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Summer doldrums for home sales “not happening” around Western Washington

KIRKLAND, Washington (Aug. 7, 2017) – New figures from Northwest Multiple Listing Service indicate home sales and prices, like July’s temperatures, sizzled. Prices area-wide rose slightly more than 9 percent from a year ago, but several counties near job centers saw larger price increases, including King County where the median price jumped 18.6 percent.

The latest report confirmed what most buyers and brokers know: inventory shortages persist even though MLS members added slightly more new listings last month than the same period a year ago.

“We should be entering the summer doldrums, but I don’t see that happening,” reported Diedre Haines, principal managing broker-South Snohomish County at Coldwell Banker Bain in Lynnwood. “Inventory remains low, but prices and demand continue to increase, prompting murmurs of a looming bubble,” she commented, adding, “Some say yes, and just as many are saying no” when asked about the likelihood of a bubble.

In some areas, inventory is showing some signs of growth, Haines noted, but it’s still “way below what would be considered anywhere near normal. Frankly, I am not even sure anymore exactly what normal is – perhaps the current low inventory status is the new normal.”

Northwest MLS members added 12,300 new listings during July, a meager 122 more than the same month a year ago, but well below June’s total of 13,658 new listings.

At month end, there were 15,749 total active listings, down 13.9 percent from the year-ago total of 18,287. Measured by months of supply, there was only about six weeks (1.6 months) in the MLS system overall, which encompasses 23 counties. Twelve months ago it was closer to two months of supply (1.93 months).

King County continued to have the skinniest supply at only one month, but in many parts of Seattle and the Eastside the supply slipped below a month. Four to six months is typically considered a normal, or balanced, market according to many industry analysts.

George Moorhead, designated broker at Bentley Properties and a director with Northwest MLS, said the already-low inventory is being further squeezed when homeowners who move up are choosing to rent their current home instead of listing it.

Condo inventory is especially depleted, with only 1,330 total active listings area-wide. That’s down more than 21.5 percent from a year ago. Condos currently make up only 8.4 percent of the selection in the MLS database. (In 2015, condos accounted for 16 percent of residential sales.) Both King and Snohomish counties have only about three weeks of supply.

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Despite sparse inventory, demand remains strong in most areas, with both pending and closed sales outgaining the volumes of a year ago. However, some brokers are detecting a slowdown, which they attribute to various factors from tight inventory and spiraling prices to the hot summer season.

Area-wide there were 11,800 pending sales during July, up 1.3 percent from a year ago when members logged 11,645 pending sales. King County, where inventory dropped nearly 20 percent, was one of nine counties that experienced a decline in year-over-year sales; mutually accepted offers in King County slipped about 7.4 percent.

“Even the fast-paced market could not stop buyers’ desire to get out and enjoy the warm, sunny weather that arrived in July,” said Northwest MLS chairman John Deely. “An increasing number of properties have gone without offers on the published offer review date, and many have had no offers within the typical one week review date,” he stated. “Many properties have seen offers trickle in, after the review date has come and gone, with offer prices at or over the list price,” added Deely, the principal managing broker at Coldwell Banker Bain Seattle. He also noted brokers are seeing a decrease of the percentage of list price to sale price ratio “as sellers’ pricing pushes the pricing boundaries to new heights.”

The median price on last month’s 9,707 closed sales was \$382,000, up more than 9.1 percent from twelve months ago when it was \$350,000.

Homes in King County continued to command the highest prices. The median price for homes and condos that sold in King County during July was \$599,000, up 18.6 percent from a year ago when it was \$505,000. For single family homes (excluding condos) in King County, the median price jumped at the same rate, rising from \$555,000 to \$658,000.

The leap in prices may have some people crying “housing bubble,” said OB Jacobi, president of Windermere Real Estate. “I still feel confident we’re not headed in that direction. Bubbles result from irresponsible lending practices, but buyers in King County have high credit scores and higher than average down payments. This area also has a high percentage of homeowners who are ‘equity rich’ which means their home is worth more than twice what they owe. For a housing bubble to occur we would expect to see far lower equity, down payments and credit quality.”

Buyers in some price ranges may be cheered by observations from some industry leaders.

“We’re seeing an increase in inventory in the mid- and upper price ranges and that is creating great selection and breathing room for some of the backlog of buyers,” said J. Lennox Scott, chairman and CEO of John L. Scott.

Nevertheless, Scott said it continues to be a seller’s market. It’s still the norm for homes in areas near job centers to sell quickly with multiple offers, he noted. “Sales activity remains at a frenzy pace in the more affordable mid-price ranges in the four-county Puget Sound area.”

“We’re definitely seeing a redefinition of what luxury means in this market,” Scott commented. His analysis revealed one-third of pending home sales in the Seattle Metro area last month drew offers of \$1 million or higher. On the Eastside, he found it’s even greater, at 39 percent. Those numbers invariably draw comparison to San Francisco, he acknowledged, but said like the Bay Area, “our housing market remains strong, with solid job growth, low unemployment, and amazing interest rates leading the way.”

Deely also mentioned the luxury market, saying it is experiencing a resurgence as affluent buyers watch their stock portfolios hit new highs, coupled with the effects of other positive economic news.

Moorhead also commented on the quality of the area's homebuyers and the diverse employment pool, factors he believes will help insulate local markets from any massive real estate fallout. Nonetheless, he believes a market correction, marked by a leveling of prices and inventory, is likely. "That will balance our market into a healthier and sustainable condition," he stated.

More worrisome to Moorhead are some emerging practices to make it easier to purchase a home. Such practices "could lead us to the same potential catastrophic end we saw in 2007. Allowing significantly lower credit scores and higher debt ratios will only create higher default rates, which hurt everyone," he stated.

Several brokers commented on shifts, both subtle and more pronounced, in buyer profiles and behavior.

"Foreign investment buyers are not declining in our Snohomish County market, contrary to some news reports," Haines reported. "And yes, we are seeing more millennial buyers entering the market."

Deely said the number of successful cash buyers has decreased, with financed buyers offering higher prices. "More low down payment buyers are winning the sale and we are also seeing an uptick in successful contingent sales among buyers who have a home to sell getting into a contract and then selling their properties."

Mike Grady, president and COO of Coldwell Banker Bain, said buyers who make offers on homes subject to inspection, financing or other conditions "are increasingly pressing forward and closing, ignoring the escape clauses that caused sales to fail in year past. This trend is a bit more dramatic in the region comprising King, Snohomish and Pierce counties."

Commenting on the supply of listings, Grady said historic lows are resulting "in galloping appreciation, exhibited most dramatically in King County." He believes it is "certain to spread to neighboring counties" with tight inventory. "Don't be surprised if these shrinking inventories pump appreciation up to double digits," he suggested, mentioning Kitsap, Pierce, Skagit and Thurston counties.

Although the shrinking inventory trend continues, Grady noted year-to-date figures are telling. "While pending sales are 3.2 percent lower than a year ago, closed sales for the first seven months are up 1.8 percent, meaning sales that are written are closing."

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.

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Statistical Summary by Counties: Market Activity Summary – July 2017

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	4,191	3,465	3,787	3,462	\$692,401	\$599,000	1.00	1.18
Snohomish	1,876	1,759	1,856	1,556	\$465,930	\$430,000	1.13	1.30
Pierce	2,097	2,499	2,208	1,635	\$342,309	\$306,000	1.53	1.88
Kitsap	638	812	663	499	\$409,853	\$321,000	1.63	2.15
Mason	213	400	198	136	\$251,316	\$224,250	2.94	3.85
Skagit	286	465	282	238	\$335,080	\$306,500	1.95	2.57
Grays Harbor	207	511	204	141	\$173,181	\$159,800	3.62	4.91
Lewis	179	369	162	97	\$224,541	\$198,000	3.80	3.42
Cowlitz	185	281	175	143	\$235,948	\$231,000	1.97	2.64
Grant	130	383	126	108	\$214,064	\$189,825	3.55	5.96
Thurston	673	862	626	543	\$314,747	\$291,500	1.59	2.20
San Juan	54	284	34	26	\$529,219	\$481,652	10.92	10.38
Island	246	485	246	164	\$399,437	\$324,000	2.96	2.93
Kittitas	136	267	110	90	\$317,192	\$256,550	2.97	3.22
Jefferson	94	295	91	66	\$361,864	\$341,000	4.47	4.24
Okanogan	71	346	64	50	\$251,598	\$215,000	6.92	10.29
Whatcom	498	906	456	381	\$353,053	\$324,900	2.38	2.79
Clark	66	98	55	52	\$395,497	\$360,000	1.88	2.05
Pacific	64	260	72	45	\$170,401	\$150,000	5.78	8.36
Ferry	8	56	4	5	\$153,880	\$160,000	11.20	19.67
Clallam	148	348	150	100	\$304,150	\$270,000	3.48	5.23
Chelan	99	264	106	85	\$357,485	\$299,900	3.11	3.85
Douglas	62	90	53	32	\$326,378	\$294,000	2.81	3.15
Others	79	244	72	53	\$202,205	\$185,000	4.60	5.85
Total	12,300	15,749	11,800	9,707	\$480,470	\$382,000	1.62	1.93

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					

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