



WINDERMERE
Economics

A National and Regional Economic & Housing Forecast

Presented by: Matthew Gardner

CHIEF ECONOMIST; WINDERMERE REAL ESTATE

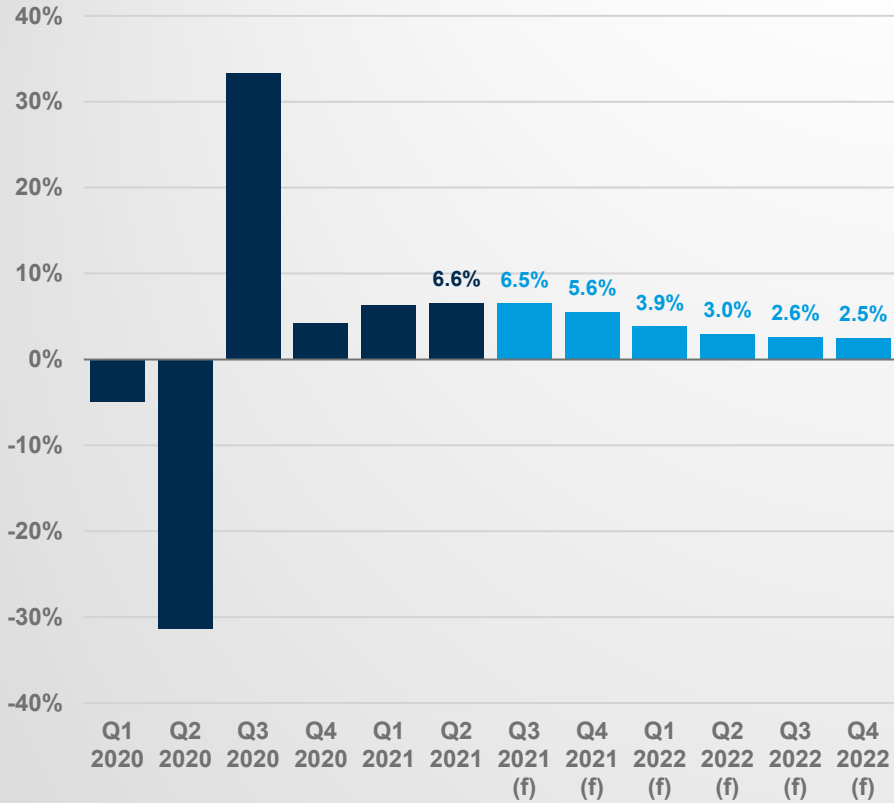
The U.S. Economy



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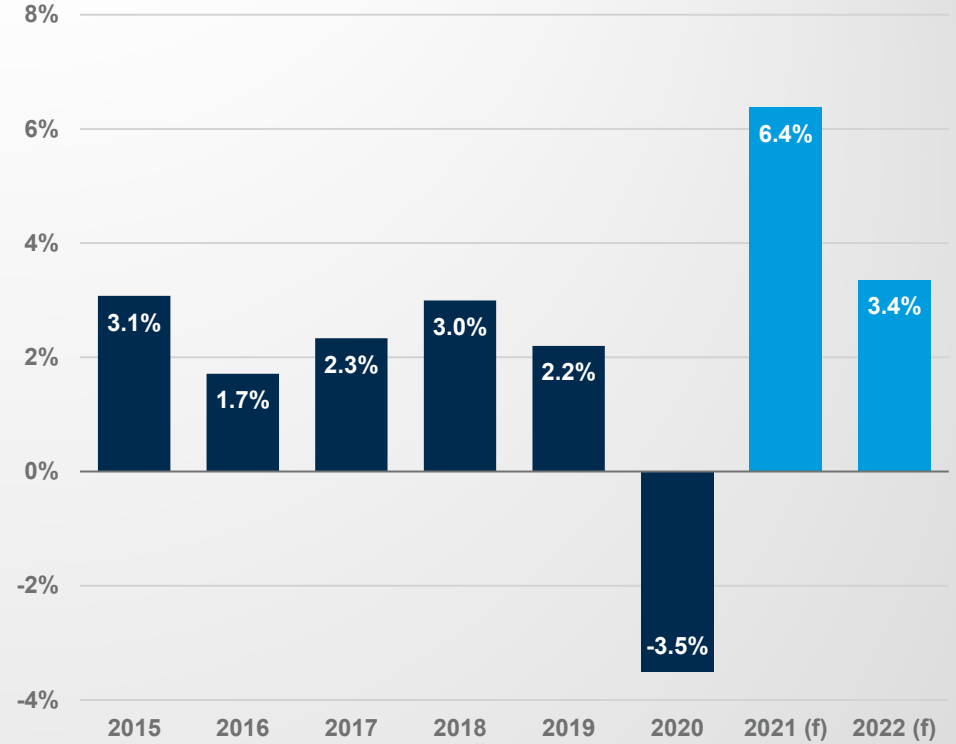
United States Real Gross Domestic Product

percentage change from the preceding period; SAAR



U.S. Real Gross Domestic Product History & Forecast

annual percentage change



Source:
Windermere
Economics' forecast
using BEA historic data

GROWTH WILL CONTINUE



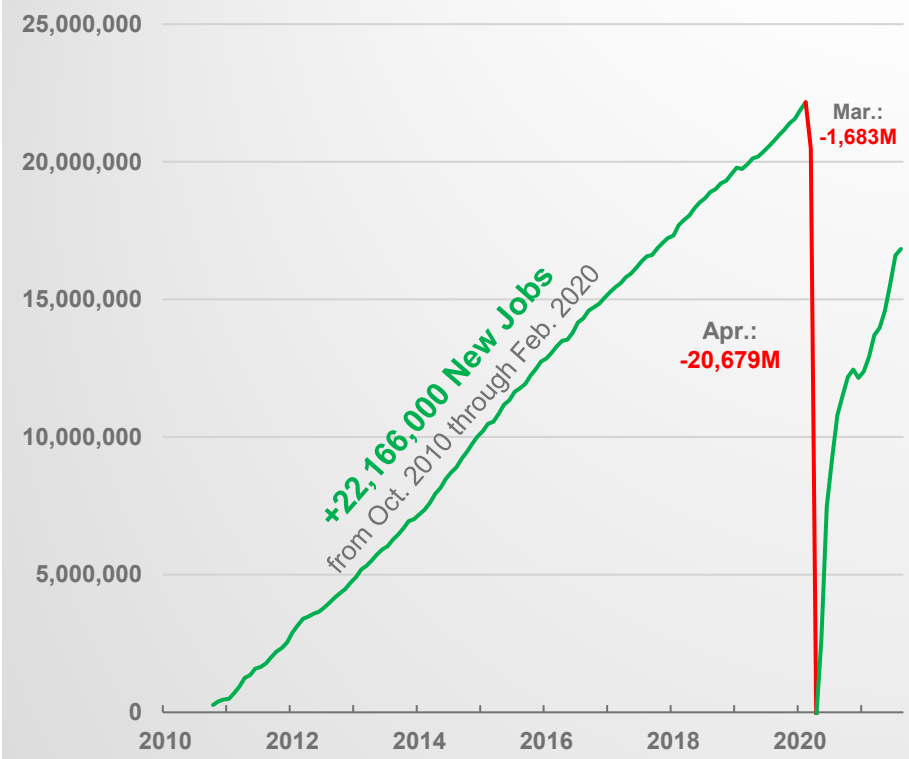
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Employment



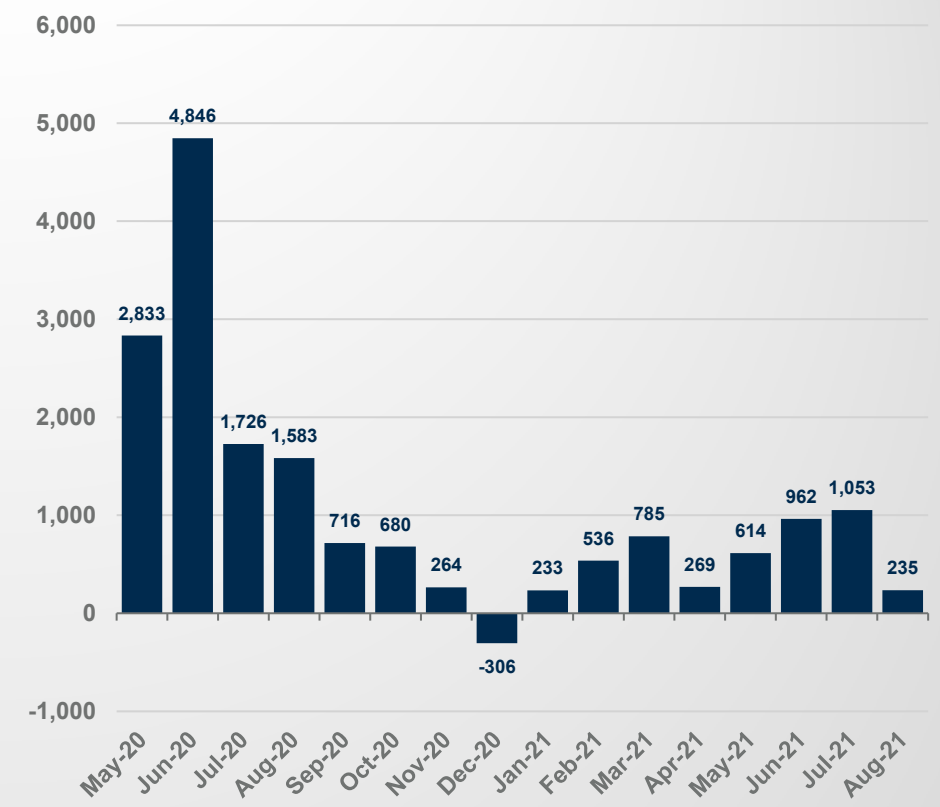
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Cumulative Monthly Change in Jobs Since Oct. 2010



Change in U.S. Payroll Employment

monthly change; in thousands; sa



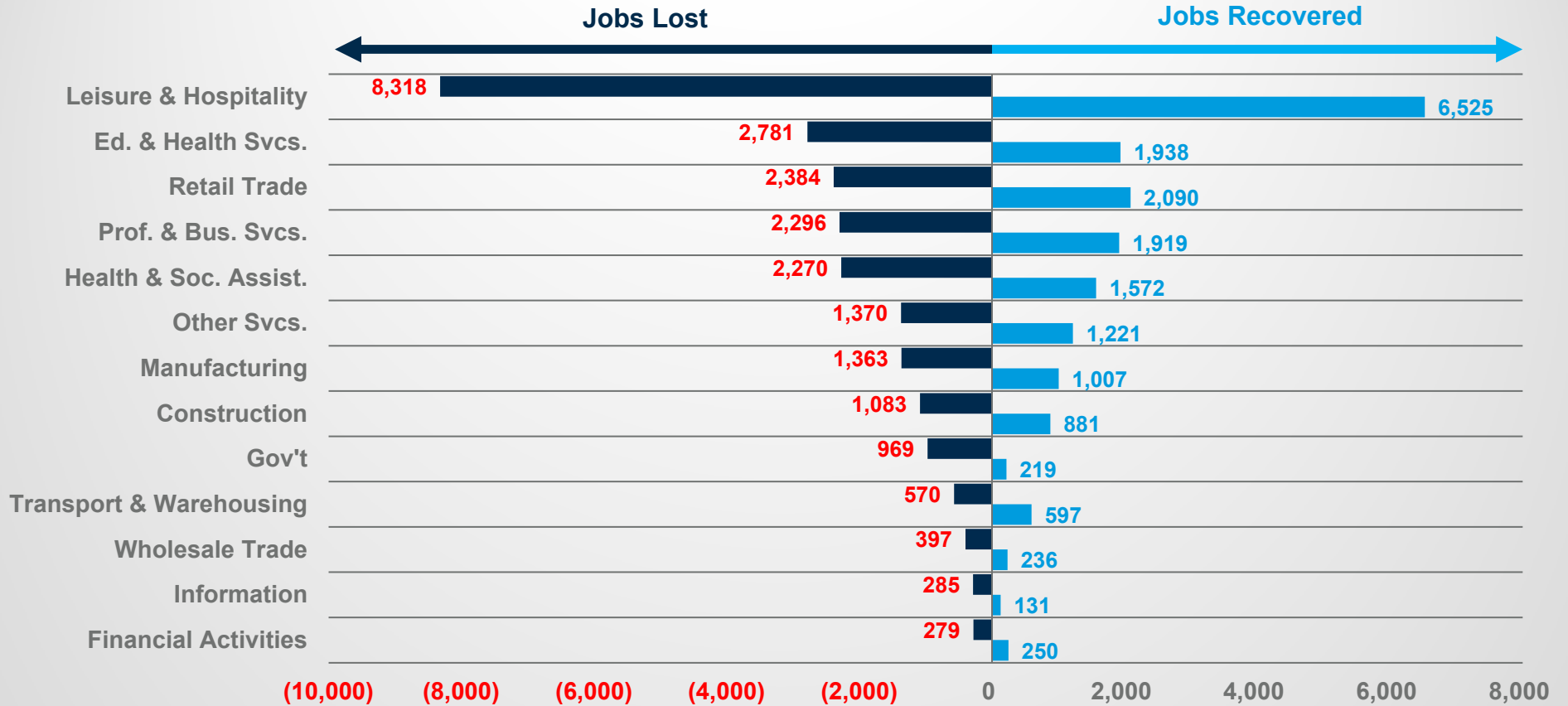
Source: Windermere Economics' analysis of BLS data

STILL SHORT BY 5.33M JOBS



Pandemic Influenced Job Changes

in thousands, sa



Source:
Windermere
Economics' analysis of
BLS data
Data thru' August 2021

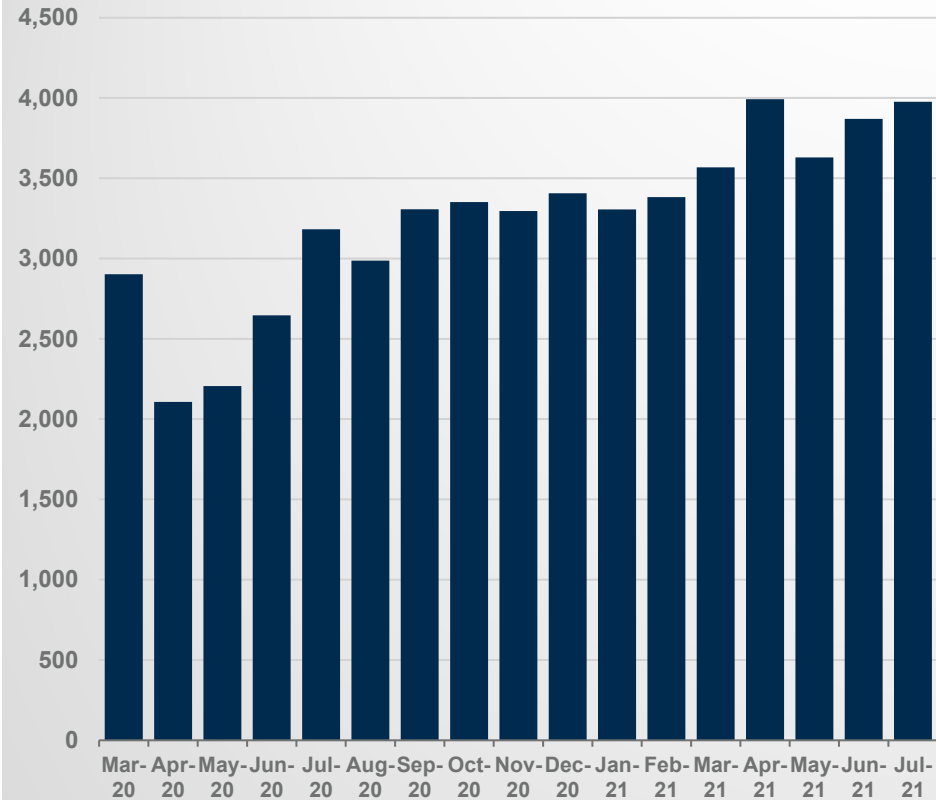
THE JOB RECOVERY IS BIFURCATED



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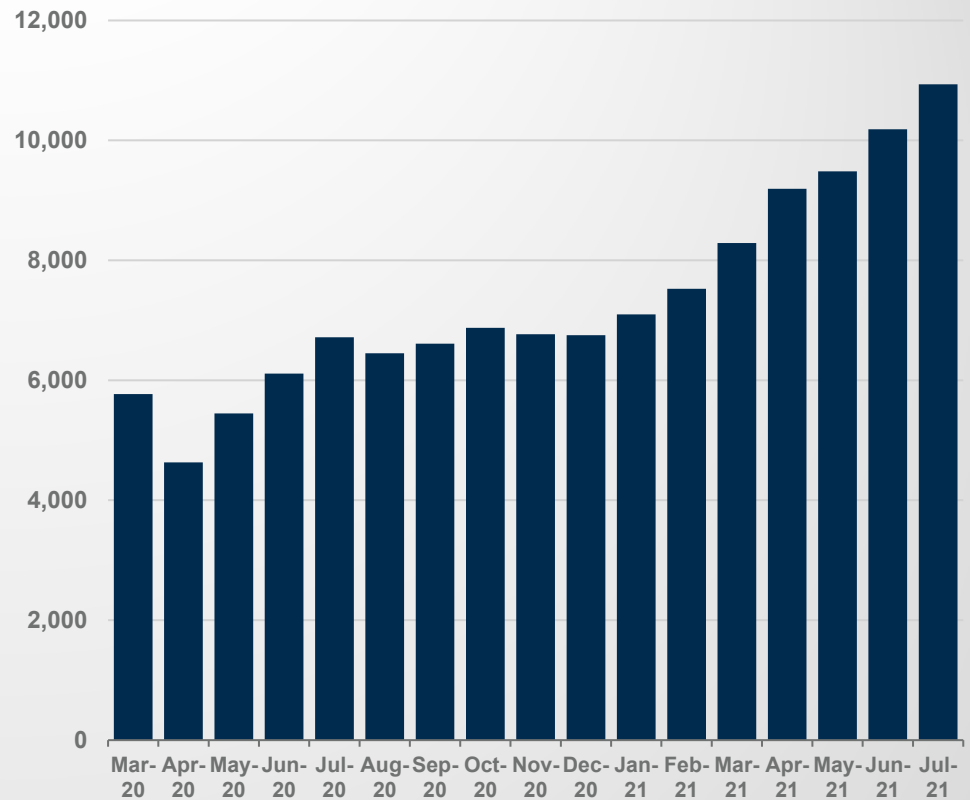
Total Employee Quits

in thousands; sa



Total Job Openings

in thousands; sa



Source:
Windermere
Economics' analysis of
BLS data

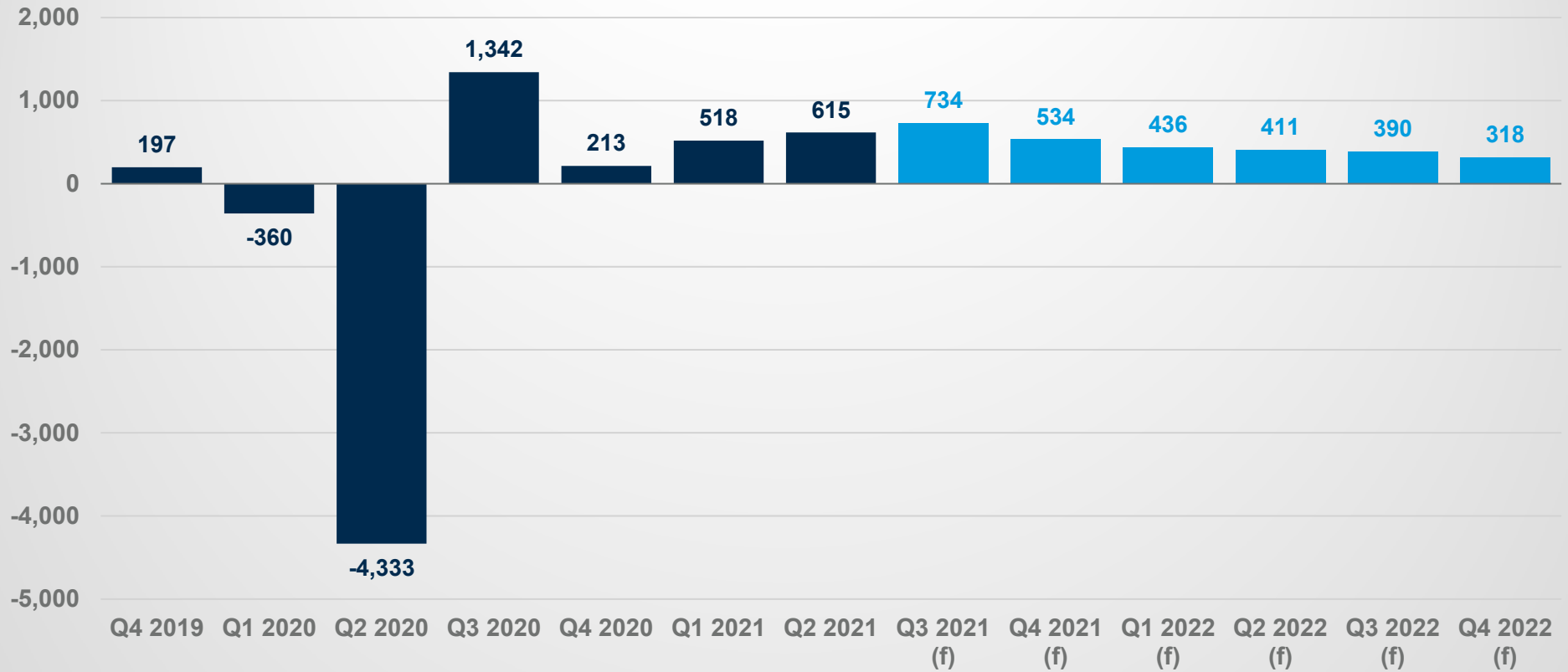
PEOPLE ARE MOVING ON; BUT HIRING IS TOUGH



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Non-Farm Payrolls: Average Monthly Change & Forecast

in thousands



Source:
Windermere
Economics' forecasts
using BLS historic data

JOB RECOVERY CONTINUES



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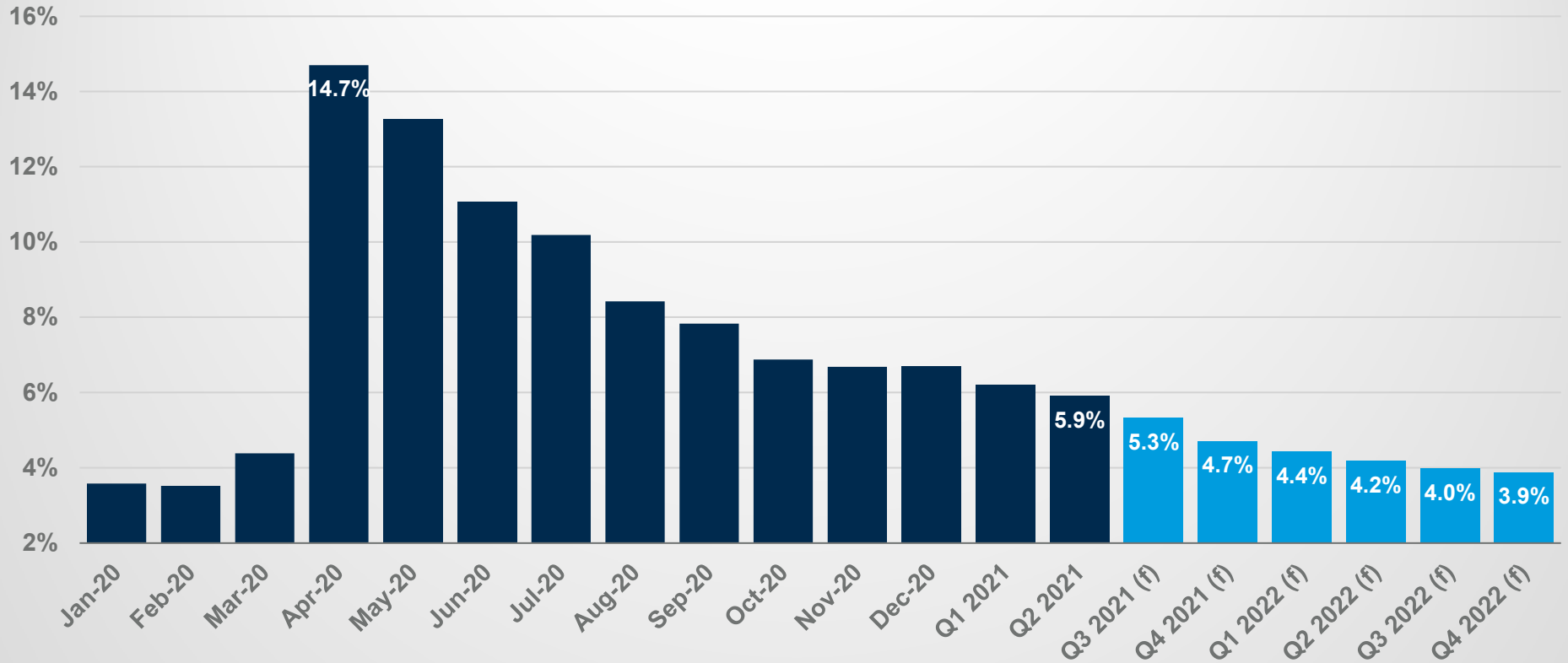
Unemployment



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U.S. Unemployment Rate & Forecast

using U-3 criteria



Source:
Windermere
Economics' forecast
using BLS historic data

BACK TO FULL EMPLOYMENT IN 2022



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- Vaccine Hesitancy Still Holding Some States Back;
- Hiring Remains an Issue; Specifically in the Service Sector – Wages Will Rise to Attract Workers;
- Possible Legislation to Boost the Recovery (But I am Not Holding My Breath);
- The Delta Variant is Impacting My Forecast; But
- I Still Anticipate 2021 To Show Positive Growth, But a Full Recovery is Not Expected Until 2022.

The U.S. Housing Market



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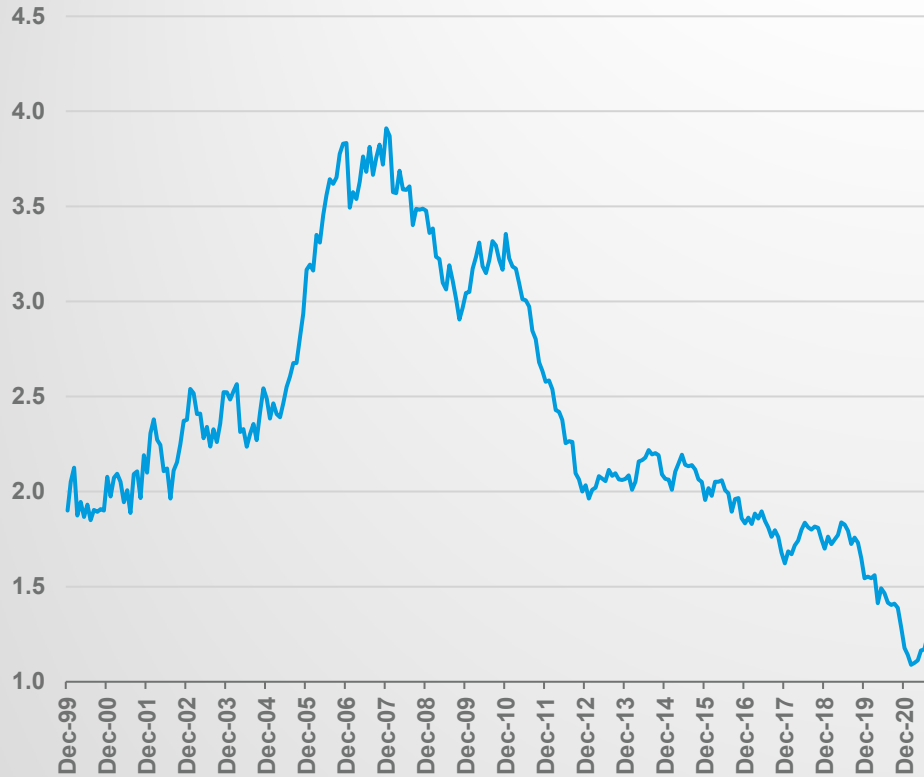
Existing Homes



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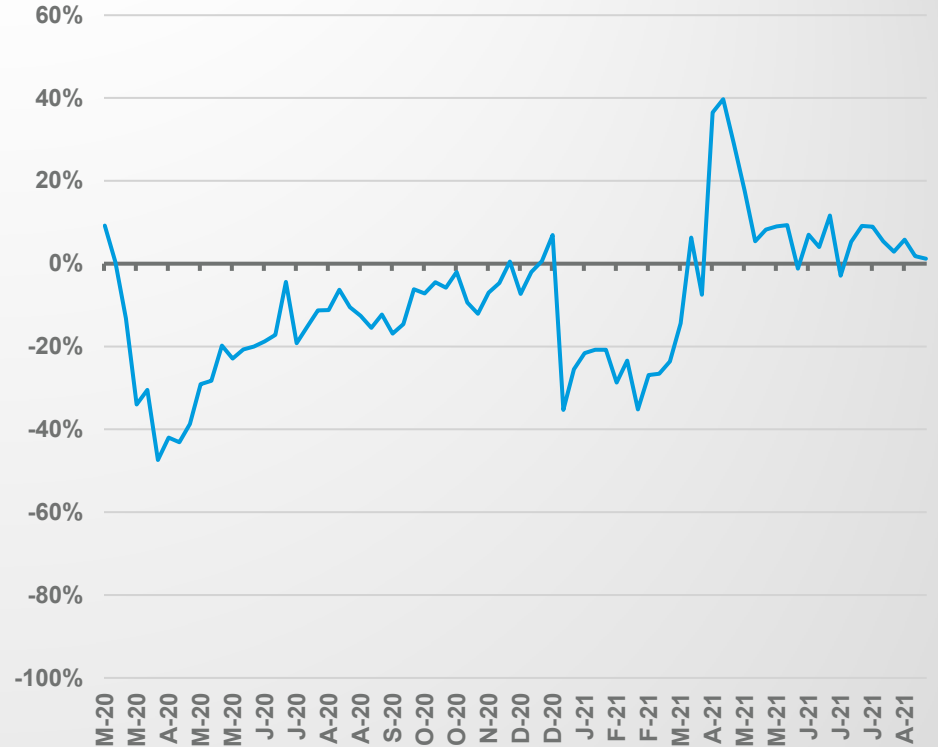
Inventory of Homes For Sale in the U.S.

in millions; single-family & multifamily units; sa



Y/Y Change in New U.S. Listings

year-over-year change



Source: NAR
w/Windermere
Economics' seasonal
adjustments &
Realtor.com

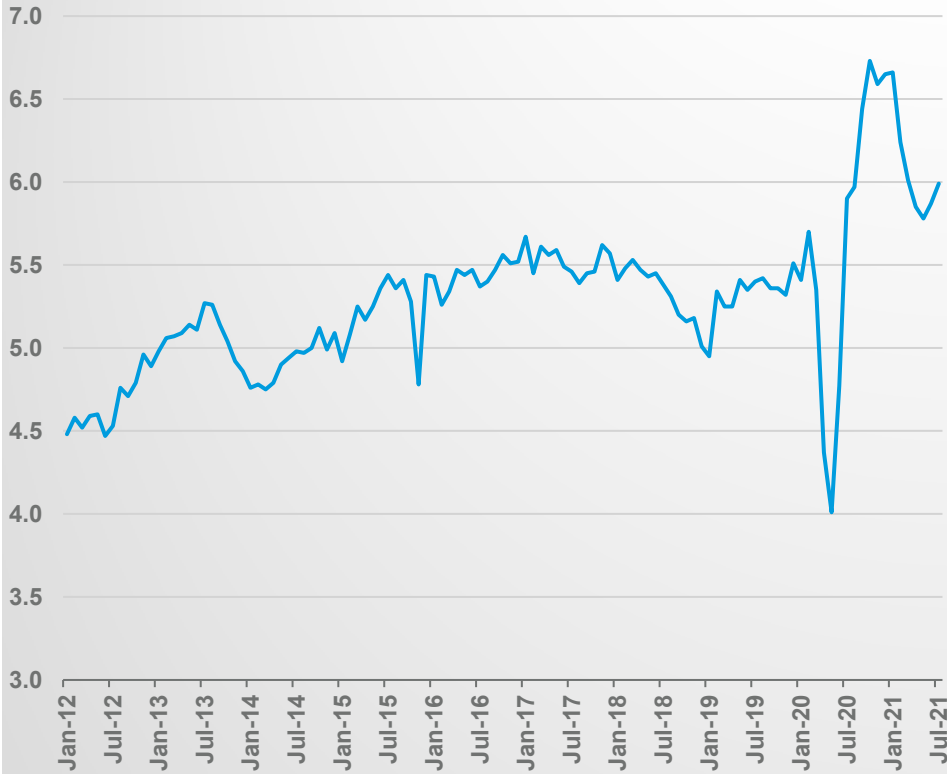
LISTING ACTIVITY IS BETTER THAN THE BASE NUMBER SUGGESTS



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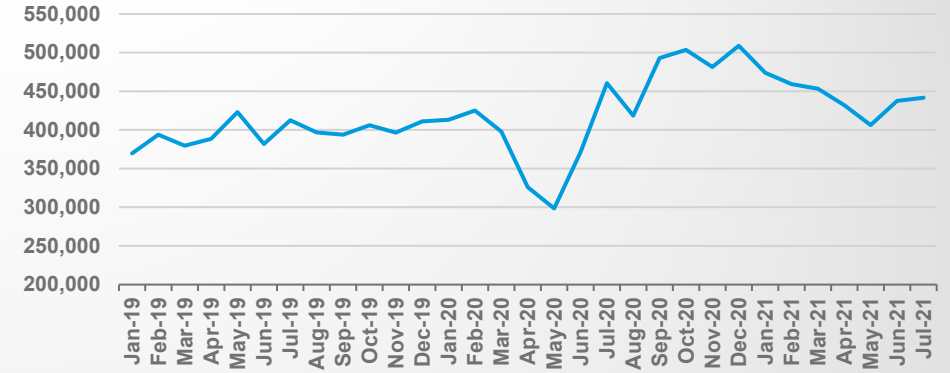
Existing U.S. Home Sales

in millions; SAAR



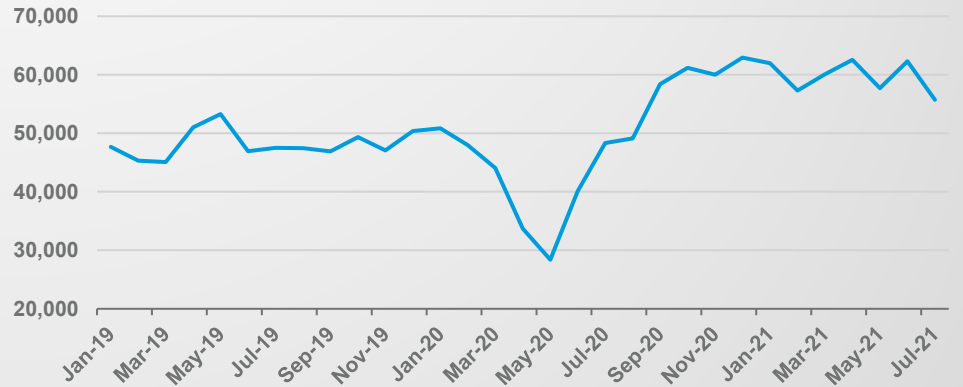
U.S. Single-Family Home Sales

monthly sales; sa



U.S. Condo/Co-op Home Sales

monthly sales; sa



Source: NAR
w/Windermere
Economics' seasonal
adjustments

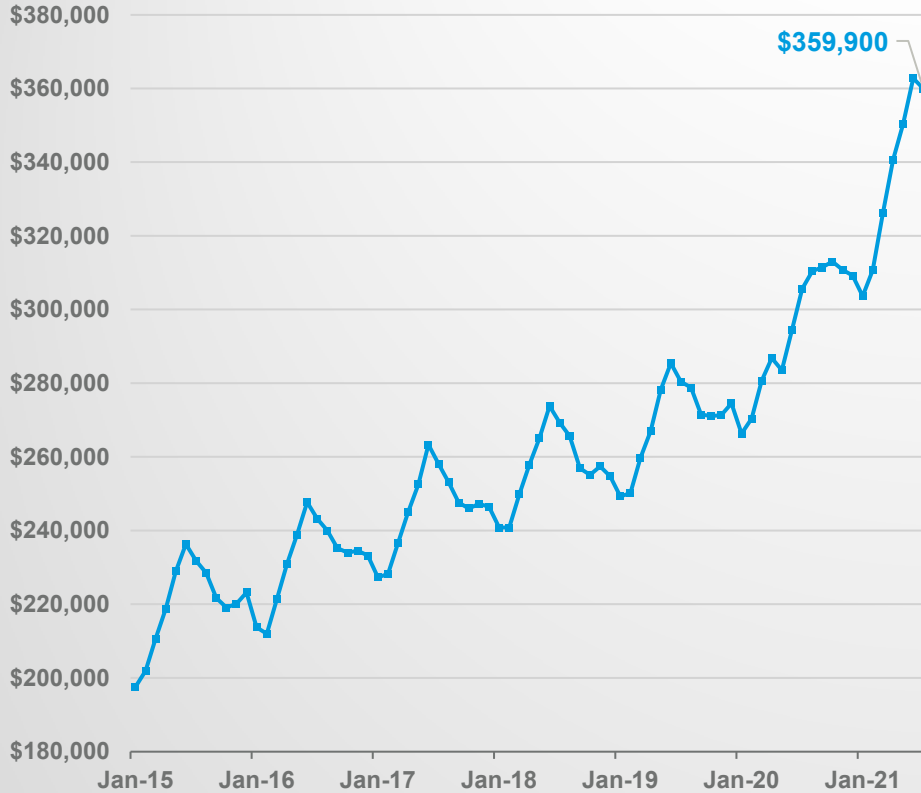
SALES ACTIVITY



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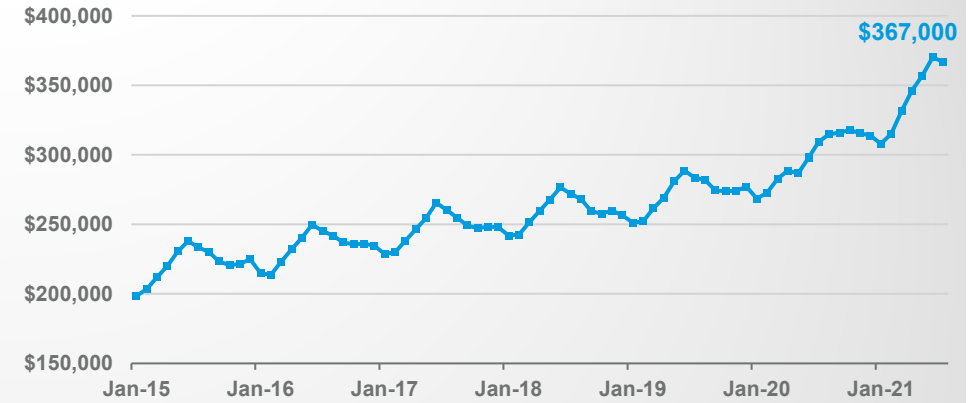
Median Sale Price of U.S. Existing Homes

existing single-family & multifamily homes; nsa



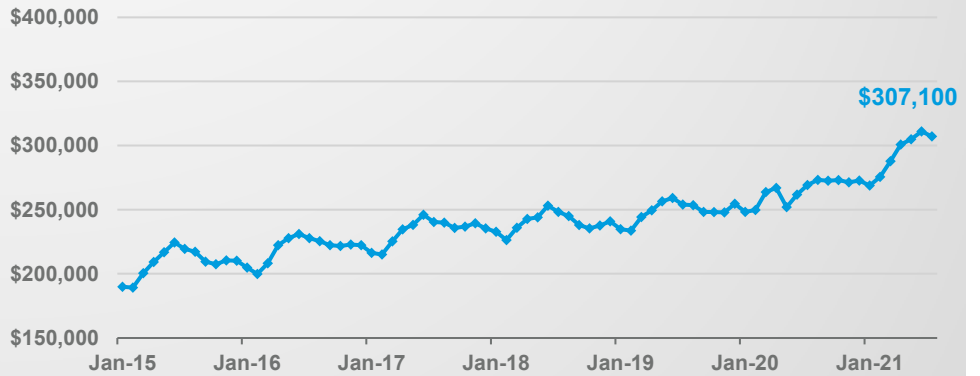
Median Sale Price of Single-Family Homes

existing single-family homes; nsa



Median Sale Price of Multifamily Homes

existing condominium & co-op homes; nsa



Source: NAR

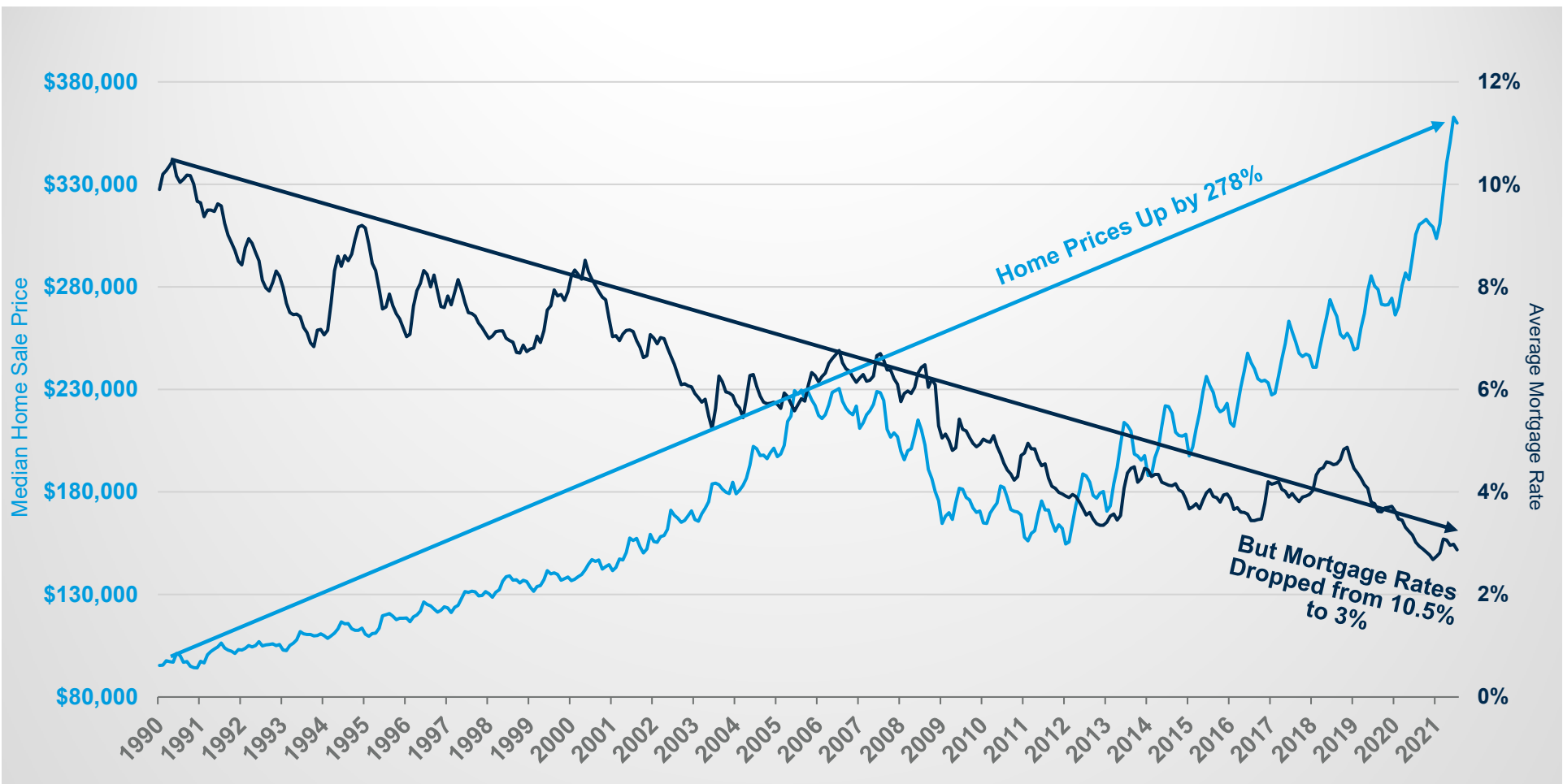
U.S. HOME SALE PRICES

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Impact of Mortgage Rates on Home Prices & Payments



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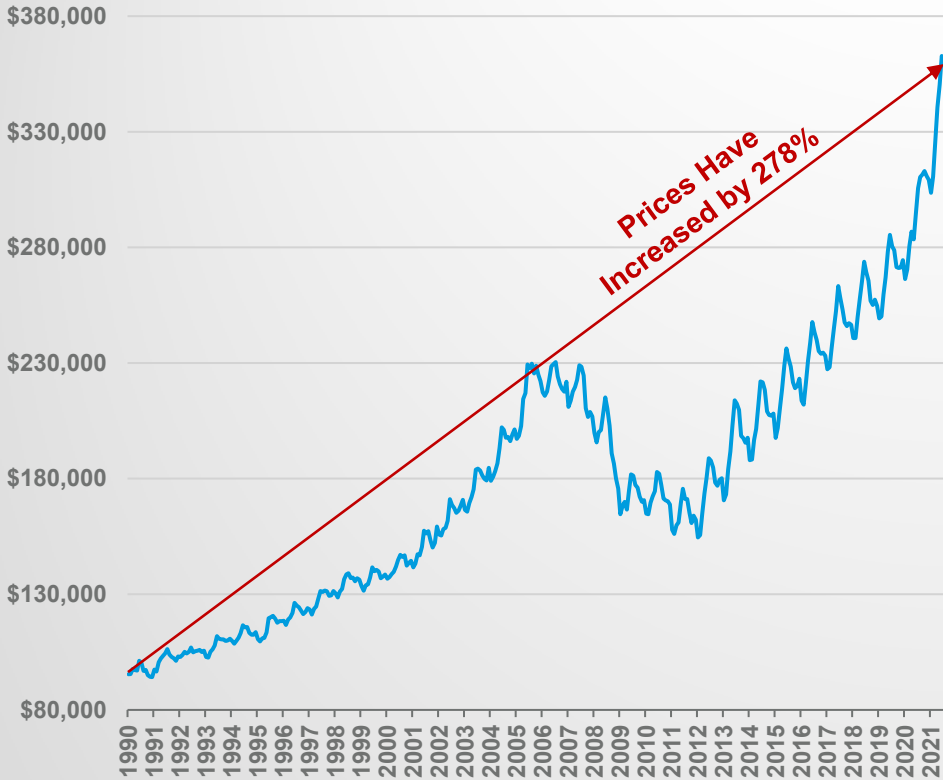
Source: NAR Home Prices & Freddie Mac Mortgage Rates
Existing single-family & multifamily units; nsa

HOME PRICES VS MORTGAGE RATES



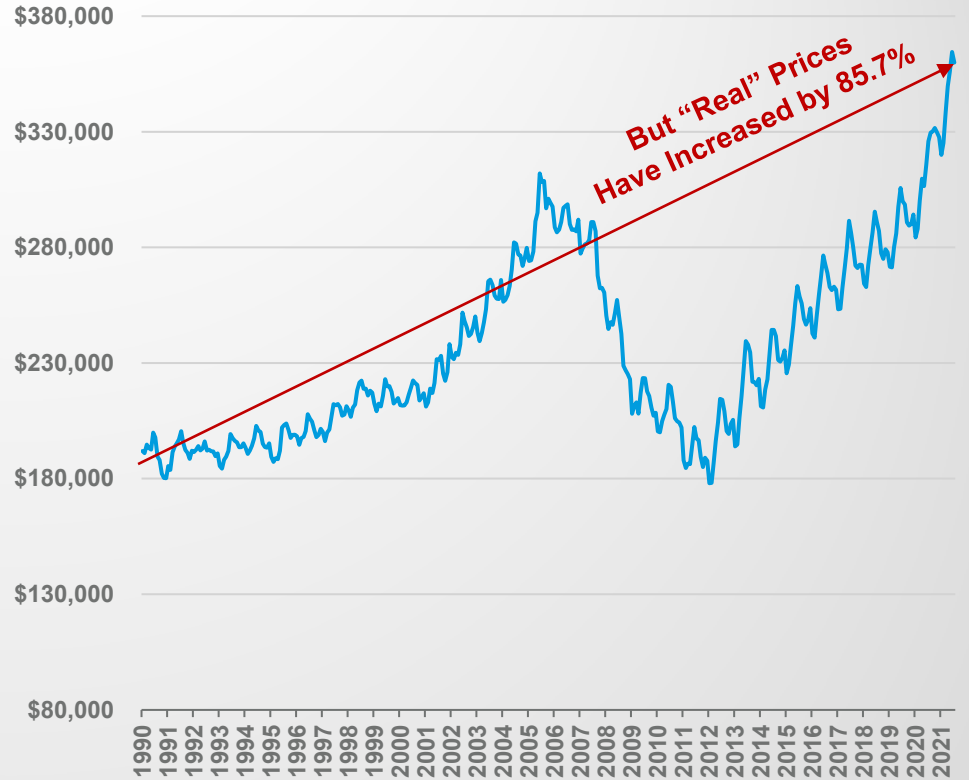
Nominal U.S. Median Sale Prices

all resale units; nsa



Inflation Adjusted U.S. Median Sale Prices

all resale units; nsa



Source: Windermere Economics' analysis of NAR & BLS data

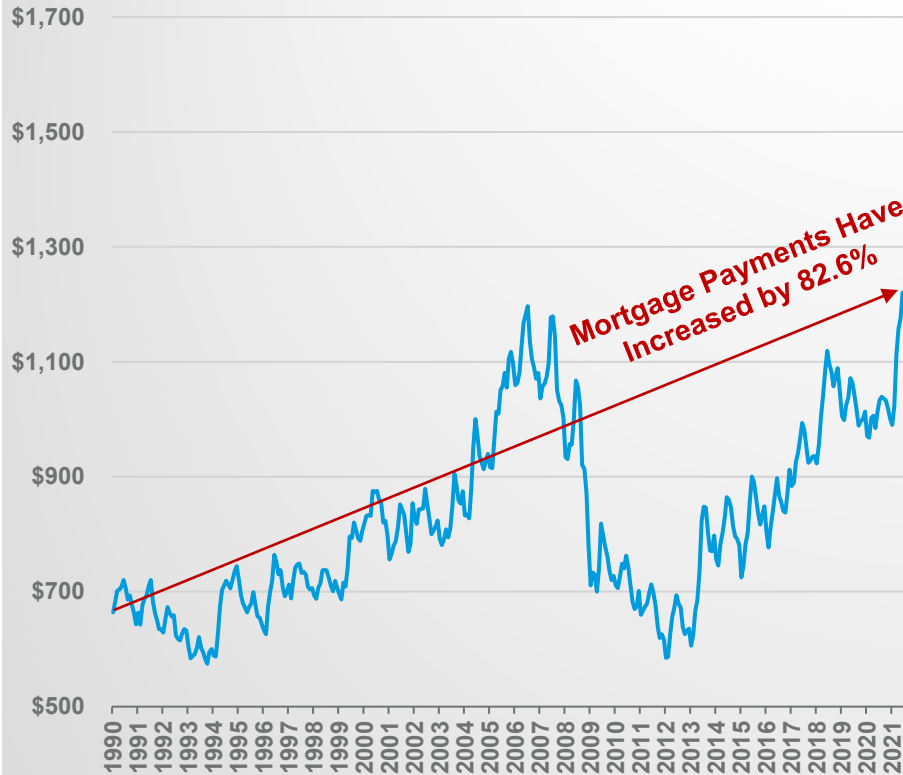
NOMINAL & INFLATION-ADJUSTED HOME PRICES



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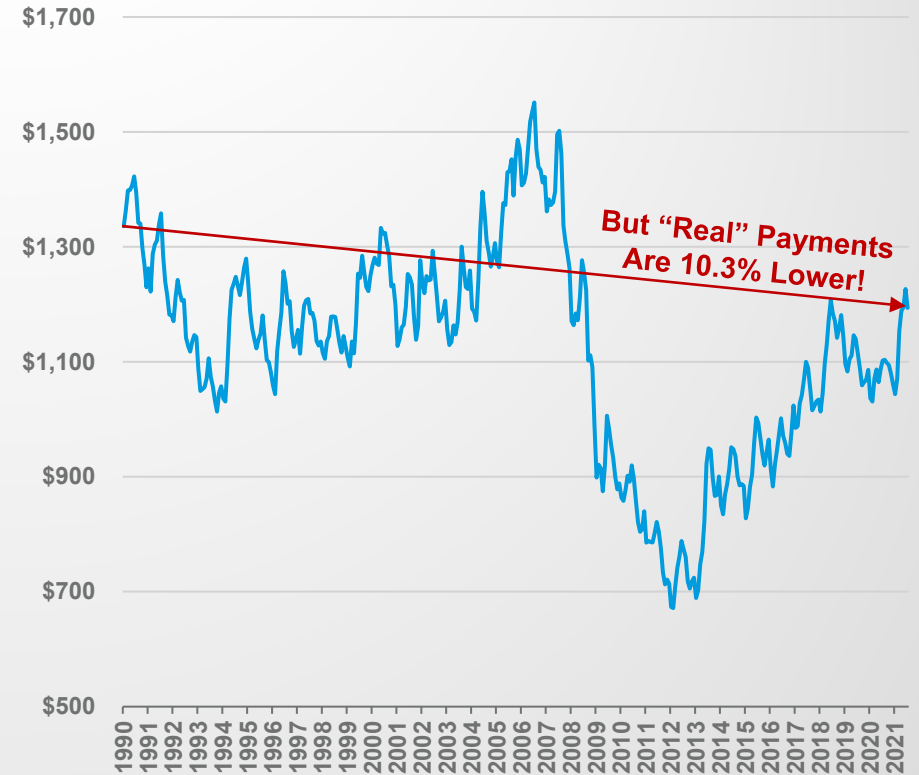
Nominal U.S. Monthly Mortgage Payment

using a 30-year fixed rate mortgage & 20% downpayment



Inflation Adjusted Monthly Mortgage Payment

using a 30-year fixed rate mortgage & 20% downpayment



Source: Windermere Economics' analysis of Fannie Mae; NAR & BLS data

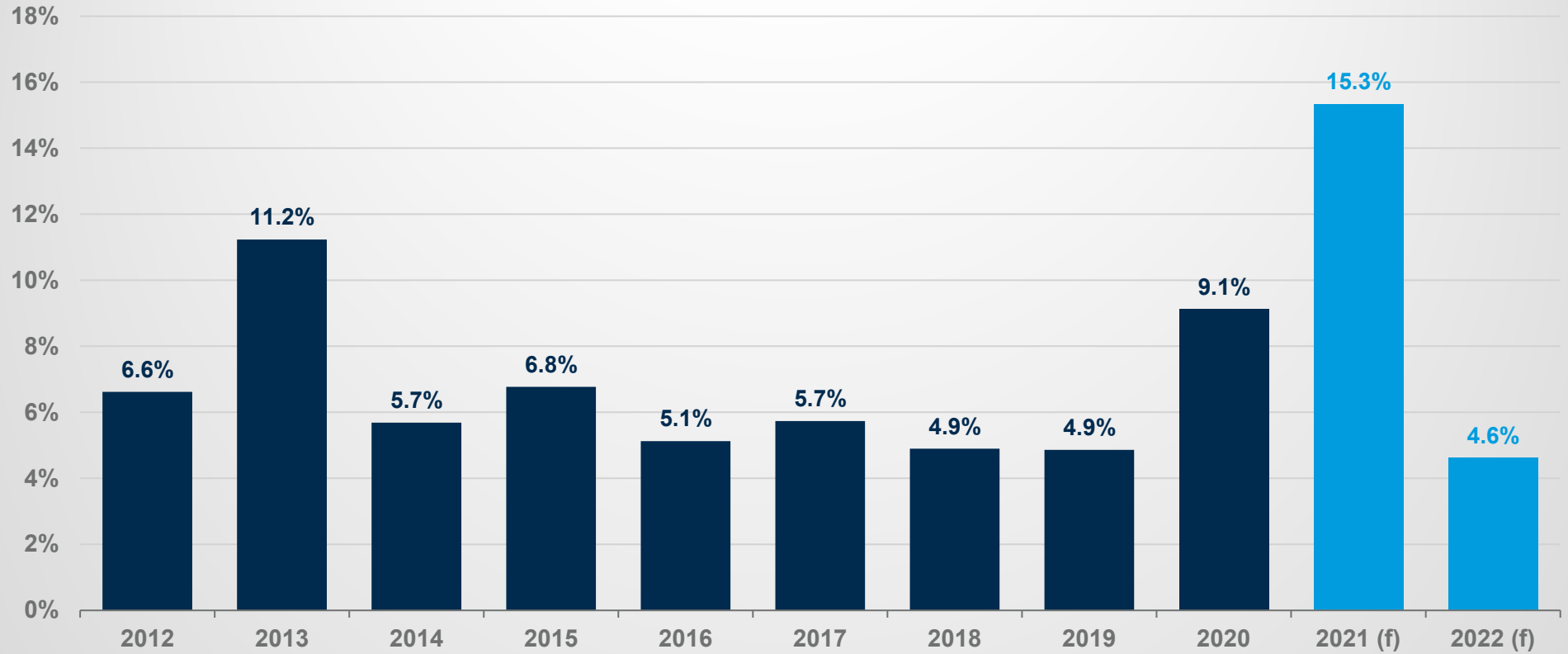
NOMINAL & REAL MONTHLY PAYMENTS



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U.S. Median Sale Price of Existing Homes & Forecast

annual percentage change; single-family & multifamily units



Source: NAR History &
Windermere
Economics Forecasts

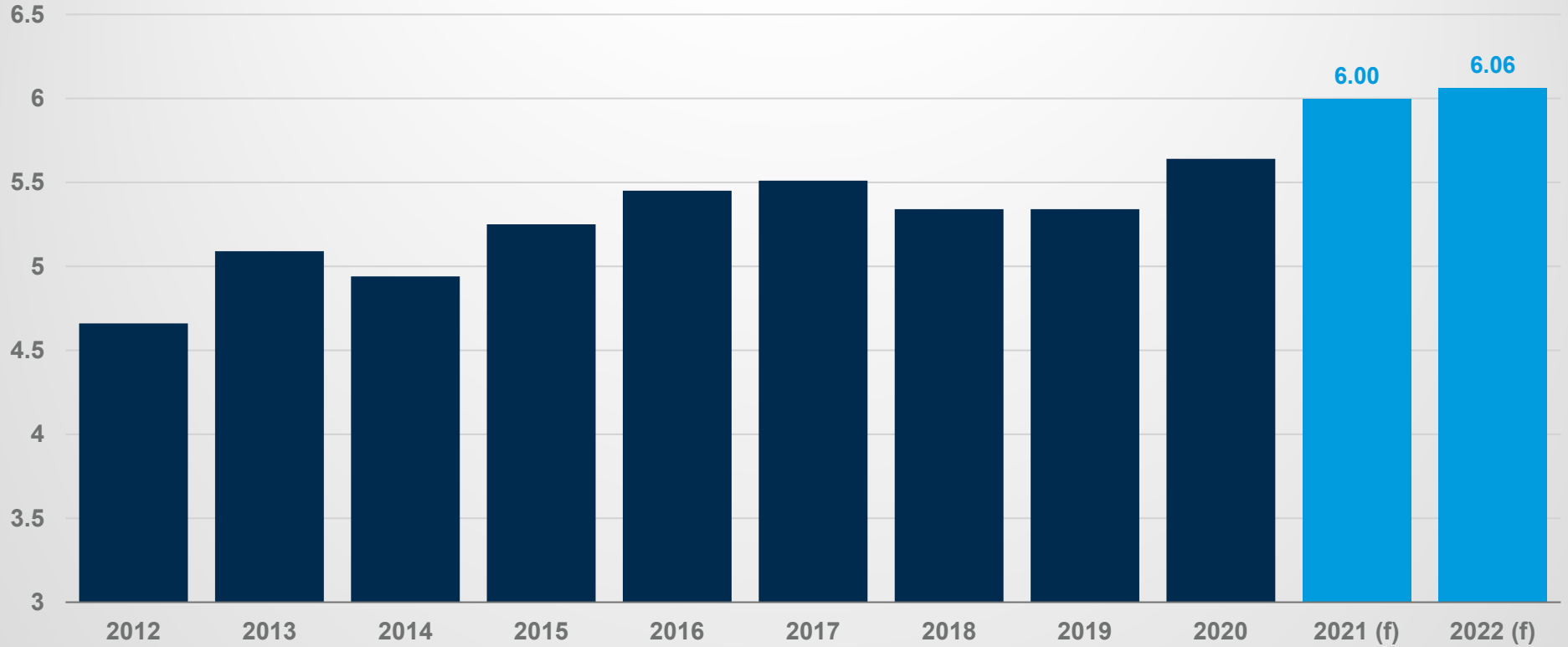
SALE PRICES SLOW IN 2022



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U.S. Existing Home Sales w/Forecast

in millions; single-family & multifamily units



Source: NAR History &
Windermere
Economics Forecasts

SOLD GROWTH THIS YEAR & NEXT



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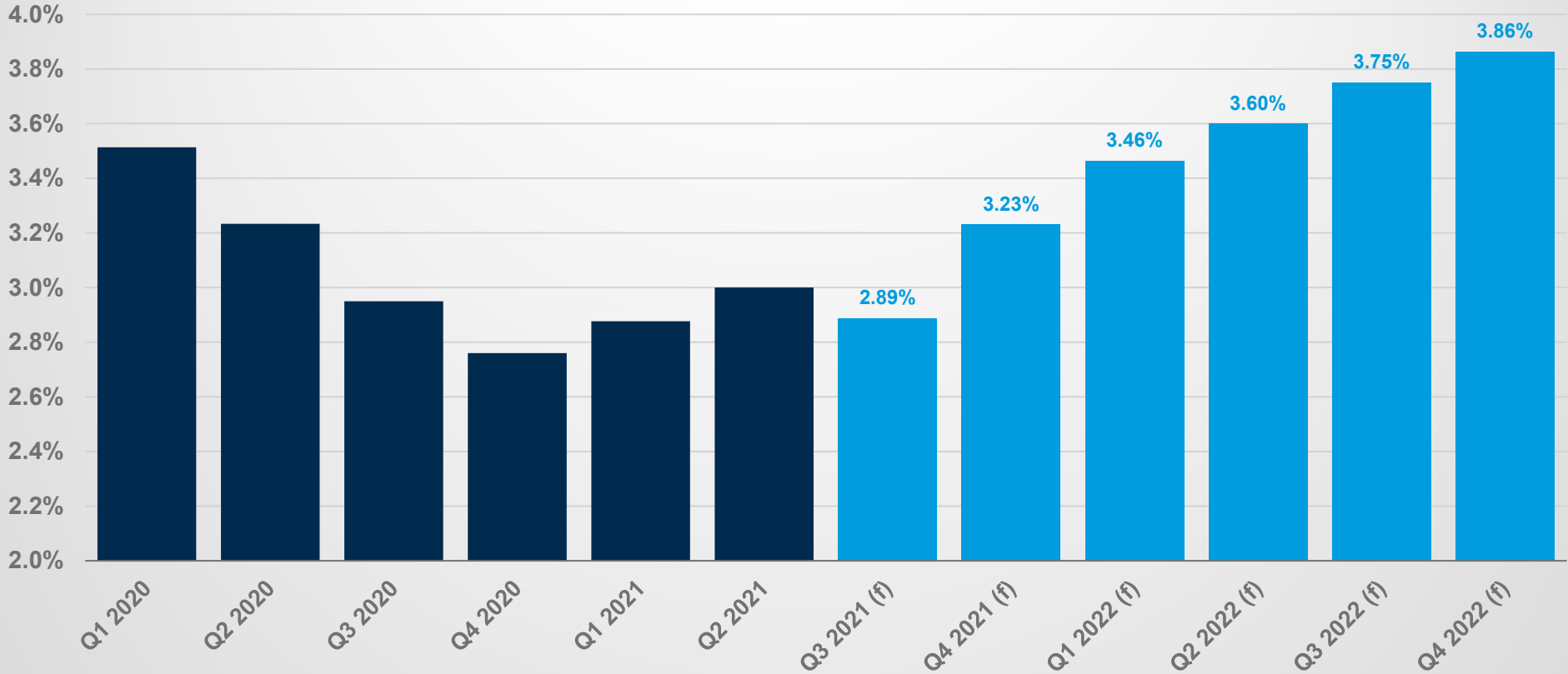
Mortgage Rates



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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

MORTGAGE RATES WILL REMAIN FAVORABLE



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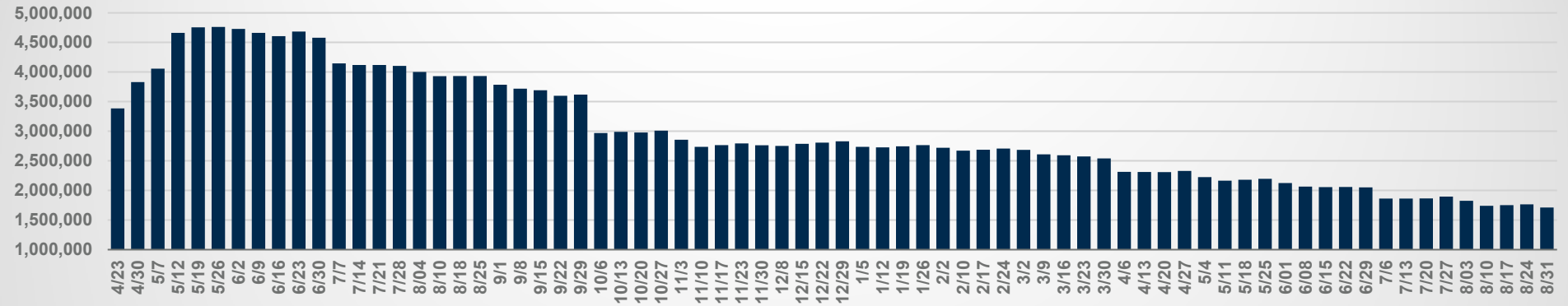
Forbearance



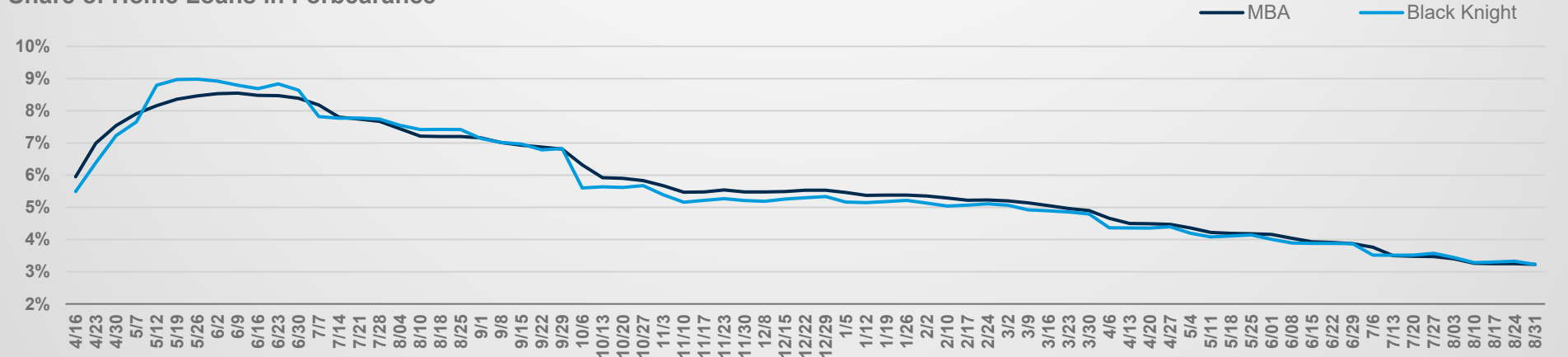
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Mortgages in Forbearance

total residential homes in forbearance



Share of Home Loans in Forbearance



Source: MBA & Black Knight Financial

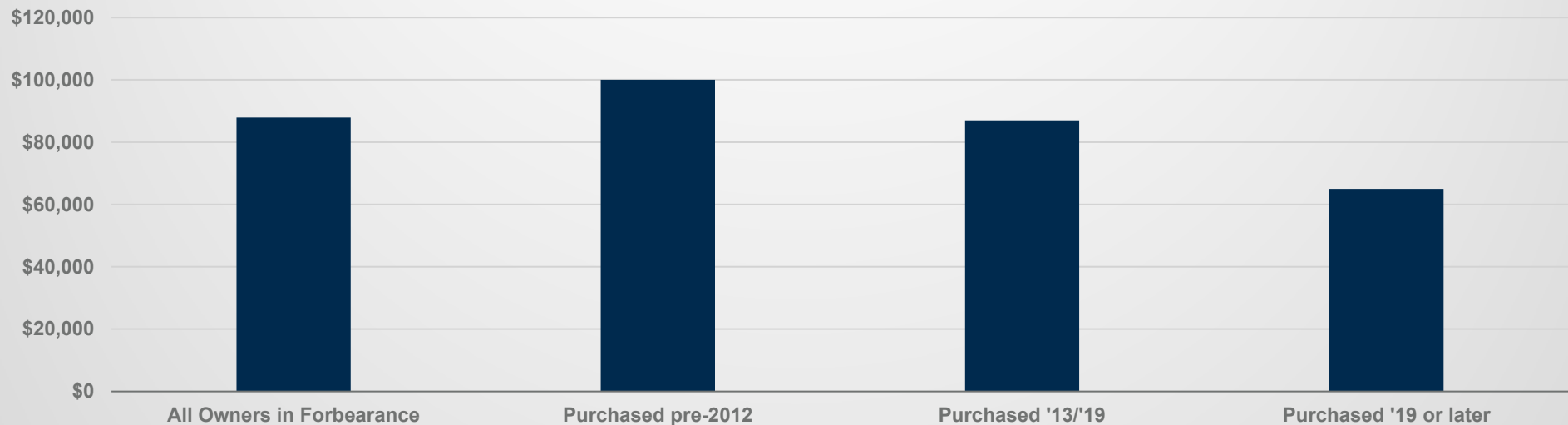
MORTGAGE FORBEARANCE



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Forbearance by Investor Class for the week ending August 31, 2021	Fannie/ Freddie	FHAVA	Other	Total
Loans in Forbearance	514,000	676,000	520,000	1,710,000
UPB of Loans in Forbearance (\$ Billions)	\$106	\$114	\$111	\$331
Share of Loans in Forbearance	1.8%	5.6%	4.0%	3.2%
Active Loan Count (Millions)	27.9	12.1	13.0	53.0

Current Equity of Owners in Forbearance by Year of Purchase

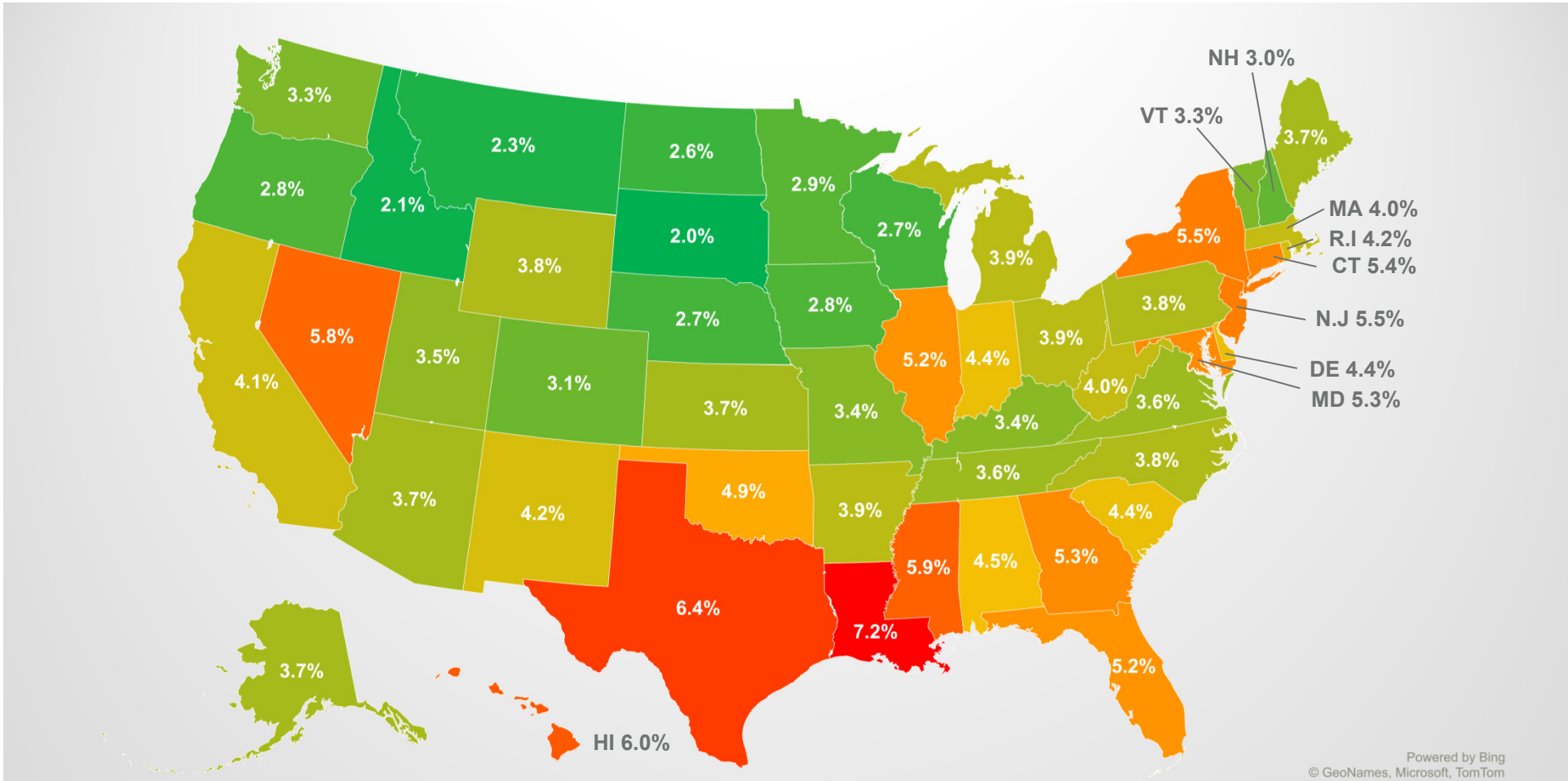


Sources:
Black Knight Financial
& Core Logics

LOANS IN FORBEARANCE & EQUITY LEVELS



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Powered by Bing
© GeoNames, Microsoft, TomTom

Source: Windermere
Economics' analysis of
Atlanta Fed data
April 2021

FORBEARANCE LEVELS BY STATE



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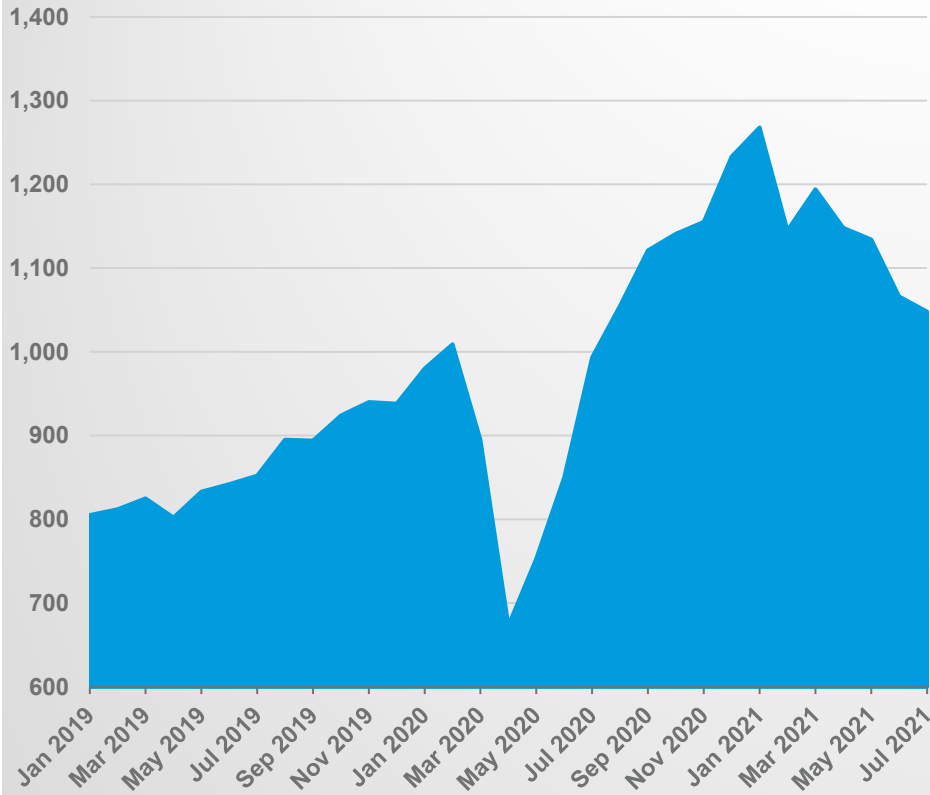
U.S. New Home Market



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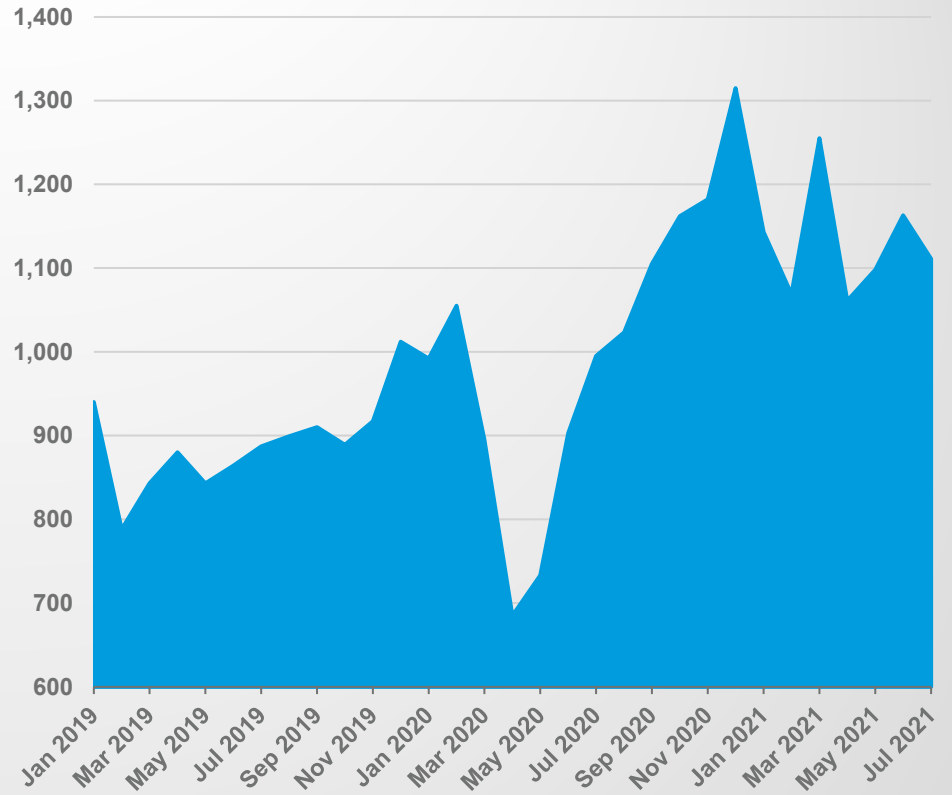
Single Family Building Permits

in thousands; SAAR



Single-Family Home Starts

in thousands; SAAR



Source: Census Bureau

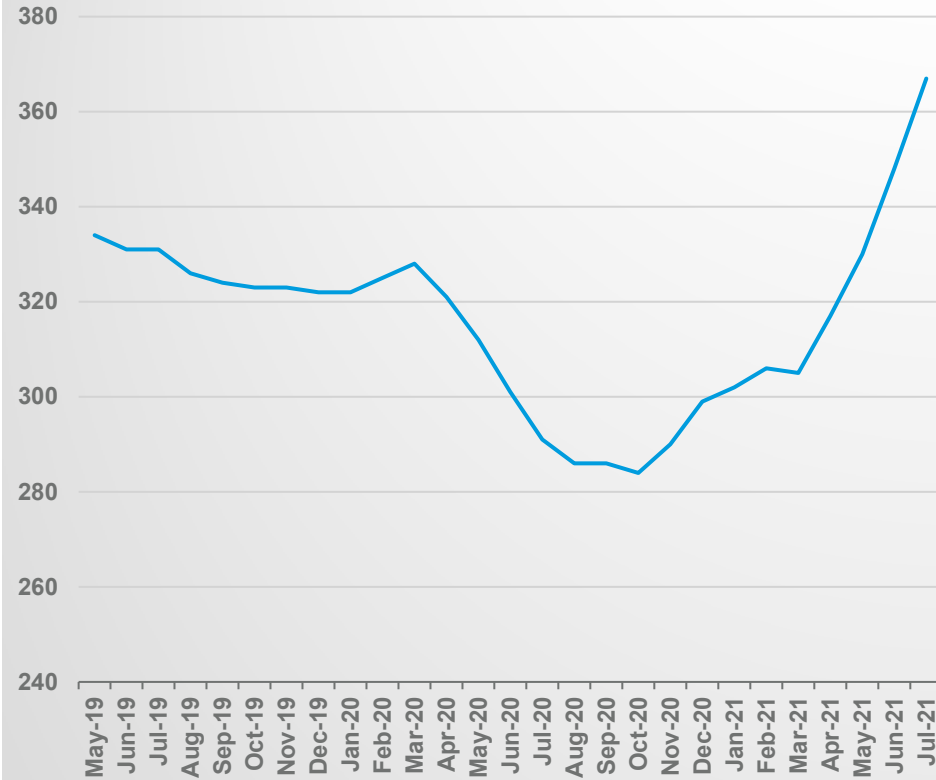
HOUSING PERMITS & STARTS



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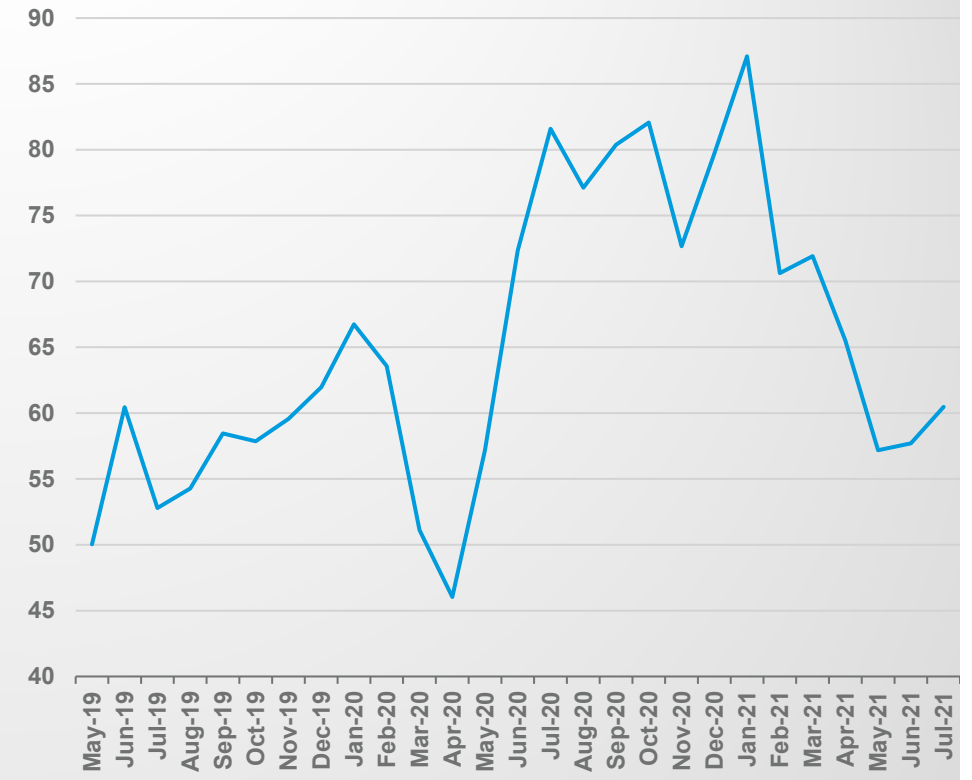
Single-Family New Homes For Sale in the U.S.

in thousands; seasonally adjusted



U.S. Single-Family New Home Sales

in thousands; monthly sales, seasonally adjusted



Source:
US Census Bureau
w/Windermere
Economics' seasonal
adjustments

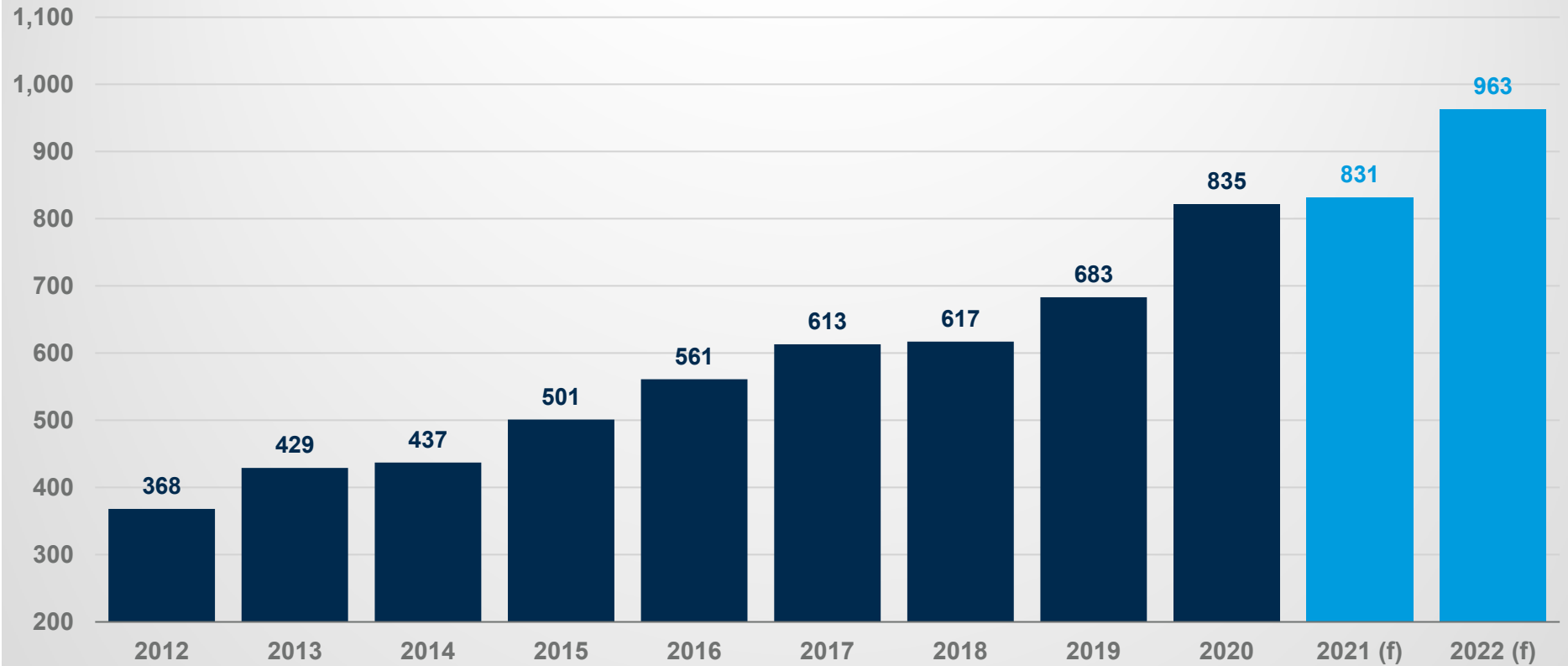
LISTINGS & SALES



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U.S. Single Family New Home Sales with Forecast

In thousands



Source:
Census Bureau History
& Windermere
Economics' forecast

GROWTH PICKS UP IN 2022



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- Specter of Rising Rates Likely To Pull Sales Forward;
- New Construction is Increasing, Which Should Slow Price Pressures on Existing Homes;
- The Move to the “Burbs” with the Ability to Work From Home is Real, Leading Sales Higher in 2021; and
- First-Time Buyer Demand Will Remain Very Solid – Especially if the Tax Credit Passes.

The Regional Economy



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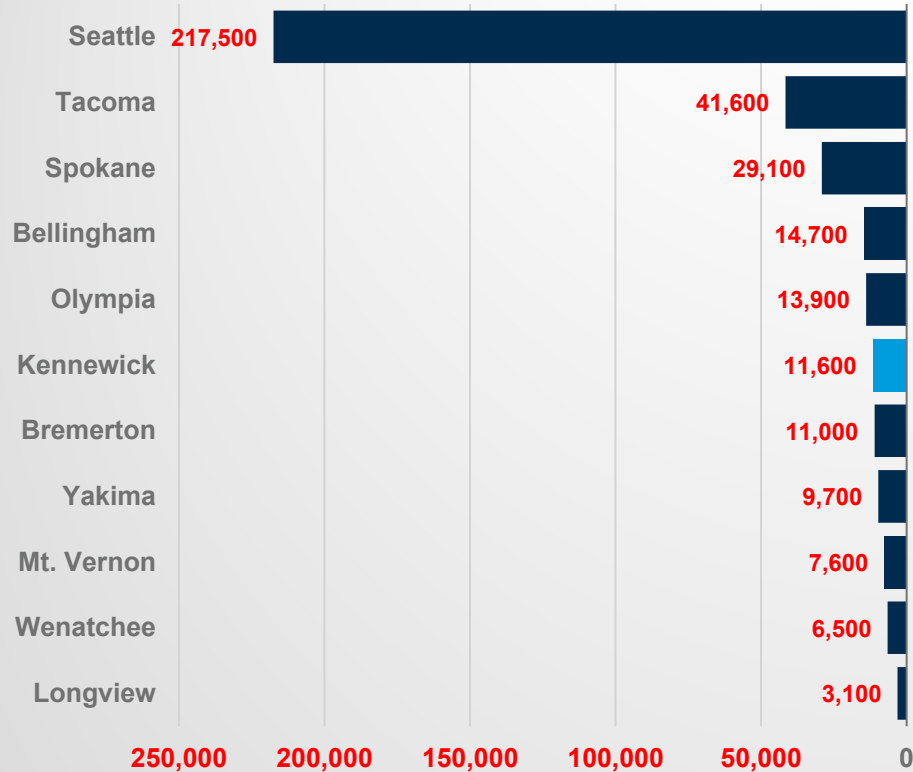
Washington State Labor Market



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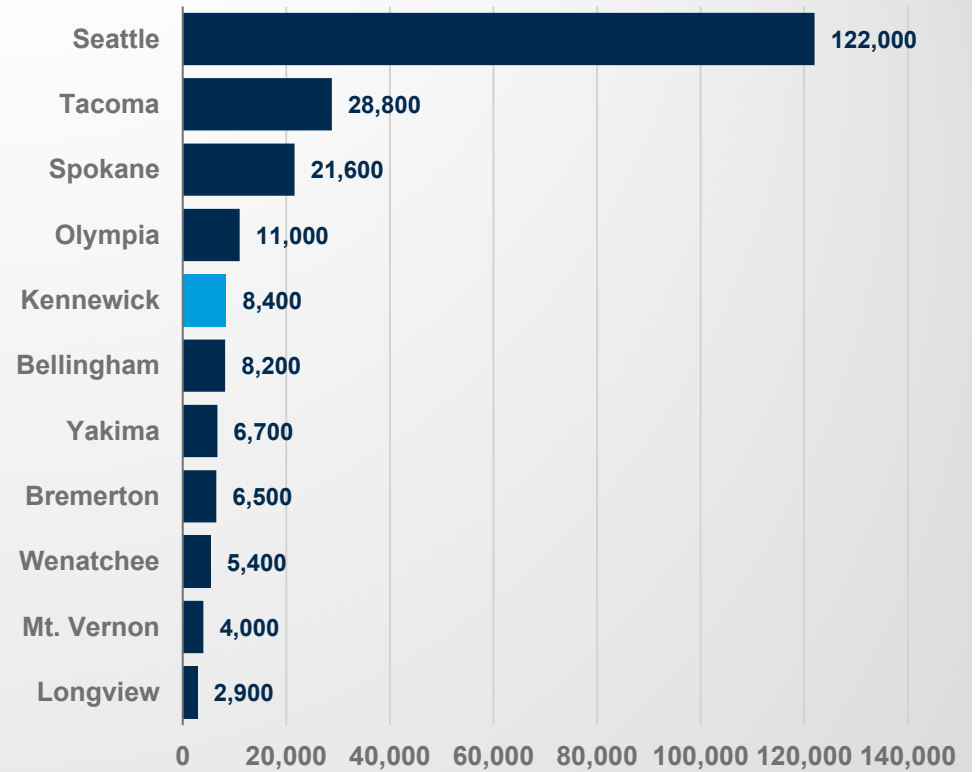
Washington MSA Employment Change

Feb. - Jun. 2020



Washington MSA Employment Change

May 2020 - Jul. 2021



Source: Windermere Economics' analysis of WA ESD data

COVID-19 RELATED JOB LOSSES/ RECOVERY

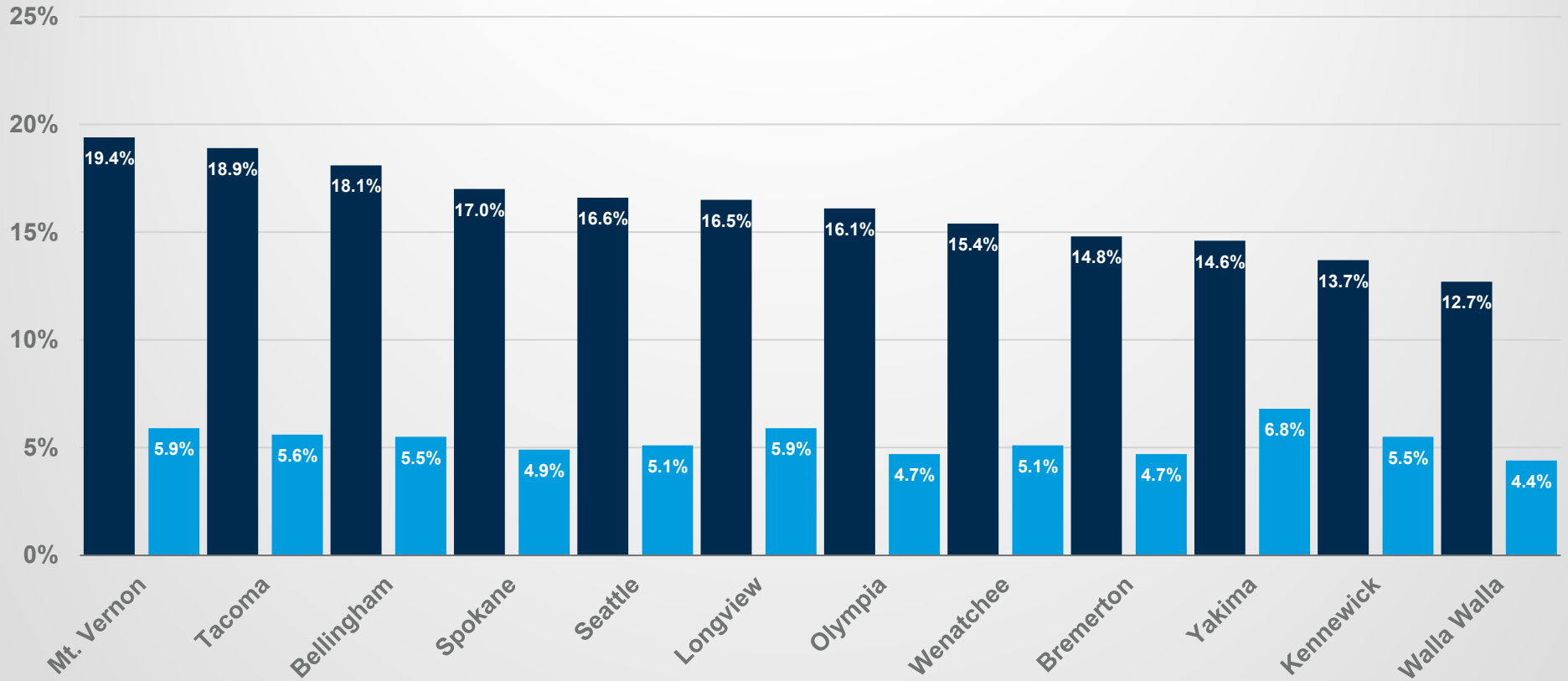


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Relative Unemployment Rates by MSA

seasonally adjusted

■ Apr-20 ■ Jul-21



Source: Windermere Economics' analysis of WA ESD data

JOBLESS RATE SHOWING IMPROVEMENT



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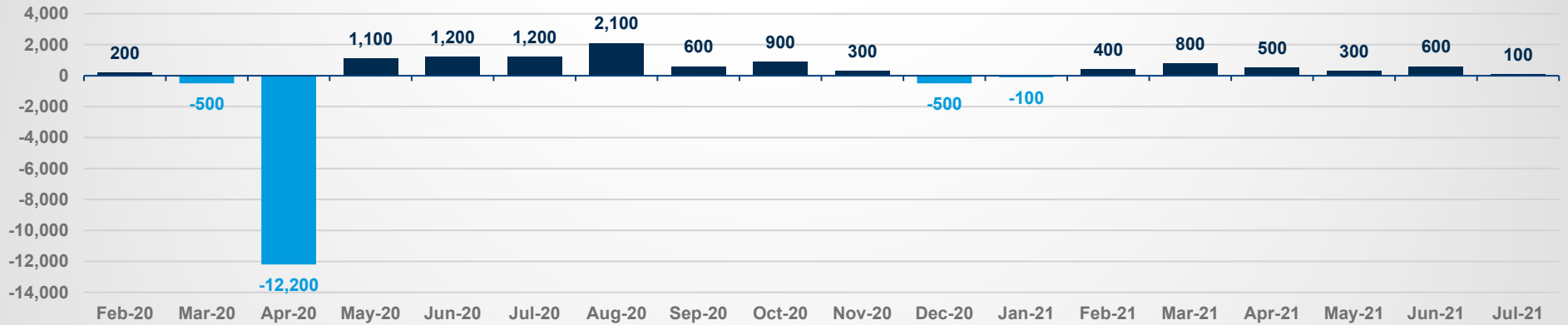
Kennewick Metro Area Labor Market



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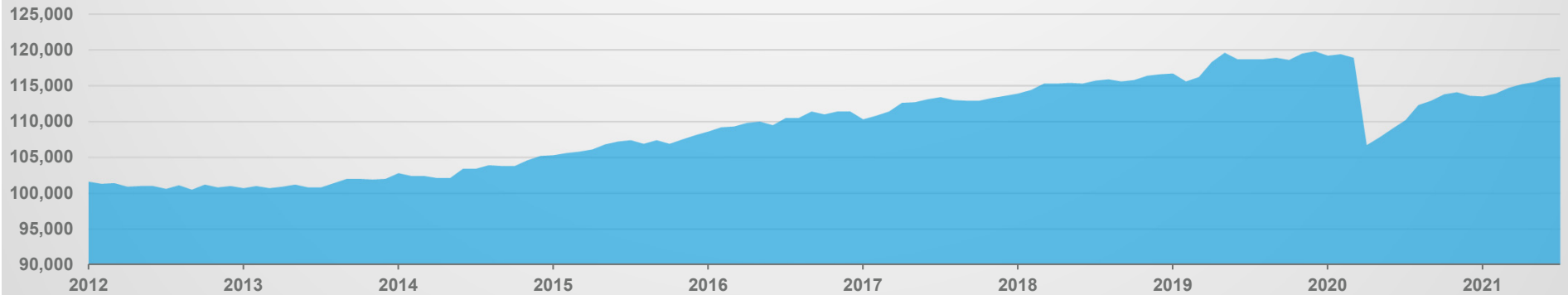
Change in Non-Ag Employment

Kennebec MSA monthly absolute change; sa



Non-Ag Employment Level

Kennebec MSA; sa



Source: WA ESD

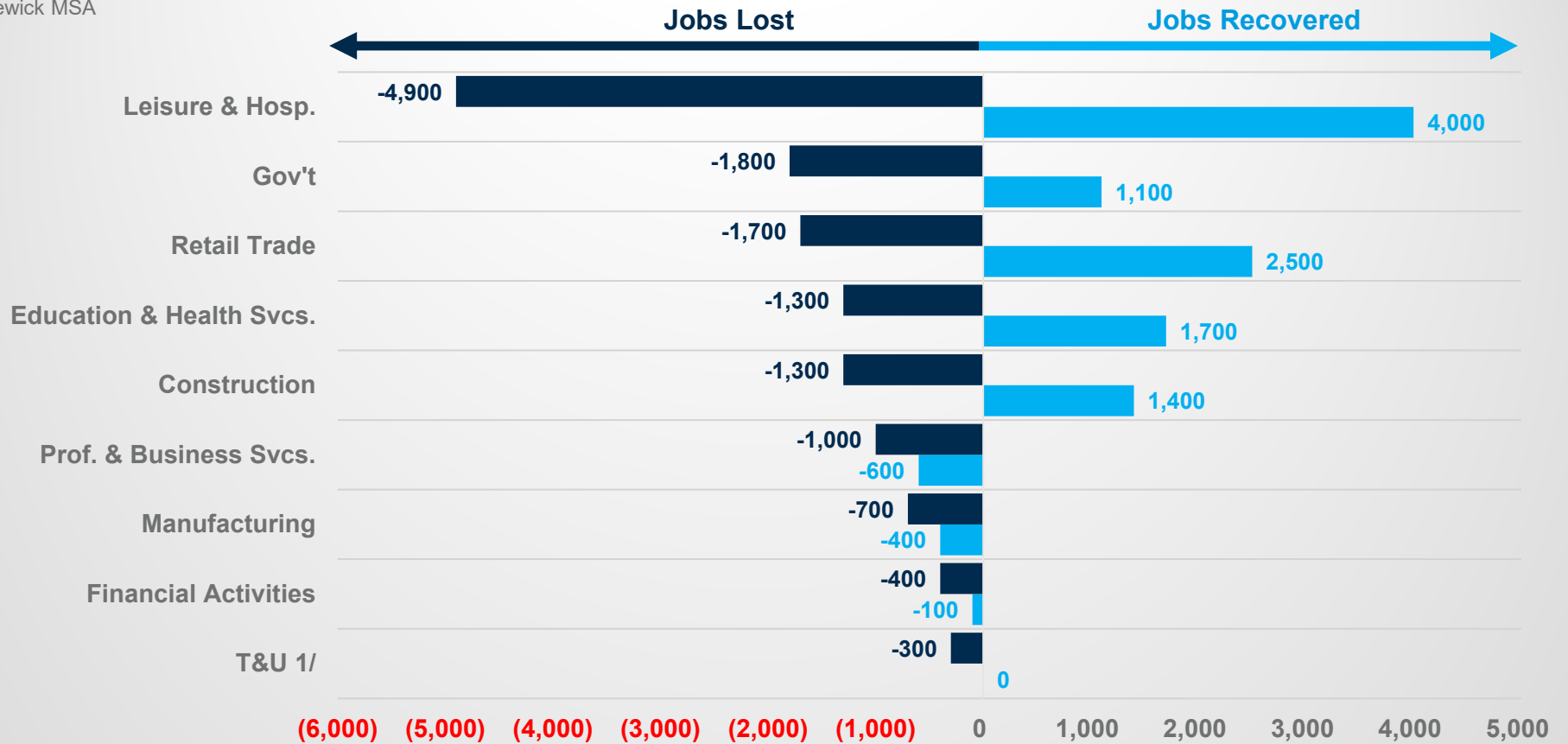
CHANGE IN NON-AG EMPLOYMENT



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Job Losses/Gains by Industry Sector

Kennewick MSA



Source: WA ESD
1/ Transportation & Utilities
Data thru Jul. 2021

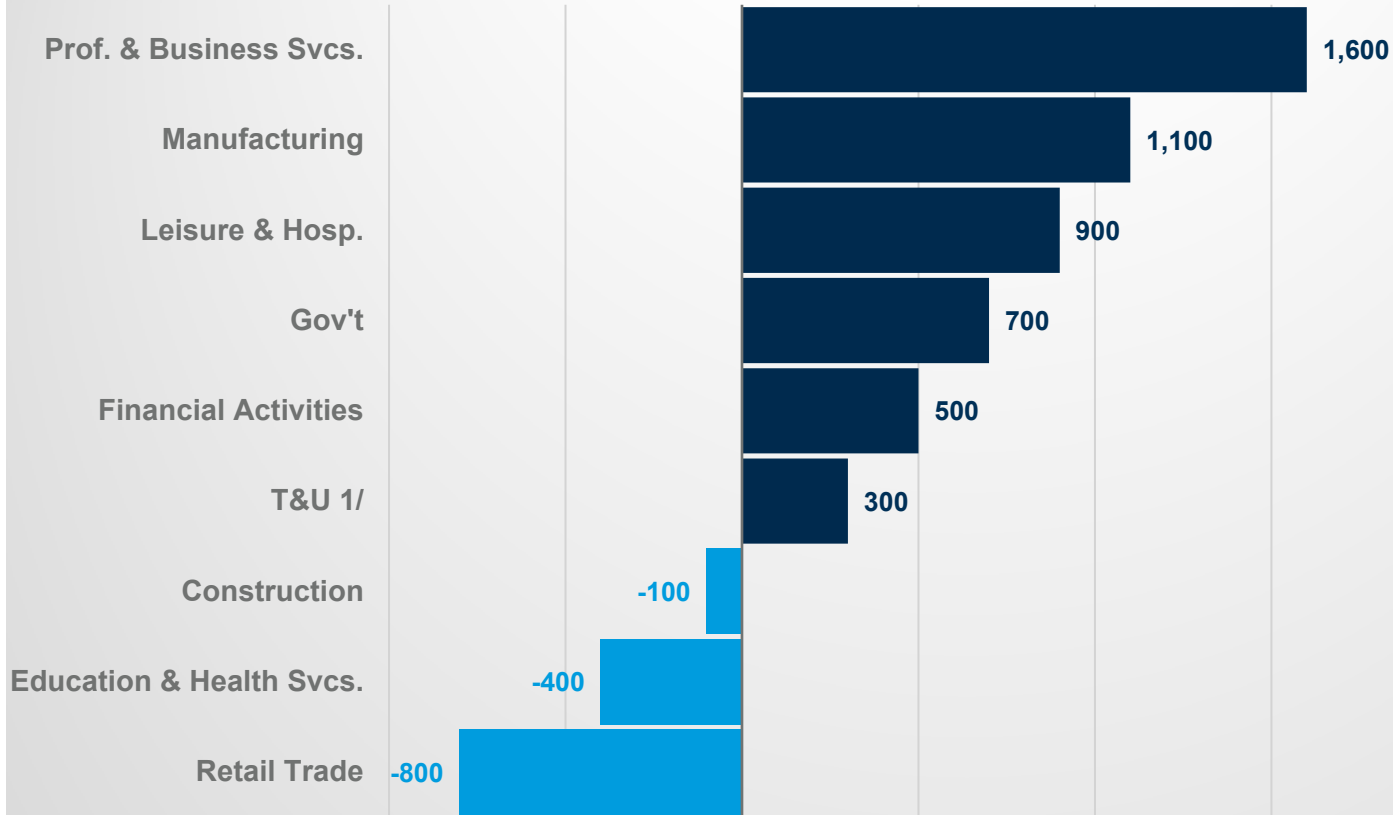
SECTORS ARE NOT RECOVERING EQUALLY



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Jobs Needed to Get Back to Pre-Pandemic Levels

Kennewick MSA; sa



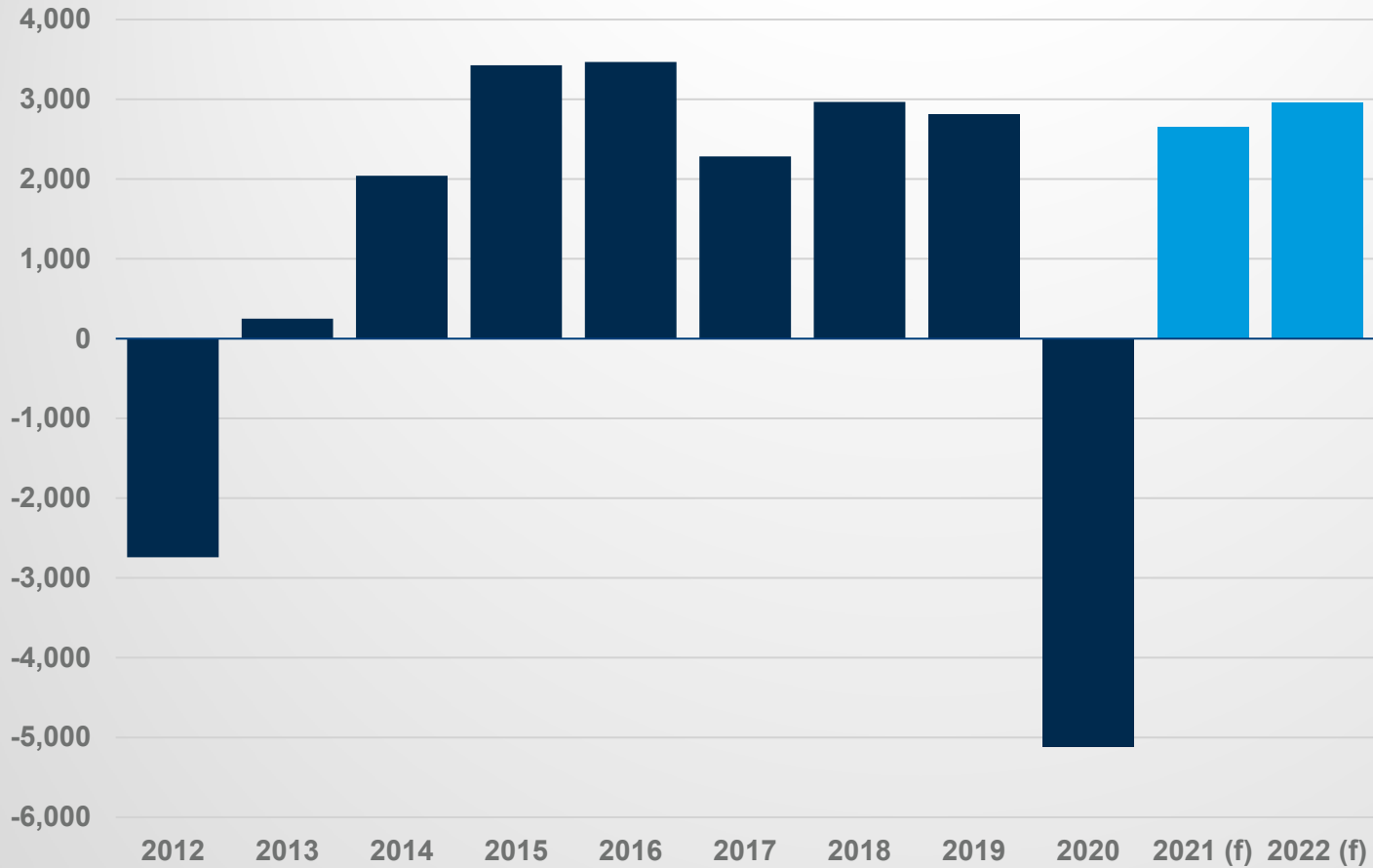
Source: WA ESD
1/ Transportation & Utilities
Data thru' Jul. 2021

**A Surprise
to See
“Office
Using”
Sectors
Lagging**



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Kennewick MSA Employment Growth



Source: WA ESD w/Windermere Economics' Forecast

**Decent
Gains This
Year, & a
Full
Recovery in
2022**



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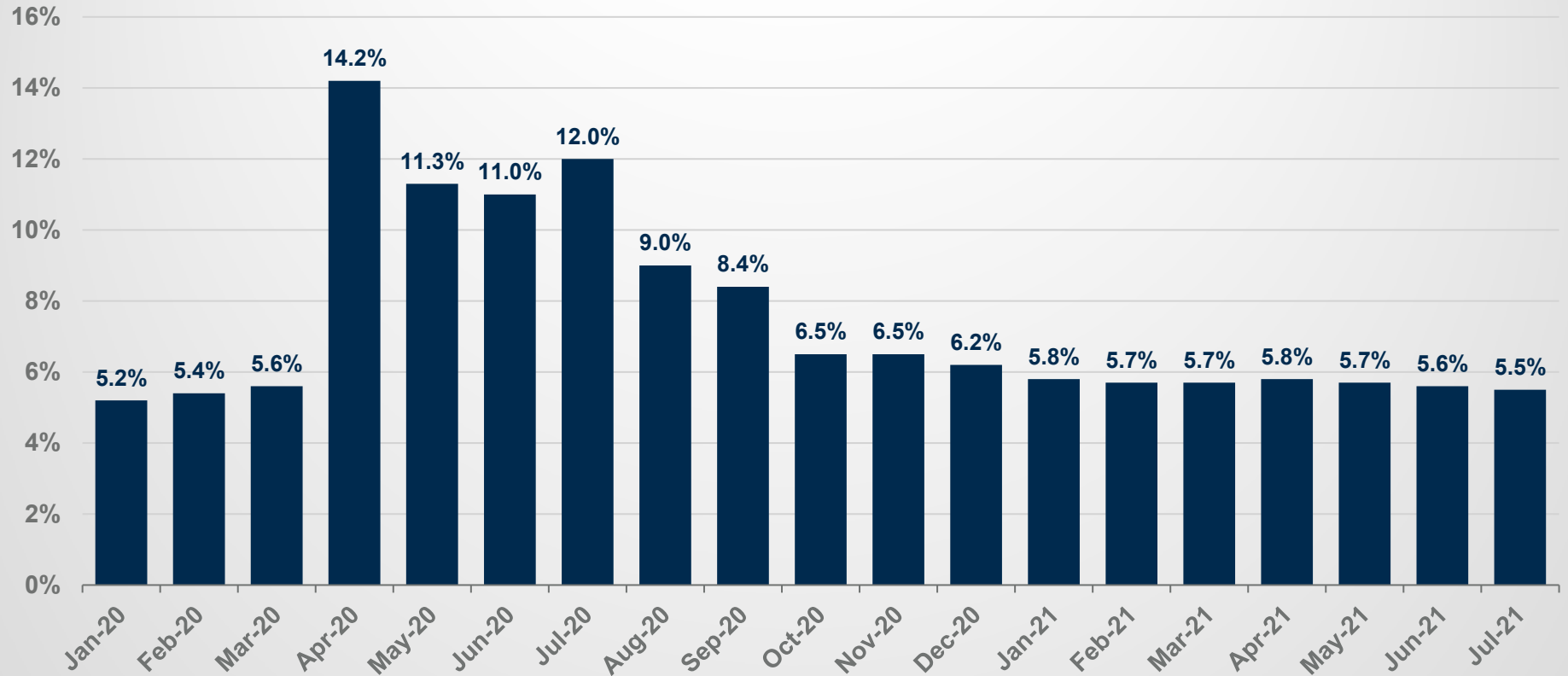
Unemployment



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Monthly Unemployment Rate

Kennewick MSA; sa



Source: WA ESD

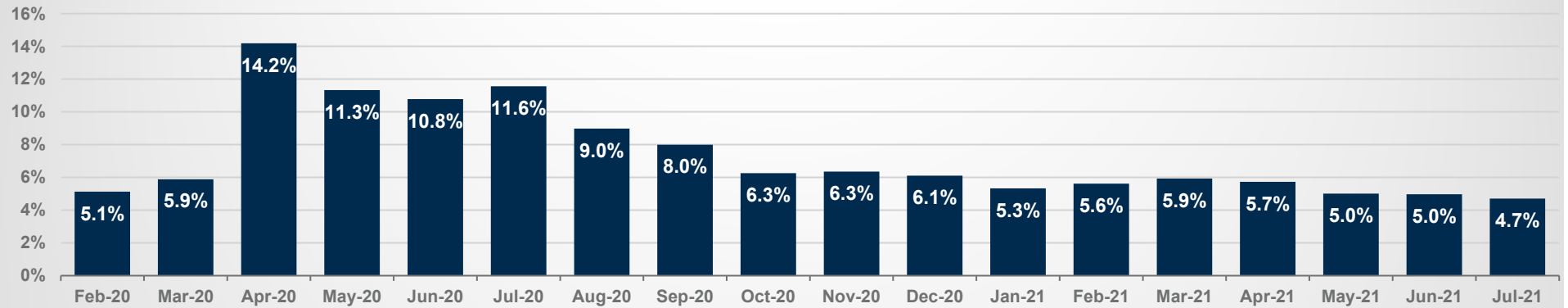
U-RATE STILL ELEVATED



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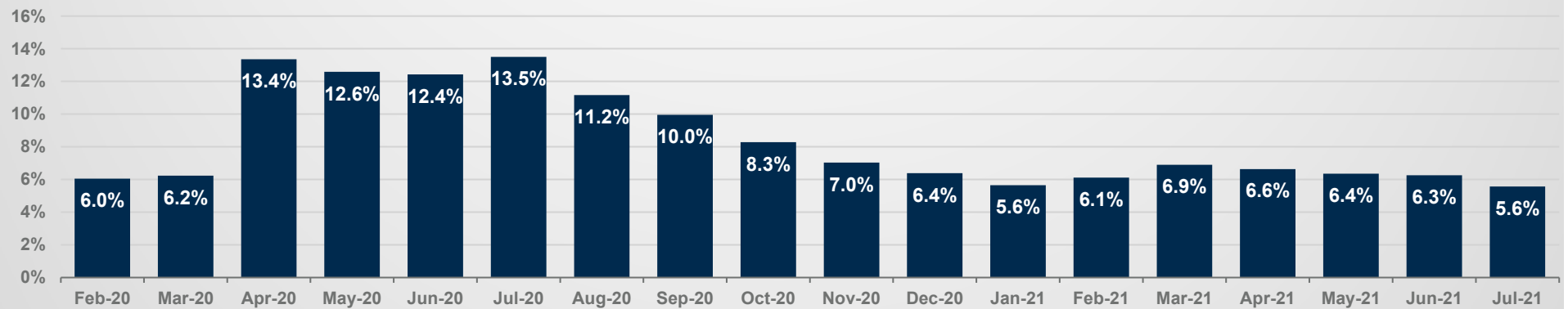
Unemployment Rates

Benton County; sa.



Unemployment Rates

Franklin County; sa.



Source: WA ESD
w/Windermere
Economics' seasonal
adjustments

COUNTY UNEMPLOYMENT RATES



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- “Uncertainty “ Persists (Which is Driving Economists to Drink!)
- New Infections are Clearly Impacting the Job Recovery;
- Education & Retail Lead the Comeback in Jobs, But You Need a Faster Recovery in the Professional & Business Service Sector
- I Still Anticipate that the Area Will See an Economic Recovery Faster than the State.

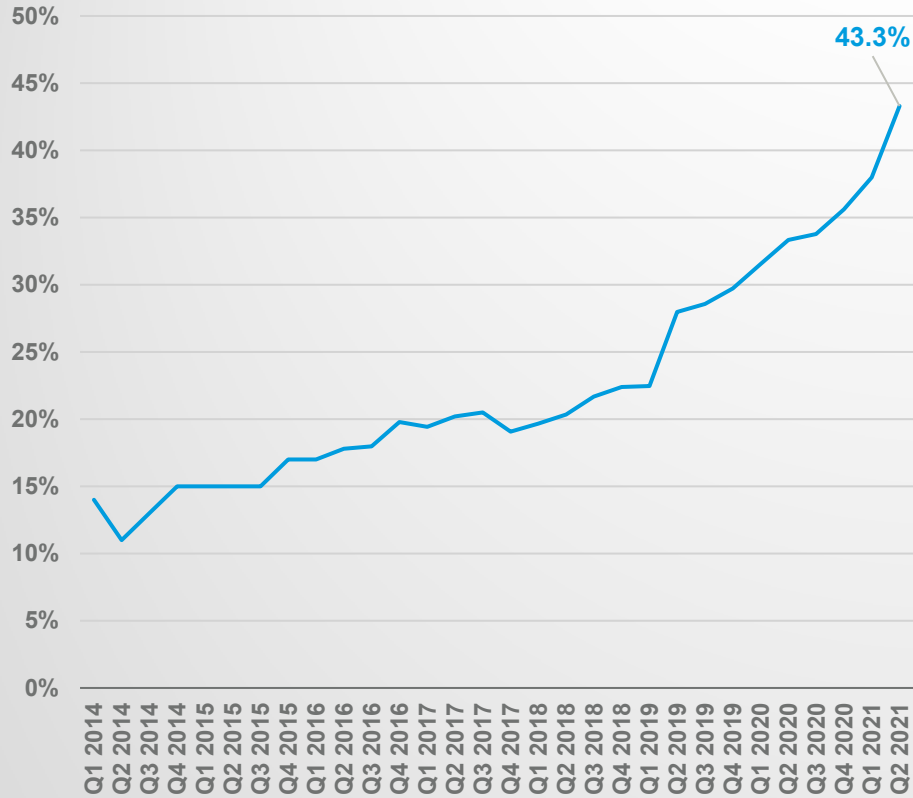
Benton County Housing Market



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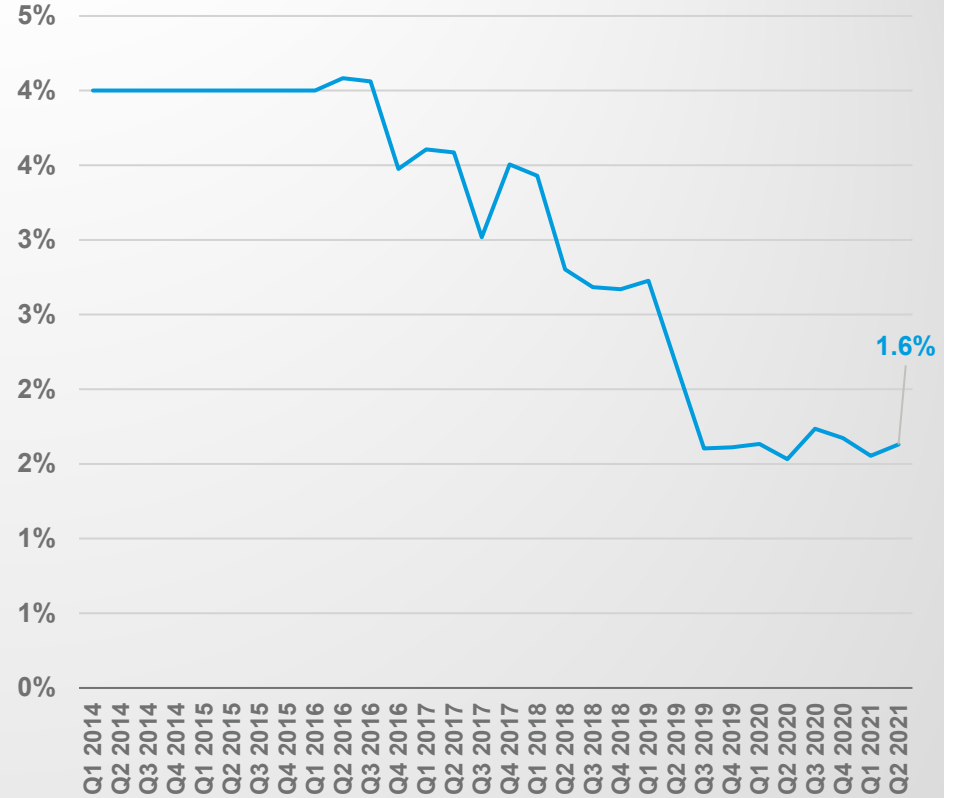
Equity Rich Homeowners

homeowners in Benton County with more than 50% equity



Seriously Underwater Homeowners

homeowners in Benton County with more than -25% equity



Source: Attom Data Solutions

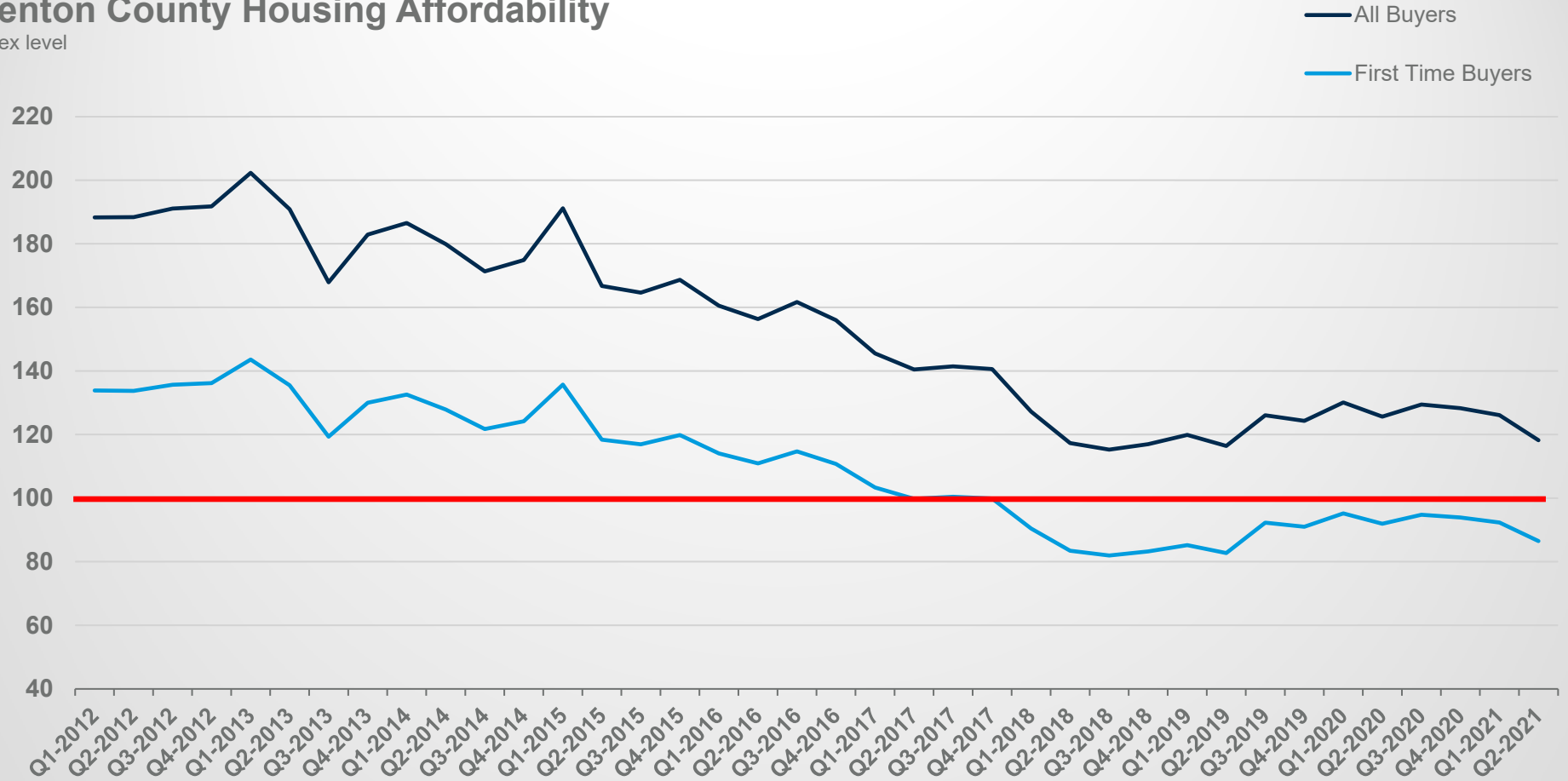
EQUITY RICH & UNDERWATER HOMES



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Benton County Housing Affordability

index level



Source:
WCRER

IT'S HARD FOR FIRST-TIME BUYERS



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Economics

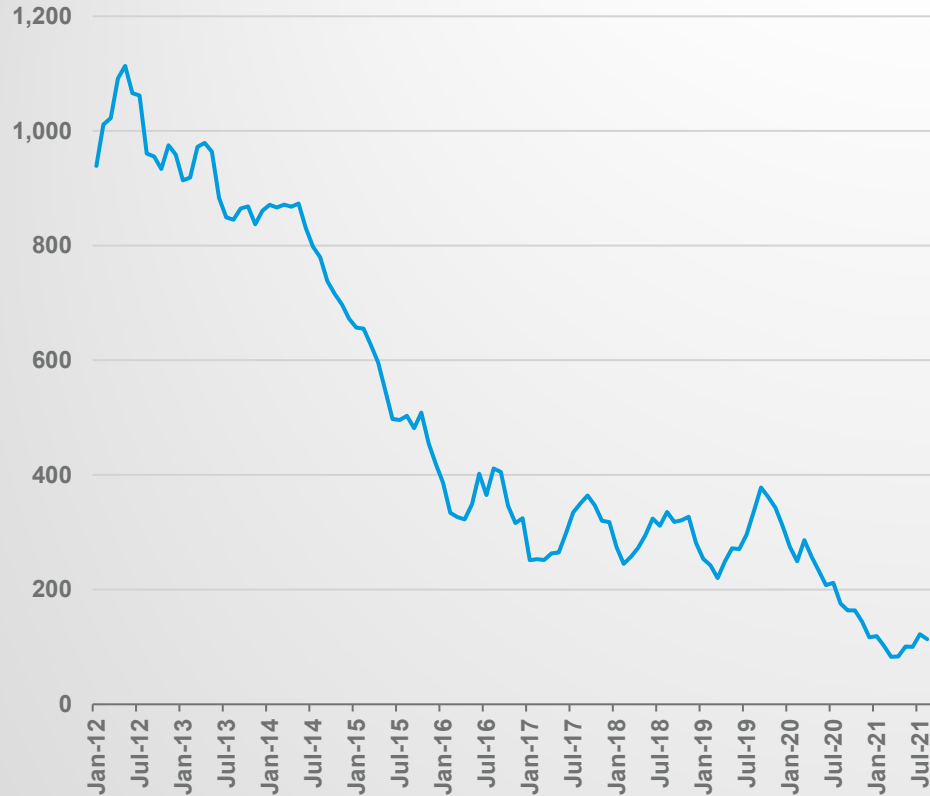
Existing Homes



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Listing Activity

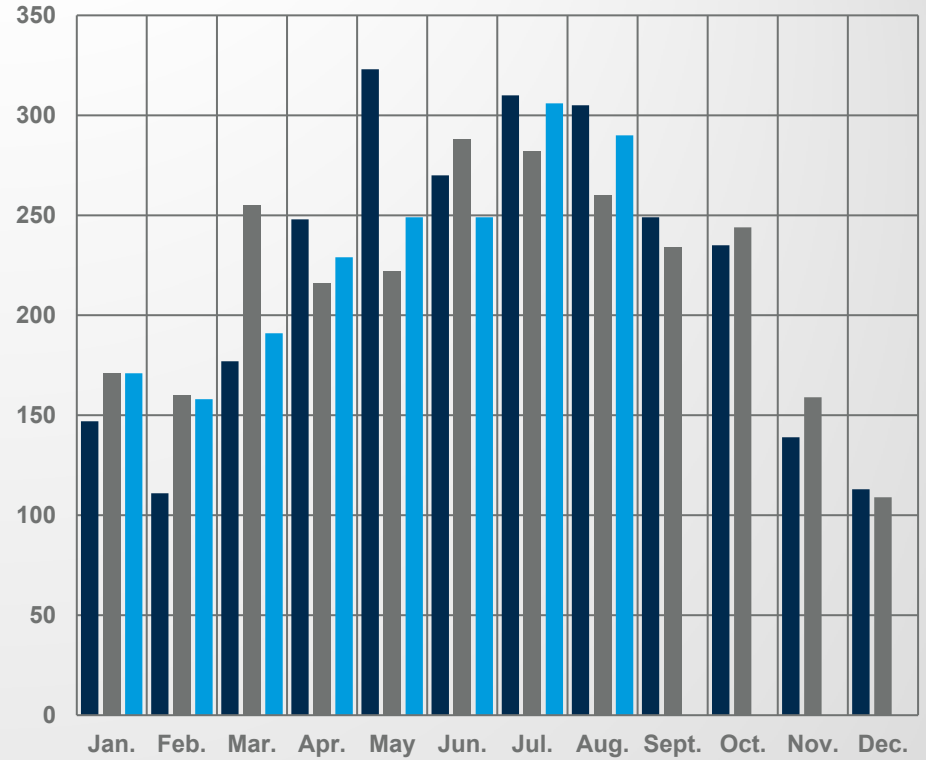
single-family resale homes; sa



New Listings by Month

single-family resale homes; nsa

■ 2019 ■ 2020 ■ 2021



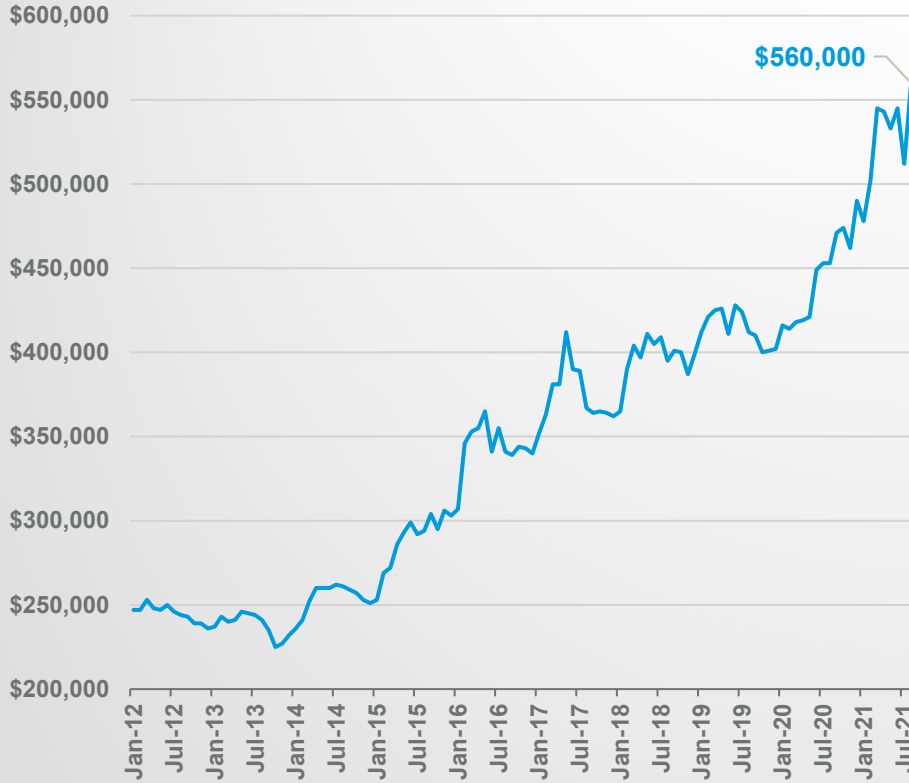
Source: Pacific Regional MLS w/Windermere Economics Seasonal Adjustments

LISTING ACTIVITY

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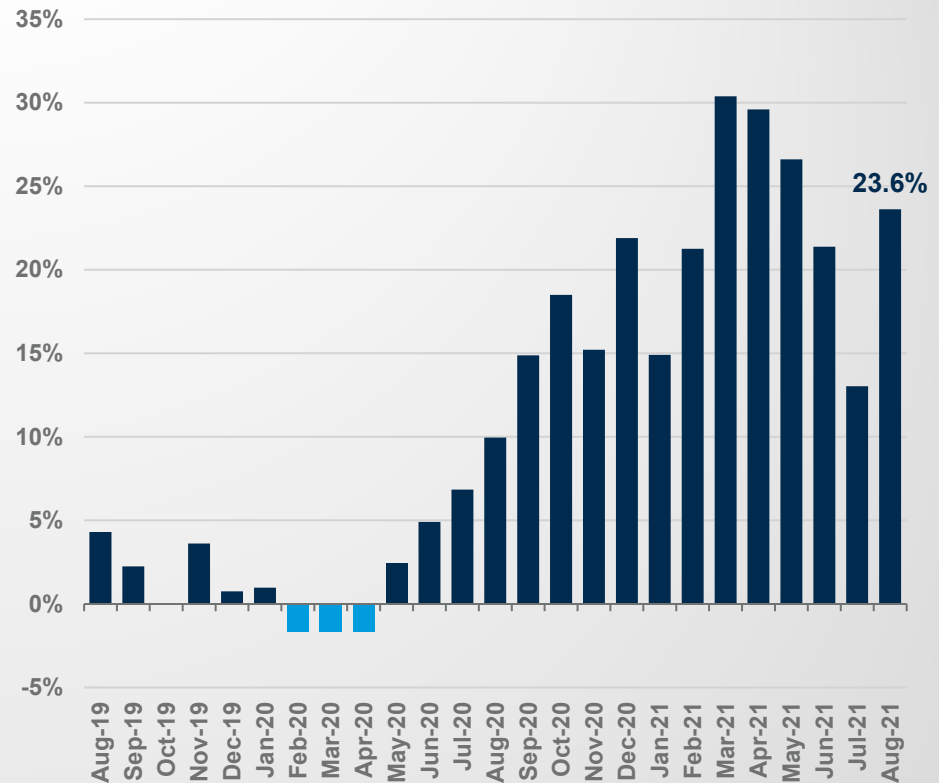
Average List Price

single-family resale homes; nsa



Change in Average List Price

12-month % change; single-family resale homes; nsa



Source: Pacific Regional MLS

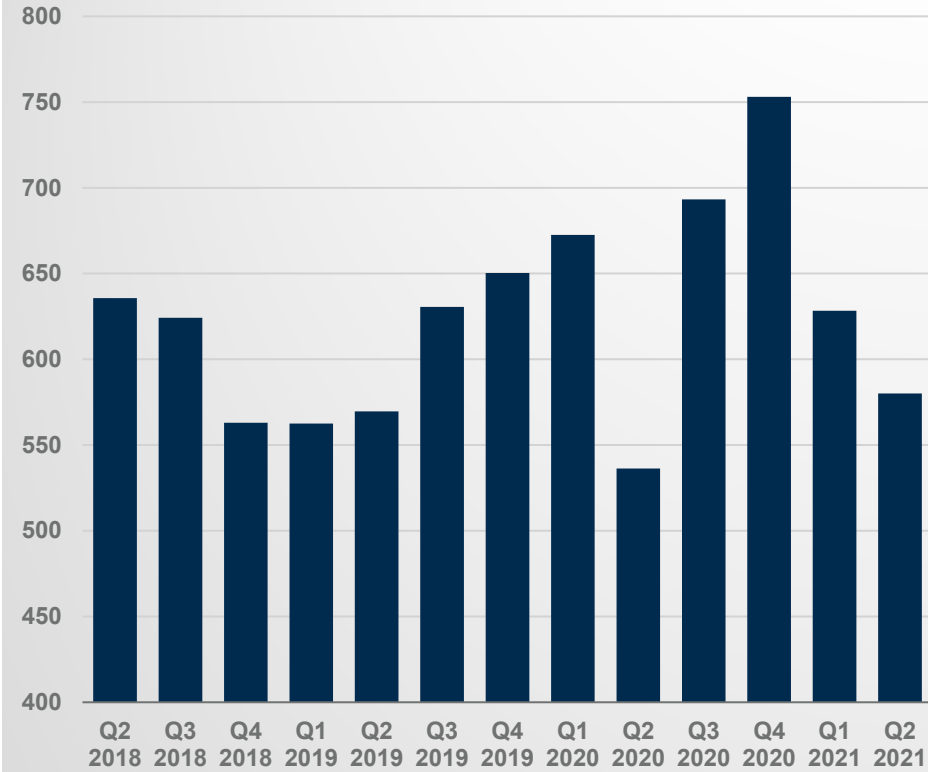
LIST PRICES



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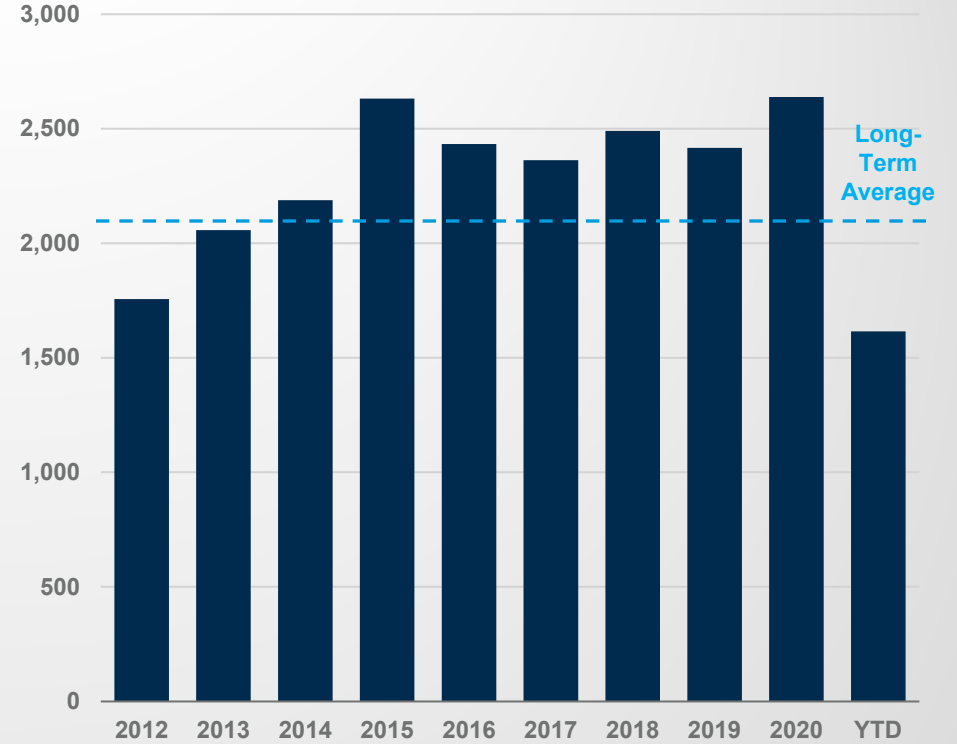
Quarterly Closings

single-family resale homes, sa



Sales by Year

single-family resale homes; 2006-2019 avg. 2,113



Source: Pacific
Regional MLS
w/Windermere
Economics Seasonal
Adjustments

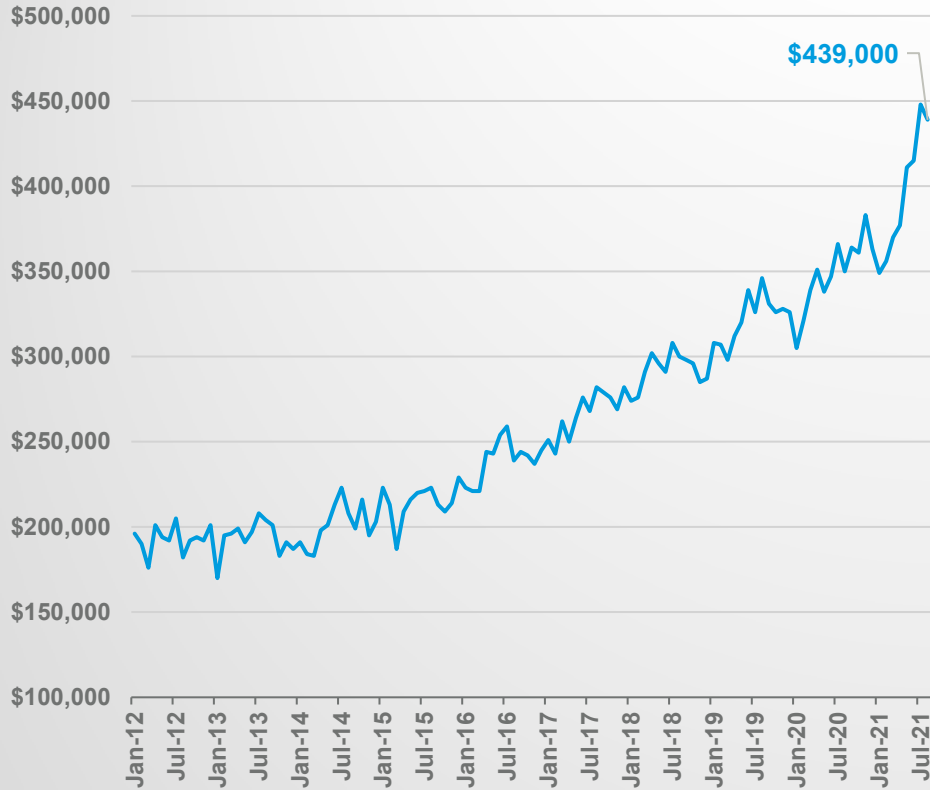
SALES ACTIVITY



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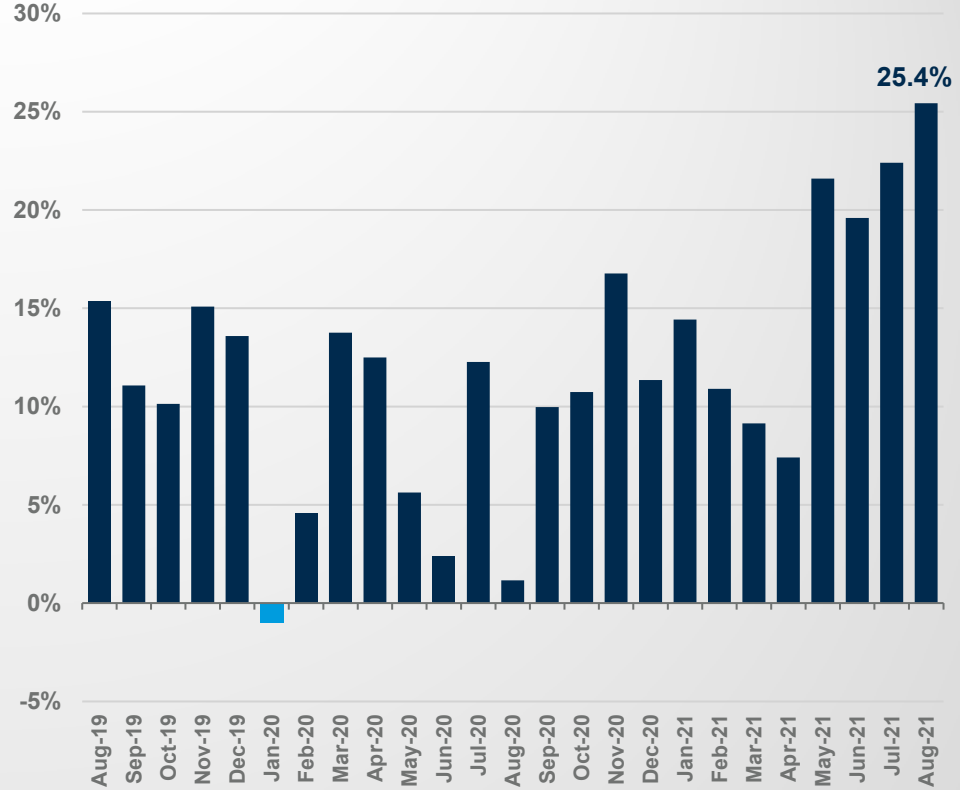
Average Sale Price

single-family resale homes; nsa



Y/Y Change in Average Sale Prices

12-month change; single-family resale homes; nsa



Source: Pacific Regional MLS

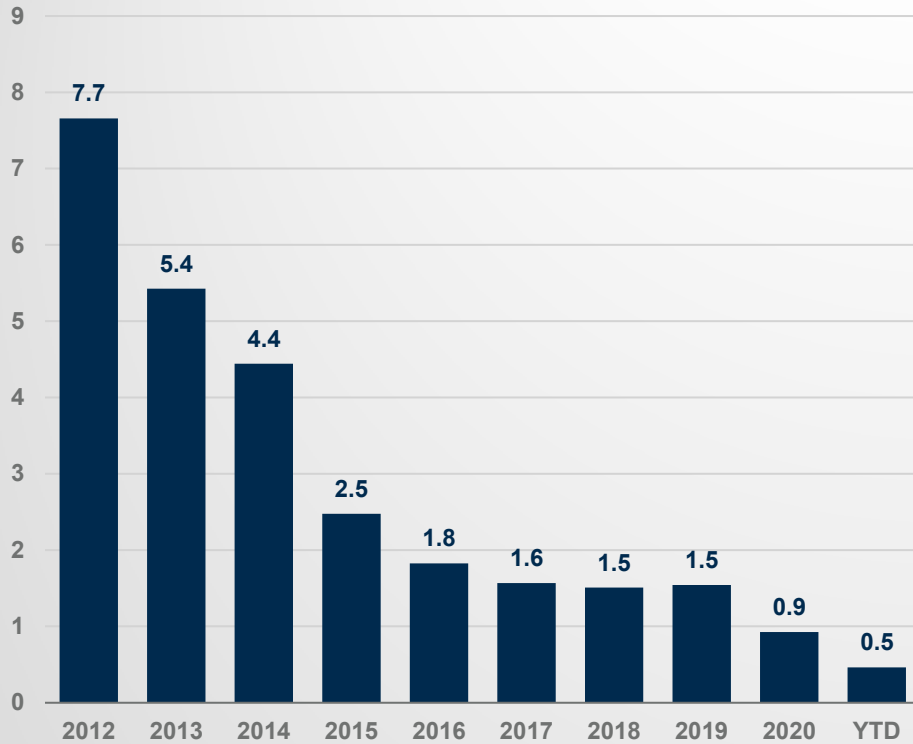
SALE PRICES



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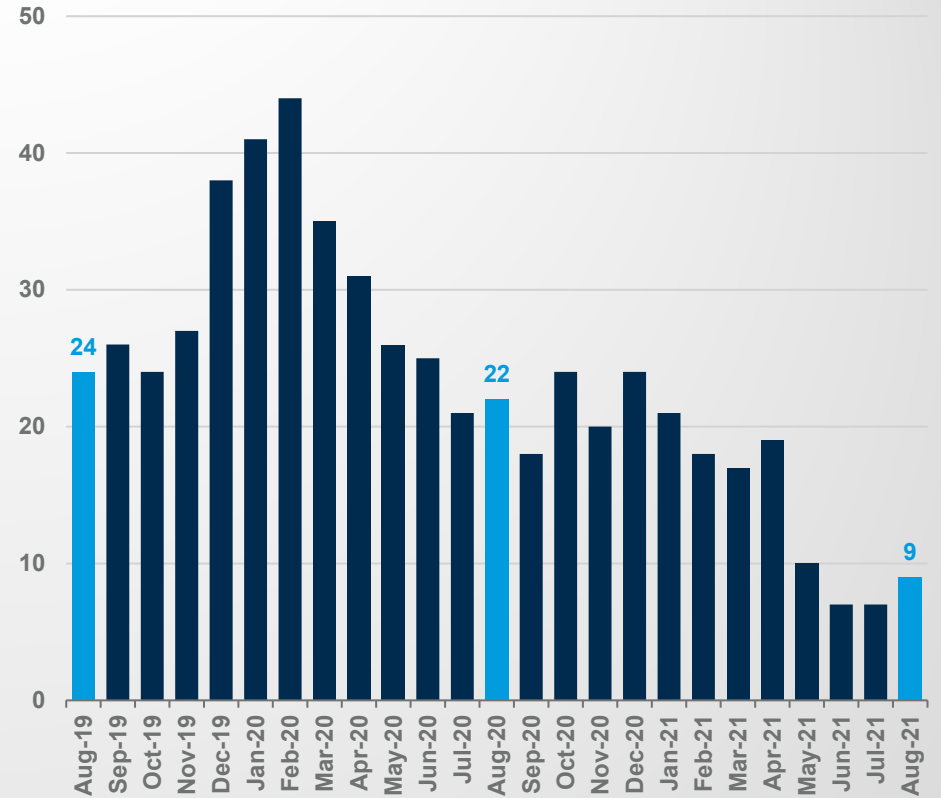
Months of Inventory

single-family resale homes; based on pending sales



Days on Market

average days; single-family resale homes; nsa



Source: Pacific
Regional MLS

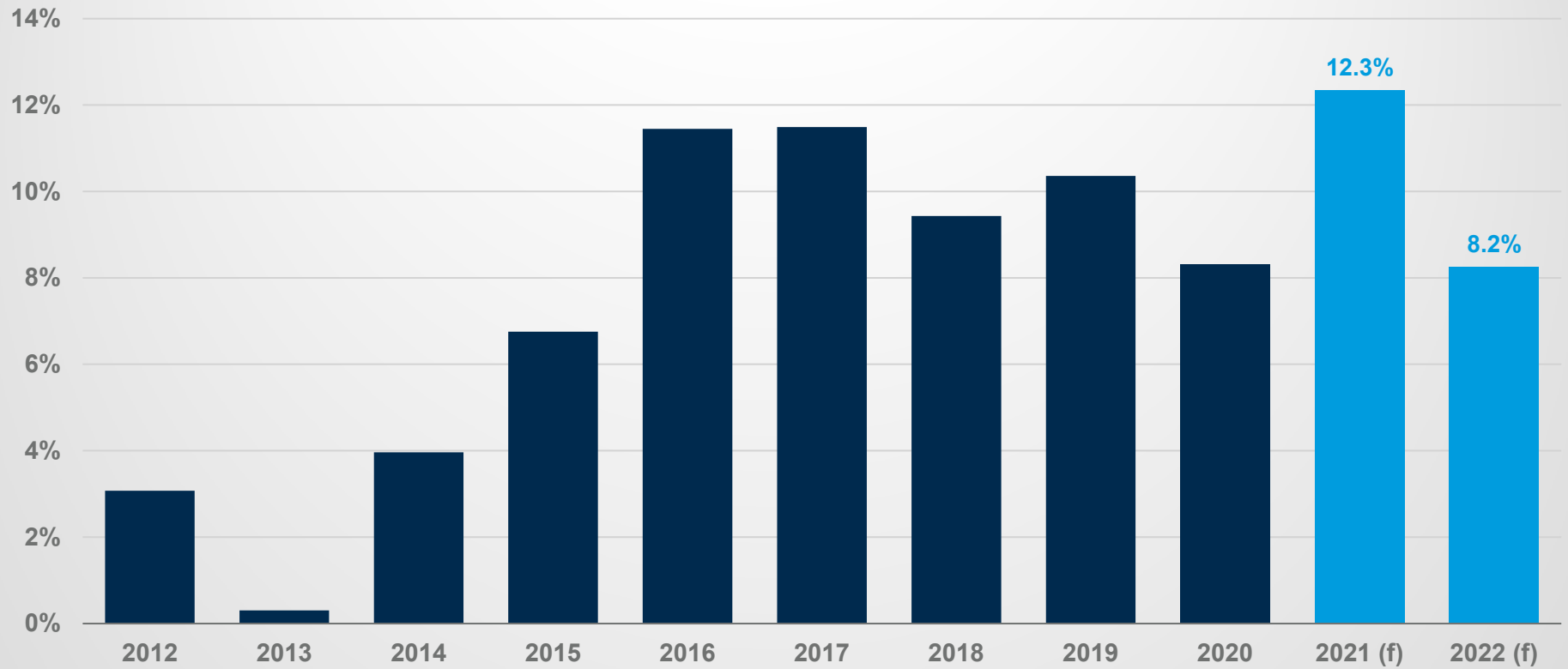
OTHER MEASURES



WINDERMERE
Economics

Annual Average Home Price Change & Forecast

single-family resale homes



Source: Pacific Regional MLS history w/Windermere Economics' forecast

Source:
Pacific Regional MLS
history w/Windermere
Economics' forecast

BENTON COUNTY HOME PRICE FORECAST

WINDERMERE
Economics

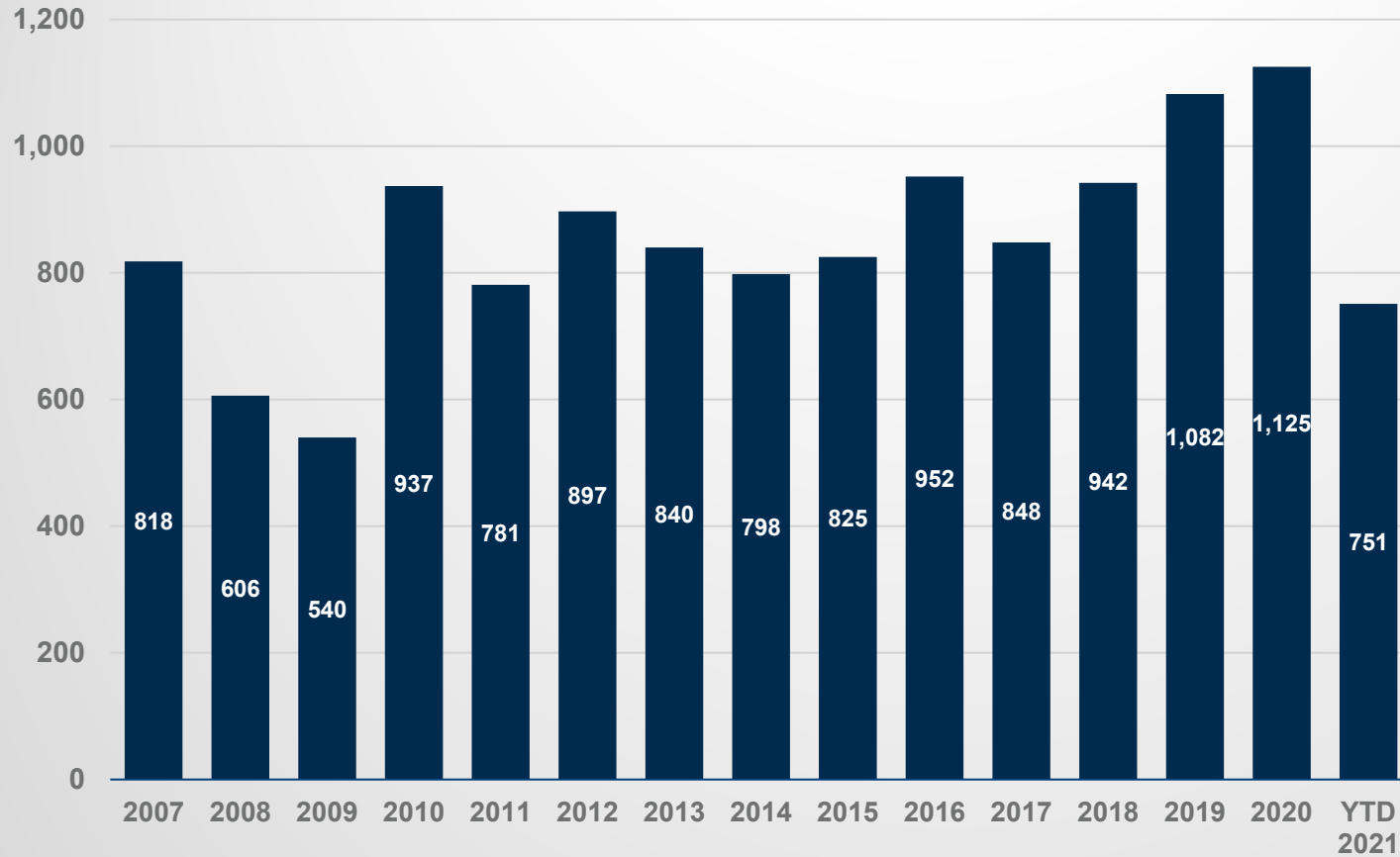
New Construction Housing Market



WINDERMERE
Economics

Single-Family Building Permits

Benton County

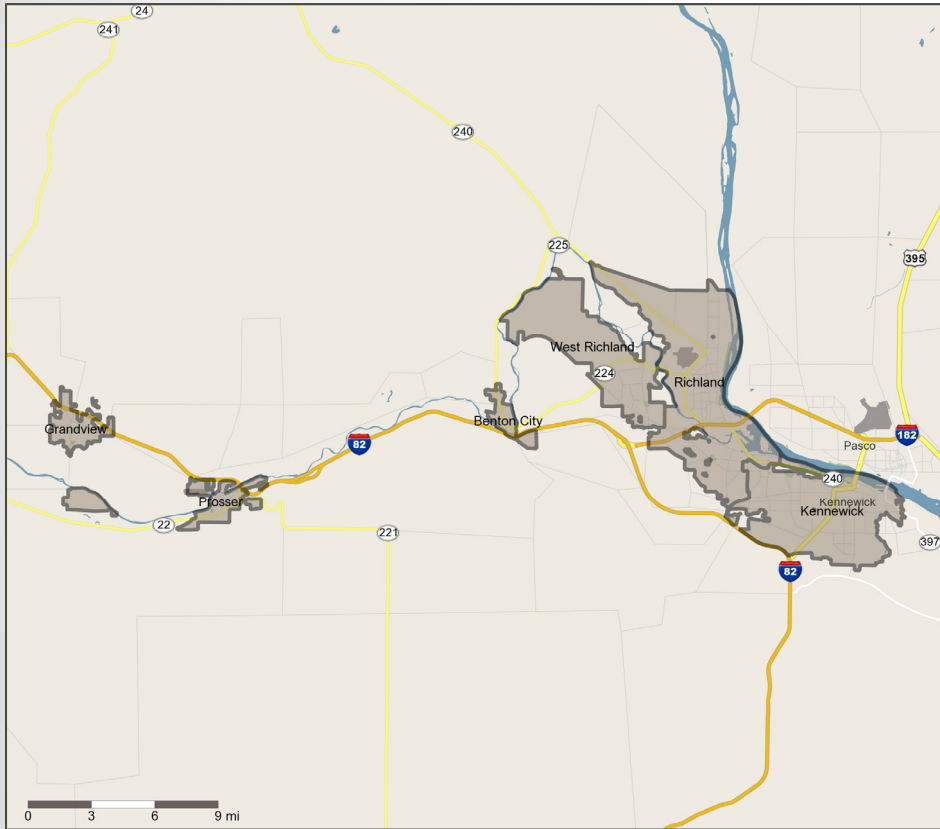


Source: Census Bureau

**Permit
Activity is
Not Enough**



WINDERMERE
Economics



Single Family Permit Activity & Demand

City	SF Permits (past 5-years)	Ownership Demand (next 5-years)	Surplus/ Shortfall
Benton City	66	132	(66)
Grandview	53	80	(27)
Kennewick	1,560	2,146	(586)
Prosser	68	100	(32)
Richland	1,621	1,598	(23)
W. Richland	610	635	(25)

Source: Census Bureau history & Windermere Economics' forecasts

PERMITS VS DEMAND

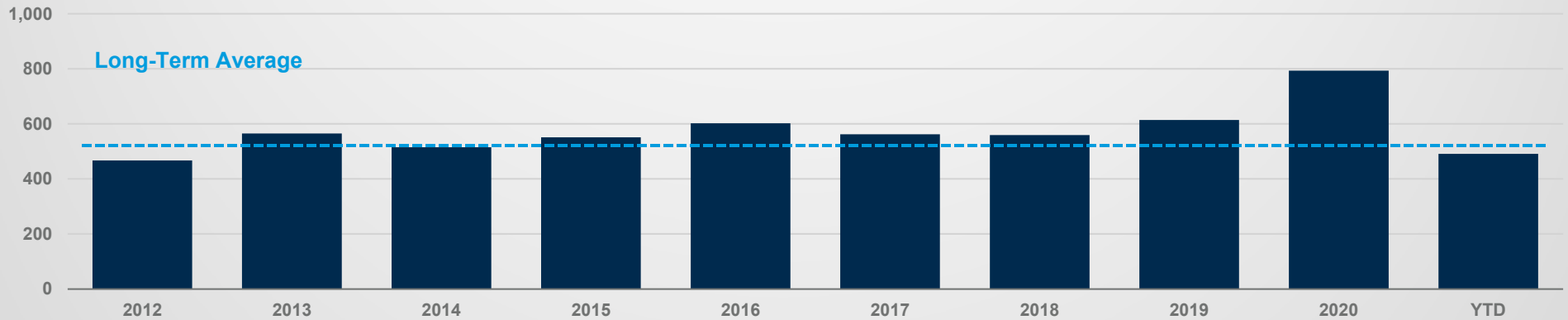
Listing Activity

single-family new homes; non-seasonally adjusted



Sales by Year

single-family new homes; long-term avg: 547



Source:
Pacific Regional MLS

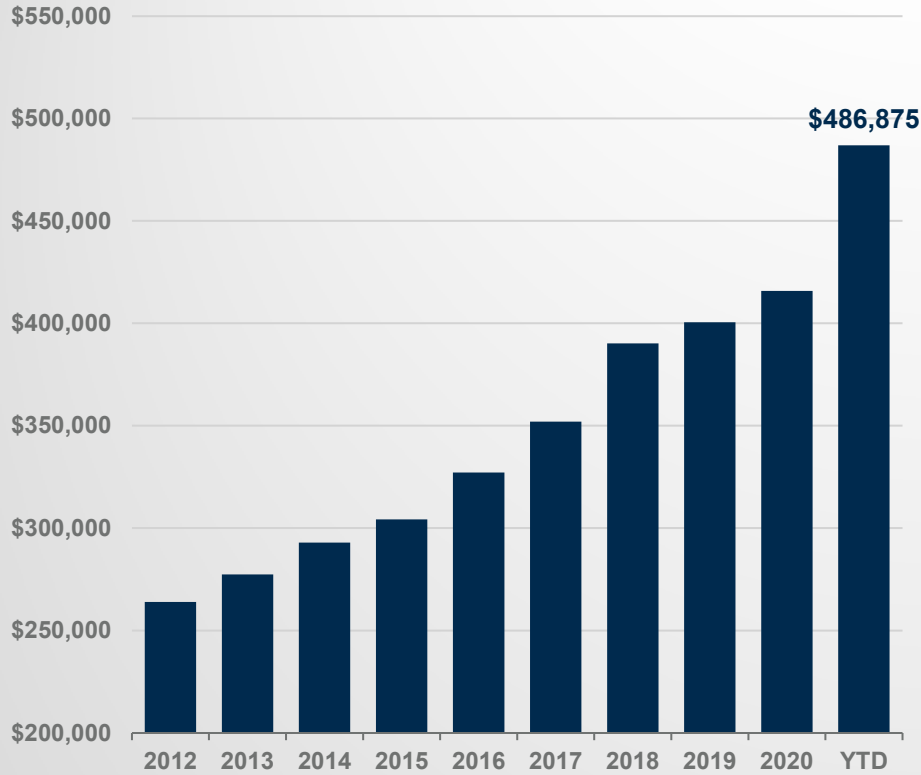
LISTING & SALES ACTIVITY



WINDERMERE
Economics

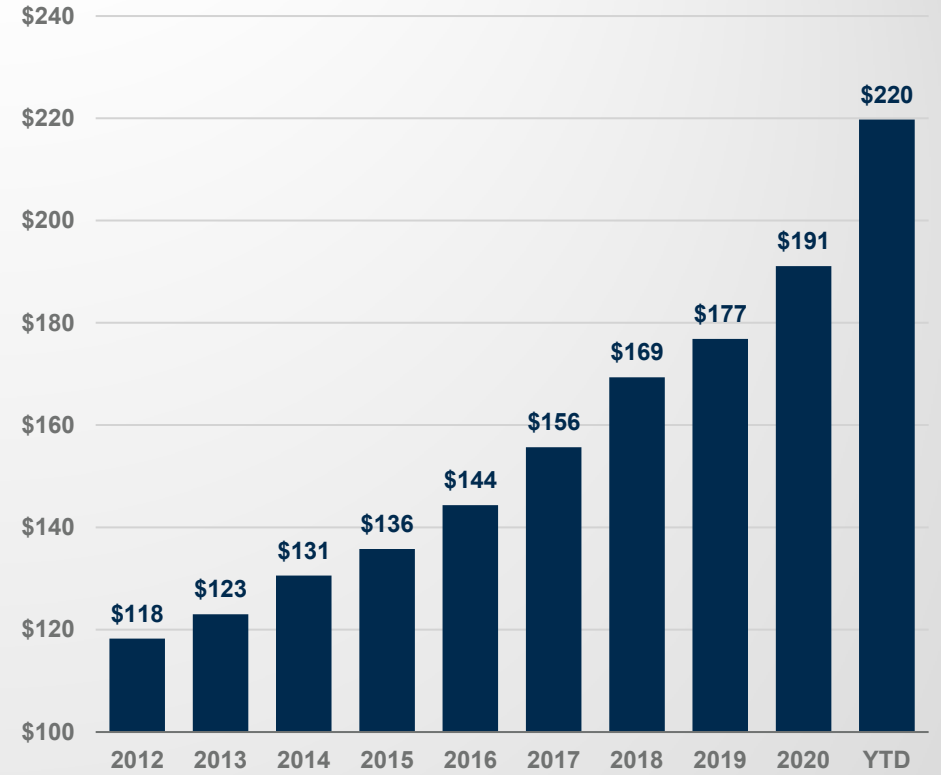
Average Sale Price

single family new homes; non-seasonally adjusted



Sale Price per Square Foot

single-family new homes; average



Source:
Pacific Regional MLS

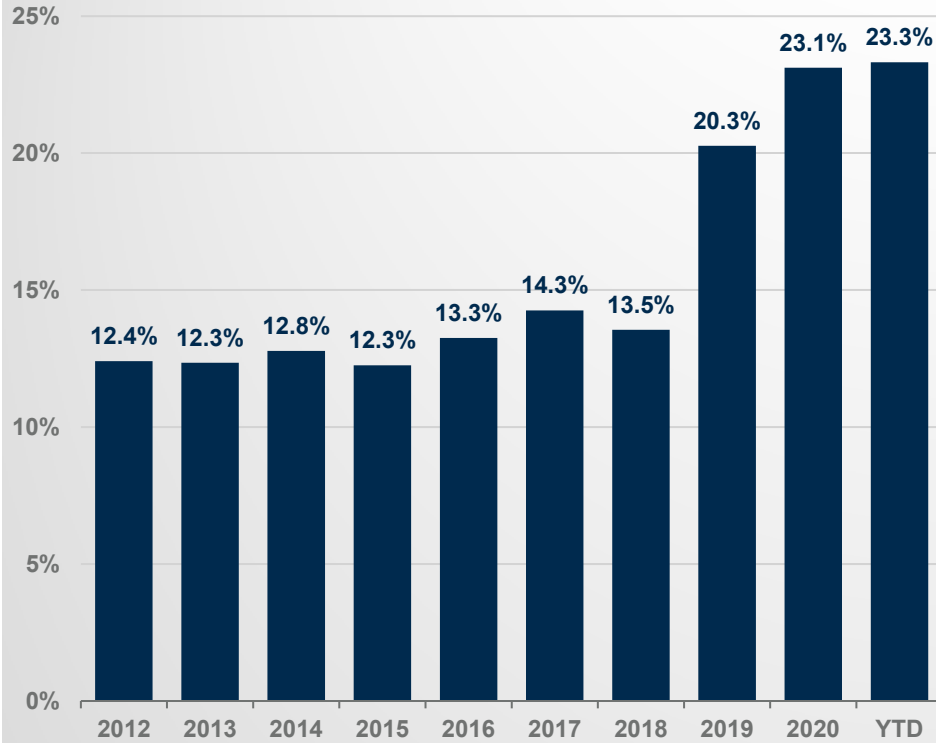
SALE PRICES



WINDERMERE
Economics

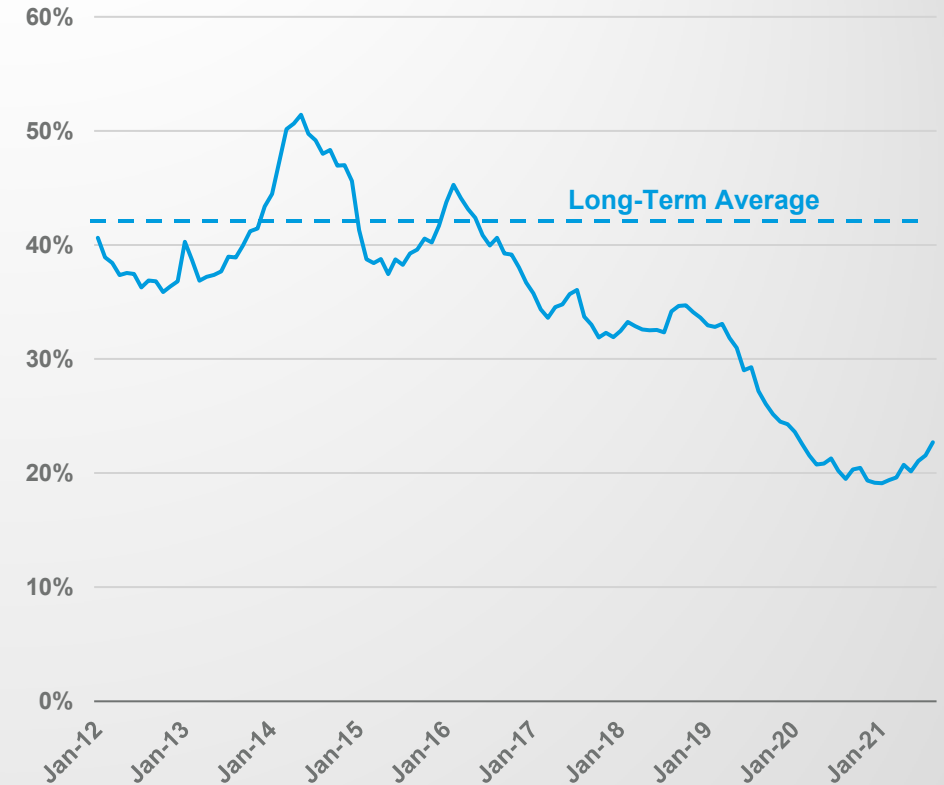
New Construction Share of Total Sales

single family homes; non-seasonally adjusted



New Home Price Premium vs Resales

12-month average spread; single-family homes; long-term average 41.4%



Source:
Pacific Regional MLS

OTHER MEASURES



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Economics



City	Share of Homes in Forbearance	Total HHD's in Forbearance
Benton City	5.0%	103
Grandview	5.3%	95
Kennewick	4.2%	717
Prosser	3.9%	79
Richland	2.7%	280
W. Richland	3.7%	133
Benton Co.	3.9%	1,374

Source:
Black Knight Financial
(as of 4/2021)

SHARE OF HOMES IN FORBEARANCE



WINDERMERE
Economics

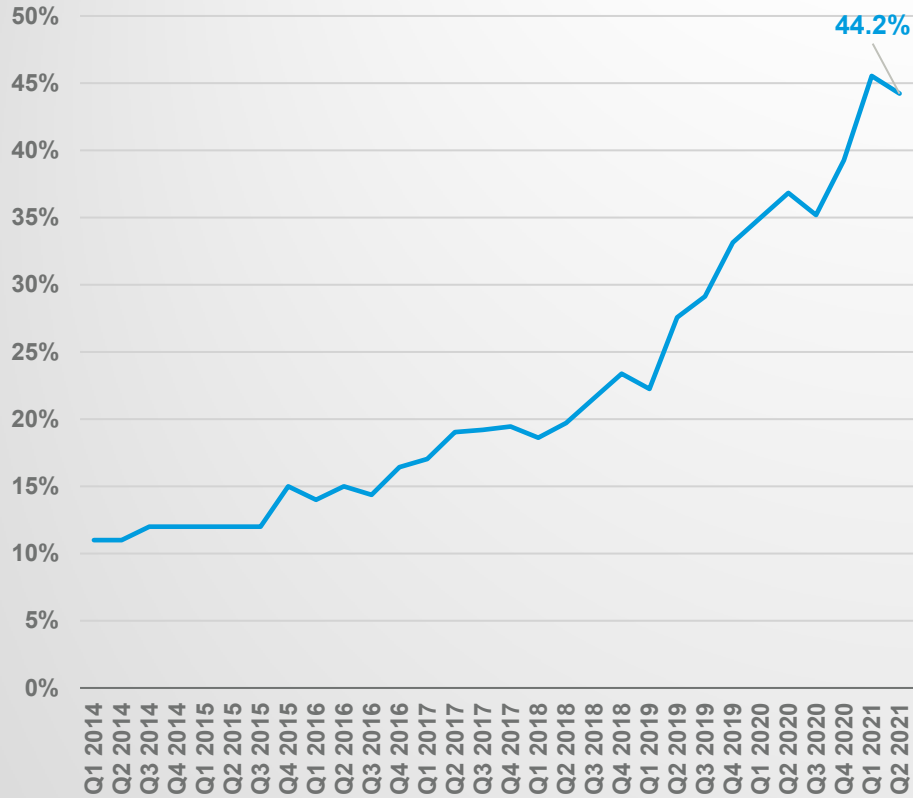
Franklin County Housing Market



WINDERMERE
Economics

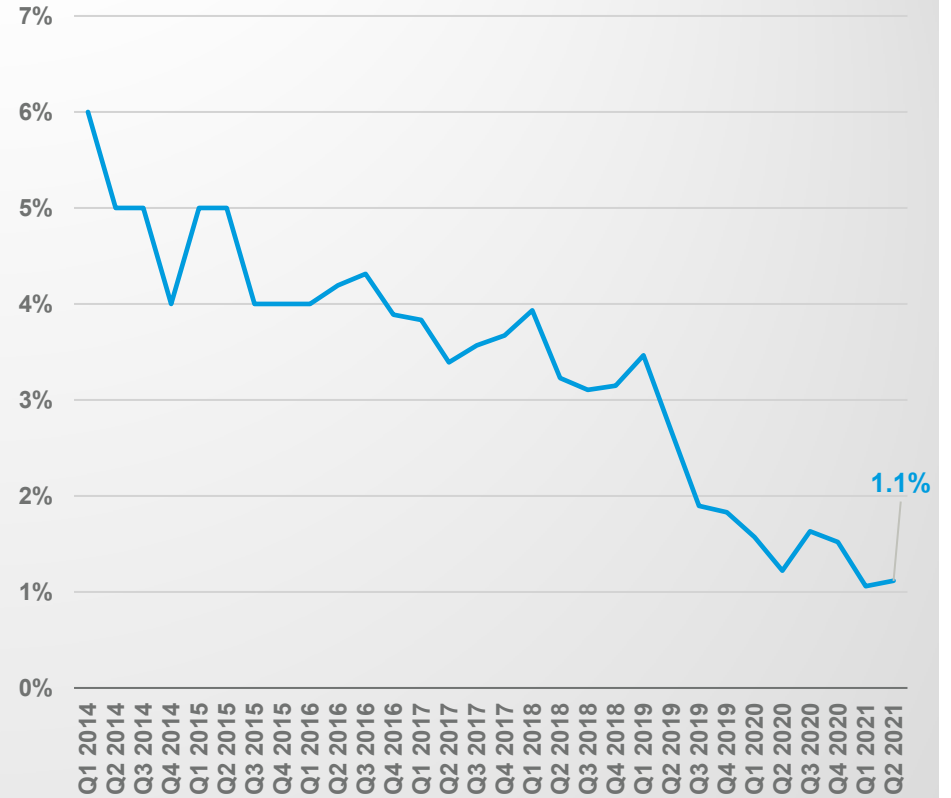
Equity Rich Homeowners

homeowners in Franklin County with more than 50% equity



Seriously Underwater Homeowners

homeowners in Franklin County with more than -25% equity



Source:
Attom Data Solutions

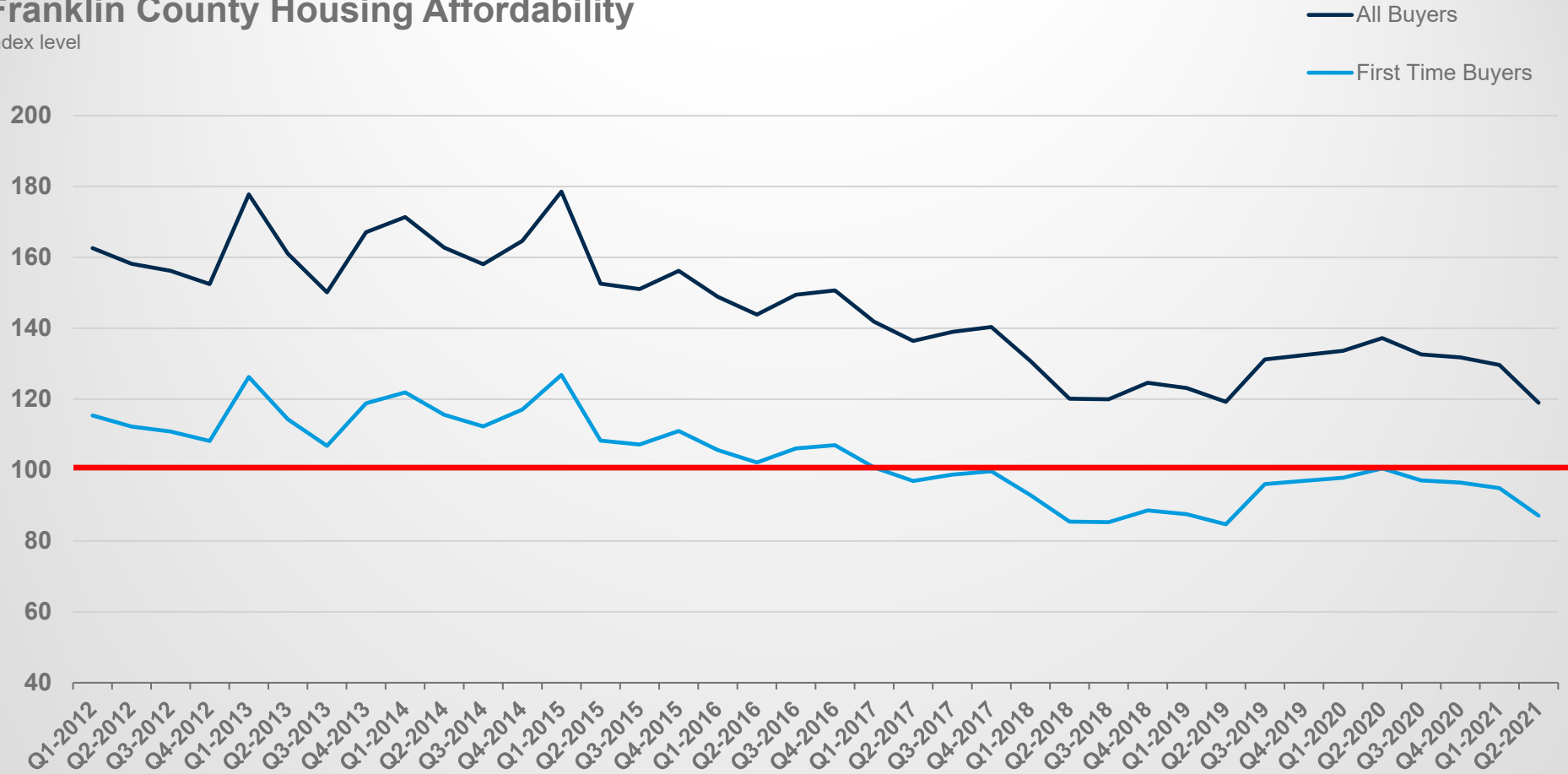
EQUITY RICH & UNDERWATER HOMES



WINDERMERE
Economics

Franklin County Housing Affordability

index level



Source:
WCRER

INCREASINGLY HARD FOR FIRST-TIME BUYERS



WINDERMERE
Economics

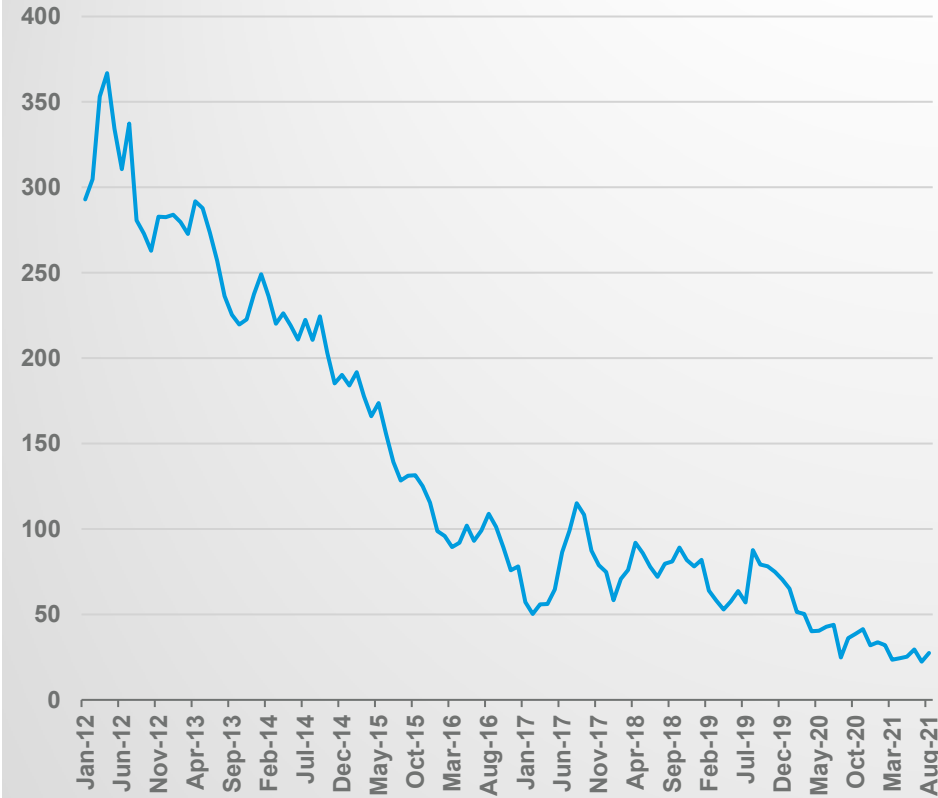
Existing Homes



WINDERMERE
Economics

Listing Activity

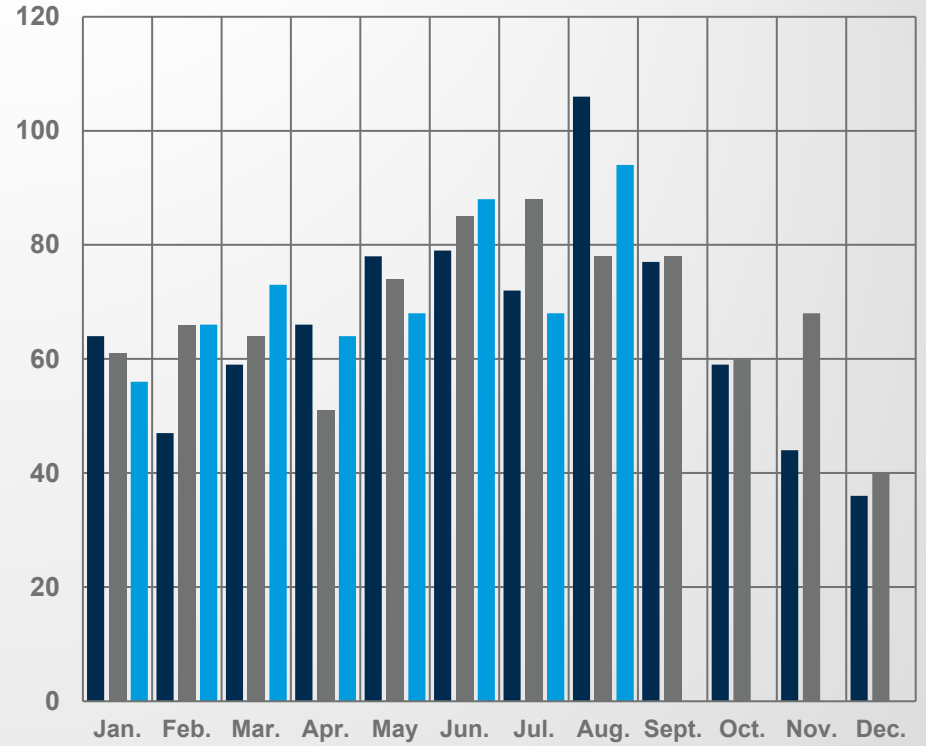
single-family resale homes; seasonally adjusted



New Listings by Month

single-family resale homes

■ 2019 ■ 2020 ■ 2021



Source: Pacific
Regional MLS
w/Windermere
Economics Seasonal
Adjustments

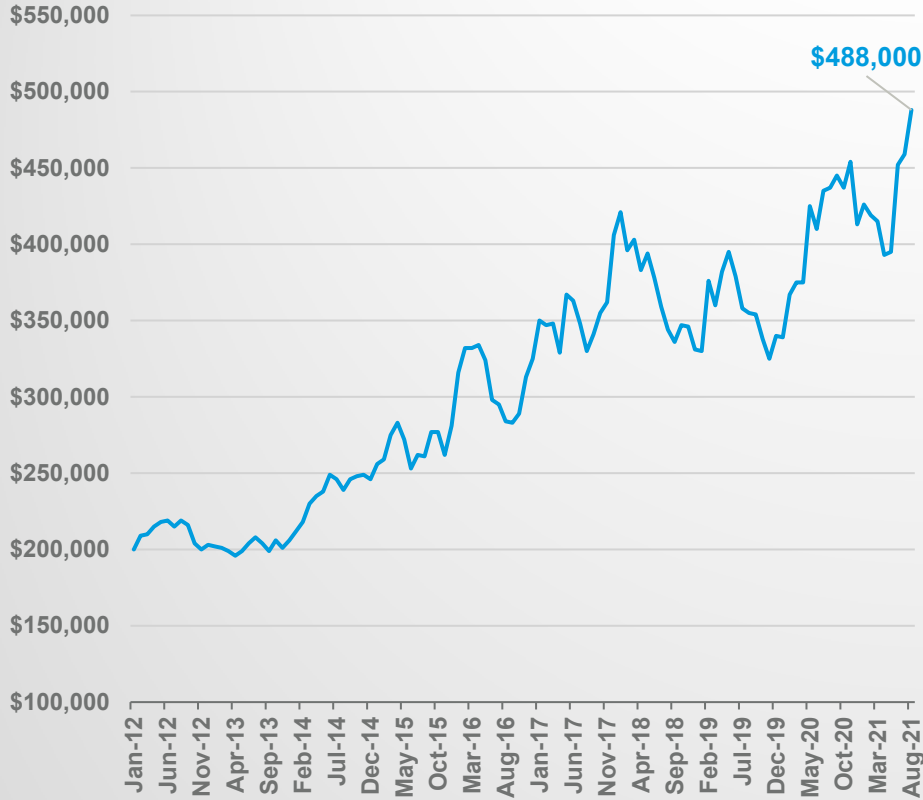
LISTING ACTIVITY



WINDERMERE
Economics

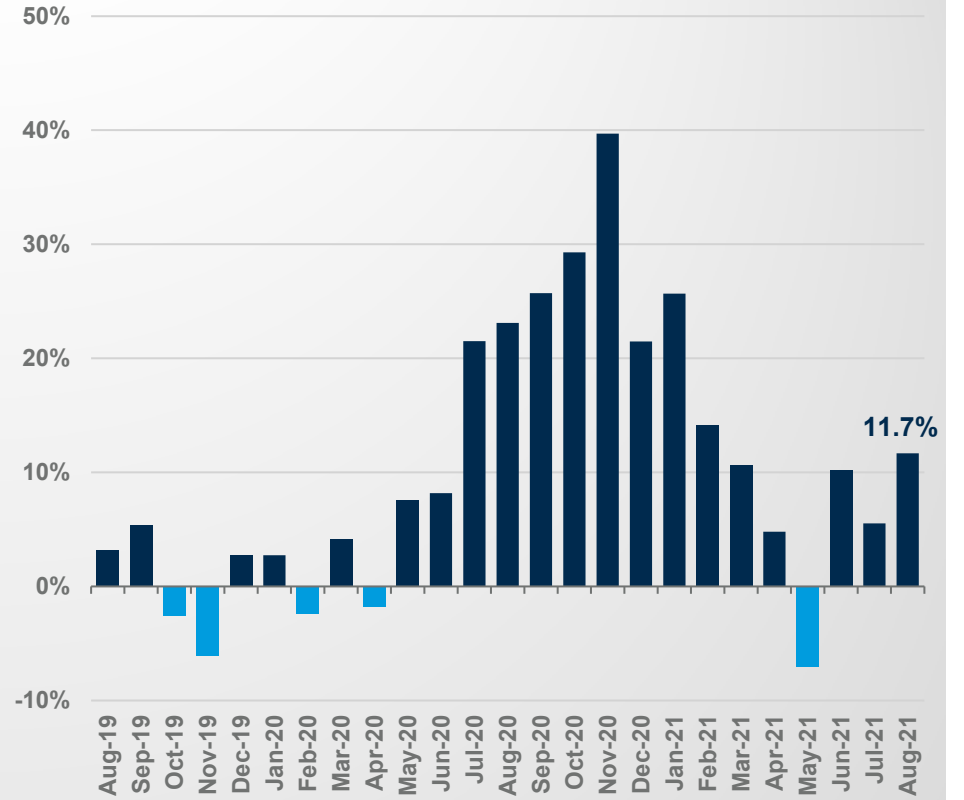
Average List Price

single-family resale homes; non-seasonally adjusted



Change in Average List Price

12-month % change; single-family resale homes; non-seasonally adjusted



Source: Pacific Regional MLS

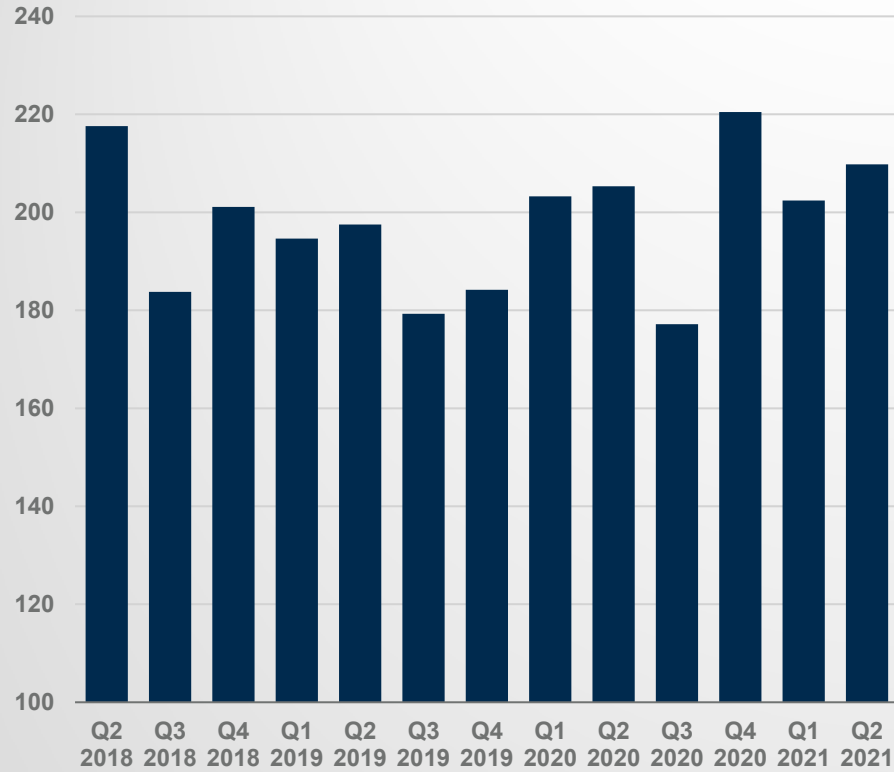
LIST PRICES



WINDERMERE
Economics

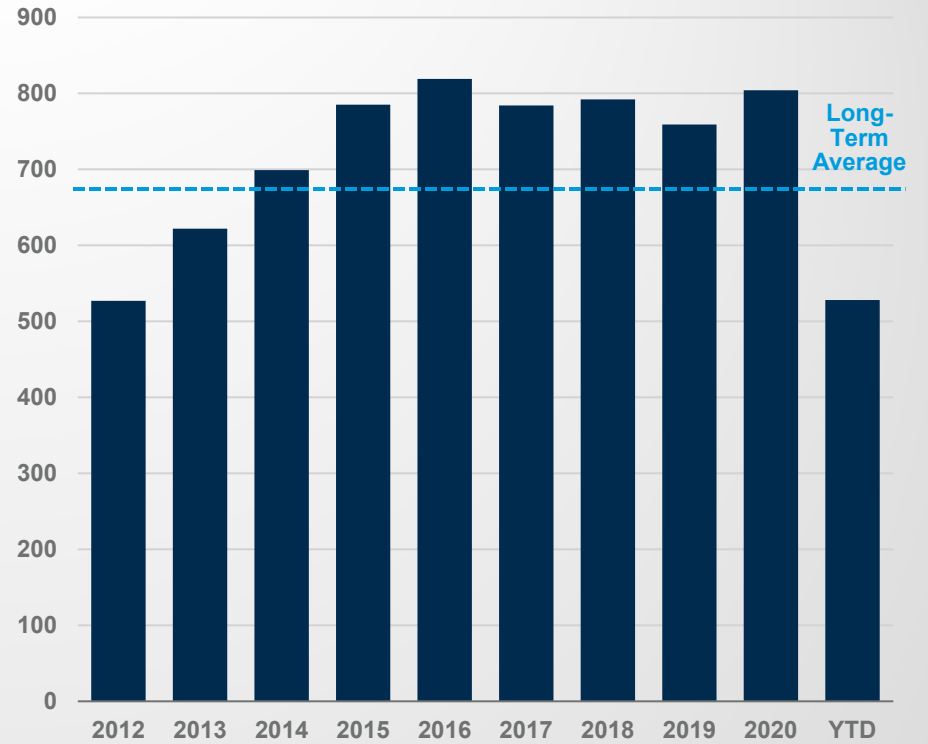
Quarterly Closings

single-family resale homes, sa



Sales by Year

single-family resale homes; long-term avg. 680



Source: Pacific
Regional MLS
w/Windermere
Economics Seasonal
Adjustments

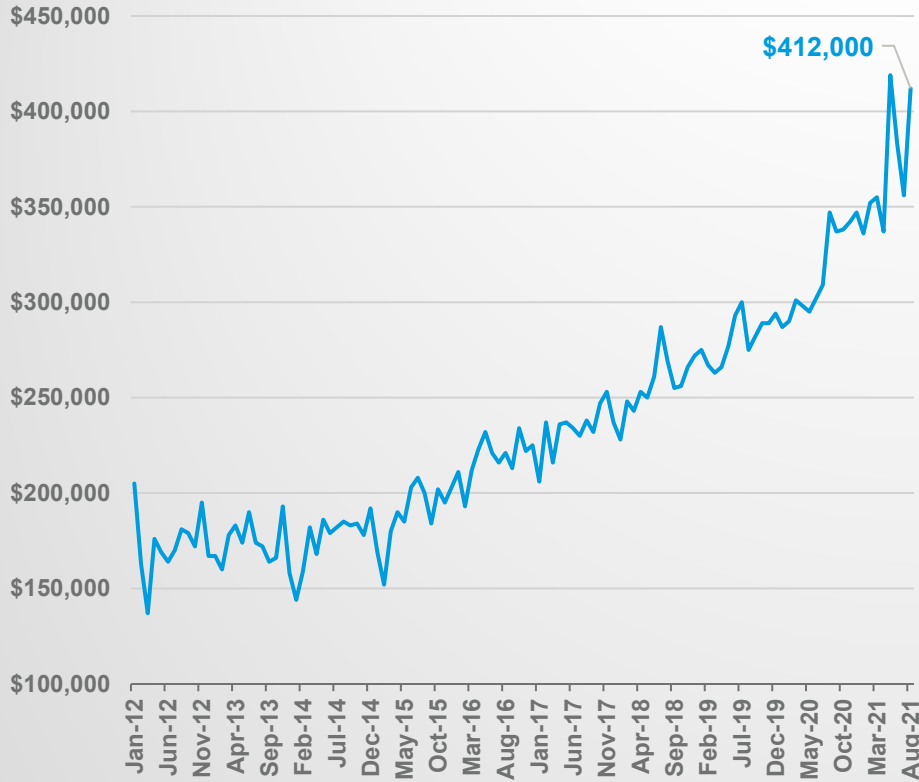
SALES ACTIVITY



WINDERMERE
Economics

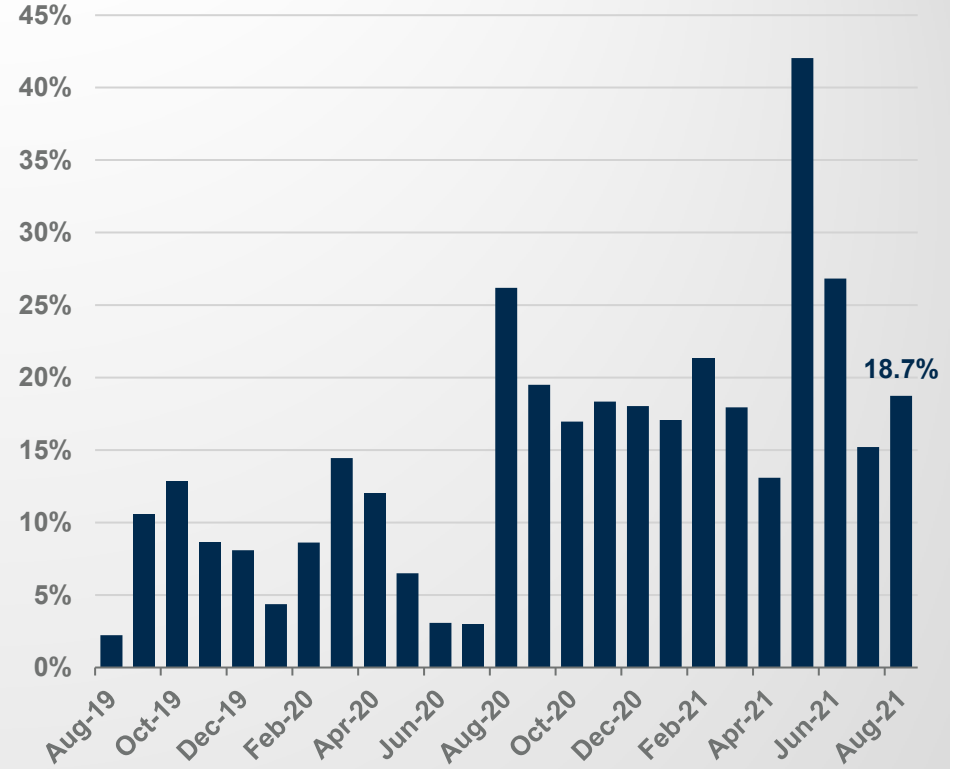
Average Sale Price

single-family resale homes; non-seasonally adjusted



Change in Average Sale Price

12-month % change; single-family resale homes; non-seasonally adjusted



Source: Pacific Regional MLS

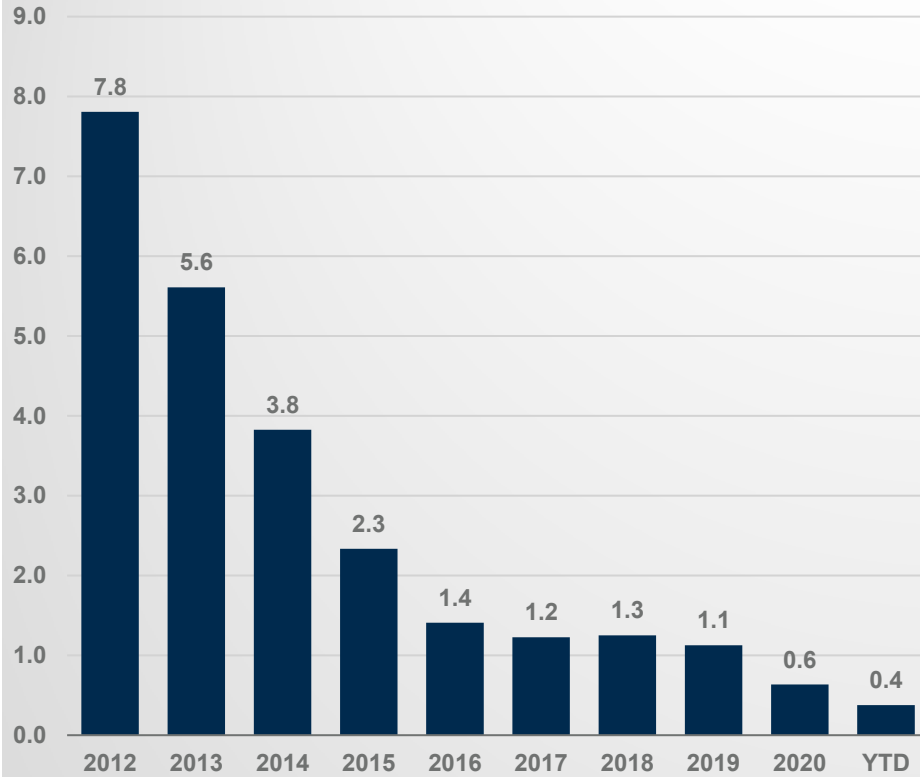
SALE PRICES



WINDERMERE
Economics

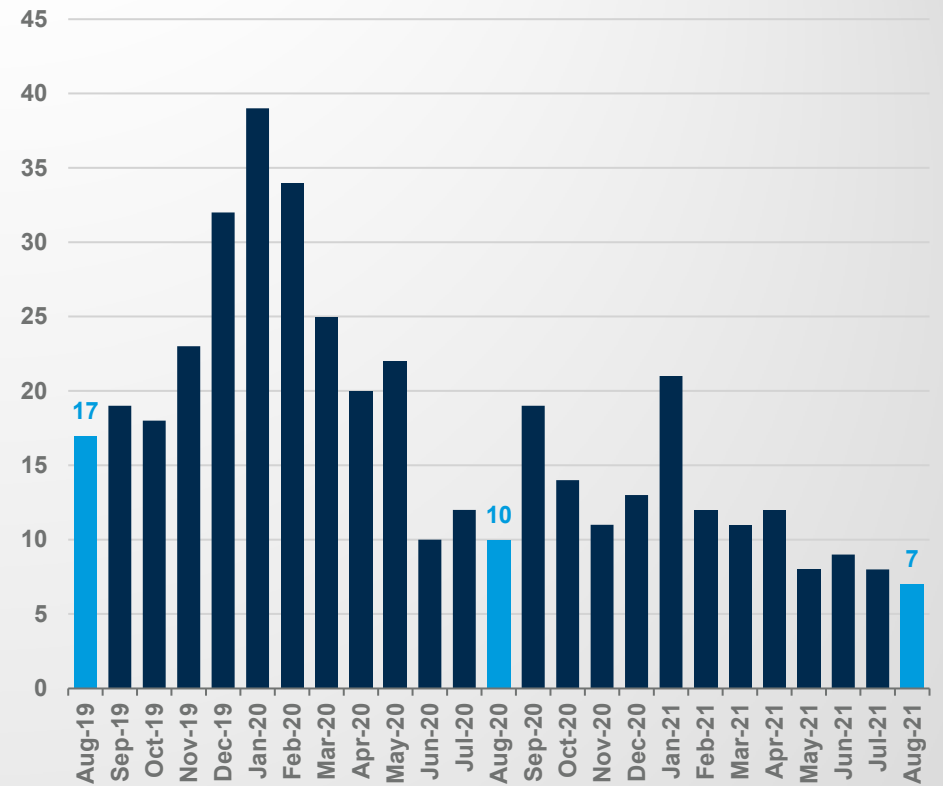
Months of Inventory

single-family resale homes; based on pending sales



Days on Market

average days; single-family resale homes; non-seasonally adjusted



Source: Pacific
Regional MLS

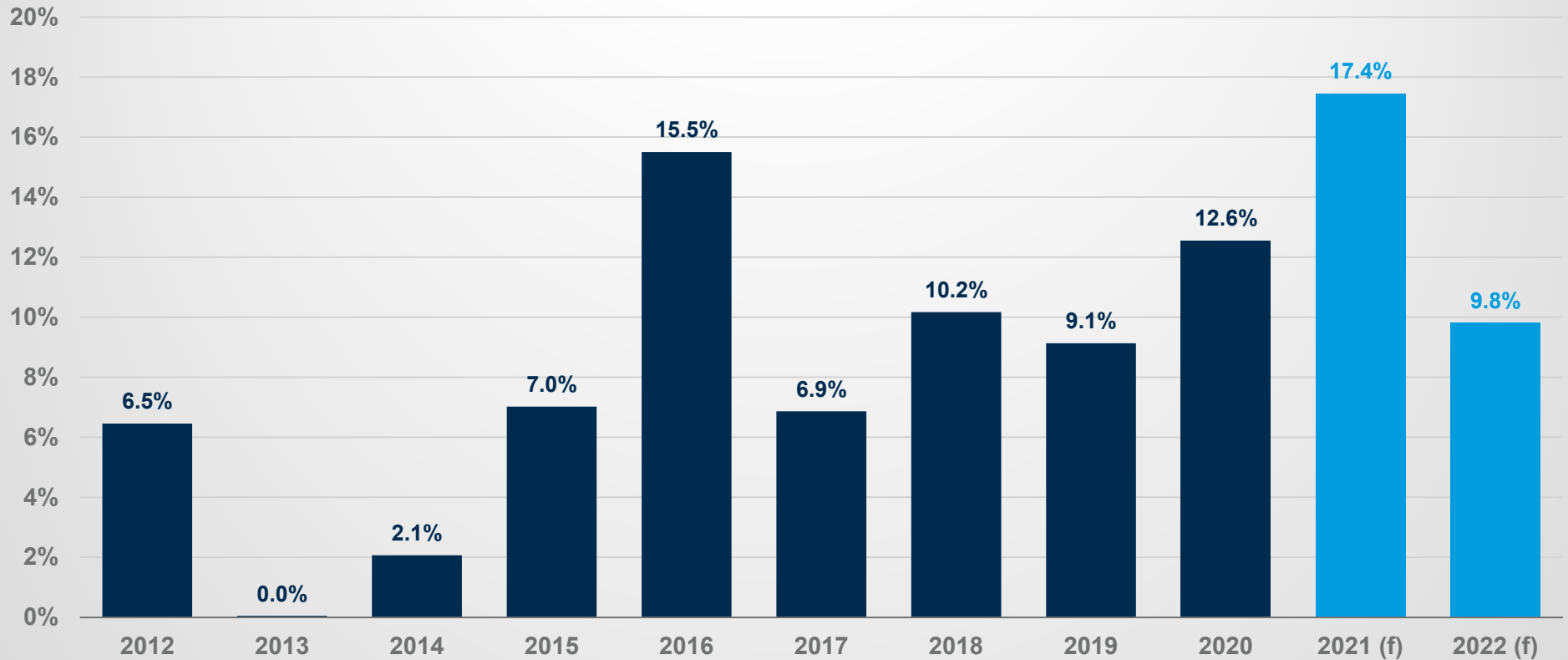
OTHER MEASURES



WINDERMERE
Economics

Average Home Price Change & Forecast

single-family resale homes



Source: Pacific
Regional MLS history
w/Windermere
Economics' forecast

FRANKLIN COUNTY HOME PRICE FORECAST



WINDERMERE
Economics

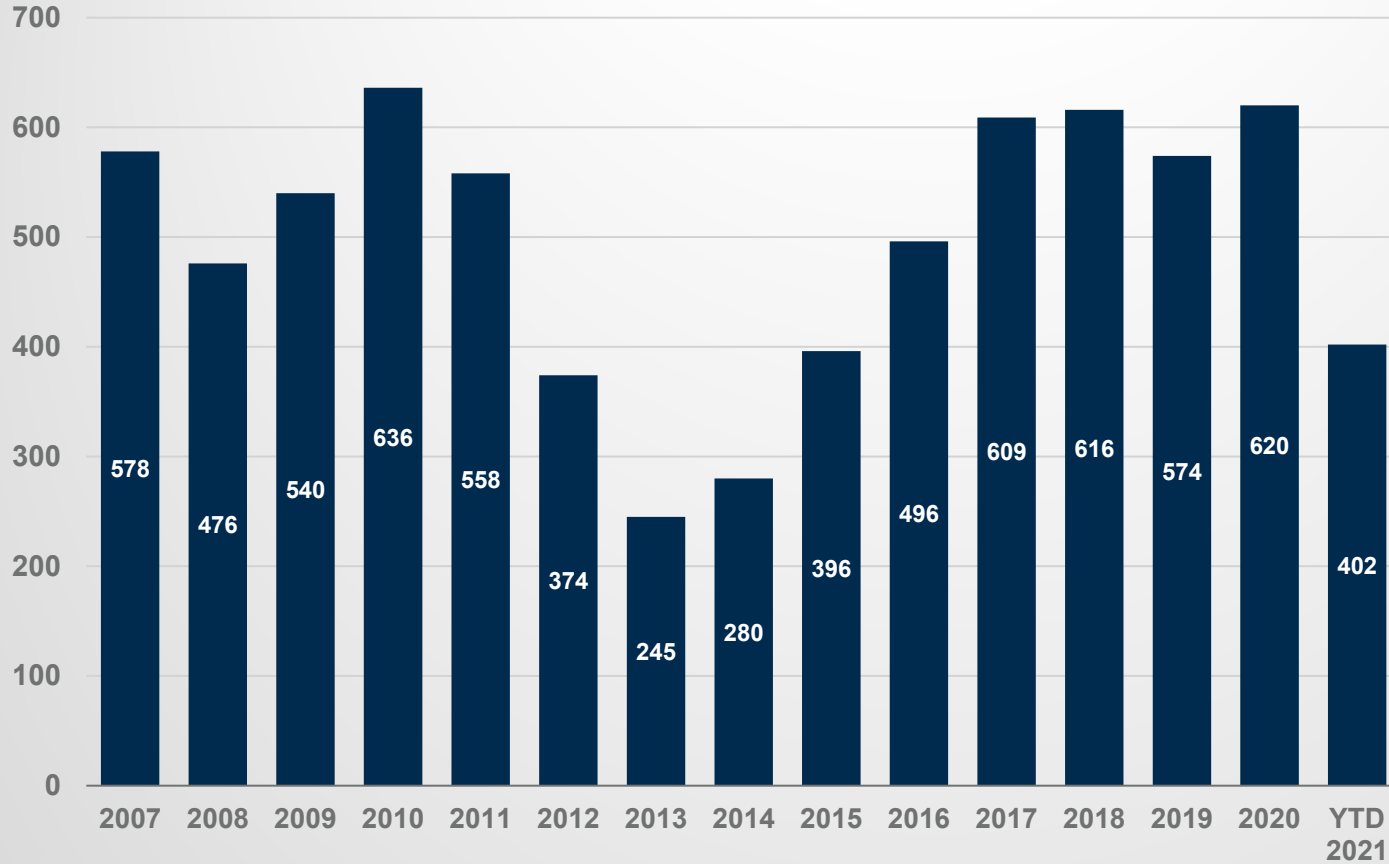
New Construction Housing Market



WINDERMERE
Economics

Single-Family Building Permits

Franklin County

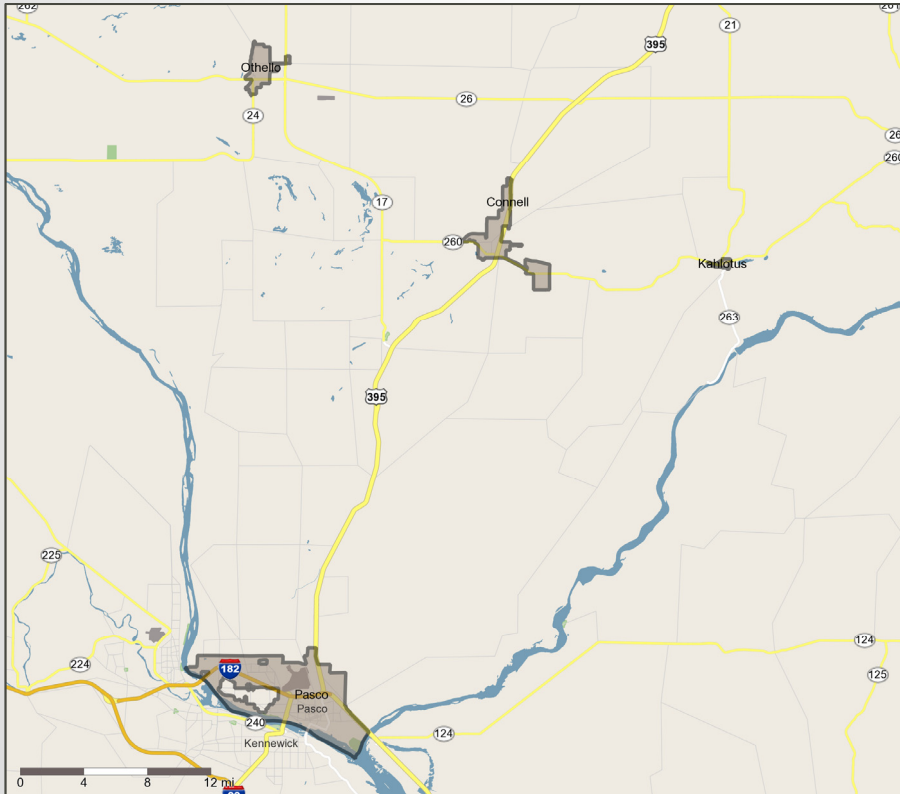


Source: Census Bureau

**Permit
Activity Just
About
Keeping Up
with
Demand**



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Economics



Single Family Permit Activity & Demand

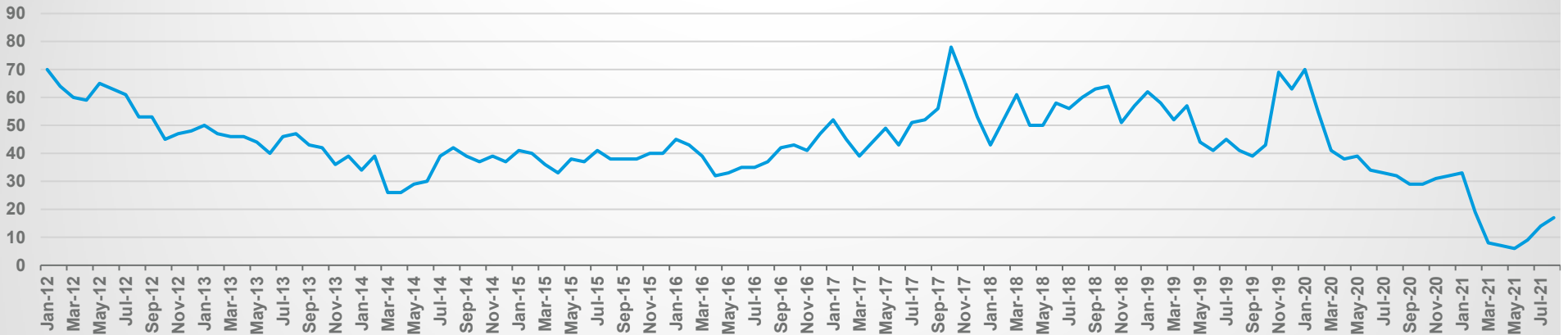
City	SF Permits (past 5-years)	Ownership Demand (next 5-years)	Surplus/ Shortfall
Connell	46	110	(64)
Kahlotus	0	3	(3)
Othello	204	117	87
Pasco	2,342	1,752	590

Source: Census Bureau history & Windermere Economics' forecasts

PERMITS VS DEMAND

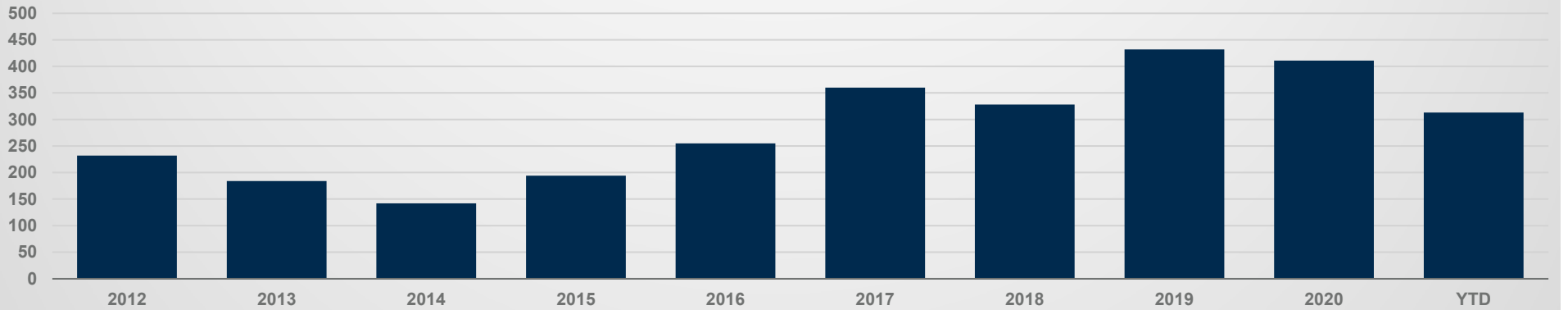
Listing Activity

Single-family new homes; non-seasonally adjusted



Sales by Year

single-family new homes



Source: Pacific Regional MLS

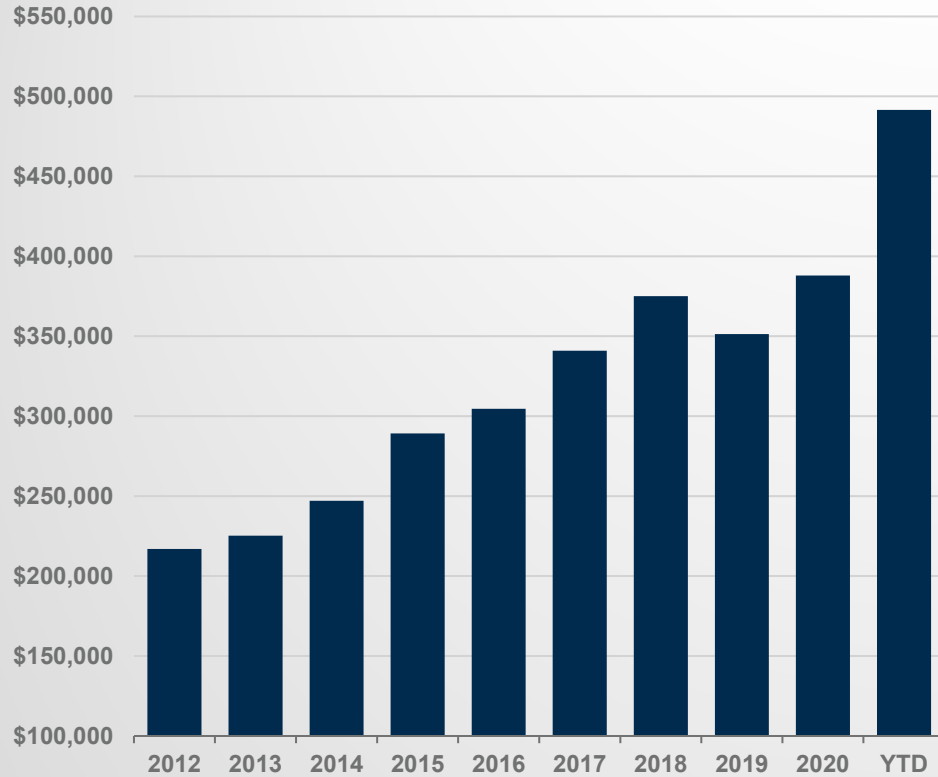
LISTING & SALES ACTIVITY



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Economics

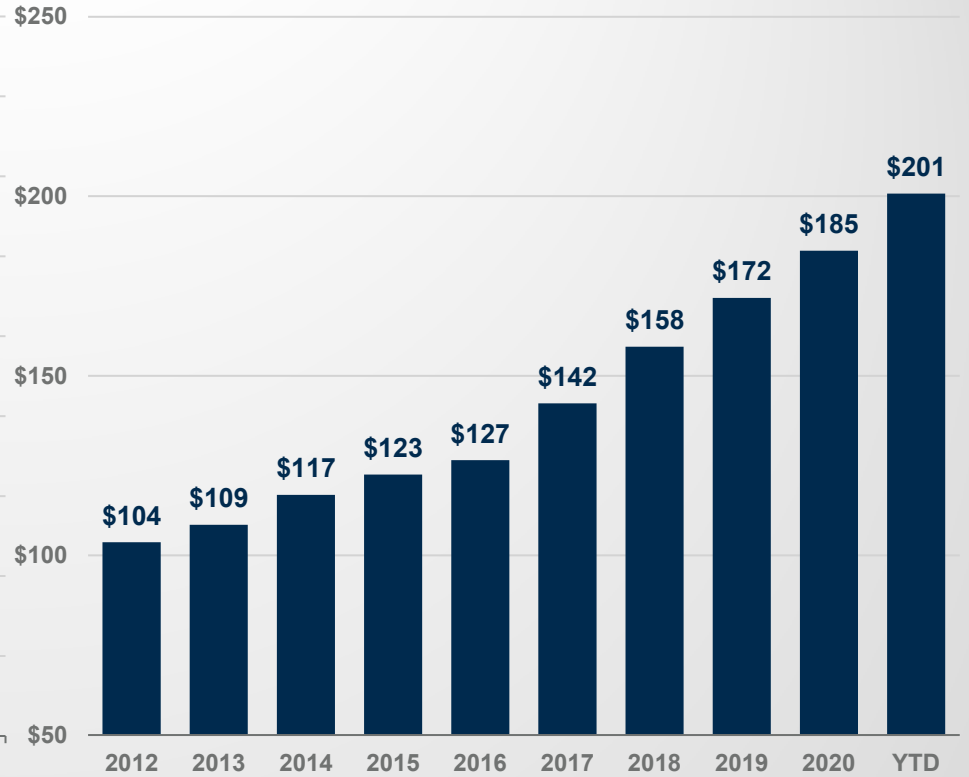
Average Sale Price

single-family new homes; nsa



Sale Price by Square Foot

single-family new homes; average price



Source: Pacific Regional MLS

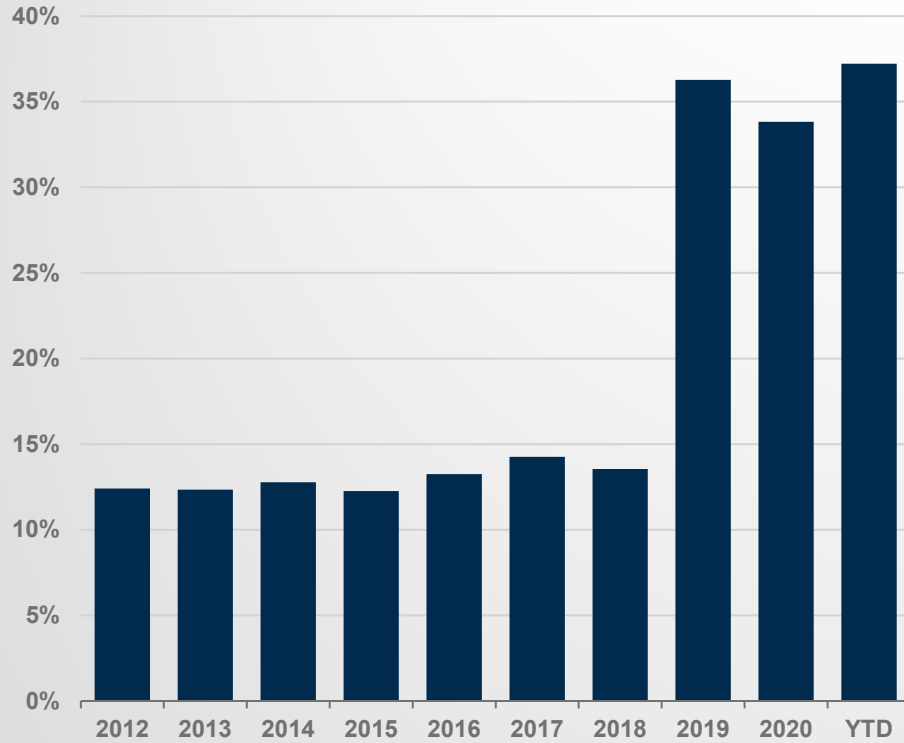
SALE PRICES



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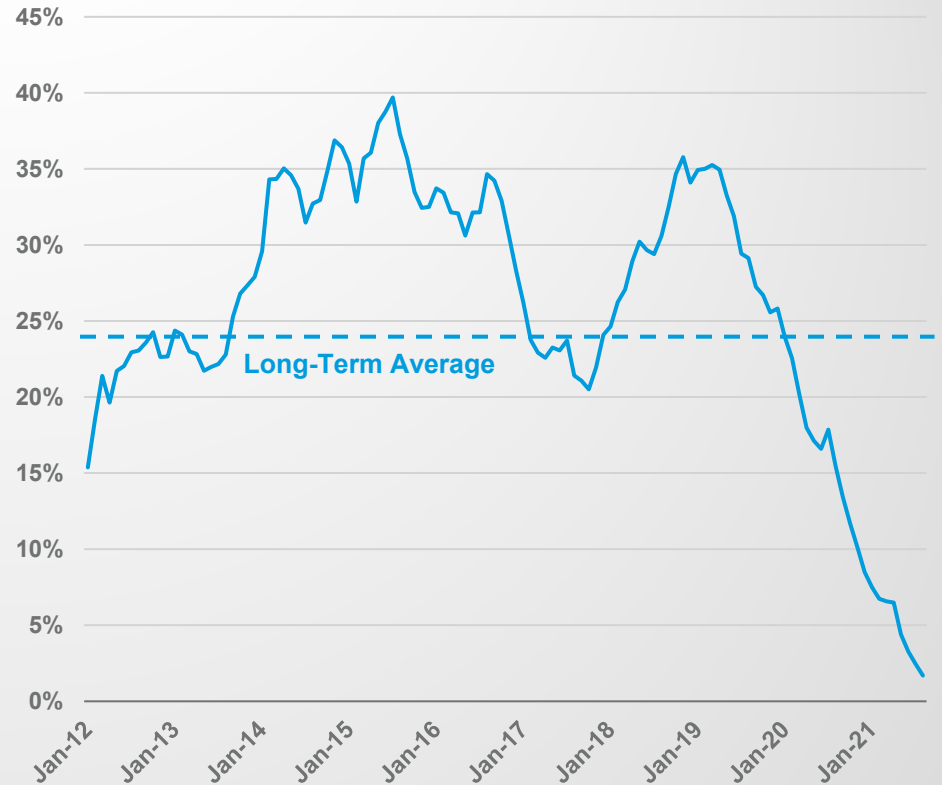
New Construction Share of Total Sales

single-family homes; non-seasonally adjusted



New Home Price Premium vs Resales

12-month average spread; single-family housing; long-term average 24.6%

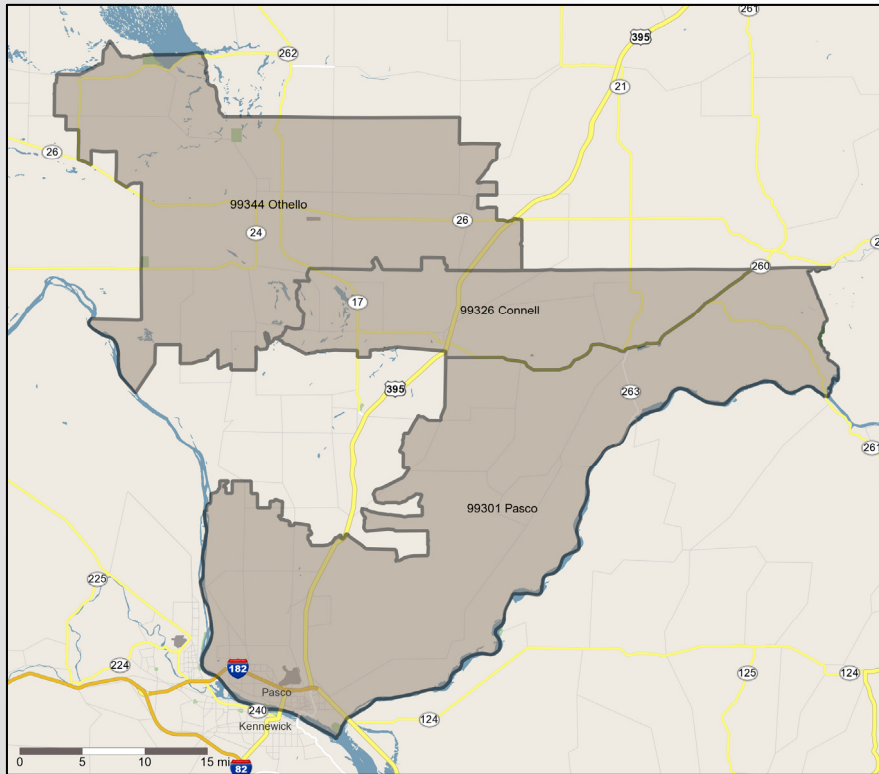


Source: Pacific
Regional MLS

OTHER MEASURES



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City	Share of Homes in Forbearance	Total HDD's in Forbearance
Connell City	4.3%	21
Othello	2.7%	51
Pasco	4.3%	546
Franklin Co.	4.3%	590

Source:
Black Knight
Financial
(as of 4/2021)

SHARE OF HOMES IN FORBEARANCE



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- Modest Increase in Listing Activity is Pleasing – But the Market is Far from “Normal”;
- Price Growth Will Slow as Affordability Issues Rise;
- First-Time Buyer Demand Will Remain Robust – Limited Only by Affordability; &
- Second Home Buyers Continue to Be a Factor.

Final Thoughts



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Any Questions?



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LEGAL STUFF!



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