

# Puget Sound Housing Market Overview: Supply-Side Woes

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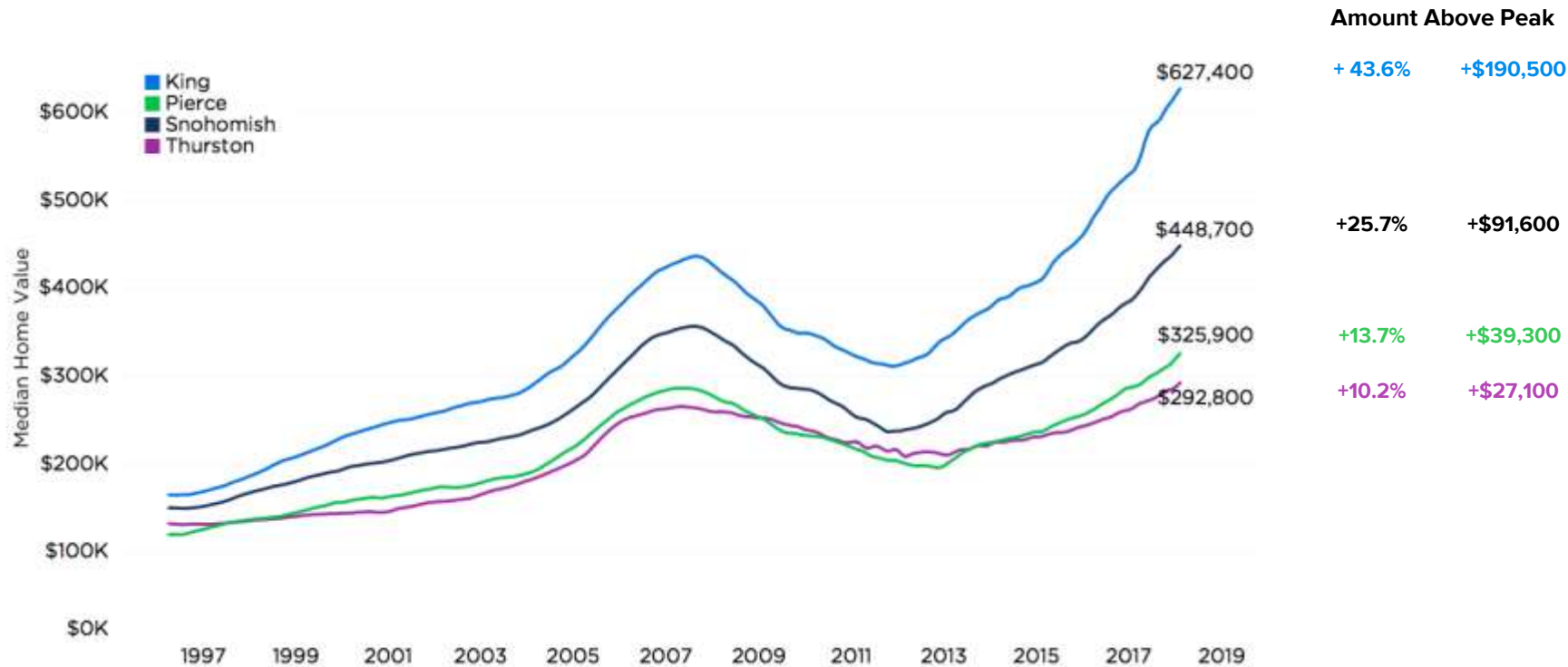
# Key trends in the South Sound

1. Accelerating home value gains; all price-tiers in the South Sound are now above pre-crisis peaks
2. Seattle employment core driving regional demand
3. On-market inventory has contracted steadily for three years, but new inventory has been steady until recently
4. Nationwide, inventory has been looser in higher price tiers; that is not the case in the South Sound where inventory is tight across price points
5. Toward an uncertain future

# Housing Market Trends

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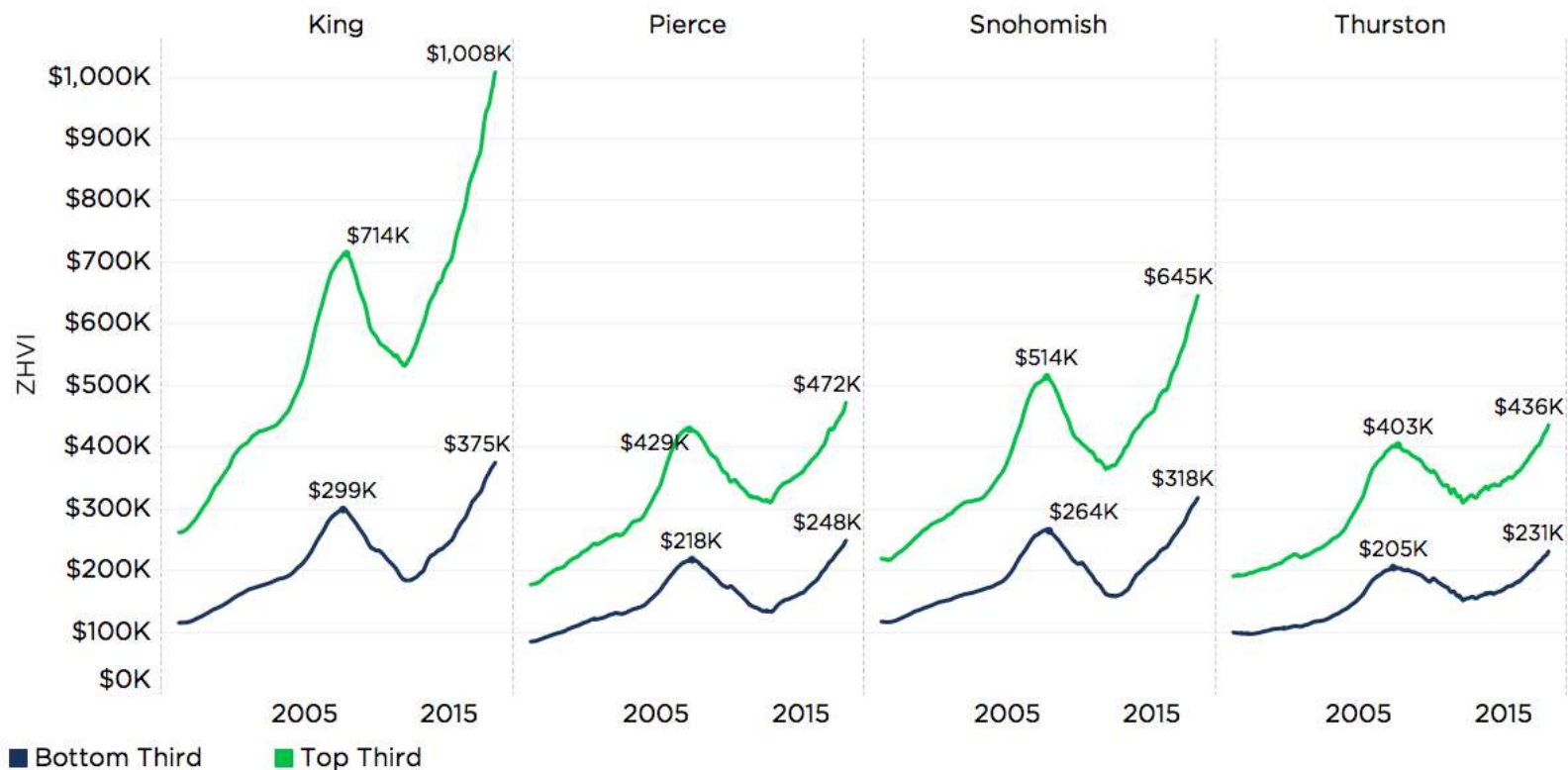
# Pierce County home values are 14% above their pre-crisis peak and King County home values are 44% above peak



Source: Zillow Home Value Index, February 2018

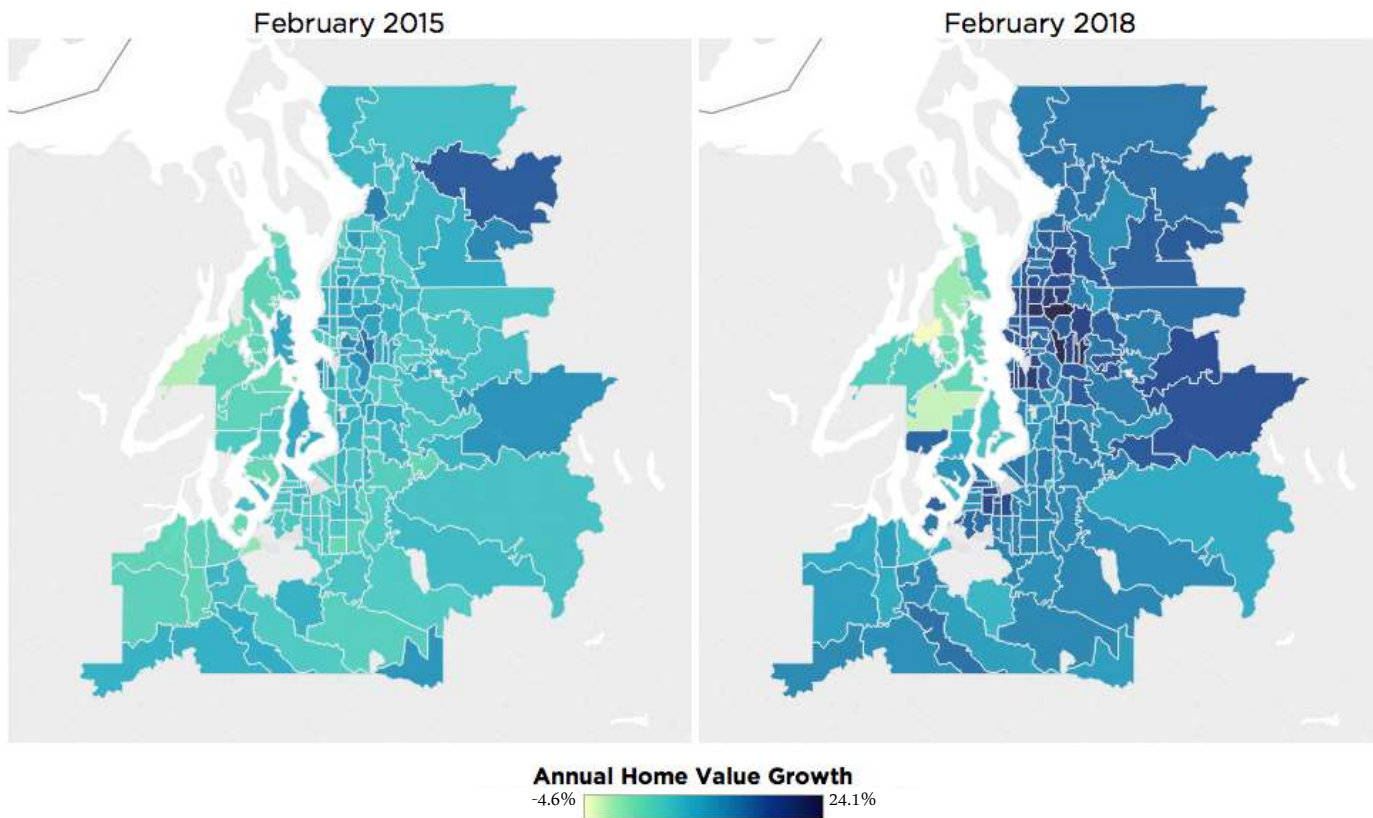


# All market tiers are above their pre-crisis peaks



Source: Zillow Home Value Index, February 2018

# Home value appreciation has *accelerated* from 3 years ago



Source: Zillow Home Value Index, February 2018

# Suburban Seattle markets are seeing the strongest appreciation as millennials nest

## Top 6 Appreciating Markets

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1. Kirkland	22.2%
2. Kenmore	21.4%
3. Bothell	19.7%
4. Shoreline	19.4%
5. Redmond	18.8%
6. Bellevue	18.1%

## Bottom 6 Appreciating Markets

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1. Enumclaw	8.5%
2. Tukwila	9.7%
3. Yelm	10.1%
4. Gig Harbor	10.6%
5. Mukilteo	11.2%
6. University Place	11.3%

# Pierce County is seeing some of the strongest rent appreciation in the region – in both multifamily and SFRs



Source: Zillow Rent Index, February 2018

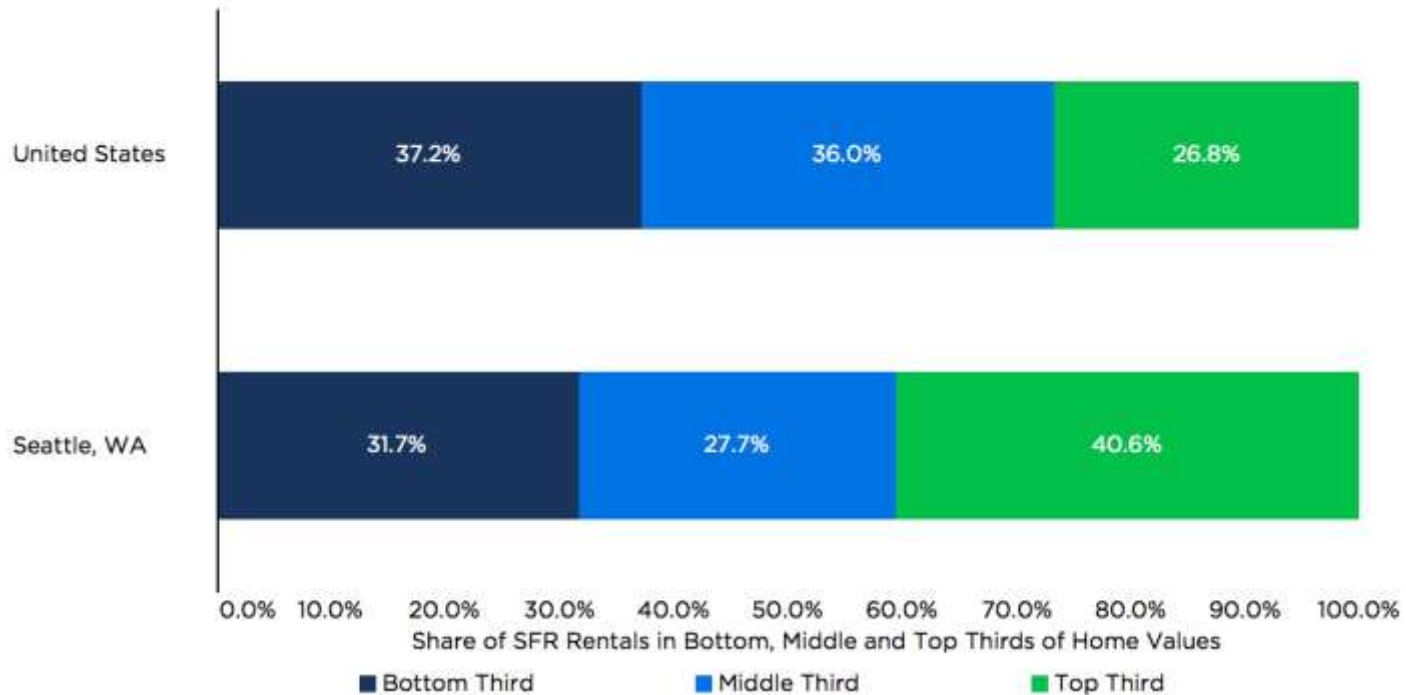




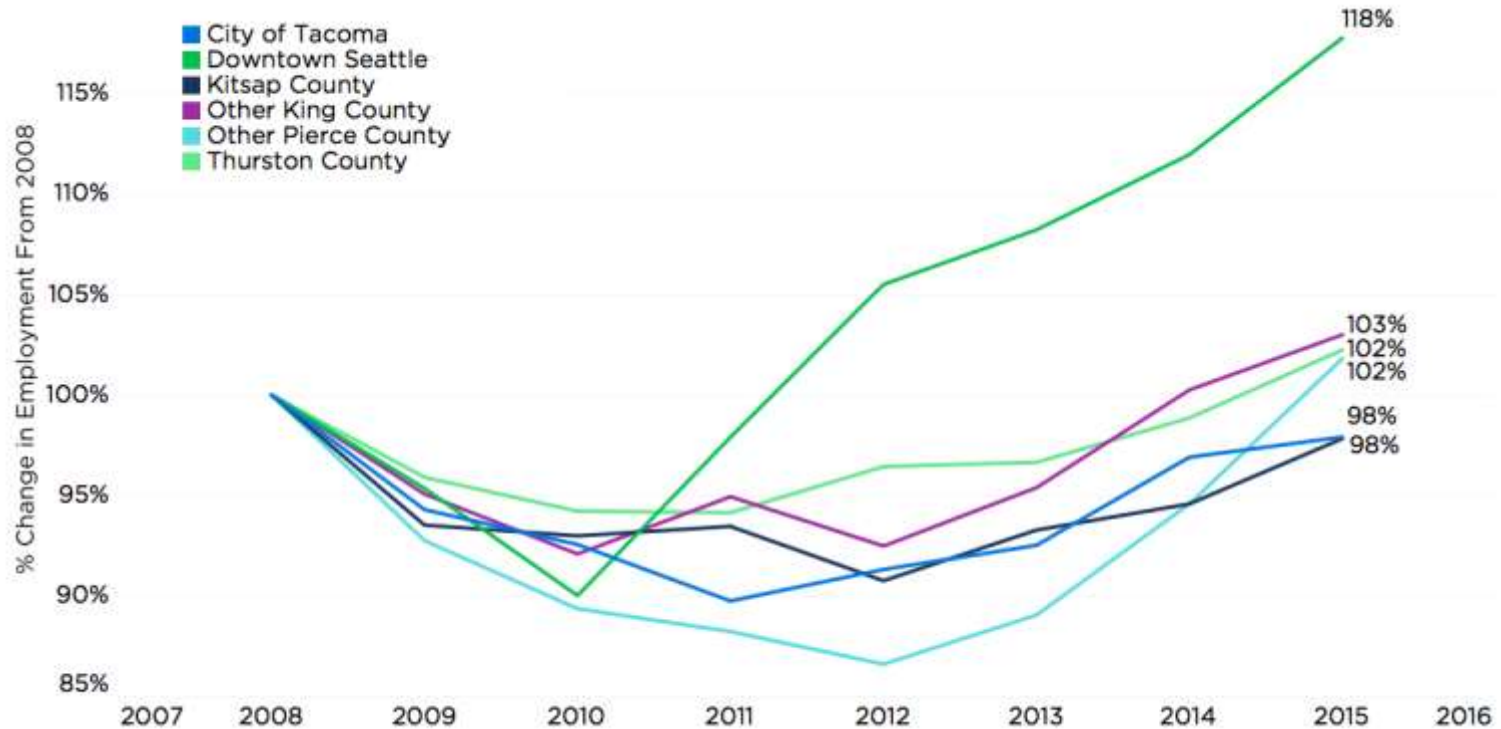
# Multifamily rent appreciation has slowed in the King Co. urban core but accelerated in Pierce/Thurston Co. cities

City	Rent Appreciation		Δ
	February 2016	February 2018	
Seattle	9.1%	1.7%	-7.4 pts
Bellevue	9.0%	4.1%	-4.9 pts
Burien	9.5%	5.9%	-3.6 pts
Renton	7.7%	5.6%	-2.1 pts
Tukwila	4.6%	8.0%	3.4 pts
Tacoma	2.9%	8.2%	5.3 pts
Olympia	2.7%	8.6%	5.9 pts

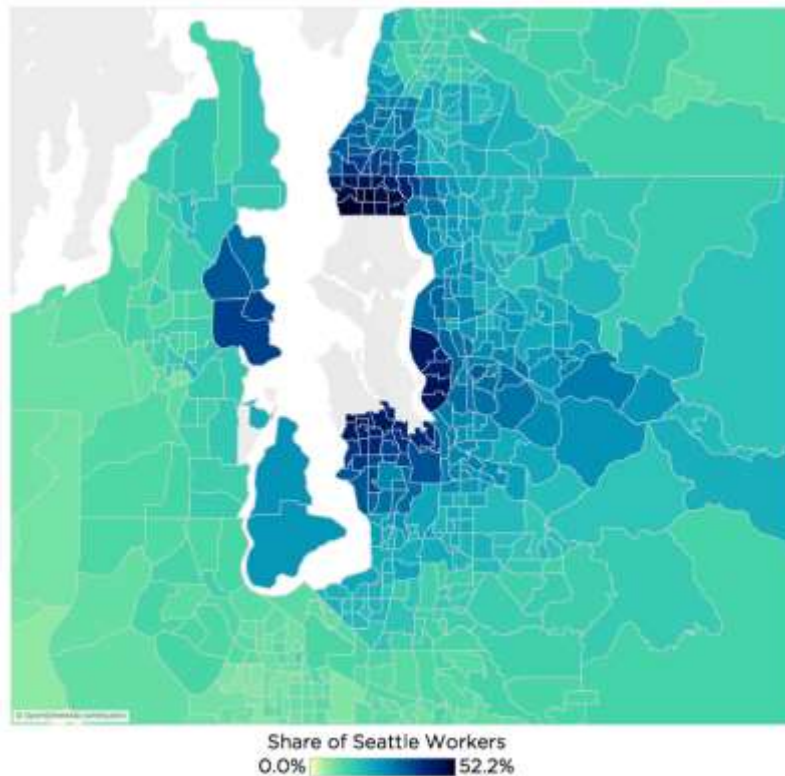
# Nationwide, SFR rentals skew toward the bottom of the market, but in Puget Sound they skew toward the top



# Employment growth: The elephant in the region



# As far south as Tacoma, as high as one-in-five employed adults works in Seattle

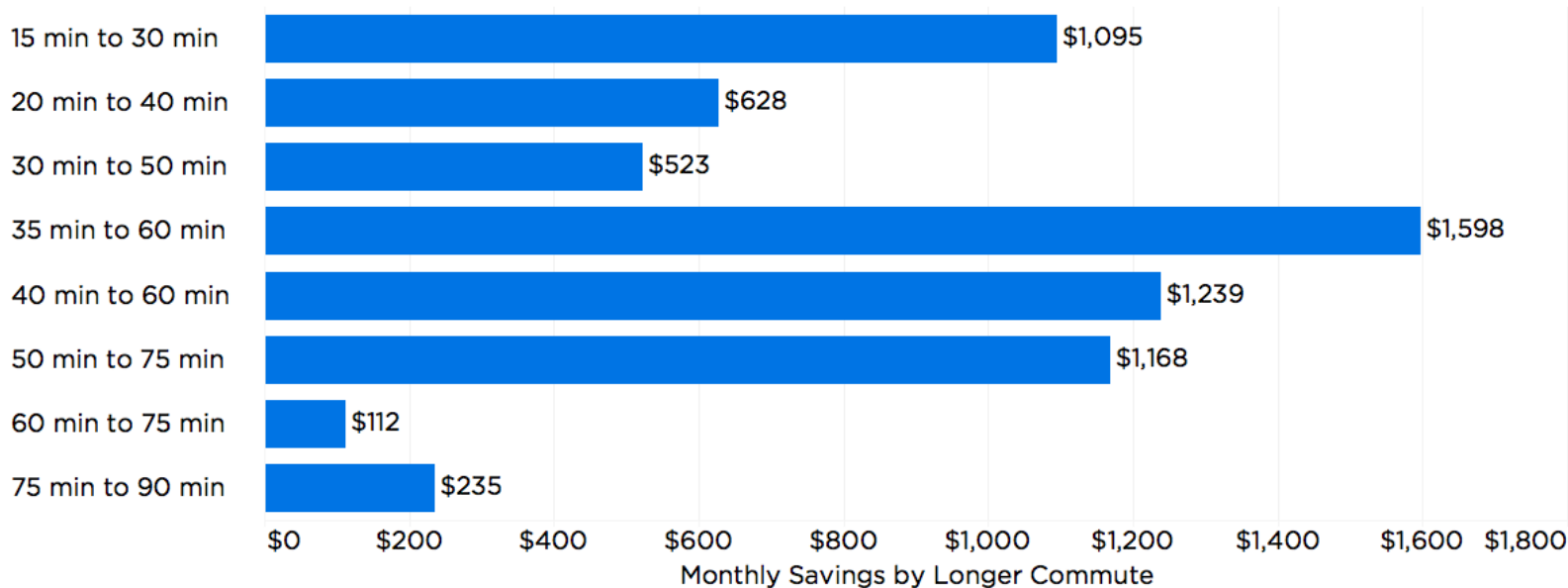


# Big savings in the suburbs for Seattle workers

## In Seattle, Driving for Savings

Increasing your commute from...

could save you...

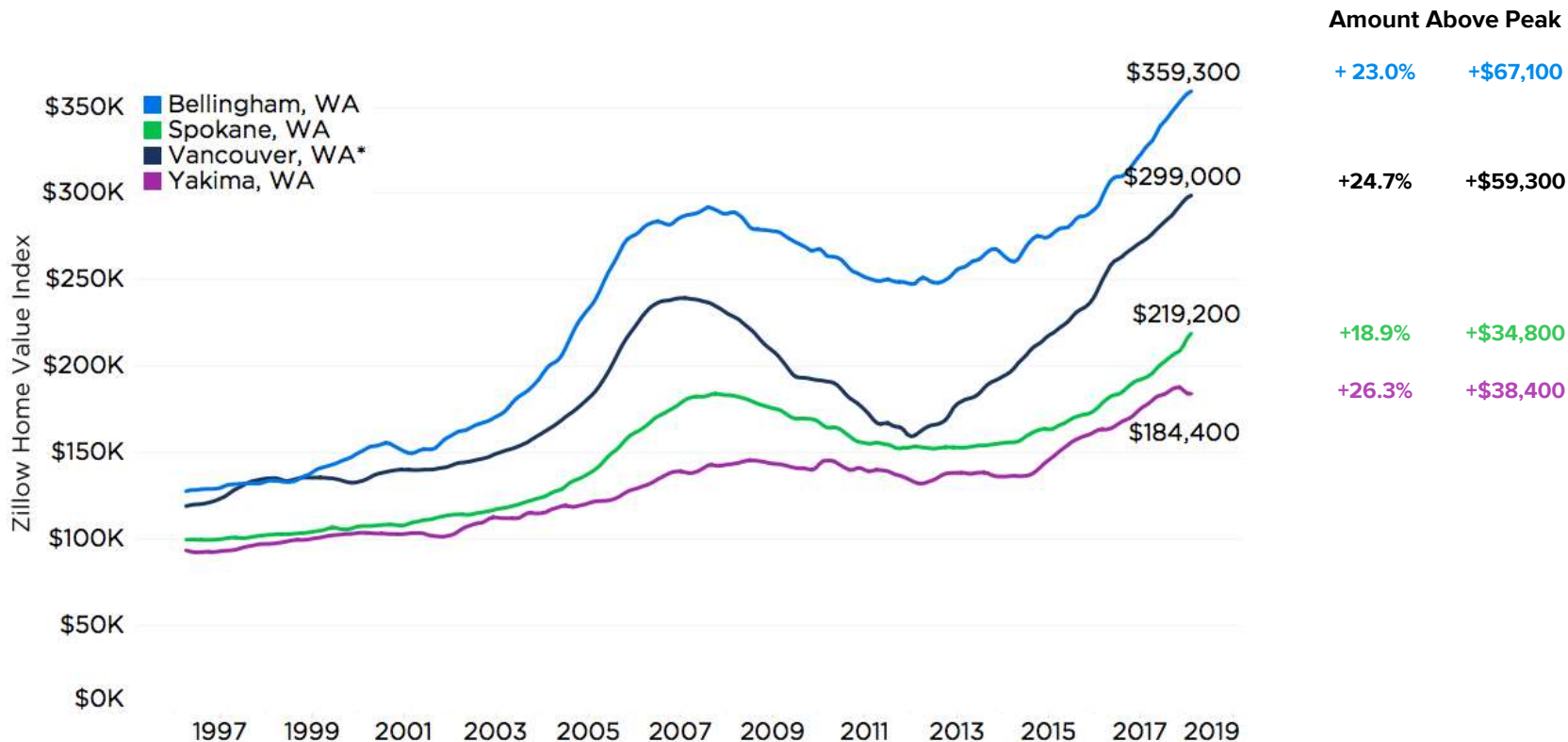


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Source: Zillow analysis of Zillow home value data and Here Technologies commute data.



# But it's not just the South Sound

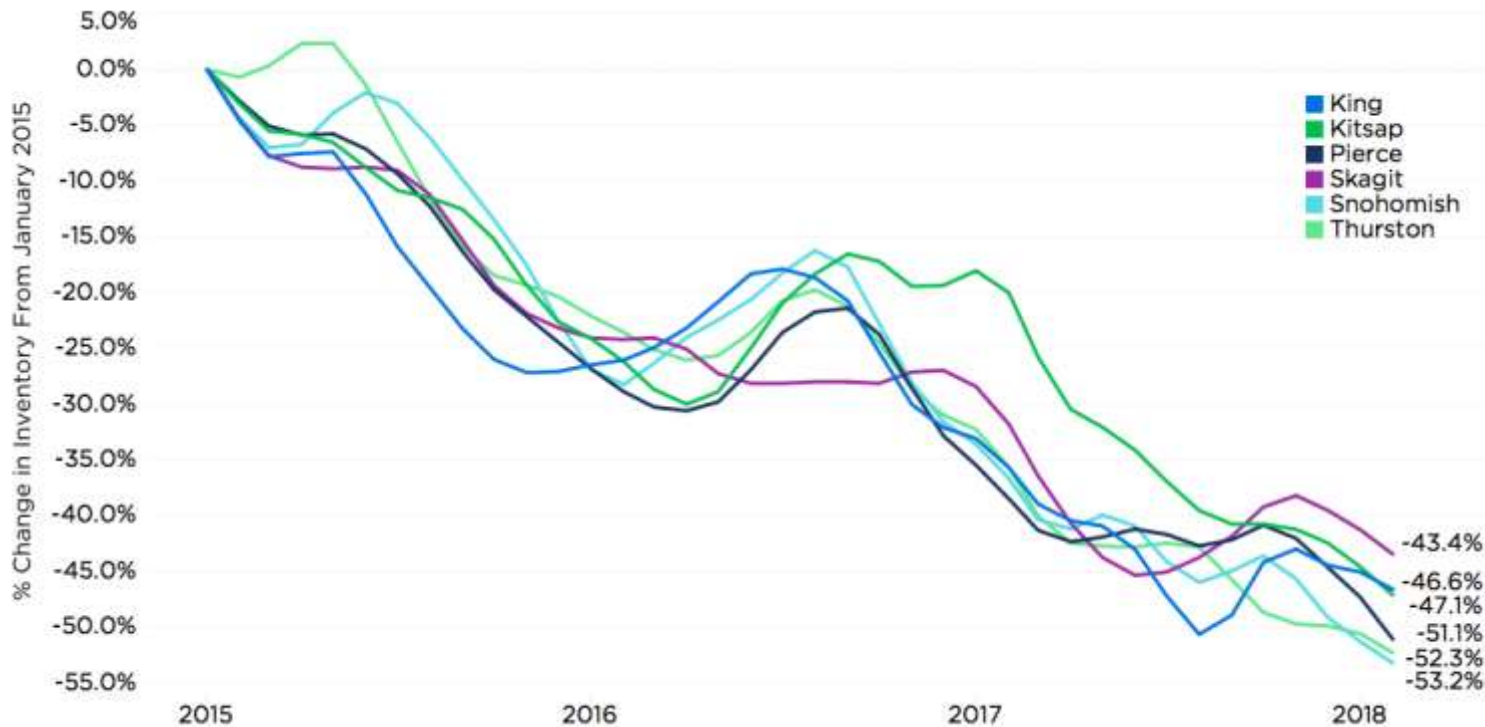


\* City level data

Source: Zillow Home Value Index, February 2018

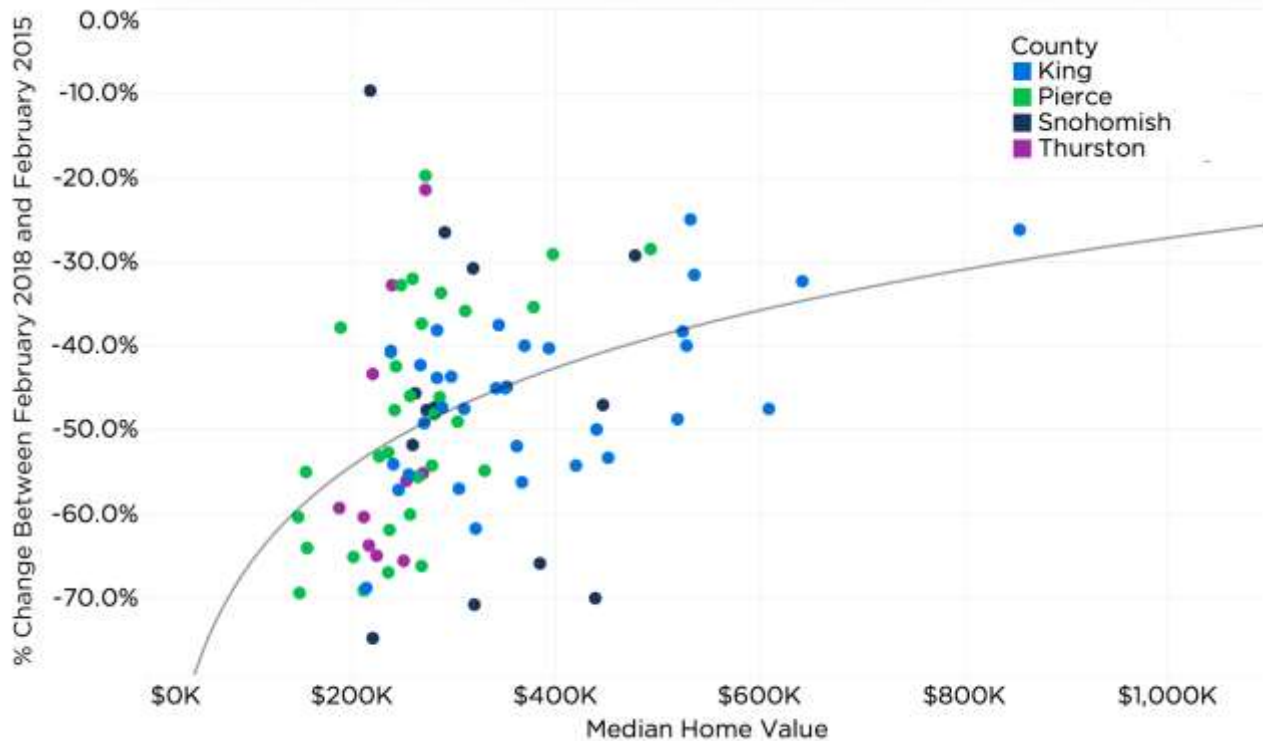


# Inventory has been on 3-year slide: There are 5.5K fewer homes for sales in the six counties than in 2015



Source: Zillow For-Sale Inventory, February 2018

# On average, inventory has declined more sharply in more affordable areas

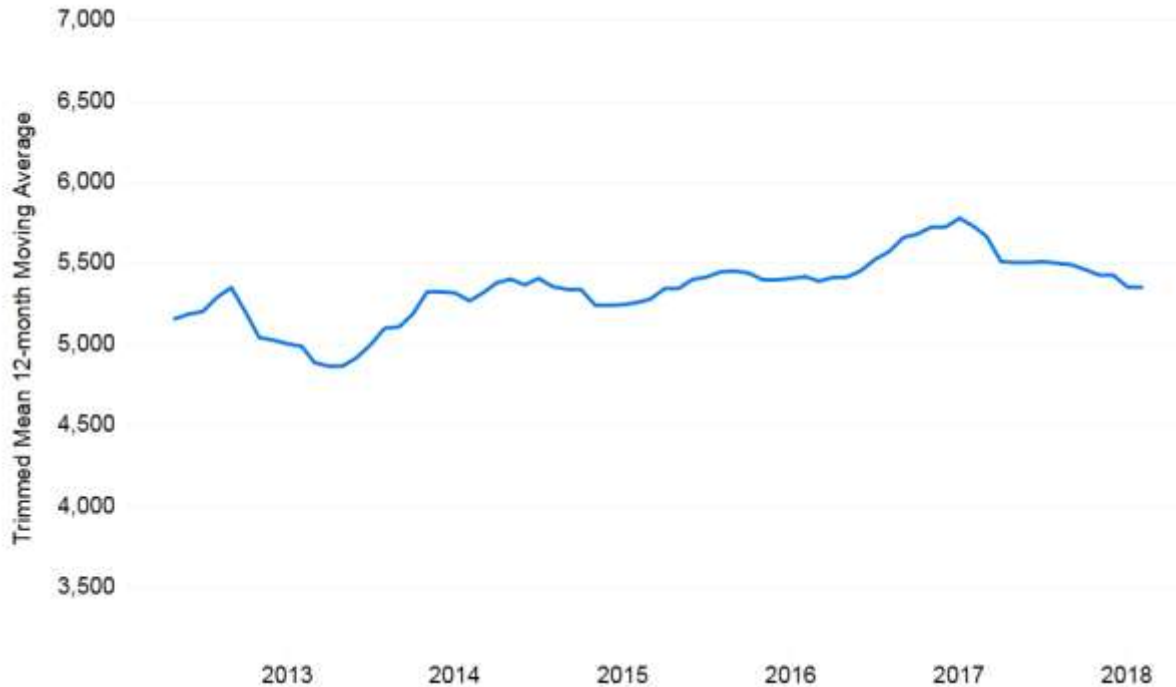


Source: Zillow For-Sale Inventory and Zillow Home Value Index, February 2018

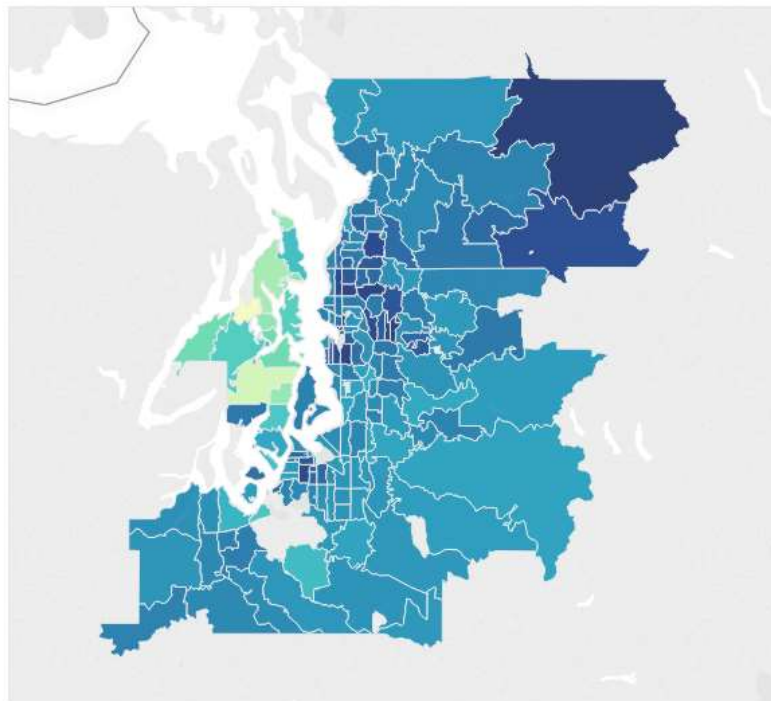




There are fewer homes on the market *on any given day*, but the *number of homes hitting the market* is ~stable



# Strong, though not double-digit, home value appreciation expected over the next 12 months



Source: Zillow Home Value Forecast, February 2018

# Issues to watch

## Demand-side considerations:

### Headwinds

- Mortgage rates
- Property taxes

### Tailwinds

- Mortgage lending standards

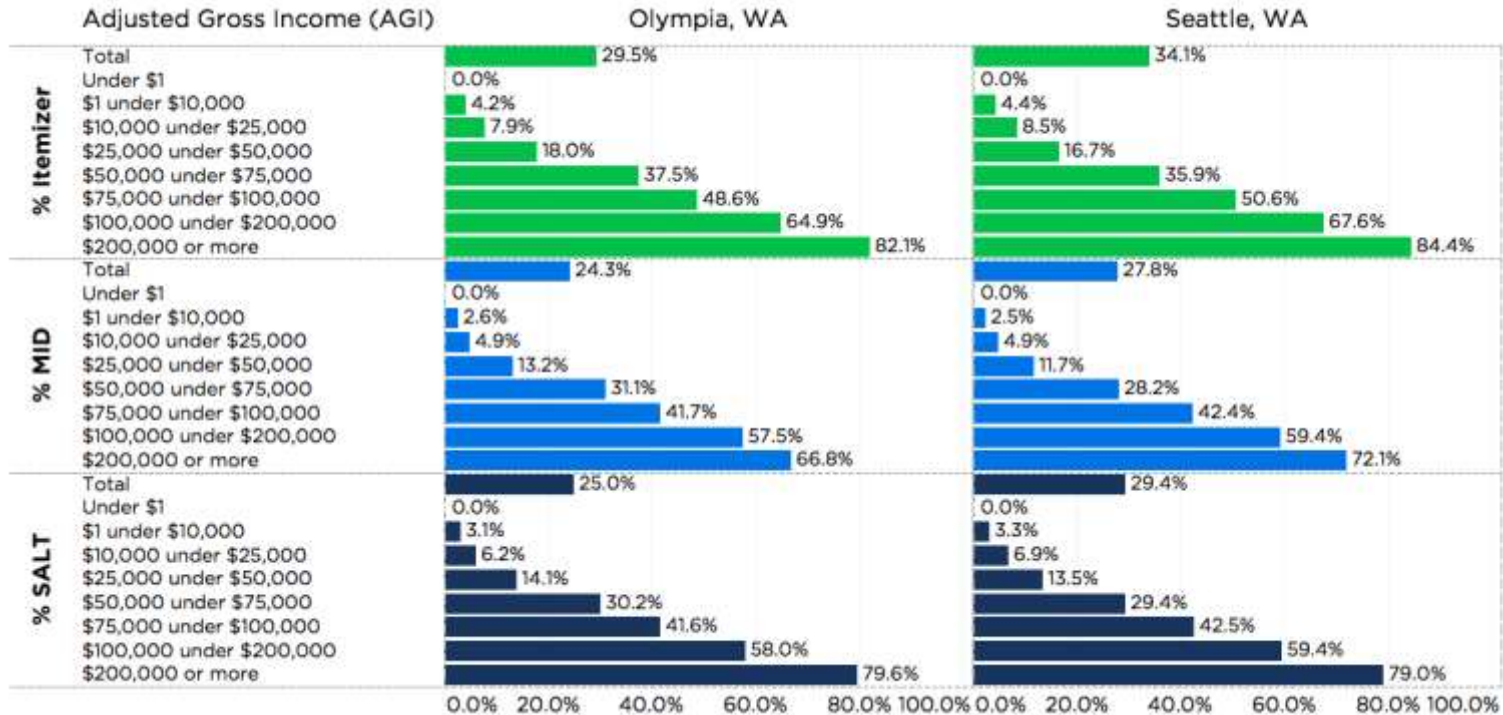
### Mixed

- Tax policy changes

## Supply-side considerations:

- Building materials and labor costs
- Land costs and building restrictions

# Limits to itemized deductions more important at the top of the market, and less for extensive margin



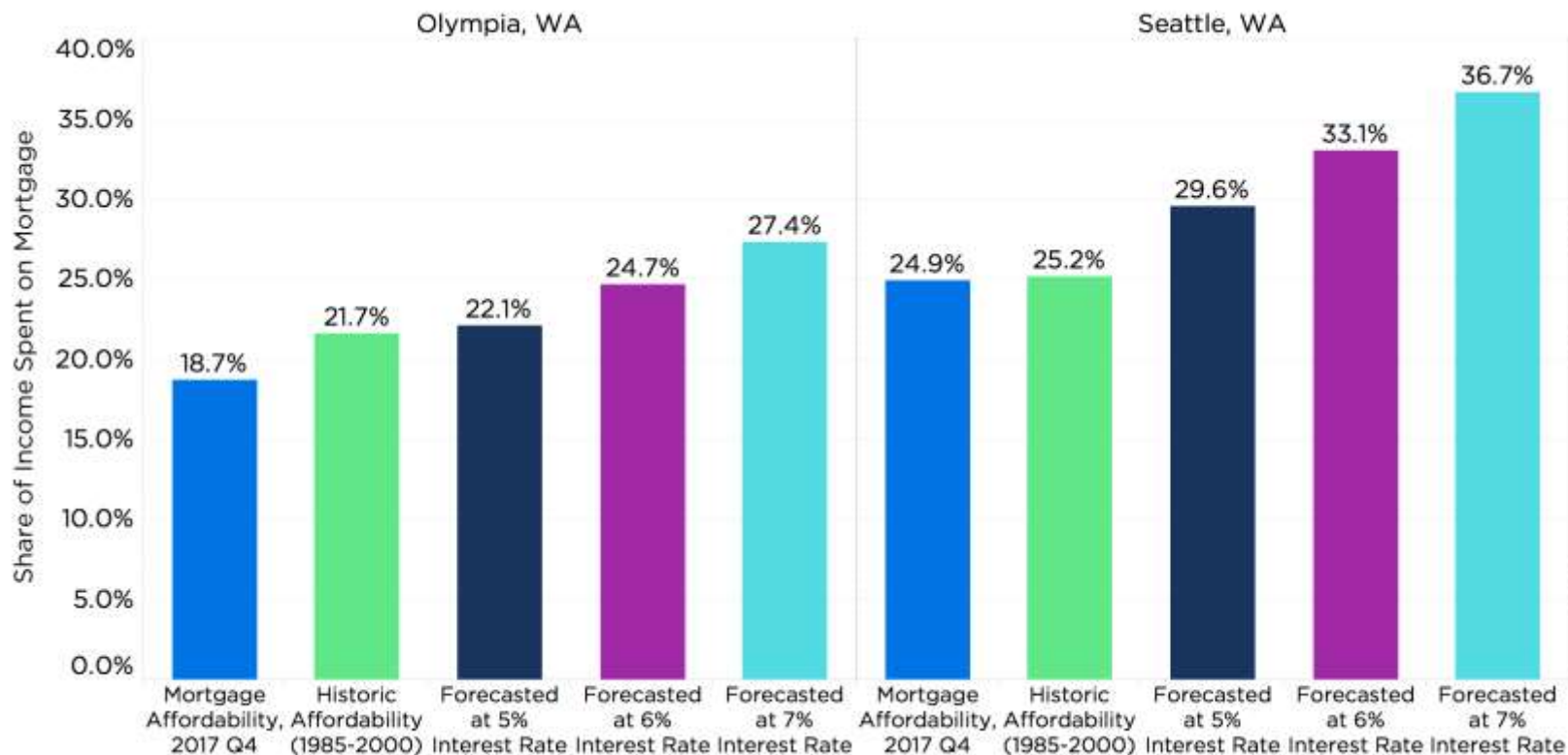
# Unintended consequences of fiscal policy: Rising rates



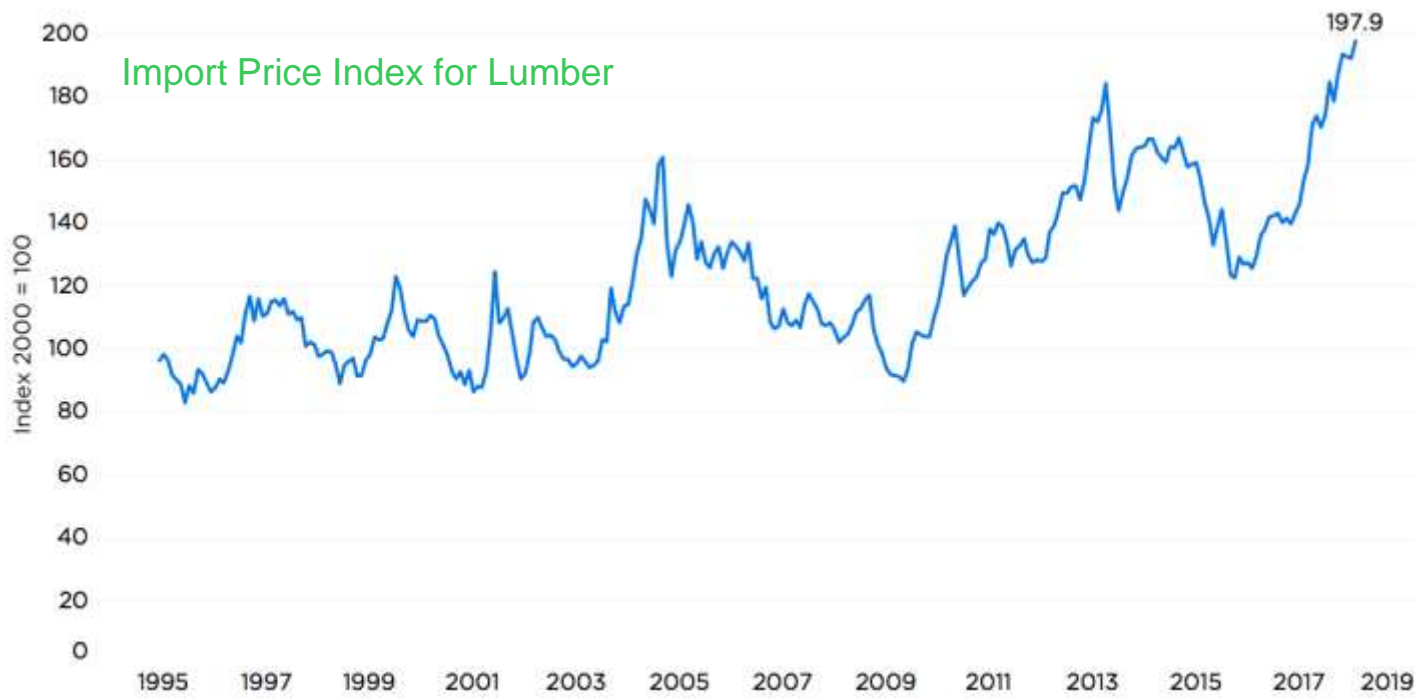
# Mortgage rates should rise in 2018, but remain relatively low by historic standards



# Mortgages will still be more affordable than historically

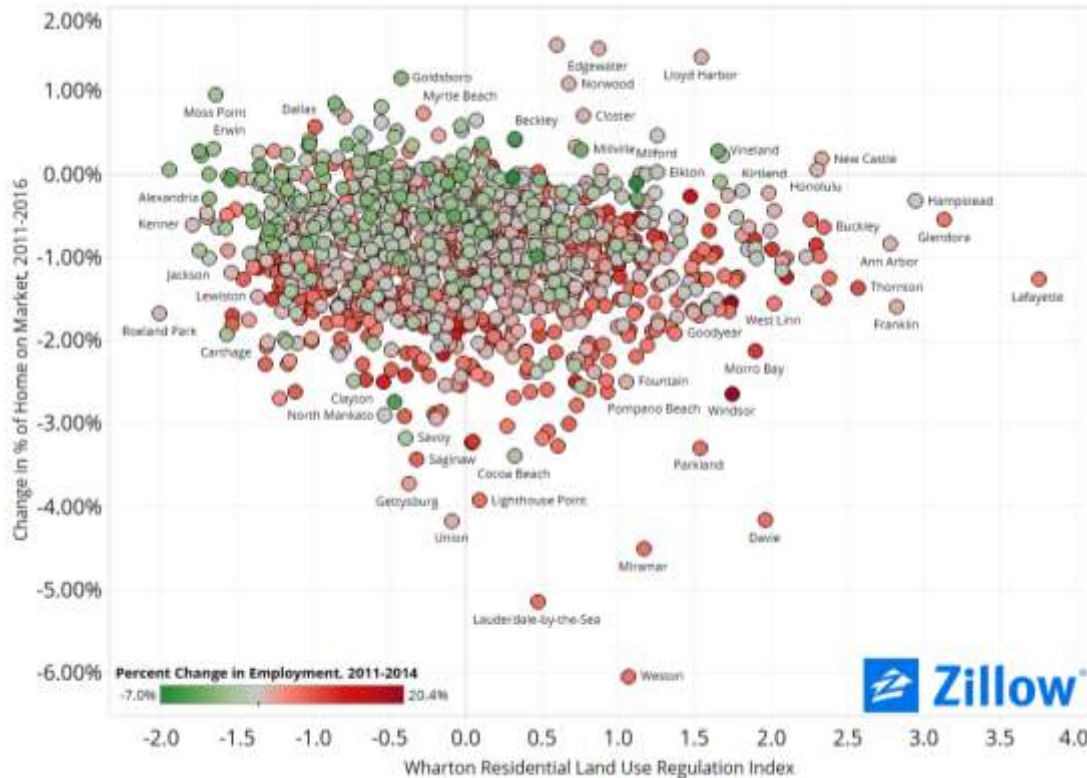


# Rising construction costs: Land and labor (old news), now materials prices surging as well





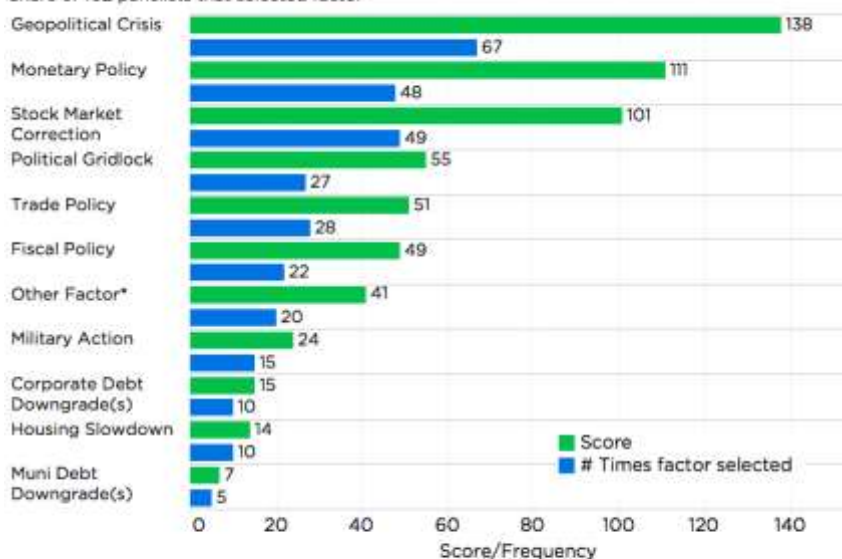
# Cities with stricter land use/building rules have seen a sharper drop in inventory



# Toward an uncertain future

## What factors are most likely to trigger the next recession?

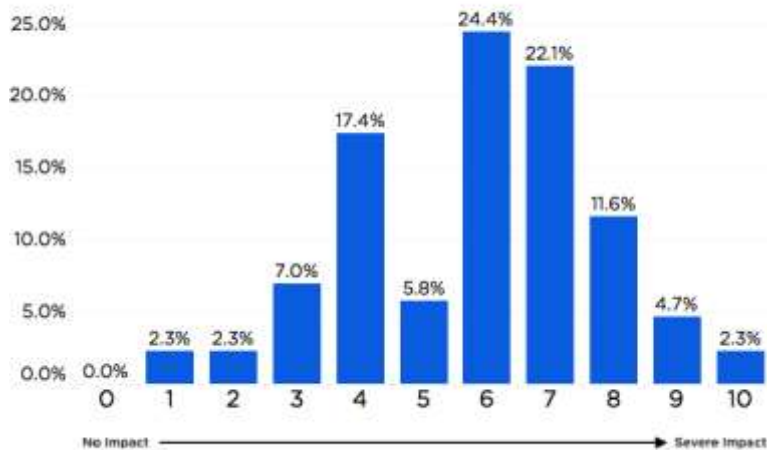
Share of 102 panelists that selected factor



\*Scores were computed by weighting the factors selected by each respondent according to their indicated importance ranking.

## How will the next recession affect the U.S. housing market?

Impact of next recession on U.S. housing, by share of respondents and severity of expected impact



# More research and data at [www.zillow.com/research](http://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

