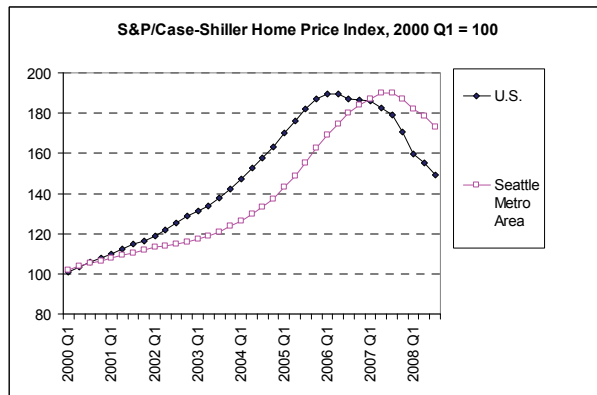


Real Estate Update

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

United States

The national real estate market continues to reel from the housing and commercial property bust. The 4th quarter of 2008 was an abysmal one for home prices. The Case/Shiller Home Price Index reported an 18.2% decline from the same period in 2007. Pending home sales were down 7.7% in January, sending the pending home sales index to its lowest point since tracking began in 2001.

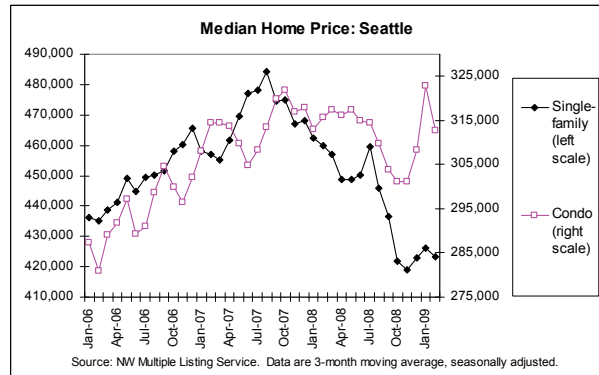


2008 home starts were below 1 million for the first time since World War II with 902,000 single and multi-family units begun. IHS Global Insight is forecasting home starts to bottom at 550,000 units in 2009. They are expecting home prices to halt their decline in 2010. National mortgage rates remain slightly above 5%, but the deteriorating economic outlook continues to dampen housing demand. According to the Mortgage Bankers Association, 3.3% of national mortgages were in foreclosure in the 4th quarter, a 61.8% increase from a year earlier.

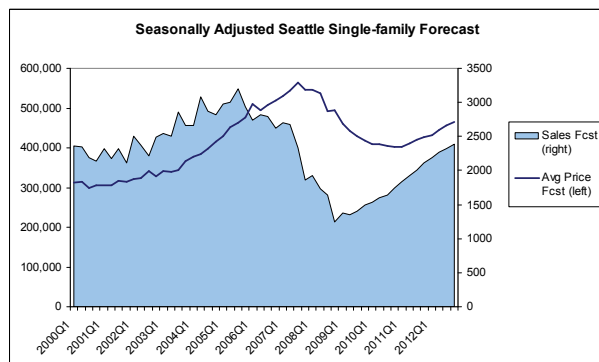
Puget Sound and Seattle

Home prices and sales in the area are falling in tandem as we get through this inactive winter real estate market. According to the Northwest Multiple Listing Service (NWMLS) there were 222 Seattle single-family home sales in February corresponding to a non-seasonally adjusted median price of \$393,500. These numbers were year-over-year declines of 42.6% and 12.6%, respectively. The Case/Shiller Index shows

Seattle area home prices down 15.5% from the peak, compared to a 26.7% decline nationally.



The Puget Sound Economic Forecaster of Conway Pedersen Economics is expecting that the 4th quarter of 2008 will prove to have been the nadir for seasonally adjusted home sales in the Puget Sound area. They also expect home prices to bottom out in the second quarter of 2009. If the single-family market in Seattle were to follow national trends, we could expect to see a 28% decline in home prices peak to trough (see chart below).



Mortgages have begun to sour at an increasing rate in the State of Washington. The Mortgage Bankers Association puts the figure for the 4th quarter 2008 at 1.5% of all mortgages being in foreclosure, a 105.6% increase over a year ago. We are fortunate that the Seattle area has not seen housing trouble on anything like the country's scale, but we're not out of the woods yet.