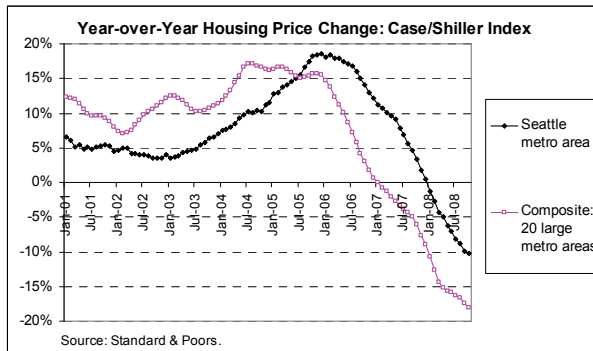


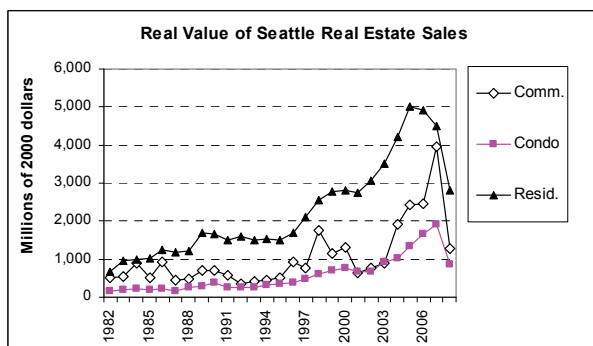
# Real Estate Update

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

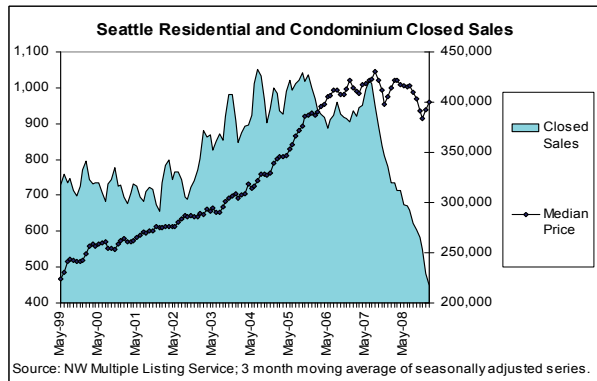
2008 saw a significant drop in real estate activity for Seattle and the Puget Sound area. After 2007, which saw a tremendous amount of commercial property activity, the local real estate market followed the steep fall off experienced by the country as a whole. This decline has been indiscriminate, affecting both commercial and residential properties. As evidenced by the Case/Shiller home price index, the Seattle area lagged the national market on the way up and continues to lag the country on the way down.



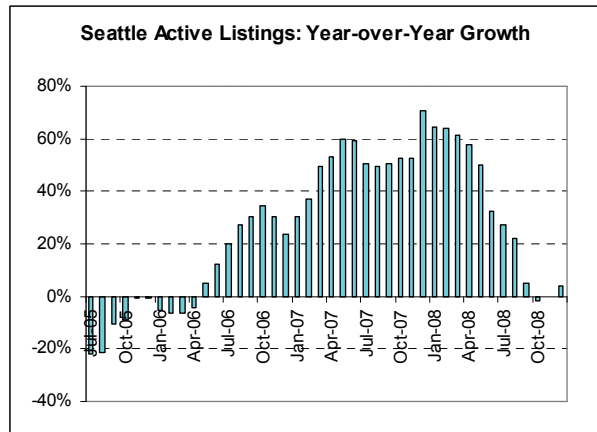
2007, which saw a group of class-A office buildings sell twice, was the highlight of Seattle's real estate boom. While commercial activity was pared down to more reasonable levels in 2008, it was residential properties which made an unexpected move down. As available financing became limited in the second half of 2007 and truly scarce in 2008, sales of single-family homes and condominium units suffered accordingly. As 2008 progressed, prices began to fall as sellers under financial and time constraints dropped prices to entice reluctant buyers back into the market. So far these price drops have not been significant enough to



increase sales. Available interest rates have reached all-time lows, but necessary qualifications for financing have become very strict, removing large many potential buyers from the market.



According to the Northwest Multiple Listing Service, 2007 condo unit sales reached 3,746. By 2008 sales had fallen by 42% to 2,180. Single-family home sales had a 28% decline in the same period from 7,366 to 5,314. Much of the decline was seen in the second half of the year as the national economy was throttled by bank failures and stock market gyrations.



The last few months of 2008 saw small ticks upward in the median prices of condos and single-family homes in Seattle, accompanied by large drops in sales, suggesting properties that have sold were sought by wealthier buyers. Still as a result of depressed prices, sellers who don't have to sell have been pulling listings off the market.