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Northwest MLS brokers encouraged by declining mortgage rates with some saying pent-up demand is triggering multiple offers

KIRKLAND, Washington (February 6, 2023) – Pending sales around Washington state reached the highest level since October and surged nearly 44% from December, according to the January report from Northwest Multiple Listing Service. Last month's 5,776 mutually accepted offers were down about 9% from a year ago, but brokers seemed encouraged by the "favorable spike."

Prices on last month's closed sales edged up slightly, at 0.41%, compared with twelve months ago. The area-wide median price on January's 3,264 completed transactions \$557,250; a year ago, when there were 5,085 closed sales, it was \$555,000. Nine of the 26 counties in the report had year-over-year price bumps.

"We are seeing multiple offers once again," stated John Deely, VP of operations at Coldwell Banker Bain. "It's not like it was at the peak of the market, but buyers are out there and competing for properties," he added.

The selection of properties, based on the number of total active listings in the MLS database, improved significantly from a year ago, rising from 3,092 listings to 8,220 at month end. That total, which includes 7,179 single family homes and 1,041 condominiums, was down about 13.2% from December's selection.

Brokers added 4,925 new listings to the MLS database in January, about 1,000 fewer than the same month a year ago. Last month's additions outgained December when 2,980 properties were added, as well as November, when 4,890 listings were added.

"While residential inventory is popping above six months in a few of our reporting counties, which is at the upper edge of a balanced market, our most populated counties – King, Pierce and Snohomish – are still sitting at one to two months of inventory, which is indicative of a seller's market," Deely commented.

The January report from Northwest MLS shows Adams, Columbia, Grays Harbor, Okanogan and San Juan counties each had more than six months of inventory. Ten counties had less than three months of supply.

"We saw a favorable spike of intensity in the market in January," reported L. Lennox Scott, chairman and CEO of John L. Scott Real Estate. "With fewer new resale homes coming onto the market, there's a shortage/low level of unsold inventory, especially in the more affordable and mid-price ranges where approximately 80% of sales activity takes place."

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Broker Dean Rebhuhn, owner of Village Homes and Properties, believes “the spring real estate market is here early. A combination of pent-up buyer demand, attractive prices and low inventory in King, Pierce and Snohomish counties are driving sales.” He pointed to “reasonable interest rates” and new properties coming on the market daily as factors for the creation of what he called the “new normal market.”

On Thursday, Freddie Mac (the Federal Home Loan Mortgage Home Loan Mortgage Corporation) reported the U.S. weekly average for a 30-year fixed-rate mortgage was 6.09%, down about a full point from November when it peaked at just over 7%. According to its research, this one percentage point rate reduction can allow as many as three million more mortgage-ready consumers to qualify and afford a \$400,000 loan, the median home price in the U.S.

George Ratiu, manager of economic research at Realtor.com, said the recent decline in rates means for today’s buyer of a median priced home, the down payment amount is lower than it would have been last summer.

“While interest rates have tempered a bit, many buyers are moving forward to purchase with an intent to refinance once rates come down more,” stated Frank Wilson, Kitsap regional manager and branch managing broker at John L. Scott’s North Kitsap office.

Last month’s median price for homes that sold in Kitsap County was \$487,000, well below the median price in both King County (\$723,000) and Snohomish County (\$645,000). Prices in Kitsap are down from both a year ago and December, but inventory is tight with slightly more than two months of supply.

Wilson described the market in Kitsap as “similar to a well-planted bed of tulips. You know it is there but will not see any real color until March or April.” He believes many sellers are waiting until later in the year to sell, but noted buyers who must buy are currently out in numbers. “We are seeing good traffic at our open houses and new, correctly priced listings are receiving multiple offers.”

NAR Chief Economist Lawrence Yun suggested the “recent low point in home sales activity is likely over.” Commenting on pending sales for December, he stated, “Mortgage rates are the dominant factor driving home sales, and recent declines in rates are clearly helping to stabilize the market.”

Although brokers and buyers welcome the declining rates and improving inventory, several obstacles still face first-time home buyers. Based on his observations, Rebhuhn said the biggest challenge for first timers involves assembling the down payment. “Buyers are using savings, gifts and loans from family, and borrowing from investment and retirement accounts,” according to Rebhuhn.

Deely also noted challenges exist in the condo market.

“The condo market in our most populated counties is quite a bit different and not recovering as quickly,” Deely said, adding, “However, it is still active and the sales that are taking place are keeping the condo market in balance.”

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Northwest MLS statistics for January show there were 757 pending sales of condos, about 24% fewer than the same month a year ago. Last month's volume was the highest since October when brokers reported 823 pending sales.

Condo prices system-wide were down about 2.5% from a year ago, declining from \$435,000 to \$424,000. Only four counties (Kitsap, Pacific, Skagit and Thurston) reported year-over-year price increases for last month's condo sales.

Yun believes the "new normal" for mortgage rates will likely be in the 5.5% to 6.5% range, adding, "Job gains will steadily become important in driving local home-sales markets."

Last week, the U.S. Labor Department defied expectations by reporting the addition of 517,000 jobs on a seasonally adjusted basis, the largest increase since July. The unemployment rate fell to 3.4%, the lowest level since 1968.

Washington's Employment Security Department reported a statewide unemployment rate of 4.2% for December. (January figures are not yet published.) In that report, the U.S. unemployment rate was 3.5%. ESD's county snapshot shows unemployment rates range from 2.8% in King County to 11% in Ferry County.

About Northwest Multiple Listing Service

As the leading resource for the region's residential real estate industry, NWMLS provides valuable products and services, superior member support, and the most trusted, current listing data and industry information for real estate professionals. NWMLS is a member-owned, not-for-profit organization with more than 2,500 member offices and 32,000 real estate brokers throughout Washington state. With extensive knowledge of the region, NWMLS operates 20 service centers and serves 26 counties, providing dedicated support to its members and fostering a robust, cooperative brokerage environment. nwmls.com.

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