



WINDERMERE
Economics

An Economic & Housing Market Forecast

Presented by: Matthew Gardner

CHIEF ECONOMIST; WINDERMERE REAL ESTATE

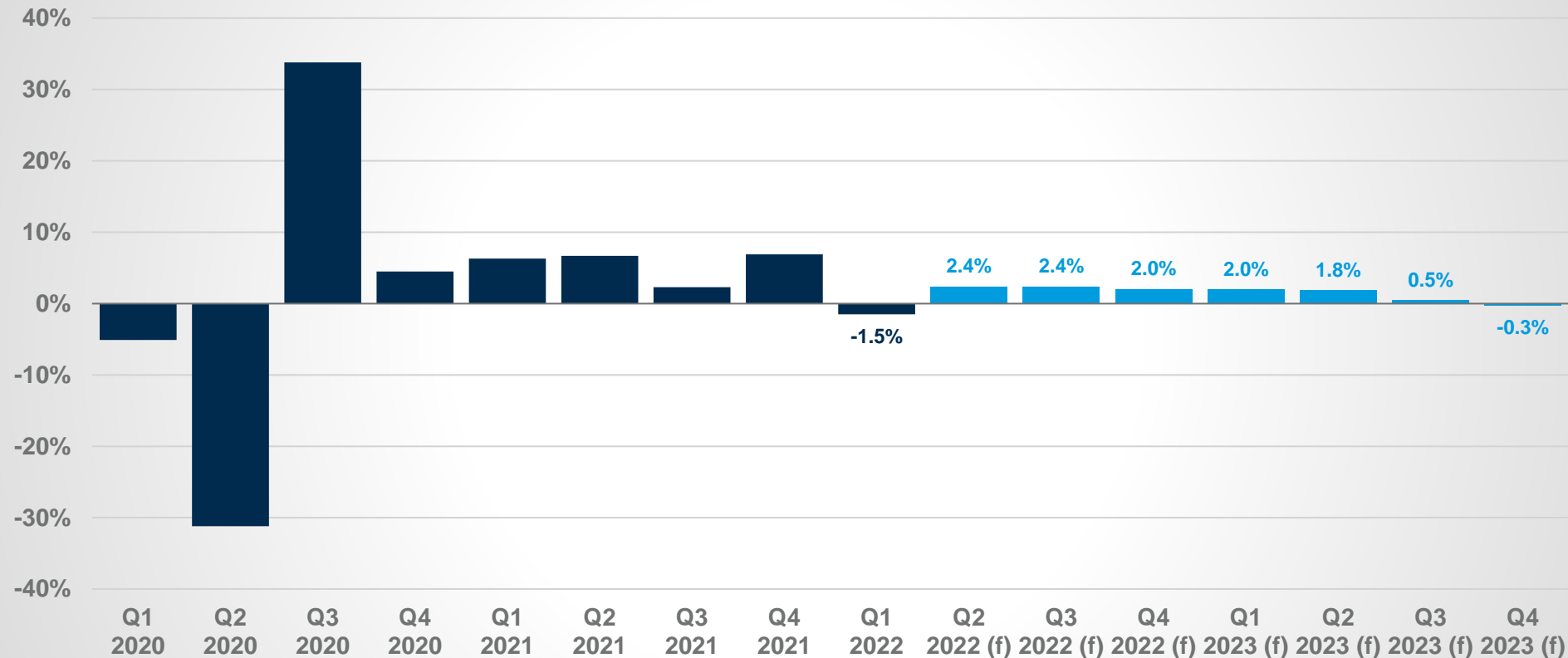
The U.S. Economy



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United States Real Gross Domestic Product

percentage change from the preceding period; SAAR



Source:
Windermere
Economics' forecast
using BEA historic data

OMICRON HIT Q-1 NUMBERS



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Indicator	Current Level/ Spread	Look For it To...
Yield Curve (10's minus 2's; daily)	+0.32%	Turns Negative
Spread Between the Natural Unemployment Rate & the Current Rate (=3.8% - 4.45%)	-0.65%	Rises Above 0.5%
ISM Manufacturing Index	57.1	Drops Below 45
Consumer Sentiment (y/y Change)	-29.6%	Turns Negative
Consumer Spending (y/y Change in PCE)	6.3%	Turns Negative

Here's How to Identify a Recession



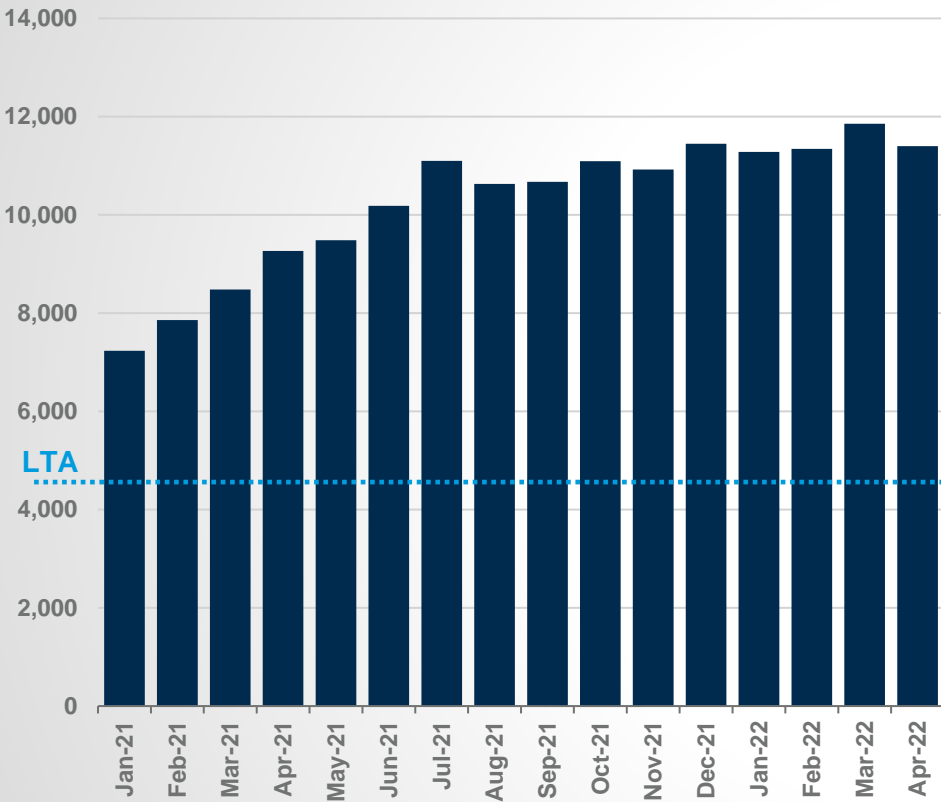
The U.S. Job Market



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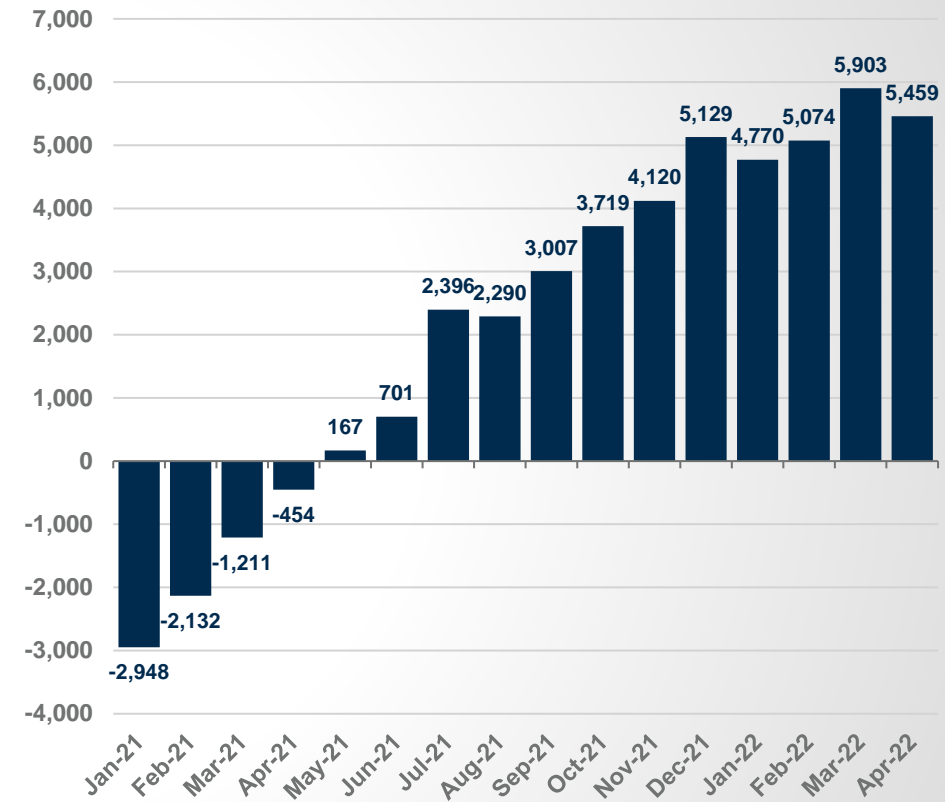
Total Job Openings

in thousands; sa



Job Openings to Unemployed Persons

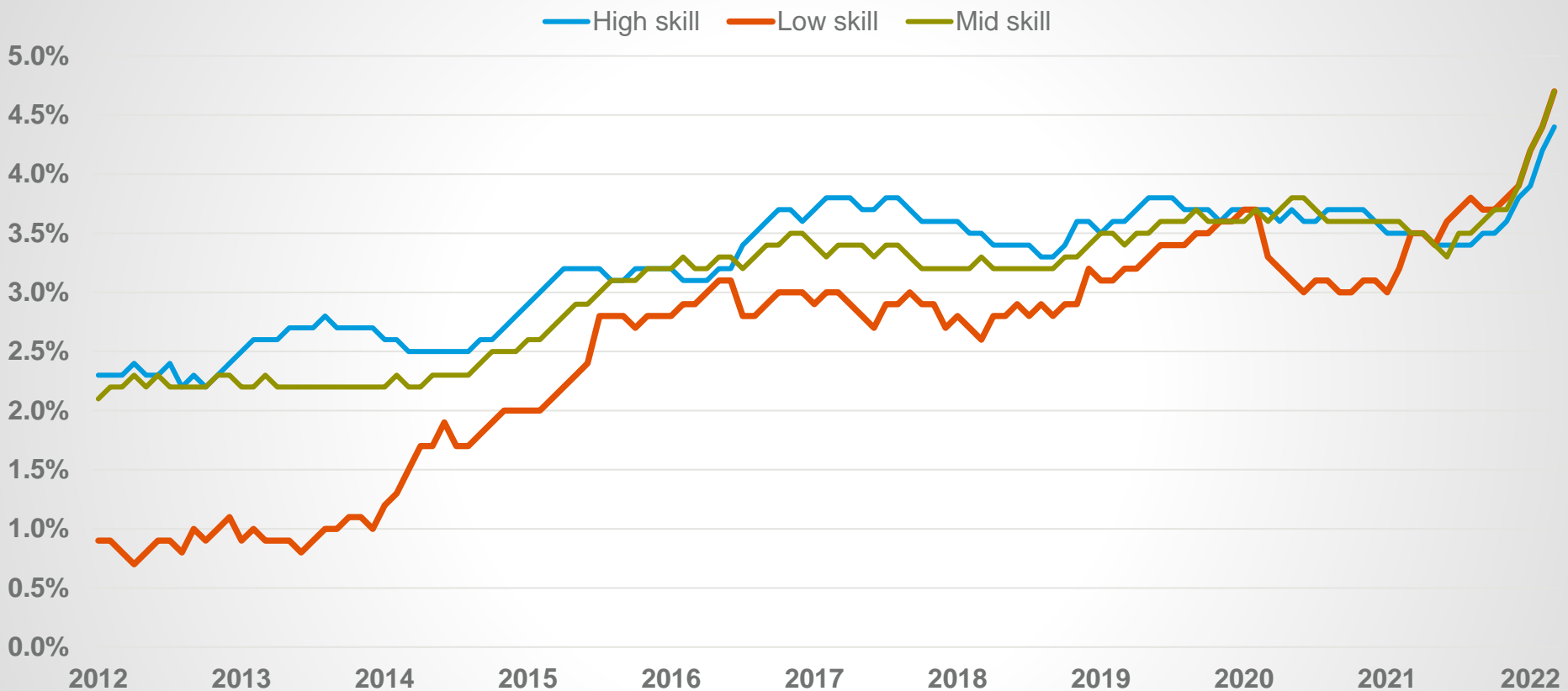
in thousands; sa



Source:
Windermere
Economics' analysis of
BLS data

THE LABOR SHORTAGE IS PRONOUNCED

Median wage growth; 12-mo. moving average

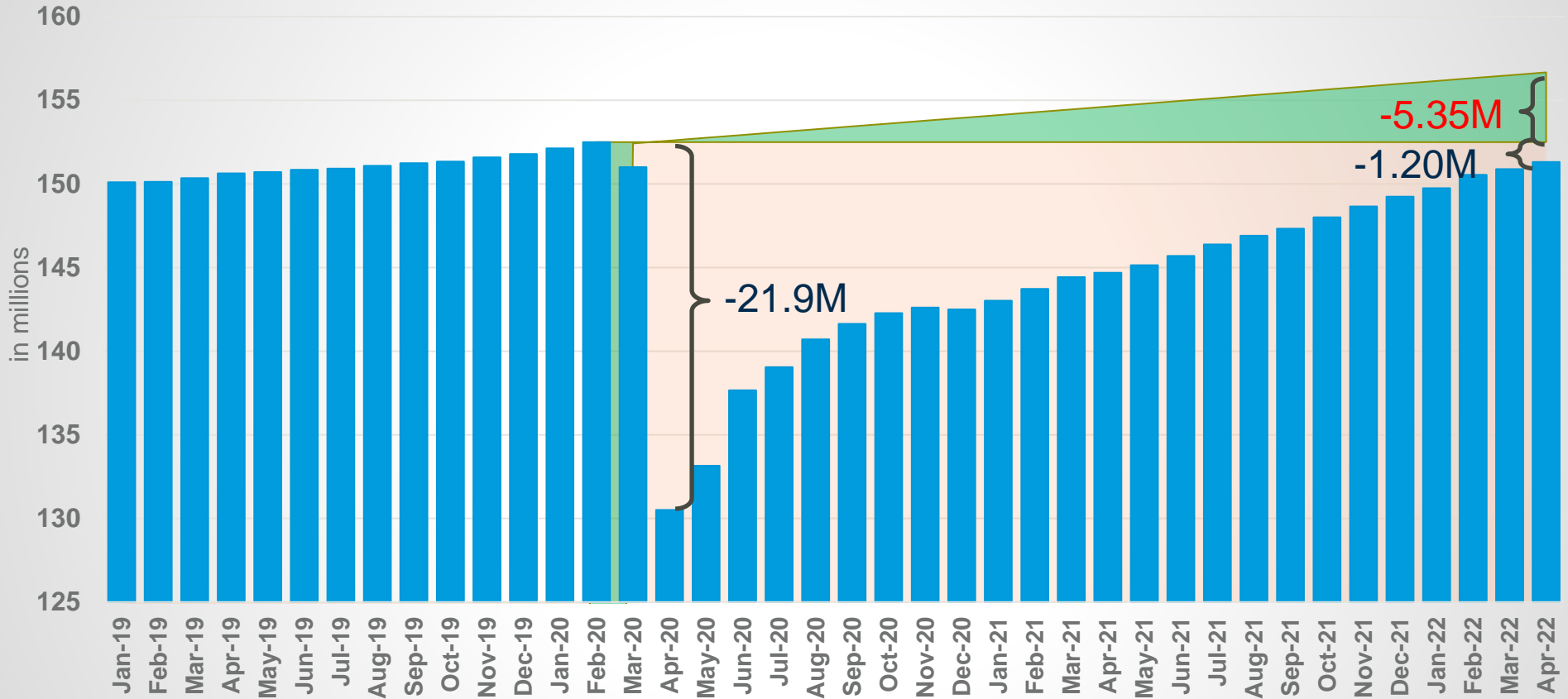


Source:
Atlanta Federal
Reserve

WAGE GROWTH IS SOLID

U.S. Non-farm Employment

Pre-Crisis Trend Growth Non-Ag Emp.



Source:
Windermere
Economics forecasts
using BLS baseline
data

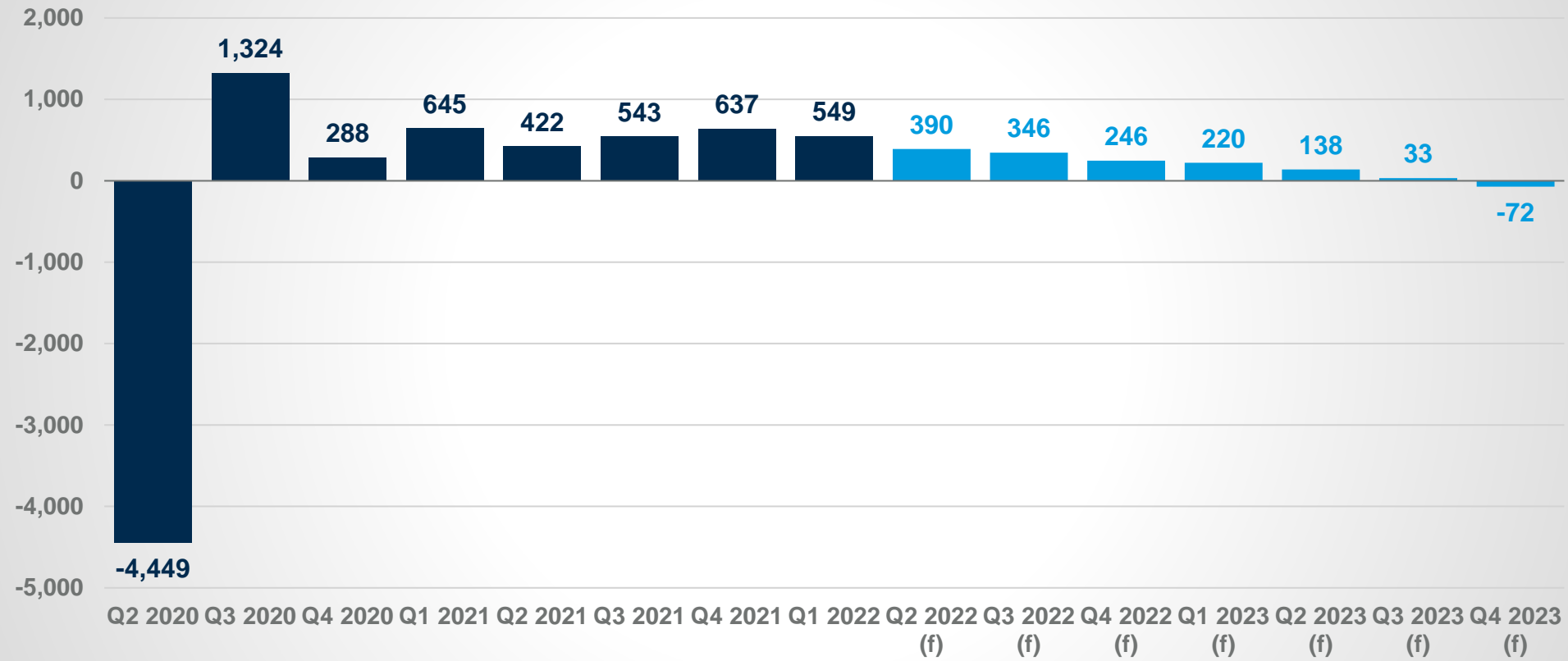
THE ECONOMY IS HEALING, BUT THERE IS STILL A WAY TO GO



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Non-Farm Payrolls: Average Monthly Change & Forecast

in thousands



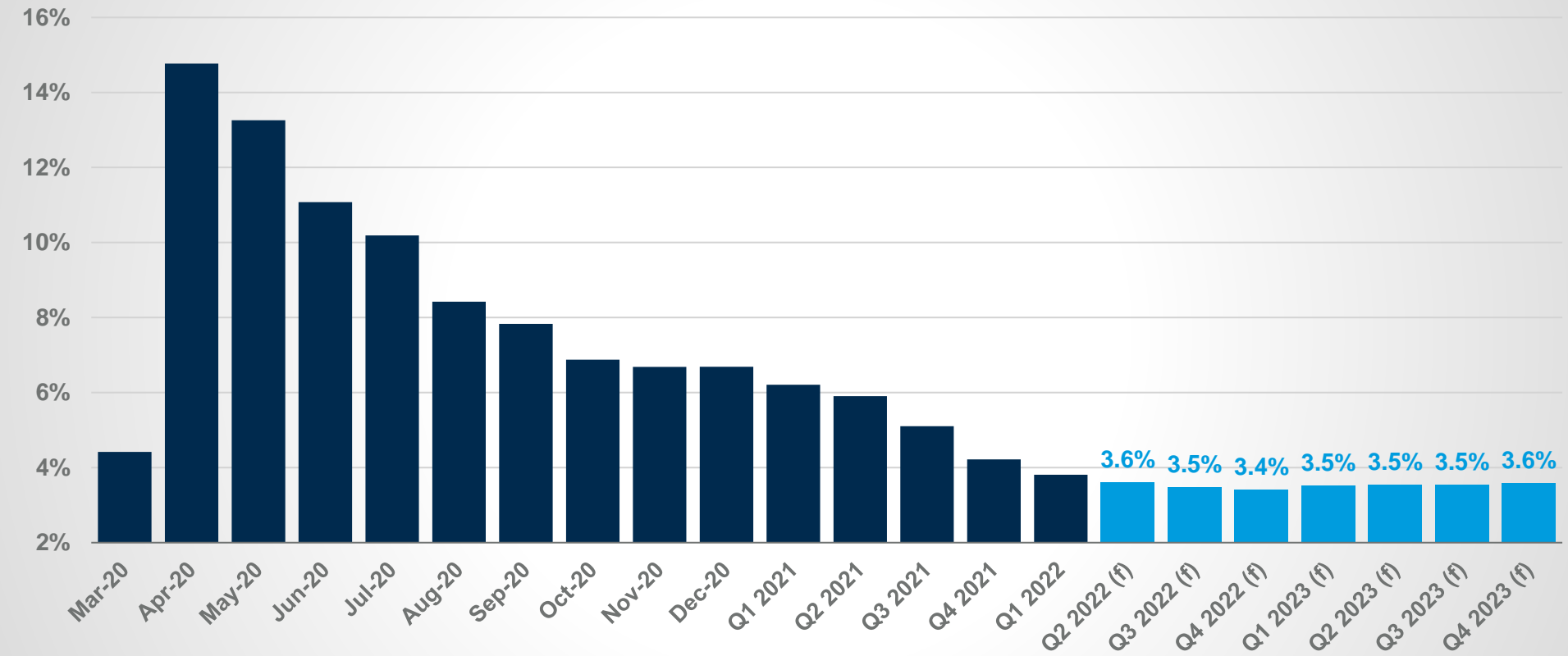
Unemployment



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U.S. Unemployment Rate & Forecast

using U-3 criteria



Source:
Windermere
Economics' forecast
using BLS historic data

RATES WILL CONTINUE TO DROP



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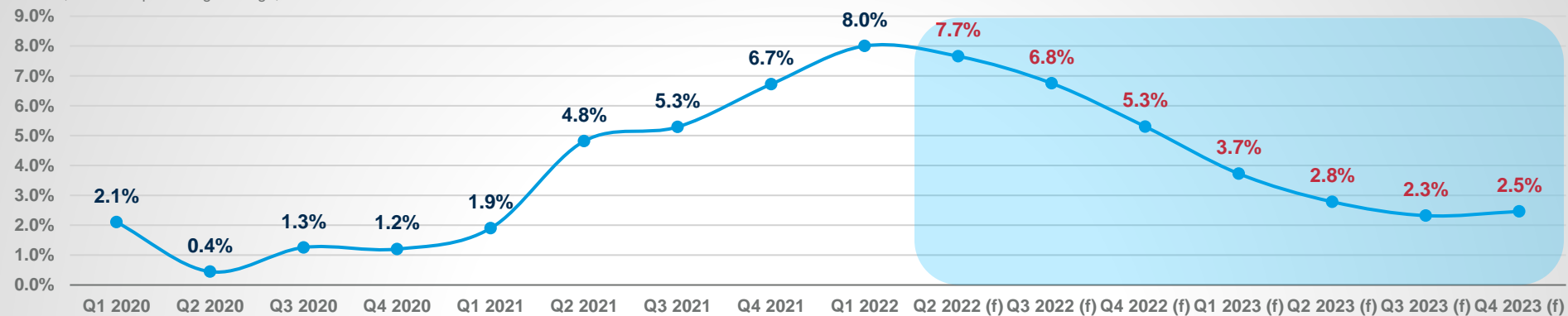
Inflation



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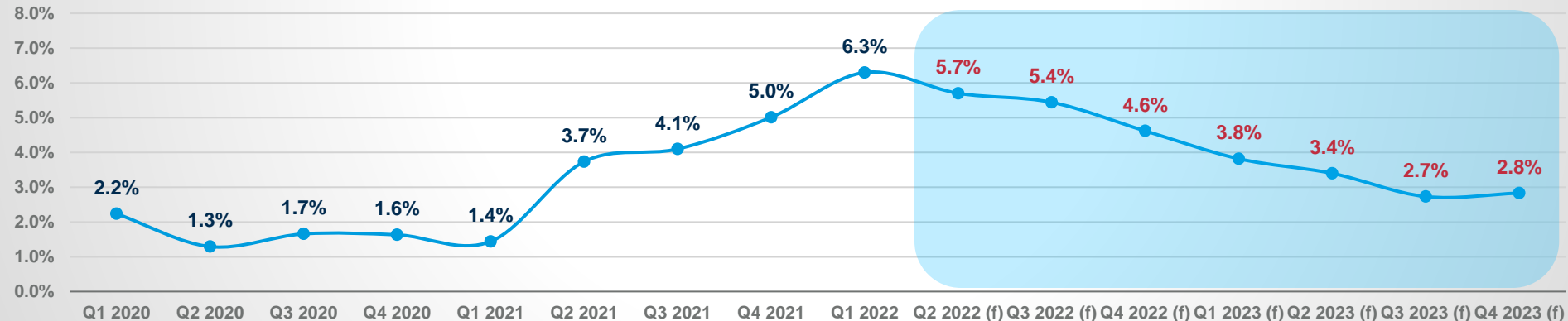
Consumer Prices

all items; 12-month percentage change; sa



Core Consumer Prices

all items; 12-month percentage change; sa



Source:
Windermere
Economics' forecast
using BEA historic data

INFLATION HAS LIKELY PEAKED



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- The Ukrainian Conflict Continues Weighing on US Growth & Inflation;
- Ongoing Inflationary Pressures – in Concert with a Tight Labor Market – Force the Fed's Hand;
- Their Goal For a “Soft Landing” Has Increased the Likelihood of a Recession; But
- Any Contraction Will Likely Occur Later in 2023, Not This Year.

The Local Economy



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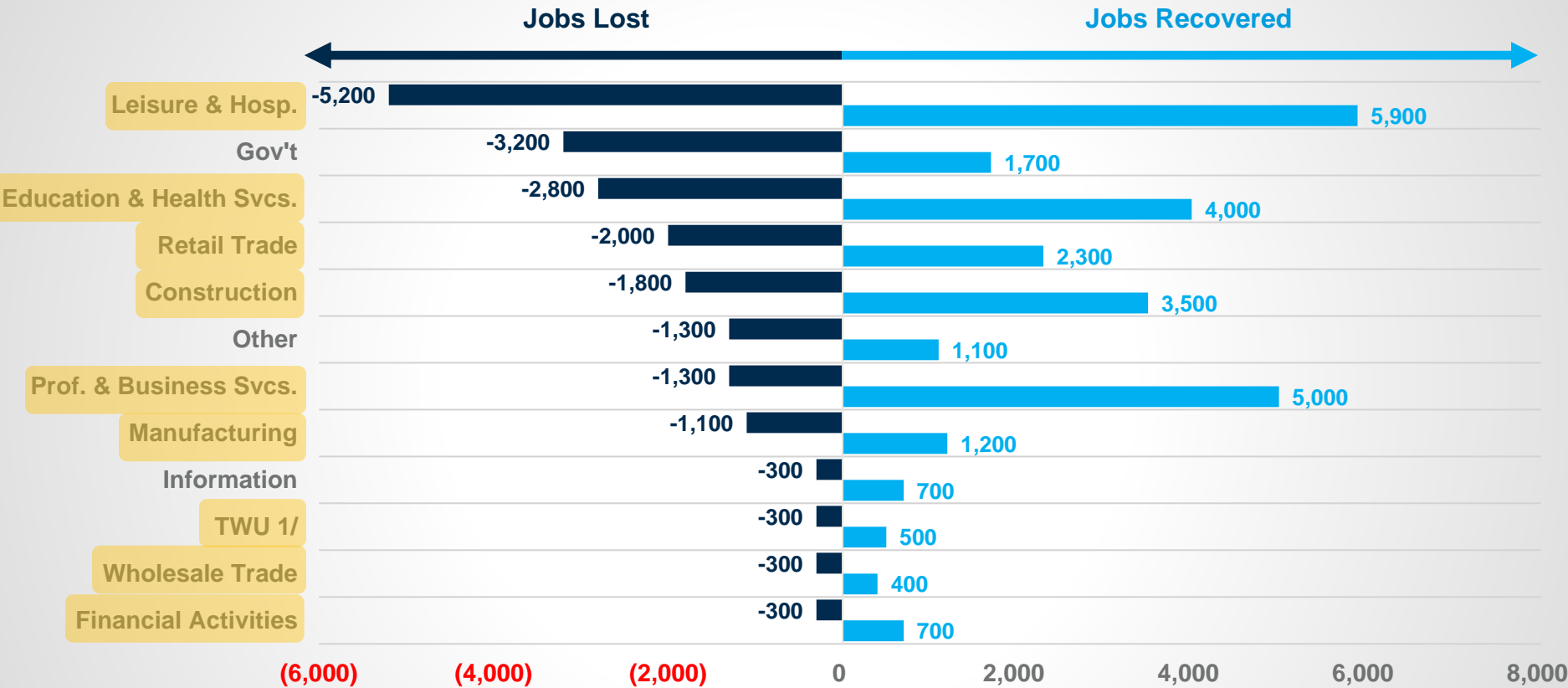
Employment



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Job Losses/Gains by Industry Sector

Clark County, WA; NSA

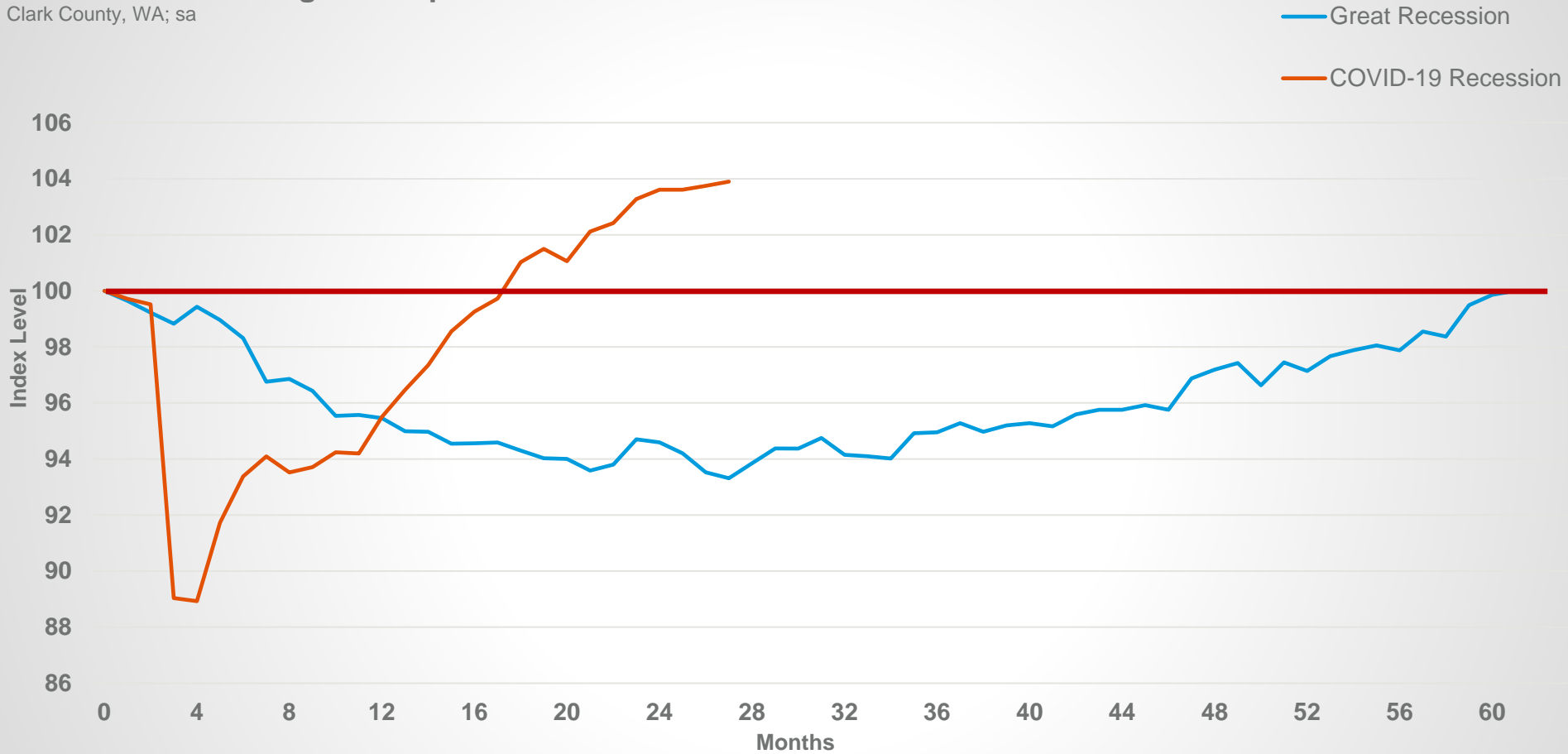


Source: WA ESD
1/ Transportation,
Warehousing & Utilities
Data thru' 04/22

MOST SECTORS HAVE FULLY RECOVERED

COVID-19 Job Changes Compared to the Great Recession

Clark County, WA; sa

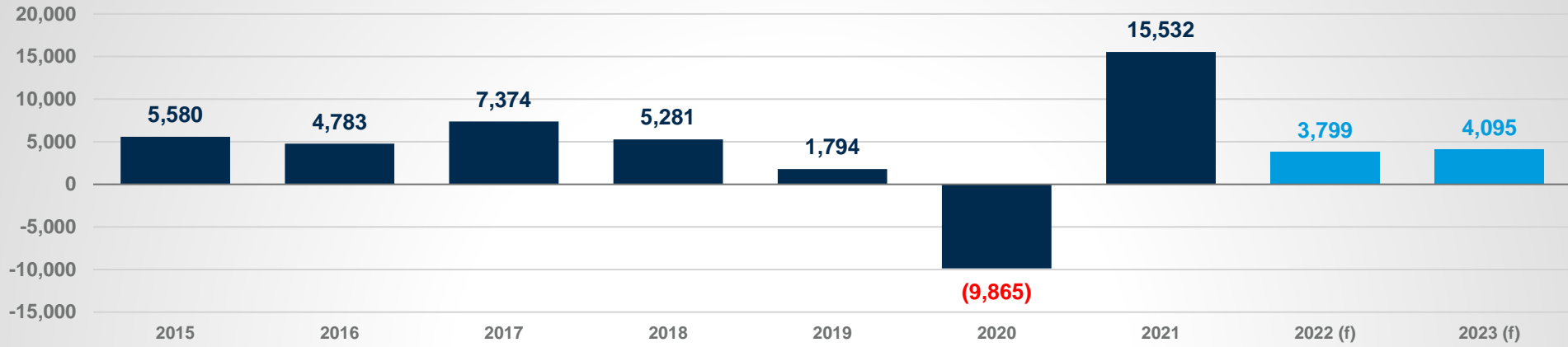


Source: Windermere Economics' analysis of WA ESD data

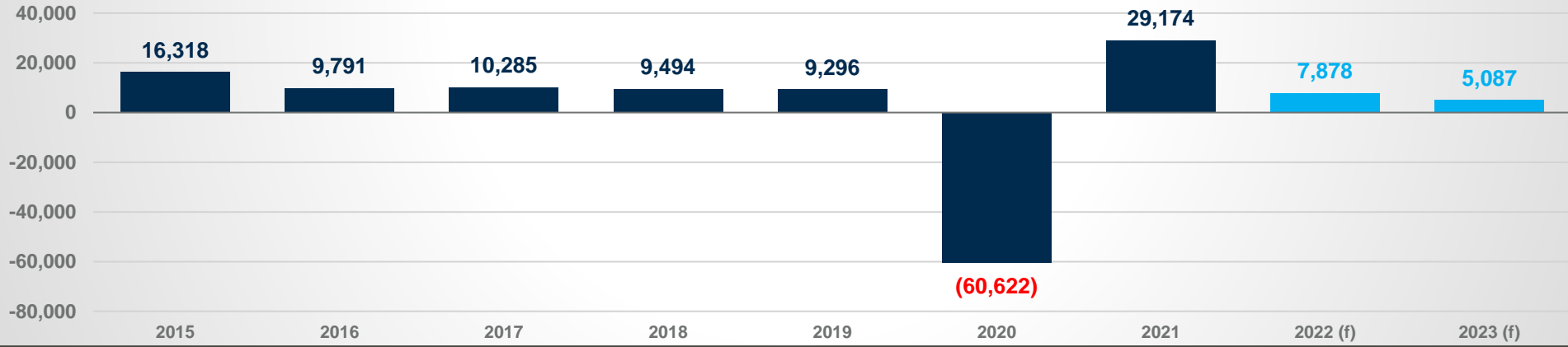
AS JOBS RETURNED IN 1/3 OF THE TIME



Clark County Employment Forecast



Multnomah County Employment Forecast



Source:
WA ESD
w/Windermere
Economics' Forecast

PULLBACK THIS YEAR IS NOT SURPRISING



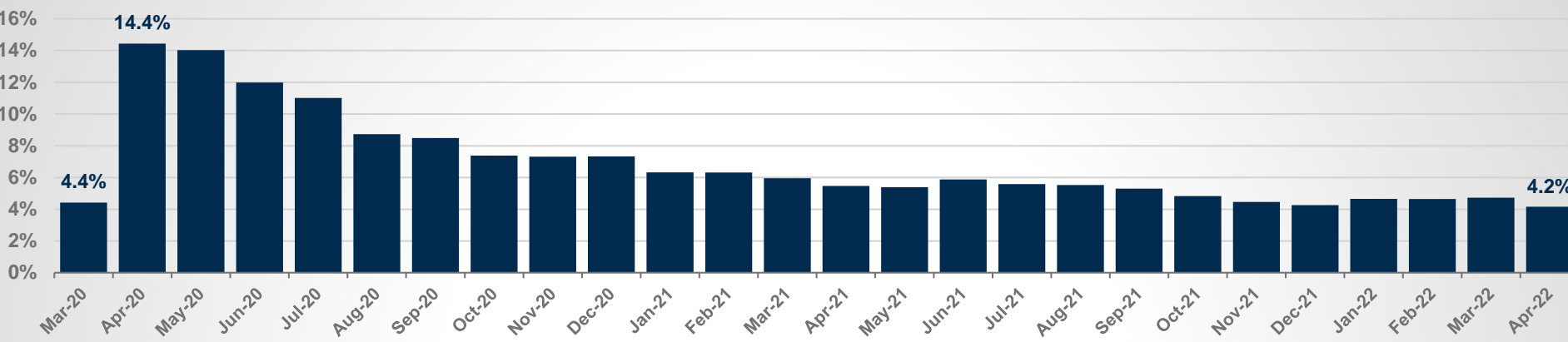
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Unemployment

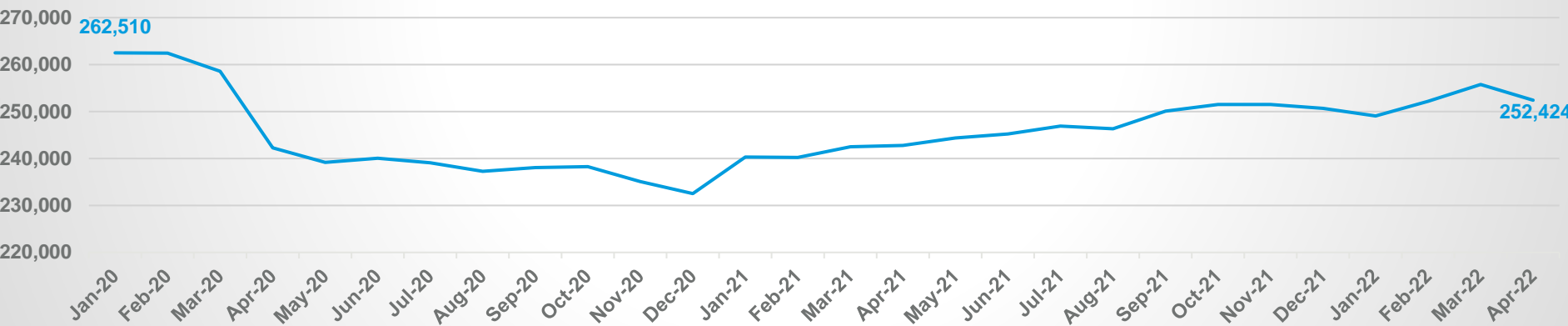


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Clark County Unemployment Rates



Civilian Labor Force



Source:
WA ESD
w/Windermere
Seasonal Adjustments

LACK OF LABOR IS AN ISSUE



- The Job Recovery has Been Very Impressive – Even as Public Sector Employment Lags;
- Service Sector Wages Will Continue Rising at Above Average Rates (5%-6.5%) in Order to Attract Workers;
- Oregonians Relocating Continue to Provide a Boost to the Local Economy; &
- The Future is Looking Bright – Despite Ongoing COVID Impacts.

The Housing Market

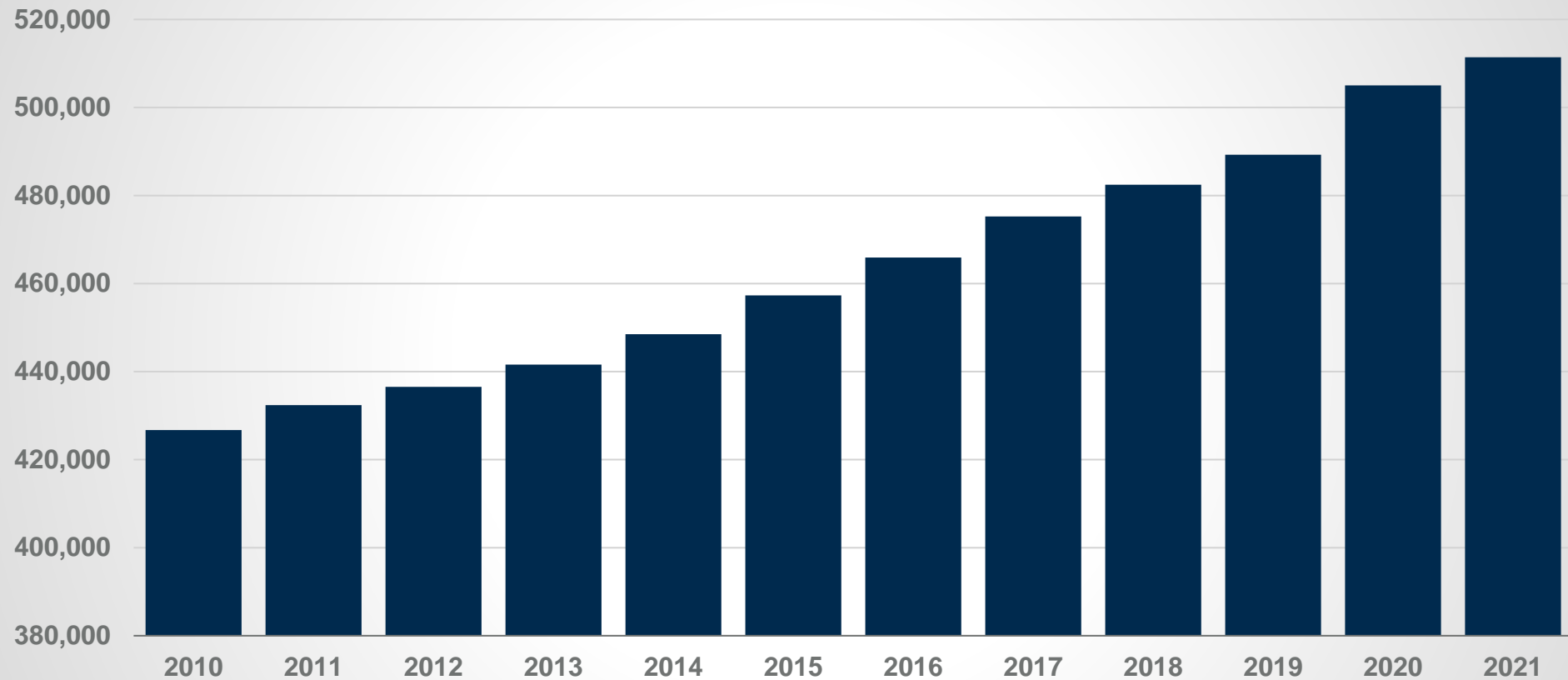


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Clark County Demographics



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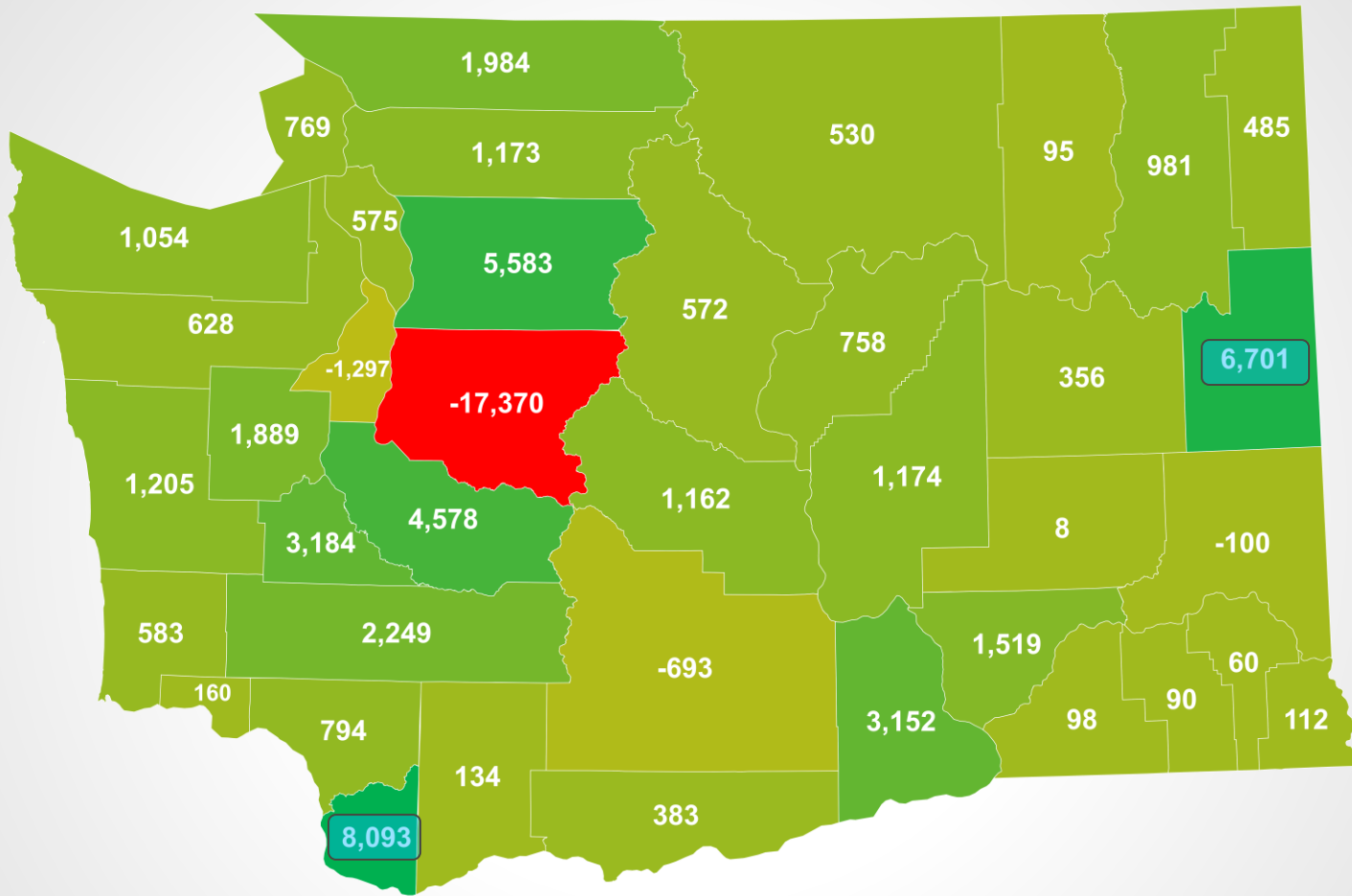


Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

POPULATION TRENDS



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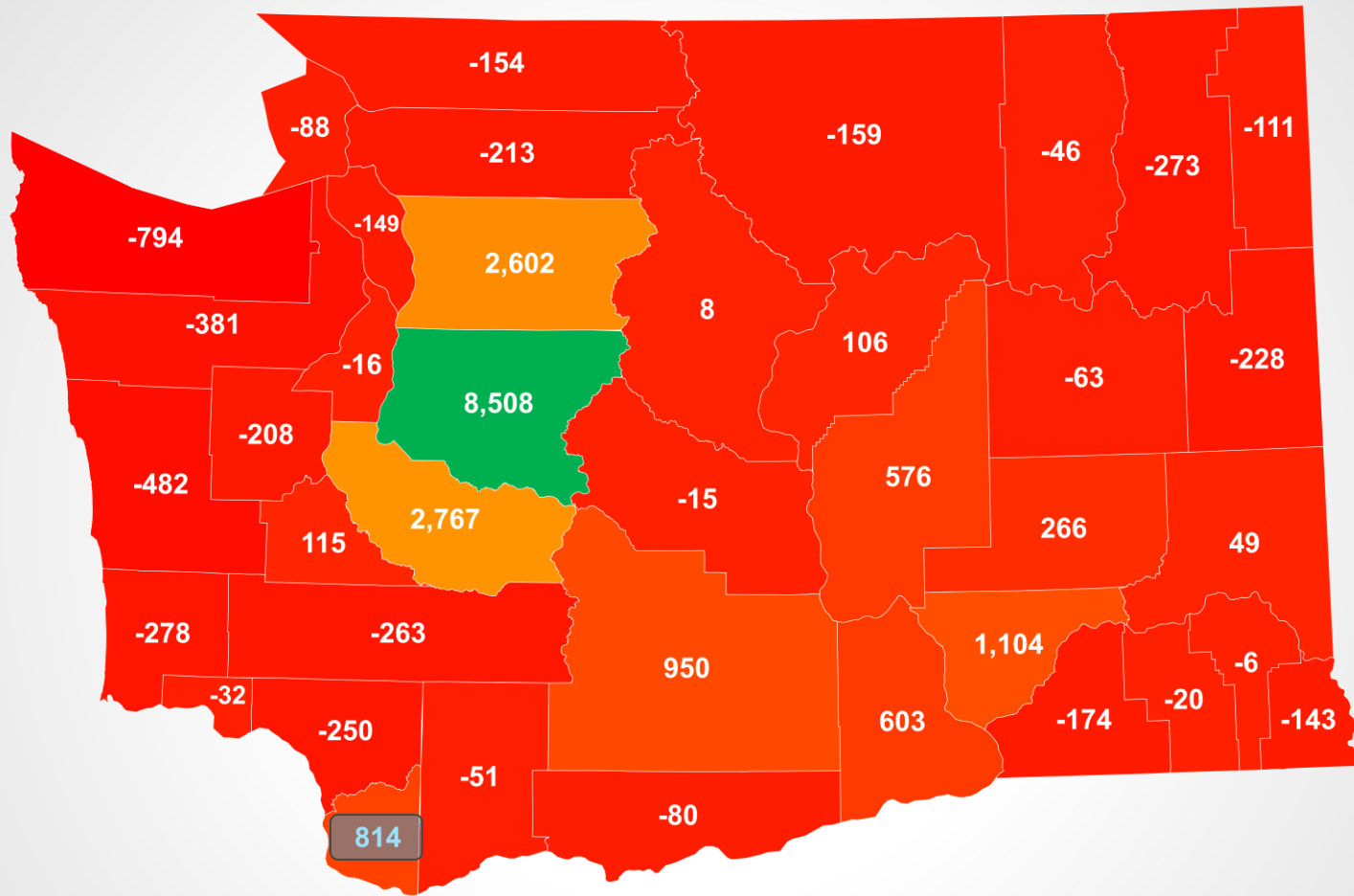
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Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

POPULATION CHANGE (2020/2021)



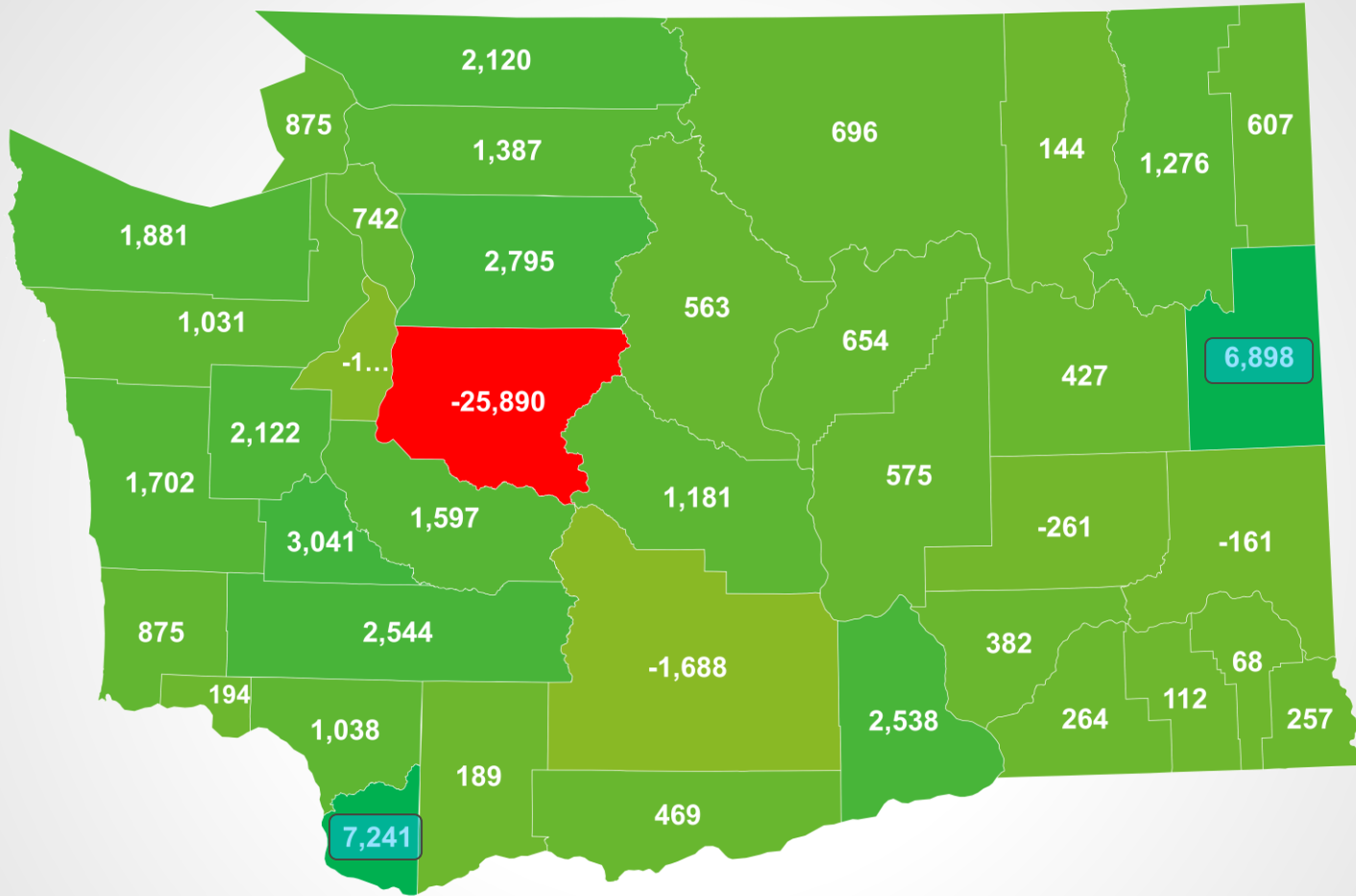
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Source:
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Economics' forecasts
of Census Bureau
baseline data

NATURAL GROWTH (2020/2021)



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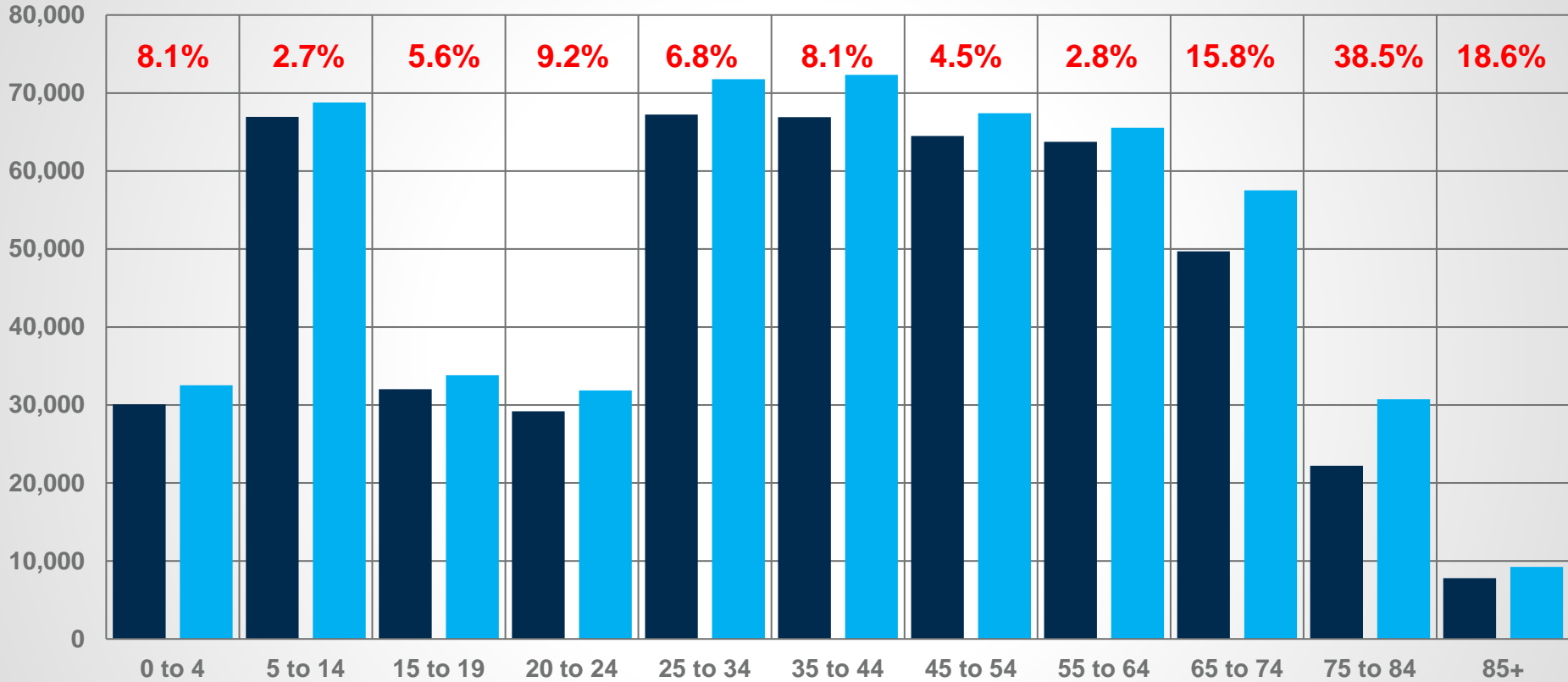
Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

NET MIGRATION (2020/2021)



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■ 2021 ■ 2026 (f)



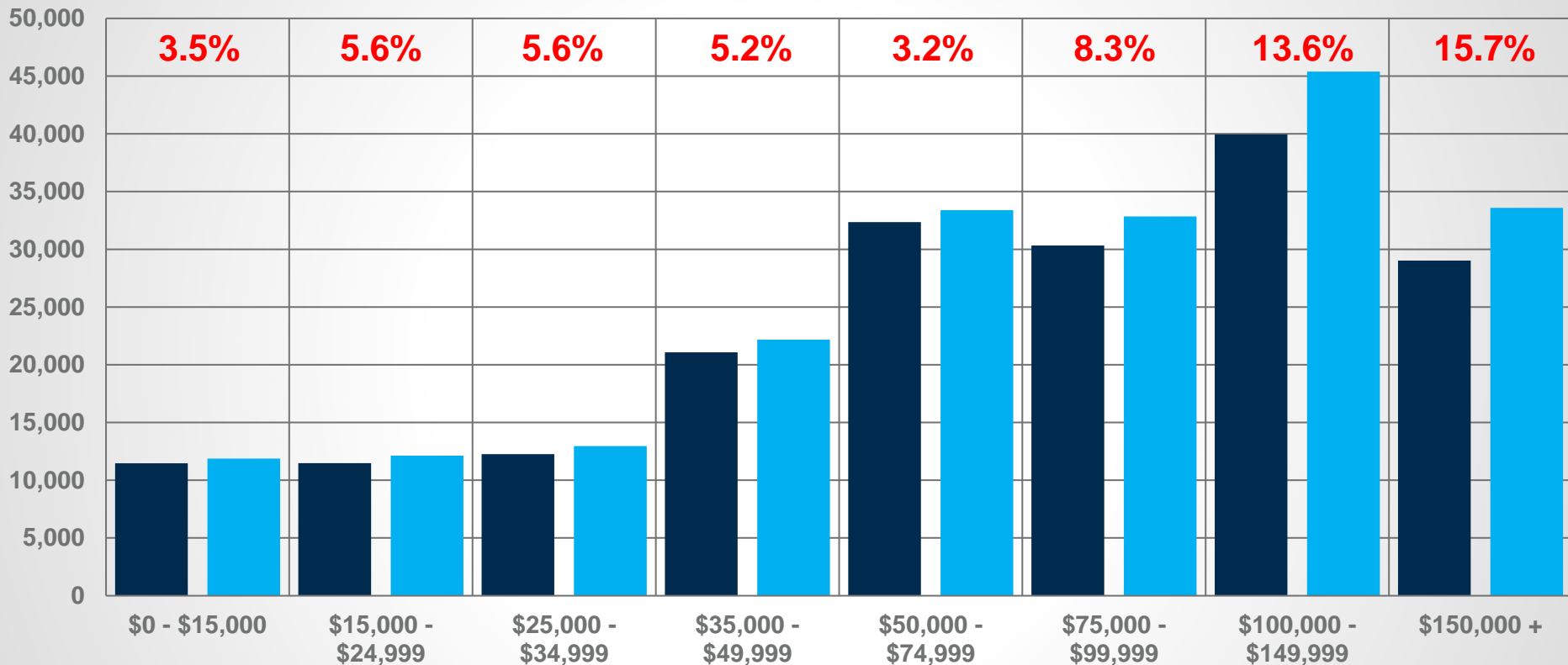
Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

POPULATION BY AGE W/FORECAST



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■ 2021 ■ 2026 (f)

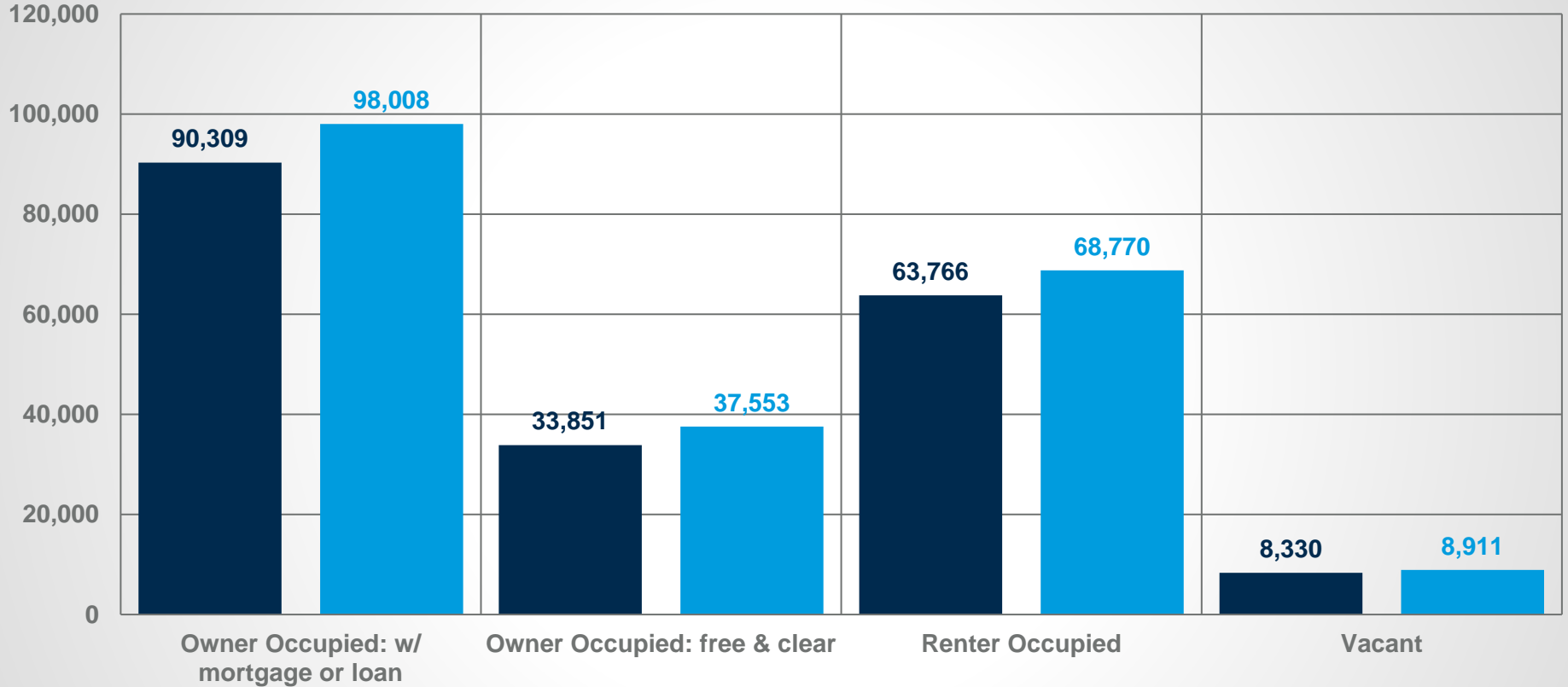


Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

HOUSEHOLDS BY INCOME W./FORECAST

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■ 2021 ■ 2026 (f)

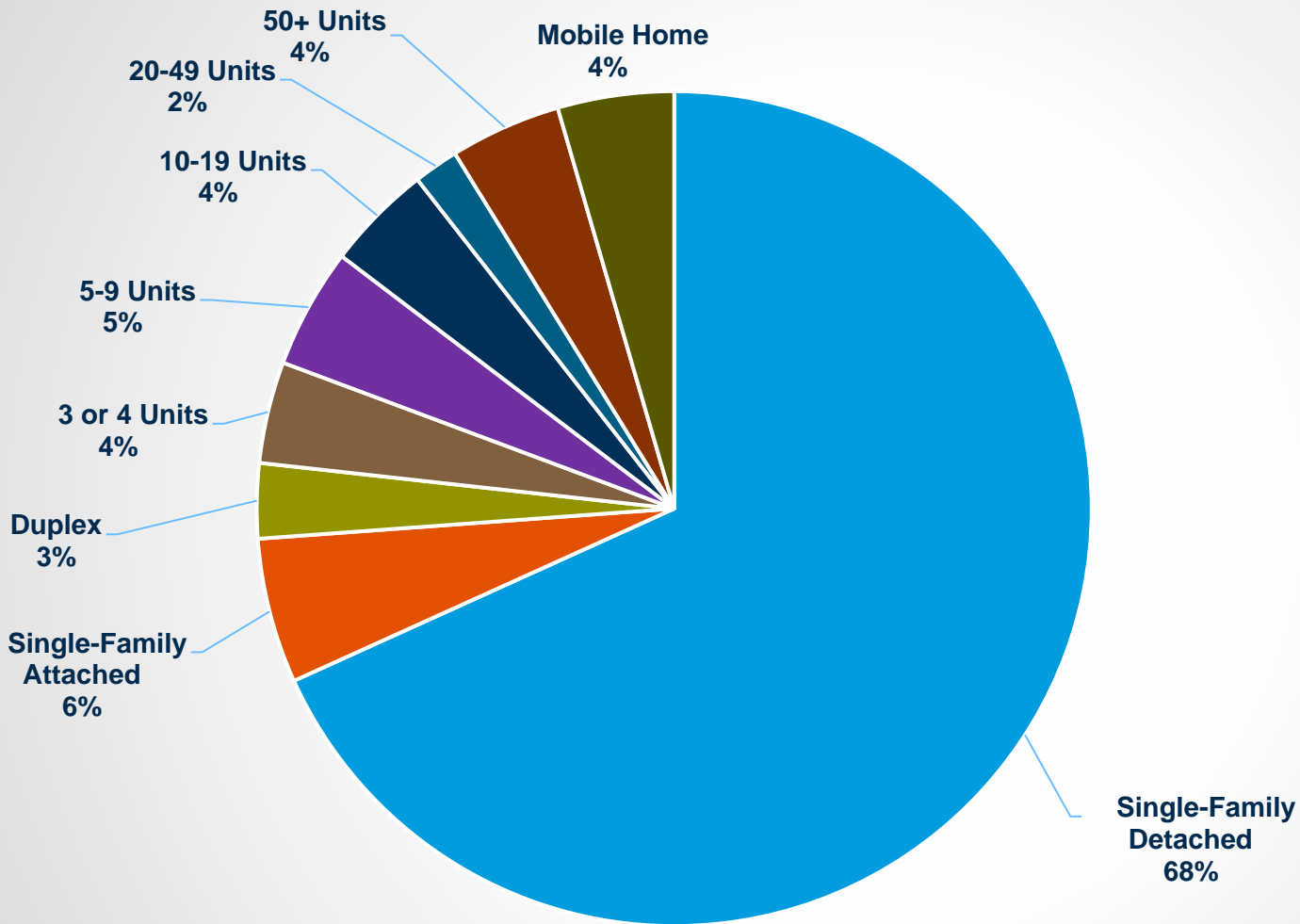


Source:
Windermere
Economics' forecasts
of Census Bureau
baseline data

OWNERSHIP TENURE W/FORECAST



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Housing is Hardly Diverse! (2021)



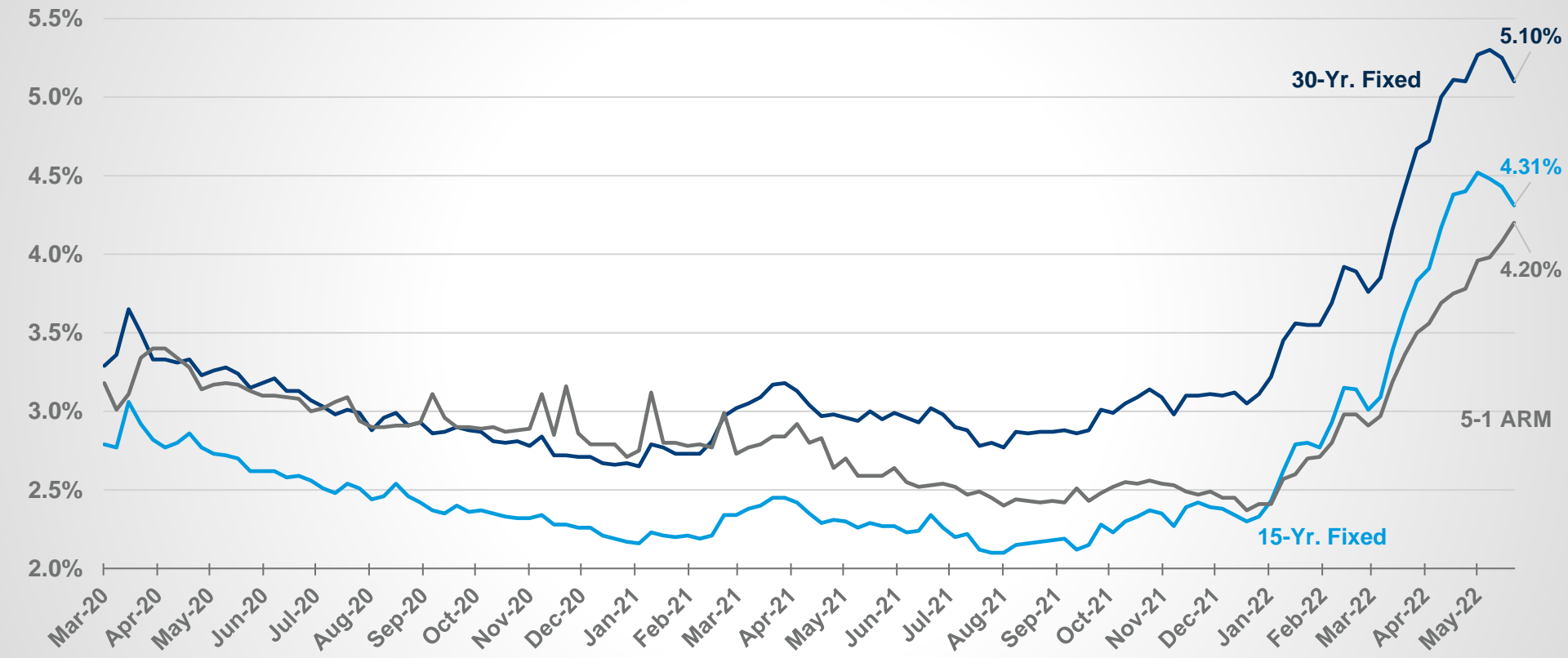
Mortgage Rates



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Mortgage Rates of Various Durations

weekly rate for conforming loans; ex-points

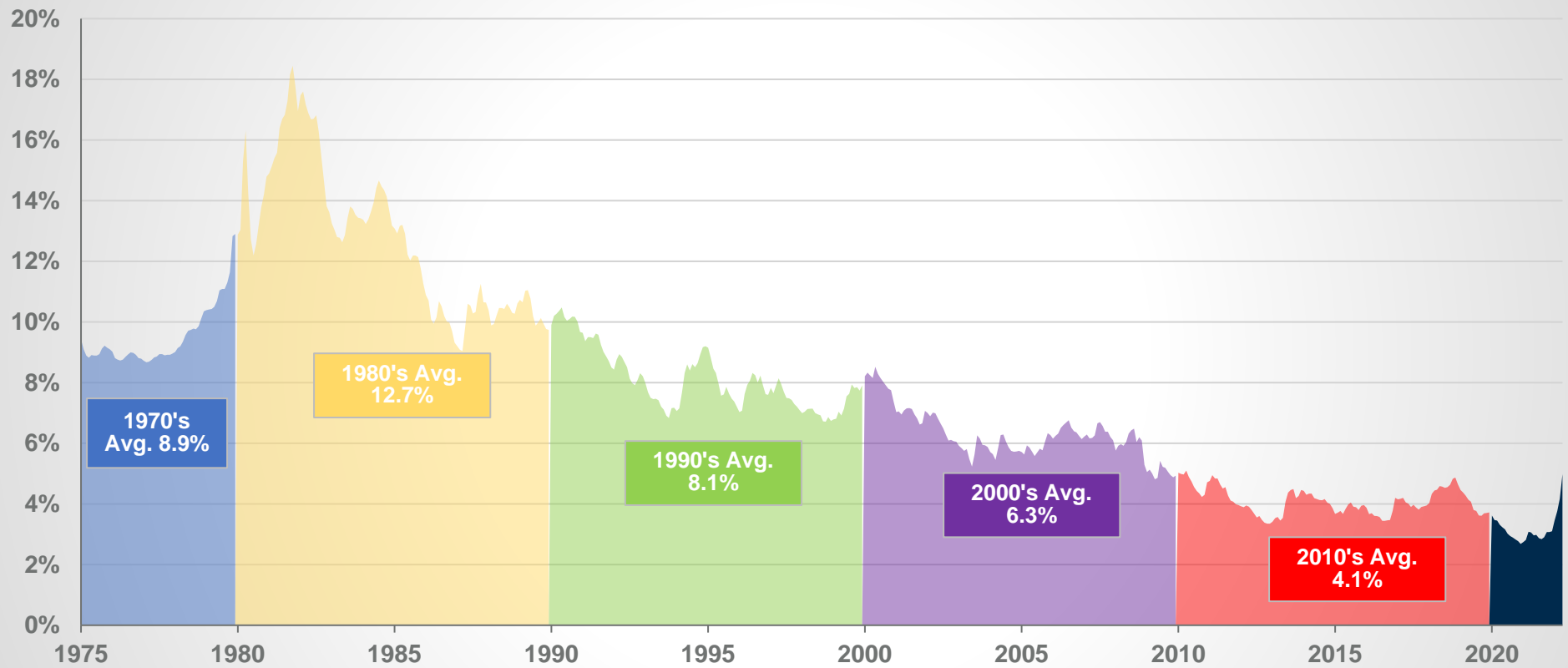


Source:
Freddie Mac

FASTEST SPIKE SINCE 1994!



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Source:
Freddie Mac

A LITTLE PERSPECTIVE!

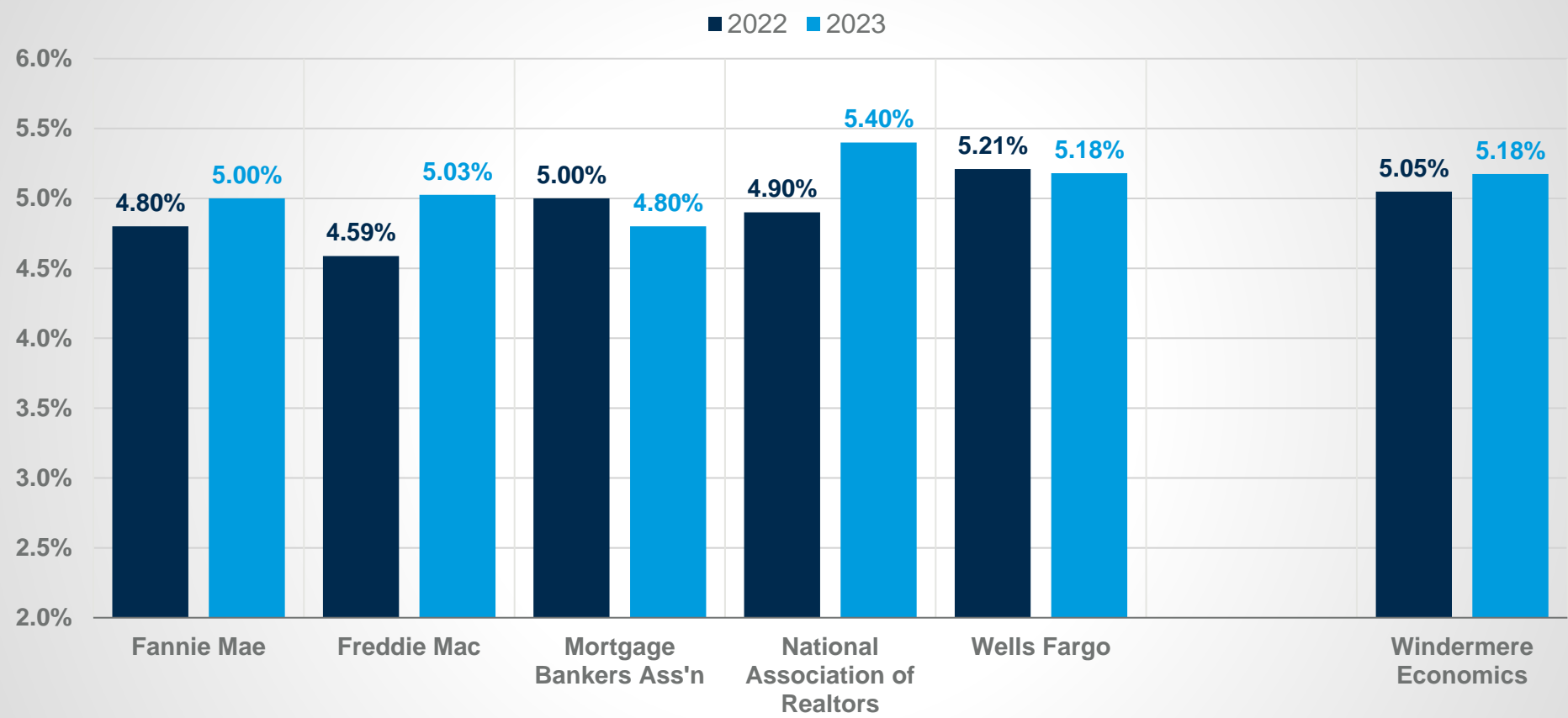


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Start Date	End Date	Duration (months)	Mortgage Rate (bps change)	House Prices (% change)	Home Sales (% change)	Housing Starts (% change)
Oct. 1993	Dec. 1994	14	237	3.5	-12.7	-12.6
Jan. 1996	Sept. 1996	8	120	3.7	-4.1	-12.5
Oct. 1998	May 2000	19	181	4.7	-1.1	-8.7
Jun. 2003	Jun. 2004	12	106	10.0	1.5	0
Jun. 2005	Jul. 2006	13	118	0.4	-12.5	-32.3
Nov. 2012	Dec. 2013	13	111	10.2	-6.1	-0.2
Sept. 2017	Nov. 2018	14	106	4.0	-4.1	-4.8
Averages		13.3	140	5.2	-5.6	-10.2

Note: House prices capture the change in the seasonally adjusted annual rate between the start and end dates. To account for the delayed response of sales and starts, the change is computed from 3-months after the start date to 3-months after the end date.

Forecasts for Conventional 30-Year Fixed Mortgage Rates in 2022 & 2023

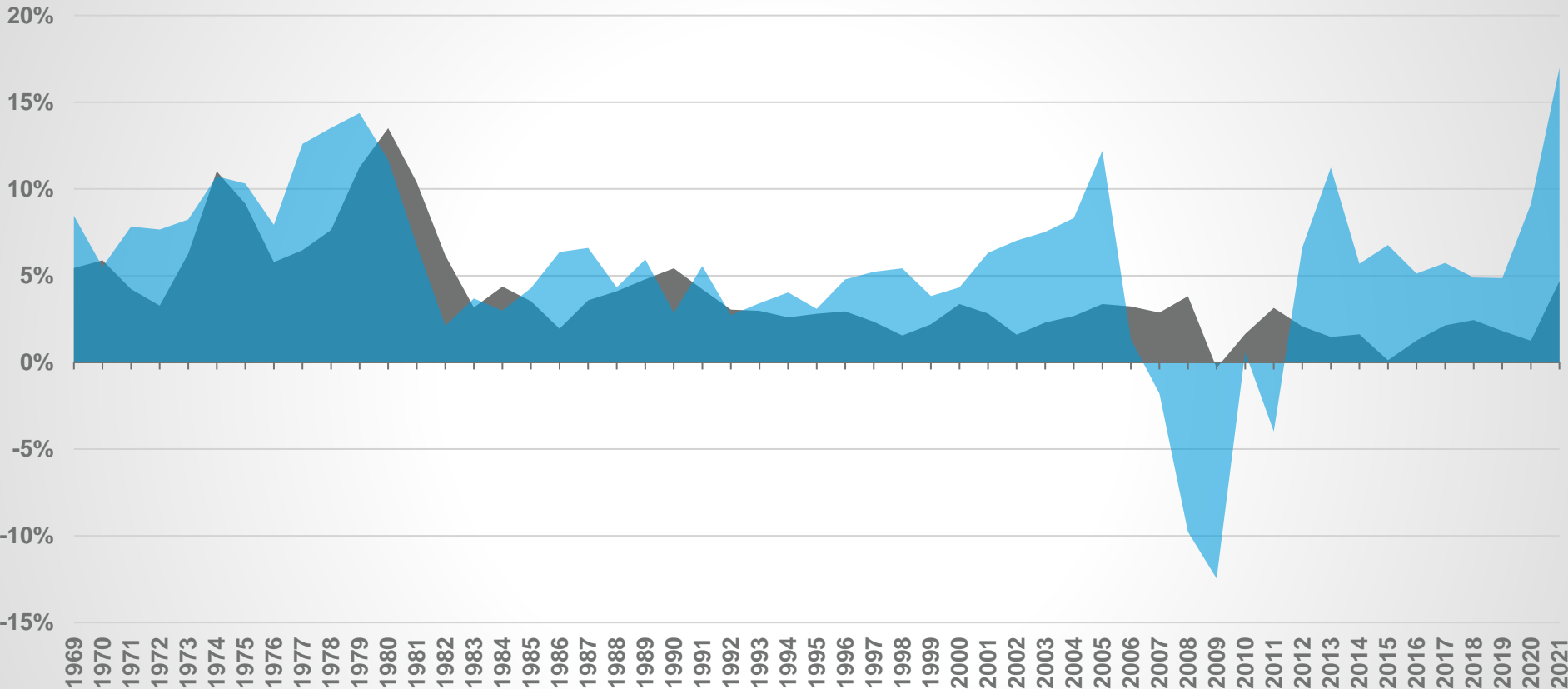


SOME COLLEAGUES ARE MORE OPTIMISTIC!



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■ Average Ann. Inflation ■ Change in Median Home Price



Source:
Analysis of NAR & BLS
data

HOUSING AS A HEDGE AGAINST INFLATION



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Economics

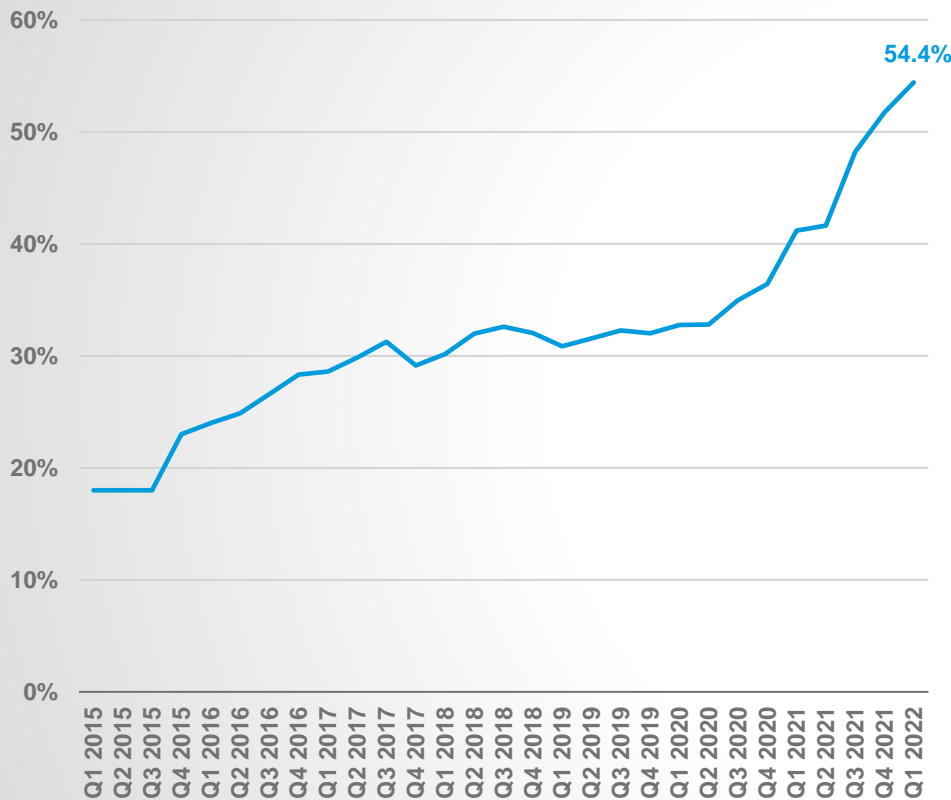
Clark County Housing Market



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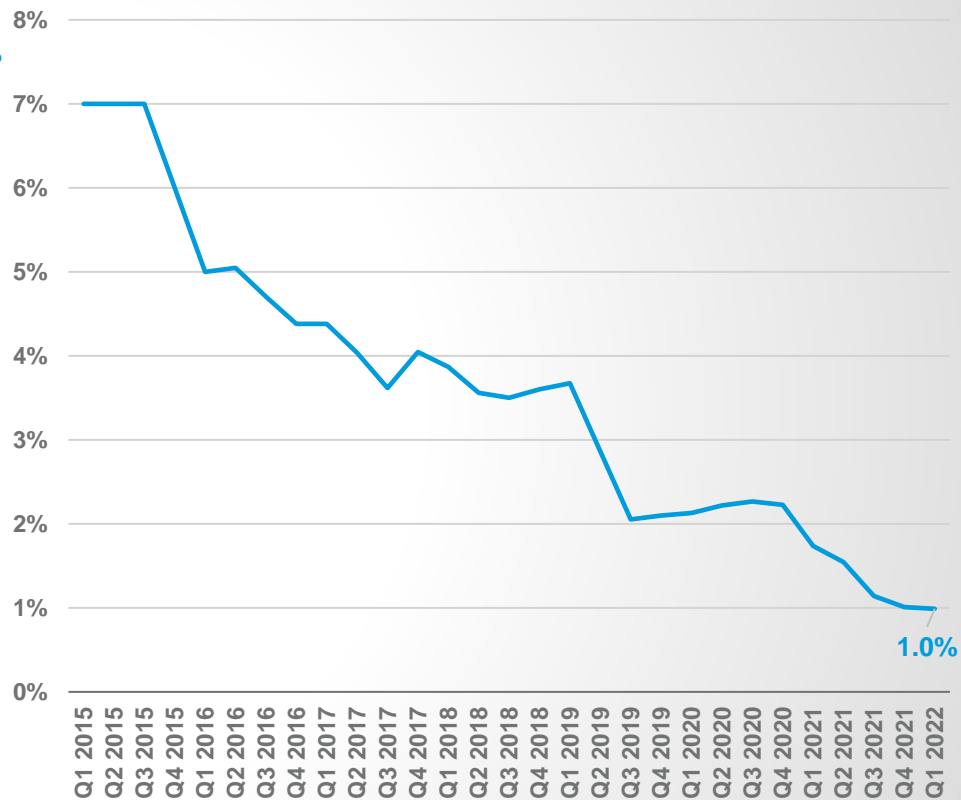
Equity Rich Homeowners

homeowners in Clark County with more than 50% equity



Seriously Underwater Homeowners

homeowners in Clark County with more than -25% equity



Source:
Attom Data Solutions

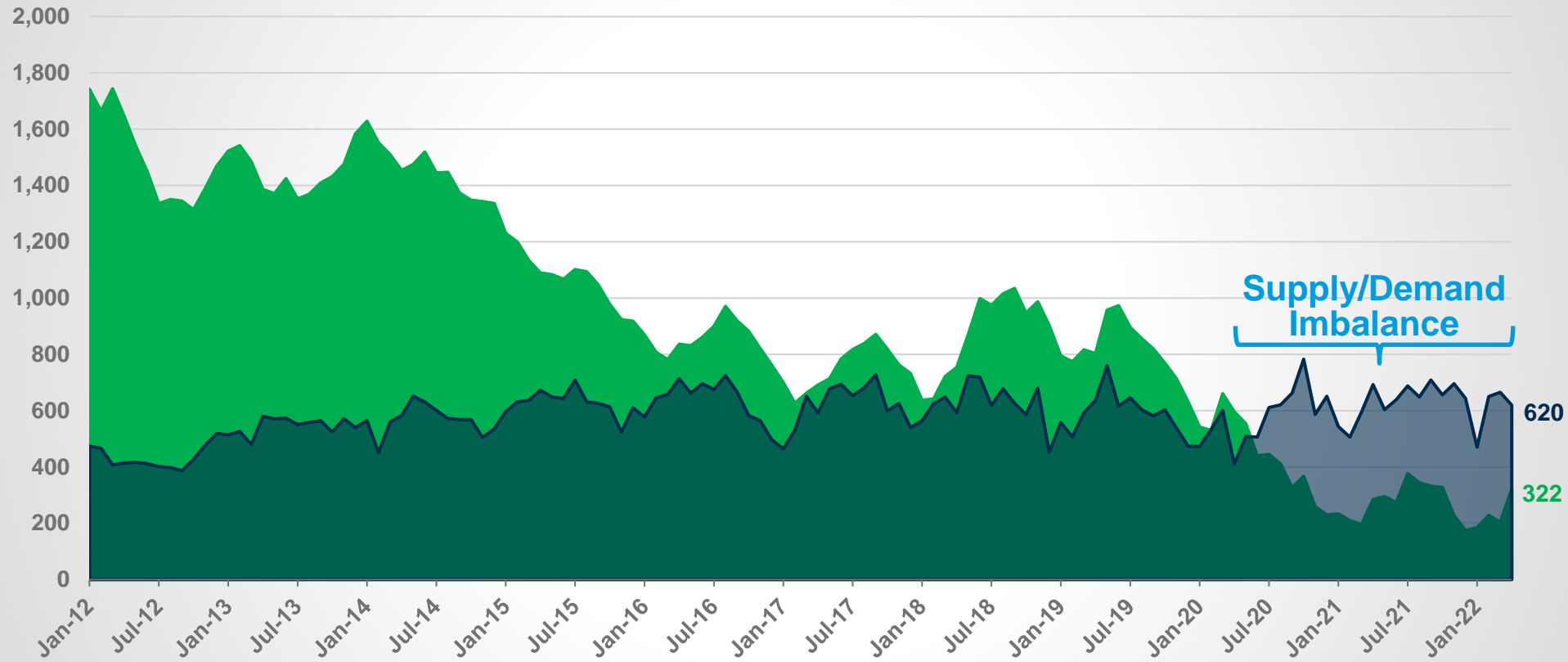
EQUITY & UNDERWATER HOMES

Existing Homes



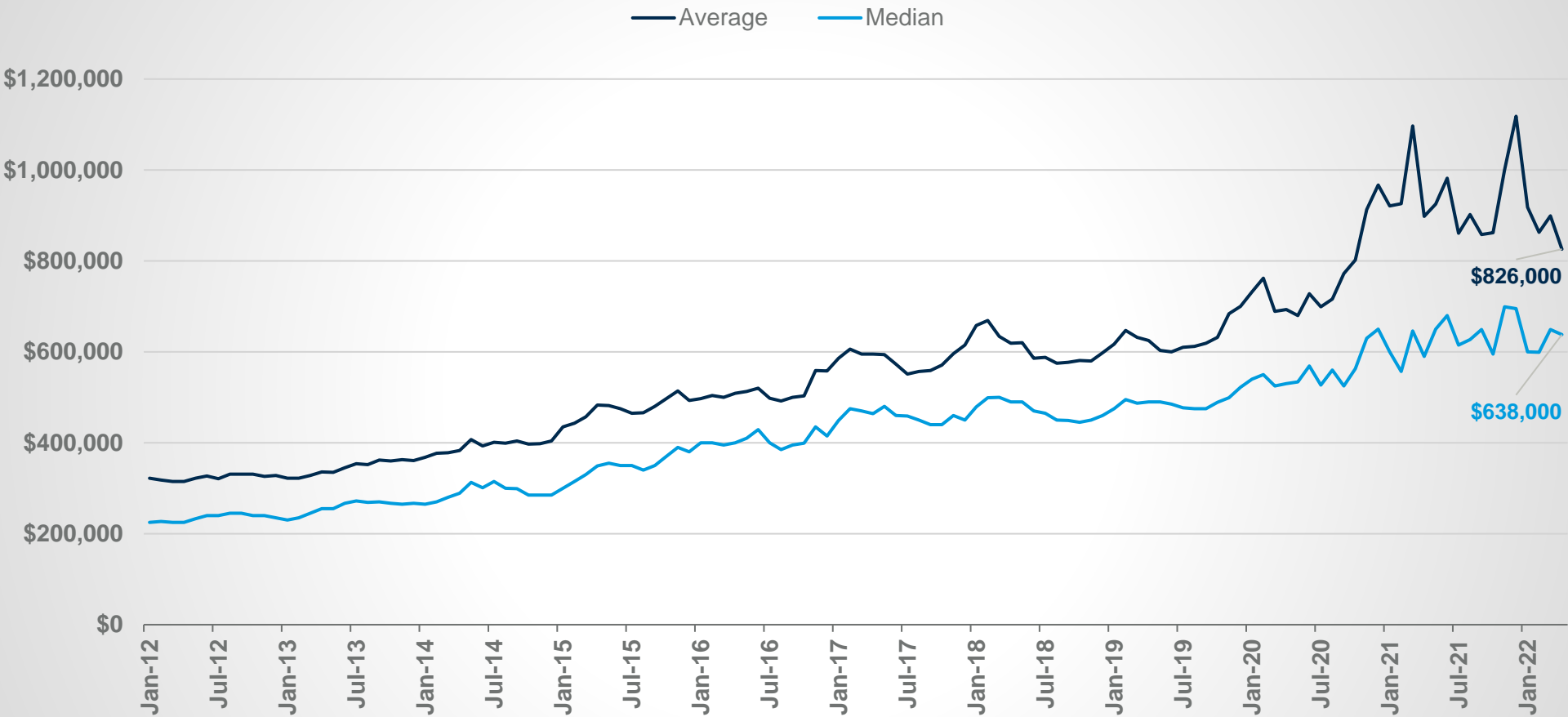
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Active Listings New Listings



Source:
RMLS w/Windermere
Economics Seasonal
Adjustments

LISTING ACTIVITY



Source:
RMLS

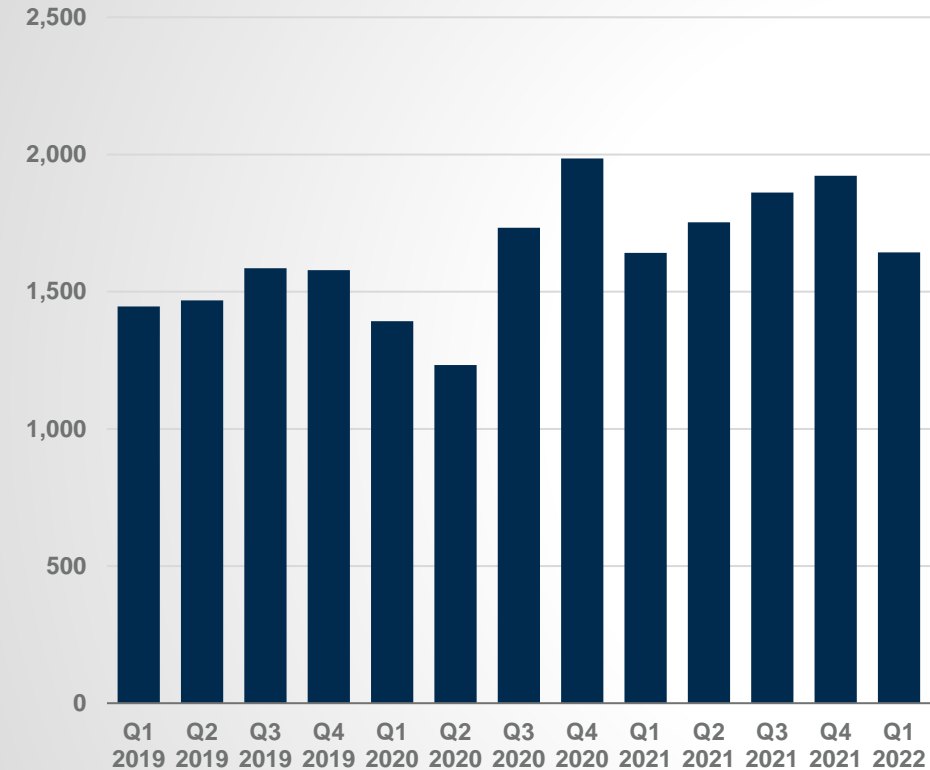
HAVE LIST PRICES TURNED THE CORNER?



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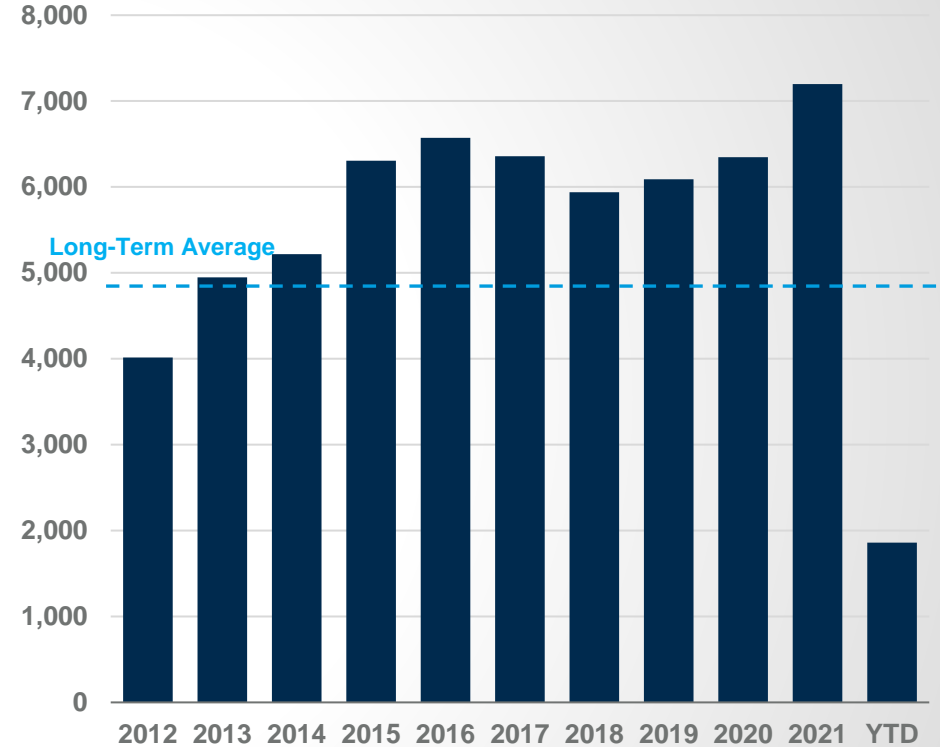
Quarterly Closings

single-family resale homes; sa



Sales by Year

single-family resale homes; 2004-2019 avg. 4,996



Source:
RMLS w/Windermere
Economics Seasonal
Adjustments

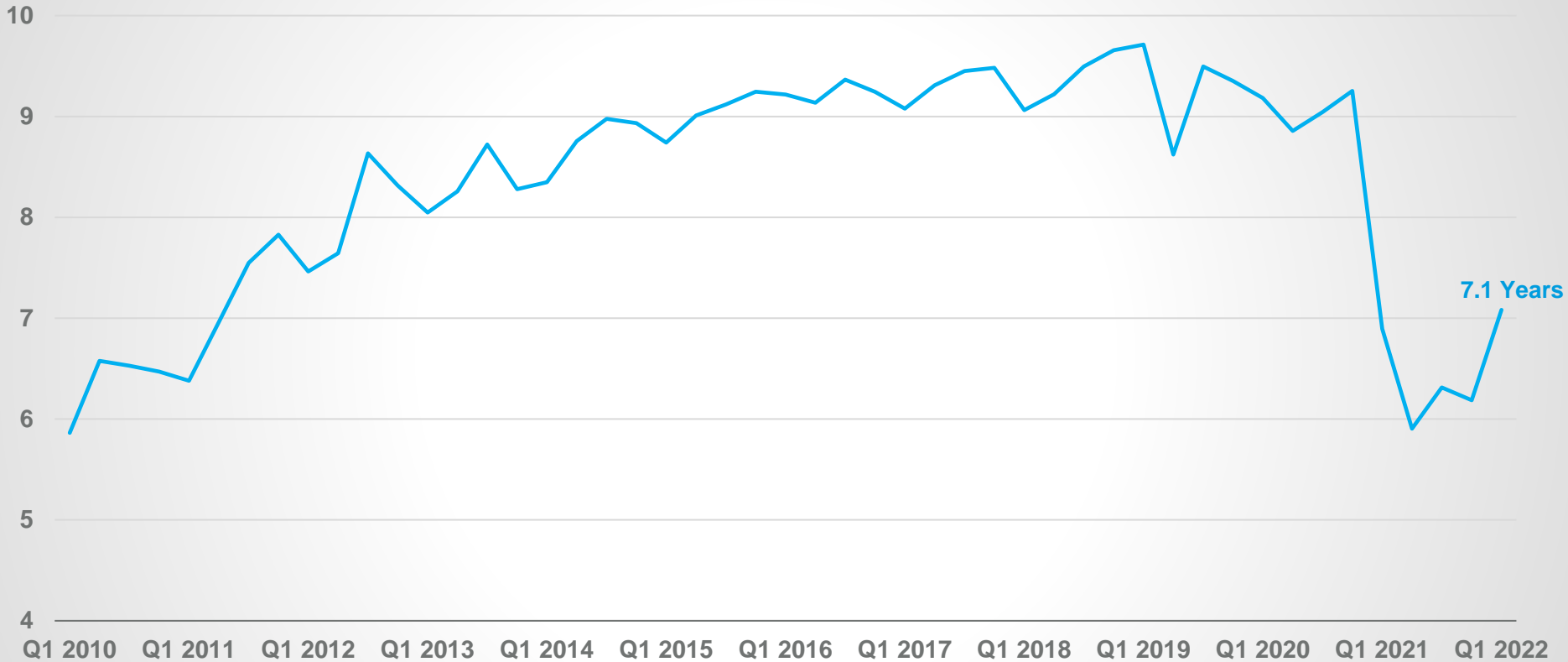
SALES ACTIVITY



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Average Owner Tenure

in years; Clark County, WA

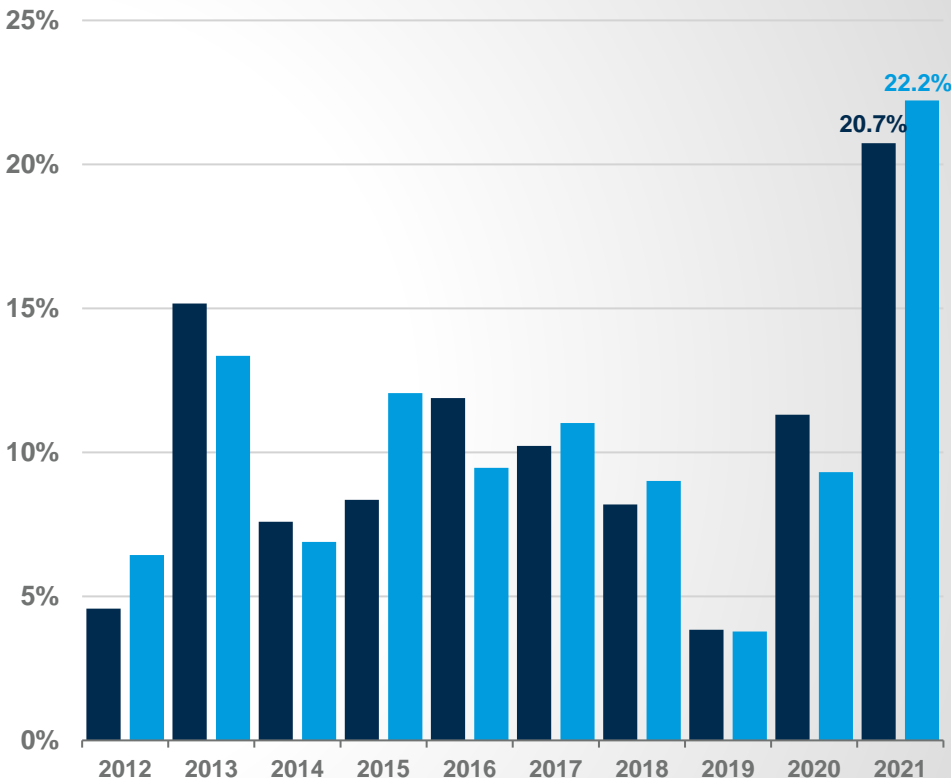
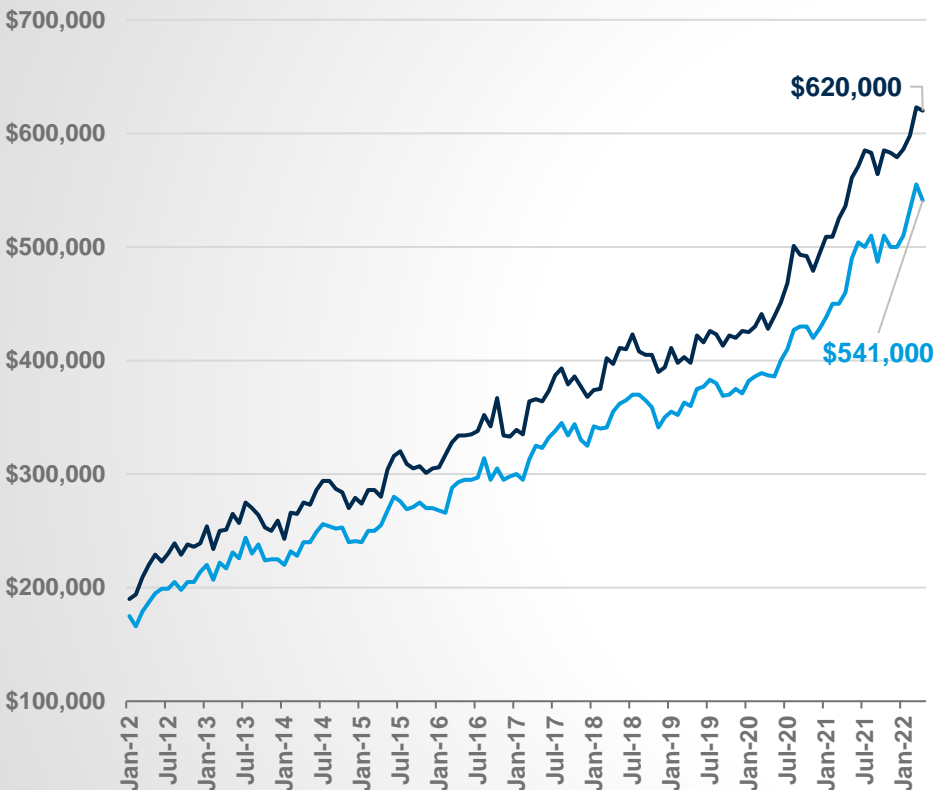


Annual Change in Sale Prices

Single-family resale homes

■ Average ■ Median

— Average Sale \$ — Med. Sale \$



Source: RMLS

SALE PRICE GROWTH SOFTENS (A BIT!!)



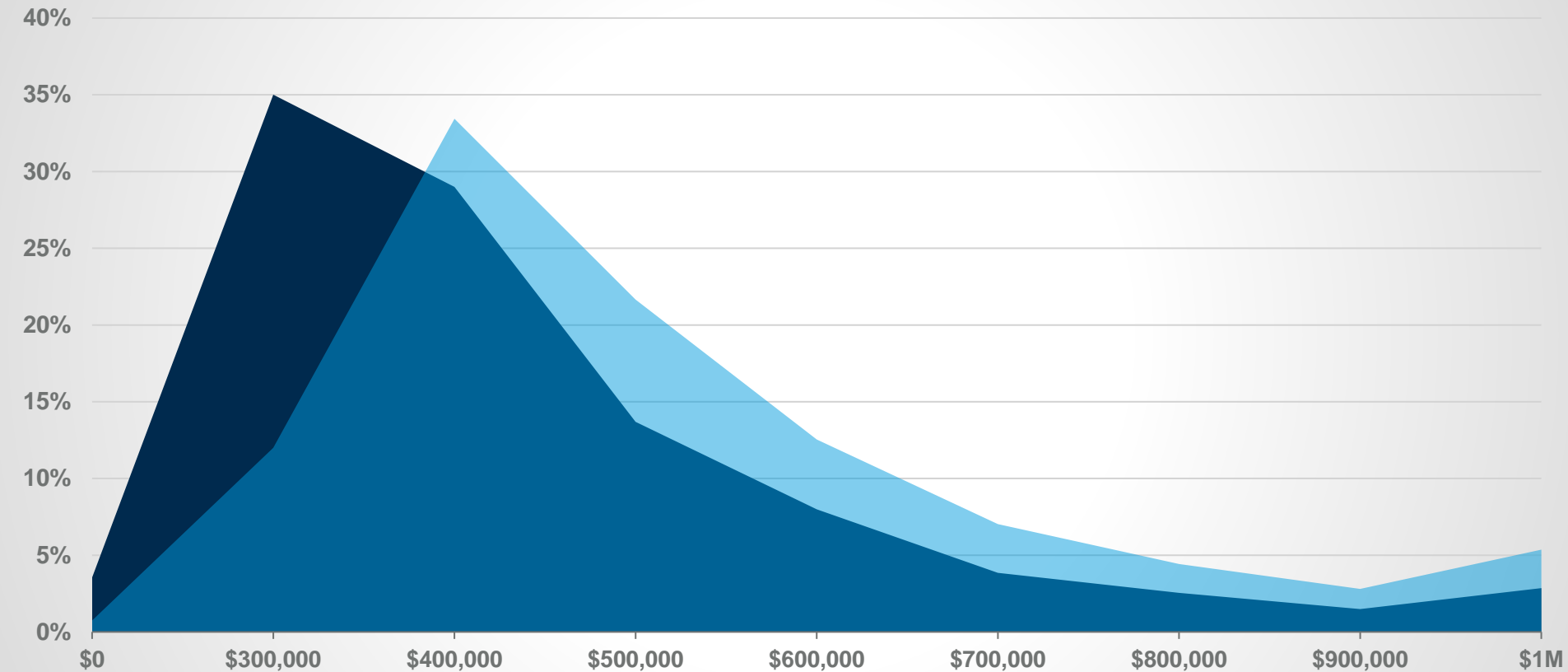
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Distribution in Home Sales

single-family resale homes

■ May. '20 - Apr. '21

■ May. '21 - Apr. '22



Source:
RMLS

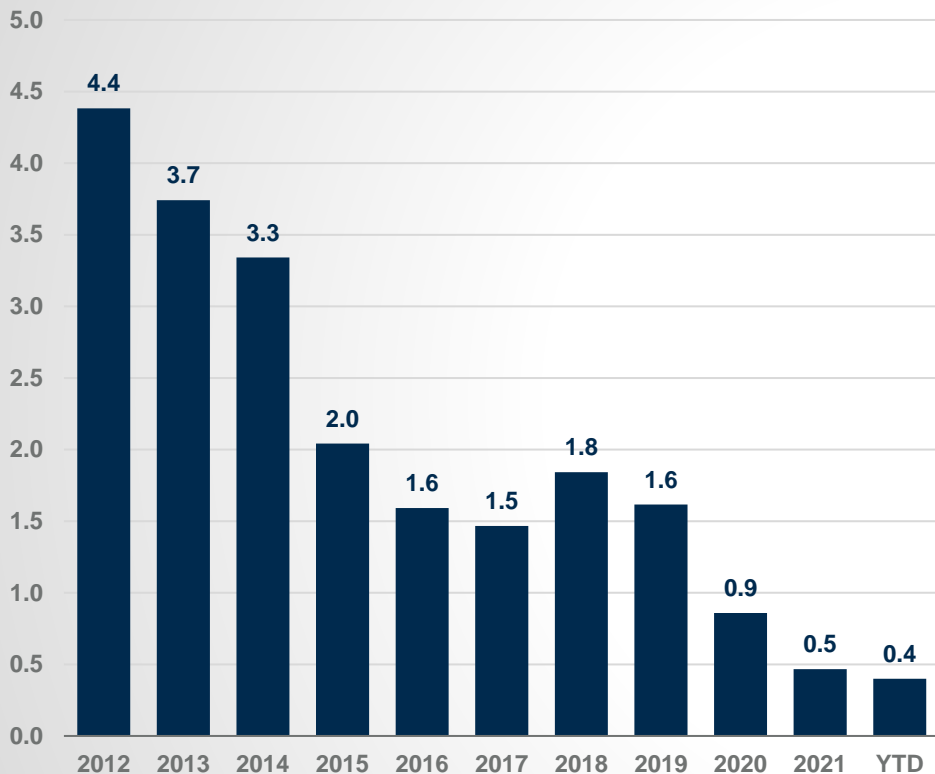
SALES BY PRICE COHORT



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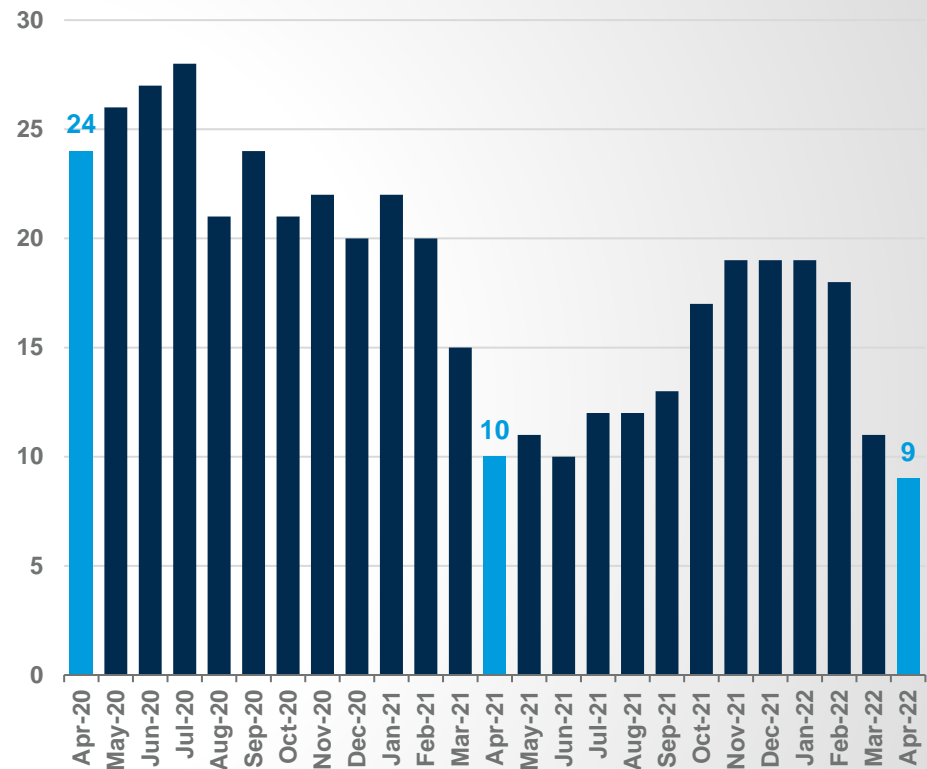
Months of Inventory

single-family resale homes; based on pending sales



Days on Market

average days; single family resale homes; nsa



Source:
Windermere
Economics modelling
of RMLS raw data
(Inflation = CPI-U ex
shelter)

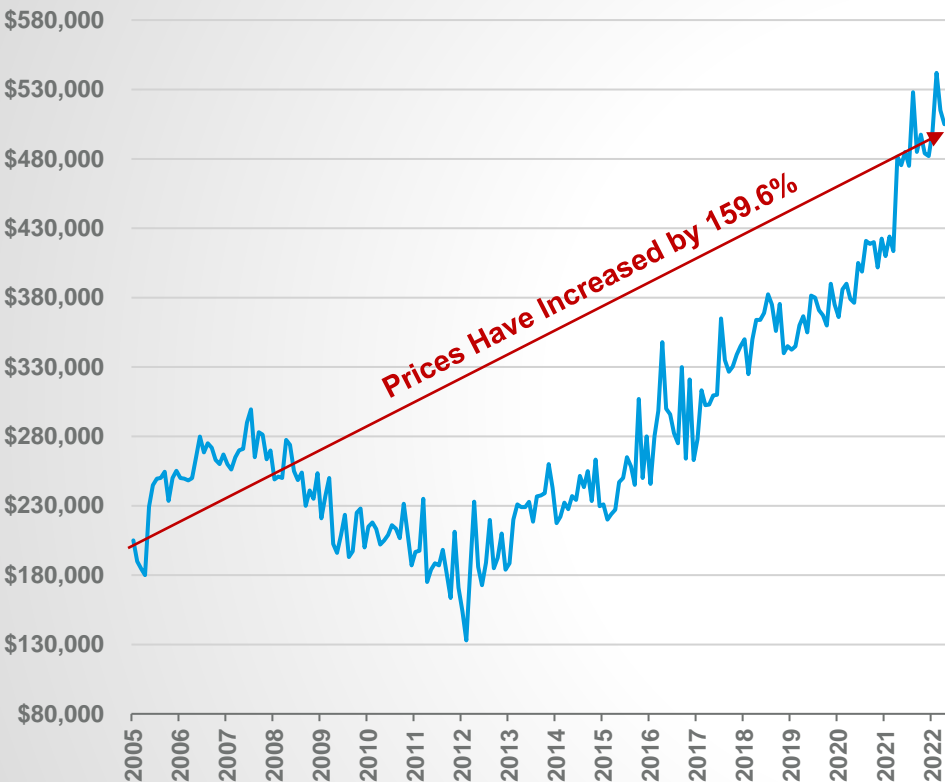
OTHER MEASURES



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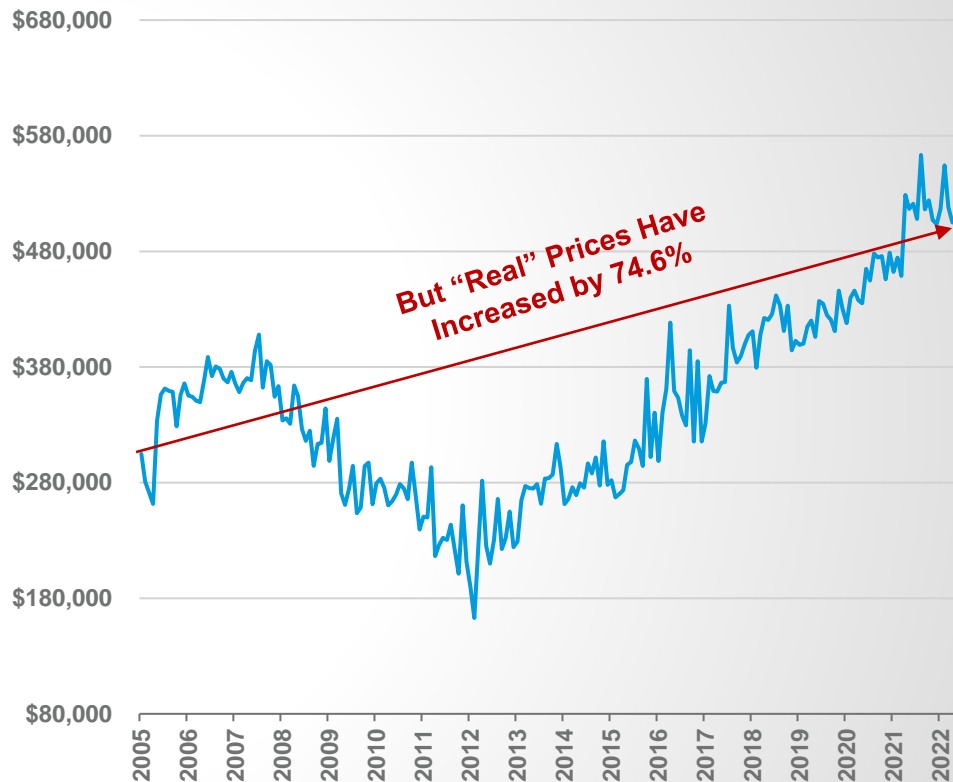
Nominal Median Home Sale Prices

Clark County; single-family resale units; nsa



Inflation Adjusted Median Home Sale Prices

Clark County; single-family resale units; nsa



Source:
Windermere
Economics modelling
of RMLS raw data
(Inflation = CPI-U ex
shelter)

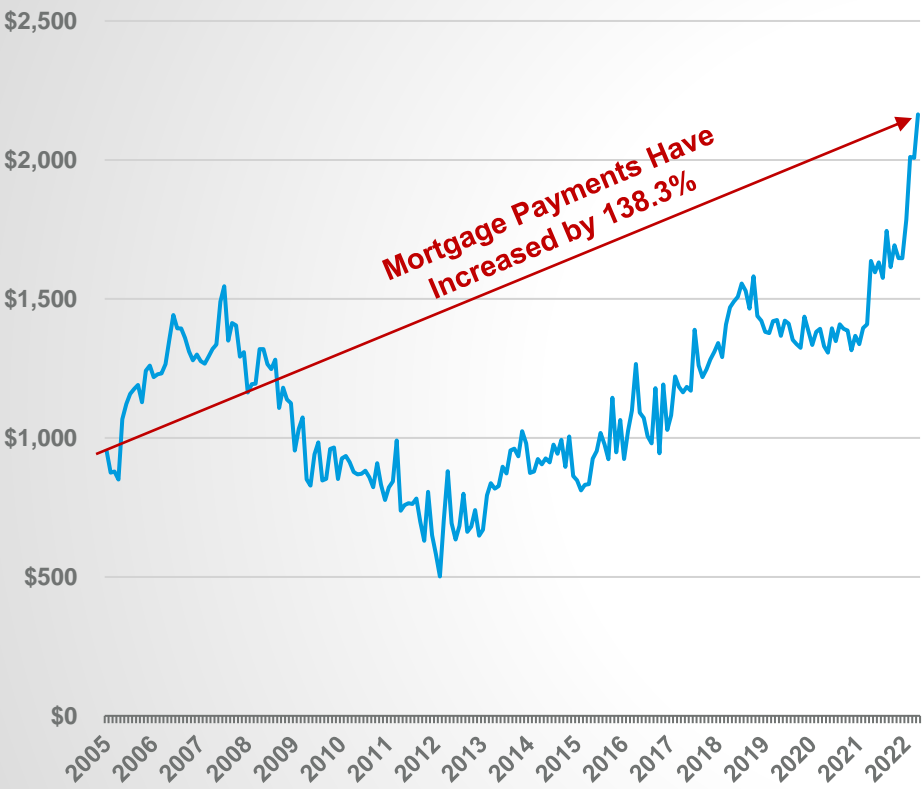
"REAL" SALE PRICES



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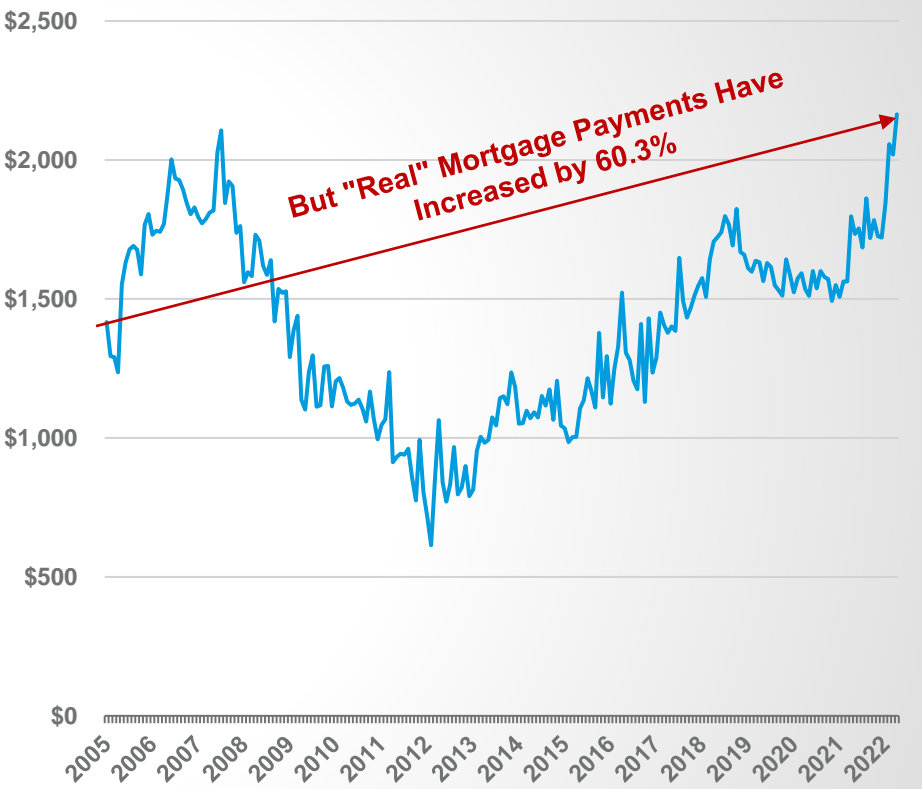
Nominal Monthly Mortgage Payment

Clark Co.; single-family units; using a 30-year fixed rate mortgage & 20% downpayment



Inflation Adjusted Monthly Mortgage Payment

Clark Co.; single-family units; using a 30-year fixed rate mortgage & 20% downpayment



Source:
Windermere
Economics modelling
of RMLS raw data
(Inflation = CPI-U ex
shelter)

"REAL" SALE PRICES

Woodland
\$512,000 (+25.0%)

La Center
\$535,000 (+16.7%)

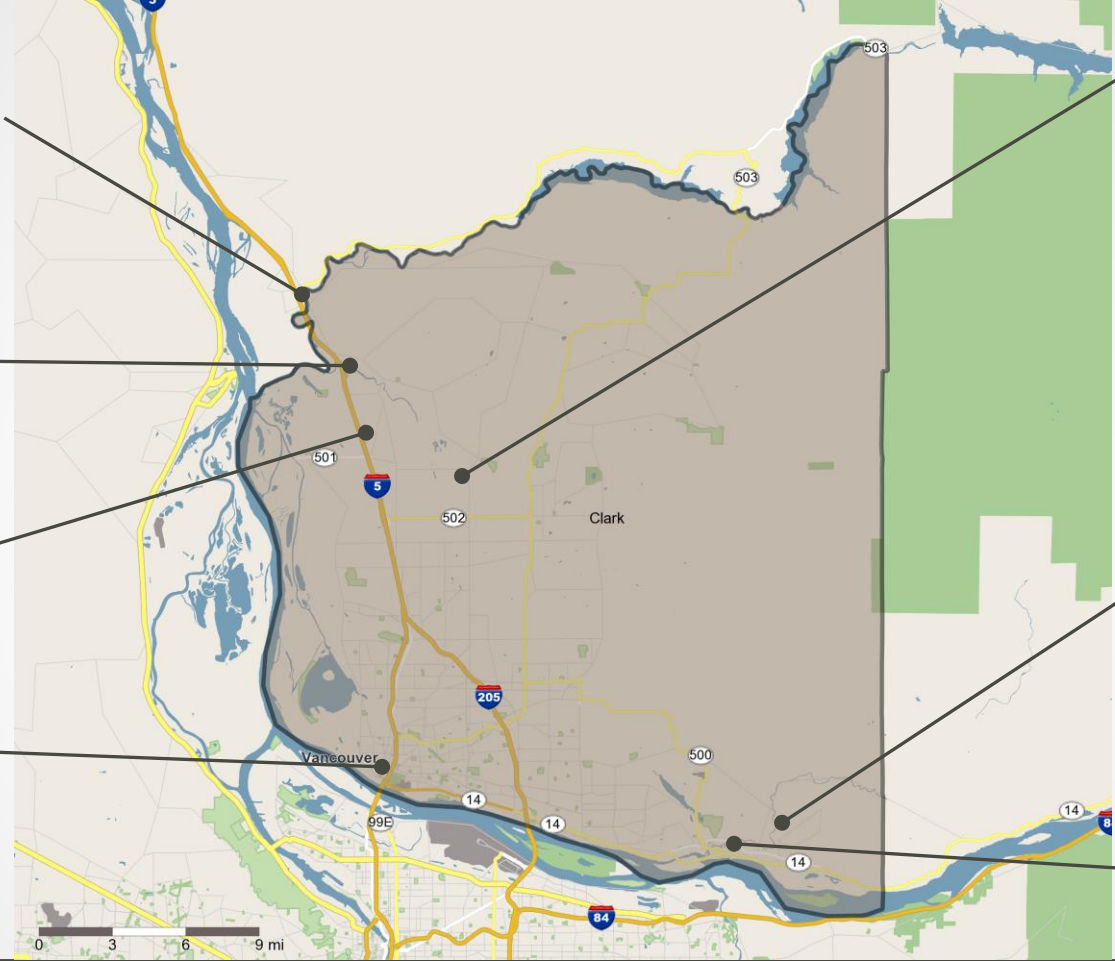
Ridgefield
\$597,000 (+25.9%)

Vancouver
\$468,500 (+16.4%)

Battle Ground
\$496,500 (+20.2%)

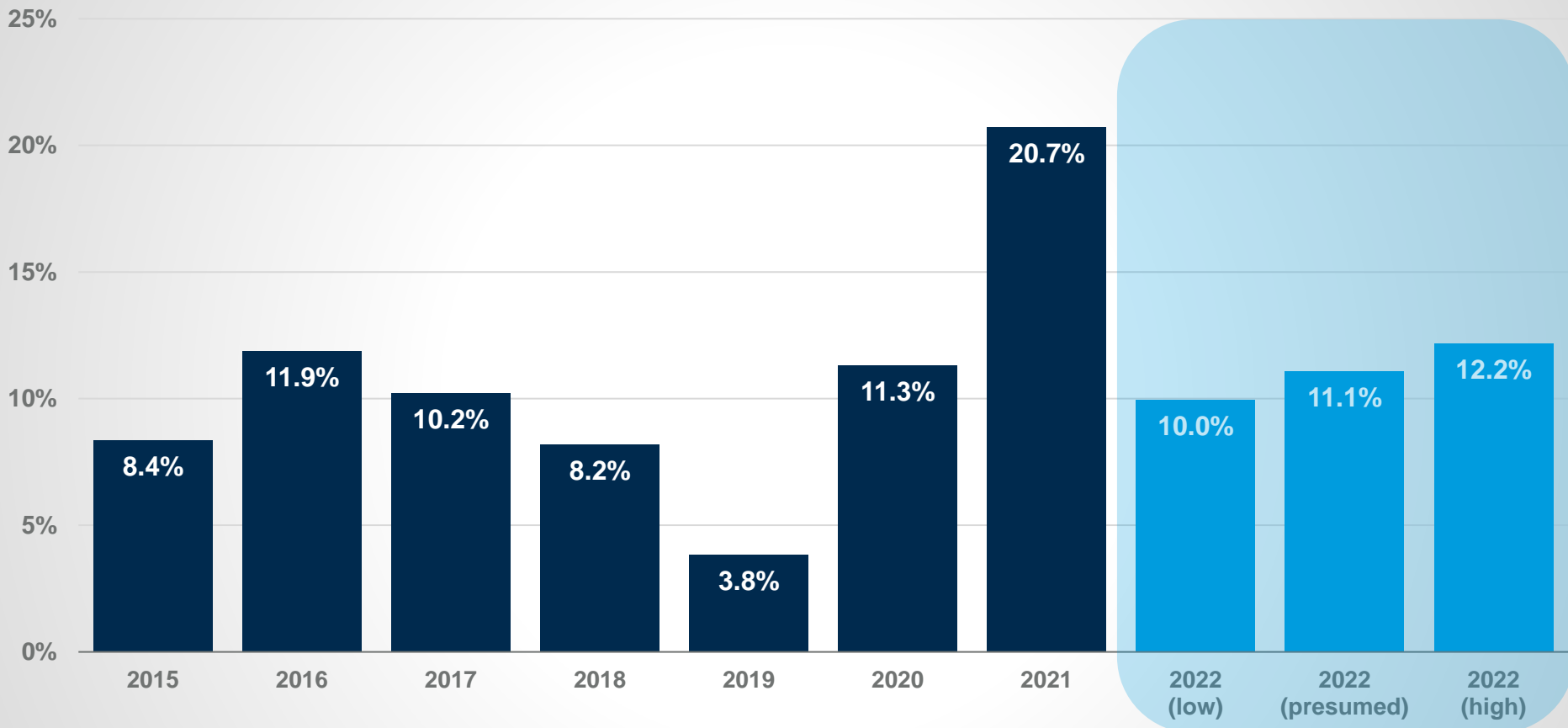
Washougal
\$559,000 (+13.6%)

Camas
\$706,000 (+27.0%)



Source: RMLS
May, 2020 to Apr, 2021
v May 2021 to Apr.
2022
Single-Family Resale
Homes

CLARK Co. MEDIAN SALE PRICE CHANGE



Source:
RMLS history
w/Windermere
Economics' forecast:
single-family resale
homes

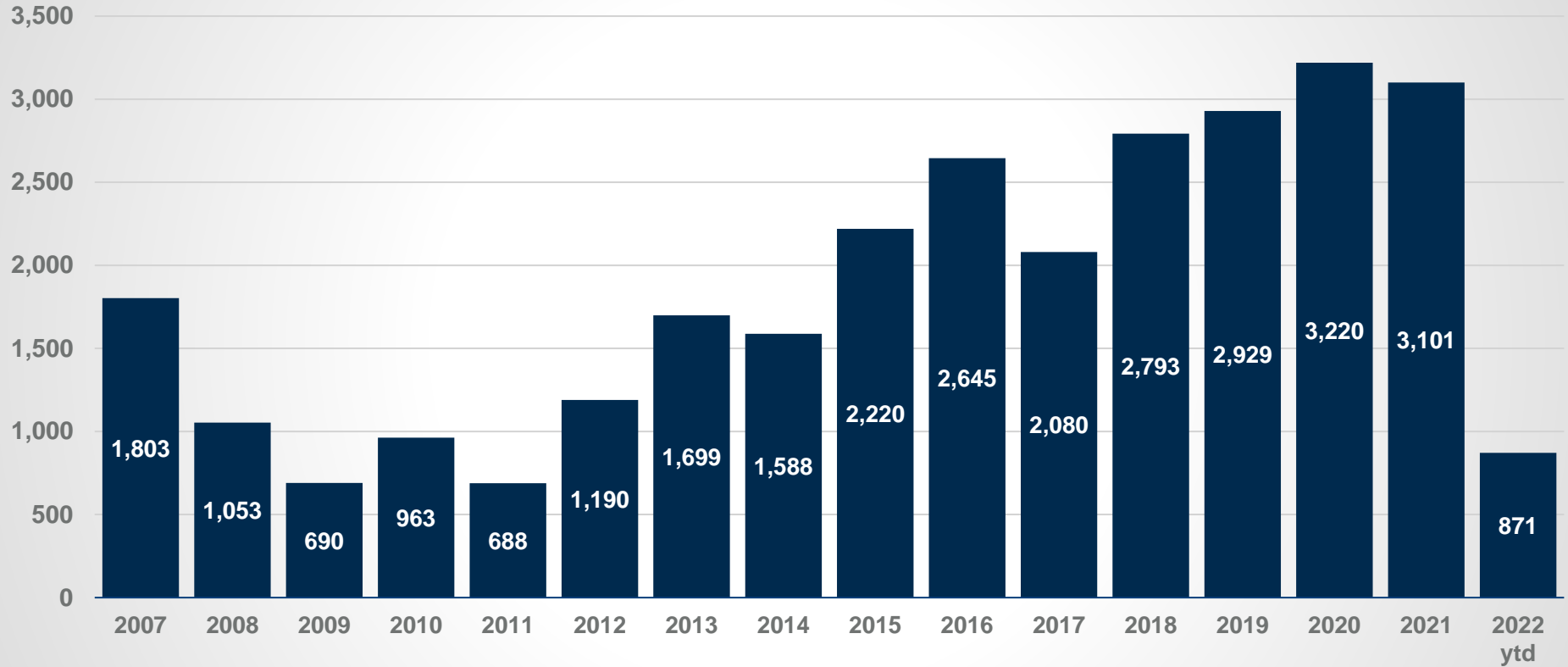
SINGLE-FAMILY PRICE FORECAST

New Construction Housing Market



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Clark County



Source:
U.S. Census
ytd thru Apr.

SINGLE-FAMILY PERMIT ACTIVITY



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OWNER HOUSEHOLDS



2020-2025

124,161

Current Owner Households
in Clark County

9.2%

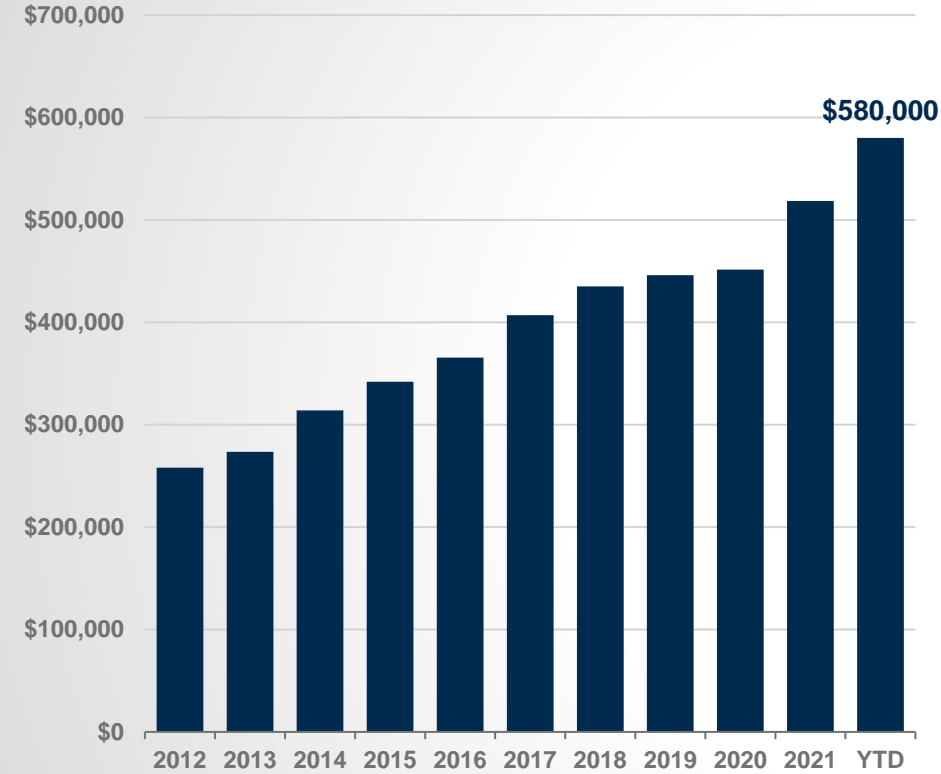
Projected Growth over
the Next 5-Years

11,401

Additional Owner
Households to be Formed

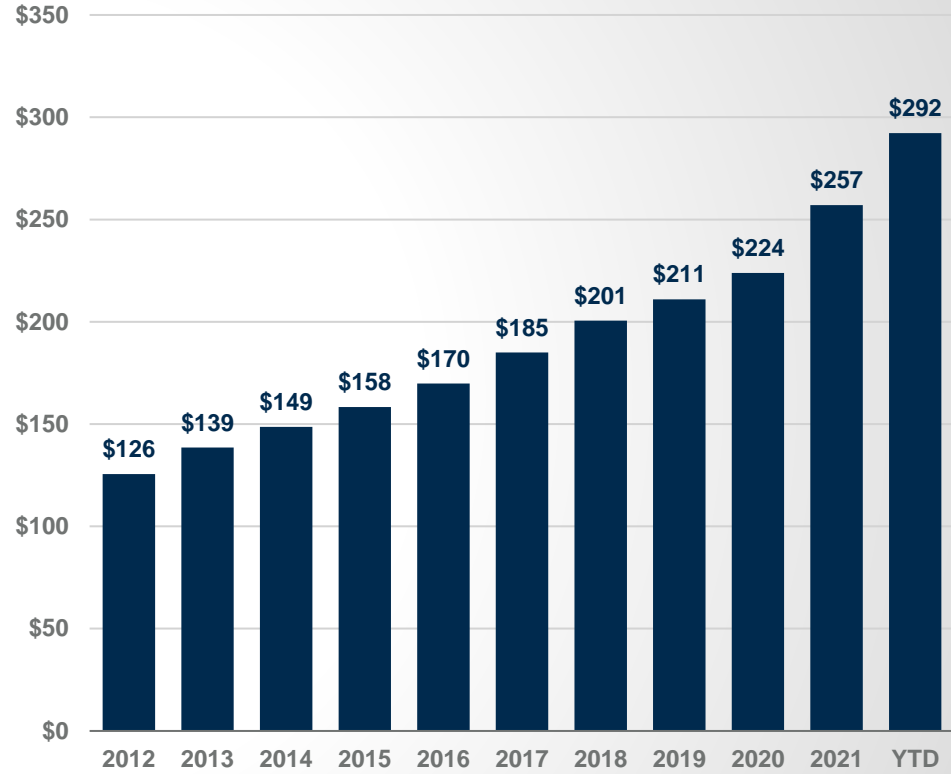
Median Sale Price

single family new homes; non-seasonally adjusted



Sale Price per Square Foot

single-family new homes; average



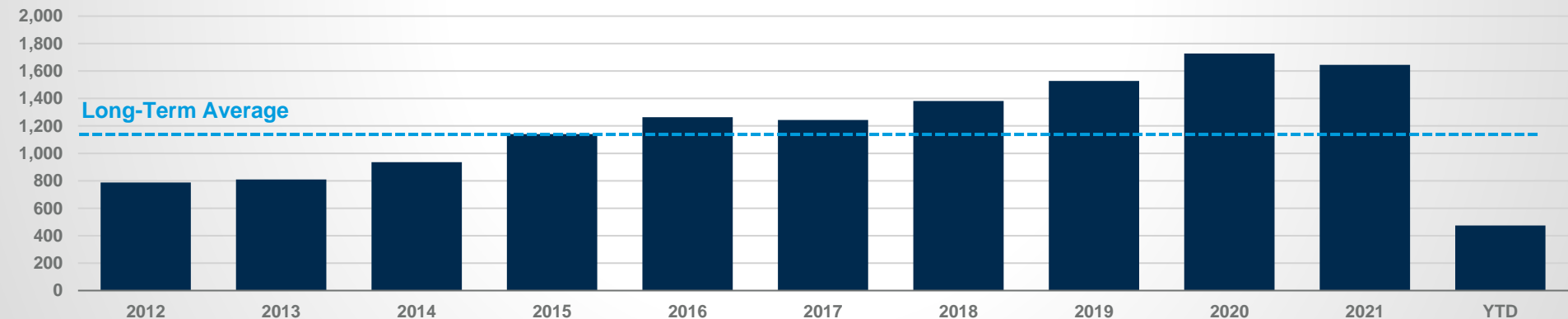
Listing Activity

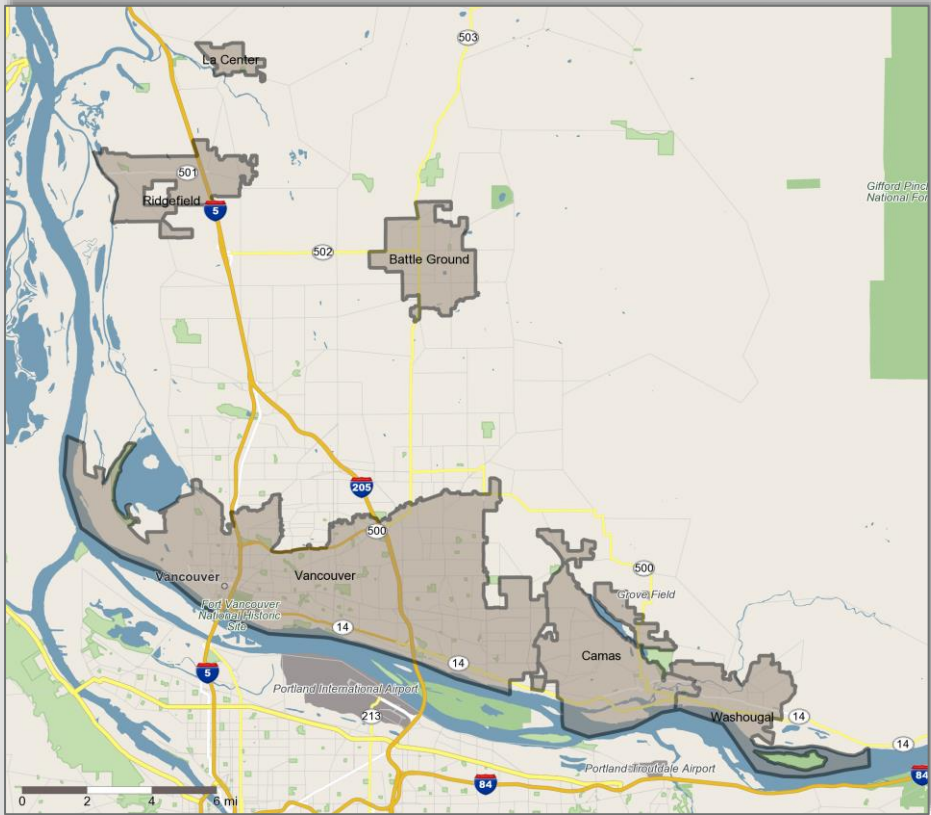
single-family new homes; nsa



Sales by Year

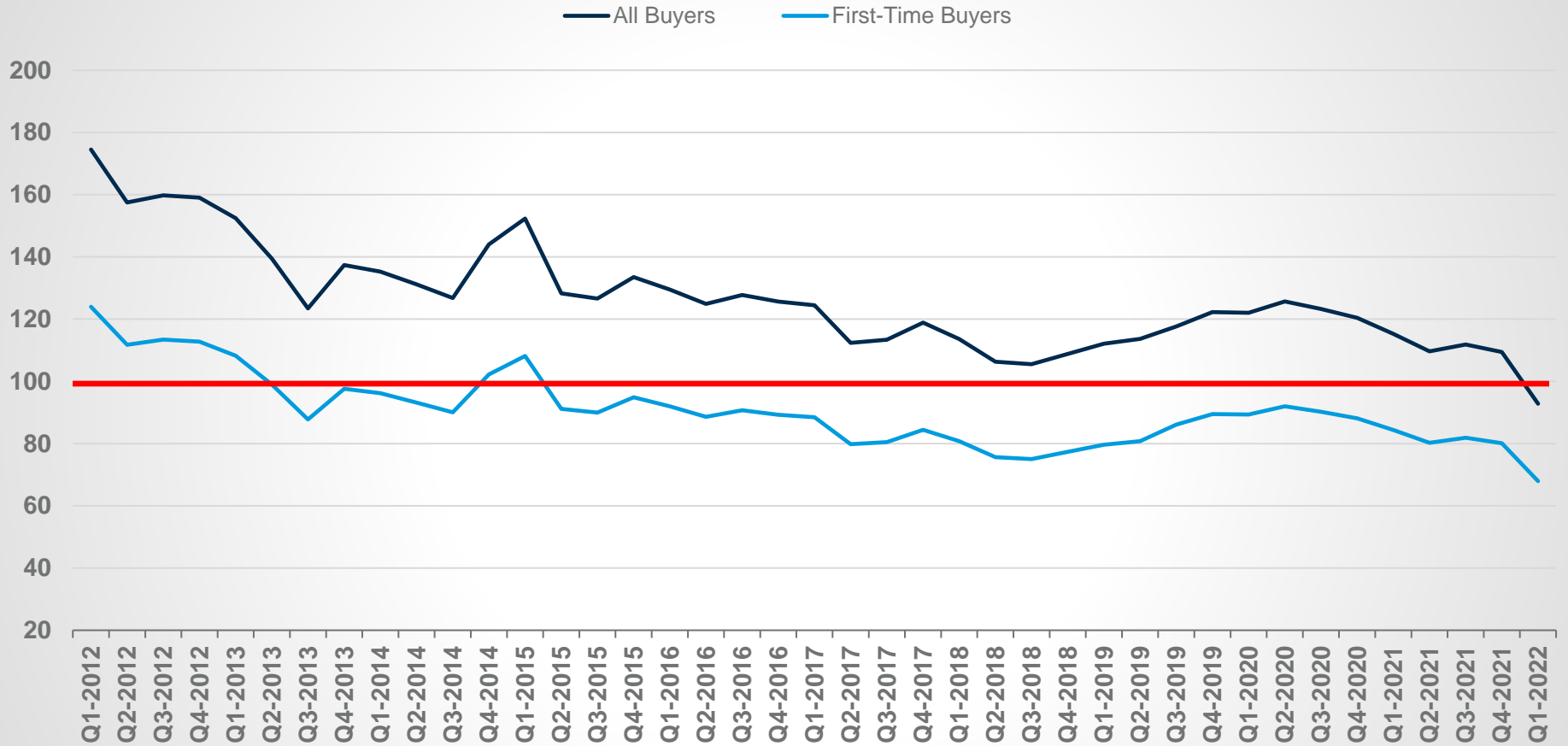
single-family new homes; long-term avg. 1,174





Single Family Permit Activity & Demand

City	SF Permits (past 5-years)	Ownership Demand (next 5-years)	Surplus/ Shortfall
Battle Ground	975	473	502
Camas	1,503	713	790
La Center	382	115	267
Ridgefield	2,155	523	1,632
Vancouver	1,883	2,540	(657)
Washougal	310	412	(96)



Source:
WA Center for Real
Estate Research
Clark Co., WA

HOUSING AFFORDABILITY



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- Home Prices Continue Rising on Growing Demographic Demand;
- Oregon Buyers Have Also Aided Price Growth;
- With Mortgage Rates 2+% Above their All-Time Low, Price Growth Will Taper;
- Listing Activity Will Increase – But it Will Remain a Sellers Market; &
- First-Time Buyer Demand Will Be Robust – But What Can They Afford to Buy?

Clark County Apartment Market

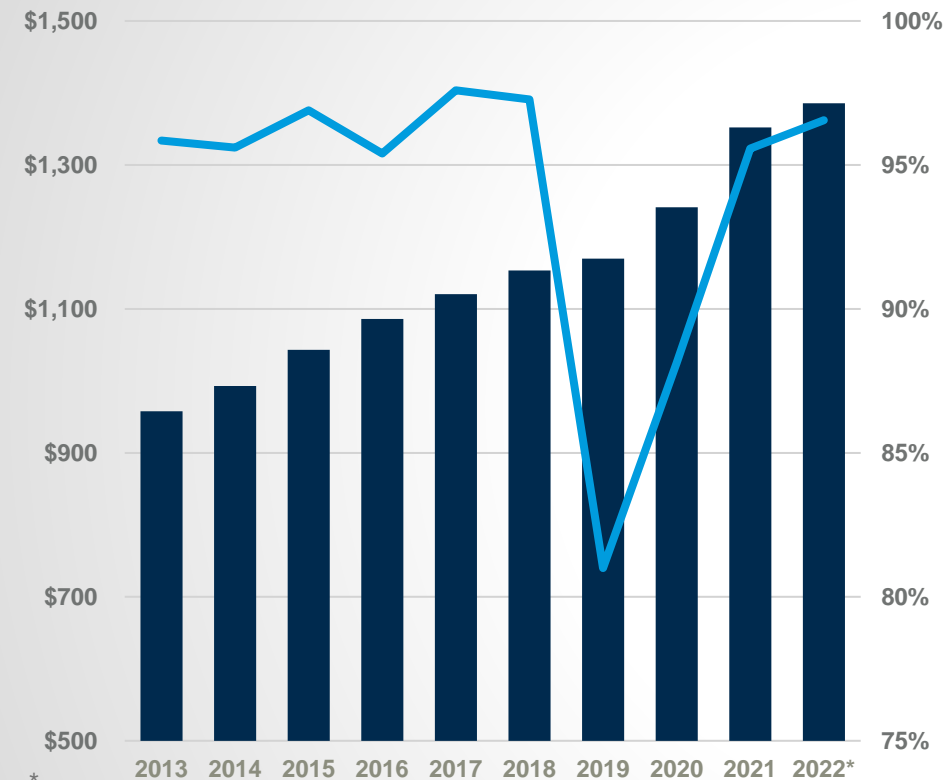


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Clark County Apartment Submarket

Asking Rent

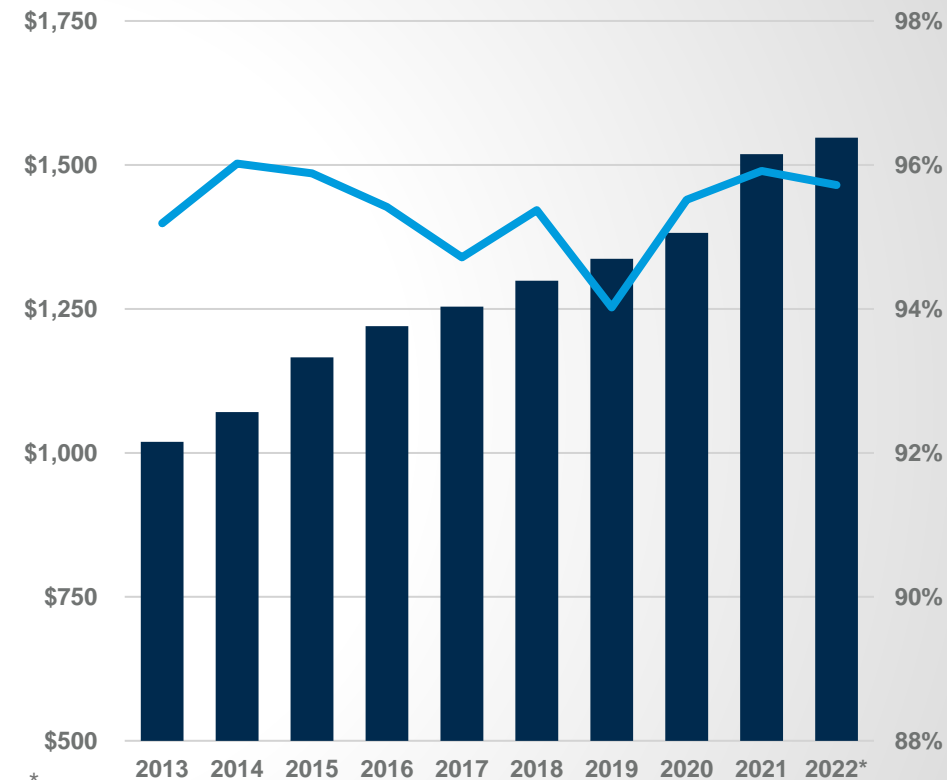
Occupancy



Vancouver Apartment Submarket

Asking Rent

Occupancy



CLARK COUNTY APARTMENT FUNDAMENTALS

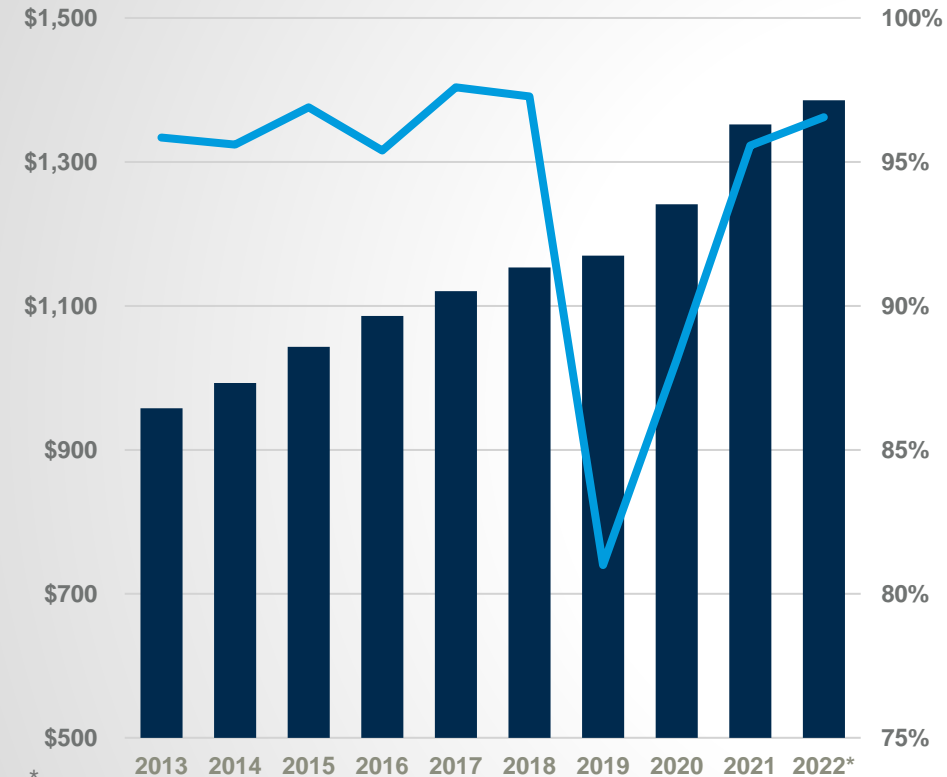


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Clark County Market

Asking Rent

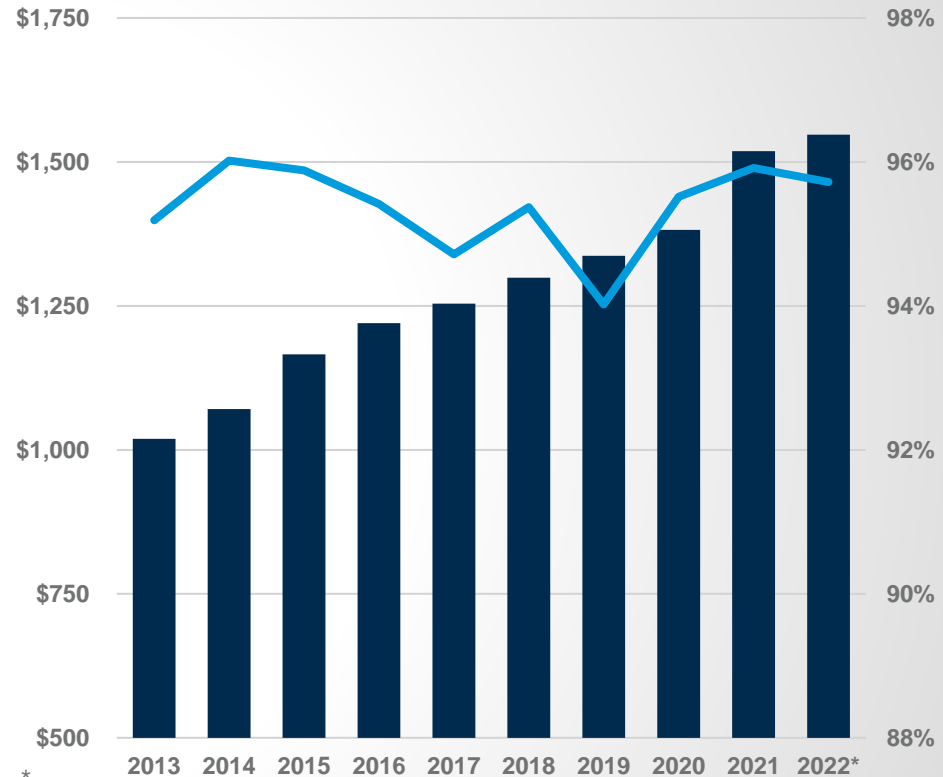
Occupancy



Vancouver Submarket

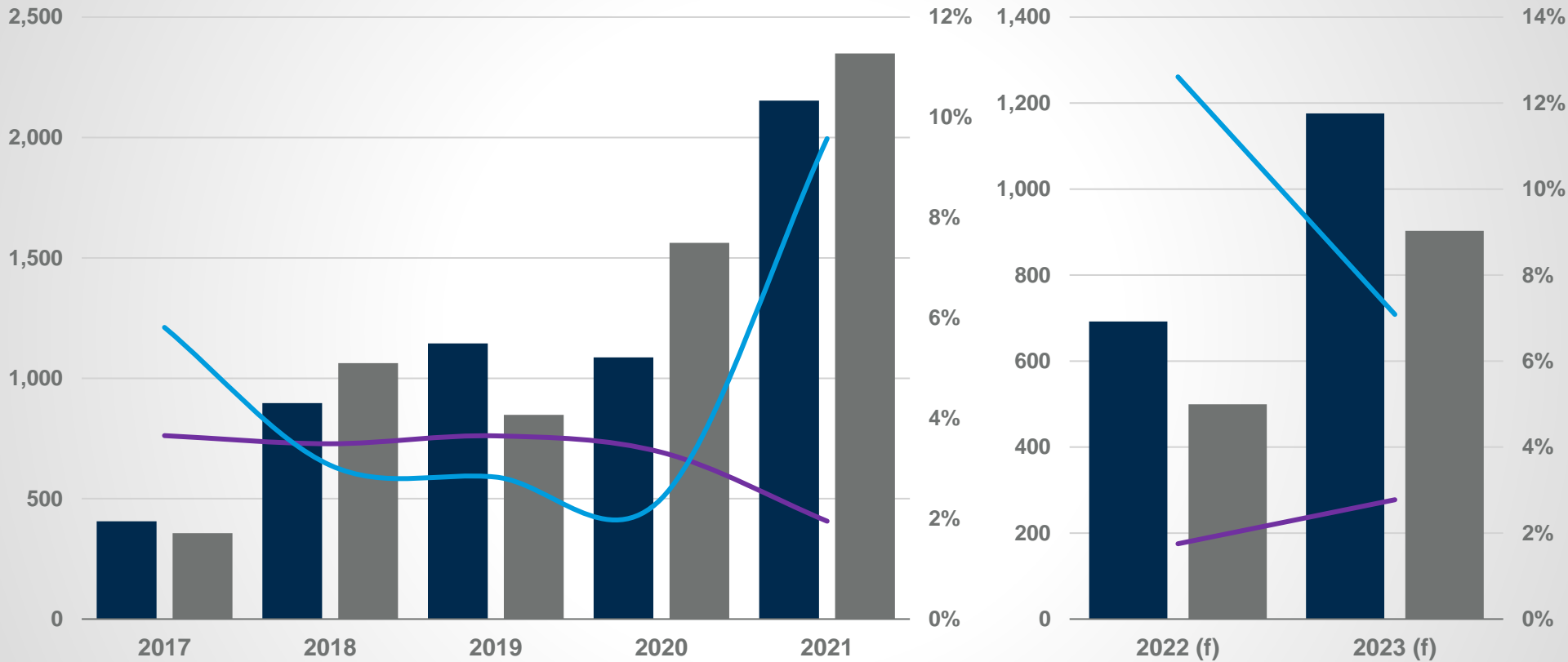
Asking Rent

Occupancy



Market Fundamentals & Forecast

■ New Supply ■ Net Absorption
— Vacancy — Ann. Rent Escalation



Final Thoughts



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LET'S KEEP IN TOUCH!



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