

Things Are Looking Up After the Economic Hurricane An Economic and Real Estate Outlook for 2014

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Stewart Title Guaranty Company

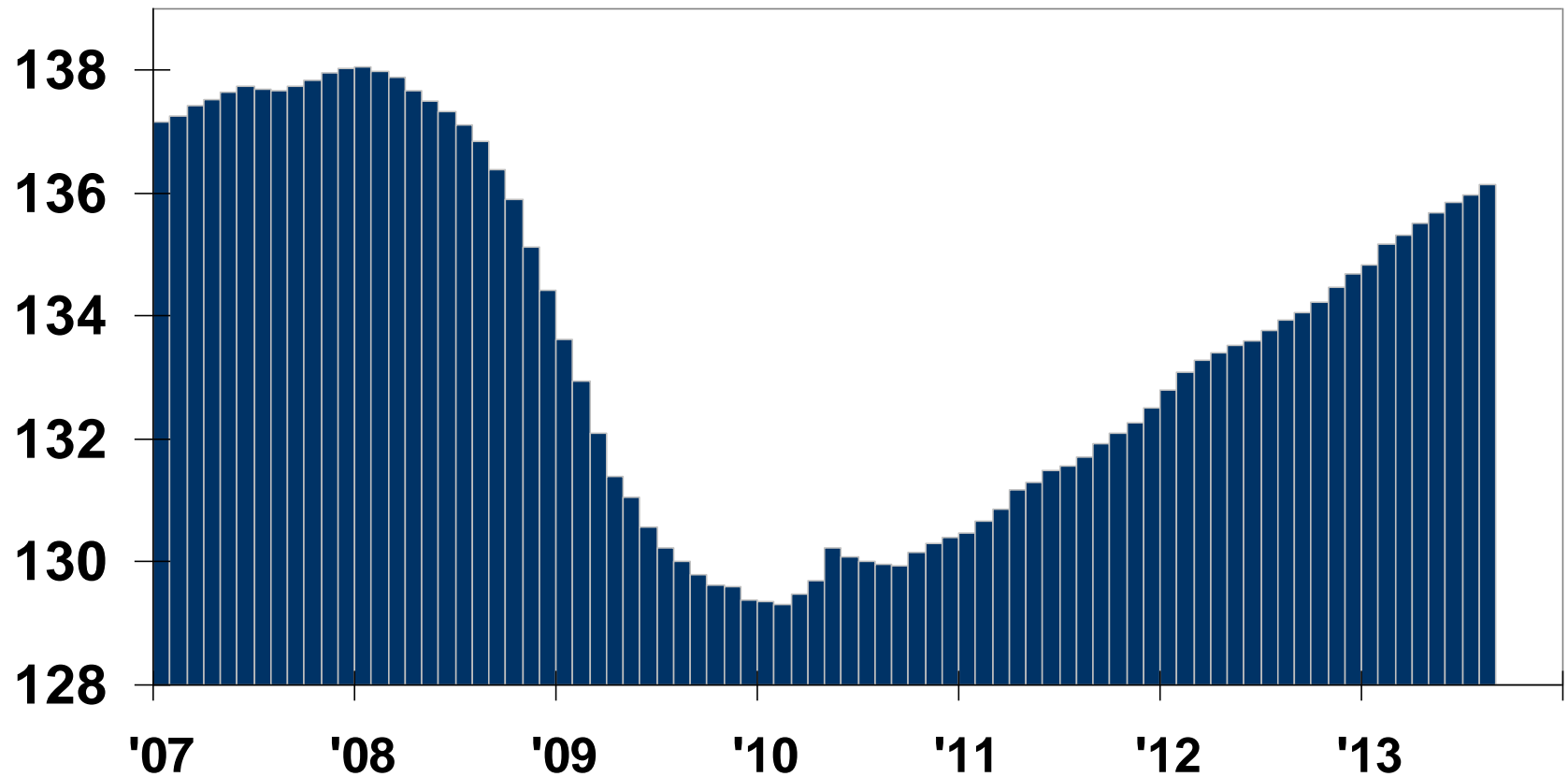
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Mega Themes

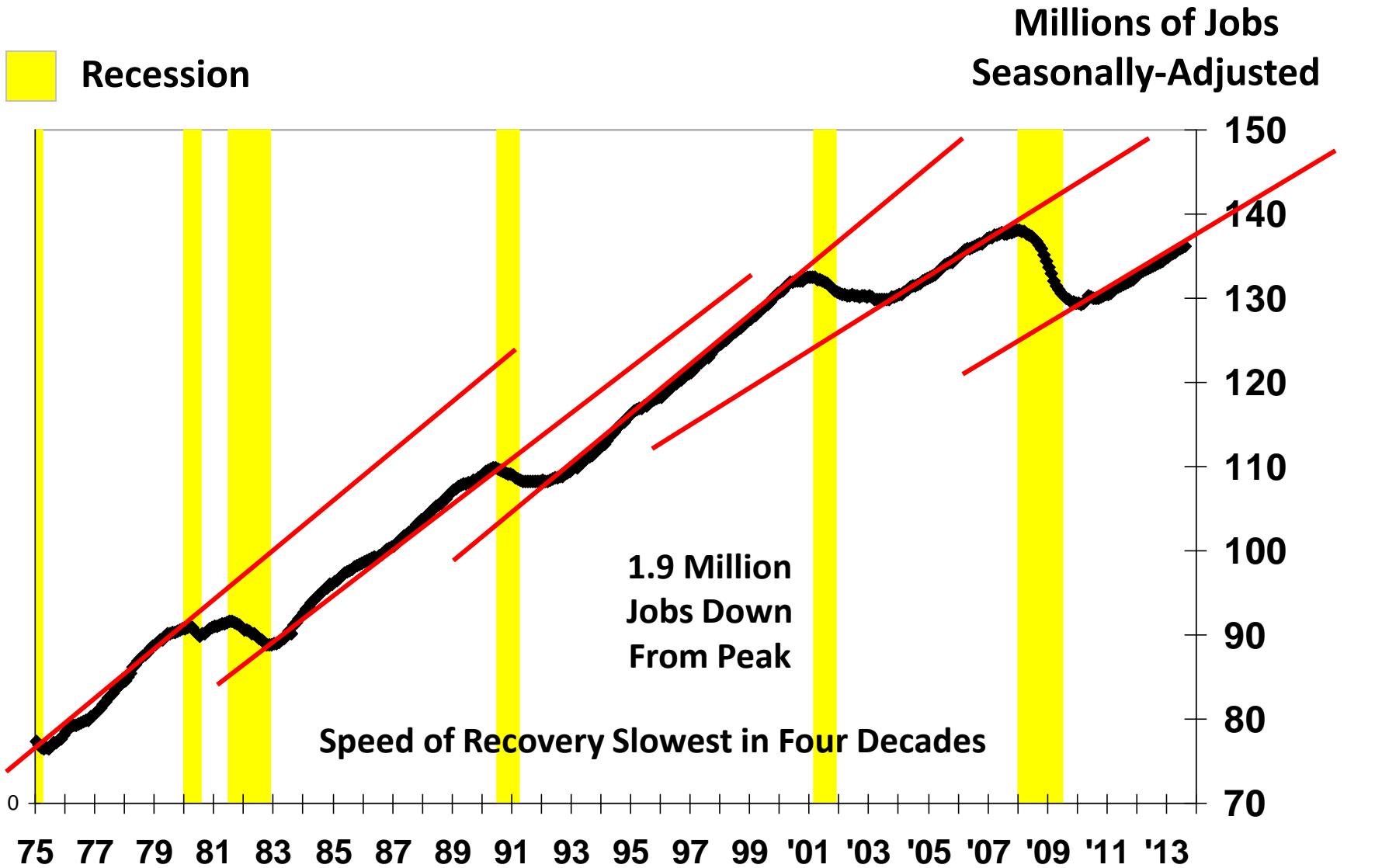
- **Time to Over Weight in Real Estate**
- **Residential Renting vs. Owning**
- **Fiscal Cliff 2.0 – DEBT CEILING**
- **Massive Uncertainty from Washington, DC..... and Stalemate Once Again From the Election**

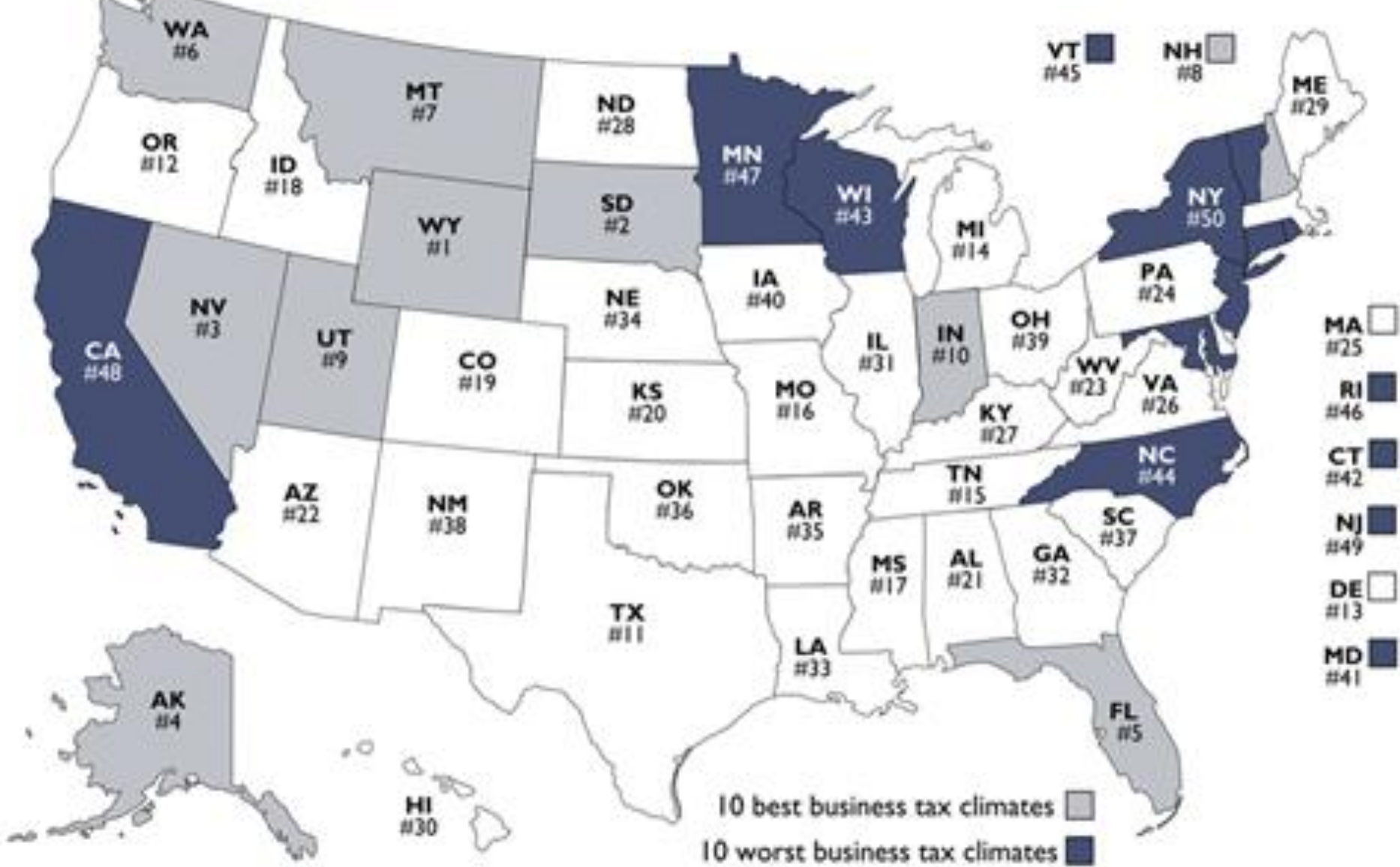
U.S. Job Numbers

Jobs (Millions) *Seasonally Adjusted*



U.S. Job Numbers





Note: Published October 9, 2013.
 Source: State Business Tax Climate Index

taxfoundation.org/maps

Job Growth

12-Months Ending August 2013

Rank	Metropolitan Statistical Area	State(s)	Net New Jobs	Percent Change	Total Jobs
1	Winchester	VA-WV	3,900	6.9%	60,800
2	Naples-Marco Island	Florida	6,800	5.8%	124,100
3	Lexington-Fayette	Kentucky	14,000	5.5%	266,300
4	Odessa	Texas	4,000	5.5%	76,100
5	Fayetteville-Springdale-Rogers	Arkansas-MO	11,400	5.4%	221,000
6	Glens Falls	New York	2,900	5.3%	57,900
7	Lafayette	Indiana	4,800	5.0%	100,200
8	Santa Cruz-Watsonville	California	4,300	4.9%	92,900
9	Midland	Texas	4,000	4.8%	86,500
10	Yuba City	California	1,700	4.6%	38,500
11	Coeur d'Alene	Idaho	2,300	4.3%	55,700
12	Havershill-North Andover-Amesbury	MA-NH	3,400	4.3%	82,400
13	Sebastian-Vero Beach	Florida	1,900	4.3%	46,600
14	BarnstableTown	Massachusetts	4,100	4.2%	102,400
15	Crestview-Fort Walton Beach-Destin	Florida	3,200	4.1%	81,300
16	Napa	California	2,500	4.0%	65,600
17	Muskegon-Norton Shores	Michigan	2,400	3.9%	63,900
18	Tampa-St. Petersburg-Clearwater	Florida	44,500	3.9%	1,199,300
19	Dallas-Ft Worth-Arlington	Texas	116,100	3.8%	3,140,700
20	Grand Rapids-Wyoming	Michigan	14,700	3.8%	400,600

Job Growth

12-Months Ending August 2013

Rank	Metropolitan Statistical Area	State(s)	Net New Jobs	Percent Change	Total Jobs
21	Myrtle Beach-Conway-North Myrtle Beach	South Carolina	4,400	3.8%	120,400
22	Nashville-Davidson-Murfreesboro-Franklin	Tennessee	29,100	3.7%	815,500
23	Columbus	Indiana	1,800	3.6%	51,300
24	Lake Charles	Louisiana	3,300	3.6%	94,600
25	Spokane	Washington	7,400	3.6%	214,800
26	Salt Lake City-Ogden	Utah	22,900	3.6%	665,200
27	Fargo	ND-MN	4,600	3.6%	133,800
28	Provo-Orem	Utah	6,800	3.5%	201,200
29	Morgantown	West Virginia	2,300	3.4%	69,200
30	Holland-Grand Haven	Michigan	3,800	3.4%	114,400
31	Virginia Beach - Norfolk-Newport News	VA-NC	25,500	3.4%	768,000
32	Bethesda-Frederick-Gaithersburg	Maryland	19,000	3.3%	587,100
33	Cheyenne	Wyoming	1,500	3.3%	46,400
34	Bismarck	North Dakota	2,200	3.3%	69,200
35	Tuscaloosa	Alabama	3,100	3.2%	99,100
36	Houston-Baytown-Sugar Land	Texas	86,100	3.2%	2,790,800
37	Houma-Bayou Cane-Thibodaux	Louisiana	3,000	3.2%	97,700
38	Lafayette	Louisiana	4,900	3.2%	160,200
39	Fort Lauderdale-Pompano Beach-Deerfield	Florida	22,500	3.1%	756,200
40	Fort Wayne	Indiana	6,300	3.1%	212,100

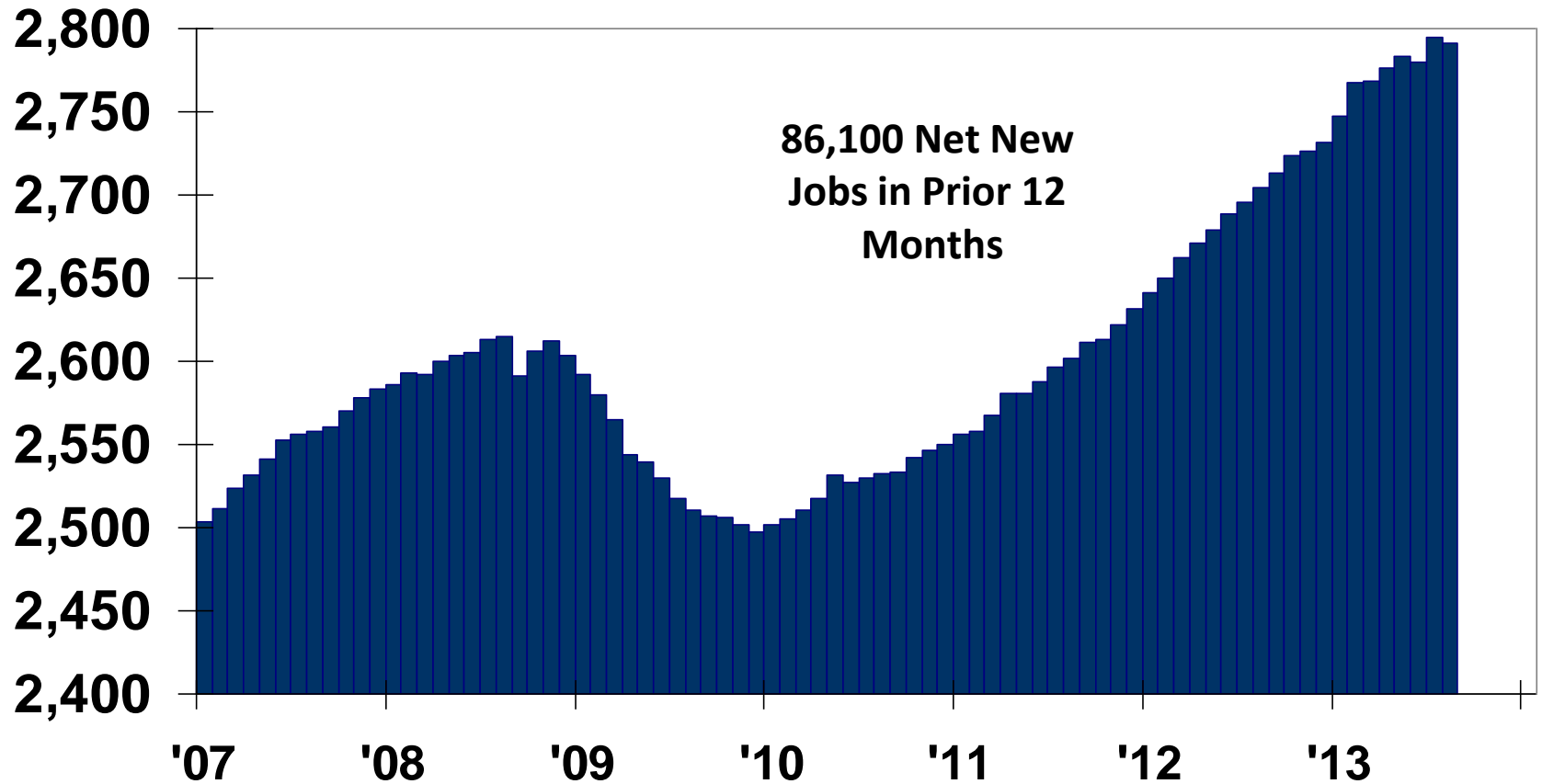
Job Growth

12-Months Ending August 2013

Rank	Metropolitan Statistical Area	State(s)	Net New Jobs	Percent Change	Total Jobs
388	Johnson City	Tennessee	(1,100)	-1.4%	78,200
389	Carson City	Nevada	(400)	-1.4%	27,400
390	Salisbury	Maryland	(800)	-1.5%	51,900
391	Hot Springs	Arkansas	(600)	-1.6%	37,200
392	Peoria	Illinois	(3,000)	-1.6%	182,600
393	Bloomington-Normal	Illinois	(1,500)	-1.6%	89,800
394	Pine Bluff	Arkansas	(600)	-1.7%	35,500
395	Longview	Washington	(600)	-1.7%	35,300
396	Missoula	Montana	(1,000)	-1.8%	56,100
397	Monroe	Michigan	(700)	-1.8%	38,700
398	Gulfport-Biloxi	Mississippi	(2,100)	-2.0%	103,600
399	Rocky Mount	North Carolina	(1,200)	-2.1%	55,500
400	Bloomington	Indiana	(1,900)	-2.3%	79,700
401	Steubenville-Weirton	OH-WV	(1,100)	-2.5%	42,600
402	Lake Havasu City-Kingman	Arizona	(1,200)	-2.7%	44,000
403	Panama City-Lynn Haven-Panama City B	Florida	(2,000)	-2.8%	70,700
404	Muncie	Indiana	(1,500)	-2.9%	50,100
405	Decatur	Illinois	(1,700)	-3.3%	50,600
406	Yuma	Arizona	(1,700)	-3.3%	49,800
407	Lawrence	Kansas	(2,500)	-4.9%	48,800

Houston MSA Jobs

Jobs (Thousands) *Seasonally Adjusted*

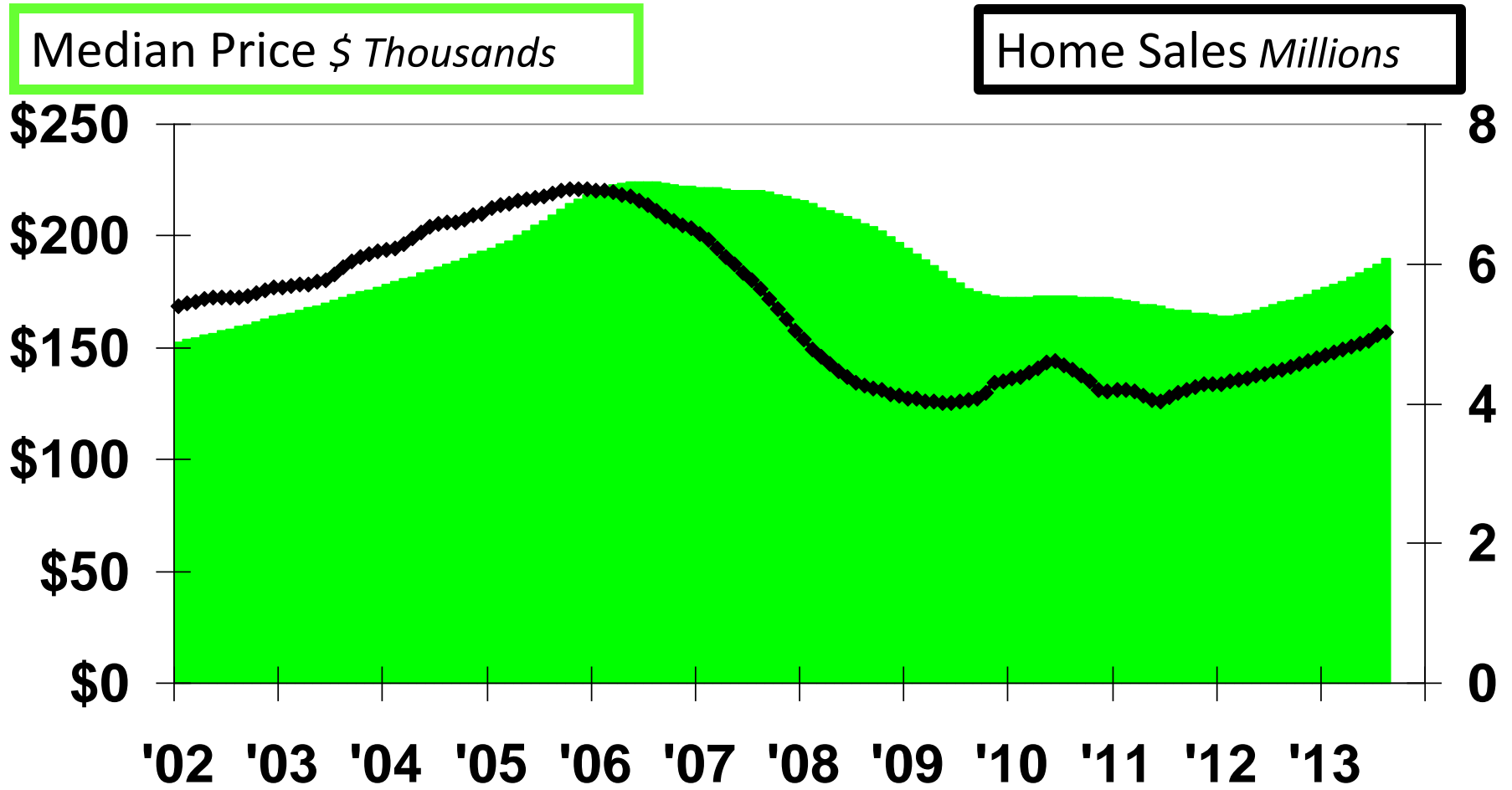


**Wherever the Number
of Home
Sales Trends,
Prices Follow
In the Next
12 to 24 Months**

Ted C. Jones

U.S. Existing Home Sales & Median Prices

12-Month Moving Averages



Median Price \$ Thousands

Home Sales Millions

\$250

\$200

\$150

\$100

\$50

\$0

8

6

4

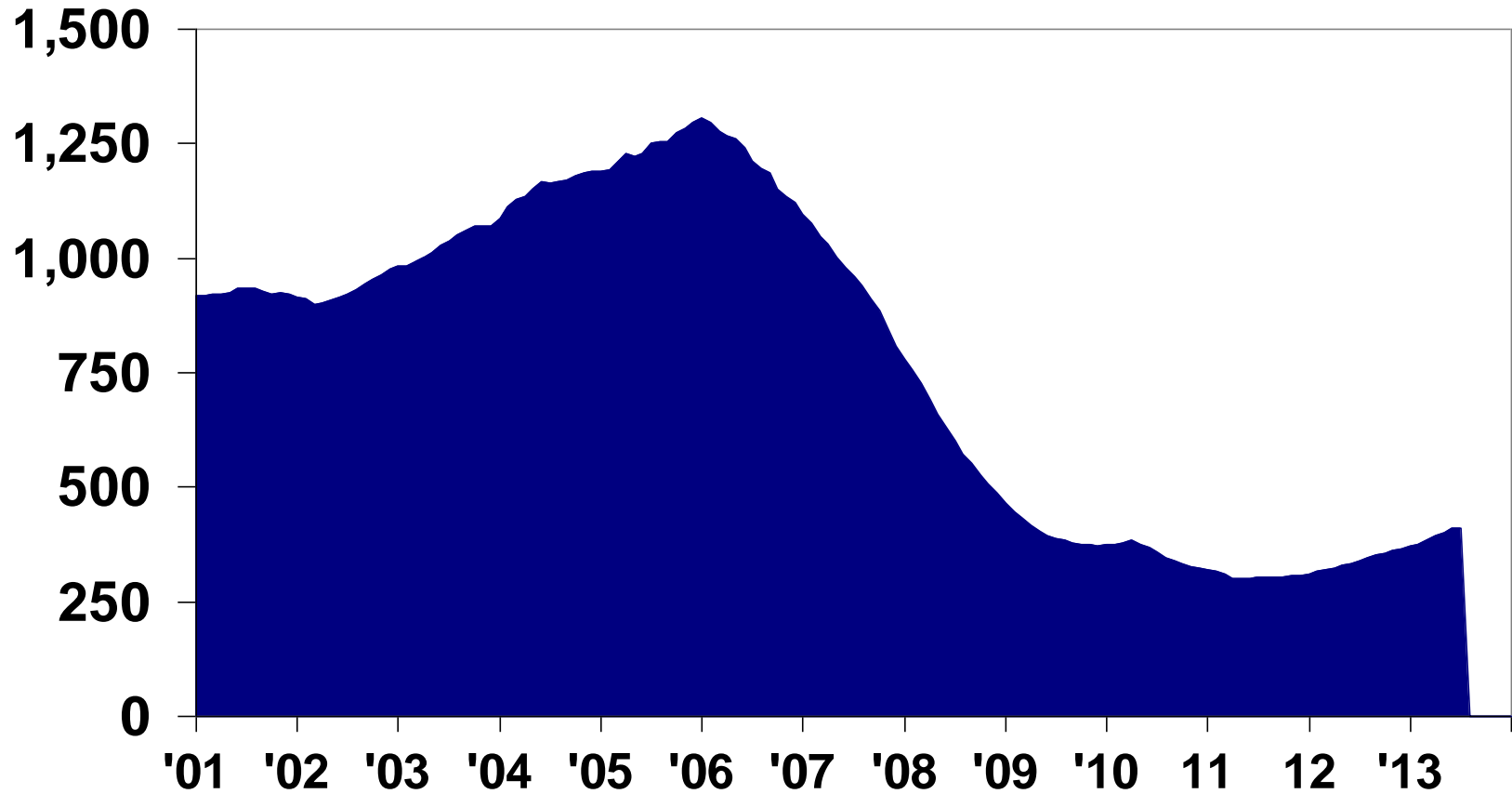
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'02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13

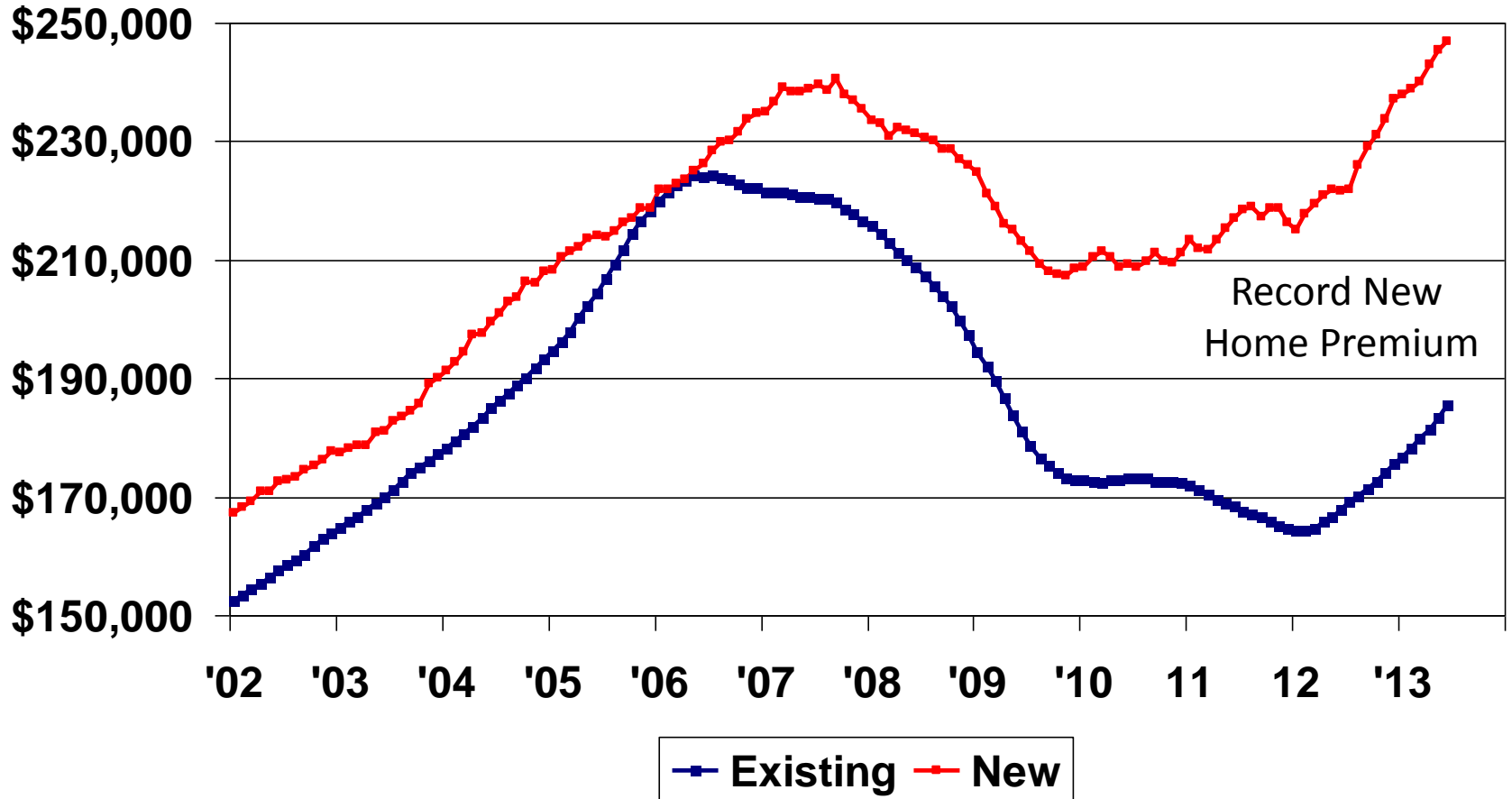
New Home Sales

Thousands – 12-Month Moving Average



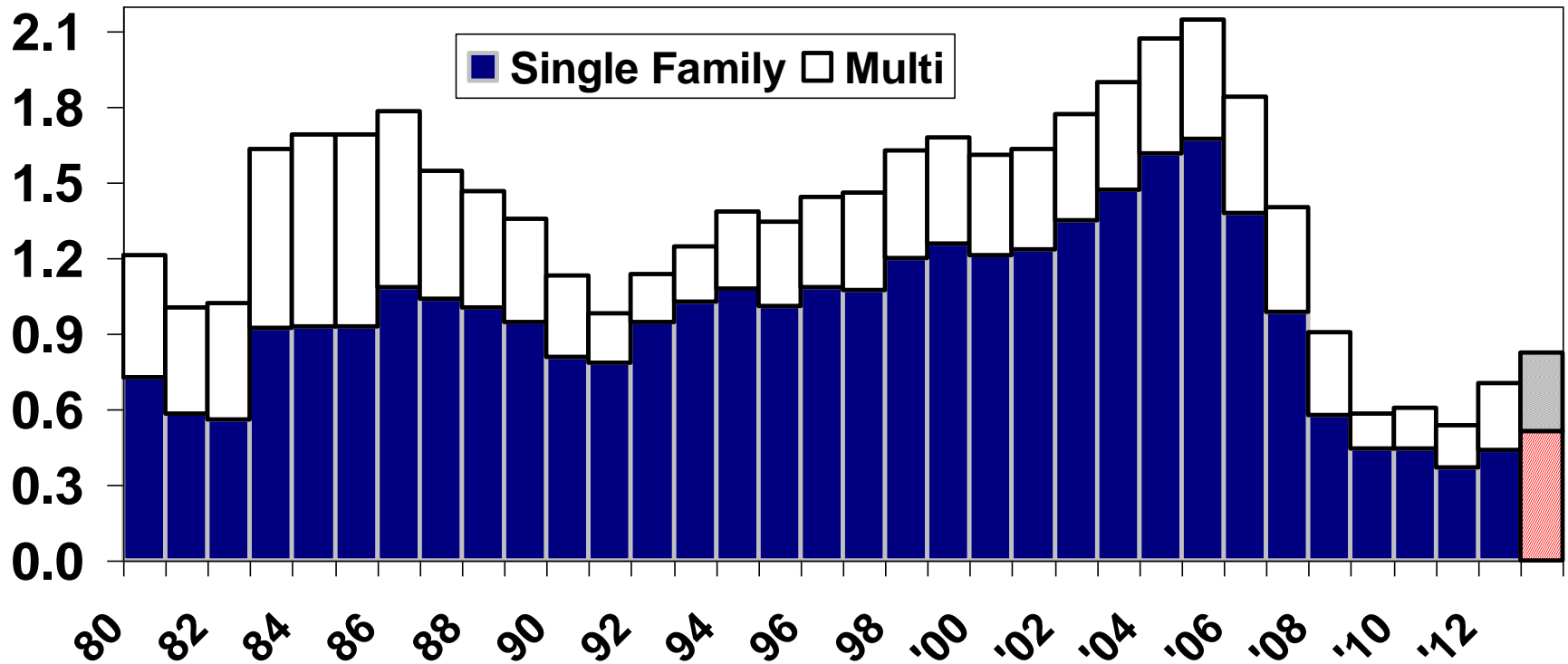
Home Prices –New Vs. Existing

Median Price \$ -- 12 Month Moving Average



U.S. Residential Building Permits

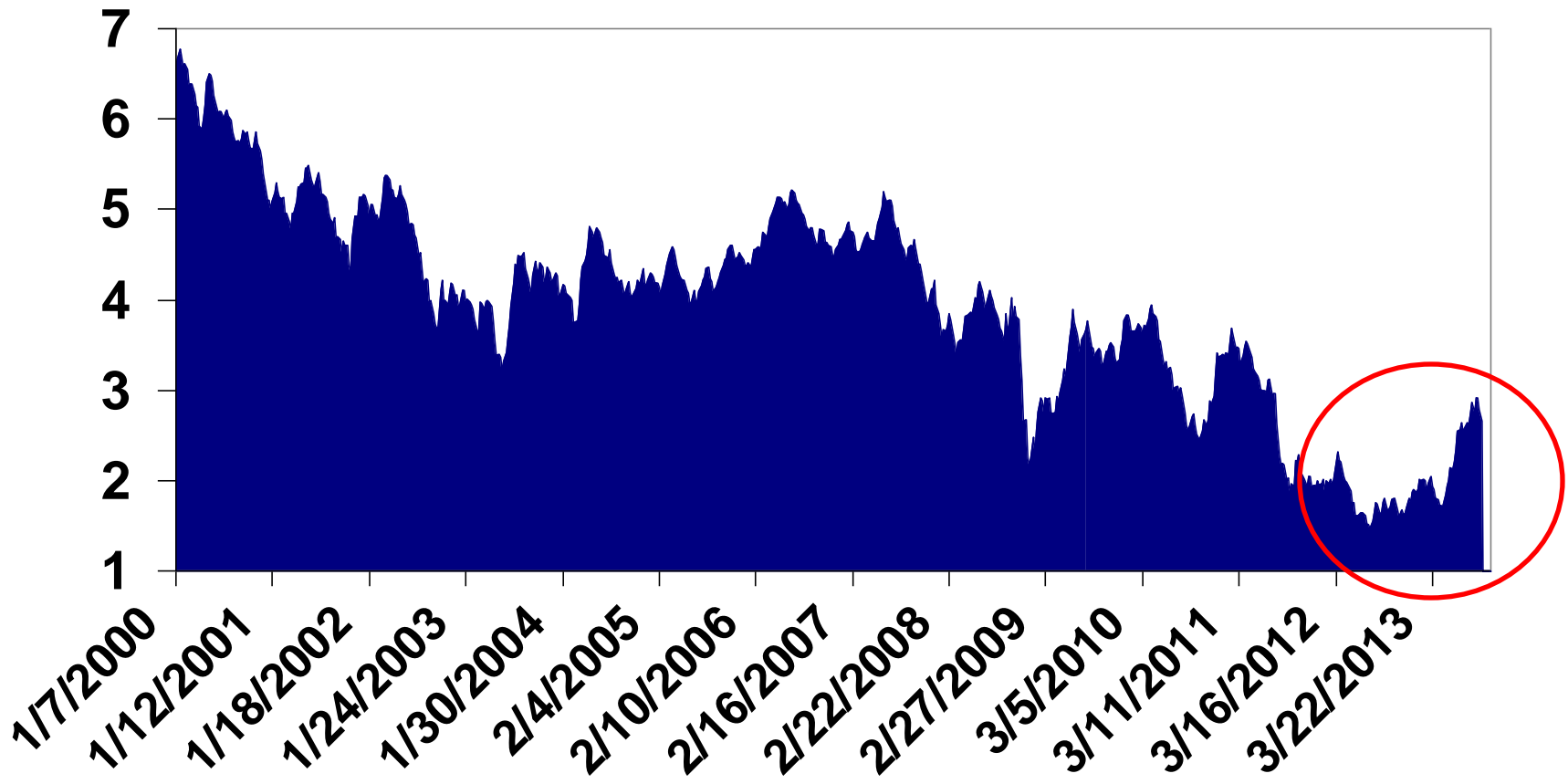
Number of Dwelling Units -- *Millions*



2013 Running at 826 Thousand Units

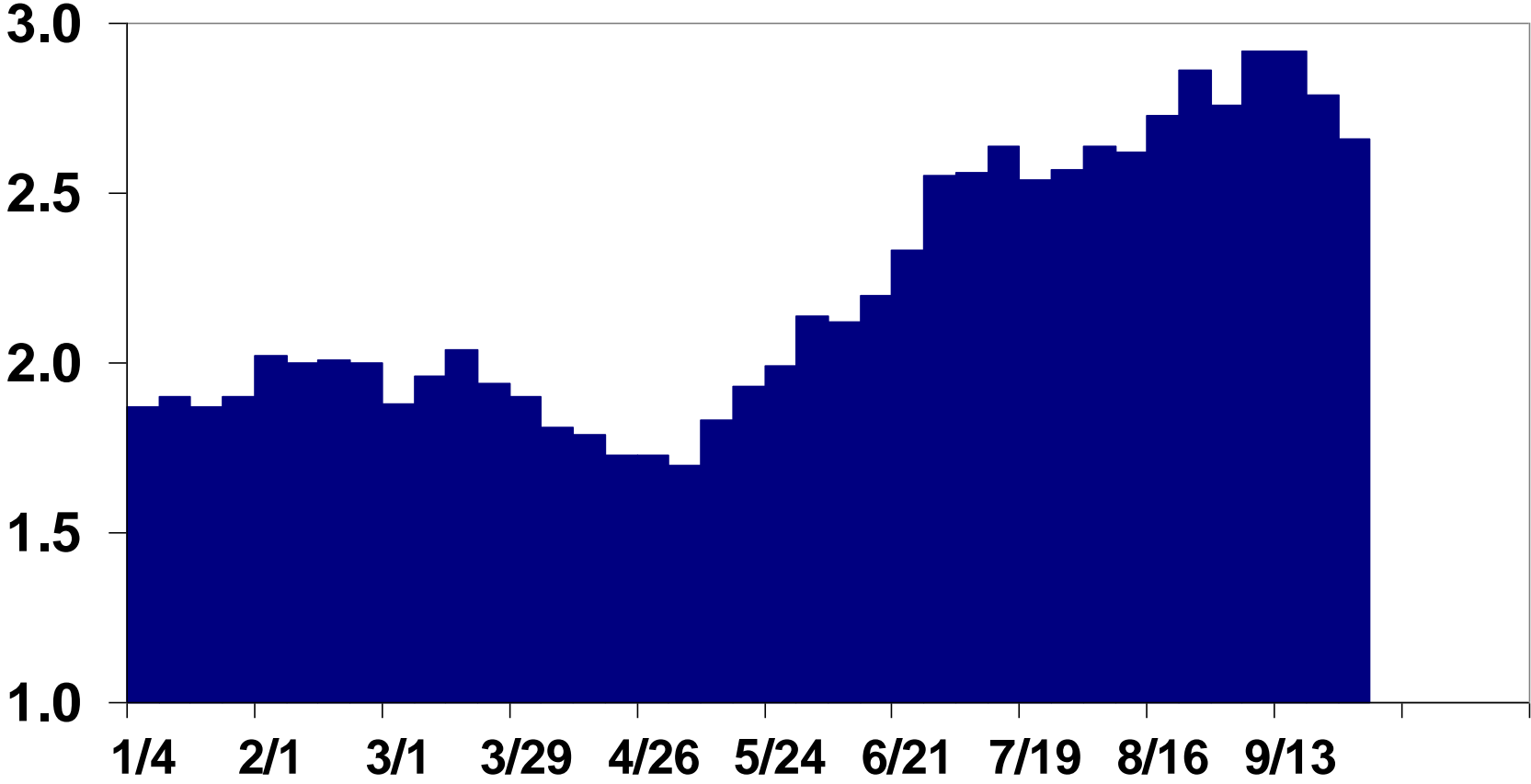
10-Year Constant Maturity Treasury

Percent



10-Year Constant Maturity Treasury

Percent



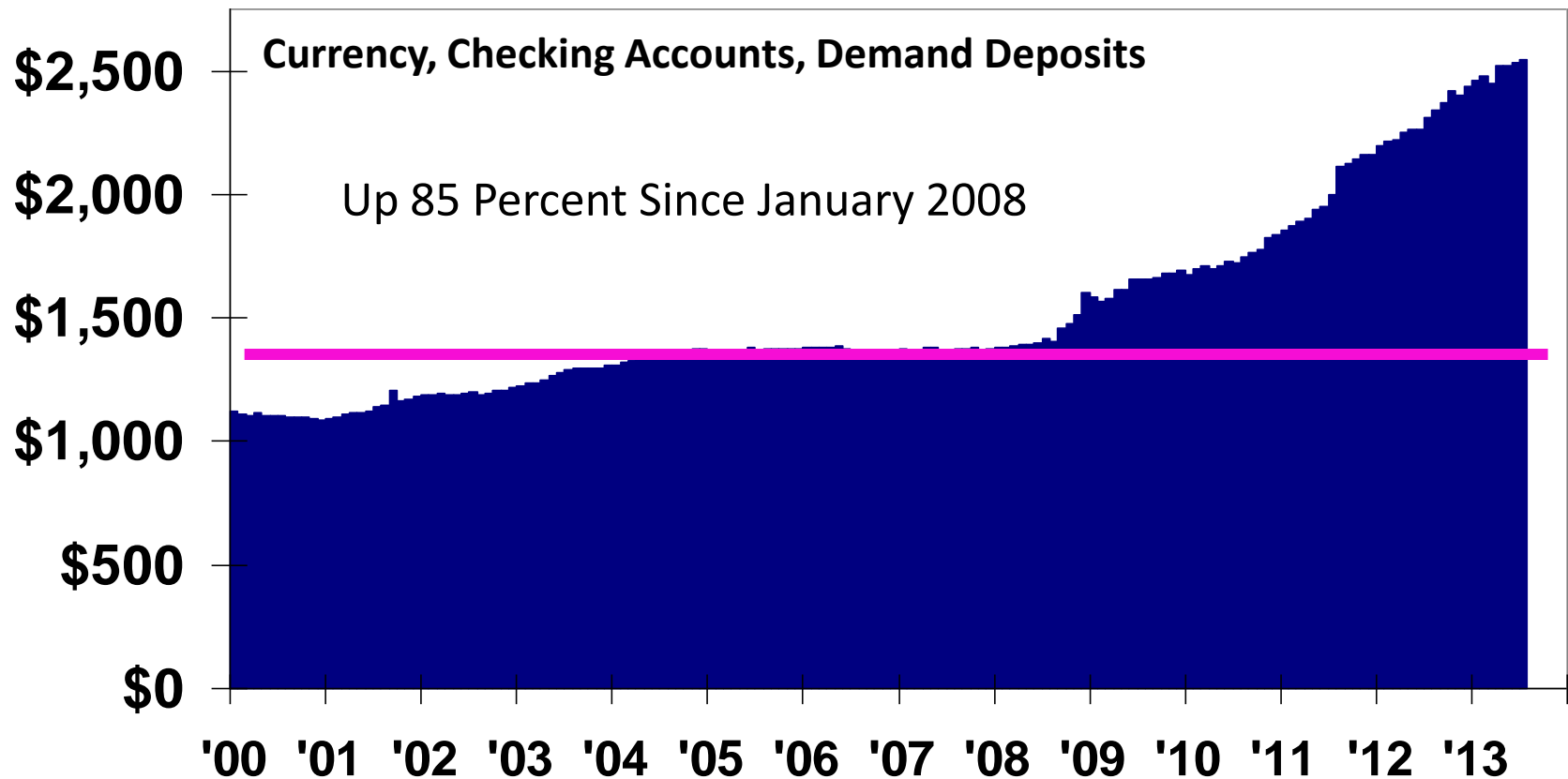
QE3 - Quantitative Easing 3

$$\sum_{i=1}^{\infty} 85$$

**$i = 1$ \$85 Billion Per Month
Until the Economy Improves**

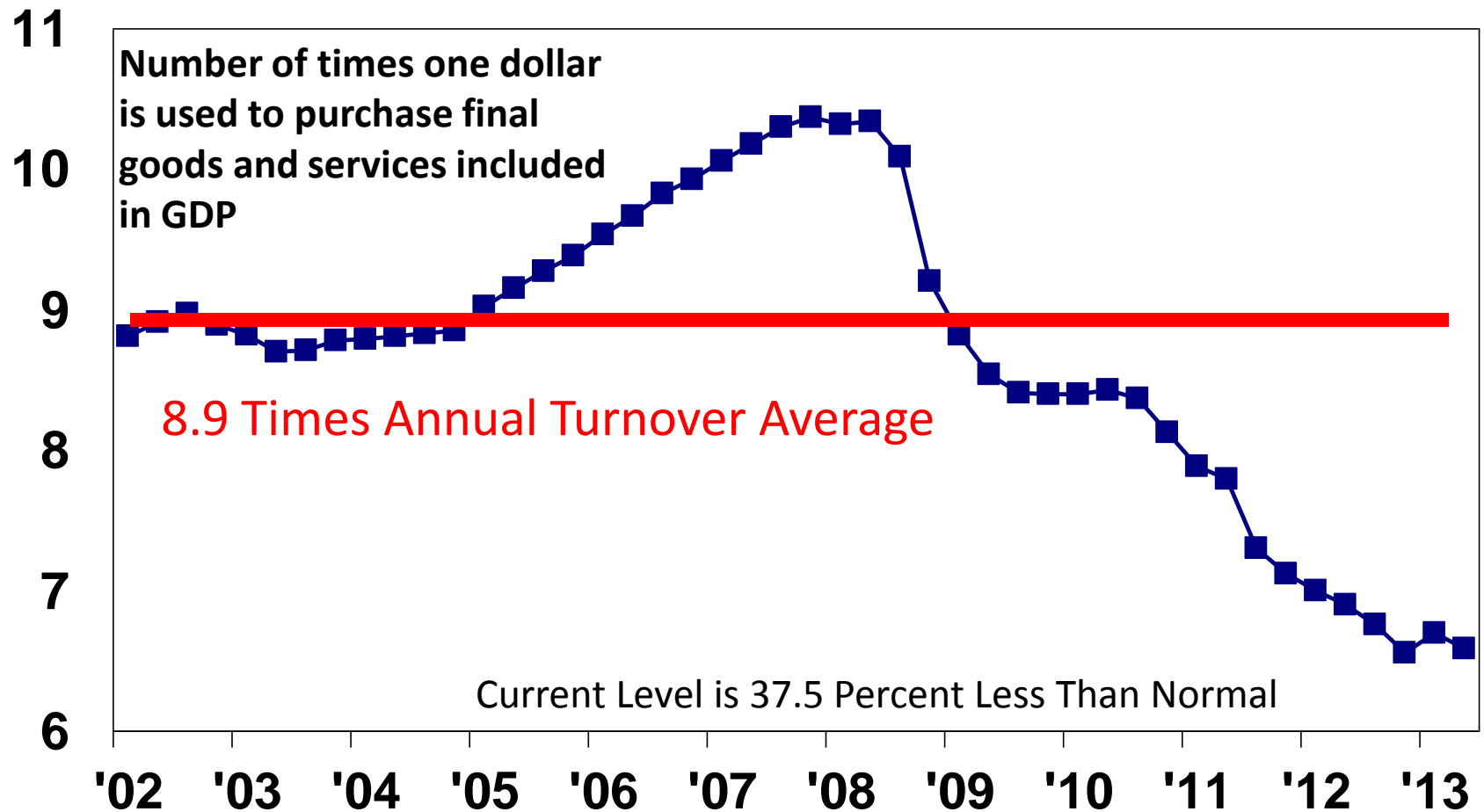
Money Supply – M1

\$ Billions – *Seasonally Adjusted*



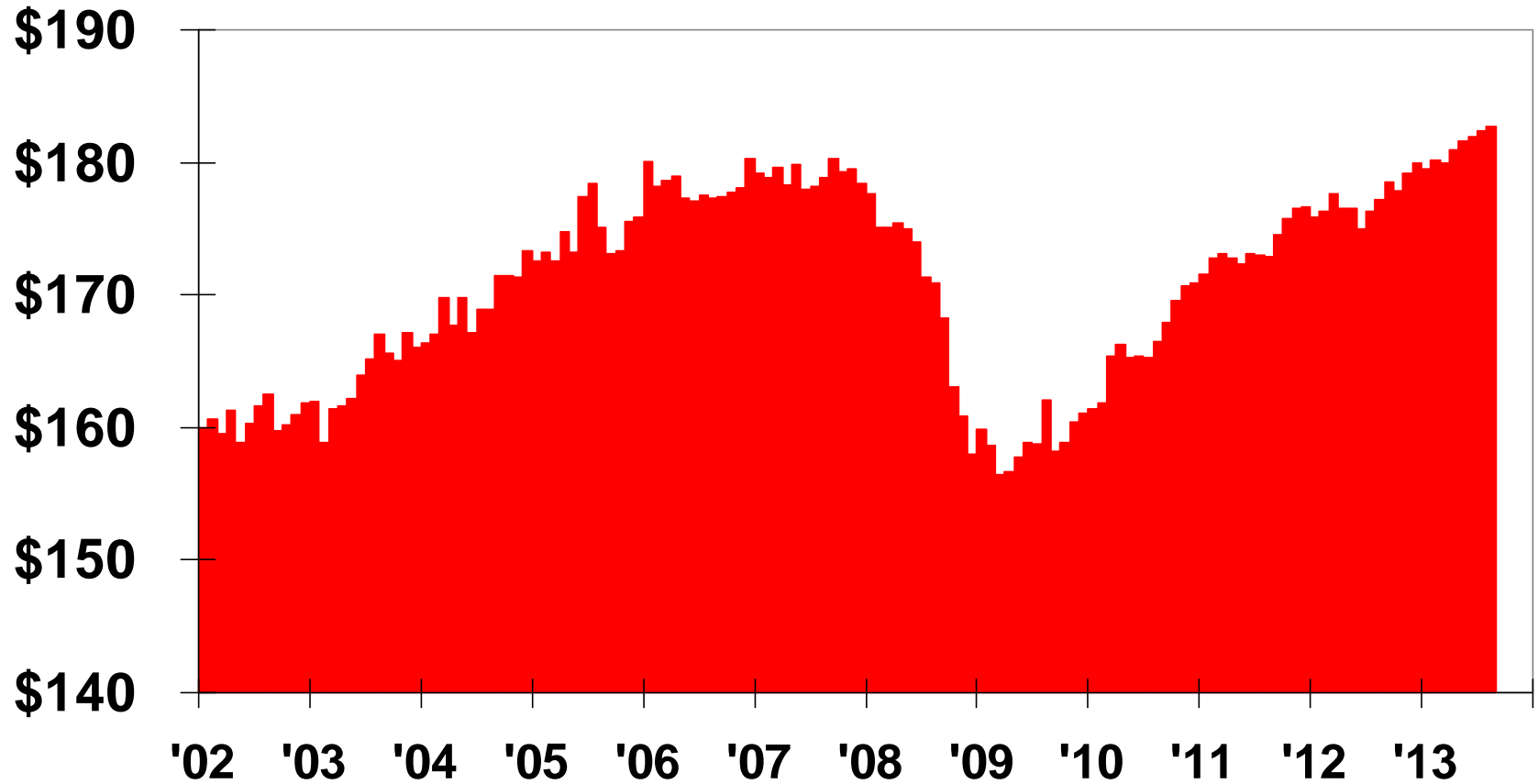
Velocity of Money Supply M1

Velocity



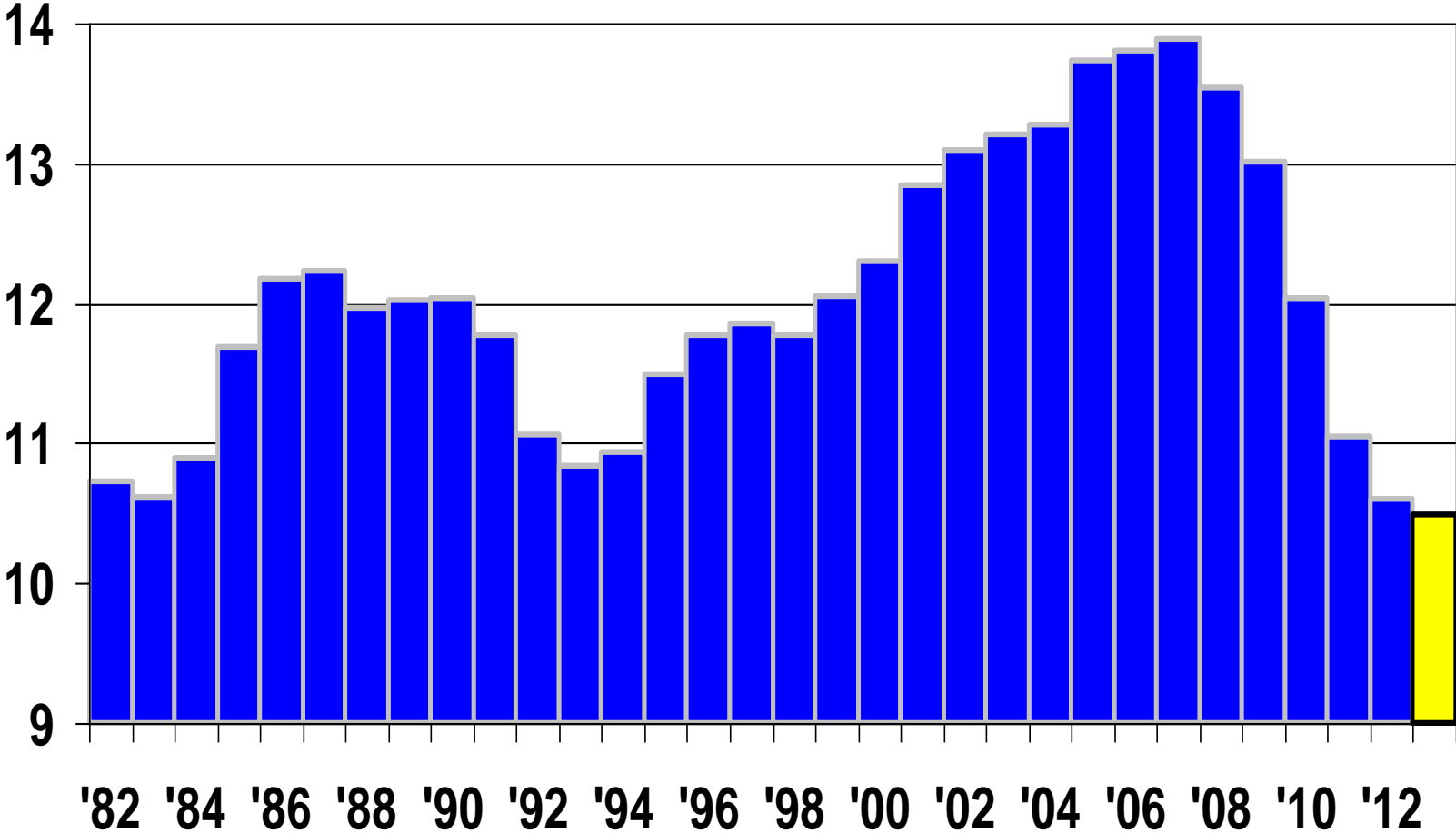
U.S. Real Retail & Food Service Sales

\$Billions – Seasonally Adjusted



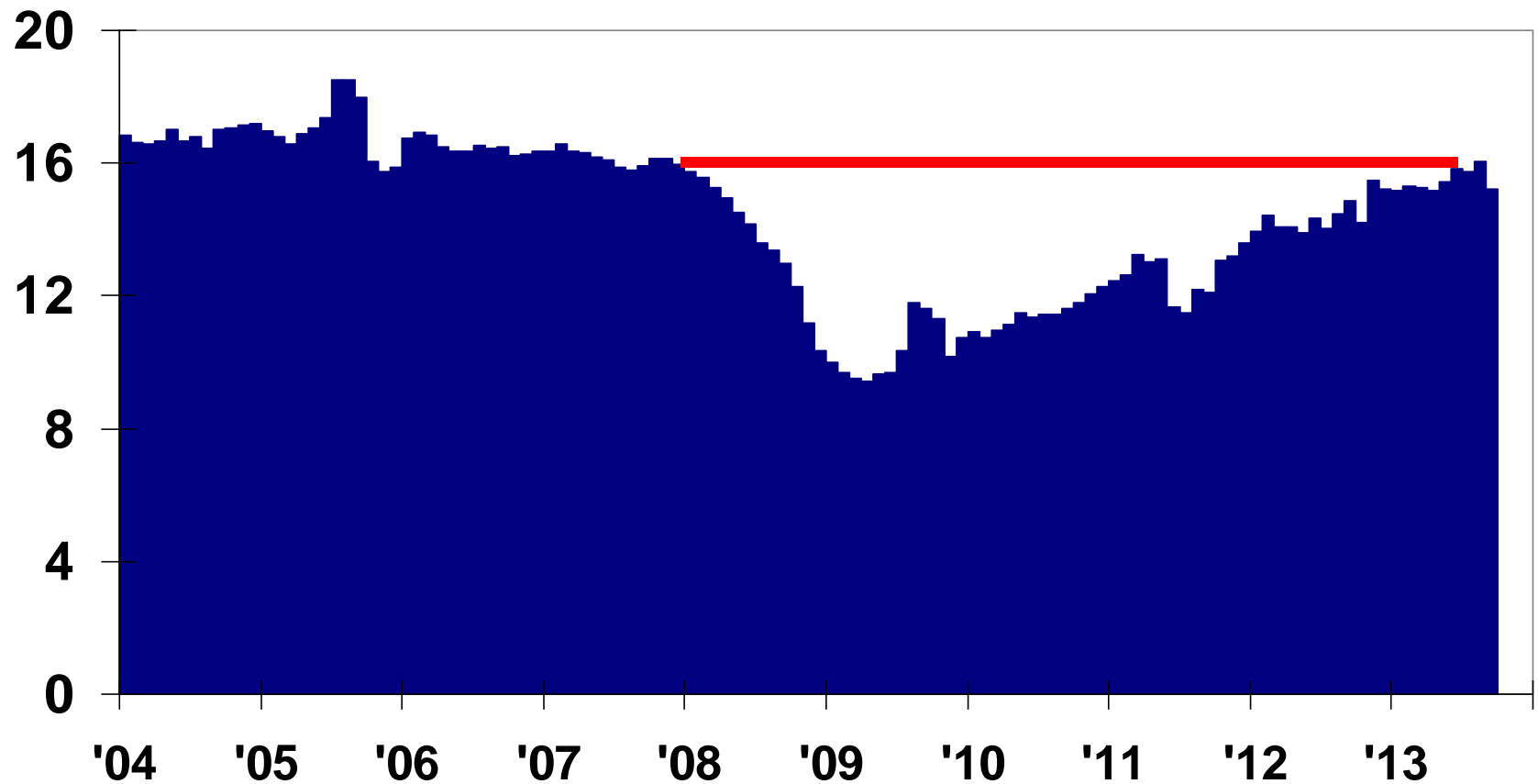
Household Debt Service as a Percent of Household Disposable Income

Percent



Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



Liquidity Has Returned to Commercial Real Estate

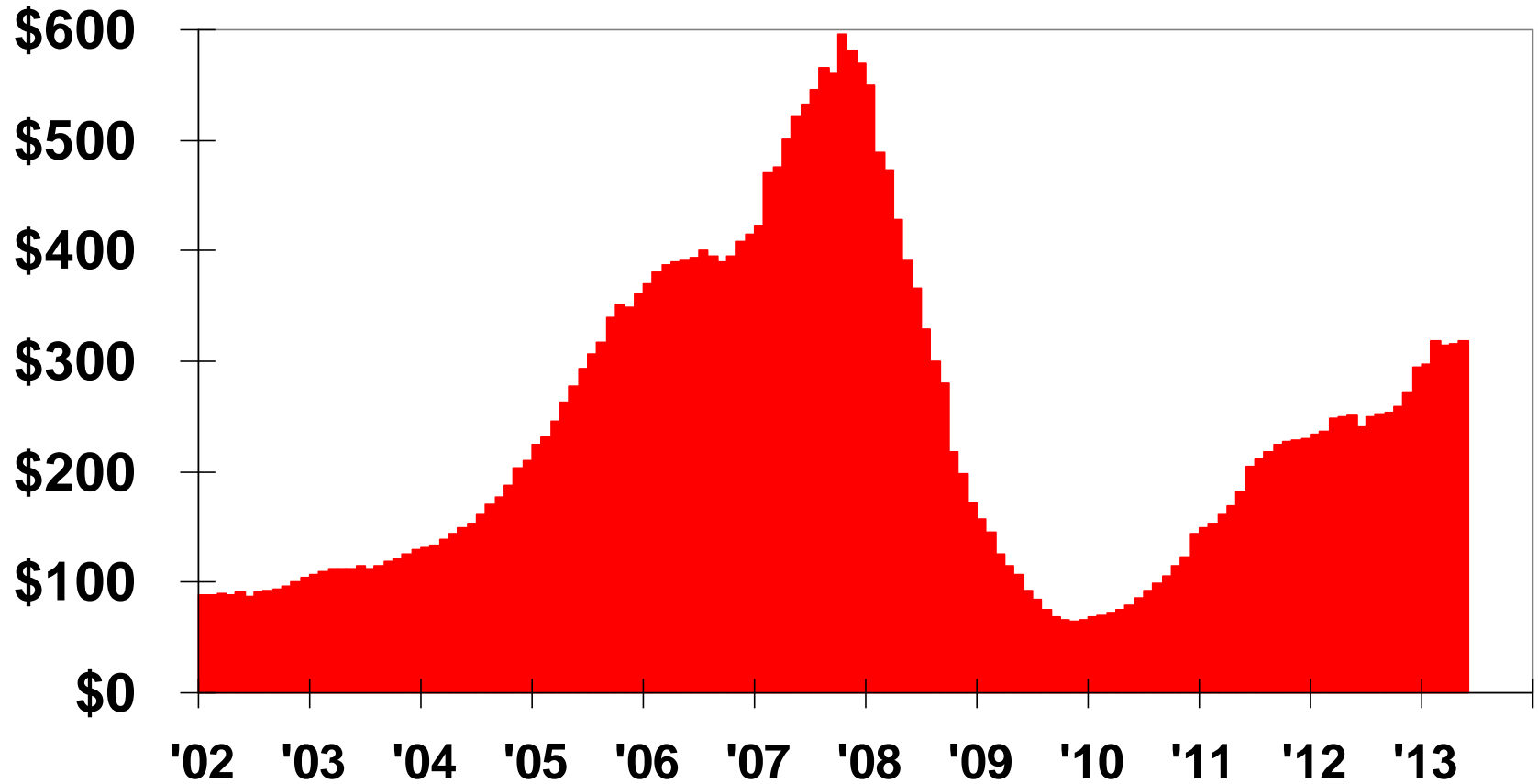
- * **30 to 35 Percent Equity**
- * **125 Percent Debt Coverage Ratio**
- * **Quality Tenant(s)**
- * **Longer-Term Lease**

Dichotomization of Commercial Real Estate Properties

- * Those That Qualify**
- * The Rest are Considered
Distressed Real Estate**

U.S. Commercial Real Estate Sales Volume

\$ Billions – 12-Month Moving Average





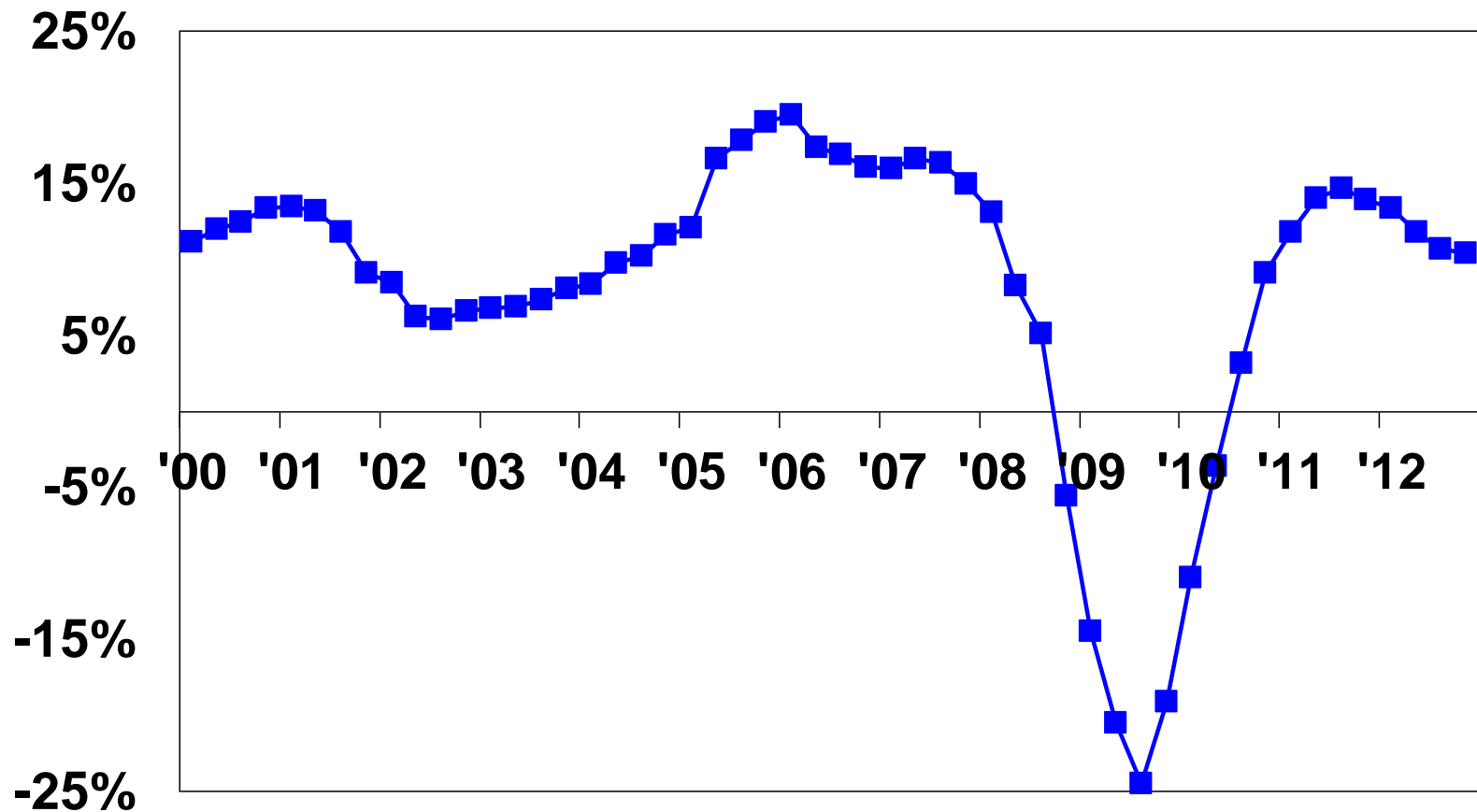
<http://www.ncreif.org/>

U.S. Industrial Property Returns

Price and Performance Returns

Percent TTM

8.26 Percent Average Annual Return

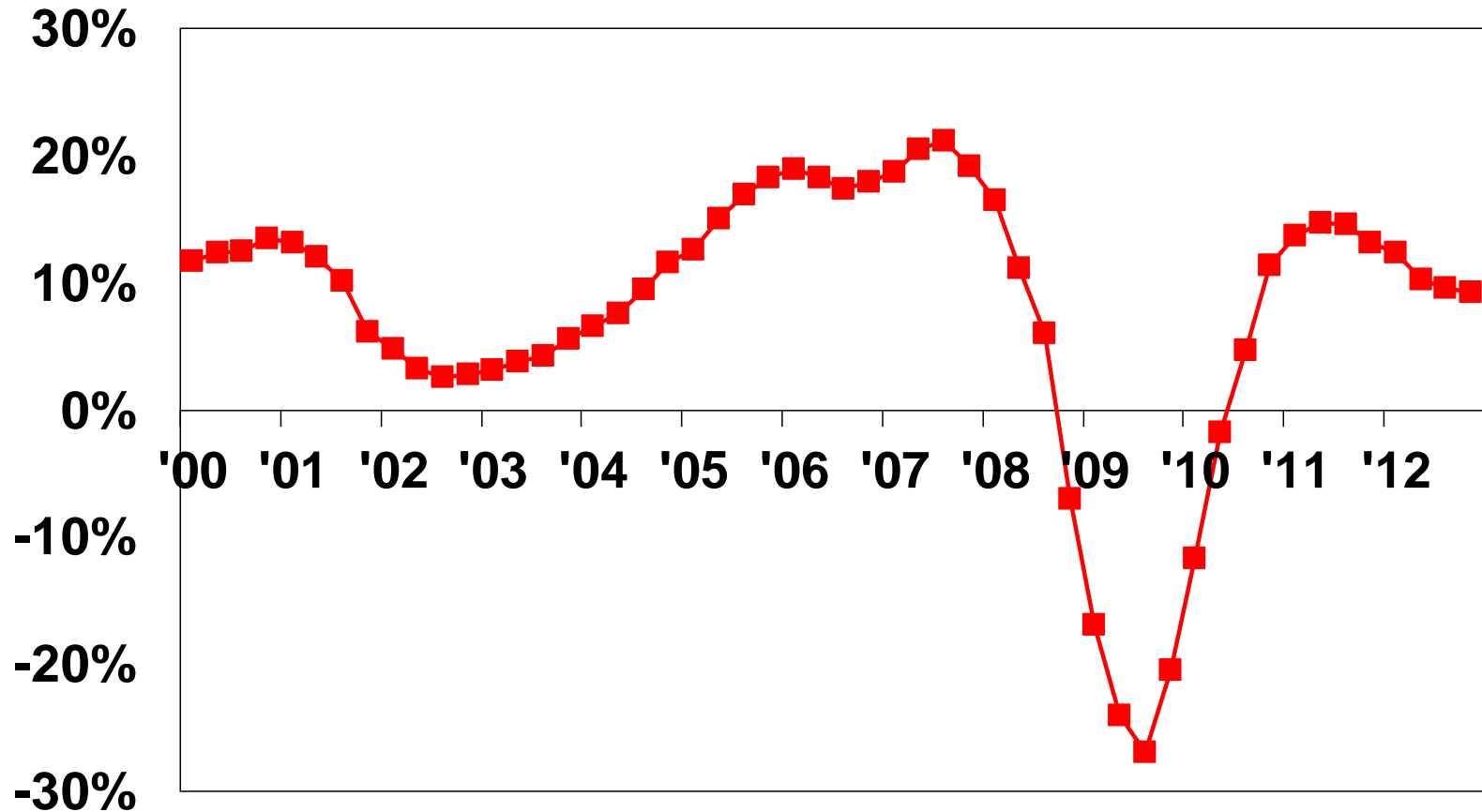


U.S. Office Property Returns

Price and Performance Returns

Percent TTM

7.82 Percent Average Annual Return

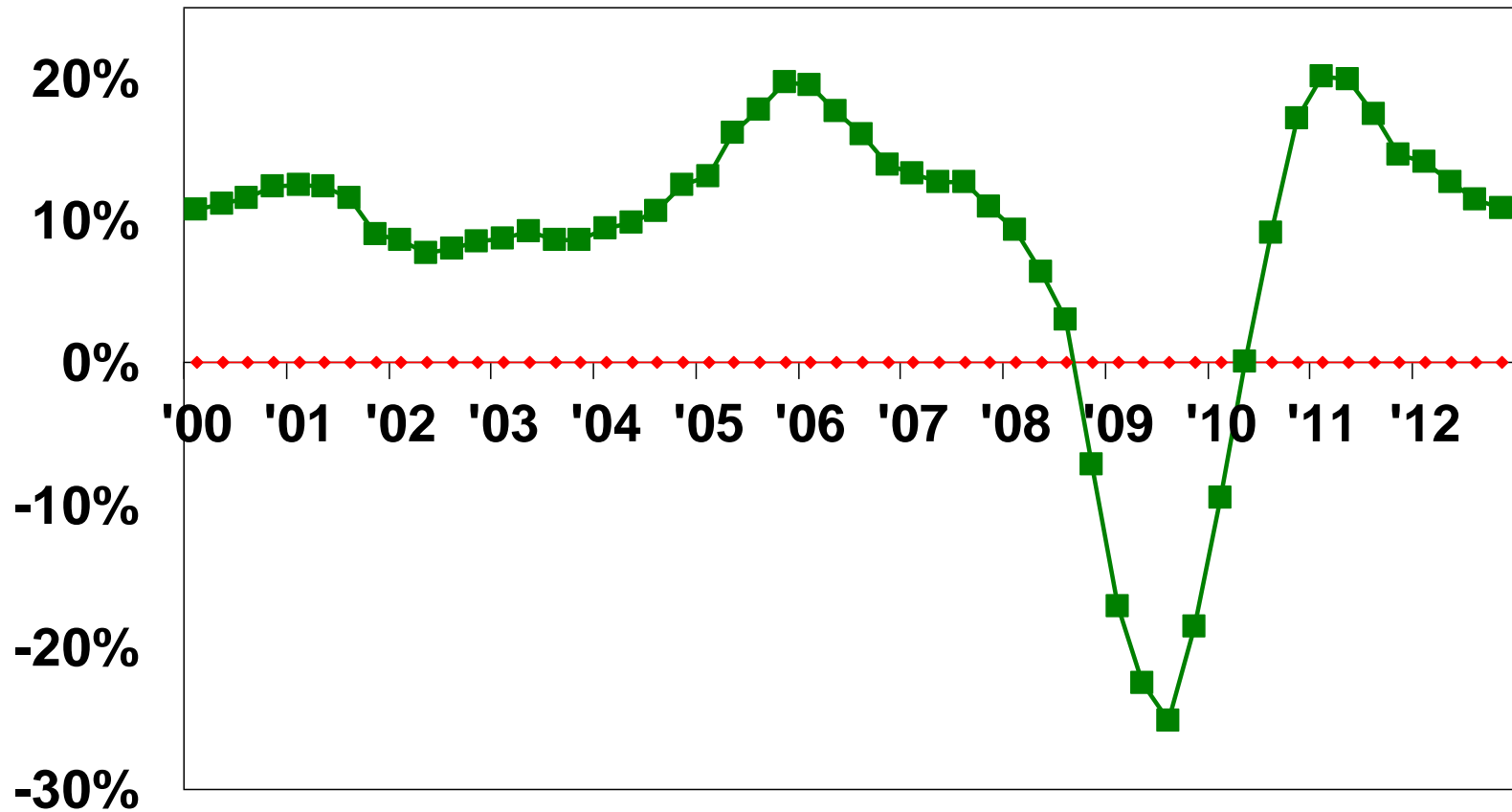


U.S. Apartment Property Returns

Price and Performance Returns

Percent TTM

8.66 Percent Average Annual Return

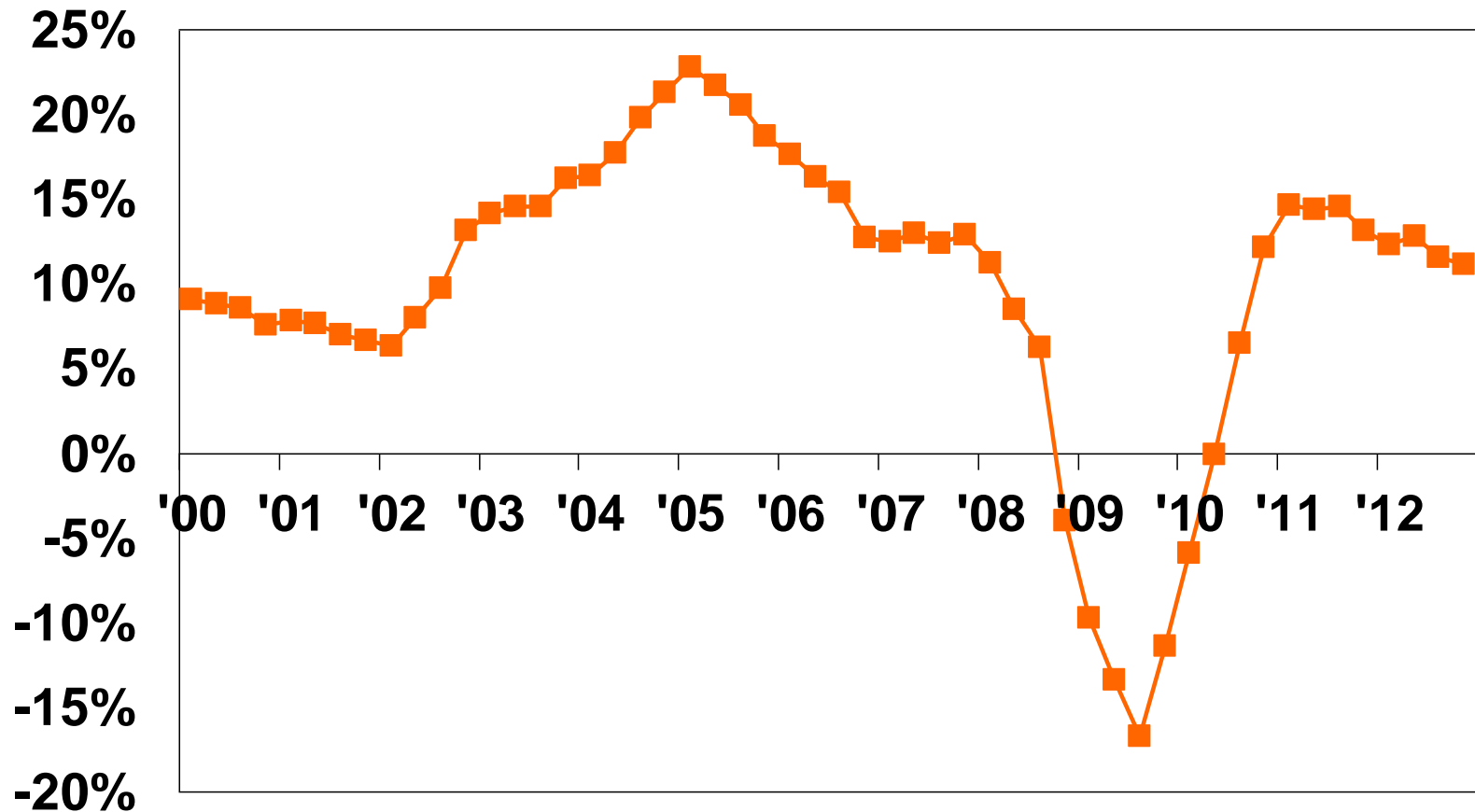


U.S. Retail Property Returns

Price and Performance Returns

Percent TTM

9.95 Percent Average Annual Return

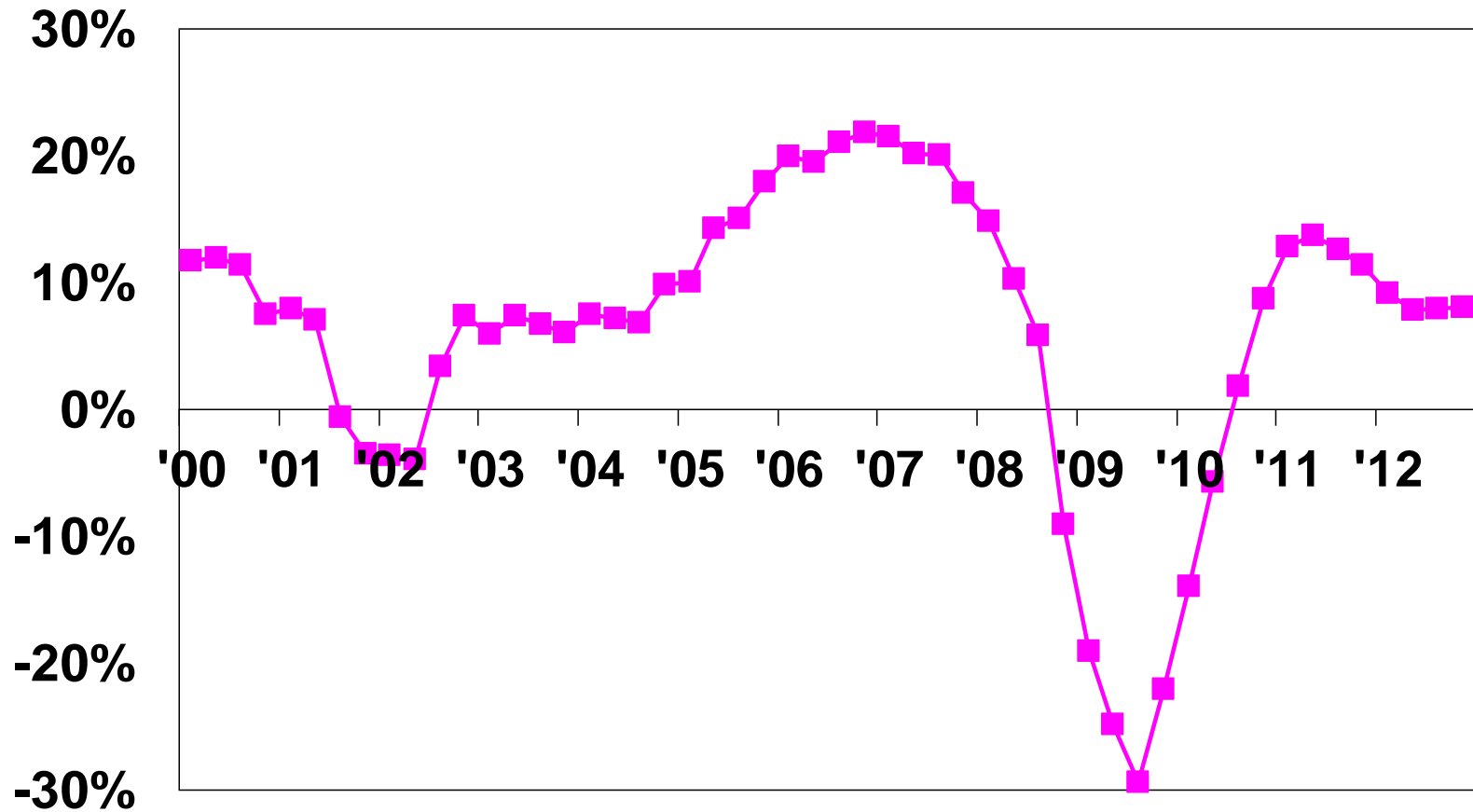


U.S. Hotel Property Returns

Price and Performance Returns

Percent TTM

6.36 Percent Average Annual Return



2012 Federal Budget

\$ Trillions

2013 Sequestration Cuts Net \$44 Billion
When Compared to 2012 Total Spending



Revenues	\$	2.468
Expenditures	\$	3.796
Deficit	\$	(1.328)

9.1 Cents of Every Tax Dollar
Went to Paying Interest on the Debt

As If The Household Budget....

Household Income & Expenses

Income	\$	49,360
Expenses	\$	75,920
Deficit	\$	(26,560)

Credits Cards and
Loans Payable Increase

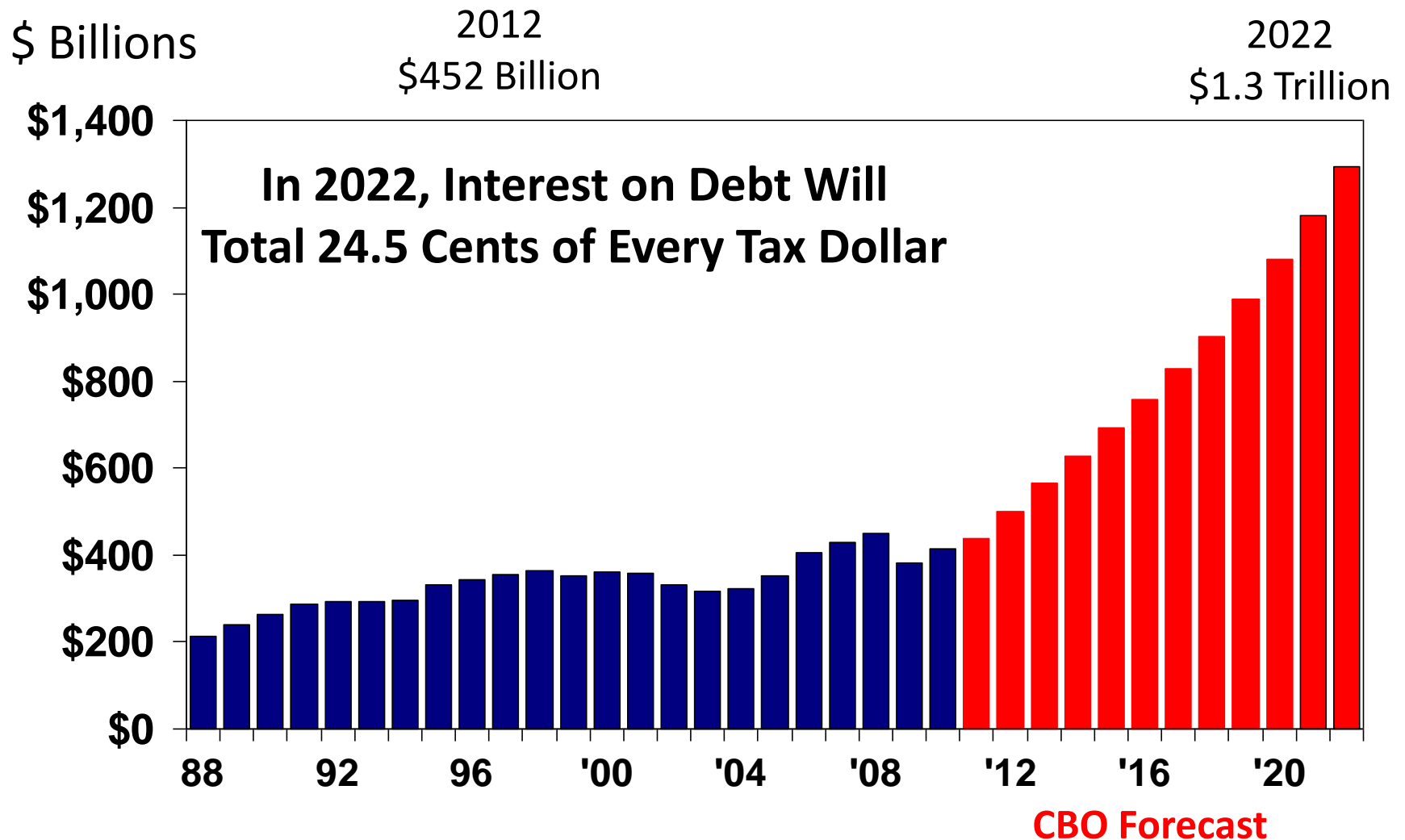
Interest Expense on Federal Debt

	2012	2022
	\$452 Billion	\$1.3 Trillion

Forecast Assumes

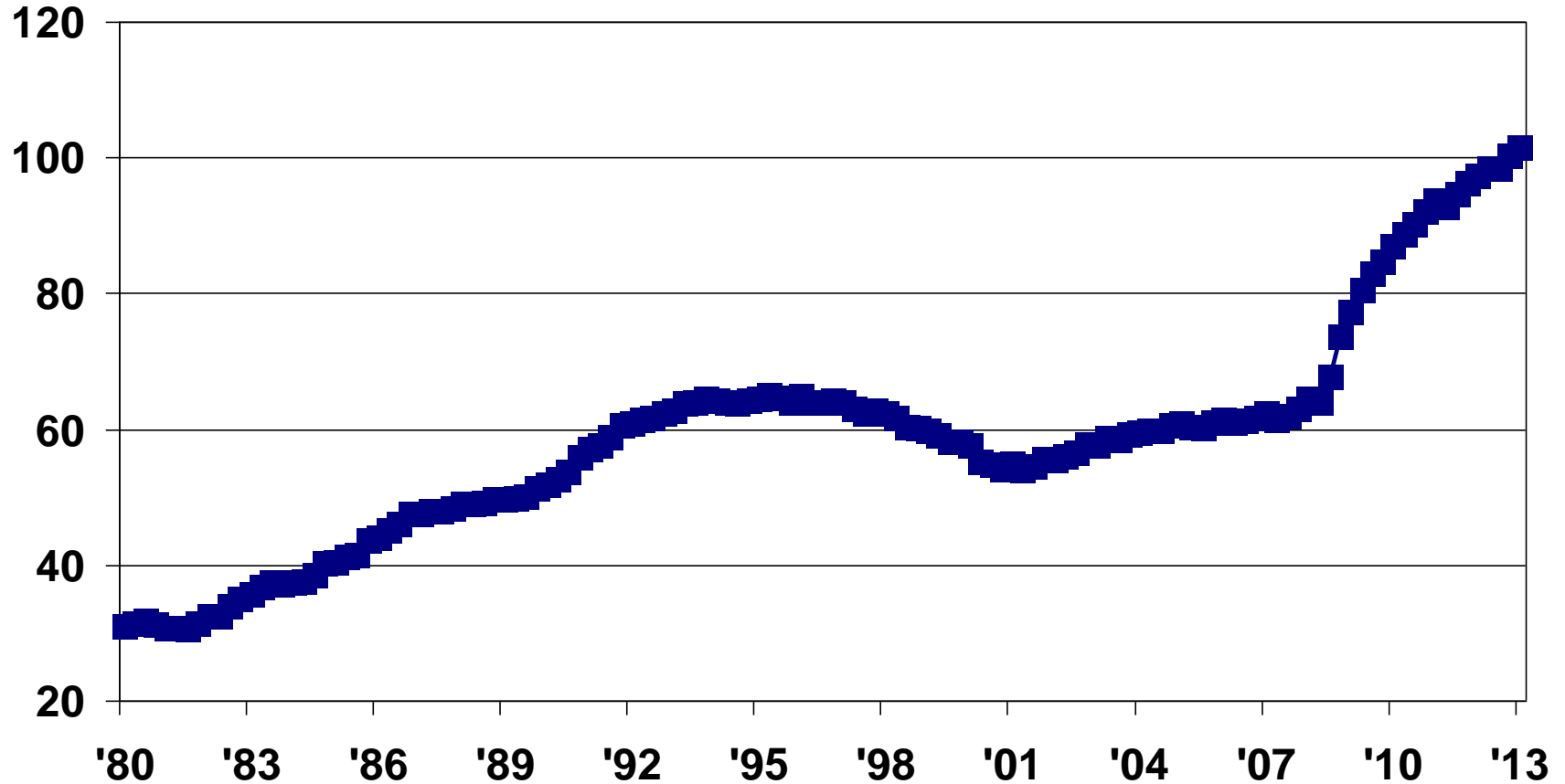
- **No Added Federal Spending Programs Not Already in Budget Unless New Taxes or Cut Existing Programs**
- **Healthcare Funding is Adequate (taxes) and Will Never Run a Deficit**
- **10-Year Treasury Does Not Exceed 5 Percent**

Interest Expense on Federal Debt



Total U.S. Federal Debt as a Percent of GDP

Percent

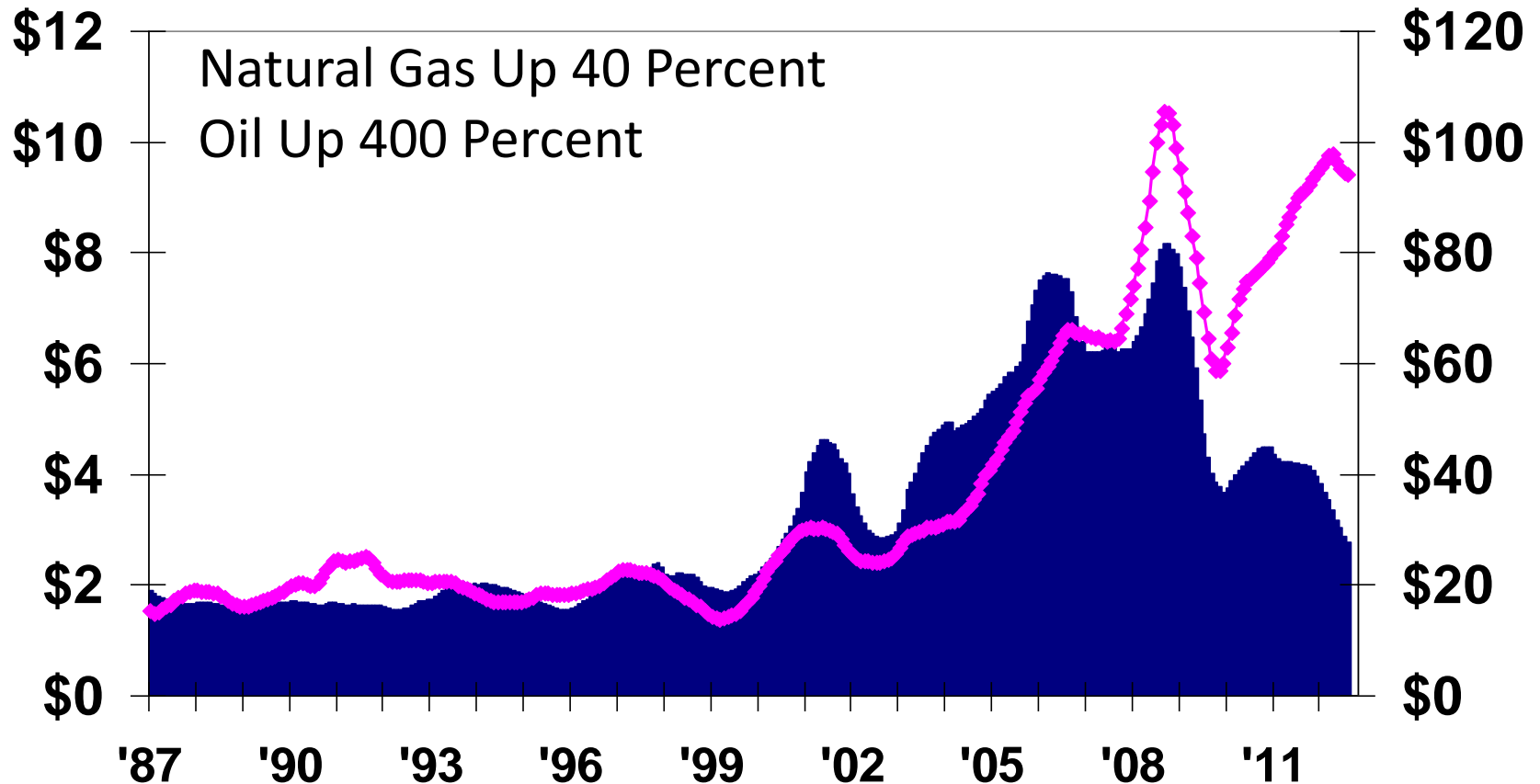


Well Head Natural Gas Price vs. WTI Crude Oil Gas Per 1,000 Cubic Feet, Oil Per Barrel

12 Month Moving Average

Natural Gas

Oil





10

9

2013

8

7

6

JUNE

Wk	M	T	W	T	F	S	S
22							
23	4	5	6	7	8	9	10
24	11	12	13	14	15	16	17
25	18	19	20	21	22	23	24
26	25	26	27	28	29	30	

OCTOBER

Wk	M	T	W	T	F	S	S
40	1	2	3	4	5	6	7
41	8	9	10	11	12	13	14
42	15	16	17	18	19	20	21
43	22	23	24	25	26	27	28
44	29	30	31				

FEBRUARY

M	T	W	T	F	S	S
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

JUNE

M	T	W	T	F	S	S
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

OCTOBER

T	W	T	F	S	S
1	2	3	4	5	6

MARCH

Wk	M	T	W	T	F	S	S
9							
10	4	5	6	7	8	9	10
11	11	12	13	14	15	16	17
12	18	19	20	21	22	23	24
13	25	26	27	28	29	30	31

JULY

Wk	M	T	W	T	F	S	S
27	1	2	3	4	5	6	7
28	8	9	10	11	12	13	14
29	15	16	17	18	19	20	21
30	22	23	24	25	26	27	28
31	29	30	31				

AUGUST

Wk	M	T	W	T	F	S	S
31	5	6	7	8	9	10	11
32	12	13	14	15	16	17	18
33	19	20	21	22	23	24	25

2013-2014 Economic Concerns

- **Fiscal Cliff 2.0 – DEBT CEILING**
- **When QE Ceases – Stock Market, Rates**
- **Energy: US Imports 50+ Percent of Oil**
- **Rural Land Bubble**
- **Government Can't Fix Everything**

Newton's Third Law of Motion

Ted's Blog

<http://blog.stewart.com/ted>





**“The rich rule over the poor, and the borrower is servant
to the lender.”** Proverbs 22:7

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