

SEATTLE POST-INTELLIGENCER

http://seattlepi.nwsourc.com/local/299992_condo17.html

Seattle bucks trend on slumping condos

Market still strong in area, unlike some U.S. cities

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P-I REPORTER

Seattle's market was not to blame for a recent decision to change a planned 34-story downtown building from condominiums to apartments.

Rather, the slumping condo markets in cities such as Washington, D.C., Las Vegas, Miami and Boston affected the national firms that fund such buildings, said John Schwartz, northwest regional director of Keller CMS, which is managing the Terry Avenue Apartments project.

"There was quite a bit of skittishness," he said. "I think the Seattle market clearly has a little different story to tell, but a lot of the big equity players, they take a wider view."

The frenzied condo market in many cities has collapsed since the middle of 2006, dragging down prices and scuttling projects -- or at least forcing them to change, according to a New York Times report Tuesday.

In the Washington, D.C., area for instance, builders of nearly 6,000 condominium units have decided in the last three months to recast their projects as rental apartment buildings.

In many cities, banks have significantly scaled back loans to condominium builders. Some have demanded that developers sell half or more of the units in a building before even beginning construction.

The story attracted attention in the office of Williams Marketing, a Seattle firm that works with condo developers.

"We were discussing it," company President Leslie Williams said Tuesday morning. "No, it's not holding true here."

Williams and representatives of other Seattle condo projects say buildings are selling well and going ahead as planned.

"Some of these national lenders are getting nervous. There's no doubt about it," Williams said. "We either have to bring them into Seattle and show them -- which I've had to do several times -- or you have to use a local lender."

Seattle's housing market has fared better than those in other parts of the country in recent months, with continued year-over-year price increases, despite increasing inventory and falling sales, according to the Northwest Multiple Listing Service. The area's condo market, meanwhile, has been stronger than the market for other types of homes.

Seattle real estate professionals and economists agree that the city's job creation, relative lack of speculators and the fact that its boom never rose as high as other places kept its housing market healthy.

A Boston real estate consultant cited about 600 condo projects in the city's metropolitan area, with about

49,000 units in various stages of development, according to the Times story. Seattle has fewer than 9,000 condos in the works, according to Williams Marketing Vice President Warren Ballard.

"We don't have anywhere near the volume of construction that some other markets have," Ballard said. "You cannot go anywhere in Seattle and find a finished, brand-new condo to buy."

Seattle's problem will be how to physically complete those 9,000 units in the next few years, Schwartz said. "I think the local contracting community can really only build about 5,000."

Ballard said conversion condos continue to sell well, although the strengthening rental market led some apartment-building owners to forgo conversion.

Mike Scott, co-owner of Dupre + Scott Apartment Advisors, said he knew of just one planned conversion that fell through in 2006. He said that a record 7,000 apartments in 143 buildings in King, Pierce and Snohomish counties went condo in 2006 or were scheduled to do so soon.

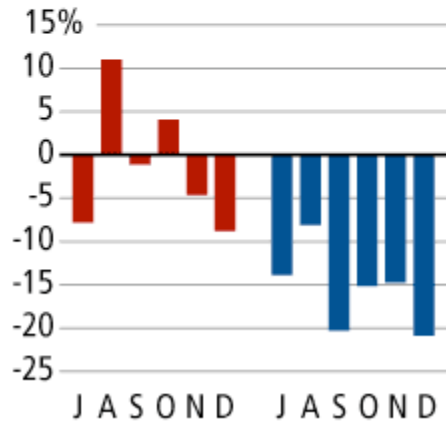
KING COUNTY CONDOS

While the condominium market slid in other parts of the country in the second half of 2006, King County's condo market has been stronger than the market for other homes in recent months.

KEY: ■ Condos ■ Single family homes

Closed sales

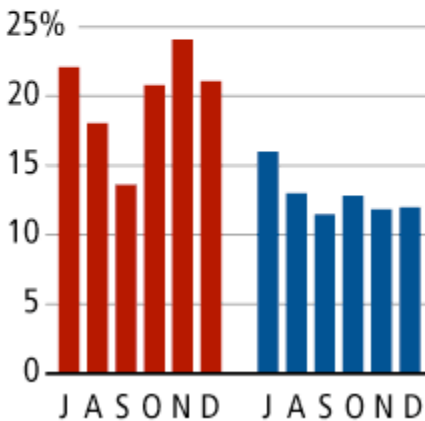
Percent change from 2005 to 2006



Source: Northwest Multiple Listing Service

Median sale price

Percent change from 2005 to 2006



SEATTLE P-I

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