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ECONOMICS

AN ECONOMIC & HOUSING MARKET OVERVIEW

PRESENTED BY: MATTHEW GARDNER

Real Estate Economist

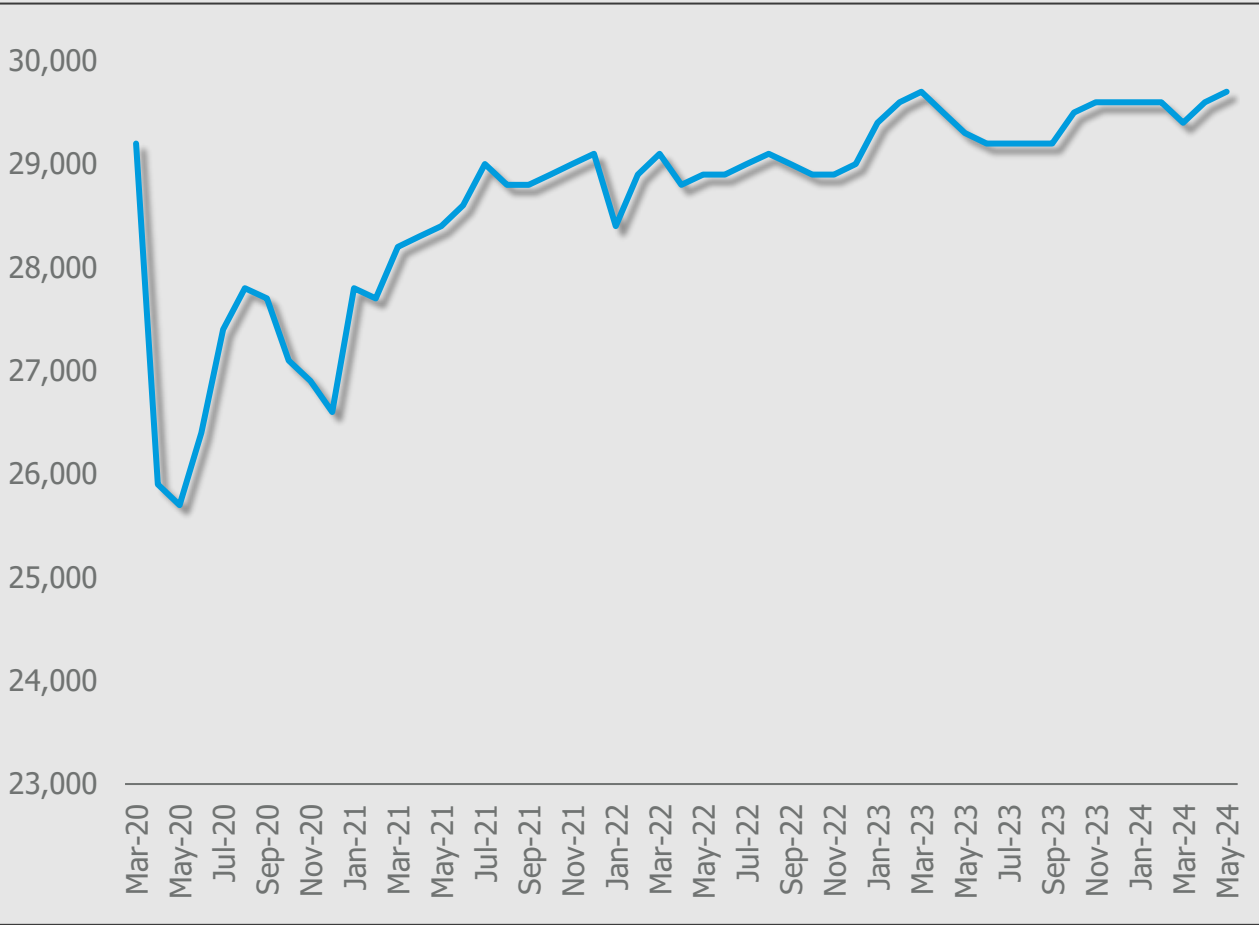
A PRESENTATION TO THE PORT OF WALLA WALLA

July 23, 2024

EMPLOYMENT



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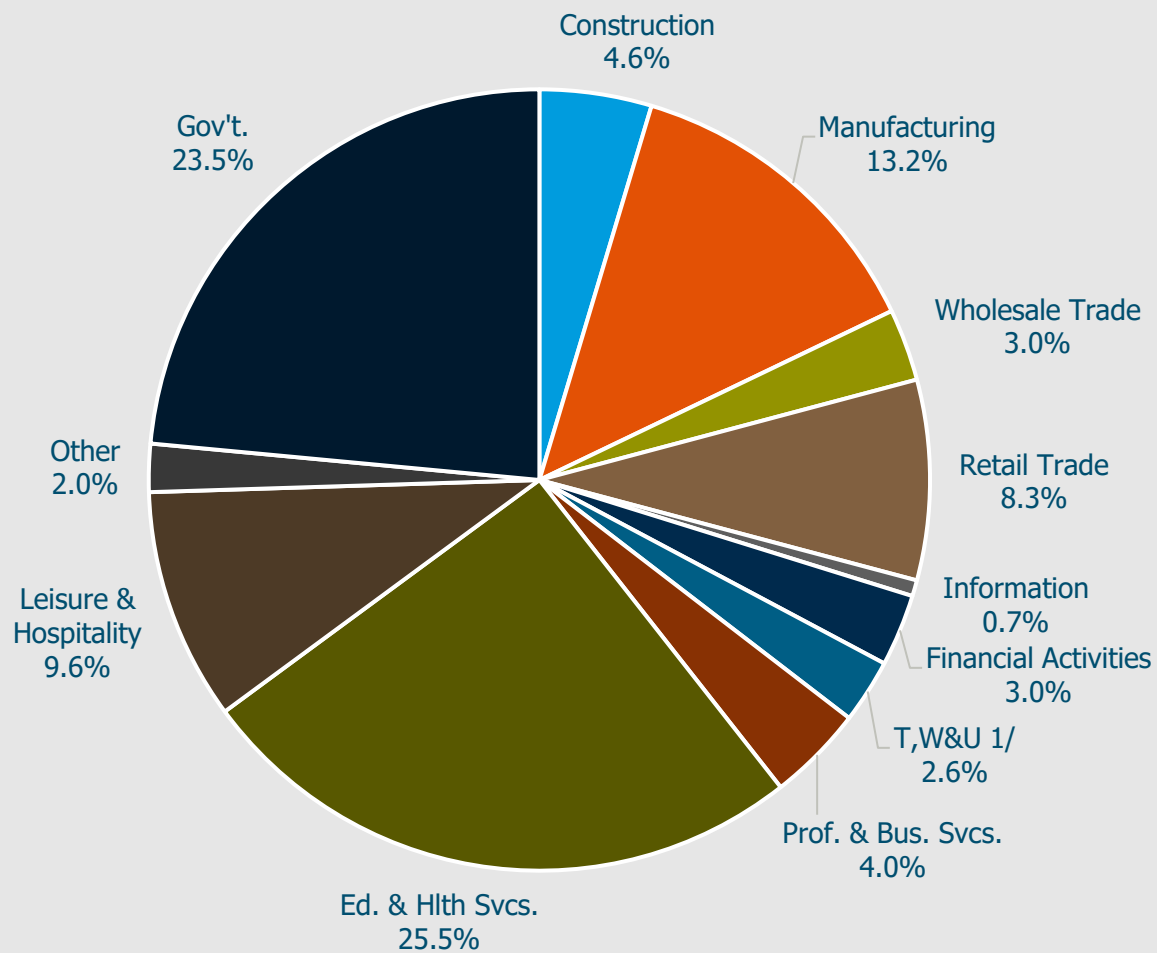


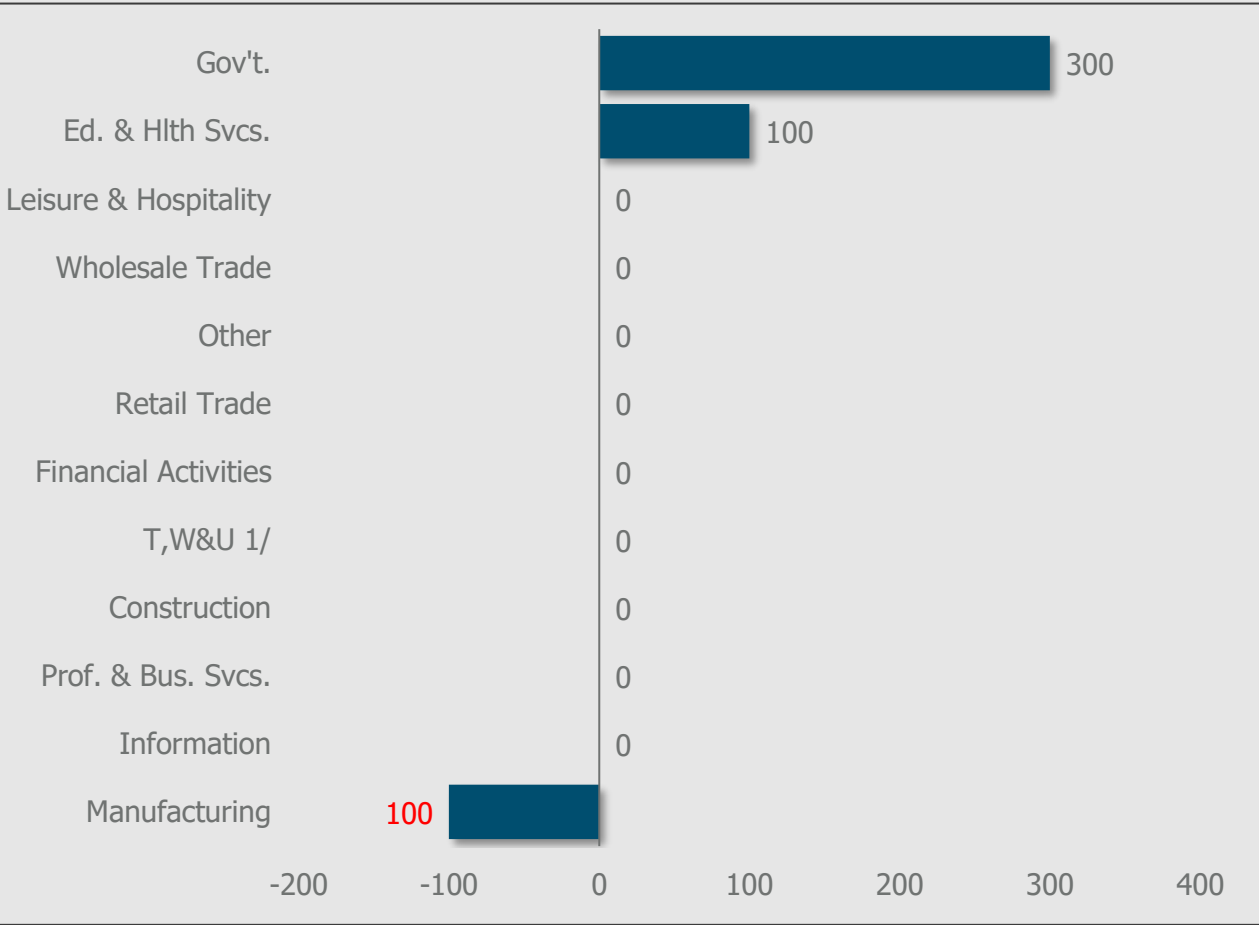
Full Job Recovery
 Pandemic job losses have been erased; however, the County has added just 300 new jobs

Source: BLS

EMPLOYMENT LEVELS





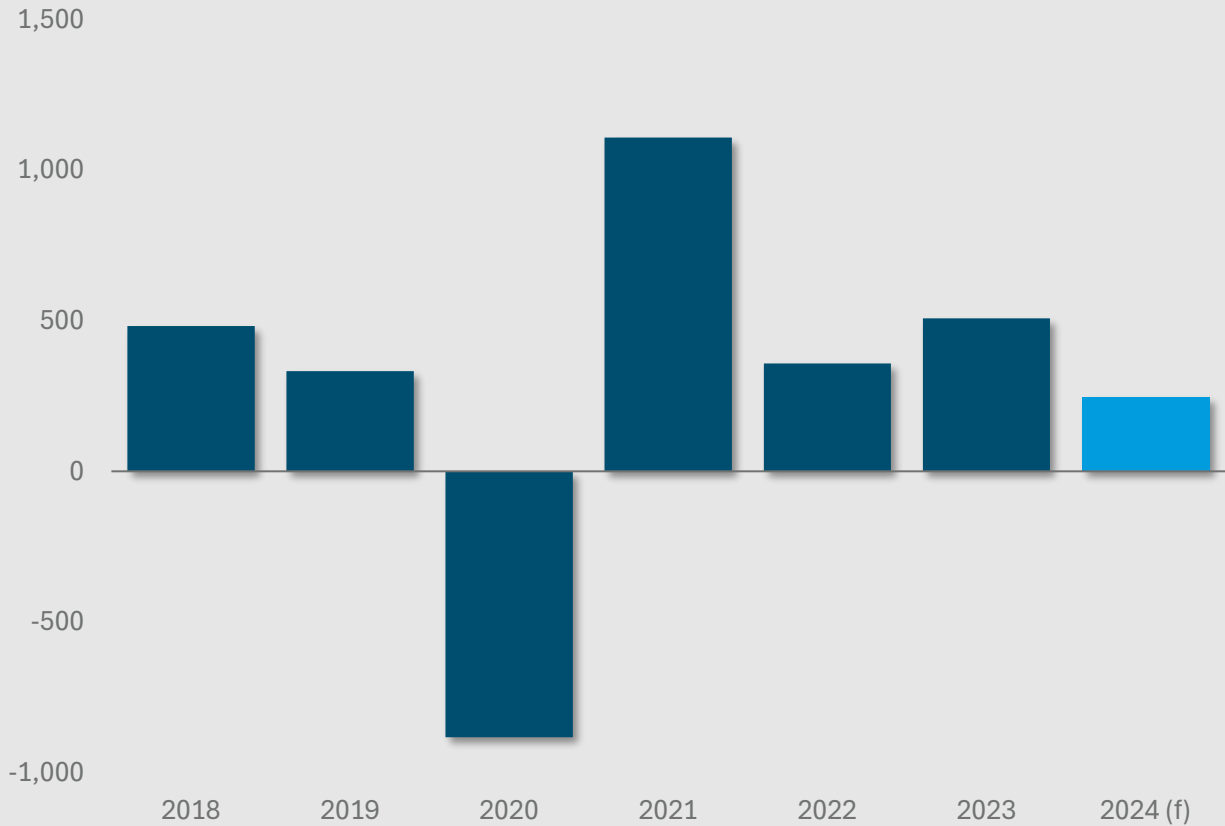


Not Many Sectors are Expanding
 Government & Education/Health accounts for 50% of the County's employment base

Source: BLS
 1/ Transportation, Warehousing & Utilities

Y/Y SECTORAL EMPLOYMENT GROWTH





Modest Employment Growth in 2024
I expect the Walla-Walla market to add around 250 jobs this year

Source: BLS history w/Gardner Economics' Forecasts

NON-AG EMPLOYMENT FORECAST



WALLA WALLA HOUSING



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MORTGAGE RATES



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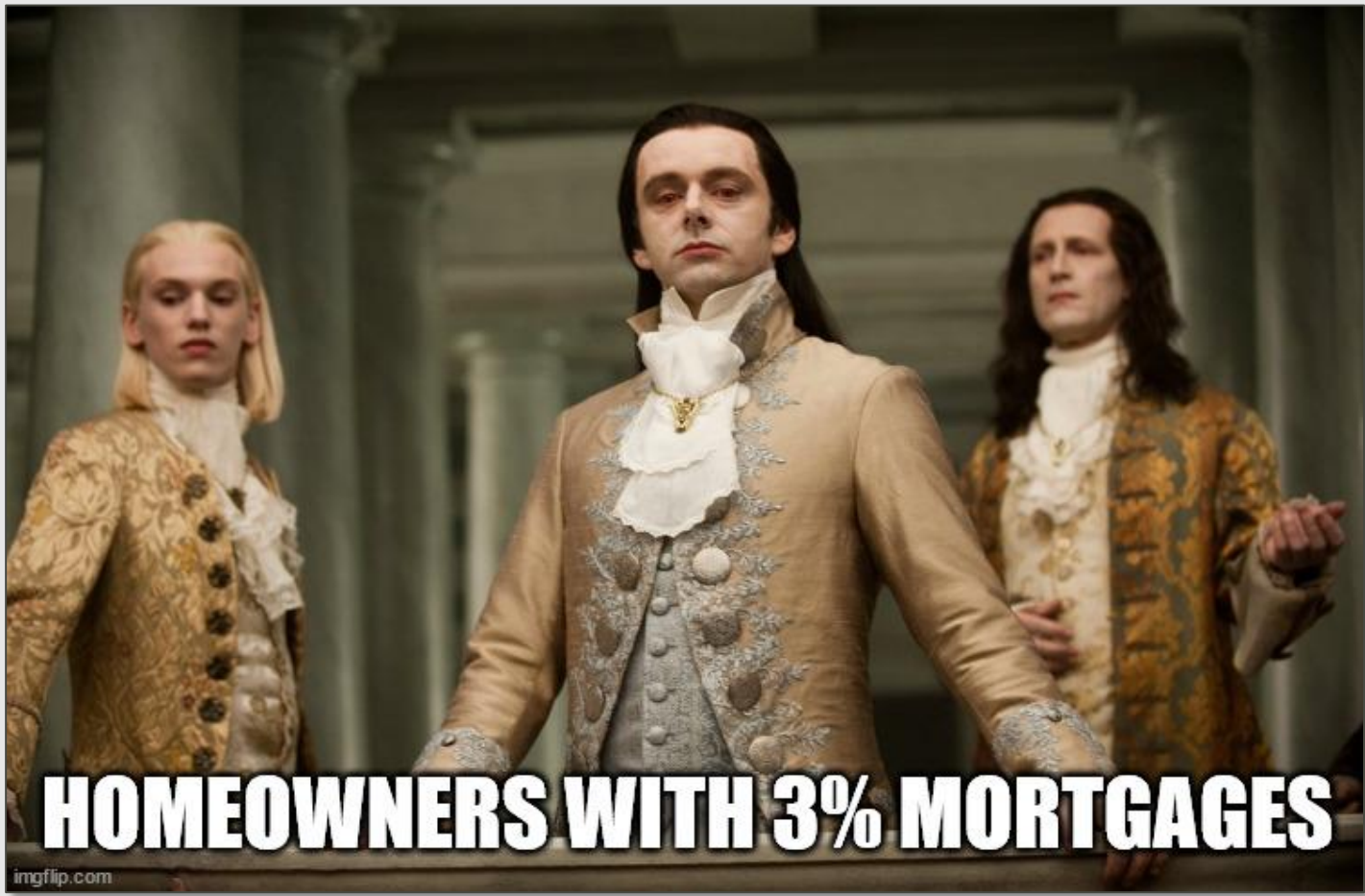


Rates Were Out of Sync with Reality

The Fed “juiced” the market in 2020 by becoming the sole buyer of 10-year treasuries and MBS.

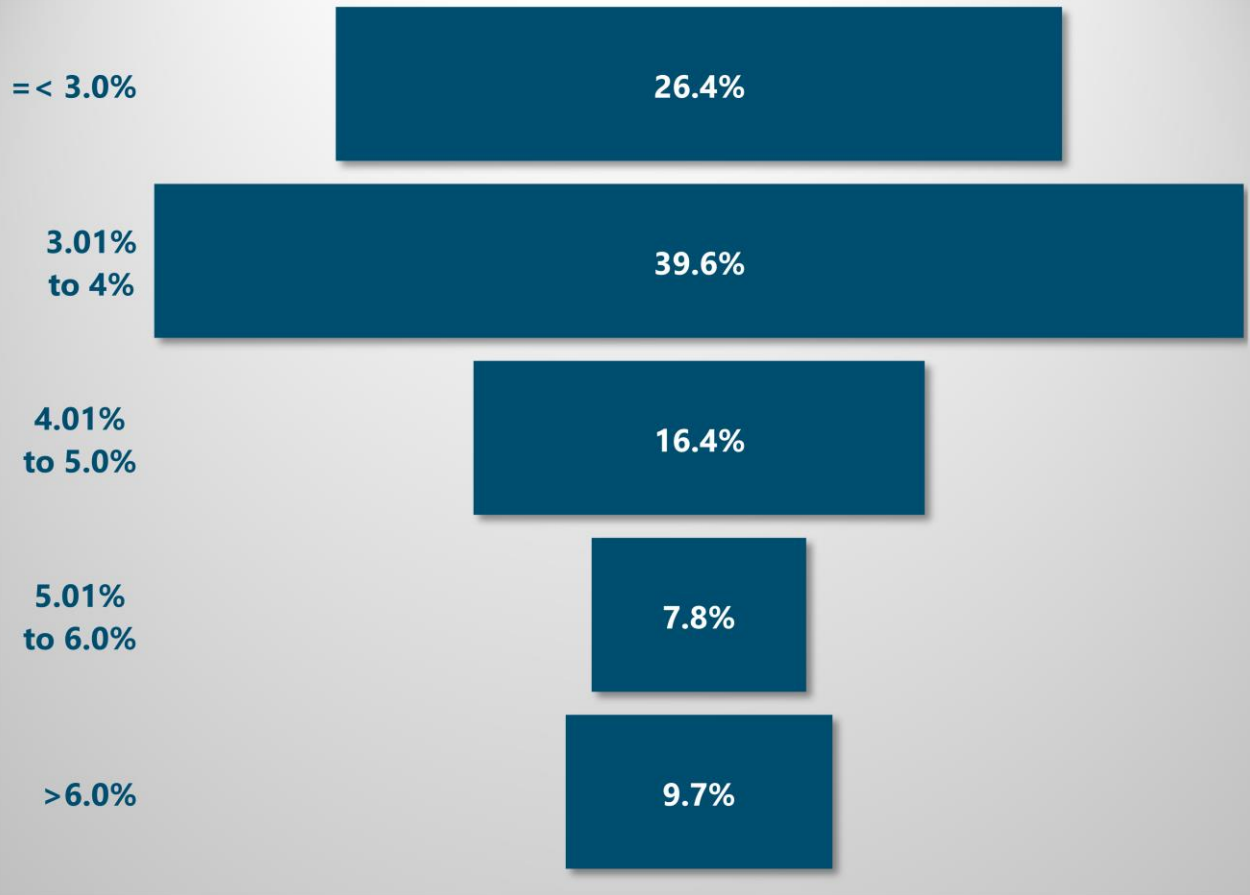
After peaking at a multi-decade high, they are now starting to fall – but Fed intervention has consequences





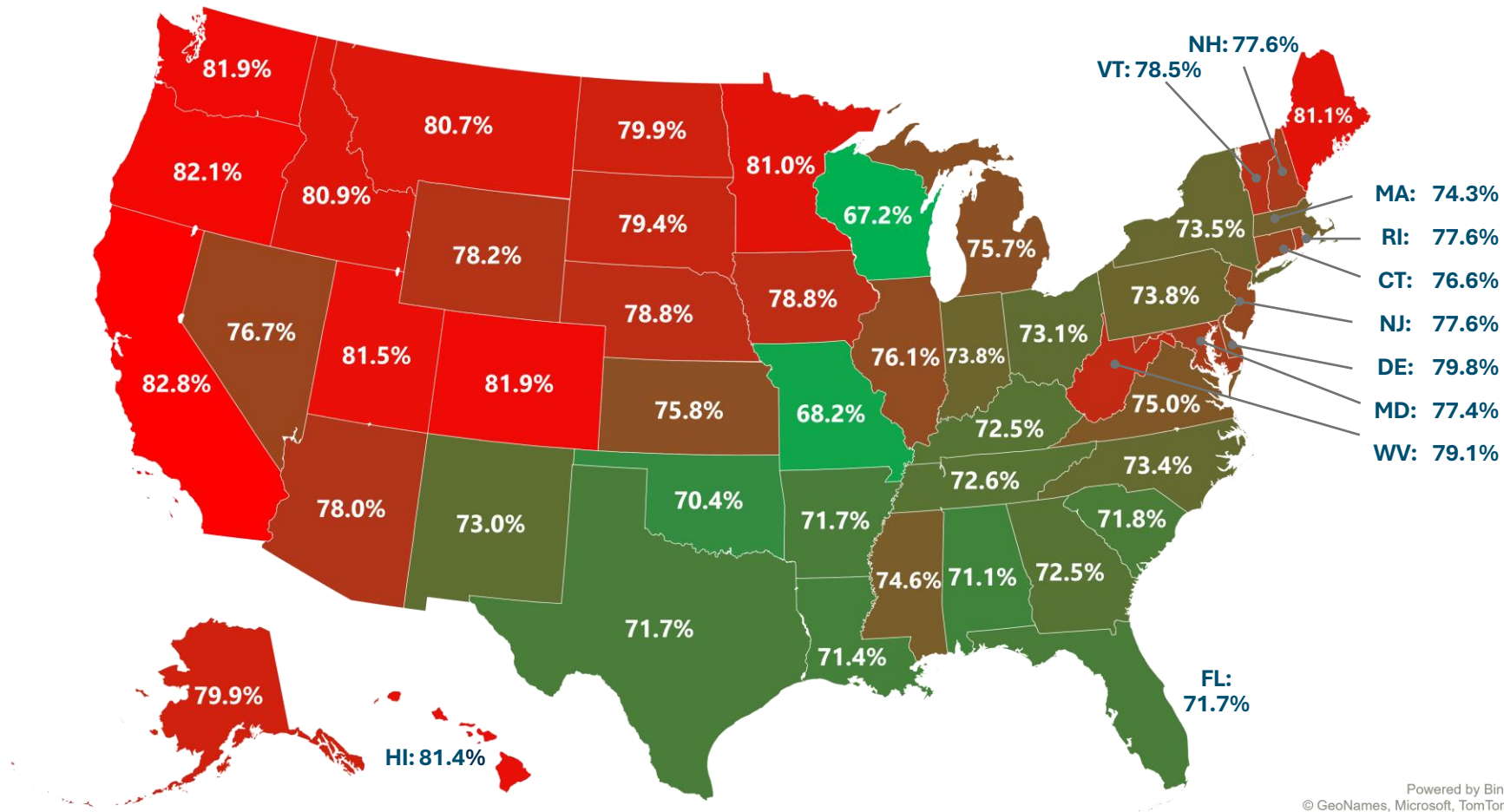
“CONSEQUENCES.....”





Washington State is Rate Locked
82.4% of mortgaged homeowners have a rate at or below 5%



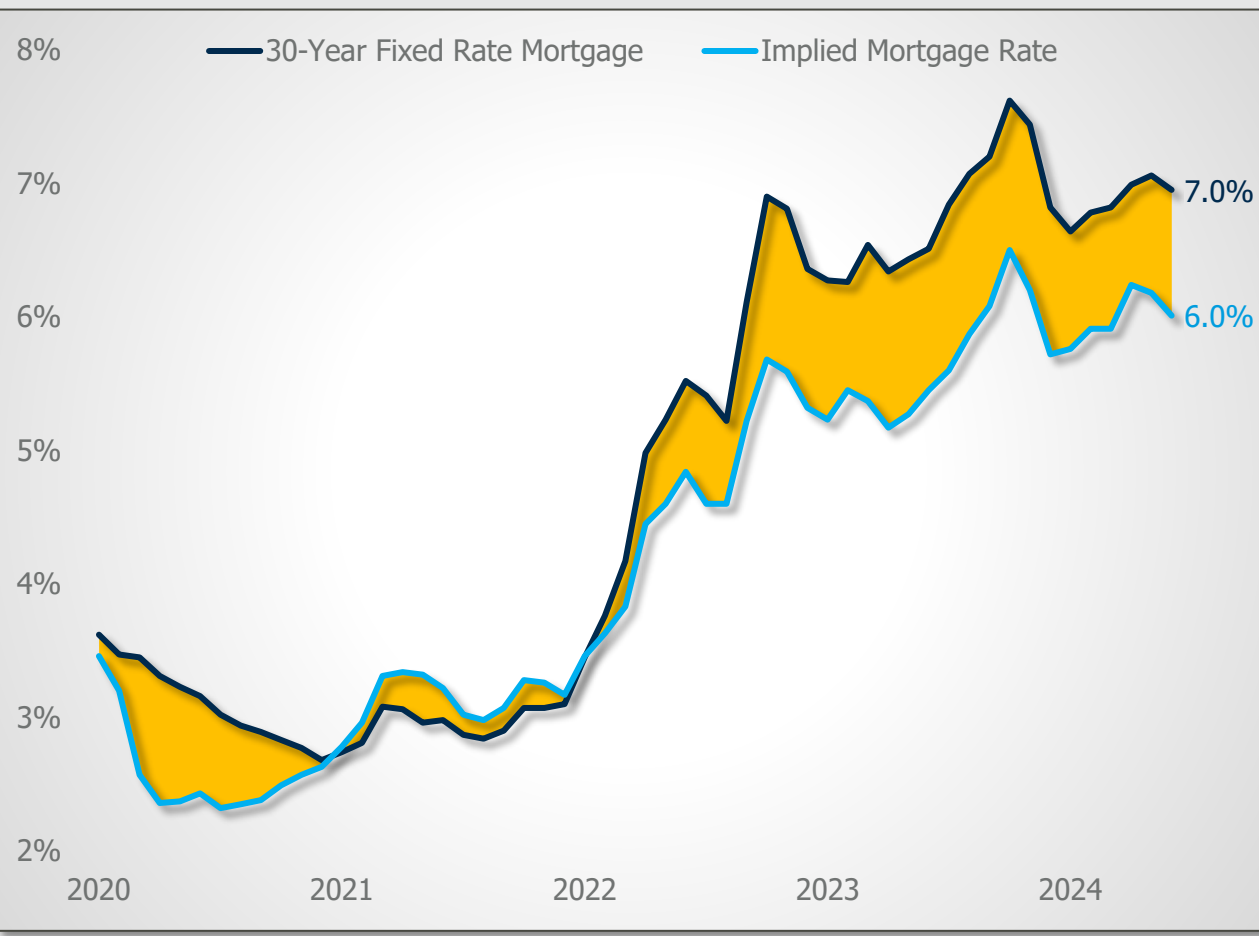


Source:
FHFA National
Mortgage database;
Q1-2024

SHARE OF OUTSTANDING MORTGAGES (<5%)

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Rates are “Out of Sync”
 The spread between 10-year treasuries and mortgage rates is well above the norm due to cost of capital & premiums to counteract the possibility of borrowers refinancing,
 This can allow rates for fall even if treasury yields do not

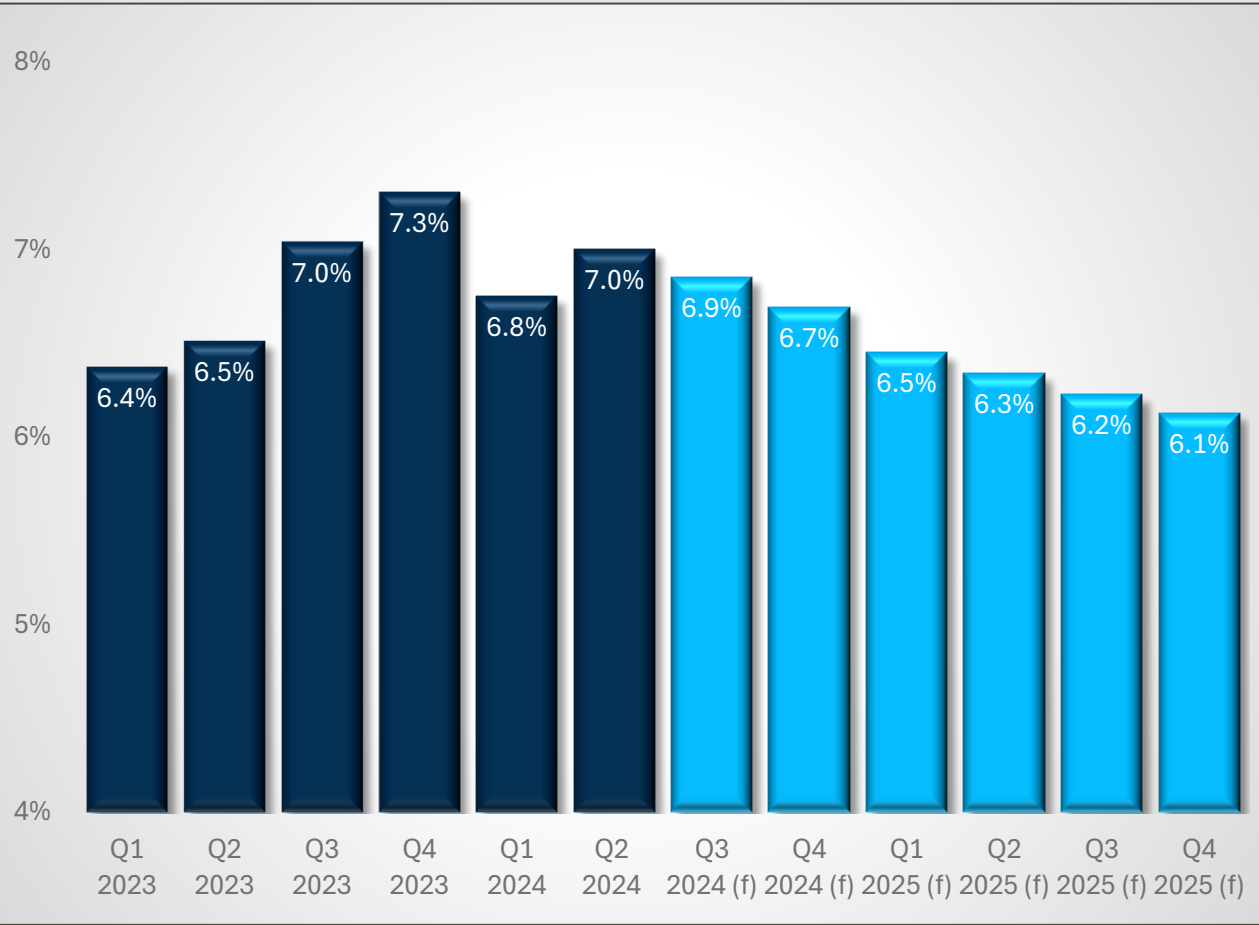
Source: Gardner Economics' analysis of Freddie Mac & Federal Reserve data

ACTUAL & IMPLIED MORTGAGE RATES





**SO! WHAT'S IN
STORE FOR
MORTGAGE
RATES?**



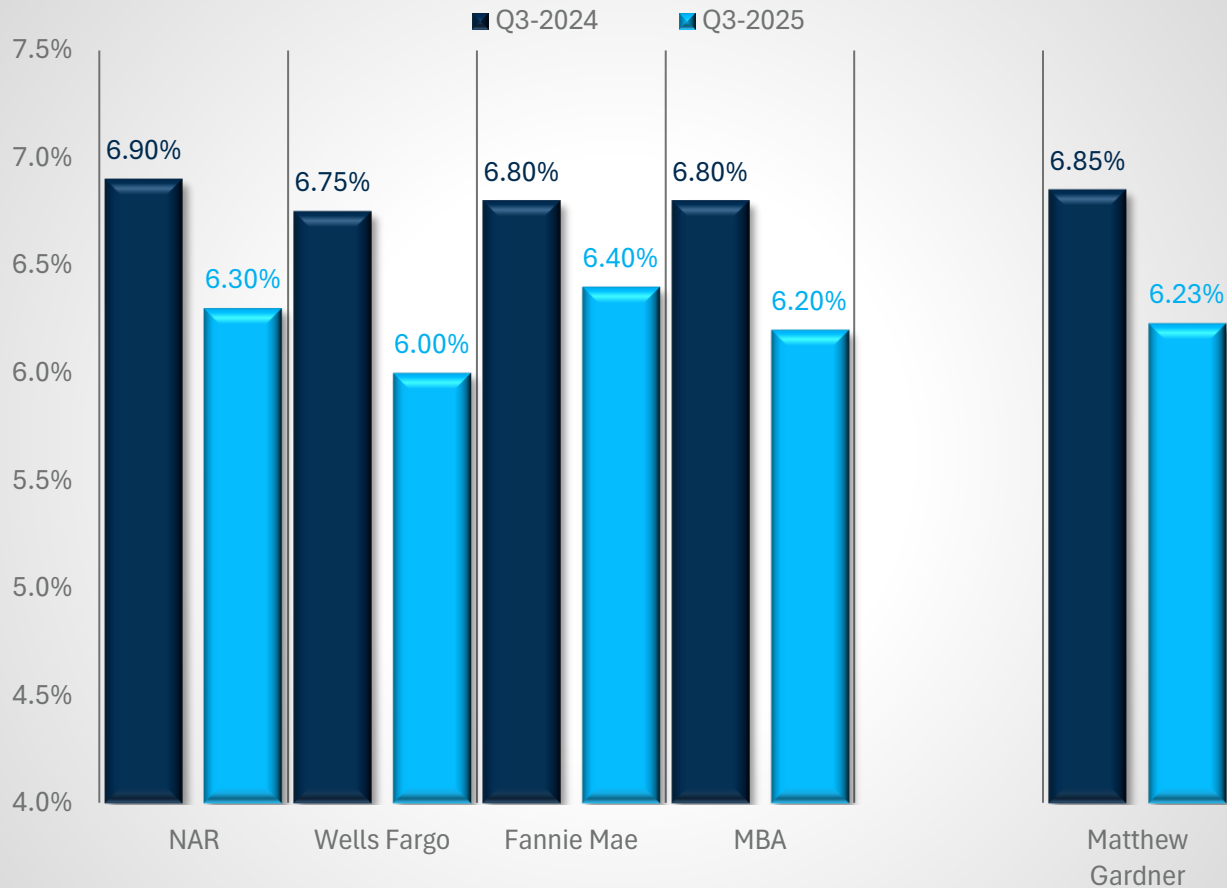
Rates Have Peaked

Although there will still be periods of turbulence – as long as the US economy continues to slow – rates will continue trending lower

Source: Freddie Mac history & Gardner Economics' forecasts for a conventional 30-year mortgage

30-YEAR MORTGAGE RATE FORECAST





My Colleagues Still Agree!
The consensus is that rates will fall

ANALYSTS' EXPECTATIONS

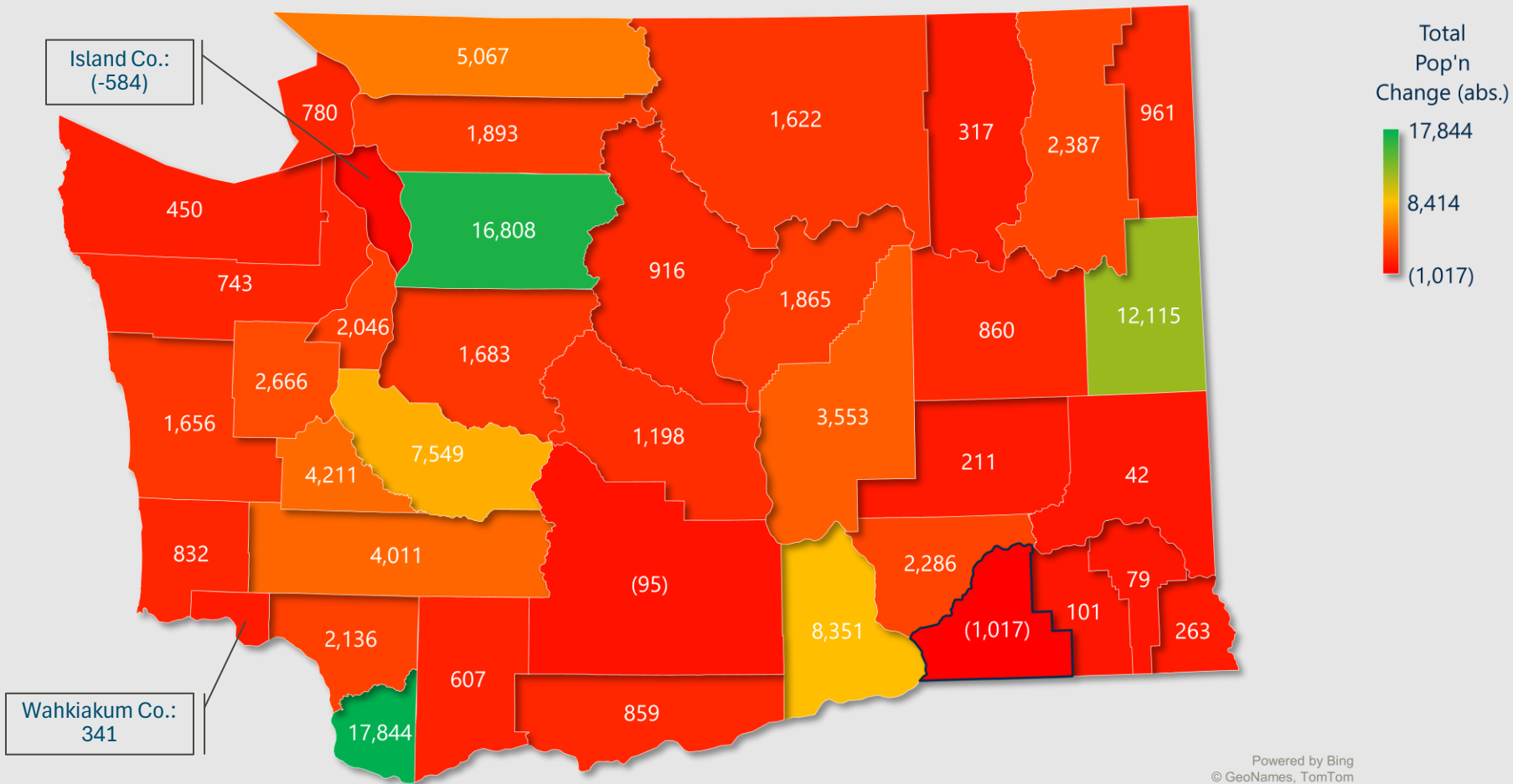
(30-YR. CONV. MORTGAGE RATES)



WALLA-WALLA COUNTY DEMOGRAPHICS



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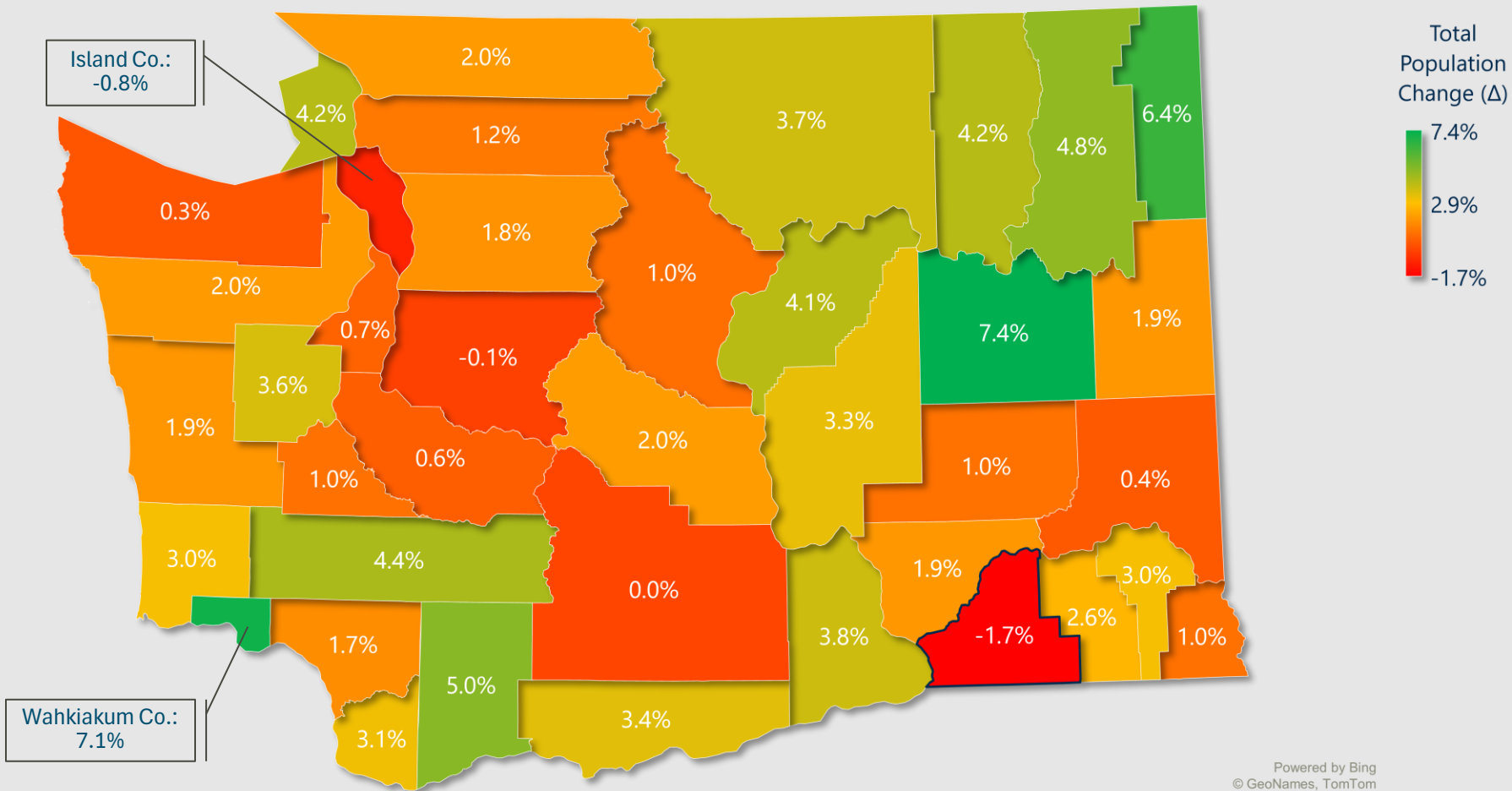


TOTAL POPULATION GROWTH (2020-2023)

Source: US Census

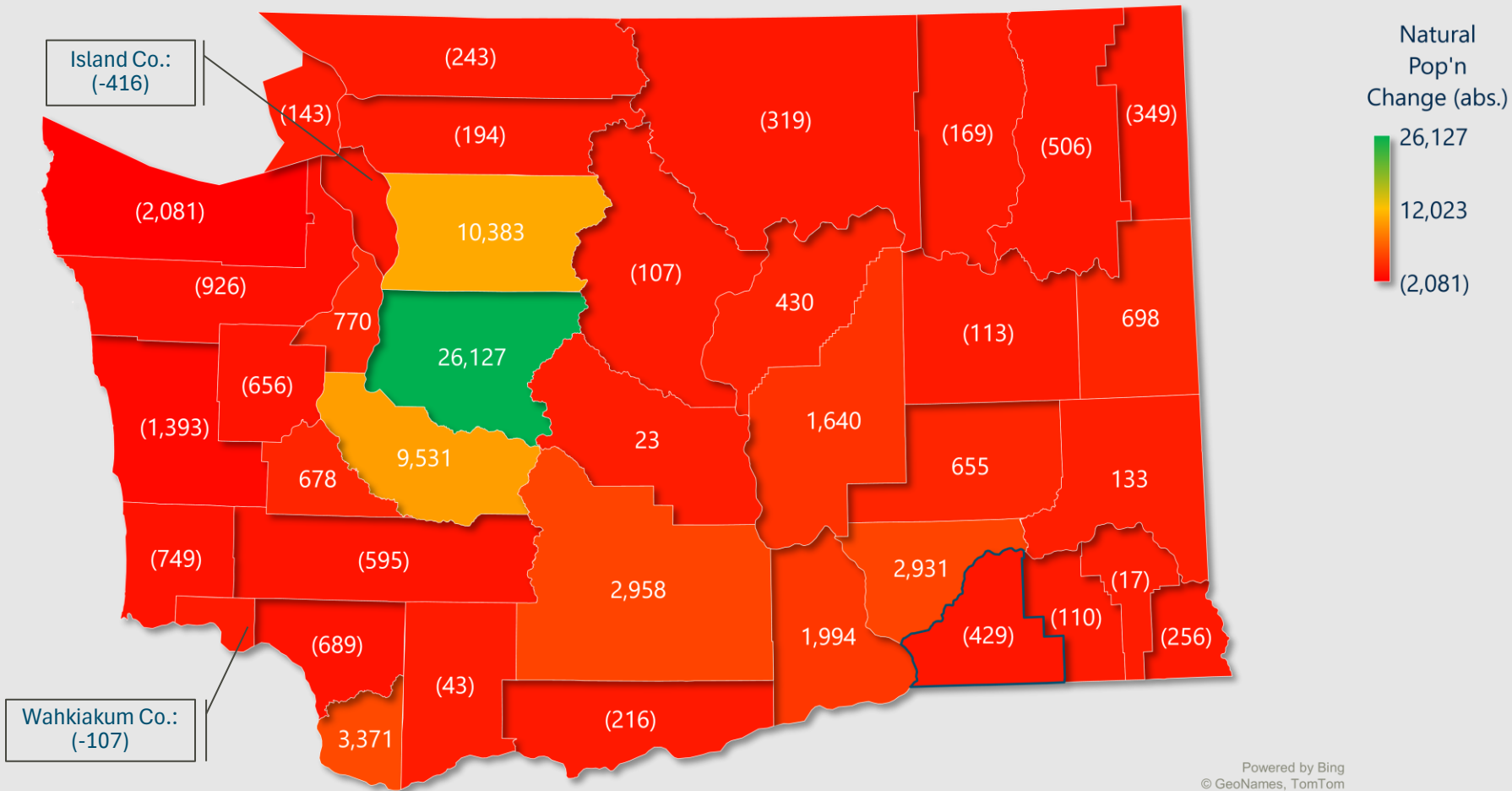
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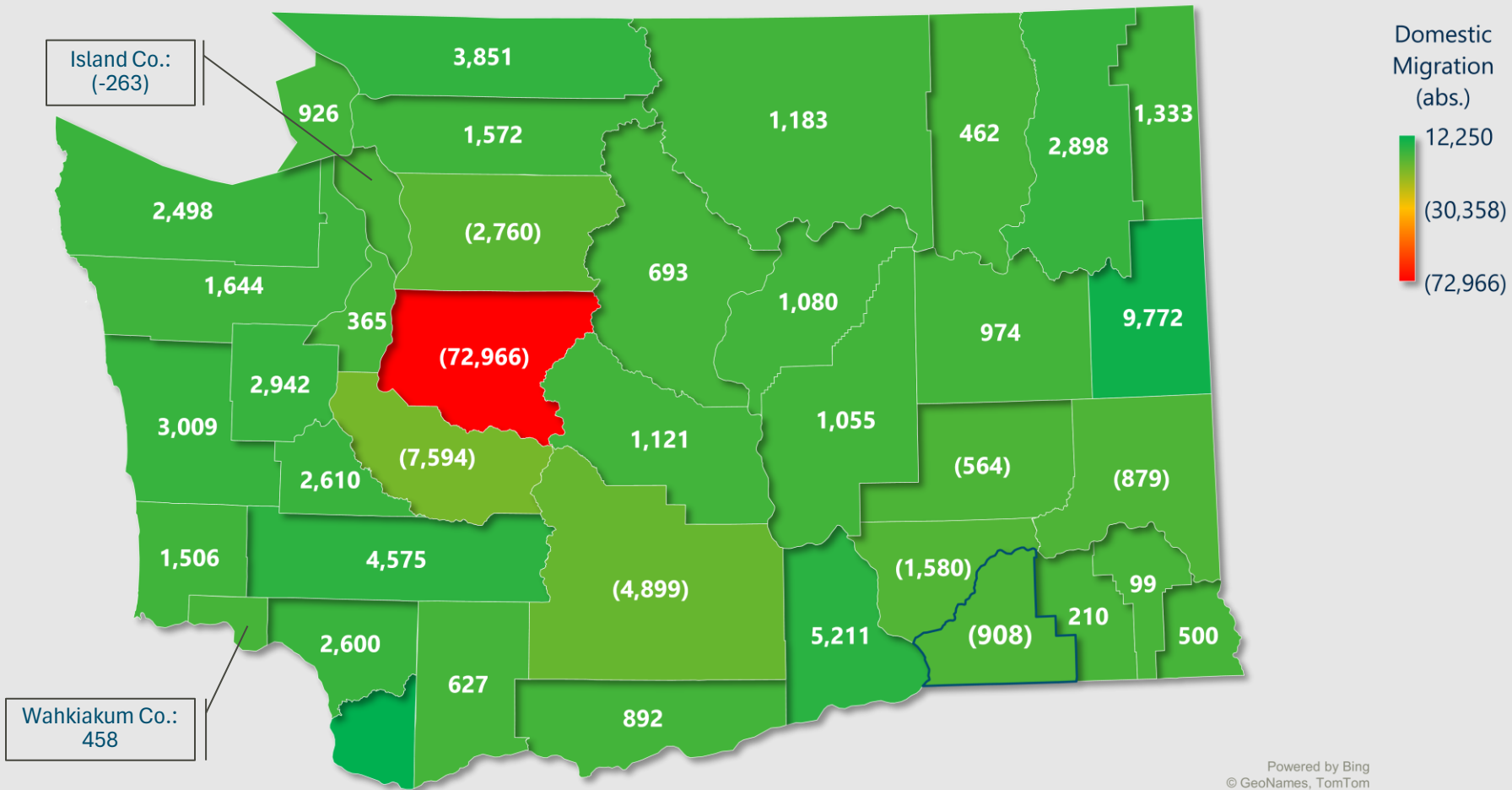
TOTAL % GROWTH (2020-2023)





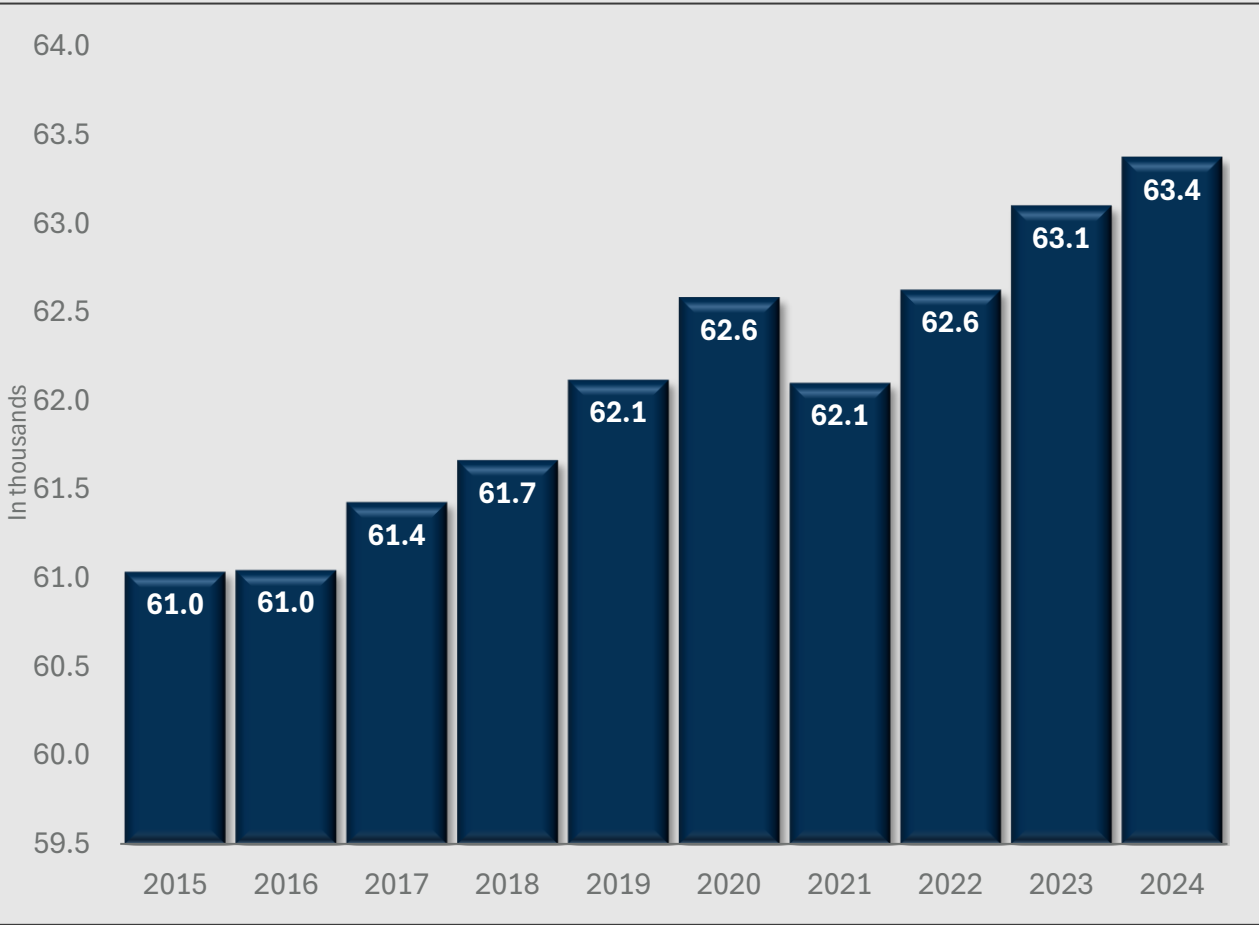
NATURAL GROWTH (2020-2023)





DOMESTIC MIGRATION (2020-2023)





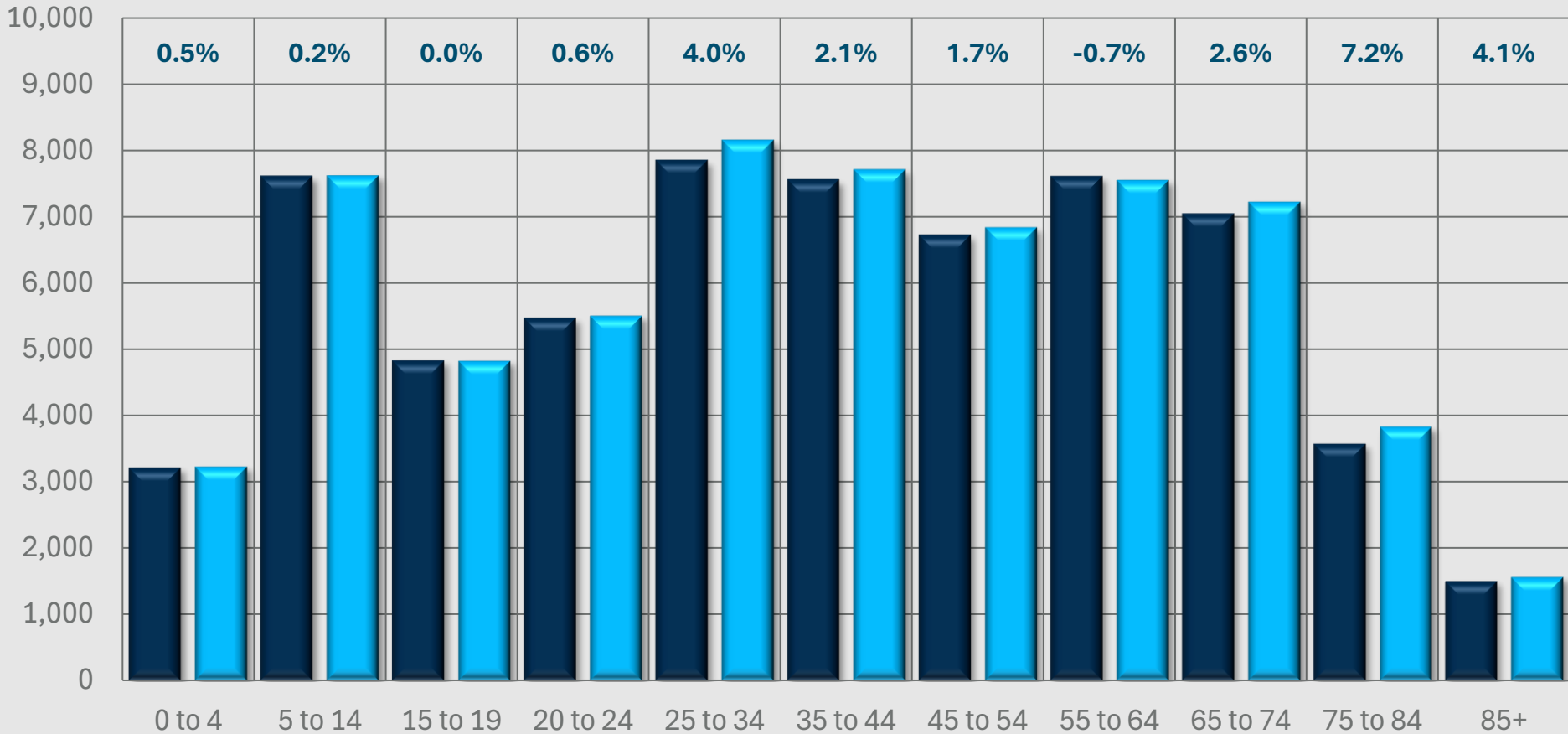
State Data Does Differ from Census Bureau Numbers
Washington OFM shows total population rising, but that the County has only seen resident levels increase by 4.8% over the past decade

Source: WA OFM

WALLA-WALLA POPULATION



■ 2023 ■ 2028 (f)

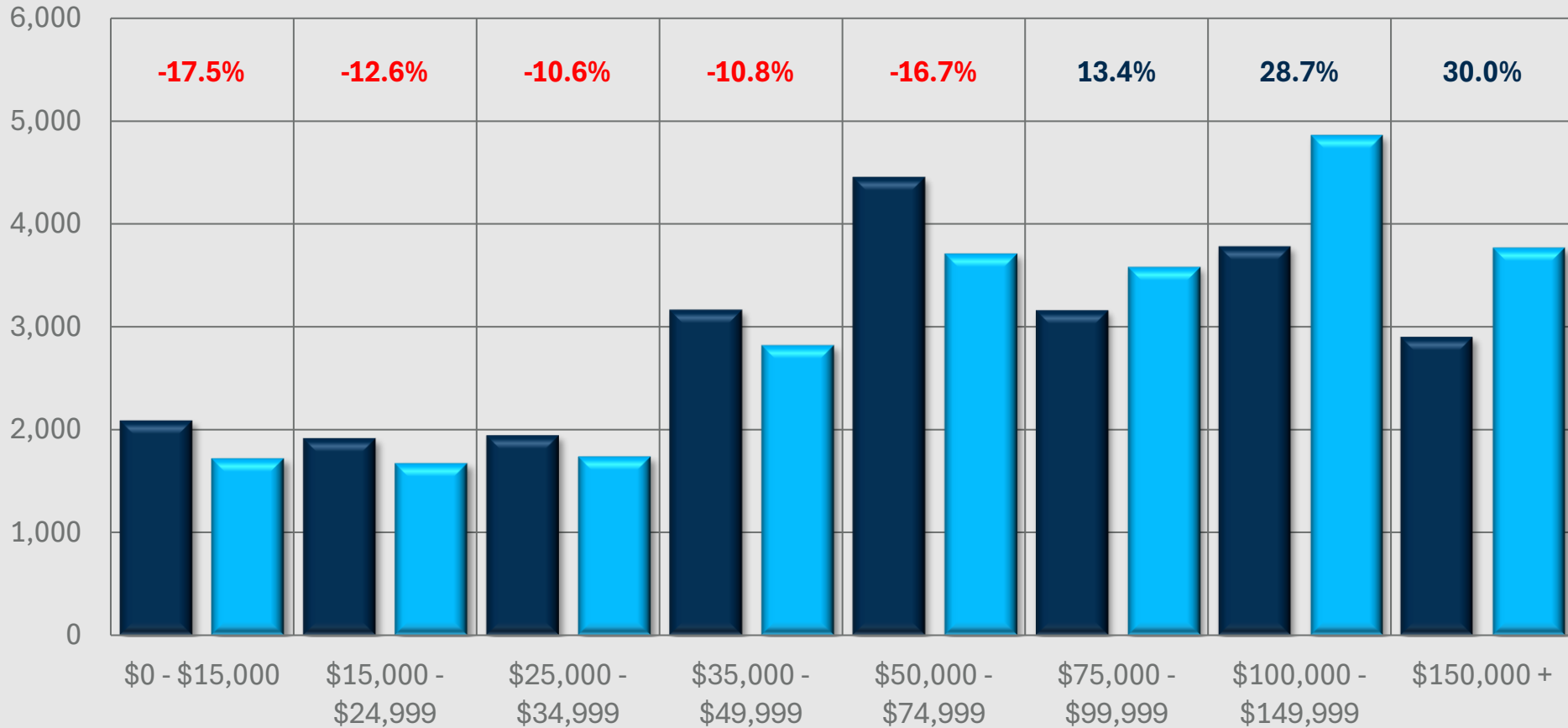


Source:
Gardner Economics'
forecasts of Census
Bureau baseline data

POPULATION BY AGE (WALLA-WALLA COUNTY)



■ 2023 ■ 2028 (f)



Source:
Gardner Economics'
forecasts of Census
Bureau baseline data

HOUSEHOLDS BY INCOME (WALLA-WALLA COUNTY)



WALLA-WALLA COUNTY HOUSING MARKET

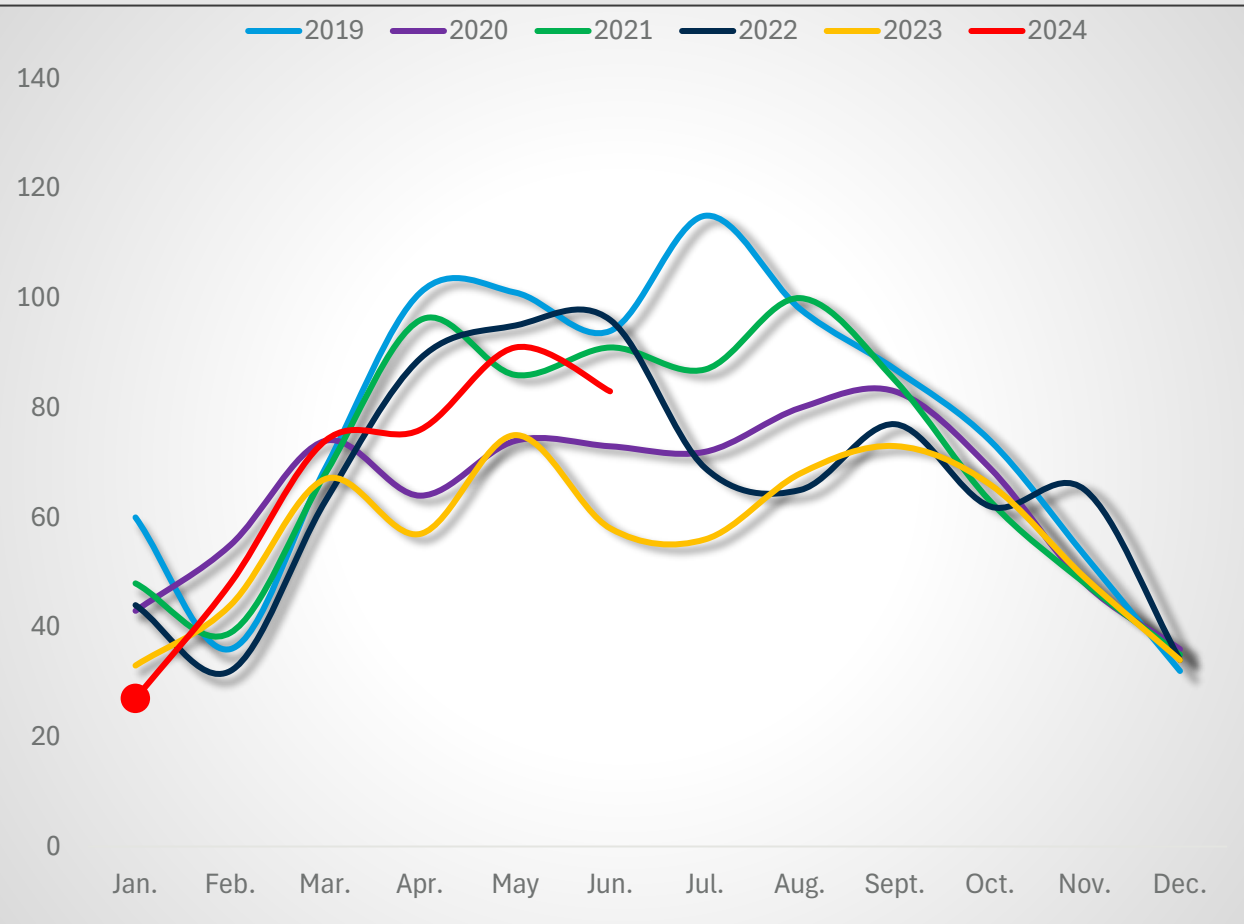


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SINGLE-FAMILY HOUSING

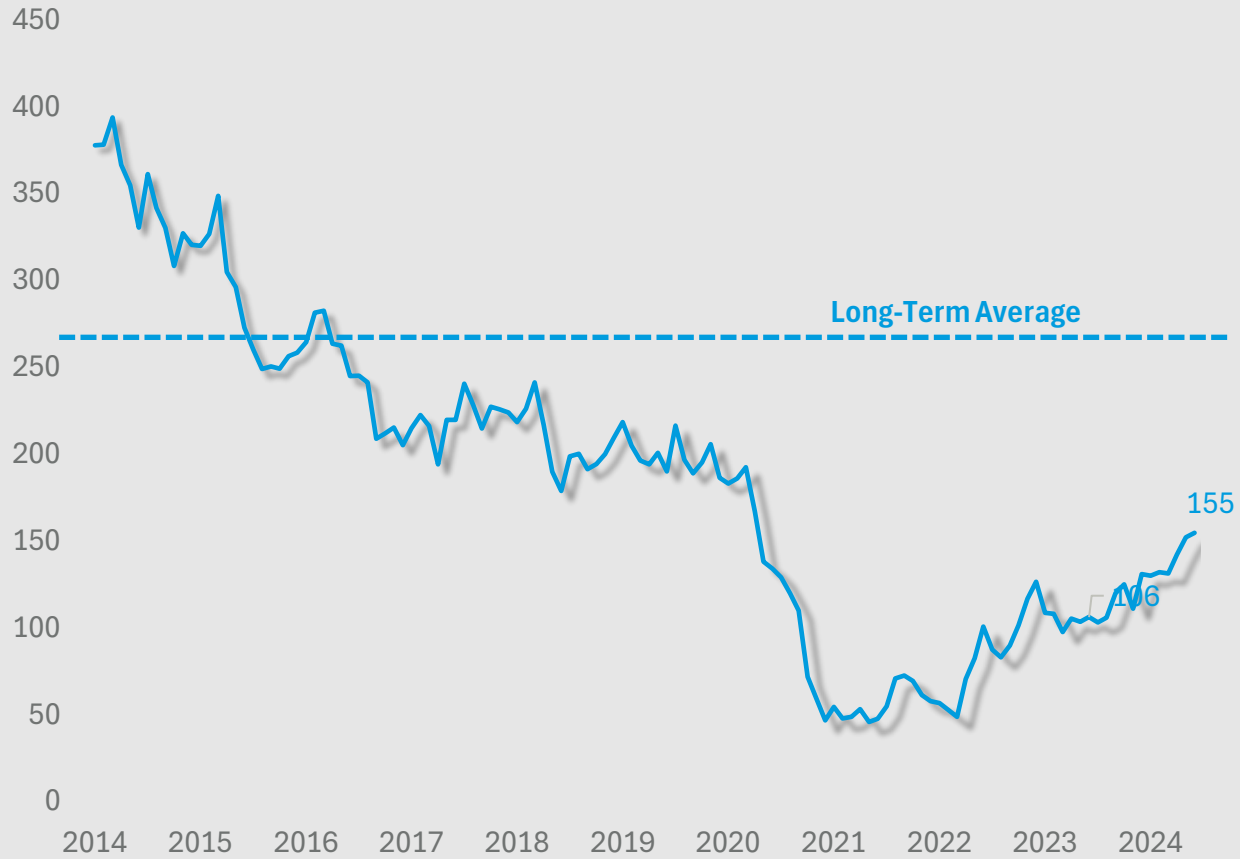


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New Inventory Has Risen Nicely
 The number of homes coming to market has improved significantly, but still remains below the levels seen in 2019





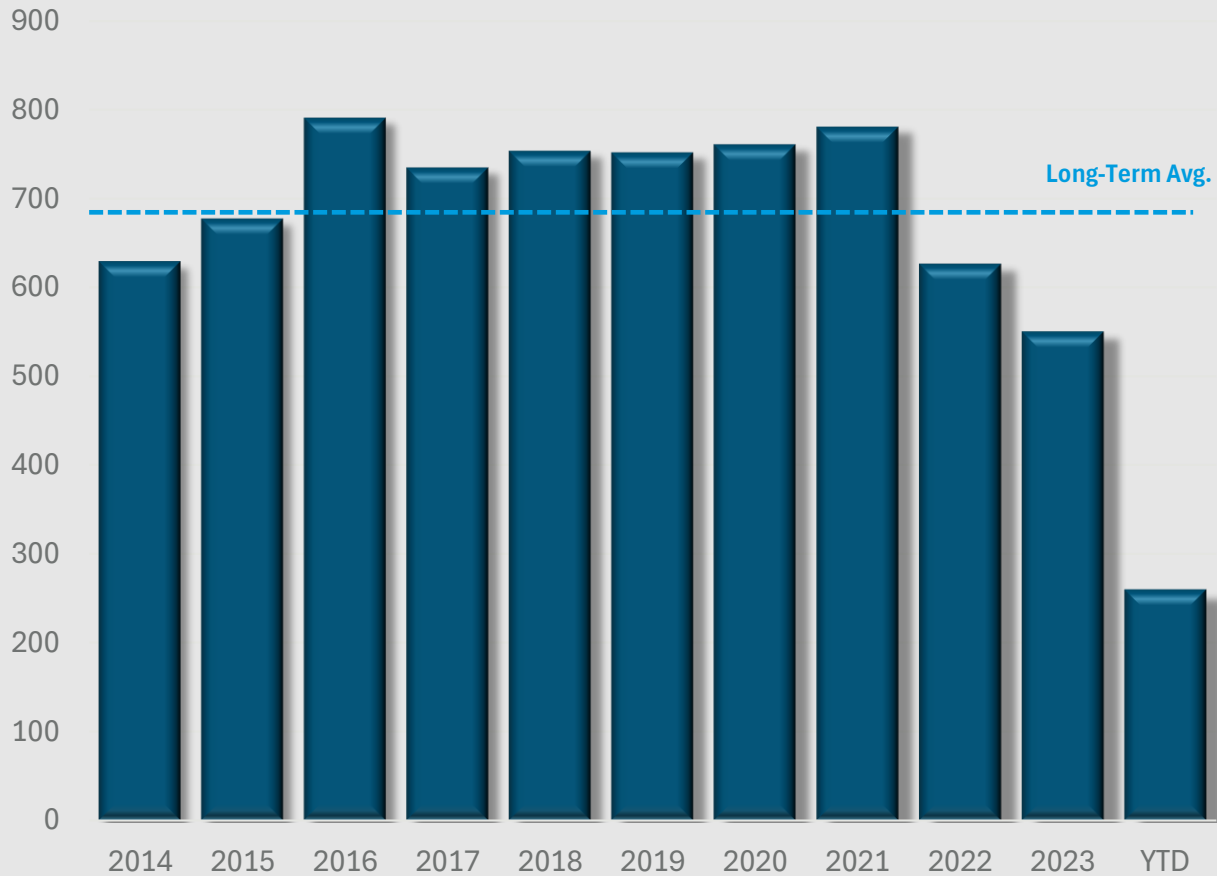
A Market Heading Toward Balance?

Seasonally adjusted – the number of homes for sale in June was 6% higher than a year ago; however, it is still down 44% from the level seen in June of 2019

Source:
 NWMLS w/Gardner
 Economics' seasonal
 adjustments;
 single-family resale
 homes
 LTA: 264

LISTING ACTIVITY





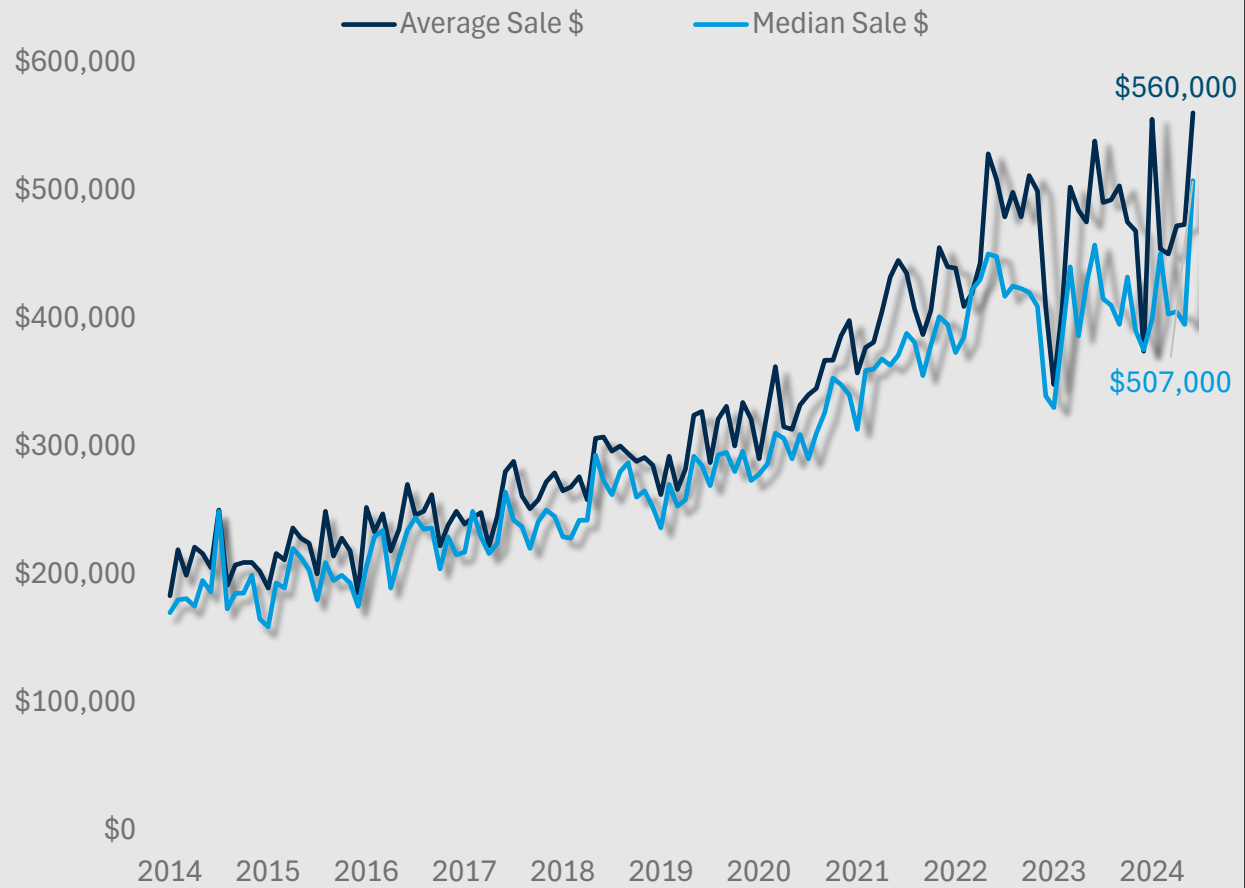
Long-Term Avg.

So Far, Sales Have Slowed Again This Year
Year-to-date, sales are 2.3% lower than seen during the same period in 2023

Source: NWMLS; single family homes; LTA 693

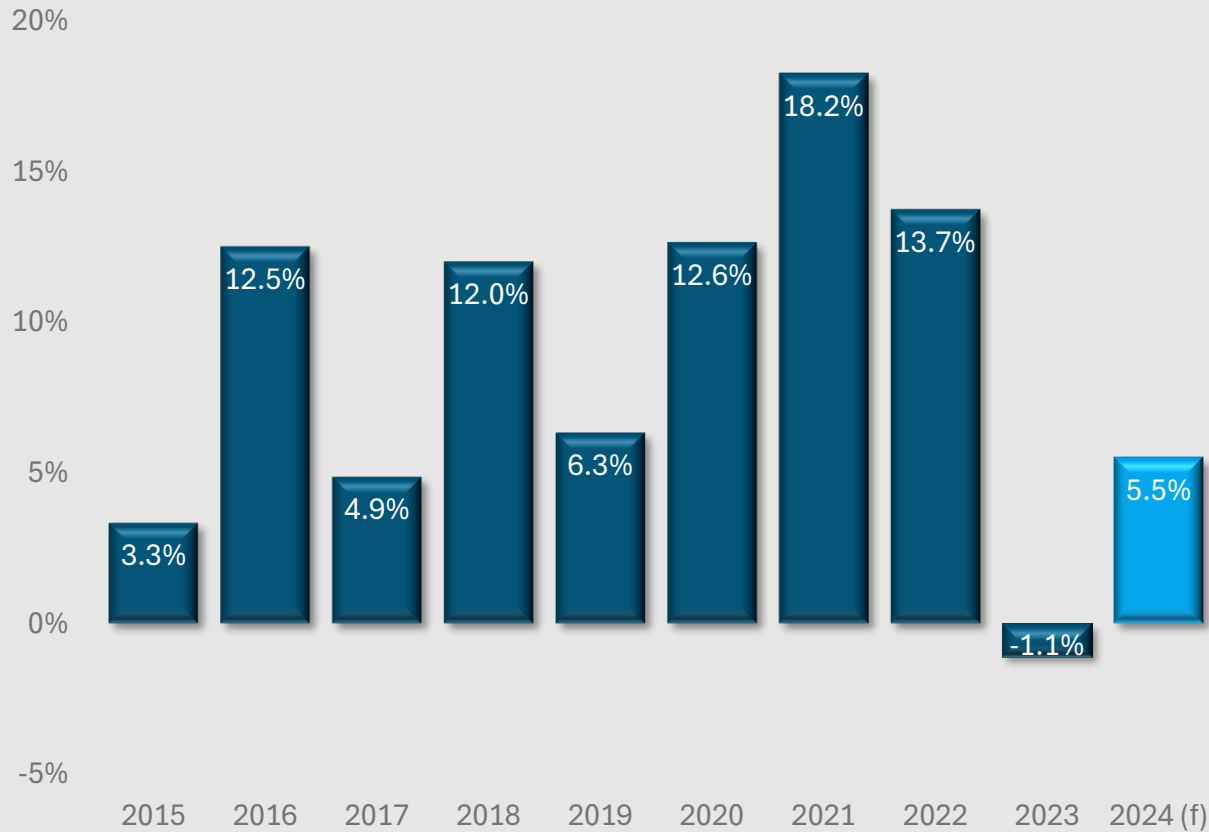
ANNUAL SALES ACTIVITY





But Sale Prices Have Picked Back Up
Both average and median sale prices are now at all-time highs





Sale Prices Rise in 2024
Following a very modest decline in 2023, I anticipate prices rising again at a fairly decent pace

Source:
NWMLS history
w/Gardner Economics'
forecast; single-family
resale homes

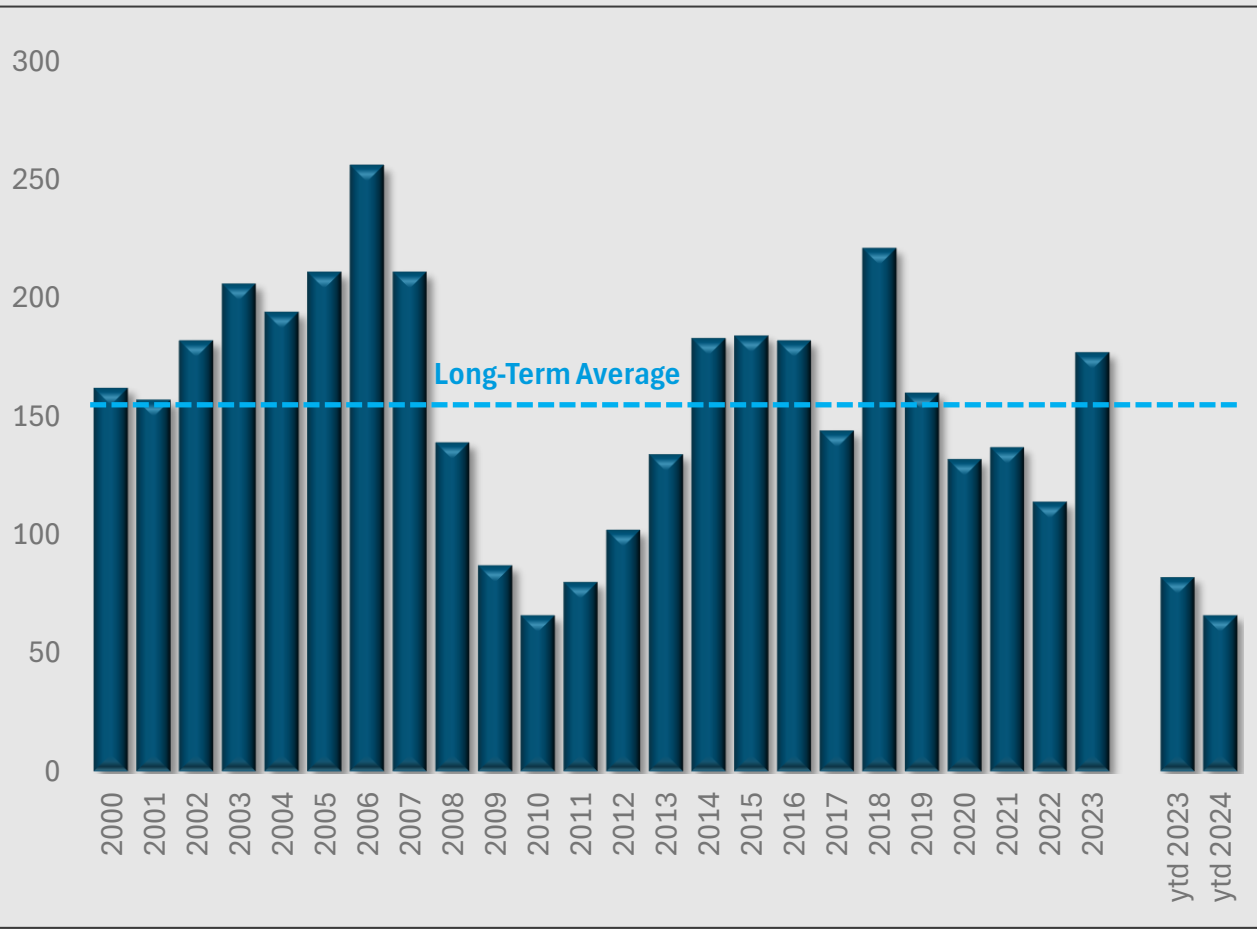
SINGLE-FAMILY HOME PRICE FORECAST



NEW CONSTRUCTION ACTIVITY



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More Permits Being Issued

If this continues, there should be enough supply to meet demand, However, will would-be buyers be able to afford the homes that may be built?

Source:
U.S. Census
ytd thru' May
LTA: 153

SINGLE-FAMILY PERMIT ACTIVITY

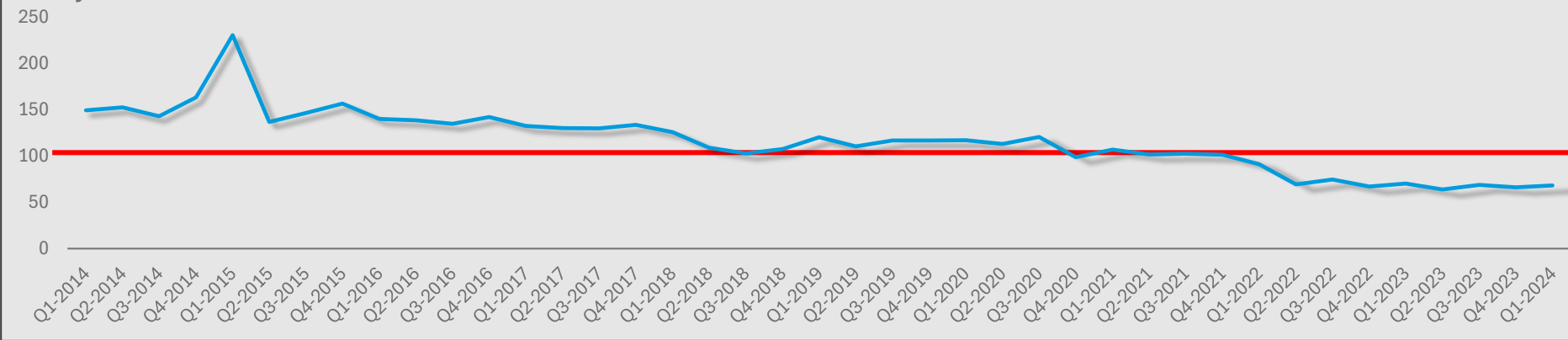


HOUSING AFFORDABILITY

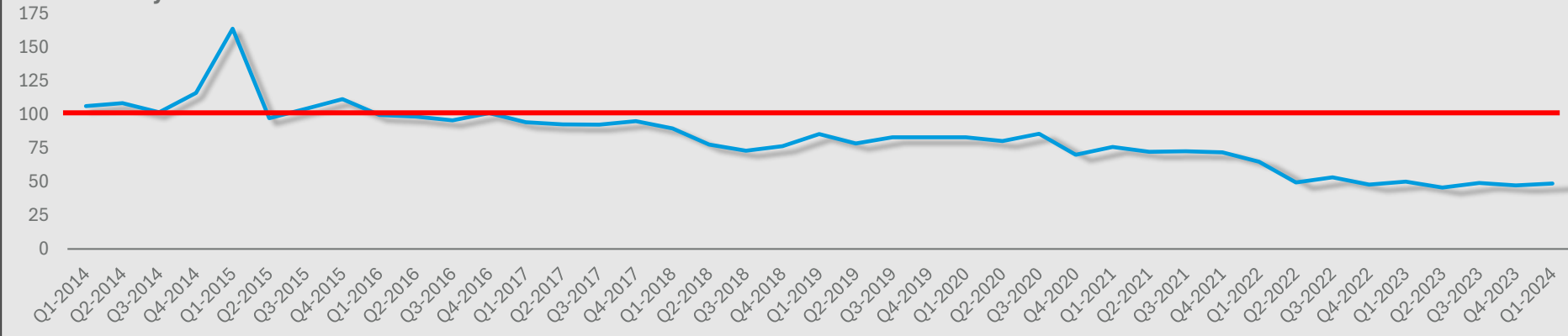


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All-Buyers



First-Time Buyers



Source: WCRER

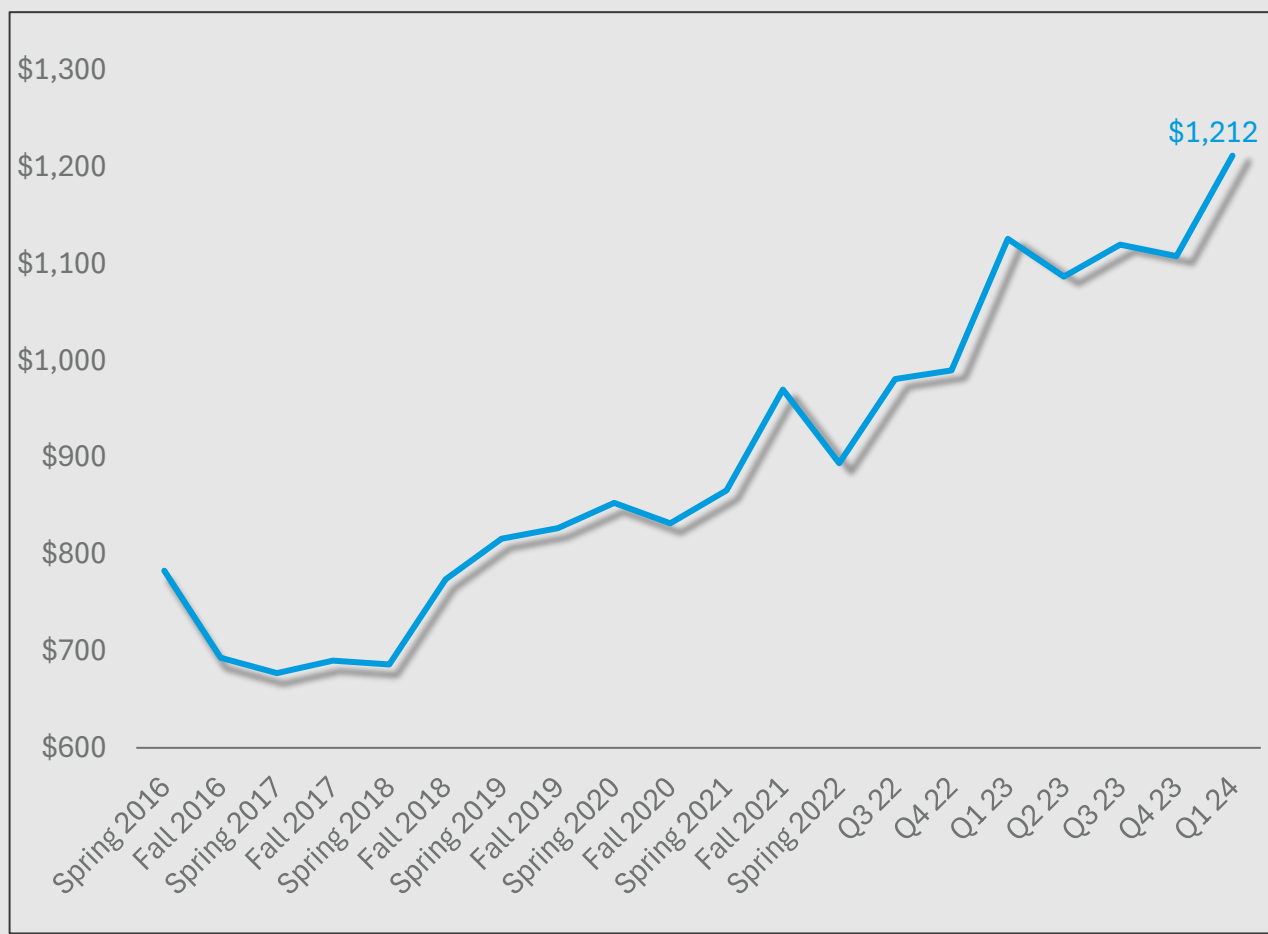
WALLA WALLA CO. HOUSING AFFORDABILITY



	Q1-2021	Q1-2022	Q1-2023	Q1-2024
Median Single-Family Home Price	\$346,600	\$395,300	\$406,200	\$418,700
Interest Rate	2.88%	3.82%	6.37%	6.75%
Downpayment and Closing Costs	\$22,529	\$25,695	\$26,403	\$27,216
Total Monthly Owner Costs	\$1,961	\$2,434	\$3,115	\$3,312
Monthly Mortgage Principal & Interest Payment	\$1,389	\$1,782	\$2,444	\$2,621
Other Monthly Owner Costs	\$572	\$652	\$670	\$691
Property Insurance	\$101	\$115	\$118	\$122
Property Taxes	\$318	\$362	\$372	\$384
Mortgage Insurance	\$153	\$175	\$180	\$185
Annual Income Needed to Afford Monthly Payments	\$75,898	\$94,231	\$120,568	\$128,197

Notes: Monthly payments assume a mortgage with a 3.5% downpayment on a 30-year fixed rate loan with zero points and 0.55% mortgage insurance, 0.35% property insurance, and prevailing property tax rates. Annual income needed assumes total monthly debts are no higher than 43% of incomes with 12% coming from non-housing debts and 31% from housing payments.





Apartment Rents Continue to Climb
 Average rents have risen by 55% since 2016. Although this is slower pace than the ownership market, I do not expect the pace to slow down



- Supply levels are starting to improve – but are far from normalized levels;
- Transactions in 2024 should come in at around the level seen in 2023 as they remain subject to ongoing supply constraints – as well as high buyer financing costs
- Price growth will turn positive again; but
- Housing affordability has become a significant concern – especially if you are trying to attract younger workers. Many are priced out of the market



FINAL THOUGHTS



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ANY QUESTIONS?



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LET'S KEEP IN TOUCH...!



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LEGAL STUFF!

