



North Puget Sound Association of REALTORS®

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## 2020 Q2 Market Update – Island County

*Jim Neilon, owner of RE/MAX Acorn Properties, Oak Harbor, WA*

*Scott Friedl, broker with Keller Williams Western Realty, Mount Vernon, WA*

*Dean Hayes, senior loan officer with Bay Equity Home Loans, Burlington, WA*

When the stay at home proclamation was issued in March 2020, many were unsure how that would impact the real estate market moving forward. Would potential home buyers continue to want to buy? Would owners still want to sell?

Within two months, the answer became very clear – the housing market is as robust as ever and it continues to move forward. Most sellers are still getting top dollar for their home, and home buyers continue to benefit from low interest rates.

Going into 2020, the housing market around Skagit County and Whidbey Island was particularly strong. According to the North Puget Sound Association of Realtors®, low interest rates were fueling buyers' ability to purchase homes, and the scant supply of inventory was continuing to push home prices up. Once Coronavirus (COVID-19) hit the area, a good percentage of sellers pulled their home off the market in fear of contracting the disease as buyers tour their homes.

In the meantime, some would-be-buyers decided to hold off on purchasing their home for fear of losing their jobs, or due to the fact that they actually did get laid off or furloughed. But when you combine a drop in supply along with a drop in demand, the result is that we still maintained a strong seller's market. Now that many people are back to work and most are observing safety protocols, more buyers are returning to the market, and more sellers are re-listing their homes for sale.

Many wonder if home prices will drop like they did during the great recession of 2008-2010. However, that recession was fueled by a poor functioning home lending environment, which is why it was the only time since 1973 when home prices fell during a recession. Even through the recession of 2020, home prices continued to increase. This is due to the strong fundamentals of supply and demand in the housing market. Of course, low interest rates do not hurt, either. Dean Hayes, Senior Loan Officer with Bay Equity Home Loans in Burlington says these are the lowest mortgage rates on record. "If you go back as far as anyone can remember, no other point in time has seen interest rates as low as today," says Hayes.

Home prices continue to be a struggle for first-time home buyers and those seeking affordable housing. Local members of the North Puget Sound Association of Realtors® share their personal stories about what they are experiencing.

Scott Friedl, a broker with Keller Williams Western Realty in Mount Vernon says that the new affordable home in Skagit County now starts at \$300,000. "I recently listed a small house for \$329,000, and there were multiple offers pushing it up to \$352,000," says Friedl.

Whidbey Island is experiencing similar challenges, even if a slightly different market. Jim Neilon, owner of RE/MAX Acorn Properties in Oak Harbor shares that the shortage of rental properties continues to push people to buying a home instead of renting. He says, "Low inventory in the rental market is pushing up rents so much that

home buyers are finding their payments can be less than a rent payment, and that's being fueled by the low interest rates."

Even so, some still think a housing bubble is on the horizon. Friedl states, "There are still some people out there who are thinking this will blow up on us; but more are looking at the low interest rates and believing they're missing out." Because the slowdown that occurred in March, April and May was due to an illness and not an economic driven event, the recovery window can be identified in the not-so-distant future, so many people are looking forward to the other side of the pandemic. Neilon adds, "The government's help on forbearance and protections on evictions are going to help prevent a housing crisis like we had in 2008."

The Washington Realtors® has responded to Covid with safety protocols to help ensure the safety of all parties. Realtors® can now tour a home with three people at a time – the Realtor® and a couple for instance. Face masks are required, and certain real estate firms are requiring paperwork to be filled out prior to entering a home. Open houses are allowed on Whidbey Island because it is in Phase 3; however, Skagit County is still in Phase 2, so open houses are not allowed. In all instances, virtual tours are being looked at now more than ever.

Even lenders and escrow companies have adjusted. Most paperwork can be submitted and signed electronically, and if you must visit, you can do so by appointment only: knock on the door to be let in, sign in at the front desk, and you're invited to a separate area that has been thoroughly cleaned before your arrival.

Even the type of home that is now in demand has changed. As more people are able to work from home, many are looking for "Zoom rooms" – an area to setup a video broadcast with a pleasant looking background – which could be an office or an extra bedroom. Also, high-speed broadband is a must, and a home's remote location is no longer frowned upon as privacy becomes more desirable. When a listing meets all of these criteria, it has led to multiple offers.

Homebuyers from more urban areas have found they can live in Skagit County or Whidbey Island for a fraction of the price, or they can buy more square footage than they could afford elsewhere. "There's no reason to live in Seattle when I can live up here and have a mansion for the same price," says Friedl.

While the national housing market continues to see a shift from urban to more rural areas, the overall market remains strong everywhere. "The sales recovery is strong, as buyers were eager to purchase homes and properties that they had been eyeing during the shutdown," said Lawrence Yun, National Association of Realtors® chief economist. "This revitalization looks to be sustainable for many months ahead as long as mortgage rates remain low and job gains continue."

Within most of Washington State, four to six months of supply of housing inventory is considered a balanced market. In 2019, there was just under two months of inventory. Today, Skagit County is seeing 1.6 months of inventory while Island County is experiencing 1.5 months of inventory.

To get an idea on how today's market compares to just a year ago, at the end of June 2020, there were only 185 homes for sale in Island County, compared to the end of June 2019 when there were 358 homes for sale. For new homes coming onto the market in Island County, in June 2020, there were 157 new residential homes being listed for sale compared to 197 during the same time last year.

The average price of homes in Island County is \$524,739 in 2020 compared to \$498,721 in 2019.

While some buyers and sellers have exited the market, low inventory and low interest rates continues to fuel demand for housing pushing home prices up, and projections show this scenario should play out for the foreseeable future.