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Economics

**AN ECONOMIC &
HOUSING MARKET FORECAST**
KING COUNTY, WASHINGTON

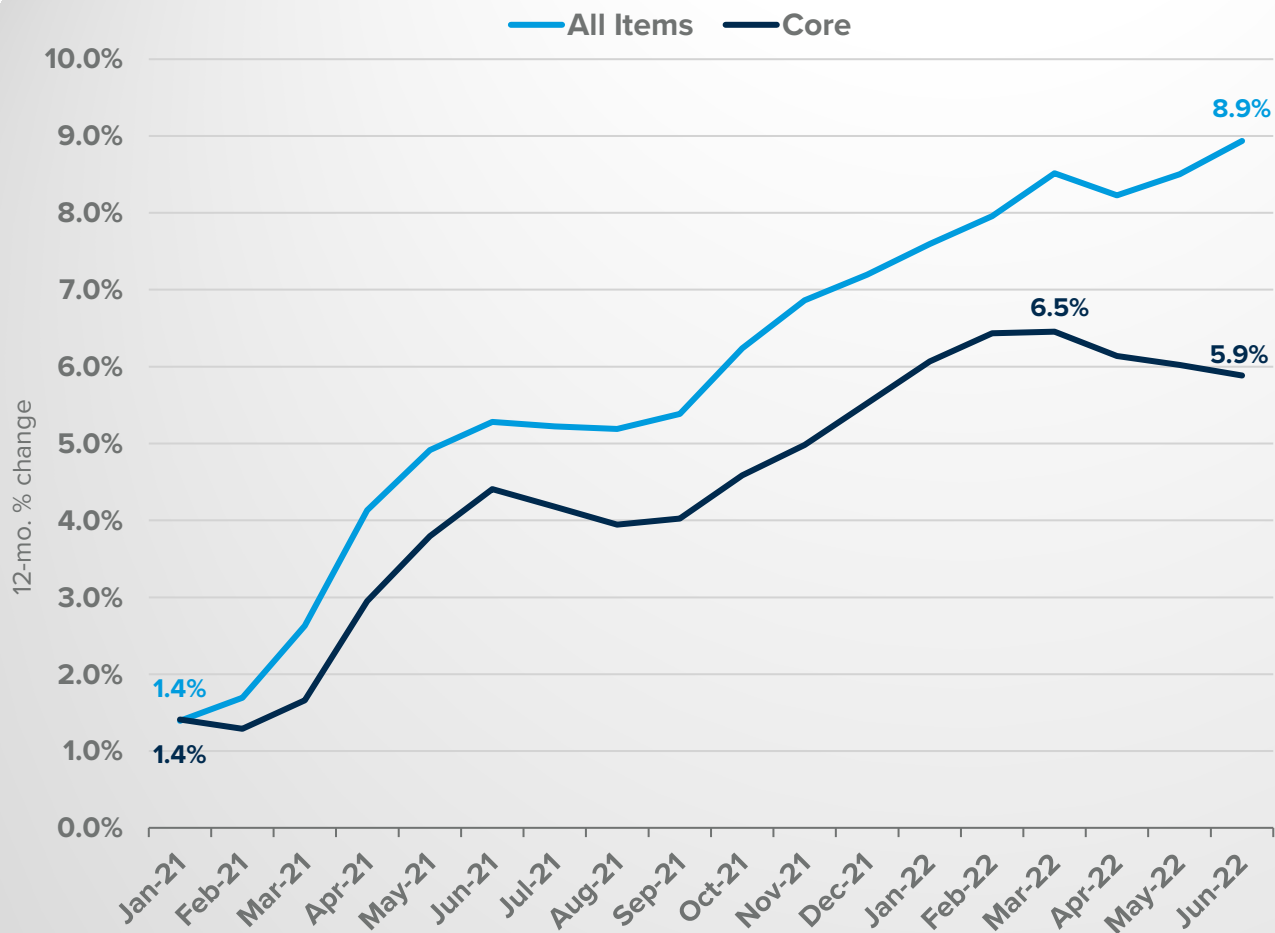
PRESENTED BY: MATTHEW GARDNER

CHIEF ECONOMIST; WINDERMERE REAL ESTATE

THE U.S. ECONOMY & *POTENTIAL IMPACTS ARISING FROM FED POLICY*



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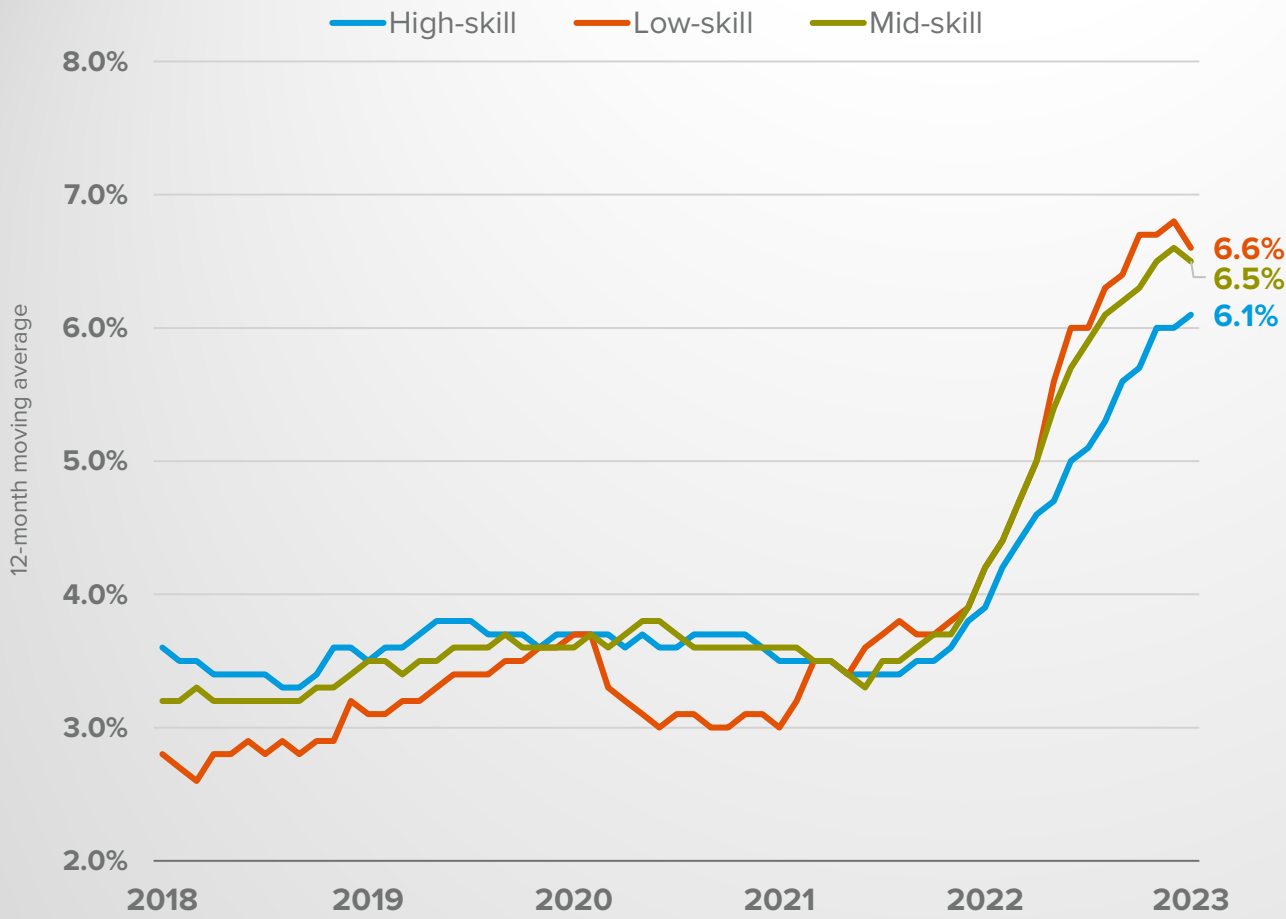
Inflation Spiked As the Pandemic Progressed
 Supply-chain issues, staffing issues, raw material constraints, and simply “price gouging” all led inflation to rise to a level not seen since the early 80’s



Leading The Fed to Aggressively Raise Rates

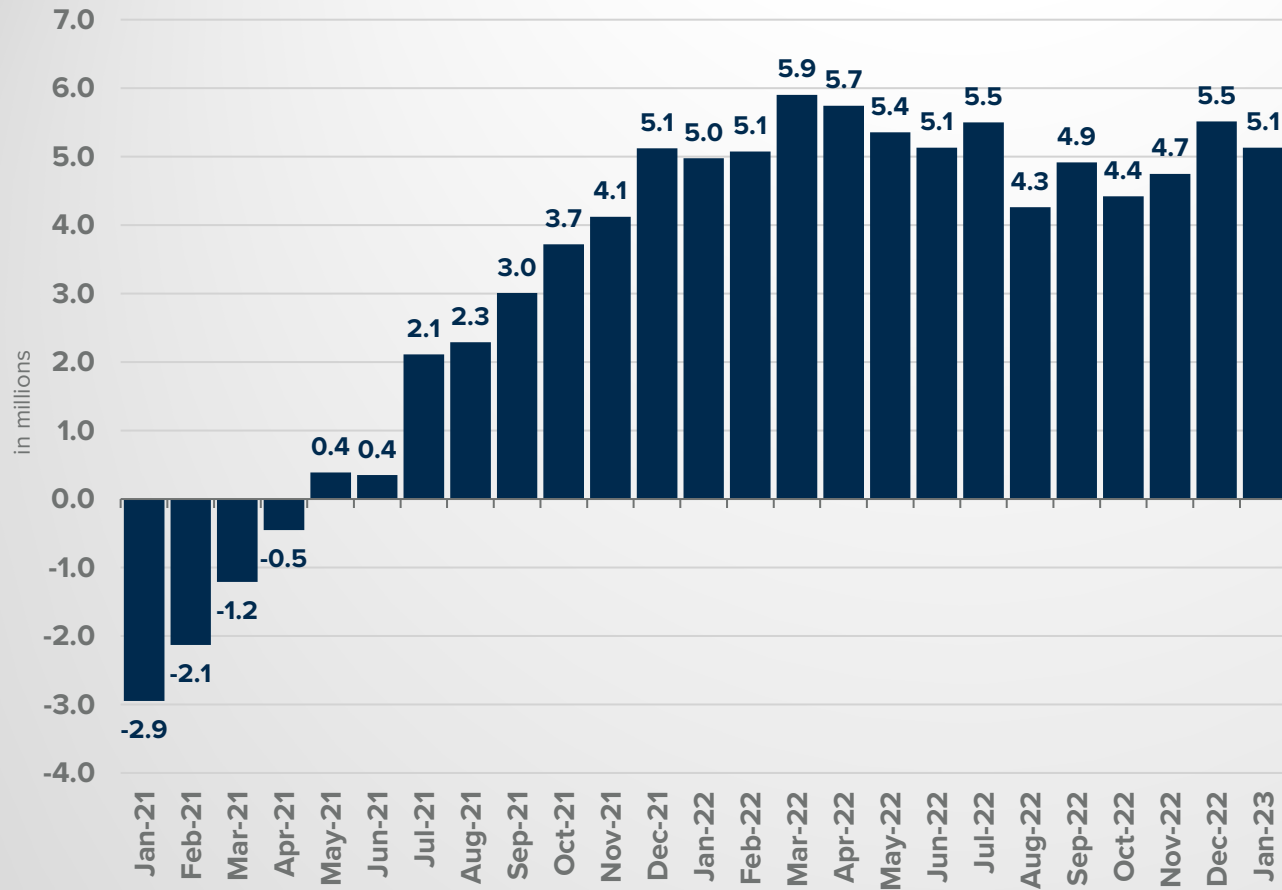
I contend that the FOMC waited too long before starting to shift their policy stance.

I also believe that they are *likely* to raise rates higher & hold them there longer than necessary



Wage Growth Has Likely Peaked

But the pace of wage growth seen last year was consistent with a limited labor force & low participation rates



The Labor Market Remains Tight

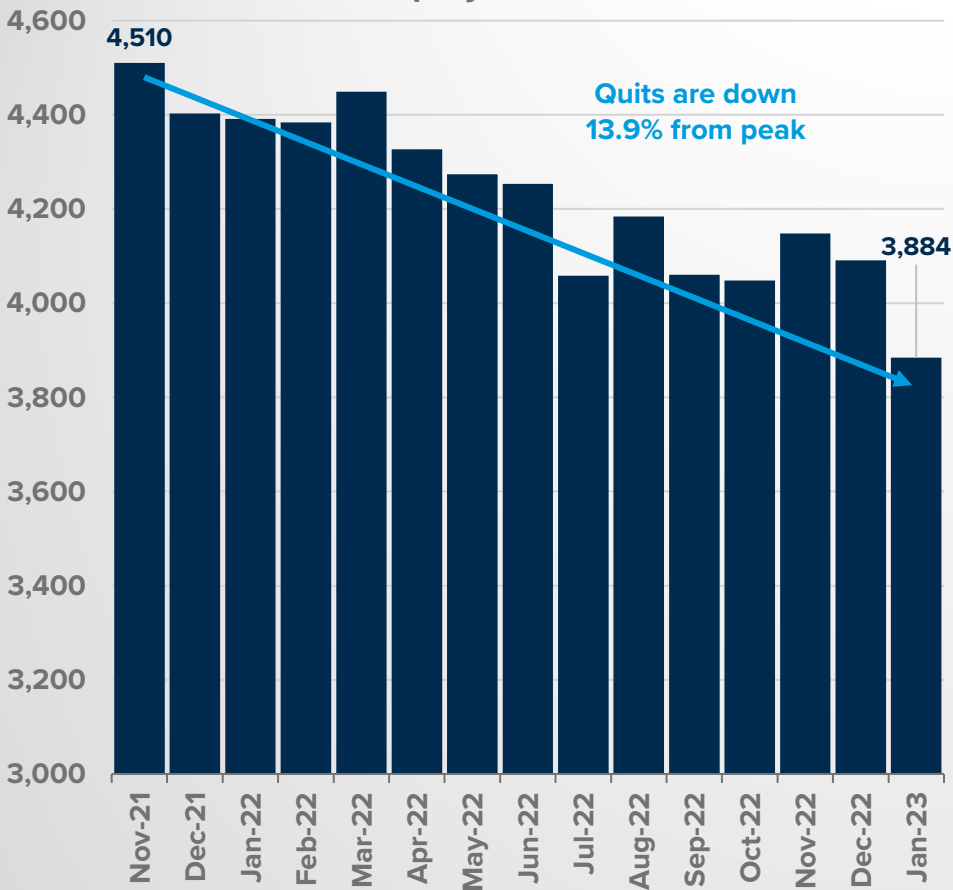
In January, there were 5.1-million more job openings than unemployed persons. However, openings are down 8.7% from their 2022 peak

Source:
Windermere Economics'
analysis of BLS data;
using U-3 criteria; sa

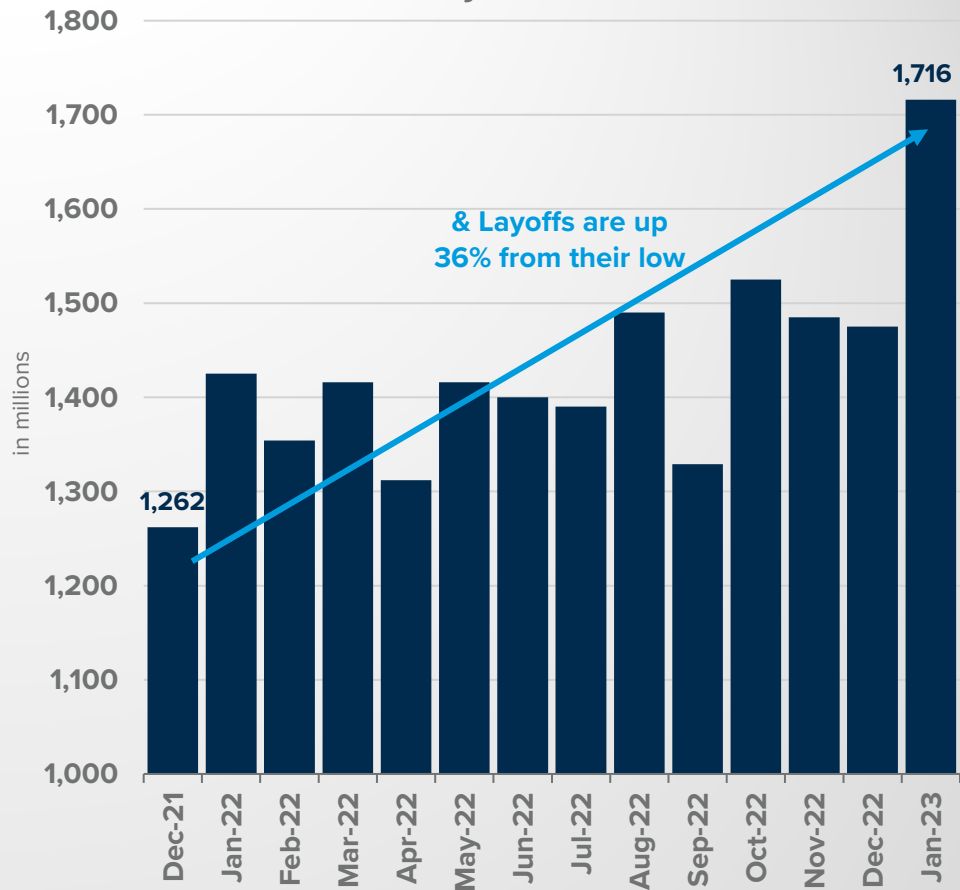
JOB OPENINGS TO UNEMPLOYED PERSONS

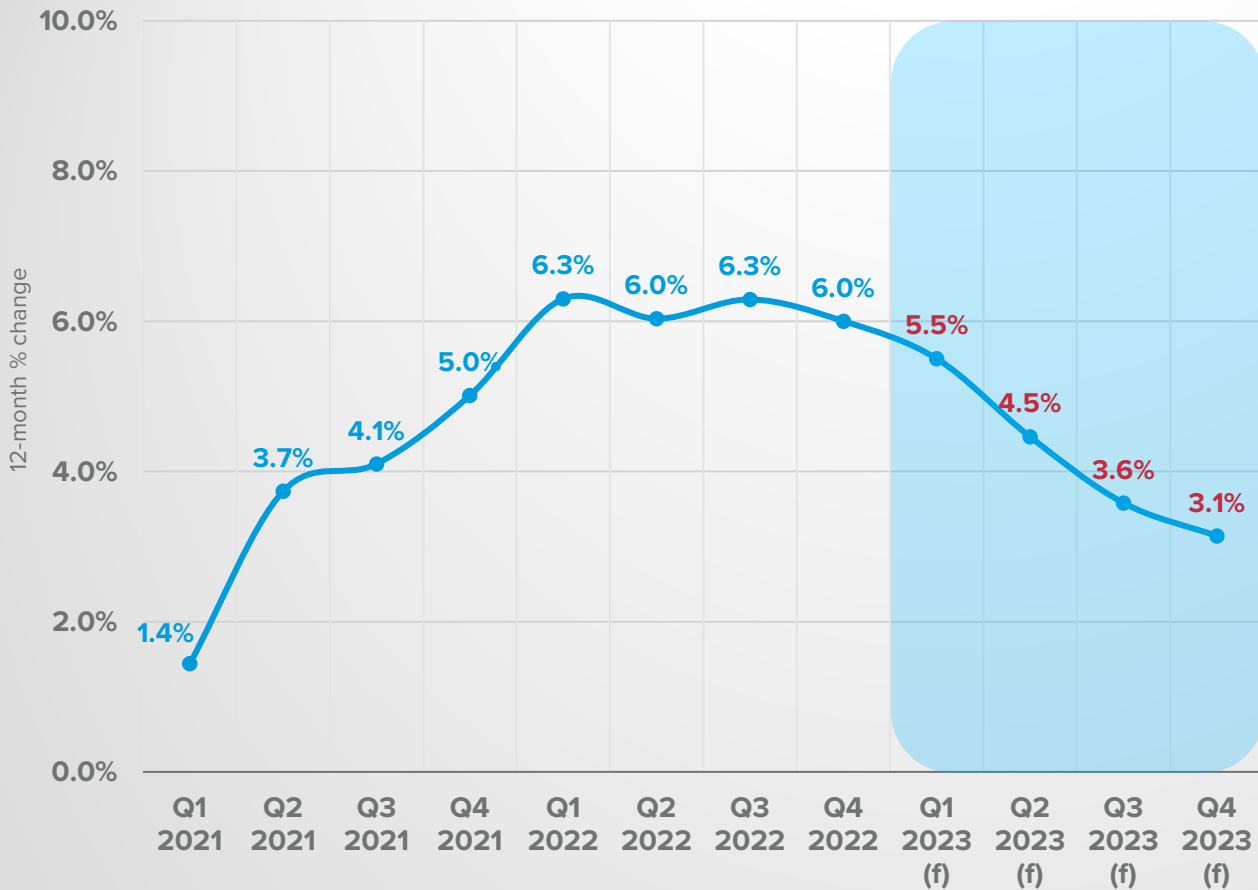


Employee Quits



Layoffs



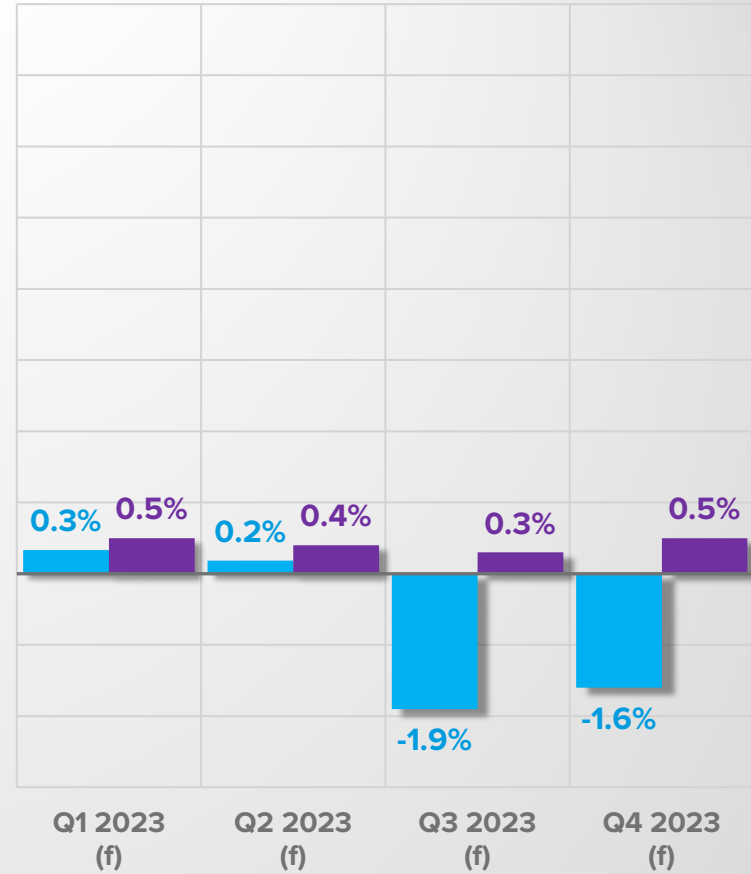
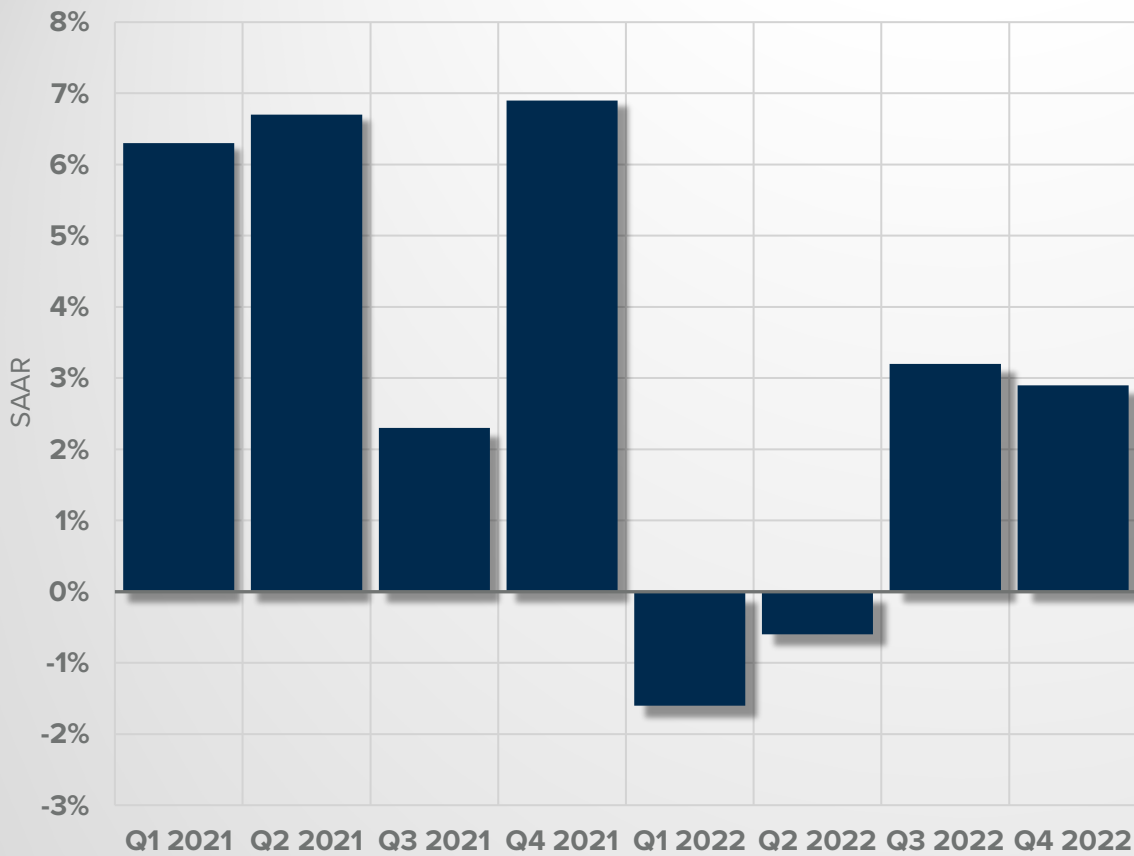


“Service” Inflation Remains a Concern

Regardless of current events, the Fed is unlikely to shift its stance given the 7.6% y/y increase in service inflation. “Goods” inflation rose by a more modest 3.5% y/y

Source:
Windermere
Economics' forecast
using BLS historic data;
sa

CORE CPI HISTORY & FORECAST



Source:
Windermere
Economics' forecast
using BEA historic data
% change from
preceding period

U.S. REAL GDP (TWO OUTCOMES)



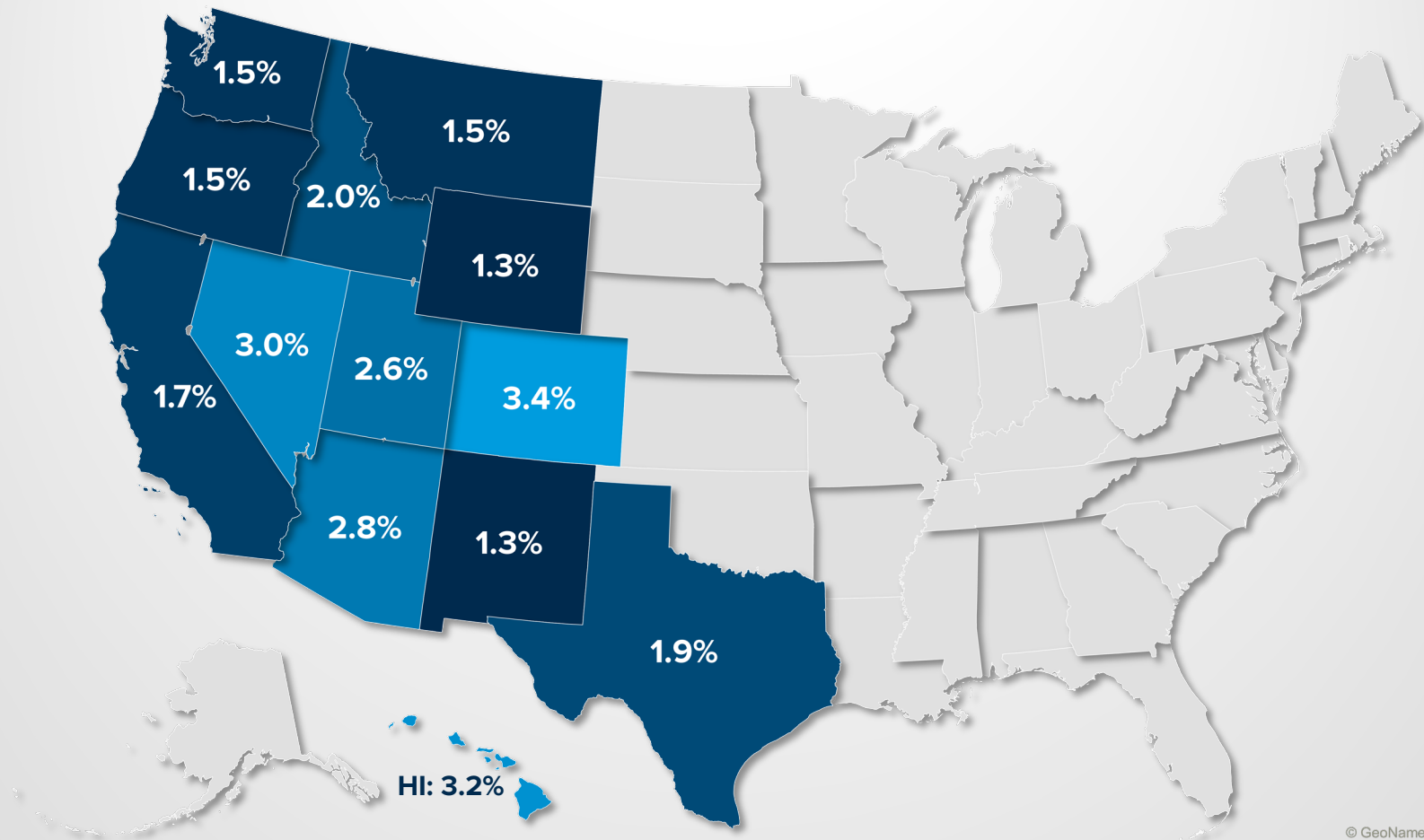
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- The Fed is Unlikely to Chart a Different Course, but a “Modest” Contraction is now *Possible*, Rather than *Probable*;
- Given Current Events, the FOMC will Raise Rates 25bps Next Week Rather than the Expected 50bps. Further Hikes Still Expected;
- The Bond Market is in Turmoil Given the “*Flight to Safety*”, But I Expect Yields to Rise Again; &
- The Debt Ceiling Issue is Very Disturbing. If it is Not Raised, a Recession is Guaranteed & Will Be FAR Worse Than Forecasted.

STATE & REGIONAL EMPLOYMENT



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Source:
Windermere
Economics' analysis of
BLS data

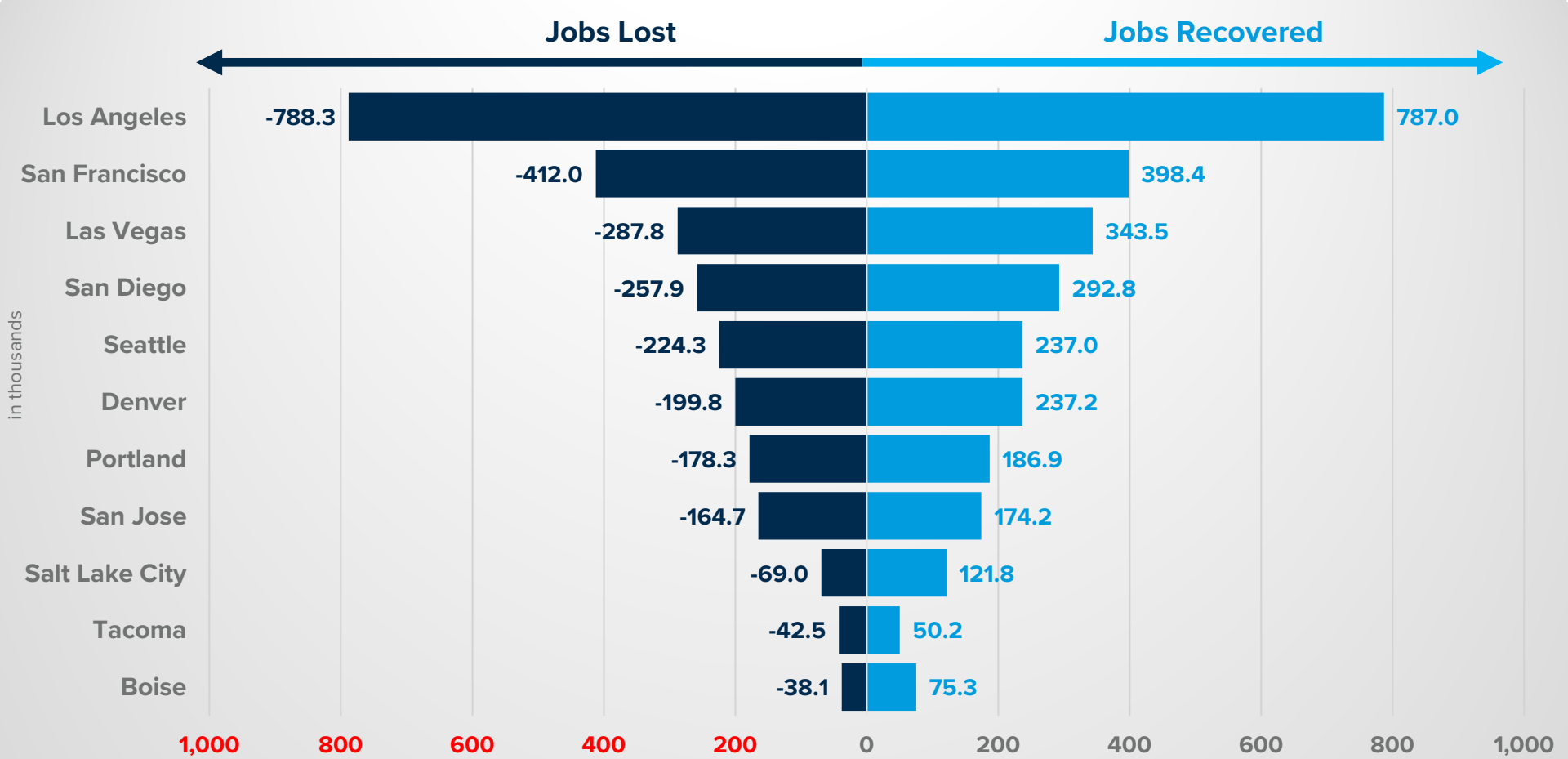
WESTERN US EMPLOYMENT FORECAST (2023)

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W. COAST METRO EMPLOYMENT



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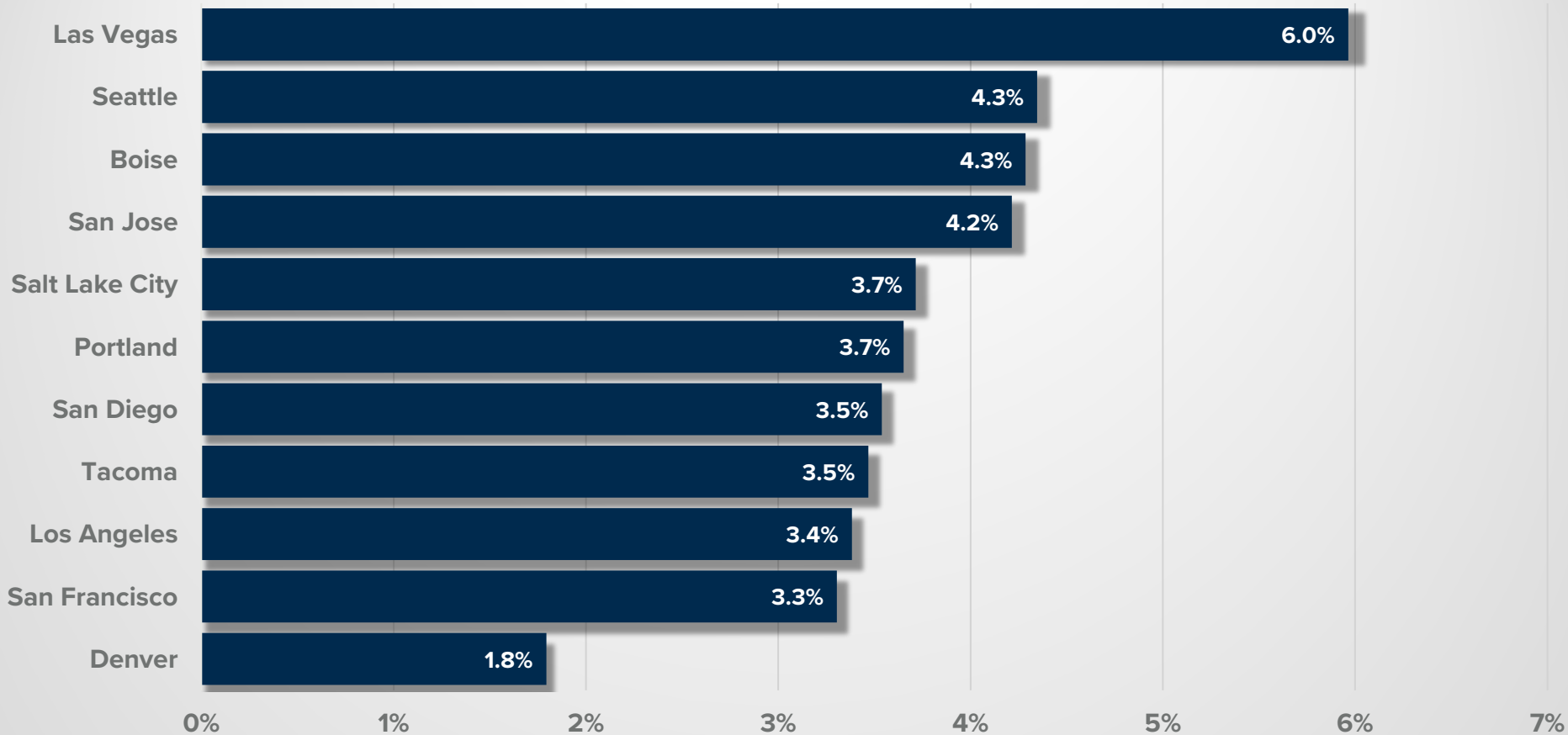


Source:
BLS – data thru 1/23

PANDEMIC IMPACT ON NON-AG EMPLOYMENT



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Source:
BLS - 1/22 - 1/23

NON-AG EMPLOYMENT (12-MONTH % CHANGE)



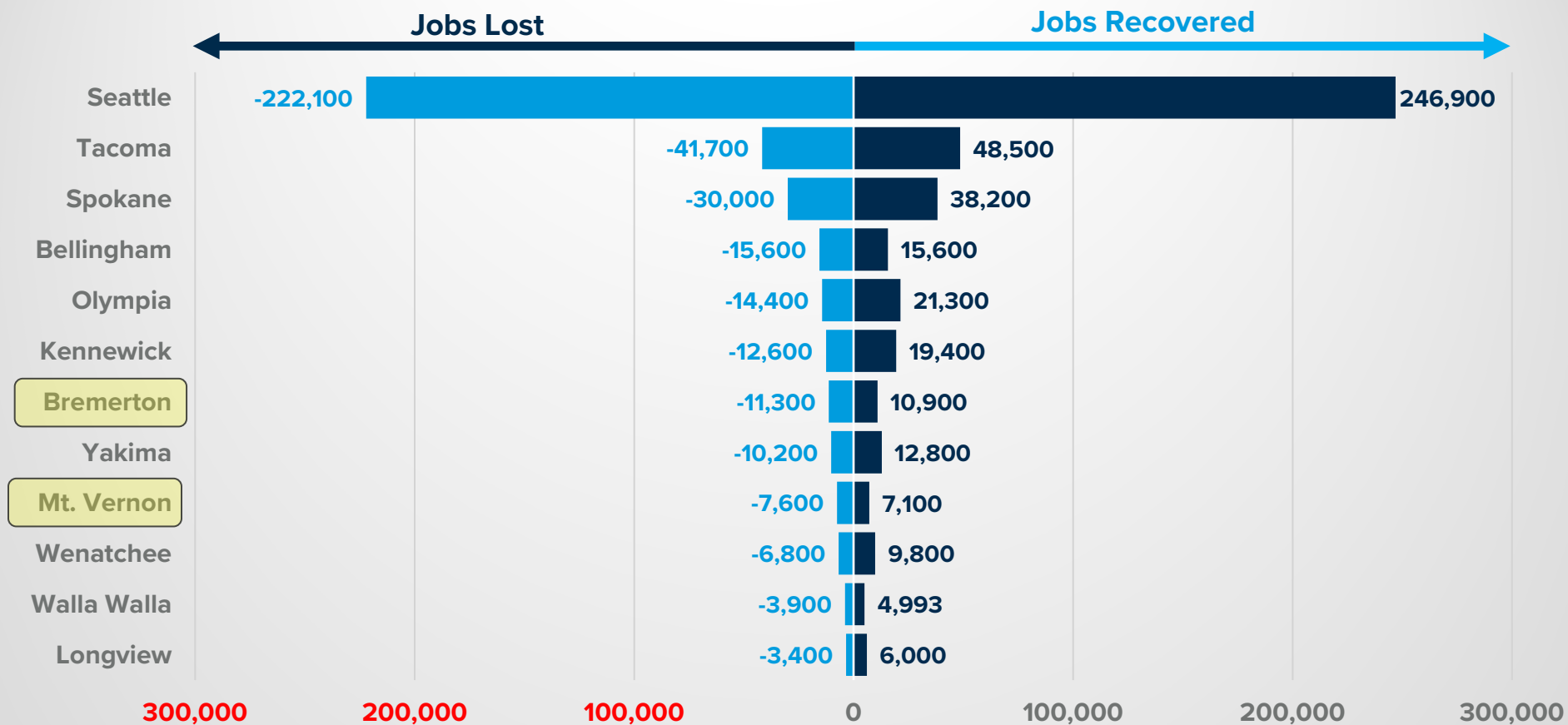
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WASHINGTON STATE LABOR MARKET



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COVID-19 Impact on Non-Ag Employment

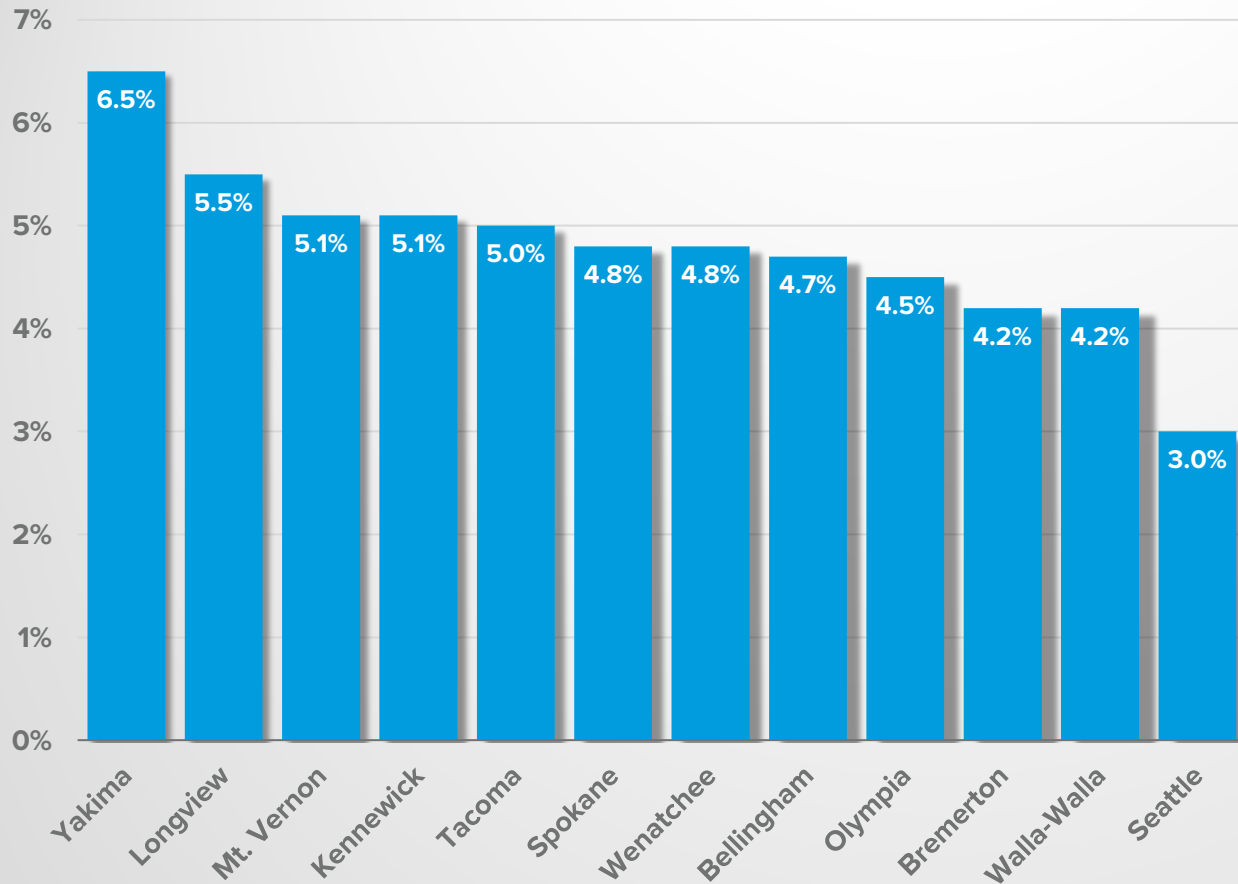


Source:
Windermere
Economics' analysis of
WA ESD data; data thru
01/23

METRO AREA JOB LOSSES/RECOVERY



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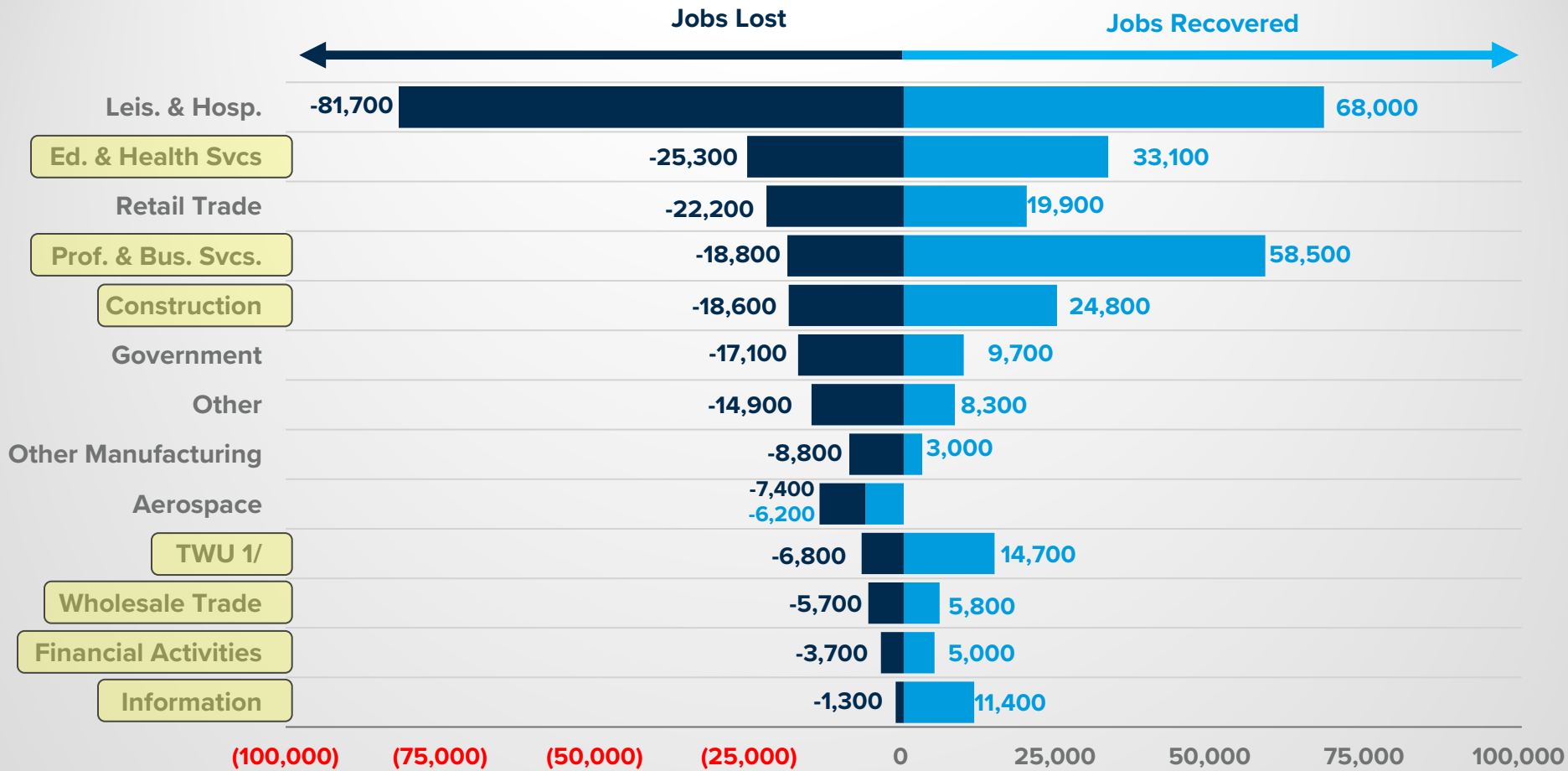


Almost all Metros at Full Employment
& the Seattle market remains extremely tight

THE SEATTLE & TACOMA METROPOLITAN MARKET AREAS



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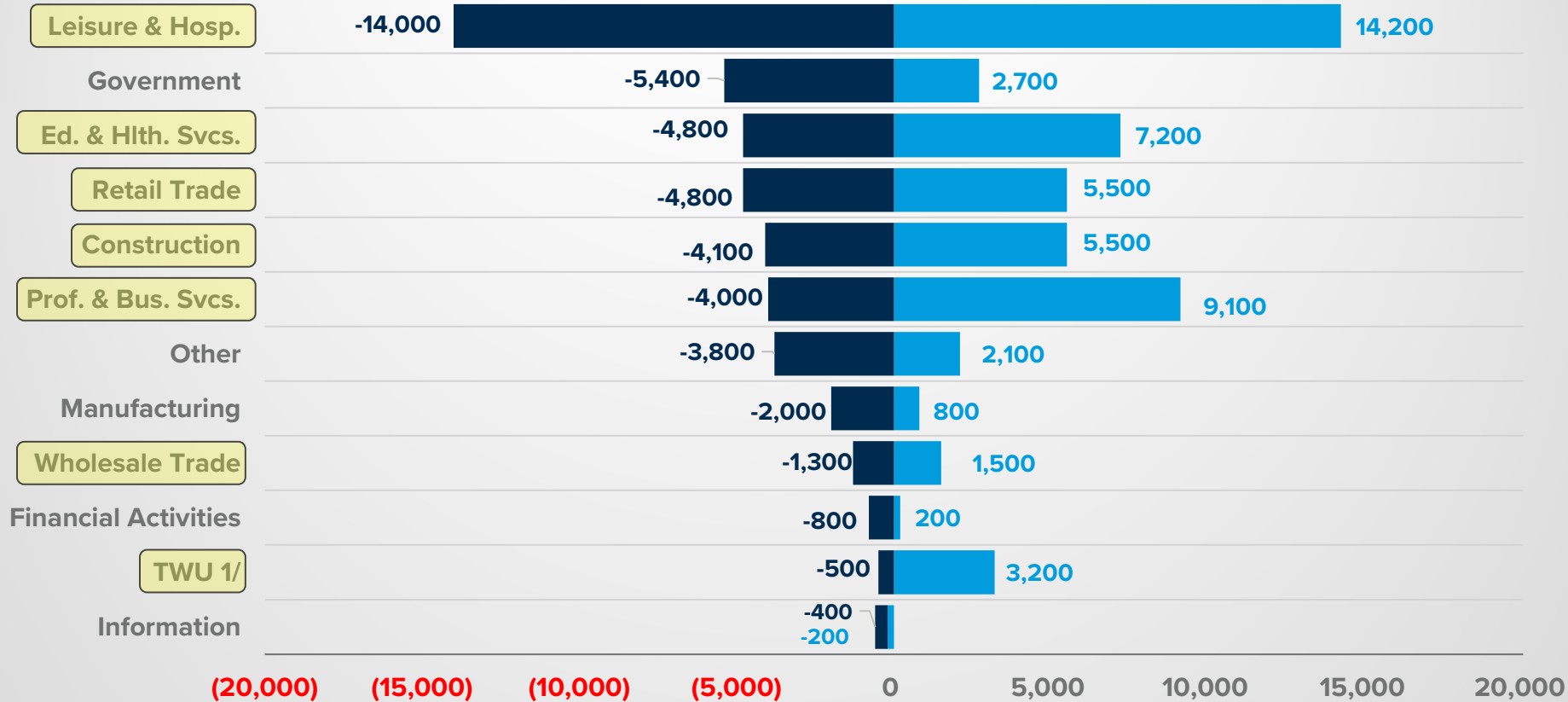


Source: WA ESD
 1/ Transportation,
 Warehousing & Utilities
 Data thru 1/23

PANDEMIC JOBS LOST/RECOVERED (SEATTLE MSA)

Jobs Lost

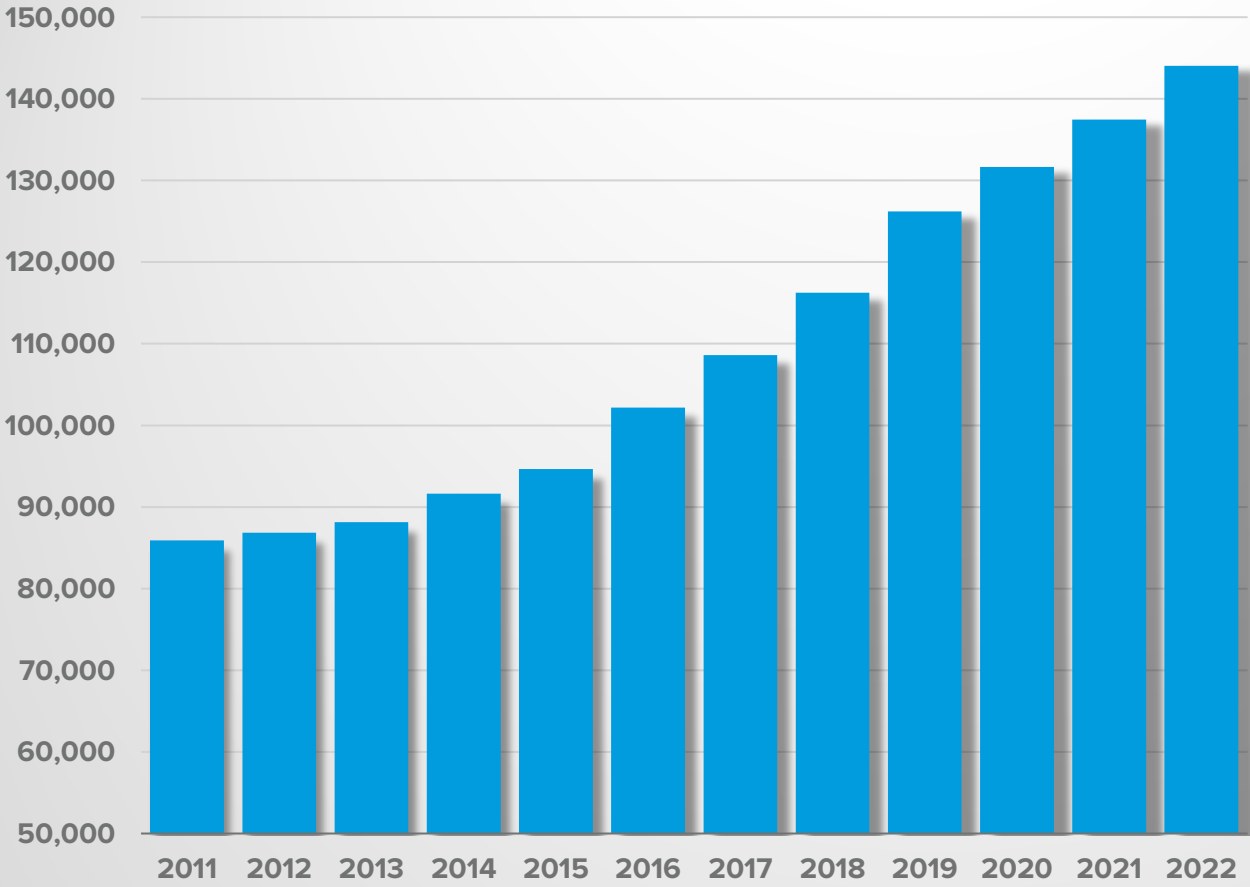
Jobs Recovered



Source:
WA ESD
1/ Transportation,
Warehousing & Utilities
Data thru 1/23

PANDEMIC JOBS LOST/RECOVERED (TACOMA MSA)

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**The Information Sector
Has Grown by 70%
Since 2010**

Source:
Windermere
Economics' analysis of
WA ESD data
Data thru '12/22

THE INFORMATION SECTOR (SEATTLE MSA)



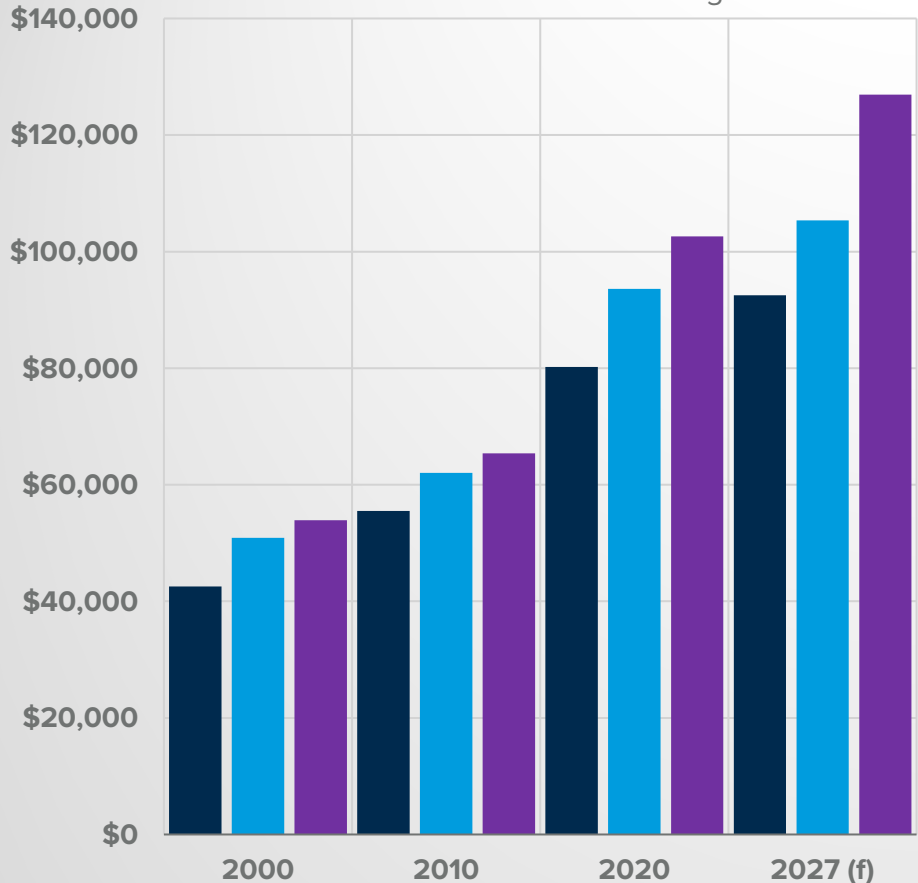
Company	Location	# of Workers	Layoff Date
Amazon Health Services	Seattle	159	12/1/2022
Compass, Inc	Seattle	271	11/19/2022
Twitter, Inc	Seattle	257	1/4/2023
Meta Platforms, Inc	Bellevue	307	1/13/2023
Meta Platforms, Inc	Seattle	419	1/13/2023
Amazon	Sea., Bell.	2,320	3/19/2023
Microsoft	Red., Bell., Iss.	878	3/20/2023
Compass, Inc.	Redmond	110	3/28/2023
Bittrex, Inc.	Bellevue	83	4/2/2023
Microsoft	Red., Bell., Iss.	617	4/10/2023
Microsoft	Red., Bell., Iss.	689	5/5/2023

**Layoffs Have Started,
& the Numbers Will
Get Worse**

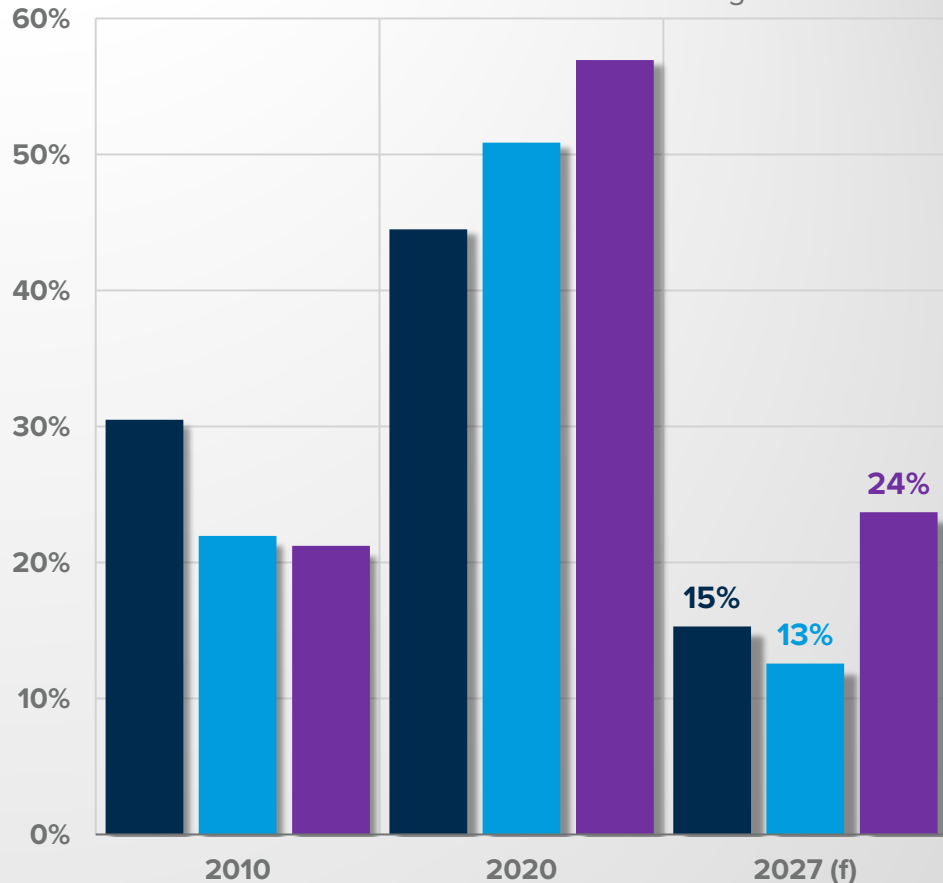
So far, 6,110 tech jobs
have been lost

Company	Location	# of Workers	Company	Location	# of Workers
Amazon	Global	±18,000	Adaptive Biotech.	Seattle	100
Microsoft	Global	10,000	Highspot	Seattle	100
Redfin	Seattle	1,332	Convoy	Seattle	90
Compass (Modus)	Seattle	450	Smartsheet	Seattle	85
Qualtrics	Seattle	270	Compass	Seattle	84
SirionLabs	Bellevue	130	Crypto	Bellevue	83
F5	Seattle	100	Bittrex	Bellevue	80
Rad Power Bikes	Seattle	100	Sana Biotechnology	Seattle	80

Pierce Snohomish King



Pierce Snohomish King



Source:
WA OFM history
w/Windermere
Economics' Forecast
(change in median
household income)

MEDIAN INCOME GROWTH & FORECAST

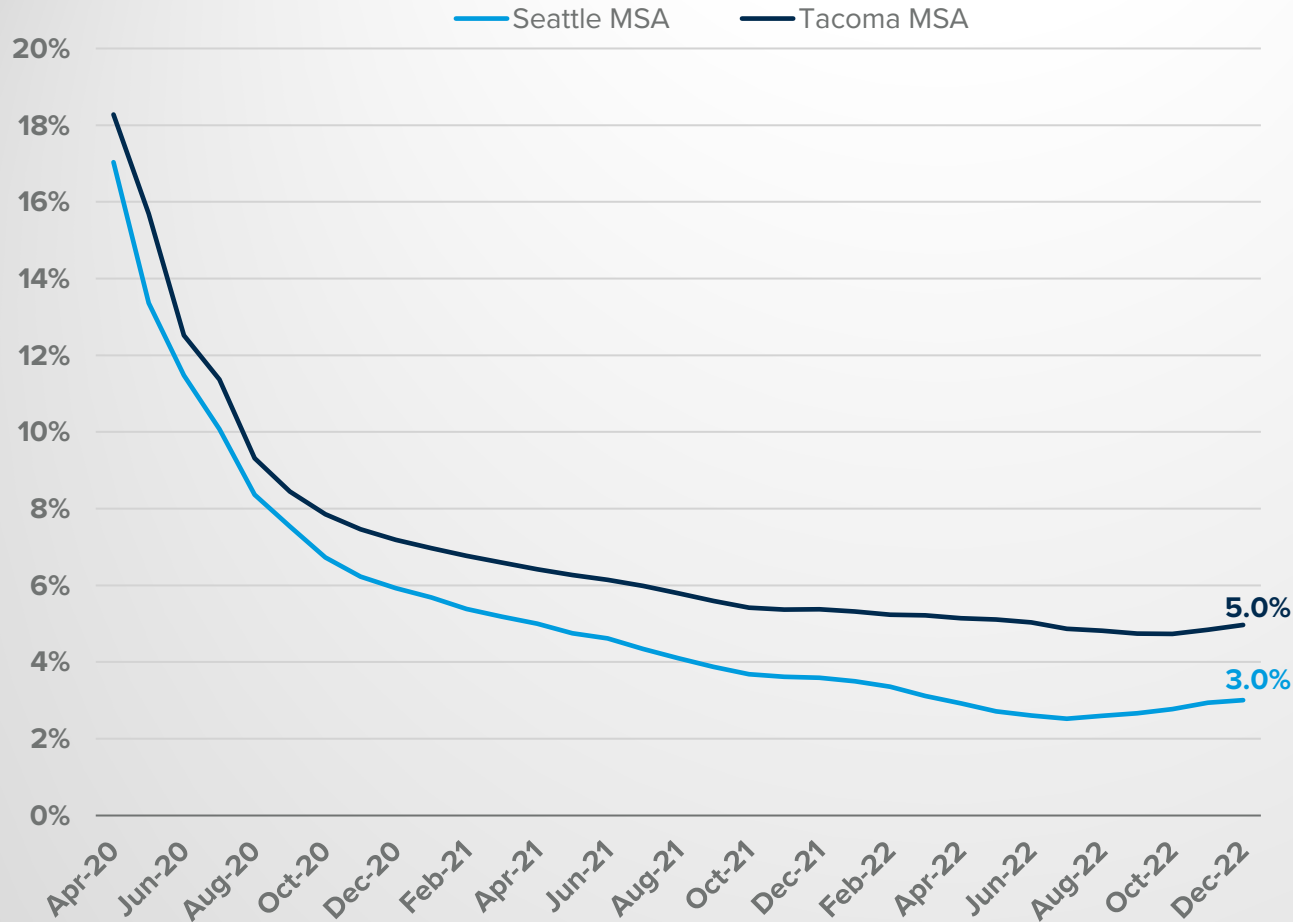


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UNEMPLOYMENT

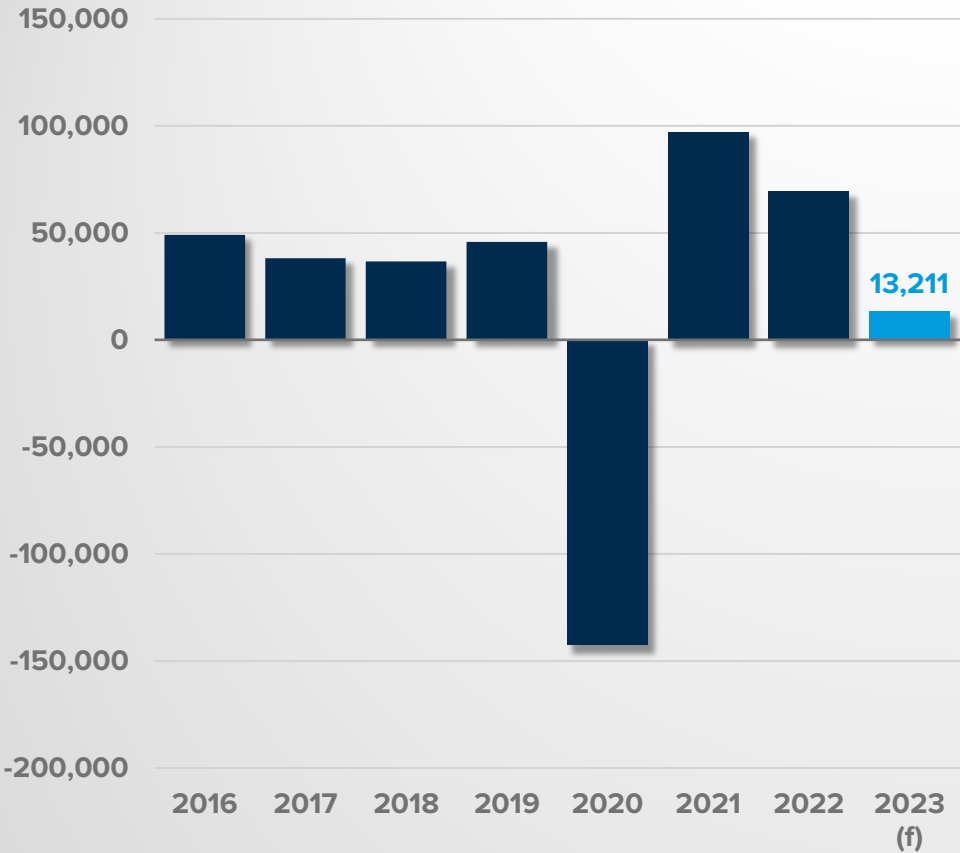


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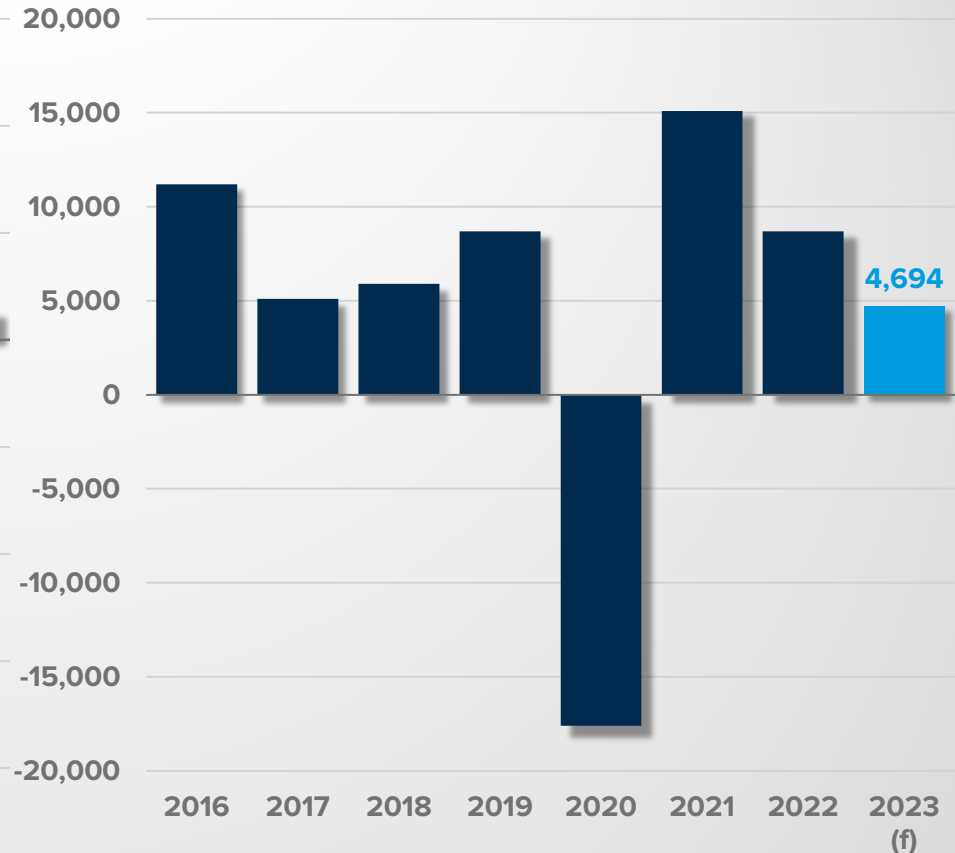


The Jobless Rate Has Started to Move Modestly Higher
 & I expect it to rise further; however, the increase will be limited due to the tightness of the labor force

Seattle MSA



Tacoma MSA



Source:
WA ESD history
w/Windermere
Economics' Forecast

EMPLOYMENT GROWTH HISTORY & FORECAST



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- Regional Employment Growth in '24 Will Be Well Below the Long-Term Average (But Growth is Growth!);
- Watch the Biotech Sector – it May Well Outperform & Compensate for Some of the Losses in the Information Sector;
- “Return to Work” Picks Up Momentum as the Economy Starts to Falter; &
- This Year Will Be One Where the Economy “Resets”, but I Anticipate 2024 Will Show a Return to a More Normal Pace of Growth

FINAL THOUGHTS



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