



ANCONIA

Title & Escrow

The Good, the Bad and the Ugly

An Outlook for Real Estate and the Economy



Historically Low
Unemployment



Highest
Mortgage rates



Highest
Inflation

Presented by



Dr. Ted C. Jones

Chief Economist

Senior Vice President

Stewart Title Guaranty Company



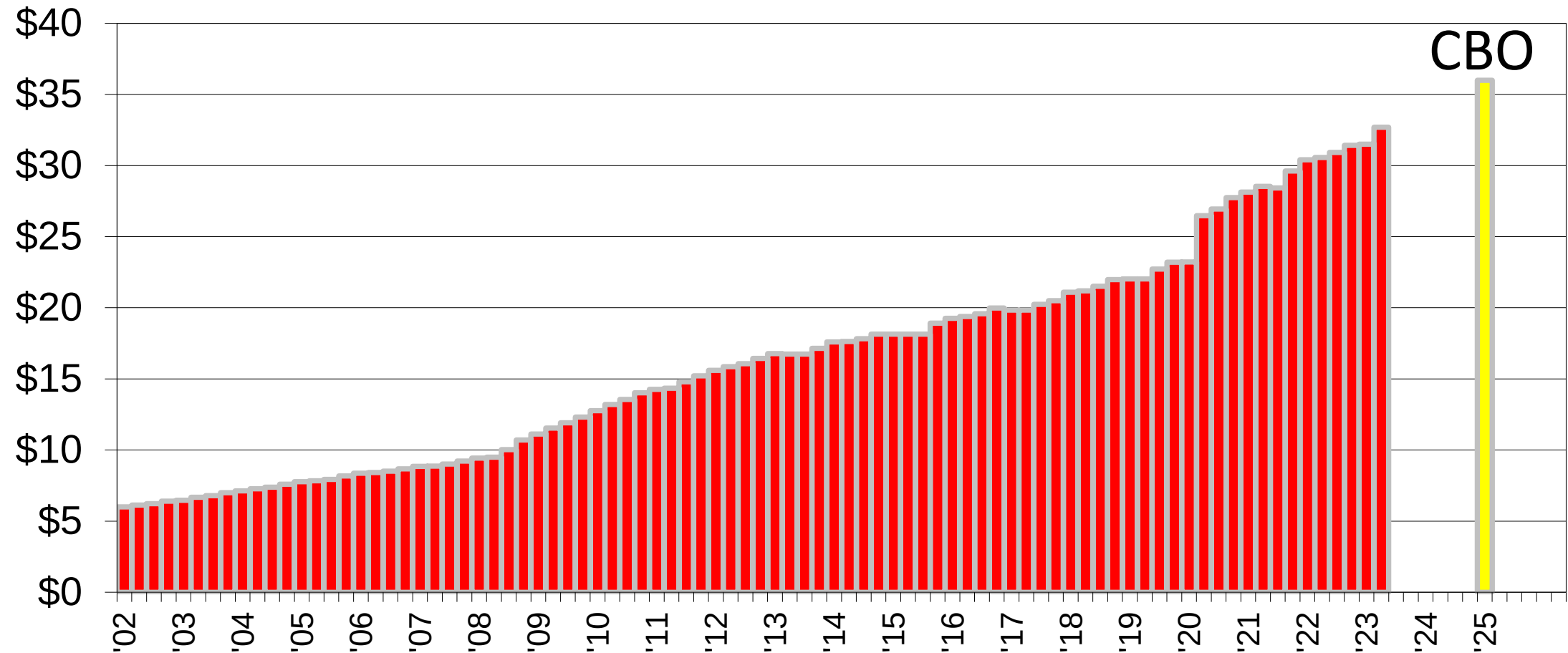
CHANGE

**Not
Doing
That**

Federal Debt – Total Public Debt

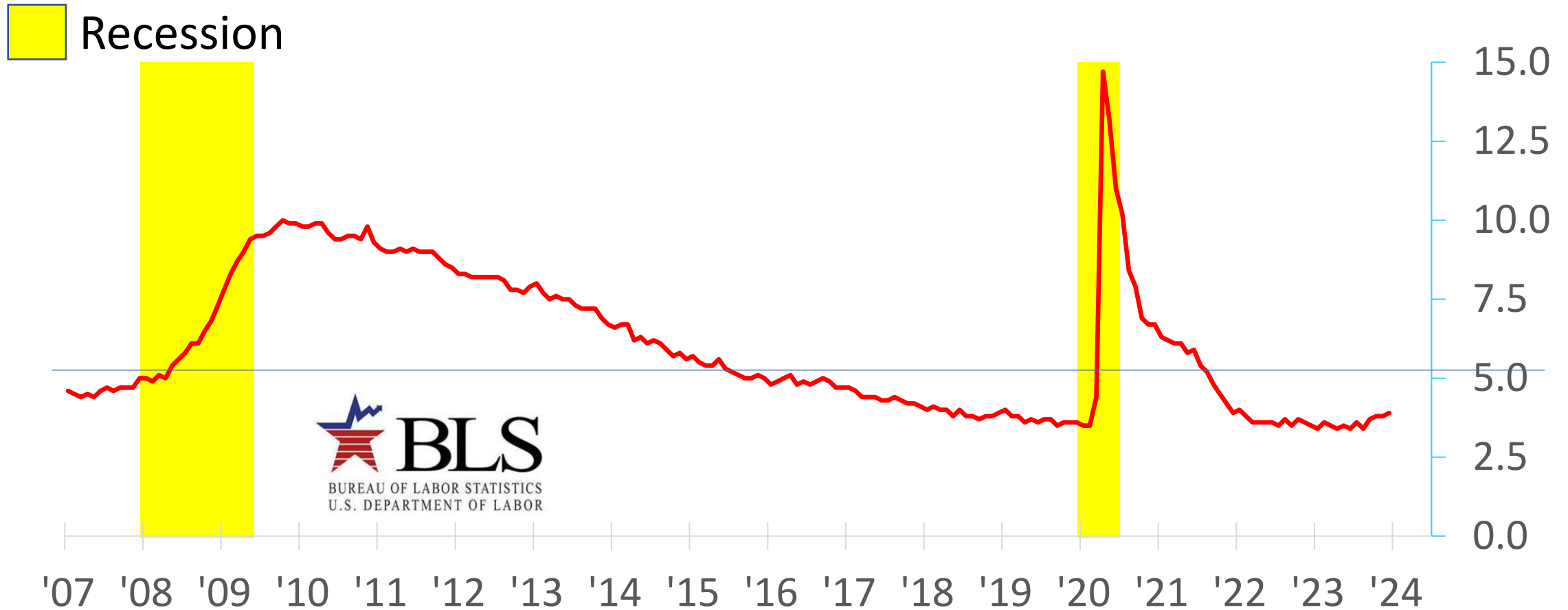


\$ Trillions



UNEMPLOYMENT RATE

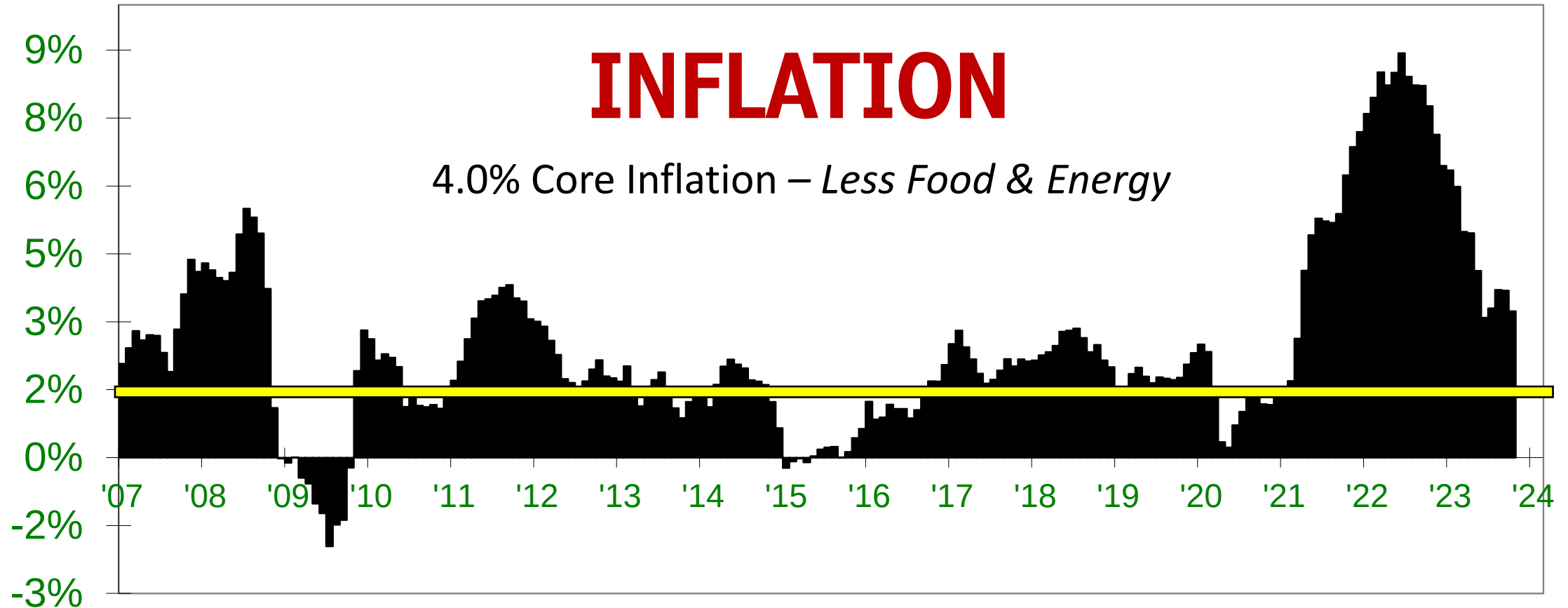
Percent



CPI for All Urban Consumers -- *U.S. City Average*

12-Month Change Seasonally Adjusted

3.2% October 2023



Joint Congress Economic Committee

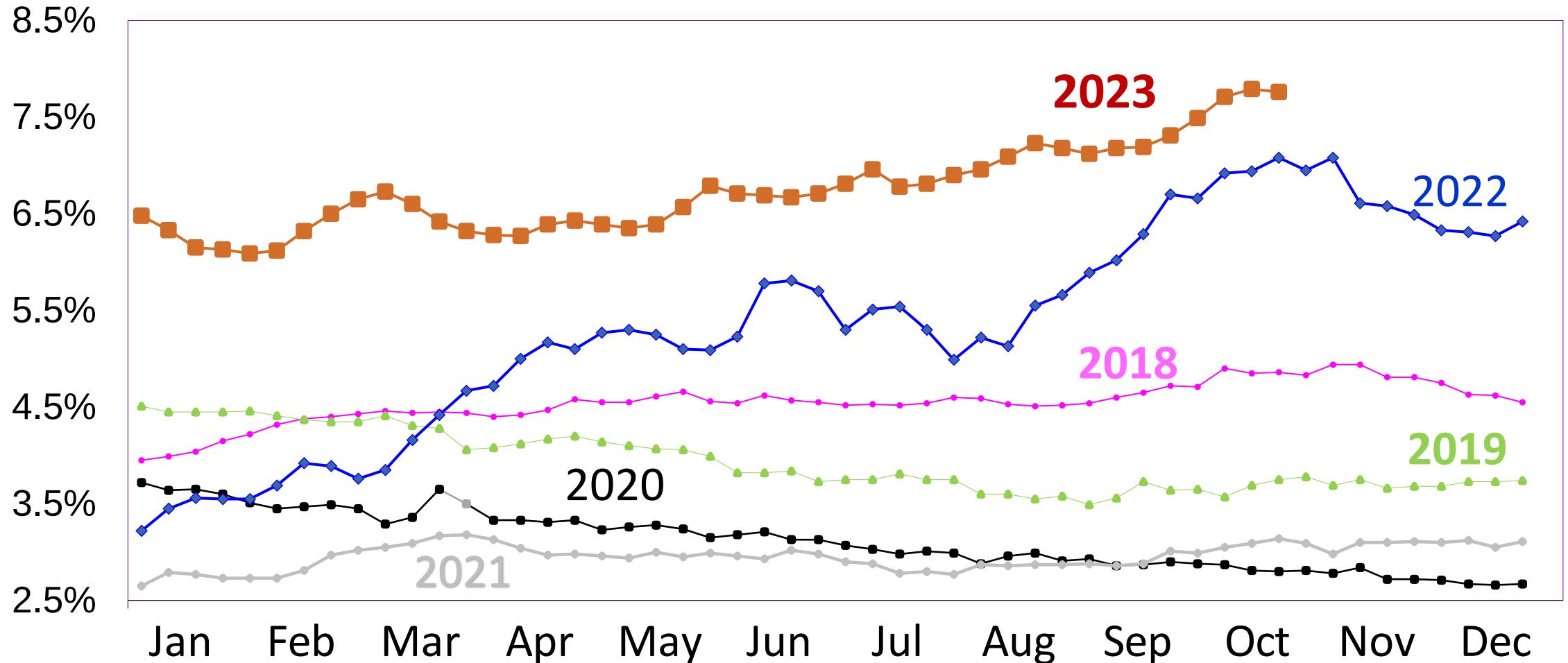
\$747 Per Month More Expensive This Year

Services a 7% \$112,300 30-Year Loan



30-Year Conventional Residential Mortgage Rates

Percent



Residential Interest Rate Forecast

October 2023

30-Year Fixed-Rate Conventional Mortgages

	2021	2022	2023	2024
Fannie Mae	3.0%	5.3%	6.8%	6.9%
MBA	3.1%	5.4%	6.8%	6.5%
Average	3.05%	5.35%	6.79%	6.68%

Fannie Mae

	Q1	Q2	Q3	Q4
2022	3.8%	5.2%	5.6%	6.7%
2023	6.4%	6.5%	7.0%	7.3%
2024	7.1%	7.0%	6.9%	6.7%

MBA

	Q1	Q2	Q3	Q4
2022	3.9%	5.3%	5.7%	6.6%
2023	6.4%	6.5%	7.0%	7.2%
2024	6.8%	6.6%	6.3%	6.1%

Regression: 30-Year Rates = Function (Fed Funds, 10-Year Treasury)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.965758559
R Square	0.932689593
Adjusted R Square	0.931986
Standard Error	0.33424013
Observations	291



Highly Statistically
Significant Model

ANOVA

	df	SS	MS	F	Significance F
Regression	3	444.2771705	148.0923902	1325.609351	0.000000000000000%
Residual	287	32.06262535	0.111716465		
Total	290	476.3397959			



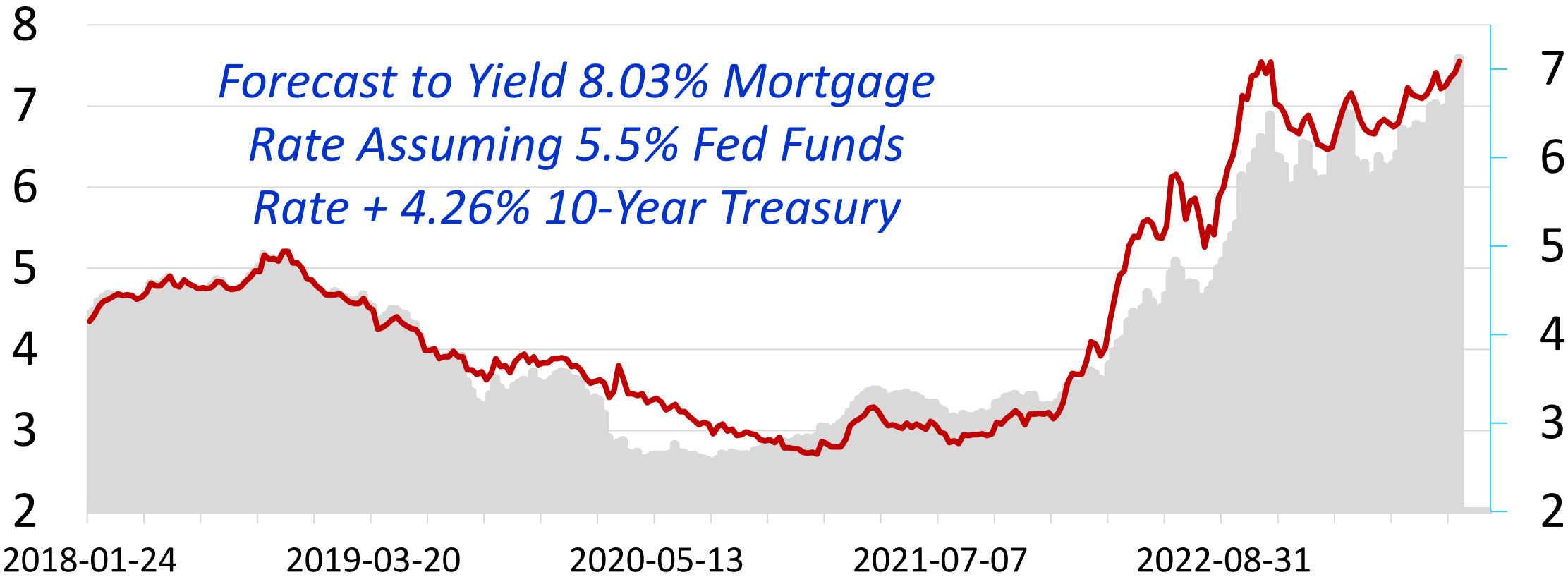
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	2.233718523	0.065204874	34.25692592	0.000000%	2.10537811	2.362058936
X Variable 1	-0.265828814	0.054842729	-4.847111344	0.000205%	-0.373773789	-0.157883839
X Variable 2	0.745127411	0.036741601	20.28021051	0.000000%	0.672810235	0.817444586
X Variable 3	0.157626939	0.015239976	10.34299147	0.000000%	0.127630642	0.187623236

Actual & Forecast 30-Year Mortgage Rate Weekly

Regression: 30-Year Rates = Function (Fed Funds, 10-Year T-Bond)

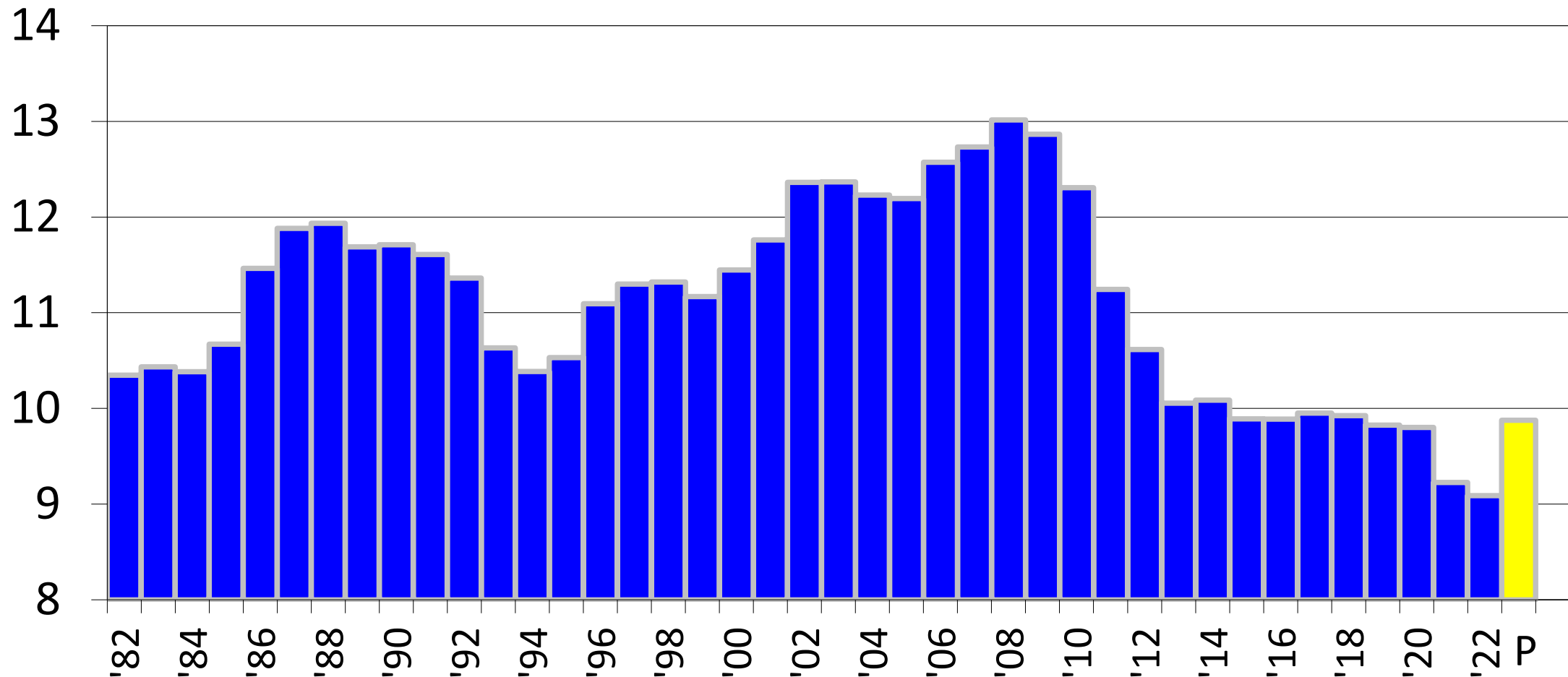
Forecast - Percent

Actual - Percent



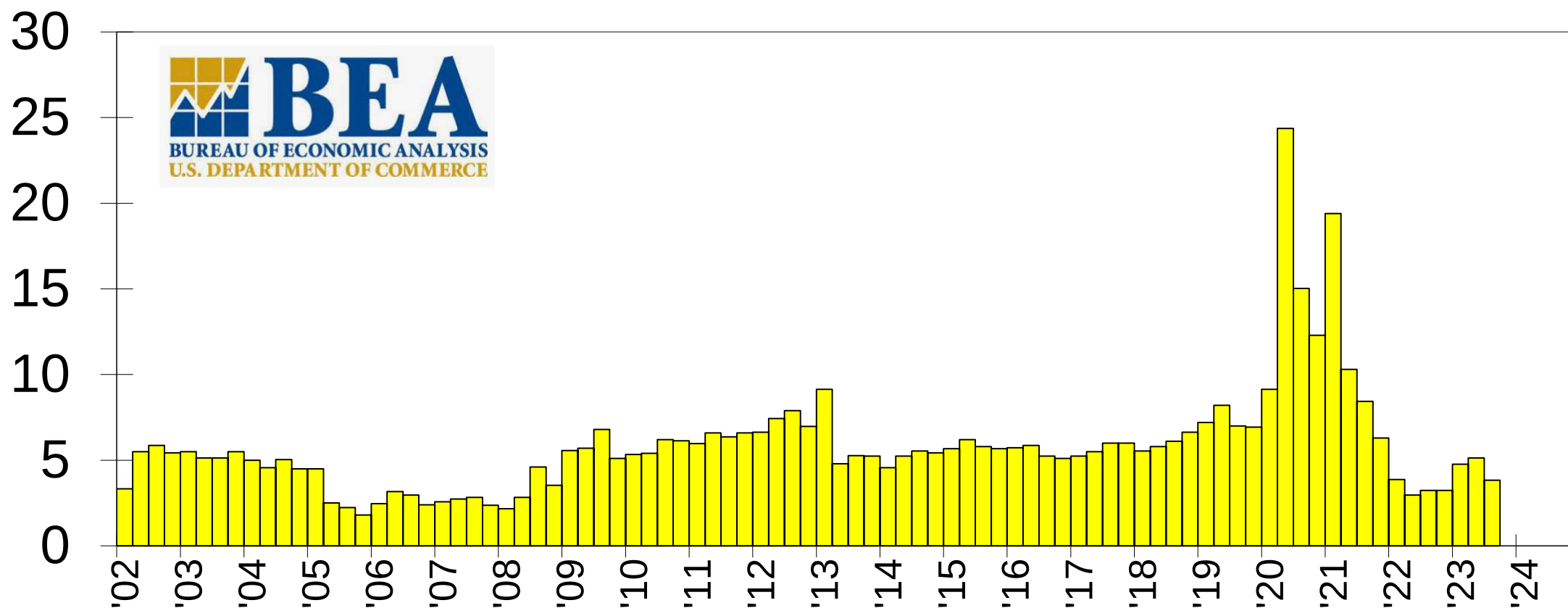
Household Debt Service as a Percent of Household Disposable Income

Percent



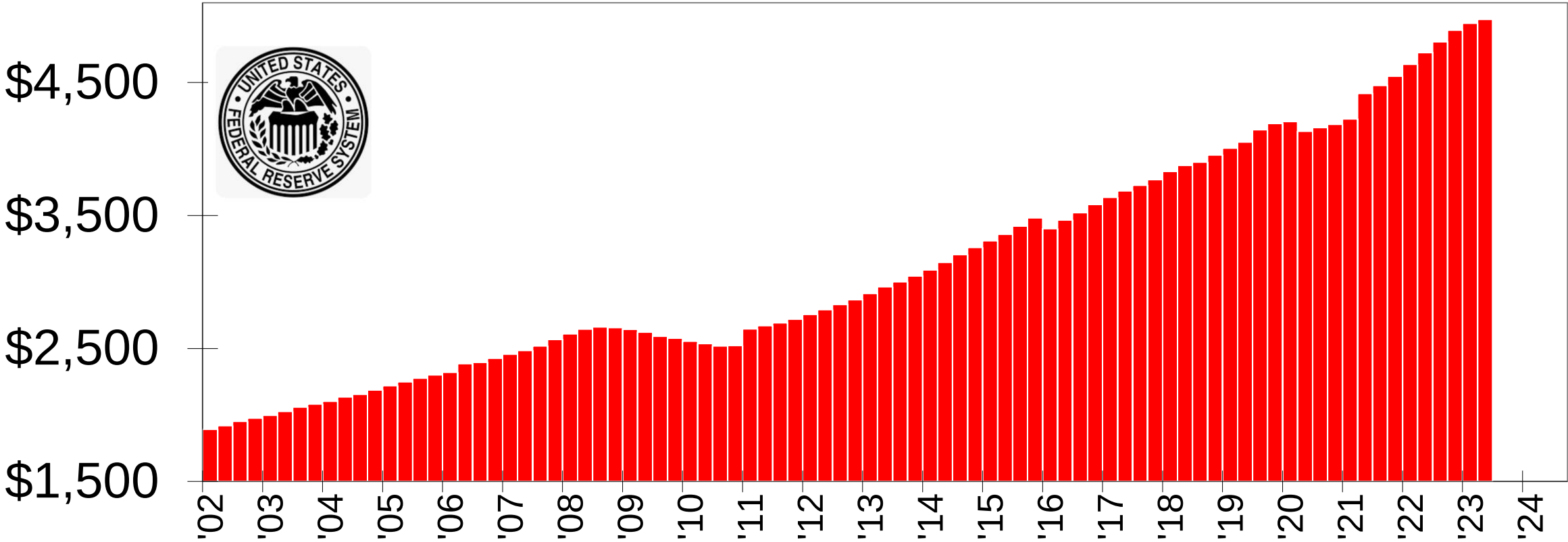
Personal Savings Rate – *Seasonally Adjusted*

Percent



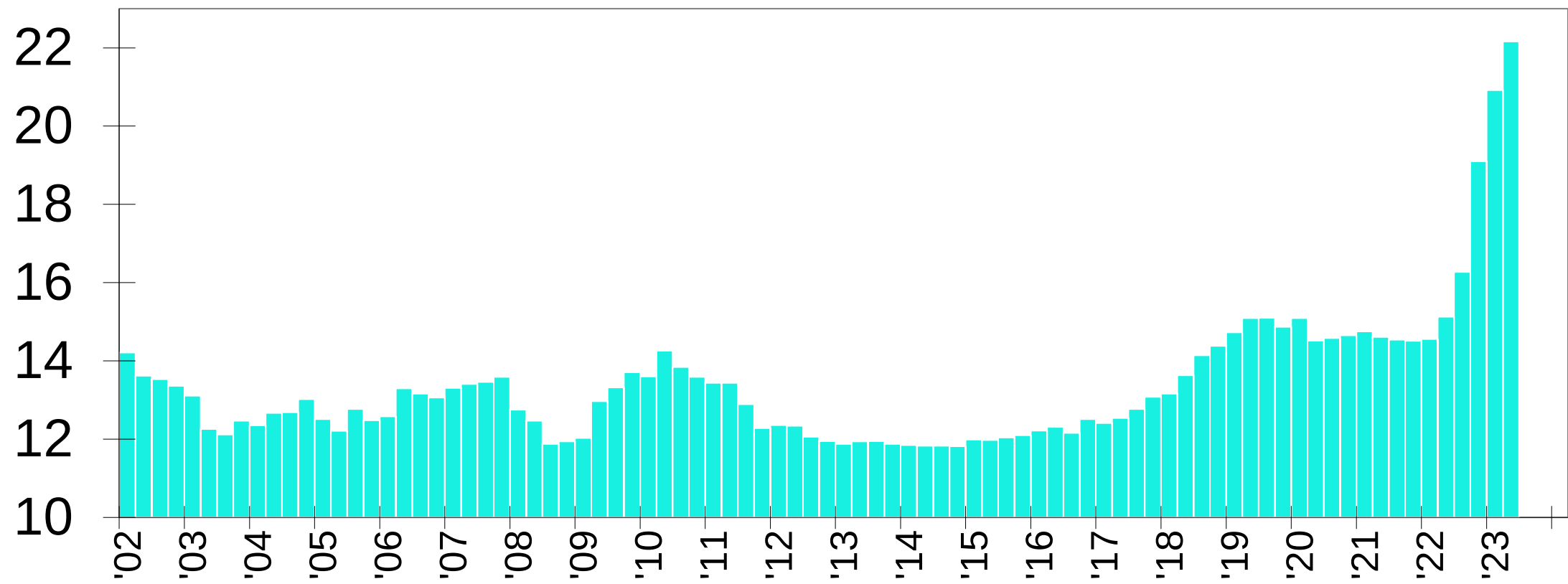
Household & Nonprofit Consumer Credit

\$ Billions



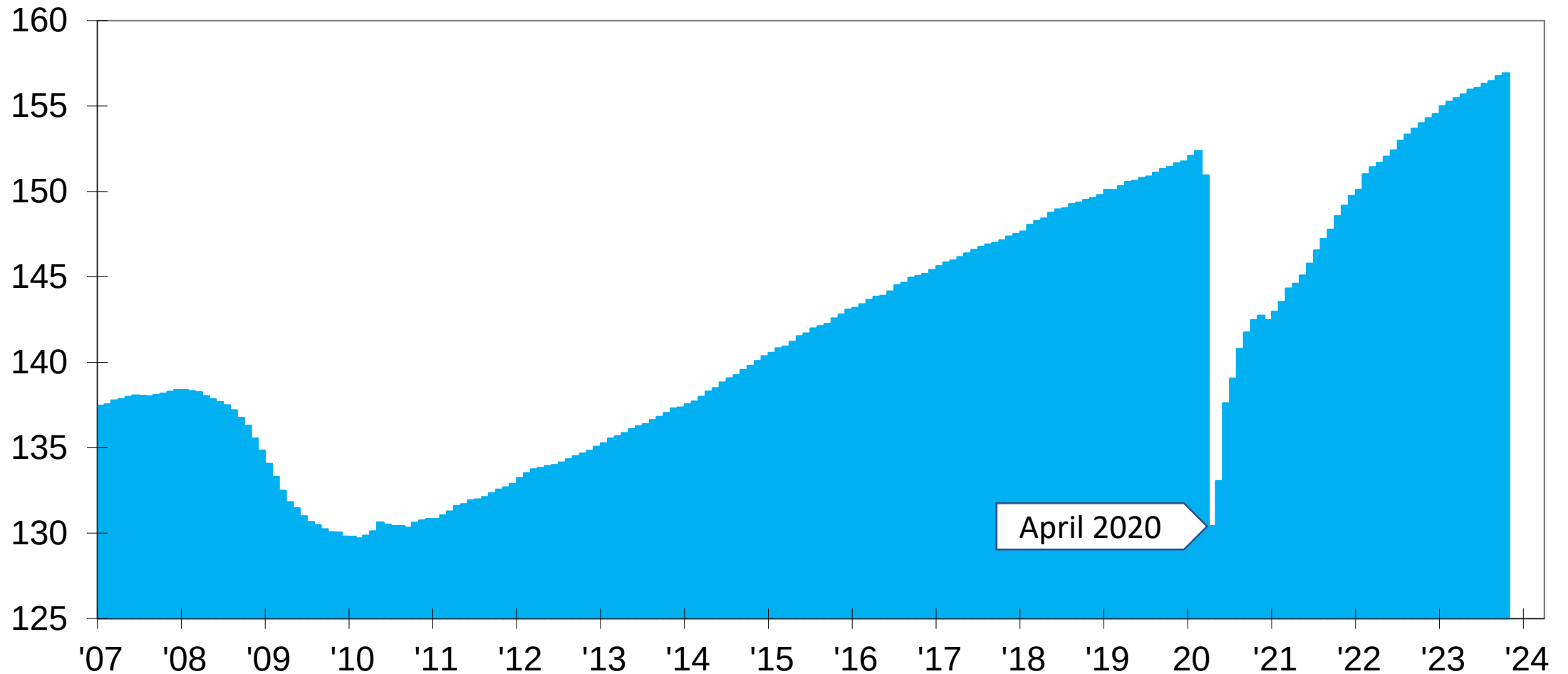
Commercial Bank Interest Rate on Credit Card Plans

Percent

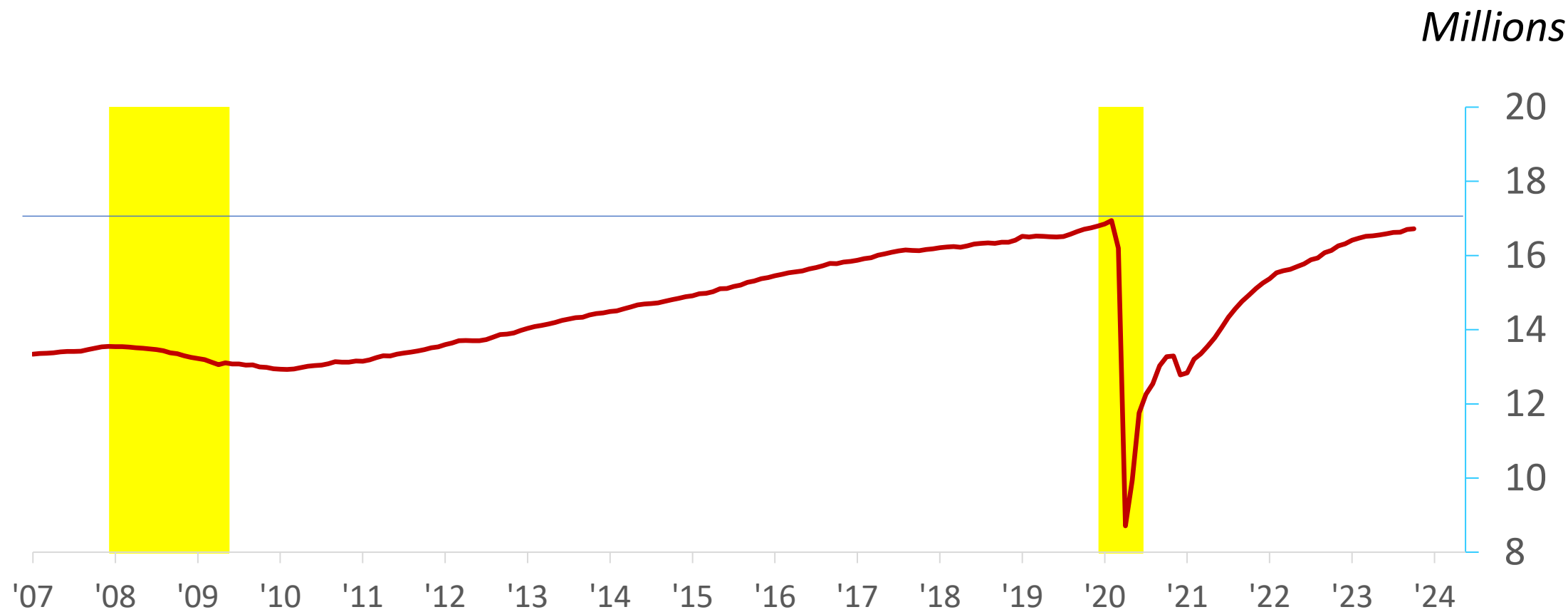


U.S. Jobs

Jobs (Millions) *Seasonally Adjusted*



LEISURE & HOSPITALITY EMPLOYMENT

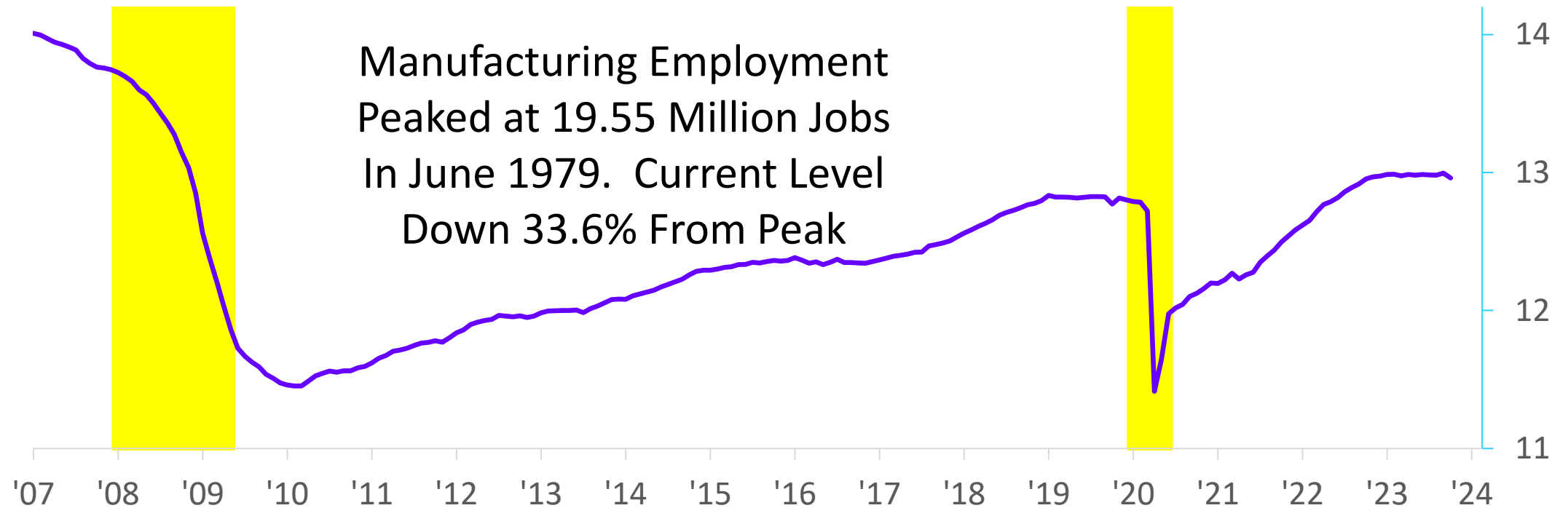


MANUFACTURING EMPLOYMENT

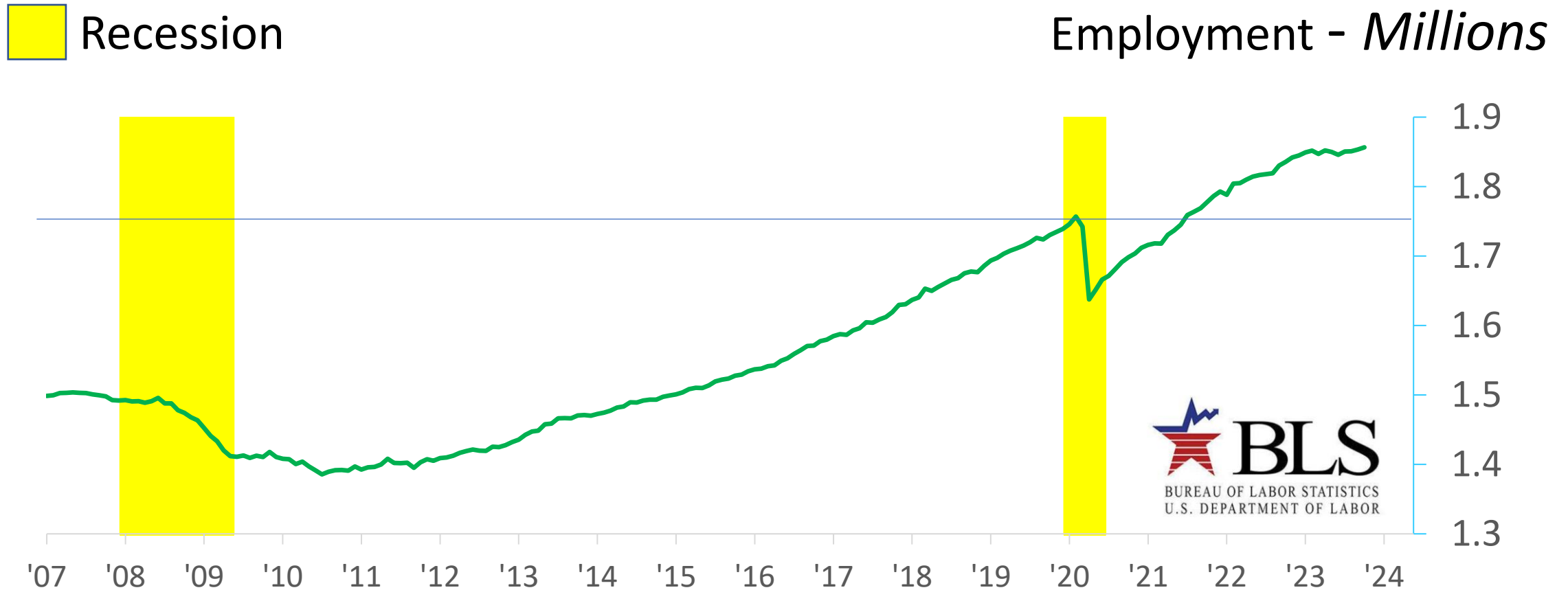


 Recession

Manufacturing Employment - Millions



EMPLOYMENT REAL ESTATE - NAICS 55531



Change in Jobs - February 2020 Through September 2023



Idaho	11.3%	Alabama	3.4%	Wisconsin	0.8%
Utah	9.7%	Indiana	3.4%	Ohio	0.7%
Texas	8.3%	New Jersey	2.8%	Illinois	0.3%
Nevada	8.3%	California	2.5%	Minnesota	0.1%
Florida	8.0%	Missouri	2.2%	Connecticut	-0.2%
North Carolina	7.0%	Oklahoma	2.0%	Iowa	-0.2%
Montana	6.2%	Oregon	1.9%	North Dakota	-0.3%
Arizona	6.0%	New Hampshire	1.7%	Michigan	-0.4%
Tennessee	5.7%	Virginia	1.7%	Maryland	-0.4%
Georgia	5.7%	Nebraska	1.4%	Louisiana	-0.7%
South Dakota	5.5%	Kansas	1.4%	Alaska	-0.9%
Arkansas	5.4%	Pennsylvania	1.4%	New York	-1.0%
South Carolina	5.2%	Maine	1.2%	West Virginia	-1.0%
Delaware	3.9%	Mississippi	1.2%	Rhode Island	-2.3%
Kentucky	3.8%	Wyoming	1.1%	Vermont	-2.7%
Washington	3.8%	New Mexico	1.1%	Dist of Columbia	-3.2%
Colorado	3.4%	Massachusetts	1.1%	Hawaii	-4.6%

State Job Growth -- 1-Month August 2023 to September 2023



South Dakota	0.9%	Minnesota	0.3%	Ohio	0.1%
Delaware	0.7%	Oklahoma	0.3%	South Carolina	0.1%
Mississippi	0.5%	Tennessee	0.3%	Pennsylvania	0.1%
North Dakota	0.5%	Arizona	0.3%	Colorado	0.1%
Idaho	0.5%	Nebraska	0.2%	Alabama	0.1%
Nevada	0.5%	Kentucky	0.2%	California	0.0%
Louisiana	0.5%	New York	0.2%	Hawaii	0.0%
Texas	0.4%	Washington	0.2%	Wyoming	0.0%
Maryland	0.4%	Indiana	0.2%	Virginia	0.0%
Oregon	0.4%	North Carolina	0.2%	Maine	0.0%
New Hampshire	0.4%	Florida	0.2%	Iowa	0.0%
Georgia	0.3%	Connecticut	0.2%	Massachusetts	-0.1%
Vermont	0.3%	New Jersey	0.2%	Utah	-0.1%
Kansas	0.3%	Missouri	0.2%	Michigan	-0.2%
Rhode Island	0.3%	West Virginia	0.2%	Arkansas	-0.2%
Dist of Columbia	0.3%	Illinois	0.2%	Alaska	-0.2%
Wisconsin	0.3%	New Mexico	0.1%	Montana	-0.3%

State Job Growth -- 12-Months September 2022 to September 2023



Nevada	3.4%	Arizona	1.9%	Oklahoma	1.5%
Texas	3.2%	Alaska	1.9%	<u>Minnesota</u>	1.5%
Idaho	3.0%	Utah	1.8%	Arkansas	1.5%
Wyoming	2.7%	South Carolina	1.7%	Maryland	1.4%
South Dakota	2.7%	West Virginia	1.7%	Colorado	1.4%
Florida	2.5%	California	1.7%	Illinois	1.3%
Delaware	2.5%	Ohio	1.7%	Connecticut	1.3%
Washington	2.5%	Indiana	1.7%	Virginia	1.2%
Massachusetts	2.5%	Tennessee	1.6%	Michigan	1.2%
Kentucky	2.5%	Dist of Columbia	1.6%	Wisconsin	1.2%
Pennsylvania	2.5%	New York	1.6%	Hawaii	1.1%
Louisiana	2.4%	New Hampshire	1.6%	Maine	1.0%
Oregon	2.2%	Kansas	1.6%	Vermont	0.9%
North Carolina	2.2%	Nebraska	1.5%	Iowa	0.7%
New Mexico	2.1%	New Jersey	1.5%	Montana	0.6%
North Dakota	2.0%	Missouri	1.5%	Mississippi	0.5%
Georgia	2.0%	Alabama	1.5%	Rhode Island	-0.7%

State Employment Metrics - September 2023



1-Year, 5-Year & 10-Year Job Growth Rates

Ranked by Best 10-Year Growth

10-Year Rank	State	Job Growth Rates As of September 2023			Total Employment Sept 2023 <i>Thousands</i>
		1-Year	5-Years	10-Years	
1	Idaho	3.0%	19.6%	34.8%	860.7
2	Utah	1.8%	16.9%	33.3%	1,726.0
3	Nevada	3.4%	16.1%	32.6%	1,563.7
4	Florida	2.5%	16.0%	28.4%	9,796.4
5	Arizona	1.9%	13.5%	25.3%	3,172.4
6	Texas	3.2%	14.7%	24.2%	14,049.4
7	Georgia	2.0%	10.7%	22.1%	4,942.7
8	Colorado	1.4%	9.1%	21.8%	2,917.8
9	Washington	2.5%	9.4%	21.7%	3,645.5
10	North Carolina	2.2%	11.7%	21.5%	4,948.4
29	Minnesota	1.5%	1.7%	7.4%	2,994.8



TAX FOUNDATION



U.S. Census Bureau Vintage Population Estimates



Greatest Percentage Gain

Overall Rank	State		As of July 1		Percent Change	Net Change People
			2021	2022		
1	Florida		21,828,069	22,244,823	1.9%	416,754
2	Idaho		1,904,314	1,939,033	1.8%	34,719
3	South Carolina		5,193,266	5,282,634	1.7%	89,368
4	Texas		29,558,864	30,029,572	1.6%	470,708
5	South Dakota		896,164	909,824	1.5%	13,660
6	Montana		1,106,227	1,122,867	1.5%	16,640
7	Delaware		1,004,807	1,018,396	1.4%	13,589
8	Arizona		7,264,877	7,359,197	1.3%	94,320
9	North Carolina		10,565,885	10,698,973	1.3%	133,088
10	Utah		3,339,113	3,380,800	1.2%	41,687
30	Minnesota		5,711,471	5,717,184	0.1%	5,713

U.S. Census Bureau Vintage Population Estimates



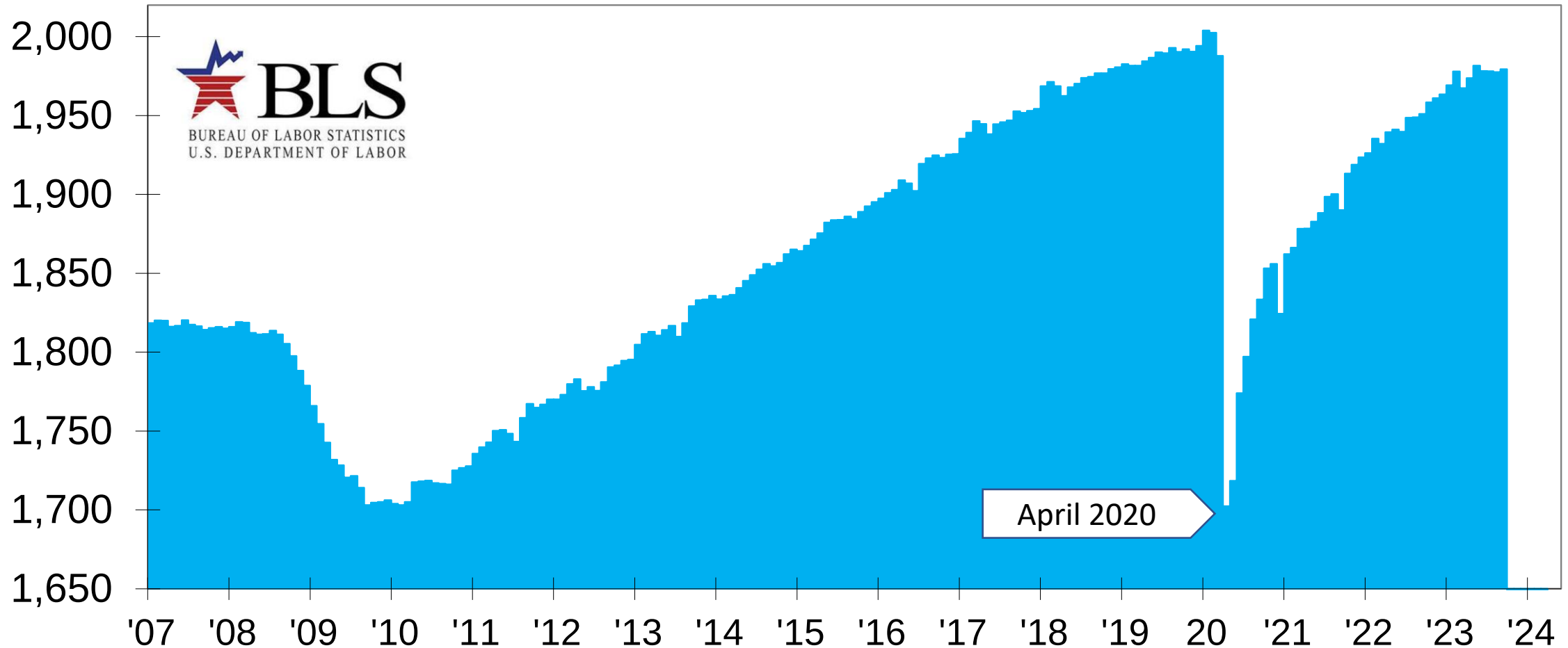
Greatest Percentage Gain

Overall Rank	State		As of July 1		Percent Change	Net Change People
			2021	2022		
39	Massachusetts		6,989,690	6,981,974	-0.1%	-7,716
40	New Mexico		2,116,677	2,113,344	-0.2%	-3,333
41	Maryland		6,174,610	6,164,660	-0.2%	-9,950
42	California		39,142,991	39,029,342	-0.3%	-113,649
43	Rhode Island		1,096,985	1,093,734	-0.3%	-3,251
44	Pennsylvania		13,012,059	12,972,008	-0.3%	-40,051
45	Mississippi		2,949,586	2,940,057	-0.3%	-9,529
46	Oregon		4,256,301	4,240,137	-0.4%	-16,164
47	Hawaii		1,447,154	1,440,196	-0.5%	-6,958
48	West Virginia		1,785,526	1,775,156	-0.6%	-10,370
49	Louisiana		4,627,098	4,590,241	-0.8%	-36,857
50	Illinois		12,686,469	12,582,032	-0.8%	-104,437
51	New York		19,857,492	19,677,151	-0.9%	-180,341



Minneapolis-St Paul-Bloomington MSA Employment

Jobs (Thousands) *Seasonally Adjusted*



1 Texas

2 Florida

3 South Carolina

4 North Carolina

5 Virginia

6 Tennessee

7 Arizona

8 Georgia

9 Ohio

10 Idaho

Top Percentage Inbound States 2022



Top Percentage Inbound MSAs 2022

- 1 Wilmington NC
- 2 Bellingham WA
- 3 Santa Fe NM
- 4 Myrtle Beach SC
- 5 Punta Gorda FL
- 6 Flagstaff AZ
- 7 Sarasota-Bradenton FL
- 8 State College PA
- 9 Eugene-Springfield OR
- 10 Ft Myers-Cape Coral FL

- 11 Burlington VT
- 12 Ft Pierce-St Lucie FL
- 13 Daytona Beach FL
- 14 Dothan AL
- 15 Hickory AL
- 16 Mobil AL
- 17 Portland-Vancouver OR-WA
- 18 Montgomery AL
- 19 West Palm Beach- Boca Raton
- 20 Dover DE

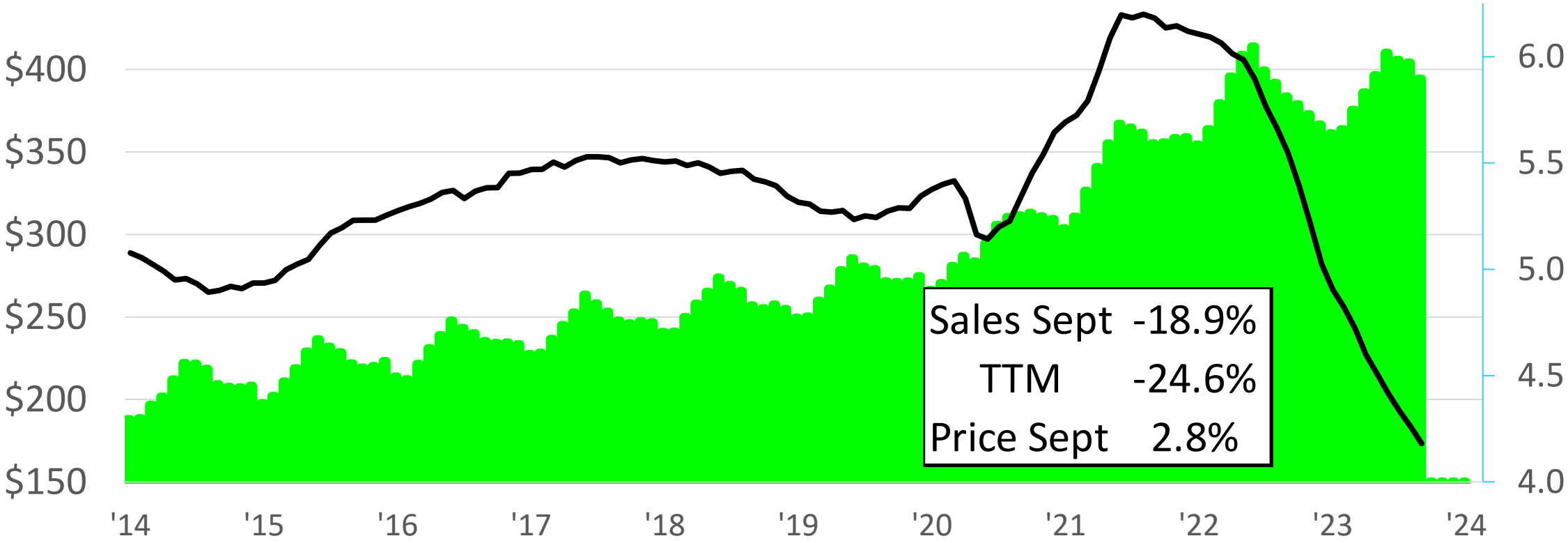


**Leading Indicator of
a Softening, Down-Turning
Real Estate Market is a
Decline in Sales as Prices
Rise Strongly**

US Existing Home Sales & Median Prices

Median Price - \$ Thousands

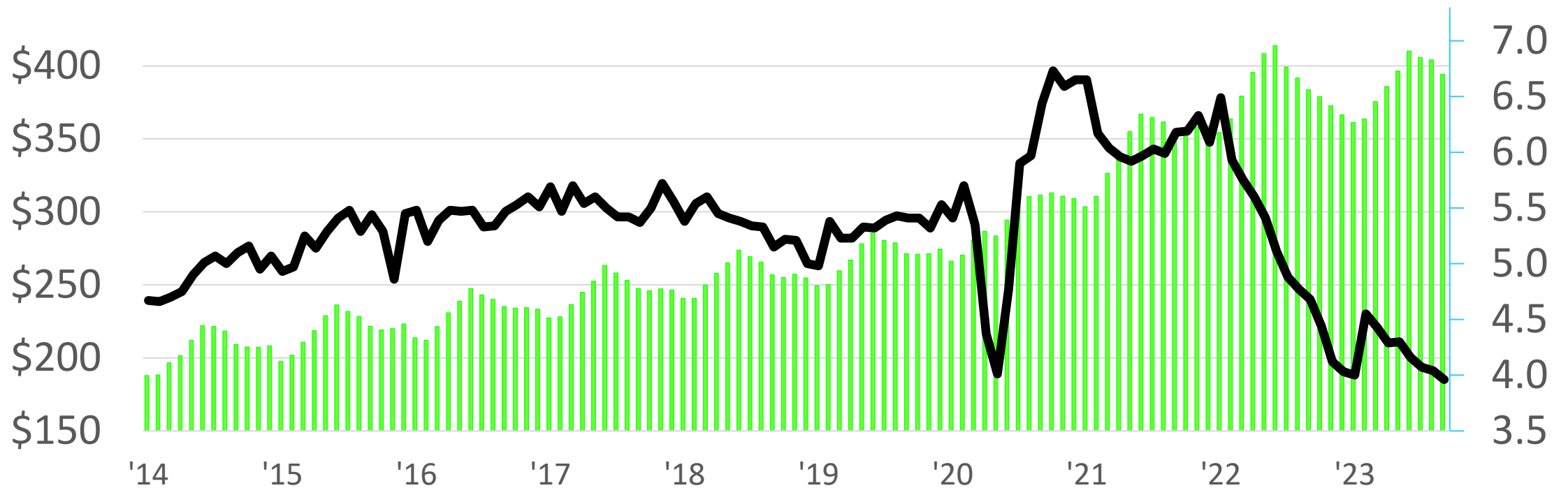
Sales – Prior 12 Months *Millions*



US Existing Home Sales & Median Prices

Sales Seasonally Adjusted
Annualized Rate
Millions

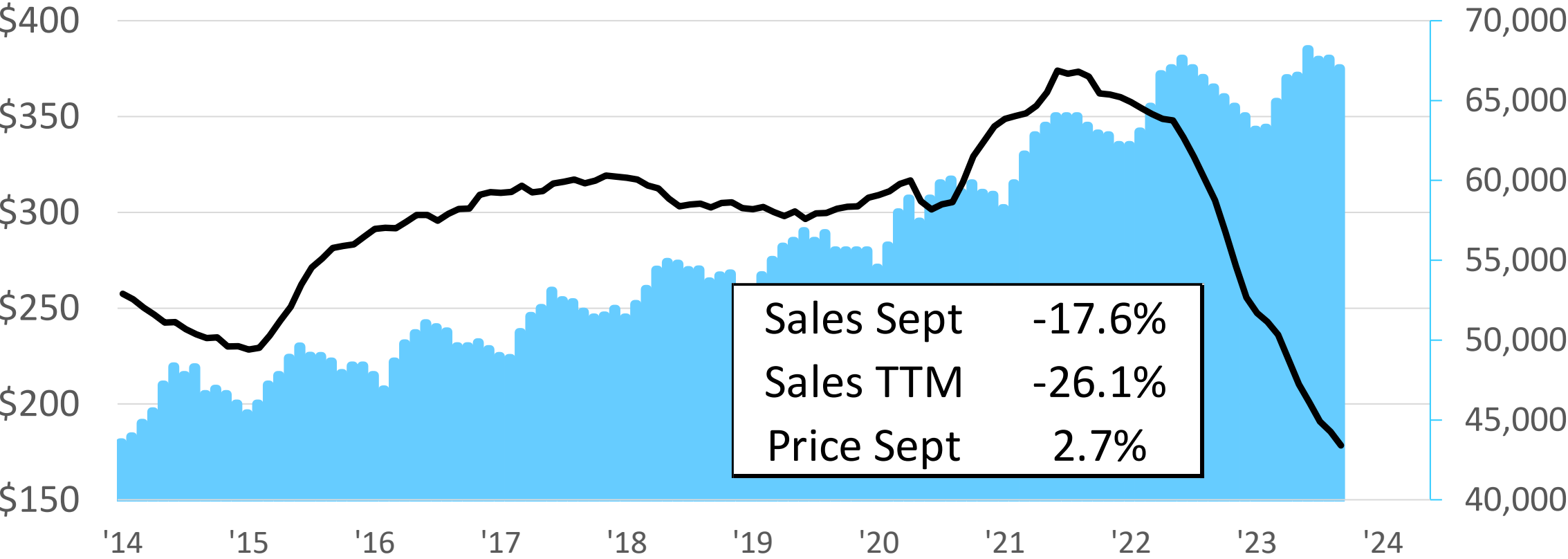
Median Price
\$ Thousands



MSP MSA Home Sales & Median Prices

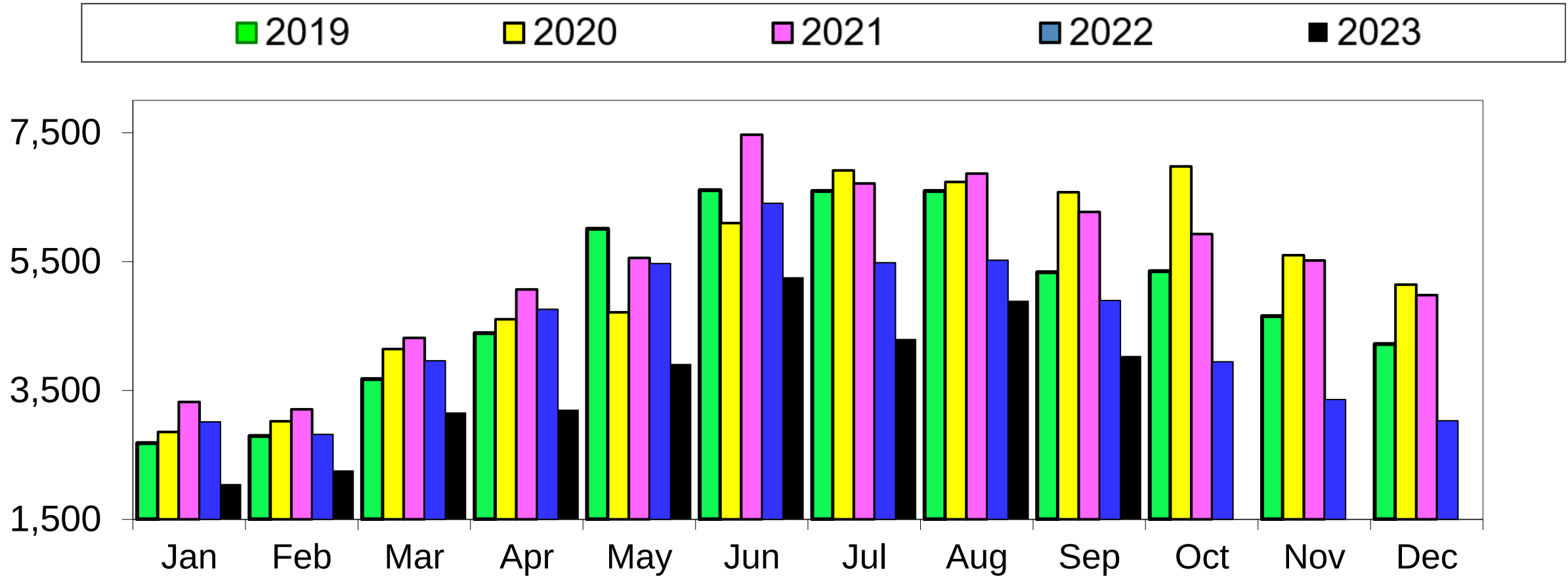
Median Home Price - \$ Thousands

Sales – Prior 12 Months



Minneapolis-St Paul-Bloomington Home Sales

Monthly Sales – *Not Seasonally Adjusted*



MSP Housing Sales

Percent Change 2023 Vs 2019

Jan	-23.6%
Feb	-19.1%
Mar	-14.1%
Apr	-27.0%
May	-34.9%
Jun	-20.4%
Jul	-34.8%
Aug	-25.8%
Sep	-24.4%

**Comparing
2023 to 2019
*the
Last
Normal
Year***

-26.0% YTD

Minneapolis-St Paul-Bloomington Housing Permits & Jobs

Year	Single Family	Multi Family	Total New Dwelling Units	Net New Jobs	New Jobs Per Dwelling
2010	7,054	2,787	9,841	21,500	2.2
2011	6,737	2,157	8,894	42,400	4.8
2012	9,207	6,898	16,105	25,200	1.6
2013	11,167	6,205	17,372	40,500	2.3
2014	10,698	6,307	17,005	29,300	1.7
2015	10,900	8,645	19,545	30,100	1.5
2016	12,071	9,378	21,449	30,400	1.4
2017	13,508	8,445	21,953	28,700	1.3
2018	13,574	12,099	25,673	26,300	1.0
2019	13,709	14,877	28,586	13,600	0.5
2020	14,707	13,441	28,148	(169,800)	-6.0
2021	16,705	16,948	33,653	99,200	2.9
2022	13,453	17,643	31,096	39,800	1.3
	153,490	125,830	279,320	257,200	0.92

Ted's Metric

**Need 1.25
to 1.5 Net
New Jobs
Per New
Dwelling
Unit**

***\$75,000 to 108,000
Units Overbuilt***

Median Home Price 2020 to 2023 (March)

Some Surprisingly Consistent

Median Home Price Changes - March

	March				Median Price Change		
	2020	2021	2022	2023	'20 to '22	'22 to '23	'20 to '23
Austin	\$ 330.0	\$ 425.0	\$ 520.0	\$ 450.0	57.6%	-13.5%	36.4%
Houston	\$ 249.1	\$ 288.0	\$ 330.0	\$ 338.9	32.5%	2.7%	36.0%
Boise - Ada	\$ 368.0	\$ 459.6	\$ 575.0	\$ 483.5	56.3%	-15.9%	31.4%
Phoenix	\$ 302.4	\$ 359.3	\$ 460.0	\$ 419.9	52.1%	-8.7%	38.9%
Tampa	\$ 255.0	\$ 300.0	\$ 390.0	\$ 395.0	52.9%	1.3%	54.9%
Minneapolis-St Paul-Bloomington	\$ 299.9	\$ 330.0	\$ 355.0	\$ 357.5	18.4%	0.7%	19.2%

Tampa MSA Housing Permits & Jobs

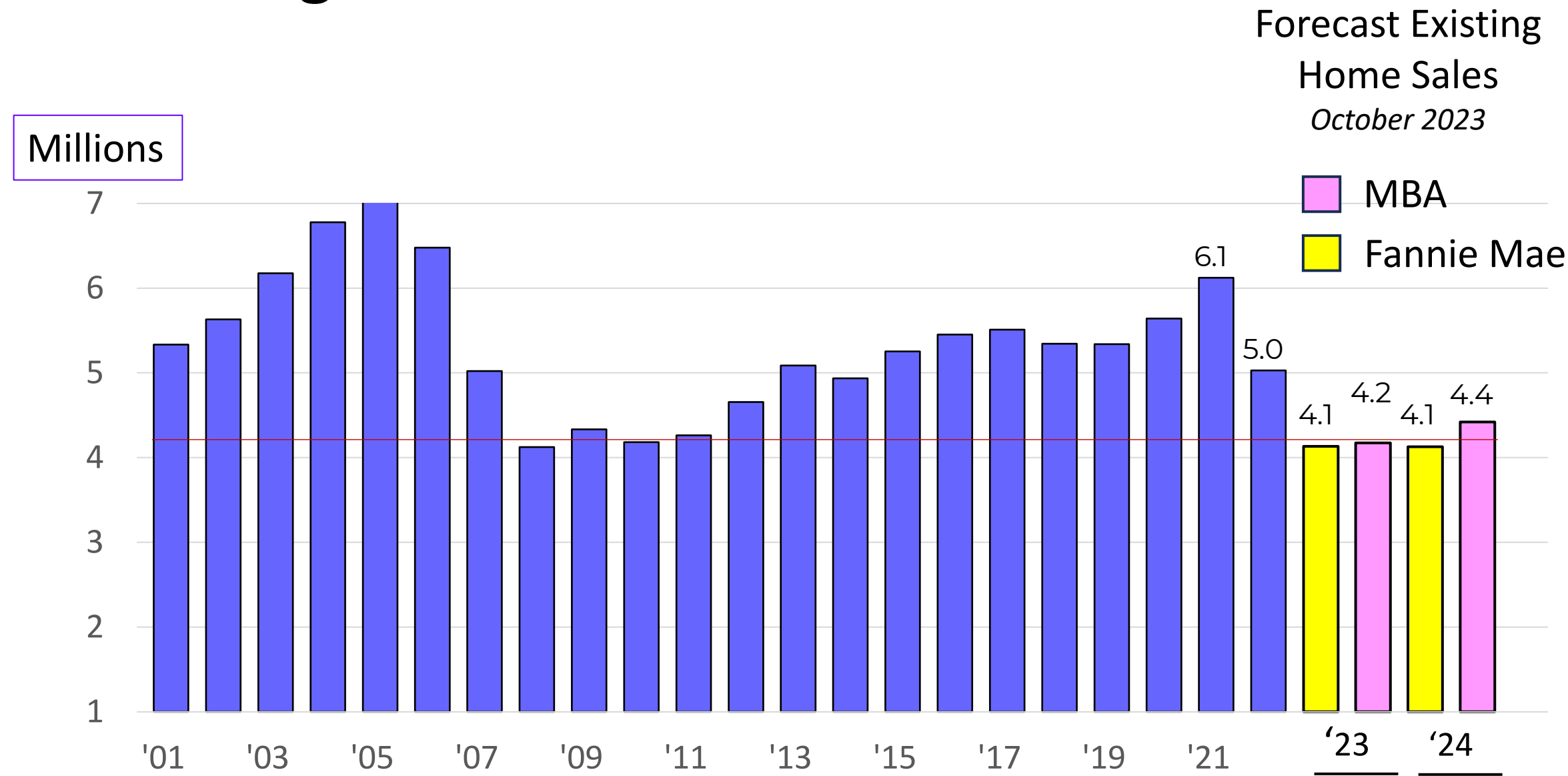
Year	Single Family	Multi Family	Total New Dwelling Units	Net New Jobs	New Jobs Per Dwelling
2010	4,396	2,105	6,501	14,300	2.2
2011	4,511	1,831	6,342	21,200	3.3
2012	5,883	4,278	10,161	24,100	2.4
2013	7,314	4,838	12,152	28,400	2.3
2014	7,267	5,119	12,386	38,300	3.1
2015	9,739	5,914	15,653	48,500	3.1
2016	10,685	7,067	17,752	35,300	2.0
2017	12,732	5,536	18,268	25,200	1.4
2018	14,228	3,224	17,452	29,600	1.7
2019	14,670	8,870	23,540	35,200	1.5
2020	16,088	4,260	20,348	(35,700)	-1.8
2021	19,305	5,526	24,831	79,500	3.2
2022	15,678	14,291	29,969	69,800	2.3
	142,496	72,859	215,355	413,700	1.92

Ted's Metric

**Need 1.25
to 1.5 Net
New Jobs
Per New
Dwelling
Unit**

60K to 115K Short

US Existing Home Sales & Forecast



The typical home in the US changed ownership every 12.3 years in 2022, down from a record high 13.4 years in 2020. In 2005 the average ownership duration was 6.5 years & 10.2 years in 2012.

@Redfin

4:59 AM · Mar 6, 2023 · **2,855** Views

DrTCJ X

 **stewart**

P&I Payment Assuming 20% Down

Housing Affordability Issues

October 2023

Median Home Price Forecast

Price Forecast *	
------------------	--

Fannie Mae	MBA
------------	-----

2020	\$296,700	\$296,700
2021	\$350,700	\$350,700
2022	\$386,400	\$386,400
2023*	\$393,563	\$392,300
2024*	\$390,808	\$388,300

Monthly P&I Payment	
---------------------	--

Fannie Mae	MBA
------------	-----

\$1,007.76	\$971.03
\$1,176.81	\$1,176.81
\$1,724.24	\$1,724.24
\$2,052.59	\$2,040.78
\$2,059.09	\$1,953.25

2020
2021
2022
2023
2024

Bloomberg

HAVER ANALYTICS



Return to Pre-Covid Affordability

-41%

Median
Price

+69%

Income

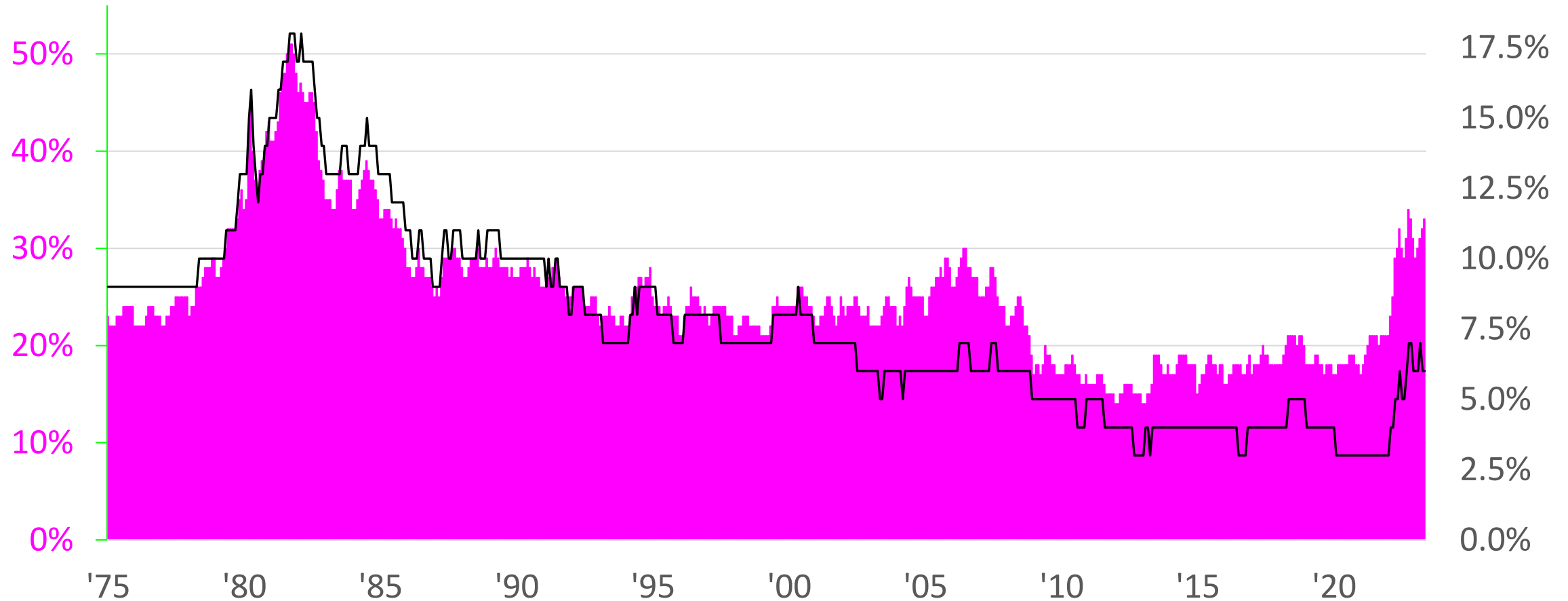
-4.3%

Mortgage
Rates

P&I as Percent of Income & 30-Year Rates

Percent of Household Income for P&I

30-Year Mortgage Rate





Ted C. Jones

@DrTCJ



Keefe, Bruyette & Woods predicts that from 50%+ to as many as 80% of real estate agents will loose their jobs or leave the profession due to ongoing class-action litigation & that the \$100 billion annual commission pool on home sales could shrink by 1/3rd

[@WSJRealEstate](#)

4:54 AM · Nov 14, 2023 · **1,552** Views





Ted C. Jones

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US homeowners have an estimated \$29.3 trillion in home equity according to [point.com](#)

As interest rates have risen & credit standards tightened, however, loan balances for Home Equity Loans rose 48% in the past 10-years while home equity jumped 241%

[@DSNewsDaily](#)

6:50 AM · Nov 13, 2023 · 1,094 Views



Alternative Investments

Money Market

Bonds

Stocks

Real Estate

Crypto Currencies

Metals

Minerals

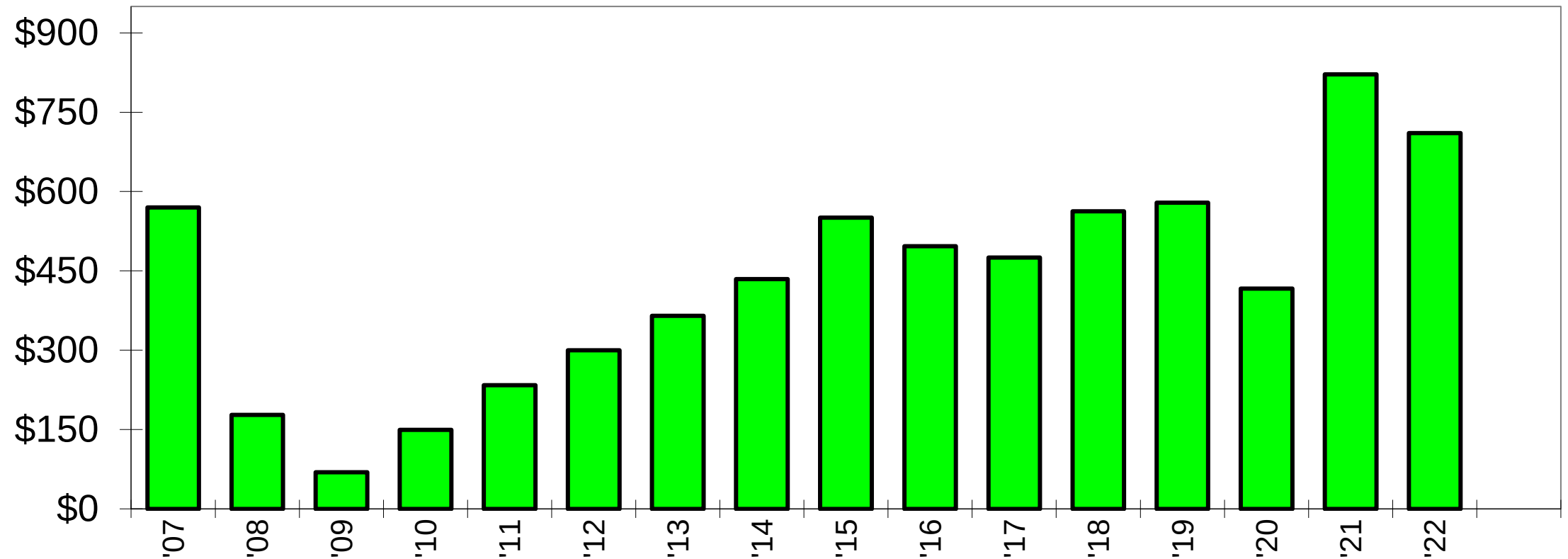
Collectables

Debt

Et al

US Commercial Real Estate Sales

\$ Billions – *Annual*



U.S. Commercial Sales



	October 2023		YTD 2023		RCA CPPI	
	Vol (\$b)	YOY	Vol (\$b)	YOY	Cap Rate	YOY
Office	3.1	-55%	40.1	-61%	6.8%	-9.5%
Retail	2.9	-48%	47.5	-41%	6.7%	-7.2%
Industrial	4.8	-73%	71.3	-50%	5.9%	1.5%
Hotel	1.3	-75%	20.0	-52%	8.5%	0.2%
Apartment	6.2	-72%	97.4	-64%	5.2%	-13.7%
Snr Hsg & Care	0.4	-66%	7.6	-35%	6.4%	
Dev Site	0.6	-72%	15.6	-44%		
Total	19.3	-68%	299.4	-56%		-8.0% *



Ted C. Jones

@DrTCJ



\$205+ billion estimated ready on the sidelines to purchase distressed US commercial real estate says [@Preqin](#)

Expectations say 6 to 12 months needed before prices drop enough for prospective buyers to pull the trigger [@WSJ](#) with \$1.4T of loans maturing by end of 2024

[@GlobeStcom](#)

12:15 PM · Sep 1, 2023 · **20** Views





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Analysis by [@MBAMortgage](#) shows 97.3% of outstanding commercial real estate loan balances were current or less than 30 days outstanding as of the end of Q3 2023

5.1% of office loans, however, were delinquent as of Q3 2023

[@GlobeStcom](#)

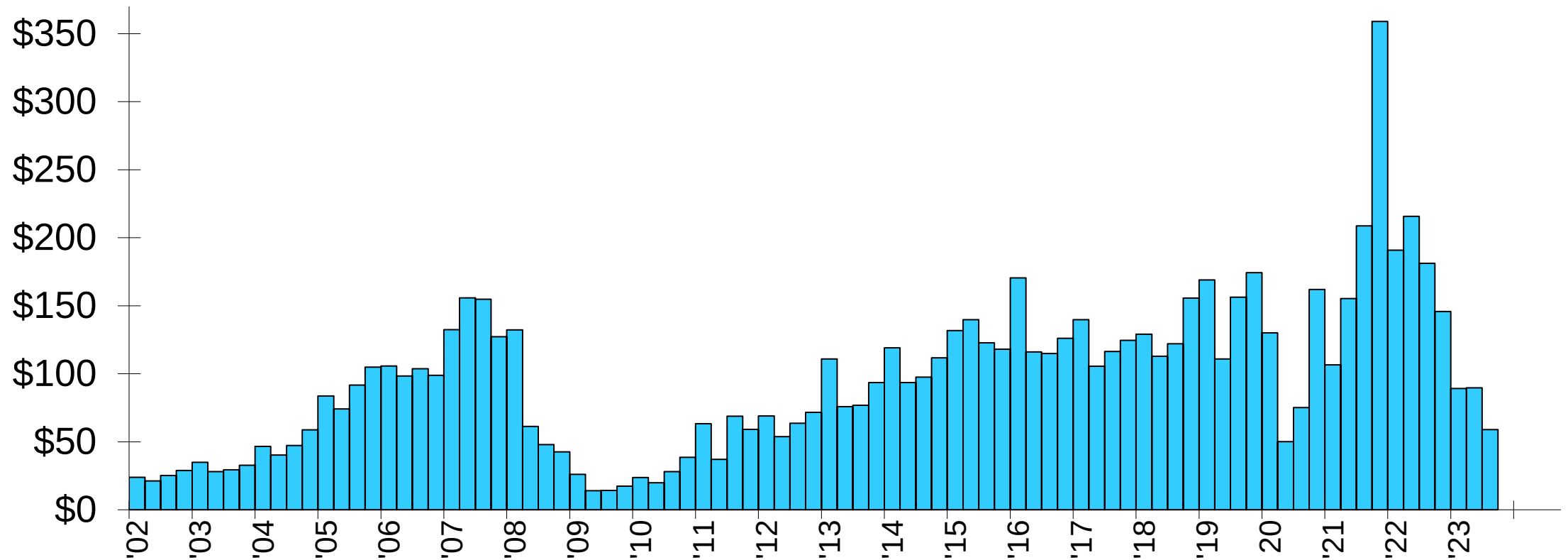
9:11 AM · Oct 25, 2023 · **40** Views



U.S. Commercial Real Estate Sales

\$ Billions – Quarterly

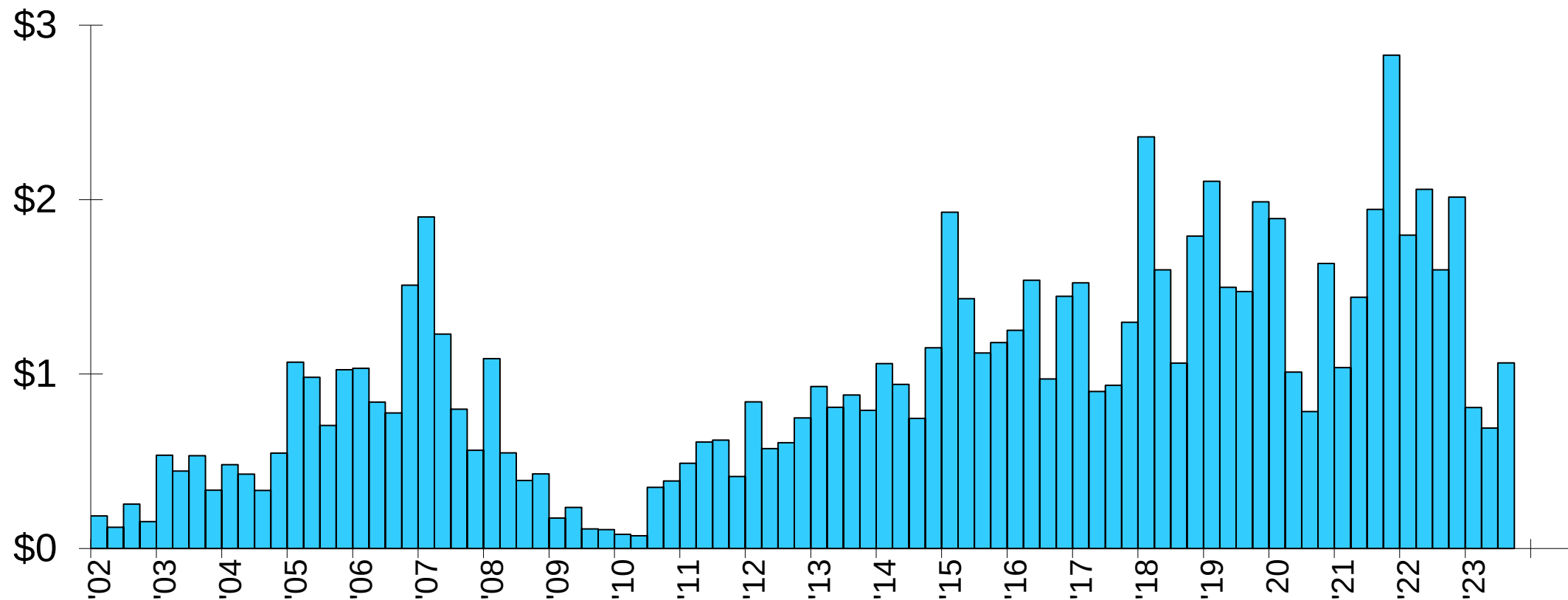
Q4 2021 **Best** Quarter in History



Minneapolis MSA Commercial Real Estate Sales

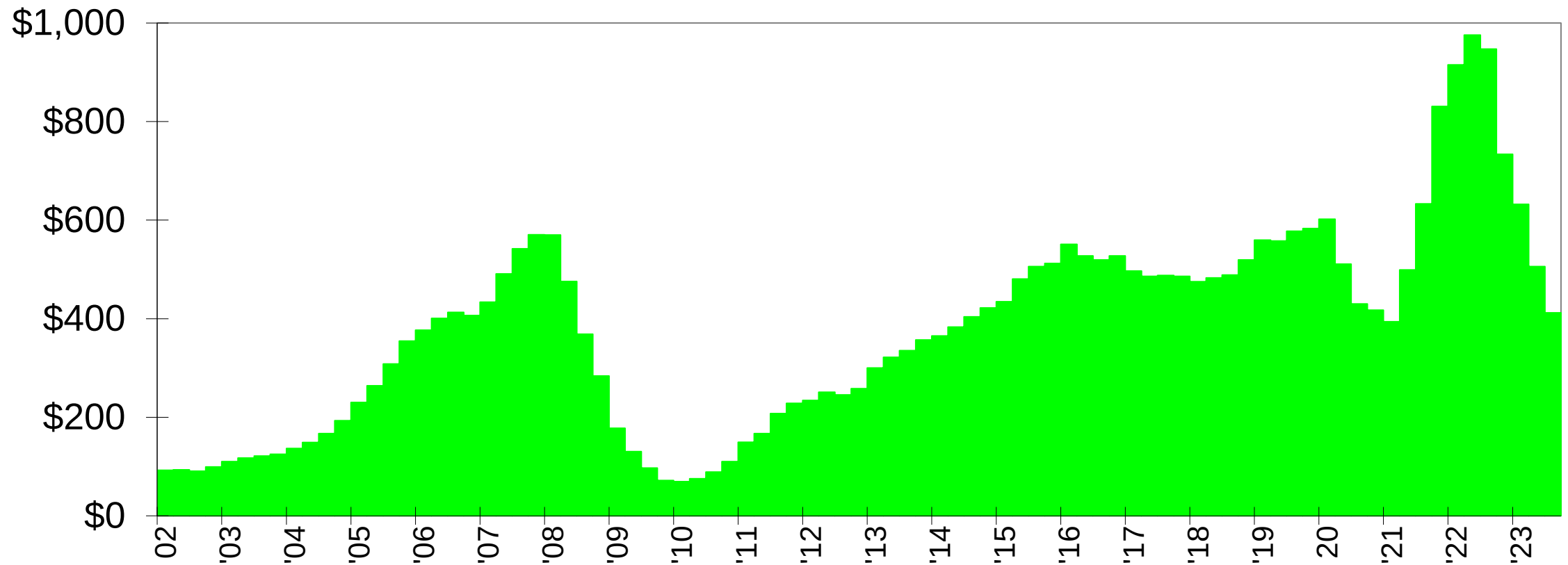
\$ Billions – Quarterly

Q4 2021 **Best** Quarter in History



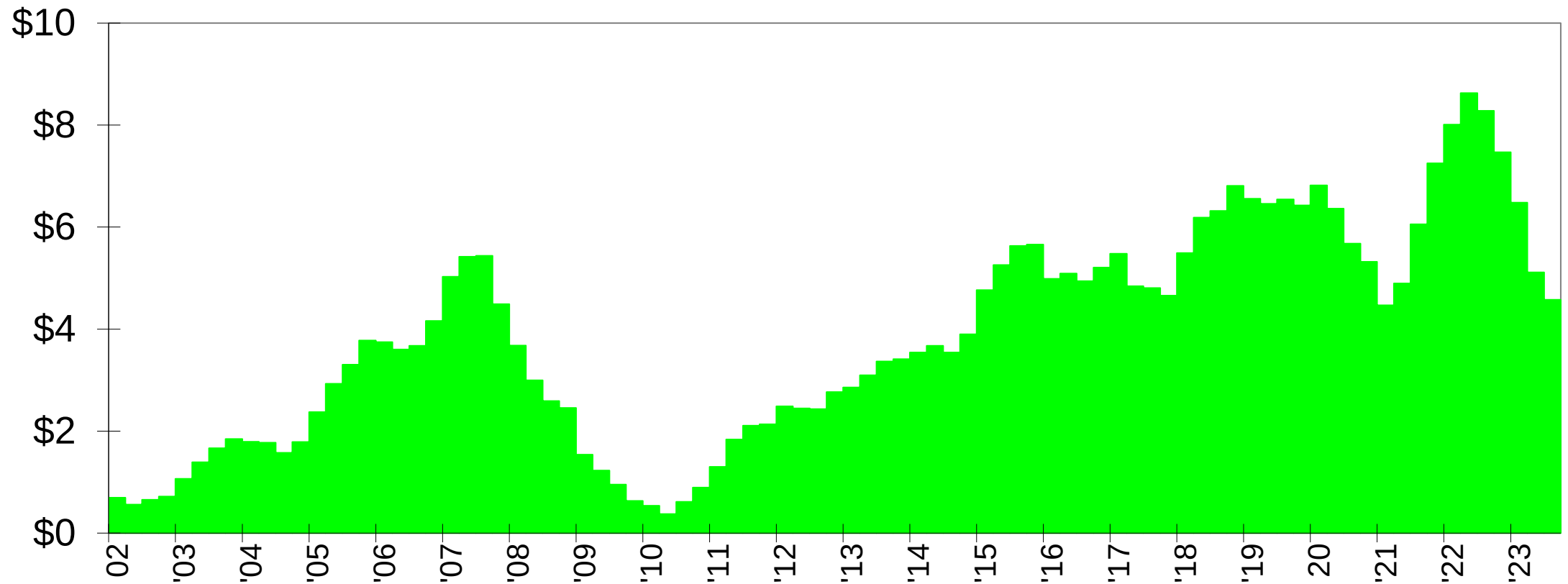
U.S. Commercial Real Estate Sales

\$ Billions – *Trailing 12 Months*



Minneapolis MSA Commercial Real Estate Sales

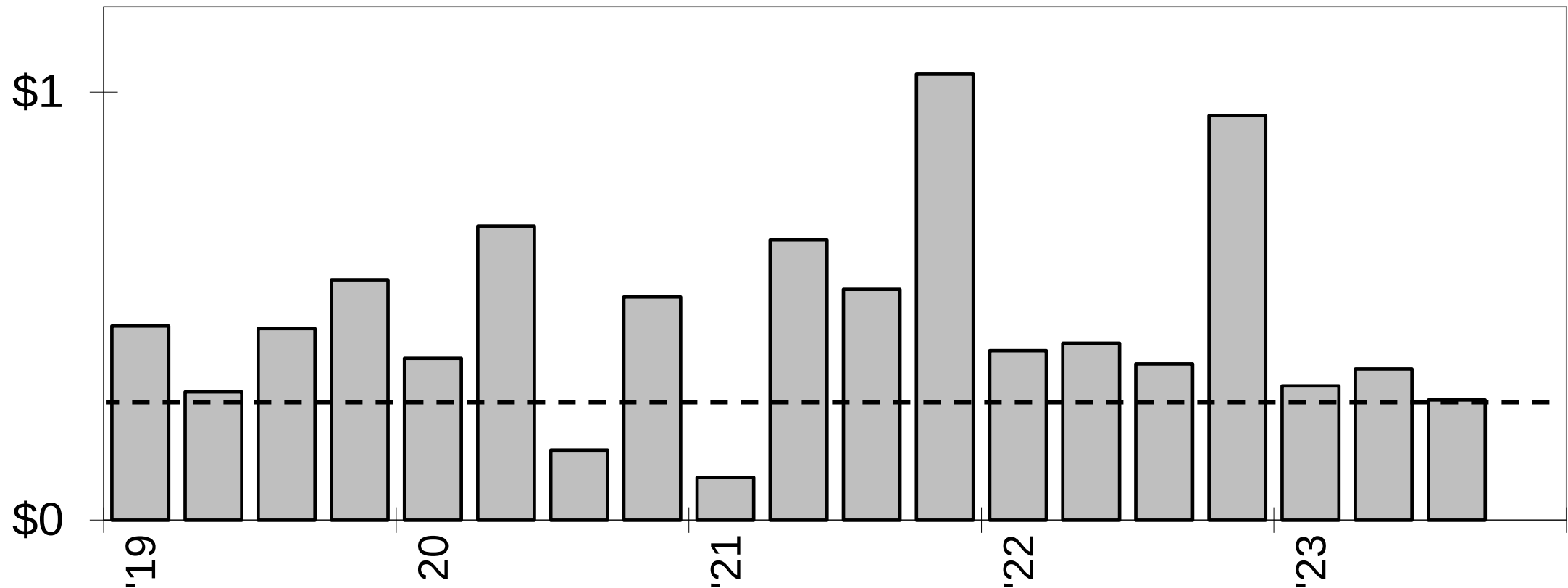
\$ Billions – *Trailing 12 Months*



Minneapolis Industrial Real Estate Sales

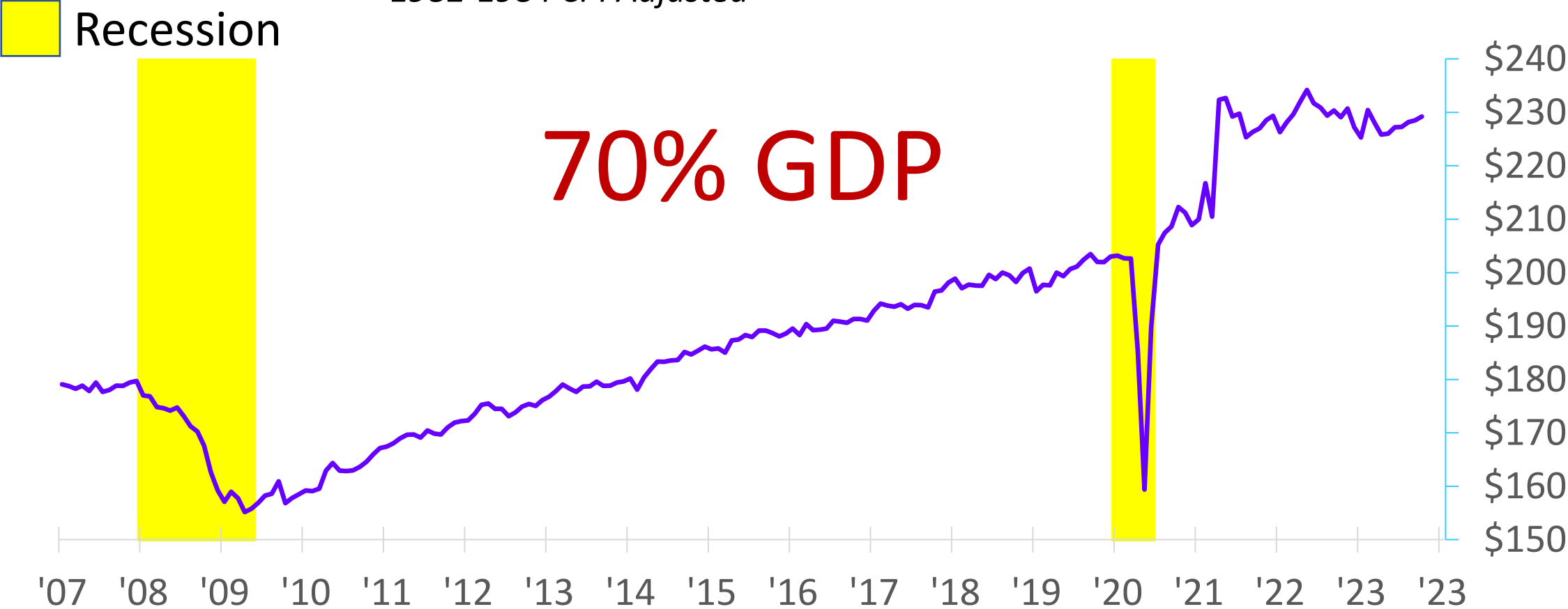


\$ Billions – *Quarterly*



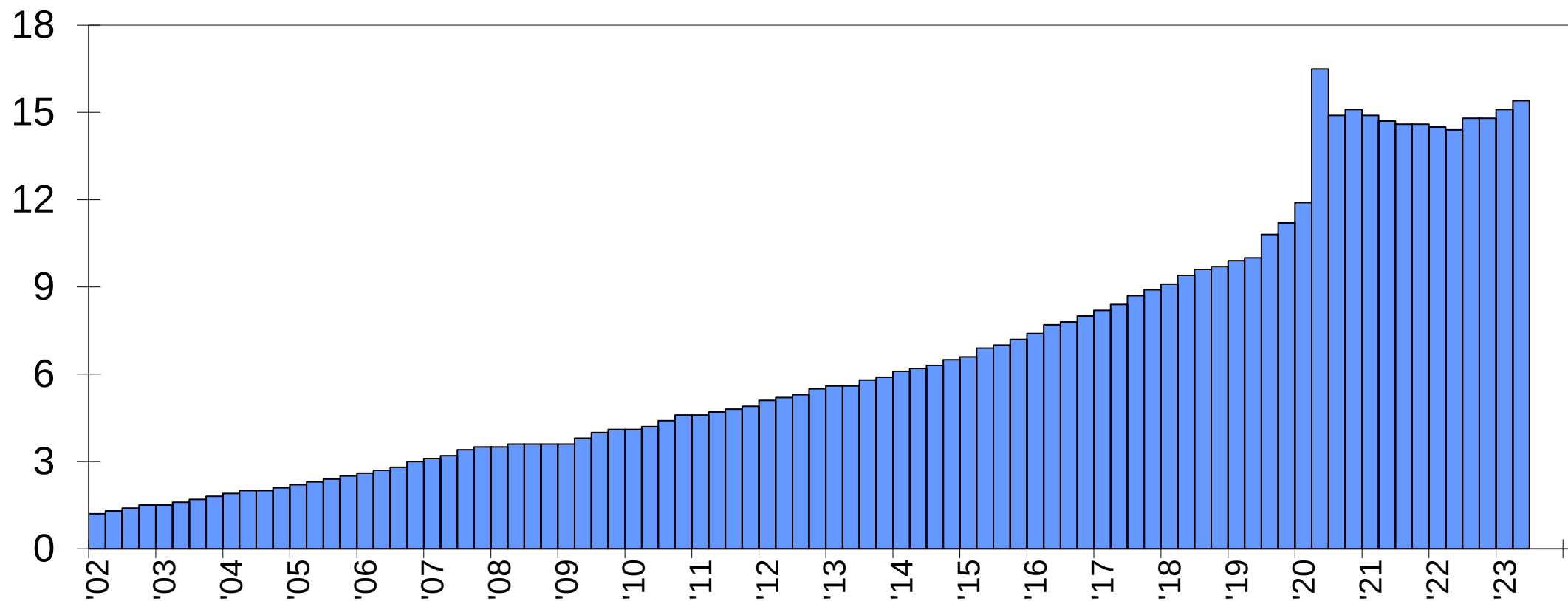
U.S. Real Retail & Food Service Sales

Advance Real Retail Sales – Seasonally Adjusted
1982-1984 CPI Adjusted \$ Billions



E-Commerce Sales as Percentage of Total Retail

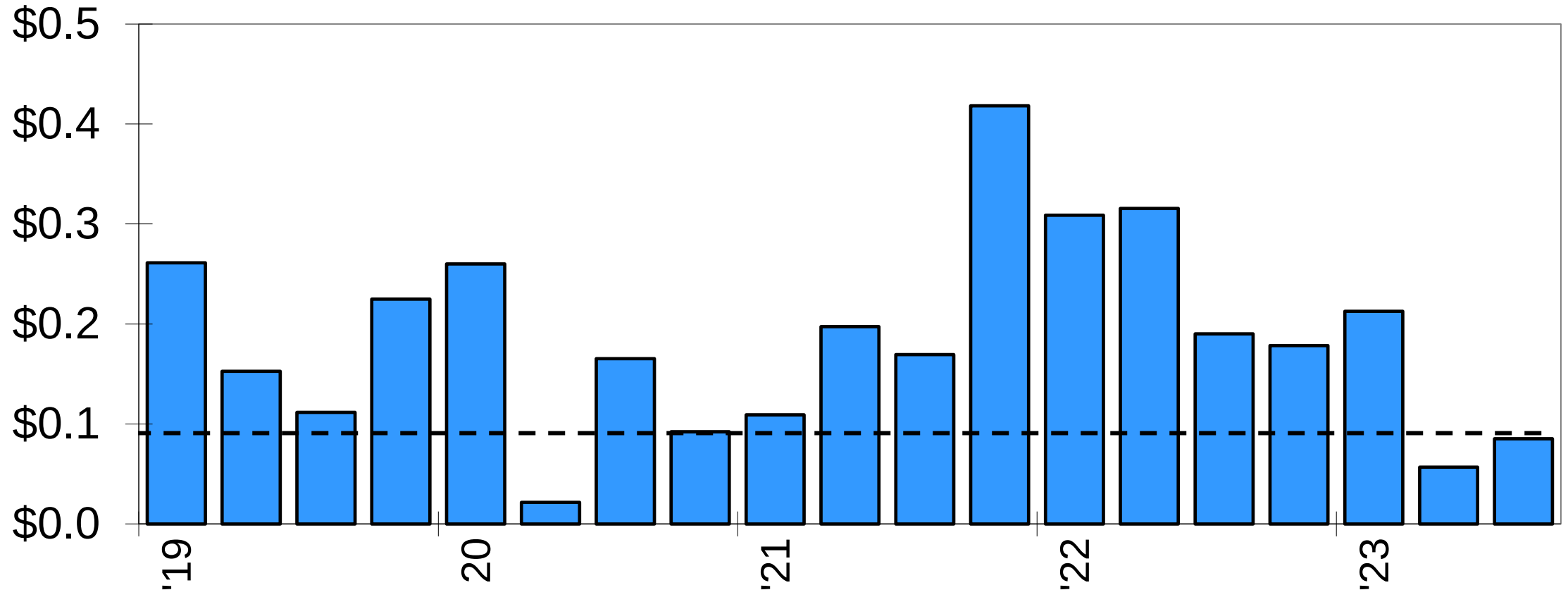
Percent



Minneapolis Retail Real Estate Sales



\$ Billions – *Quarterly*

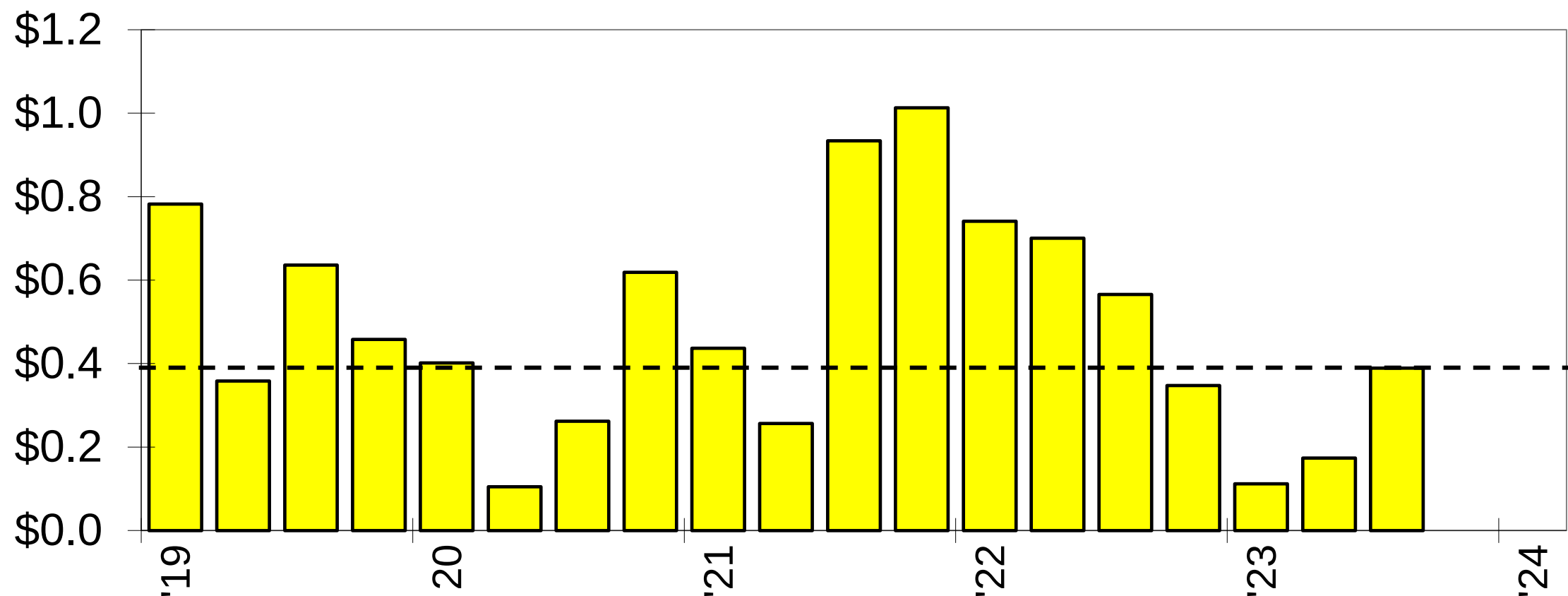


Property and Portfolio Sales \$2.5 Million and Up

Minneapolis MSA Apartment Sales



\$ Billions – *Quarterly*



Stagflation

persistent high inflation combined with
high unemployment and stagnant
demand in a country's economy



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Percent of Workers in Office Week of 11-8-2023

Average 50.5%

@KastleSystems

10:25 AM · Nov 14, 2023 · **89** Views

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59.3% Austin
61.4% Houston
52.7% Dallas
42.9% Philadelphia
55.0% Chicago
49.5% Los Angeles
47.8% Washington DC
50.5% New York Metro
42.1% San Jose
44.9% San Francisco



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Office Market Collapse

2019 built 6-floor 40K SF office & retail building next to Penn Station in NYC just sold for \$16.5 million, roughly 25% of what it cost to construct. Reported total cost construction plus acquiring the land was a reported \$90+ million

@GlobeStcom

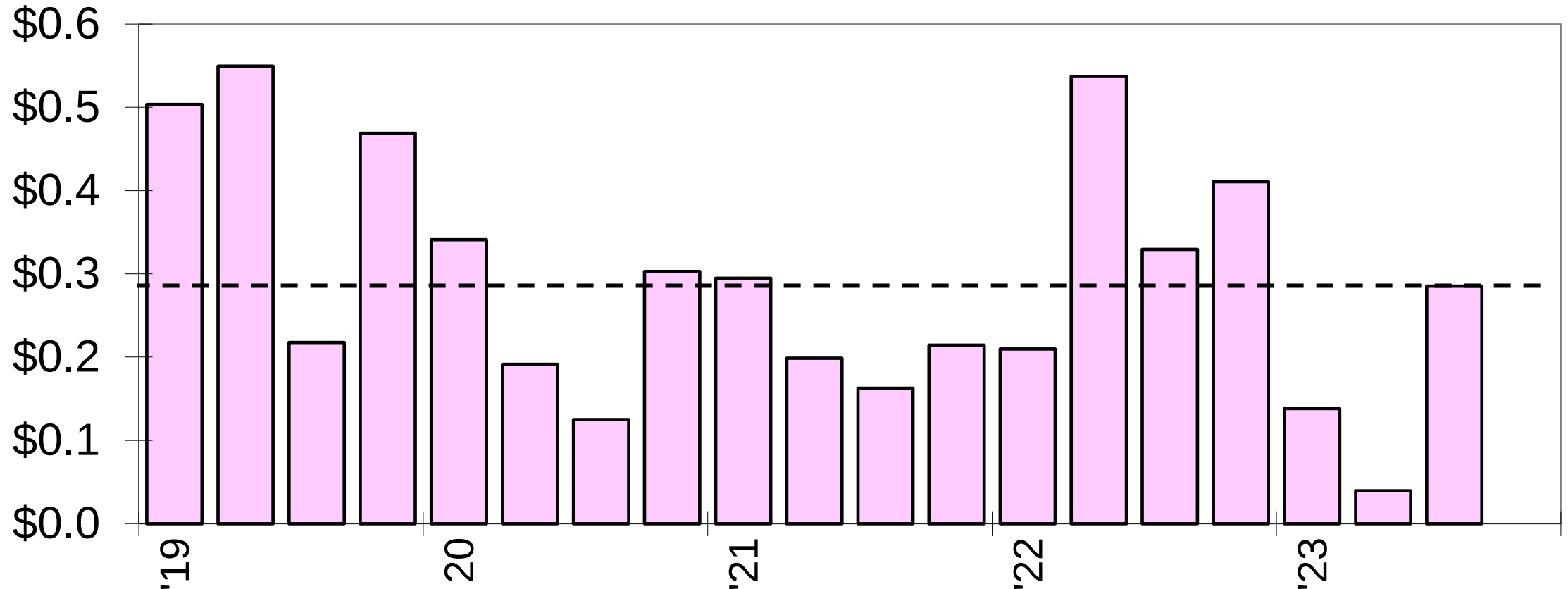
3:13 AM · Sep 27, 2023 · **1,530** Views

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Minneapolis MSA Office Sales



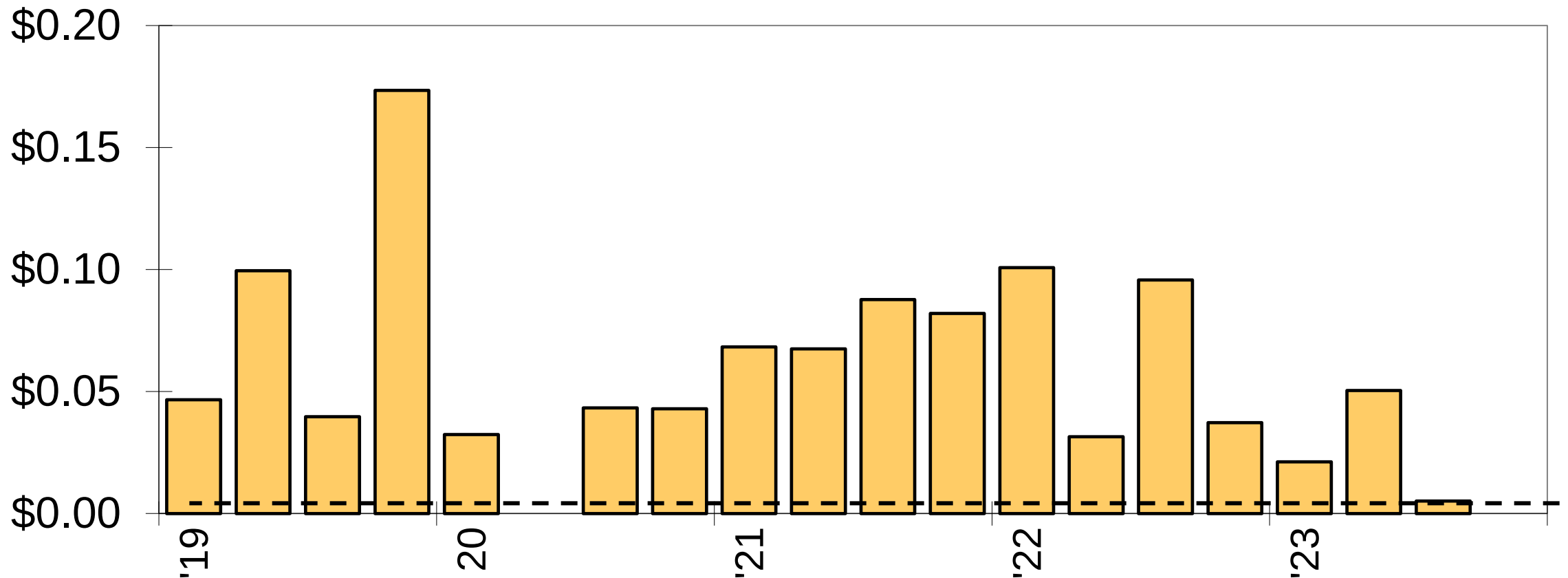
\$ Billions – Quarterly



Minneapolis MSA Hotel Sales

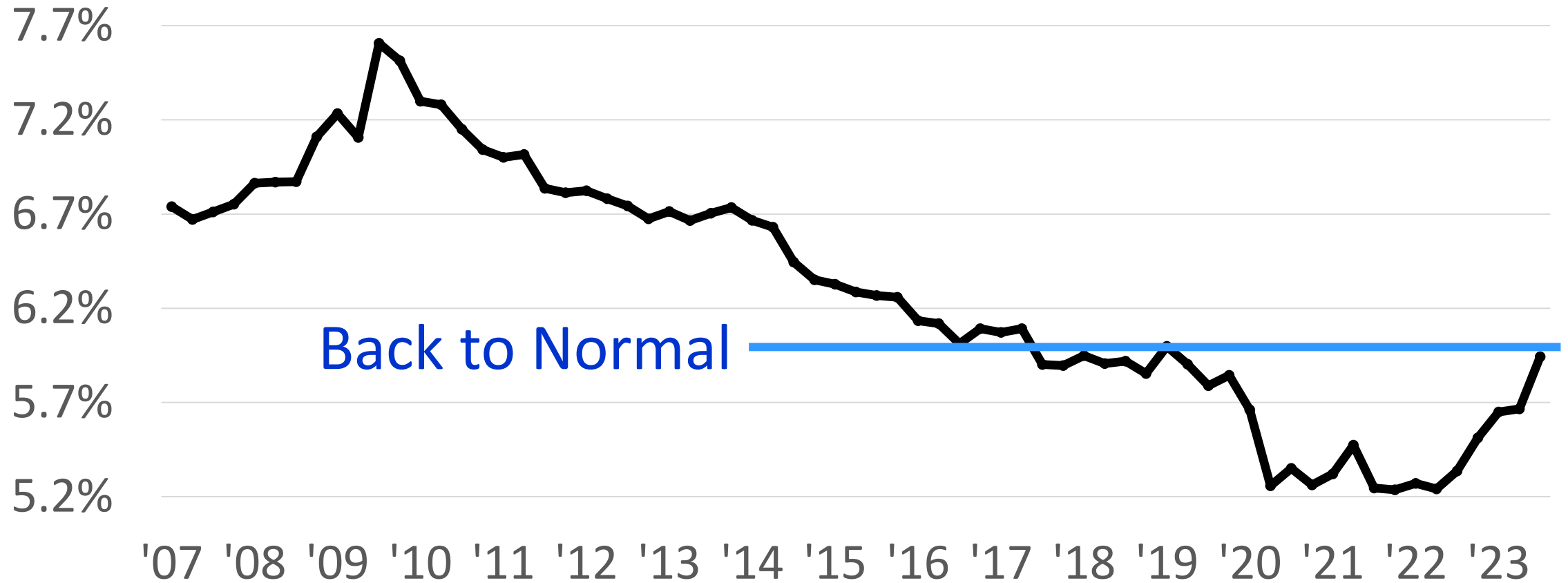


\$ Billions – Quarterly



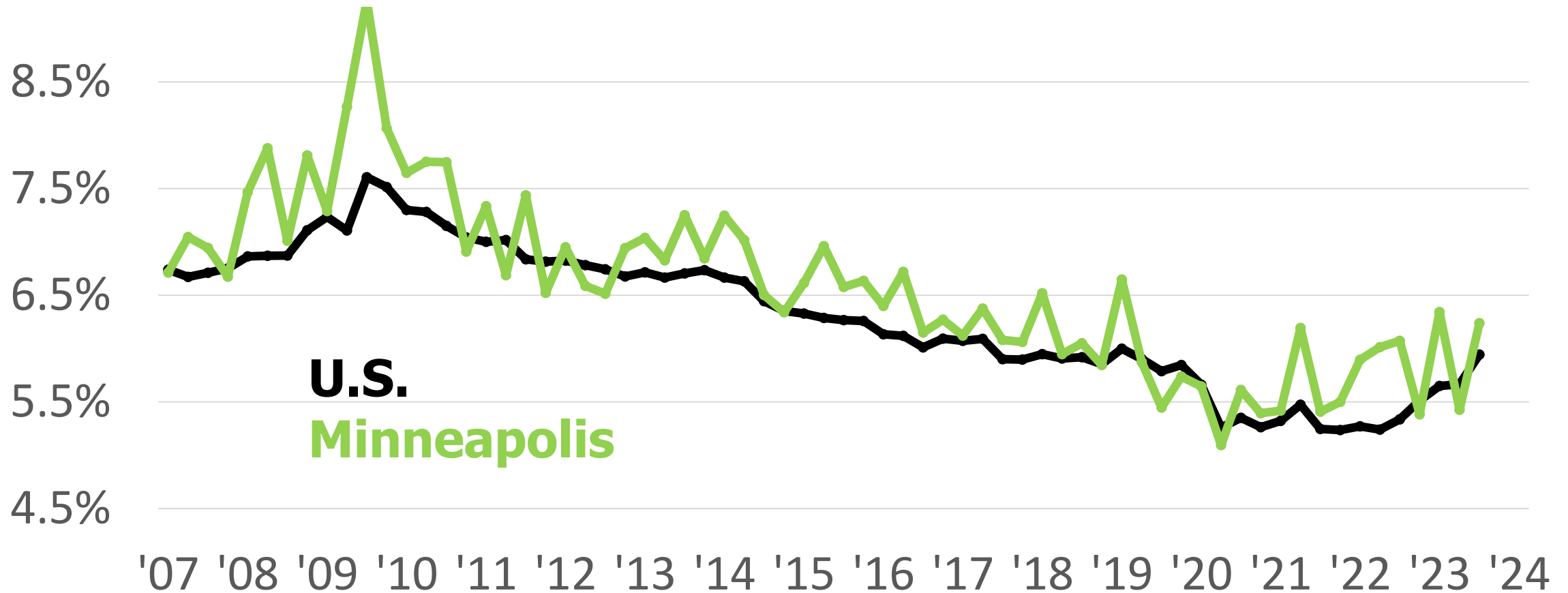
Property and Portfolio Sales \$2.5 Million and Up

U.S. Cap Rates – *All Property Types*



—U.S.

U.S. & Minneapolis Cap Rates *Average – All Property Types*



Green Street Property Price Index — *All Property Types*

12-Month Percent Change in Value

-16.4%

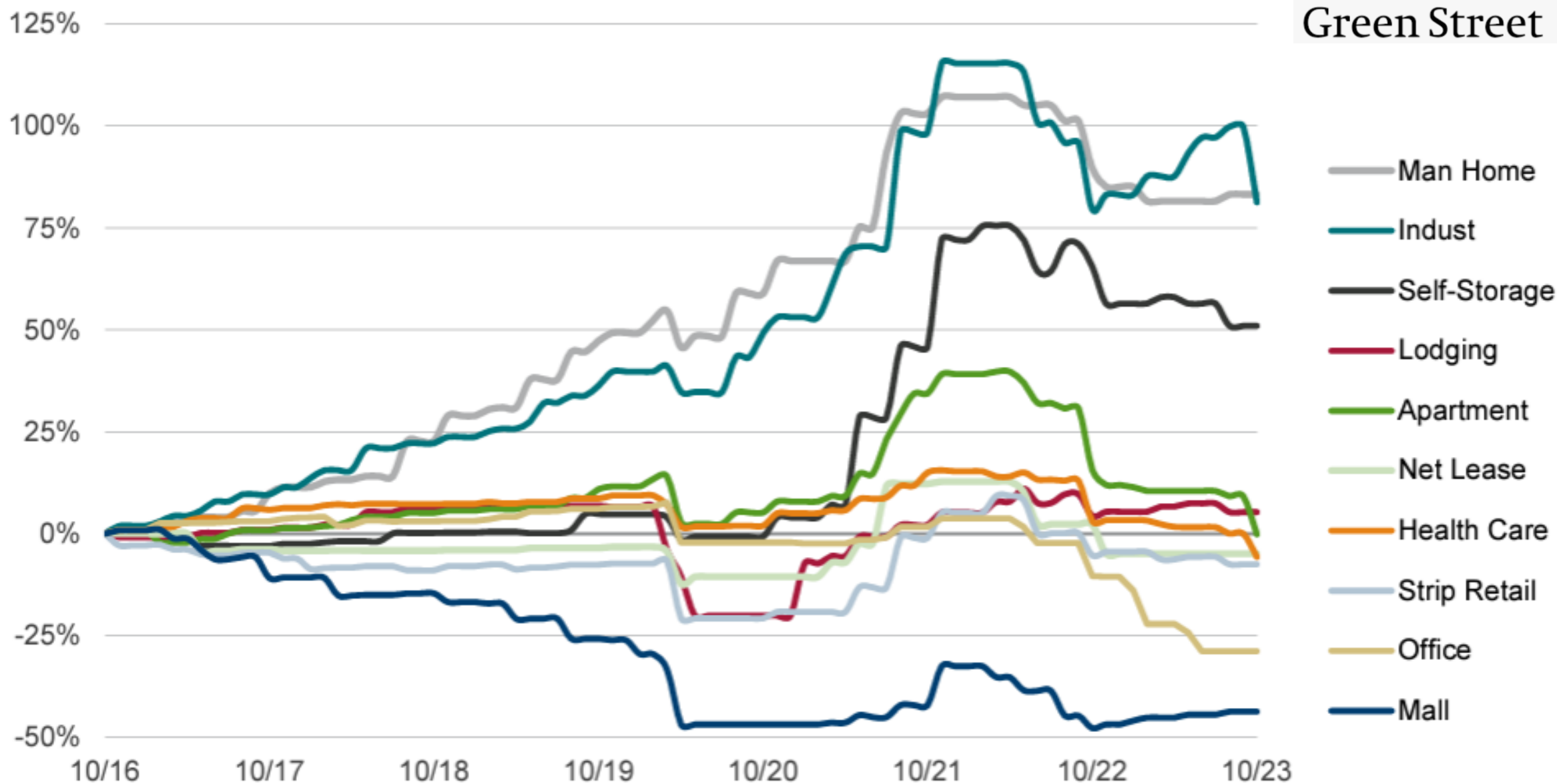


Green Street CPPI®: Sector-Level Indexes



	Index Value	Change in Commercial Property Values		
		Past Month	Past 12 Mos	Recent Peak
All Property	125.3	-3.3%	-7%	-19%
Core Sector	123.8	-4.5%	-8%	-23%
Apartment	136.2	-8.6%	-14%	-29%
Industrial	213.6	-9.3%	1%	-16%
Mall	81.5	0.0%	8%	-16%
Office	78.0	0.0%	-21%	-31%
Strip Retail	111.5	0.0%	-2%	-15%
Health Care	123.1	-5.8%	-9%	-18%
Lodging	107.6	0.0%	1%	-5%
Manufactured Home Park	286.3	0.0%	-3%	-12%
Net Lease	97.6	0.0%	-7%	-16%
Self-Storage	269.0	0.0%	-9%	-14%

Cumulative Change in CPPI®: Past Seven Years



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<https://www.stewart.com/en/insights/category/jones-on-real-estate.html>

CREATIVITY



ANCONIA

Title & Escrow