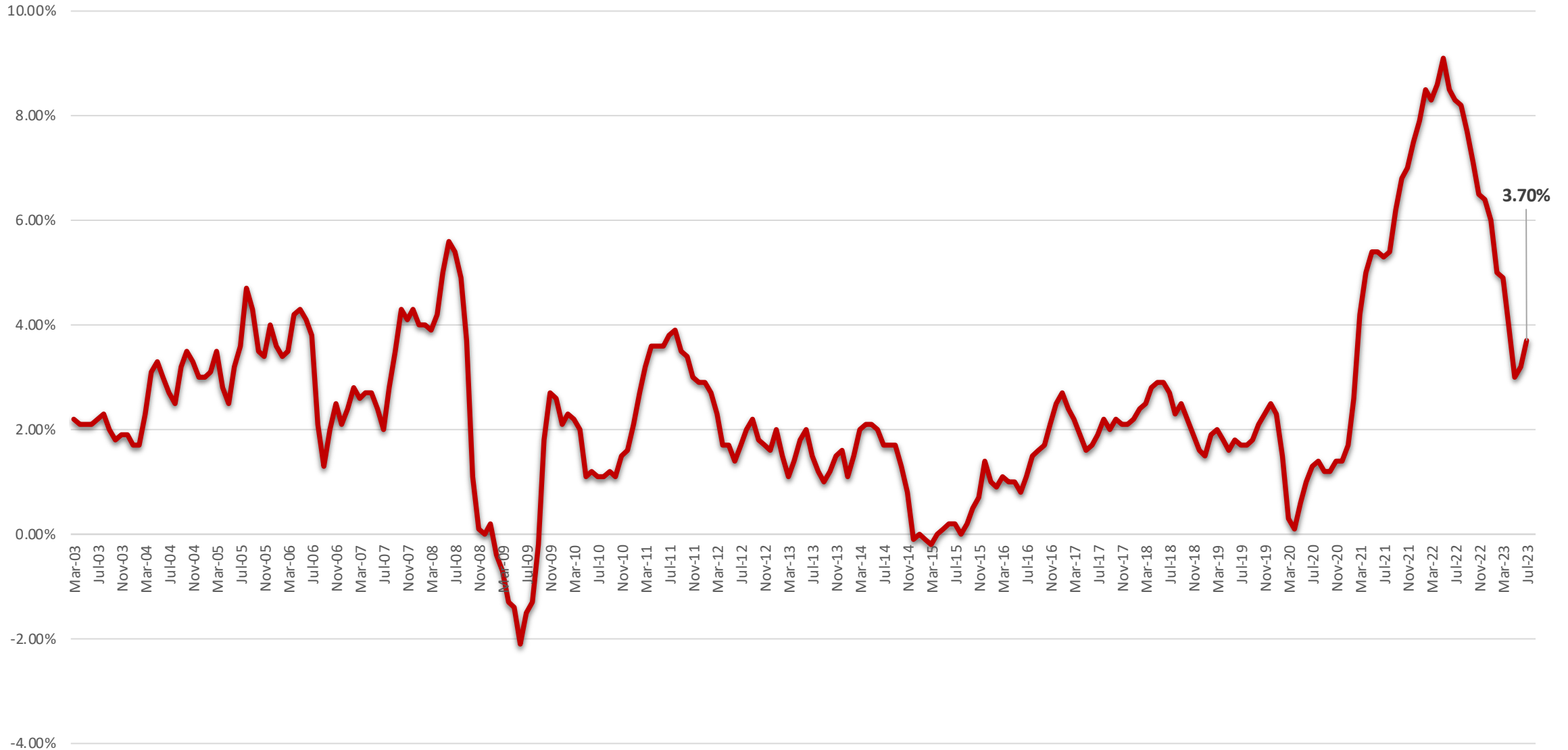




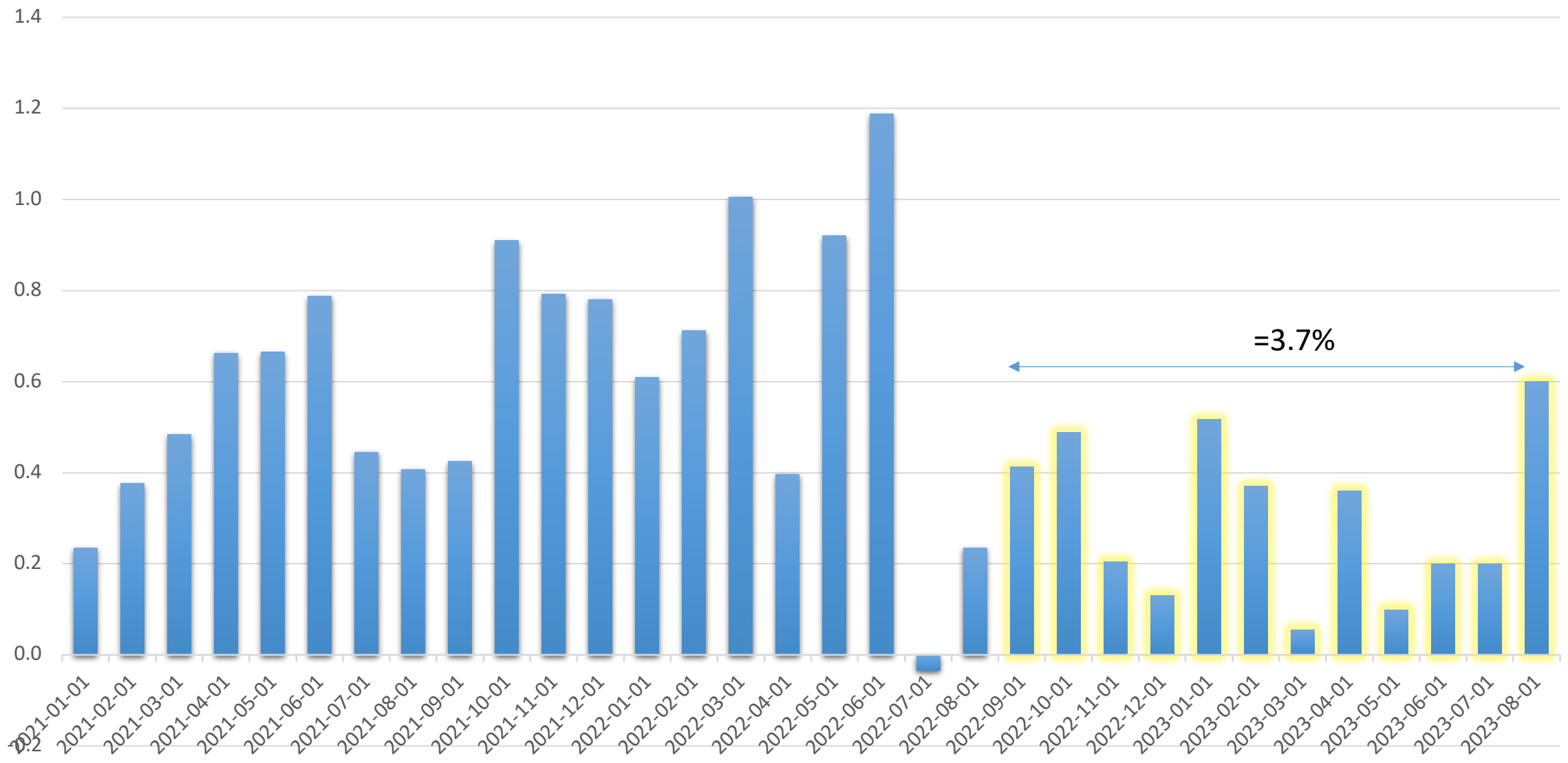
**Economic Update:
National, State, County**

THE NATIONAL ECONOMY

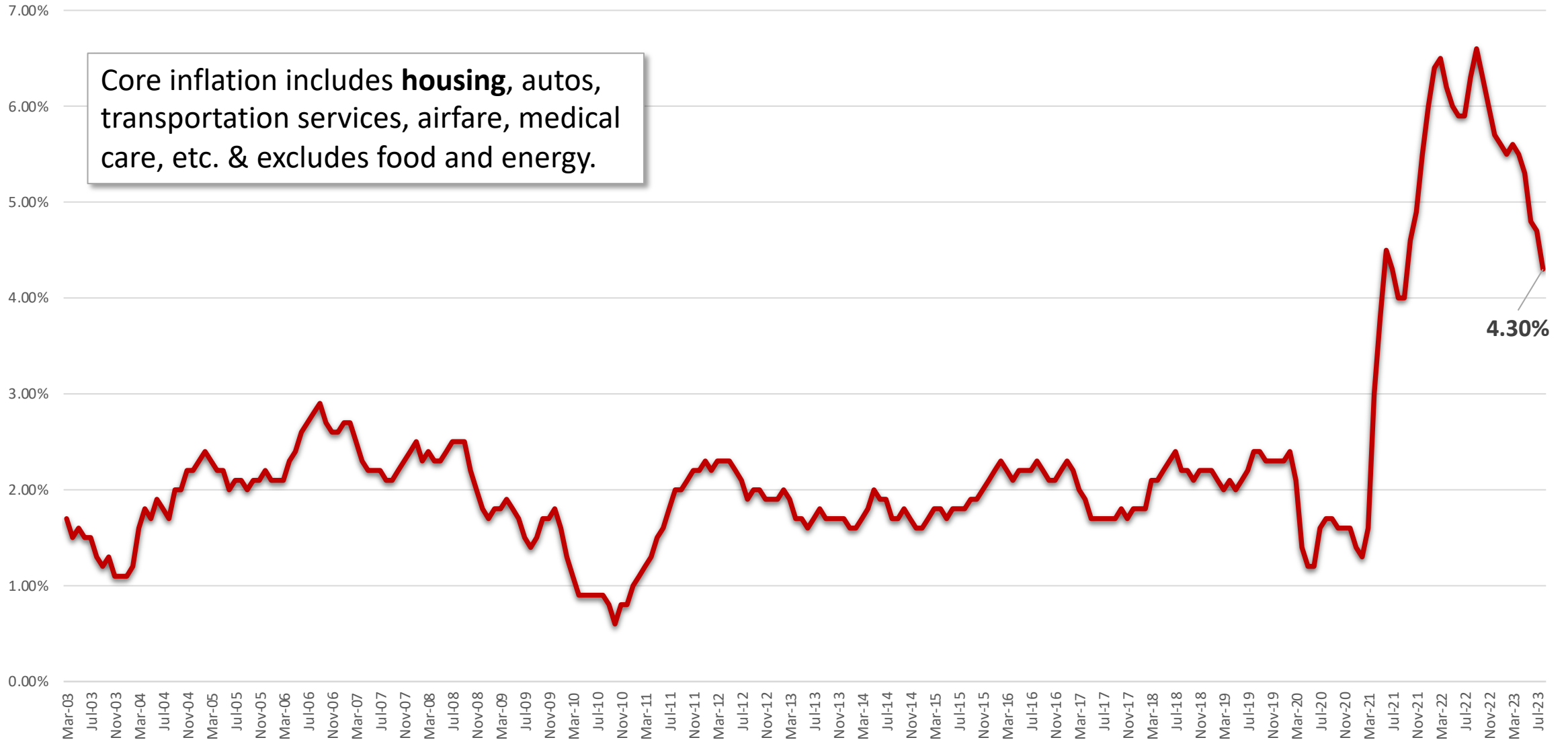
12-month percentage change, HEADLINE INFLATION



Inflation - MoM Percent Change



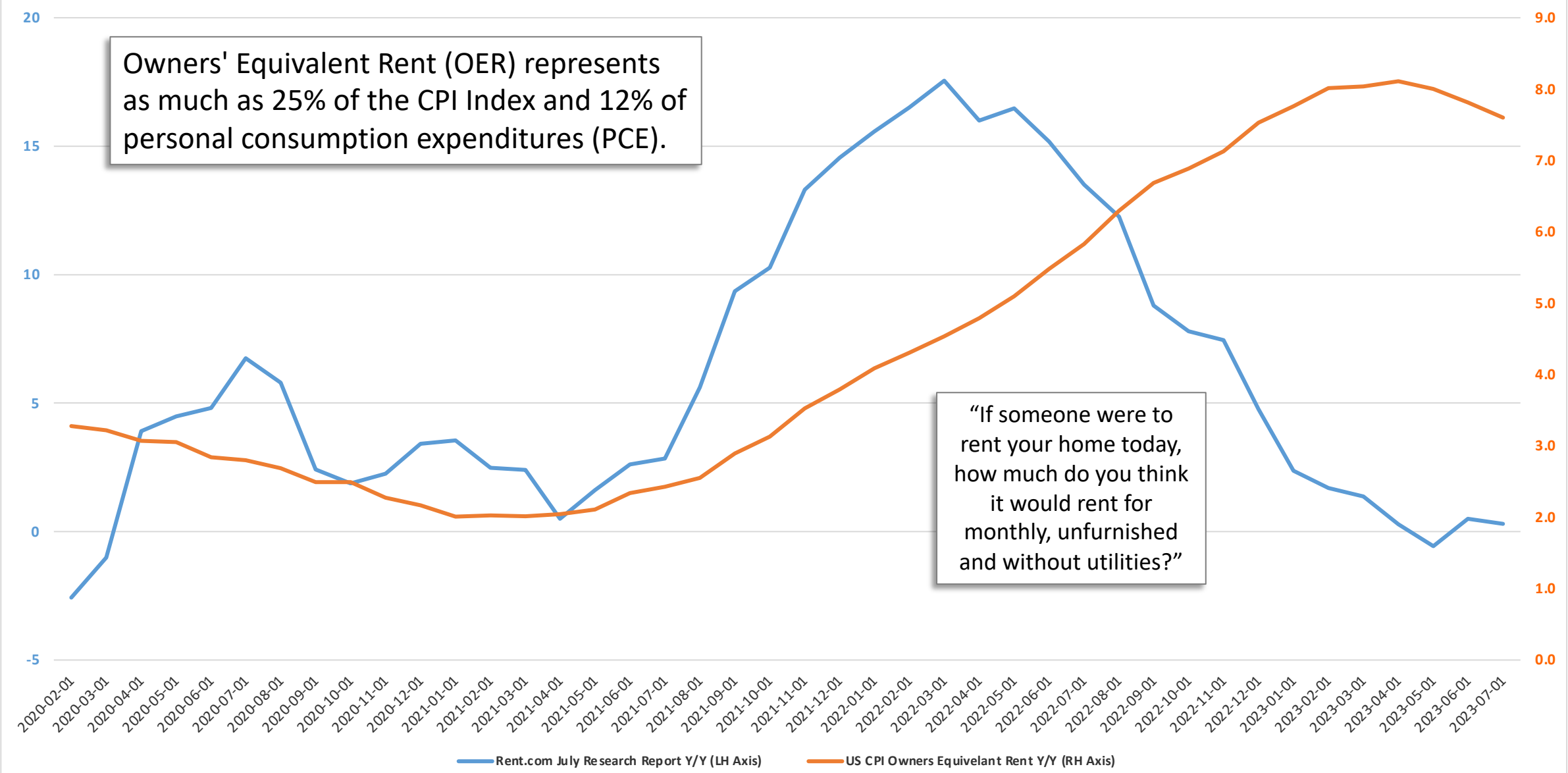
12-month percentage change, Less Food & Energy - CORE INFLATION



US National Rent Y/Y% vs. CPI OER Y/Y %

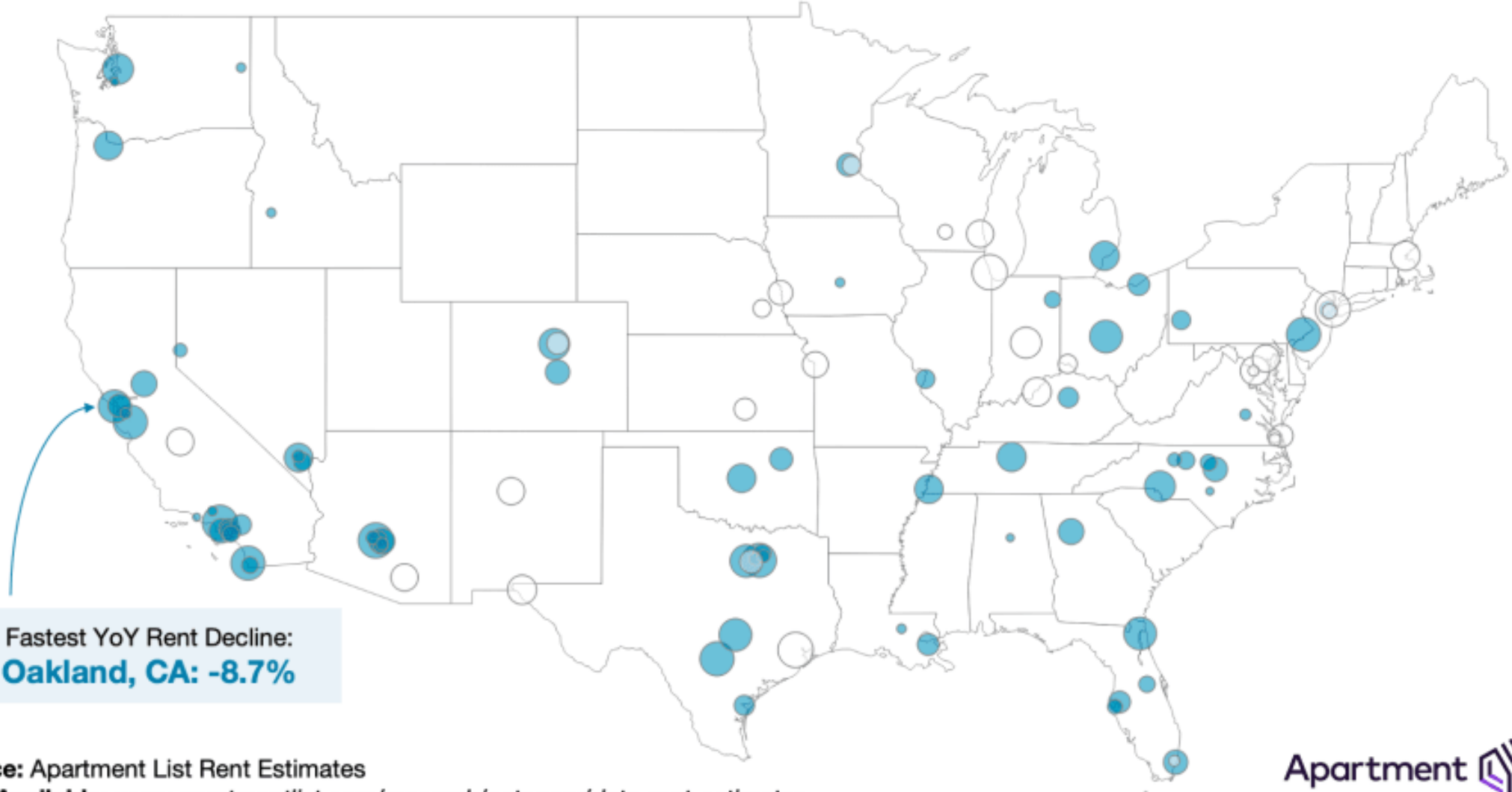
Owners' Equivalent Rent (OER) represents as much as 25% of the CPI Index and 12% of personal consumption expenditures (PCE).

“If someone were to rent your home today, how much do you think it would rent for monthly, unfurnished and without utilities?”



Source: Board of Governors of the Federal Reserve System (US), Rent.com

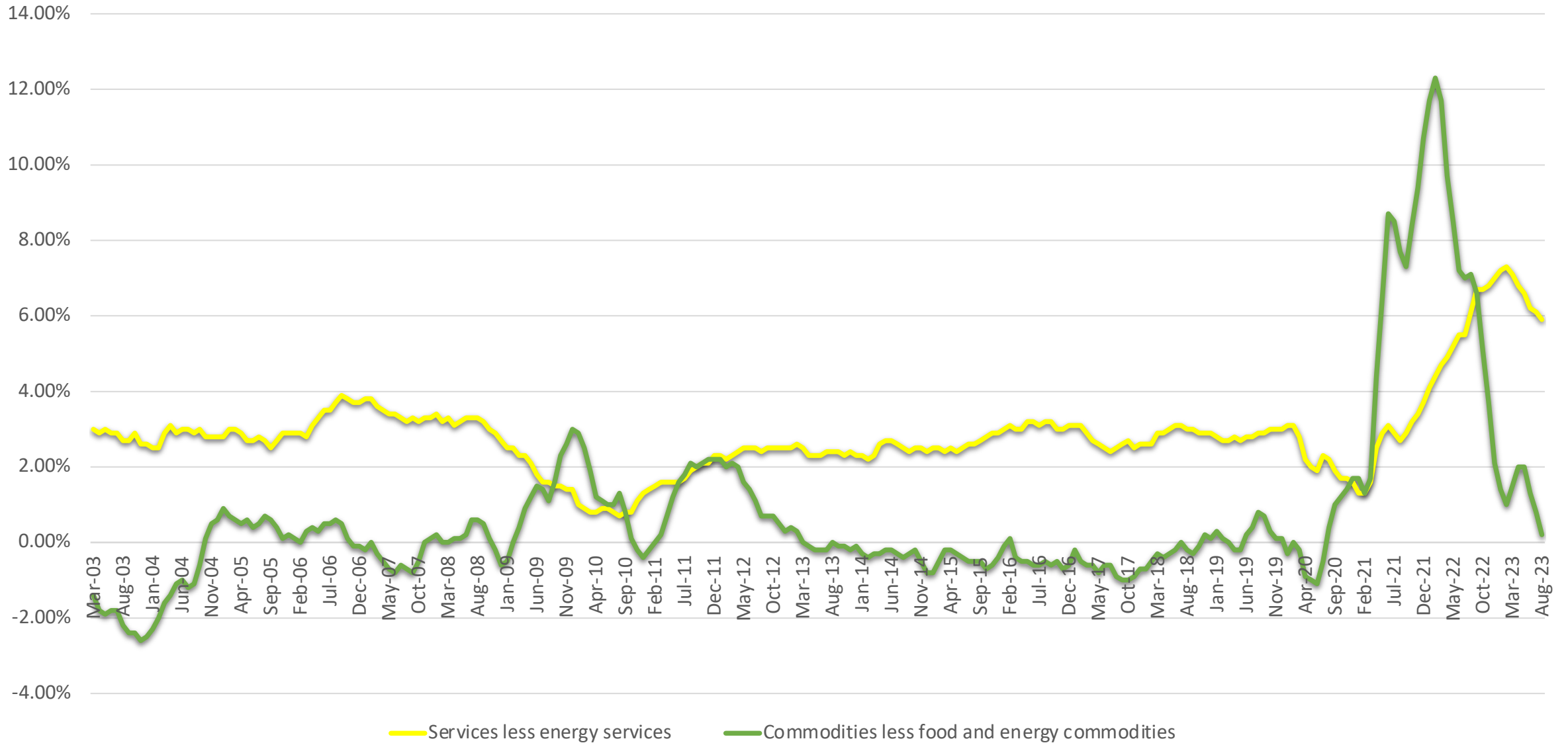
72 of the 100 largest U.S. cities have negative YoY rent growth through Aug. 2023



Fastest YoY Rent Decline:
Oakland, CA: -8.7%

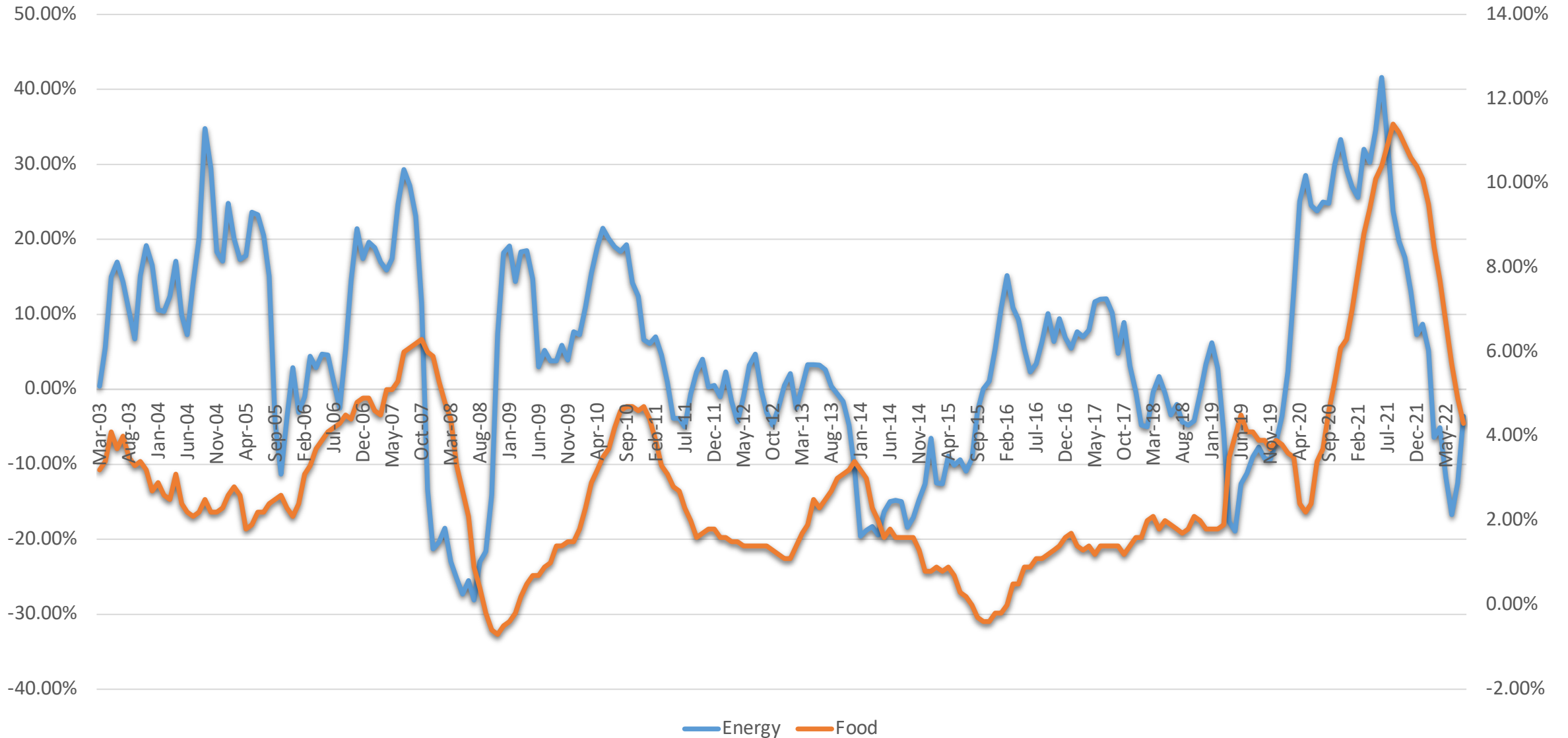
Source: Apartment List Rent Estimates
Data Available: www.apartmentlist.com/research/category/data-rent-estimates

Generally Headed The Right Direction



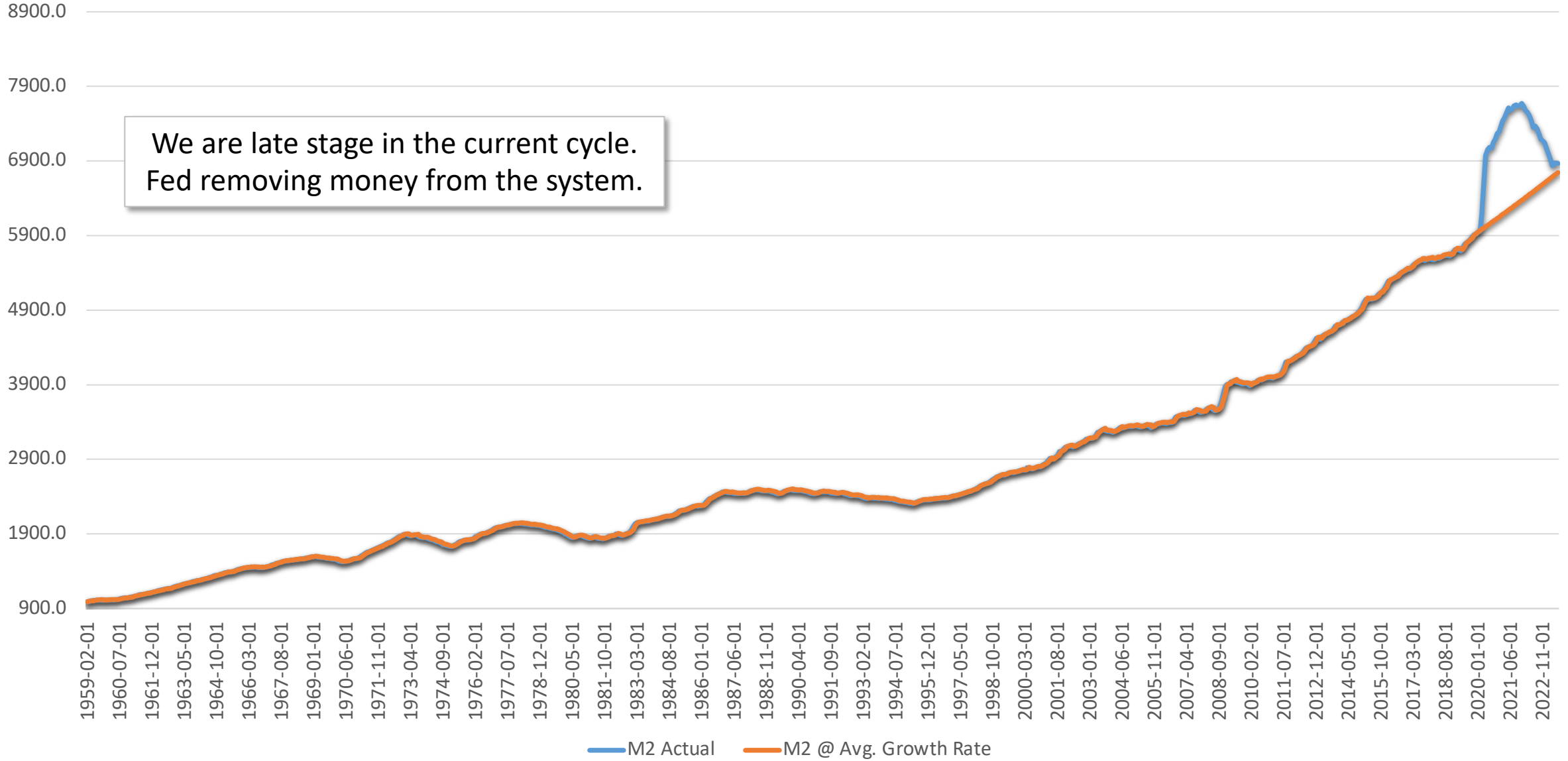
Source: U.S. Bureau of Labor Statistics

What about Food & Energy?



Source: U.S. Bureau of Labor Statistics

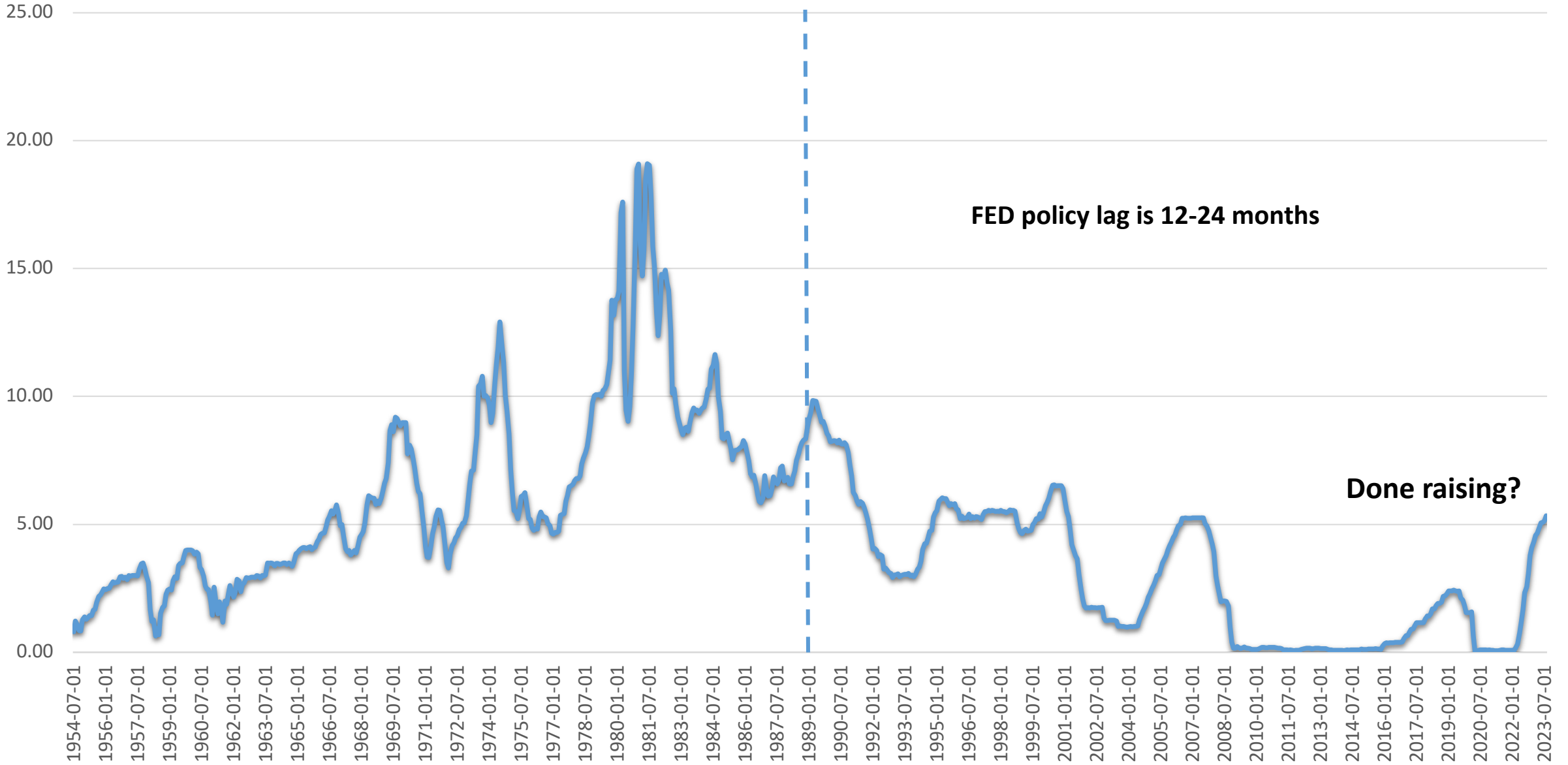
The Growth of Money Supply



We are late stage in the current cycle.
Fed removing money from the system.

— M2 Actual — M2 @ Avg. Growth Rate

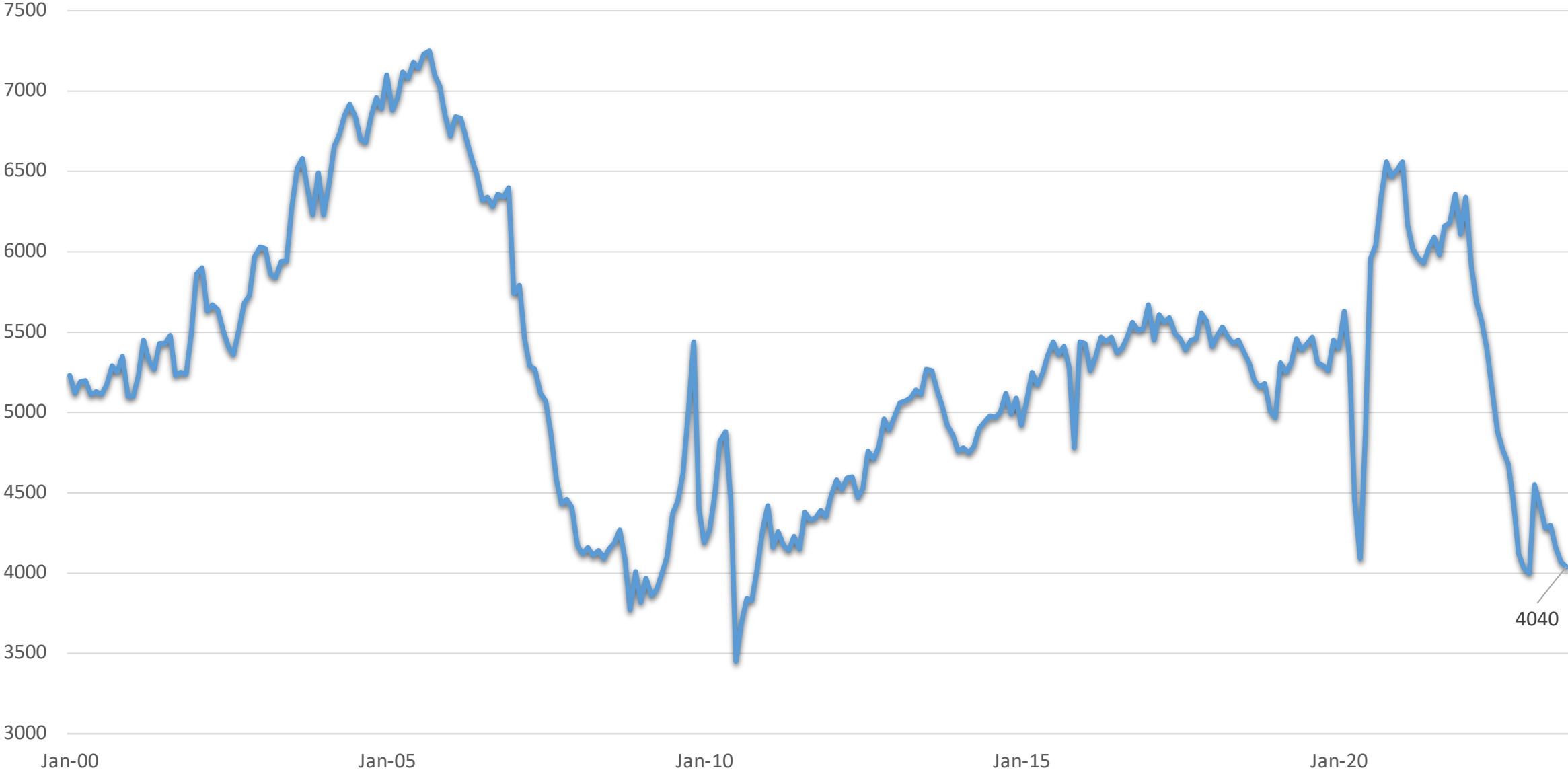
Fed Funds Effective Rate



FED policy lag is 12-24 months

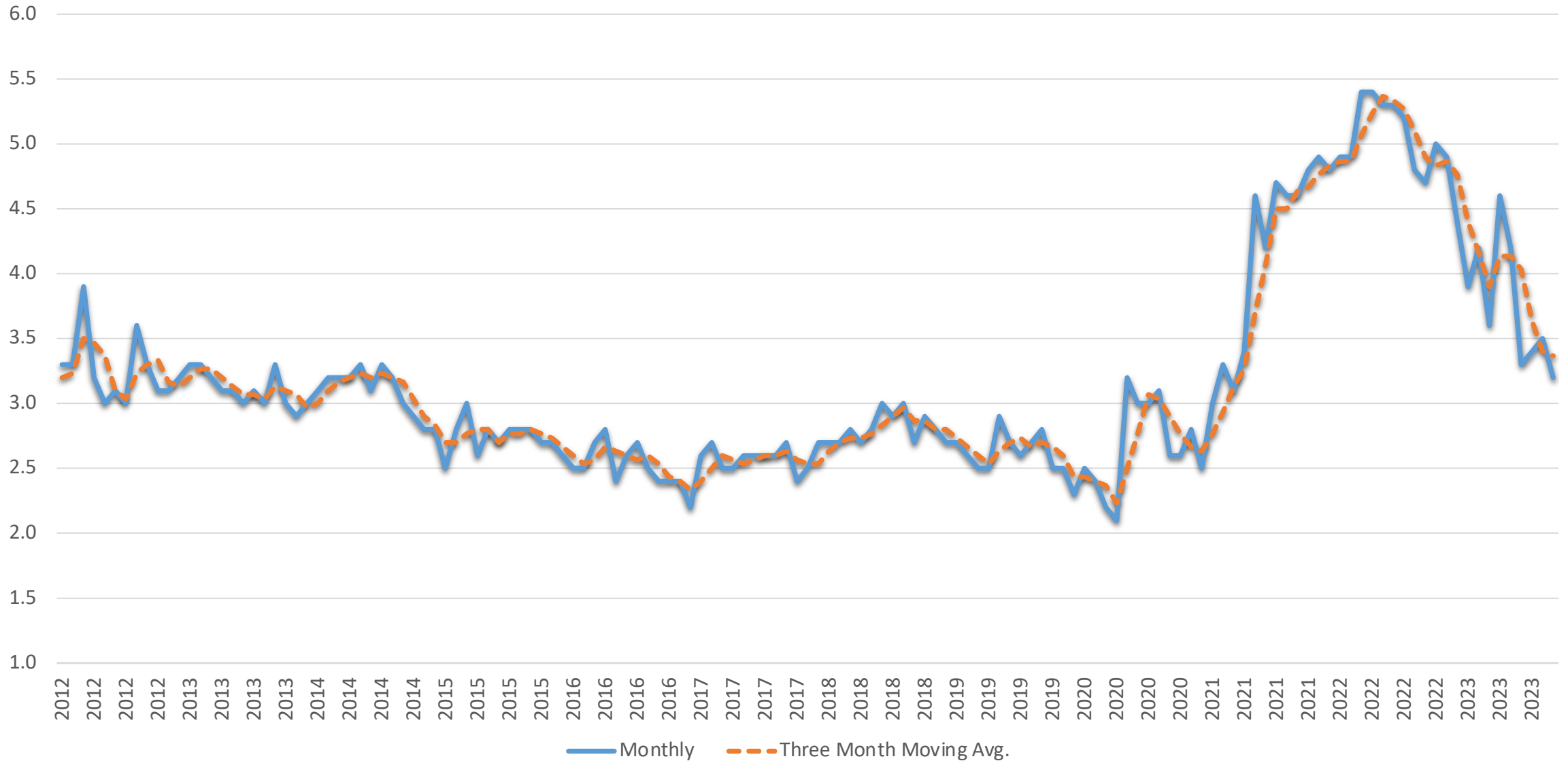
Done raising?

HOMES SALES SAAR

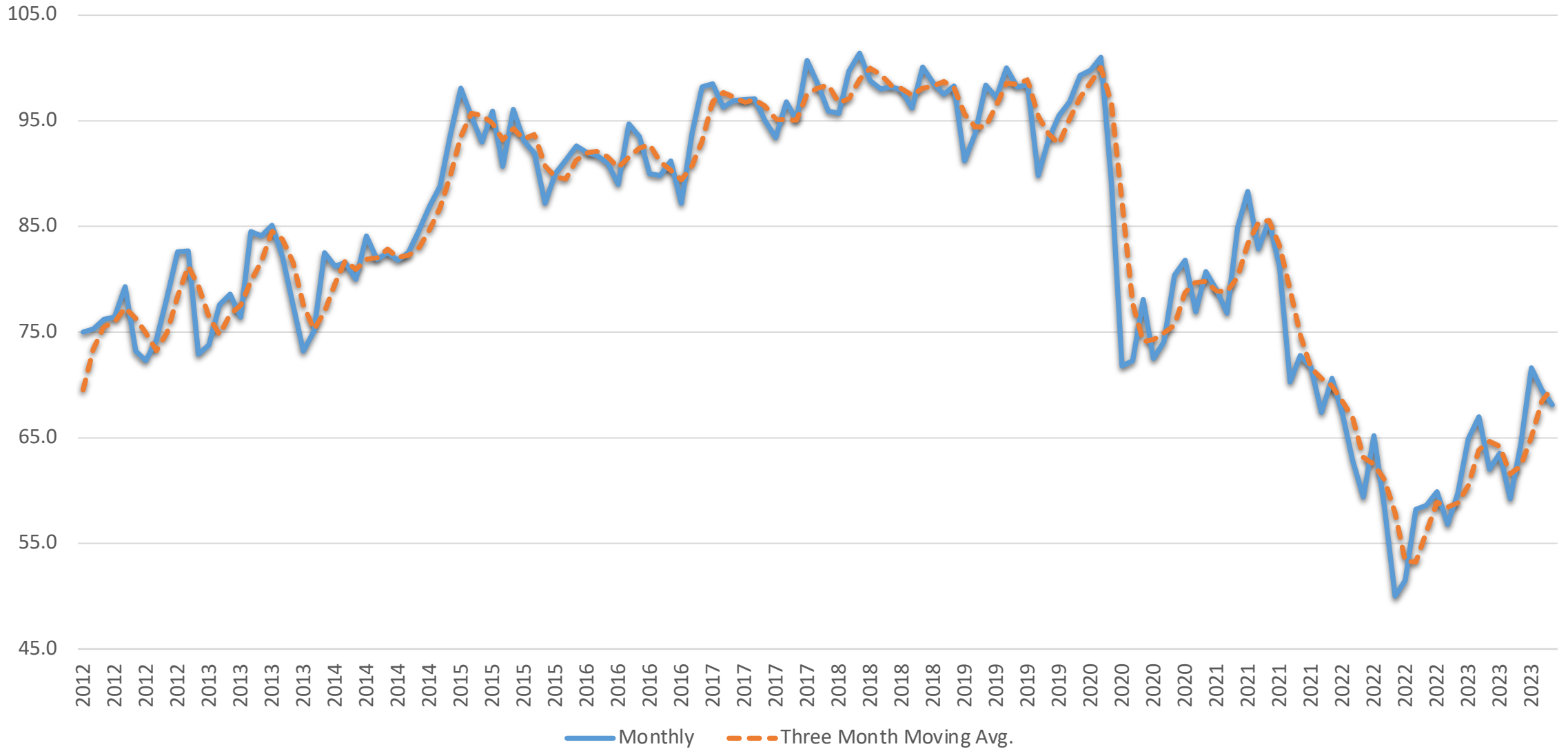


4040

Expected Change in Prices During the Next Year



University of Michigan - Index of Consumer Sentiment



Consumer Expectation (leads 12 mos) vs. Actual

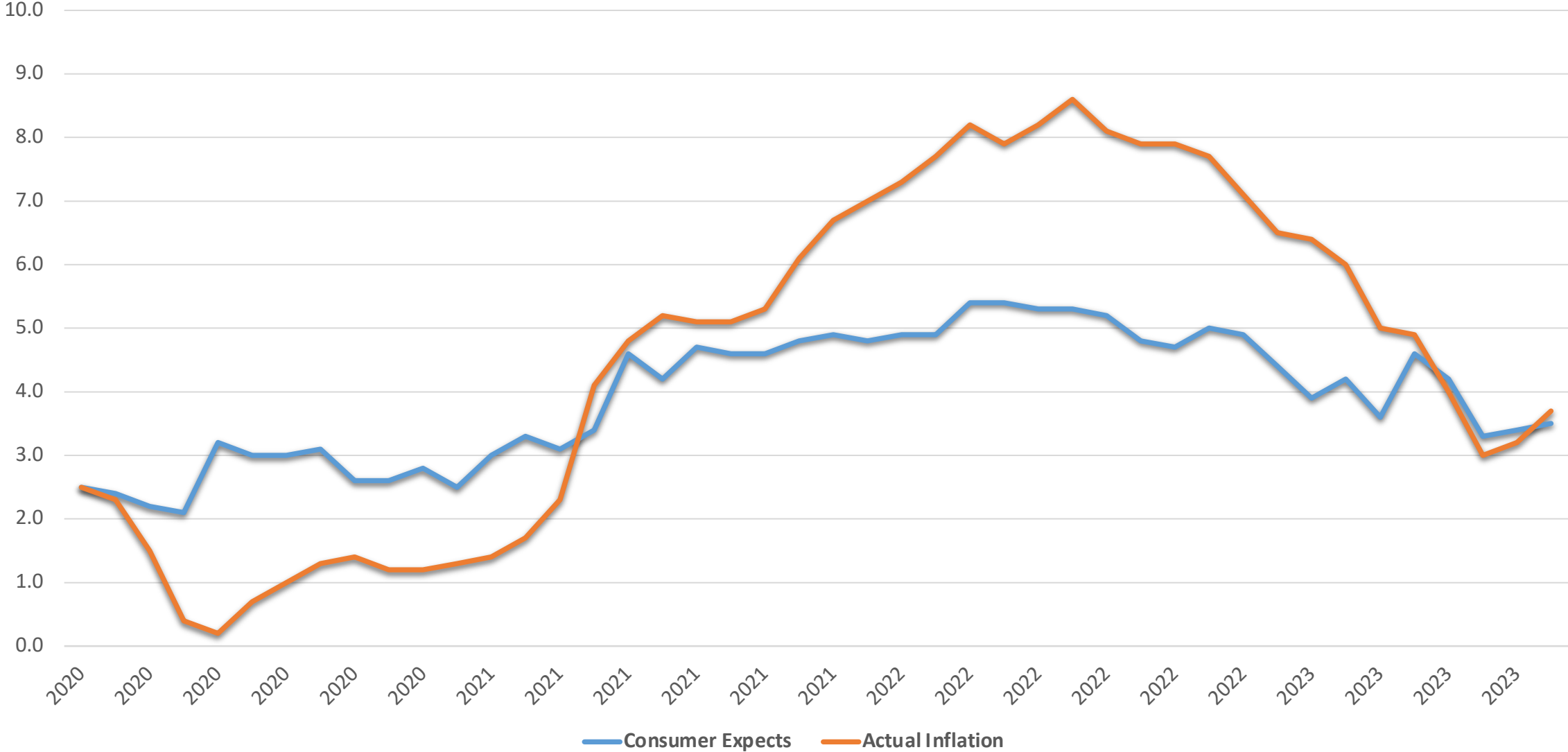
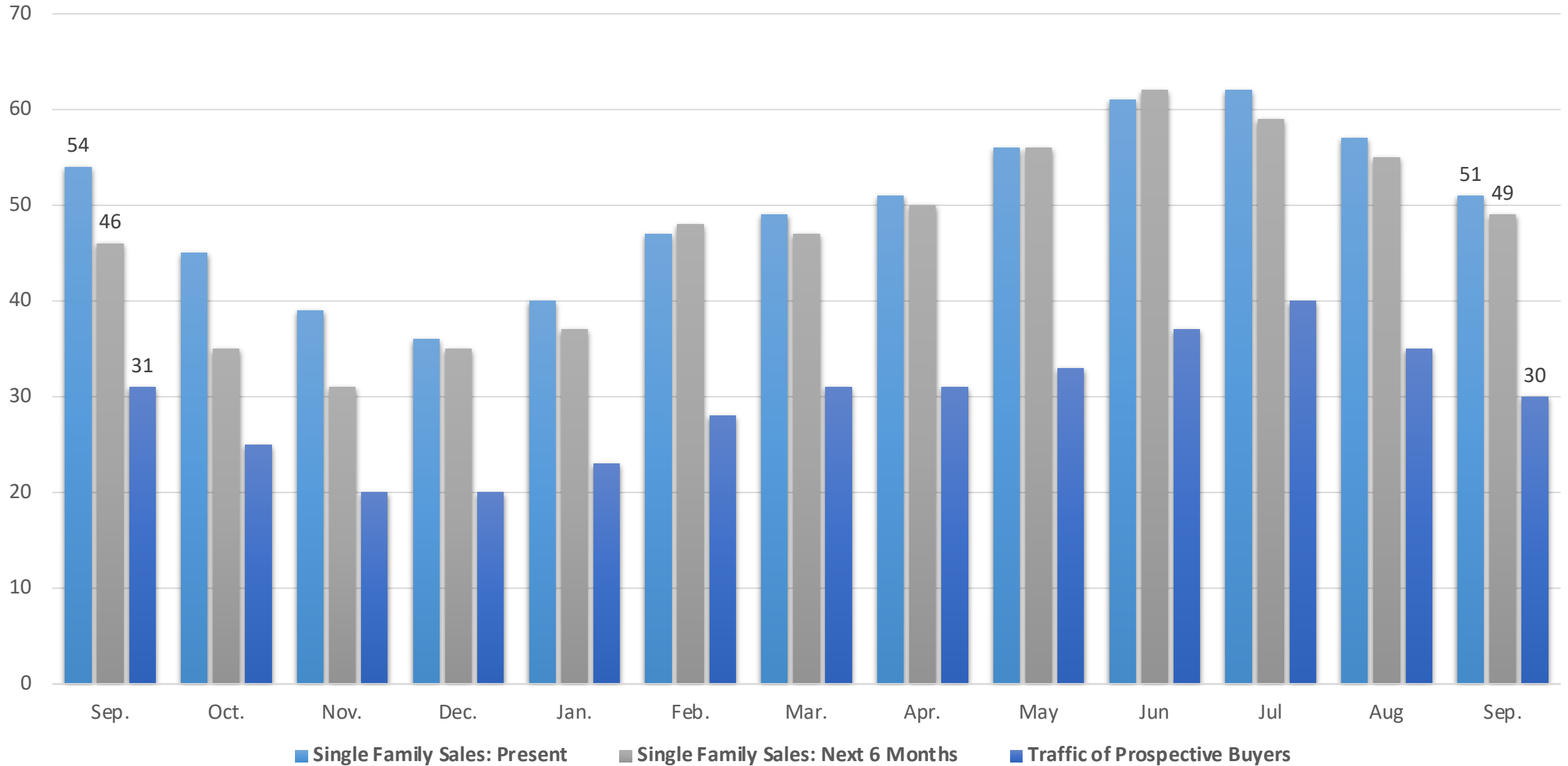
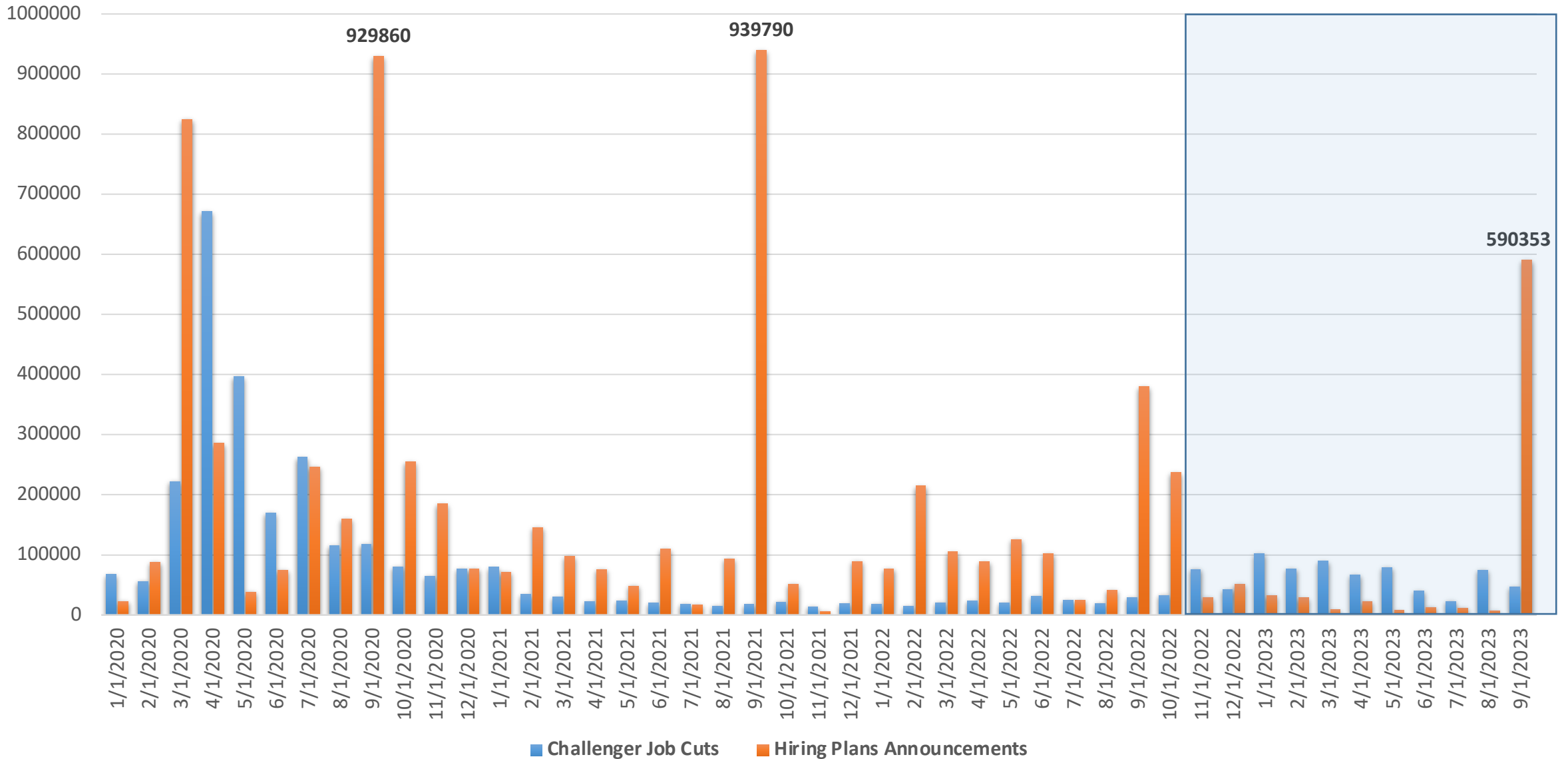


Chart source: University of Michigan

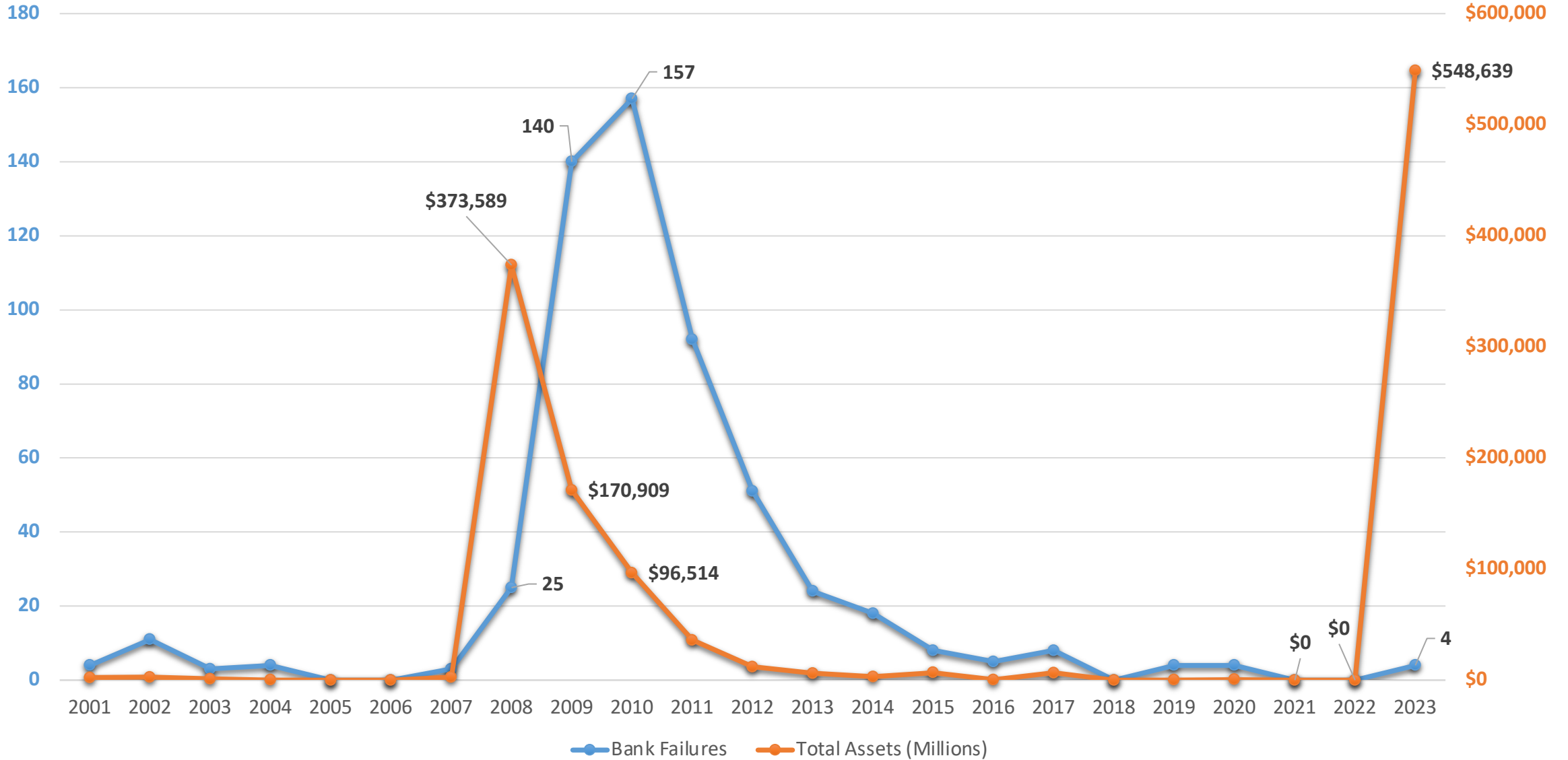
NAHB Housing Market Index Components (builder sentiment)



U.S. Employment Leading Indicators

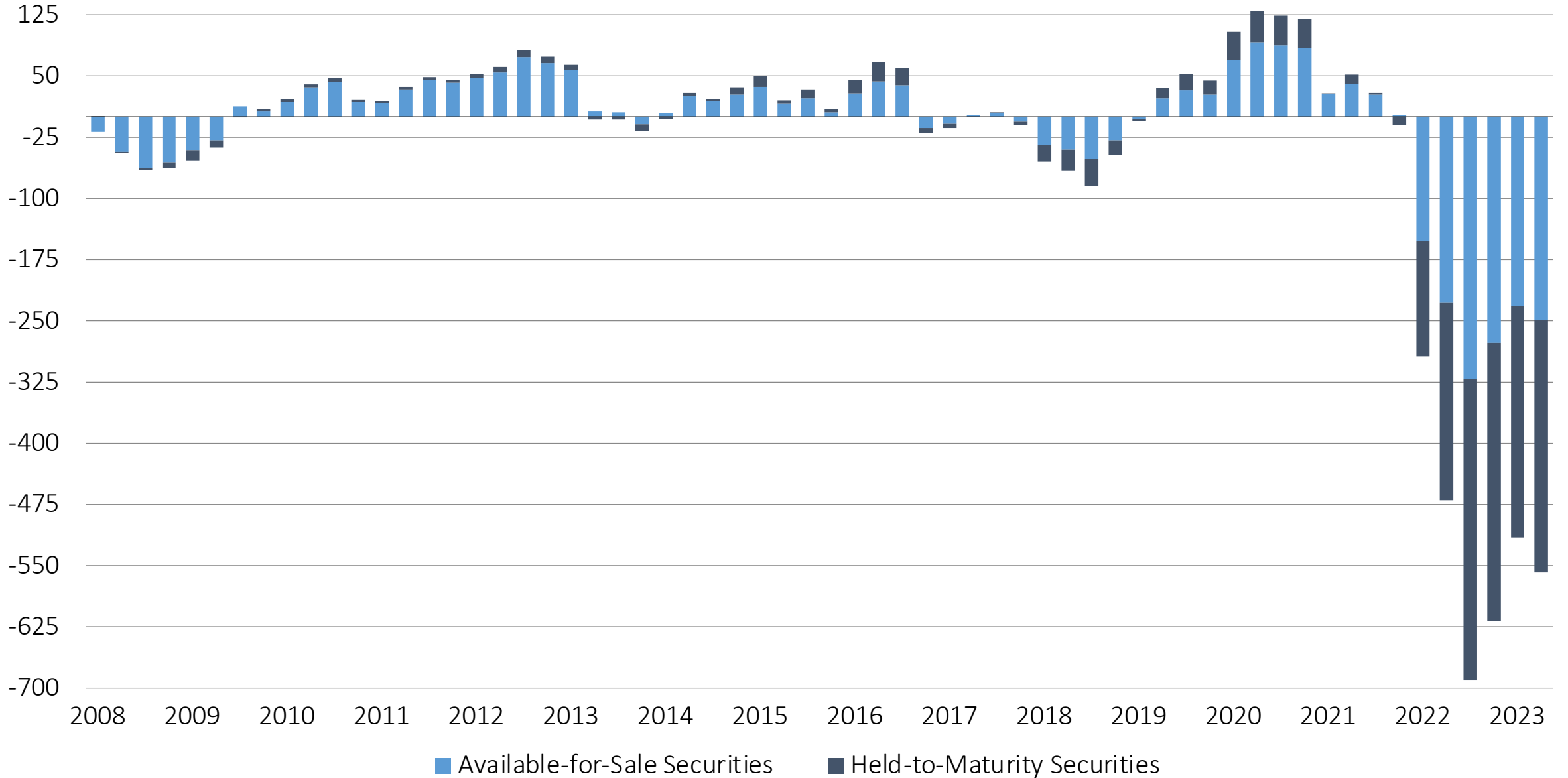


Bank Failures in Brief - 2001 through 2023

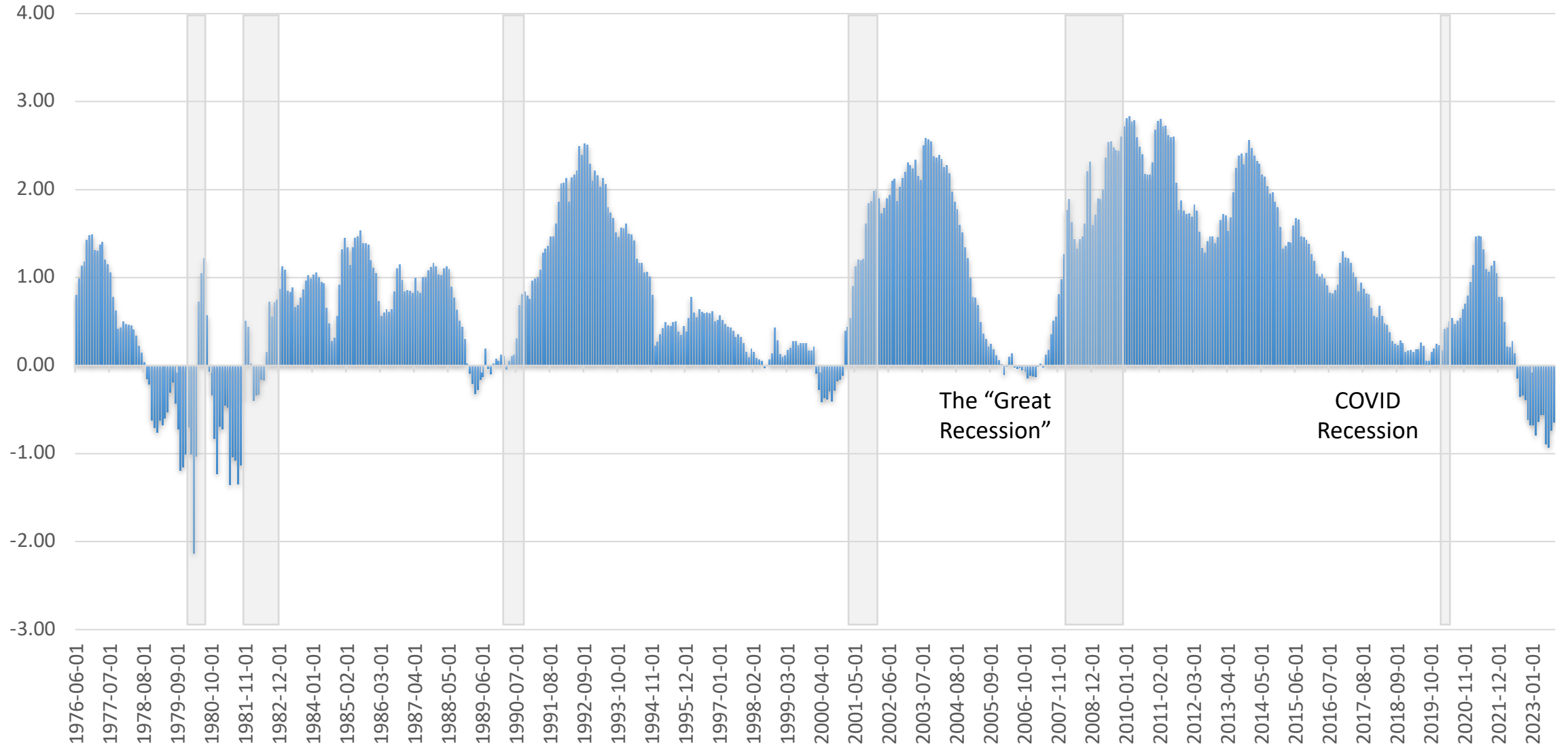


Unrealized Gains (Losses) on Investment Securities

\$ Billions



10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity,

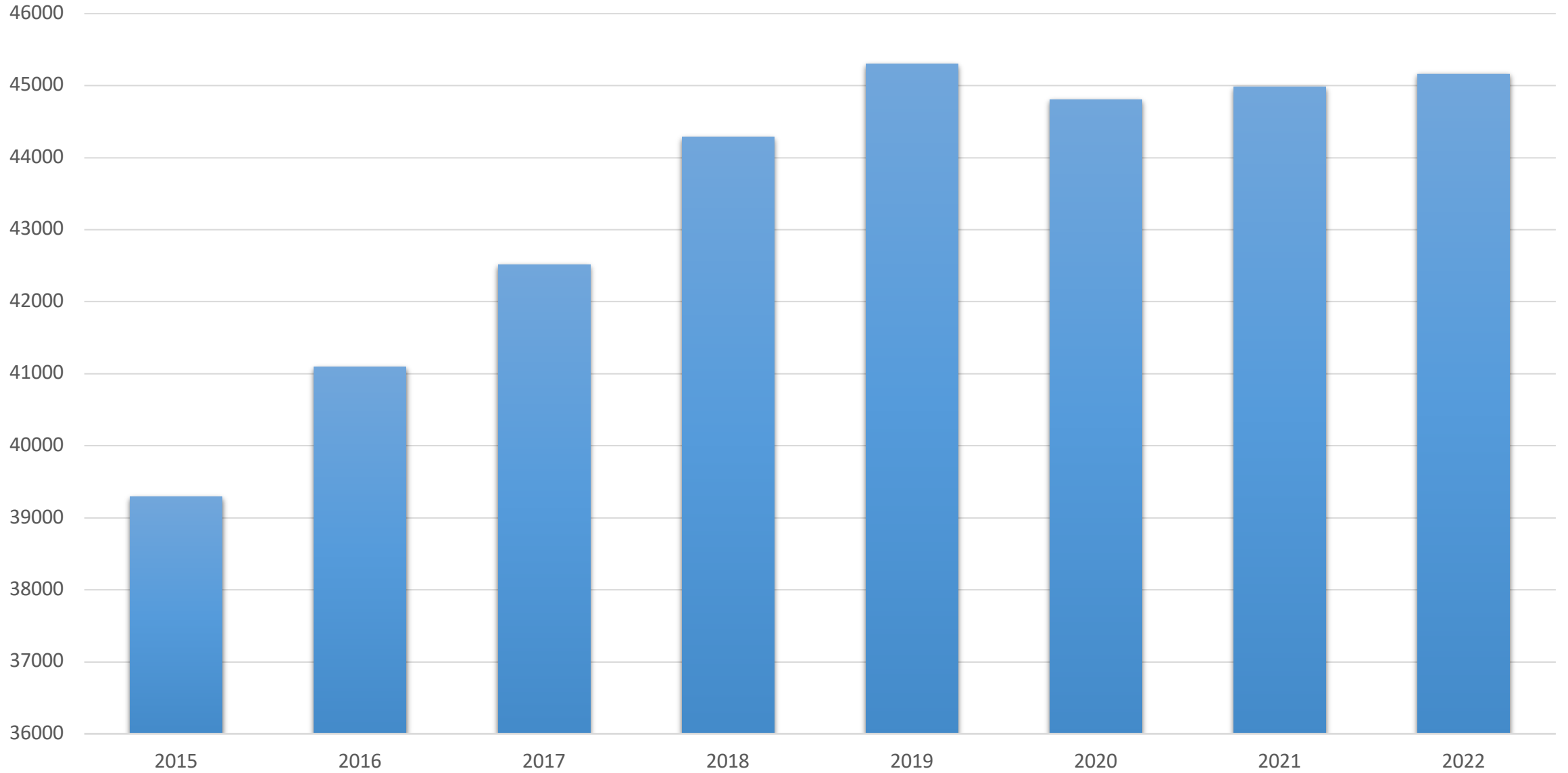


Bottom Line

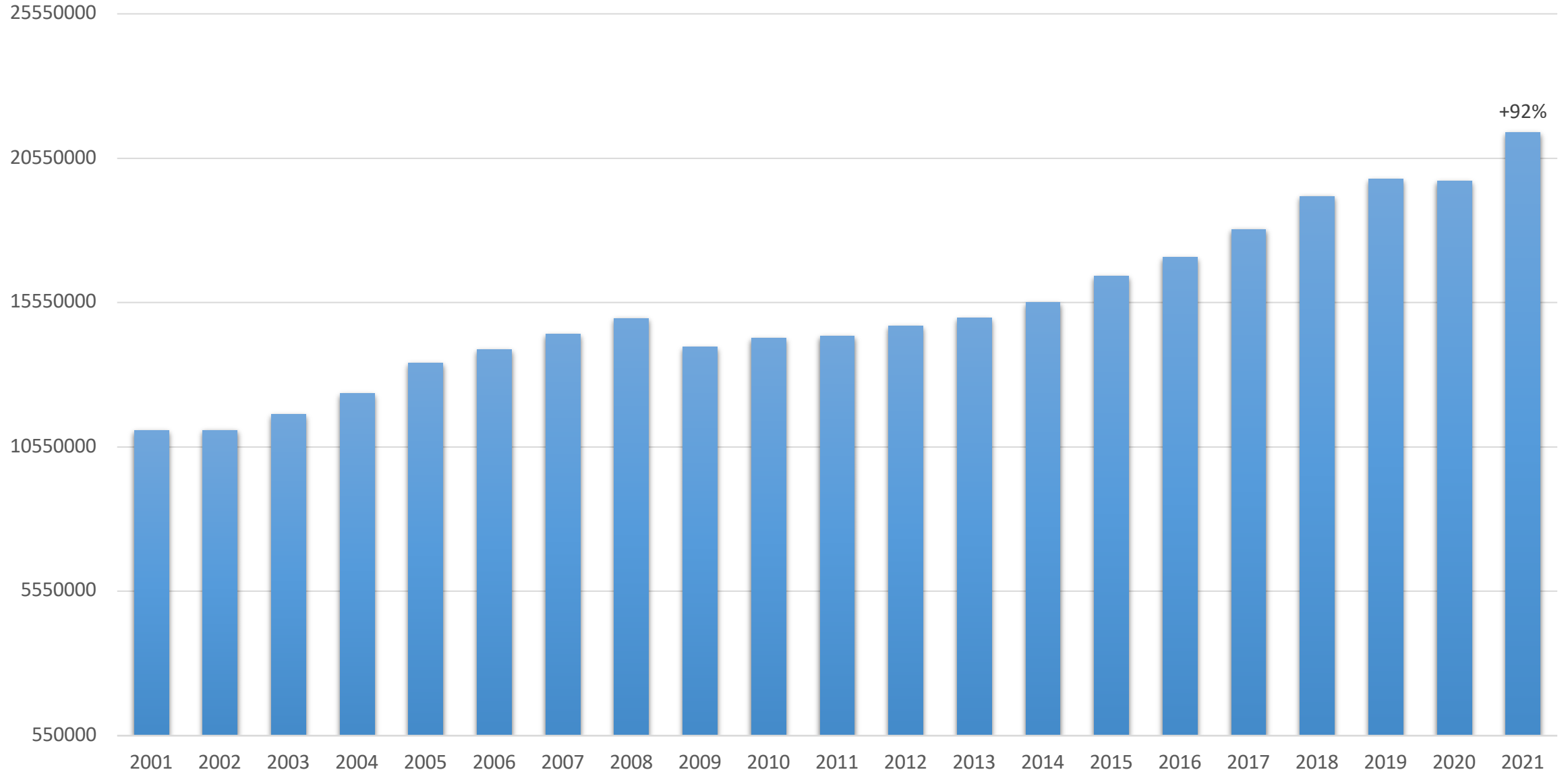
- Recession indicators are unclear – soft landing possible?
 - Monetary & Fiscal policy at odds – but now getting better (deficit spending a problem at current debt levels).
 - More rate increases to tame consumer prices? Seems a decreasing possibility.
 - Employment/job openings persistently high but moderating (both good and bad).
 - Housing prices are stable, but velocity & affordability are issues (pockets of price depreciation showing).
 - Banking system remains unstable.

STATE & COUNTY ECONOMY

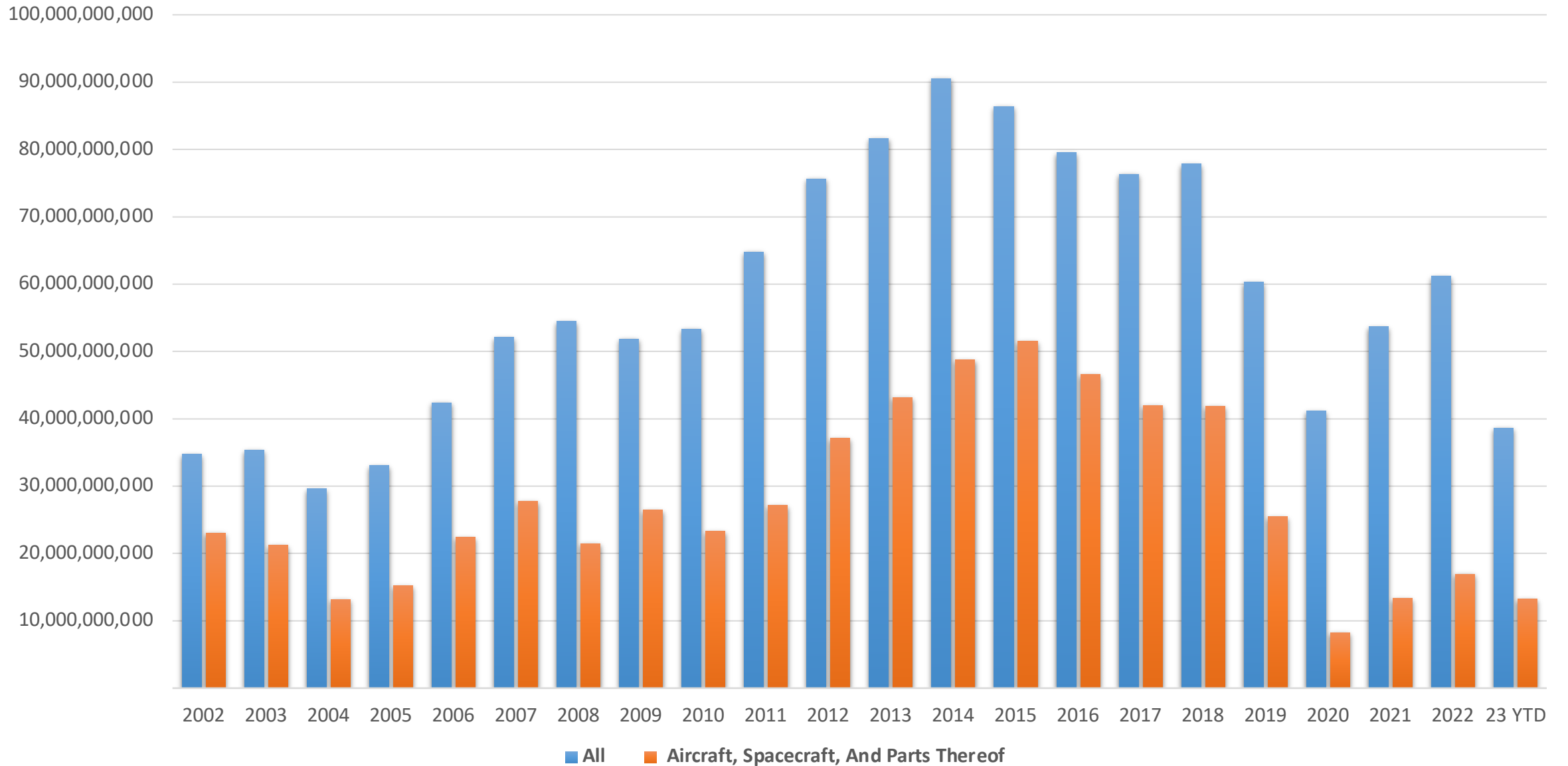
Washington State GDP - Millions/Annual



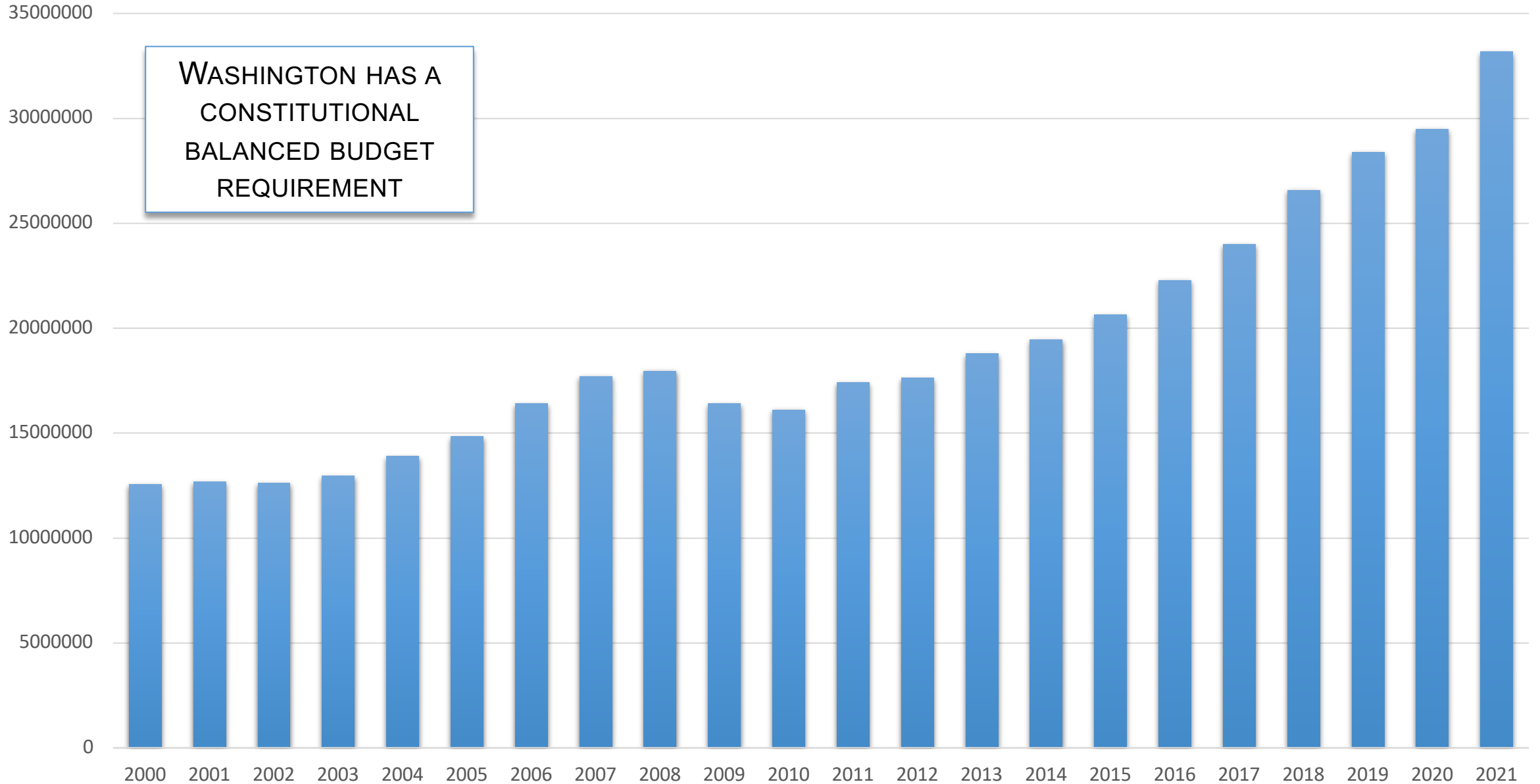
Clark County Real GDP (thousands of chained 2012 dollars)



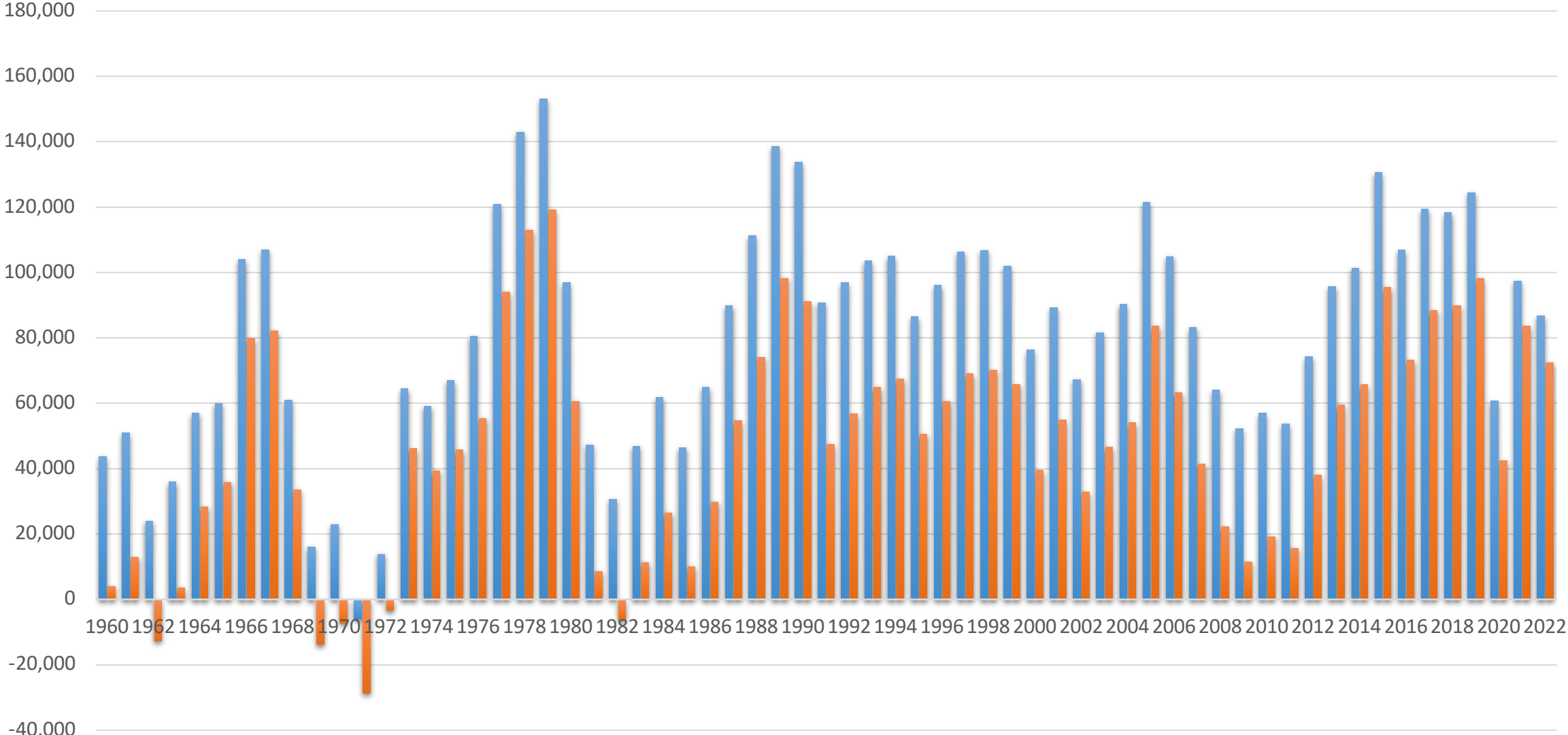
Washington State Exports



Washington State - Total Tax Collection

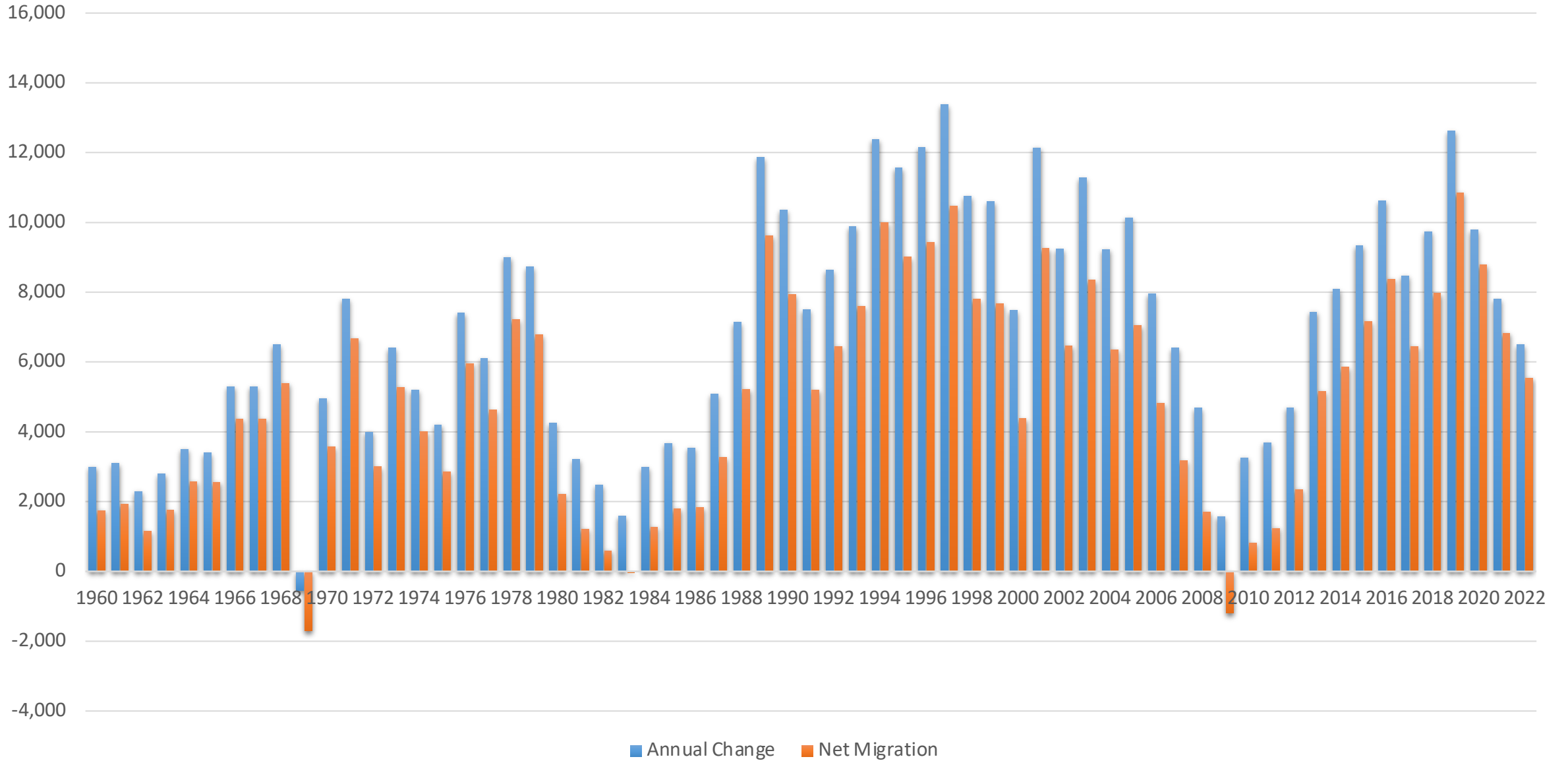


Population - Components of Change WA State

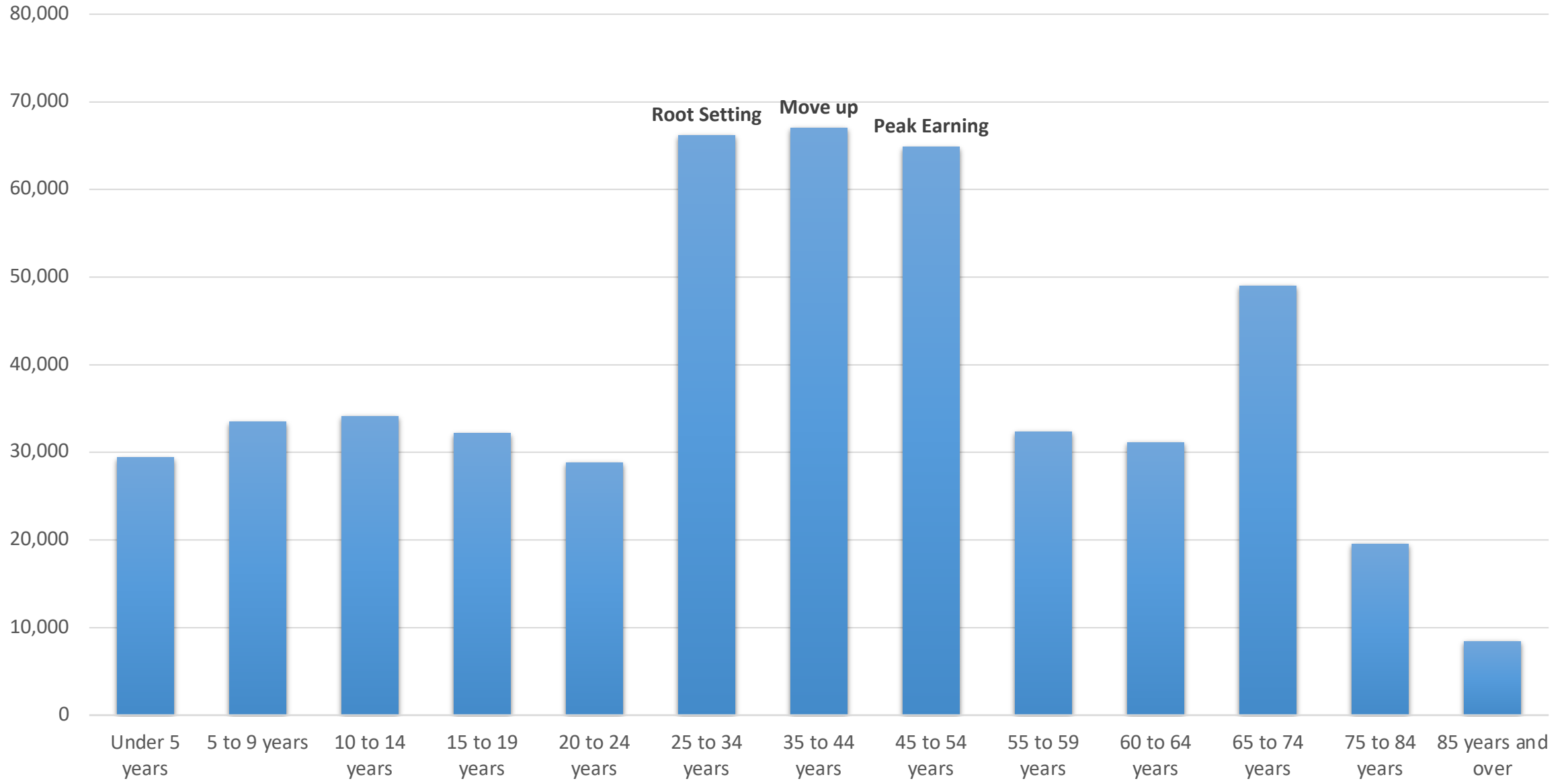


■ Annual Change ■ Net Migration

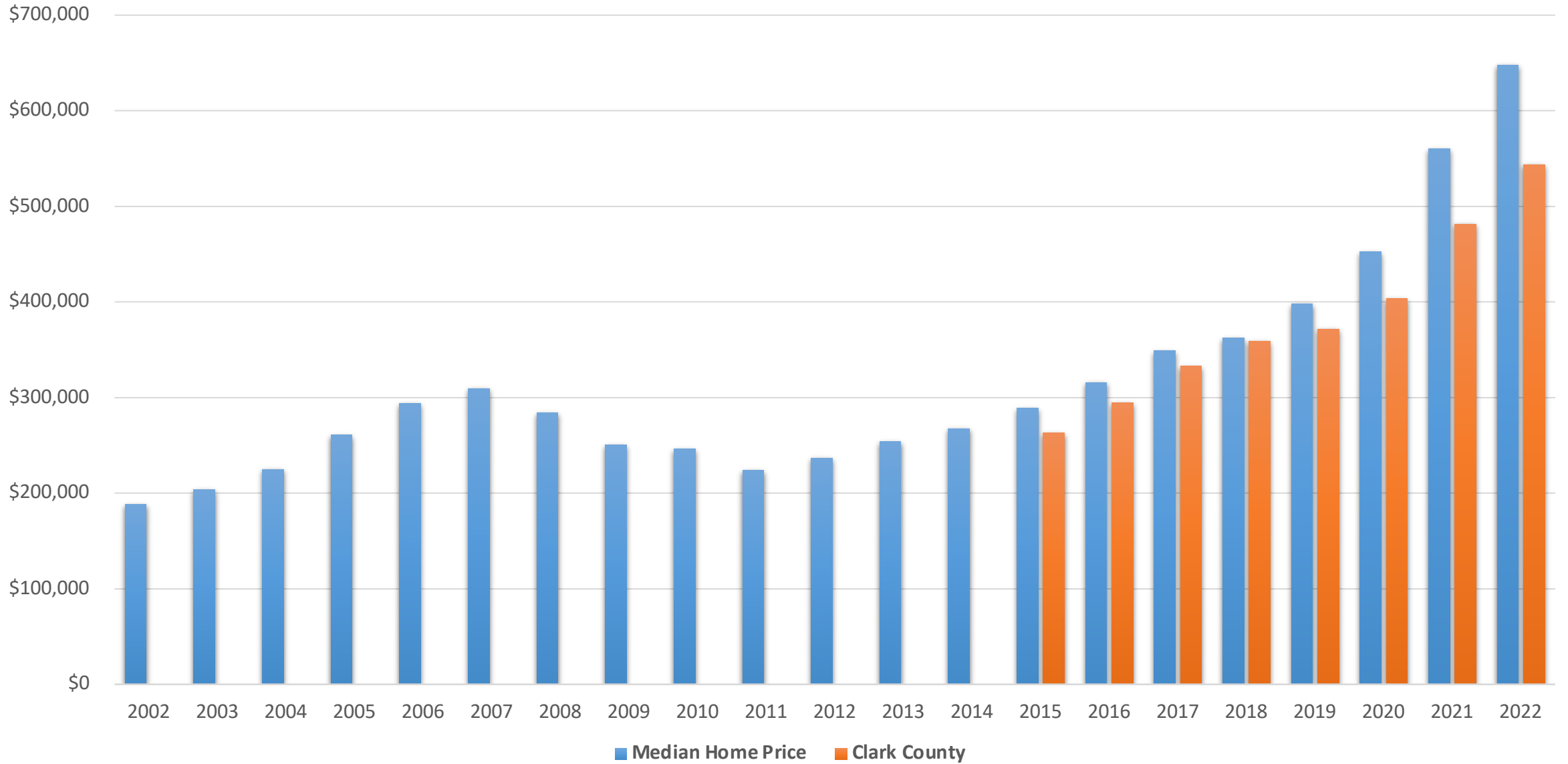
Population - Components of Change in Clark County



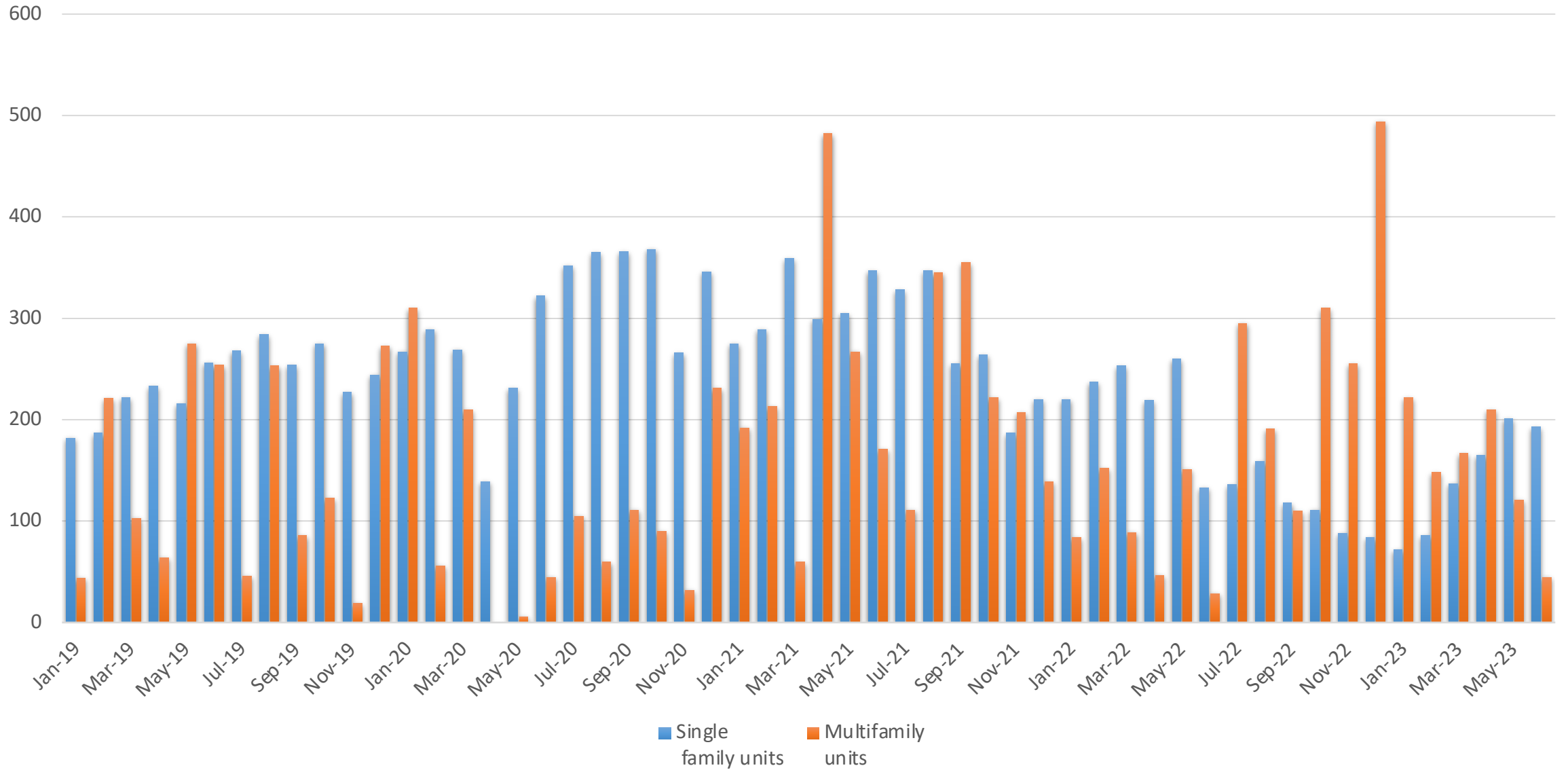
Clark County Demographics

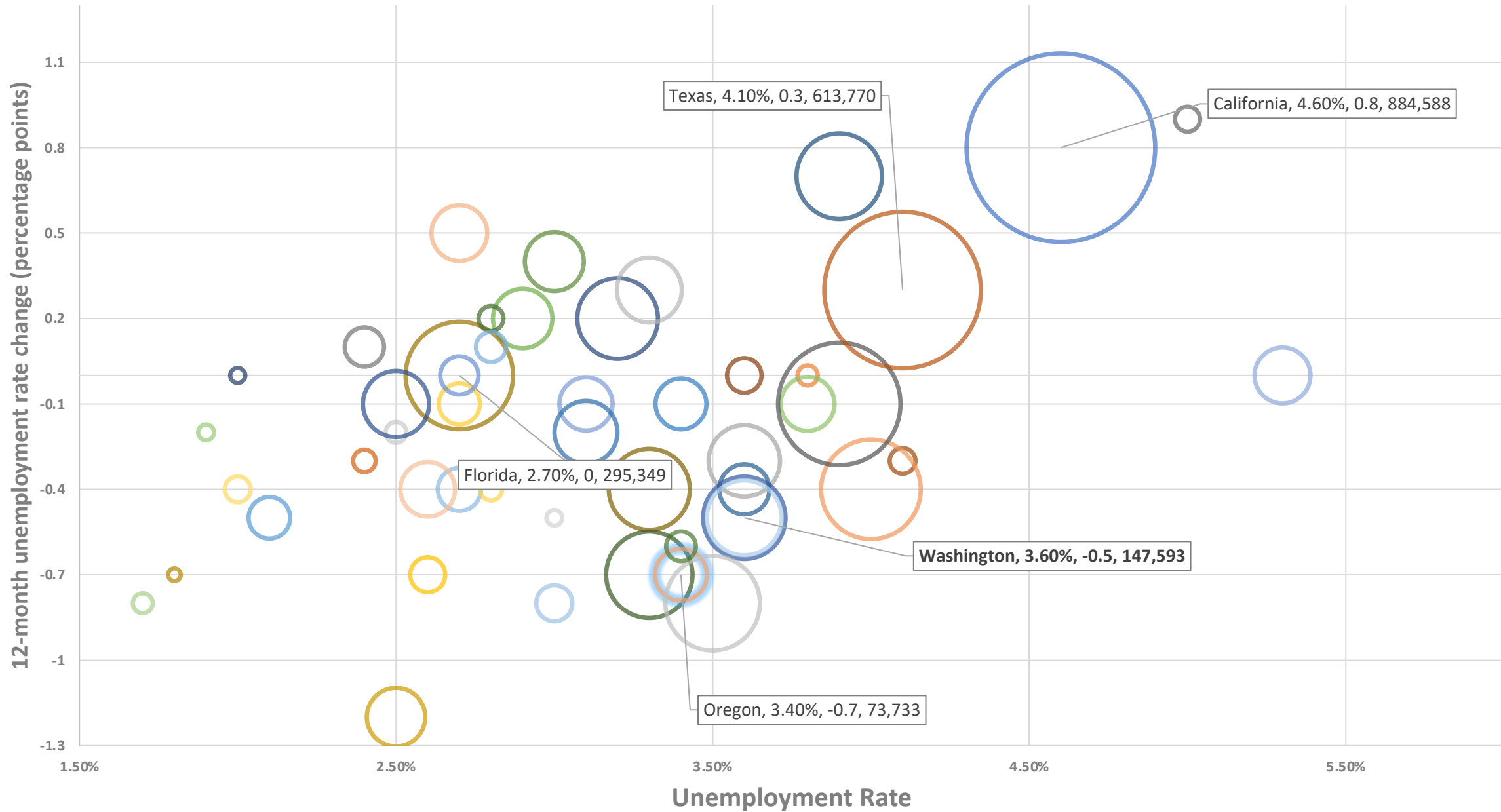


Median Home Price

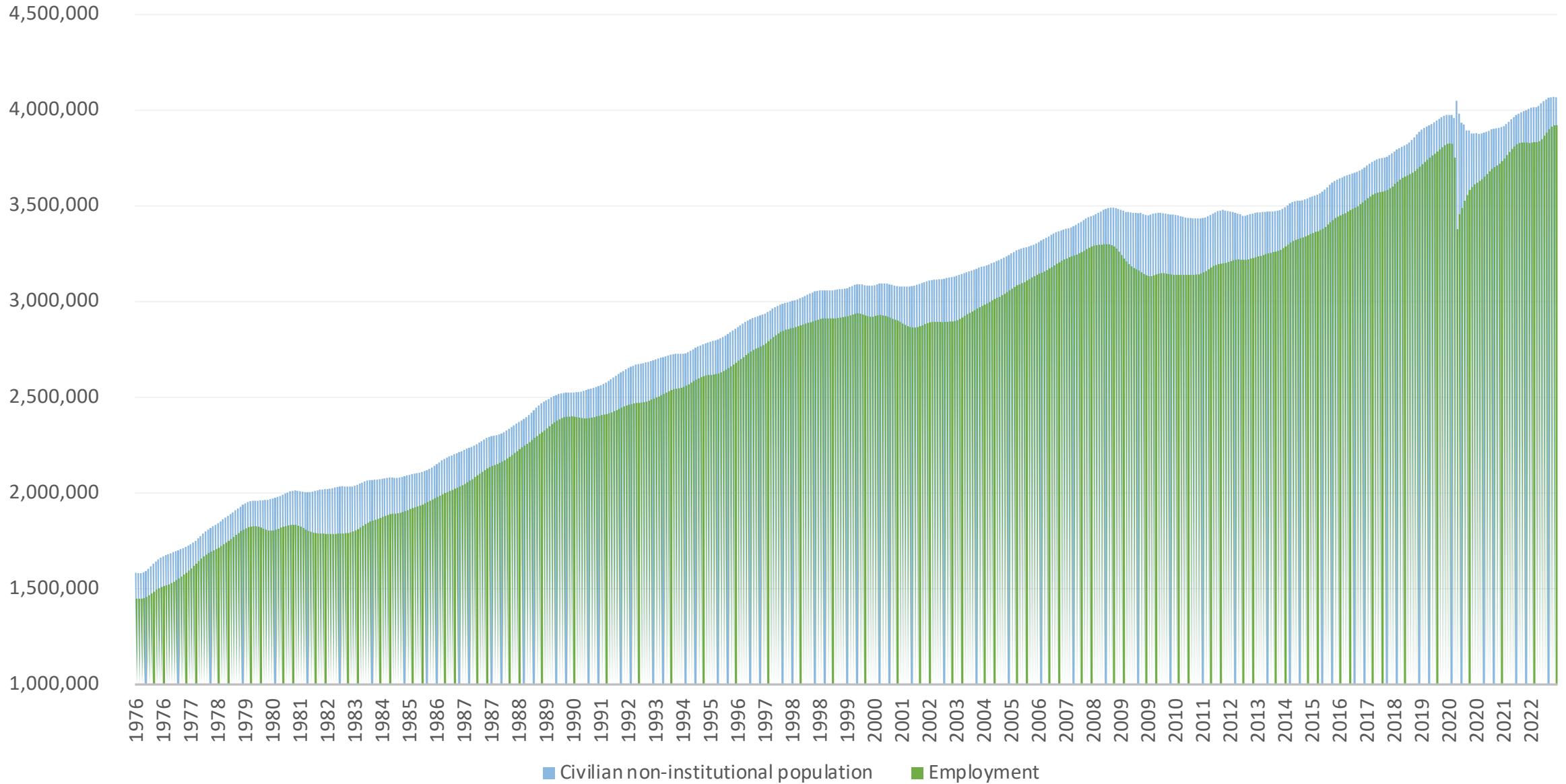


Clark County Building Permits

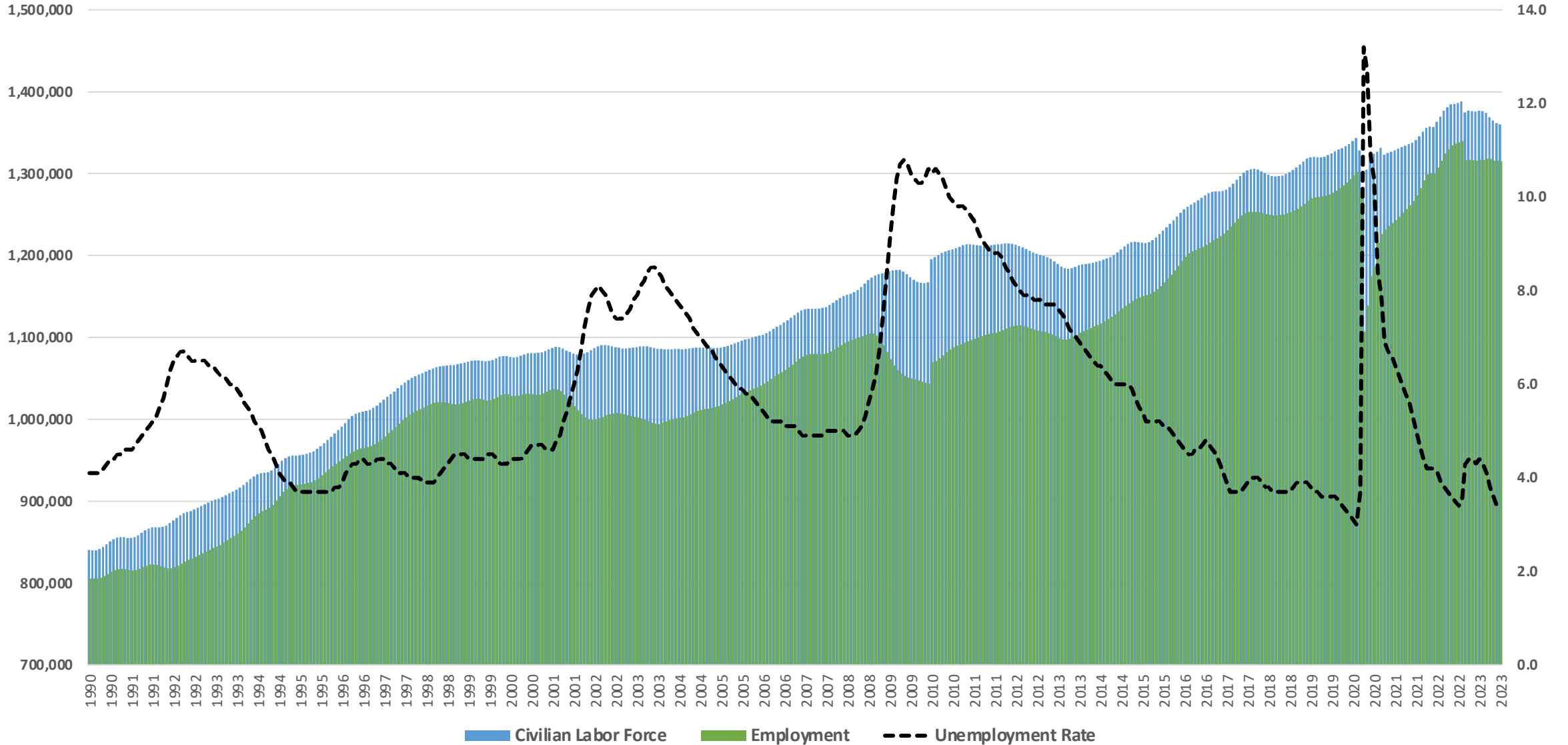




Washington State



Portland/Vancouver Metro Area



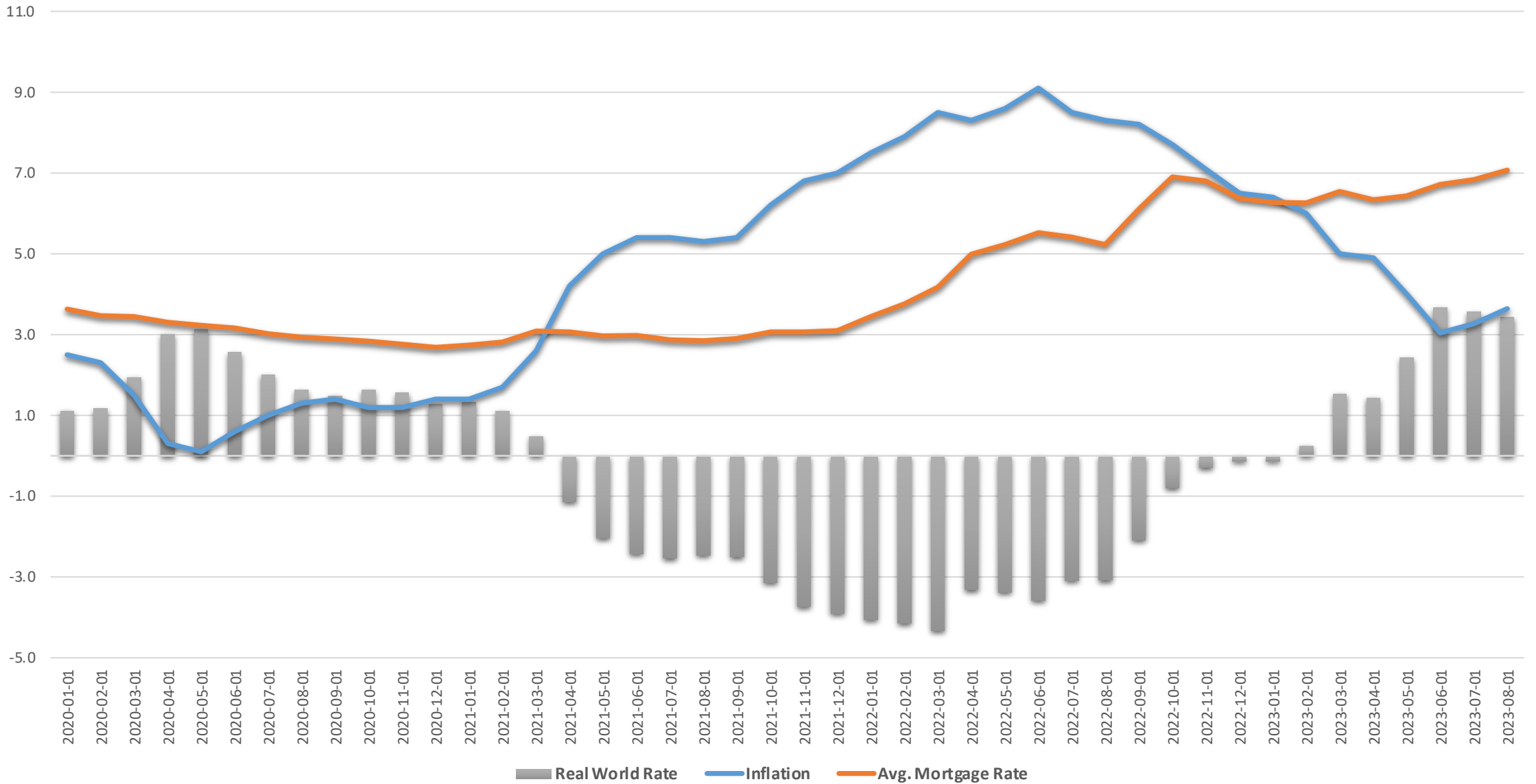
INTEREST RATES?

INTEREST RATES?

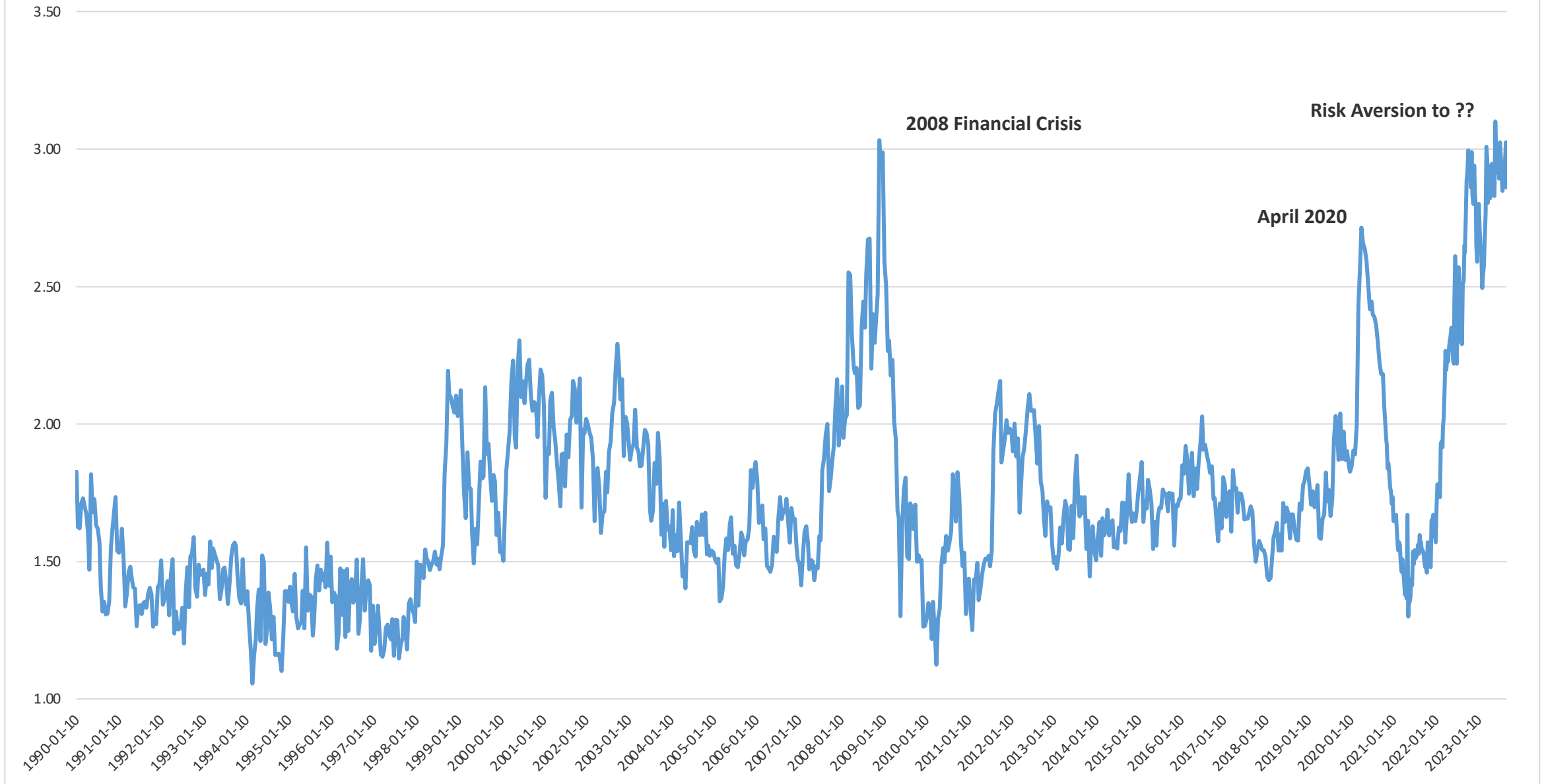
Average 30-year Mortgage Rate



Real World Interest Rates Stabilizing



Spread Between 30-year Mtg. Rate & 10-year Treasury - a Proxy for Risk

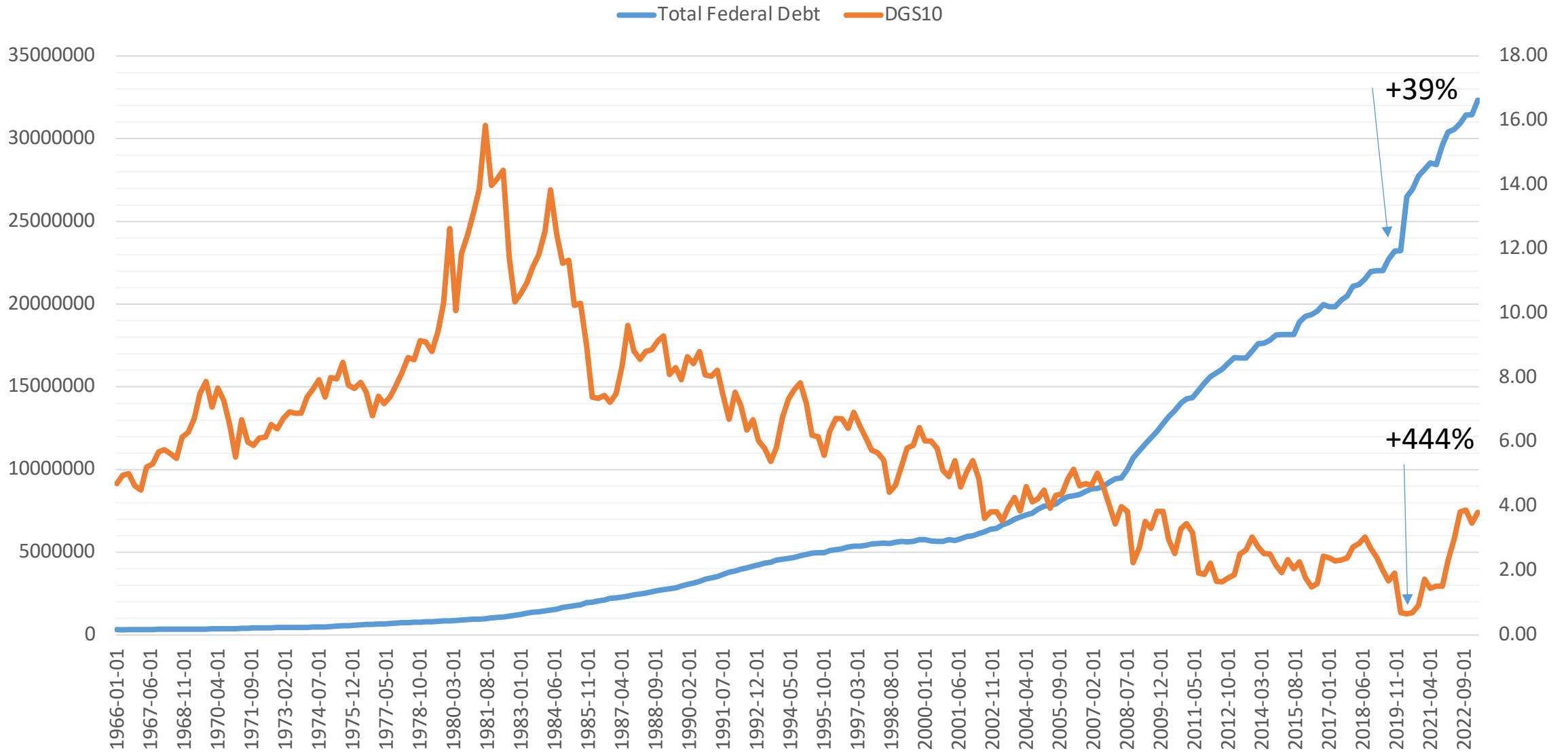


30-Year Rate Actual & At Average Spread From 10-year US Treasury

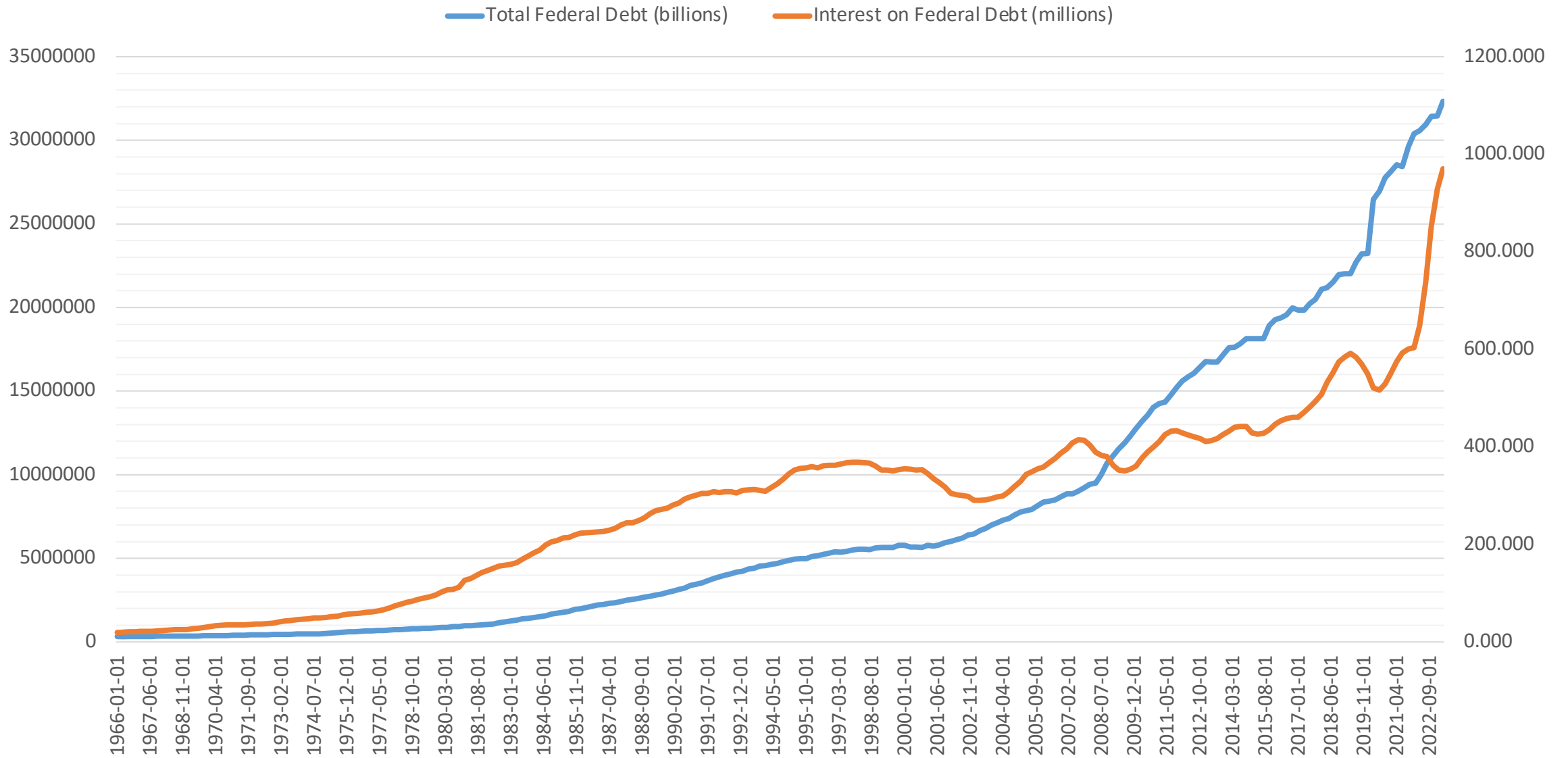


— Actual — At Avg. Spread

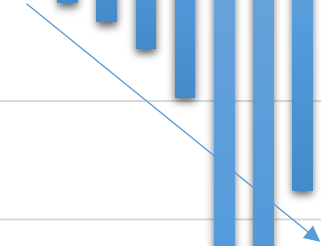
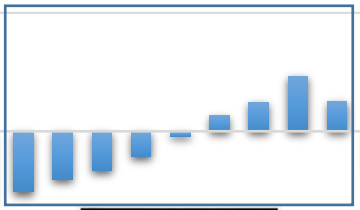
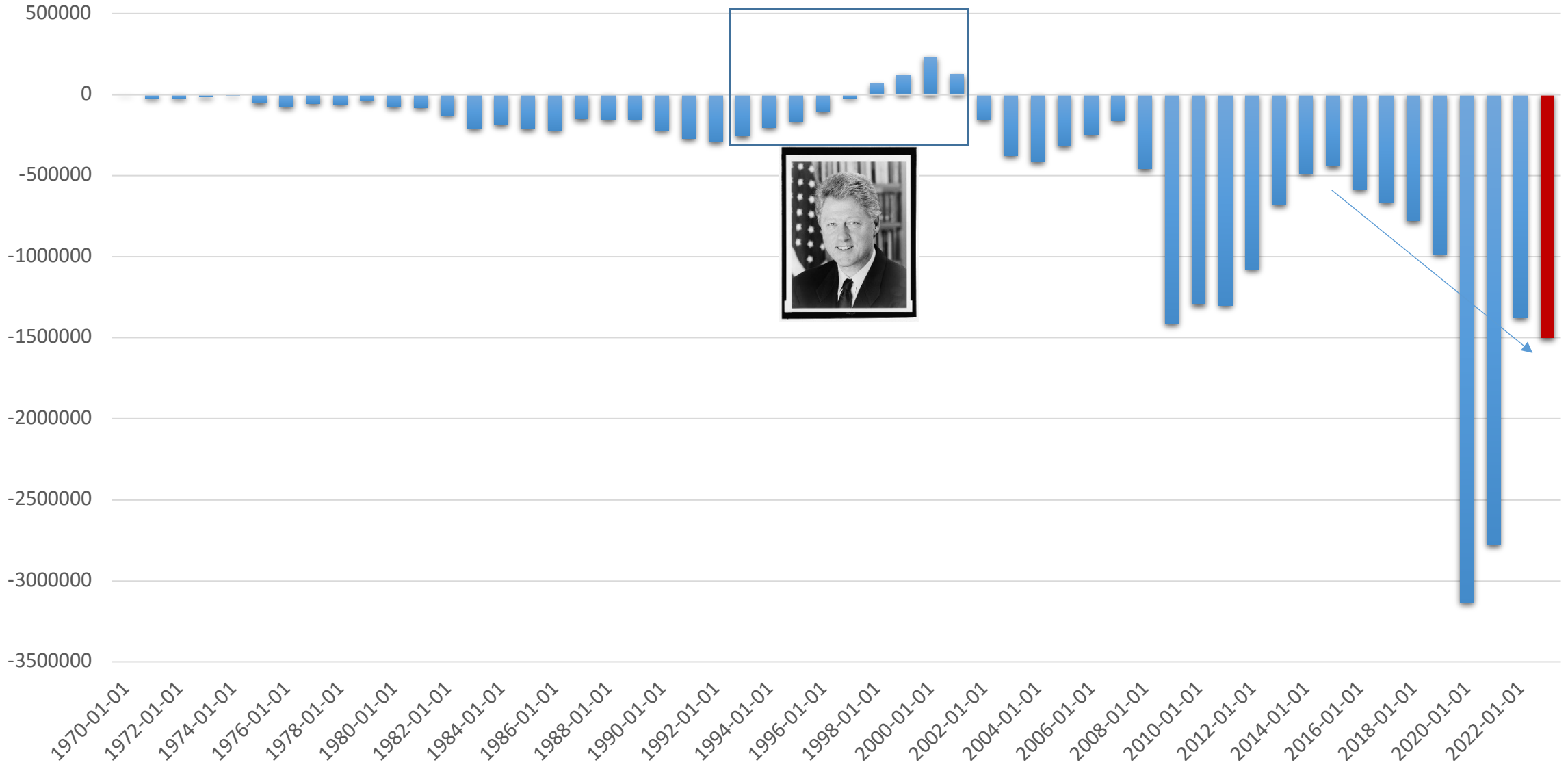
Growth in Debt & Interest Rate



FEDERAL DEBT



Federal Budget Deficit/Surplus (millions)



Source: Board of Governors of the Federal Reserve System (US)

30-Year Mtg. Rate – 2023 Year End

6.75% - 7.25%

Bottom Line – Market Drivers

- Structure remains > Cycle (provided the economy does not degrade significantly & inbound migration holds)
- Recession & the impact on employment ?
- Price appreciation will outpace inflation –
 - Appreciation moderates but outpaces inflation by EoY.
 - Velocity decreases additional 15-25% (no increase until rates moderate)
 - Inventory remains below LTA through 2024 but above 2020/21 lows
- Seasonal patterns amplified through 2023 & early 2024
- Demographics & household formation + net migration ?
- Fed Policy Lag Impact?
- Housing & Commercial Significantly Impaired

THANK YOU!

