



WINDERMERE
Economics

An Economic & Housing Market Forecast

Presented by: Matthew Gardner

CHIEF ECONOMIST; WINDERMERE REAL ESTATE

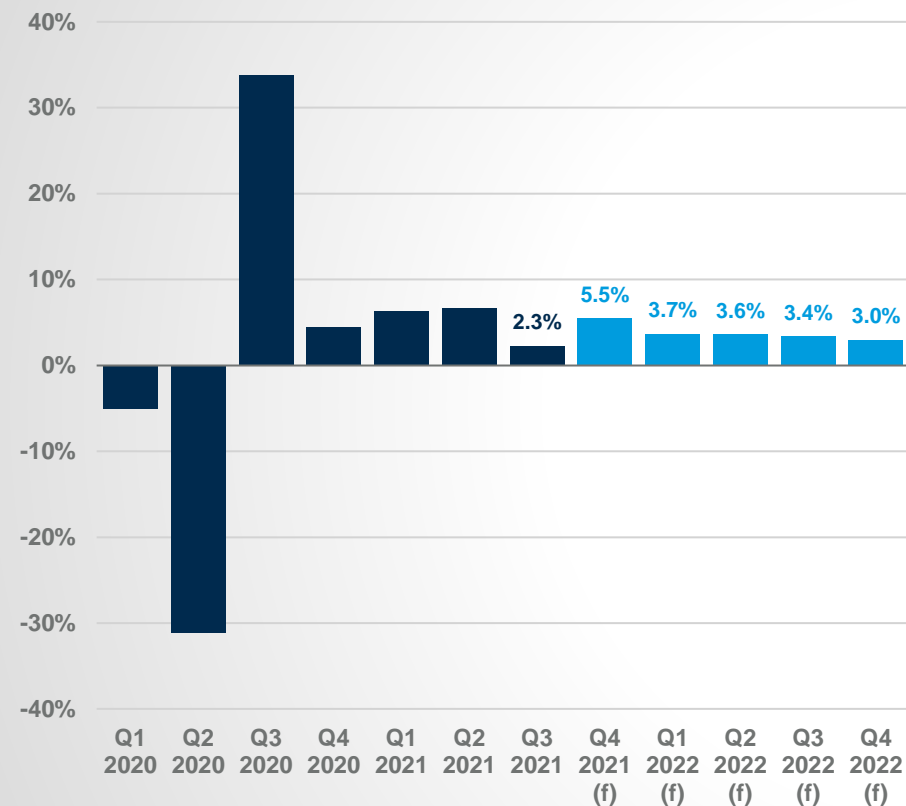
The U.S. Economy



WINDERMERE
Economics

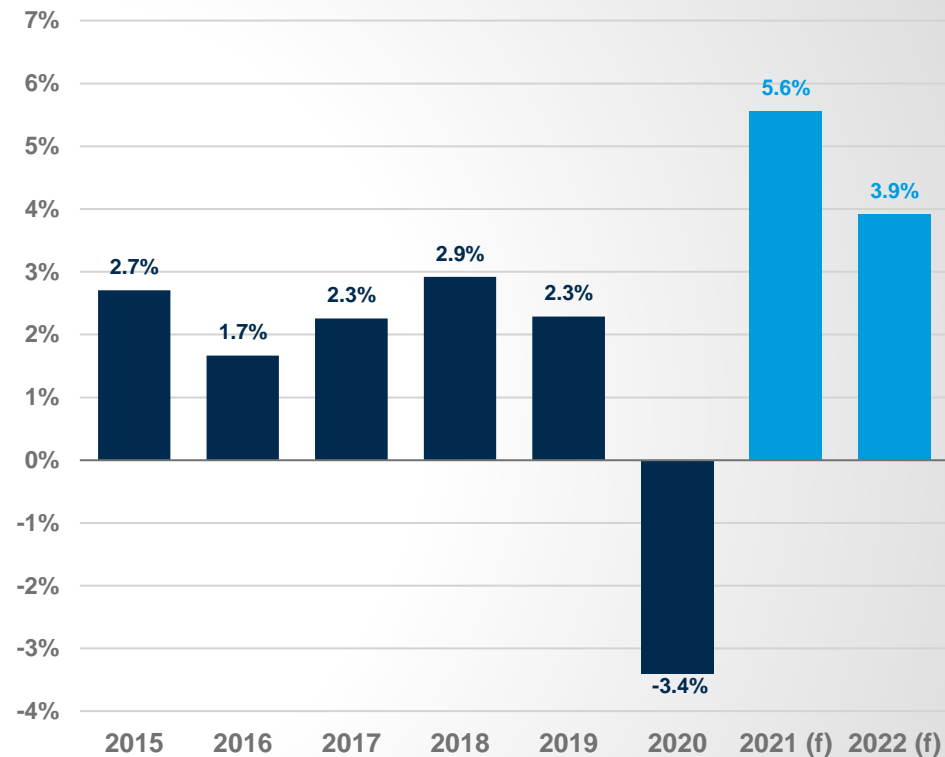
United States Real Gross Domestic Product

percentage change from the preceding period; SAAR



U.S. Real Gross Domestic Product History & Forecast

annual percentage change



Source:
Windermere
Economics' forecast
using BEA historic data

GROWTH SHOULD PICK BACK UP



WINDERMERE
Economics

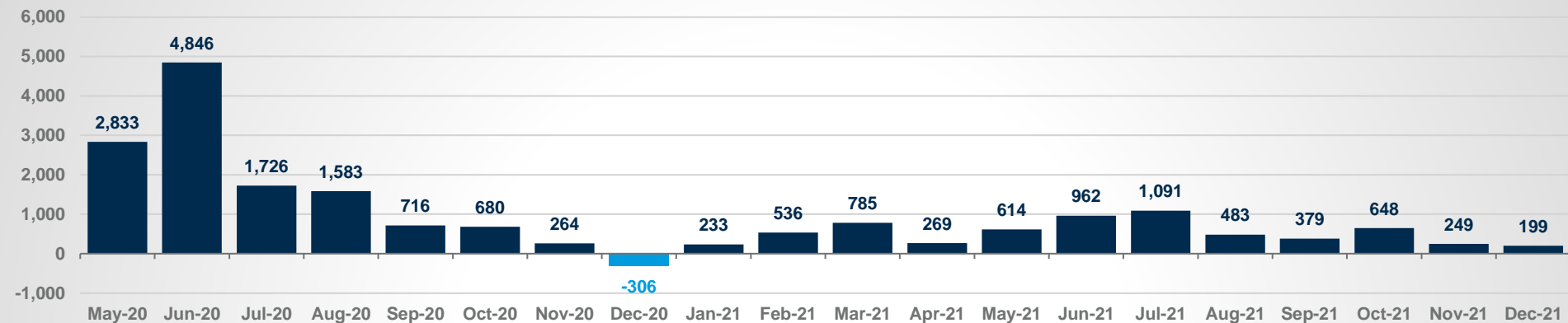
The U.S. Job Market



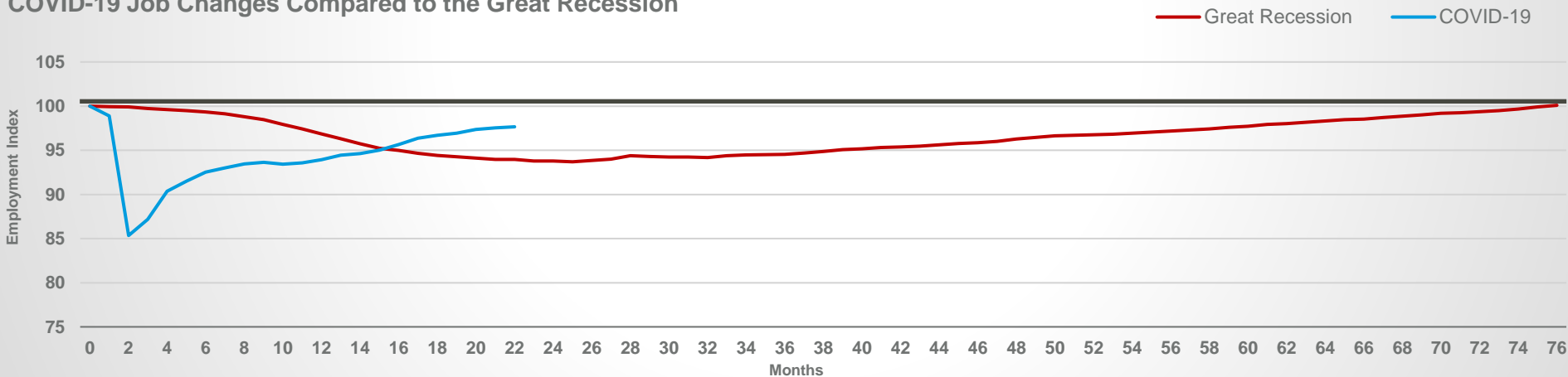
WINDERMERE
Economics

Change in U.S. Payroll Employment

monthly change; in thousands; sa



COVID-19 Job Changes Compared to the Great Recession



Source:
Windermere
Economics' analysis of
BLS data

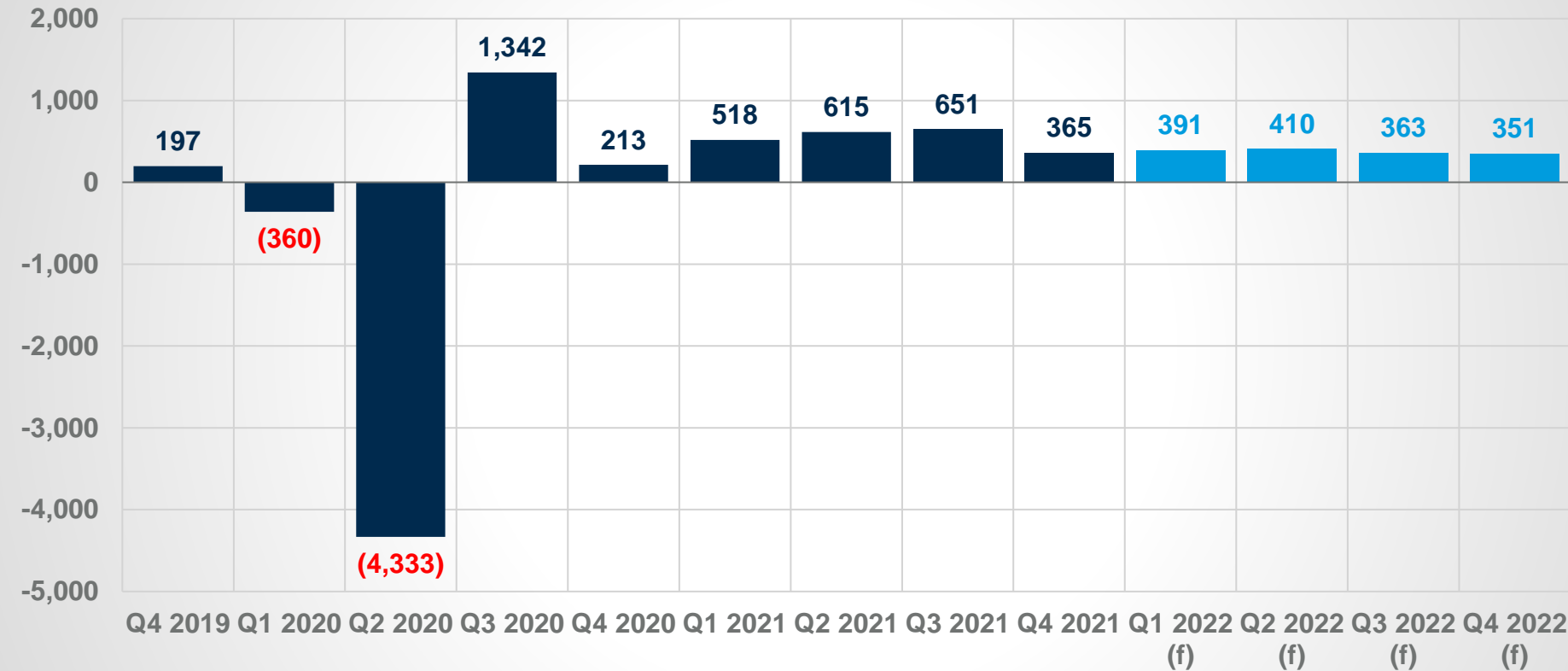
3.6M JOBS STILL MISSING



WINDERMERE
Economics

Non-Farm Payrolls: Average Monthly Change & Forecast

in thousands



Source:
Windermere
Economics' forecasts
using BLS historic data

FULL RECOVERY BY YE 2022



WINDERMERE
Economics

- “Variants” Will Impact the Recovery – the Question is To What Degree;
- Hiring is Still Hard – Service Sector Employers Raise Wages to Attract Workers, White-Collar Wages Rise to Attract & Retain Talent - & Both Rise Due to Inflation;
- Will “Build Back Better” be Enacted? I Hope So!;
- There Will Be “Bumps Along the Way; But
- The Country Will Likely Be Back to a “New-Normal” by Years End.

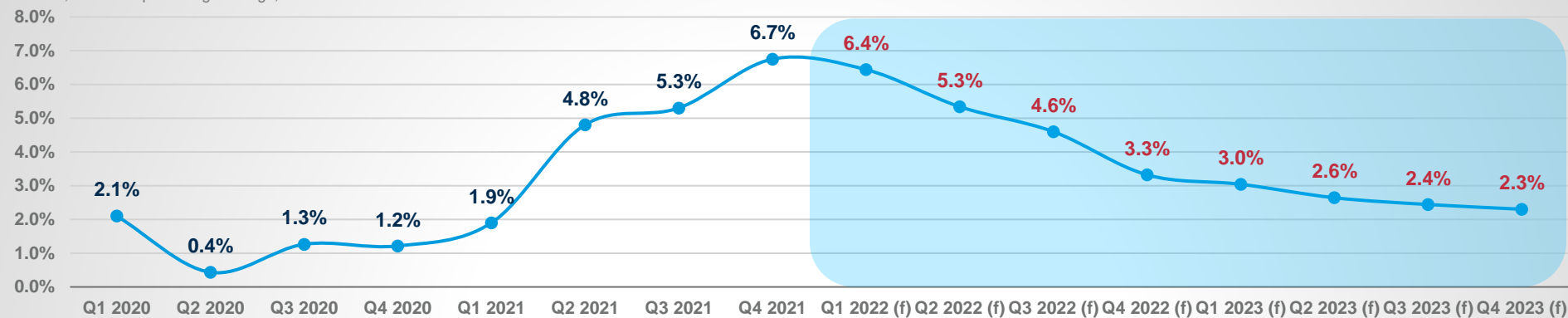
Inflation



WINDERMERE
Economics

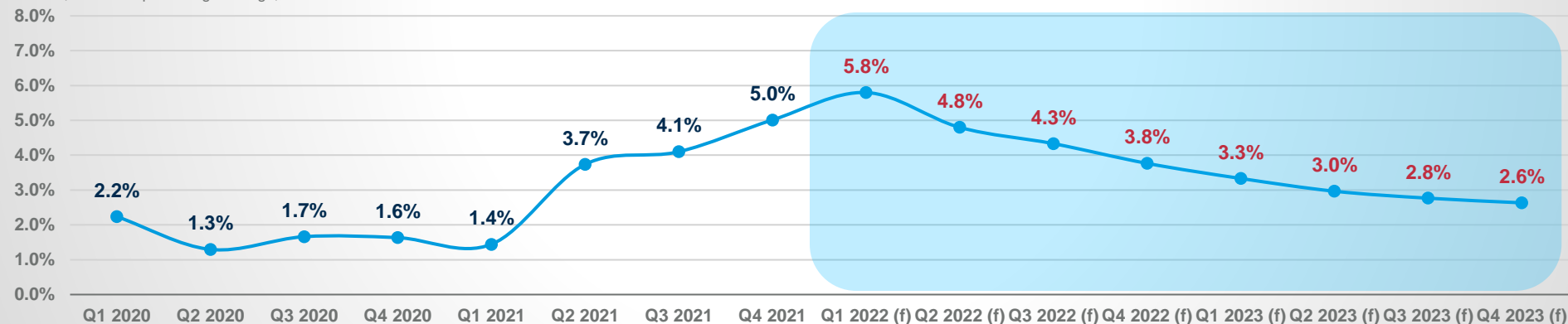
Consumer Prices

all items; 12-month percentage change; sa



Core Consumer Prices

all items; 12-month percentage change; sa



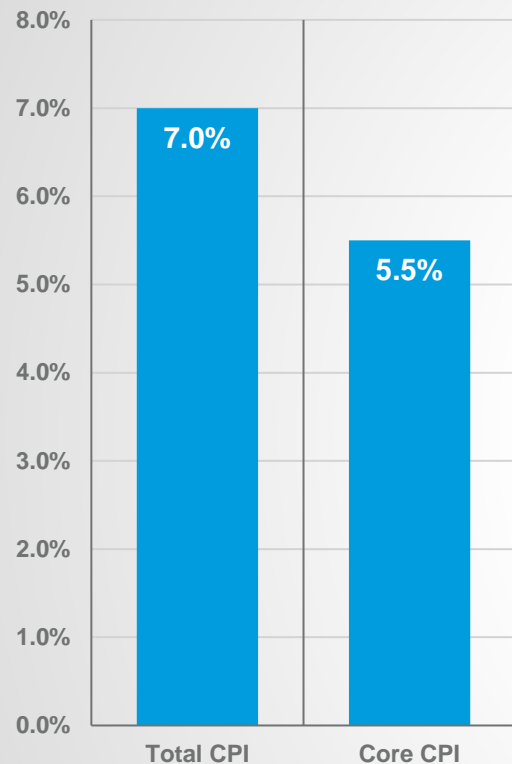
Source:
Windermere
Economics' forecast
using BEA historic data

CORE INFLATION SHOULD PEAK IN Q-1

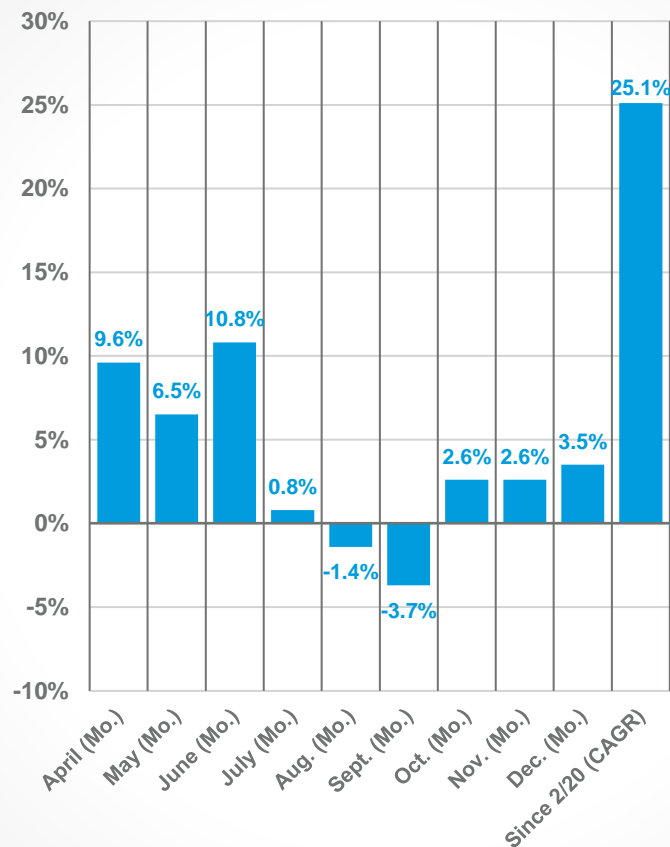


WINDERMERE
Economics

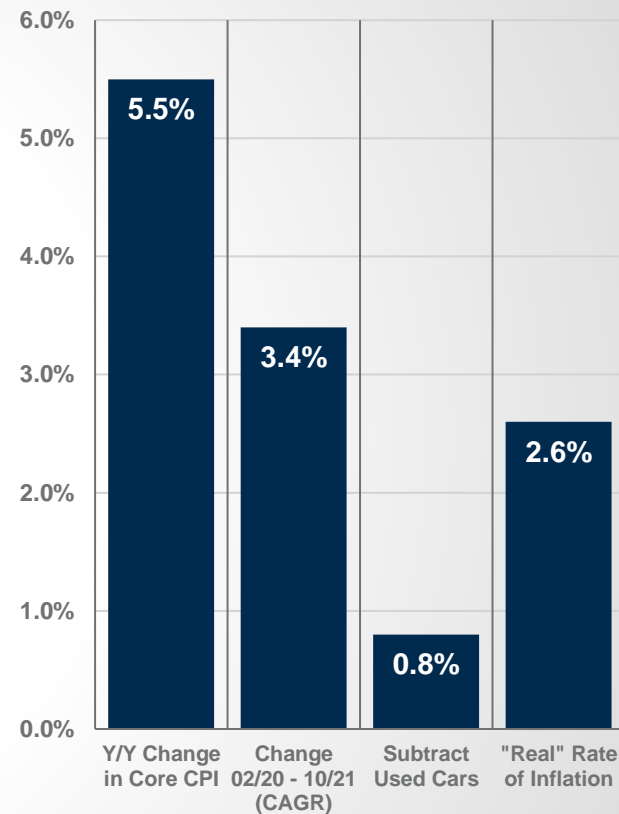
Year-over-Year Change in Consumer Prices



Change in Used Car Prices



An Alternative View of Core Inflation



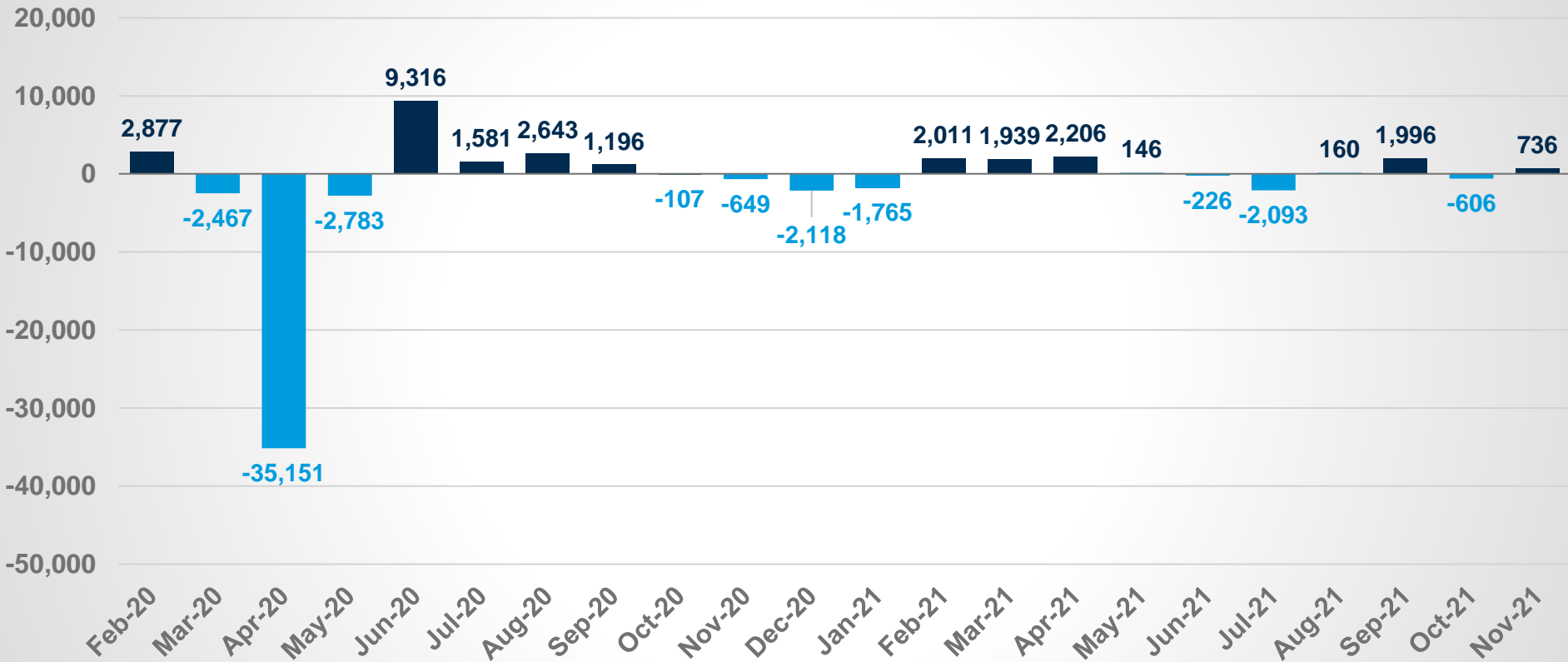
Snohomish County Labor Market



WINDERMERE
Economics

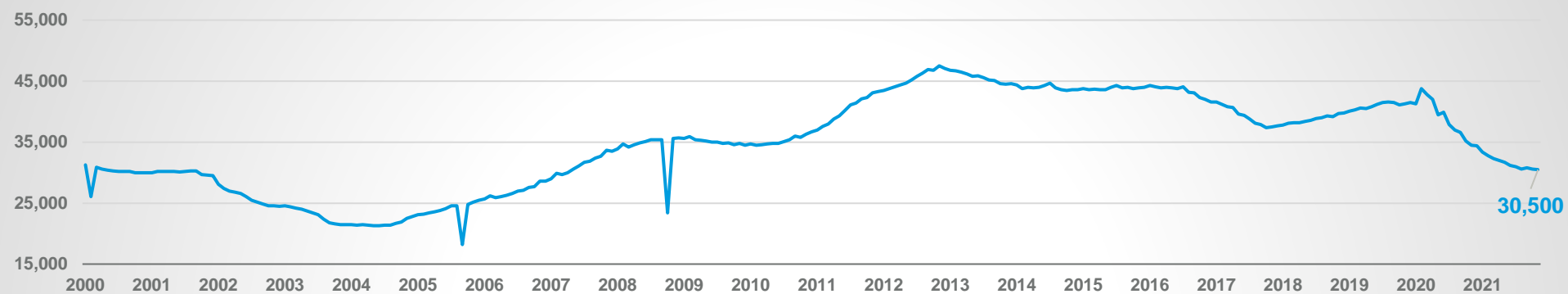
Snohomish County Employment Growth

monthly absolute change; sa



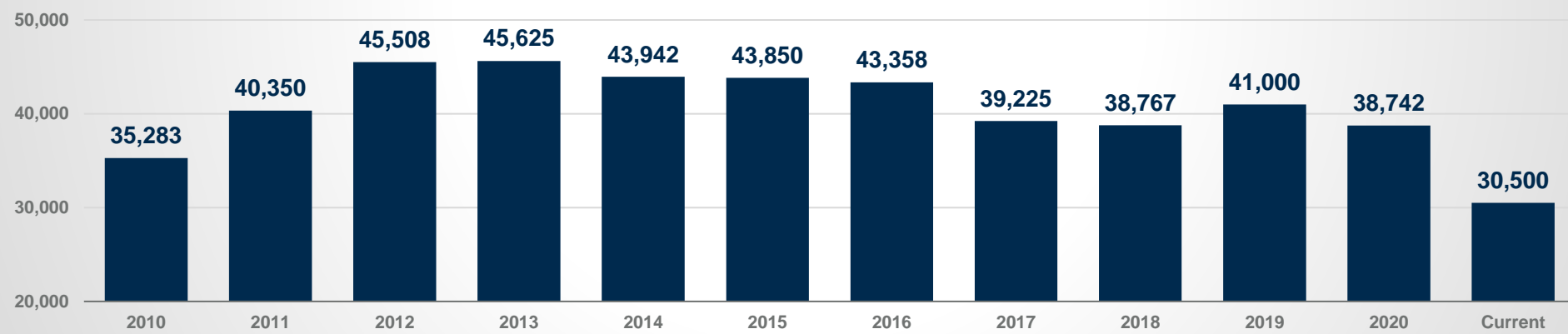
Monthly Aerospace Employment

Snohomish Co.; NSA



Aerospace Employment

Snohomish Co.; NSA

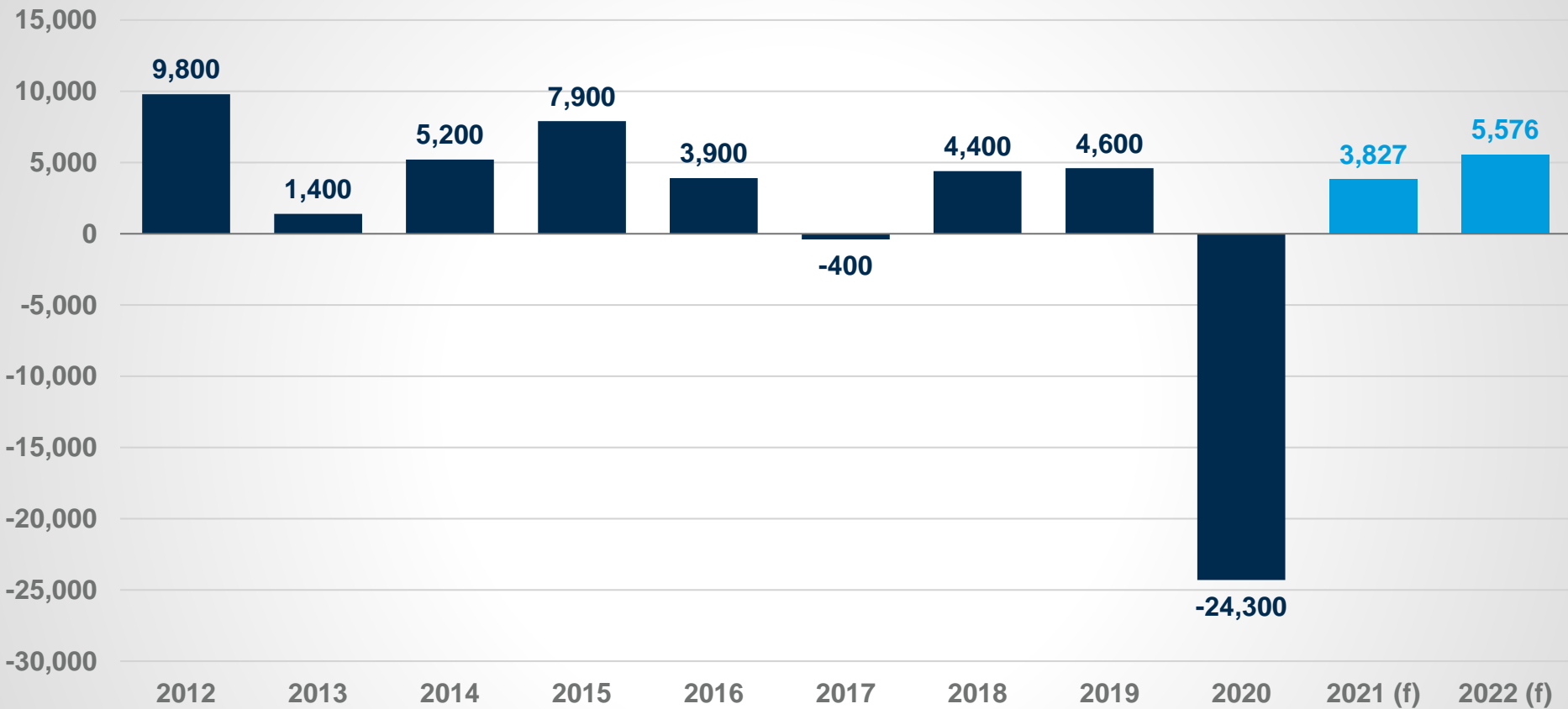


Source: WA ESD
Data thru' 11/21

AEROSPACE EMPLOYMENT



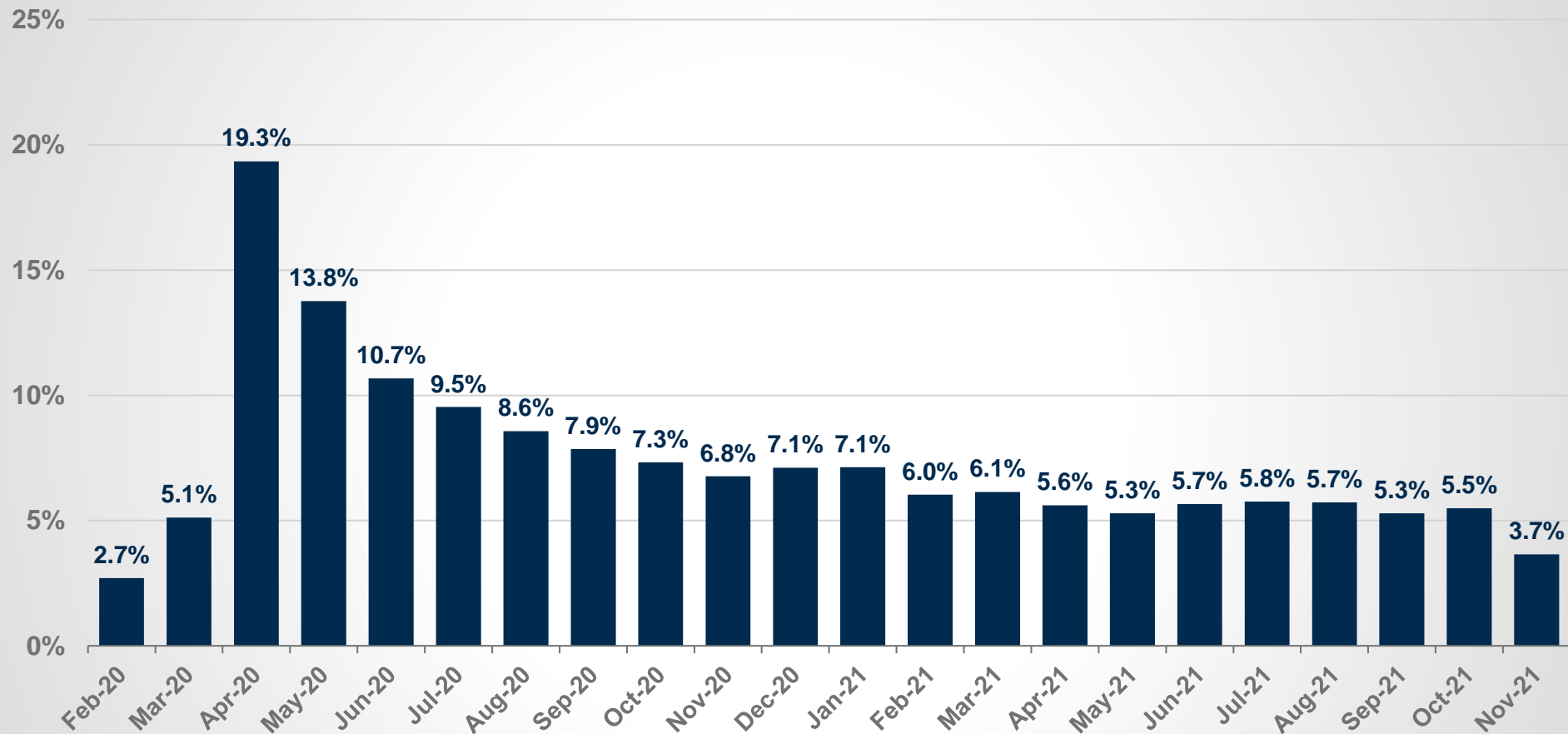
WINDERMERE
Economics



Unemployment



WINDERMERE
Economics



Source: WA ESD
w/Windermere
Economics' seasonal
adjustments
Snohomish Co.; SA

Sno. Co. UNEMPLOYMENT RATES



WINDERMERE
Economics

The Island County Economy



WINDERMERE
Economics

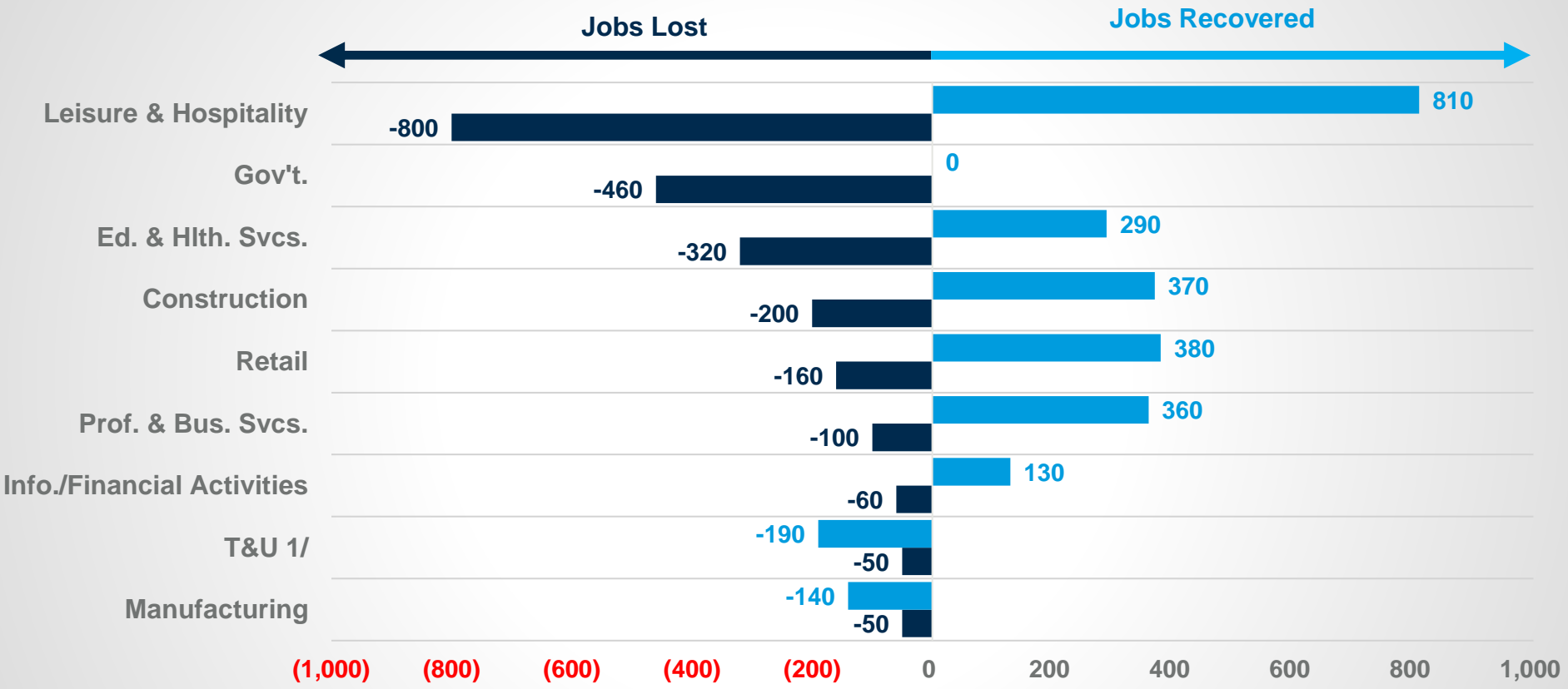
Employment



WINDERMERE
Economics

Job Losses/Gains by Industry Sector

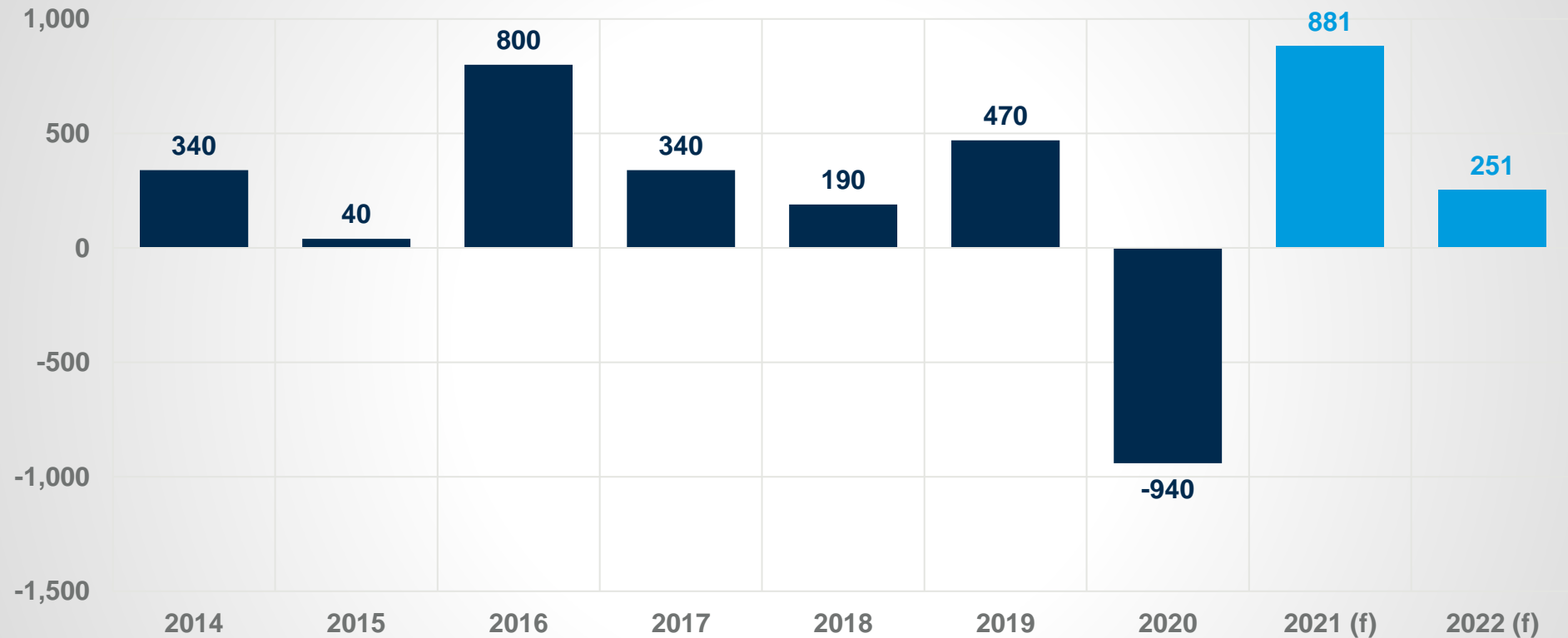
Island County



Source: WA ESD
1/ Transportation &
Utilities
Data thru' 11/21

SECTORS ARE NOT RECOVERING EQUALLY

Island County Employment



FULL RECOVERY BY YE 2022

Source:
Washington State ESD
w/Windermere
Economics' Forecasts



WINDERMERE
Economics

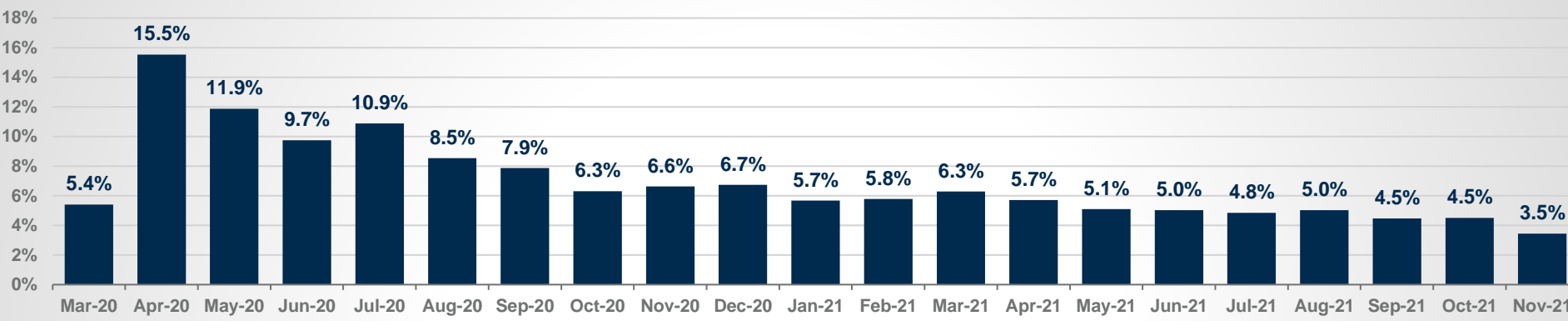
Unemployment



WINDERMERE
Economics

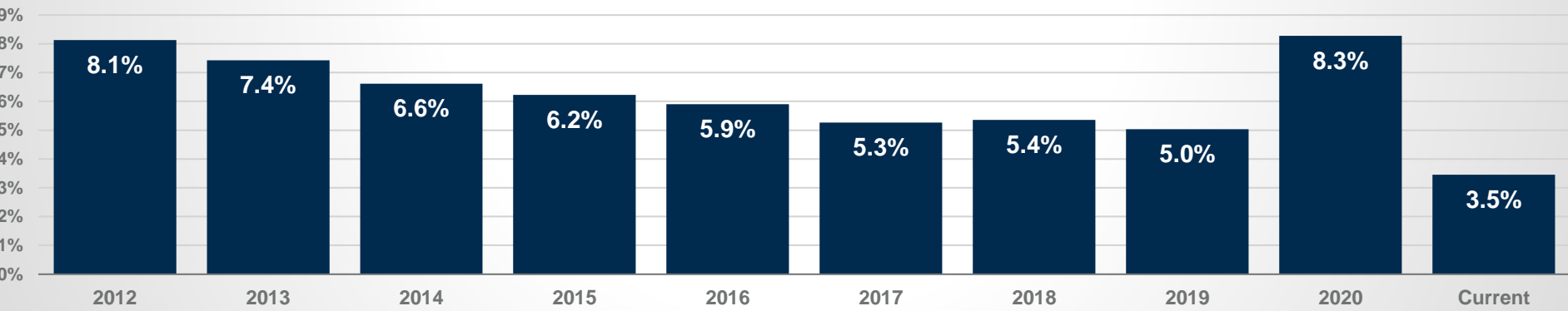
Monthly Unemployment Rates

Island County; sa



Average Annual Unemployment Rates

Island County; sa



Ownership Housing



WINDERMERE
Economics

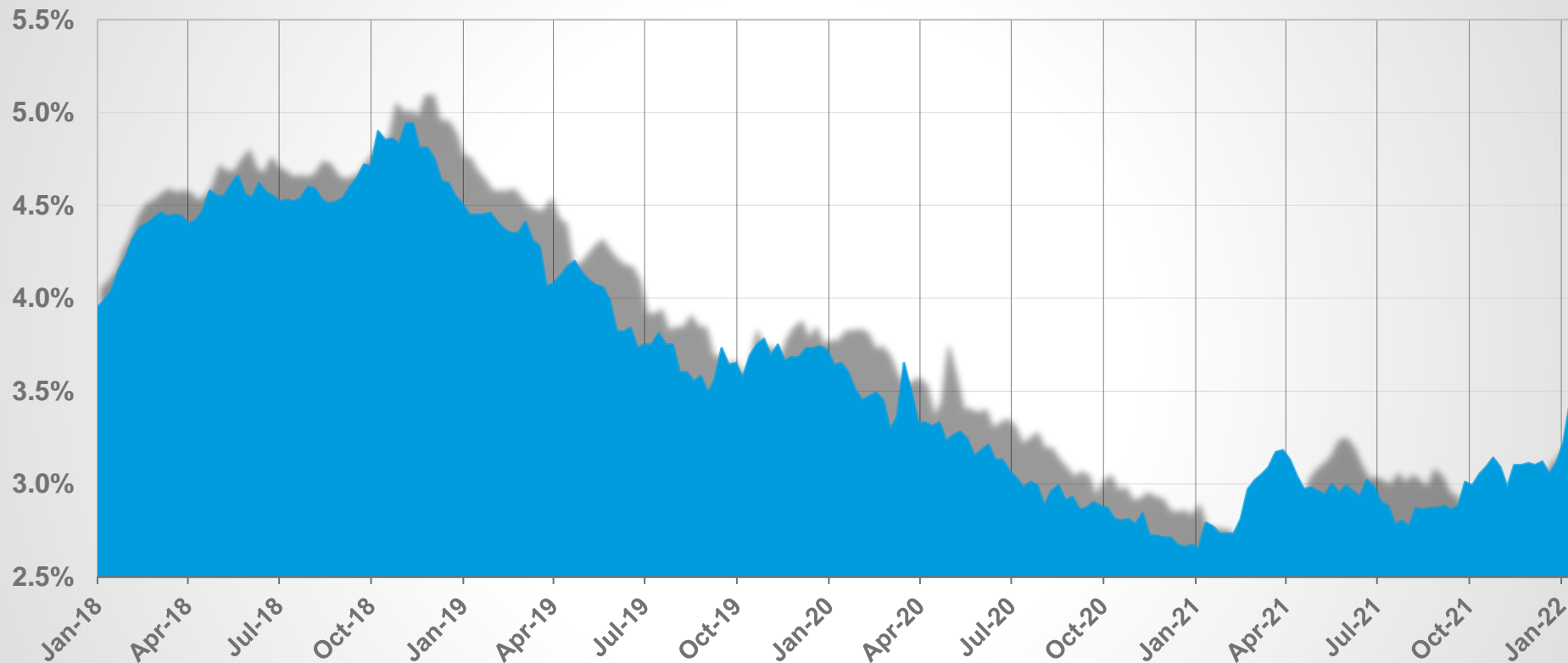
Mortgage Rates



WINDERMERE
Economics

Mortgage Rate Trends

U.S. weekly average; 30-year fixed rate



Source:
Freddie Mac

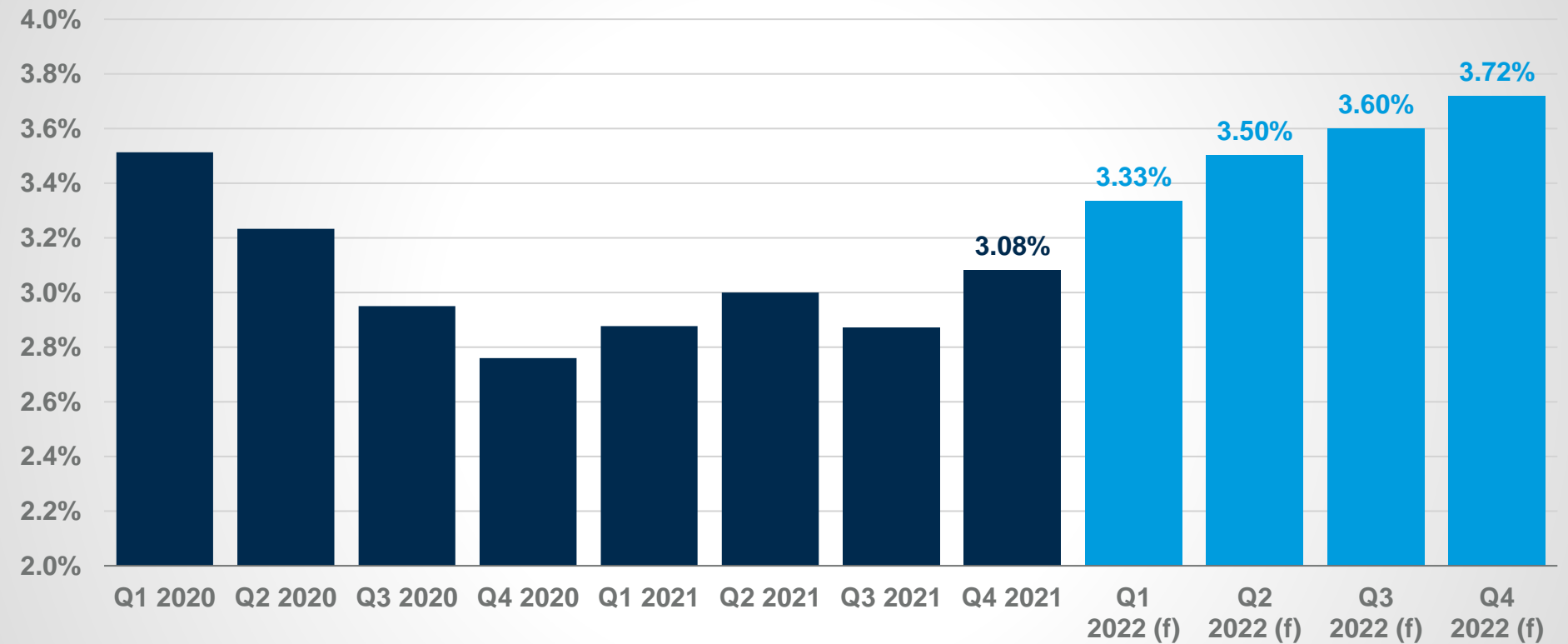
HIGHER RATES HAVE RETURNED



WINDERMERE
Economics

Average 30-Year Mortgage Rate History & Forecast

for a fixed rate conventional mortgage; ex points



Source:
Freddie Mac history &
Windermere
Economics forecasts

& WILL CONTINUE RISING

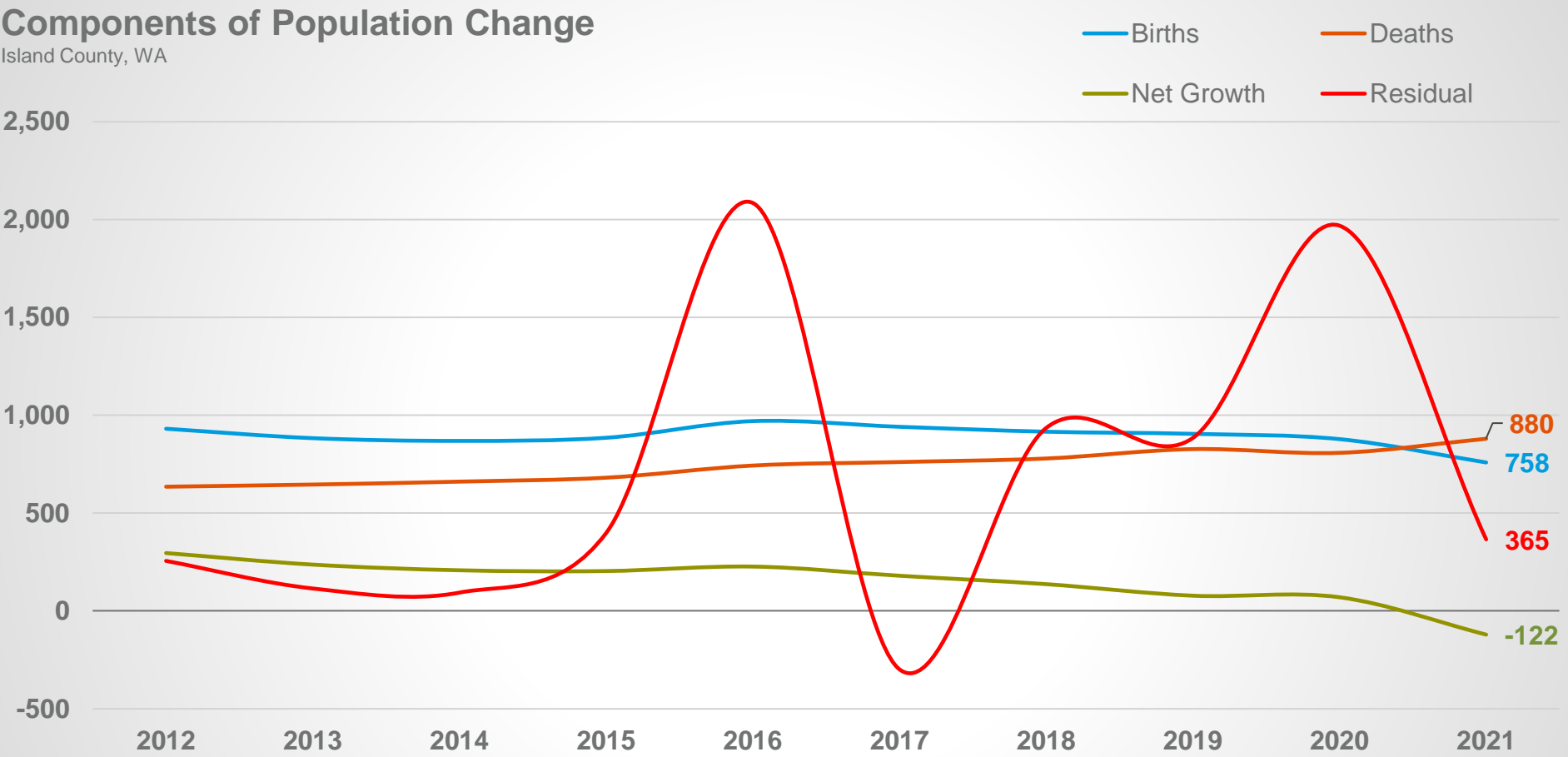
Island County Housing Market



WINDERMERE
Economics

Components of Population Change

Island County, WA

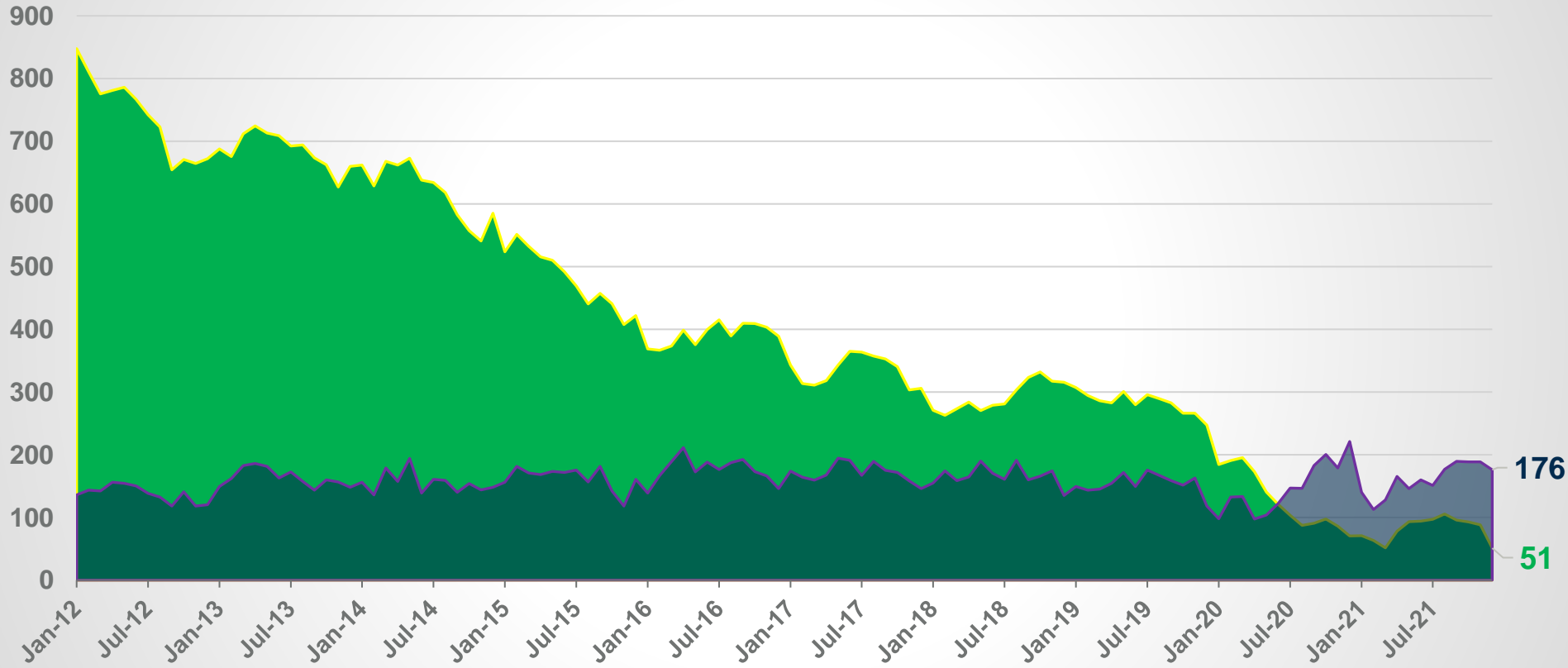


Existing Homes



WINDERMERE
Economics

■ Active Listings ■ New Listings

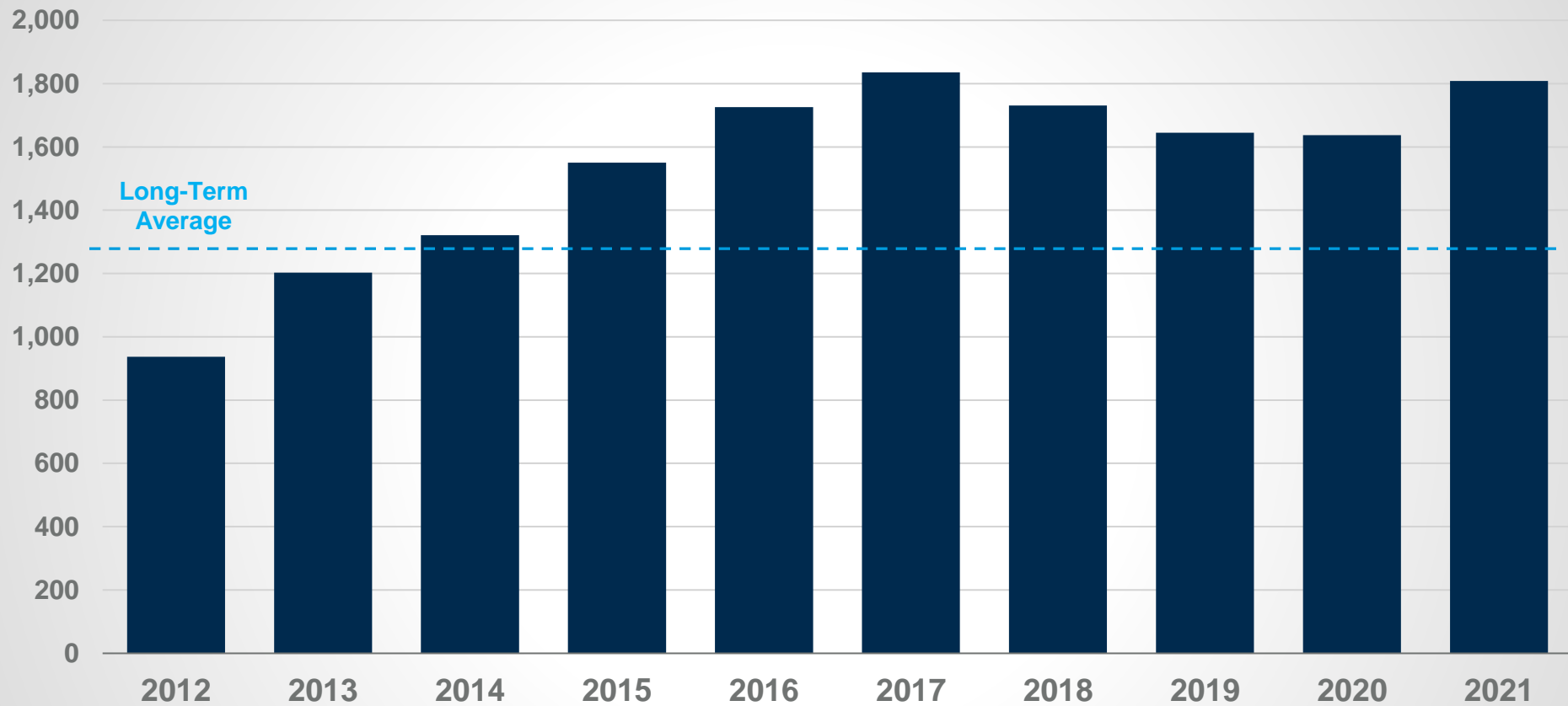


Source:
NWMLS w/Windermere
Economics Seasonal
Adjustments
Single-family resale
homes

LISTING ACTIVITY



WINDERMERE
Economics



2004-2019 avg. 1,274

SALES ACTIVITY

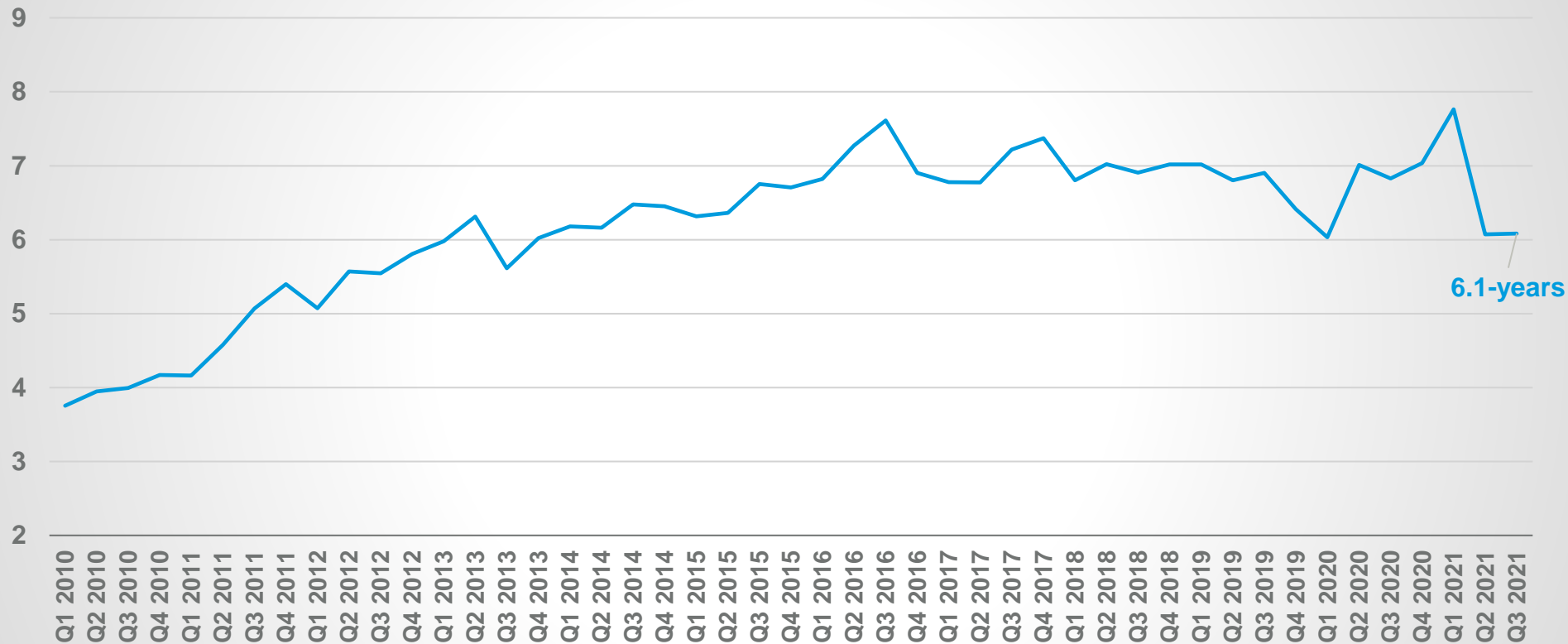
Source:
NWMLS w/Windermere
Economics Seasonal
Adjustments



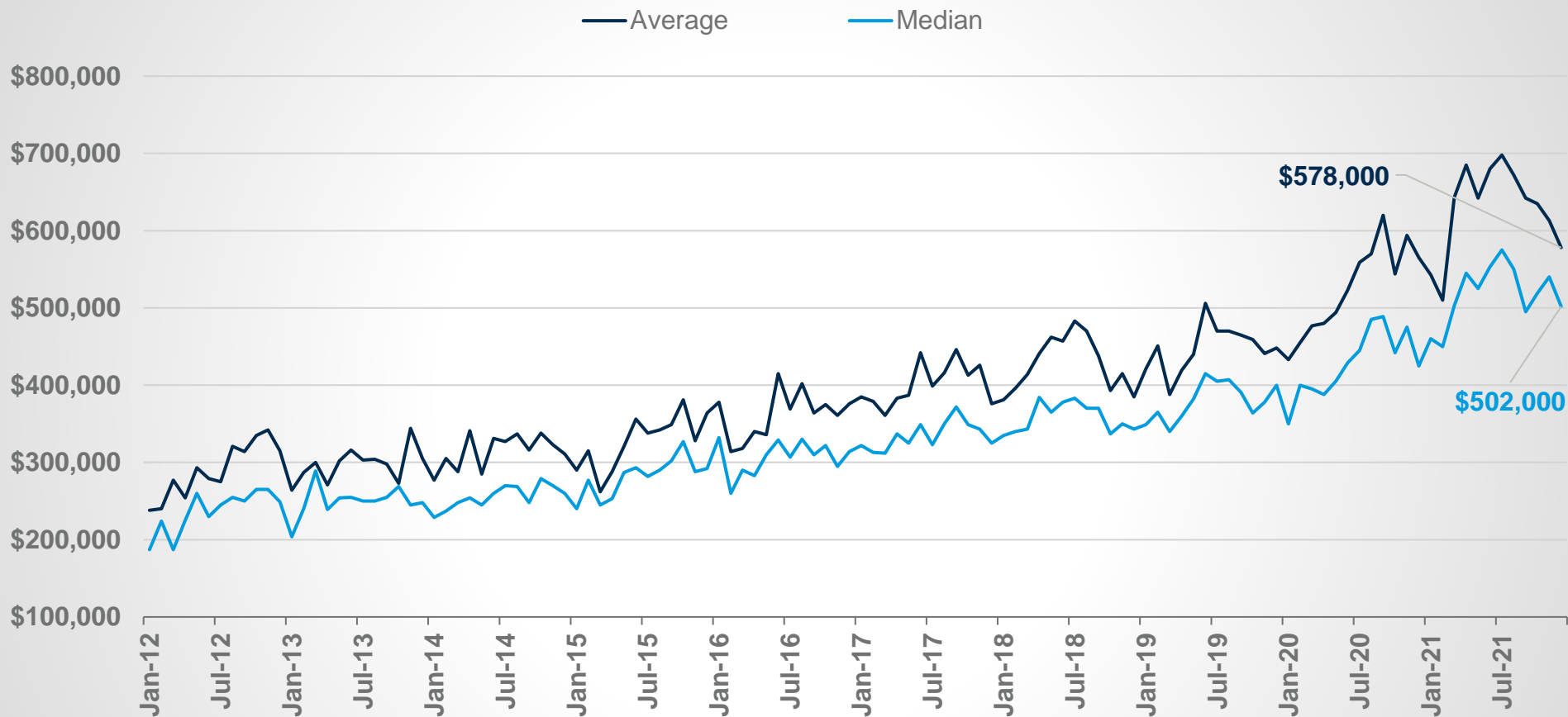
WINDERMERE
Economics

Average Owner Tenure

in years; Island County, WA



6.1-years

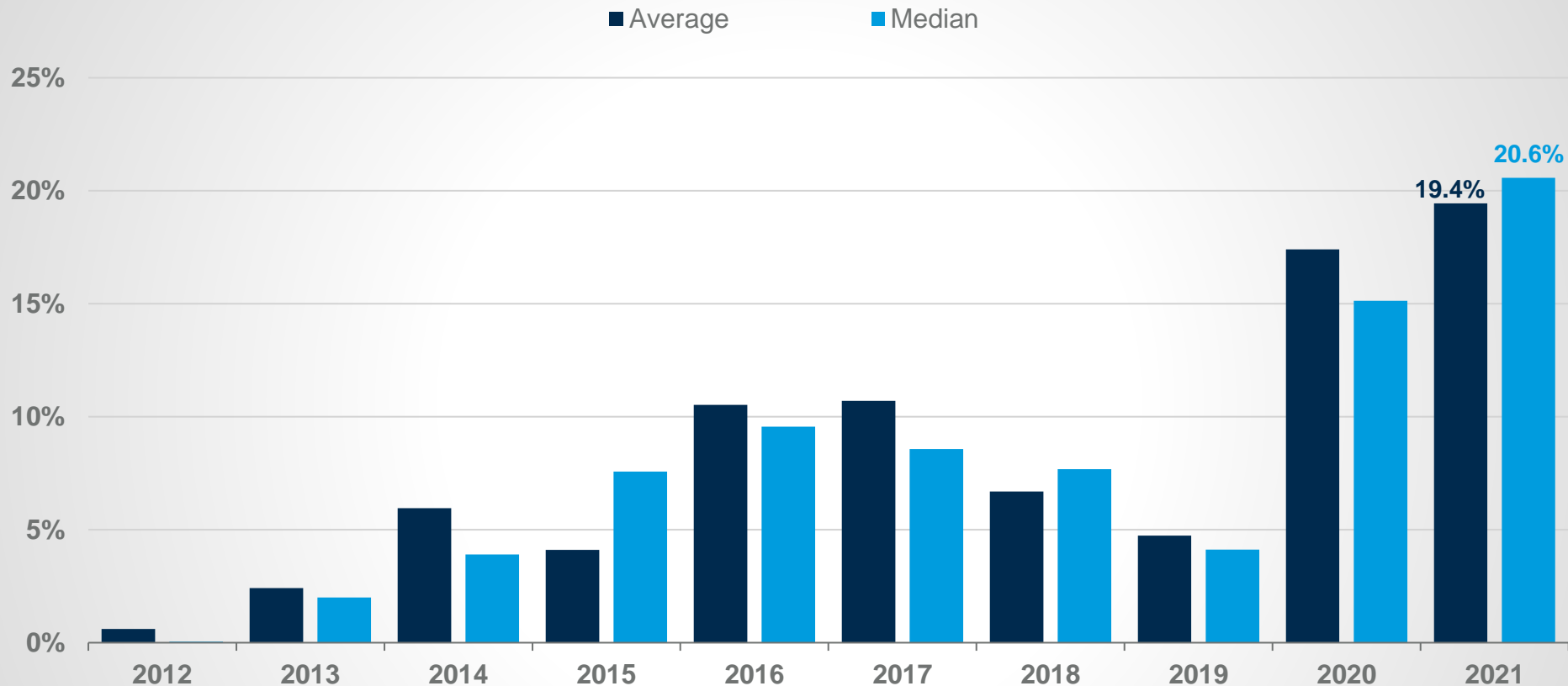


Source:
NWMLS
single-family resale
homes

SALE PRICES



WINDERMERE
Economics



Source:
NWMLS
single-family resale
homes

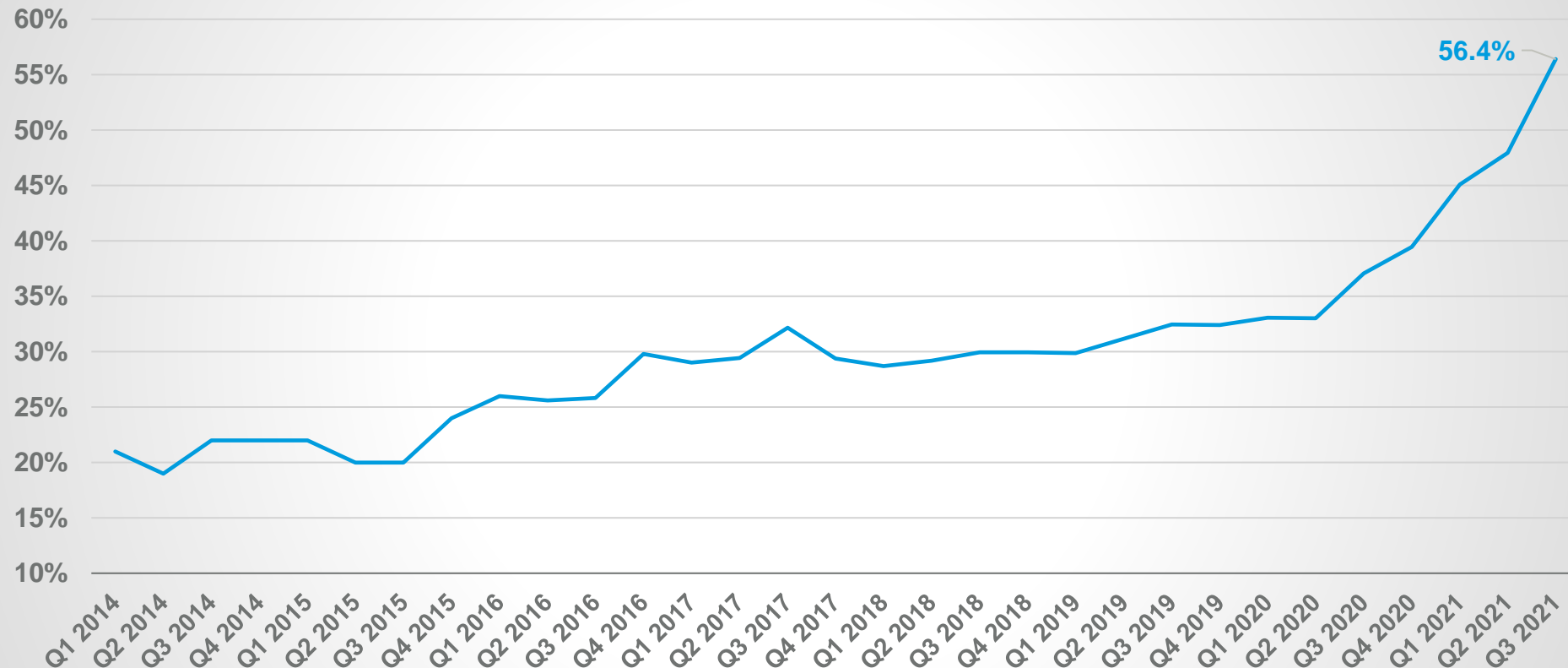
ANNUAL CHANGE IN SALE PRICES

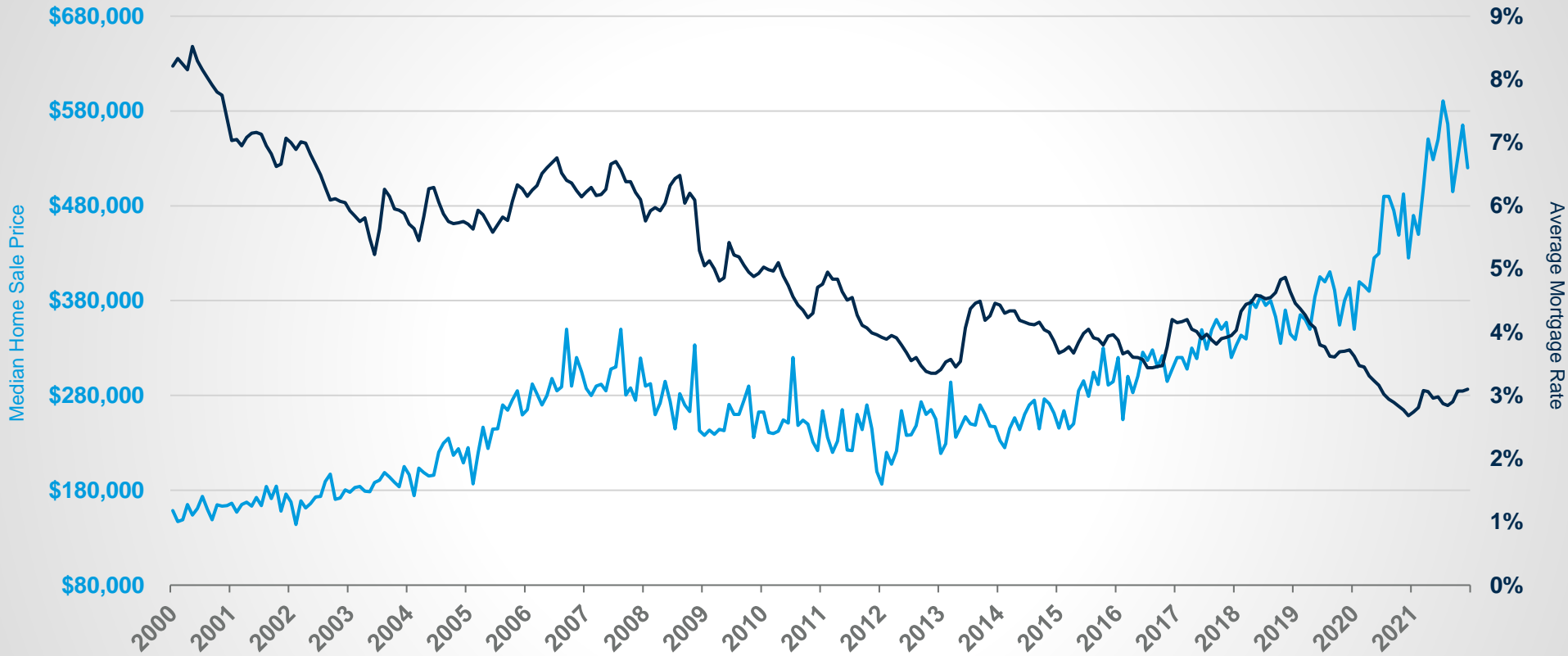


WINDERMERE
Economics

Equity Rich Homeowners

homeowners in Island County with more than 50% equity





Source:
Windermere
Economics modelling
of NWMLS raw data
median sale prices

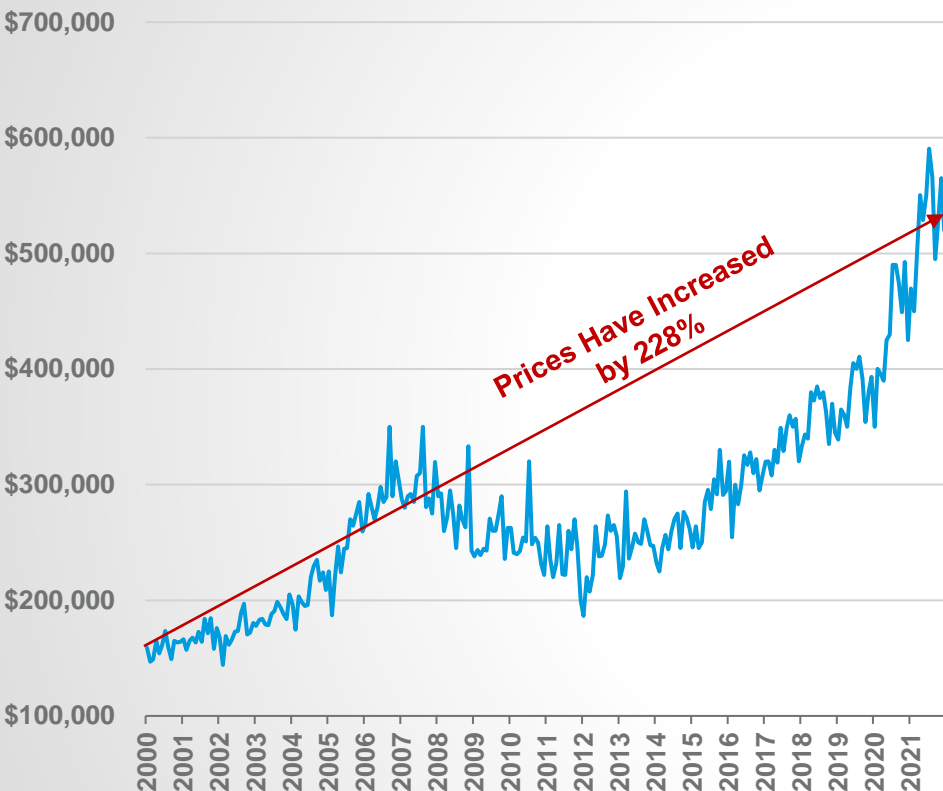
SALE PRICES VS MORTGAGE RATES



WINDERMERE
Economics

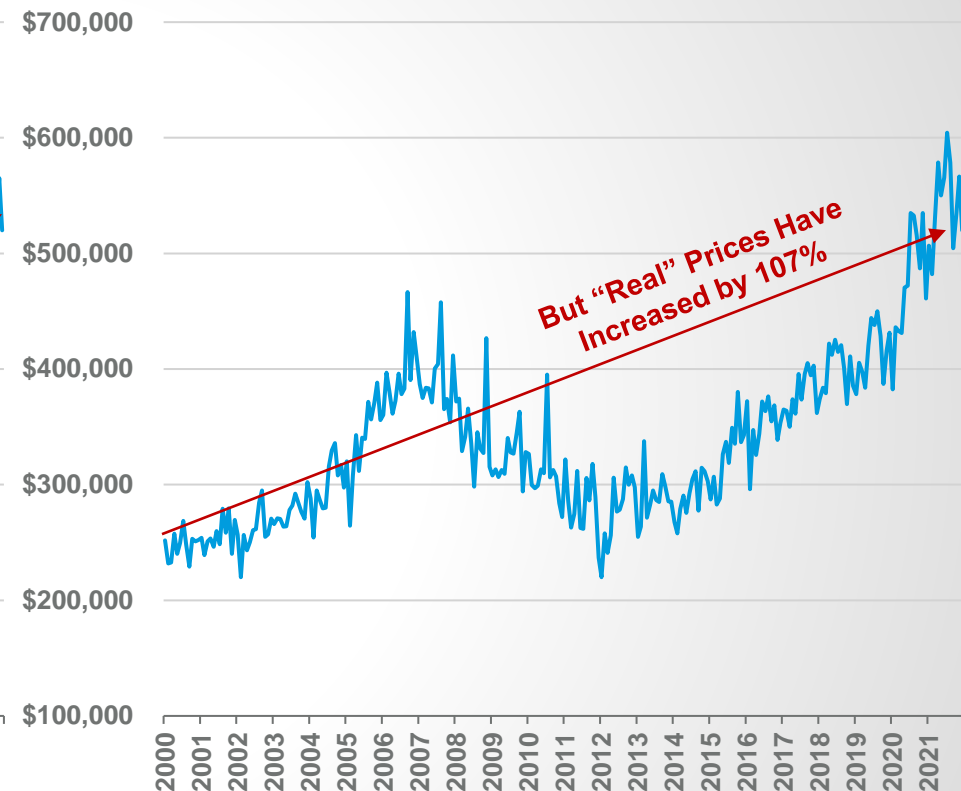
Nominal Median Home Sale Prices

single-family resale units; nsa



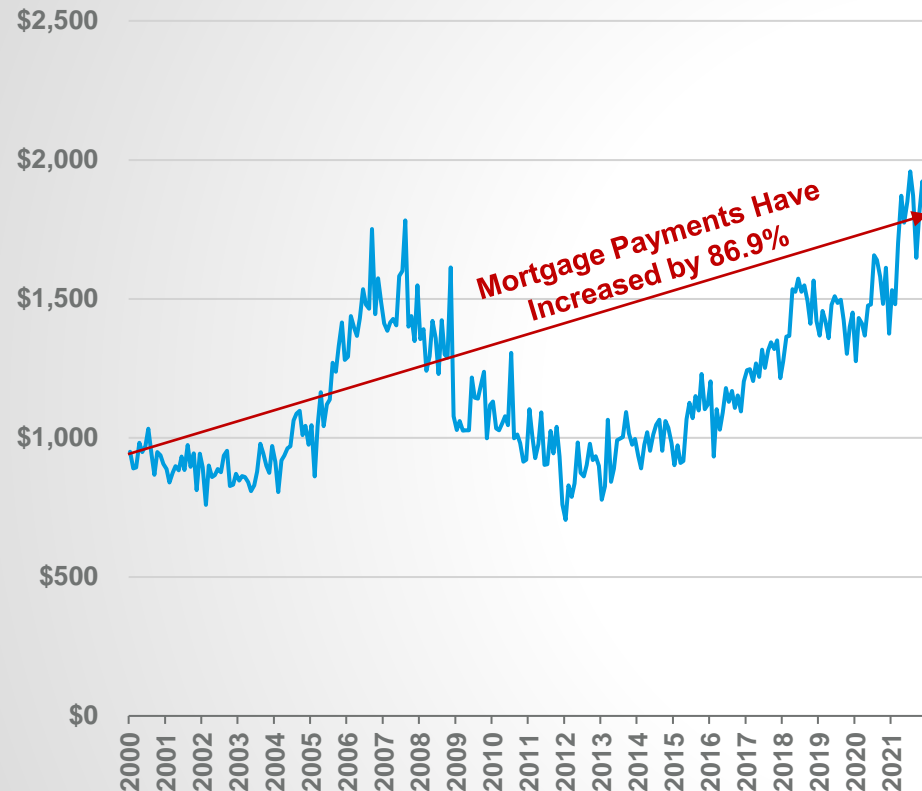
Inflation Adjusted Median Home Sale Prices

single-family resale units; nsa



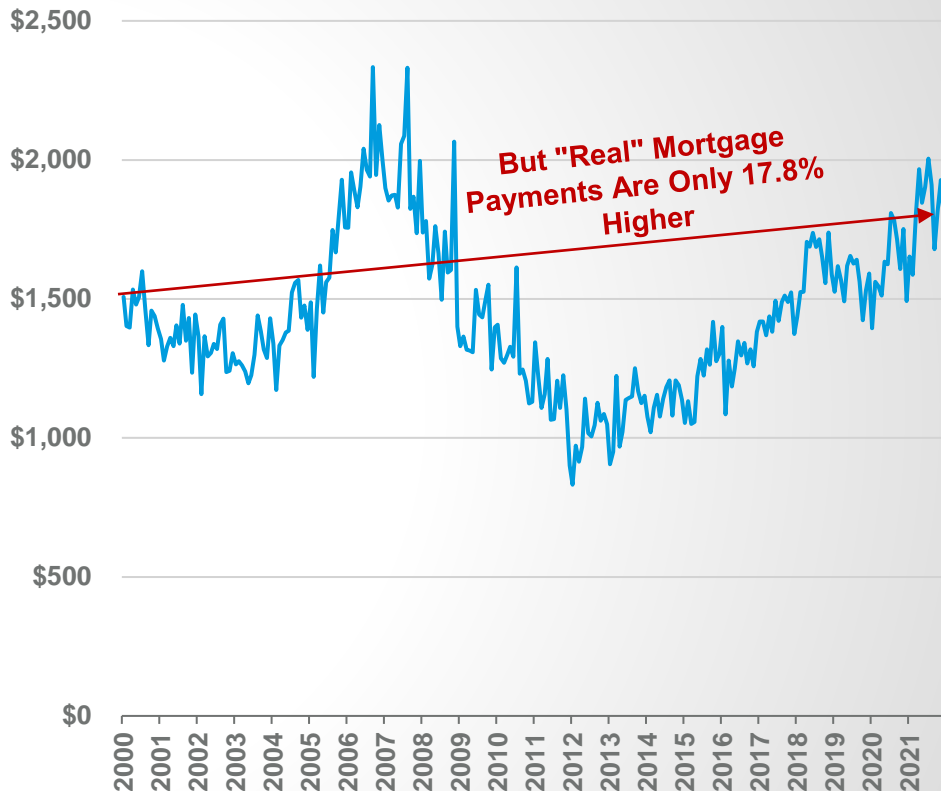
Nominal Monthly Mortgage Payment

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



Inflation Adjusted Monthly Mortgage Payment

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



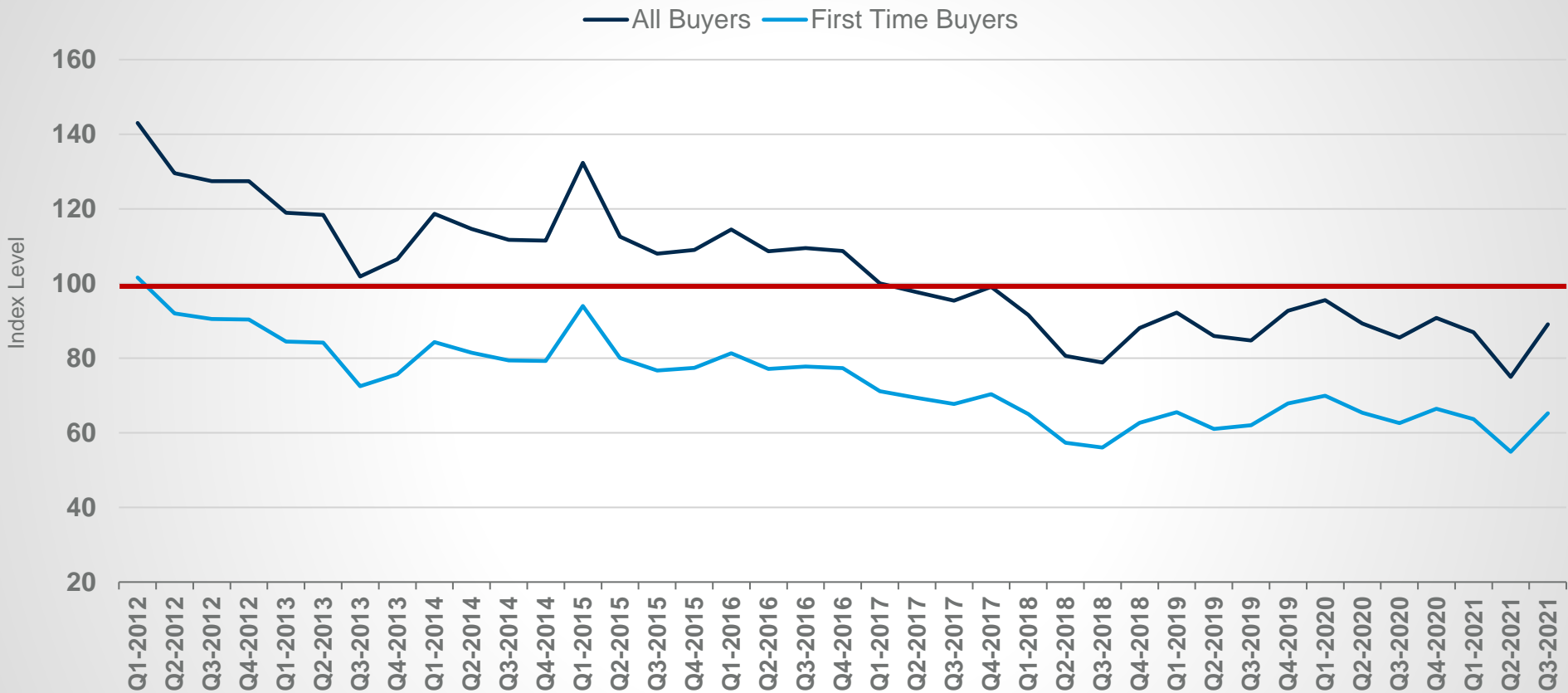
Source:
Windermere
Economics modelling
of NWMLS raw data
(Inflation = CPI-U ex
shelter)

“REAL” MORTGAGE PAYMENTS



WINDERMERE
Economics

Island County Housing Affordability Index

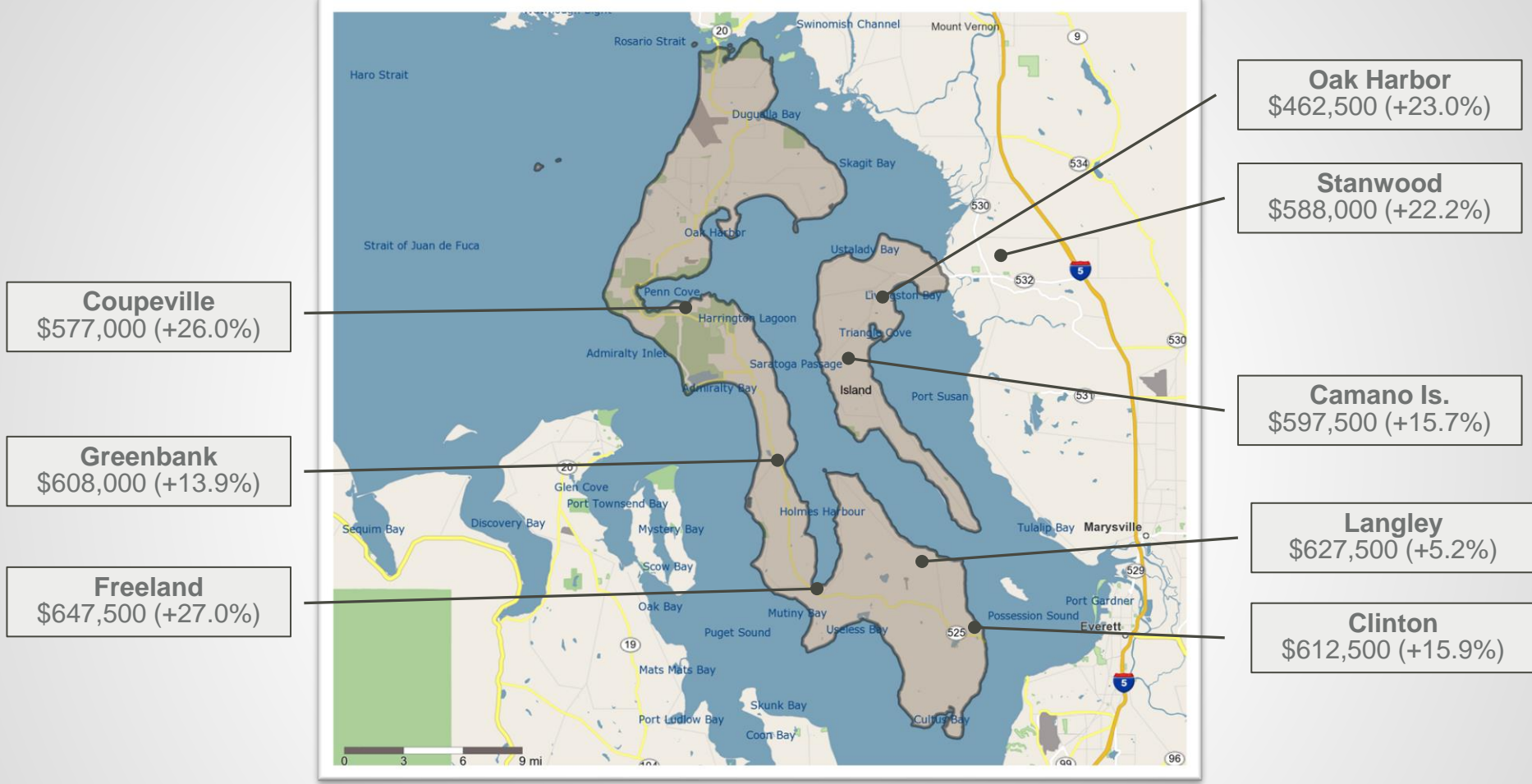


Source:
Washington Center for
Real Estate Research
— U.W.

AFFORDABILITY REMAINS A CONCERN



WINDERMERE
Economics

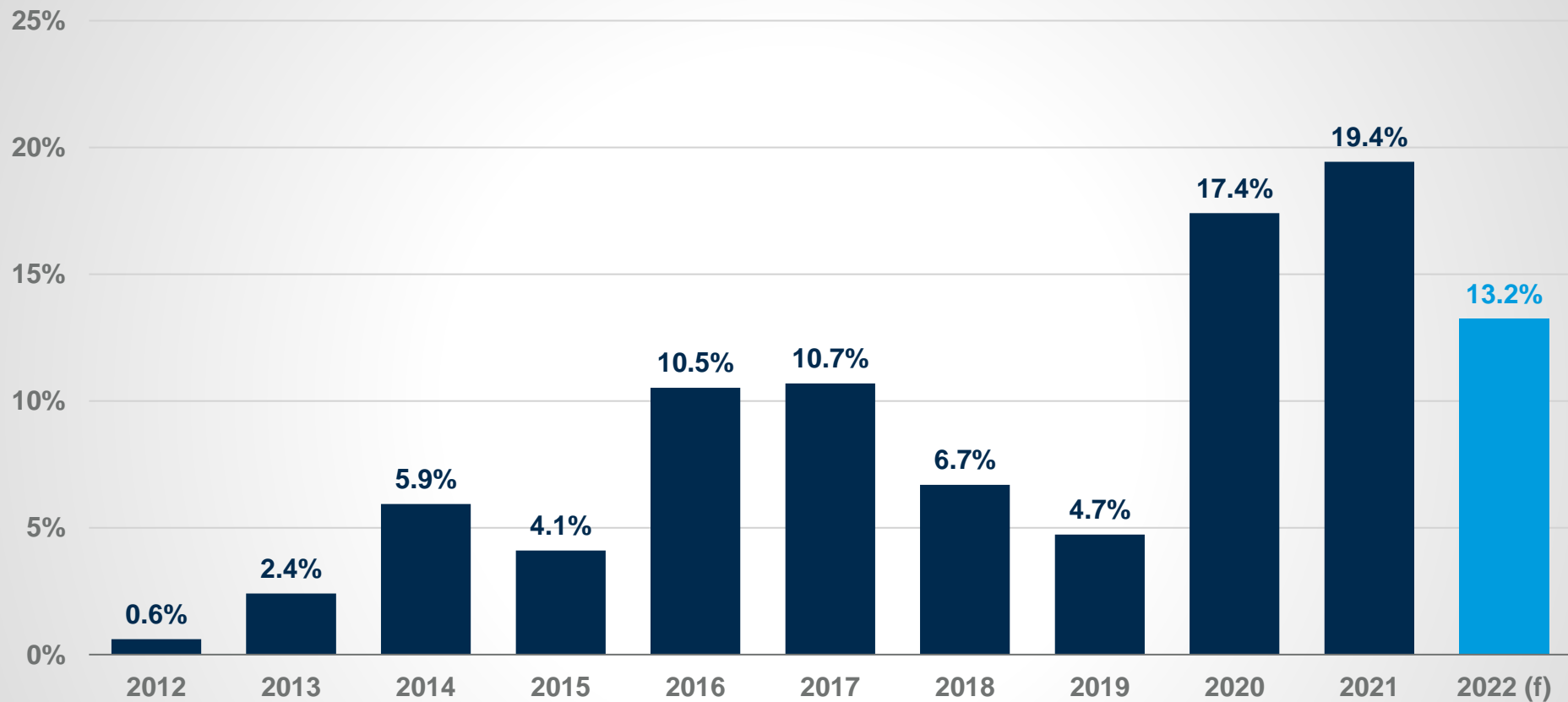


Source:
NWMLS
Single-Family Resale
Homes
Median sale price in
2021 vs 2020

AVG. SALE PRICES IN 2020 & 12-MO. CHANGE



WINDERMERE
Economics



Source:
NWMLS history
w/Windermere
Economics' forecast

ISLAND Co. SINGLE-FAMILY FORECAST



WINDERMERE
Economics

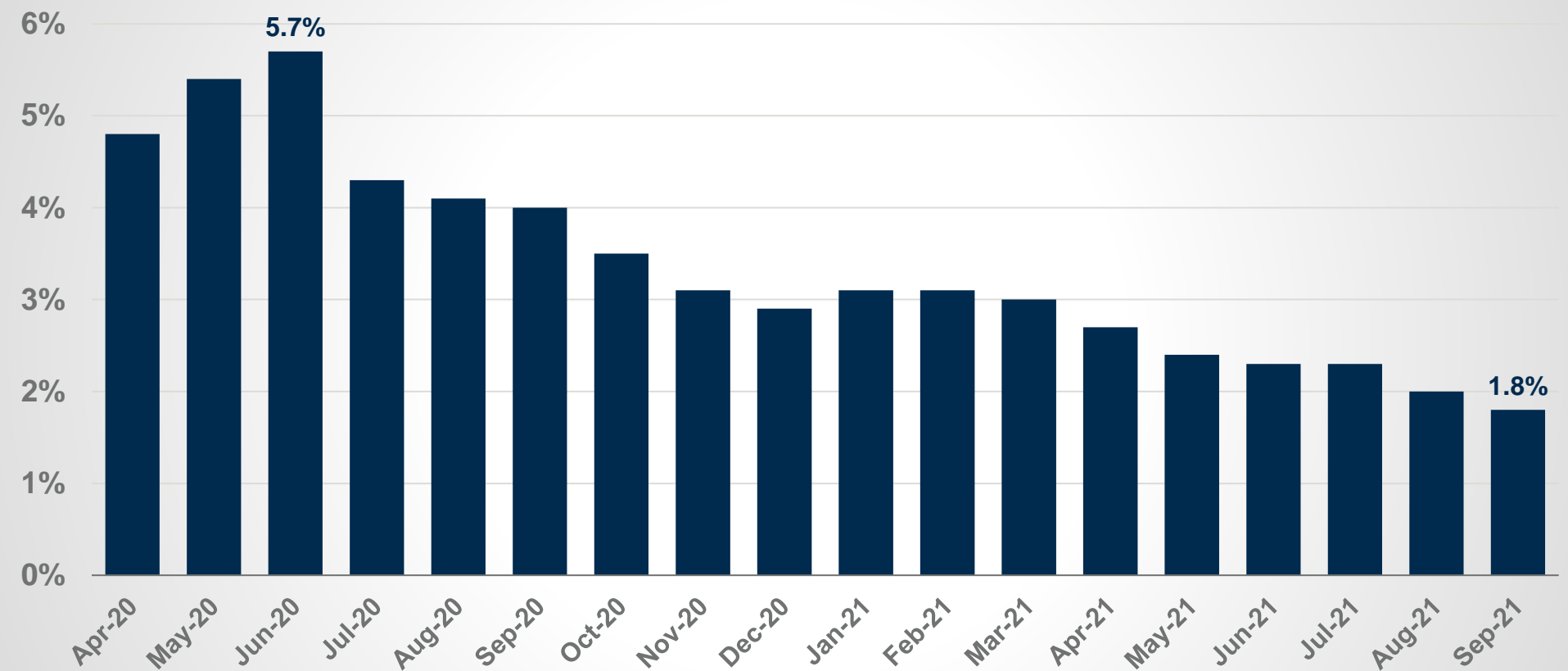
Forbearance

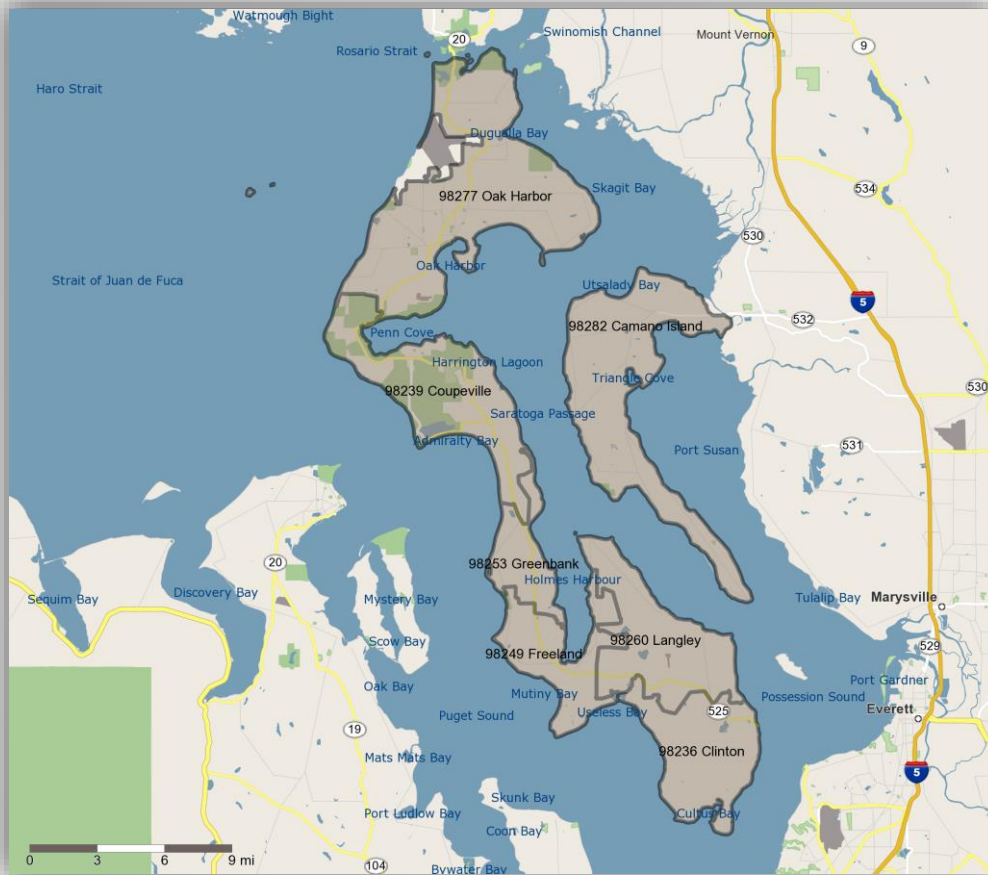


WINDERMERE
Economics

Share of Homes in Forbearance

Island County, WA





City	Share of Homes in Forbearance	Total HHD's in Forbearance
Clinton	1.2%	17
Coupeville	1.7%	27
Freeland	1.2%	13
Greenbank	1.2%	6
Langley	0.9%	11
Oak Harbor	2.1%	132
Camano Island	2.2%	92

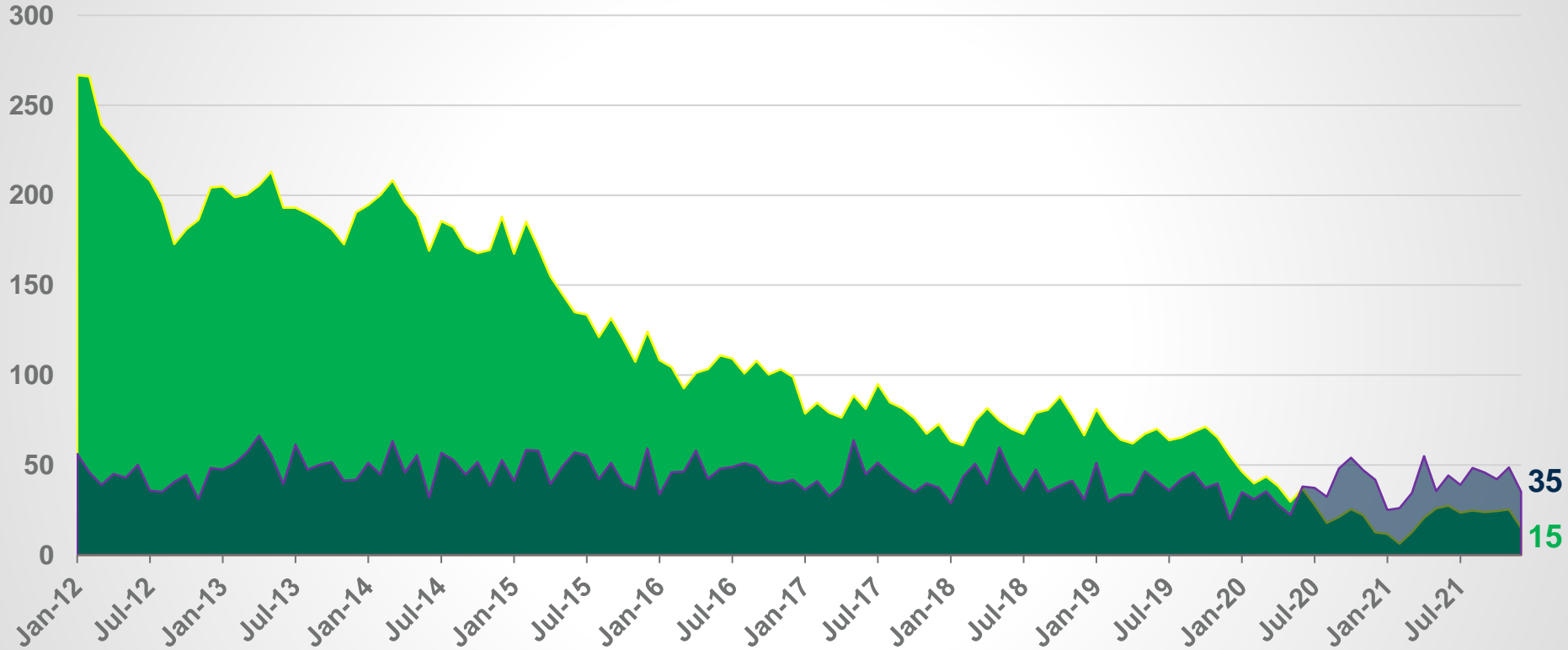
Camano Island



WINDERMERE
Economics

■ Active Listings

■ New Listings



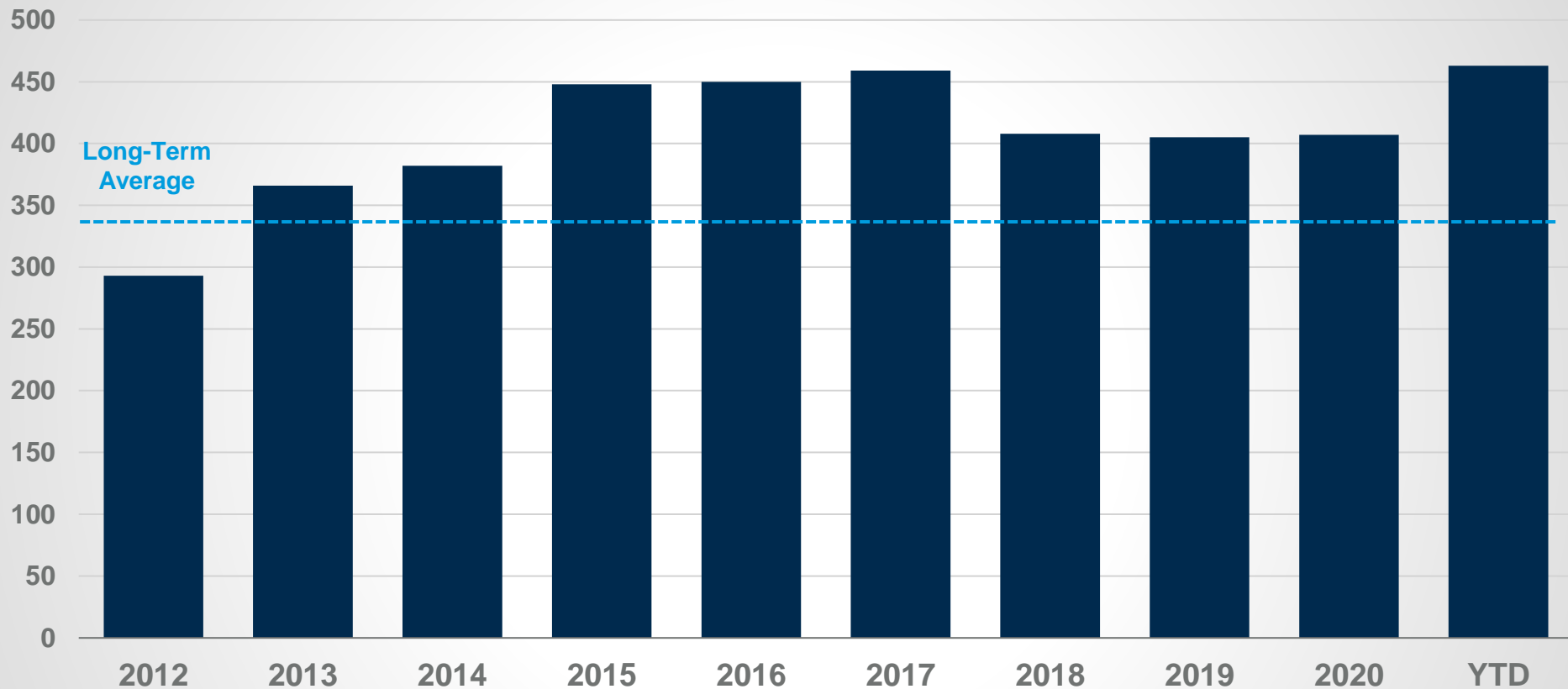
35
15

Source:
NWMLS w/Windermere
Economics Seasonal
Adjustments
Single-family resale
homes

LISTING ACTIVITY



WINDERMERE
Economics



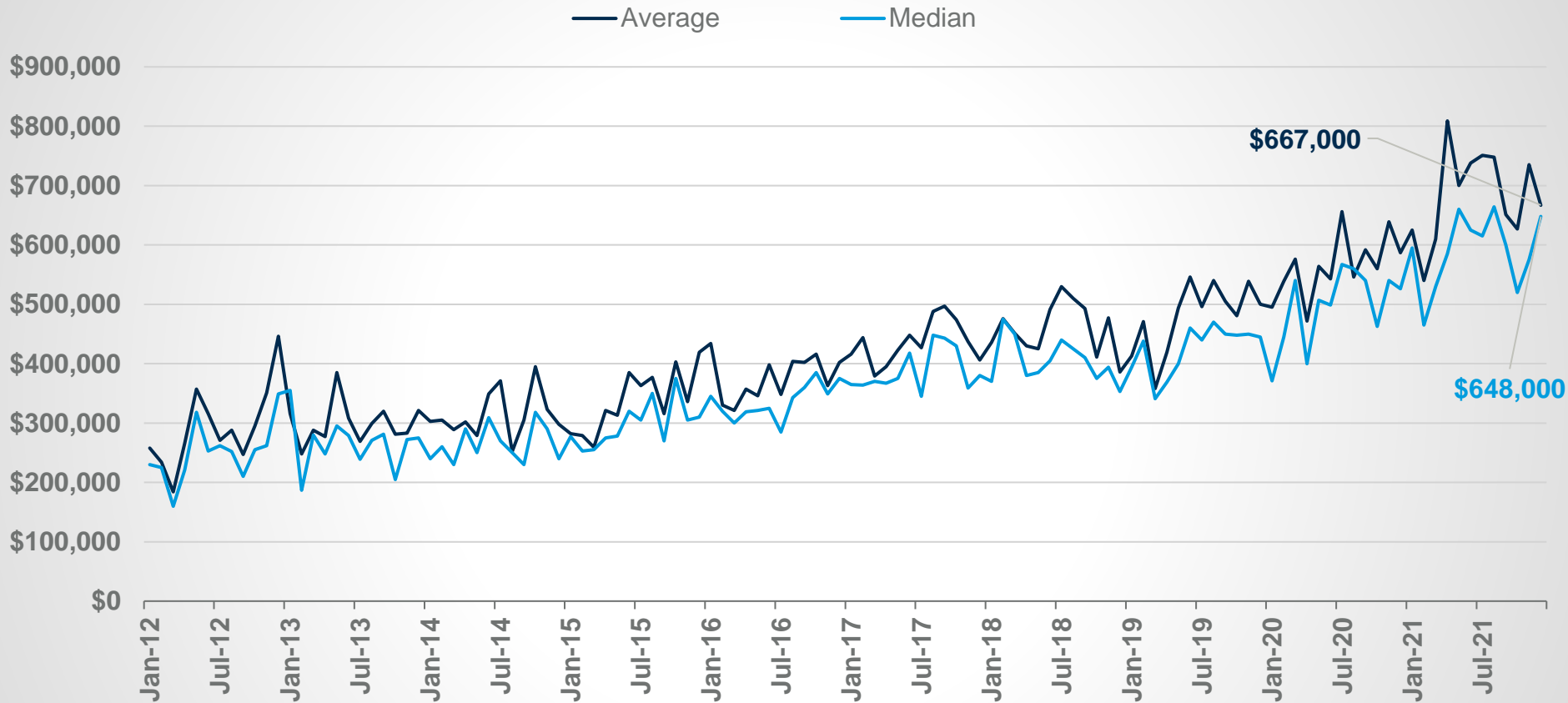
long-term avg. 337

Source:
NWMLS
Single family resale
homes

SALES ACTIVITY



WINDERMERE
Economics

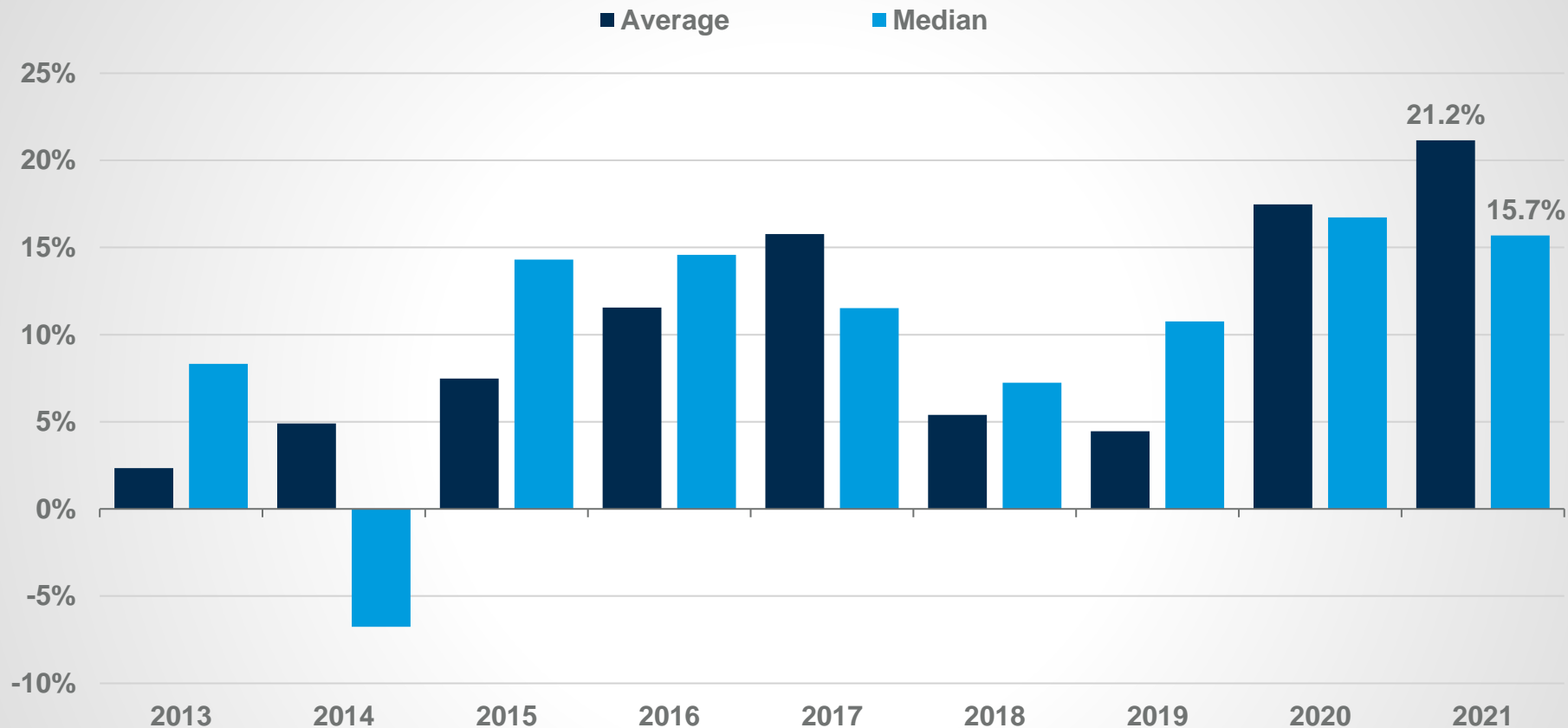


Source:
NWMLS
single-family resale
homes

SALE PRICES



WINDERMERE
Economics



Source:
NWMLS
single-family resale
homes

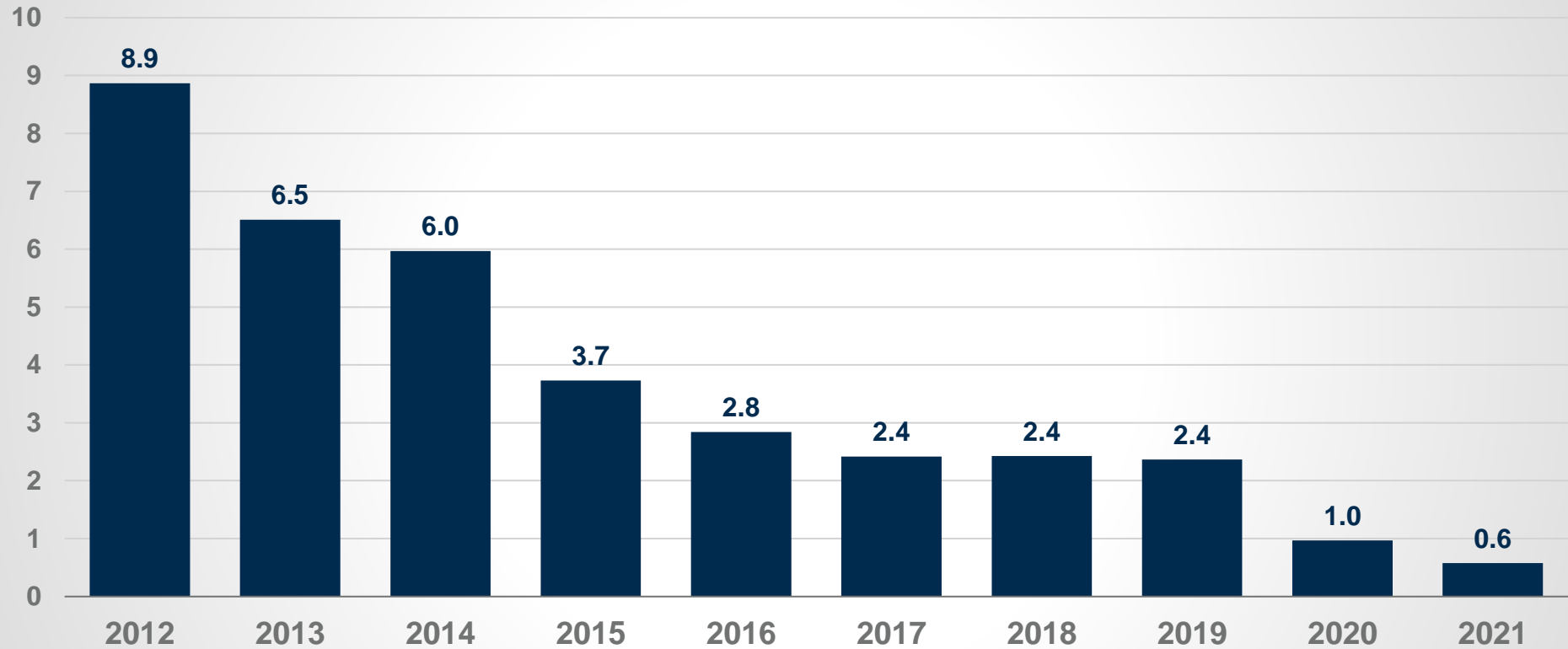
ANNUAL CHANGE IN SALE PRICES



WINDERMERE
Economics

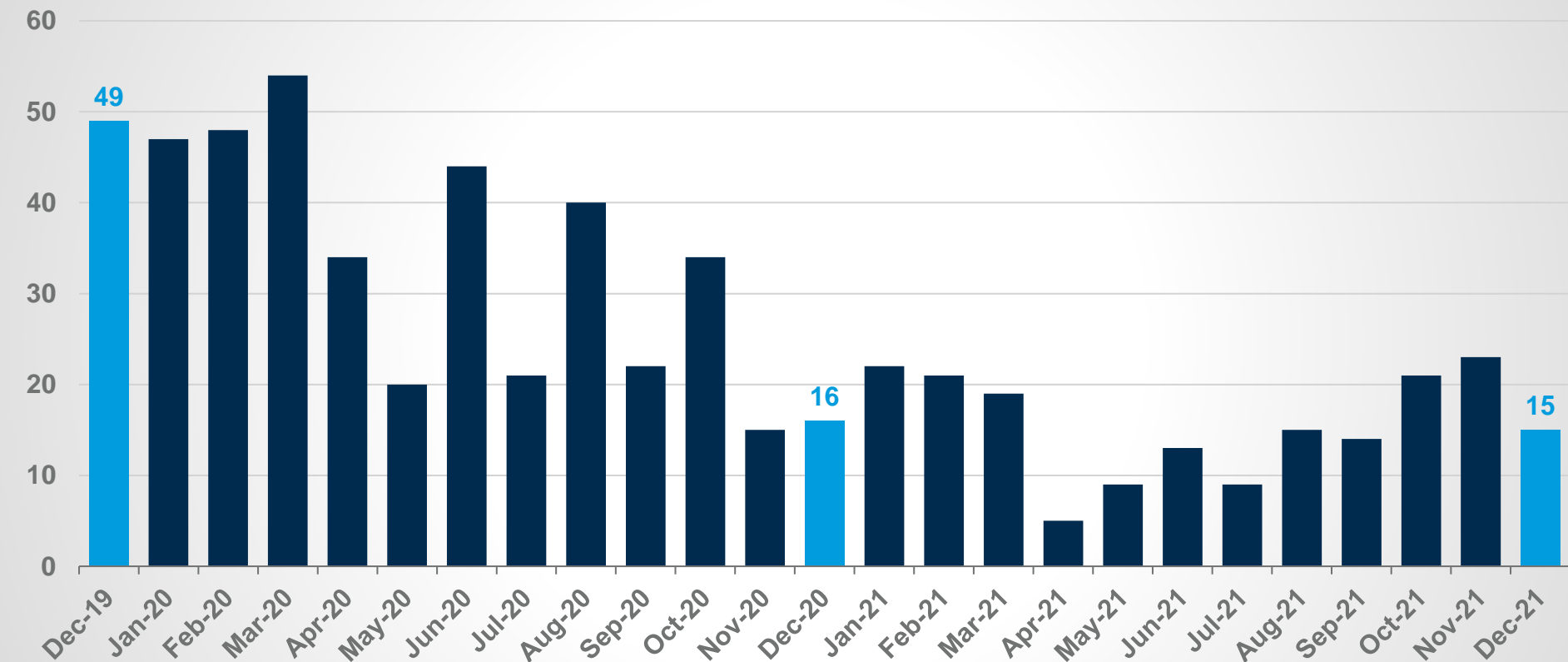
Months of Inventory

single-family resale homes; based on pending sales



Days on Market

average days; single family resale homes

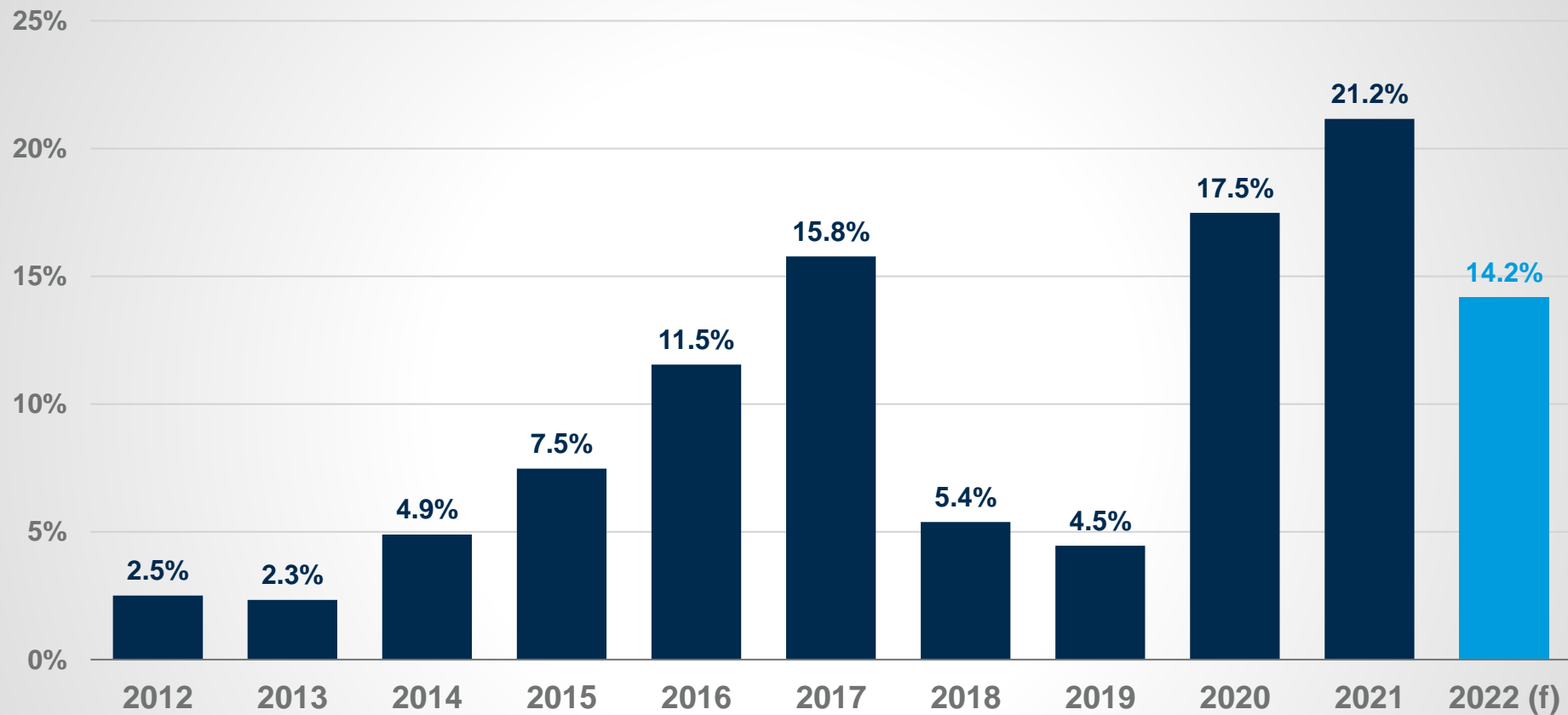


Source:
NWMLS

HOMES ARE STILL SELLING FAST



WINDERMERE
Economics



Source:
NWMLS history
w/Windermere
Economics' forecast

CAMANO IS. SINGLE-FAMILY FORECAST

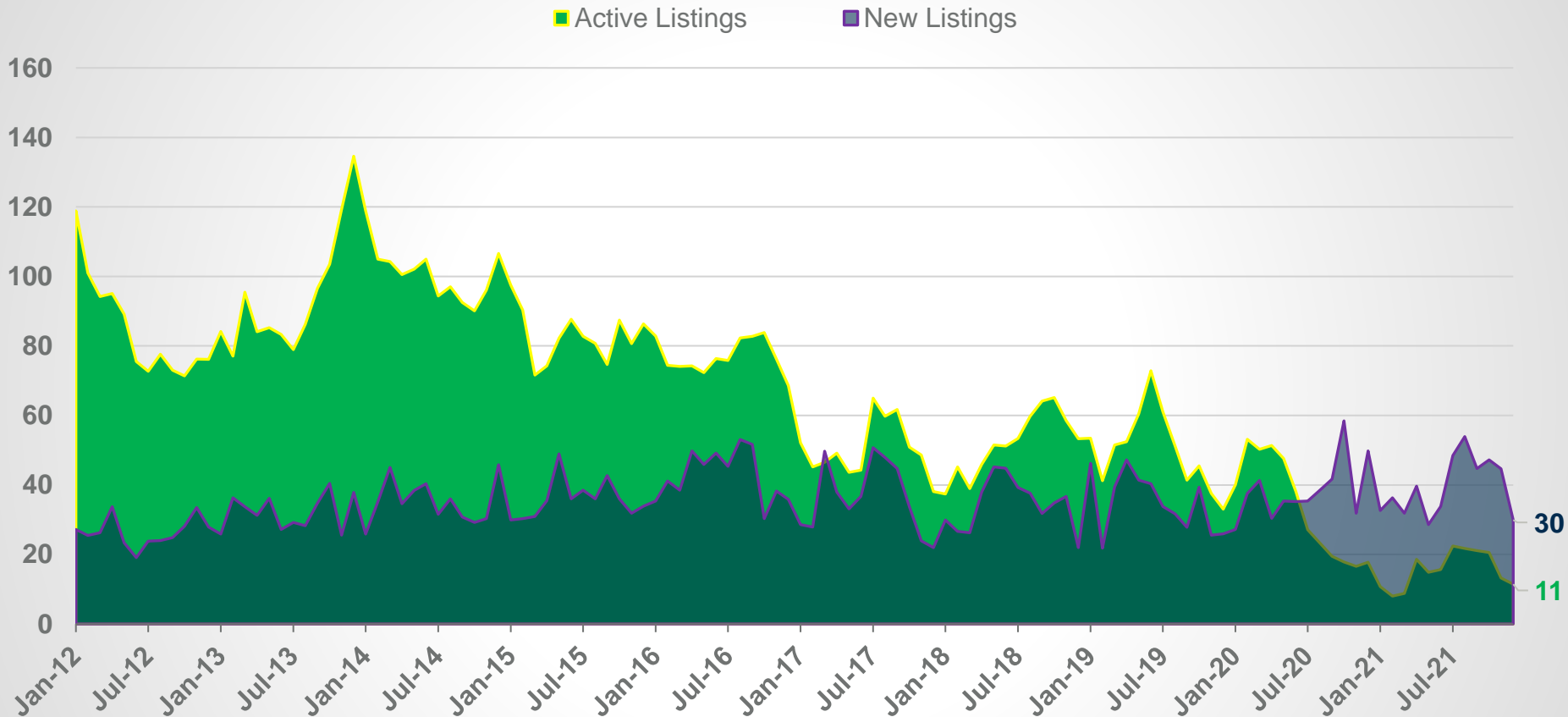


WINDERMERE
Economics

Stanwood



WINDERMERE
Economics

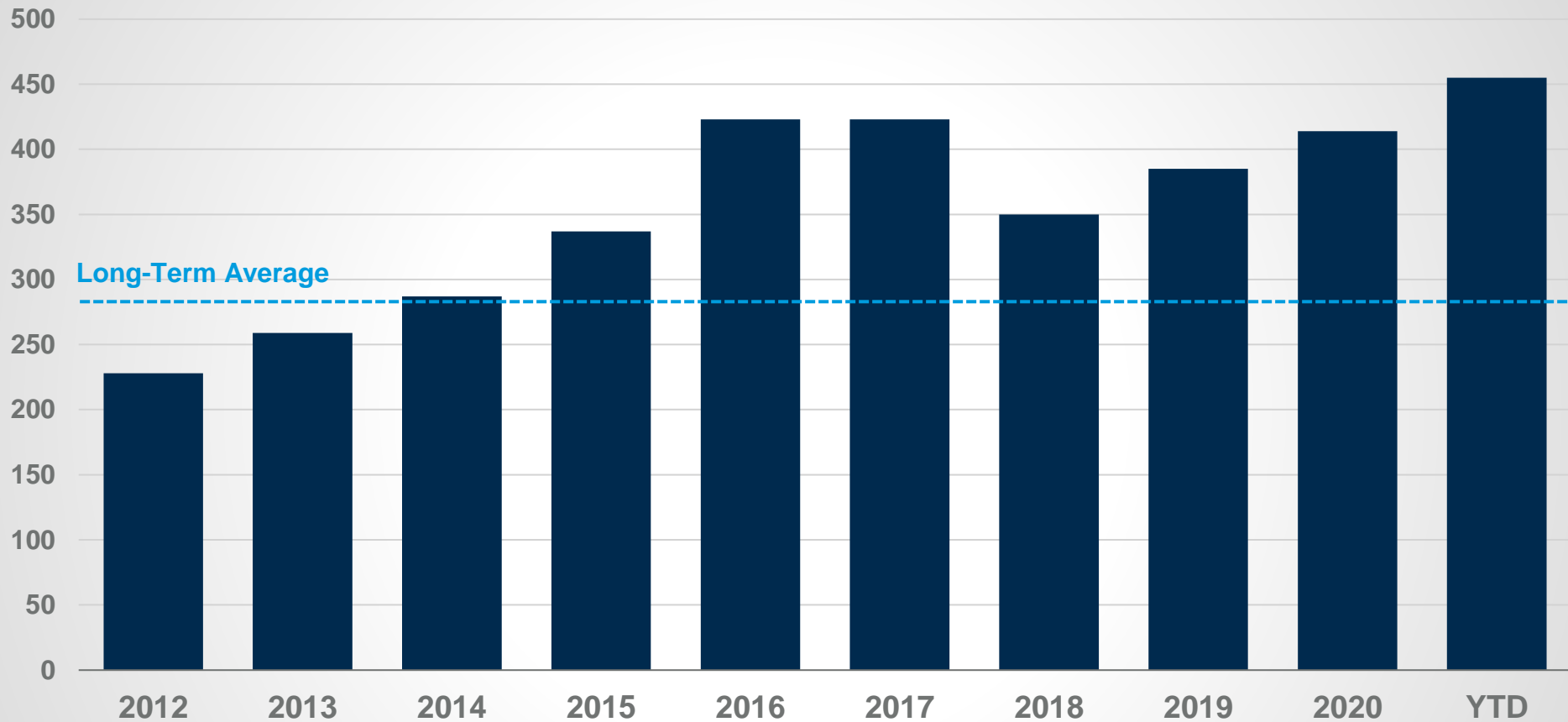


Source:
NWMLS w/Windermere
Economics Seasonal
Adjustments
single-family resale
homes

LISTING ACTIVITY



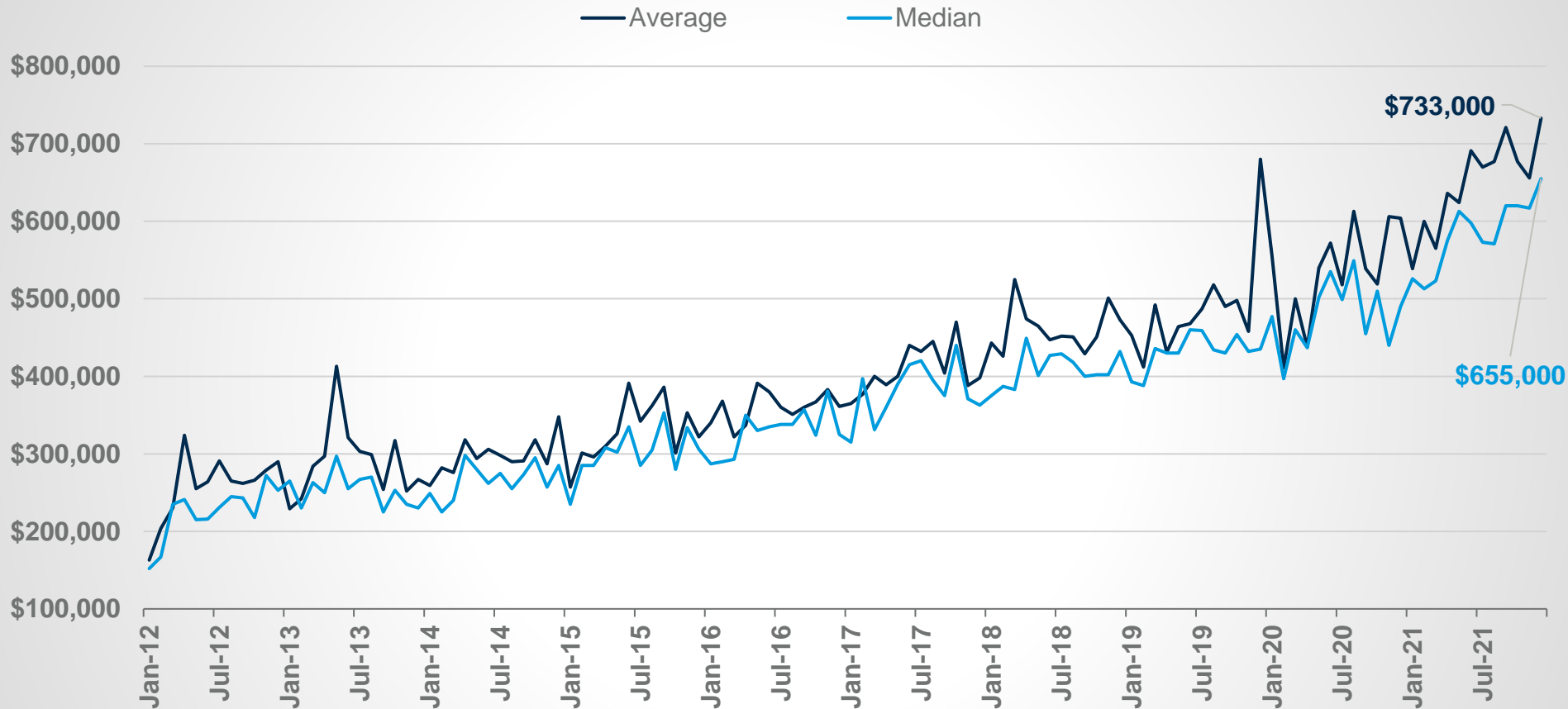
WINDERMERE
Economics



long-term avg. 279

Source:
NWMLS
Single-family resale
homes

SALES ACTIVITY

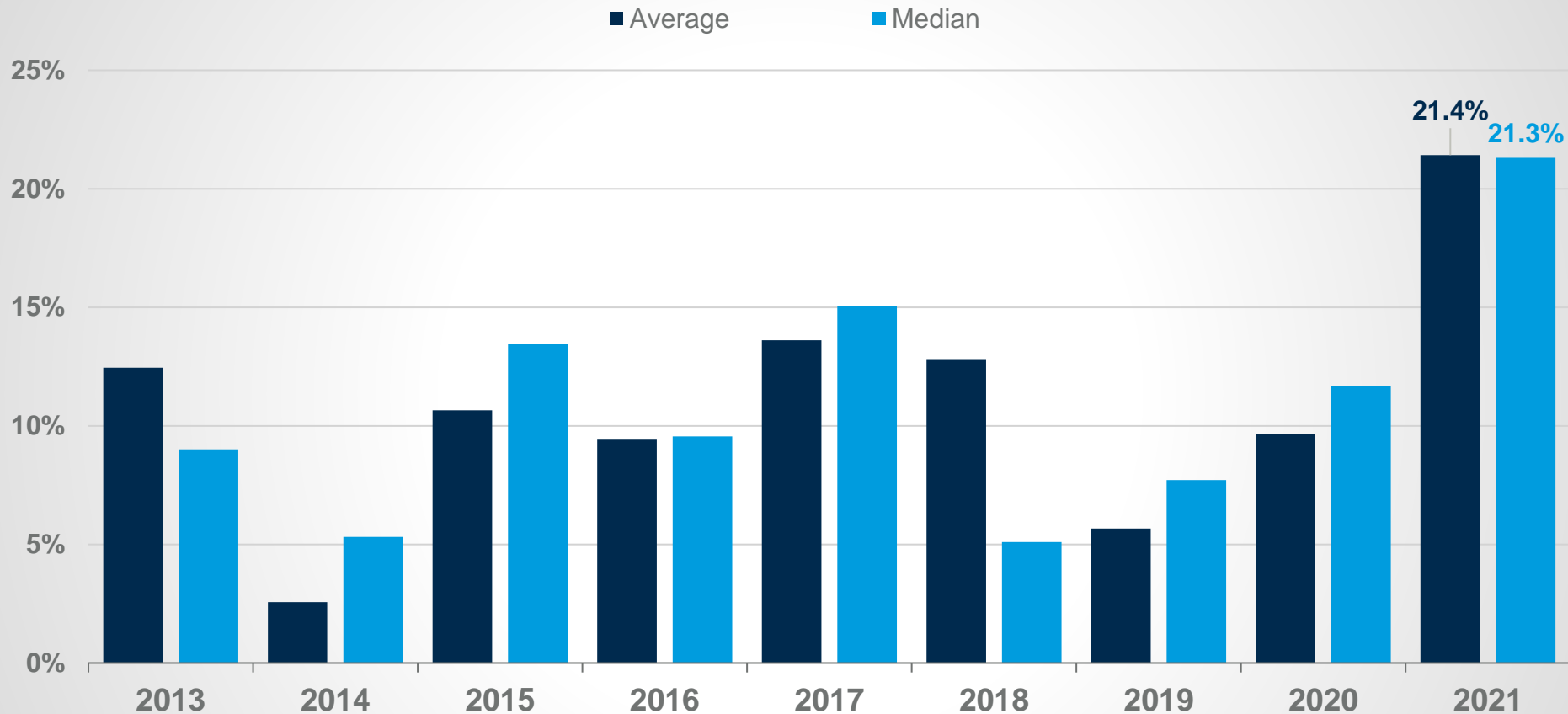


Source:
NWMLS
single-family resale
homes

SALE PRICES



WINDERMERE
Economics

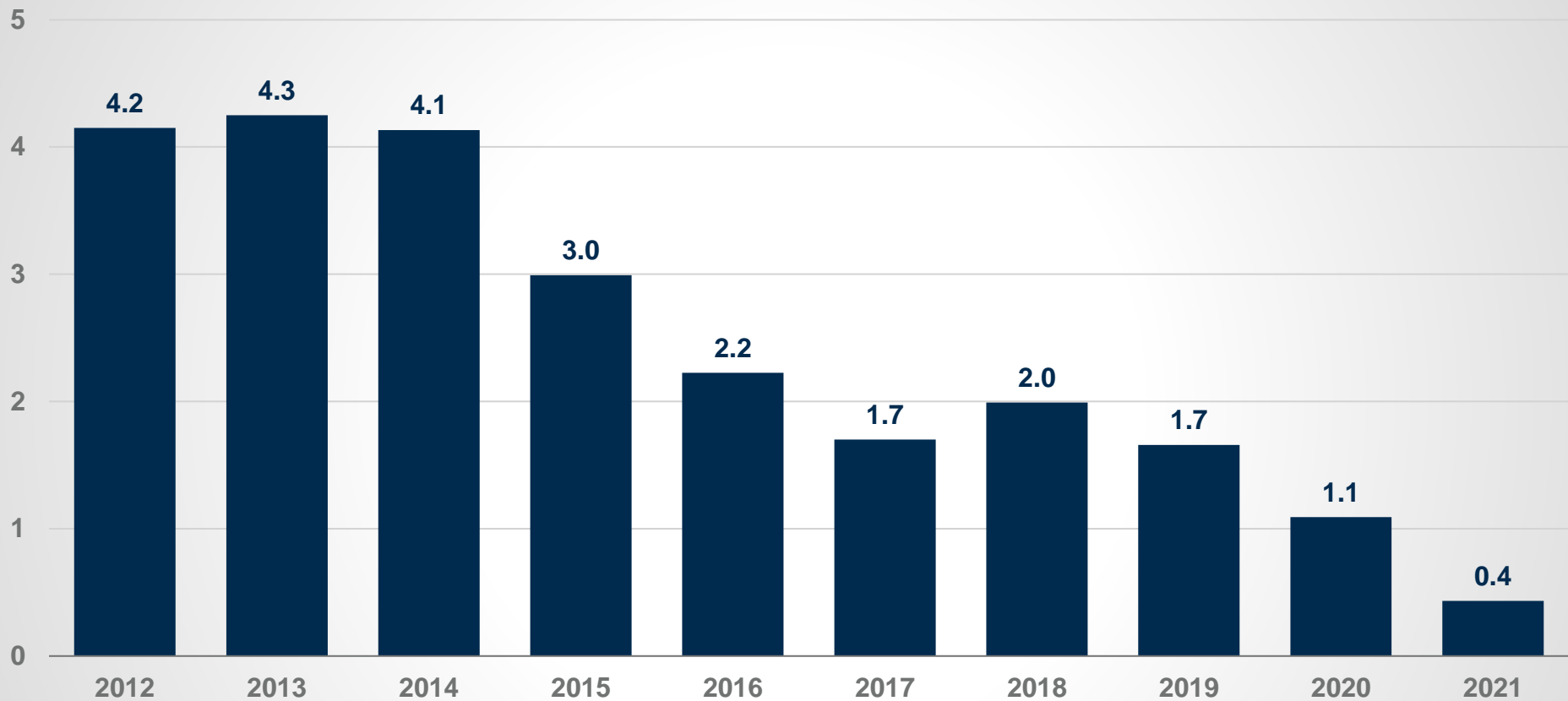


Source:
NWMLS
single-family resale
homes

ANNUAL CHANGE IN SALE PRICES



WINDERMERE
Economics

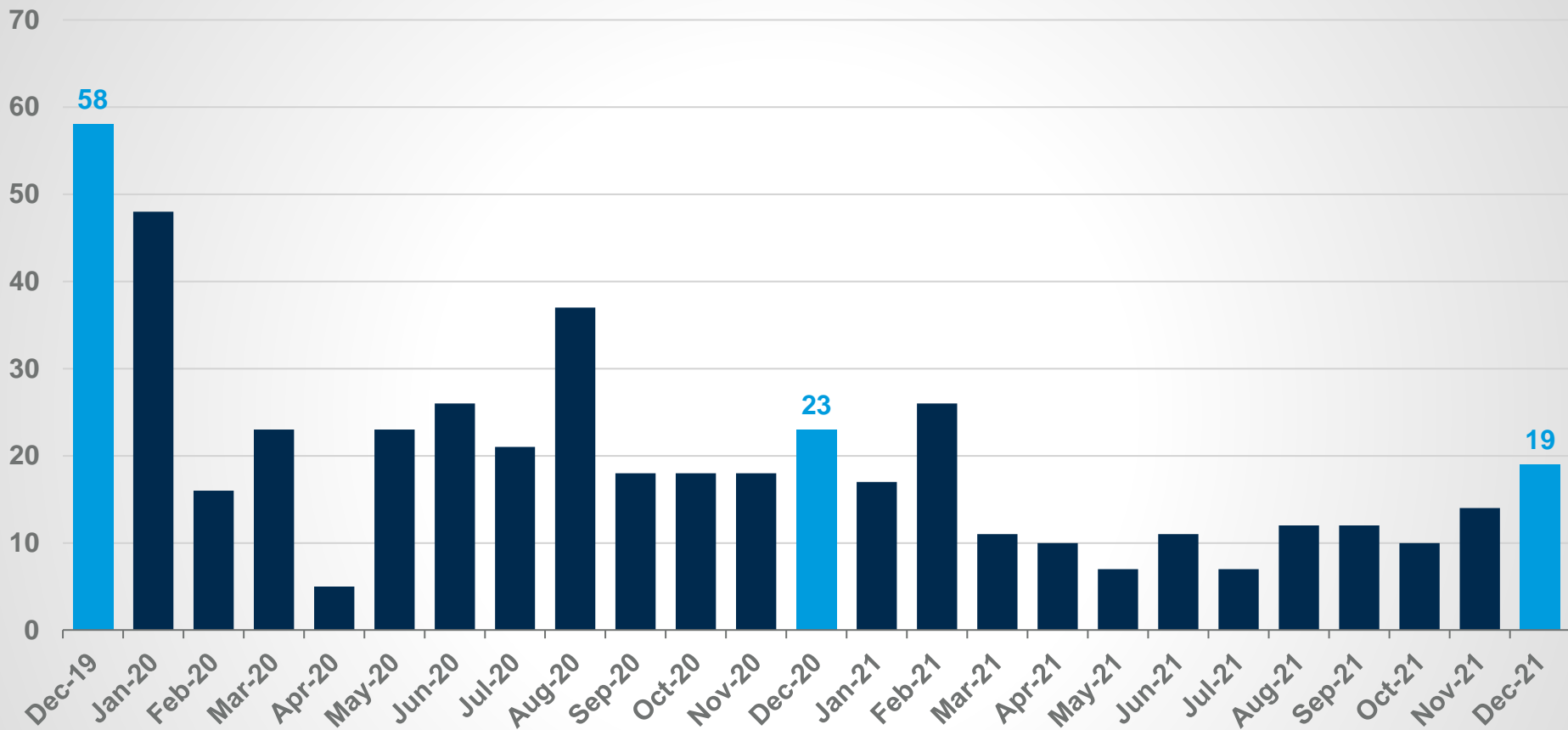


Source:
NWMLS
single-family resale
homes; based on
pending sales

MONTHS OF INVENTORY



WINDERMERE
Economics

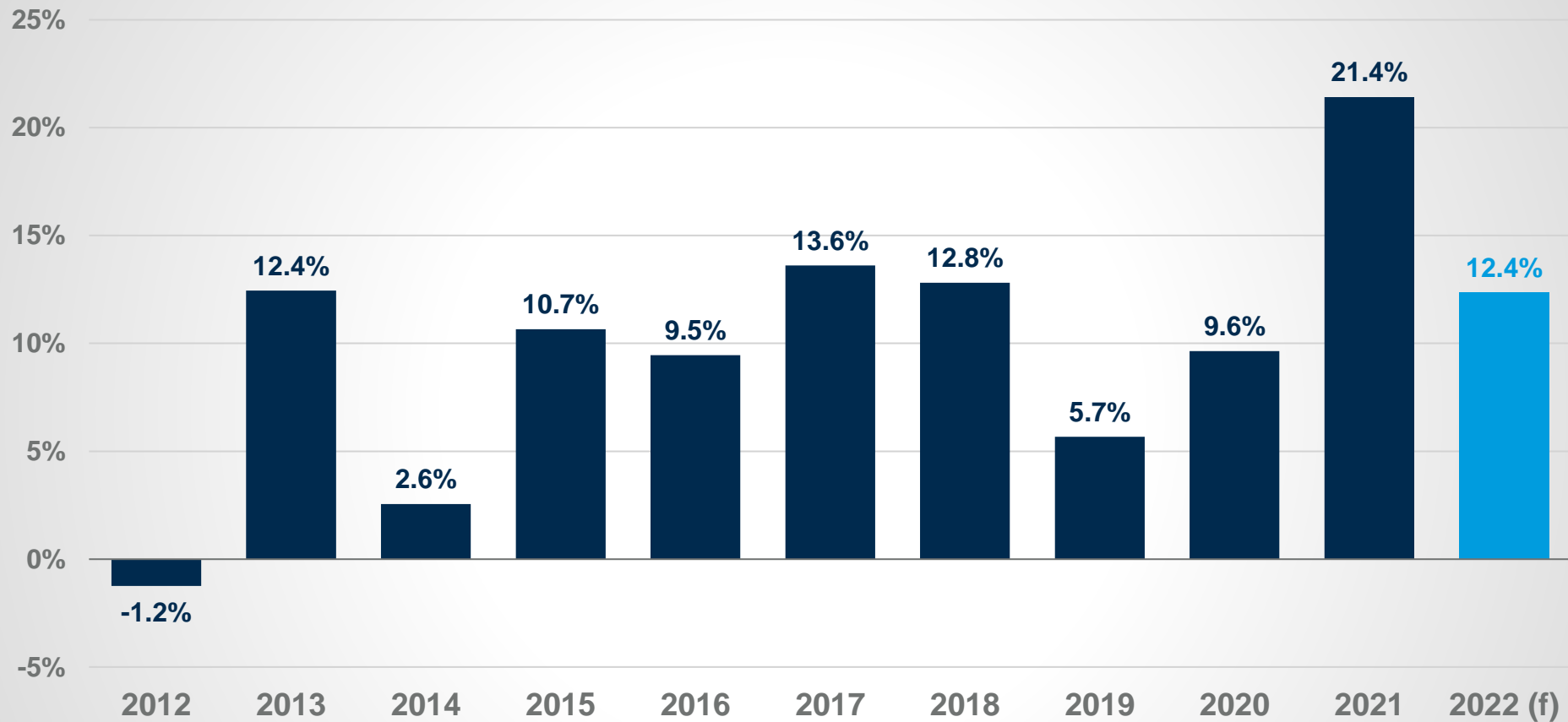


Source:
NWMLS
single-family resale
homes

AVERAGE MARKET TIME – IN DAYS



WINDERMERE
Economics



Source:
NWMLS history
w/Windermere
Economics' forecast

STANWOOD SINGLE-FAMILY FORECAST



WINDERMERE
Economics

- Listing Activity Continues to Trend Well Below the Long-Term Average & is Unlikely to Improve This Year;
- Demand *May* Grow if Households Can Work Remotely – But it Will Not Be a Significant Number;
- Price Growth Will Slow – Albeit Modestly – Given Lower Affordability & Rising Mortgage Rates – But Will Still End This Year Well Above the Long-Term Average.

Final Thoughts



WINDERMERE
Economics

Questions?



WINDERMERE
Economics



MGardnerEcon



MGardnerEcon



MJDGardner



MGardnerEcon

M.Gardner@windermere.com

LET'S KEEP IN TOUCH!



WINDERMERE
Economics

© 2022 Windermere Services Company and/or its licensors and affiliates (collectively, "WINDERMERE"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT WINDERMERE'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by WINDERMERE from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall WINDERMERE have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of WINDERMERE or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if WINDERMERE is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell, hold or develop any asset. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY OPINION OR INFORMATION IS GIVEN OR MADE BY WINDERMERE IN ANY FORM OR MANNER WHATSOEVER. Each opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security that it may consider purchasing, holding, developing or selling any asset.

LEGAL STUFF!



WINDERMERE
Economics