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Condo shoppers lie low

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Walk into the "Trio" condominium project's Belltown showroom, and it looks like many other glitzy condominium projects rising in downtown Seattle. Many of Trio's units, when they're completed this fall, will feature bamboo floors and faux-granite countertops. Tenants will share a roof deck just a block from the new Olympic Sculpture Park.

But there's one key difference between Trio and some other recent projects: It isn't selling.

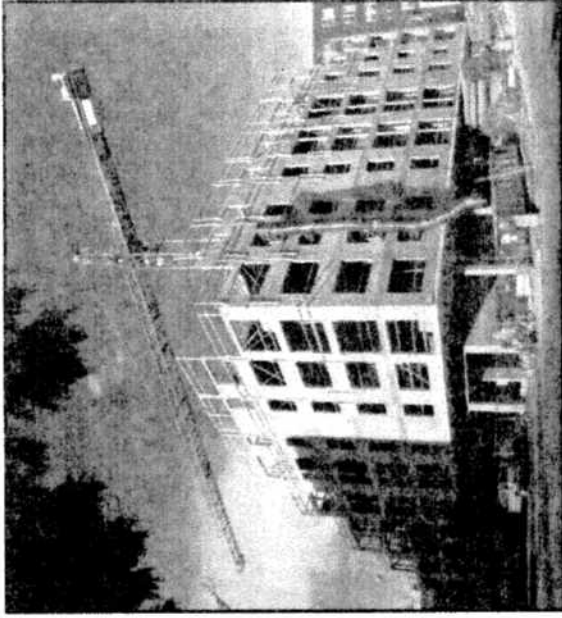
With a median price of \$405,000, the project opened for presales in December 2005 and, as of Jan. 7, had sold just 28 of its 116 units, according to the *Fat Report*, a monthly newsletter that chronicles local condo sales.

Trio is among a growing number of strug-

gling condo projects in Seattle. A downtown Seattle high-rise project at Fifth Avenue and Madison Street has sold about 52 of its 126 unfinished condominiums since September 2005. Lumen, a 94-unit project in Seattle's Lower Queen Anne neighborhood, started selling in June 2005, and roughly a third of its units are still up for grabs. In Ballard, a project dubbed Hjarta, which started presales in October, had sold seven of 79 units as of Jan. 7, according to the *Fat Report*.

The stagnant sales could pick up once the projects are completed, and don't mean Seattle has been dragged into the condo tailspin now affecting markets in Las Vegas, Boston and other cities — some recent local projects have sold out within days. Still, many local develop-

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BUSINESS JOURNAL PHOTO/DAN SCHLATTER

The Trio at Denny Way and Western Avenue is one of several Seattle condo projects with many unsold units after months on the market.



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CONDOS: Some shoppers holding back for a better deal

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ers and real estate watchers agree that Seattle's condominium market is decelerating for the first time in years. The reason: With thousands of local condos slated to go up in the next few years, buyers believe the recent period of rapid price appreciation is disappearing, and it's taking away the buy-now urgency that fueled the local boom with it.

"Buyers have a lot more to choose from and are playing a bit of a waiting game," said Mark Schuster, president and chief executive officer of the Schuster Group Inc., a Seattle-based real estate development company.

Nationwide, the condominium outlook is bleak in cities such as Washington, D.C., where a rush to build left the market oversaturated. In the fourth quarter of last year, developers in the Washington metro area switched roughly 5,900 projected condos into rental apartments, while plans for another 2,500 new condominiums were shelved, according to Delta Associates, a research firm based in Alexandria, Va.

While the Puget Sound region's housing market is slowing — in King, Pierce and Snohomish counties, the Northwest Multiple Listing Service has reported falling home sales and rising inventories since last summer — none of the real estate professionals contacted for this story were aware of any local projects being canceled or postponed, and most economists agree that the local market is well-insulated against a dramatic decline.

According to Dick Conway, co-publisher of the *Puget*

Sound Economic Forecaster newsletter and Web site, the ongoing Boeing boom, a Microsoft hiring spree and strong demand for the region's exports from Asia set the stage for an ongoing population immigration that should keep housing demand steady.

"We have very strong fundamental demand for housing because of population growth," Conway said.

The critical question facing local condo buyers: whether supply will outstrip that demand. While it's nearly impossible to predict how many condos are too many, it's apparent that the region's developers remain in the throes of a condo-building spree.

Developers in King, Pierce and Snohomish counties filed permits to build 8,300 units of multifamily housing, including apartments, condominiums and townhomes, in 2005, according to Conway. That number rose to 11,200 last year.

Meanwhile, developers are converting apartments into condos at a rapid clip. Roughly 7,000 apartments were transformed into condominiums in 2006, or were scheduled to hit the market soon, according to Dupre + Scott Apartment Advisors in Seattle.

The bevy of new projects "has probably put a little rain on the sales parade," said Lin Shih, a Seattle real estate agent who specializes in condos at Coldwell Banker Bain. "Buyers think that, with all these new developments coming up, they can be picky."

Another factor: a widespread belief that the days of rapid price gains are over.

"When the market was hot, people knew they were buying today for ready-made appreciation," said Brett Frosaker, owner of Columbia Real Estate in Seattle and publisher of the *Fat Report*. "Now they're starting to wonder if today's condos are listing at tomorrow's prices."

According to Frosaker, a project's sales typically accelerate once it is completed, in part because buyers feel more comfortable seeing the actual units instead of showroom mock-ups.

Nonetheless, some projects have sold rapidly in the presale phase, especially lower-priced developments targeted at first-time buyers. The 251-unit Moda project in Belltown, for instance, came on the market for presales last summer and sold out within days, according to Frosaker. Many of Moda's condos were small units priced under \$300,000.

Looking ahead, Frosaker believes this summer could be a ripe time for condo buyers to get good deals, especially as the bigger projects get closer to completion and their developers feel a greater sense of urgency to fill them up.

"With all these projects fighting tooth and nail," Frosaker said, "summer might turn into a great buying opportunity."

Schuster believes demand will remain strong enough to support current price levels.

"I don't see price drops being part of the equation even if there were a significant slowdown," he said.

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