

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.

Mortgage Interest Rates Remained Affordable:

Mortgage interest rates remain very affordable for most of the year, but the fear of inflation frequently expressed by Federal Reserve Chairman Alan Greenspan, and reflected in Federal Reserve Board actions increasing rates late in the year, began to put a damper on the robust housing market.

Home Sales Activity Reached Record Levels in 1999:

Housing markets in Washington State during 1999 responded to strong underlying economics, especially during the first half of the year, in most parts of the state. Home sales activity throughout the state reached record levels in 1999, with the strength being concentrated in the Greater Seattle area. Like 1998, Kitsap county experienced increased housing market activity.

Statewide Home Sales Up By 6.2%/Kitsap County Sales Up By 7.3%:

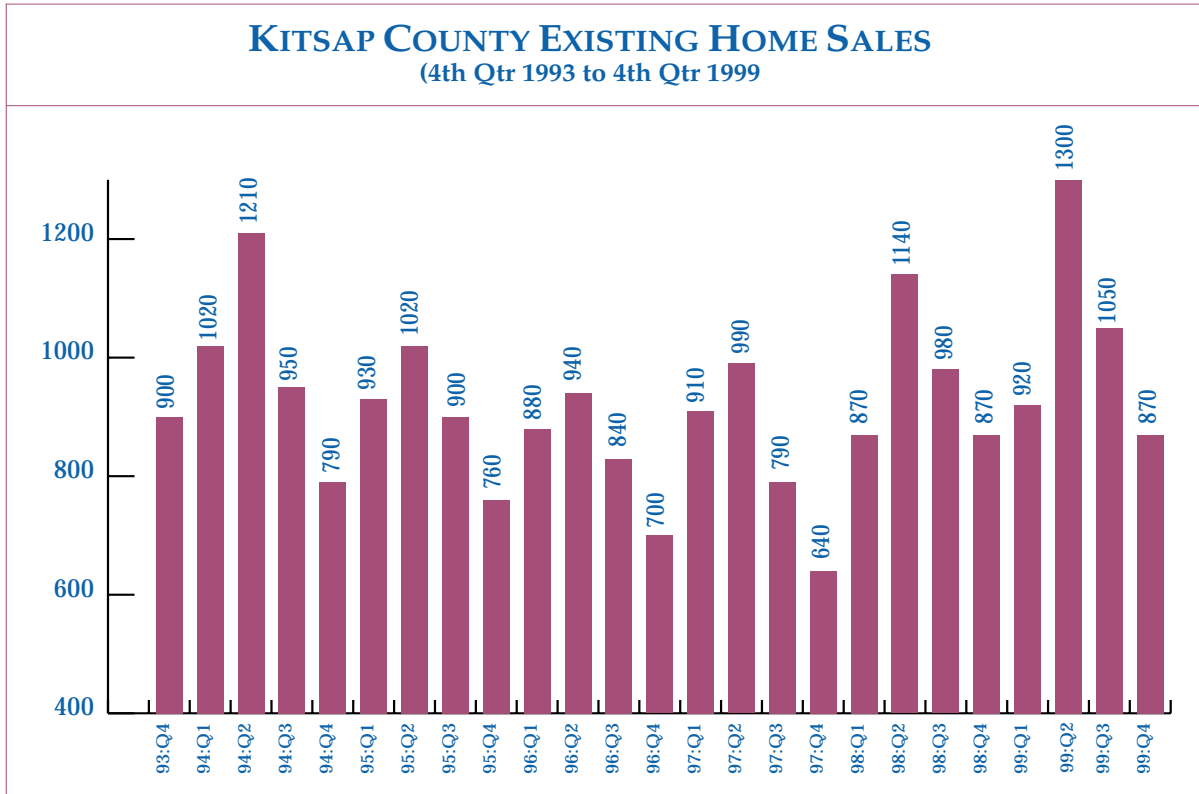
Statewide home sales performance in 1999 was 6.2 percent above a year earlier and roughly half the growth rate observed in 1998. Kitsap out-performed the state. The 4,140 sales tallied in the county during the year represented an increase of 7.3 percent compared to 1998.

EXISTING HOME SALES IN KITSAP COUNTY (YEARLY TOTALS 1994 TO 1999)

1994 - 3,970 Homes Sold
1995 - 3,610 Homes Sold
1996 - 3,360 Homes Sold
1997 - 3,330 Homes Sold
1998 - 3,860 Homes Sold
1999 - 4,140 Homes Sold

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.



RESALE HOUSING ACTIVITY - 1994-1999 COUNTY ANNUAL TOTALS

County	1994	1995	1996	1997	1998	1999	Percent Change 97-98	Percent Change 98-99
Benton/ Franklin	3,310	2,410	2,560	2,710	2,860	2,750	+5.5%	-3.8%
Clark	4,320	3,760	4,410	4,630	5,160	4,990	+11.4%	-3.3%
King	30,060	27,990	30,310	33,430	35,120	36,890	+5.1%	+5.0%
Kitsap	3,970	3,610	3,360	3,330	3,860	4,140	+15.9%	+7.3%
Pierce	11,350	11,130	11,210	13,300	17,860	21,970	+34.3%	+23.0%
Snohomish	9,310	8,820	9,830	11,520	12,990	12,910	+12.8%	-0.6%
Spokane	7,100	6,150	6,000	5,960	6,860	6,850	+15.1%	-0.1%
Thurston	2,840	2,420	2,620	2,700	3,140	3,380	+16.3%	+7.6%
Whatcom	2,900	2,510	2,270	2,590	3,250	3,270	+12.8%	+0.6%
Statewide	97,540	89,040	92,490	101,070	113,130	120,030	+11.8%	+6.2%

Kitsap County Median Price (\$143.1K) is \$100K Less Than King County:

Only real estate licensees and homeowners who are currently trying to sell homes, or potential buyers who are actively searching for a home are concerned with how many homes are selling and how long it takes to market an individual home. All owners and potential owners, however, have keen interest in trends in housing prices. During periods of rapid appreciation, home values are primary topics of conversation at cocktail parties. During slow markets, apprehension about housing values sets in.

In part reflecting the lingering softness of the local market, even two years of strong sales have not resulted in significant aggregate home price increases. In fact, the median price home sold in Kitsap County in 1999 was actually less expensive than in 1998. None of the other urban communities in the state reported reduced annual prices. Kitsap county's median home price during 1999 was \$143,100. Among the six counties in the greater Seattle market, King, Snohomish, Island and Pierce counties reported higher median prices.

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 - 1995-1999 FOURTH QUARTERS							
County	4th Qtr 1995	4th Qtr 1996	4th Qtr 1997	4th Qtr 1998	4th Qtr 1999	Percent Change 97-98	Percent Change 98-99
Benton/ Franklin	\$98,600	\$111,000	\$105,500	\$108,300	\$111,700	+2.7%	+3.1%
Clark	\$120,000	\$127,000	\$132,900	\$137,500	\$141,100	+4.5%	+1.6%
King	\$169,000	\$171,700	\$196,400	\$217,000	\$238,000	+10.5%	+9.7%
Kitsap	\$125,900	\$129,200	\$136,800	\$140,000	\$146,000	+2.3%	+4.3%
Pierce	\$121,700	\$126,100	\$133,700	\$137,800	\$146,500	+3.1%	+6.3%
Snohomish	\$150,600	\$154,400	\$165,000	\$179,500	\$187,500	+8.8%	+4.5%
Spokane	\$98,400	\$100,300	\$101,000	\$101,300	\$104,000	+0.4%	+2.7%
Thurston	\$119,300	\$120,000	\$124,000	\$128,000	\$126,300	+3.2%	-1.3%
Whatcom	\$129,000	\$129,800	\$134,500	\$142,400	\$142,000	+5.9%	-0.3%
Statewide	\$138,200	\$141,900	\$152,800	\$161,800	\$172,400	+5.9%	\$6.6%

All-Buyer Affordability Index:

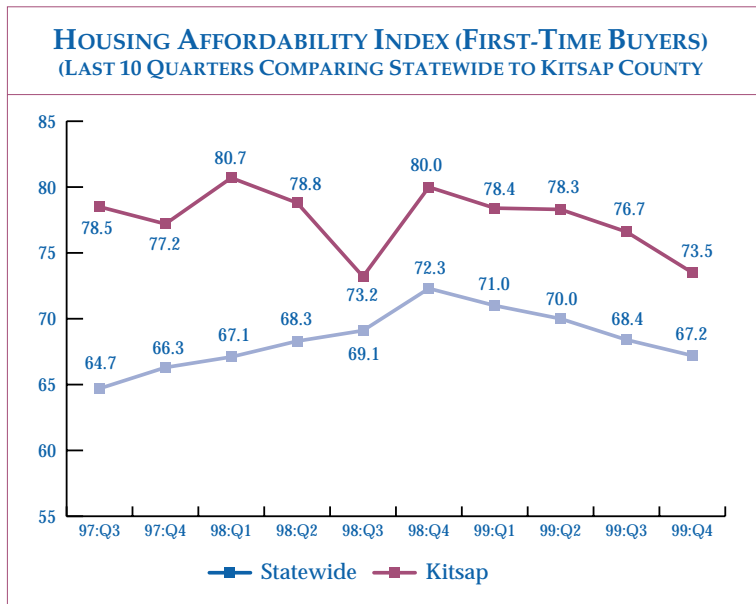
Affordability is calculated two ways. The “All-Buyer Affordability Index” assumes a purchaser selects the area’s median price home, makes a 20% down payment, and takes out a 30-year mortgage at prevailing interest rates. This buyer is assumed to earn a typical or median income for a family (no one-person households) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the fourth quarter of 1999, the answer remained “Yes”, but much less emphatically than in recent quarters.

The statewide “All-Buyer Affordability Index” was 113.3, meaning the typical family had 13.3 percent more income than the bare minimum required to qualify for the home. Housing affordability in Kitsap county remained better than in most areas of the state, recording an index of 119.1. Urban areas ranged from lows of 111.3 and 111.6 in King and Snohomish counties, respectively, to a high of 173.8 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 67.2 percent of the income required to qualify for a mortgage on the typical starter home.

Kitsap County’s first-time buyer affordability in the fourth quarter stood at 73.5. 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 4TH QTR 99										
County	All-Buyer Affordability Index					First-Time Buyer Index				
	98:Q4	99:Q1	99:Q2	99:Q3	99:Q4	98:Q4	99:Q1	99:Q2	99:Q3	99:Q4
Benton/ Franklin	196.3 123.6	195.9 123.4	190.2 126.6	173.6 118.6	173.8 121.9	117.7 75.9	117.5 75.9	113.9 77.4	104.0 72.4	104.0 74.3
Clark	145.8	149.8	143.7	137.5	137.8	88.7	91.2	87.7	84.1	84.4
King	118.9	113.1	115.6	108.5	111.3	67.4	64.2	65.8	61.9	63.5
Kitsap	129.1	126.5	126.6	124.0	119.1	80.0	78.4	78.3	76.6	73.5
Pierce	139.3	136.9	134.0	126.1	127.0	83.8	82.4	80.2	75.3	75.7
Snohomish	120.6	120.1	116.9	111.6	111.6	74.8	74.5	72.9	69.9	70.1
Spokane	171.7	169.1	167.1	153.2	161.9	95.9	94.5	93.5	85.8	90.7
Thurston	150.0	155.0	146.6	138.7	145.7	89.5	92.5	87.1	82.3	86.3
Whatcom	130.0	132.2	128.3	124.0	127.3	73.3	74.5	72.5	70.2	72.1
Stavewide	128.6	126.1	121.0	116.7	113.3	72.3	71.0	70.0	68.4	67.2

Affordable Housing Access Quotient (AHAQ):

In 1998, WCRER introduced a new measure of housing affordability call the “Affordable Housing Access Quotient”. This statistic (actually a group of related statistics) addresses the availability of affordable ownership housing to households at key income levels. It has been asserted that below 80% of median income that home ownership becomes an unattainable dream, but with 40 percent of households with incomes below this threshold, home ownership rates will fall significantly unless these low income households can attain home ownership.

Income Levels (60% of Median/ 80% of Median/ 115% of Median):

The analysis keys on income levels which are referenced in Federal housing programs — 60% of median, 80% of median, and 115% of median. These levels represent low income, the low threshold of moderate income, middle income, and the upper threshold of moderate income. At each income level, the proportion of households in a county at or below the income are compared to the proportion of homes which theoretically would be affordable to a household at the income break. As expected, there is considerable competition for the most affordable units, but individual counties are very different in terms of the access their residents have to housing they can afford. The issue of choice also plays a role. The more options a household has in the housing market, the more satisfied they will be with their decision to purchase. If there is only one home in your price range, frustrations with the limitations of the unit may outweigh the desire to own, but if several options are available, consumers feel they are in charge of the decision to own and are more likely to join the ranks of home owners.

AFFORDABLE HOUSING ACCESS QUOTIENT (AFAQ) - 1999											
County	%HH	60% of Median			%HH	80% of Median			%HH	60% of Median	
		% homes	AHAQ			% homes	AHAQ			% homes	AHAQ
Benton/ Franklin	29.6	34.9	117.8		40.5	61.6	152.0		57.0	84.8	148.8
King	30.3	15.5	51.2		41.0	33.3	81.1		56.8	63.2	111.3
Kitsap	27.9	3.7	13.3		39.3	17.7	44.9		57.2	48.9	85.4
Pierce	26.4	11.8	44.9		38.8	29.2	75.4		58.5	61.6	105.4
Snohomish	28.1	10.8	38.4		39.7	27.6	69.6		57.1	67.7	118.7
Spokane	26.3	2.3	8.7		38.5	16.8	43.5		59.2	61.4	103.8
Thurston	29.8	22.1	74.1		40.3	45.7	113.4		56.8	75.7	133.3
Whatcom	27.2	11.0	40.3		39.2	31.6	116.0		57.7	71.2	123.5
Statewide	28.2	7.1	25.1		39.3	22.3	56.8		57.0	59.3	104.0
Statewide	29.0	13.6	46.8		39.9	27.3	68.4		56.9	55.7	98.0

Middle-Income Households Are Pressed to Find Affordable Housing in Kitsap County:

The most limited access to affordable housing by low-income households was found in Snohomish and Whatcom counties. At 80% of median income, the least access was in Snohomish county, while King county was a close second. At the higher end of moderate income the least access was still in King, while Snohomish, Whatcom and Kitsap counties were clustered together, each with barely enough affordable homes to satisfy moderate income demand. This means Kitsap’s most pressing affordability problems are for middle-income households, the ones which are key to achieving high levels of home ownership and the corresponding community stability and investment in safe and pleasant neighborhoods.

Month's Supply of Housing/ Appreciation Potential:

The newest housing market measure introduced by WCRER is the comparison between sales during 1999 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 slight over supply of homes priced above \$500,000 and a minimal shortage of homes priced between \$80,000 and \$159,000. This means the local market will likely continue to experience relatively little change in home sale prices, at least during the opening months of 2000.

MONTH'S SUPPLY OF HOMES BY PRICE RANGE - YEAR-END 1999						
County	Under \$80,000	\$80,000-\$159,000	\$160,000-\$249,999	\$250,000-\$499,999	\$500,000 and above	Total Market
Benton/Franklin	5.7	4.3	5.1	9.3	24.0	5.0
King	1.3	1.0	1.6	2.9	4.8	2.2
Kitsap	5.1	3.8	4.9	6.1	7.6	4.7
Pierce	2.8	2.8	5.5	8.6	16.7	4.1
Snohomish	2.0	2.3	3.1	6.5	13.2	3.7
Spokane	8.3	5.8	8.3	9.8	25.2	7.0
Whatcom	8.6	7.6	11.3	18.1	38.0	9.0
Statewide	6.5	3.8	3.9	4.9	6.5	4.4

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