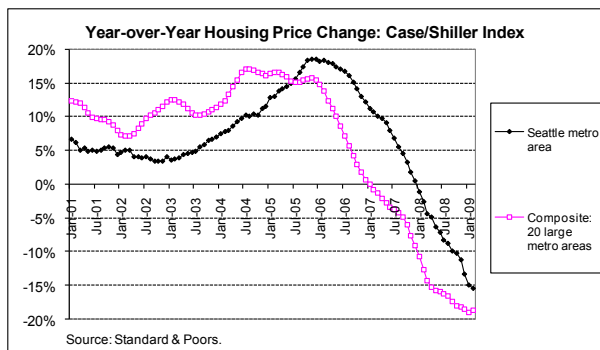


Real Estate Update

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

United States

According to IHS Global Insight, new home construction in the second quarter of this year will reach the low point in this recession at an annual rate of 491,000. Housing starts are expected to increase to an annual rate of 613,000 by the fourth quarter with the total new home starts in 2009 of 535,000. This compares to 903,000 for 2008, which was the first year starts dipped below one million since the end of World War II. Global Insight also believes that sales and permitting activity for new construction has begun to stabilize and they expect residential construction to start growing by the end of the year.

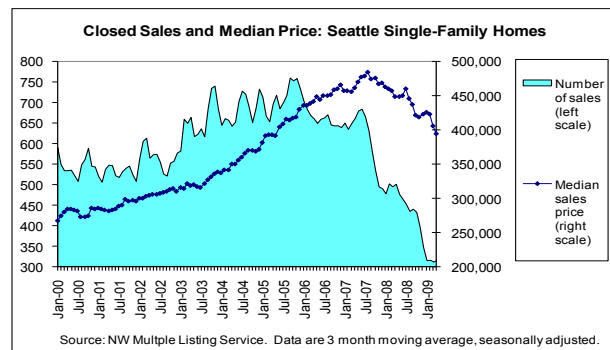


The Case/Shiller Home Price Index numbers were recently released for February. The 20-city index shows that prices were down 18.6% from a year earlier and 29.9% down from the peak. All cities in the index showed negative year over year growth rates. The National Association of Realtors (NAR) echoes estimates of Economy.com that foreclosures and short sales now comprise 50% of the overall residential home sales. The NAR also believes that these distress sales complete at prices 20% below others. Positively, mortgage rates have remained at historically low levels and banks, while still tightening credit standards, are doing so at a slower rate. Also the government is now allowing the \$8,000 first-time home buyer tax credit to be used as a down payment.

Puget Sound

The Northwest Multiple Listing Service (NWMLS) recently released their April housing report. As a

possible sign of a bottoming local housing market they say that pending home sales in King County increased 15% over a year ago. The NWMLS also showed that April single-family home prices in Seattle were down 9.3% over a year earlier and a 14.2% drop for condo prices. Closed sales were down 30.0% and 48.5% respectively.



Seattle Real Estate Excise Tax (REET) receipts continue to suffer this year. The 1st quarter, as expected, had large declines in activity and dollar amounts. The commercial sector took the largest year over year hit with a -58.1% growth rate in sales transactions leading to a -69.2% change in tax receipts. Only 78 commercial property transactions took place in the 1st quarter, the lowest number on record dating back to 1982. Condo and single-family sales have fared little better. REET receipts for the year are only \$25,000 (-0.4%) short of forecast. The summer months will test the forecast's assumption of a seasonal uptick in housing sales.

REET	2006	2007	2008	2009	2009 Fcst	08-09
JAN	3,518,642	2,790,619	2,297,216	1,242,689	1,210,113	-46%
FEB	3,031,150	3,239,976	2,900,871	1,399,470	1,256,233	-52%
MAR	4,850,482	10,866,740	2,762,388	1,409,540	1,501,548	-49%
APR	4,465,559	16,834,905	2,754,520	1,685,527	1,793,686	-39%
MAY	4,288,560	6,056,547	2,862,180	0	1,946,359	-100%
JUN	5,963,865	6,701,994	3,034,666	0	2,245,574	-100%
JUL	5,034,118	5,294,360	2,729,138	0	2,017,948	-100%
AUG	4,740,592	5,506,801	2,492,874	0	1,920,524	-100%
SEP	5,012,652	3,343,742	2,324,507	0	1,844,287	-100%
OCT	4,297,797	3,477,647	2,633,370	0	1,789,367	-100%
NOV	3,893,003	4,708,935	1,314,769	0	1,771,845	-100%
DEC	3,838,913	3,010,019	2,207,241	0	1,464,583	-100%
Total	52,935,334	71,832,285	30,313,740	5,737,226	20,762,068	