

Economic & Real Estate Market Outlook

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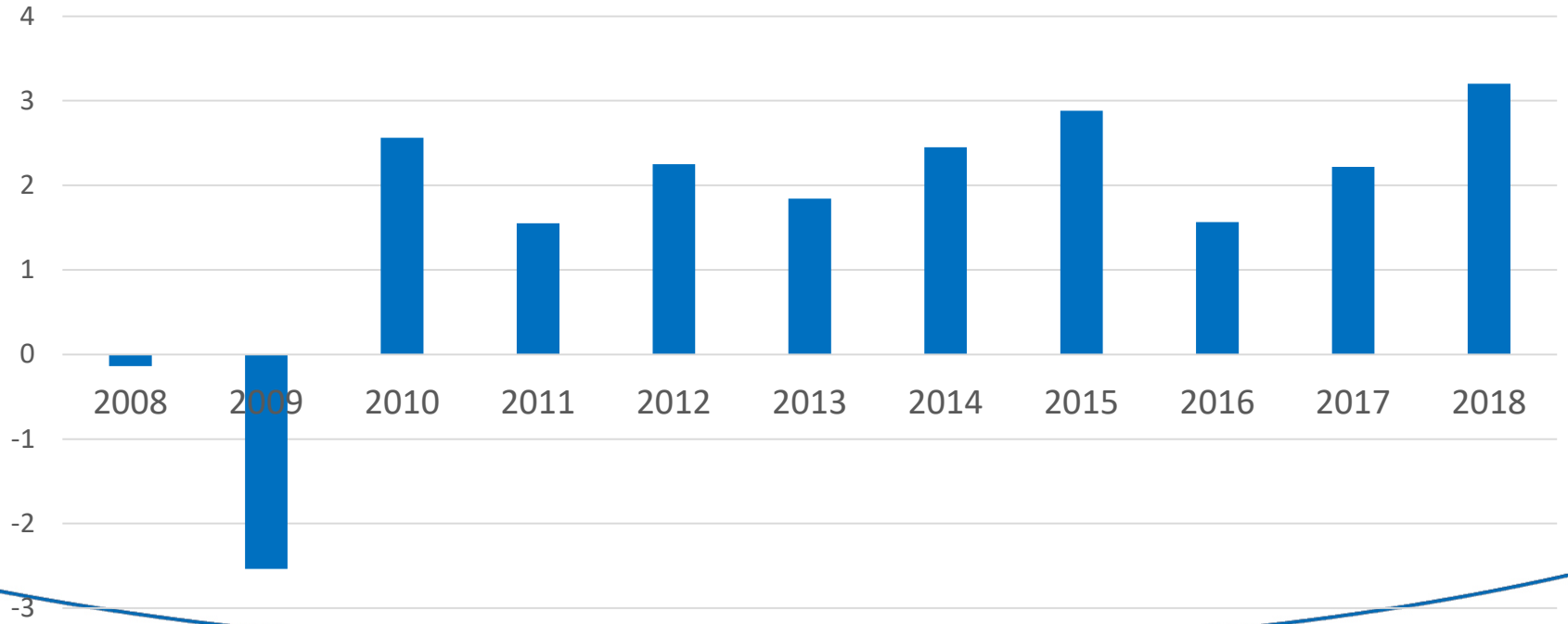
Presentation at St. Louis Association of REALTORS® and
St. Charles Association of REALTORS®

March 1, 2019

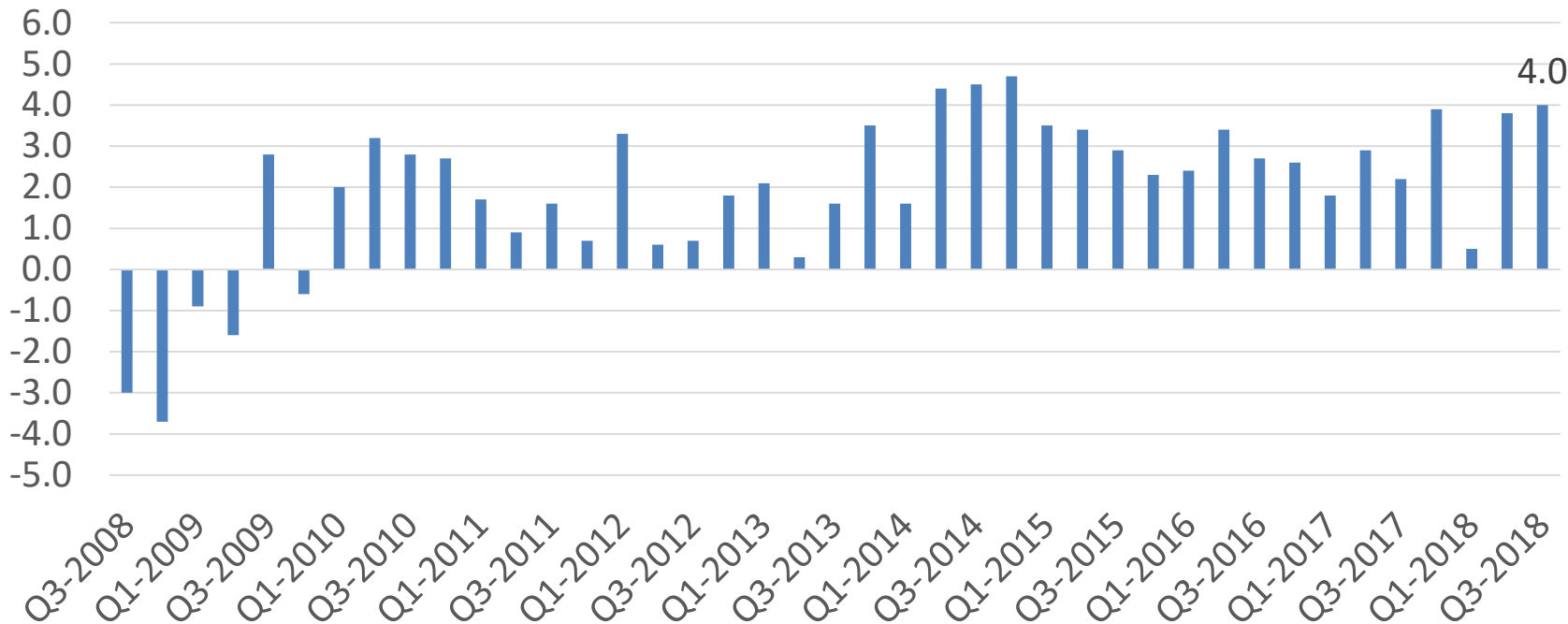
Good Economy

- Job Additions for 8 straight years
- Unemployment Rate 3.9%
- Record High Job Openings
- Historically Low Jobless Claims
- High Net Worth
- Wages picking up

Annual GDP Growth Rate of 3.2% in 2018? (Fourth Quarter at 2.8%?)

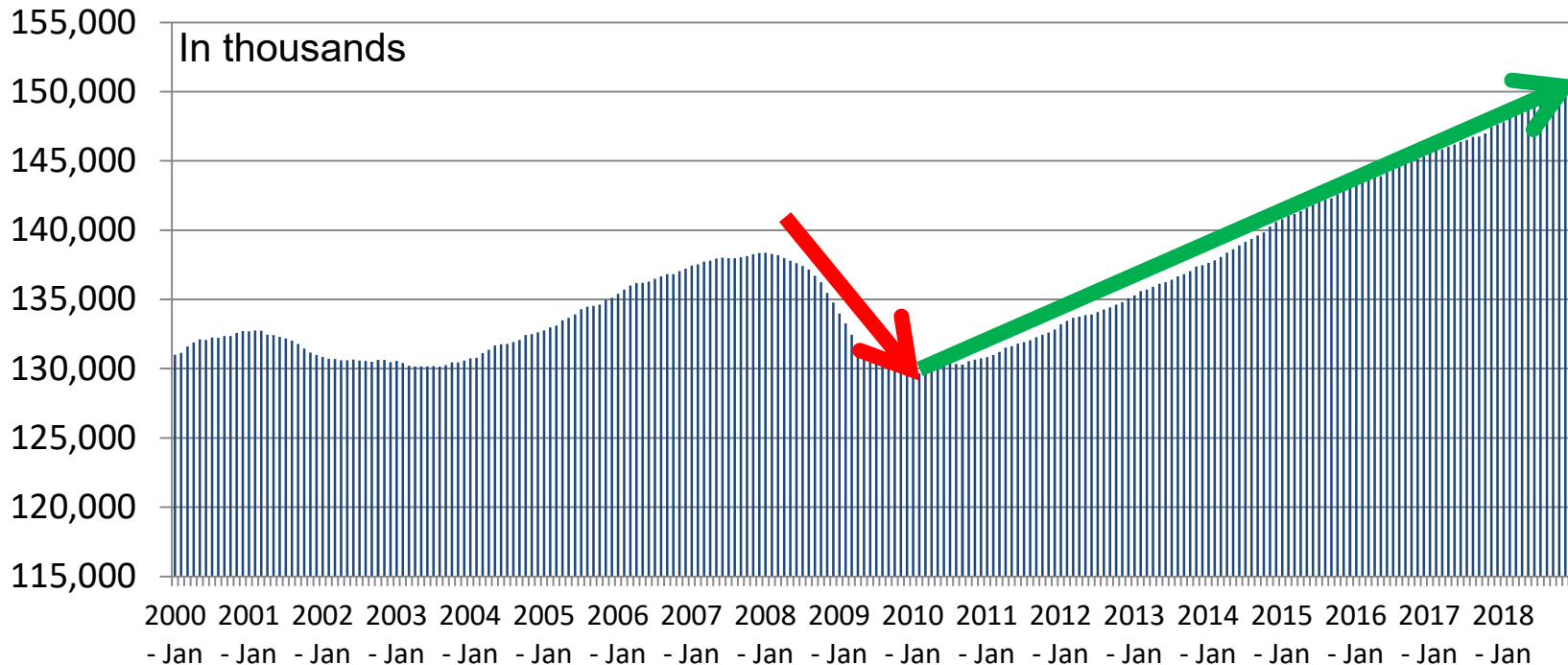


Consumer Spending Growing Strongly: 4%



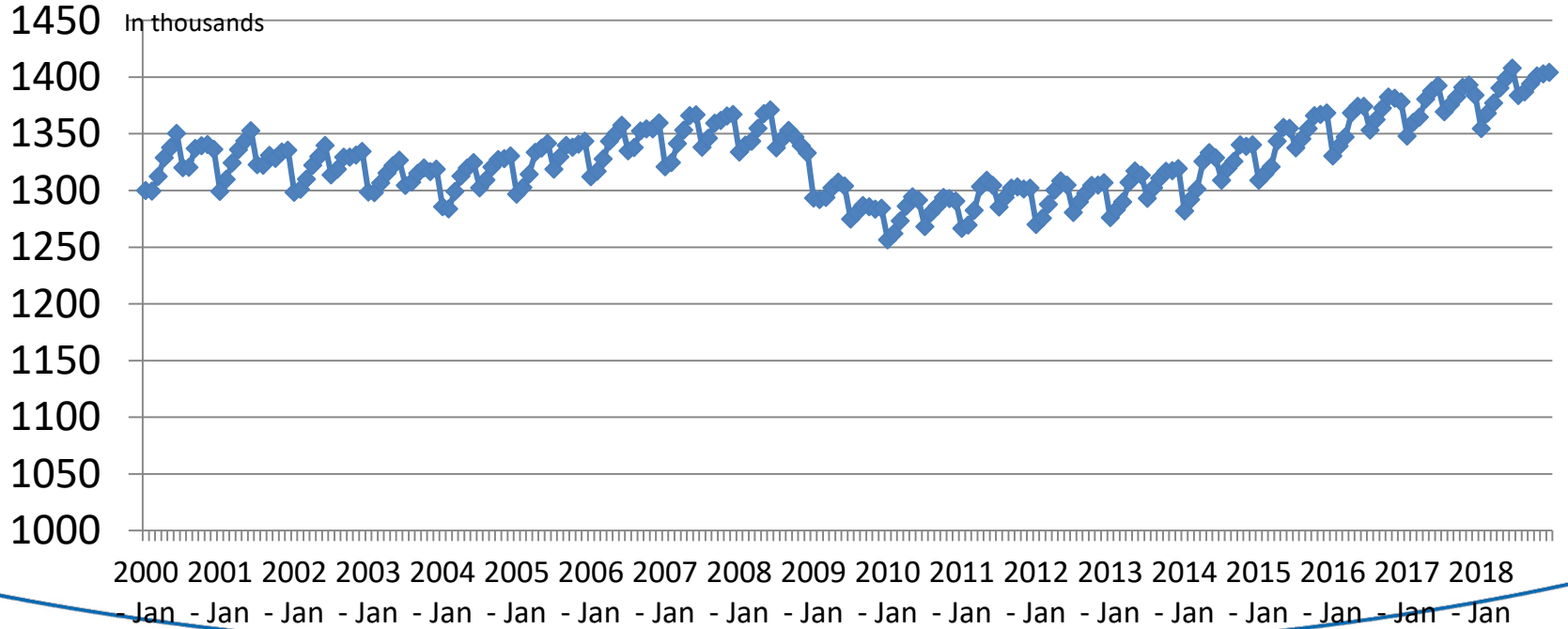
Jobs

(20 million gained from 2010)



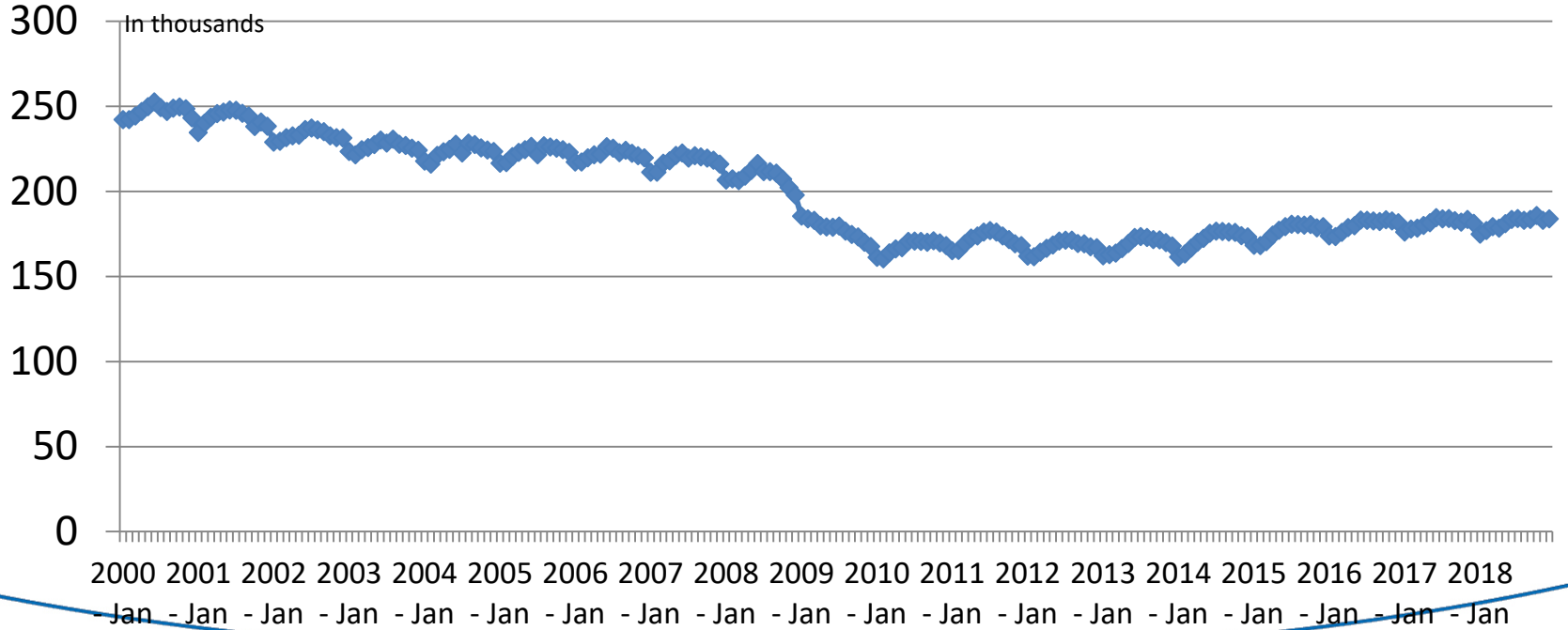
Total Jobs St. Louis Metro

(5% growth vs 13% nationwide from 2000)

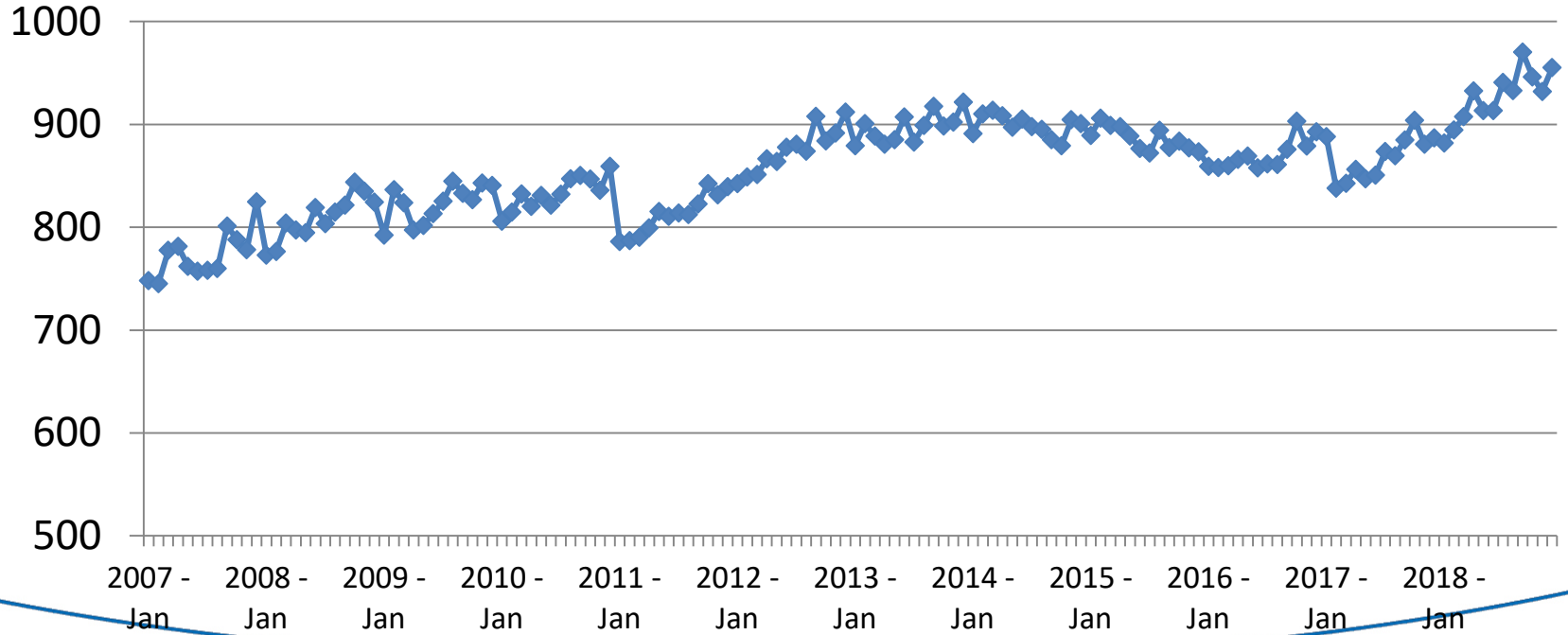


Goods Producing Jobs St. Louis Metro

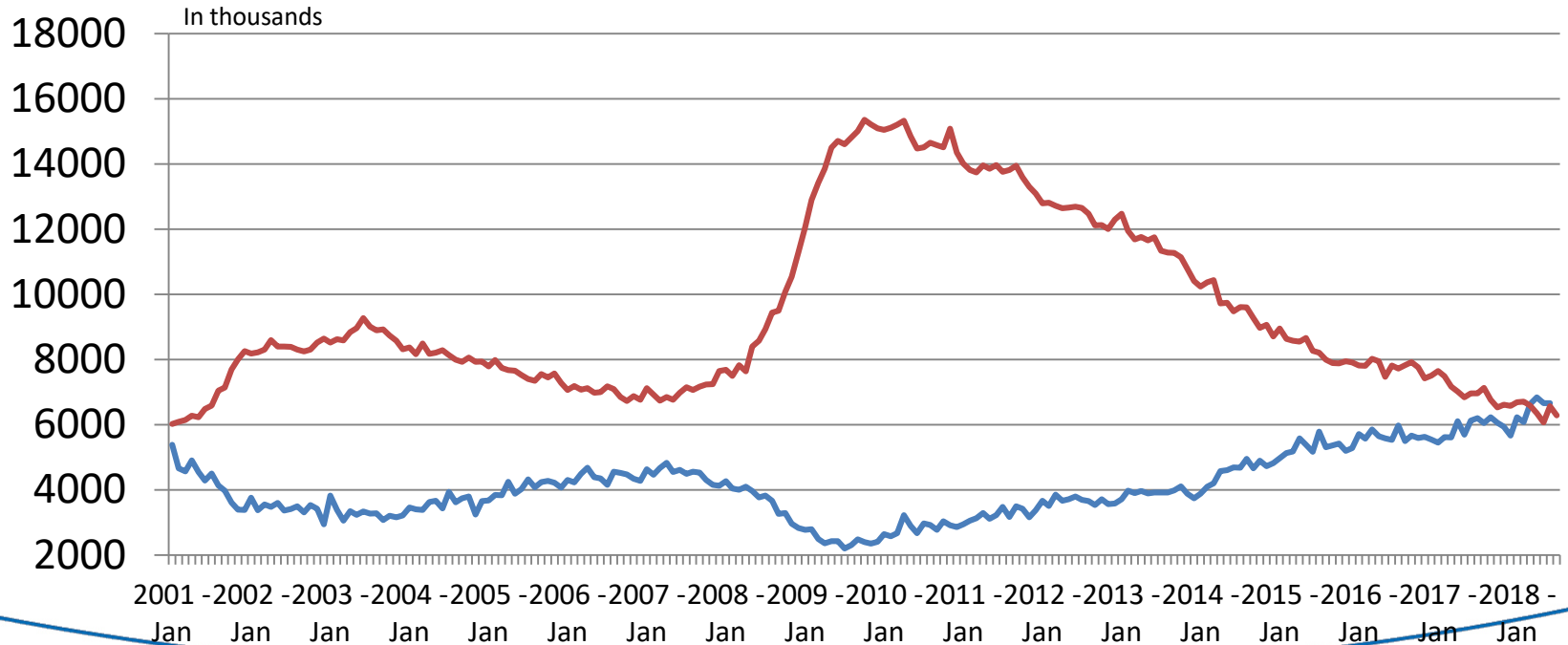
(25% decline since 2000)



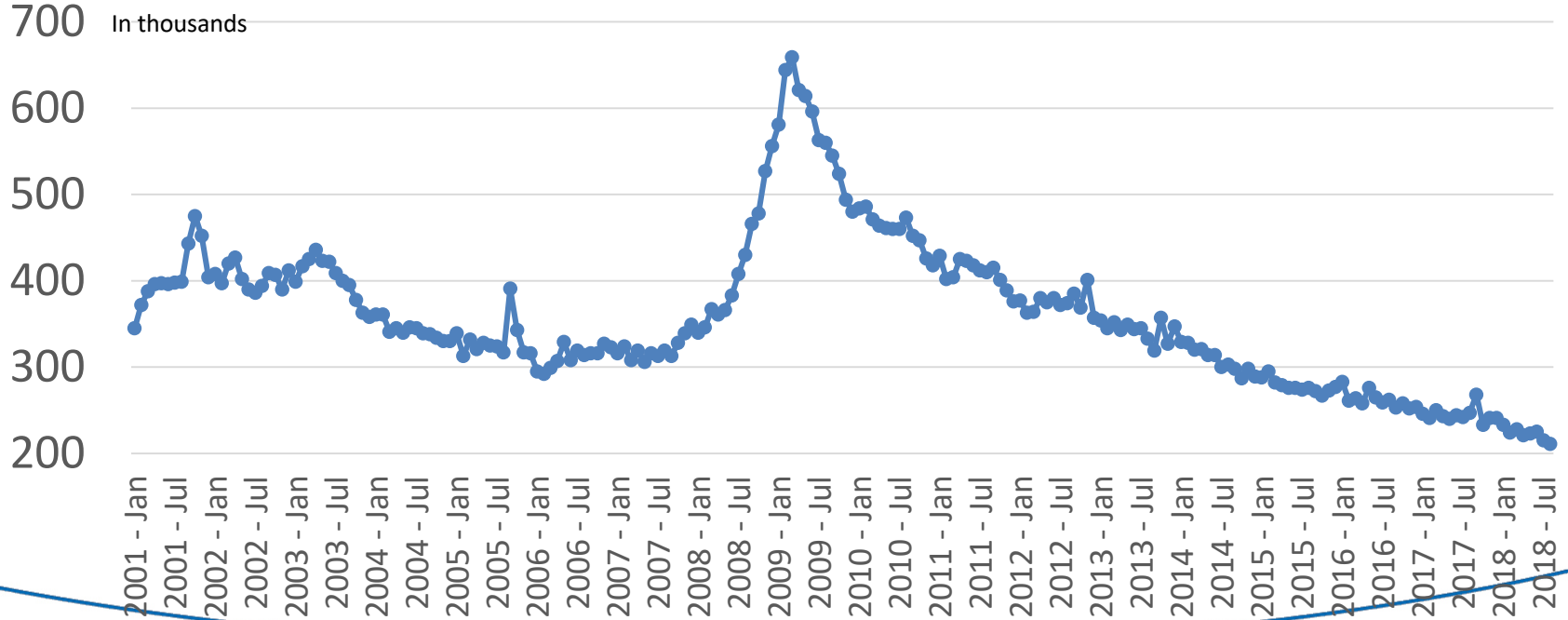
Average Weekly Earnings in St. Louis Metro



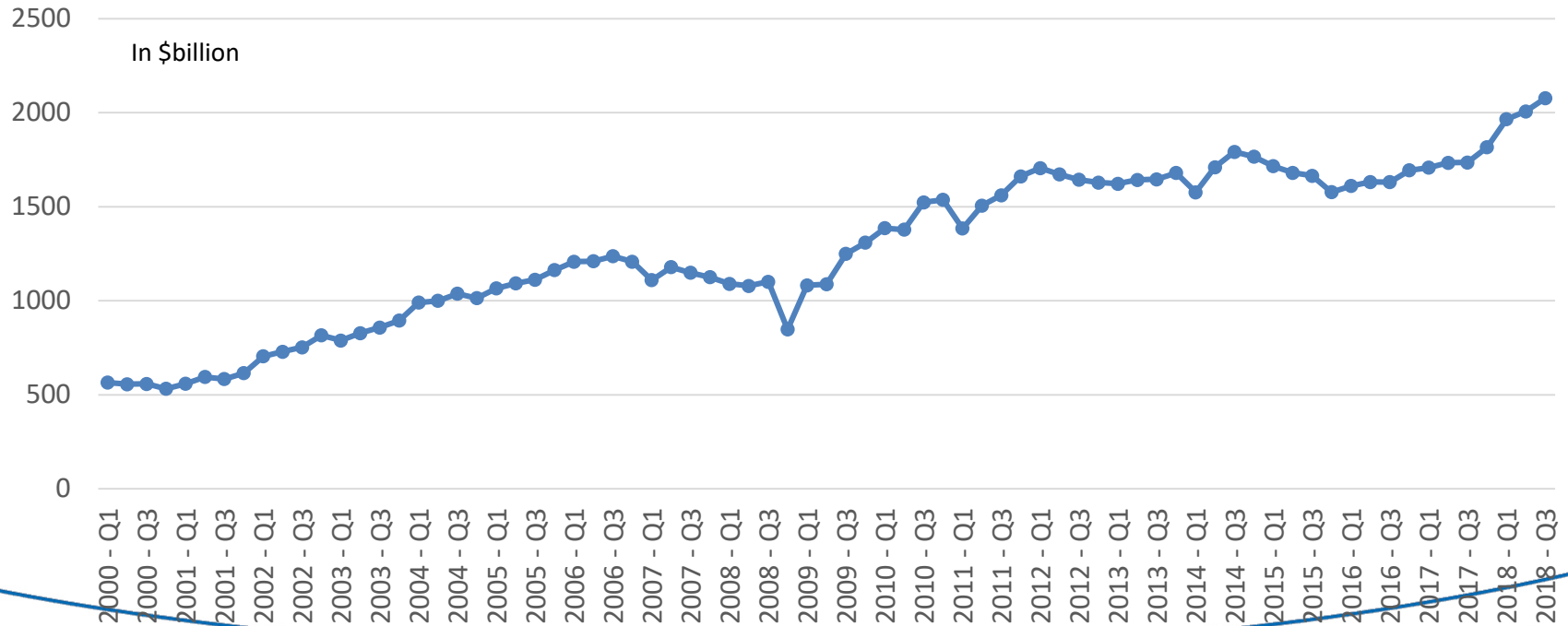
Job Openings = Unemployed



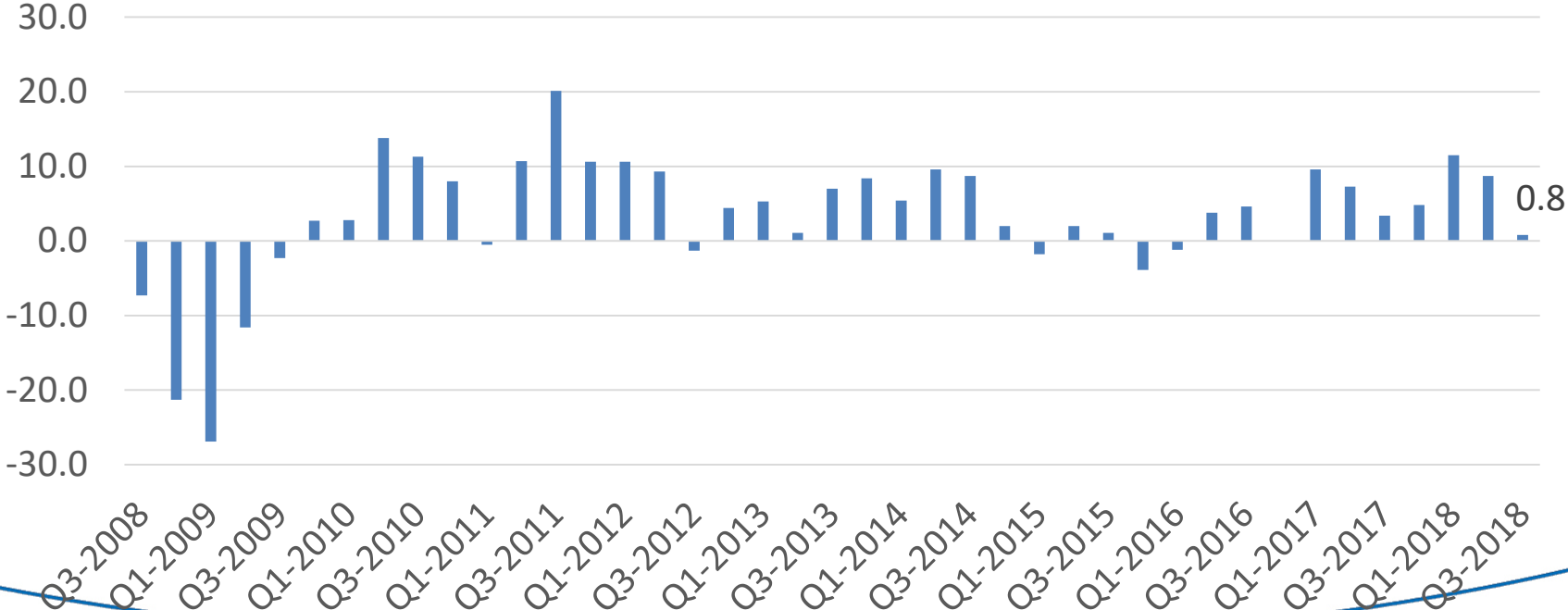
Weekly Initial Unemployment Insurance Filings



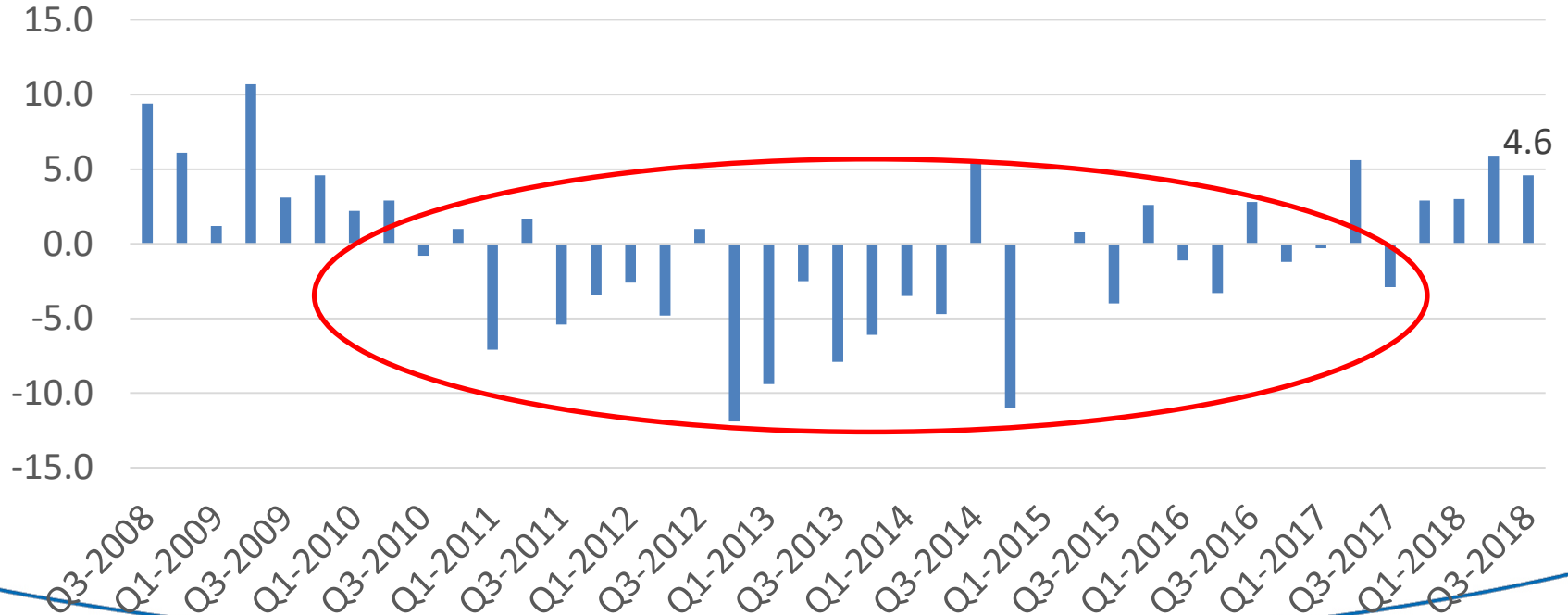
After-Tax Corporate Profits



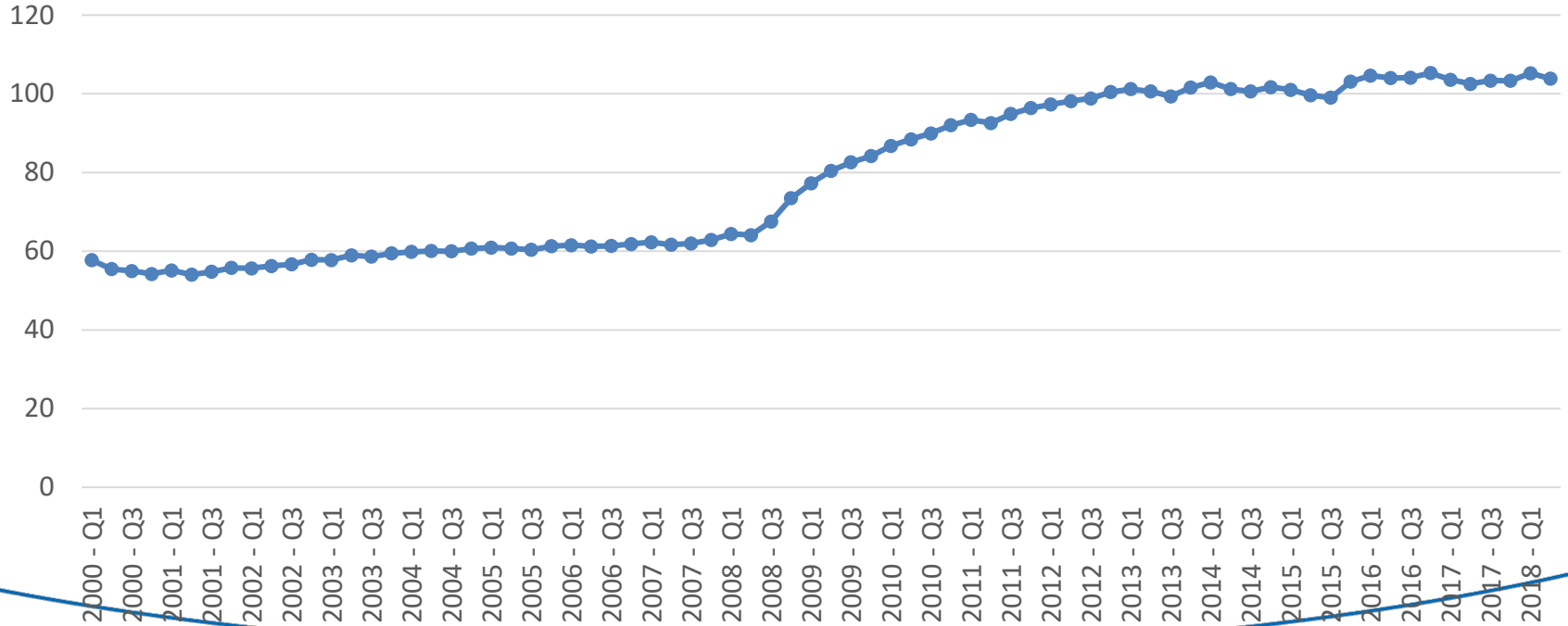
Business Spending Growth Tapers Off: 0.8%



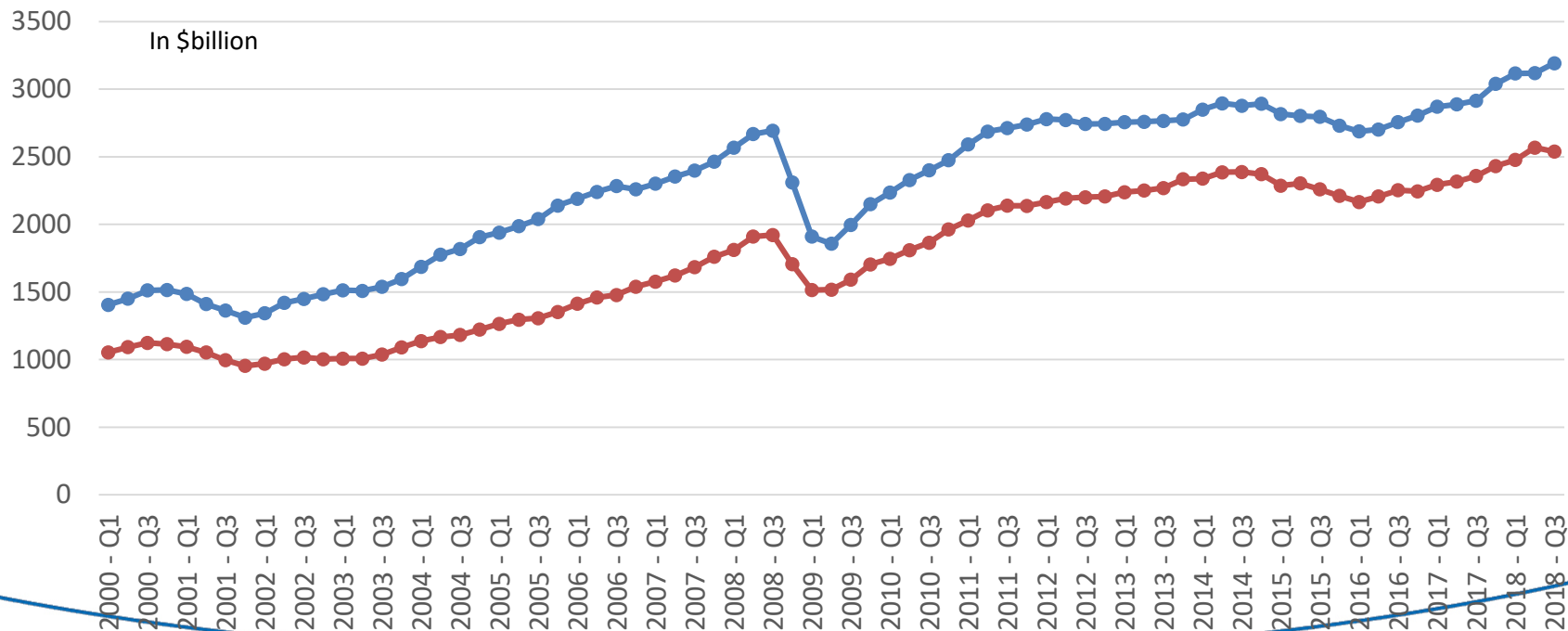
National Defense Spending Has Been Contributing to Growth: 4.6%



National Debt to GDP (%)

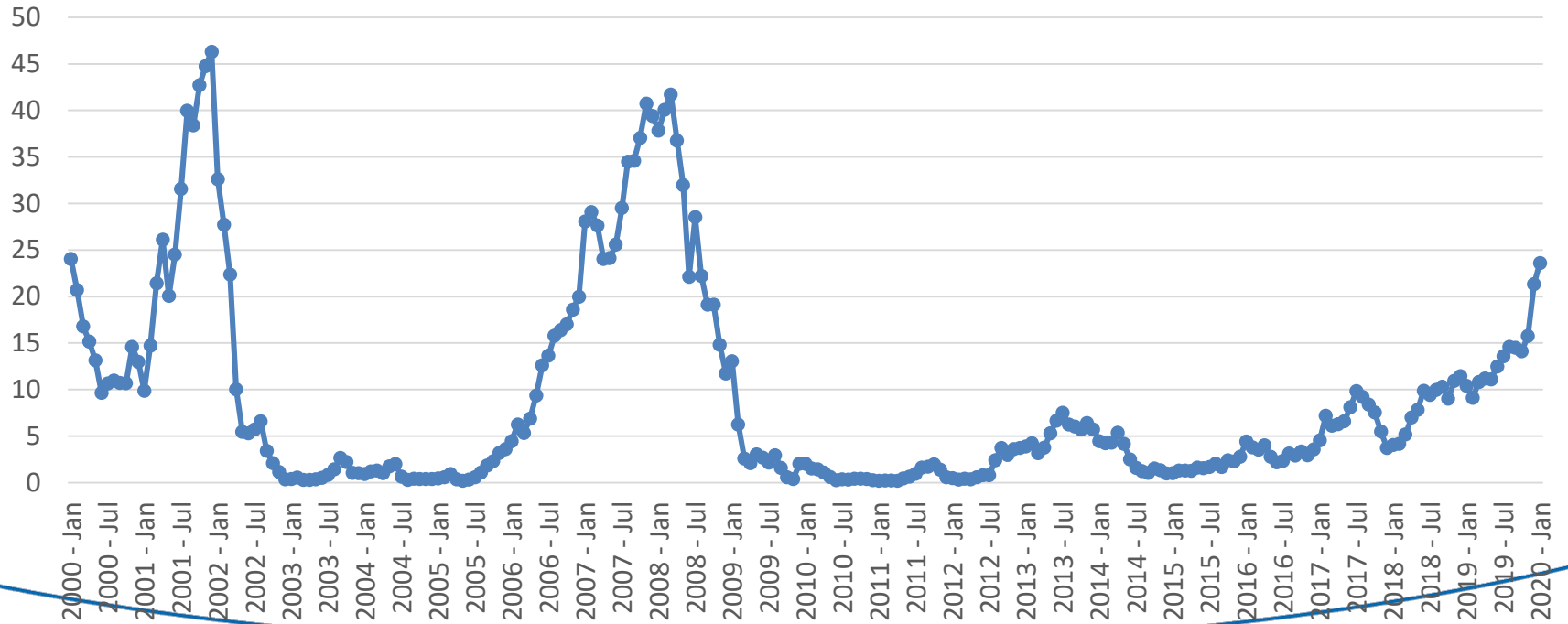


International Trade Deficit – Widens?

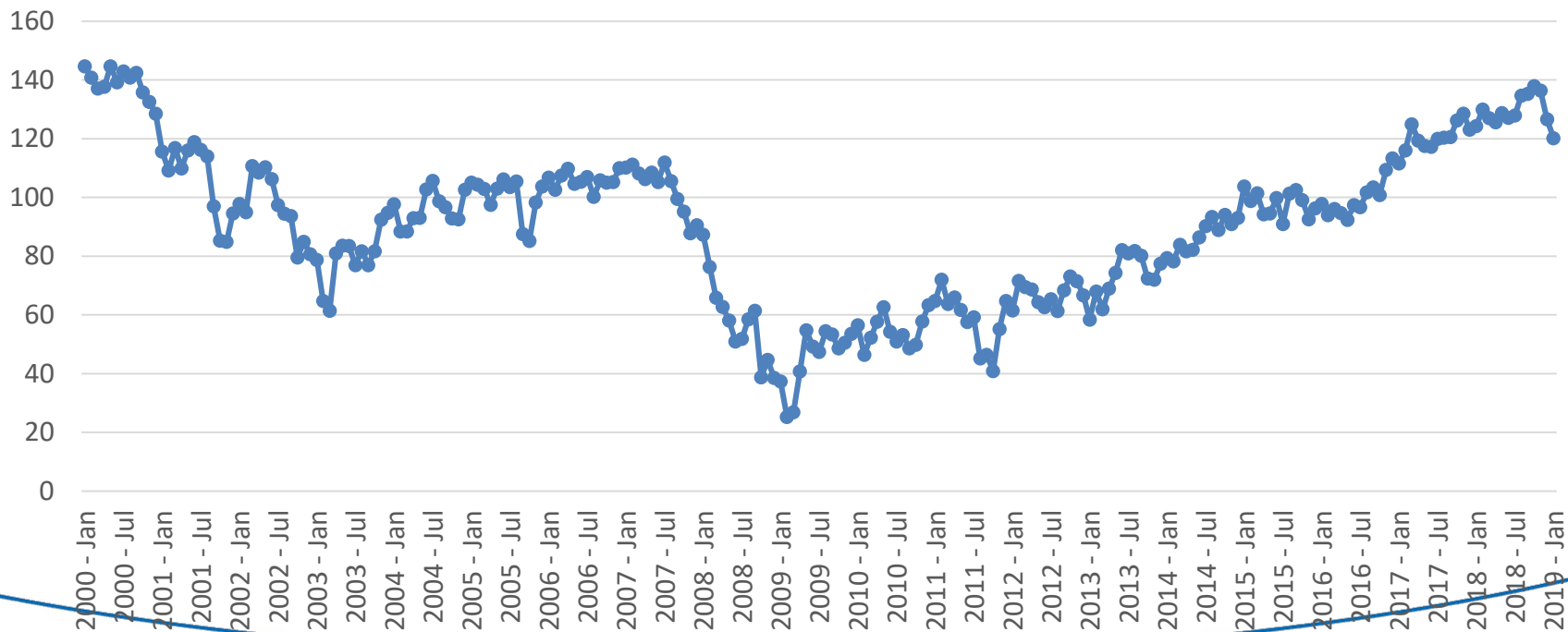


Recession Probability

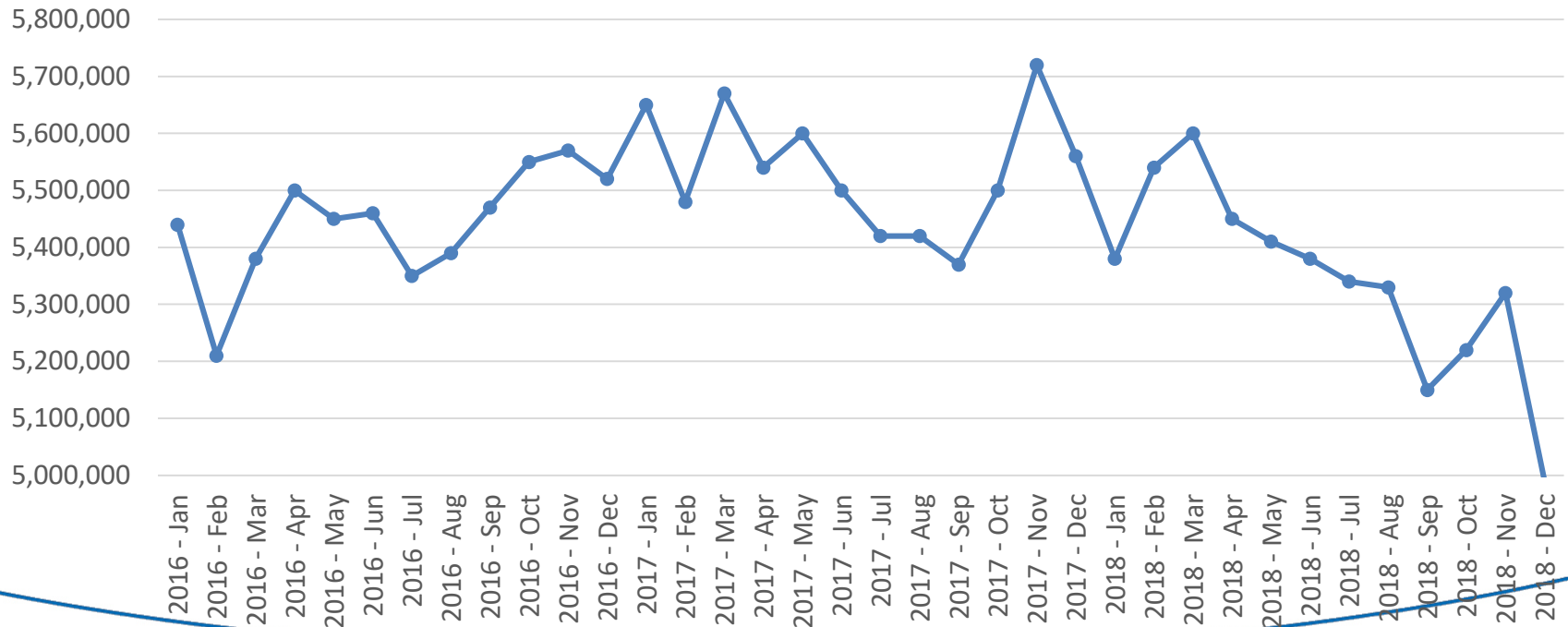
(from NY Federal Reserve)



Consumer Confidence



Existing Home Sales - Sideways Since 2016



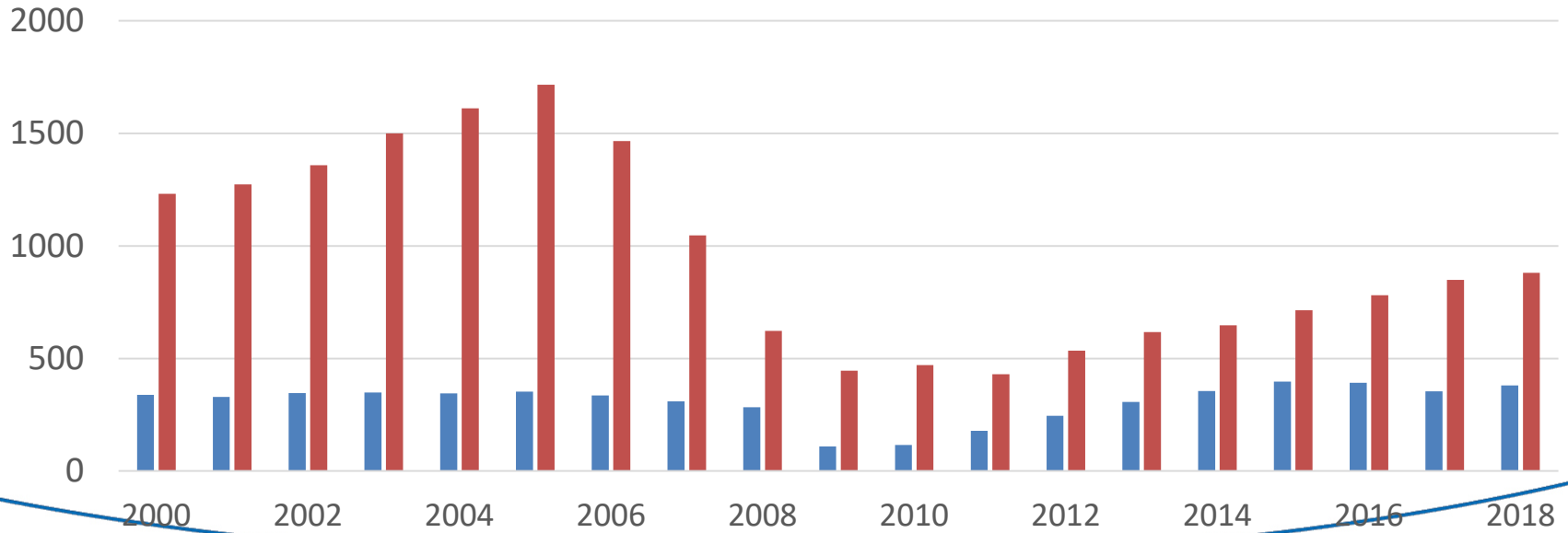
Regional Variations

% change in Pending Contracts from one year ago
% change in Closings from one year ago

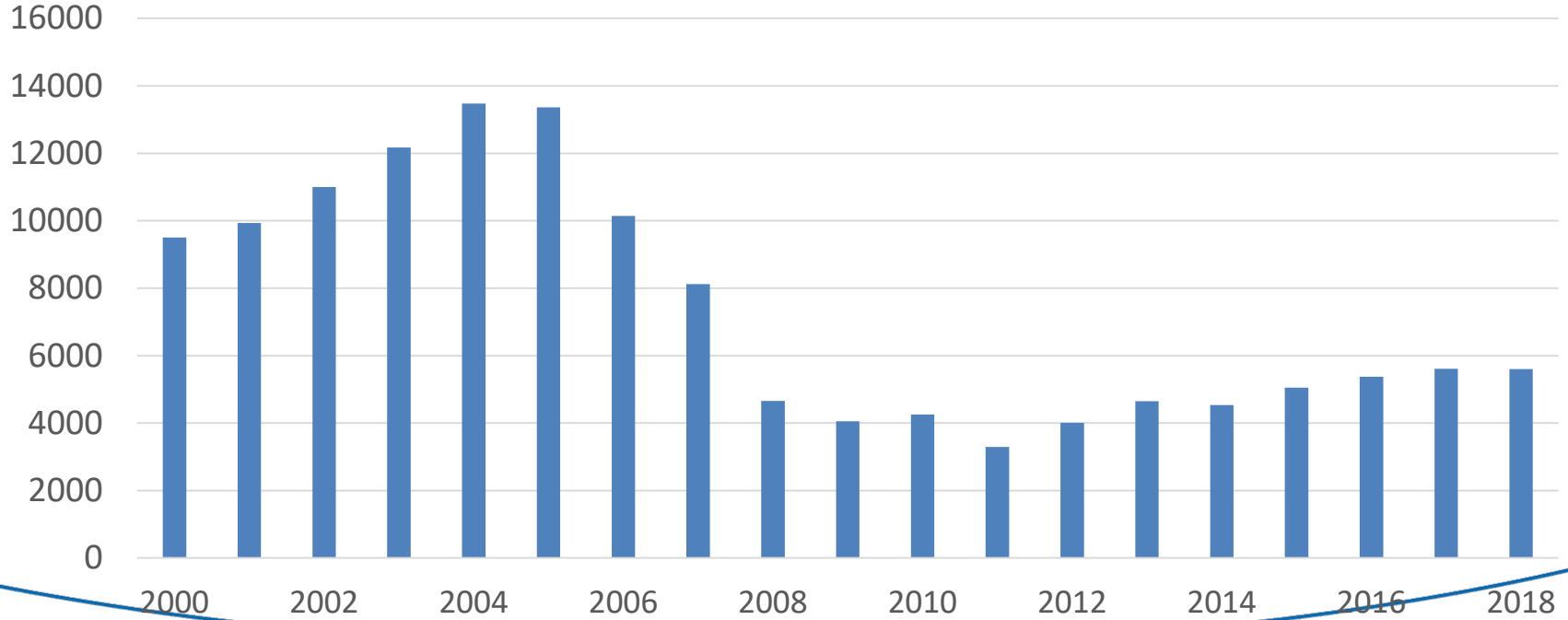


U.S. Housing Starts ... Not Enough Short by 5 to 6 million units

■ Multifamily ■ Single-Family



Single-Family Starts in ST. Louis Metro



Consequence and Solutions

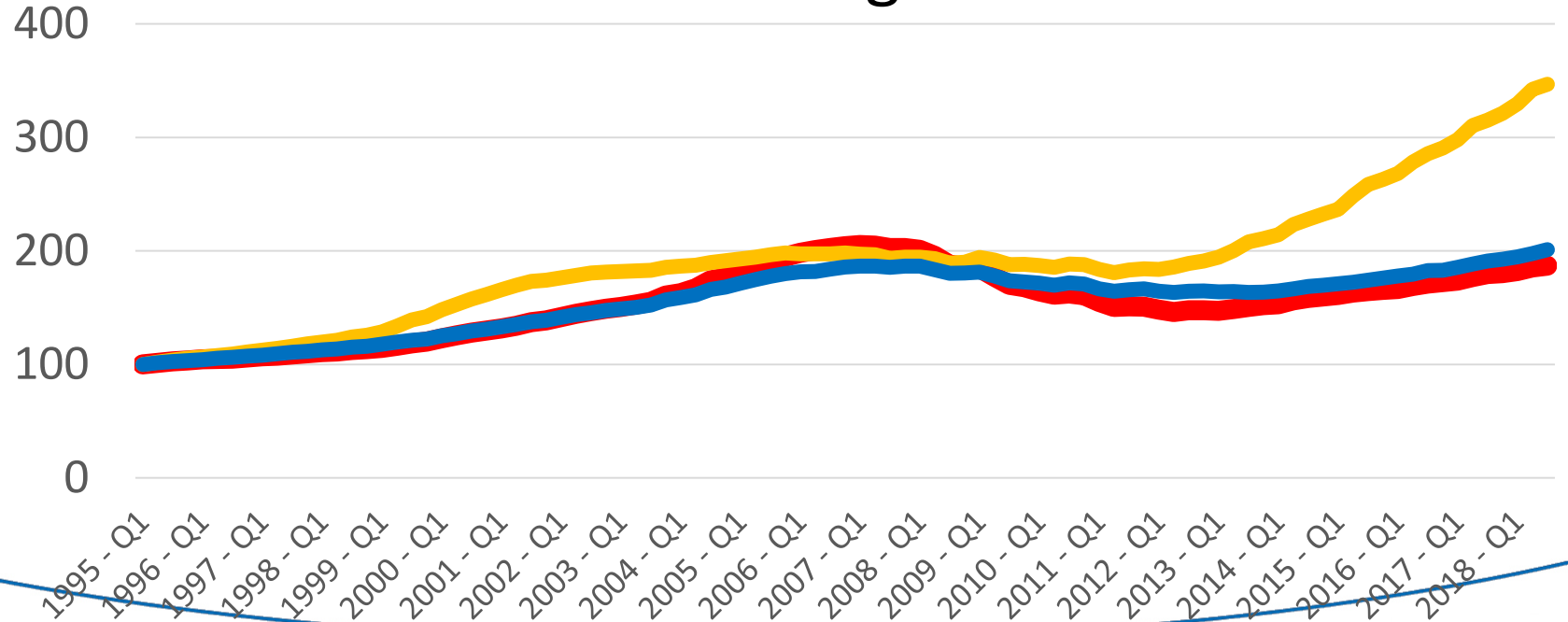
- BAD: Homeowners staying put for longer period
- BAD: Home prices outpace income growth ... hurts affordability
- BAD: Slower economic growth

- Reduce local supply constraints ... zoning laws, long permit process
- Plentiful skilled workers ... trade school training
- Federal spending tied to allow more home construction
- Opportunity zones ... tax incentives to develop and re-develop

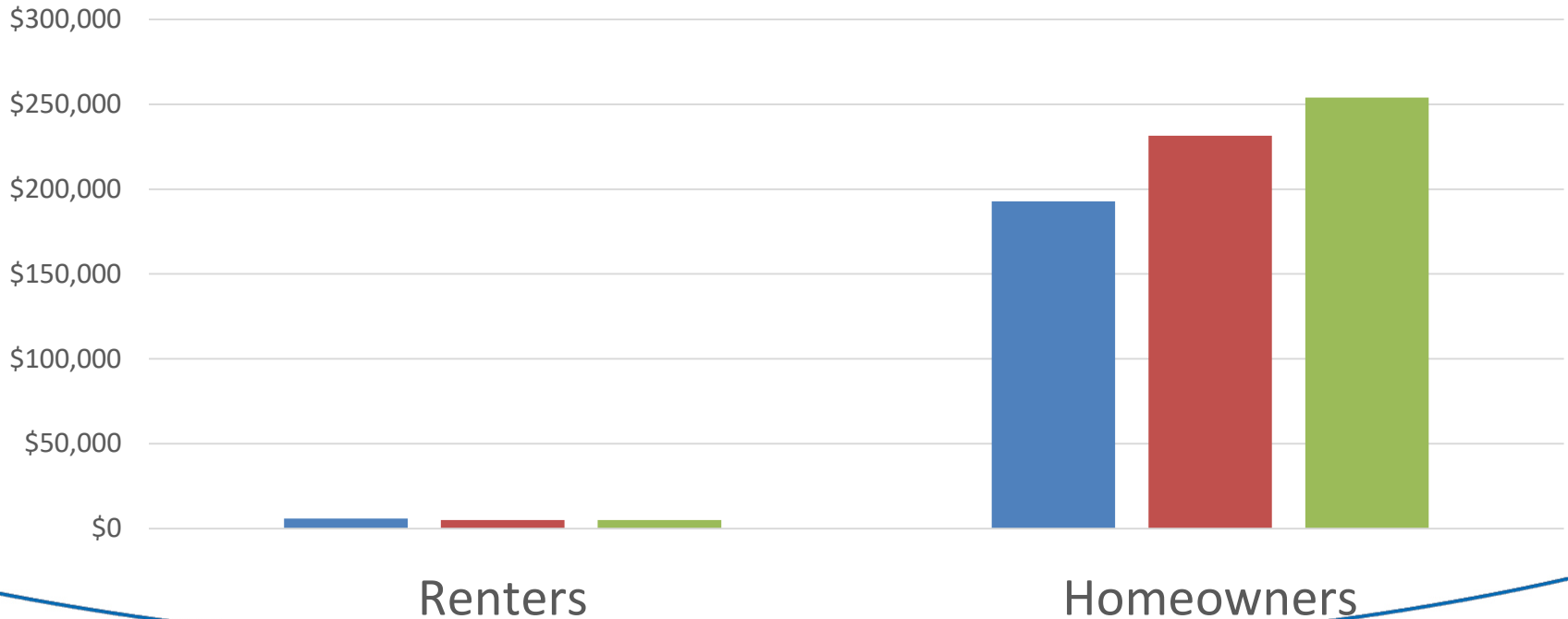
Home Prices

(Constant Quality Index)

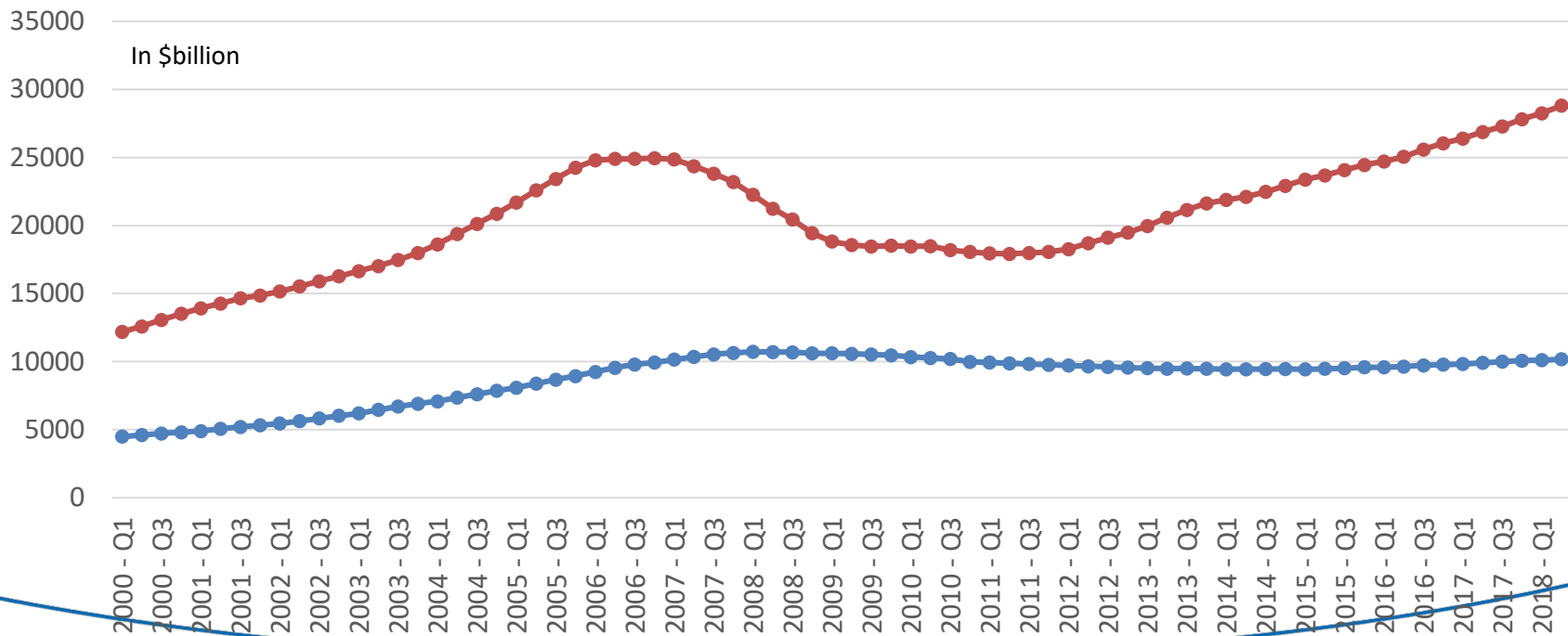
St. Louis and Chicago and Denver



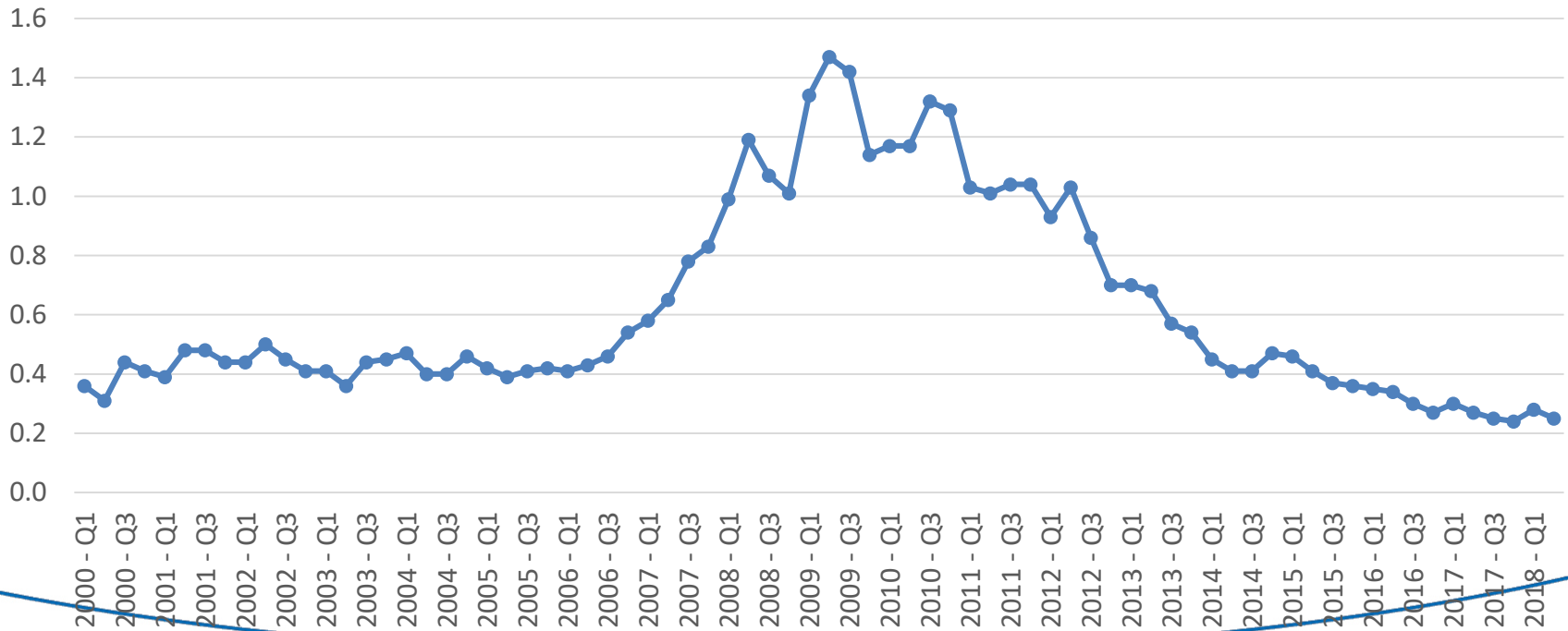
Wealth: From 2000 to 2016 to 2018



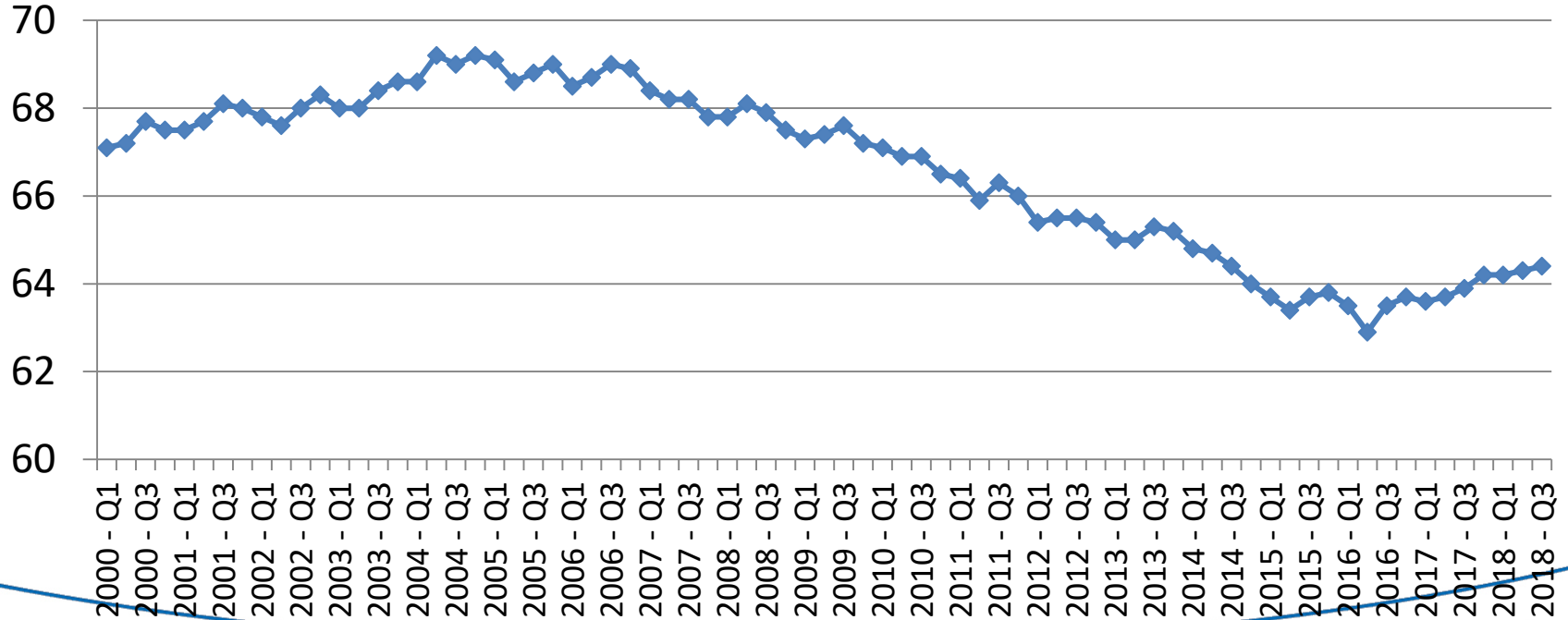
Real Estate Wealth = Asset - Mortgage



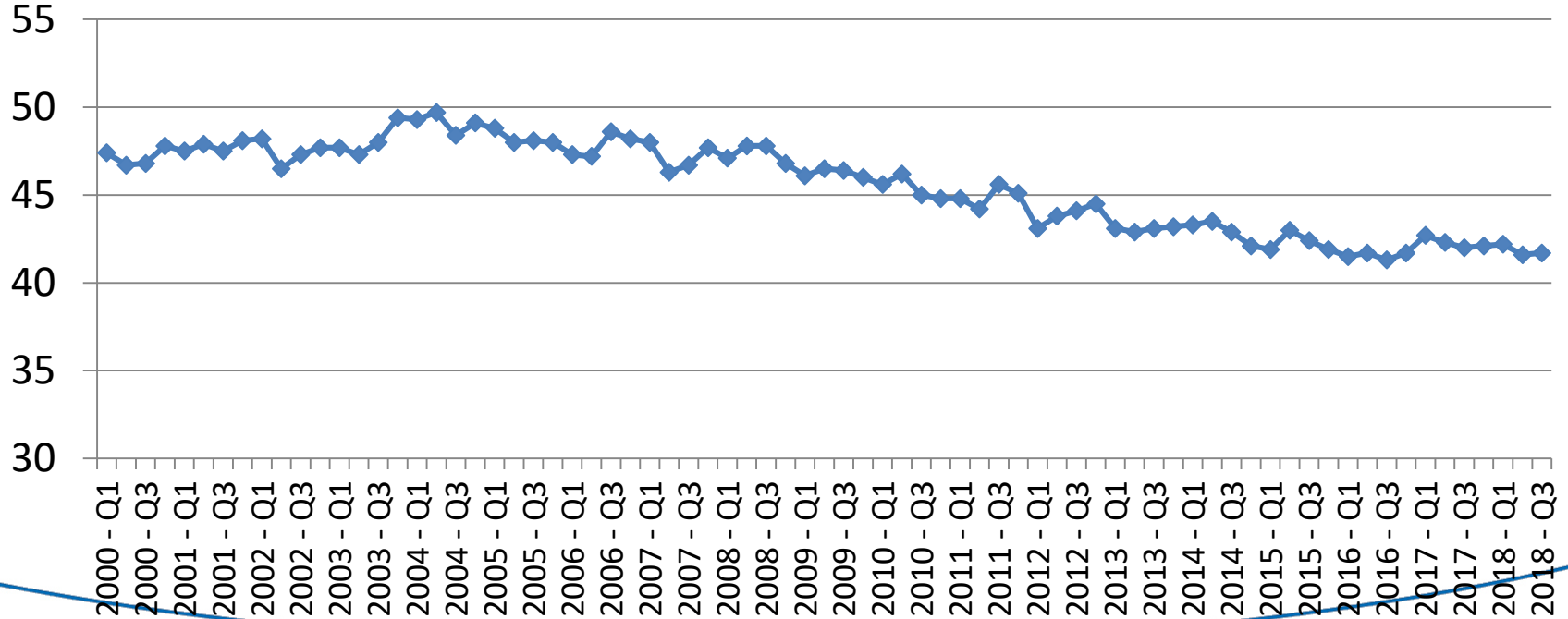
Last Stage of Delinquency: In Foreclosure



Homeownership Rate Trying to Make a Comeback



African-American Homeownership Rate Unacceptable



Affordability Index

Weakest in 10 years

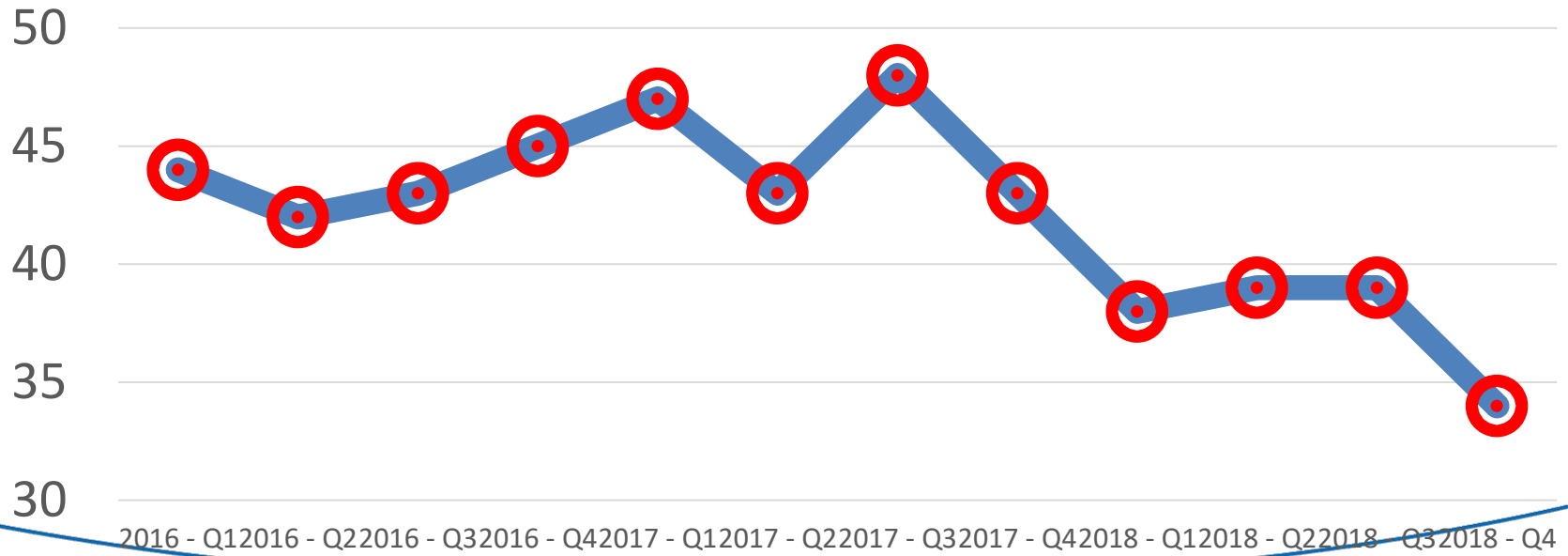


Source: NAR

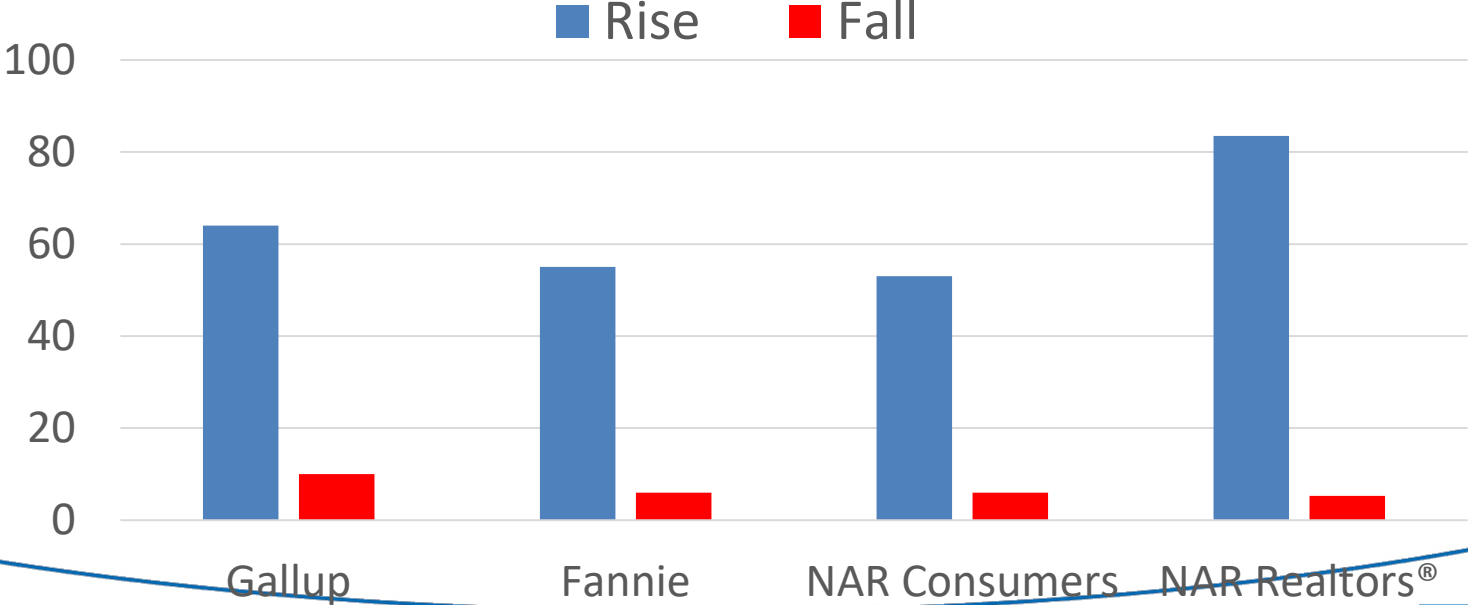
Diminished Optimism

NAR Survey of Consumers

% Strongly indicating Good Time to Buy



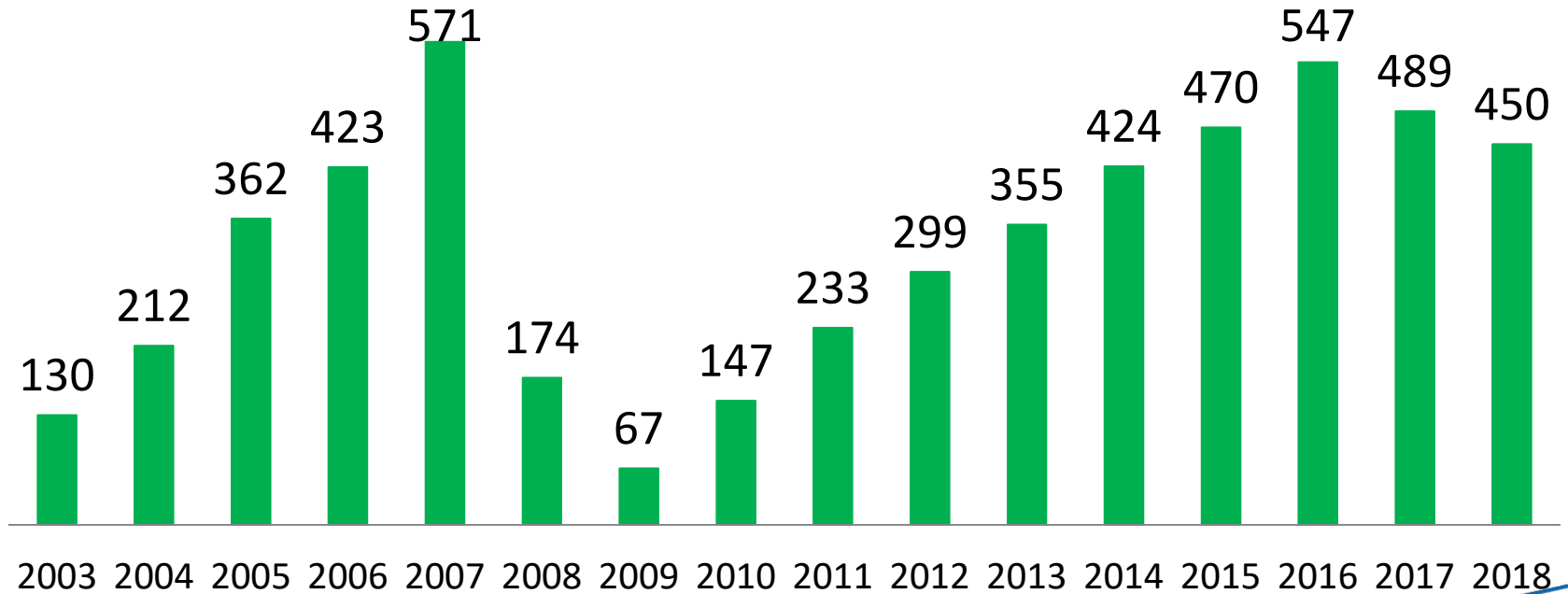
Home Price Expectation



Tax Reform

- Tax cut for nearly all
- Mortgage interest cap at \$750,000; SALT cap at \$10,000
- Over 95% of Homeowners in Missouri will be fully able to deduct
- However, many will not itemize and do a standard deduction

Commercial Investment Sales of Large Properties (Properties valued at \$2.5 million and over)



Which Commercial Real Estate Investment Yielded Best Returns?

- Office – wrong
- Retail – wrong
- Multifamily – not quite
- Industrial – getting very close

Which Commercial Real Estate Investment Yielded Best Returns?

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- Multifamily – not quite
- Industrial – getting very close
- Senior housing community - yes
- Manufactured housing development - bingo

2019 Forecast – Looking Better

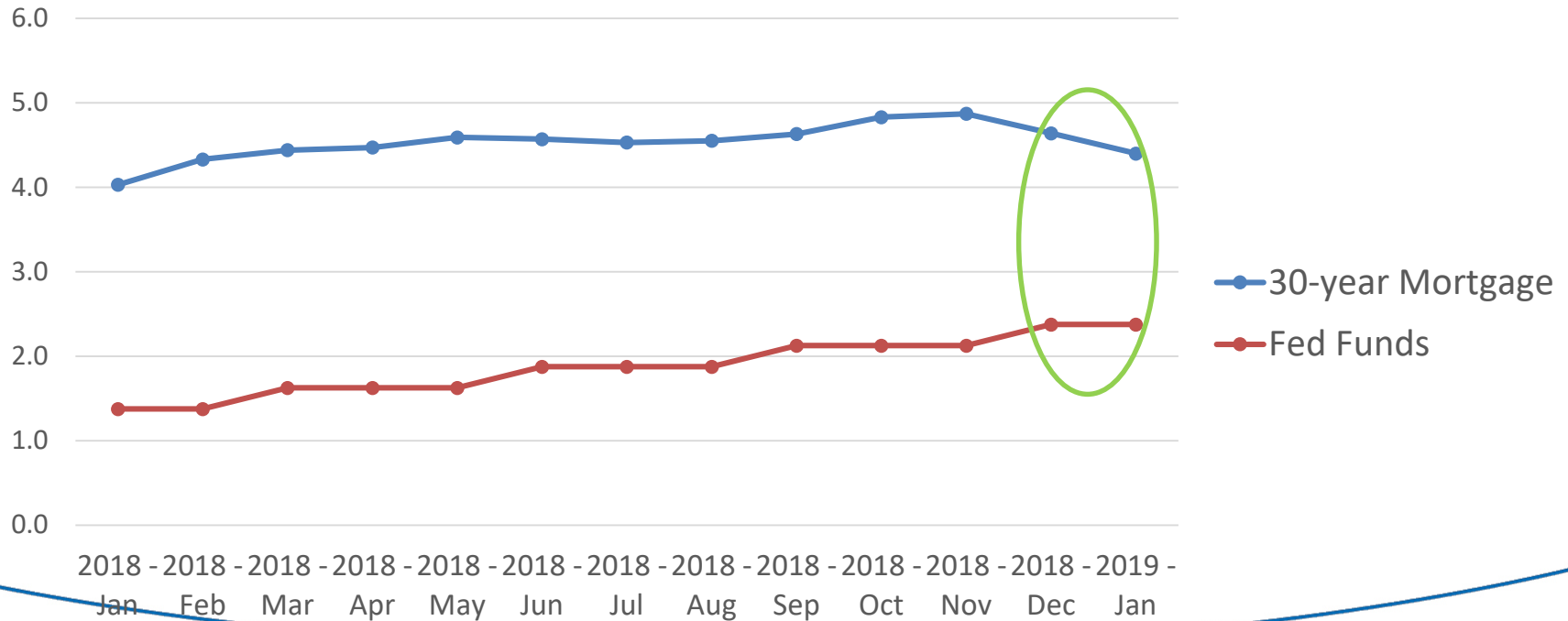
Why?

January: The Fed to be “Patient”

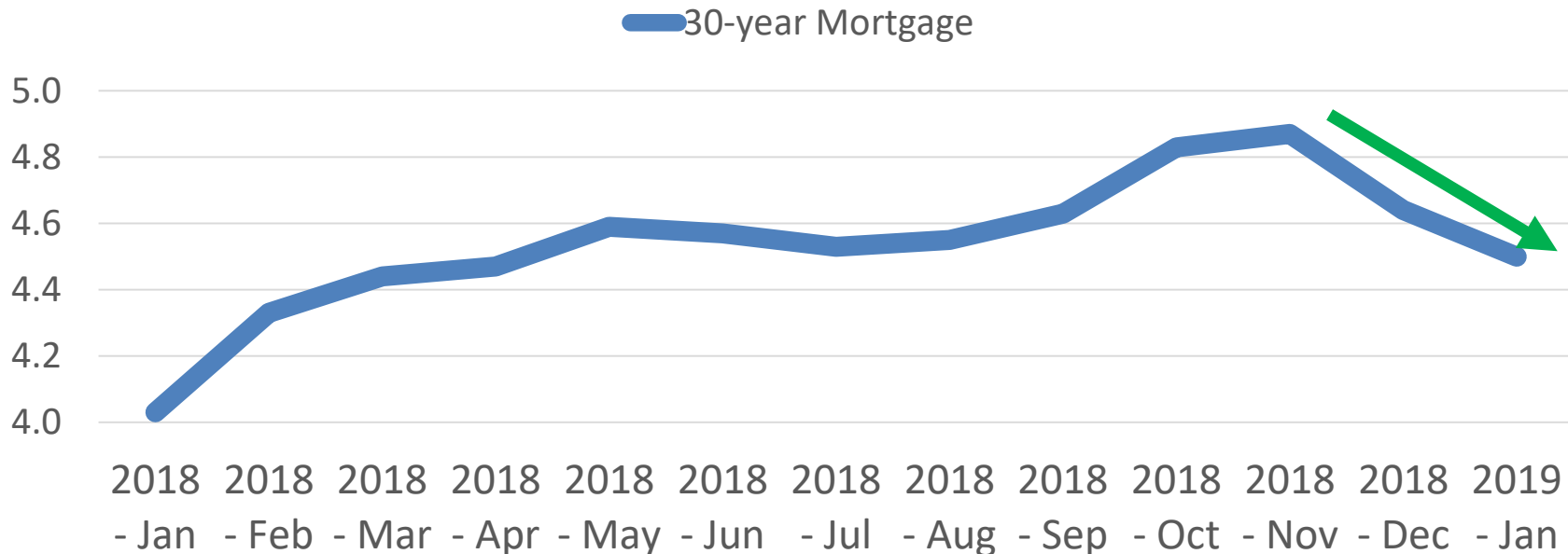
Dow Jones Industrial Average



Fed Policy and Mortgage Rates



Impact on Mortgage Rates



National Forecast

Year	Existing Home Sales	Mortgage Rate	Total Jobs	Unemployment Rate
2018	5.3 million	4.6%	149 million	3.9%
2019	Roughly Same	4.6%	151 million	4.0%

St. Louis and St. Charles Forecast

- Jobs Look Good
- Emphasize Affordability to Attract Companies
- Dollar Volume Up 2% to 5% in 2019

Thank You !