

**Bumper Car Economics**  
***You Know Where You Are***  
***Going But Things keep***  
***Bumping Into You...***

**Ted C. Jones, PhD**  
**Senior Vice President-Chief Economist**  
**Stewart Title**

**Ya Gotta Love The Economy**  
**Or Maybe Not.....**

**Bump...Bump...Bump...Bump**

**Fires**

**Greenspan**

**Interest Rates**

**Jobs**

**Energy Costs**

**Hurricanes**

**Tornados**

**Terrorists**

**Earthquakes**

# Real Estate Bubbles



There is no national bubble—  
just some overheated real estate  
markets that will either pop or  
leak air

# **3 Types of Homebuyers**

- **They Work There, They Live There, They Own or Rent**
- **Second Homes**
- **Investors--Speculators**

# **Real Estate Bubble**

- **Overbuilding**
- **Pyramid Scheme**  
**(Run Out of Investors)**
- **Interest Rate Increase**
- **Job Losses**

# **2005 First-Time Homebuyers**

**43 Percent Put Zero Down  
Median Down Payment Was  
2 Percent**

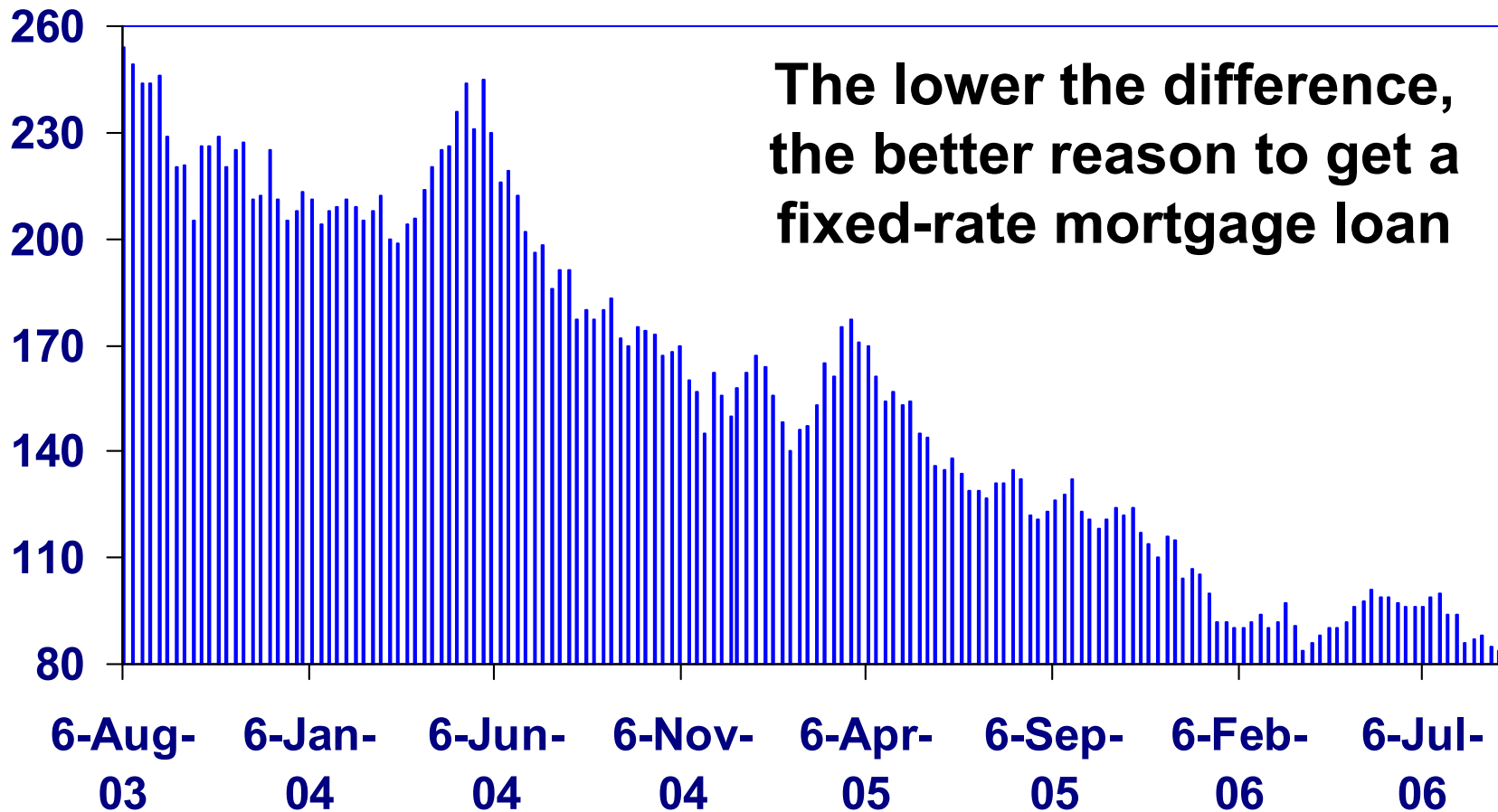
**1/3 Interest Only or Minimum  
Payment Loans**



January 18 2006

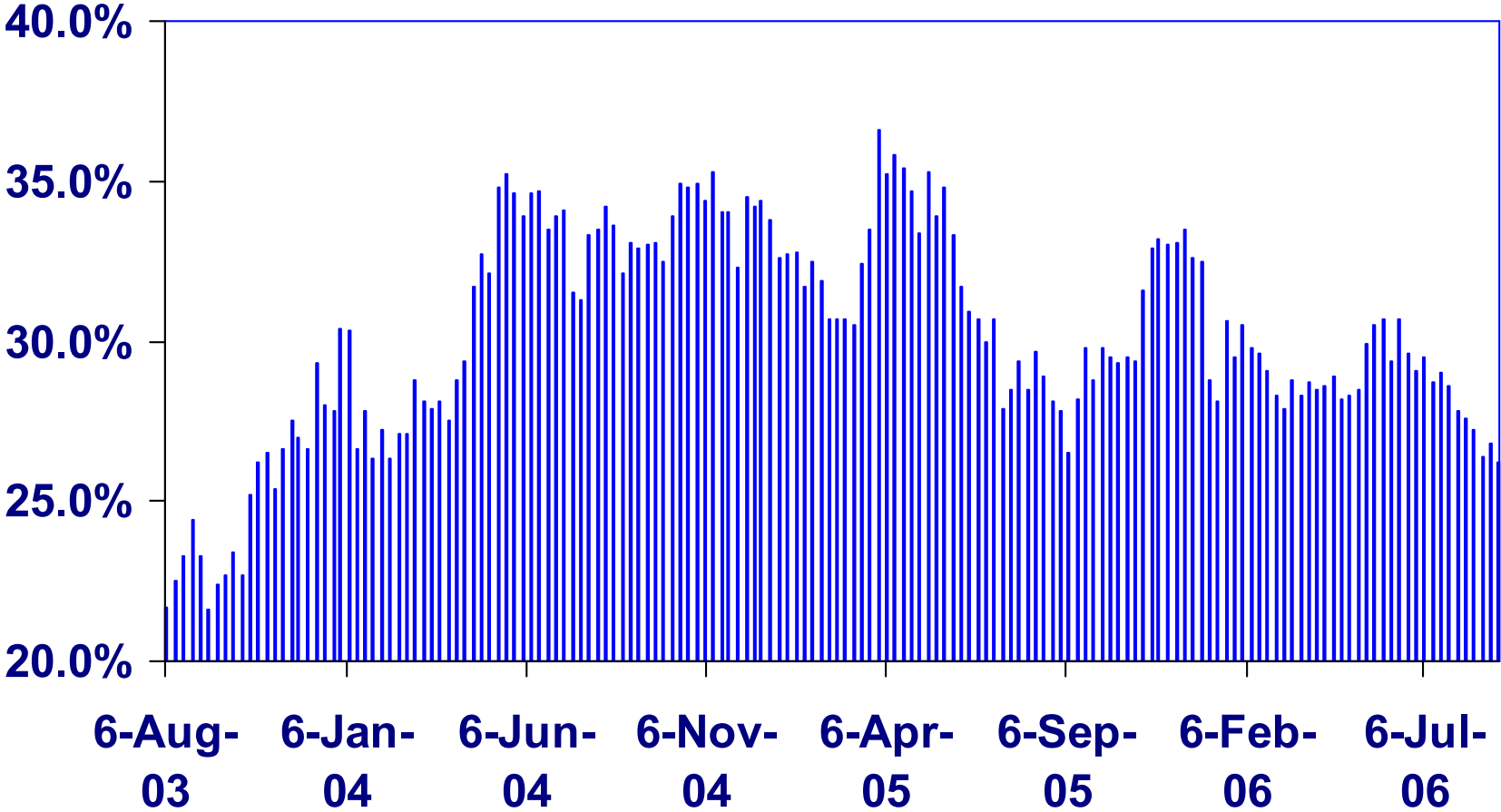
# Interest Rate Difference Between 30-Year and 1-Year ARM Loans

Basis Points



# Percent of Loans Applied For That Are ARMS

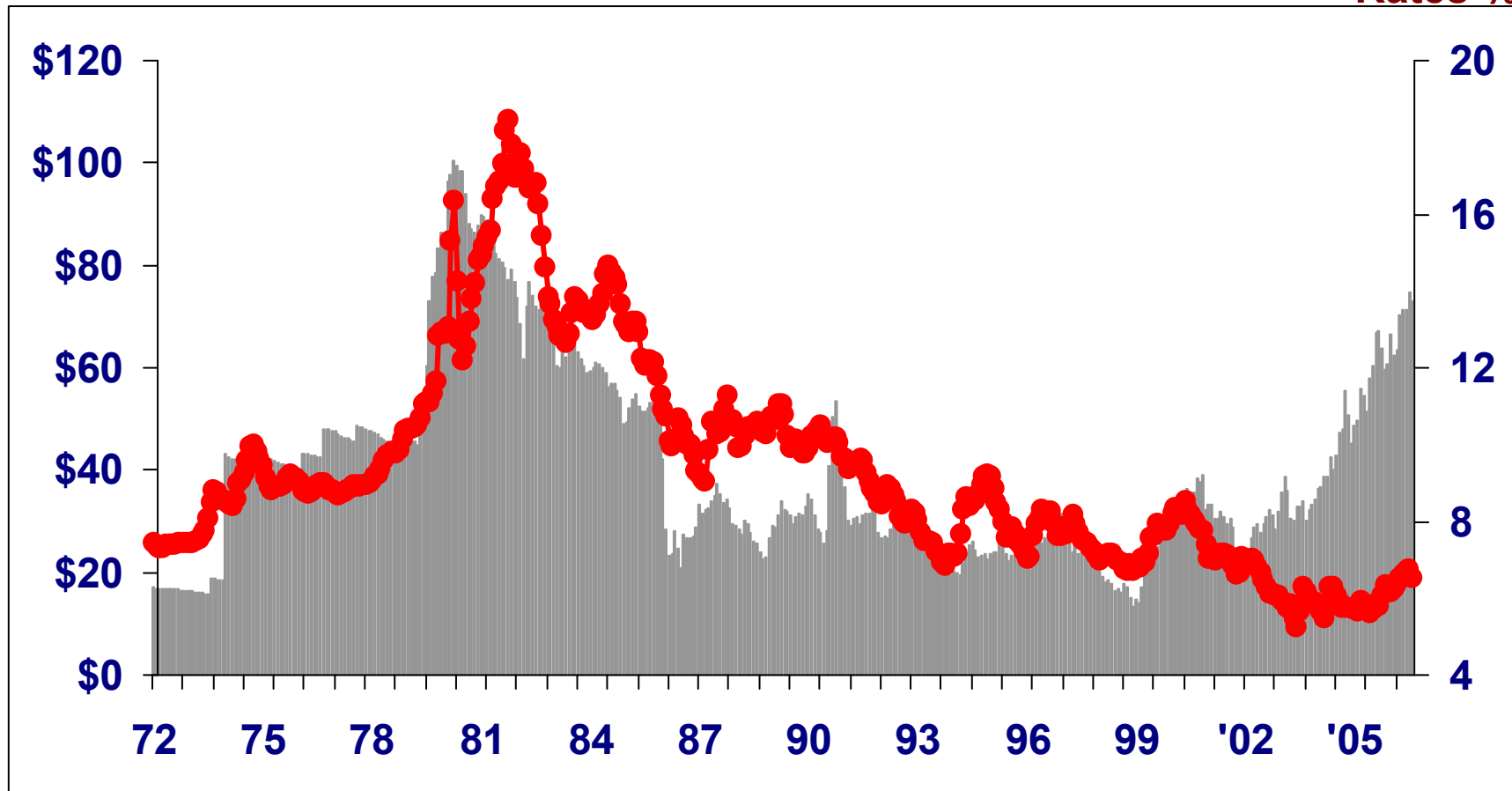
Percent



# Oil Prices & 30-Year Residential Mortgage Interest Rates *August 2006 Dollars*

Oil Prices

Interest Rates %

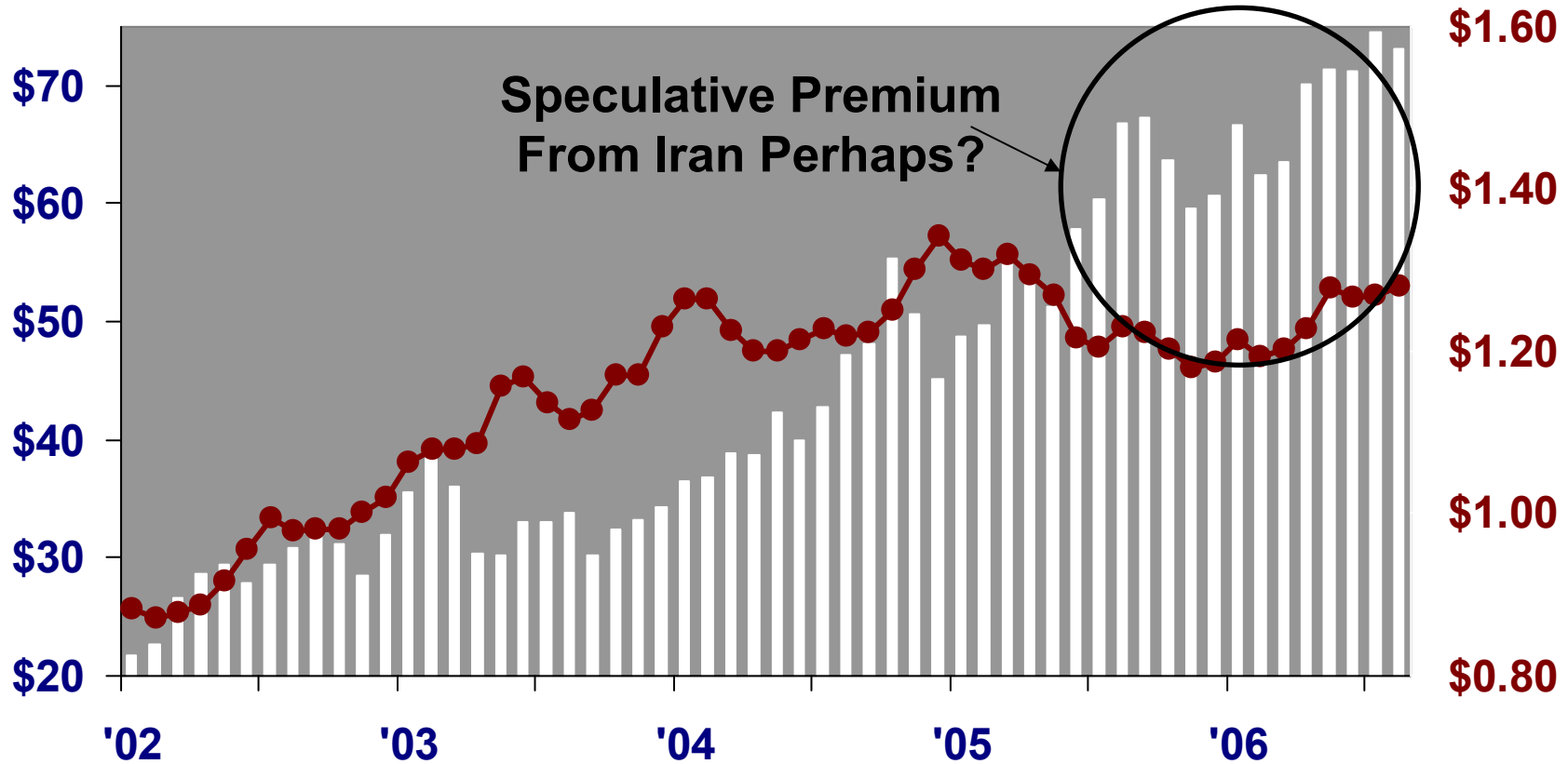


# Oil Prices & Exchange Rates \$US Per Euro

*Oil in August 2006 Dollars*

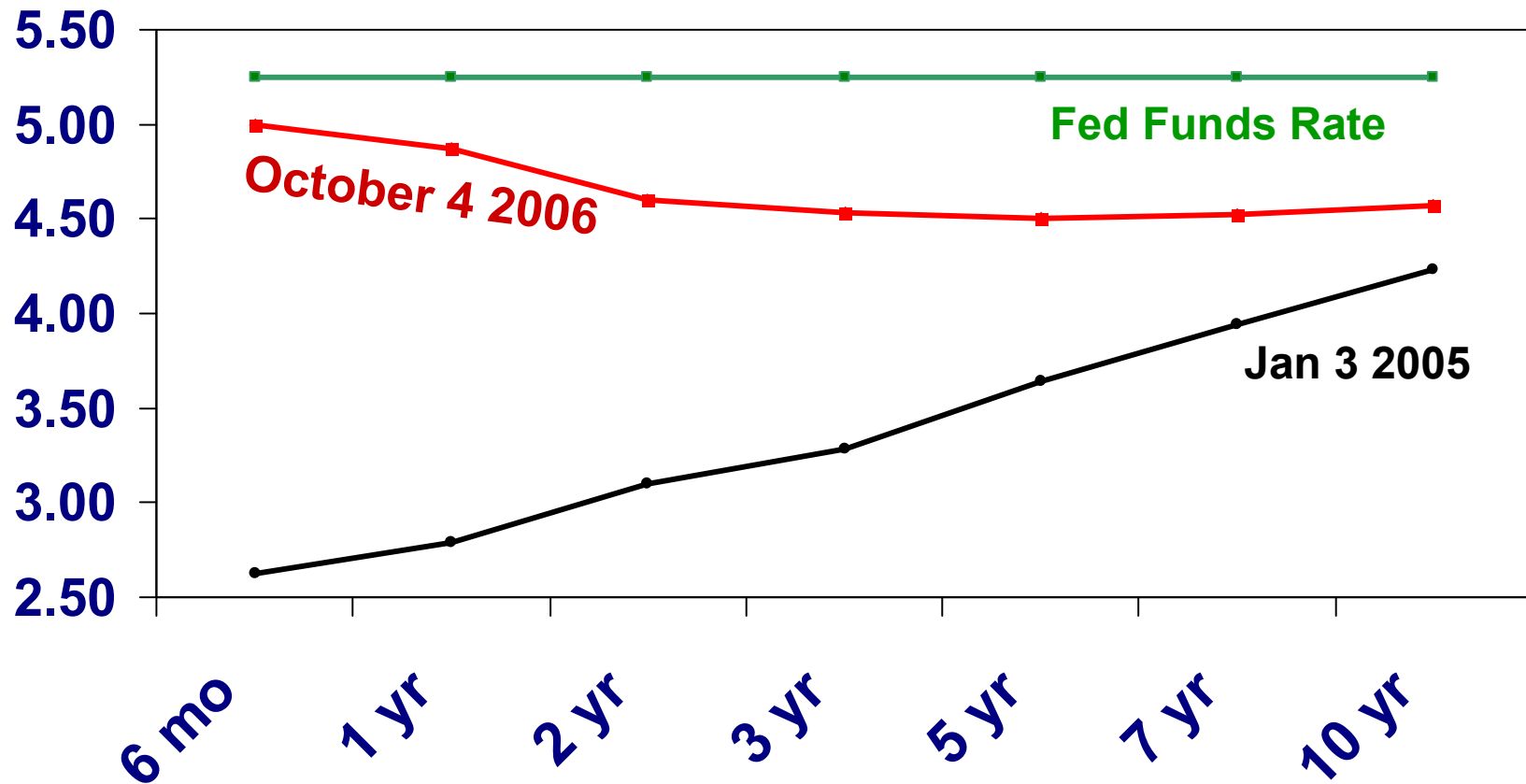
**Dollars  
Per  
Euro**

Oil Price



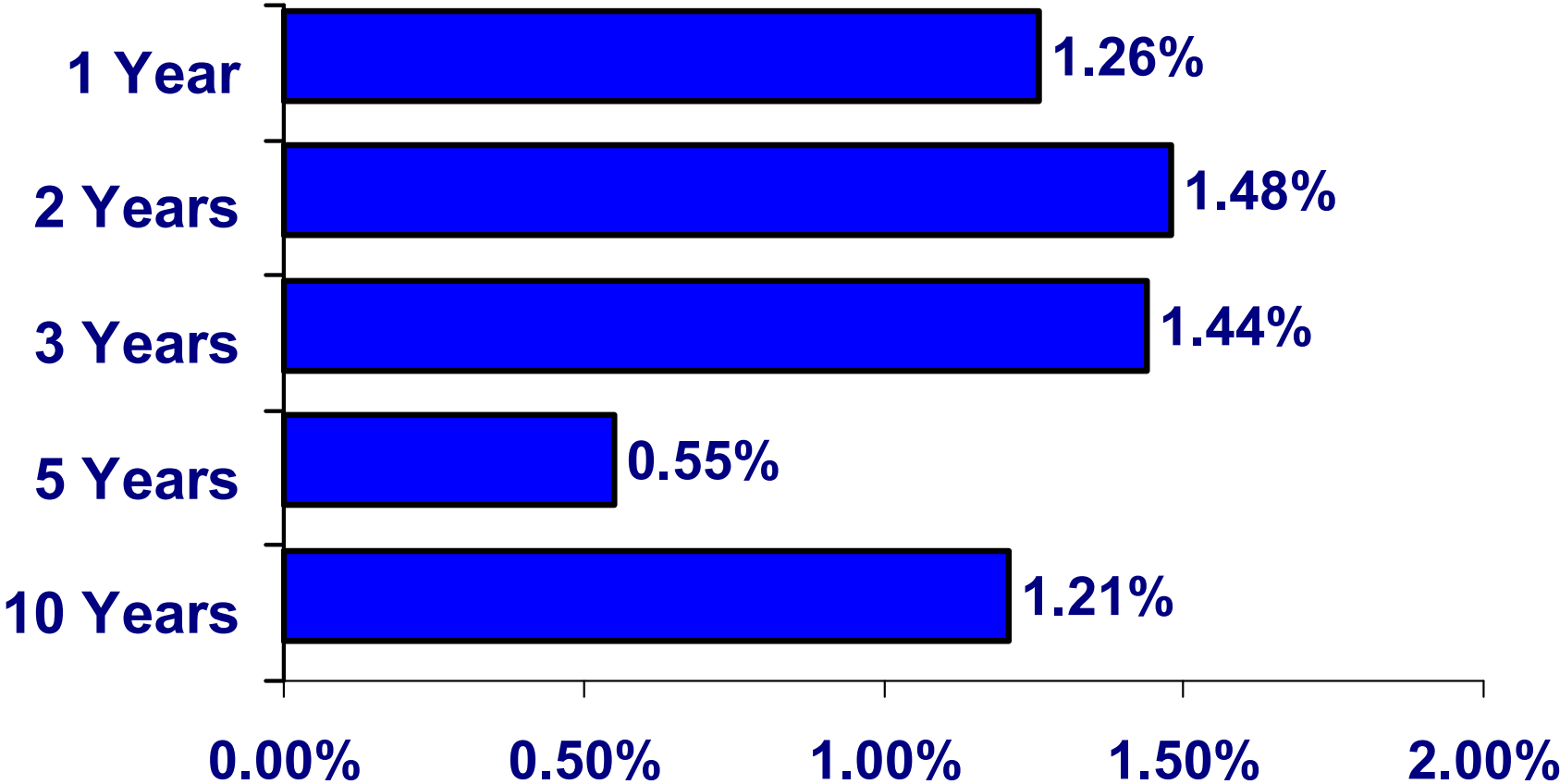
# US Treasury Yield Curve

Percent



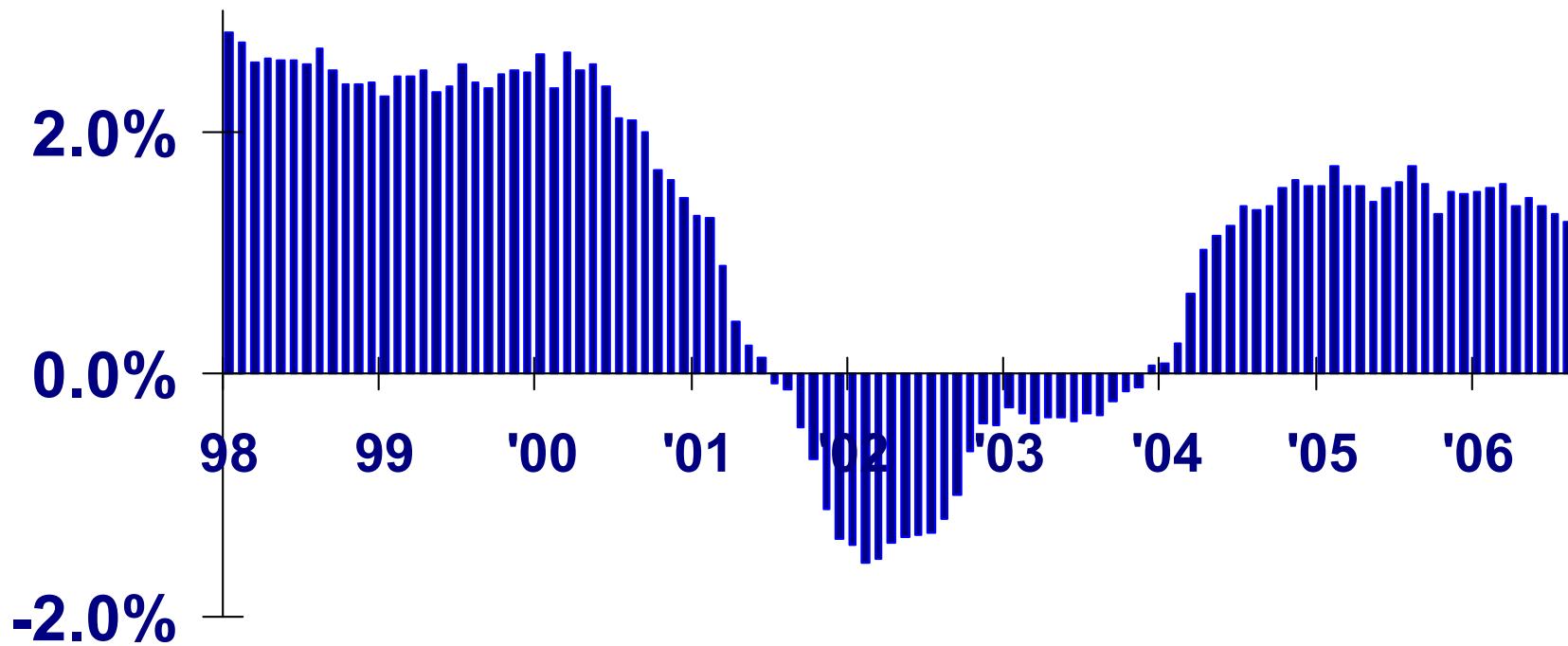
# US Job Growth Rates

August Comparison *CAGR*



# US Job Growth

Percent Change from Same Month Prior Year



1.687 Million Net New Jobs in Past 12 Months

**Building Permits****United States**

<b>Year</b>	<b>Single Family</b>	<b>Multi Family</b>	<b>Total</b>
<b>95</b>	<b>1,009,842</b>	<b>338,268</b>	<b>1,348,110</b>
<b>96</b>	<b>1,083,063</b>	<b>359,827</b>	<b>1,442,890</b>
<b>97</b>	<b>1,074,746</b>	<b>384,003</b>	<b>1,458,749</b>
<b>98</b>	<b>1,198,695</b>	<b>428,211</b>	<b>1,626,906</b>
<b>99</b>	<b>1,258,527</b>	<b>421,150</b>	<b>1,679,677</b>
<b>00</b>	<b>1,212,076</b>	<b>400,234</b>	<b>1,612,310</b>
<b>01</b>	<b>1,235,550</b>	<b>401,126</b>	<b>1,636,676</b>
<b>02</b>	<b>1,350,718</b>	<b>420,904</b>	<b>1,771,622</b>
<b>03</b>	<b>1,473,036</b>	<b>428,856</b>	<b>1,901,892</b>
<b>04</b>	<b>1,616,600</b>	<b>456,737</b>	<b>2,073,337</b>
<b>05</b>	<b>1,676,334</b>	<b>471,770</b>	<b>2,148,104</b>
<b>06p</b>	<b>1,501,407</b>	<b>465,383</b>	<b>1,966,790</b>

## **Jobs Per Dwelling**

**Normal markets typically create 1.25 to 1.5 net new jobs per new dwelling unit.**

## **United States**

**Last 12 Months**

**New Jobs 1,687,000**

**Residential Permits 1,966,790**

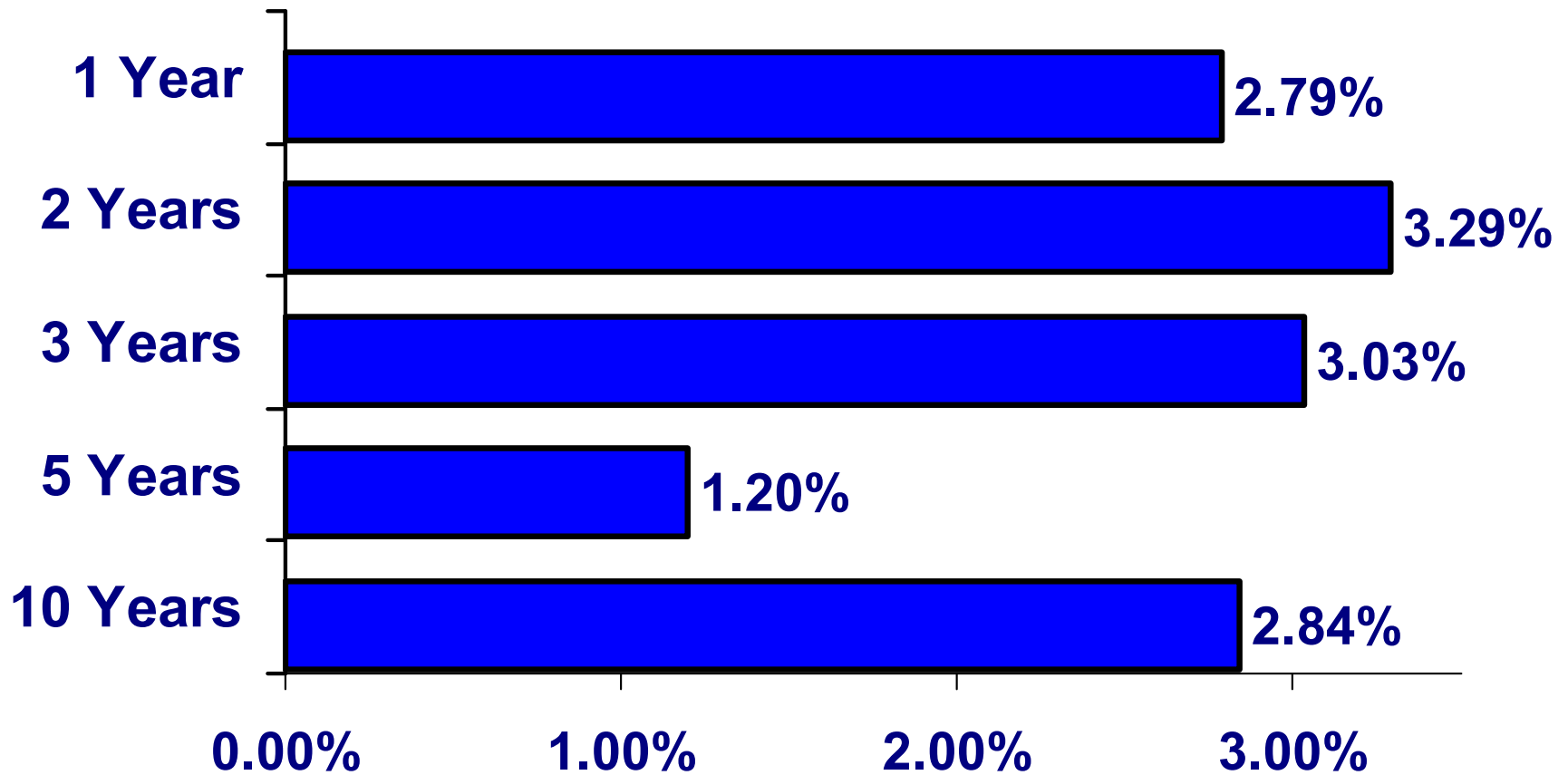
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**New Jobs Per Dwelling 0.86**

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# Austin Job Growth

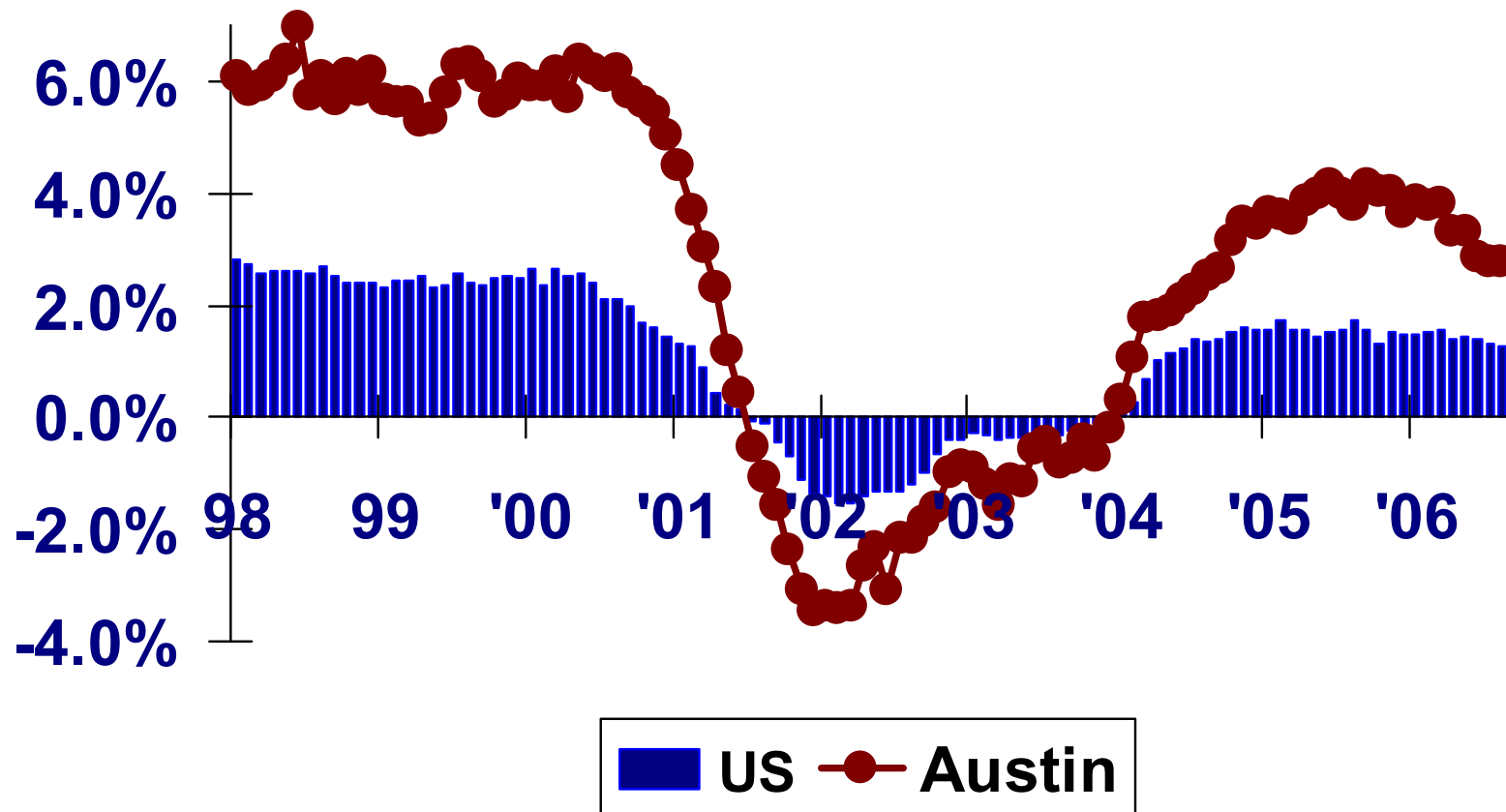
## August Comparison *CAGR*



**19,400 Net New Jobs in Past 12-Months**

# Job Growth

Percent Change from Same Month Prior Year



# Austin-San Marcos

## Building Permits

<b>Year</b>	<b>Single Family</b>	<b>Multi Family</b>	<b>Total</b>
<b>95</b>	<b>7,435</b>	<b>6,330</b>	<b>13,765</b>
<b>96</b>	<b>10,095</b>	<b>6,982</b>	<b>17,077</b>
<b>97</b>	<b>8,456</b>	<b>5,161</b>	<b>13,617</b>
<b>98</b>	<b>10,805</b>	<b>5,618</b>	<b>16,423</b>
<b>99</b>	<b>11,704</b>	<b>8,193</b>	<b>19,897</b>
<b>00</b>	<b>13,045</b>	<b>8,844</b>	<b>21,889</b>
<b>01</b>	<b>9,115</b>	<b>8,699</b>	<b>17,814</b>
<b>02</b>	<b>11,072</b>	<b>6,160</b>	<b>17,232</b>
<b>03</b>	<b>12,116</b>	<b>3,214</b>	<b>15,330</b>
<b>04</b>	<b>14,309</b>	<b>3,706</b>	<b>18,015</b>
<b>05</b>	<b>17,346</b>	<b>5,895</b>	<b>23,241</b>
<b>06p</b>	<b>19,137</b>	<b>8,553</b>	<b>27,690</b>

## **Jobs Per Dwelling**

**Normal markets typically create 1.25 to 1.5 net new jobs per new dwelling unit.**

## **Austin**

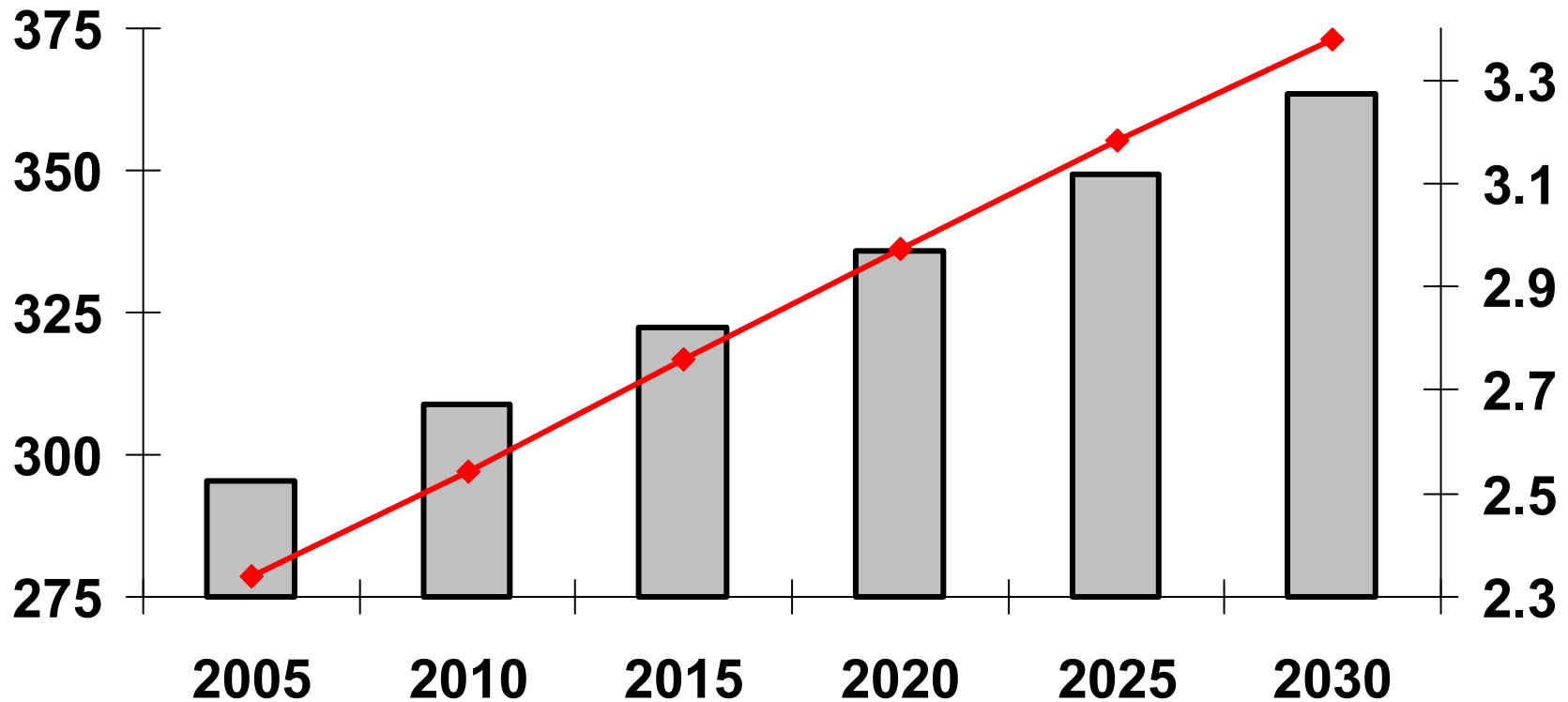
**Last 12 Months**

<b>Net Change in Jobs</b>	<b>19,400</b>
<b>Residential Building Permits</b>	<b>27,690</b>
<b>New Jobs Per Dwelling</b>	<b>0.70</b>

# Population Forecast--*Millions*

United States

Austin



United States — Denver

# Percent Change From 2005

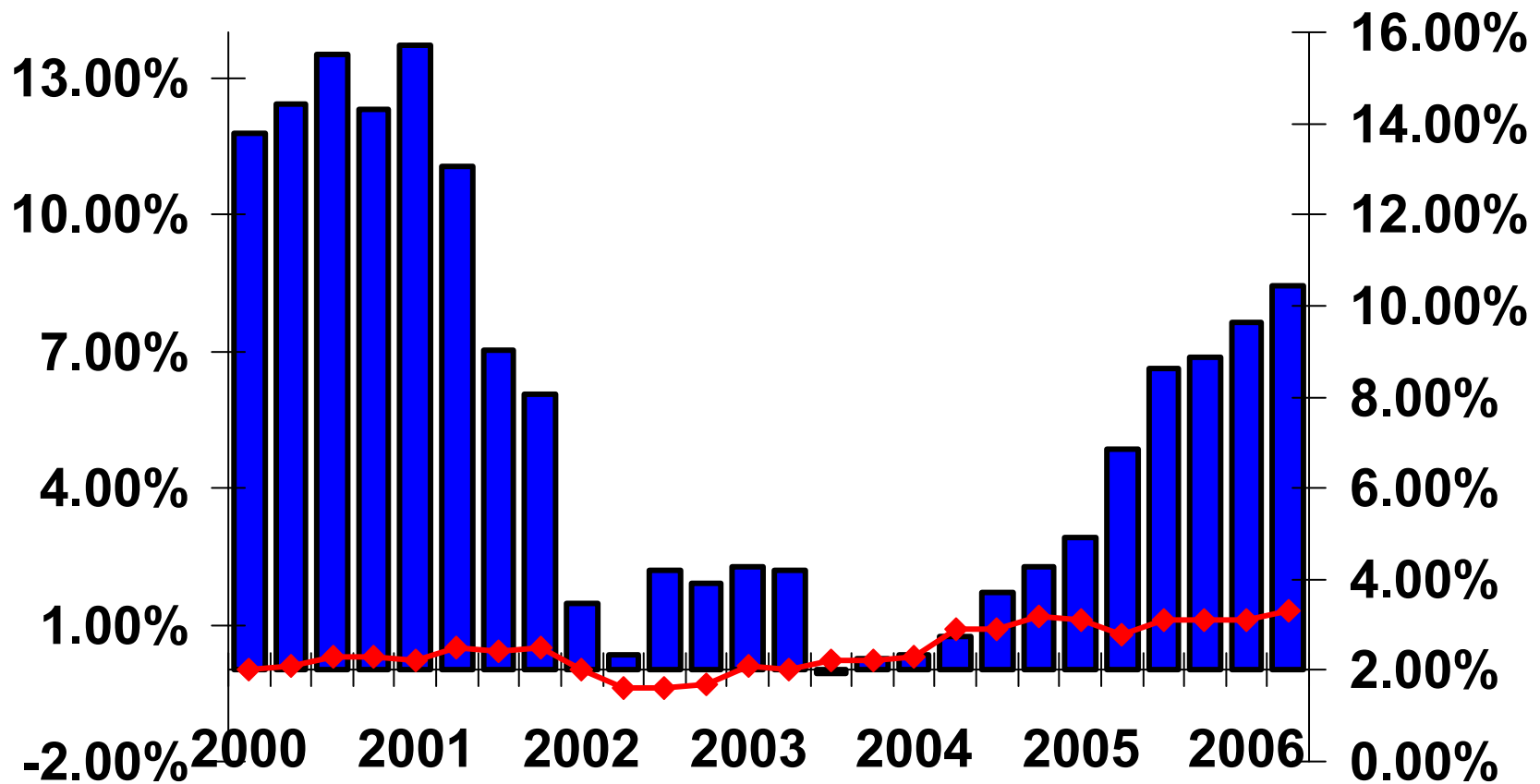
<b>Year</b>	<b>United States</b>	<b>Denver</b>
<b>2010</b>	<b>4.5%</b>	<b>8.6%</b>
<b>2015</b>	<b>9.1%</b>	<b>17.8%</b>
<b>2020</b>	<b>13.6%</b>	<b>27.0%</b>
<b>2025</b>	<b>18.3%</b>	<b>35.9%</b>
<b>2030</b>	<b>23.0%</b>	<b>44.3%</b>

*Source: US Census Bureau*

# Austin House Price Appreciation

Austin House Appreciation

Inflation  
GDP Deflator

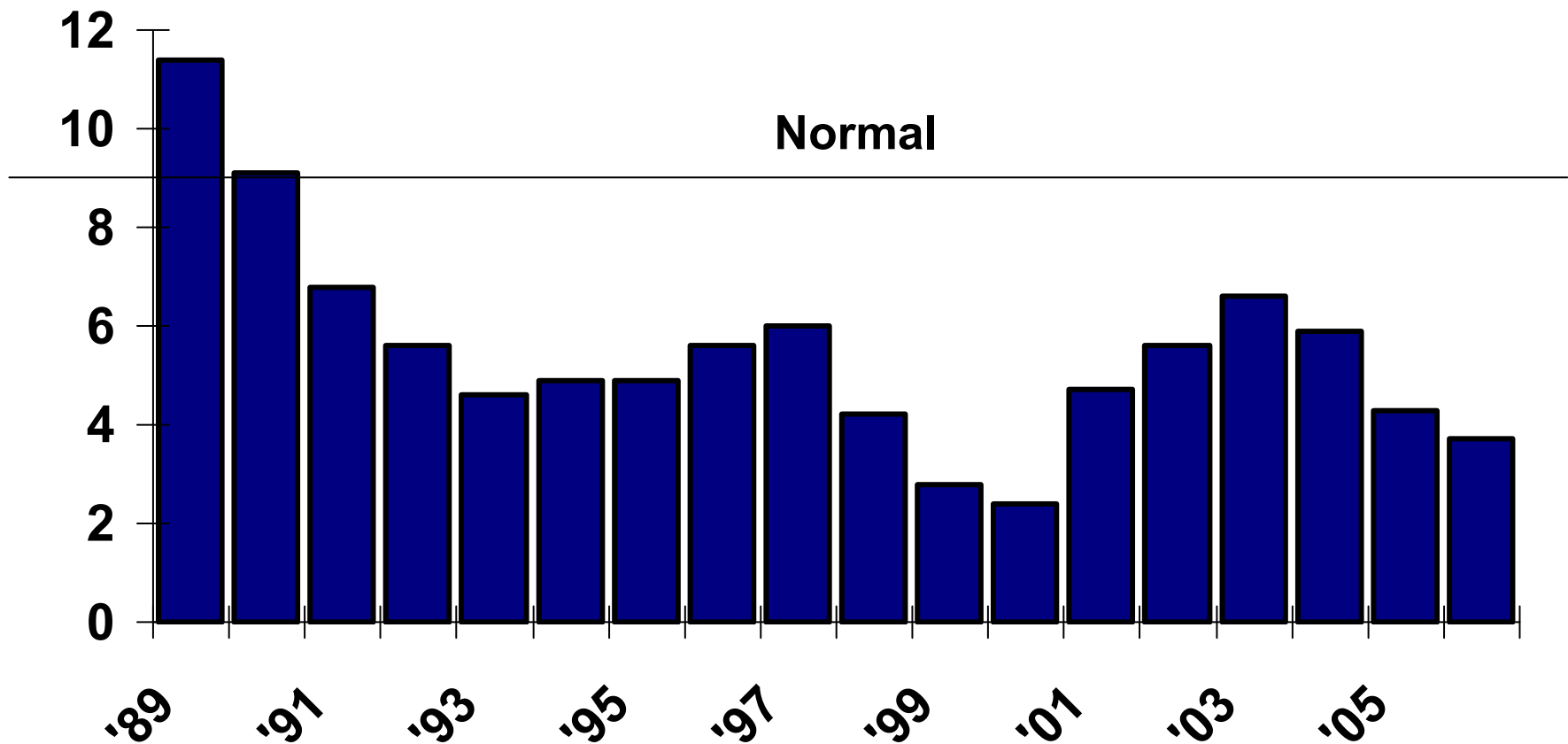


Source: Office of Federal Housing Enterprise Oversight

# Austin Months Inventory

United States

Austin



# Commercial Market Reports

## CBRE

<http://www.cbre.com/Global/Research/>

## Colliers International

<http://www.colliers.com/Corporate/MarketReports/>

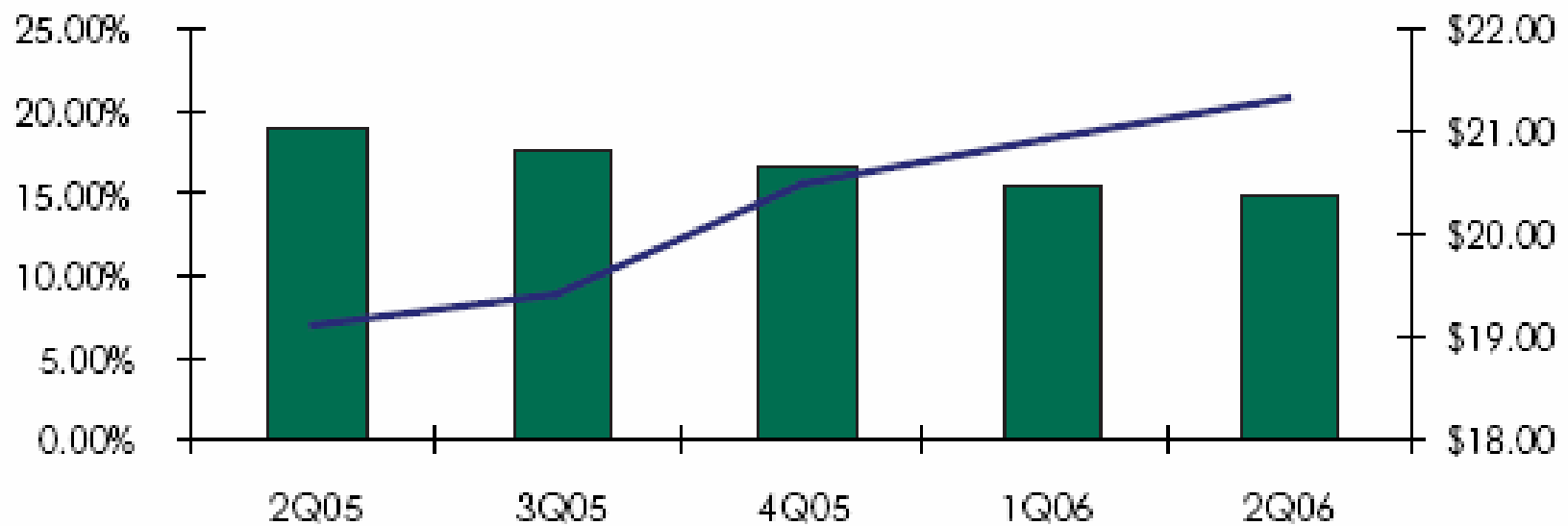
## Grubb and Ellis

[http://www.grubbellis.com/Research/quart\\_trends\\_reports.aspx](http://www.grubbellis.com/Research/quart_trends_reports.aspx)

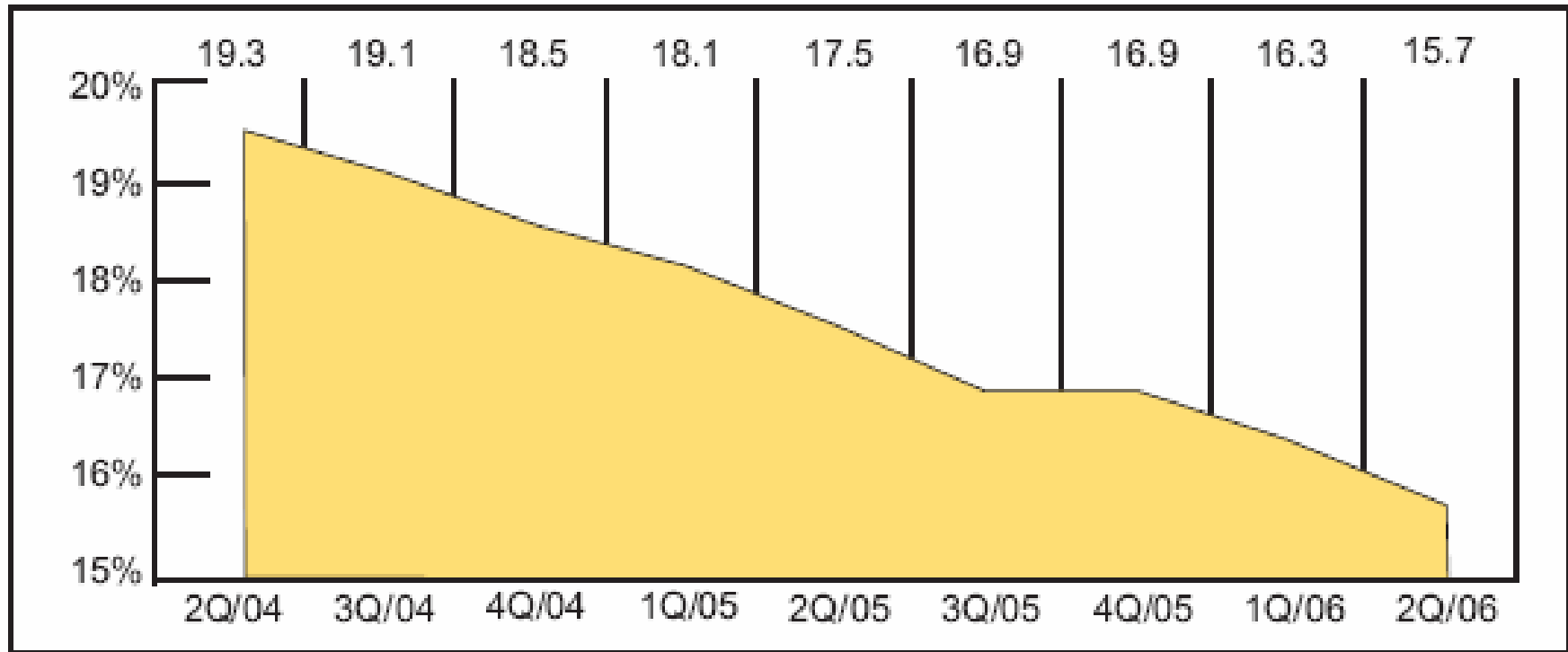
# Austin Office Space

## VACANCY RATE VS. DIRECT LEASE RATE

Vacancy Rate 14.89%  
Lease Rate \$21.49



# Austin Office Market



**Office Vacancy Rate\***

*\* All Classes of Space*

# Data Sources

## Building Permits

<http://recenter.tamu.edu/data/databp.html>

## Employment

<http://data.bls.gov/PDQ/outside.jsp?survey=sm>

## Population

<http://www.census.gov/>

<http://txsdc.utsa.edu/>

# **2007 Economic Concerns**

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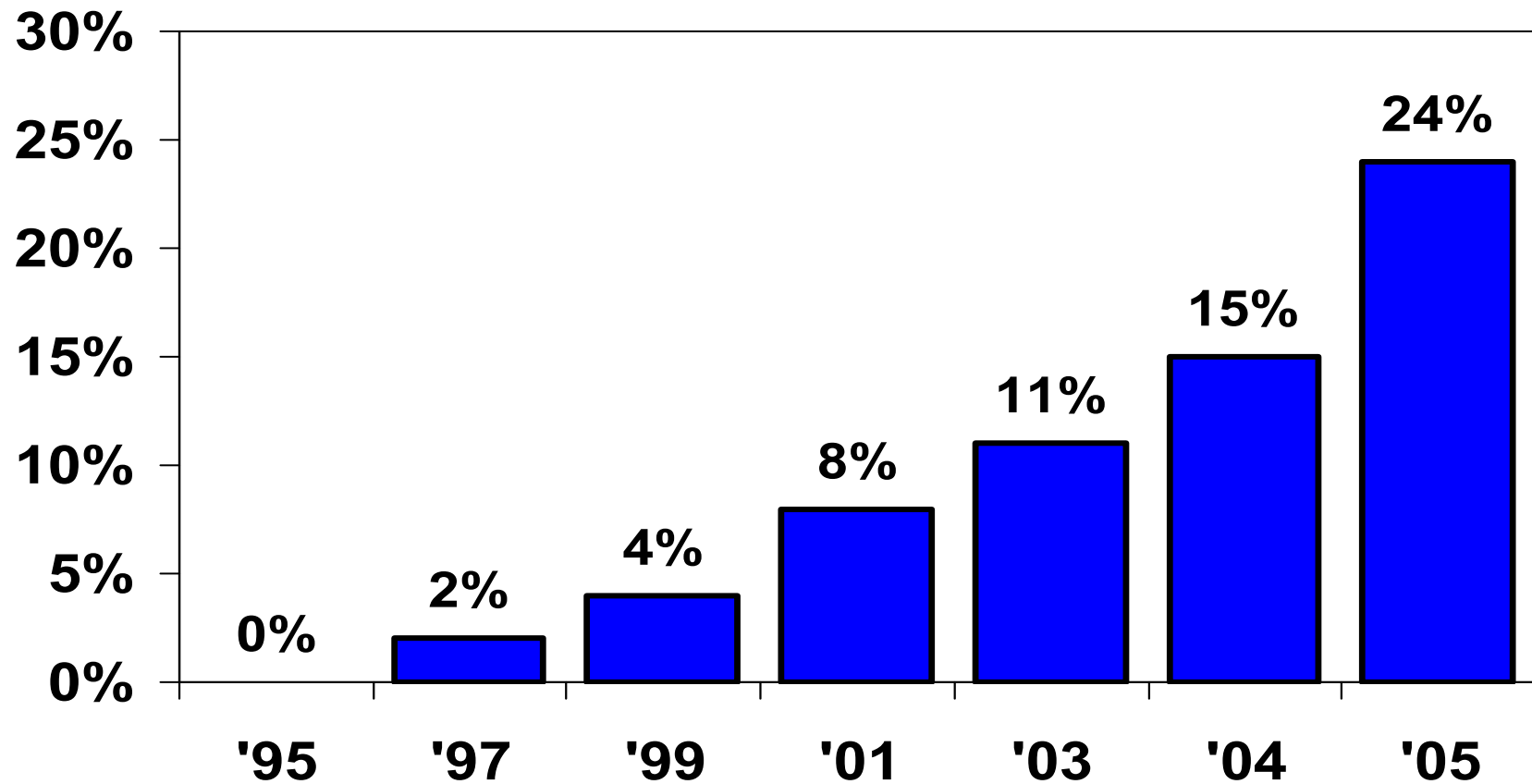
- **Some Bubbles Do Exist**
- **Cold War II—Terrorists**
- **Inflation (and Cap Rates)**
- **Pandemic (bird flu.....)**
- **More Hedge Funds Will Fail**
- **Energy: US Imports 64 Percent of Oil**
- **Extreme Partisan Politics**

**“In the late 1990s, the price of term life insurance fell dramatically.”**

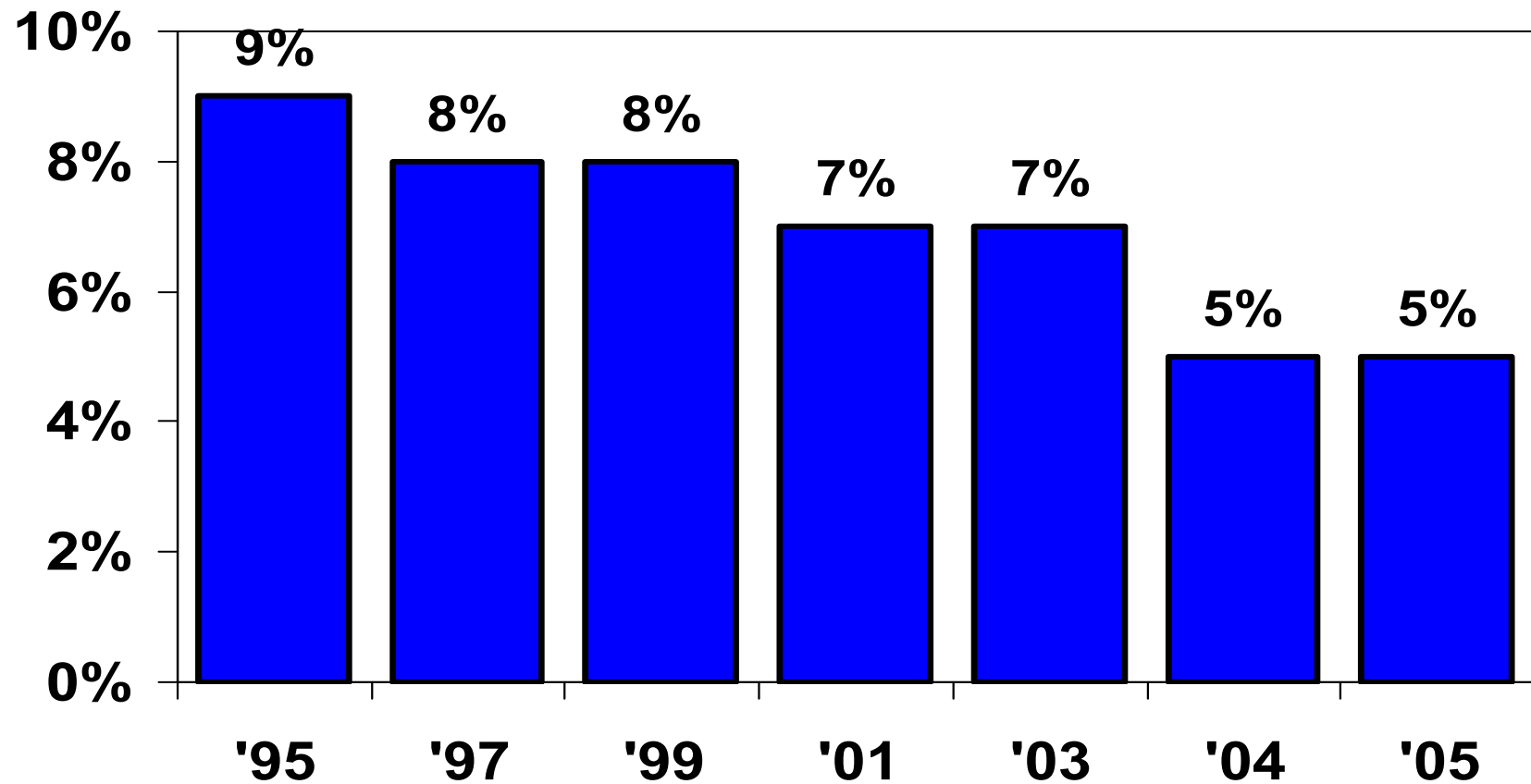
**“Information is the currency of the Internet.”**

**FREAKONOMICS**

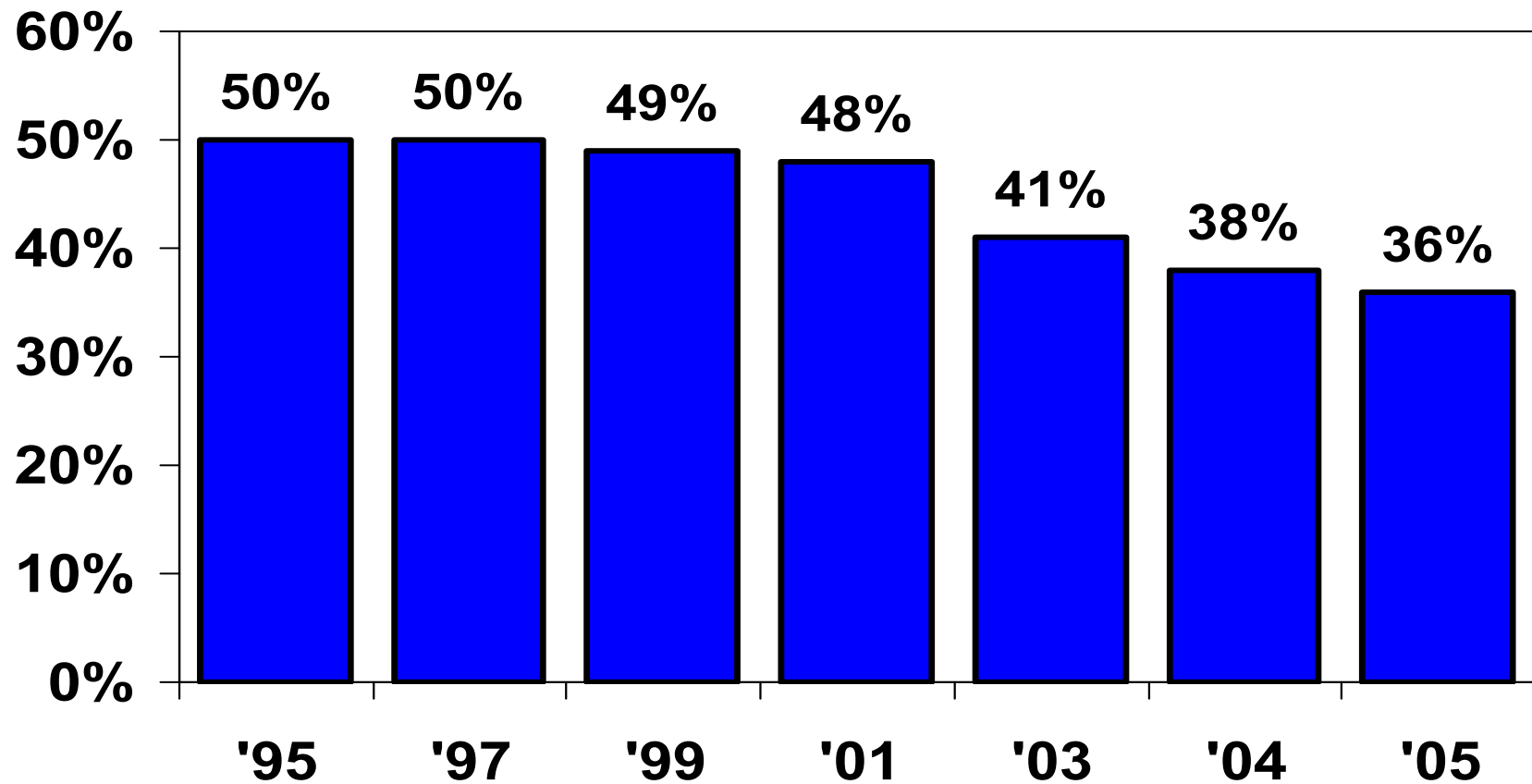
# Percent of Homebuyers That First Found Their Home Purchased on the Internet



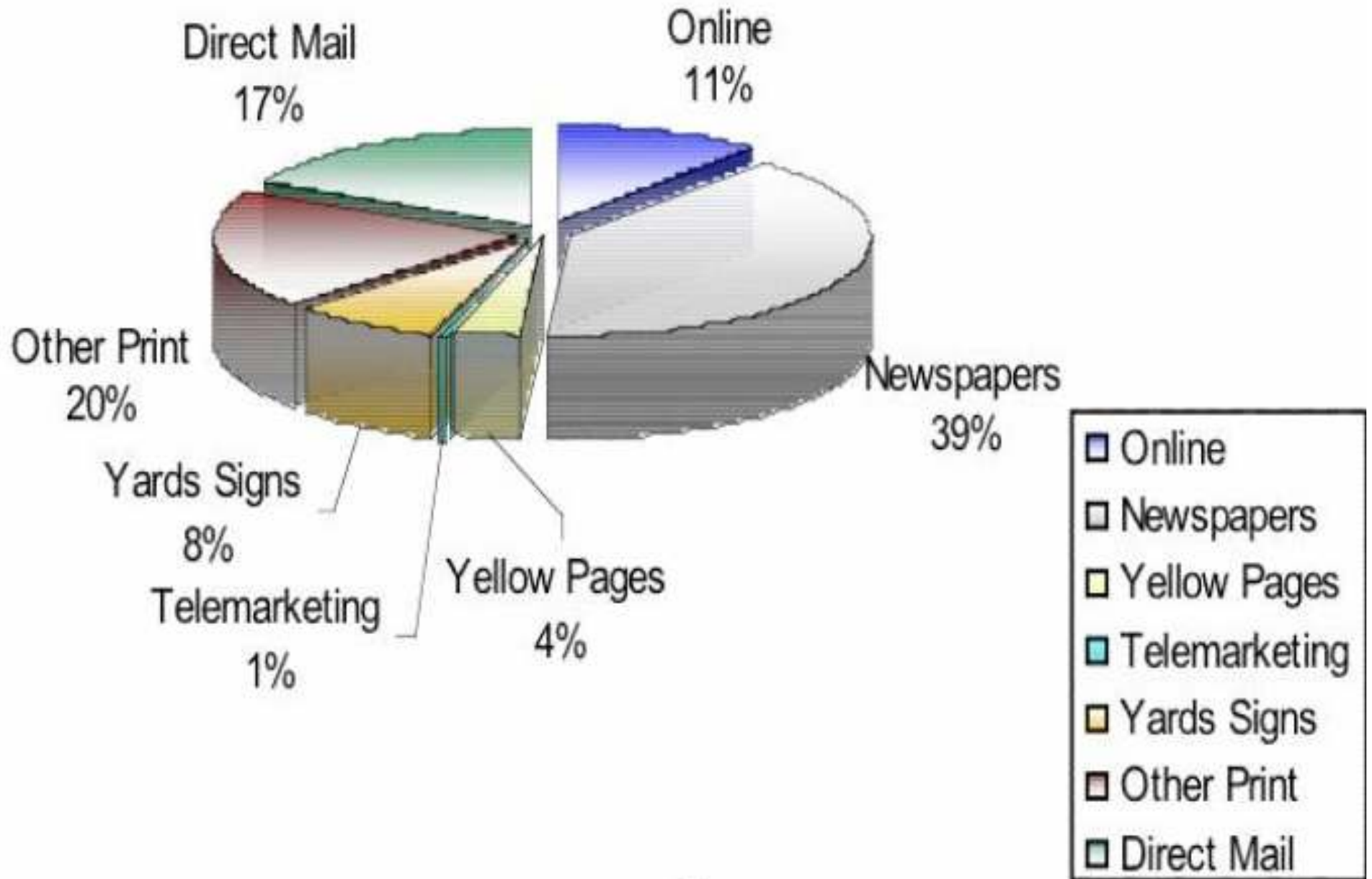
# Percent of Homebuyers That First Found Their Home Purchased in the Newspaper



# Percent of Homebuyers That First Found Their Home Purchased By the Real Estate Agent



## Today's Real Estate Marketing Budget



# Stewart's 2006 Homebuyers Survey

- **1,125 returned surveys**
- **Buyers EXPECT technology solutions, minimal use of paper and e-signatures**

Source: Stewart Title Guaranty Company  
<http://www.stewart.com/page.jsp?pageID=1516>

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