

Déjà Vu All Over Again

An Economic and Real Estate Forecast for 2012

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

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



stewart[®]

Déjà Vu

“The fact that we are here today to debate raising America’s debt limit is a **sign of leadership failure. It is a sign that the US Government can not pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our **Government’s reckless fiscal policies**. Increasing America’s debt weakens us domestically and internationally. Leadership means that ‘the buck stops here.’ Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better.”**

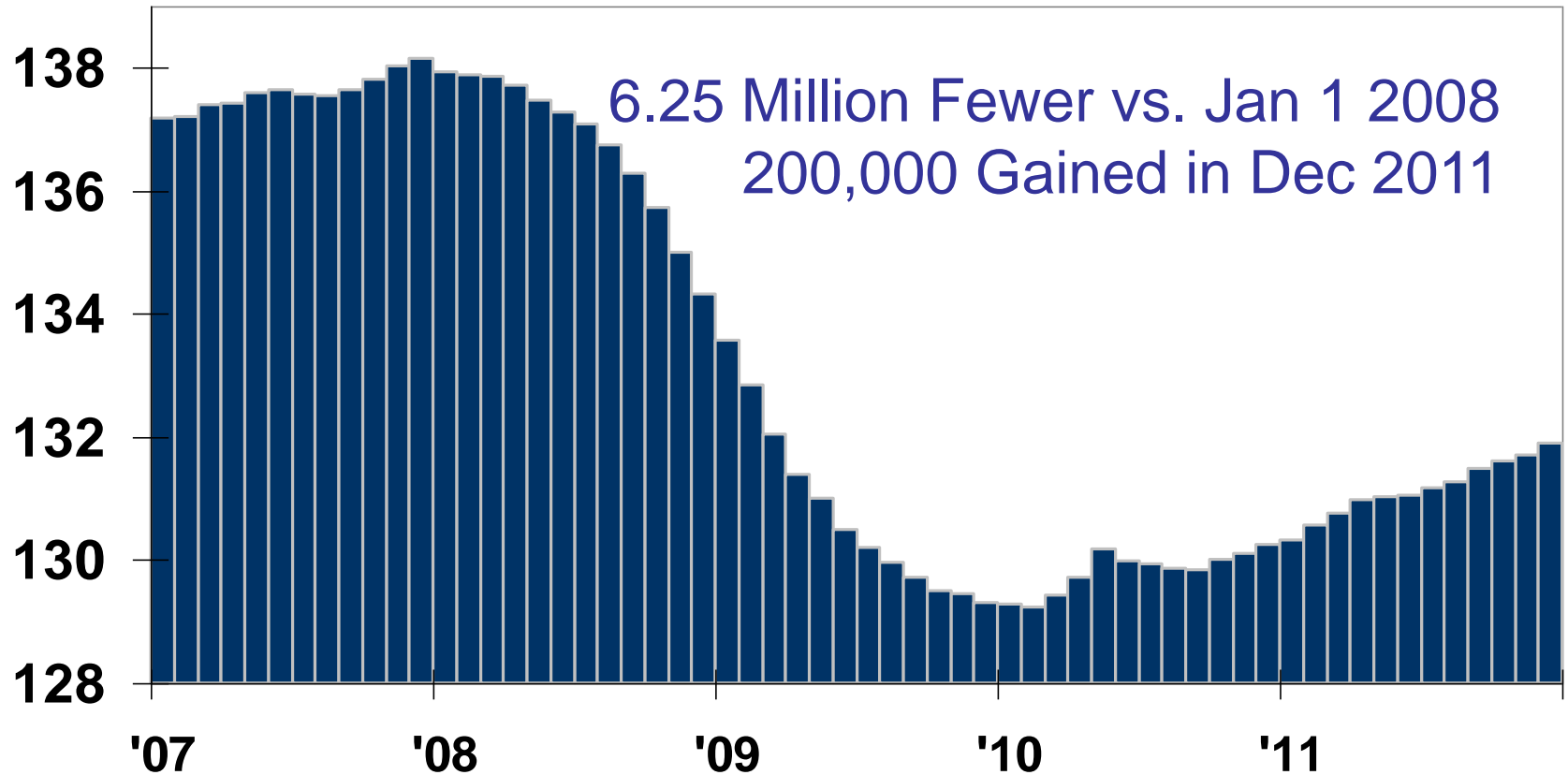
***Senator* Barack H. Obama, March 2006**

Mega Themes

- Residential Renting vs. Owning
- Liquidity Trap
- Massive Uncertainty from Washington, DC
- Time to Over-Weight in Real Estate

U.S. Job Numbers

Jobs (Millions) *Seasonally Adjusted*

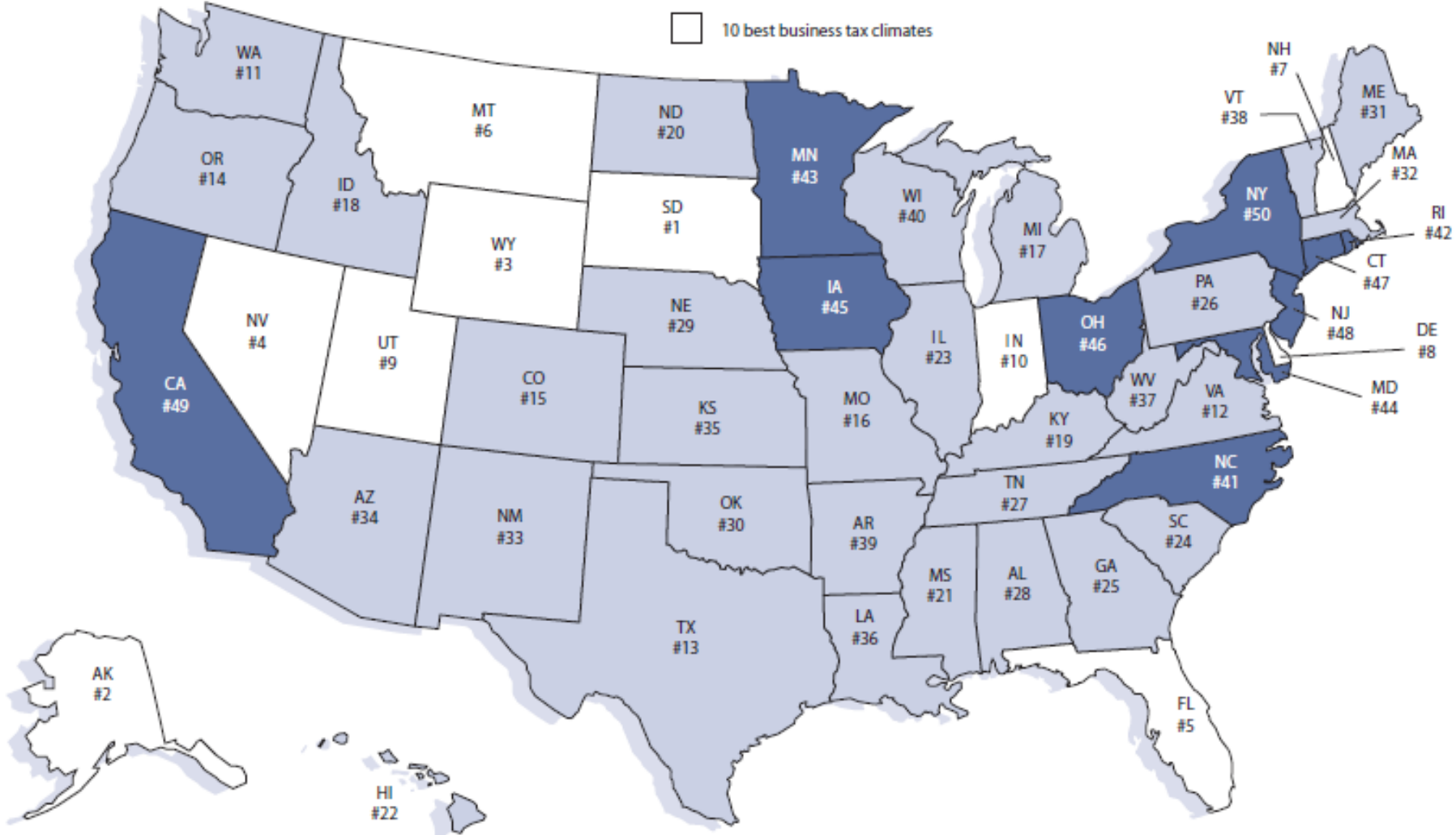


OHIO – 46th Worst Business Tax Environment

State Business Tax Climate Index, Fiscal Year 2011

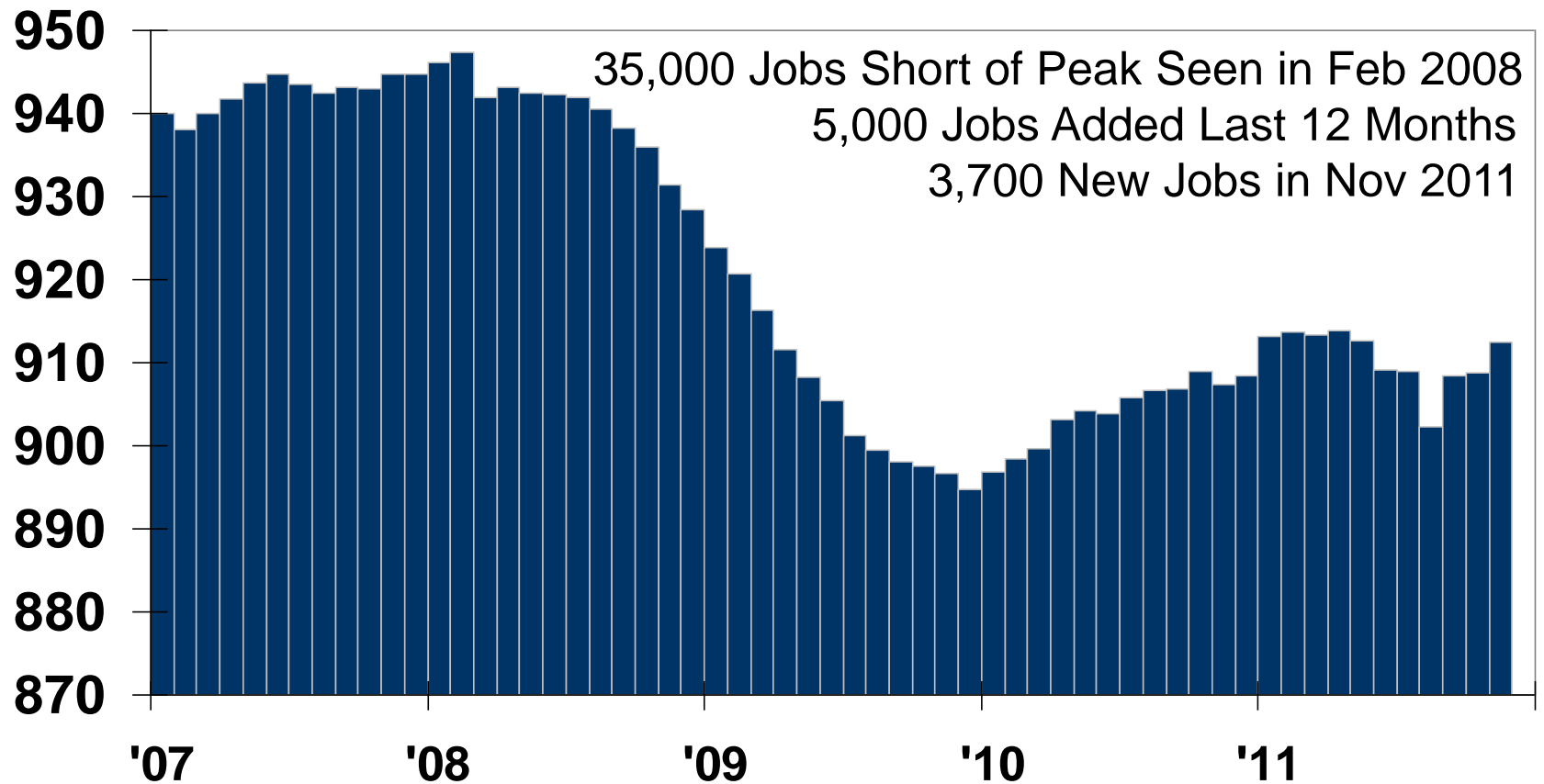
<http://taxfoundation.org/files/bp60.pdf>

- 10 worst business tax climates
- 10 best business tax climates



Columbus Jobs

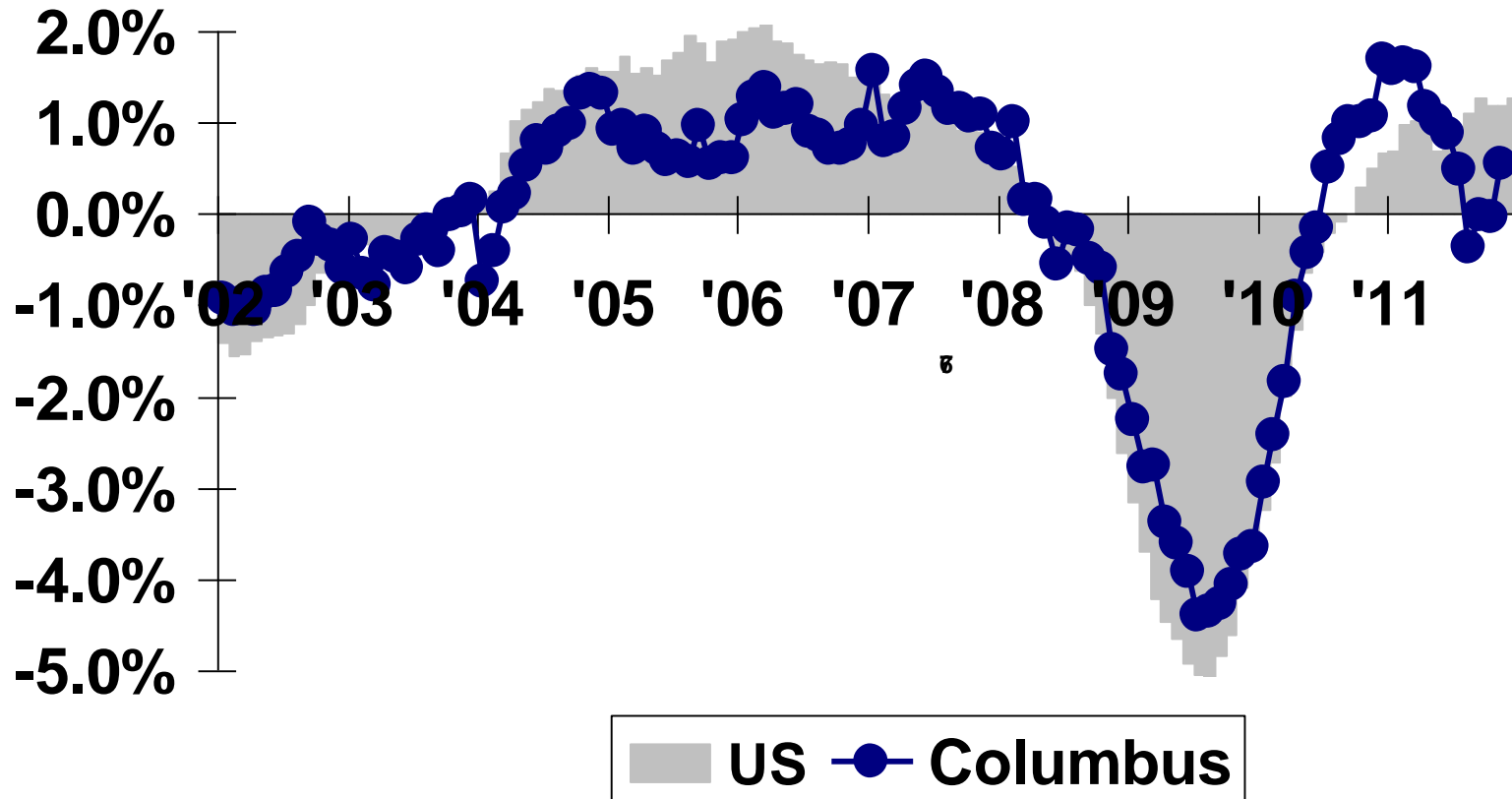
Jobs (*Thousands*) Seasonally Adjusted



Columbus Jobs

Percent Change from Same Month Prior Year

Not Seasonally Adjusted



5,000 Net New Additional Jobs in the Past 12 Months

Cost of Living Comparison

Salary Level Requirement for Equal Standard of Living

Kansas City, KS	\$ 92,792	Pittsburgh	\$ 104,935
Huntsville	\$ 92,863	New Orleans	\$ 106,027
Oklahoma City	\$ 94,347	Phoenix	\$ 106,151
Indianapolis	\$ 95,515	Milwaukee	\$ 109,809
Omaha	\$ 96,232	Minneapolis-St Paul	\$ 112,372
Houston	\$ 96,711	Atlanta	\$ 112,611
Spartanburg	\$ 96,920	Dallas	\$ 113,115
Nashville	\$ 97,637	Denver	\$ 113,539
Albuquerque	\$ 97,647	Seattle	\$ 124,654
Columbus	\$ 100,000	Chicago	\$ 132,091
Detroit	\$ 103,280	San Jose	\$ 140,564
Salt Lake City	\$ 103,320	Los Angeles	\$ 161,500
Jacksonville	\$ 103,499	New York City	\$ 186,423

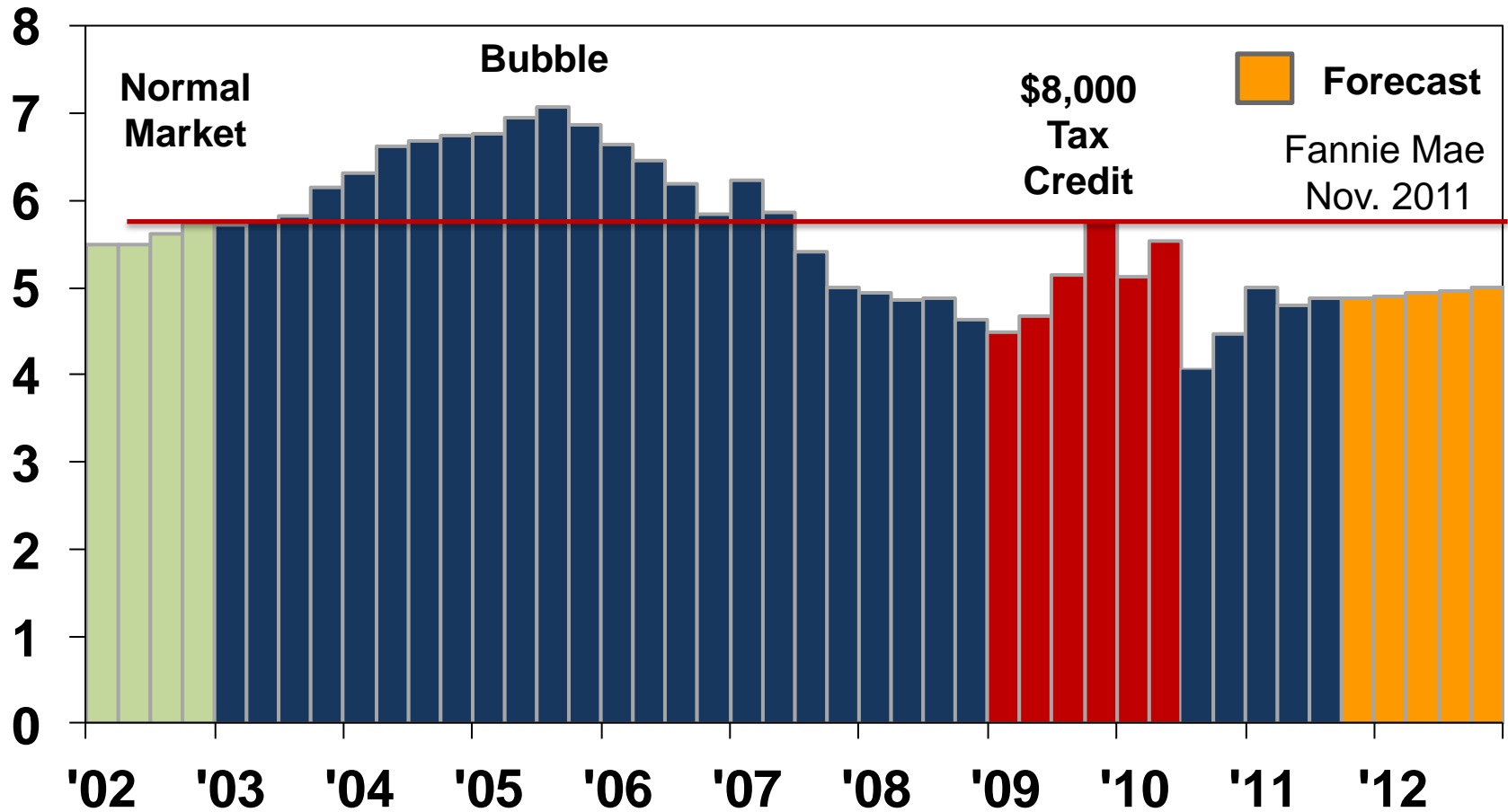
Assumes Living and Working in the Same City

<http://www.homefair.com/real-estate/cost-of-living.asp>

stewart[®]

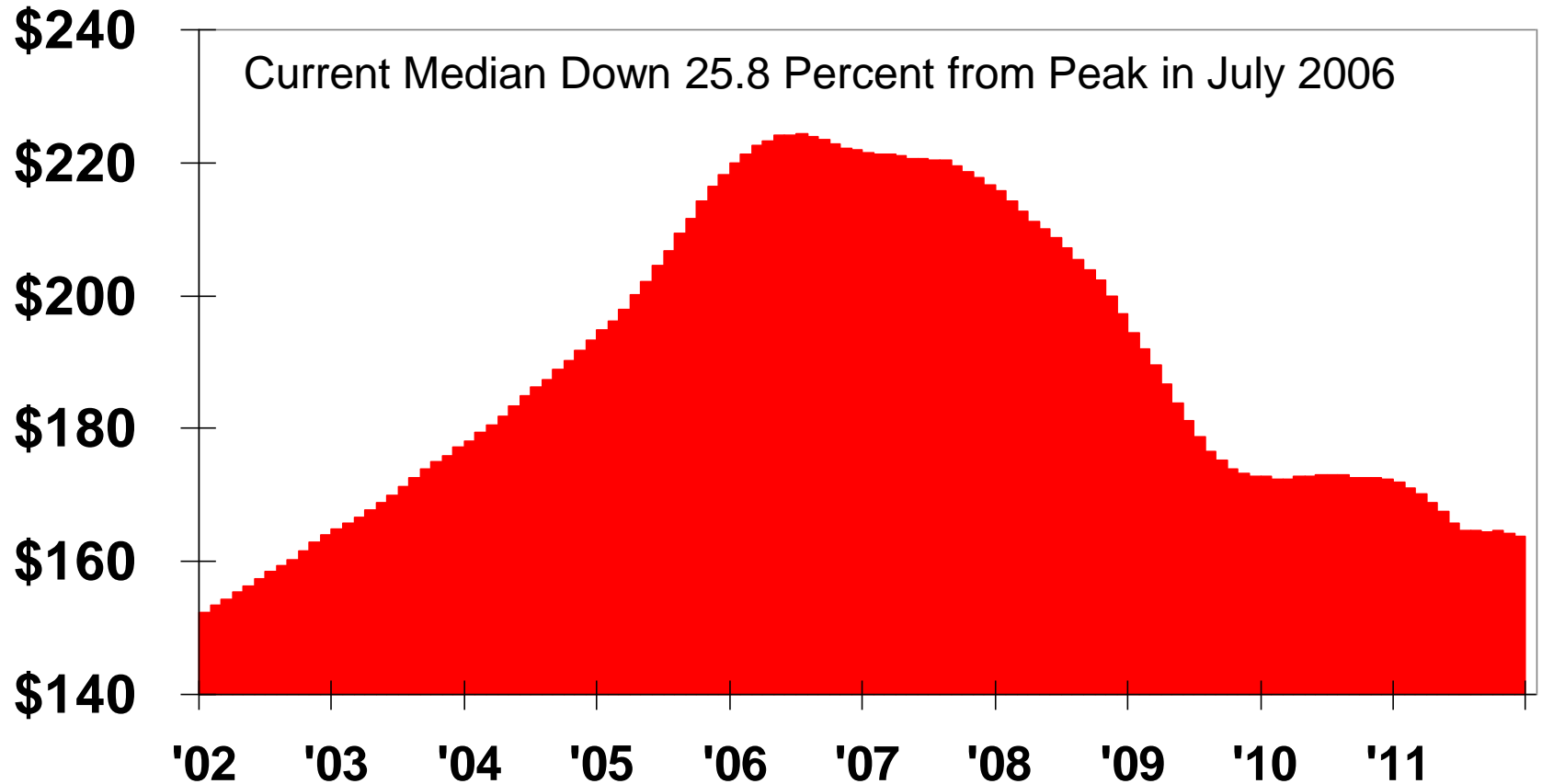
U.S. Existing Housing Sales

Seasonally Adjusted Annualized Rate - \$ Millions



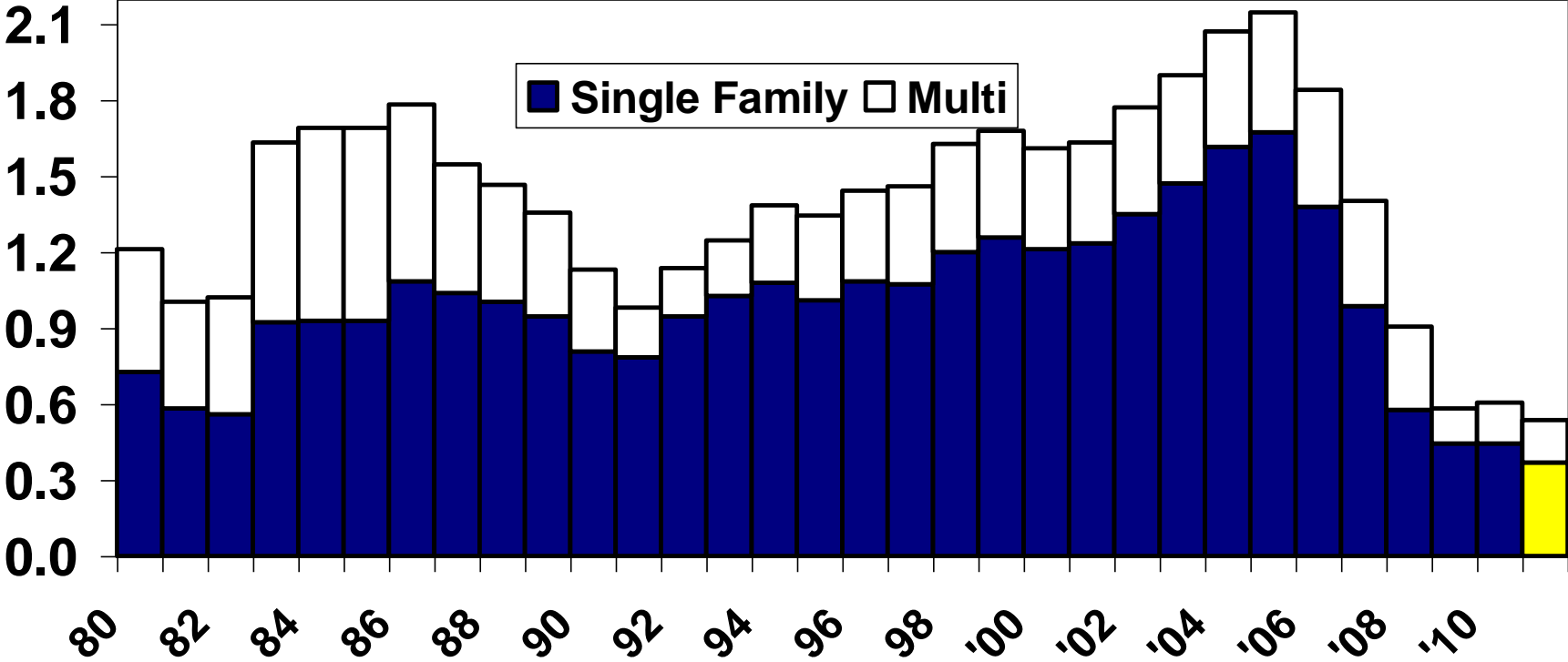
U.S. Existing Home Sales

Median Price -- \$ Thousands -- Average for Prior 12 Months



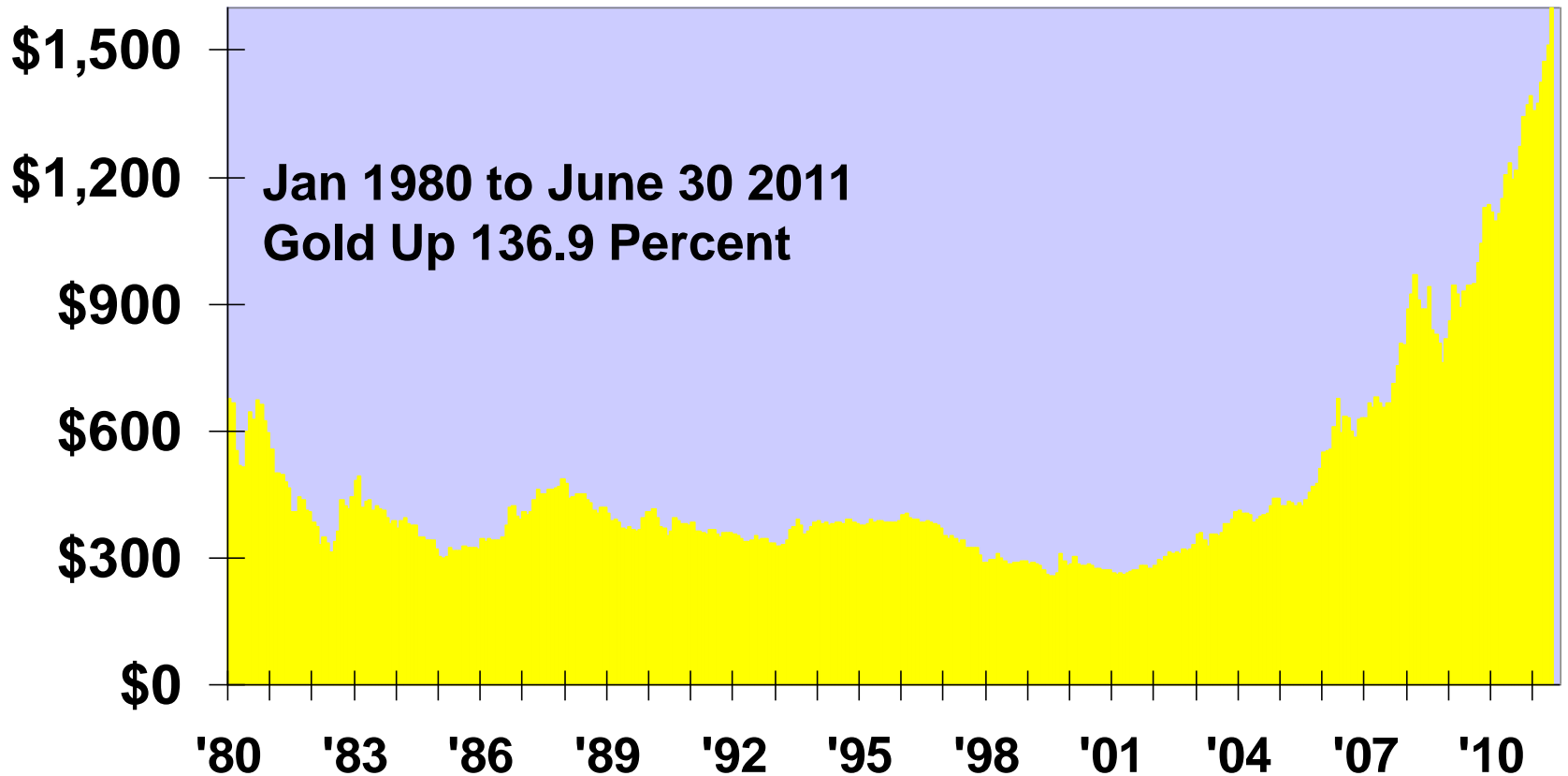
U.S. Residential Building Permits

Number of Dwelling Units -- *Millions*



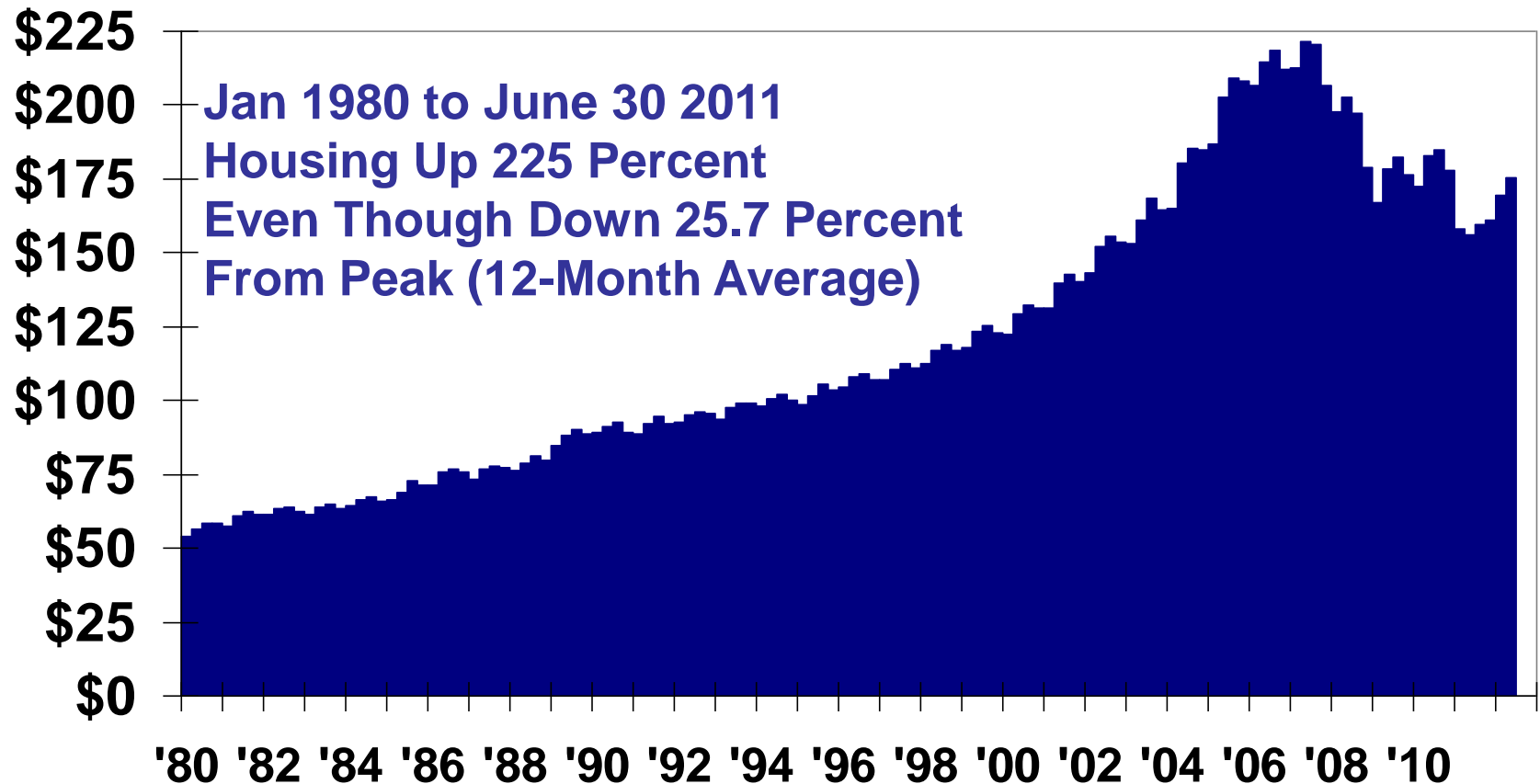
Gold

Price Per Ounce – *Nominal (Not Inflation Adjusted)*



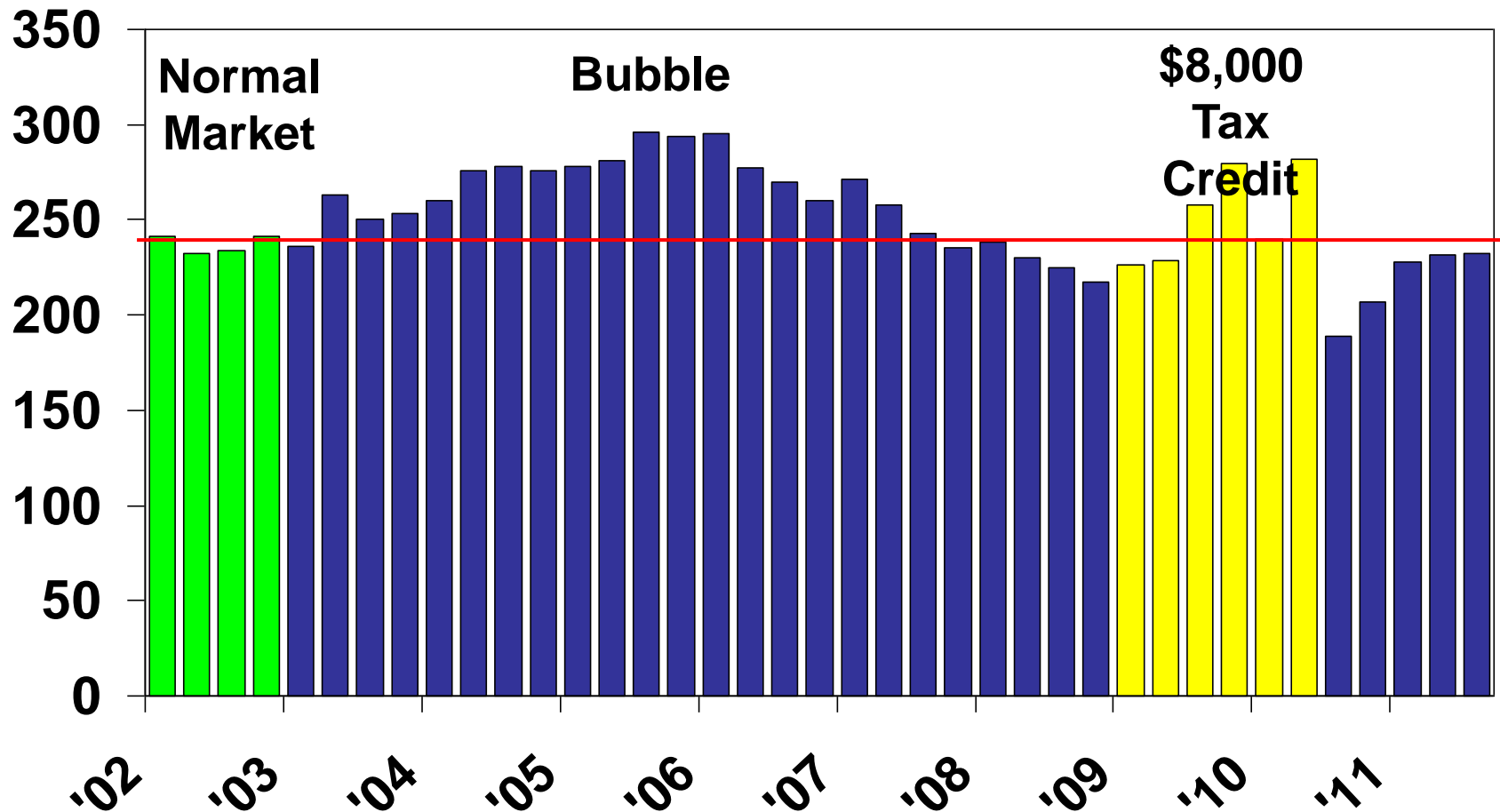
Existing Home Prices

\$ Thousands --*Nominal* Average of MSA Medians



Ohio Housing Sales

Seasonally Adjusted Annualized Rate -- *Thousands*

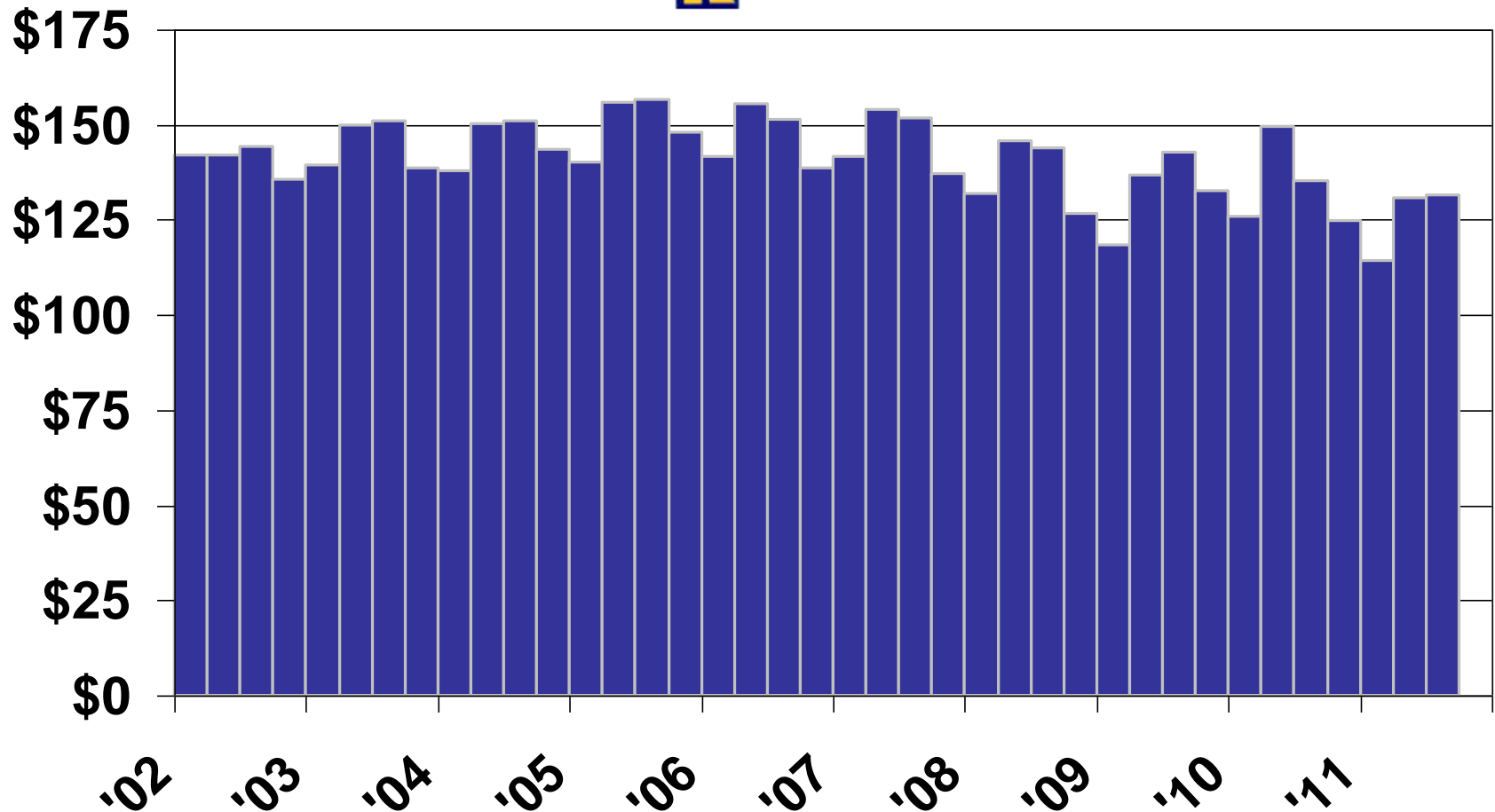


Columbus Housing Prices

Median Home Price -- \$ *Thousands*

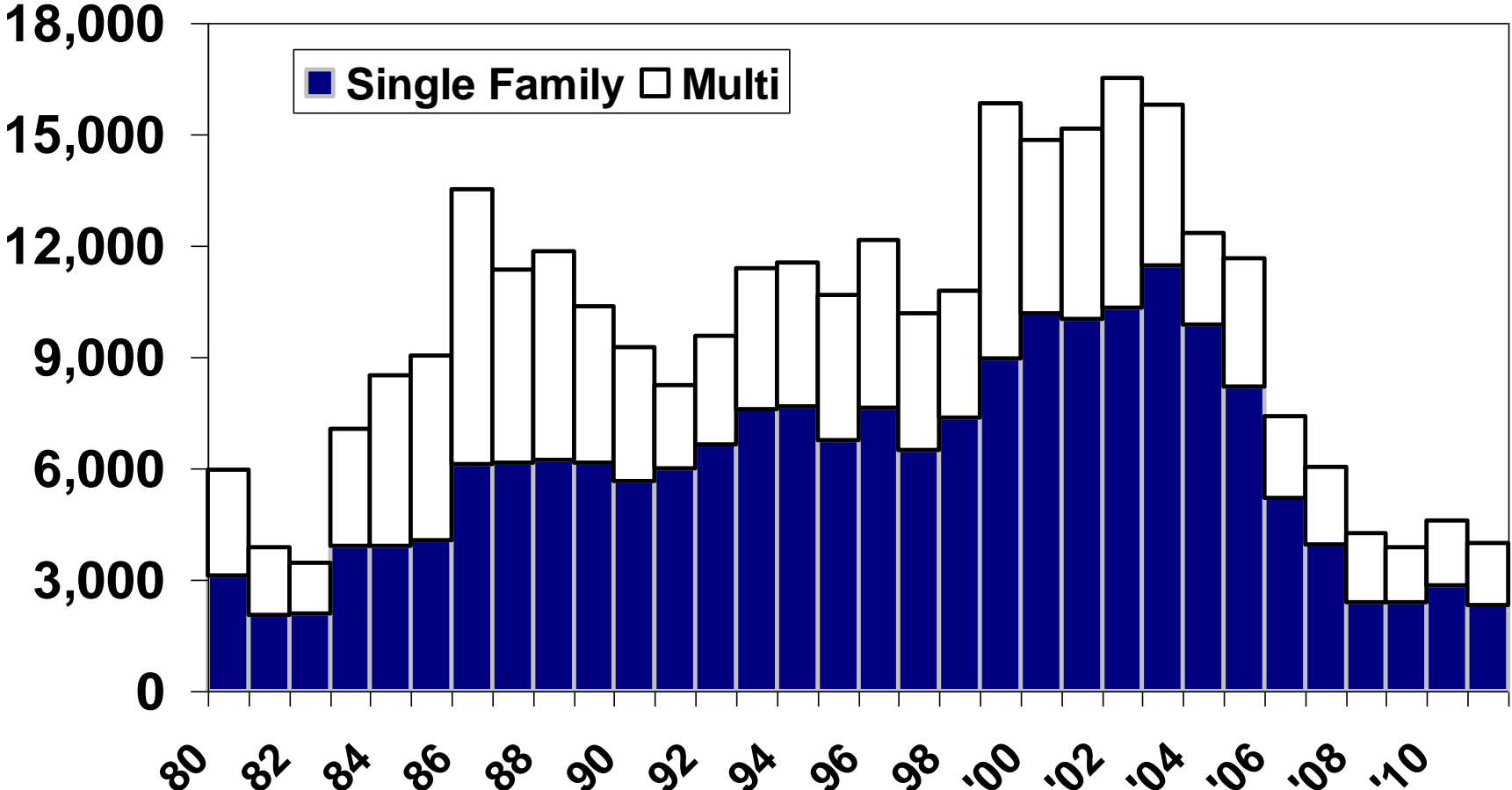


National Association of REALTORS®



Columbus Residential Building Permits

Number of Dwelling Units

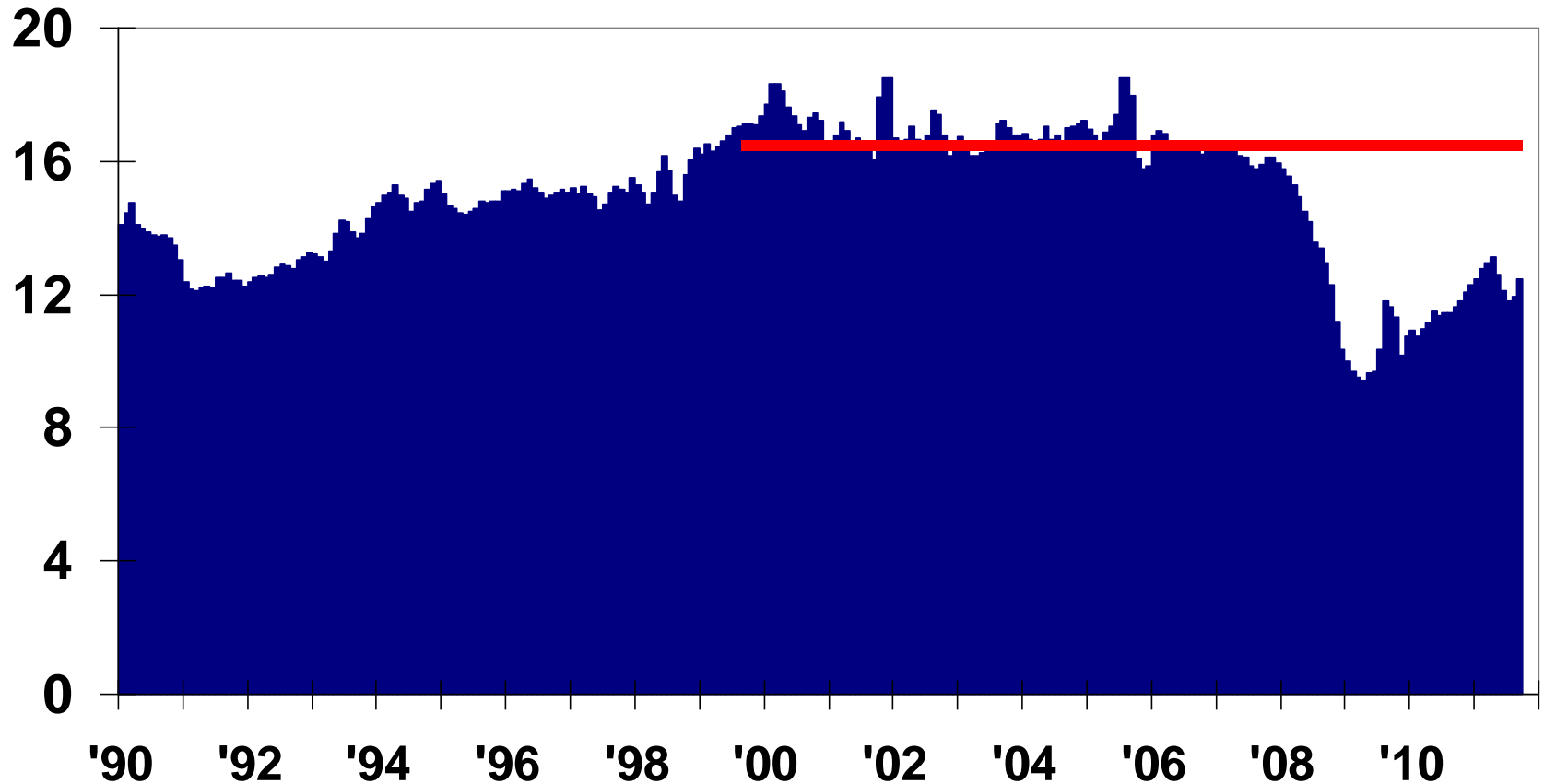


5,000 New Jobs vs. 4,004 New Dwelling Units in Last 12 Months

Light Weight Vehicle Sales

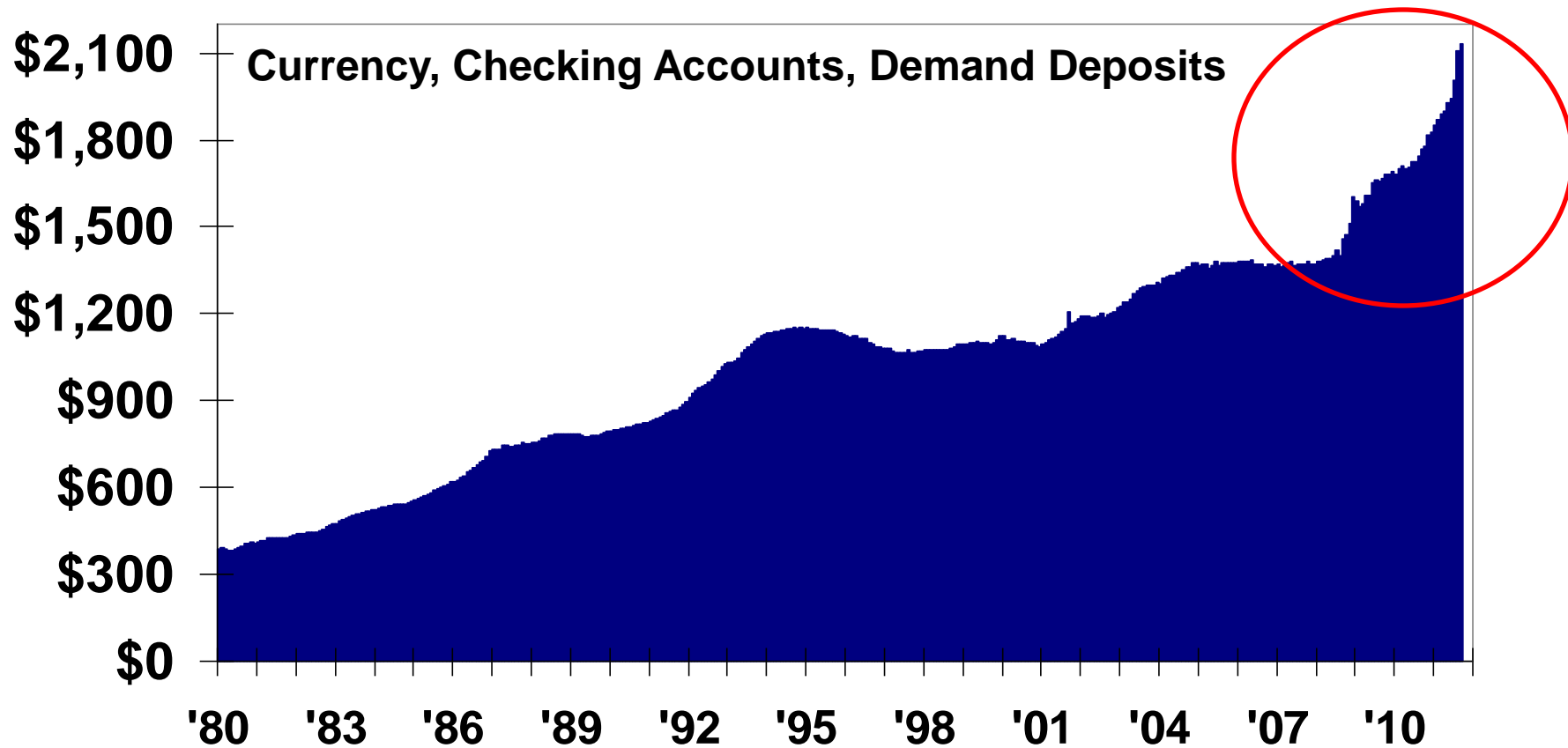
Millions – *Seasonally Adjusted Annual Rate*

3 Month Moving Average



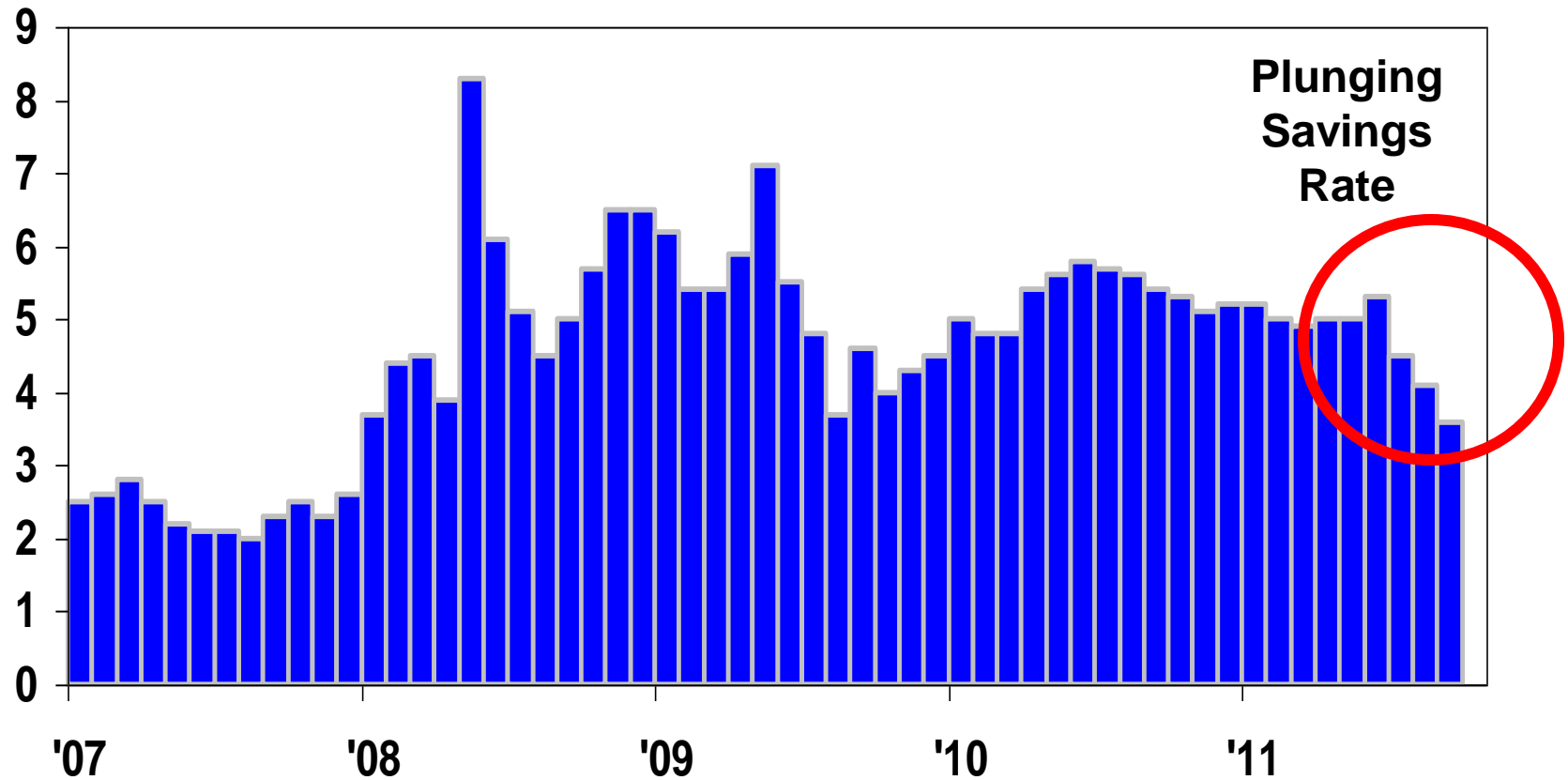
Money Supply – M1

\$ Billions – *Seasonally Adjusted*



U.S. Personal Savings Rate

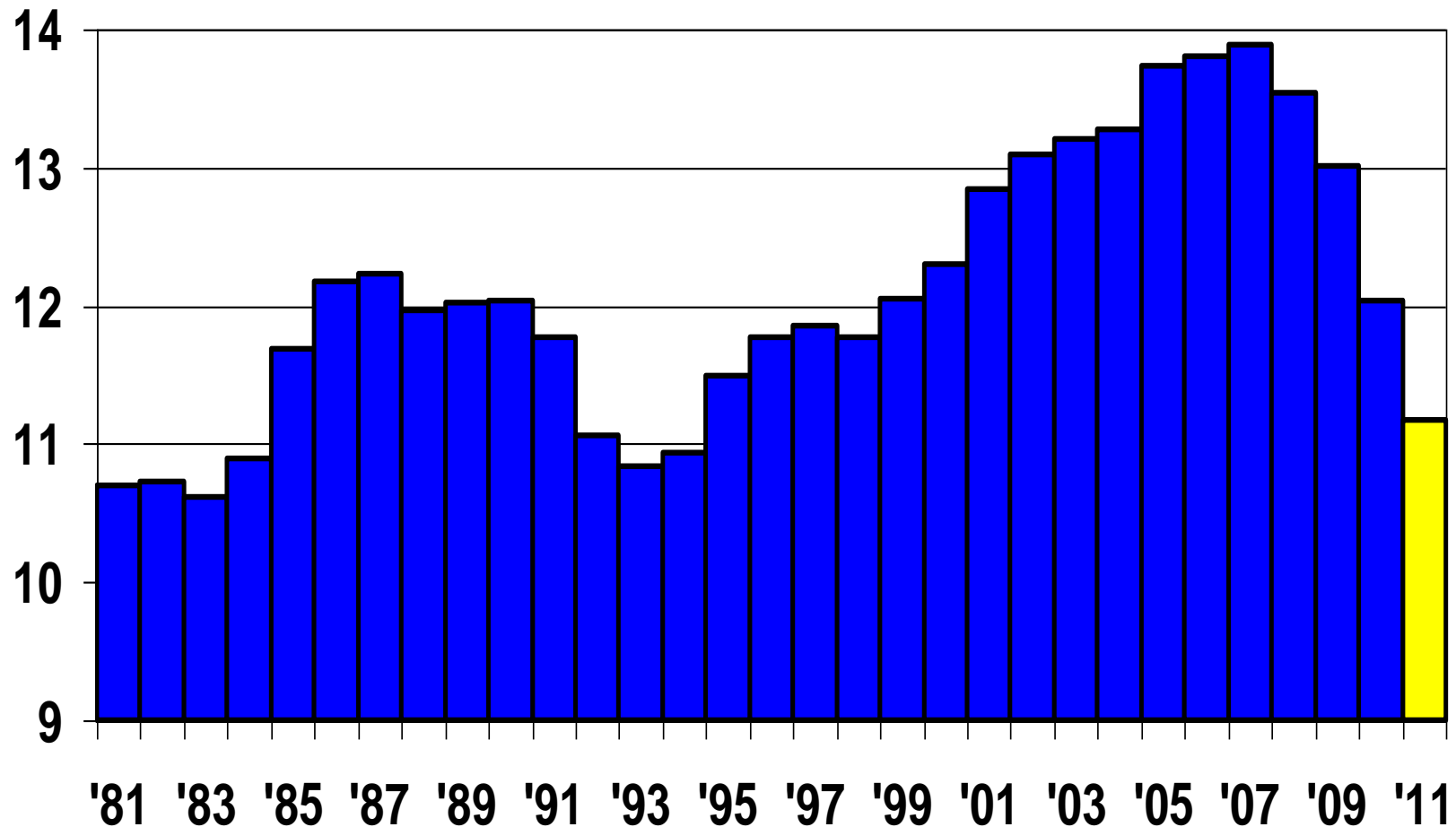
Percent of Disposable Income



Household Debt Service as a Percent of Household Disposable Income

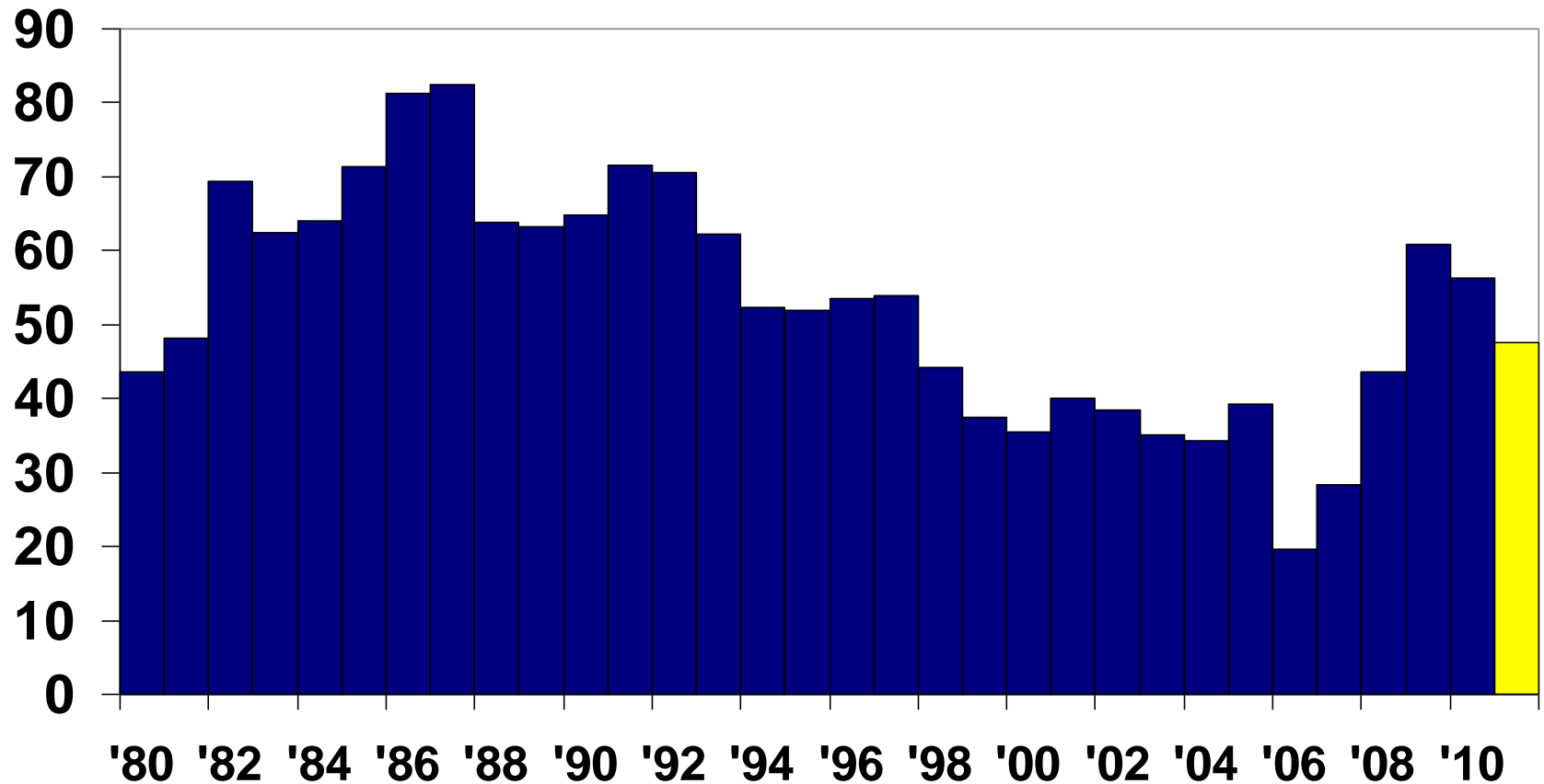
Percent

\$15,799 Average Credit Card Debt Per Household



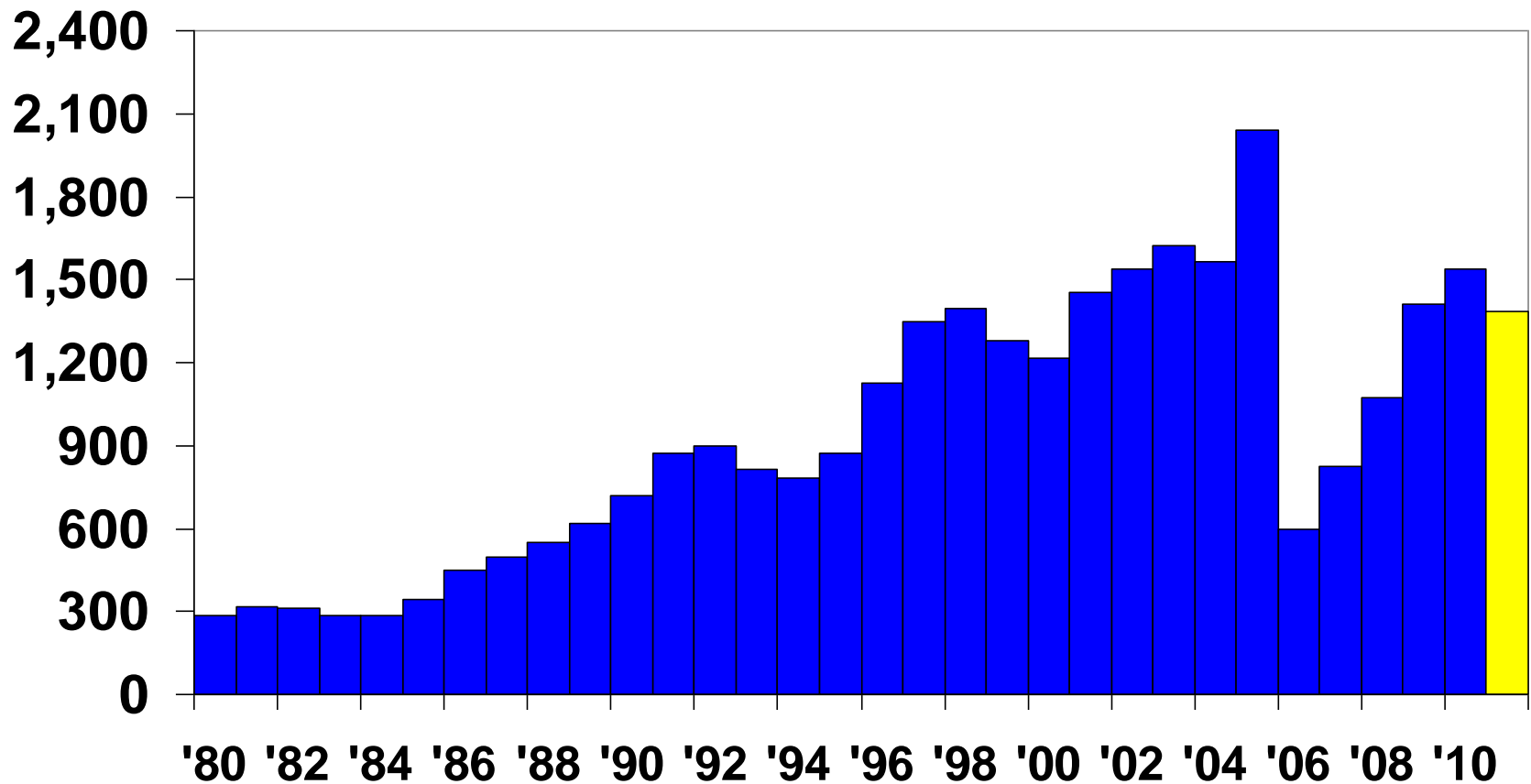
Business Bankruptcy Filings

Number of Filings -- *Thousands*



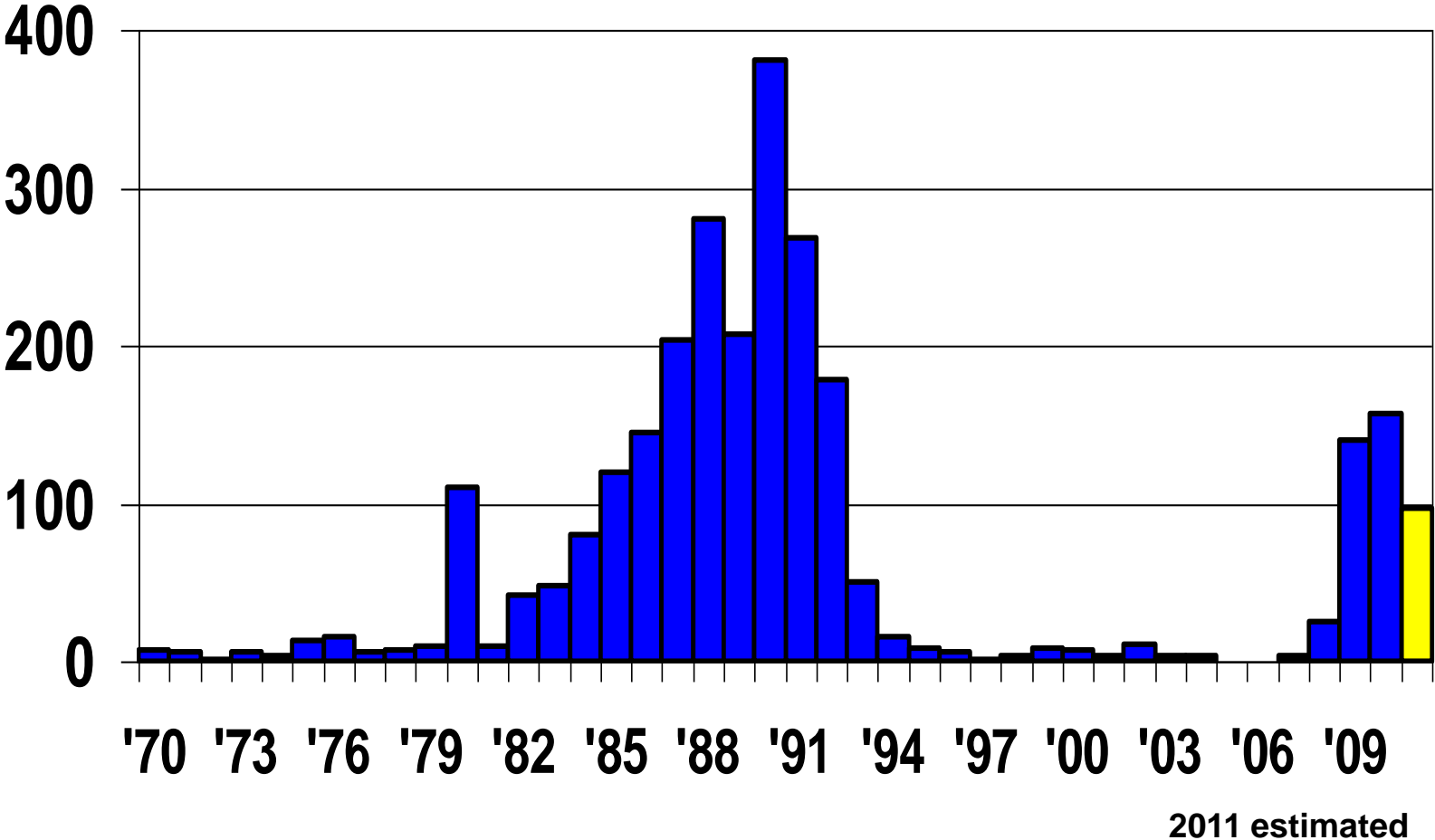
Consumer Bankruptcy Filings

Number of Filings -- *Thousands*



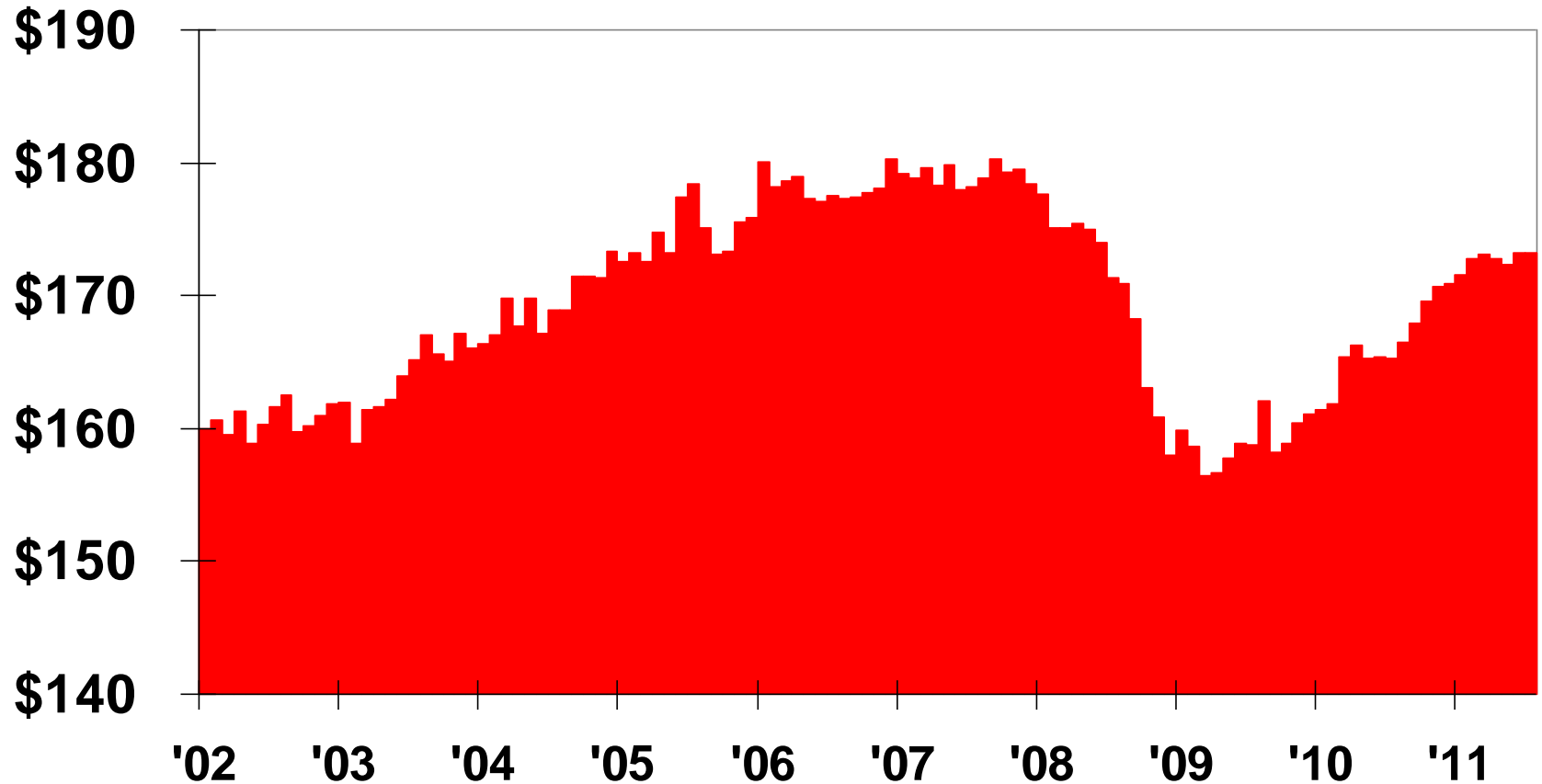
Bank Failures

Number of Institutions Per Year



U.S. Real Retail & Food Service Sales

\$Billions – Seasonally Adjusted

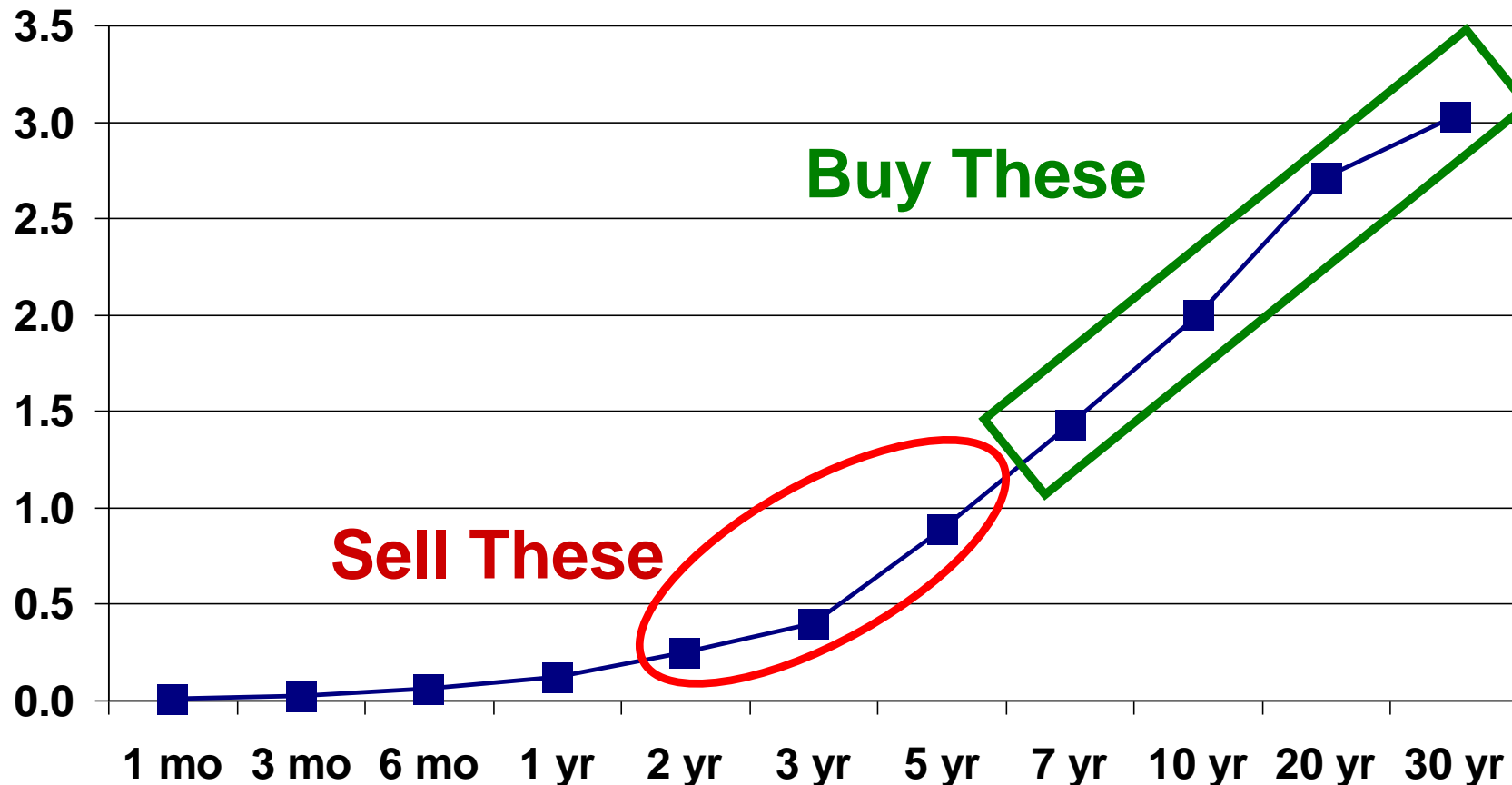


Operation Twist

**Federal Reserve
Owns \$1+ Trillion
of Treasuries**

Percent Treasury Yield Rates

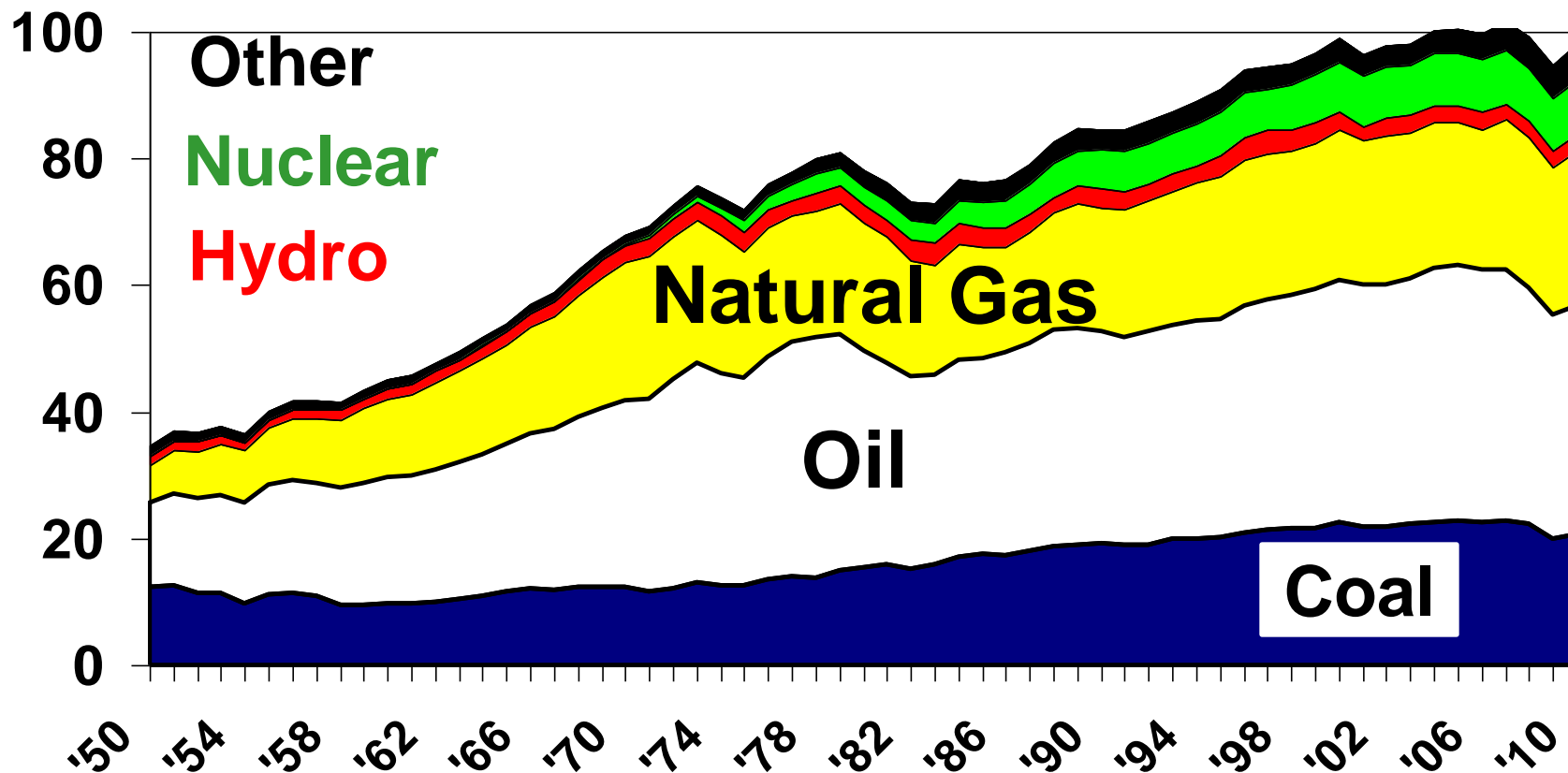
Yield Curve Data as of Jan 4 2012



**Early 1960s Operation Twist Saw
Long-Term Rates Decline 0.15 Percent**

US Energy Consumption

Consumption – *Quadrillion BTUs*



-TODAY,
BOTH REPUBLICANS
AND DEMOCRATS
MOVED CLOSER
TOWARDS
**RAISING THE
DEBT CEILING**
TO REMEDY
AMERICA'S FINANCIAL
PREDICAMENT...

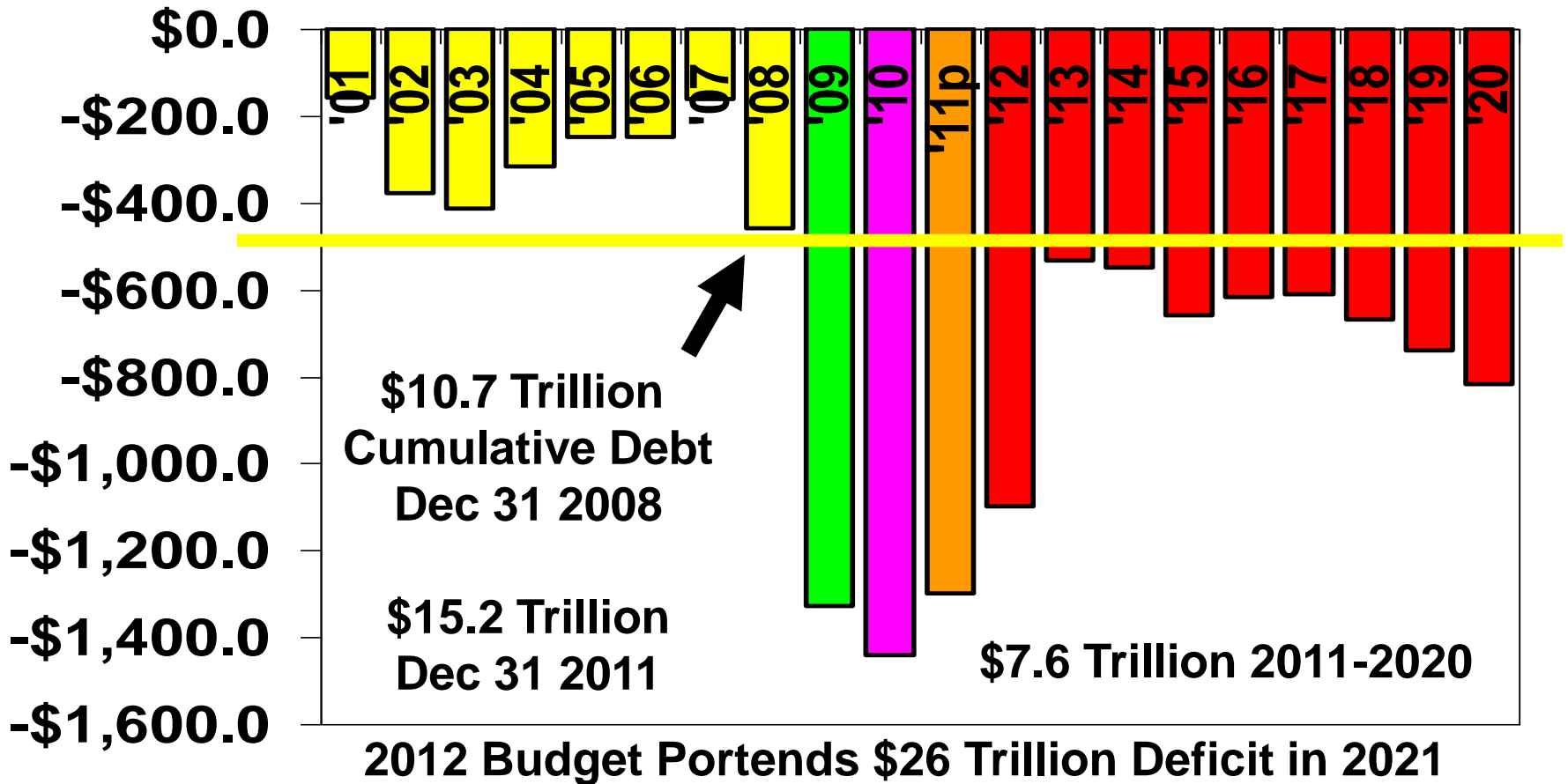


-IN OTHER NEWS,
BLOOD ALCOHOL
LEVELS WILL BE
RAISED TO SOLVE
DRUNK DRIVING.



Federal On-Budget Deficit Forecast

\$ Billions – *Baseline (\$10.7 Trillion Total Debt 12-31-08)*



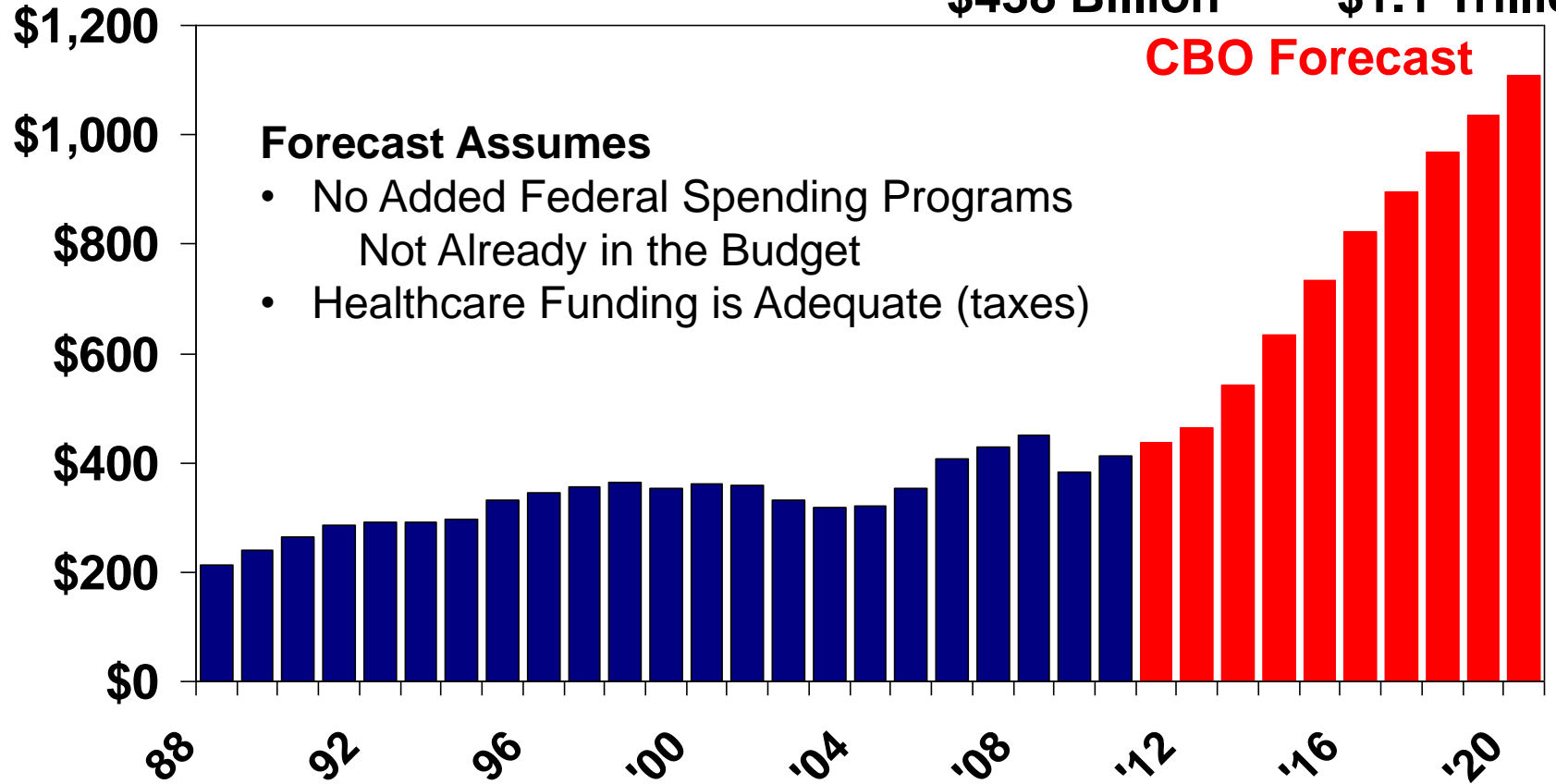
2012 Budget Portends \$26 Trillion Deficit in 2021

Interest Expense on Federal Debt

\$ Billions

2011
\$438 Billion

2020
\$1.1 Trillion



U.S. Income Taxes 2008

Tax Payers

Percent of All Taxes Paid

Top 1 Percent

38 Percent

Top 5 Percent

59 Percent

Top 10 Percent

70 Percent

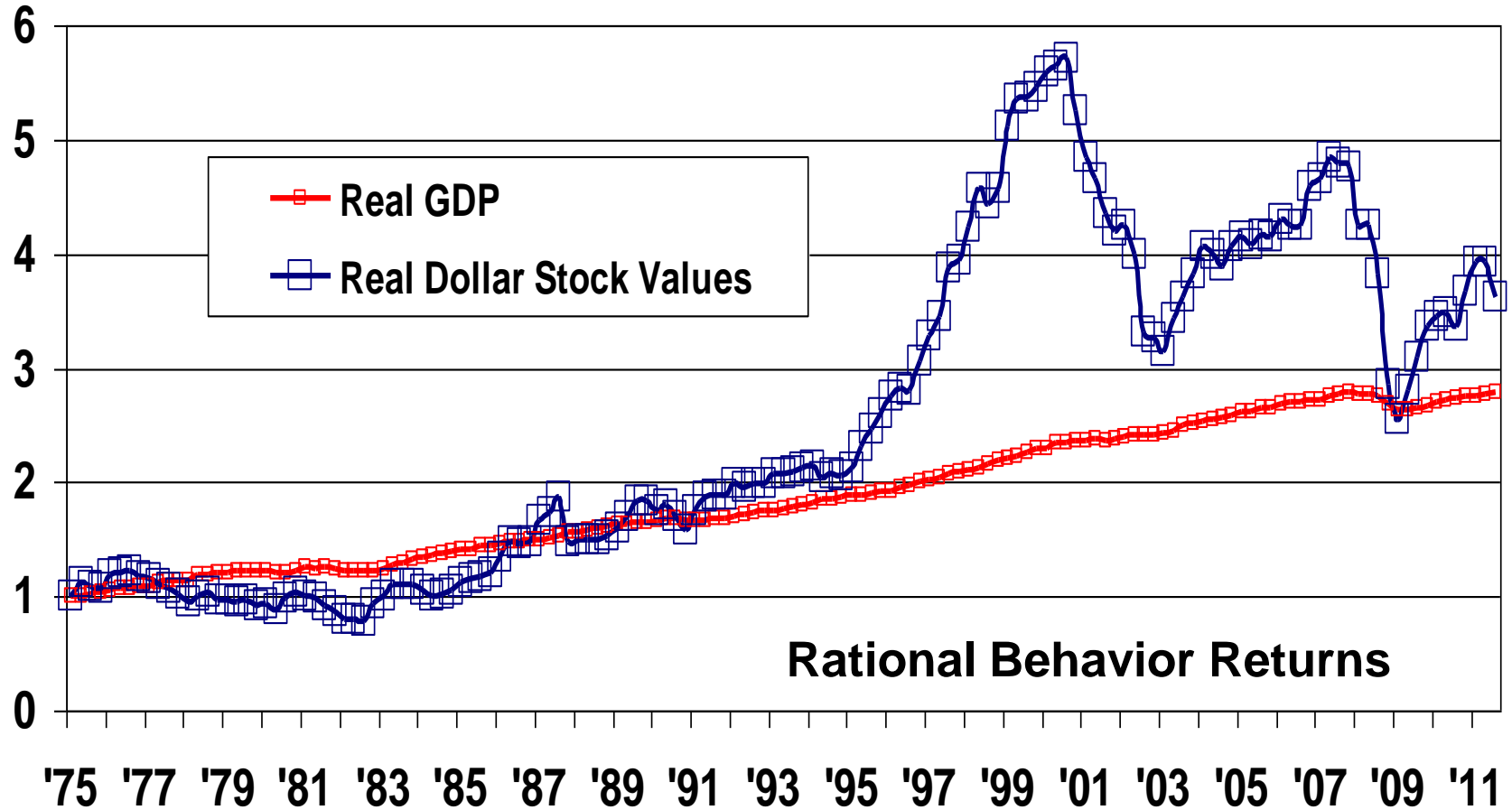
45 Percent of Taxpayers Paid \$0

51 Percent of Taxpayers Paid \$0 2009



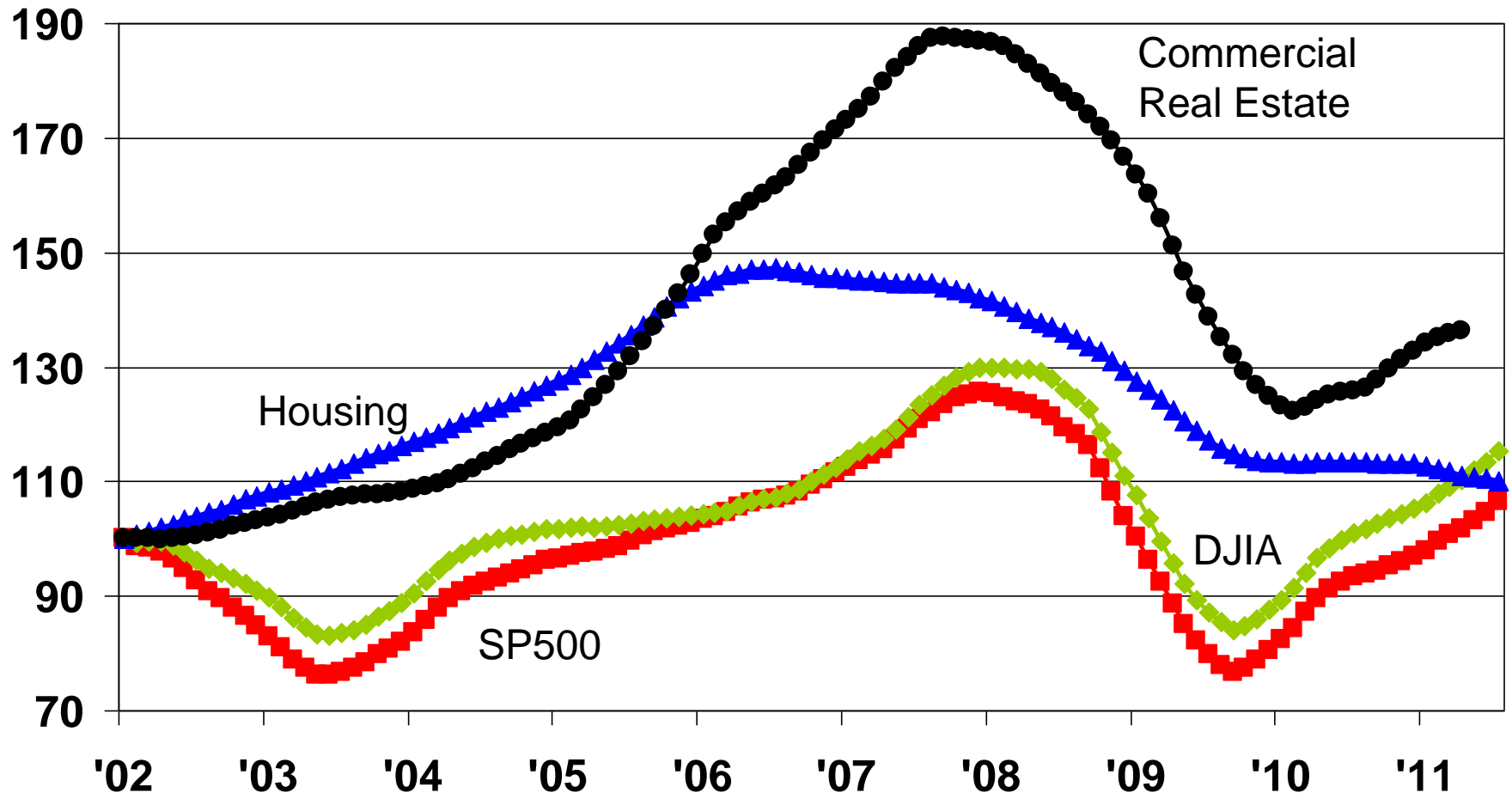
Stock Values vs. GDP

Index 1975 = 1.0



Home Prices and Stock Market Performance 12-Month Moving Average

January 2002 = 100 *Quarterly Commercial Data Modeled to Monthly Returns*



—■— SP500 —◆— DJIA —▲— Home Prices —●— Commercial Values

NCREIF, S&P, Dow Jones, National Assn of Realtors



Real Estate

Commercial Sales

	\$ Billion	Percent Change
2007	\$ 557.8	
2008	\$ 181.6	-67.4%
2009	\$ 54.4	-70.0%
2010	\$ 120.0	120.6%
2011	\$220 Billion	<i>(Ted's Forecast)</i>
2012	\$250 - \$270 Billion	

Q³

Quality

- **Location**
- **Property**
- **Tenants**

Mortgage Bankers Association Office Building Washington, DC

Purchased 2007

\$79.0 Million

Sold Feb 2010

\$41.3 Million

Loss

\$37.7 Million

47.7 Percent

Mortgage Bankers Association Office Building Washington, DC

Purchased 2010

\$41.3 Million

Sold Feb 2011

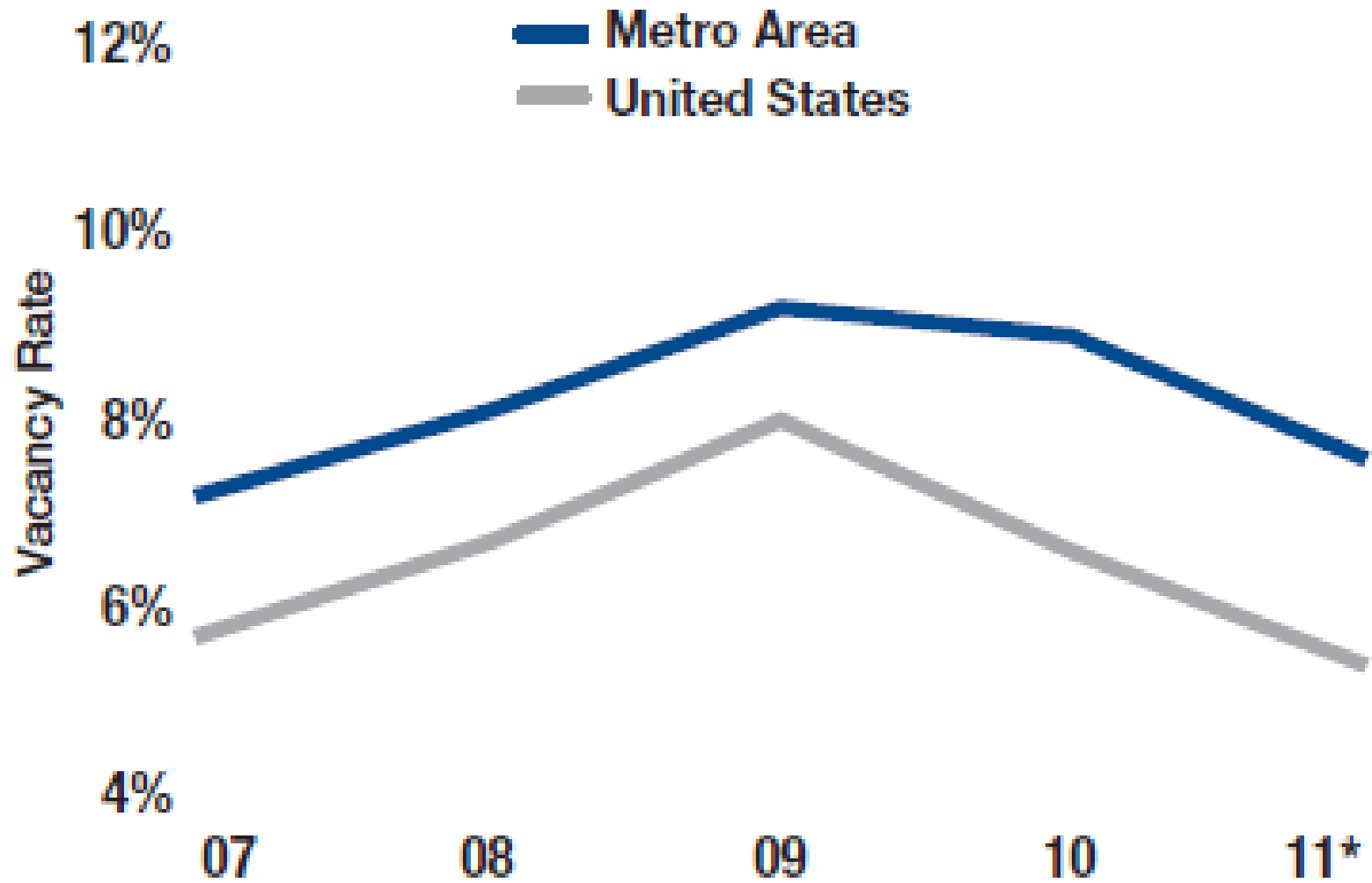
\$101.0 Million

Gain

\$59.7 Million

145 Percent

Vacancy Rate Trends



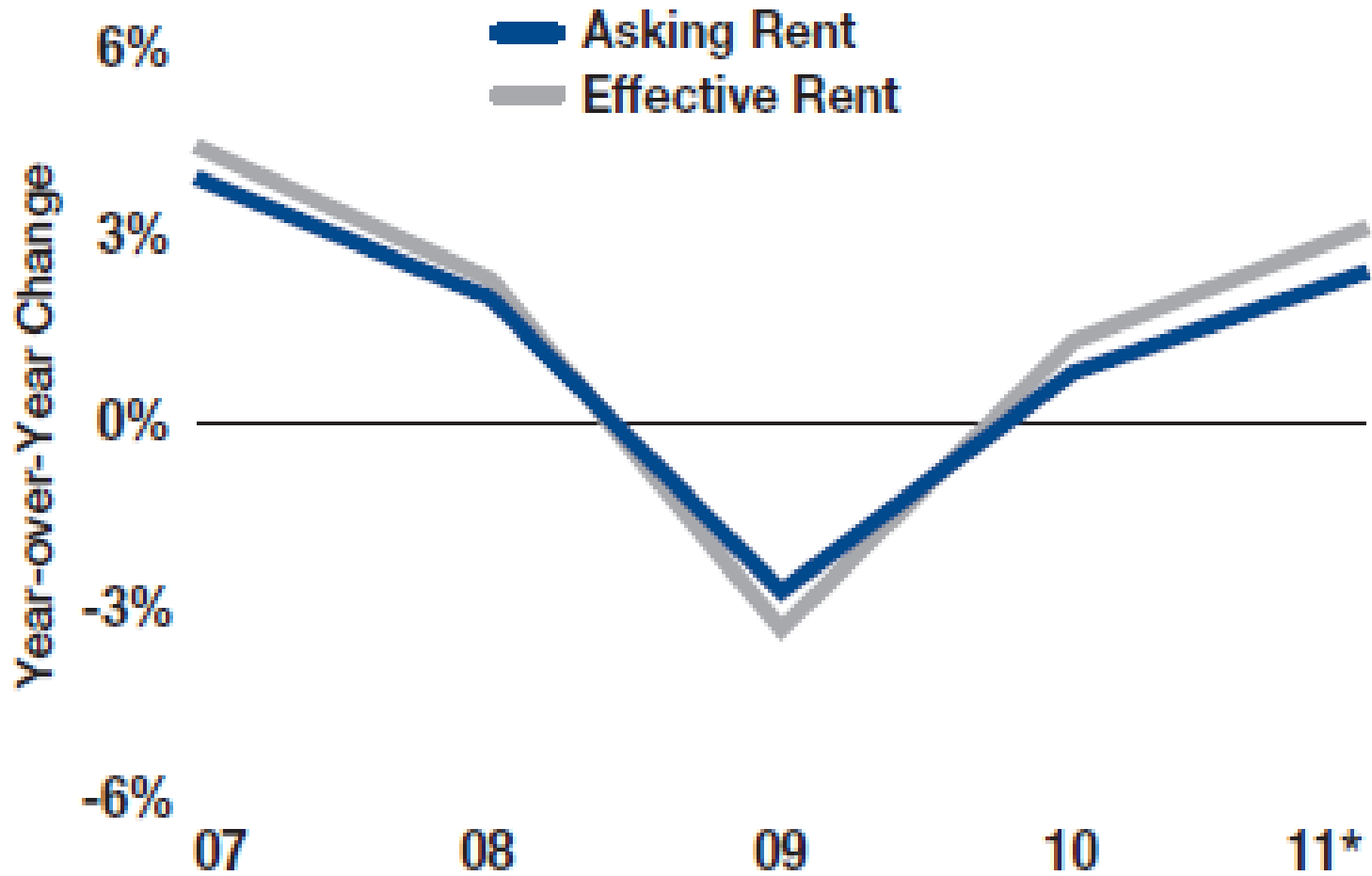
* Forecast

Sources: Marcus & Millichap Research Services, Reis

Apartment

Marcus & Millichap

Rent Trends



* Forecast

Sources: Marcus & Millichap Research Services, Reis

Apartment

Marcus & Millichap

Vacancy & Availability Rates

Availability 18.8% Vacancy 16.9%



Columbus Office Downtown

CBRE

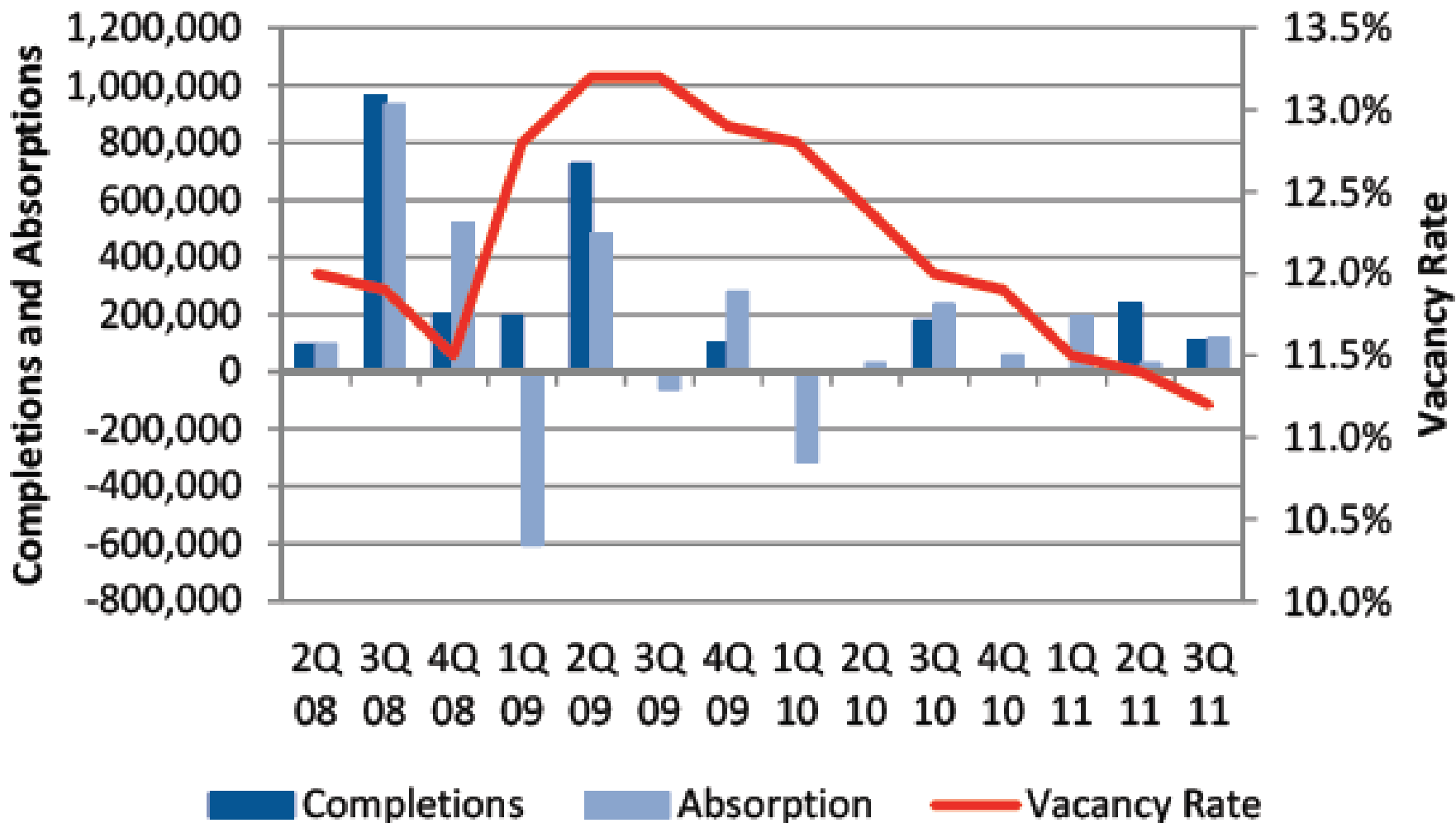
Average Asking Rental Rates

Average Asking Rental Rate \$17.38



Columbus Office Downtown

CBRE

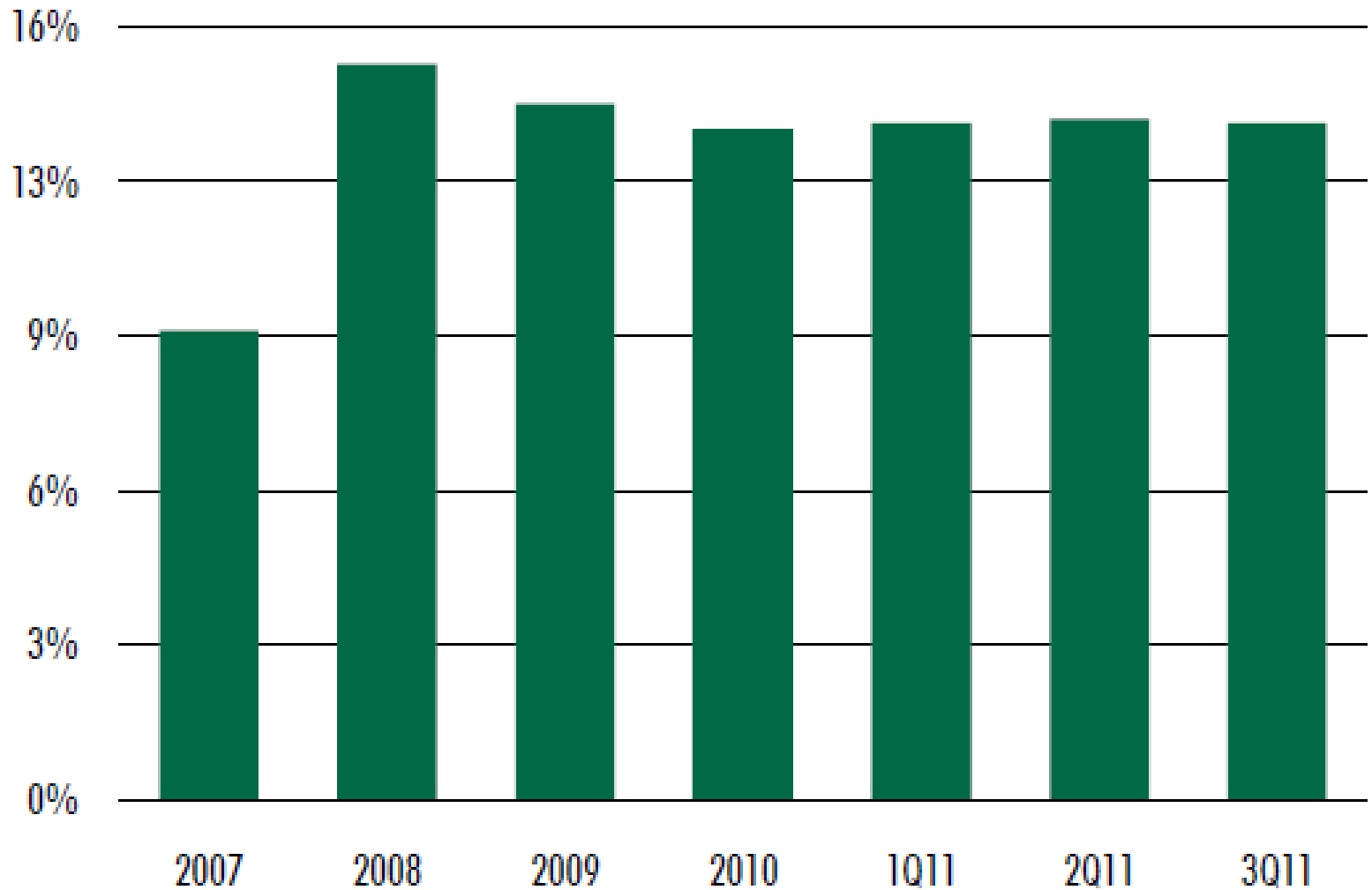


GREATER COLUMBUS REGION
RETAIL TRENDS



Vacancy

Vacancy Rate 13.7%



2012 Economic Concerns

- Wall Street—Washington DC—Liquidity
- Jobs – *Stimulus Did Not Work*
**GDP = Consumption + Investment +
Government Spending + Exports - Imports**
- Cold War II—Terrorists
- Rural Land Bubble
- Liquidity Trap
- Energy: US Imports 50+ Percent of Oil
- Real Estate-Autos-Credit Cards-Banks



Ted C. Jones, PhD Chief Economist

Stewart Title Guaranty Company

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