

# BusinessWeek

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## In Seattle, a Tight Housing Market

Stringent building restrictions, and the city's unique geography, prevented overbuilding during the boom

Two big factors will help bolster Seattle housing prices in the next few years: stringent building restrictions and basic geography.

City officials kept a tight rein on development during the boom. Much of the new housing consists of "in-fill" projects that replace existing buildings or other properties. For example, South Lake Union, a multi-use development with 2,800 residential units so far and Amazon.com's ([AMZN](#)) new headquarters, was built on a former industrial site. "It's a difficult market to penetrate from a land acquisition perspective," says local builder Peter DelMissier, division president of Pageantry Homes. Not that there's much undeveloped land to buy. An isthmus, Seattle is hugged by the Puget Sound on the west and Lake Washington on the east.

With such constraints, Seattle doesn't have a significant supply of homes on the market. It would take just five months to work through the excess inventory, compared with roughly nine months for the U.S. as a whole, according to the National Association of Realtors. "Given sales, demographics, and job growth, we expect the inventory in Seattle to burn off faster than in other markets," says Richard M. Gollis, founder of The Concord Group, a consulting firm in Newport, Calif. Generally, cities with low inventory will bounce back sooner than the rest of the U.S. Tight supply in Seattle—much like in Dallas, Denver, and Portland—should set the stage for recovery in the next year or so.

Homeowners in Miami aren't as lucky. Builders in the coastal city slapped up condominiums and houses during the boom, figuring investors and retirees would jump on them. Today half-built condos mar the skyline, and newly constructed developments sit empty. The area has more than a 40-month supply on the market—among the highest in the country. Atlantic City and Las Vegas also are plagued by excessive inventory. The overhang in those markets will continue to weigh on prices for years, even as the rest of the country recovers.

Some areas of Seattle are on the mend already, with houses even sparking bidding wars. In April, Jen Hoff, 39, and her husband, Pete, 37, decided to upgrade to a bigger house to accommodate their expanding family. They put their Craftsman-style bungalow, typical of the homes in Seattle's oldest neighborhoods, on the market, and received five offers the next day. A few weeks later they sold their starter home for \$406,500, roughly \$7,500 above the listing price.

The family moved in May to a \$569,500 four-bedroom brick home built in 1947. Their new place is only one street away from the old—so Pete Hoff, a statistics professor at the University of Washington, can still bike to work. "We love the character of the neighborhood and that it reflects a time when it was first built," says Jen Hoff, a stay-at-home mom with two sons, ages 2 and 11. "It's not a neighborhood in transition."

### SEATTLE, WASHINGTON

Building restrictions—and the city's unique geography—should help lift prices

**POPULATION**

2,496,619

**2007 MEDIAN HOME PRICE**

\$437,920

**2008 MEDIAN HOME PRICE**

\$395,000

Numbers reflect metropolitan area; Data: Fiserv

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