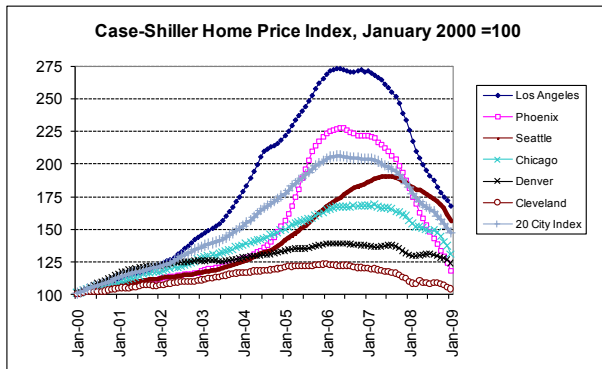


Real Estate Update

The newsletter of the City of Seattle's Economics Team/April 2009

United States

The national housing and commercial property markets continue to be in rough shape, but there have been a few positive signs. Housing affordability is improving in many parts of the country and mortgage rates have fallen considerably as the Federal Reserve has pumped huge amounts of liquidity into financial markets. As of April 2nd, the Federal Home Loan Mortgage Company (Freddie Mac) calculated the average 30 year fixed-rate mortgage at 4.78%. Still it seems that many homebuyers are unable to take advantage of such low rates, leaving refinancing as the most active sector of the mortgage market.

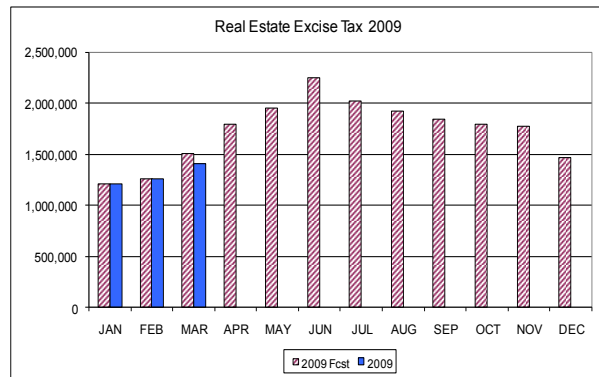


Sales of single-family homes are still falling as are their corresponding prices. The January Case/Shiller Home Price Index shows a 19.0% drop for the 20 City Index over January 2008. Home prices are not helped any by the increasing number of foreclosures and short sales, which Mark Zandi of Moody's Economy.com estimates at close to 50% of all home sales. These sales tend to be on the low end of the price spectrum and place downward pressure on prices for the housing market. The national foreclosure rate in March, measured as the number of homes in foreclosure as a share of all existing homes, stood at 0.27%, or 1 in every 375 according to RealtyTrac. This was a 46% increase over March, 2008.

Puget Sound

The local housing market continues to slide as well. The Case/Shiller Index has January Seattle area home

prices down 17.9% from the peak and 15.0% from a year ago. This compares to a 28.5% decline from the peak for the 20 City Index. RealtyTrac shows that statewide foreclosures are up about 90% in March over last year; estimating that 0.15% or 1 in every 648 homes in the state are in the process of foreclosure. In Seattle, the foreclosure rate is less pronounced at 0.09% or 1 in every 1119 homes. Information about home sales from the Northwest Multiple Listing Service indicates that sales in March in Seattle were down 37.5% for homes and 47.8% for condos relative to March 2008.



This series of bad real estate news has served to further reduce real estate excise tax expectations (see table below). The 2009 Adopted budget expected \$31.8 million dollars in REET for the year and that has now been revised down to \$20.7 million. This revised forecast represents a 31.5% drop from 2008 and is on par with real estate activity levels last seen in 2001. Single-family home sales are forecast to start picking up in the 2nd Quarter of 2009, but prices will not begin to recover until the end of 2010.

REET	2006	2007	2008	2009	2009 Fcst
JAN	3,518,642	2,790,619	2,297,216	1,210,113	1,210,113
FEB	3,031,150	3,239,976	2,900,871	1,255,258	1,256,233
MAR	4,850,482	10,866,740	2,762,388	1,404,426	1,501,548
APR	4,465,559	16,834,905	2,754,520	0	1,793,686
MAY	4,288,560	6,056,547	2,862,180	0	1,946,359
JUN	5,963,865	6,701,994	3,034,666	0	2,245,574
JUL	5,034,118	5,294,360	2,729,138	0	2,017,948
AUG	4,740,592	5,506,801	2,492,874	0	1,920,524
SEP	5,012,652	3,343,742	2,324,507	0	1,844,287
OCT	4,297,797	3,477,647	2,633,370	0	1,789,367
NOV	3,893,003	4,708,935	1,314,769	0	1,771,845
DEC	3,838,913	3,010,019	2,207,241	0	1,464,583
Total	52,935,334	71,832,285	30,313,740	3,869,797	20,762,068