



WORLDWIDE ERC®

2018 Global Workforce Symposium

17 - 19 OCTOBER | SEATTLE, WA USA

An Economic & Housing Market Forecast

Presented by: Matthew Gardner
Chief Economist Windermere Real
Estate



So Where are We Headed?

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The Global Economy

- **Global Growth of 3.9% in 2019, But Expansion Becoming Uneven;**
- **Solid Growth Expected in the U.S. But I Expect Slowing in the Euro Zone (1.9%), Japan (1.0%) & the U.K. (1.5%); and**
- **Emerging Economies Suffering from Trade Tensions, Higher Oil Prices, & Market Pressure on Currencies.**





Looking Pretty Good Here in the U.S.

U.S. Has Added Jobs for 96 Straight Months;

Unemployment Stable Around 4%;

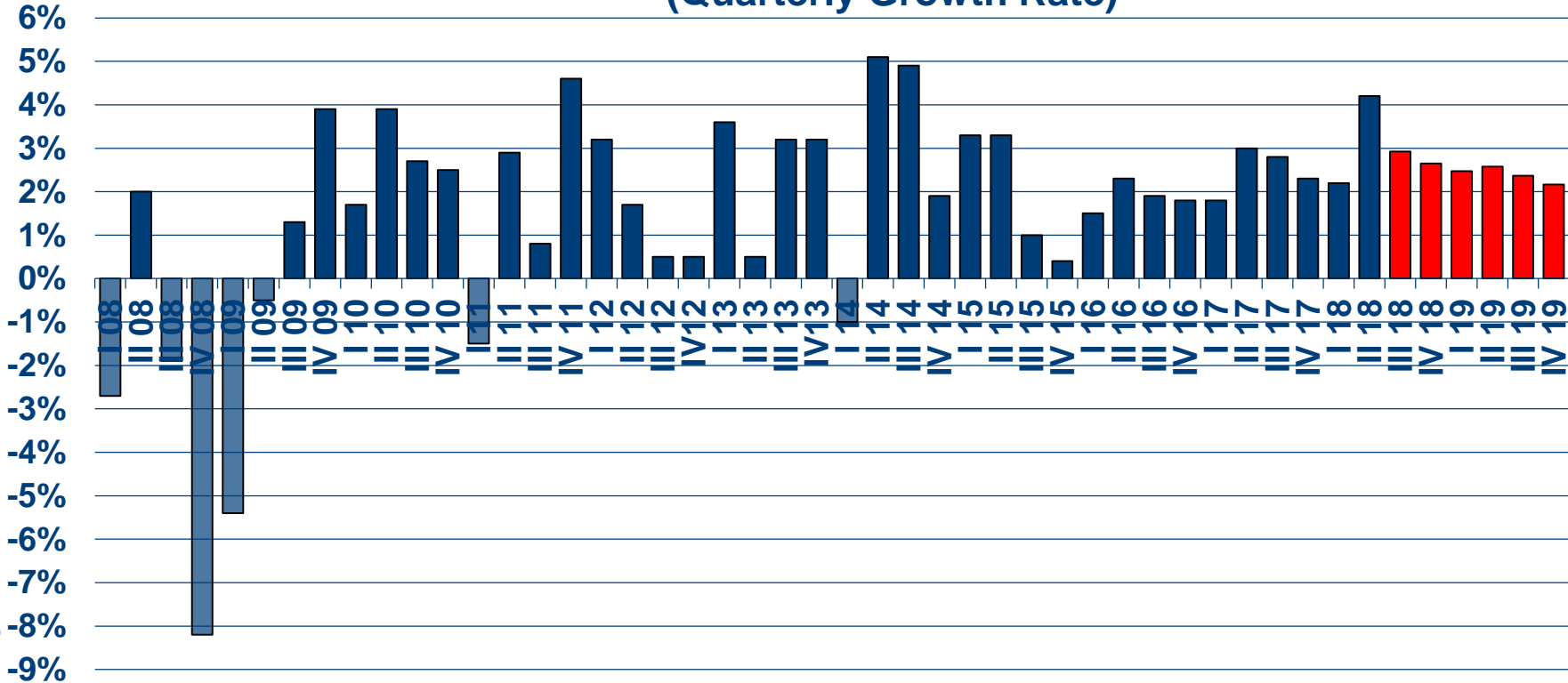
Stock Market Continues to Rise; and

Wages Are (Finally) Picking Up!



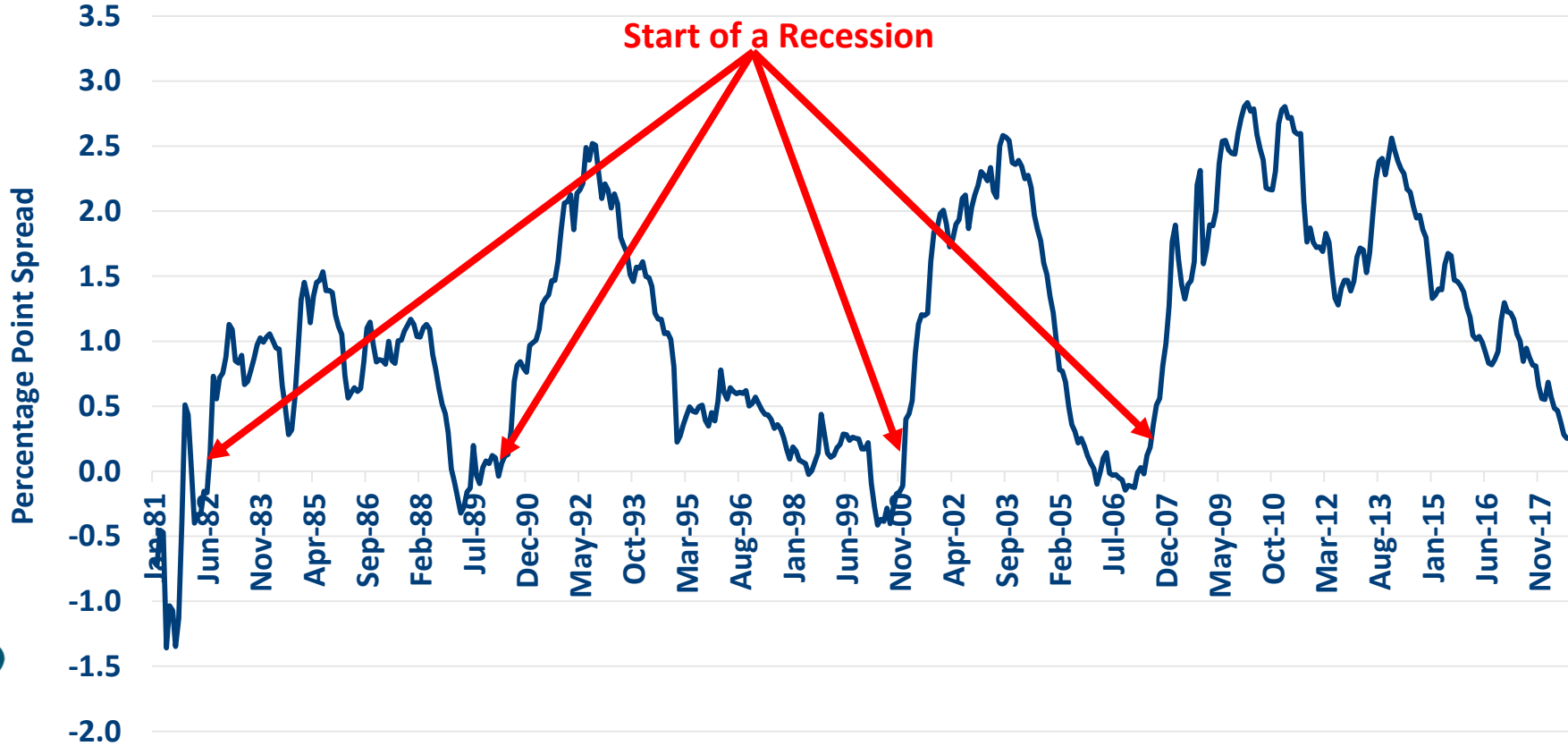
The Economy Will Continue to Expand

United States Gross Domestic Product (Quarterly Growth Rate)



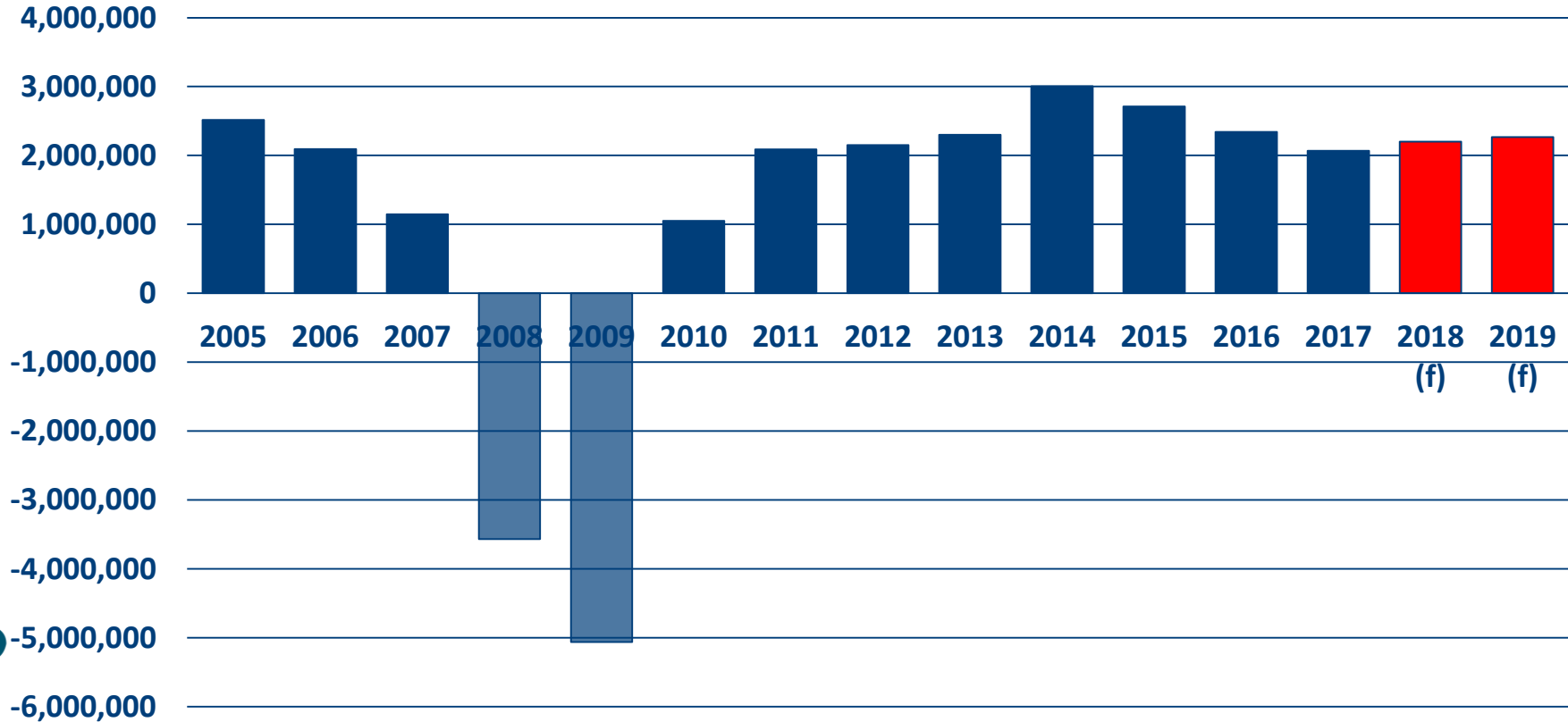
But a Recession is Getting Closer

Spread Between 2 Year & 10-Year Treasuries



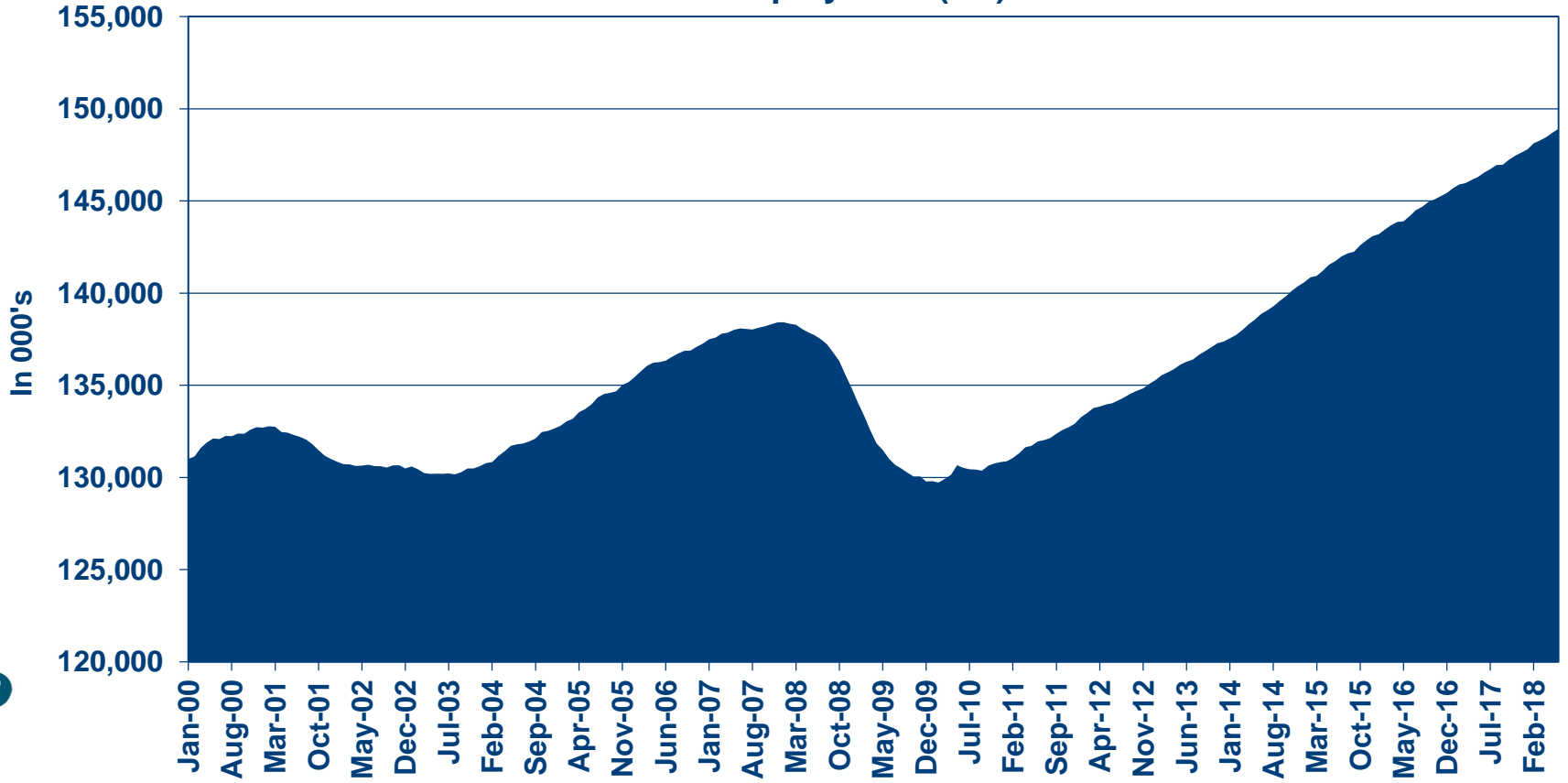
The Labor Market Remains Solid

Annual Payroll Change



19.6 Million Jobs Added Since Jan' 2010

Total Employment (SA)

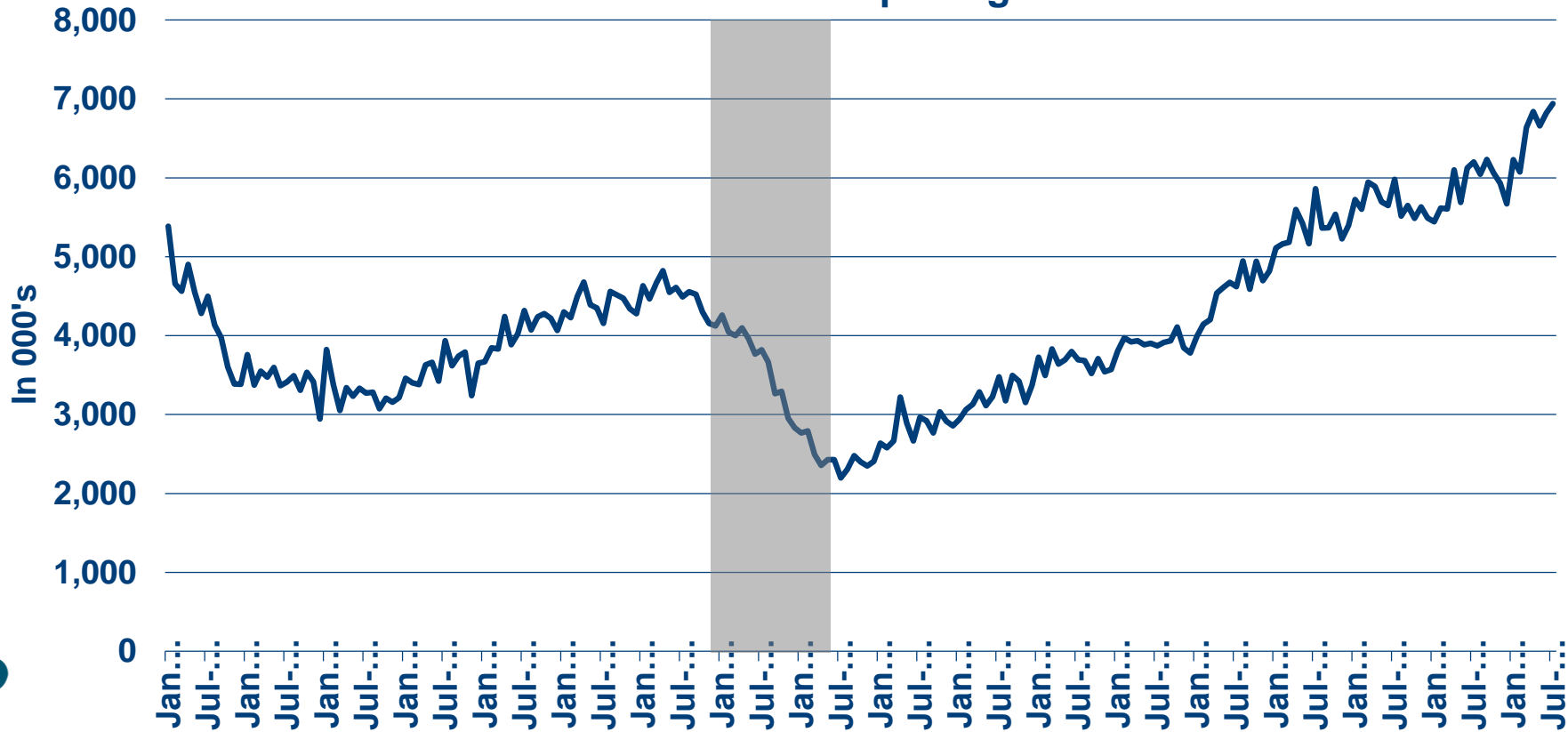


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Job Openings Remain Plentiful

U.S. Job Openings

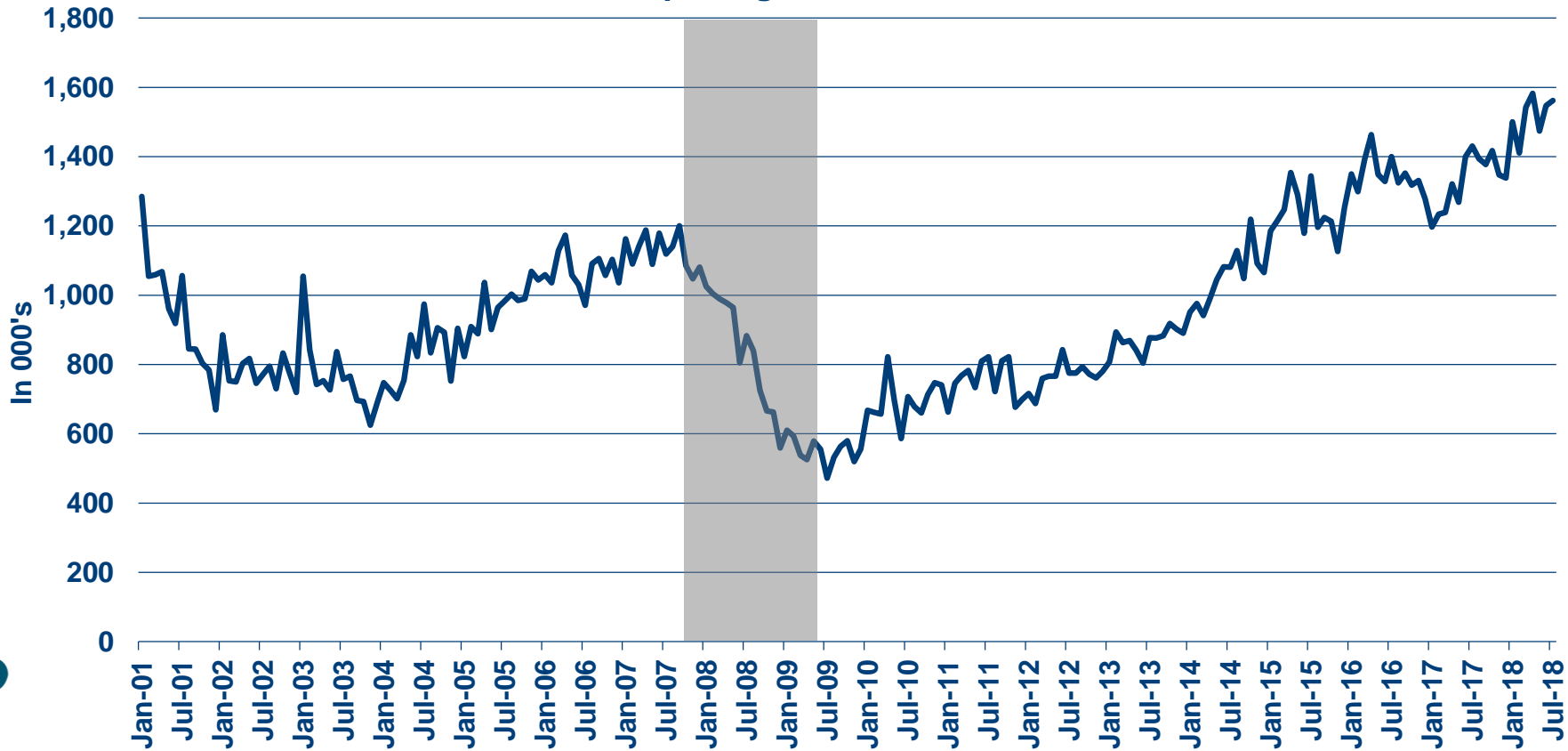


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Lots of Openings in the West

Job Openings - Western U.S.



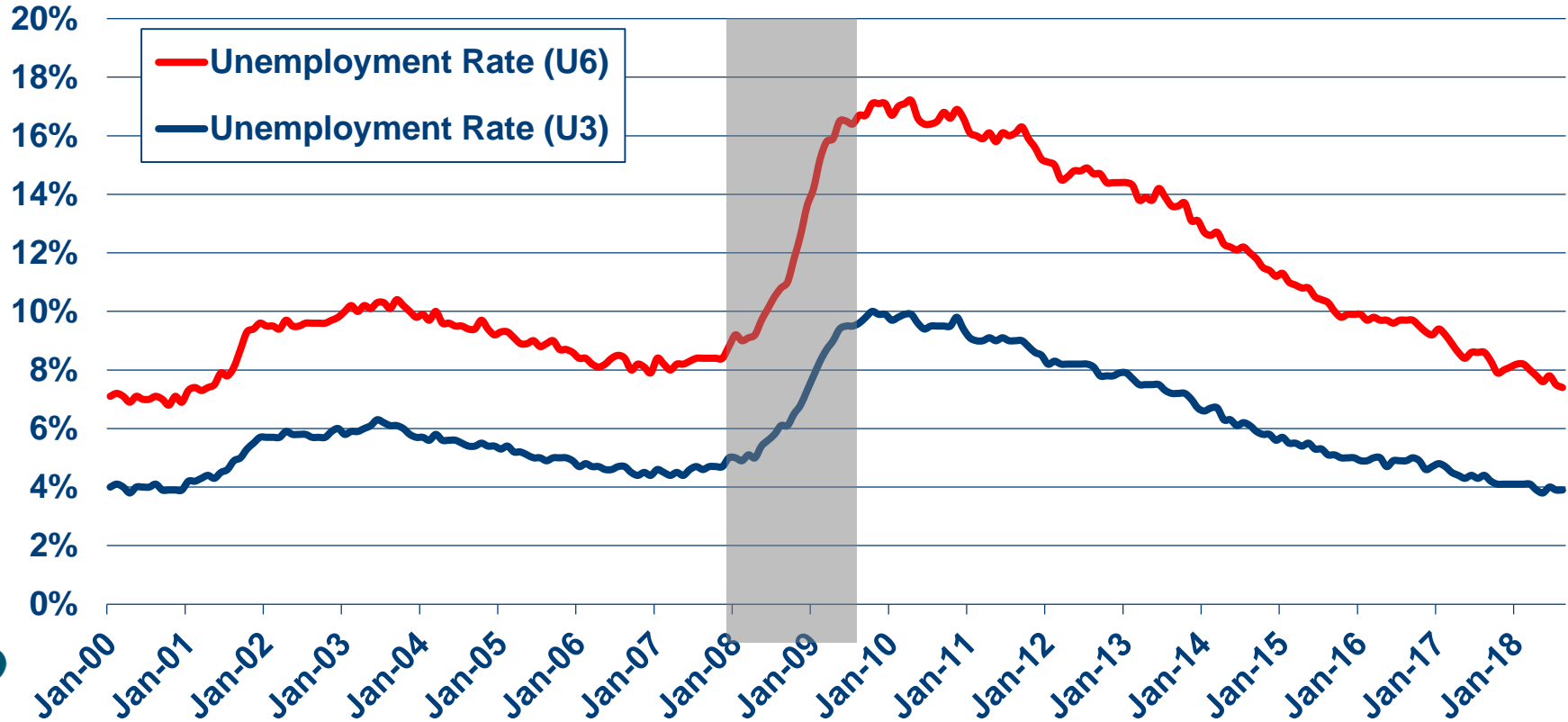
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Measures of Unemployment Looking Good

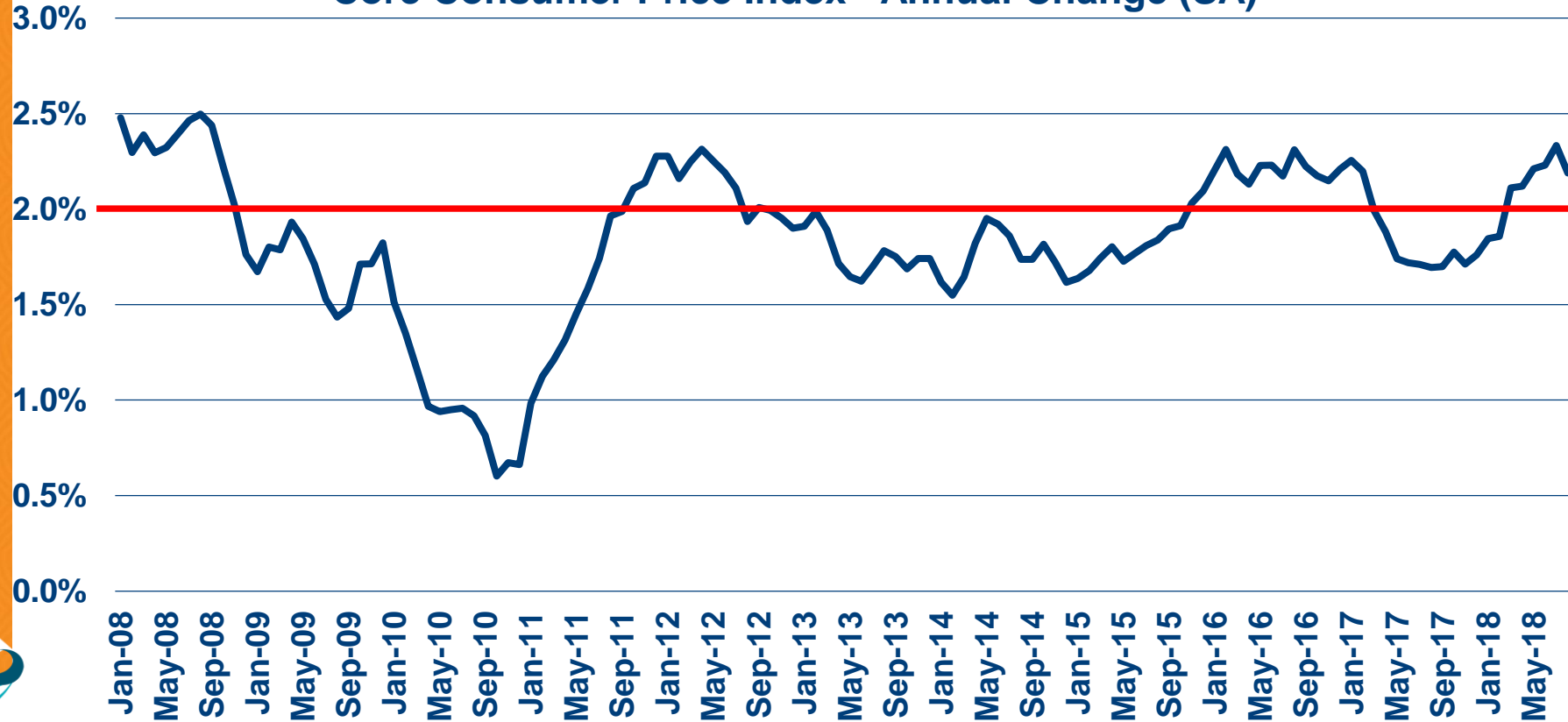


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But Inflation is Starting to Trend Higher

Core Consumer Price Index - Annual Change (SA)



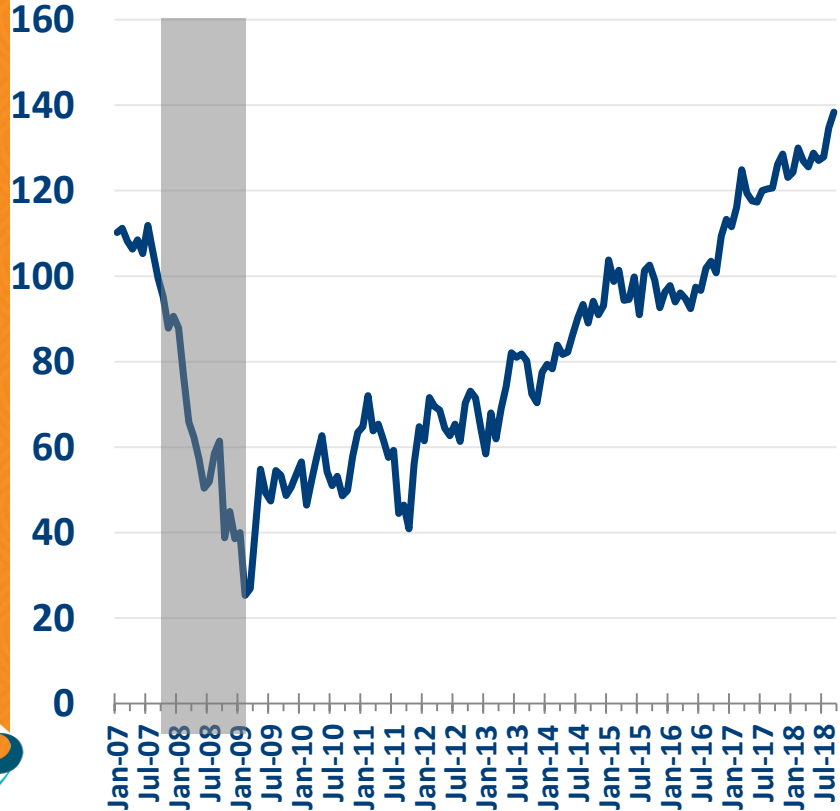
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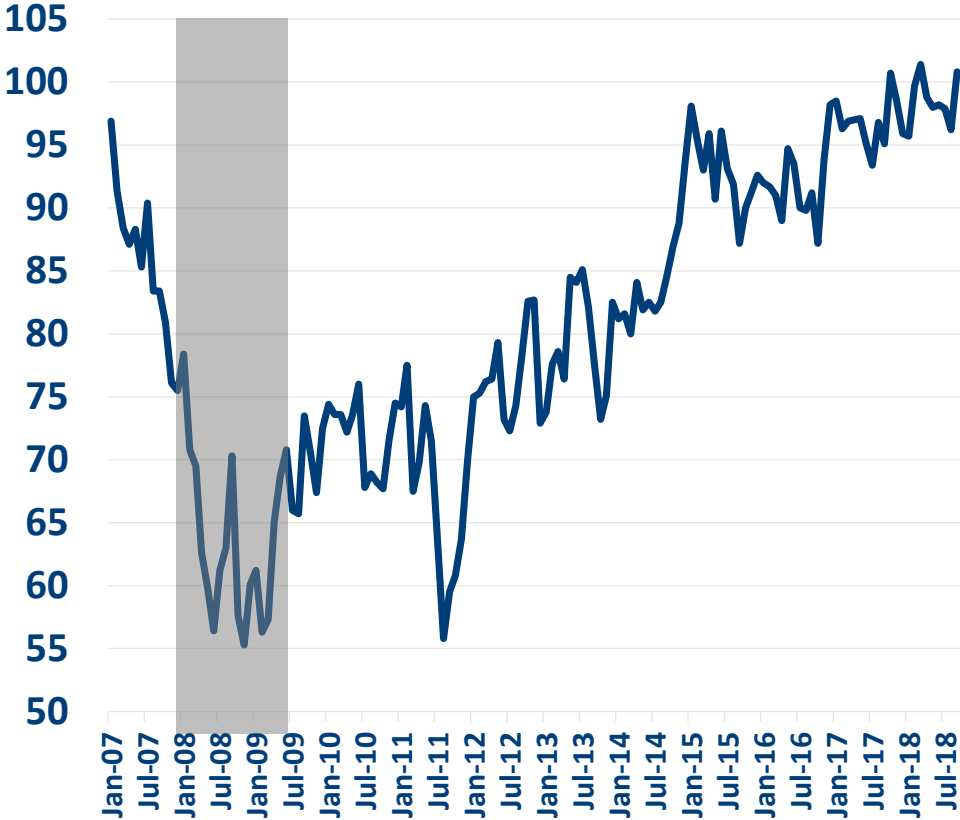
We Are Still Feeling Pretty Good!



CONSUMER CONFIDENCE



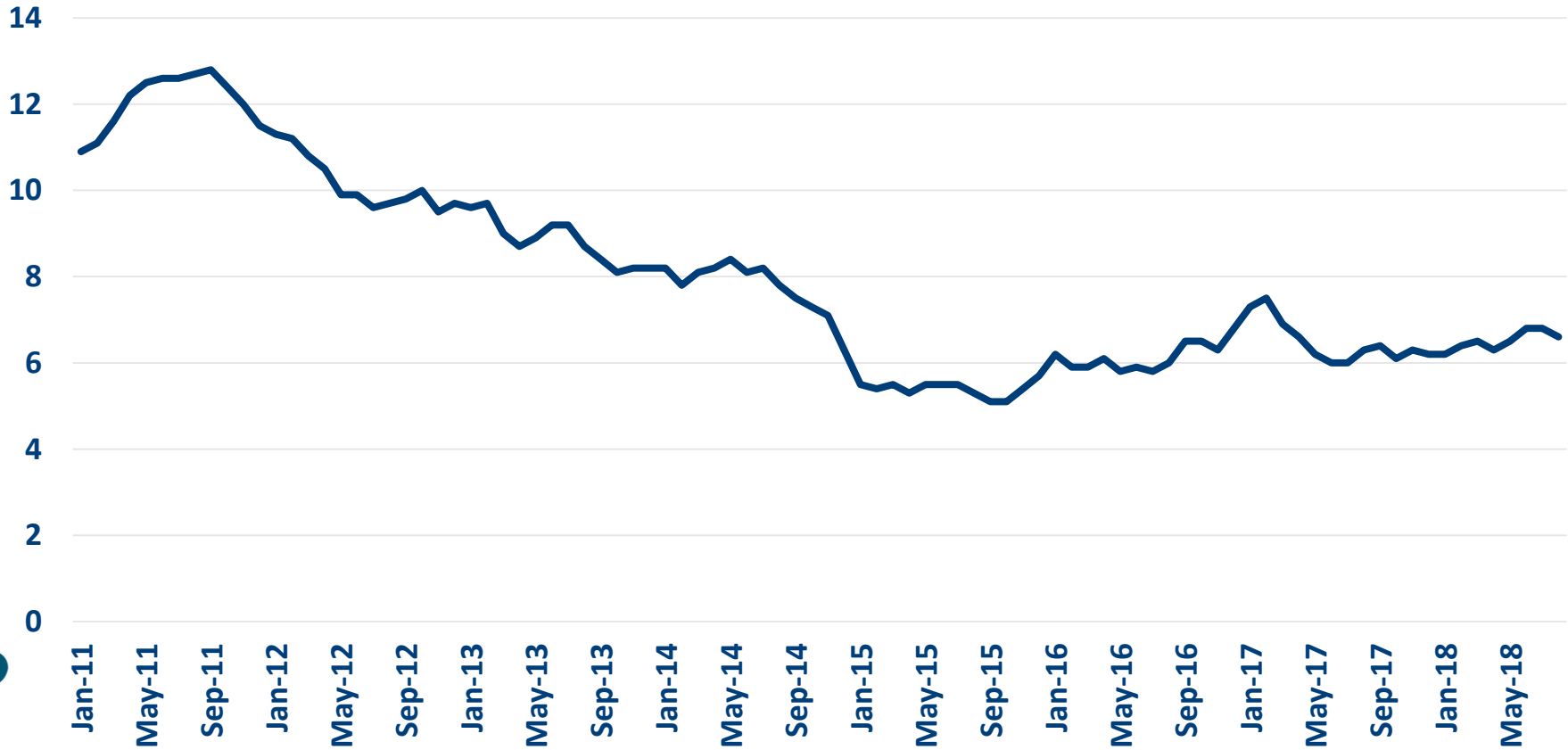
CONSUMER SENTIMENT



The Gardner Misery Index

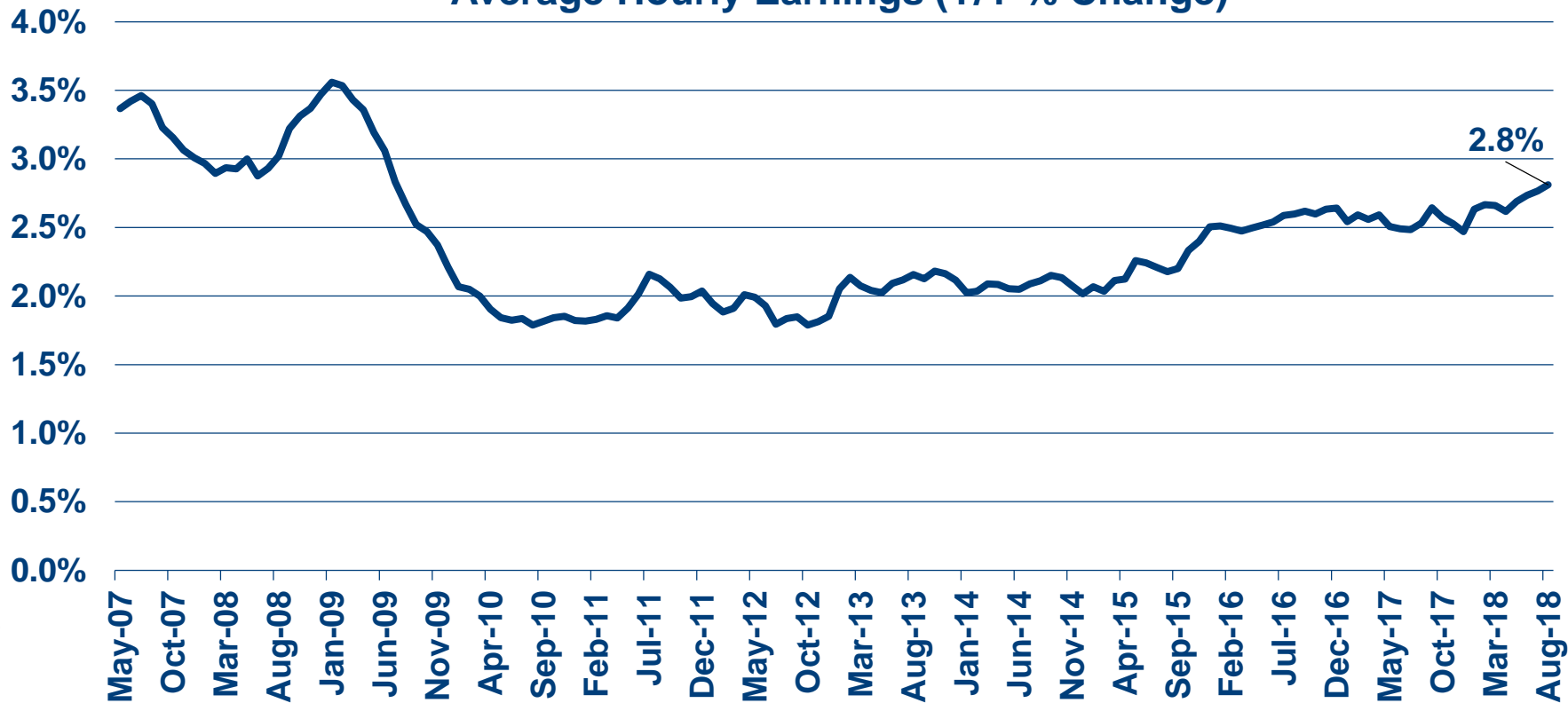
(Unemployment + Inflation)

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U.S. Income Growth Starting To Improve BUT...

Average Hourly Earnings (Y/Y % Change)

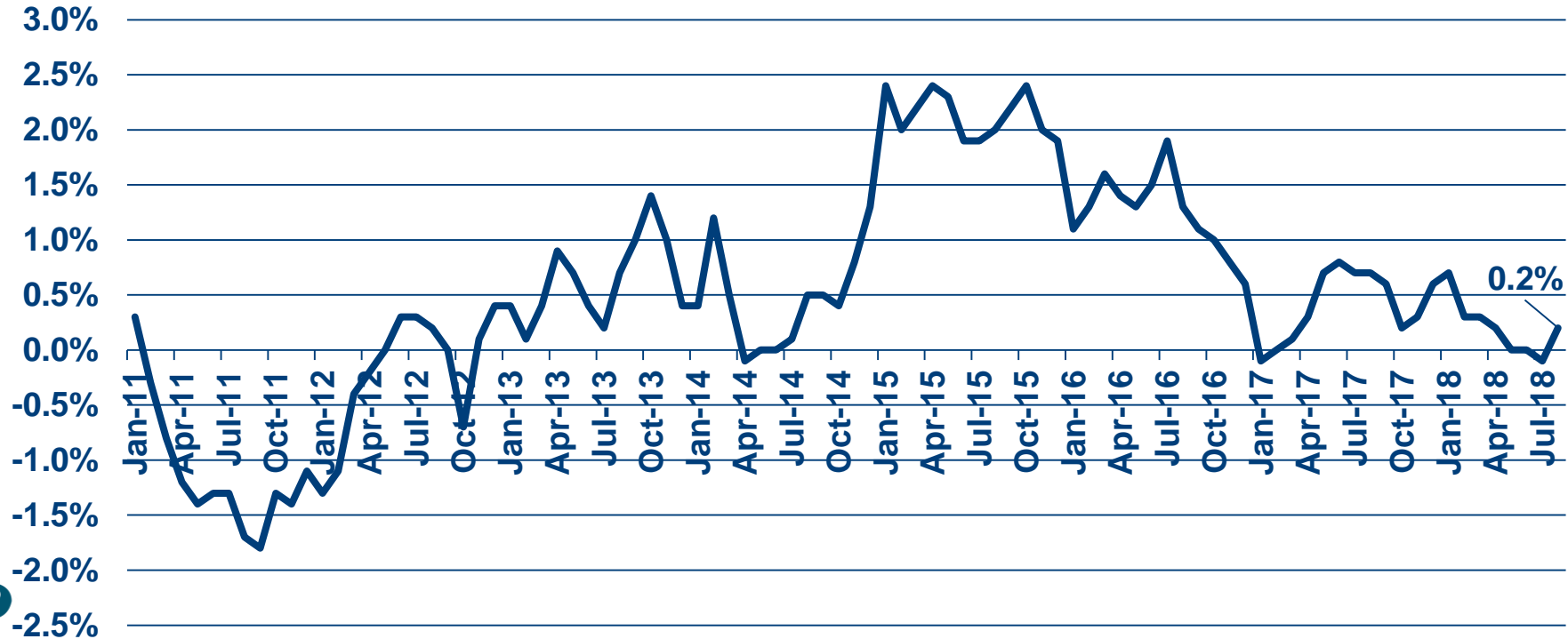


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Real Income Growth is Not So Great.

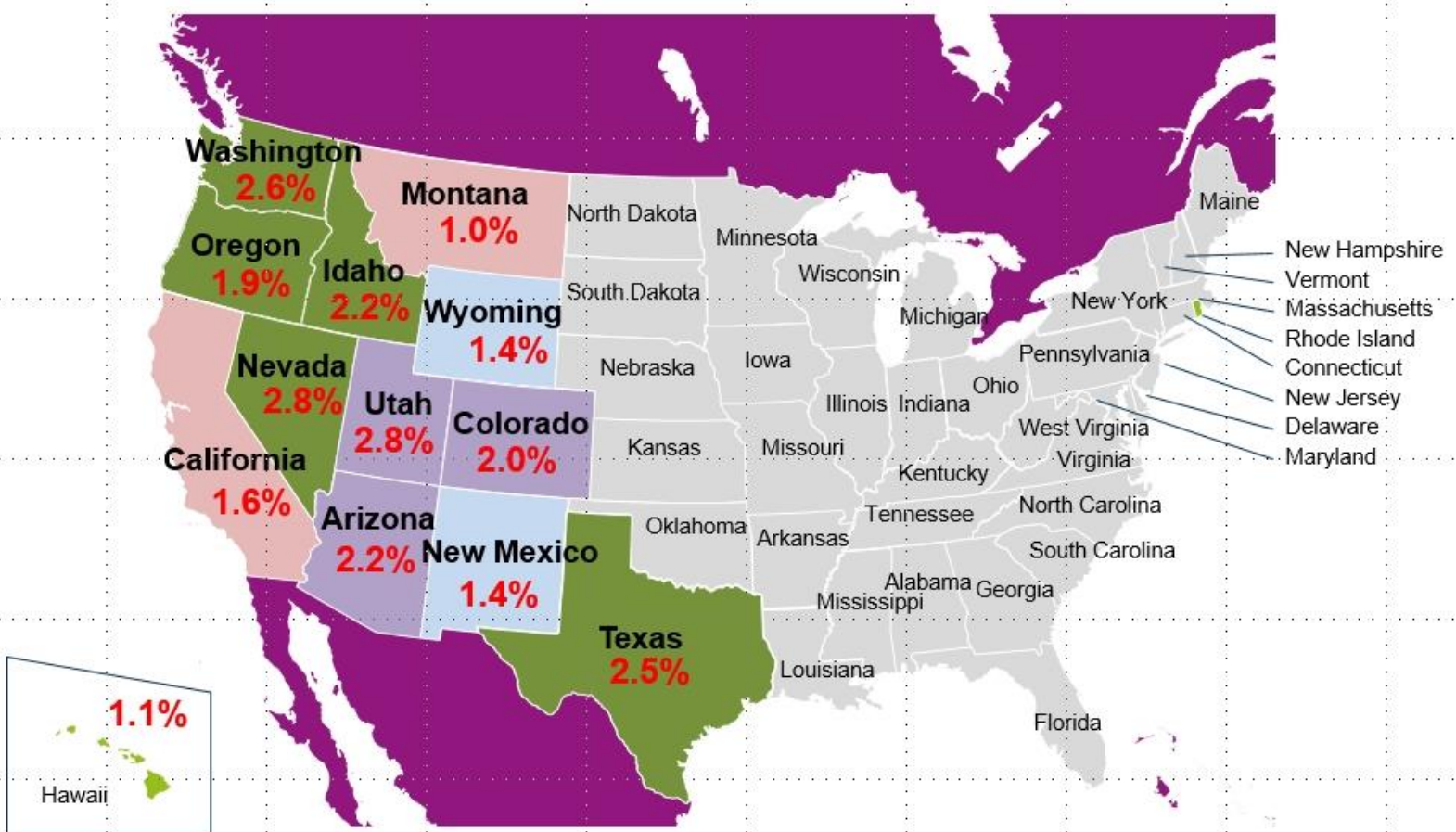
12-Month % Change in Real Hourly Earnings, private sector employees, seasonally adjusted



Employment Growth Forecast (2019)



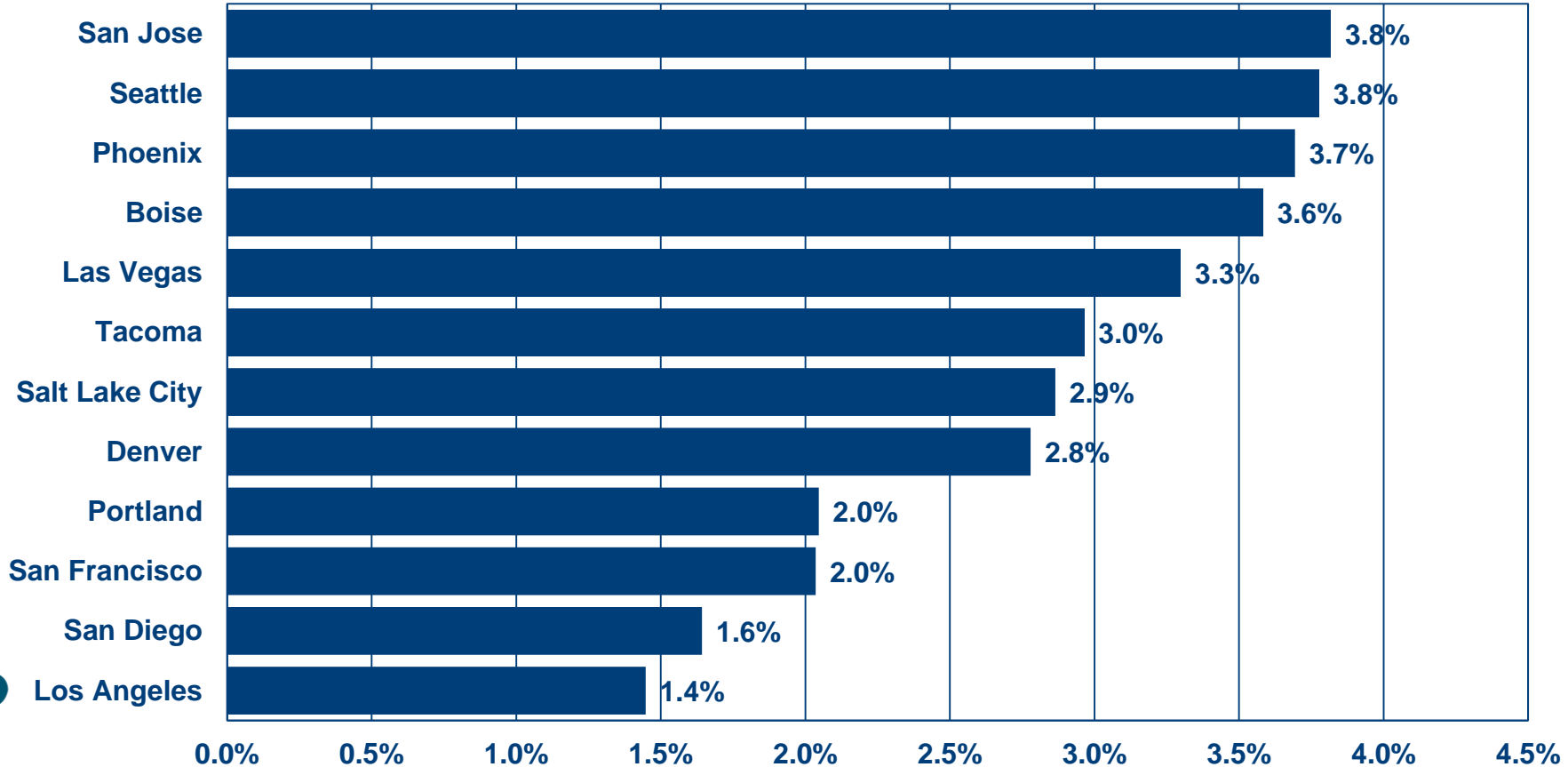
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West Coast Employment (y/y Change)



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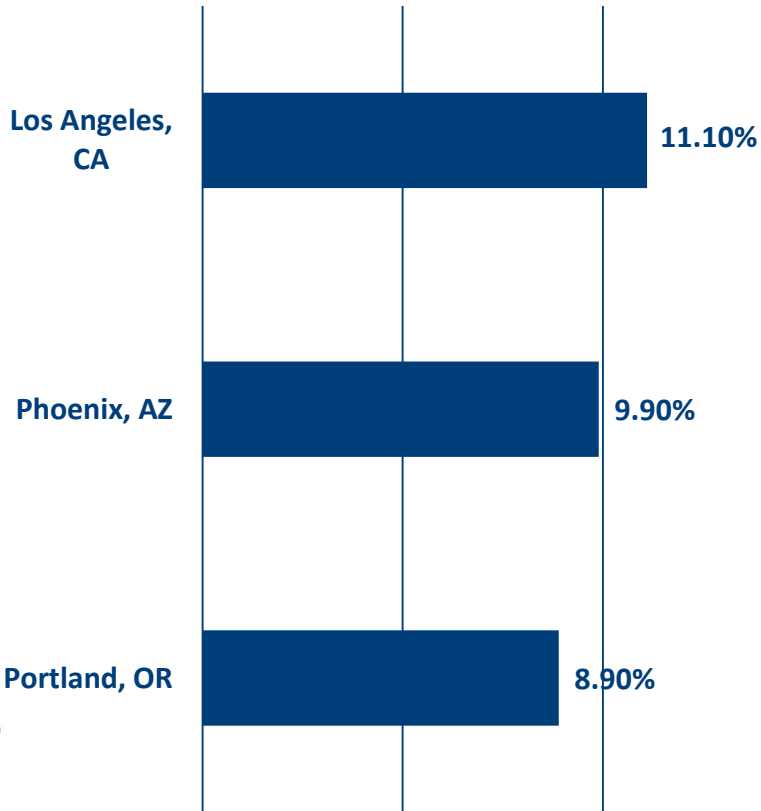
Where are People Moving?



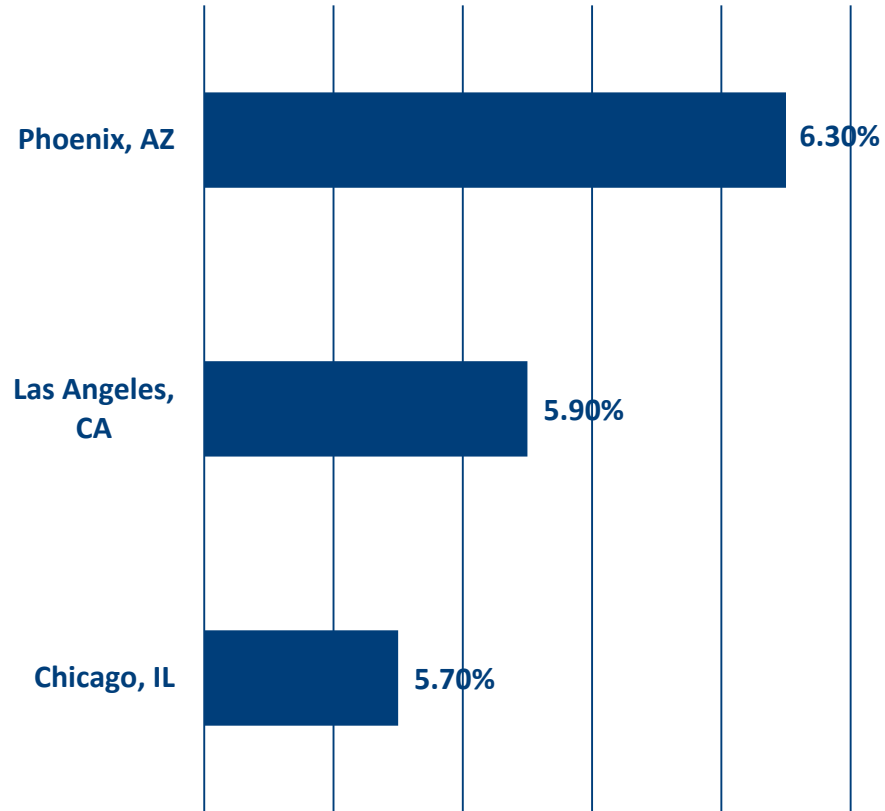
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Moving from Seattle



Moving from Portland



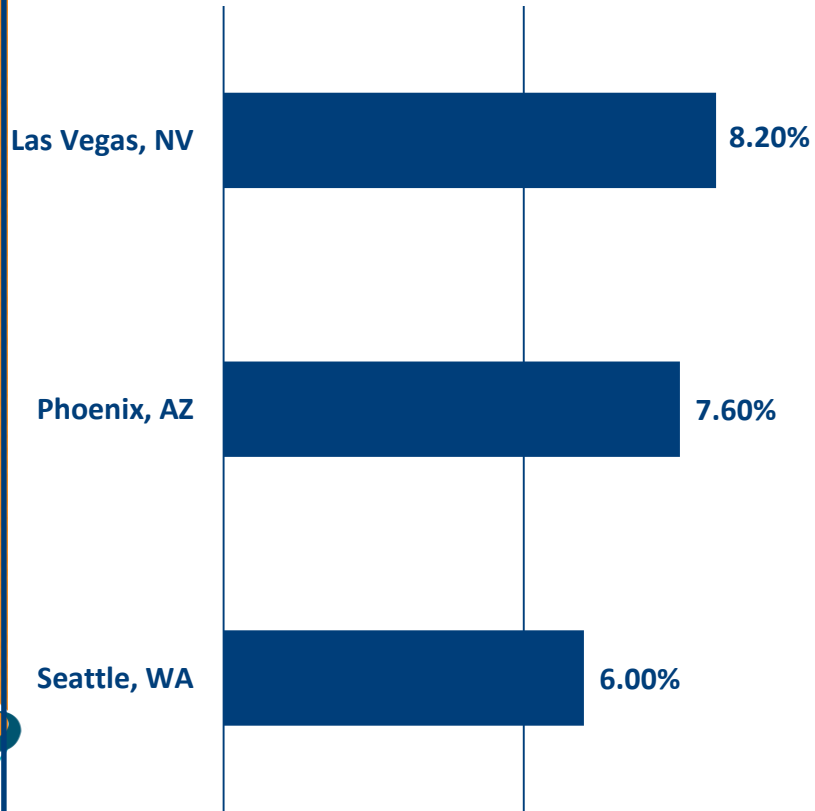
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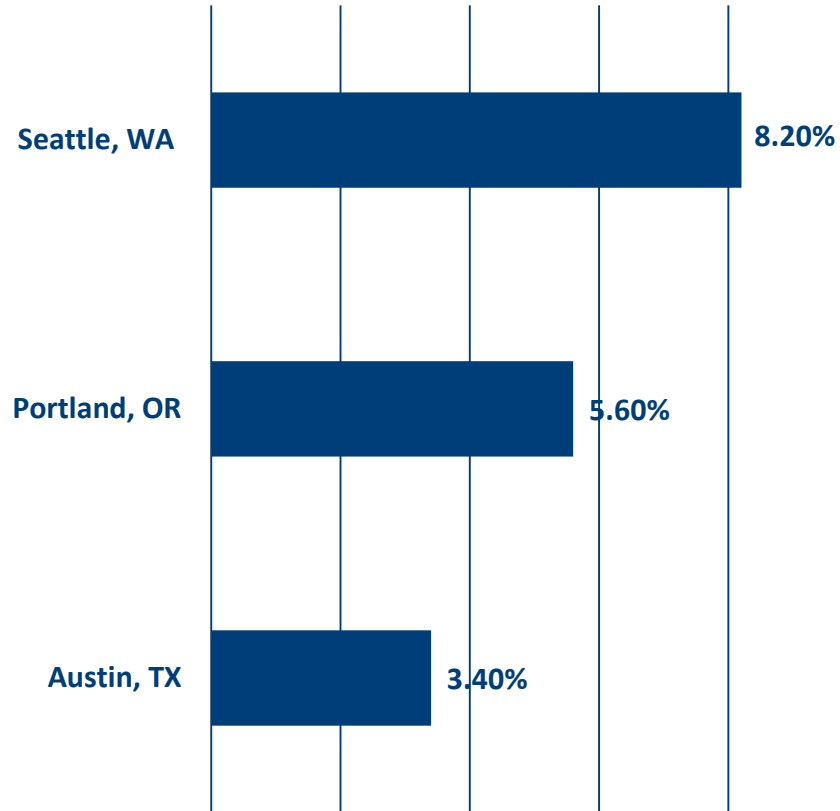
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Moving from Los Angeles



Moving from the Bay Area



2019 U.S. Economic Forecast

- No One Wins a Trade War!;
- Watch Election Season – Closely!;
- 2.9% GDP in 2018 & 2.7% in 2019;
- Fed Has Some Big Decisions Going Forward;
- 1.4% Job Growth in 2019;
- Unemployment Rate Averages 3.7%; and
- We Will Start to See Real Wage Growth Improve.





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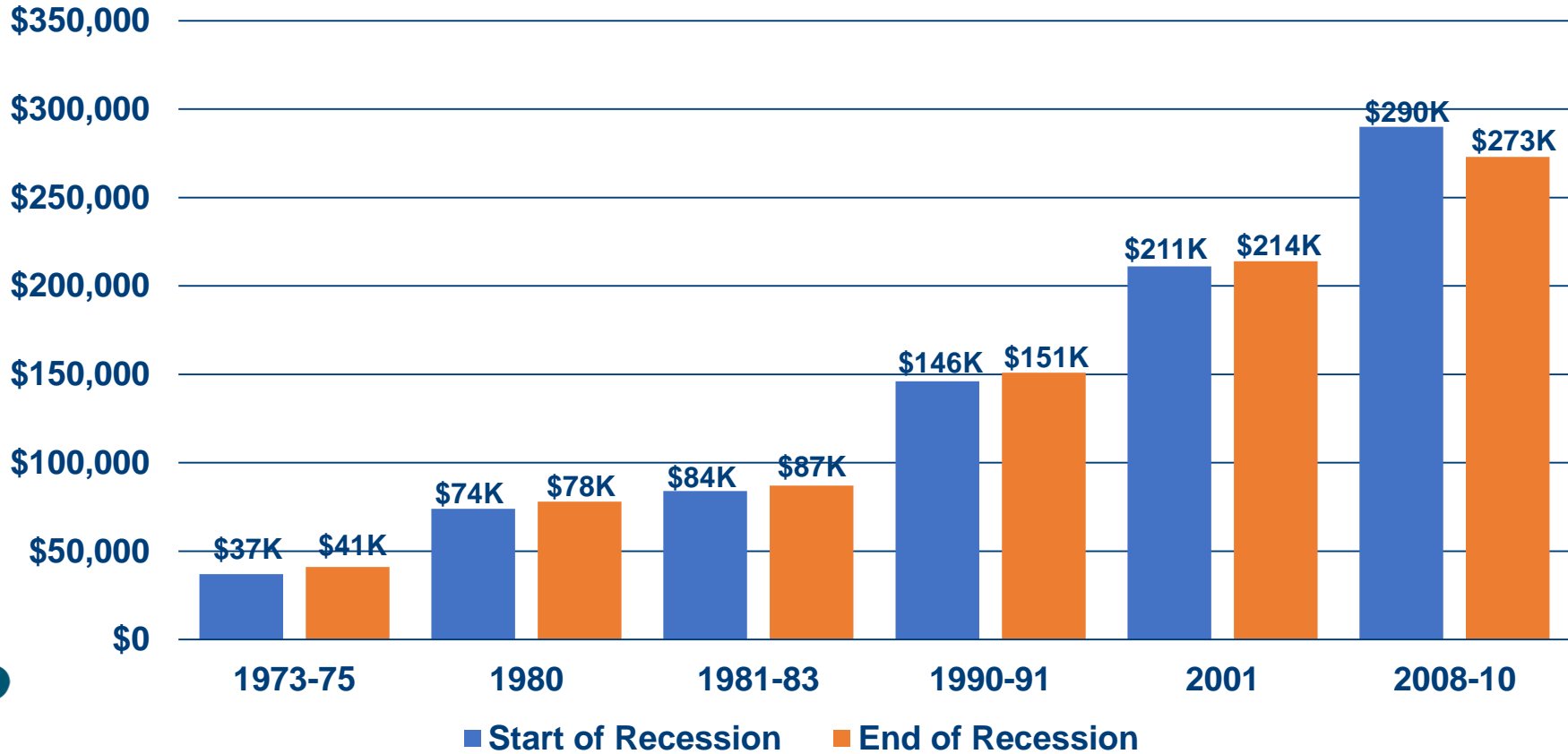
The U.S. Housing Market



Recessions Do NOT Always Cause Home Prices to Drop

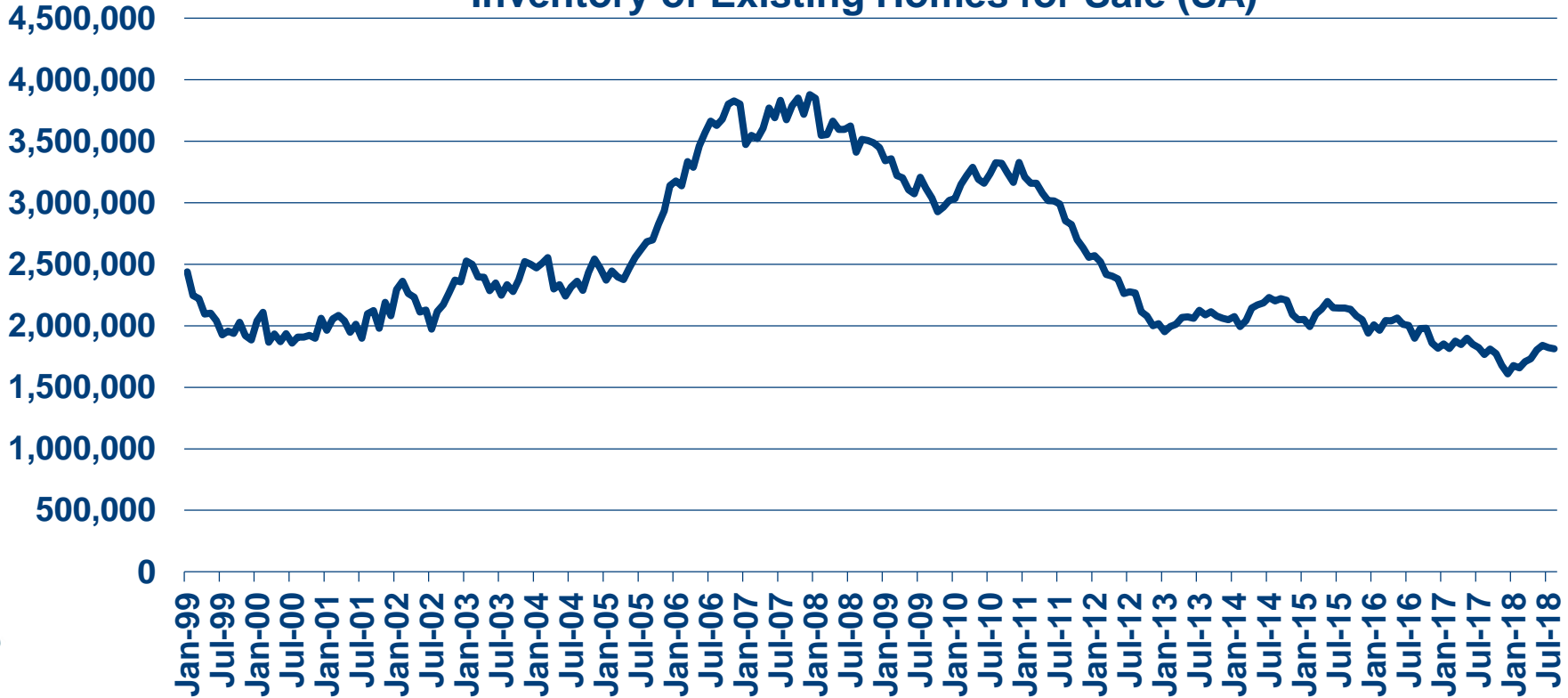


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U.S. Inventory at it's Lowest Level in a Generation

Inventory of Existing Homes for Sale (SA)

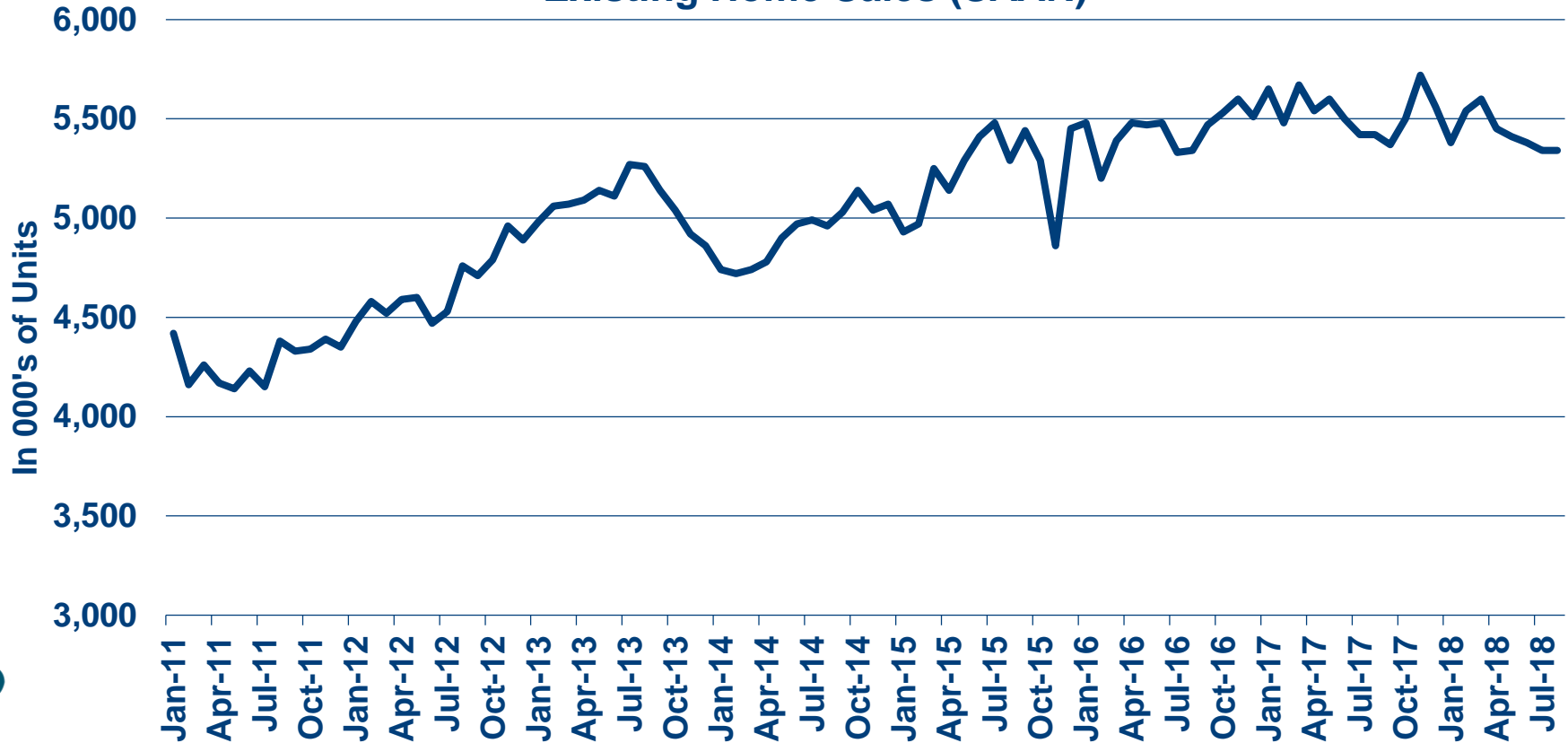


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& Sales are Starting to Soften

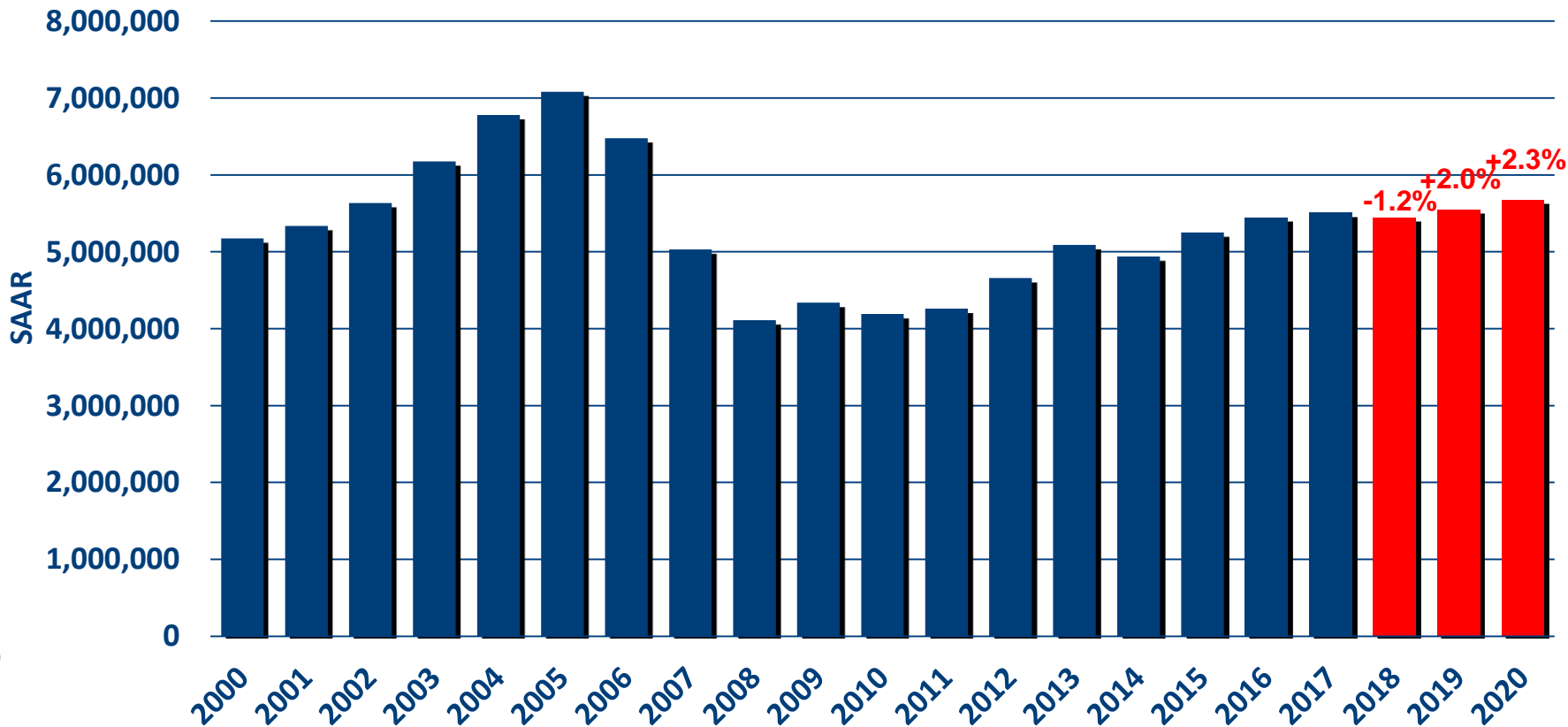
Existing Home Sales (SAAR)



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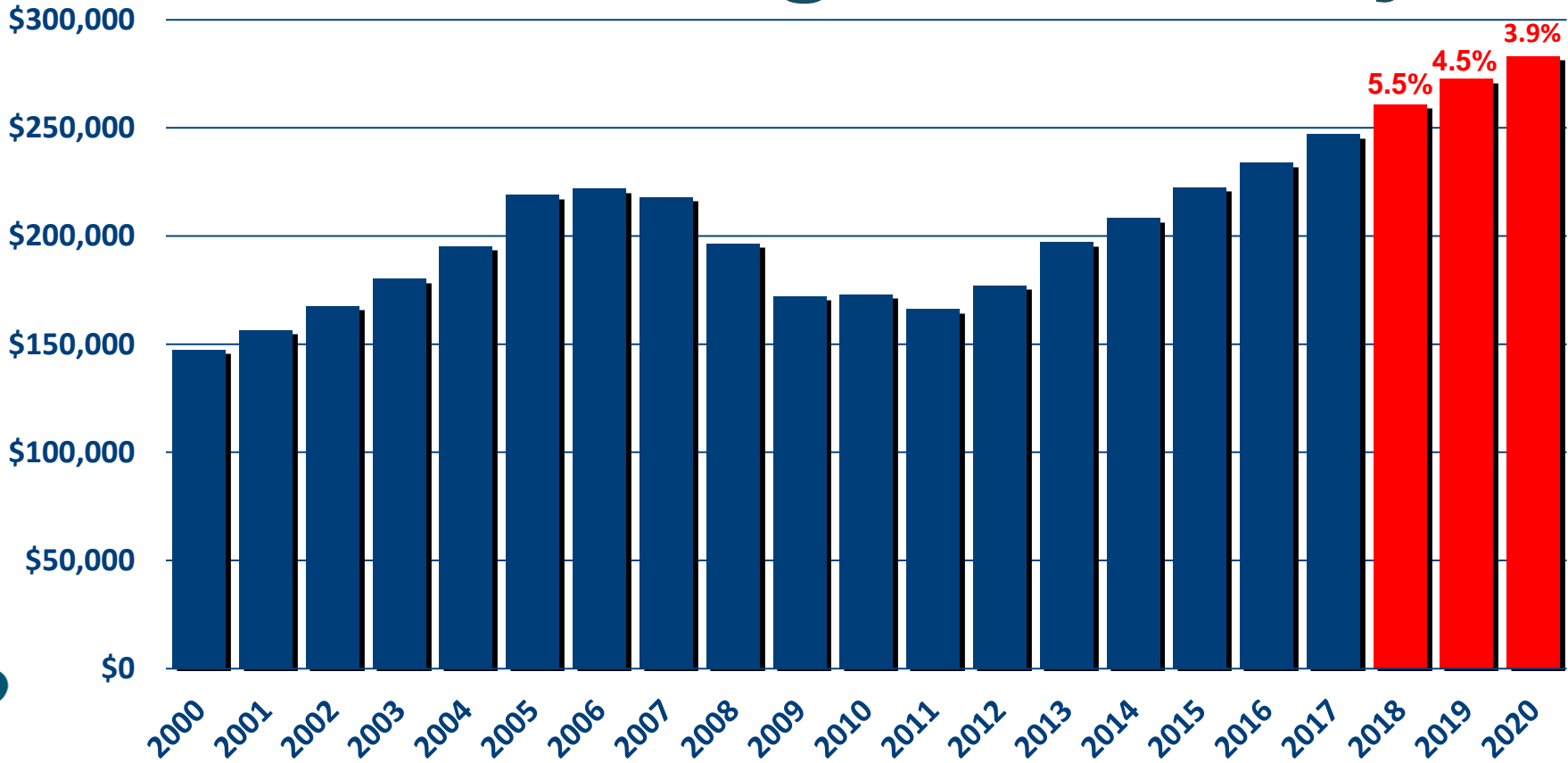
Existing Home Sales Unlikely to Grow Significantly



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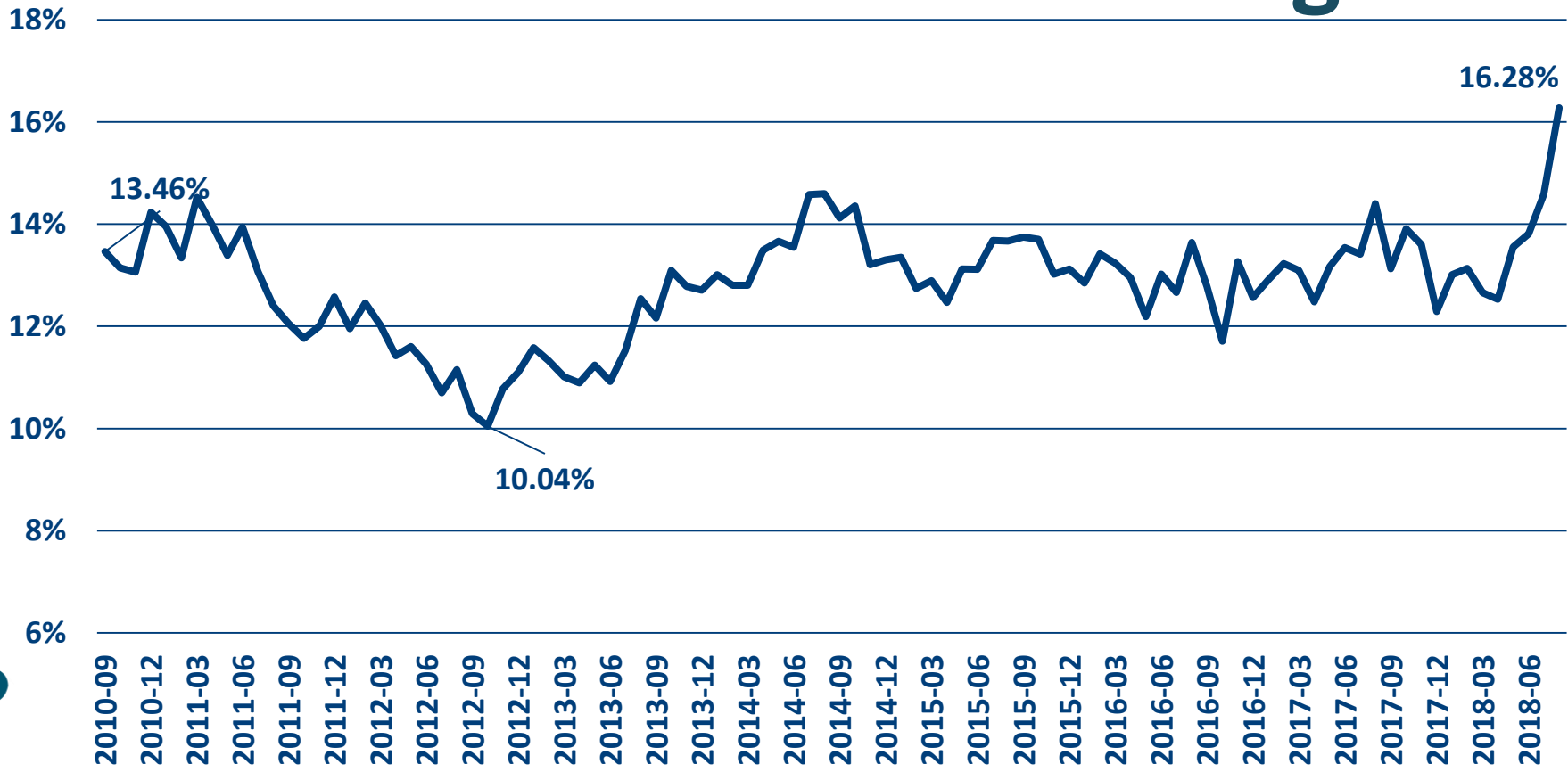


Values Continue To Rise Further Testing Affordability



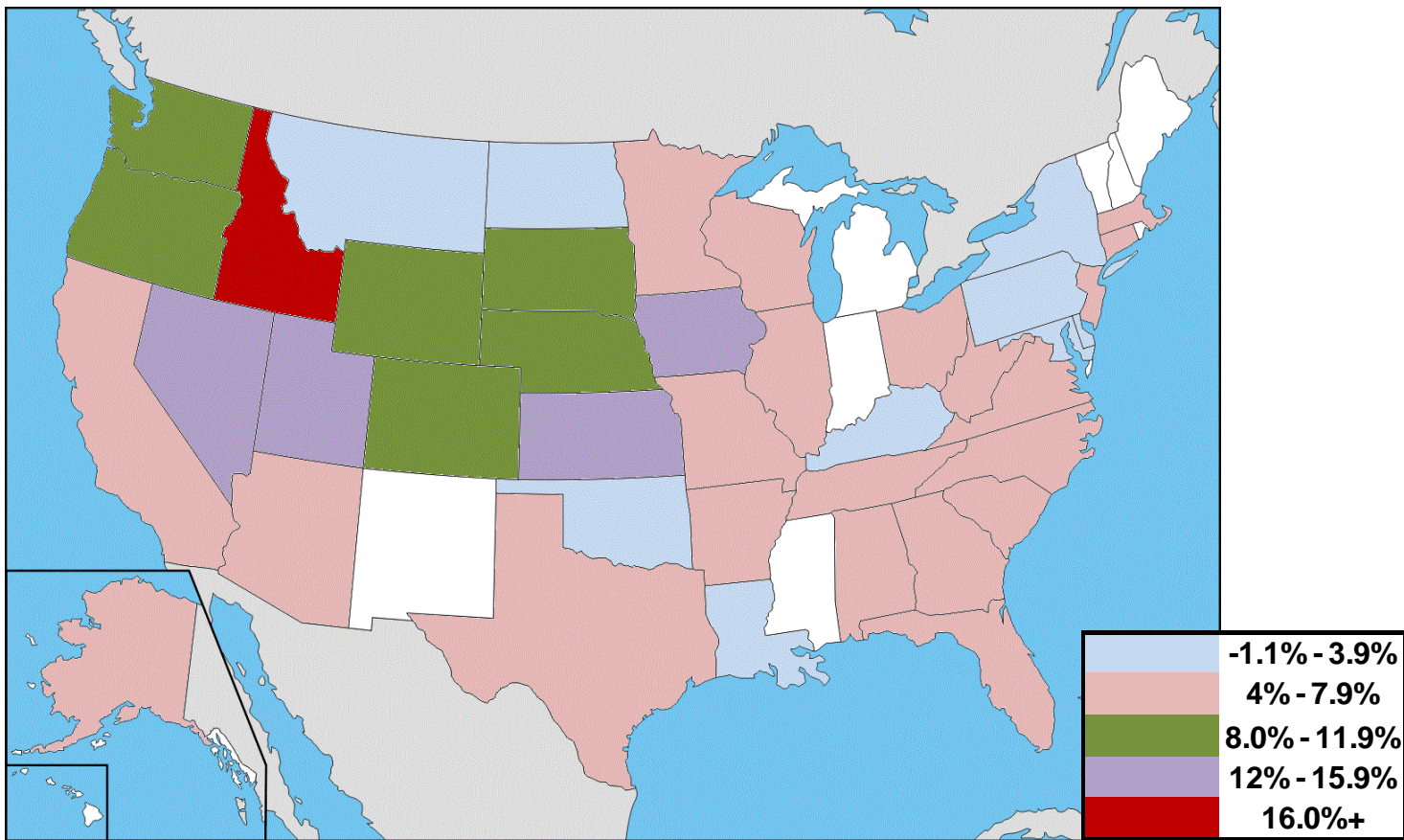
Suggesting Listings with Price Cuts Will Continue Rising

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All Markets are Not Created Equal

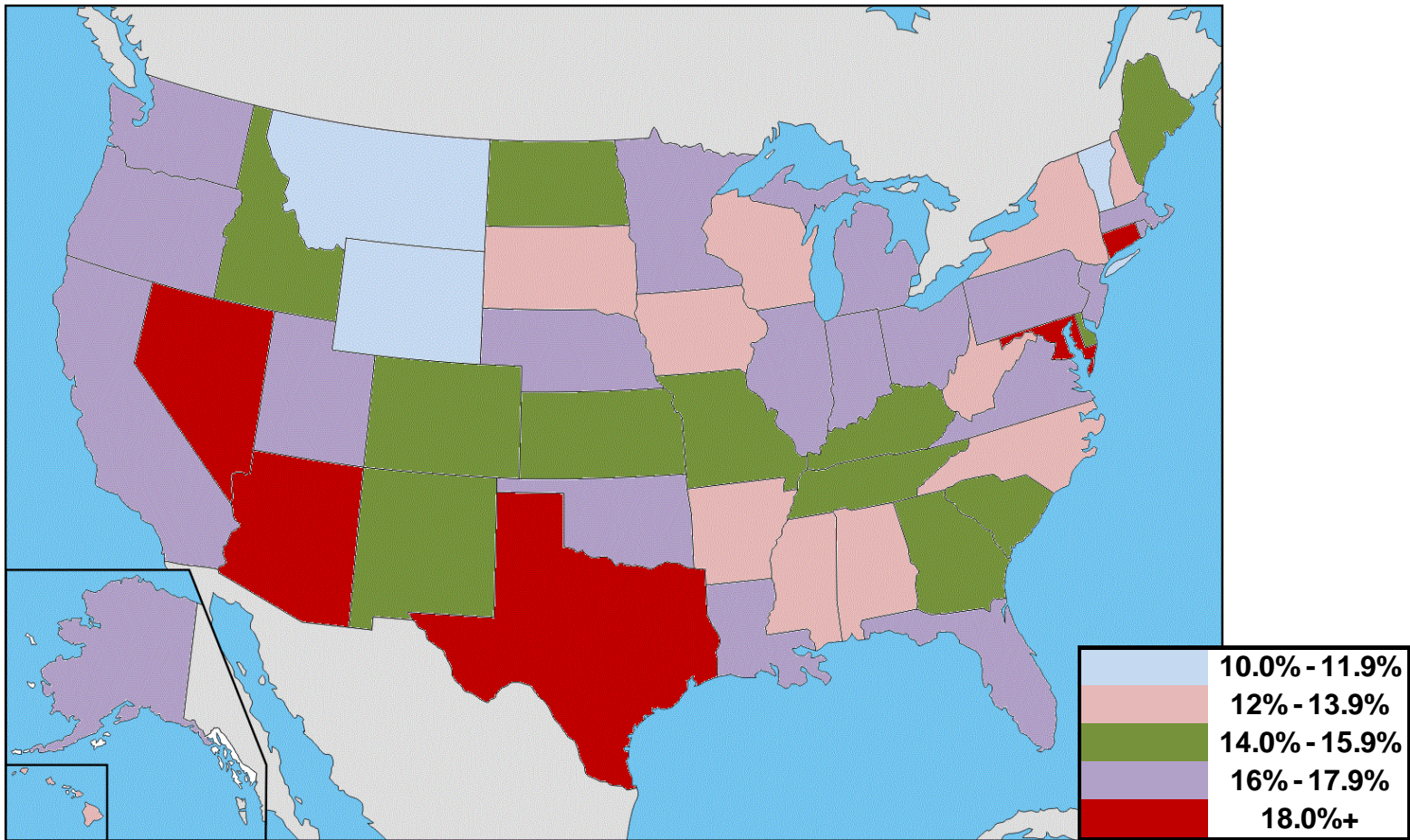
(12-Mo. Home Price Appreciation)



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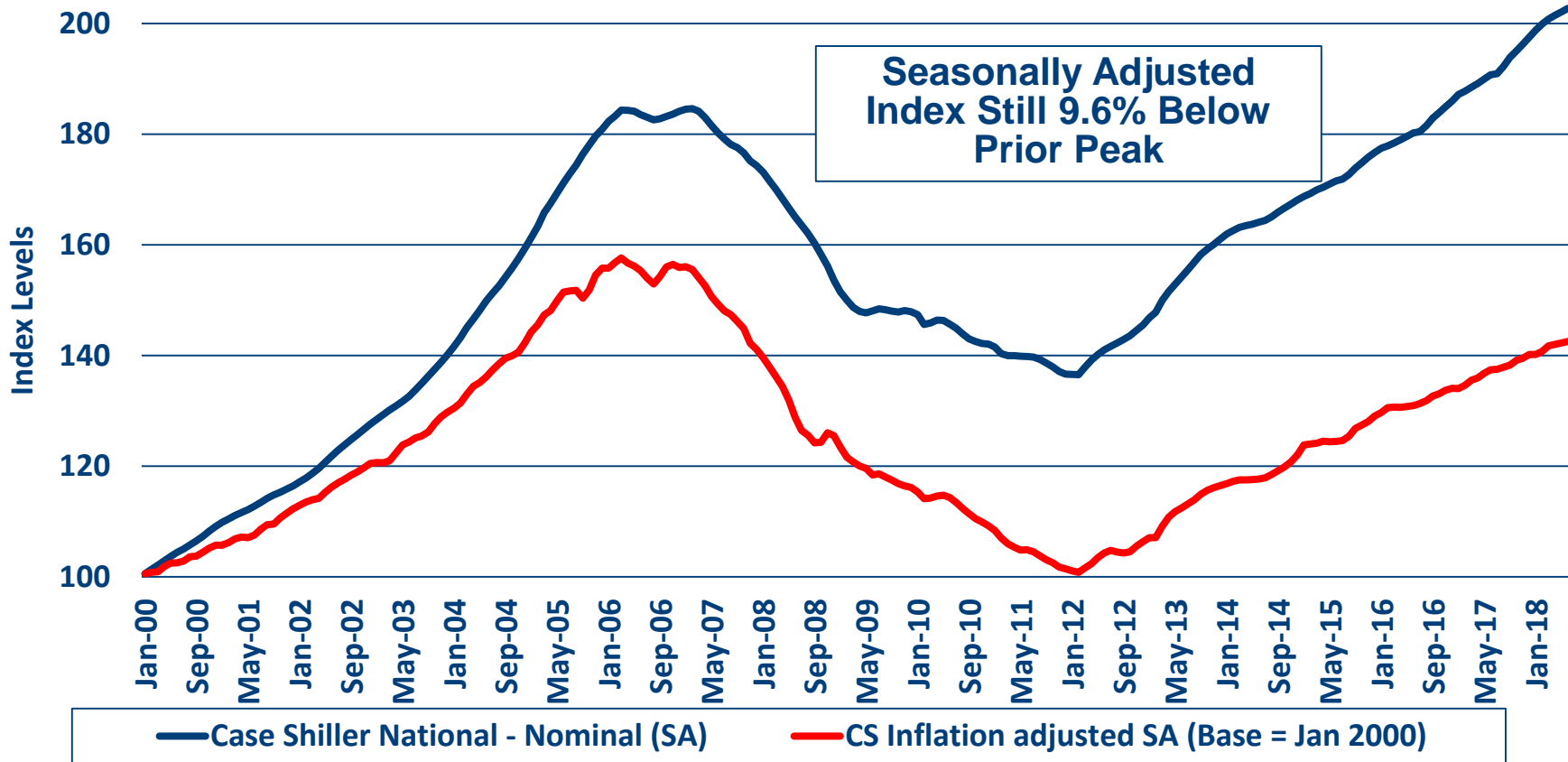


More Homes with Price Reductions



Case Shiller National Index

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Foreclosure Starts at Pre-Recession Levels

U.S. Foreclosure Starts

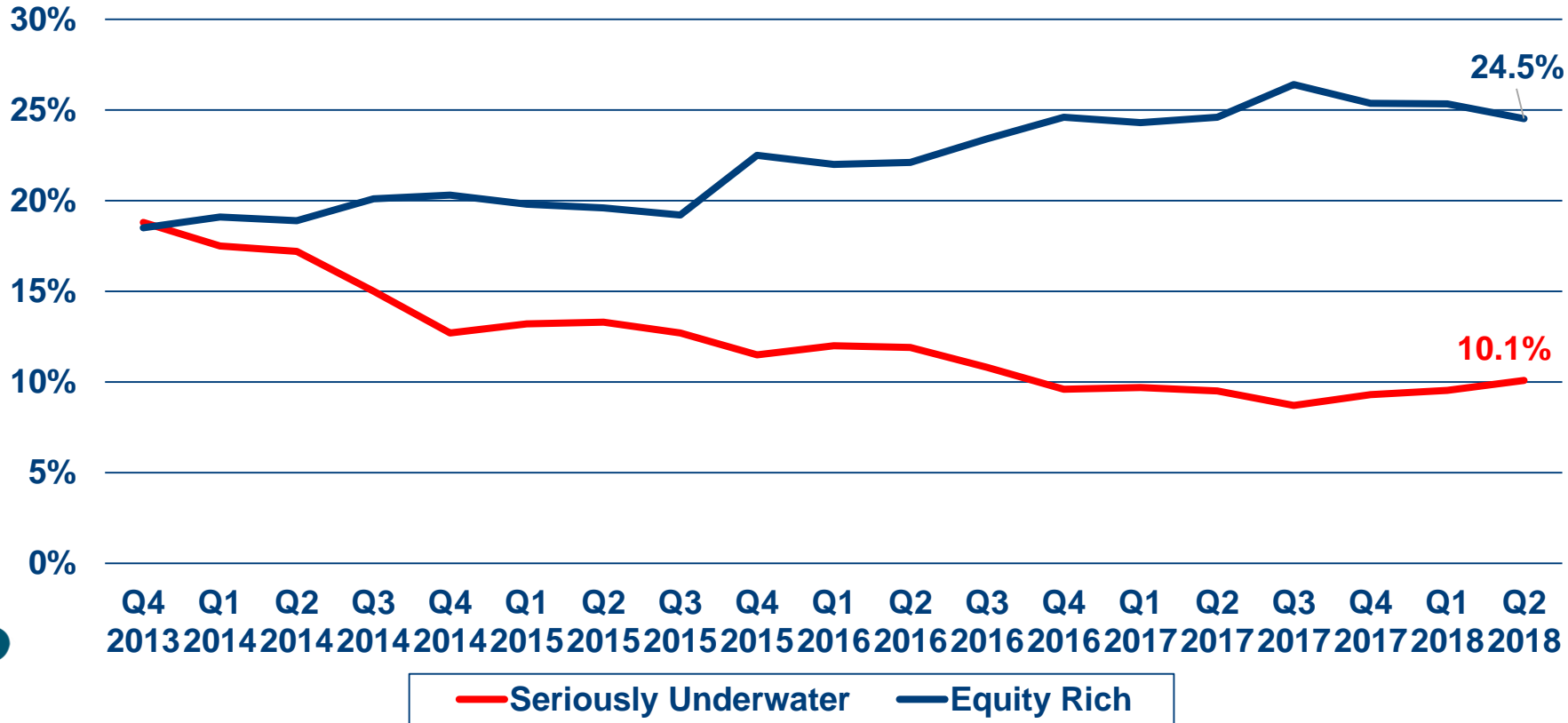


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Significant Equity Growth

Underwater & Equity Rich Housing in the U.S.



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Major Underwater & Equity Rich Markets

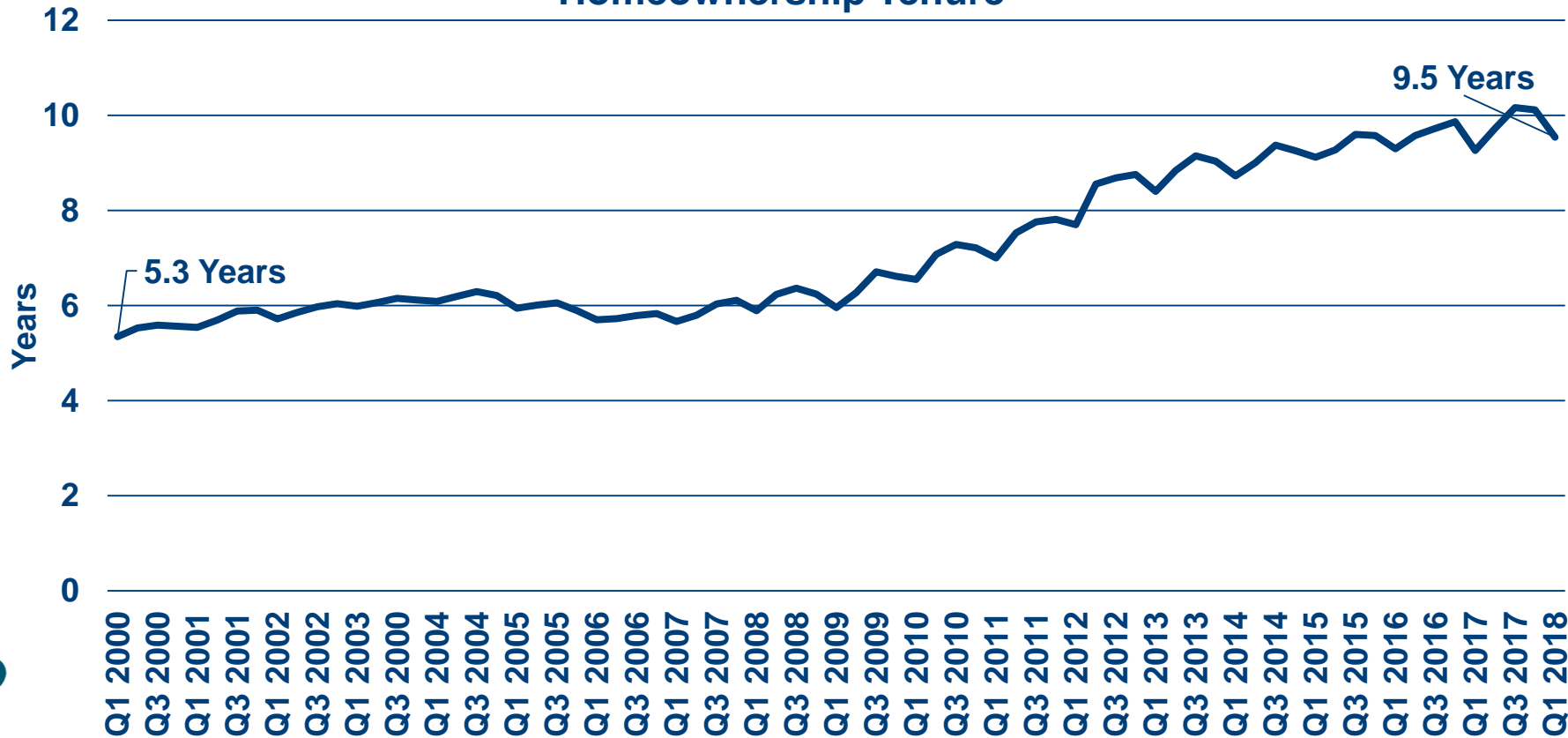
MSA	% of Seriously Underwater
Baton Rouge, LA	21.0%
Toledo, OH	20.0%
Scranton--Wilkes-Barre--Hazleton, PA	19.6%
Youngstown-Warren-Boardman, OH-PA	19.3%
New Orleans-Metairie, LA	18.9%
Akron, OH	18.2%
Cleveland-Elyria, OH	18.0%
Memphis, TN-MS-AR	17.9%
Chicago-Naperville-Elgin, IL-IN-WI	17.4%
Dayton, OH	17.2%

MSA	Pct Equity Rich
San Jose-Sunnyvale-Santa Clara, CA	71.9%
San Francisco-Oakland-Hayward, CA	60.8%
Los Angeles-Long Beach-Anaheim, CA	47.9%
Seattle-Tacoma-Bellevue, WA	41.1%
San Diego-Carlsbad, CA	40.0%
Urban Honolulu, HI	39.6%
Oxnard-Thousand Oaks-Ventura, CA	38.6%
Portland-Vancouver-Hillsboro, OR-WA	35.6%
Stockton-Lodi, CA	35.6%
Modesto, CA	35.0%



Median Tenure in Years

Homeownership Tenure



Housing Shortage Tracker

(Historically, 2 Permits/New Job)

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Metro Area	Jobs (3-Years)	SF Permits (3-Years)	Ratio
Austin	85,200	38,282	2.2
Denver	84,700	27,639	3.1
Las Vegas	63,500	23,999	2.6
Los Angeles	223,700	25,562	8.8
Portland	69,000	17,095	4.0
Salt Lake City	46,000	12,142	3.8
San Diego	71,100	8,506	8.4
San Francisco	130,800	11,771	11.1
San Jose	76,100	6,026	12.6
Seattle	144,400	24,217	6.0

Most Affordable U.S. Housing Markets

Metro Area	% of Affordable Homes	Median Sales Price
Elmira, NY	97.0%	\$98,000
Kokomo, IN	95.4%	\$124,000
Davenport, IA	94.3%	\$108,000
Cumberland, MD-WV	93.3%	\$90,000
Wheeling, WV-OH	92.3%	\$106,000
Mansfield, OH	91.2%	\$115,000
Springfield, OH	91.1%	\$107,000
Fairbanks, AK	90.9%	\$255,000
Vineland-Bridgeton, NJ	90.6%	\$130,000
Monroe, MI	90.0%	\$150,000
Syracuse, NY	89.1%	\$117,000
Rockford, IL	88.9%	\$111,000
Lansing, MI	88.8%	\$125,000



Least Affordable U.S. Housing Markets

Metro Area	% of Affordable Homes	Median Sales Price
San Francisco, CA	5.5%	\$1,350,000
Los Angeles, CA	8.0%	\$613,000
Anaheim-Santa Ana-Irvine, CA	9.5%	\$740,000
Salinas, CA	9.8%	\$590,000
Santa Cruz-Watsonville, CA	10.8%	\$765,000
San Jose-Sunnyvale-Santa Clara, CA	11.6%	\$1,110,000
Napa, CA	11.9%	\$630,000
San Diego, CA	14.2%	\$560,000
San Luis Obispo, CA	14.9%	\$569,000
San Rafael, CA	15.4%	\$1,169,000
Oakland-Hayward-Berkeley, CA	15.5%	\$750,000
Santa Rosa, CA	18.6%	\$613,000
Seattle, WA	32.8%	\$550,000



The 4-Corners of Housing Development

Land
Expensive!

Labor
Expensive!

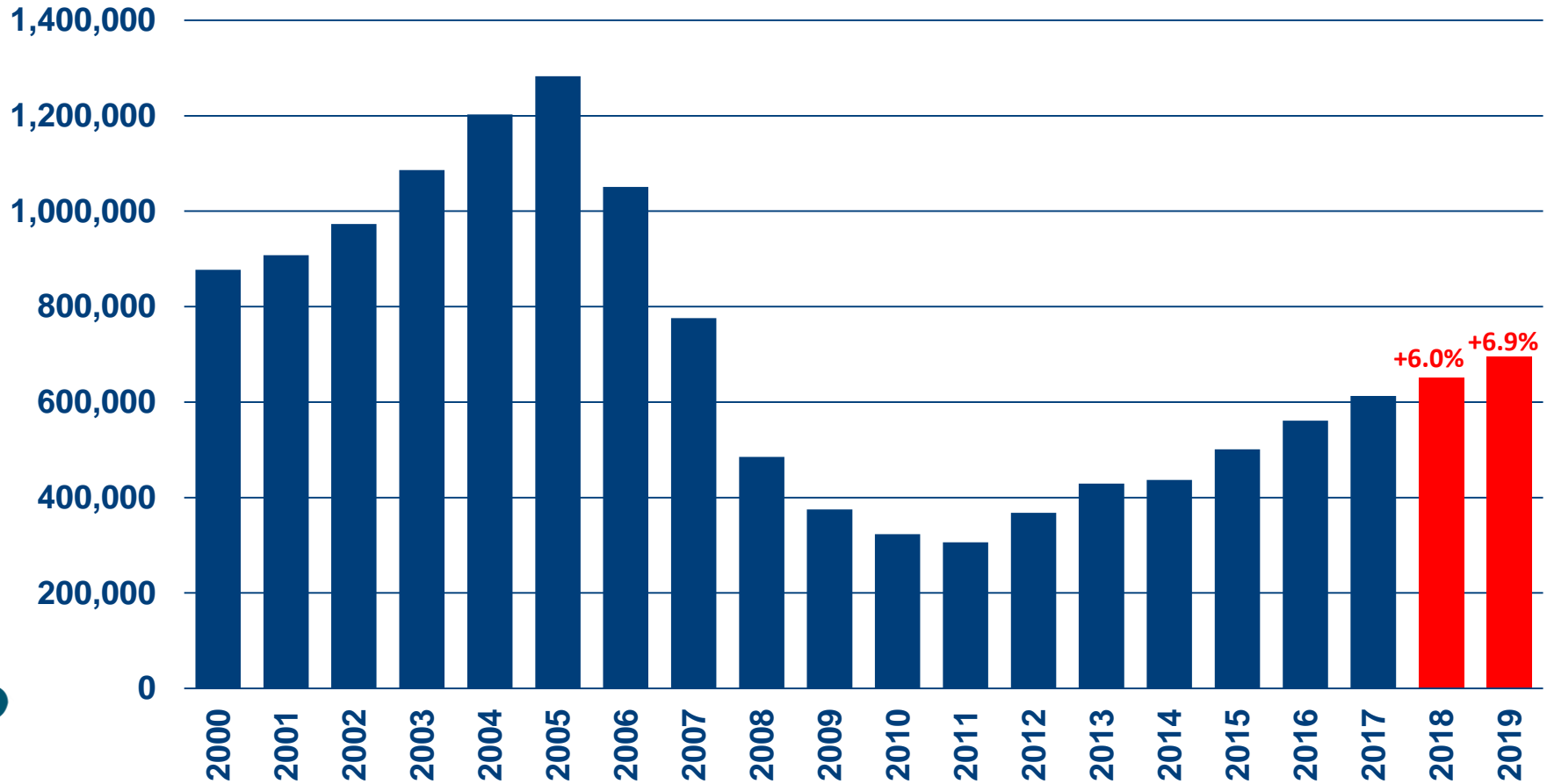
New
Development

Materials
Expensive!

Regulation
Expensive!

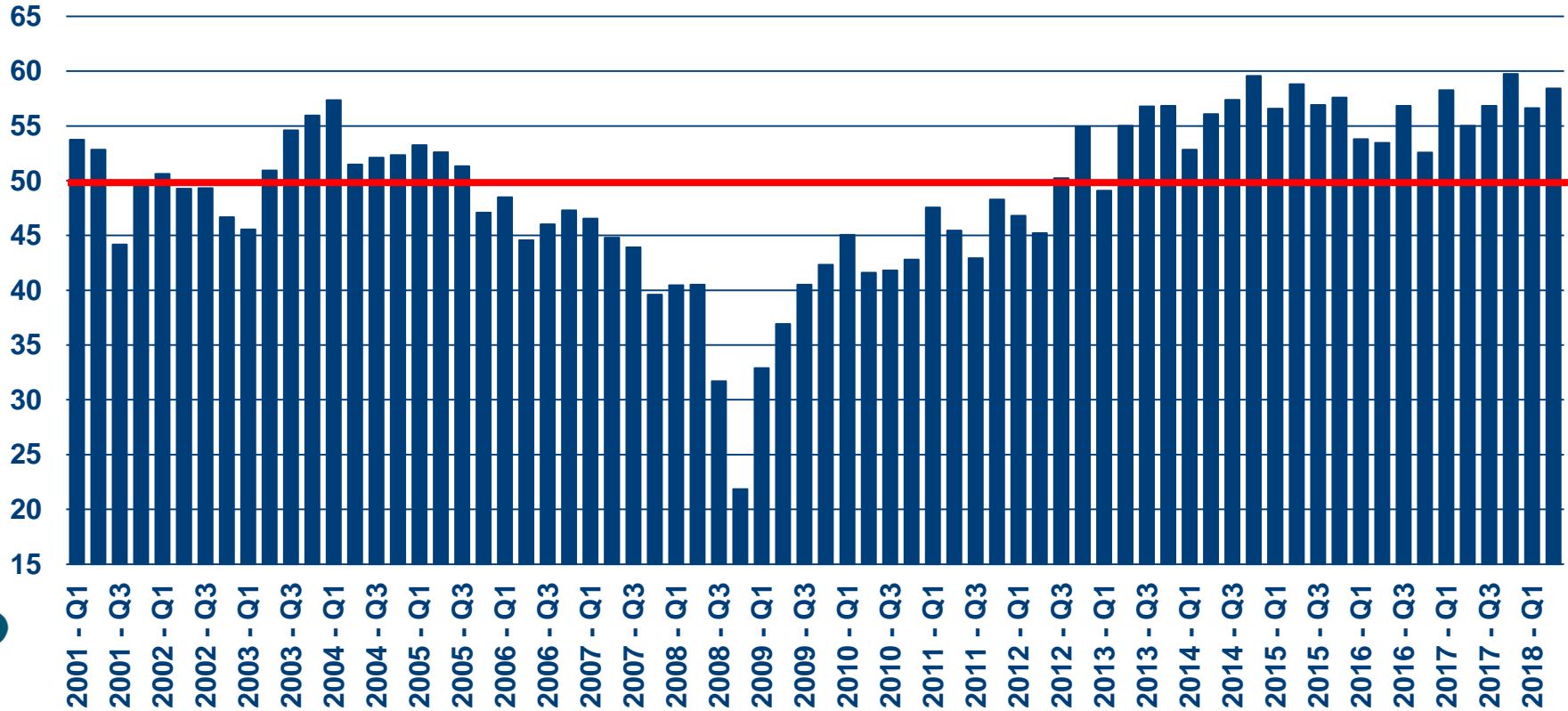


Single Family New Home Sales



Can't Find a Home? (Remodeling is On the Rise!)

US Remodeling Market Index



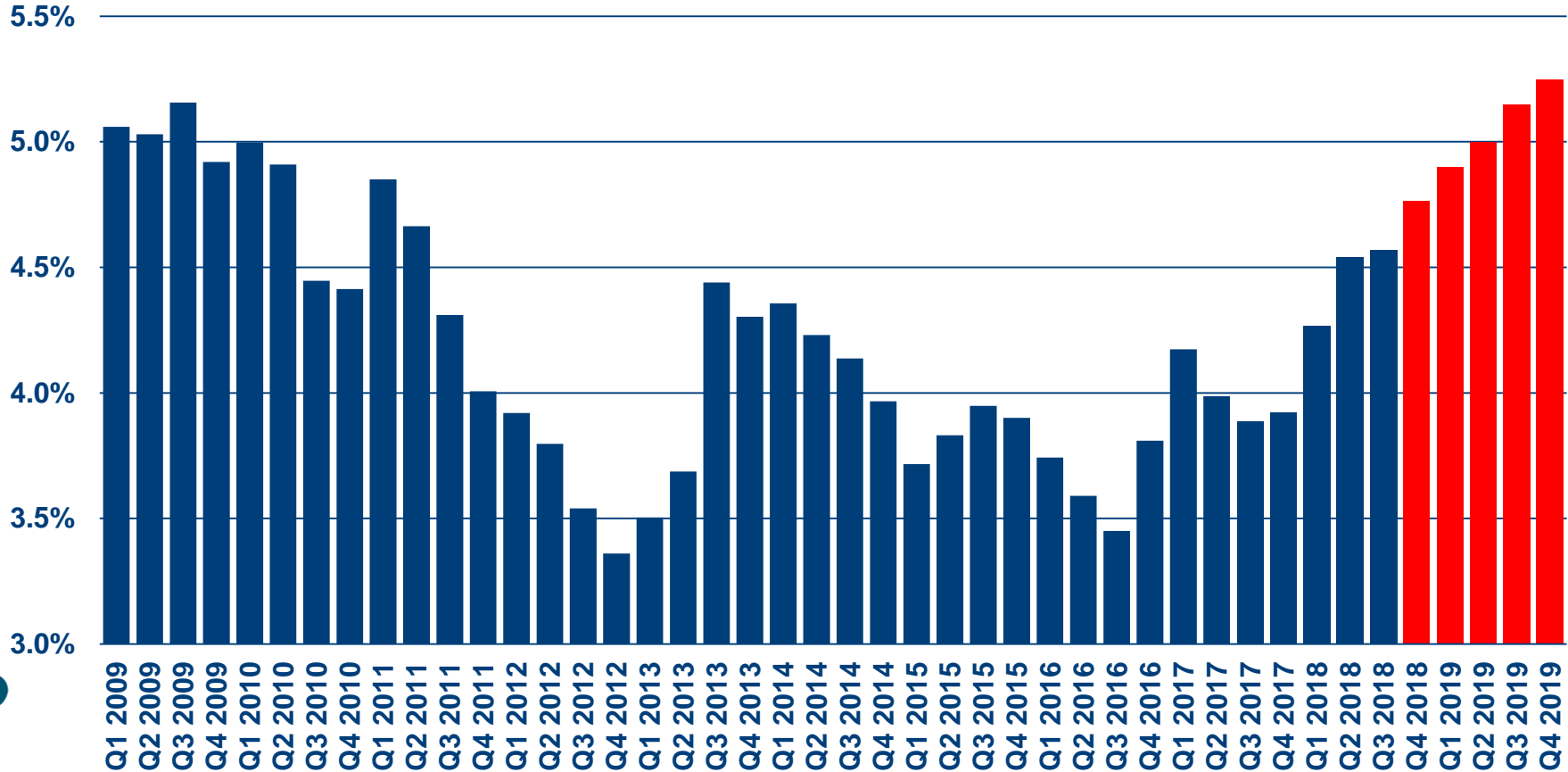
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Mortgage Rate Forecast

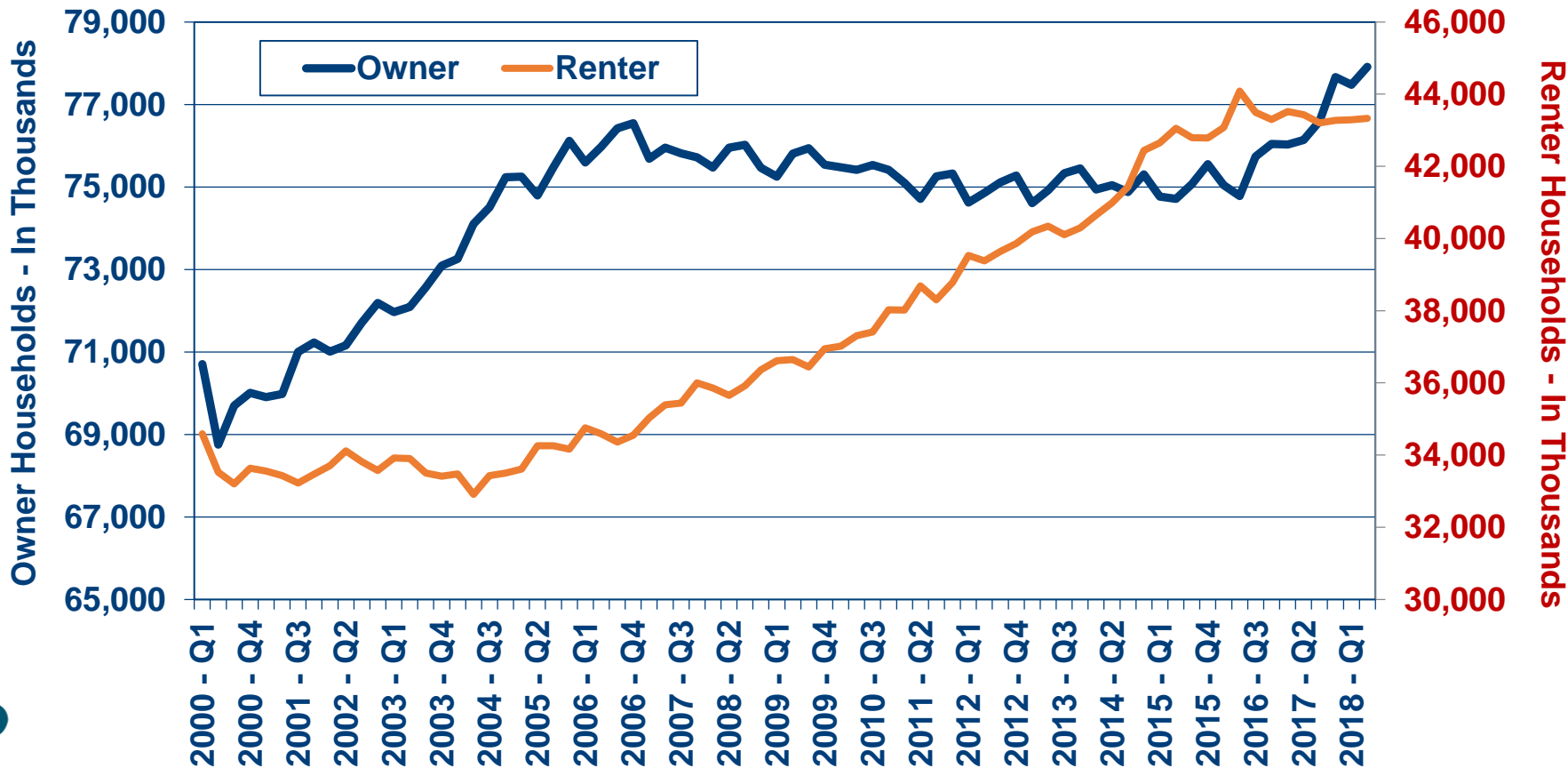
(Avg. 30 Year)

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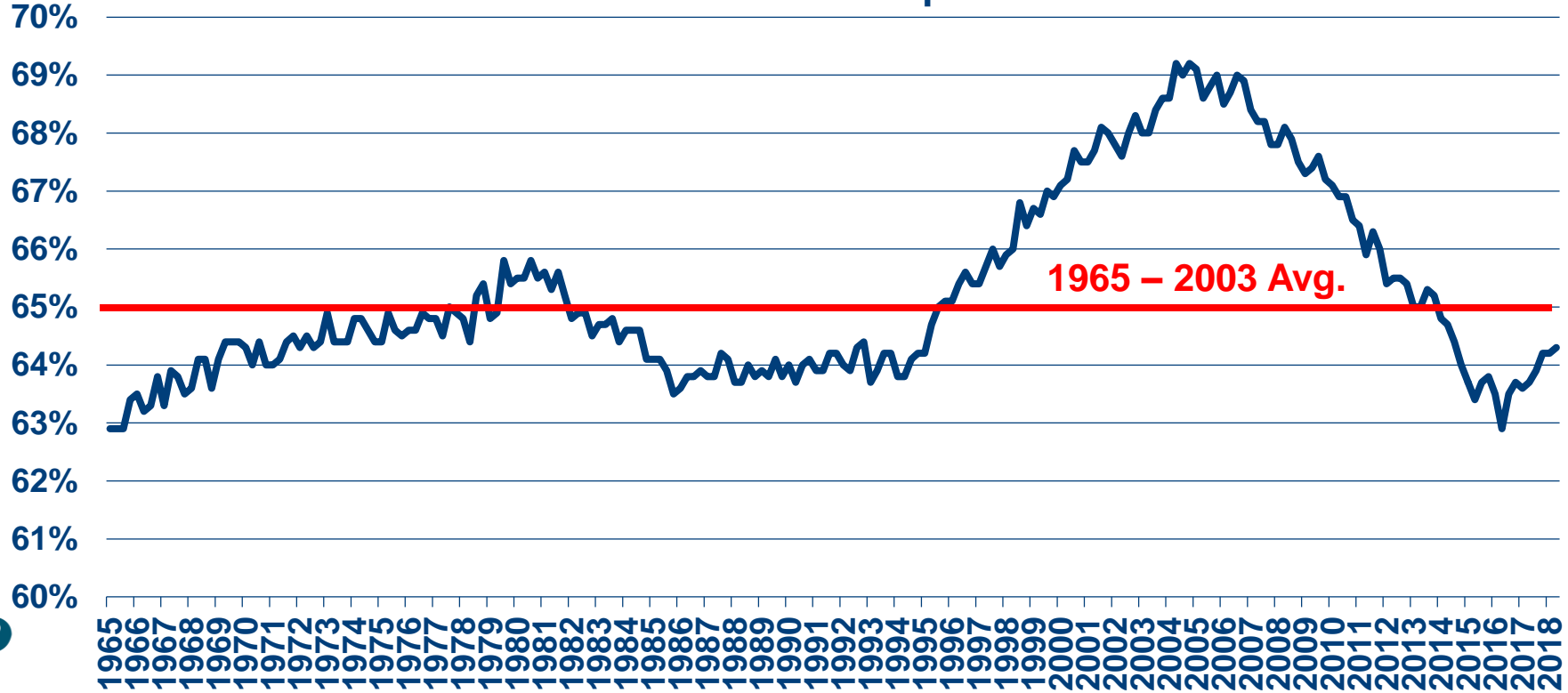
Owner Households Rising Again

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Homeownership Trending Back to Mean

U.S. Homeownership Rate



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Homeownership Rates in Major Markets

Metro Area	Pre Recession Peak	Current	% Change
Austin	66.7%	55.1%	-11.6%
Denver	70.7%	60.2%	-10.5%
Las Vegas	63.4%	58.1%	-5.3%
Los Angeles	55.0%	48.8%	-6.2%
New York	54.7%	49.6%	-5.1%
Portland	72.9%	61.9%	-11.0%
San Diego	65.7%	54.7%	-11.0%
San Francisco	59.4%	56.4%	-3.0%
San Jose	61.3%	50.2%	-11.1%
Seattle	65.4%	63.1%	-2.3%



The Millennials are Coming!

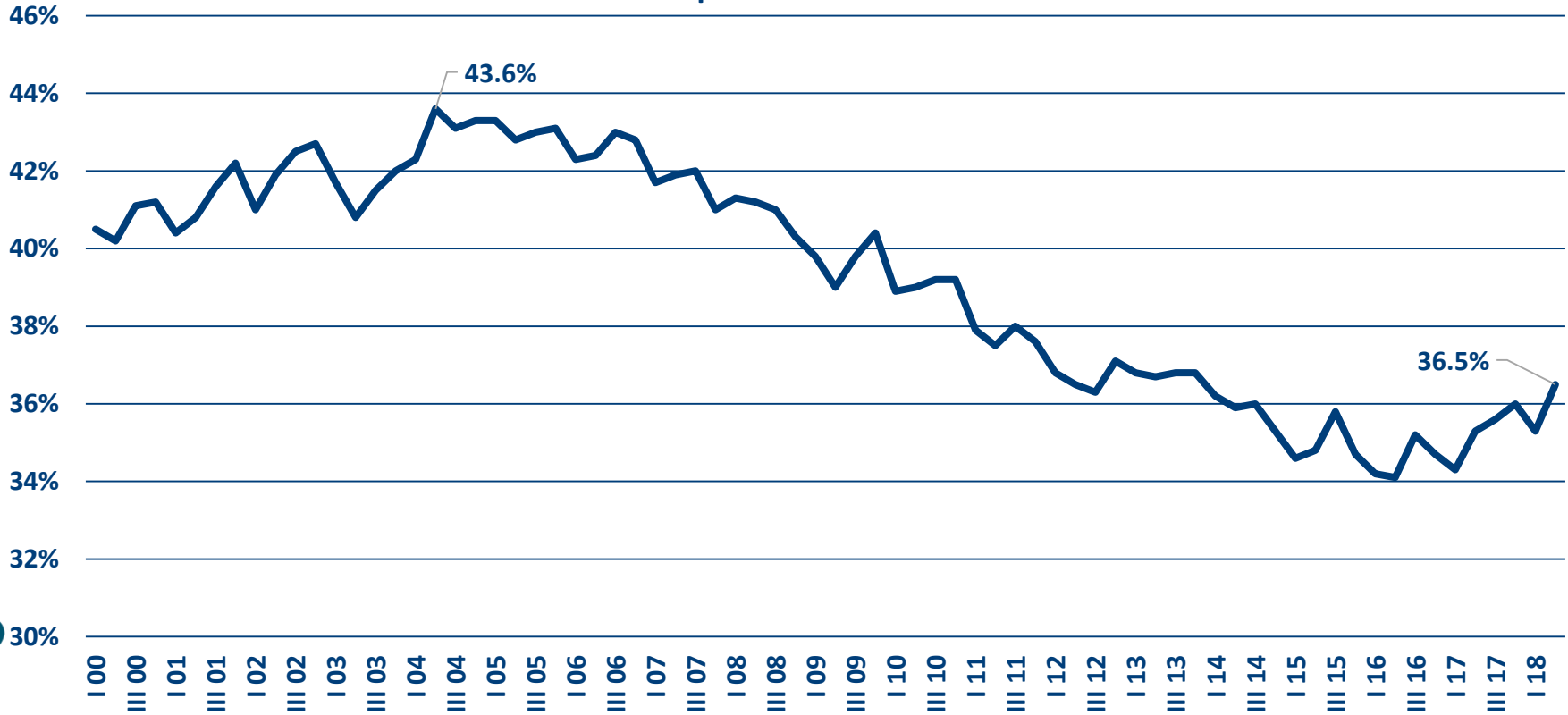


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Younger Buyers Are Still Having a Hard Time!

Homeownership of Householders Under 35



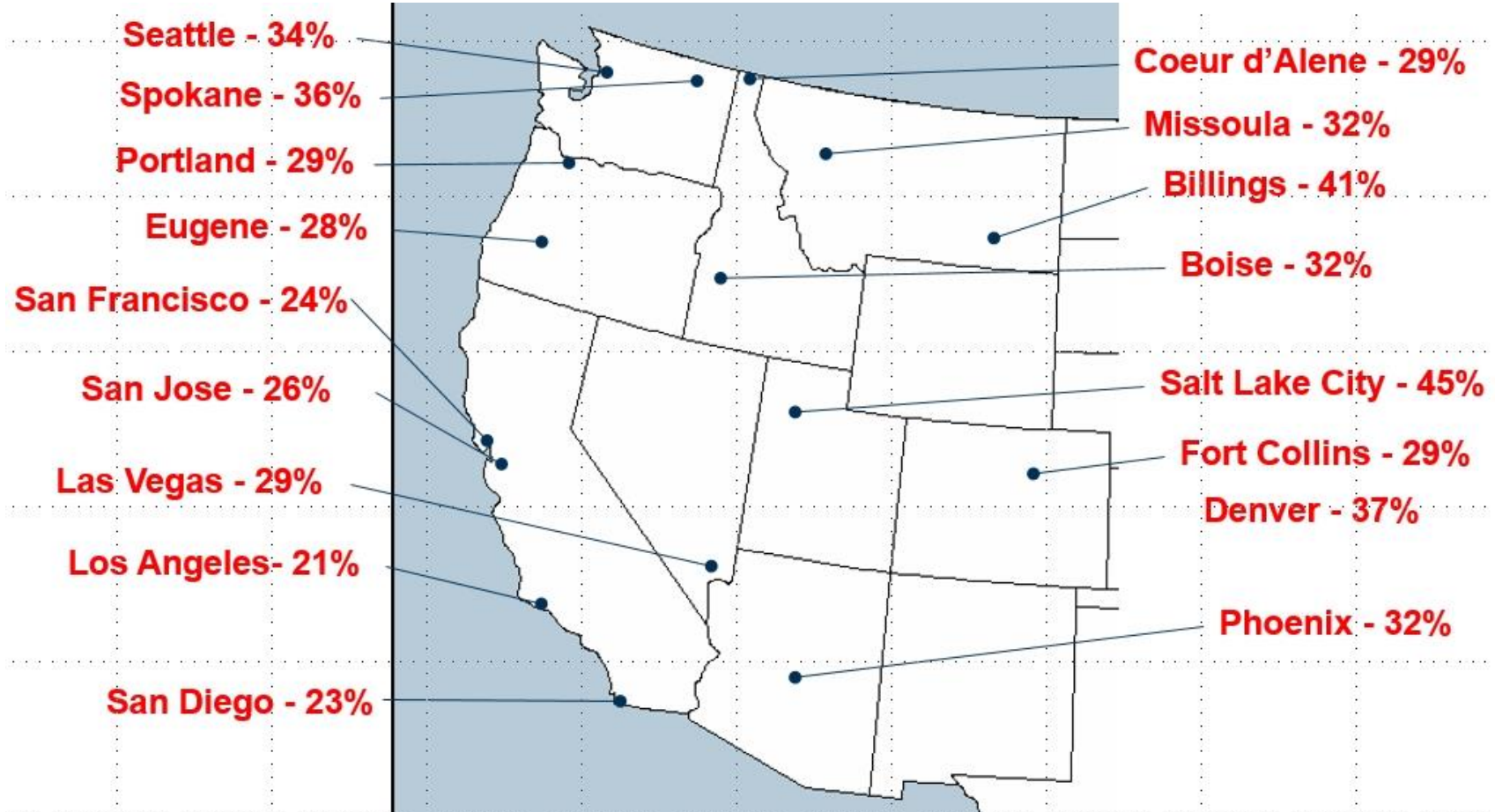
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So Are They Buying Homes?



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A Message From Mom & Dad



**The kids won't move
back home if they
can't find it!**

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Who's Worried About Student *I PAID OFF MY STUDENT LOAN YESTERDAY..*



*HERE'S A PICTURE OF
ME CELEBRATING!*



Still NO Housing Bubble.

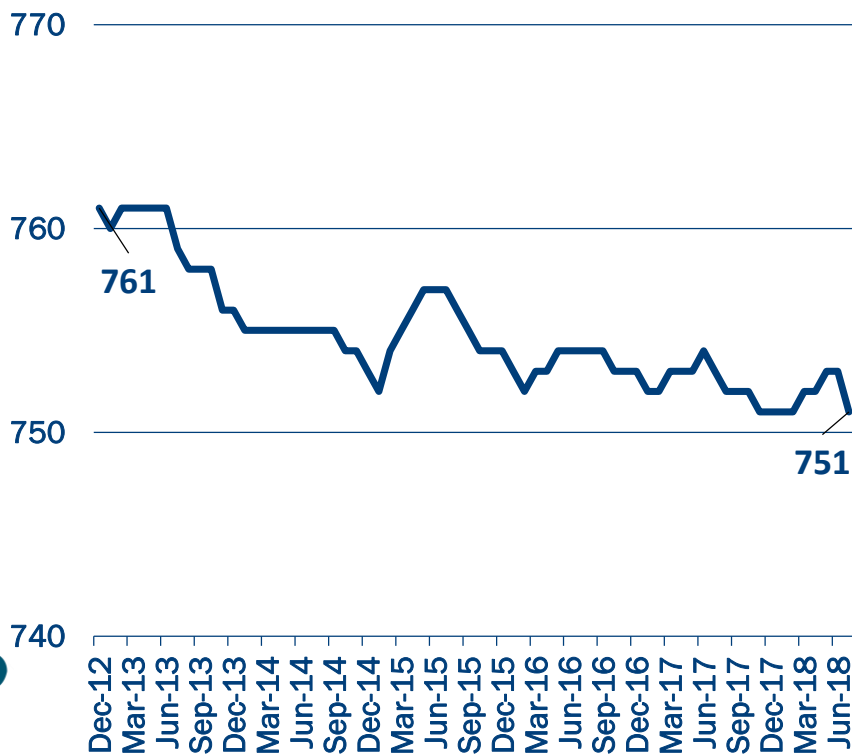


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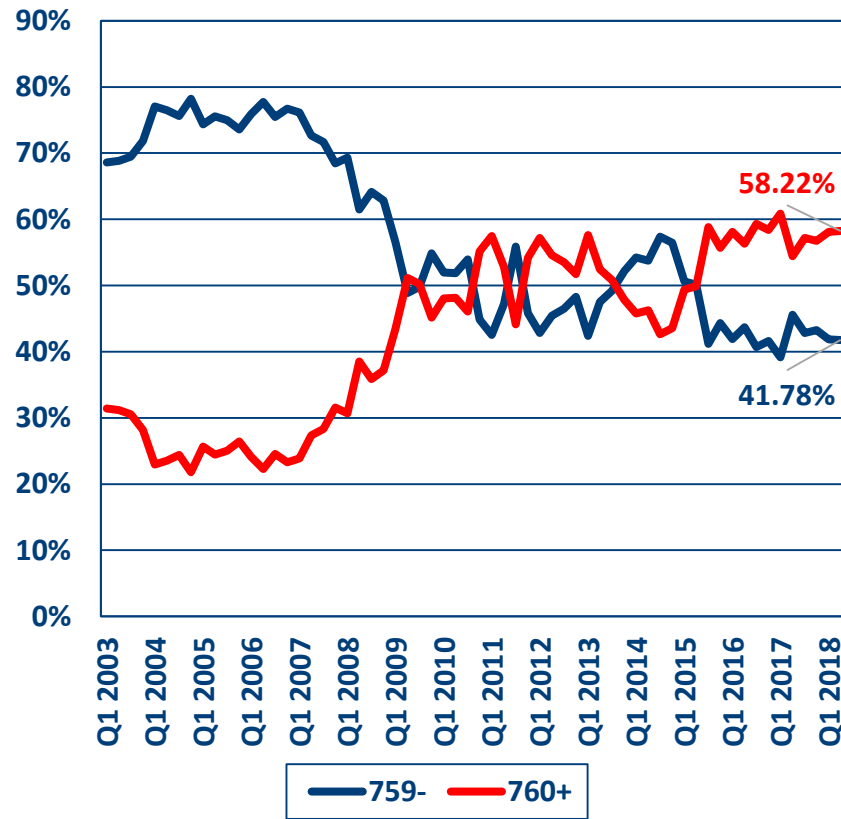


FICO Scores for Approved Loans

Avg. FICO Score - Conventional Loans



Mortgage Credit by Credit Score



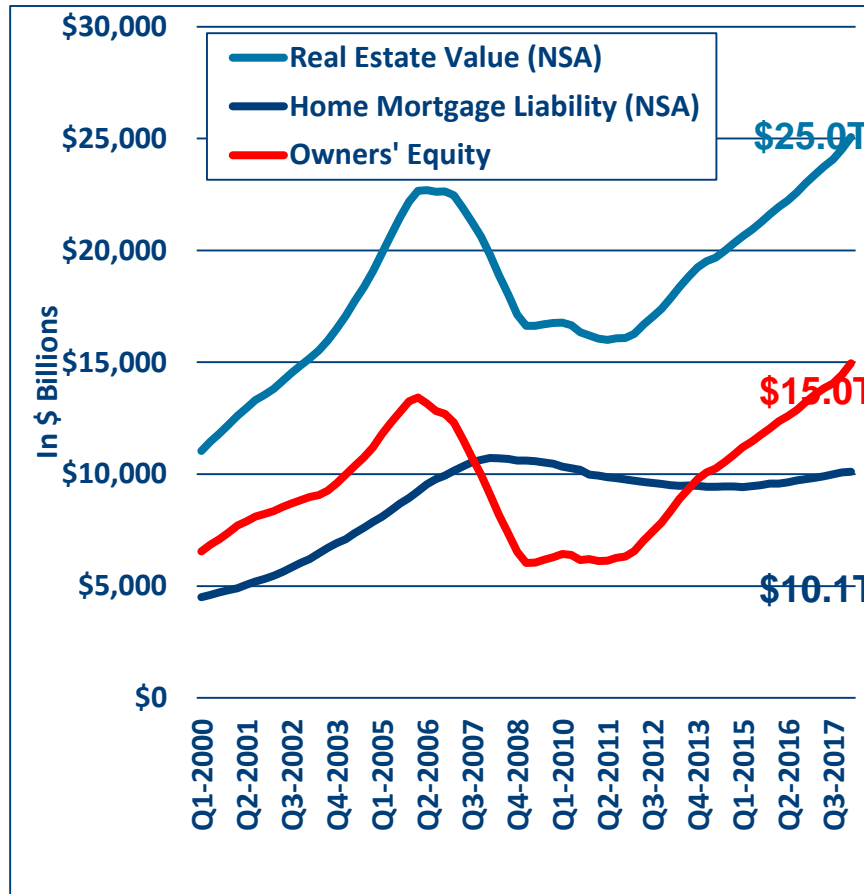
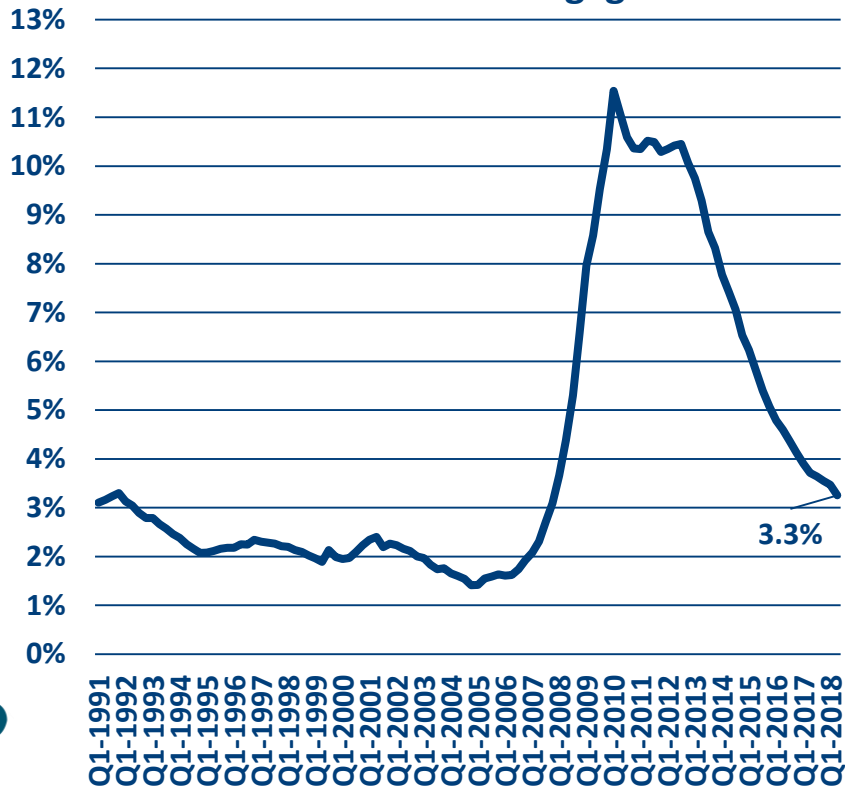
Borrowers Not Defaulting



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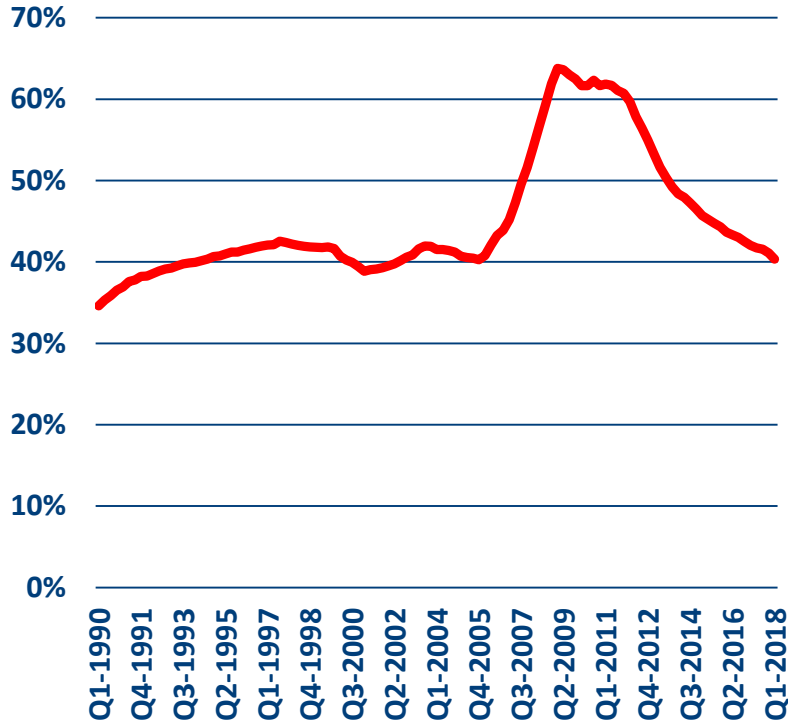
Delinquency Rate on Single-Family Residential Mortgages





Debt-to-Equity Ratios Are Still Good

Loan-to-Value Ratio



- Qualifying Remains Stringent;
- Mortgage Rates Will Rise, But Not Quickly;
- Demand Will Remain Robust;
- We Are Not Overbuilding (In Fact, it's the Opposite!)
- Mortgage Debt Has Not Risen, But Prices - & Therefore Equity - Have; and
- Just Because Some Markets are Overvalued, There Doesn't Have to be a Bubble in Place!

2019 U.S. Housing Forecast

- Continued Home Price Growth in 2019 (5.5%);
- Renters Continue to Become Buyers – Especially in High Rent Markets;
- First Time Buyers Will Buy More Homes than Anyone Else;
- Look Out for “Boomerang” Buyers; and
- Some Markets are Still Worrying. (Los Angeles and San Francisco Stick Out).





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Questions?





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