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Economics

An Economic & New Construction Housing Market Forecast

Presented by: Matthew Gardner

CHIEF ECONOMIST WINDERMERE REAL ESTATE

U.S. New Homes



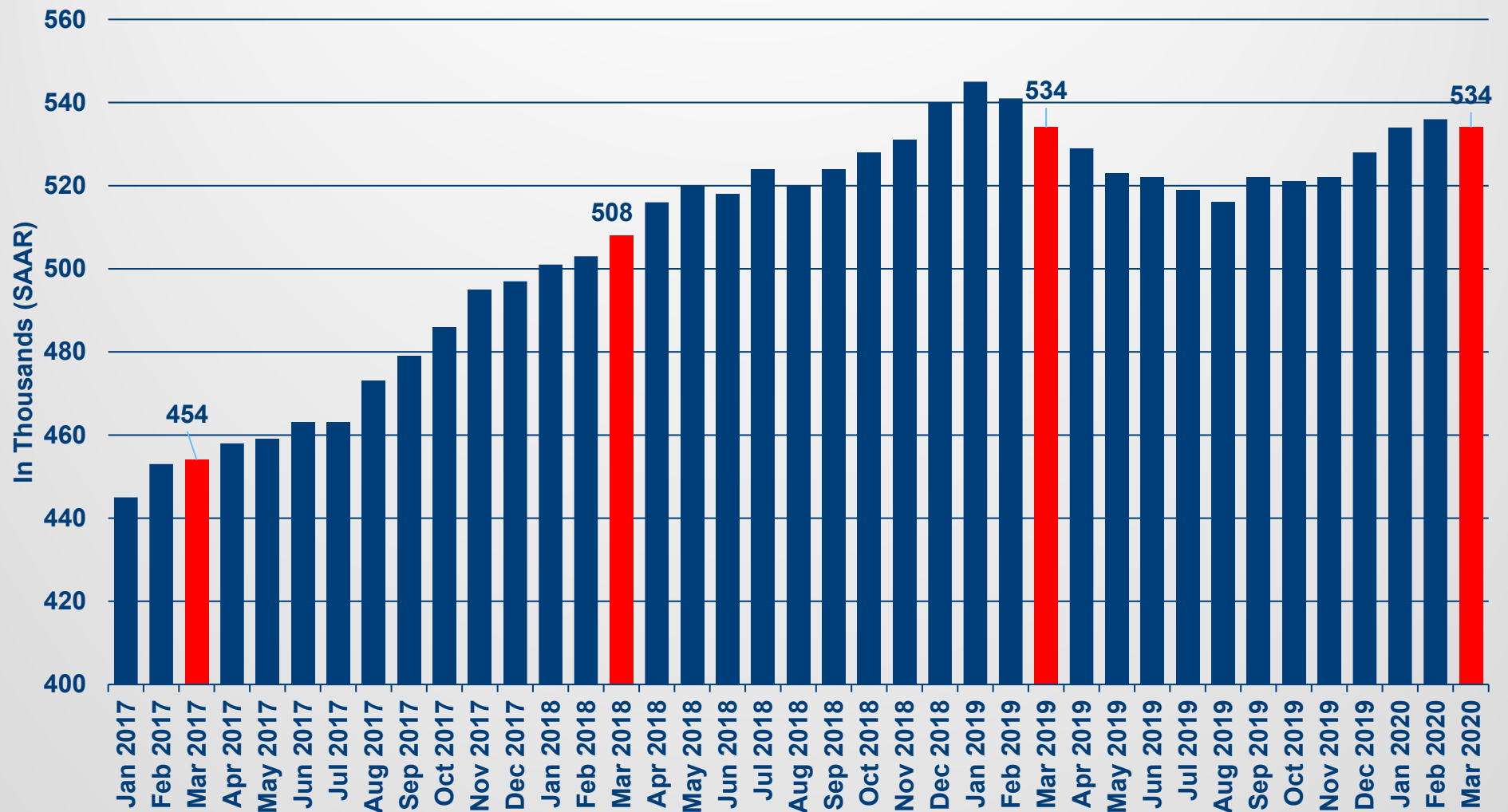
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Construction Activity Remain Muted



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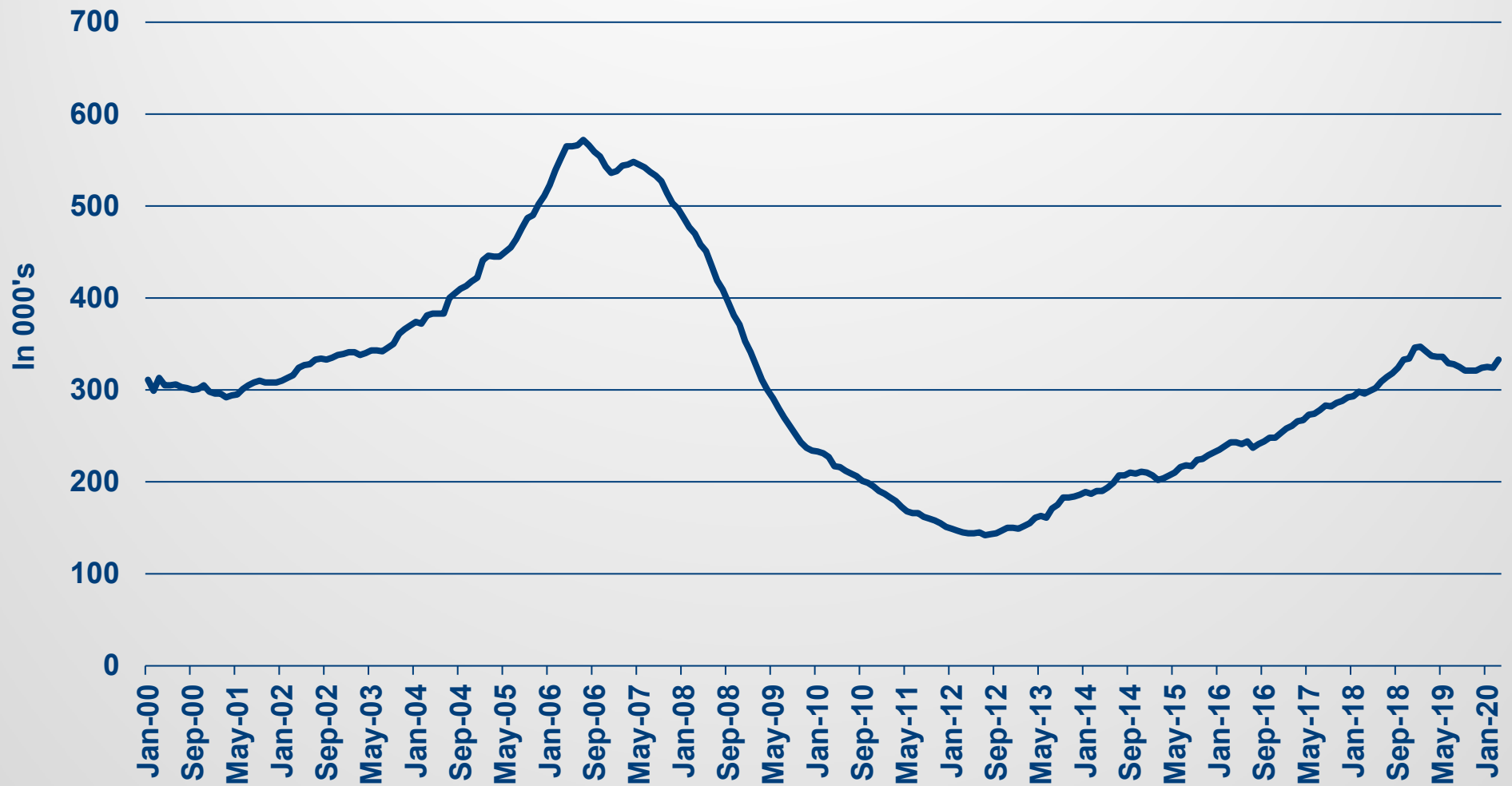
Single Family Homes Under Construction



Source: Census Bureau

Listings Have Pulled Back

New Homes For Sales (SA)



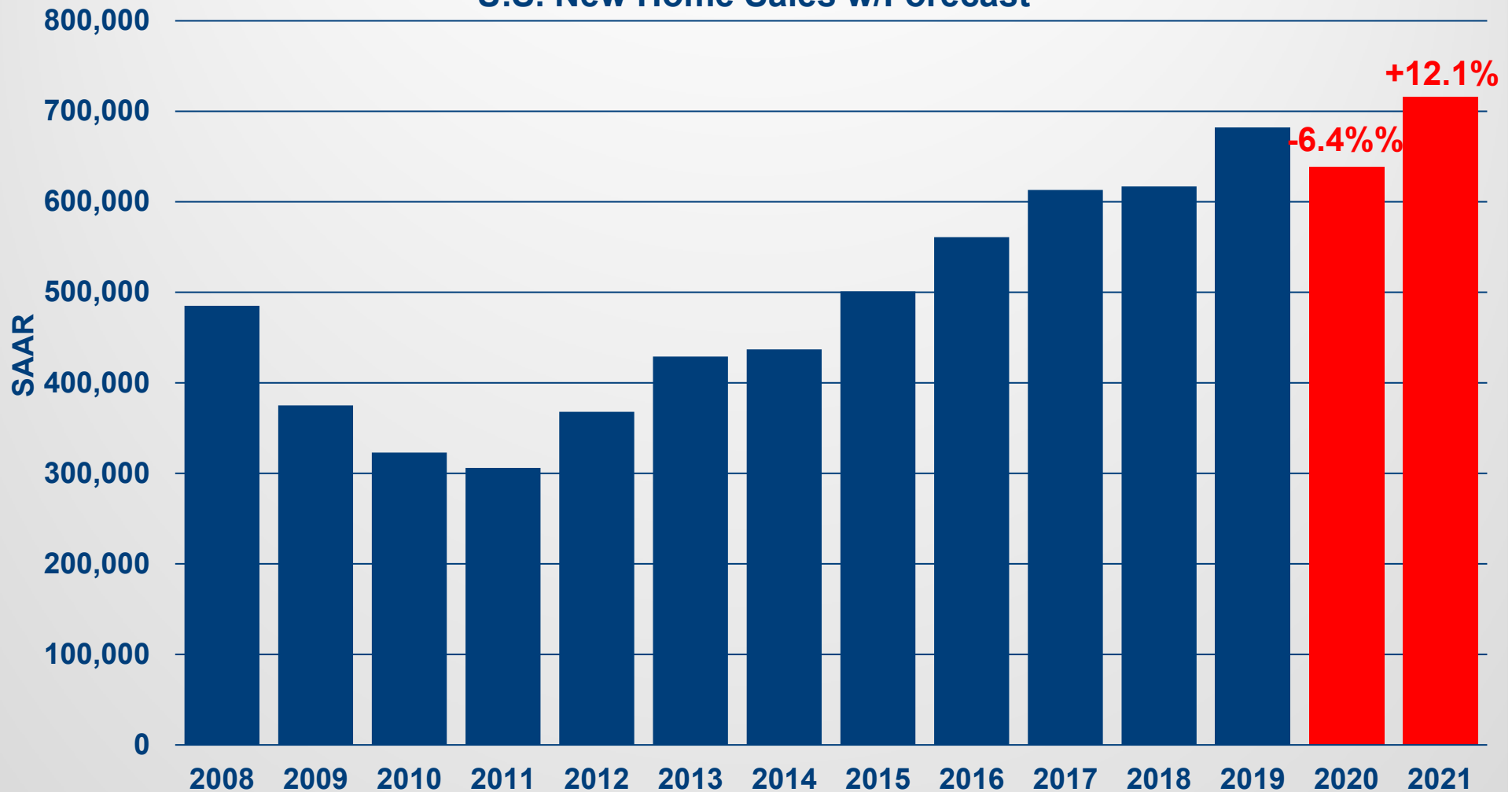
Source: Census Bureau

Look for Sales to Pick Back Up in 2021



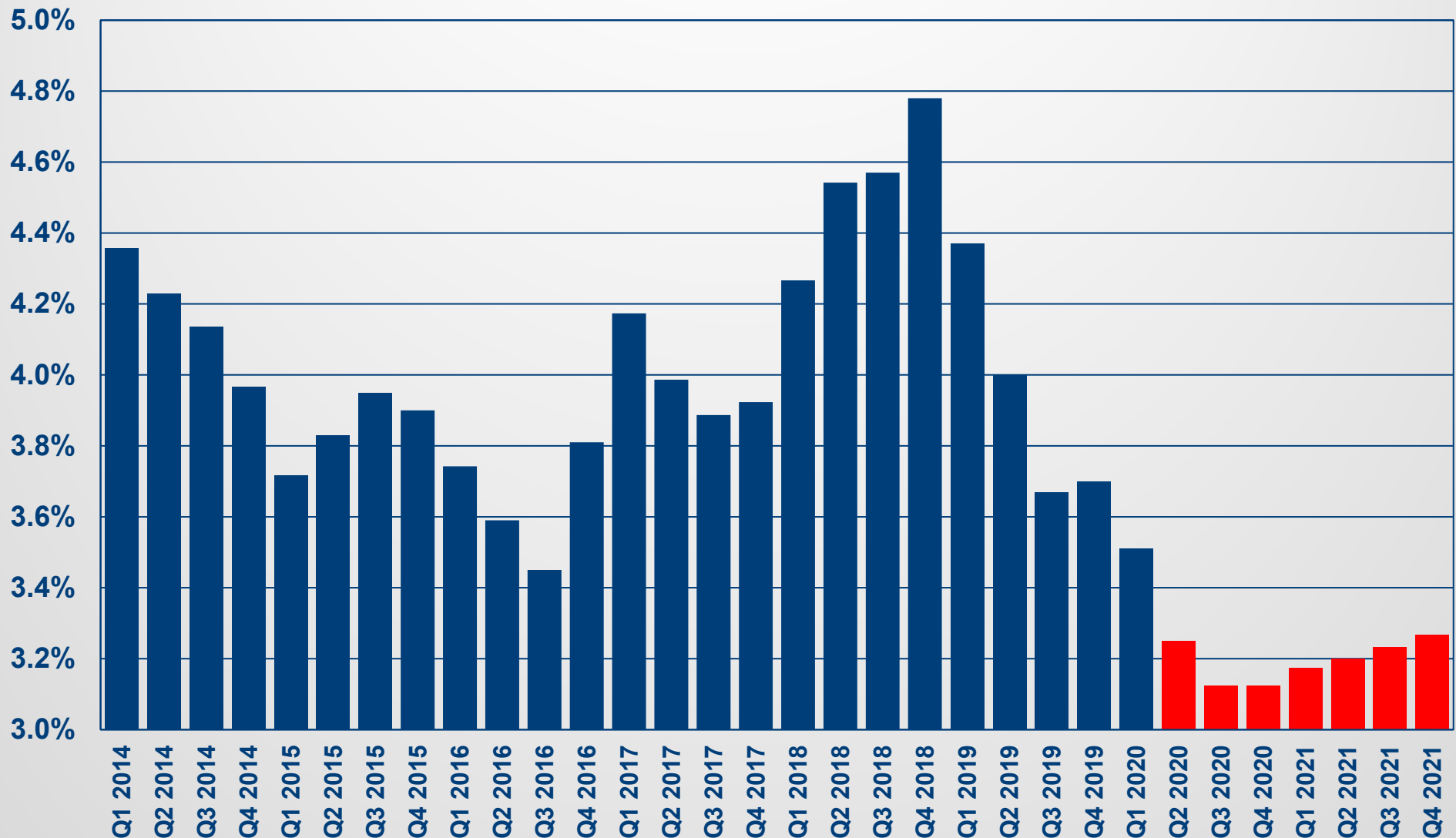
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U.S. New Home Sales w/Forecast



Source: Census Bureau History & Windermere Economics' Forecast

Mortgage Rate Forecast (Avg. 30 Year)



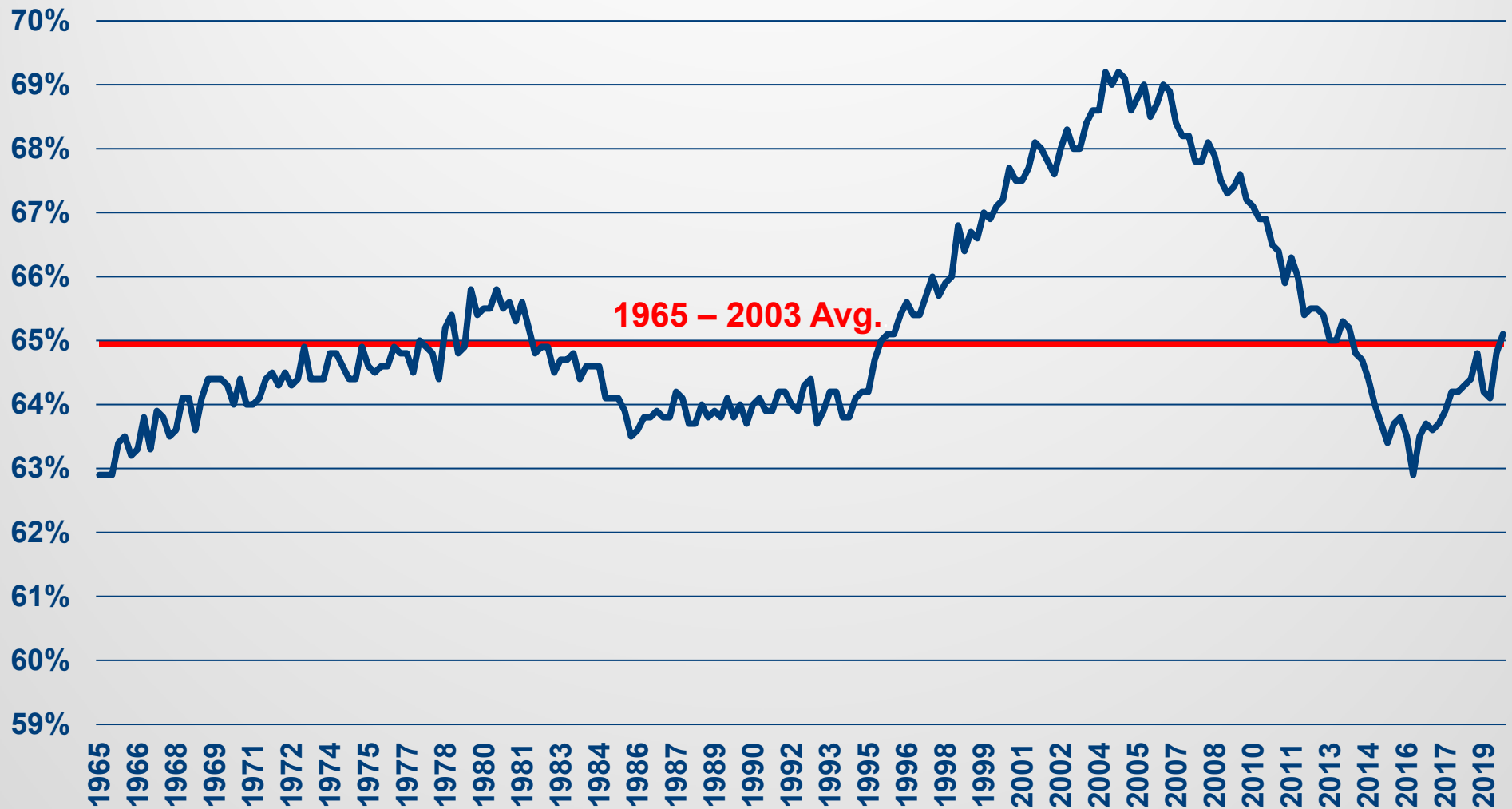
Source: Freddie Mac History & Windermere Economics Forecasts

Homeownership Rates Show Rising Demand



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U.S. Homeownership Rate



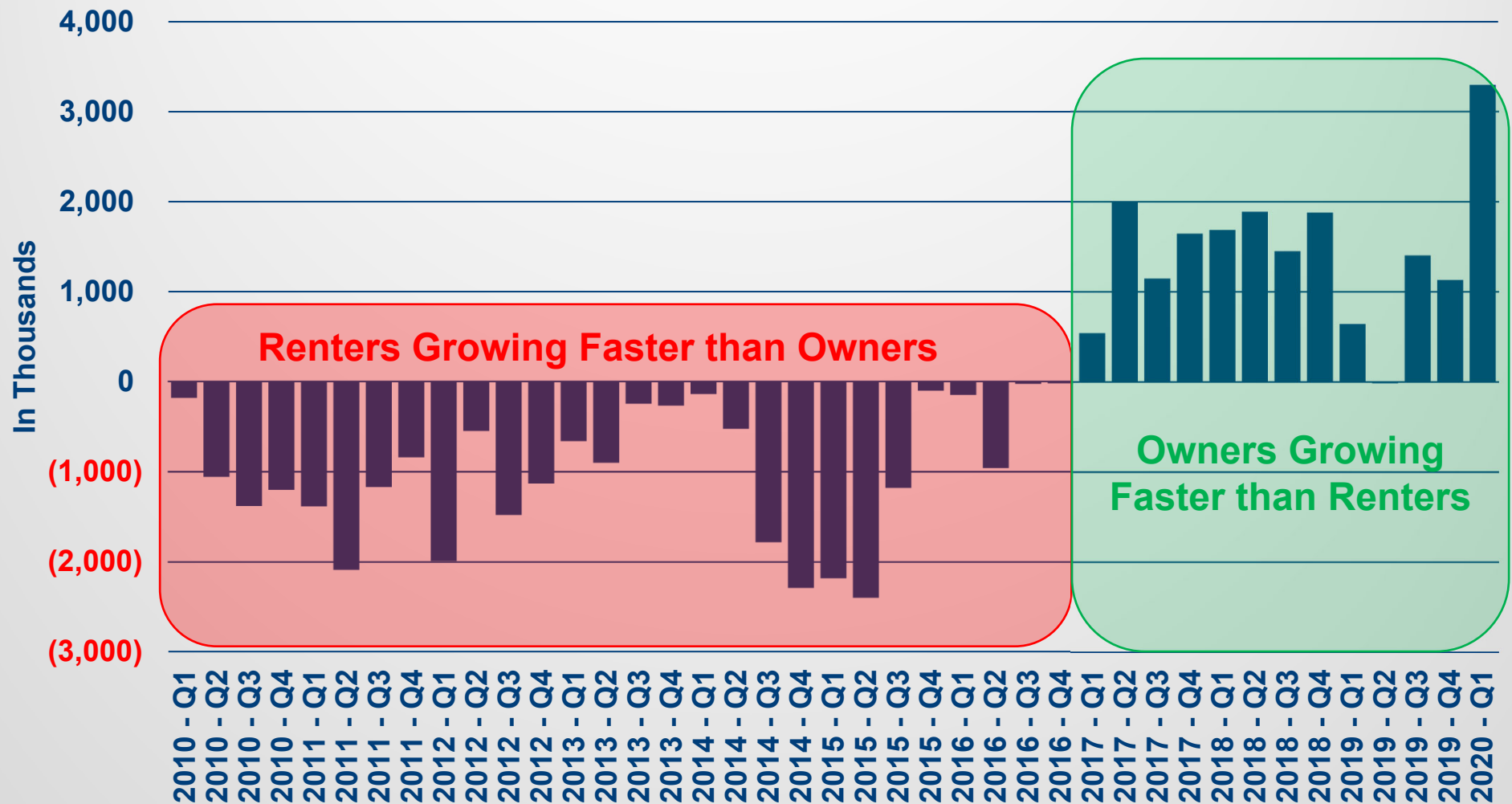
Source: U.S. Census – Data Thru' Q1-2020

As We Shift Back in Favor of Homeownership



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New U.S. Household Formations by Type



Source: U.S. Census Household Formations: Y/Y Change in Owner Households less Y/Y Change in Renter Households

U.S. New Home Sales by Price Range (in 000's of Units)



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Period	Under \$149K	\$150K - \$199K	\$200K - \$249K	\$250K - \$299K	\$300K - \$399K	\$400K - \$499K	\$500K - \$749K	\$750K+
2Q-2018	5	20	25	31	41	23	22	11
Q3-2018	4	11	23	22	37	22	18	10
Q4-2018	5	10	20	20	32	18	15	6
Q1-2019	5	13	31	29	43	25	21	7
Q2-2019	4	14	32	29	49	27	23	9
Q3-2019	3	14	29	28	41	22	22	9
Q4-2019	3	11	25	26	39	21	22	8
Q1-2020	4	15	32	30	46	27	23	9
Y/Y Change	-20%	15%	3%	3%	7%	8%	10%	29%

Source: Census Bureau

West Coast New Home Sales by Price Range

(in 000's of Units)

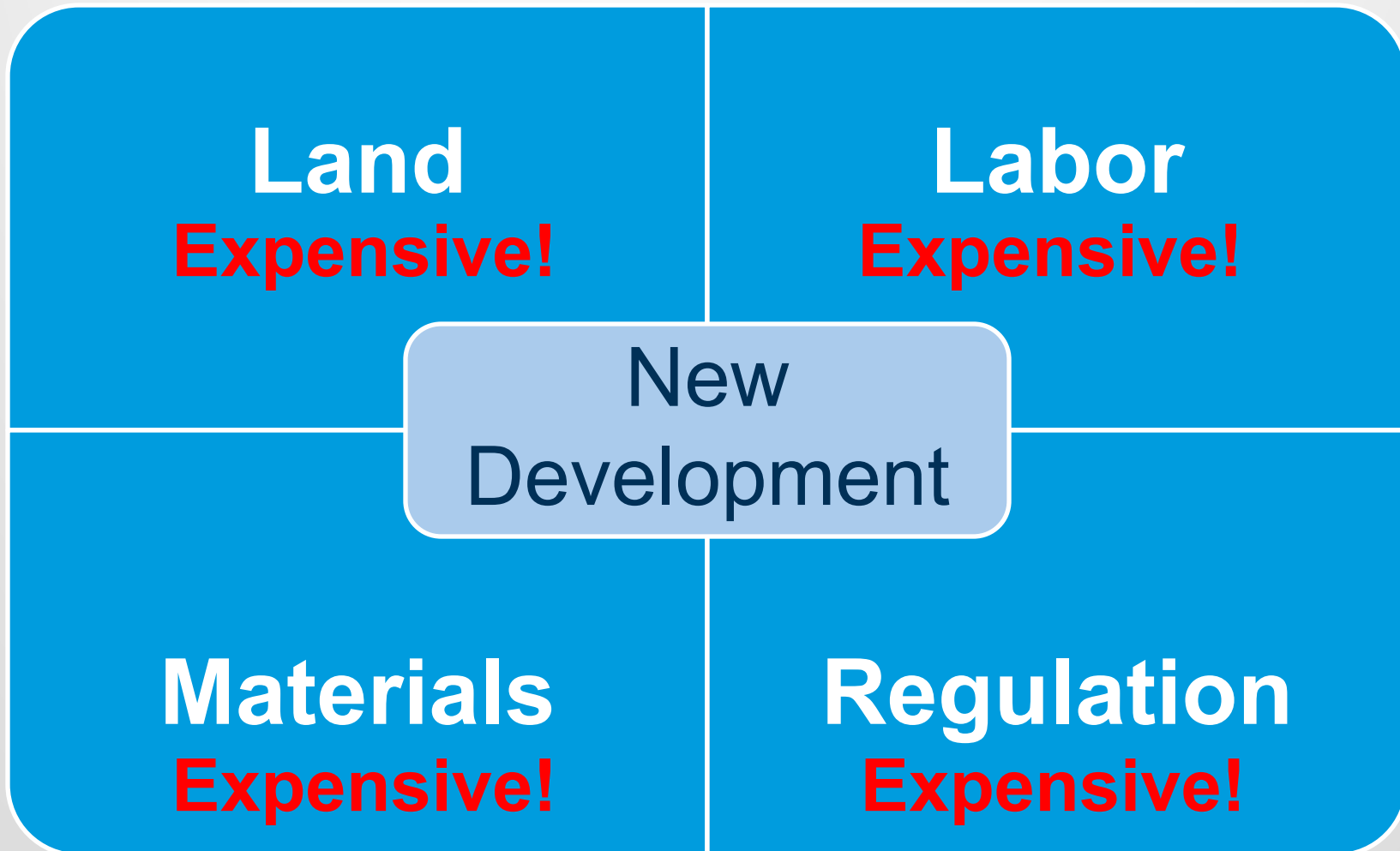


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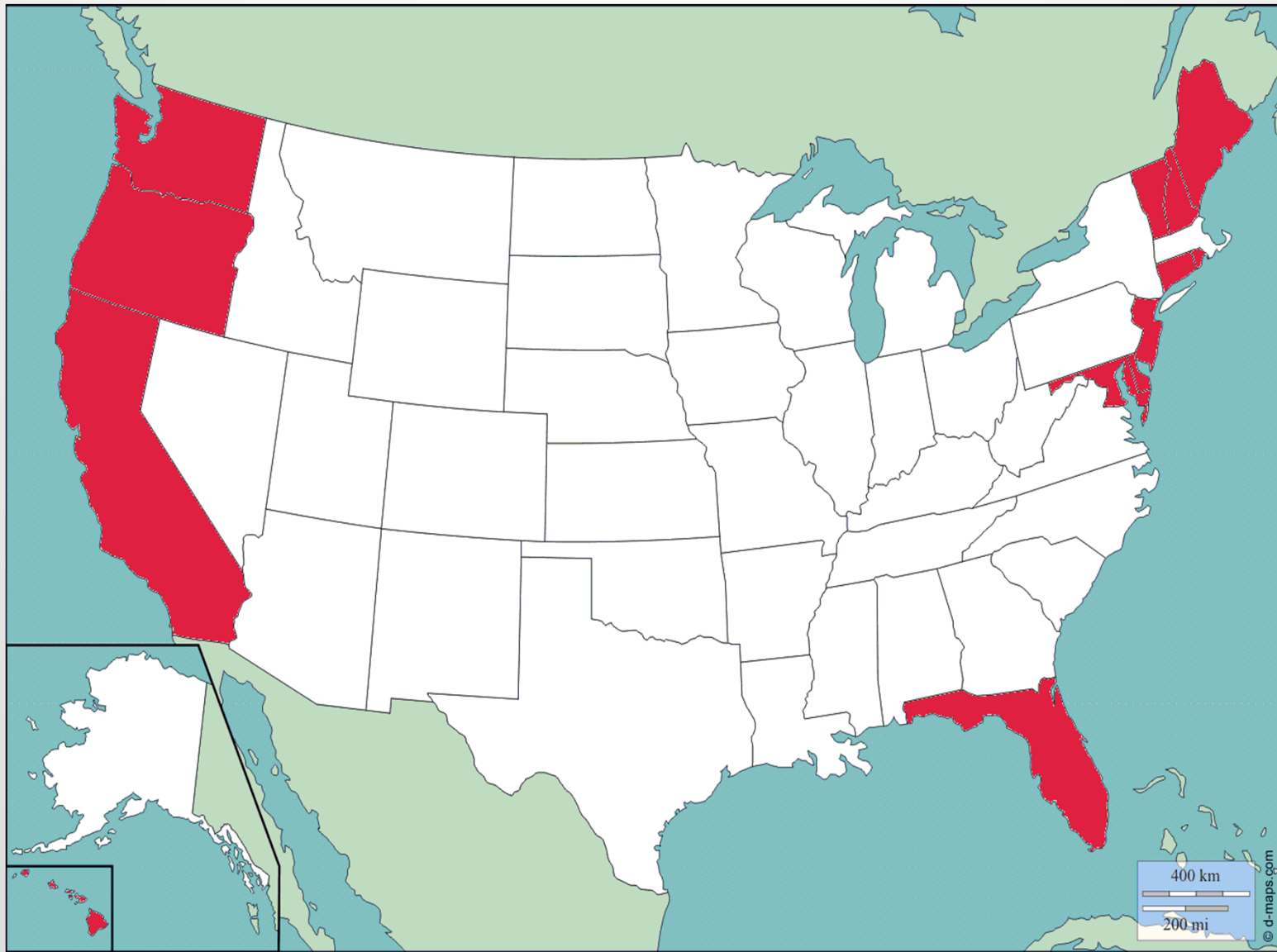
Period	Under \$200K	\$200K - \$300K	\$300K - \$499K	\$500K - \$749K	\$750K+
2Q-2018	1	9	20	9	5
Q3-2018	1	6	21	7	4
Q4-2018	1	5	16	6	3
Q1-2019	1	7	27	11	3
Q2-2019	1	8	26	11	4
Q3-2019	1	8	20	10	3
Q4-2019	1	7	20	11	4
Q1-2020	(Insufficient Data)	7	29	13	5
Y/Y Change	N/A	0%	7%	18%	67%

Source: Census Bureau

The 4-Corners of Housing Development



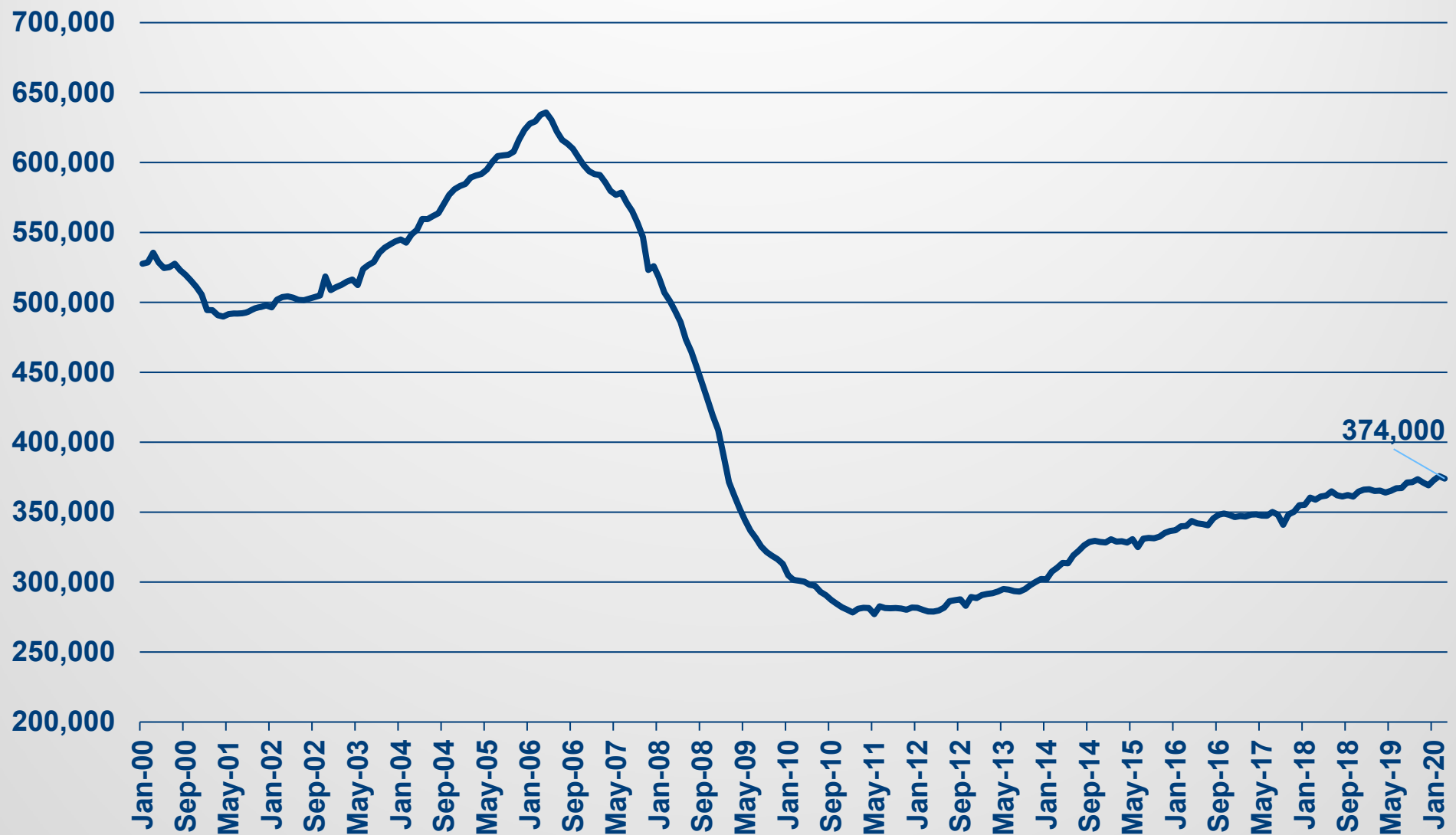
States with Growth Management Laws



SB-6536 (Failed)

- Introduced by Senator Das in February;
- Bill Allowed Development of Duplexes, Townhomes, & Courtyard Apartments in Existing Single-Family Zoned Areas;
- Impacts Cities w/Populations Greater than 15,000 (WA has 80 Such Cities) & Allows Duplexes in Single Family Areas in Cities with Populations of 10K to 15K.

Job Openings in Construction (U.S.)

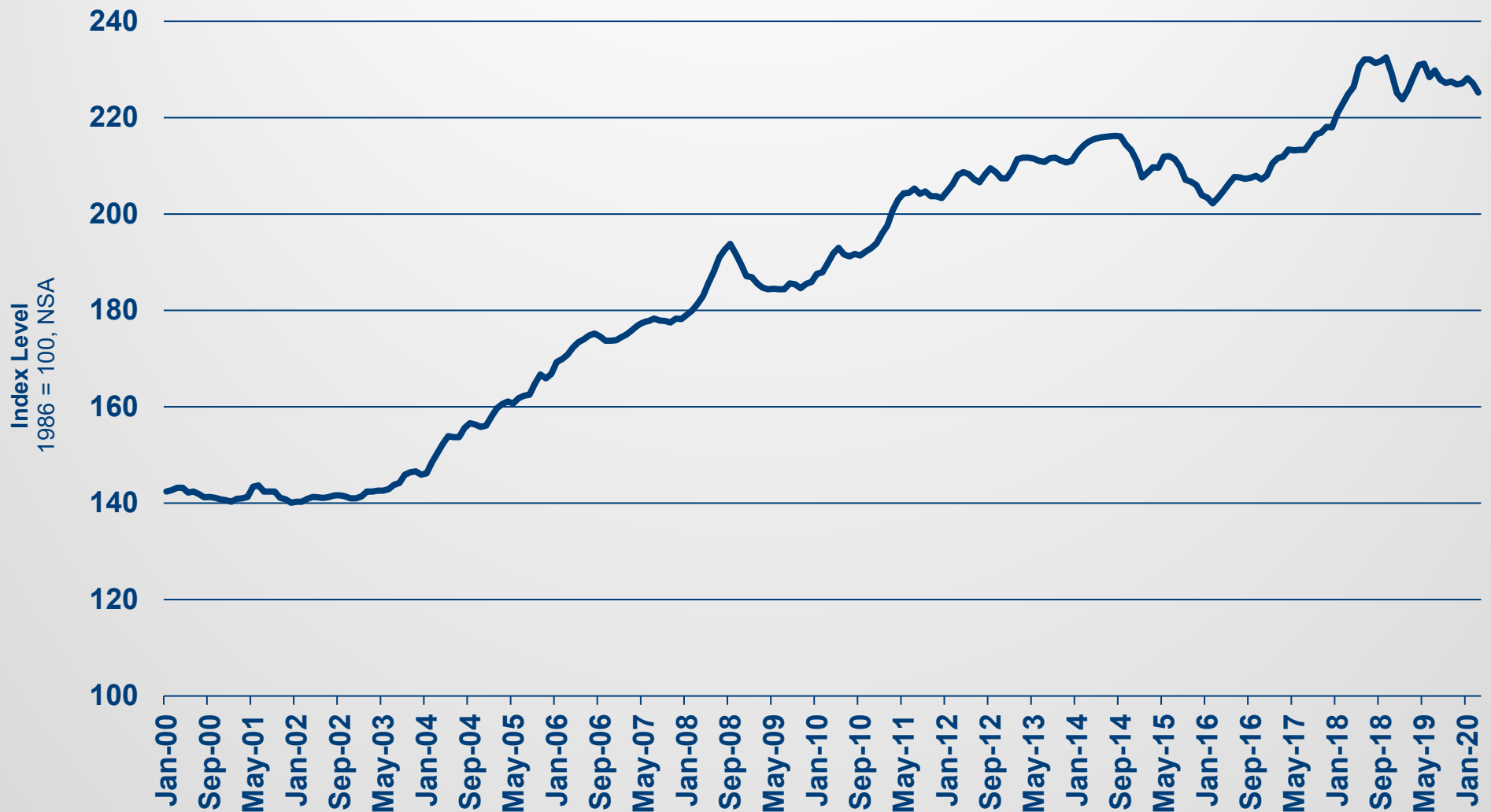


Source: U.S. Census – Data thru 03/20

Material Costs are Starting to Soften (a Bit!)



PPI: Inputs to Residential Construction



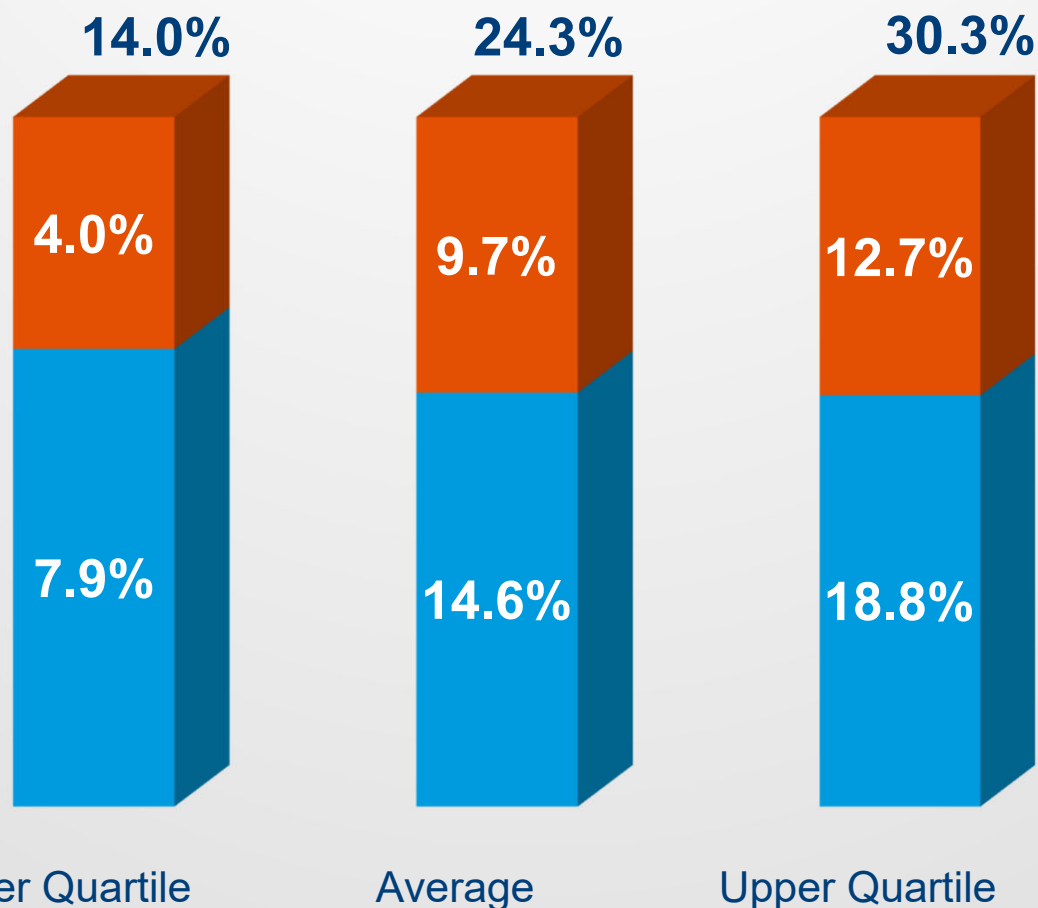
Source: BLS

Regulatory Fees are Up by 29% over the Past 5-Years



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Regulatory Costs as a Share of Home Price

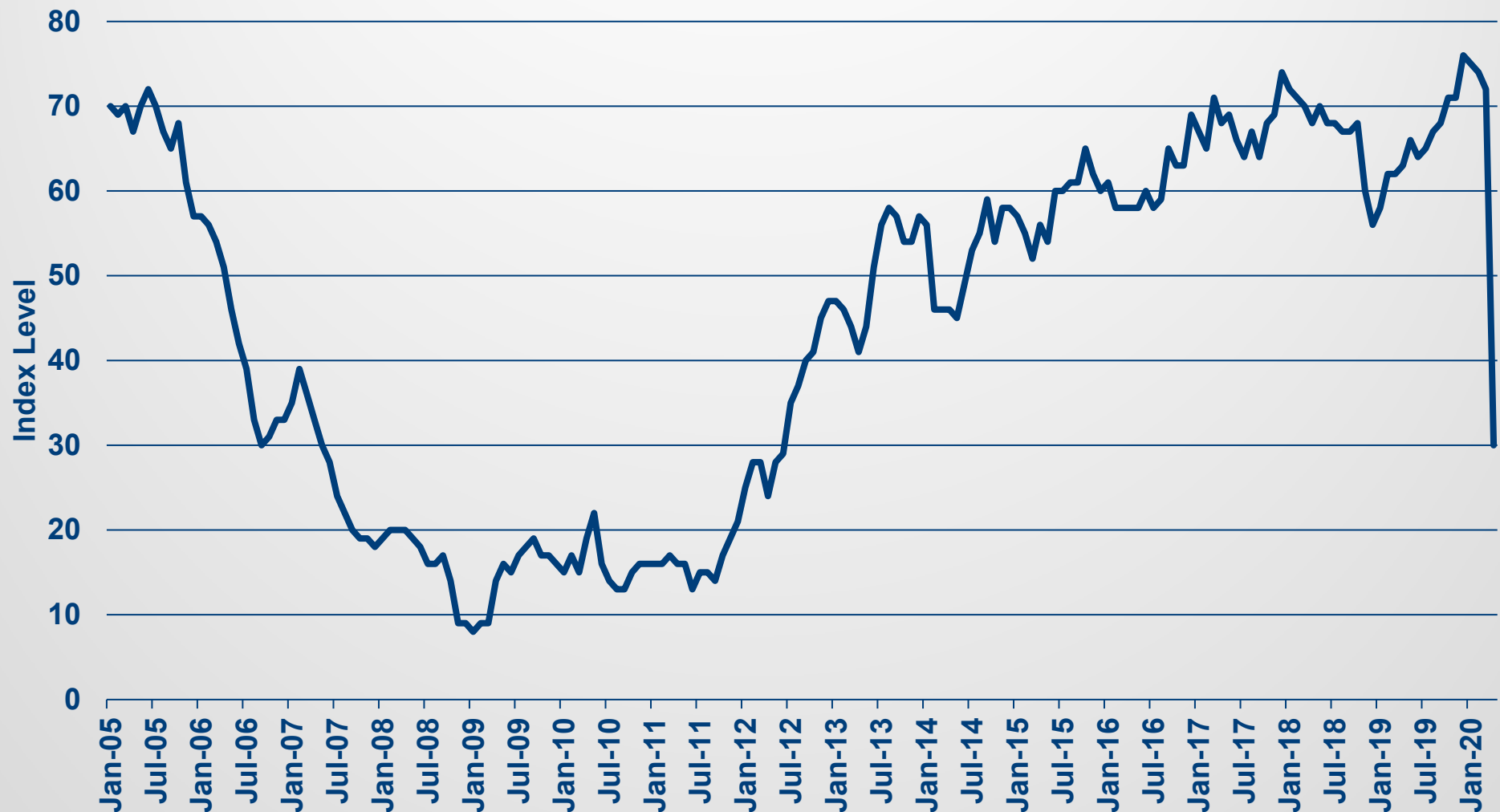


■ During Development

■ During Construction

Builder Sentiment Back at 2012 Levels

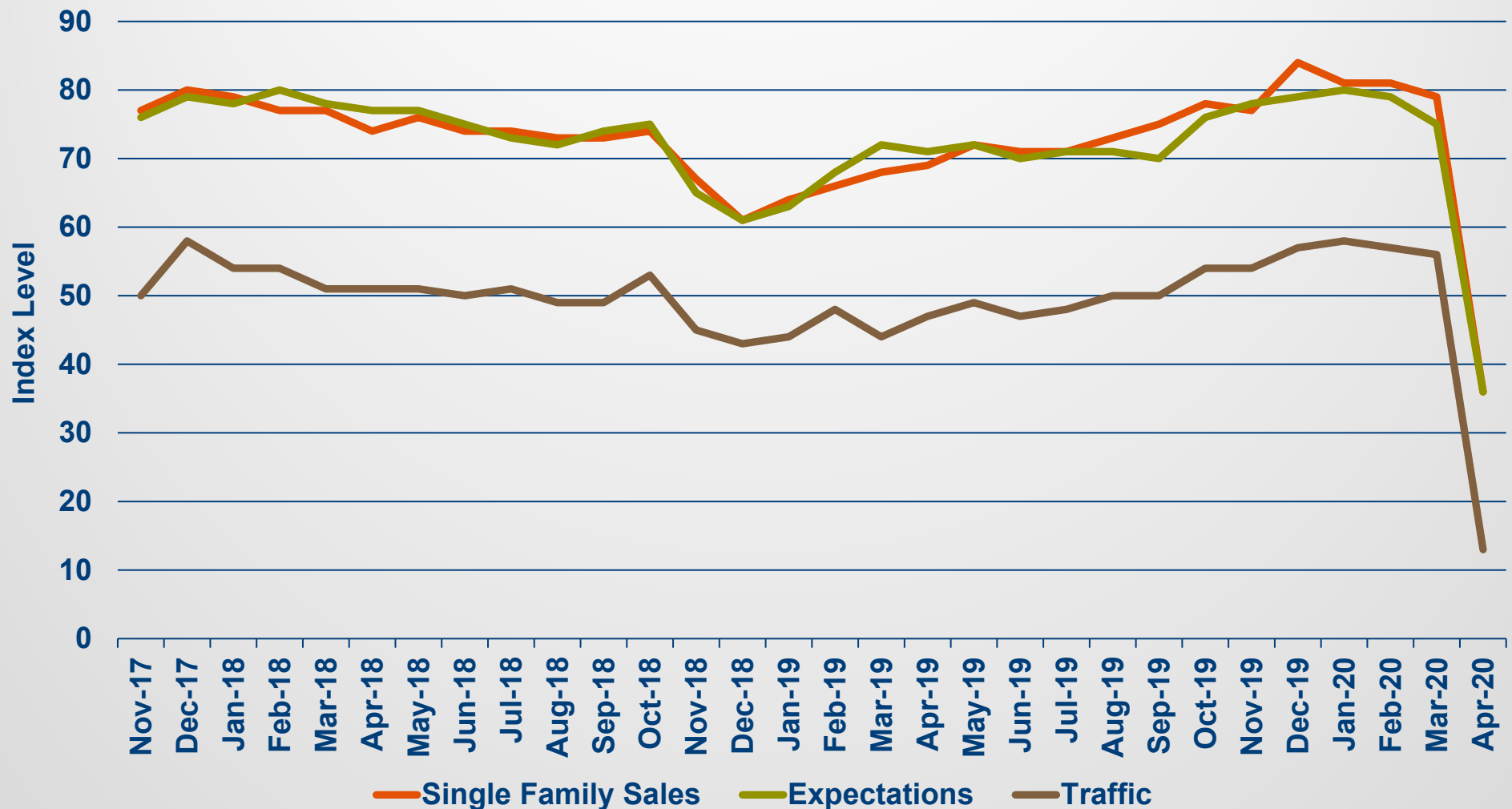
NAHB Housing Market Index (SA)



Source: NAHB

April was a Month to Forget!

NAHB Housing Market Index



The Seattle Metro Area Economy

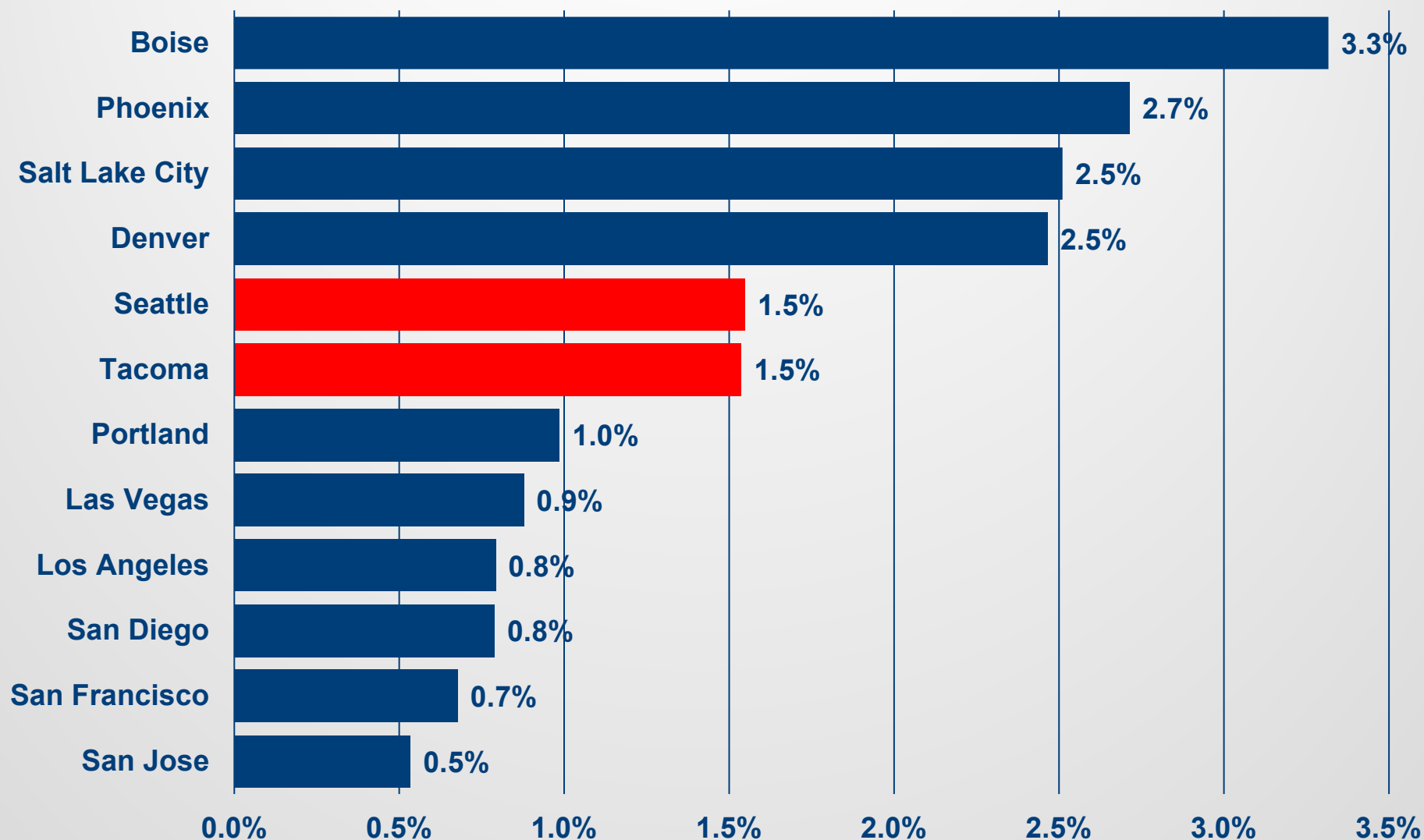


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Comparative Employment (y/y)



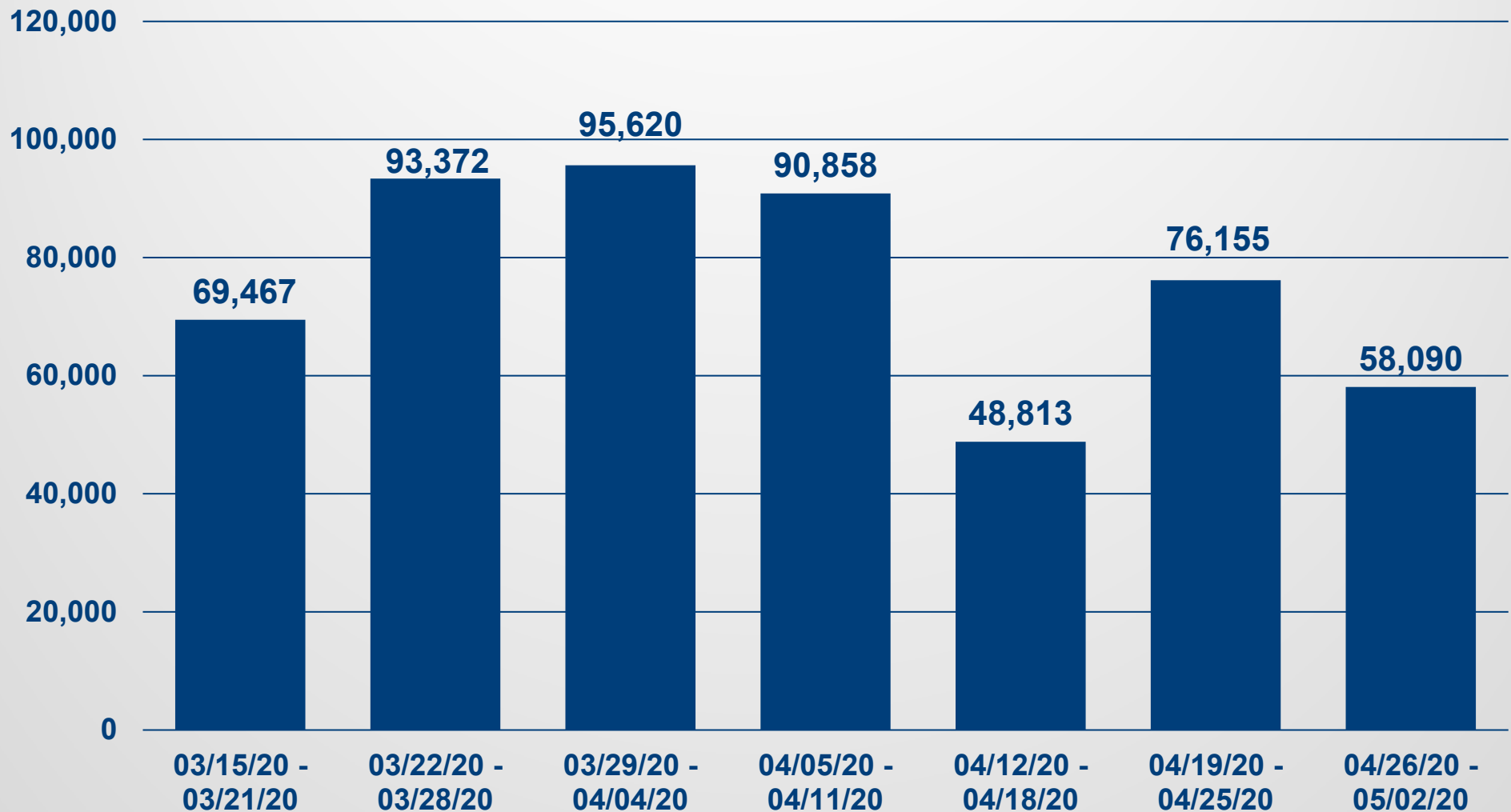
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Source: BLS – Mar. 2019 to Mar. 2020

Initial Unemployment Claims

4-County Area



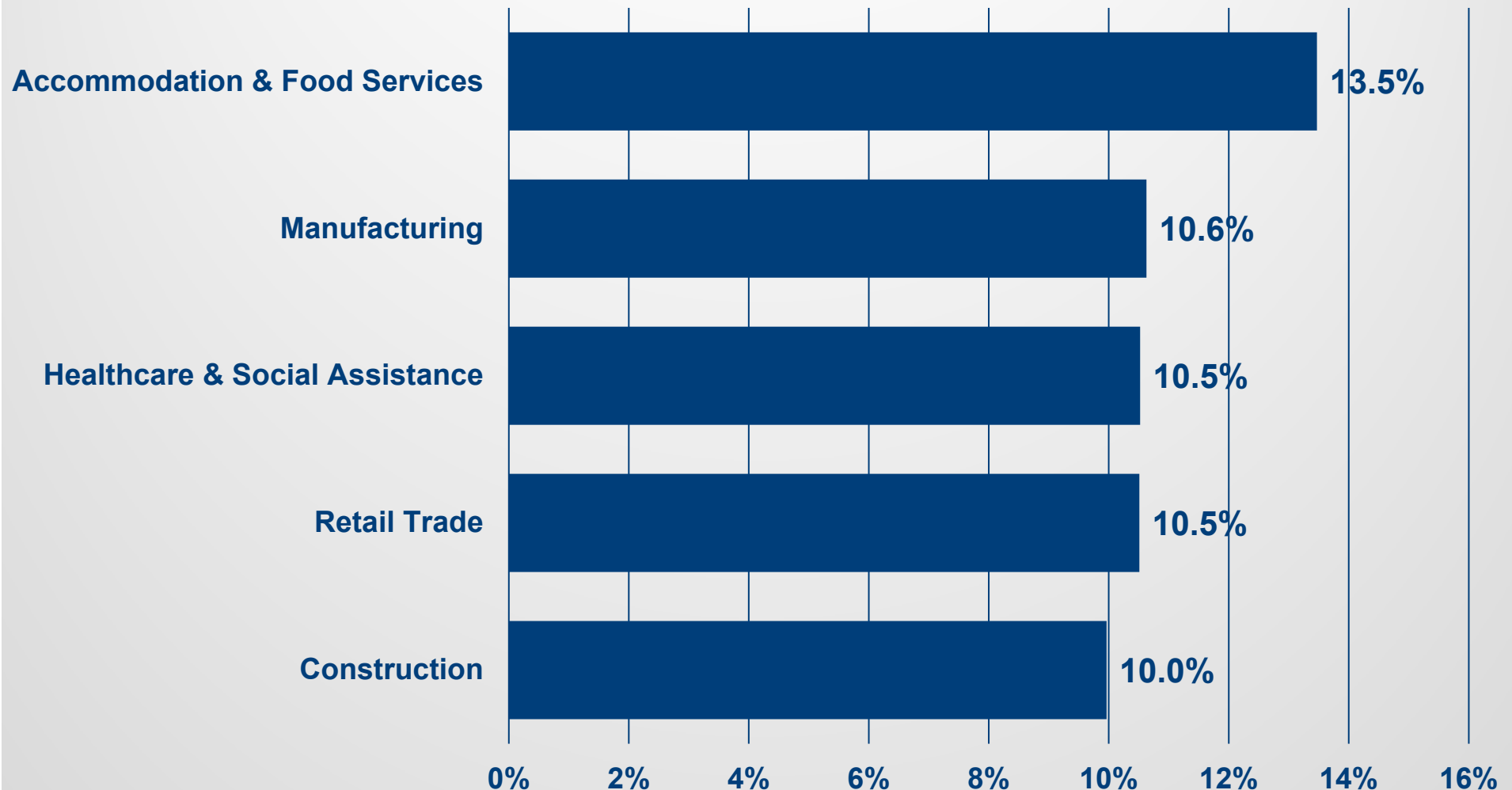
Source: WA ESD -Data thru' May 2nd 2020

What Industries Lost the Most Jobs?



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Between March 8th & May 2nd



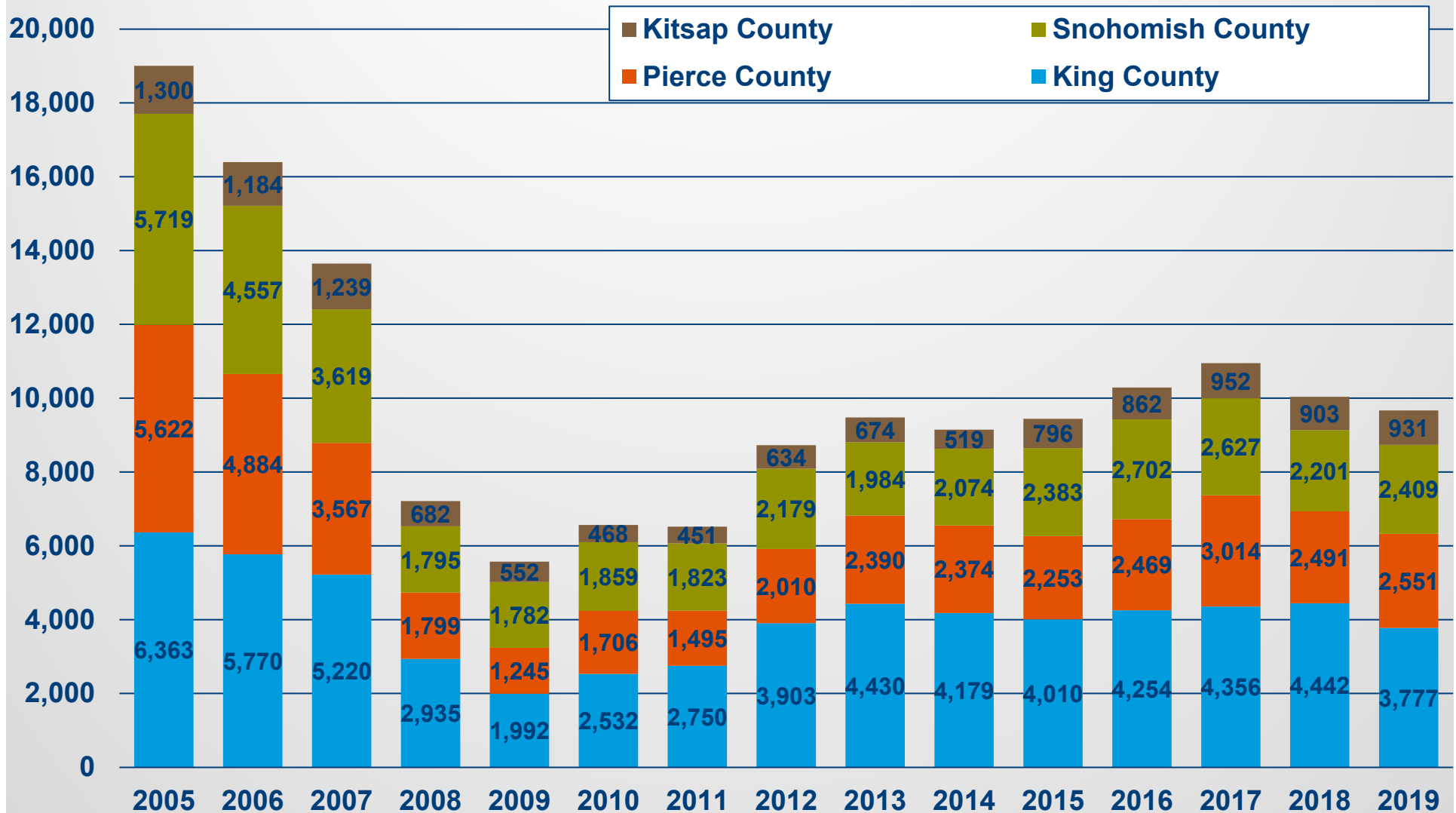
Source: WA ESD -Data thru' May 2nd 2020

The Greater Seattle Metro New Construction Housing Market



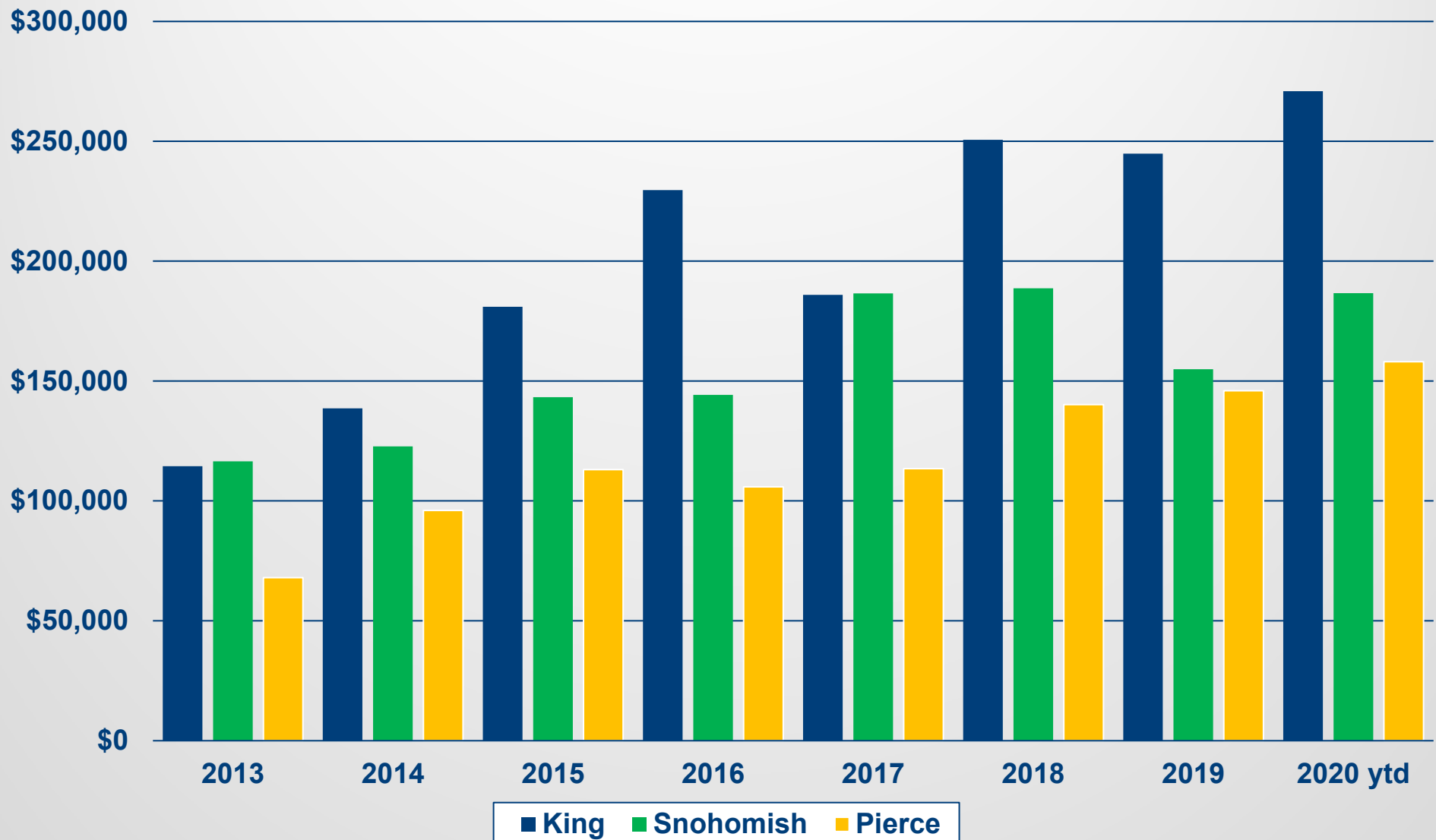
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Single Family Permit Activity



Source: Census Bureau

SF Lot Prices

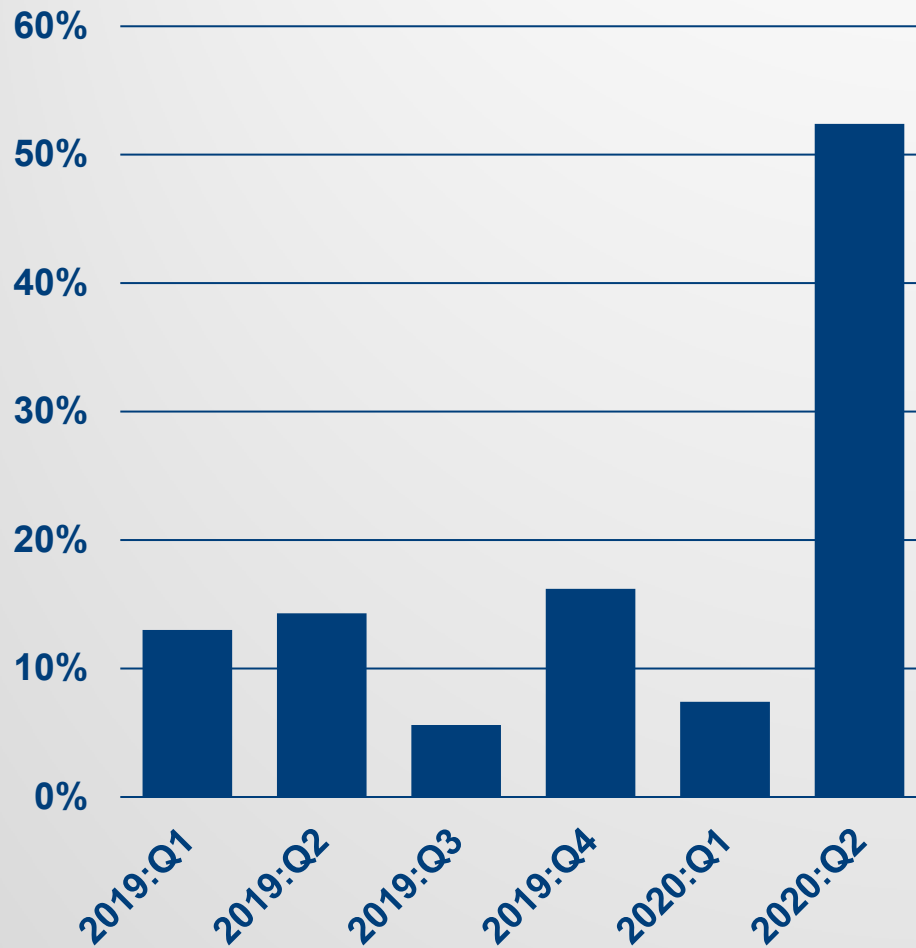


Source: Chicago Title & Windermere Economics

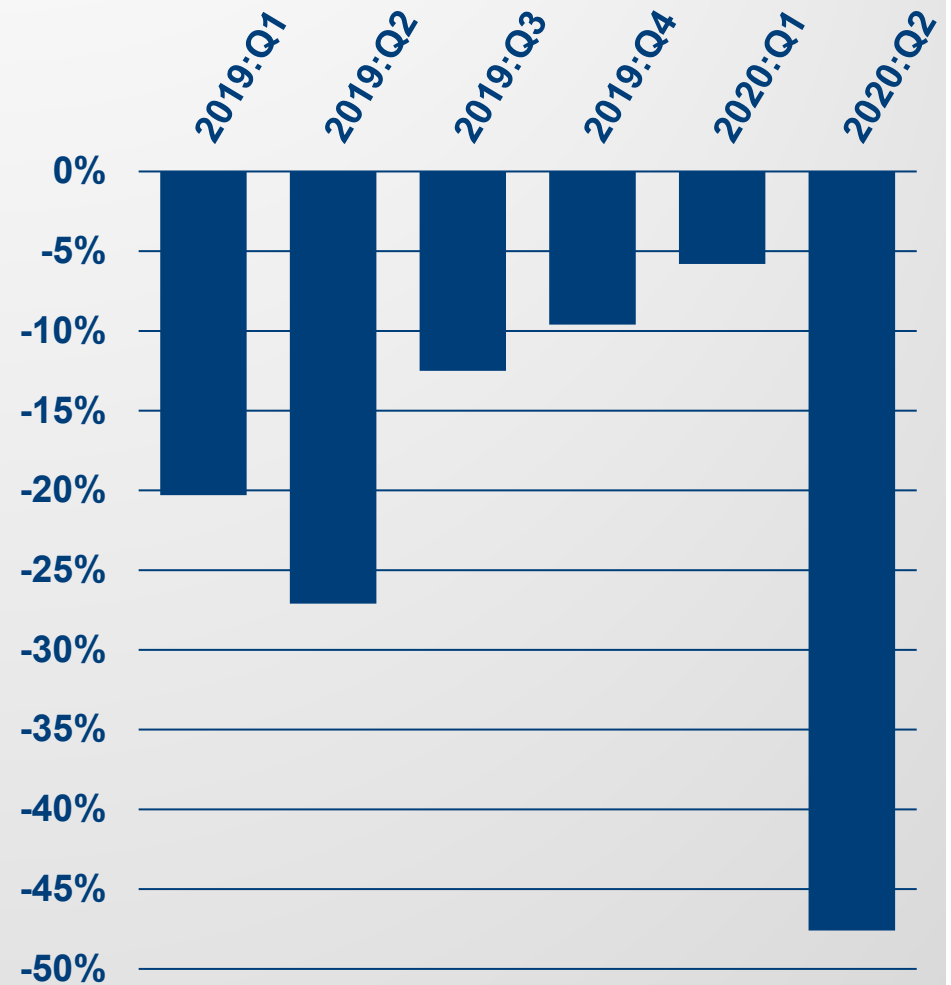
Construction Financing Getting Harder



Net % of Lenders Tightening Lending Standards for RE Loans

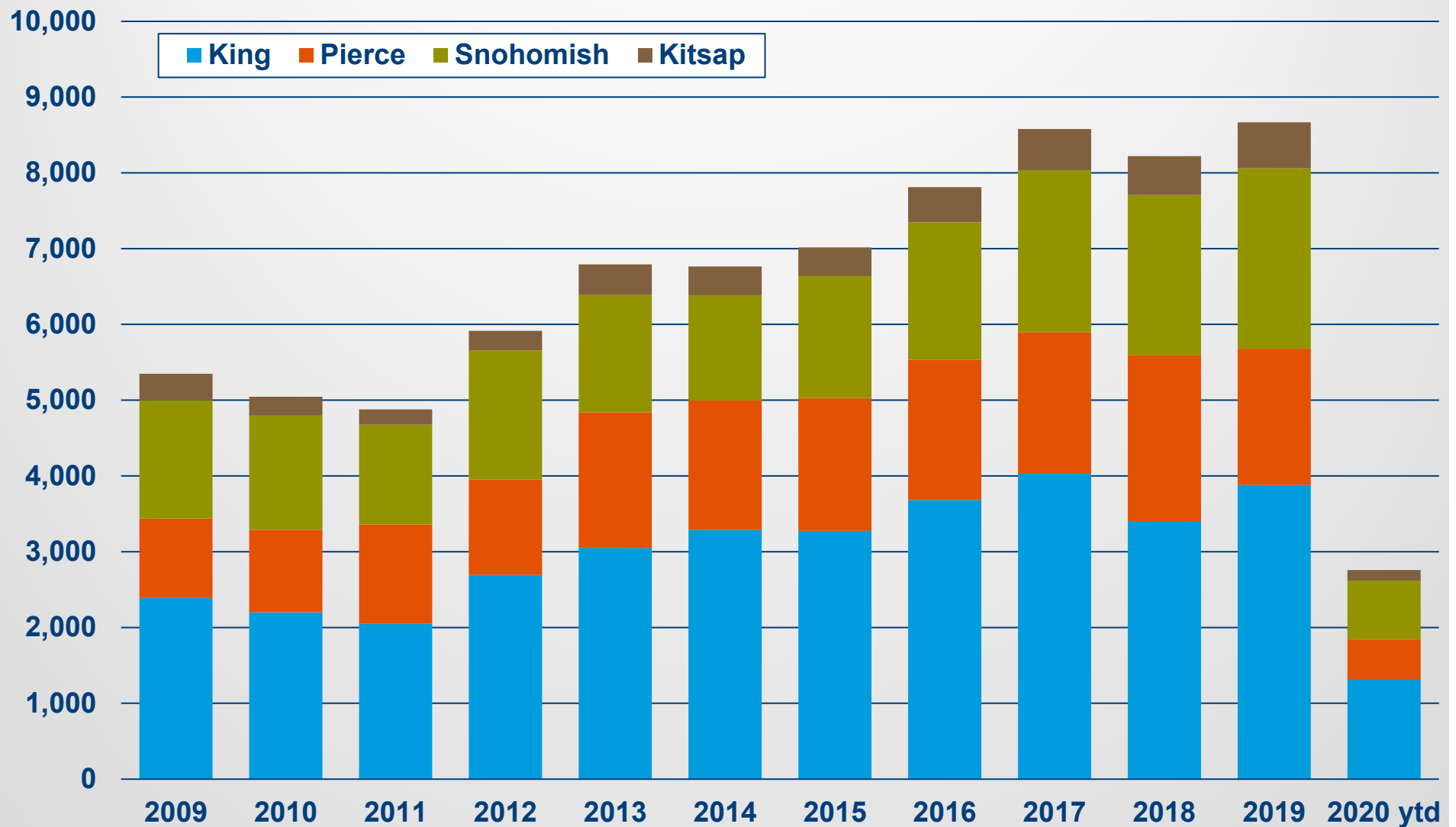


Net % of Lenders Reporting Stronger Demand for RE Loans



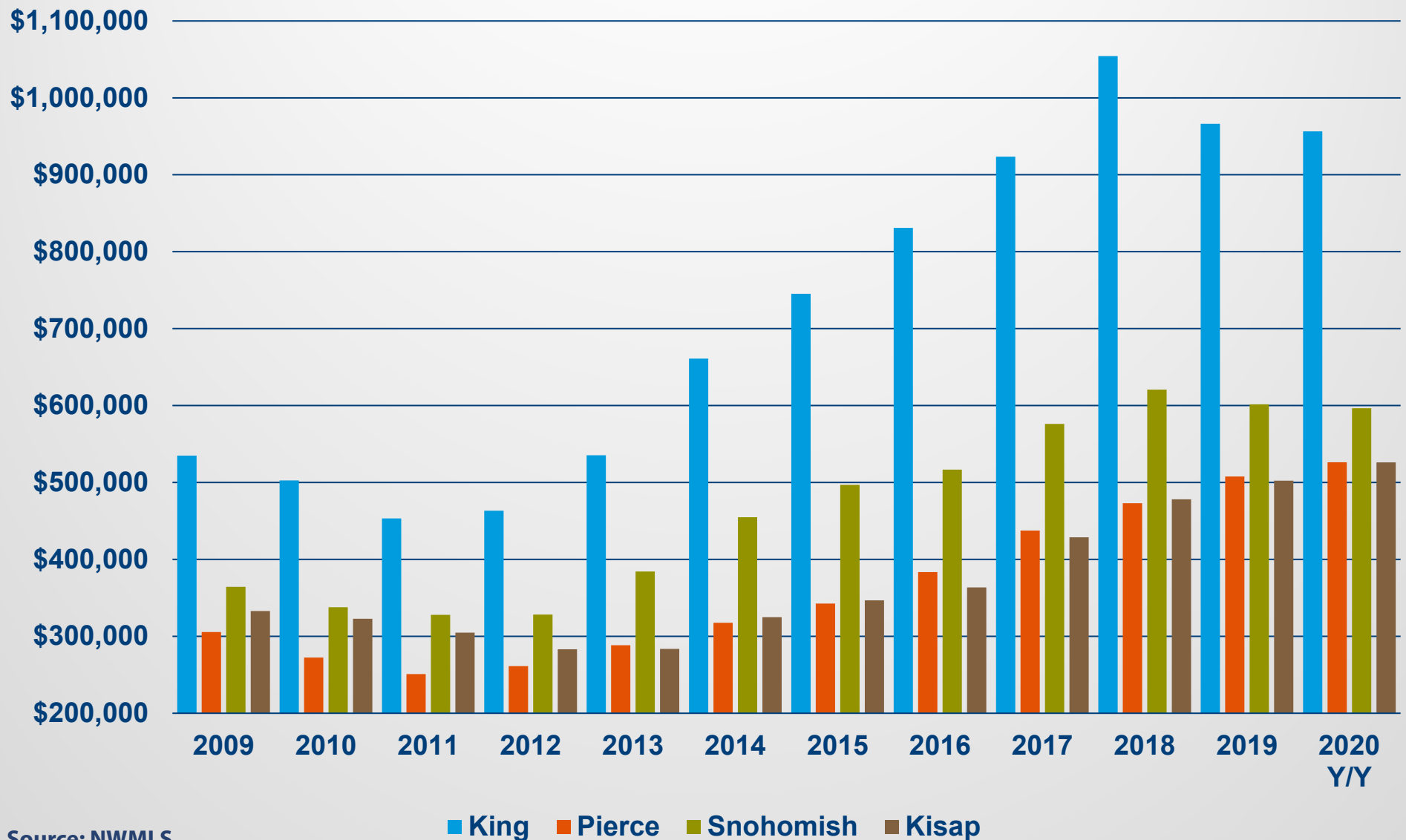
Source: Federal Reserve & Windermere Economics

New Home Sales

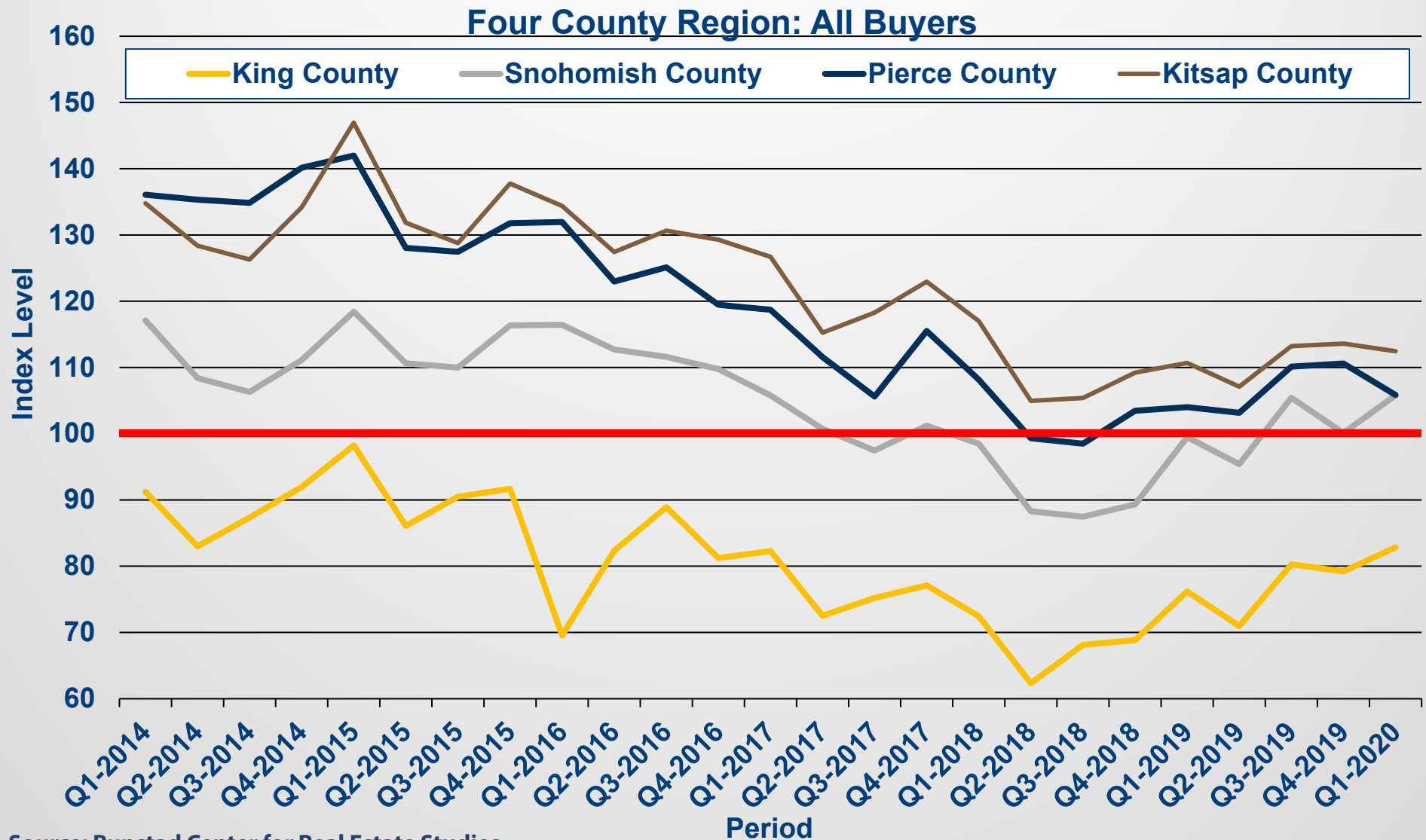


Source: NWMLS – Single Family Sales; Data Thru' Apr. 2020

County New Home Sale Prices



Housing Affordability



Source: Runstad Center for Real Estate Studies

Home Prices That Would Be Affordable



Most Affordable

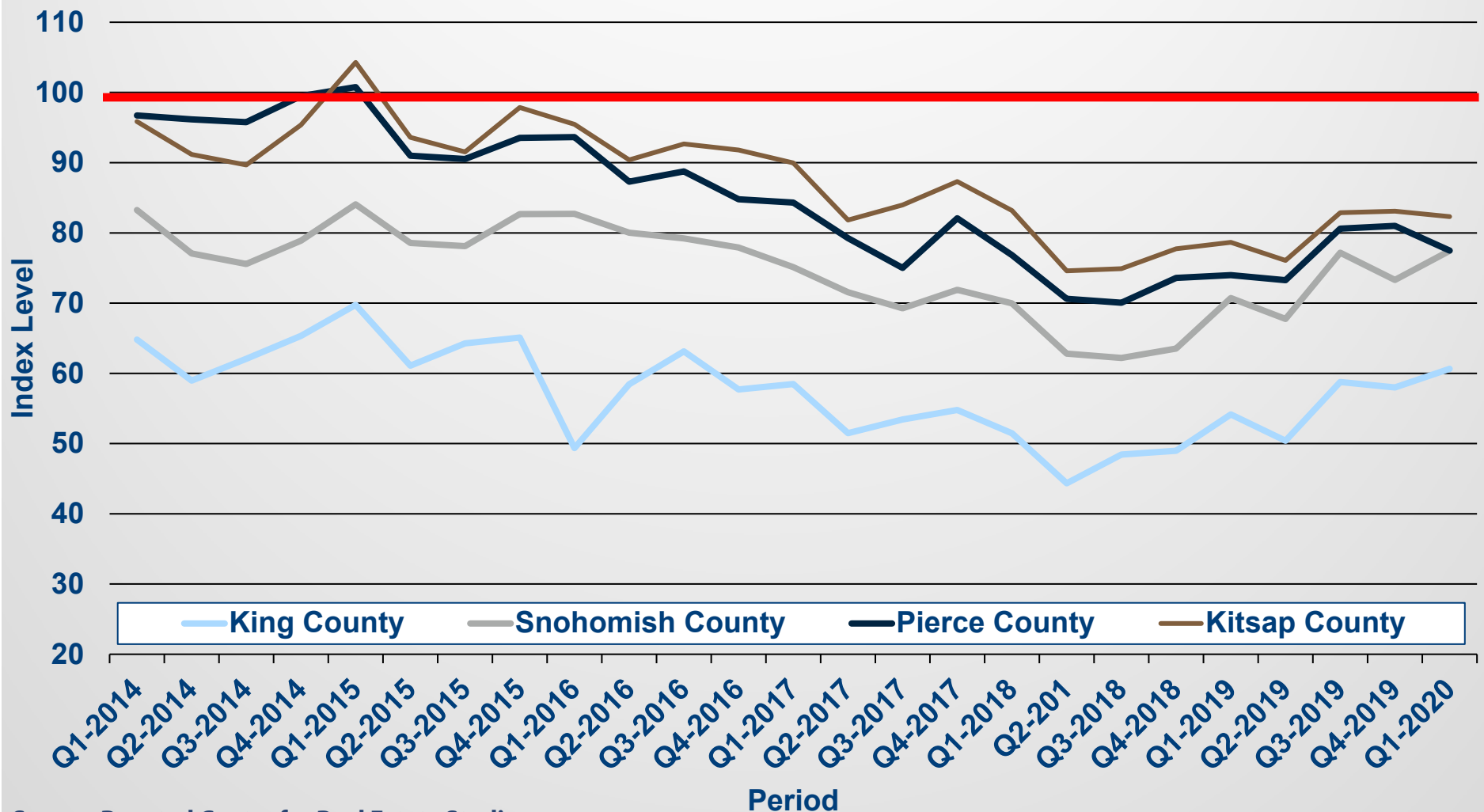
County	Home Price
Lincoln	\$315,280
Grant	\$403,790
Ferry	\$292,140
Asotin	\$332,635
Okanogan	\$283,463
Adams	\$295,033
Stevens	\$282,884
Garfield	\$288,669
Columbia	\$271,314
Pend Oreille	\$270,157

Least Affordable

County	Home Price
San Juan	\$373,708
Jefferson	\$339,577
King	\$571,554
Snohomish	\$544,943
Whatcom	\$389,328
Island	\$374,287
Pierce	\$421,145
Kitsap	\$448,334
Skagit	\$391,063
Cowlitz	\$292,719

Housing Affordability

Four County Region: First-Time Buyers



Source: Runstad Center for Real Estate Studies

Home Prices That Would Be Affordable to First-Time Buyers



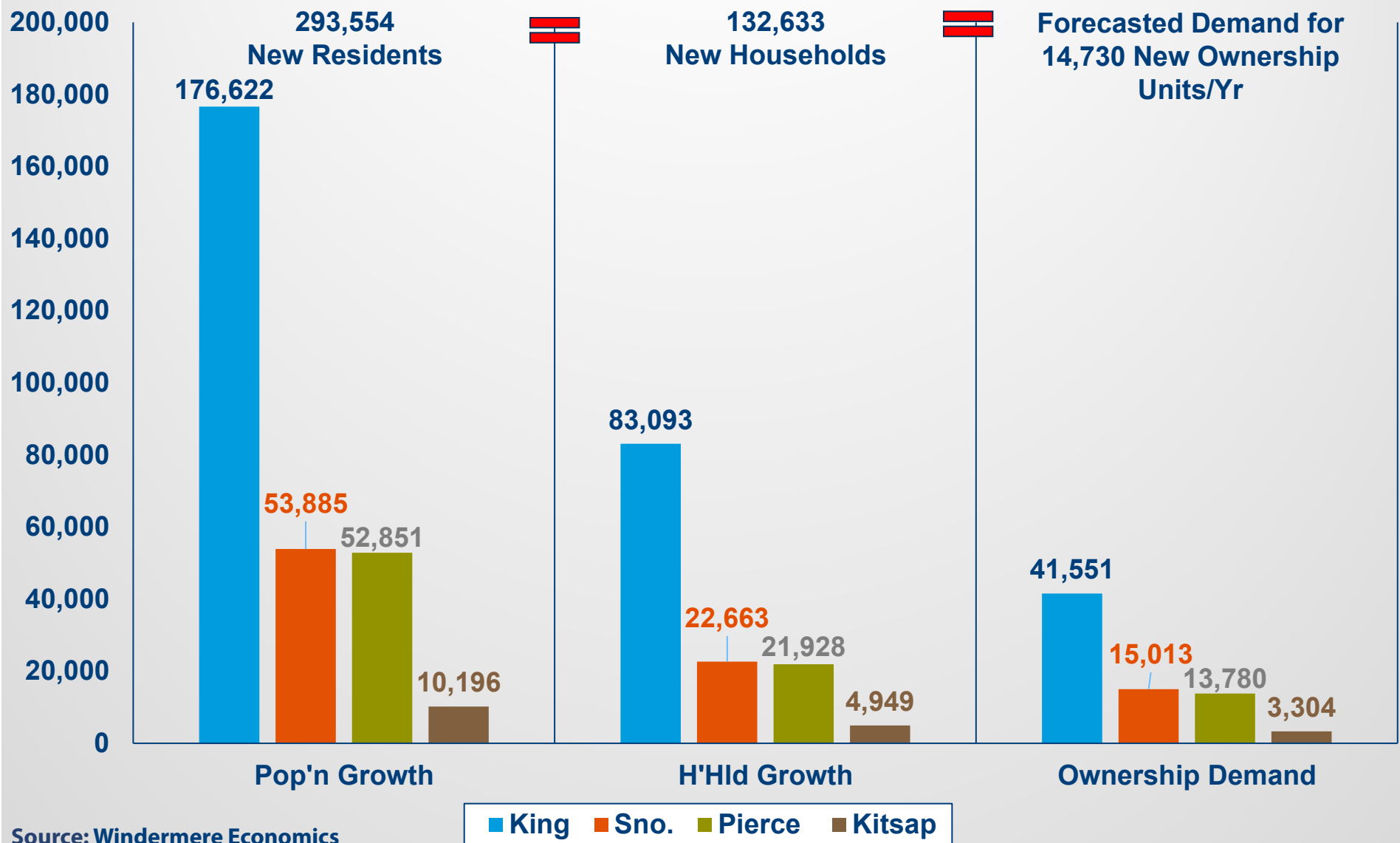
Most Affordable

County	Home Price
Lincoln	\$196,174
Grant	\$251,247
Ferry	\$181,776
Asotin	\$206,973
Okanogan	\$176,377
Adams	\$183,576
Stevens	\$176,017
Garfield	\$179,616
Columbia	\$168,818
Pend Oreille	\$168,098

Least Affordable

County	Home Price
San Juan	\$232,530
Jefferson	\$211,292
King	\$355,633
Snohomish	\$339,076
Whatcom	\$242,248
Island	\$232,889
Pierce	\$262,046
Kitsap	\$278,963
Skagit	\$243,328
Cowlitz	\$182,136

Ownership Demand (5 Year Time Horizon)



NIMBY vs YIMBY



2020 Greater Seattle New Construction Forecast



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- Look For the Legislature to Reconsider Zoning;
- Construction Financing is Very Tight;
- Are Builders Adjusting to “Post COVID-19” Buyers?;
- Can They Build for the First-Time Buyer Market?
- Without Addressing Affordability, the Regions Economy Could Suffer as Businesses Look to “Cheaper” Markets.

Thank You!



Any Questions?



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