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### **Northwest MLS housing market “still lacks direction”**

KIRKLAND, Washington (September 8, 2023) – Prices on homes that sold during August rose 2.5% from a year ago, marking the first year-over-year (YOY) increase since January, according to a new report from Northwest Multiple Listing Service. The median price of \$615,000 for 6,734 closed sales across 26 counties matched July's figure.

For other key metrics on August activity, including new and active listings, pending sales, and closed sales, the YOY comparisons showed declines.

Brokers added 8,152 new listings of single family homes and condominiums last month, down from 9,914 for August 2022, a drop of nearly 17.8%. Last month's systemwide tally of new listings was the smallest monthly total since April.

NWMLS members reported 7,189 pending sales during August, which was the lowest level since April's total of 7,137, and down nearly 25% from the year ago figure of 9,552.

Brokers and other industry-watchers point to upticks in mortgage rates as the culprit for declining sales.

The average interest rate on a 30-year home loan reached 7.23% as of August 24, according to Freddie Mac. That is the highest rate since 2001, but it subsequently dropped to 7.12% for the week ending September 7. Along with forcing buyers to sit on the sidelines, the escalating rates are a deterrent to would-be sellers who bought or refinanced home in recent years and don't want to swap their 3% rate for a 7% mortgage.

Despite slower activity, supply remained constrained with only 1.71 months of inventory in the MLS database. That's down from both a year ago when there was 1.84 months of supply, and from last month when the figure was 1.76.

Commenting on supply and the 11,525 active listings at month end (down more than 21.5% from a year ago), J. Lennox Scott, executive officer at John L. Scott Real Estate, said over the next two months home buyers will experience the best selection and availability of homes for sale until March 2024. “This is due to the reduced number of homes that come on the market over the winter months,” he explained.

Scott expects home prices will rise after the first of the year, particularly in the more affordable and mid-price ranges, again citing limited supply.

“Historically, the number of homes for sale slows in August,” commented Windermere Chief Economist Matthew Gardner, who described these as “very unique times.”

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Gardner noted the number of homes for sale in the tri-county area (King, Pierce and Snohomish counties) rose in August from previous months, "but inventory levels were still well below pre-pandemic averages, so the market remains tight."

"Interestingly, where sales did occur, prices rose between July and August in King and Pierce counties," Gardner observed. (NWMLS data show month-over-month prices rose in 17 of the 26 counties in its service area, with one other county unchanged.)

Gardner described conditions as "a housing market that still lacks direction." He believes "it likely won't find its footing until mortgage rates start to pull back, which I expect to see as we enter the fall months – and assuming the U.S. economy continues to moderate."

"The market is not to everyone's liking," remarked Dick Beeson, managing broker, RE/MAX Northwest, Tacoma | Gig Harbor. "Nearly every market has had large reductions in inventory which is causing lots of unhappiness," he continued while acknowledging the decreases are helping stabilize previously falling prices.

"The simple answer for many is that the market needs more existing home sellers to decide to move sooner rather than later, but the reality is that's not going to happen anytime soon," Beeson commented. "The market will limp along with low inventory and high rates for the next one or two years," he predicts.

Beeson also noted some high-priced homes have "taken a hit" but said that's because they started too high to begin with. "The good news is the median priced buyer still wants to buy a home despite higher interest rates and they do so within a matter of days in many circumstances."

Despite persistently low inventory in several counties, broker Dean Rebhuhn said new listings, if properly priced, are attracting multiple offers, often selling for more than the asking price.

A check of Northwest MLS data shows the sale price to list price ratio averaged 100% or higher for last month's completed transactions in seven counties: Douglas, King, Kitsap, Mason, Pierce, Snohomish, and Thurston.

"Smart sellers are furnishing home inspections and correcting issues while smart purchasers are presenting offers with a minimum of contingencies and short closing dates," said Rebhuhn, the owner at Village Homes and Properties. "Lifestyle decisions continue to drive listing and sales activity." He also suggested cooler weather may help spur activity.

"Our traditional real estate cycle going from spring highs into a summer slowdown was in play in August as home buyers and sellers took a break to enjoy the warm weather," said John Deely, executive vice president of operations at Coldwell Banker Bain. "Buyers became fatigued searching through low inventory and being hit with the double punch of rising interest rates and median prices. Such conditions have a particular impact on first-time homebuyers and the starter segment of the market as they are the major driver of the increase in the demand for housing."

On a more optimistic note, Deely stated, "If the traditional cycle stays on course, a fall season increase in listings should provide more options for determined buyers."

Brokers in Kitsap County hope a bump-up in inventory occurs.

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“Unlike some parts of the country and NWMLS service area, Kitsap County struggles with homes available for sale. Our inventory systemwide is extremely low,” reported Frank Wilson, managing broker at John L. Scott in Poulsbo. He expects supply, currently at 1.6 months, will continue downward until the first part of next year. (Most industry analysts use 4-to-6 months of supply as an indicator of a balanced market.)

“Buyers really need to be ready to put their best foot forward when making an offer on a home. They should be prepared to offer full price or better and they should expect multiple offer situations for correctly priced new listings,” Wilson advised.

Echoing the concern was Frank Leach, broker/owner at RE/MAX Platinum Services in Silverdale and a board member at NWMLS. Although inventory in Kitsap County is down about 18% from a year ago, Leach said their market “remains resilient in the face of rising interest rates. New inventory is being snatched up as quickly as it comes on the market.” He’s hoping when a “massive” new senior and memory care in Silverdale opens it will help ease the inventory shortage as current homeowners decide to relocate.

The median price in Kitsap County, at \$558,500, is up more than 2% from a year ago. “People are on the move and they continue to purchase despite the rate hikes.” Leach said part of the demand comes from counties to the east where homes are more expensive.

Compared to King County, where the median price for last month’s sales was \$821,000, a home in Kitsap County costs \$262,500 less. “The Seattle market is so tight, some brokers who are based there are now focusing on Kitsap County. It’s the bright light on the map,” according to Leach.

Some hopeful homebuyers are turning to new construction where some builders are offering discounts or other incentives. About 25% of builders have been cutting prices to bolster sales, according to a survey by the National Association of Home Builders (NAHB). Some builders are also designing somewhat smaller houses “in an effort to keep prices in check.”

Northwest MLS figures for August show brokers sold 800 newly built homes at a median price of \$682,673. That’s down about 7.6% from a year ago when the sales price was \$738,950.

“Builders are bullish on the market and working hard to add new homes and pricing those homes to sell,” reported Rebhuhn.

Buyers may also find options in the condo segment. Although the selection is limited, with 1.76 months of supply, prices are considerably less than a single family home. For last month’s sales, the median price was \$465,000, up 3.3% from a year ago.

### **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](http://nwmls.com).

*Please see next page for statistical summaries*

Single Fam. Homes + Condos	New Listings	Total Active Listings	# Pending Sales	# Closed Sales	Avg. Closed Price	Median Closed Price	This mo. Inventory	Same mo., yr. ago
King	2,684	3,222	2,340	2,160	\$1,076,923	\$821,000	1.49	1.66
Snohomish	1,104	1,046	956	977	\$774,104	\$700,000	1.07	1.73
Pierce	1,176	1,506	1,104	1,042	\$594,977	\$539,425	1.45	1.71
Kitsap	427	568	395	352	\$663,248	\$558,500	1.61	1.50
Mason	151	234	132	117	\$492,829	\$425,000	2.00	2.08
Skagit	177	260	160	139	\$641,332	\$590,000	1.87	2.04
Grays	160	396	150	133	\$395,645	\$349,900	2.98	2.87
Lewis	130	249	100	85	\$436,125	\$400,000	2.93	3.62
Cowlitz	122	196	119	99	\$486,629	\$410,000	1.98	1.87
Grant	111	282	98	81	\$362,760	\$334,080	3.48	1.96
Thurston	441	524	391	367	\$581,795	\$522,000	1.43	1.40
San Juan	32	141	28	29	\$1,035,190	\$825,000	4.86	5.77
Island	174	254	148	164	\$697,060	\$627,500	1.55	1.45
Kittitas	105	311	97	72	\$739,672	\$516,250	4.32	2.49
Jefferson	63	131	59	56	\$652,404	\$599,000	2.34	2.02
Okanogan	69	210	43	45	\$445,234	\$409,000	4.67	4.06
Whatcom	407	669	331	325	\$622,376	\$550,000	2.06	2.21
Clark	93	146	92	76	\$622,657	\$577,000	1.92	1.98
Pacific	53	175	72	58	\$339,097	\$326,750	3.02	3.44
Ferry	6	24	5	3	\$231,117	\$249,000	8.00	3.75
Clallam	95	176	80	83	\$507,016	\$460,000	2.12	2.65
Chelan	135	318	111	90	\$726,277	\$601,225	3.53	2.65
Douglas	44	86	37	41	\$476,084	\$488,000	2.10	2.16
Adams	18	40	9	13	\$305,269	\$317,400	3.08	3.69
Walla Walla	72	125	56	55	\$502,955	\$408,757	2.27	1.69
Columbia	7	17	9	3	\$259,833	\$248,500	5.67	2.00
Others	96	219	67	69	\$443,214	\$406,500	3.17	2.88
<b>Total</b>	<b>8,152</b>	<b>11,525</b>	<b>7,189</b>	<b>6,734</b>	<b>\$768,865</b>	<b>\$615,000</b>	<b>1.71</b>	<b>1.84</b>

**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
<b>2004</b>	4521	6284	8073	7910	7888	8186	7583	7464	6984	6761	6228	5195
<b>2005</b>	5426	6833	8801	8420	8610	8896	8207	8784	7561	7157	6188	4837
<b>2006</b>	5275	6032	8174	7651	8411	8094	7121	7692	6216	6403	5292	4346
<b>2007</b>	4869	6239	7192	6974	7311	6876	6371	5580	4153	4447	3896	2975
<b>2008</b>	3291	4167	4520	4624	4526	4765	4580	4584	4445	3346	2841	2432
<b>2009</b>	3250	3407	4262	5372	5498	5963	5551	5764	5825	5702	3829	3440
<b>2010</b>	4381	5211	6821	7368	4058	4239	4306	4520	4350	4376	3938	3474
<b>2011</b>	4272	4767	6049	5732	5963	5868	5657	5944	5299	5384	4814	4197
<b>2012</b>	4921	6069	7386	7015	7295	6733	6489	6341	5871	6453	5188	4181
<b>2013</b>	5548	6095	7400	7462	7743	7374	7264	6916	5951	6222	5083	3957
<b>2014</b>	5406	5587	7099	7325	8055	7546	7169	6959	6661	6469	5220	4410
<b>2015</b>	5791	6541	8648	8671	8620	8608	8248	7792	7179	6977	5703	4475
<b>2016</b>	5420	6703	8130	8332	9153	8869	8545	8628	7729	7487	6115	4727
<b>2017</b>	5710	6024	7592	7621	9188	9042	8514	8637	7441	7740	6094	4460
<b>2018</b>	5484	5725	7373	7565	8742	8052	7612	6893	6235	6367	5328	4037
<b>2019</b>	5472	4910	7588	8090	8597	8231	7773	7345	6896	6797	5788	4183
<b>2020</b>	5352	6078	6477	5066	7297	8335	8817	9179	8606	7934	6122	4851
<b>2021</b>	5216	5600	8002	7716	8674	8824	8049	8586	7880	7405	6022	3943
<b>2022</b>	4405	5560	7312	6908	7482	6031	5934	6581	5208	4410	3521	2778
<b>2023</b>	4111	4402	4951	4966	5578	5298	5025	4795				