

Q2 2023

Eastern Washington

# GARDNER

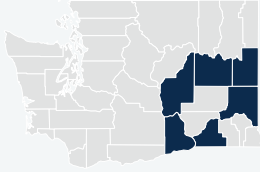
## REPORT

This analysis of the Eastern Washington real estate market is provided by Windermere Real Estate Chief Economist Matthew Gardner to help you make informed real estate decisions.

  
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Q2 2023 Eastern Washington

## ECONOMIC OVERVIEW

Year over year, total employment in Eastern Washington rose by 11,368 jobs, with most markets seeing decent gains. On a percentage basis, the fastest growing market was Lincoln County, where employment rose 4.2%. This was followed by Benton (+3.9%) and Spokane (+2.8%) counties. Franklin and Grant counties had modest job gains, while 185 jobs were lost in Whitman County. In total, the region's employment base rose 2.4% from the second quarter in 2022.

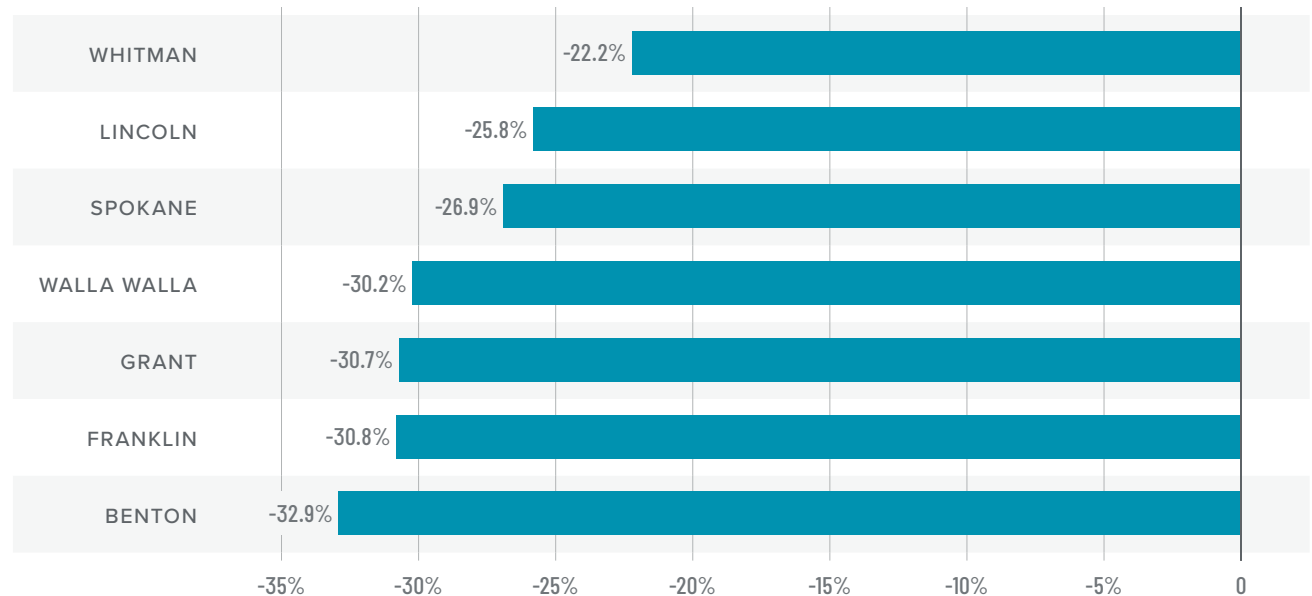
Unadjusted for seasonality, the regional unemployment rate was 3.2%, down from 4.5% during the second quarter of 2022. The seasonally adjusted jobless rate was 3.4%, down from 4.8% during the same period in 2022.

## Home Sales



- In the second quarter of 2023, 2,531 homes sold. This was 28.6% lower than in the second quarter of 2022, but 44.3% higher compared to the first quarter of 2023.
- It is likely that the rise in sales can be attributed to the 41.9% increase in the number of homes for sale in the quarter.
- Year over year, sales fell across the region, but they were up in every county covered by this report compared to the first quarter.
- Pending sales also rose by 31.4%, which suggests that the increase in the number of sales in the second quarter could carry over into the second half of the year.

Annual Change in Home Sales by County / Q2 2022 to Q2 2023

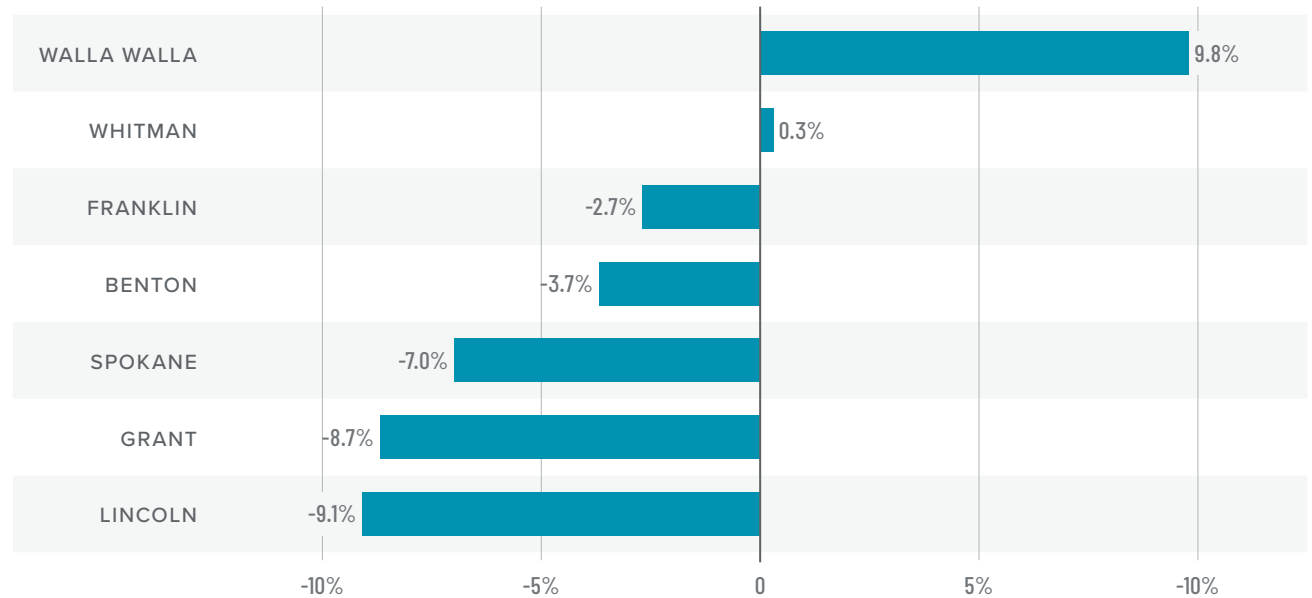


# Home Prices



- Year over year, the average home price in Eastern Washington fell 5.1% to \$450,474. Prices rose 9.9% compared to the first quarter of this year.
- Compared to the first quarter, prices rose across the board even as median list prices increased by 8.5%. It appears that sales contractions are now in the rear-view mirror, at least for the time being.
- Every county except Walla Walla and Whitman saw average sale prices fall compared to the second quarter of 2022. This decline was modest and not surprising given that prices peaked in the second quarter of last year when mortgage rates started to rise.
- Higher mortgage rates do not appear to have been a significant obstacle to home buyers or sellers. Whether this can continue remains to be seen, but I'm hopeful that mortgage rates will start to trend lower.

## Annual Change in Home Sale Prices by County / Q2 2022 to Q2 2023



## Mortgage Rates

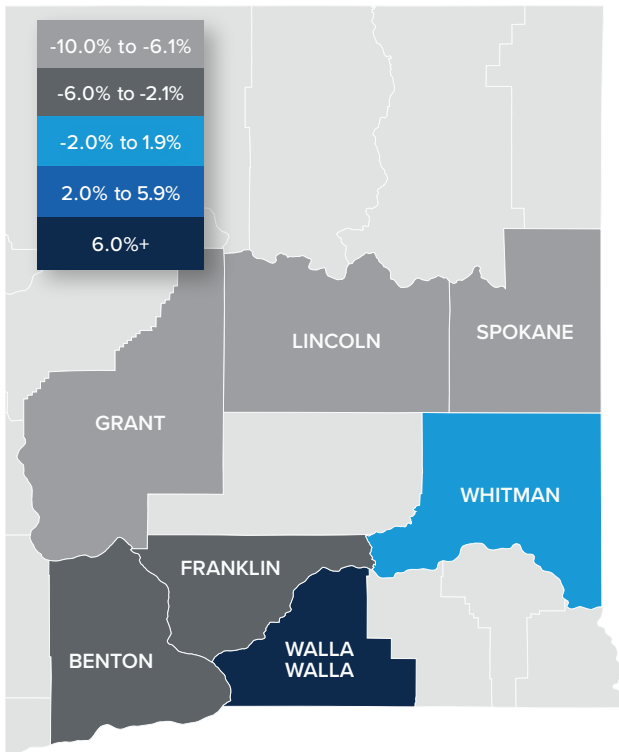
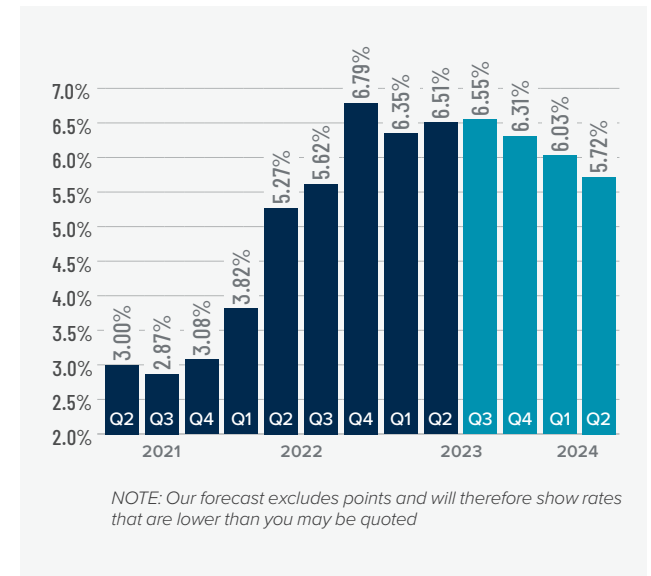


Although they were less erratic than the first quarter, mortgage rates unfortunately trended higher and ended the quarter above 7%.

This was due to the short debt ceiling impasse, as well as several economic datasets that suggested the U.S. economy was not slowing at the speed required by the Federal Reserve.

While the June employment report showed fewer jobs created than earlier in the year, as well as downward revisions to prior gains, inflation has not sufficiently slowed. Until it does, rates cannot start to trend consistently lower.

With the economy not slowing as fast as expected, I have adjusted my forecast: Rates will hold at current levels in third quarter and then start to trend lower through the fall. Although there are sure to be occasional spikes, my model now shows the 30-year fixed rate breaking below 6% next spring.

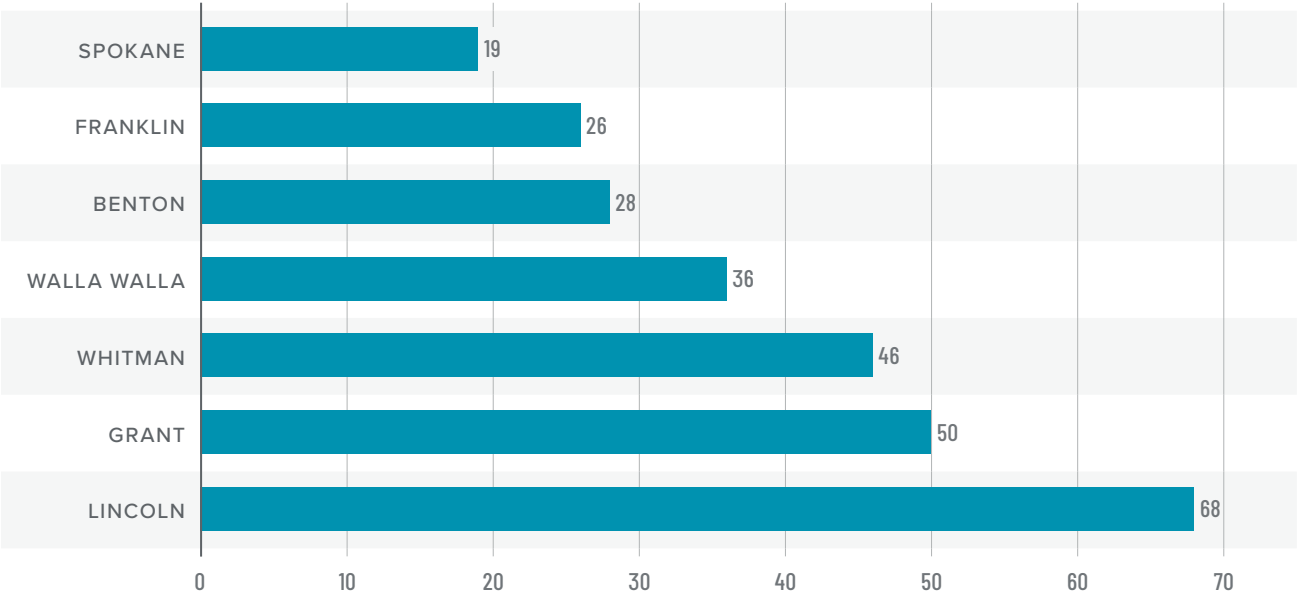


# Days on Market



- The average time it took to sell a home in Eastern Washington in the second quarter of 2023 was 39 days, which was 22 more than during the same period in 2022.
- Compared to the first quarter of this year, average days on market fell in all counties other than Whitman. The regional average fell 15 days.
- All counties saw the average number of days it took for a house to sell rise compared to the same period in 2022.
- Despite higher mortgage rates and lower affordability, buyers were out in force in the quarter. It's unknown if this pace of activity will continue, but it's good to see the market turn around from the year's dismal start.

Average Days on Market by County / Q2 2023



## Conclusions



This report provided a nice change of pace from the first quarter report when prices, sales, and inventory were all headed lower and the only thing increasing was the length of time it took for homes to sell.

I believe the market correction is now complete and I'm optimistic that it will continue to gain traction as we move through the second half of the year.

As it stands today, home buyers are benefitting from more choice in the market, but all other factors favor sellers. As such, I am moving the needle more towards sellers, but not so far as to suggest that they entirely control the market.



This speedometer reflects the state of the region's real estate market using housing inventory, price gains, home sales, interest rates, and larger economic factors.

**About Matthew Gardner**

As Chief Economist for Windermere Real Estate, Matthew Gardner is responsible for analyzing and interpreting economic data and its impact on the real estate market on both a local and national level. Matthew has over 30 years of professional experience both in the U.S. and U.K.

