

2007—A Year of Regeneration for Puget Sound Housing

By J. Lennox Scott, Chairman and CEO, John L. Scott Real Estate

April 4, 2007—The Puget Sound region continues to be protected from bursting bubbles and significant sales declines, both of which are being experienced in other parts of the country, like California and Florida. The reason for our resolve is a strong local economy, positive job growth, population growth, and continued low interest rates.

The first quarter of the Puget Sound housing market got off to a slightly slower start due to the snow and windstorms that we experienced in December and January. As a result, housing activity didn't pick up its normal pace till mid to late January with companies like John L. Scott reporting surges in web traffic followed by higher than anticipated sales in February.

Low housing inventories in neighborhoods close to the job centers carried over from 2006 and sales in those areas remain strong. There is currently a two month supply of available housing in the Seattle metro market for homes priced under \$500,000. This falls below the national average of 6-7 months—and even further below markets like Florida where there is currently a 10+ month supply of homes for sale in their median price range. Locally, the further the distance from the job centers, the higher the housing inventory levels and the lower the sales; however appreciation remains positive in the outlying areas and sales are expected to pick up pace in the coming months.

A recent report from Standard & Poor cited Seattle as having one of the biggest price jumps in price appreciation among the top 20 markets in the nation. The national average shows a price decline of 0.2 percent, but during 2006, Seattle reported an 11 percent increase. All parts of the Puget Sound have continued to show healthy price appreciation, even where sales have slowed, reinforcing the fact that homeownership continues to be a sound investment.

The latest population estimates from the U.S. Census Bureau indicate that the Puget Sound region continues to draw large numbers of residents. In 2006, King County grew by more than 27,000 residents, bringing the county's total population to 1.8 million people. Employment opportunities, affordable housing, and quality of life are highlighted as the key reasons people choose to relocate to this region (remember, local home prices are still considered affordable by buyers in places such as California). As long as this trend continues, housing prices will continue to appreciate, driven in part by the competition of our growing population.

The remainder of 2007 is expected to be a year of regeneration, resulting overall in a healthy housing economy. Strong sales of median-priced homes are already causing a chain reaction of sales up the price points—and with this activity we will see increased sales in the mid and upper-priced housing markets as well as continued appreciation throughout the year.

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