

Déjà Vu All Over Again

An Economic and Real Estate Forecast for 2012

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

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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**

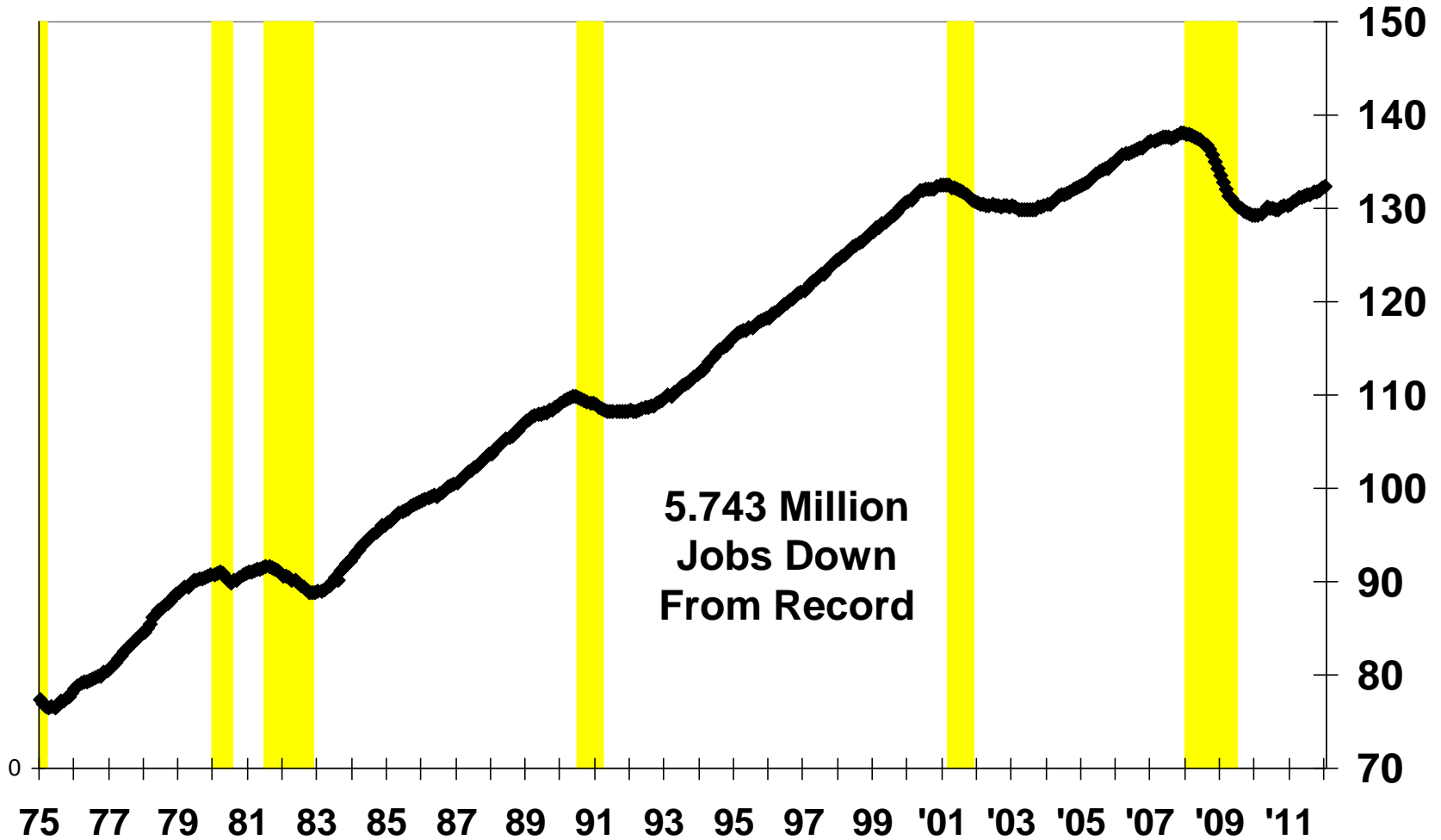
Mega Themes

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

U.S. Job Numbers

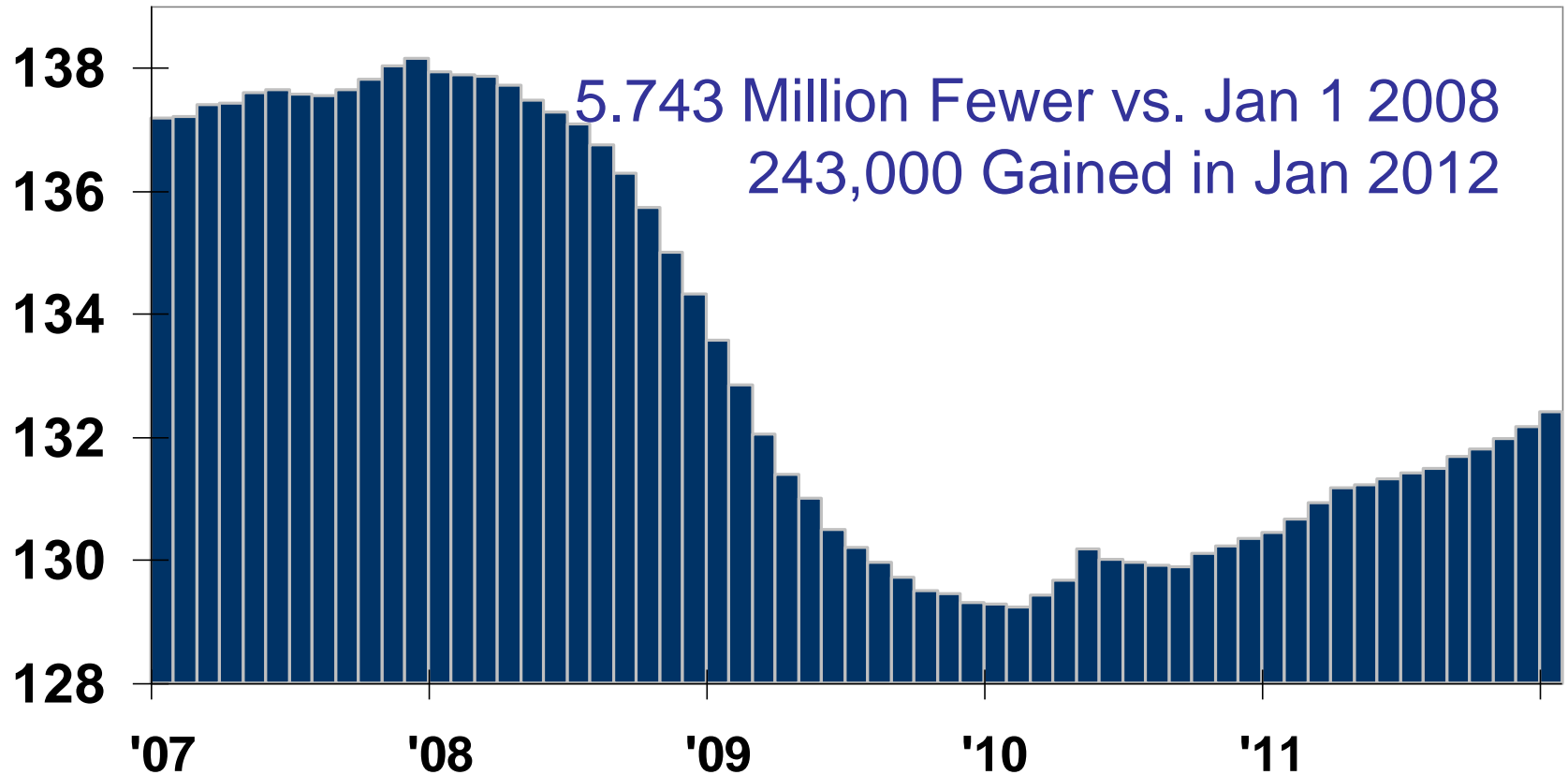
Millions of Jobs
Seasonally-Adjusted

 Recession



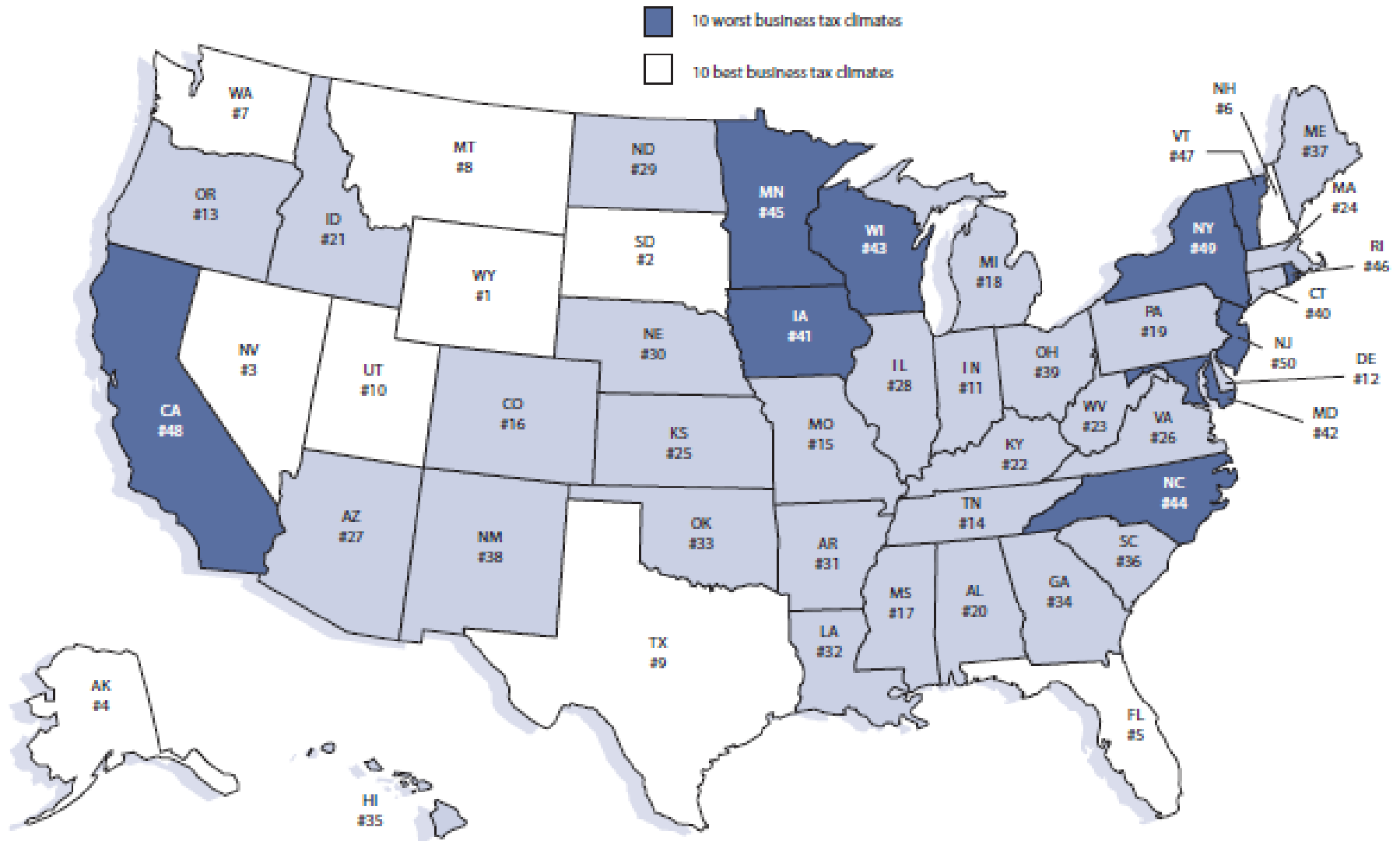
U.S. Job Numbers

Jobs (Millions) *Seasonally Adjusted*



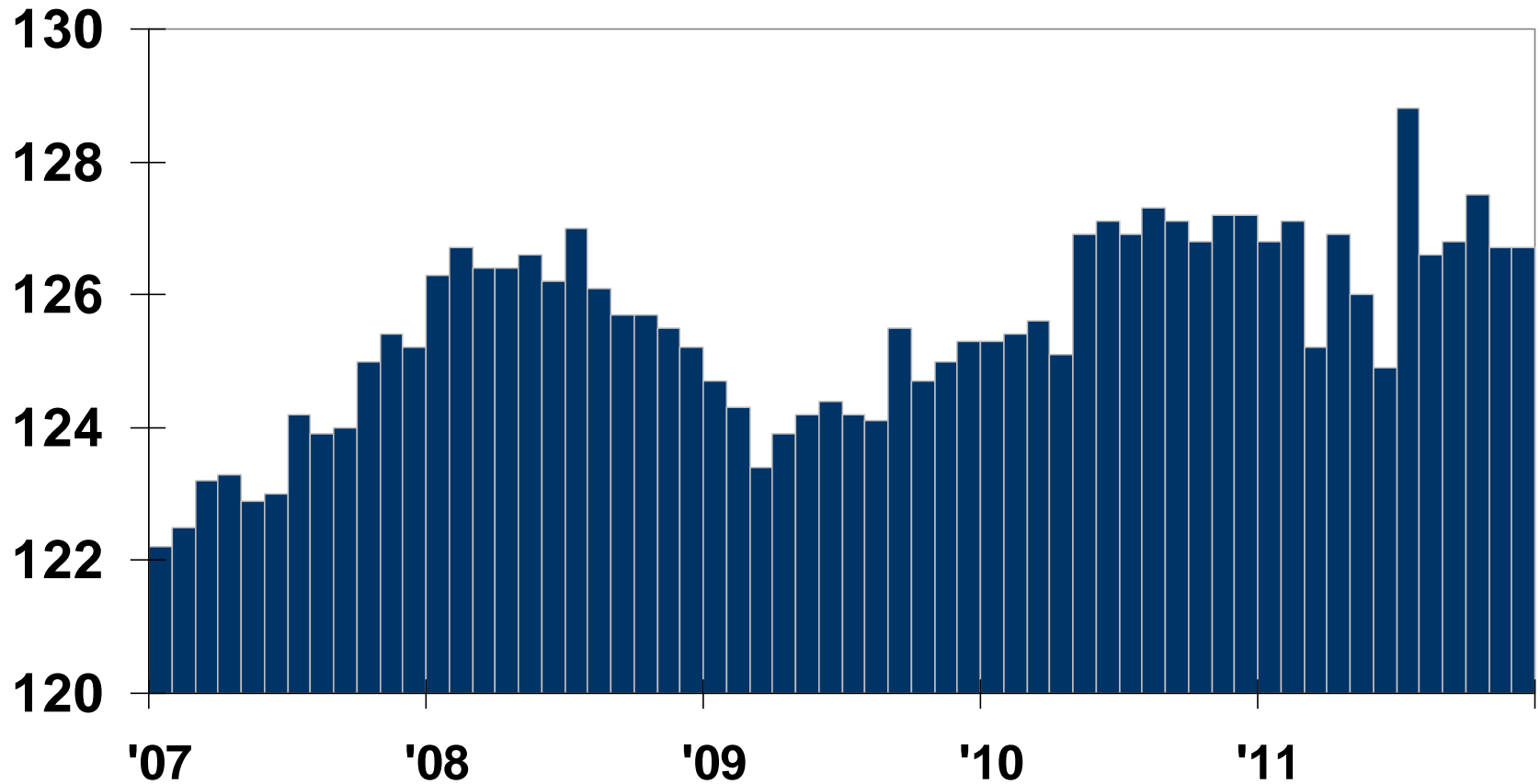
Texas 9th Best Business Tax Environment

State Business Tax Climate Index, Fiscal Year 2012



Brownsville-Harlingen Jobs

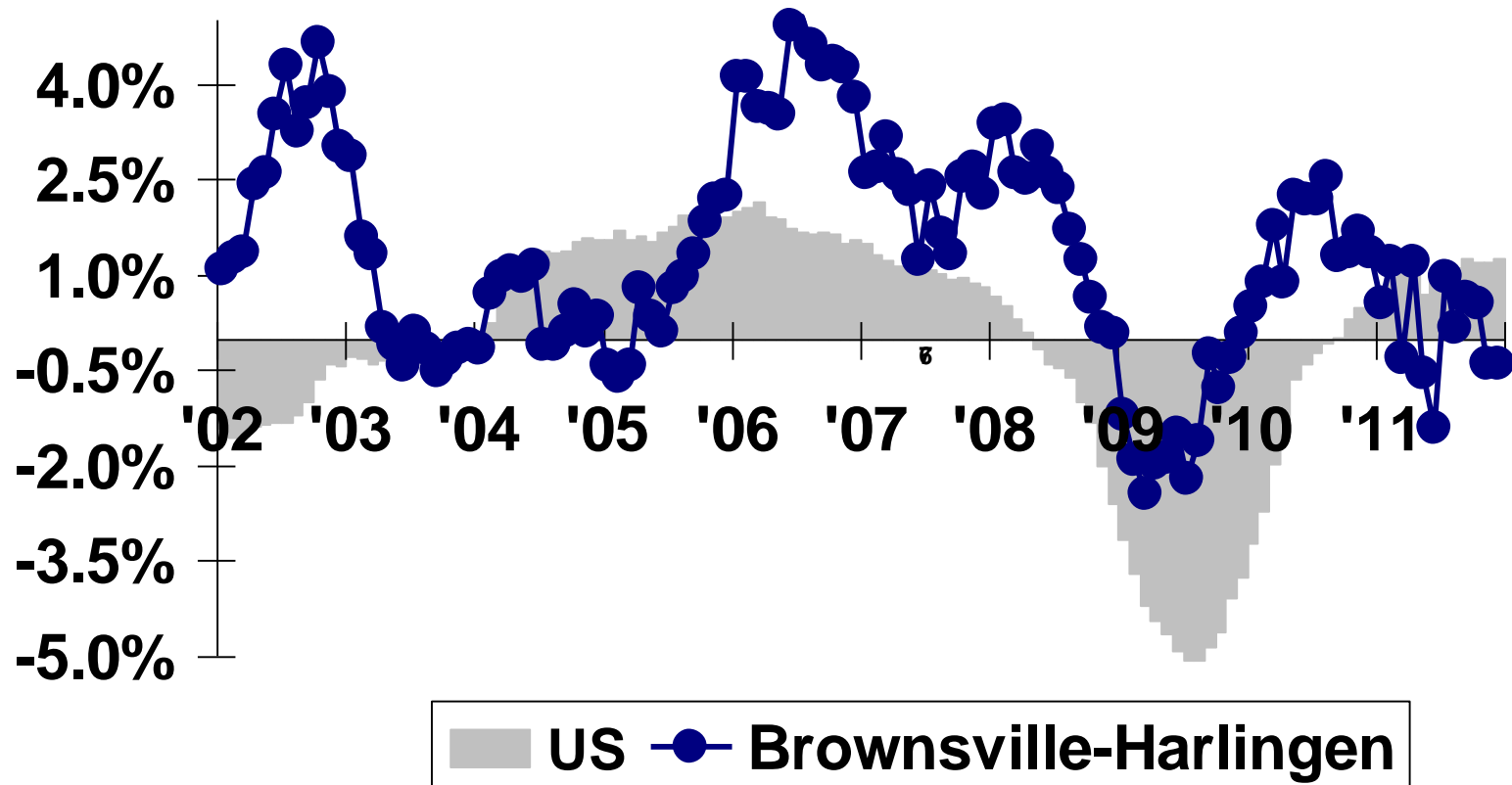
Jobs (Thousands) *Seasonally Adjusted*



Brownsville-Harlingen Jobs

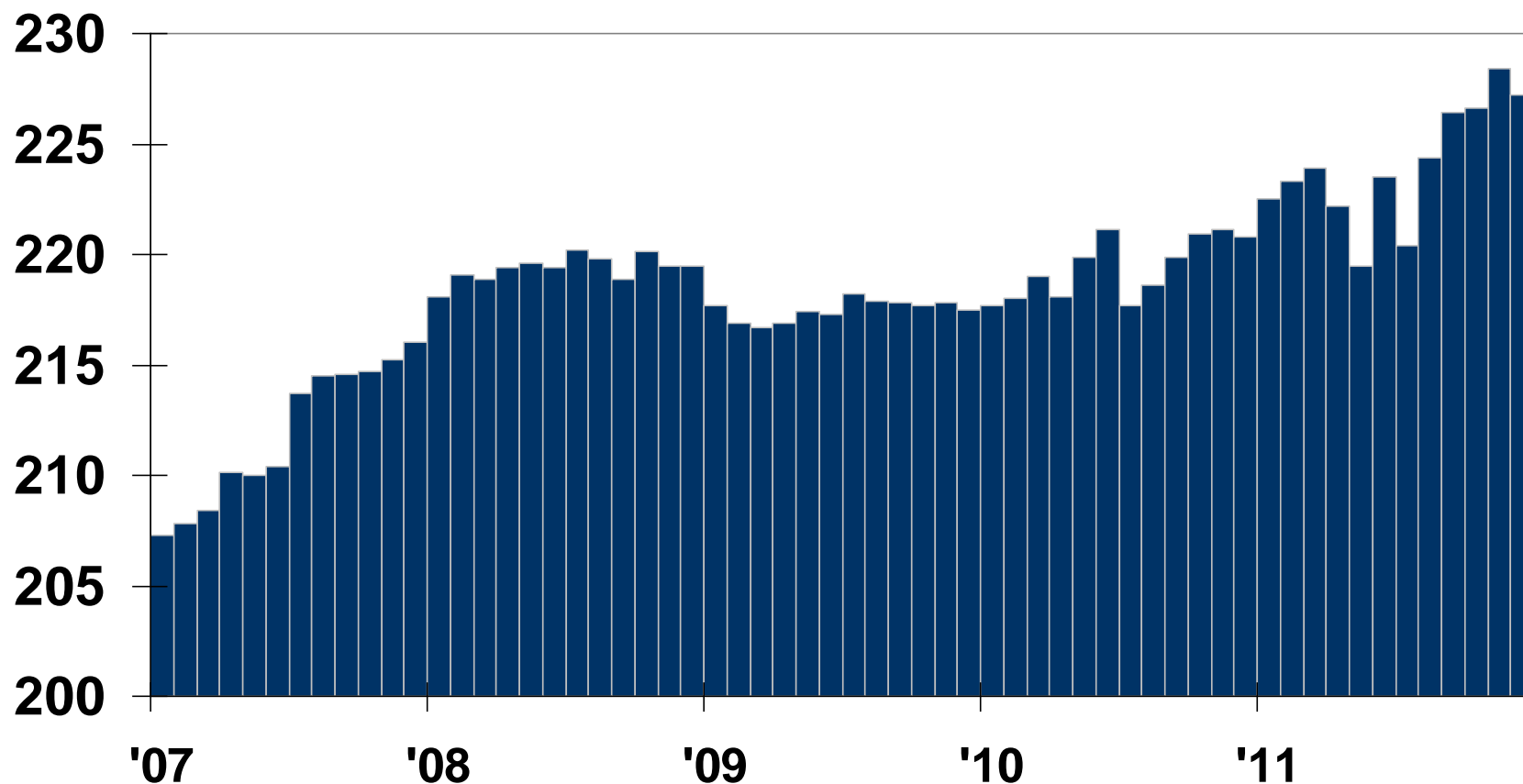
Percent Change from Same Month Prior Year

Not Seasonally Adjusted



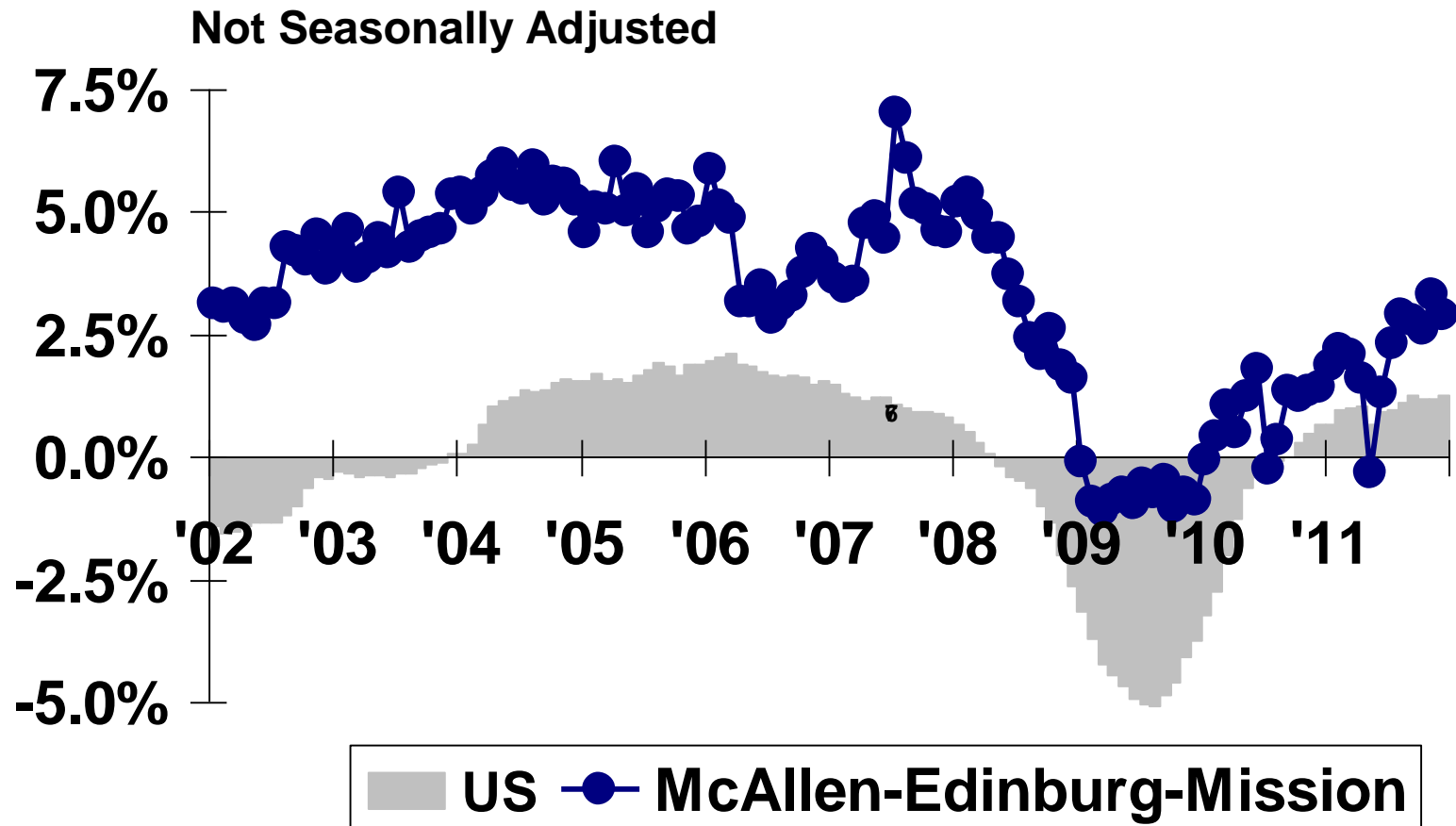
McAllen – Edinburg – Mission Jobs

Jobs (Thousands) *Seasonally Adjusted*



McAllen-Edinburg-Mission Jobs

Percent Change from Same Month Prior Year



6,500 Net New Jobs in Last 12 Months

Cost of Living Comparison

Salary Level Requirement for Equal Standard of Living

Kansas City, KS	\$	96,853	Pittsburgh	\$	109,527
Huntsville	\$	96,926	New Orleans	\$	110,667
Oklahoma City	\$	98,476	Phoenix	\$	110,796
Indianapolis	\$	99,694	Milwaukee	\$	114,614
McAllen	\$	100,000	Minneapolis-St Paul	\$	117,289
Houston	\$	100,943	Atlanta	\$	117,539
Spartanburg	\$	101,161	Dallas	\$	118,065
Nashville	\$	101,910	Denver	\$	118,507
Albuquerque	\$	101,920	Seattle	\$	130,108
Columbus	\$	104,376	Chicago	\$	137,871
Detroit	\$	107,800	San Jose	\$	146,715
Salt Lake City	\$	107,841	Los Angeles	\$	168,567
Jacksonville	\$	108,028	New York City	\$	194,580

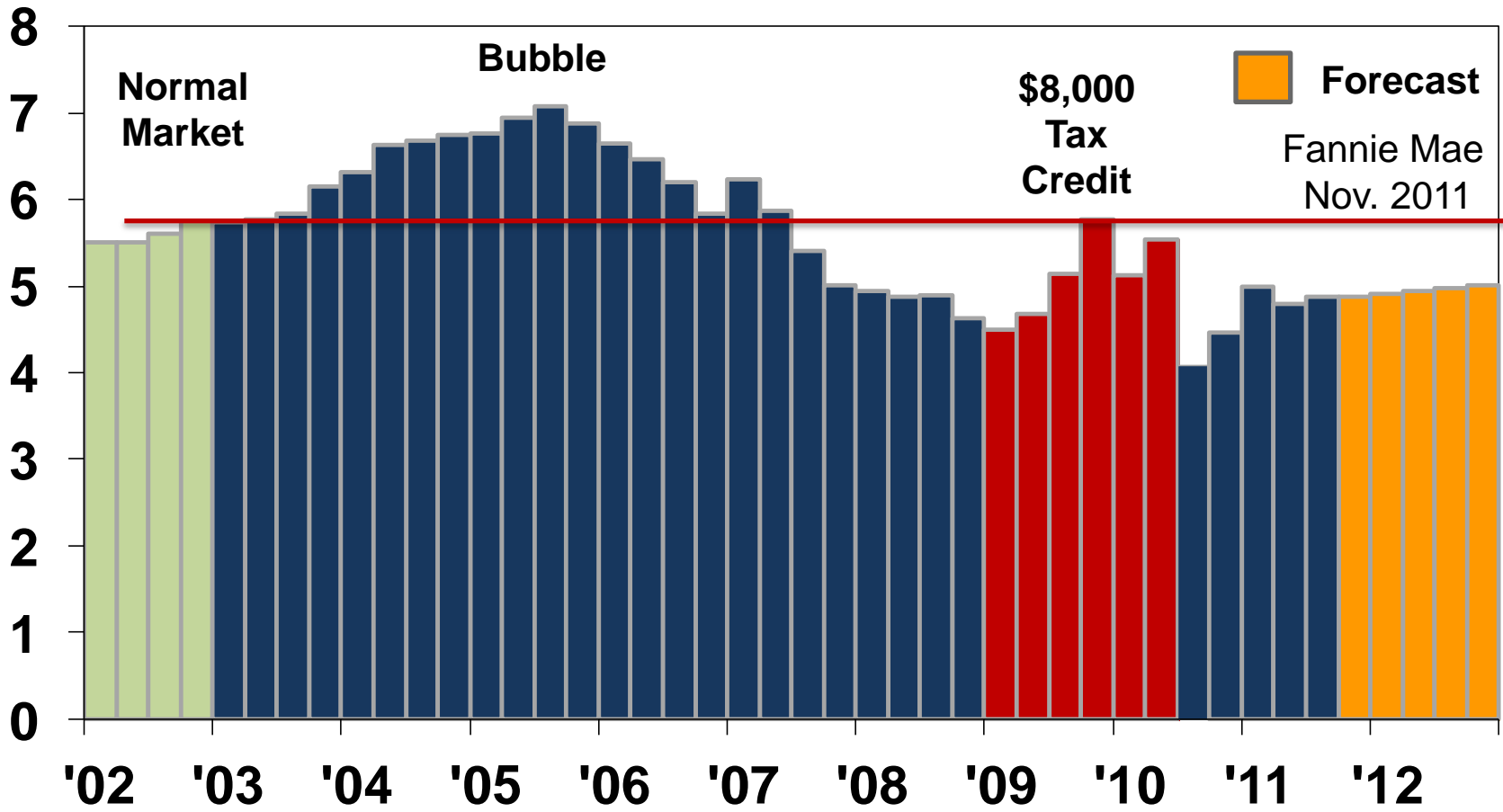
Assumes Living and Working in the Same City

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

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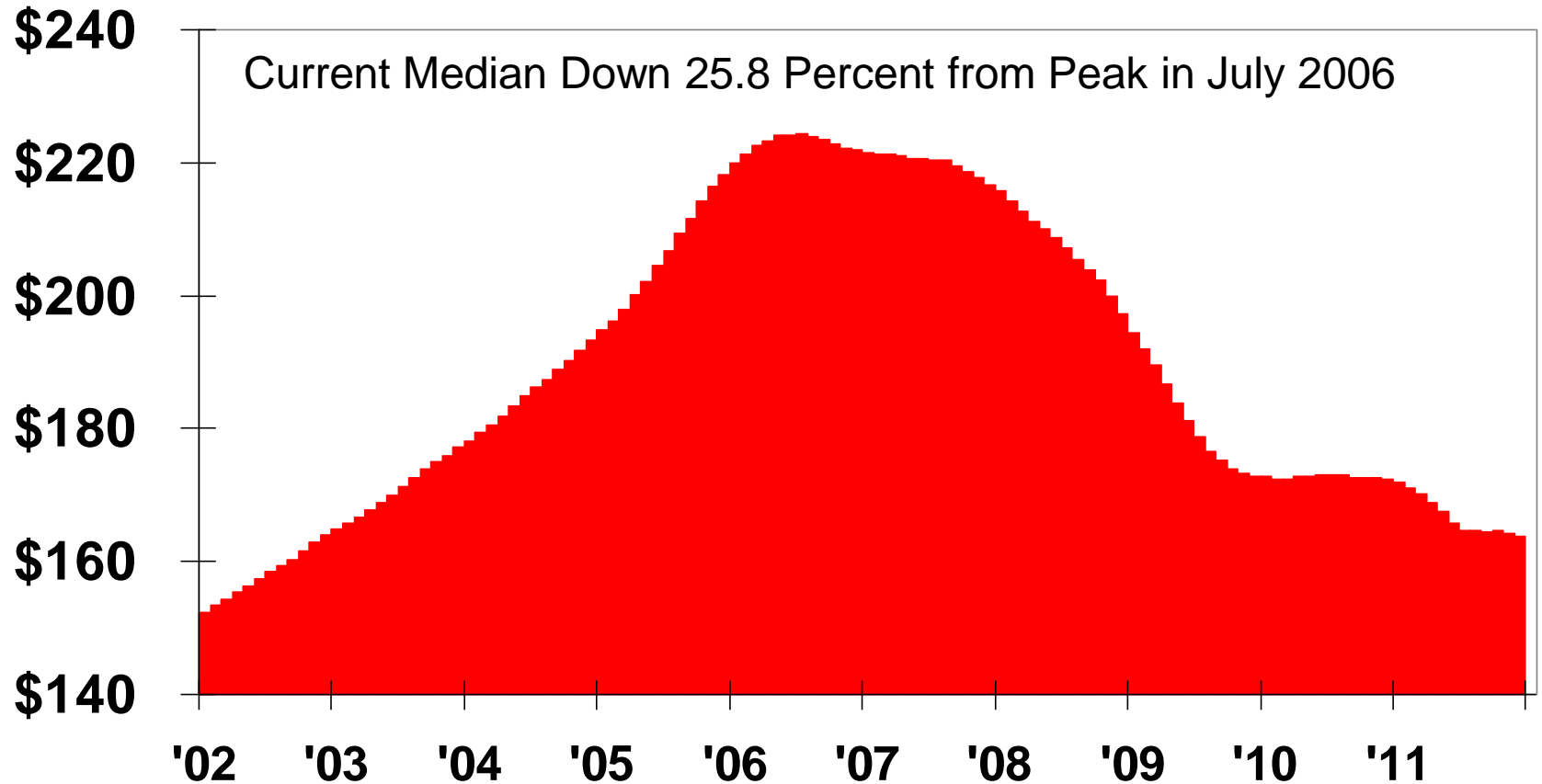
U.S. Existing Housing Sales

Seasonally Adjusted Annualized Rate - \$ Millions



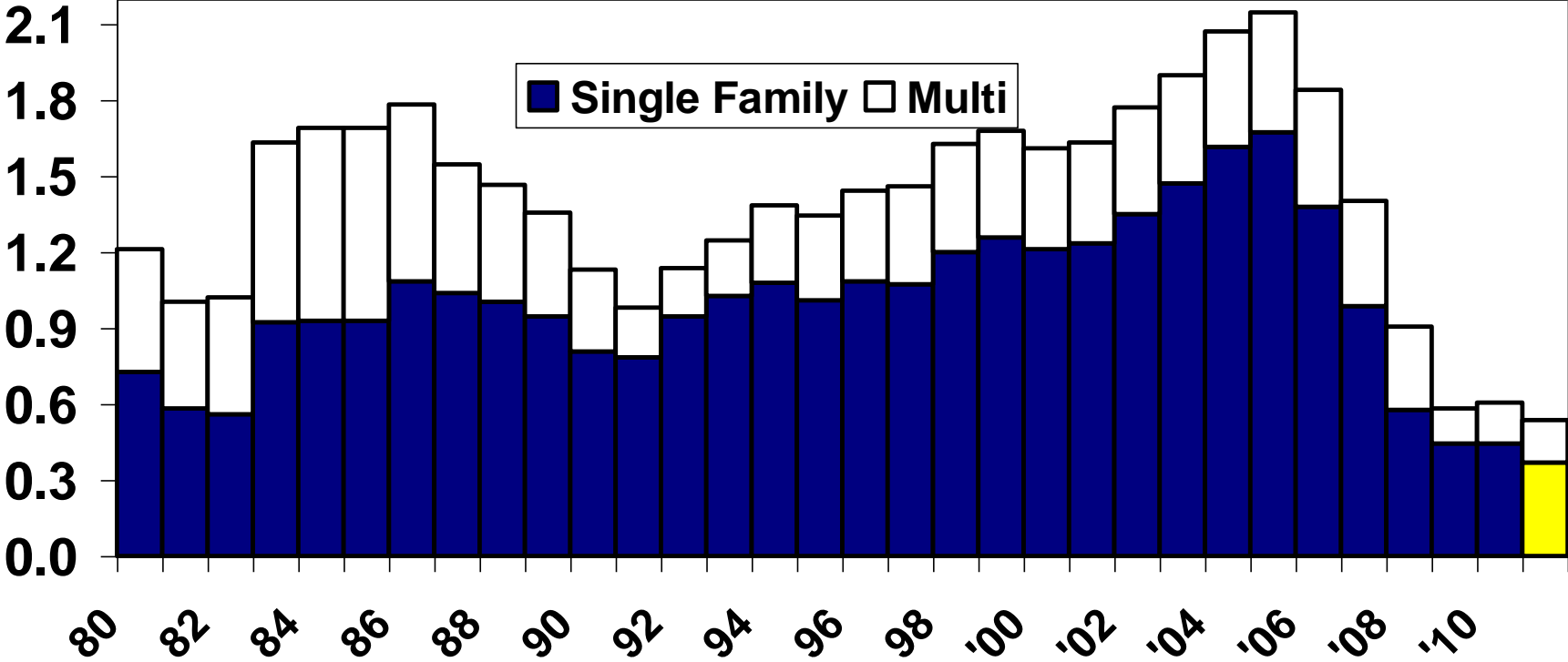
U.S. Existing Home Sales

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



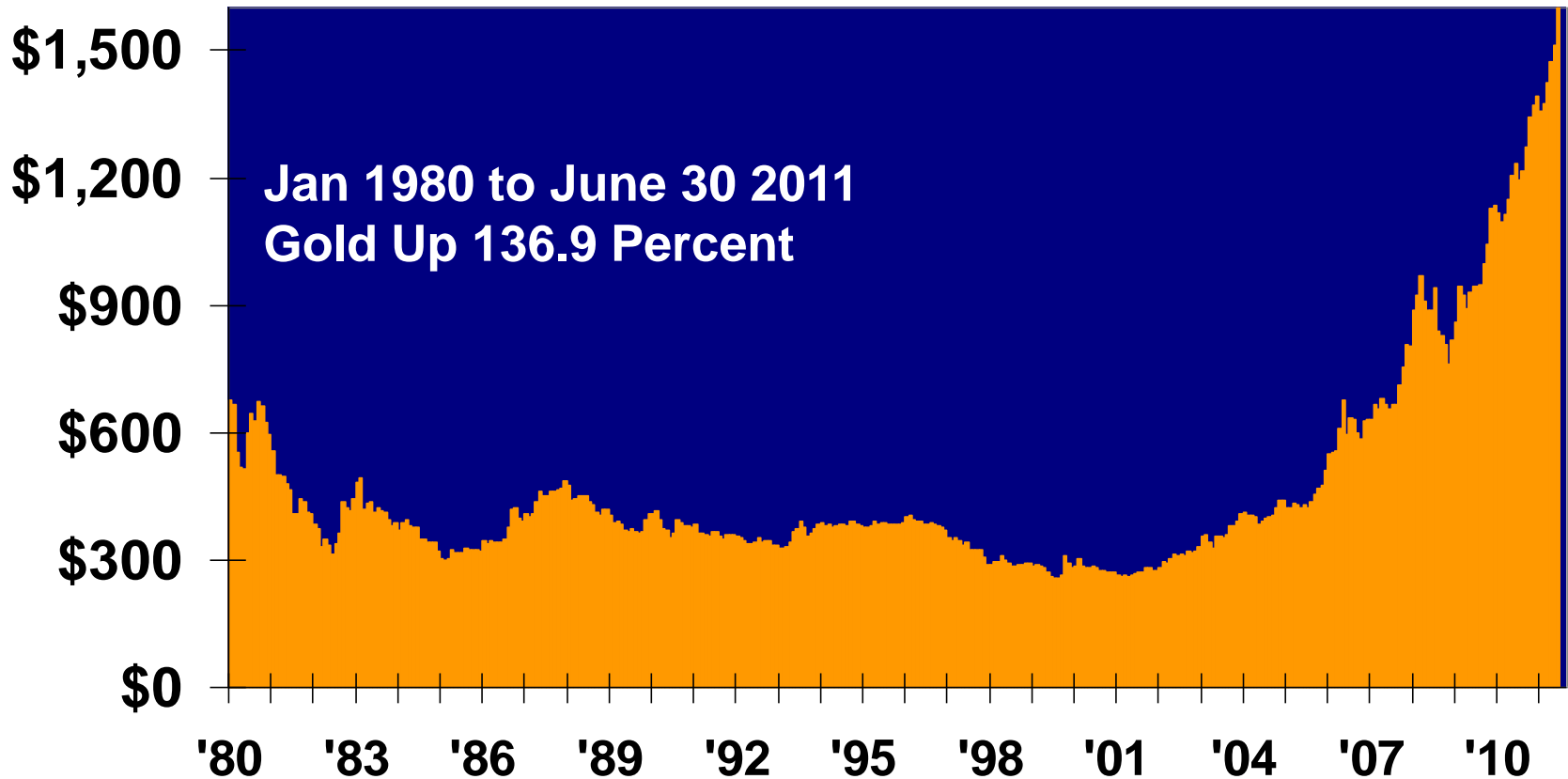
U.S. Residential Building Permits

Number of Dwelling Units -- *Millions*



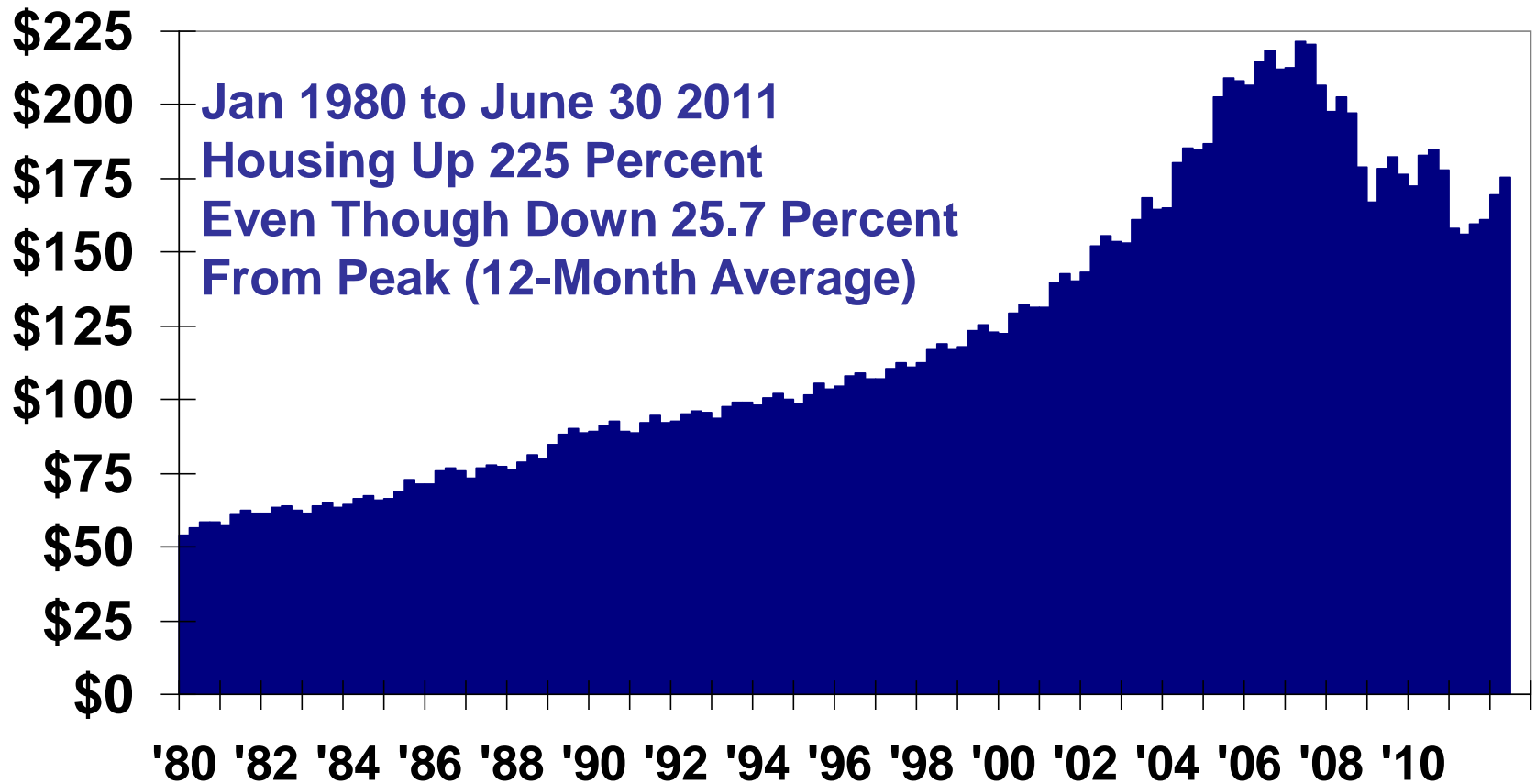
Gold

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



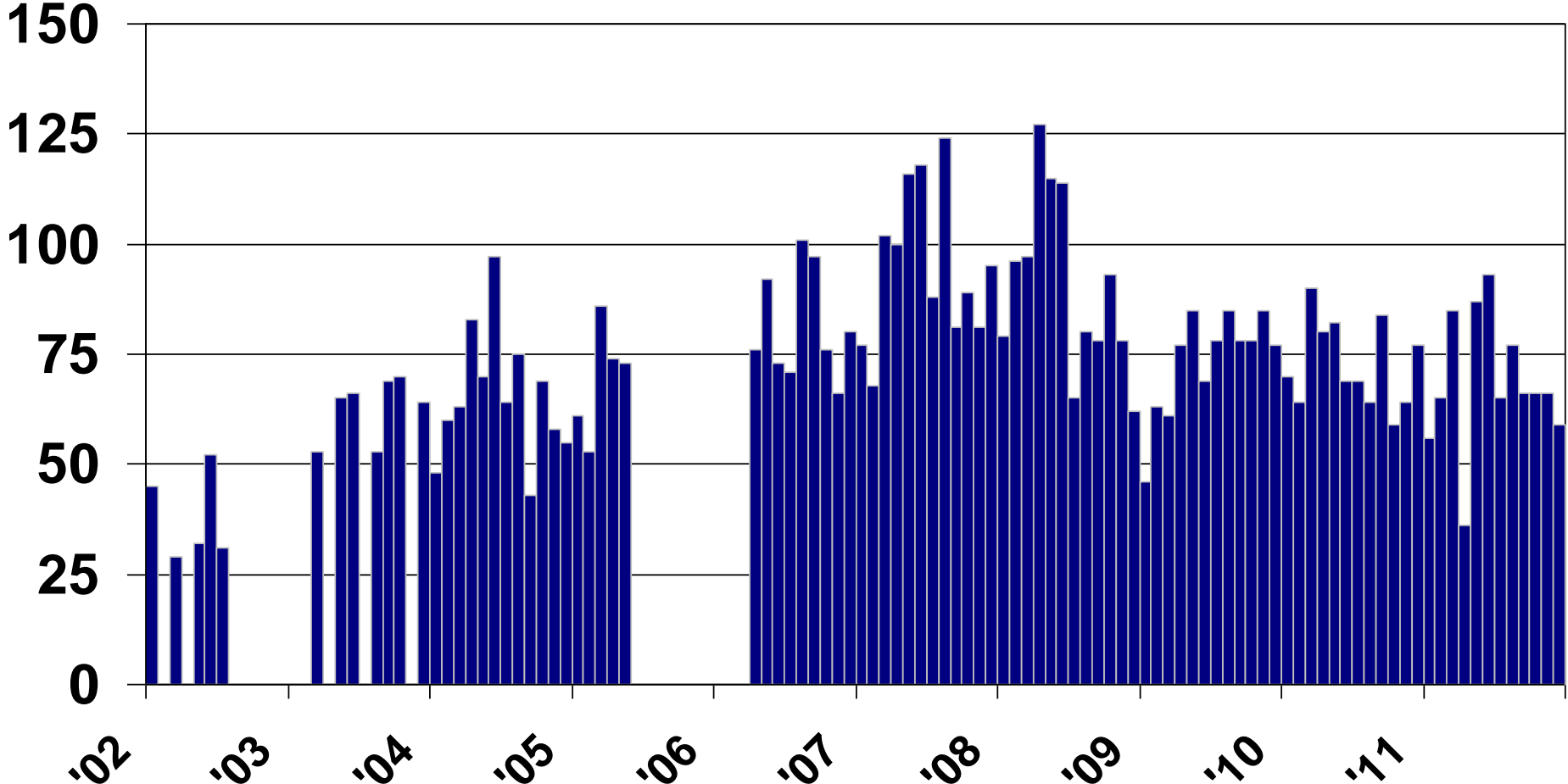
Existing Home Prices

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



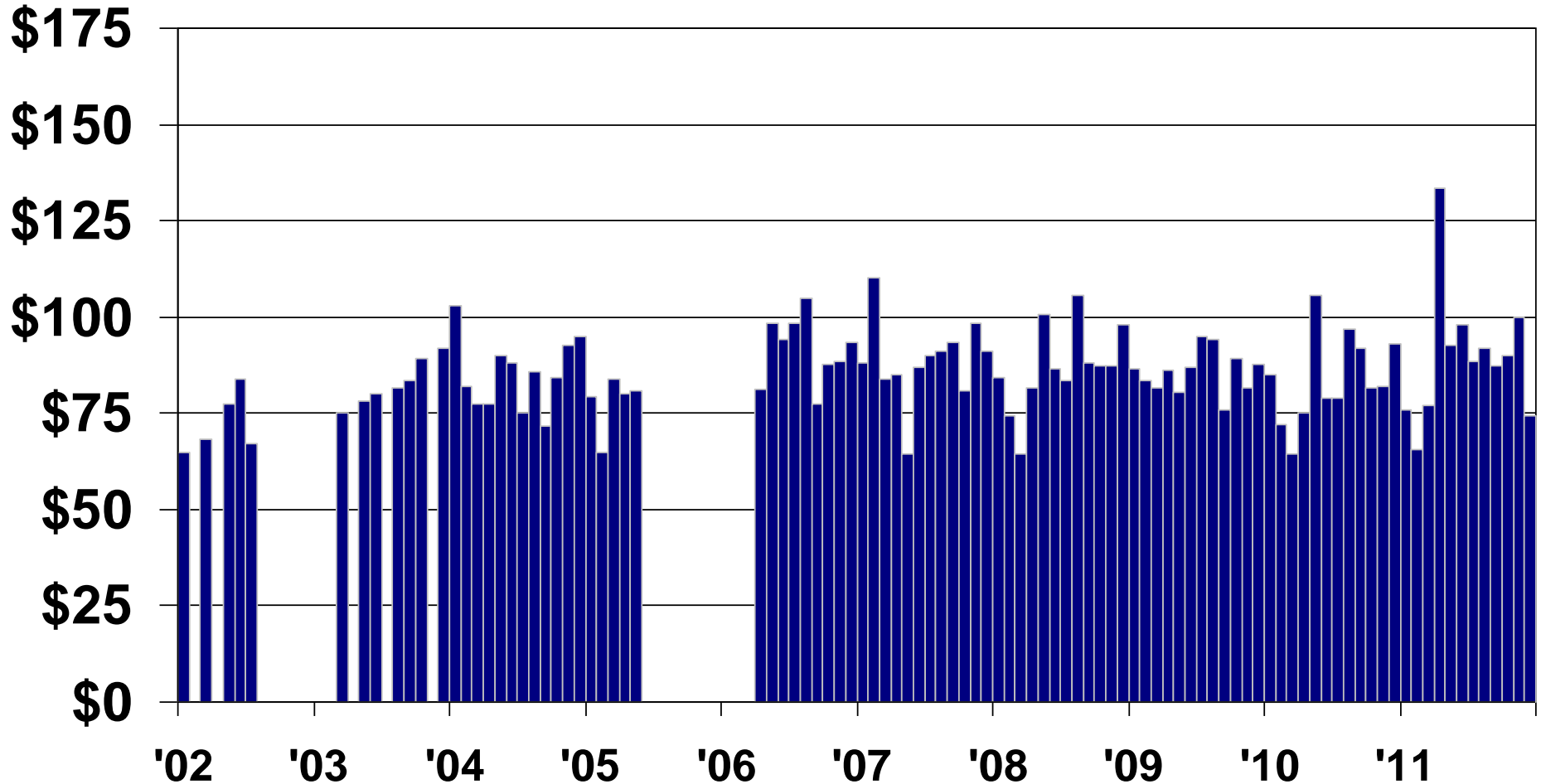
Harlingen Existing Home Sales

Closings Per Month



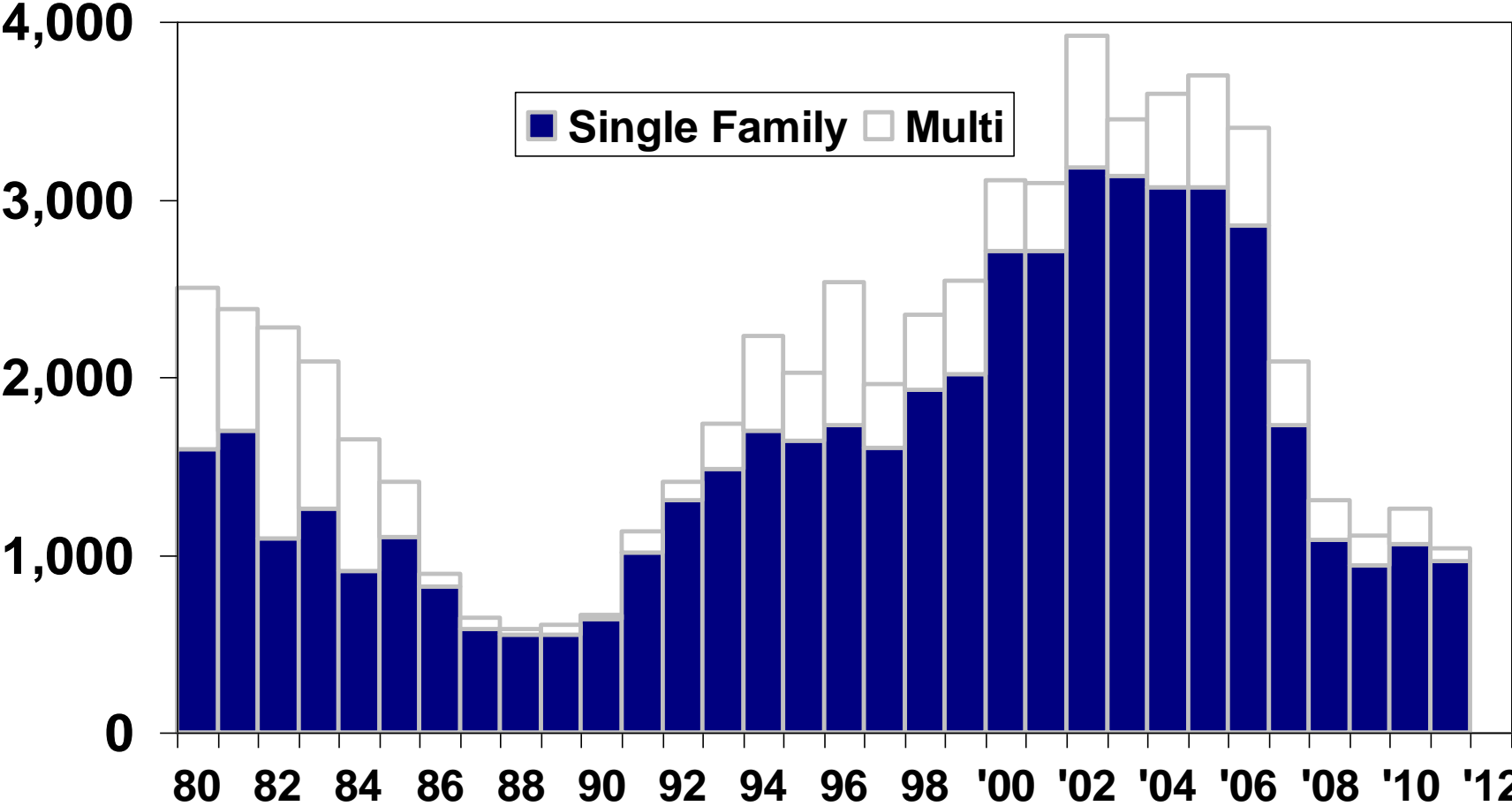
Harlingen Existing Home Prices

Median Price \$ *Thousands*



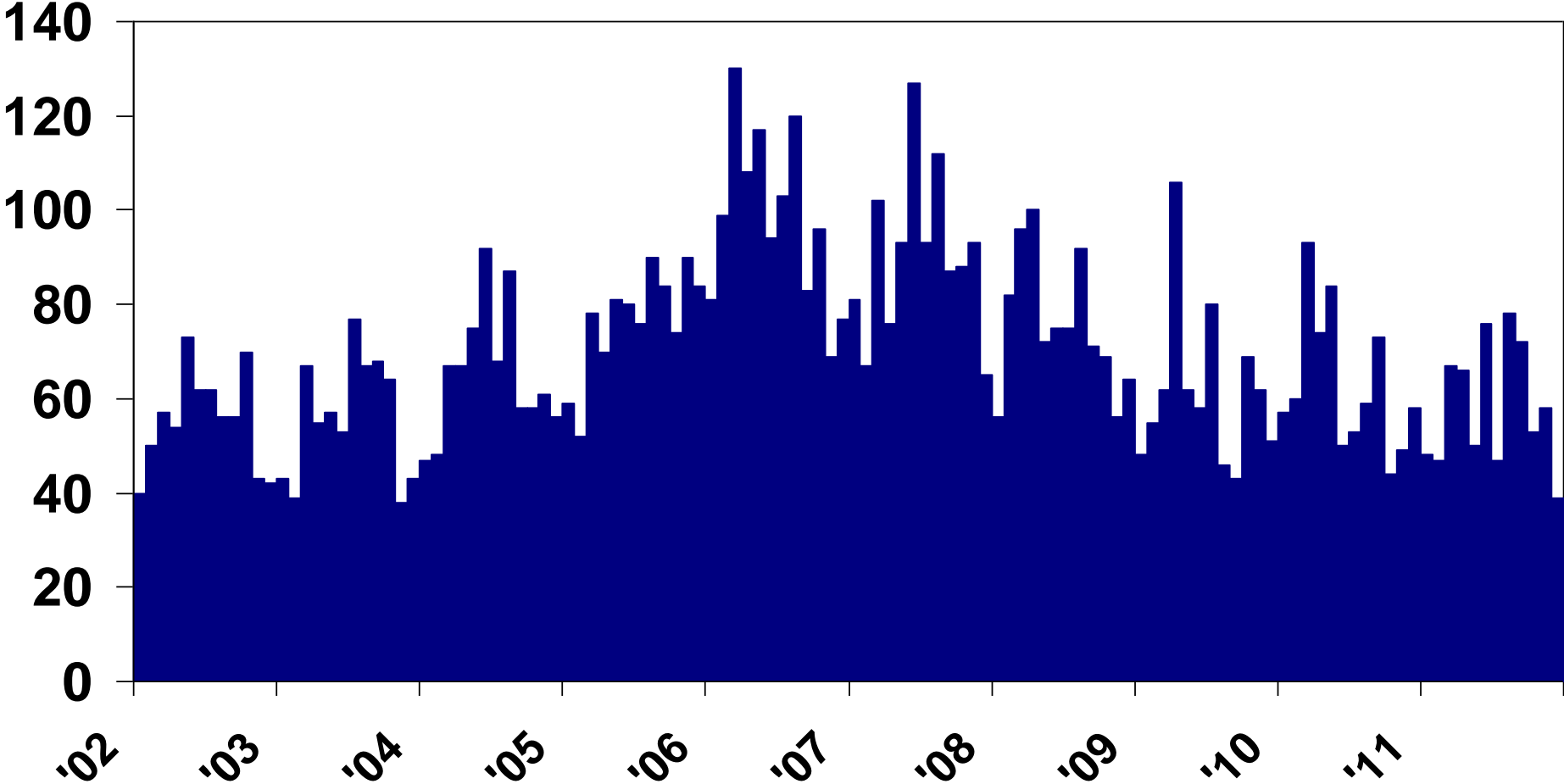
Brownsville-Harlingen Building Permits

Number of Dwelling Units -- *Thousands*



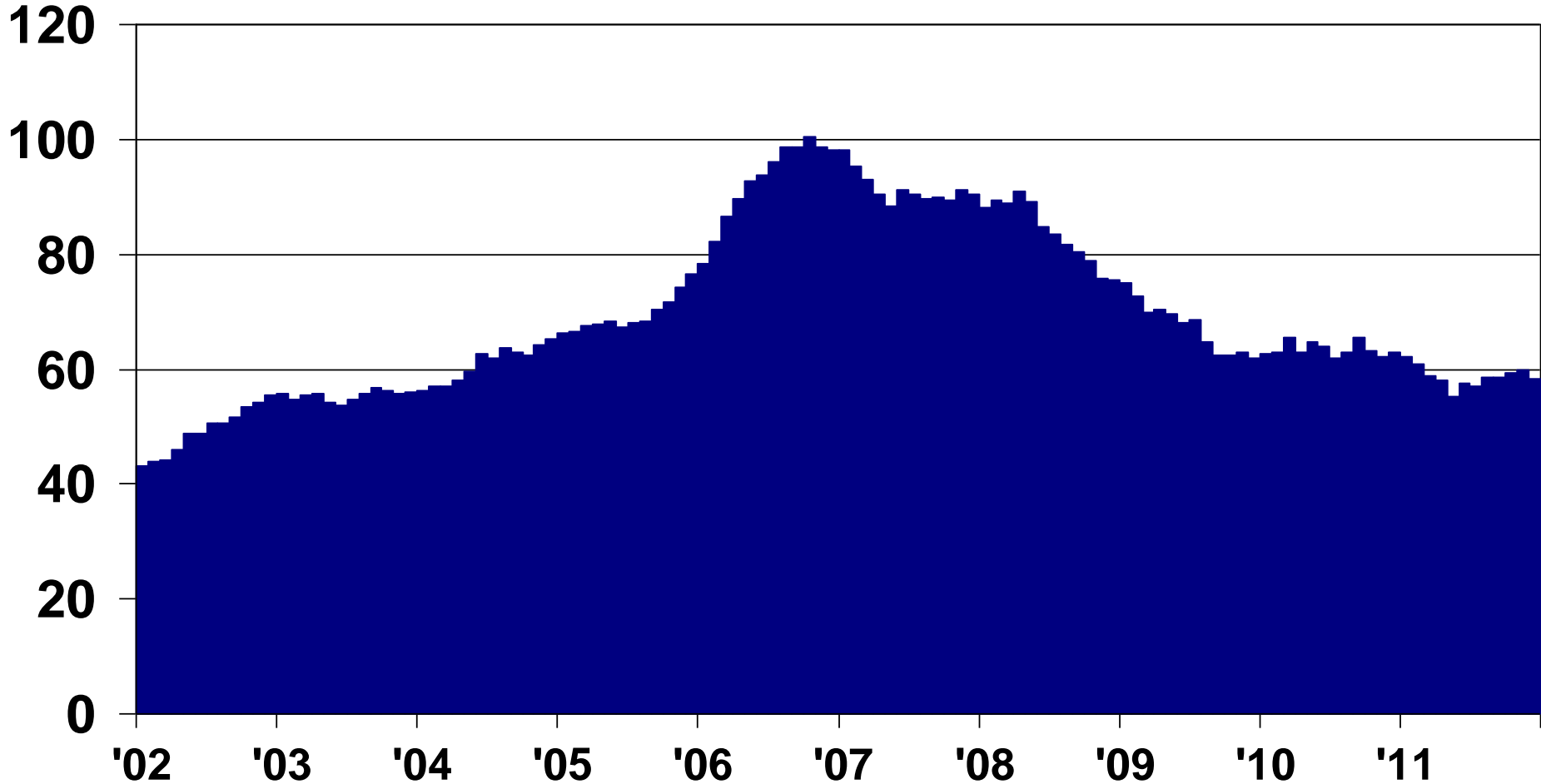
Brownsville Existing Home Sales

Number Per Month



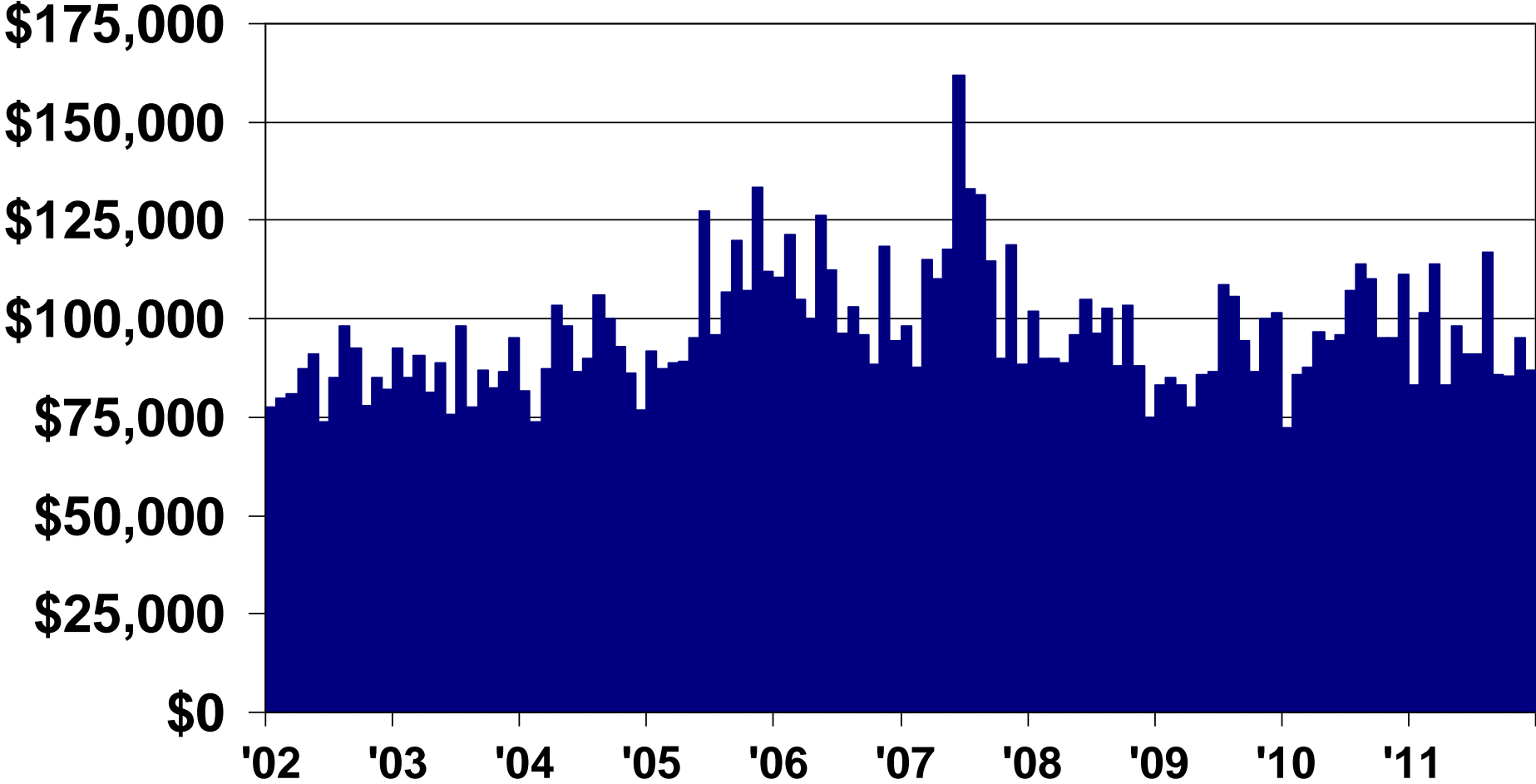
Brownsville Existing Home Sales

Average Number Per Month For Prior 12 Months



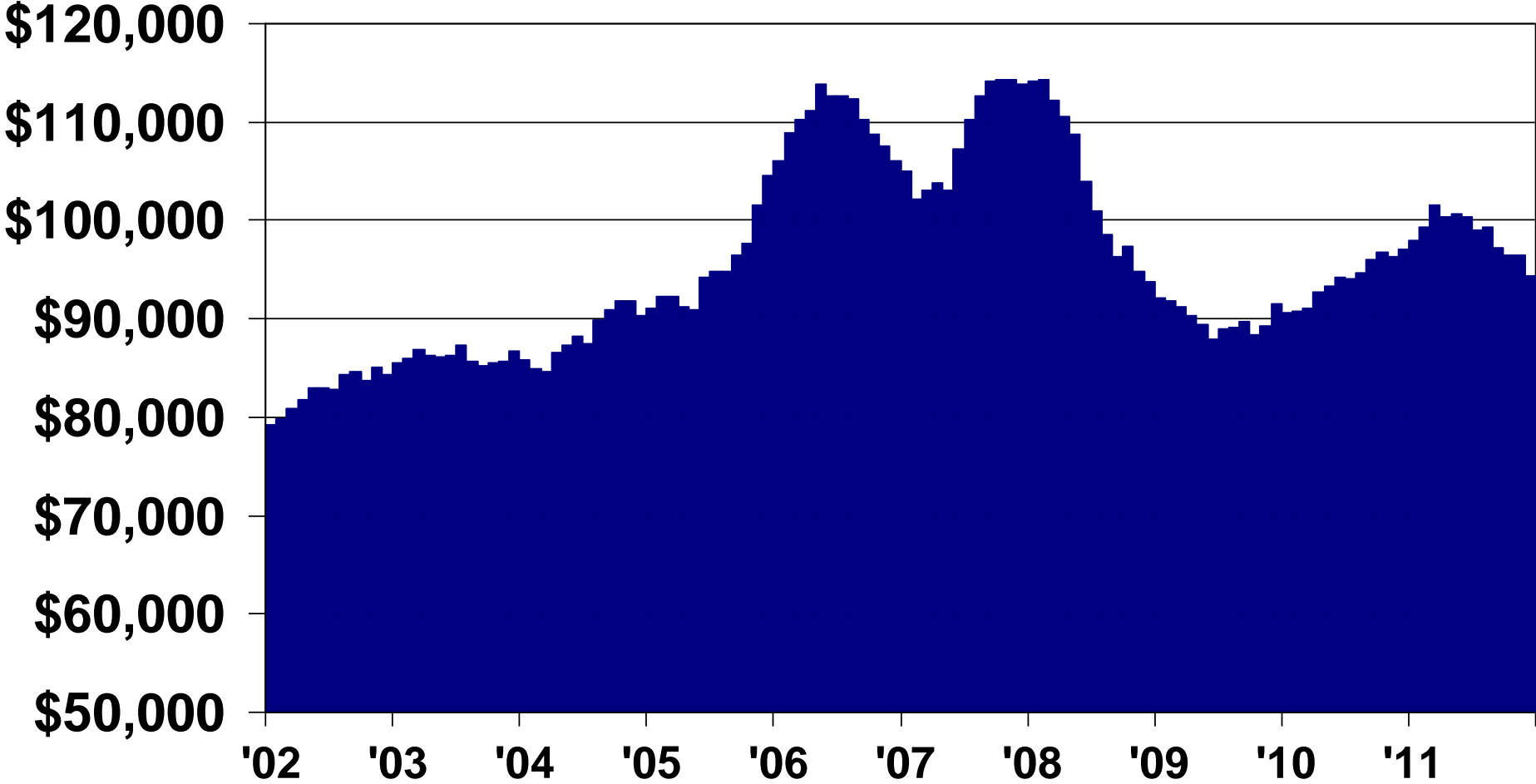
Brownsville Existing Home Prices

Median Price



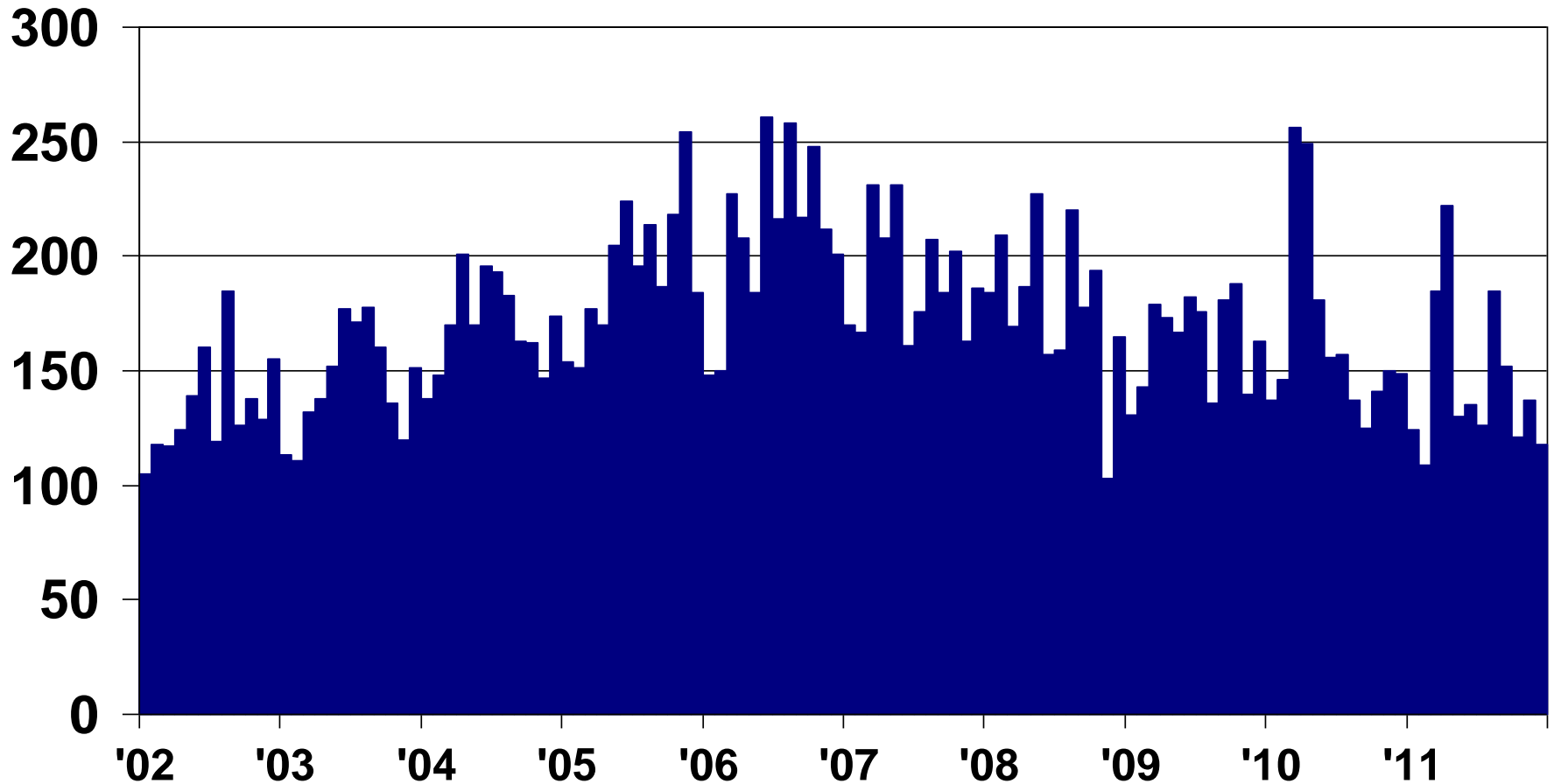
Brownsville Existing Home Prices

Median Price *Prior 12 Month Average*



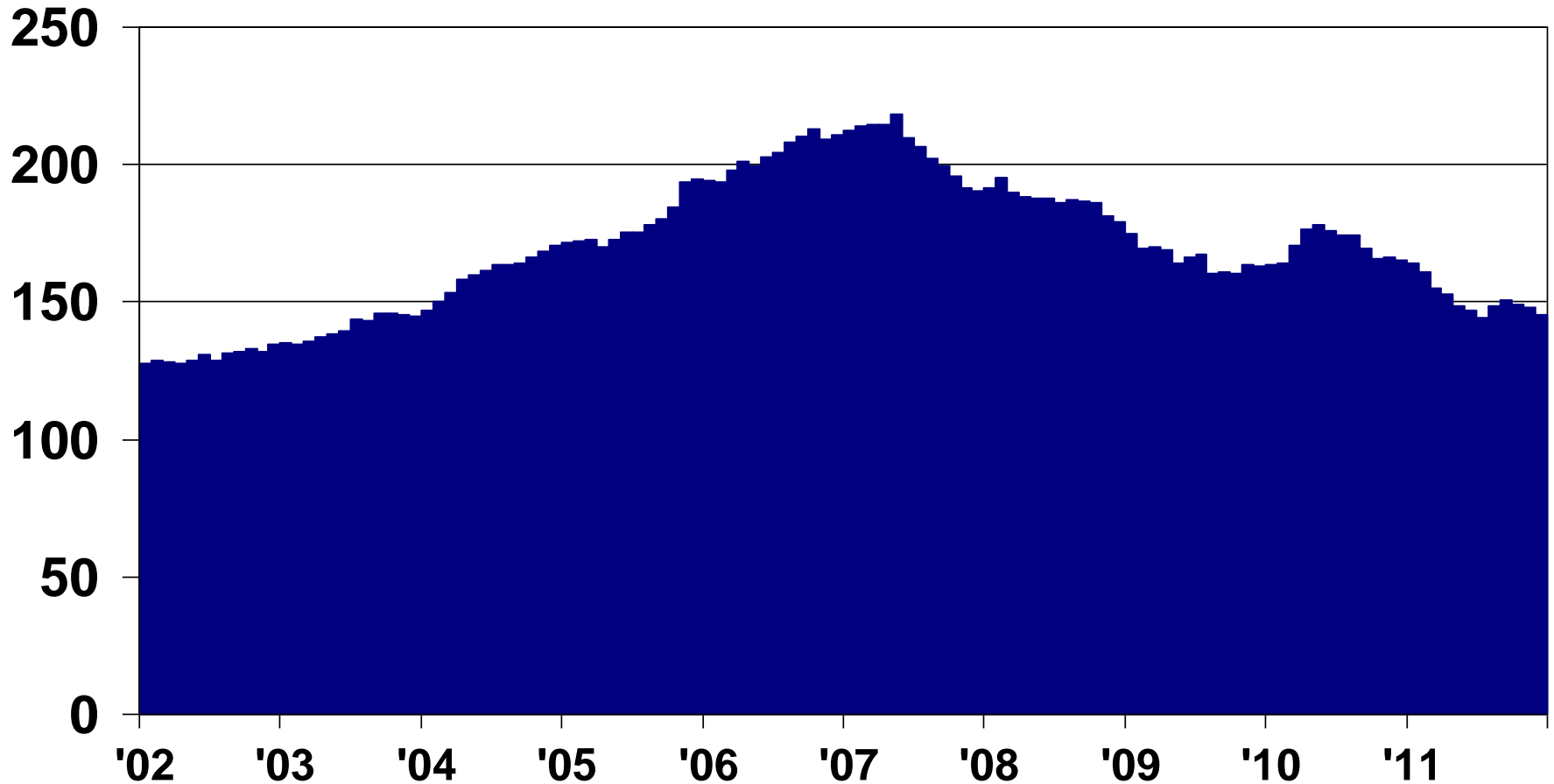
McAllen Residential Closings

Number Per Month



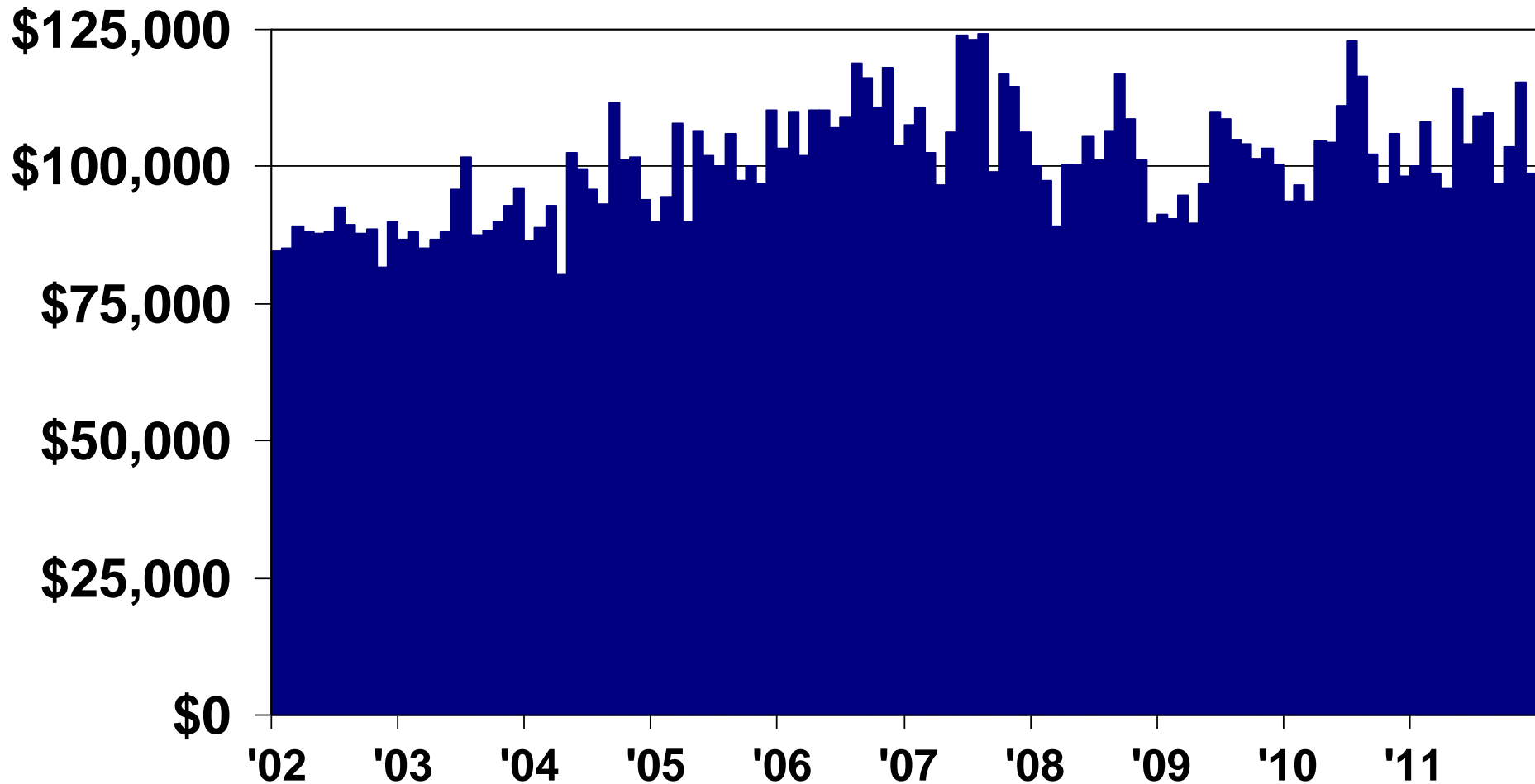
McAllen Residential Closings

Average Number Per Month For Prior 12 Months



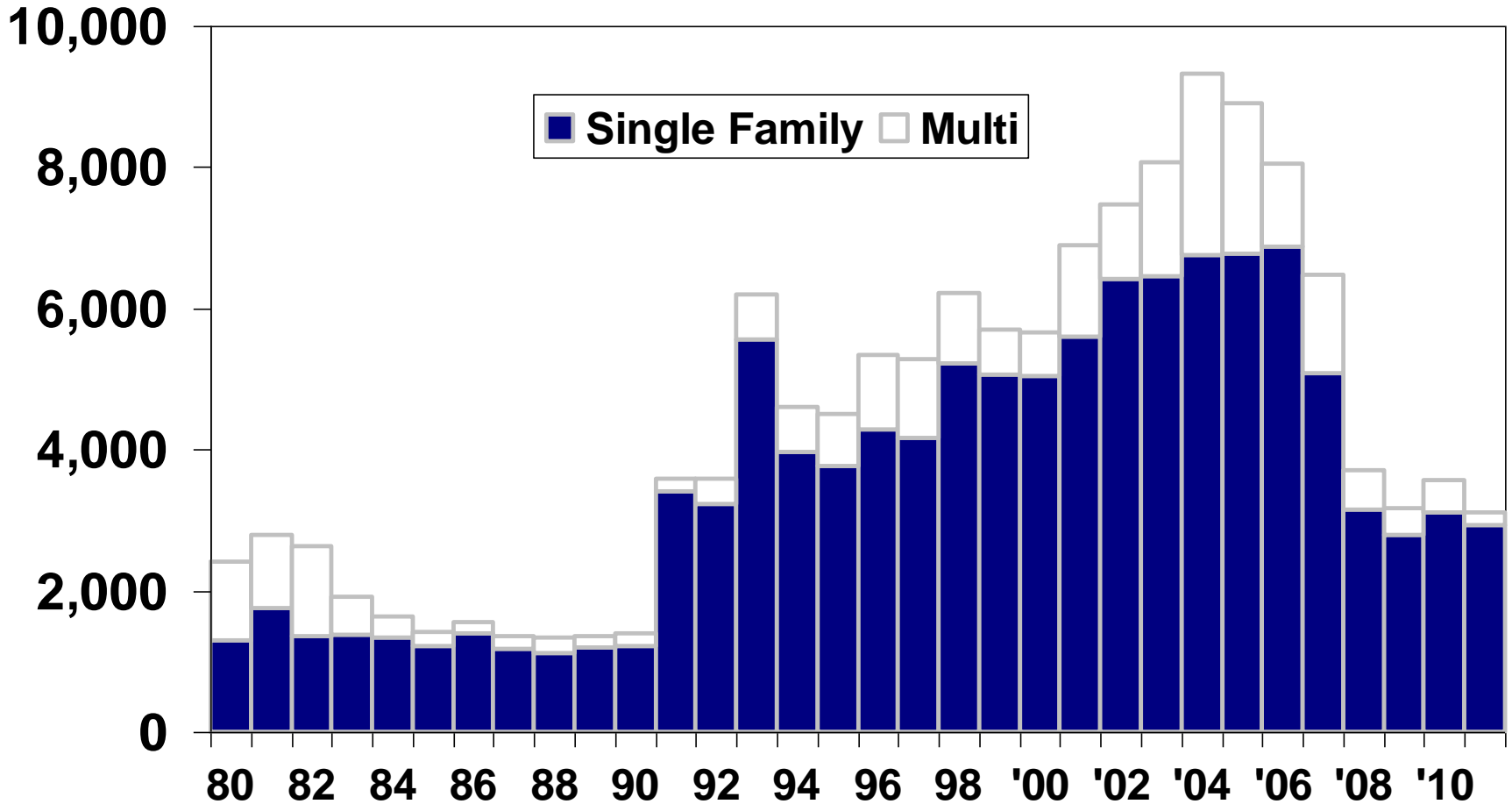
McAllen Median Home Price

Median Price



McAllen-Edinberg-Mission Building Permits

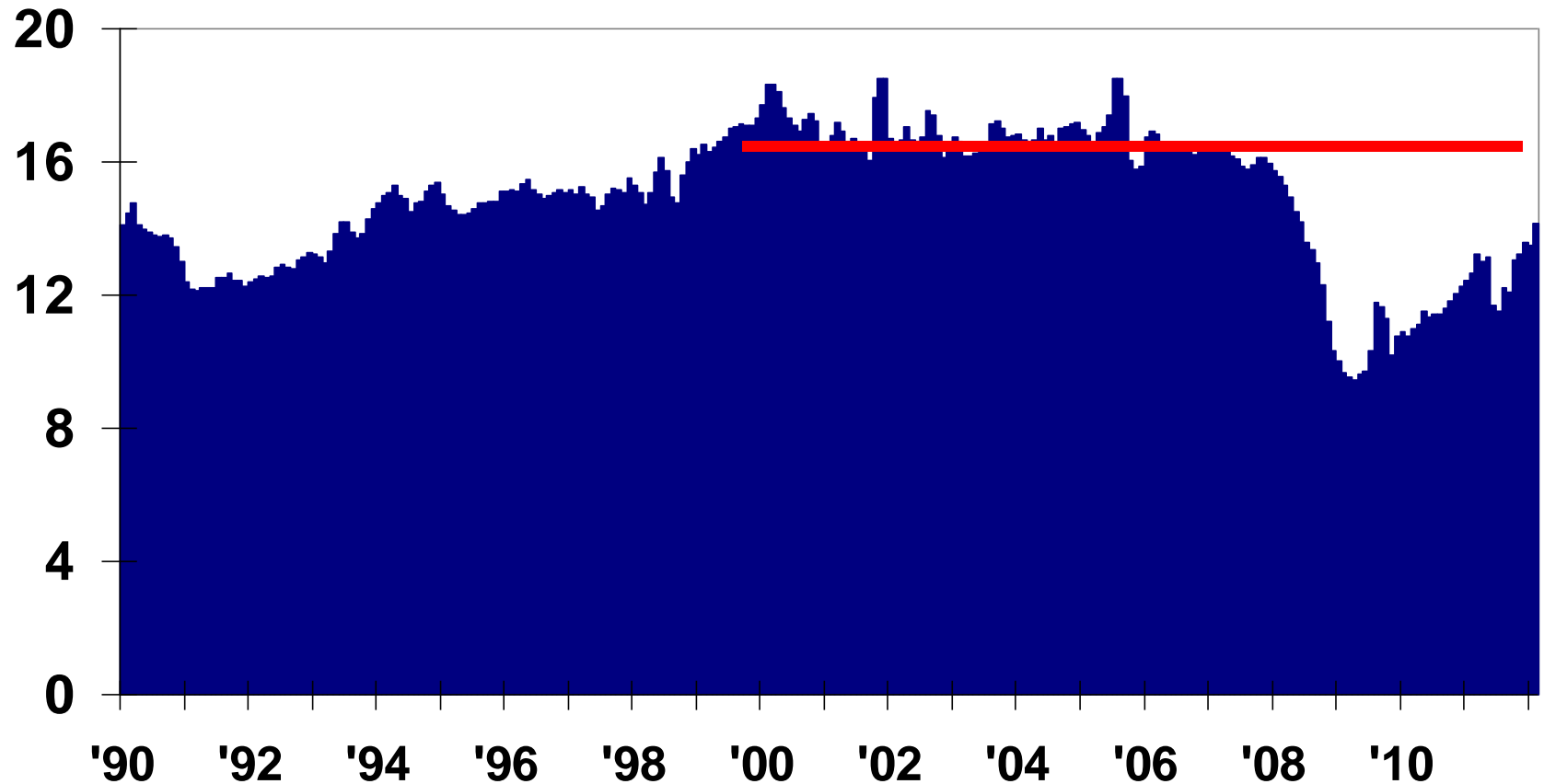
Number of Dwelling Units -- *Thousands*



6,500 New Jobs vs. 3,105 New Dwelling Units in Last 12 Months

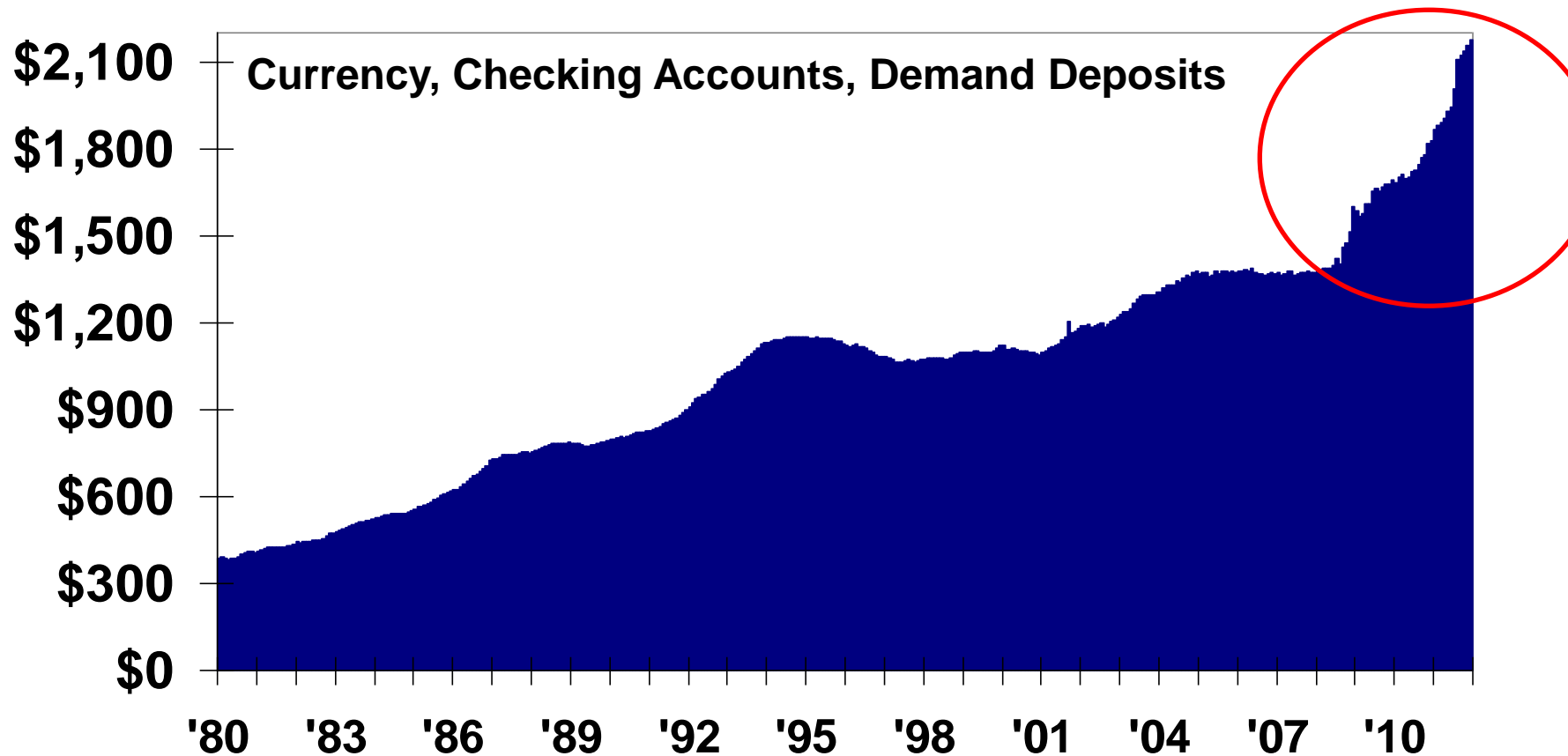
Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



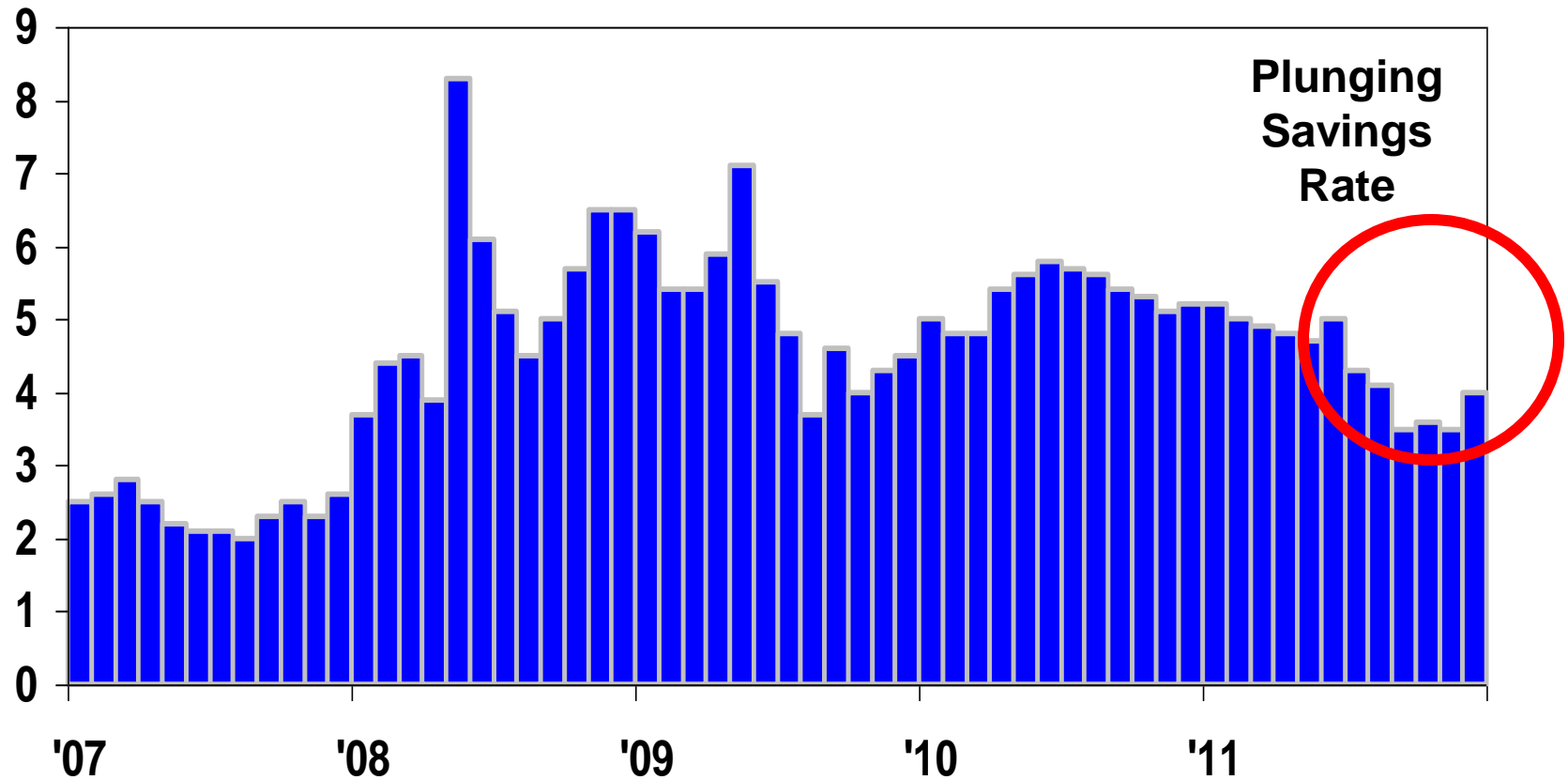
Money Supply – M1

\$ Billions – *Seasonally Adjusted*



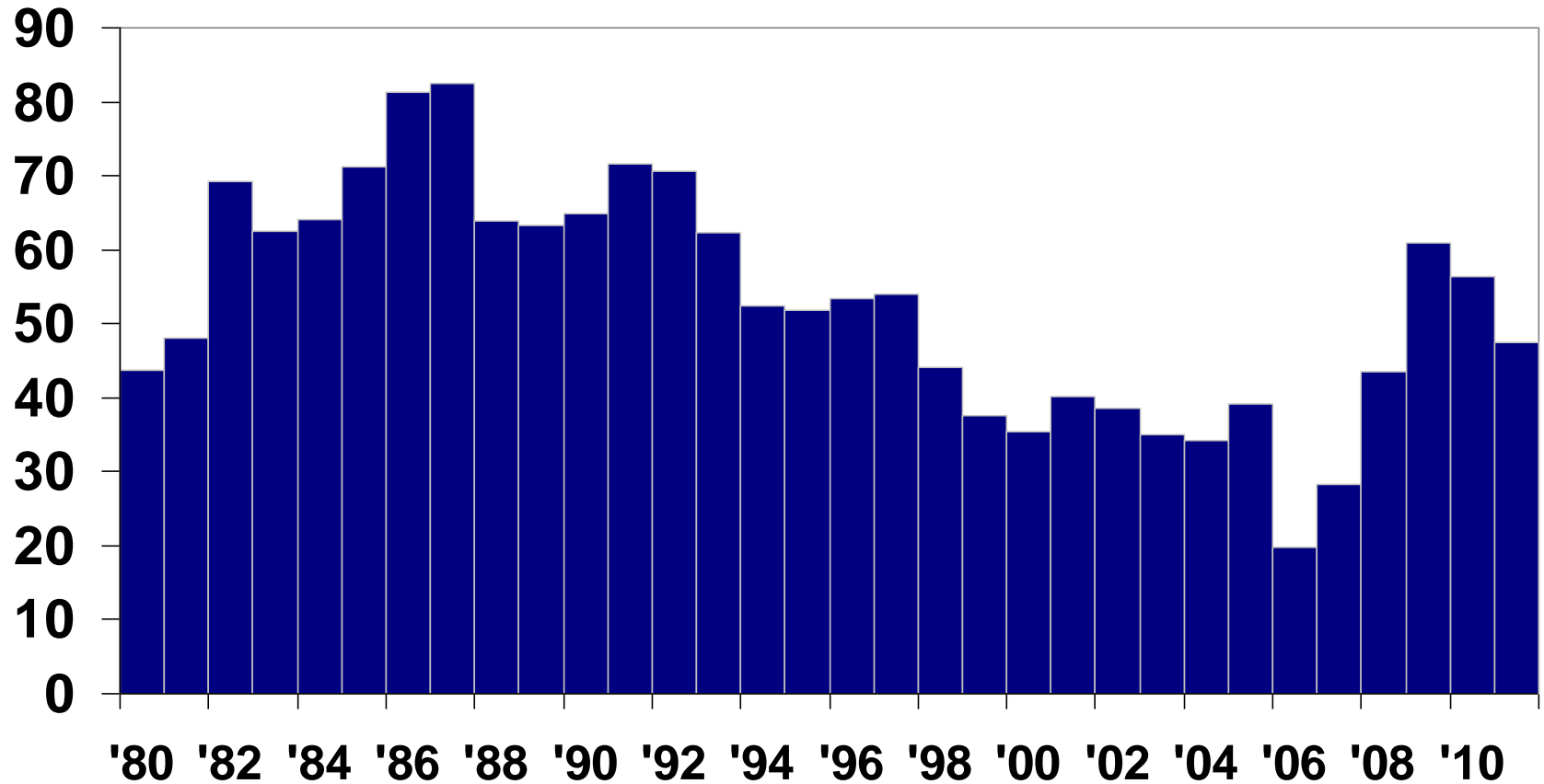
U.S. Personal Savings Rate

Percent of Disposable Income



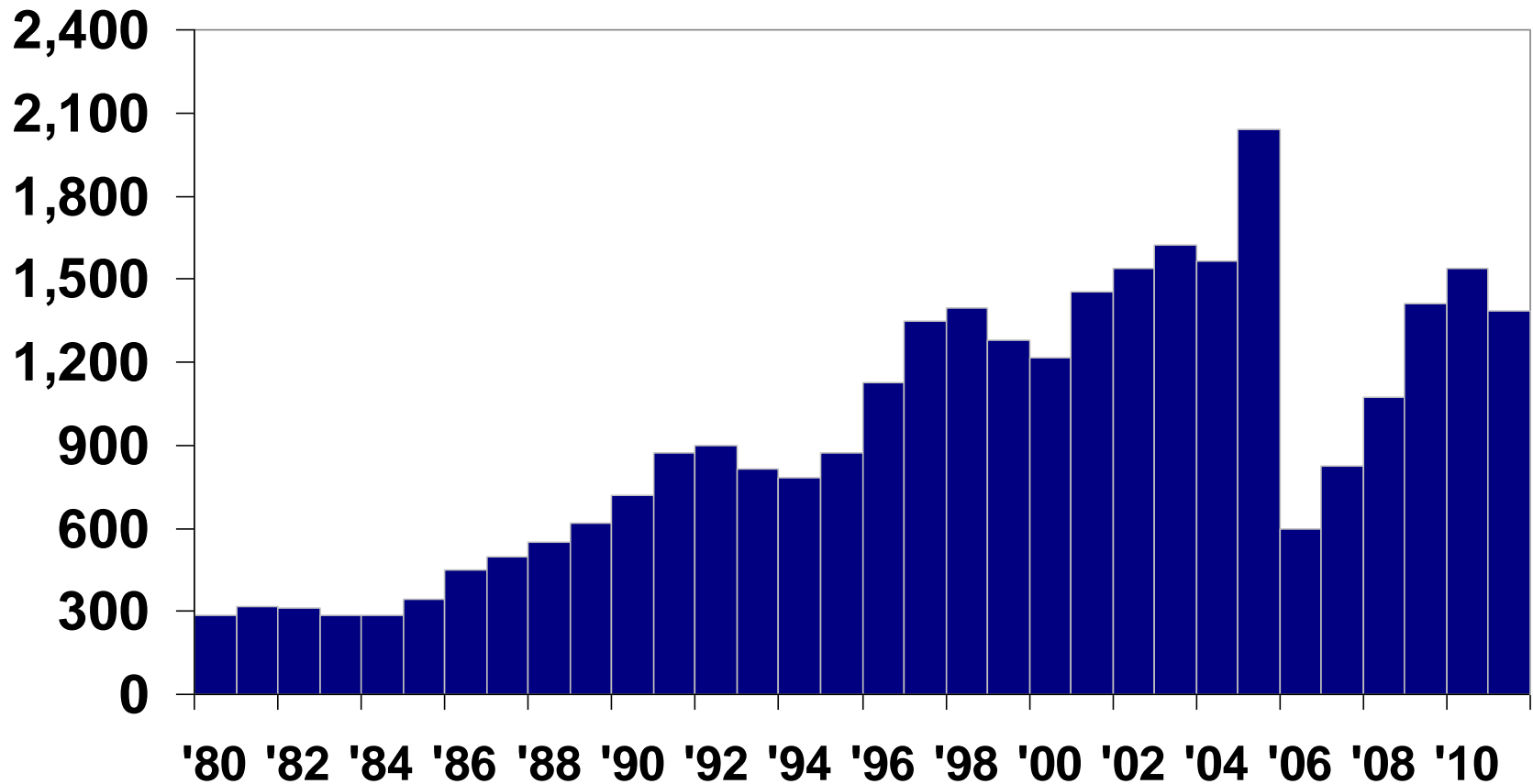
Business Bankruptcy Filings

Number of Filings -- *Thousands*



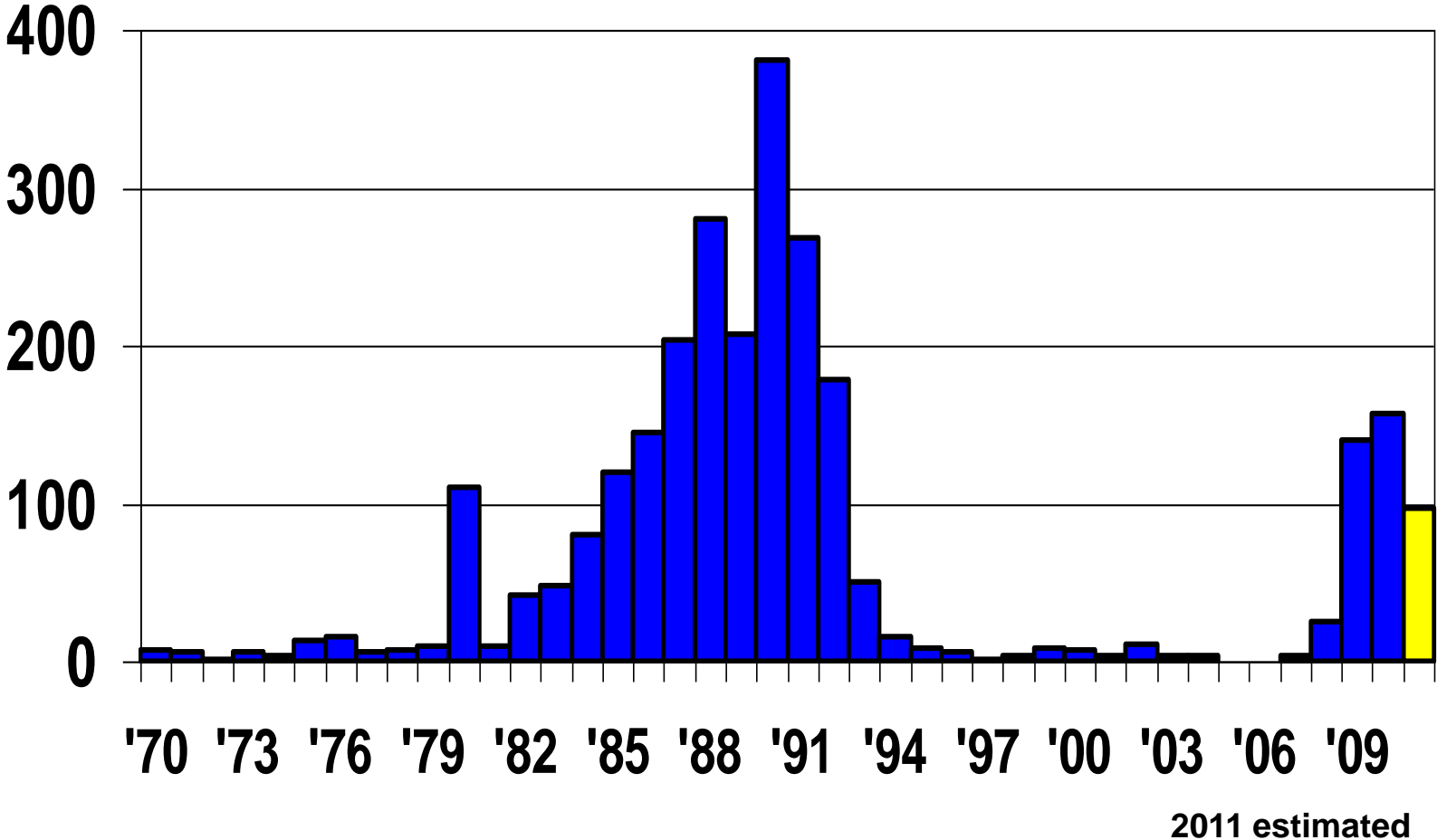
Consumer Bankruptcy Filings

Number of Filings -- *Thousands*



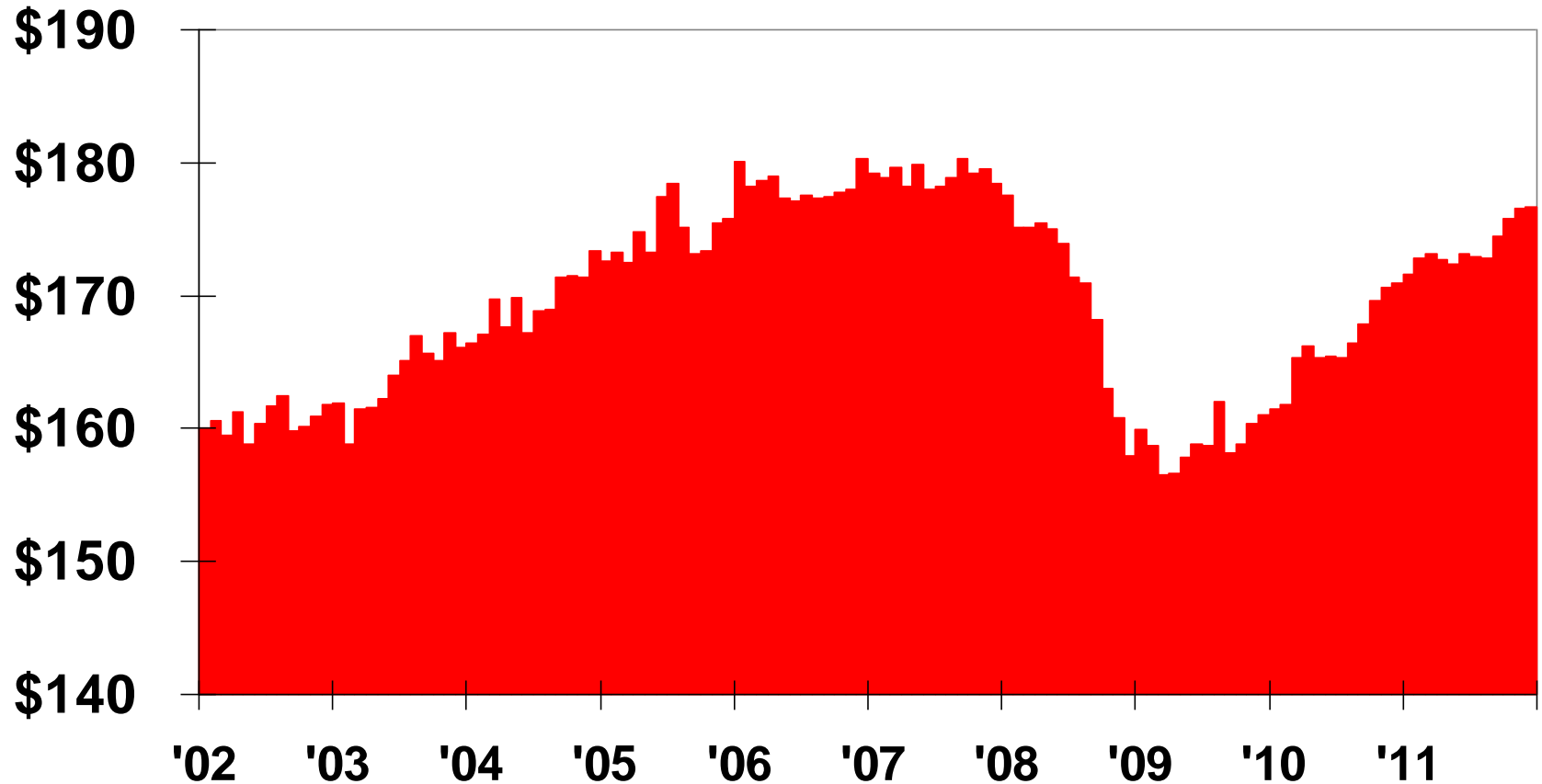
Bank Failures

Number of Institutions Per Year



U.S. Real Retail & Food Service Sales

\$Billions – Seasonally Adjusted

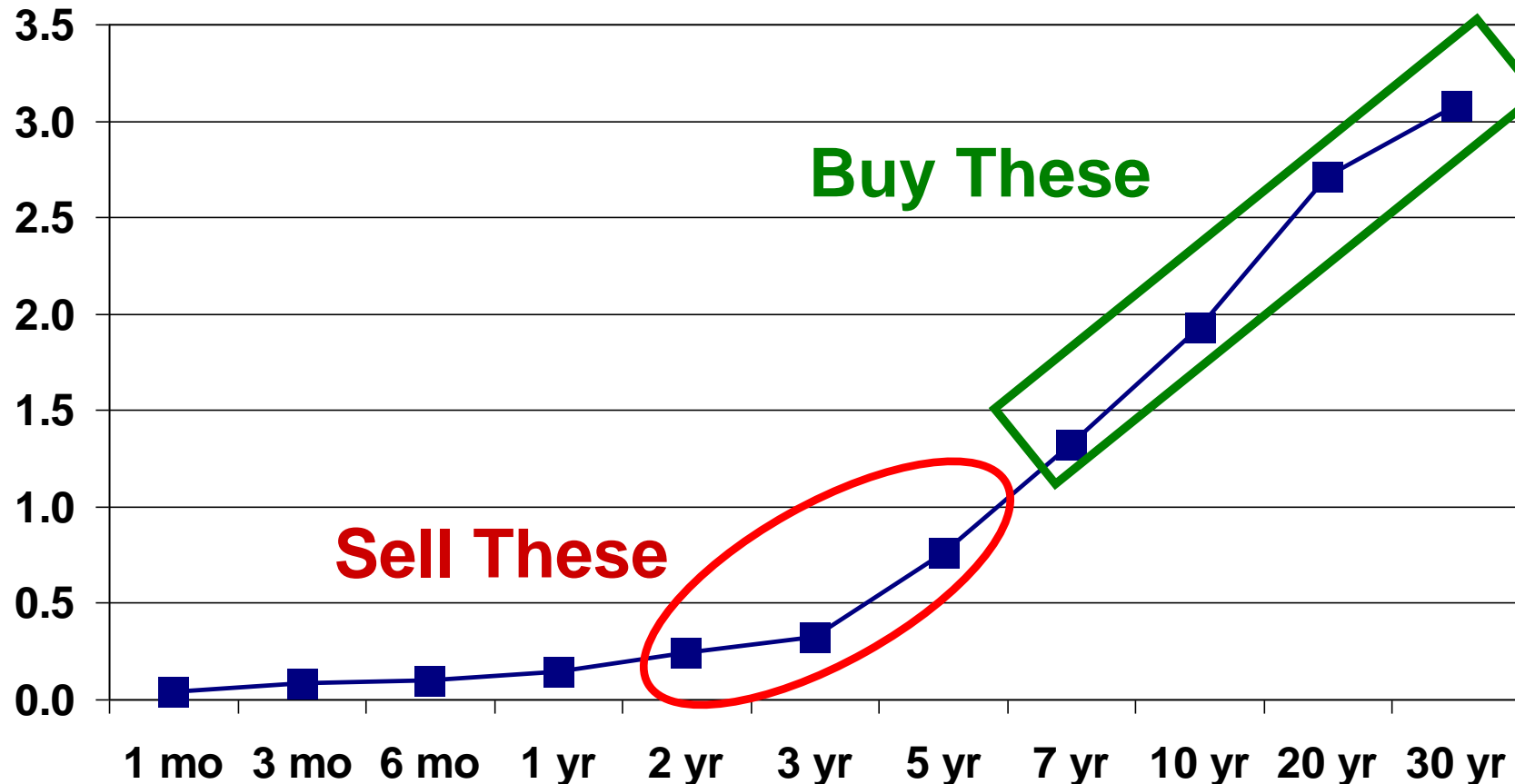


Operation Twist

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

Percent Treasury Yield Rates

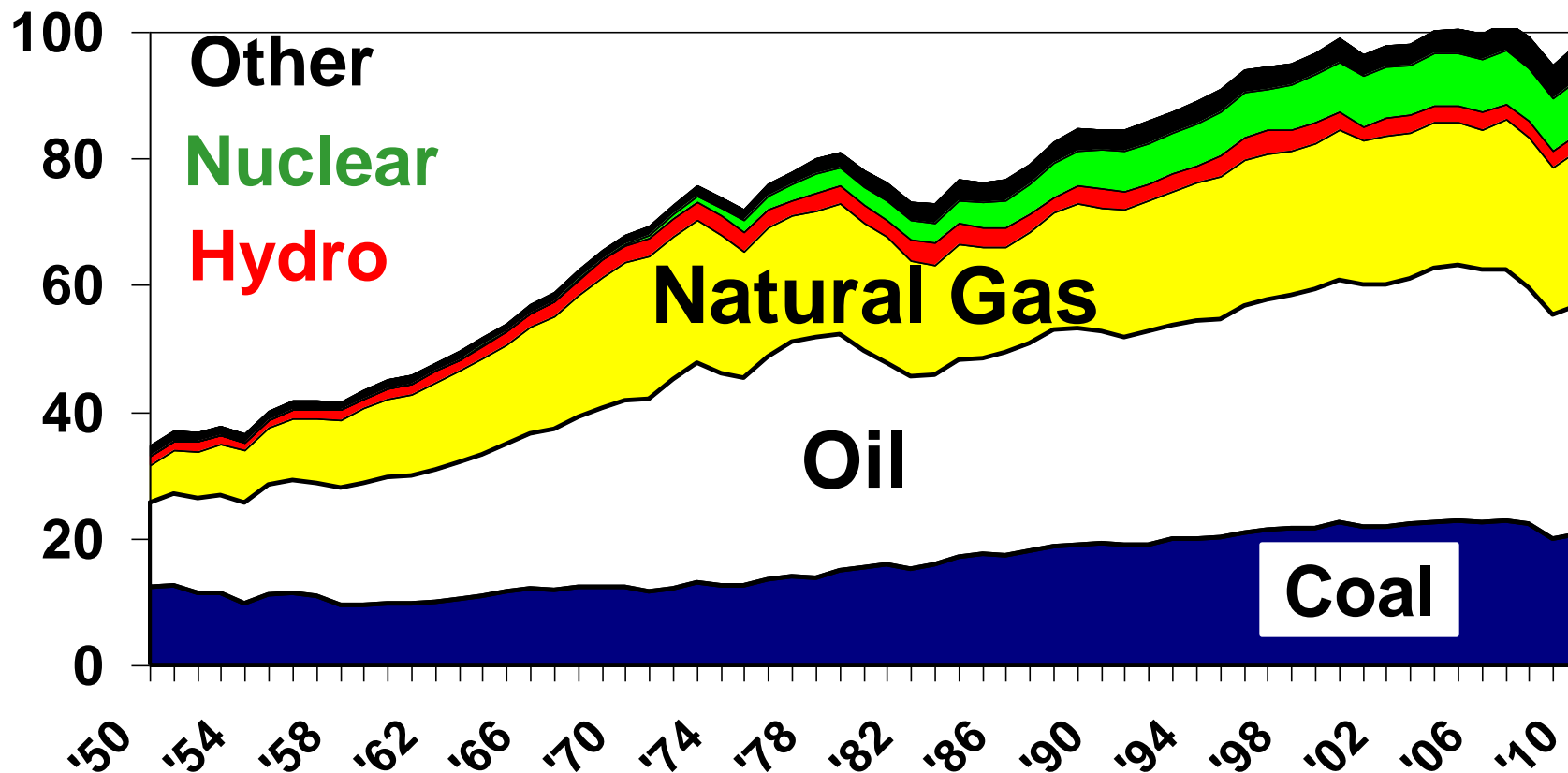
Yield Curve Data as of Feb 6 2012



**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...

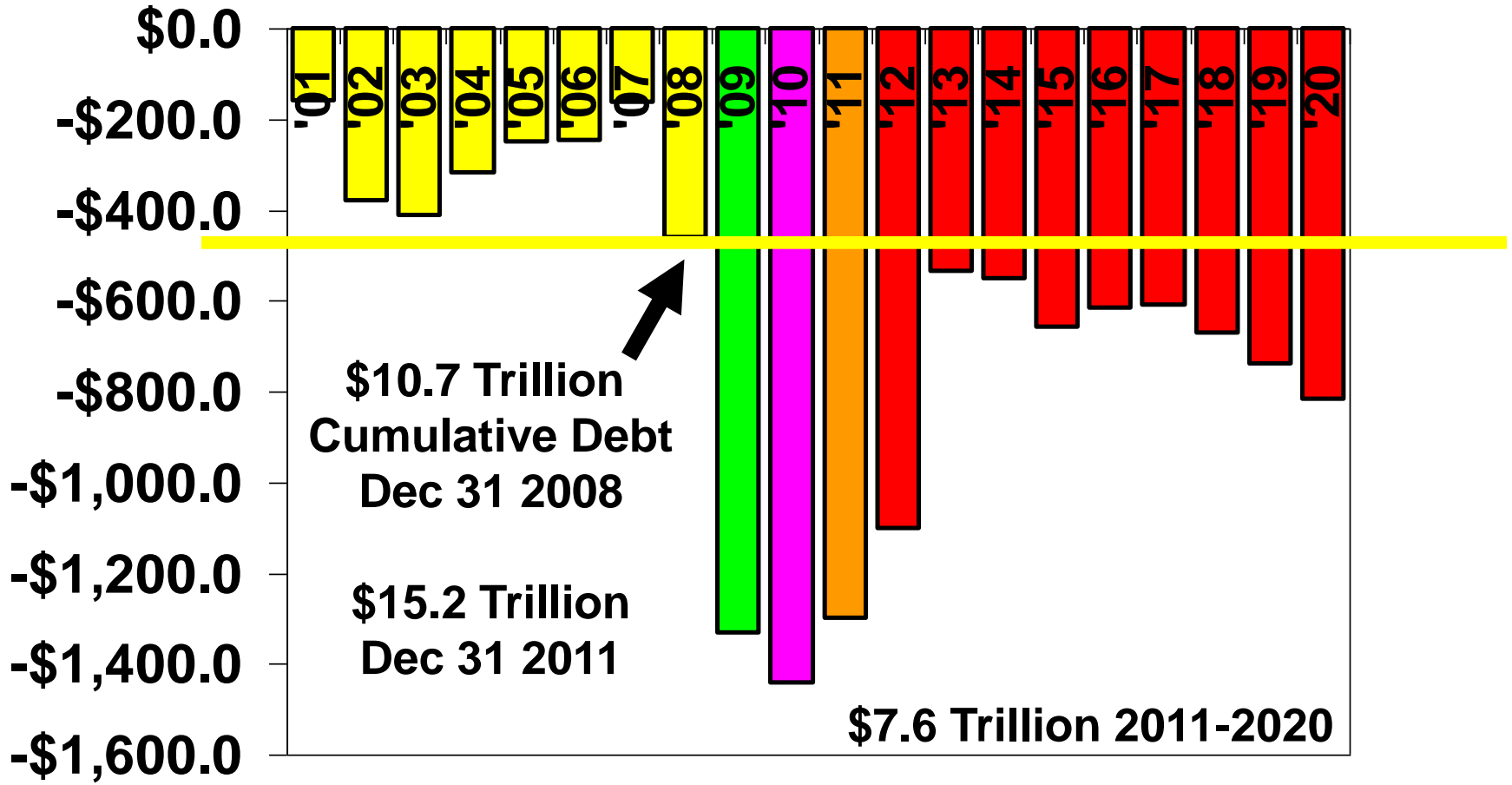


-IN OTHER NEWS,
BLOOD ALCOHOL
LEVELS WILL BE
RAISED TO SOLVE
DRUNK DRIVING.



Federal On-Budget Deficit Forecast

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



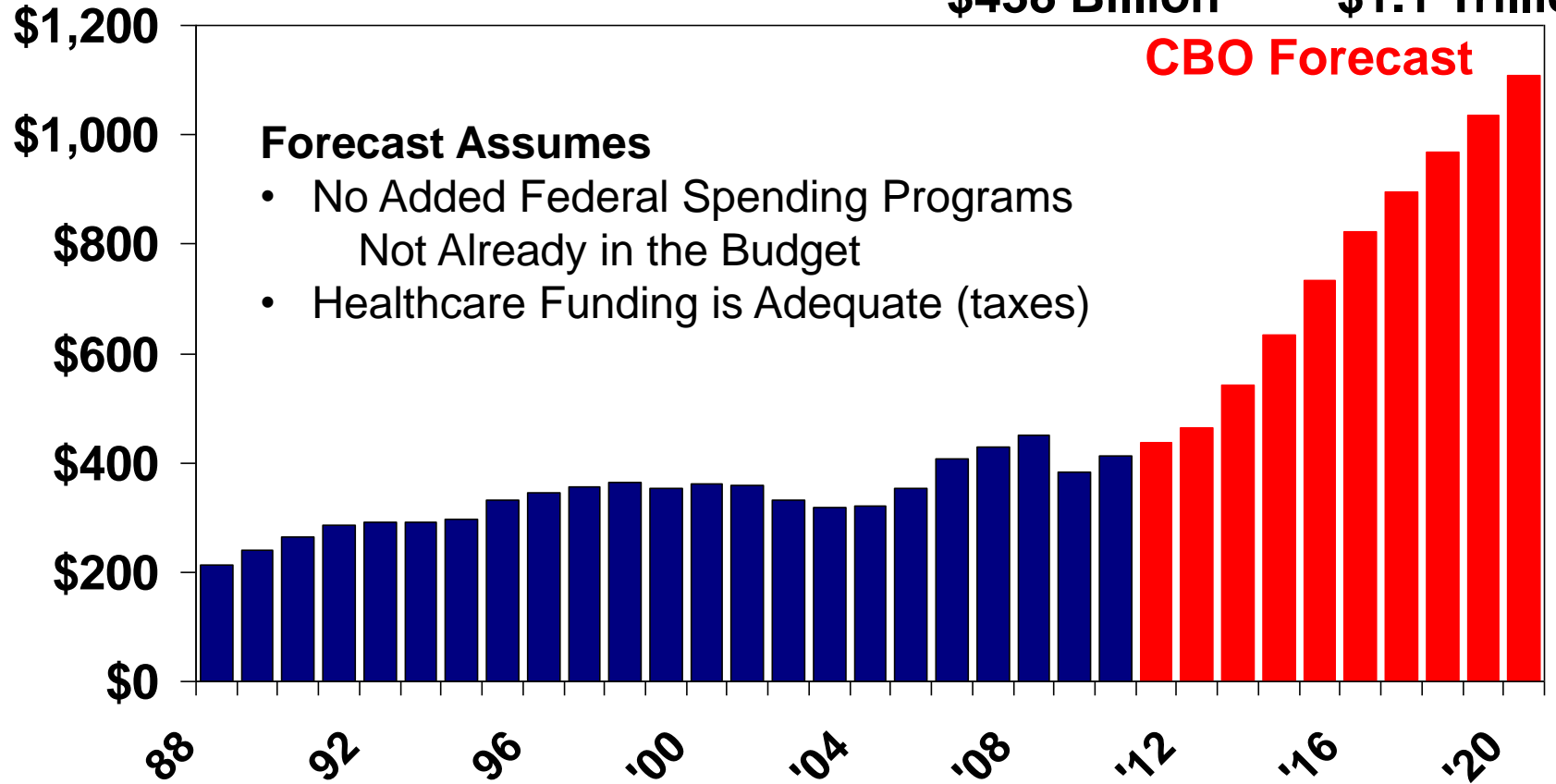
2012 Budget Portends \$26 Trillion Deficit in 2021

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

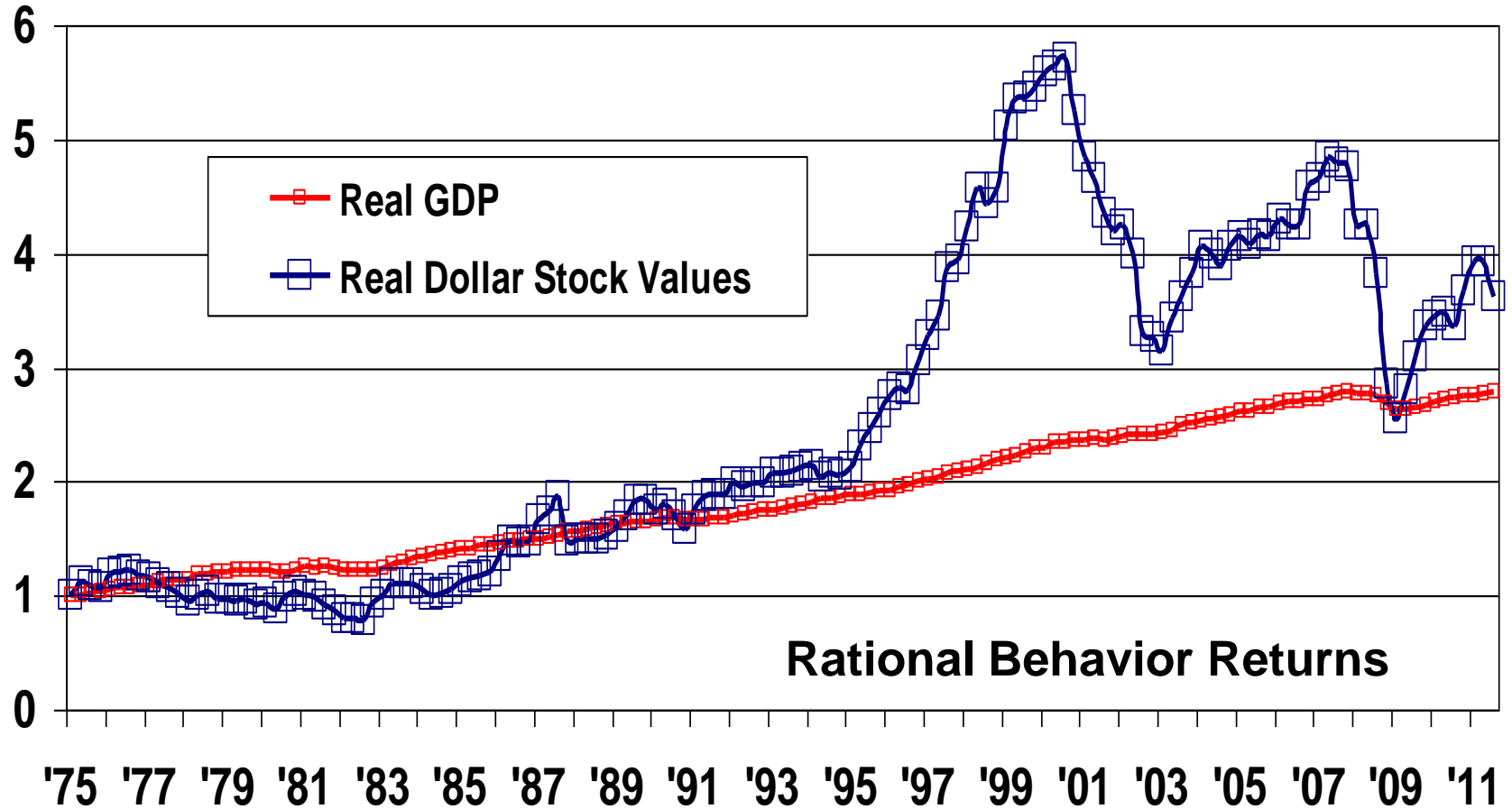
45 Percent of Taxpayers Paid \$0

51 Percent of Taxpayers Paid \$0 2009



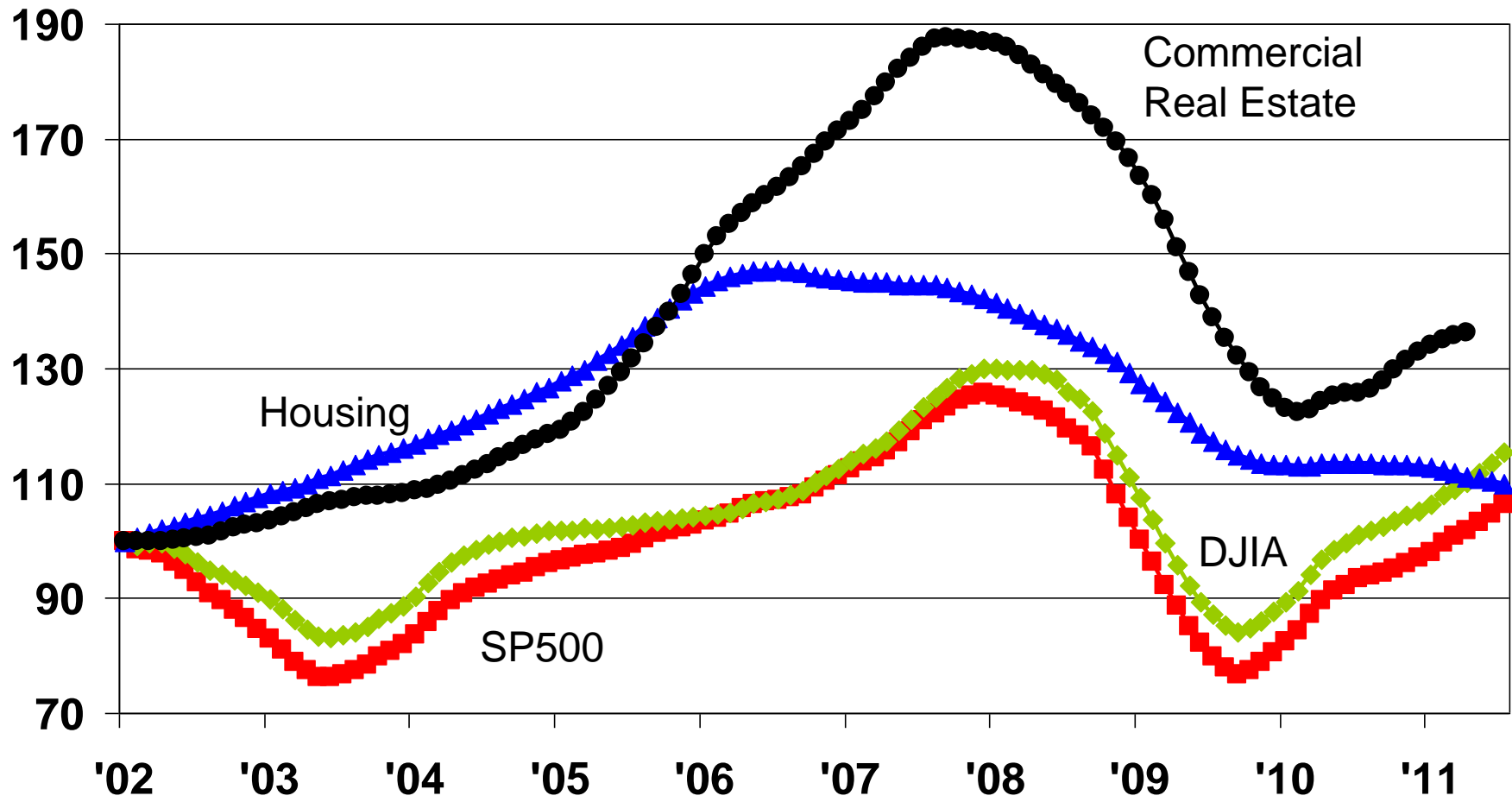
Stock Values vs. GDP

Index 1975 = 1.0



Home Prices and Stock Market Performance 12-Month Moving Average

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

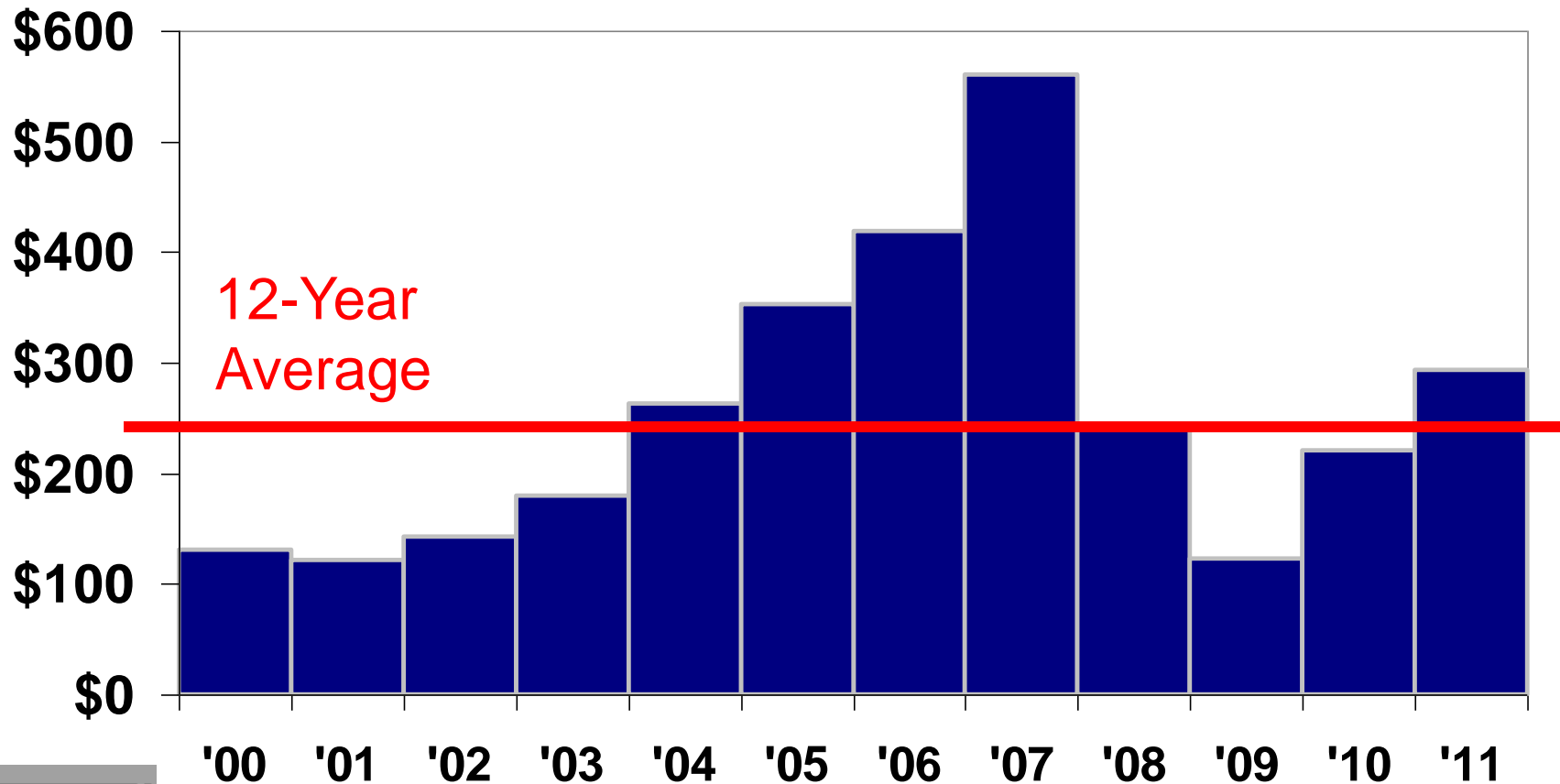


—■— SP500 —◆— DJIA —▲— Home Prices —●— Commercial Values

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



Commercial Real Estate Sales Volume



Commercial Real Estate Sales

Year	\$ Billions	
2006	\$	418.9
2007	\$	560.7
2008	\$	244.4
2009	\$	123.3
2010	\$	220.3
2011	\$	291.6
12-Year Average	\$	254.2

Source: CoStar



2011 Commercial Real Estate Sales

Percent Change 2010 to 2011

	\$ Billions	Percent Change
All Types	\$ 291.6	32%
Office	\$ 74.0	39%
Multifamily	\$ 62.1	46%
Retail	\$ 58.7	43%
Industrial	\$ 35.9	8%
Hospitality	\$ 20.9	32%
Land Sales	\$ 19.6	-14%
Other	\$ 20.5	76%

Source: CoStar

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



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