

THE 3 R's

OF REAL ESTATE AND THE ECONOMY



REINVENT



RECHARGE



REIGNITE

Ted C. Jones, PhD
Chief Economist SVP



Takeaways

- Highest Intrinsic Value of Housing
- Accelerating Pre-Existing Trends
- Permanent Changes *66 Days Average*
- Macro Factors Rule
- New Rules-Taxes-Economics Unknown
- Omnichannel Marketing Key

Recession

Recession is Defined as Two or More
Quarters of Negative GDP Growth

FORECAST

Goldman
Sachs

-5%

Q1

-32.9%

Q2 2020

33.3%

Q3 2020

-4.6%

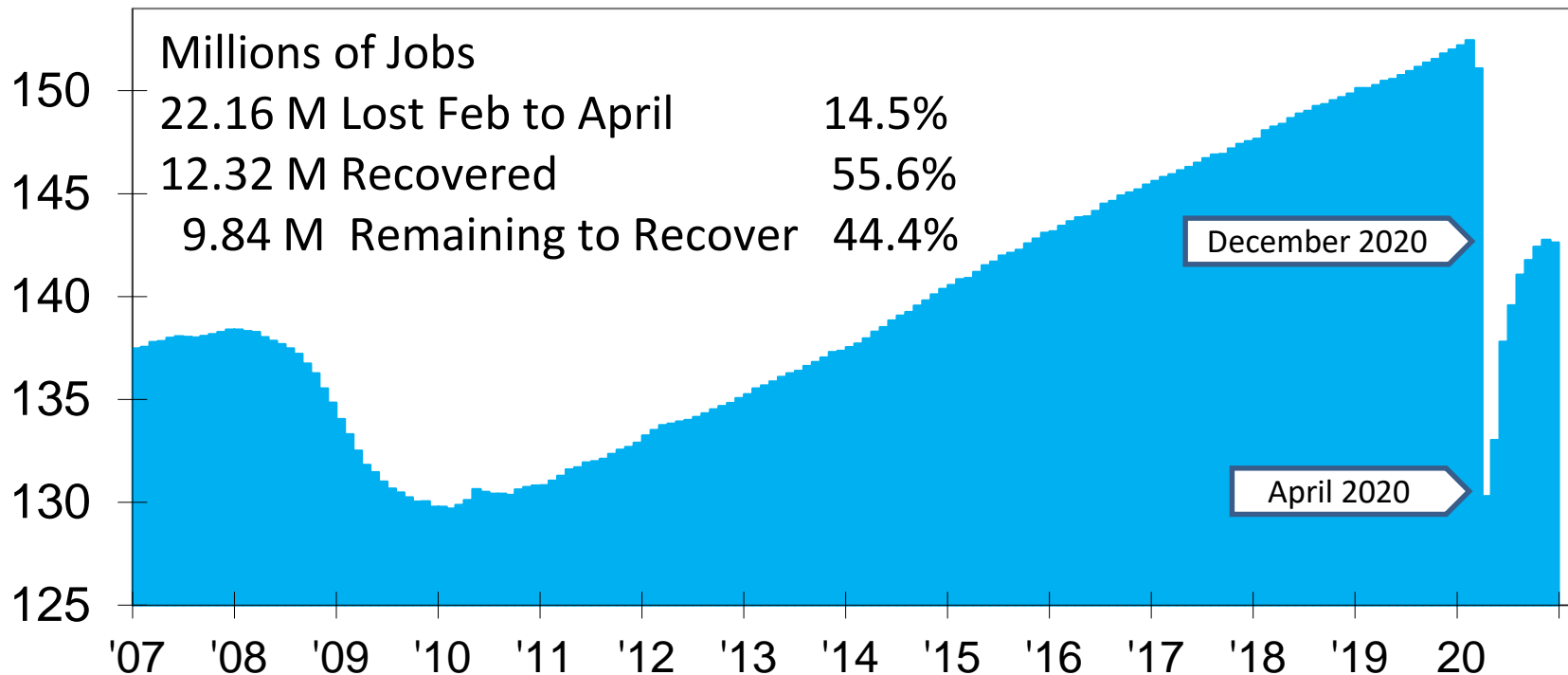
2020

+5.3%

2021

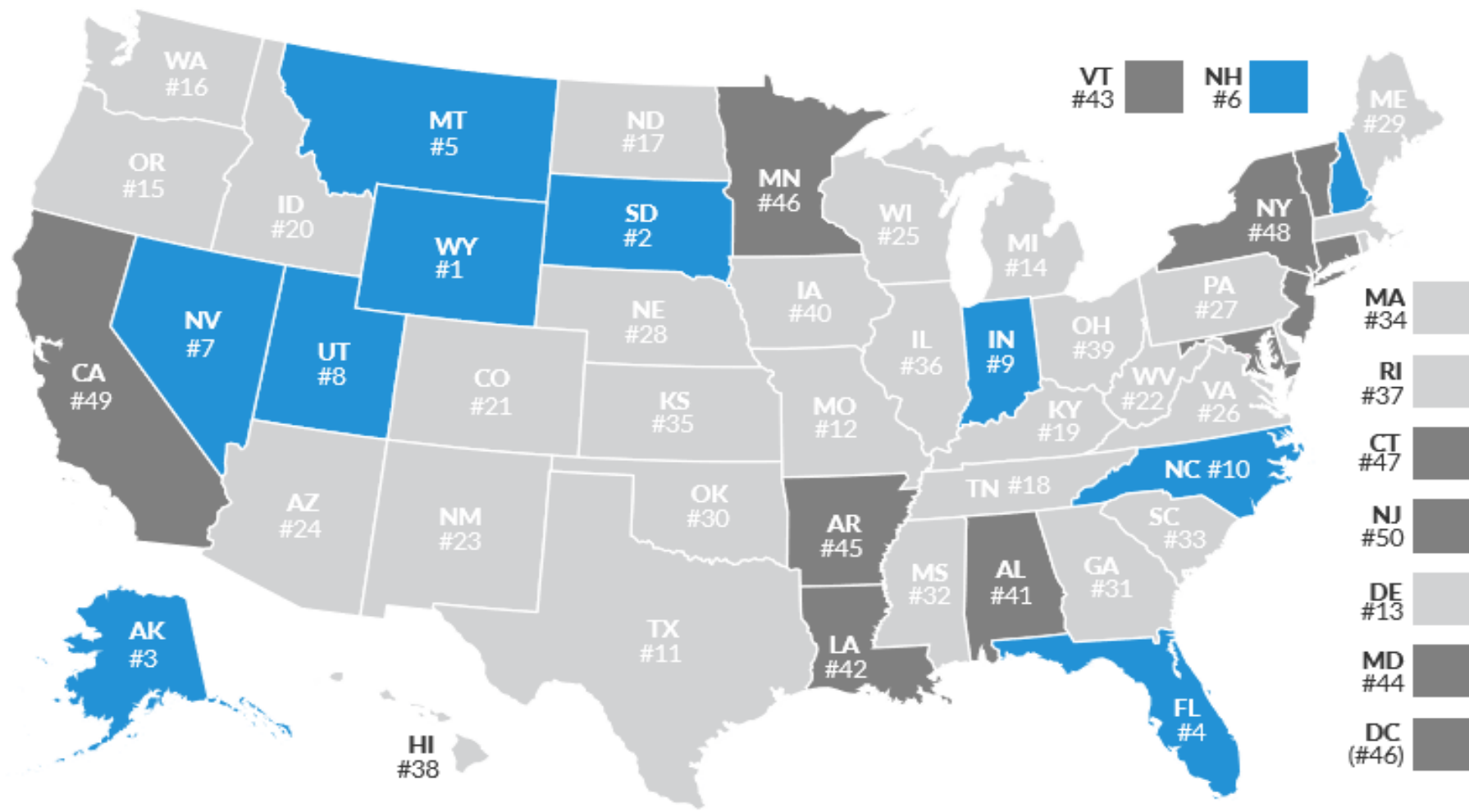
U.S. Jobs

Jobs (Millions) *Seasonally Adjusted*



2021 State Business Tax Climate Index

THE TAX FOUNDATION



- 1 Wilmington NC
- 2 Sarasota-Bradenton FL
- 3 Boise ID
- 4 Huntsville AL
- 5 Ft Myers-Cape Coral FL
- 6 Knoxville TN
- 7 Melbourne-Titusville-Palm Bay FL
- 8 Austin-San Marcos TX
- 9 Nashville TN
- 10 Ft Collins-Loveland CO
- 11 Charleston SC
- 12 Santa Fe NM
- 13 Charlotte-Gastonia NC-SC

- 14 Phoenix AZ
- 15 West Palm Beach-Boca Raton FL
- 16 Daytona Beach FL
- 17 Fayetteville-Springdale AR
- 18 Portland-Vancouver OR-WA
- 19 Seattle WA
- 20 Grand Rapids MI
- 21 Boulder-Longmont CO
- 22 Jacksonville FL
- 23 Orlando FL
- 24 Greensboro-Winston Salem NC
- 25 Tampa-St Pete-Clearwater FL

Top Inbound

State Job Losses -- February 2020 to Trough



Michigan	23.8%	California	14.9%	Iowa	11.7%
Vermont	21.7%	Alaska	14.7%	Georgia	11.4%
Nevada	20.1%	Maryland	13.9%	<u>Texas</u>	<u>10.8%</u>
Hawaii	20.1%	Indiana	13.7%	Idaho	10.8%
New York	19.8%	Louisiana	13.7%	Virginia	10.7%
New Jersey	19.6%	Oregon	13.6%	Mississippi	10.5%
Rhode Island	19.3%	North Carolina	13.4%	Alabama	10.5%
Massachusetts	18.6%	South Carolina	13.3%	North Dakota	10.1%
Pennsylvania	18.3%	West Virginia	13.2%	Kansas	10.0%
Delaware	17.9%	Montana	13.1%	Arizona	9.9%
Connecticut	17.1%	Illinois	13.1%	South Dakota	9.4%
New Hampshire	17.1%	Minnesota	13.0%	Arkansas	9.3%
Kentucky	16.8%	Florida	13.0%	Utah	9.1%
Maine	16.4%	Tennessee	12.8%	Dist of Columbia	9.1%
Ohio	16.0%	Colorado	12.2%	Wyoming	9.0%
Wisconsin	15.9%	New Mexico	12.0%	Nebraska	8.9%
Washington	15.7%	Missouri	11.9%	Oklahoma	8.5%

Percentage of Lost Jobs Recovered -- November 2020

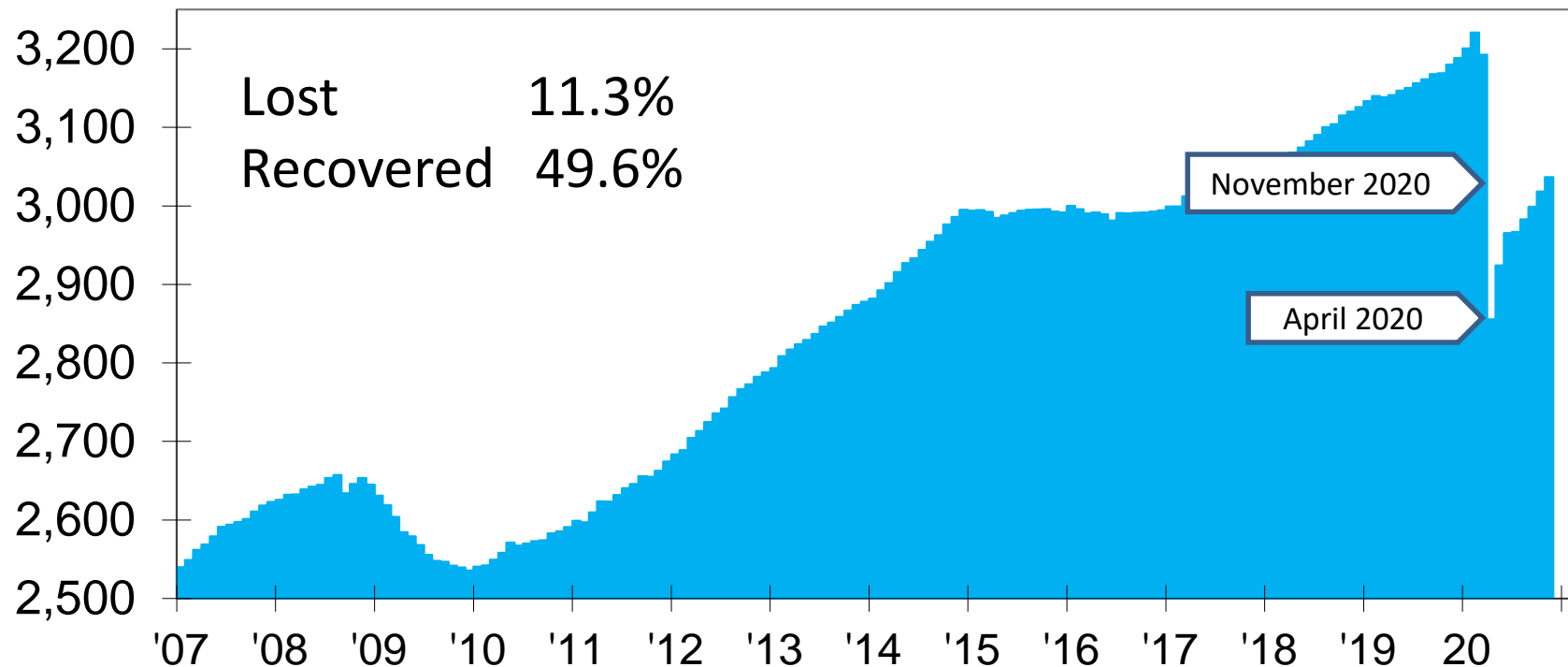


Idaho	95.9%	Nevada	62.2%	Maine	53.4%
Utah	94.6%	Vermont	62.2%	Oregon	52.7%
Alabama	77.4%	Colorado	61.2%	Wisconsin	52.2%
Mississippi	77.0%	Nebraska	61.2%	Kansas	51.9%
South Carolina	74.6%	Washington	61.1%	Minnesota	49.8%
Georgia	74.3%	North Carolina	60.8%	Oklahoma	49.7%
Montana	72.8%	Ohio	60.7%	Massachusetts	49.4%
Indiana	71.6%	Texas	59.7%	Delaware	49.0%
Tennessee	68.3%	Alaska	59.2%	New York	47.9%
Arizona	68.3%	Florida	59.0%	Wyoming	46.7%
Kentucky	67.1%	Michigan	58.7%	New Hampshire	46.7%
Missouri	66.6%	New Jersey	58.4%	Illinois	46.3%
Arkansas	65.7%	Rhode Island	58.3%	California	46.0%
Connecticut	64.5%	Iowa	58.2%	New Mexico	37.3%
Louisiana	64.3%	Pennsylvania	57.7%	Dist of Columbia	26.5%
Maryland	63.3%	Virginia	56.3%	North Dakota	26.5%
South Dakota	62.7%	West Virginia	56.0%	Hawaii	24.3%

Houston-The Woodlands-Sugar Land MSA



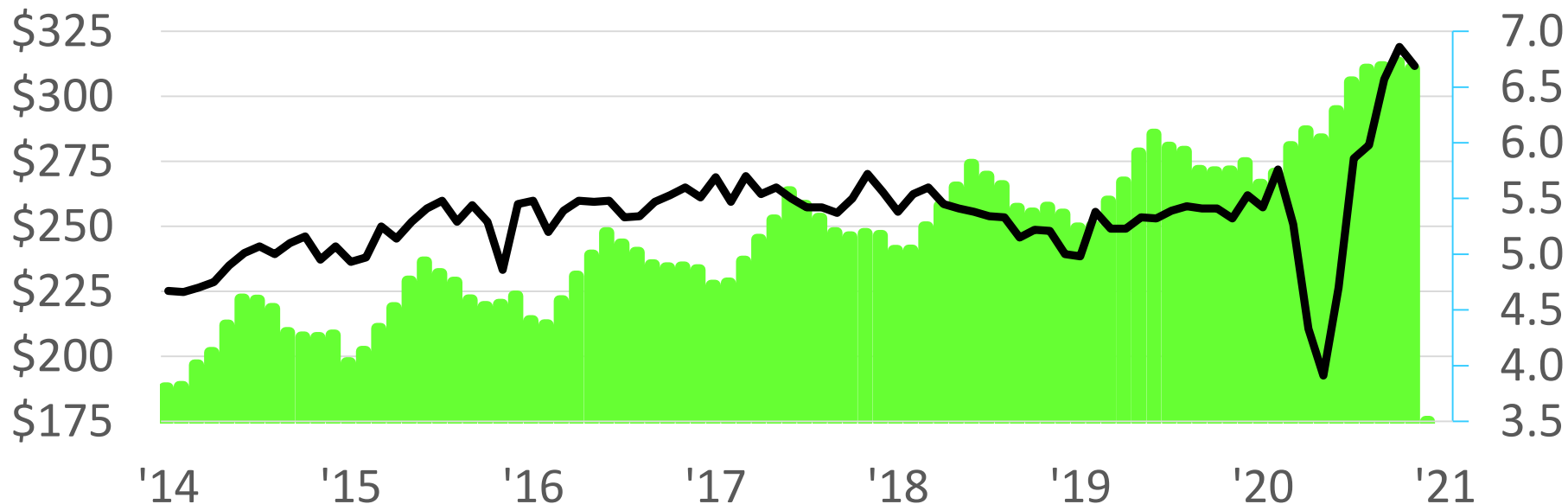
Jobs (Thousands) *Seasonally Adjusted*



US Existing Home Sales & Median Prices

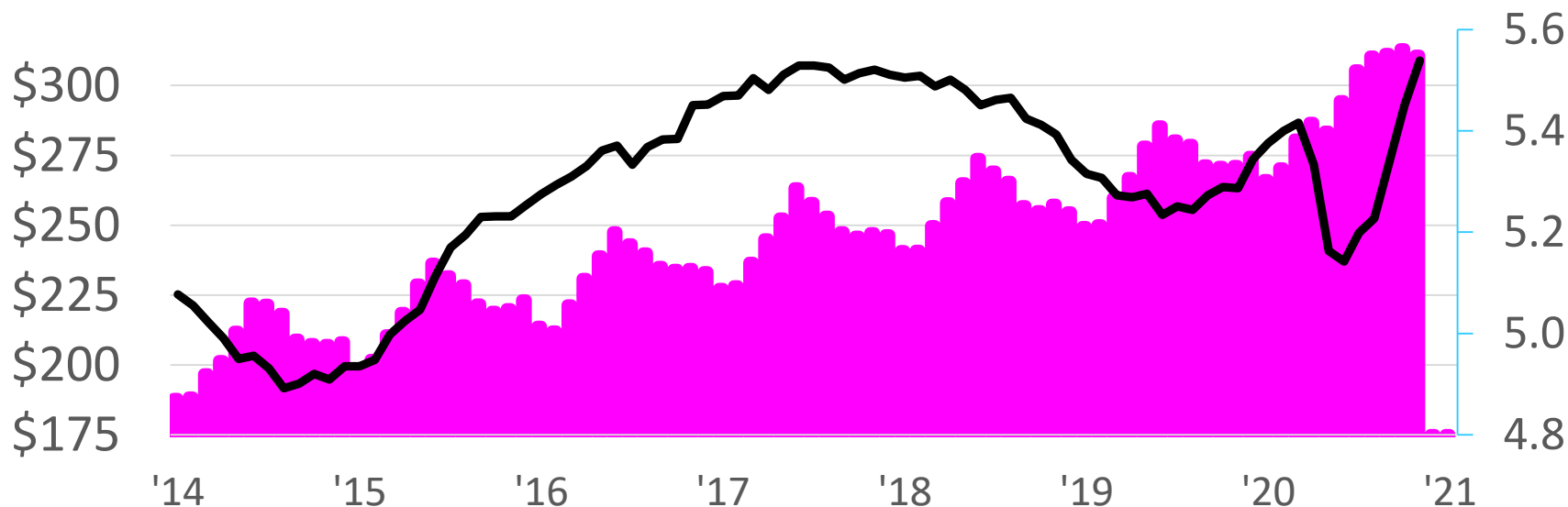
Median Home Price - \$ Thousands

Sales – Seasonally
Adjusted Annualized
Rate Millions



US Existing Home Sales & Median Prices

Median Home Price - \$ *Thousands* Sales – Prior 12 Months *Millions*



Existing Single-Family Sales

November 2020

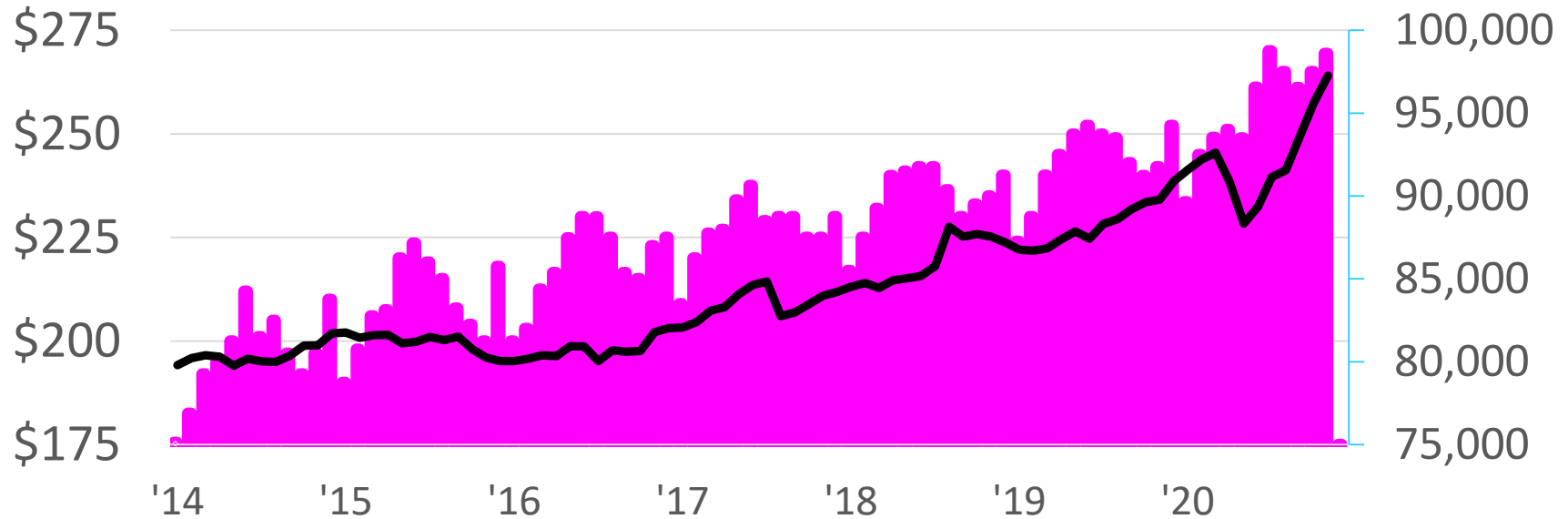
Price Range <i>Thousands</i>	Sales Distribution	Change in Sales Vs November 2019	Change in Inventory Vs Nov 2019
\$0 to \$100	5.4%	-21.7%	-38.5%
\$100 - \$250	31.2%	1.1%	-27.5%
\$250 - \$500	41.5%	37.3%	-16.3%
\$500 - \$750	12.9%	64.9%	-3.5%
\$750 - \$1 Million	4.5%	84.9%	1.0%
Great than \$1 Million	4.5%	88.1%	-1.4%

Based on a Non-Seasonally Adjusted Sample

Houston MSA Home Sales & Median Prices

Median Home Price - \$ Thousands

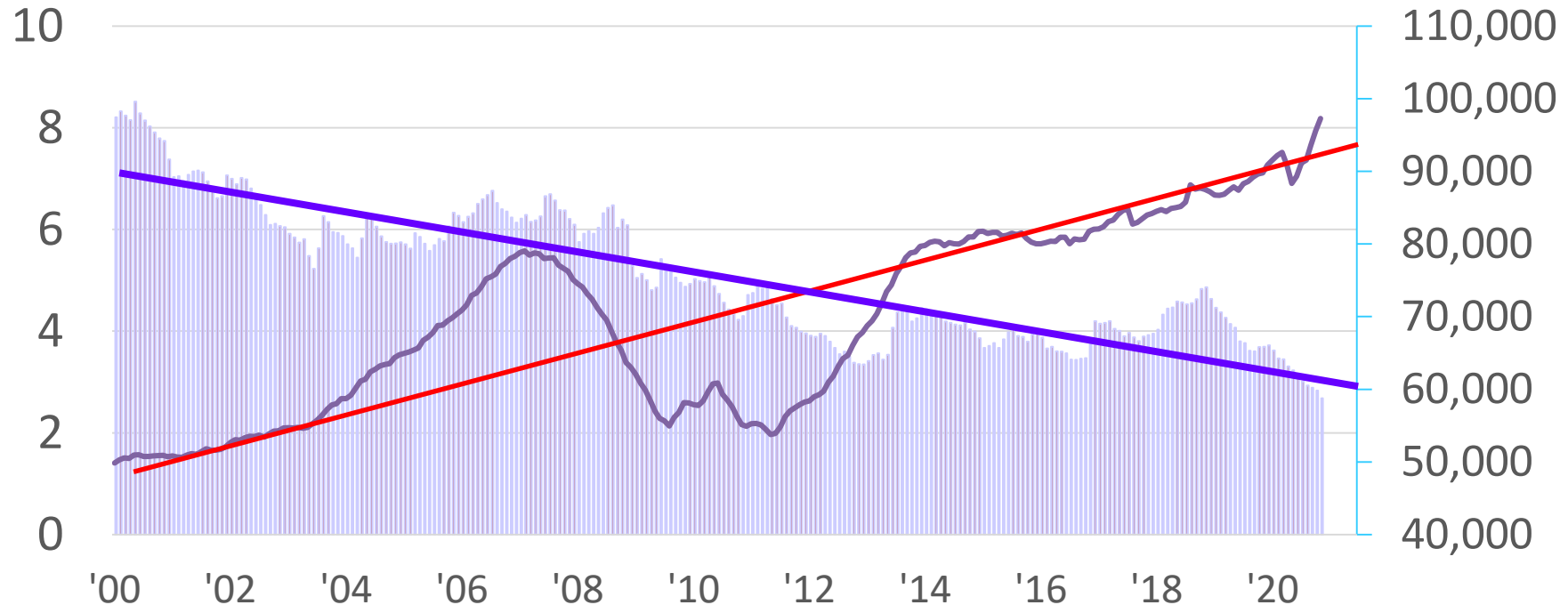
Sales – Prior 12 Months



Houston MSA Home Sales & Interest Rates

30-Year Conventional Mortgage Rate

Sales – Prior 12 Months



Houston Single Family Home Sales Year-to-Date

Galveston-Ft Bend-Harris-Montgomery Counties

	2015	2016	2017	2018	2019	2020
\$1 to \$499,999	59,209	61,217	62,791	64,970	67,894	72,914
\$500,000 to \$799,999	4,564	4,401	4,566	5,012	5,379	6,850
\$800,000 to \$999,999	916	844	912	973	1,045	1,287
\$1 Million and Up	1,418	1,352	1,506	1,593	1,645	1,950
	66,107	67,814	69,775	72,548	75,963	83,001

Percent Change - 2020 vs 2019

\$1 to \$499,999	7.4%
\$500,000 to \$799,999	27.3%
\$800,000 to \$999,999	23.2%
\$1 Million and Up	18.5%



**Houston
Association of
REALTORS®**

Houston Townhouse-Condo Sales

Galveston-Ft Bend-Harris-Montgomery Counties

	2015	2016	2017	2018	2019	2020
\$1 to \$499,999	6,361	6,268	6,215	6,236	6,161	6,183
\$500,000 to \$799,999	297	241	287	280	220	235
\$800,000 to \$999,999	21	33	36	36	30	22
\$1 Million and Up	13	12	14	25	19	24
Total	6,692	6,554	6,552	6,577	6,430	6,464

Percent Change - 2020 vs 2019

\$1 to \$499,999	0.4%
\$500,000 to \$799,999	6.8%
\$800,000 to \$999,999	-26.7%
\$1 Million and Up	26.3%



**Houston
Association of
REALTORS®**

Houston Mid-Rise \$ High-Rise Sales

Galveston-Ft Bend-Harris-Montgomery Counties

	2015	2016	2017	2018	2019	2020
\$1 to \$499,999	622	565	576	552	554	521
\$500,000 to \$799,999	72	73	83	91	106	74
\$800,000 to \$999,999	24	20	23	18	25	20
\$1 Million and Up	38	49	49	55	44	48
Total	756	707	731	716	729	663

Percent Change - 2020 vs 2019

\$1 to \$499,999	-6.0%
\$500,000 to \$799,999	-30.2%
\$800,000 to \$999,999	-20.0%
\$1 Million and Up	9.1%



**Houston
Association of
REALTORS®**

Existing Home Sales Forecast

Dec 2020

Sales -- Thousands SAAR

	2020	2021	2022
Fannie Mae	5,639	5,792	5,600
MBA	5,659	6,270	6,295
Average	5,649	6,031	5,948



Percent Change - Year-Over-Year

Fannie Mae	5.6%	2.7%	-3.3%
MBA	6.2%	10.8%	0.4%
Average	5.9%	6.8%	-1.4%



Existing Home Median Price Forecast

Median Price -- \$ Thousands

	2020	2021	2022
Fannie Mae	\$ 290.0	\$ 302.0	\$ 305.0
MBA	\$ 293.7	\$ 297.4	\$ 291.6
Average	\$ 291.9	\$ 299.7	\$ 298.3



Percent Change - Year-Over-Year

Fannie Mae	6.6%	4.1%	1.0%
MBA	7.0%	1.3%	-2.0%
Average	6.8%	2.7%	-0.5%



U.S. Median Home Price Gain
Forecast
12-Months Ending
September 2021

0.2%



CoreLogic®

Jobs & Residential Dwelling Unit Permits

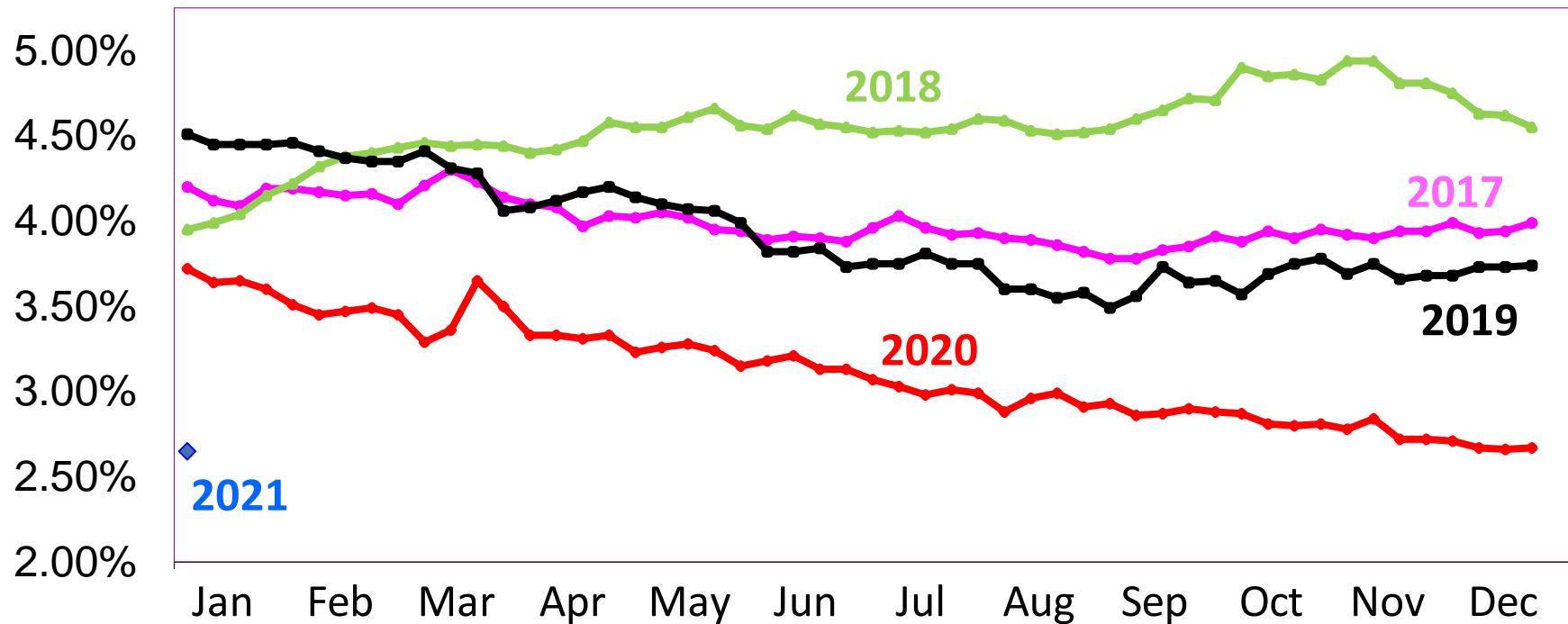
Houston-The Woodlands-Sugar Land

Year	Net New Jobs	Dwelling Unit Permits	Jobs Per New Dwelling
2013	89,900	51,334	1.75
2014	116,800	63,745	1.83
2015	(3,200)	56,901	(0.06)
2016	2,600	44,732	0.06
2017	49,300	42,395	1.16
2018	82,100	57,478	1.43
2019	82,100	63,672	1.29
Total	419,600	380,257	1.10

Normal
Is from
1.25 to 1.5
Net New Jobs
Per New
Dwelling
Unit

30-Year Conventional Residential Mortgage Rates

Percent



Residential Interest Rate Forecast

December 2020

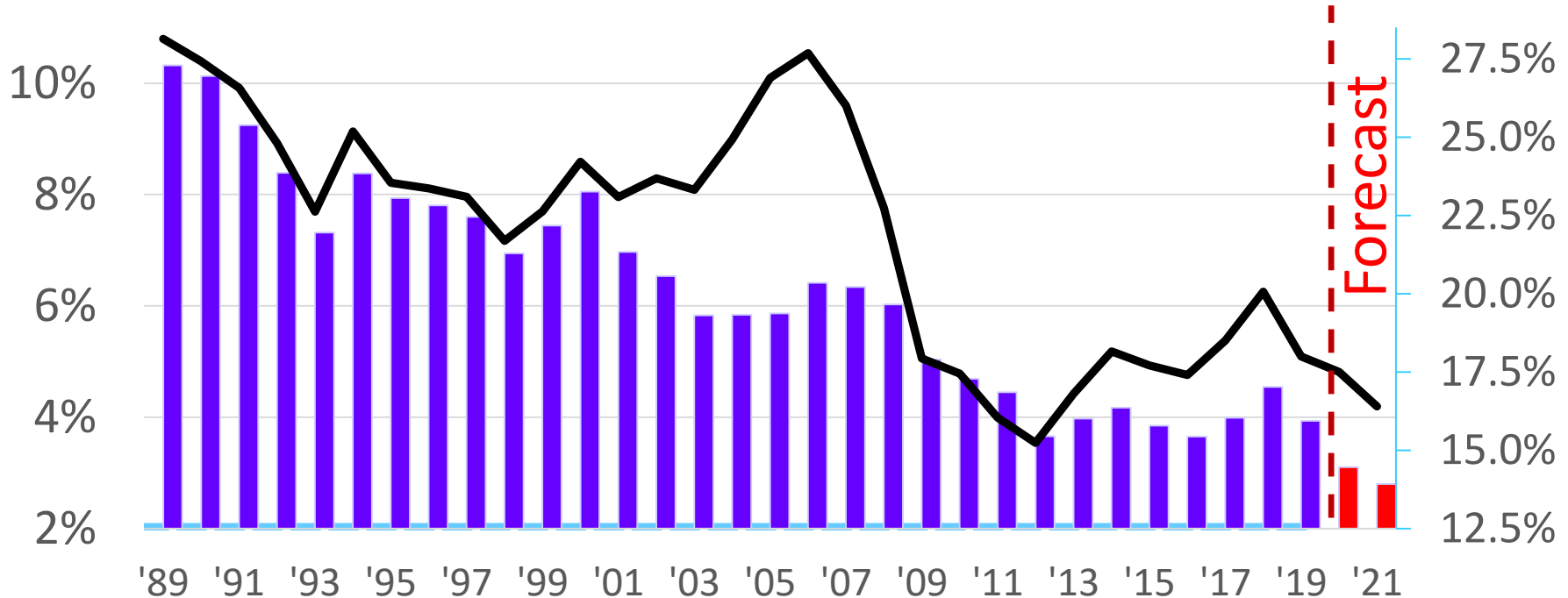
30-Year Fixed-Rate Conventional Mortgages

	2019	2020	2021	2022
Fannie Mae	3.9%	3.1%	2.7%	2.9%
MBA	3.5%	2.8%	3.2%	3.6%
Average	3.70%	2.95%	2.95%	3.25%

Interest Rates & Household Income

30-Year Conventional Mortgage Rate

Mortgage Payments as
% of Median Income

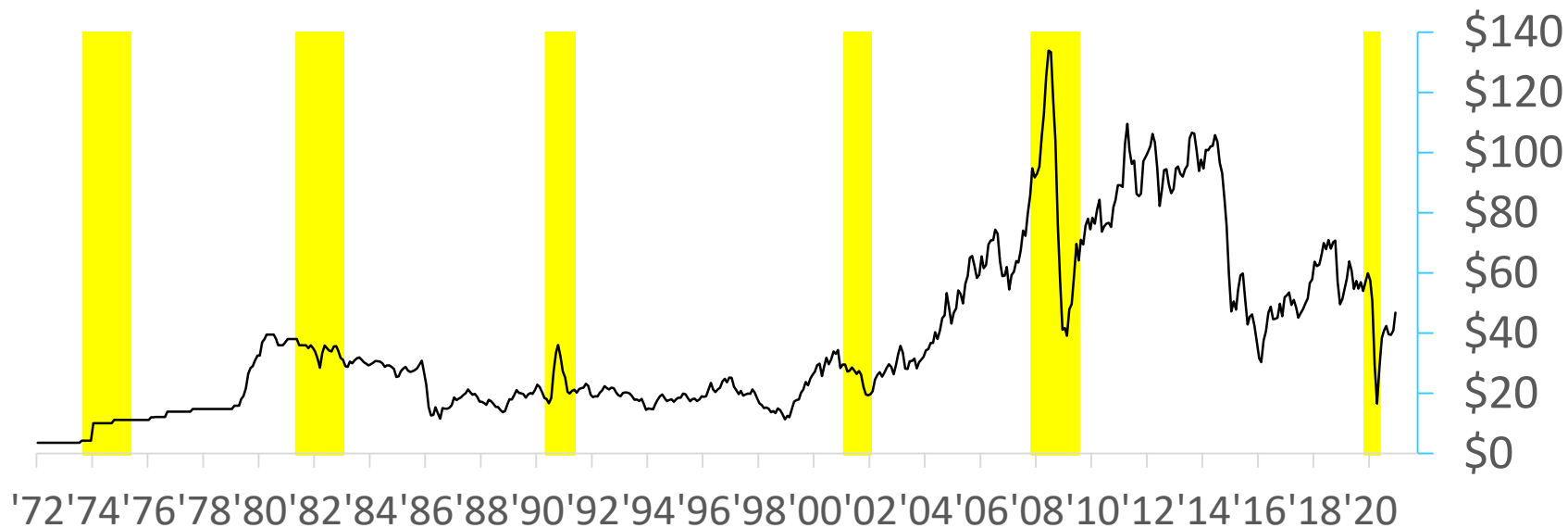


Recessions + Oil Prices



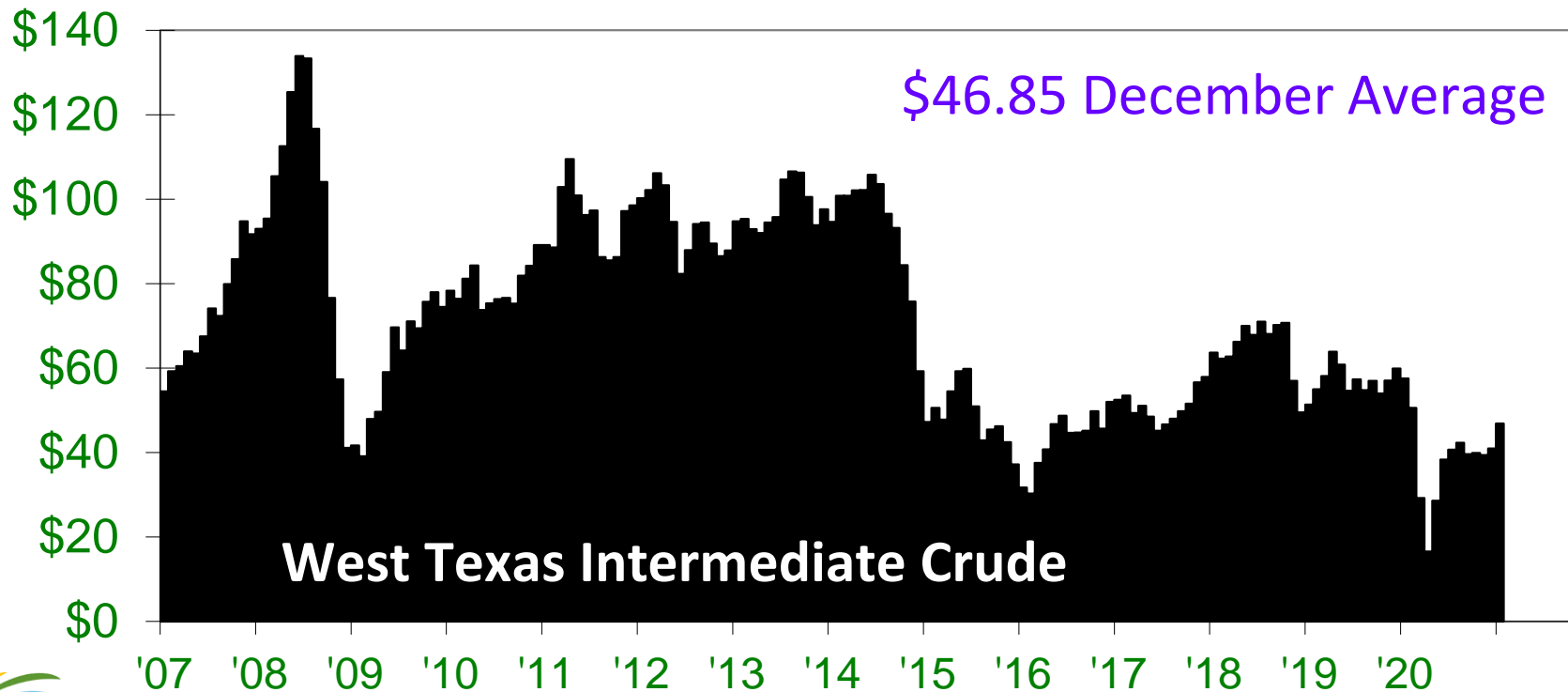
Recession

West Texas Intermediate Crude Oil



West Texas Intermediate Crude Oil Price

\$ Per Barrel



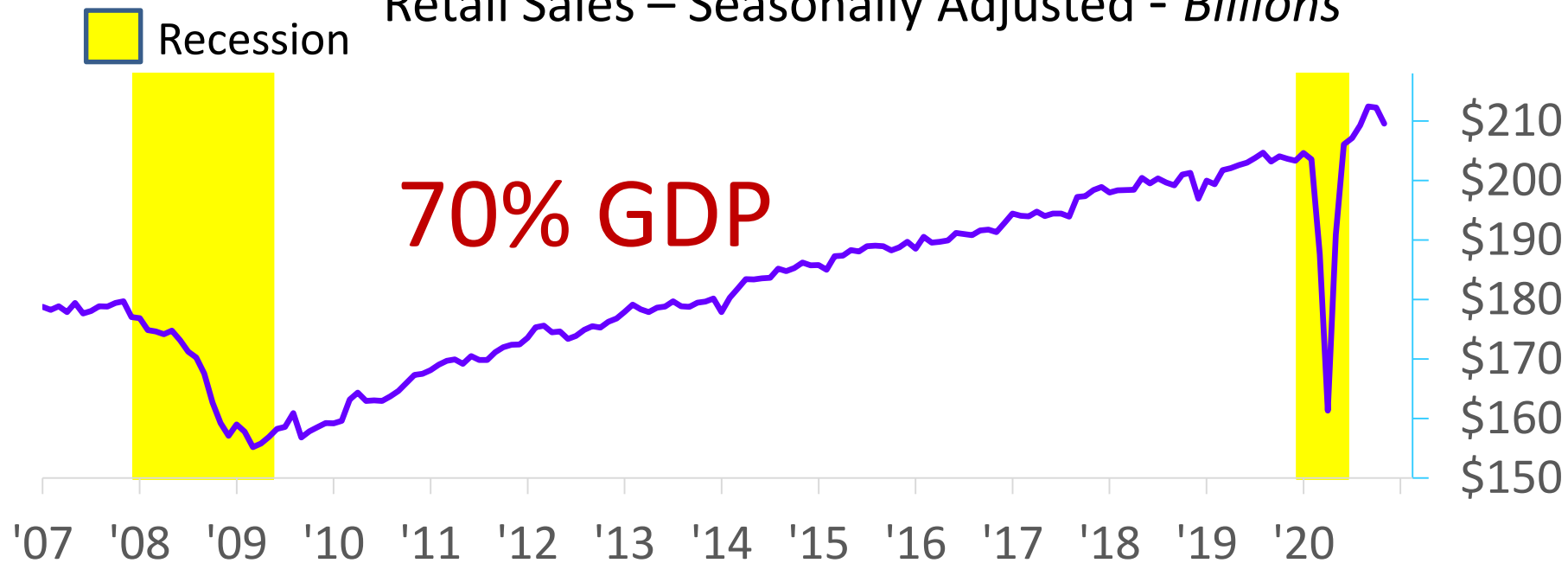
U.S. Oil Production

	Average Barrels Per Day Millions	Oil Field Worker Employment Jobs Thousands		
		Total	Extraction	Support
2015	8.879	521.9	197.5	324.4
2019	12.232	419.7	150	269.7
Change	37.8%	-19.6%	-24.1%	-16.9%

Production +38% Jobs -20%

U.S. Real Retail & Food Service Sales

Retail Sales – Seasonally Adjusted - *Billions*



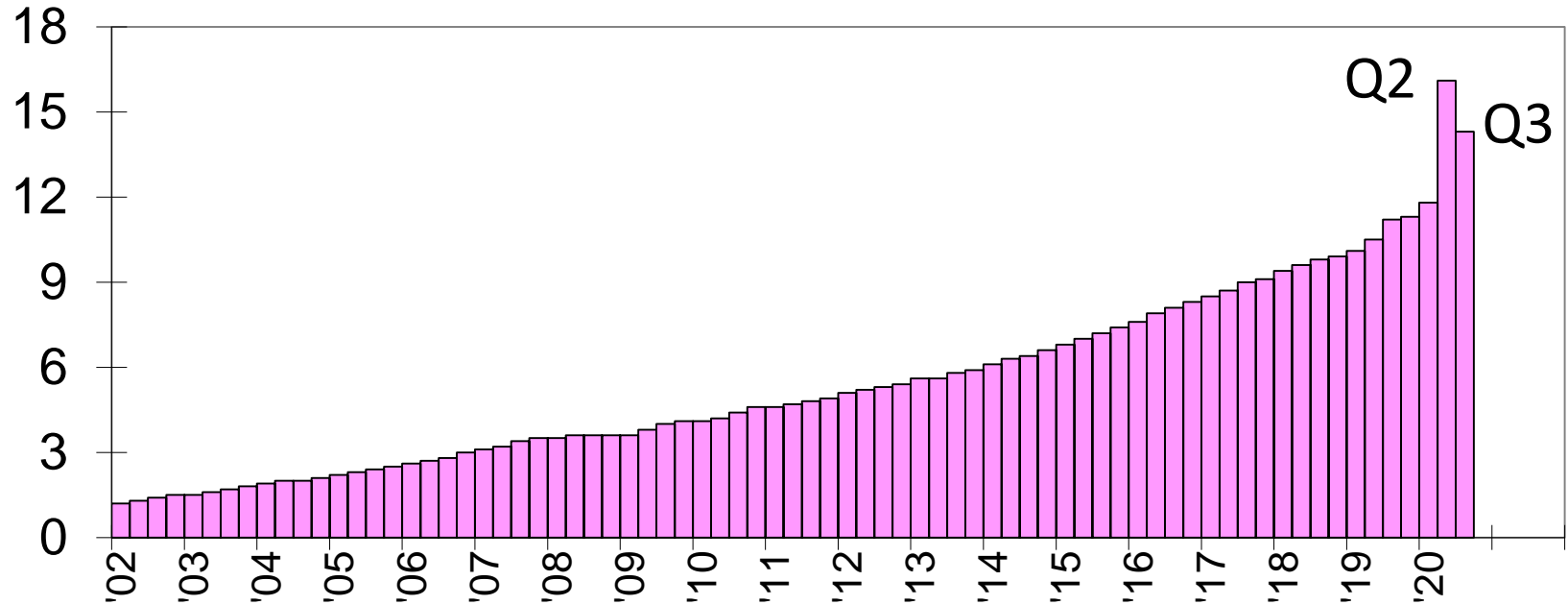
Type of Business	11 Month Total		November
	\$ Millions 2020	% Change 2019	Percent Change
Retail & Food Services - Total	5,641,170	0.3	2.5%
Motor Vehicle & Parts Dealers	1,134,080	0.0	2.9%
Furniture & Home Furnishing Stores	99,979	-6.4	0.4%
Electronics & Appliance Stores	73,163	-14.1	-9.9%
Building Material & Garden Equipment & Supplies Dealers	402,647	13.4	17.2%
Food & Beverage Stores	776,988	11.6	8.5%
Grocery Stores	693,935	11.4	8.2%
Health & Personal Care Stores	329,068	1.1	2.6%
Gasoline Stations	385,511	-16.4	-17.9%
Clothing & Clothing Accessories	166,084	-28.5	-19.2%
Sporting Goods, Hobby, Musical Instrument & Book Stores	73,385	4.3	14.0%
General Merchandise Stores	655,820	3.1	1.0%
Department Stores	96,267	-17.5	-19.9%
Miscellaneous Store Retailers	119,395	-2.2	-1.8%
Nonstore Retailers	860,089	22.6	30.0%
Food Services & Drinking Places	564,961	-19.4	-19.3%

Advanced Retail Sales Estimates November 2020



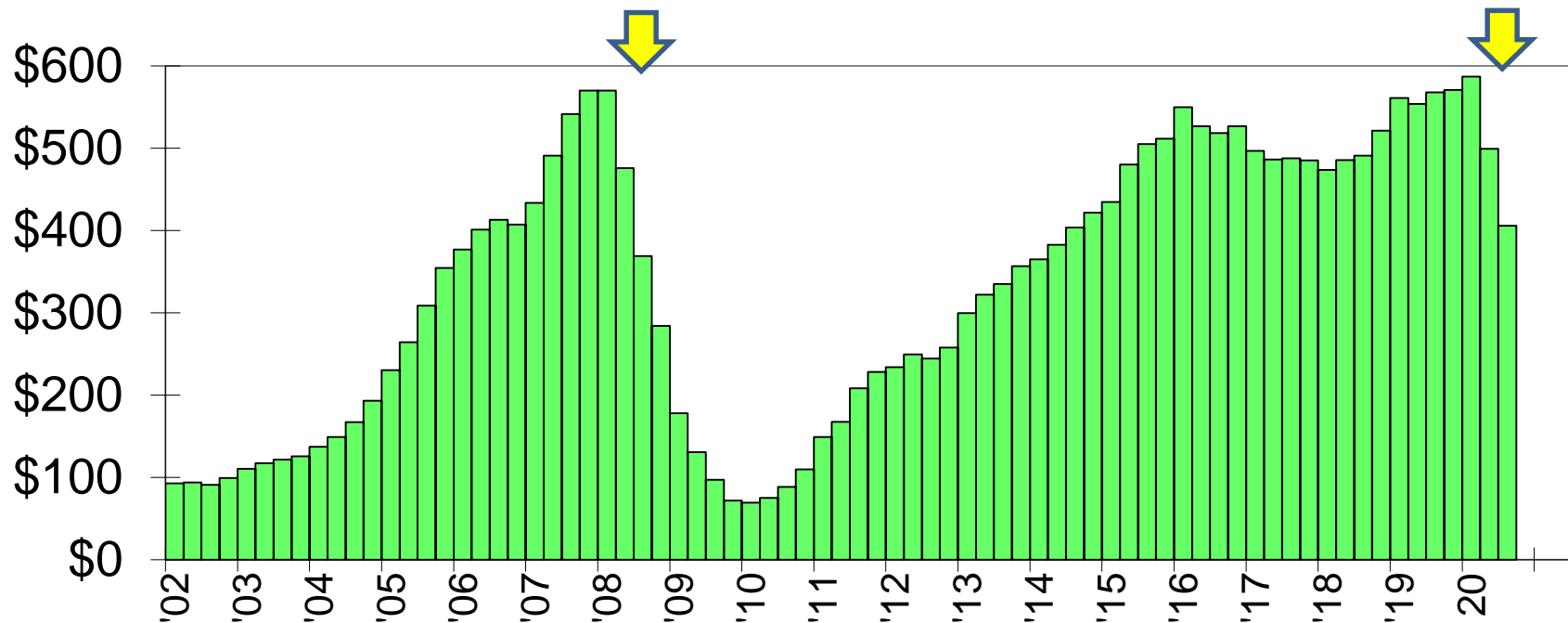
E-Commerce Sales as Percentage of Total Retail

Percent



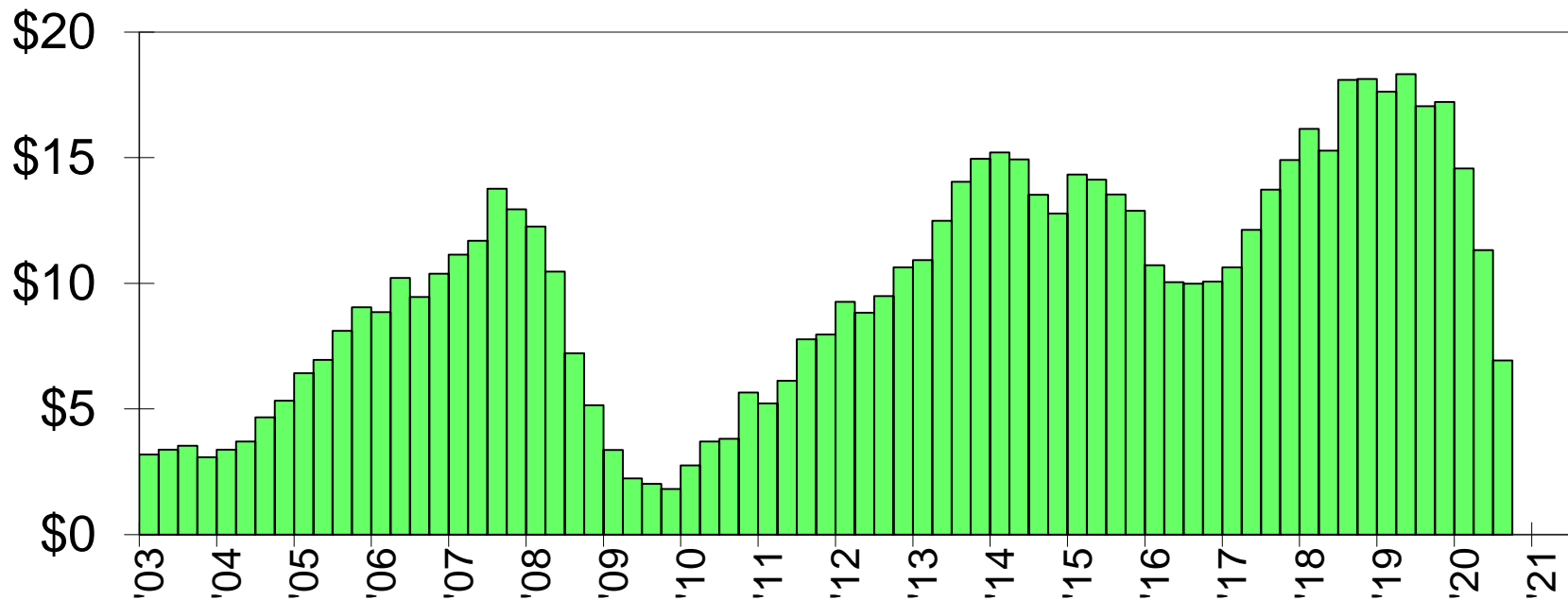
US Commercial Real Estate Sales

\$ Billions – *Trailing 12 Months*



Houston Commercial Real Estate Sales

\$ Billions – *Trailing 12 Months*



U.S. Commercial Real Estate Sales

Comparisons to
Same Quarter 2007

	\$ Billions		
2007	\$	155.594	
	\$	154.588	
	\$	127.375	
	\$	132.497	
2008	\$	61.163	-60.7%
	\$	47.868	-69.0%
	\$	42.569	-66.6%
	\$	26.139	-80.3%
2009	\$	13.769	-91.2%
	\$	14.290	-90.8%
	\$	17.207	-86.5%
	\$	23.618	-82.2%
2010	\$	19.673	-67.8%

8 Years to
Recover Back
To
\$500 Billion
Annual

-60.7%
Q3 2020

Houston Commercial Real Estate Sales

Comparisons to
Same Quarter 2007

\$ Billions			
2007	\$	2.693	
	\$	3.359	
	\$	4.131	
	\$	2.764	
2008	\$	1.998	-25.8%
	\$	1.574	-53.1%
	\$	0.883	-78.6%
	\$	0.686	-75.2%
2009	\$	0.226	-91.6%
	\$	0.437	-87.0%
	\$	0.667	-83.9%
	\$	0.480	-82.6%
2010	\$	1.163	-41.8%

-73.6%
Q3 2020
Year
Over
Year

Houston Commercial Real Estate Sales 2020 Vs 2019

Apartments

\$ Millions

	2019	2020	Percent Change
Q1	\$ 1,705.4	\$ 1,241.3	-27.2%
Q2	\$ 1,857.9	\$ 347.4	-81.3%
Q3	\$ 1,484.6	\$ 451.6	-69.6%
YTD	\$ 5,048.0	\$ 2,040.3	-59.6%

Industrial

\$ Millions

	2019	2020	Percent Change
Q1	\$ 373.6	\$ 1,255.9	236.2%
Q2	\$ 391.9	\$ 228.3	-41.7%
Q3	\$ 1,409.3	\$ 179.8	-87.2%
YTD	\$ 2,174.9	\$ 1,664.0	-23.5%

Hotel

\$ Millions

	2019	2020	Percent Change
Q1	\$ 45.5	\$ 45.2	-0.7%
Q2	\$ 156.0	\$ 10.9	-93.0%
Q3	\$ 233.8	\$ 45.7	-80.5%
YTD	\$ 435.3	\$ 101.7	-76.6%

Offices

\$ Millions

	2019	2020	Percent Change
Q1	\$ 710.6	\$ 481.6	-32.2%
Q2	\$ 725.3	\$ 109.6	-84.9%
Q3	\$ 701.3	\$ 247.1	-64.8%
YTD	\$ 2,137.2	\$ 838.3	-60.8%

Retail

\$ Millions

	2019	2020	Percent Change
Q1	\$ 237.4	\$ 245.3	3.3%
Q2	\$ 283.1	\$ 178.4	-37.0%
Q3	\$ 381.4	\$ 104.8	-72.5%
YTD	\$ 901.9	\$ 528.5	-41.4%

Senior Housing & Care

\$ Millions

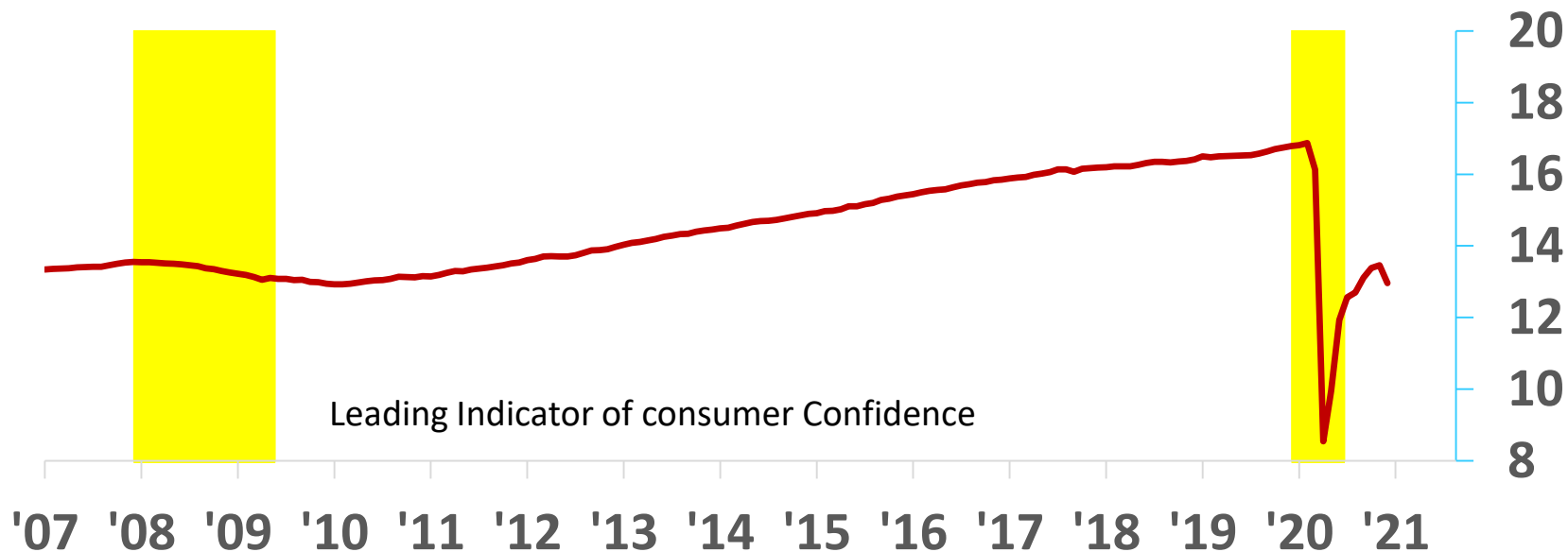
	2019	2020	Percent Change
Q1	\$ -	\$ 157.5	
Q2	\$ 42.4	\$ 8.0	-81.1%
Q3	\$ 64.2	\$ 17.8	-72.3%
YTD	\$ 106.6	\$ 183.3	72.0%

U.S. Leisure & Hospitality Employment



 Recession

Leisure & Hospitality Employment - *Millions*





Ted C. Jones
@DrTCJ

100,000



The National Restaurant Association says 100,000 restaurants have shuttered either permanently or indefinitely & that 40% of restaurant proprietors surveyed think they will be out of business by Spring 2021 without government support

@USATODAYmoney

DrTCJ



Ted C. Jones

@DrTCJ



Retail Real Estate Woes

The Shops at Sunset Place, an outdoor shopping mall in South Miami, Florida, which sold for \$115.5 million in October 2015, just resold for \$65.5 million, a 41.3% drop in value due to increased nearby competition, the pandemic & ecommerce

@GlobeStcom

7:39 PM · Jan 6, 2021 · Twitter Web App

-41.3%



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@DrTCJ

...

In-store traffic from the Sunday prior to Thanksgiving through Saturday January 2nd plunged 33.1% from the same period 1-year ago

@Sensormatic
@ChainStoreAge

7:33 AM · Jan 6, 2021 · Twitter for iPad

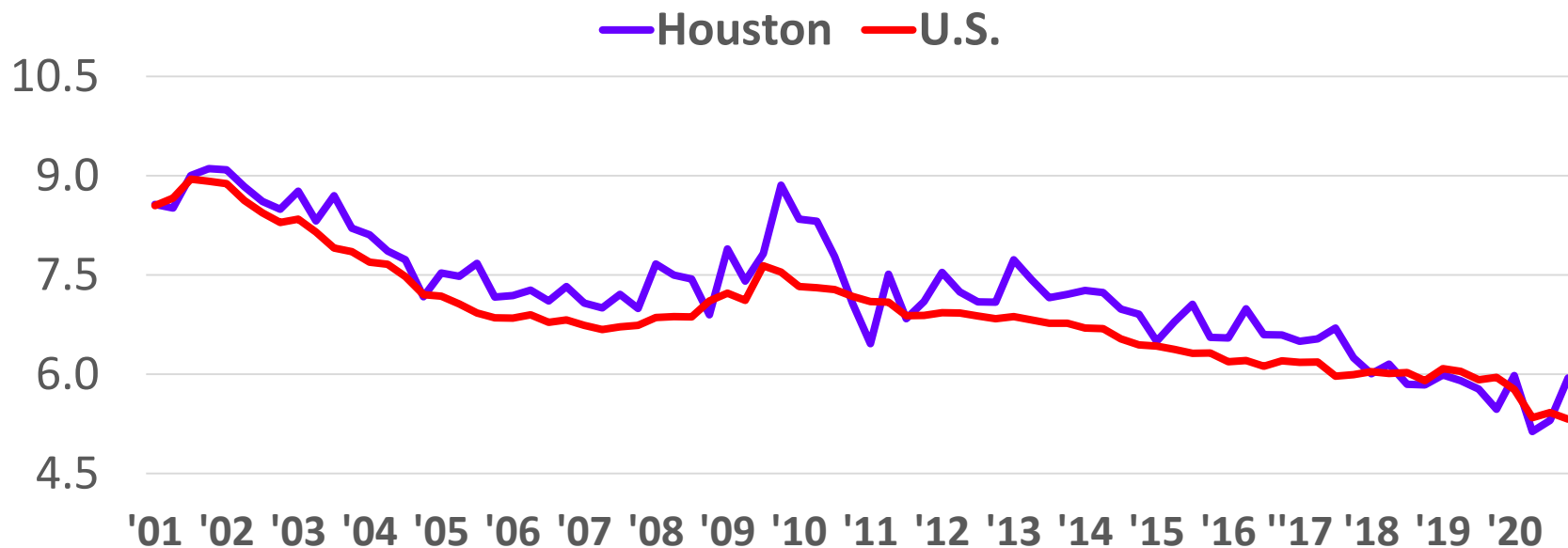


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-33.1%

U.S. & Houston Cap Rates

Percent



Tax Cut & Jobs Creation Act

BIDEN
HARRIS

Repeal
the Act

Gross Domestic Product (GDP)	-1.62%
Capital stock	-3.75%
Wage rate	-1.15%
Full-time Equivalent Jobs	-542,000
Source: Tax Foundation General Equilibrium Model, October 2020.	



TAX FOUNDATION

Corporate Tax Rate

**BIDEN
HARRIS**

28%

**TRUMP
PENCE**
MAKE AMERICA GREAT AGAIN!

21%

U.S. Currently
Ranks 19th

OECD 

Biden's Plan
Drops the
U.S. to
33rd Out of 36



TAX FOUNDATION

Capital Gains Taxes

**BIDEN
HARRIS**

43.4%

Eliminate 1031s
\$400,000+ Income

**TRUMP
PENCE**
MAKE AMERICA GREAT AGAIN!

20%

Assuming ACA
Ruled Unconstitutional



TAX FOUNDATION

Housing

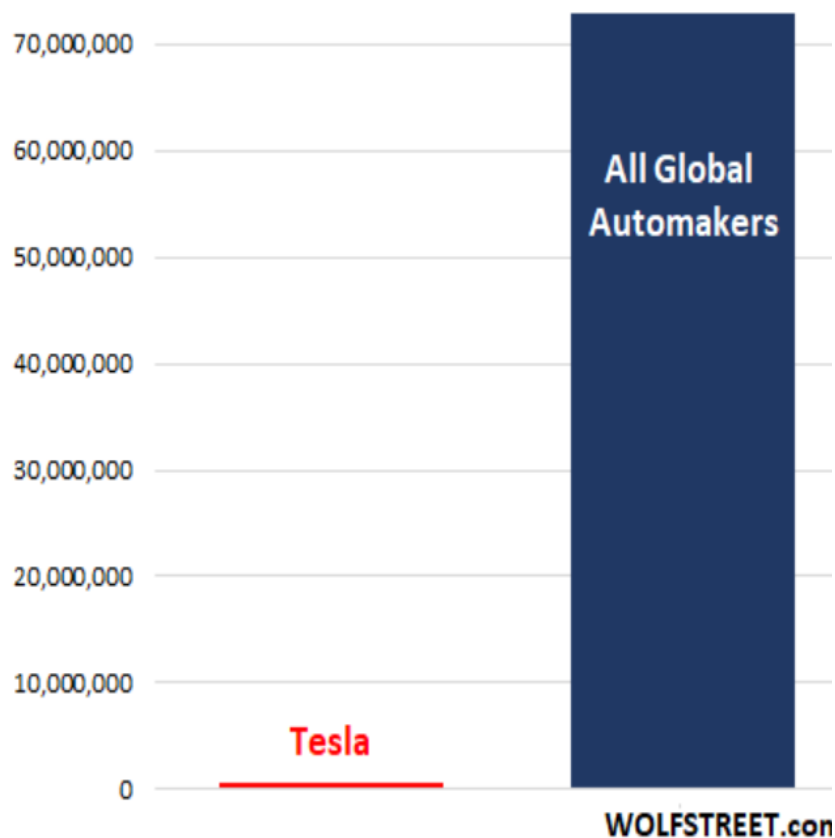
\$640 Billion 10-Year Plan



- Expand Voucher System
- State Affordable Housing Expansion
- Mitigation of Discriminatory Practices from Obama Era
- Restore Fair-Housing Rules

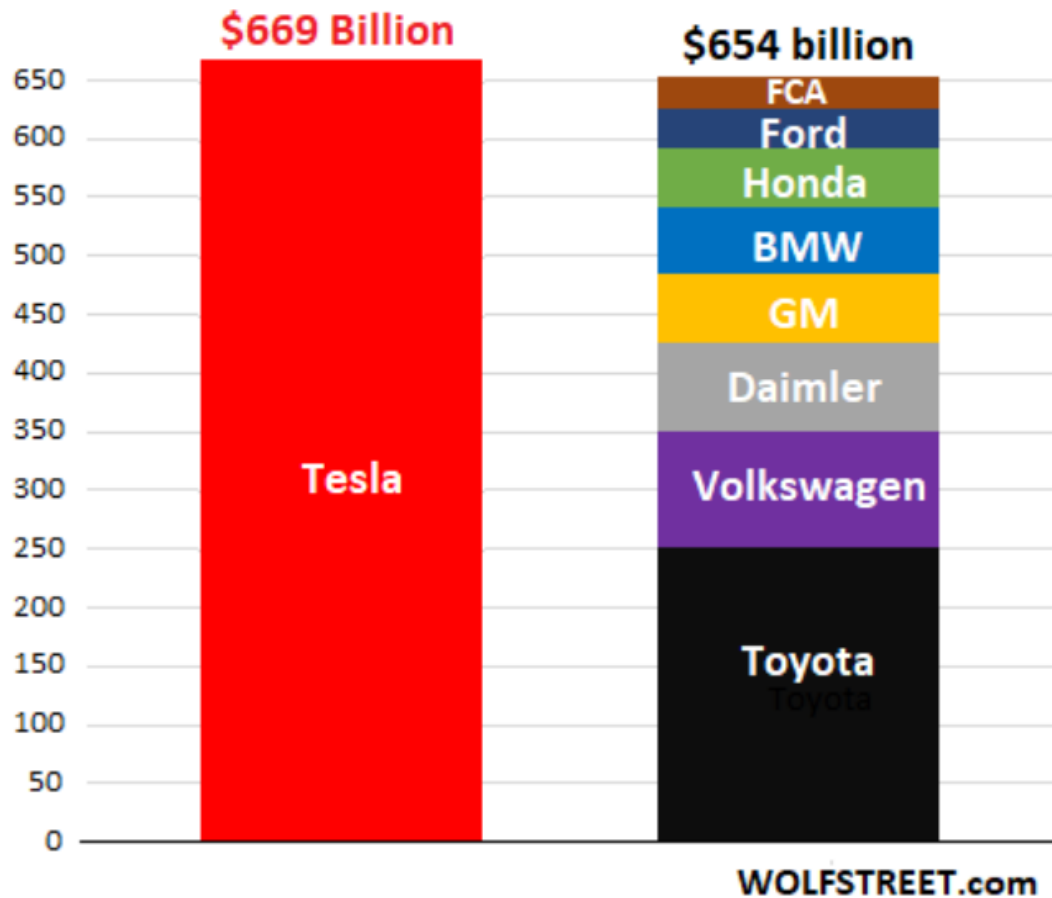
Global Deliveries in 2020 (est.):

Tesla v. **All Automakers**



Market Capitalization, in USD

On Dec 31 2020





DrTCJ

<http://blog.stewart.com>

stewart.com

Stewart Blog

THE 3 R's

OF REAL ESTATE AND THE ECONOMY



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