

**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 2000 reflected underlying economics — tech market uncertainty, continued strong employment, especially in the Central Puget Sound, interest rates which were somewhat higher than seen in recent years during the early months of the year, followed by several months of interest rate decline as Fed policy began to shift from fighting inflation to fighting recession. Kitsap County largely mirrored statewide patterns.

**Mortgage Interest Rates:**

Mortgage interest rates began the year higher than the market had seen in several years, until the Federal Reserve Board, led by Chairman Alan Greenspan, concluded they had applied the brakes a bit too forcefully and backed off such an aggressive anti-inflation campaign. Accordingly, housing markets were a bit stronger late in the year.

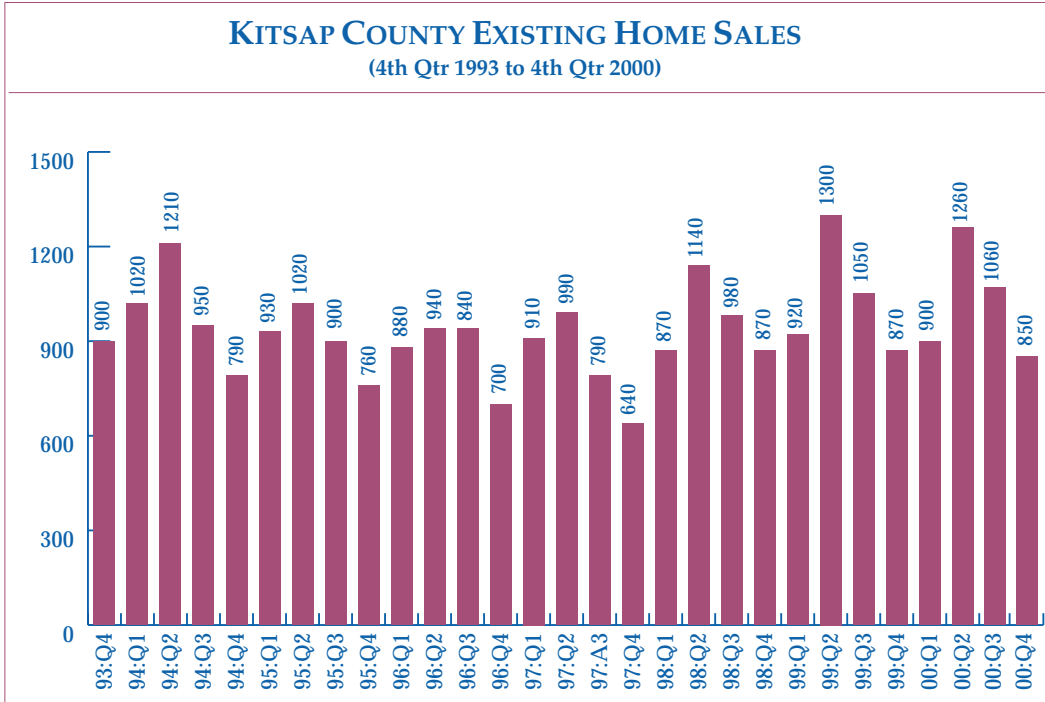
**Washington Center For Real Estate Research:**

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.

RESALE HOUSING ACTIVITY - 1995-2000								
ANNUAL TOTALS								
County	1995	1996	1997	1998	1999	2000	Percent Change 98-99	Percent Change 99-00
Benton/ Franklin	2,410	2,560	2,710	2,860	2,750	2,810	-3.8%	+2.2%
Clark	1,670	2,090	2,010	2,470	2,450	2,390	-0.8%	-1.2%
King	27,990	30,310	33,430	35,120	36,890	35,130	+5.0%	-4.8%
Kitsap	3,610	3,360	3,330	3,860	4,140	4,070	+7.3%	-1.7%
Pierce	5,350	6,270	8,090	8,810	11,680	11,540	+23.0%	0%
Snohomish	8,820	9,830	11,520	12,990	12,910	12,930	-0.6%	+0.2%
Spokane	6,150	6,000	5,960	6,860	6,850	6,850	-0.1%	0%
Thurston	2,420	2,620	2,700	3,140	3,380	3,260	+7.6%	-3.6%
Whatcom	2,510	2,270	2,590	3,250	3,270	3,140	+0.6%	-4.0%
Statewide	89,040	92,490	101,070	113,130	120,030	119,390	+6.2%	-0.6%

**Statewide Home Sales Down By 0.6%/Kitsap County Sales Down By 2.7%:**

Statewide home sales performance in 2000 was 0.6% below a year earlier. This was the first decline since 1995 and represents a “stagnant” market. The 4,070 sales tallied in Kitsap County during the year represented a 1.7% annual decline, again basically unchanged. Most urban counties in the Puget Sound area saw somewhat larger declines.



**Kitsap County Sales Down By 1.7%:**

Statistics are always interesting. When you compare the twelve months of sales ending with the 4th Quarter of 2000 compared to the 4th Qtr of 1999, Kitsap County experienced a slight decrease (-1.7%). However, it was an increase of 5.4% from the annual sales of two years earlier.

**EXISTING HOME SALES IN KITSAP COUNTY  
(12-MONTH 2ND QTR 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.

MEDIAN HOME PRICES - 1996-2000							
FOURTH QUARTERS							
County	4th Qtr 1996	4th Qtr 1997	4th Qtr 1998	4th Qtr 1999	4th Qtr 2000	Percent Change 98-99	Percent Change 99-00
Benton/ Franklin	\$111,000	\$105,500	\$108,300	\$111,700	\$124,500	+3.1%	+11.5%
Clark	\$127,700	\$132,900	\$137,500	\$141,100	\$148,000	+1.6%	+4.9%
King	\$171,700	\$196,400	\$217,700	\$238,000	\$250,000	+9.7%	+5.0%
Kitsap	\$129,200	\$136,800	\$140,000	\$146,000	\$151,500	+4.3%	+3.8%
Pierce	\$126,100	\$133,700	\$137,800	\$146,500	\$153,000	+6.3%	+4.4%
Snohomish	\$154,400	\$165,000	\$179,500	\$187,500	\$197,000	+4.5%	+5.1%
Spokane	\$100,300	\$101,000	\$101,300	\$104,000	\$105,000	+2.7%	+1.0%
Thurston	\$120,000	\$124,000	\$128,000	\$126,300	\$141,500	-1.3%	+12.0%
Whatcom	\$129,800	\$134,500	\$142,400	\$142,000	\$145,300	-0.3%	+2.3%
Statewide	\$141,900	\$152,800	\$161,800	\$172,400	\$177,400	+6.6%	+2.9%

**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.

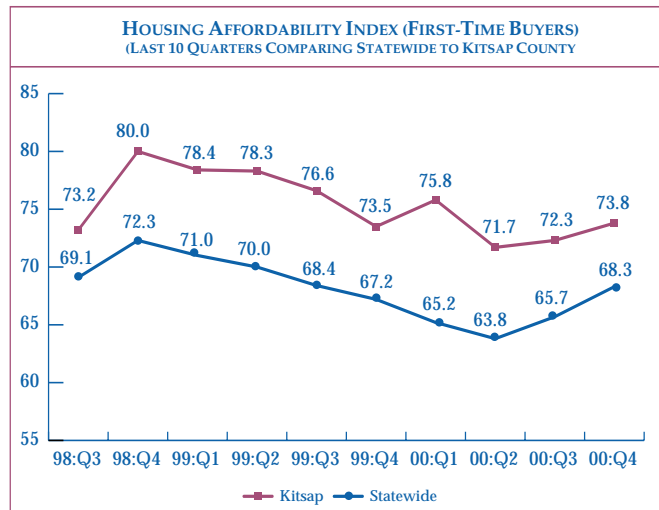
**All-Buyer Affordability Index:**

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 fourth quarter of 2000, the answer remained "Yes", and the combination of less rapid price increases and reduced mortgage rates allowed affordability conditions to finally improve.

The statewide "All-Buyer Affordability Index" ended the year at 114.8, meaning the typical family had 14.8% more income than the bare minimum required to qualify for the home. This is a little bigger "cushion" than reported a year ago. Housing affordability in Kitsap county remained somewhat better than in most areas of the state, recording an index of 120.2. Urban areas ranged from lows of 107.4 in Franklin County (Tri-cities), to a high of 166.6 in Spokane County.

**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% 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 fourth quarter 2000 stood at 73.8. 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:Q4	00:Q1	00:Q2	00:Q3	00:Q4	99:Q4	00:Q1	00:Q2	00:Q3	00:Q4
Benton/ Franklin	173.8	172.0	159.8	154.0	157.8	104.0	100.5	96.0	92.6	95.0
	121.9	120.8	110.3	105.6	107.4	74.3	73.6	67.4	64.5	65.6
Clark	137.8	133.4	131.2	132.7	141.1	84.4	81.9	81.0	82.2	87.7
King	111.3	107.0	104.1	110.3	115.8	63.5	61.2	59.5	63.1	66.2
Kitsap	119.1	122.8	116.4	117.6	120.3	73.5	75.8	71.7	72.3	73.8
Pierce	127.0	123.7	116.8	119.2	125.5	75.7	73.5	70.0	71.6	75.5
Snohomish	111.6	106.2	105.0	106.1	110.8	70.1	66.9	65.7	66.2	69.0
Spokane	161.9	165.4	158.5	158.2	166.6	90.7	92.8	88.9	88.7	93.4
Thurston	145.7	136.8	130.7	130.0	132.3	86.3	80.9	77.7	77.5	79.0
Whatcom	127.3	123.3	117.5	121.7	128.2	72.1	69.9	66.7	69.1	72.8
Stavewide	113.3	108.4	107.3	110.4	114.8	67.2	65.2	63.8	65.7	68.3

## Affordable Housing Access Quotient:

In 1998, WCRER introduced a new measure of housing affordability called 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% of households with incomes below this threshold, home ownership rates will fall significantly unless these low income households can attain home ownership.

**Analysis Keys (60%, 80% and 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.

2000 AFFORDABLE HOUSING ACCESS QUOTIENT									
County	60% of Median			80% of Median			115% of Median		
	% HH	% homes	AHAQ	% HH	% homes	AHAQ	% HH	% homes	AHAQ
Benton/	29.6	37.3	126.0	40.5	48.7	120.2	57.0	60.8	106.7
Franklin	30.3	15.2	50.2	41.0	32.1	56.3	56.8	32.2	56.7
King	27.9	5.9	21.1	39.3	13.6	34.6	57.2	23.6	41.3
Kitsap	26.4	15.2	59.6	38.8	24.4	62.9	58.5	34.6	59.1
Pierce	28.1	12.5	44.5	39.7	20.8	52.4	57.1	32.2	56.4
Snohomish	26.3	2.8	10.6	38.5	8.1	21.0	59.2	18.0	30.5
Spokane	29.8	26.8	89.9	40.3	45.6	113.2	56.8	55.7	98.1
Thurston	27.2	11.1	40.8	39.2	21.5	54.8	57.7	33.8	58.6
Whatcom	28.2	15.8	53.9	39.3	19.1	48.6	57.0	29.1	51.1
<b>Statewide</b>	<b>29.0</b>	<b>16.2</b>	<b>55.9</b>	<b>39.9</b>	<b>22.5</b>	<b>56.4</b>	<b>56.9</b>	<b>30.8</b>	<b>54.1</b>

**Low and Moderate Income Groups Have Very Limited Ownership Choices in Kitsap:**

The most limited access to affordable housing by low and moderate income household was found in Snohomish County. King County was consistently next, while Benton and Spokane counties offered these buyers the greatest choice. Kitsap County recorded levels of affordable housing access which were near the statewide averages, but still indicated that buyers in low and moderate income groups had very limited ownership choices. These limited options typically mean home ownership rates, which have increased significantly nationwide in recent years, will probably be unchanged or even decline. 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 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-to-6-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 oversupply of homes priced above \$500,000 and no apparent shortages. This means the local market will likely continue to experience relatively little change in homes sales prices, at least during the opening months of 2001.

MONTH'S SUPPLY OF HOMES BY PRICE RANGE - YEAR-END 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	6.4	6.0	5.7	12.4	24.0	6.5
King	1.8	2.1	2.4	3.9	8.2	3.6
Kitsap	5.6	4.9	5.6	9.9	10.6	6.1
Pierce	4.0	3.8	6.6	10.4	22.5	5.6
Snohomish	5.6	3.5	4.2	7.9	15.8	5.2
Spokane	9.2	7.4	10.3	9.8	37.0	8.5
Whatcom	14.0	8.6	9.3	15.3	20.0	10.1
Statewide	8.0	5.7	4.9	6.3	10.3	6.0

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