



stewart  
title



# AXIOMS:

An Outlook & Forecast for the  
Economy, Real Estate and Life

Ted C. Jones  
Chief Economist

# ax·i·om

/ˈaksēəm/ 

*noun*

plural noun: **axioms**

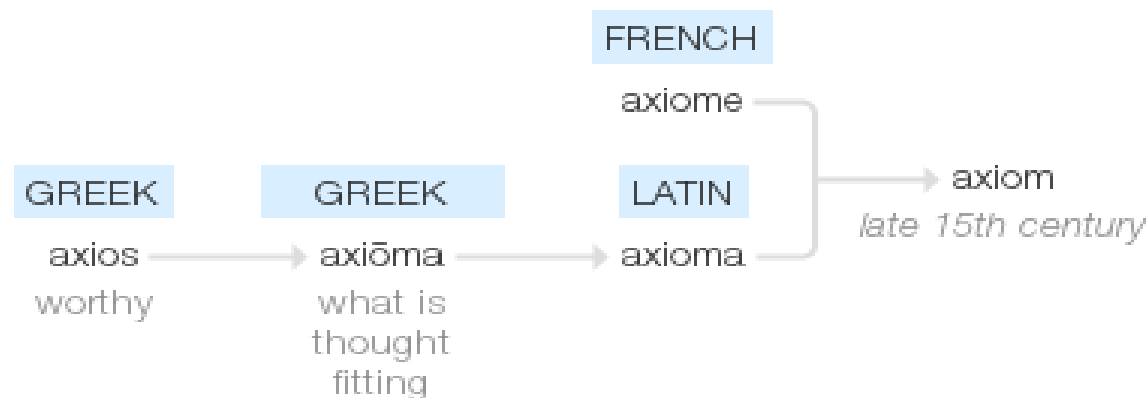
a statement or proposition that is regarded as being established, accepted, or self-evidently true.  
"the axiom that supply equals demand"

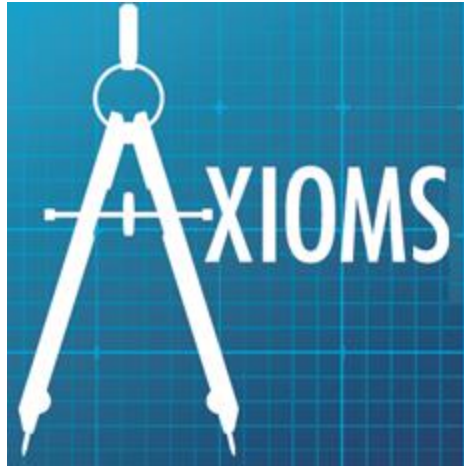
*synonyms:* accepted truth, general truth, **dictum**, **truism**, **principle**

- MATHEMATICS**

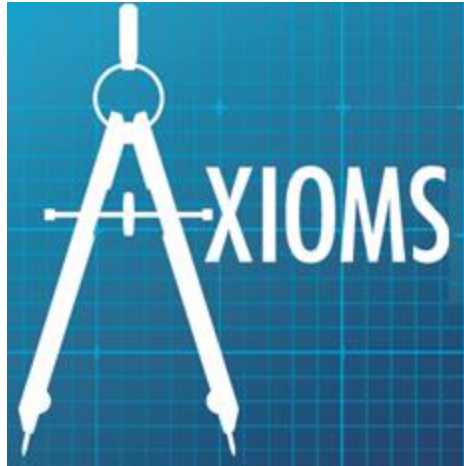
a statement or proposition on which an abstractly defined structure is based.

## Origin





# Things Change



**Jobs are Everything  
Period**

# 1.54%

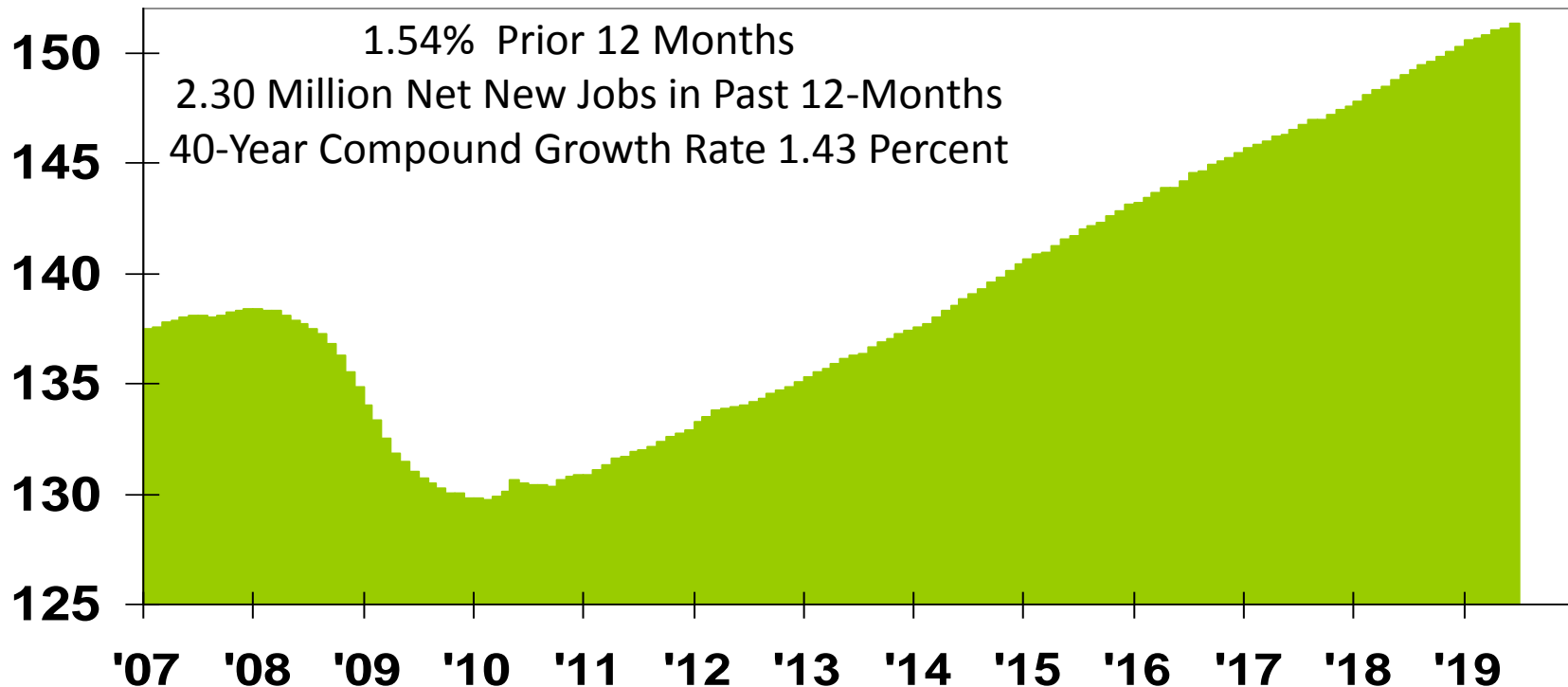
**8% Greater Than**

**1.43% 40-Year Annual  
Compound Growth Rate**

# U.S. Jobs

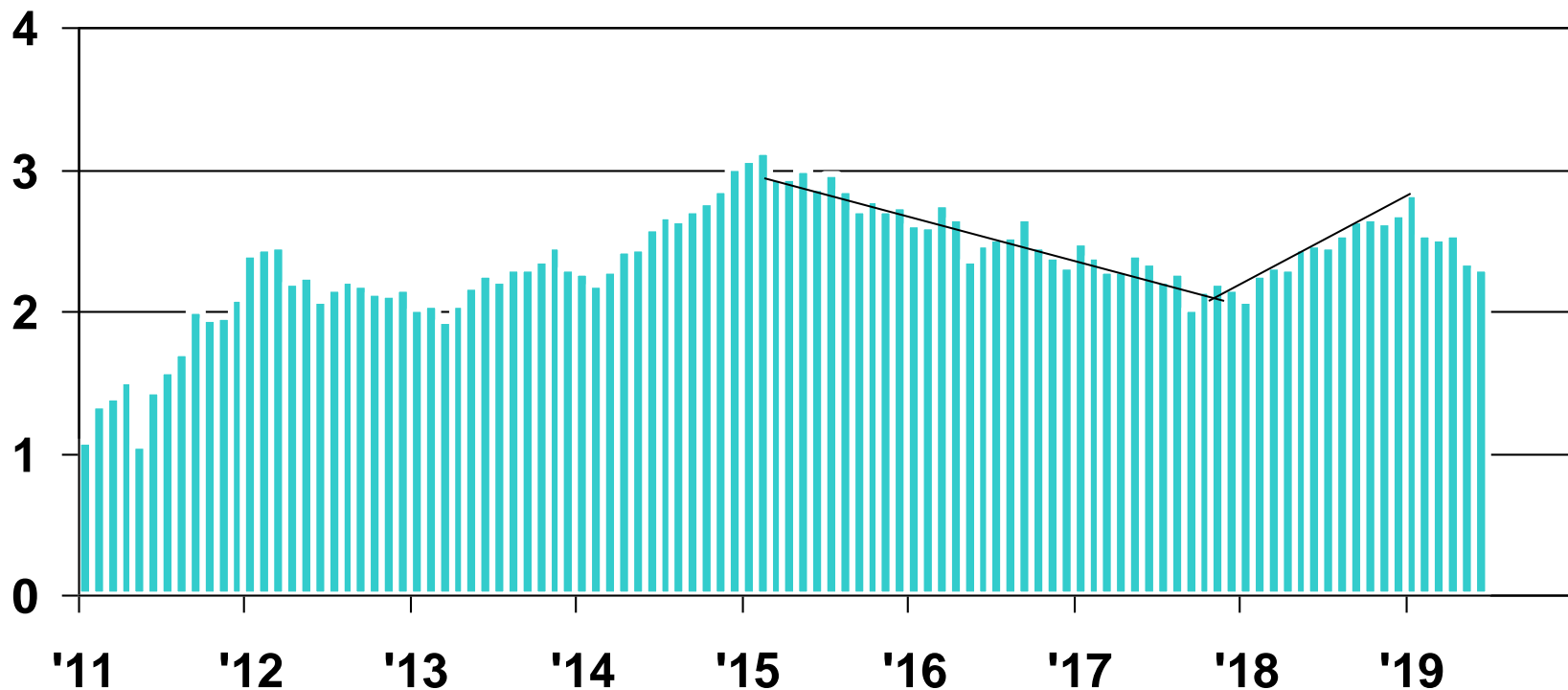
More Jobs Than Anytime  
In History

Jobs (Millions) *Seasonally Adjusted*



# U.S. Net Job Gains – *Trailing 12-Months*

Jobs - *Millions*



# U.S. Leisure & Hospitality Jobs

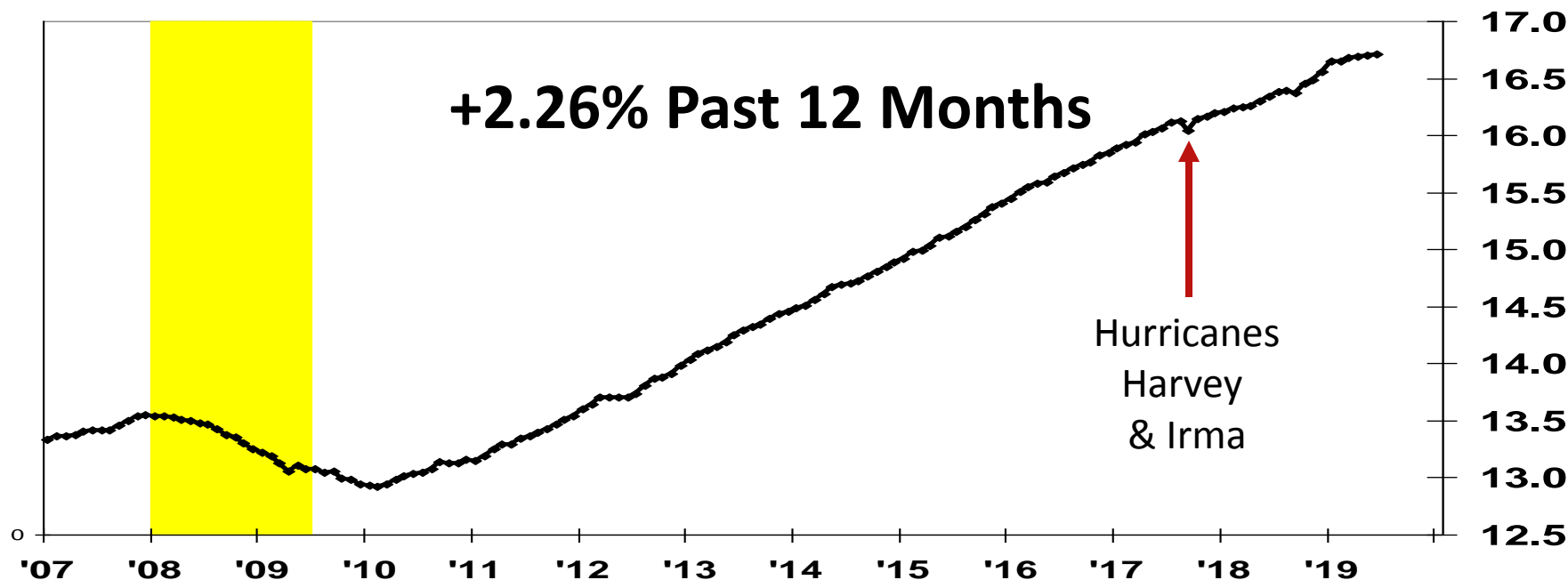
The Blood Pressure Test of the U.S. Economy

Millions of Jobs  
Seasonally-Adjusted

 Recession

**+2.26% Past 12 Months**

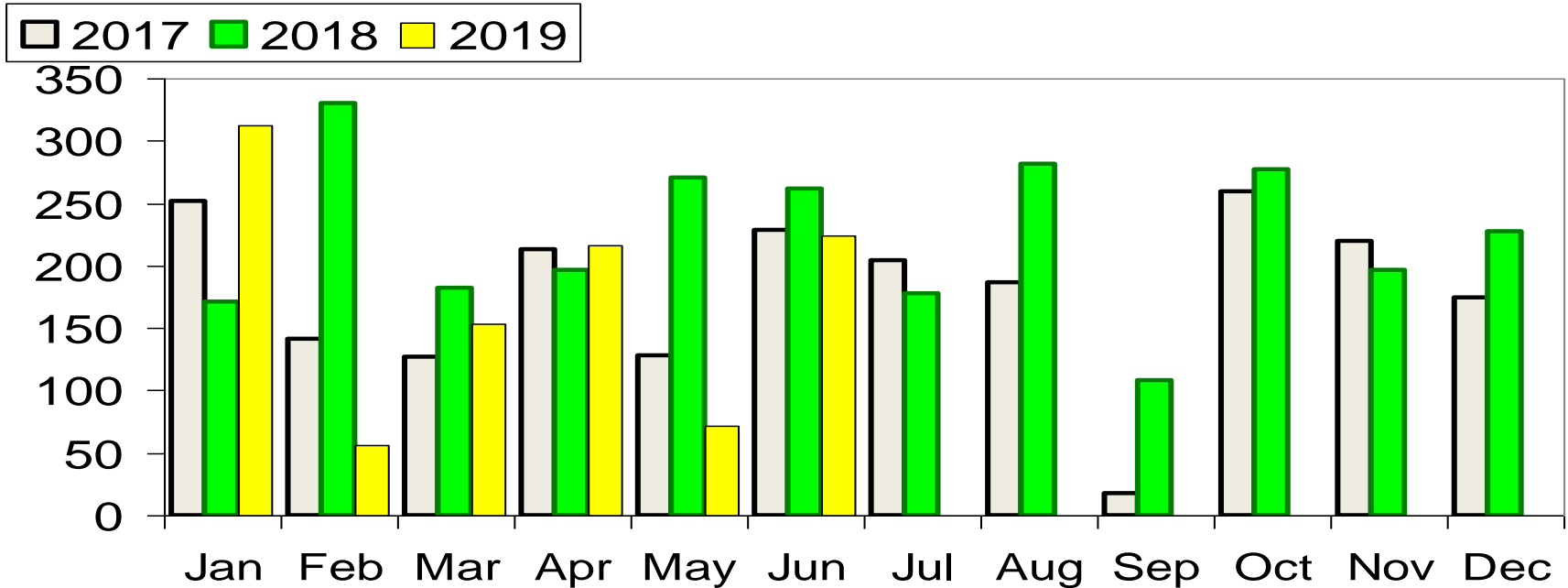
Hurricanes  
Harvey  
& Irma





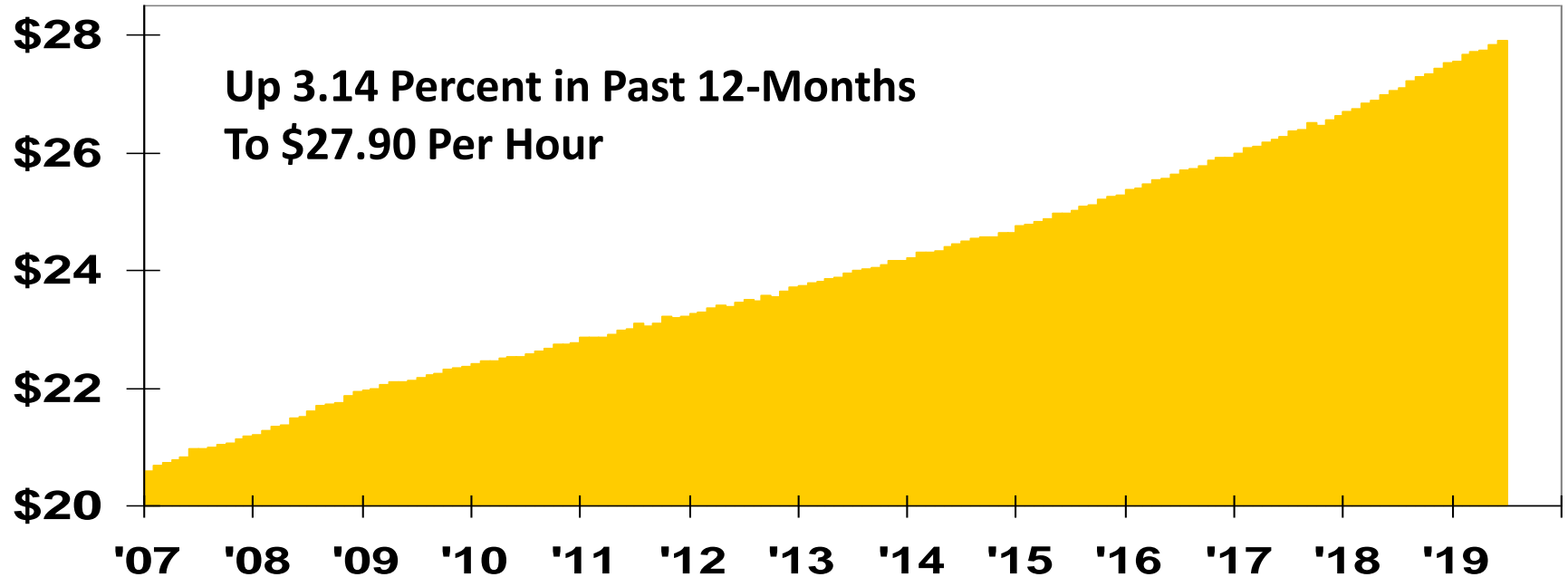
# U.S. Number of Net New Jobs Monthly

*Seasonally Adjusted - Thousands*



# U.S. Average Hourly Earnings

*\$US Per Hour*



# 3.1%

**3<sup>rd</sup> Best 12-Month  
Income**

**Increase in 10+ Years**

**Inflation 1.6%**

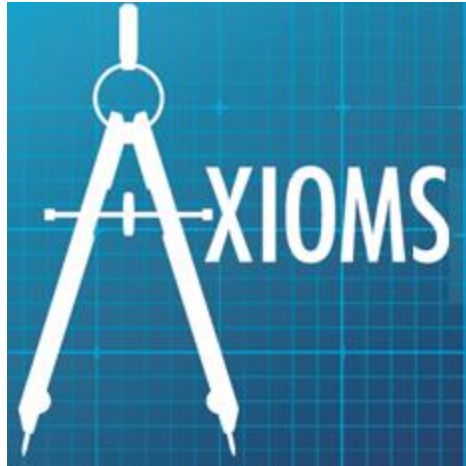
**1-2-3 All in 2019**

# 3.7%

**Unemployment  
Rate**

**Lowest in  
50-Years**

**196**



# **When You Get a Raise You Are Simply Broke at a Higher Level**

**Dr Ivan Schmedemann, Professor Emeritus**

# 61.5%

**Percent of  
Workers  
Confident in  
Finding a New  
Job if  
They Lost Their  
Current One**

FEDERAL RESERVE BANK *of* NEW YORK

# S&P 500 Index

**Up 43.4% Since Election Day 2016**



# 90%

Pay Less  
Taxes



**USA TODAY**

# \$80

# Billion

Extra Money Spent  
on Real Estate Annually  
Due to Tax Cuts

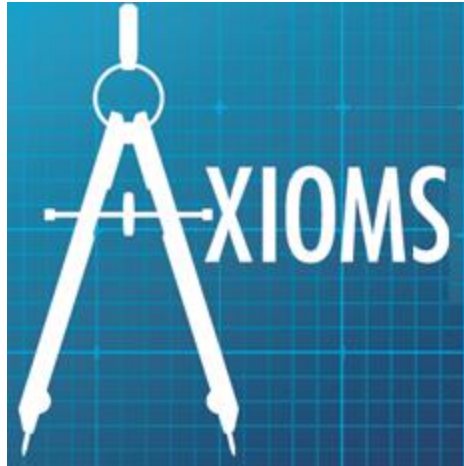


**Zillow**

## State Job Growth -- 12 Months Ending May 2019

Nevada	4.00%	Georgia	1.53%	Massachusetts	0.73%
Utah	2.82%	North Carolina	1.49%	West Virginia	0.71%
Washington	2.79%	New Hampshire	1.37%	North Dakota	0.65%
Arizona	2.68%	Vermont	1.24%	Oklahoma	0.59%
Idaho	2.50%	Illinois	1.22%	Delaware	0.58%
Florida	2.45%	New Jersey	1.11%	Maryland	0.55%
Texas	2.30%	Missouri	1.08%	Michigan	0.53%
Oregon	1.97%	Mississippi	1.05%	Wisconsin	0.51%
South Dakota	1.92%	New York	1.02%	Nebraska	0.47%
South Carolina	1.91%	Arkansas	0.99%	Dist of Columbia	0.45%
Alabama	1.84%	Kentucky	0.98%	Rhode Island	0.42%
New Mexico	1.82%	Montana	0.96%	Iowa	0.40%
Alaska	1.71%	Pennsylvania	0.92%	Connecticut	0.39%
Colorado	1.69%	Kansas	0.91%	Hawaii	0.34%
California	1.65%	Virginia	0.80%	Minnesota	0.18%
Wyoming	1.58%	Indiana	0.78%	Maine	0.17%
Tennessee	1.55%	Ohio	0.77%	Louisiana	0.10%

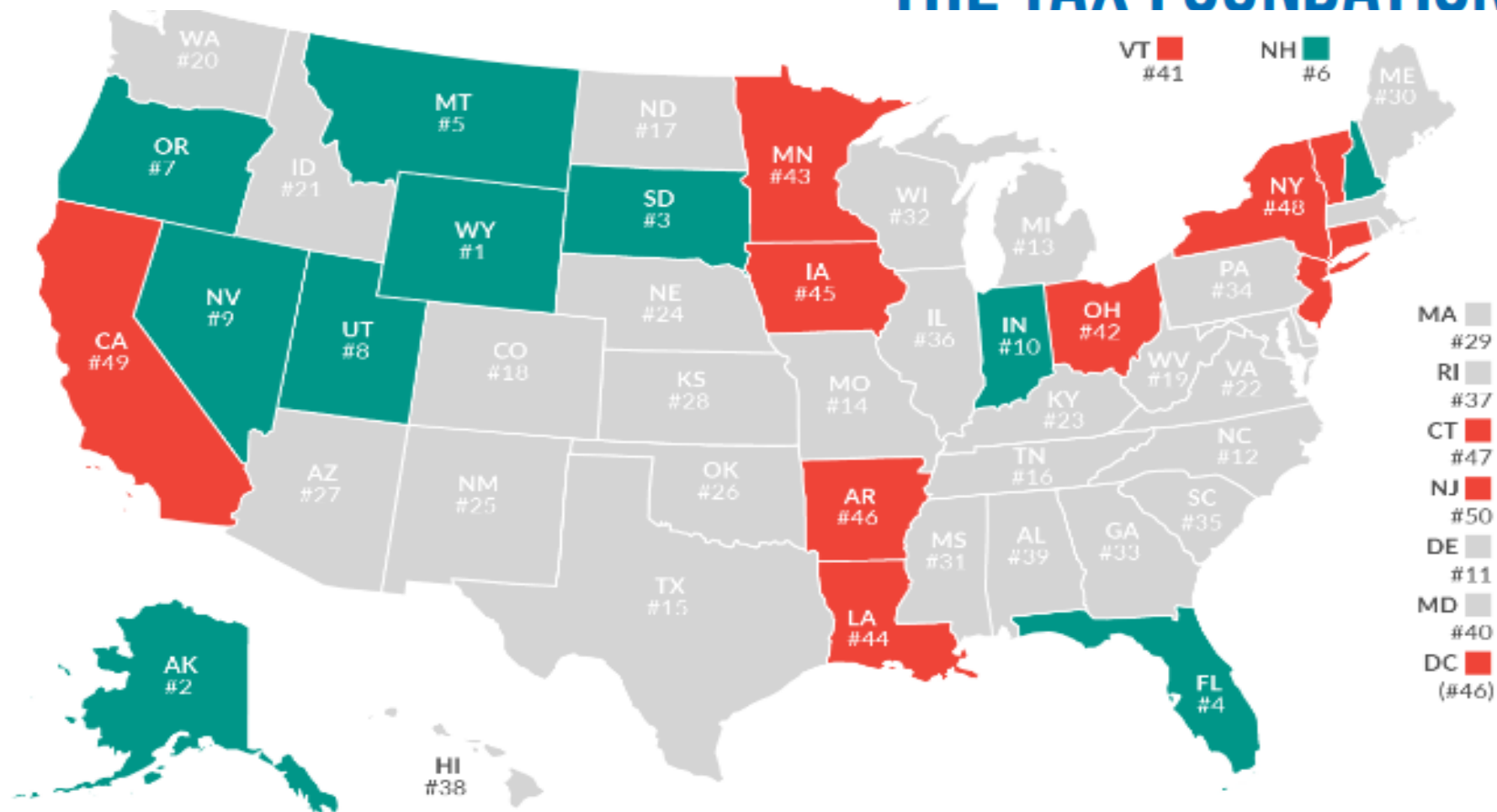




# **Taxes – or Lack There of – Influences Where People Live & Businesses Relocate**

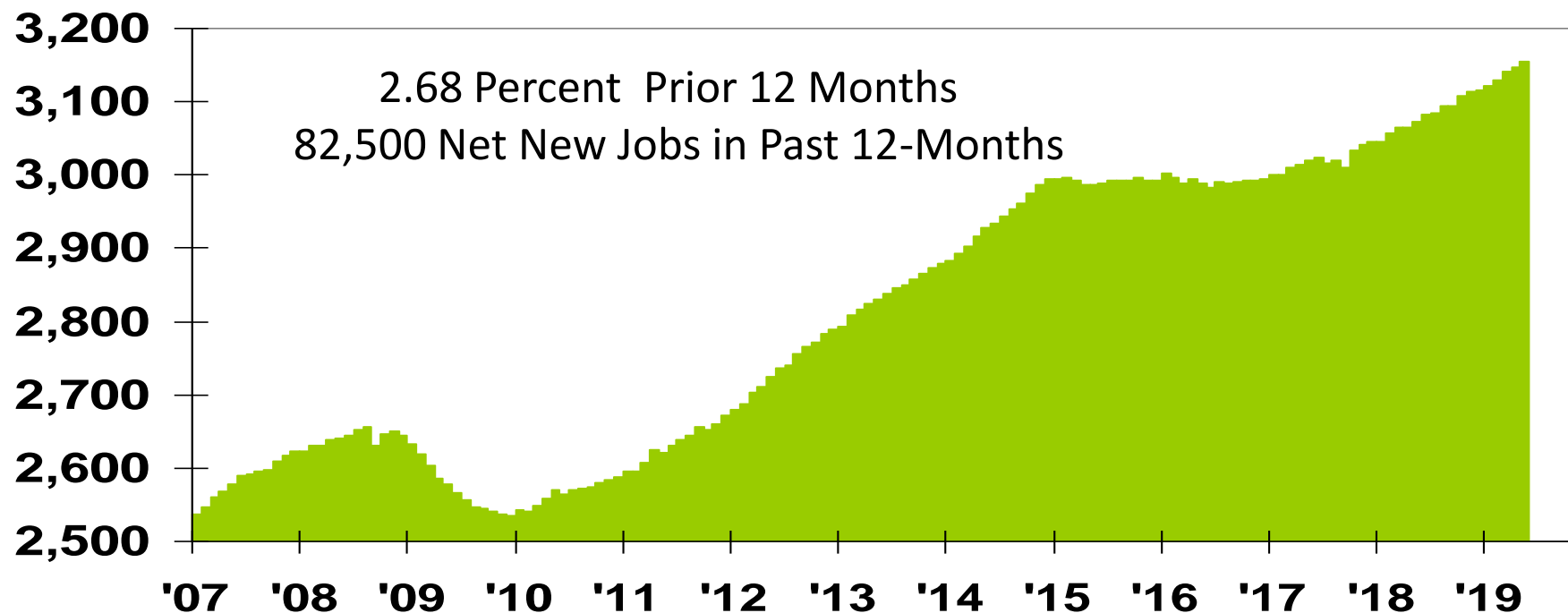
**Taxes Matter**

# THE TAX FOUNDATION



# Houston-The Woodlands-Sugar Land MSA Jobs

Jobs (Thousands) *Seasonally Adjusted*



# Houston Supersector Job Growth Analysis -- May

Not Seasonally Adjusted

Employment Supersector	Total Jobs Thousands May 2019	Percent of All Jobs		12-Months		5 Years	
		Today	5-Years Ago	Net New Jobs Thousands	Percent Change	Net New Jobs Thousands	Percent Change
Total	3,163.6	100.0%	100.0%	79.8	2.6%	228.1	7.8%
Mining & Logging	84.9	2.7%	3.8%	6.6	8.4%	(25.9)	-23.4%
Mining, Logging + Construction	311.7	9.9%	10.7%	11.7	3.9%	(3.5)	-1.1%
Construction	226.8	7.2%	7.0%	5.1	2.3%	22.4	11.0%
Manufacturing	240.3	7.6%	8.6%	13.6	6.0%	(13.1)	-5.2%
Trade-Transport-Utilities	622.4	19.7%	20.0%	2.0	0.3%	34.8	5.9%
Information	30.6	1.0%	1.1%	(1.1)	-3.5%	(2.2)	-6.7%
Financial Activites	164.3	5.2%	5.0%	0.3	0.2%	16.6	11.2%
Professional and Business Service	513.7	16.2%	15.8%	24.1	4.9%	50.6	10.9%
Education and Health Services	403.2	12.7%	11.9%	10.6	2.7%	54.0	15.5%
Leisure & Hospitality	335.1	10.6%	9.9%	5.8	1.8%	44.5	15.3%
Other	119.1	3.8%	3.7%	6.8	6.1%	11.6	10.8%
Government	423.2	13.4%	13.2%	6.0	1.4%	34.8	9.0%

# U.S. Vs Houston Supersector Employment Analysis

Not Seasonally Adjusted

Employment Supersector	Percent of All Jobs			12-Month Job Growth	
	USA	Houston		USA	Houston
Mining & Logging	0.5%	2.7%		3.1%	8.4%
Mining & Logging + Construction	5.6%	9.9%		2.7%	3.9%
Construction	5.1%	7.2%		2.7%	2.3%
Manufacturing	8.5%	7.6%		1.3%	6.0%
Trade-Transport-Utilities	18.3%	19.7%		0.7%	0.3%
Information	1.8%	1.0%		-1.2%	-3.5%
Financial Activities	5.7%	5.2%		1.0%	0.2%
Professional and Business Service	14.2%	16.2%		2.2%	4.9%
Education and Health Services	15.8%	12.7%		2.6%	2.7%
Leisure & Hospitality	11.4%	10.6%		2.0%	1.8%
Other	3.9%	3.8%		1.2%	6.1%
Government	14.8%	13.4%		0.6%	1.4%

Source: U.S. Bureau of Labor Statistics, Stewart Title Guaranty Company

**30-Year  
Conventional  
Rates**

**3.75%**

**Week Ending  
July 3, 2019**

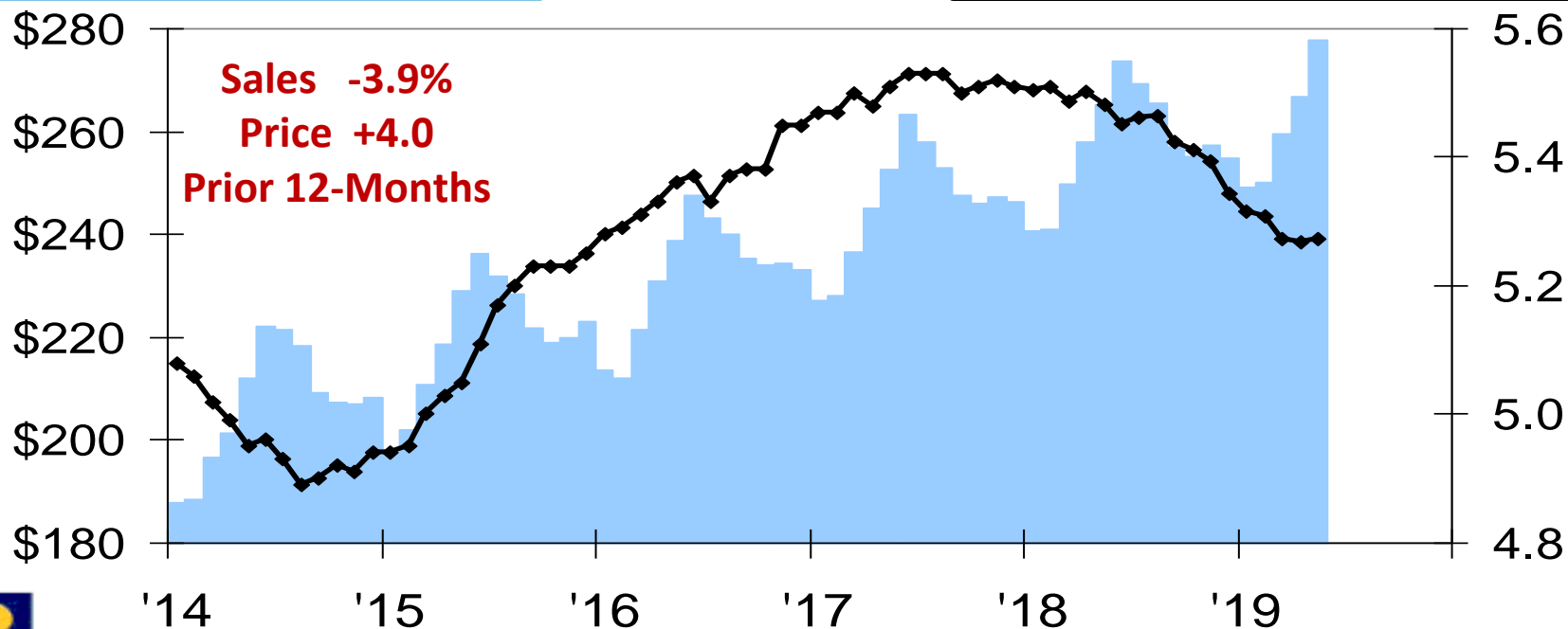
**2<sup>nd</sup> Lowest  
Since  
November  
2016**

# U.S. Existing Home Sales & Median Prices

Sales Trailing 12 Months

Median Price \$ Thousands

Home Sales 12-Months Millions



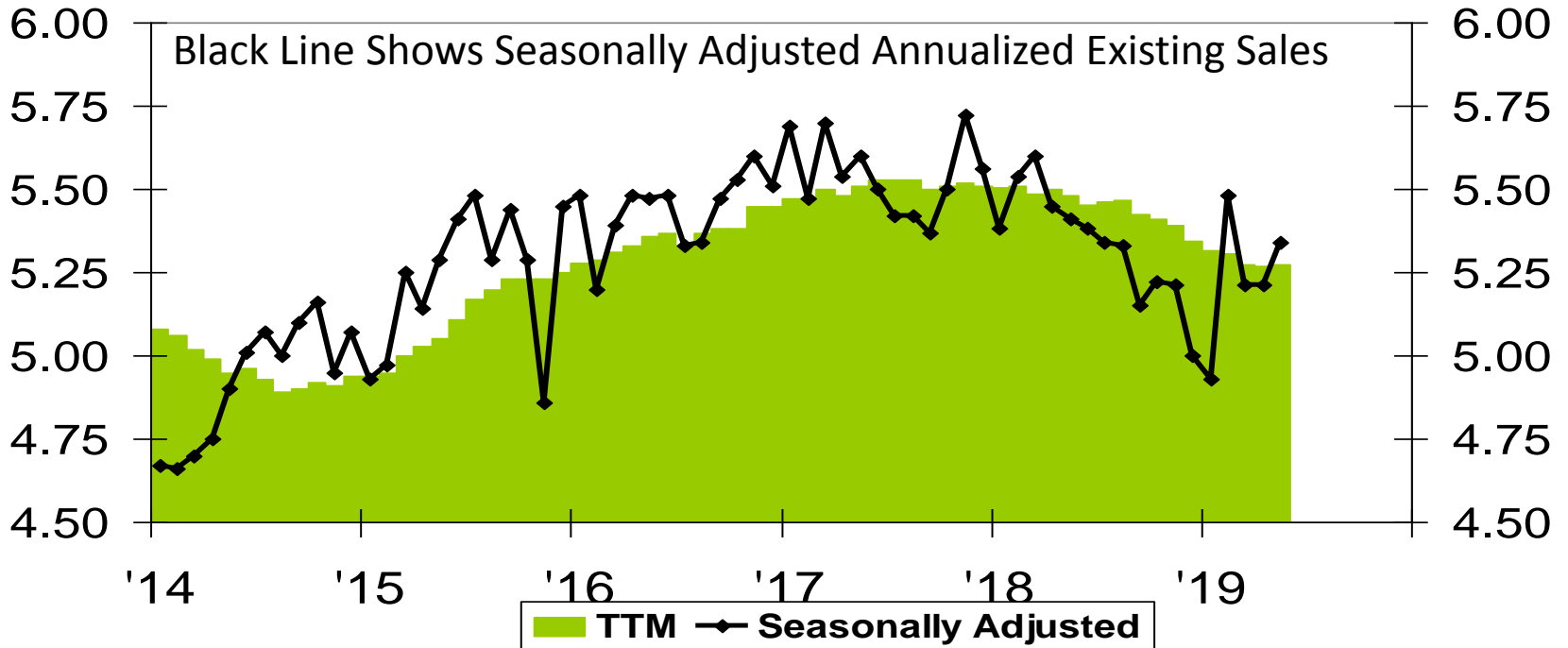
Median Price — Homes Sales

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# U.S. Existing Home Sales - *Millions*

Existing Home Sales - TTM

Seasonally Adjusted





## May 2019 YTD vs 2018 Existing Home Sales

Year	Single Family	Townhouse Condo	Total
2018	1,825,000	236,000	2,061,000
2019	1,771,000	221,000	1,992,000
Percent Change	-2.96%	-6.36%	-3.35%

Source: National Association of Realtors®

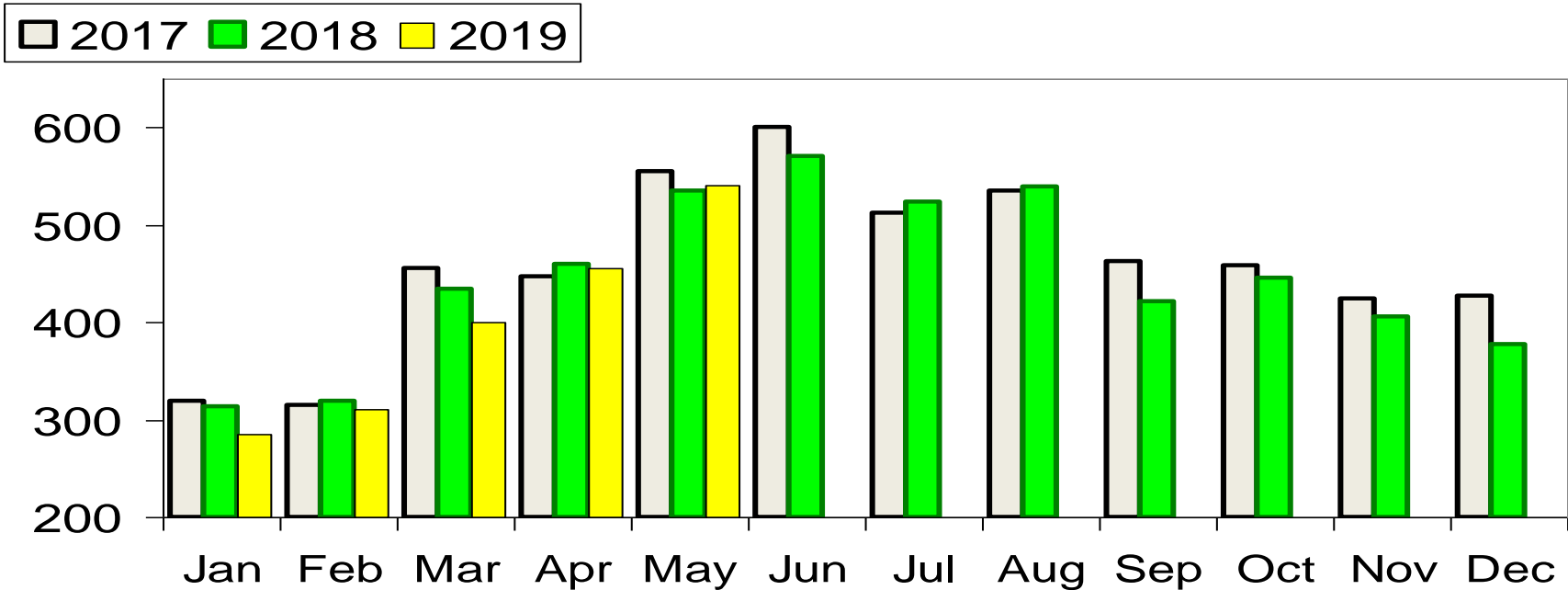


National Association of REALTORS®

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# U.S. Existing Home Sales

Sales – *Not Seasonally Adjusted* - Thousands



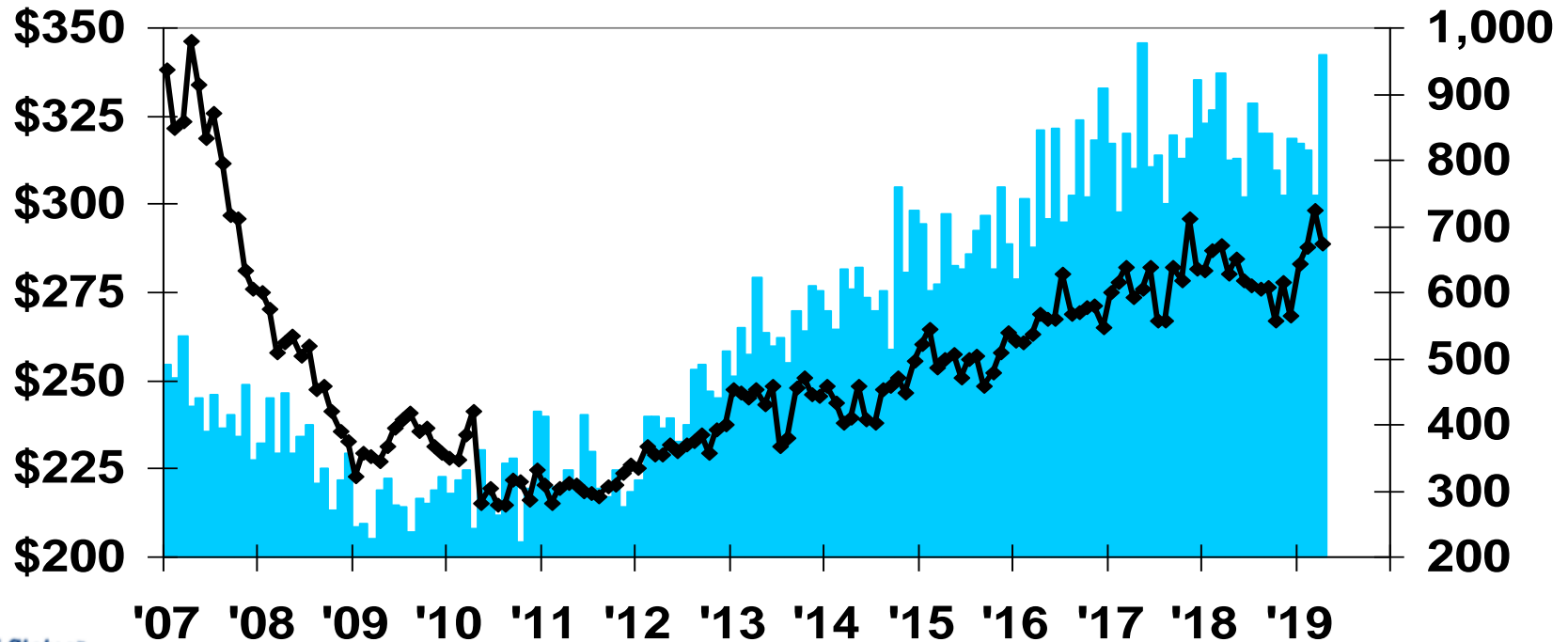
National Association of REALTORS®

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# New Home Sales

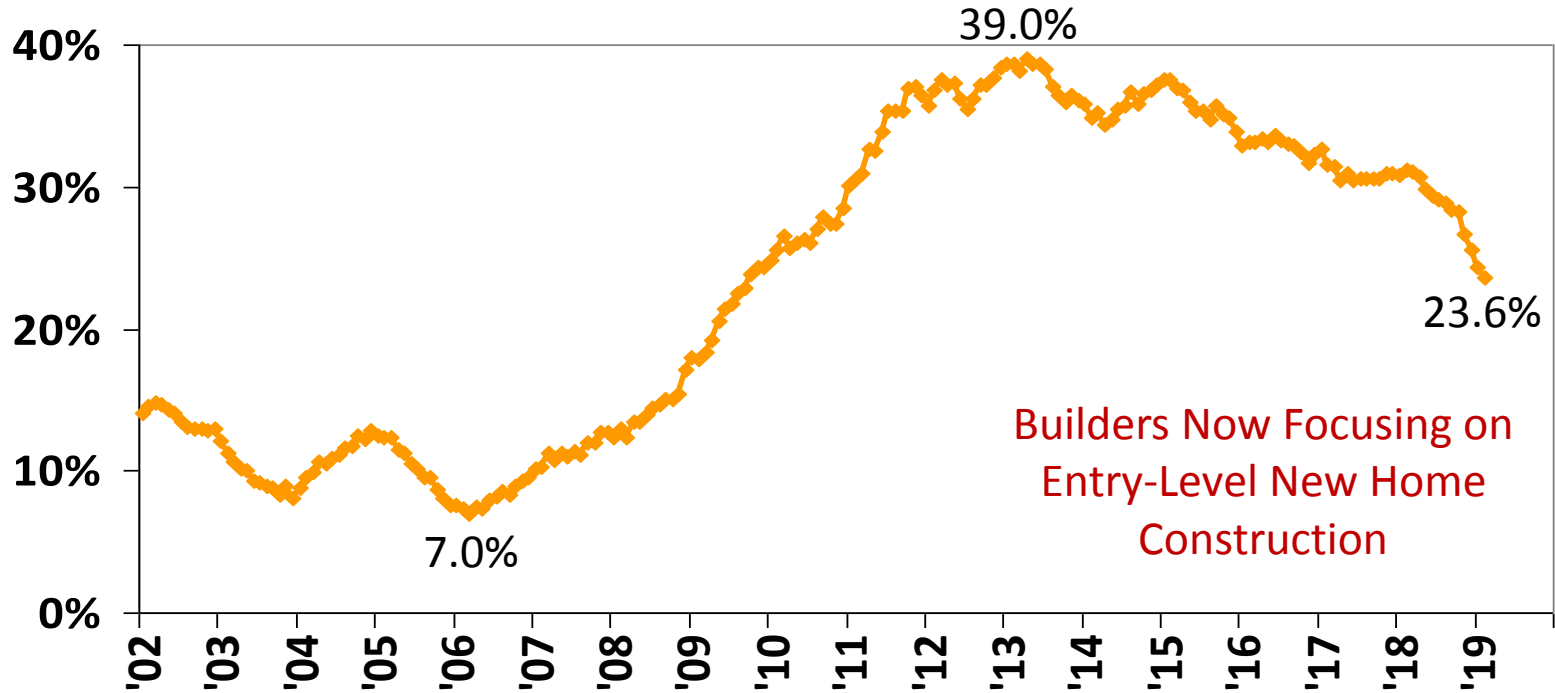
Median Price - \$ Thousands

Sales – SAAR Thousands



# Median Price – New Home Vs Existing Home Premium

New Home Premium Percent 12-Month Moving Average



**1.5 Million  
Net New  
Households  
In  
2018**

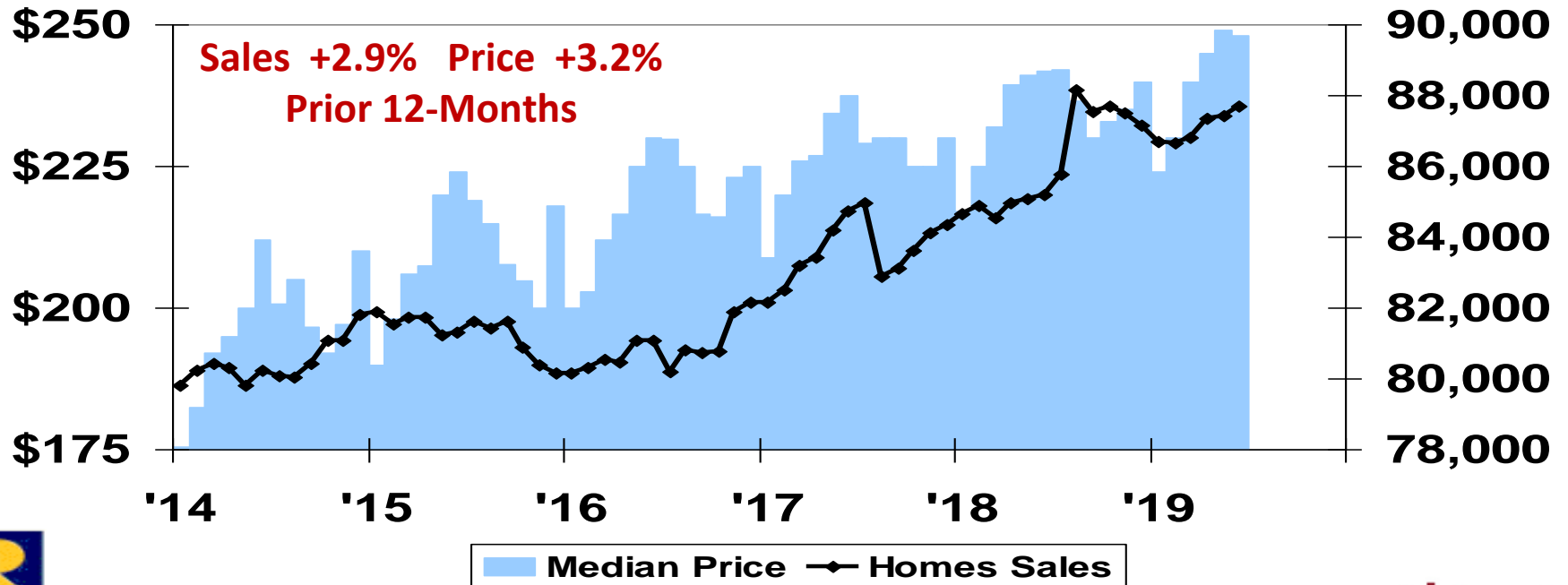
**Built  
Less Than  
1.2 Million  
New  
Dwelling  
Units**

# Houston MSA Home Sales & Median Prices

Sales Trailing 12 Months

Median Price \$ *Thousands*

Home Sales *12-Months*



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## Jobs & Residential Dwelling Unit Permits

### Houston-The Woodlands-Sugar Land

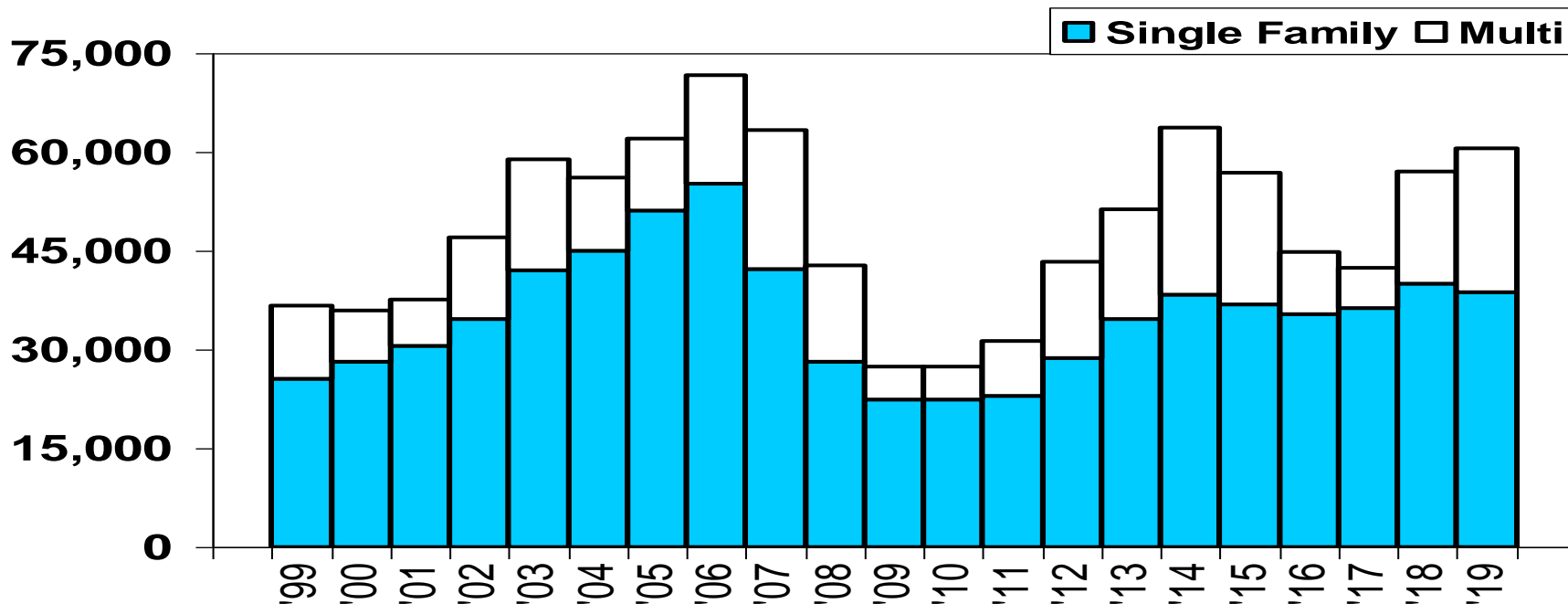
Year	Net New Jobs	Dwelling Unit Permits	Jobs Per New Dwelling
2013	89,000	51,334	1.73
2014	116,800	63,745	1.83
2015	(2,300)	56,901	(0.04)
2016	2,100	44,732	0.05
2017	53,000	42,395	1.25
2018	71,400	57,021	1.25
Total	330,000	316,128	1.04

**Normal  
Is  
1.25 to  
1.50  
Net New  
Jobs Per  
New  
Dwelling**

# Houston MSA Residential Building Permits

Number of Dwelling Units

2019 is Latest 12-Months



60,513 Permits, 82,500 Jobs = 1.36 New Jobs Per New Dwelling Unit



**2 BR \$1,034 Rent vs  
\$1,034 Mortgage Payment**

**30 Year Fixed-Rate Conventional Loan  
3.75 Percent**

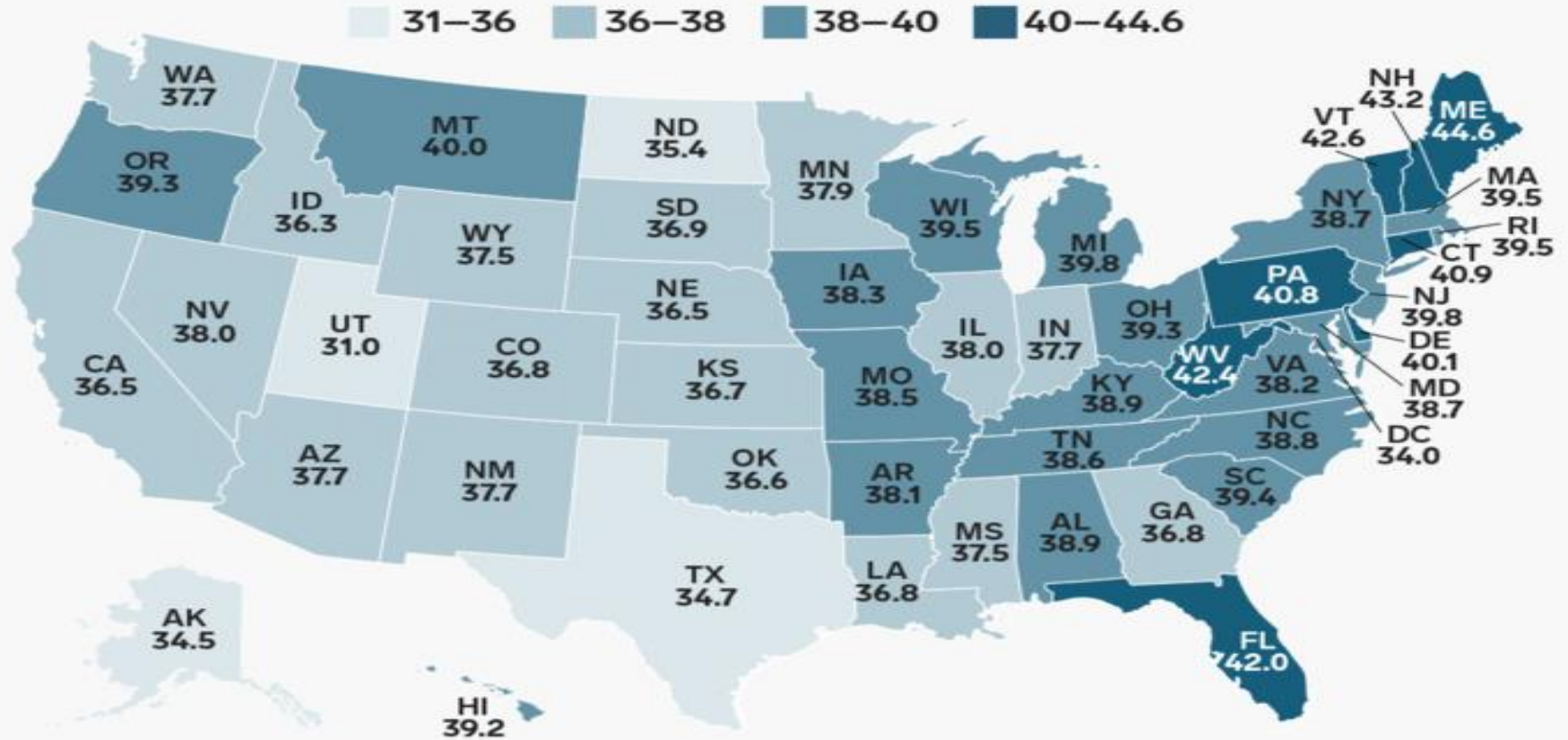
**\$223,270 Loan Serviced**

\$248,990 Median Price

**Houston**

**apartment**  **list**

# Median age



**38.0 U.S.**     **34.7 Texas**

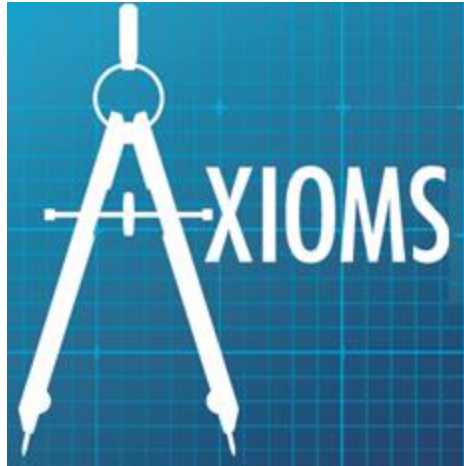
**13.6%**

**Percent of  
U.S.  
Population  
Aged 25-34**

**37%**

**Percent of  
Homes  
Purchased  
Past 12-Months**

**Millennials #1 Homebuyers  
6 Years in a Row**



# Millennials Are the Future and the Present

**10,000  
Baby  
Boomers  
Retire  
Each  
Day**

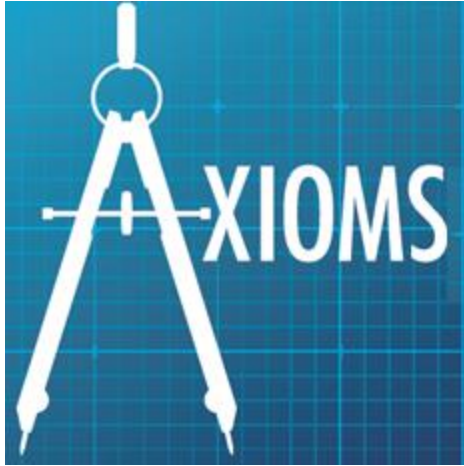
**Geezerama.....**

## Aging U.S. Population

Year	New 55 Year Olds	Percent of Population	55 to 75 Year Olds	Percent of Population
<b>2019</b>	4,413,266	1.35%	73,718,340	22.6%
<b>2020</b>	4,485,896	1.39%	72,026,007	22.3%
<b>2021</b>	4,546,665	1.42%	70,185,563	21.9%
<b>2022</b>	4,416,633	1.39%	68,195,635	21.4%
<b>2023</b>	4,415,993	1.40%	66,274,773	21.0%

U.S. Census Bureau



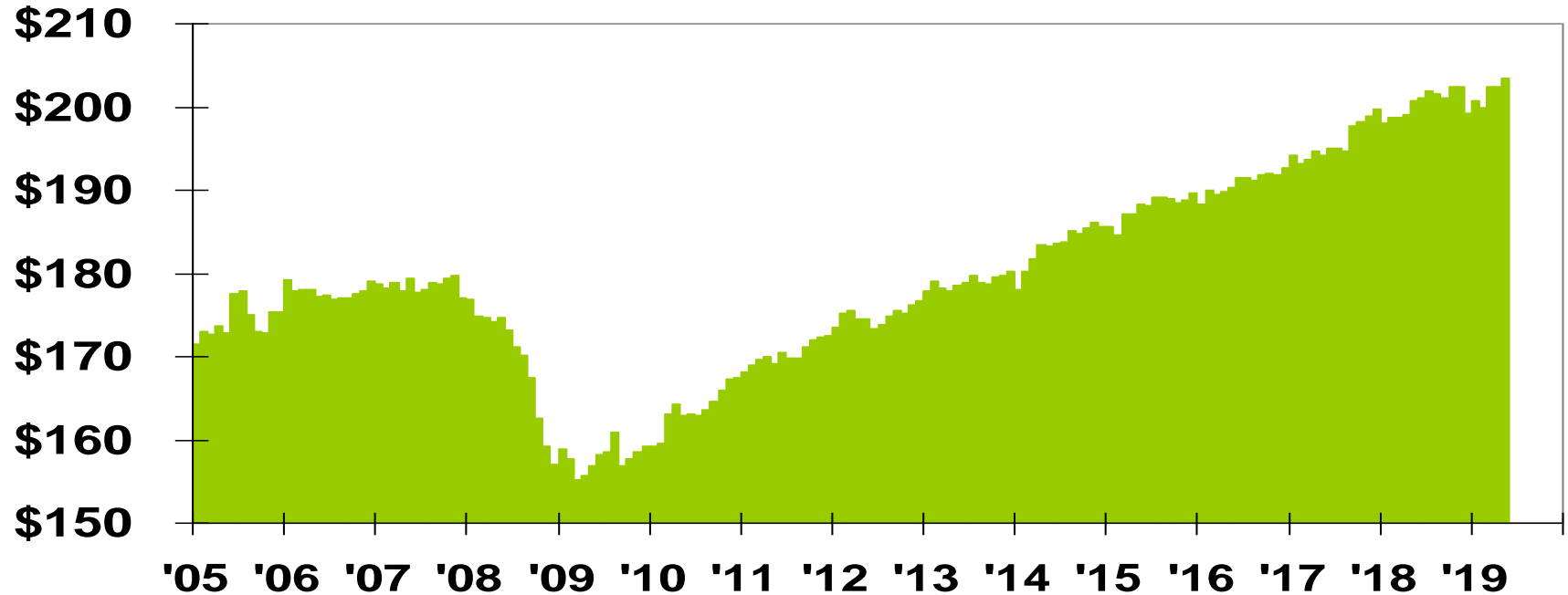


# **There is No Such Thing as a National Real Estate Market (Or Economy)**

**TINSTAANREM Axiom -- Ted C Jones**

# U.S. Real Retail & Food Service Sales

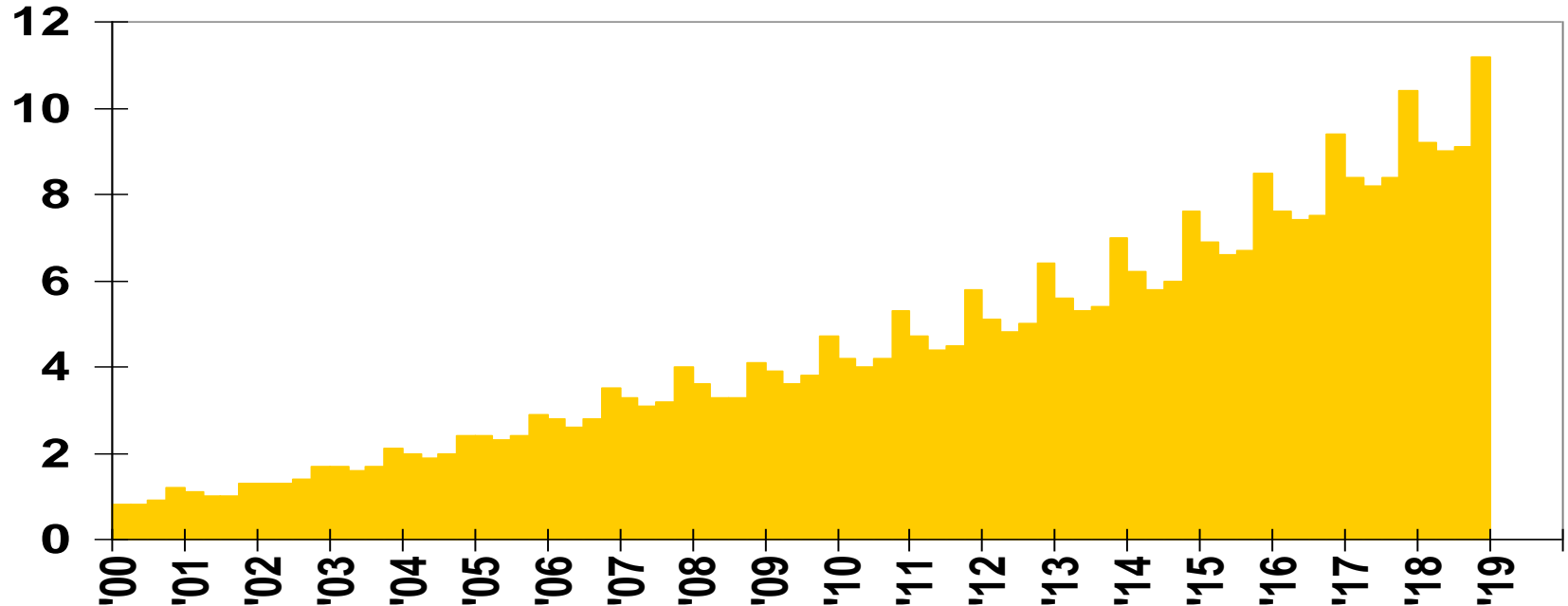
*\$ Billions – Seasonally Adjusted*





# E-Commerce Sales

Percent of Total Sales – *Not Seasonally Adjusted*

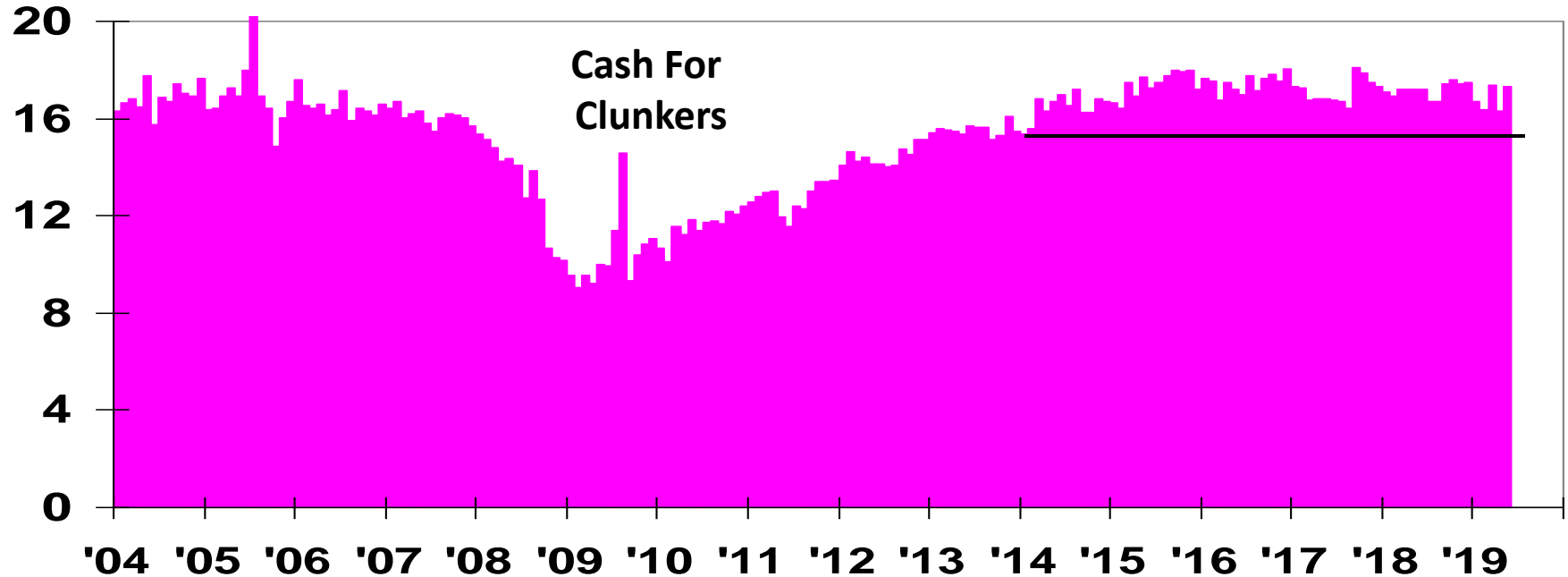


# Omnichannel Marketing

- **The number of people who shopped both online and in-store Cyber Monday was up nearly 40% over 2017**
- **Multichannel shoppers outspent single-channel shoppers by up to \$93 on average**
- **49% of all e-commerce traffic came from smartphones**

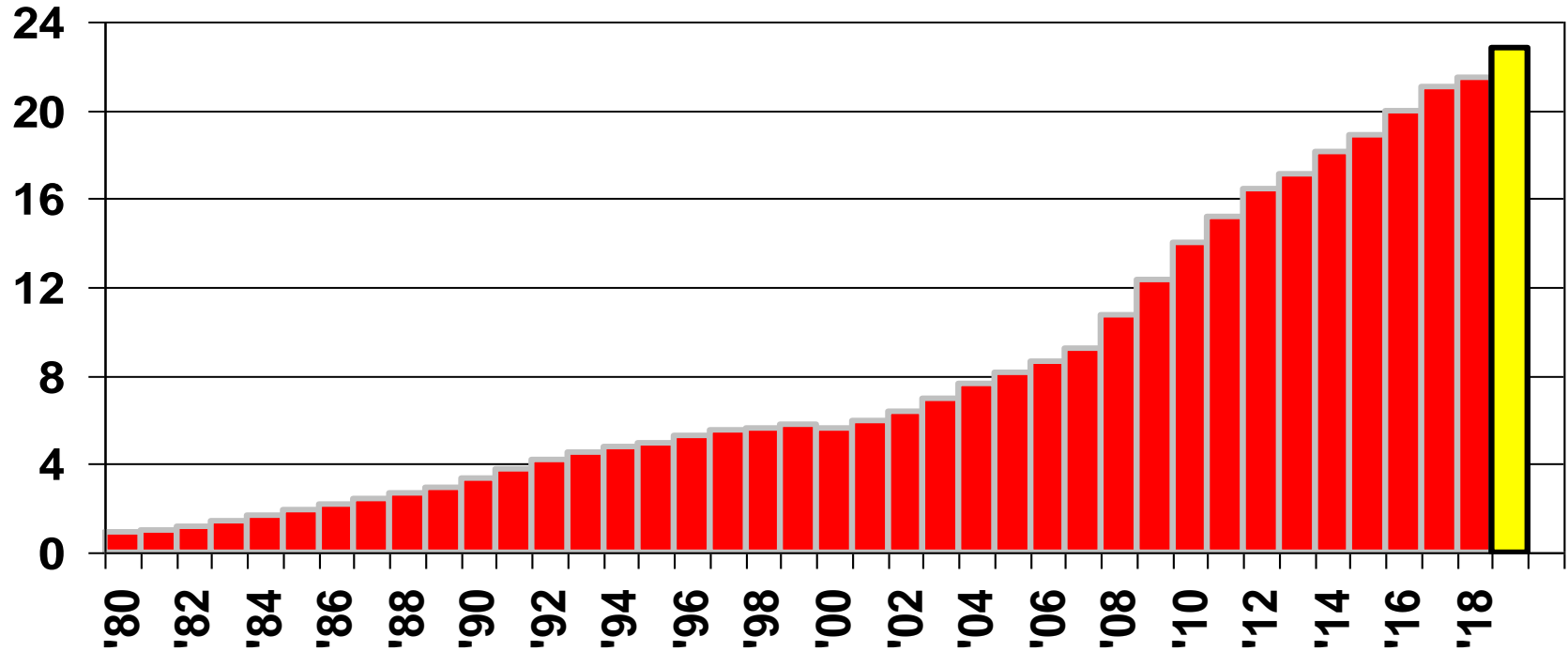
# Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



# Federal Debt – Total Public Debt

\$ Trillions



# Federal Debt Interest Payments

+30.0% March 2017 Vs 2016

+10.7% March 2018 Vs 2017

+15.5% March 2019 Vs 2018

**+56.2% in 36 Months**

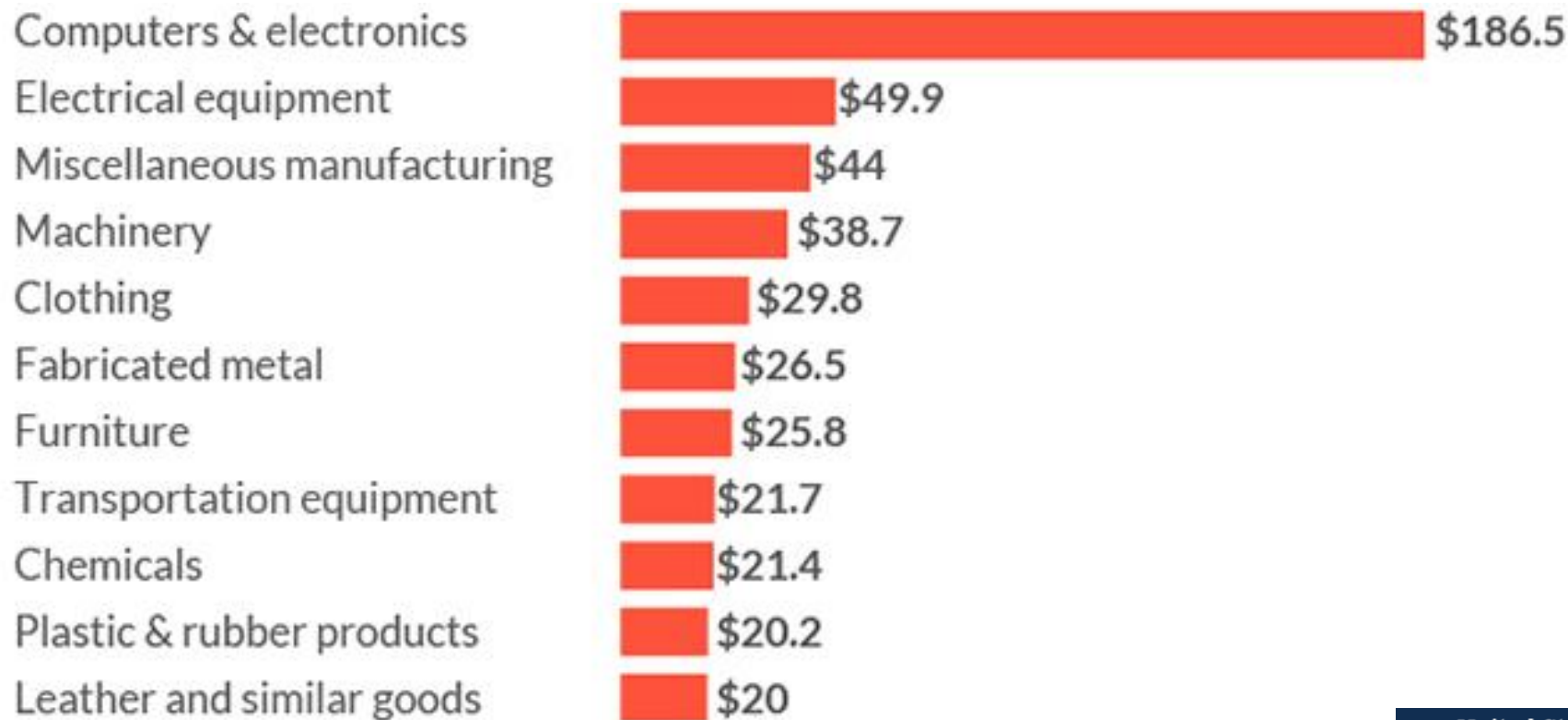
*Debt Up 16.3%*

**87%**

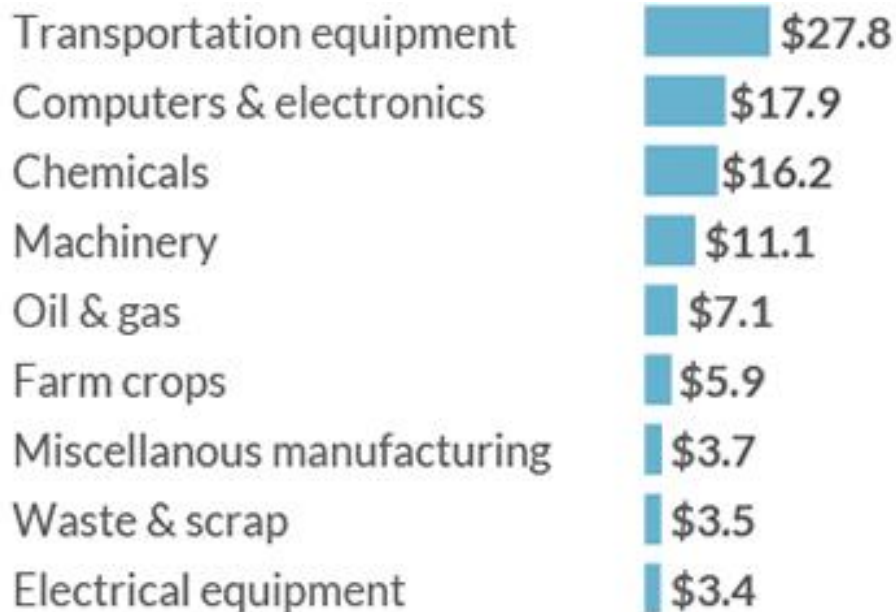
**Percent of  
Americans With  
Health  
Insurance, but  
1-In-4 Avoided  
Medical  
Procedure Due  
to Cost Last Year**

**Financial Industry Regulatory Authority**

# What the U.S. Bought from China in 2018



# What China Bought from the U.S. in 2018



## China Trade

\$ Billions

**\$539.0 Imported**

**\$120.3 Exported**

**\$418.7 Deficit**



# **China-U.S. Tariffs – April 9, 2019**

**25.0% Tariff Paid on U.S. Cars in China**

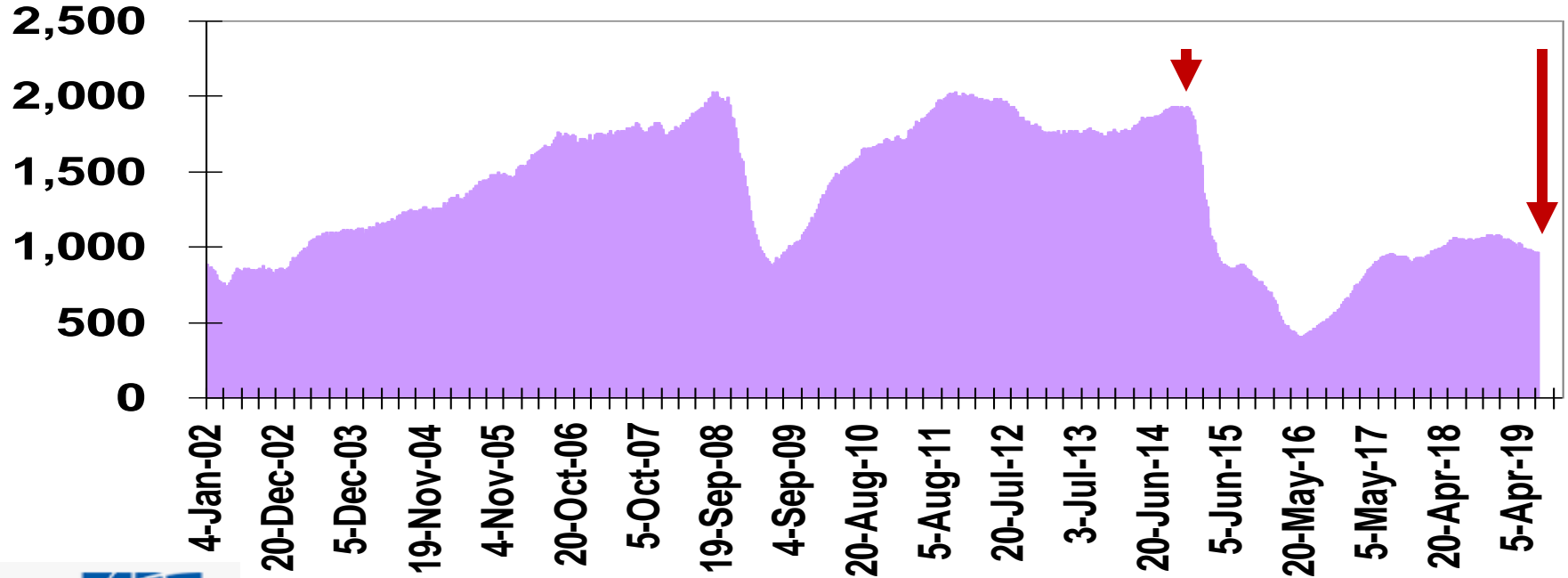
**2.5% Tariff Paid on Chinese Cars in U.S.**



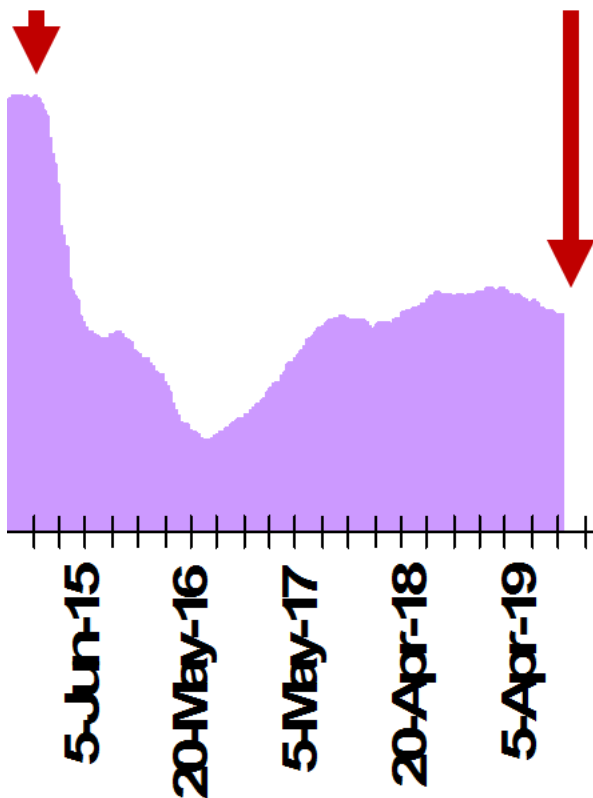
**1<sup>st</sup> Time in 75 Years  
U.S. is a Net Oil  
Exporter**

# North American Drilling Rig Counts

*Number of Operating Rigs*



# U.S. Oil Production



**June 2019**

963 Drilling Rigs

\$ 66.03 Oil Price - West Texas Intermediate

12.4 Production - Millions of Barrels

**June 2014**

1,782 Drilling Rigs

\$ 105.79 Oil Price - West Texas Intermediate

8.6 Production - Millions of Barrels

**Change**

-46.0% Drilling Rigs

-37.6% Oil Price - West Texas Intermediate

44.2% Production - Millions of Barrels

**Oil \$50-\$60**

**2019**

Energy source	Share of total
<b>Total - all sources</b>	
<b>Fossil fuels (total)</b>	★ 63.5%
Natural gas	35.1%
Coal	27.4%
Petroleum (total)	0.6%
Petroleum liquids	0.4%
Petroleum coke	0.2%
Other gases	0.3%
<b>Nuclear</b>	★ 19.3%
<b>Renewables (total)</b>	17.1%
Hydropower	7.0%
Wind	★ 6.6%

## US Electricity Generation 2018

Biomass (total)	1.5%
Wood	1.0%
Landfill gas	0.3%
Municipal solid waste (biogenic)	0.2%
Other biomass waste	0.1%
<b>Solar (total)</b>	★ 1.6%
Photovoltaic	1.5%
Solar thermal	0.1%
Geothermal	0.4%
<b>Pumped storage hydropower<sup>3</sup></b>	-0.1%
<b>Other sources</b>	0.3%

# U.S. energy consumption by source, 2017



**biomass** 5.0%  
*renewable*  
heating, electricity, transportation



**hydropower** 2.8%  
*renewable*  
electricity



**geothermal** 0.2%  
*renewable*  
heating, electricity



**wind** 2.4%  
*renewable*  
electricity



**solar & other** 0.8%  
*renewable*  
light, heating, electricity



**petroleum** 37.1%  
*nonrenewable*  
transportation, manufacturing



**natural gas** 28.7%  
*nonrenewable*  
heating, manufacturing, electricity

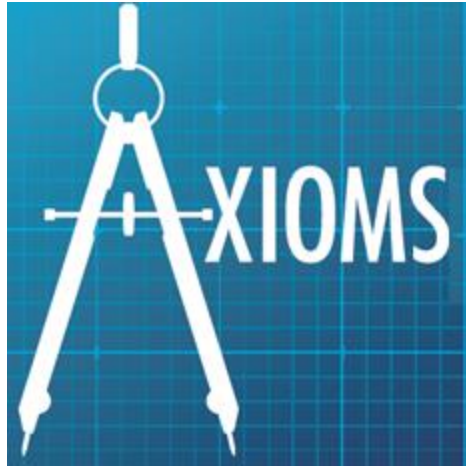


**coal** 14.2%  
*nonrenewable*  
electricity, manufacturing



**uranium** 8.6%  
*nonrenewable*  
electricity





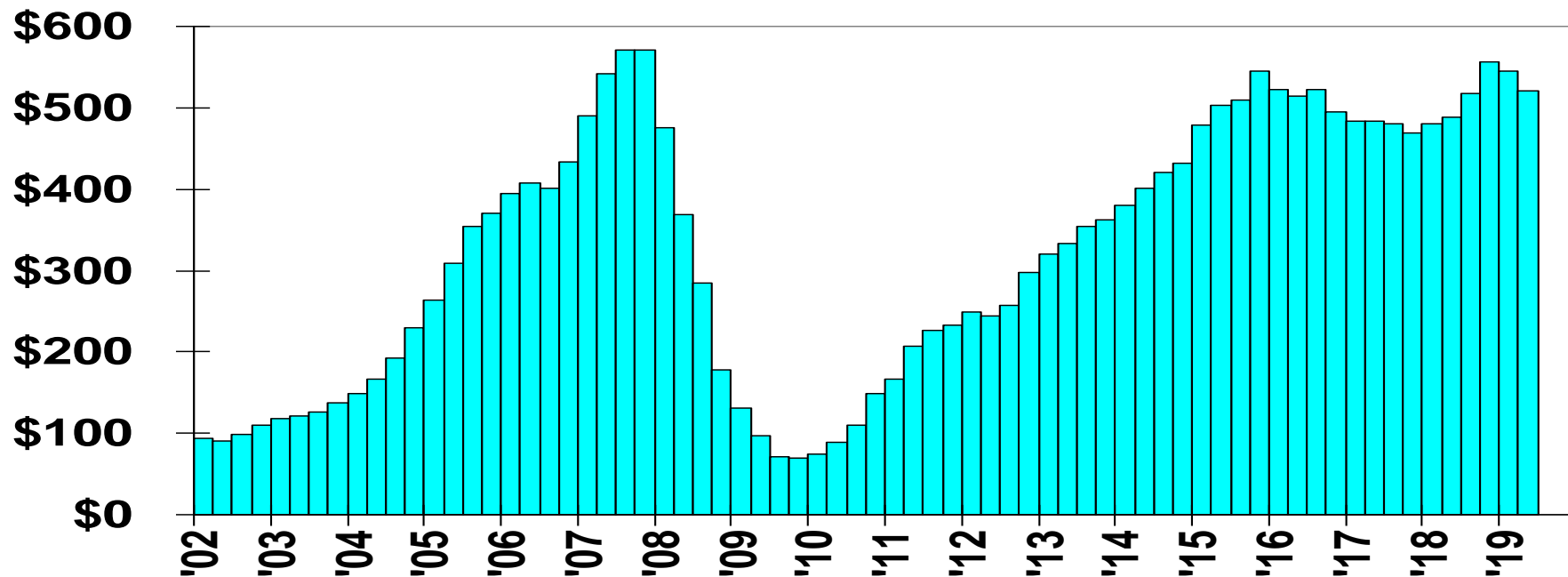
***SO Goes* Jobs**  
***SO Goes* Demand**  
**for Housing**  
***So Goes* Demand**  
**for Commercial**  
**Real Estate**



# U.S. Commercial Real Estate Sales Volume

\$ Billions – *Trailing 12 Months*

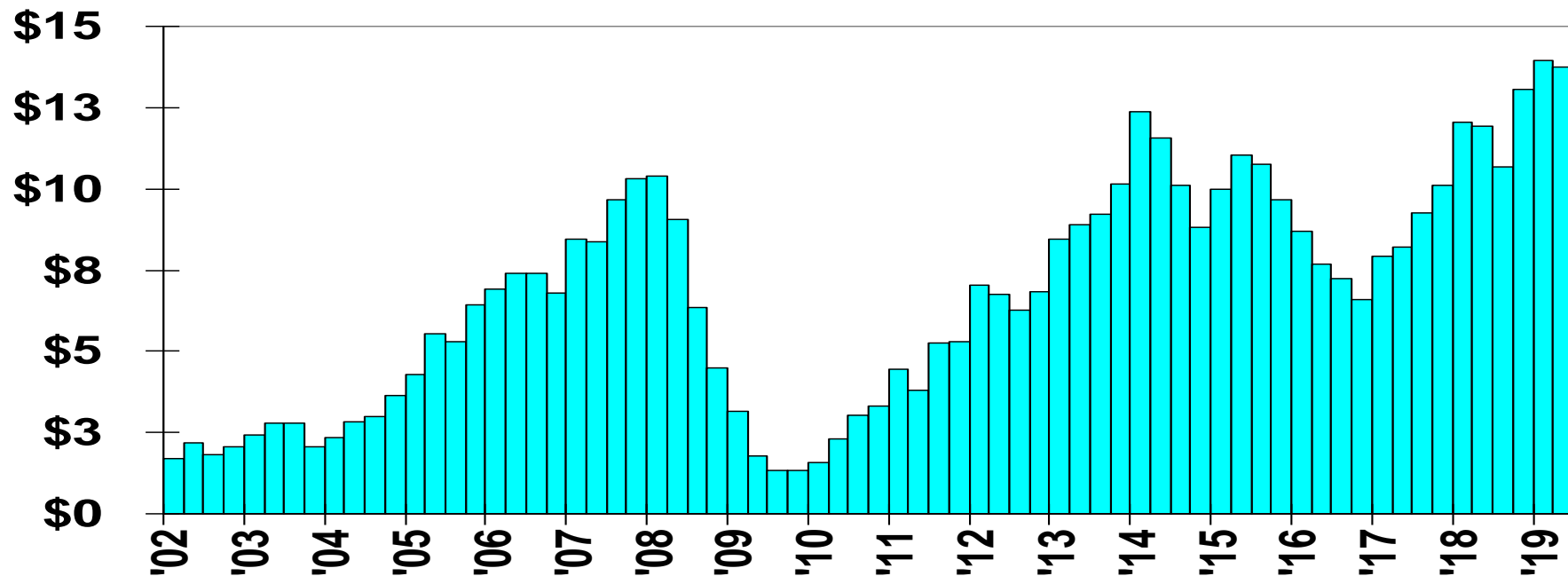
**+6.8 Percent Year-Over-Year**



# Houston Commercial Real Estate Sales

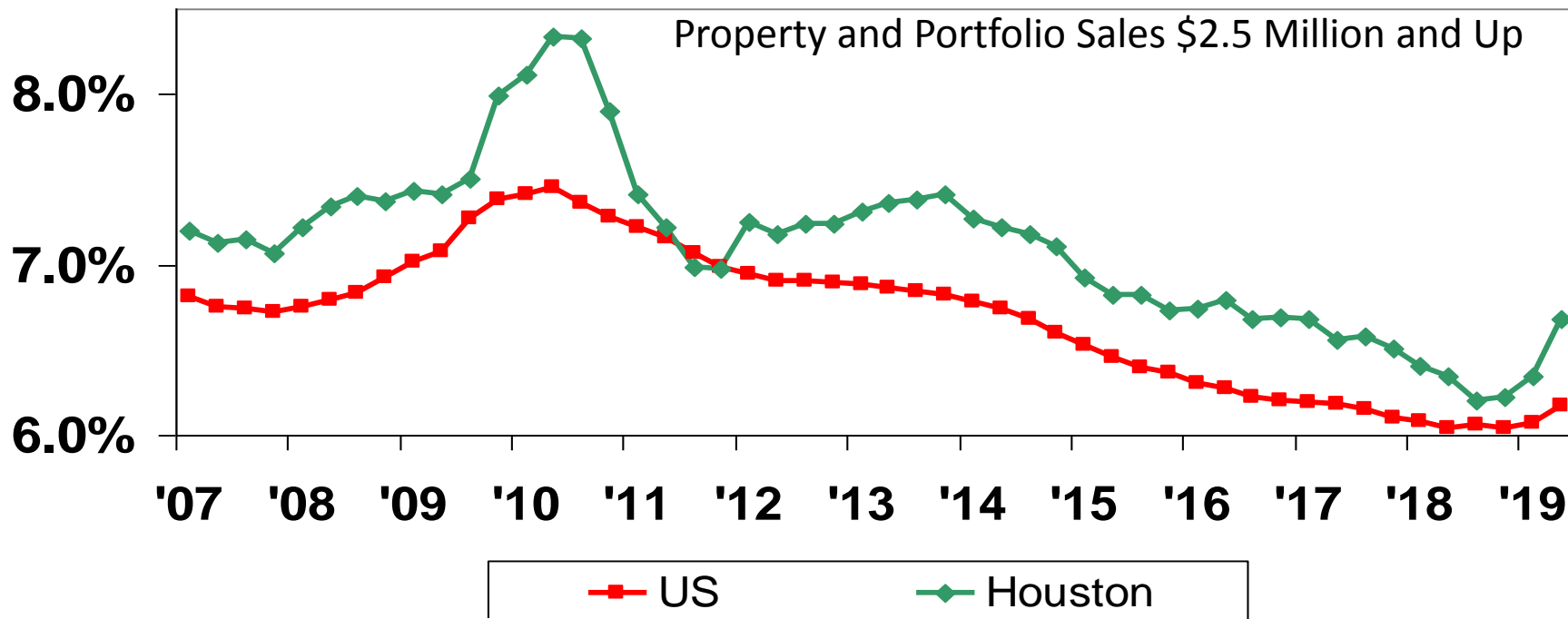
\$ Billions – *Trailing 12 Months*

**+15.4 Percent Year-Over-Year**



# Commercial Real Estate Cap Rates

Percent – 12-Month Moving Average



# 2019+ Economic Outlook



**Strong Economy**

**Growing Jobs & Wages**

**Declining Interest Rates**

**Rising Home Prices (Albeit at a Lower Pace)**

**Cheap (But Profitable) Energy** *fuels the economy*

**Manufacturing Comeback Continues**

**Twitter**

**DrTCJ**

**Wiring**  
**Instructions**  
**Phishing**  
**Hacking**



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title



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Economy, Real Estate and Life

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Chief Economist