



2006/2007 Regional Market Expectations

Summary: We believe that the real estate market nationally, regionally and locally will continue to appreciate in value and increase in units listed and sold for the rest of this decade.

- Interest rates will remain relatively stable during 2006 probably in the mid 6% range for 30 year FRM...perhaps edging toward 7% by year end.
- We will continue to experience significant “net new jobs” in the 4-county region during 2006
- The impacts of the Growth Management Act and increased land use regulation (CAO) will result in fewer and more expensive new building lots. There have been no significant plat applications in King County for more than 3 years. Apparently when Snoqualmie Ridge, Redmond Ridge, Talus and Issaquah Highlands are built out, any major housing developments (more than 200 lots) will be outside King County. The notable exception will be condominium developments
- We will continue to see fewer building permit applications than we have net new jobs in the region.
- Net in-migration will increase especially in the areas of technology and bio-tech throughout the region
- The non-English-as-a-first-language Market will accelerate in market presence and purchasing power
- Gen Y’ers (15-25 years) and Gen X’ers (25-35 years) will begin their first- and second-time home purchases. The combined X/Y group has more people than the touted Baby Boomer generation and will have more impact as they begin their home purchasing and home changing. The average sales price of their first time homes will be greater than any other generation at least in part because their parents (Baby Boomers) have no other better place to invest their savings than in the homes their children are buying.
- Baby Boomers will continue to lead the charge as they purchase or sell their last “big” home.

As a result we expect prices to continue to increase throughout the region as supply fails to meet demand although we expect the price increases to be less as a percentage than 2005. Units closed should be about the same as 2005.

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President and Designated Broker