Seattle Market Cooldown
June 2019

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US home values have reached a new peak...

Source: Zillow Home Value Index, April 2019.
...but are slowing after years of rapid growth

Source: Zillow Home Value Index, April 2019.
West coast led the boom and the slowdown

Source: Zillow Home Value Index, April 2019.
...with plunging growth rates

San Jose, CA -2.7%
San Francisco, CA 1.3%
Los Angeles, CA 1.4%
Seattle, WA 2.2%

Source: Zillow Home Value Index, April 2019.
Affordability breaking point in King County

- King County: $616,300
- Snohomish County: $466,000
- Kitsap County: $371,400
- Pierce County: $349,100

Source: Zillow Home Value Index, April 2019.
Consistent markets are generally more affordable

Source: Zillow Home Value Index, April 2019.
Affordable = home value dynamics steadier

Source: Zillow Home Value Index, April 2019.
Locally, Seattle is leading the slowdown

Source: Zillow Home Value Index, April 2019.
Priciest markets have slowed while more affordable pockets continue to see some appreciation

Source: Zillow Home Value Index, April 2019.
Almost all markets under $350K continue to see gains while most over $400K are seeing declines

Source: Zillow Home Value Index, April 2019.
National inventory has finally bottomed out

Source: Zillow For-Sale Inventory, May 2019.
West Coast inventory is rebounding

Source: Zillow For-Sale Inventory, May 2019.
Seattle inventory doubled in a year

Source: Zillow For-Sale Inventory, May 2019.
Comparison cities’ inventory not spiking
Listings are rising more in the region’s pricier cities

Source: Zillow Monthly Listings and Zillow Home Value Index, April 2019.
Price cuts for listings peaked in the fall

Source: Zillow For-Sale Inventory, May 2019.
Mortgage rates threw some water on the fire
Rental Market
Nationwide, SFR rentals skew toward the bottom of the market, but in Puget Sound they skew toward the top.

<table>
<thead>
<tr>
<th>United States</th>
<th>Seattle, WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>37.2%</td>
<td>31.7%</td>
</tr>
<tr>
<td>36.0%</td>
<td>27.7%</td>
</tr>
<tr>
<td>26.8%</td>
<td>40.6%</td>
</tr>
</tbody>
</table>

Share of SFR Rentals in Bottom, Middle and Top Thirds of Home Values
- Bottom Third
- Middle Third
- Top Third
Rent: Steady as she goes?

Source: Zillow Rent Index, April 2019.
Rent growth broadly stabilizing

Source: Zillow Rent Index, April 2019.
Supply and Demand
Home building still lags pre-crisis levels, and is shifting.

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

Source: Zillow data.
New construction vs job creation

City of Seattle

- Total Employment
- New Units Permitted
- New Multifamily Units Permitted
- New Single Family Units Permitted

Other Seattle Metro

Change from 2010


No near term job slowdown
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.
Big savings in the suburbs for Seattle workers

In Seattle, Driving for Savings

<table>
<thead>
<tr>
<th>Increasing your commute from...</th>
<th>could save you...</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 min to 30 min</td>
<td>$1,095</td>
</tr>
<tr>
<td>20 min to 40 min</td>
<td>$628</td>
</tr>
<tr>
<td>30 min to 50 min</td>
<td>$523</td>
</tr>
<tr>
<td>35 min to 60 min</td>
<td>$1,598</td>
</tr>
<tr>
<td>40 min to 60 min</td>
<td>$1,239</td>
</tr>
<tr>
<td>50 min to 75 min</td>
<td>$1,168</td>
</tr>
<tr>
<td>60 min to 75 min</td>
<td>$112</td>
</tr>
<tr>
<td>75 min to 90 min</td>
<td>$235</td>
</tr>
</tbody>
</table>

Source: Zillow analysis of Zillow home value data and Here Technologies commute data.
Demographic Tailwinds
**Millennials are not forever-renters**

<table>
<thead>
<tr>
<th>Statement</th>
<th>18-34</th>
<th>35-49</th>
<th>50-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owning a home is necessary to live The Good Life and The American Dream</td>
<td>66%</td>
<td>58%</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>Owning a home is necessary to be a respected member of society</td>
<td>48%</td>
<td>40%</td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td>Owning provides a person more freedom</td>
<td>75%</td>
<td>63%</td>
<td>63%</td>
<td>65%</td>
</tr>
<tr>
<td>Buying a home is the best long-term investment a person can make</td>
<td>65%</td>
<td>63%</td>
<td>64%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: Zillow Housing Confidence Index (July 2016)
Making the down payment is no easy task

Percent of buyers that use each source to finance their down payments

- **USA**:
  - Savings: 70.0%
  - Previous home sale: 39.1%
  - Gift from family/friend: 30.1%
  - Investments/stock: 26.3%
  - Loan from family/friend: 26.4%
  - Retirement: 26.7%
  - Other: 11.6%

- **Atlanta**:
  - Savings: 73.0%
  - Previous home sale: 34.4%
  - Gift from family/friend: 33.4%
  - Investments/stock: 29.2%
  - Loan from family/friend: 17.7%
  - Retirement: 22.4%
  - Other: 10.8%

- **Chicago**:
  - Savings: 75.3%
  - Previous home sale: 33.6%
  - Gift from family/friend: 28.8%
  - Investments/stock: 19.8%
  - Loan from family/friend: 23.8%
  - Retirement: 17.0%
  - Other: 5.5%

- **Phoenix**:
  - Savings: 79.2%
  - Previous home sale: 17.4%
  - Gift from family/friend: 20.0%
  - Investments/stock: 13.2%
  - Loan from family/friend: 9.5%
  - Retirement: 14.9%
  - Other: 6.3%

- **San Francisco**:
  - Savings: 82.5%
  - Previous home sale: 21.6%
  - Gift from family/friend: 21.3%
  - Investments/stock: 36.3%
  - Loan from family/friend: 22.0%
  - Retirement: 25.1%
  - Other: 6.5%

- **Washington, DC**:
  - Savings: 78.8%
  - Previous home sale: 31.0%
  - Gift from family/friend: 24.7%
  - Investments/stock: 22.3%
  - Loan from family/friend: 18.5%
  - Retirement: 18.6%
  - Other: 8.6%

Source: Zillow Group Consumer Housing Trends Report 2018
Home buying simply comes much later in life...
...and requires financial stability
More buyers on the way

Median age of first-time home buyers is 34

Up-and-coming first-time home buyers
Past first-time home buyers
Predictions

1. Home values fall a little, then stabilize
2. Slowdown spreads to suburbs
3. Demographic trends take the wheel in long run