

THINGS CHANGE

The Outlook for Real Estate and the Economy

Ted C. Jones, PhD
Chief Economist
Stewart Title Guaranty Company

stewart[®]



76 Million Boomers

83 Million Millennials 19 to 35

91 Million Millennials 16 to 35

500 Millennial Poll Results

**75 Percent Could Live
Without the Call Function
on Their Device**

500 Millennial Poll Results

**76 Percent Prefer Texting
To Talking as it Fits
Better in Their Schedule**

500 Millennial Poll Results

**63 Percent State Texting
Is Less Disruptive
Thank Talking**

500 Millennial Poll Results

**19 Percent Admitted to Never
Checking Voice Mails**

Twitter

@DrTCJ

Non-Renewals - Dead on Arrival

- **Mortgage Insurance Deductibility**
- **Residential Mortgage Debt Forgiveness**
- **Residential Energy Savings**
- **Renewables – Wind and Solar**
- **ObamaCare** - *Some Form, However*

Soon-to-Happen Tax Changes?????

- **Corporate Tax Cut 35 Percent to 15 Percent**
- **US Overseas Corporate Profit Repatriation**
- **Carried Interest Elimination**
- **ObamaCare 3.8% Investment Income Tax Cut**
- **Capital Gains Tax Cut**
- **Middle Class Tax Changes – Some Up, Some Down**

OECD Corporate Tax Rates

2000		2016	
Germany	42.2%	35.0%	U.S.
France	37.8%	34.4%	France
Italy	37.0%	30.0%	Australia
U.S.	35.0%	27.5%	Italy
Spain	25.0%	25.0%	Spain
Australia	34.0%	23.3%	Japan
Japan	30.0%	22.0%	S Korea
U.K	30.0%	20.0%	U.K.
Canada	29.1%	15.8%	Germany
S Korea	28.0%	15.0%	Canada

Germany

2,640

Basis

Point

Decline

62.6

Percent

Tax

Cut

Mega Themes - 2017

- **More Jobs Than Ever in History**
- **Retail Boom – 14 Years to Run**
- **Entry Level Homebuyers Returning**
- **High-End Housing Retreating**
- **Inflation Potential -- UPS +4.9% Dec 26th**
- **Commercial Sales Cooling**

76 Million Boomers

83 Million Millennials 19 to 35

91 Million Millennials 16 to 35

2016 US Stock Market Performance

13%+ Dow Jones Industrial

9.5% S&P500

7.5% Nasdaq Composite

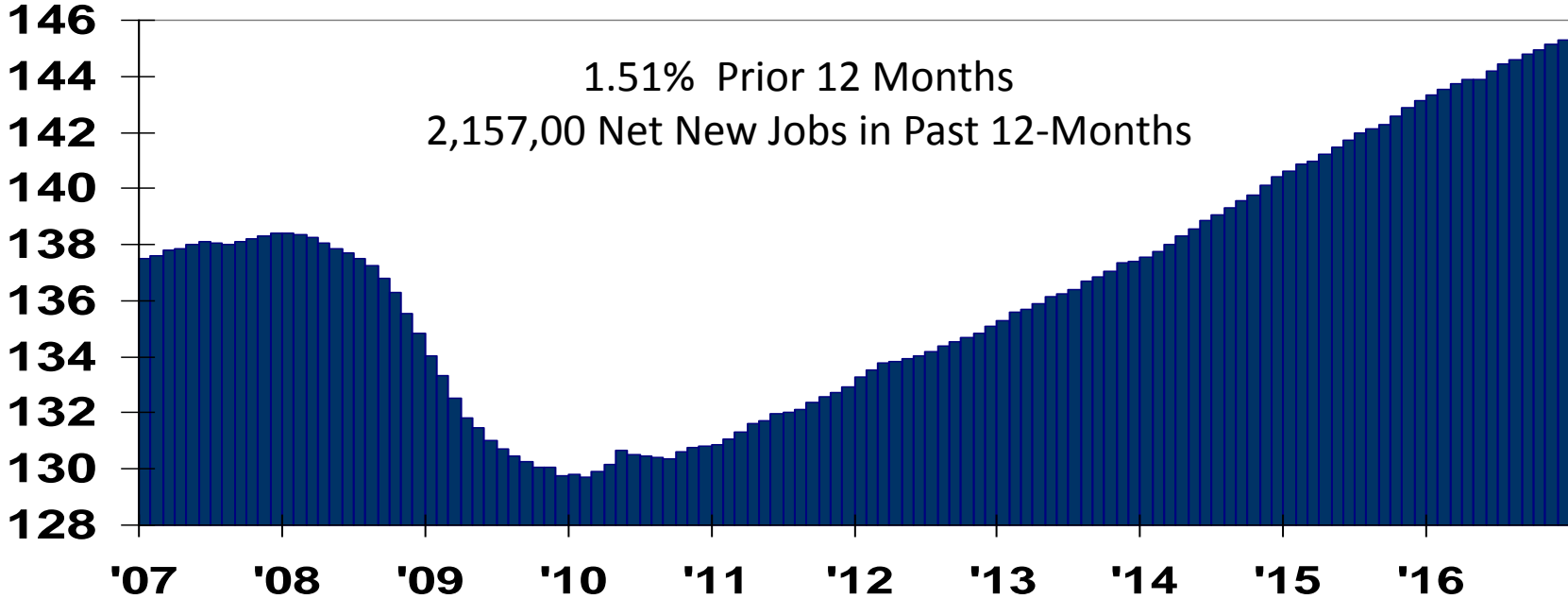
8.5% Gold

14.9% Silver

45.2% Crude Oil

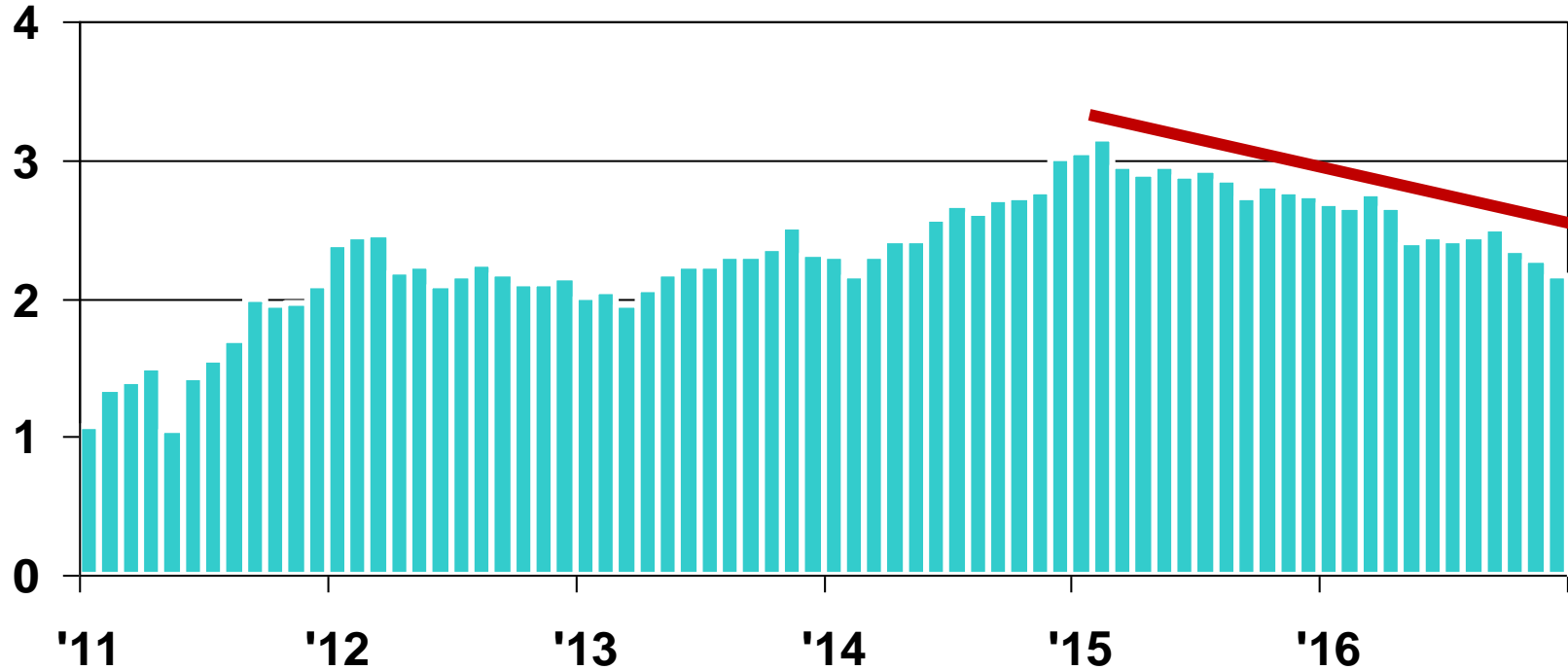
U.S. Jobs

Jobs (Millions) *Seasonally Adjusted*

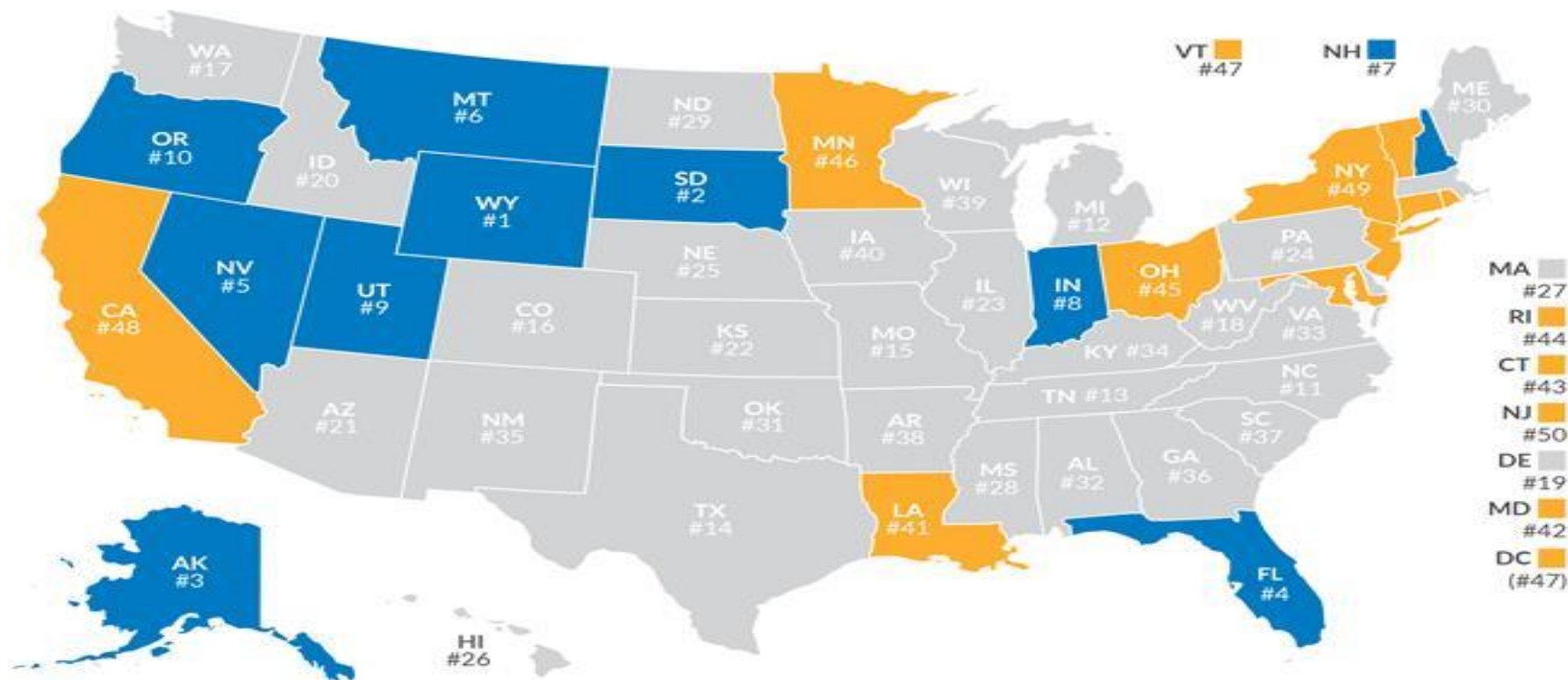


U.S. Net Job Gains – *Trailing 12-Months*

Jobs - *Millions*



2017 State Business Tax Climate Index



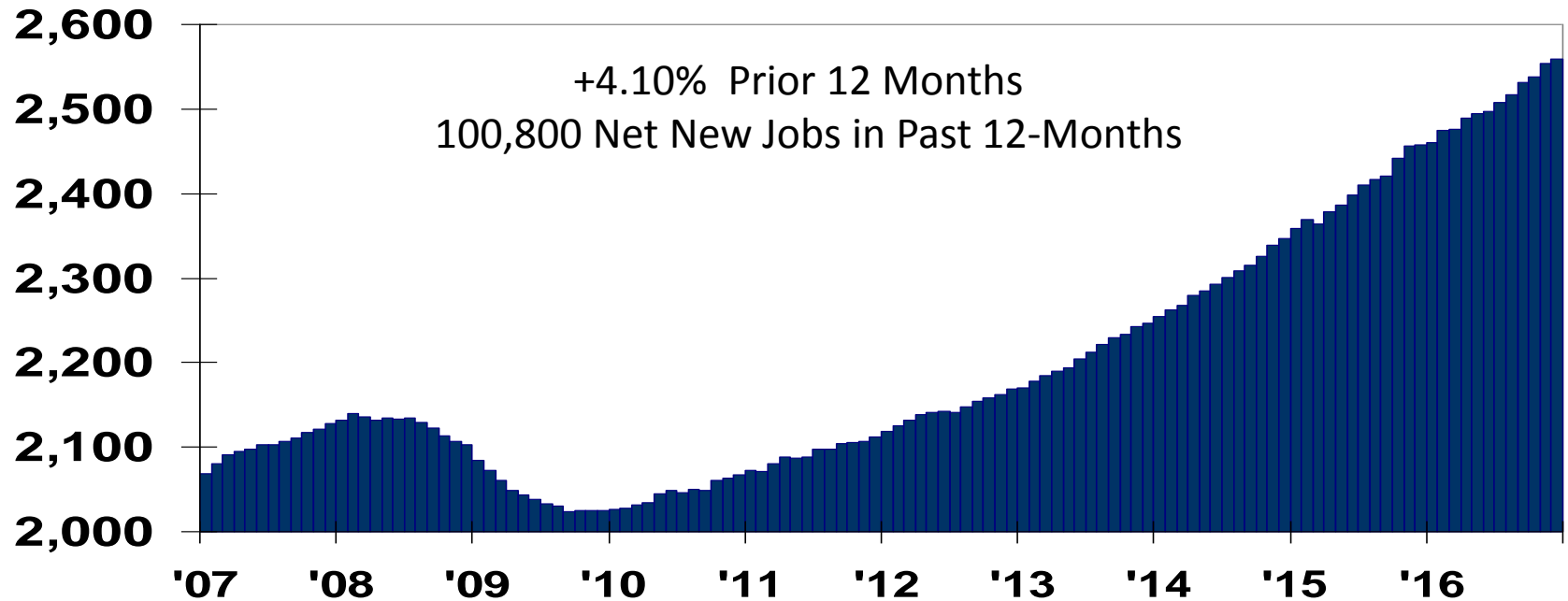
Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. DC's score and rank do not affect other states. The report shows tax systems as of July 1, 2016 (the beginning of Fiscal Year 2017).

Source: Tax Foundation.

- 10 Best Business Tax Climates
- 10 Worst Business Tax Climates

Dallas-Plano-Irving MSA Jobs

Jobs (Thousands) *Seasonally Adjusted*

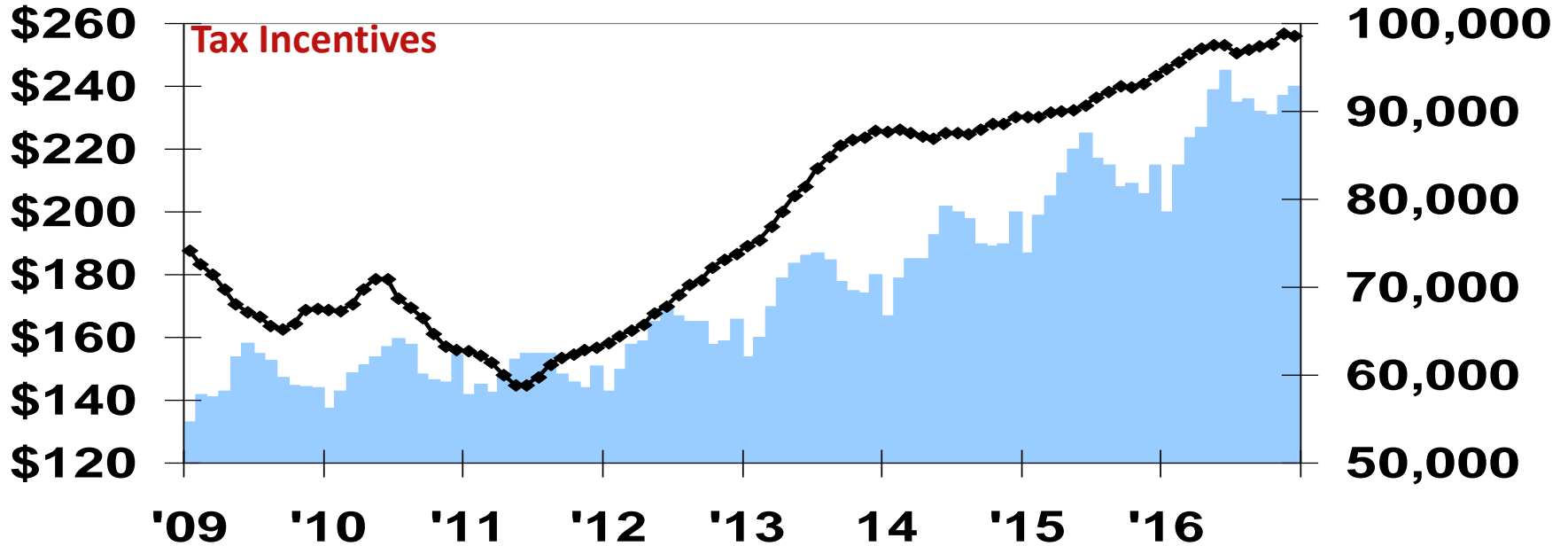


Dallas-Ft Worth Home Sales & Median Prices

Sales on a Seasonally Adjusted Annualized Rate

Average Price *\$ Thousands*

Home Sales *TTM*



Median Price — Homes Sales



stewart

DFW MSA Jobs Vs Residential Building Permits

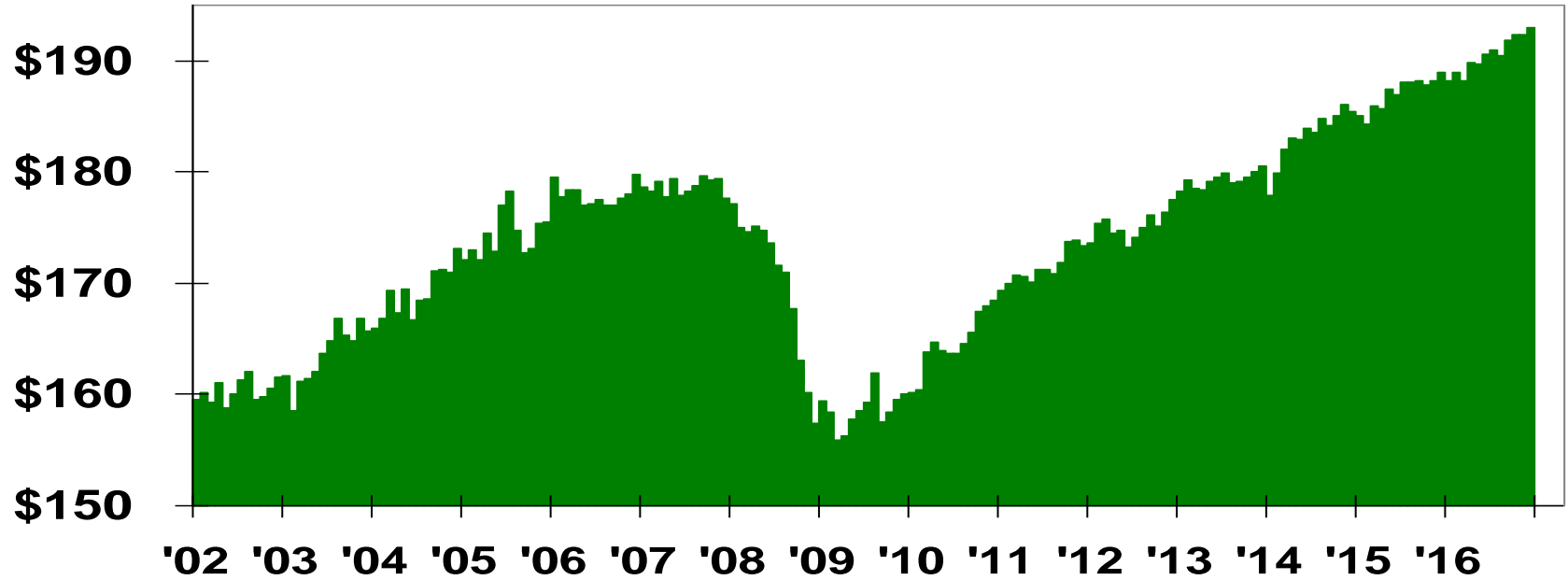
New Jobs Per New Permit

Normal is 1.25 to 1.5 New Jobs

2012 to 2015	2013 to 2015	2014 to 2015	12 Months Ending Jun 16
2.45	2.49	2.26	1.92

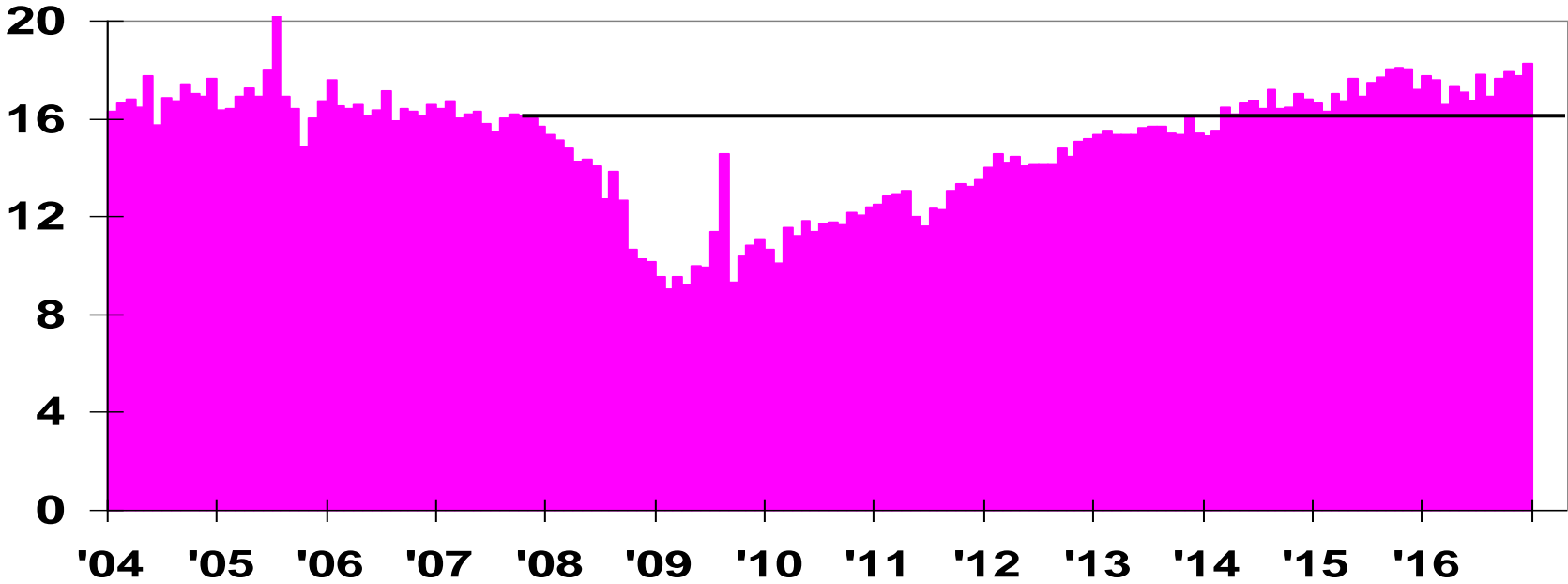
U.S. Real Retail & Food Service Sales

\$ Billions – Seasonally Adjusted



Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



Fed Funds Target Rate Increases

	Months Duration	Number Increases	Basis Points Increase
June 2004 - June 2006	25	17	425
June 1999 - May 2000	12	6	175
March 1997	1	1	25
February 1994 - Feb 1995	13	7	300
		Average	231.25
		Median	237.5

Source: Federal Reserve Bank of New York

Rates November 1, 2016

10-Year Treasury	1.81%
30-Year Residential	3.54%

12-18 Month Outlook

Rate Increase Impact - Basis Points

Lower Quartile	115.6
1/3rd	173.4
Median Quartile	231.3

Treasury Forecasts 12-18 Months

Lower Quartile	2.97%
1/3rd	3.54%
Median Quartile	4.12%

30-Year Residential Rates 12-18 Months

Lower Quartile	4.71%
1/3rd	5.28%
Median Quartile	5.86%

* 30-Year Residential = 10-Yr +174 bp

Refinance Lending \$ Billions

MBA

Year	Refi	Percent Change
2016	\$ 901	
2017	\$ 471	-47.7%
2018	\$ 410	-13.0%
2019	\$ 395	-3.7%

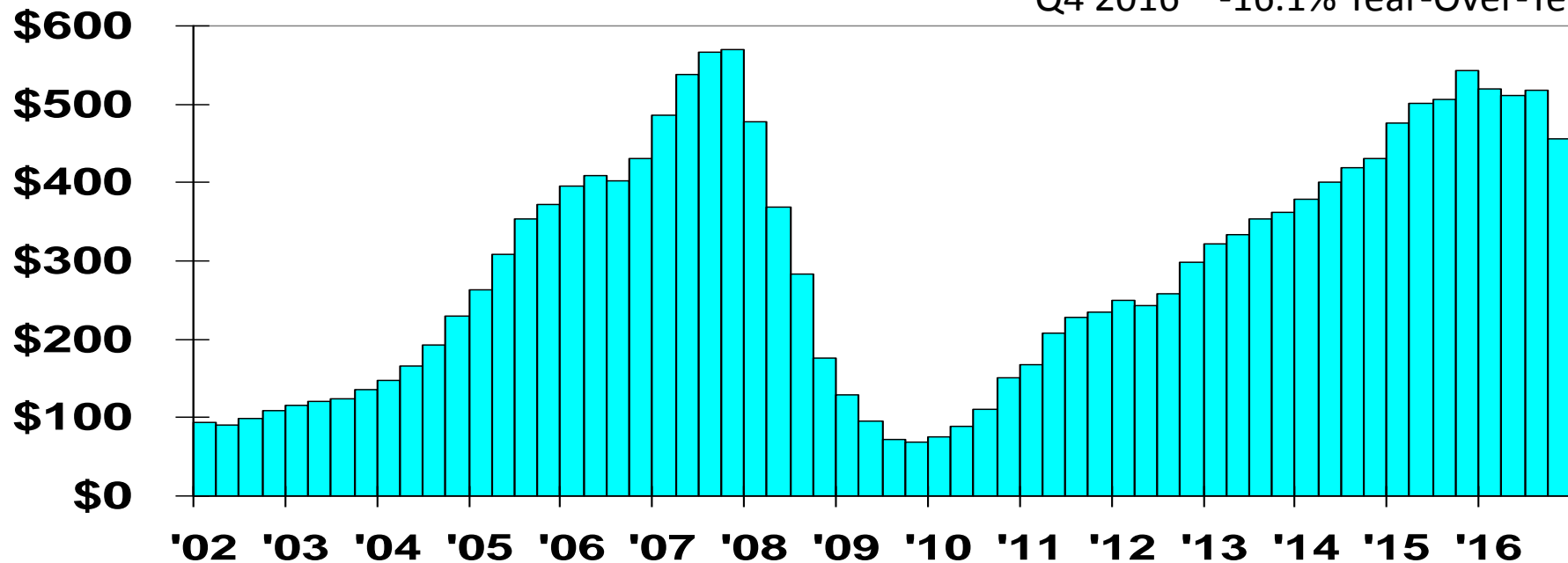
Fannie Mae

Year	Refi	Percent Change
2016	\$ 922	
2017	\$ 510	-44.7%
2018	\$ 381	-25.3%

U.S. Commercial Real Estate Sales Volume

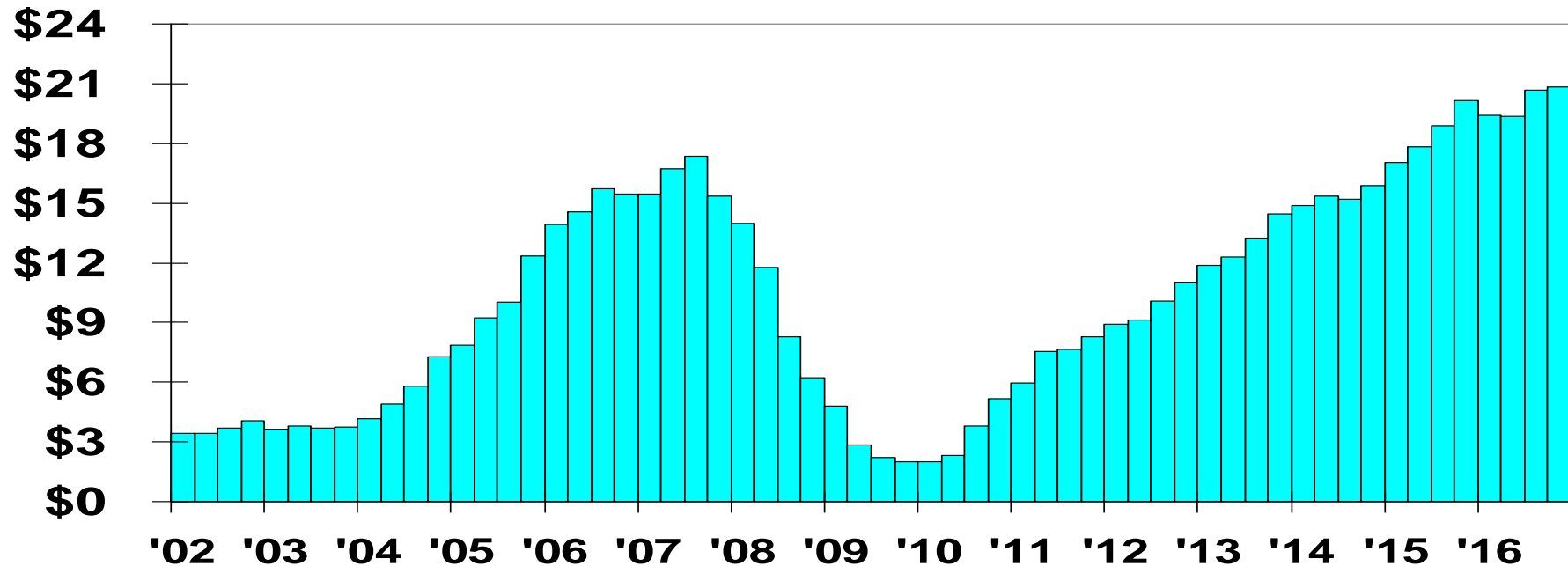
\$ Trillions – *Trailing 12 Months*

Q4 2016 -16.1% Year-Over-Year



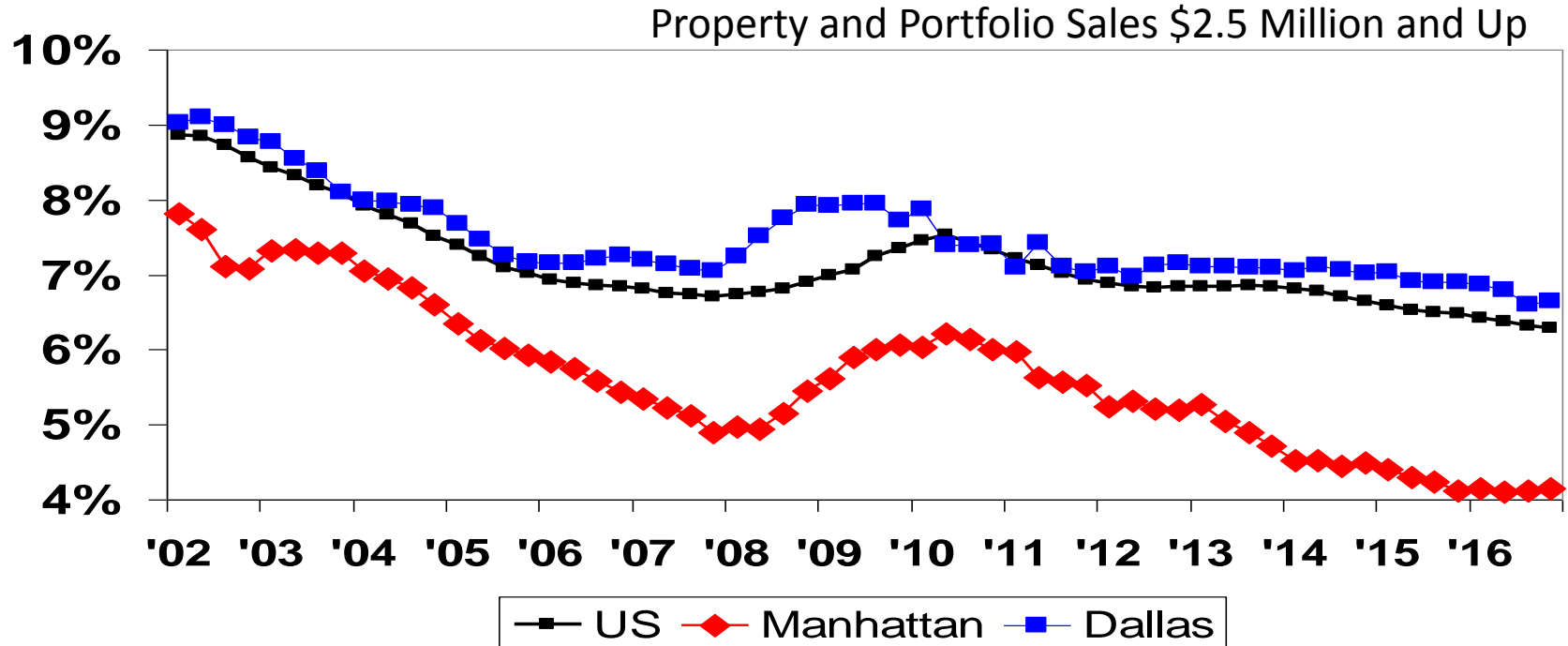
Dallas Commercial Real Estate Sales Volume

\$ Billions – *Trailing 12 Months*



Commercial Real Estate Cap Rates

Percent – All Property Types, 4 Quarter Moving Average



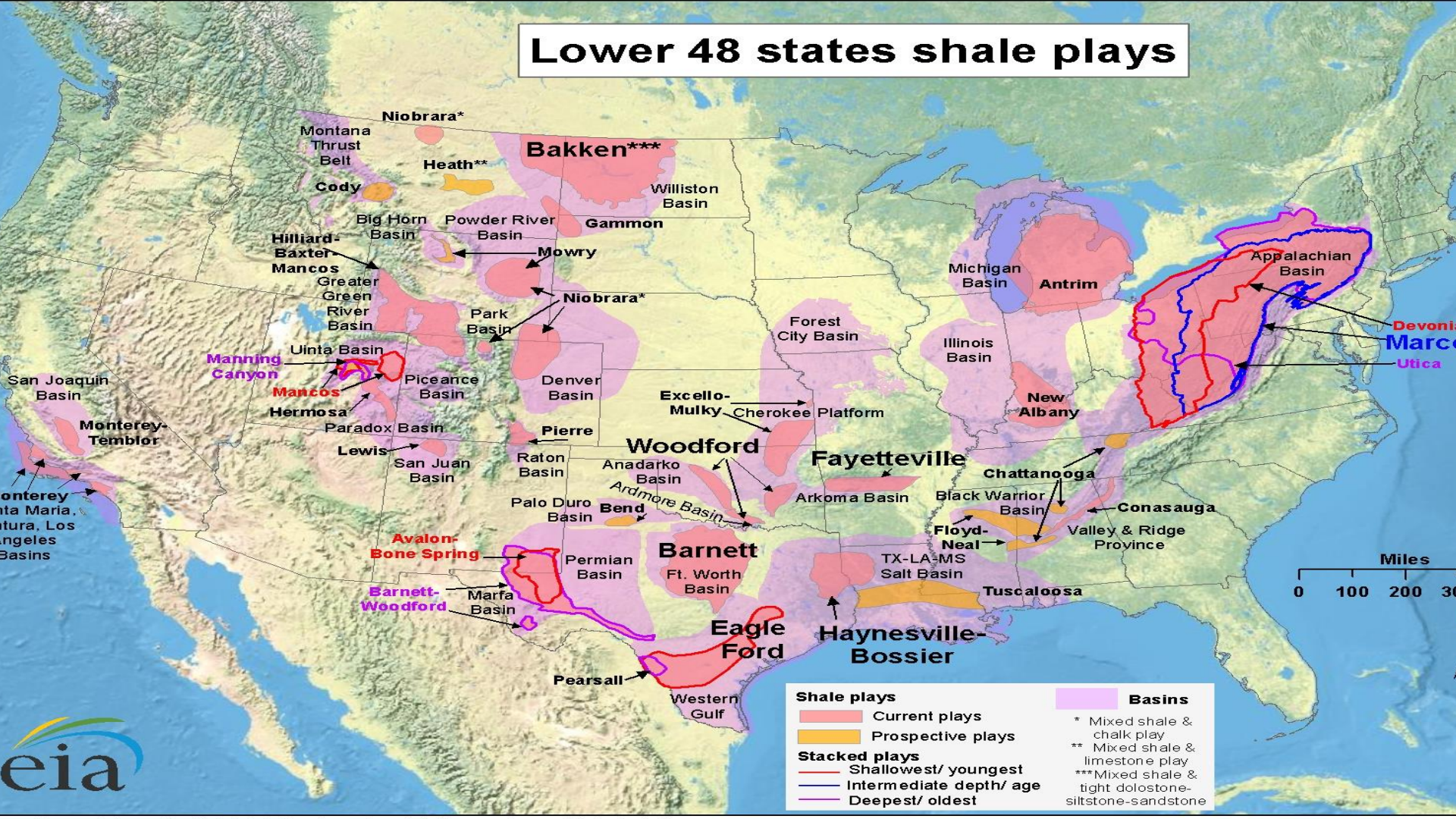
\$60 OIL

Days to Drill & Fracture

30 Months Ago -- 40 Days

Now – 19 Days

Lower 48 states shale plays



Shale plays		Basins	
	Current plays		* Mixed shale & chalk play
	Prospective plays		** Mixed shale & limestone play
	Shallowest/ youngest		***Mixed shale & tight dolomite-siltstone-sandstone
	Intermediate depth/ age		
	Deepest/ oldest		



**Oil & Gas
Exploration
Companies
Will Boost Spending
7 Percent
In 2017**

THINGS CHANGE

The Outlook for Real Estate and the Economy

Ted C. Jones, PhD
Chief Economist
Stewart Title Guaranty Company

stewart[®]

