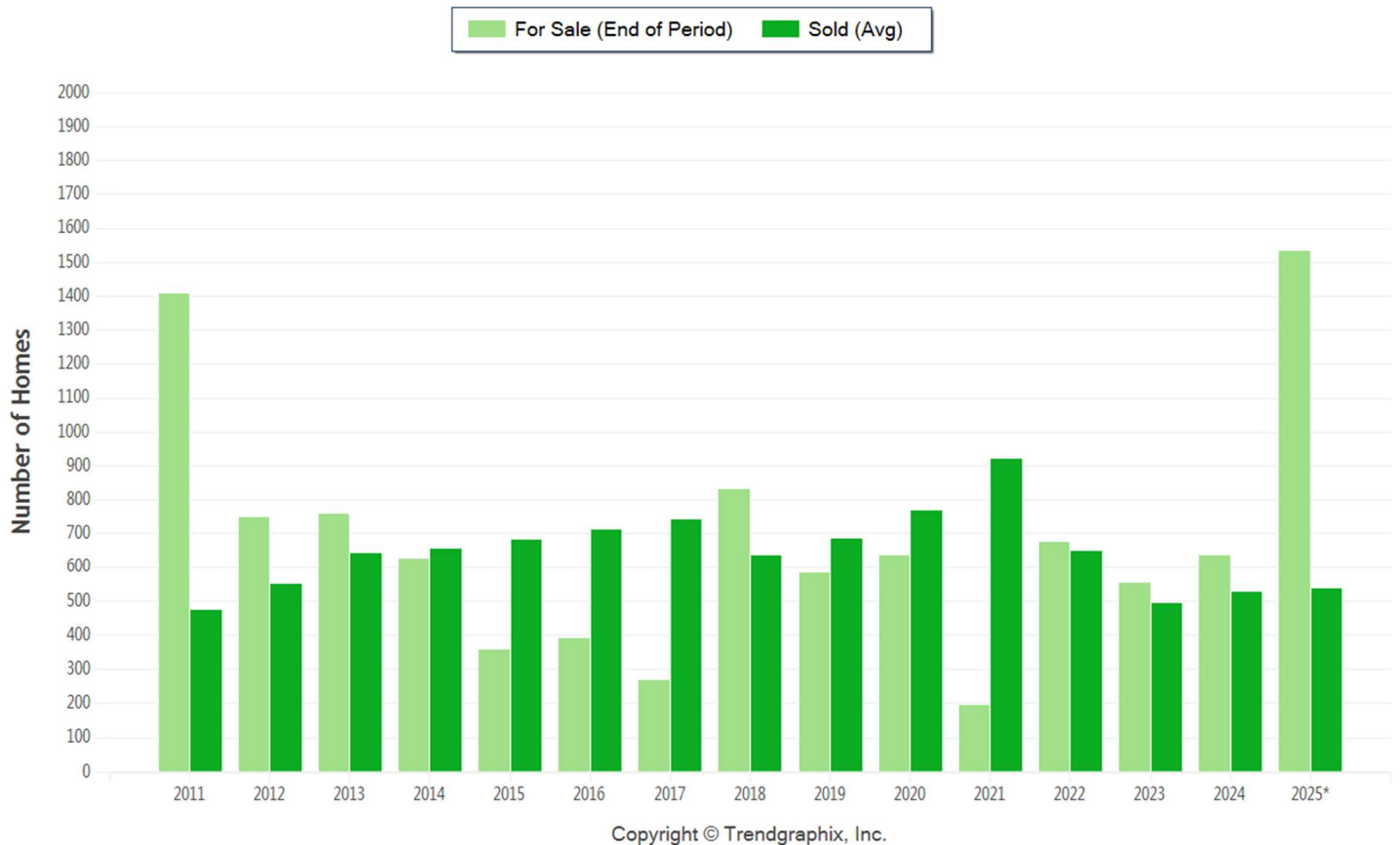


August 2025

“What’s past is prologue.”

-Shakespeare, *The Tempest*



2025 is not 2011

I was reviewing the above inventory report and was struck by how similar 2025 looks to 2011. If we can remember back then, it was a dark time. Bank-owned homes flooded the market, credit was tight, and people’s wealth was wobbling. That’s not the case today. It’s rare to find someone underwater on their home, and most have a large amount of equity. But could another Great Recession happen? Where home values plunge 30% or more?

Shocks Will Happen

It’s very human to get lulled into a false-sense of security. After a dozen years of low rates and price appreciation, people just assume that is how things are supposed to be. But we tend to underestimate rare events. For instance, 50 year floods happen every decade. It was unthinkable that Russia would

invade Ukraine (til they did, and then did again). And the Mariners were never going to win a World Series (Until this year. It's coming, guys.)

So, let's look at the Great Recession. What happened and what can we learn? When I look closely, the precursors of the Great Recession seem... basic? Easy credit, financial engineering, weak oversight. I mean, yawn. Compare that to the factors swirling in our cauldron now:

- Climate Change
- Global Leadership sans USA
- War
- Artificial Intelligence

I can easily imagine a scenario where A.I. displaces large amounts of jobs and suddenly we have a lot of people late on their mortgages. Or, maybe A.I. unleashes productivity and creates greater wealth and opens avenues for new work and possibilities. Maybe a combination of all that.

Does Real Estate Still Make Sense?

In times of uncertainty, here are the top investments people flock to:

1. US Treasuries – yes, but the attractiveness of USA's credit is being undermined.
2. Gold & Precious Metals – yes, but most people put 10% of their wealth in this at a maximum.
3. Cash/Equivalents – yes, if you just want to keep pace with inflation.
4. Value Stocks – agree
5. Real Estate – bingo!

Here's a short list of why real estate does well in uncertainty:

- Great hedge against inflation
- Physical asset that holds value
- Provides housing security

Summary

- 2011 was a tough time but we're not there
- 2025 faces even scarier uncertainty than in 2011
- Owning real estate is still a good plan

See you next month! Go Mariners!

Lucas