Second Quarter 2017
Seattle Briefing
Metrostudy is the leading provider of primary and secondary market information to the housing and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing and economic issues, and is a key source of research studies evaluating the feasibility of residential and commercial real estate projects. Services are offered through an extensive network of offices strategically located in major metropolitan areas throughout the country.
Puget Sound Economic Drivers
412,000 New drivers from out of state since 2012 to the Puget Sound

Net Reported In-Migration
WASHINGTON STATE EMPLOYMENT NUMBERS
STATE WIDE JOB GROWTH SINCE JANUARY 2016 (196,000)

Washington State Employment

- Civilian Labor Force
- Total Employment
- Unemployment Rate

3,100,000 to 3,800,000
Dec-15, 1-Jan, Feb-16, Mar-16, Apr-16, May-16, Jun-16, Jul-16, Aug-16, Sep-16, Oct-16, Nov-16, Dec-16, Jan-17, Feb-17, Mar-17, Apr-17, May-17, Jun-17

King, Pierce, Snohomish, Kitsap, Skagit and Thurston Employment

PUGET SOUND JOB GROWTH SINCE JANUARY 2016 (96,000)

FLAT GROWTH THROUGH FIRST 2 QUARTERS
Unemployment By County

King: 3.7% (June 2016 revised) 4.1% (June 2017 preliminary)
Snohomish: 4.1% (June 2016 revised) 4.5% (June 2017 preliminary)
Kitsap: 4.5% (June 2016 revised) 4.5% (June 2017 preliminary)
Pierce: 5.1% (June 2016 revised) 5.1% (June 2017 preliminary)
Skagit: 4.7% (June 2016 revised) 5.1% (June 2017 preliminary)
Thurston: 5.9% (June 2016 revised) 6.7% (June 2017 preliminary)
Year over Year Labor Force Change

King: 10,353
Snohomish: 3,583
Kitsap: -341
Pierce: 13,464
Skagit: 1,849
Thurston: 4,916

33,824 added to the labor force

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Year over Year Job Growth By County

King: 14,758
Snohomish: 5,072
Kitsap: -111
Pierce: 17,875
Skagit: 2,652
Thurston: 6,276
County Employment Change May 2017 to June 2017

- $11,667
- $3,877
$9,520

- $20,000
- $15,000
- $10,000
- $5,000
$0
$5,000
$10,000
$15,000

Kennewick-Richland MSA (Benton and Franklin Counties)
Benton County
Franklin County
Snohomish County
King County
Seattle
Wenatchee MSA (Chelan and Douglas Counties)
Chelan County
Douglas County
Spokane-Spokane Valley MSA (Whitman County)
Whitman County
Pend Oreille County
Stevens County
Walla Walla County
Columbia County
Adams County
Asotin County
Clark County
Ferry County
Garfield County
Moses Lake MC (Grant County)
Grant County
Aberdeen MC (Grays Harbor County)
Grays Harbor County
Oak Harbor MC (Island County)
Island County
Centralia MC (Lewis County)
Lewis County
Shelton MC (Mason County)
Mason County
Okanogan County
Pacific County
San Juan County
Centralia MC (Lewis County)
Skagit County
San Juan County
Skamania County
Skamania County
Pullman MC (Whitman County)
Whitman County
Yakima MSA (Yakima County)
Yakima County
Jefferson County
Klickitat County
Jefferson County
Ellensburg MC (Kittitas County)
Kittitas County
Spokane-Spokane Valley MSA (Whitman County)
Whitman County
Tacoma-Lakewood MD (Pierce County)
Pierce County
Bellingham MSA (Whatcom County)
Whatcom County
Longview MSA (Cowlitz County)
Cowlitz County
Adams County
Asotin County
Moses Lake MC (Grant County)
Grant County
Aberdeen MC (Grays Harbor County)
Grays Harbor County
Oak Harbor MC (Island County)
Island County
Centralia MC (Lewis County)
Lewis County
Shelton MC (Mason County)
Mason County
Okanogan County
Pacific County
San Juan County
Centralia MC (Lewis County)
Skagit County
San Juan County
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Skamania County
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Lewis County
Shelton MC (Mason County)
Mason County
Okanogan County
Pacific County
San Juan County
Centralia MC (Lewis County)
Skagit County
San Juan County
Skamania County
Skamania County
Pullman MC (Whitman County)
Whitman County
Yakima MSA (Yakima County)
Puget Sound New Construction Housing

- Sales Volume’s
Annual Sales Numbers and Forecasted 2016 Sales Numbers

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Numbers</th>
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<tbody>
<tr>
<td>2006</td>
<td>9,855</td>
</tr>
<tr>
<td>2007</td>
<td>7,744</td>
</tr>
<tr>
<td>2008</td>
<td>5,189</td>
</tr>
<tr>
<td>2009</td>
<td>5,674</td>
</tr>
<tr>
<td>2010</td>
<td>5,320</td>
</tr>
<tr>
<td>2011</td>
<td>5,199</td>
</tr>
<tr>
<td>2012</td>
<td>6,743</td>
</tr>
<tr>
<td>2013</td>
<td>6,148</td>
</tr>
<tr>
<td>2014</td>
<td>5,794</td>
</tr>
<tr>
<td>2015</td>
<td>6,977</td>
</tr>
<tr>
<td>2016</td>
<td>7,186</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>4,114</td>
</tr>
<tr>
<td>2017 Est.</td>
<td>7200</td>
</tr>
<tr>
<td>2018 Est.</td>
<td>7,000</td>
</tr>
</tbody>
</table>

Attached vs Detached Sales Numbers
Sales vs Starts
King, Pierce, Snohomish, Kitsap, Thurston and Skagit

Detached Quarterly Sales Change -4%

Detached Quarterly Starts Change 5%

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2 '16</th>
<th>Q3 '16</th>
<th>Q4 '16</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,942</td>
<td>1,412</td>
<td>1,498</td>
<td>1,568</td>
<td>1,870</td>
</tr>
<tr>
<td>Starts</td>
<td>2,020</td>
<td>2,023</td>
<td>2,331</td>
<td>1,568</td>
<td>2,126</td>
</tr>
</tbody>
</table>
Year over Year Q2 Sales Comparison by County

- King: 8%
- Kitsap: 35%
- Pierce: 7%
- Skagit: -42%
- Snohomish: -26%
- Thurston: 5%

<table>
<thead>
<tr>
<th>Quarter</th>
<th>King</th>
<th>Kitsap</th>
<th>Pierce</th>
<th>Skagit</th>
<th>Snohomish</th>
<th>Thurston</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 '16</td>
<td>600</td>
<td>200</td>
<td>300</td>
<td>200</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Q3 '16</td>
<td>500</td>
<td>150</td>
<td>250</td>
<td>150</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Q4 '16</td>
<td>400</td>
<td>100</td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Q1 '17</td>
<td>800</td>
<td>300</td>
<td>200</td>
<td>200</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>600</td>
<td>200</td>
<td>300</td>
<td>200</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Puget Sound New Construction

- Pricing
Median Available New Construction List Price Year Over Year

<table>
<thead>
<tr>
<th>Region</th>
<th>Median Price Q2 16</th>
<th>Median Price Q2 17</th>
<th>Price Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>King 04%</td>
<td>$721,000</td>
<td>$620,000</td>
<td>$101,000</td>
</tr>
<tr>
<td>Kitsap 02%</td>
<td>$348,000</td>
<td>$383,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Pierce 09%</td>
<td>$490,000</td>
<td>$490,000</td>
<td>0</td>
</tr>
<tr>
<td>Skagit 01%</td>
<td>$383,000</td>
<td>$383,000</td>
<td>0</td>
</tr>
<tr>
<td>Snohomish 41%</td>
<td>$383,000</td>
<td>$383,000</td>
<td>0</td>
</tr>
<tr>
<td>Thurston 13%</td>
<td>$383,000</td>
<td>$383,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Median Available Price Change
Median Available NC VS Median NC Closed Price Comparison

King County is roughly 25% infill builders
Median Available List Price by Quarter with % Change since 2014
Median New Home Closed Price by Year With % change since peak of market

- **King**: 47%
- **Pierce**: 41%
- **Snohomish**: 28%
- **Thurston**: 12.23%

Prices:
- 2007: $335,000
- 2008: $458,000
- 2009: $550,000
- 2010: $500,000
- 2011: $400,000
- 2012: $300,000
- 2013: $200,000
- 2014: $100,000
- 2015: $0
- 2016: $755,735
- 2017: $800,000

Median prices by region:
- **King**: $755,735
- **Pierce**: $458,000
- **Snohomish**: $550,000
- **Thurston**: $335,000
Median Closed Sales Price
King, Pierce, Snohomish, Thurston, Skagit and Kitsap Combined


$307 $296 $293 $315
$401 $402
$439
$477
$523

-4% -1% 8% 27% 0% 9% 9% 10%

-10% -5% 0% 5% 10% 15% 20% 25% 30%


$0 $100 $200 $300 $400 $500 $600
Puget Sound New Construction
• Detached Inventories
Future Inventory - New Lots Applied For Minus Vacant delivered Lots

<table>
<thead>
<tr>
<th>Year</th>
<th>Lots Applied For</th>
<th>Lots Delivered</th>
<th>Future net +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>4,669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>-1,351</td>
<td>-1,134</td>
<td>-1,134</td>
</tr>
<tr>
<td>2011</td>
<td>-1,134</td>
<td>-789</td>
<td>-789</td>
</tr>
<tr>
<td>2012</td>
<td>-1,351</td>
<td>-180</td>
<td>-180</td>
</tr>
<tr>
<td>2013</td>
<td>1,481</td>
<td>-3,457</td>
<td>-3,457</td>
</tr>
<tr>
<td>2014</td>
<td>-180</td>
<td>-2168</td>
<td>-2168</td>
</tr>
<tr>
<td>2015</td>
<td>-3,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>167</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Net Number of Lots Extracted from the Puget Sound Vacant Lots Delivered Minus New Home Sold

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacant Delivered Lots</th>
<th>Homes Sold</th>
<th>Net # of Recorded Lots +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-2,271</td>
<td>-2,755</td>
<td>-3,948</td>
</tr>
<tr>
<td>2010</td>
<td>-2,266</td>
<td>-3,948</td>
<td>-6,214</td>
</tr>
<tr>
<td>2011</td>
<td>-2,755</td>
<td>-1,679</td>
<td>-4,434</td>
</tr>
<tr>
<td>2012</td>
<td>-1,679</td>
<td>-374</td>
<td>-2,053</td>
</tr>
<tr>
<td>2013</td>
<td>-374</td>
<td>-1,530</td>
<td>-2,904</td>
</tr>
<tr>
<td>2014</td>
<td>-1,530</td>
<td>-1,679</td>
<td>-3,209</td>
</tr>
<tr>
<td>2015</td>
<td>-315</td>
<td>-315</td>
<td>-630</td>
</tr>
</tbody>
</table>

Total Units extracted: 16,786
Another way to look at it

Net # of Recorded Lots Extracted from the Market+/- (16,786)

SOURCE: METROSTUDY INC
Net New Vacant Delivered Lots by County Year to Date Q2 2017

Lots Applied For
Lots Recorded
Homes Sold

King
-90
-148
-43
Snohomish
43
Thurston
-436

0
500
1,000
1,500
2,000
-500
-1,000
-1,500
-2,000

Inventory by Entitlement Status

938 units are in Oak Tree Reserve

- Total: 4064
- Review & Prelim: 332
- Lots In Final Review: 690
- King: 1536
- Kitsap: 33
- Pierce: 329
- Skagit: 1144
- Snohomish: 0
- Thurston: 0
Puget Sound New Construction

• Key Metrics
Puget Sound Market Area Break Down
Market Area Annual Sales

Q3 2016 to Q2 2017 Sales

- North Creek: 945
- South Hill...: 585
- Sumner...: 395
- Lake Stevens: 382
- East...: 373
- Soos Creek: 301
- Olympia/T...: 275
- East side: 261
- Northshore: 248
- Spanaway: 201
- New Castle: 182
- Lacey Evrirons: 180
- Peninsula: 164
- Federal Way: 151
- Sky Valley: 95
- Marysville: 63
- Paine Field: 60
Sales Market Share Compared to Remaining Recorded Inventory

<table>
<thead>
<tr>
<th>Location</th>
<th>Sales Market Share %</th>
<th>Recorded lots and Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Creek</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>South Hill</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Sumner</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Lake Stevens</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>East</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Soos Creek</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Olympia/Tum.</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>East side</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Northshore</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Spanaway</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>New Castle</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Lacey Evrons</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Peninsula</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Federal Way</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Sky Valley</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Marysville</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Paine Field</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

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Puget Sound Housing

- MLS Data
MEDIAN SALES PRICE 2012-2017 MLS SALES DATA

$0 $100 $200 $300 $400 $500 $600 $700

2012 2013 2014 2015 2016 2017

KING KITSAP PIERCE SKAGIT SNOHOMISH THURSTON

$199 $380 $441 $500

$290 $318 $335 $441 $500 $650
AVERAGE DAYS ON MARKET 2012 - 2017

- KING
- KITSAP
- PIERCE
- SKAGIT
- SNOHOMISH
- THURSTON

2012: 50
2013: 40
2014: 30
2015: 20
2016: 10
2017: 8
Price Spread between New and Resale
Seattle-Tacoma Bellevue CBSA

Price Difference Between Resale and New

- Regular Resale
- New Sale
- Percent Delta

- 2012: 1.90%
- 2013: 8.25%
- 2014: 24.43%
- 2015: 31.62%
- 2016: 34.58%
- 2017: 36.06%
Summary and a Brief Look Forward

- The current housing market will remain strong although is showing signs of weakening.
- 4 consecutive quarters of -2% to -4% in year over year sales change.
- The Puget Sound is down -12,500 jobs since March.
- DOL #'s show declining in-migration but still positive numbers.
- Core areas from North Pierce county to South Snohomish County will continue double digit appreciation due to lack of Inventory.
- More and More buyers will continue to seek resale homes for affordability.
- Pricing could potentially begin to correct in outlying areas in the coming months but typically lags the market by a year.
- What we are seeing in the market is a slight adjustment in regards to sales. Nervous buyers that remember the crash, high prices with bidding wars still existing in areas.
- Key difference, we are not over supplied at all in new construction or resale and the market shift is occurring exactly as predicted with no signs of crash just an adjustment.
Seattle
Second Quarter 2017
Housing Update &
Economic Outlook
August, 2017

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