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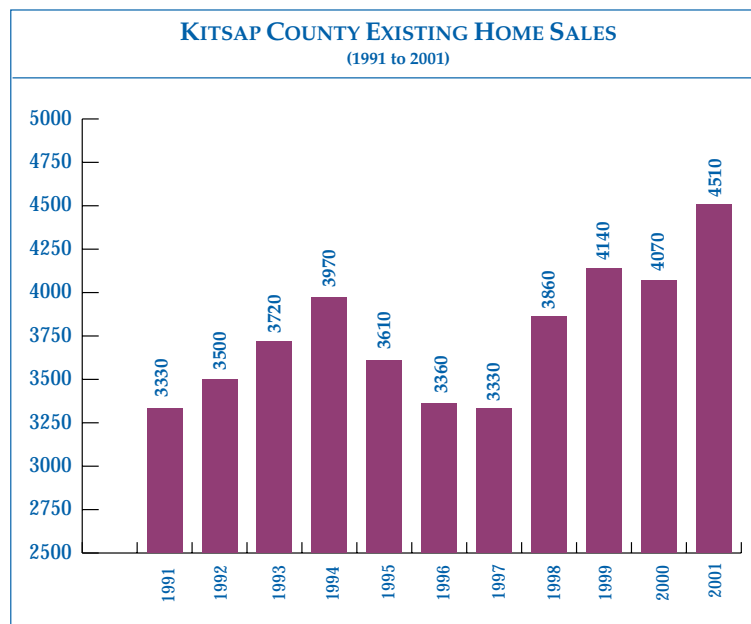
## Housing Market and Housing Affordability Data Sources:

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.

## Record Home Sales Activity in 2001:

A primary exception to the softening economy, both nationally and in Washington, was the housing industry. Housing was strong largely due to the eleven interest rate reductions made by the Federal Reserve Board. Kitsap County was joined by the State of Washington and the nation as a whole in recording record levels of home resales for year ending 2001. This is an outstanding record considering the assessment that the nation was in recession for most of the year. As can be seen in TABLE #1, a total of 4,510 homes were sold in Kitsap county in 2001, which was 10.8% over the previous year and even 8.9% above the previous record of 4,140 homes sold in 1999.

TABLE 1



**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 published 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 4.9%/ Kitsap County Sales Up By 10.8%:**

All markets compared for this report, except King County, experienced higher levels of home sales during 2001 than they reported during 2000. As can be seen in **TABLE #2**, the changes in activity ranged from a decline of 2.7% in King County to an increase of 15.6% in Benton/Franklin Counties. Statewide the homes sales activity increased 4.9% compared to a year earlier.

**TABLE 2**

RESALE HOUSING ACTIVITY - 1996-2001 ANNUAL TOTALS								
County	1996	1997	1998	1999	2000	2001	Percent Change 99-00	Percent Change 00-01
Benton/ Franklin	2,560	2,710	2,820	2,740	2,810	3,240	+2.6%	+15.6%
Clark	4,410	4,630	5,160	4,990	4,930	5,470	-1.2%	+11.0%
King	30,310	33,430	35,120	36,890	35,130	34,170	-4.7%	-2.7%
Kitsap	3,360	3,330	3,860	4,140	4,070	4,510	-1.7%	+10.8%
Pierce	11,210	13,300	17,860	21,970	21,970	23,400	0.0%	+6.5%
Snohomish	9,830	11,520	12,990	12,910	12,390	14,550	-4.0%	+12.5%
Spokane	6,000	5,960	6,860	6,850	6,850	7,250	0.0%	+9.8%
Thurston	2,620	2,700	3,140	3,380	3,260	3,470	-3.6%	+6.4%
Whatcom	2,550	2,880	3,250	3,270	3,140	3,410	-4.0%	+8.6%
Statewide	92,960	101,170	113,090	120,150	119,390	125,240	-0.6%	+4.9%

**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.

Despite record levels of home sales, consumers seemed cautious in their offering prices. Accordingly, median home prices were generally higher than a year earlier, but the increases were less than a record market might have implied. Statewide, the median price during 2001 was only 2.0% higher than a year ago.

**Kitsap County Median Price (\$155K) is over \$100K Less Than King County:**

Kitsap County home prices are noticeably lower than the prevailing price in neighboring King County. The median price of a home in Kitsap County was \$155,000 compared to the median price of a home in King County of \$262,000 (see TABLE #3). Coupled with the strong home sales activity, it comes as no surprise that Kitsap County median prices are now 3.7% higher than in 2000. A bit more surprising was the 4.8% jump in the median price of a home in King County in face of their slower home sales.

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.

TABLE 3

MEDIAN HOME PRICES - 1997-2001 (Annual)							
County	1997	1998	1999	2000	2001	Percent Change 99-00	Percent Change 00-01
Benton/ Franklin	\$103,100	\$108,400	\$110,200	\$119,400	\$125,500	+8.3%	+5.1%
Clark	\$132,000	\$137,500	\$139,900	\$147,000	\$152,000	+5.1%	+3.4%
King	\$188,400	\$206,500	\$233,000	\$249,900	\$262,000	+7.3%	+4.8%
Kitsap	\$131,200	\$145,600	\$143,100	\$149,400	\$155,000	+4.4%	+3.7%
Pierce	\$131,200	\$138,000	\$145,000	\$151,800	\$159,000	+4.7%	+4.7%
Snohomish	\$168,800	\$175,600	\$185,000	\$196,400	\$210,000	+6.2%	+6.9%
Spokane	\$102,700	\$102,600	\$105,300	\$103,500	\$107,400	-1.7%	+3.8%
Thurston	\$124,900	\$127,100	\$129,000	\$137,900	\$144,500	+6.9%	+4.8%
Whatcom	\$133,700	\$138,900	\$143,100	\$146,500	\$152,600	+2.4%	+4.2%
Statewide	\$150,600	\$160,700	\$166,600	\$176,300	\$179,900	+5.8%	+2.0%

**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 2001, the answer remained “Yes”, and much more emphatically than in recent quarters.

The statewide “All-Buyer Affordability Index” jumped to 135.1, meaning the typical family had 35.1% 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 was nearly identical to most areas of the state, recording an index of 135.2. Urban areas ranged from a low of 122.9 in Snohomish County, to a high of 185.5 in Spokane County.

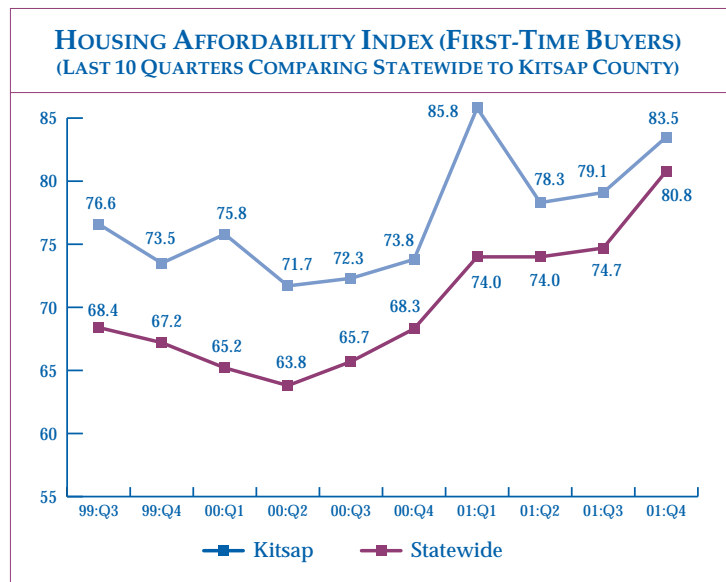
**First-Time Buyer Index:**

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 media 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 80.8% 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 2001 stood at 83.5 (see TABLE #4). This relative affordability for first-time buyers in the county may be the key in attracting new businesses to the community.

TABLE 4



**Month’s Supply of Housing/ Appreciation Potential**

The newest housing market measure introduced by WCRER is the comparison between sales during the year 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 (see TABLE #5), the market in Kitsap county is currently well balanced, with a moderate shortage of lower-priced homes and only a moderate oversupply of homes priced above \$250,000. This means the local market would be expected to see strong price performance for a home priced under \$250,000, and some softness of prices in the higher end (above \$500,000) homes.

TABLE 5

MONTH'S SUPPLY OF HOMES BY PRICE RANGE - YEAR END 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	5.1	3.3	5.4	8.0	156.0	4.5
Clark	3.2	1.6	2.4	4.4	6.4	2.4
King	3.2	1.9	2.2	3.4	8.2	3.3
Kitsap	2.9	2.5	2.9	7.7	11.8	3.7
Pierce	3.1	2.8	4.5	7.8	17.9	4.2
Snohomish	5.9	2.9	2.7	5.1	13.7	3.6
Spokane	7.5	5.1	6.1	11.3	26.9	6.3
Thurston	3.0	2.4	4.2	7.5	23.3	3.6
Whatcom	8.4	4.7	5.1	8.4	26.7	5.8
<b>Statewide</b>	<b>6.0</b>	<b>3.5</b>	<b>2.9</b>	<b>4.1</b>	<b>9.3</b>	<b>3.8</b>

All-Buyer Index and First-Time Buyer Index Both Show Kitsap is Affordable:  
 TABLE #6 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").

TABLE 6

HOUSING AFFORDABILITY CONDITIONS - LAST 5 QUARTERS ENDING 4TH QTR 2001										
County	All-Buyer Affordability Index					First-Time Buyer Index				
	00:Q4	01:Q1	01:Q2	01:Q3	01:Q4	00:Q4	01:Q1	01:Q2	01:Q3	01:Q4
Benton/ Franklin	157.8	171.6	171.8	174.4	170.4	95.0	103.4	103.0	104.4	101.8
	107.4	115.9	119.8	123.0	121.5	65.6	70.8	73.1	75.1	74.2
Clark	141.1	156.5	147.9	147.7	154.9	87.7	97.4	91.4	91.1	95.3
King	115.8	125.4	120.3	121.9	131.9	66.2	71.6	68.9	69.9	75.6
Kitsap	120.3	140.2	127.2	128.2	135.2	73.8	85.8	78.3	79.1	83.5
Pierce	125.5	133.7	133.5	136.1	143.1	75.5	80.6	80.5	82.3	86.8
Snohomish	110.8	116.1	114.7	115.7	122.9	69.0	72.1	71.5	72.1	76.6
Spokane	166.6	184.2	177.1	168.1	185.5	93.4	103.2	99.7	94.8	104.7
Thurston	132.3	143.0	141.3	140.5	151.6	79.0	85.4	84.5	84.1	90.8
Whatcom	128.2	138.0	130.7	136.0	139.2	72.8	78.3	73.8	76.6	78.1
<b>Stavewide</b>	<b>114.8</b>	<b>124.3</b>	<b>124.0</b>	<b>125.0</b>	<b>135.1</b>	<b>68.3</b>	<b>74.0</b>	<b>74.0</b>	<b>74.7</b>	<b>80.8</b>