

# Job growth should enable region to weather storm

Nationwide, home prices are soft, sales are sluggish and the number of foreclosures is mounting in numerous major markets. Ask many economists today and they'll say that things are bad and likely to get worse before they improve.

That perspective is generally true — unless it's focused on the Puget Sound region, where the residential real estate market has no doubt slowed but where the fundamentals remain strong.

It's easy to lose sight of the local positives when most of the media attention is given to the national malaise. The important local news that does not get much broadcast or print coverage is that King County has experienced strong home-price appreciation over the past six quarters, with only last December representing a drop in prices (down 1.1 percent) compared with the previous year, according to the Northwest Multiple Listing Service.

As expected, there are many more customers shopping in the past few weeks and more deals being written. Buyers seem to grasp that in the central King County markets, new-home prices are stabilizing. Those new arrivals are tired of living in apartments watching their month-to-month rents increase.

So, while the general consensus is that housing has taken a hit locally, there's mounting evidence that the Puget Sound real estate market is better positioned than the rest of the country, even in the near term. The projected optimism revolves around three basic housing principles working in the region's favor.

First, there's still a very low housing inventory locally compared with the rest of the country. While the number of for-sale homes has risen since 2006, the market actually has "normalized." Inventory is now about 3.2 months in King County, which is low compared with the national average of nine months. It's exceptionally low compared with the southeastern U.S., where the Coastal Carolinas Association of Realtors Multiple Listing Service is reporting a 15-month supply.

Secondly, there are much fewer nonconforming and high-risk loans on the books here than in other cities. That means bankers in this region will likely see fewer defaults in the coming months compared with most other markets. The foreclosure rate has been highly publicized over the past year, dramatically affecting consumer confidence. But just last November, John L. Scott Realty reported that only one in every 1,072 homes in Washington foreclosed, compared with the national rate of one out of every 617 homes.

Add to this the fact that the Federal Reserve recently lowered discount interest rates again, and many industry pundits believe that home buyers' anxiety is starting to abate.

While monthly gains in the King County median home price have been diminishing since last summer, many national experts believe this area could experience decent increases as early as this year. Mark Zandi, chief economist at Moody's Economy.com, explains the prediction, "It largely reflects (the facts that) these markets never went through the boom and aren't going through the severe bust. Price growth is not great, but (these markets) are not having (annual) house price declines. (All markets) are experiencing pricing problems, but in these markets, it's less of a problem."

Lastly, perhaps the best reason to believe this area will weather the housing-market storm is its strong, highly diverse

## SINGLE-FAMILY OUTLOOK



Charlie Conner



That growth is evident in places like

economy. Job growth is expected to be down this year, but it's well ahead of the national average. In fact, many experts are expecting a 1.5 percent to 2 percent growth rate in the Puget Sound area, nearly twice the national projections. Some analysts are even predicting a nearly 3 percent growth rate in some local industries, notably aerospace and software development.

downtown Bellevue and Seattle, where construction cranes dominate the skylines and businesses clamor for Class A office space. According to the Bellevue Downtown Association, halfway through 2007 Bellevue had 2.2 million square feet of office space under construction, much of it projected to meet the growing needs of the software and high-tech sectors.

Microsoft will take more than a million square feet of office space when The Bravern project is finished, and Expedia has pre-leased nearly 400,000 square feet at the Tower 333 building. Furthermore, Google will continue to expand on the Eastside in areas such as Kirkland, space permitting.

And in Seattle, Amazon.com soon will move its headquarters to the northern

edge of downtown, where it will absorb up to 11 new buildings by 2011, representing some 1.6 million square feet. Neighborhoods such as South Lake Union and the Denny Triangle are experiencing massive amounts of biotechnology- and pharmaceutical-based development for such users as the University of Washington; Children's Hospital and Regional Medical Center, Rosetta, Fred Hutchinson Cancer Research Center and The Bill & Melinda Gates Foundation, to name just a few.

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