



# THE Q1 2019 | WESTERN WASHINGTON GARDNER REPORT

*presented by*



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REAL ESTATE

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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

Washington State employment slowed to an annual growth rate of 1.7% — a level not seen since 2012 — and continues a trend of slowing that started in the summer of 2018. I was a little surprised to see such a significant drop in employment growth, but it may be due to the state re-benchmarking their data (which they do annually). As such, I am not overly concerned about the lower-than-expected numbers but will be watching to see if this trend continues as we move through the spring months. The state unemployment rate was 4.5%, marginally below the 4.6% level a year ago.

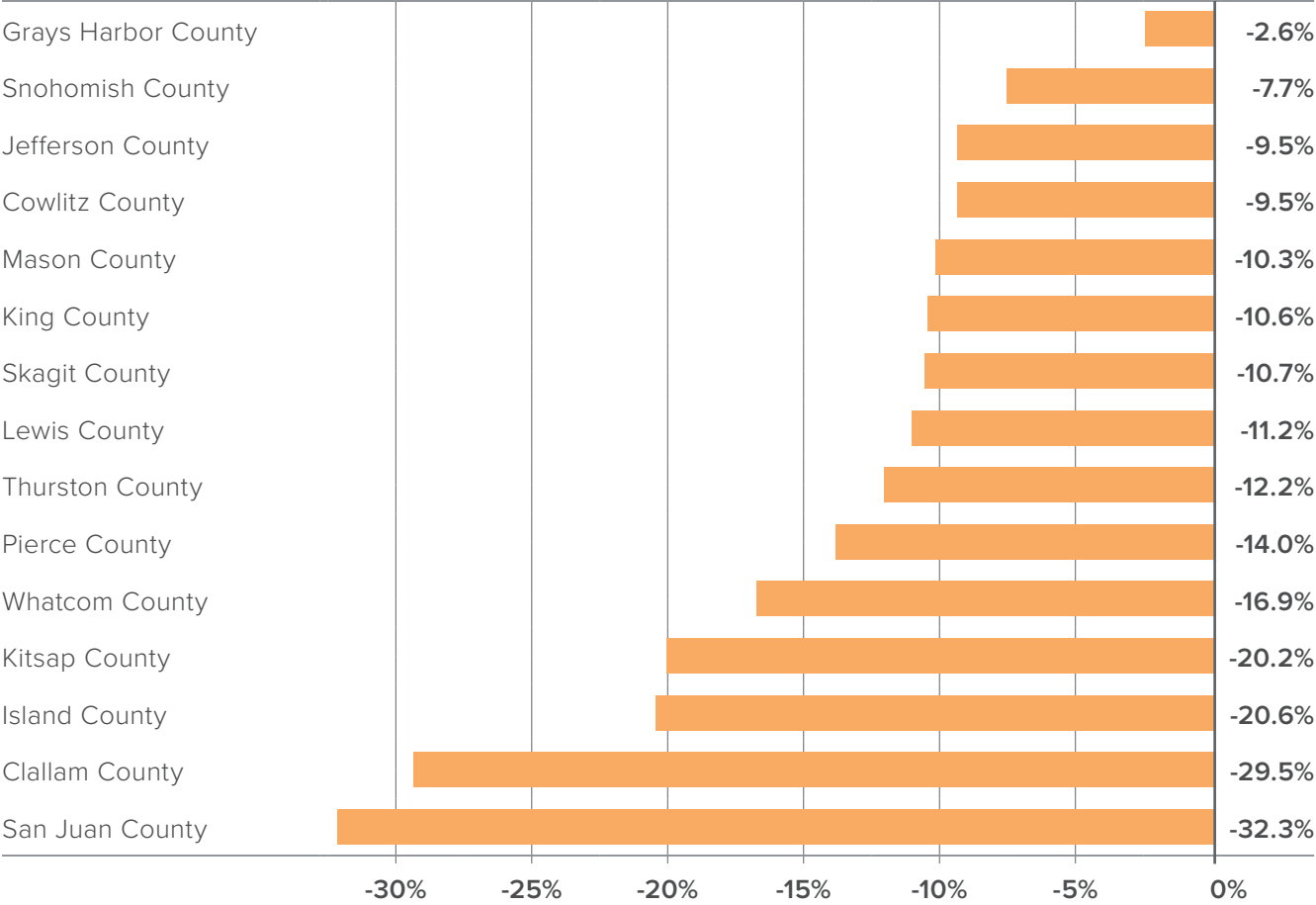
My latest economic forecast suggests that statewide job growth in 2019 will be positive but is expected to slow. We should see an additional 84,000 new jobs, which would be a year-over-year increase of 2.2%.

HOME SALES

- There were 13,292 home sales during the first quarter of 2019. Year-over-year, sales were down 12.3% and were 23.4% lower than the fourth quarter of 2018.
- It is quite likely that part of the slowdown can be attributed to the very poor weather in February. That said, anecdotal information from our brokers suggests that March was a very active month and I expect to see sales rise again through the spring selling season. Notably, pending home sales were only off by 3.5% from the first quarter of 2018.
- All counties contained in this report saw sales drop when compared to a year ago. The greatest drops were in the relatively small counties of San Juan, Clallam, Island, and Kitsap.
- The decline in interest rates during the first two months of the quarter nudged many home buyers off the fence. I believe this will cause a significant bump in sales activity in the second quarter numbers.

ANNUAL CHANGE IN HOME SALES

Q1-2018 TO Q1-2019



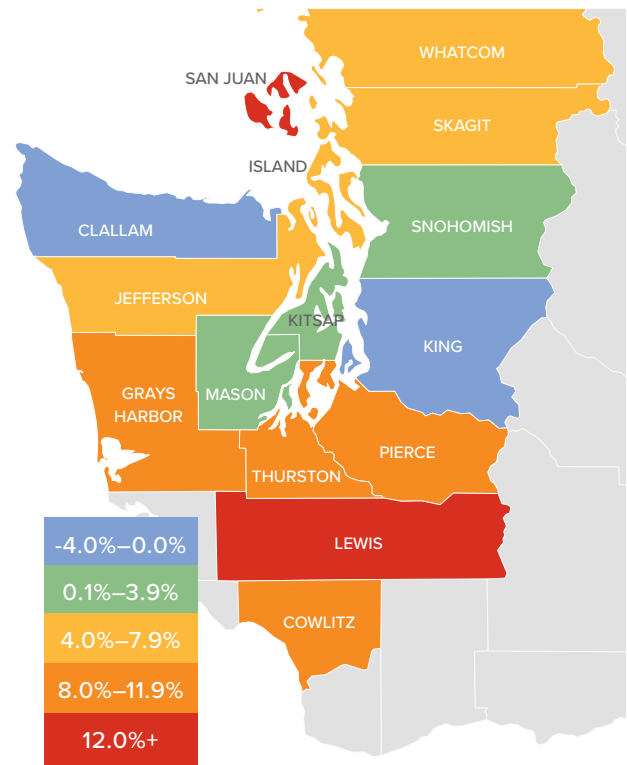
## HOME PRICES

- ▶ In combination with the factors discussed earlier, the 40% increase in listings has caused home price growth to taper to a year-over-year increase of 3.3%.
- ▶ Home prices were higher in every county except Clallam. While the growth of prices is slowing, the strong local economy, combined with lower interest

rates, will cause home prices to continue rising through 2019.

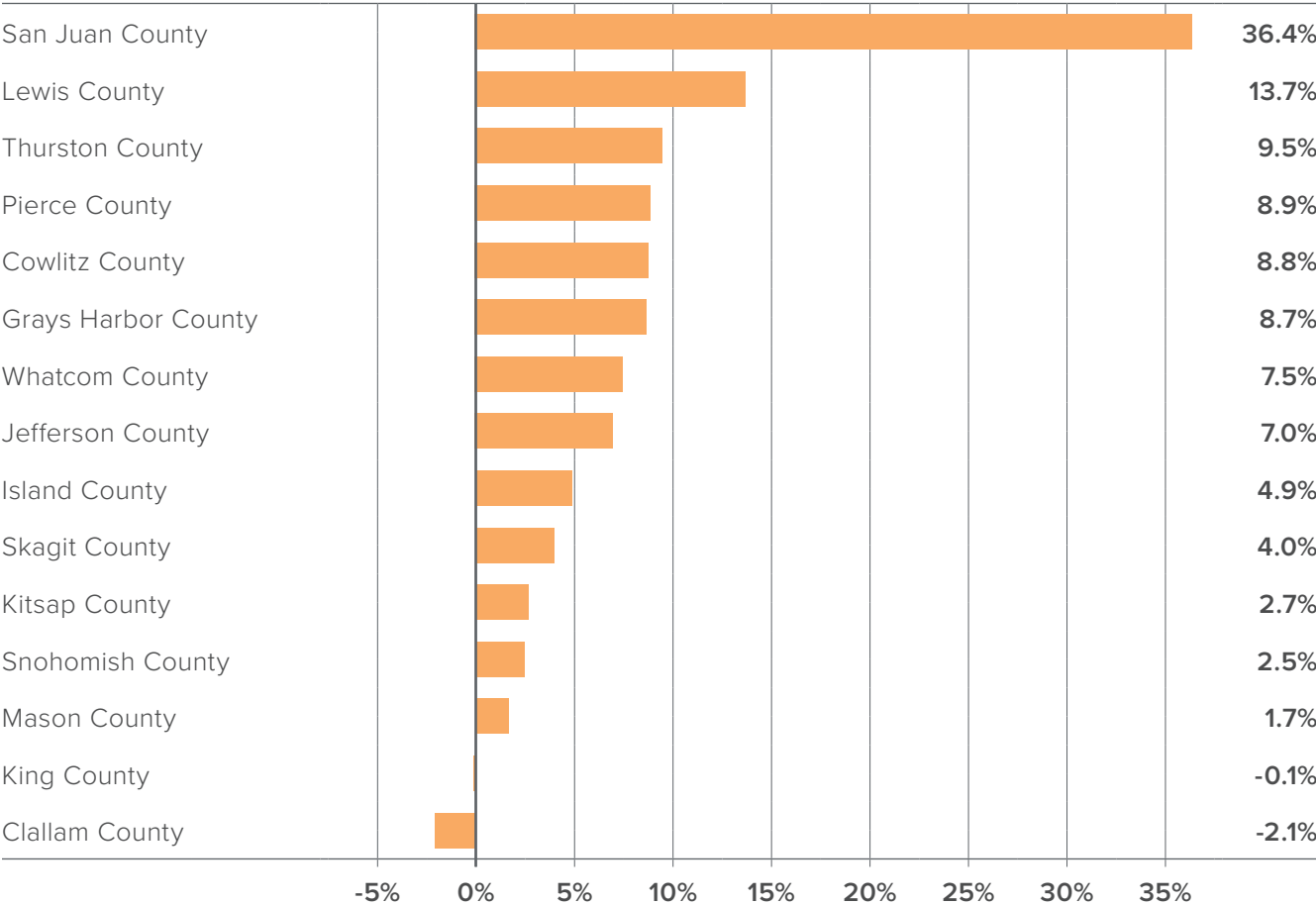
- ▶ When compared to the same period a year ago, price growth was strongest in San Juan County, where home prices were up 36.4%. Only one other county experienced a double-digit price increase.

- ▶ As I have said for quite some time now, there must always be a relationship between incomes and home prices, and many areas around Western Washington are testing this ceiling. That said, the region's economy continues to perform well and incomes are rising, which, in concert with low interest rates, will allow prices to continue to rise but at a significantly slower pace.



## ANNUAL CHANGE IN HOME SALE PRICES

Q1-2018 TO Q1-2019

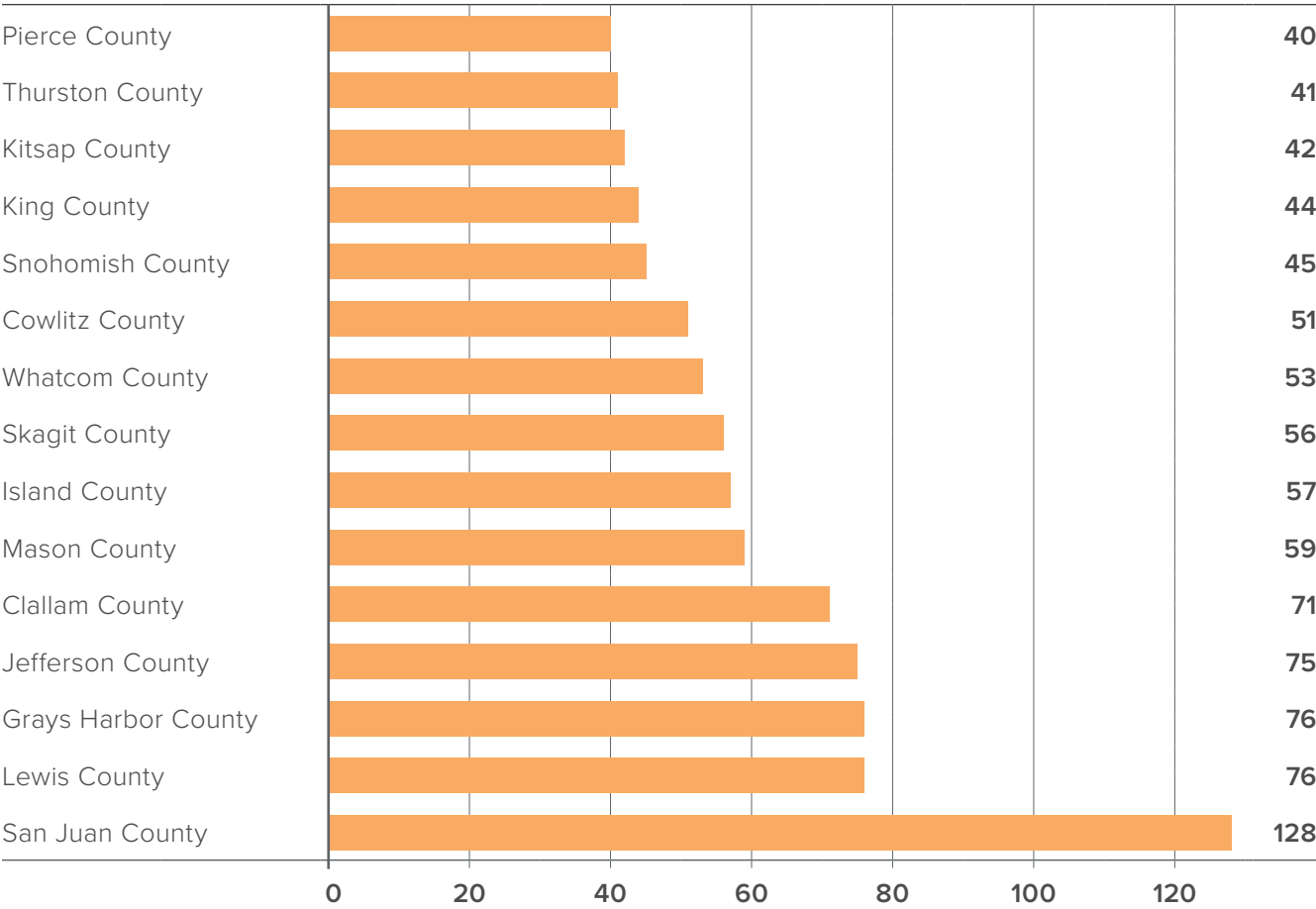


DAYS ON MARKET

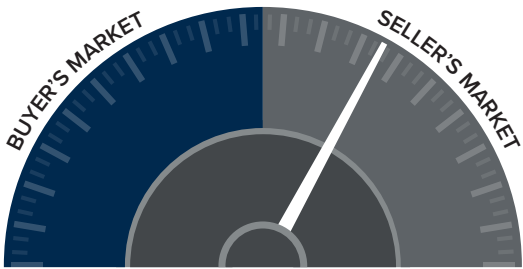
- › The average number of days it took to sell a home matched the same quarter of 2018.
- › Pierce County was the tightest market in Western Washington, with homes taking an average of 40 days to sell. There were seven counties that saw the length of time it took to sell a home drop compared to the same period a year ago. Market time rose in seven counties and one was unchanged.
- › Across the entire region, it took an average of 61 days to sell a home in the first quarter of 2019. This matches the level seen a year ago but is up by 10 days when compared to the fourth quarter of 2018.
- › In the last two *Gardner Reports*, I suggested that we should be prepared for days-on-market to increase, and that is now occurring. Given projected increases in inventory, this trend will continue, but this is typical of a regional market that is moving back toward balance.

AVERAGE DAYS ON MARKET

Q1-2019



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 again moving the needle toward buyers as price growth moderates and listing inventory continues to rise.

I do not see any clouds on the horizon that suggest we will see a downturn in sales activity in 2019. That said, this will be the year we move closer to balance. Buyers who were sidelined by the significant increase in listings in the second half of 2018 are starting to get off the fence as mortgage rates drop. I foresee a buoyant spring market ahead.

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.