

WINDERMERE REAL ESTATE PRESENTS

THE GARDNER REPORT

WESTERN WASHINGTON | FOURTH 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 added 104,600 new jobs over the past 12 months. This impressive growth rate of 3.1% is well above the national rate of 1.4%. Interestingly, the slowdown we saw through most of the second half of the year reversed in the fall, and we actually saw more robust employment growth.

Growth continues to be broad-based, with expansion in all major job sectors other than aerospace due to a slowdown at Boeing.

With job creation, the state unemployment rate stands at 4.5%, essentially indicating that the state is close to full employment. Additionally, all counties contained within this report show unemployment rates below where they were a year ago.

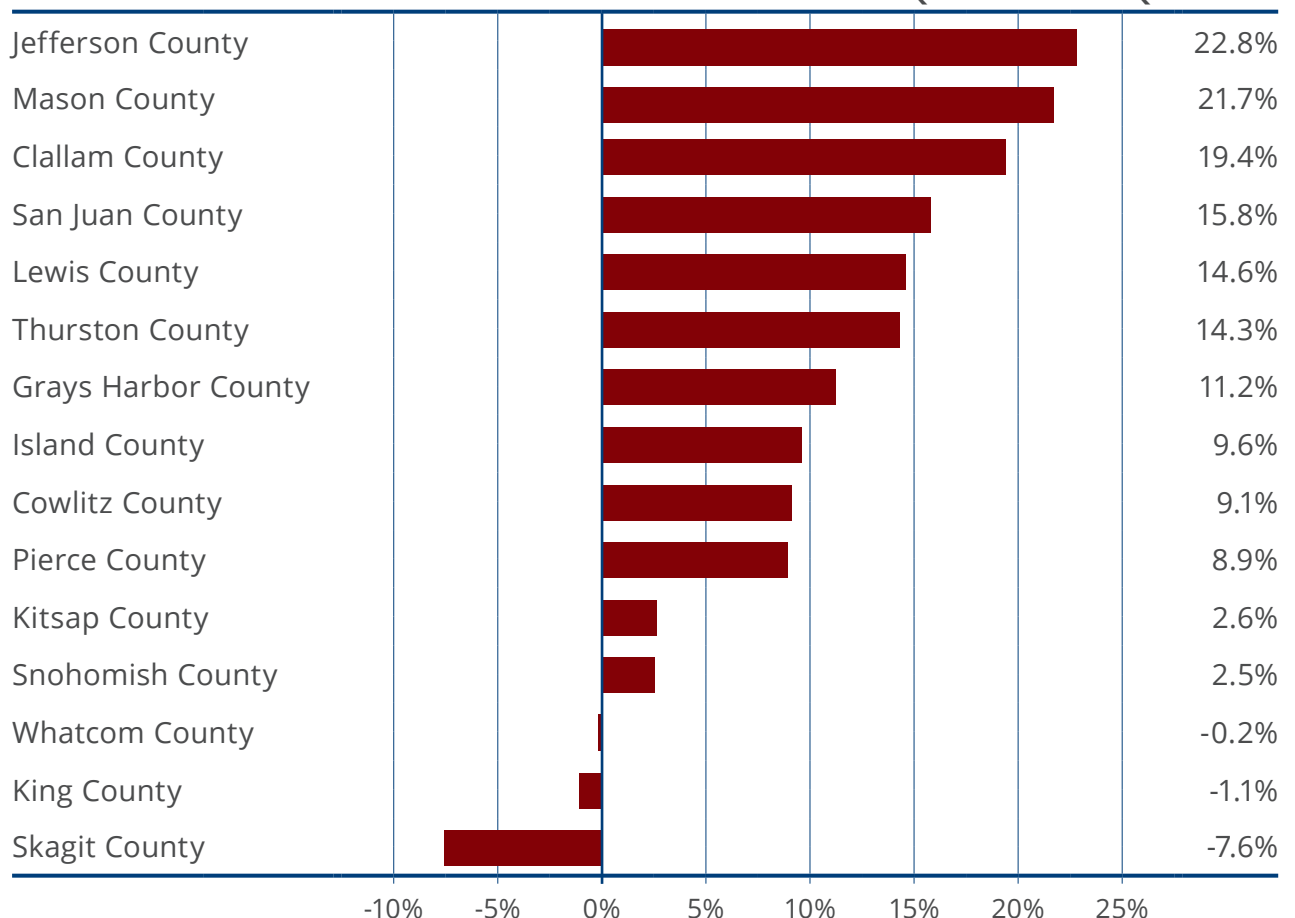
I expect continued economic expansion in Washington State in 2018; however, we are likely to see a modest slowdown, which is to be expected at this stage in the business cycle.

HOME SALES ACTIVITY

- There were 22,325 home sales during the final quarter of 2017. This is an increase of 3.7% over the same period in 2016.
- Jefferson County saw sales rise the fastest relative to fourth quarter of 2016, with an impressive increase of 22.8%. Six other counties saw double-digit gains in sales. A lack of listings impacted King and Skagit Counties, where sales fell.
- Housing inventory was down by 16.2% when compared to the fourth quarter of 2016, and down by 17.3% from last quarter. This isn't terribly surprising since we typically see a slowdown as we enter the winter months. Pending home sales rose by 4.1% over the third quarter of 2017, suggesting that closings in the first quarter of 2018 should be robust.
- The takeaway from this data is that listings remain at very low levels and, unfortunately, I don't expect to see substantial increases in 2018. The region is likely to remain somewhat starved for inventory for the foreseeable future.

ANNUAL CHANGE IN HOME SALES

Q4-2016 TO Q4-2017

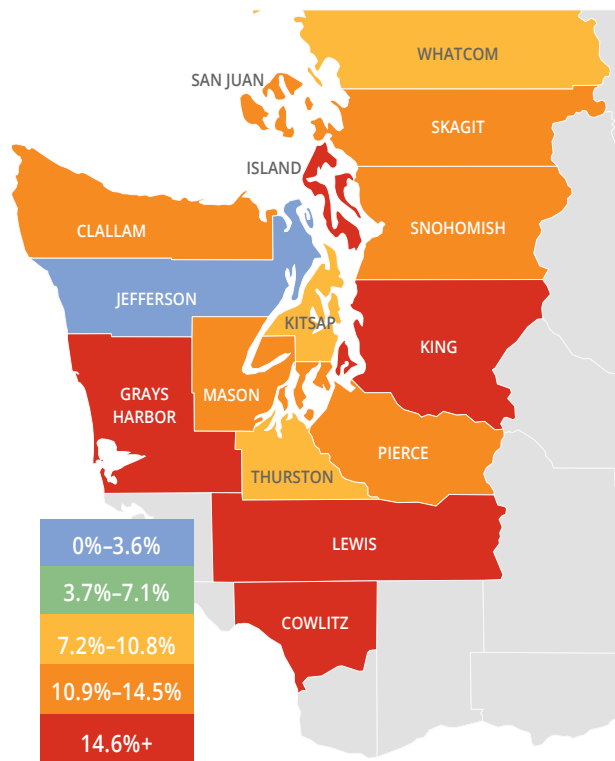


HOME PRICES

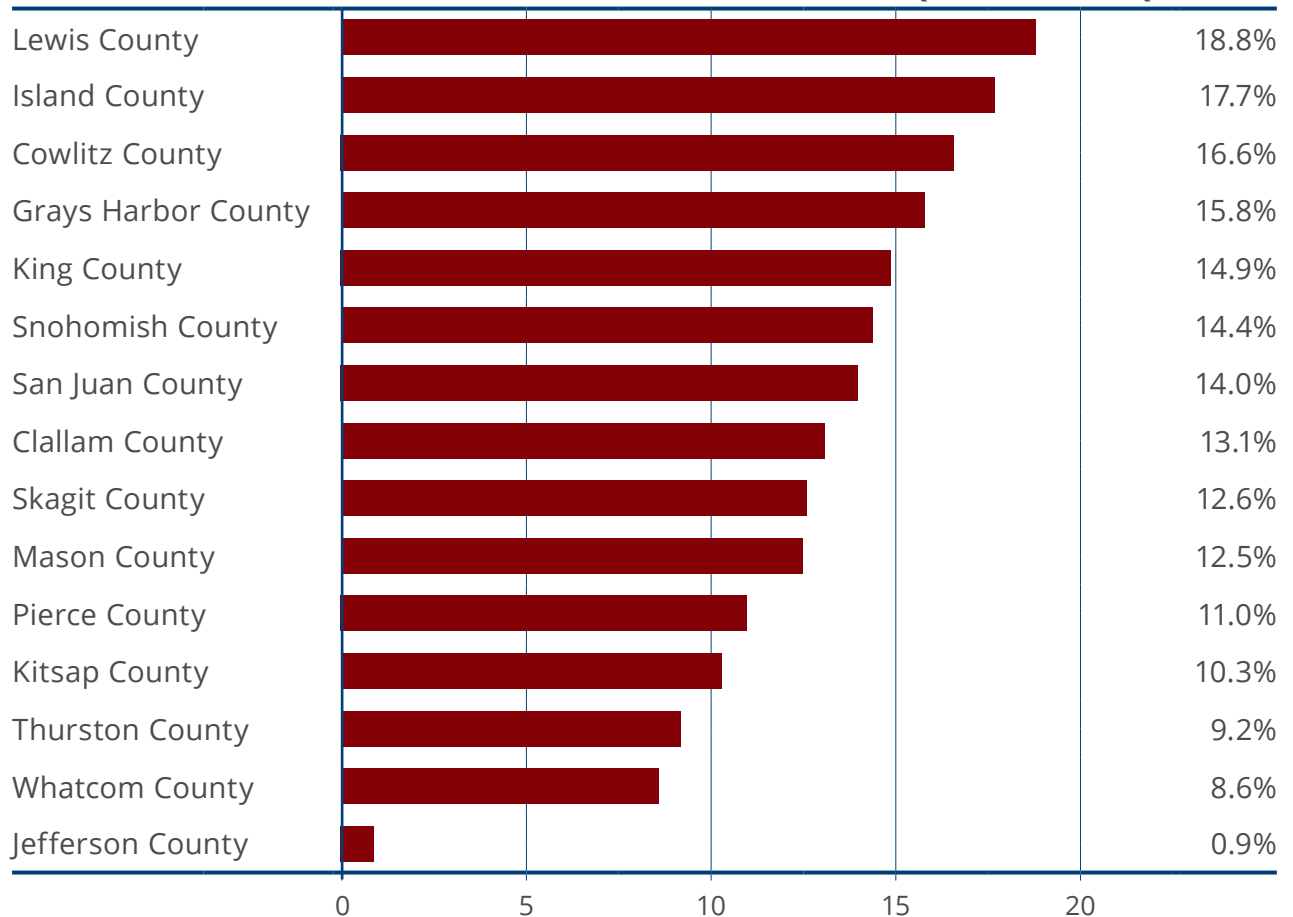
- Because of low inventory in the fall of 2017, price growth was well above long-term averages across Western Washington. Year-over-year, average prices rose 12% to \$466,726.
- Economic vitality in the region is leading to a demand for housing that far exceeds supply. Given the relative lack of newly constructed homes—something that is unlikely to change any time soon—there will continue to be pressure on the resale market. This means home prices will rise at above-average rates in 2018.

- Compared to the same period a year ago, price growth was most pronounced in Lewis County, where home prices were 18.8% higher than a year ago. Eleven additional counties experienced double-digit price growth as well.

- Mortgage rates in the fourth quarter rose very modestly, but remained below the four percent barrier. Although I anticipate rates will rise in 2018, the pace will be modest. My current forecast predicts an average 30-year rate of 4.4% in 2018—still remarkably low when compared to historic averages.



ANNUAL CHANGE IN HOME SALE PRICES Q4-2016 TO Q4-2017



DAYS ON MARKET

- The average number of days it took to sell a home in the fourth quarter dropped by eight days, compared to the same quarter of 2016.
- King County continues to be the tightest market in Western Washington, with homes taking an average of 21 days to sell. Every

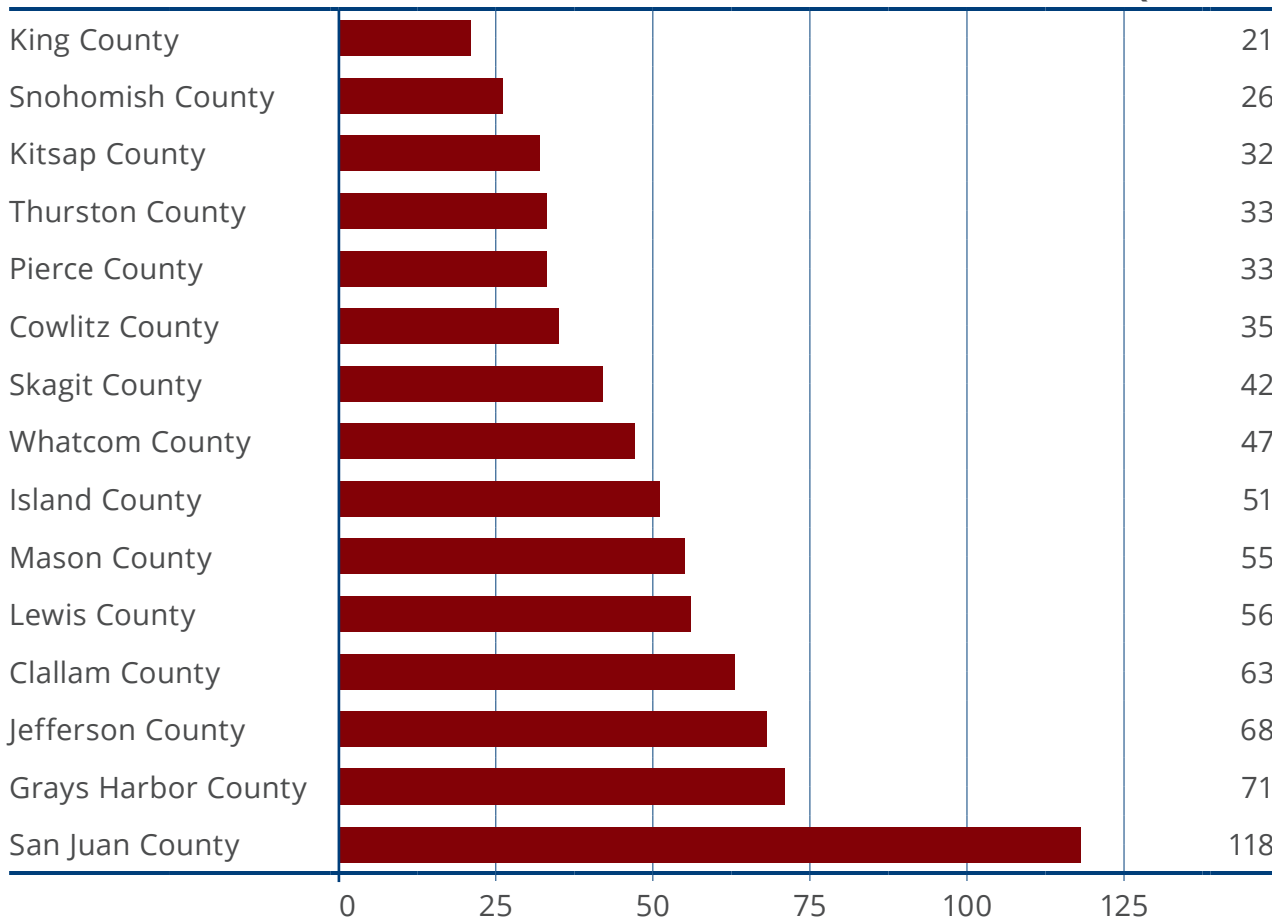
county in the region saw the length of time it took to sell a home either drop or remain static relative to the same period a year ago.

- Last quarter, it took an average of 50 days to sell a home. This is down from 58 days in the fourth quarter of 2016, but up by 7 days from the third quarter of 2017.

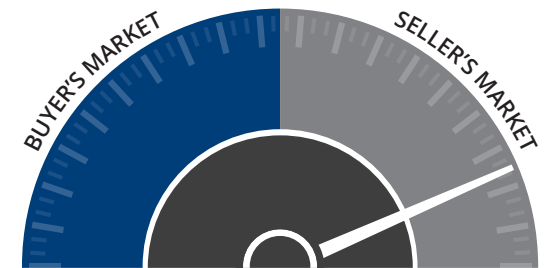
- As mentioned earlier in this report, I expect inventory levels to rise modestly, which should lead to an increase in the average time it takes to sell a house. That said, with homes selling in less than two months on average, the market is nowhere near balanced.

AVERAGE DAYS ON MARKET

Q4-2017



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 fourth quarter of 2017, I have left the needle at the same point as third quarter. Price growth remains robust even as sales activity slowed. 2018 is setting itself up to be another very good year for housing.