



Improving housing inventory, rising costs may bring some “normalcy” to Western Washington market

KIRKLAND, Washington (May 5, 2022) –Rising interest rates and inflation, coupled with slight improvement in inventory, may bring some normalcy to Western Washington’s frenzied housing market suggest some brokers with Northwest Multiple Listing Service.

“The Puget Sound housing market has shifted down several levels of hotness in most areas and is more in alignment with the strong market we saw pre-pandemic,” stated J. Lennox Scott, chairman and CEO of John L. Scott Real Estate.

Commenting on a new Northwest MLS report summarizing April activity, Scott noted a “slight increase” in unsold properties, adding, “Not all homes are selling within the first week on market.” He believes the “intensity adjustment means multiple offers will not be as commonplace as they’ve been in the last two years.” He also indicated premium pricing (above asking price) is softening as well. He expects the “normal seasonality in the real estate market will be more pronounced, bringing a bit of normalcy to home buyers and sellers,” but believes there will still be an “elevated buyer focus on each new listing.”

Last month’s sales of single family homes and condominiums across 26 counties in the report had a list price to sales price ratio of 107.8%, which was down from March when it reached a 12-month peak of 108.2%. A year ago, the ratio was 106.6%.

The latest MLS report showed a mix of positive and negative numbers.

Member-brokers added 11,681 new listings of single family homes and condos during April, the highest number since last July when 12,916 listings were added, prompting some upbeat comments: “Did you hear that? It’s the sound of happy buyers in all areas other than King County celebrating last month’s jump in active listings as it means they now have more homes to choose from,” proclaimed Matthew Gardner, chief economist at Windermere Real Estate.

Only two counties, King and Jefferson, had year-over-year drops in inventory. “Unfortunately for King County buyers, the area is still desperate for inventory and competition is as fierce as ever,” remarked Gardner.

At month end, the selection of homes and condos in the database totaled 6,514, the highest level since September 2021 when there were 7,757 total active listings.

Notably, the number of new listings (11,681) surpassed the number of pending sales (9,760), to help boost inventory. Pending sales were down about 7.8% from a year ago and down 3% from March.

Commenting on April’s improvement in total inventory compared to a year ago, James Young, director of the Washington Center for Real Estate Research at the University of Washington, suggested “This is evidence that interest rates are having a cooling effect on some parts of the suburban market and along the I-5 corridor.”

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Young also noted a sharp decline in condo inventory in King County from a year ago – down about 35% countywide, with even greater shrinkage in Southwest King County (-49%) and the Eastside (-42%). With limited selection, sales in those areas also plunged, while prices increased. For condos system-wide the median price on last month's sales was \$485,000 (up 15.5% from a year ago); in King County, where more than 60% of sales occurred, YOY prices rose 12.6%, from \$460,000 to \$518,000.

Area-wide prices for single family home sales (excluding condos) in King County also increased, climbing nearly 20% from a year ago, from \$830,000 to \$995,000.

Closed sales of homes and condos slid from year ago, from 8,791 to 8,344 for a drop of around 5.1%.

“We are starting to see signs of impact from the significant rise in mortgage rates earlier this year, such as an increase in active listings and months of inventory creeping higher, but the full impact will likely not be felt for a few months,” said Matthew Gardner, chief economist at Windermere Real Estate.

Commenting on growing inventory of single family homes (up 27% from a year earlier), Young suggested higher priced homes requiring a mortgage “are feeling some heat from recent interest rates.”

The NWMLS report shows there was about three weeks (.78 months) of inventory of single family homes and condos combined at the end of April. By this metric, that is the highest level in nearly 18 months. MLS data show there was .80 months of supply in October 2020.

Despite the improving inventory, and in spite of rising interest rates, brokers report brisk activity and are not seeing prices ease much.

“One thing that has not been impacted by rising financing costs is home price growth,” Gardner said, pointing to double-digit gains in nearly every county, “including a whopping 27% in Snohomish County, the highest by far in the four-county Puget Sound region.”

Dean Rebhuhn, owner at Village Homes and Properties, echoed Gardner's observations. “Even with rising mortgage rates, inflation and high gas prices, the housing market remains strong with prices continuing to increase,” he commented, adding, “Inventory is improving in most counties giving buyers more choices and making sellers a little more flexible in considering financing and inspection contingencies.” Rebhuhn also reported demand continues to create multiple offers on homes in key locations and on median priced properties.

Gary O'Leyar, designated broker/owner at Berkshire Hathaway HomeServices Signature Properties, also commented on rising rates, suggesting they could present more opportunities for hopeful buyers that have been shut out of the previous market. “It may seem contrary to good news for prospective home buyers, but the increase in interest rates may have a positive side. We are seeing signs that the peak ‘zeal’ of the competitive offer frenzy may be leveling off a bit. While we might have seen 10 offers on an active listing, now we may see only five, or sometimes fewer.”

O'Leyar is not expecting a dramatic change in the regional market but believes there could be a “leveling off” from the double digit-plus year-over-year appreciation.

Another industry leader, John Deely, also reported high demand, saying increases in interest rates “haven't appeared to cool off the market quite yet.” Deely, executive vice president of operations at Coldwell Banker Bain, pointed to statistics for single family homes, noting total residential inventory in April was up in every county served by NWMLS except Jefferson – “and up by double digits in every county except three: Clark, Jefferson and San Juan.”

“Median prices on single family homes have been skyrocketing so far this year with prices for sales in King County just shy of \$1 million in April,” he remarked, noting that figure reflects an increase of more than 28% (+\$220,000) since January.

Brokers in Kitsap County report robust activity in all areas. “Kitsap sales remain brisk as we increase inventory and sales,” reported Frank Leach, designated broker-owner at RE/MAX Platinum Services. Open houses are attracting “huge turnouts,” with accepted offers averaging 6.2% over asking prices.

The MLS report shows listings of homes and condos in Kitsap County are up nearly 36% from a year ago. Pending sales improved 6.9% YOY, with closed sales climbing 9.4%. The median price has increased more than 15% from twelve months ago, from \$485,000 to \$558,500.

Leach said new construction in Kitsap County is “racing forward” in all residential sectors. He described land sales as “flying off the shelf,” but detected a softening of condo prices (down about 10% YOY) as inventory improved to 1.5 months of supply at month end.

Young singled out the South Puget Sound region encompassing Lewis, Mason, and Thurston counties as showing some of the best values in median house prices. NWMLS figures show the median price of sales during April in Lewis County was \$389,000; in Mason County it was \$420,000; and in Thurston County it was \$510,000. “It will be interesting to see how interest rates influence these markets as the search for value among first time buyers continues,” he remarked.

With mortgage interest rates drifting upward in anticipation of the Federal Reserve’s hikes in its baseline interest rate, some brokers recommend quick action by prospective home buyers.

“We will not likely see interest rates back to 3%. Never before has it been more important to get pre-approved and get serious about finding a home as now,” stressed Leach.

“Owning real estate is a hedge against rising inflation,” emphasized Gardner, the Windermere economist. “Homeowners with a fixed rate mortgage will always have the same monthly payment, even as other costs rise,” he explained.

Lawrence Yun, chief economist at the National Association of REALTORS, noted affordability “greatly worsened” in the first quarter of 2022, pointing to sustained price appreciation and higher mortgage rates. NAR reported the monthly mortgage payment on a typical existing single family home with a 20% down payment rose \$319, or 30%, from one year ago, to \$1,383.

Yun said price declines are “unlikely,” but he expects “more pullback in housing demand as mortgage rates take a heavier toll on affordability. Declining affordability is always the most problematic to first-time buyers who have no home to leverage, and it remains challenging for moderate-income potential buyers as well.”

Northwest Multiple Listing Service is a not-for-profit, member-owned organization that facilitates cooperation among its member real estate firms. With more than 2,500 member firm offices and 32,000 brokers across Washington state, NWMLS (www.nwmls.com) is the largest full-service MLS in the Northwest. Based in Kirkland, Washington, its service area spans 26 counties, and it operates 21 local service centers.

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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	4,199	2,108	3,356	3,060	\$1,130,168	\$880,000	0.69	0.65
Snohomish	1,804	822	1,489	1,284	\$882,596	\$800,000	0.64	0.49
Pierce	1,773	871	1,580	1,413	\$628,415	\$564,000	0.62	0.47
Kitsap	564	304	483	430	\$703,519	\$558,500	0.71	0.57
Mason	160	104	143	99	\$485,918	\$420,000	1.05	0.89
Skagit	235	168	199	147	\$646,267	\$592,500	1.14	0.87
Grays Harbor	183	201	181	135	\$383,813	\$355,500	1.49	1.00
Lewis	164	130	141	123	\$412,444	\$389,000	1.06	0.77
Cowlitz	165	102	170	121	\$403,495	\$385,000	0.84	0.59
Grant	122	95	128	105	\$364,202	\$349,900	0.90	0.91
Thurston	600	278	546	413	\$557,967	\$510,000	0.67	0.49
San Juan	51	68	31	18	\$1,038,058	\$817,000	3.78	1.91
Island	207	115	174	136	\$738,164	\$567,500	0.85	0.62
Kittitas	123	92	81	51	\$841,791	\$535,000	1.80	1.05
Jefferson	75	49	57	41	\$666,180	\$598,000	1.20	1.16
Okanogan	79	97	55	39	\$384,990	\$371,500	2.49	2.59
Whatcom	473	294	367	267	\$622,064	\$585,000	1.10	0.86
Clark	118	56	103	82	\$555,475	\$500,000	0.68	0.60
Pacific	83	86	67	50	\$340,880	\$317,000	1.72	0.66
Ferry	19	26	7	7	\$261,900	\$255,000	3.71	2.67
Clallam	100	88	95	86	\$496,812	\$420,500	1.02	0.98
Chelan	127	125	92	90	\$713,911	\$604,000	1.39	1.30
Douglas	61	47	60	43	\$506,689	\$449,900	1.09	0.59
Adams	18	20	23	8	\$280,410	\$297,728	2.50	1.00
Walla Walla	88	66	67	49	\$429,856	\$381,000	1.35	0.83
Columbia	13	12	9	5	\$268,800	\$267,000	2.40	1.60
Others	77	90	56	42	\$477,261	\$438,110	2.14	2.25
Total	11,681	6,514	9,760	8,344	\$833,354	\$659,950	0.78	0.64

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
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
2018	5484	5725	7373	7565	8742	8052	7612	6893	6235	6367	5328	4037
2019	5472	4910	7588	8090	8597	8231	7773	7345	6896	6797	5788	4183
2020	5352	6078	6477	5066	7297	8335	8817	9179	8606	7934	6122	4851
2021	5216	5600	8002	7716	8674	8824	8049	8586	7880	7405	6022	3943
2022	4405	5560	7312	6908								

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