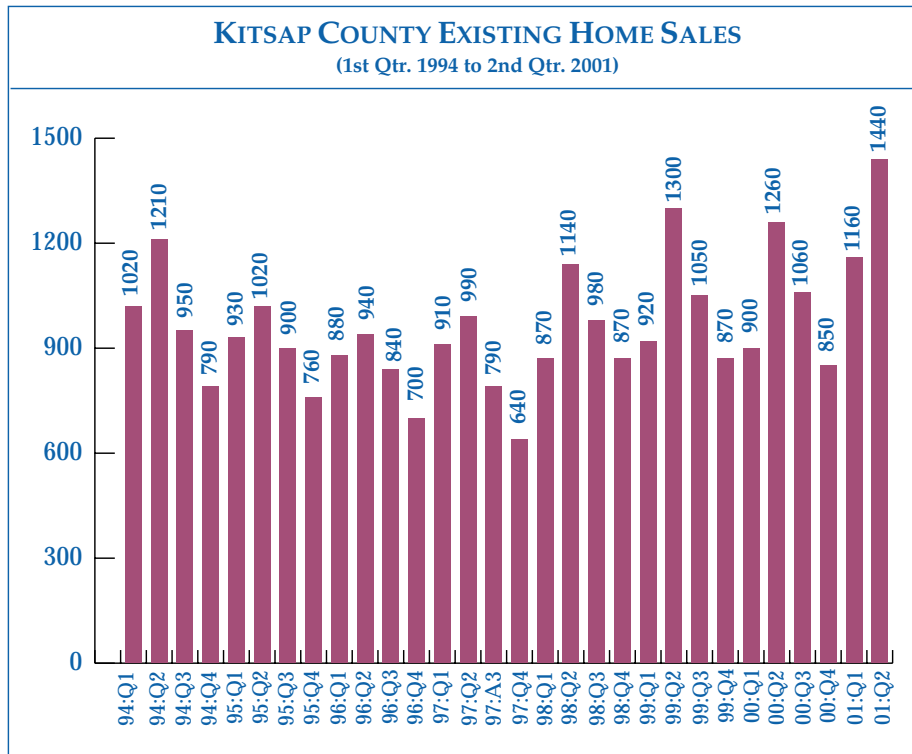


**Housing Market and Housing Affordability Data Sources:**

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.

**First Half of 2001 Home Sales Activity 20% Higher than 2000:**

Housing markets in Washington State during the first half of 2001 responded favorably to the repeated interest rate cuts by the Federal Reserve Board. This strength in housing was recorded nationally, in the state of Washington generally, and in Kitsap County. The state-wide home resale market surged to record levels, with sales totaling 63,360. Similarly, sales jumped in Kitsap County, totaling 2,600 units in the first half, an increase of 20% compared to the first half of 2000



**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 (they are still using 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 Up By 8.8%/ Kitsap County Sales Up By 20.4%:**

All nine markets compared for this report experienced higher levels of home sales during the first half of 2001 than they reported during the same period in 2000. Those increases ranged from 3.8% in King County to 20.4% in Kitsap County. Statewide resale housing activity during the first half was 8.8% ahead of a year earlier.

RESALE HOUSING ACTIVITY - 1996-2001								
FIRST HALF TOTALS								
County	1996	1997	1998	1999	2000	2001	Percent Change 99-00	Percent Change 00-01
Benton/ Franklin	1,270	1,170	1,300	1,370	1,380	1,640	+0.7%	+18.8%
Clark	1,090	2,010	2,470	2,450	2,390	2,640	-2.4%	+10.5%
King	15,060	16,690	16,810	17,750	16,340	16,960	-7.9%	+3.8%
Kitsap	1,820	1,980	2,010	2,220	2,160	2,600	-2.7%	+20.4%
Pierce	6,270	8,090	8,810	11,680	12,920	12,920	-1.2%	+12.0%
Snohomish	4,890	5,220	6,310	6,290	6,790	6,790	-5.6%	+14.3%
Spokane	2,790	2,660	3,030	3,100	3,370	3,370	+1.0%	+7.7%
Thurston	1,450	1,510	1,620	1,820	1,920	1,920	-3.3%	+9.1%
Whatcom	1,140	1,220	1,530	1,580	1,660	1,660	-4.4%	+9.9%
Statewide	47,140	50,830	54,810	58,280	63,390	63,390	-0.5%	+8.8%

**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's 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.

Median sale prices were generally above a year earlier, but by a small margin. Statewide, the median price was 1.3% higher than the second quarter a year ago. While buyers are paying slightly more for a home, they are finding their dollar goes a bit further. They can afford a home with more features than they would have expected last year due to the lower interest rates.

**Kitsap County Median Price (\$157.5K) is almost \$100K Less Than King County:**

Kitsap County home prices are noticeably lower than the prevailing price in neighboring King County. For the Second Quarter 2001, the median price of a home in Kitsap County was \$157,500 compared to the median price of a home in King County of \$265,000. Coupled with a very strong home sales activity, it comes as no surprise that Kitsap County median prices are now 7.5% higher than a year ago. King County had a more typical increase in home median price of 3.9%.

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 - 1997-2001							
SECOND QUARTERS							
County	2nd Qtr 1997	2nd Qtr 1998	2nd Qtr 1999	2nd Qtr 2000	2nd Qtr 2001	Percent Change 99-00	Percent Change 00-01
Benton/ Franklin	\$101,300	\$105,500	\$108,300	\$111,700	\$124,500	+8.1%	+6.3%
Clark	\$130,000	\$138,500	\$140,000	\$147,200	\$152,500	+5.1%	+4.3%
King	\$186,100	\$192,000	\$229,500	\$255,000	\$265,000	+11.1%	+3.9%
Kitsap	\$133,500	\$137,500	\$142,000	\$146,500	\$157,500	+3.2%	+7.5%
Pierce	\$127,800	\$137,000	\$143,000	\$155,000	\$159,000	+8.4%	+2.6%
Snohomish	\$163,600	\$170,000	\$184,600	\$195,000	\$211,000	+5.6%	+8.2%
Spokane	\$103,300	\$103,600	\$103,800	\$103,700	\$106,100	-2.5%	+2.3%
Thurston	\$125,000	\$129,000	\$130,000	\$136,000	\$145,000	+4.6%	+6.6%
Whatcom	\$133,400	\$137,200	\$144,600	\$149,600	\$155,200	+3.5%	+3.7%
Statewide	\$149,800	\$158,900	\$168,800	\$178,000	\$180,400	+5.5%	+1.3%

**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 house-holds) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the second quarter of 2001, the answer remained “Yes”, and much more emphatically than in recent quarters.

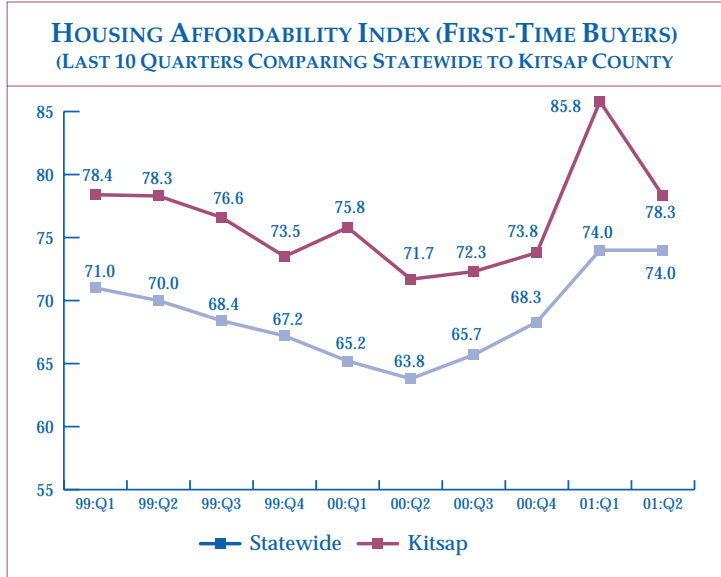
The statewide “All-Buyer Affordability Index” jumped to 124.0, meaning the typical family had 24.0% more income than the bare minimum required to qualify for the home. This is less than half the “cushion” reported a year ago. Housing affordability in Kitsap county remained somewhat better than in most areas of the state, recording an index of 127.2. Urban areas ranged from a low of 114.7 in Snohomish County, to a high of 177.1 in Spokane County.

**First-Time Buyer Index:**

The real issue of affordability, however, is the ability of a 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 74.0% 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 2001 stood at 78.3. This relative affordability for first-time buyers in the county may be the key in attracting new businesses to the community.



## 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 01										
County	All-Buyer Affordability Index					First-Time Buyer Index				
	00:Q2	00:Q3	00:Q4	01:Q1	01:Q2	00:Q2	00:Q3	00:Q4	01:Q1	01:Q2
Benton/ Franklin	159.8	154.0	157.8	171.6	171.8	96.0	92.6	95.0	103.4	103.0
	110.3	105.6	107.4	115.9	119.8	67.4	64.5	65.6	70.8	73.1
Clark	131.2	132.7	141.1	156.5	119.8	81.0	82.2	87.7	97.4	91.4
King	104.1	110.3	115.8	125.4	120.3	59.5	63.1	66.2	71.6	68.9
Kitsap	116.4	117.6	120.3	140.2	127.2	71.7	72.3	73.8	85.8	78.3
Pierce	116.8	119.2	125.5	133.7	133.5	70.0	71.6	75.5	80.6	80.5
Snohomish	105.0	106.1	110.8	116.1	114.7	65.7	66.2	69.0	72.1	71.5
Spokane	158.5	158.2	166.6	184.2	177.1	88.9	88.7	93.4	103.2	99.7
Thurston	130.7	130.0	132.3	143.0	141.3	77.7	77.5	79.0	85.4	84.5
Whatcom	117.5	121.7	128.2	138.0	130.7	66.7	69.1	72.8	78.3	73.8
Stavewide	107.3	110.4	114.8	124.3	124.0	63.8	65.7	68.3	74.0	74.0

**Month's Supply of Housing/ Appreciation Potential:**

The newest housing market measure introduced by WCRER is the comparison between sales during Second Quarter 2001 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 indicate 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 a slight shortage of lower-priced homes and only a moderate oversupply of homes priced above \$500,000. This means the local market would be expected to see strong price performance for a home priced under \$160,000, and some softness of prices above half a million dollars.

MONTH'S SUPPLY OF HOMES BY PRICE RANGE - JUNE 2001						
County	Under \$80,000	\$80,000-\$159,000	\$160,000-\$249,999	\$250,000-\$499,999	\$500,000 and above	Total Market
Benton/Franklin	7.2	4.1	7.1	10.5	N/A	5.8
King	6.5	3.2	4.2	7.0	9.9	4.2
Kitsap	2.0	2.6	3.1	4.4	11.6	4.8
Pierce	3.9	3.6	4.9	9.5	15.8	5.3
Snohomish	4.0	3.3	5.5	9.5	18.1	5.0
Spokane	4.9	4.1	3.7	5.8	23.4	4.6
Whatcom	9.8	9.2	10.3	16.2	20.4	9.9
	15.8	10.0	8.8	15.7	45.1	11.2
Statewide	8.9	5.7	5.0	6.5	14.0	6.2

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