

# Economic and Residential Real Estate Market Trends and Outlook

“It’s all about Confidence!”

*Windermere Premier Group*

*January 28, 2009*

*Broadmoor Country Club*



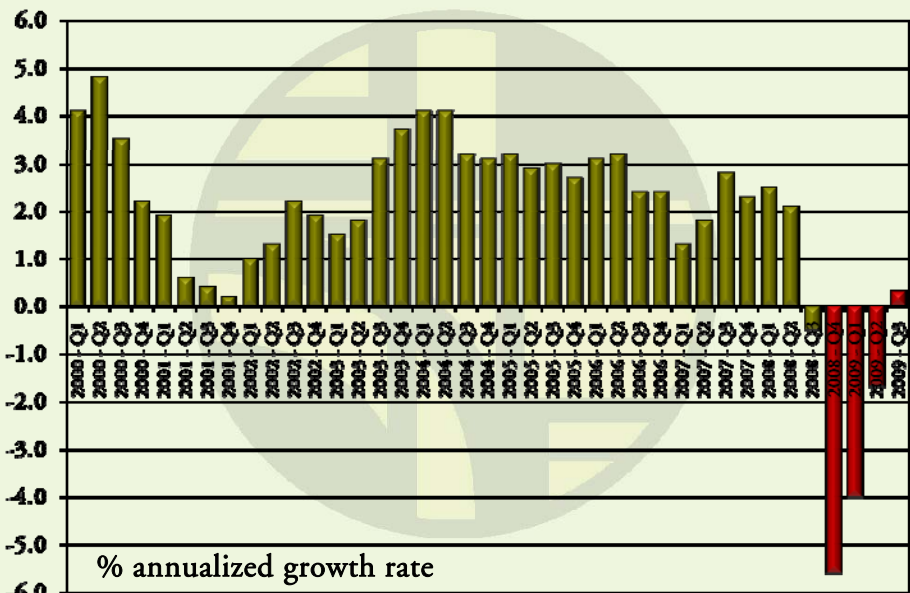
**GARDNER**  
**JOHNSON**

Presented by:  
**Matthew Gardner**  
Principal

119 First Avenue S, Suite 410  
Seattle, WA 98104  
206.442.9200

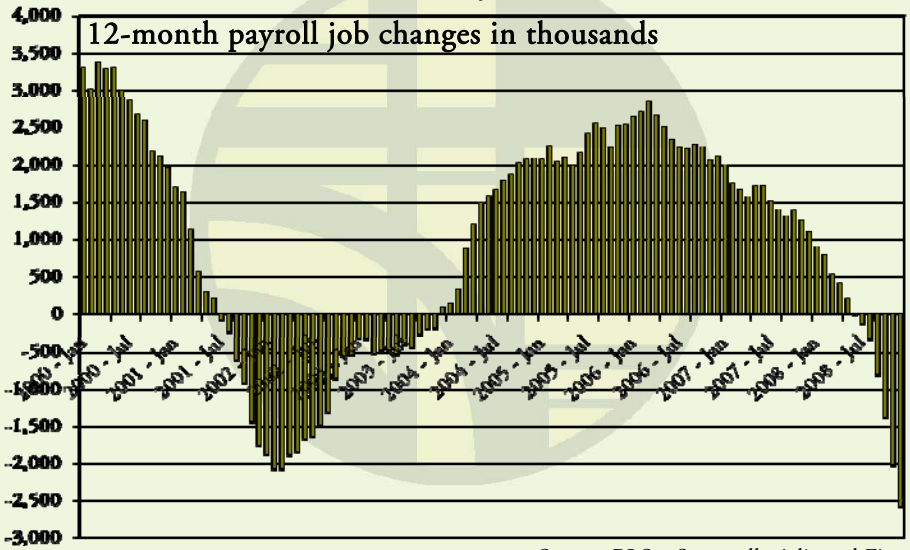
## U.S Economic Outlook

# GDP Growth Forecast

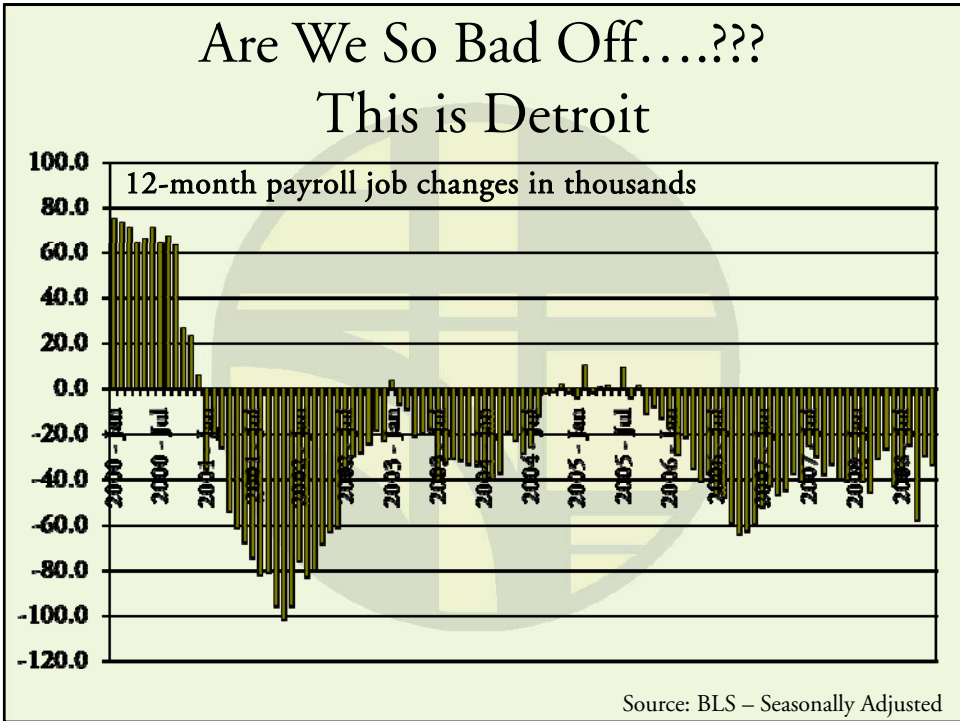
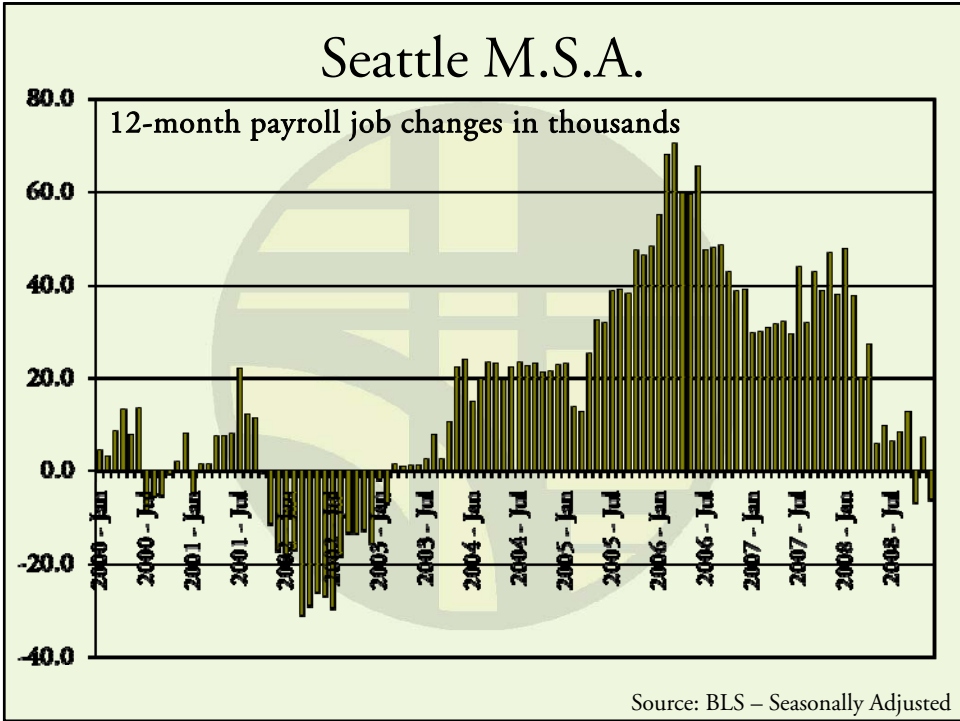


Source: Gardner Johnson LLC & BEA

# U.S. Job Gains Gone South in a Hurry...



Source: BLS – Seasonally Adjusted Figures

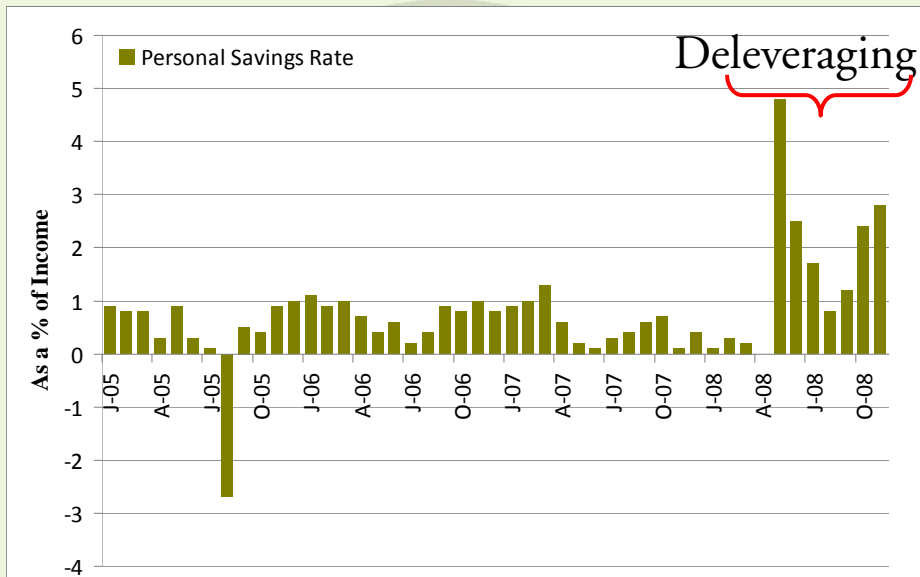


## Consumer Confidence and Sentiment



Source: University of Michigan & Conference Board

## ...But If We Save, We Aren't Spending.

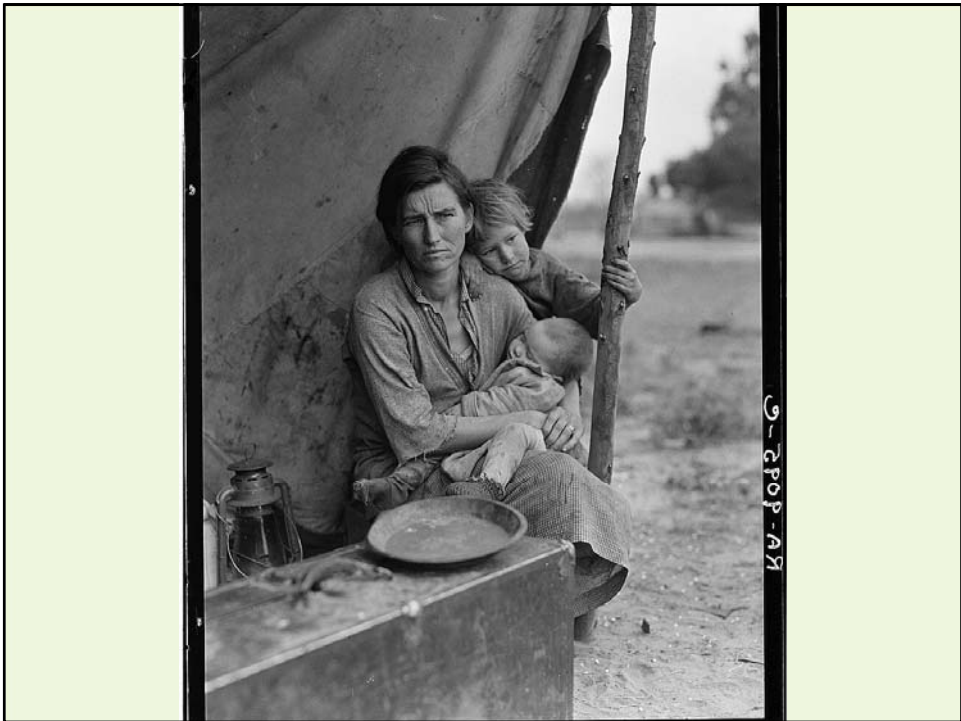


Source: Commerce Department

## U.S. Economic Forecast

- Housing is Critical to an Overall Recovery.
- Massive Stimuli Planned by the New Administration. (It *will* be more than \$800B)
- We Need to Take a Page or 8 out of FDR's Book! Consumers Need Confidence...
- Need to see Help for Small Businesses.
- Stock Market Capitulation?
- Potential for Improvement in the Second Half of '09.

This is NOT your Parents Depression





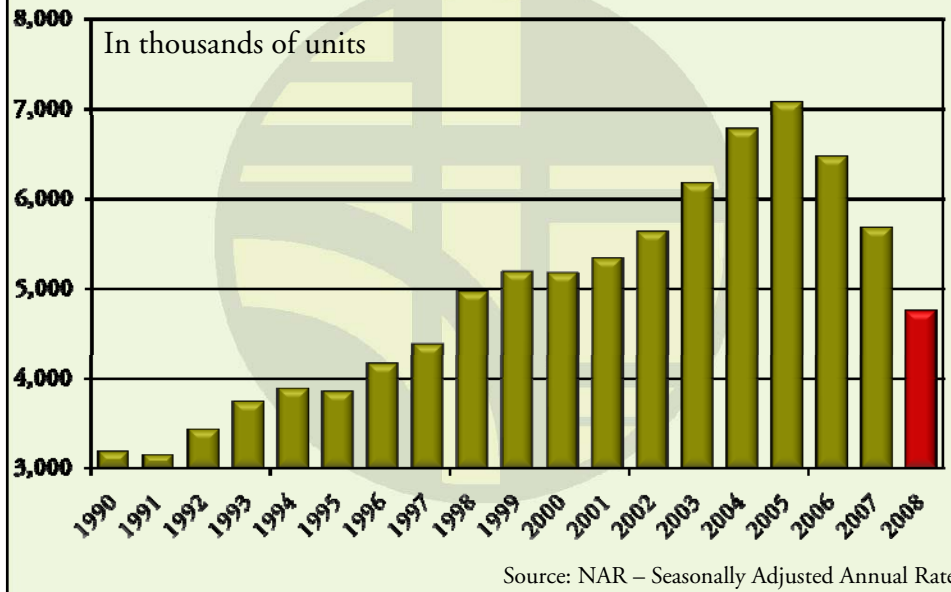
<b>The Great Depression</b>	<b>Now!</b>
Stock Market Crash Values fell by 90%	Dow off 40%
Bank Failures – 9,000 (FDIC Didn't Exist)	<b>We Will Lose Some Banks (25 so Far)</b>
Reduction in Purchasing Slowing Production = 25% Unemployment	We MIGHT Hit 10%
US Economic Policy Abroad Hawley-Smoot Tariff	This IS a Global Slowdown though
The 1930 Drought..!	Global Warming??

## There are Similarities Though...

1. Distress Selling.
2. Fall in Level of Asset Prices.
3. Fall in Net Worth of Businesses/Bankruptcies.
4. A Fall in Profits.
5. Reduction in Trade and Employment.
6. Hoarding of Money.
7. Fall in Nominal Interest Rates.
8. PESSIMISM!

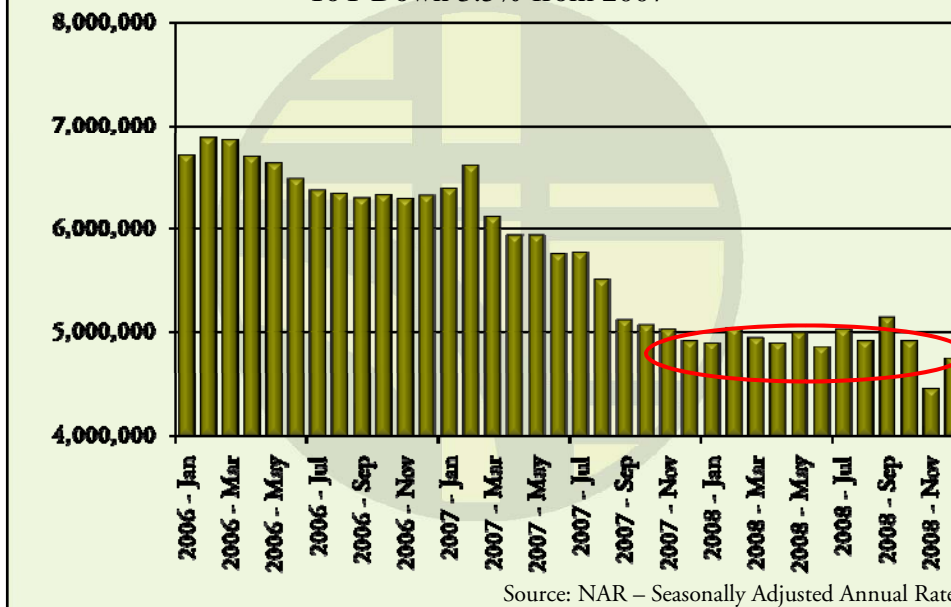
Consideration of U.S. Real Estate  
Products

Annual Existing-Home Sales Back at 1998 levels,  
 ...but with 25 million more people.



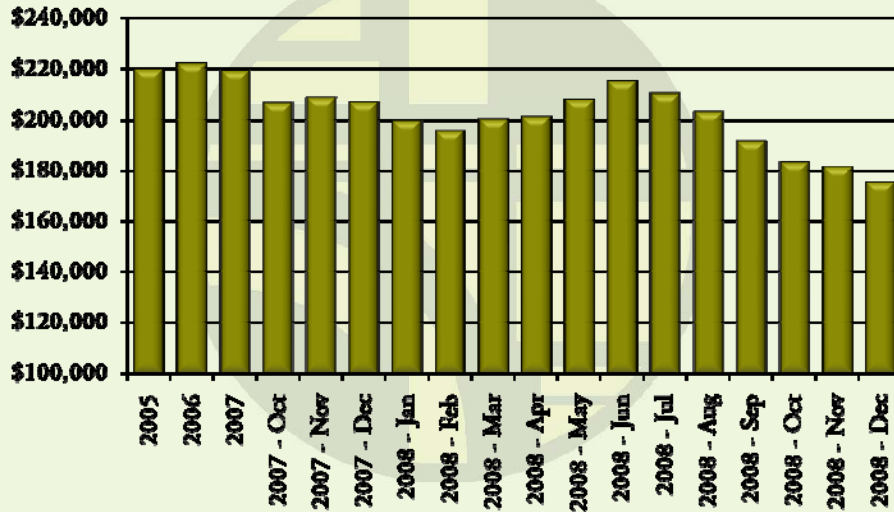
### National Total Existing-Home Sales

YoY Down 3.5% from 2007



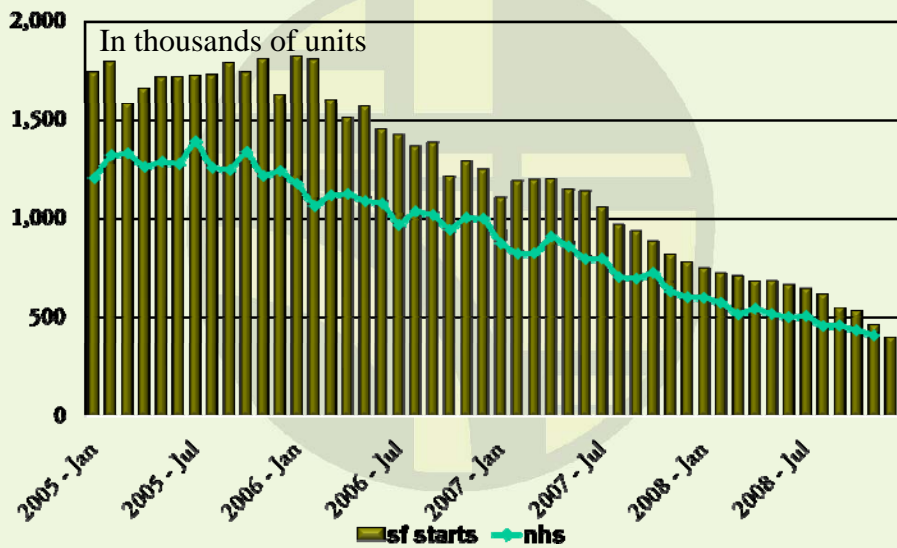
## National Sale Price of Existing Homes

YoY Down 15.3% from December 2007



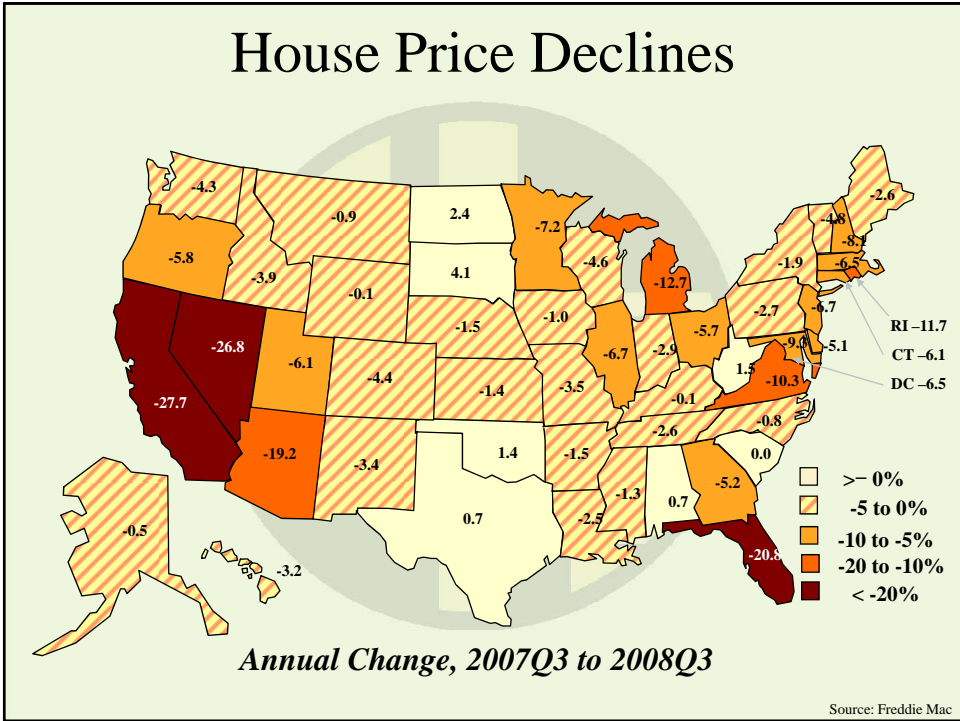
Source: NAR – Median Price; Not Seasonally Adjusted

## U.S. Single-Family Housing Starts & New Home Sales

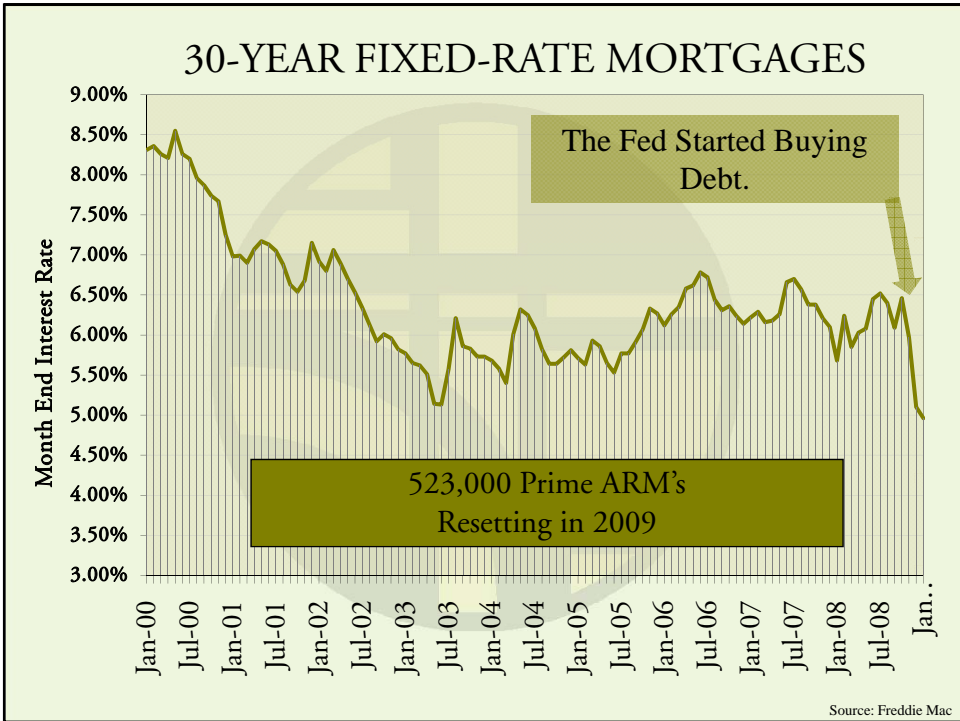


Source: U.S. Census

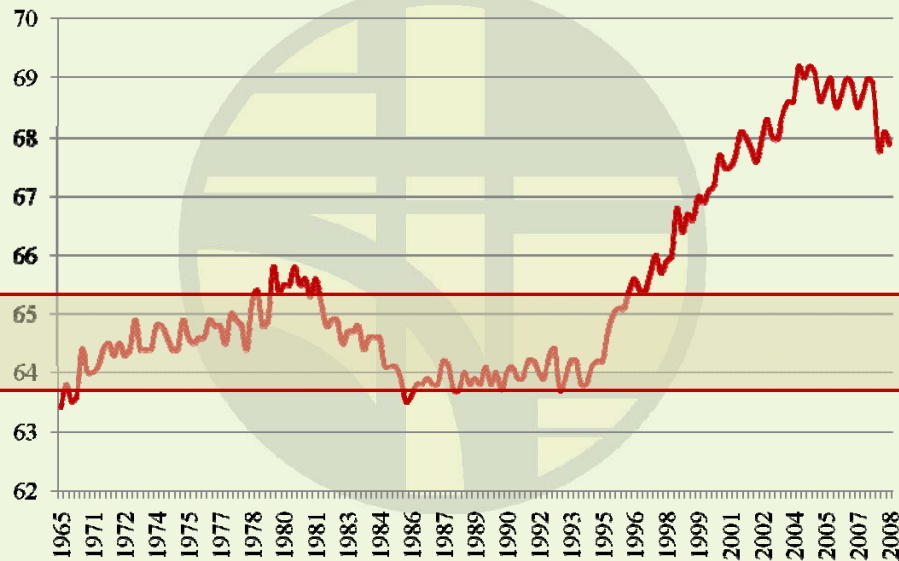
# House Price Declines



# 30-YEAR FIXED-RATE MORTGAGES



## U.S. Home Ownership Rates

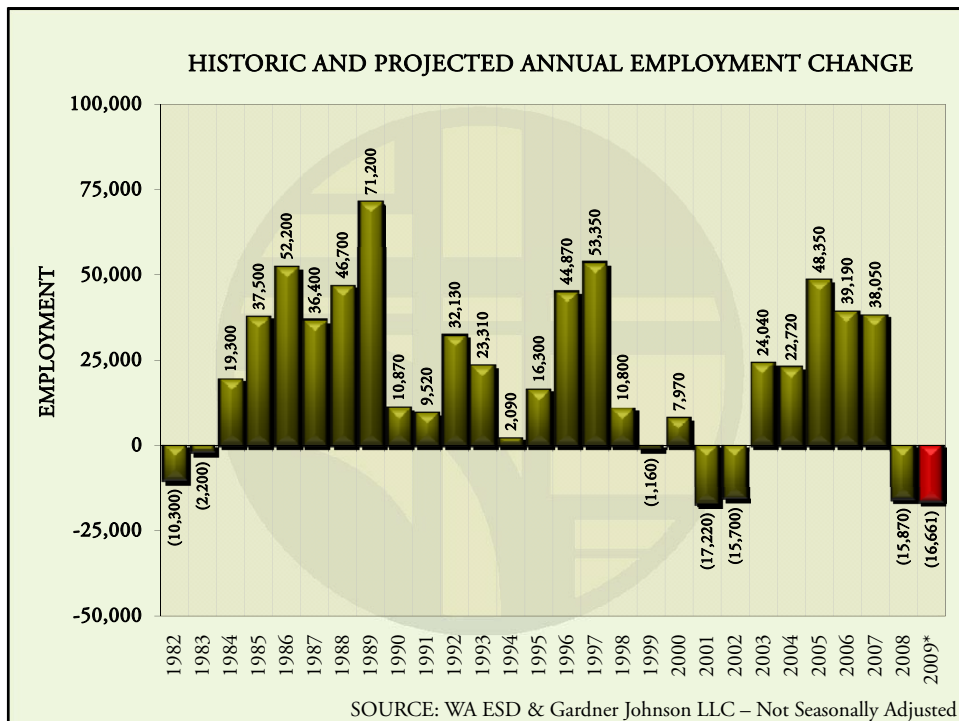


Source: US Census

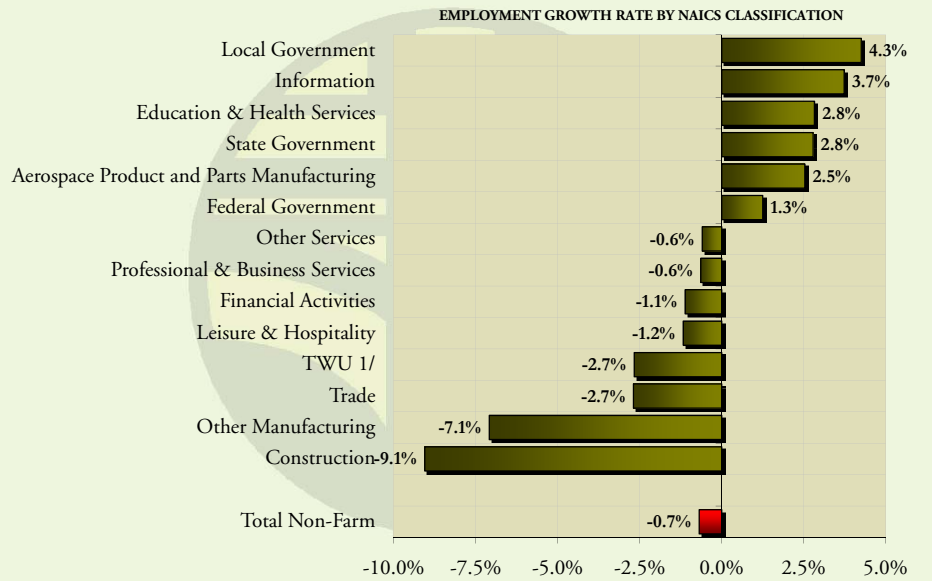
## Some Signs of Hope

- Mortgage Applications off the Charts.
- Rates now at 50-year Lows.
- Some Signs of Price Stability
  - Up Six Tenths in Mountain States.
  - Up Two Tenths in New England.
- We Could See an Overcorrection in Some States.

# The Puget Sound Economy

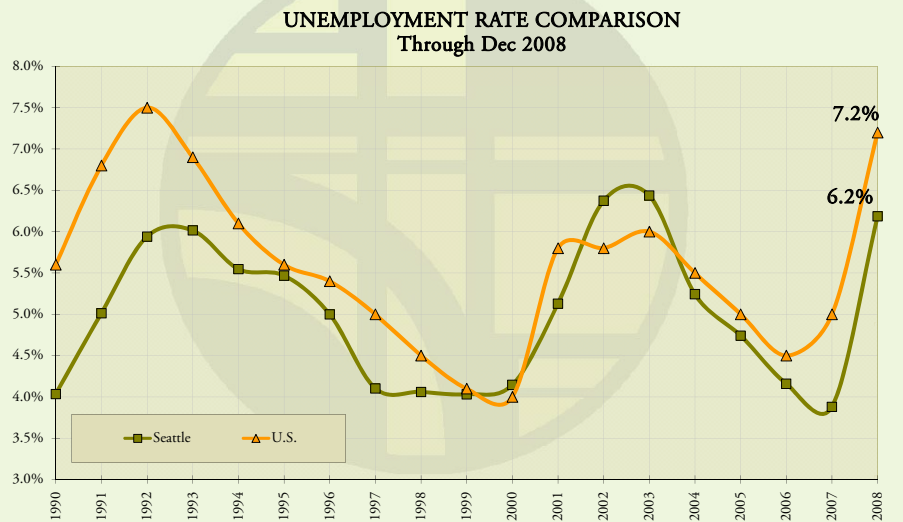


# Local Employment Situation



SOURCE: WA ESD & Gardner Johnson LLC

# Unemployment Now Above the Natural Rate



SOURCE: BEA & WA ESD

## Puget Sound Employment Situation

- 2009 Employment Growth will be Negative.
- Expect Economic Growth to Occur before we See Job Growth.
- We Will Still Fare Better than Most.
- Capital Improvement Projects *May* Assist our Growth.



## Residential Real Estate in the Puget Sound

### PMI Winter Risk Analysis.

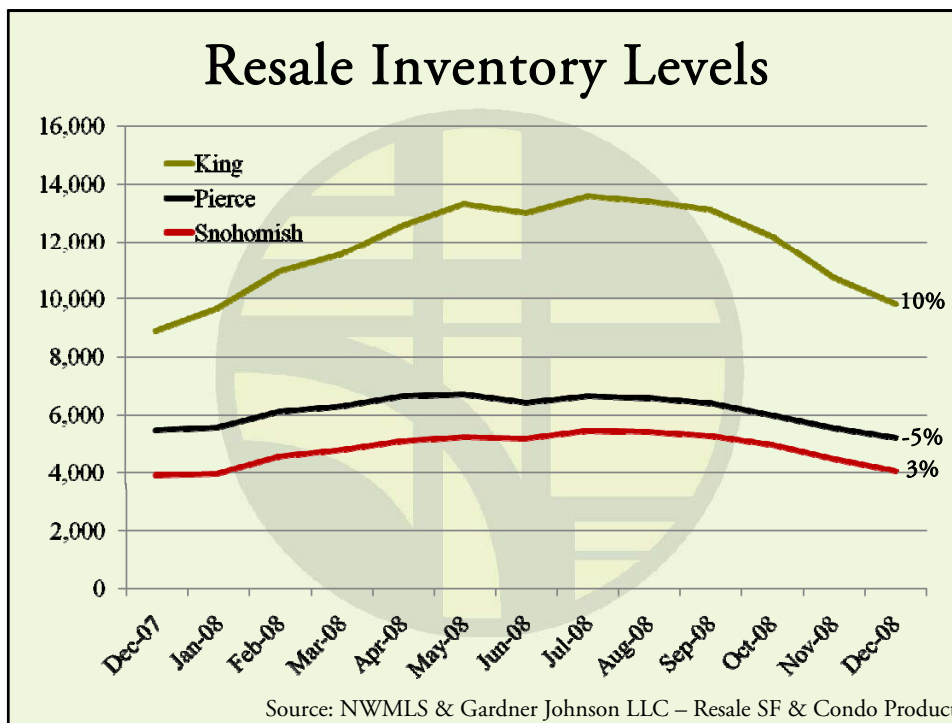
Measures the likelihood of home  
prices being lower in 2-years.

Winter 2007	Score	Winter 2008	Score
Riverside - San Bernardino	94	Riverside - San Bernardino	99.5
Las Vegas	89	Las Vegas	98.5
Phoenix - Mesa	83	Phoenix - Mesa	96.3
Los Angeles	79	Los Angeles	98.5
Fort Lauderdale	79	Fort Lauderdale	99.5
Orlando	74	Orlando	99.4
Sacramento	73	Sacramento	96.3
West Palm Beach	71	West Palm Beach	--
San Diego	69	San Diego	95.9
Oakland	65	Oakland	94.4
Portland	10	Portland	6.4
Seattle	7	Seattle	2.3

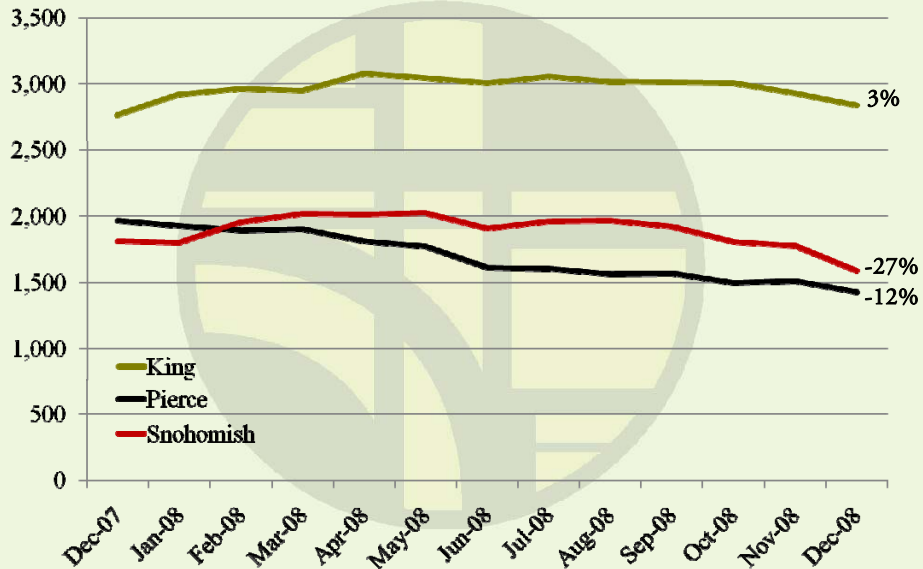
SOURCE: PMI U.S. Market Risk Index - Fall 2008

Year	Seattle	San Francisco	Los Angeles	San Diego	Miami	Las Vegas	Phoenix
1991	0.3%	-2.0%	-3.7%	-3.3%	-0.4%	1.3%	0.9%
1992	2.8%	-2.6%	-8.0%	-4.9%	1.1%	0.0%	1.0%
1993	3.0%	-2.8%	-9.7%	-4.5%	3.6%	1.0%	5.2%
1994	2.7%	2.5%	-1.6%	-1.0%	5.0%	4.0%	6.8%
1995	1.5%	-2.2%	-3.2%	-2.3%	0.8%	2.1%	5.3%
1996	3.2%	3.4%	0.7%	0.5%	0.5%	1.1%	4.6%
1997	11.1%	10.4%	7.2%	8.1%	2.7%	3.4%	4.9%
1998	9.7%	11.5%	14.8%	13.9%	3.6%	2.6%	6.5%
1999	9.0%	17.0%	9.3%	12.6%	6.2%	4.4%	8.1%
2000	6.7%	30.0%	10.4%	16.9%	9.4%	5.7%	6.4%
2001	4.6%	-2.4%	9.6%	11.2%	13.9%	7.6%	5.4%
2002	3.9%	13.5%	18.7%	19.4%	14.5%	7.4%	4.6%
2003	7.4%	8.6%	21.4%	19.2%	14.8%	17.2%	8.3%
2004	11.4%	20.1%	24.9%	26.6%	23.6%	45.5%	20.6%
2005	17.1%	15.8%	21.8%	6.6%	31.5%	10.5%	44.9%
2006	11.2%	-1.4%	2.0%	-4.2%	6.1%	0.9%	0.3%
2007	0.5%	-10.8%	-13.7%	-15.0%	-17.5%	-15.3%	-15.3%
2008*	-10.1%	-28.5%	-24.5%	-23.2%	-26.8%	-29.6%	-30.4%

SOURCE: S&P Case Shiller – YTD Through November 2008

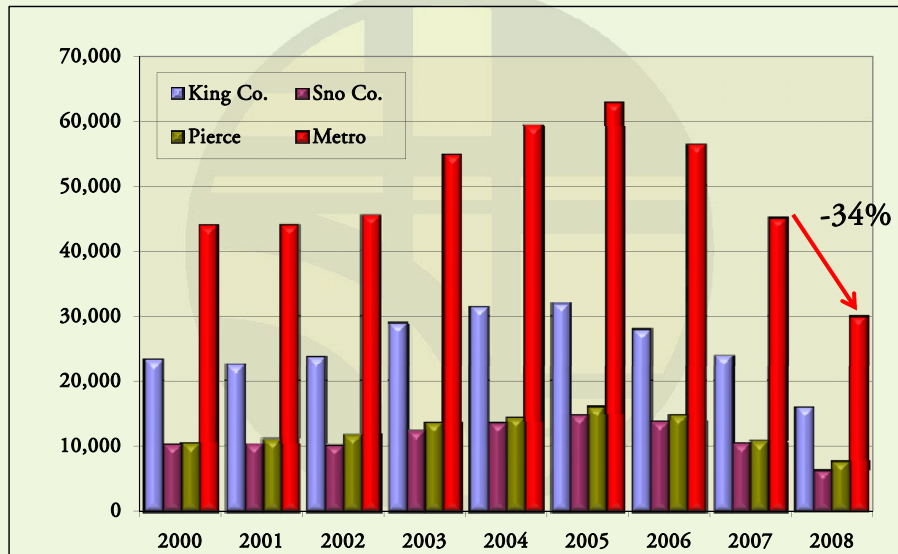


## New Construction Inventory Levels

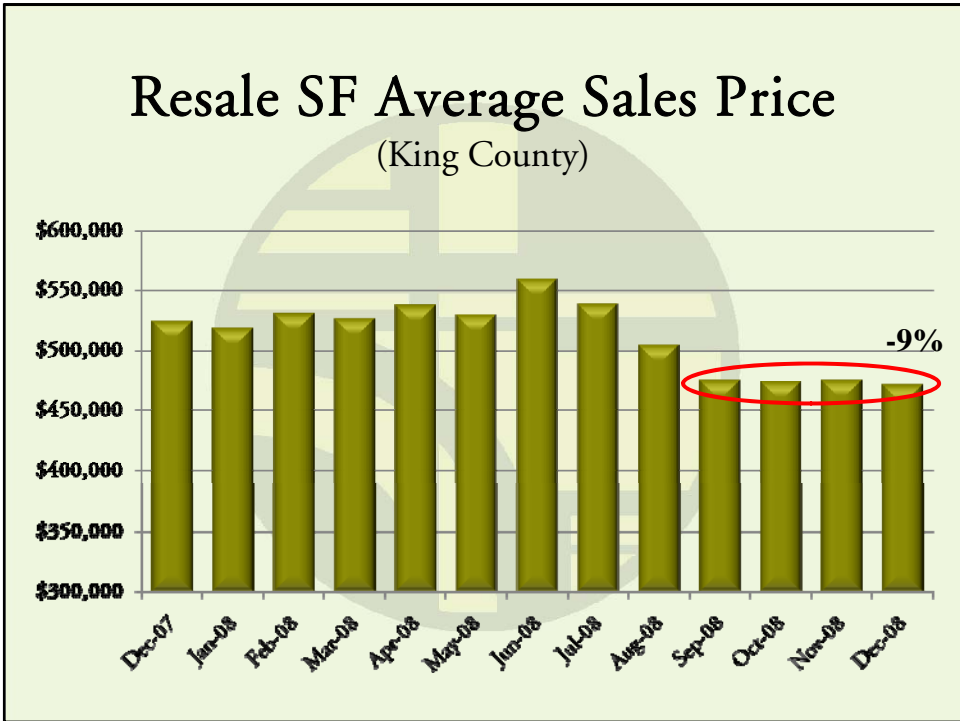
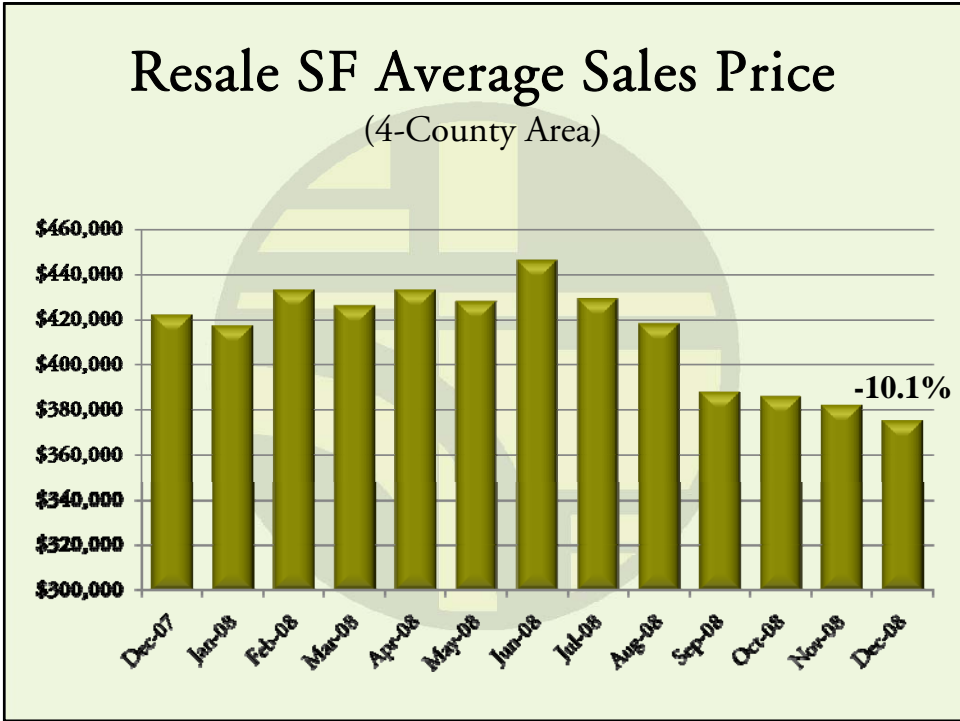


Source: NWMLS & Gardner Johnson LLC – New SF & Condo Product

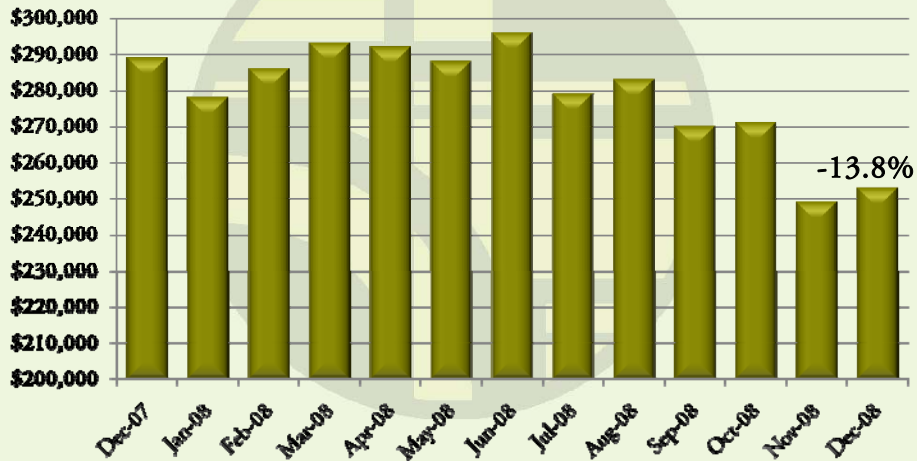
## Resales Substantially Lower



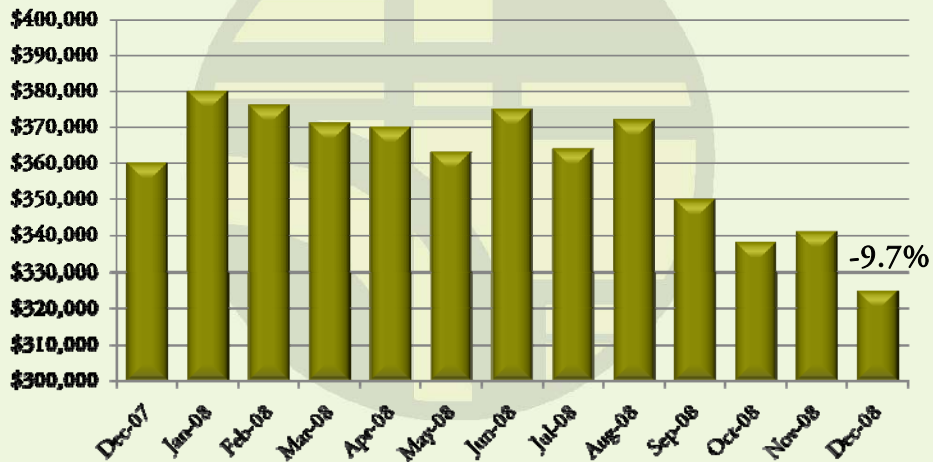
Closed Resale Single Family Transactions – Source: NWMLS



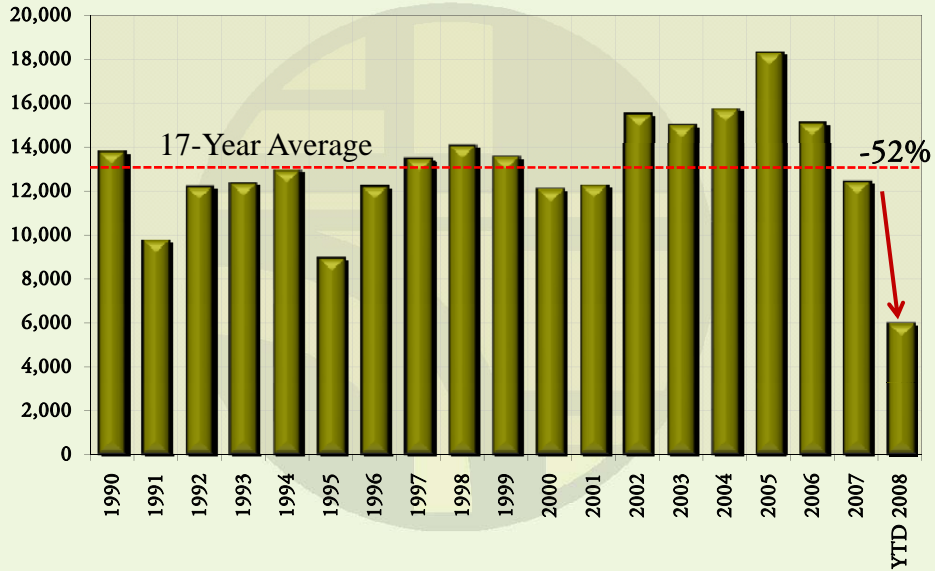
## Resale SF Average Sales Price (Pierce County)



## Resale SF Average Sales Price (Snohomish County)



## SF Permit Levels...



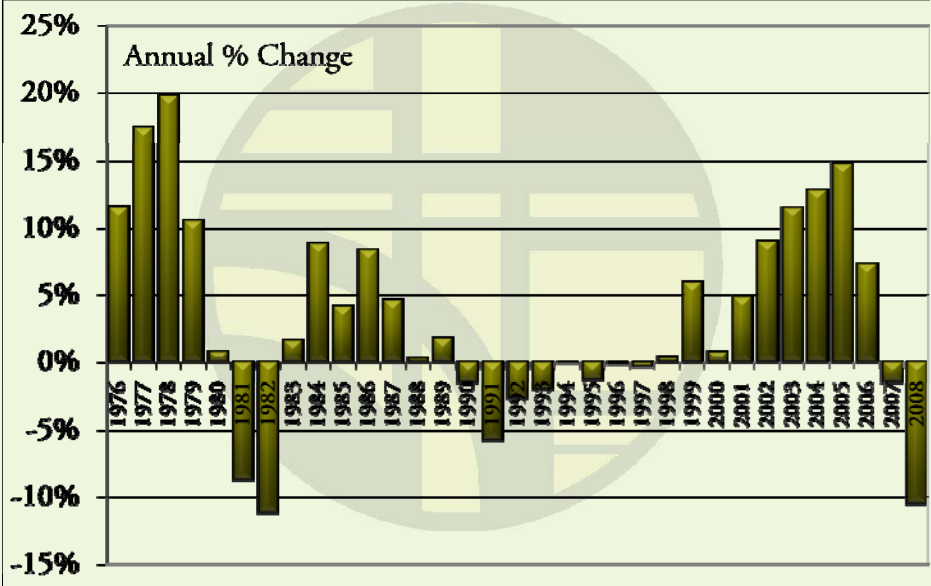
Source: Gardner Johnson LLC & US Census

## Some Encouraging News!

Metro Area	# of new foreclosures Q4 08	% change Q3 07- Q4 07	% change Q4 07- Q4 08
Los Angeles	11,232	-29%	69%
Miami	2,290	-10%	18%
New York City	764	-32%	25%
Seattle	318	-37%	-12%

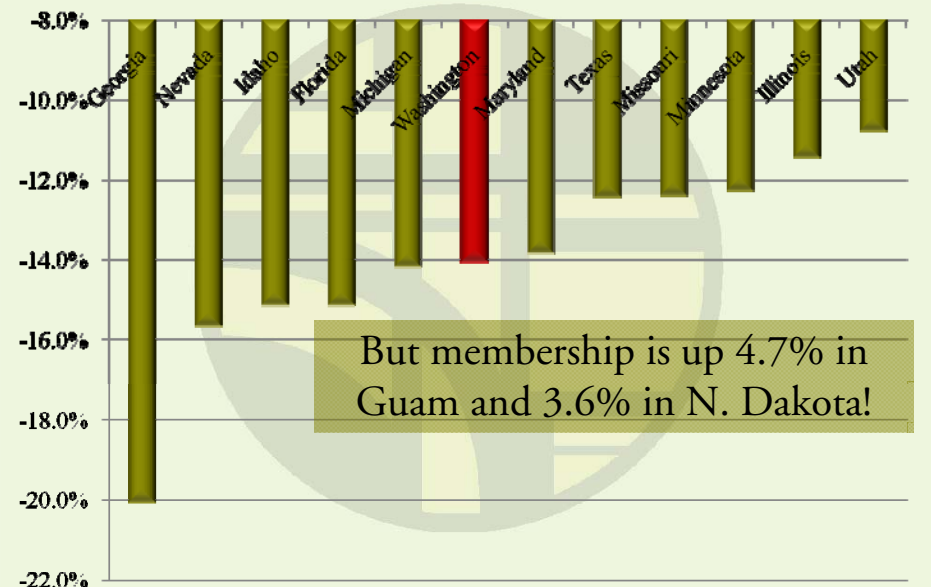
Source: PropertyShark.com Foreclosures Report, Fourth Quarter 2008

# NAR Membership



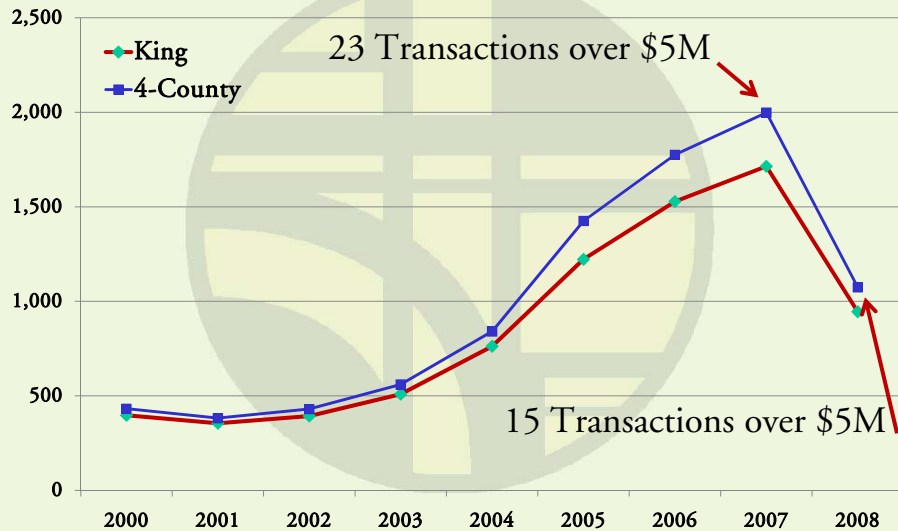
Source NAR

# NAR Membership



Source: NAR – 2007 vs 2008

## Sales of Single Family Houses over \$1M



## What I Said Last Year...!

- Better Situation Toward the End of the Year.
- Foreclosure Activity will Peak in the Summer.
- Long and Short-Term Mortgage Rates will Decline.
- Back to Positive Appreciation in '09.
- Refinance Activity will be High this Year.
- We will be Price Negative in '08.

## Forecast for 2009

- Further Reduction in Mortgage Rates.  
(ReFi Activity Up, But Qualifying is Hard!)
- Flat line values in the Second Half of '09.
- Need Further Erosion of Inventory Locally.
- Price Appreciation back in 2010.
- Financing New Projects Still Very Difficult.

# Forbes<sup>®</sup>

## America's Best Long-Term Real Estate Bets

**These 10 markets are the least likely to overheat and bust and the most likely to have vibrant economies moving forward.**

- |                      |                            |
|----------------------|----------------------------|
| 10. Atlanta, GA;     | 5. New York, NY;           |
| 9. Portland, OR;     | 4. Minneapolis, MN;        |
| 8. Cincinnati, OH;   | 3. San Antonio, TX;        |
| 7. Philadelphia, PA; | 2. Washington DC;          |
| 6. St. Louis, MO;    | <b>1. Seattle, WA.....</b> |

# Economic and Residential Real Estate Market Trends and Outlook

## Questions?



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