2019/2020

MARKET REPORT

YEAR END REVIEW & TRENDS TO WATCH

Realogics | Sotheby's INTERNATIONAL REALTY

In this review of 2019 market activity in the Puget Sound, we explore the markets in eight key counties of Western Washington State: King, Pierce, Snohomish, Kitsap, Skagit, Jefferson, Island, and San Juan Counties.

TABLE OF CONTENTS

Photo Above: 4566 Flying Goat Avenue, Bainbridge Island, Washington
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Photography by Matthew Gallant

Realogics | Sotheby's INTERNATIONAL REALTY

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Dear friends,

The brief patch of blue sky that opened up in the latter half of 2019 seemed to darken as clouds formed by March 2020 and the markets (and the world) reacted to the COVID-19 pandemic. Americans continue to adjust to what may become our "new normal" for now perhaps, but for how long?

Heading into the 2020 New Year, Seattle remained the fastest-growing large city in the U.S. with enviable market fundamentals spurring residential home price growth, according to the closely watched S&P/Case-Shiller Home Price Index. That rate of growth was accelerating while housing inventory levels, days on market, and mortgage interest rates all declined, so the Spring sales season was primed. Then came COVID-19. The industry impact to the "Stay Home, Stay Healthy" decree by Governor Jay Inslee, not to mention job loss and stock market turbulence, cannot quite be imagined at this point; but the emergent issues and political rancor of the past year have for now been set aside. Competing concerns like urban density, head taxes, and to a lesser extent, homelessness have receded into the shadows of public deliberation. We summarize the rapid sequence of steps leading to the Governor's order in our COVID-19 response timeline in this report. What seems likely is that the Seattle metro area will recover quicker than most regions on account of government intervention with social distancing, the CARES Act, and strong market fundamentals, led by what has traditionally been a recession-proof tech sector.

These urgent, transformational events unfolded just as our 2019/2020 Market Report was scheduled for printing, but they profoundly reshaped our outlook on 2020. We have kept most of our original summation of last year's most important stories, but we now begin with what we regard as the most immediate impacts of COVID-19 and the public policy response.

As for Realogics Sotheby's International Realty, market challenges are part of our DNA. After all, we founded the company during the depths of the Great Recession a decade ago and found our way through by reading the trend lines and not just the headlines when advising our clients. We know there are always buyers and sellers in every cycle, and it's our job to find the market and unite them.

Yours truly,

Dean Jones
President & CEO
Realogics Sotheby's International Realty

Pictured above: Executives, employees and brokers of Realogics Sotheby's International Realty gathered in February (prior to the social distancing recommendations) at The Seattle Design Center to celebrate the firm's 10th anniversary.

Celebrating Growth

As Realogics Sotheby's International Realty's (RSIR) 10 Year Anniversary milestone is reached, there is plenty to celebrate: Brokers began working from the newest branch office in downtown Bellevue in late 2019; the brokerage was included on the 2020 *REALTrends 500*; and its thought leaders have been tapped to share industry insight in esteemed publications like the *Wall Street Journal*, *Puget Sound Business Journal*, and *Seattle Times* to name a few.

Sotheby's International Realty® (SIR) experienced tremendous growth across its digital platforms, including 14 percent year-over-year growth in website traffic. RSIR too grew its web presence with a new website that boasts tailored market reports by city, neighborhood, and zip code. SIR's YouTube garners 250,000 subscribers and earned the "Silver Creator Award."

Sotheby's International Realty Global Sales Volume 2019

1,000	70	23,000
GLOBAL OFFICES	COUNTRIES & TERRITORIES	SALES ASSOCIATES
6	250+	$1.65B
LOCAL RSIR OFFICES	RSIR SALES ASSOCIATES	RSIR SALES VOLUME

Extraordinary Results

In 2019, RSIR's global real estate advisors represented over 1,625 closed sales, with both buyer and seller sides closing at an average price of over US$1 million, not including notable referrals made to numerous interstate and international markets. Representing all property types and price points across the Puget Sound, RSIR brokers are consistently recognized among the top producers on an individual basis with the highest average listing and selling prices when compared to the top ten largest brands in the Northwest Multiple Listing Service. Meanwhile, our active inventory typically comprises a higher listing value and total market share per broker vs. competitive firms.

As RSIR marches into 2020, the firm leads its peer group in terms of unit count (by percentage increase) and our growth in broker count and production continues this momentum. As the leader in new construction, RSIR boasts a dozen active projects representing over US$2 billion in inventory.

34 MILLION
WEB VISITS, SIR.COM

14%
YEAR OVER YEAR INCREASE

A NEW ADDRESS

Much more than a traditional office, the Bellevue branch is a new concept in real estate—an office that acts in concert with a premier retail and restaurant venue on Old Main Street. The new space has opened its doors to clients and is set to debut the B-Bar by mid-2020, a daytime café and evening cocktail and full dining experience, operated by Joe Vilardi of the famed Bis on Main restaurant next door.

2019/2020 **RETROSPECTIVE**[1]

During the month of the first U.S. diagnosis of COVID-19 here in Washington State, home sellers and buyers remained seemingly unaware of the looming threat. In the weeks following the first reported death in Kirkland on February 29, those effects—both the lethality of the virus and the sweeping policy response it provoked—along with a sharp selloff in the financial markets, have likely transformed the region's home-selling environment in ways that will not be clear until later this spring.

The outbreak of the virus in late February was met by a series of emergency measures by Governor Jay Inslee, starting with the closures of schools and prohibitions of large gatherings in King, Pierce, and Snohomish Counties on March 12, and proceeding to a general stay-at-home order for all non-essential workers statewide with effect from March 25. In combination with the plunging stock market, these orders, however urgent they were, will take a toll on real estate selling activity through April and for an uncertain duration thereafter.

Industry leaders successfully lobbied for subsequent clarifications of the Governor's order to allow necessary real-estate marketing activity to proceed. While open houses remain banned, showings to one person at a time under conditions of social distancing, as well as home staging and photography, are now allowed.

COVID-19 Response Timeline

21st of January

The first reported COVID-19 case in the U.S. was reported in Washington State, involving a man who had returned with the infection from Wuhan, China.

31st of January

The U.S. Department of Health and Human Services declared a public health emergency, and imposed a mandatory 14-day quarantine for any U.S. citizens who had visited China's Hubei Province within the preceding two weeks. It also began denying entry of non-U.S. nationals who had traveled to China during that time.

19th of February

A resident of Life Care Center of Kirkland, a Kirkland, Washington nursing home, was transferred to a local hospital; this was the first resident of Life Care to test positive for COVID-19.

26th of February

Two residents of Life Care died from the effects of COVID-19. A man hospitalized at EvergreenHealth (but not a resident of Life Care) was reported on February 29 as the first death in the U.S. from COVID-19.

3rd of March

The Federal Reserve cuts interest rates by 0.5 percent, to between 1.0 percent and 1.25 percent.

8th of March

The Washington State Department of Health confirmed 136 cases of COVID-19 and 18 related deaths, mainly in King County.

Saudi Arabia initiated an oil price war with Russia, causing oil prices to plummet, with U.S. oil prices falling by 34 percent. This set off a chain of events that would lead to a general market crash days later.

10th of March

The Department of Health reported an additional 105 cases of COVID-19, a 62 percent increase, and a total of 24 deaths.

Harvard University instructed their students not to return after spring break.

12th of March

Washington State Governor Jay Inslee announced closure of all public and private K-12 schools in King, Pierce, and Snohomish Counties from March 17 through at least April 24, and prohibited gatherings in these counties of 250 people or more, allowing smaller gatherings only under conditions of social distancing.

The City of Seattle closed all public libraries, community services, and parks programs.

Universities and colleges in Washington State and across the country transitioned to online attendance.

The Dow Jones Industrial Average (DJIA) closed down 9.99 percent, the fifth-steepest percentage loss in the Index's history after the legendary crash of October 29, 1929.

13th of March

In a second press conference in two days, Governor Inslee expanded the public and private school closures and restrictions on meetings of 250 persons or more to the entire state.

[1] A note to our readers: when we draft these year-end retrospective and forward-looking reports, we always keep an eye to those trends and events with greatest relevance to our regional home real estate markets. Whether you are a prospective buyer or seller, or a broker in these markets, these are the issues for which we expect you are looking for insight.
Challenges in reporting these trends and events arise when clients, customers, and other readers view the same trends and events in a different light than we do. We operate under the following assumptions: buyers seek to preserve the value of their future investments, while sellers seek to maximize their returns on those investments. Brokers aim to optimize results for both. It seems simple enough, but there will be readers who are not buyers, sellers, or brokers. Even among these categories of readers, there will be some who for compelling reasons will think differently of outcomes that from a market value perspective appear favorable or unfavorable. While we endeavor to be sensitive to these differences of opinion, market value remains our principal concern.

14th of March

Acting under the City's state of emergency, Seattle Mayor Jenny Durkan ordered a halt to residential evictions for non-payment of rent.

15th of March

The CDC issued guidance recommending against any gathering of 50 or more people for an eight-week period.

16th of March

Governor Inslee lowered the ceiling on public gatherings to 50 persons or more. His order also temporarily closed entertainment and recreation centers, bars, and dine-in operations at restaurants and coffee shops, allowing only drive-through service. The ban did not apply to grocery stores or pharmacies.

The Seattle City Council approved Mayor Durkan's moratorium on residential evictions, extending it from 30 days to 60, and from a cause of non-payment of rent only, to all causes except those threatening health or safety.

The Northwest Multiple Listings Service (NWMLS) disabled the public and broker open house feature of its listing platform, effective immediately through March 31, and likely to be extended thereafter.

The DJIA closed down by 12.93 percent, the second largest percentage loss in the Index's history after the Crash of 1987.

The Federal Reserve announced a second March rate cut of 1.0 percent (effectively to zero).

17th of March

Mayor Durkan signed a moratorium on evictions of all small businesses and non-profits, defined as entities with 50 or fewer employees, including sole proprietorships.

Compass Real Estate announced temporary suspension of their Bridge Loan Advance program.

18th of March

President Trump's administration ordered the FHFA to suspend foreclosures and evictions for GSE-backed mortgages.

19th of March

The State of California ordered all residents to stay at home, and closed all museums, malls and other all non-essential workplaces effective midnight March 20.

The NWMLS published a force majeure and closing addendum for extensions of contingencies/conditions and the closing date in its members' purchase and sale agreements.

20th of March

The U.S. and Canada announced a joint initiative to close their shared border to non-essential travel. Trade and commerce will continue, but tourists and shoppers will not be allowed in until the policy is lifted.

Secretary of the Treasury, Steven Mnuchin, announced that the deadline for 2019 income tax filings by all U.S. taxpayers and businesses would be pushed back from April 15 to July 15, 2020.

The State of Illinois imposed a stay-at-home order for all residents, to remain in effect until April 7 if not extended.

22nd of March

President Trump announced approval of Washington State's emergency declaration, and instructed Federal assistance to be given to assist the local recovery efforts in fighting the COVID-19.

The City of Everett, Washington ordered residents to stay at home.

23rd of March

Governor Inslee issued a stay-at-home order to all Washingtonians. Exemptions were allowed for "essential activities" including grocery shopping, doctor appointments, and essential work duties aligned with guidelines from the DHS. Non-essential businesses were ordered to close by end-of-business March 25.

Boeing announced it would temporarily suspend its Puget Sound factory operations with effect from March 25.

Zillow followed Opendoor and Redfin in suspending their iBuyer businesses.

27th of March

The Senate Republican Caucus asked Governor Inslee to reclassify residential construction as an essential industry.

28th of March

Governor Inslee revised guidance on real estate marketing activity to allow in-person showings, appraisals, inspections, and walkthroughs under conditions of social distancing.

30th of March

Governor Inslee further modified the order to allow moving and relocation services to operate.

2nd of April

Governor Inslee extended the stay-at-home order through May 4.

A Company's Culture of Caring & Collaboration in the Time of Coronavirus

When Washington State Governor Jay Inslee enacted a stay-at-home order, the ground shifted in our community. Our houses became our office, our school, even our favorite restaurant. For the brokers at Realogics Sotheby's International Realty, these homes are also the foundation of their business. "Homes are the center point for where life exists," said RSIR co-owner and Chief People Officer Stacy Jones.

This new reality, however, left the global real estate advisors and brokers of RSIR grappling with the possibility of not being able to conduct business as they knew it. They asked, 'how will our work, a service industry and based on face-to-face interaction and client relationships, be affected?' Jones, who often fields calls from the company's 280-plus brokers, has been a sounding board to some brokers and a counselor to others, and like many in our community, their concerns ranged from how do I keep myself and my family safe, to questions about how they could safely conduct business in an unusual environment. Doubt and uncertainties were ever-present amongst this reality. Her response: "It's important more than ever before to show that there's still good happening in our lives, our communities, and in our real estate industry all while there are many challenges."

Leaning In

Many businesses made the difficult decision to layoff or furlough employees, or stop moving altogether. The real estate industry was no different: across the region, brokerages laid off staff, assuming their real estate agents wouldn't be able to help clients buy and sell homes under these conditions. RSIR resisted layoffs. The brokerage, now celebrating its 10th anniversary, was founded during economic uncertainty in 2010 and has always had at its foundation a family-approach, a commitment to high-touch and personalized services, and forged ahead during times of adversity with positive approaches and innovative actions. And amongst economic uncertainty again, Jones' approach for RSIR was people-first. "A company is made up of the people, and if you can care about the 'we,' and how we come together, then the company will continue to thrive and survive."

It was time to evolve forward—because business could still be done (albeit in a new and unusual way). There continued to be clients needing to buy or sell due to life's changes and goals, and while best practices were changing before their very eyes (would the handshake and hugs be gone forever?) there would still be the need to responsibly support our clients.

Jones and RSIR's leadership team went to work reimaging the brokerage amidst the stay-at-home order, with the goal of creating a supportive, positive, and productive culture.

"It's important more than ever before to show that there's still good happening in our lives, our communities, and in our real estate industry all while there are many challenges."—Stacy Jones, Realogics Sotheby's International Realty

They looked to answer the questions: How will our brokers and staff work? How can we connect with them and inspire communication and ideas to keep flowing? And in a time of uncertainty and stress, can we help create a positive path that lifts their mindsets and helps them to be their own best?

From the outset, solutions were created to help brokers manage their business and access all the tools available to them, and establish a regular, streamlined communication so that even though they were isolated, there would still be time to come together. RSIR also performed several insightful surveys of its brokers to gauge their perceptions and needs to help collaborate and focus resources.

Daily emails, 'The Boost' and 'The Wrap' included inspiring stories and videos, highlighted colleagues' birthdays, presented opportunities to learn more from home, provided updates on the changing market fundamentals, and shared the latest broker wins from new listings to serving dinners for the emergency relief workers. Market news was shared here, too, like real estate market and stock market updates, economic indicators, mortgage industry news and impacts to critical functions like inspections, title and escrow services, and best practices to do so in a responsible way given CDC guidelines.

"It's super important to show there's still personal and professional good happening in our market during these challenging times," said Jones. "And things are changing daily, sometimes hourly, that's why we started using the daily emails to keep to everyone in touch, leading with information to advise their families and clients, and support solutions that are key to keeping business flowing."

RSIR's bimonthly brokerage meetings took place over the video conferencing tool, Zoom, where the gallery of faces, some relaxed and comfortable at home, others dressed up for the occasion because they were approaching each day as a professional, could come together and create community and collaboration. Many brokers were motivated to pivot and found new ways to support their clients.

The RSIR family was inspired to support each other, ranging from caring for coworkers and their families that were suffering through loss

and recovery with COVID-19 to sharing best practices and market observations on the company's online forum. The message was clear across all of RSIR's platforms—"It's a good time to invest in relationships, personal and professional," said Jones. "This is a business built on personal relationships. We're slowing down to focus on the people—not the transactions—which are key to our culture of caring."

Education

While video chats make client meetings look a little different, the stay-at-home order has opened the door for increased learning opportunities. RSIR brokers have embraced the opportunity to take continuing education classes online. Brokers met up virtually to learn about new tech tools, industry best practices, and tips on how to grow your business, as these regular in-person classes were shifted to an online format. Collaboration hours, hosted by brokers for brokers, became a common ocurrence with a spike in attendance. Brokers shared insights with their peers on what to do about appraisals, how to handle virtual open houses and best practices for buyers, among others. And Virtual Happy Hours held by RSIR preferred mortgage partner Caliber Home Loans were toasted with 'Quarantinis' as they shared their insights with the brokers about how the lending industry is also adapting to the times.

Jones also reached out to Ryan Secrist, Ninja Selling coach and Sotheby's International Realty® leader who put together a series of online classes for RSIR brokers, an opportunity they might only otherwise have by attending a multi-day workshop. "He put together classes role-played new ways to work with clients in this climate, another with a family therapist who addressed the challenges of working from home with family and kids, and how to handle the concerns we have about what's happening in the world right now," said Jones. "Ryan was amazing because his Ninja Selling is really a positive mindset system to keep you in flow with your clients and living with gratitude."

Leading the Way

For Jones, this has also been a time to reach out to others in her network, to her peers on the West Coast, and other leaders among the Sotheby's International Realty®. "West Coast owners, SIR market leaders—we've been on calls looking beyond our homes for information." The collaboration has offered thought leaders their own opportunity for growth and reflection in a time of uncertainty. "In a lot of ways, it's a great time for us to slow down a little."

She's been encouraged by checking in with peers in different markets and to brokers across the country. There's also been more activity on RSIR's online forum, where brokers share experiences and collaborate. "We've found support by reaching outside of our backyard, too, using brand tools and connections to fuel business." Jones is passionate about ensuring her family of brokers, "arm themselves with strength and power they can implement in their daily practices."

And while all markets worldwide have been impacted by this global epidemic, business continued as brokers, clients and the community came together to serve and support one another.

New Normal

At the beginning of the COVID-19 response, it was unclear what services would be deemed "essential." Eventually, real estate earned that distinction. Jones said that it's because of the incredible professionals and their respect of the guidelines for their own health, and for their clients, that the essential service title would stick. "I'm proud of our industry," she added.

With the support of RSIR, the firm's brokers successfully managed to pivot and meet their client's needs and expectations by selling and buying while others pulled back. "There's always a market need between buyers and sellers no matter where we are in the cycle," said Jones. "It's our job to unite them."

Introducing Real Estate Markets and Economics Editor

William Hillis

William Hillis began his career as an executive fellow in the Washington State government at Olympia. After nearly a decade in market analysis and client reporting for two global professional due diligence brands in Shanghai, he joined RSIR as a licensed broker in 2013. Three years later, William drafted RSIR's first market report, which he has continued to deliver annually, along with our annual waterfront report and dozens of monthly Case Shiller home price index updates. He lives with his wife and daughter in Anacortes, Washington.

Financial Sector Impacts

Stock Market Turbulence

On March 12, growing fear concerning COVID-19 sparked heavy selling in the U.S. stock markets, reflected in a nearly ten percent decline in the Dow Jones Industrial Average (DJIA). This was followed on March 16 by a second sell-off attending the Trump administration's virus-related banning of inbound Schengen travel to the U.S. This second crash amounted to a drop of about 13 percent in the DJIA. These were two of the six steepest declines in U.S. stock market history. Even on March 11, before the crash began, local tech company stocks were already off their recent highs: Amazon by 17 percent, Microsoft by 20 percent, Google by 21 percent, Facebook by 24 percent, and Expedia by 47 percent. Respectively on March 16, these companies closed lower by 5.37 percent (Amazon), 14.74 percent (Microsoft), 11.63 percent (Google/Alphabet), 14.25 percent (Facebook), and 21.44 percent (Expedia). These sharp declines will impact not only the funds and local investors who invest in these companies, but will directly impact those employees of these companies who have been relying on restricted stock units (RSUs) to qualify for home mortgages in the region.

Volatility, if not an outright correction in the stock market, immediately affects the sense of wealth, liquidity, and confidence of consumers. On the other hand, some investors will seek to cash out of stocks and instead invest in real estate.

Industry Sector Effects

In response to the triple threat from the stock market downturn, COVID-19, and a coincident Russia-Saudi oil price war that threatens to flood the market with crude oil, Fed policy has moved swiftly to cut its benchmark lending rate to nearly zero. This will ease up home lending, and in earlier times would certainly be regarded as good news for prospective buyers. However, the circumstances prompting this move were dire, and the gathering threats as well as the response will bear disparate impacts on many businesses and their employees. Buyers employed by or financially invested in the following industry sectors may see their home-buying prospects, if not schedules, comparatively unaffected by COVID-19:

Software and Engineering

Companies whose products facilitate remote working will produce gains for their owners, managers, and investors. Some software manufacturers and engineering consultancies have been at the forefront of arranging remote working environments for their employees. These companies will now reap the benefits, contingent on their financial resilience, as their employees can carry on as before without interruptions of product or service delivery. Companies that continue to require face-to-face engagement will not fare as well.

Professional Services

The virus strikes at the busiest time of the year for tax advisory accountants, and there will be impacts on the operations of attorneys and other consultants as well. Like real estate brokers, many of these professionals rely on interpersonal contact and group activity for business development and service delivery. There will be impacts on their operations and revenue which are difficult to foresee. Some may see revenue gains from advisory services relevant to crisis impacts.

Larger Retail Establishments and Essential Suppliers

Internet suppliers, wholesalers, and supermarkets are overwhelmed by residents stocking up on essential supplies. Some who can scarcely keep up with the demand are hiring additional staff. The outlook for these businesses is very good, assuming that their staff stays healthy and are not overwhelmed by the workload. Hardware and pharmacies will do equally well if they can keep goods in stock. These companies and their investors are expected to manage the current pandemic better than others.

Home buyers in other sectors may face extraordinary challenges over the next few months. These may include the following.

Small Retail and Food-and-Beverage Businesses

In contrast with larger retailers, the outlook for smaller establishments and their employees is grim. Although restaurants and coffee shops are allowed to continue offering their products for delivery and to-go, not all will be able to adjust their business models to this kind of service, and wait staff will likely be cut and slow to return when permitted. Small-scale boutique shops that do not sell essential goods will be under pressure to close their doors, as their customers' discretionary expenditures shift to staples.

Travel and Hospitality

All businesses built around hospitality and group events (venues, caterers, events managers, etc.) are facing a minimum two months without revenue. Hotels and casinos will be especially hard hit. For example, MGM has temporarily closed all their Las Vegas properties with effect from March 17. Some international flights to and from the U.S. have already been suspended (American Airlines has halted 75 percent of their long-haul flights), and the suspension of U.S. domestic flights is not out of the question. The U.S.-Canadian border has been closed to non-essential crossings since March 21.

Government and Public Service Workers

All schools in the state, public and private, were effectively closed by the Governor on March 12. The ban on gatherings and its effects on business activity are going to impact government revenues; and while some of these may be offset by U.S. federal government initiatives, there will be enormous pressure on public servants with little if any compensation for their efforts. Hospital staff, law enforcement, and first responders will bear the brunt of this crisis. The impact on parents now faced with caring for their children, not to mention meal planning, will also prove to be very disruptive if not unmanageable for many.

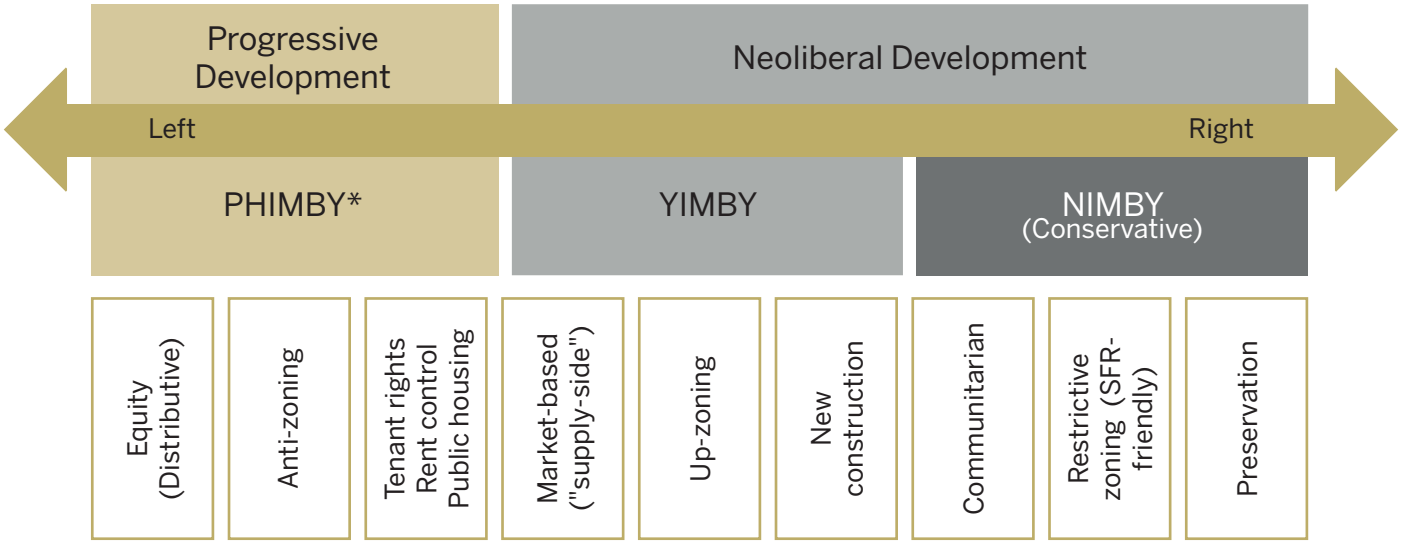
(This concludes our summary of the COVID-19 response and likely effects to date in 2020. The remainder of Part I comprises our original report, partially edited for length and relevance. Our conclusion to Part I has been wholly revised. [Bracketed] remarks indicate updates to the original draft.)

A Widening Gap

If any Seattle publication named a regional Person of the Year for 2019, that person might well be Kshama Sawant. The unabashedly contentious Seattle City Councilmember won reelection in November. By mid-December, calling upon voters to "strike while the iron is hot," she had announced her intention to reintroduce the controversial "Amazon tax," a head tax on employers that was enacted and later repealed by the Council in mid-2018.[2] These local events are consistent with national and international trends indicating a resurgence of populism or egalitarianism, however one wishes to define it, against globalist centers of power that have for decades shaped our economies, from international trade to local development and regulation. Urban neoliberalism, the ideology of mildly statist, center-left technocrats, is in the fight of its life—a two-front war against "progressive" democratic socialists and more radical elements on the left, and Trumpian Republicans on the right.[3]

POLITICAL SPECTRUM **OF LOCAL DEVELOPMENT**

From a homeownership or investment viewpoint, the rising discord is increasingly worrisome. Efforts by neoliberal Democrats to address home affordability are dismissed by the party's more progressive elements, who year after year have sought to force further concessions from investors and to weaken governance at the community level that is resistant to change. Locally, the conflict is not between YIMBY and NIMBY perspectives—each of which is held by some neoliberal voters—but rather about who will benefit from new development. Putative "YIMBY neoliberal" candidates have targeted a very narrow constituency—those standing to gain from new housing in targeted segments, and those benefiting from systemwide changes and perhaps specific local investments, at little or no personal inconvenience or cost. Evidently voters in Seattle are not persuaded by the "Econ 101" proposition that "any new unit has the same impact on average rents," so that the construction of luxury or high-cost units is just as effective in drawing off demand as addition of more affordable units. Their skepticism is not naïve, as there is a reasonable counterargument that substitution is vertically less effective from one class of housing to another, from luxury down to affordability.[4] Yet in Seattle as elsewhere, elected and appointed officials have avoided wading into such nuance.



*"Public housing in my backyard"

> Yes, local governments in hot market areas must take bold action to enable more development, but it matters to voters what kind of development results and, specifically, who that development is for. Instead of (or in addition to) focusing on changes that support development in general, we should identify the policies that change who benefits from new development and we should stress that aspect when we explain these policies to the public.[5]

Arguably, it is by failing to do this that the YIMBYs lost at the ballot box in November 2019, their solutions satisfying neither the progressives, nor sufficient numbers of neoliberal voters to their right.[6] In the city of Seattle, this has left the progressives in a strong position. Elsewhere in King County, any diminishment of the neoliberals' ability to hold the line on tax increases and property rights against the progressives will tend to strengthen candidates who offer a more robust defense of property values. Where those candidates fail, progressives rather than YIMBY neoliberals are likely to win elections.

For their part, progressive voters see no meaningful difference between the neoliberal and Trump factions. (The latter of these still appear thin on the ground in King County, despite reports that they are gaining in number.)[7] Nationally, the irreconcilability of the schism in the Democratic party, together with a steady stream of favorable economic news and a trade deal with China, portends President Trump's reelection later this year. Yet locally, it foreshadows disparate results geographically inside King County. Inside the city of Seattle, the shift in political influence toward progressives is a product of the increasing share of renters in the city: for the first time in seven decades, their numbers reached parity with Seattle homeowners in 2018, after gaining 16 percent in five years.[8] Neoliberals retain their influence on the Eastside. Elsewhere in the state—especially in Eastern Washington, but in other places too, where neoliberal candidates split the Democratic vote with progressives in local races—a Republican resurgence is no longer out of the question.

One measure tending to confirm the widening ideological gap is the number of politically divided legislative districts in the state, which have shrunk from 12 in 2013 to six today. Moderate Republican lawmakers lost their seats in 2018, and the numbers of progressive Democrats increased. In these circumstances, voters at the extremes of either party expect even legislators representing historical swing districts to stand at the forefront of the policies they advocate. [9]

November 2019 Election Results

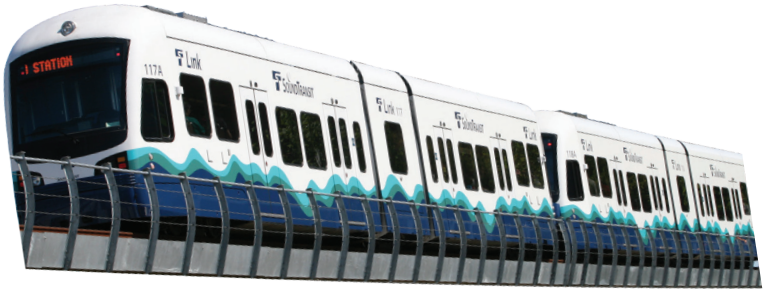
Consistent with our thesis of a widening chasm at the center of the political map, Seattle labor's preferred City Council candidates were generally weeded out in the primaries, leaving pro-business candidates and some further to the left to fight it out in November's general election. In what became a notorious move locally, Amazon, apparently seeking to stave off new anti-business measures like the head tax, weighed in by funding seven Council candidates, including Kshama Sawant's District 3 opponent (Egan Orion). All were defeated except Alex Pedersen and Debora Juarez, the latter of whom was also funded by labor.[10] All candidates endorsed by left-leaning publications The Stranger and The Urbanist won except for Pedersen's District 4 candidate, Shaun Scott, who has since been named to Bernie Sanders' Presidential campaign staff for Washington State.[11]

As Seattle politics appeared to lurch to the left, Sound Transit was hit by passage of Initiative 976, the latest of Tim Eyman's tax rollback measures. The initiative, which passed statewide by a 53 percent majority, would cap car tabs at $30 and defund transportation benefit districts. The measure failed in those areas that would be served by Sound Transit, but broadly passed elsewhere. Within 24 hours of the election, King County Executive Dow Constantine and the City of Seattle each announced their intent to seek a constitutional challenge to I-976;[12] on November 27, a King County court agreed to enjoin enactment of the initiative pending a final ruling by the State Supreme Court.

Outside of Seattle, any diminishment of the neoliberals' ability to hold the line on tax increases and property rights against the progressives will tend to strengthen candidates who offer a more robust defense of property values.

The case against I-976 is based on its alleged violation of the state constitutional requirement for a bill to address a single subject (the "single-subject rule"). Having been used successfully against Eyman's initiatives before—in each of three times they have passed since 2007[13]—this kind of judicial scrutiny is an increasingly common defense against anti-tax initiatives in those states that like Washington, offer a public initiative process.[14] This was also the basis upon which in July 2019, the Washington Court of Appeals appeared to void the Washington State Legislature's prohibition of income taxes within the state (discussed under *The Outlook for Income Taxes*). Aside from weakening one of Washington State's bulwarks against higher taxes, this approach exposes centrist judges to risk: with populist sentiment rising, it politicizes the courts and stirs popular resentment against them.[15]

Sound Transit Budget, Program Impacts of I-976, and Judicial Repeal



Passage of I-976 was naturally of broader importance to the region than the Seattle City Council results. In the days and weeks afterwards, it prompted no small amount of handwringing and equivocation, including Jim Brunner's *Seattle Times* article declaring that most voters who fund Sound Transit through the subject excise tax on cars had opposed the initiative. (True, but as Brunner admitted, the measure "passed with 53 percent support statewide ... with majorities in all but six of the state's 39 counties.")[16]

The State Office of Financial Management estimated the six-year revenue losses from I-976 at $1.92 billion to the State, and $2.32 billion to local governments. Dan Ryan of *Seattle Transit Blog* reported that the 20-year cost of I-976 to Sound Transit will be $6.9 billion. This cost is front-loaded because a portion of this funding ends in 2028, and due to statutory limitations on Sound Transit debt, the initiative's impact "will mostly take the form of slower spending and delayed projects."[17] Governor Inslee appeared to confirm this in saying that "project delays will make money 'available for higher priority issues'—bus and ferry service, service for people with disabilities and safety projects."[18] Sound Transit projects currently underway in Redmond, Lynnwood, and Federal Way are probably safe regardless of whether I-976 is overturned; any transit-oriented development in those areas should go forward. The delays, likely to last four years or more, will be felt in Pierce and Snohomish Counties—and potentially on the Eastside—as Ryan added, "Subarea financials suggest extending the spine north and south may take a back seat to completing the Seattle lines." [19]

Sound Transit projects currently underway in Redmond, Lynnwood, and Federal Way are probably safe regardless of whether I-976 is overturned; any transit-oriented development in those areas should go forward.

Seattle City Council Initiatives and Priorities

With Alex Pedersen as the only remaining Councilmember giving preference to business interests, the Council shifted decidedly to the left in November 2019. Here are some of the top-listed items on their agenda:

The "Amazon Tax"

Since 2014, Councilmember Sawant has been campaigning for a head tax—a tax on employee hours—but only in May 2018 did the Council finally act. Yet in the face of immediate and vocal opposition, the Council withdrew the tax within a month.[20] The withdrawn measure originally was aimed at raising $75 million for housing and homeless services, although it was scaled back to $50 million before its repeal. Among a newly elected, more solidly progressive Council, on January 13, 2020, Sawant announced introduction of a new beefed-up head tax at her "Tax Amazon 2020 Kick-Off," arranging for her own swearing in as Councilmember at the event. Sawant's latest head tax proposal is intended to be levied on the highest one to three percent of businesses in the city, and is expected to raise $200 million to $500 million annually with no sunset, as sought by Mayor Jenny Durkan in 2018.[21] A fact sheet distributed by Sawant's staff at the event estimated the annual return at $300 million to $500 million.[22]

Neither Amazon nor the Downtown Seattle Association would comment on the proposal, although Don Blakeney, the Association's Vice President of Advocacy & Economic Development said, "We continue to believe taxing jobs is not great public policy. Our position hasn't changed since the last go-round."[23]

Foreign Lobbying

Publicly-listed Amazon would have owed $20 million yearly under the May 2018 head tax proposal. The company suspended construction on their downtown Seattle projects upon that proposal's introduction by Councilmembers Lorena Gonzalez and Lisa Herbold.[24] In the weeks before the November 2019 Council elections, Amazon was reported to have contributed $1.5 million toward opponents of sitting Councilmembers and candidates favoring or likely to favor a reintroduction of the tax.[25] In the name of restricting "foreign influence," the Council in January unanimously approved a bill introduced by re-elected Councilmember Gonzalez banning contributions to Council elections by companies like Amazon.[26] Non-corporate contributions, such as by labor or non-profit organizations, would be unaffected by the bill.

Homelessness and "Housing as a Human Right"

Motivating constituents supporting the more left-leaning members of the Council is a belief that housing is a human right to be ensured by the government, and this belief finds expression in policies regarding rent control or stabilization, tenant rights, home affordability or public housing, and programs for the homeless. In the last week of December 2019, *Crosscut*/Elway's 2020 poll was conducted of 405 registered voters in Washington State, of whom a proportional 29 percent were King County residents.[27] Since 2017, this poll has shown homelessness to receive a rising number of responses as deserving priority by the State Legislature, having been named by 18 percent of respondents in 2018, 21 percent of respondents in 2019, and a survey-leading 31 percent of respondents in 2020.[28] Taxes were a distant second choice at 12 percent of responses this year.

Voters' concern is mounting just as the situation has begun to improve. In 2019, HUD reported Washington as among those states with the largest decreases in the numbers of homeless, with 3.3 percent fewer than counted in 2018. The same report ranked King County a distant third in the nation with 11,199 homeless persons, following Los Angeles with 56,257, and New York City with 78,604. In the city of Seattle, HUD reported 5,165 homeless, or 46 percent of King County's share; and the same report counted 5,509 homeless across the balance of Washington State.[29] By comparison, 4,757 homeless were reported in a single square half-mile at Skid Row in Los Angeles in July;[30] and HUD reported that 151,278 persons were homeless across the state of California in 2019.[31] Interviewed by *Forbes*, Rev. Andy Bales of Union Mission attributed California's crisis to public policy error: "California made homelessness worse by making perfect housing the enemy of good housing, by liberalizing drug laws, and by opposing mandatory treatment for mental illness and drug addiction."[32]

In 2019, HUD reported Washington as among those states with the largest decreases in the numbers of homeless, with 3.3 percent fewer than counted in 2018.

While the outcry against homelessness swelled in 2019, Seattle's drive against encampments picked up speed in May 2019. By the end of October, 745 encampments had been removed, compared with 468 in all of 2018.[33]

Rent Control

Councilmember Sawant, whose commitment to rent control is among her core platform positions, wrote in November that "our reelection victory shows the mandate for rent control."[34] Yet the State must act first; under Washington State law, local rent control ordinances have been prohibited for nearly 40 years. Both California and Oregon enacted statewide universal rent control measures in 2019 after decades of imposing local restrictions. Oregon law now allows annual rent hikes of no more than seven percent plus inflation, while the maximum increase under California's law is the lower of ten percent or five percent plus a cost of living adjustment.[35]

During the 2017-18 session, Washington State Representative Nicole Macri (D-Seattle) and twelve House cosponsors introduced a bill to lift the state ban, but it died in committee. Moreover, despite Sawant's claim of a mandate, the 2020 December *Crosscut*/Elway poll showed only 47 percent of voters statewide supporting legislation of rent control, and 40 percent opposed.[36] Without a clear majority of voters in favor, the legalization is unlikely to act.

Tenant Rights

Unable to lift the prohibition on rent control, Rep. Macri is back in the 2019/2020 legislative session with a new housing-related bill (reintroduced in January 2020 as HB 2453) that would prohibit a landlord from evicting a tenant without a show-cause order from a court. The bill was unanimously approved by the Council on February 10.[37] Until the fall of 2019, Seattle was the only city in the state with just-cause tenant protection. In October, a new just-cause eviction policy was enacted in Burien, followed by a November initiative passed in Federal Way.[38]

The Seattle City Council has not been friendly to small landlords in recent years, but the courts have kept the rights and risks of ownership squarely in view. A law requiring landlords in the city to rent to qualified tenants on a first-come, first-served basis was passed in August 2016, only to be struck down by the King County Superior Court in March 2018.[39] The overturned law had been proposed by Councilmember Lisa Herbold, who was reelected in November 2019, along with members Sawant and Gonzalez. In January, a month before the Council passed their ban on winter evictions, State Senator Phil Fortunato introduced a bill (SB 6651) that would prevent the local prohibition of tenant evictions "for any period of time." That bill died in the Senate Rules Committee.

The Seattle City Council has not been friendly to small landlords in recent years, but the courts have kept the rights and risks of ownership squarely in view.

Council members can be expected to set aside all other government considerations where an opportunity to advance their housing agenda is presented. Heidi Groover of the *Seattle Times* reported that "In city budget talks, Councilmember Kshama Sawant proposed moving about $419,000 from congestion pricing outreach to tenant rights attorneys for people facing eviction."[40] (As early as April 2018, Mayor Durkan had expressed hopes of introducing congestion pricing during her first term in office.[41]) Notably, the proposal to divert outreach funds came after the November 2019 election in which I-976 was passed.

Seattle City Council Initiatives and Priorities Continued

The Inevitability of Mandatory Housing Affordability (MHA)

The MHA, unanimously approved by the City Council in March 2019, was the eventual result of a compromise with developers proposed by a panel assembled by former Mayor Ed Murray. The panel was tasked with devising strategies to implement a proposal by then-Councilmember Mike O'Brien—to advance affordable housing in the city by charging fees to developers.[42] Among its finalized regulations, the MHA provided for upzoning of 27 "urban village" neighborhoods around the city, as well as other areas already zoned for greater density; and it required developers to either build low-income units into their projects, or contribute to a city fund that would pay others to construct those units. A study in 2017 estimated that the program

would spawn about 6,000 rent-restricted apartments in 10 years.[43] The program offered to satisfy both progressive housing advocates on the one hand, and developers and their YIMBY allies on the other.

Residents favoring historic single-family neighborhoods fought hard against the MHA for years, but candidates who ran on their support failed to gain seats on the Council. As of January 2020, all Council members were staunch housing advocates who support the MHA, if not more progressive solutions to home affordability. The latest effort to derail the program came from the Seattle Coalition for Affordability, Livability and Equity (SCALE), an alliance of homeowners' organizations who petitioned the Growth Management Hearings Board for the City's lack of compliance with the Growth Management Act. The Board dismissed their petition in December.[44]

The Outlook for Income Taxes

Another Seattle City Council effort that met with success in 2019 [although reversed in 2020 by the State Supreme Court] was their 2017 enactment of a 2.25 percent income tax on high-earning households in Seattle.[45] In November of that year, the King County Superior Court had ruled the Council's tax in violation of a 1984 state law against income taxes. The City brought their case to the Court of Appeals; and in July 2019, that court decided that as a graduated tax on property, the income tax violated the state constitution by not being equally applied. Yet in the same decision, the court nullified the State's prohibition on an income tax, ruling that its enacting legislation had failed the constitution's aforementioned single-subject rule.

Seattle is bounded on all sides by counties and cities that retain strong homeowner and landowner protections, in addition to a superior quality of life, and room for long-term upside home price growth.

The case now will go to the State Supreme Court. If the Court of Appeals' ruling is sustained there, it will open the door to both state and local income taxes unless the Legislature acts to correct the deficiency in the current law. A bill before the House Finance Committee, HB 1588, was reintroduced in the 2020 session by 16 co-sponsors that would restate the Legislature's "refusal to delegate to a city, county, or city-county ... the power to impose a tax on the personal income of individuals or households."[46] That bill had stalled in committee by mid-January. Meanwhile, in his New Year's Eve blog post, Bill Gates lent his voice in support of a state income tax in Washington, citing a "need to make state and local taxes fairer"—which is to say, more progressive.[47]

Real Estate Excise Tax (REET)

One progressive change to statewide taxes that has already taken effect was the State's revision to the real estate excise tax, or REET. What had been a flat tax of 1.28 percent on most real estate transactions in the state was replaced with a graduated tax structure. (Because the REET is an excise tax—a tax on transactions—the state constitutional prohibition of a graduated tax on property does not apply.) Effective from January 1, 2020, the original rate of 1.28 percent applies only to sales of real property priced between one-half million and $1.5 million. To transactions priced outside this range, the REET is applied at 1.1 percent of the selling price below $500,000; 2.75 percent on transactions priced between $1.5 million and $3.0 million; and 3.0 percent on transactions priced above three million dollars. The REET applies not only to sales, but to other controlling interest transfers of 50 percent or more; and hidden statutory liens may be incurred if the Department of Revenue takes an enforcement action against an incorporated owner.[48]

State by State Comparison

Until now we have centered our analysis on events and trends involving the Seattle City Council and the Washington State Legislature. These really cannot be isolated from changes that have occurred down the West Coast, throughout the nation, and around the world. It is well-known that from a business perspective, Washington's tax policy still compares favorably with the California and Oregon, both of which have long levied income taxes. Landlords likewise are better protected in our state. Among the emergent policies described above, Washington alone is yet to enact universal rent control; and so far, only a few localities offer just-cause tenant protection. King County's campaign against homelessness has reduced the number of people living on the street in Washington's most populous county, while their numbers have increased in California and Oregon.

We should remain vigilant, however, about the direction of political change in the state, and especially in the city of Seattle. That local politics in the city have taken a leftist turn is not overstated. It is just as certain that Seattle's politics are not yet as radical as those of Portland or San Francisco. Comparison with these cities and their surrounding regions still strongly favors Seattle. Moreover, Seattle is bounded on all sides by counties and cities that retain strong homeowner and landowner protections, in addition to a superior quality of life, and room for long-term upside home price growth. In the Puget Sound region alone, these areas include Bellevue, Kirkland, Bainbridge Island, and a host of exurban towns and seaside villages.

"Major employers, especially this in the tech sector, enjoy Washington's competitive advantage of lower housing costs and no state income tax compared with California. This aids in recruitment and retention of employees."—Dean Jones, President & CEO of Realogics Sotheby's International Realty

National Politics and Presidential Primaries

Viewed from the progressive bastion of Seattle, it would be easy to slip into Pauline Kael's notorious error of shaping too narrow of an outlook on national events.[49] Rumors of the end of Donald Trump's Presidency have persisted since before he took office, yet after so many auguries of his demise, the President remains. On February 24, 2020, nineteen days after his acquittal by the Senate in his impeachment trial, the President's job approval reached 46.3 percent, the highest level seen since two weeks after his 2017 inauguration.[50] Meanwhile, his opponents in both parties are fractured among democratic socialists, a fragile coalition of neoliberal Democrats and neoconservative Republican "NeverTrumpers," and a constellation of smaller factions.

The December 2019 impeachment of the President by the U.S. House of Representatives coincided with several important wins by his administration: authorization by Congress of the Agreement between the United States of America, the United Mexican States, and Canada (USMCA), a spending bill compromise that incorporated several of the President's key funding priorities, and a trade deal with China (discussed below). These achievements softened the reputational damage of the President's impeachment.

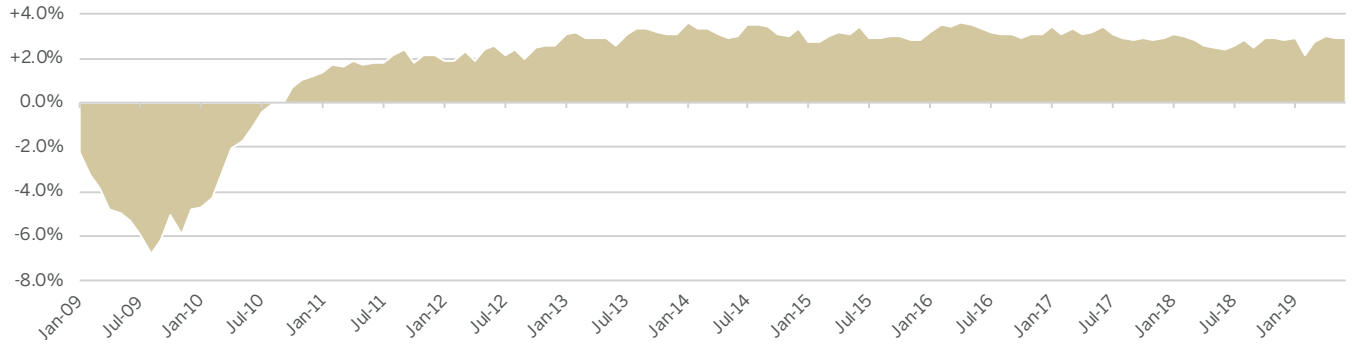
Polls taken between March 4 and 22, 2020 showed voters approving of President Trump's handling of the COVID-19 pandemic at an average 49.0 percent approval to 45.7 percent disapproval.

Even locally, the President has gained support. By August 2019, Trump's 2020 reelection campaign already had drawn more donations from Seattle addresses than he had during the entire 2016 campaign."[51]

Throughout Washington State at the end of the year, the President had $2.7 million in individual contributions against $11.07 million to all Democratic candidates: notably, $2.06 million to Bernie Sanders, $1.59 million to Elizabeth Warren, $1.49 million to Pete Buttigieg, and $1.09 million to Joe Biden.[52] Of these Democratic candidates, only Biden and Sanders remained in the Democratic race by March 6, 2020. [Polls taken between March 4 and 22, 2020 showed voters approving of President Trump's handling of the COVID-19 pandemic at an average 49.0 percent approval to 45.7 percent disapproval. These polls were generally increasing weekly, with the latest poll from Gallup returning 60 percent approval of the President's management of the crisis.][53]

The local economy in Seattle has fared well since Donald Trump took office. Preliminary employment data through June 2019 show the year-over-year percentage growth in King County employment averaging 2.9 percent during the first 29 months of the Trump Presidency, more than double the 1.4 percent average seen during the 96 months under President Obama.[54]

Employment over the year in King County, 12-month percentage change



The Federal Reserve and U.S. Stock Markets

The Federal Reserve, the nation's central bank, remained dovish throughout 2019, and residential markets benefited from favorable financial news. In 2018, the U.S. Federal Reserve had raised interest rates four times, culminating in a quarter-point hike from 2.25 percent to 2.5 percent in December.[55] These rates were still historically low, although higher than the effective zero-percent rates seen during quantitative easing from 2009 through 2015. By mid-March 2019, with home prices appearing to cool, the Fed backed away from their plan to raise rates twice more, leaving them unchanged for the remainder of 2019.[56] A year later, supply chain disruptions attributed to the COVID-19 epidemic raised new concerns in the market, prompting the Fed to reduce its benchmark lending rate by 50 basis points[57]—only the third rate cut of that size within two decades. (The others followed the 9/11 attacks and the Lehman bankruptcy.)

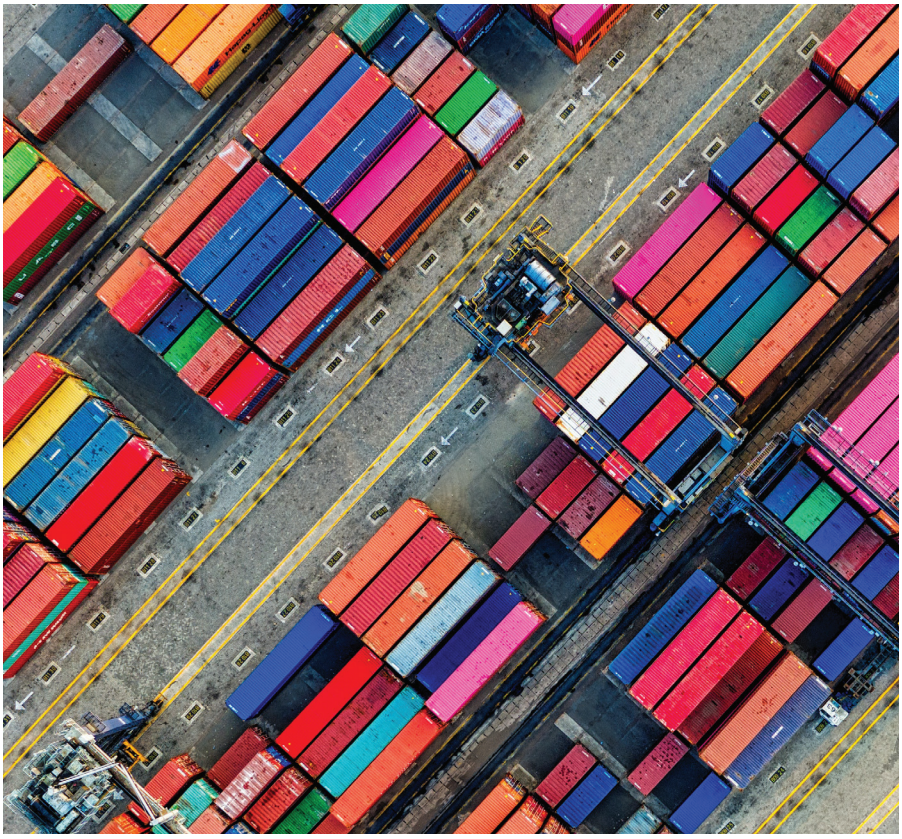
[In an emergency action on March 16, the Federal Reserve subsequently cut the lending rate to effectively zero, as noted in our COVID-19 response timeline on page 7 of this report.]

Although the stock market remained buoyant throughout 2019, residential home prices in the Puget Sound region did drop in mid-spring, and as indicated by Case Shiller and NWMLS data, did not recover until the inflection point reported by RSIR CEO/Owner Dean Jones in July 2019.

Mortgage Memo

The mortgage industry was cautiously optimistic entering 2020—led by continued growth in home sales and steady refinancing volume with interest rates in the high 3's. Then COVID-19 caught the industry by surprise. The overall effects of COVID-19 on the economy and the housing industry remain unknown, which has caused increased risk and therefore many portfolio lenders to pause. Jumbo loans have become harder to come by with increased interest rates to compensate for the risk. While conforming loans are at historic low rates as the Federal Reserve has been purchasing mortgage backed securities. "We are focused on helping people through this tough time," said Luke Easterly, Area Sales Manager for Caliber Home Loans. "Whether it is buying their next home, saving money on their current mortgage or helping them work through payment challenges due to job loss."

"We are focused on helping people through this tough time," said Luke Easterly, Area Sales Manager for Caliber Home Loans. "



The China Trade Deal

On Sunday, December 15, 2019, U.S. Trade Representative Robert Lighthizer declared that a U.S.-China trade deal announced the preceding Friday was "totally done." Lighthizer said U.S. exports to China would double, increasing Chinese imports of U.S. farm, manufacturing, and energy products in exchange for tariff reductions.[58] The first-phase deal between the two nations was signed on January 15, 2020. In his *Bloomberg* opinion column, Tyler Cowen observed that U.S. credibility had been enhanced as a result:

> U.S. President Donald Trump's tariffs did hurt U.S. consumers, and while that is indeed an economic cost of the deal, it is also a credibility benefit. It shows that the U.S. is in fact willing to incur some pain to oppose China, contrary to the common Chinese view that Americans are "soft." U.S. credibility has also been improved among its allies and some neutral nations.[59]

[Reports as of March 21 indicated that the China trade deal negotiated in late 2019 remained on track despite subsequent events related to COVID-19.]

Foreign transfers to King County began to rise in 2019 Q2, and were up by 13.6 percent year-over-year by the third quarter.

Among all states in the U.S., only California does more business with China than does Washington State. In the first six months of 2019, Washington was tenth among the states in Chinese imports, at $5.55 billion; and third in exports, at $4.22 billion. Yet during this period, this state's exports to China fell sharply—by $2.5 billion from the levels seen in the first half of 2018.[60] With the deal agreed, Washington-based aerospace manufacturer Boeing is looking to shore up sales to China as a leading customer; but safety problems with the 737 MAX are weighing against the company. (See *Uncertainty at Boeing* on page 20.) In March 2019, China signed a deal with Boeing's primary competitor, Airbus, for 300 planes at a pre-discount list price of about $35 billion.[61]

Foreign and Regional In-migration

As measured by drivers' license transfers (a timely, but by no means perfect proxy for actual migration), foreign migration inbound to Washington State decreased in 2019. Domestically, California has persistently contributed the largest share of transfers, at 22.5 percent of the total from other states of the U.S. Among all counties of Washington State, King County receives the largest share of all inbound license transfers, foreign and domestic. In 2019, King County's average quarterly share of domestic license transfers rose slightly, to 35.8 percent from 34.8 percent in 2017 and 2018.

Foreign transfers to King County steadily declined on a quarterly basis from 2017 Q3 through 2019 Q1; the quarterly average for 2019 was 58.4 percent of all inbound foreign license transfers to the state. Yet they then began to rise in 2019 Q2, and were up by 13.6 percent year-over-year by the third quarter. By comparison, third-quarter residential purchases in King County were 4.8 percent higher. The in-migration seems to have attended opportunistic home purchases in the face of a reported decline in prices, which according to Case Shiller, by then had indeed turned lower.

Uncertainty at Boeing

Even before COVID-19 struck, skies were cloudy for Boeing, a leading regional employer. The March 2019 grounding of all 737 MAX aircraft following two high-fatality crashes halted production of the series and forced the resignation of CEO Dennis Muilenburg in December (who was succeeded by Boeing Chairman David Calhoun). While Boeing idled their Renton assembly lines, they reassured their own machinists against layoffs. [On March 23, Boeing announced that Puget Sound factory operations would be suspended two days later due to the COVID-19 outbreak.] No such comfort was afforded the 680 suppliers for the commercial jet, who were instantly put in limbo. Boeing's contracts with their suppliers do not compensate the latter for lost sales. After nearly a year, the damage to Boeing's supply chain may prove challenging to correct due to the loss of talent during the shutdown.[62] Suppliers will not wait forever; some may close permanently, while others will shift to the region's growing space industry, or to a retooled and updated regional marine construction industry. Boeing's global competitor, Airbus, also employs suppliers in Washington State.[63] Airbus ended 2019 with 768 new orders and 863 commercial deliveries, while Boeing delivered only 380. Those deliveries were valued at $60 billion for Airbus and $42 billion for Boeing.[64]

The annual mean wage for all architecture and engineering occupations in the Seattle MSA in May 2018 was $100,810, 15.4 percent above the national average; and 50,340 such workers were employed in the region.

The costs of suspending 737 MAX production reached $18 billion for 2019—Boeing's first annual loss since 1997—incurring a $2.6 billion write-off. The company predicted that production would return to 12 per month in 2023.[65] While Amazon and IT tend to grab headlines, Boeing remains our state's largest private-sector employer, with 71,829 workers in Washington at the end of 2019.[66] The annual mean wage for all architecture and engineering occupations in the Seattle metropolitan statistical area ("Seattle MSA") in May 2018 (the most current available) was $100,810, 15.4 percent above the national average; and 50,340 such workers were employed in the region. These figures compare with $95,660 among 75,110 workers, respectively in the entire state of Washington, and $82,250 among 37,230 workers in metropolitan Portland, Oregon.[67]

Residential and Condominium Market Rebounds

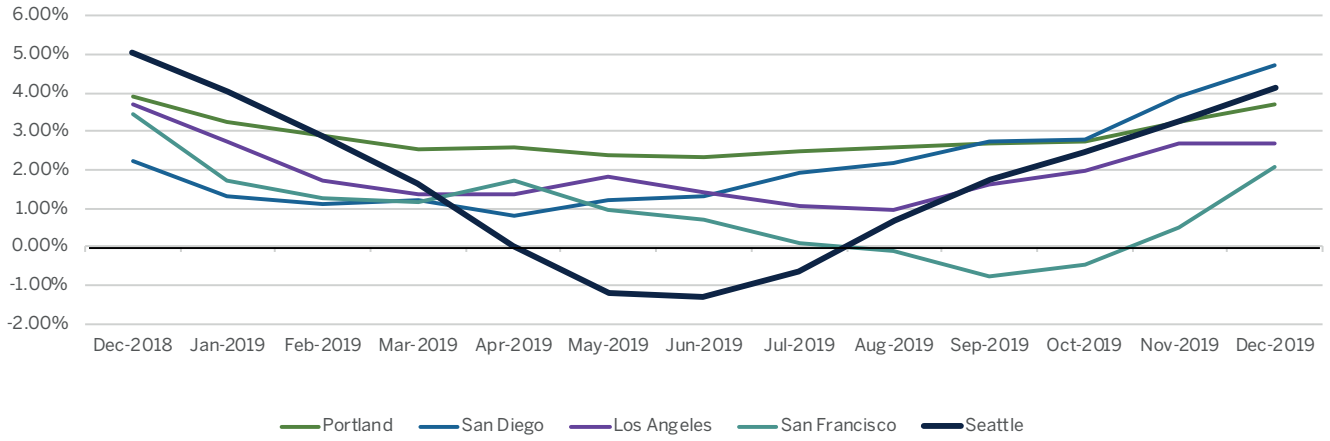
Due to a surge in inventory that began in mid-2018, home prices throughout the region dropped early in 2019, but later rebounded and were approaching the national average as the year ended. At the northern and southern edges of urban King County, inventories remained comparatively lower, as homes in these areas became targets for bargain-hunting commuters. Residential price trends within the Seattle MSA varied as a result.

Case-Shiller Index Trend and Reversal

The residential price declines that were widely reported as fact in 2018 came to reality in early 2019, and continued through mid-summer. In April, home price growth went to zero percent year over year in Seattle. By May, the city had become the first in years to see an outright year-over-year decline on the S&P Dow Jones CoreLogic Case-Shiller Home Price Index.[68] As RSIR said in our coverage of the Case Shiller results issued two months later, "the once-misreported home price decline has finally arrived."[69]

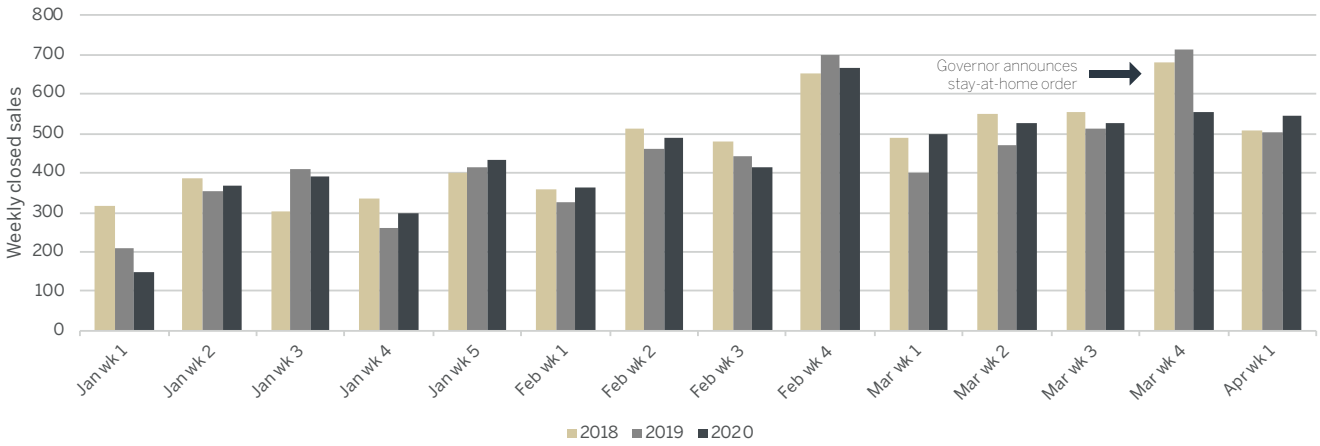
Yet the decline did not last through the summer. By August, the change in the home price index had turned positive. The year-over-year increase widened steadily through the autumn, surpassing San Francisco's home price growth in August, and that of Los Angeles in October. By November, 12-month growth in the Seattle Case-Shiller index had reached 3.3 percent, catching up with Portland, Oregon, and nearly reaching the 3.5 percent average reported for the National Composite Index. Earlier in the year, Seattle's declining price growth had slipped below the rates seen in U.S. cities with the slowest residential price appreciation: Chicago; Miami, Florida; New York City; and Washington DC. By November, prices in Seattle were once again outpacing those in all these cities.

One-year changes in the monthly S&P CoreLogic Case-Shiller Indices of Seattle and four West Coast cities



2020 Home Selling Followed Recent Q1 Weekly Trends

Closed residential and condo sales in King County since January 1, 2020 compared with prior years



2019 Inventory Trends

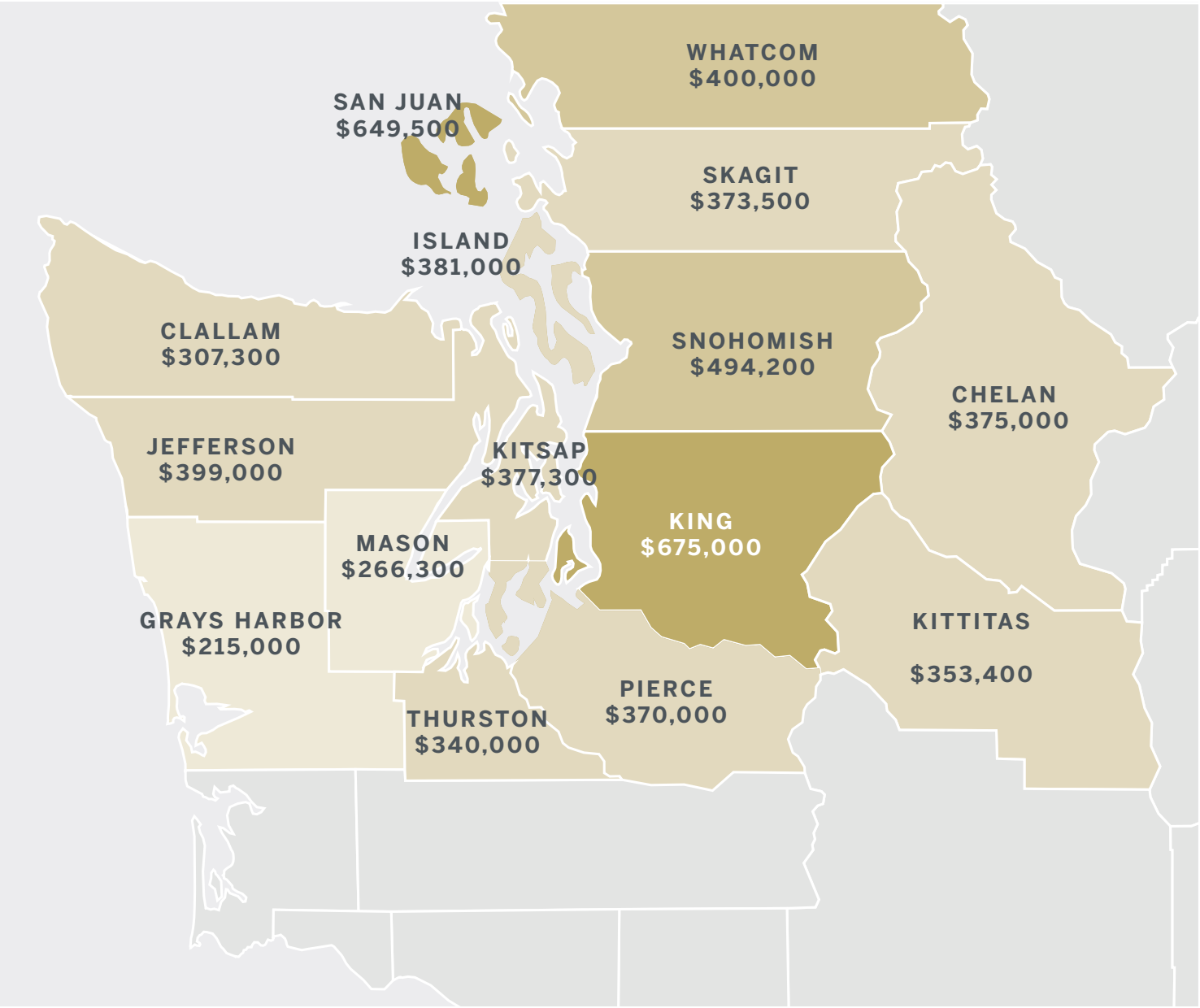
Driving the slower growth and subsequent three-month home price decline were residential and condominium inventories that began to surge in the spring of 2018, with a year-over-year surplus that, in the Seattle MSA, topped 3,100 residential homes in October of that year. (The coincidence that inventories began to gather just as the 2018 head tax was passed, and as talk of a housing crisis was peaking is not unremarkable, and there are lessons to be learned in terms of market signaling where home prices are concerned.) As the actual price declines set in, those swells of inventory began to diminish, and were finally sold through by the summer's end of 2019. Areas further out were under greater pressure throughout the year. Residential prices in those areas declined only briefly (in a few cases, not at all), and ended the year higher.

Conclusion: Reason for Optimism

The 2020 New Year started on a high note. Prices had completely reversed the negative trend seen in mid-2019. The aforementioned inventories were tightening, and time on market in most areas had been reduced from that of a year before. Sellers could again anticipate higher returns. Buyers were lining up to purchase before prices escalated out of reach.

The COVID-19 outbreak up-ended it all—at least temporarily. The question remaining is how much demand was pulled forward as the news came in, and how much was pushed back until the crisis passes. As the outbreak spread to western Washington, and even as it intensified in March, both sales and listings signaled market confidence among home buyers and sellers. In King County, the number of new sales in 2020 exceeded those of 2019 in eight of the first 12 weeks of the year. On a weekly basis, daily new listings peaked at higher levels than those in either of the past two years until after the March 16 stock market crash. The strength of a market rebound will depend on the success of government efforts to protect households from their losses of income during the stay-at-home order, while supporting Main Street as well as the region's leading employers. A reshoring of industry, as some are now discussing, would do much to aid in the recovery.

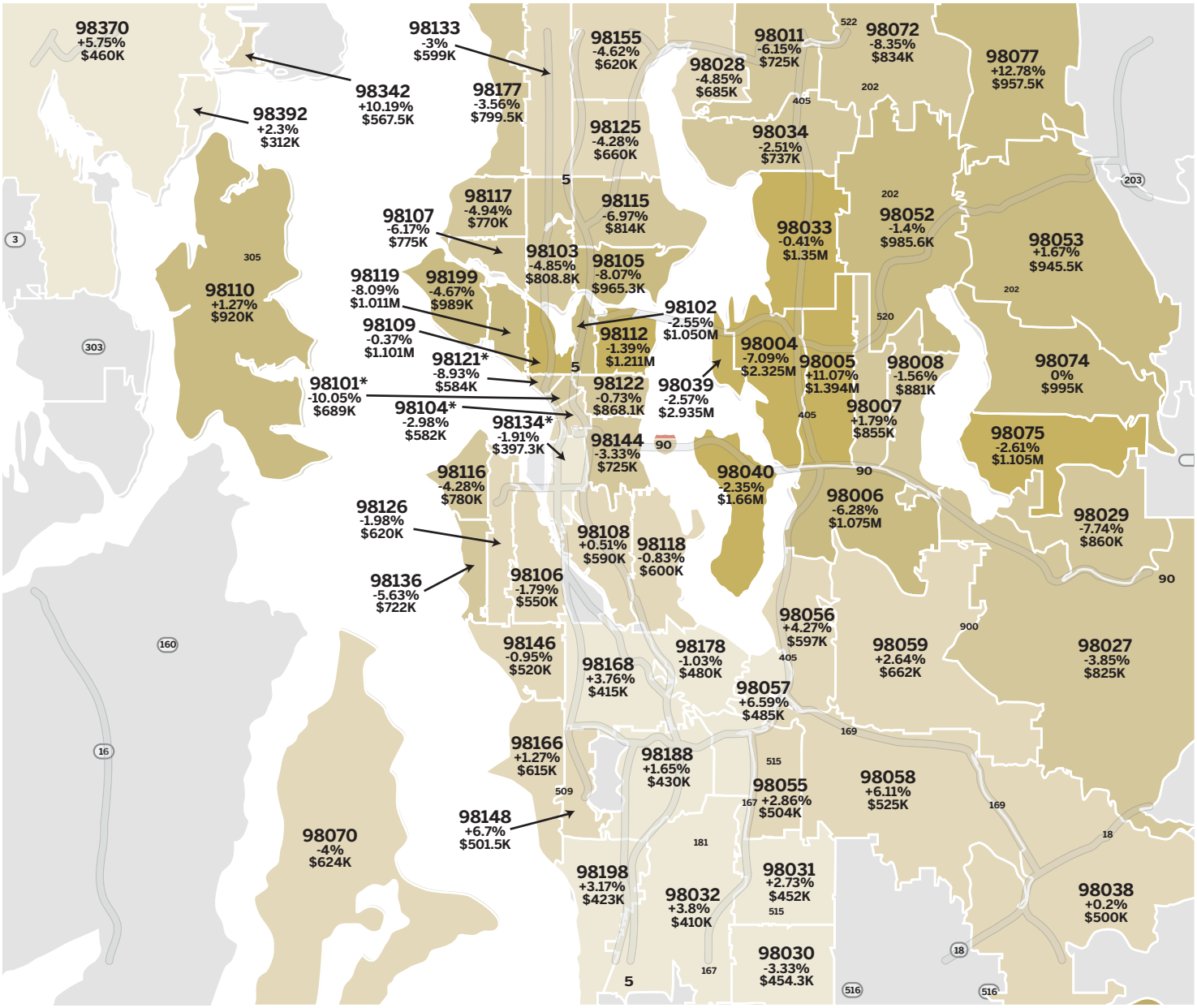
In Part II of this report, we provide pricing and selling statistics for the past year on many of the most attractive areas to buy a home.



MEDIAN SELLING PRICE BY COUNTY 2019

- $200,000 - $300,000
- $300,000 - $400,000
- $400,000 - $500,000
- $500,000 - $600,000
- $600,000 +

The median price of single-family homes and condominiums is shown for each county.



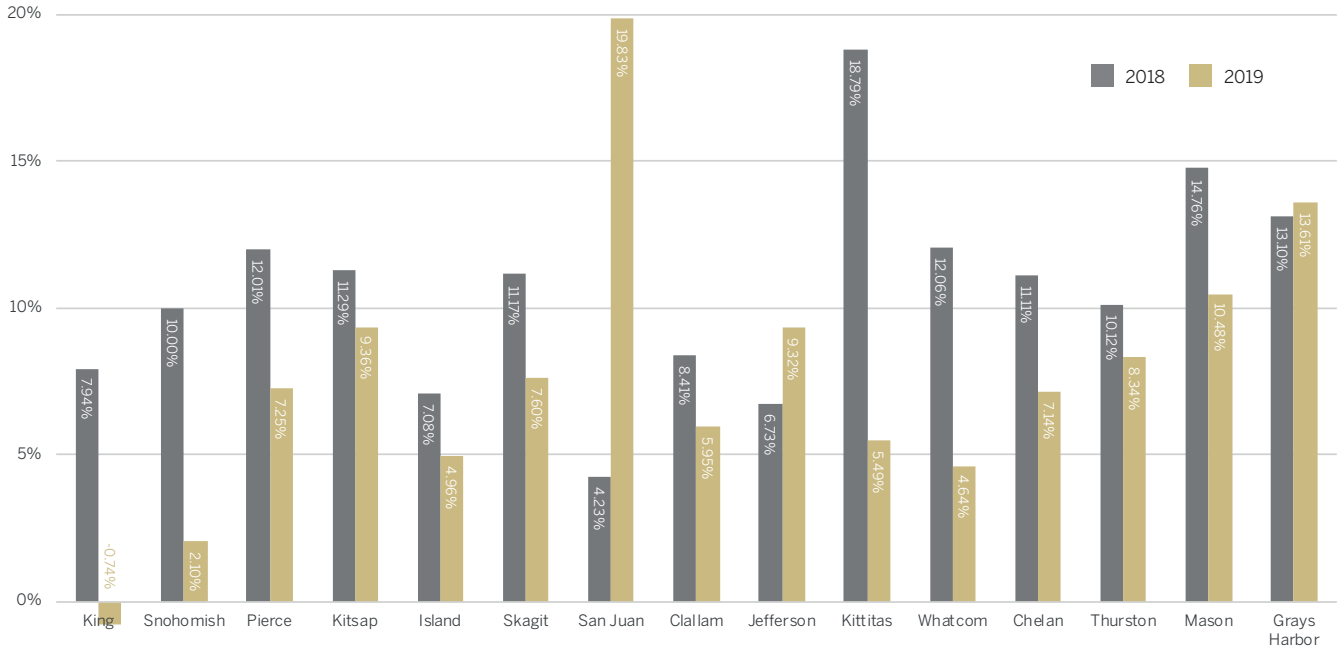
MEDIAN SELLING PRICE BY ZIP CODE 2019

- $300,000 - $500,000
- $500,000 - $700,000
- $700,000 - $900,000
- $900,000 - $1,100,000
- $1,100,000 +

The median price of single-family homes is shown beneath corresponding zip codes and include the percentage change from the prior year.

15 KEY COUNTIES IN **THE PUGET SOUND**

YEAR-OVER-YEAR PERCENTAGE CHANGES TO THE MEDIAN SELLING PRICES OF RESIDENTIAL HOMES



KING COUNTY

The number of residential selling transactions in the state's most populous county rose steadily year over year from 2019 Q2 through Q4. The year ended with 3.9 percent more home sales than in 2018.

For a third consecutive year, both in number and proportion of overall home sales, fewer King County condominium units were sold in 2019 (6,640 units, compared with 6,885 in 2018, and 7,898 in 2017).

Residential market times in King County and many of its constituent cities peaked in 2019 Q1, accelerated in Q2, then slowed through the end of the year. The county's Q4 median residential market time was three weeks, and the year ended with an annual median CDOM of 15 days.

Of King County cities with more than 500 residential sales in 2019, those with the highest average (not median) selling prices were, in order of average price: Bellevue, Kirkland, Sammamish, Redmond, and Woodinville.

8.9%

COMPOUND ANNUAL GROWTH RATE, 2014-2019

THE MEDIAN RESIDENTIAL PRICE IN KING COUNTY WAS $675,000 IN 2019.

Belltown
$1,100,000 SOLD


Suquamish
$1,500,000 SOLD

11

MEDIAN DAYS ON MARKET 2019

Prices and market conditions on Bainbridge Island and at Poulsbo are described elsewhere in this report. Among the smaller communities in Kitsap County, residential prices averaged $506,000 for 164 homes at Kingston; $492,000 for 87 homes at Seabeck; and $533,000 for 67 homes at Hansville.

2019 MEDIAN PRICE FOR SINGLE-FAMILY HOMES **$377,276**

KITSAP COUNTY

Year over year, residential selling transactions in 2019 Q4 were higher for the first quarter in four years (+9.4 percent), but there were not enough homes sold to prevent a second straight annual decline—by 3.8 percent from 2018 sales.

Year after year, home sales in Kitsap County are consistently 94 to 95 percent residential. Condominium sales in 2019 comprised just over 5.0 percent of all selling transactions.

As the numbers of residential transactions were peaking in 2019 Q4, the median market time for these sales dropped to a CDOM of 13, ten days fewer than the year before. Annually, homes sold at a historically rapid median 11 CDOM.


Bainbridge Island
$1,848,000 SOLD

PIERCE COUNTY

Pierce County, whose quarterly residential selling transactions began to sink in mid-2018 after six straight years of increases, saw sales turn upward year over year toward the end of 2019. Nevertheless, 4.8 percent fewer transactions were closed annually.

In proportion to overall home sales in Pierce County, condominium unit sales declined for the first time since 2015. Residential sales comprised 93.5 percent of the total.

Residential market times in Pierce County generally followed their historically seasonal pattern, with the same or fewer days on market in each quarter than seen in 2018. Homes sold at a record pace in 2019, with an annual median CDOM of just 12 days.

Six Pierce County cities saw more than 200 residential sales in 2019 at average prices above $400,000. In order of average price, those were: Gig Harbor, Bonney Lake, University Place, Buckley, Edgewood, and Lake Tapps.

10%

COMPOUND ANNUAL GROWTH RATE, 2014-2019

THE MEDIAN RESIDENTIAL PRICE IN PIERCE COUNTY WAS $370,000 IN 2019.

Anderson Island
$534,700 SOLD

Woodway
$3,675,000 SOLD

SNOHOMISH COUNTY

2019 MEDIAN PRICE IN SNOHOMISH COUNTY **$494,150**

Residential selling transactions in Snohomish County followed those of King County higher in 2019 after six consecutive quarters of decline. Annually, 1.6 percent more residential sales were closed than in 2018.

For the first year since 2014, condominium sales fell short of 18 to 19 percent of all home sales in Snohomish County. Their proportion in 2019 was 17.9 percent.

Just as in King County, Snohomish County median residential market times peaked in 2019 Q1 and sped up to eight days in Q2, then slowed through the year end. Here as well, the annual median CDOM for 2019 was 15 days.

Of Snohomish County cities with more than 500 residential sales in 2019, those with the highest average selling prices were, in order of average price: Edmonds, Bothell, Snohomish, Lynnwood, and Monroe.

17.9%

PROPORTION OF CONDOMINIUM SALES IN SNOHOMISH COUNTY, 2019

SKAGIT COUNTY

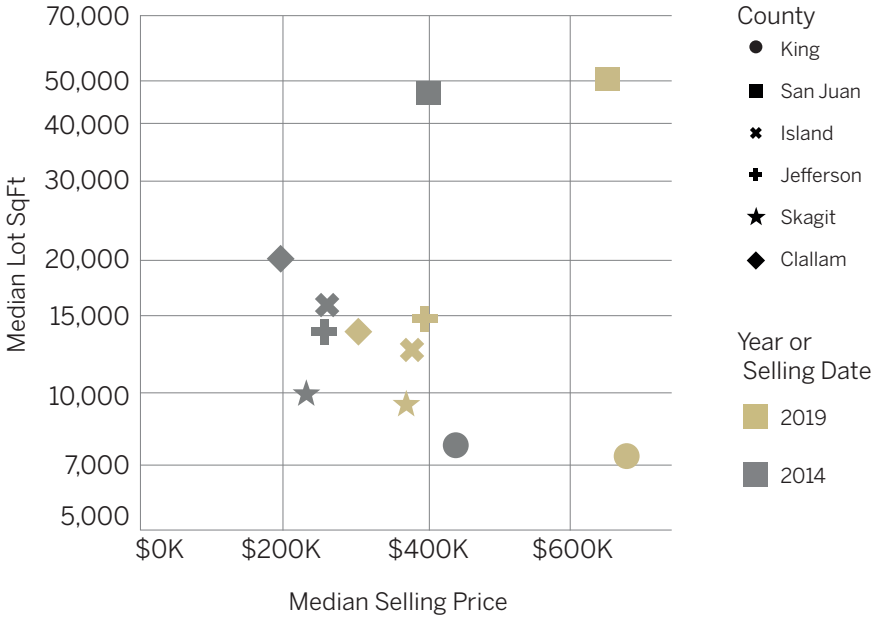
The two-year trend reversal seen by Kitsap County began two quarters earlier in Skagit County, as residential selling transactions turned higher in 2019 Q2 and increased steadily thereafter. The year ended with 1.5 percent more home sales than seen in 2018.

This county's median CDOM peaked at 44 days in 2019 Q1, then accelerated to resume a regular seasonal pattern. The annual median CDOM was 19 days.

Skagit County is primarily rural. Only three towns saw more than 200 residential sales in 2019: Sedro-Woolley, 314 homes at an average $343,000; Mount Vernon, 767 homes at an average $405,000; and Anacortes, 424 homes at an average $559,000.

SKAGIT COUNTY SAW AN ANNUAL MEDIAN PRICE OF $373,500 IN 2019.

2014-2019 CHANGE IN MEDIAN PRICE RELATIVE TO RESIDENTIAL LOT SIZE IN KING COUNTY AND FIVE RURAL COUNTIES



ISLAND COUNTY

After a steep 25.3 percent year-over-year drop in Q1 residential selling transactions, quarterly sales in Island County were generally flat in 2019. Total transactions for the year were 5.2 percent lower than in 2018.

Condominium units in Oak Harbor comprise about four out of five units sold annually in Island County. Their proportion of overall sales in the county remained steady at 6.3 percent in 2019.

Market times in Island County maintained a historically seasonal pattern. The annual median CDOM was 20 days.

7.6%

COMPOUND ANNUAL GROWTH RATE, 2014 TO 2019

ISLAND COUNTY SAW AN ANNUAL MEDIAN PRICE OF $381,000 IN 2019.

Camano Island
$1,380,000 SOLD

SAN JUAN, JEFFERSON, & CLALLAM COUNTIES

Quarterly residential transactions in San Juan County have continued to trend lower with effect from mid-2017 with only two interruptions (2017 Q4 and 2018 Q2). Selling transactions in 2019 were 16.1 percent lower year over year.

Residential market times are much longer in the San Juans than in Central Puget Sound markets. Median CDOM peaked at 138 days in 2019 Q1 and bottomed at 36 days in Q2. The annual median residential CDOM was 85 days.

Average residential selling prices included $596,000 for 39 homes on Lopez Island; $868,000 for 41 homes at Friday Harbor; $1.04 million for another 71 homes elsewhere on San Juan Island; and $1.05 million for 87 homes on Orcas Island.

There were fewer selling transactions in every quarter of 2019. Transactions plummeted 17.3 percent annually from the 2018 figure. Residential market times in this county continued to range shorter, at a median 22 CDOM compared with 30 days in 2018.

Residential selling transactions in Clallam County turned higher in 2019 Q3 after four quarters of declines, but nevertheless ended with 7.8 percent fewer sales after four consecutive years of increases. Annual market times declined to fewer than four weeks.

ORCAS ISLAND SAW AN ANNUAL MEDIAN PRICE OF $1,050,000 IN 2019.

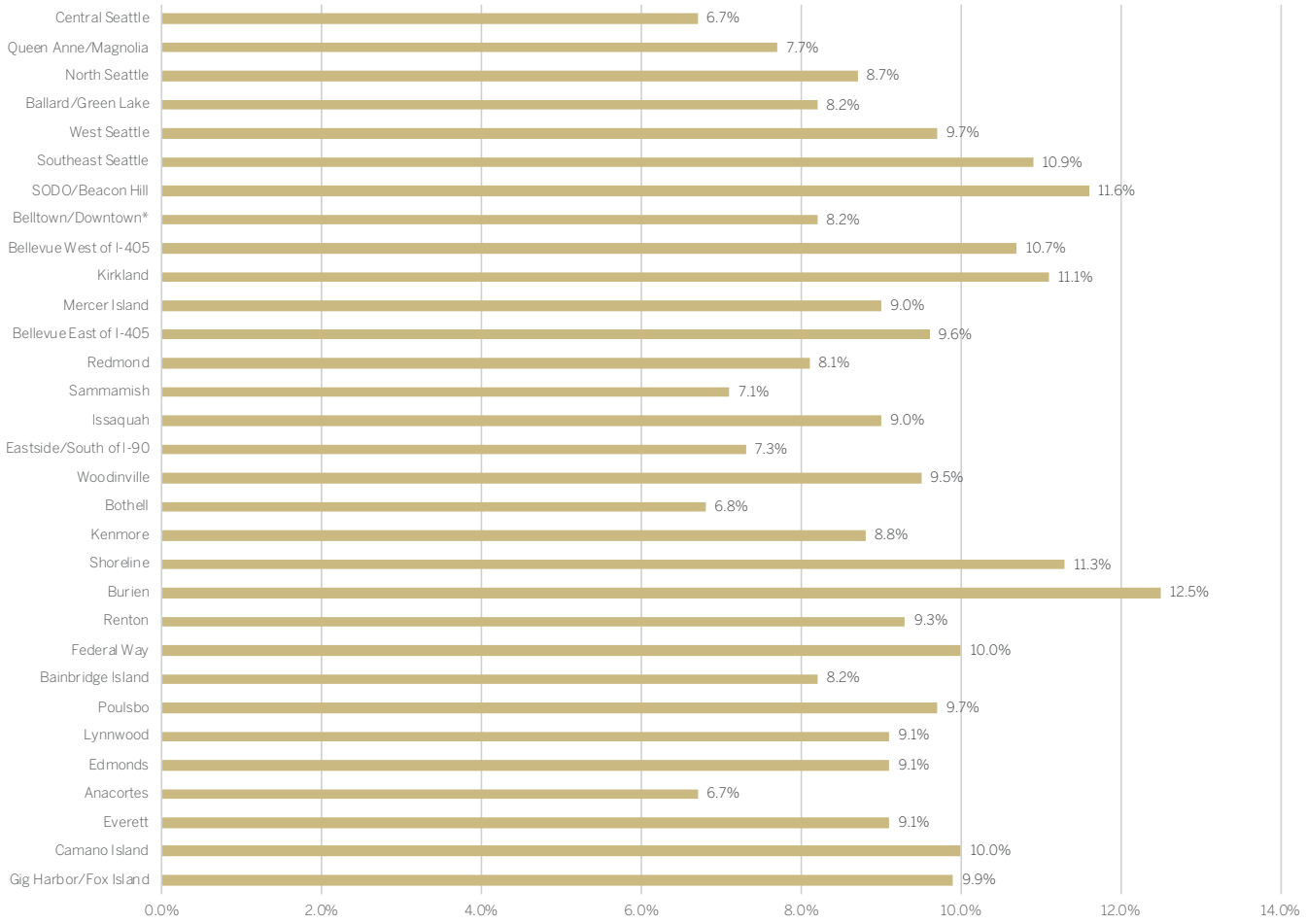
Orcas Island
$10,097,080 SOLD

37

AT A GLANCE

COMMUNITIES AROUND **THE PUGET SOUND**

COMPOUND ANNUAL GROWTH RATE 2014-2019



The metropolitan region comprising the city of Seattle, the Eastside, Snohomish and Pierce counties, led the nation in home price growth for the entire year.

In this section, we describe some of the key draws for homebuyers and other features of our 37 key communities around the Sound with an in-depth look at statistics from the 2019 home-buying year.

The statistics in this section have been extracted from the NWMLS database and analyzed by RSIR. As such, the NWMLS requires notice that they are not compiled or published by the Northwest Multiple Listing Service.*Belltown/Downtown value reflects resale condominium statistics for 2019.

CENTRAL SEATTLE

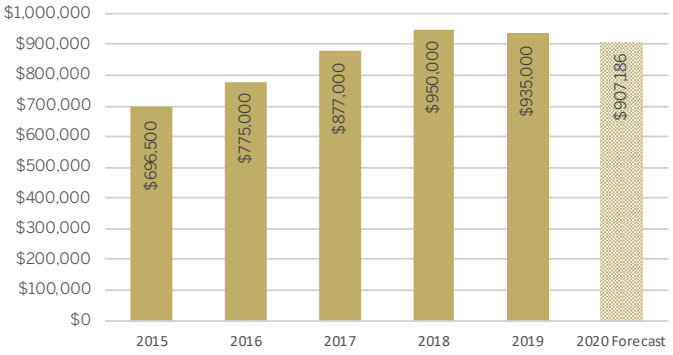
Quarterly residential transaction volume in Central Seattle ended the year 5.4 percent higher in 2019, but most of this growth occurred during the fourth quarter. There were fewer quarterly transactions year over year in 2019 Q2. Unit volume remained eight percent lower than in 2016.

While the number of condominium units sold in this area increased in 2019, there were still fewer such sales than in any of the preceding four years. Their proportion of overall sales contracted slightly, to 40.1 percent in 2019 from 41.1 percent in 2018; and to 65.0 percent from 69.2 percent of home sales in Capitol Hill.

After four straight years of annual median residential CDOM at nine days, the 2019 median residential market time in Central Seattle was 15 days. Quarterly market times in remained longer than in recent years, but did not exceed the 2018 Q4 median CDOM of 30 days.

In contrast with our expectations for a 4.2 percent gain, residential prices in Central Seattle declined by a modest 1.6 percent. In 2019, there were 23 residential homes sold in Madison Park for an average $1.71 million, compared with 31 averaging $1.83 million in 2018; 21 for an average $3.38 million in Washington Park, compared with 24 for an average $2.17 million in 2018; and 18 in Broadmoor for an average $2.62 million.

CENTRAL SEATTLE:
MEDIAN SALES PRICES



RSIR is forecasting a further 3.0 percent median price reduction in 2020: to $907,000 from $935,000 in 2019.

NORTH SEATTLE EXPERIENCED A 5.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019


Queen Anne | Seattle
$2,850,000 SOLD

QUEEN ANNE/ MAGNOLIA

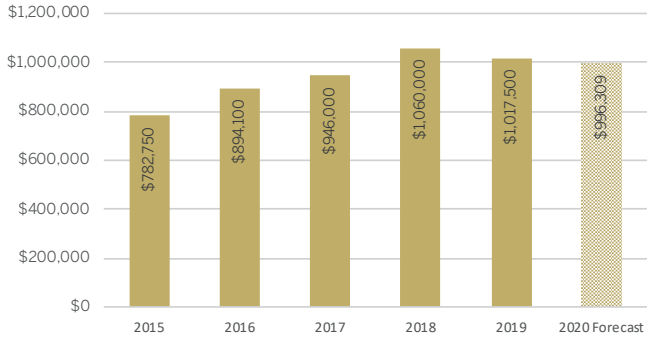
After no year-over-year change in Q1, the quarterly number of residential home-selling transactions in Queen Anne and Magnolia rose through the remainder of 2019, peaking in the third quarter at 23.2 percent growth. Annually, transactions exceeded those of 2018 by 11.5 percent, matching those of 2015, but still fewer than sold in 2017.

Condominium units comprised 38.1 percent of all homes sold in Queen Anne and Magnolia in 2019; similar to their 37.8 percent share in 2018, and still proportionally fewer than in 2017 (39.5 percent).

Residential sellers in the twin neighborhoods of Queen Anne and Magnolia drew similar average prices for homes they sold in 2019, both slightly lower than in 2018. Those in Magnolia averaged $1.17 million ($1.21 million in 2018); in Queen Anne, they averaged $1.29 million ($1.3 million in 2018).

From 2014 through 2019, the median price of a residential home in Queen Anne and Magnolia advanced at a CAGR of 7.7 percent, surpassing a million dollars in 2018 and in 2019 as well despite sinking 4.0 percent year over year. In 2020, RSIR forecasts a further 2.1-percent decline, leading the median residential price below the million-dollar mark.

QUEEN ANNE/MAGNOLIA:
MEDIAN SALES PRICES



QUEEN ANNE/ MAGNOLIA EXPERIENCED AN 11.5 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

22

MEDIAN DAYS ON MARKET 2019

NORTH SEATTLE

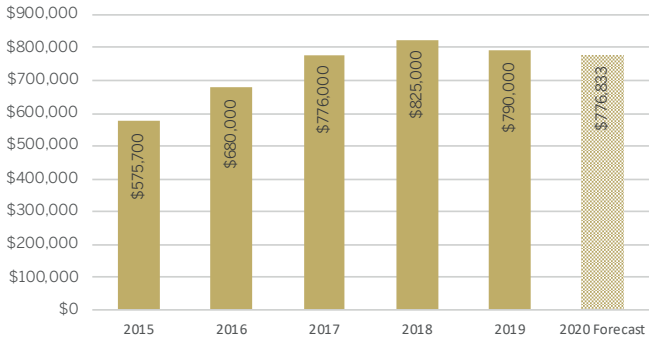
The number of residential homes sold in North Seattle finally began to rise in the 2019 Q4, and ended the year 5.4 percent higher than in 2018. Residential sales comprised 84.1 percent of all 2019 home sales in North Seattle, compared with 81.3 percent in 2018.

Fourth-quarter residential market times ended 2019 where they had the year before, at a median 18 CDOM. After four consecutive years of annual median market times at eight days, median residential CDOM rose to 12 days in 2019. Throughout the year, negotiated deviation from listed prices remained near the lows seen in 2018 Q3.

Thirty-four residential homes were sold at Hawthorne Hills for an average $1.25 million in 2019, up from $1.18 million among 52 sold in 2018; 54 at View Ridge for an average $1.25 million in 2019, down from $1.3 million among 52 sold in 2018; and 71 at Laurelhurst for an average $1.81 million, down from $2.04 million among 62 sold in 2018. Homes sold in Maple Leaf, Wedgwood, and Ravenna sold at average prices of $764,000, $857,000, and $852,000, respectively.

The median residential price in North Seattle, which climbed at a CAGR of 8.7 percent annually from 2014 through 2019, was 4.2 percent lower in 2019, and is projected to decline by another 1.7 percent in 2020.

NORTH SEATTLE:
MEDIAN SALES PRICES



NORTH SEATTLE EXPERIENCED A 5.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

17

MEDIAN DAYS ON MARKET 2019

BALLARD/ GREEN LAKE

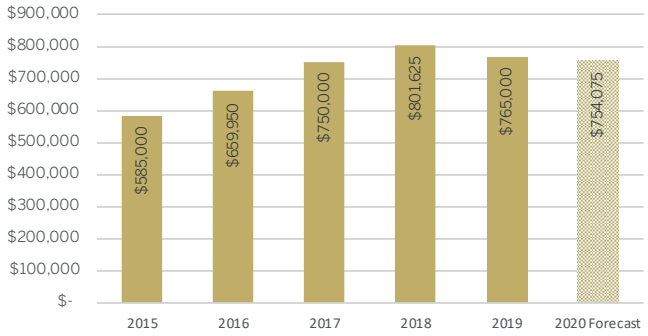
In Ballard and Green Lake, just five fewer residential homes were sold in 2019 than in 2017. Residential selling transactions rose by 16.4 percent year over year. Transactions in this area increased during each quarter of 2019.

Quarterly median residential CDOM began to resemble a more typical seasonal profile for the first time in several years. Homes lingered on the market for three weeks in Q1 and Q4, while selling more quickly from spring through summer. Ballard's annual median market time for 2019 was two weeks.

Average residential prices paid in Wallingford declined from $1.04 million for 137 homes sold in 2018, to $979,000 for 130 homes sold in 2019; but rose in North Beach, from $1.04 million for 45 homes sold in 2018 to $1.07 for 51 homes sold in 2019. Eighty-nine residential homes were sold in Sunset Hill for an average $1.0 million, and 18 sold in Blue Ridge for an average $1.39 million.

After steadily increasing since 2015, the median price of a five-bedroom home in Ballard and Green Lake relative to one in North Seattle fell: from 5.0 percent more in 2018, to 8.5 percent less in 2019. Homes with fewer bedrooms were regularly priced four percent higher.

BALLARD/GREEN LAKE:
MEDIAN SALES PRICES



The median selling price in Ballard ended 2019 4.6 percent year over year, and is forecast to decline by a modest 1.4 percent in 2020.

BALLARD/GREEN LAKE EXPERIENCED A 16.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

18

MEDIAN DAYS ON MARKET 2019

WEST SEATTLE

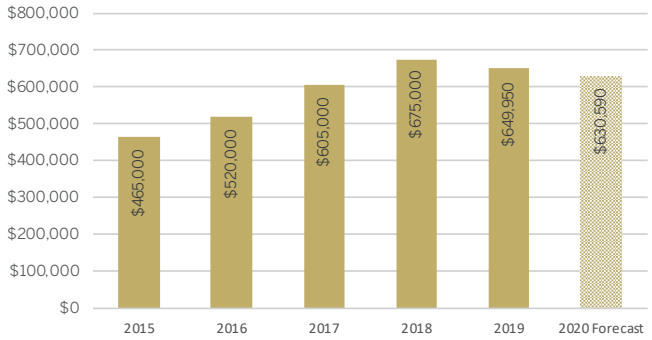
Quarterly residential selling transactions in West Seattle were regularly higher year over year through 2019—by double digits from Q2 through Q4. The area ended the year with 11.6 percent more selling transactions than in 2018, although still fewer than in the three preceding years.

Only 232 West Seattle condos were sold in 2019, fewer than in any of the past five years. Their proportion of overall home sales in the area contracted to 12.5 percent from 15.7 percent in 2018.

Median residential CDOM in West Seattle remained at 27 days in 2019 Q1, then bottomed at nine days in Q2. The median market time for all residential transactions in 2019 was two weeks, falling just short of the 15 days last seen in 2014.

Among the 75 residential purchases at North Admiral in West Seattle, the average residential price paid was $1.04 million, up from $1.01 million among 71 homes sold in 2018. For the 17 homes sold on Beach Drive, an average $1.28 million was paid, down from $1.44 million among 14 homes sold in 2018. At Alki, Belvidere, and Fauntleroy, selling prices averaged $913,000, $833,000, and $794,000, respectively.

WEST SEATTLE:
MEDIAN SALES PRICES



The median residential price in West Seattle rose at a CAGR of 9.7 percent from 2014-19. The 3.7 percent drop in 2019 is forecast to be followed by a softer 3.0 percent decline in 2020.

WEST SEATTLE EXPERIENCED AN 11.6 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

18

MEDIAN DAYS ON MARKET 2019


Seward Park | Seattle
$915,000 SOLD

SOUTHEAST SEATTLE

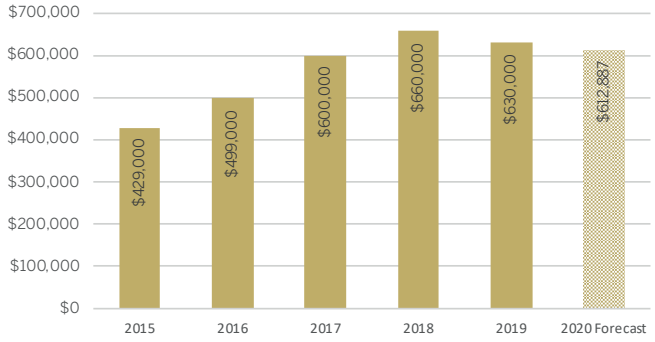
Having declined year over year in each quarter of 2018, the number of residential selling transactions in Southeast Seattle continued to slide quarterly until 2019 Q4, when they rose by 12.1 percent. The year ended with 2.2 percent fewer transactions than in 2018.

Few condos are sold in this area. Residential sales comprised 95.5 percent of Southeast Seattle home sales in 2019, nearly unchanged from 95.8 percent in 2018.

Market times in Southeast Seattle shrank to eight days in 2019 Q2, but exceeded three weeks in every other quarter of the year. The annual median residential CDOM for 2019 was 19 days.

Columbia City saw residential selling transactions increase to 110 in 2019 from 106 in 2018, while selling prices dropped from $735,000 to $695,000. Inversely, in Seward Park, the number of transactions decreased from 90 to 84, while prices rose from $939,000 to $1.08 million. Yet in Mt. Baker, both selling transactions and prices increased: from 105 residential sales at an average $982,000 in 2018, to 117 sales averaging $1.04 million in 2019.

SOUTHEAST SEATTLE:
MEDIAN SALES PRICES



Southeast Seattle's residential median selling price fell by 4.5 percent in 2019, and is forecast to decline by another 2.7 percent in 2020. The 10.9 percent CAGR of the median price from 2014 through 2019 remains the second-fastest rising trend in Seattle prices after that of SODO/Beacon Hill.

SOUTHEAST SEATTLE EXPERIENCED A 2.2 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019


Beacon Hill | Seattle
$999,990 SOLD

SODO/ BEACON HILL

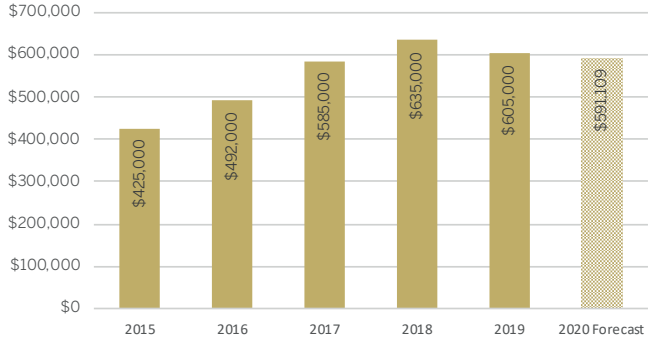
From 2014 through 2019, the median residential selling price in South of Downtown (SODO) and Beacon Hill outpaced those of every other area in Seattle, rising at a CAGR of 11.6 percent—that is, from $350,000 in 2014, to peak at $635,000 in 2018 before falling back to $605,000 in 2019. In 2020, the price is forecast to slip 2.3-percent lower, dipping beneath the $600,000 mark.

The number of residential selling transactions in this area rose haltingly through 2019, reaching 53.1 percent higher year over year in the fourth quarter. The year ended with 5.4 percent more transactions closed than in 2018.

With residential selling prices falling citywide, market times in SODO/Beacon Hill were notably protracted in 2019—especially in Q1, when they reached a median CDOM of 44 days. The annual median residential CDOM reached 20 days, twice the duration of residential sales in 2018.

Thirty-four residential homes sold at Georgetown in 2019 averaged $668,000, up from $657,000 among 49 homes sold in 2018. Ninety-two residential homes sold in North Beacon Hill averaged $669,000, down from $759,000 among 80 homes sold there in 2018.

SODO/BEACON HILL:
MEDIAN SALES PRICES



NORTH SEATTLE EXPERIENCED A 5.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

23

MEDIAN DAYS ON MARKET 2019

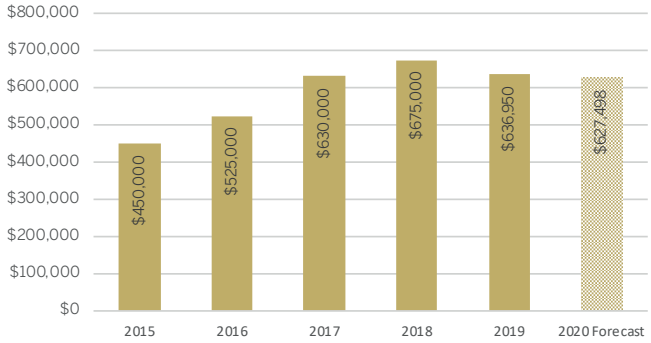
BELLTOWN/ DOWNTOWN

The downturn in home selling transactions that began in 2018 Q3 ended a year later, and unit selling volume was up by 17 percent by 2019 Q4. However, overall sales remained 1.7 percent lower year over year, and 13 percent below their peak in 2016. (Note that all reported sales in Belltown/Downtown Seattle are of resold condominium units.)

Condominium listings for resale continued to compete with pre-sale, new-construction offerings not yet opened for occupancy, and this dampened demand for these older units. As a result, market times of the units sold remained on-market for much longer than residential homes sold in other areas of Seattle. Quarterly median CDOM peaked at 72 days in 2019 Q1, after the 2018 high of 52 in the preceding quarter. The annual median market time for 2019 was 44 days. Throughout the year, sellers of existing units were regularly compelled to negotiate prices as much as four percent lower than list to entice buyers away from new projects.

Selling prices of re-sold condominium units in Belltown and Downtown fell by 5.6 percent in 2019, and are forecast to modestly decline by another 1.5 percent in 2020.

BELLTOWN/DOWNTOWN: MEDIAN SALES PRICES



BELLTOWN/ DOWNTOWN EXPERIENCED AN 1.7 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

44

MEDIAN DAYS ON MARKET 2019


Meydenbaur Bay Park
$2,930,000 SOLD

BELLEVUE WEST OF I-405

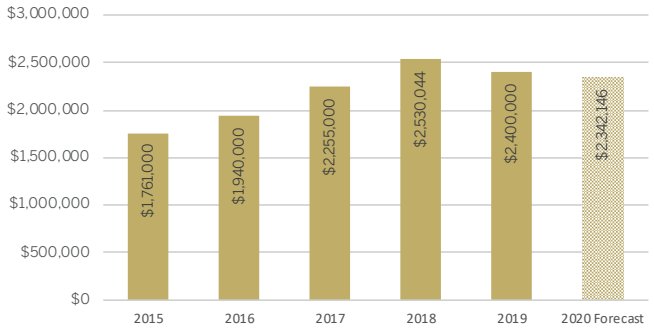
Quarterly residential selling transactions in West Bellevue and its environs rose steadily after 2019 Q1, peaking in the fourth quarter at 52.3 percent growth year over year. Annually, 13.4 percent more transactions closed than in 2018, yet still fewer than in any of the preceding four years.

Market times in this area repeated the pattern seen last year, but from a higher baseline, with fourth-quarter median residential CDOM reaching 81. Under these conditions, listing contract durations of longer than 90 days must be considered.

This area comprises several distinctive communities west of Bellevue with annual sales in the single digits or fewer. Among these, four residential homes sold in Beaux Arts for an average $1.98 million; 58 in Clyde Hill for an average $3.06 million; 45 in Medina for an average $4.42 million; 26 at Yarrow Point for an average $4.79 million; and eleven at Hunts Point for an average $7.28 million.

In Bellevue proper, residential homes at Enatai, Meydenbauer, and Vuecrest sold for averages of $2.08 million, $2.46 million, and $3.18 million, respectively in 2019.

WEST BELLEVUE:
MEDIAN SALES PRICES



Contrary to last year's forecast, the median residential price in this area dropped by 5.1 percent in 2019. A softer decline of 2.4 percent is projected in 2020.

BELLEVUE WEST OF I-405 EXPERIENCED A 13.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

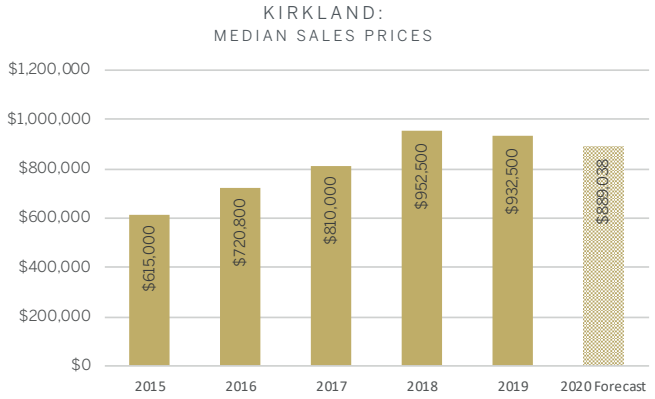
KIRKLAND

In 2019 Q1, year-over-year residential selling transactions were up sharply—by nearly 30 percent—coincident with falling prices that quarter. Transaction volume evened out through the rest of the year, which ended with sales just 1.3 percent higher than in 2018.

Fewer Kirkland condominium units were sold in 2019 than in any of the past five years. The proportion of condos to overall sales also declined, in contrast with the trend of the past three years. In 2019, they comprised 34.3 percent of sales, compared with 36.4 percent in 2018.

After the first quarter, residential selling transactions in Kirkland moved more quickly than in any Eastside city except Redmond. However, market times slowed throughout the Eastside, and the annual median residential CDOM in 2019 was 13 days.

The 34 residential homes sold at Holmes Point in 2019 averaged $1.47 million paid, compared with $1.41 million among 39 homes sold in 2018. The 77 homes sold at East of Market averaged $1.62 million, compared with $1.59 million among 67 sold in 2018. The average price paid at West of Market was $2.23 million among 29 homes sold, compared with $2.2 million among 31 homes sold in 2018. Among condos sold in 2018, 36 sold at Houghton averaged $1.02 million; 27 at Rose Hill averaged $701,000; and 93 in Downtown Kirkland averaged $885,000.



At a CAGR of 11.1 percent from 2014 through 2019, residential selling prices in Kirkland have increased faster than those of any city in King County other than Shoreline (11.3 percent), or Burien (tied at 12.5 percent).

KIRKLAND EXPERIENCED A 1.3 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

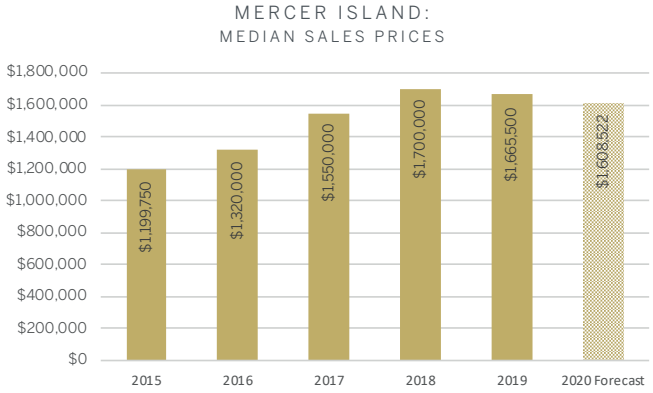
MERCER ISLAND

Mercer Island and Sammamish each saw four quarters of fewer residential transactions year over year—substantially fewer on the Island—converted to gains in 2019 Q2. The upticks on Mercer Island were shallow until Q4, when they reached 19.6 percent. The annual increase in 2019 was 5.3 percent.

Mercer Island saw 50 to 55 condominium unit sales yearly from 2015 through 2018. That figure dropped to 43 in 2019, comprising 12.5 percent of overall sales.

This is a distinctive community with few home sales annually compared with its neighboring communities around the lake. In addition, only homes in the area of Bellevue west of I-405 are priced more lavishly. The median residential price was already $1.08 million in 2014, and has grown from there at a CAGR of 9.0 percent since then.

As the numbers of residential sales rose in the fourth quarter, market times accelerated, yet remained greater than three weeks. Slower selling earlier in the year drove the annual median residential CDOM on Mercer Island 26 days in 2019.



The average residential selling prices by community included $1.48 million among 30 homes sold at Mid-Island; $1.87 million among 38 homes sold at the South End; and $2.4 million among 62 homes sold at the North End.

The Mercer Island residential selling price slid by 2.0 percent in 2019, and is forecast to fall by another 3.4 percent in 2020.

MERCER ISLAND EXPERIENCED A 5.3 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

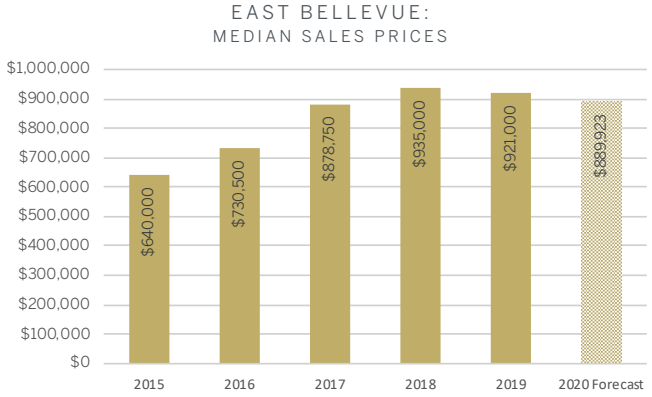
BELLEVUE EAST OF I-405

The numbers of residential homes sold in Bellevue east of I-405 were higher straight out of the gate in 2019 Q1 (+33.7 percent), and despite uneven growth thereafter, ended the year with an 8.7 percent increase over 2018 transaction volume.

In 2019, the number of condominium units sold in Bellevue east of I-405 decreased for the first year since 2009—with fewer sales than in 2017, and only four more than sold in 2016. Condos comprised 43.3 percent of all homes sold in this area in 2019.

This area saw the fastest-moving sales in the region for 2019. While homes lingered on the market elsewhere in King County, quarterly market times in this area of Bellevue remained shorter than two weeks. However, little buyer competition was seen after the second quarter, and sellers' listed offers were generally satisfied above the median selling price.

The 2019 average residential selling price at Wilburton was $1.45 million among 16 homes, up from $1.19 million among 16 homes in 2018. In Woodridge it was $1.14 million among 30 homes, down from $1.26 million among 42 homes. On West Lake Sammamish, the average price paid was $1.47 million among 36 homes sold in 2019, compared with $1.37 million among 34 homes sold in 2018. At Lake Hills, Robinswood, and Phantom Lake, residential selling prices averaged $834,000, $1.01 million, and $937,000, respectively.



The median residential price paid in East Bellevue saw only a shallow retracement of 1.5 percent in 2019. It is forecast to decline by another 3.4 percent in 2020.

BELLEVUE EAST OF I-405 EXPERIENCED A 8.7 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

REDMOND

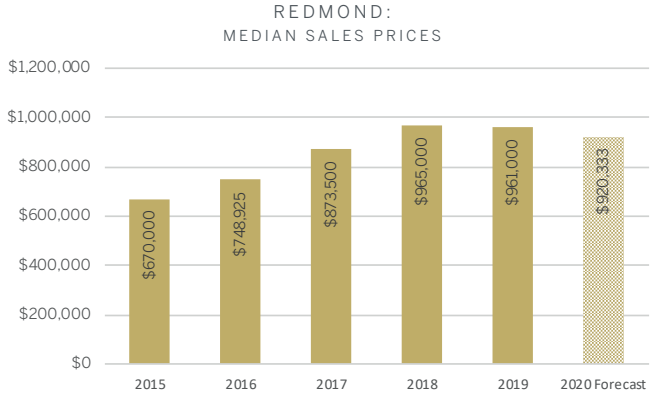
The first two quarters of 2019 saw relief from six prior quarters of flat or declining numbers of sales year over year. Although the rest of the year saw the decline in transactions resume, the earlier upturn was enough to reverse years of fewer sales to a 4.9 percent annual increase.

Both the number and proportions of condominium units sold in Redmond have dropped since 2017. Residential homes comprised 74 percent of overall sales in 2019.

Redmond saw the fastest-moving residential sales on the Eastside—down to a median seven CDOM in 2019 Q2, and eleven days for the entire year.

At Education Hill, 212 residential homes were sold in 2019 at an average price of $1.1 million, unchanged since 2018 (when 236 homes were sold). Average prices of $1.33 million were paid among 72 residential homes sold at Union Hill; $1.03 million among 46 homes sold at English Hill; and $1.26 million among fourteen homes sold at Novelty Hill.

The median residential selling price in Redmond increased at a CAGR of 8.1 percent from 2014 through 2019. Prices were nearly unchanged in 2019 (-0.4 percent), but are forecast to drop by 4.2 percent in 2019.



REDMOND EXPERIENCED A 4.9 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

15

MEDIAN DAYS ON MARKET 2019

SAMMAMISH

After four quarters of fewer residential selling transactions year over year, the number of such sales in Sammamish jumped by 17.0 percent in 2019 Q2. Transactions rose again in Q3, then turned flat in Q4, ending the year with 7.1 percent more residential sales than 2018.

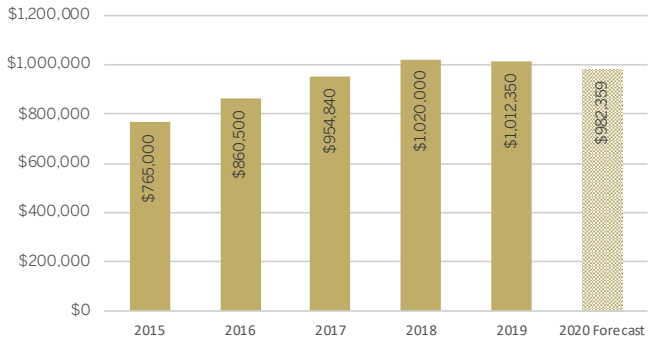
Sammamish is not a major condominium market, and residential sales comprised 90.2 percent of all home sales in 2019.

First-quarter residential market times in 2019 reached a median CDOM of 52, a longer quarterly duration than seen in any of the past five years. The annual median CDOM for Sammamish was 22 days.

Of Sammamish residential homes sold in 2019, selling prices averaged $1.13 million among 69 homes sold at Trossachs, down from an average $1.19 million among 56 sold in 2018; $1.2 million among 59 homes sold at Pine Lake, down from an average $1.24 million among 43 sold in 2018; and $1.17 million among 65 homes sold at The Plateau, down from an average $1.32 million among 88 sold in 2018.

The median residential selling price in Sammamish was just 0.7 percent lower in 2019, but is expected to decline by another 3.0 percent in 2020.

SAMMAMISH:
MEDIAN SALES PRICES



SAMMAMISH EXPERIENCED A 7.1 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

32

MEDIAN DAYS ON MARKET 2019

ISSAQUAH

Eight straight quarters of fewer residential transactions year over year—including two quarterly declines of about 30 percent—ended with a 20.8 percent upswing in 2019 Q4. Transactions ended the year 11.1 percent lower.

Condominium sales in Issaquah peaked in 2016. Each of 2018 and 2019 saw 399 sales, fewer than in any year since 2012. However, in proportion to overall home sales in Issaquah, condos reached 44.1 percent of overall sales in 2019.

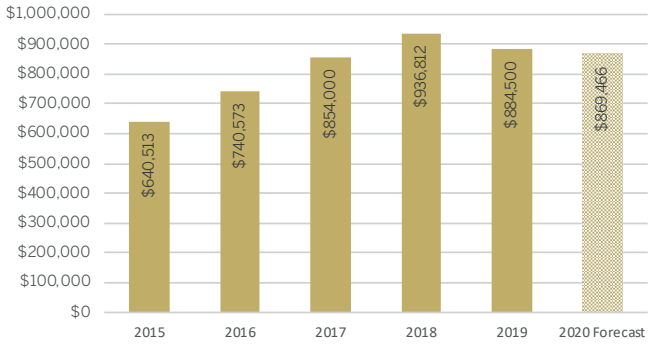
In Issaquah, median residential CDOM peaked at more than 36 days in 2019 Q4 (unlike most other areas of King County, where quarterly market times peaked in Q1). Annual market times reached three weeks in 2019.

Average residential selling prices paid in 2019 were $814,000 among 42 homes sold at Squak Mountain, up from $796,000 among 51 homes sold in 2018; $929,000 among 186 homes sold in the Issaquah Highlands, down from $1.4 million among 205 homes sold in 2018; and $1.27 million among 26 homes sold on South Lake Sammamish, up from $1.1 million among 32 homes sold there in 2018.

Residential selling prices in Issaquah rose at a CAGR of 9.0 percent from 2014 through 2018, but prices fell by 5.6 percent in 2019. A shallower decline of 1.7 percent is forecast for 2020.

[Note: our analysis of 2019 home sales in Issaquah excludes sales in Mirrormont, although students there are enrolled in the Issaquah School District.]

ISSAQUAH:
MEDIAN SALES PRICES



ISSAQUAH EXPERIENCED AN 11.1 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019


Newcastle
$2,250,000 SOLD

EASTSIDE SOUTH OF I-90

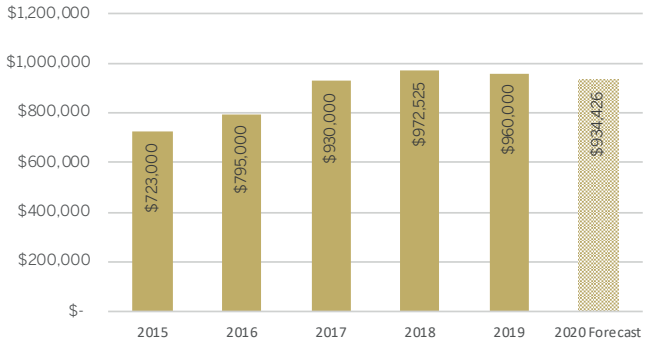
This irregularly shaped area covers the eastern shore of Lake Washington south of I-90, reaching inland south to May Creek and Issaquah-Hobart Road, and east to Exit 25 near Upper Preston. Prices vary widely in this area, much of which is rural. Residential selling transactions here increased in 2019 Q3 for the first time in six quarters. The year ended with 2.3 percent more residential sales than in 2018, but still 17.5 percent fewer than closed in 2017.

More condominium units (340) were sold in this area than in either of the preceding two years. Residential sales continued to comprise most of the homes sold in this area (72.7 percent), but notably, 139 of the 340 condominium units sold (i.e., 40.1 percent of condo sales) were concentrated in that portion of Issaquah that the area includes.

In 2019 Q1, Eastside South of I-90 was among the slowest-selling residential markets in King County, at a median CDOM of 50 days. The annual median market time was about 19 days.

Among residential homes sold in 2019, the 74 sold at Somerset averaged $1.33 million; 88 sold at Lakemont averaged $1.44 million; and 17 sold on Cougar Mountain averaged $1.64 million. Twelve residential homes sold at Newport Shores for an average $3.0 million. Of these average selling prices, only those at Newport Shores exceeded 2018 prices in the same neighborhoods.

EASTSIDE SOUTH OF I-90:
MEDIAN SALES PRICES



The median residential selling price in this area slipped lower by 1.3 percent in 2019. A further decline of 2.7 percent is forecast for 2020.

EASTSIDE SOUTH OF I-90 EXPERIENCED A 2.3 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

WOODINVILLE

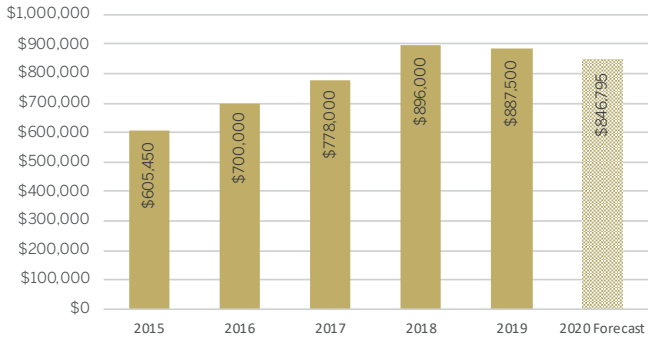
Residential home selling appeared to stabilize in 2019 after an irregular quarterly pattern year over year from 2017 through 2018. After shallow declines in the number of mid-year transactions, 2019 Q4 brought a 22.8-percent increase in selling, although 2019 ended with just three more sales annually than seen in 2018.

At not more than 80 condominium sales annually in the past six years, Woodinville's condo market is similar in proportion to that of Sammamish. Only 59 units were sold in 2019. Residential transactions here comprised 90.9 percent of all home sales.

Quarterly residential time on market peaked at nearly two months in 2019 Q1. Price reductions became a common resort to win sales in Woodinville, especially among listings priced above the median, indicating a need for stronger pricing logic upon listing.

Average residential selling prices paid in 2019 were $1.17 million among 12 homes sold at Leota, up from $942,000 among the same number of homes sold in 2018; $1.22 million among 54 homes sold at Hollywood Hill, up from $1.2 million among 47 homes sold in 2018; and $1.56 million among 22 homes sold at Lake of the Woods, where the average price was unchanged from that of 16 homes sold there in 2018.

WOODINVILLE:
MEDIAN SALES PRICES



The median residential price at Woodinville rose at a CAGR of 10 percent from 2014 through 2019. In 2020, that price is forecast to decline by 4.6 percent.

WOODINVILLE EXPERIENCED A 0.5 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

BOTHELL

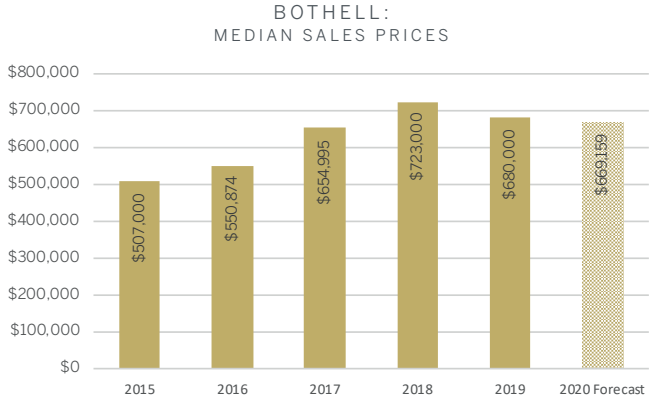
Four quarters of fewer residential transactions in Bothell that had begun in mid-2018 gave way to double-digit increases in 2019 Q3 and Q4. The result was a 3.8 percent annual increase in selling following an 8.1 percent decline the preceding year.

At 23.4 percent of overall sales in 2019, the 422 condominium units sold comprised a lesser proportion of home selling activity than in any year since 2015.

Residential market times in Bothell ranged from 40 days in 2019 Q1 to nine days in Q2. The U-shaped, five-year trend of annual CDOM was completed at 19 days in 2019, having begun at 18 days in 2015 and bottomed at seven days in 2017.

Residential selling prices in 2019 averaged $817,000 among 18 homes sold at West Hill, up from $761,000 among 23 homes sold in 2018; $859,000 among 19 homes sold at Norway Hill, up from $818,000 among 14 homes sold in 2018; and $806,000 among 295 homes sold at Canyon Park, down from $860,000 among 228 homes sold in 2018.

The median residential selling price in Bothell advanced at a CAGR of 6.8 percent from 2014 through 2019. The price fell by 5.9 percent in 2019; a more modest 1.6 percent decline is forecast for 2020.



[Note: our analysis of 2019 home sales in Bothell excludes sales in the Census-designated places of Alderwood Manor and Martha Lake, for which sales are irregularly reported as either Lynnwood or Bothell. Median prices for the two CDPs are reported under "Lynnwood," page 60.]

BOTHELL EXPERIENCED A 3.8 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

Kenmore
$630,000 SOLD

KENMORE

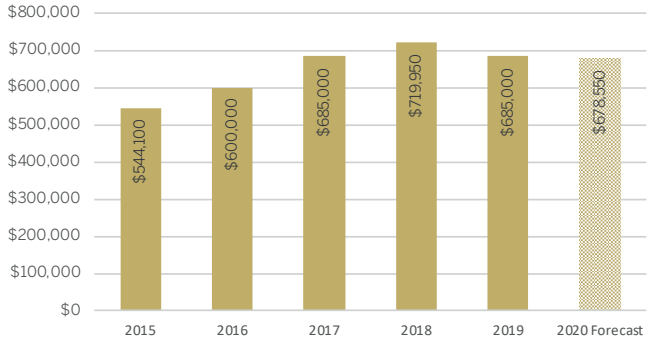
Residential selling transactions in Kenmore leaped by 51.7 percent in 2019 Q4. Transaction volumes earlier in the year were irregular, but followed six quarters of fewer sales in the area. The annual increase in transactions for 2019 was 14.4 percent.

Residential market times in Kenmore peaked in 2019 Q1; but even as the number of transactions multiplied in Q4, the duration of those sales remained comparatively slow, at a median CDOM of 34 days.

Kenmore and Woodinville lie west and east of Bothell, respectively; but Kenmore's residential selling prices are more closely aligned with those in the larger city at the center, although slightly higher. In 2019, the median price of a three-bedroom home was 8.3 percent greater than that of a three-bedroom home in Bothell.

At a CAGR of 8.8 percent from 2014 through 2019, the median residential selling price at Kenmore continued to outpace that of Bothell (6.8 percent), while falling behind that of Woodinville in 2019 (9.5 percent) due to Kenmore's 4.9 percent drop that year. It is forecast to remain roughly unchanged (-0.9 percent) in 2020.

KENMORE:
MEDIAN SALES PRICES



KENMORE EXPERIENCED A 14.4 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

27

MEDIAN DAYS ON MARKET 2019

SHORELINE

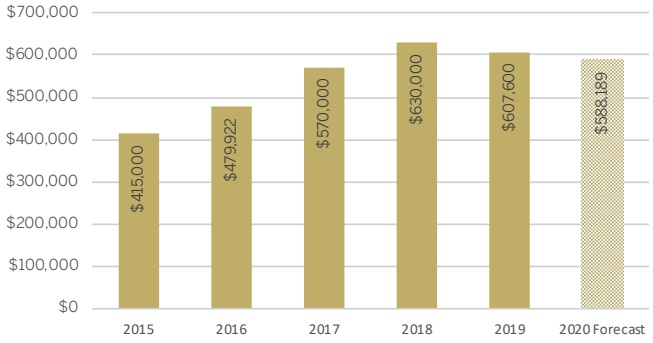
After six quarters of declining sales, residential selling transactions soared year over year in Shoreline in 2019: higher by 25 percent in Q2, 38.2 percent in Q3, and 35.8 percent in Q4. The annual gain of 24.9 percent brought transaction volume just seven sales shy of 2017, following the 20.8-percent tumble seen in 2018.

Sales of condominium units, which had increased slightly in 2018 as residential sales declined, reverted to 2017 levels as residential sales rebounded in 2019. This caused their proportion to contract from 21.8 percent to 17.1 percent, in line with the historical trend.

The rapid selling trend from the second through the fourth quarters kept Shoreline's residential market times below three weeks—shorter than many other areas of King County, but still longer than other areas that, like this city, benefited from value-seeking commuter demand, such as Lynnwood and Everett.

Residential selling prices averaged $721,000 among 51 homes sold at Richmond Highlands, down from $733,000 among 53 homes sold in 2018; $882,000 among 69 homes sold at Richmond Beach, down from $927,000 among 54 homes sold in 2018; and $1.43 million among 23 homes sold at Innis Arden, up from $1.2 million among 14 homes sold in 2018.

SHORELINE:
MEDIAN SALES PRICES



With a median residential price CAGR of 11.3 percent, Shoreline maintained its position as the second-fastest appreciating market in the region outside of Seattle. (Burien was first.) The median residential price here fell by 3.6 percent in 2019, and a further 3.2 percent decline is forecast for 2020.

SHORELINE EXPERIENCED A 24.9 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

BURIEN

The numbers of residential homes sold in Burien fell for a sixth straight quarter in 2019 Q1, rose mid-year, then sank again in Q4. Annually, residential transactions were reduced by another 2.4 percent on top of 2018's 13.7 percent decline.

After a hiatus in 2018, the number and proportion of condominium sales to overall home sales in Burien again increased in 2019. Meanwhile, residential sales comprised 86.9 percent of overall sales in this city.

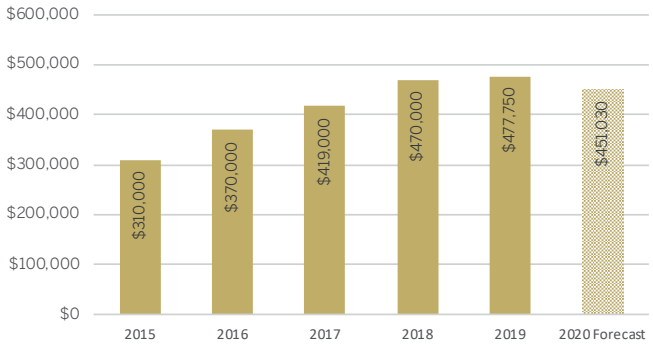
Market times in Burien reached over five weeks in 2019 Q1, before the median residential CDOM contracted to eight days in the second quarter. The annual median CDOM in the city was 15 days.

Selling prices among 66 residential homes sold at Shorewood in 2019 averaged $704,000, $100,000 more than the average $604,000 paid among 69 homes sold in 2018. At Seahurst, residential prices averaged $629,000 among 42 homes, down from $690,000 among 53 homes sold in 2018. Twenty-one residential homes sold at Three Tree Point averaged $1.05 million paid, up from $1.01 million among 10 homes sold in 2018.

Burien joined Renton, Federal Way, and Maple Valley as one of the few cities in King County that saw their residential prices rise in 2019. The median residential price in Burien rose by 1.6 percent, but is forecast to fall back by 5.6 percent in 2020.

[Note: for simplicity, our analysis of 2019 home sales in Burien includes sales in all of White Center. It does not include any parts of Normandy Park, Tukwila, or Seatac.]

BURIEN:
MEDIAN SALES PRICES



BURIEN EXPERIENCED A 2.4 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

RENTON

The number of residential sales in Renton increased in each quarter of 2019, and by double digits in all but 2019 Q2 (+4.1 percent). As a result, selling transactions rose annually for the first time since 2015, and by 12.2 percent year over year.

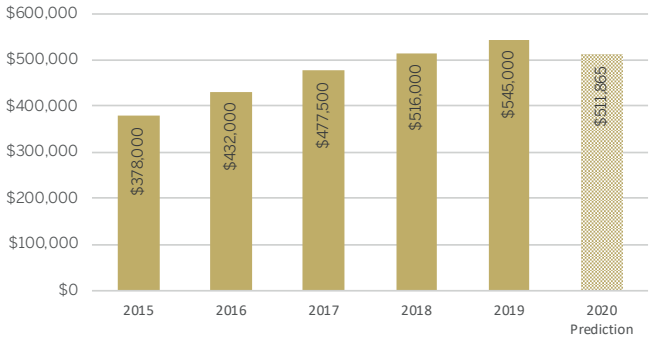
In 2019, both the number and proportion of condominium sales in Renton reached five-year lows, with residential sales exceeding 83 percent of overall sales.

Following the market slowdown in 2018 Q4, median residential CDOM peaked at 40 days in 2019 Q1, then accelerated to eight days in Q2. The median annual market time in Renton was 16 days. Buyers at all price levels received price concessions in 2019.

Average residential prices paid in 2019 were $560,000 among 300 homes sold at Fairwood, up from $540,000 among 234 homes sold in 2018; $592,000 among 309 homes sold in the Highlands, down from $600,000 among 280 homes sold in 2018; and $808,000 among 70 homes sold at Kennydale, up from $759,000 among 102 homes sold in 2018.

Renton was one of very few cities in King County to see residential price increases in 2019, and only prices in Federal Way rose by a greater percentage. Renton's median residential price advanced at a CAGR of 9.3 percent from 2014 through 2019. The price is forecast to fall back by 6.1 percent in 2020.

RENTON:
MEDIAN SALES PRICES



RENTON EXPERIENCED A 12.2 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

18

MEDIAN DAYS ON MARKET 2019

FEDERAL WAY

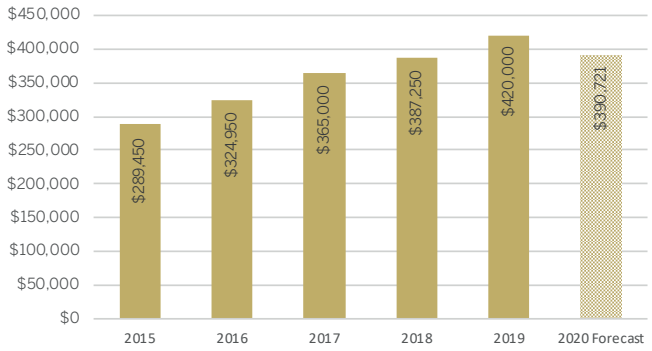
A seven-quarter trend of fewer residential sales year over year ended briefly with a 13.8 percent rebound in 2019 Q2. The relief was short-lived however, as the number of transactions turned lower in 2019 Q4, and the year ended with a 1.9 percent annual decline.

In 2019, the residential and condominium proportions of sales were split at precisely 80 percent to the first and 20 percent to the second, roughly at the center of the long-term trend.

Residential sales in Federal Way were notably faster-moving than other King County communities in 2019. The median residential CDOM did not reach a month in the first quarter, nor did quarterly market times exceed two weeks in the rest of the year. The annual median CDOM in 2019 matched the 10 days seen in 2018.

Residential selling prices in 2019 averaged $448,000 among 69 homes sold at Dash Point, down from $462,000 among 44 homes sold in 2018; $559,000 among 30 homes sold at Redondo, up from $536,000 among 39 homes sold in 2018; $539,000 among 33 homes sold at Marine Hills, down from $569,000 among 34 homes sold in 2018; and $525,000 among 18 homes sold at Adelaide, down from $633,000 among 19 homes sold in 2018.

FEDERAL WAY:
MEDIAN SALES PRICES



Value-seeking commuters drove Federal Way home prices higher in 2019. While prices were falling elsewhere in King County, Federal Way's median residential selling price vaulted higher by 8.5 percent, the sharpest increase seen among the county's larger cities and towns. The price is forecast to fall back by 5.4 percent in 2020.

FEDERAL WAY EXPERIENCED A 1.9 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

BAINBRIDGE ISLAND

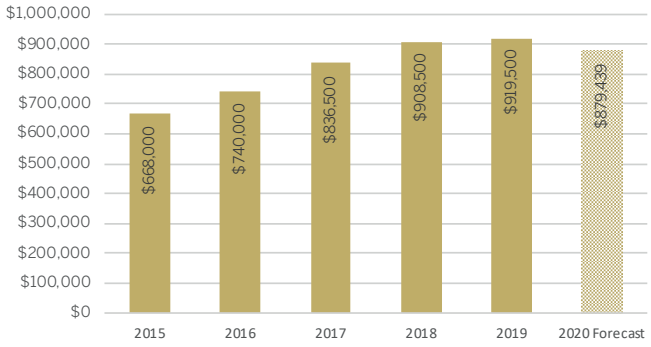
A few sales more or fewer make a big difference in as small a market as Bainbridge Island. A difference of 19 selling transaction made for a 28.8 percent decline in 2019 Q1, followed by irregular selling through the remainder of the year. Island transaction volume in 2019 fell for the fourth year since 2015.

The proportion of condominium unit sales to overall home selling peaked at 22.4 percent in 2017. That proportion in 2019 was 20.5 percent.

While Bainbridge Island is a bedroom community of Seattle, the fickleness of ferry commuting favors buyers with flexible work arrangements, and thereby impacts the residential market. Median quarterly CDOM reached 73 days (only Anacortes was higher), and the 2019 annual median market time exceeded three weeks (at a CDOM of 23 days).

Residential selling prices in 2019 averaged $1.06 million among 22 homes sold at Wing Point, down from $1.08 million among 24 homes sold in 2018; $1.28 million among 14 homes sold at Port Madison, up from $1.1 million among 20 homes sold in 2018; and $990,000 among 49 homes sold at Winslow, up from $838,000 among 27 homes sold there in 2018.

BAINBRIDGE ISLAND:
MEDIAN SALES PRICES



The median residential price on Bainbridge Island rose at a CAGR of 8.2 percent from 2014 through 2019. Prices were roughly unchanged in 2019 (+0.2 percent), but are forecast to decline by 3.9 percent in 2020.

BAINBRIDGE ISLAND EXPERIENCED A 5.5 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

33

MEDIAN DAYS ON MARKET 2019

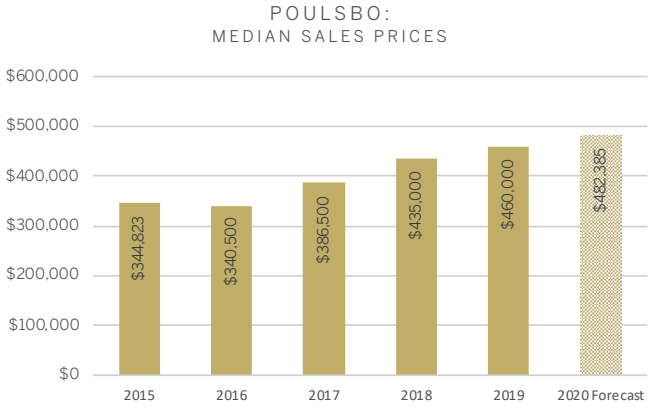
POULSBO

Nine out of the past 12 quarters in Poulsbo have seen fewer residential selling transactions, including the five quarters ending in 2019 Q3. As a result, transaction volume has declined yearly with effect from 2017, and by 8.7 percent in 2019.

With conditions similar to those found at Anacortes, Poulsbo is overwhelmingly a residential market. Although a few more condominium units were sold in 2019, residential homes still comprised 94.5 percent of all homes sold in 2019.

While other areas of the region saw time on market sharply protracted, in Poulsbo, they picked up speed. Quarterly median residential CDOM decreased from 34 days in 2018 Q4 to 25 days in 2019 Q1, and from there to two weeks by Q4. The 2019 annual median CDOM was 11 days.

Poulsbo's home-selling statistics include those of several distinctive small communities between Liberty Bay and Hood Canal. In 2019, residential selling prices among these communities averaged $446,000 among 40 homes sold at Finn Hill, down from $457,000 among 38 homes sold in 2018; $576,000 among 19 homes sold at Lofall, up from $556,000 among 21 homes sold in 2018; and $700,000 among nine homes sold at Scandia, down from $724,000 among seven homes sold there in 2018.



Poulsbo's median residential price advanced at a CAGR of 9.7 percent from 2014 through 2019. The median price rose by 5.7 percent in 2019, and is forecast to add another 4.9 percent in 2020.

POULSBO EXPERIENCED A 8.7 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

Lynnwood
$635,000 SOLD

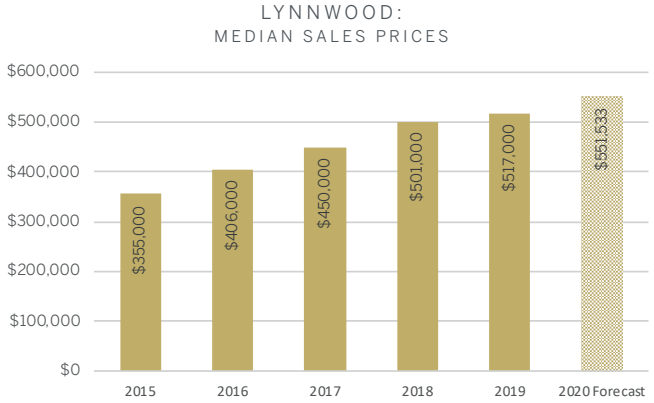
LYNNWOOD

For two years from 2017 Q3 through 2018 Q2, residential selling transactions at Lynnwood held to a narrow seasonal pattern, deviating by only a few percentage points year over year. In the last two quarters of 2019, the numbers of those transactions dropped by double digits, and the year ended with 5.9 percent fewer transactions than seen in 2018.

Lynnwood has emerged as a major condominium market in the region. In 2019, the number of units sold fell by 19.6 percent (to 402 units in 2019, from 500 units in 2018); and their proportion to overall sales declined as well, to 44.1 percent from 48.0 percent.

Lynnwood is well-placed for sales to value-seeking commuters. In 2019, this dynamic sustained local increases in both the median residential selling price, up by 3.2 percent; and the median condominium selling price, which rose by 5.2 percent. Nearby Alderwood Manor sellers benefited to a lesser degree, with a median residential price increase of 0.9 percent. Meanwhile, the residential selling price at Martha Lake declined by 2.6 percent.

In 2020, the median residential price in Lynnwood is forecast to increase by another 6.7 percent, while those in Alderwood Manor and Martha Lake are respectively forecast to fall by 5.5 percent and remain roughly unchanged at 0.3 percent.



[Note: our analysis of 2019 home sales in Lynnwood excludes sales in the Census-designated places of Alderwood Manor and Martha Lake, for which sales are irregularly reported as either Lynnwood or Bothell.]

LYNNWOOD EXPERIENCED A 5.9 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

EDMONDS

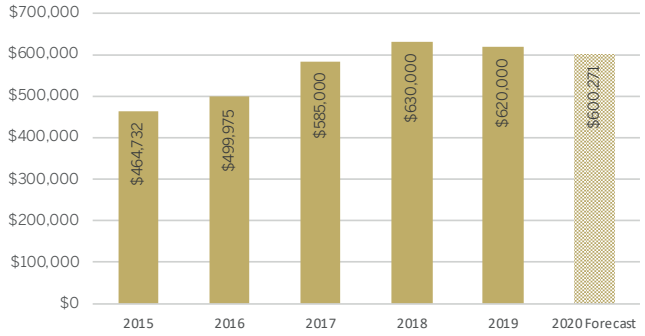
Residential selling transactions in Edmonds fell in 2018 Q4, with fewer sales quarterly until 2019 Q4, when they reversed upwards by 4.8 percent. There were 9.7 percent fewer transactions annually in 2019.

At 305 units sold and 31.8 percent of overall selling transactions in 2019, condominium sales comprised a greater number and proportion of sales at Edmonds than in any of the preceding five years. Like other locations close in to Seattle, this town has enjoyed increasing numbers of purchases by value-seeking commuters.

Quarterly market times in Edmonds never exceeded the durations seen in 2018. Selling a home required a median two weeks on market in 2019.

Residential selling prices averaged $657,000 among 56 homes sold at Meadowdale, down from $745,000 among 71 sold in 2018; and $934,000 among 73 homes sold at Edmonds Bowl, up from $924,000 among 83 sold in 2018. In neighboring Woodway, the average residential price paid was $2.14 million among 18 homes sold, up from $1.31 million among 30 homes sold in 2018.

EDMONDS:
MEDIAN SALES PRICES



The median residential price paid at Edmonds declined by 1.6 percent in 2019, and is forecast to double that increment lower (to -3.2 percent) in 2020.

EDMONDS EXPERIENCED A 9.7 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

20

MEDIAN DAYS ON MARKET 2019

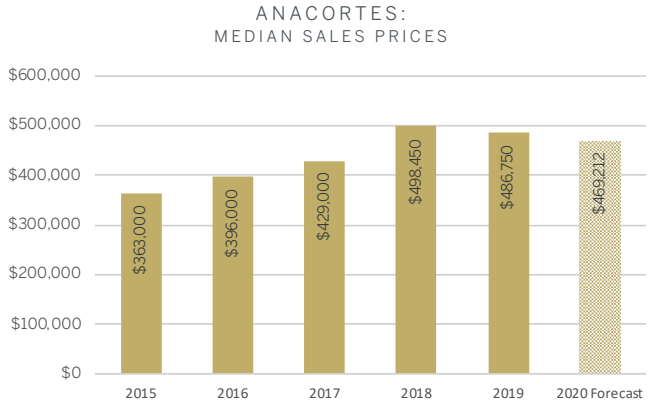
ANACORTES

From 2017 Q2 through 2019 Q1, Anacortes saw a period of generally fewer residential sales year over year. This pattern was corrected in the last three quarters of 2019, leading to 2.9 percent more selling than seen in 2018.

Although progressively more condominium units have sold within each of the past two years, demand from retirees, and pied-à-terre demand from seaside vacationers, is only sufficient to sustain a small condominium market. Residential sales comprise 90 percent of all home sales in Anacortes.

Quarterly residential market times exceeded 40 days only twice from 2015 through 2018 (55 days in 2016 Q1, 41 days in 2018 Q4). Then in 2019 Q1, closings slowed to a median CDOM of 95 days, the slowest among any of the areas and towns that RSIR tracks. By the year end, the annual median CDOM at Anacortes was 29 days.

Average residential prices paid were $542,000 among 57 homes sold at Skyline, up from $522,000 among 41 homes sold in 2018; $464,000 among 21 homes sold at Old Town, down sharply from $643,000 among 16 homes sold in 2018; $822,000 among eight homes sold at Del Mar, up from $648,000 among seven homes sold in 2018; and $1.16 million among eight homes sold at San Juan Passage, up from $892,000 among five homes sold in 2018.



The median residential price at Anacortes advanced at a CAGR of 6.7 percent from 2014 through 2019. The median price declined by 2.3 percent in 2019, and a further decline of 3.6 percent is forecast for 2020.

ANACORTES EXPERIENCED A 2.9 PERCENT INCREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

EVERETT

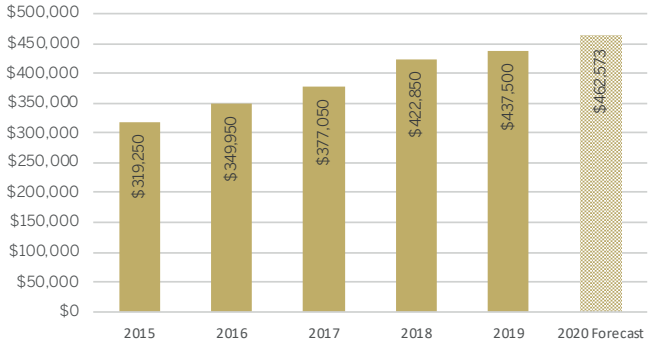
At Everett, the quarterly number of residential selling transactions continuously declined from 2018 Q3 through 2019 Q4. The latter year ended with a year-over-year decline of 7.1 percent. As home sales generally slid, the proportion of condominium to overall home sales (26.4 percent in 2019) remained within the historical range of 25 to 28 percent, even though the actual number of condo units sold fell by 9.2 percent.

Quarterly median residential market times at Everett ranged from one to three weeks, with a median 10 CDOM for the entire year.

In 2019, the average selling price among the 47 residential homes sold in Historic North Everett was $469,000, up slightly from $467,000 among 44 homes sold in 2018; among the 92 sold at Silver Firs, it was $500,000, down from $500,000 among 94 sold in 2018; and among the 19 sold in Boulevard Bluffs, the average price was $700,000, up from $662,000 among 20 homes sold in 2018.

Selling prices by bedroom count in Everett continued their established pattern of rising relative to those of similar homes in Lake Stevens, as the larger city benefited from Seattle commuters "driving to affordability." Compared with homes in Lake Stevens, prices of three-, four-, and five-bedroom homes in Everett were sold at premiums of 3.9 percent, 5.3 percent, and 13 percent, respectively.

EVERETT:
MEDIAN SALES PRICES



Driven by the aforementioned demand, the median residential price at Everett rose by 3.5 percent in 2019, and is forecast to increase by another 5.7 percent in 2020.

EVERETT EXPERIENCED A 7.1 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

CAMANO ISLAND

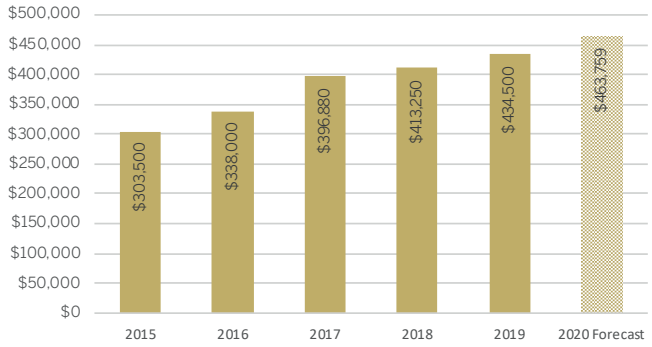
The last substantial increase in residential transaction volume on Camano Island was the 18.8 percent run-up in 2015. Transactions have declined since 2017: 8.6 percent fewer in 2018, and 2.7 percent fewer in 2019.

Camano Island is comparatively remote, and draws substantial numbers of retirees and second-home buyers. Yet unlike at Anacortes and Poulsbo, the seasonal pattern of market times here has not been as affected by market fluctuations of the past three years. First- and fourth-quarter median CDOM have remained between the mid-60s and low-to-mid-40s since 2015.

Camano Island comprises the Census-designated place (CDP) of Camano, as well as the numerous small, unincorporated communities along its shoreline. Among these communities, residential prices paid in 2019 averaged $552,000 among 17 homes sold at Elger Bay, up from $489,000 among 13 homes sold in 2018; $603,000 among six homes sold at Finisterre, up from $556,000 among eight homes sold in 2018; $570,000 among 11 homes in Cavalero, down from $656,000 among 12 homes sold in 2018; and $608,000 among 16 homes sold in Utsalady, down from $698,000 among 18 homes sold in 2018.

The median residential selling price on Camano Island advanced at a CAGR of 10 percent from 2014 through 2019. The median price rose by 5.1 percent in 2019, and is forecast to advance by 6.7 percent in 2020.

CAMANO ISLAND:
MEDIAN SALES PRICES



CAMANO ISLAND EXPERIENCED A 2.7 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

34

MEDIAN DAYS ON MARKET 2019

GIG HARBOR/ FOX ISLAND

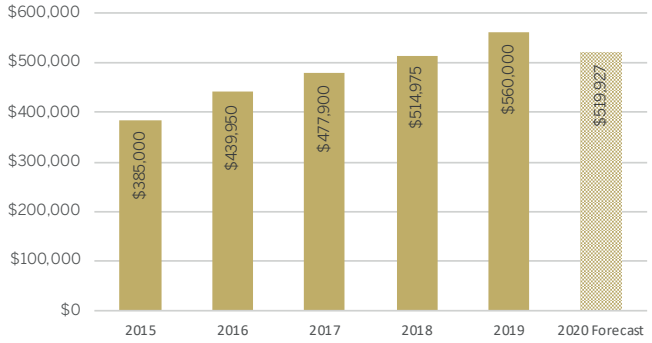
Throughout 2019, Gig Harbor/Fox Island residential selling transactions followed the negative course taken in mid-2018. The number of homes sold fell by more than 20 percent in each of 2018 Q4, 2019 Q2, and 2019 Q2. Sales were down by 16.3 percent year over year by the end of 2019.

The number of condominium sales in this area retreated from the 14-year high set in 2018, but remain within their historical proportions at 5.9 percent of overall sales. Residential transactions typically comprise 93 to 96 percent of sales.

First-quarter residential market times at or above two months have not been uncommon in Gig Harbor and Fox Island. Notably however, quarterly median CDOM in all other quarters declined year over year in both 2018 and 2019. The annual median CDOM was 25 days in 2019.

Residential selling prices in 2019 averaged $780,000 among 56 homes sold on Fox Island, down from $792,000 among 80 homes sold in 2018; $906,000 among 37 homes sold at Canterwood, up from $809,000 among 61 homes sold in 2018; and $1.28 million among five homes sold at Horsehead Bay, up from $1.03 million among eight homes sold in 2018.

GIG HARBOR/FOX ISLAND:
MEDIAN SALES PRICES



At 9.9 percent to 6.7 percent, the CAGR of Gig Harbor's median residential selling price has outpaced that of Anacortes over the past six years. The median residential price fell by 2.3 percent at Anacortes in 2019, while rising by 8.7 percent at Gig Harbor and Fox Island. In 2020, prices at the latter are forecast to retrace by 7.2 percent.

GIG HARBOR/FOX ISLAND EXPERIENCED A 16.3 PERCENT DECREASE IN THE NUMBER OF RESIDENTIAL SALES FROM 2018-2019

ADDITIONAL COMMUNITIES **AROUND THE SOUND**

BONNEY LAKE

Quarterly residential selling transactions at Bonney Lake generally remained flat or trended higher, but 7.5 percent fewer homes were sold in 2019 Q4.

Nevertheless, annual selling rose by 2.1 percent, and Bonney Lake is the only community that did not see at least one decline in yearly transactions from 2015 through 2019.

Seasonal market times in Bonney Lake remained close to the norm in 2019, with the annual median residential CDOM drifting to 17 days.

Residential prices paid averaged $555,000 among 45 homes sold at Sky Island; $516,000 among 310 homes sold at Tehaleh; and $546,000 among 17 homes sold on Inlet Island.

The median residential price at Bonney Lake increased at a six-year CAGR of 10.1 percent, and rose by 2.4 percent in 2019. It is forecast to reset lower by 6.1 percent in 2020.


Snohomish
$679,950 SOLD


Bonney Lake
$500,000 SOLD

SNOHOMISH

In the area comprising not only the city of Snohomish, but neighborhoods along SR 9 south to Cathcart, 2019 ended with 10.8 percent more home sales than 2018, when they had fallen by 20.6 percent. Home sales in Snohomish still remain 12.1 percent below their 2017 peak.

Snohomish sees a variable number of condominium sales each year, but these have not exceeded 10 percent of all home sales in the city. In 2019, residential sales exceeded 92 percent of the total.

The median residential market time in Snohomish slowed to nearly two months in 2019 Q1, but was down to a median CDOM of ten days by the second quarter. The annual median CDOM in 2019 was 22 days.

The median residential selling price at Snohomish increased at a CAGR of 9.3 percent from 2014 through 2019. Prices increased by 3.4 percent in 2019, and a further gain of 6.1 percent is forecast in 2020.

LAKE STEVENS

The pattern of fewer residential sales at Lake Stevens seen in 2017 and 2018 began to be corrected in 2019, with double-digit quarterly increases from Q2 through Q4. Selling increased by 13.5 percent from those of 2018.

At 11.4 percent of overall sales, condominium unit sales in 2019 comprised a lesser proportion of sales than they have since 2014. The median residential CDOM at Lake Stevens continued to maintain a seasonal pattern, despite peak market times of nearly five weeks in 2019 Q1.

As have other communities in Snohomish County, Lake Stevens has benefited from sales to value-seeking commuters "driving to affordability." From 2014 through 2019, the median residential selling price at Lake Stevens rose at a CAGR of 10.1 percent. The price rose by 7.1 percent in 2019, and is forecast to increase by another 5.4 percent in 2020.


Lake Stevens
$557,000 SOLD

MAPLE VALLEY

In 2019 Q2, double-digit increases in residential selling transactions at Maple Valley followed four quarters of fewer home sales. For the year, selling transaction volume rose by a modest 1.8 percent.

Residential market times reached five weeks in 2018 Q4 and remained there until accelerating to eight days in 2019 Q2. The annual median CDOM in 2019 was 13 days.

Residential selling prices averaged $554,000 among 16 homes at Cedar Downs; $544,000 among 43 homes at Lake Wilderness; and $614,000 among 74 homes at Four Corners.

The median residential selling price at Maple Valley advanced at a CAGR of 7.4 percent from 2014 through 2019. The 2020 price is forecast 3.9 percent lower.


Maple Valley
$1,595,000 SOLD

MONROE

Residential selling transactions progressively escalated in 2019, rising year over year by 7.1 percent in Q1, 25.6 percent in Q2, 39.7 percent in Q3, and a whopping 63.5 percent in Q4.

Residential time on market clocked in at four weeks in 2019 Q4 and a median 20 CDOM for the year.

Area residential median selling prices in 2019 averaged $535,000 among 292 homes in the town of Monroe, nearly unchanged from the $538,000 among 175 homes sold in 2018.

Monroe's median residential price increased at a CAGR of 11.4 percent from 2014 through 2019, rising by 5.1 percent in 2019; and the price is forecast increase by another 6.7 percent in 2020.

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Challenges in reporting these trends and events arise when clients, customers, and other readers view the same trends and events in a different light than we do. We operate under the following assumptions: buyers seek to preserve the value of their future investments, while sellers seek to maximize their returns on those investments. Brokers aim to optimize results for both. It seems simple enough, but there will be readers who are not buyers, sellers, or brokers. Even among these categories of readers, there will be some who for compelling reasons will think differently of outcomes that from a market value perspective appear favorable or unfavorable. While we endeavor to be sensitive to these differences of opinion, market value remains our principal concern.

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