



THE Q4 2018 | WESTERN WASHINGTON
GARDNER
REPORT

presented by



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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.

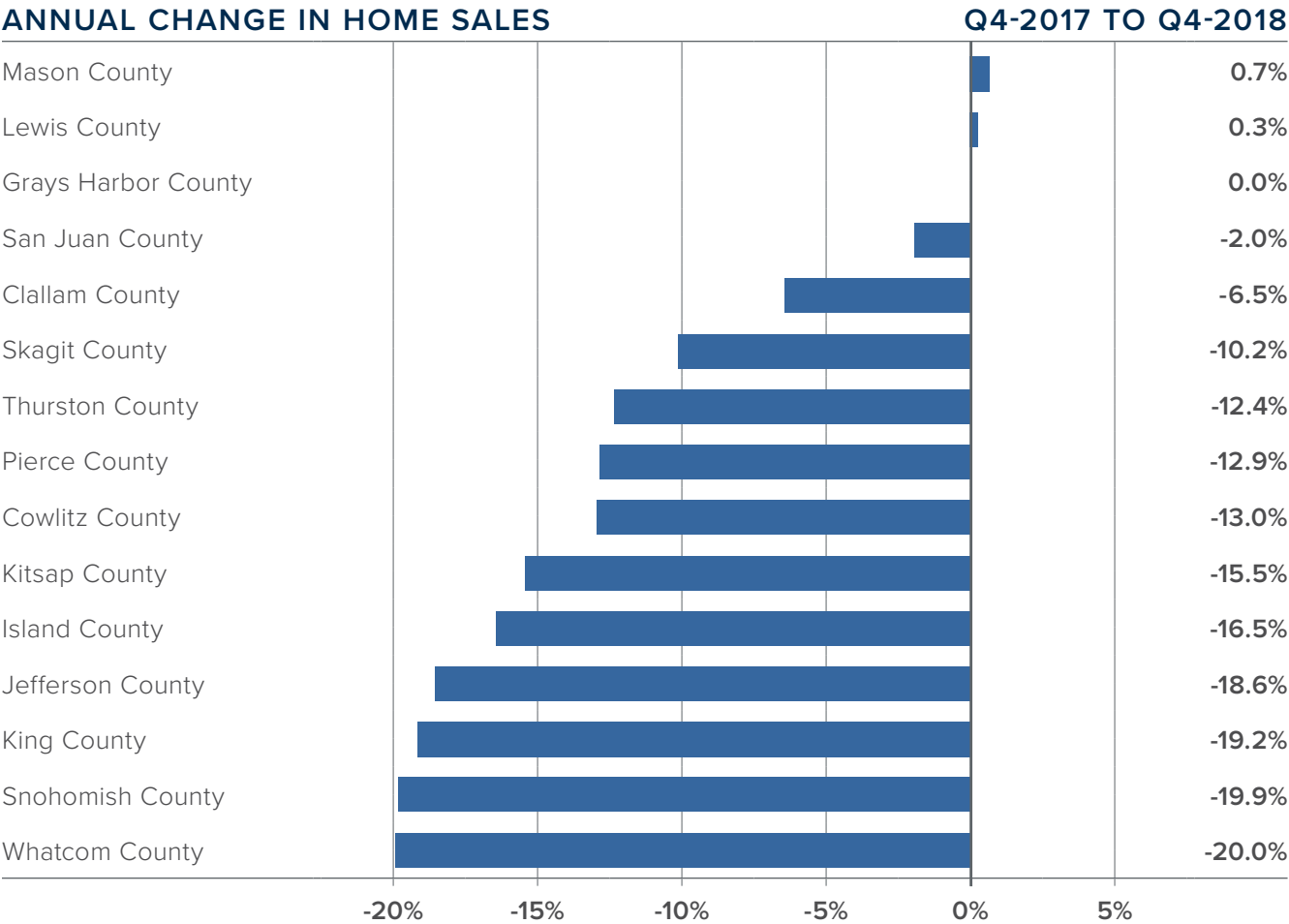
ECONOMIC OVERVIEW

The Washington State economy continues to add jobs at an above-average rate, though the pace of growth is starting to slow as the business cycle matures. Over the past 12 months, the state added 96,600 new jobs, representing an annual growth rate of 2.9% — well above the national rate of 1.7%. Private sector employment gains continue to be quite strong, increasing at an annual rate of 3.6%. Public sector employment was down 0.3%. The strongest growth sectors were Real Estate Brokerage and Leasing (+11.4%), Employment Services (+10.3%), and Residential Construction (+10.2%). During fourth quarter, the state's unemployment rate was 4.3%, down from 4.7% a year ago. My latest economic forecast suggests that statewide job growth in 2019 will still be positive but is expected to slow. We should see an additional 83,480 new jobs, which would be a year-over-year increase of 2.4%.

HOME SALES ACTIVITY

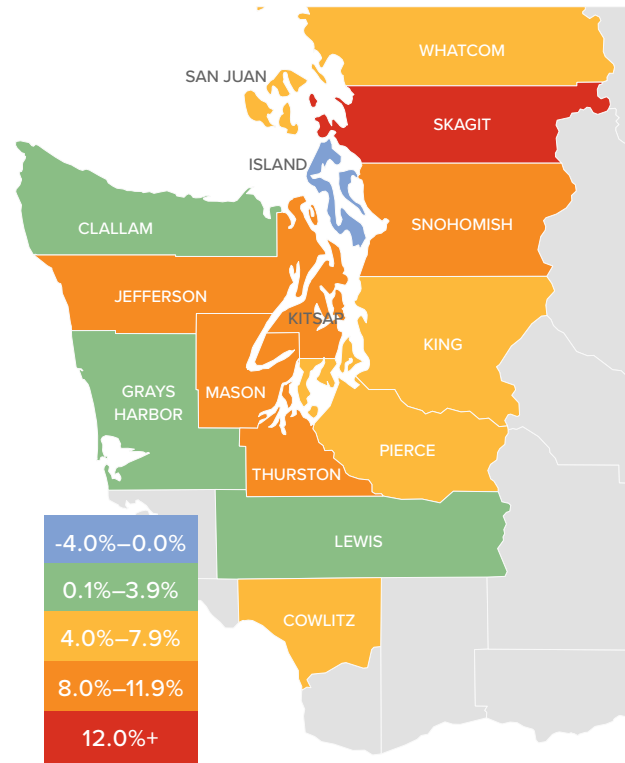
- There were 17,353 home sales during the fourth quarter of 2018. Year-over-year sales growth started to slow in the third quarter and this trend continued through the end of the year. Sales were down 16% compared to the fourth quarter of 2017.
- The slowdown in home sales was mainly a function of increasing listing activity, which was up 38.8% compared to the fourth quarter of 2017 (continuing a trend that started earlier in the year). Almost all of the increases in listings were in King and Snohomish Counties. There were more modest increases in Pierce, Thurston, Kitsap, Skagit, and Island Counties. Listing activity was down across the balance of the region.
- Only two counties — Mason and Lewis — saw sales rise compared to the fourth quarter of 2017, with the balance of the region seeing lower levels of sales activity.
- We saw the traditional drop in listings in the fourth quarter compared to the third quarter, but I fully anticipate that we will see another jump in listings when the spring market hits. The big question will be to what degree listings will rise.

ANNUAL CHANGE IN HOME SALES



HOME PRICES

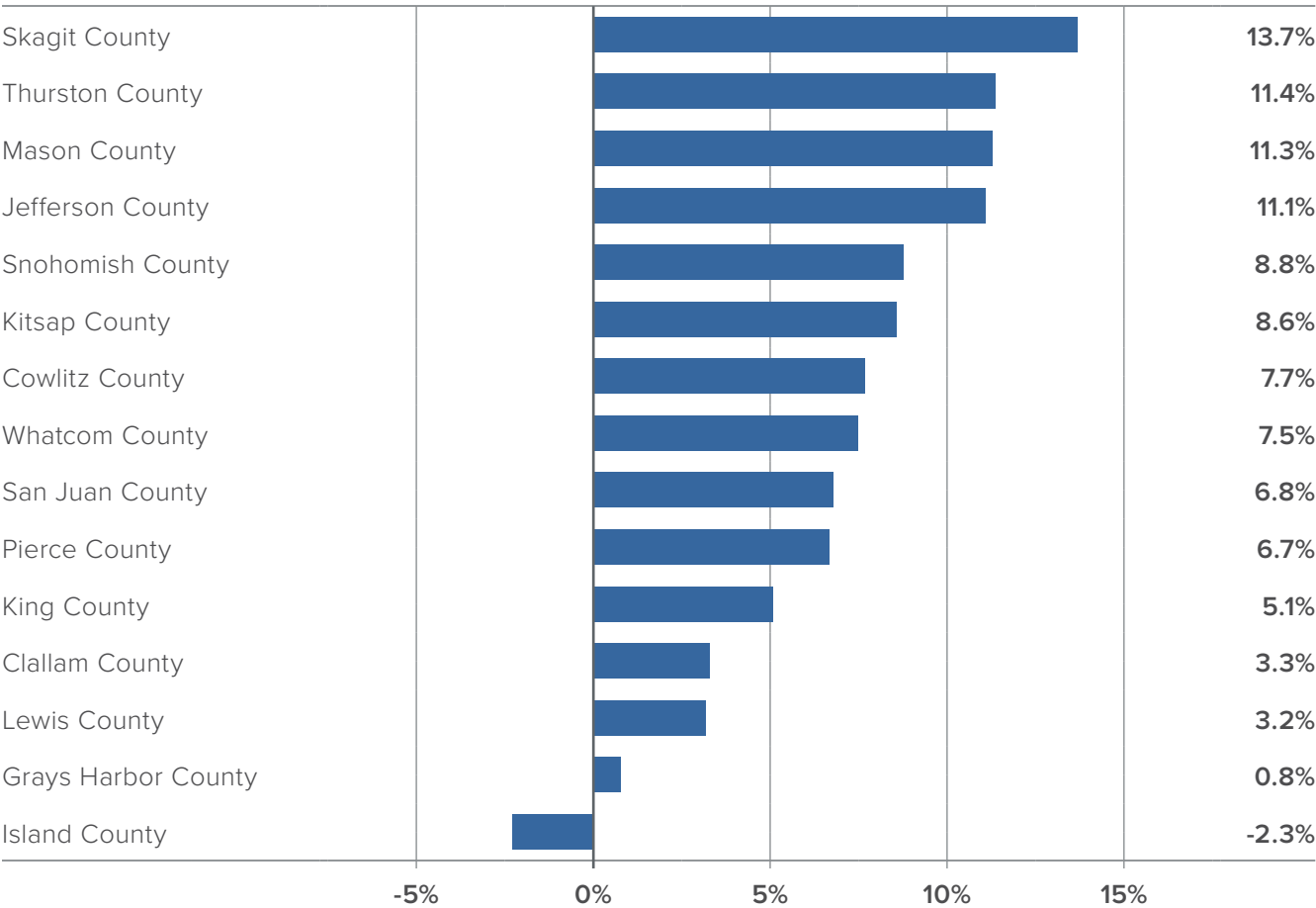
- With greater choice, home price growth in Western Washington continued to slow in fourth quarter, with a year-over-year increase of 5% to \$486,667. Notably, prices were down 3.3% compared to the third quarter of 2018.
- Home prices, although higher than a year ago, continue to slow. As mentioned earlier, we have seen significant increases in inventory and this will slow down price gains. I maintain my belief that this is a good thing, as the pace at which home prices were rising was unsustainable.



- When compared to the same period a year ago, price growth was strongest in Skagit County, where home prices were up 13.7%. Three other counties experienced double-digit price increases.

- Price growth has been moderating for the past two quarters and I believe that we have reached a price ceiling in many markets. I would not be surprised to see further drops in prices across the region in the first half of 2019, but they should start to resume their upward trend in the second half of the year.

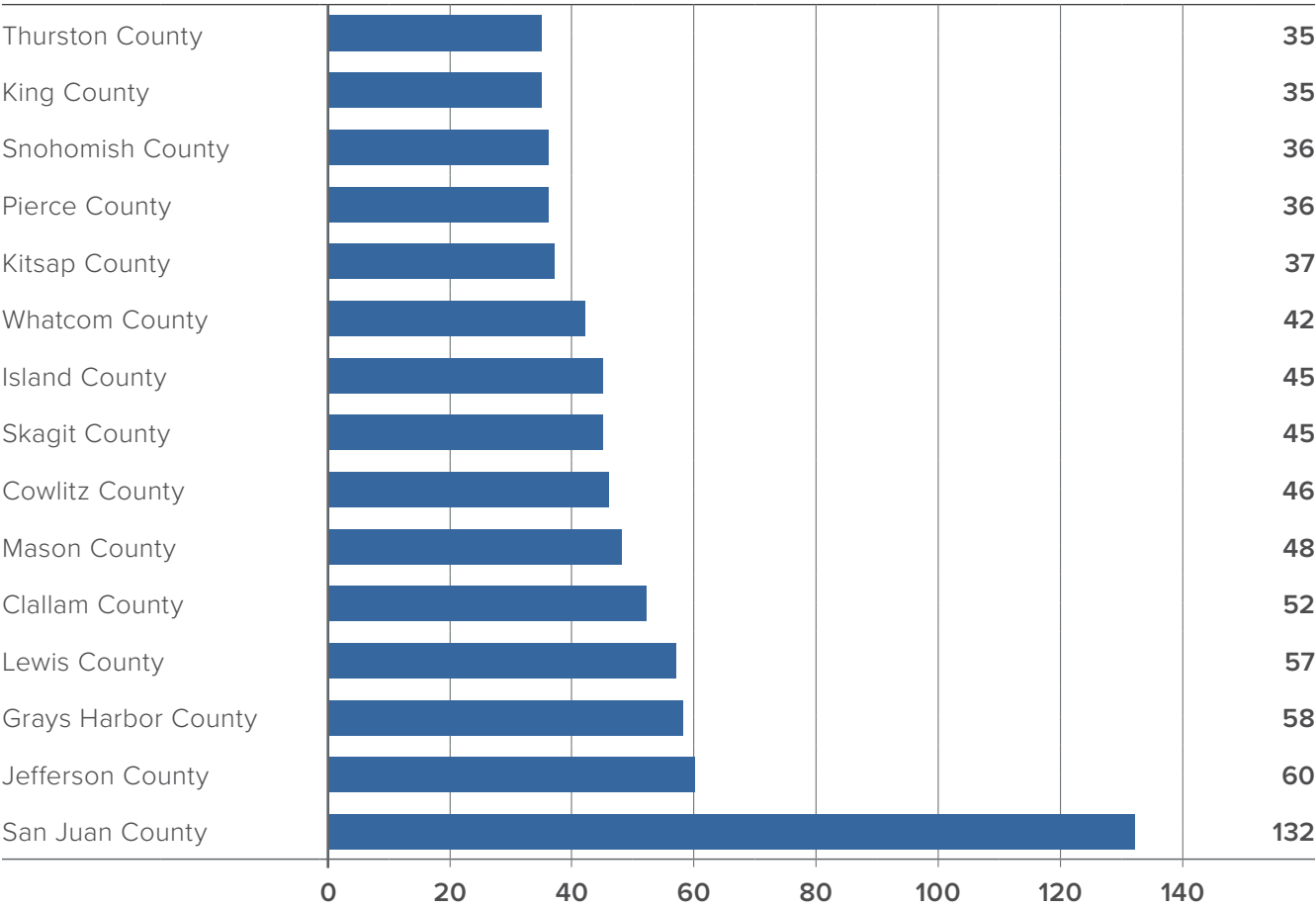
ANNUAL CHANGE IN HOME SALE PRICES Q4-2017 TO Q4-2018



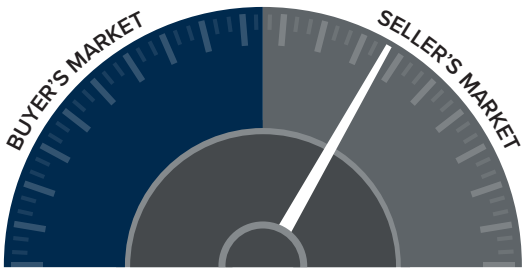
DAYS ON MARKET

- › The average number of days it took to sell a home dropped three days compared to the same quarter of 2017.
- › Thurston County joined King County as the tightest markets in Western Washington, with homes taking an average of 35 days to sell. There were eight counties that saw the length of time it took to sell a home drop compared to the same period a year ago. Market time rose in five counties and was unchanged in two.
- › Across the entire region, it took an average of 51 days to sell a home in the fourth quarter of 2018. This is down from 54 days in the fourth quarter of 2017 but up by 12 days when compared to the third quarter of 2018.
- › I suggested in the third quarter *Gardner Report* that we should be prepared for days on market to increase, and that has proven to be accurate. I expect this trend will continue, but this is typical of a regional market that is moving back to becoming balanced.

AVERAGE DAYS ON MARKET



CONCLUSIONS



This speedometer reflects the state of the region’s real estate market using housing inventory, price gains, home sales, interest rates, and larger economic factors. I am continuing to move the needle toward buyers as price growth moderates and listing inventory continues to rise.

2019 will be the year that we get closer to having a more balanced housing market. Buyer and seller psychology will continue to be significant factors as home sellers remain optimistic about the value of their home, while buyers feel significantly less pressure to buy. Look for the first half of 2019 to be fairly slow as buyers sit on the sidelines waiting for price stability, but then I do expect to see a more buoyant second half of the year.

ABOUT MATTHEW GARDNER

As Chief Economist for Windermere Real Estate, Matthew Gardner is responsible for analyzing and interpreting economic data and its impact on the real estate market on both a local and national level. Matthew has over 30 years of professional experience both in the U.S. and U.K.

In addition to his day-to-day responsibilities, Matthew sits on the Washington State Governors Council of Economic Advisors; chairs the Board of Trustees at the Washington Center for Real Estate Research at the University of Washington; and is an Advisory Board Member at the Runstad Center for Real Estate Studies at the University of Washington where he also lectures in real estate economics.