

# **History May Not Repeat Itself, But it Certainly Does Rhyme\***

*\*Mark Twain*

## **An Economic and Real Estate Forecast**

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

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# What have we learned in 2,066 years?

**"The budget should be balanced,  
the Treasury should be refilled,  
public debt should be reduced,  
the arrogance of officialdom should be  
tempered and controlled,  
and the assistance to foreign lands should  
be curtailed lest Rome become bankrupt.**

**People must again learn to work,  
instead of living on public assistance."**

**- Cicero - 55 BC**

**Evidently nothing.....**

# Jobs Are Everything

Period.

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## US Employment

December

Year Millions

2000 132.5

2010 130.2

2.3 Million Lost Jobs

-1.7 Percent

10 Years at 100,000 Per Month  
= 12 Million Needed Jobs

## Houston MSA

December

Year Million

2000 2.281

2010 2.519

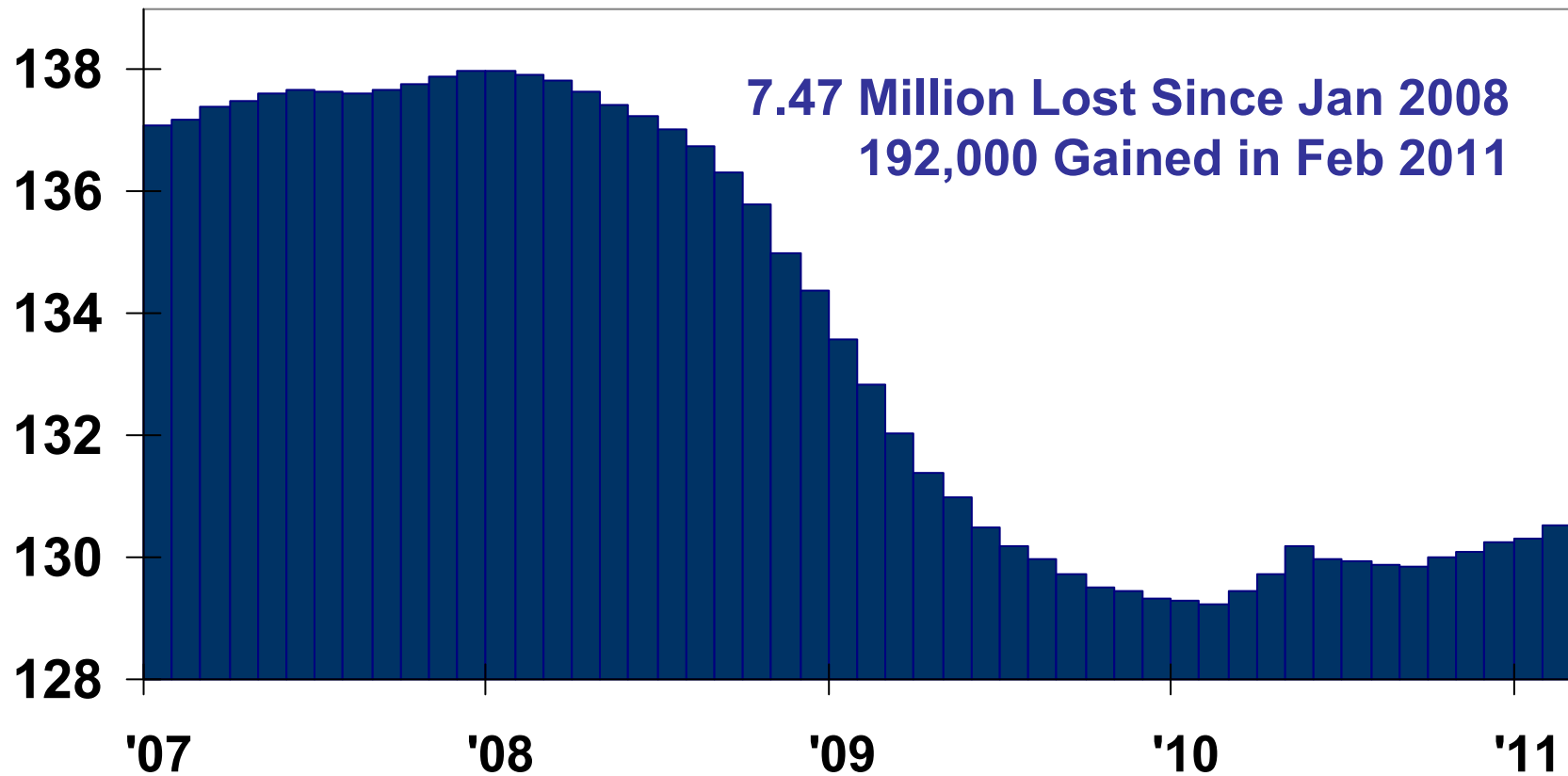
238,100 New Jobs

**+10.4%**



# U.S. Job Numbers

Jobs (Millions) *Seasonally Adjusted*

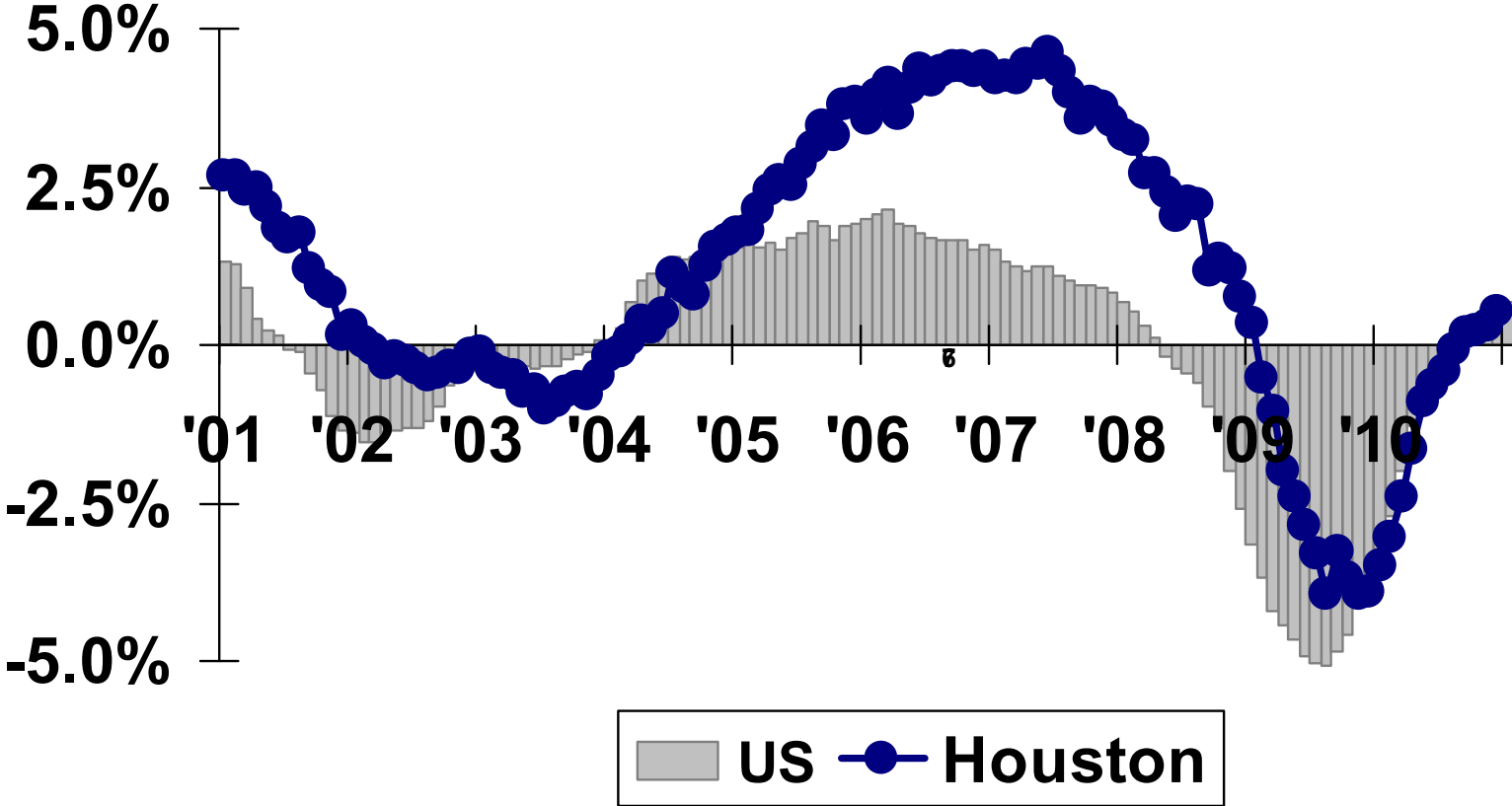




# Houston MSA Jobs

## Percent Change from Same Month Prior Year

Not Seasonally Adjusted



**13,100 Net New Jobs in the Past 12 Months**

# Houston MSA Population Forecast

<b>2000</b>	<b>4,715,407</b>
<b>2005</b>	<b>5,295,975</b>
<b>2010</b>	<b>5,979,911</b>
<b>2015</b>	<b>6,754,896</b>
<b>2020</b>	<b>7,599,748</b>
<b>2025</b>	<b>8,515,677</b>
<b>2030</b>	<b>9,504,335</b>
<b>2035</b>	<b>10,570,390</b>
<b>2040</b>	<b>11,717,086</b>

**Scenario  
2000-2007**

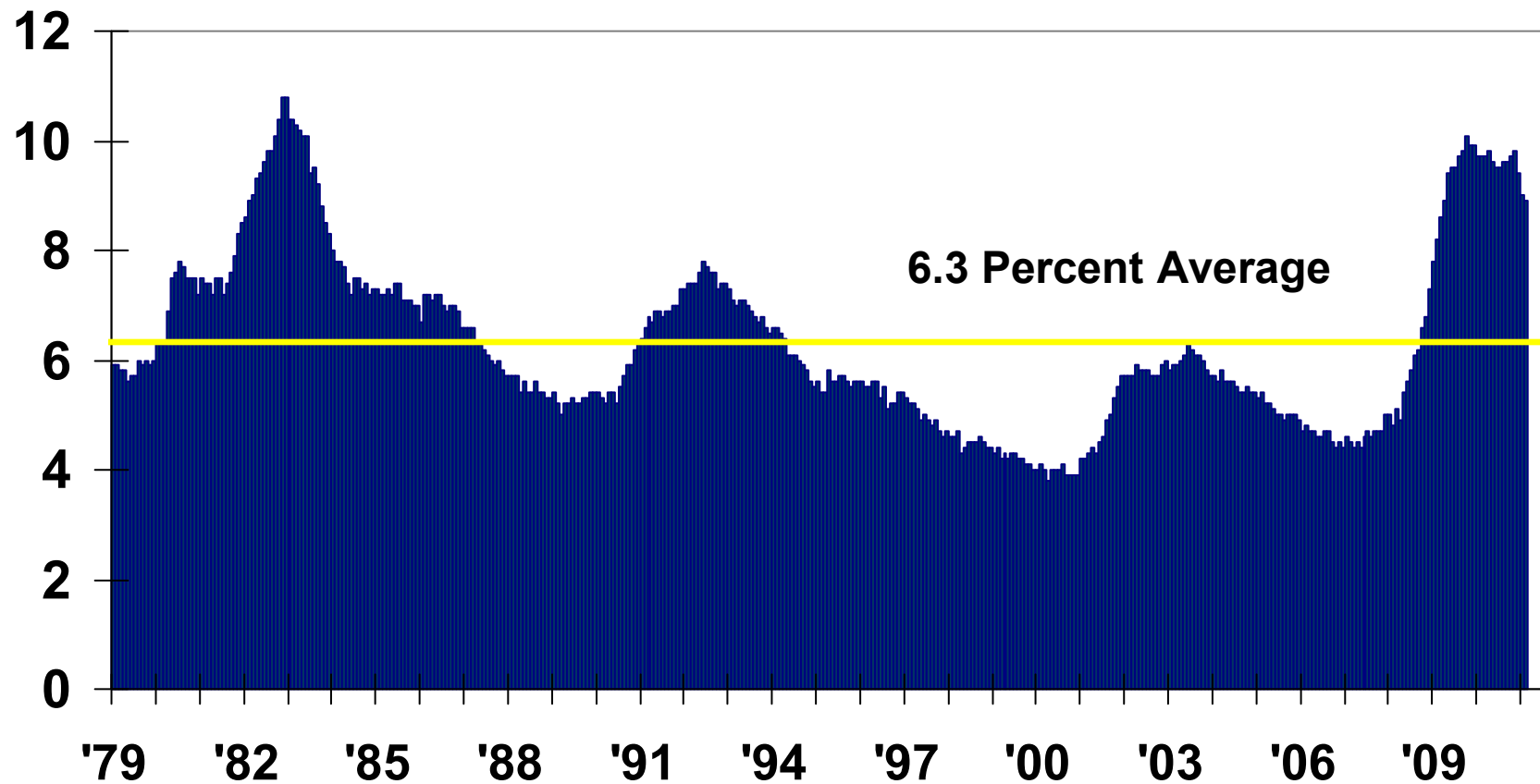
**Texas  
State  
Data  
Center**



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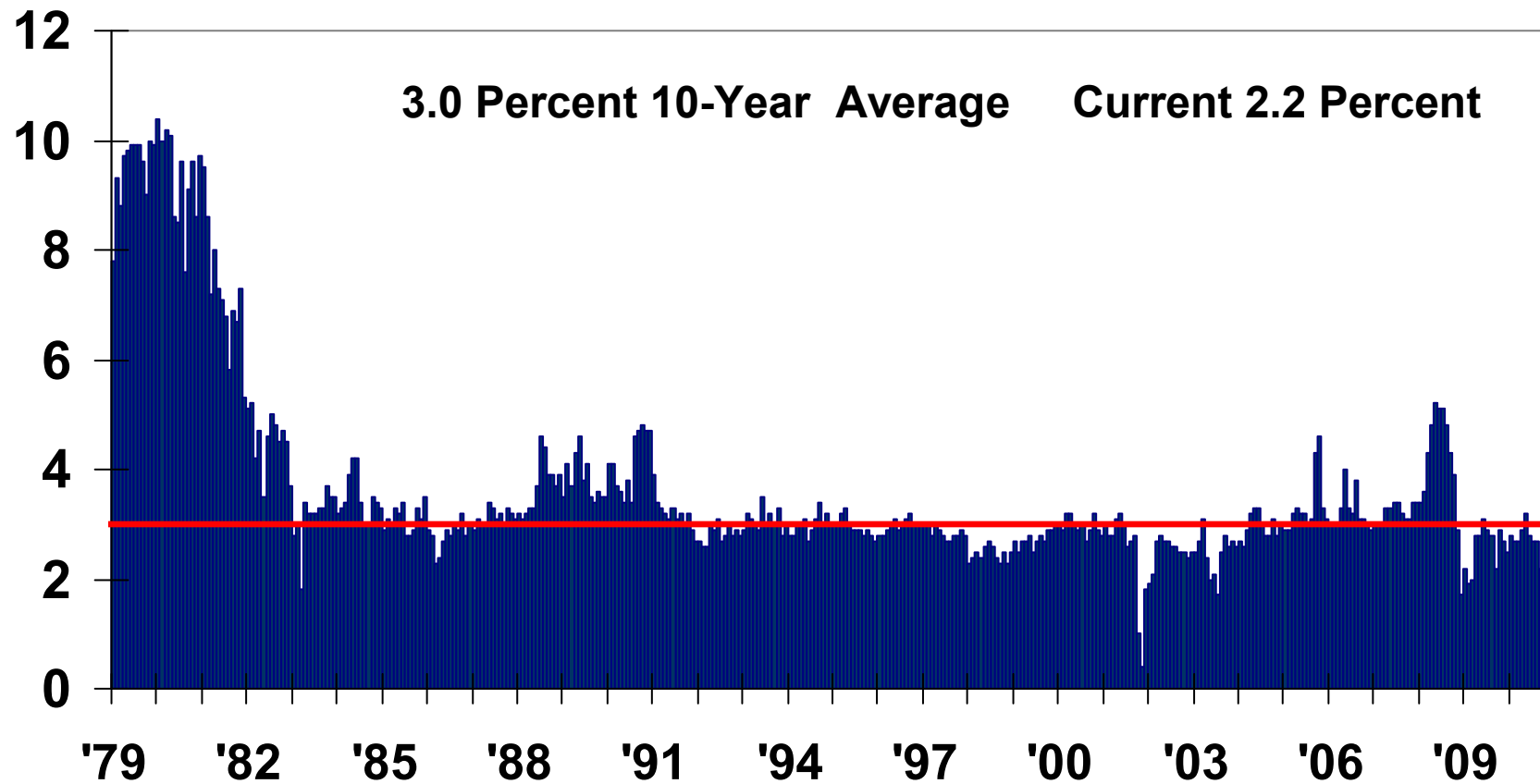
# U.S. Unemployment Rate

Percentage



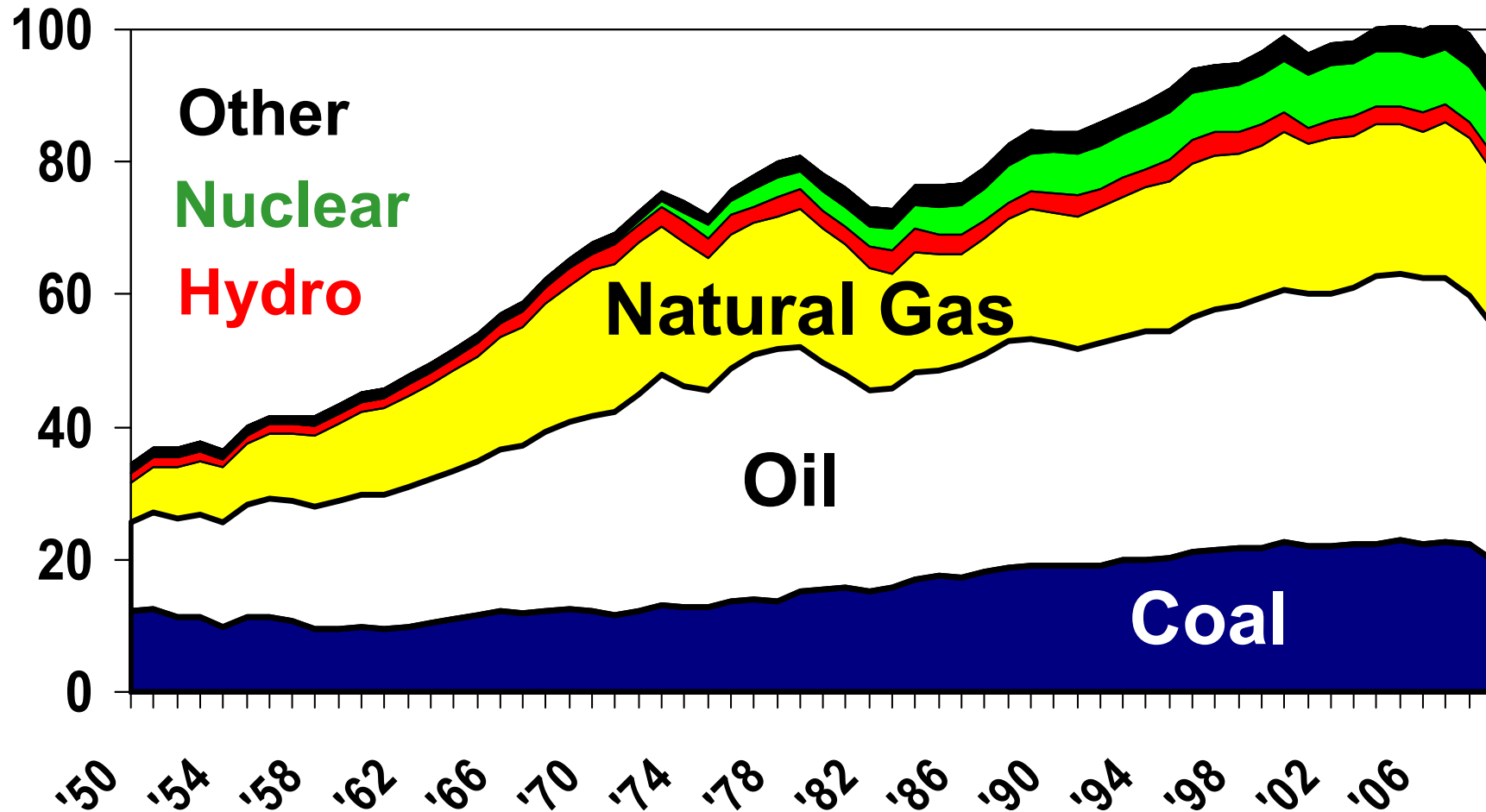
# Inflation Expectations

Percent



# US Energy Consumption

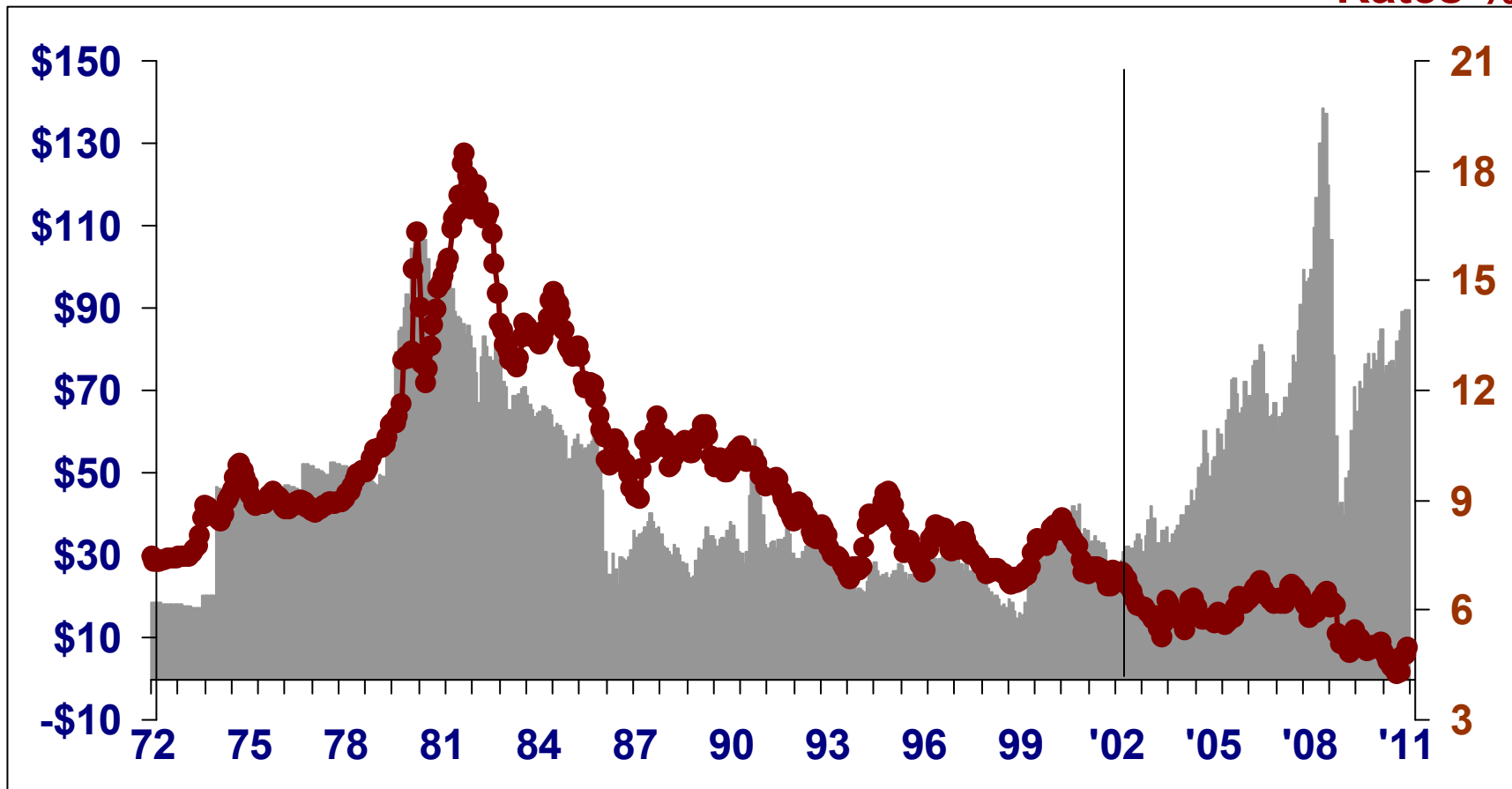
Consumption – *Quadrillion BTUs*



# Oil Prices & 10-Year Treasury Note Rates *February 2011 Dollars*

Oil Prices

10-Year  
Treasury  
Rates %

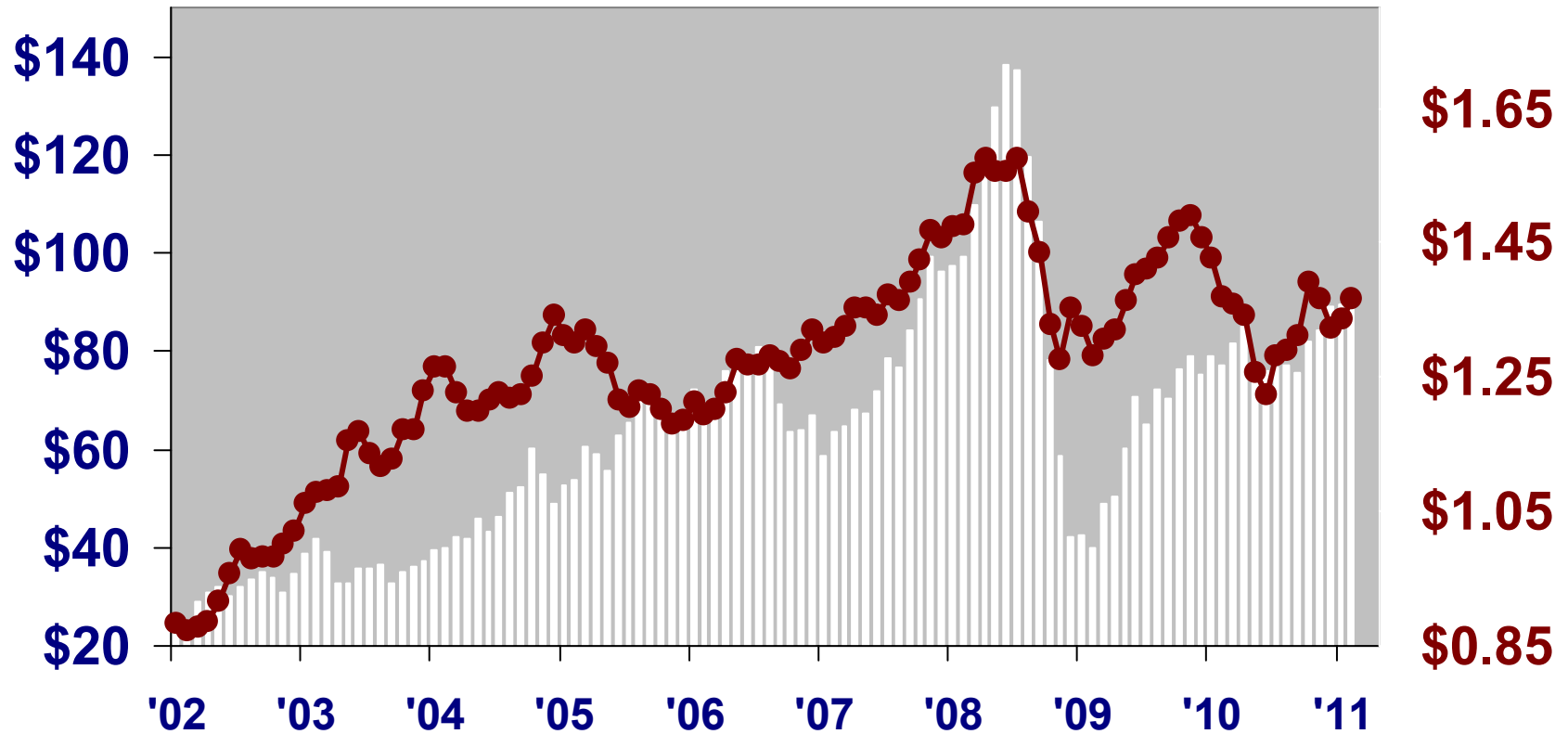


# Oil Prices & Exchange Rates \$US Per Euro

*Oil in February 2011 Dollars*

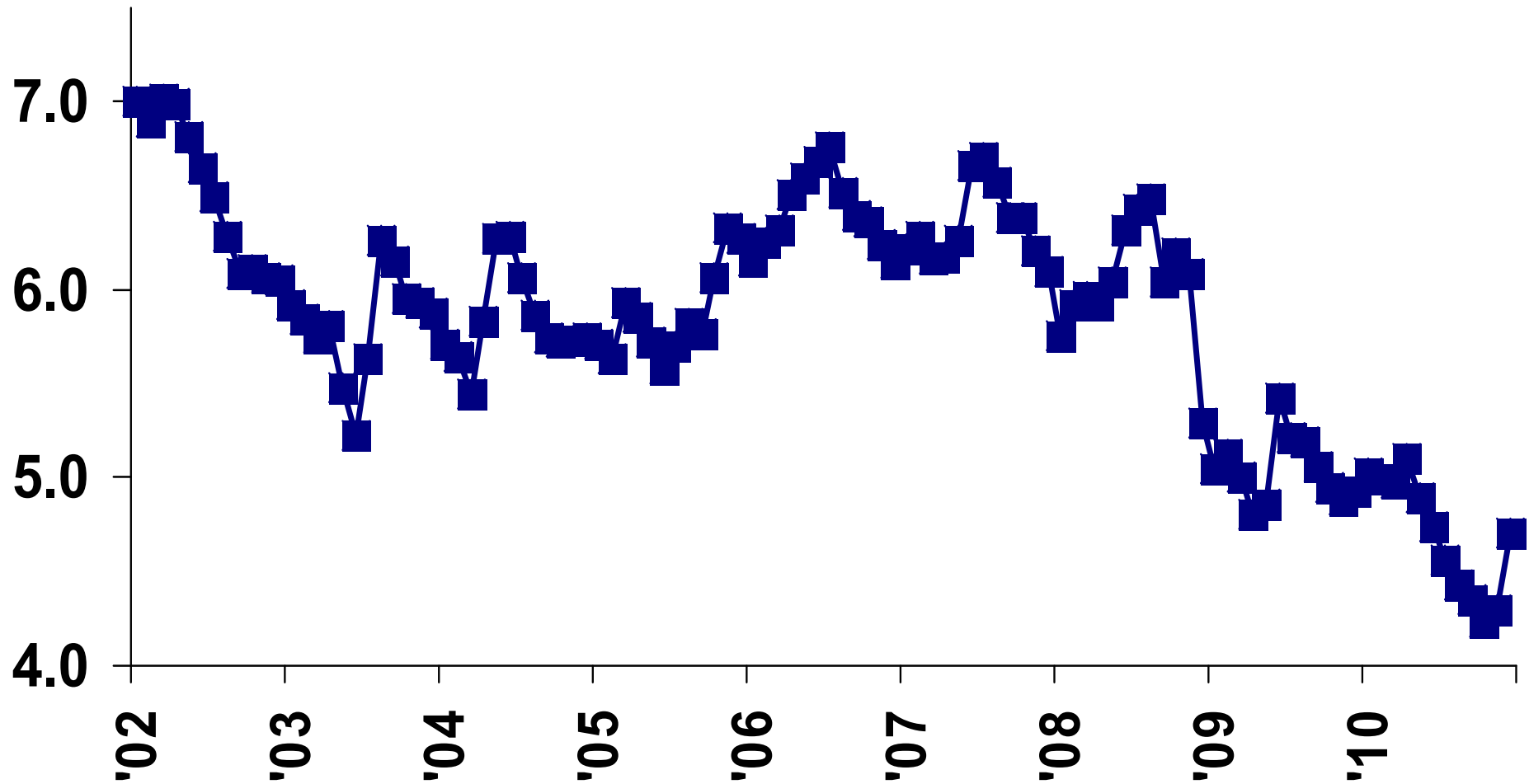
**Dollars  
Per  
Euro**

## Oil Price

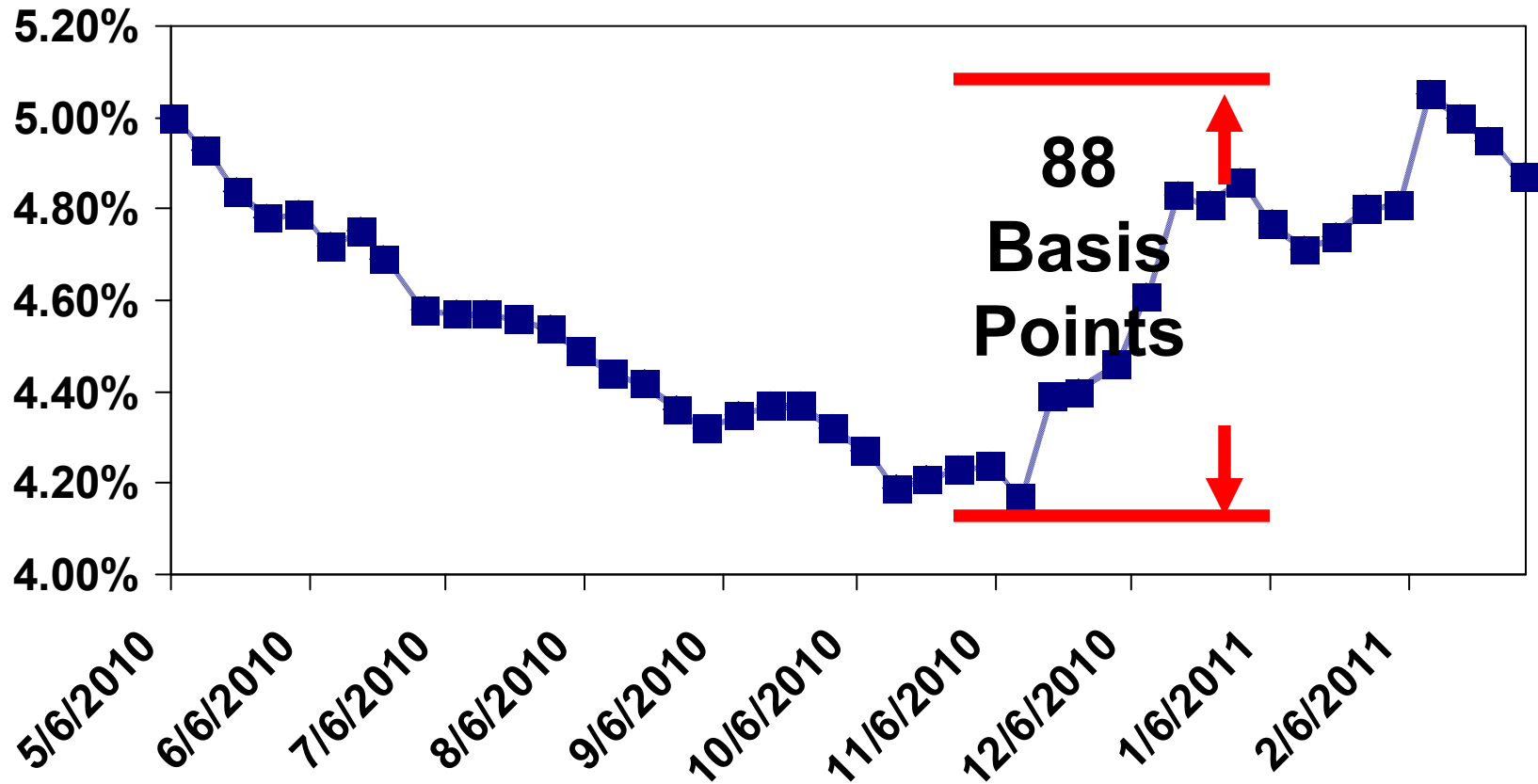


# 30-Year Residential Mortgage Rate

Percent



# 30-Year Residential Rate



## Interest Rates Vs. Price Changes

Original \$100,000 Loan

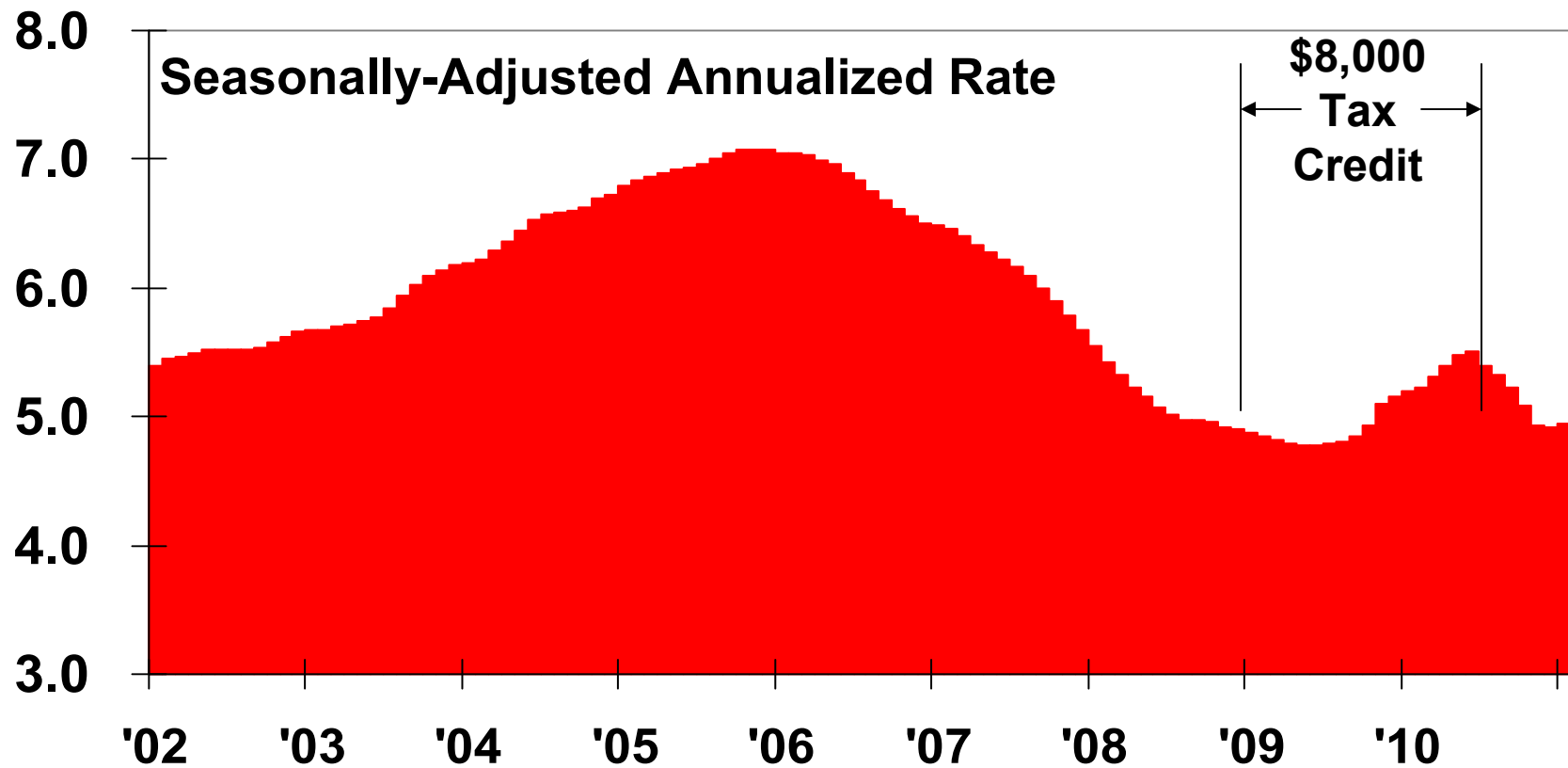
Price Change	0%	-5%	-10%	-15%	-20%
Loan Amount	\$ 100,000	\$ 95,000	\$ 90,000	\$ 85,000	\$ 80,000
Interest Rate	Monthly Payment				
4.0%	\$477.42	\$453.54	\$429.67	\$405.80	\$381.93
4.5%	<b>\$506.69</b>	\$481.35	\$456.02	\$430.68	\$405.35
5.0%	\$536.82	<b>\$509.98</b>	\$483.14	\$456.30	\$429.46
5.5%	\$567.79	\$539.40	<b>\$511.01</b>	\$482.62	\$454.23
6.0%	\$599.55	\$569.57	\$539.60	<b>\$509.62</b>	\$479.64
6.5%	\$632.07	\$600.46	\$568.86	\$537.26	<b>\$505.65</b>
7.0%	\$665.30	\$632.04	\$598.77	\$565.51	\$532.24
7.5%	\$699.21	\$664.25	\$629.29	\$594.33	\$559.37
8.0%	\$733.76	\$697.08	\$660.39	\$623.70	\$587.01

**So Goes Jobs,  
So Goes  
Housing.....**

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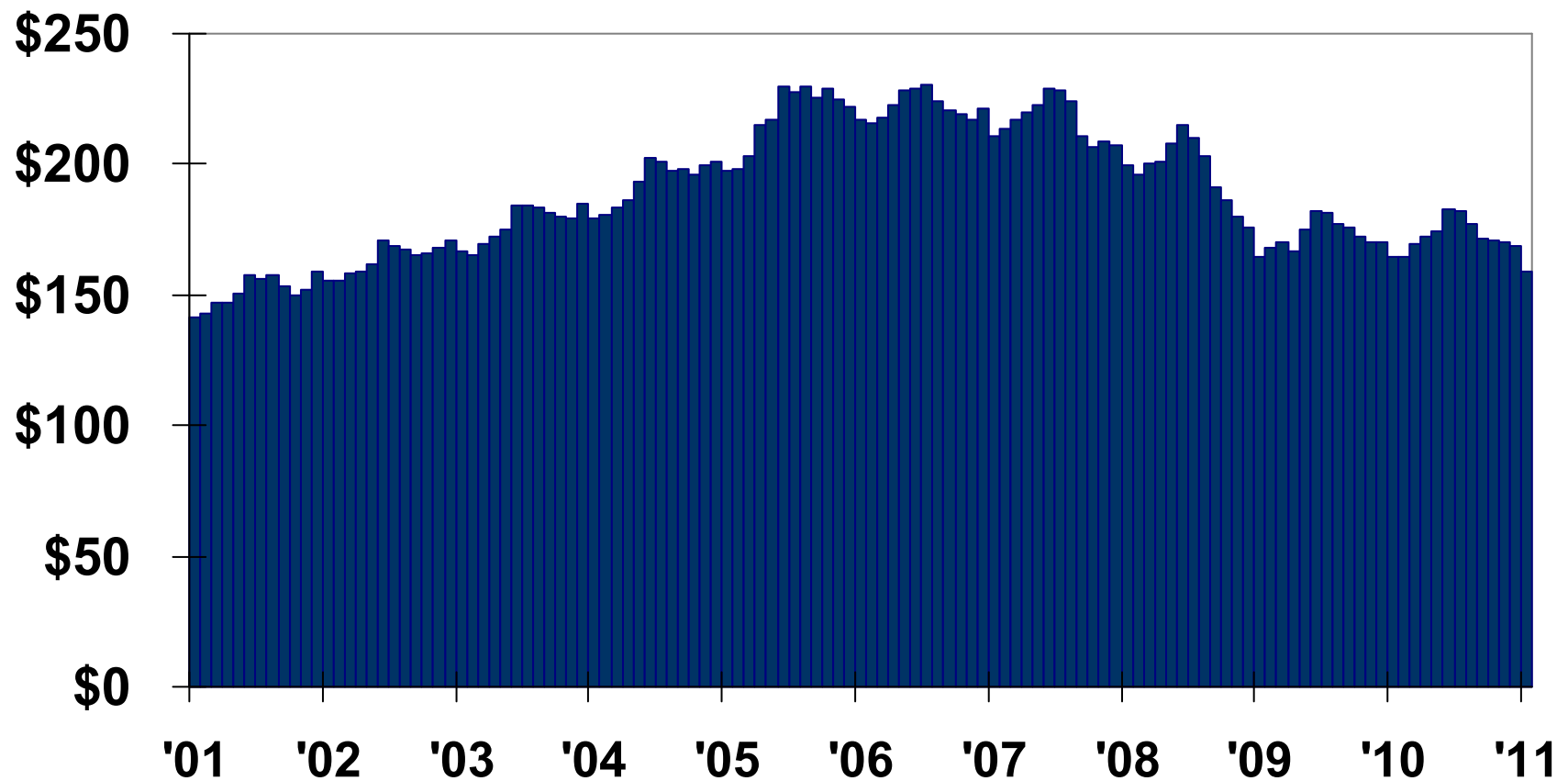
# US Existing Home Sales

**Sold (Millions)** *Average Per Month For Prior 12 Months*



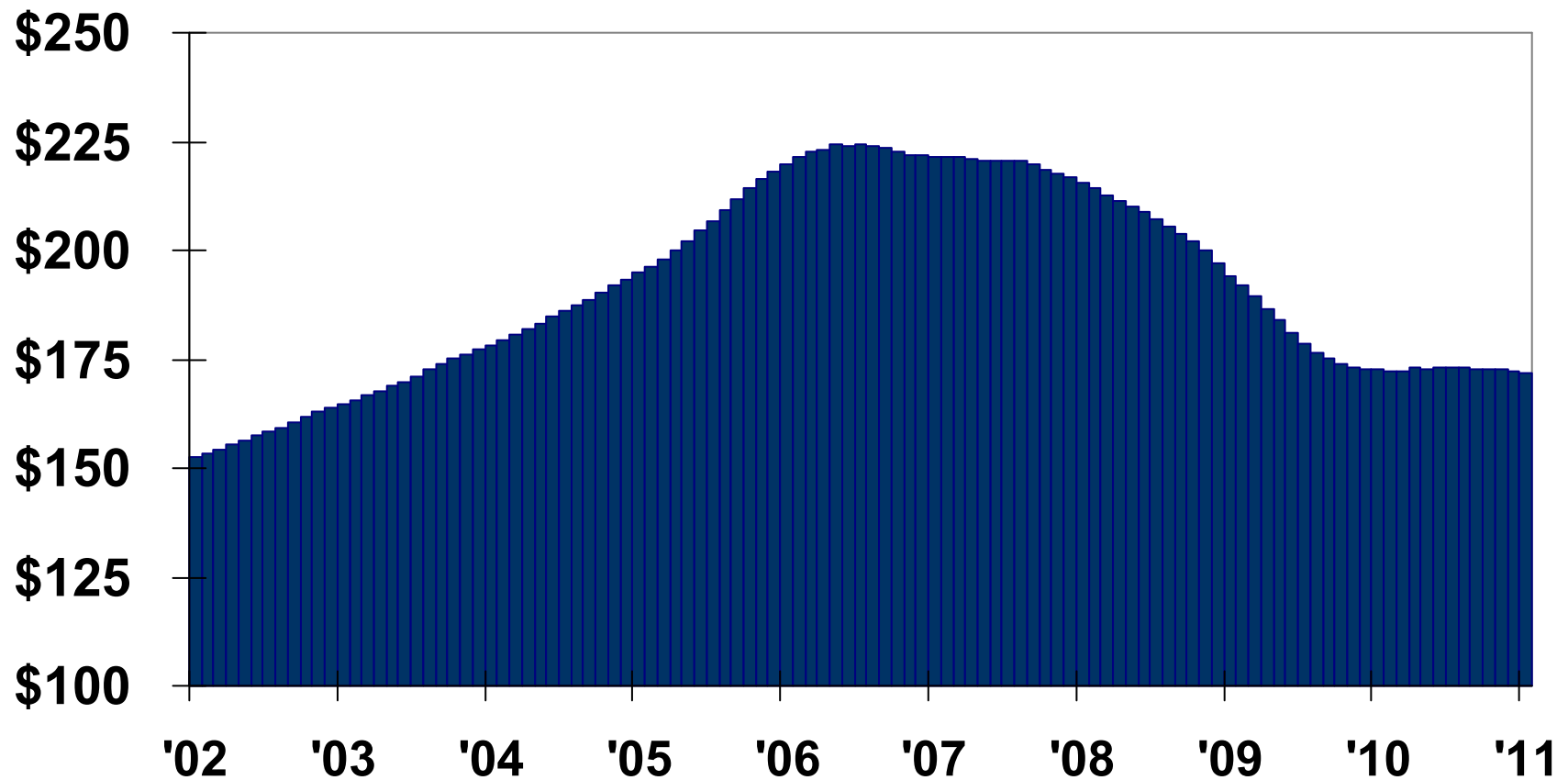
# U.S. Existing Home Sales

Median Price -- \$ *Thousands*



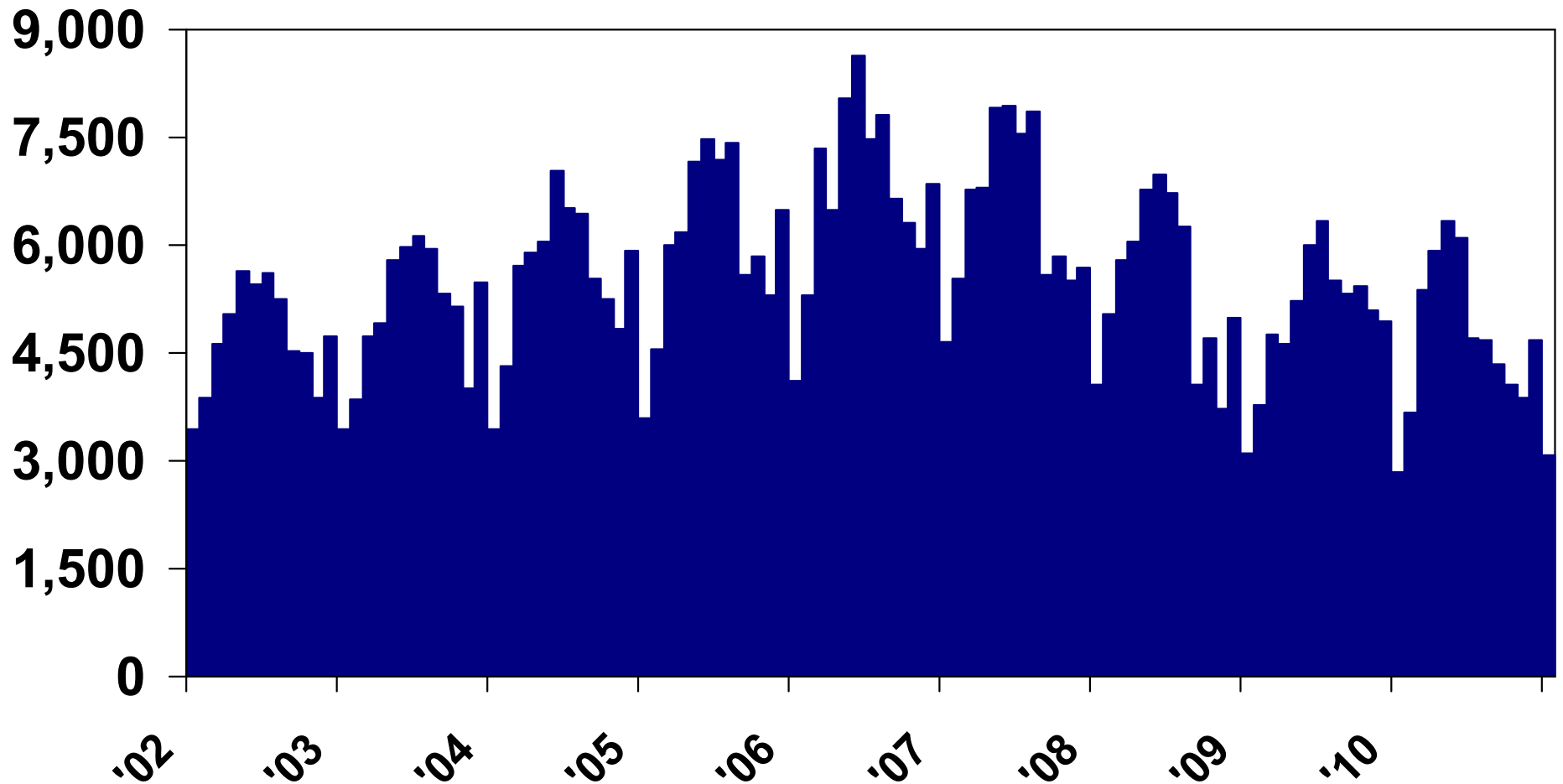
# U.S. Existing Home Sales

Median Price -- \$ Thousands 12 Month Average



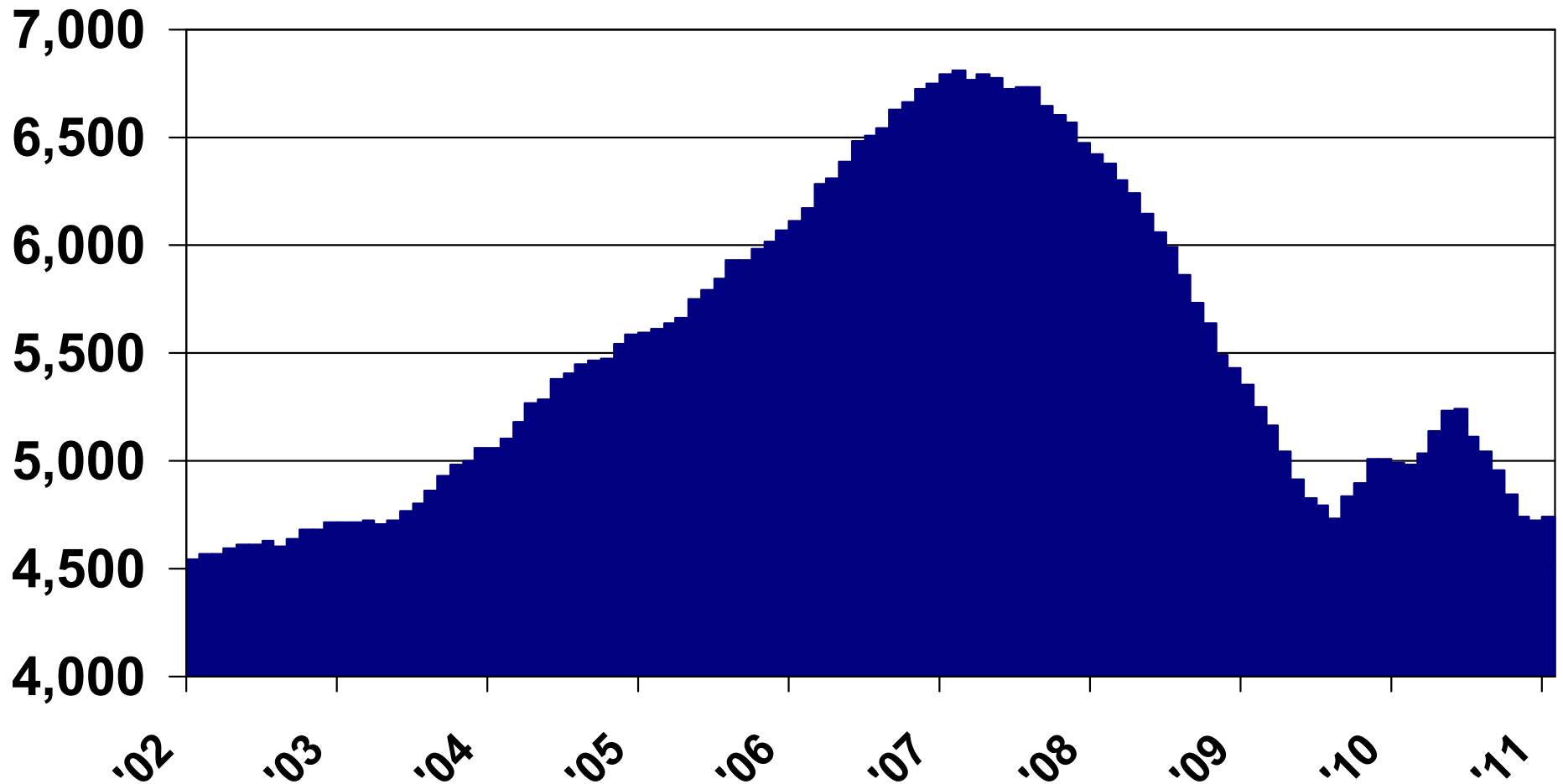
# Houston Existing Home Sales

Number Per Month



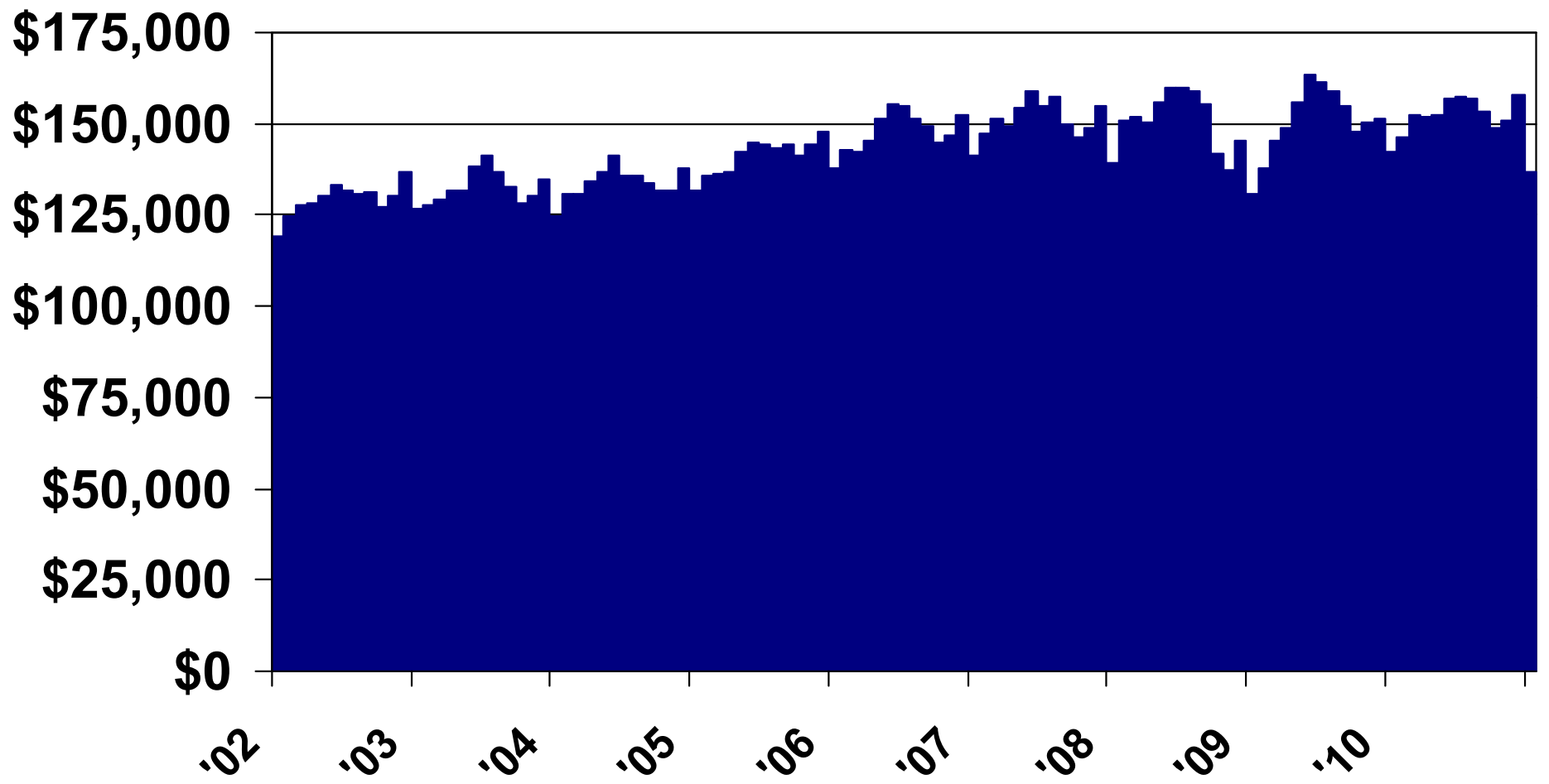
# Houston Existing Home Sales

Average Number Per Month For Prior 12 Months



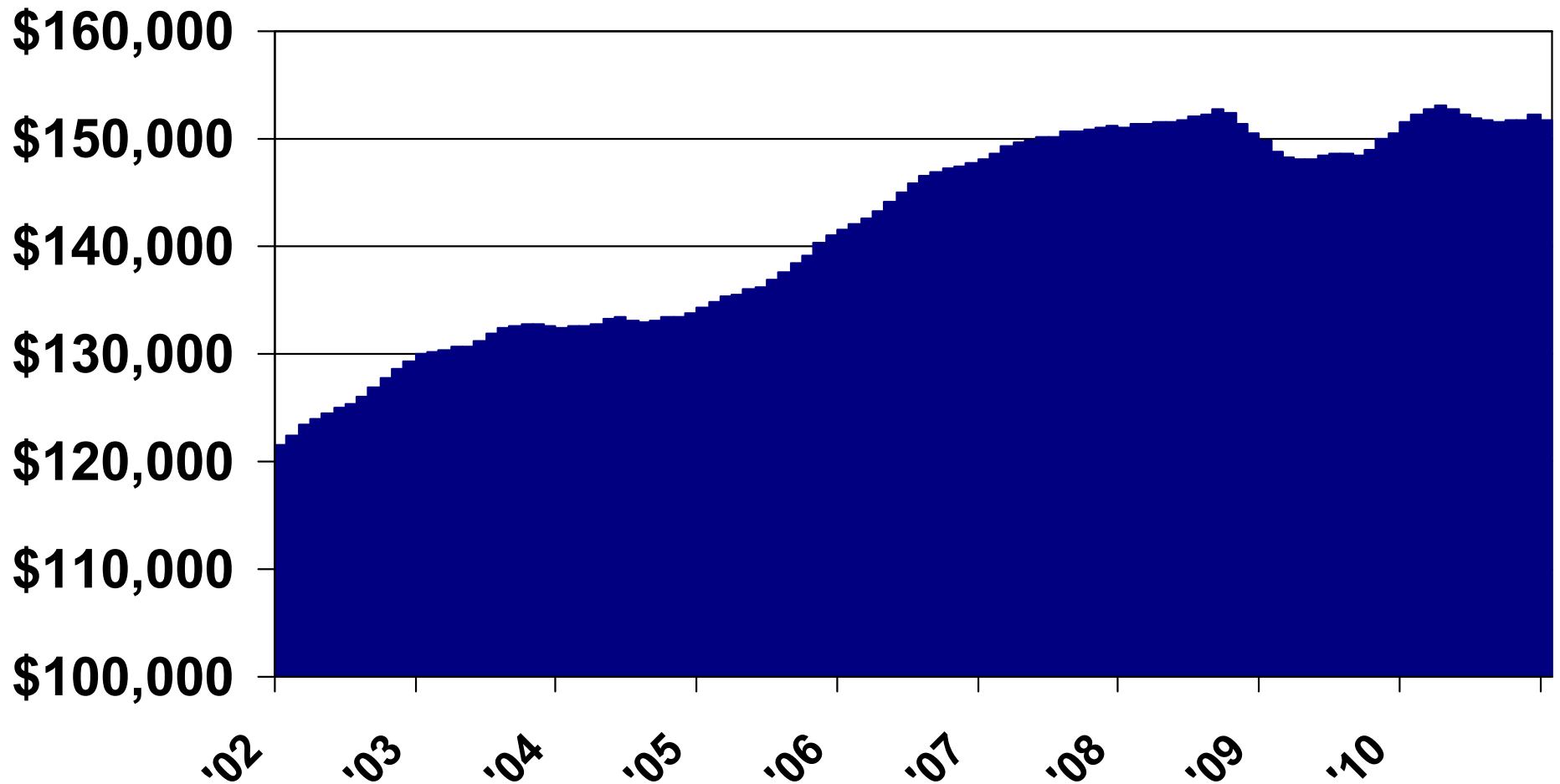
# Houston Existing Home Prices

## Median Price



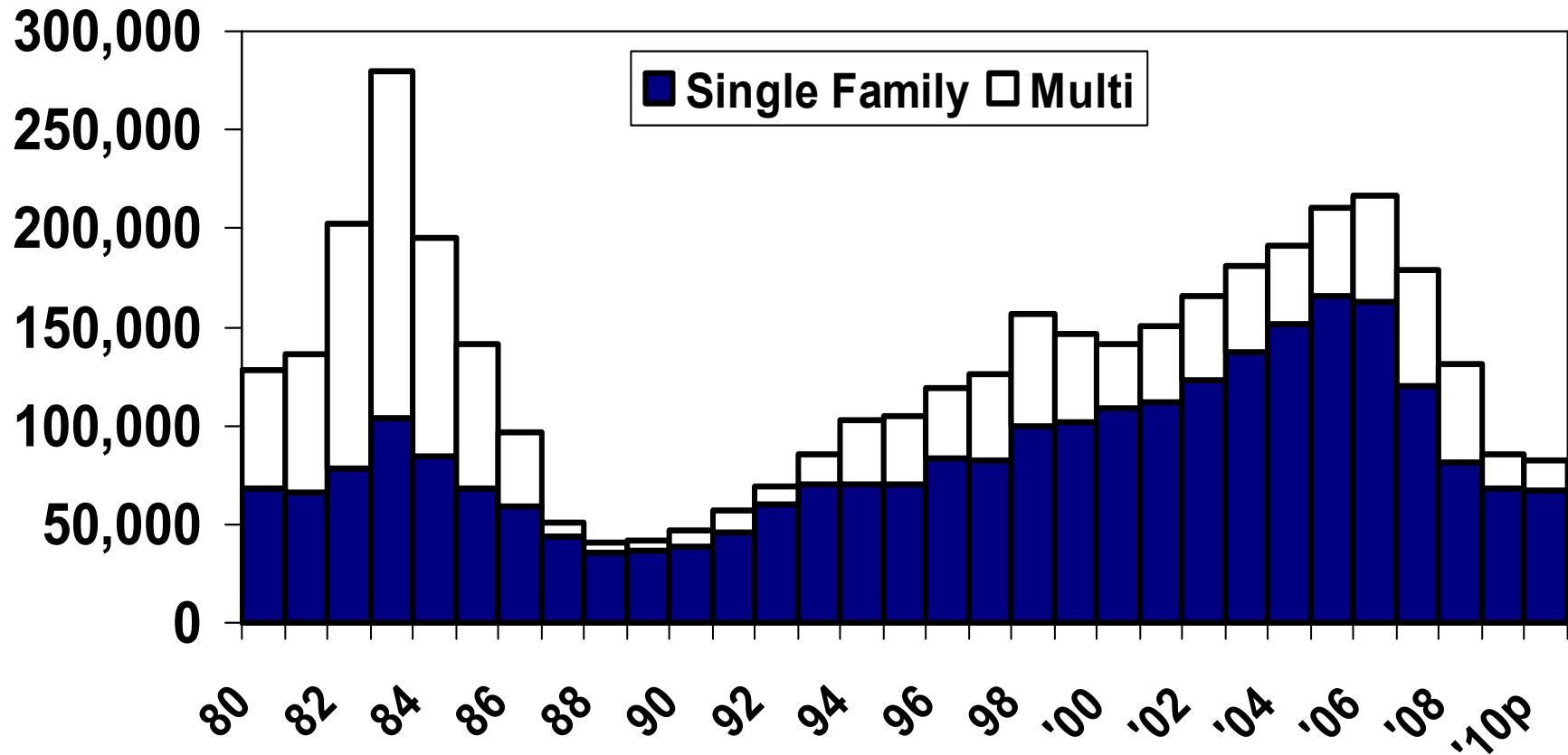
# Houston Existing Home Prices

## Median Price *Prior 12 Month Average*



# Houston MSA Residential Building Permits

## Number of Dwelling Units

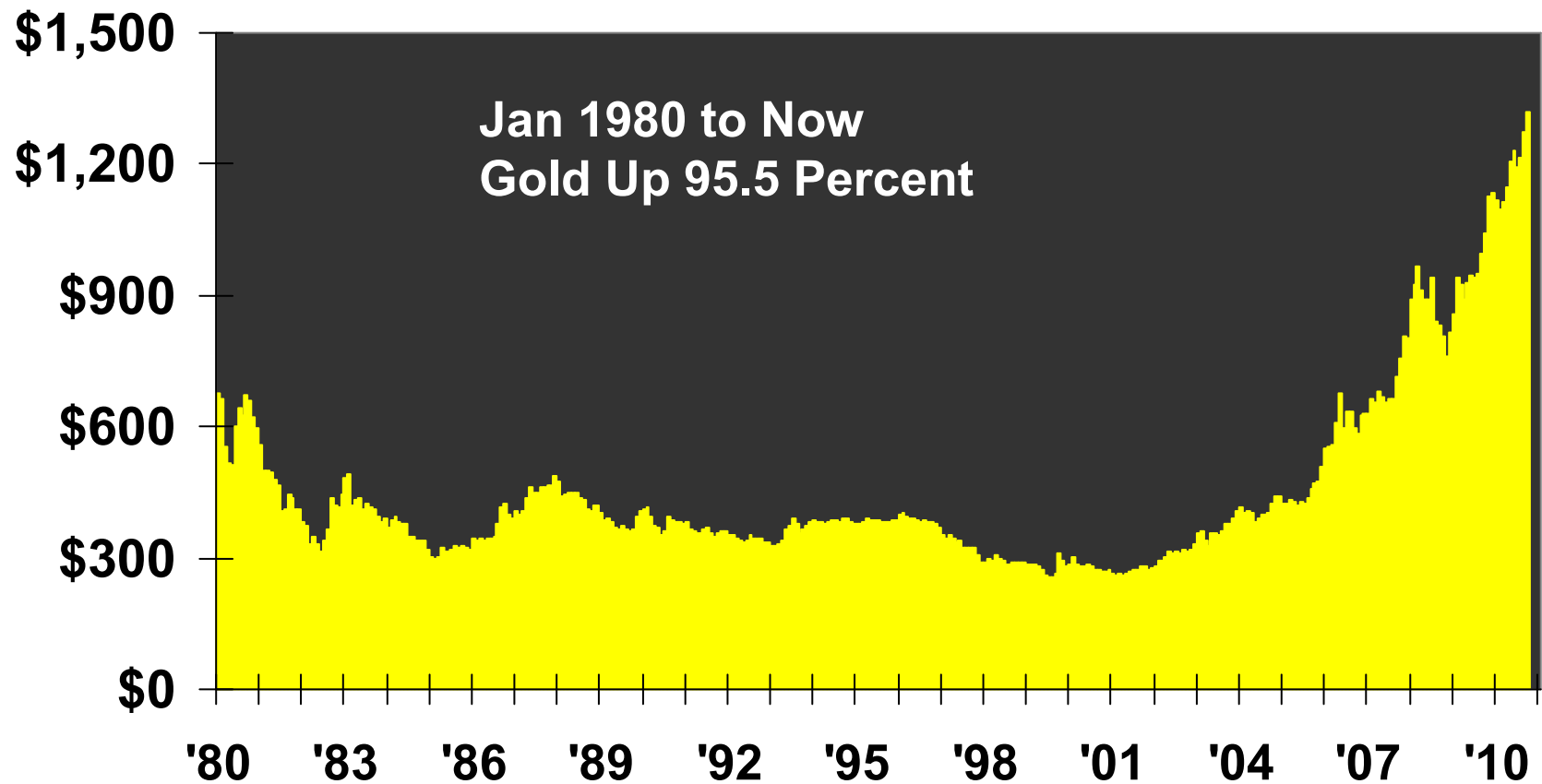


# Investments

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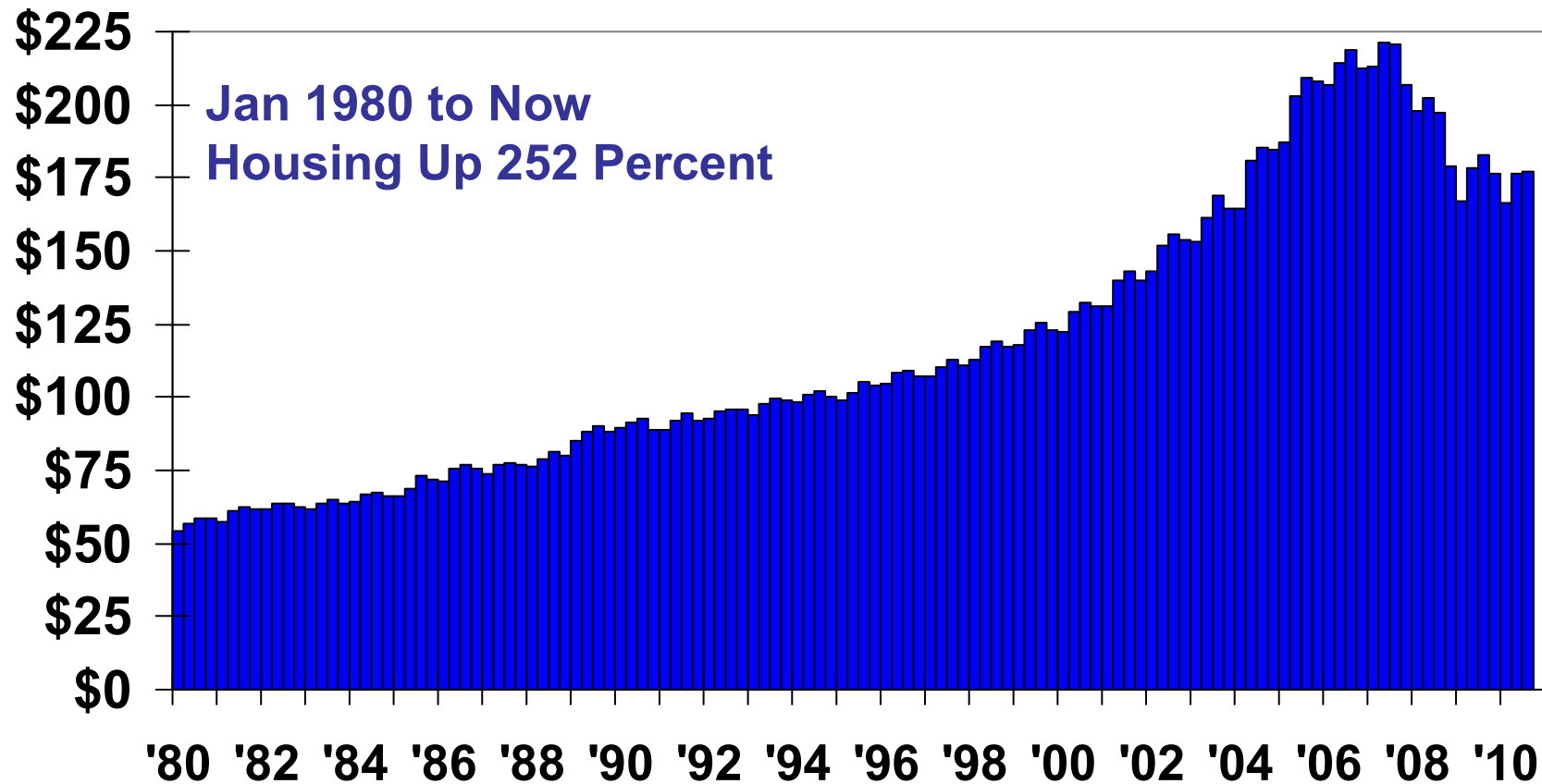
# Gold

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



# Existing Home Prices

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



# Gold vs. U.S. Home Prices

January 1980 - October 2010

Percent Change

	Nominal*	Real**
Gold	95.5%	-30.2%
Housing	252.0%	18.6%

\* Not Adjusted for Inflation

\*\* Adjusted for Inflation

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## Real Estate

# Commercial Sales

	<b>\$ Billion</b>	<b>Percent Change</b>
<b>2007</b>	<b>\$ 557.8</b>	
<b>2008</b>	<b>\$ 181.6</b>	<b>-67.4%</b>
<b>2009</b>	<b>\$ 54.4</b>	<b>-70.0%</b>
<b>2010</b>	<b>\$ 112.5</b>	<b>106.8%</b>

**2011 \$180 Billion (Ted's Forecast)**

# **Mortgage Bankers Association Office Building Washington, DC**

<b>Purchased 2007</b>	<b>\$79.0 Million</b>
<b>Sold Feb 2010</b>	<b>\$41.3 Million</b>

<b>Loss</b>	<b>\$37.7 Million</b>
	<b>47.7 Percent</b>

**Mortgage Bankers Association  
Office Building  
Washington, DC**

**Purchased 2010**

**\$41.3 Million**

**Sold Feb 2011**

**\$101.0 Million**

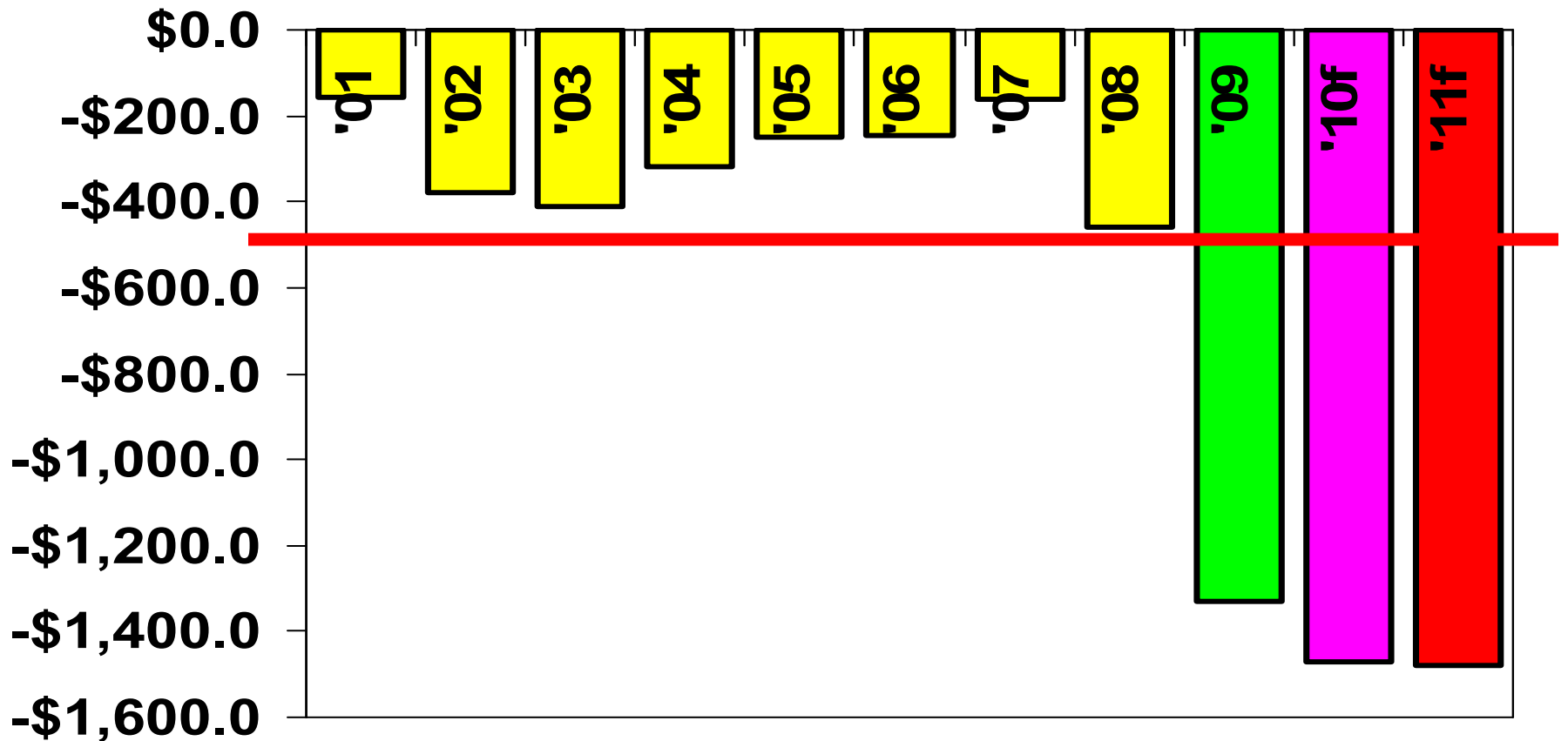
**Gain**

**\$59.7 Million**

**59.1 Percent**

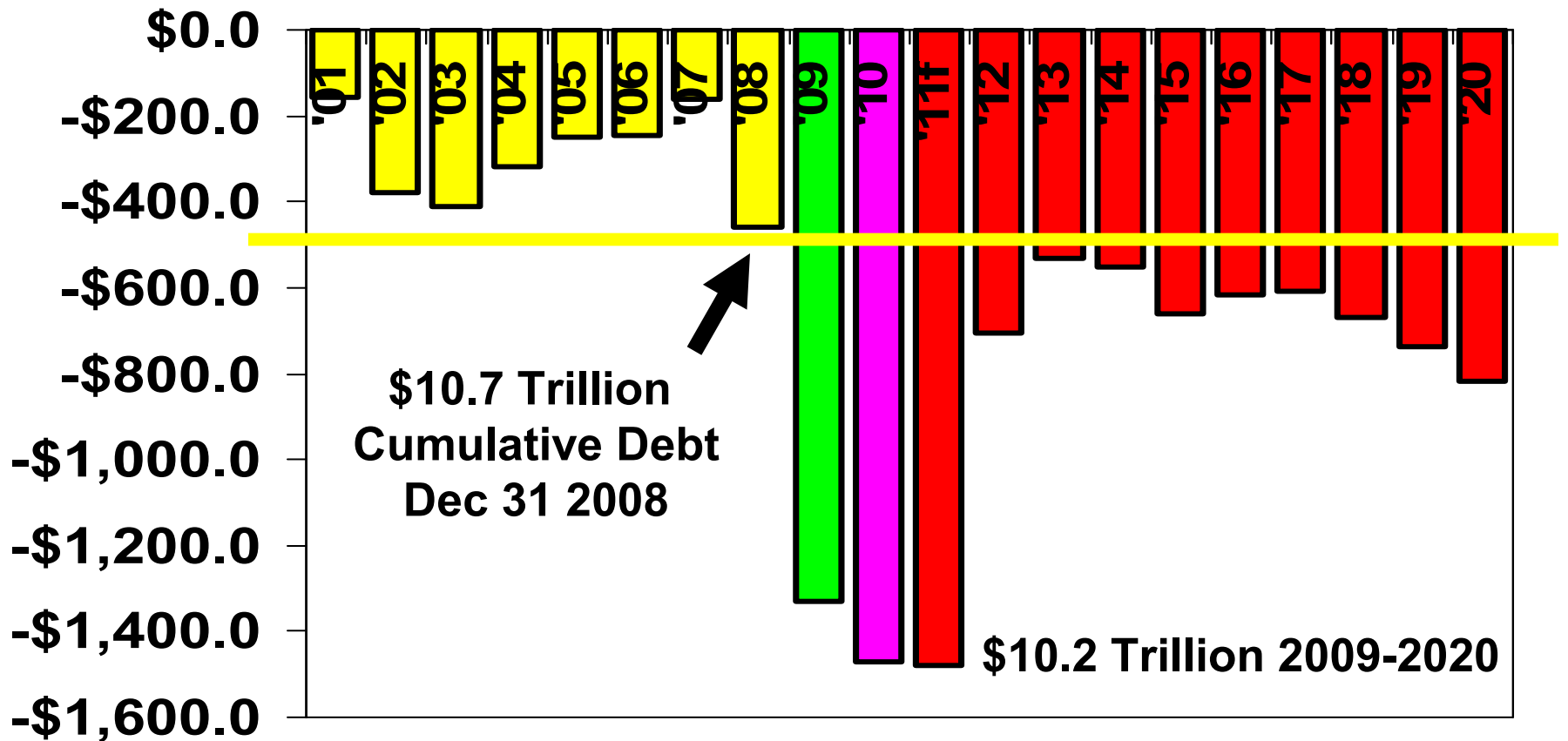
# Federal Budget Surplus (Deficit)

\$ Billions



# Federal On-Budget Deficit Forecast

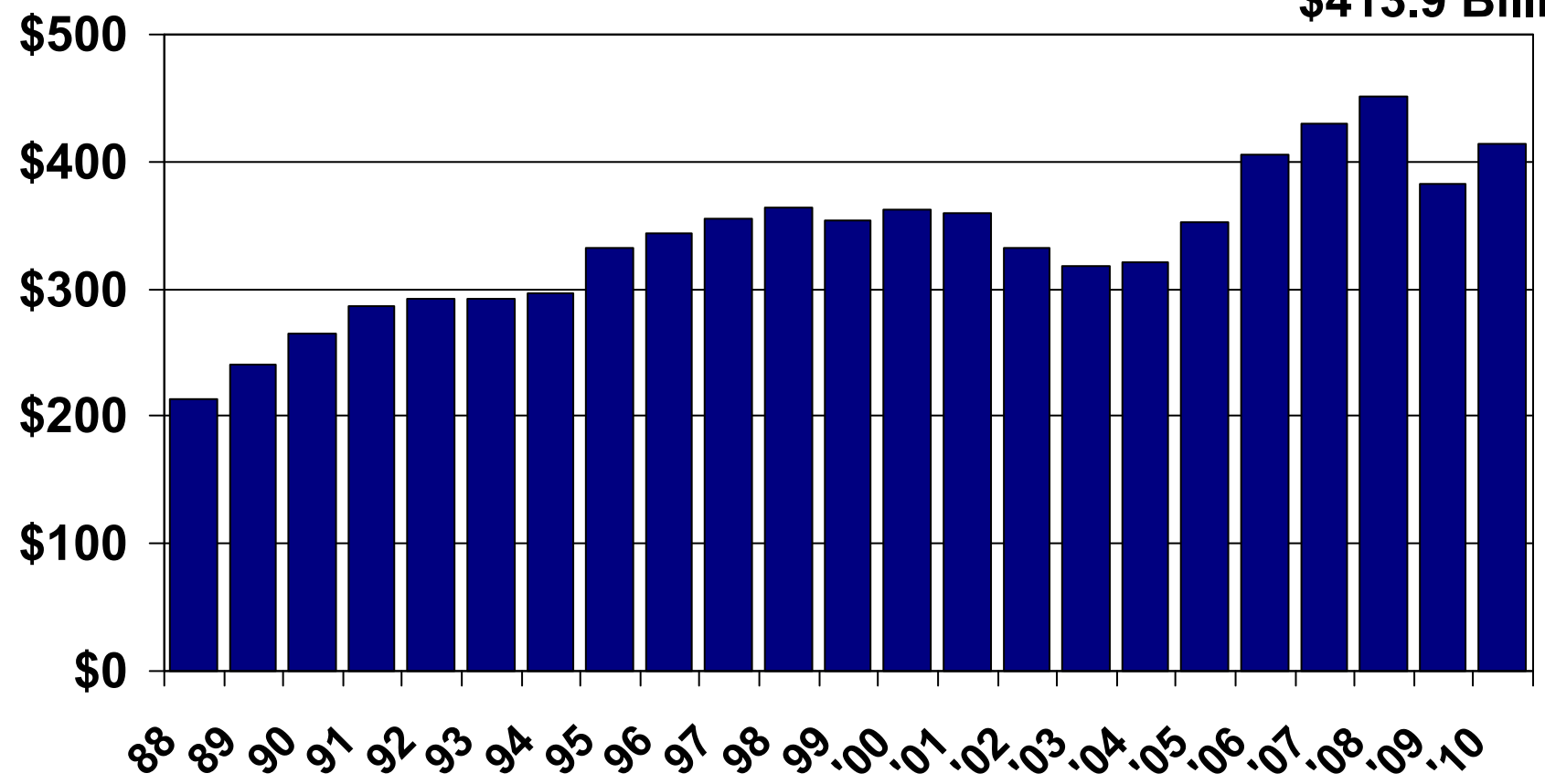
\$ Billions – *Baseline (\$10.7 Trillion Total Debt 12-31-08)*



# Interest Expense on Debt Outstanding

\$ Billions

2010  
\$413.9 Billion



# Federal Debt Interest Payments

## 2010 Average Rates

<b>1-Year T-Bill</b>	<b>0.318 Percent</b>
<b>2-Year T-Note</b>	<b>0.703 Percent</b>

**If 1-Year Rates Rise to 1 Percent, Then Annual Interest Payments Triple to \$1.23 Trillion**

**If the Debt Doubles (as projected)  
Then Annual Interest Payments Rise  
to \$2.46 Trillion**



# 2011 Economic Concerns

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- Wall Street—Washington DC—Liquidity
- Jobs – *Stimulus Not Working*      **GDP=C+I+G**
- Time Bomb Loans *Now Commercial*
- Cold War II—Terrorists
- Inflation (and Cap Rates)--*Recession*
- Energy: US Imports 70+ Percent of Oil
- Real Estate-Autos-Credit Cards-Banks



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