

Seattle, Manhattan could be next housing downturn

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By Ilaina Jonas

NEW YORK (Reuters) - Seattle, wake up and smell the coffee, your housing prices may be falling faster than foam on a latte.

Seattle, whose job growth from such companies as Boeing Co (BA.N: [Quote](#), [Profile](#), [Research](#)), Microsoft Corp (MSFT.O: [Quote](#), [Profile](#), [Research](#)), Google Inc (GOOG.O: [Quote](#), [Profile](#), [Research](#)) and Starbucks Corp (SBUX.O: [Quote](#), [Profile](#), [Research](#)), is seeing the strength of its housing market eroding, Jonathan Miller, Radar Logic director of research, said on Tuesday at the Reuters Housing Summit.

Radar Logic tracks home-price changes, including those resulting from foreclosures, new construction and condominium sales, in 25 U.S. metropolitan areas.

Seattle has ranked about the top of all the U.S. housing markets over the past few years, Miller said. Prices have appreciated at about 12 percent to 16 percent yearly.

This past summer, the appreciation rate fell to 9 percent. Today its stands at about 1.5 percent. Meanwhile, the inventory of unsold homes in that market climbed at 40 percent over the last year.

"You can really see a top market like Seattle, which has been consistently performing well, going into the red," said Miller.

Today the strongest U.S. housing market is Milwaukee, Wisconsin, he said. The New York metropolitan area stands at No. 2.

But New York, especially Manhattan is slipping and could be vulnerable to even a bigger downturns. The financial services industry, one of strongest driving forces in housing demand, especially in Manhattan, has seen thousands of job losses and is bracing for more.

"My sense is sense that in Manhattan, a year or two out we're definitely going to see weakness," Miller said.

In the fourth-quarter 2007, the median price of an apartment in Manhattan rose 6.4 percent, he said.

Stripping out the eye-popping multimillion dollar very top new developments at 15 Central Park West and The Plaza, the overall median rose about 5 percent.

"That's not housing-boom numbers, and it's been that way for two years," he said. "Going forward over the next year or two we certainly have concerns and I would be surprised if we saw the overall median for the market go negative."

However, the tight supply of housing in Manhattan may allow New York to avoid the devastating price declines that some other markets such as Miami and Las Vegas are experiencing.

(Reporting by Ilaina Jonas; Editing by Tim Dobbyn)