

MONTHLY CLIENT REPORT

Luxury market update

Seattle & the Eastside · September 2026

A more selective market. A longer view of opportunity.

By Shawn Filer

Co-Founder & Managing Broker, Real Residential

The market in perspective

Financing costs rose as buyers entered a market with more choice. August inventory increased across the local areas reviewed, while contract activity varied sharply by neighborhood. The most useful question is how those conditions affect the specific homes you would buy or sell.

In this edition

My two-year outlook for Seattle, local supply and demand, financing, selected trophy sales, tax policy and the practical implications for buyers and sellers.

Published October 1, 2026. Original market-data cutoff: 2:00 p.m. Pacific. Commentary sources reviewed October 1. September \$5M+ transaction statistics remain pending. August neighborhood data cover all price points.

A NOTE FROM SHAWN

My view: the next two years

Shawn Filer · Market commentary and forecast

I believe Seattle's luxury market is adjusting before its next expansion. Buyers have more choice, carrying costs are higher, and sellers face a wider gap between the price they want and the price buyers will support. Opportunity exists, but location, condition and genuine scarcity will determine which homes benefit first.

Washington's tax direction belongs in that analysis. My view is that capital-gains and estate taxes, together with the income tax scheduled for 2028, are encouraging some affluent households and retiring baby boomers to reconsider residency. A business sale, years of high earnings and the transfer of an estate can each carry meaningful state-tax consequences. For mobile wealth, that changes the economics of staying and weakens Washington's competitive position.

Some families cannot afford to move, while others feel they cannot afford to stay. Leaving can mean surrendering a low mortgage rate, paying selling and relocation costs, and replacing a home in an expensive destination. Staying can mean accepting a less favorable long-term tax position. That tension can delay sales as readily as it generates listings. Taxes deserve attention, but our housing data do not establish the size of a tax-driven exodus.

The distinctions matter. Washington's capital-gains tax generally reaches certain investment gains, not direct real-estate sales. The new income tax has not begun. Estate exposure depends on domicile, assets and the taxable estate, rather than simply where someone dies. These details explain why a property decision needs to fit a broader financial plan.

San Francisco's luxury recovery offers a useful counterpoint: new wealth can support housing demand even in a high-tax environment. AI-related wealth creation is a plausible source of that momentum, although the broader Bay Area is uneven. Taxes influence where capital settles, while employment and equity wealth determine how much purchasing power a region creates. Seattle needs to retain existing wealth and generate the next wave.

My base case is that Seattle follows the strongest San Francisco luxury momentum with a roughly two-year lag, producing a more visible recovery around late 2028. I expect exceptional waterfront homes and well-prepared properties in established Seattle and Eastside neighborhoods to lead. Ambitiously priced homes or properties requiring substantial work may take longer. This is my forecast, not a measured historical rule.

I will look for rising luxury contracts, fewer price reductions and declining supply over several months, supported by stronger hiring and equity liquidity. Continued tax-related departures, expensive financing or weaker technology wealth would delay the recovery. Buyers with a long horizon can use today's slower market to negotiate carefully. Sellers should price for the market available now, rather than ask buyers to pay in advance for the next expansion.

SEPTEMBER 2026

What the local data tell us

August 2026 is the latest published neighborhood backdrop in the supplied report.

West Bellevue entered September with deeper supply

NWMLS area 520 had 160 active single-family listings, up from 105 a year earlier. Closings fell from 29 to 23. Months of inventory rose from 3.62 to 6.96, while pending sales fell 17%. These figures cover all price points.

Measure	August 2026	August 2025
Active listings	160	105
Pending contracts	20	24
Closed sales	23	29
Months of inventory	6.96	3.62

More choice gives buyers a reason to compare

Twenty contracts against 160 active listings produces a monthly pending-to-active ratio of 12.5%, versus 22.9% a year earlier. This is an activity ratio, not the probability that a particular home will sell.

Median price is sensitive to the homes sold

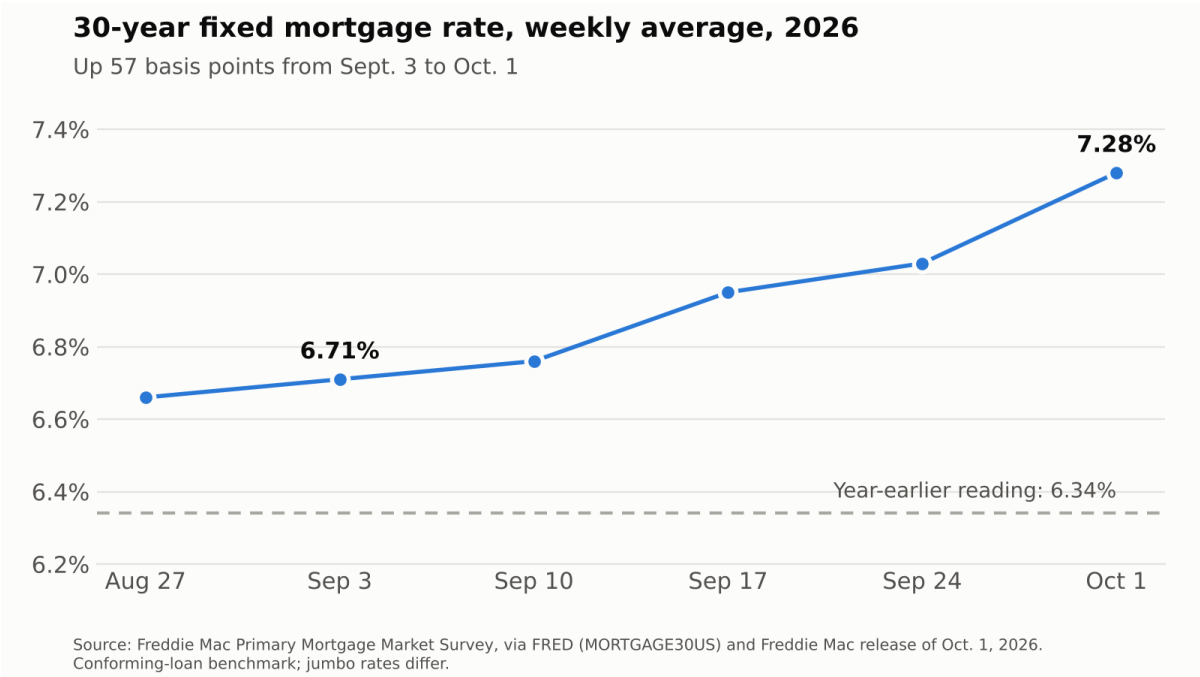
The supplied report records a 16% year-over-year decline in West Bellevue’s median. With only 23 closings, property mix can materially change that figure. It does not establish a 16% decline in comparable home values.

Source: supplied September report citing NWMLS August King County breakouts, RES ONLY. September \$5M+ results remain pending.

SEPTEMBER 2026

Financing became more expensive

Conforming 30-year benchmark · August 27–October 1, 2026



The average rose 57 basis points from September 3 to October 1.

Per \$1 million borrowed	September 3	October 1
Benchmark rate	6.71%	7.28%
Monthly principal & interest	\$6,459	\$6,842

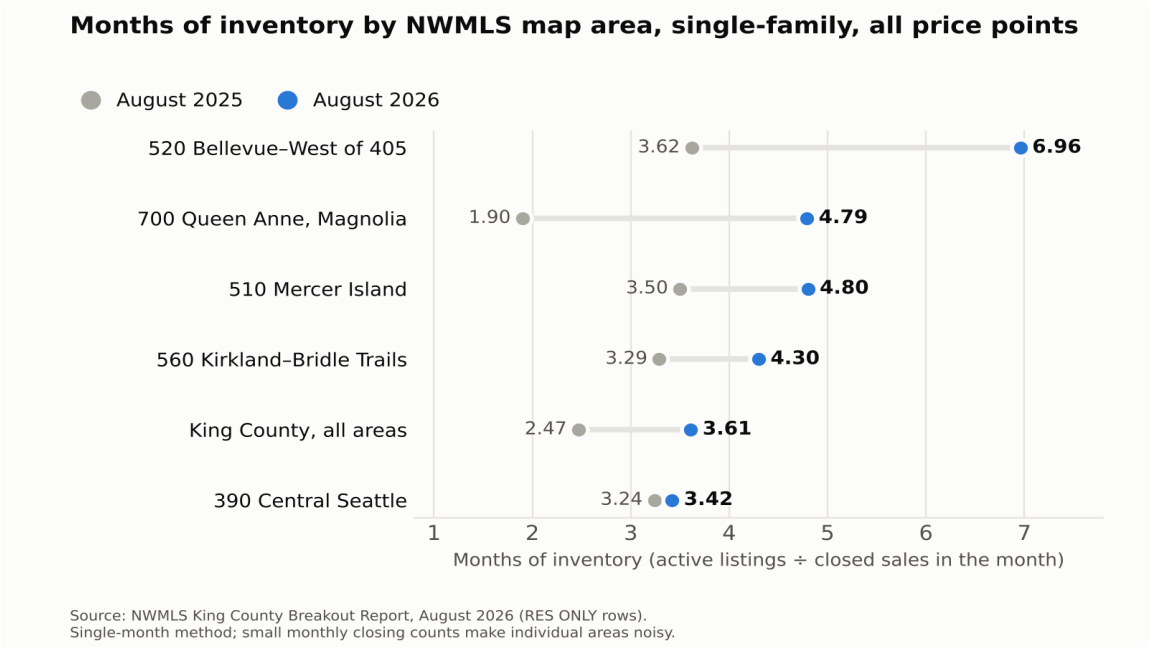
That is about \$383 more per month over a 30-year term, excluding taxes, insurance and fees. These are payment illustrations, not jumbo loan quotes. Jumbo pricing varies by lender and client relationship. Cash buyers and buyers borrowing against portfolios may experience a different financing effect.

Sources: attached chart, Freddie Mac PMMS and FRED MORTGAGE30US. Payment amounts calculated from the supplied rates.

SEPTEMBER 2026

Different neighborhoods, different demand

Single-family homes · All price points · August 2026 versus August 2025



Map area	Actives	Pending	Closed	Months
West Bellevue (520)	160 / 105	20 / 24	23 / 29	6.96 / 3.62
Mercer Island (510)	72 / 56	22 / 22	15 / 16	4.80 / 3.50
Kirkland–Bridle Trails (560)	202 / 168	73 / 49	47 / 51	4.30 / 3.29
Central Seattle (390)	229 / 204	55 / 73	67 / 63	3.42 / 3.24
Queen Anne / Magnolia (700)	158 / 120	39 / 52	33 / 63	4.79 / 1.90
King County, all areas	5,230 / 3,939	1,692 / 1,765	1,450 / 1,597	3.61 / 2.47

Counts show 2026 / 2025. Kirkland–Bridle Trails contracts rose 49%, while Mercer Island held steady. Central Seattle closings rose 6%, but Queen Anne and Magnolia closings fell 48%. Luxury demand should be assessed within each local market.

NWMLS map areas do not match city limits. Inventory uses actives ÷ single-month closings, rather than the luxury scorecard’s three-month method.

SEPTEMBER 2026

The trophy market and listing history

Selected publicly reported 2026 closings above \$10 million

Location / close	Reported sale	Reported history
Hunts Point waterfront / April 30	\$38.0M	First listed at \$85M in 2022
Mercer Island waterfront / June 30	\$28.0M	Reported as off-market
Medina waterfront / August	\$22.8M	First listed at \$33.8M

Opening prices and market value

Hunts Point and Medina closed about 55% and 33% below their original asks. Those gaps measure the distance from an opening price, not market depreciation. Buyers at this level still require a price supported by the property and its alternatives.

First Look changes the visible history

NWMLS introduced First Look on September 4, allowing up to 21 days before Active status. Sellers can permit showings. Days and price changes from that window remain in the member database but do not appear in public history after the listing goes active.

The full record matters

Review original pricing, relists and any First Look period. Public days on market may omit part of the marketing period. Confirm how Matrix DOM and cumulative DOM treat First Look before comparing monthly statistics.

Sales: supplied report citing Downtown Bellevue Network and KIRO 7. First Look: HousingWire, August 31. Selected sales are not a complete census. Off-market status for the Mercer Island sale is reported, not independently reconciled.

Taxes, wealth and the cost of staying

Current rules and future policy · Context for property decisions

Income tax: future exposure

Washington DOR states that a 9.9% income tax begins January 1, 2028, for individuals and married couples filing jointly with annual adjusted gross income above \$1 million. It is not a current tax on 2026 wages. Initiative 645 is on the November 3 ballot and would repeal the tax and prohibit state and local individual income taxes.

Capital gains: investment liquidity

The state's tiered capital-gains tax applies at 7% to the first \$1 million of taxable Washington capital gains and 9.9% above that amount, after applicable deductions and exemptions. Direct real-estate sales and qualifying retirement assets are exempt. A liquidity event's exposure depends on its structure and the taxpayer's circumstances.

Estate tax: the transfer of wealth

For deaths on or after July 1, 2026, Washington's estate-tax rates range from 10% to 20%, with a \$3 million exclusion. The earlier 35% top rate is no longer the current schedule. Domicile and Washington-situs assets matter, including potential exposure for nonresidents who retain property here.

My economic reading

Tax exposure can influence some owners' retirement, residency and selling plans. It may add listings, postpone transactions or redirect future purchasing power. The market data in this report cannot quantify how many affluent households have left because of taxes. My outlook treats that pressure as a risk to demand, alongside the region's ability to create new wealth.

Sources: Washington DOR income-tax guidance, tiered capital-gains notice, estate-tax tables and FAQ. Initiative: Association of Washington Cities. Links on page 12. Personal outcomes require coordinated tax and estate advice.

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What this means for your next move

Property-specific judgment remains more useful than a regional headline.

For sellers: price against real alternatives

Anchor the asking price in comparable closed sales and the homes competing for the same buyers. In a market with more choice, preparation and condition have greater negotiating importance. Resolve known issues before launch, and budget time for a thoughtful sale rather than assuming the strongest future market is already here.

For sellers: use the launch window deliberately

First Look can help gather feedback and suit a seller's timing. Price changes remain visible to member brokers. Set clear criteria for moving to Active status, adjusting the asking price and evaluating offers. At the trophy level, opening prices can be aspirational, so a large reduction alone is a poor guide to current value.

For buyers: negotiate from evidence

Review comparable sales, the complete price history and the cost of any required work. Supply is deeper in some locations, but contract demand has not weakened everywhere. Kirkland's stronger pending activity is a reminder that leverage varies with the home and neighborhood.

For owners weighing relocation

Compare the full cost of staying with the full cost of leaving. Include mortgage replacement, selling costs, destination housing and the broader tax plan. Selling a Washington home does not by itself settle domicile or eliminate tax exposure from retained assets. Align the property decision with professional advice before acting.

Every exceptional home sits within its own small market of competing properties and qualified buyers.

LOOKING AHEAD

My forecast and the signals to watch

A roughly two-year lag behind the strongest San Francisco luxury momentum

Base case: a more visible recovery around late 2028

I expect improvement to appear first in exceptional waterfront homes and well-prepared properties in established Seattle and Eastside neighborhoods. Broader momentum would follow if local hiring and equity wealth strengthen while the current inventory overhang eases. This is a conditional forecast, not a statistically established two-year cycle.

Why San Francisco is a useful comparison

AI-related wealth and equity liquidity can create demand that is less sensitive to mortgage rates. Compass’s September Northern California report found stronger competition than a year earlier across the region, but also broad seasonal cooling in August. San Francisco stood out. That supports a selective recovery thesis rather than a claim that every Bay Area submarket is booming.

Would support the forecast	Would delay the forecast
Luxury contracts rise across several months	Contracts remain weak as listings accumulate
Three-month supply and price reductions fall	Inventory stays high and reductions broaden
Local hiring and equity liquidity strengthen	Technology wealth or employment weakens
Policy becomes clearer and owner confidence improves	Tax pressure and uncertainty reduce demand

I will revise the timing as these indicators change. Rate relief alone would not prove that Seattle has entered its next luxury expansion.

Bay Area evidence: Compass, September 9, 2026, and AP, September 2026. Forecast and neighborhood sequence are Shawn Filer’s judgment, not source-reported findings.

DATA APPENDIX

Luxury scorecard and methodology

September \$5M+ results remain pending. No missing figure has been estimated.

Metric group	Measures awaiting MLS data
Activity	Month-end actives, new listings, new contracts and closed count
Pricing	Closed volume, median sale price and sold \$/sq. ft., with sample counts
Negotiation	Original- and final-list ratios, share of actives with reductions
Time and supply	Median cumulative DOM and three-month months of supply
Trophy tier	\$10M+ closed count and share

Coverage and comparisons

Single-family Residential only. Coverage: Seattle, Bellevue, Mercer Island, Medina, Clyde Hill, Hunts Point, Yarrow Point, Kirkland, Woodway and The Highlands in Shoreline. Each property is counted once. Closed price defines sales bands and current list price defines active bands. Comparisons will include September 2026, August 2026, September 2025 and relevant year-to-date results.

Consistent supply and time measures

Luxury months of supply equals month-end actives divided by average monthly closings over the trailing three months. Neighborhood inventory uses a single month of closings. Use saved month-end snapshots, closing dates, contract dates and cumulative DOM. Do not calculate supply where the denominator is zero. First Look treatment must be consistent.

Small samples and property mix can move medians. The report does not treat median changes as appreciation or depreciation. Public-record sales outside NWMLS should be reconciled and labeled separately.

A trailing 13-month Seattle/Eastside luxury supply chart awaits exports and historical snapshots. The client report excludes private editorial notes and unverified social-graphic sales totals.

REFERENCE

Sources: the local market

Clickable references retained from the supplied September market report.

Freddie Mac, "Mortgage Rates Average 7.28%," Oct. 1, 2026

Federal Reserve Bank of St. Louis (FRED), 30-Year Fixed Rate Mortgage Average (MORTGAGE30US), weekly through Sept. 24, 2026

FRED, 10-Year Treasury Constant Maturity (DGS10), daily through Sept. 29, 2026

NWMLS, King County Breakout Report, August 2026

NWMLS, Market Snapshot, August 2026 (published Sept. 3, 2026)

HousingWire, "Compass settles NWMLS lawsuit on coming soon listings," Aug. 31, 2026

Real Estate News, "Compass, NWMLS settle 16-month legal battle," Aug. 31, 2026

The Spokesman-Review, "Initiative to repeal WA 'millionaires tax' qualifies for November ballot," July 16, 2026

The Spokesman-Review, "Are WA millionaires really leaving to avoid tax?," Aug. 30, 2026

Association of Washington Cities, "Initiative 645: Concerning state and local taxes," Sept. 18, 2026

Downtown Bellevue Network, Hunts Point sale, May 8, 2026

KIRO 7, Mercer Island sale, July 6, 2026

KIRO 7, Medina sale, Sept. 2, 2026

MyNorthwest, Denny-Blaine asking-price reduction, June 29, 2026

Original report and attached charts form the market-data source record. The August breakout and several linked pages could not be independently retrieved during production. Selected reported sales require MLS or recorded-sale confirmation. Sources describe different periods and price segments.

REFERENCE

Sources: commentary and outlook

Tax rules and Bay Area evidence reviewed October 1, 2026.

Washington DOR: Income tax (effective January 1, 2028)

Washington DOR: New tiered rates for capital-gains tax

Washington DOR: Capital-gains tax and exemptions

Washington DOR: Estate-tax tables

Washington DOR: Estate-tax FAQ

Compass: Northern California Market Reports, September 9, 2026

AP: AI boom heats up Bay Area housing, September 2026

A closing note from Shawn

If you are considering a sale or purchase, or simply want to understand where your home fits, I'm happy to prepare a property-specific assessment. The right strategy starts with your property, your alternatives and your time horizon.

Shawn Filer

Co-Founder & Managing Broker, Real Residential

Information is believed reliable but is not guaranteed. This preliminary report is market commentary, not an appraisal or individualized investment, legal or tax advice. Forecasts are opinions and may change with evidence.