Puget Sound Housing Market Overview
Winter 2019

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Key trends in the Puget Sound Region

1. Slowing home value gains: Priciest submarkets negative in recent months while Tacoma/Olympia continue to see strong gains.
2. Regional labor market gains steady suggesting delayed, not lost, underlying demand.
3. After contracting for three years, inventory is rising again across price points though faster in pricier areas and it remains constrained by historical standards.
4. Rent growth has slowed across the region softening incentives to buy. It should pick back up this year but remain below inflation.
5. New construction lagging and shifting.
Purchase Market Trends
Pierce County home values are 18.1% above their pre-crisis peak and King County home values are 42% above peak.
All market tiers are above their pre-crisis peaks

Source: Zillow Home Value Index, November 2018
But it’s not just the Puget Sound region

Source: Zillow Home Value Index, November 2018
Pierce County markets are seeing the strongest appreciation; Seattle and South King County now slowest

**Top 5 Appreciating Markets**

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Appreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Yelm</td>
<td>15.0%</td>
</tr>
<tr>
<td>2.</td>
<td>Tacoma</td>
<td>13.2%</td>
</tr>
<tr>
<td>3.</td>
<td>Lakewood</td>
<td>10.9%</td>
</tr>
<tr>
<td>4.</td>
<td>Parkland</td>
<td>10.4%</td>
</tr>
<tr>
<td>5.</td>
<td>Spanaway</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

**Bottom 5 Appreciating Markets**

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<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>Appreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tukwila</td>
<td>-1.0%</td>
</tr>
<tr>
<td>2.</td>
<td>Enumclaw</td>
<td>-0.1%</td>
</tr>
<tr>
<td>3.</td>
<td>Federal Way</td>
<td>0.7%</td>
</tr>
<tr>
<td>4.</td>
<td>Kent</td>
<td>0.8%</td>
</tr>
<tr>
<td>5.</td>
<td>Seattle</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Source: Zillow Home Value Index, November 2018
Priciest markets have slowed while more affordable pockets continue to see strong appreciation

Source: Zillow Home Value Index, February 2018
Almost all markets under $350K continue to see gains while half of markets over $400K are seeing declines.

Source: Zillow Home Value Index, November 2018
After contracting for three years, inventory is rising.

Listings are rising more in the region’s pricier cities

For the first time since the end of the Recession, Seattle has more listings with a price cut than the nation

Source: Zillow listings with a price cut, November 2018
But the size of the typical price cut has not increased: This looks like price discovery, not desperation.

Source: Zillow median size of price cut, November 2018
New Construction
Home building still lags pre-crisis levels, and is shifting

Notes: Seattle metro.
New construction listings with a price cut rising

<table>
<thead>
<tr>
<th>Year Quarter</th>
<th>United States</th>
<th>Seattle, WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Q1</td>
<td>19.2%</td>
<td>11.9%</td>
</tr>
<tr>
<td>2018 Q2</td>
<td>20.4%</td>
<td>16.5%</td>
</tr>
<tr>
<td>2018 Q3</td>
<td>22.3%</td>
<td>27.8%</td>
</tr>
<tr>
<td>2018 Q4</td>
<td>25.1%</td>
<td>31.8%</td>
</tr>
</tbody>
</table>

Source: Zillow data.
Rental Market Trends
Rents have peaked, but they aren’t really going down either

Source: Zillow Rent Index, November 2018
Regional Market Drivers
Employment growth: The elephant in the region
New construction vs job creation

Big savings in the suburbs for Seattle workers

In Seattle, Driving for Savings

Increasing your commute from... could save you...

- 15 min to 30 min: $1,095
- 20 min to 40 min: $628
- 30 min to 50 min: $523
- 35 min to 60 min: $1,598
- 40 min to 60 min: $1,239
- 50 min to 75 min: $1,168
- 60 min to 75 min: $112
- 75 min to 90 min: $235

Source: Zillow analysis of Zillow home value data and Here Technologies commute data.
As far south as Tacoma, as high as one-in-five employed adults works in Seattle

Source: Zillow analysis of U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD) data.
Key Takeaways
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More data
More research and data at www.zillow.com/research

Real Estate Metrics Include:

- Zillow Home Value Index
- Zillow Rent Index
- Zillow Home Value Forecast
- Negative equity
- Sale prices
- Rental prices
- Home sales
- $ value/square foot
- Price-to-income ratios
- Affordability

...and more