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**“Exceptionally low” inventory slows year-end home sales,
contributes to steep price hikes around Greater Seattle region**

KIRKLAND, Washington (January 5, 2018) – The year 2017 may be in the books and for many members of Northwest Multiple Listing Service it was a memorable one with December’s activity being no exception. Brokers reported historic lows for inventory and year-over-year price gains in most areas.

“I’ve never seen inventory this low in Kitsap County in 27 years,” remarked Northwest MLS director Frank Wilson, branch managing broker at John L. Scott Real Estate in Poulsbo. That county’s number of active listings last month plunged nearly 40 percent from year-ago levels.

At month end, there were only 397 active listings in Kitsap County (down from the year-ago total of 659), a level Wilson described as “exceptionally low,” even accounting for seasonal factors. “A normal inventory in Kitsap County used to be 1,500 to 1,700, but we have not seen this number of active listings in several years,” he lamented (Northwest MLS data show the last time inventory topped 1,500 in that county was in July 2014 when there were 1,503 listings at month end).

For the MLS area overall, inventory shrunk 19 percent, from 10,569 active listings at the end of 2016 to last month’s figure of 8,553. That’s the smallest selection for any month in the past decade. For the fourth time this year, monthly inventory dipped below the 10,000 mark, a level not reached at any other time during the 10-year comparison.

Despite the paltry supply, last month’s sales remained remarkably strong, with closings up slightly (0.88 percent) from a year ago. Northwest MLS members reported 7,642 closed sales, about the same volume as a year ago when completed transactions totaled 7,575.

Year-over-year pending sales of single family homes and condos (combined) fell about 3 percent, from 6,390 to 6,198, but far outgained the number of new listings added to inventory (4,053).

“December, which has historically been a slower month, picked up momentum and never let up,” reported George Moorhead, designated broker at Bentley Properties. Unlike October through November, which he described as slower than what had been seen the past three years, “December drew aggressive buyers, some motivated by expectations of a flattening market, with others trying to beat anticipated interest rate hikes.” Purchasers were from all buying demographics, noted Moorhead, a member of the Northwest MLS board of directors.

Several MLS leaders commented on the consequences of depleted inventory, including OB Jacobi, president of Windermere Real Estate.

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“While pending sales are down double digits in King County, it’s not because there are fewer people buying, it’s because there is far less to buy,” according to Jacobi. “That’s why home prices tell the true story of this market and the huge discrepancy between supply and demand. As long as this imbalance remains, prices will continue to see steep increases, just as they did in December and throughout 2017.”

Northwest MLS statistics show prices rose 11.4 percent system-wide for the 7,642 completed sales of homes and condos. Thirteen of the 23 counties in the report had double-digit price hikes from a year ago. Two counties reported price drops: Chelan (-11.2 percent) and Douglas (-6.5 percent).

Within the Puget Sound region, King County registered the sharpest escalations at nearly 16 percent. Year-over-year prices jumped from \$505,000 to \$585,000. For single family homes in King County, the hike was similar (about 15.5 percent), rising from \$550,000 to \$635,000 at year end.

Condo prices surged 28 percent in King County over the past twelve months, from \$315,000 to \$402,000. During the same year-over-year period, active listings fell from 346 units to 206 (down more than 40 percent), leaving only about 10 days of supply (0.35 months of inventory).

System-wide, there is a little more than a month’s supply (1.12 months) of homes and condos, with the shortages most pronounced in the four-county Puget Sound region. Three of those counties – King, Kitsap and Snohomish – have less than a months supply; Pierce County is somewhat better off with 1.1 months.

“While all year we’ve been bemoaning lack of inventory and escalating prices, the statistics show 2017 was a banner year in many respects for real estate in the Puget Sound region and throughout the Northwest,” stated Mike Grady, president and COO of Coldwell Banker Bain. He cited year-over-year gains in both prices and values, commenting “As a result of this strong market, homeowners are experiencing bountiful gains in property values.”

Brokers expect momentum to continue despite uncertainty about interest rates and taxes.

J. Lennox Scott, chairman and CEO of John L. Scott Real Estate believes the Central Puget Sound housing market will remain one of the strongest in the nation. “It will be another happy new year for real estate activity.” As the new year unfolds, he expects buyers “will emerge from winter holiday hibernation in big numbers” in part thanks to the Seahawks. “Without the Seahawks in the football playoffs, the 2018 housing market will be more intense earlier in January rather than heating up after the Super Bowl,” Scott remarked.

Scott also anticipates a “frenzied, multiple-offer market” in the more affordable and mid-price ranges, as well as “good-to-strong” sales activity in the luxury market close to the job centers. Positive job growth and attractive interest rates will propel activity, he suggests, adding “In the more affordable and mid-price ranges, the impact of the new federal tax policy is minimal.”

Wilson also believes the new tax code will not have an immediate impact on home sales in Kitsap County. “The majority of our purchasers are buying for lifestyle reasons such as a new job, transfer of job or duty station, or household size expanding or contracting.” He suggests 2018 “will look a lot like 2017” but everything will be amplified due to the extreme shortage of active listings.

Grady concurred. “As we look forward to 2018 we continue to believe this is a great time to buy real estate. We see only positive returns for homeowners and real estate investors this year and likely for several years to come.”

Moorhead anticipates aggressive buyer activity through May, but expects some short-term flattening thereafter with single-digit appreciation in the range of 5-to-7 percent. Builders still have memories of 2008, but with moderate activity and price increases likely to be sustained, “they are cautiously optimistic.”

Luxury buyers seem to be undeterred by the change in the mortgage interest deduction, Moorhead noted (the bill lowered the cap from \$1 million to \$750,000 for primary residences). He said they polled their top 30 luxury home buyers regarding the change. The most common responses were “disappointment at losing a great tax planning deduction,” Moorhead reported, but added, “Those surveyed said it would not change the style of home or price point for the homes they are looking to purchase.”

Northwest Multiple Listing Service, owned by its member real estate firms, is the largest full-service MLS in the Northwest. Its membership of more than 2,200 member offices includes more than 26,000 real estate professionals. The organization, based in Kirkland, Wash., currently serves 23 counties in the state.

Single Fam. Homes + Condos	LISTINGS		PENDING SALES	CLOSED SALES			*Months of Inventory	
	New Listings	Total Active	# Pending Sales	# Closings	Avg. Price	Median Price	This month	Same mo., year ago
King	1,165	1,374	1,850	2,681	\$700,191	\$585,000	0.51	0.73
Snohomish	614	709	1,009	1,242	\$465,405	\$425,000	0.57	0.89
Pierce	872	1,500	1,248	1,356	\$355,422	\$314,995	1.11	1.33
Kitsap	207	397	353	409	\$376,057	\$315,000	0.97	1.44
Mason	55	229	86	81	\$259,132	\$230,000	2.83	3.27
Skagit	80	308	142	156	\$343,905	\$307,500	1.97	1.97
Grays Harbor	70	336	110	103	\$207,026	\$199,000	3.26	5.72
Lewis	64	274	79	92	\$208,910	\$190,000	2.98	3.23
Cowlitz	71	219	112	129	\$240,977	\$220,000	1.70	1.62
Grant	46	252	55	69	\$197,041	\$192,610	3.65	4.85
Thurston	247	490	325	425	\$307,774	\$283,000	1.15	1.62
San Juan	18	164	19	32	\$624,091	\$487,500	5.13	6.63
Island	83	279	129	142	\$375,893	\$324,500	1.96	2.48
Kittitas	39	140	61	69	\$354,427	\$280,000	2.03	2.66
Jefferson	21	159	43	53	\$376,181	\$362,000	3.00	4.34
Okanogan	18	216	27	32	\$244,913	\$207,000	6.75	8.10
Whatcom	174	542	252	271	\$387,634	\$342,000	2.00	2.05
Clark	24	80	48	51	\$368,016	\$340,000	1.57	0.91
Pacific	31	188	35	34	\$224,900	\$177,450	5.53	3.63
Ferry	3	41	4	5	\$183,100	\$85,000	8.20	28.50
Clallam	52	217	81	96	\$327,867	\$294,500	2.26	2.40
Chelan	38	176	57	47	\$325,439	\$275,000	3.74	2.56
Douglas	30	104	34	20	\$311,115	\$294,500	5.20	2.40
Others	31	159	39	47	\$194,844	\$176,000	3.38	4.87
Total	4,053	8,553	6,198	7,642	\$484,399	\$383,000	1.12	1.40

4-county Puget Sound Region Pending Sales (SFH + Condo combined)

(totals include King, Snohomish, Pierce & Kitsap counties)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	3706	4778	5903	5116	5490	5079	4928	5432	4569	4675	4126	3166
2001	4334	5056	5722	5399	5631	5568	5434	5544	4040	4387	4155	3430
2002	4293	4735	5569	5436	6131	5212	5525	6215	5394	5777	4966	4153
2003	4746	5290	6889	6837	7148	7202	7673	7135	6698	6552	4904	4454
2004	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
2005	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
2006	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
2007	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
2008	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
2009	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
2010	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
2011	4272	4767	6049	5732	5963	5868	5657	5944	5299	5384	4814	4197
2012	4921	6069	7386	7015	7295	6733	6489	6341	5871	6453	5188	4181
2013	5548	6095	7400	7462	7743	7374	7264	6916	5951	6222	5083	3957
2014	5406	5587	7099	7325	8055	7546	7169	6959	6661	6469	5220	4410
2015	5791	6541	8648	8671	8620	8608	8248	7792	7179	6977	5703	4475
2016	5420	6703	8130	8332	9153	8869	8545	8628	7729	7487	6115	4727
2017	5710	6024	7592	7621	9188	9042	8514	8637	7441	7740	6094	4460

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