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# NAVIGATING HOME PRICES IN THE SEATTLE METRO AREA



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# BUYING A HOUSE IN THE SEATTLE AREA IN 2021: **THREE THINGS TO KNOW**

Are you thinking of buying a house in the Seattle metro area in 2021? Do you have questions about current real estate trends and conditions? Then you're in the right place! This ebook offers important points that every aspiring home buyer should know.

## **What to Know When Buying a House in the Seattle Area**

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### **Home values are increasing in the Seattle area according to Zillow.**

Competition among home buyers will likely remain high due to limited inventory. Those are just two of the things you should know when buying a house in the Seattle area in 2021. Here's an in-depth look.

### **1. Home values expected to increase over the next year**

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In the last 12 month period, home values in the Seattle metro area have increased 13.2%, according to Zillow, and are expected to increase over the upcoming 12 month period. The median price is now around \$580,462 for the Seattle-Tacoma-Bellevue metro area, and about \$804,500 for the city of Seattle.

The economic research team at Zillow is predicting further increases over the coming 12 month period. In January 2021, they estimated that home values in the Seattle Metro area would increase by 8.8% over the next 12 months, keeping up the pace as the previous 12 months.

**The bottom line:** If you're buying a house in the Seattle metro area in 2021, you should know that home values are increasing. Simply put, would-be buyers in the Seattle market have gone elsewhere due to higher prices, though competition in the city remains very competitive.



## 2. Home buyer competition remains high, due to limited inventory.

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The real estate market itself is still reasonably competitive. This is largely the result of limited inventory. There are plenty of buyers in the market right now, due to population growth and job market improvements. But inventory is still limited, and so competition is still high. Buyers should still be aware that it's a seller's market.

According to recent data, inventory in Seattle and the surrounding King County is very tight right now. More specifically, there is around a 1-month supply of available housing.



According to recent data, Kitsap County is also showing signs of robustness. This is due to its relative affordability and proximity to Seattle. Many would-be buyers in the Seattle market are drifting north in search of more affordable prices.

The median price in Kitsap County is about \$439,122, which is a far cry from the prices in King County.

**The bottom line:** Buyers who are planning on buying a house in the Seattle area in 2021 should be prepared for competition. This means having your financing lined up before you enter the market, and making a strong and timely offer when the right property comes along.



### 3. You'll get more for your money outside of Seattle proper.

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Home prices within the city of Seattle are higher now than they've ever been before. This makes buying a home in Seattle very difficult for many would-be homebuyers.

The good news is that real estate prices drop considerably as you move outside of Seattle into the surrounding areas. So if you don't mind a longer commute, or you have the flexibility to work wherever you want, consider buying in one of those areas.

Home prices in the metro area cover a pretty broad spectrum. There's something for almost any budget, if you look in the right place. So don't limit yourself.

## MOST AFFORDABLE CITIES IN THE SEATTLE AREA 2021

Seattle proper is among the more competitive real estate markets in the country right now. It has been among the hottest for a while. High demand and limited inventory have forced home buyers to compete fiercely, especially in the more sought-after areas. As a result of these trends, the median home value in Seattle has grown to \$804,500 as of January 2021.

But there are more affordable options for people who want to buy a home in the Seattle metro area, but not necessarily within the city itself.

Recently, the chief economist for the real estate data company Zillow recently prepared a report for Seattle NBC affiliate King 5 News. It listed five of the most affordable cities and housing markets in the Seattle area, based on the percentage of income that goes toward housing costs in each area. Zillow's economic research team looked at the median income for various cities in the Puget Sound area, and compared that to median home values. These areas continue to be relatively more affordable when compared with Seattle proper.

In the city of Seattle, people are spending about 25% of their income on housing. Here are five more affordable cities in the metro area, along with the percentage of income needed to cover mortgage and housing costs:

- **Marysville: 16.2%**
- **Tacoma: 17.4%**
- **Auburn: 17.8%**
- **Kent: 19.5%**
- **Federal Way: 20.1%**

As of January 2021, the median home price in Marysville, Washington was \$439,381. In Seattle, it was \$804,500 at the same time. That goes to show how much more affordable housing becomes when you drive a little further north (in this case).

With a median home price of around \$389,889, Tacoma is another affordable option for those who want to live in the Seattle area.

## The Most Expensive Housing Markets

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On the other end of the spectrum, the least affordable city in the Seattle area was Bellevue, Washington. People there spend nearly 30% of their income to cover their mortgage and housing-related expenses. As of January 2021 the median home price in Bellevue was \$1,056,617.

A smiling couple is looking at a laptop screen. In the foreground, a child is sitting on the floor, partially obscured by a green overlay. The background shows a bright, modern interior with large windows.

**OTHER CITIES THAT WERE MORE EXPENSIVE RELATIVE TO INCOME INCLUDED: SEATTLE (OF COURSE), EVERETT, RENTON, AND KIRKLAND.**

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*“Seattle is certainly a very hot housing market right now,” said Dr. Svenja Gudell, Chief Economist for Zillow. “We’re seeing a lot of demand, a lot of newcomers to the area and as that continues, we’ll see even more of these outlying communities start to heat up a bit and get more expensive.”*

# The Competitiveness of the Seattle Market: A GOOD REASON TO GET PRE-APPROVED

Even though the Seattle area no longer has the highest bidding war rate in the country, it's still a competitive market. Many buyers are interested in moving to Seattle. That's just one reason why home buyers should be pre-approved for a mortgage loan, before making an offer on a house.

There's a high level of demand for homes in the Seattle metro area. Demand has tapered off a bit due to high prices, but **many properties still receive multiple competing offers within days of coming onto the market.**

This is known as a real estate bidding war. Previously, Seattle was among the toughest markets in the country when it came to dealing with multiple competing offers.

## Report: Bidding Wars Expected to Return in the Seattle Area

In the Seattle metro area, thanks to rising prices in the area, shrinking inventory, and increased demand, bidding wars are commonplace. Buyers are encouraged to put their best foot forward and get their finances in order before putting in an offer on a home in Seattle.

## Demand and Competition Still Reasonably High

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By definition, a real estate bidding war occurs when there is strong demand for a property listed for sale. This often coincides with housing inventory shortages, which results in an imbalance between supply and demand. Inventory in King County is very tight, and demand is high.

Previously, it was not uncommon for Seattle homes to see multiple competing offers within days of being listed. In fact, not long ago, the Seattle area saw the competing offer rate as high as 90%! Competing offers tend to drive home prices up, which is what we've seen a lot in the Seattle real estate market. Zillow expects home values in the Seattle Metro Area to increase by 13.2% over the next 12 months.

Within the city itself, the median price for a single-family is now above \$804,500, and prices are expected to increase through 2021.

## A Good Reason to Get Pre-Approved for a Mortgage

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In a competitive market like Seattle, where bidding wars are still likely to happen, home buyers need to bring their 'A' game. Among other things, this means having your financing lined up before you start shopping for a home.

Buyers making cash offers should have sufficient funds in the bank, with bank statements to prove it. Buyers using mortgage loans should get pre-approved by a lender.

Pre-approval is when a mortgage company reviews your financial situation to determine if you're a good candidate for a home loan, and how much you're able to borrow. Sellers have come to expect pre-approval letters from buyers, especially in active real estate markets like Seattle. If you make an offer to buy a house in Seattle, but you don't have your financing lined up, the sellers will be more inclined to reject it.



# SEATTLE REAL ESTATE PREDICTIONS 2021

*Summary: Recent predictions from housing analysts suggest that the Seattle real estate market could increase throughout 2021 in terms of home price valuation.*

*While there are factors which could turn this around, most analysts project increases in home values over the course of the next 12 months.*

*In fact, a recent forecast for the Seattle housing market extending into early 2022 suggests that the city will increase in median home values by 11.1%. Strong demand is a contributing factor this market trajectory.*

## Predictions for the Seattle Metro Area Real Estate Market

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As of January 2021, the real estate research team at Zillow predicts that the Seattle Metro Area market will increase in home values by approximately 48.8% between January 2021 to January 2022. This prediction follows an increase of 13.2% in the Seattle area between January 2020 to January 2021.

Clearly, there continues to be a high demand for housing in the Seattle Metro Area. The Seattle market has become less accessible given the rapid, abnormal gains we saw in previous years, and the market continues to be tough for some to get into because of continued high prices and ongoing increases in prices.

Of course, the market may be impacted by factors unforeseen by market analysts. For instance, it's possible that the expansion of Amazon to Bellevue may drive up prices in the Bellevue market, and we may see some tech employees flock to Seattle as a response.

## Competition Will Be Reasonably High Throughout 2021

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While the inventory situation in the Seattle market improved in 2018 and 2019, inventory is very tight right now in Seattle, the Seattle Metro Area, and King County as a whole. There is around a 1-month supply of housing available right now, which is a far cry from what a "balanced" market is supposed to look like at 5- to 6-months' supply.

Buyers should still expect competition when they try to enter the Seattle market. Demand may very well increase. In short, buyers should expect quite a bit of competition.



### Current Trends

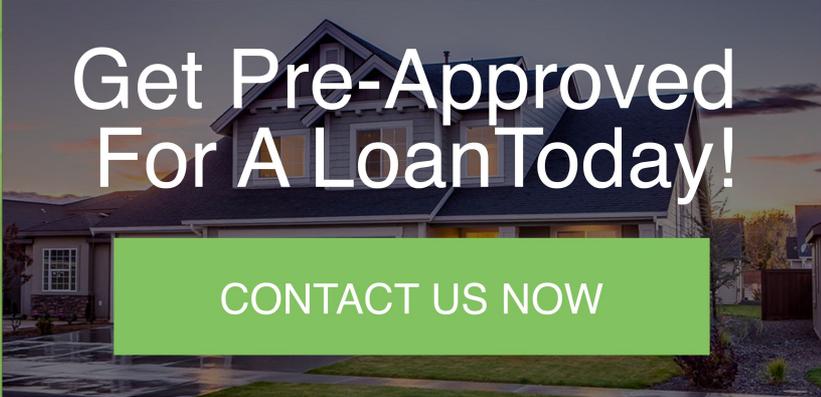
and predictions for the Seattle real estate market in 2021 send a clear signal to home buyers: When entering the market, you should be prepared for stiff competition. In this context, "preparation" means having your financing lined up ahead of time, and also having a good understanding of current market conditions.

# IN CONCLUSION

**DISCLAIMER** - *This article contains forecasts and predictions relating to the Seattle Metro Area real estate scene through 2021. These forward-looking statements were provided by third parties not associated with our company. We have presented them here as an educational service to our blog readers.*

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