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WINDERMERE REAL ESTATE

THE  
GARDNER  
REPORT

SECOND QUARTER 2011, VOLUME XIV

Windermere Real Estate is proud to partner with Gardner Economics to provide this analysis and commentary on the Western Washington real estate market. This report is designed to support Windermere owners and brokers as they educate buyers and sellers about the realities of the housing market. Numbers alone do not always give an accurate picture of local economic conditions; therefore our goal is to provide insight into what the statistics mean and how they impact the Western Washington housing economy. We hope that you will use this information judiciously as you counsel your clients and provide them with everything they need to make an informed real estate decision.



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## MACRO & REGIONAL ECONOMICS

From an employment perspective, the Western Washington region continues to grow with employment levels a little over 34,000 higher than they were a year ago, and almost 59,000 more than were reported at the end of the first quarter of this year. On the surface, this appears to be great news; however, there are still some cautionary notes that are worth commenting on.

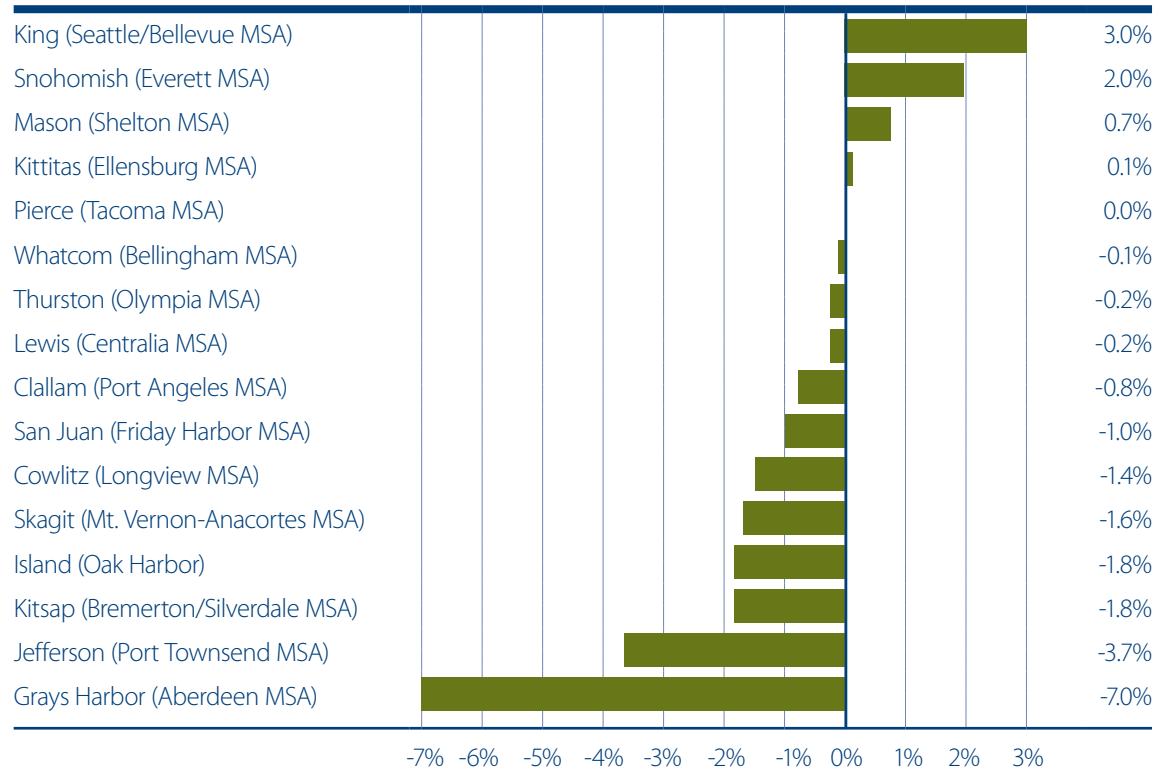
The growth in our market appears to be divided, with a vast majority of growth coming in the Central Puget Sound Region and very modest growth, and some job losses, in more rural areas. For example, King County gained 34,500 jobs in the last 12-months, while Grays Harbor County lost 1,600 jobs. In the region, just four counties gained in employment as opposed to seven at the end of the first quarter. I will be watching this pattern closely to see if it continues for the rest of the year.

With this concentration of growth, it is not surprising to see that unemployment rates across our region did not exhibit the same improvements that were seen last quarter. In addition to meager job gains in many counties, this is also a function of more people starting to actively look for work. Just four counties saw improving unemployment rates during the second quarter. This was led by Snohomish County, whose rate dropped from 10.5 percent to 10.1 percent. Additional improvements were seen in Cowlitz, Kittitas and King Counties.

The employment picture worsened in 11 counties. The highest unemployment was found in Grays Harbor and Lewis Counties, where the rate exceeded 13 percent.

Overall, I would give our employment situation a grade of "C" based on localized improvements. That said, losses in the government sector are expected to continue and this will weigh on our overall situation. We appear to still be faring a little better than the U.S. as a whole, and I believe that this is also a pattern that will continue.

## PERCENT CHANGE IN ANNUAL EMPLOYMENT



## NON AGRICULTURE EMPLOYMENT SITUATION: JUNE 2010–JUNE 2011

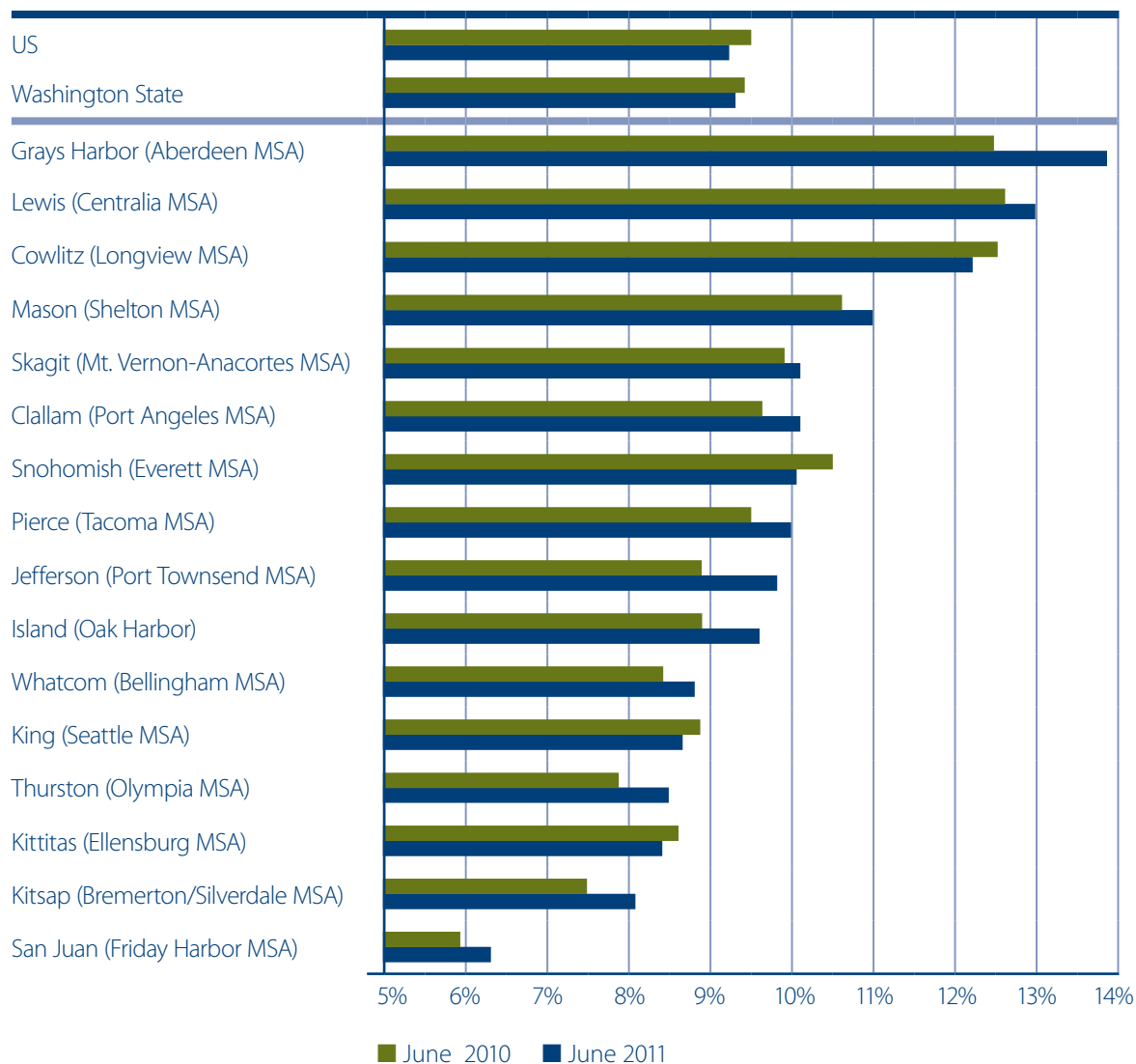
County	Growth	Growth Rate	County	Growth	Growth Rate
Clallam (Port Angeles MSA)	-180	-0.8%	Lewis (Centralia MSA)	-50	-0.2%
Cowlitz (Longview MSA)	-500	-1.4%	Mason (Shelton MSA)	90	0.7%
Grays Harbor (Aberdeen MSA)	-1,600	-7.0%	Pierce (Tacoma MSA)	100	0.0%
Island (Oak Harbor)	-280	-1.8%	San Juan (Friday Harbor MSA)	-60	-1.0%
Jefferson (Port Townsend MSA)	-320	-3.7%	Skagit (Anacortes MSA)	-700	-1.6%
King (Seattle/Bellevue MSA)	34,500	3.0%	Snohomish (Everett MSA)	4,900	2.0%
Kitsap (Bremerton/Silverdale MSA)	-1,500	-1.8%	Thurston (Olympia MSA)	-200	-0.2%
Kittitas (Ellensburg MSA)	20	0.1%	Whatcom (Bellingham MSA)	-100	-0.1%

*Not Seasonally Adjusted*

## UNEMPLOYMENT RATE COMPARISON

Metropolitan Area	Employment	Unemployment Rate
Clallam (Port Angeles MSA)	22,610	10.2%
Cowlitz (Longview MSA)	35,300	12.2%
Grays Harbor (Aberdeen MSA)	21,290	13.8%
Island (Oak Harbor)	15,390	9.6%
Jefferson (Port Townsend MSA)	8,270	9.8%
King (Seattle MSA)	1,175,200	8.7%
Kitsap (Bremerton/Silverdale MSA)	81,800	8.1%
Kittitas (Ellensburg MSA)	15,520	8.4%
Lewis (Centralia MSA)	23,100	13.0%
Mason (Shelton MSA)	13,290	11.0%
Pierce (Tacoma MSA)	266,900	10.0%
San Juan (Friday Harbor MSA)	5,720	6.4%
Skagit (Mt. Vernon-Anacortes MSA)	43,900	10.2%
Snohomish (Everett MSA)	248,800	10.1%
Thurston (Olympia MSA)	98,100	8.5%
Whatcom (Bellingham MSA)	79,600	8.8%

## UNEMPLOYMENT RATE COMPARISON

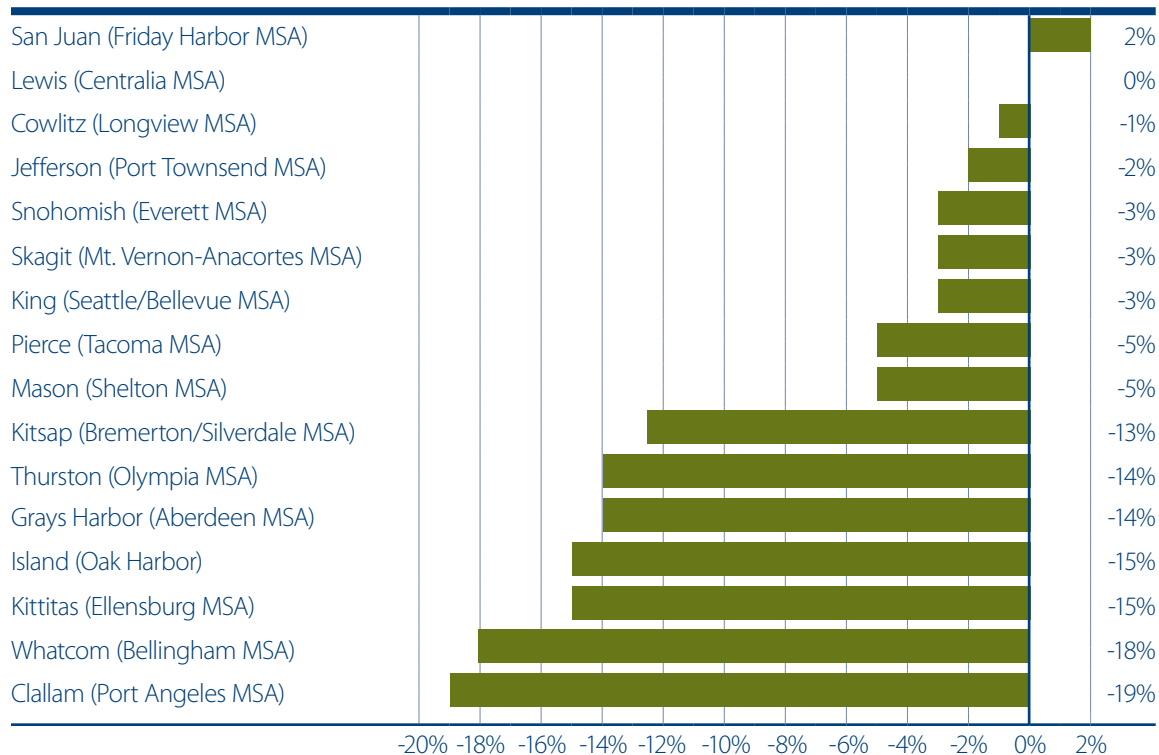


## REGIONAL REAL ESTATE

Overall, Western Washington home sales through the second quarter of this year were down by 5.6 percent over the same period in 2010. As I stated in our last report, this is interesting, as we are still comparing this year to the tax-incentivized market of last spring so it would be reasonable to expect that the drop would be larger. When we look at the data in a similar fashion to the employment report, we appear to be in a world of “have’s” and “have not’s”.

Almost half of the counties surveyed saw double-digit declines from the same period a year ago and the balance saw declines of less than five percent. San Juan County was the only one that saw an increase in sales.

## PERCENT CHANGE IN YTD CLOSED SALES



## CLOSED SALES ACTIVITY EXISTING SINGLE-FAMILY HOME & CONDO

County	YTD Jun 10	YTD Jun 11	County	YTD Jun 10	YTD Jun 11
Clallam (Port Angeles MSA)	172	139	Lewis (Centralia MSA)	268	267
Cowlitz (Longview MSA)	371	368	Mason (Shelton MSA)	280	266
Grays Harbor (Aberdeen MSA)	341	293	Pierce (Tacoma MSA)	3,635	3,467
Island (Oak Harbor)	392	333	San Juan (Friday Harbor MSA)	53	54
Jefferson (Port Townsend MSA)	127	125	Skagit (Anacortes MSA)	493	478
King (Seattle/Bellevue MSA)	9,602	9,279	Snohomish (Everett MSA)	3,306	3,218
Kitsap (Bremerton/Silverdale MSA)	1,195	1,045	Thurston (Olympia MSA)	1,068	922
Kittitas (Ellensburg MSA)	190	161	Whatcom (Bellingham MSA)	995	818

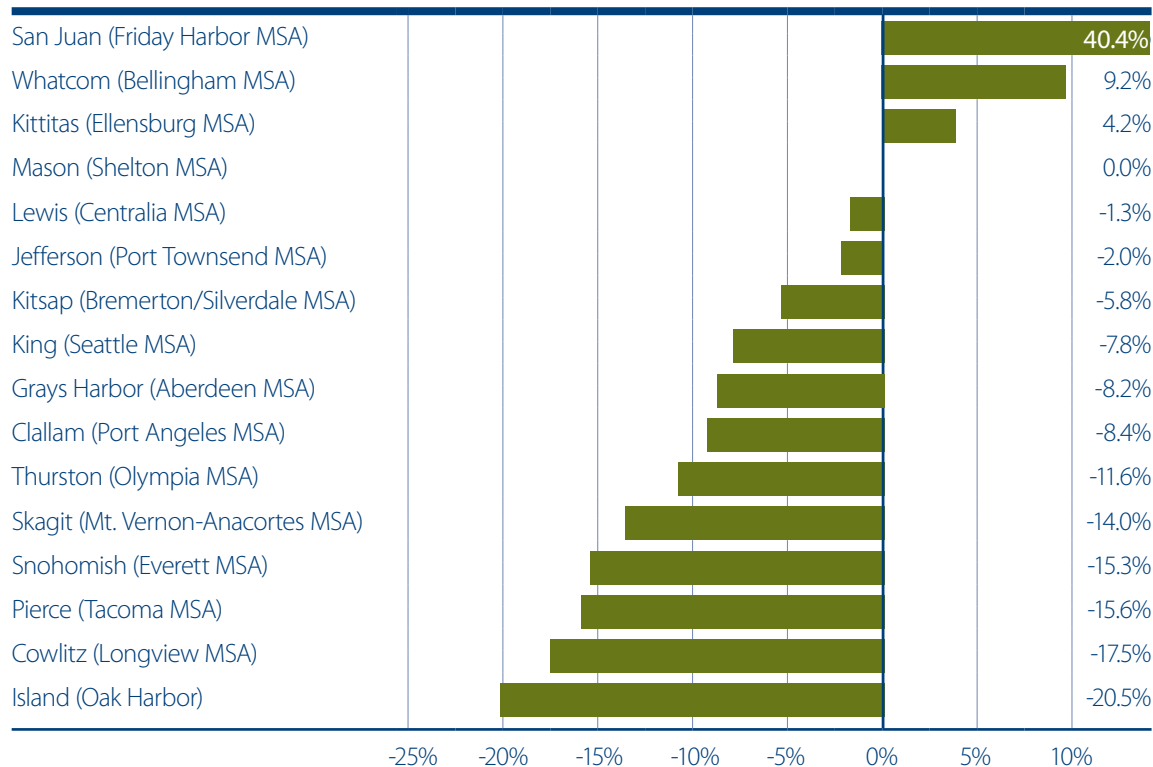
## REGIONAL REAL ESTATE

House price growth was found in Kittitas, Whatcom and San Juan Counties but, overall, we saw a decline in price of 3.9 percent over June of 2011. When we exclude the volatile San Juan County, where prices have increased by 40 percent from a year ago, price declines are measured at 8.2 percent.

Prices saw the greatest declines in Island (-20.5%), followed by Cowlitz (-17.5%), Pierce (-15.6%) and Snohomish (-15.3%) Counties.

What I am pleased to see, however, is improvement in values over the first quarter of this year. In all, 11 of the 16 counties surveyed saw prices improve. To give this some context, only three counties exhibited quarterly price growth in the first three months of this year.

## HOME PRICE GROWTH RATE



## SALES PRICE SINGLE-FAMILY & CONDO: JUNE 2010–JUNE 2011

County	Growth Rate	Net Growth (\$000's)	County	Growth Rate	Net Growth (\$000's)
Clallam (Port Angeles MSA)	-8.4%	-20.0	Lewis (Centralia MSA)	-1.3%	-2.0
Cowlitz (Longview MSA)	-17.5%	-31.0	Mason (Shelton MSA)	0.0%	0.0
Grays Harbor (Aberdeen MSA)	-8.2%	-11.0	Pierce (Tacoma MSA)	-15.6%	-38.0
Island (Oak Harbor)	-20.5%	-66.0	San Juan (Friday Harbor MSA)	40.4%	145.0
Jefferson (Port Townsend MSA)	-2.0%	-5.0	Skagit (Anacortes MSA)	-14.0%	-38.0
King (Seattle/Bellevue MSA)	-7.8%	-35.0	Snohomish (Everett MSA)	-15.3%	-44.0
Kitsap (Bremerton/Silverdale MSA)	-5.8%	-17.0	Thurston (Olympia MSA)	-11.6%	-29.0
Kittitas (Ellensburg MSA)	4.2%	9.0	Whatcom (Bellingham MSA)	9.2%	24.0

Average \$\$s

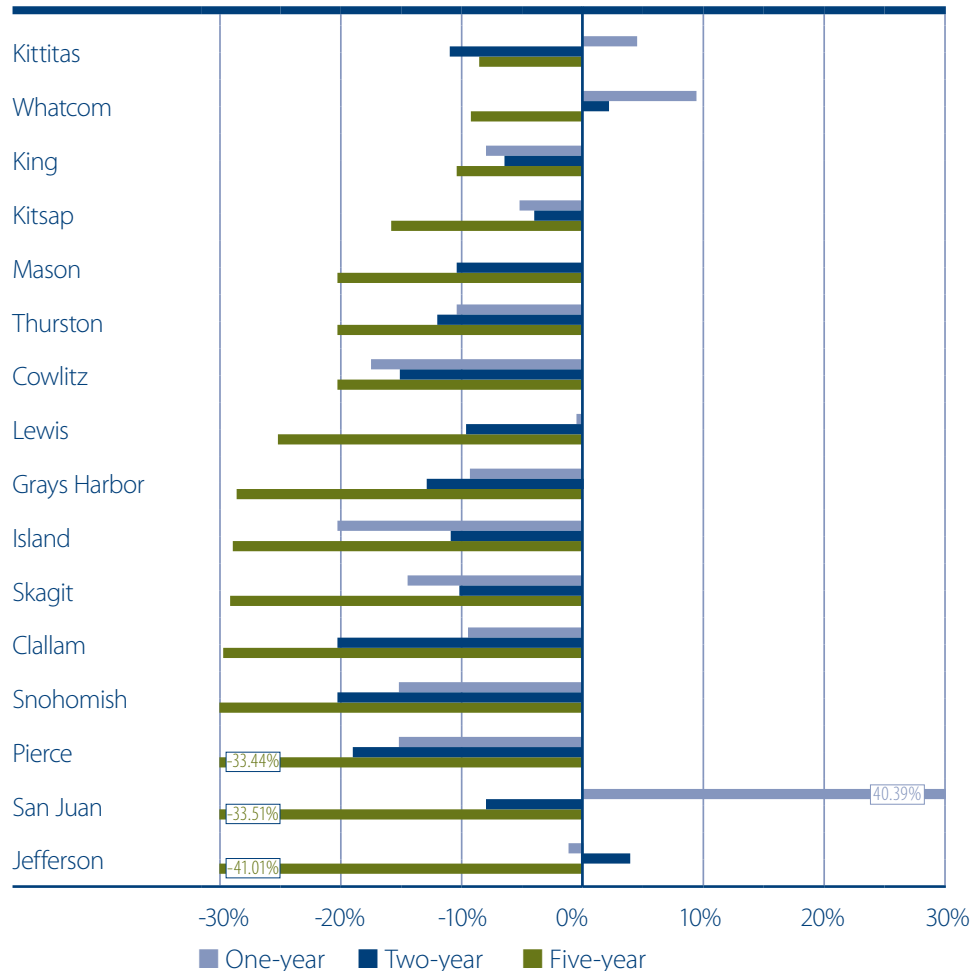
# REGIONAL REAL ESTATE

## RELATIVE EXISTING SINGLE-FAMILY HOME PRICE TRENDS

Metropolitan Area	Median Price	Home Price Escalation			
		Quarter	1 Year*	2 Year*	5 Year*
Clallam	\$217,000	0.9%	-8.4%	-20.2%	-29.5%
Cowlitz	\$146,000	8.1%	-17.5%	-15.1%	-20.7%
Grays Harbor	\$123,000	-8.2%	-8.2%	-12.8%	-27.2%
Island	\$256,000	6.2%	-20.5%	-11.7%	-27.9%
Jefferson	\$246,000	13.9%	-2.0%	3.8%	-41.0%
King	\$411,000	8.2%	-7.8%	-6.6%	-10.3%
Kitsap	\$276,000	1.5%	-5.8%	-3.8%	-16.6%
Kittitas	\$224,000	9.3%	4.2%	-11.8%	-8.6%
Lewis	\$149,000	7.2%	-1.3%	-9.7%	-25.5%
Mason	\$176,000	2.9%	0.0%	-11.6%	-20.4%
Pierce	\$205,000	-4.2%	-15.6%	-18.3%	-33.4%
San Juan	\$504,000	-20.5%	40.4%	-7.7%	-33.5%
Skagit	\$233,000	-6.0%	-14.0%	-10.4%	-28.7%
Snohomish	\$243,000	-2.0%	-15.3%	-21.9%	-30.0%
Thurston	\$220,000	6.8%	-11.6%	-12.4%	-20.6%
Whatcom	\$286,000	12.6%	9.2%	2.5%	-9.2%

\* Year over year from most recent month surveyed

## MEDIAN HOME PRICE ESCALATION RATE



## CONCLUSIONS

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We are seeing employment growth in Washington State, but, as predicted in last quarter's report, improvements are not equal across the region. While it is not surprising to see growth from the center out, it is becoming clear that employment growth is divided with some substantial growth, particularly in King County, but job losses in three-quarters of the counties surveyed.

Overall, the economy appears to have stabilized, but employment growth at rates that were seen before the recession are still off as we continue to be held back by declines in government sector employment.

Most housing markets in Western Washington appear to be slowly improving and, fundamentally, values appear to be stabilizing. We are not out of the woods yet though, as financing remains very tight, causing a larger-than-normal number of home sales to fall through.

Inventory levels, which did not show the traditional spring-time bounce, are now increasing and that is providing buyers with more choice. Pending home sales are also up which bodes well, subject of course to my earlier comments. Home values are slowly rising and, as long as interest rates remain competitive, I anticipate that this trend will continue through the duration of 2011.

## ABOUT MATTHEW GARDNER

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Mr. Gardner is a land use economist and principal with Gardner Economics and is considered by many to be one of the foremost real estate analysts in the Pacific Northwest.

In addition to managing his consulting practice, Mr. Gardner is a member of the Pacific Real Estate Institute; chairs the Board of Trustees for the Washington State Center for Real Estate Research; the Urban Land Institutes Technical Assistance Panel; and represents the Master Builders Association as an in-house economist.

He has appeared on CNN, NBC and NPR news services to discuss real estate issues, and is regularly cited in the *Wall Street Journal* and all local media. Mr. Gardner is also available for speaking engagements. Please call 206.442.9200 or email [ge.admin@gardnereconomics.com](mailto:ge.admin@gardnereconomics.com) for more information.

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