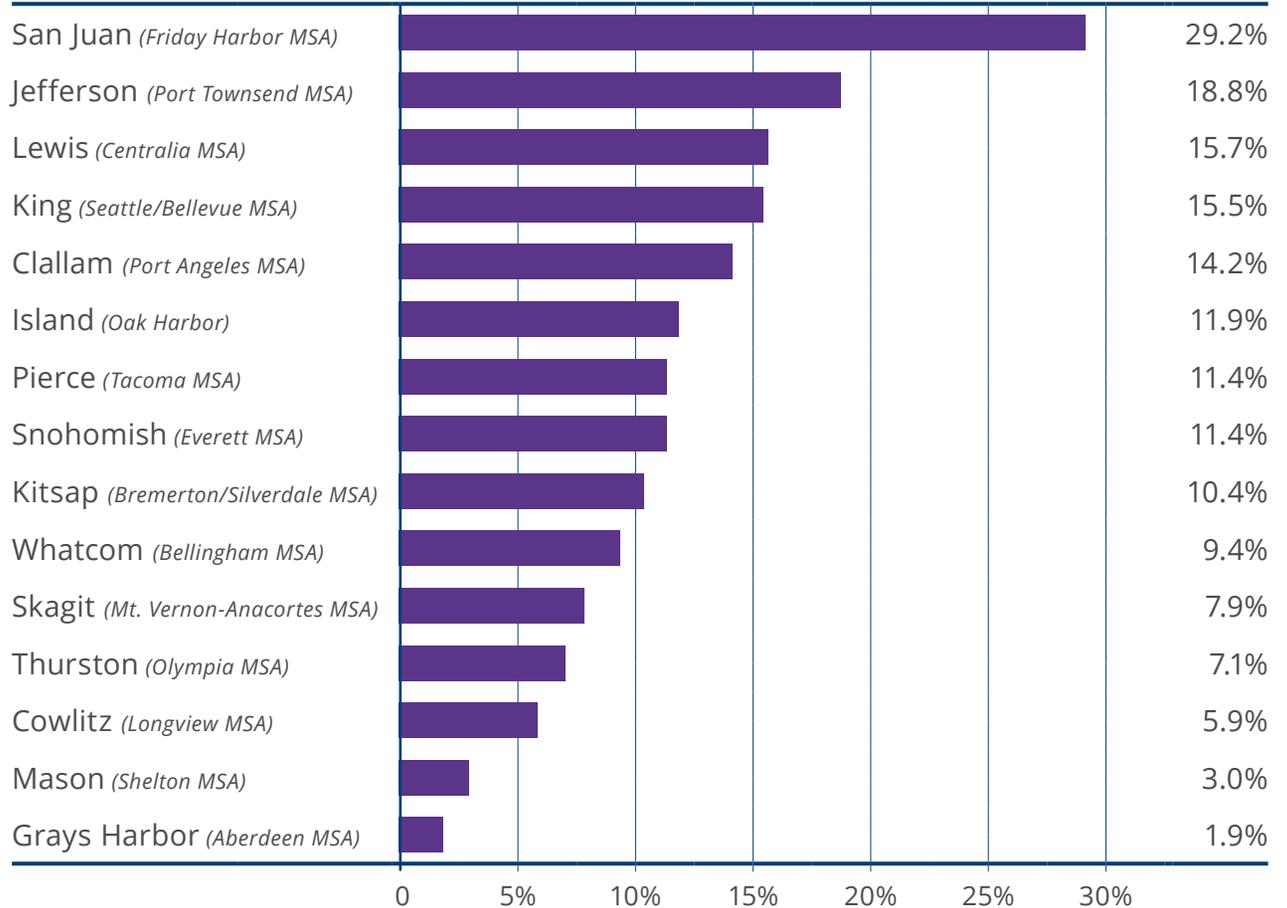
- When compared to the same period a year ago, price growth was most pronounced in San Juan County where sale prices were 29.2% higher than second quarter of 2016. Eight additional counties experienced double-digit price growth.

- The specter of rising interest rates failed to materialize last quarter, but this actually functioned to get more would-be buyers off the fence and into the market. This led to even more demand which translated into rising home prices.



### ANNUAL CHANGE IN HOME SALE PRICES

Q2-2016 TO Q2-2017

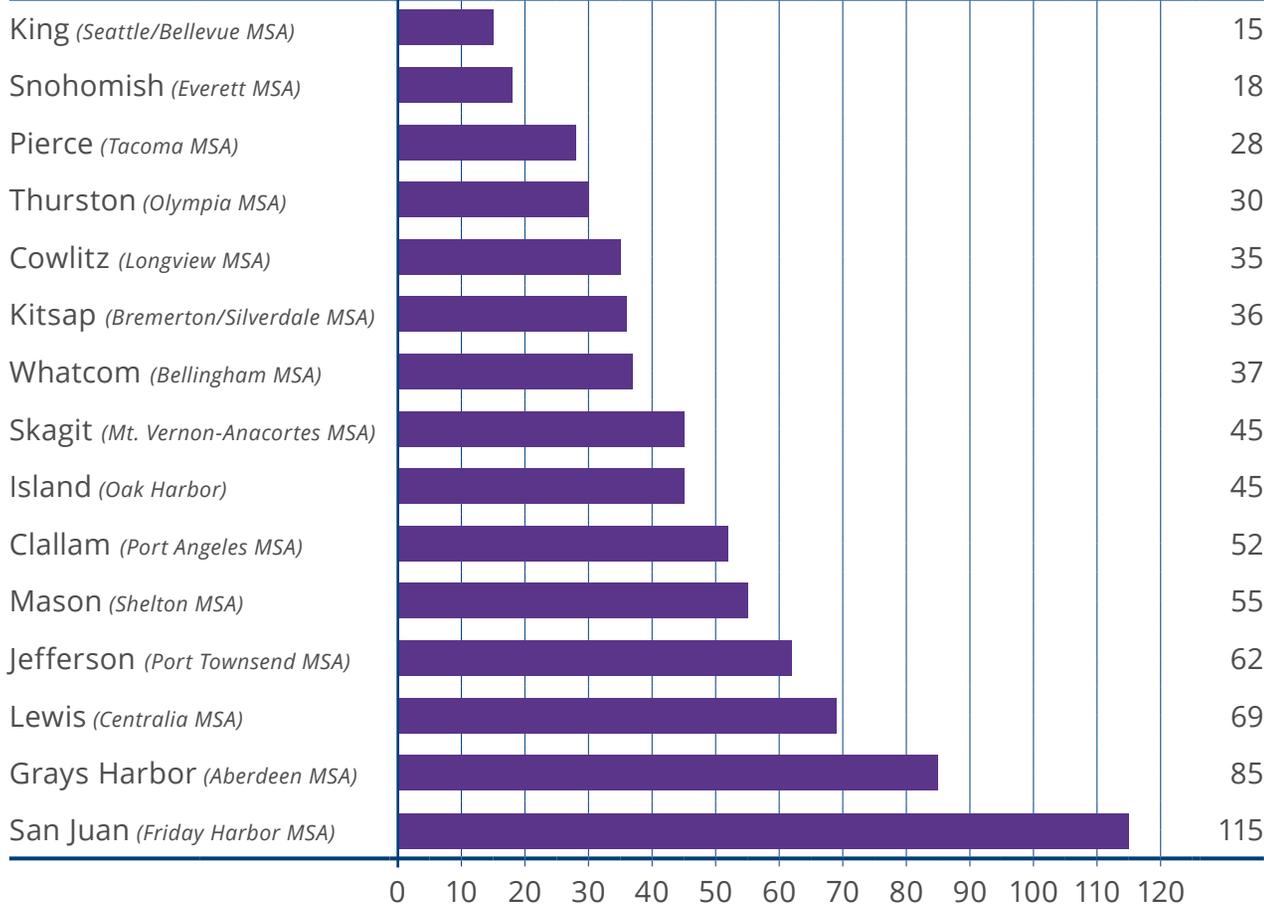


## DAYS ON MARKET

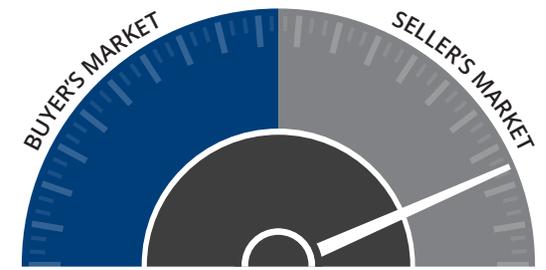
- The average number of days it took to sell a home in the quarter dropped by 18 days when compared to the same quarter of 2016.
- King County remains the tightest market; homes, on average, sold in a remarkable 15 days. Every county in this report saw the length of time it took to sell a home drop from the same period a year ago.
- Last quarter, it took an average of 48 days to sell a home. This is down from the 66 days it took in the second quarter of 2016.
- Given the marked lack of inventory, I would not be surprised to see the length of time it takes to sell a home drop further before the end of the year.

## AVERAGE DAYS ON MARKET

Q2-2017



## CONCLUSIONS



This speedometer reflects the state of the region's housing market using housing inventory, price gains, home sales, interest rates, and larger economic factors. For the second quarter of 2017, I moved the needle a little more in favor of sellers. To define the Western Washington market as "tight" is somewhat of an understatement. Inventory is short and buyers are plentiful. Something must give, but unless we see builders delivering substantially more units than they have been, it will remain staunchly a sellers' market for the balance of the year. Furthermore, increasing mortgage rates have failed to materialize and, with employment and income growth on the rise, the regional housing market will continue to be very robust.