



THE Q4 2020 | WESTERN WASHINGTON  
**GARDNER**  
REPORT

*presented by*



**Windermere**  
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.

## REGIONAL ECONOMIC OVERVIEW

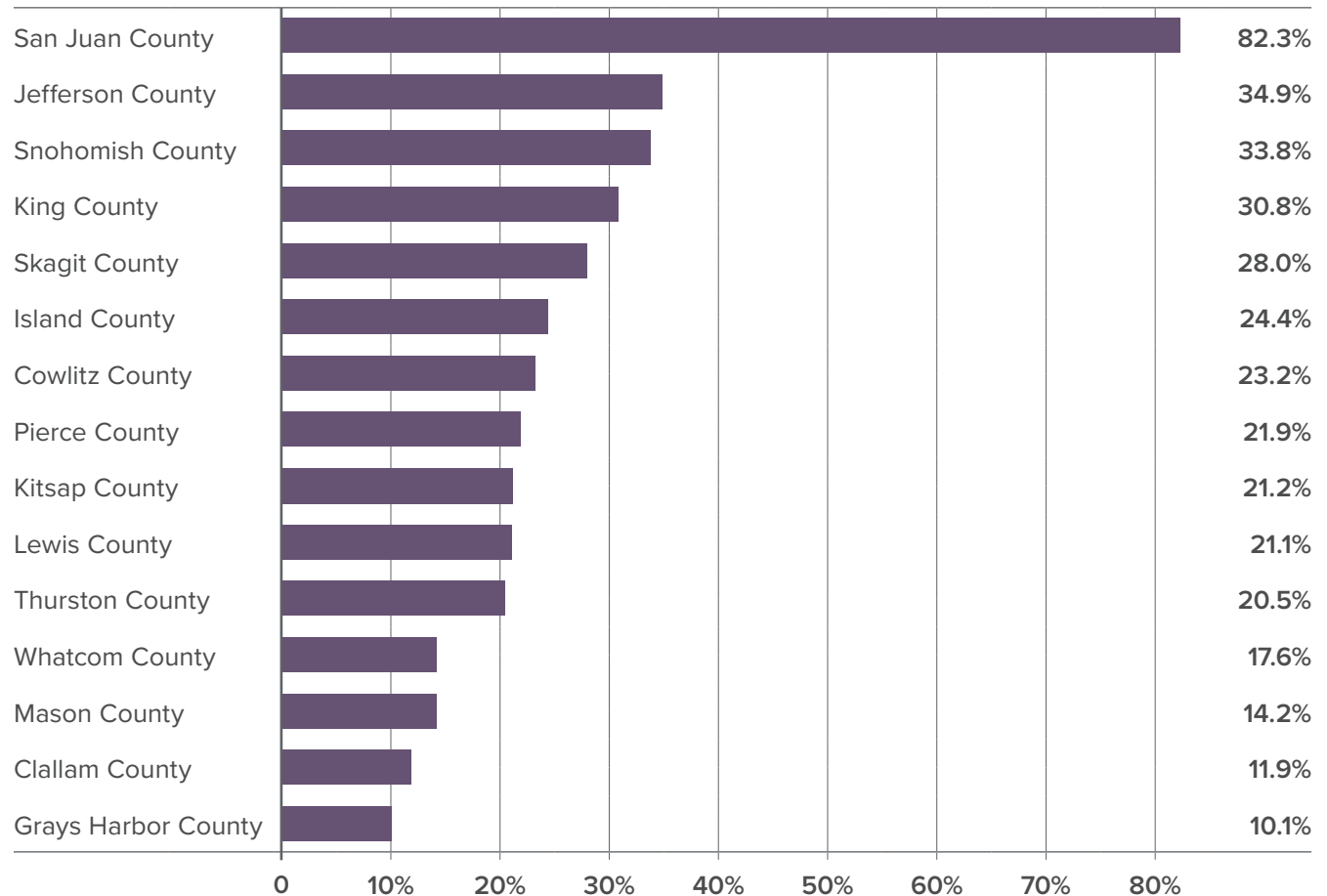
After the COVID-19-induced declines, employment levels in Western Washington continue to rebuild. Interestingly, the state re-benchmarked employment numbers, which showed that the region lost fewer jobs than originally reported. That said, regional employment is still 133,000 jobs lower than during the 2020 peak in February. The return of jobs will continue, but much depends on new COVID-19 infection rates and when the Governor can reopen sections of the economy that are still shut down. Unemployment levels also continue to improve. At the end of the quarter, the unemployment rate was a very respectable 5.5%, down from the peak rate of 16.6% in April. The rate varies across Western Washington, with a low of 4.3% in King County and a high of 9.6% in Grays Harbor County. My current forecast calls for employment levels to continue to improve as we move through the spring. More robust growth won't happen until a vaccine becomes widely distributed, which is unlikely to happen before the summer.

## HOME SALES

- Sales continued to impress, with 23,357 transactions in the quarter. This was an increase of 26.6% from the same period in 2019, but 8.3% lower than in the third quarter of last year, likely due to seasonality.
- Listing activity remained very low, even given seasonality. Total available inventory was 37.3% lower than a year ago and 31.2% lower than in the third quarter of 2020.
- Sales rose in all counties, with San Juan County seeing the greatest increase. This makes me wonder if buyers are actively looking in more remote markets given ongoing COVID-19 related concerns.
- Pending sales—a good gauge of future closings—were 25% higher than a year ago but down 31% compared to the third quarter of 2020. This is unsurprising, given limited inventory and seasonal factors.

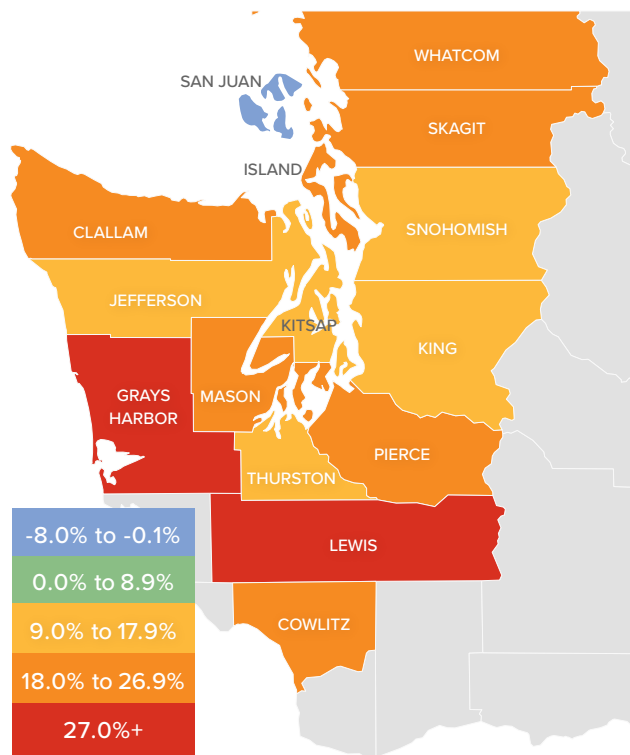
## ANNUAL CHANGE IN HOME SALES

Q4-2019 TO Q4-2020



## HOME PRICES

- Home price growth in Western Washington continued the trend of above-average appreciation. Prices were up 17.4% compared to a year ago, with an average sale price of \$617,475.
- Year-over year price growth was strongest in Lewis and Grays Harbor counties. Home prices declined in San Juan County which is notoriously volatile because of its small size.

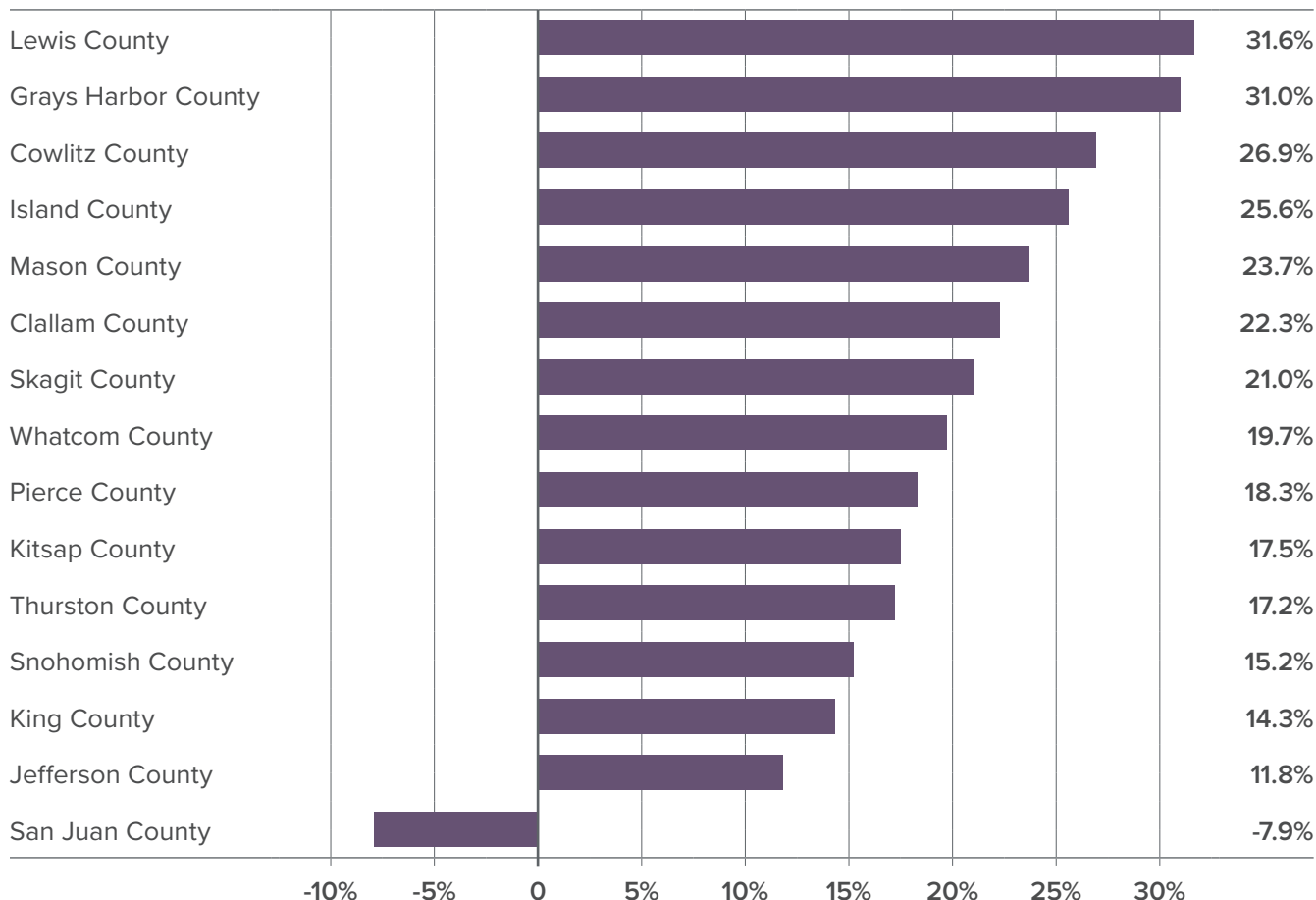


- It is interesting to note that home prices were only 1% higher than third quarter of 2020. Even as mortgage rates continued to drop during the quarter, price growth slowed, and we may well be hitting an affordability ceiling in some markets.

- Mortgage rates will stay competitive as we move through 2021, but I expect to see price growth moderate as we run into affordability issues, especially in the more expensive counties.

## ANNUAL CHANGE IN HOME SALE PRICES

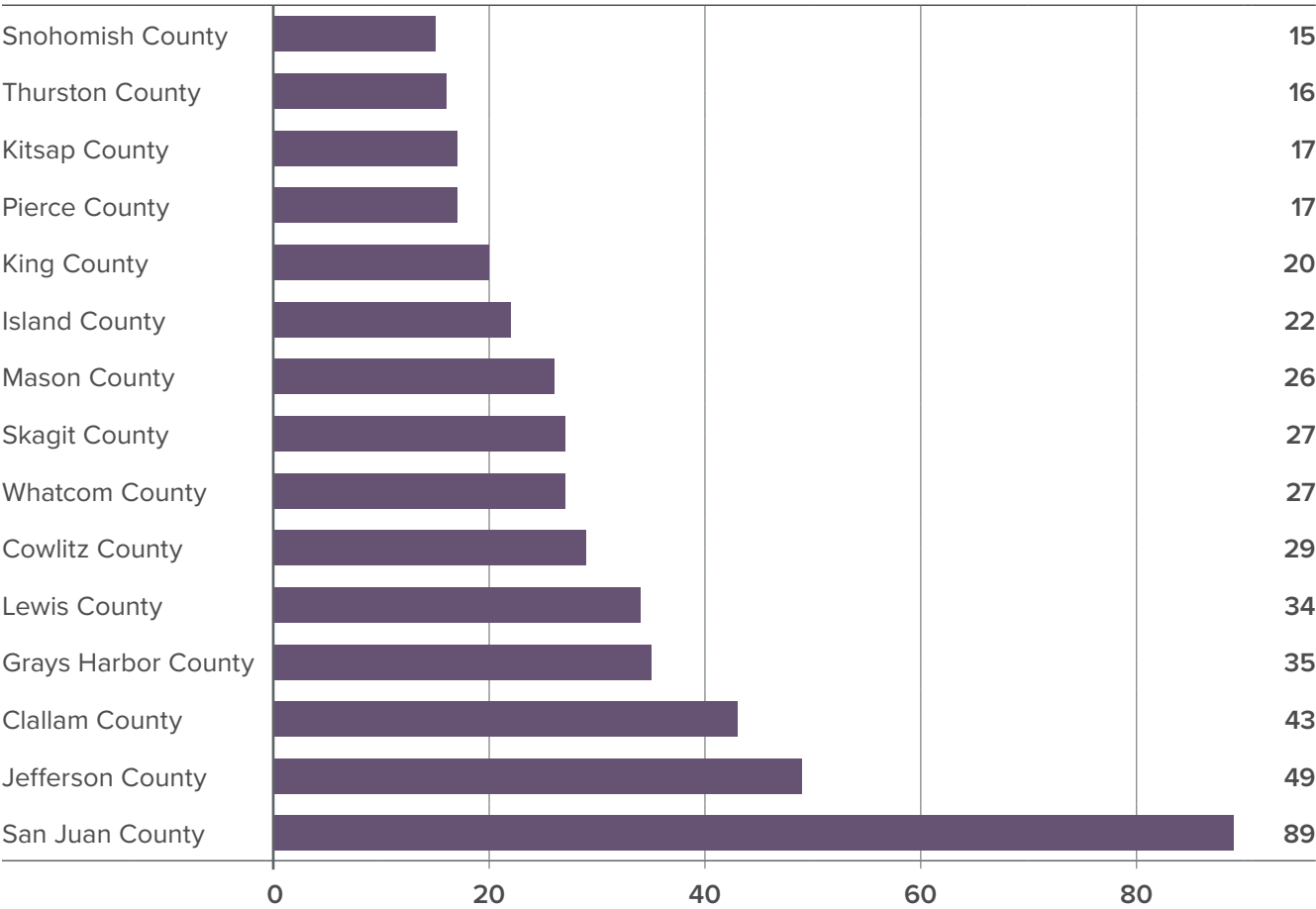
Q4-2019 TO Q4-2020



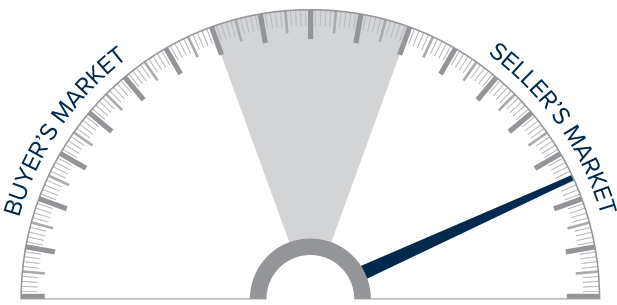
DAYS ON MARKET

- 2020 ended with a flourish as the average number of days it took to sell a home in the final quarter dropped by a very significant 16 days compared to a year ago.
- Snohomish County was again the tightest market in Western Washington, with homes taking an average of only 15 days to sell. The only county that saw the length of time it took to sell a home rise compared to the same period a year ago was small Jefferson County, but it was only an increase of four days.
- Across the region, it took an average of 31 days to sell a home in the quarter. It is also worth noting that, even as we entered the winter months, it took an average of five fewer days to sell a home than in the third quarter of last year.
- The takeaway here is that demand clearly remains strong, and competition for the few homes available to buy continues to push days on market lower.

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.

Demand has clearly not been impacted by COVID-19, mortgage rates are still very favorable, and limited supply is causing the region’s housing market to remain incredibly active. Because of these conditions, I am moving the needle even further in favor of sellers.

2021 is likely to lead more homeowners to choose to move if they can work from home, which will continue to drive sales growth and should also lead to more inventory. That said, affordability concerns in markets close to Western Washington’s job centers, in combination with modestly rising mortgage rates, should slow the rapid home price appreciation we have seen for several years. I, for one, think that is a good thing.

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.