

## QUARTERLY NEWSLETTER

Volume 3, Issue 1

January 2006

### A SUMMARY OF "PUGET SOUND MARKET REPORT, FIRST QUARTER 2006" BY BILL PARKER, CONSULTANT

#### SPECIAL POINTS OF INTEREST:

- An article from consultant Bill Parker
- Three Cheers: Changes at GMC-CMI LLC

*To read Bill Parker's full article, please refer to our website at:*

[www.gmc-cmi.com](http://www.gmc-cmi.com)

**Housing Sales:** Pending sales experienced a typical seasonal decrease in December but there appears to be a slight softening of the market in recent months, although empirical data is not currently available. Nonetheless, the housing market is very strong by recent historical measures and inventory levels are remaining fairly constant.

**Commercial Real Estate:** Office vacancy rates continue to show marked improvement, although the Southend has been slower to recover. Lease rates, however, have not shown any appreciable increase. Industrial vacancy rates are likewise showing steady improvement. Construction activity has picked up considerably, particularly in the Kent/Tacoma area.

**Single Family Building Permits:** The number of

permits being issued in the tri-county area has been relatively constant for the last two years and shows no sign that builders are rushing to bring new product to the market. Based on the number of permits currently being issued, the inventory of new homes should be about the same as it has been but marketing time may be extended.

**Interest Rate Outlook:** There should be a continued increase in rates over the near term, as the Fed is expected to continue its policy of regular but modest increases. Long term mortgages will probably increase by 50bp over the next six to twelve months. Prime is also expected to be up 50bp by mid to late 2006. These gradual increases give credence to a slowing of the real estate market as opposed to a collapse.

**Housing Bubble:** In recent years housing prices increased by vastly different percentages in different parts of the country. While increases in interest rates

may cause some price changes, there is no reason to believe that it will be universal across the country. Double digit annual increases, however, will not be as common and we may even see some decreases in different areas. Frenzied markets, be they stock, real estate, gold or otherwise, usually result in rather dramatic decreases when the market changes. Since real estate frenzy is much more of a local/regional phenomenon, we expect that any decreases will be felt accordingly.



*Bill Parker is a consultant with 34 years of experience in community banking and executive positions.*

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**WE'RE ON THE WEB AT [WWW.GMC-CMI.COM](http://WWW.GMC-CMI.COM)**

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### THREE CHEERS!

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A lot has changed in the last month for the employees of GMC-CMI LLC. Please join us in welcoming a new member to our staff, Jeff Tollefson. Jeff is currently pursuing a Masters in Construction Management and is a welcome addition to our team.

We are happy to announce the birth of Kasen Casady to proud parents Sam and Jaime Casady. Kasen is a happy and healthy baby boy. Sam has been a valued on-site inspector for GMC-CMI LLC since 2005.

Another employee, Lacey Fain, celebrated her wedding to Brian

Mansell on New Year's Eve. After a vacation in Paris, Lacey has returned as Lacey Mansell.

GMC-CMI LLC was proud to host it's first ever Holiday Open House party. Thank you to those of you who made it out for food, wine, and fun. The event was a success!