

Clear Sailing Ahead



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States With Most Employment Growth

In the 21st century

| | |
|-----------|----------------|
| 2,742,414 | Texas |
| 2,031,864 | California |
| 1,792,590 | Florida |
| 655,684 | Arizona |
| 643,179 | North Carolina |
| 584,698 | Georgia |
| 547,395 | Virginia |
| 544,388 | Washington |
| 500,825 | Colorado |

States With Least Employment Growth

In the 21st century

| | |
|----------|---------------|
| -377,273 | Michigan |
| -125,967 | Ohio |
| - 56,537 | Illinois |
| - 42,461 | Mississippi |
| - 28,284 | West Virginia |
| 1,499 | Rhode Island |
| 8,559 | Kentucky |
| 8,661 | Maine |
| 11,511 | Vermont |

Net Domestic Migration

In the 21st century

| | |
|---------|-----------------------------|
| 622,550 | Dallas-Fort Worth-Arlington |
| 523,748 | Houston-The Woodlands |
| 416,602 | Austin-Round Rock |
| 322,063 | San Antonio-New Braunfels |

| | |
|------------|------------------------|
| - 269,467 | Boston-Cambridge |
| - 300,987 | San Francisco-Oakland |
| - 956,597 | Chicago-Napier |
| -1,710,512 | Los Angeles-Long Beach |
| -2,809,903 | New York-Newark |

Texas Index of Leading Indicators

Texas Leading Index

Index, 1987 = 100*

150

125 -

100

75

1981 1984 1987 1990 1993 1996 1999 2002 2005 2008 2011 2014 2017

*Monthly, seasonally adjusted.

Last data entry February 2018.

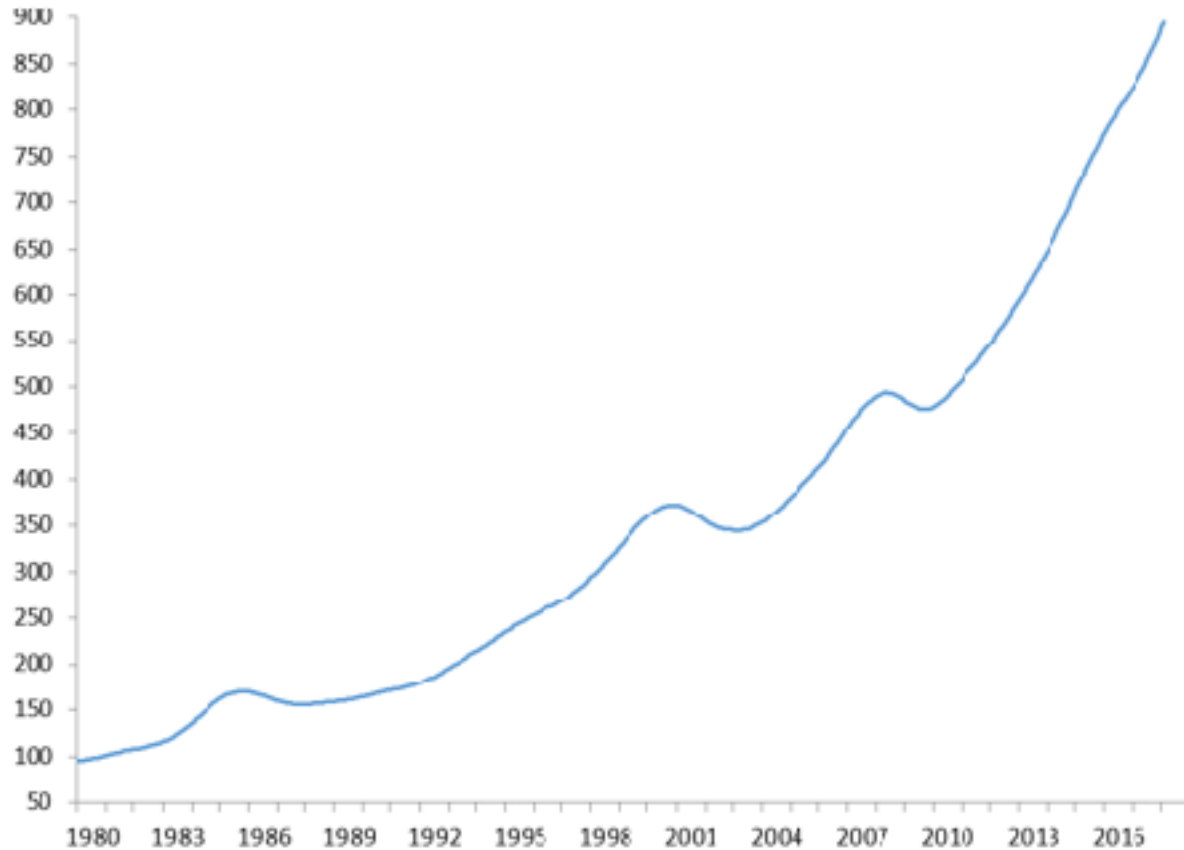
SOURCE: Federal Reserve Bank of Dallas.



Austin Business-Cycle Index

Austin – Round Rock Business-Cycle Index

Index, October 1980 = 100*



*Monthly, seasonally adjusted.

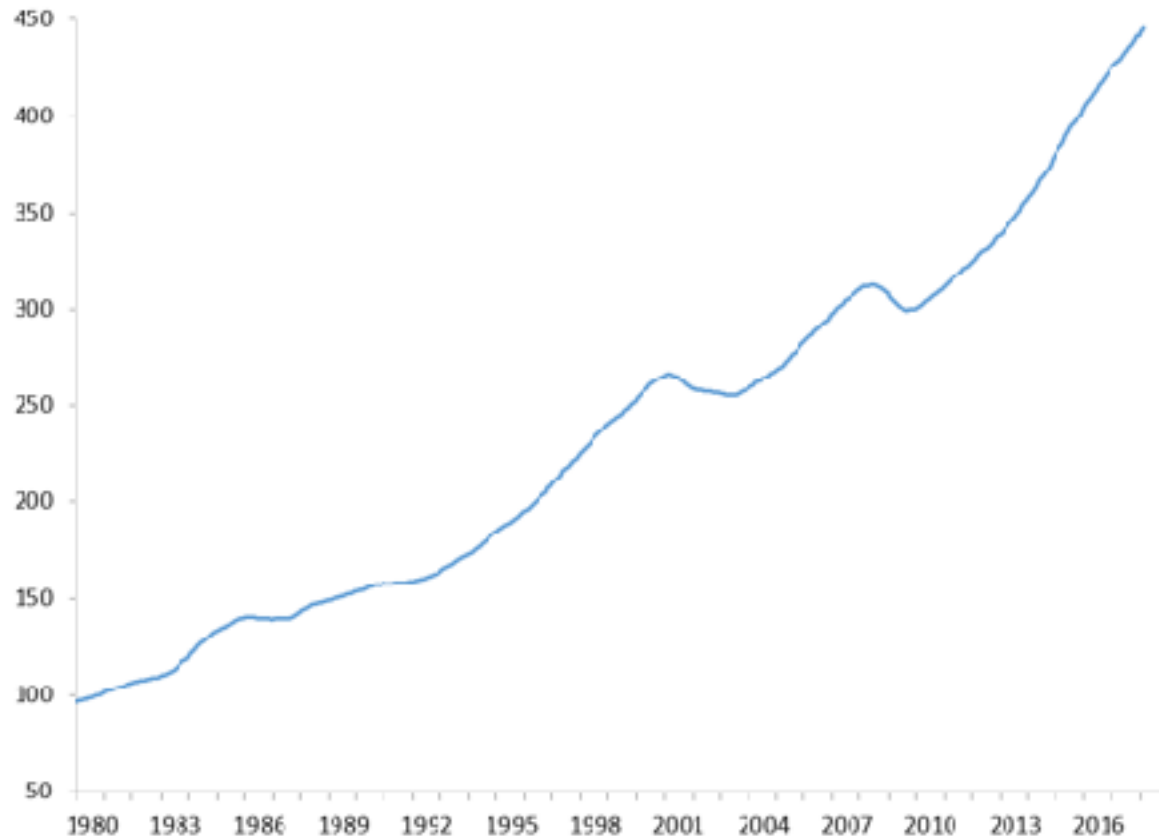
Last data entry February 2018.

SOURCE: Federal Reserve Bank of Dallas.

Dallas Business-Cycle Index

Dallas – Plano – Irving Business-Cycle Index

Index, October 1980 = 100*



*Monthly, seasonally adjusted.

Last data entry February 2018.

SOURCE: Federal Reserve Bank of Dallas.

El Paso Business-Cycle Index

El Paso Business-Cycle Index

Index, October 1980 = 100*

250

200

150 -

100

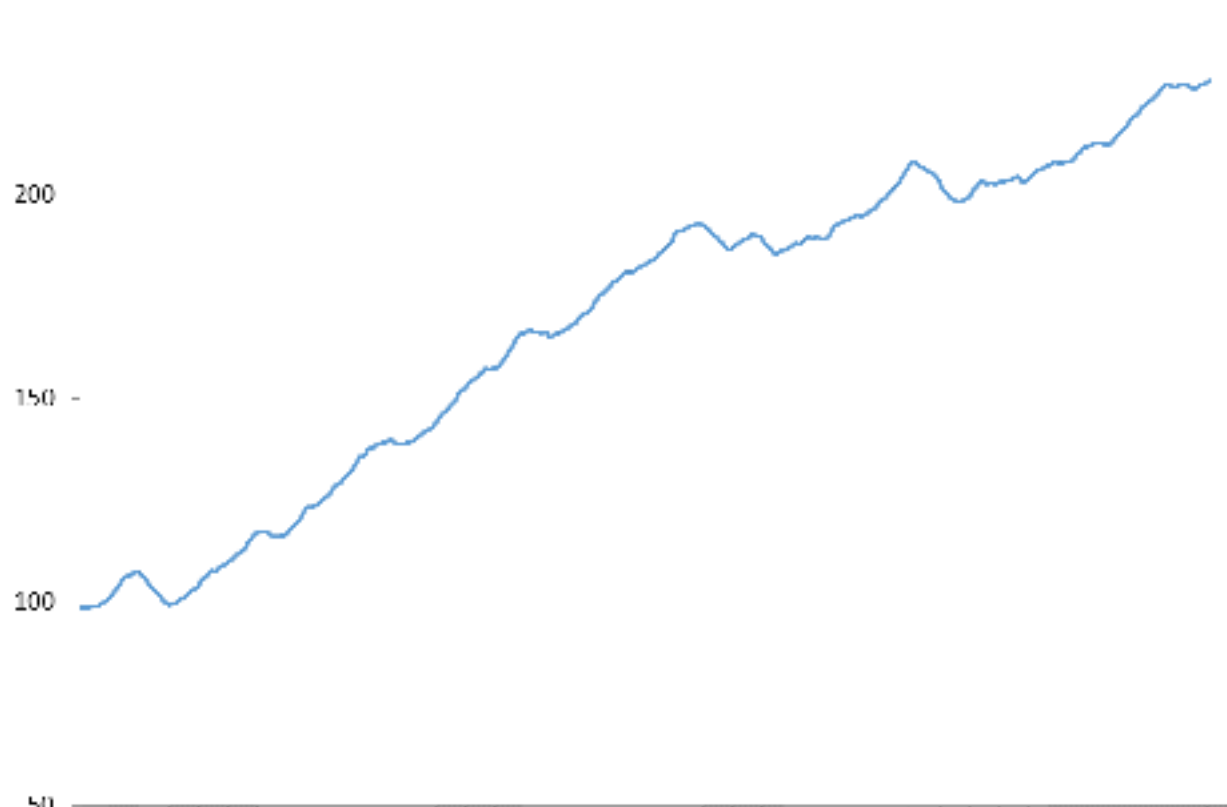
50

1980 1983 1986 1989 1992 1995 1998 2001 2004 2007 2010 2013 2016

*Monthly, seasonally adjusted.

Last data entry February 2018.

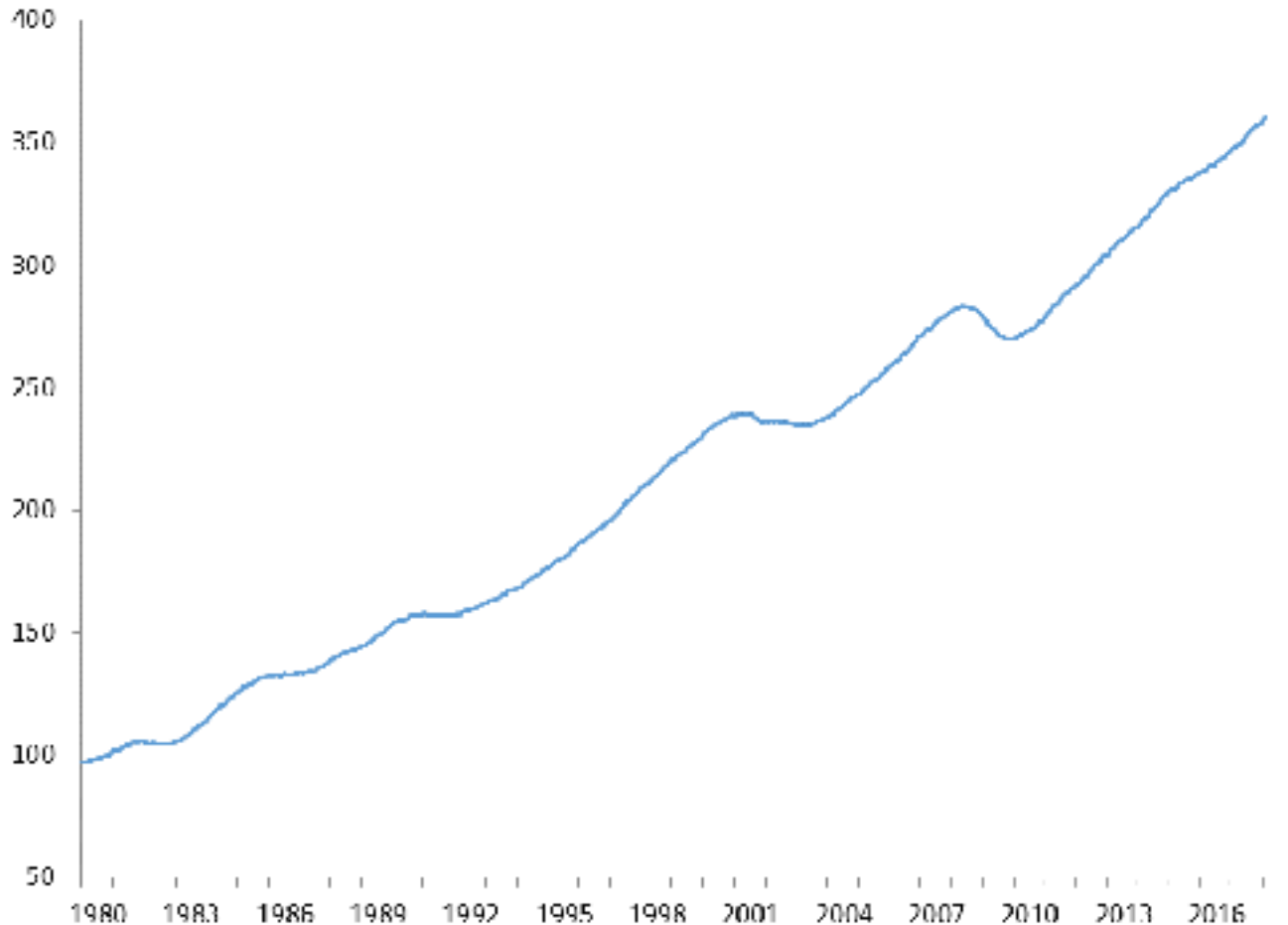
SOURCE: Federal Reserve Bank of Dallas.



Fort Worth Business-Cycle Index

Fort Worth – Arlington Business-Cycle Index

Index, October 1980 = 100*



*Monthly, seasonally adjusted.

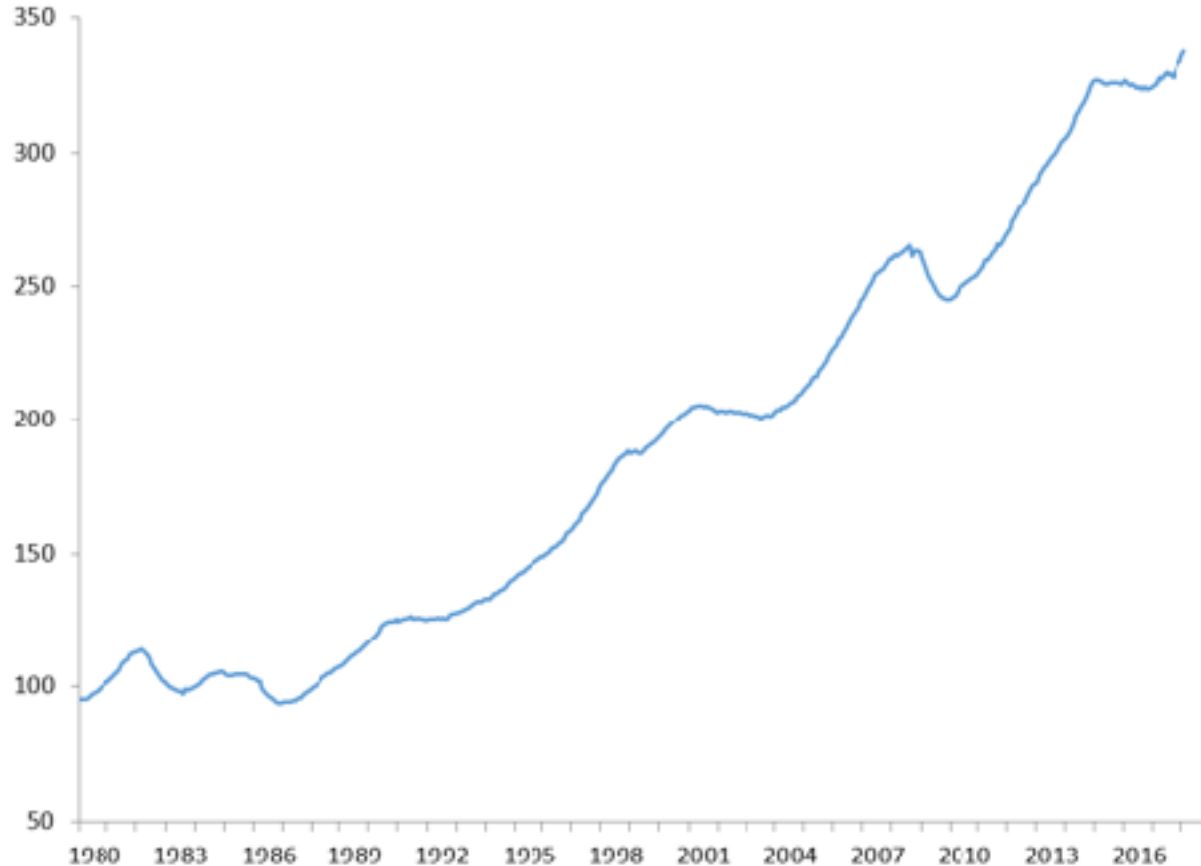
Last data entry February 2018.

SOURCE: Federal Reserve Bank of Dallas.

Houston Business-Cycle Index

Houston – The Woodlands– Sugar Land Business-Cycle Index

Index, October 1980 = 100*



*Monthly, seasonally adjusted.

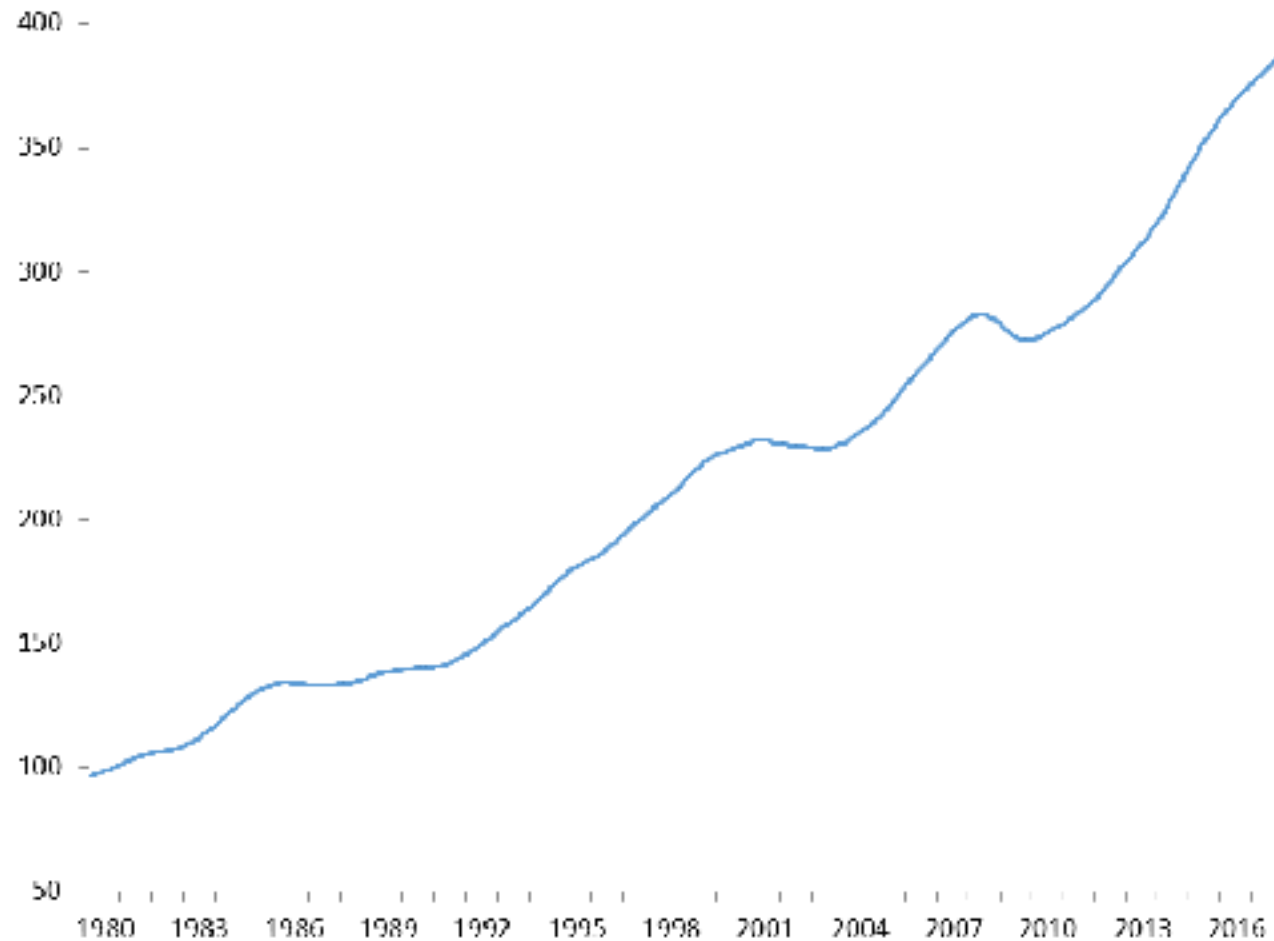
Last data entry February 2018.

SOURCE: Federal Reserve Bank of Dallas.

San Antonio Business-Cycle Index

San Antonio – New Braunfels Business-Cycle Index

Index, October 1980 = 100*

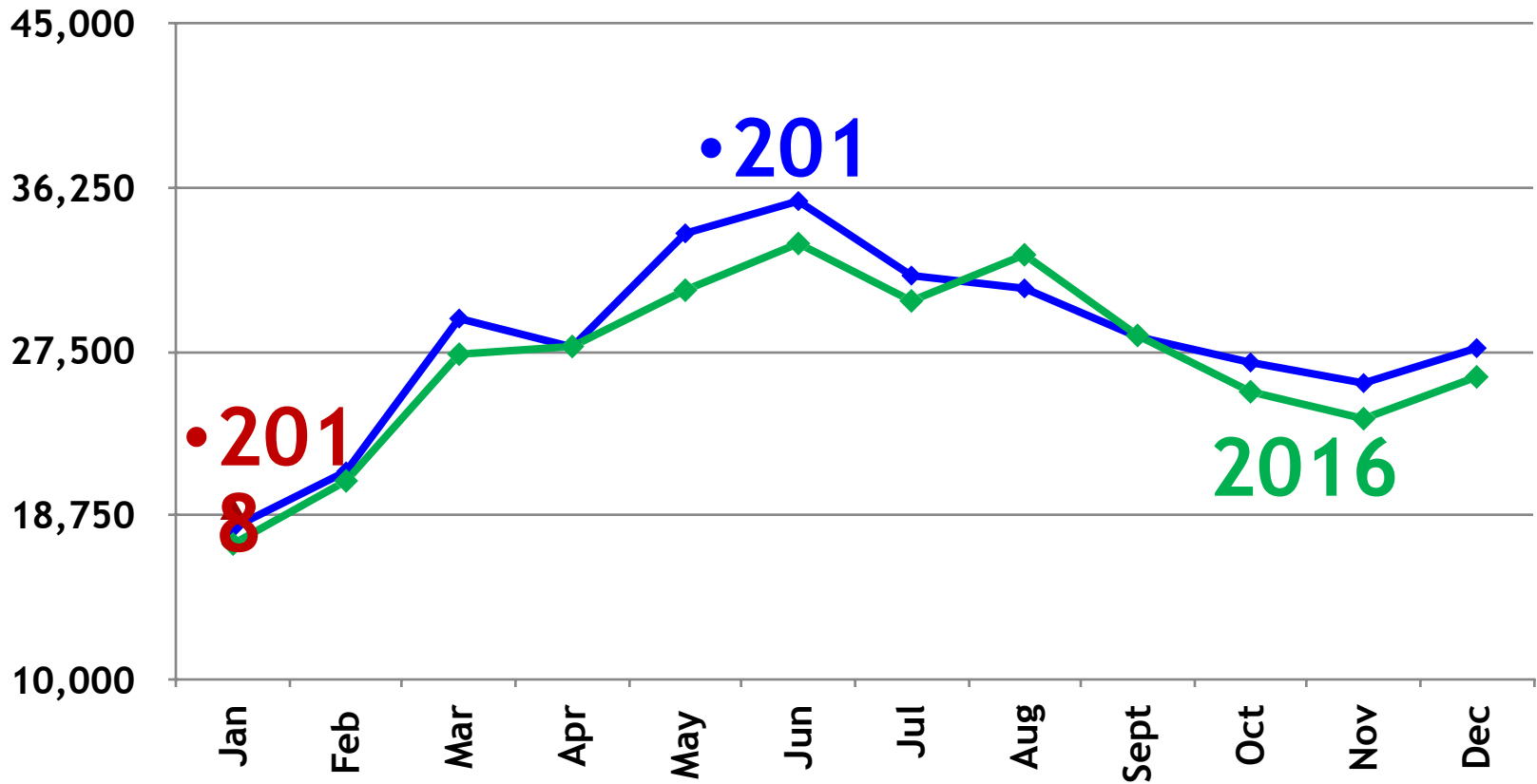


*Monthly, seasonally adjusted.

Last data entry February 2018.

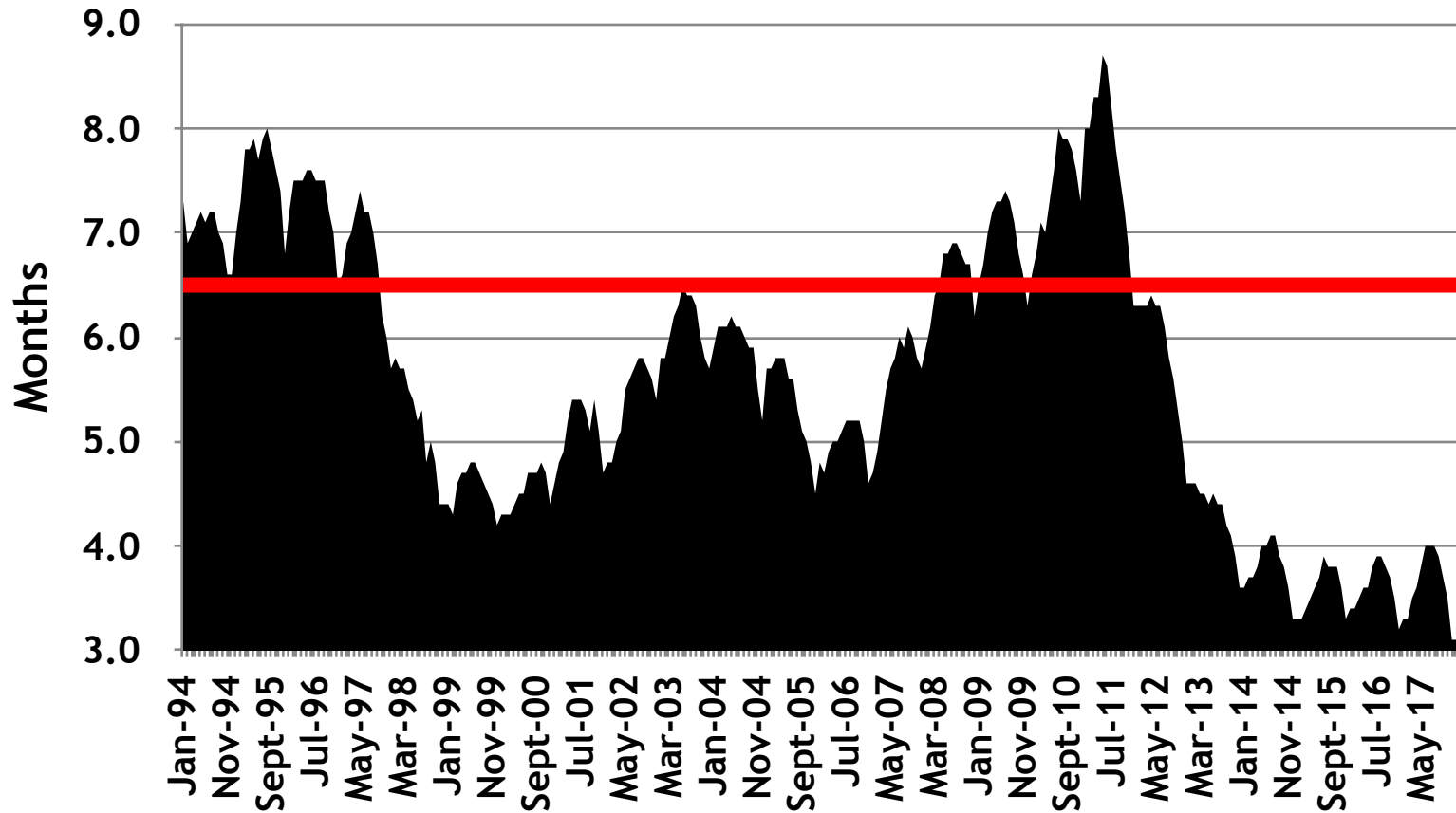
SOURCE: Federal Reserve Bank of Dallas.

Existing Home Sales in Texas



Source: Real Estate Center

Months Inventory of Unsold Homes in Texas

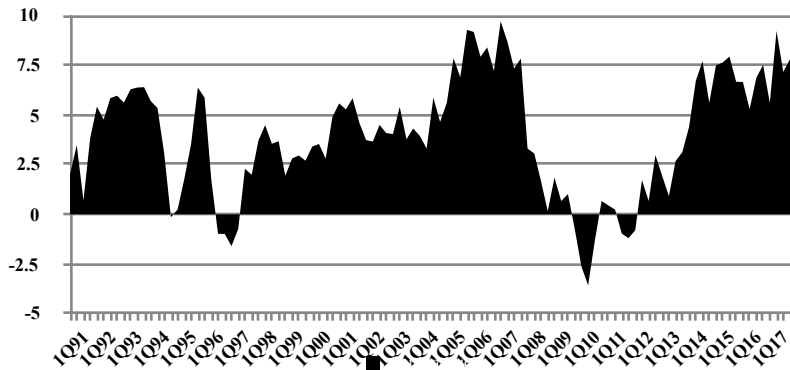


Source: Real Estate Center

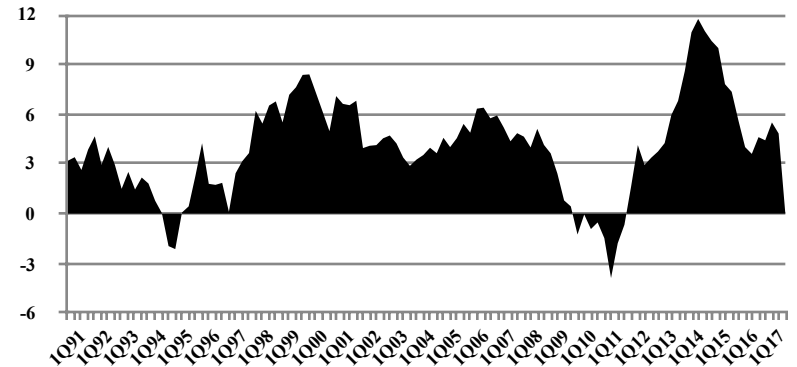
HOUSE PRICE APPRECIATION

Price Change From A Year Earlier

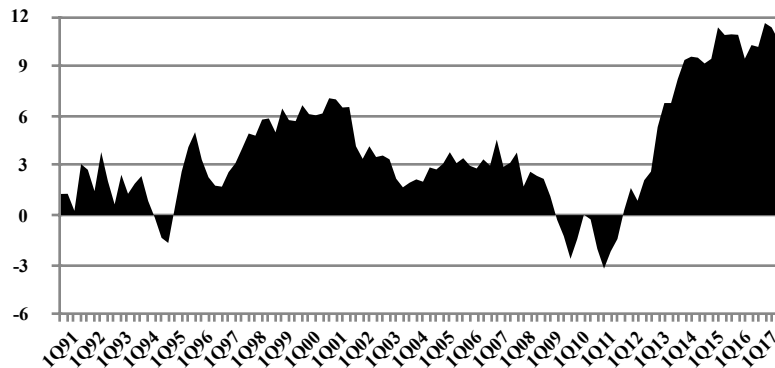
San Antonio



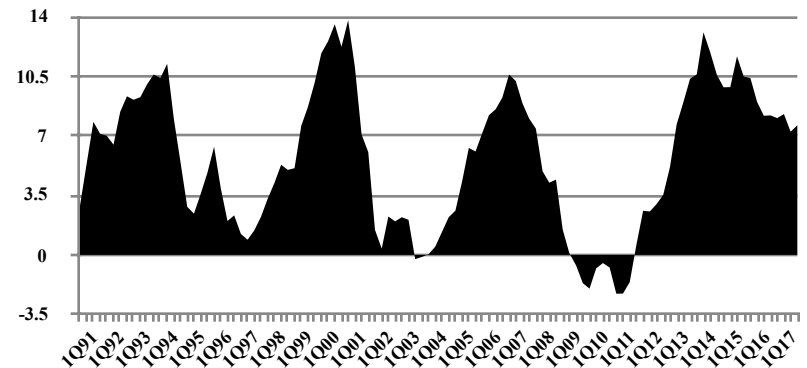
Houston



Dallas/Plano/Irving



Austin



January 10, 2018

Real Estate Investment SmartBrief

Nareit Real estate
working for you

The daily source on REITs and real estate investment

[SIGN UP - FORWARD](#)

TOP NEWS

REITs broke record for equity-raising in 2017

REITs raised \$92.14 billion in equity last year, surpassing by 20% the industry's record in 2013 of \$77 billion, according to Nareit. The FTSE Nareit All REITs Index delivered a total return of 9.27% for the year, which Nareit CEO Steven A. Wechsler described as "very representative of the market's long term performance."

[GlobeSI](#) (1/10)



Private Equity Real Estate Investing

\$812 billion under management as of March, 2017

\$254 billion in dry powder as of November 2017

235 funds reached a final close in 2017

556 PE real estate funds targeting \$192 billion in new funds

11.9% three year annualized median net IRR for PE real estate funds at Mar17.

Source: Preqin Real Estate Spotlight Feb 2018

REIT Buying in Secondary Markets

“A lot of the larger REITs like to buy the trophy properties in the major markets, but the cap rates have been coming down on that, so the yield to investors is a little bit lower.

“We want long-term leases in good properties with very good tenants, and that can be in a lot of different locales. So we are pretty much location-agnostic.”

-Jim Nelson, CEO of Global Net Lease

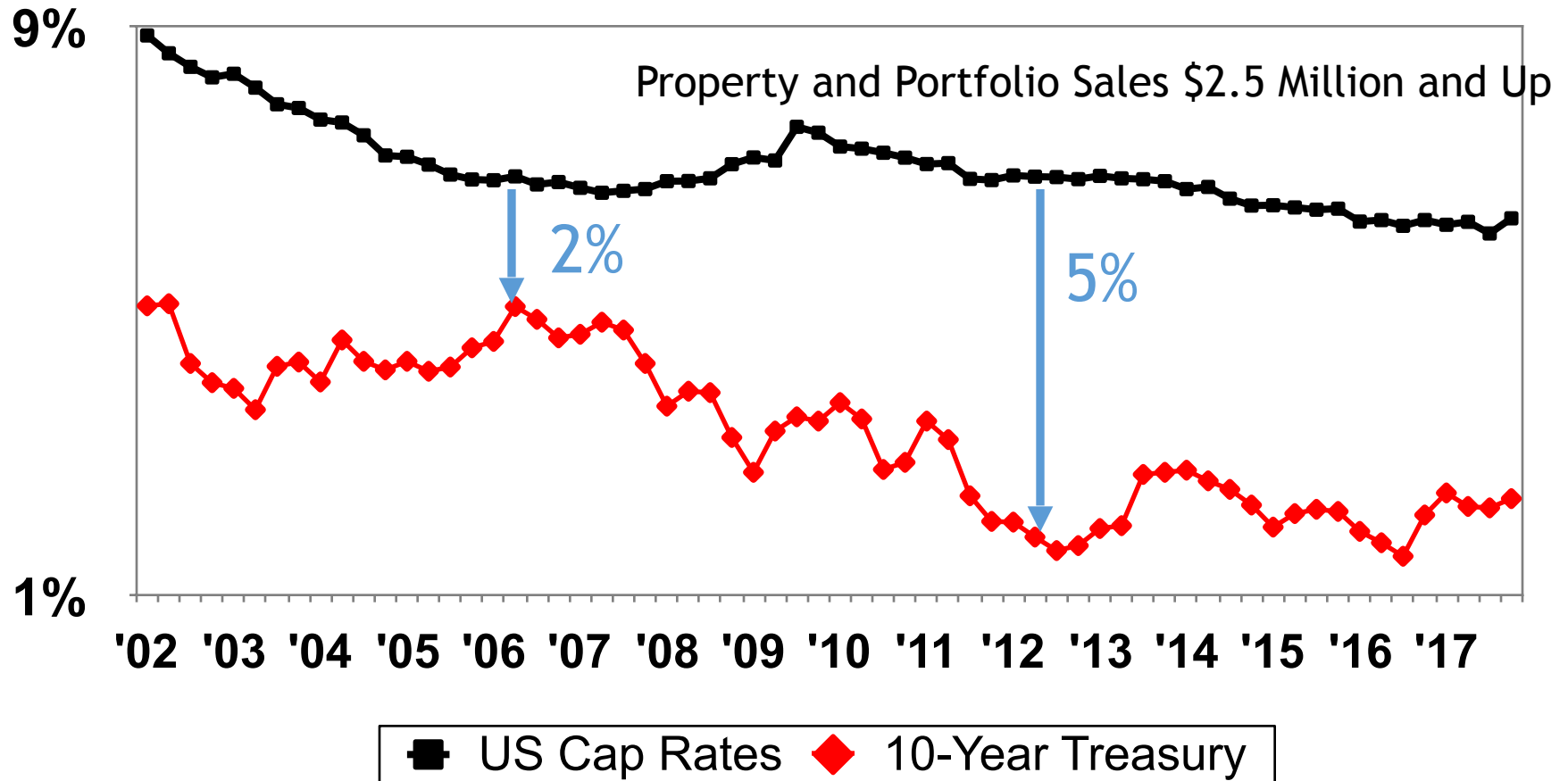
Source: NREI 2/9/18

Institutional View of CRE

- Total unlevered returns on NCREIF are projected to be six percent, or lower in 2018.
- Investors will continue to cull underperforming assets.
- After double-digit appreciation in 2014 and 2015, the appreciation factor has subsided significantly.
- Investors more focused on redeveloping and repurposing than buying stabilized assets.
- More capital is flowing into debt financing and infrastructure.

Cap Rates and the 10-Year Treasury

All Property Types



Source: Real Capital Analytics and Stewart Title

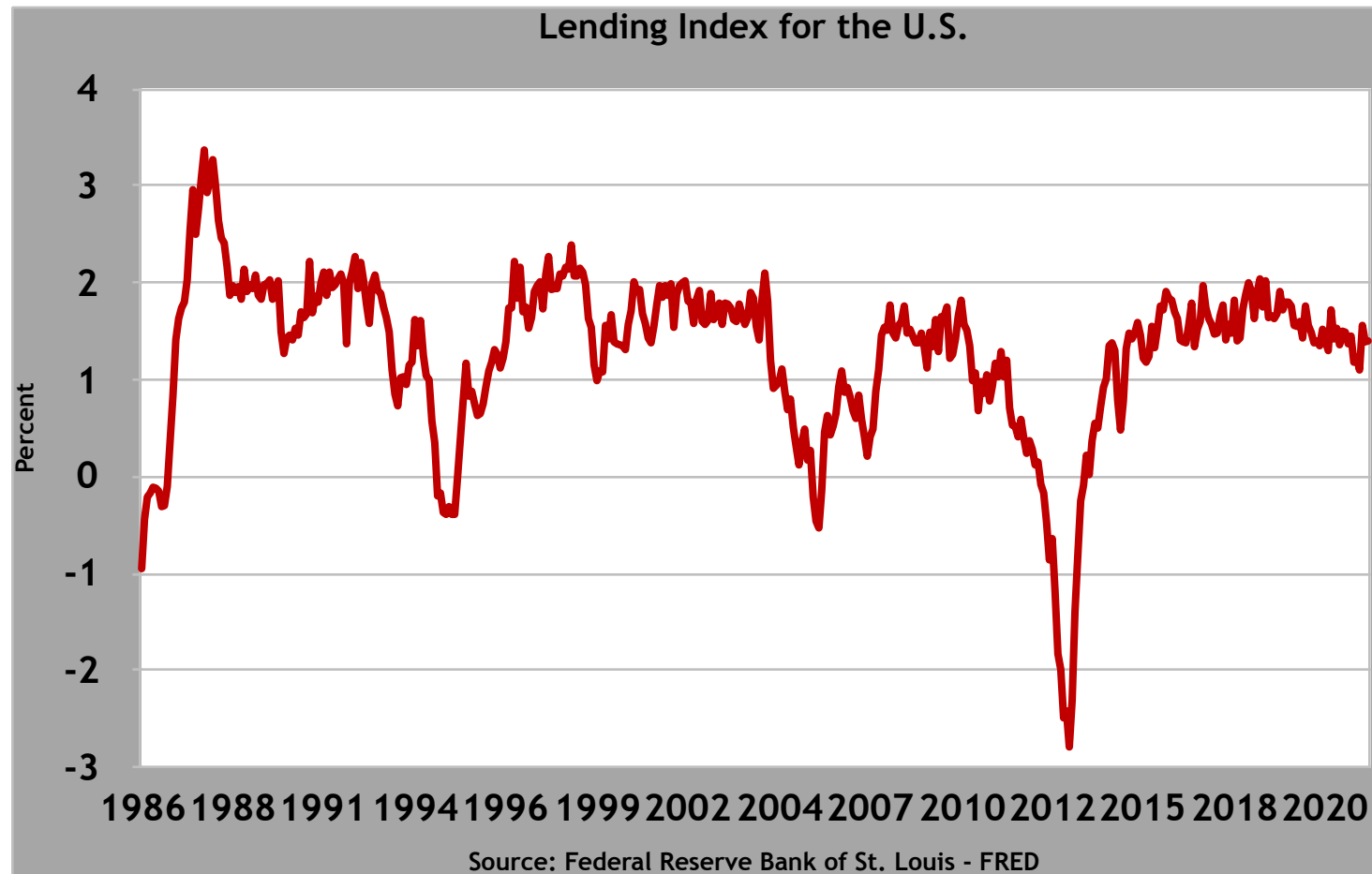
Longest U.S. Economic Expansions

Current expansion began in June, 2009

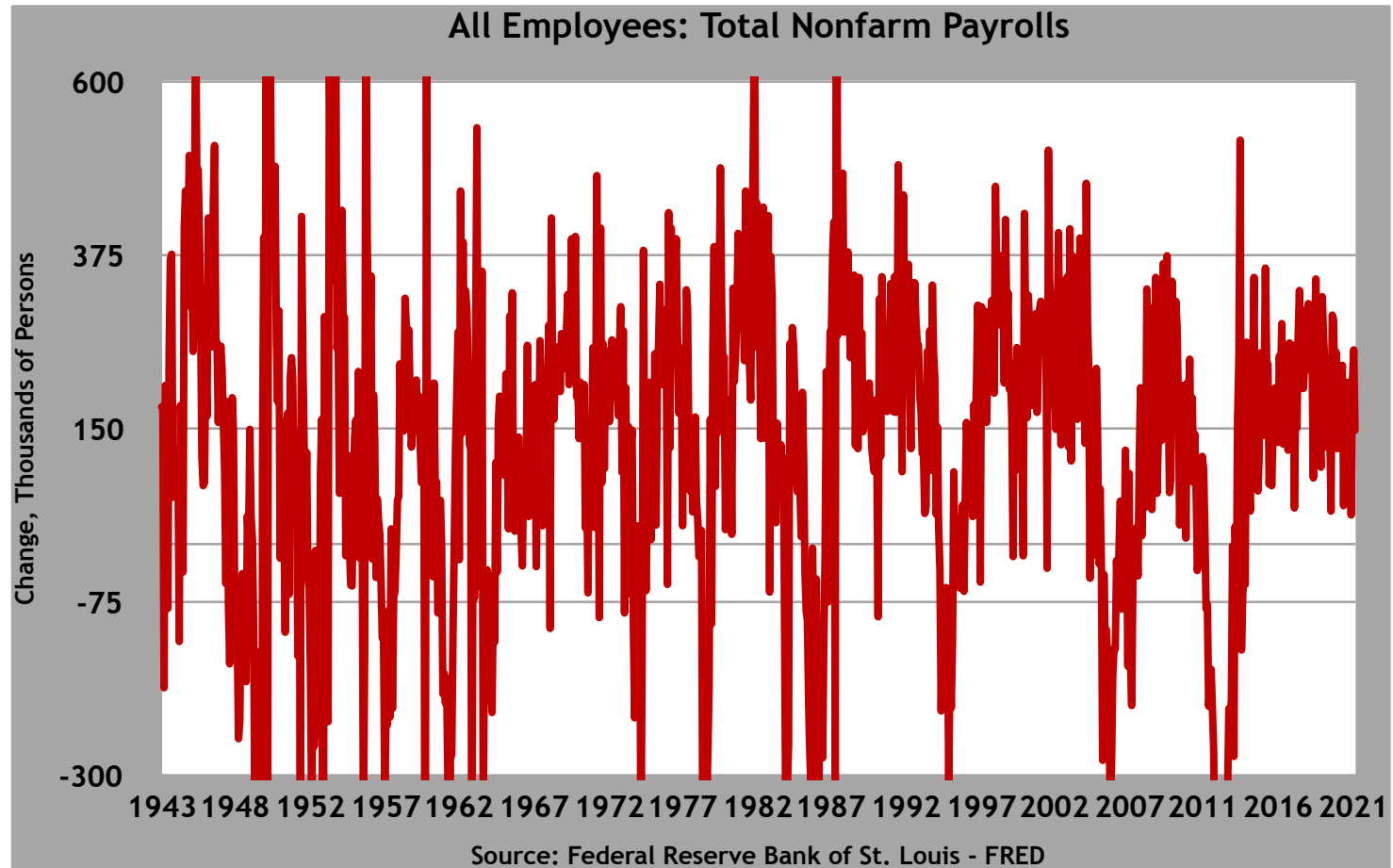
- Mar 1991 to Mar 2001 120 months
- Feb 1961 to Dec 1969 106 months
- Nov 1982 to Jul 1990 92 months
- Jun 1938 to Feb 1945 80 months
- Nov 2001 to Dec 2007 73 months

Current expansion as of May 2018 is 107 months

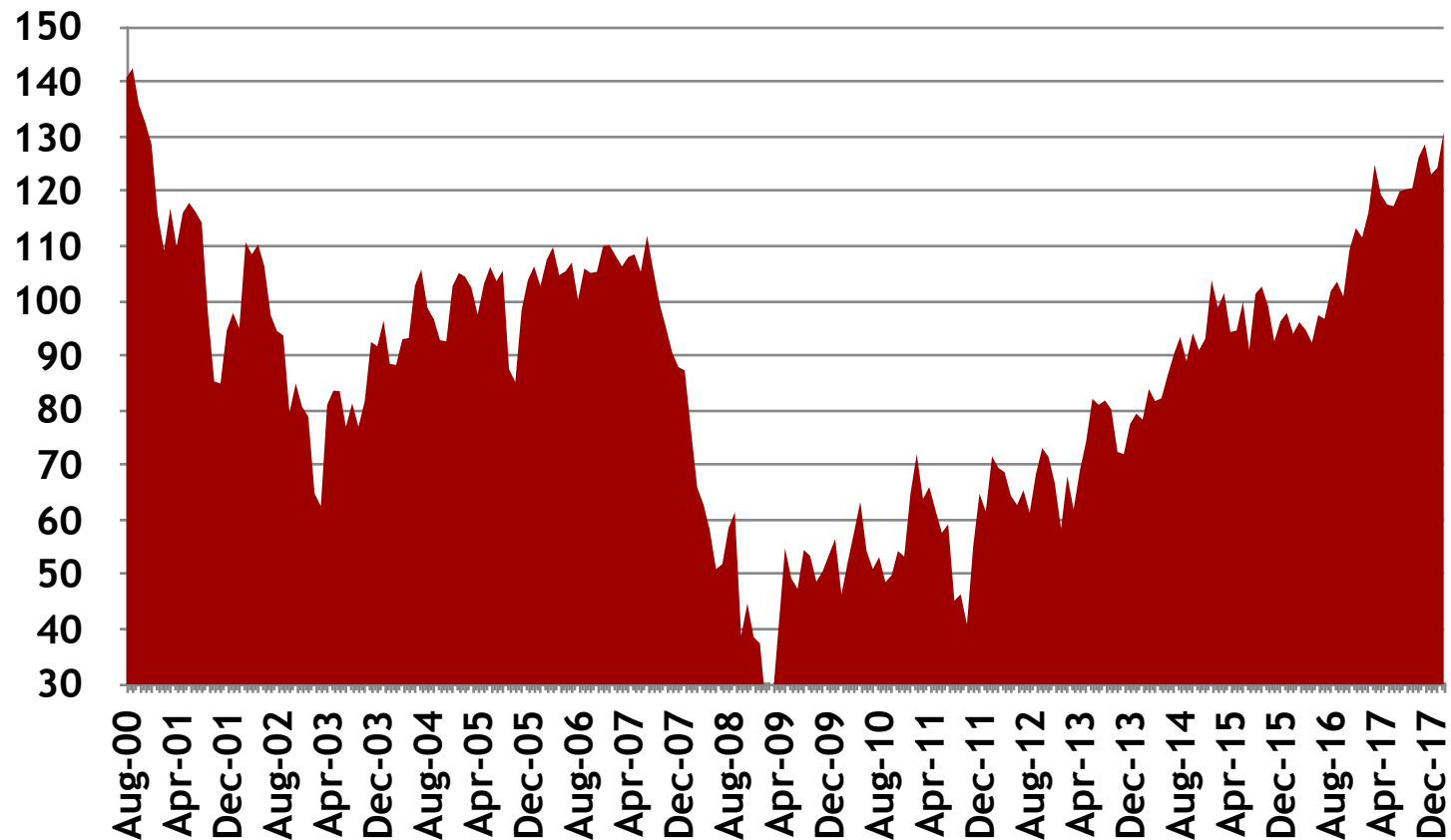
U.S. Leading Index of Economic Indicators



Monthly Increase in Jobs



Consumer Confidence Index



Source: The Conference Board

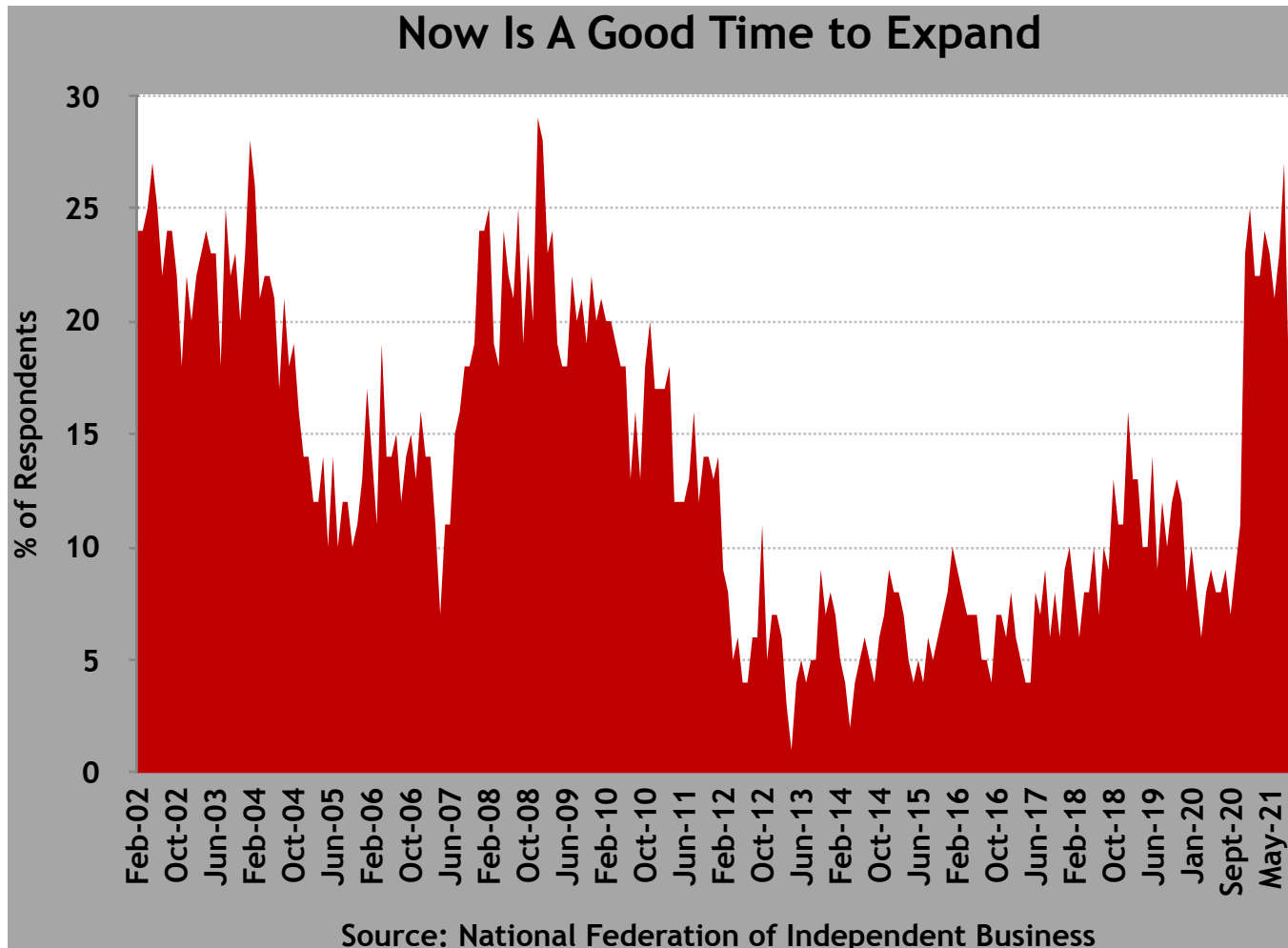
Small Business

“Planning To Hire People In Next Three Months”



Small Business

“Now Is A Good Time To Expand”



Large Corporate Hiring Plans:

Next 6 Months

Q1-18 Q4-17 Q3-17 Q2-17

| | | | | |
|------------------|------------|------------|------------|------------|
| More Jobs | 61% | 43% | 43% | 36% |
|------------------|------------|------------|------------|------------|

| | | | | |
|------------------|------------|------------|------------|------------|
| Less Jobs | 13% | 18% | 13% | 16% |
|------------------|------------|------------|------------|------------|

Job Openings in America

Looking for Workers

| | |
|----------------------------------|------------------|
| Total Job Openings | 6,312,000 |
| Construction | 250,000 |
| Manufacturing | 427,000 |
| Trade, Transportation, Utilities | 1,235,000 |
| Professional & Business Services | 1,089,000 |
| Education & Health Care | 1,152,000 |
| Leisure & Hospitality | 889,000 |
| Government | 561,000 |

Source: Bureau of Labor Statistics
BLS release on March 16, 2018

Threats to U.S. Expansion in 2018

- Short term interest rates increase too fast and too much. Fed controls this outcome.
 1. Avoid repeat of Black Monday in 1987
- Long term interest rates increase because of higher expected inflation.
 1. Civil war inside Saudi Arabia or Iran
 2. Full employment leads to wage inflation
 3. Huge U.S. budget deficit spending increase

"All the News That's Fit to Print"

The New York Times

Late Edition
New York Times, Saturday, October 19, 1987
Page 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

WILEY-KY-71... 714-2728... NEW YORK, TUESDAY, OCTOBER 19, 1987... 41 CENTS

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

**U.S. Ships Shall
Iran Installation
In Gulf Rejected**

**Offshore Target Towed
a Base for Carboats**

NO OTHERS, BARRIERS

WASHINGTON, Oct. 19 — 2000
Barricaded vessels moved back and forth
for the attack on American ships
today, raising the stakes in the Gulf
crisis by challenging the United States
position that American ships
should not be in the Gulf.
A spokesman said a large offshore
platform located a mine platform
five miles away and destroyed under

A Huge Blow to the Five-Year Bull Market



Does 1987 Equal 1929?

WORLDWIDE IMPACT

Black Monday October 19, 1987

TIME
THE
CRASH

After a wild week
on Wall Street,
the world is different

BLACK MONDAY

Friday, October 19, 1987. The New York Stock Exchange is in a state of panic. The Dow Jones Industrial Average has fallen 508.32 points, or 22.6%, to 2,847.50. This is the largest one-day drop in the history of the Dow Jones Industrial Average.

KeyPunch

DAILY NEWS

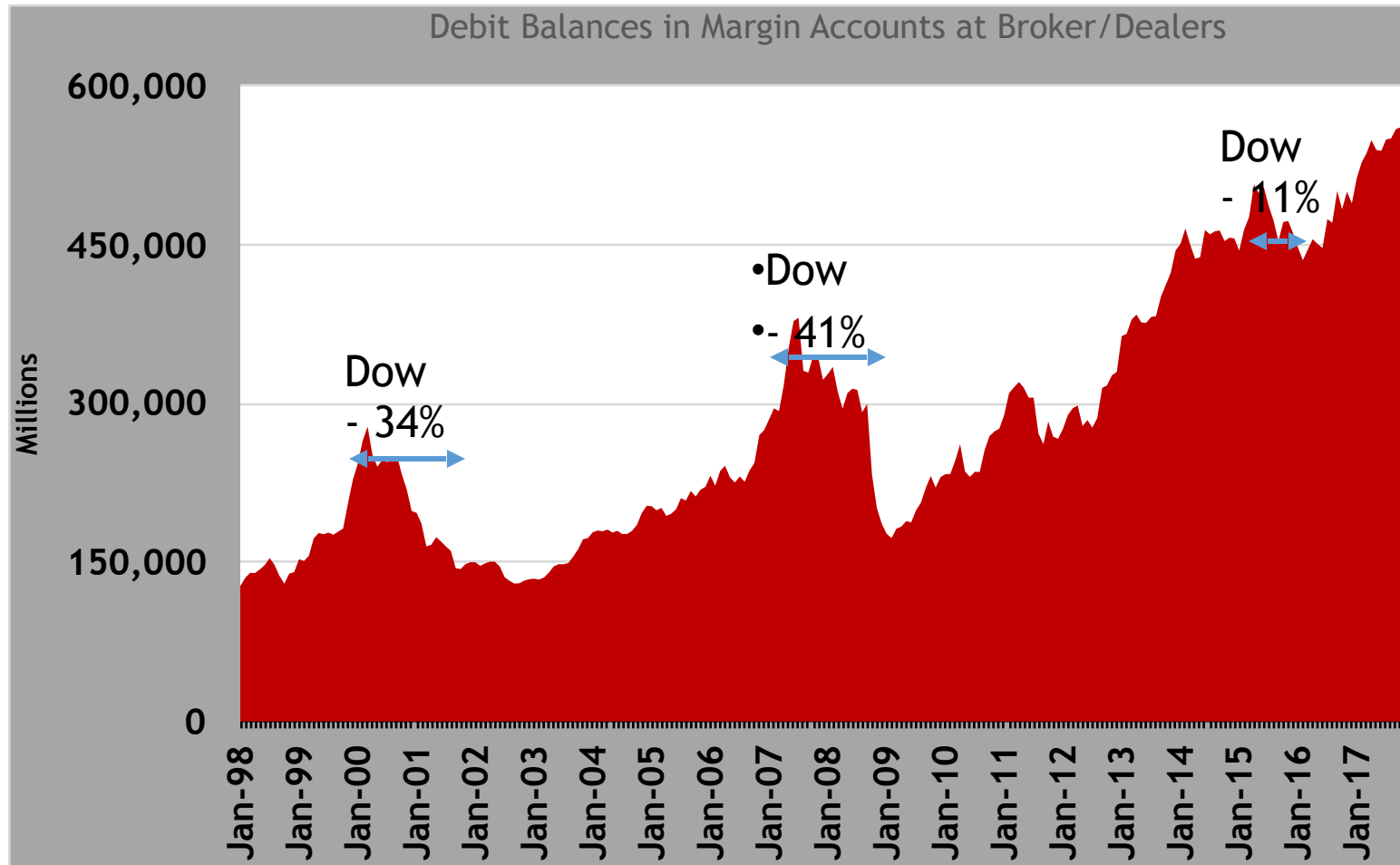
PANIC!
Dow plunges through floor — 508 pts.
6 PAGES OF COMPLETE COVERAGE BEGIN ON PAGE 2

BERNIE GETS 6 MONTHS
Five years probation on gun charge



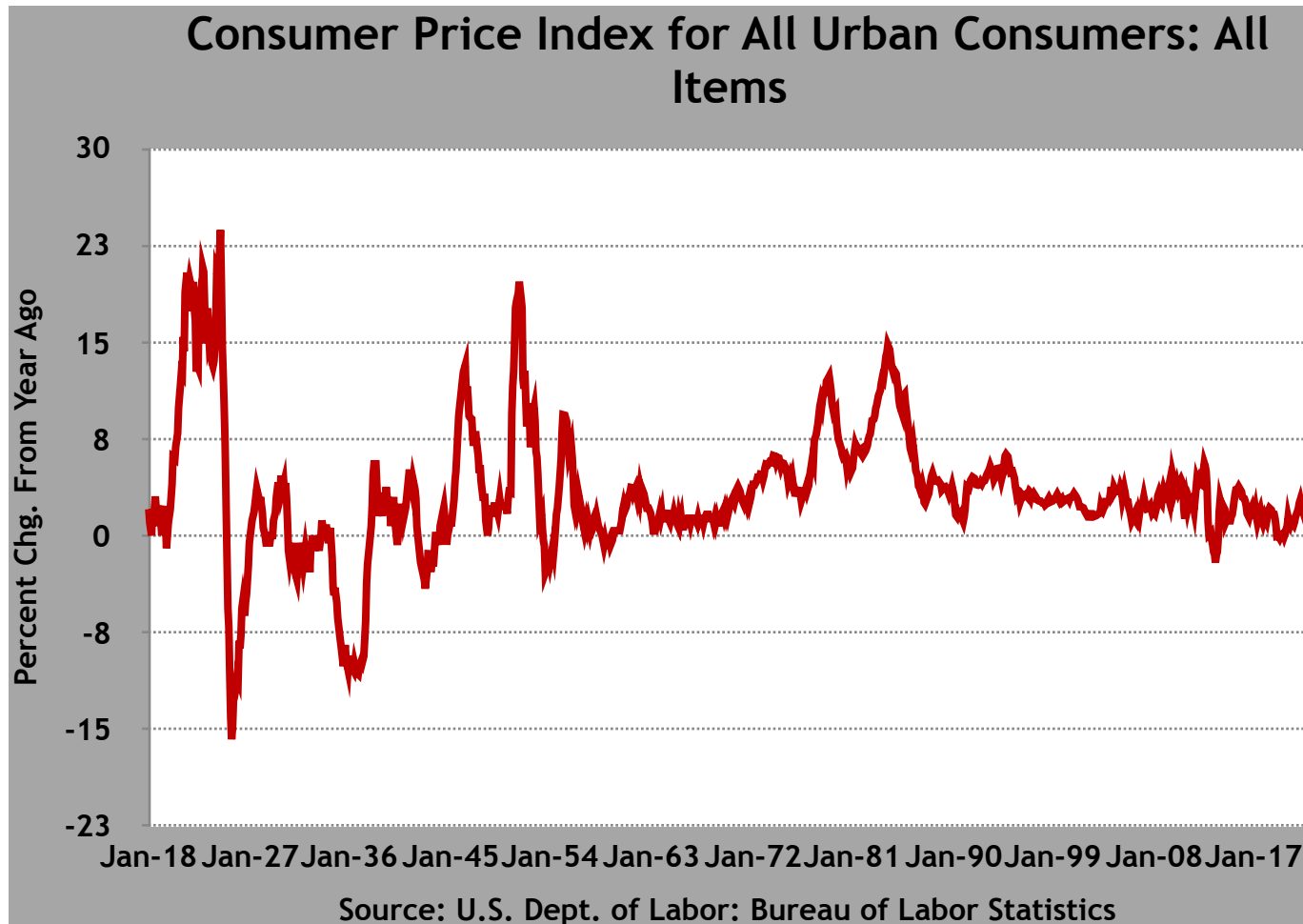
Margin Debt

Debit Balances at Broker/Dealers

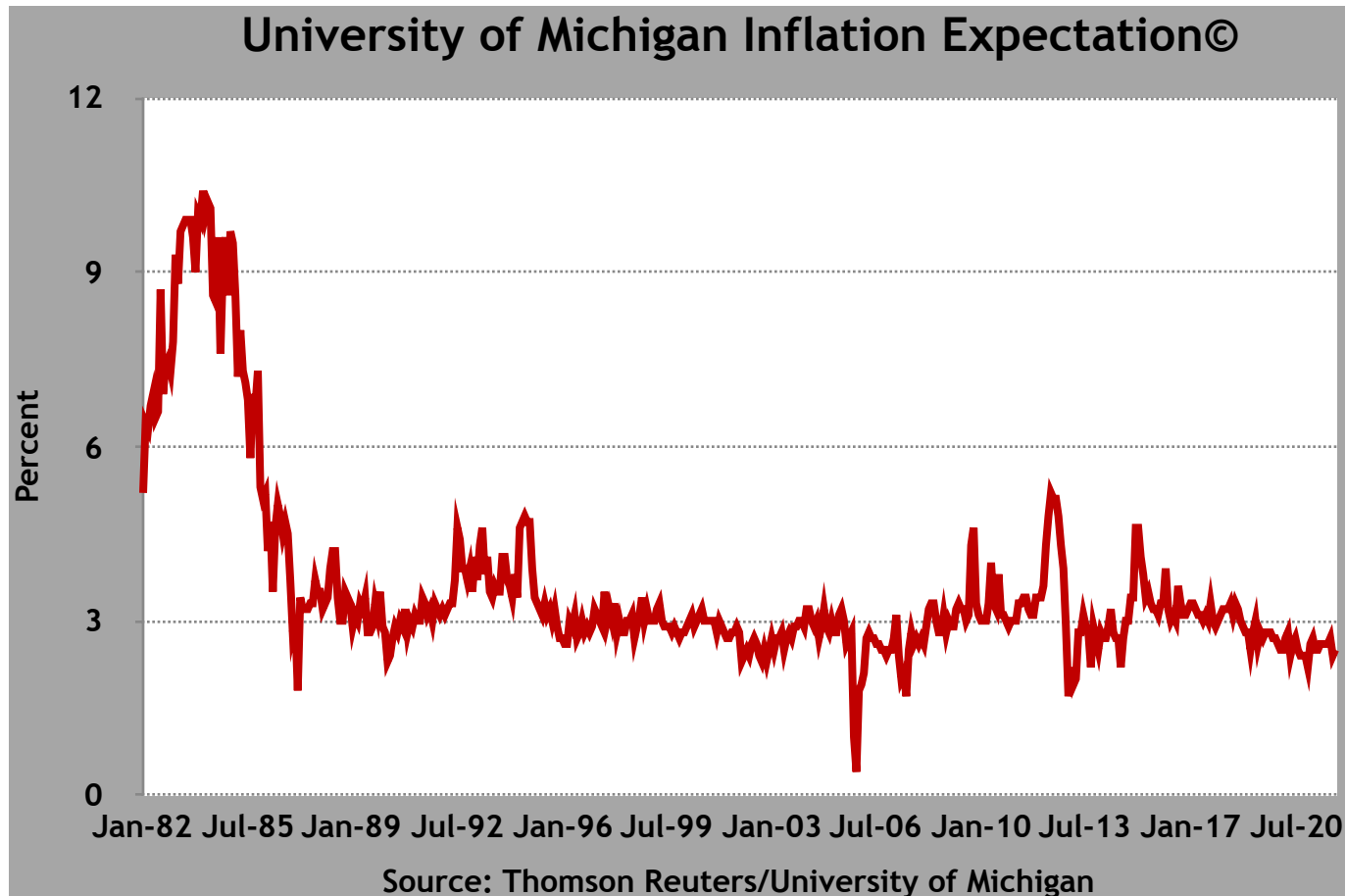


Source: Standard and Poor's

The CPI Inflation Rate



Inflation Expectation Survey



Escalating Tension Throughout the Middle East



Full Employment Already



“It is the judgment of the Dallas Fed economists that current levels of headline unemployment as well as U-6 are indicative of an economy that is **either at or has moved past the level of full employment.**”

Source: Robert S. Kaplan,
President of the Dallas Fed
Feb 21, 2018

Labor Shortage Will be Noticed

Worst of U.S. Truck Driver Shortage
Still to Come



file photo: New Jersey

BY MAREX 2018-01-22 10:25:10

Teamsters union contract with UPS expires in July. It involves 260,000 UPS workers.

...capacity in most modes has become extremely tight. Pricing power has erupted in those modes to levels that spark overall inflationary concerns in the broader economy.

-CASS FREIGHT INDEX REPORT
JANUARY 2018

Cost Increases Coming

Tyson Foods says the nationwide shortage of trucks and drivers will add \$200 million to its costs this year. It also says that increasing wages for its workers will raise prices for consumers.

“a sign of stresses as companies find distribution channels squeezed”

Source: WSJ Logistics Report 2/9/18

Infrastructure Spending



If “Hawks” are gone -

- Additional deficits to fund infrastructure
- Infrastructure spending occurs
- Inflation expectations increase
- 10-Year Treasury rate increases
- Fed feels pressure to be more aggressive

New Trend Or A One Time Event?

called a territorial tax system. Intellectual property. Much of the profits tied up off- Still, for some firms, keeping even lower tax rates in foreign jurisdictions could prove include sticks—provisions intended to discourage tax-law arbitrage by large companies. U.S. companies to foreign parents that policy makers see as eroding the U.S. tax base.

Deficit Hawks Take a Back Seat

By Nick Timiraos
And Kate Davidson

Deficit hawks emerged among the losers in the GOP effort to pass a tax overhaul. The Senate prepared Friday to pass a tax bill that would reduce the government's revenue by about \$1.4 trillion over a decade. The House version of the bill would also reduce revenue by \$1.4 trillion.

President Donald Trump's administration and GOP lawmakers have argued the revenue loss would be much less than that price tag because cuts would spur economic growth and boost federal revenue even as tax rates drop.

But a growing number of estimates shows higher growth wouldn't fully offset lost revenue from lower tax rates. That means that budget deficits—already projected to increase in the years ahead as baby boomers retire and take on benefits like Medicare and Social Security—could end up even wider than already projected.

The nonpartisan Joint Committee on Taxation, Congress's official scorekeeper on tax projections, said Thursday the Senate bill would generate \$453 billion in revenue from stronger economic growth while adding \$51 billion in higher interest costs, leaving the net cost of the bill at \$1 trillion over a decade.

That estimate was one reason why Sen. Bob Corker of Tennessee, a self-described deficit hawk, appeared prepared to defect on the vote Friday, making him potentially the lone Republican dissenter.

The Tax Foundation, a right-leaning think tank, found a version of the bill that cleared the Senate Finance Committee would decrease government revenue by \$1.78 trillion without accounting for the benefits of economic growth and about \$516 billion after accounting for stronger economic growth.

Republicans fought for years to include scoring estimates that account for economic growth in evaluating tax legislation. After the JCT estimate was released some doubted the conclusions.

"Our bill will end up reducing the deficit," Sen. Rob Portman (R., Ohio) said.

After Mr. Trump, a Republican, won the White House last year, top GOP lawmakers said any tax proposal needed to be "revenue neutral"—bringing in as much revenue by eliminating deductions and other tax breaks, for example, as it lost from lower rates.

But the revenue-neutral commitment proved daunting to keep as resistance built against revenue-raising measures meant to offset the cost of reduced tax rates. House Republican leaders abandoned a controversial bid earlier this year to impose a tax on imports while exempting exports, which would have raised around \$1.5 trillion over a decade and helped finance other tax cuts.

A key breakthrough came in September, when Sen. Pat Toomey (R., Pa.) and Mr. Corker agreed to a budget blueprint that allowed for a \$1.5 trillion reduction in revenue over a decade. Some argued the actual cost would be much smaller than that when accounting for the benefits of growth.

"At that moment, you heard the last squawks from the deficit hawks," said Steven Bell, a senior analyst at the Bipartisan Policy Center.

Reconcile This
The House and Senate tax bills differ in some important ways which

Tax Cuts Could