



# TOUR

April is New Homes Month

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## The economy and your new home

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**T**he national housing market has been at the forefront of media coverage since 2006, and many stories paint a picture of slowing economic growth couched in reports of escalating unemployment rates, financial market instability, waves of foreclosures and fears of recession.

As much as headlines containing phrases such as “plunges to five-year low,” “prices tumbling” and “industry slashing jobs” help sell newspapers and keep an audience watching the nightly news, they do not accurately convey the complexity of the economy at a national or local level.

Despite the reports, the Puget Sound’s economy continues to grow and the local housing market remains stable. A wide variety of people from professional singles to working families are moving into the region

— and they are not here for the weather. They are relocating because of our expanding job market.

According to the Washington State Employment and Security Department’s most recent news release pertaining to the area’s local economy, “February total non-farm employment levels in the Seattle-Bellevue-Everett Metropolitan Division rose to 1,464,700, 11,500 more than January 2008 and 31,500 more than February 2007.” Additionally, “February’s unemployment rate increased from 3.8 in January to 3.9 percent. The non-farm payroll employment for February still indicates a healthy and upward climbing labor market.”

While many areas throughout the nation face steep job losses and economic contraction, Washington — specifically, the Puget Sound region — continues to grow at a rate approximately three times that of the U.S.

average. The local unemployment rate remains well below the national unemployment rate of 4.8 percent.

So what does this mean for the Puget Sound’s new construction housing market?

Real estate is cyclical; it trends up and down over time. From 2004 to 2006, the Puget Sound-area housing market, following that of the national market as a whole, was in a historically unprecedented up-cycle.

Last year, demand began retracting to more historically stable levels while production of new supply continued. As a result of this excess inventory, prices dropped slightly from record highs at the end of 2007. New supply levels will begin to fall this year, because permitting levels have declined, while demand will continue to drive new home purchases. Demand for new housing, regardless of the real estate cycle in which it occurs, will inevitably continue in the

region as the local economy continues to expand. When combined with external variables such as commute times, job location and the eventual contraction in housing supply levels, home ownership in our region will remain a favorable option for years to come.

