



stewart  
title



# AXIOMS:

An Outlook & Forecast for the  
Economy, Real Estate and Life

# ax·i·om

/ˈæksēəm/ 

*noun*

plural noun: **axioms**

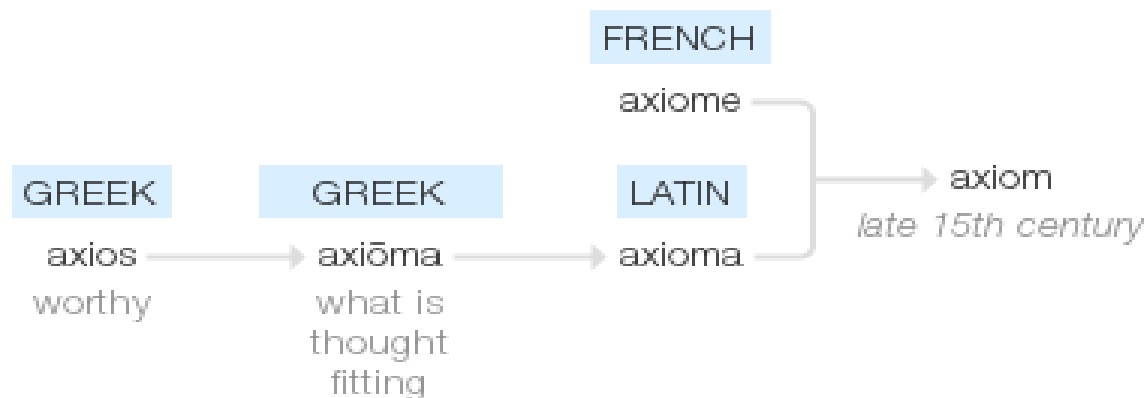
a statement or proposition that is regarded as being established, accepted, or self-evidently true.  
"the axiom that supply equals demand"

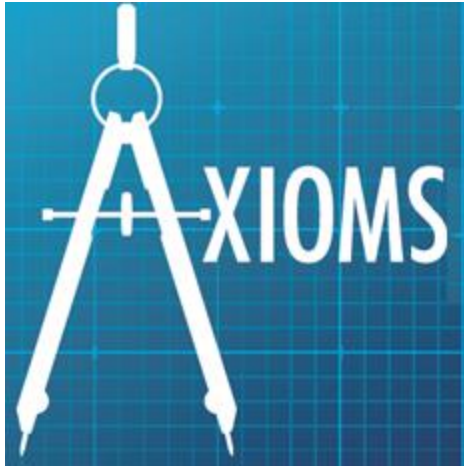
*synonyms:* accepted truth, general truth, **dictum**, **truism**, **principle**

- MATHEMATICS**

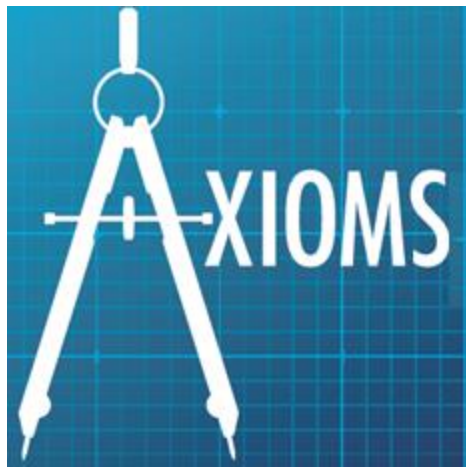
a statement or proposition on which an abstractly defined structure is based.

## Origin

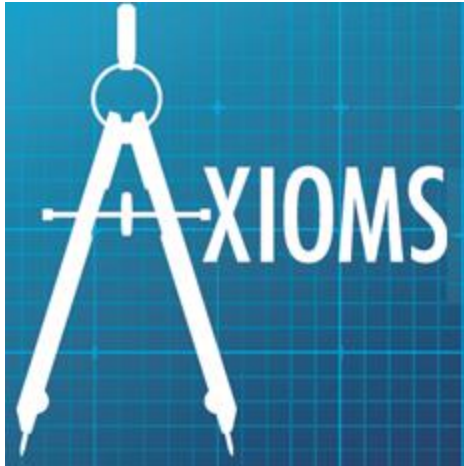




**The First People Not to  
Read the Apple Terms  
& Conditions Prior  
To Clicking Accept  
Were Adam & Eve**



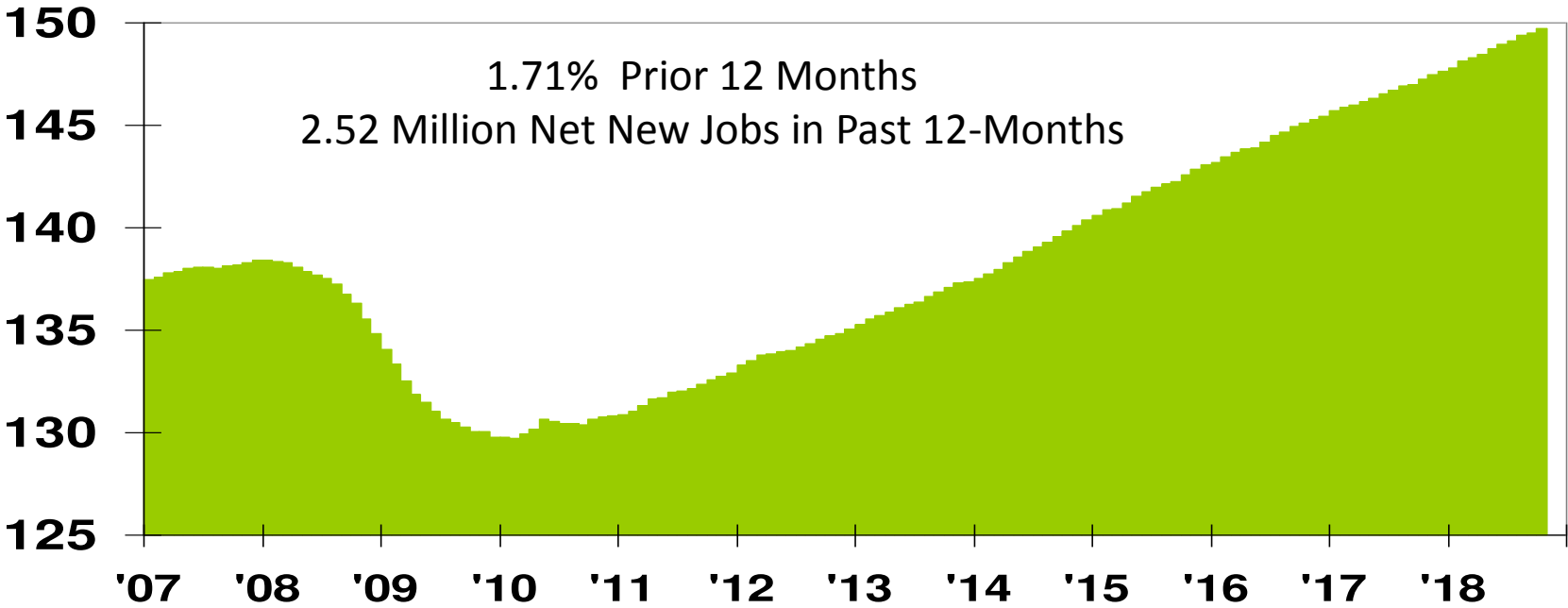
**Things Change**



**Jobs are Everything  
Period**

# U.S. Jobs

Jobs (Millions) *Seasonally Adjusted*

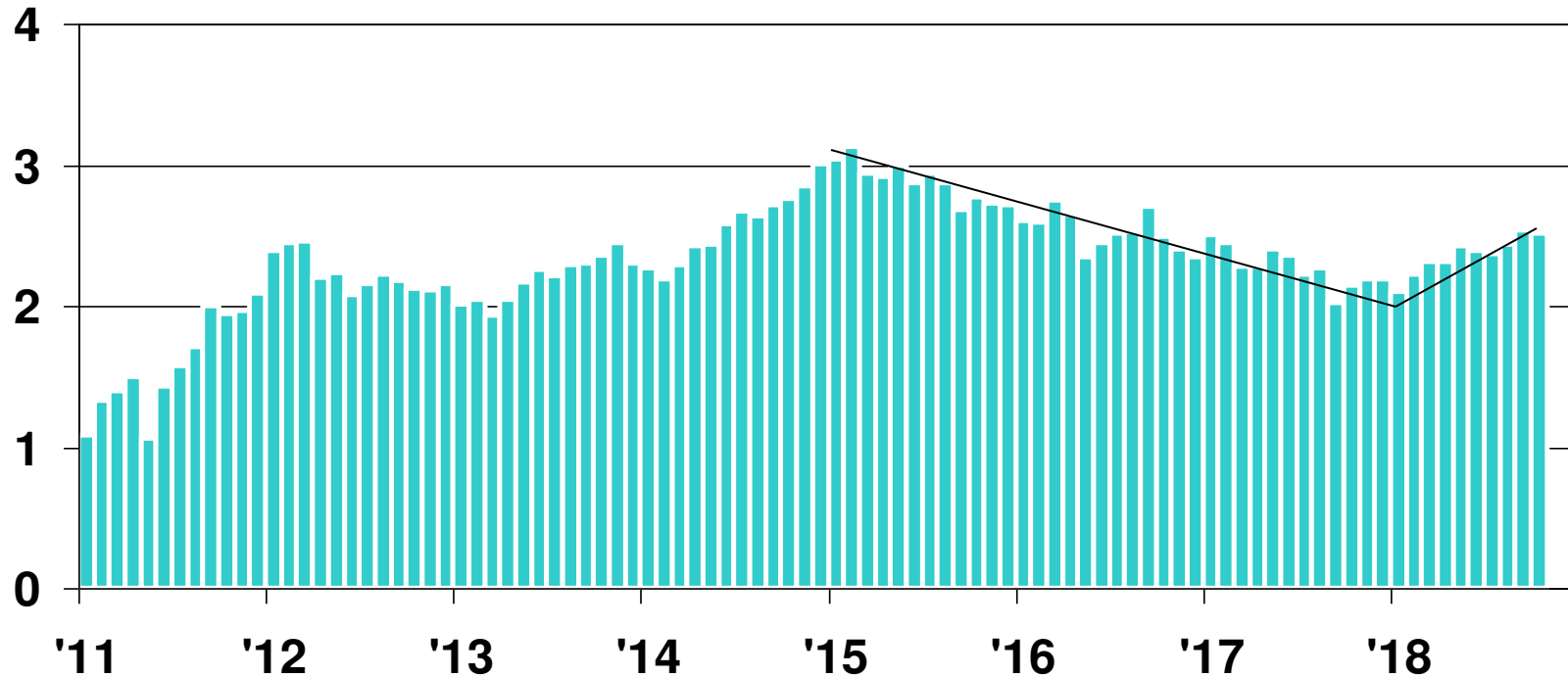


## U.S. Employment Situation -- October 2018

Employment Sector	Jobs - Thousands		Percent Change		Percent of U.S. Jobs
	1-Month	12-Month	1-Year	5-Year	
	Gain	Gain			
Mining & Logging	5	65	9.41%	-13.10%	0.50%
Construction	30	330	4.72%	23.39%	4.89%
Manufacturing	32	296	2.37%	6.05%	8.54%
Trade-Transport-Utilities	37	312	1.13%	7.10%	18.61%
Information	7	(15)	-0.54%	1.84%	1.85%
Professional and Business Service	35	516	2.50%	13.29%	14.12%
Leisure & Hospitality	42	254	1.57%	14.00%	10.96%
Other	7	78	1.34%	6.81%	3.93%
Government	4	66	0.30%	2.60%	14.96%

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

Jobs - *Millions*



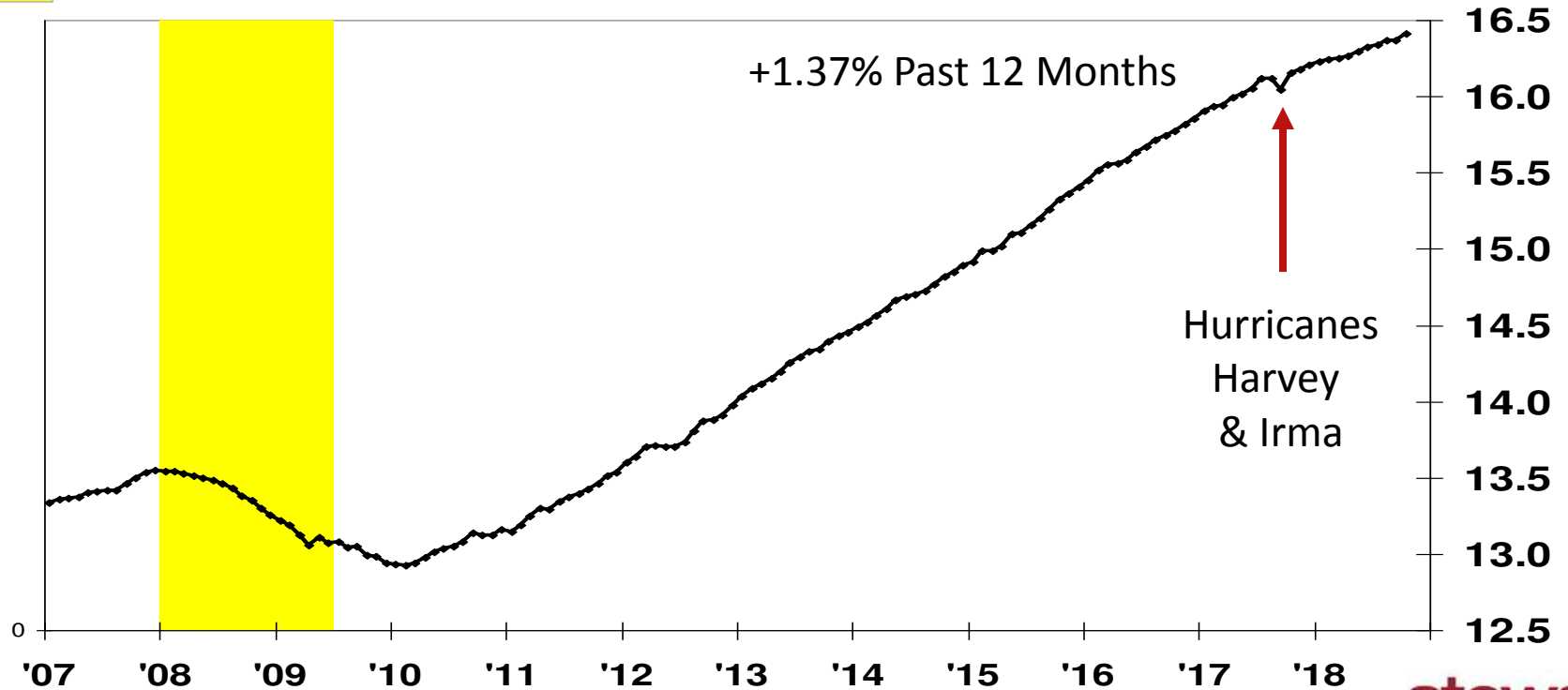


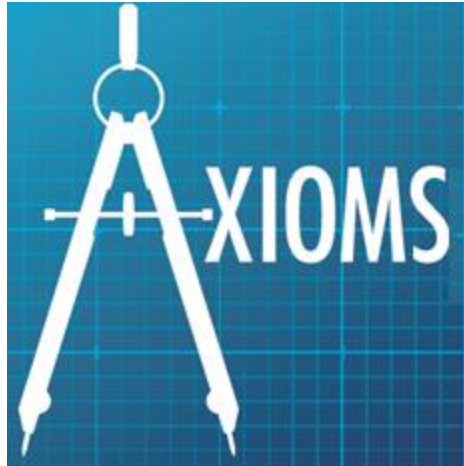
# U.S. Leisure & Hospitality Jobs

The Blood Pressure Test of the U.S. Economy

 Recession

Millions of Jobs  
Seasonally-Adjusted





# When You Get a Raise You Are Simply Broke at a Higher Level

**Dr Ivan Schmedemann, Professor Emeritus**

**3.1%**

**12-Month  
Income  
Increase**

**Largest Since 2009**

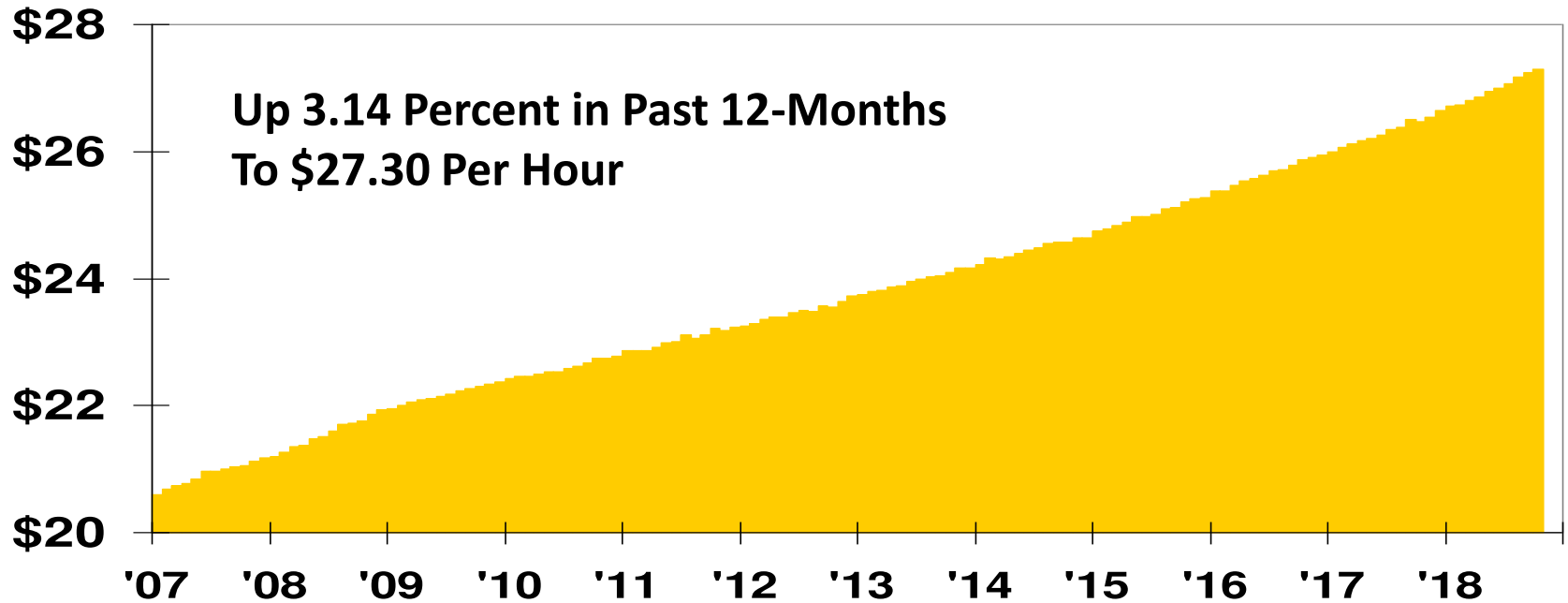
**3.7%**

**Unemployment  
Rate**

**49-Year Low**

# U.S. Average Hourly Earnings

\$US Per Hour



# 90%

Pay Less  
Taxes



**USA TODAY**

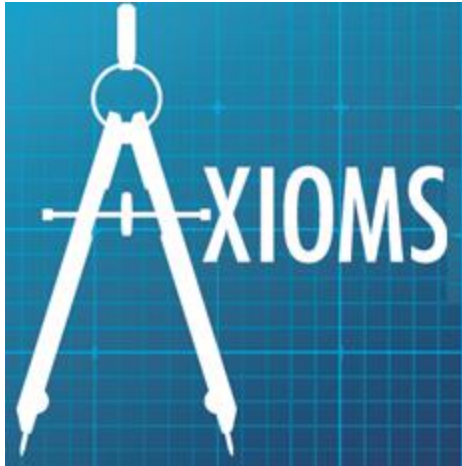
# \$80

# Billion

Extra Money Spent  
on Real Estate Annually  
Due to Tax Cuts



Zillow



# Taxes – or Lack There of – influences Where People Live & Businesses Relocate

**Taxes Matter**

## State Job Growth -- 12 Months Ending September 2018

Florida	4.83%	North Carolina	1.86%	Pennsylvania	1.32%
Utah	3.55%	Hawaii	1.78%	Minnesota	1.30%
Texas	3.32%	Mississippi	1.77%	Connecticut	1.18%
Nevada	3.22%	Delaware	1.76%	Iowa	1.12%
Washington	3.15%	Massachusetts	1.75%	North Dakota	1.12%
Arizona	2.91%	Virginia	1.73%	Arkansas	1.06%
Colorado	2.89%	Nebraska	1.71%	Louisiana	1.01%
Idaho	2.67%	Wyoming	1.67%	Dist of Columbia	1.01%
New Mexico	2.56%	Montana	1.57%	New York	1.00%
Georgia	2.49%	Michigan	1.45%	Maryland	0.92%
Oregon	2.30%	South Dakota	1.42%	Indiana	0.90%
Wyoming	2.23%	Wisconsin	1.42%	Illinois	0.83%
New Hampshire	2.21%	Rhode Island	1.41%	West Virginia	0.79%
Tennessee	2.12%	New Jersey	1.40%	Kentucky	0.75%
Oklahoma	2.04%	Kansas	1.40%	Maine	0.72%
California	2.01%	Missouri	1.37%	Vermont	-0.60%
Ohio	1.89%	South Carolina	1.32%	Alaska	-0.70%

# Job Growth Rates 12-Months Ending September 2018

## Top 10

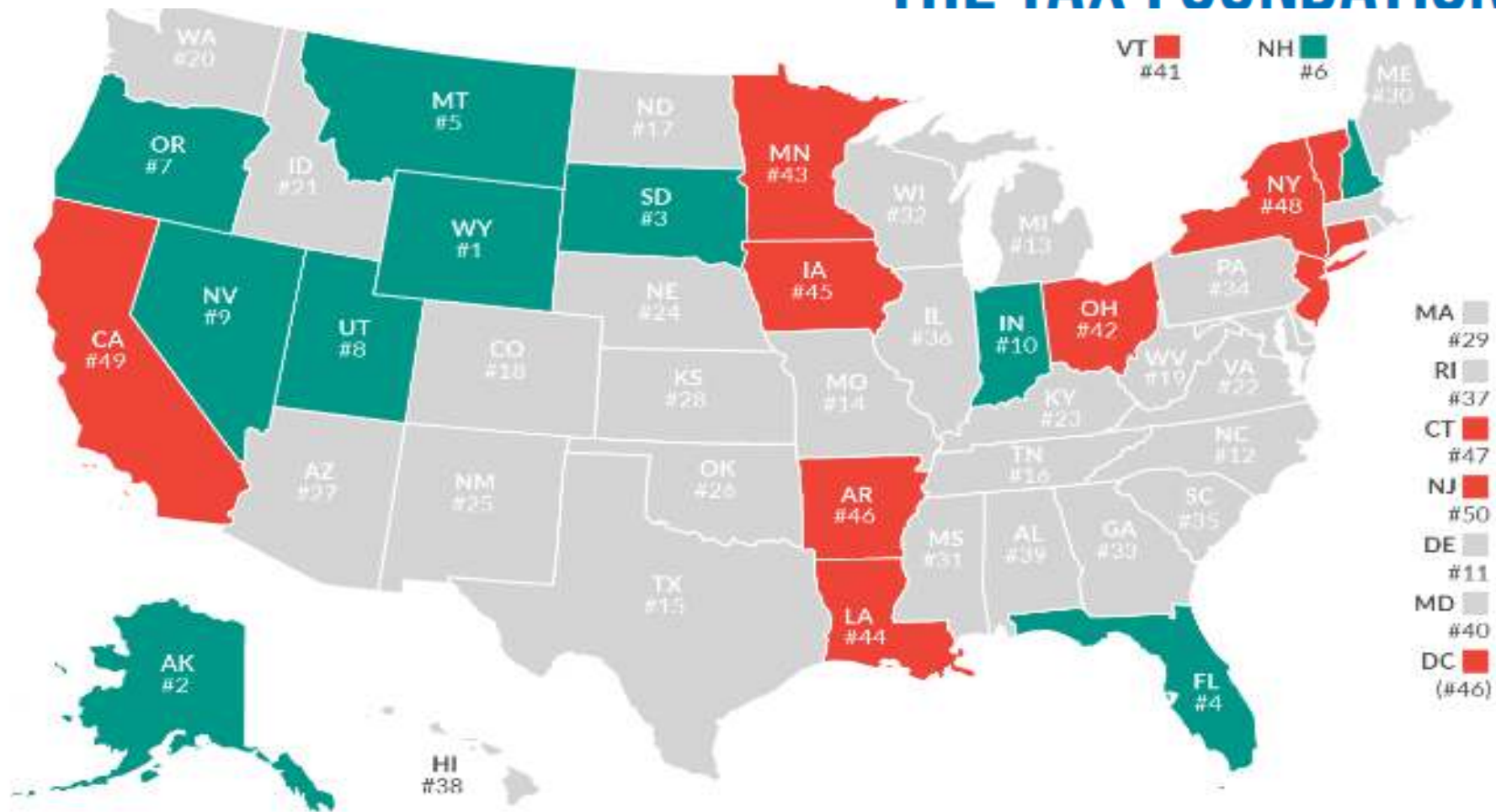
Florida	4.83%
Utah	3.55%
Texas	3.32%
Nevada	3.22%
Washington	3.15%
Arizona	2.91%
Colorado	2.89%
Idaho	2.67%
New Mexico	2.56%
Georgia	2.49%

## Bottom 10

Dist of Columbia	1.01%
New York	1.00%
Maryland	0.92%
Indiana	0.90%
Illinois	0.83%
West Virginia	0.79%
Kentucky	0.75%
Maine	0.72%
Vermont	-0.60%
Alaska	-0.70%



# THE TAX FOUNDATION



## Average SALT Deductions 2015

Rank	State	Average SALT Deduction	SALT Deduction as a Percent of AGI
1	New York	\$ 22,169	9.40%
2	Connecticut	\$ 19,665	8.53%
3	California	\$ 18,438	8.15%
4	New Jersey	\$ 17,850	8.79%
5	District of Columbia	\$ 16,443	7.02%
6	Massachusetts	\$ 15,572	6.53%
7	Minnesota	\$ 12,954	6.35%
8	Maryland	\$ 12,931	7.88%
9	Oregon	\$ 12,617	7.21%
10	Illinois	\$ 12,524	5.46%
38	Texas	\$ 7,824	2.66%

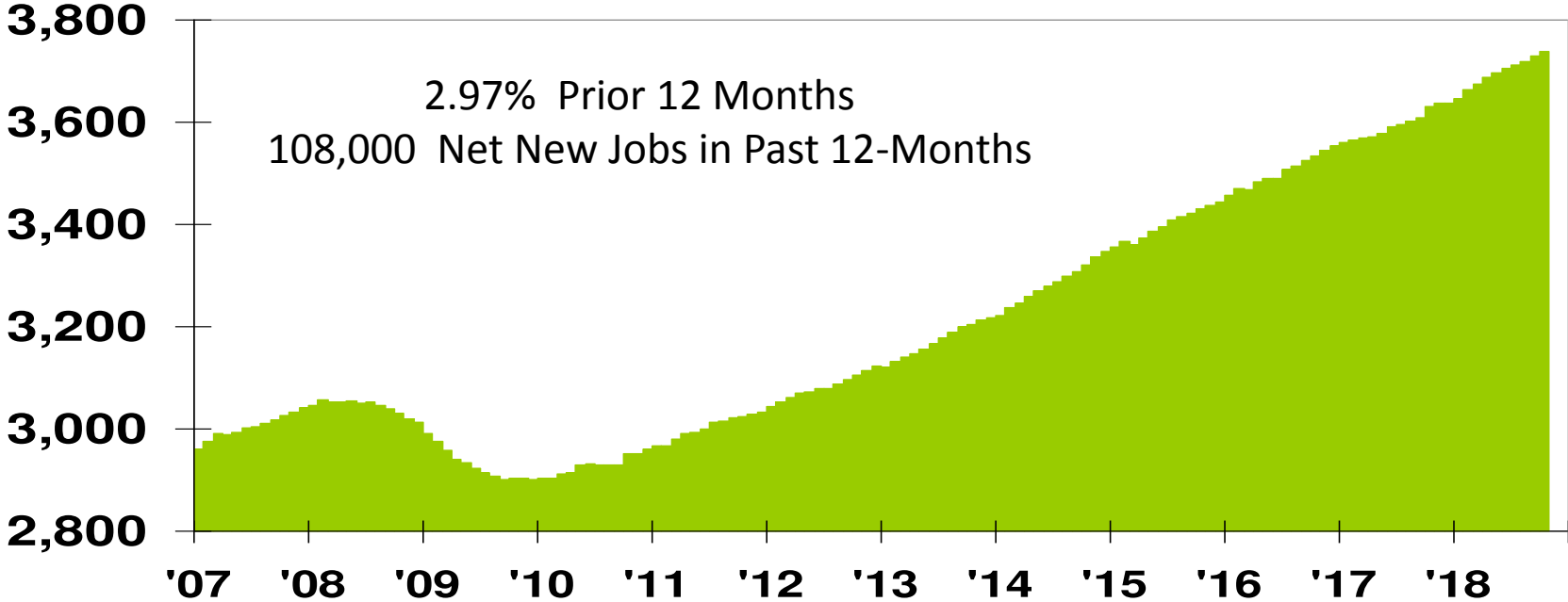
# State And Local Taxes



**TAX POLICY CENTER**  
URBAN INSTITUTE & BROOKINGS INSTITUTION

# Dallas-Ft Worth-Arlington MSA Jobs

Jobs (Thousands) *Seasonally Adjusted*



# Dallas-Ft Worth-Arlington Super Sector Job Growth Analysis -- October 2018

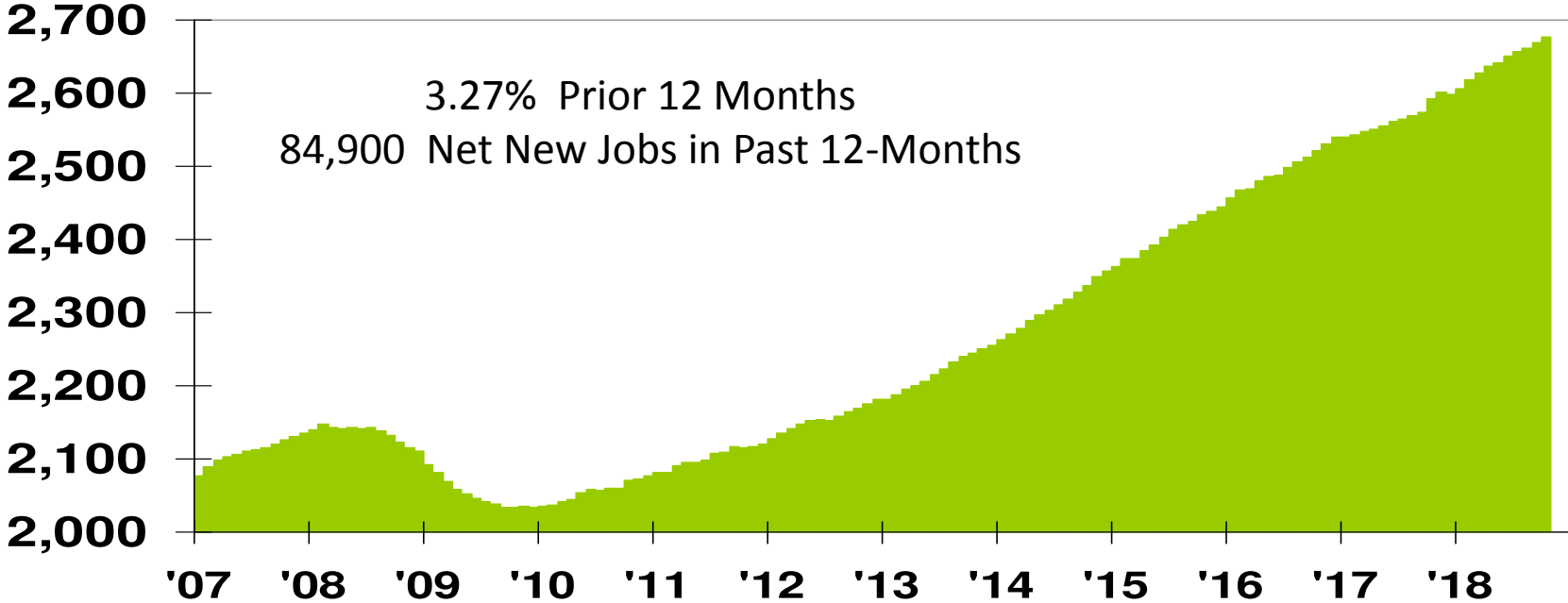
Not Seasonally Adjusted

Sector	Total Jobs Thousands Sep 2018	Percent of All Jobs	12-Months		5 Years	
			Net New Jobs Thousands	Percent Change	Net New Jobs Thousands	Percent Change
Total	3,752.4	100.00%	109.00	2.99%	538.70	16.8%
Mining & Logging & Construction	231.1	6.22%	14.50	6.69%	46.40	25.1%
Manufacturing	281.1	7.57%	7.30	2.67%	20.30	7.8%
Trade-Transport-Utilities	791.1	21.30%	13.00	1.67%	123.70	18.5%
Information	84.2	2.27%	1.60	1.94%	3.00	3.7%
Professional and Business Service	629.5	16.95%	29.20	4.86%	108.90	20.9%
Leisure & Hospitality	396.3	10.67%	13.40	3.50%	75.50	23.5%
Other	127.4	3.43%	3.40	2.74%	13.40	11.8%
Government	446.8	12.03%	5.10	1.15%	38.20	9.3%

Source: U.S. Bureau of Labor Statistics, Stewart Title Guaranty Company

# Dallas-Plano-Irving Jobs

Jobs (Thousands) *Seasonally Adjusted*



**201,000**

**1<sup>st</sup> Time  
Applicants  
Unemployment  
Benefits  
Week Ending  
Sept 15  
2018**

**220,000**

**1<sup>st</sup> Time  
Applicants  
Unemployment  
Benefits  
Week Ending  
January 13  
2018**



# Millennials Are the Future and the Present



**13.6%**

**Percent of  
U.S.  
Population  
Aged 25-34**

**36%**

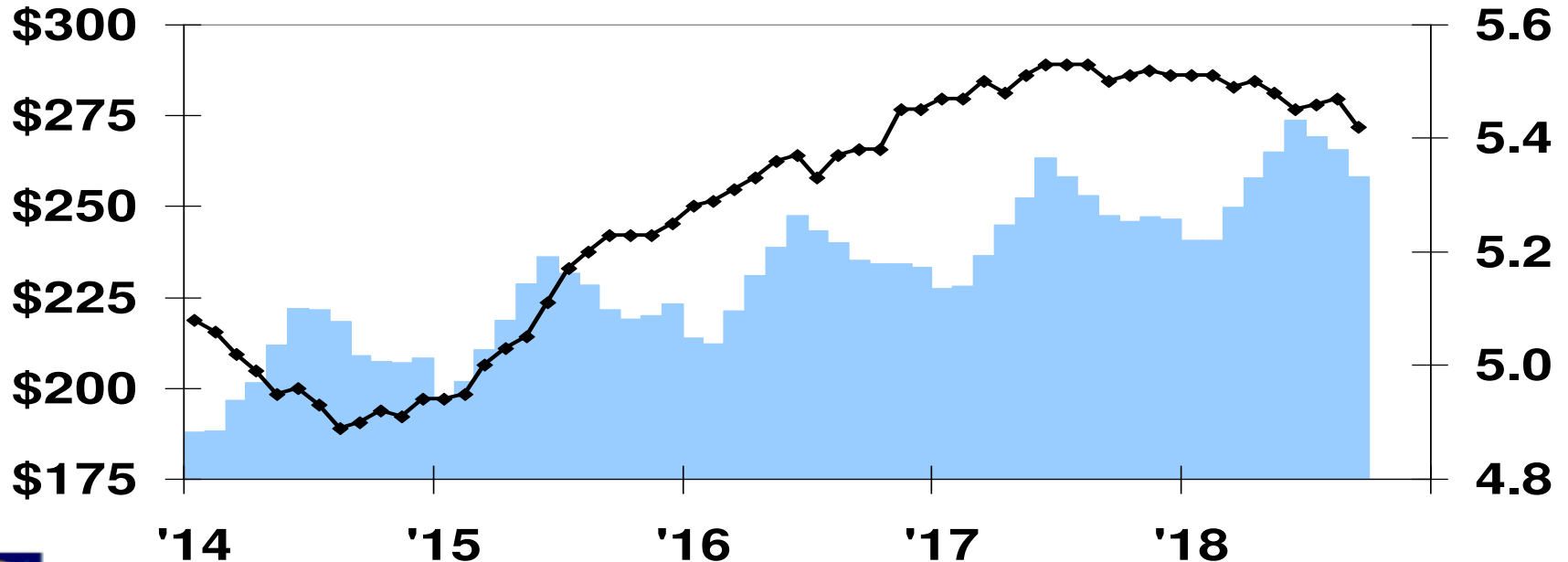
**Percent of  
Homes  
Purchased  
Past 12-Months**

# U.S. Existing Home Sales & Median Prices

Sales Trailing 12 Months

Median Price *\$ Thousands*

Home Sales *12-Months Millions*



Median Price — Homes Sales

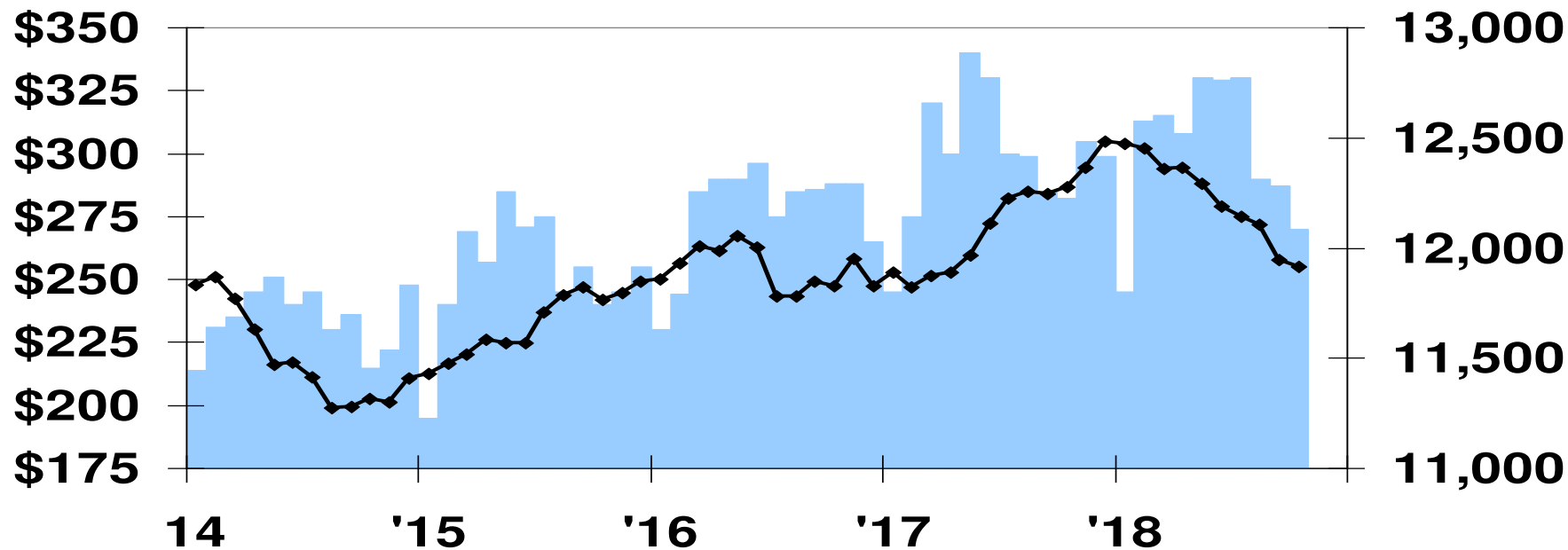


# Dallas Home Sales & Median Prices

Sales Trailing 12 Months

Median Price *\$ Thousands*

Home Sales *12-Months*



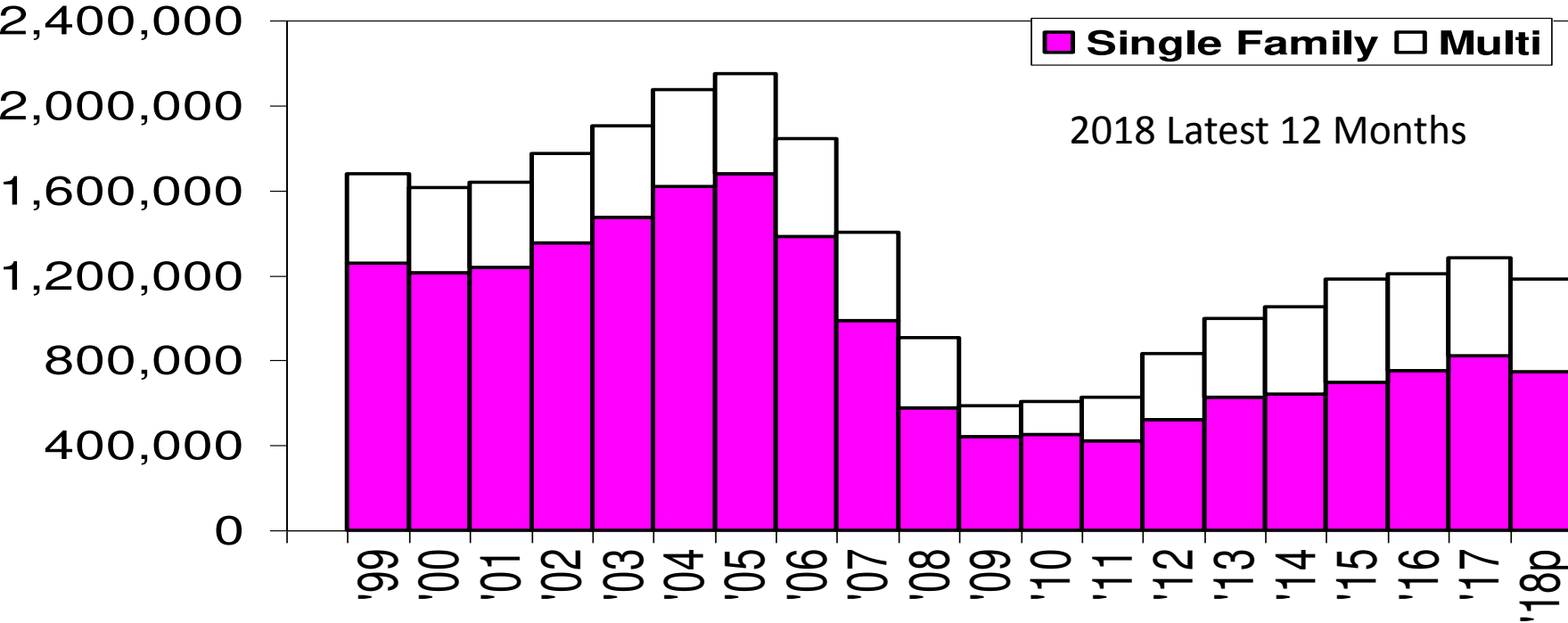
Median Price — Homes Sales

**3.7**

**Months Inventory**

# U.S. Residential Building Permits

Number of Dwelling Units

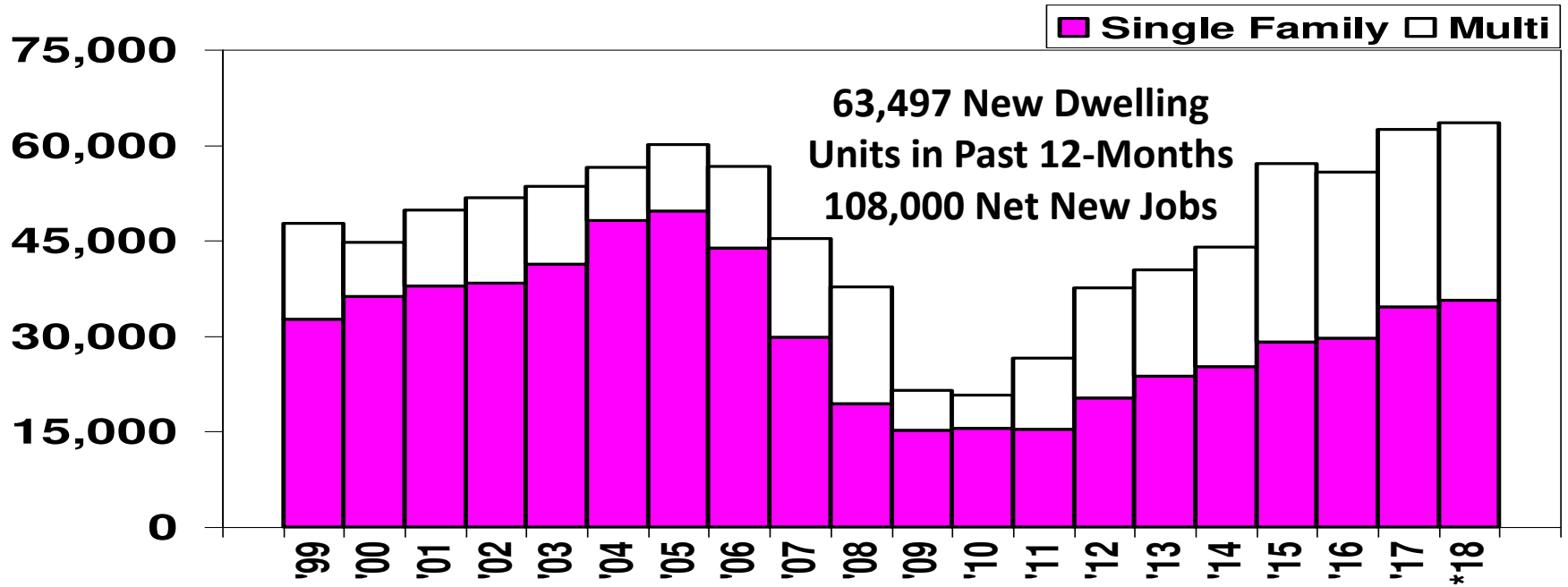


1,184,748 Permits & 2,520,000 Jobs 2.13 Net New Jobs Per New Dwelling

# Dallas-Ft Worth MSA Residential Building Permits

Number of Dwelling Units

2018 is Latest 12-Months



1.71 Net New Jobs Per New Dwelling Unit, 1.25 to 1.50 Normal

# Jobs & Residential Dwelling Unit Permits

## Dallas-Ft Worth MSA

Year	Net New Jobs	Dwelling Unit Permits	Jobs Per New Dwelling
2013	94,100	40,364	2.33
2014	131,200	43,994	2.98
2015	96,400	57,146	1.69
2016	110,300	55,800	1.98
2017	84,000	62,524	1.34
<b>Total</b>	<b>516,000</b>	<b>259,828</b>	<b>1.99</b>

**1.25 to  
1.50 Net  
New Jobs  
Per New  
Dwelling  
Unit is  
Normal**

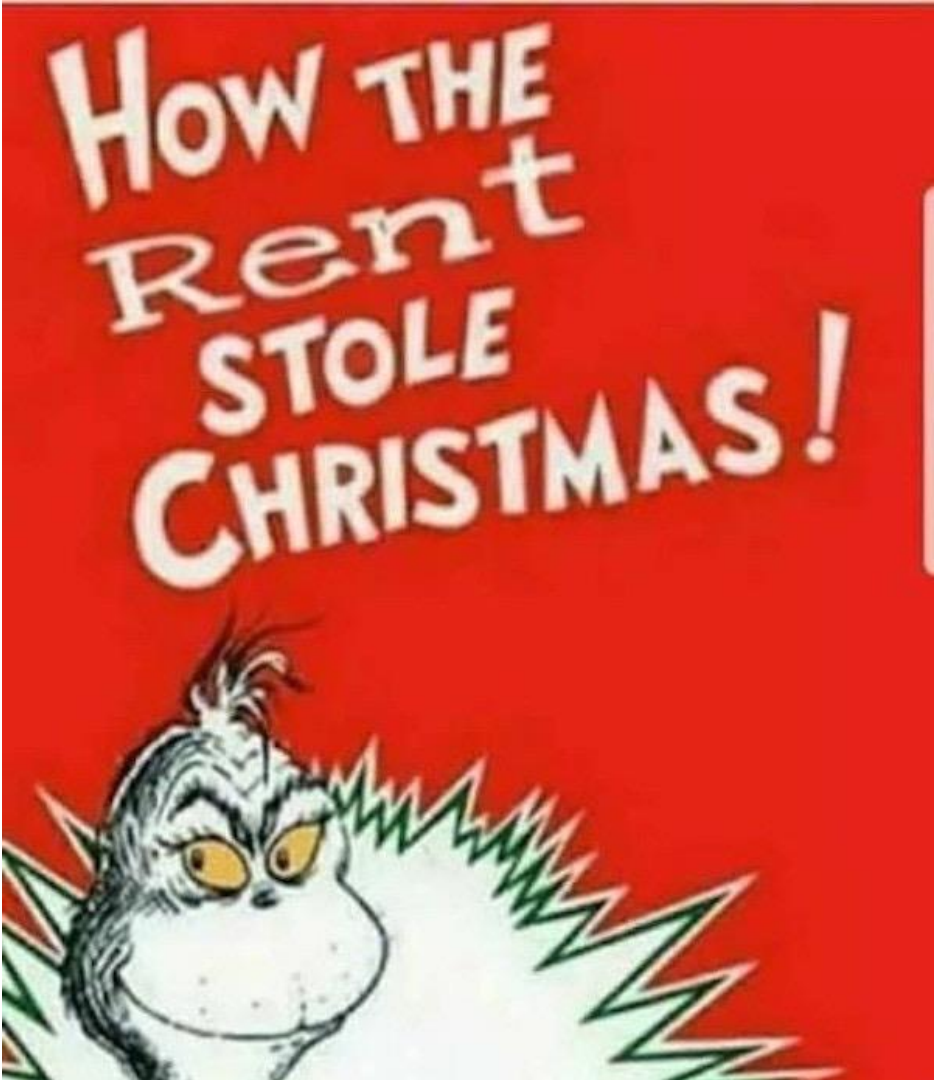




# It's All About Supply and Demand



# Rents



# Risings

# National Average Apartment Rents



Yardi<sup>®</sup> Matrix

# Apartment Rents October 2018

## Dallas Texas

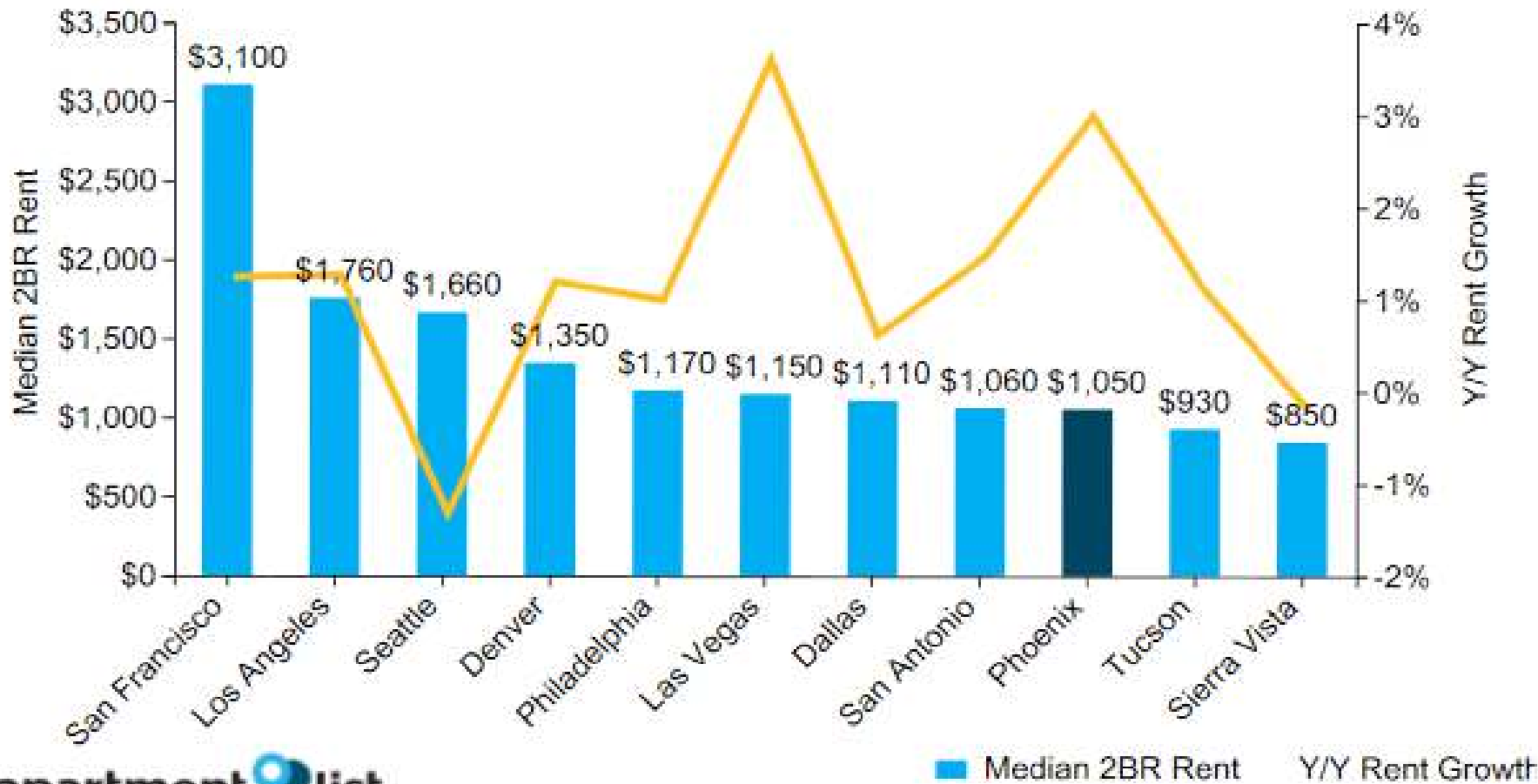
**-1.71 Percent 1 Bedroom**

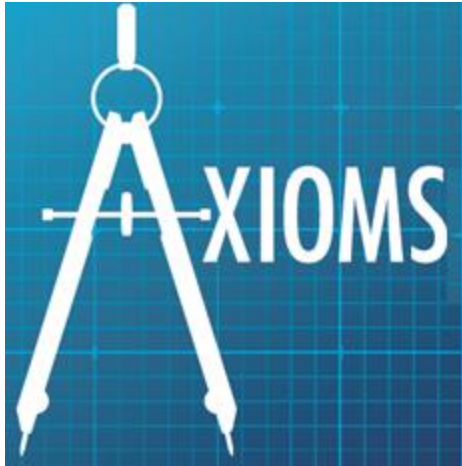
**-2.33 Percent 2 Bedroom**

**\$1,045 Median Rent 1 Bedroom**

**\$1,229 Median Rent 2--Bedroom**

# October 2018 Rent Trends





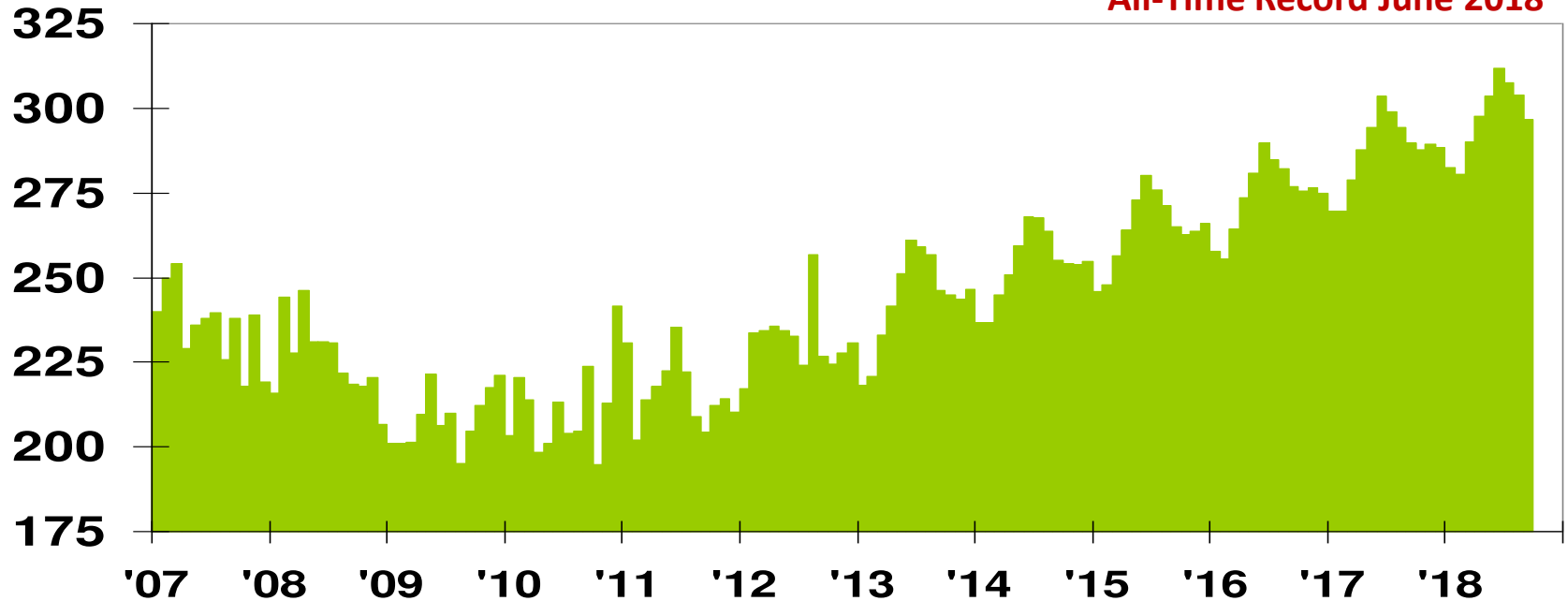
**No Where is It  
Written That Home  
Values Will Always  
Go Up**

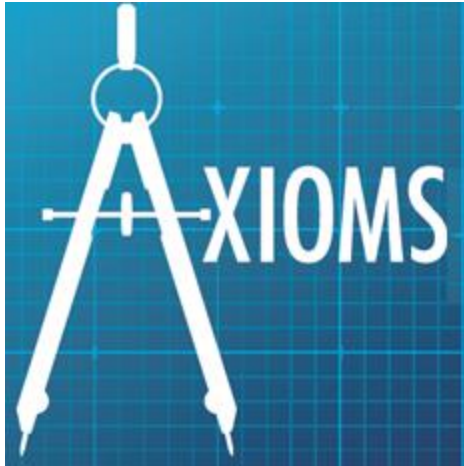
**The Same Goes for Rent Also**

# U.S. Average Existing Home Price

\$ Thousands – *Not Seasonally Adjusted*

All-Time Record June 2018



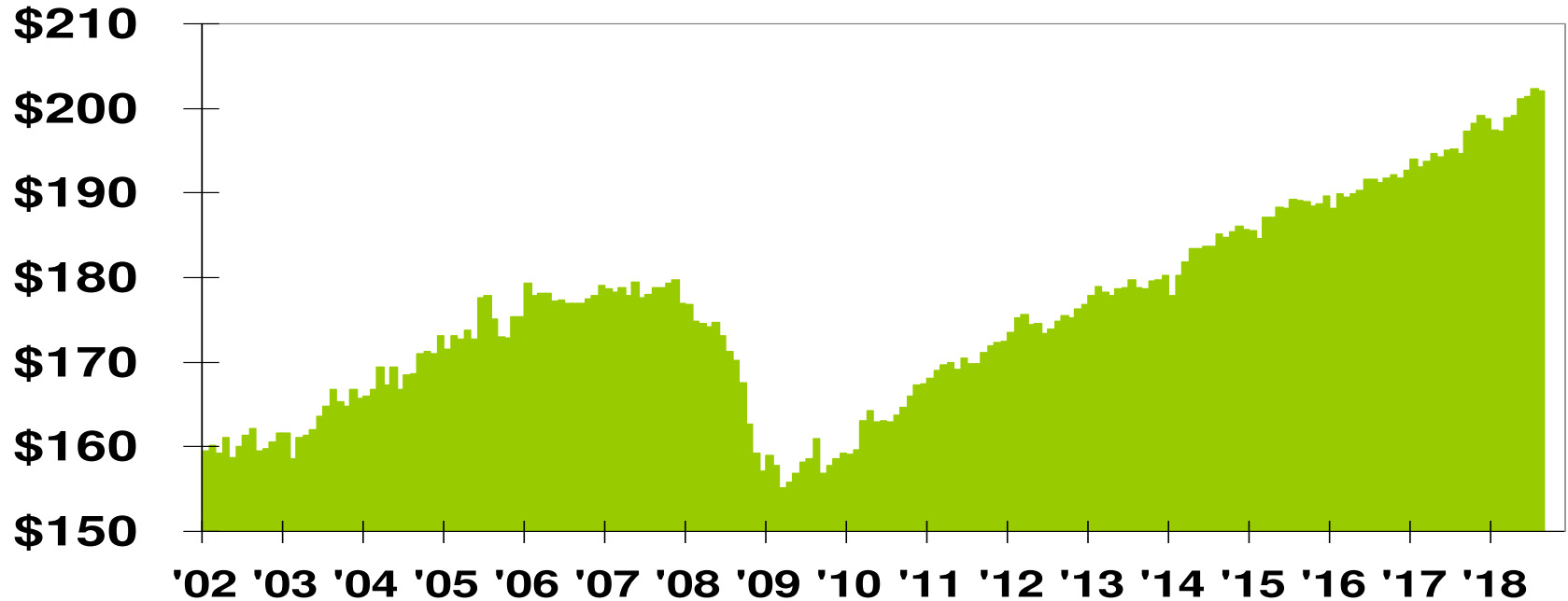


# There are Three Kinds of People That Can Buy a Home Without a Job

**People with Gray Hair, Blue Hair or No Hair: Retirees**

# U.S. Real Retail & Food Service Sales

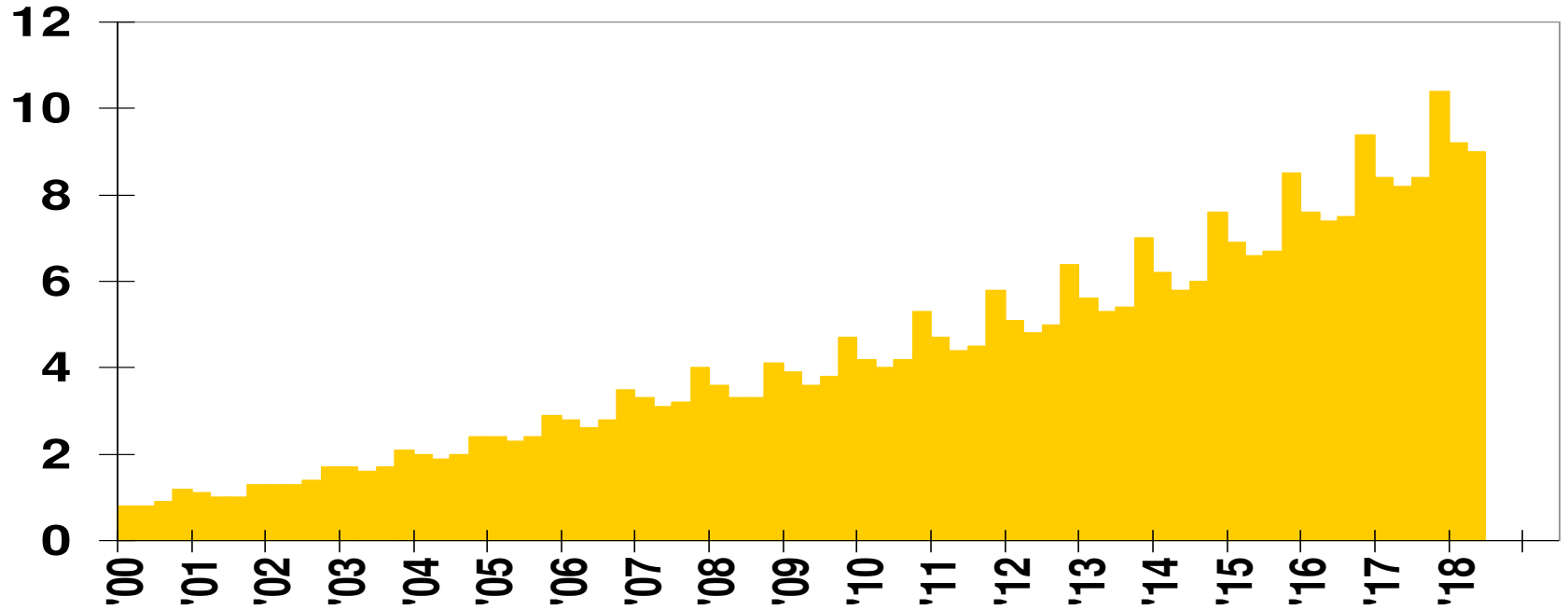
*\$ Billions – Seasonally Adjusted*





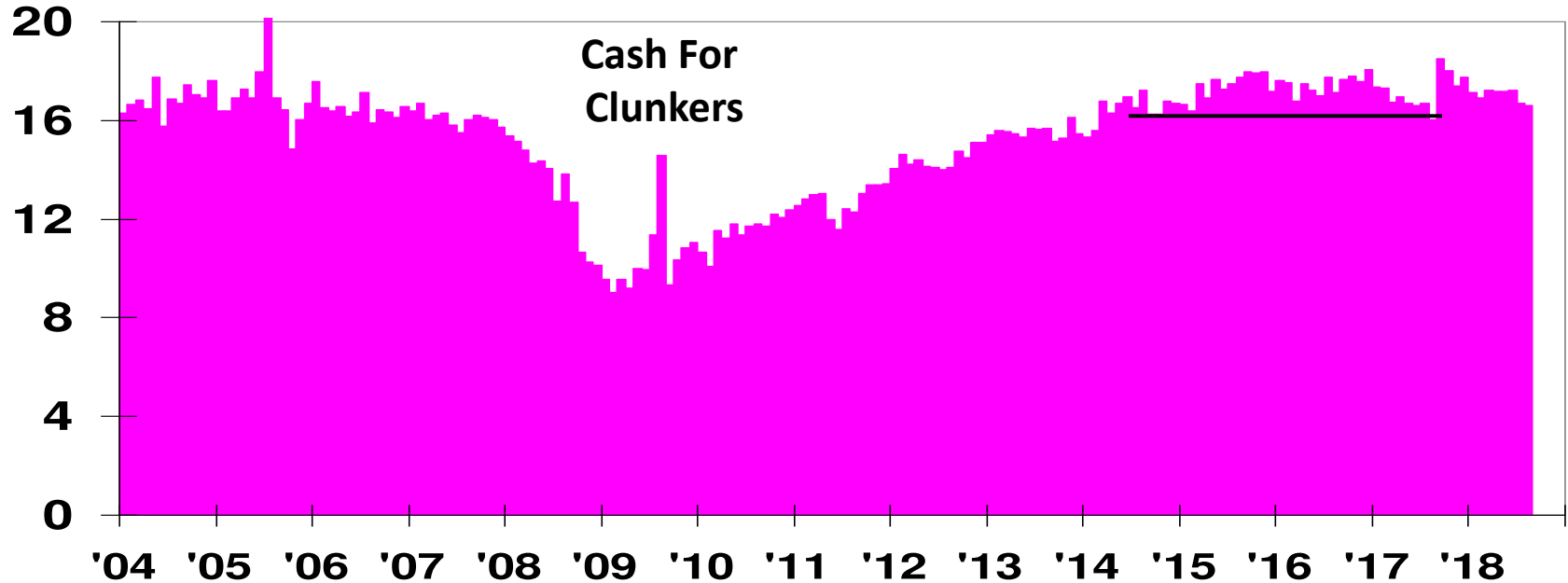
# E-Commerce Sales

Percent of Total Sales – *Not Seasonally Adjusted*



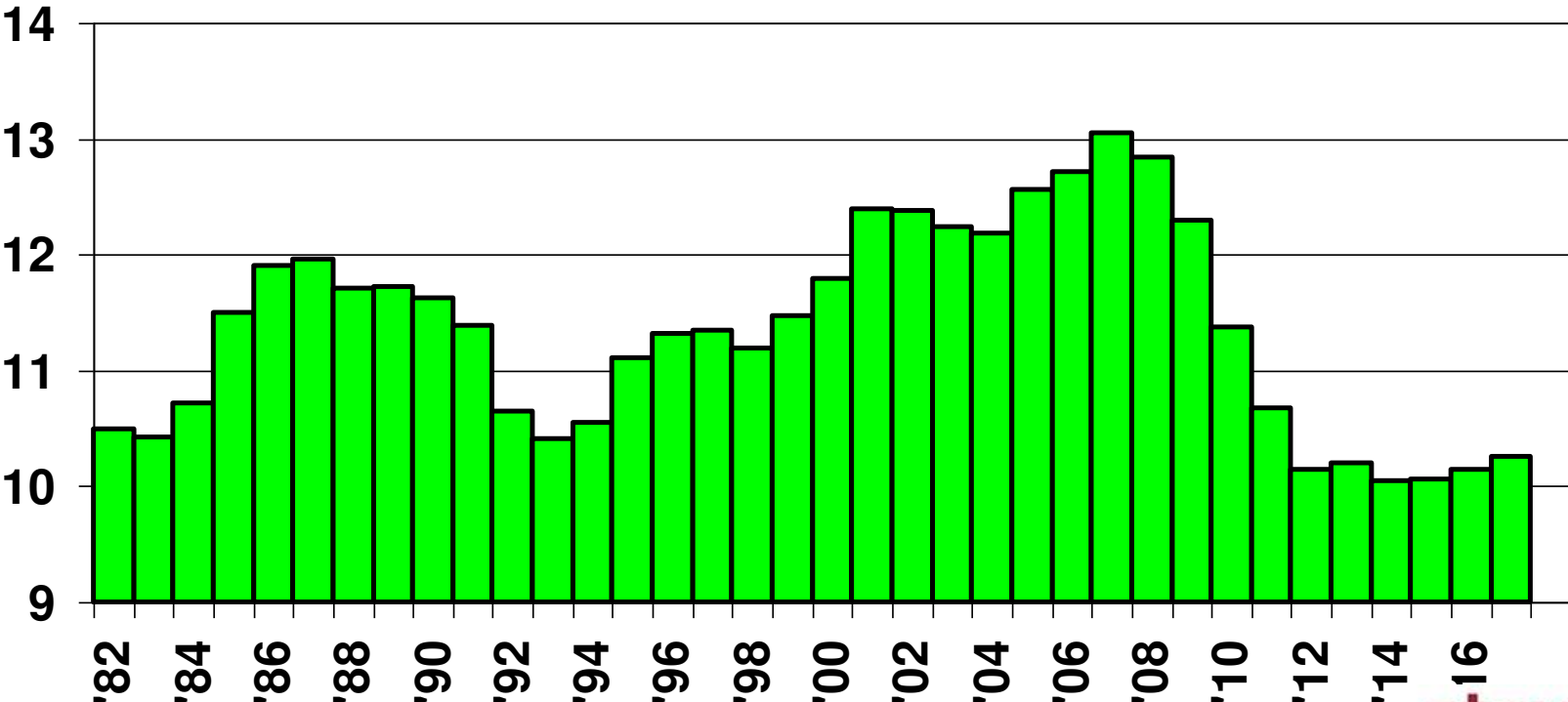
# Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



# Household Debt Service as a Percent of Household Disposable Income

Percent



**Fed Funds  
Rate Up 25 bp  
to  
1.75% to 2.0%  
Percent  
June 13, 2018**

**\$2.2 Billion  
More Per  
Year in Just  
Credit Card**

# Fed Funds Target Rate Increases

	<b>Months</b>	<b>Number</b>	<b>Basis</b>
	<b>Duration</b>	<b>Increases</b>	<b>Points</b>
			<b>Increase</b>
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

## November 2015

10-Year Treasury	2.19%
30-Year Residential	3.94%

## Rate Moves Over Cycle

### Rate Increase Impact - Basis Points

---

Lower Quartile	115.6
1/3rd	173.4
Median Quartile	231.3

## Treasury Forecasts 9-15 Months

Lower Quartile	3.35%
1/3rd	3.92%
Median Quartile	4.50%

## 30-Year Residential Rates 9-15 Months

Lower Quartile	5.10%
1/3rd	5.67%
Median Quartile	6.25%

Forecast as of March 2018

# 30-Year Conventional Mortgage Rate Forecast

**4.8% Fannie Mae**

**5.1% Freddie Mac**

**5.1% MBA**

**5.1% - 5.7% Ted**

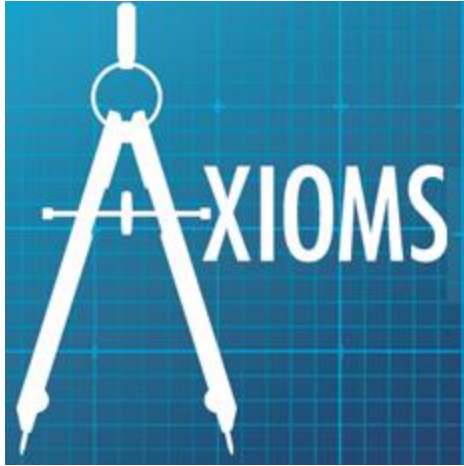
## Residential Mortgage Rates -- Freddie Mac

<b>Week Ending</b>	<b>30-Year Fixed</b>		<b>15-Year Fixed</b>		<b>5-Year Fixed Hybrid</b>	
	<b>Rate</b>	<b>Points</b>	<b>Rate</b>	<b>Points</b>	<b>Rate</b>	<b>Points</b>
Nov 15 2018	4.94%	0.5	4.36%	0.4	4.14%	0.3
Nov 08 2018	4.94%	0.5	4.33%	0.5	4.14%	0.3
Nov 16 2017	3.95%	0.5	3.31%	0.5	3.21%	0.4

### **Net Change - *Subtracting New From Old***

Week Ago	0.00%	0.0	0.03%	-0.1	0.00%	0.0
Year Ago	0.99%	0.0	1.05%	-0.1	0.93%	-0.1



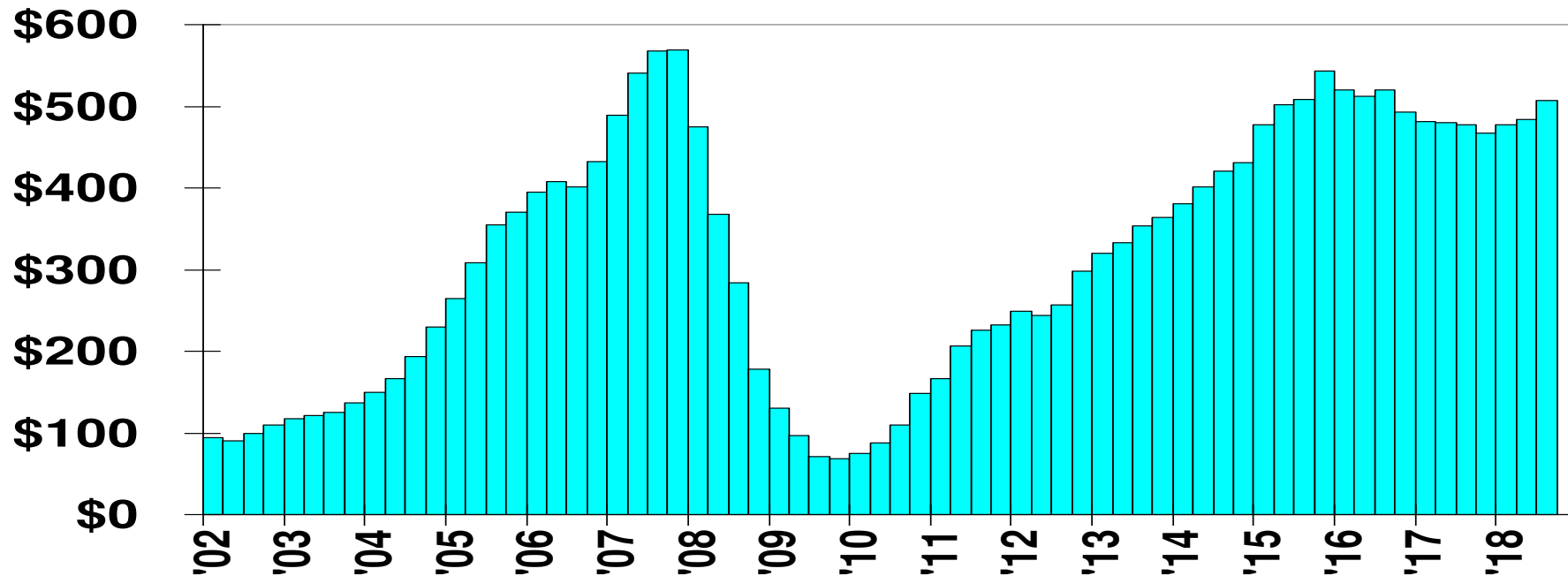


**So Goes the  
Demand for Housing,  
So Goes the  
Demand for Real Estate**

# U.S. Commercial Real Estate Sales Volume

\$ Billions – *Trailing 12 Months*

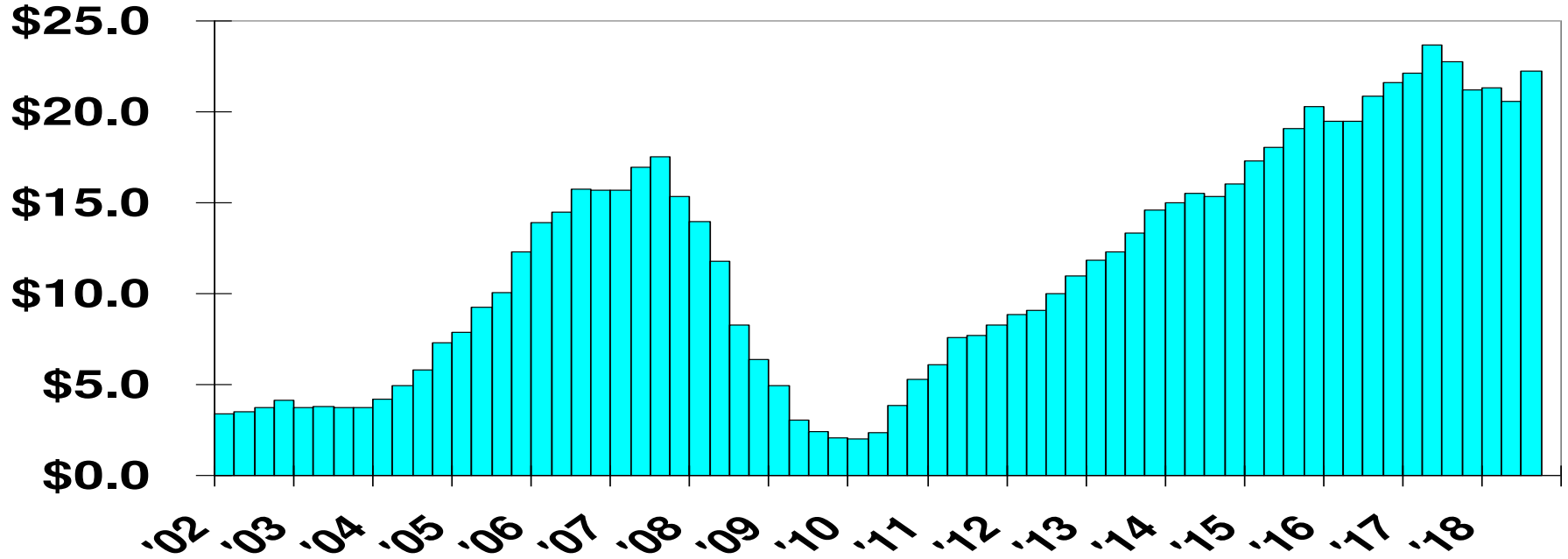
**+6.1 Percent Year-Over-Year**



# Dallas Commercial Real Estate Sales

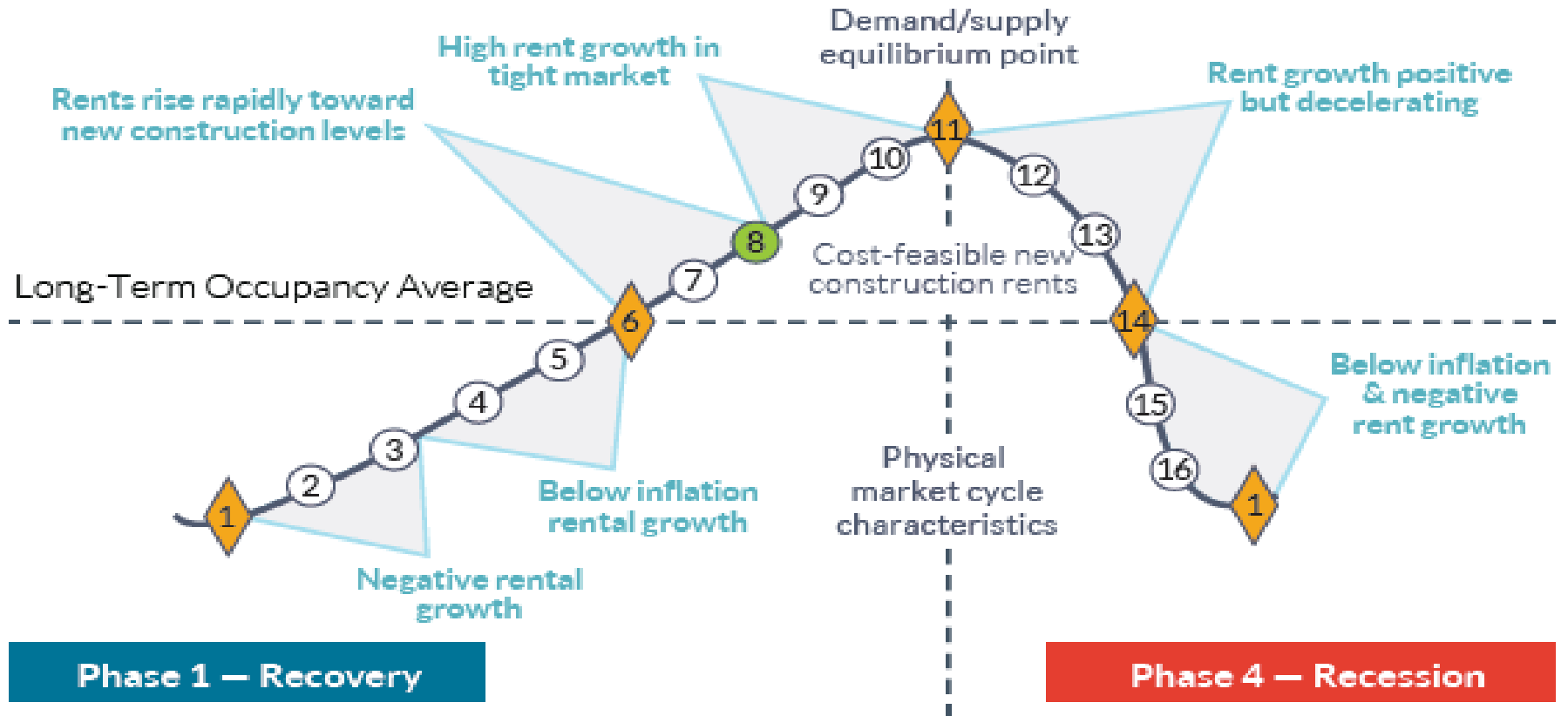
\$ Billions – *Trailing 12 Months*

**-2.3 Percent**



## Phase 2 — Expansion

## Phase 3 — Hypersupply



Source: Mueller, Real Estate Finance, 1996

**Dr Glenn Mueller**

### Phase 2 – Expansion

### Phase 3 – Hypersupply

Atlanta  
Baltimore  
Boston  
Charlotte  
Cincinnati  
Cleveland  
Dallas FW  
Denver  
Hartford

Las Vegas  
Long Island+1  
Los Angeles  
Milwaukee  
New York  
Philadelphia  
Phoenix  
Portland  
NATION

East Bay  
Ft. Lauderdale  
Honolulu-1  
Indianapolis  
Kansas City  
Memphis  
Miami+1  
Minneapolis  
Norfolk+1  
Oklahoma City  
Orange County  
Palm Beach  
Pittsburgh+1

Columbus  
Jacksonville+1  
New Orleans+1  
Orlando  
Riverside  
San Diego  
Tampa

Austin+1  
Nashville  
Raleigh-Durham+1  
Salt Lake  
San Francisco

Detroit+1  
Richmond+1  
Sacramento

San Antonio

San Jose+1  
Seattle  
St. Louis

Houston

Chicago  
Wash DC

N. New Jersey  
Stamford

LT Average Occupancy

### Phase 1 – Recovery

### Phase 4 – Recession



### Phase 2 – Expansion

### Phase 3 – Hypersupply

<i>Atlanta</i>	Ft. Lauderdale	Miami	Palm Beach	San Antonio
Baltimore	Hartford	Milwaukee	<i>Philadelphia</i>	San Francisco
Boston	Honolulu	Minneapolis	Phoenix	San Jose
Charlotte	<i>Houston</i>	Nashville	Pittsburgh	Seattle
<i>Chicago</i>	Indianapolis	New Orleans	Portland	<i>St. Louis</i>
Cincinnati	Jacksonville	New York	Raleigh-Durham	Tampa
Cleveland	Kansas City	Norfolk	Richmond	Wash DC
Columbus	Las Vegas	<i>N. New Jersey</i>	<i>Riverside</i>	NATION
<i>Dallas FW</i>	Long Island	Oklahoma City	Sacramento	
<i>Detroit</i>	<i>Los Angeles</i>	Orange County	Salt Lake	
<i>East Bay</i>	<i>Memphis</i>	Orlando	San Diego	

EQUILIBRIUM POINT #11

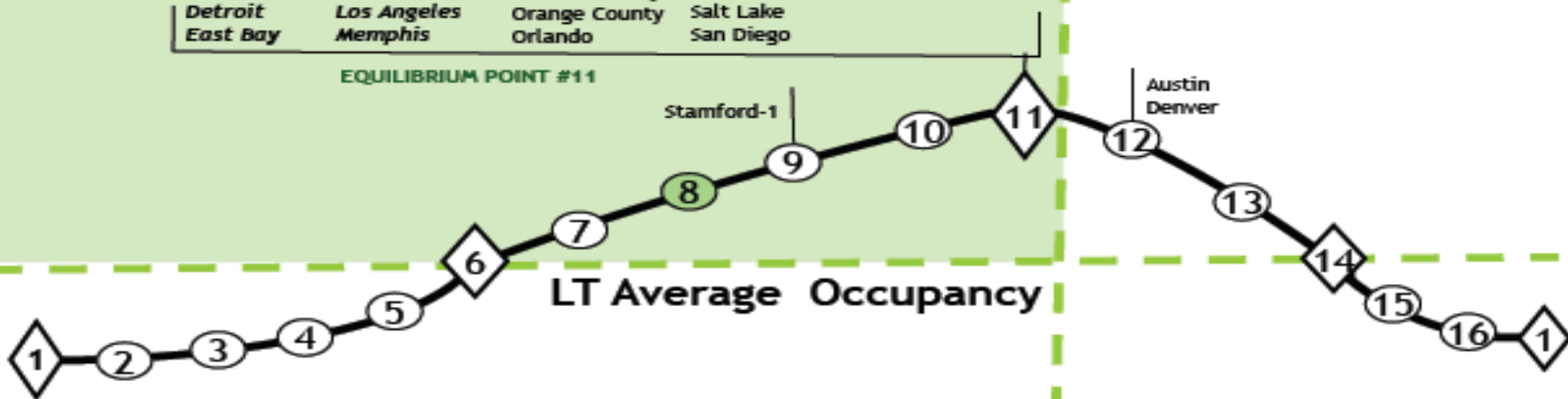
Stamford-1

Austin  
Denver

LT Average Occupancy

### Phase 1 – Recovery

### Phase 4 – Recession



# Apartment Market Cycle Analysis

2nd Quarter, 2018

## Phase 2 – Expansion

## Phase 3 – Hypersupply

- Austin
  - Detroit-2
  - East Bay
  - Ft. Lauderdale
  - Hartford
  - Jacksonville
  - Kansas City
  - Las Vegas
  - Los Angeles
  - Minneapolis
  - New Orleans
- New York*
  - Norfolk
  - N. New Jersey*
  - Orange County
  - Orlando
  - Pittsburgh
  - Phoenix
  - Riverside
  - Sacramento
  - San Diego
  - San Francisco

- Boston*
  - Charlotte
  - Chicago*
  - Cincinnati
  - Cleveland
  - Columbus
  - Dallas FW*
  - Honolulu+1
  - Houston*
  - Indianapolis
  - Long Island
  - Memphis
- Miami-1
  - Milwaukee
  - Philadelphia-1
  - Portland-1
  - Raleigh-Durham
  - Richmond
  - Salt Lake
  - San Antonio
  - San Jose
  - Seattle
  - St. Louis
  - Stamford
  - Tampa-1
  - Wash DC
  - NATION

- Atlanta*
- Baltimore
- Denver
- Nashville
- Palm Beach

LT Average Occupancy



## Phase 1 – Recovery

## Phase 4 – Recession

# Retail Market Cycle Analysis

2nd Quarter, 2018

## Phase 2 – Expansion

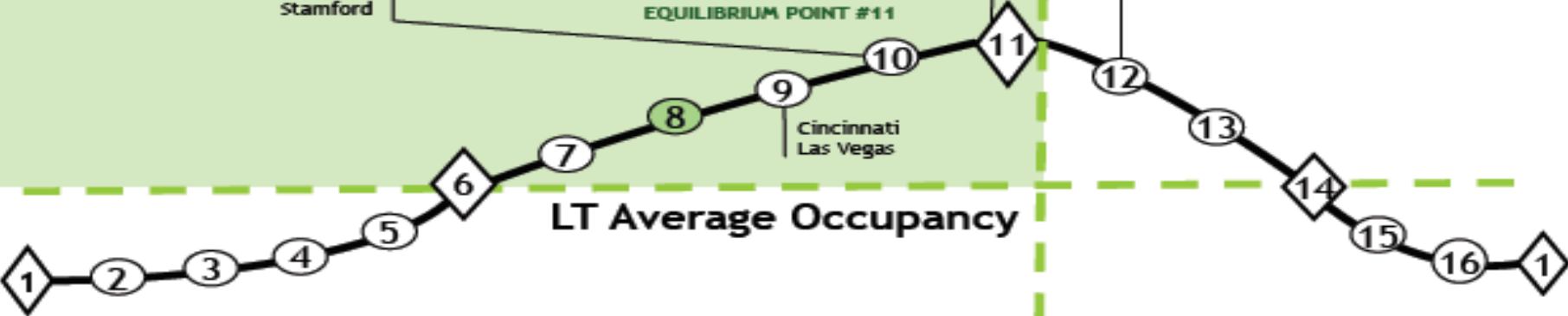
## Phase 3 – Hypersupply

- |                  |                  |                        |                   |
|------------------|------------------|------------------------|-------------------|
| Charlotte        | <i>Atlanta</i>   | <i>Los Angeles</i>     | <i>Pittsburgh</i> |
| <i>Chicago+1</i> | Austin           | Palm Beach             | Raleigh-Durham    |
| Columbus         | Baltimore        | Portland               | Richmond-1        |
| <i>Detroit</i>   | <i>Boston</i>    | Long Island-1          | St. Louis+1       |
| Kansas City      | Cleveland+1      | Miami                  | Sacramento        |
| Memphis          | <i>Dallas FW</i> | Milwaukee              | San Antonio       |
| Norfolk          | Denver           | Minneapolis            | San Diego         |
| <i>Phoenix</i>   | East Bay         | Nashville              | San Francisco     |
| Riverside+1      | Ft. Lauderdale   | New Orleans            | San Jose-1        |
| Stamford         | Hartford         | <i>New York</i>        | Seattle           |
|                  | <i>Houston</i>   | <i>N. New Jersey+1</i> | Tampa             |
|                  | Indianapolis     | <i>Orange County</i>   | Wash DC           |
|                  | Jacksonville     | Orlando                | NATION            |
|                  |                  | <i>Philadelphia+1</i>  |                   |

EQUILIBRIUM POINT #11

- Honolulu
- Oklahoma City
- Salt Lake

LT Average Occupancy



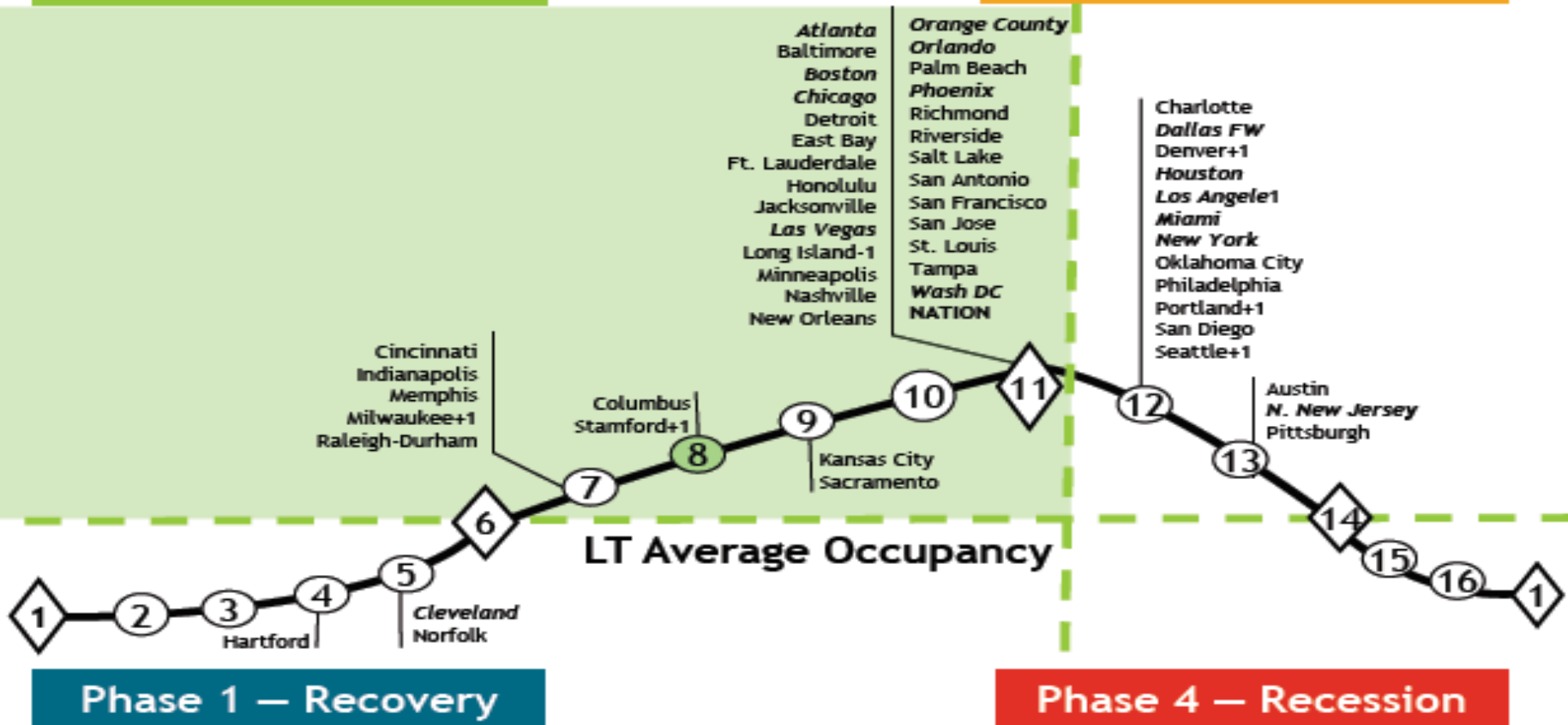
## Phase 1 – Recovery

## Phase 4 – Recession



Phase 2 – Expansion

Phase 3 – Hypersupply



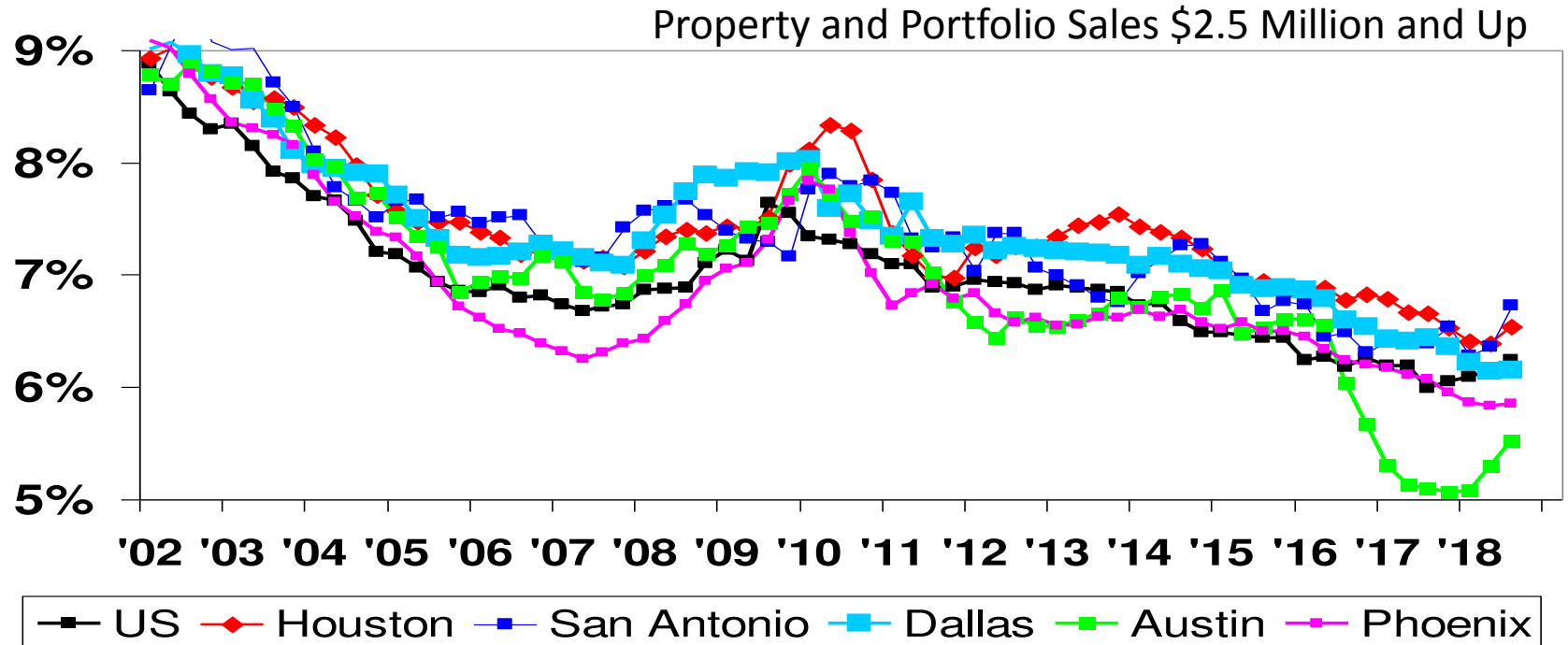


# There is No Such Thing as a National Real Estate Market (Or Economy)

**TINSTAANREM Axiom -- Ted C Jones**

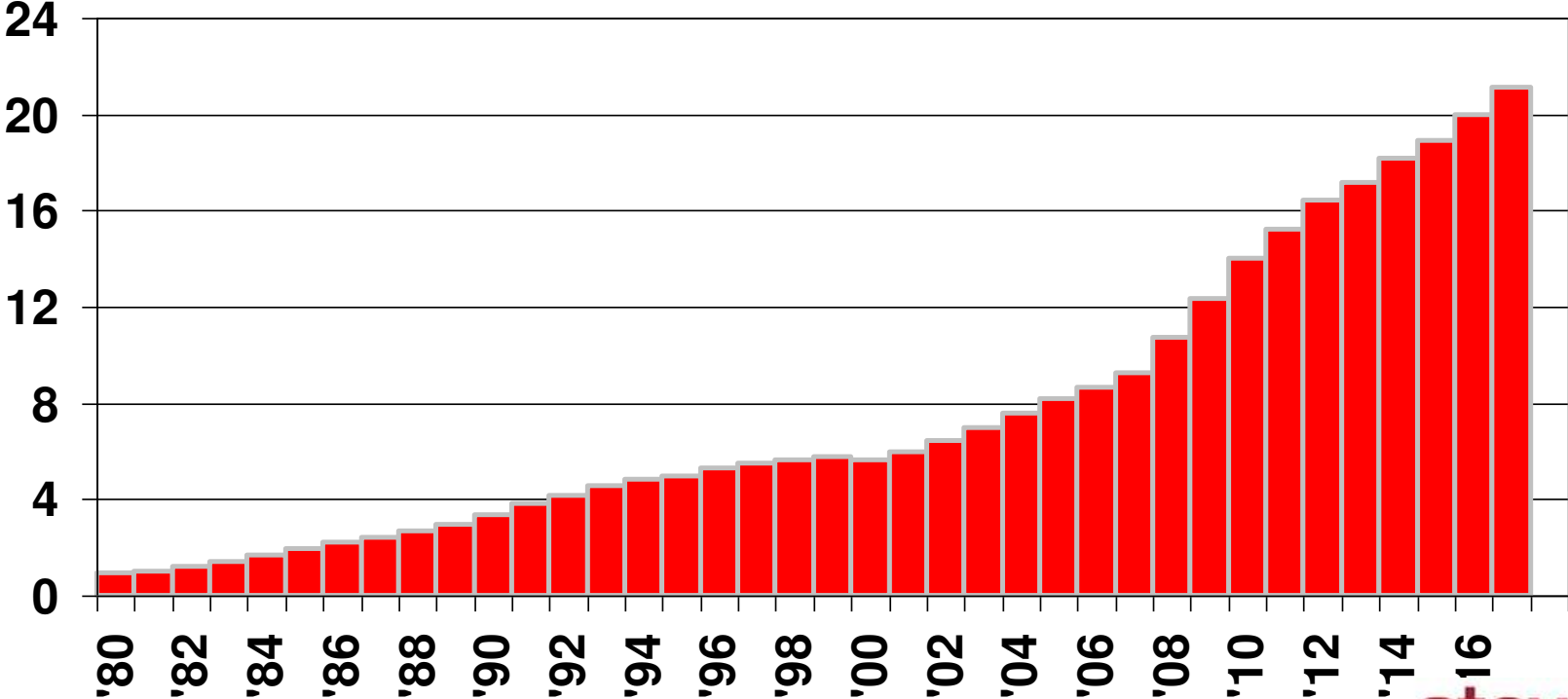
# Commercial Real Estate Cap Rates

*Percent – 12-Month Moving Average*



# Federal Debt – Total Public Debt

\$ Trillions



# **Federal Debt**

## **Interest Payments**

**+30% March 2017 Vs 2016**

**+10.7% March 2018 Vs 2017**

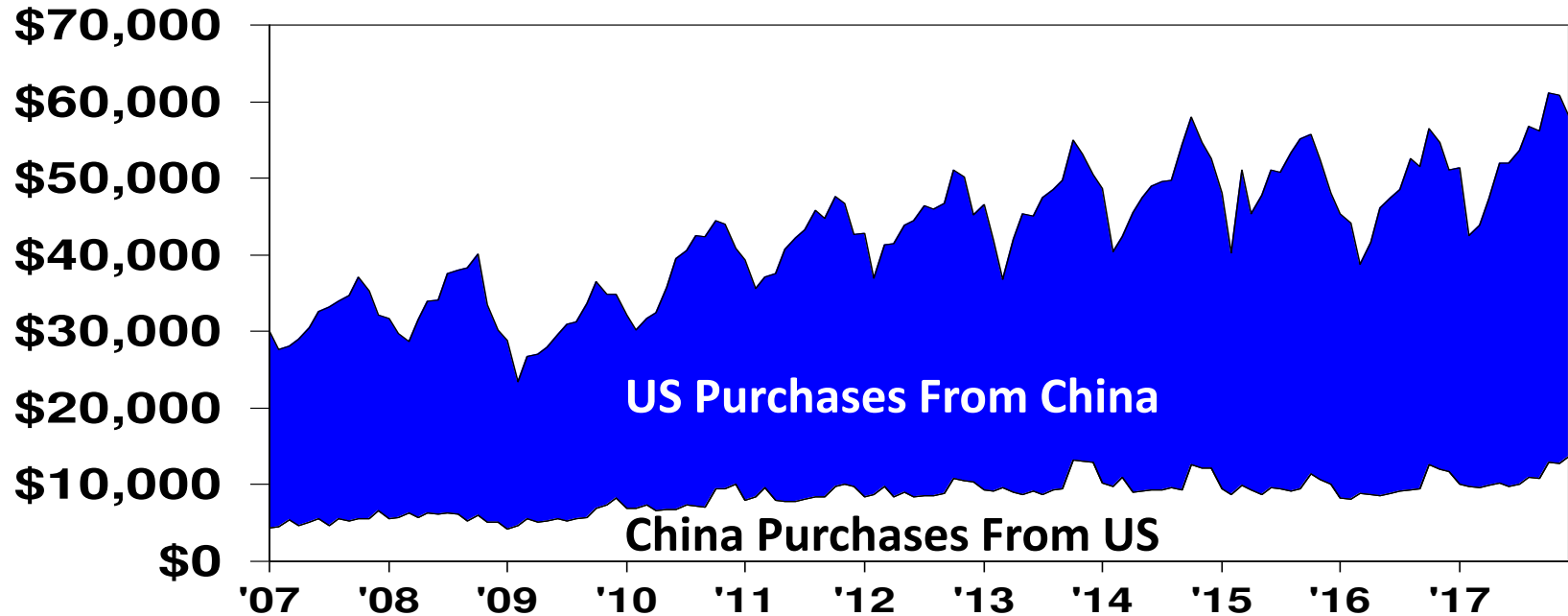
# Tariffs

*Latin for “It’s Going to Cost More.”*

# U.S. & China Trade



\$ Millions



# What the U.S. Bought from China in 2017



U.S. goods deficit  
with China in 2017:  
**\$375.2 billion**

**\$ Billions**



# What the China Bought from U.S. in 2017



\$ Billions

# **Bitcoin Update**

**\$4,758 Electricity cost to mine 1 Bitcoin in the U.S. as reported by Motely Fool 2-7-2018 quoting a study by Elite Fixutres**

**\$3,994 Current Value of 1 Bitcoin as of 6.38 a.m. Eastern time 11-28-2018 per GDAX Coindex \$**

**19,783 Bitcoin all-time high 12-17-2017**

# Warren Buffett on Cryptocurrencies

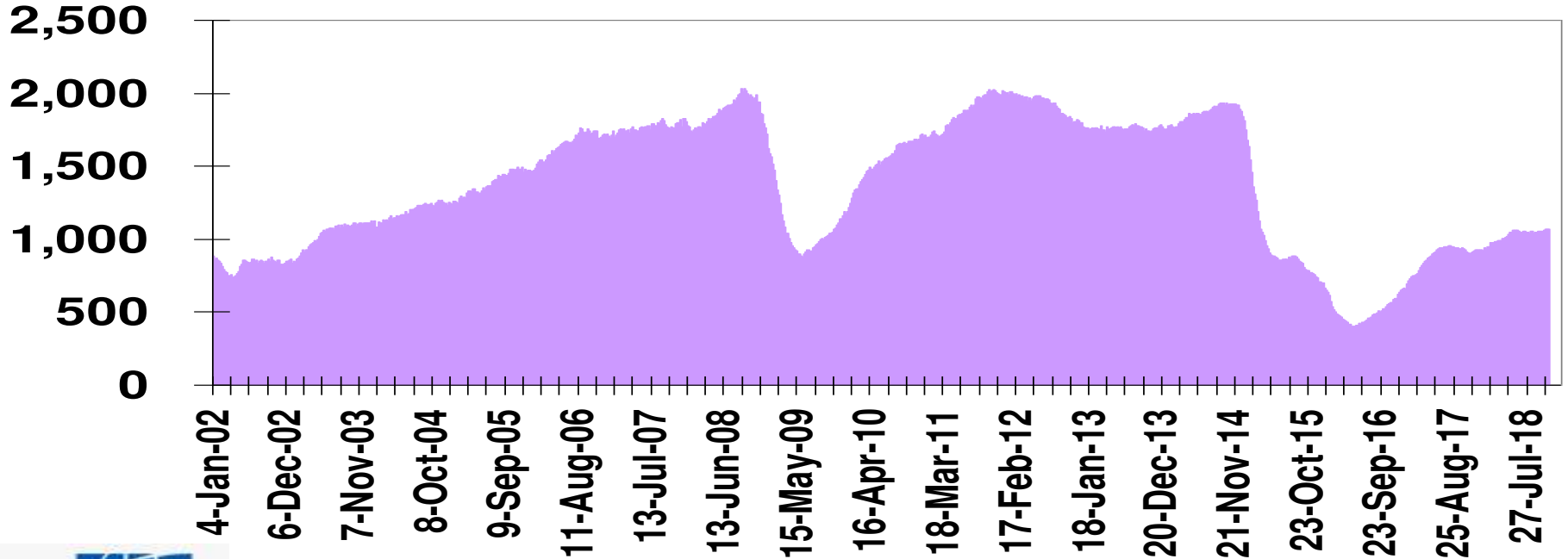


**“It’s not a currency. It does not meet the test of a currency. I wouldn’t be surprised if it’s not around in 10 or 20 years. Stay away from it – it’s a mirage.”**

**\$4,758 Electricity  
Cost to Mine 1 Bitcoin  
In U.S.**

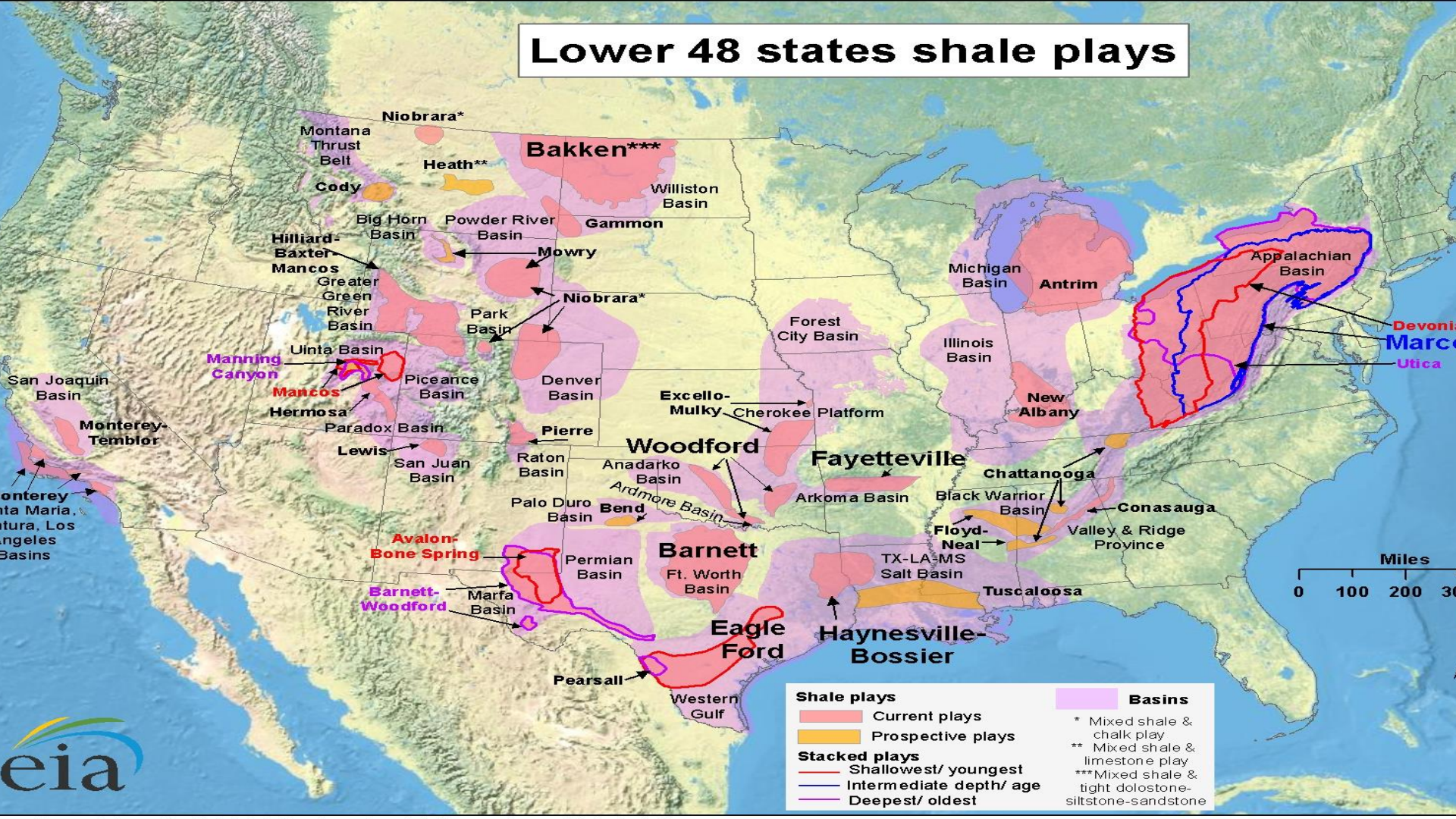
# North American Drilling Rig Counts

*Number of Operating Rigs*





# Lower 48 states shale plays



Shale plays		Basins	
<span style="display:inline-block; width:15px; height:10px; background-color: #f08080; border: 1px solid black;"></span>	Current plays	<span style="display:inline-block; width:15px; height:10px; background-color: #e0e0ff; border: 1px solid black;"></span>	*
<span style="display:inline-block; width:15px; height:10px; background-color: #ffcc00; border: 1px solid black;"></span>	Prospective plays	<span style="display:inline-block; width:15px; height:10px; background-color: #e0e0ff; border: 1px solid black;"></span>	**
<span style="display:inline-block; width:15px; height:10px; border-bottom: 2px solid red;"></span>	Shallowest/ youngest	<span style="display:inline-block; width:15px; height:10px; border-bottom: 2px solid blue;"></span>	***
<span style="display:inline-block; width:15px; height:10px; border-bottom: 2px solid purple;"></span>	Intermediate depth/ age		
<span style="display:inline-block; width:15px; height:10px; border-bottom: 2px solid magenta;"></span>	Deepest/ oldest		

\* Mixed shale & chalk play  
 \*\* Mixed shale & limestone play  
 \*\*\* Mixed shale & tight dolomite-siltstone-sandstone



**Oil \$60s**

**2018**

**Twitter**

**DrTCJ**



# 2019 Economic Outlook

The logo for Stewart Title, featuring the words "stewart" and "title" stacked vertically in a white, lowercase, sans-serif font, set against a dark red square background.

**Strong Economy**

**Lagging Home Construction**

**Growing Jobs & Wages**

**Rising Interest Rates**

**Rising Home Prices (Albeit at a Lower Pace)**

**Cheap Energy**

**1**

**Paper Straw  
Manufacturer  
In the U.S.**

**We use  
500 Million  
Straws Daily**



JOYECO Stainless Steel Drinking Straws,  
Gold Reusable Drink Straw for 20oz  
Tumblers Rumlbers Cold Beverage (Set  
of 8, 4 Bent+4 Straight + 2Brushes)

Price: **\$9.98** & **FREE Shipping**.



## Reusable Silicone Straws - MCIRCO Silicone Straws for 30 oz Tumbler Yeti/Rtic Complete Bundle - Reusable Silicone Straws and Stainless Steel Straws Extra Long Set of 10 with Cleaning Brushes and STO

by Mcirco



131 customer reviews

| 18 answered questions

Amazon's **Choice**

for "permanent straws"

List Price: ~~\$13.99~~

Price: **\$9.99** & **FREE Shipping**. [Details](#)

You Save: **\$4.00** (29%)

TIFFANY & CO.

*Monkey Straw*

\$425



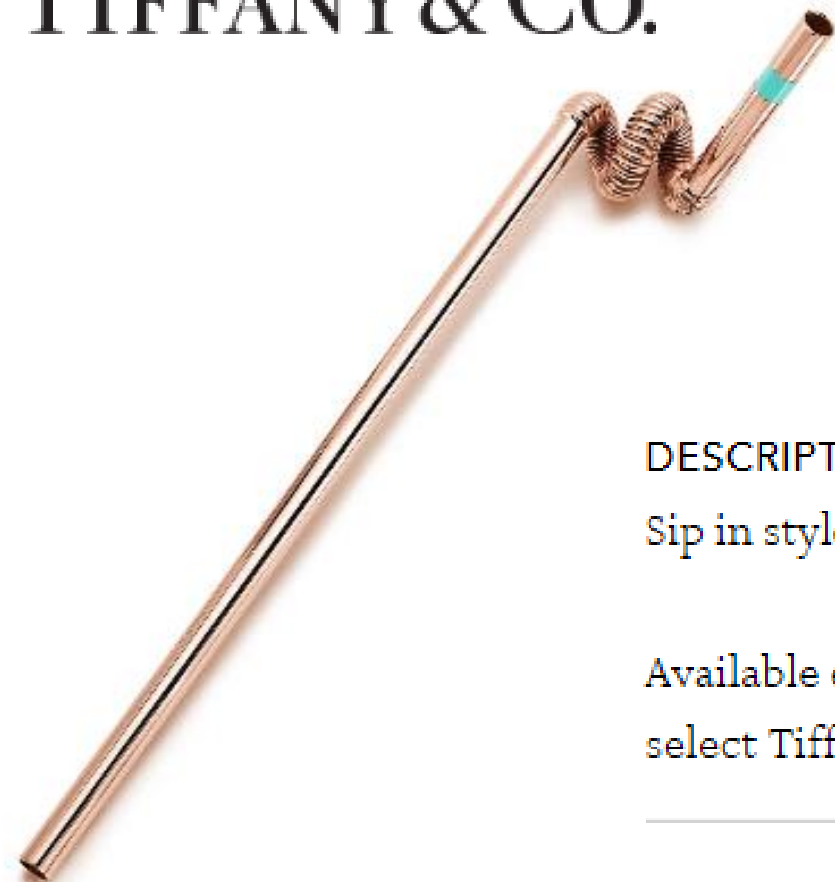
Sip in style. Straw in sterling silver. 7.25" long.

Available exclusively at [Tiffany.com](https://www.tiffany.com), the New York flagship and select Tiffany stores.

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FREE SHIPPING & RETURNS

TIFFANY & Co.



EVERYDAY OBJECTS

# Rose Gold Vermeil Crazy Straw

\$375

## DESCRIPTION & DETAILS

Sip in style. Straw in sterling silver. 7.25" long.

Available exclusively at [Tiffany.com](https://www.tiffany.com), the New York flagship and select Tiffany stores.

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FREE SHIPPING & RETURNS

# TIFFANY & CO.

## Ladybug Straw

\$425



### DESCRIPTION & DETAILS

Straw in sterling silver. 9" long.

Available exclusively at [Tiffany.com](https://www.tiffany.com), the New York flagship and other select Tiffany stores.

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FREE SHIPPING & RETURNS





stewart  
title

# A XIOMS: An Outlook & Forecast for the Economy, Real Estate and Life