

J. Lennox Scott: Seattle-area housing market cools off after a historic spring and summer  
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There are changes abounding this fall, and it's not just the color of the leaves.

In the fall and winter, the real estate industry tends to cool down as the large number of new listings in spring and summer months start to slow.

We are seeing fewer offers on each new listing, resulting in prices adjusting lower from the premium pricing present in spring. Many buyers now have a greater selection of available homes to choose from.

When they select a home, they can sometimes avoid a multiple-offer situation where they may have to waive inspections, finance or home sale contingencies. For sellers, premium pricing has been reduced from the spring.

In the spring of 2018, we had the highest sales activity intensity of new listings selling in the first 30 days that we have experienced in the last 10 years. We entered 2018 with a severe shortage of unsold inventory, low numbers of new listings in January and February, extremely strong job growth and the extra backlog of buyers after the holidays. Adding to this, we had a mini surge of buyer demand due to rising interest rates.

A combination of these factors created a historic, multiple-offer, frenzy market which spiked home prices even higher, with premium pricing. During this time, those in the real estate industry and consumers at large felt the crunch. It became an instant-response market, and some buyers left the market frustrated without purchasing a home.

Typically, housing sales activity intensity slows down June through December, and we'll usually see the number new listings that sell in the first 30 days decrease by about 20 percent when summer rolls around.

But this year, we saw an additional adjustment from the extreme frenzy market that we experienced over the historic two-year period back down to a strong-surge market.

Approximately 50 percent of listings are now going pending in the first 30 days in the more affordable and mid-price ranges. This adjustment was triggered by several factors, including the all-time high number of new resale listings in May 2018 and the threat of the Seattle City Council's head tax. Additionally, housing affordability took a 20 percent hit from last year, caused by both home price appreciation and higher interest rates.

While we are adjusting down from an extreme frenzy market to a strong-surge market, it's important to keep in mind that we are still above what would be considered a healthy market, characterized by 30-plus percent of homes selling in the first 30 days. Currently, the number of monthly new listings is normal, but new monthly pending sales are lower than they were this time last year.

Although we still have strong sales activity, the intensity of homes selling in the first 30 days is lower than spring's historic market. For the luxury market close to job centers, there will be healthy/strong sales activity up to the \$2 million price point. Otherwise, we'll see selective buyer activity for each luxury home.

Looking forward, the residential housing market conditions in the Puget Sound area remain positive. Job growth in the region is extremely strong, and home mortgage rates have settled to the upper 4 percent range.

In 2019, I am anticipating things will pick up again to a strong-surge market with frenzy characteristics at times in the more affordable and mid-price ranges.

Approximately 75 percent of sales activity takes place in these price ranges, which will continue to see positive price appreciation.

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