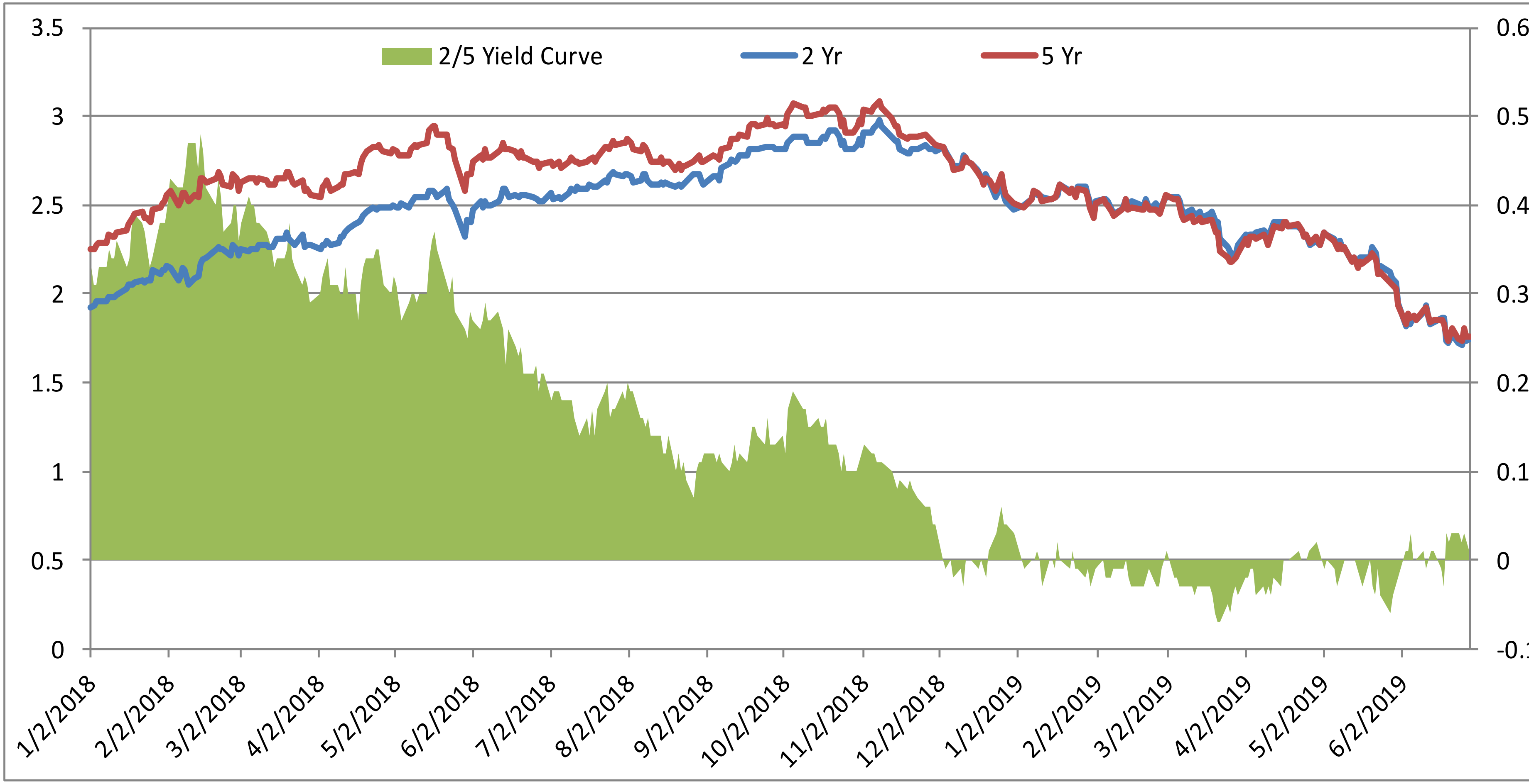
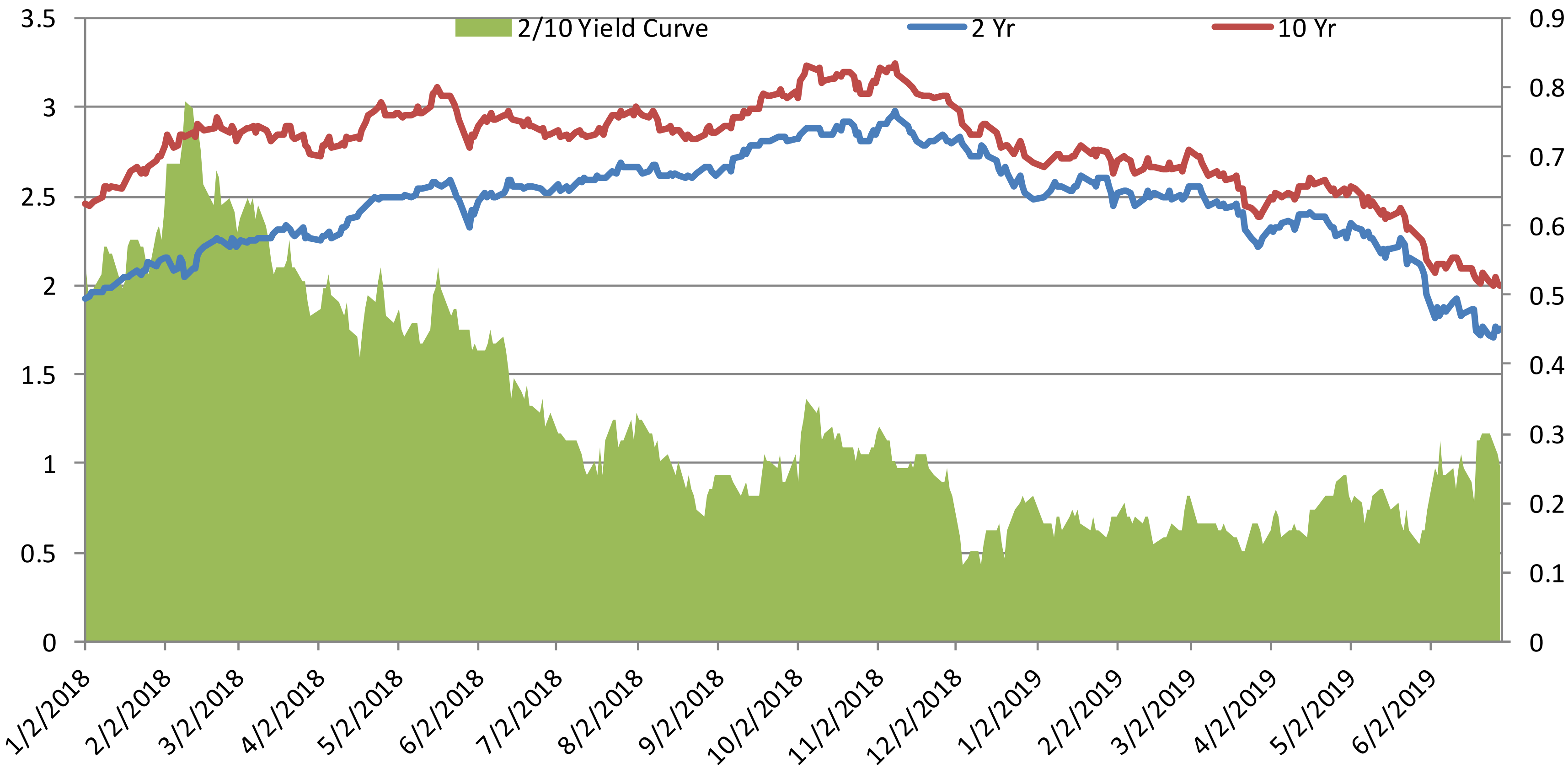

ZONDA™
metrostudy

A NATIONAL LOOK

INVERTED YIELD CURVE
2-5 YEAR TREASURY NOTES

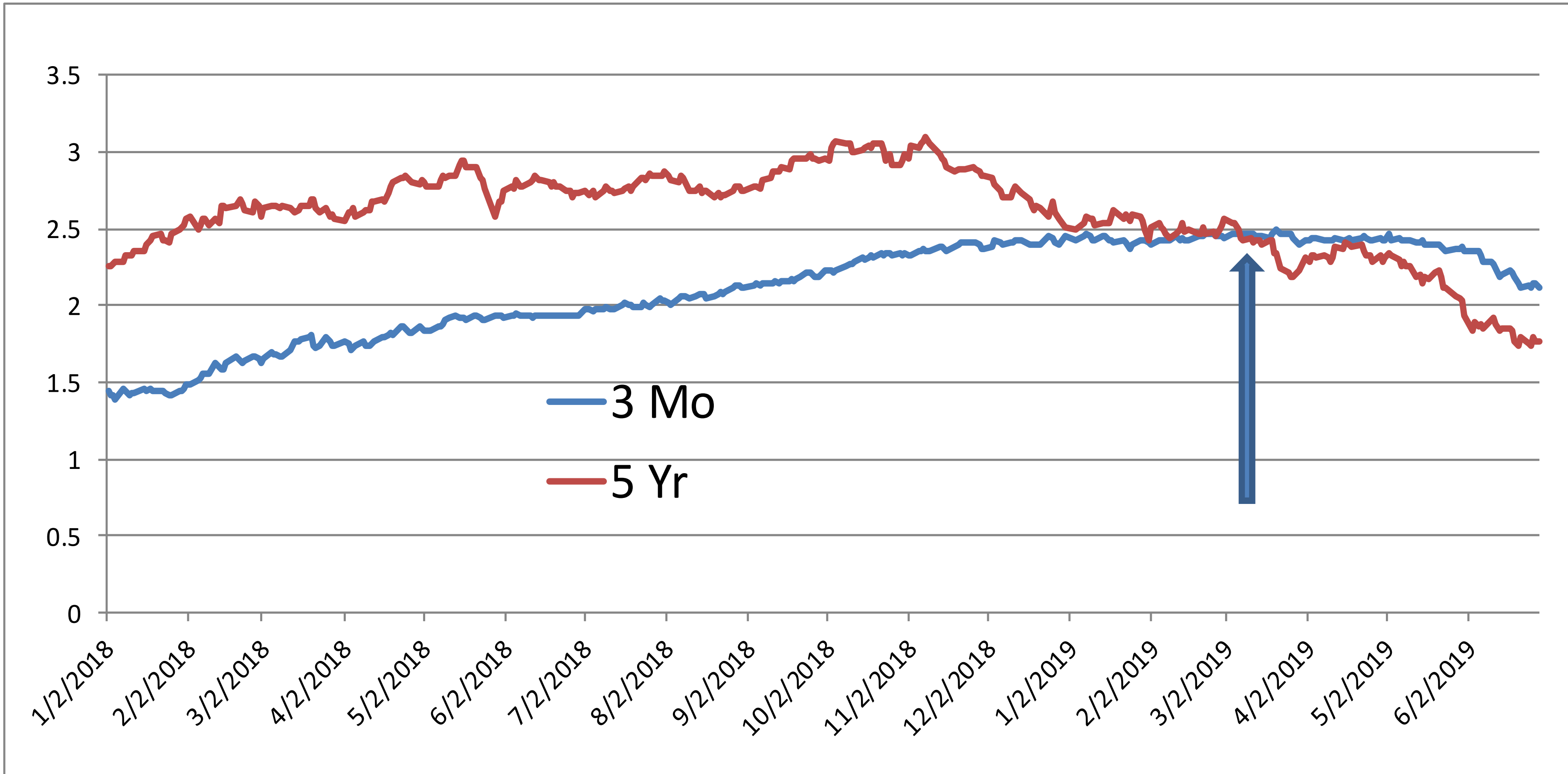


2-10 YEQAR HAS YET TO INVERT



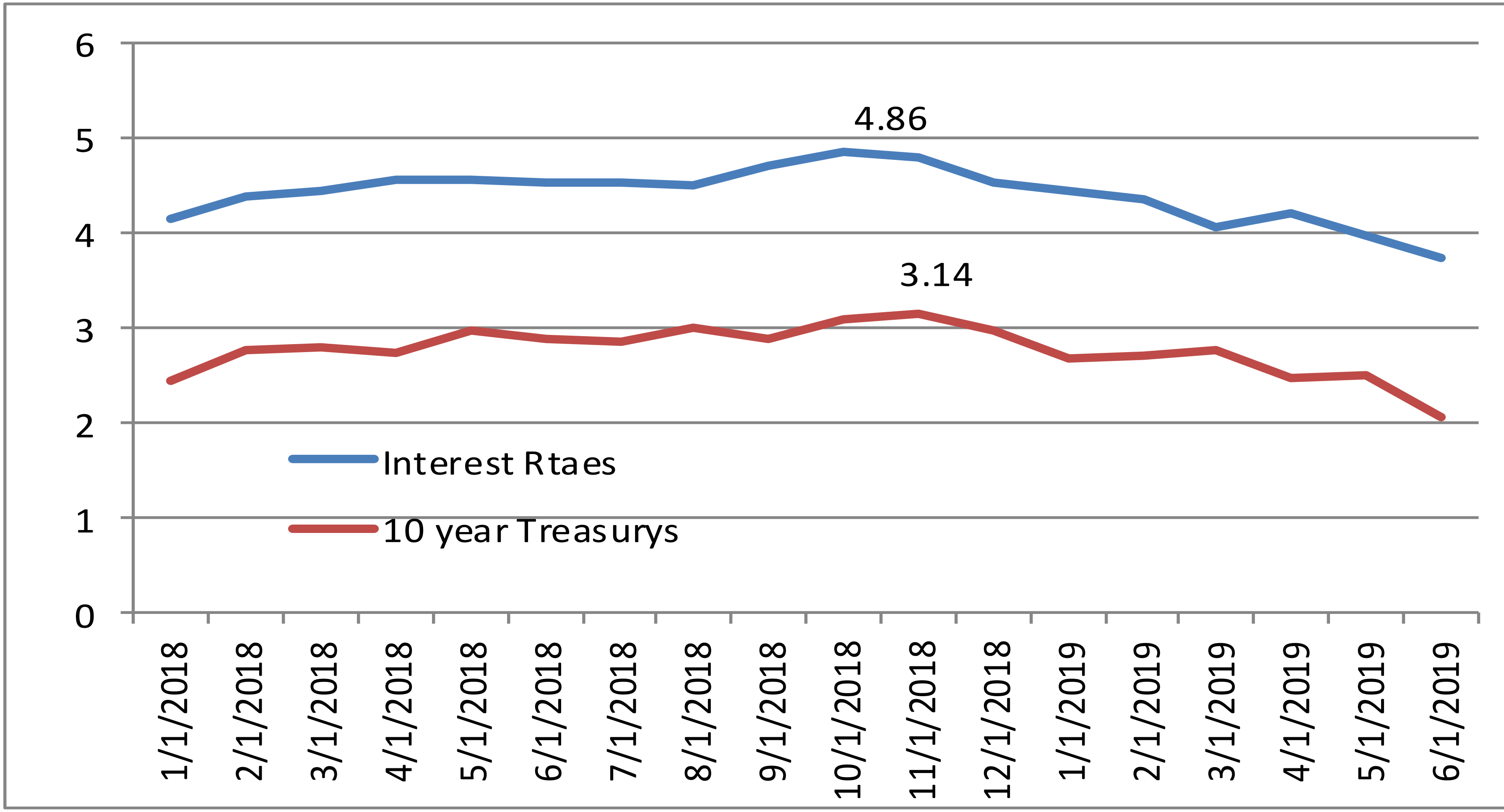
WHAT HAS THE MEDIA BEEN TALKING ABOUT?

3 CONSECUTIVE MONTHS OF INVERSION



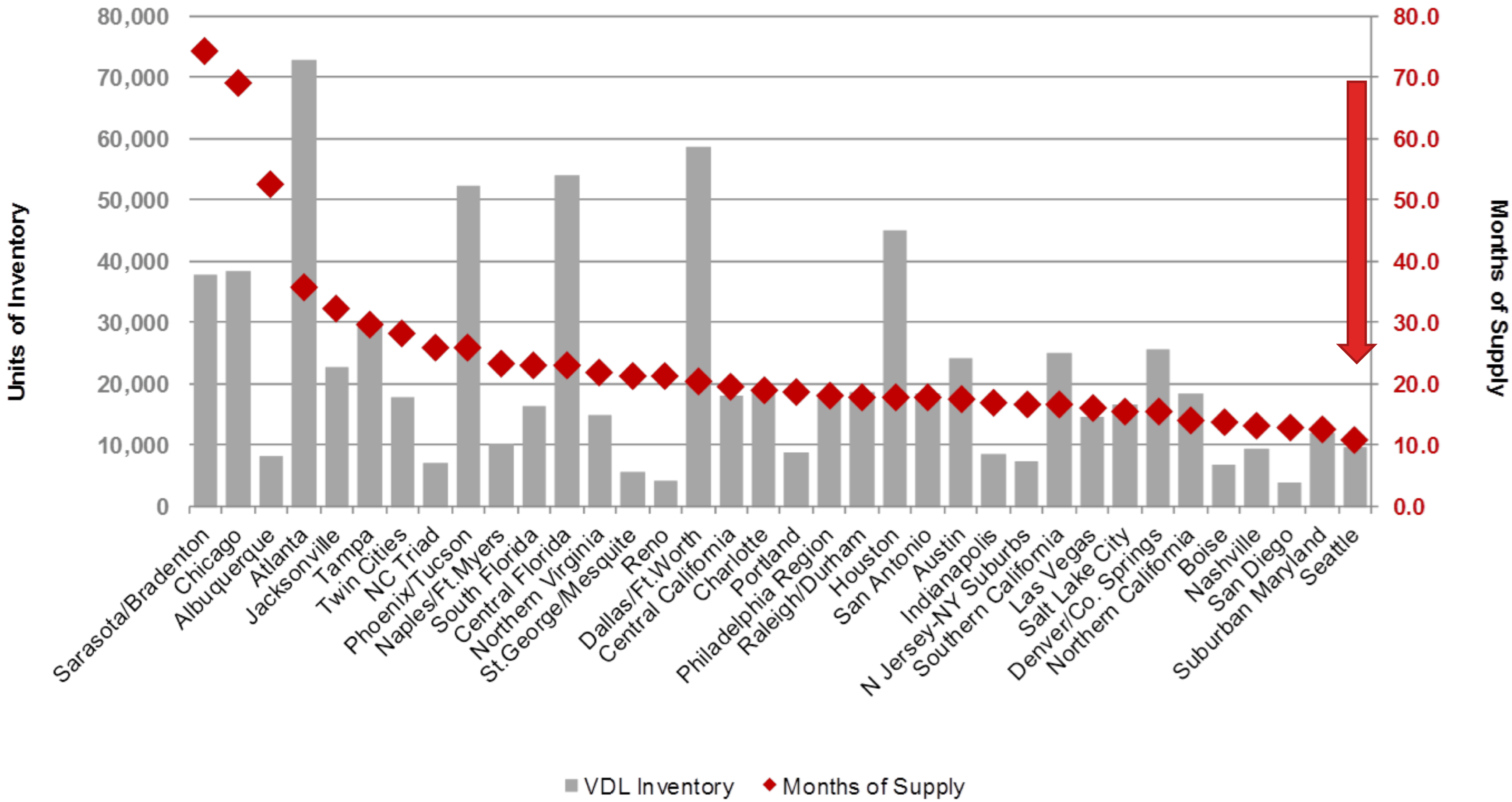
ZONDA™ metrostudy

10 year Treasury Controls Mortgage rates



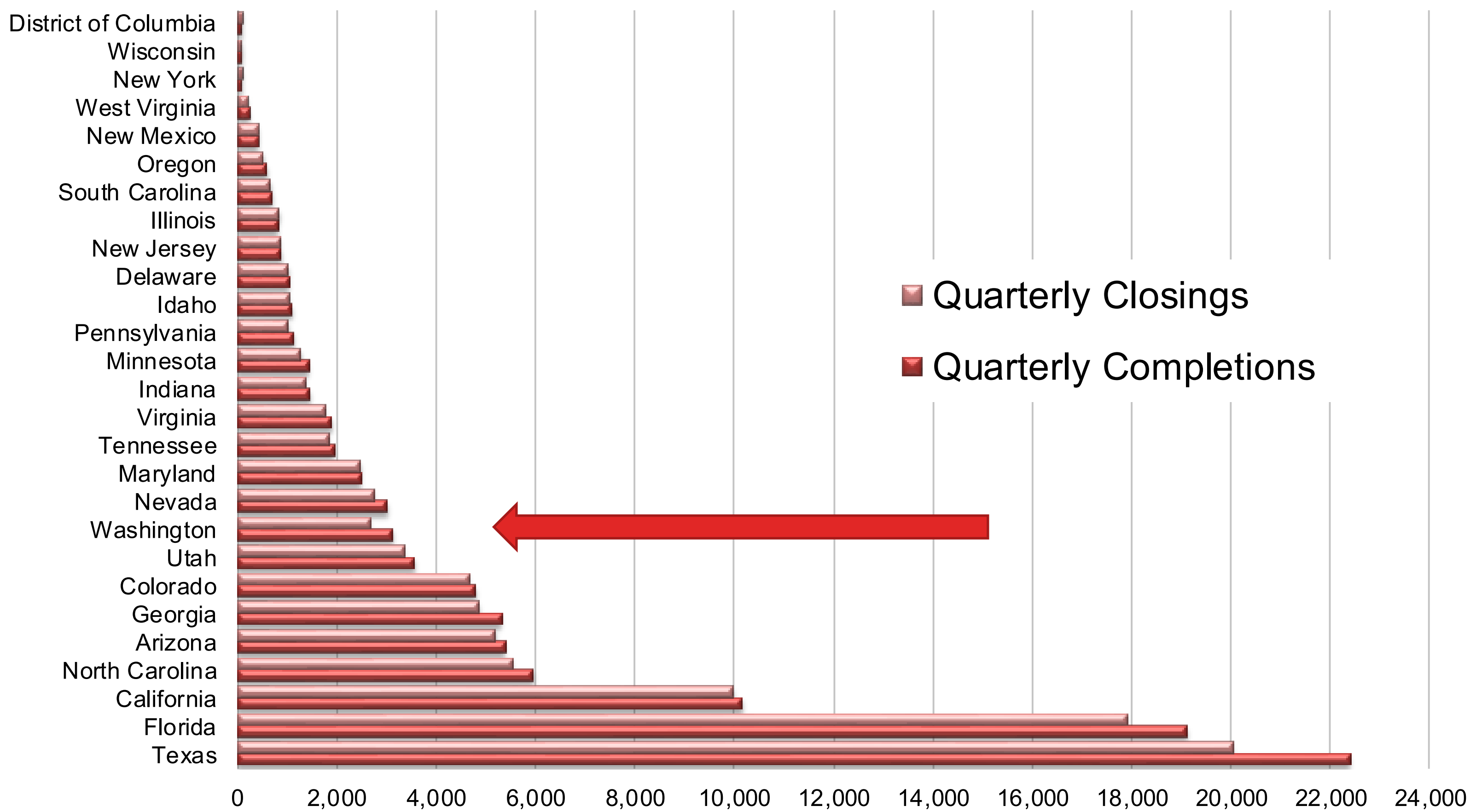
ZONDA™ metrostudy

Vacant Development Lot Inventory & Months of Supply by Market



ZONDA™ metrostudy

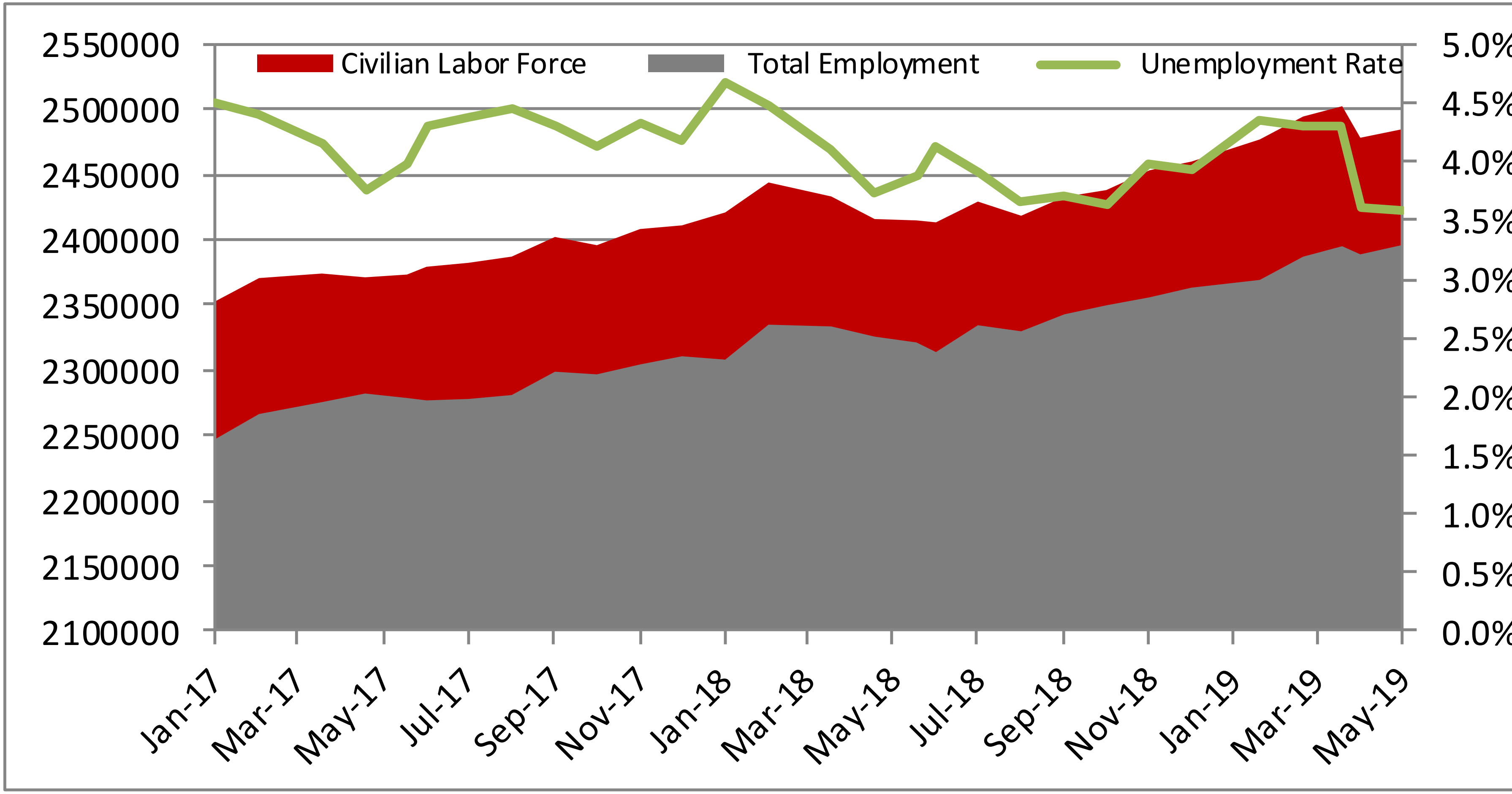
Quarterly Completions & Closings by State



LOCAL ECONOMICS

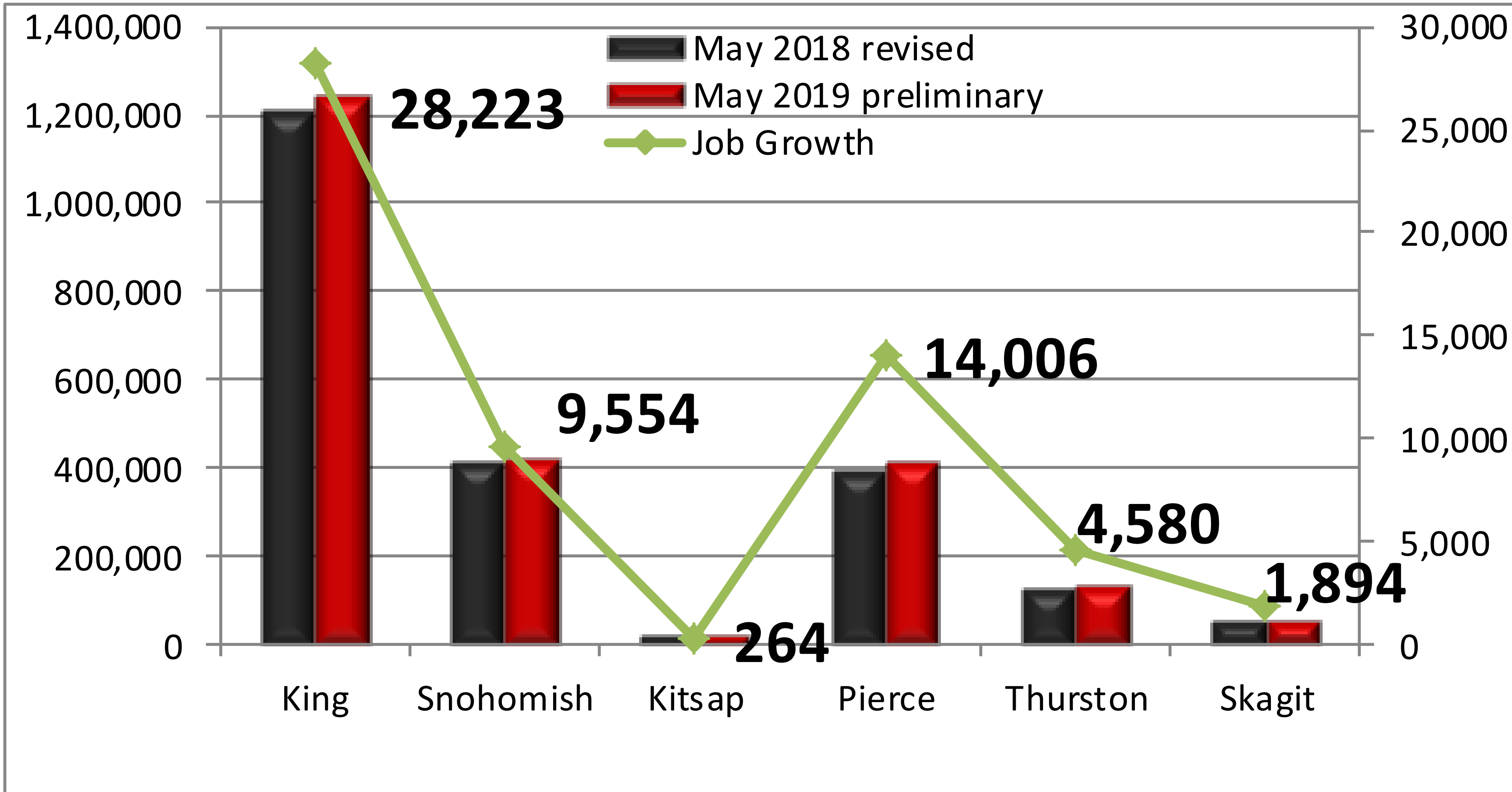
PUGET SOUND EMPLOYMENT TRENDS

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE



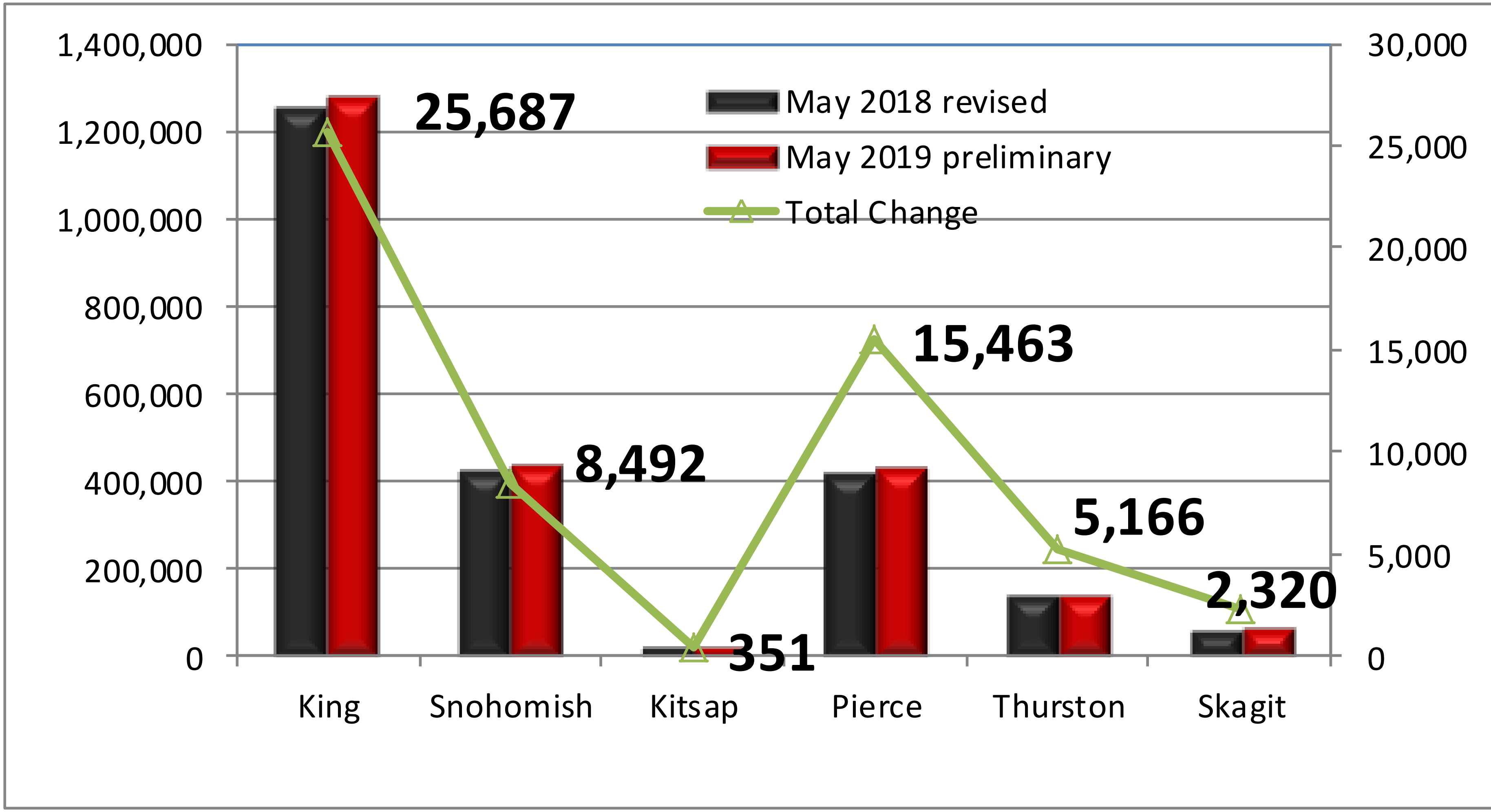
PUGET SOUND JOB GROWTH

12 MONTH CHANGE



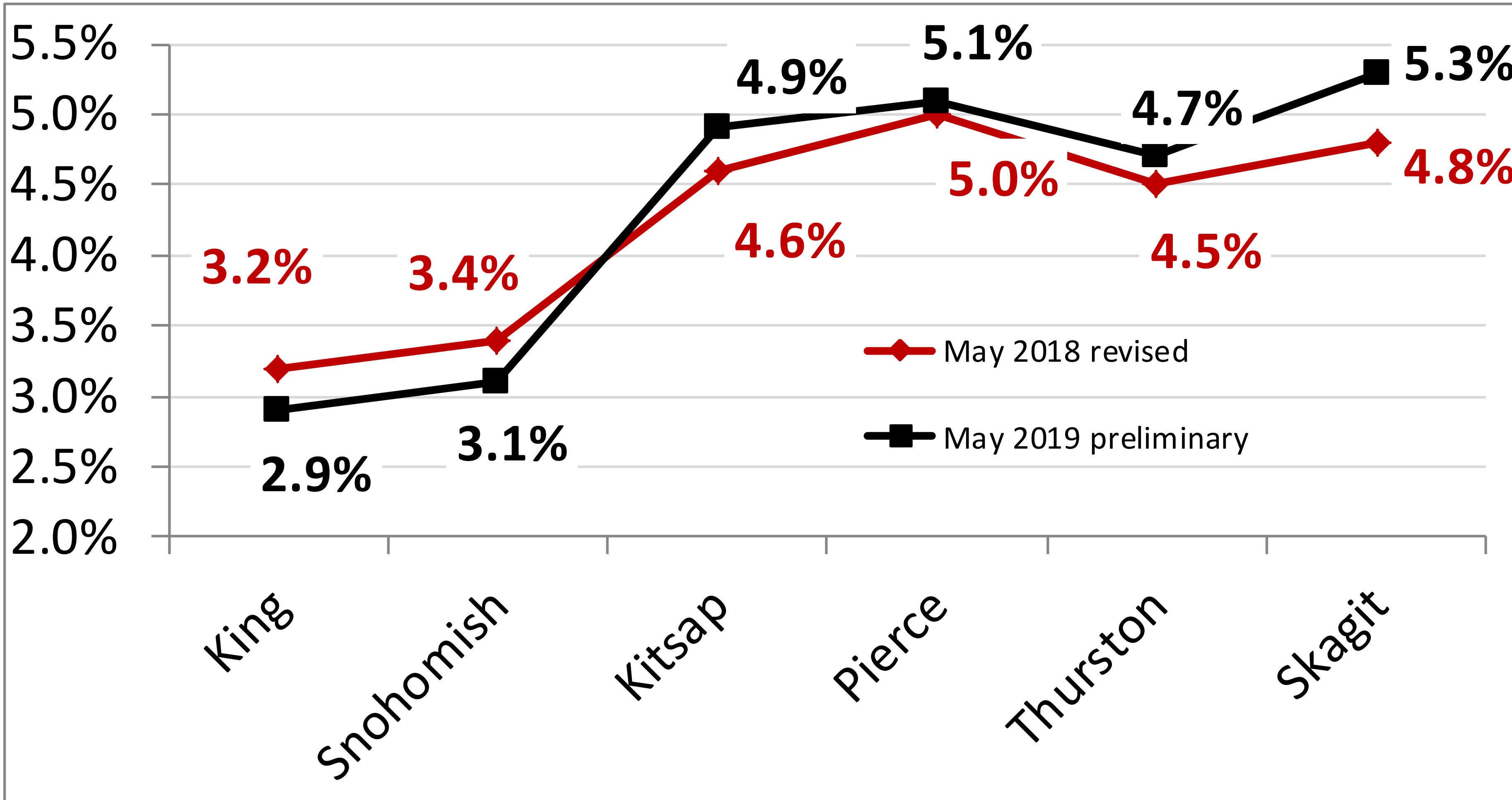
PUGET SOUND LABOR FORCE

12 MONTH CHANGE



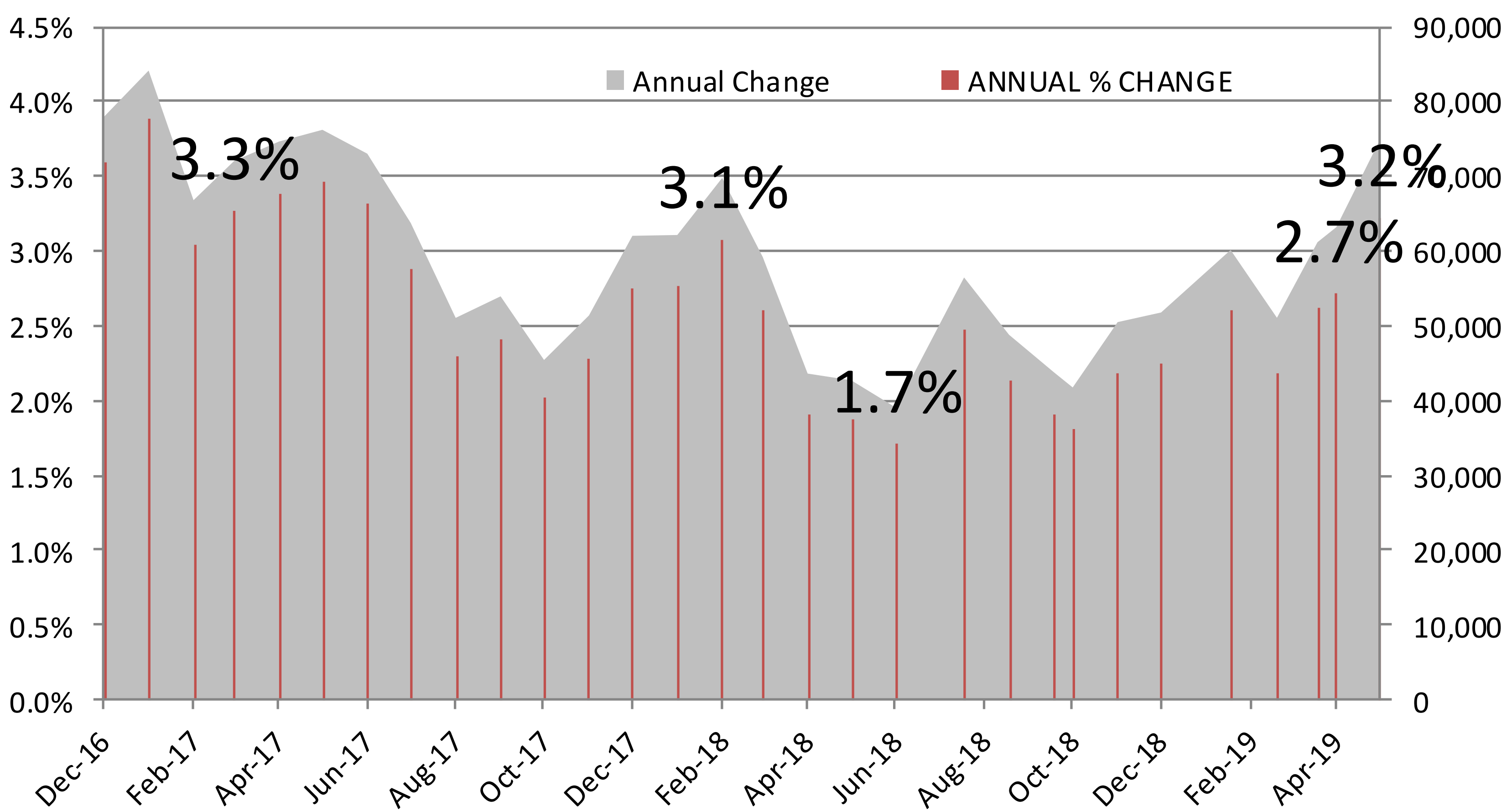
PUGET SOUND UNEMPLOYMENT RATES

YEAR/YEAR COMPARISON



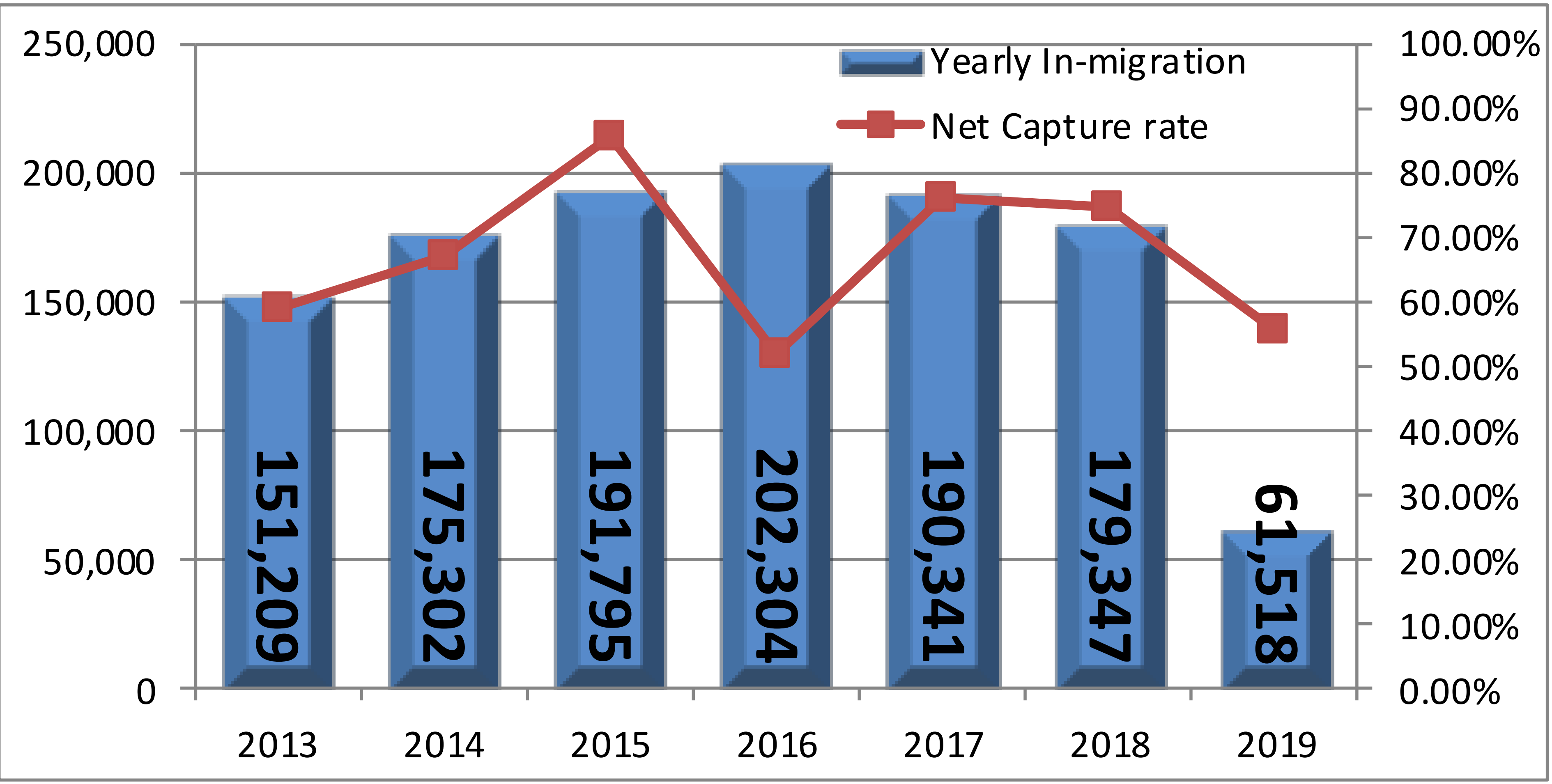
RATE OF EMPLOYMENT GROWTH

ANNUALIZED % CHANGE



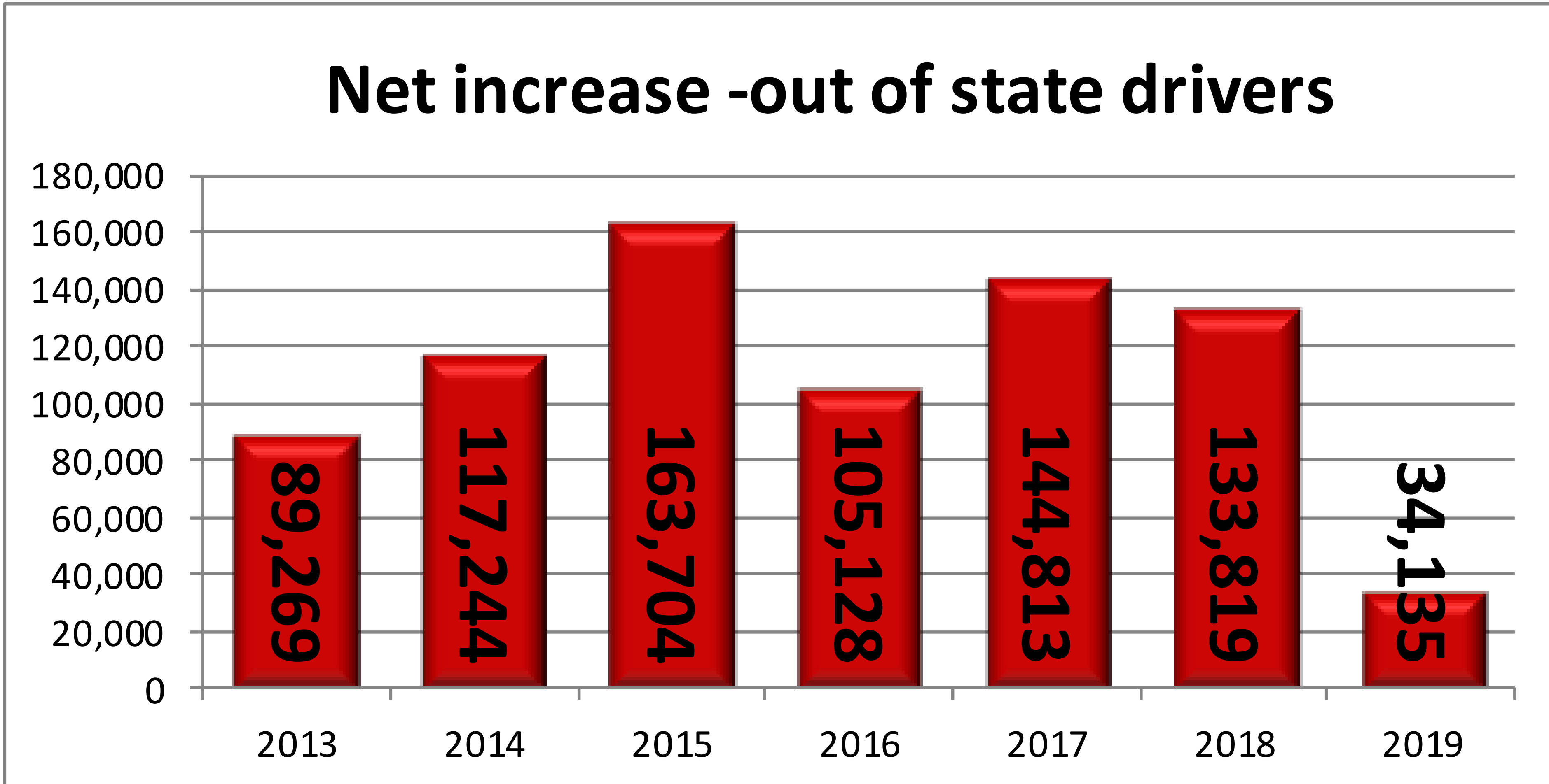
IN-MIGRATION

WASHINGTON STATE SOURECE- DOL



NET INCREASE OF OUT OF STATE DRIVERS TO WASHINGTON

63% come to Puget Sound



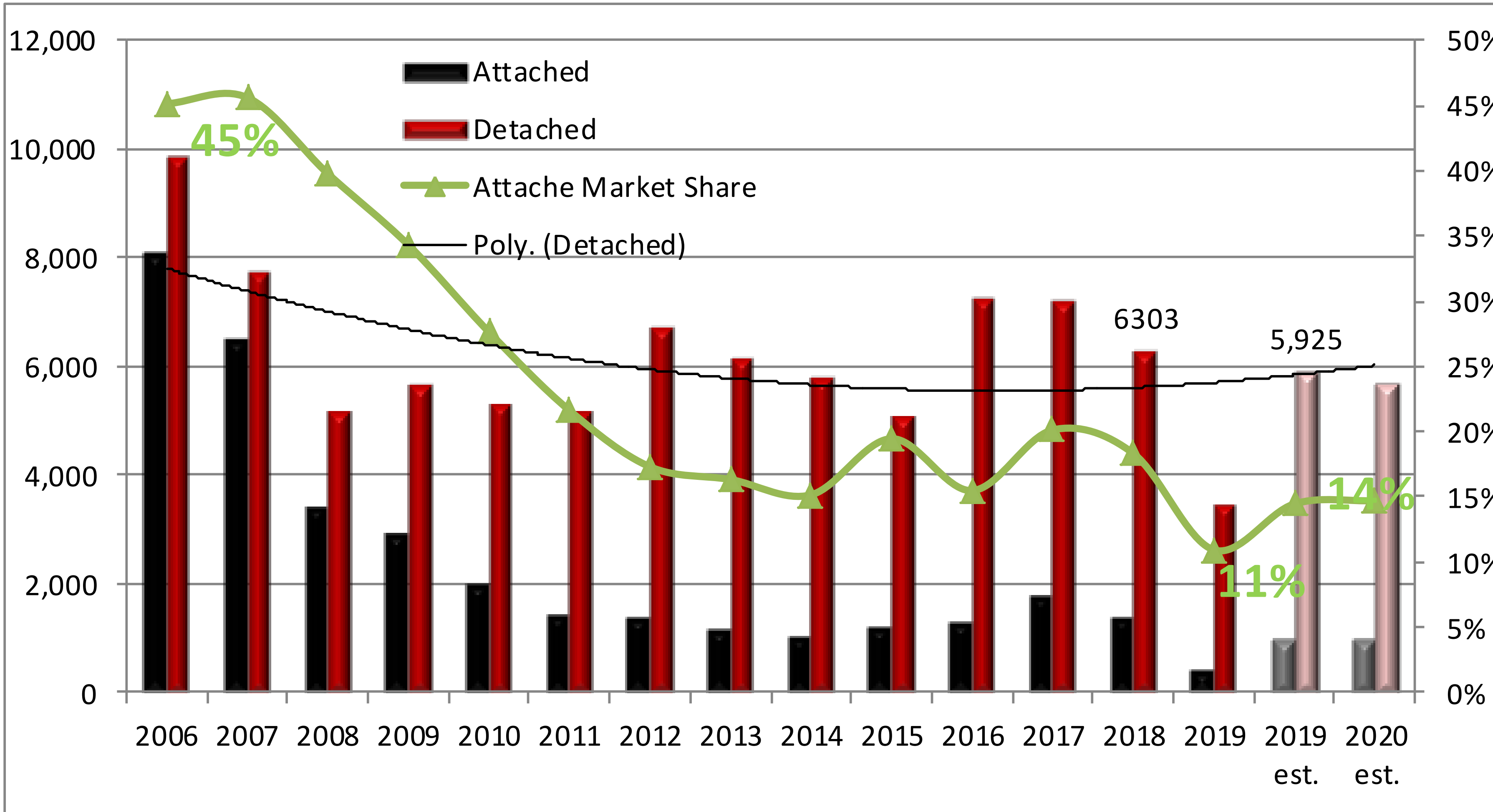
ZONDA™ | metrostudy

PUGET SOUND

NEW CONSTRUCTION SALES VOLUME

PUGET SOUND ANNUAL SALES VOLUME WITH ATTACHED MARKET SHARE

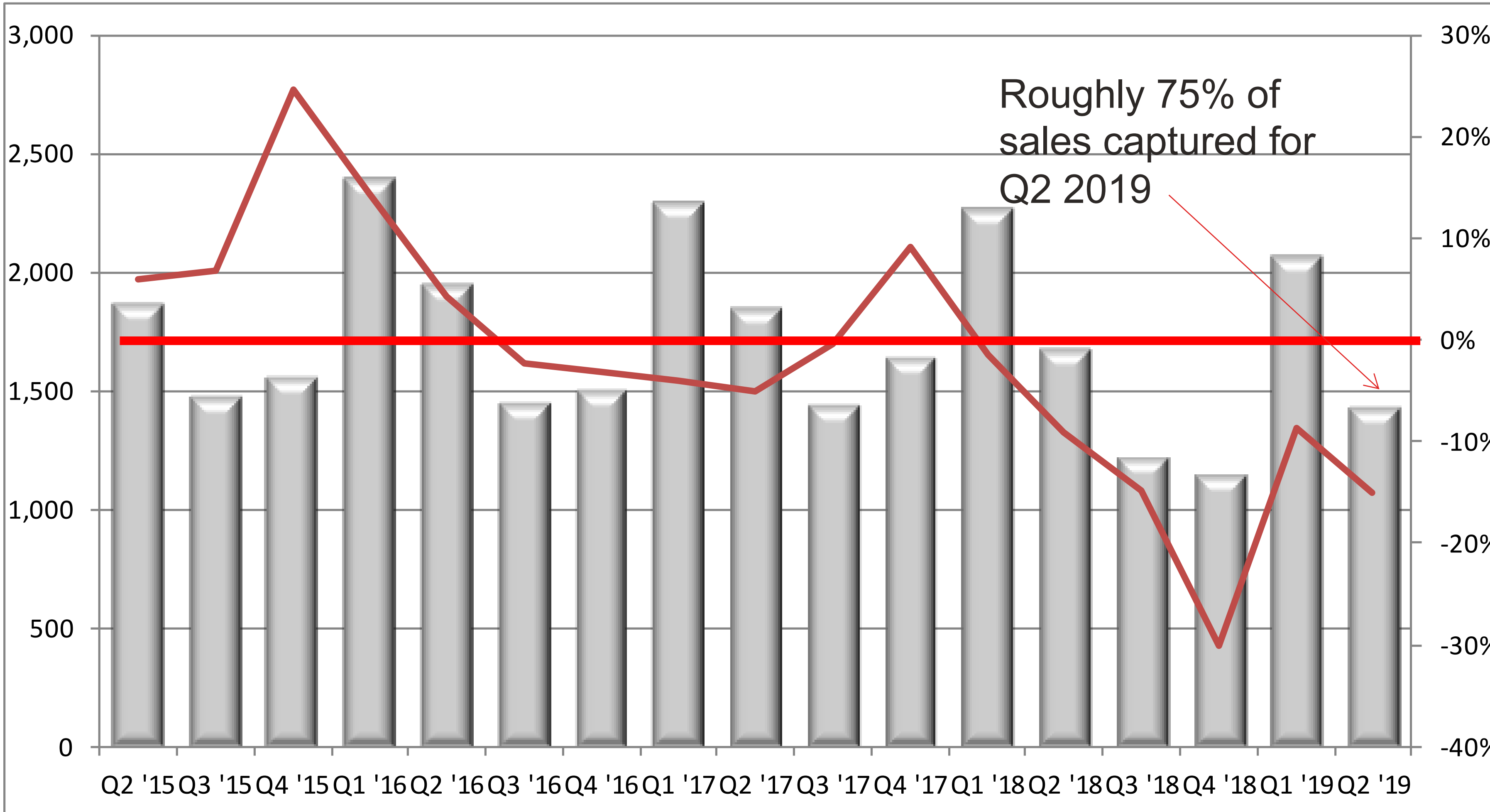
KING, KITSAP, PIERCE, THURSTON , SNOHOMISH AND SKAGIT COUNTIES



ZONDA™ metrostudy

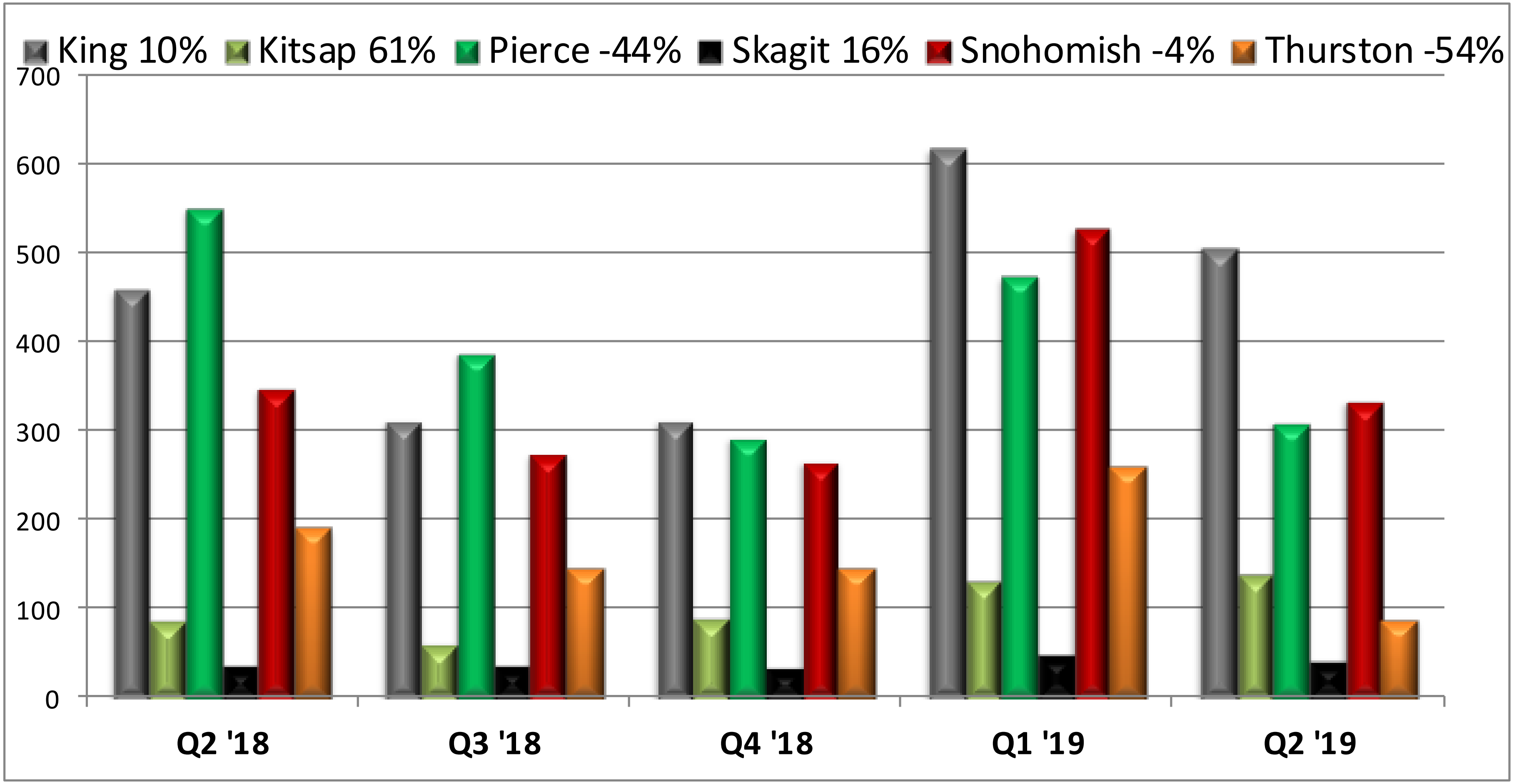
QUARTERLY SALES HISTORY

PUGET SOUND



QUARTERLY SALES CHANGE

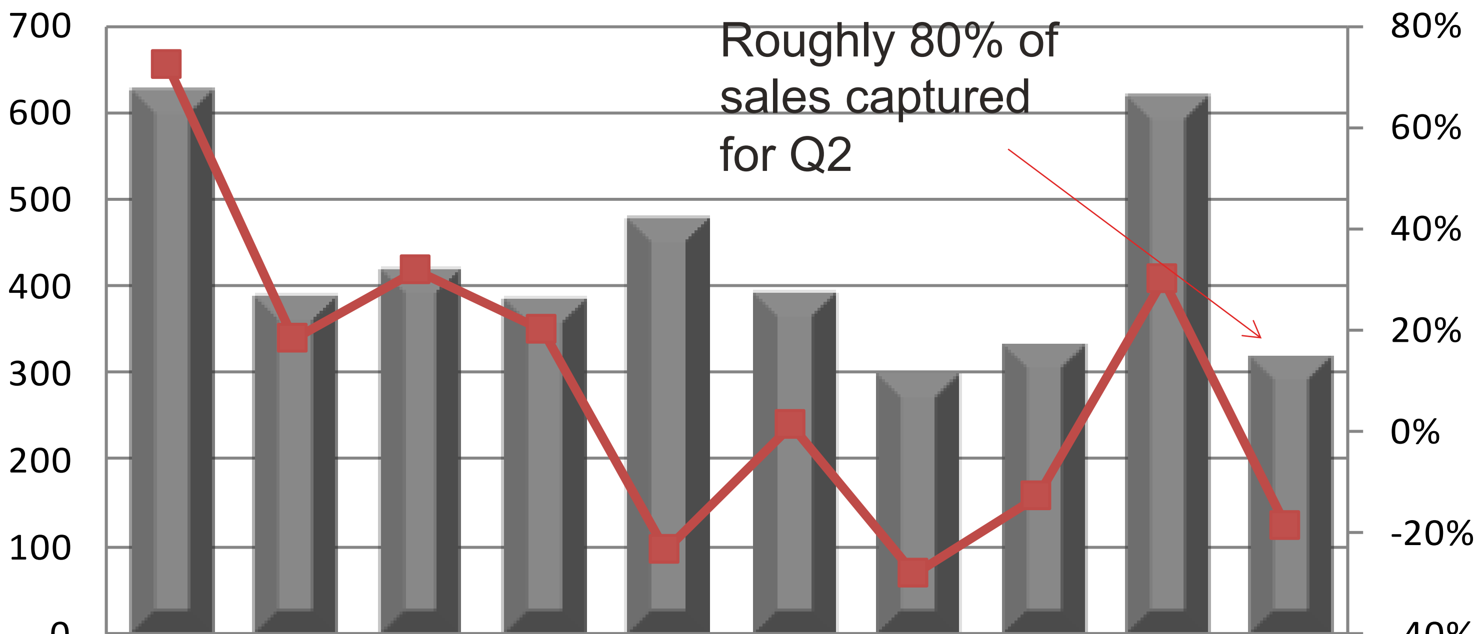
YEAR OVER YEAR BY COUNTY



MULTI- FAMILY SALES

KING, PIERCE & SNOHOMISH

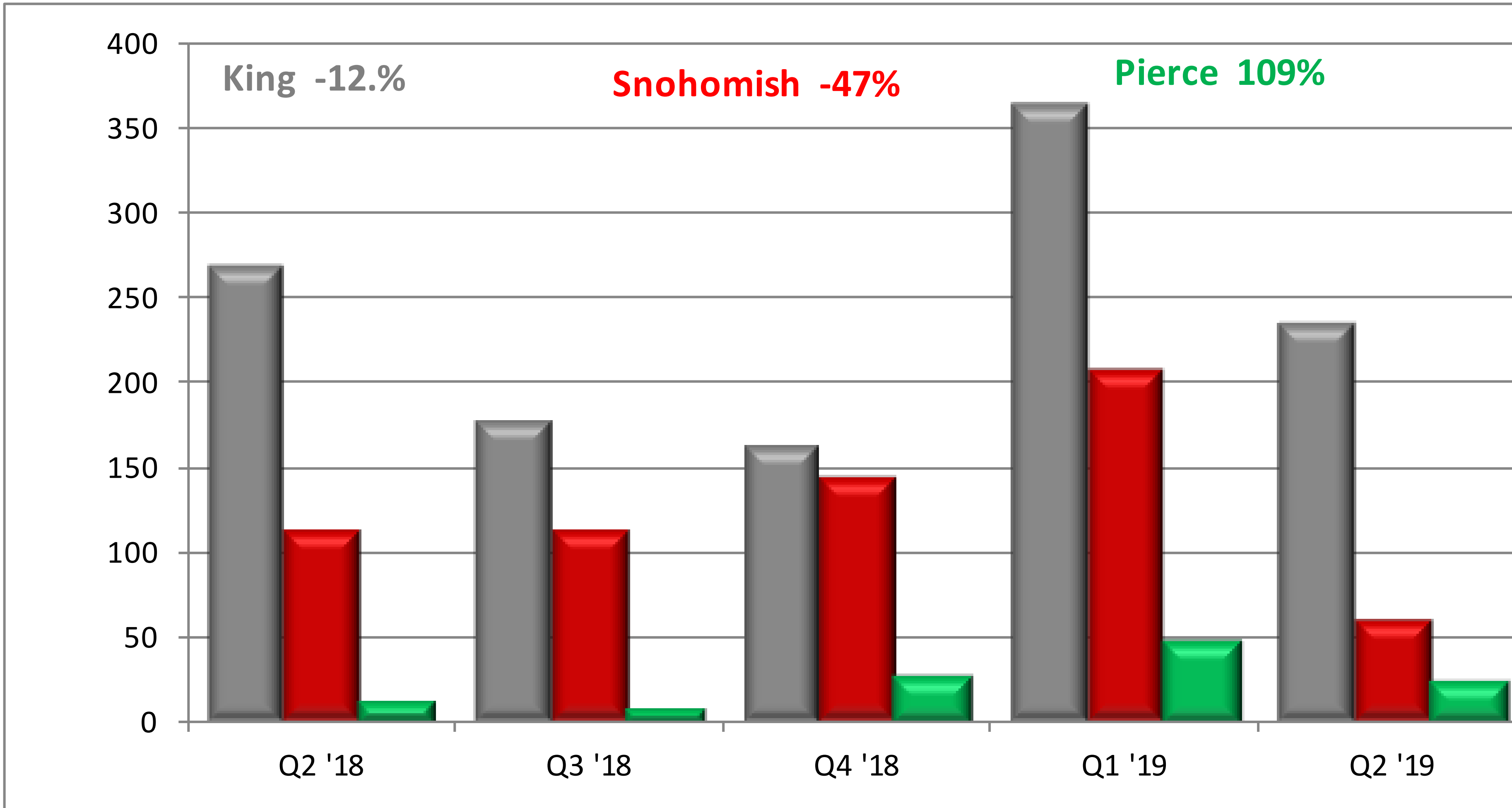
Attached Sales History by Quarter



	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19
Total Sales	626	389	418	383	476	393	299	333	619	319
% Change Y/Y	72%	18%	32%	20%	-24%	1%	-28%	-13.1%	30.0%	-18.8%

MULTI-FAMILY SALES

YEAR OVER YEAR CHANGE BY COUNTY

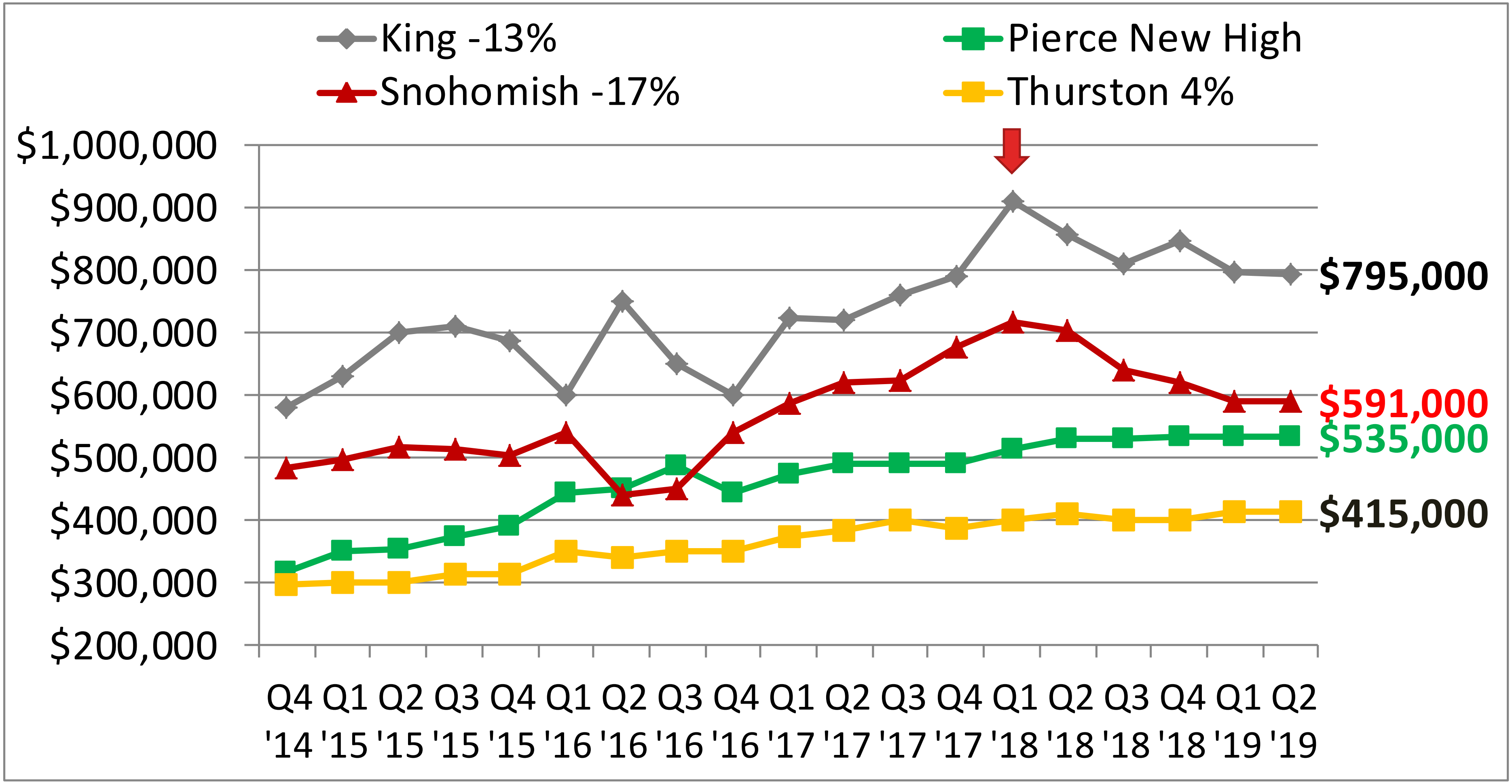


PUGET SOUND

NEW CONSTRUCTION PRICING

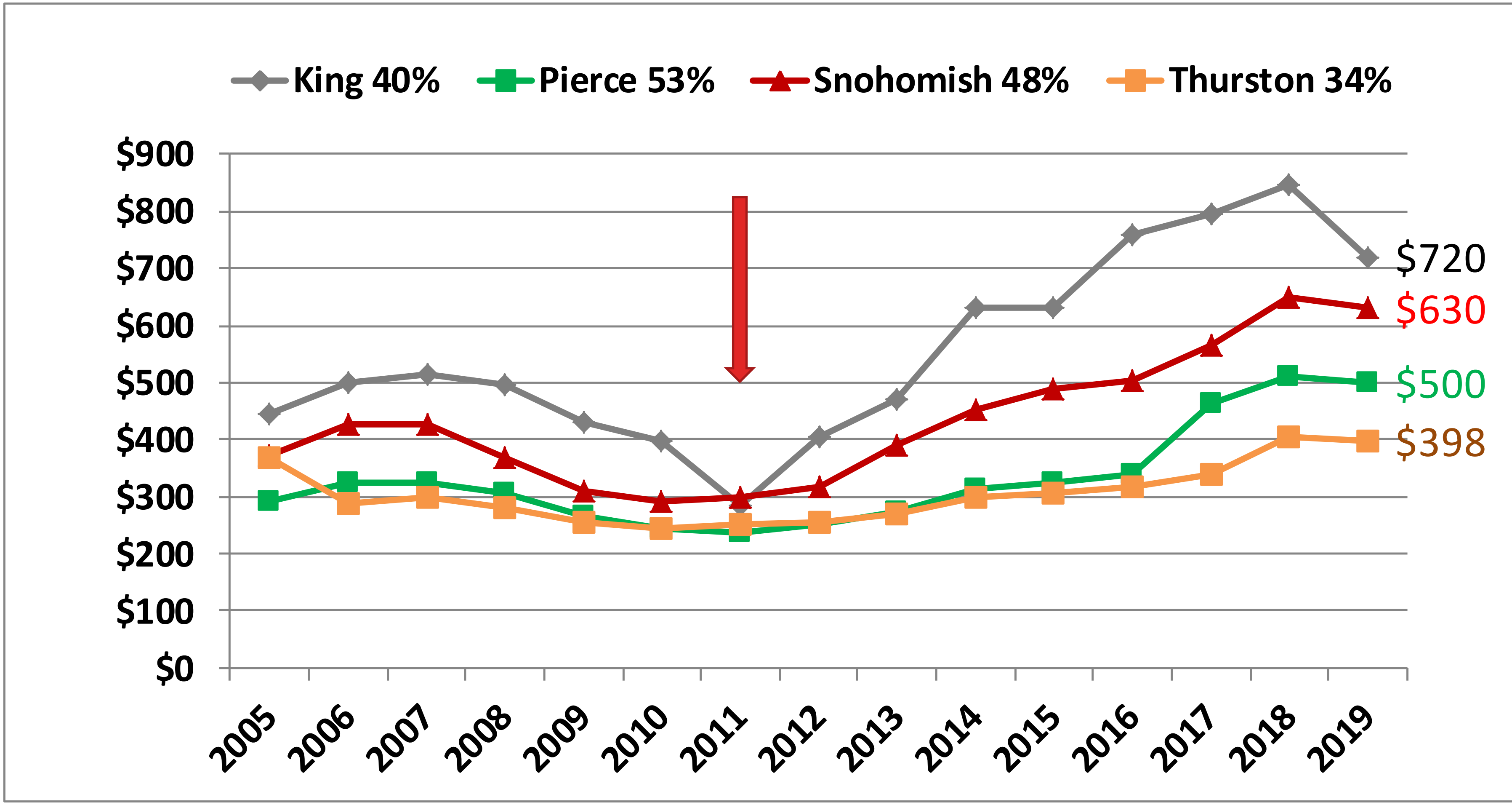
MEDIAN AVAILABLE PRICE

DETACHED PRODUCT ONLY PRICE CHANGE FROM NEW PEAK



MEDIAN CLOSED PRICE TRENDS

% GROWTH SINCE 2011



PUGET SOUND

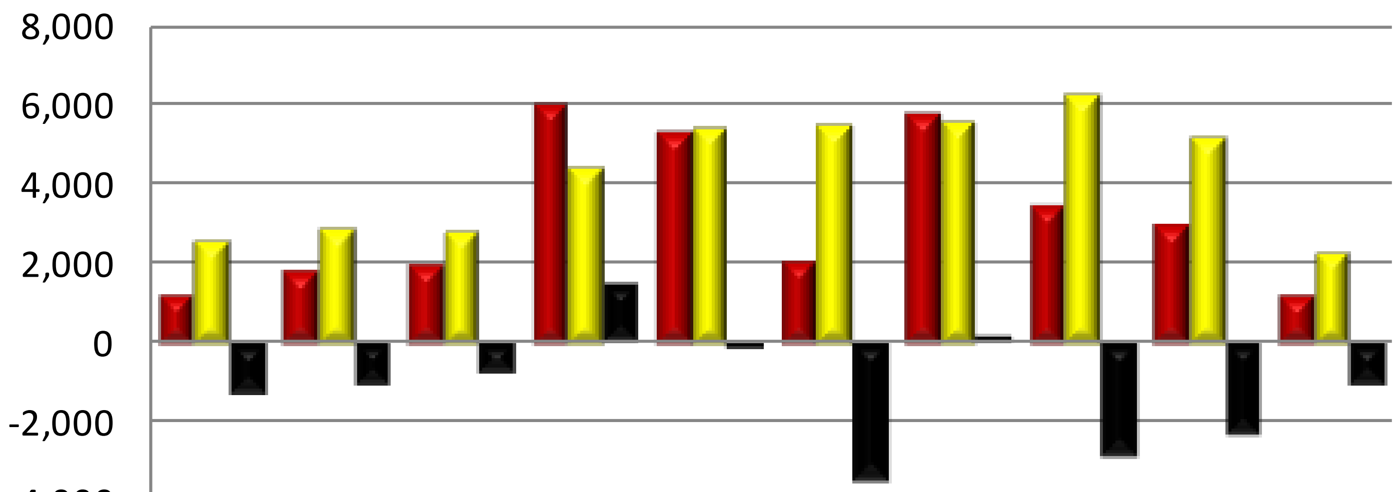
NEW CONSTRUCTION INVENTORY

YEARLY IMPACT TO OUR FUTURE LOT SUPPLY

Methodology- Subtract the number of newly recorded lots from the number of newly proposed lot by year

Net number of lots not replaced in the pipeline since 2010

(-11,476)

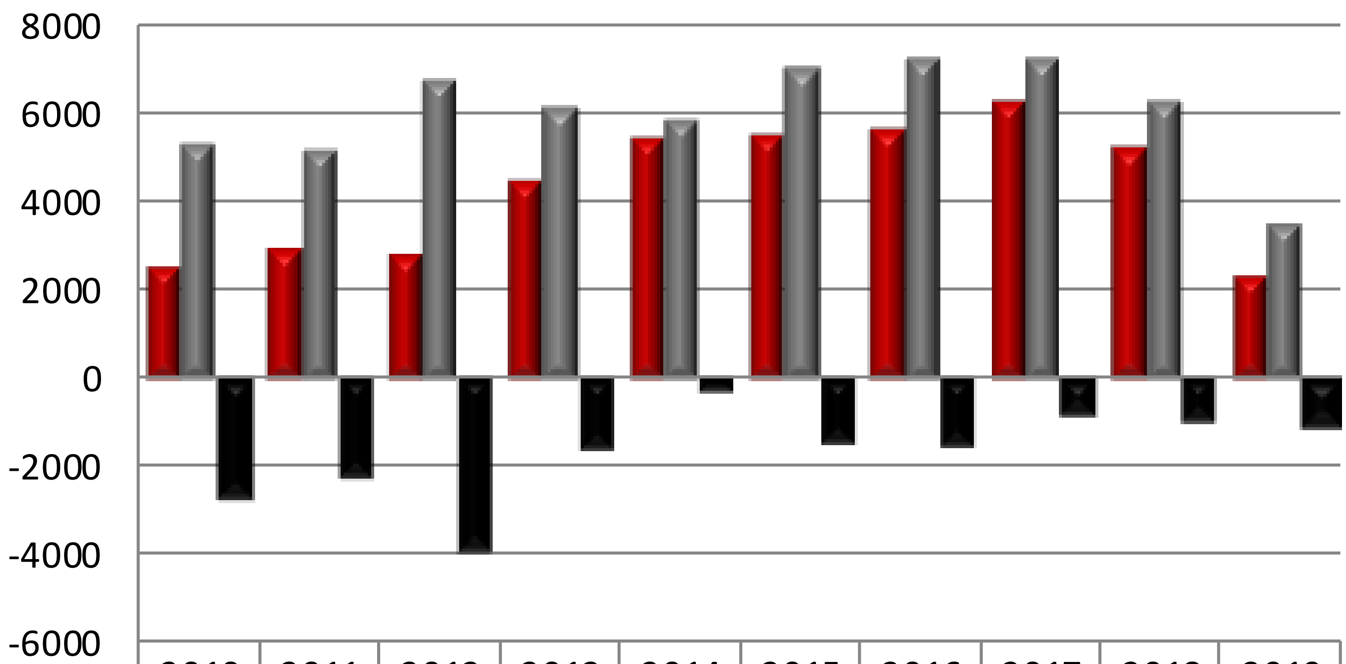


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Lots Applied For	1,217	1,802	2,008	5,957	5,287	2,078	5,788	3,428	2,954	1,240
Lots Delivered	2,568	2,936	2,797	4,476	5,467	5,535	5,621	6,270	5,255	2,310
Future net +/-	-1,351	-1,134	-789	1,481	-180	-3,457	167	-2842	-2301	-1070

YEARLY IMPACT TO THE CURRENT LOT SUPPLY

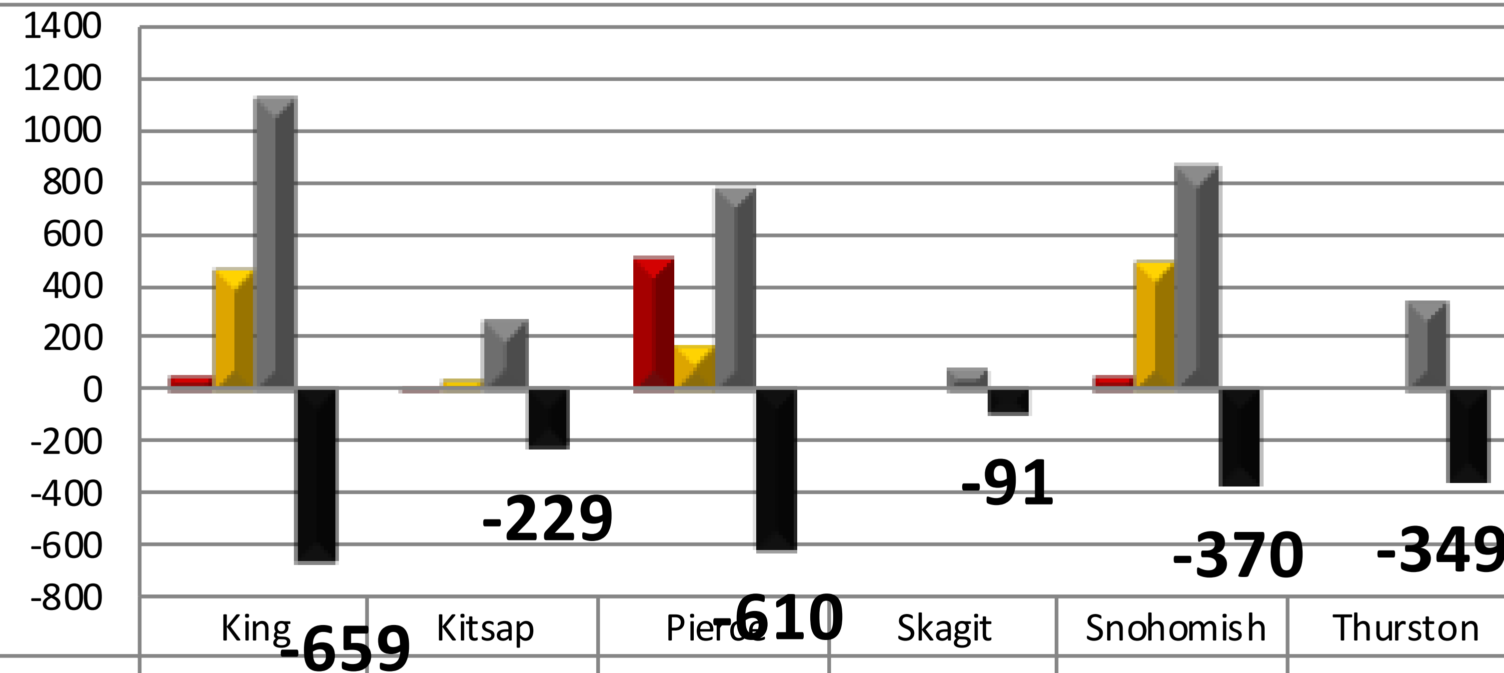
METHODOLOGY- SUBTRACT THE NUMBER OF HOMES SOLD FROM THE NUMBER OF NEW LOTS BROUGT TO AMRKET EVERY YEAR

Net number of lots extracted from the Puget Sound since 2010 **(-17,355)**



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Delivered Lot Count	2568	2936	2797	4476	5467	5535	5621	6,270	5,255	2,310
Homes Sold	5323	5202	6745	6155	5841	7065	7,255	7,211	6,303	3,490
Net Impact on Lot Supply	-2,755	-2,266	-3,948	-1,679	-374	-1,530	-1,634	-941	-1,048	-1,180

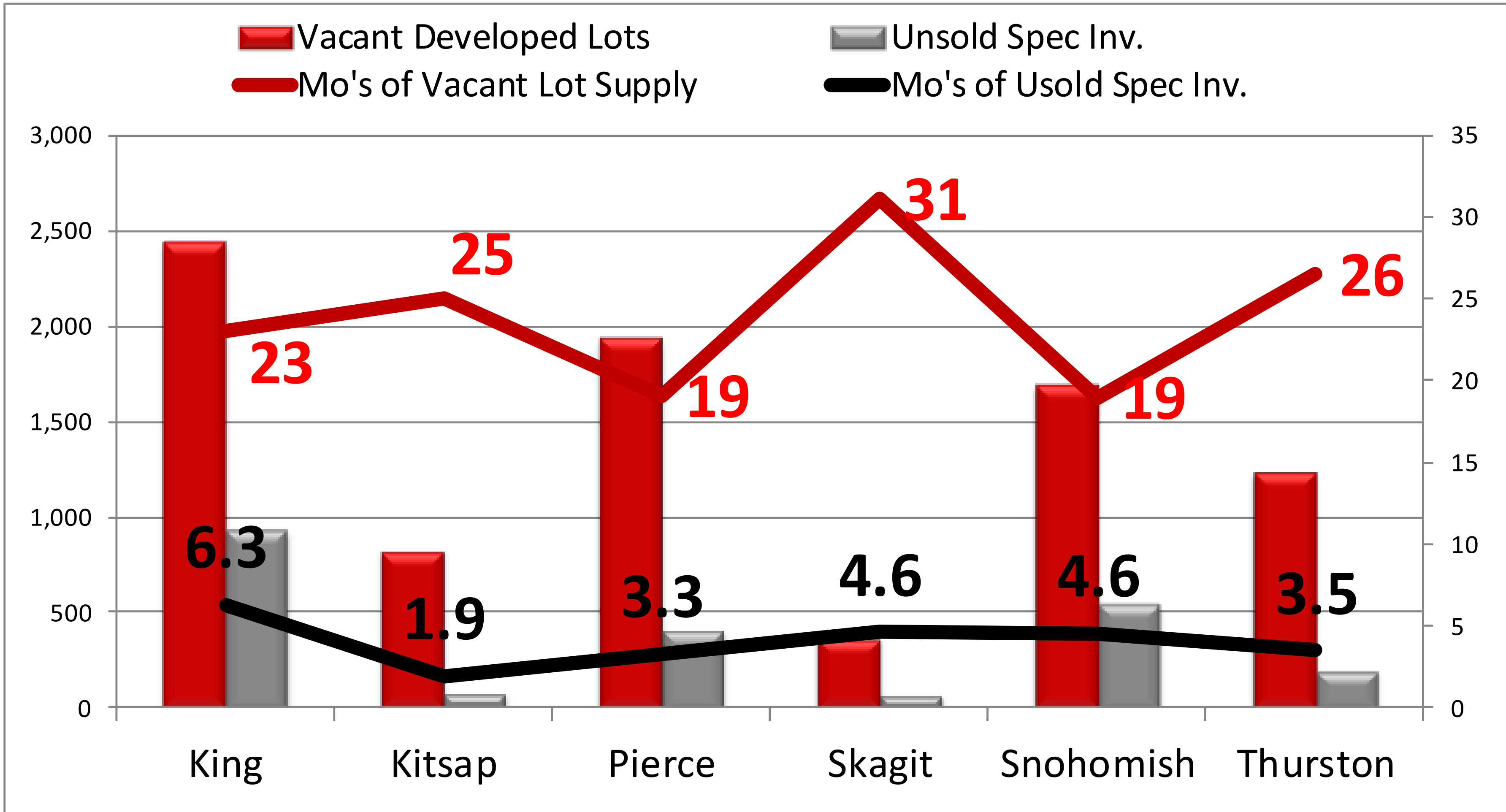
YEAR TO DATE RECORDED LOT IMPACT BY COUNTY



	King	Kitsap	Pierce	Skagit	Snohomish	Thurston
Lots Applied For	66	6	513	0	57	0
Lots Delivered	468	44	176	0	494	0
Homes Sold	1127	273	786	91	864	349
Net Units to Market	-659	-229	-610	-91	-370	-349

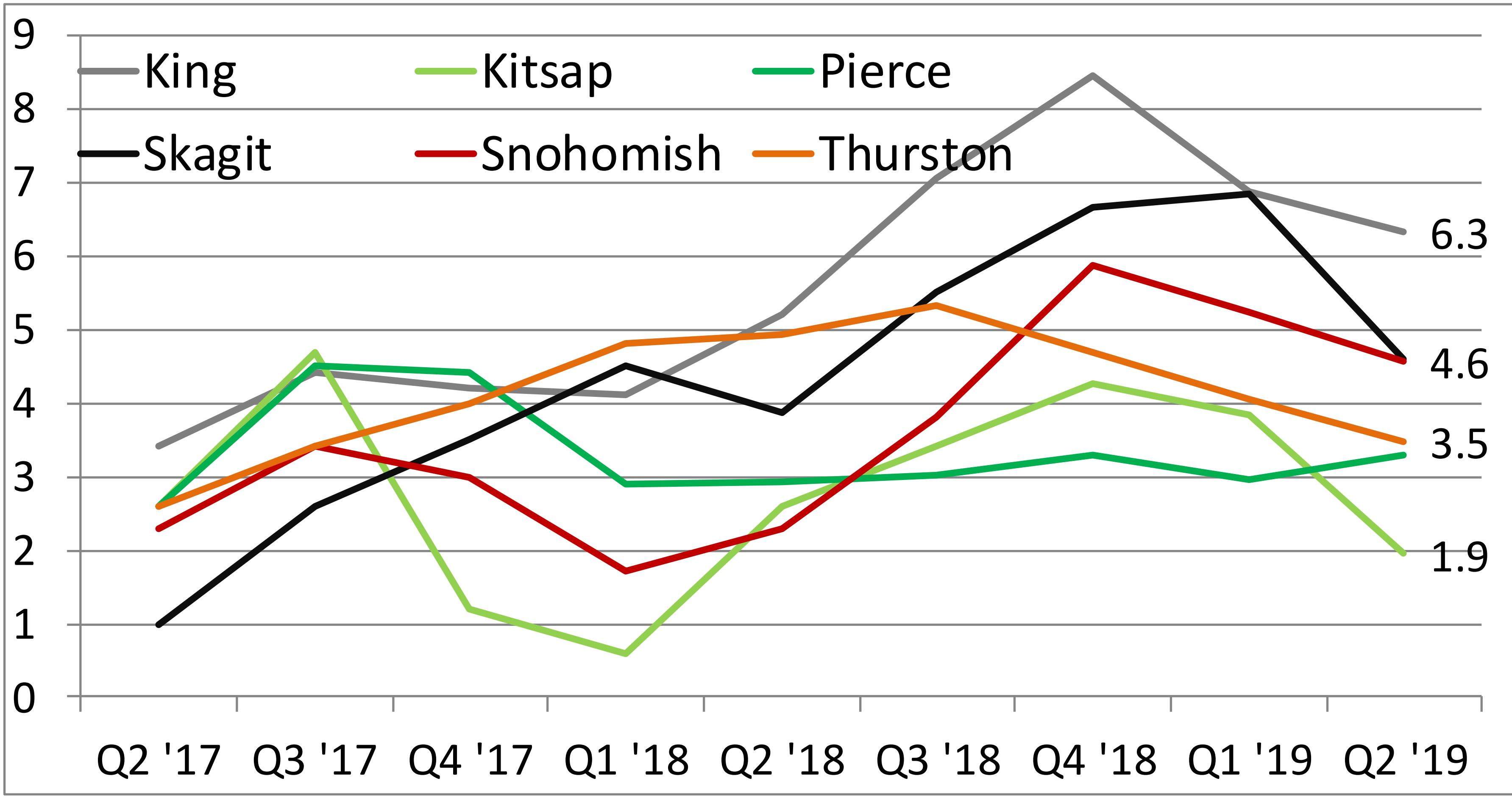
VACANT LOT AND UNSOLD SPEC

MONTHS SUPPLY



ZONDA™ metrostudy

MONTHS SUPPLY OF SPEC HISTORY

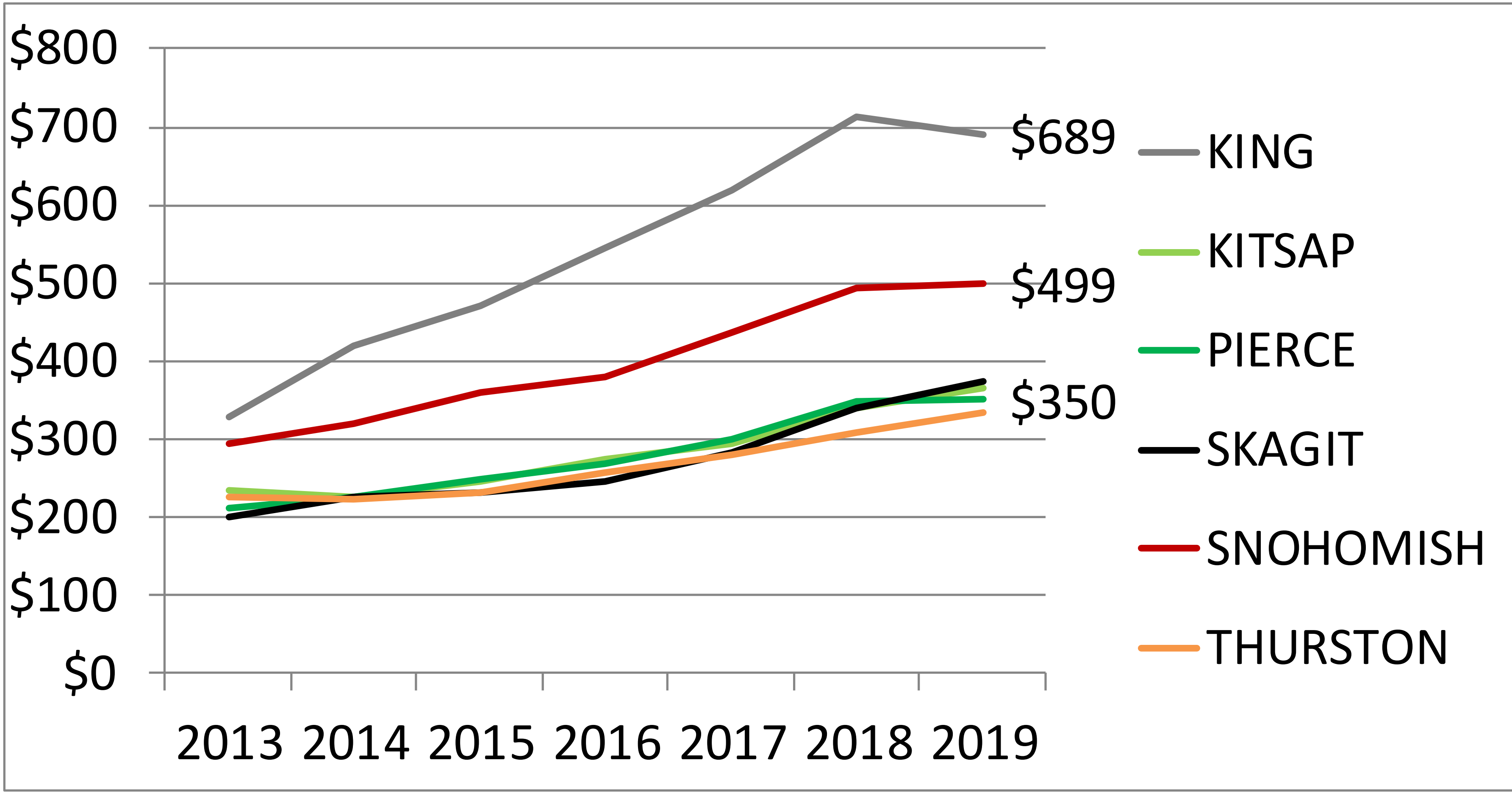


PUGET SOUND

RESALE

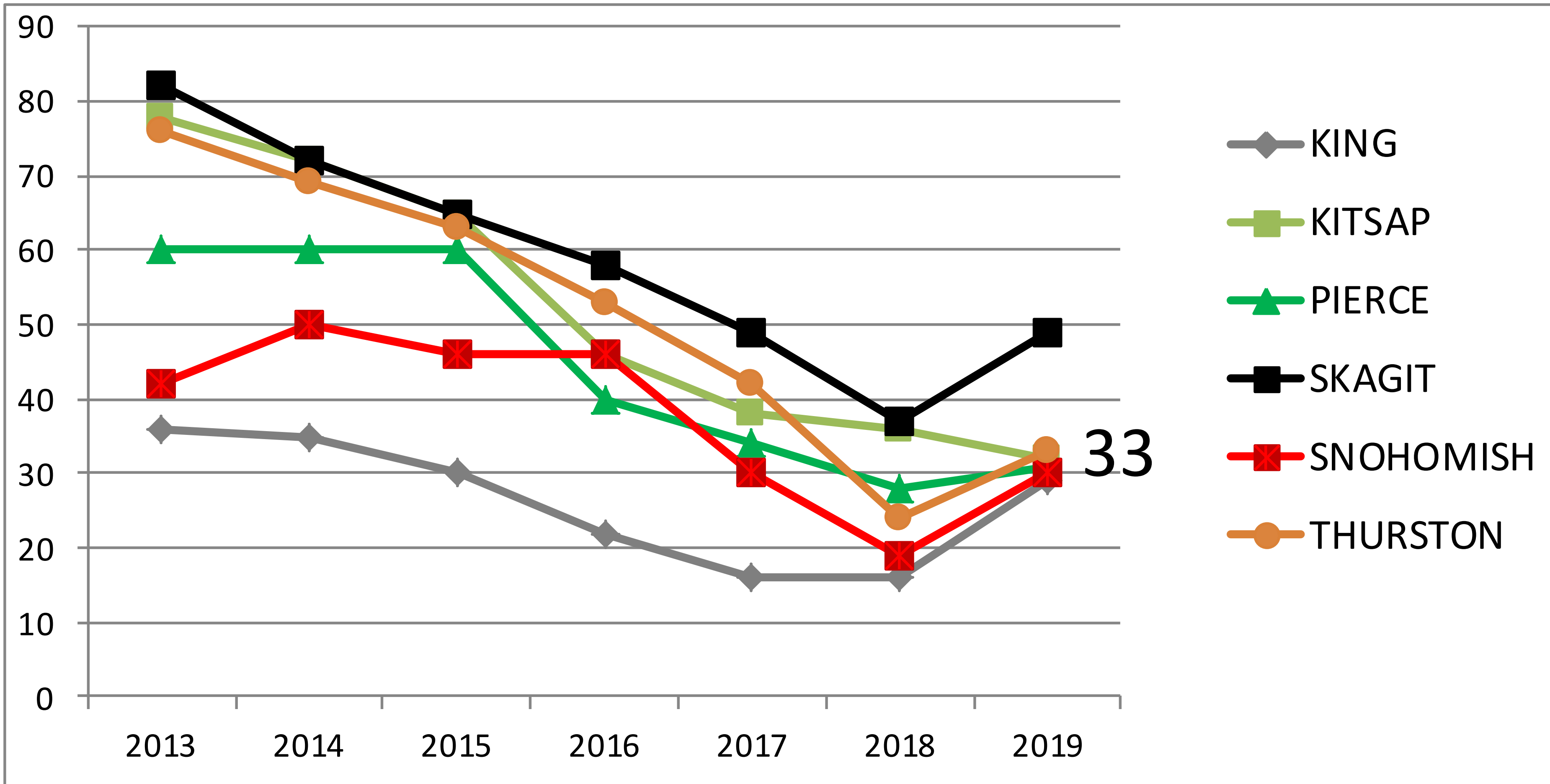
MEDIAN SALES PRICE

SINGLE FAMILY SOURCE- MLS



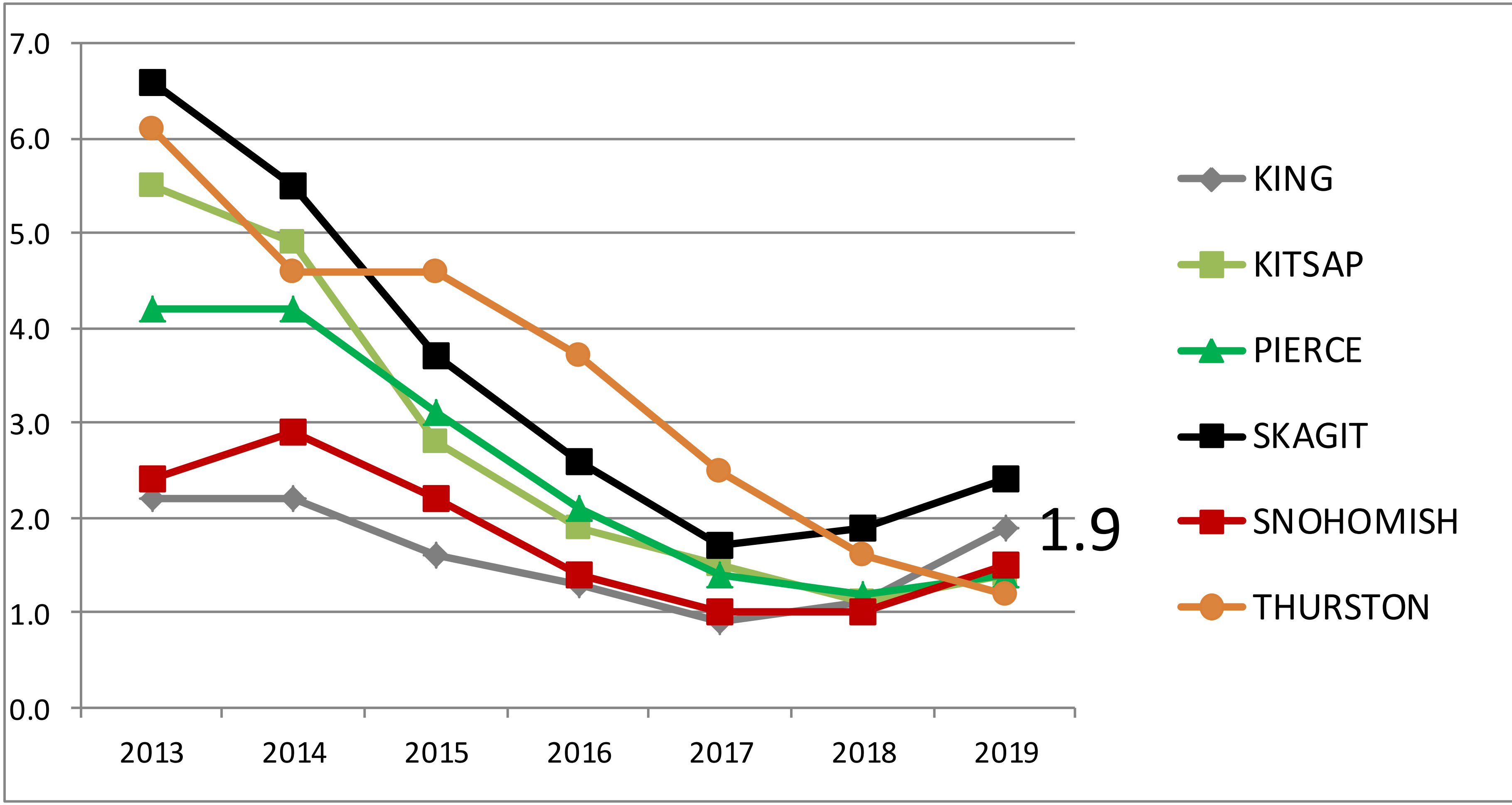
AVERAGE DAYS ON MARKET

SINGLE FAMILY



MONTHS SUPPLY

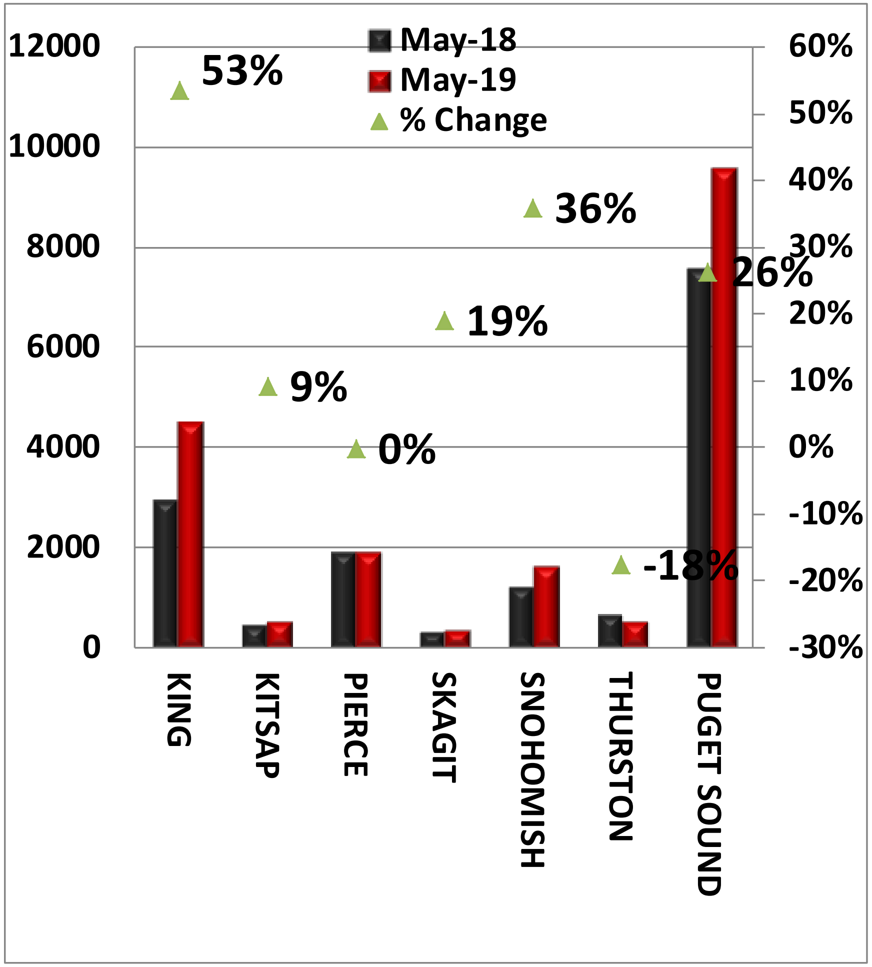
Based on trailing three months sales and current months available inventory

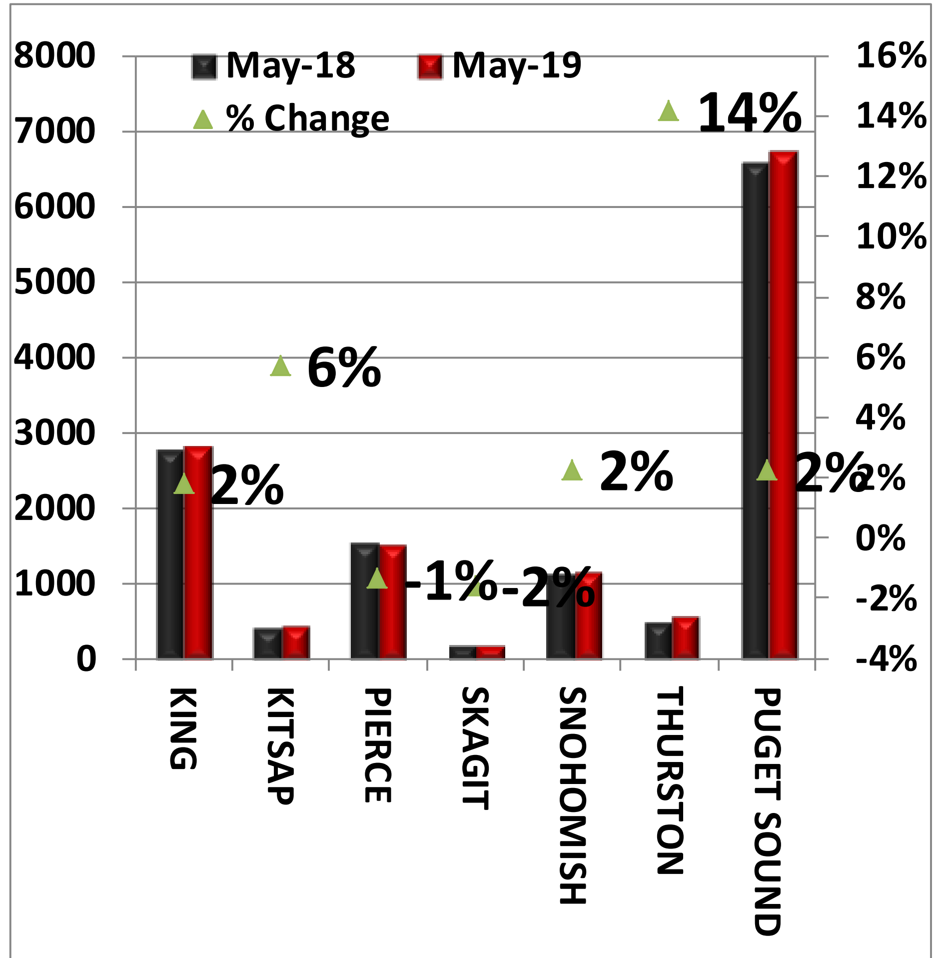


YEAR OVER YEAR AVAILABLE INVENTORY

YEAR OVER YEAR PENDING SALES

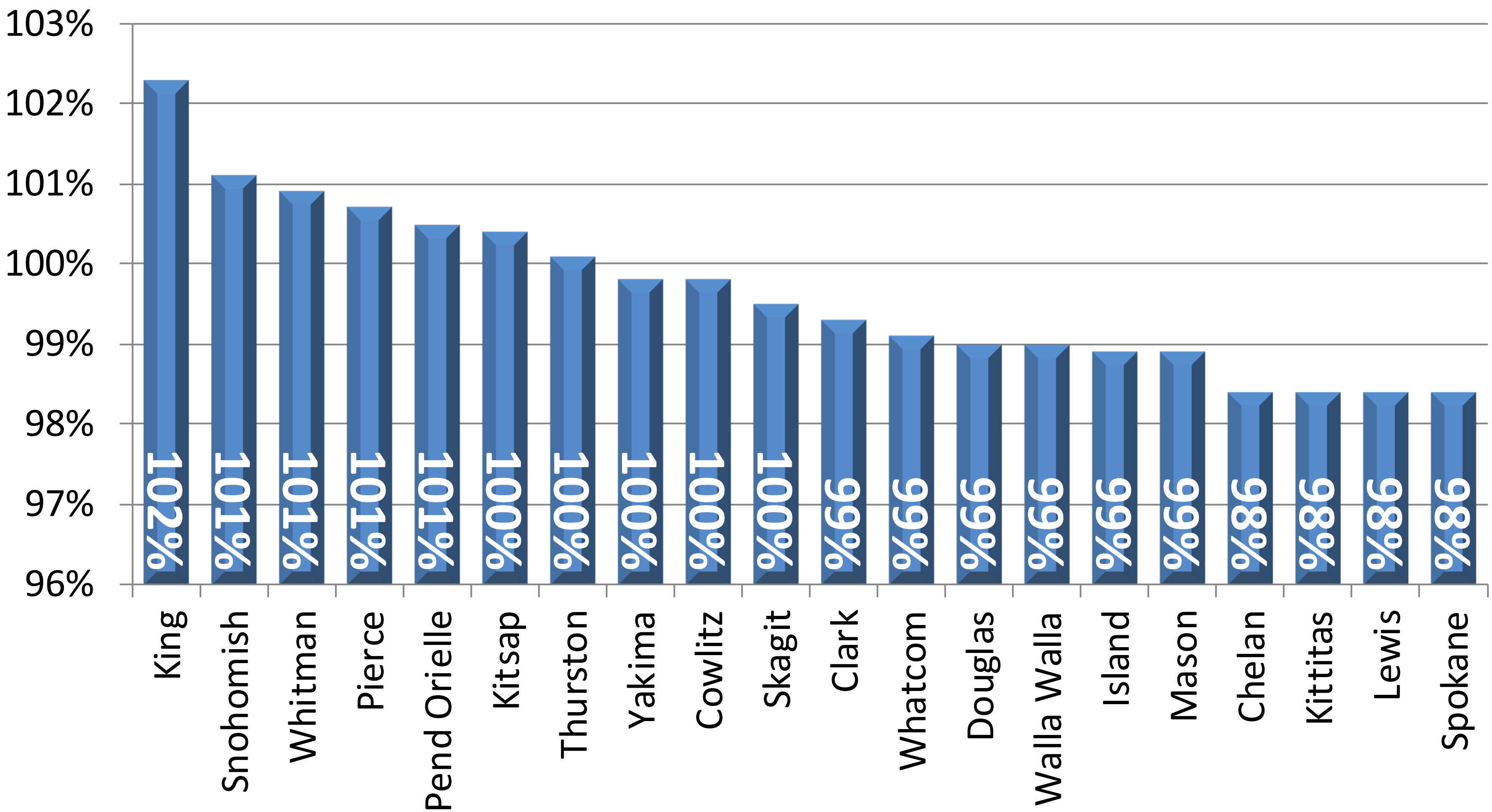
A 38% increase in listings and 9% pending sales increase and months supply is still at 1.4





SALES TO LIST PRICE RATIO

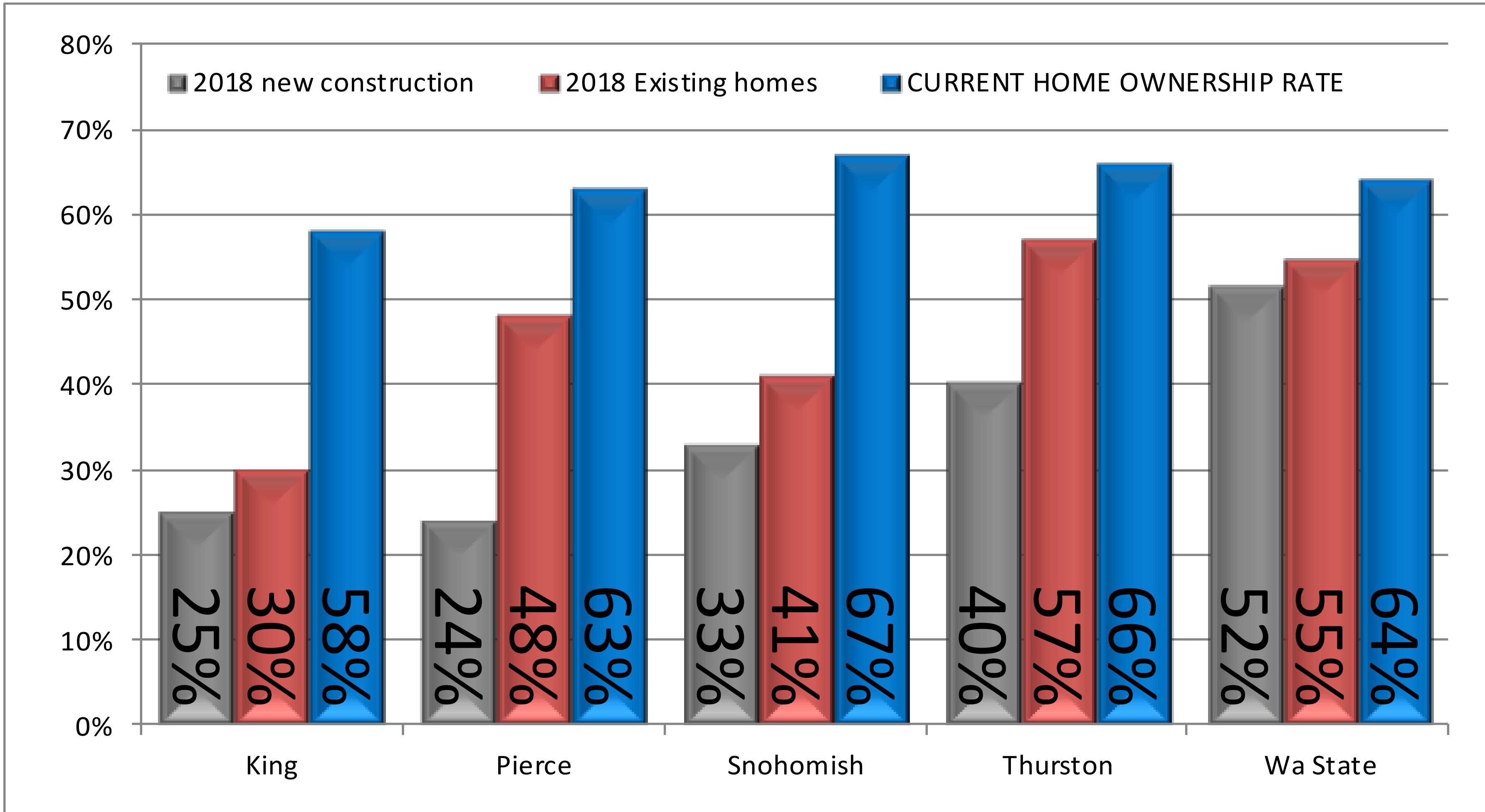
RESIDENTIAL SALES



ZONDA™ metrostudy

HOME BUYER DATA

% OF HOUSEHOLDS ABLE PURCHASE NEW VS RESALE ALONG WITH CURRENT HOME OWNERSHIP RATE



NET REMAINING DEMAND BASED ON NEW DRIVERS

Net drivers per HH is 1.75 with a 50% Home Ownership rate

	Driver Net Increase	Housing Demand @ 50% H.O.R.	# of closings New construction	Remaining demand @ 50% HOR
2016	105,128	18,923	9,578	9,345
2017	144,813	26,066	9,432	16,634
2018	133,819	24,087	8,735	15,352
2019	34,135	6,144	3,794	2,350
	417,895	75,221	31,539	43,682

NET REMAINING DEMAND BASED ON JOB GROWTH

Net drivers per HH is 1.75 with a 50% Home Ownership rate

	Net new Jobs	Housing Demand @ 1.5 EP Ratio	# of closings New construction	**Remaining Demand @ 50% H.O.R.**
2016	73,978	49,319	9,578	**15,081**
2017	62,025	41,350	9,432	**11,243**
2018	51,766	34,511	8,735	**8,520**
2019	32,746	21,831	3,794	**7,121**
	220,515	147,010	31,539	**41,966**

ZONDA™ metrostudy

A RECAP OF 2018

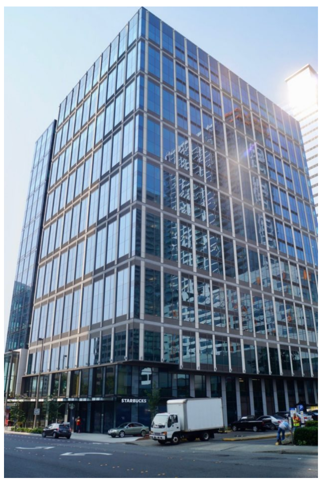
WHY DID THE MARKET TURN IN THE SECOND QAURTER

- **AMAZON HEAD TAX –**
  - MAKING EMPLOYEES ALONG WITH CORPORATIONS NERVOUS ABOUT STAYING IN SEATTLE
- **CHINESE INVESTORS-**
  - CHANGES IN GLOBAL ECONOMICS MADE IT HARDER FOR CHINESE TO GET THEIR MONIES OUT OF CHINA
- **ANNUALIZED JOB GROWTH-**
  - WHILE STILL STRONG IT DECREASED BY 50% FROM 80,000 ANNUALIZED NEW JOBS TO 40,000 ANNUALIZED NEW JOBS
- **THE REGION IS NEAR OR AT FULL EMPLOYMENT**
  - UNEMPLOYMENT RATES ARE IN THE 3% RANGE
- **NATIONAL MEDIA-**
  - EXXAGERATING SMALL DATA POINTS AND NOT UNDERSTANDING FUNDAMENTALS OR SIMPLY TRYING TO PRODCUE CLICK THROUGHS ON THEIR SITES
- **HOME PRICE APPRECIATION –**
  - RISING INTEREST RATES MADE IT MORE DIFFICULT FOR FOLKS TO QUALIFY AND WE NO LONGER HAVE 4 BUYERS FOR EVERY HOUSE BUT RATHER 2 HOMES FOR EVERY BUYER. WHICH IS STILL NOT AT NORMAL MARKET LEVELS

WHY IS THIS NOT 2008

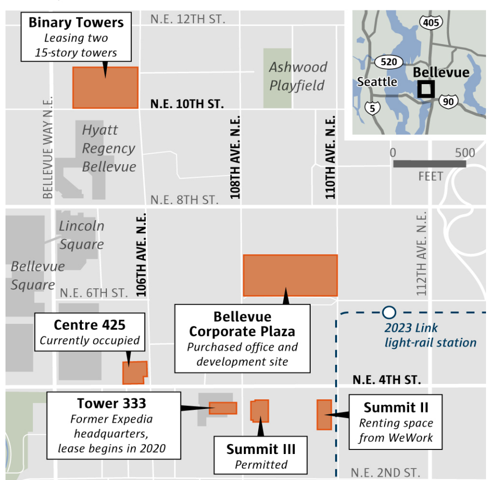
- NEW CONSTRUCTION SUPPLY IS STILL AT HISTORICALLY LOW LEVELS.
- RESALE SUPPLY IS STILL AT HISTORICALLY LOW LEVELS
- THERE IS NO WIDE SPREAD MORTGAGE FRAUD
- NO LARGE SPECULATIVE BUYING OCCURRED
- DEVELOPERS ARE NOT OVER LEVERAGED
- EP RATIO SINCE 2015 LEAVES DEMAND FOR 36,000 OWNER OCCUPIED HOMES
- IN-MIGRATION LEAVES DEMAND FOR 39,000 OWNER OCCUPIED HOMES
- WE ARE STILL ADDING JOBS AND IN-MIGRATION IS STRONG

THE GOOD NEWS LOOKING FORWARD



Amazon growing again in Bellevue

Amazon already occupies leased space in Bellevue, plans to occupy more and owns one site. Now it's leased another at Binary Towers.



Sources: Amazon, Seattle Times reporting, Sound Transit, Esri
EMILY M. ENG / THE SEATTLE TIMES

- The remainder of 2019 will continue to see job growth and on into 2025
- Amazons second head quarters is now in Bellevue bringing thousands of jobs
- Amazon has 3 million sqft of office space on the east and they Are not done.
- Most of the space will be available starting on 2022
- A recession is coming but Washington State should skip right over the top.
- Boomers and Gen Exer's will continue to migrate to rural counties

FOR QUESTIONS CONTACT TODD BRITSCH

TBRITSCH@METROSTUDY.COM
425-953-4714