

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

Population Projection: Austin Metro Area

Table 2: Metro SA (Feb 2013) Level [\[Top\]](#) Excel PDF CSV

Migration Rate ▲	Year ⚡	Area Code ⚡	Area Name ⚡	Age ⚡	Total Pop ⚡
2000-2010	2010	12420	Austin-Round Rock	All (0-85+)	1,716,289
2000-2010	2015	12420	Austin-Round Rock	All (0-85+)	1,990,437
2000-2010	2020	12420	Austin-Round Rock	All (0-85+)	2,306,857
2000-2010	2025	12420	Austin-Round Rock	All (0-85+)	2,653,615
2000-2010	2030	12420	Austin-Round Rock	All (0-85+)	3,035,547
2000-2010	2035	12420	Austin-Round Rock	All (0-85+)	3,466,270
2000-2010	2040	12420	Austin-Round Rock	All (0-85+)	3,960,317
2000-2010	2045	12420	Austin-Round Rock	All (0-85+)	4,528,746
2000-2010	2050	12420	Austin-Round Rock	All (0-85+)	5,176,940

Source: Texas State Data Center at UTSA

Population Projection: DFW-A Metro Area

Table 2: Metro SA (Feb 2013) Level [\[Top\]](#) Excel PDF CSV

Migration Rate ▲	Year ◆	Area Code ◆	Area Name ◆	Age ◆	Total Pop ◆
2000-2010	2010	19100	Dallas-Fort Worth-Arlington	All (0-85+)	6,426,214
2000-2010	2015	19100	Dallas-Fort Worth-Arlington	All (0-85+)	7,117,896
2000-2010	2020	19100	Dallas-Fort Worth-Arlington	All (0-85+)	7,920,671
2000-2010	2025	19100	Dallas-Fort Worth-Arlington	All (0-85+)	8,862,581
2000-2010	2030	19100	Dallas-Fort Worth-Arlington	All (0-85+)	9,970,678
2000-2010	2035	19100	Dallas-Fort Worth-Arlington	All (0-85+)	11,254,710
2000-2010	2040	19100	Dallas-Fort Worth-Arlington	All (0-85+)	12,728,992
2000-2010	2045	19100	Dallas-Fort Worth-Arlington	All (0-85+)	14,418,083
2000-2010	2050	19100	Dallas-Fort Worth-Arlington	All (0-85+)	16,367,293

Source: Texas State Data Center at UTSA

Population Projection: Houston Metro Area

Table 2: Metro SA (Feb 2013) Level [\[Top\]](#) Excel PDF CSV

Migration Rate ▲	Year ⚡	Area Code ⚡	Area Name ⚡	Age ⚡	Total Pop ⚡
2000-2010	2010	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	5,920,416
2000-2010	2015	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	6,622,047
2000-2010	2020	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	7,413,214
2000-2010	2025	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	8,300,084
2000-2010	2030	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	9,278,789
2000-2010	2035	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	10,349,257
2000-2010	2040	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	11,519,566
2000-2010	2045	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	12,802,736
2000-2010	2050	26420	Houston-The Woodlands-Sugar Land	All (0-85+)	14,221,267

Source: Texas State Data Center at UTSA

Population Projection: San Antonio Metro Area

Table 2: Metro SA (Feb 2013) Level [\[Top\]](#) Excel PDF CSV

Migration Rate ▲	Year ◆	Area Code ◆	Area Name ◆	Age ◆	Total Pop ◆
2000-2010	2010	41700	San Antonio-New Braunfels	All (0-85+)	2,142,508
2000-2010	2015	41700	San Antonio-New Braunfels	All (0-85+)	2,380,005
2000-2010	2020	41700	San Antonio-New Braunfels	All (0-85+)	2,635,183
2000-2010	2025	41700	San Antonio-New Braunfels	All (0-85+)	2,904,769
2000-2010	2030	41700	San Antonio-New Braunfels	All (0-85+)	3,182,644
2000-2010	2035	41700	San Antonio-New Braunfels	All (0-85+)	3,459,143
2000-2010	2040	41700	San Antonio-New Braunfels	All (0-85+)	3,735,981
2000-2010	2045	41700	San Antonio-New Braunfels	All (0-85+)	4,013,515
2000-2010	2050	41700	San Antonio-New Braunfels	All (0-85+)	4,294,232

Source: Texas State Data Center at UTSA

Texas Leading Index

Texas Leading Index

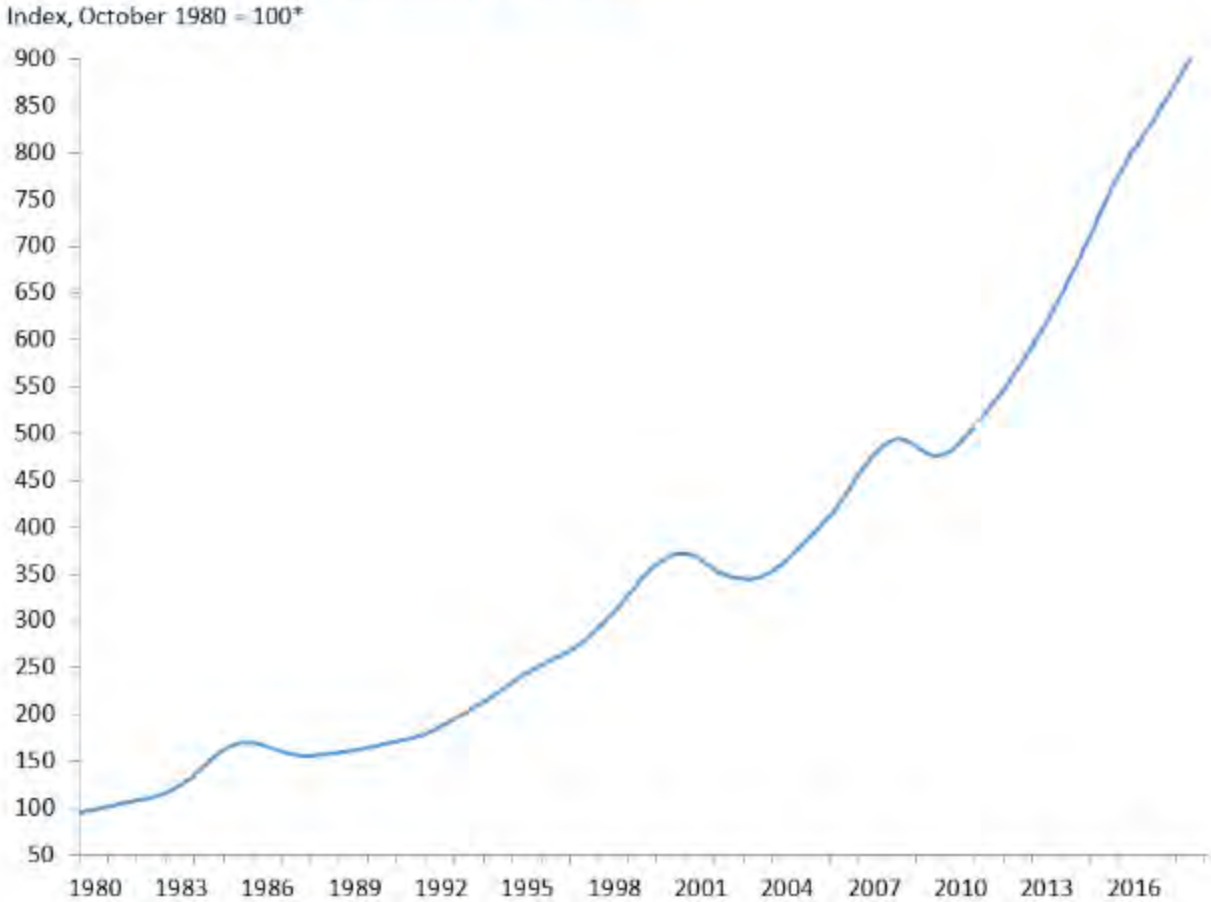
Index, 1987 = 100*



Source: Federal Reserve Bank of Dallas

Austin Business-Cycle Index

Austin – Round Rock Business-Cycle Index

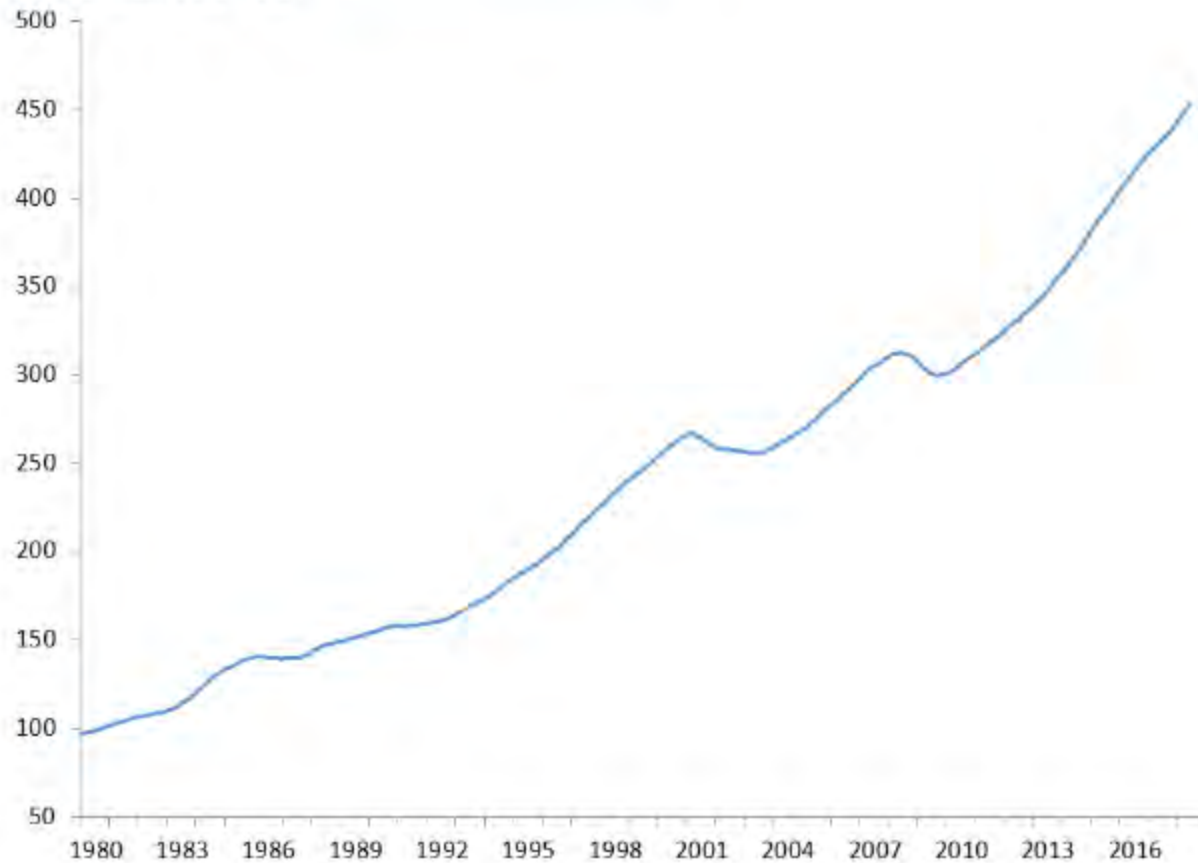


Source: Federal Reserve Bank of Dallas

Dallas Business-Cycle Index

Dallas – Plano – Irving Business-Cycle Index

Index, October 1980 = 100*

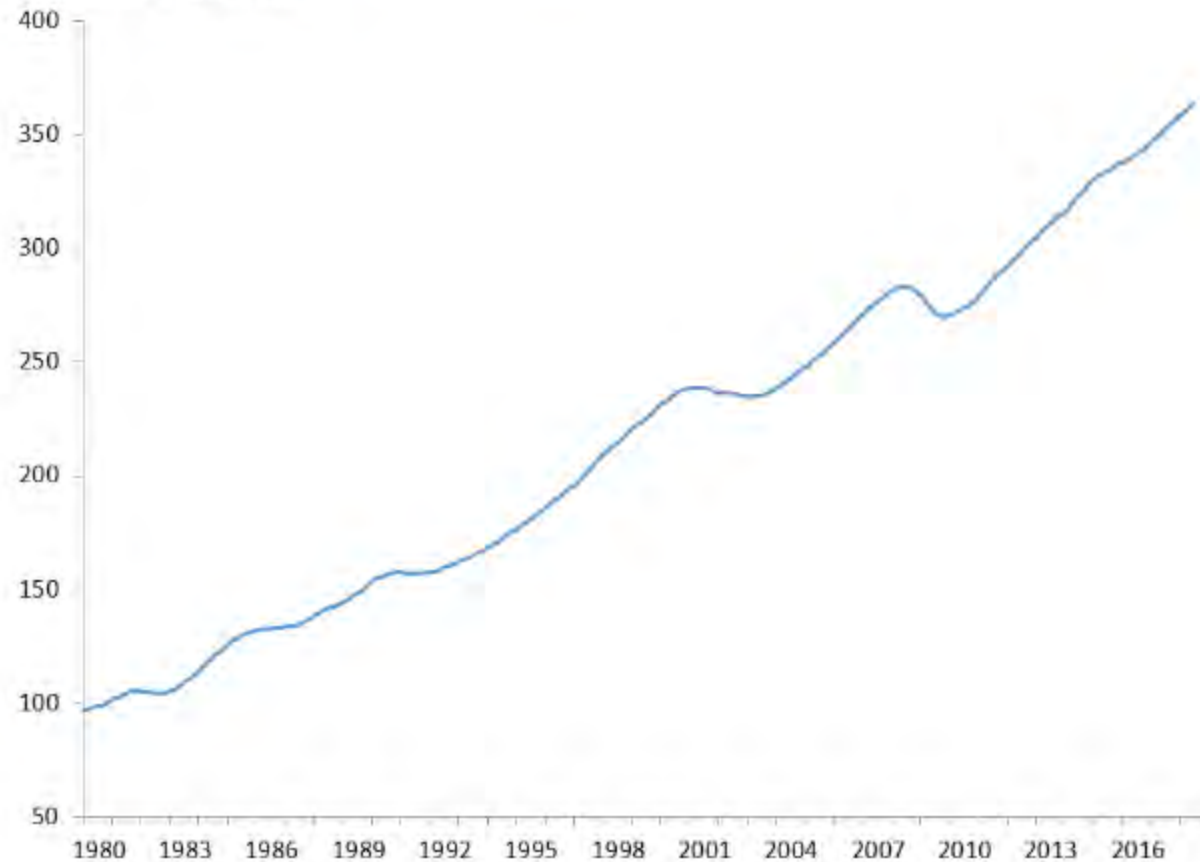


Source: Federal Reserve Bank of Dallas

Fort Worth Business-Cycle Index

Fort Worth – Arlington Business-Cycle Index

Index, October 1980 = 100*



Source: Federal Reserve Bank of Dallas

Houston Business-Cycle Index

Houston – The Woodlands– Sugar Land Business-Cycle Index

Index, October 1980 = 100*



Source: Federal Reserve Bank of Dallas

San Antonio Business-Cycle Index

San Antonio – New Braunfels Business-Cycle Index



Source: Federal Reserve Bank of Dallas

Oil and Gas

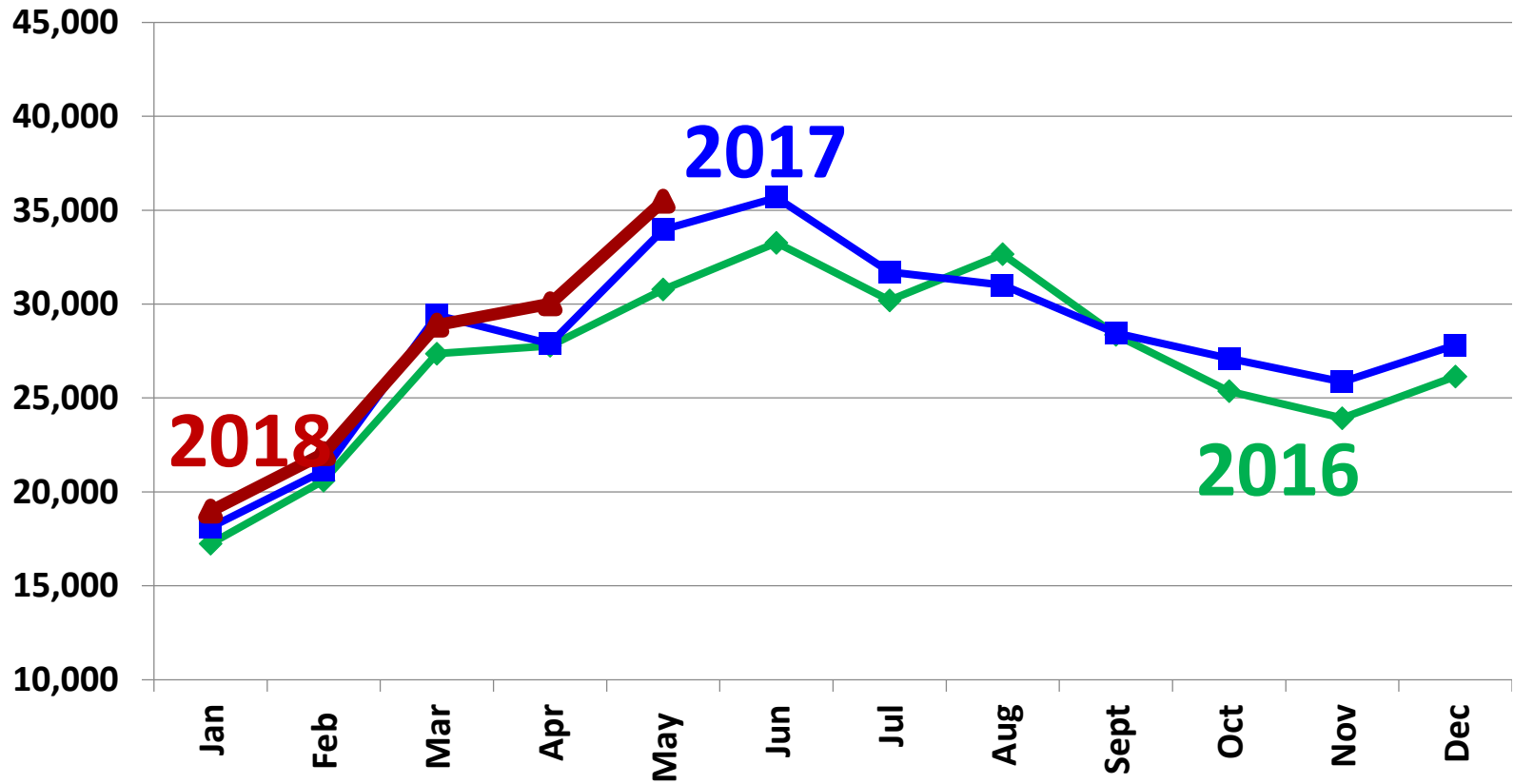
U.S. oil output hit 11 million barrels per day for the first time ever.

“The international recovery has finally started. The backlog on integrated drilling projects is the most we have ever seen.”

Paal Kibsgaard, CEO Schlumberger

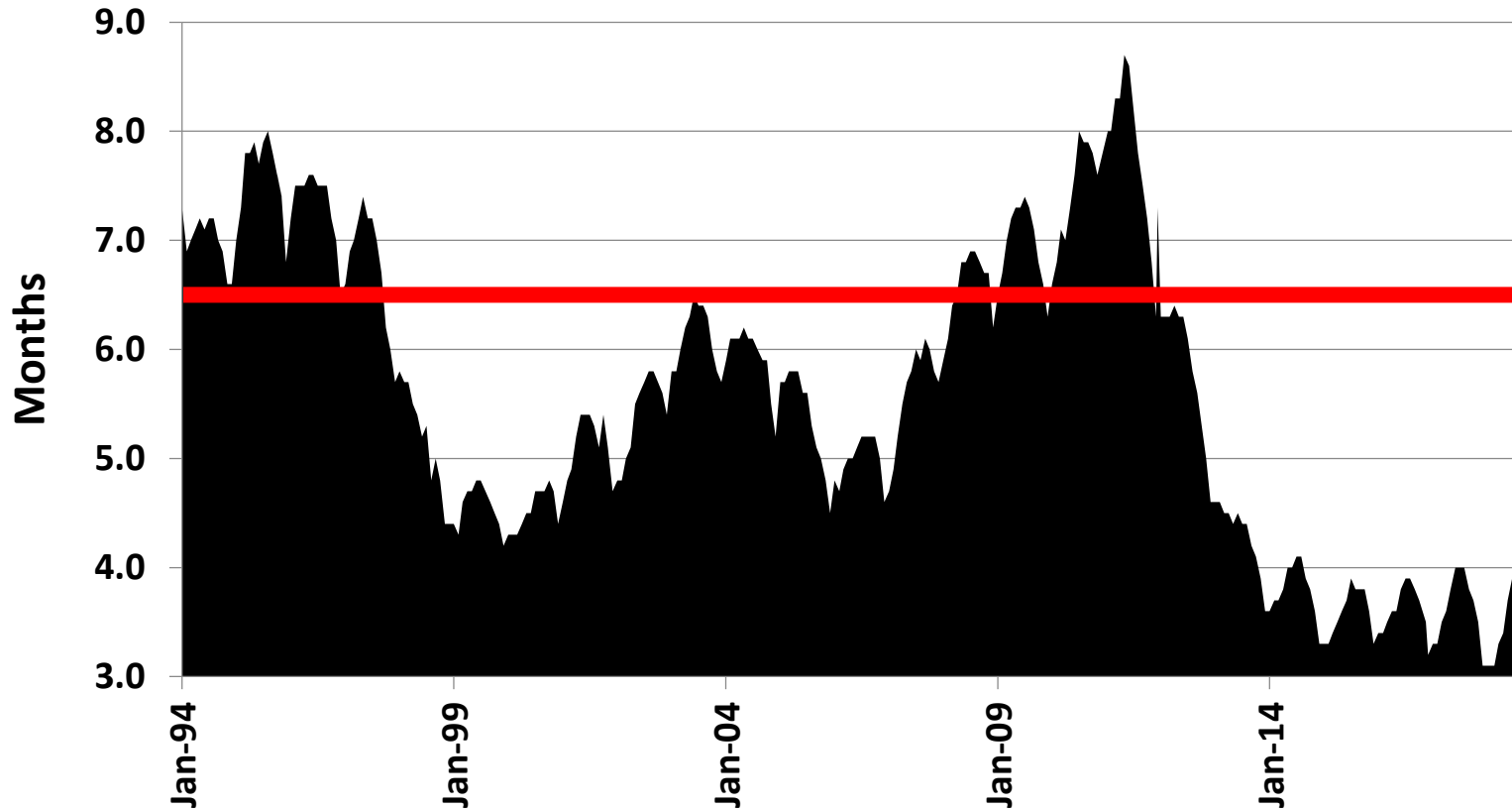
Schlumberger 2Q revenue was up 11% from a year ago.
Baker Hughes 2Q revenue was up 2% from a year ago.

Existing Home Sales in Texas



Source: Real Estate Center at Texas A&M

Months Inventory of Unsold Homes in Texas



Source: Real Estate Center at Texas A&M

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

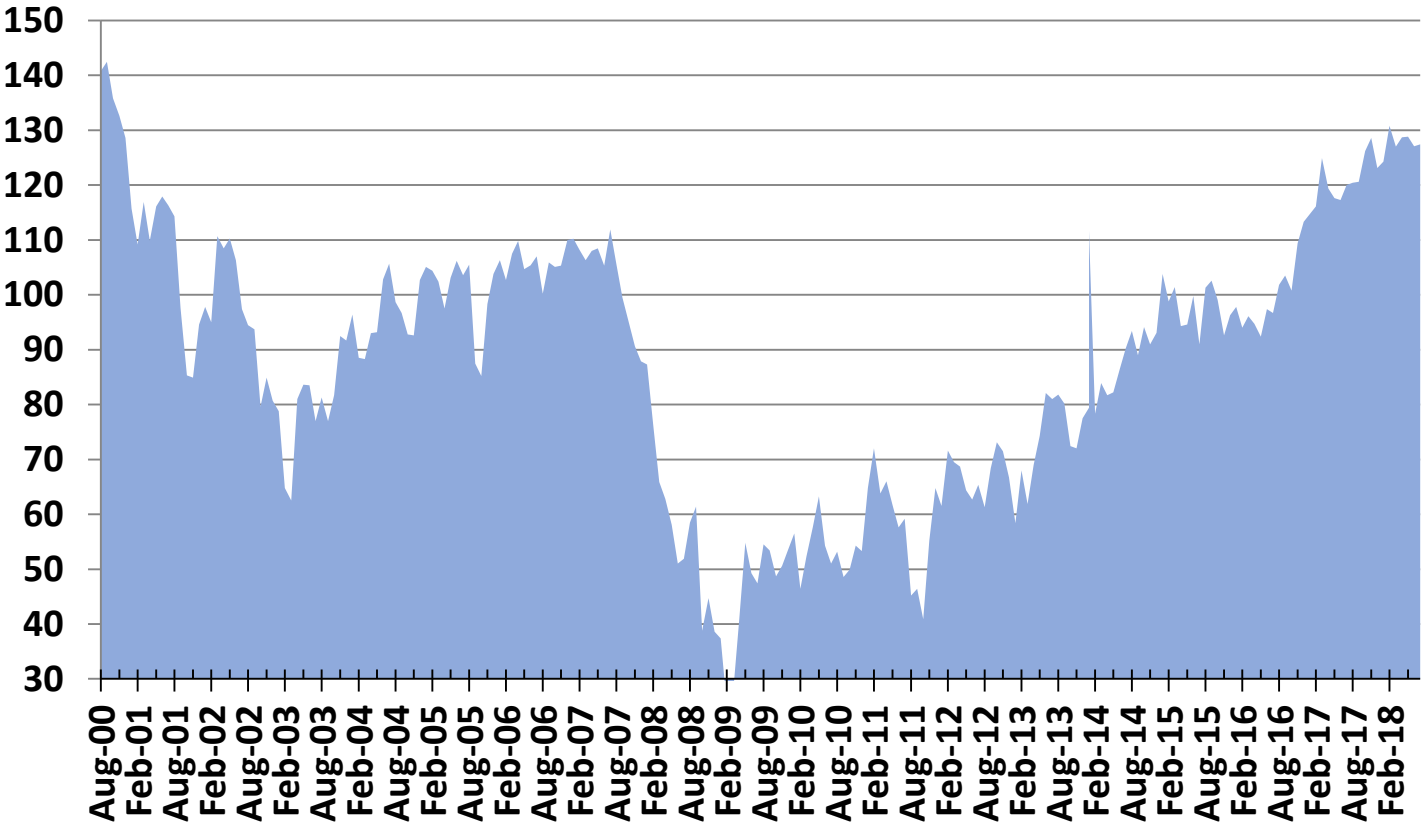
Current expansion as of September 2018 is 111 months

Index of Leading Economic Indicators



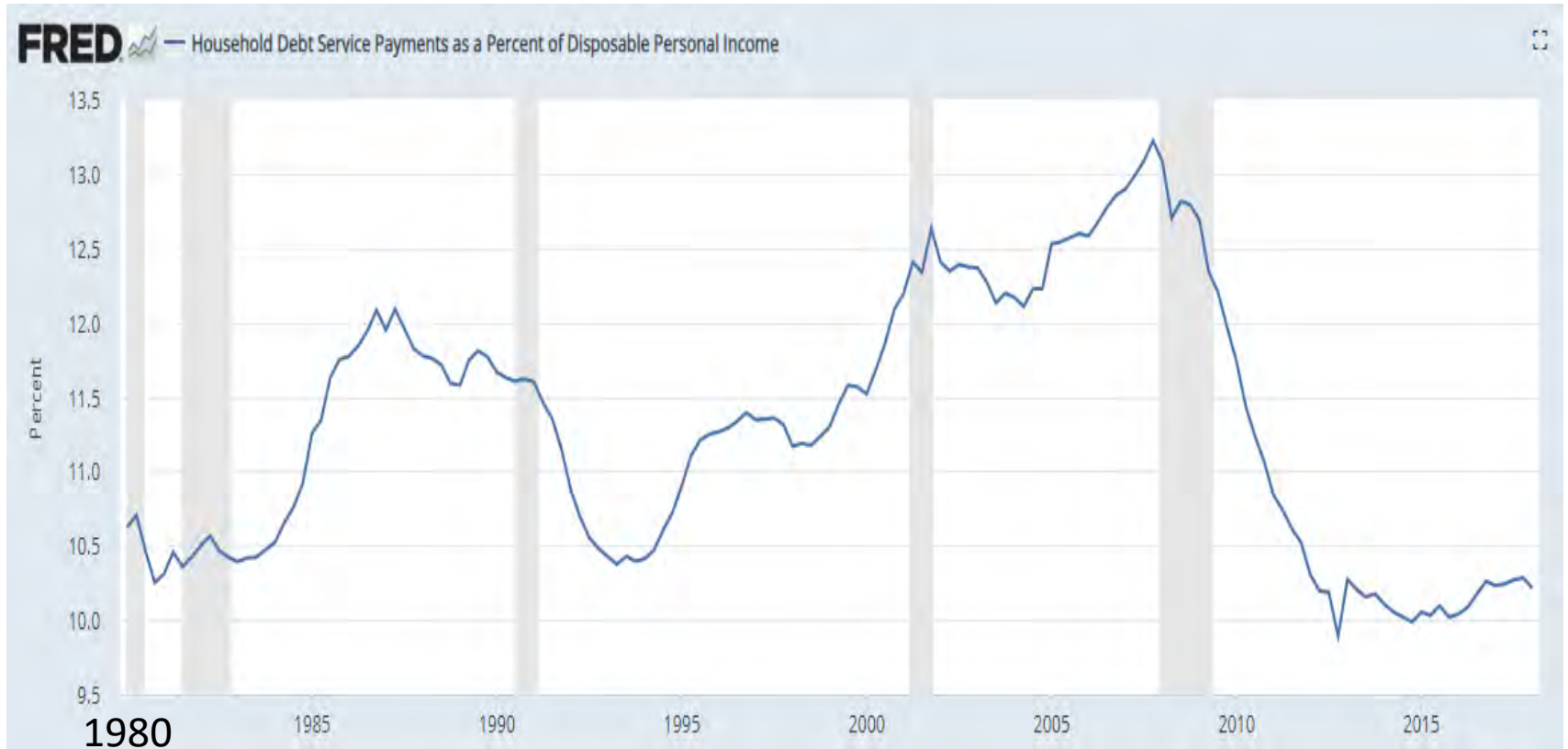
Source: Federal Reserve Bank of St. Louis

Consumer Confidence Index



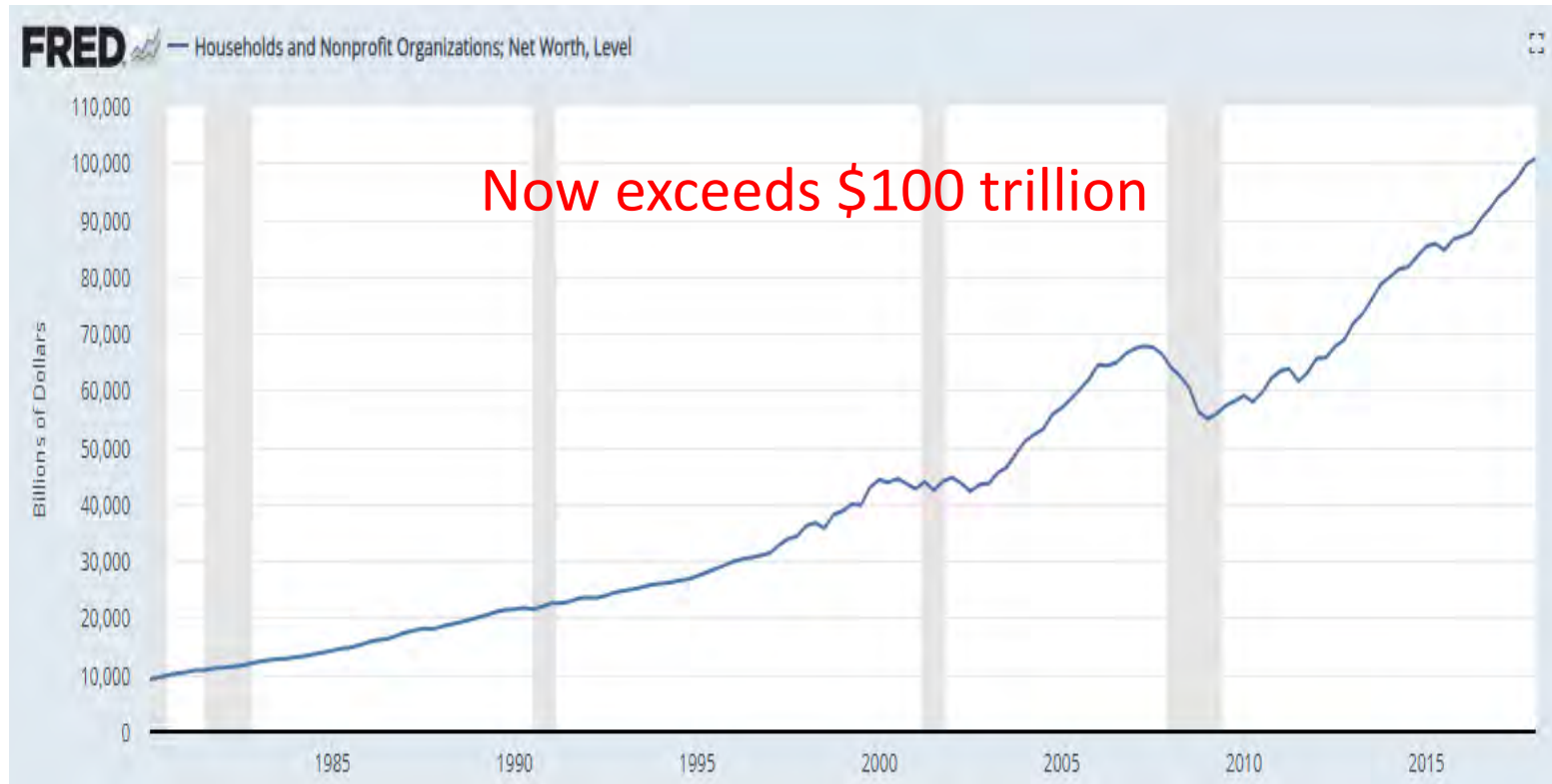
Source: The Conference Board

Household Debt Service Payments as a Percent of Disposable Personal Income



Source: Federal Reserve Bank of St. Louis

Household Net Worth since 1980



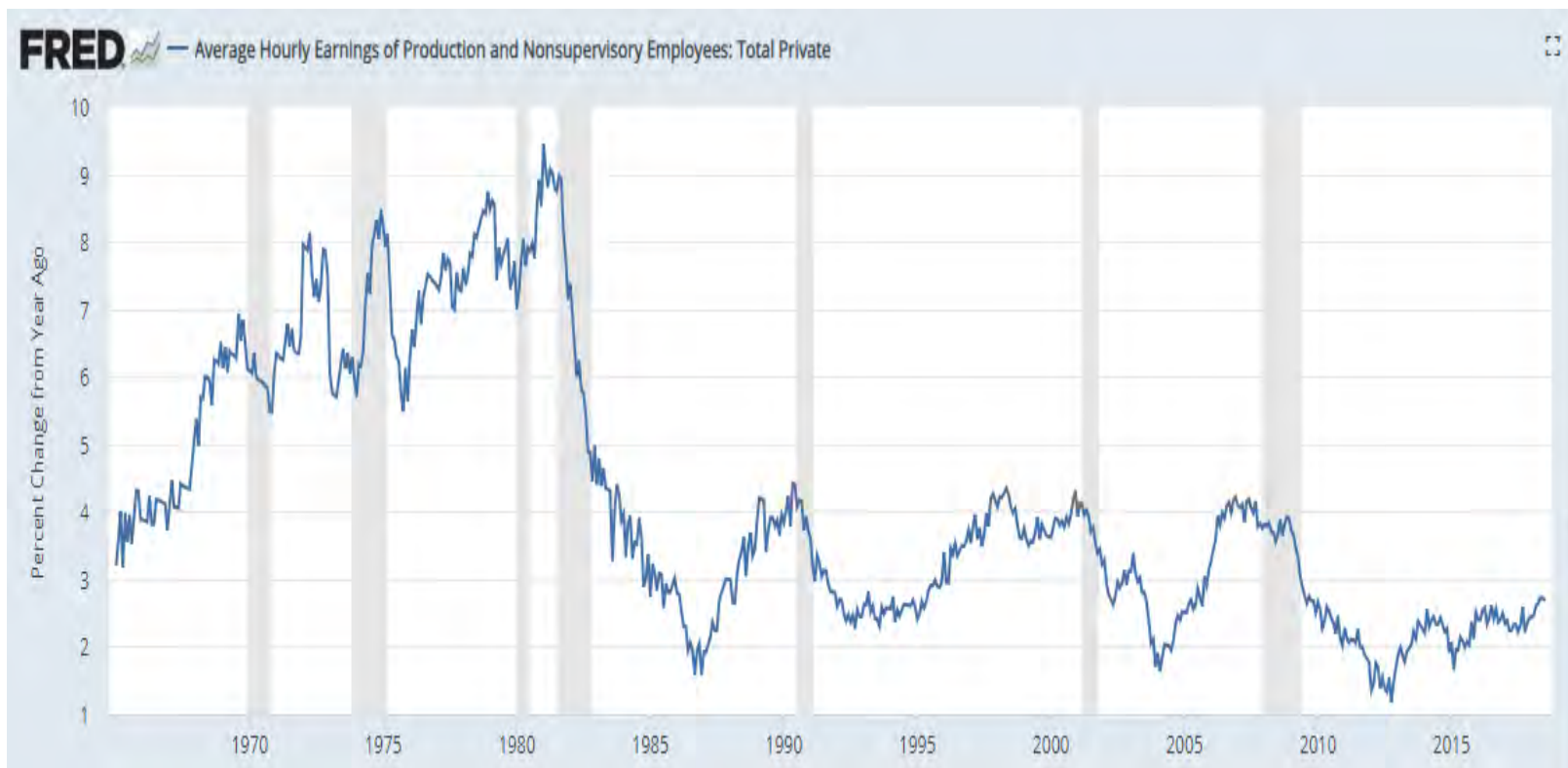
Source: Federal Reserve Bank of St. Louis

Monthly Increase in Jobs



Source: Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

Rate of Wage Growth Since 1960's



Wages and salaries in June grew at 2.9%,
the highest since 2008.

Source: Federal Reserve Bank of St. Louis

Job Openings in America

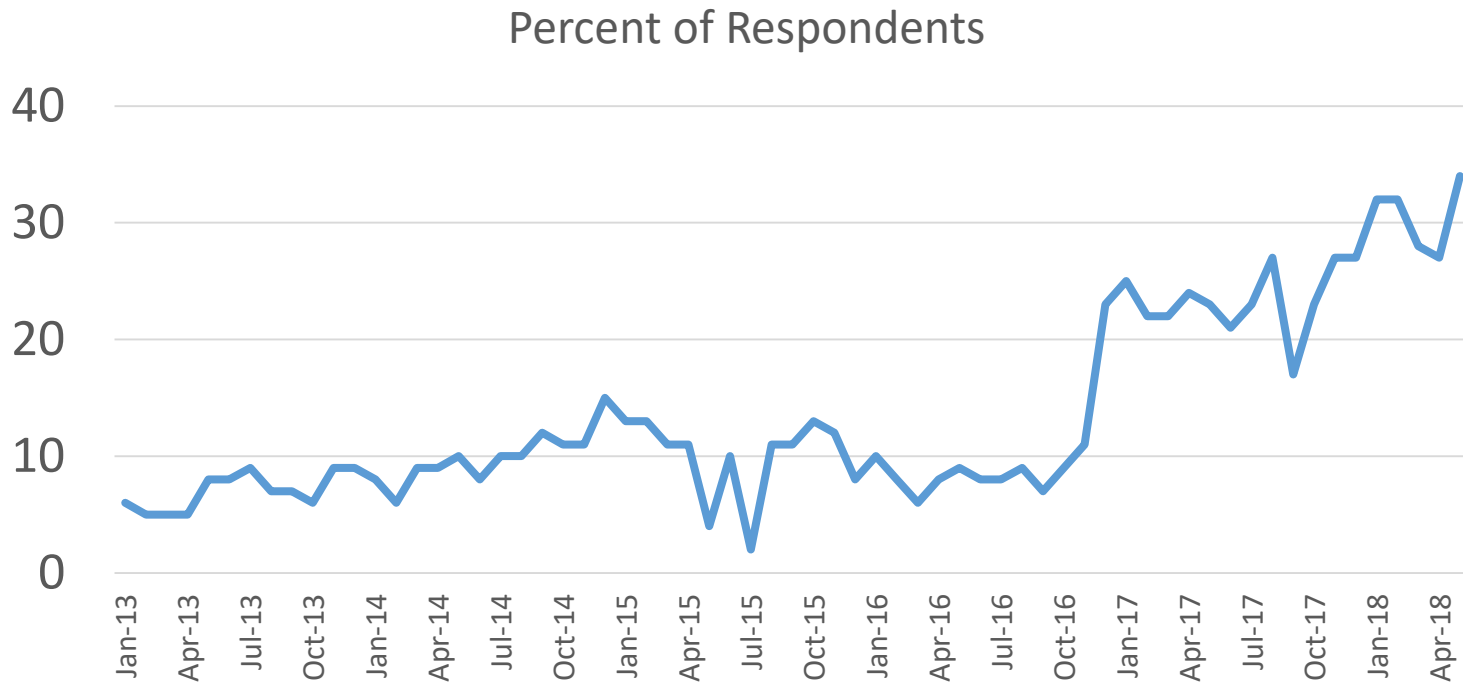
Looking for Workers

Total Job Openings in May	6,638,000
Construction	243,000
Manufacturing	441,000
Trade, Transportation, Utilities	1,298,000
Professional & Business Services	1,190,000
Education & Health Care	1,224,000
Leisure & Hospitality	902,000
Government	602,000

April '18 number of 6.8 million
was the highest ever in series history.
Began in December 2000

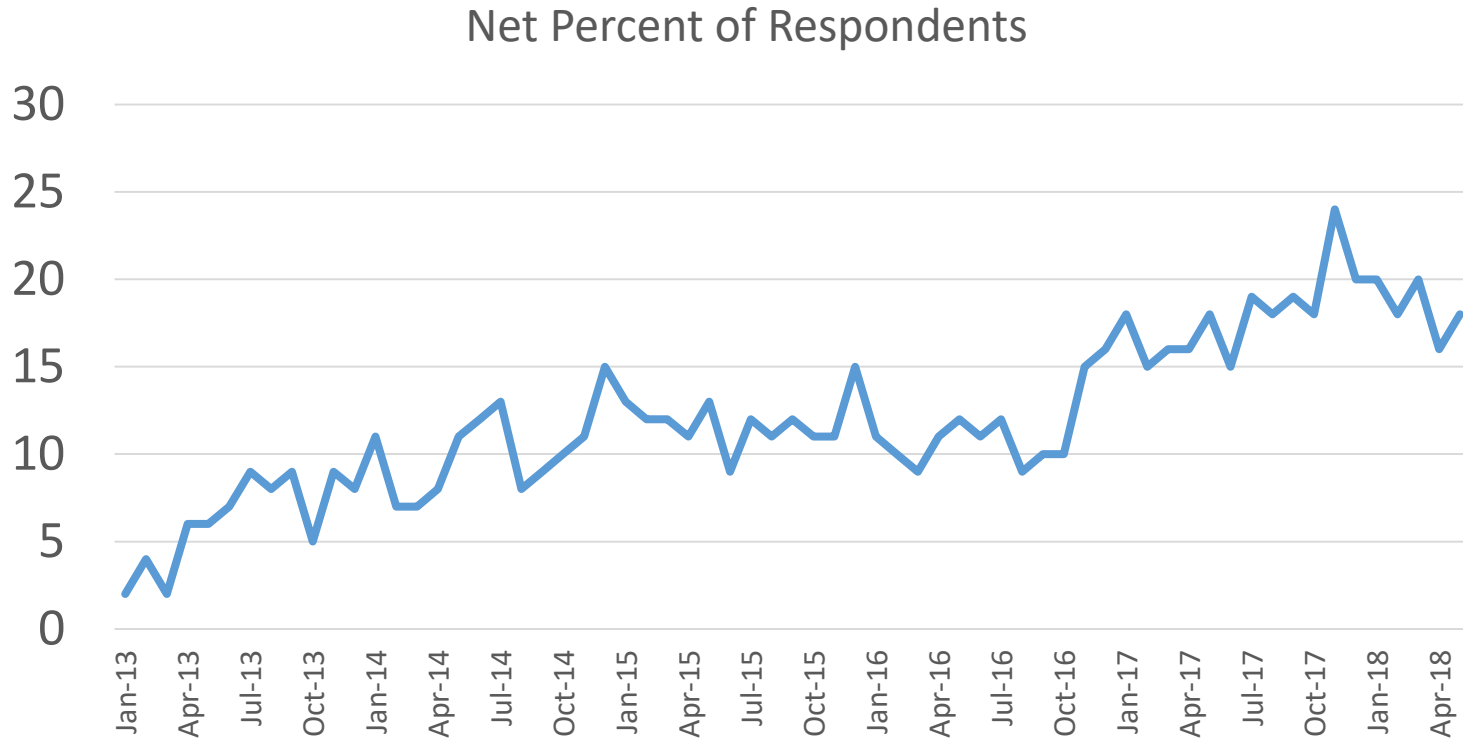
Source: Bureau of Labor Statistics
BLS release on July 10, 2018

Small Business Confidence: “Now is a Good Time to Expand”



Source: National Federation of Independent Business

Small Business Confidence: “Hiring Plans in the Next Three Months”



Source: National Federation of Independent Business

Small Business Survey Results

May 2018

- Compensation increases hit a 45 year record high.
- Views about expansion are most optimistic in history
- Reports of positive earnings trends at a record high
- Reports of positive sales trends highest since 1995
- Concerns about labor quality second highest in history
- Reports of price hikes the highest since 2008
- Plans to raise prices are the highest since 2008



Source: National Federation of Independent Business
William Dunkelberg

Large Corporate Hiring Plans:

Next 6 Months

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

More Jobs 58% 61% 43% 43%

Less Jobs 13% 13% 18% 13%

Corporate Bond Spread

Baa Corporate – 10 Year Treasury



Source: Federal Reserve Bank of St. Louis

Looking Farther Down the Road

Fiscal stimulus “is going to hit the economy in a big way this year and next year, and then in 2020, Wile E. Coyote is going off the cliff.”

-Ben Bernanke at an American Enterprise Institute conference in June



Source: WSJ 8/6/18

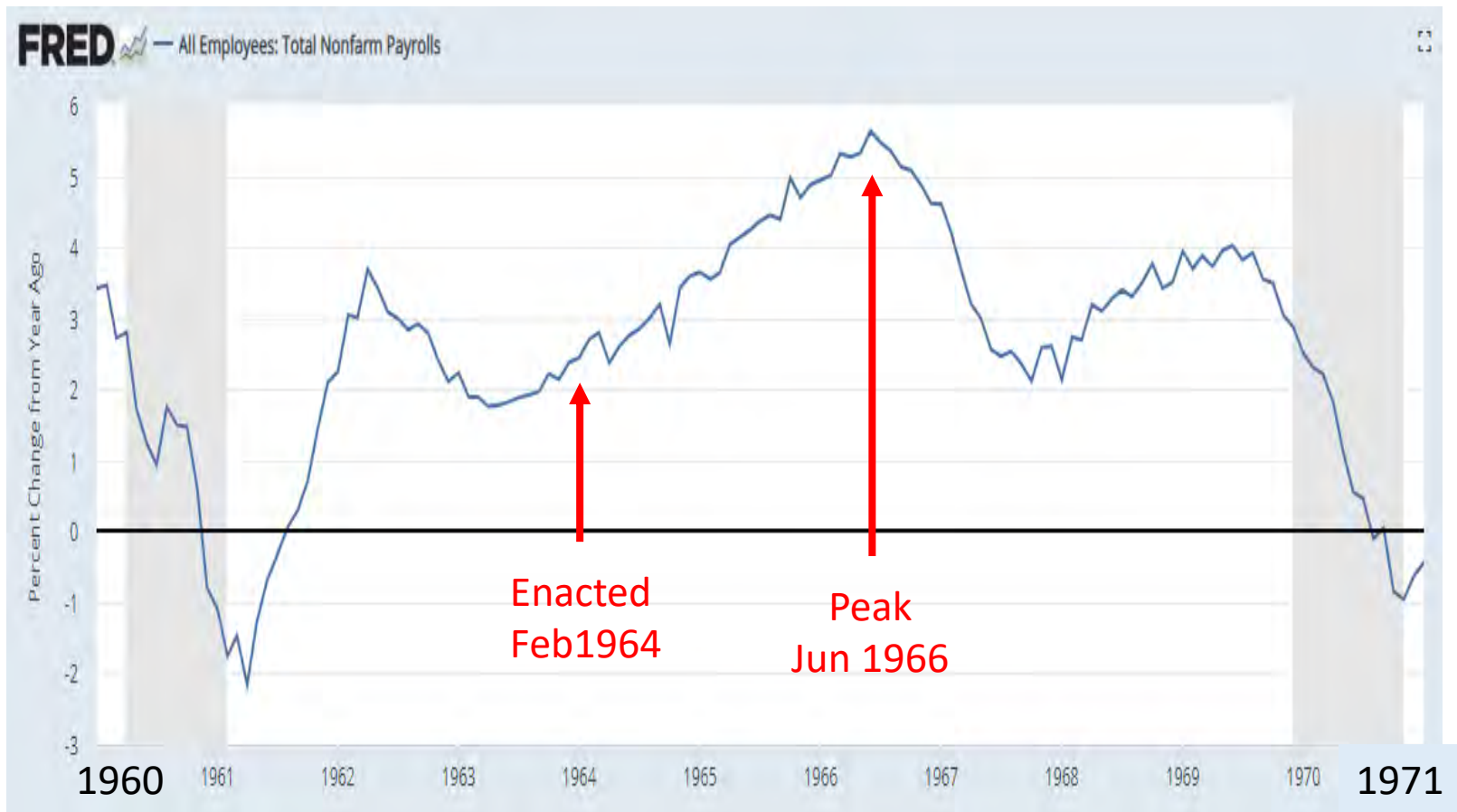


Revenue Act of 1964

Enacted February 26, 1964

- Recovery from recession of 1958 was slow.
- JFK campaigned in 1960 with the slogan of "getting America moving again."
- Proposed cutting individual tax rates from a range of 20-91% to 14-65%
- Proposed cutting the corporate tax rate from 52% to 47%.

Percentage Change in Employment After the Kennedy Tax Cuts



Source: Federal Reserve Bank of St. Louis

Tax Reform Act of 1986

Enacted October 22, 1986

Top rate for individuals cut from 50% to 38.5%.

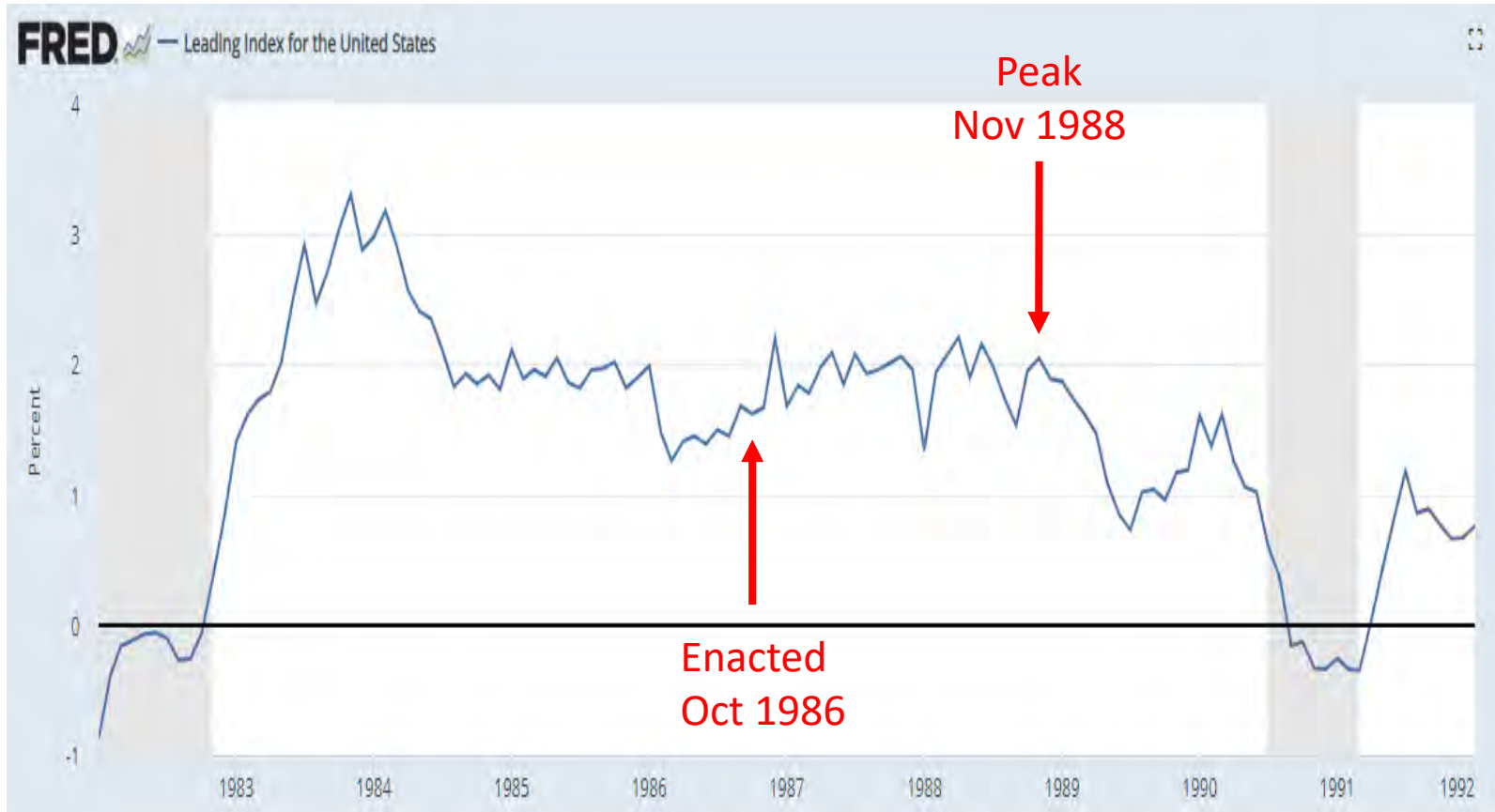
Major reduction of depreciation for real estate

Raised tax rates on capital gains.

Corporate tax rate lowered from 50% to 35%.



Index of Leading Economic Indicators After Reagan Tax Cuts



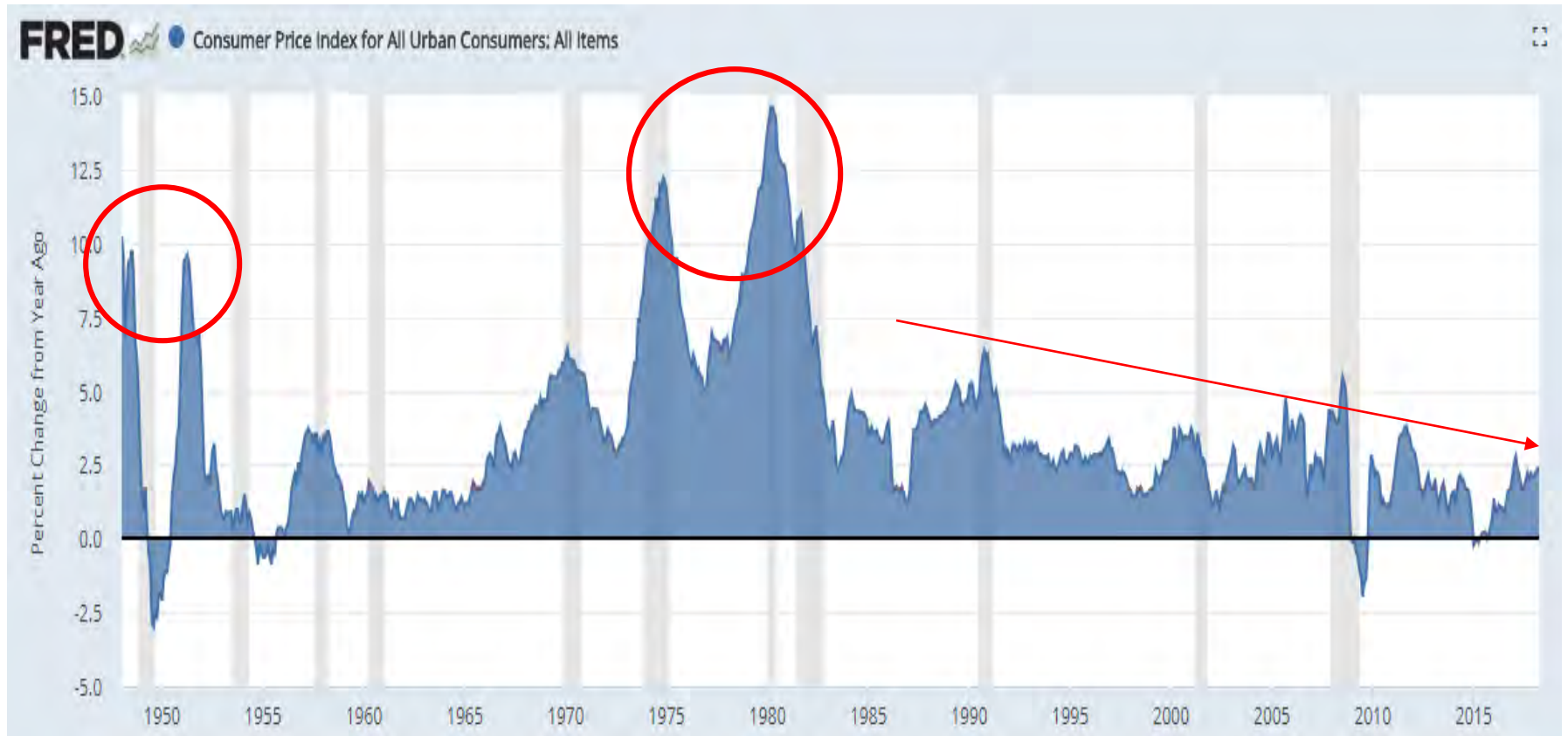
Source: Federal Reserve Bank of St. Louis

Interest Rate on 10-Year Treasury Bond



Source: Federal Reserve Bank of St. Louis

The CPI Inflation Rate Since 1950



Source: Federal Reserve Bank of St. Louis

Green Street Advisors

Commercial Property Price Index

The CPPI for the broad market has been virtually flat between June 2017 and June 2018. The broad market hit a plateau at the end of 2016.

Retail values have fallen 10% during the same period, and are down 18% since the end of 2016.

Industrial values are up 12%. Student housing is up 10%. Manufactured housing is also up 10%.

The CPPI was 100 in August 2007, before the crash. It fell to 61.2 in May 2009.

Chinese U.S. CRE Investment Declines

Chinese real estate investors, facing pressure from Beijing, are reversing a long buying spree in the US, where they have paid record prices for marquee properties like the Waldorf Astoria in NYC.

Chinese investors sold \$1.29 billion in CRE in the second quarter, while purchasing only \$126.2 million. First time they have been net sellers since 2008.

Purchase of the Waldorf Astoria for \$1.95 billion was the highest price ever paid for a US hotel.

Chinese Purchases of U.S. CRE

Chinese insurance company Anbang failed and was taken over by the Chinese government.

In 2015, Anbang acquired the Waldorf Astoria for \$1.95 billion, the highest price ever paid for a US hotel.

In 2015, Sunshine Insurance Group also purchased the Baccarat Hotel for \$230 million, or roughly \$2 million per room. This was one of highest valuations ever paid per room.

In 2016, Anbang bought a portfolio of hotels from Blackstone for \$500 million more than Blackstone paid for it less than 12 months earlier.

Mayfair units sold in 2014 for
£7,000 per square foot

Saudi purge wrecks £100m purchase of Mayfair penthouses

Deirdre Hipwell

A Saudi prince who had offers accepted to buy two Mayfair penthouses for more than £100million has failed to complete the purchases after being caught up in a corruption purge in his home country.

Prince Turki bin Abdullah, seventh

son of the late King Abdullah of Saudi Arabia and a former governor of Riyadh, had struck a deal to buy two flats in British Land's Clarges Mayfair development on Piccadilly, near the Ritz Hotel.

The prince had agreed to buy one penthouse from British Land, the developer, and the other from Law-



Prince Turki bin Abdullah has spent the past nine months in detention

Expected Returns Lowered for the Two Largest U.S. Pension Funds

The California State Teachers Retirement System (CALSTERS) reduced its expected future returns to 7% this year.

The California Public Employees Retirement System (CALPERS) begins a multi-step drop to 7% by 2021.

The median expected return of 130 public pension funds dropped to 7.25% in 2017. That rate was still 8% in 2012.

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 find great properties at 7.0 to 7.5 cap rates in the secondary markets where we are buying.”

“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

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