

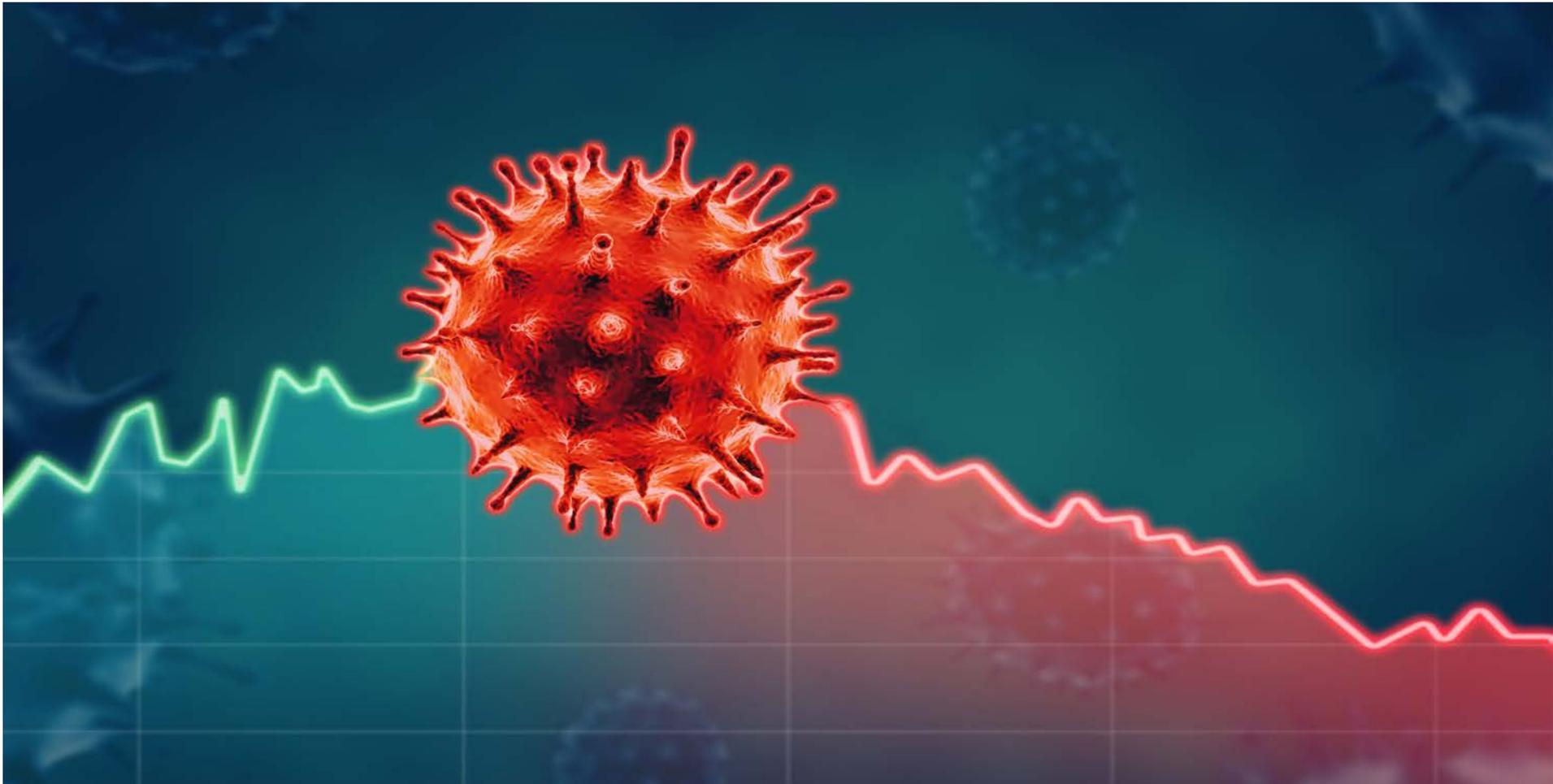


WINDERMERE
Economics

A National and Regional Economic & Housing Forecast

Presented by: Matthew Gardner

CHIEF ECONOMIST WINDERMERE REAL ESTATE



ECONOMICS IN A COVID-19 WORLD



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The U.S. Economy



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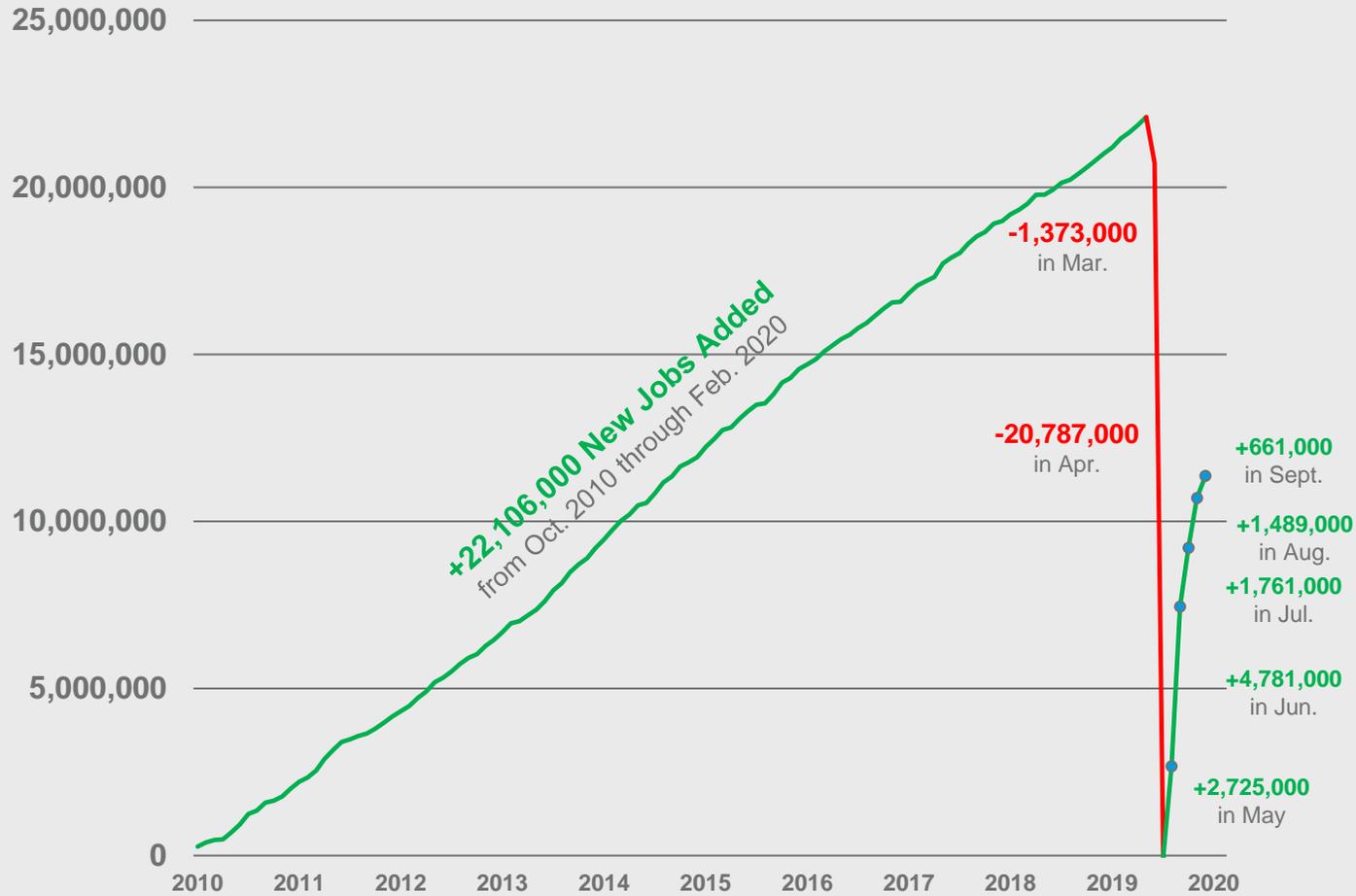
Employment



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Cumulative Monthly Change in Jobs Since Oct. 2010

non-agricultural employment; seasonally adjusted



Source: BLS

**Jobs Are
Returning,
But We
Still Have a
Long Way
To Go**



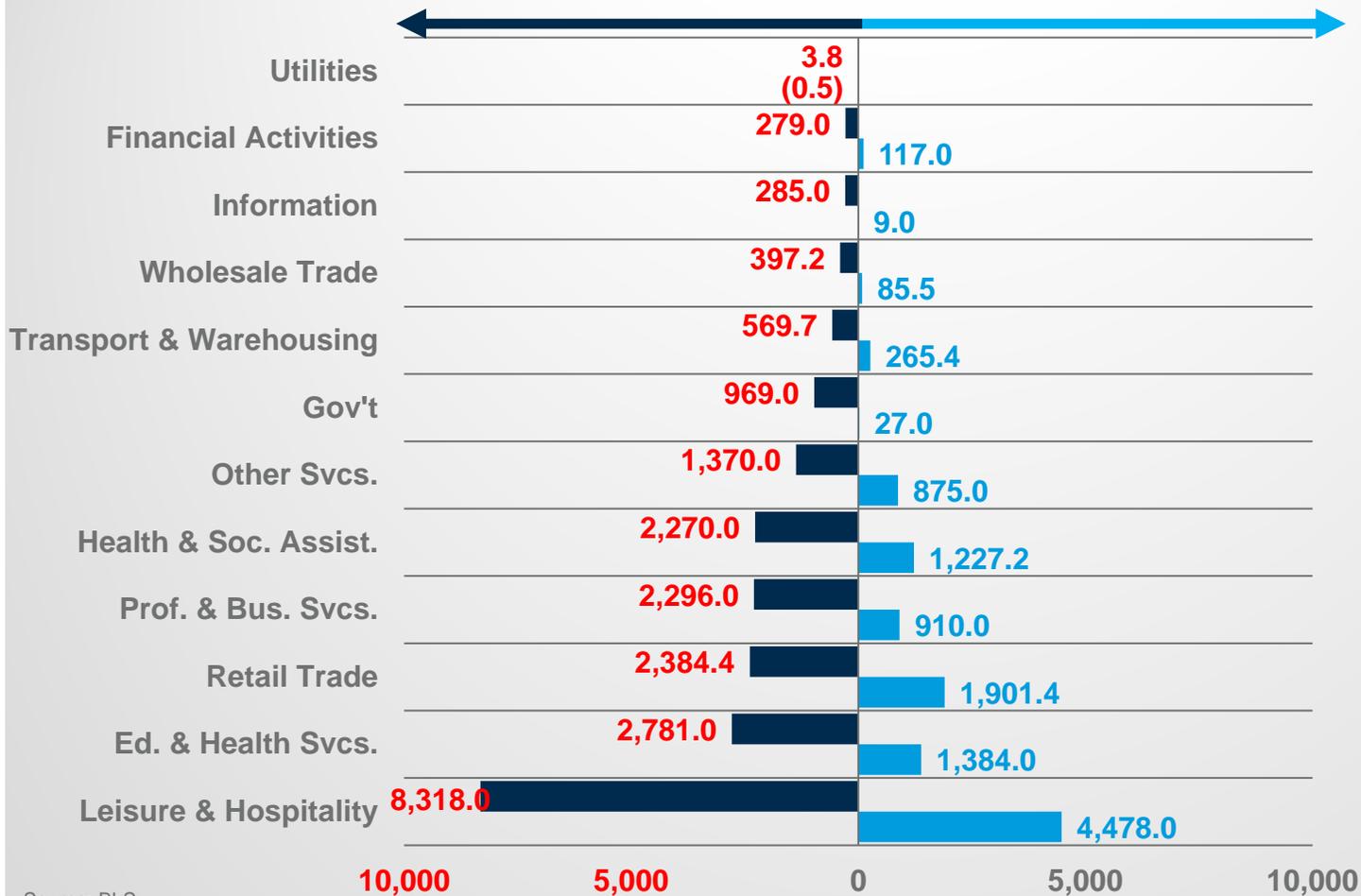
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Pandemic Influenced Job Changes

in thousands, seasonally adjusted data

Feb. to April

May to Sept.



Source: BLS

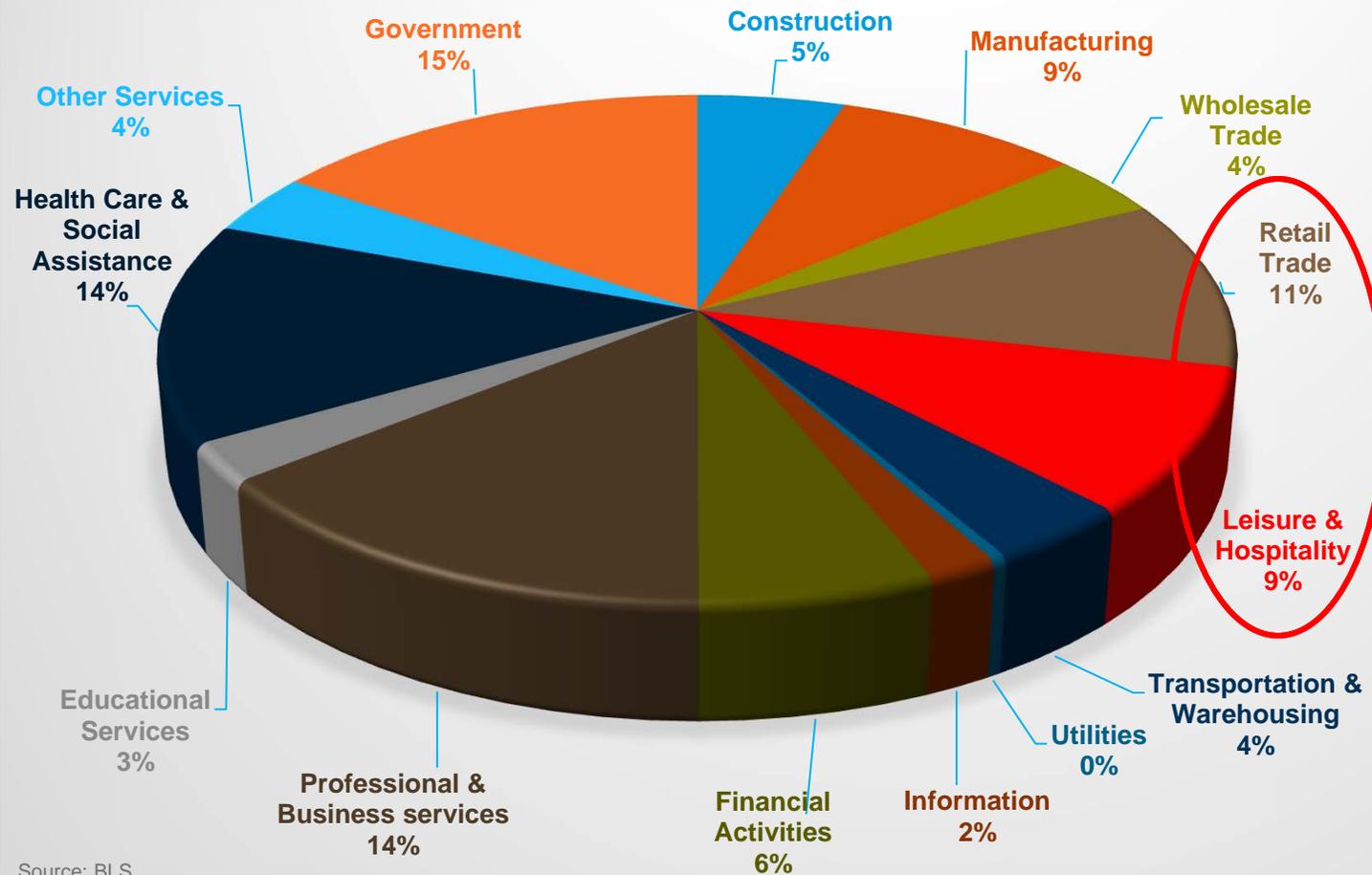
The Job Recovery is Bifurcated



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Non-Ag Employment by Major Industry Sector

September 2020



Source: BLS

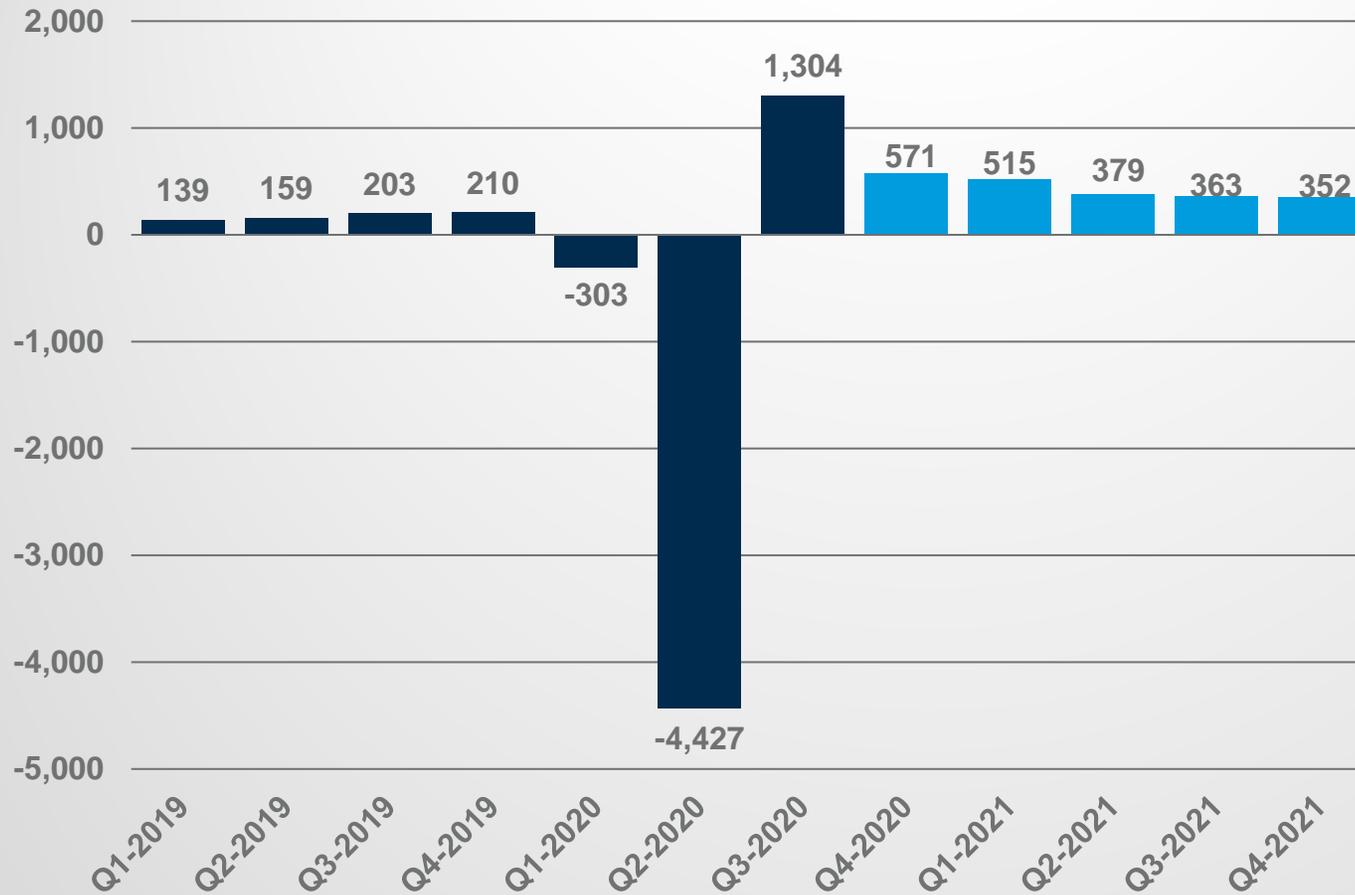
The Make Up of Jobs Can Lead Us to Theorize that a Recovery Will Not be Complete



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Non-Farm Payrolls: Average Monthly Change & Forecast

in thousands



Source: BLS w/Windermere Economics' Forecasts

**Q-3 Job
Growth
Should
Have Been
Stronger**



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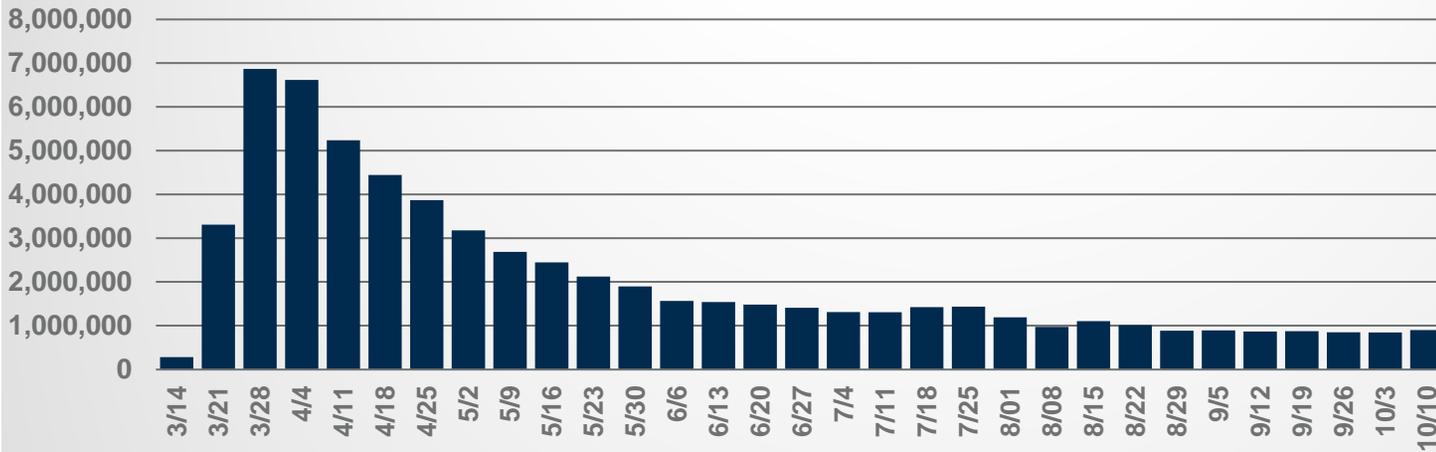
Unemployment



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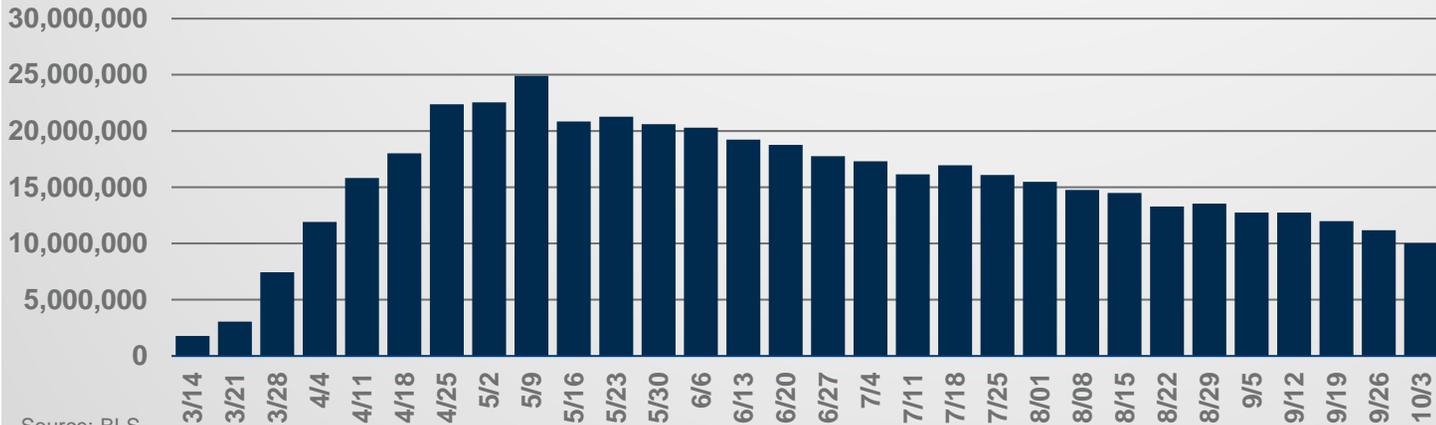
Weekly Initial Claims

seasonally adjusted



Weekly Continuing Claims

seasonally adjusted



Source: BLS

Unemployment Claims Detail

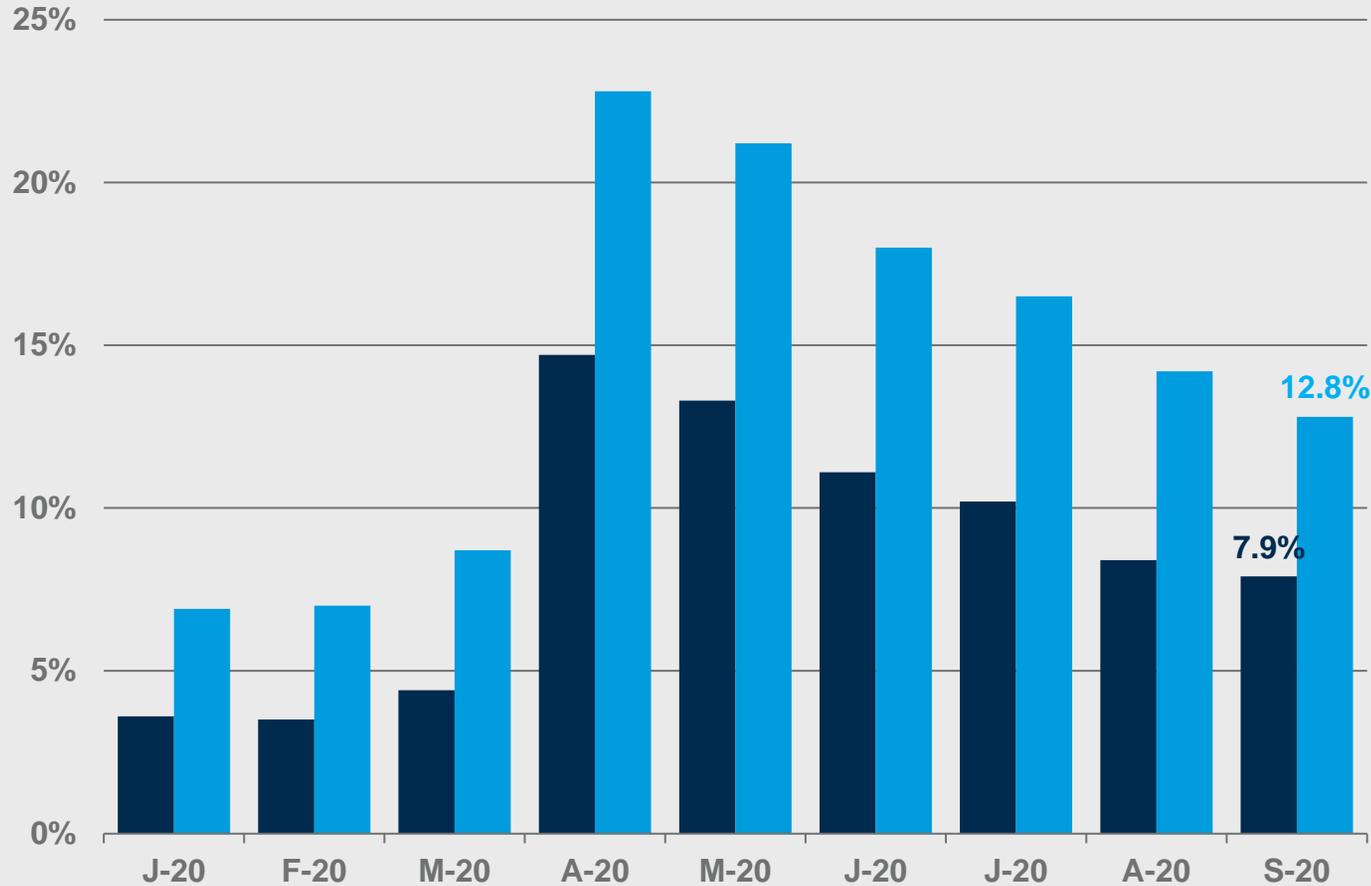


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Unemployment Rates

seasonally adjusted rates

■ U-3 ■ U-6



Source: BLS

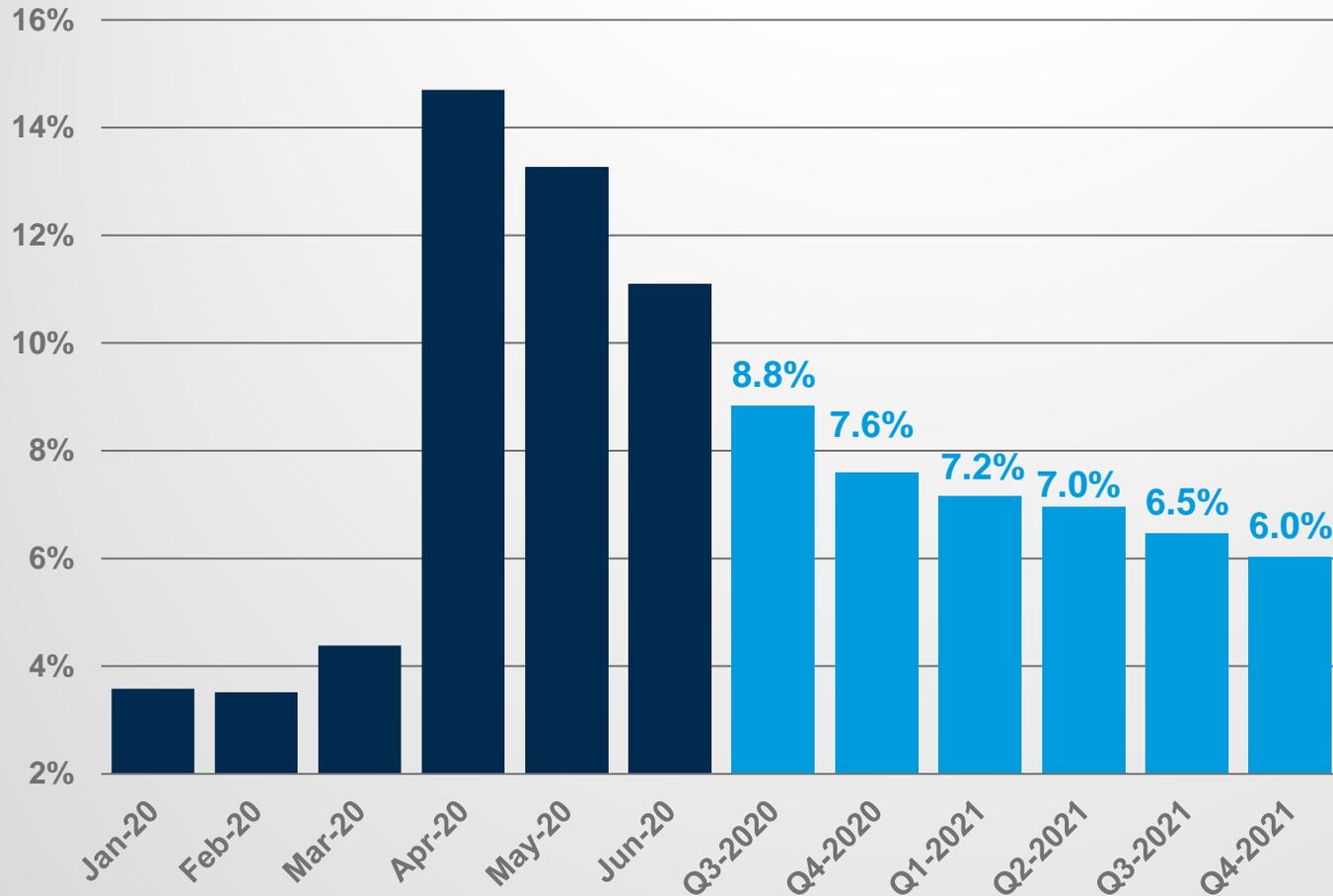
The
Headline
Number is
Pretty Good,
But Not So
Much When
You Look
Deeper



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U.S. Unemployment Rate & Forecast

using U-3 criteria



Source: BLS history & Windermere Economics forecasts

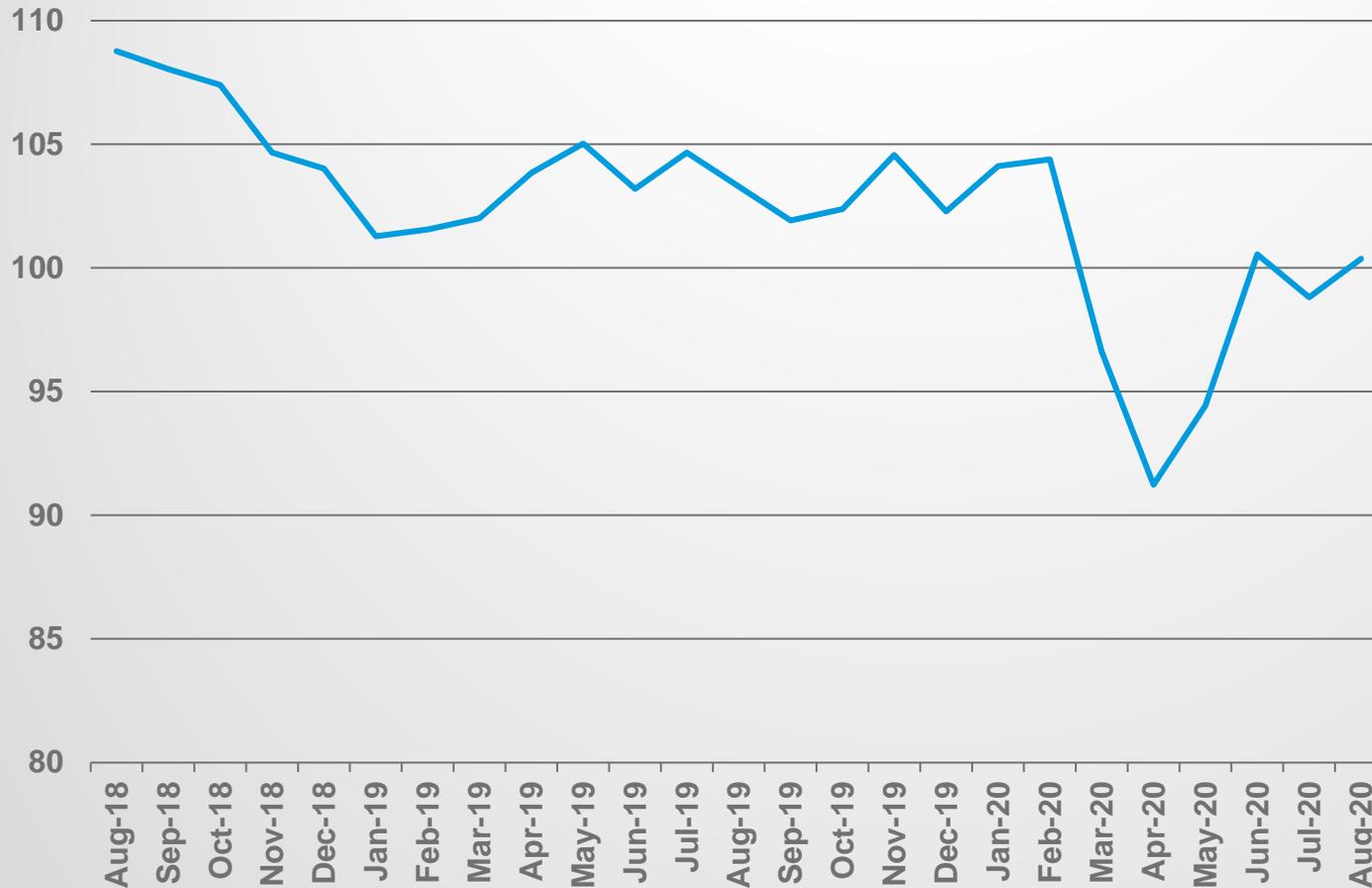
Jobless Rates Will Continue Trending Down



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Small Business Optimism Index

seasonally adjusted; 1986 = 100



Source: National Federal of Independent Business (NFIB)

**Small
Business
Confidence
Also
Improving**



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Small Business Optimism Index (Sept. 2020)

103.9
(Up 2% y/y)

| | |
|---|------|
| Net Share of Businesses Planning on Adding Staff | 23% |
| Net Share of Businesses Planning on Making Capital Outlays | 27% |
| Net Share of Businesses Expecting the Economy to Improve (over next 3-months) | 32% |
| Net Share of Businesses Expecting Real Sales to Rise (over next 3-months) | 8% |
| Net Share of Businesses Who Have Seen Actual Sales Rise (last 3-months compared to the prior 3-months) | -6 |
| Net Share Who Expect Credit Conditions to be Easier (next 3-months compared to the prior 3-months) | -5% |
| Net Share of Businesses Believing that Now is a Good Time to Expand | 14% |
| Net Share of Businesses Who Have Seen Earnings Rise (last 3-months compared to the prior 3-months) | -13% |
| Net Share of Businesses Who Have Raised Compensation (over last 3-months) | 16% |

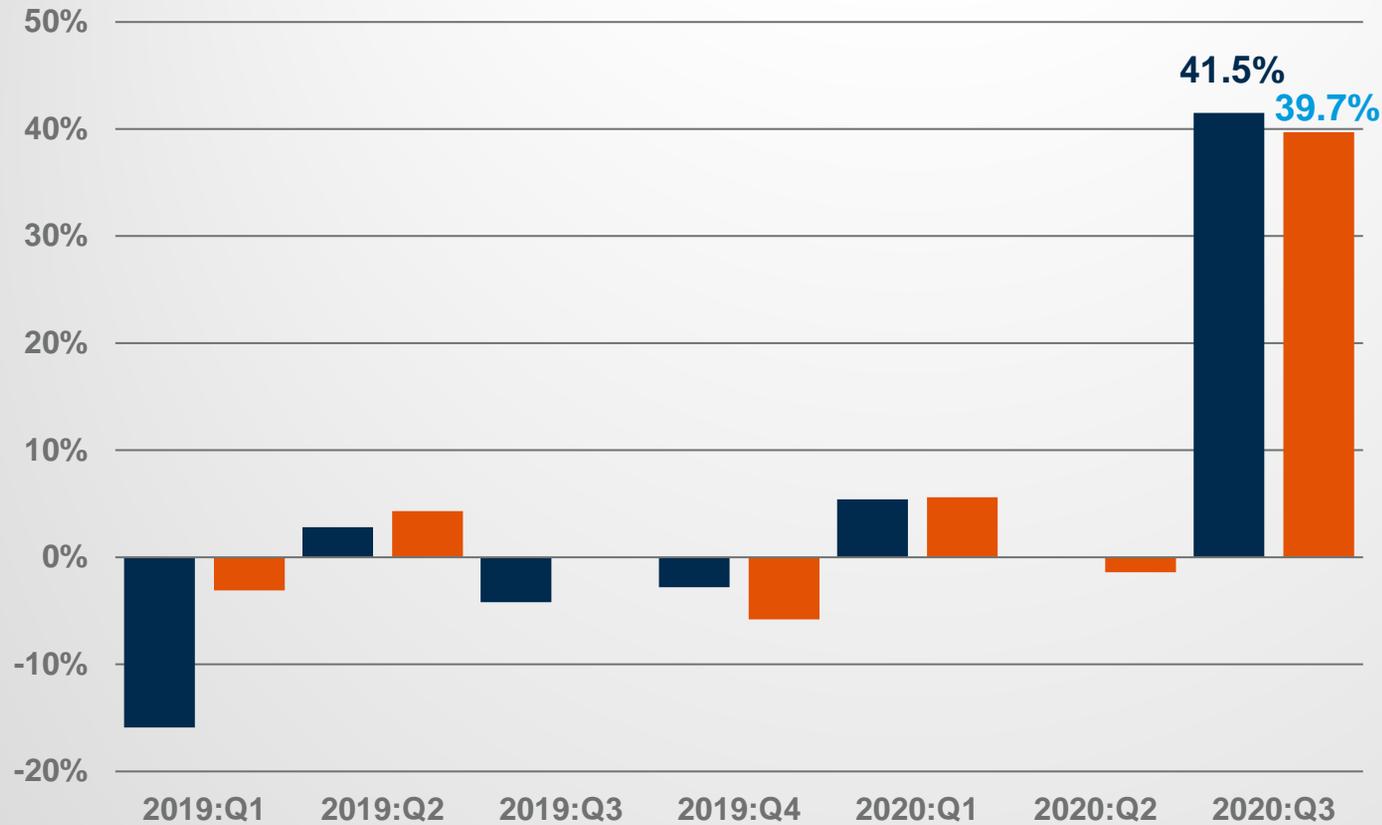
Breakdown of Small Business Confidence



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Net % of Lenders Tightening Standards for Commercial & Industrial Loans

■ Large & Medium
■ Small



Source: Federal Reserve

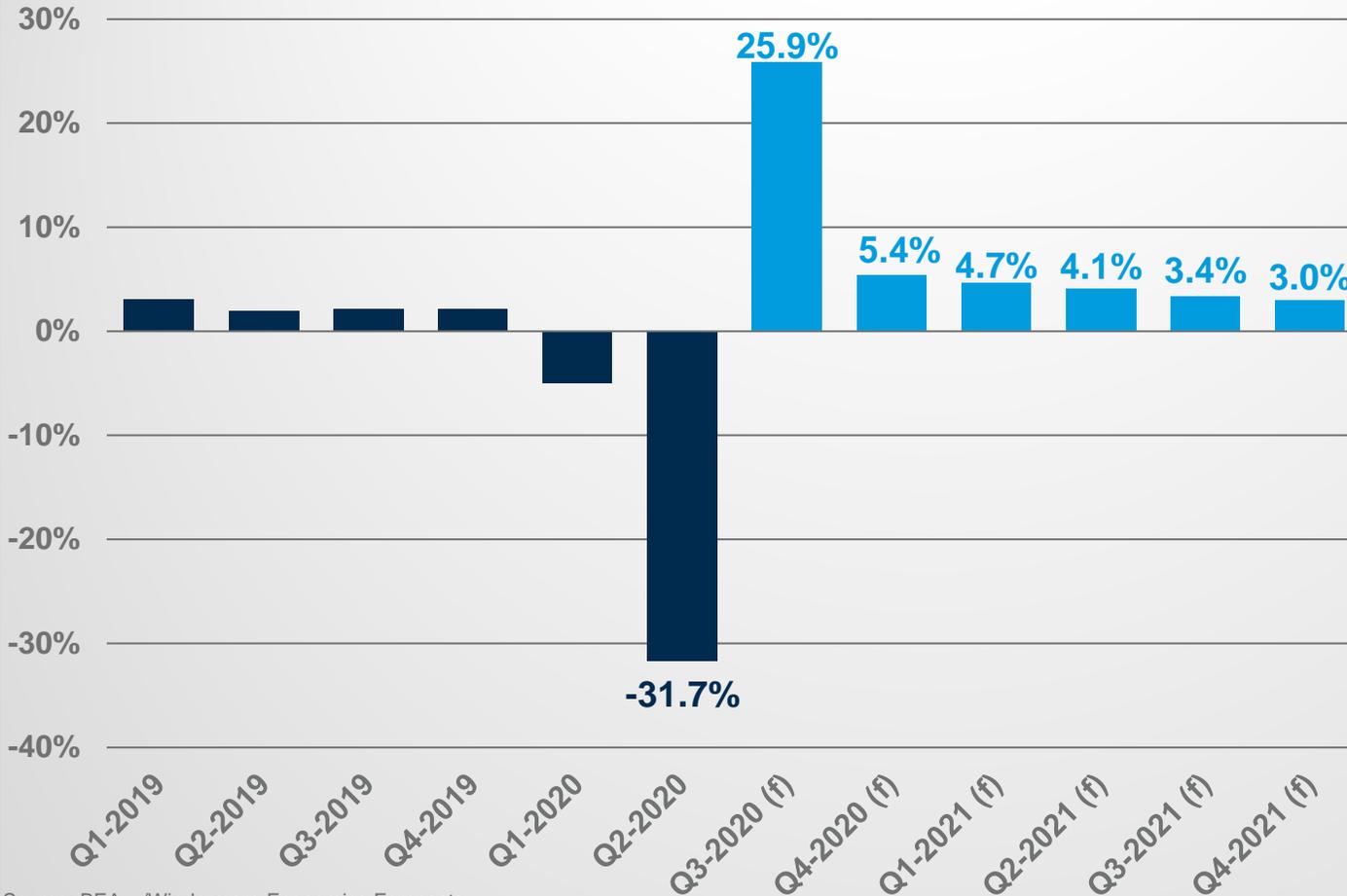
**Banks
Remain Very
Cautious in
Their
Underwriting**



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United States Real Gross Domestic Product

percentage change from the preceding period; seasonally adjusted annual rate



Source: BEA w/Windermere Economics Forecasts

**The
Economy
Will Expand
Significantly
This Quarter**



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- Current Economic Situation Makes Accurate Forecasting “Problematic”;
- Coronavirus – Significant Weight is Being Given to the US Getting a Vaccine or Inoculation This Winter;
- Not All Jobs Lost Will Return; &
- The Second Half of 2020 “Will” Feel a Lot Different from the First, with an Economic Recovery Continuing as We Move Through 2021.

The U.S. Housing Market



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Inventory of Homes for Sale

in millions; seasonally adjusted



Source: NAR

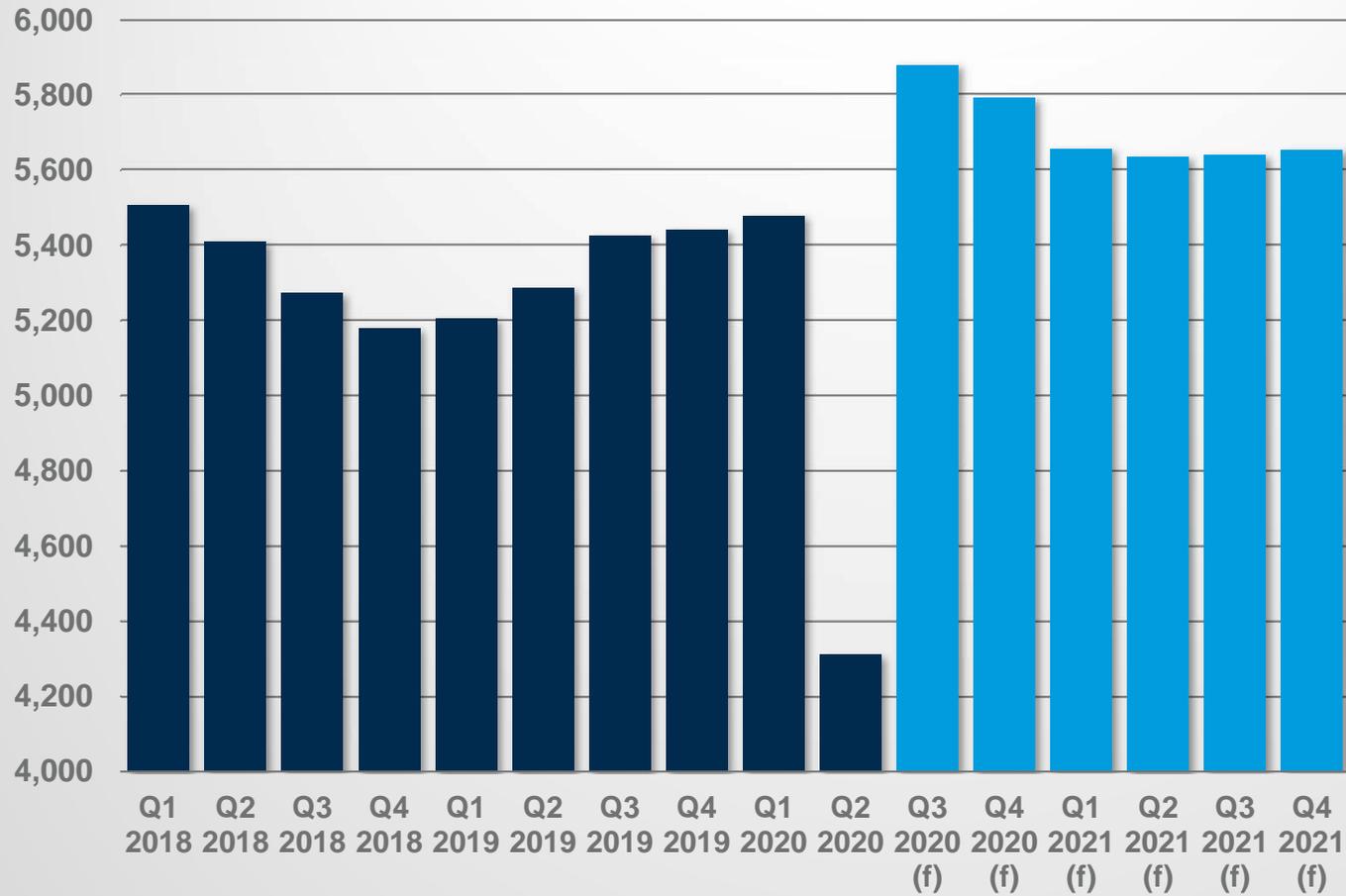
Housing Supply at a Generational Low



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Existing Home Sales w/Forecast

in thousands; seasonally adjusted annual rate



Source: NAR History & Windermere Economics' Forecasts

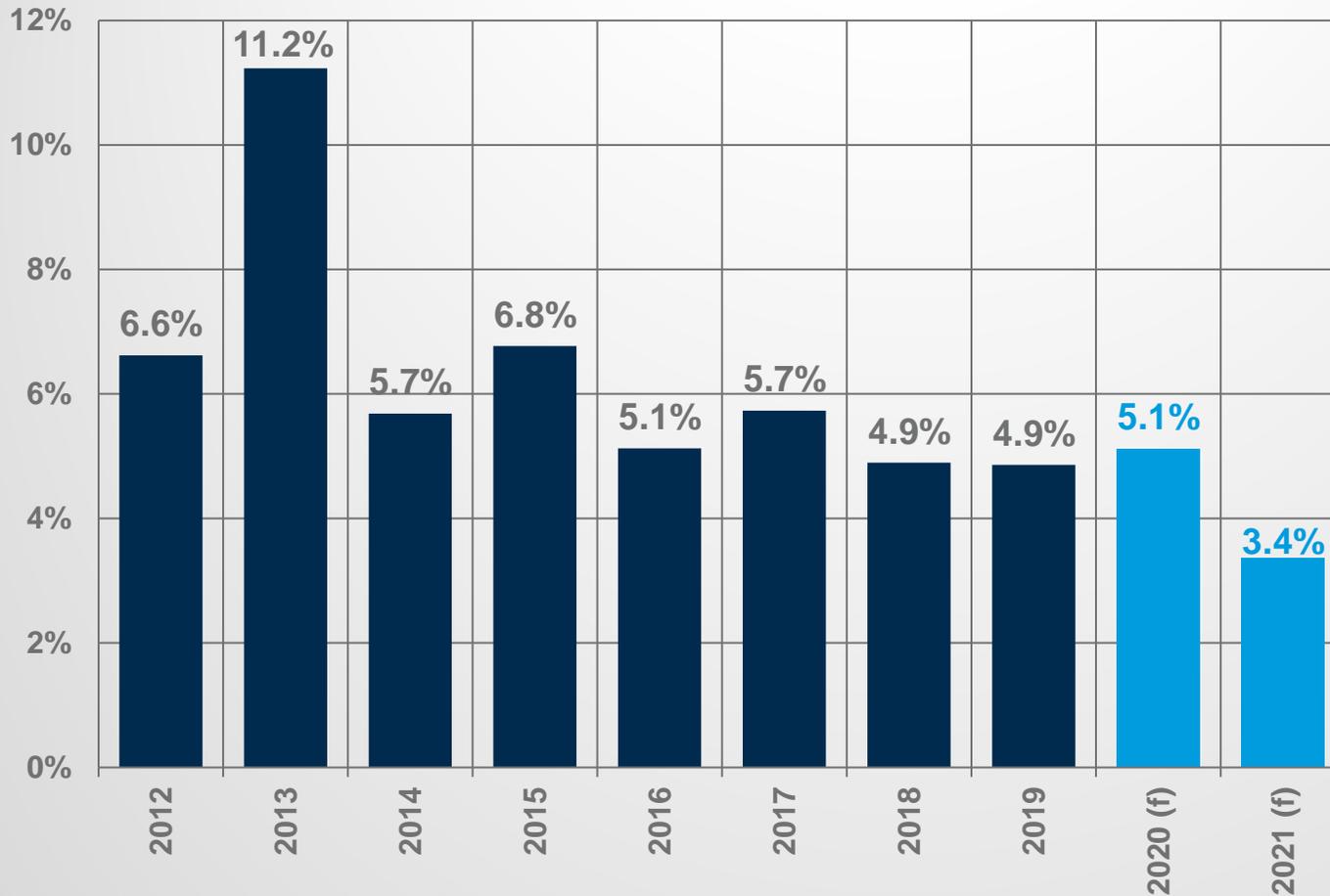
Sales Pick Back Up Nicely



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Median Sale Price of Existing Homes & Forecast

annual percentage change; single-family & multifamily units



Source: NAR History & Windermere Economics Forecasts

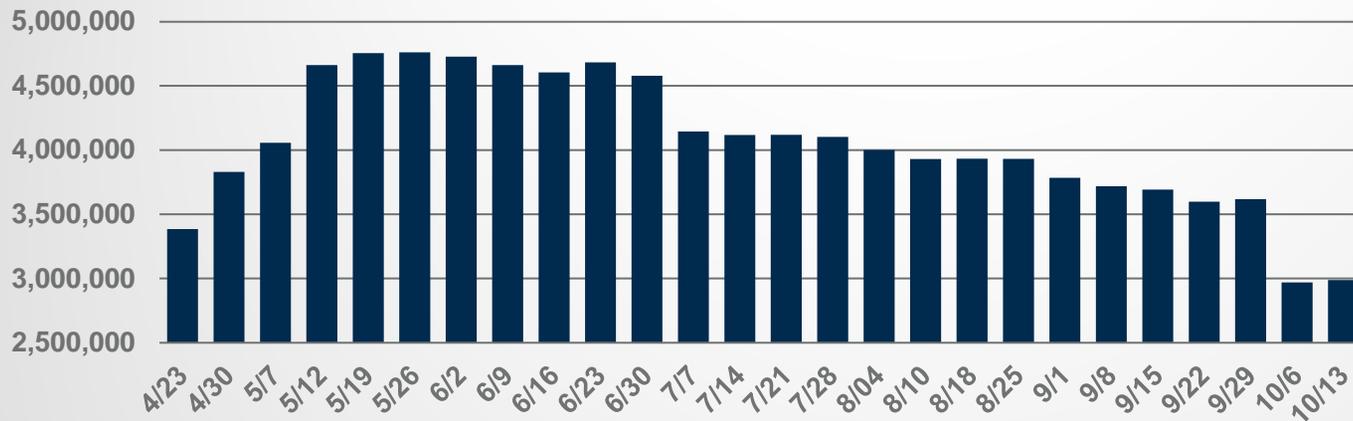
**Price
Growth
Should
Slow, But
Not Until
in 2021**



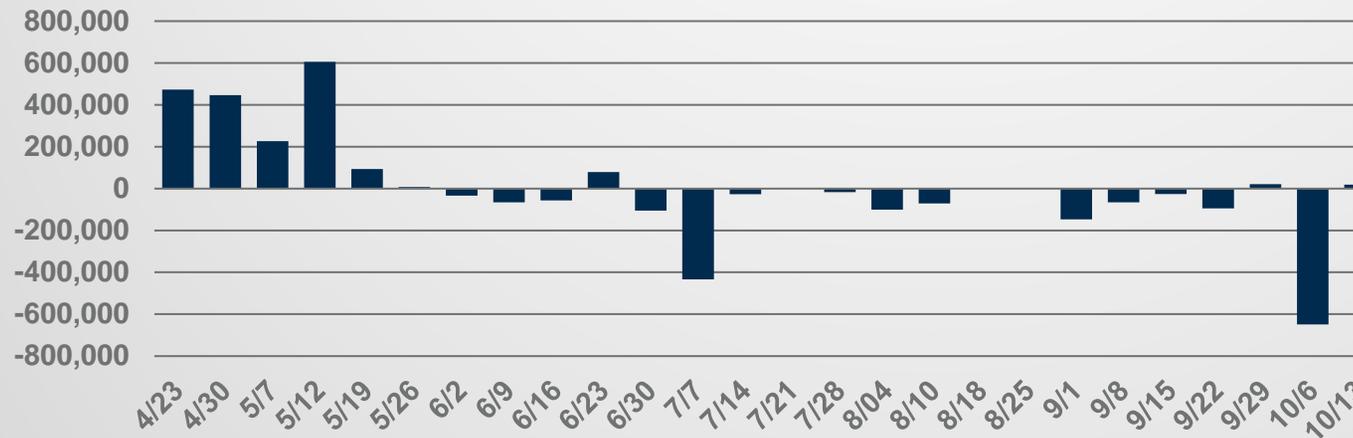
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Mortgages in Forbearance

total residential homes in forbearance



Weekly Change in Mortgages in Forbearance



Source: Black Knight Financial

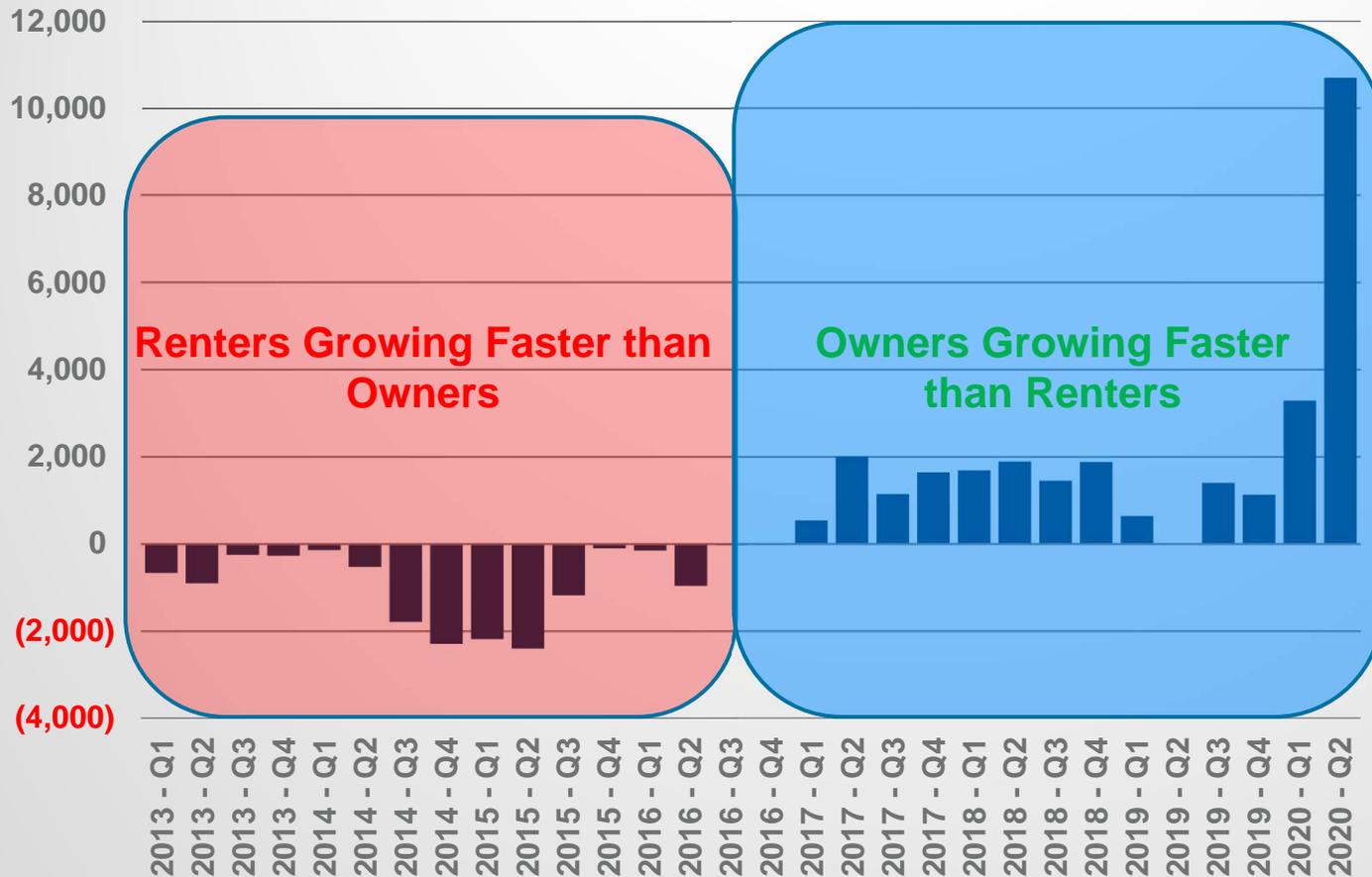
**Forbearance
Activity is
Improving**



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New U.S Household Formations by Type

(y/y change in owner households less y/y change in renter households)
in thousands



Source: Census Bureau

**U.S.
Shifting
Back
Toward
Ownership**



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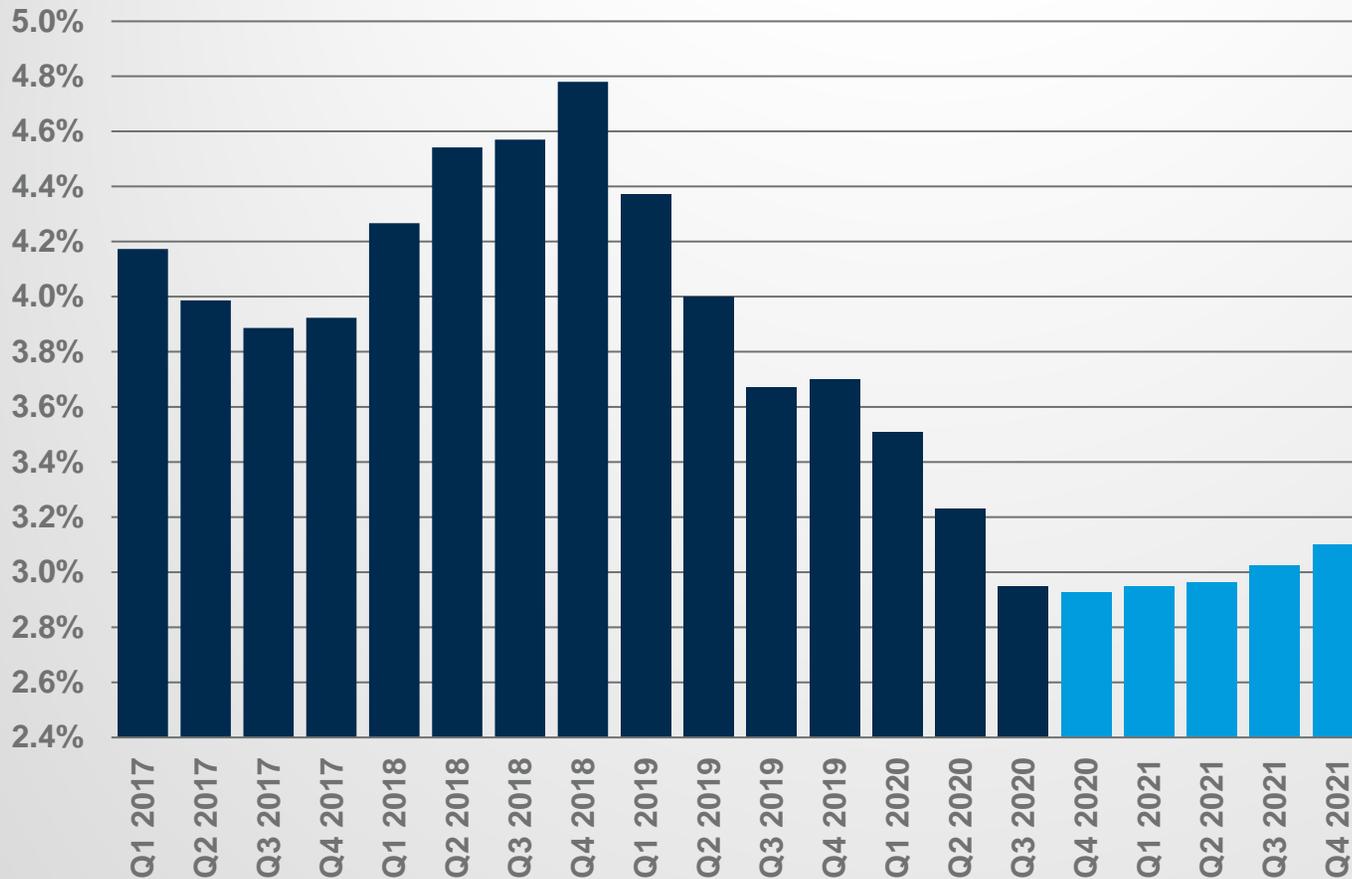
Mortgage Rates



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Average 30-Year Mortgage Rate History & Forecast

for a fixed rate conventional mortgage; ex points



Source: Freddie Mac history & Windermere Economics forecasts

**& I Do Not
Expect
Them to
Break
Above 4%
Until 2022**

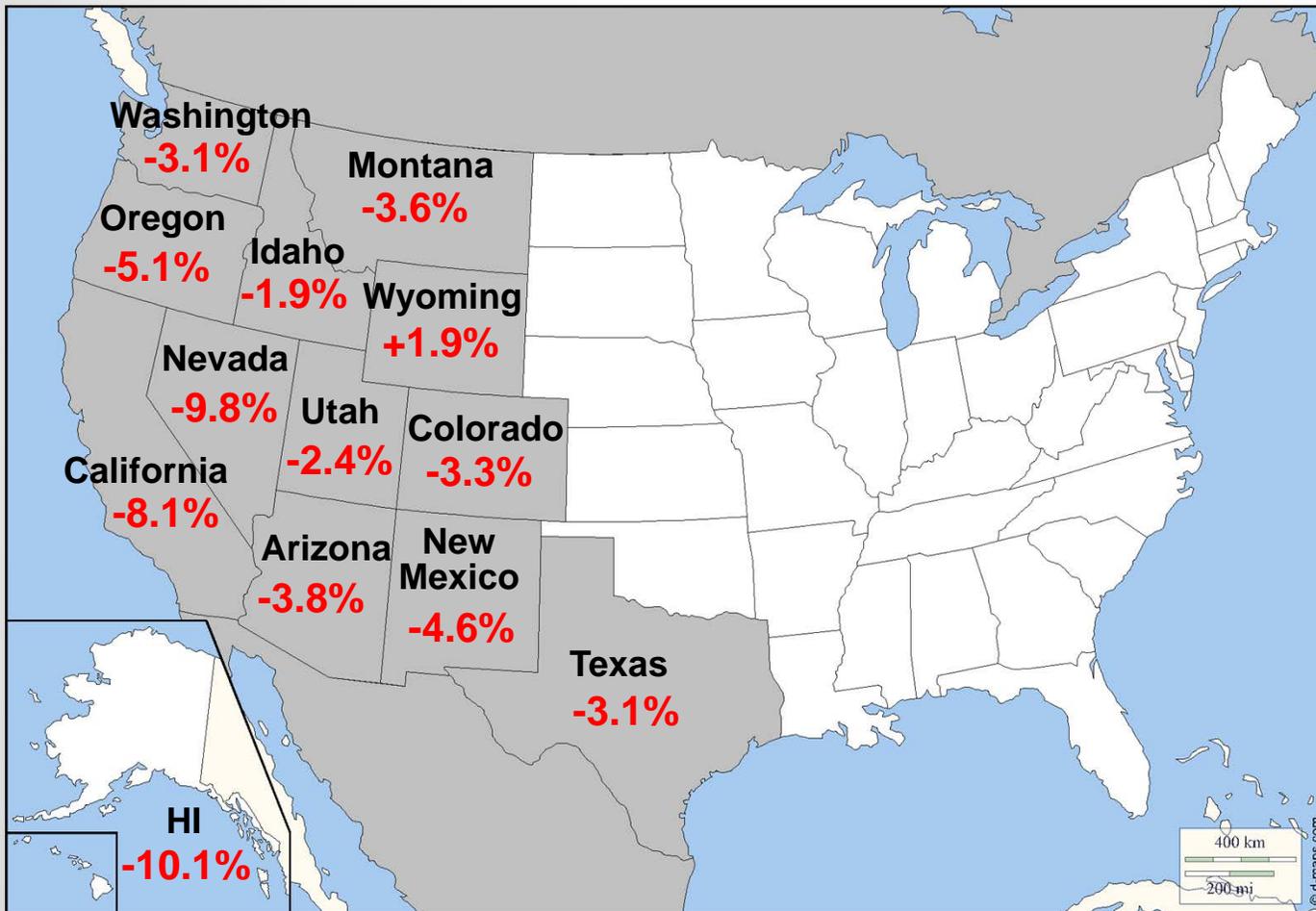


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The State & Regional Economy

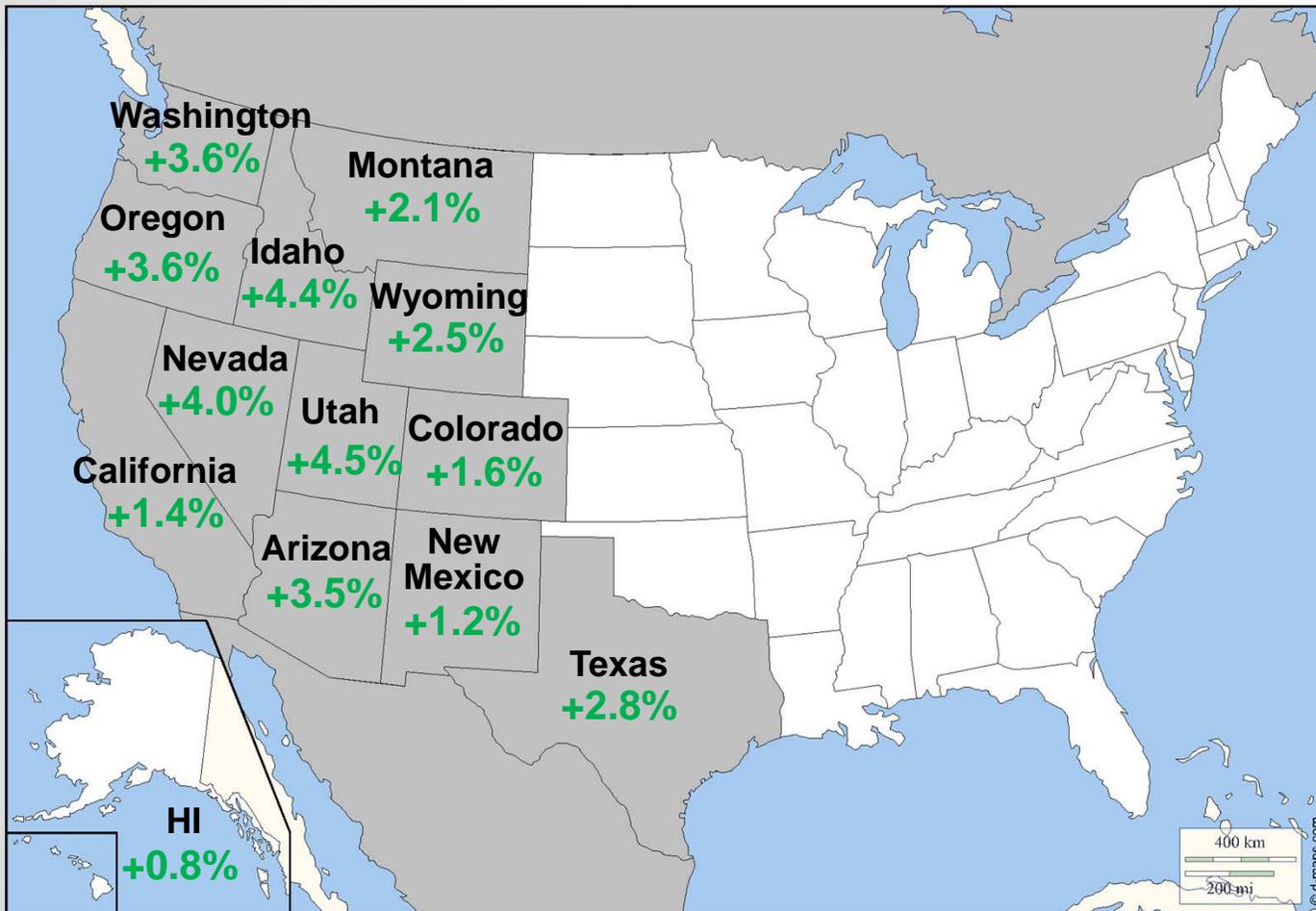


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Source: Windermere Economics

Employment Growth Forecast (2020)

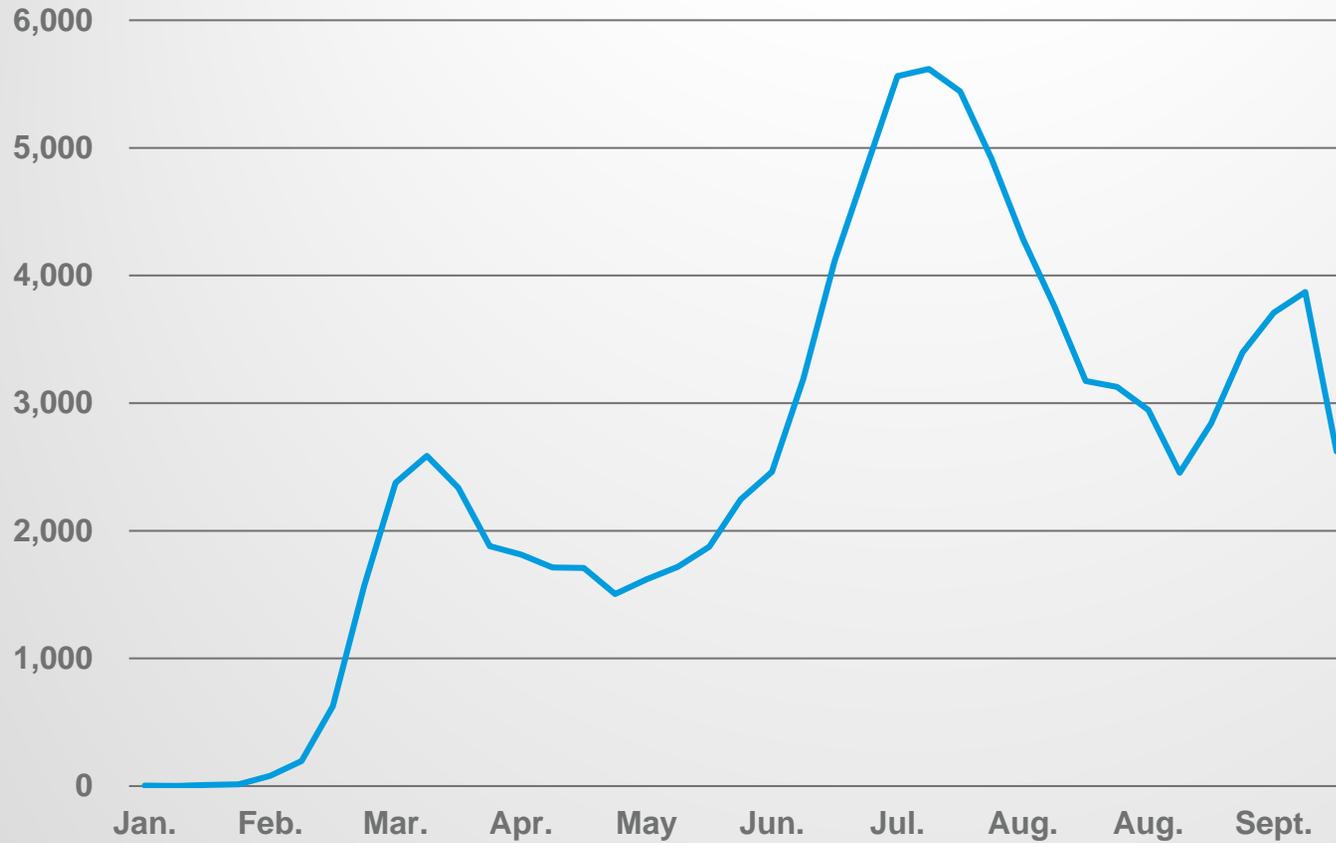


Source: Windermere Economics

Employment Growth Forecast (2021)

COVID-19 in Washington State

total new cases; by week



Source: WA DoH

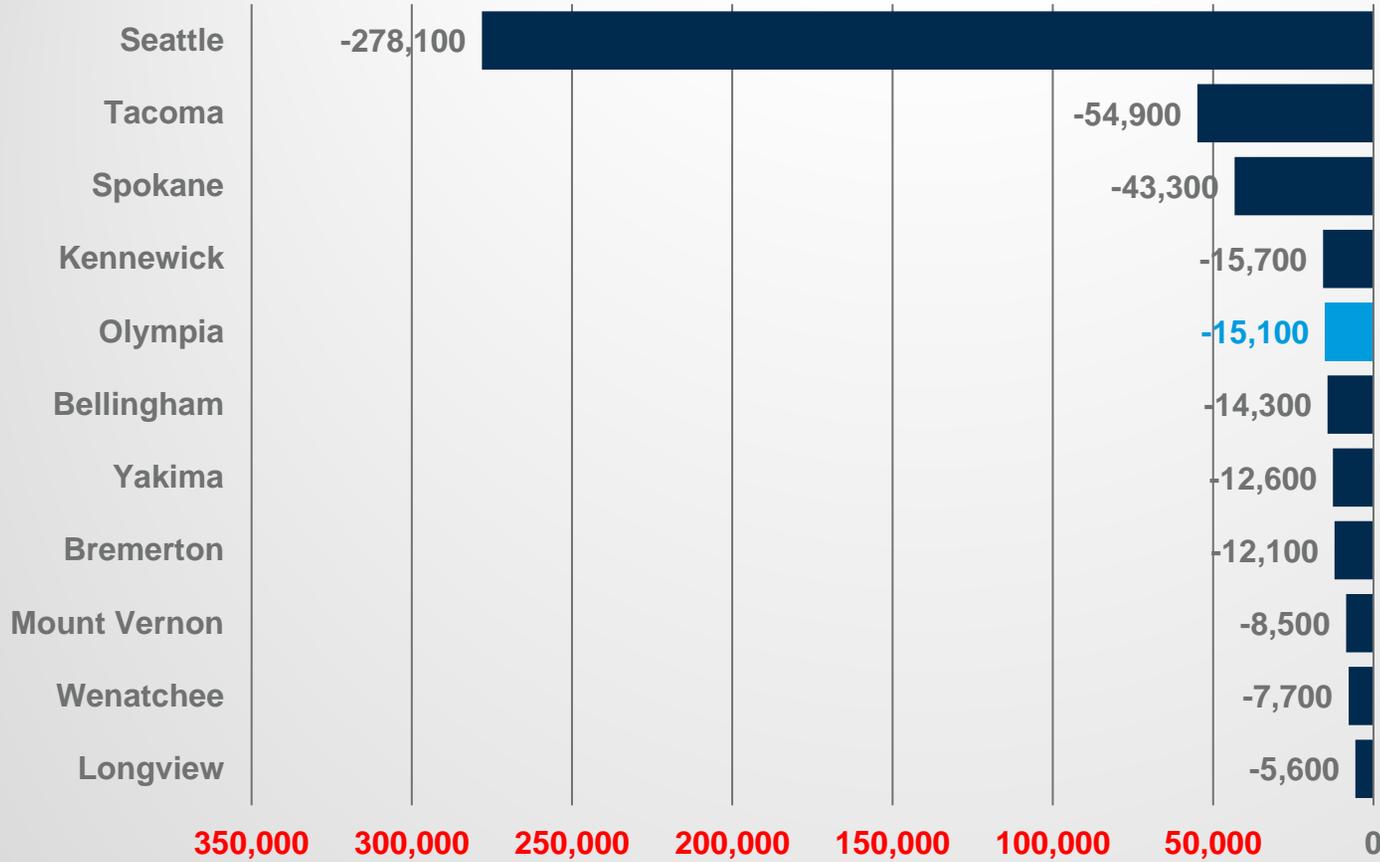
**Cases are
Dropping
Nicely; Let's
Keep it Up!**



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MSA Employment Change

Non-ag employment; Feb. - Apr. 2020



Source: WA ESD

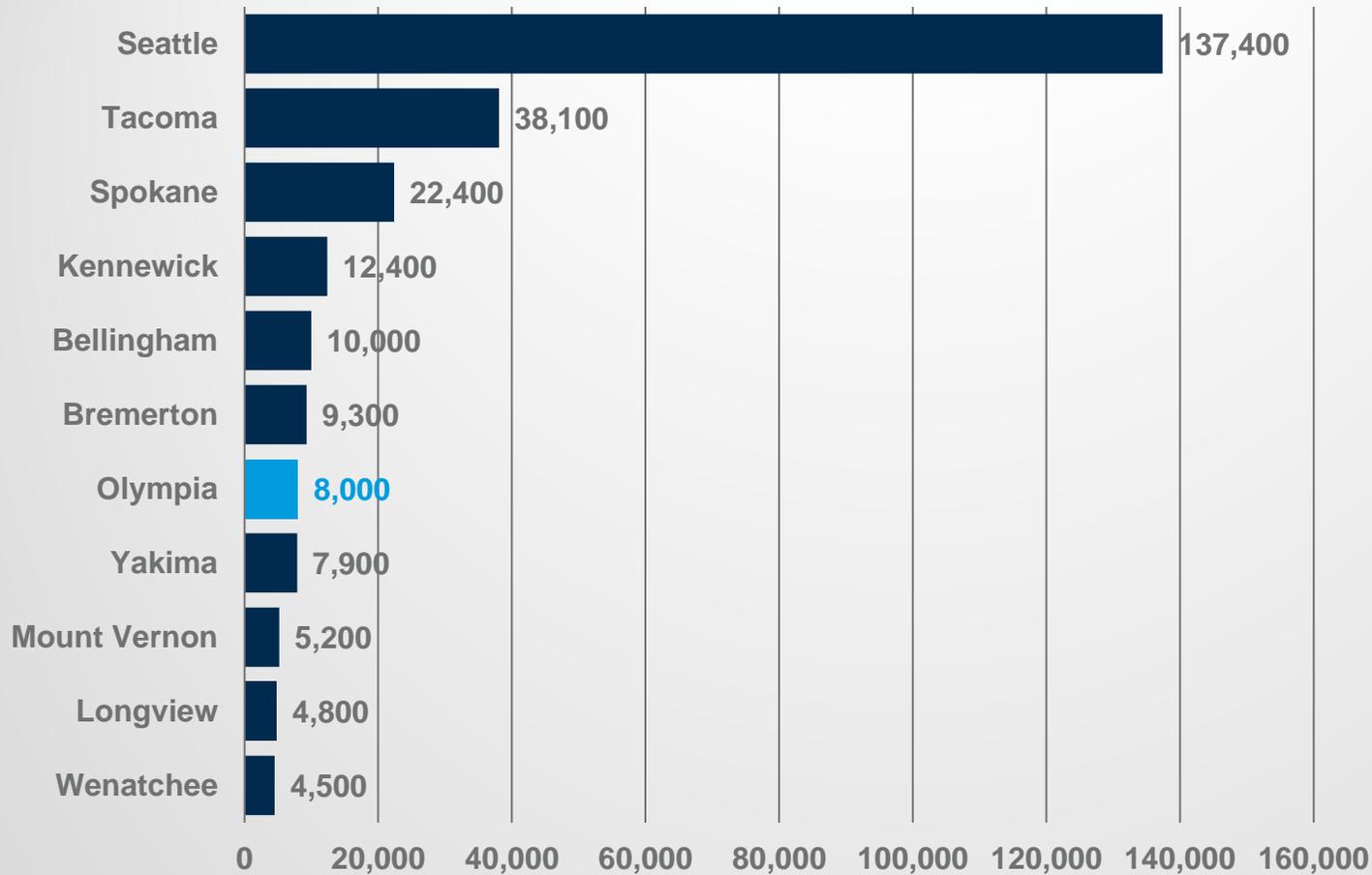
**COVID
Related
Drop in
Employment**
(Washington MSA's)



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MSA Employment Change

May to Sept. 2020; seasonally adjusted



Source: WA ESD

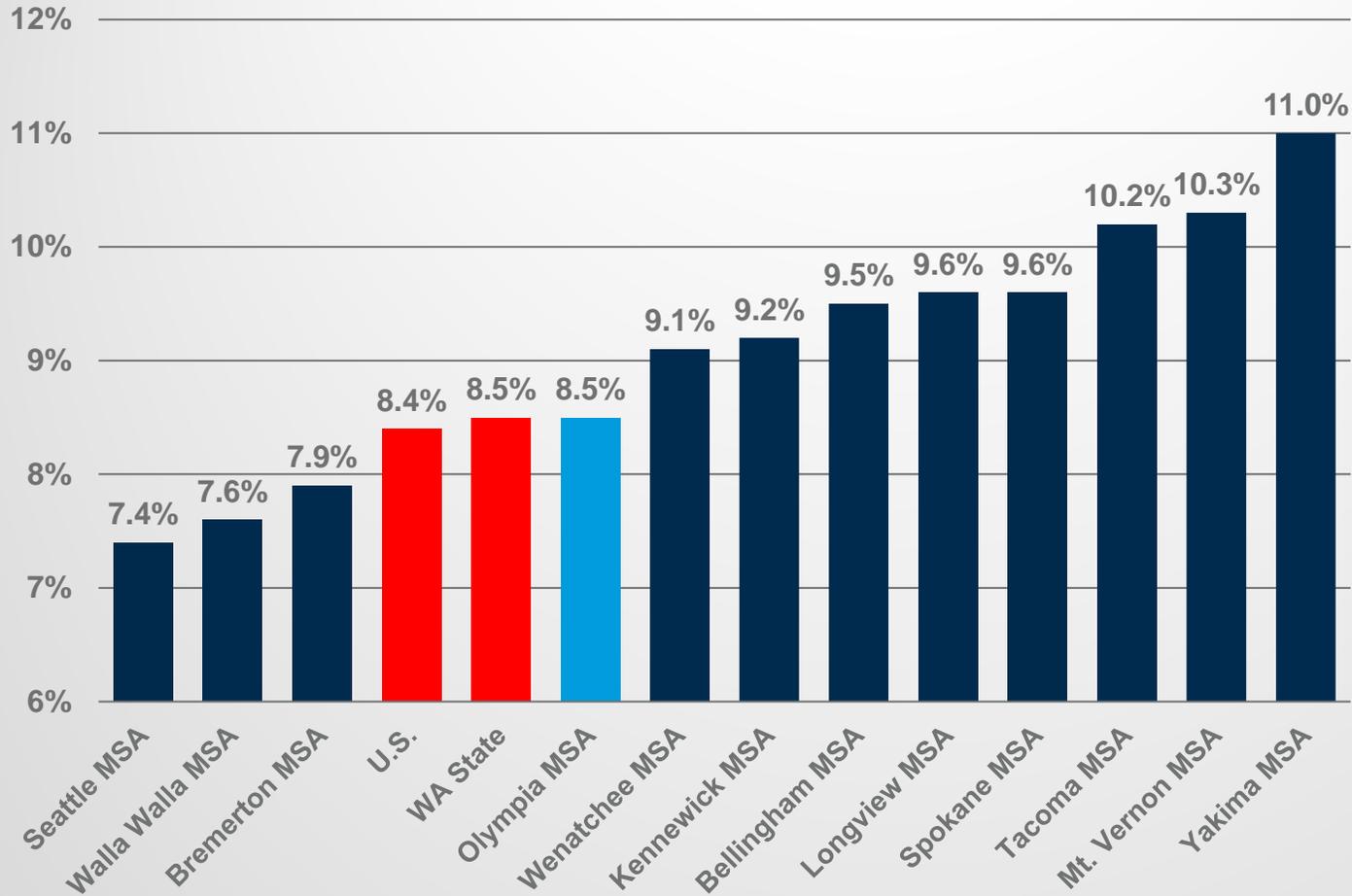
**Jobs
Recovered
So Far**
(Washington MSA's)



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Unemployment Rates by Metropolitan Area

Seasonally Adjusted – August 2020



Source: WA ESD

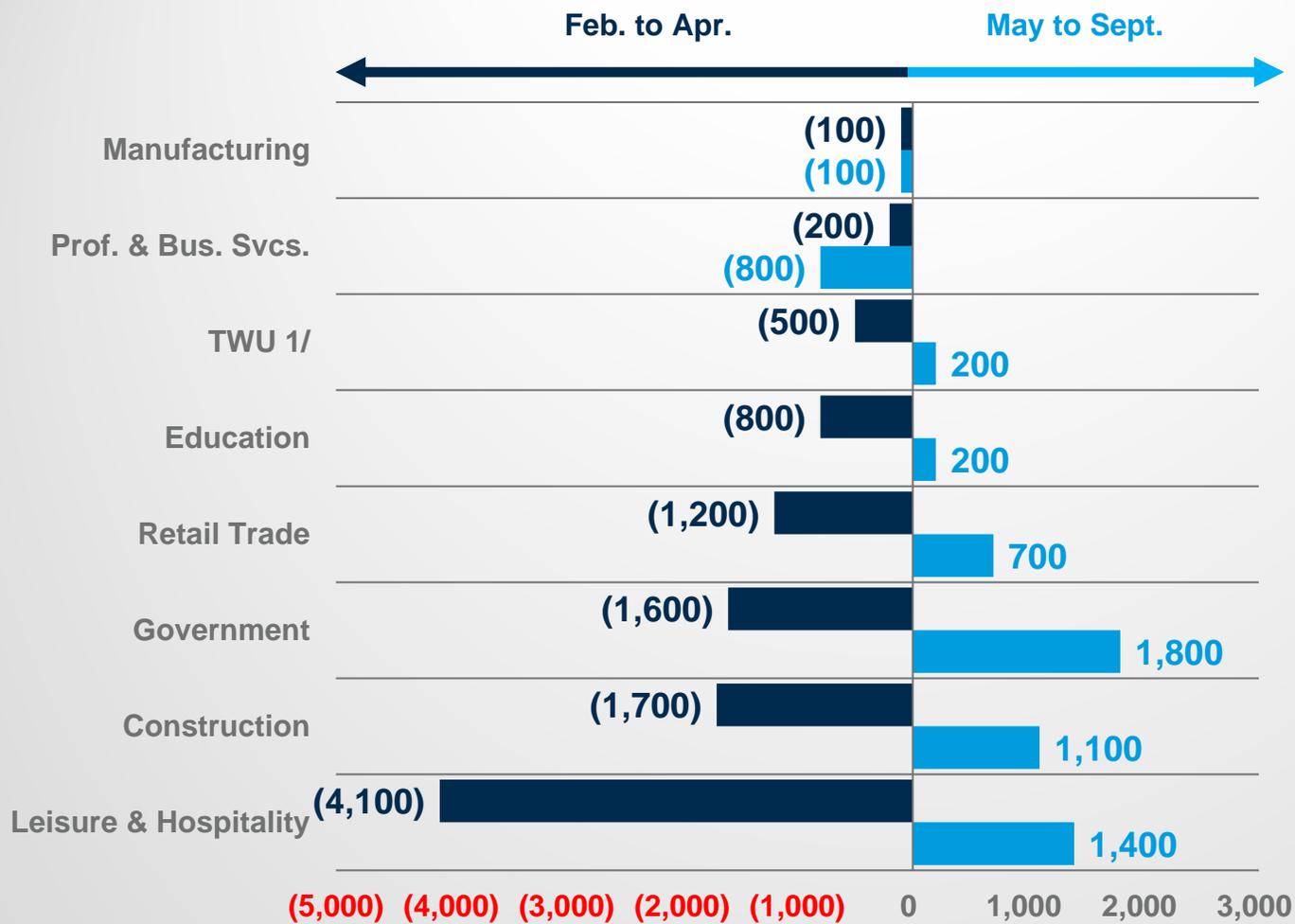
Relative Unemployment Rates

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Olympia MSA



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Change in Sectoral Job Growth

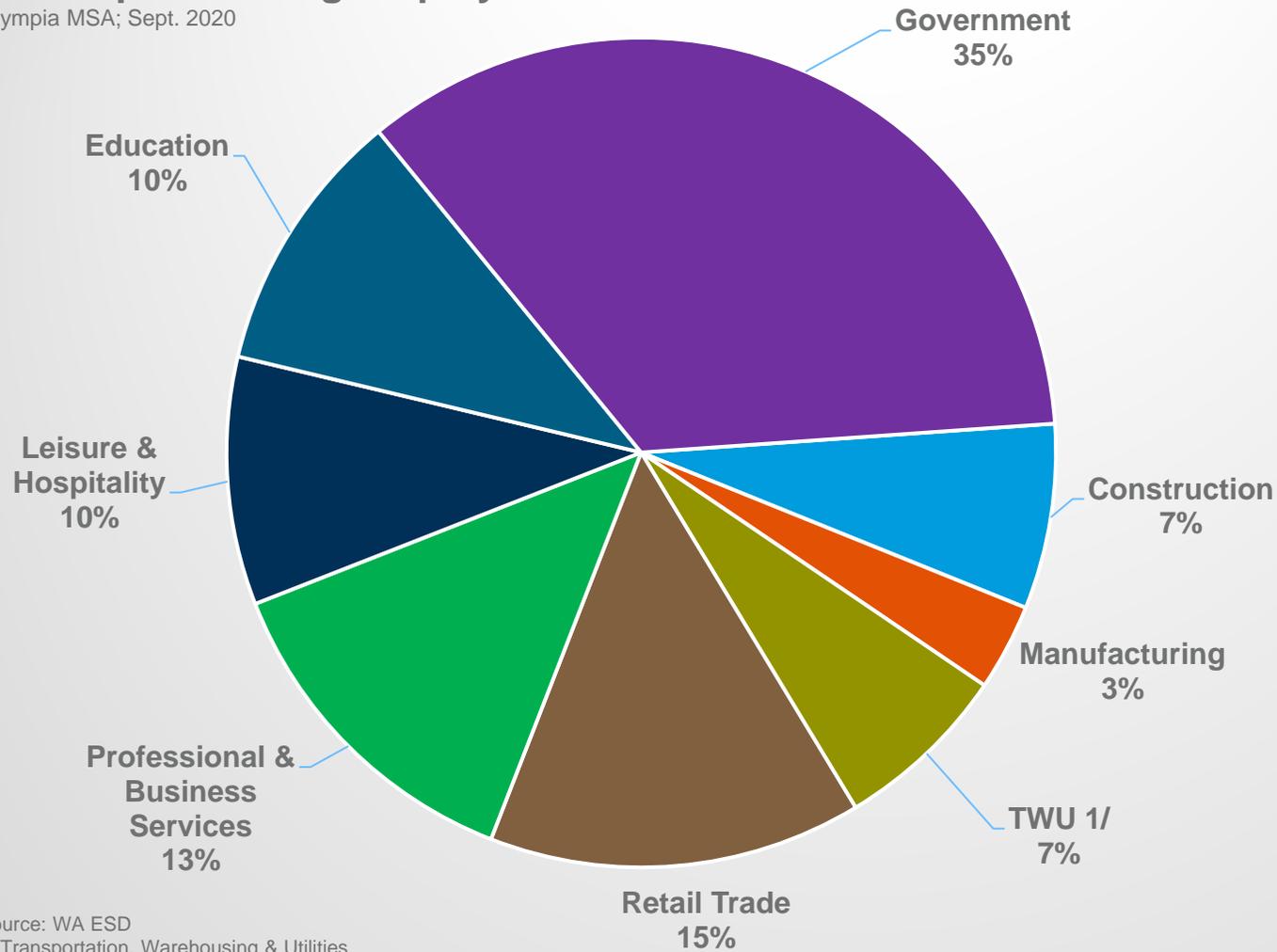


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Source: WA ESD
1/ Transportation, Warehousing & Utilities

Make-up of Non-Ag Employment

Olympia MSA; Sept. 2020



Source: WA ESD
1/ Transportation, Warehousing & Utilities

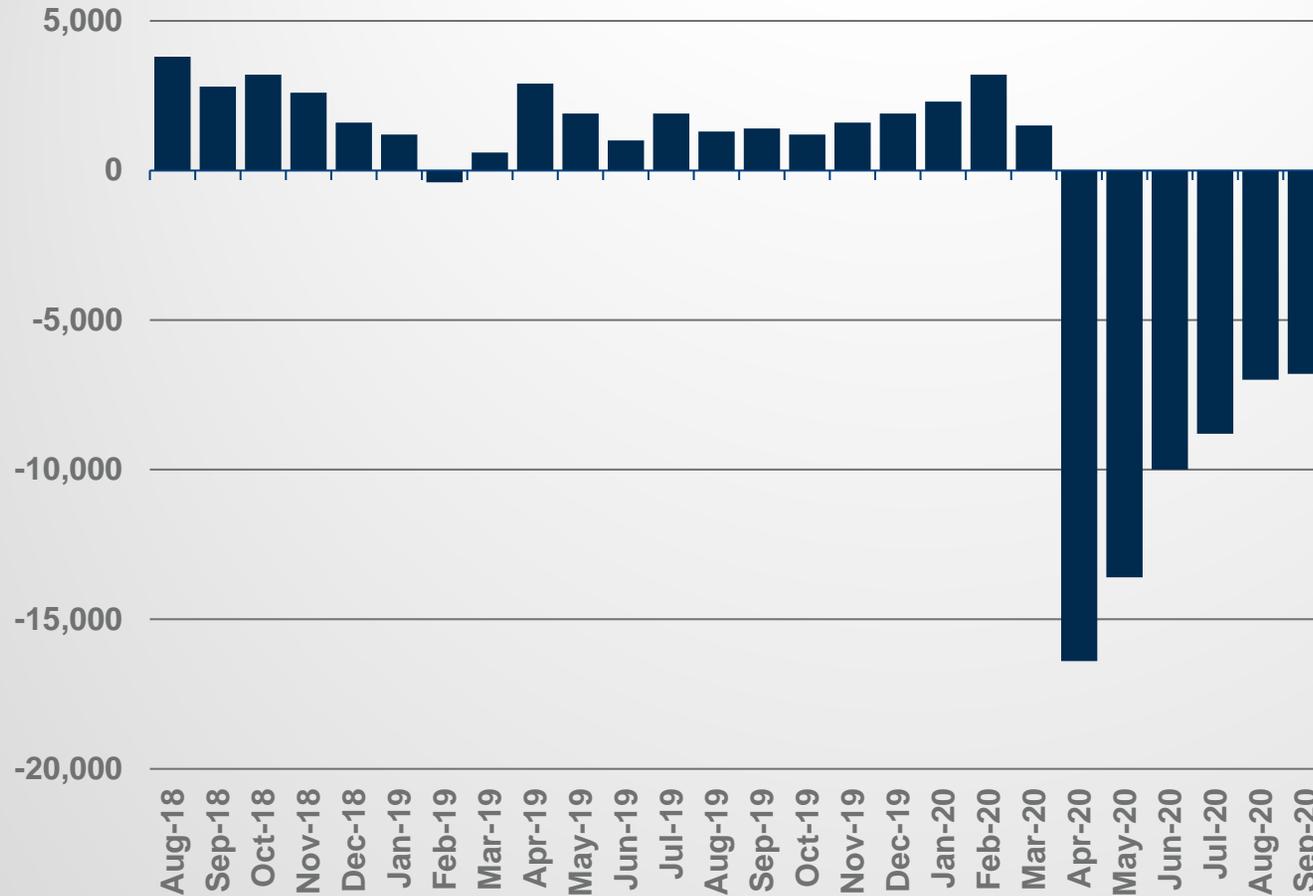
Significant Exposure to Government



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Olympia MSA Non-Ag Employment

12-month absolute change; seasonally adjusted



Source: WA ESD

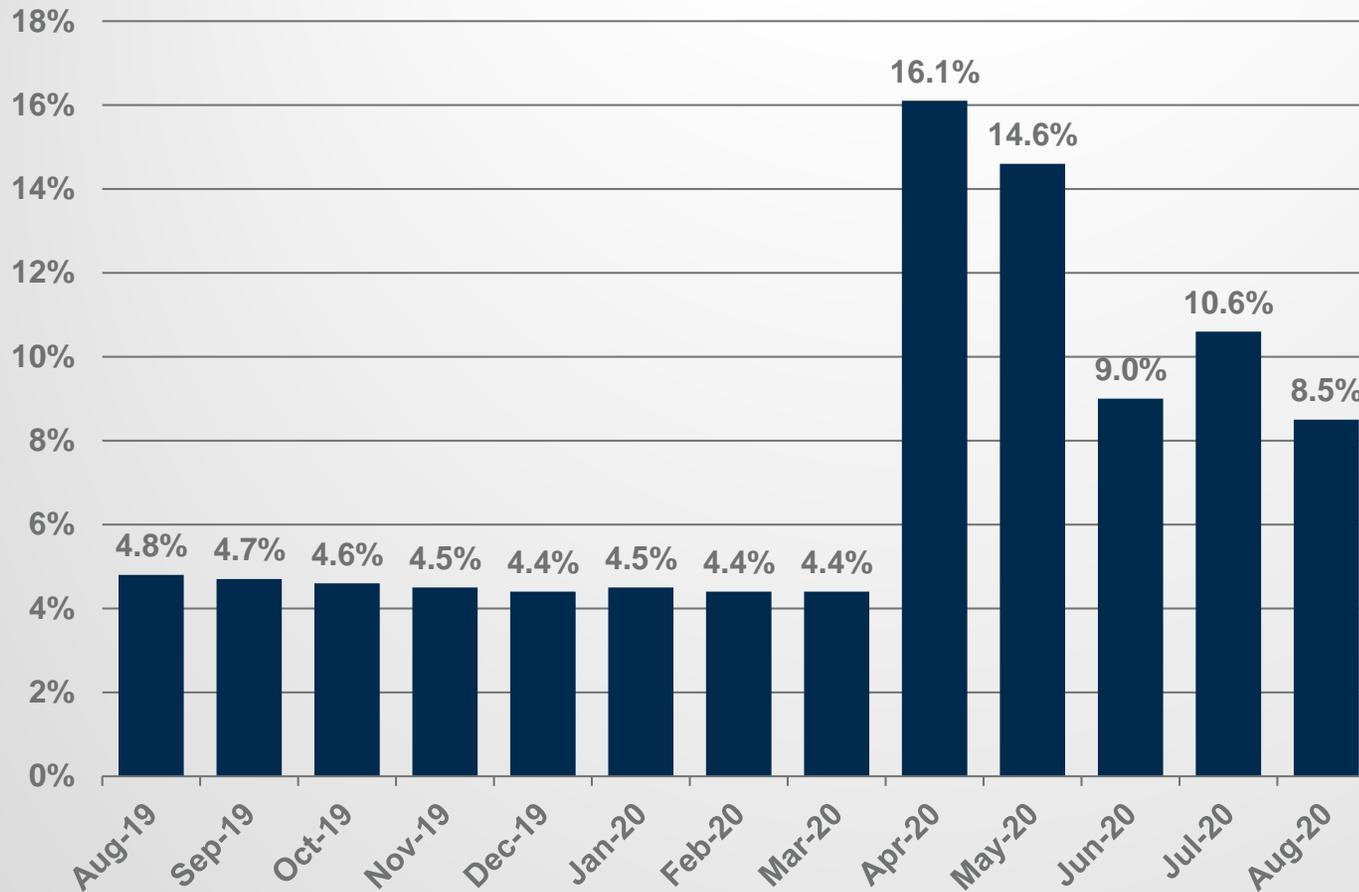
**Jobs Were
Hit Hard;
They Are
Coming
Back But
the Pace
Has
Slowed**



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Monthly Unemployment Rate

Olympia MSA; seasonally adjusted



Source: WA ESD

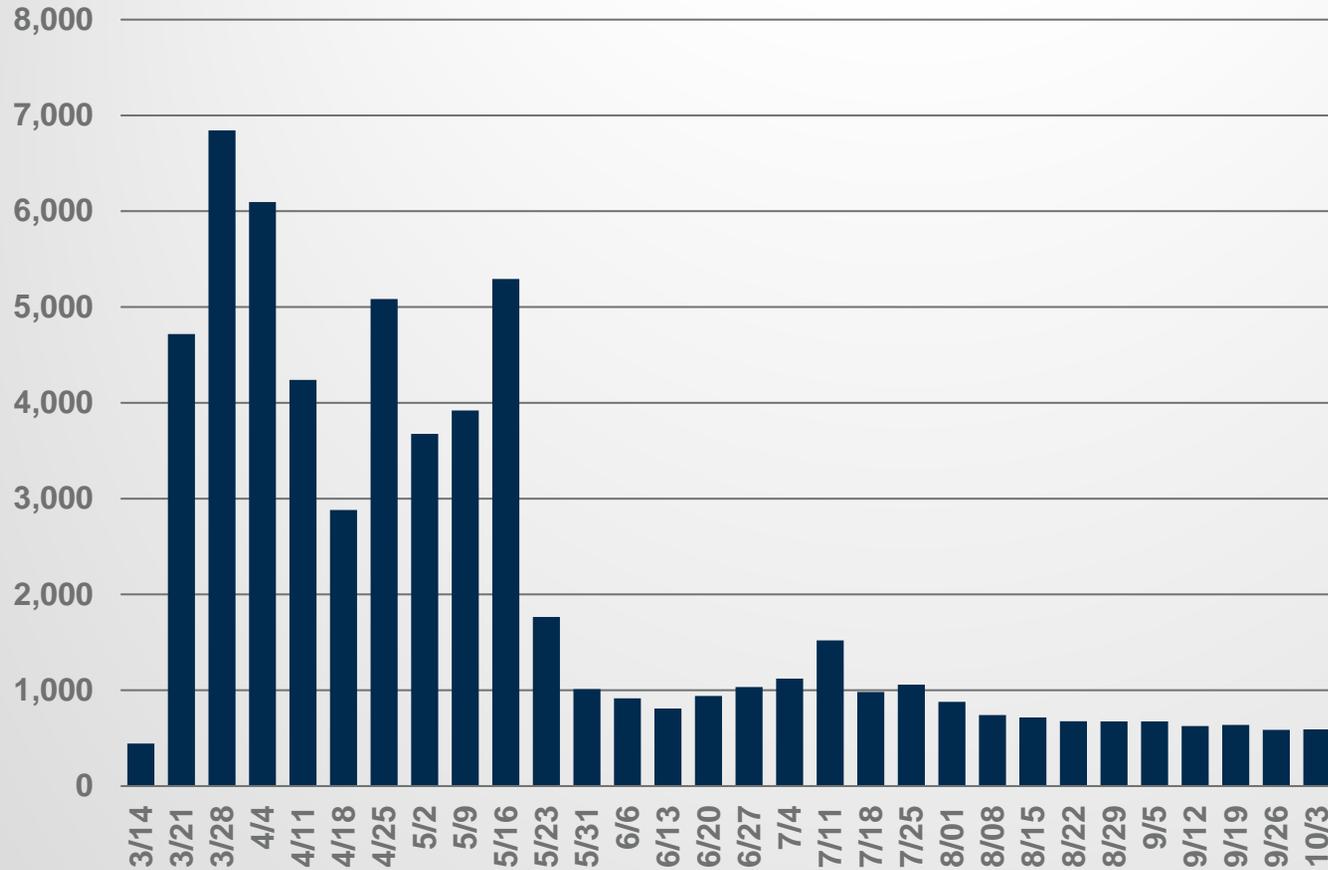
**The
Jobless
Rate is
Taking
Longer to
Drop Than
I Would
Like**



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Weekly Initial Unemployment Claims

Thurston County



Source: Washington State ESD

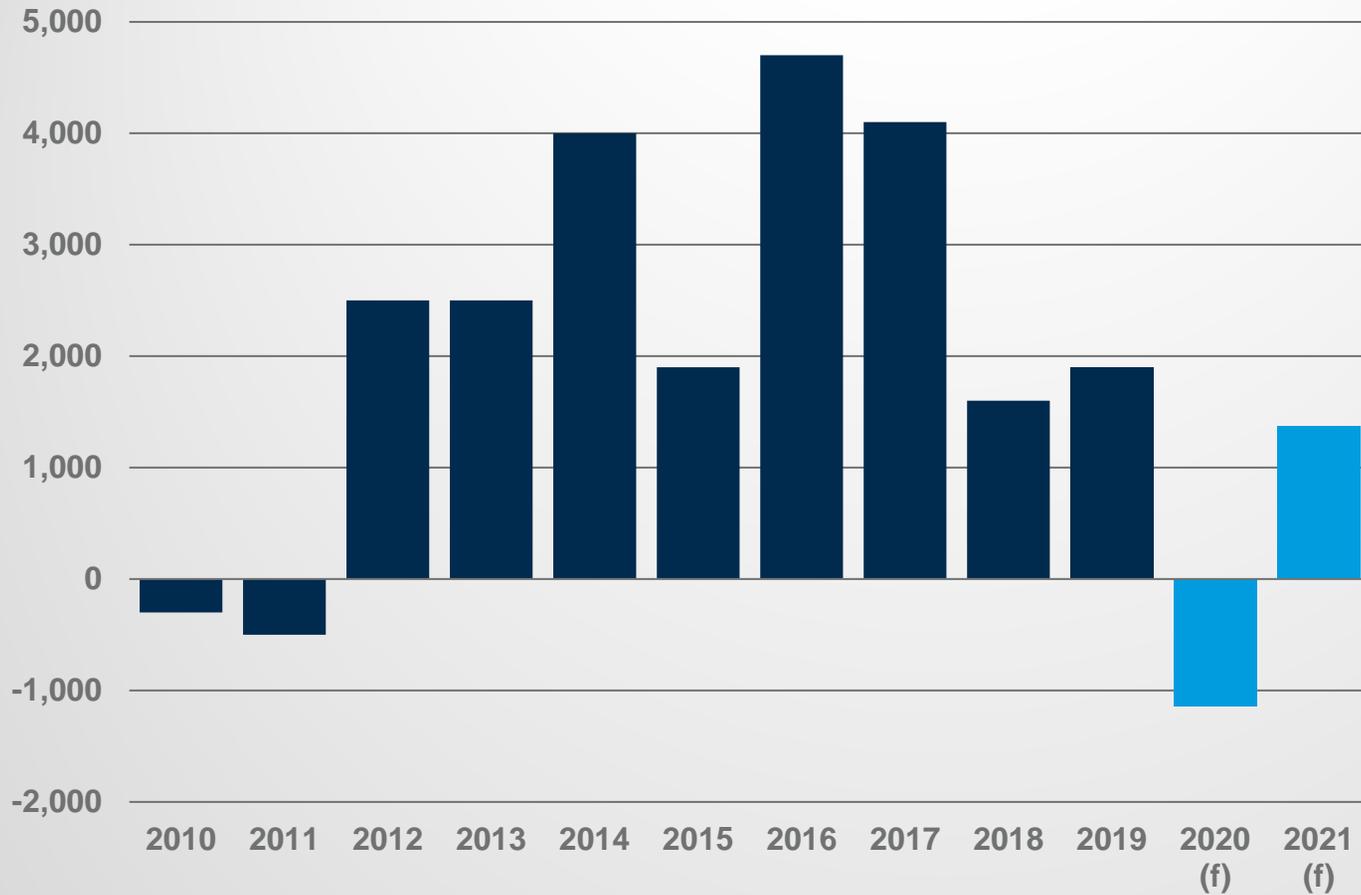
As Initial Claims Remain Twice the Pre-COVID Average



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Olympia MSA Employment Growth

average annual increase in jobs



Source: WA ESD w/Windermere Economics' Forecast

Thurston County Employment Forecast

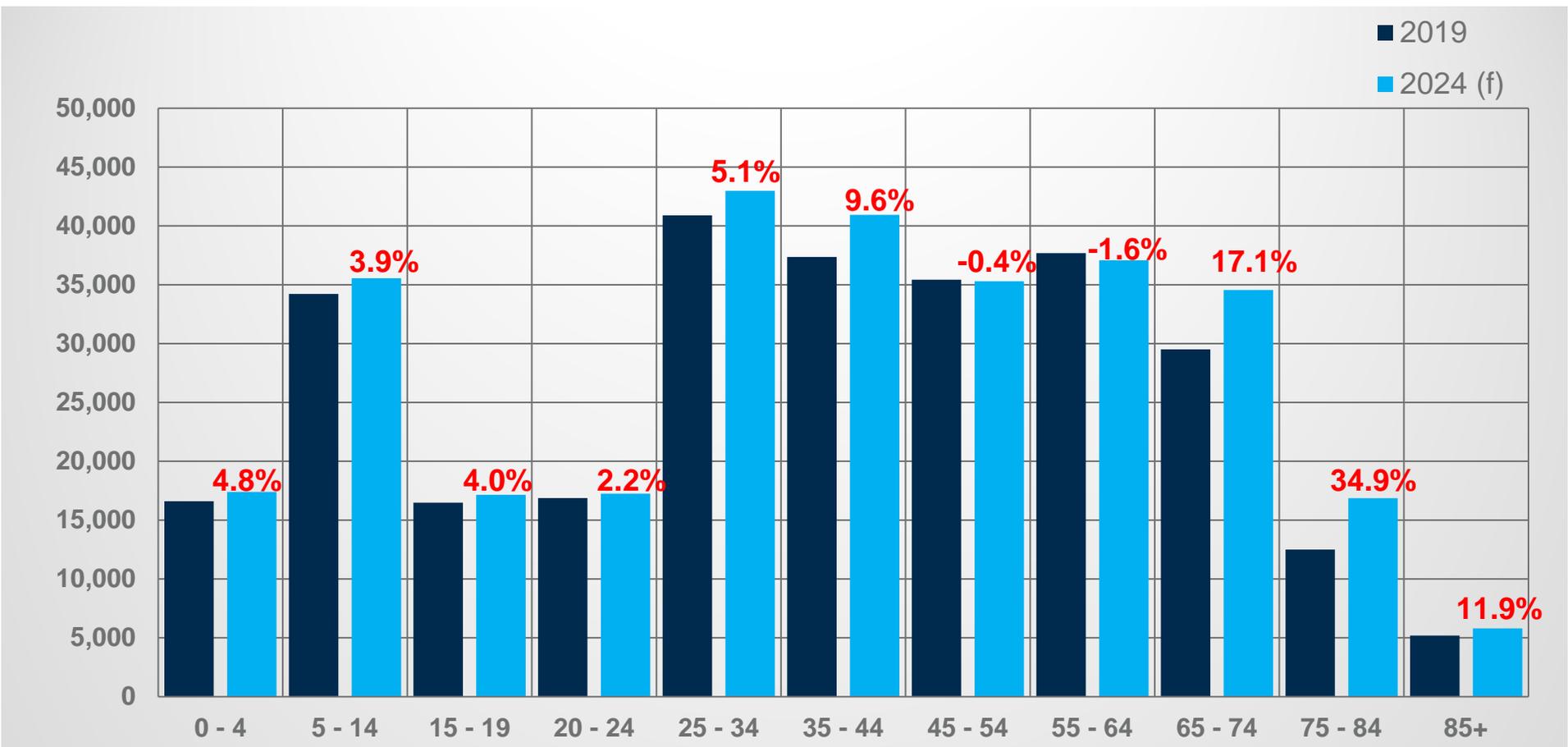


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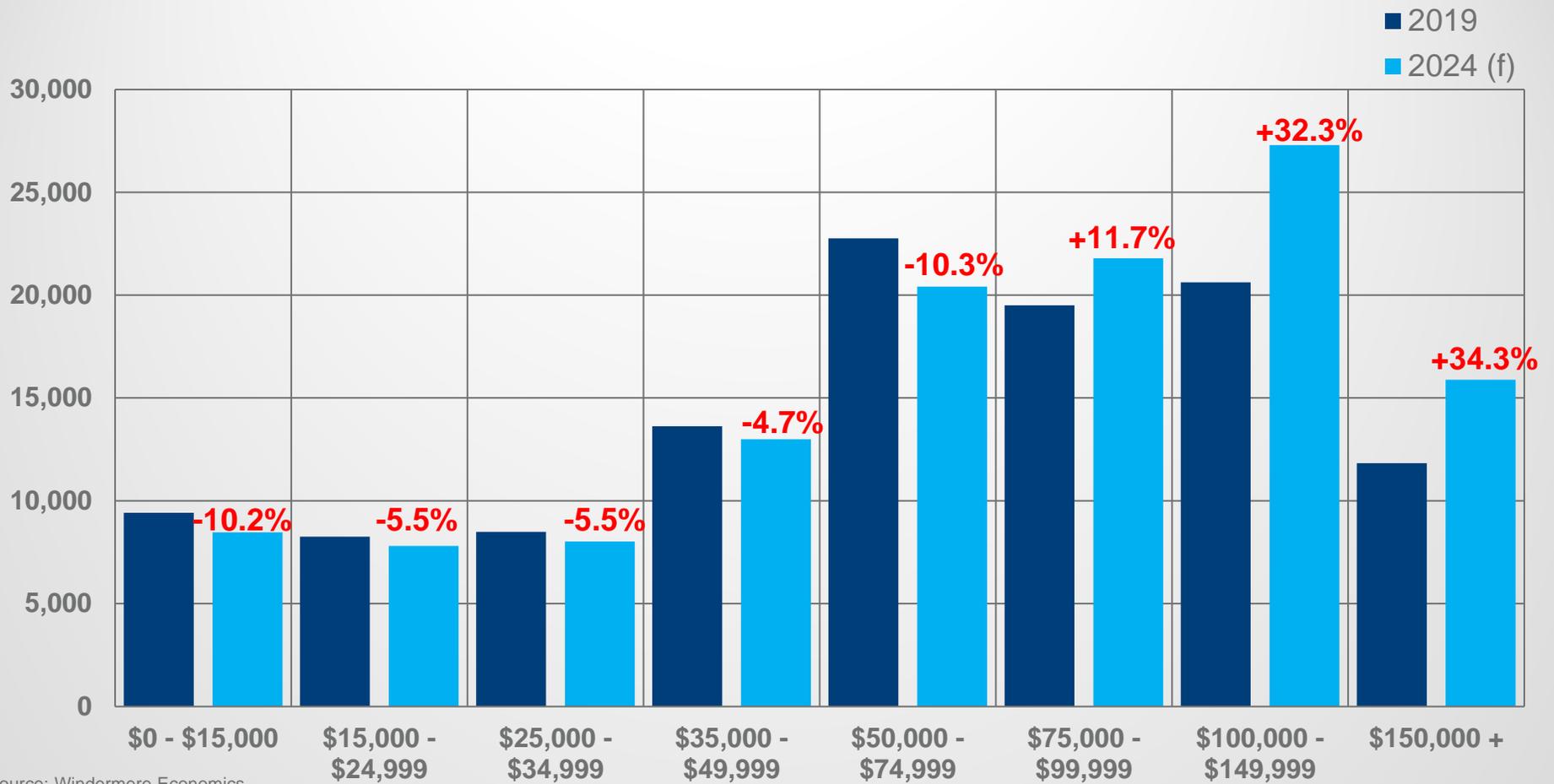
Demographics



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Source: Windermere Economics



HOUSEHOLDS BY INCOME

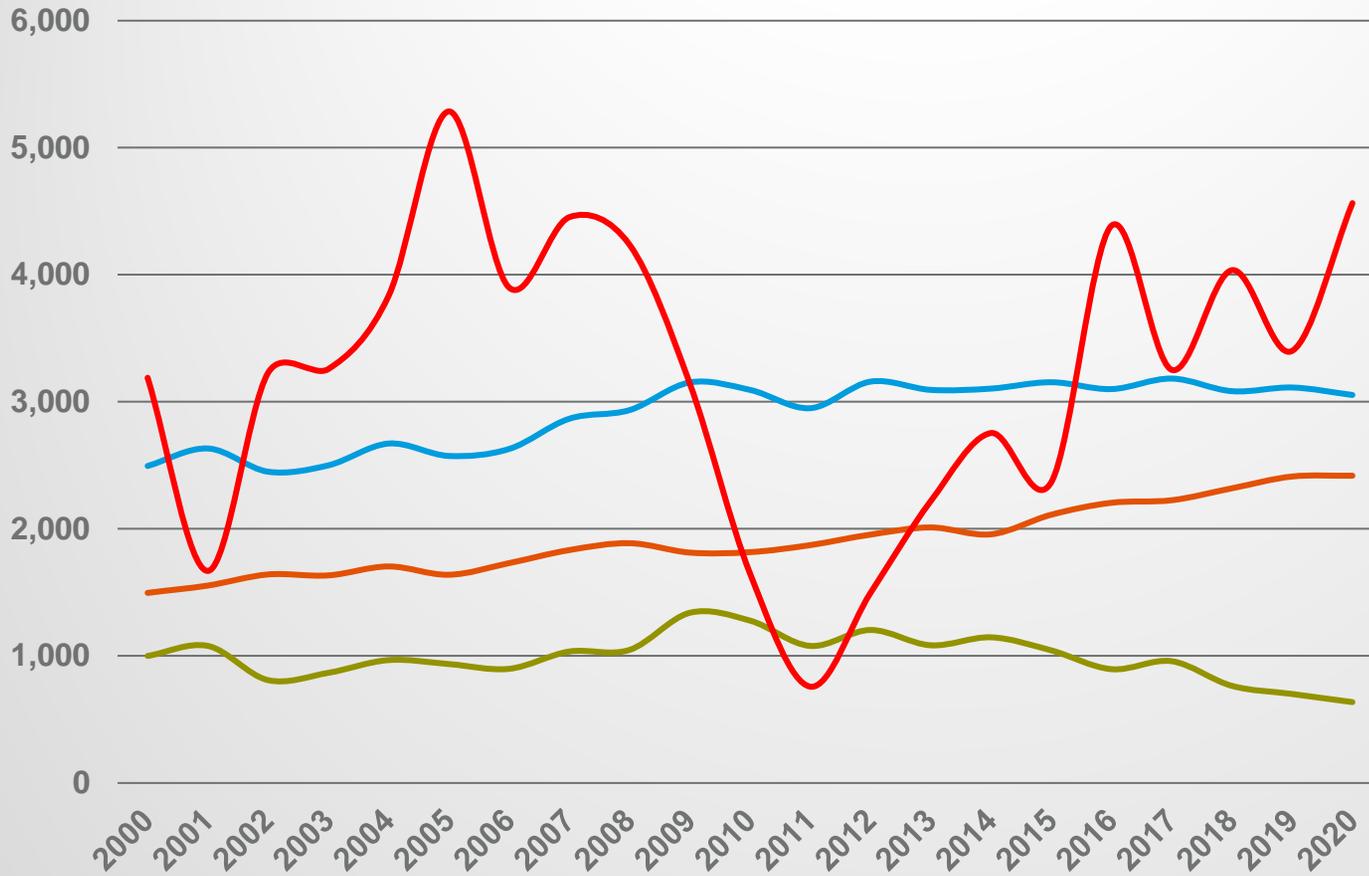


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Components of Population Change

Thurston County

Births Deaths
Net Growth Residual



Source: Washington State OFM

Migration Patterns are Interesting



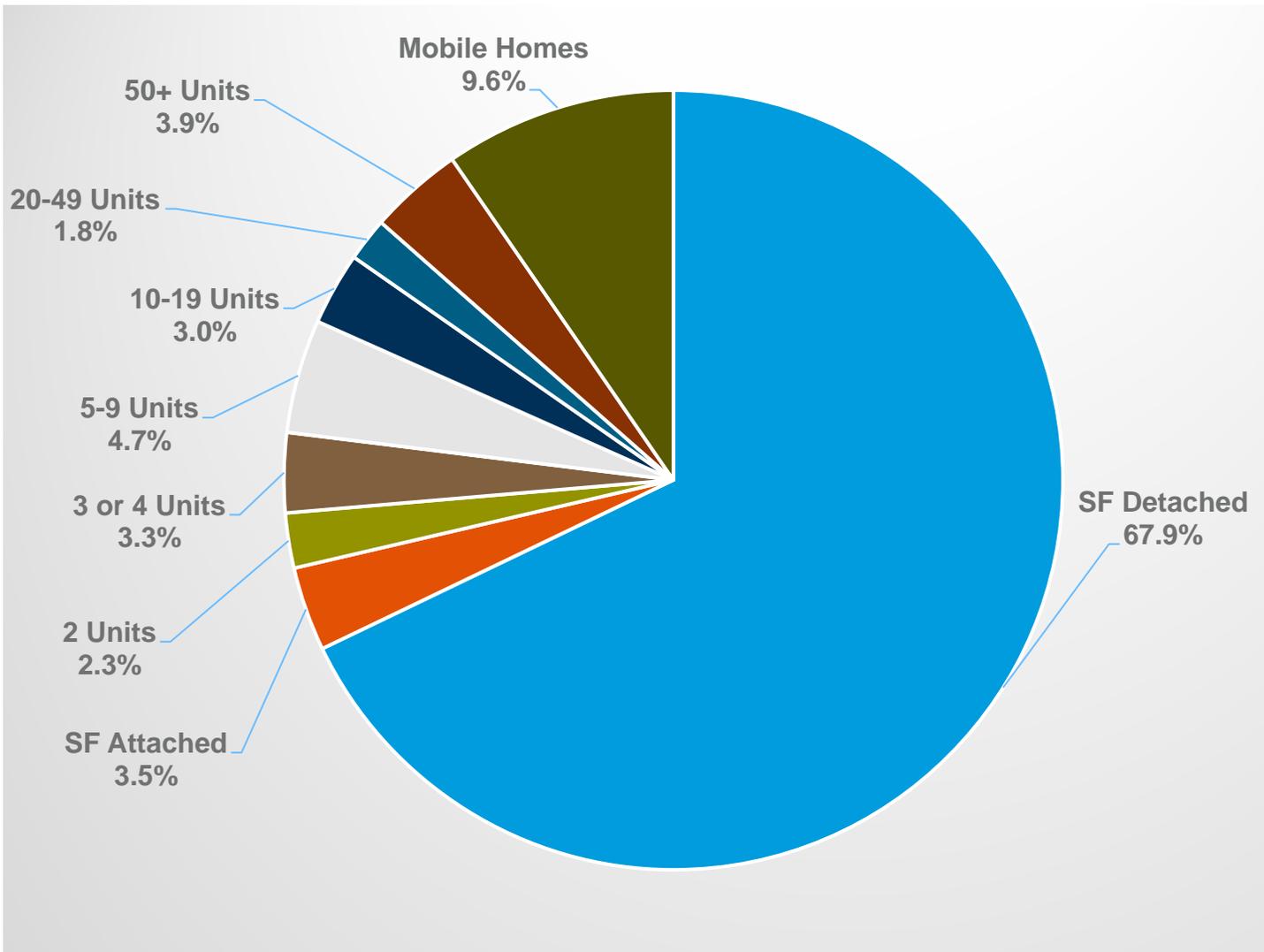
WINDERMERE Economics

- “Uncertainty “ Persists (Which is Driving Economists to Drink!)
- Jobs Start to Return, But Not Until Next Year;
- Businesses Are Thinking that Being “Downtown” May Not Be Necessary Anymore – There is Opportunity;
- Demographic Forecasts Show Rising Incomes, a Population That’s Getting Younger, & Solid Migration – More Opportunity; and
- From a Regional Perspective, The Economy is Hardly Diverse, Which Can Be Good, But it Can Also Be Bad!

The Thurston County Housing Market



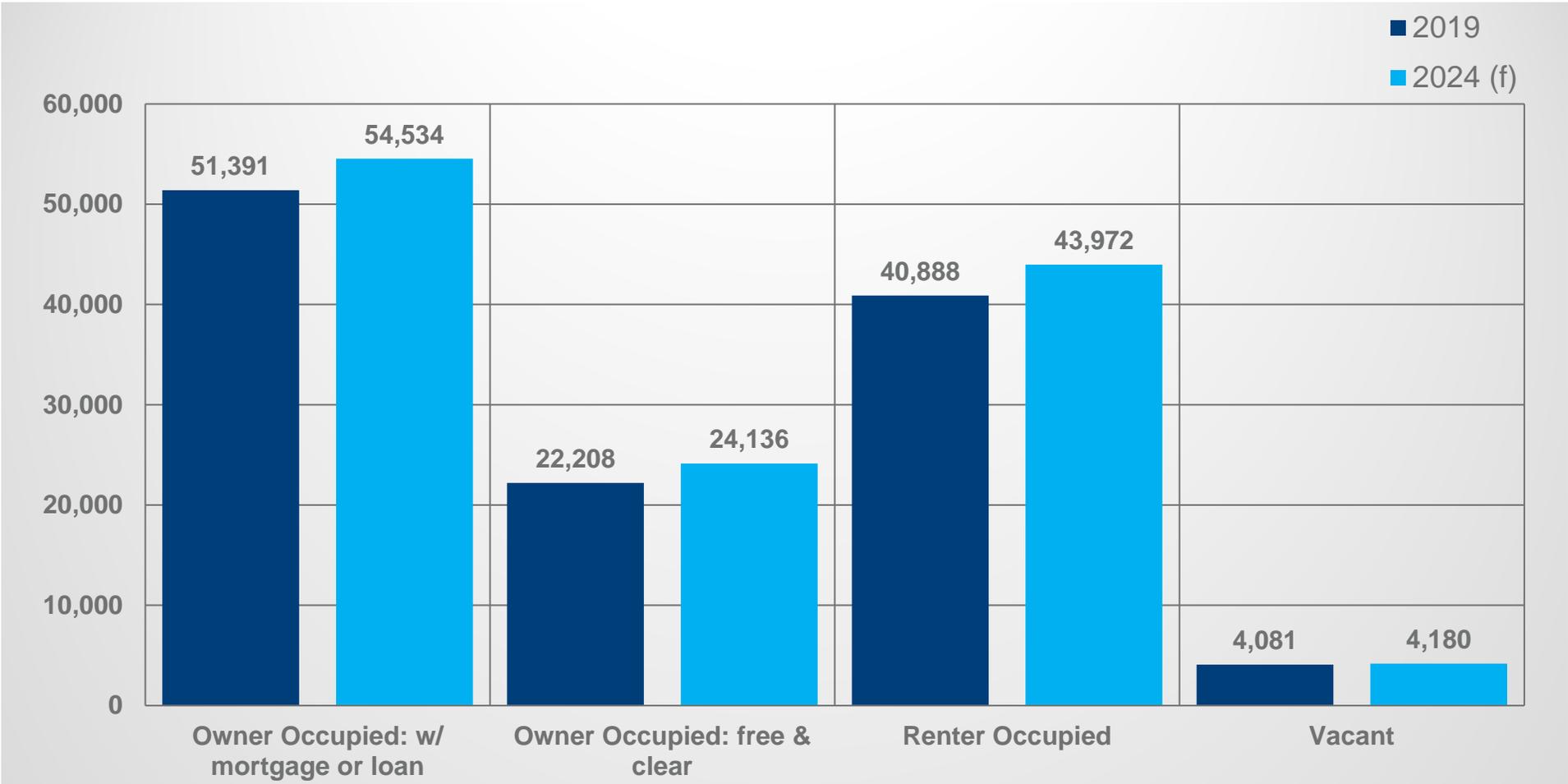
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Housing is Hardly Diverse!



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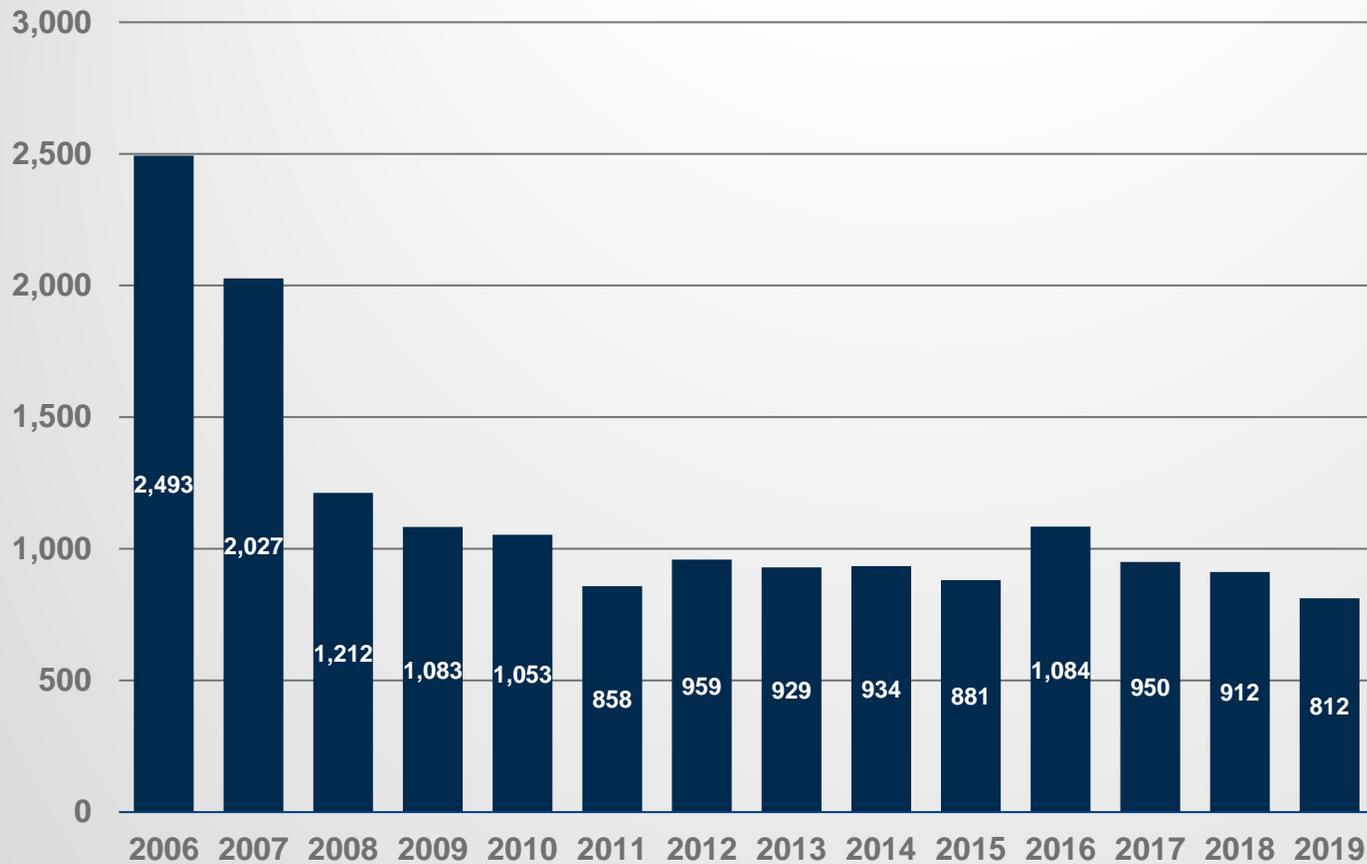


OWNERSHIP TENURE & FORECAST



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Single-Family Building Permits



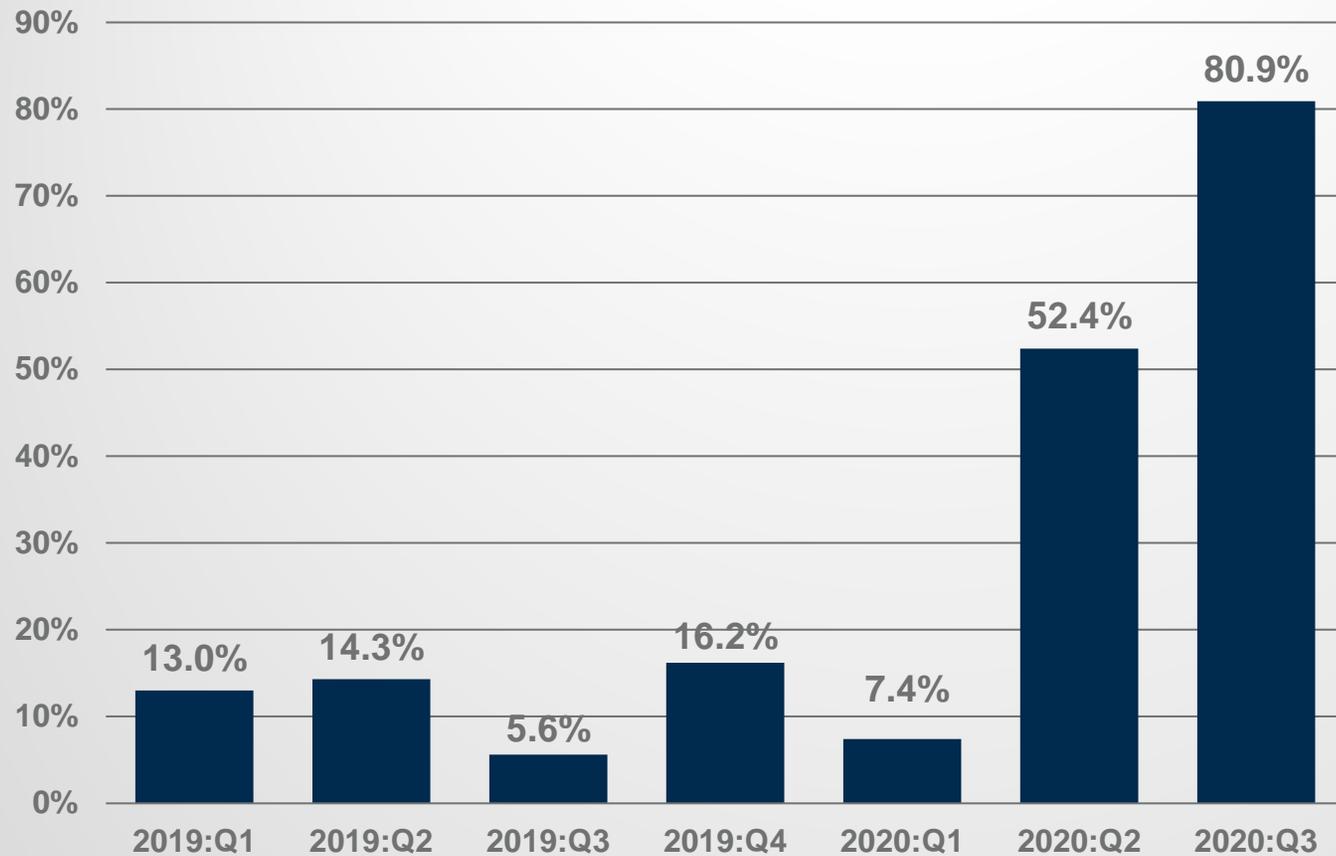
Source: Census Bureau

**Permit
Activity is
Inadequate**



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Percentage of Lenders Tightening Standards For Commercial Real Estate Loans



Source: Federal Reserve

**Borrowing
Has Become
Harder**

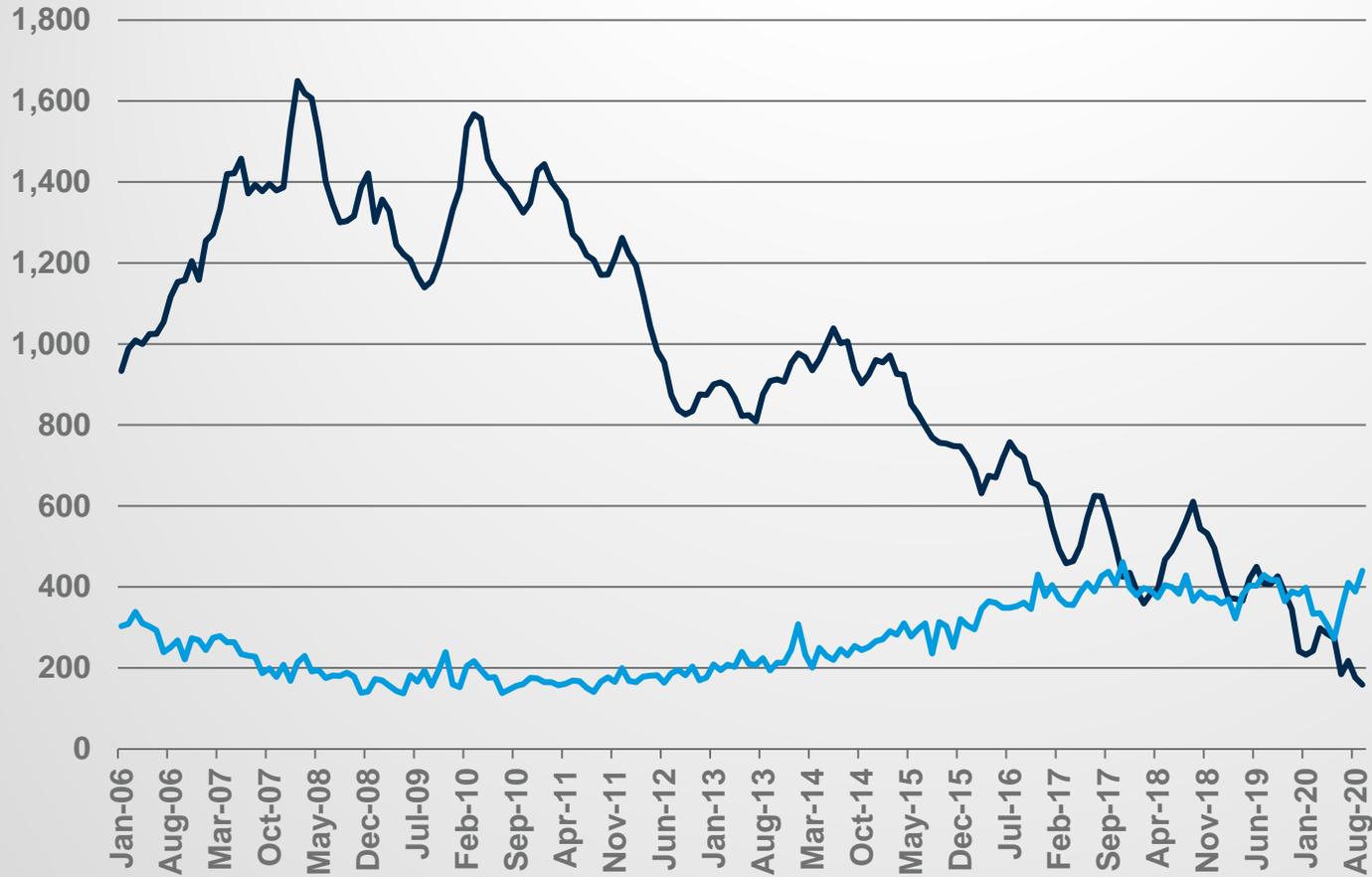


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Single-Family Resale Homes

seasonally adjusted; resale housing units; data thru' Sept. 2020

— Listings — Sales



Source: NWMLS w/Windermere Economics Seasonal Adjustments

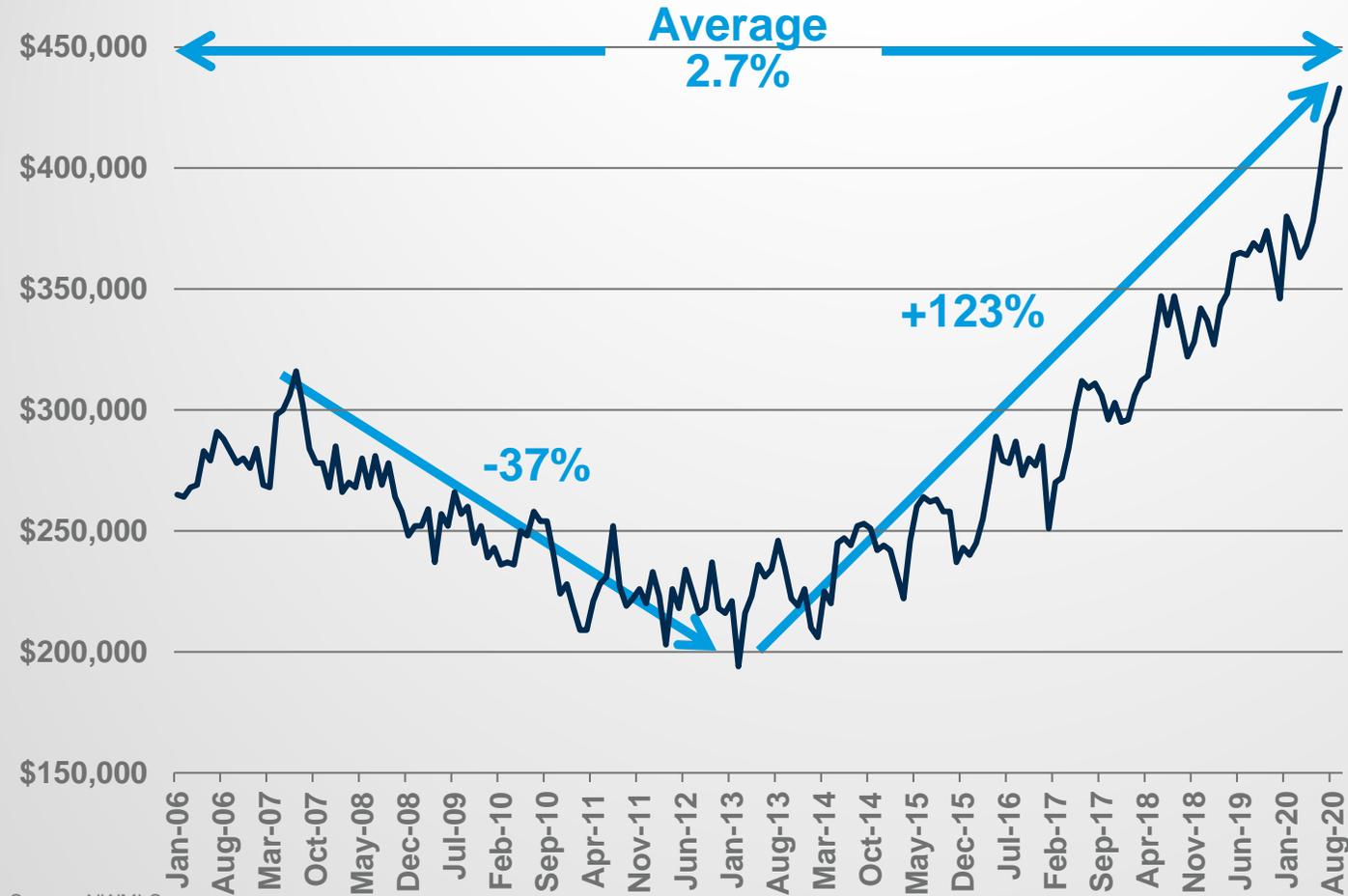
Listing & Sales Activity



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Single-Family Homes - Average Sale Price

Thurston County; resale housing; non-seasonally adjusted



Source: NWMLS

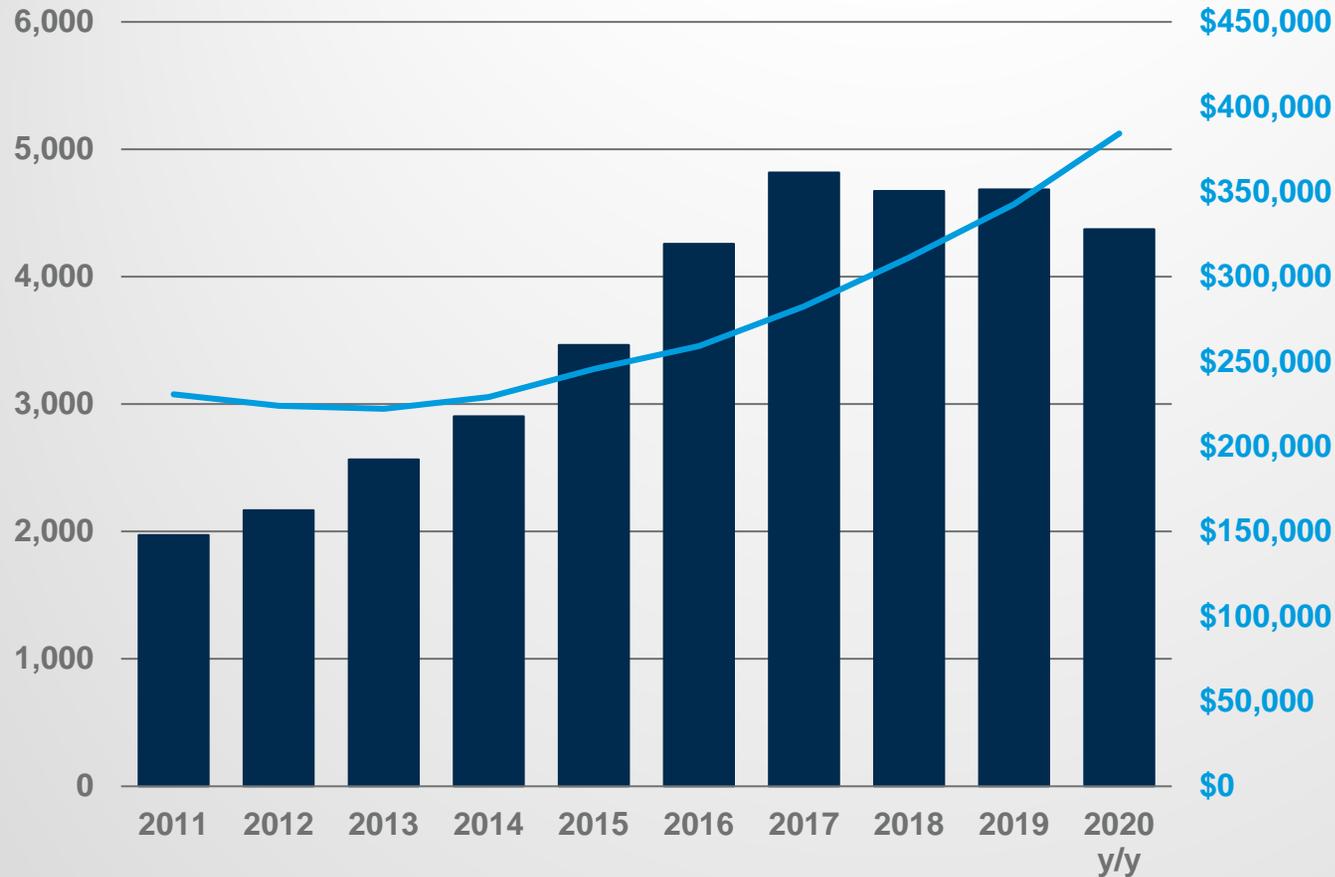
**Sale
Prices
Have
Rocketed!**



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Single-Family Home Transactions & Prices

resale units; average sale price; non-seasonally adjusted

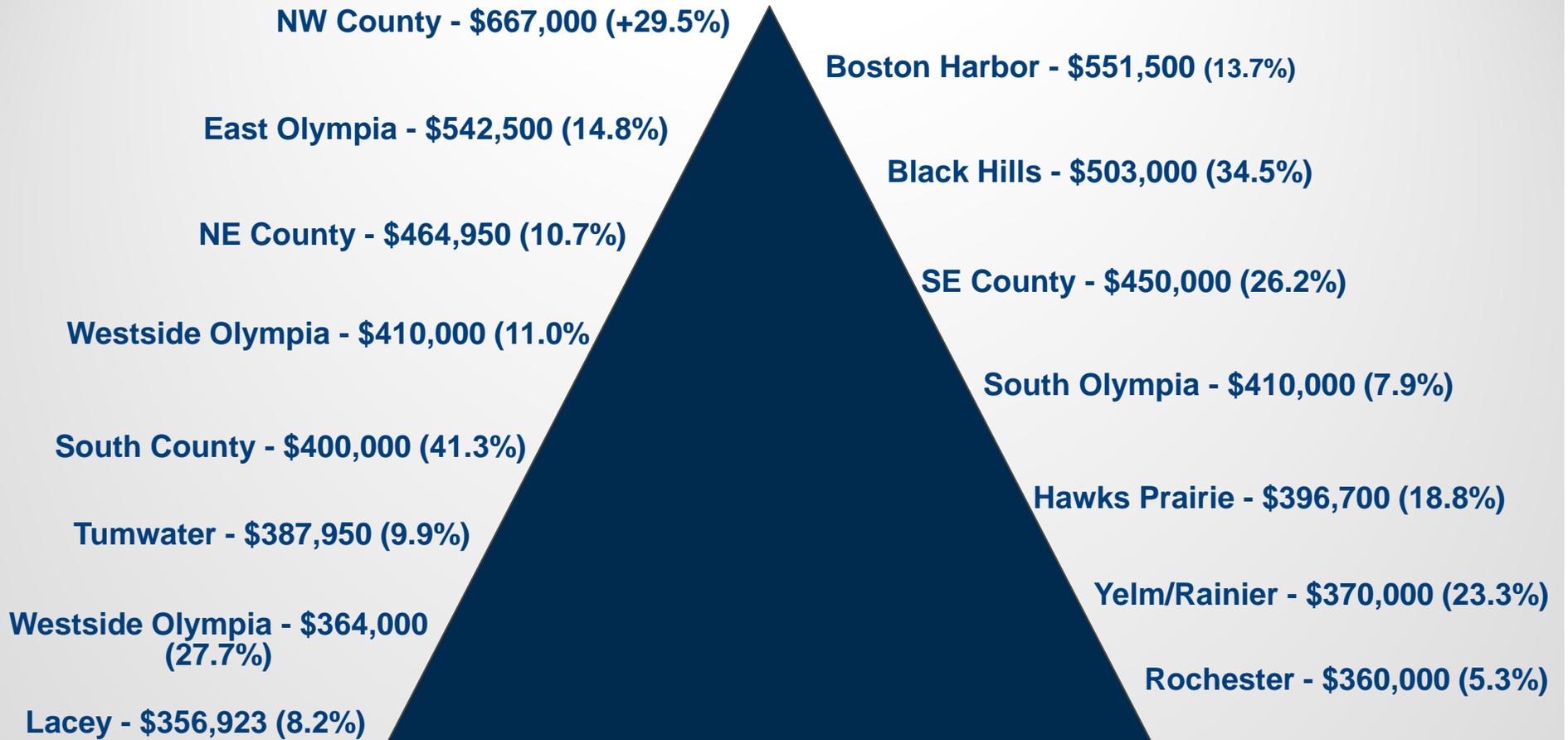


Source: NWMLS – Resale Housing Units

Single-Family Sale & Price Trends



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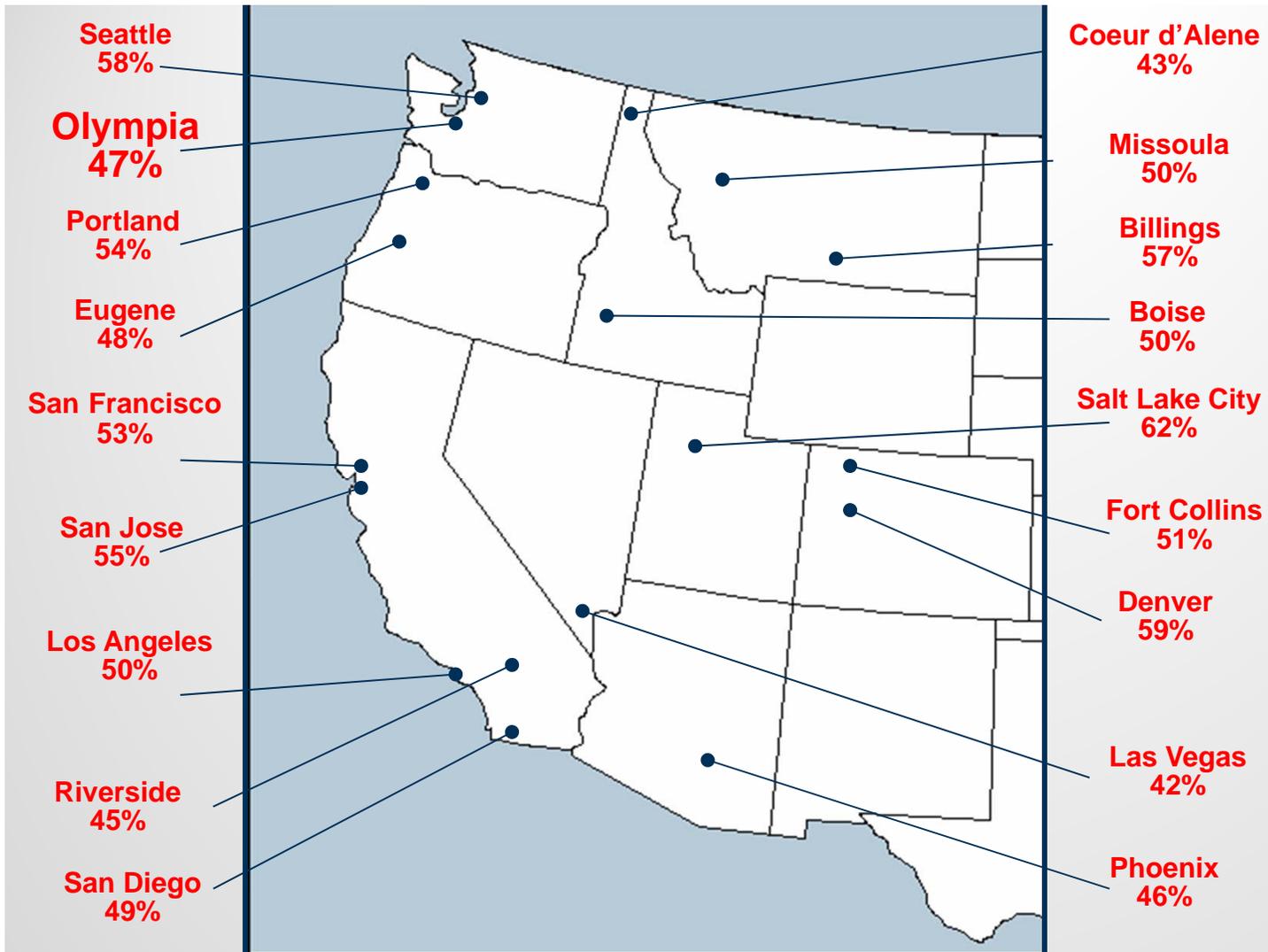


Source: NWMLS
single-family
resale housing;
data for Sept.
2020

MEDIAN SALE PRICES (12-Mo. % CHANGE)



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So Where Have Millennials Been Buying Homes So Far in 2020?

Source: Ellie Mae
Jan. 2020 to Sept. 2020



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55% Were Male & 33% Female;

53% Were Married;

Average Age was 31.7

Average Loan Amount: \$300,821

**Average Appraised Value:
\$370,932**

Average Down Payment - 18%;

Average FICO Score - 736

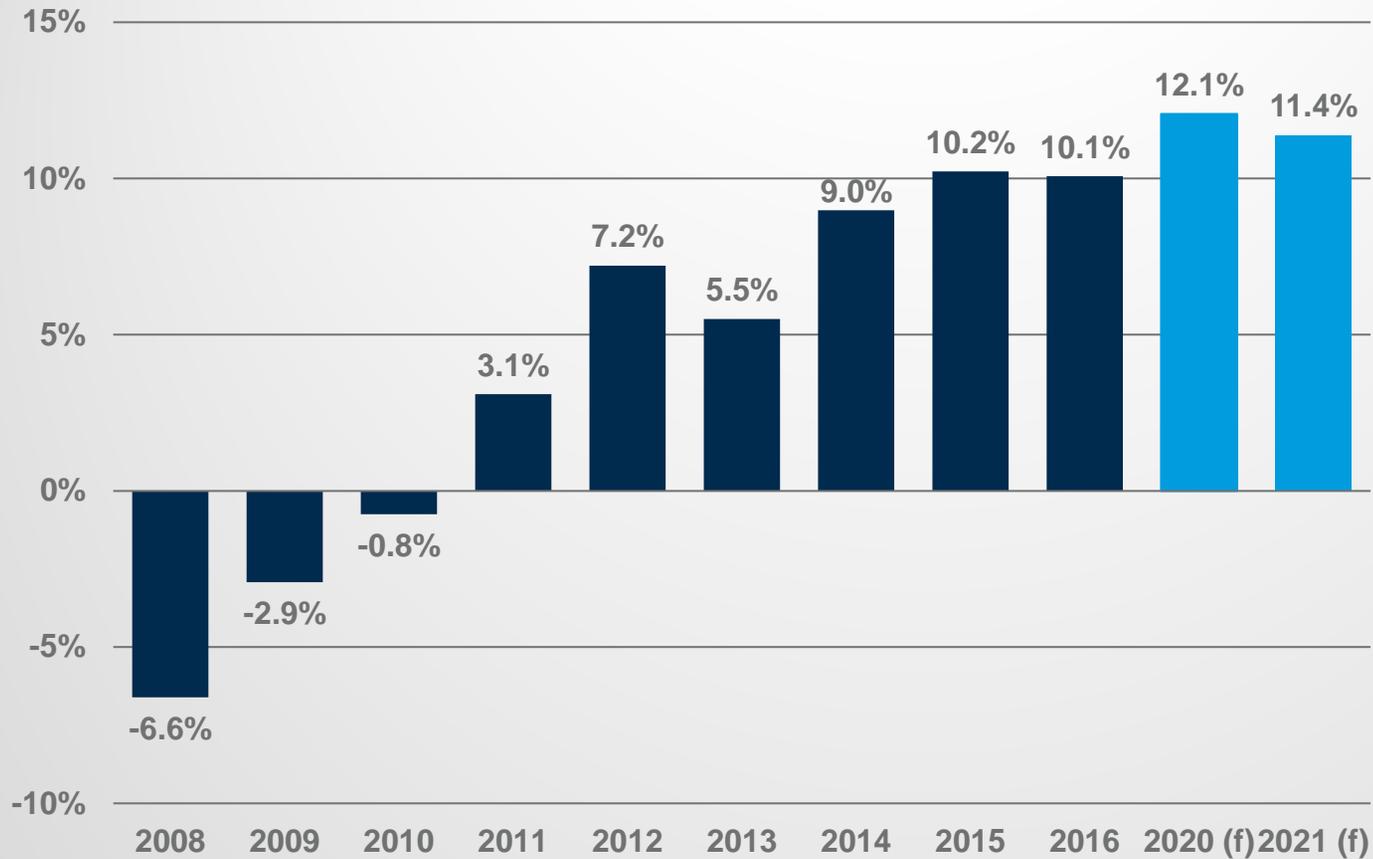
**Makeup of
Millennials
Buying
Homes in
Olympia**



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Single-Family Home Prices

Annual average price change & forecast



Source: NWMLS w/Windermere Economics' Forecast – Resale Housing Units

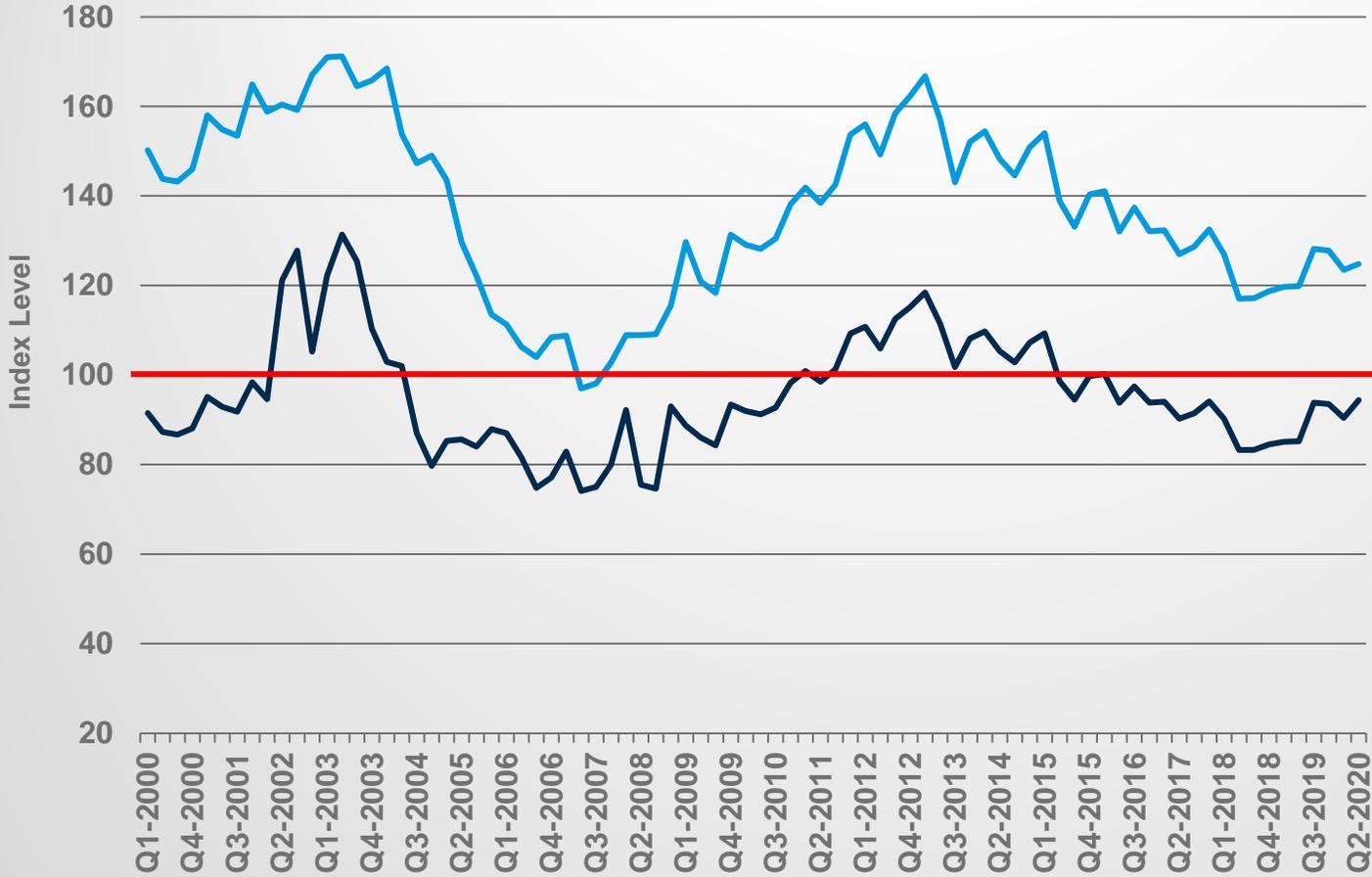
Home Price Forecast



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Thurston County Housing Affordability

— All Buyers
— First Time Buyers



Source: WCRER

**Home
Prices Not
Yet Testing
Affordability
(But it's Only a
Matter of Time!)**



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- Home Price Growth Will Slow in 2021- But Not By Much;
- Sellers are Feeling Pretty Good, Buyers.... Not So Much!;
- It Will Be Interesting To See the Impact – If Any – Coming From Work From Home Plans; and
- Ultimately, 2021 Will Likely Show Modestly More Inventory, and Modestly Lower Price Growth.

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CONTACT INFORMATION



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LEGAL STUFF!



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