



WINDERMERE REAL ESTATE PRESENTS

THE GARDNER REPORT

WESTERN WASHINGTON | FIRST QUARTER 2018


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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 added 96,900 new jobs over the past 12 months, representing an annual growth rate of 2.9%—still solidly above the national rate of 1.5%. Most of the employment gains were in the private sector, which rose by 3.4%. The public sector saw a more modest increase of 1.6%.

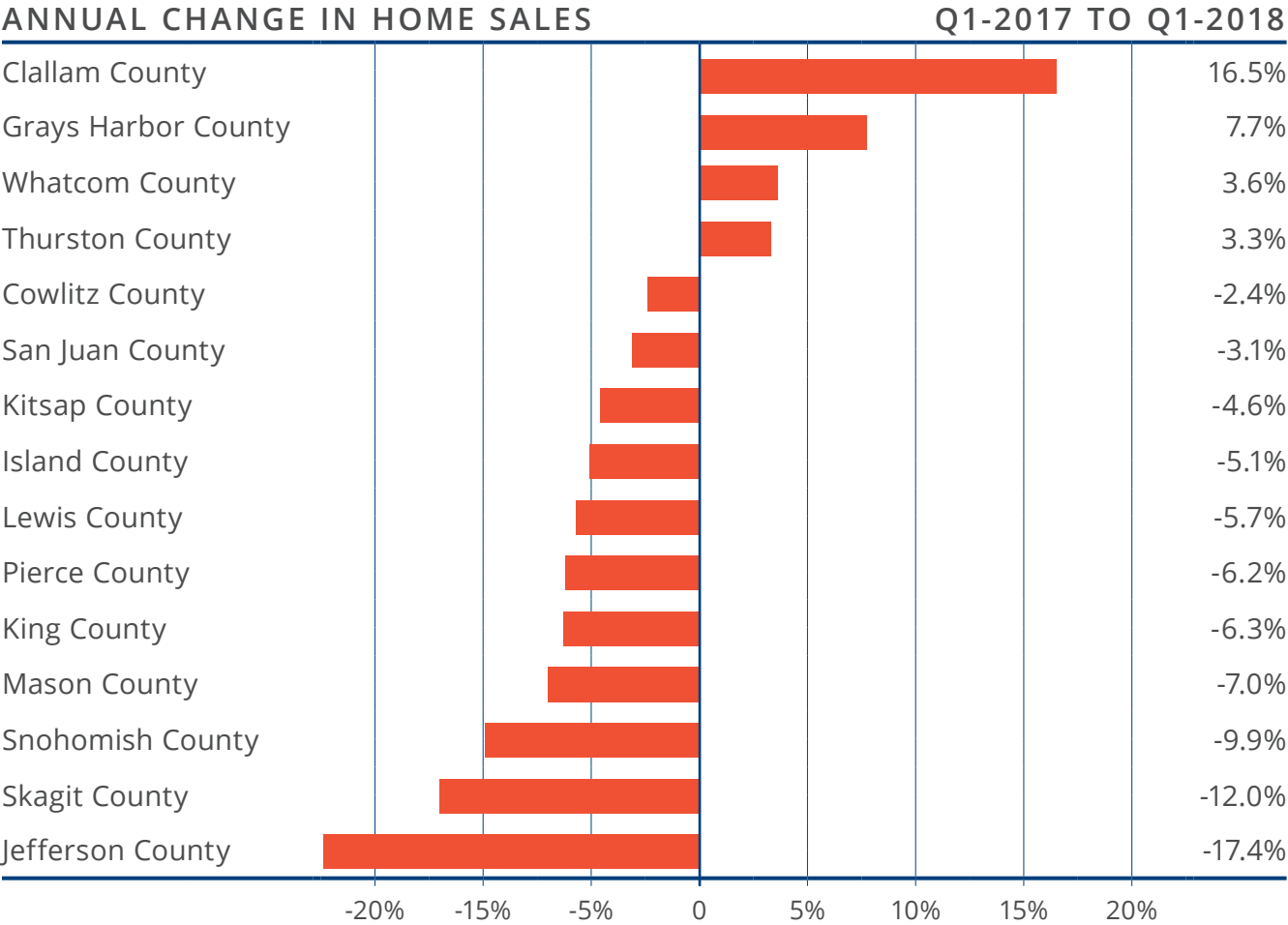
The strongest growth was in the Education & Health Services and Retail sectors, which added 17,300 and 16,700 jobs, respectively. The Construction sector added 10,900 new positions over the past 12 months.

Even with solid increases in jobs, the state unemployment rate held steady at 4.7%—a figure that has not moved since September of last year.

I expect the Washington State economy to continue adding jobs in 2018, but not at the same rate as last year given that we are nearing full employment. That said, we will still outperform the nation as a whole when it comes to job creation.

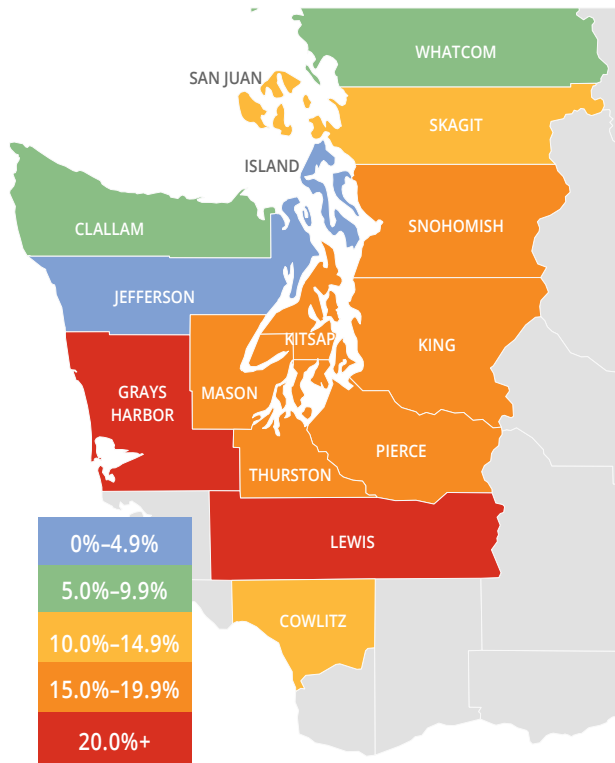
HOME SALES ACTIVITY

- There were 14,961 home sales during the first quarter of 2018. This is a drop of 5.4% over the same period in 2017.
- Clallam County saw sales rise the fastest relative to the first quarter of 2017, with an increase of 16.5%. In most of the other markets, the lack of available homes for sale slowed the number of closings during this period.
- Listing inventory in the quarter was down by 17.6% when compared to the first quarter of 2017, but pending home sales rose by 2.6% over the same period, suggesting that closings in the second quarter should be fairly robust.
- The takeaway from this data is that the lack of supply continues to put a damper on sales. I also believe that the rise in interest rates in the final quarter of 2017 likely pulled sales forward, leading to a drop in sales in the first quarter of 2018.



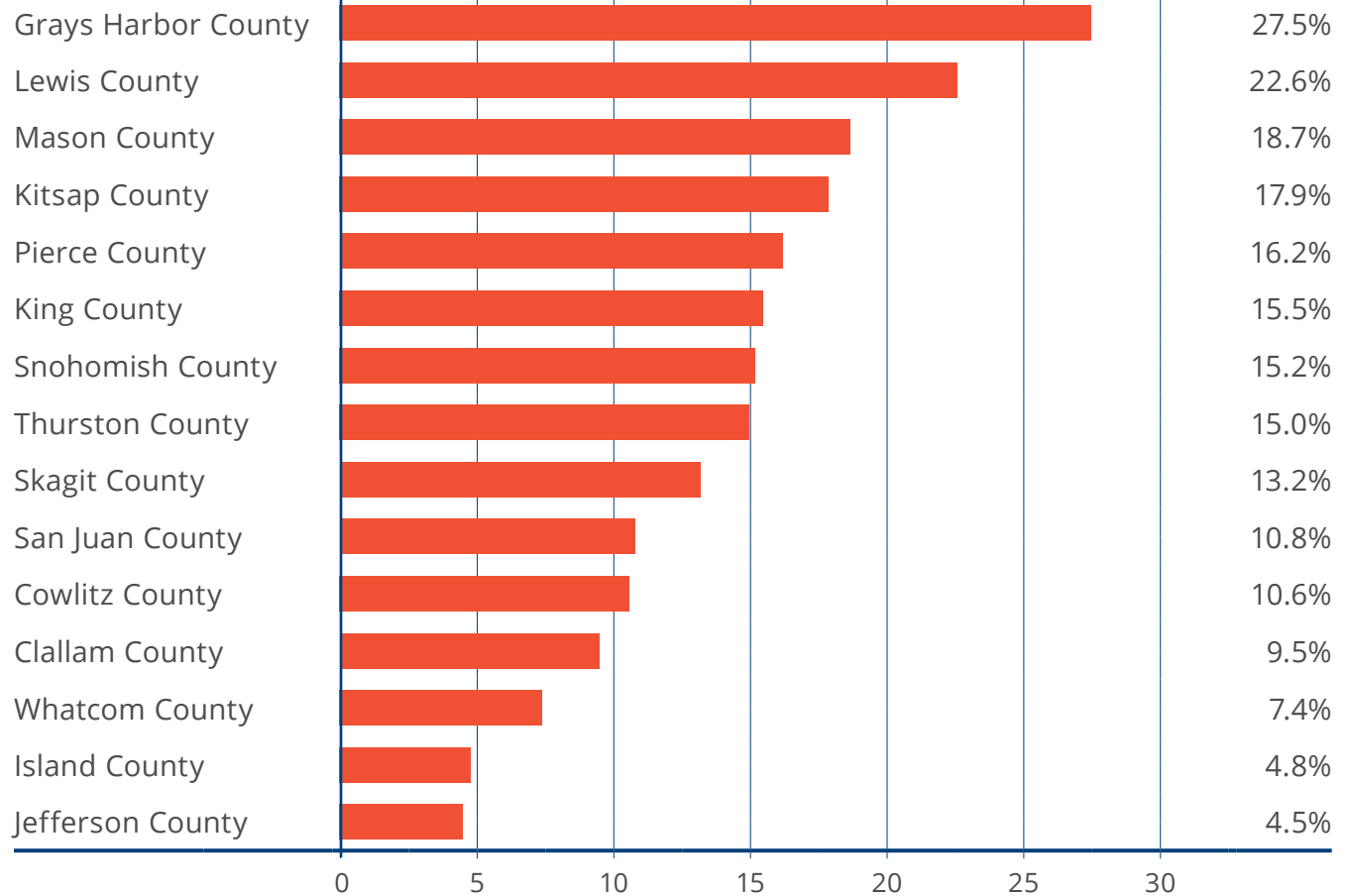
HOME PRICES

- With ongoing limited inventory, it's not surprising that the growth in home prices continues to trend well above the long-term average. Year-over-year, average prices rose 14.4% to \$468,312.
- Economic vitality in the region is leading to robust housing demand that far exceeds supply. Given the relative lack of new construction homes—something that is unlikely to change any time soon—there will continue to be pressure on the resale market. As a result, home prices will continue to rise at above-average rates in the coming year.
- When compared to the same period a year ago, price growth was strongest in Grays Harbor County at 27.5%. Ten additional counties experienced double-digit price growth.
- Mortgage rates continued to rise during first quarter, and are expected to increase modestly in the coming months. By the end of the year interest rates will likely land around 4.9%, which should take some of the steam out of price growth. This is actually a good thing and should help address the challenges we face with housing affordability—especially in markets near the major job centers.



ANNUAL CHANGE IN HOME SALE PRICES

Q1-2017 TO Q1-2018



DAYS ON MARKET

- The average number of days it took to sell a home dropped by seven days when compared to the same quarter of 2017.
- King County continues to be the tightest market in Western Washington, with homes taking an average of 24 days to sell. Every county in the region saw the length of time it took to sell a

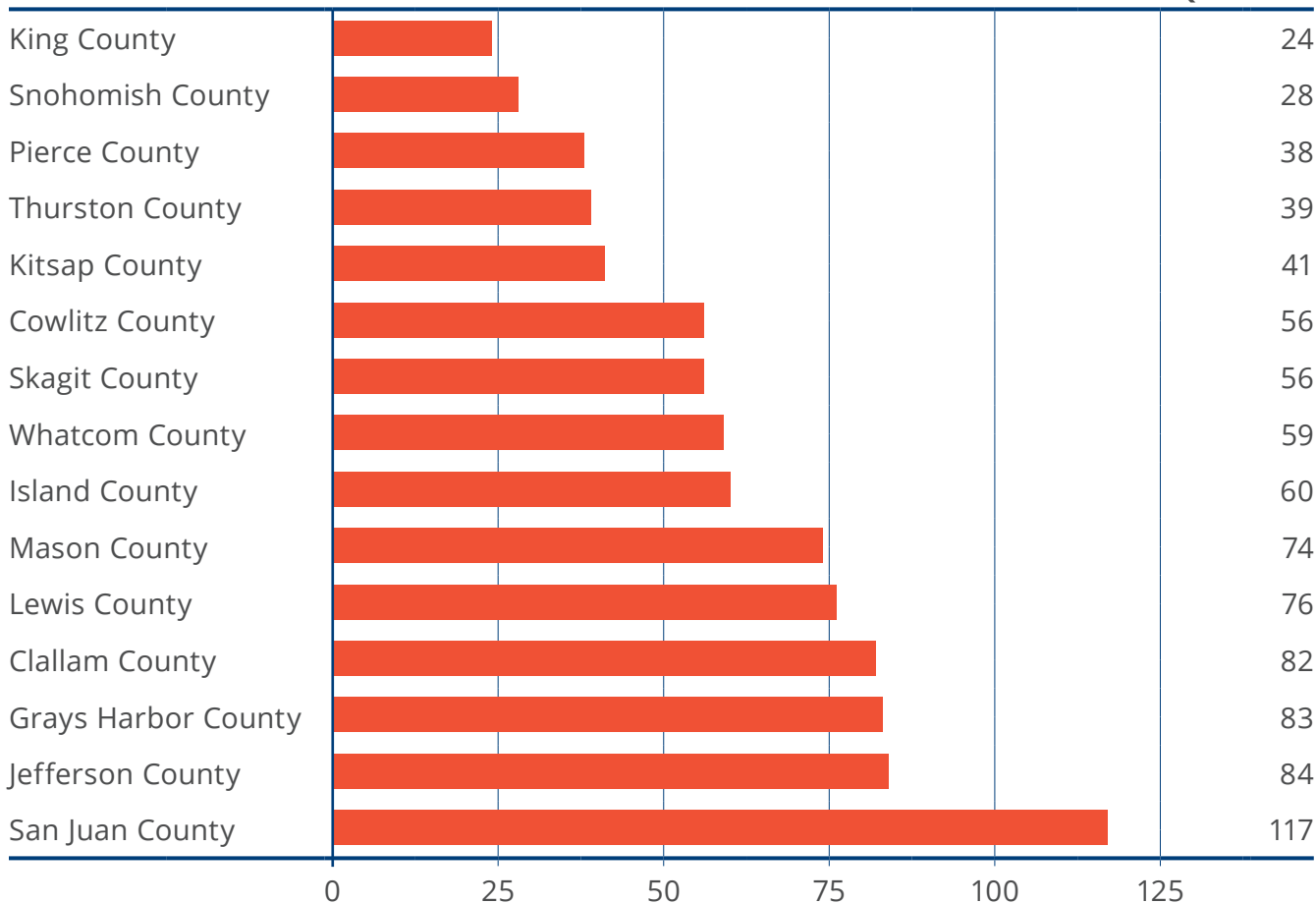
home either drop or remain essentially static relative to the same period a year ago.

- In looking at the entire region, it took an average of 61 days to sell a home in the first quarter of this year. This is down from 68 days in the first quarter of 2017 but up by eleven days when compared to the fourth quarter of 2017.

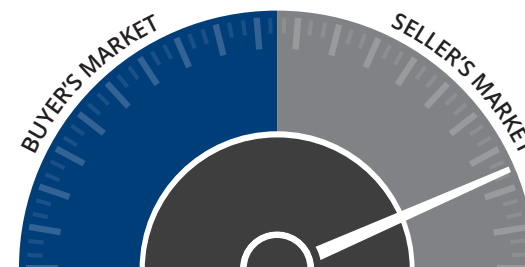
- Anyone expecting to see a rapid rise in the number of homes for sale in 2018 will likely be disappointed. New construction permit activity—a leading indicator—remains well below historic levels and this will continue to put increasing pressure on the resale home market.

AVERAGE DAYS ON MARKET

Q1-2018



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 first quarter of 2018, I have left the needle at the same point as fourth quarter of last year. Price growth remains strong even as sales activity slowed. All things being equal, 2018 is setting itself up to be another very good year for sellers but, unfortunately, not for buyers who will still see stiff competition for the limited number of available homes for sale.

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.