

Economic and Residential Real Estate Market Trends and Outlook

Bellevue Downtown Association

June 25, 2009

The Bellevue Club



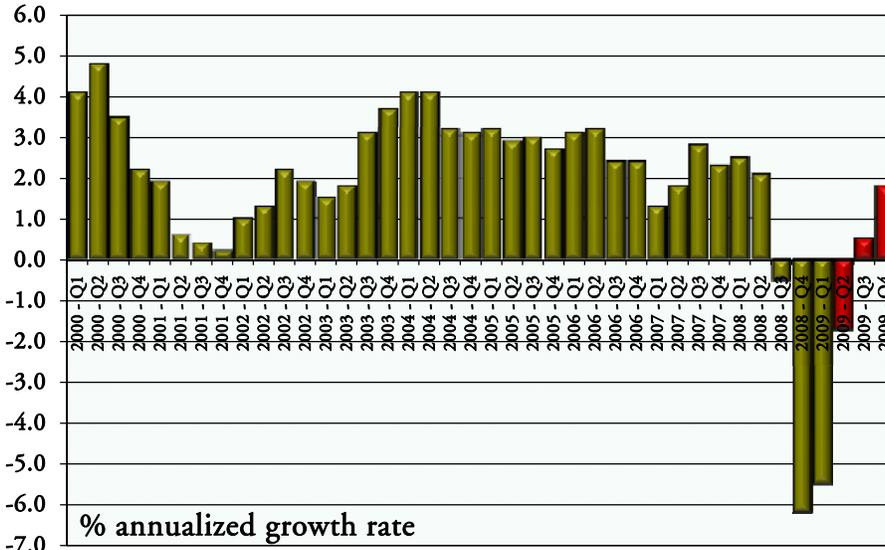
Presented by:
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U.S Economic Outlook

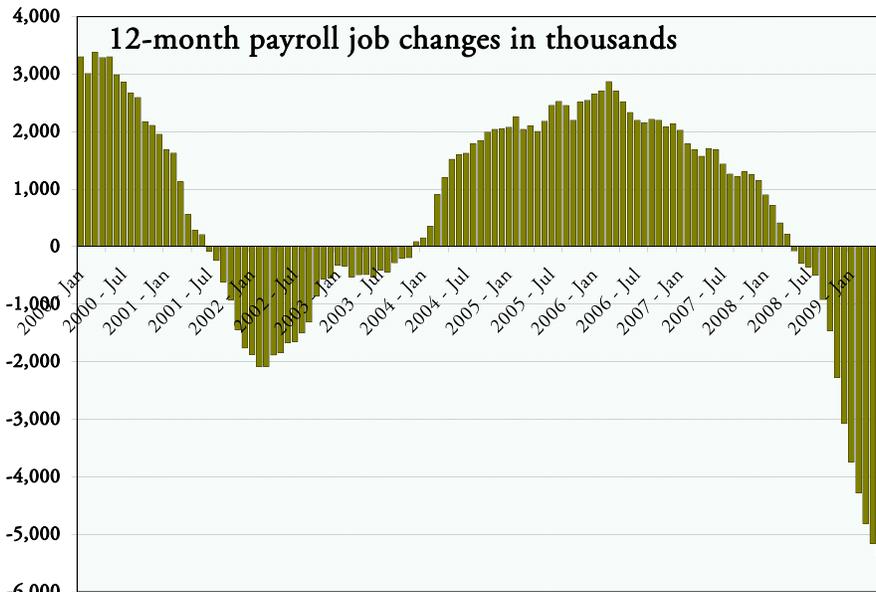
GDP Growth Forecast



Gardner Economics

Source: Gardner Economics LLC & BEA

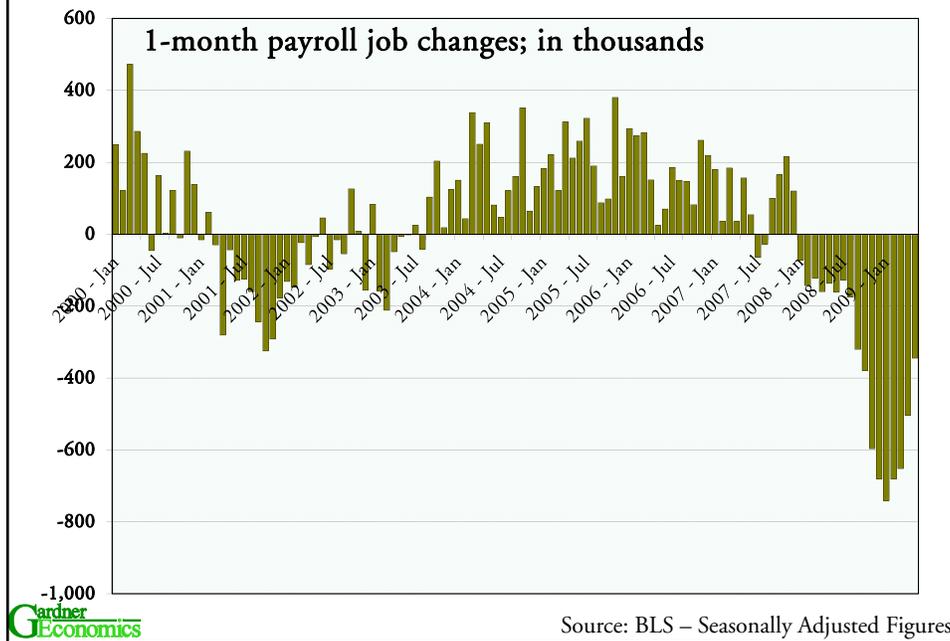
U.S. Job Gains Went South in a Hurry...



Gardner Economics

Source: BLS – Seasonally Adjusted Figures

U.S. Job Gains Went South in a Hurry...

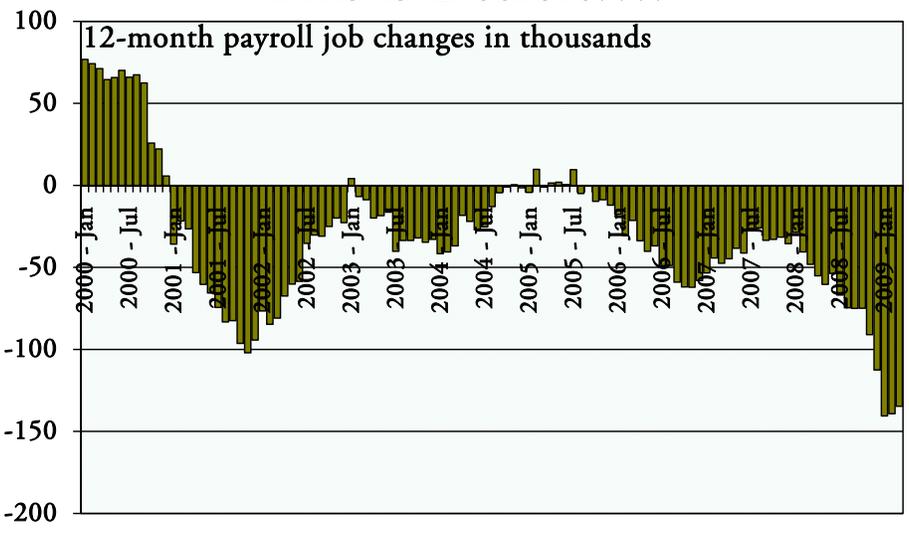


Seattle M.S.A.



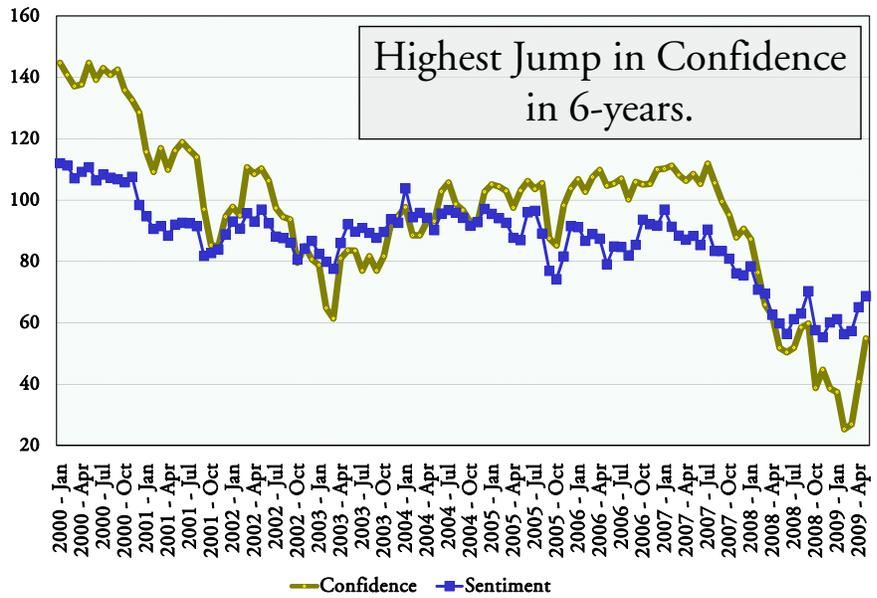
Are We So Bad Off....???

This is Detroit....



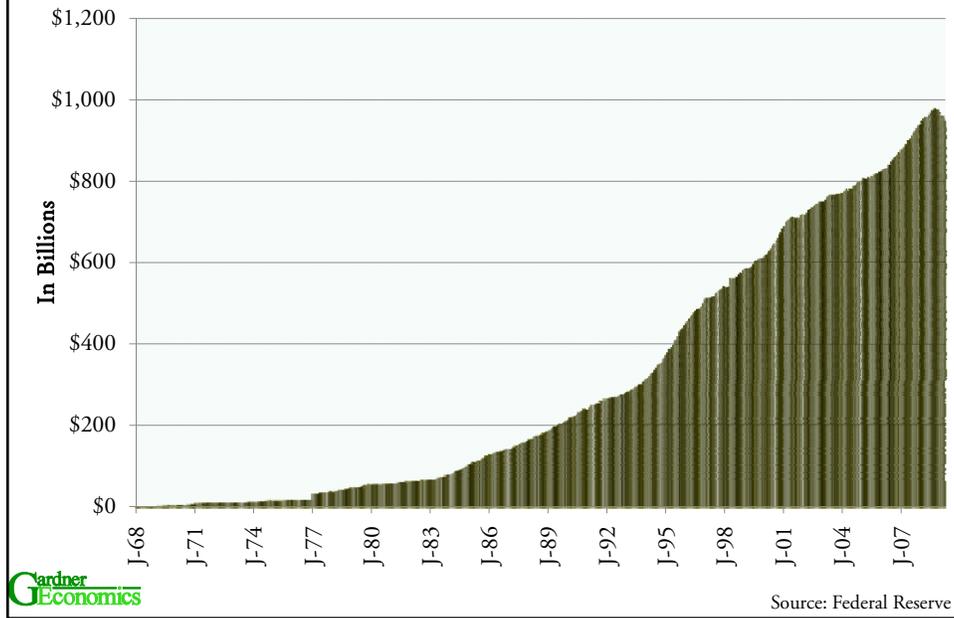
Source: BLS - Seasonally Adjusted

Consumer Confidence and Sentiment

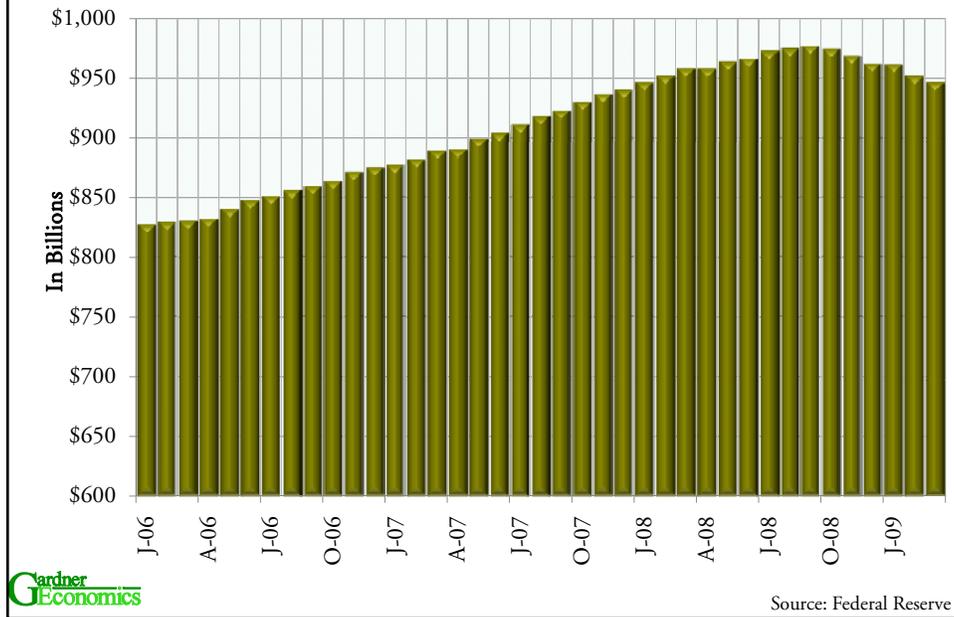


Source: University of Michigan & Conference Board

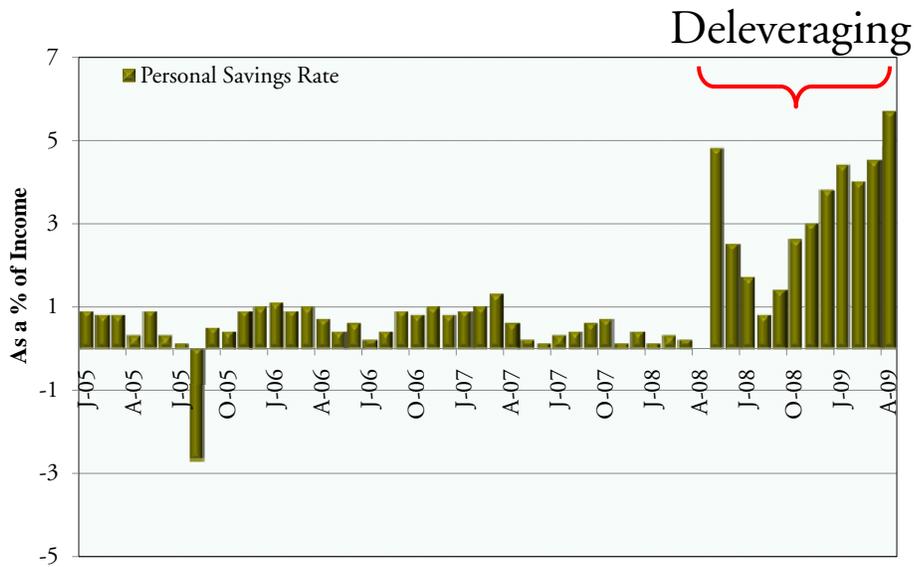
...U.S. Revolving Debt



...U.S. Revolving Debt



If We are Saving, We aren't Spending...



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Economics

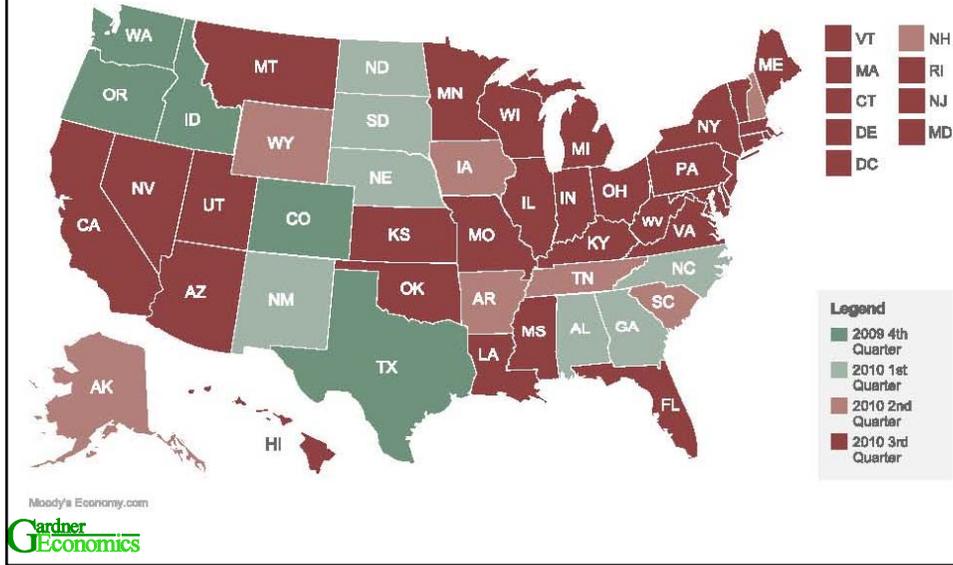
Source: Commerce Department

U.S. Economic Forecast

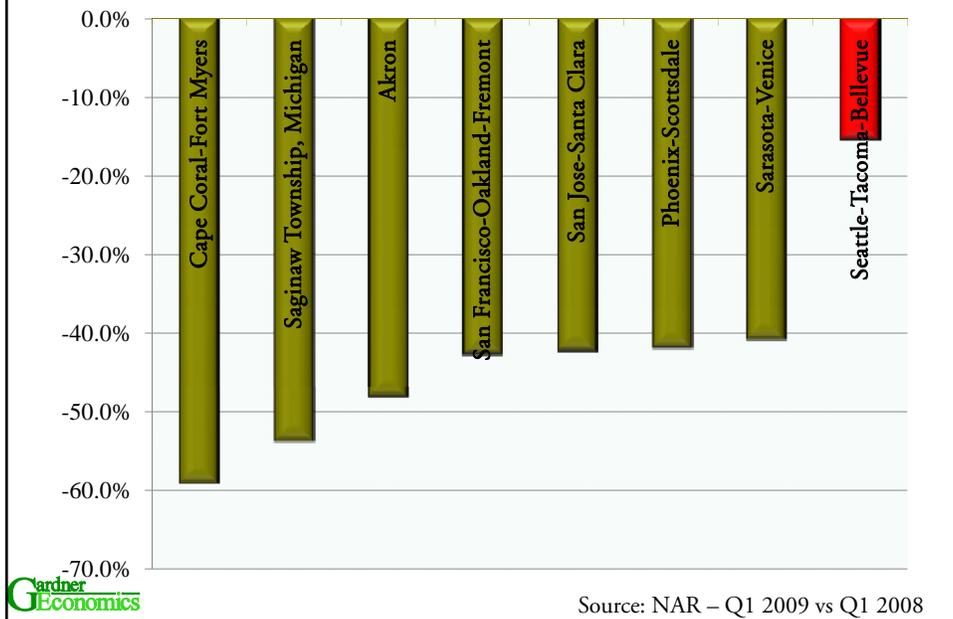
- TARP and TALF & PPIP, Oh My!
- Bank Recapitalization, Yes! But Lending..? No!
- Stock Market Capitulation? Green shoots.. Or Weeds???
- Inflation Concerns?
- Still Seeing Potential for Stability in Late 2009.
- It Takes 5 Minutes to Become Pessimistic, it Takes Far Longer to Regain Confidence.

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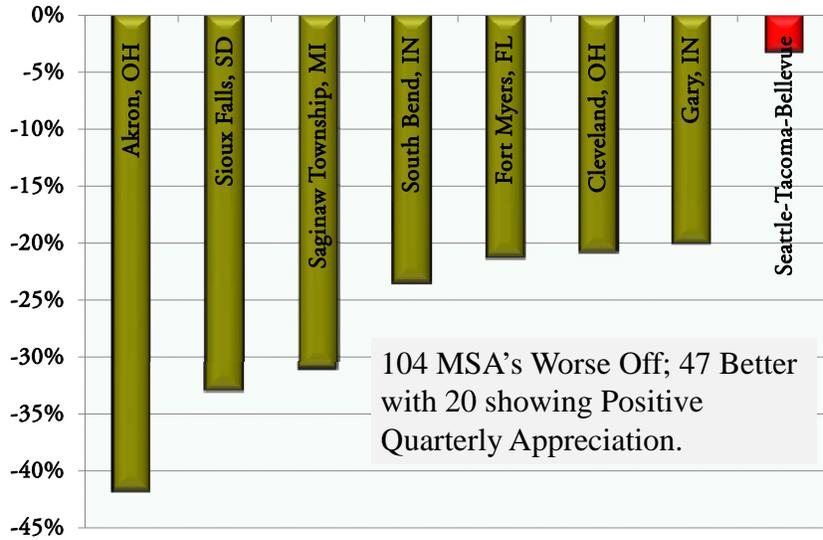
When Will Jobs Start to Recover?



Relative Home Price Declines



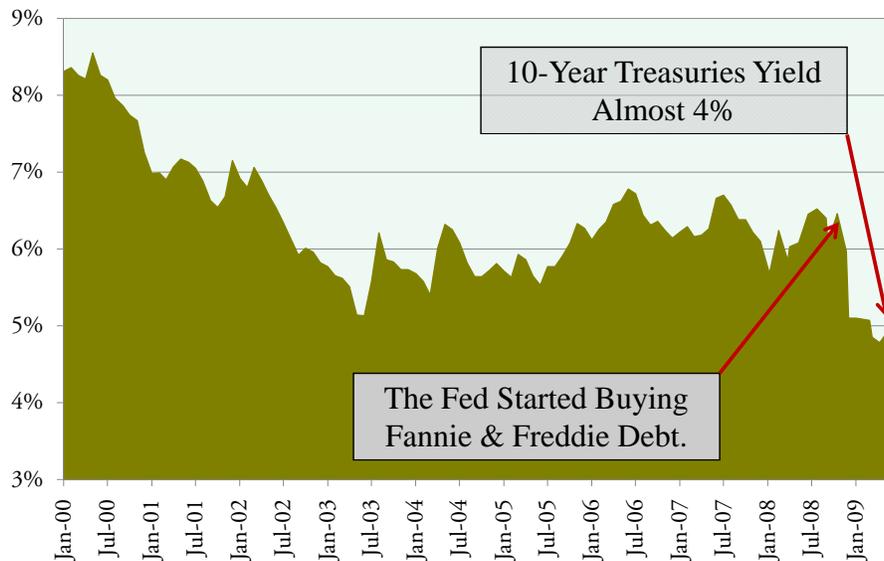
Quarter over Quarter



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Source: NAR – Q1 2009 vs Q4 2008

30-Year Fixed Mortgage Rates



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Source: Freddie Mac – Month End Data

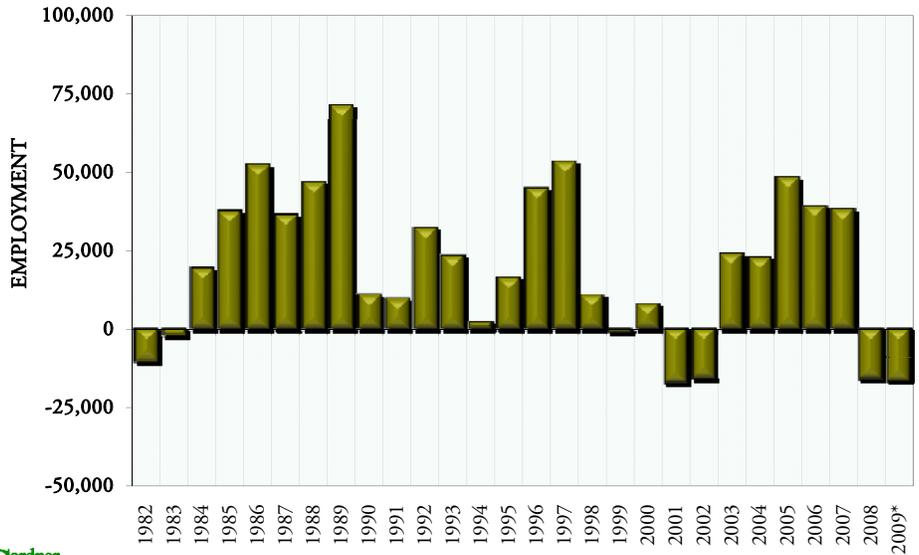
Some Signs of Hope

- Rates Still Around 50-year Lows.
- Short Sales are Taking Inventory off the Market
 - Overall Transactions Up 24% in the West.
- ReFi Activity – The Pause Button has Been Pushed!
- Supply of Homes for Sale Down 3.6% (21% YoY)



The Puget Sound Economy

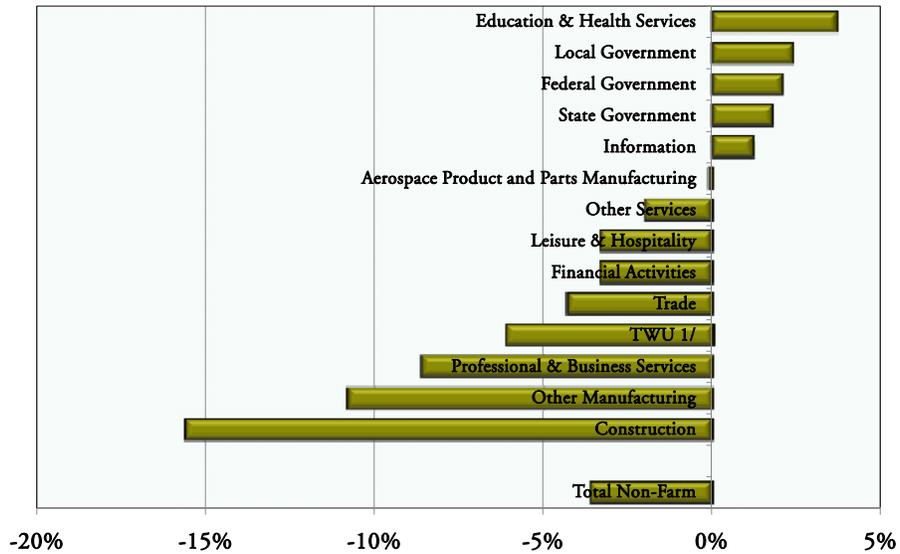
HISTORIC AND PROJECTED ANNUAL EMPLOYMENT CHANGE



Gardner Economics

SOURCE: WA ESD & Gardner Johnson LLC – Not Seasonally Adjusted

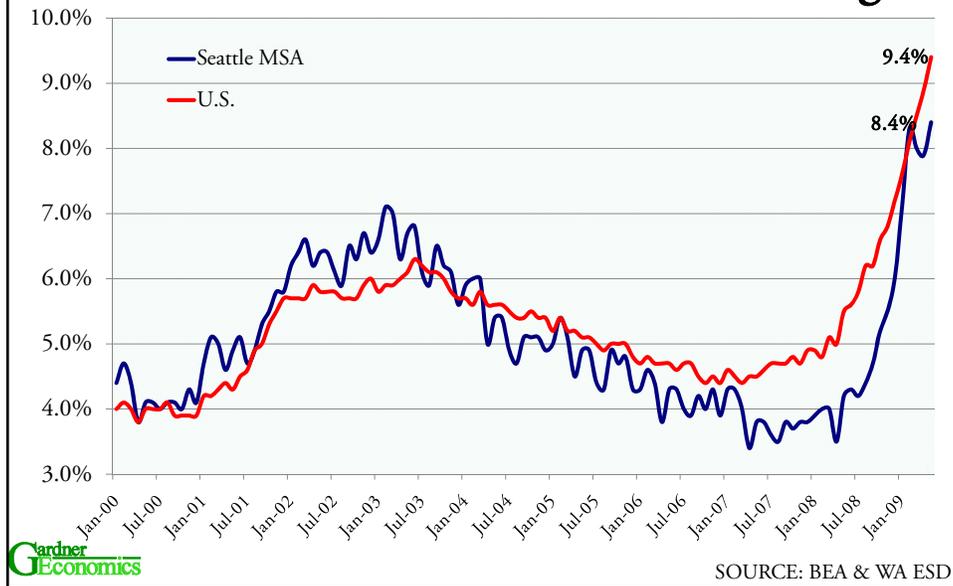
Local Employment Situation



Gardner Economics

SOURCE: WA ESD & Gardner Economics LLC – April 2009

Unemployment Now Above the Natural Rate; Still Below the National Average



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.

Puget Sound Employment Situation

- When Will I See a DreamLiner Fly?
- Microsoft Layoffs Not *that* Bad!!
- Capital Improvement Projects *May* Assist our Growth.





Residential Real Estate in the Puget Sound

PMI Winter Risk Analysis.

Winter 2007	Score
Riverside - San Bernardino	94
Las Vegas	89
Phoenix - Mesa	83
Los Angeles	79
Fort Lauderdale	79
Orlando	74
Sacramento	73
West Palm Beach	71
San Diego	69
Oakland	65
Portland	10
Seattle	7

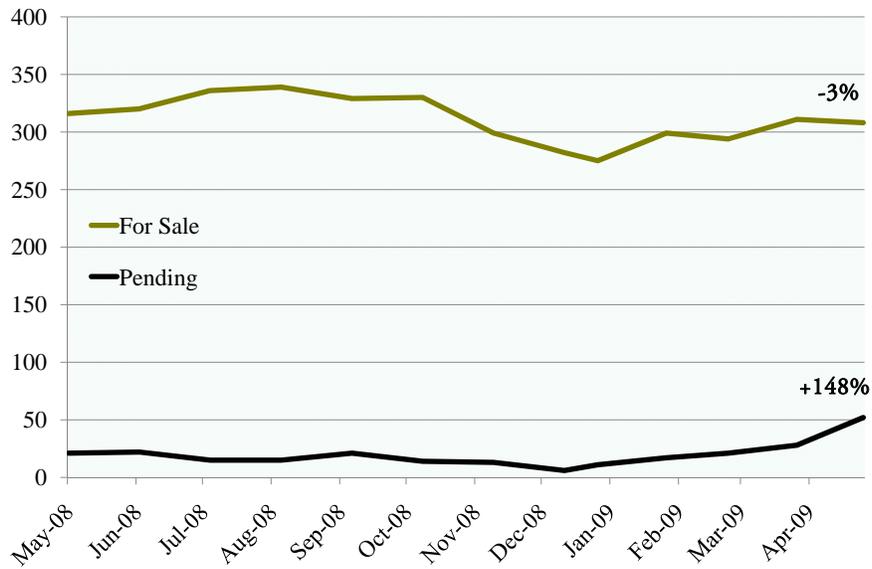
Measures the likelihood of home prices being lower in 2-years.

Winter 2008	Score
Riverside - San Bernardino	99.5
Las Vegas	98.5
Phoenix - Mesa	96.3
Los Angeles	98.5
Fort Lauderdale	99.5
Orlando	99.4
Sacramento	96.3
West Palm Beach	--
San Diego	95.9
Oakland	94.4
Portland	6.4
Seattle	2.3



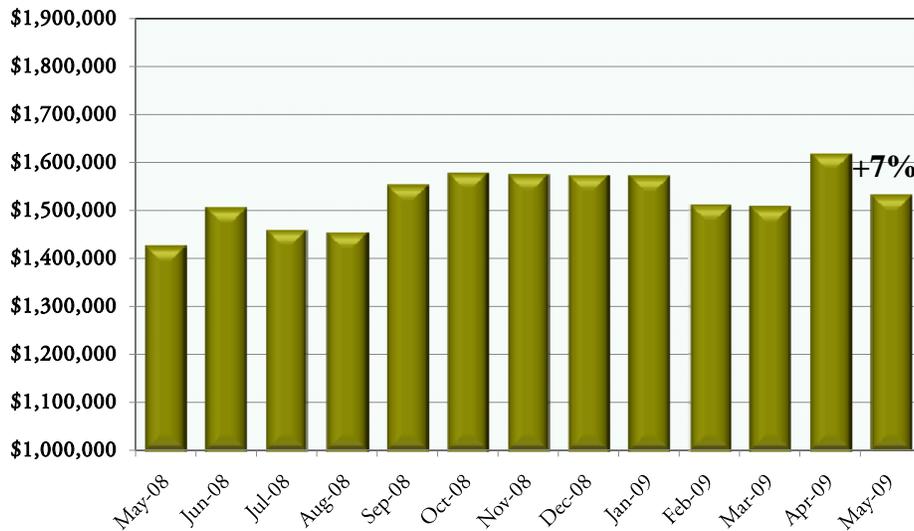
SOURCE: PMI U.S. Market Risk Index – Fall 2008

Resale Inventory Levels



Source: NWMLS – SF Product – Bellevue W of I-405

SF Average List Price (Bellevue)



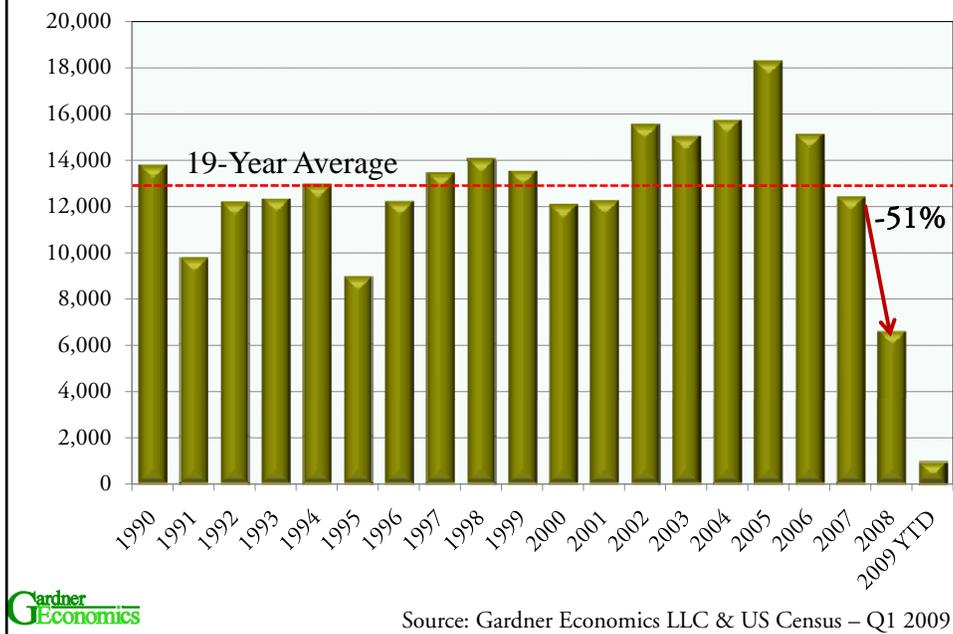
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Closed Resale Transactions – Source: NWMLS

SF Average Sales Price (Bellevue)



SF Permit Levels...

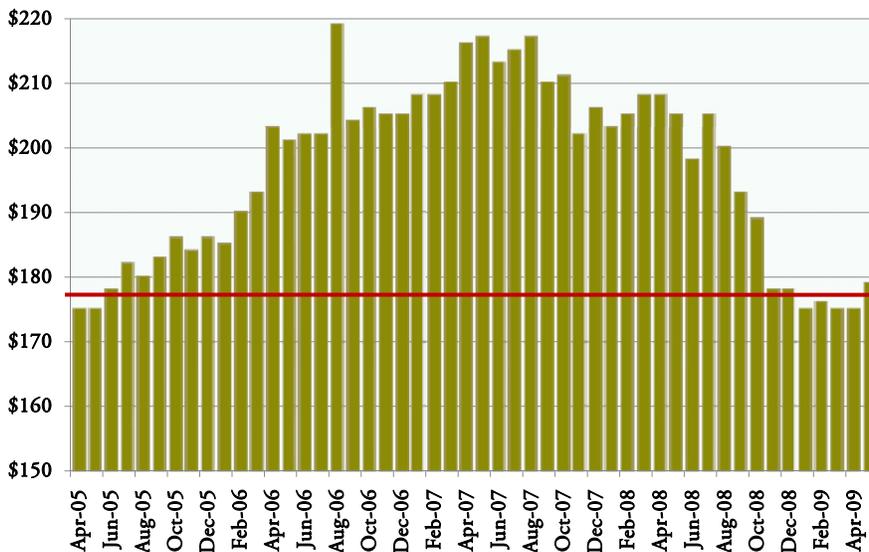


Current Forecast for 2009

- Flat line Appreciation in the Second Half of '09.
- Need Further Erosion of Inventory Locally but New Listings Down & Pendings Up!
- Below \$500K there is Demand! FTB's!
 - Price PSF Stable Since December...



Sale Price psf for Units Transacted Below \$500K



King County Closed Sales. Source: NWMLS – Resale Transactions

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 - Price PSF Stable Since December...
- Starting to See Locational Variances.



The Bellevue Condominium Market

- Condominium Supply Worrisome.
 - All product will be delivered this year.
 - Values are being tested.
- Below \$500K there is Demand! FTB's!



The Bellevue Apartment Market

- Apartment Supply is Very Worrisome
 - Classic Sine Curve!
 - It's a Renters Market.
- Deliveries through 2010
- Rent Compression.



The Bellevue Hotel Market

- Hotels Have become the Whipping Boy!
 - Corporate Travel Curtailed
 - Occupancy -
 - 2007 – 71.8% 2008 – 68.8%
 - ADR –
 - 2007 – \$167.06 2008 – \$170.59



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Questions?



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