

Housing Market and Housing Affordability Data Sources:

This analysis of housing markets and housing affordability in Washington was prepared for the Kitsap County TRENDS publication by the Washington Center for Real Estate Research at Washington State University. It is based on a quarterly report published by the Center which examines county-by-county housing markets across the state. Data estimates are based on data from the U.S. Department of Commerce, multiple listing services, local REALTOR associations and private data vendors.

2000 Home Sales Activity less than 1999 but Historically High:

Housing markets in Washington State during the first half of 2000 responded to strong but softening underlying economics, reinforced by increasing interest rates in response to Fed policy. Home sales activity throughout the state slid from 1999 records, but remained very high by historical standards. Stock market instability combined with the interest rate hikes began to slow the overheated greater Seattle market. While existing home sales in Kitsap county were below year-ago levels in both the first and second quarters, in both periods the declines were less than in neighboring King county.

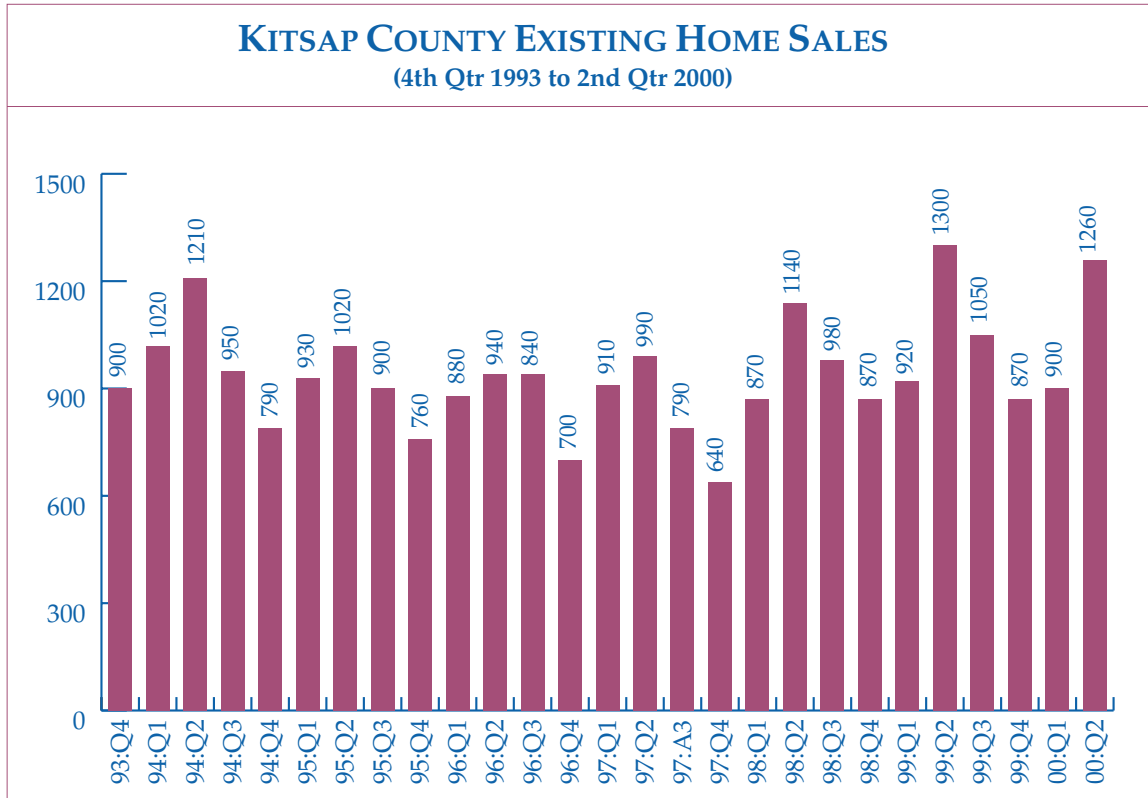
Washington Center For Real Estate Research:

The Washington Center for Real Estate Research uses data from multiple listing systems and other groups that monitor housing market activity throughout the state to compute measures of existing home sales (housing resales, excluding new homes sold). Since many sales take place outside of multiple listing systems, the data is linked to sales reported in the most recent Census (1990). Accordingly, the sales activity reported by the Center will be higher than other measures, but should be generally consistent in terms of percentage changes.

Statewide Home Sales Down By 0.5%/Kitsap County Sales Down By 2.7%:

Statewide home sales performance in the first half of 2000 was 0.5 percent below a year earlier, totaling 58,280 home resales. Kitsap slightly trailed the state. The 2,160 sales tallied in the county during the first half of the year represented a decline of 2.7 percent compared to early 1999.

| RESALE HOUSING ACTIVITY - 1995-2000 | | | | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|
| COUNTY FIRST HALF YEAR TOTALS | | | | | | | | |
| County | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | Percent Change 98-99 | Percent Change 99-00 |
| Benton/ Franklin | 1,080 | 1,270 | 1,170 | 1,300 | 1,370 | 1,380 | +5.4% | +0.7% |
| Clark | 1,670 | 2,090 | 2,010 | 2,470 | 2,450 | 2,390 | -0.8% | -2.4% |
| King | 12,640 | 15,060 | 16,690 | 16,810 | 17,750 | 16,340 | +5.6% | -7.9% |
| Kitsap | 1,950 | 1,820 | 1,980 | 2,010 | 2,220 | 2,160 | +10.4% | -2.7% |
| Pierce | 5,350 | 6,270 | 8,090 | 8,810 | 11,680 | 11,540 | +32.6% | -1.2% |
| Snohomish | 3,940 | 4,890 | 5,220 | 6,310 | 6,290 | 5,940 | -0.3% | -5.6% |
| Spokane | 2,690 | 2,790 | 2,660 | 3,030 | 3,100 | 3,130 | +2.3% | +1.0% |
| Thurston | 1,170 | 1,450 | 1,510 | 1,620 | 1,820 | 1,760 | +12.3% | -3.3% |
| Whatcom | 1,280 | 1,140 | 1,220 | 1,530 | 1,580 | 1,510 | +3.3% | +4.4% |
| Statewide | 41,950 | 47,140 | 50,830 | 54,810 | 59,560 | 58,280 | +8.7% | -0.5% |



Kitsap County Sales Up By 0.2% When Comparing 12 months ending with 2nd Quarter:

Statistics are always interesting. When you compare the twelve months of sales ending with the 2nd Quarter each year, Kitsap County actually experienced a slight increase over 1999. In the 12 months ending with the 2nd Quarter in 1999, 4070 homes were sold. In the 12 months ending with the 2nd Quarter in 2000, 4080 homes were sold. This is an increase of 0.2%. It is an increase of 18.6% over two years earlier.

EXISTING HOME SALES IN KITSAP COUNTY (YEARLY TOTALS 1995 TO 2000)

12 mos. ending 2nd Qtr 1995 - 3,690 Homes Sold
12 mos. ending 2nd Qtr 1996 - 3,480 Homes Sold
12 mos. ending 2nd Qtr 1997 - 3,440 Homes Sold
12 mos. ending 2nd Qtr 1998 - 3,440 Homes Sold
12 mos. ending 2nd Qtr 1999 - 4,070 Homes Sold
12 mos. ending 2nd Qtr 2000 - 4,080 Homes Sold

Home Prices:

Sales competition and potential marketing time for homes is of interest primarily to those who are actively in the housing market as either buyers or sellers. General business analysts also find the resale housing activity statistics useful. Far greater interest is expressed over the data on median home prices. Part of this interest is from individuals who want to own a home, but who have found the Puget Sound region rapidly escalating housing costs diminishing their ownership potential. Others find their homes are a considerable element in their financial portfolio, and monitor housing prices like they would stock prices. Certainly the state of housing prices is a frequent topic of conversation throughout Washington.

Despite slightly less robust home sales during the opening months of 2000, home prices have generally remained at record levels. This does not mean, however, that individual homes have not declined in value somewhat. During initial periods of market softness, it is common for the prices of individual homes to decline while aggregate prices increase. This happens because buyers enter the market expecting to purchase a certain type of home at a certain price. When they find the market has eased, they are faced with a dilemma. Do they spend as much as they expected, and purchase more home; or do they purchase the kind of home they expected, and save the remaining money. Most choose to purchase more home.

Kitsap Median Home Prices Show 3.2% Increase:

Most urban communities in the state continued to experience increases in median prices which are more consistent with individual property appreciation, however. Despite a slower market, prices in King County continued to jump at a double-digit rate. Kitsap county's 3.2% increase in median prices is more consistent with a steady, strong market where home price changes mirror overall inflation.

Kitsap County Median Price (\$146.5K) is \$100K Less Than King County:

A quick note about median prices is needed. Half the homes sell for prices above the median, half below. Both buyers and sellers are sometimes confused by these prices. Suburban sellers often forget that there are many less expensive homes in less desirable (by their standards) neighborhoods which help keep the medians down. Meanwhile, prospective buyers may be frightened out of the market by the unfounded belief they can't buy a home for less than the median.

| MEDIAN HOME PRICES - 1996-2000 | | | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|----------------------|
| SECOND QUARTERS | | | | | | | |
| County | 2nd Qtr 1996 | 2nd Qtr 1997 | 2nd Qtr 1998 | 2nd Qtr 1999 | 2nd Qtr 2000 | Percent Change 98-99 | Percent Change 99-00 |
| Benton/ Franklin | \$99,300 | \$101,300 | \$105,500 | \$108,300 | \$117,100 | +2.7% | +8.1% |
| Clark | \$122,900 | \$130,000 | \$138,500 | \$140,000 | \$147,200 | +1.1% | +5.1% |
| King | \$173,000 | \$186,100 | \$192,000 | \$229,500 | \$255,000 | +19.5% | +11.1% |
| Kitsap | \$123,500 | \$133,500 | \$137,500 | \$142,000 | \$146,500 | +3.3% | +3.2% |
| Pierce | \$126,400 | \$127,800 | \$137,000 | \$143,000 | \$155,000 | +4.4% | +8.4% |
| Snohomish | \$152,800 | \$163,600 | \$170,000 | \$184,600 | \$195,000 | +8.6% | +5.6% |
| Spokane | \$101,000 | \$103,300 | \$103,600 | \$103,800 | \$103,700 | -0.2% | -2.5% |
| Thurston | \$120,900 | \$125,000 | \$129,000 | \$130,000 | \$136,000 | +0.8% | +4.6% |
| Whatcom | \$130,800 | \$133,400 | \$137,200 | \$144,600 | \$146,600 | +5.4% | +3.5% |
| Statewide | \$143,900 | \$149,800 | \$158,900 | \$168,800 | \$178,000 | +6.2% | +5.5% |

All-Buyer Affordability Index:

Affordability is calculated two ways. The "All-Buyer Affordability Index" assumes a purchaser selects the area's median price home, makes a 20% down payment, and takes out a 30-year mortgage at prevailing interest rates. This buyer is assumed to earn a typical or median income for a family (no one-person households) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the second quarter of 2000, the answer remained "Yes", but much less emphatically than in recent quarters.

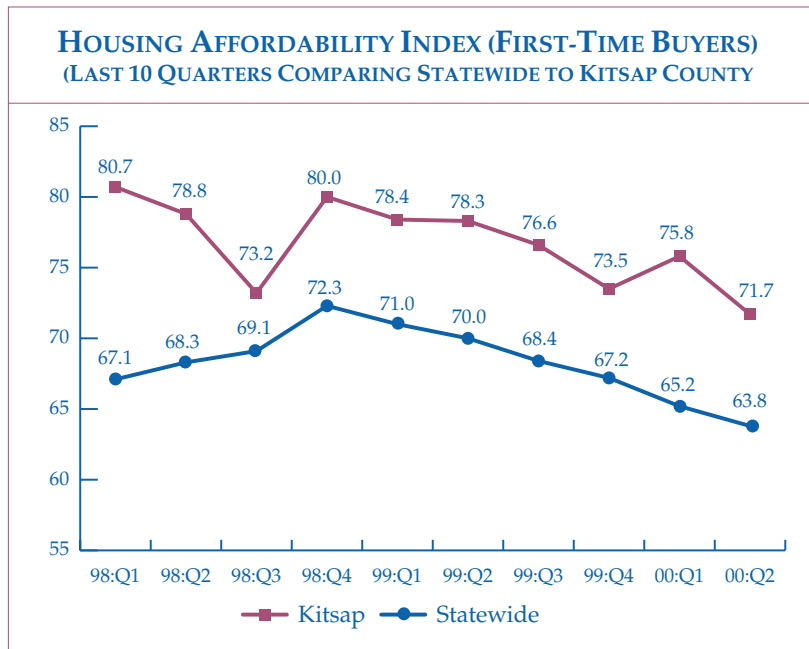
The statewide "All-Buyer Affordability Index" slipped to 107.3, meaning the typical family had just 7.3 percent more income than the bare minimum required to qualify for the home. This is less than half the "cushion" reported a year ago. Housing affordability in Kitsap county remained somewhat better than in most areas of the state, recording an index of 116.4, but has also declined somewhat due to higher prices and higher mortgage rates. Urban areas ranged from lows of 104.1 and 105.0 in King and Snohomish counties, respectively, to a high of 159.8 in Benton county (Tri-Cities area). Higher prices and mortgage interest rates offset increased family incomes, producing the lower affordability statistics for year-end 1999.

First-Time Buyer Index:

The real issue of affordability, however, is the ability of household to purchase their first home. The calculation of the “First-time Buyer Index” begins with a less expensive home (85% of median), a 10% down payment, and a 30-year loan with private mortgage insurance. To account for the fact that most higher-income households are already home owners, the comparative income level is 70% of the median household income (single-persons are more likely to be first-time buyers). The resulting picture of Washington is a place where it is difficult to buy your first home. The typical renter who might want to own a home has only 63.8 percent of the income required to qualify for a mortgage on the typical starter home.

Home Affordability Attracts New Businesses

Kitsap county’s first-time buyer affordability in the second quarter stood at 71.7. This relative affordability for first-time buyers in the county may be the key in attracting new businesses to the community. However, Kitsap County remains less affordable than Clark and Whatcom counties among urban areas in western Washington.



All-Buyer Index and First-Time Buyer Index Both Show Kitsap is Affordable:

The Chart below illustrates the relative affordability of Single-Family homes in Kitsap County utilizing both ways of calculating affordability (All-buyer Index and First-time Buyer Index).

| HOUSING AFFORDABILITY CONDITIONS - LAST FIVE QUARTERS ENDING 2ND QTR 00 | | | | | | | | | | |
|---|-------------------------------|--------------|--------------|--------------|--------------|------------------------|-------------|-------------|-------------|-------------|
| County | All-Buyer Affordability Index | | | | | First-Time Buyer Index | | | | |
| | 99:Q2 | 99:Q3 | 99:Q4 | 00:Q1 | 00:Q2 | 99:Q2 | 99:Q3 | 99:Q4 | 00:Q1 | 00:Q2 |
| Benton/ Franklin | 190.2 | 173.6 | 173.8 | 172.0 | 159.8 | 113.9 | 104.0 | 104.0 | 100.5 | 96.0 |
| | 126.6 | 118.6 | 121.9 | 120.8 | 110.3 | 77.4 | 72.4 | 74.3 | 73.6 | 67.4 |
| Clark | 143.7 | 137.5 | 137.8 | 133.4 | 131.2 | 87.7 | 84.1 | 84.4 | 81.9 | 81.0 |
| King | 115.6 | 108.5 | 111.3 | 107.0 | 104.1 | 65.8 | 61.9 | 63.5 | 61.2 | 59.5 |
| Kitsap | 126.6 | 124.0 | 119.1 | 122.8 | 116.4 | 78.3 | 76.6 | 73.5 | 75.8 | 71.7 |
| Pierce | 134.0 | 126.1 | 127.0 | 123.7 | 116.8 | 80.2 | 75.3 | 75.7 | 73.5 | 70.0 |
| Snohomish | 116.9 | 111.6 | 111.6 | 106.2 | 105.0 | 72.9 | 69.9 | 70.1 | 66.9 | 65.7 |
| Spokane | 167.1 | 153.2 | 161.9 | 165.4 | 158.5 | 93.5 | 85.8 | 90.7 | 92.8 | 88.9 |
| Thurston | 146.6 | 138.7 | 145.7 | 136.8 | 130.7 | 87.1 | 82.3 | 86.3 | 80.9 | 77.7 |
| Whatcom | 128.3 | 124.0 | 127.3 | 123.3 | 117.5 | 72.5 | 70.2 | 72.1 | 69.9 | 66.7 |
| Stavewide | 121.0 | 116.7 | 113.3 | 108.4 | 107.3 | 70.0 | 68.4 | 67.2 | 65.2 | 63.8 |

Month's Supply of Housing/ Appreciation Potential:

The newest housing market measure introduced by WCRER is the comparison between sales during the second quarter of 2000 to the inventory of homes available for sale in selected price ranges in each market. If it is assumed that a "normal" market provides roughly a 5-month supply of homes, values significantly lower than five indicated the market is primed for rapid price increases in that market segment, while values significantly higher than five imply the owners of properties may need to be flexible in their pricing in order to sell the property in a reasonable time. Based on these statistics, the market in Kitsap county is currently well balanced, with only a moderate oversupply of homes priced above \$500,000. This means the local market will likely continue to experience relatively little change in homes sales prices, at least during the next several months.

| MONTH'S SUPPLY OF HOMES BY PRICE RANGE - JUNE 2000 | | | | | | |
|--|----------------|--------------------|---------------------|---------------------|---------------------|--------------|
| County | Under \$80,000 | \$80,000-\$159,000 | \$160,000-\$249,999 | \$250,000-\$499,999 | \$500,000 and above | Total Market |
| Benton/Franklin | 10.6 | 5.3 | 8.0 | 11.0 | 28.0 | 7.1 |
| King | 4.0 | 2.2 | 3.4 | 4.8 | 7.1 | 4.3 |
| Kitsap | 5.0 | 5.8 | 8.0 | 9.5 | 13.1 | 7.1 |
| Pierce | 5.1 | 4.0 | 6.6 | 9.8 | 24.5 | 5.7 |
| Snohomish | 13.3 | 3.8 | 4.8 | 8.6 | 14.2 | 5.7 |
| Spokane | 10.2 | 10.2 | 11.2 | 15.1 | 86.0 | 10.7 |
| Whatcom | 14.9 | 11.9 | 12.9 | 14.1 | 28.5 | 12.9 |
| Statewide | 9.6 | 6.7 | 6.0 | 7.1 | 9.0 | 6.9 |

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