

A satellite-style map of the Gulf of Mexico region, showing the coastline of the United States and Mexico. The Gulf of Mexico is labeled in the bottom left. State boundaries are overlaid in a thin green line. The colors of the map are somewhat unusual, with the ocean appearing in shades of blue and purple, and the land in shades of green and yellow.

Gulf
of
Mexico

Things Are Looking Up After the Economic Hurricane An Economic and Real Estate Outlook for 2013

Ted C. Jones, PhD, Chief Economist, Stewart Title Guaranty Company

Red States vs. Blue States

Cut Taxes

Cut Spending

**Have Some of the
47 Percent Not
Paying Taxes
Pay Some**

**Maintain or
Expand Spending**

**Increase Taxes
Only on Those
That Pay Taxes**

Cradle to Grave

It's Bush's Fault

Election 2012 -- What Changed?

	Yes	No
President	<input type="checkbox"/>	<input checked="" type="checkbox"/>
House of Representatives Majority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Senate Majority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Fiscal Cliff	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Partisanship	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Looming Debt Ceiling	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Election 2012 -- What Changed?

	Yes	No
ObamaCare	<input type="checkbox"/>	<input checked="" type="checkbox"/>
President's Green Initiatives	<input type="checkbox"/>	<input checked="" type="checkbox"/>
\$1+ Trillion Annual Deficits	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Executive Orders	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pending Tax Cut Expirations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Dodd-Frank, CFPB	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Election 2012 -- What Changed?

**Legalized Pot Smoking in
Colorado and Washington**

Yes

No



Mega Themes

- **Time to Over Weight in Real Estate**
- **Residential Renting vs. Owning**
- **Fiscal Cliff – DEBT CEILING**
- **Massive Uncertainty from Washington, DC..... and Stalemate Once Again From the Election**

Capital Gains Rate in 2013?

Was 15 Percent

20 Percent for some

3.8 Percent Obamacare Tax

SO Minimum 23.8 Percent

Obama “Likes” 35 Percent

Fiscal Cliff

US 2012 GDP **\$15.6t**

US Debt Ceiling **\$16.6t**

US Debt Now **\$16.4t**

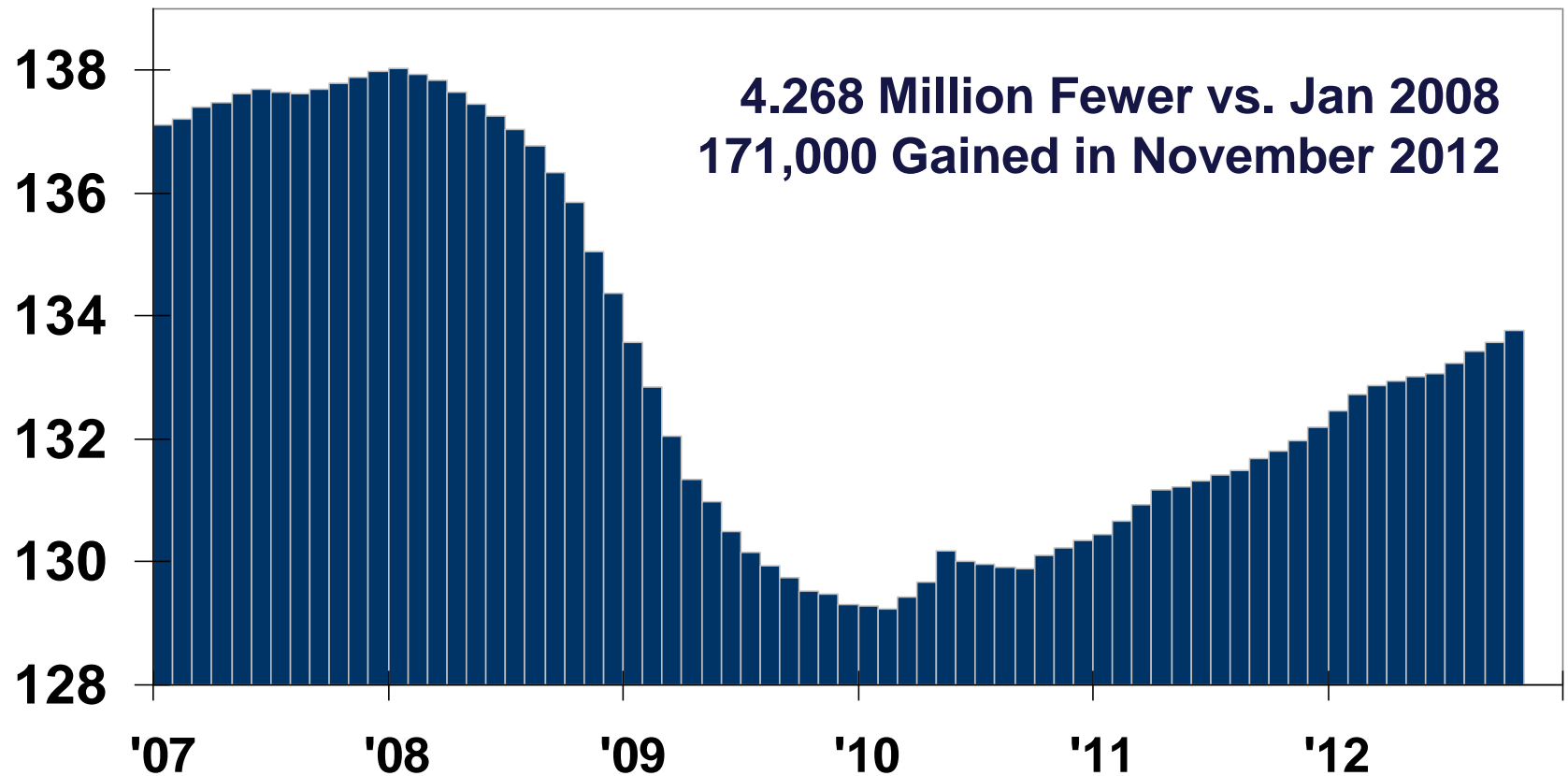
Tax Cut Expiration

\$669 Billion Per Year Tax Increase

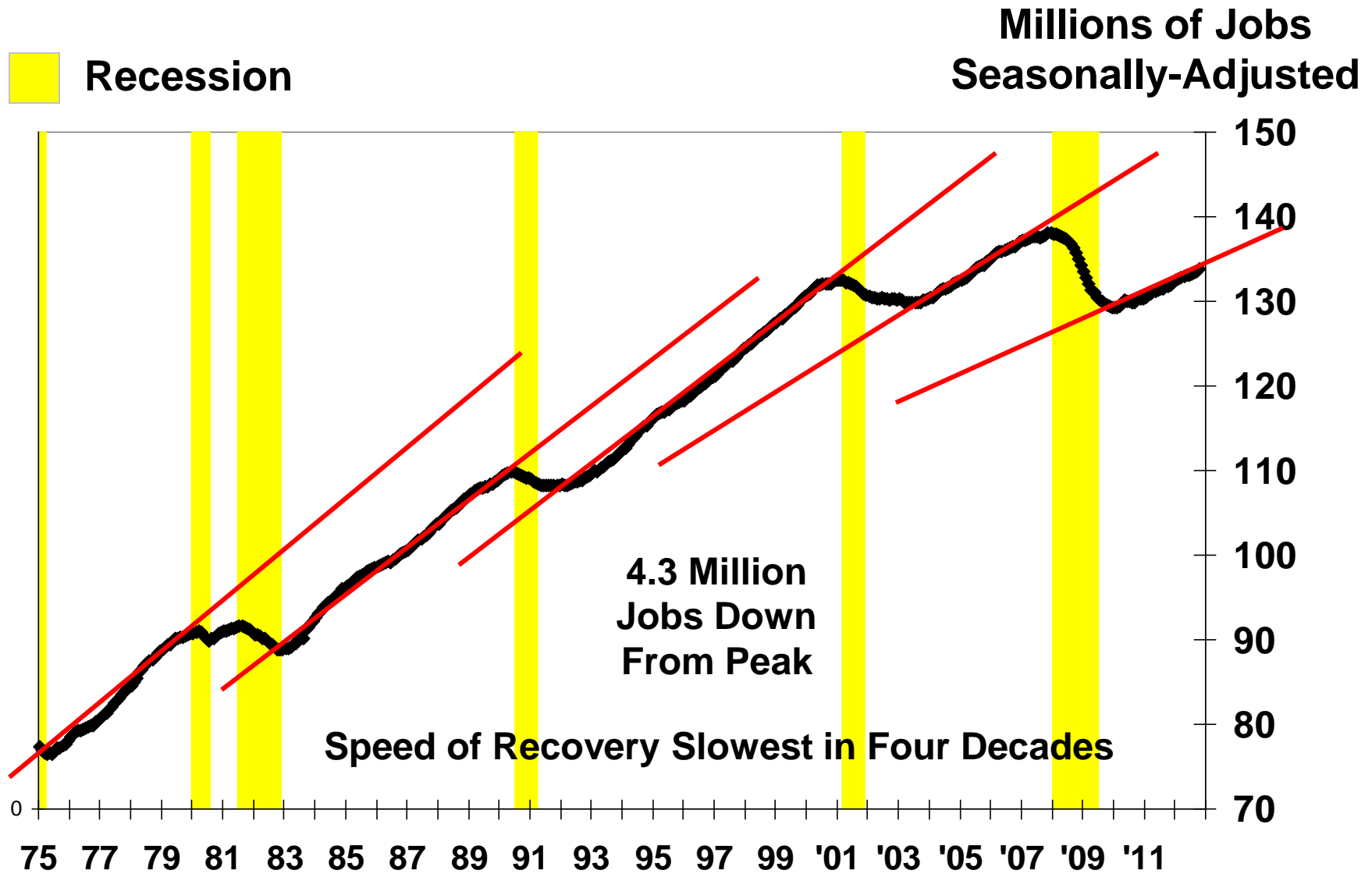
+ Spending Cuts

U.S. Job Numbers

Jobs (Millions) *Seasonally Adjusted*



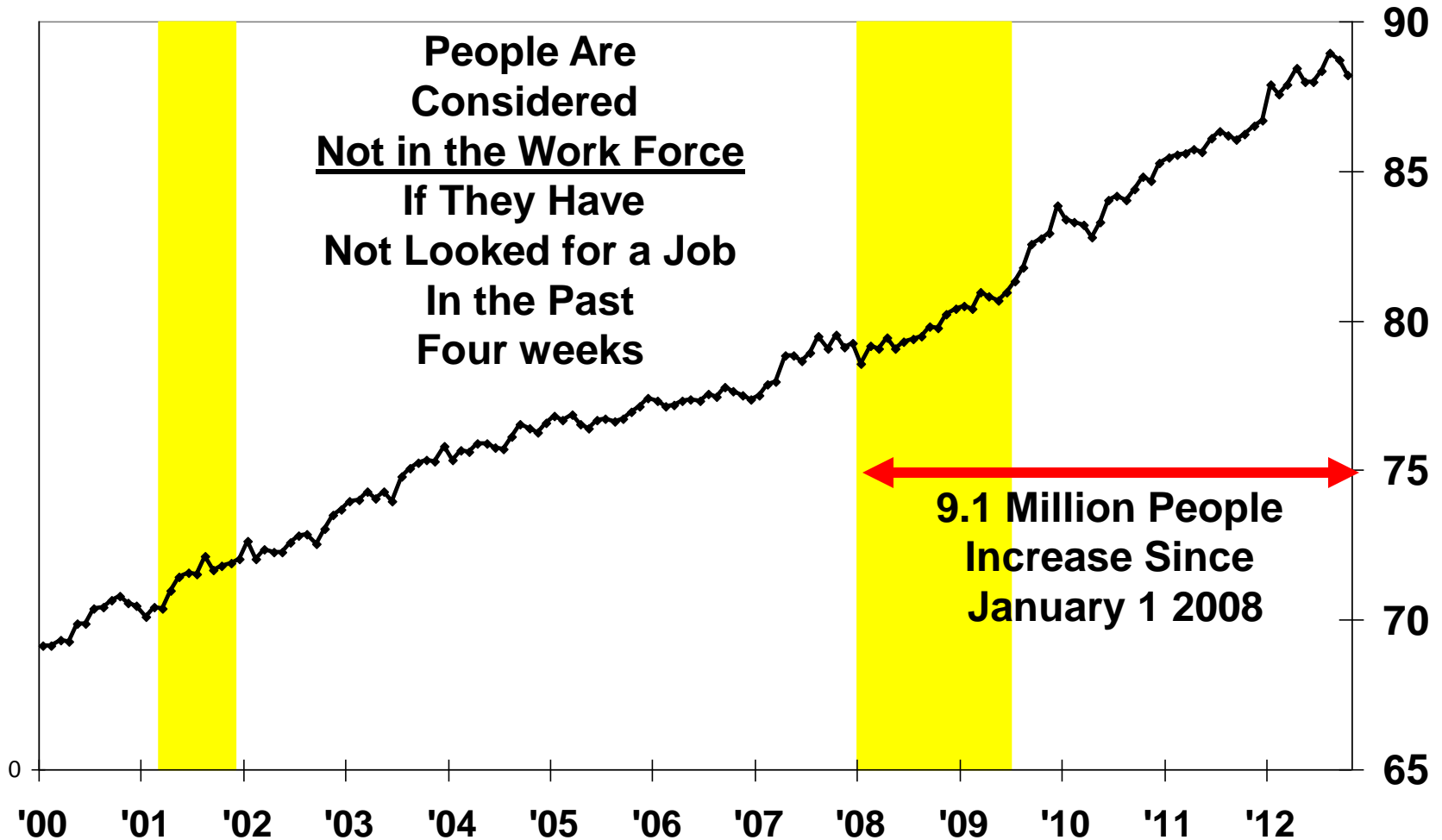
U.S. Job Numbers



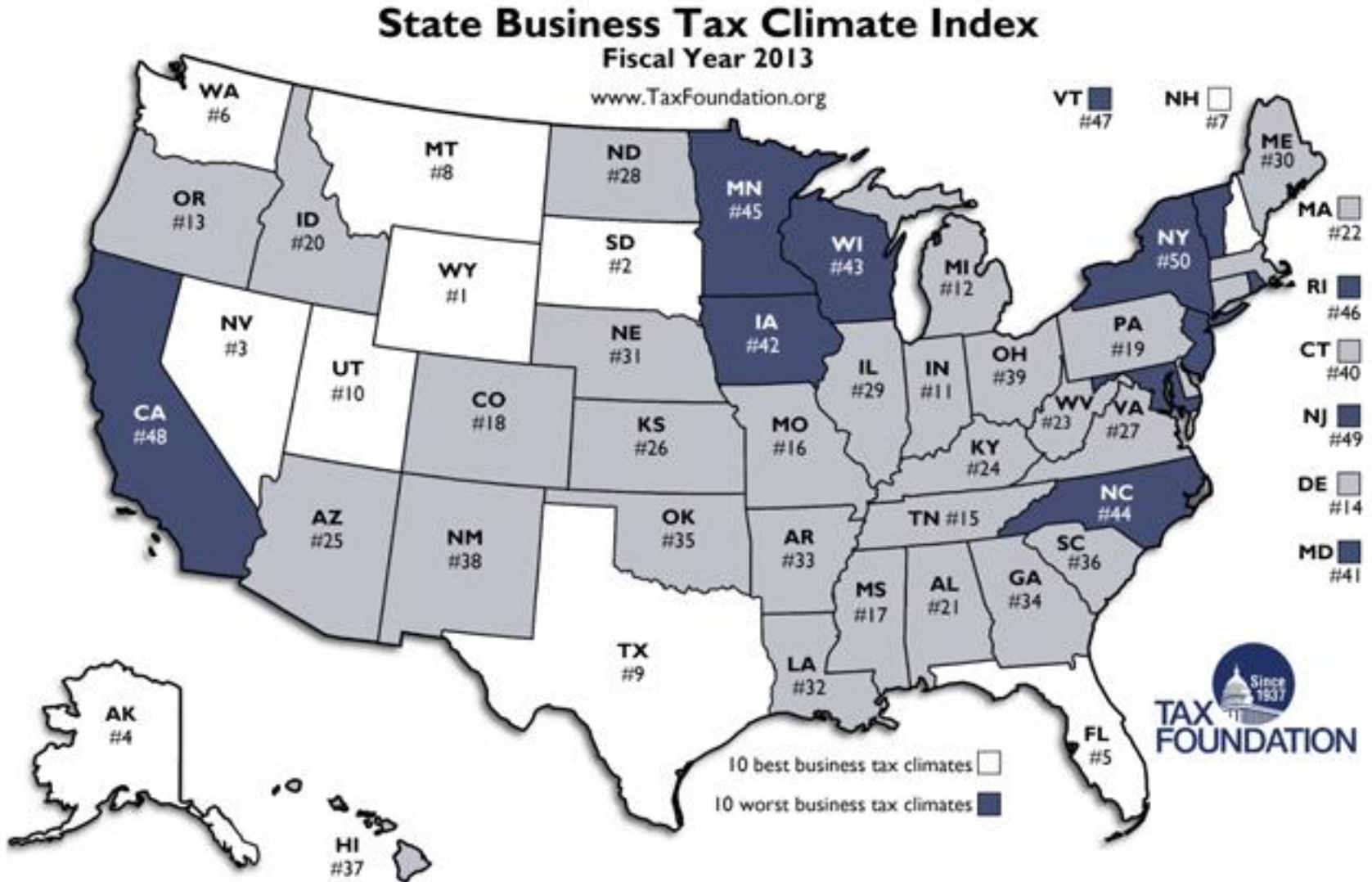
Not in the Work Force – *Seasonally Adjusted*

 Recession

Millions of People



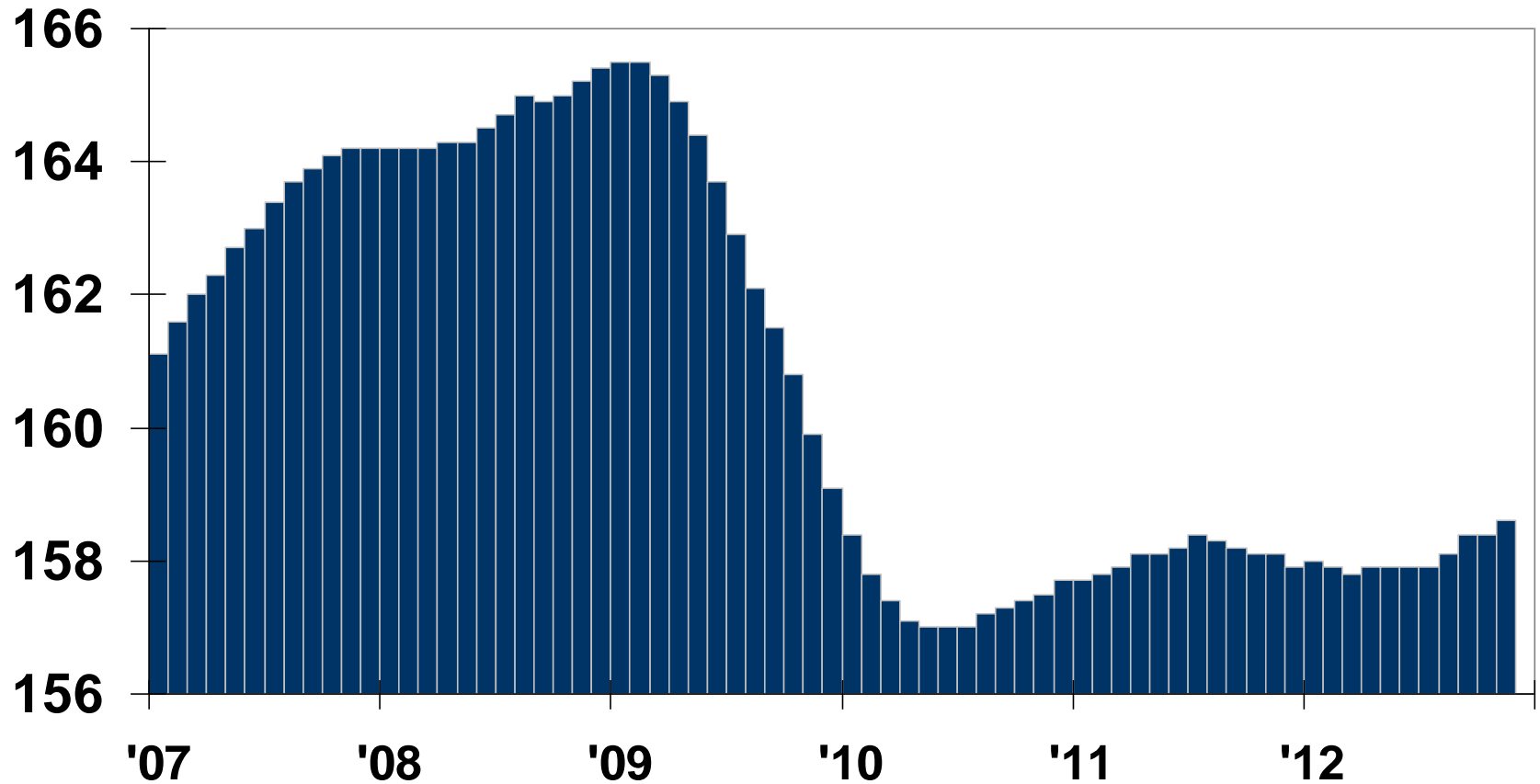
Texas – 9th Best Business Tax Environment



<http://taxfoundation.org/article/2013-state-business-tax-climate-index>

Beaumont-Port Arthur MSA Jobs

Jobs (Thousands) *Seasonally Adjusted*
12-Month Moving Average

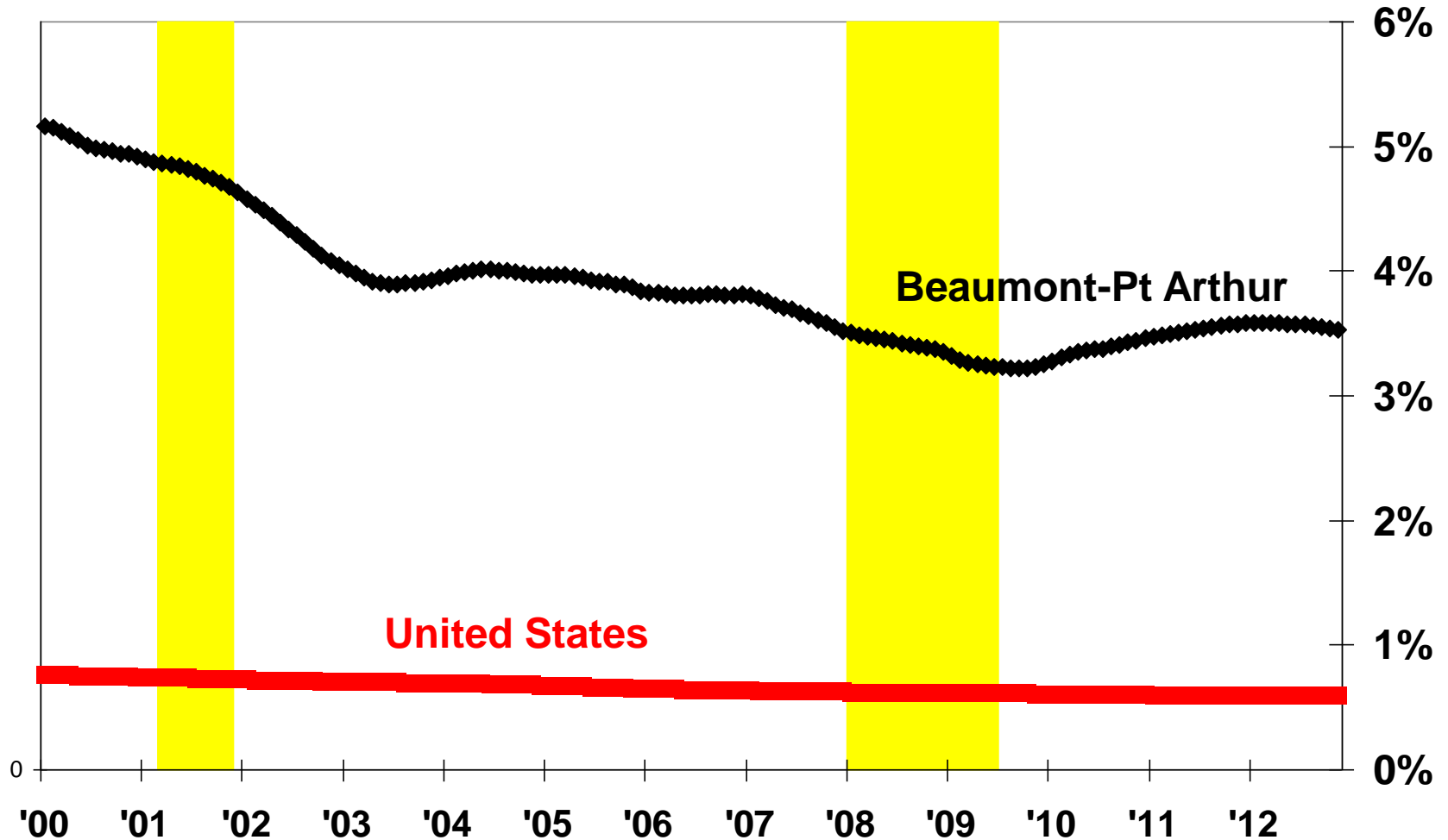


Chemical Manufacturing Jobs

12-Month Moving Average

 Recession

Percent of All Jobs



Cost of Living Comparison

Salary Level Requirement for Equal Standard of Living

<http://www.homefair.com/real-estate/cost-of-living.asp>

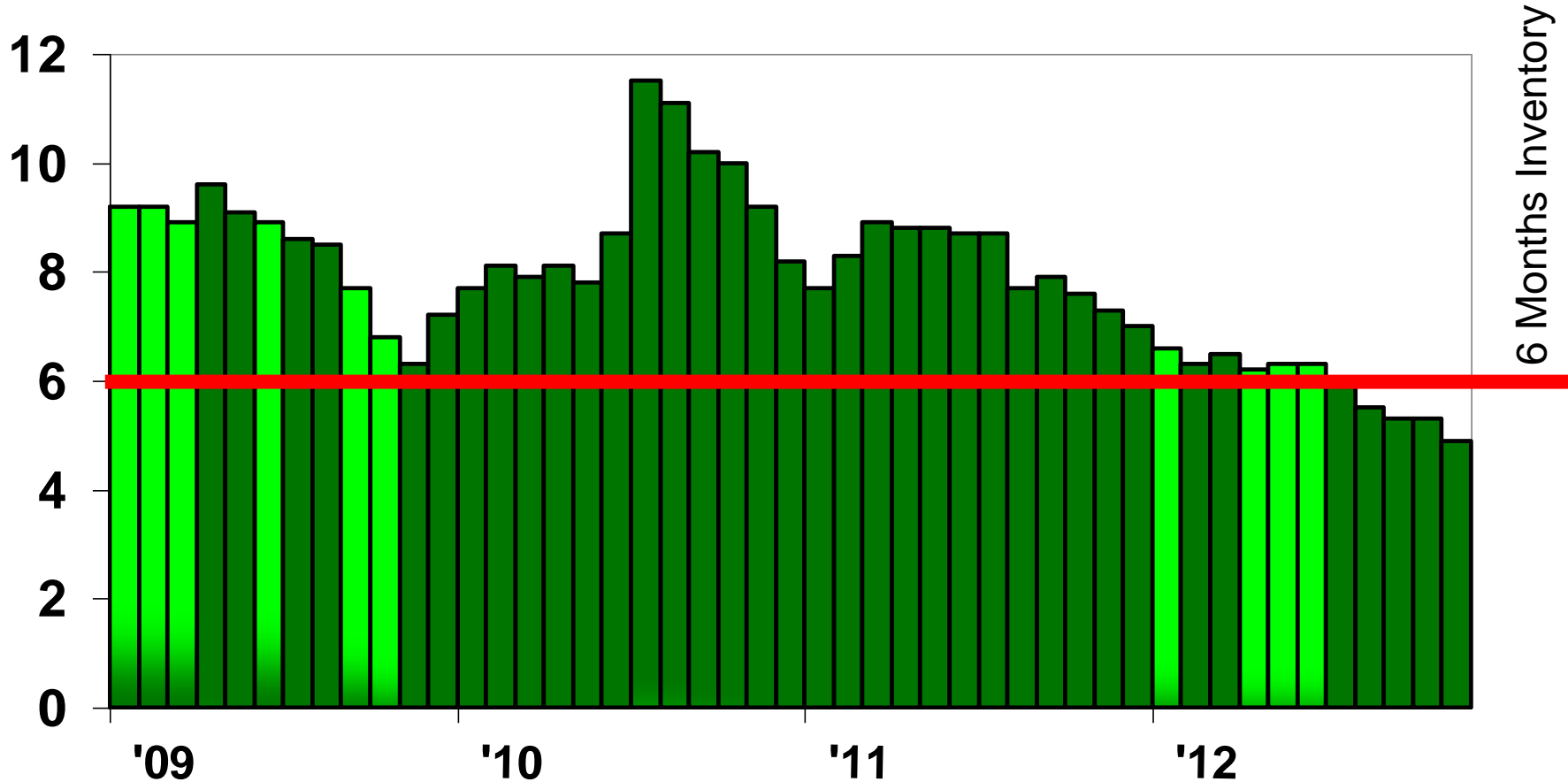
City	Required Income	How Much More They Pay
Corpus Christi	\$ 85,901	-5.2%
Houston	\$ 87,567	8.7%
Lake Charles	\$ 97,338	0.0%
Beaumont	\$ 100,000	--
Somerset	\$ 129,029	25.5%
Stockton	\$ 146,008	17.3%

Assumes Living and Working in the Same City

**Housing Has Finally
Reached the Bottom
Nationwide
With Some Markets
Rebounding**
(Some Markets Never Declined)

Months Inventory of Existing Homes

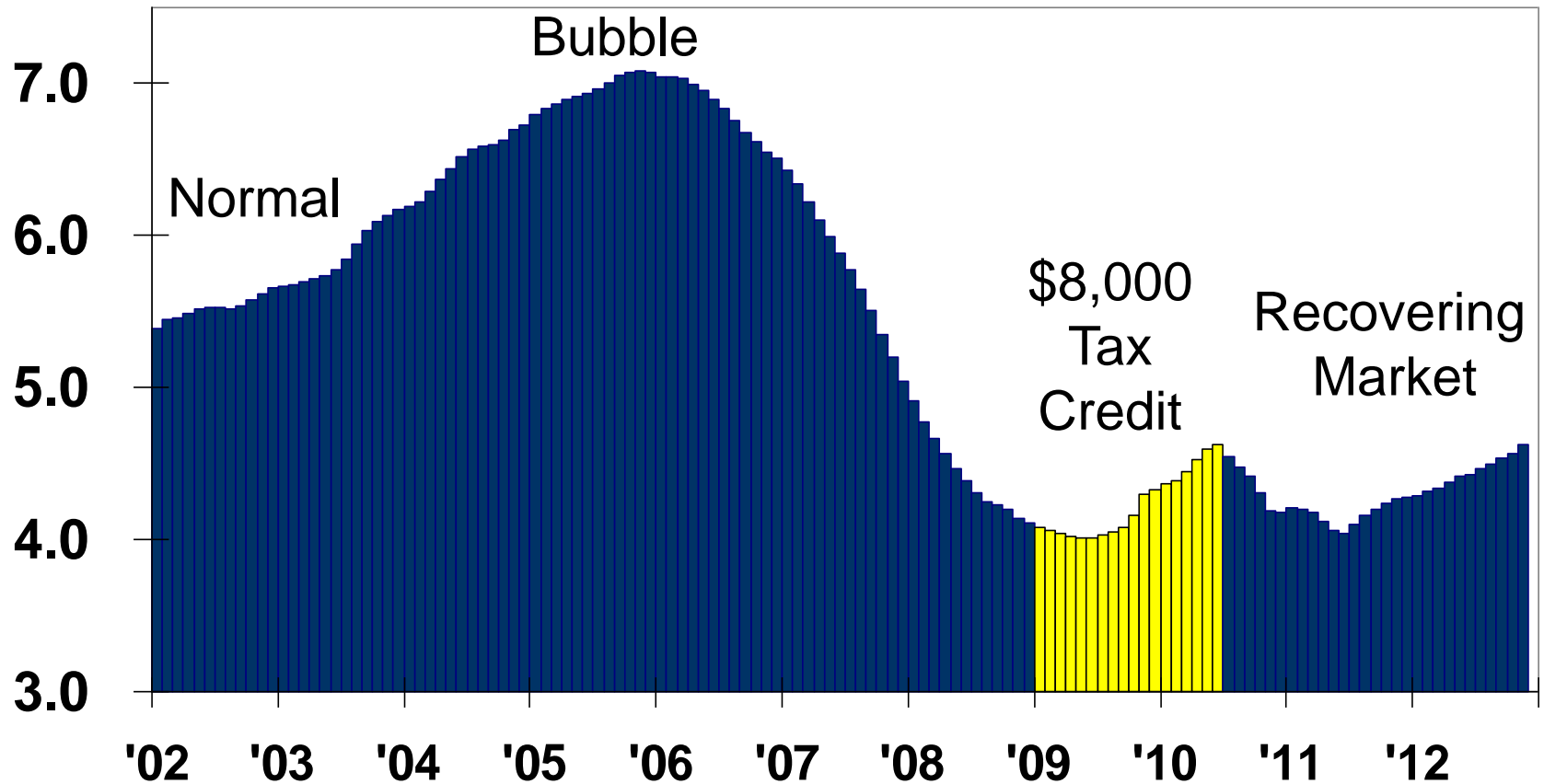
Months -- Seasonally-Adjusted Sales and Inventory



6 Months Inventory

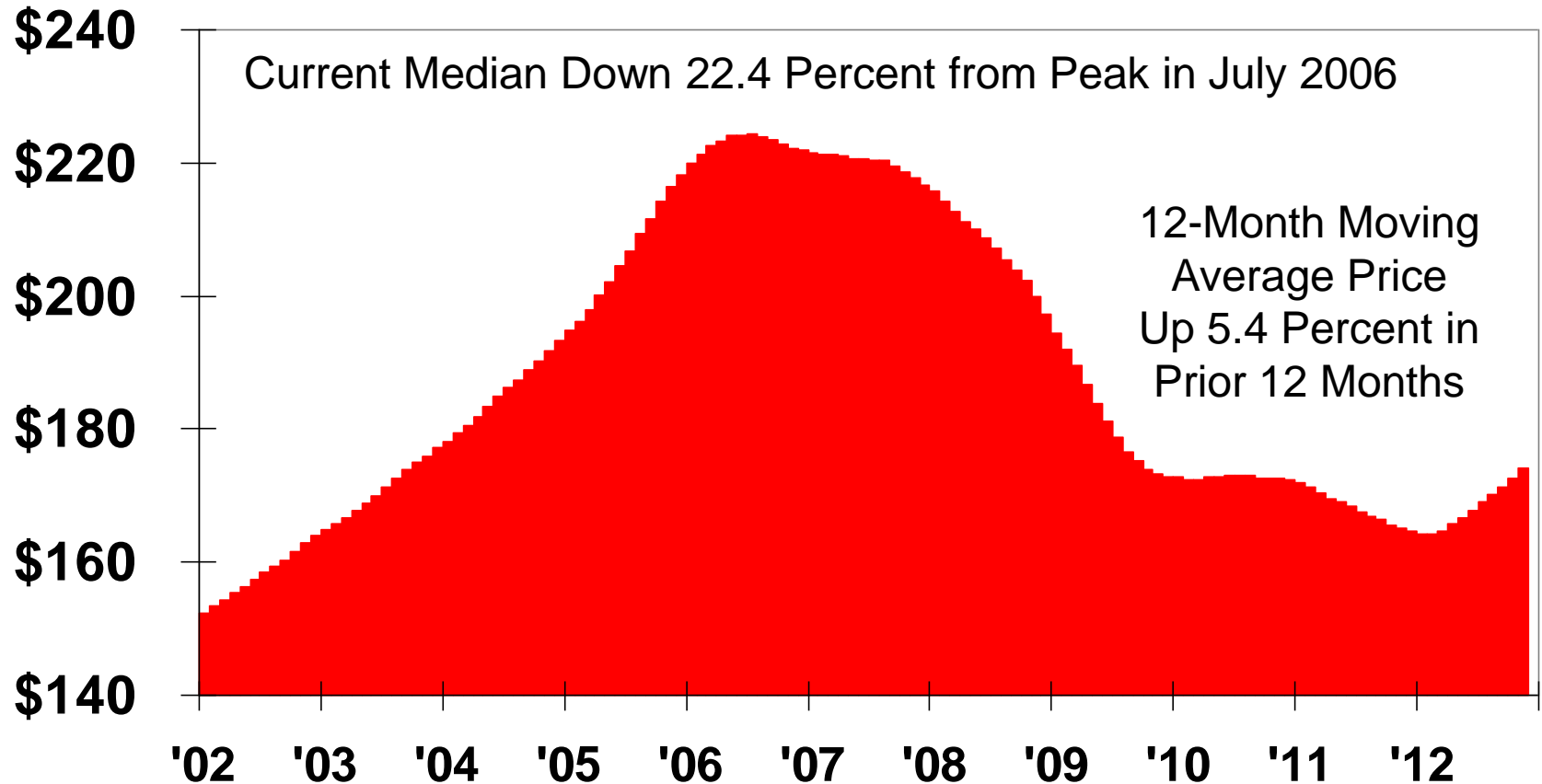
US Existing Home Sales

Millions – SAAR *Average Per Month For Prior 12 Months*



U.S. Existing Home Sales

Median Price -- \$ Thousands -- Average for Prior 12 Months



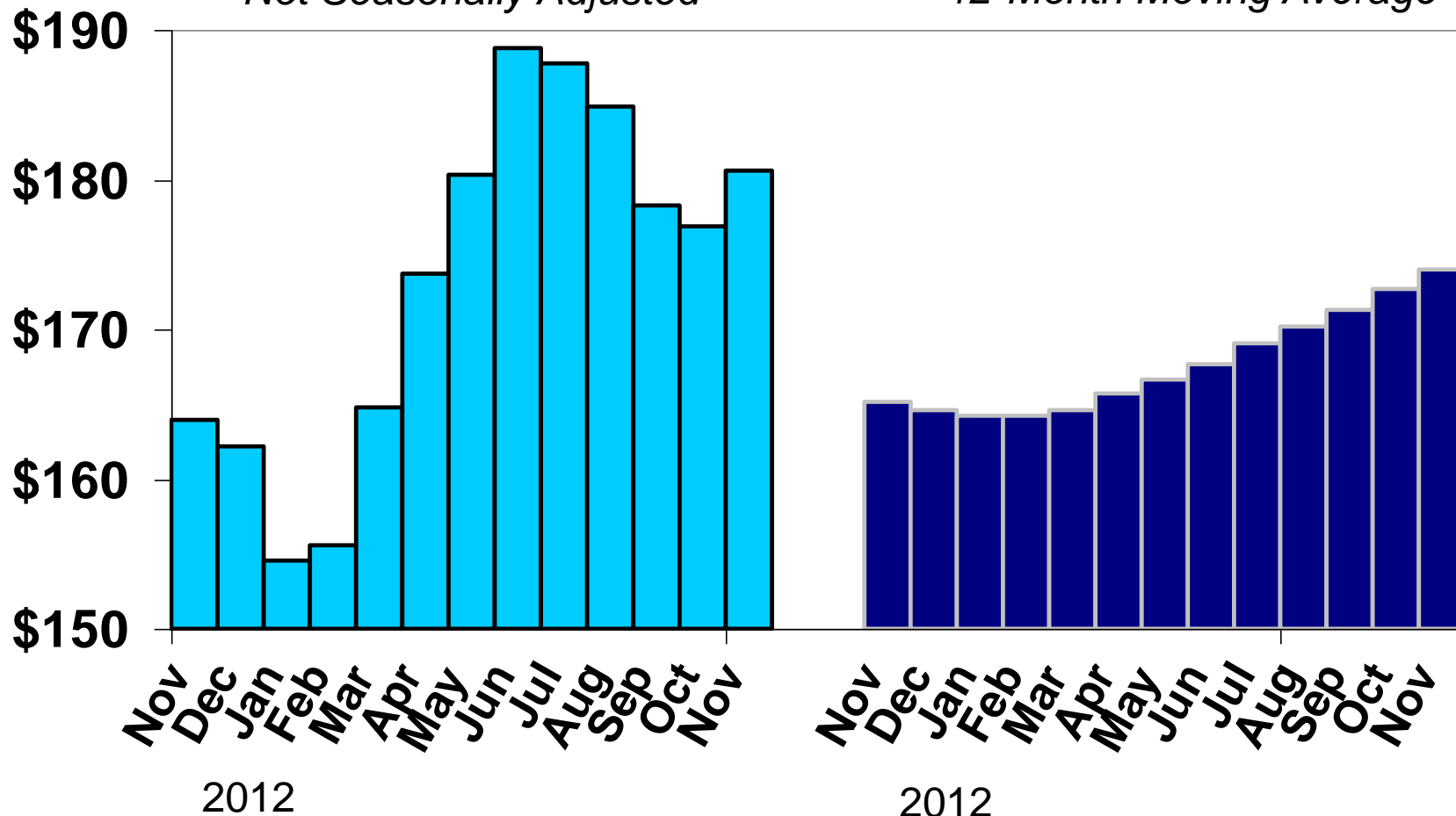
Median U.S. Existing Home Price

Not Seasonally Adjusted vs. 12-Month Moving Average

\$ Thousands

Not Seasonally Adjusted

12-Month Moving Average



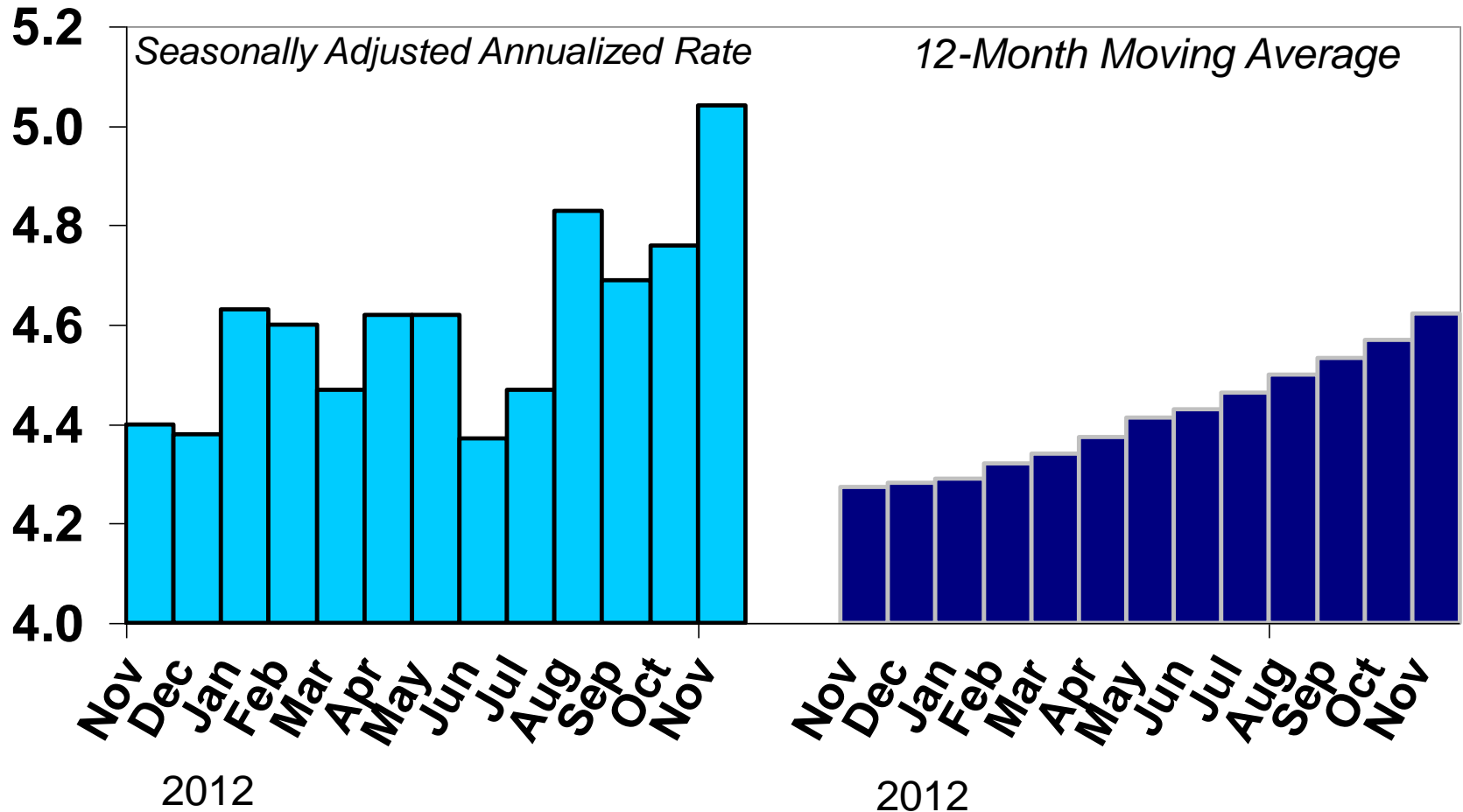
2012

2012

Existing Home Sales Numbers

Seasonally Adjusted vs. 12-Month Moving Average

Millions



2012

2012

2013 Forecast

Existing Home Sales Up 8 Percent

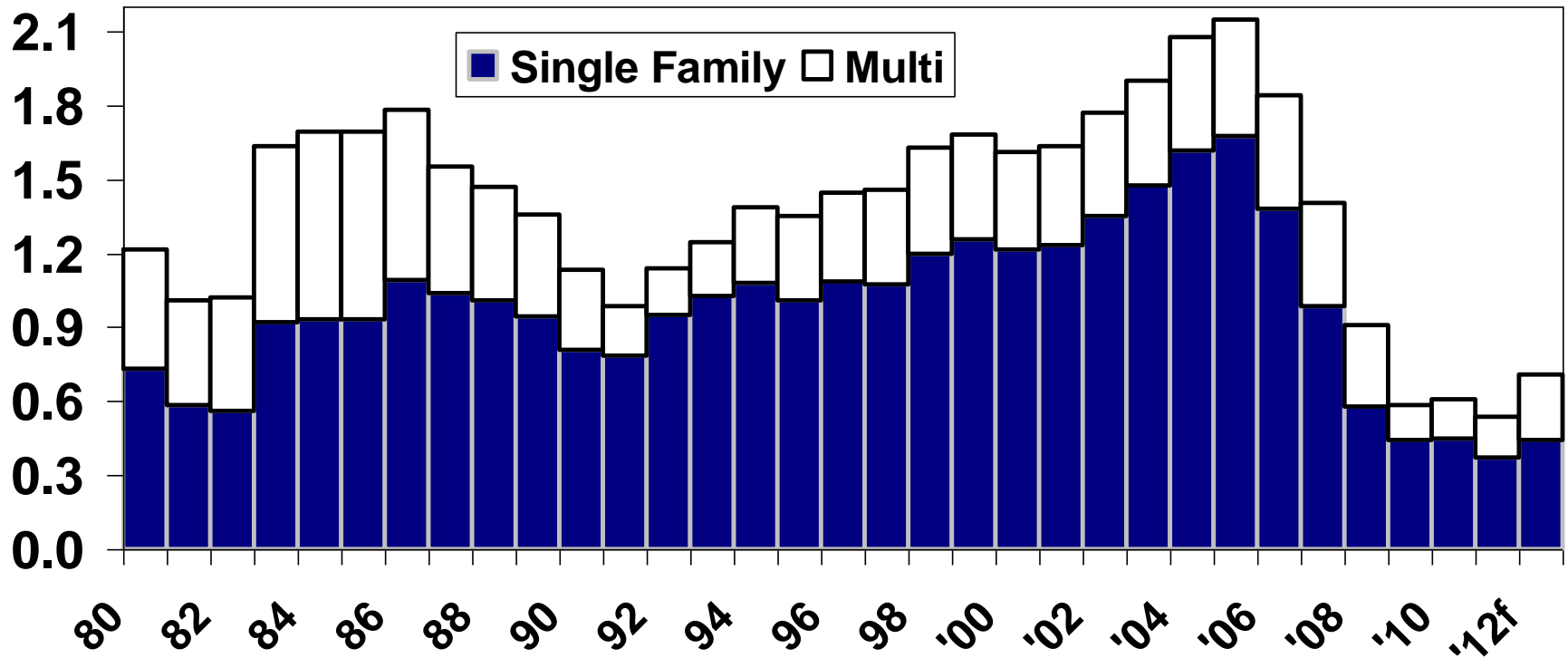
Median Home Prices Up 5 Percent

New Home Sales Up 20 Percent

New Home Prices Up 8 Percent

U.S. Residential Building Permits

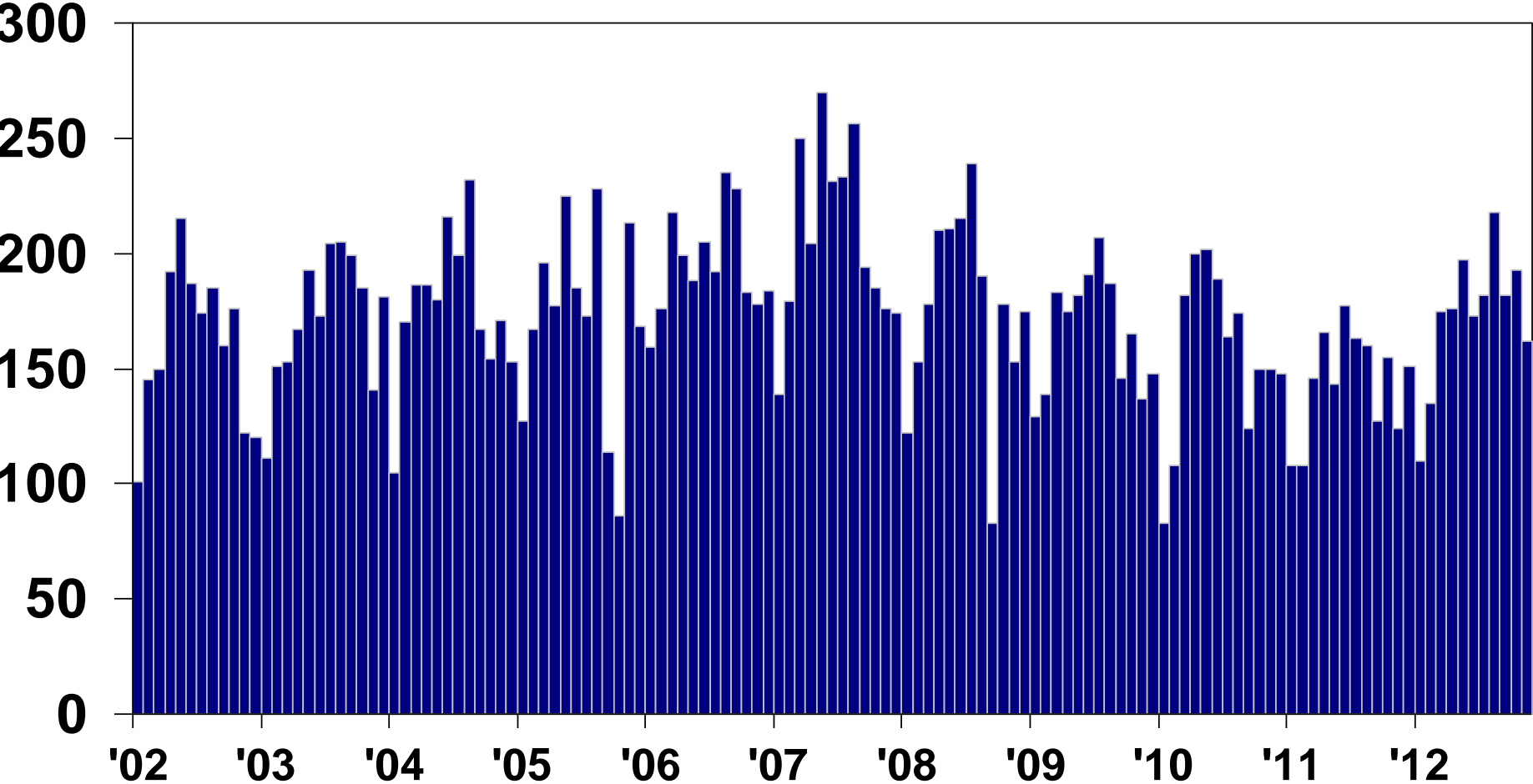
Number of Dwelling Units -- *Millions*



2012 is based on the latest 12 months of permits issued

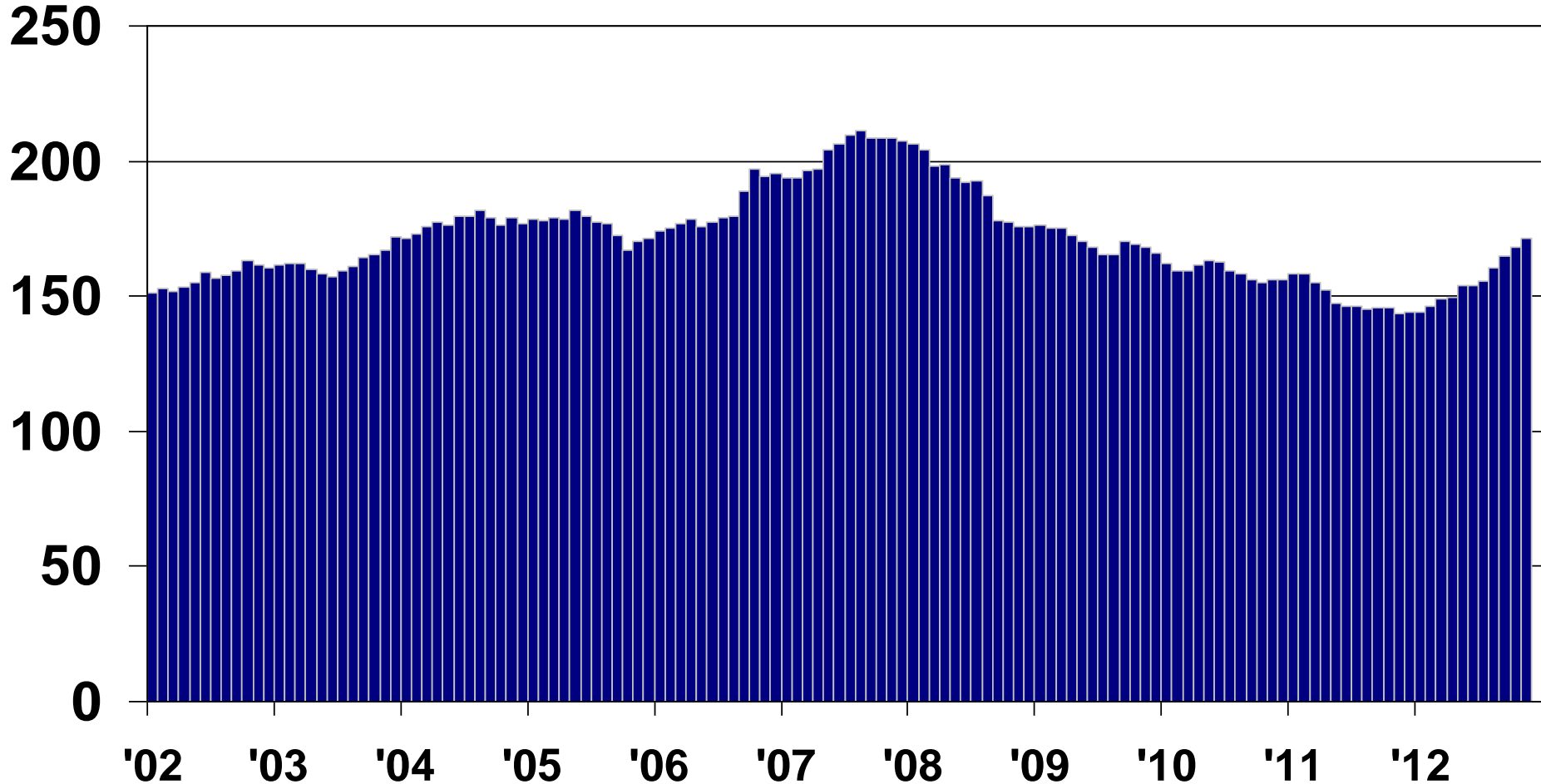
Beaumont Existing Home Sales

Number Per Month



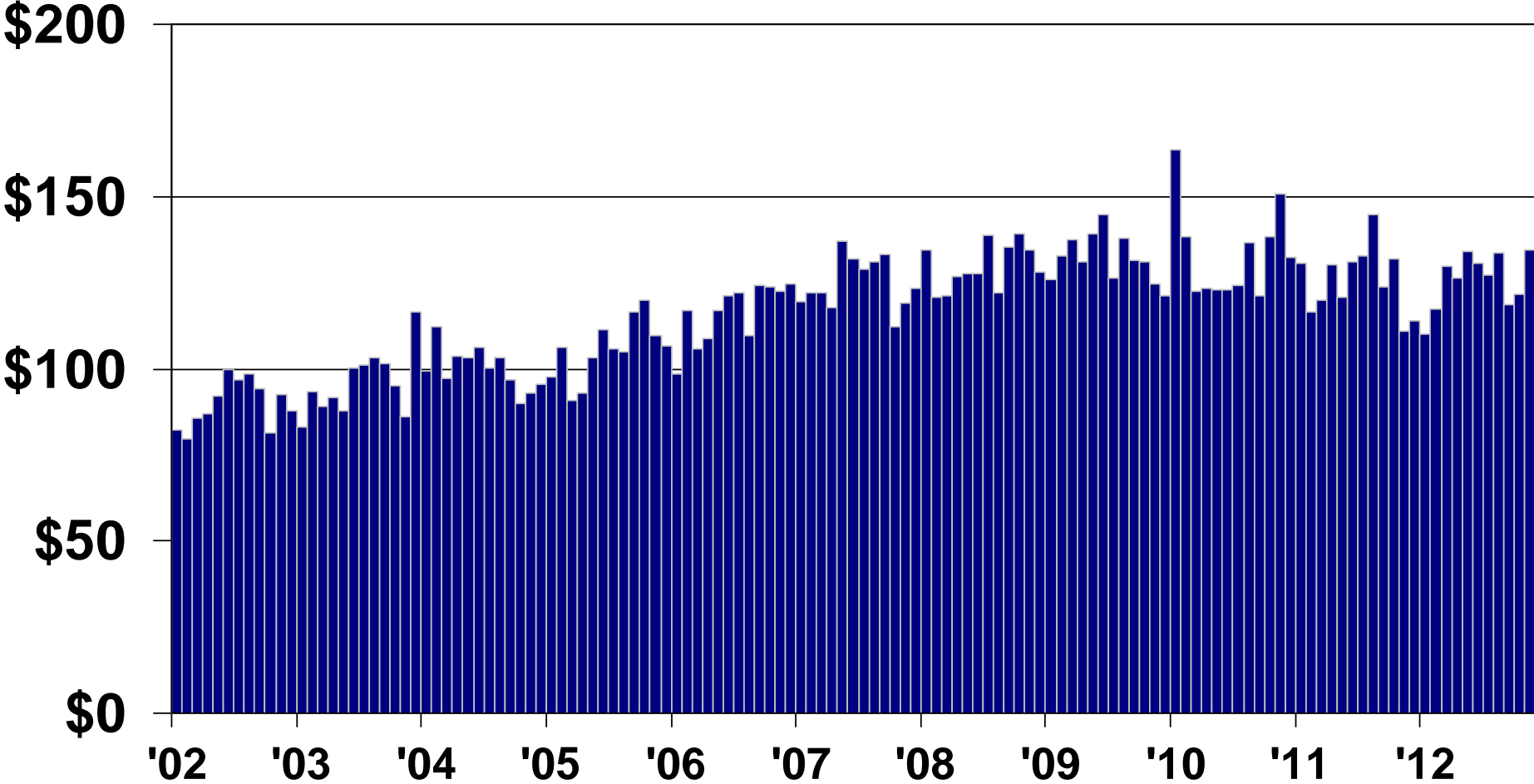
Beaumont Existing Home Sales

Average Number Per Month For Prior 12 Months



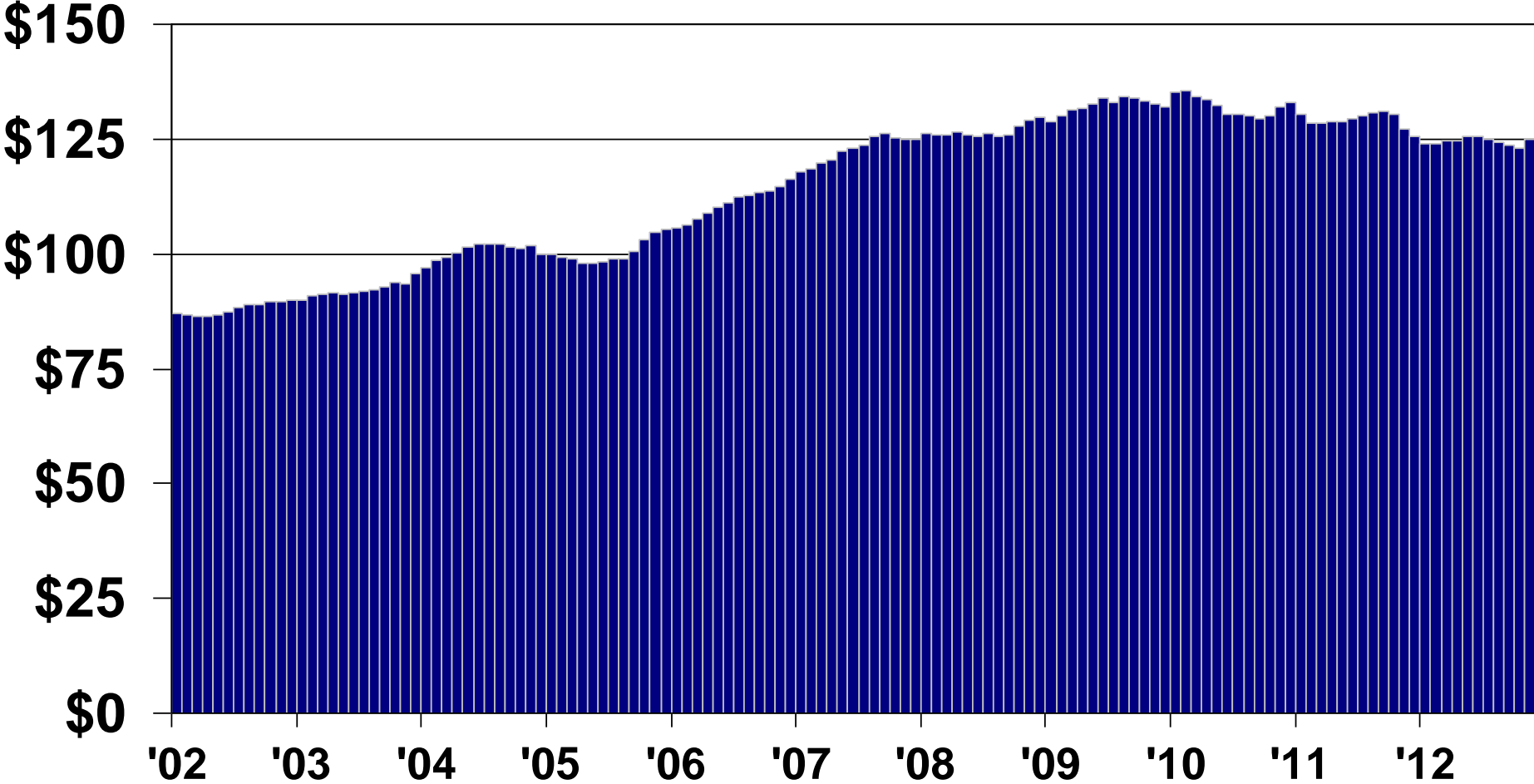
Beaumont Existing Home Prices

Median Price -- \$ *Thousands*



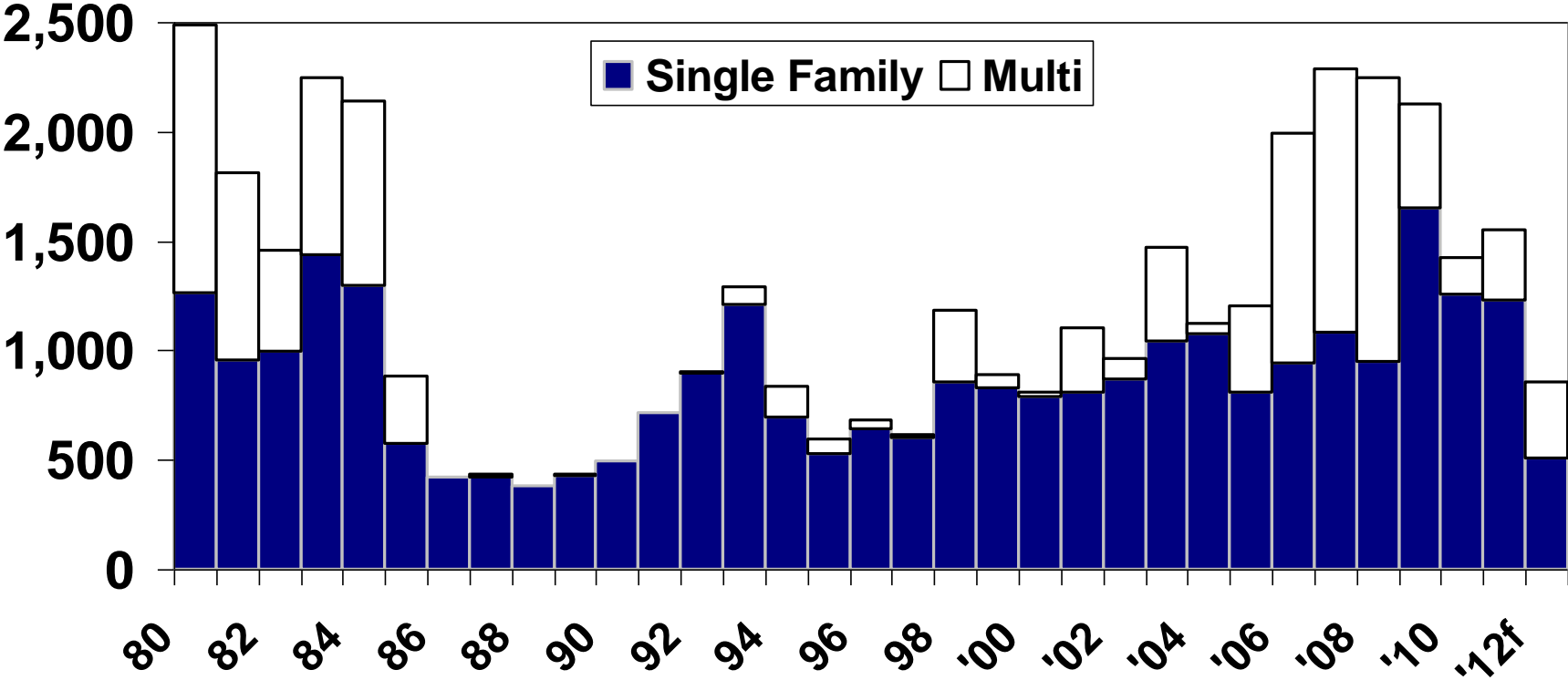
Beaumont Existing Home Prices

Median Price *Prior 12 Month Average*



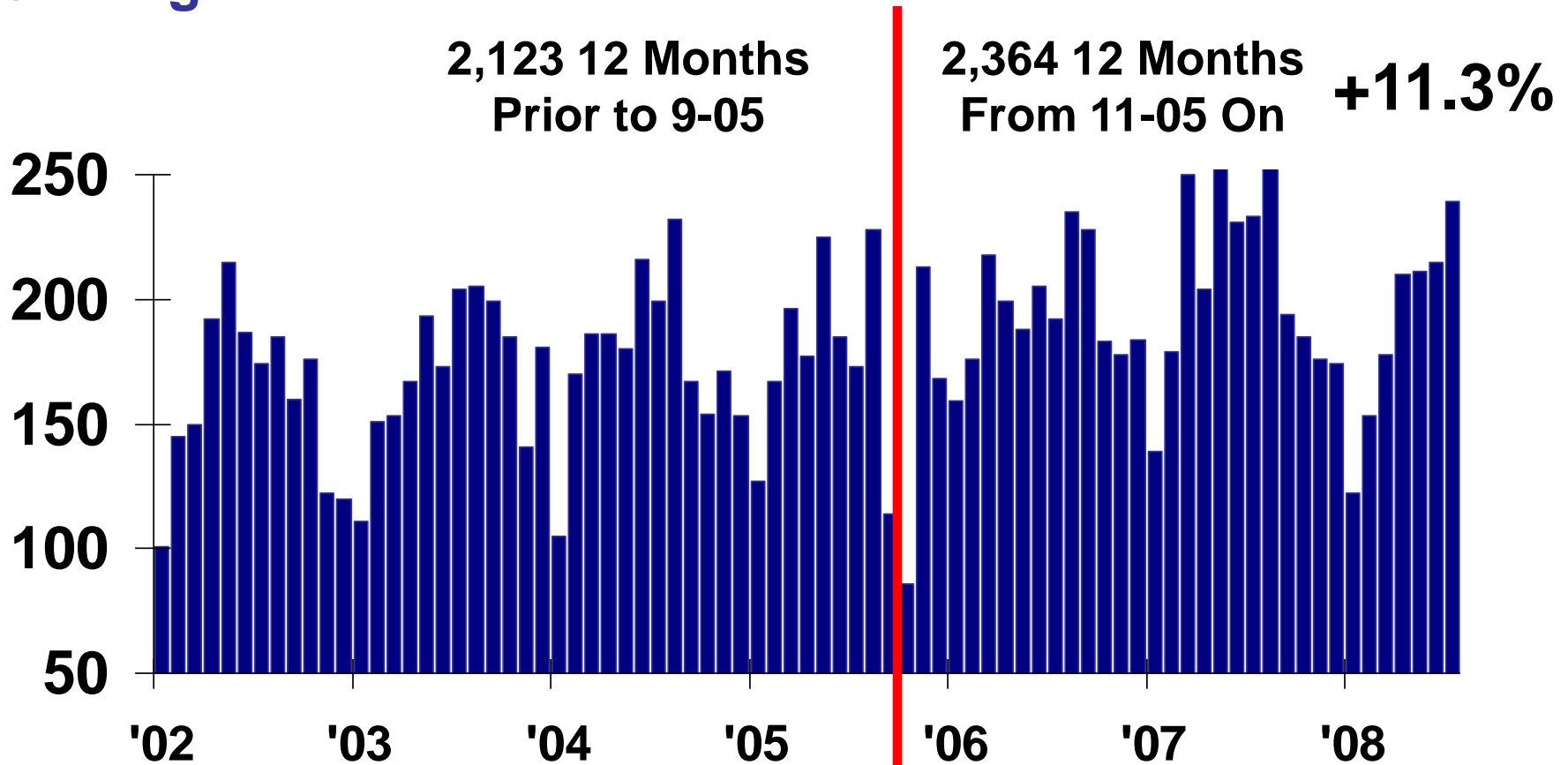
Beaumont-Pt Arthur Building Permits

Number of Dwelling Units



Beaumont Existing Home Sales

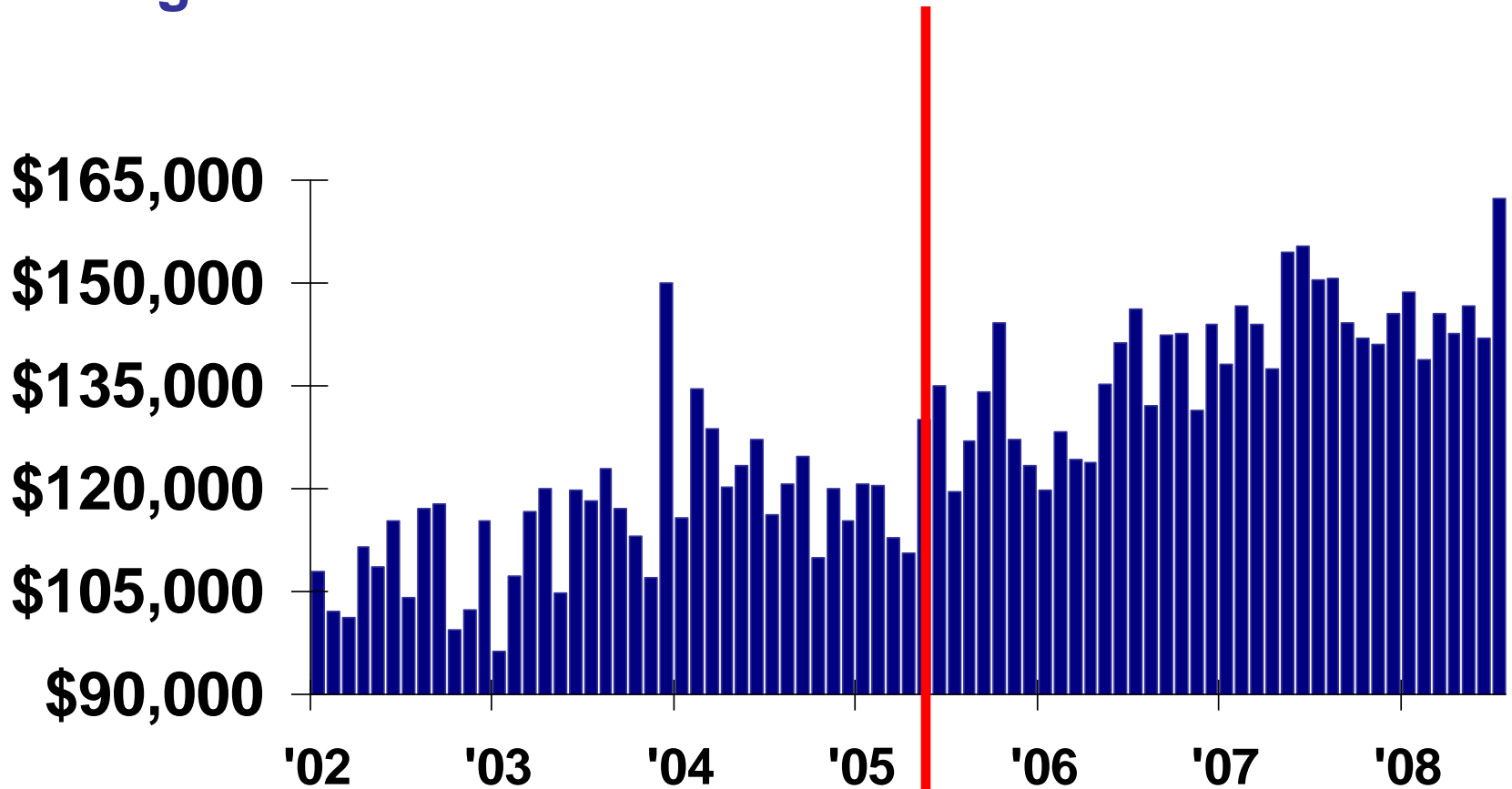
Closings Per Months



Hurricane Rita September 24 2005

Beaumont Existing Home Sales

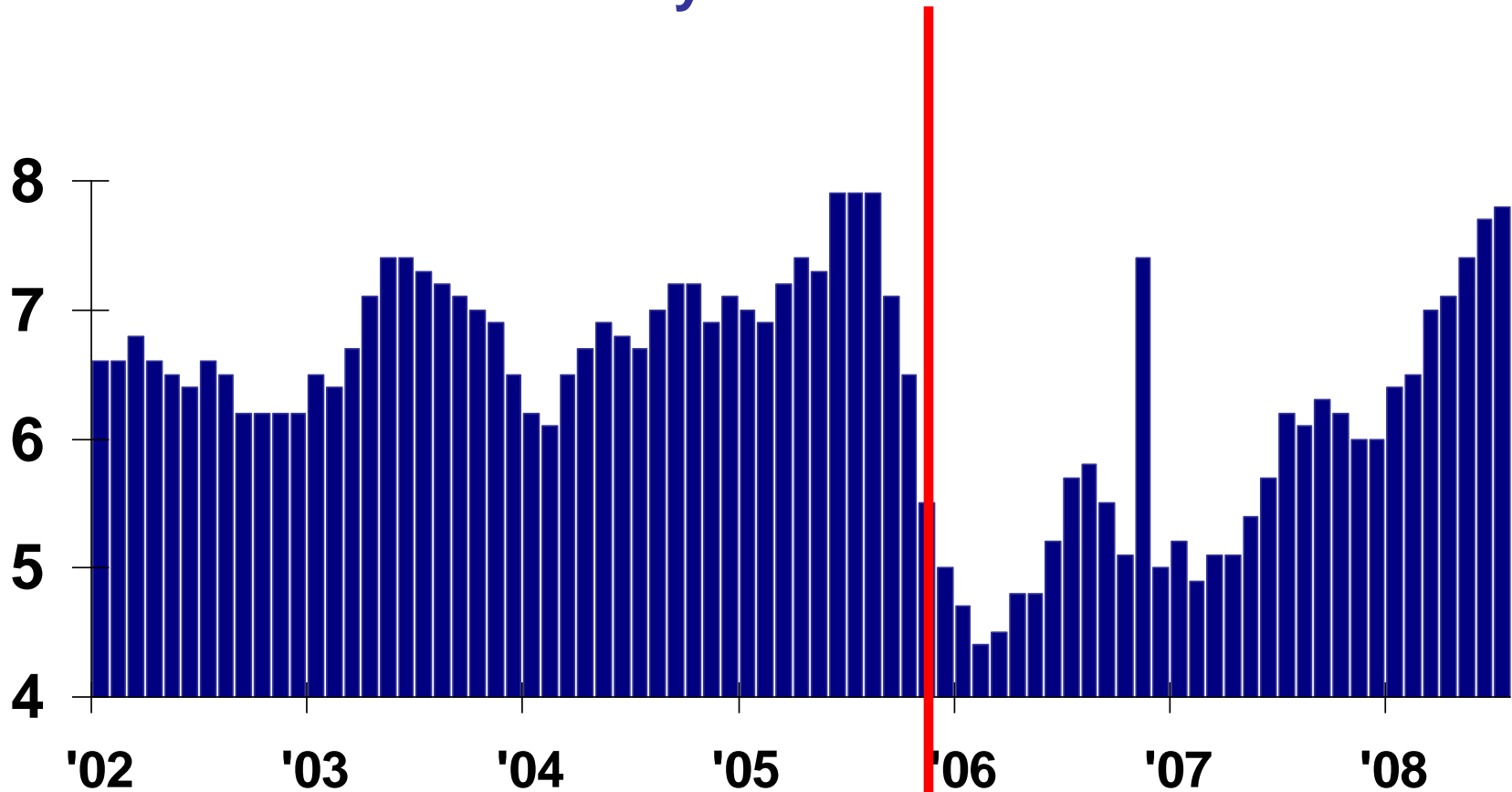
Average Price



Hurricane Rita September 24 2005

Beaumont Existing Home Sales

Number Months Inventory

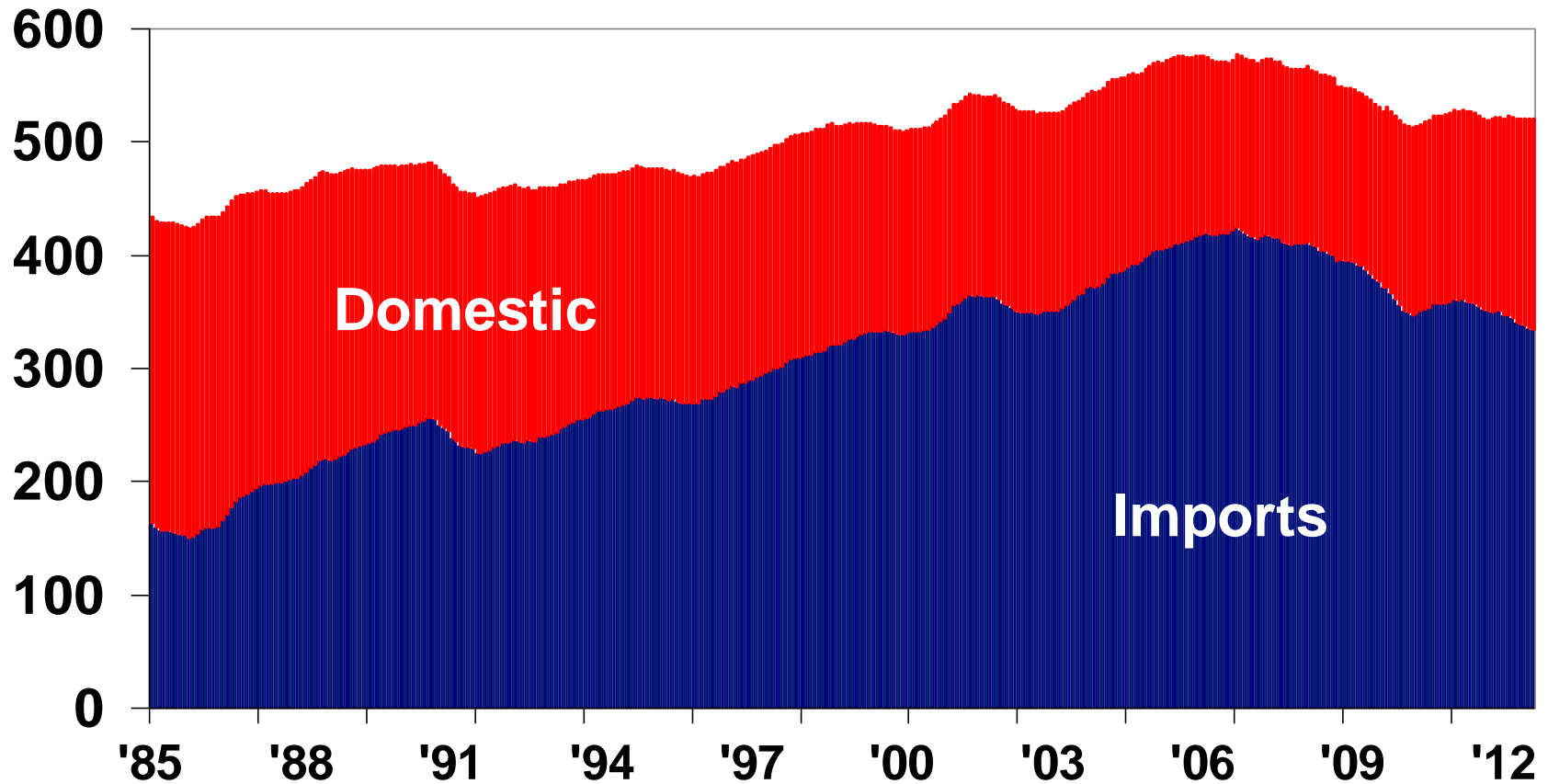


Hurricane Rita September 24 2005

Oil Production – Imports vs. Domestic

Imports of Crude Oil and Petroleum Products vs. Domestic Crude Oil Production

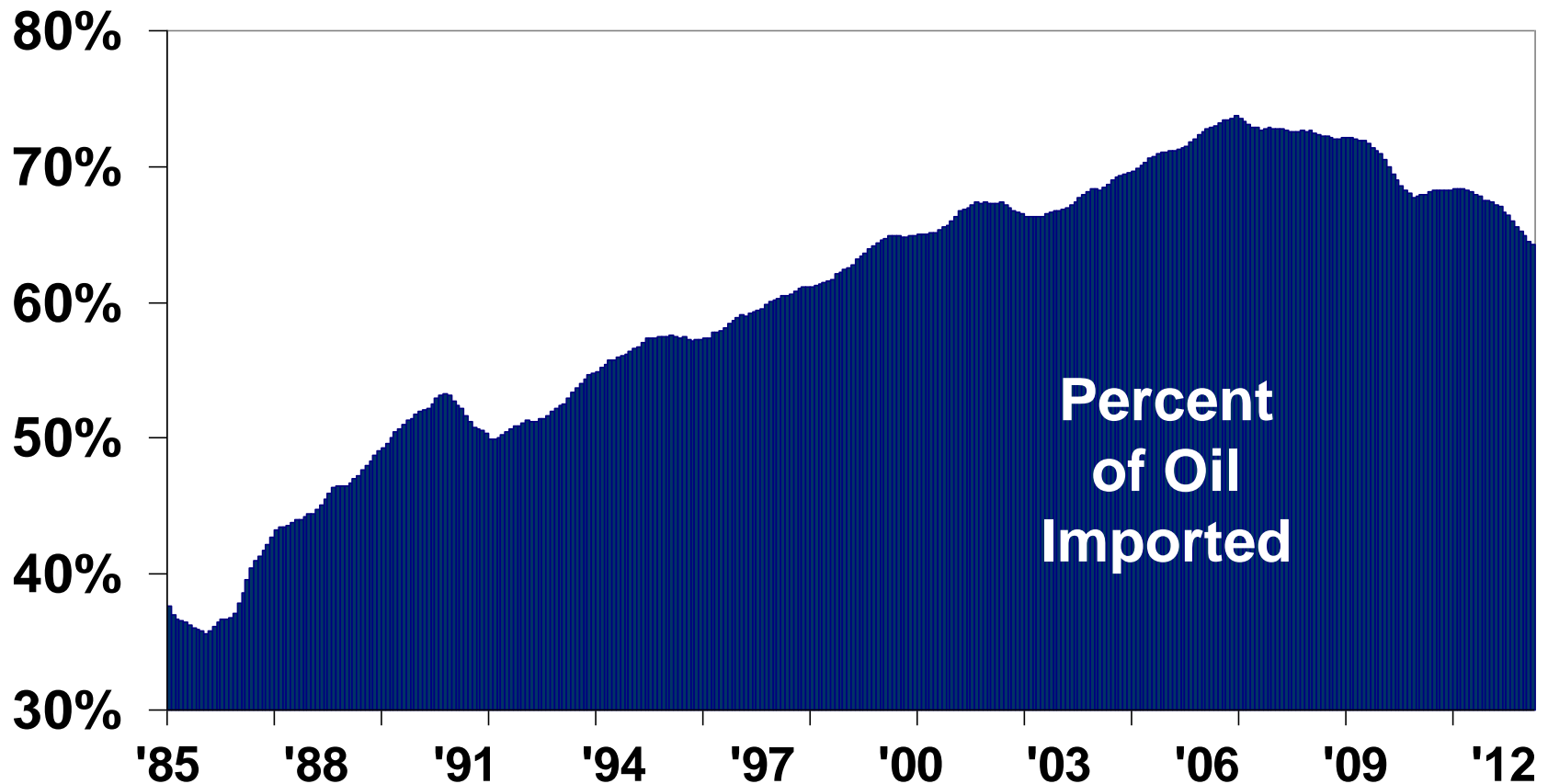
Barrels Per Month (Millions) *Average for Prior 12 Months*



U.S. Percent of Oil Imports

Imports of Crude Oil and Petroleum Products vs. Domestic Crude Oil Production

Percent of Oil Imported -- *Average for Prior 12 Months*



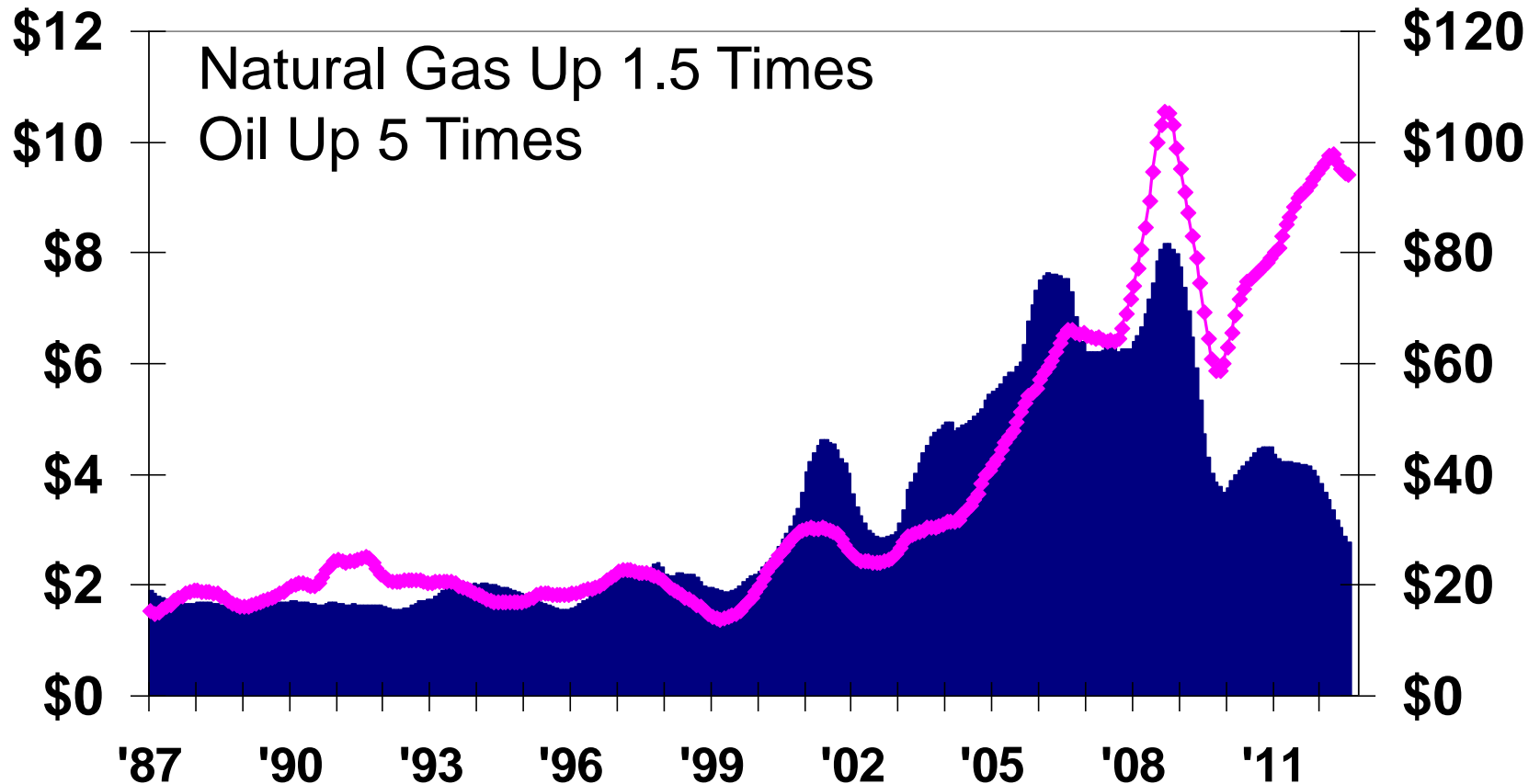
Percent
of Oil
Imported

Well Head Natural Gas Price vs. WTI Crude Oil Gas Per 1,000 Cubic Feet, Oil Per Barrel

12 Month Moving Average

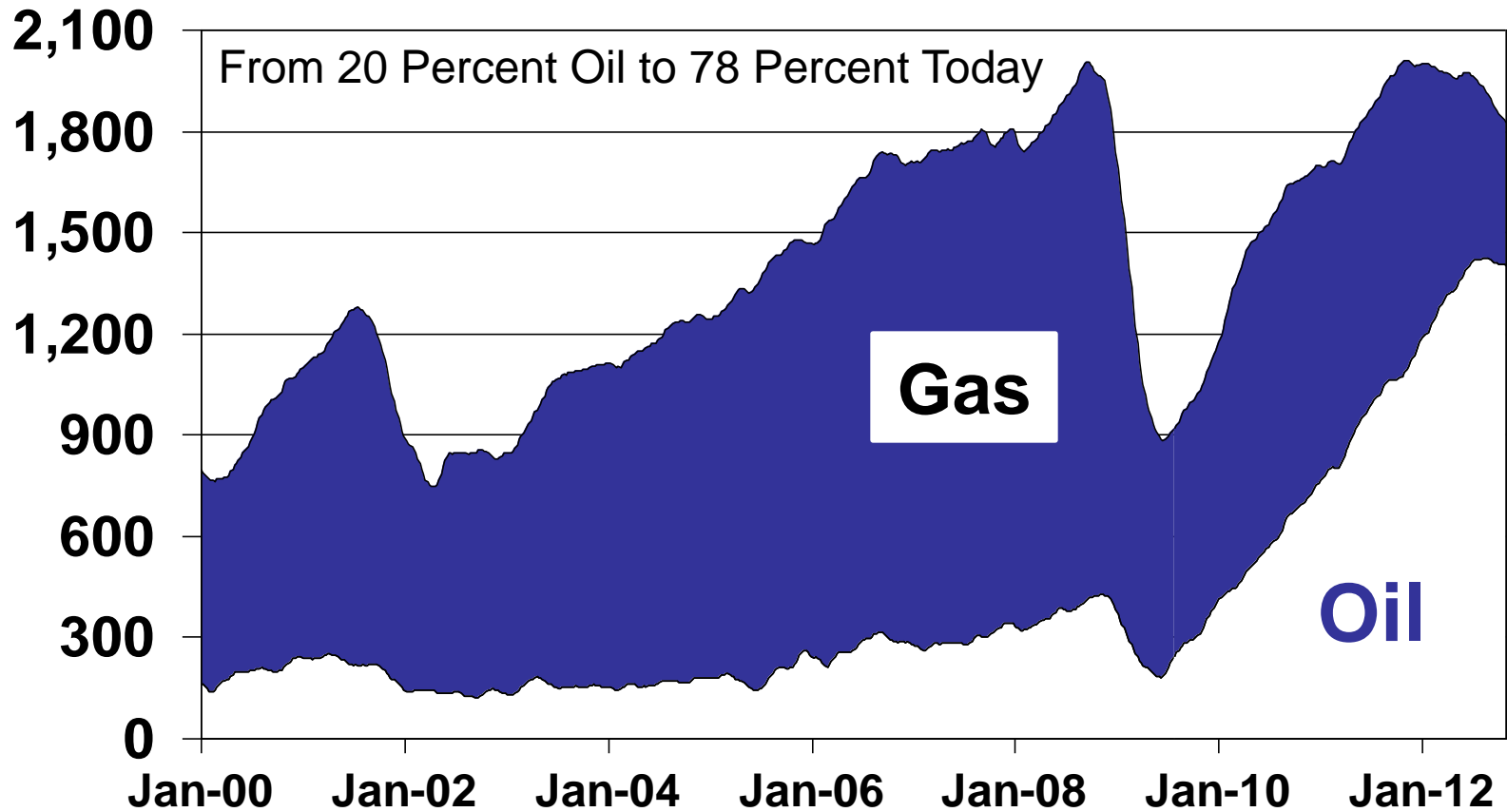
Natural Gas

Oil



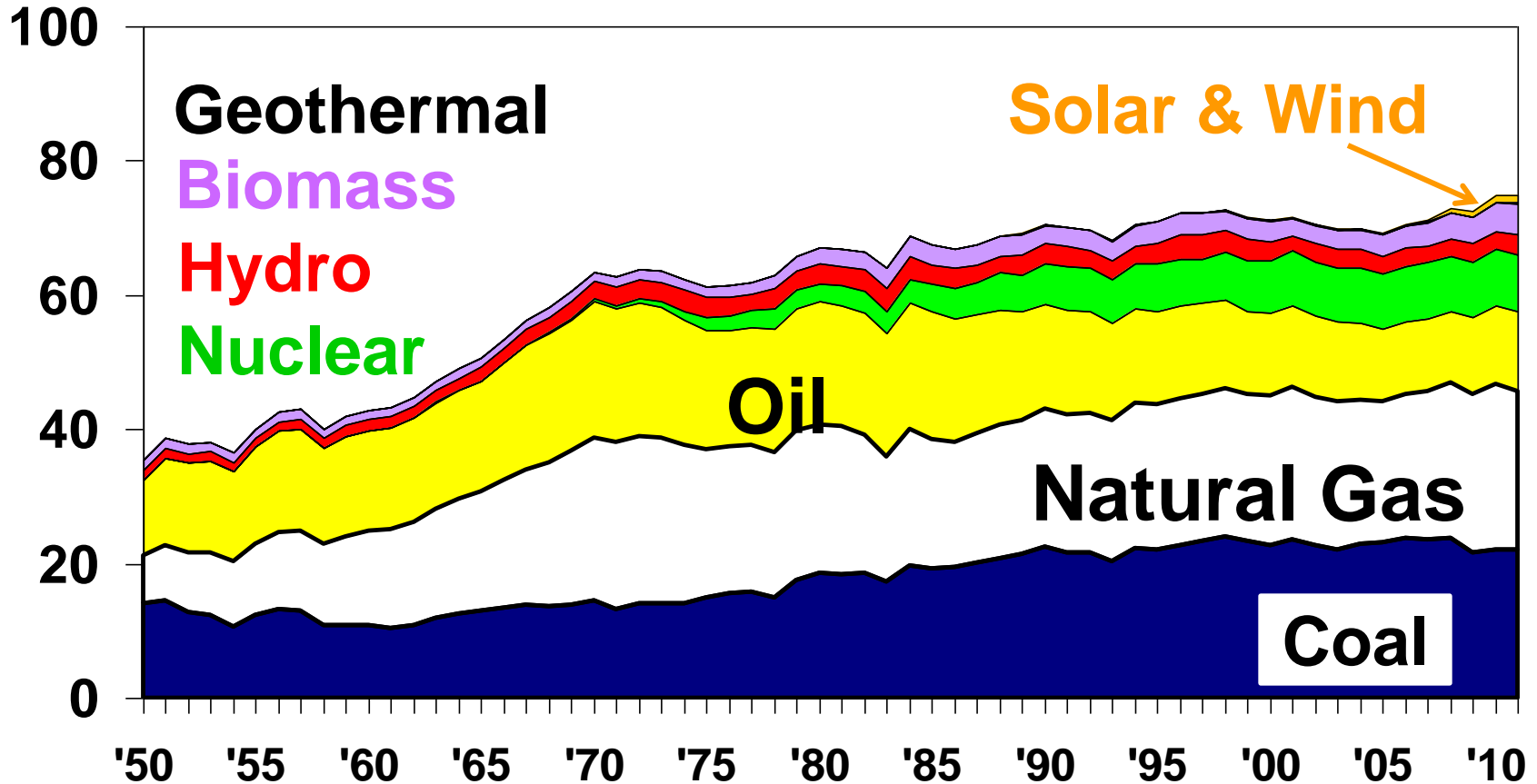
U.S. Oil & Gas Rotary Rig Counts

Number of Rigs – 5 Week Moving Average



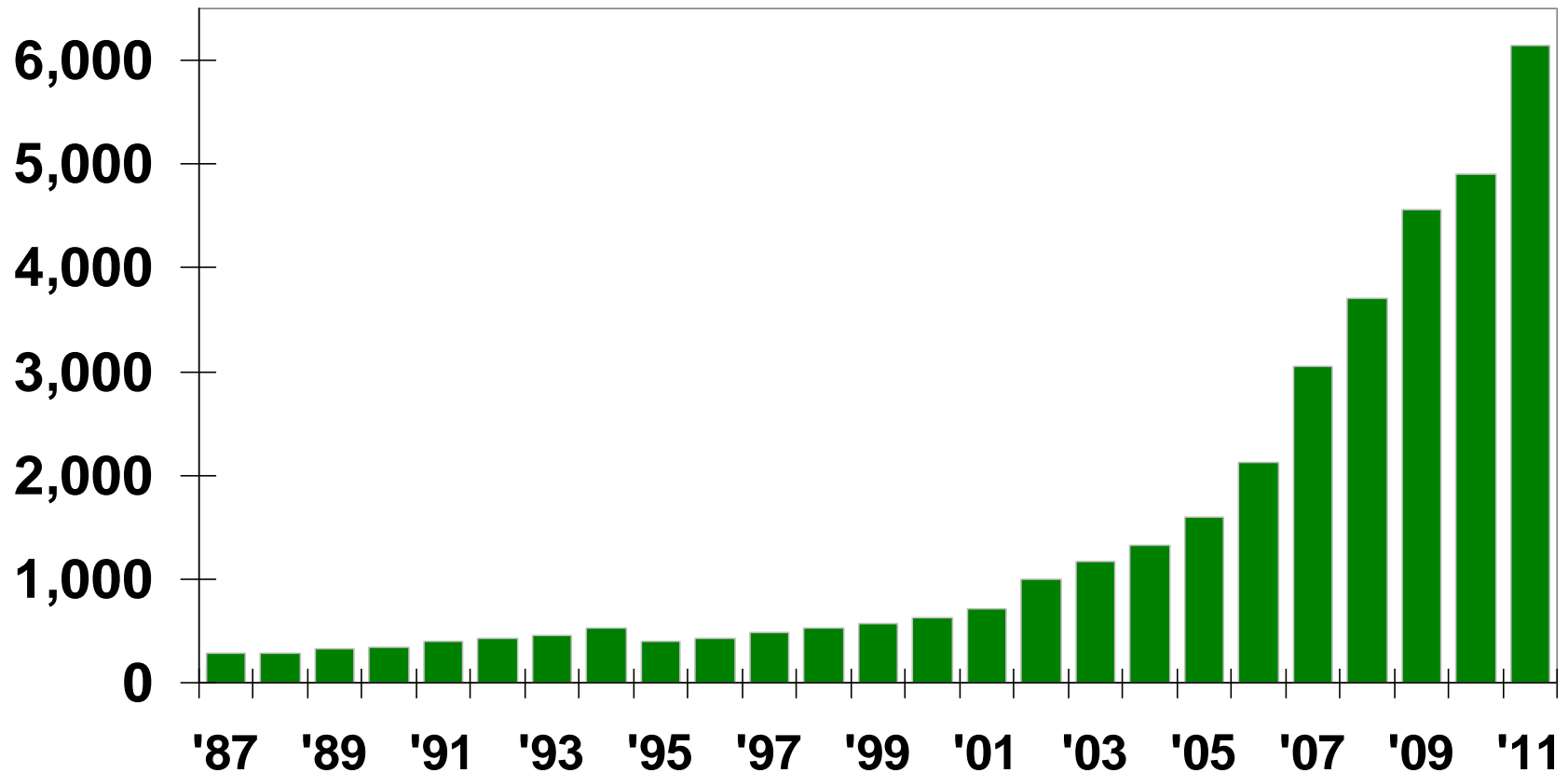
US Energy

Quadrillion BTUs Restated by USEI



Corn Used for Ethanol Production

Bushels -- *Millions*

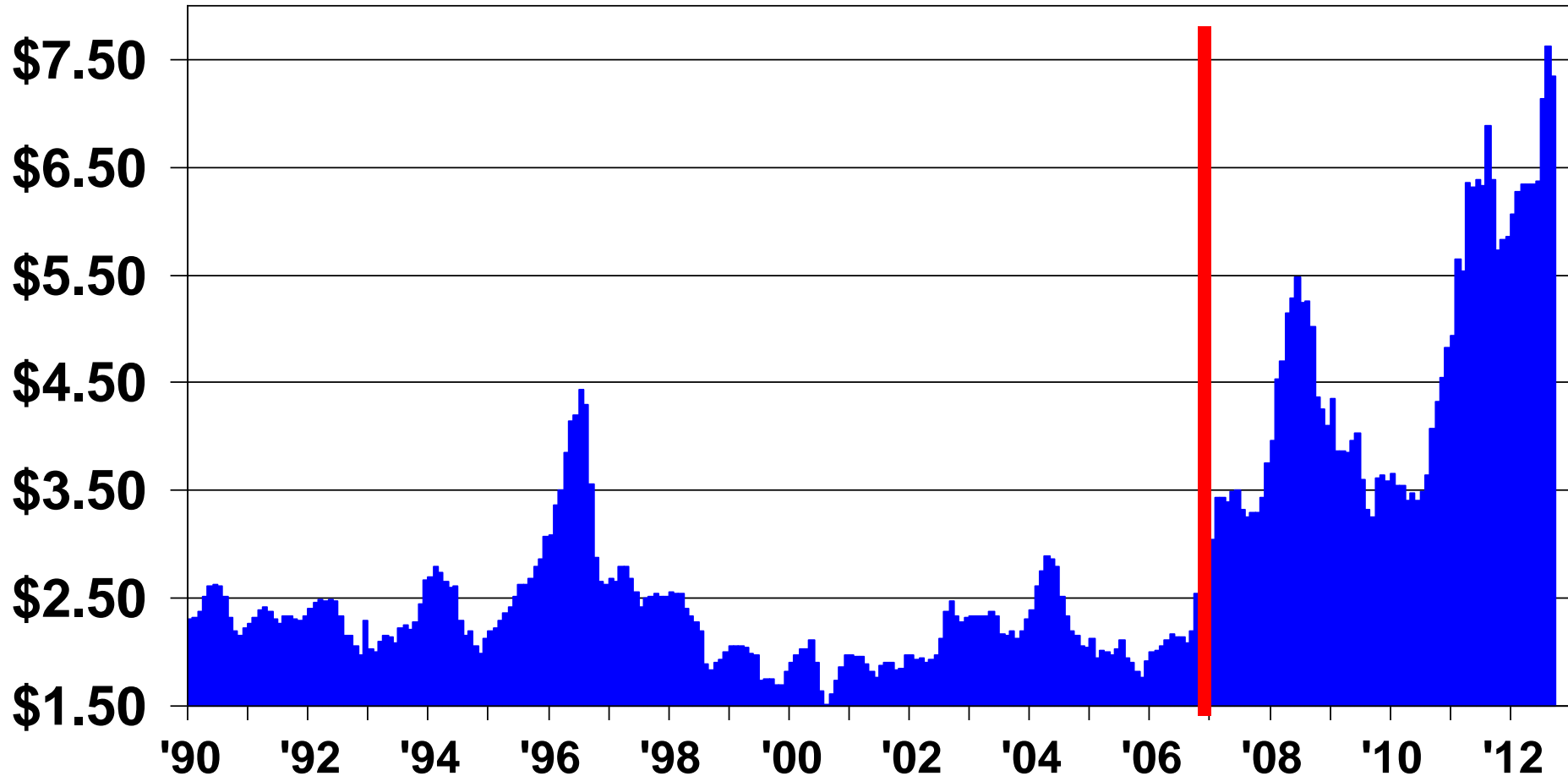


Source: National Corn Growers Association, *The World of Corn*, 2011 and previous annual editions,
<http://www.ncga.com>

Note: Based on Marketing Year September - August (i.e., 1985 data are from September 1985-August 1986)

Corn Prices

Price Per Bushel



Percent of U.S. Energy 2011

Solar	0.16%
Wind	1.50%
Geothermal	0.29%



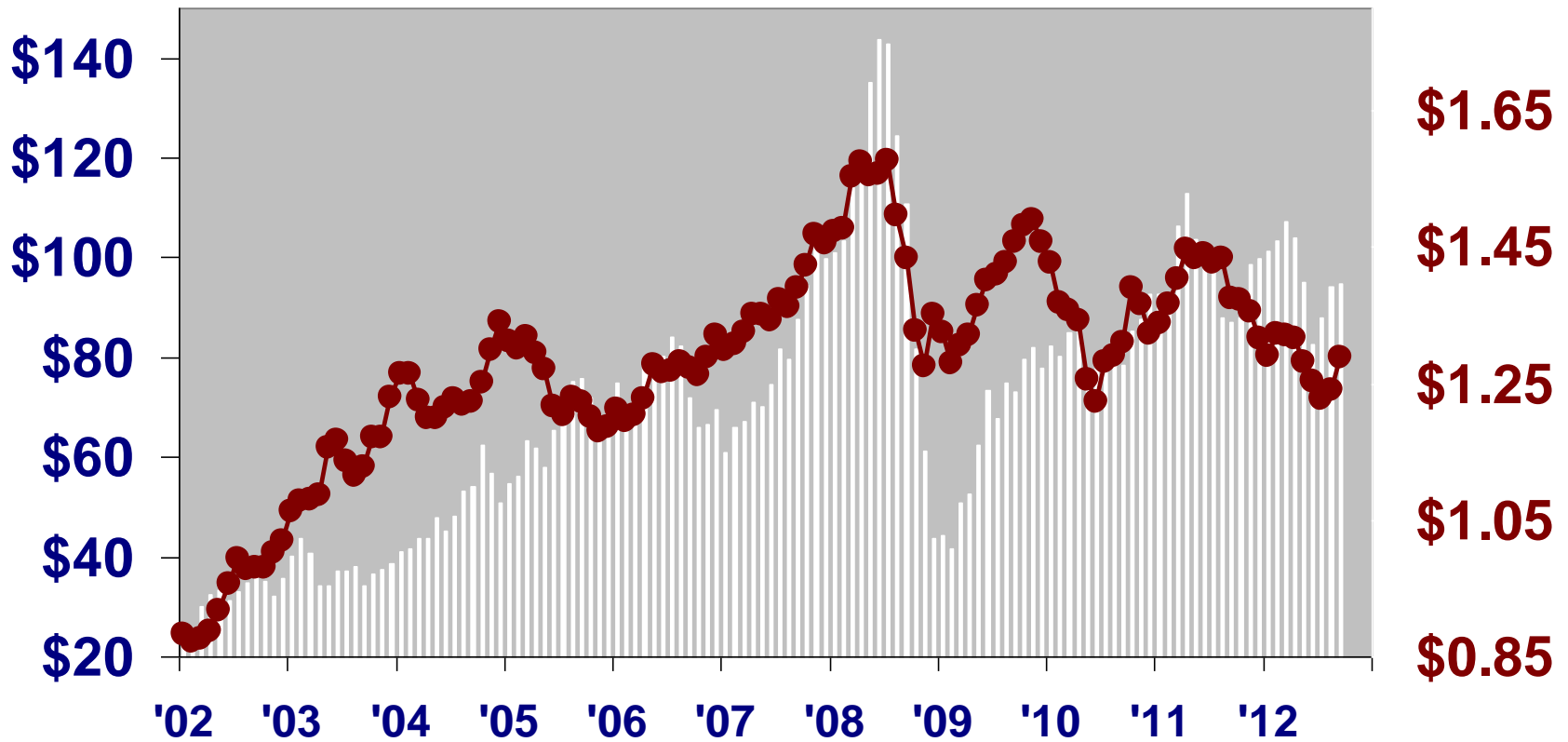
Independent Statistics & Analysis
U.S. Energy Information
Administration

Oil Prices & Exchange Rates \$US Per Euro

Oil in October 2012 Dollars

Dollars
Per
Euro

Oil Price



IEA: U.S. to overtake Saudi Arabia as world's largest oil producer by 2020

11/12/2012 05:46:17 AM

QE3 - Quantitative Easing 3

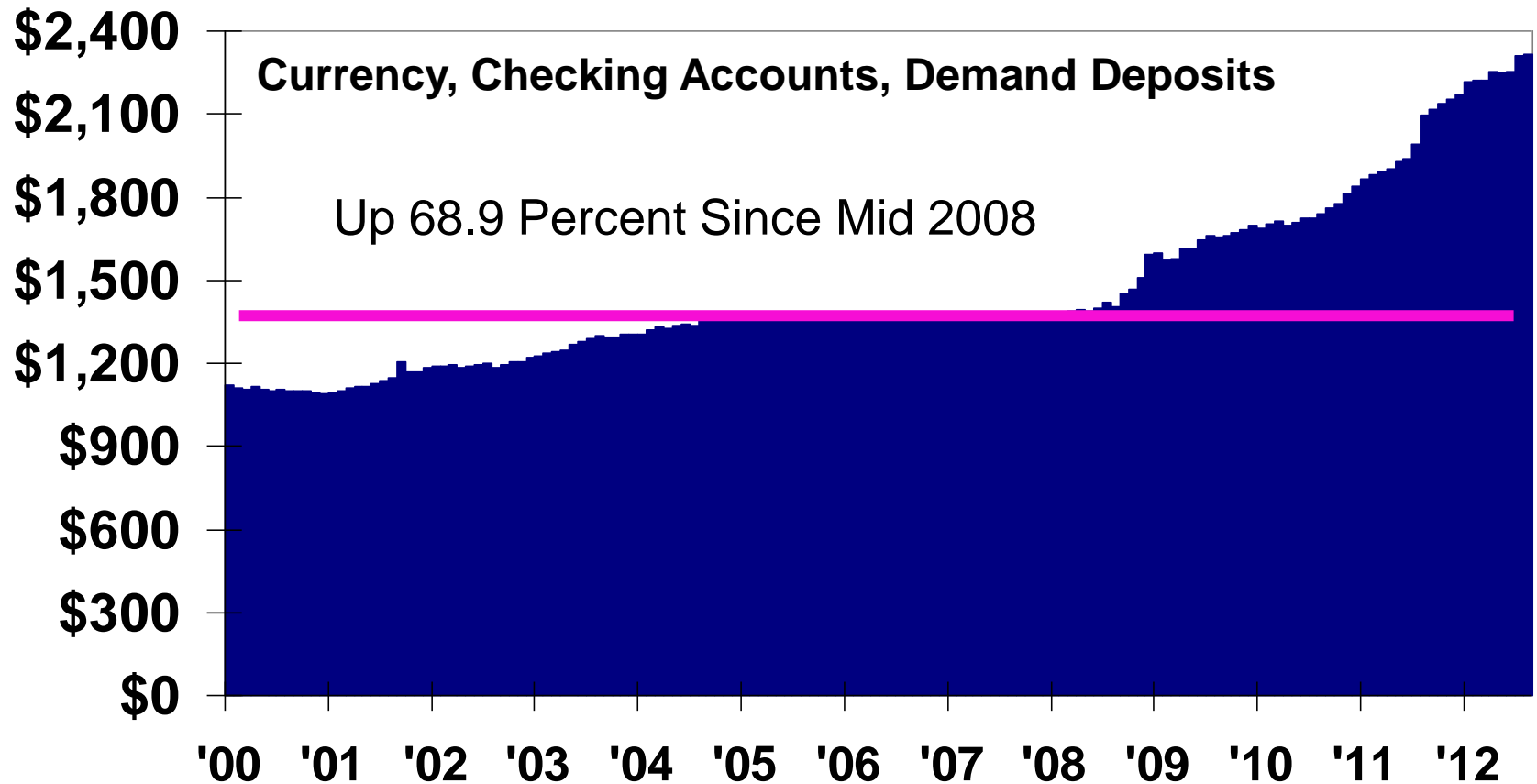
∞

$\Sigma (40)$

i = 1 \$40 Billion Per Month
Until the Economy Improves

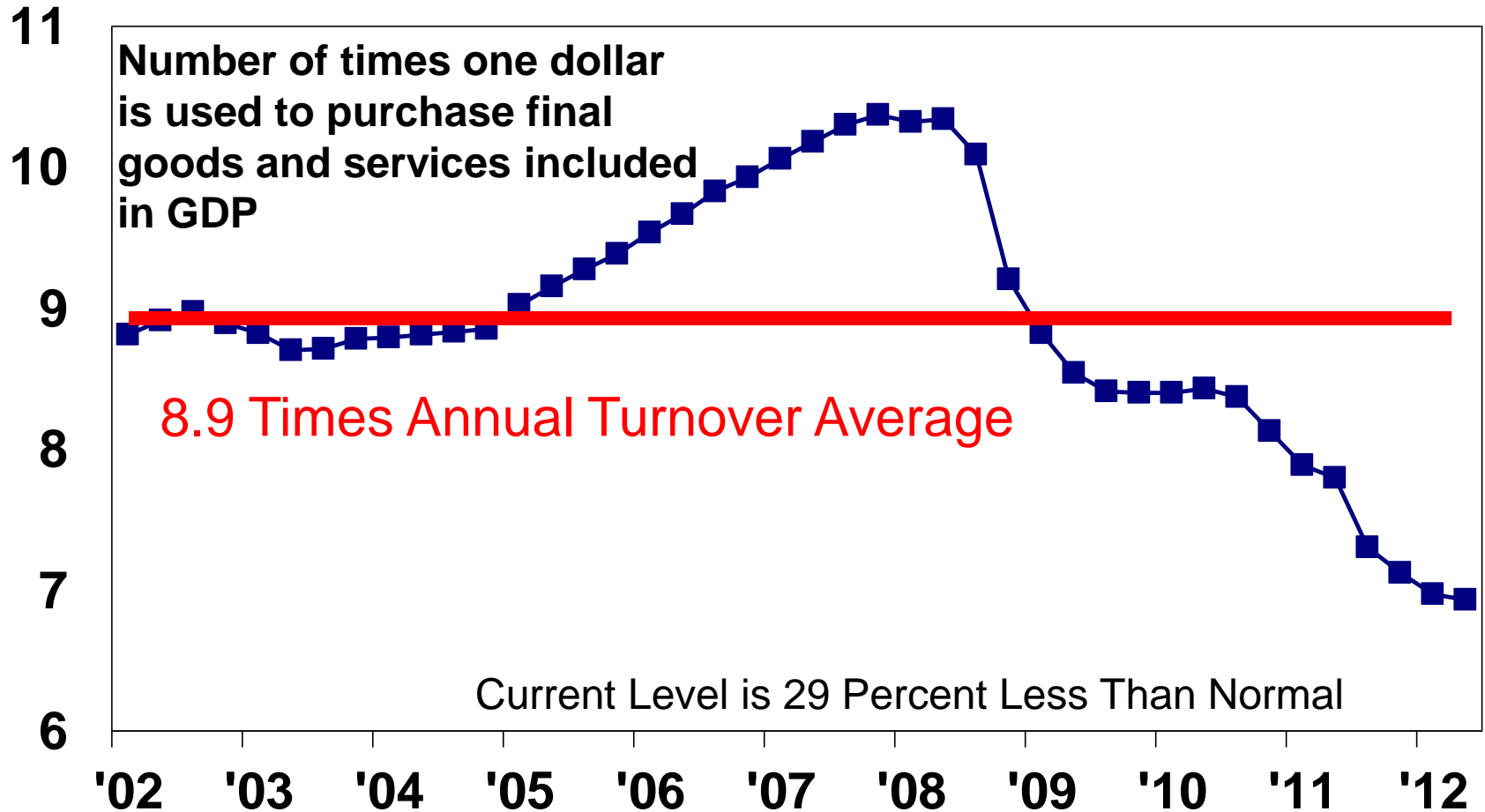
Money Supply – M1

\$ Billions – *Seasonally Adjusted*



Velocity of Money Supply M1

Velocity

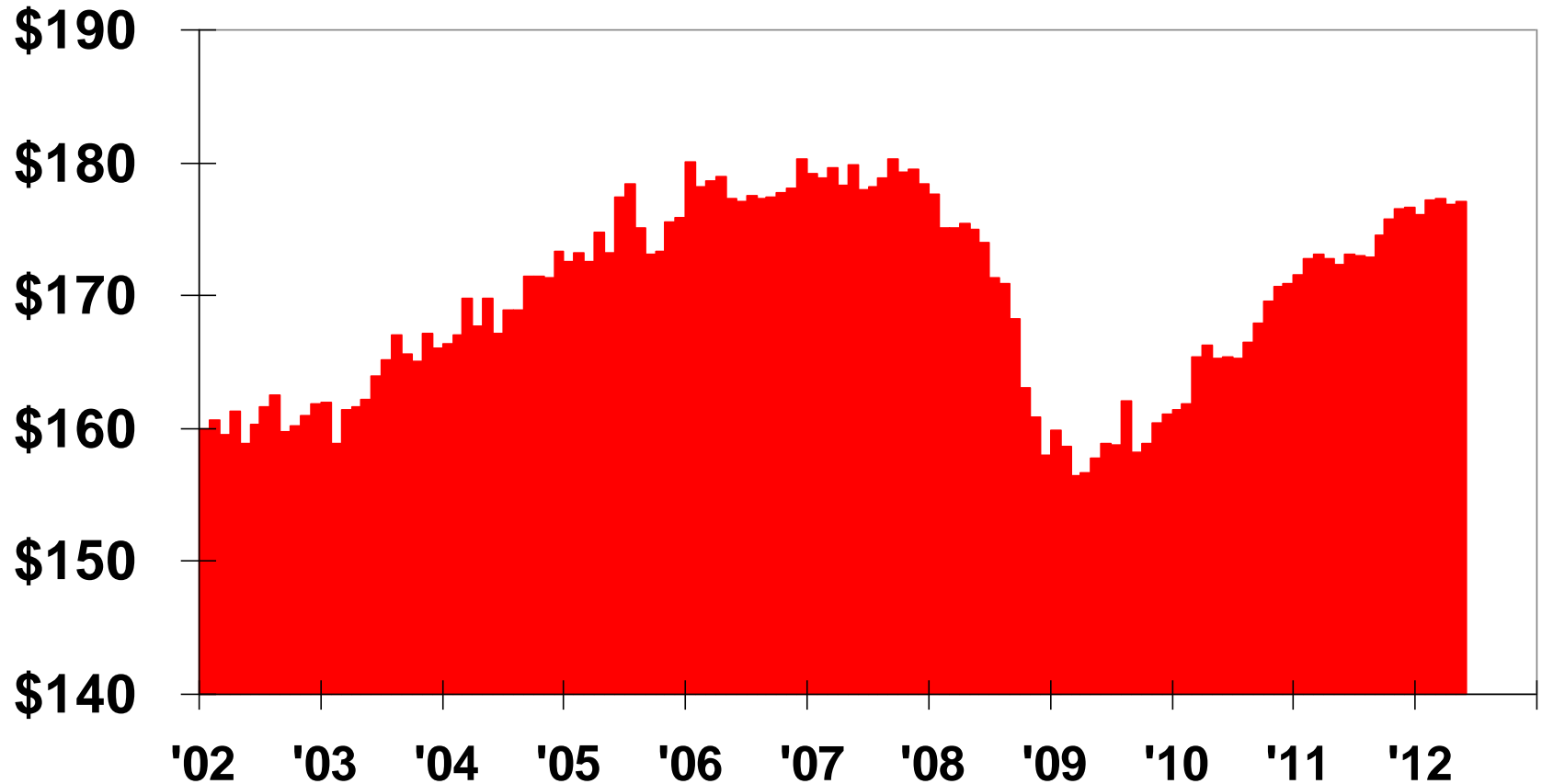


**Many
Green
Shoots
in
the
Economy**



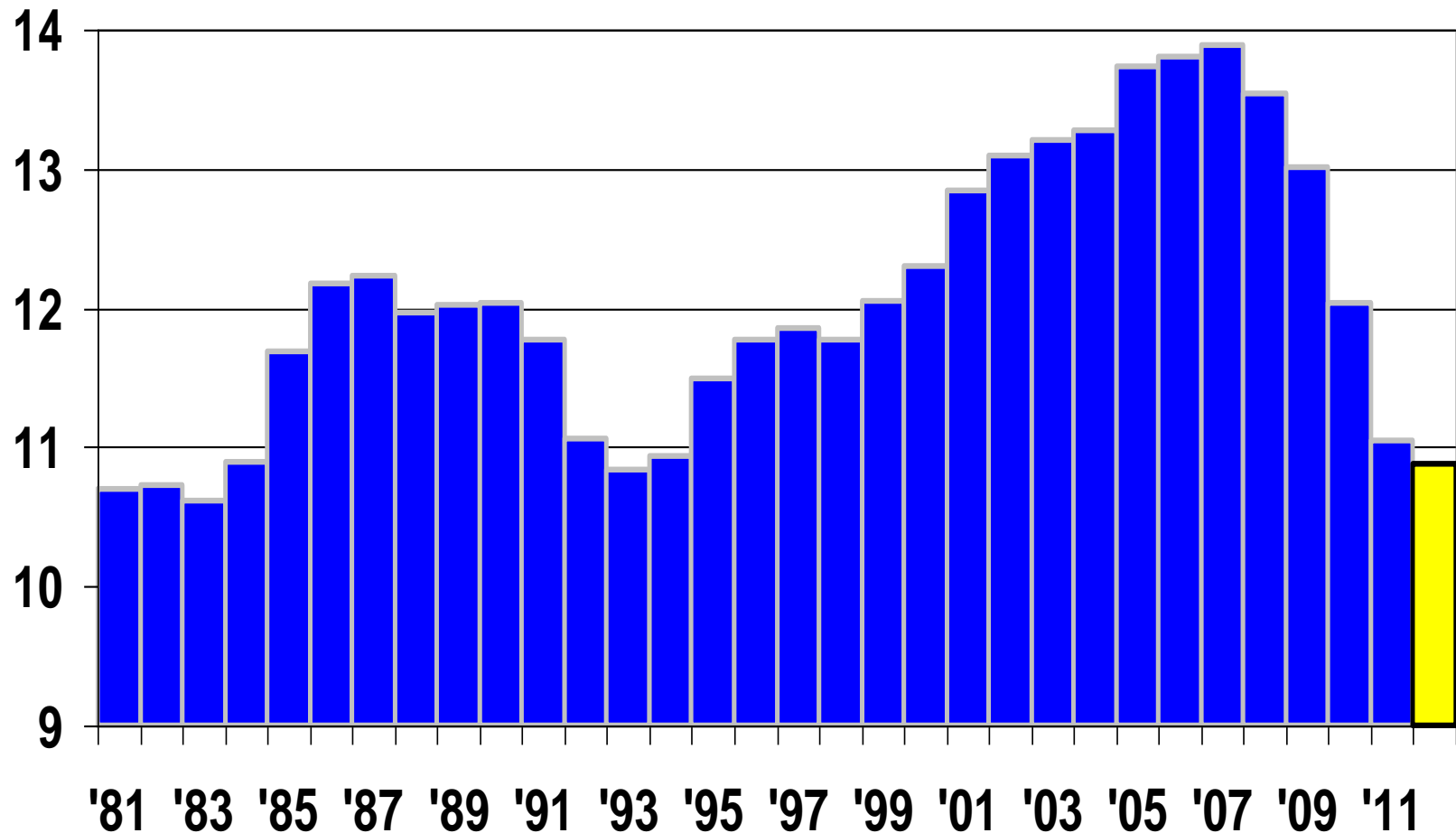
U.S. Real Retail & Food Service Sales

\$Billions – Seasonally Adjusted



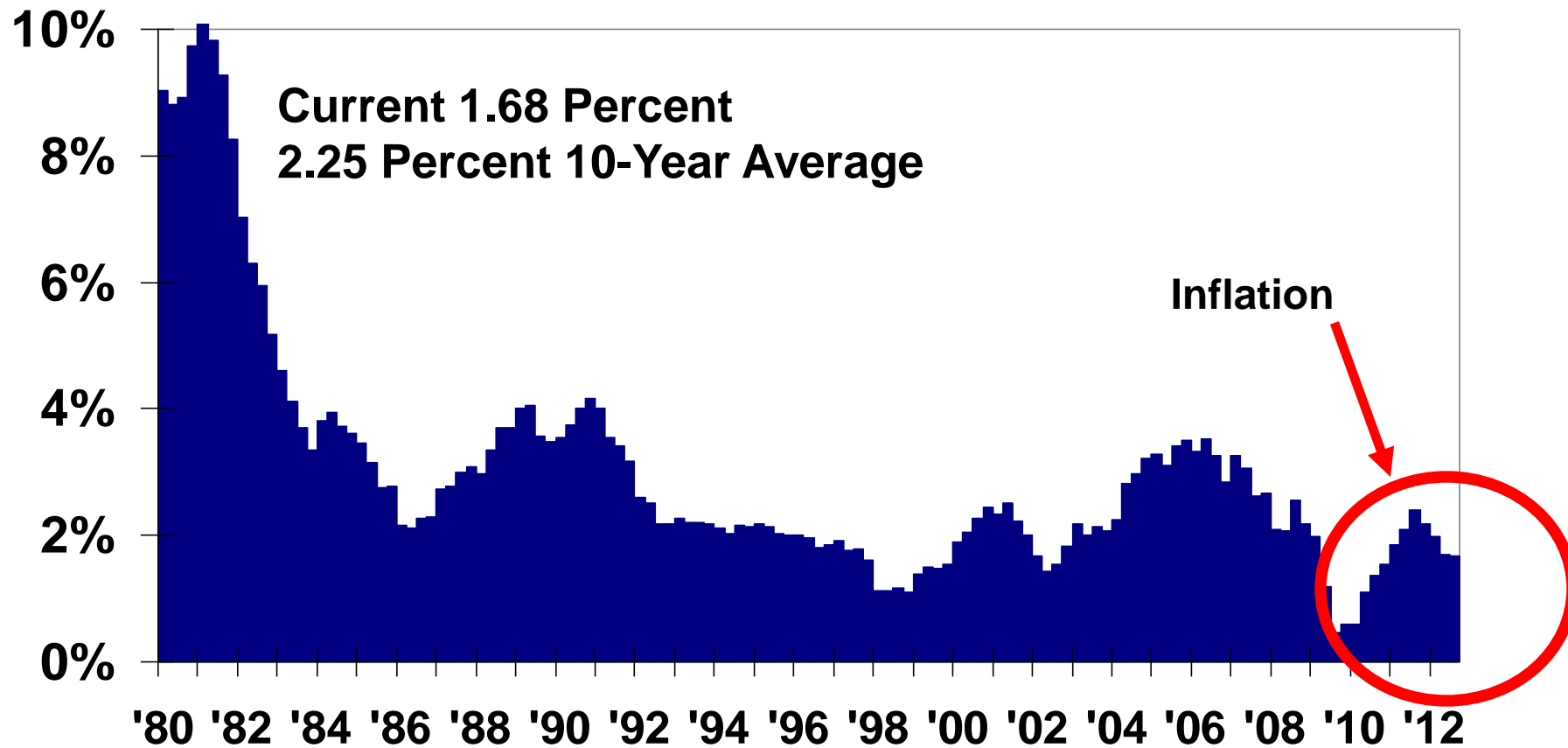
Household Debt Service as a Percent of Household Disposable Income

Percent



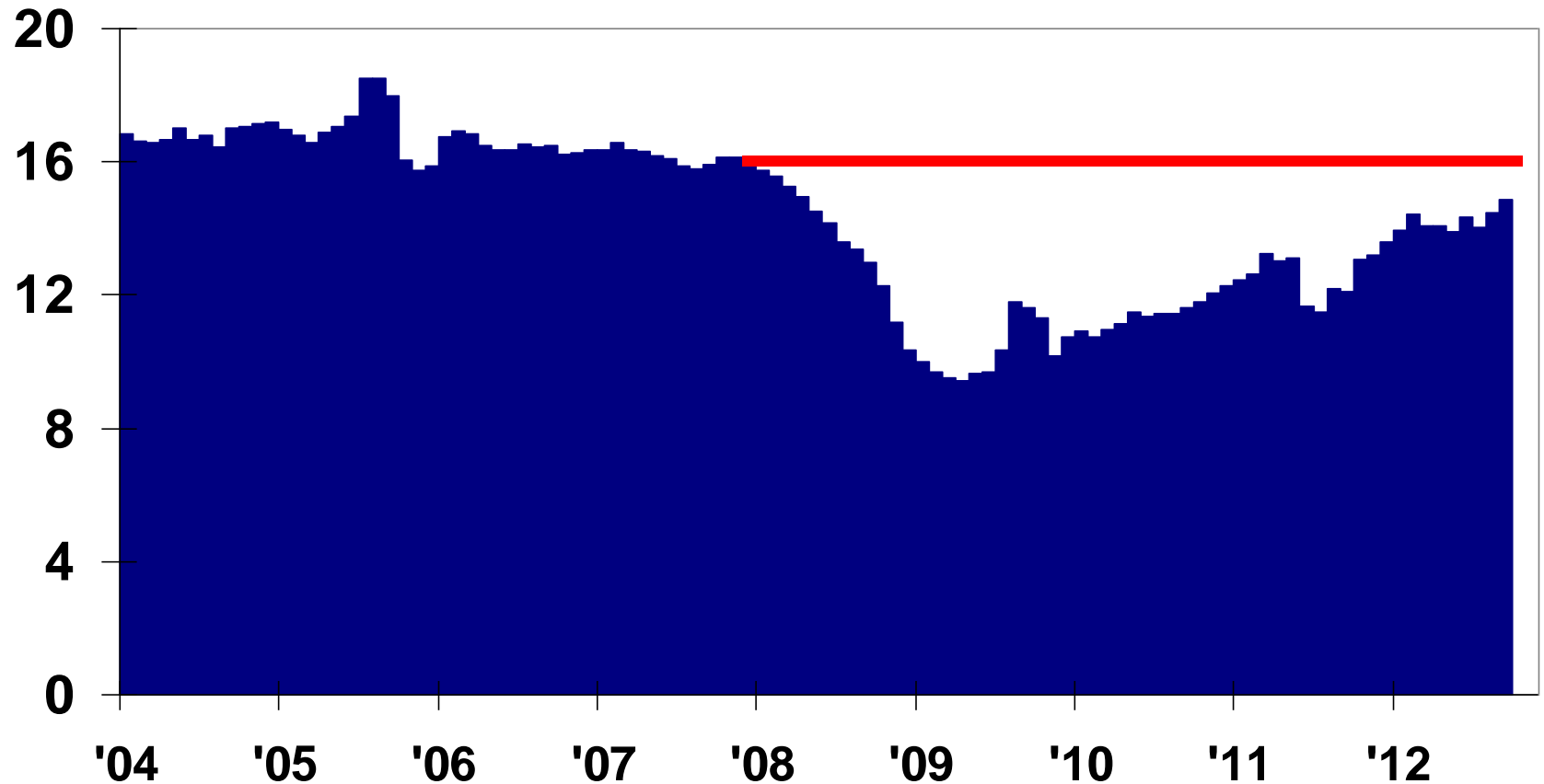
GDP Implicit Price Deflator

Percent Change from Same Quarter in Prior Year



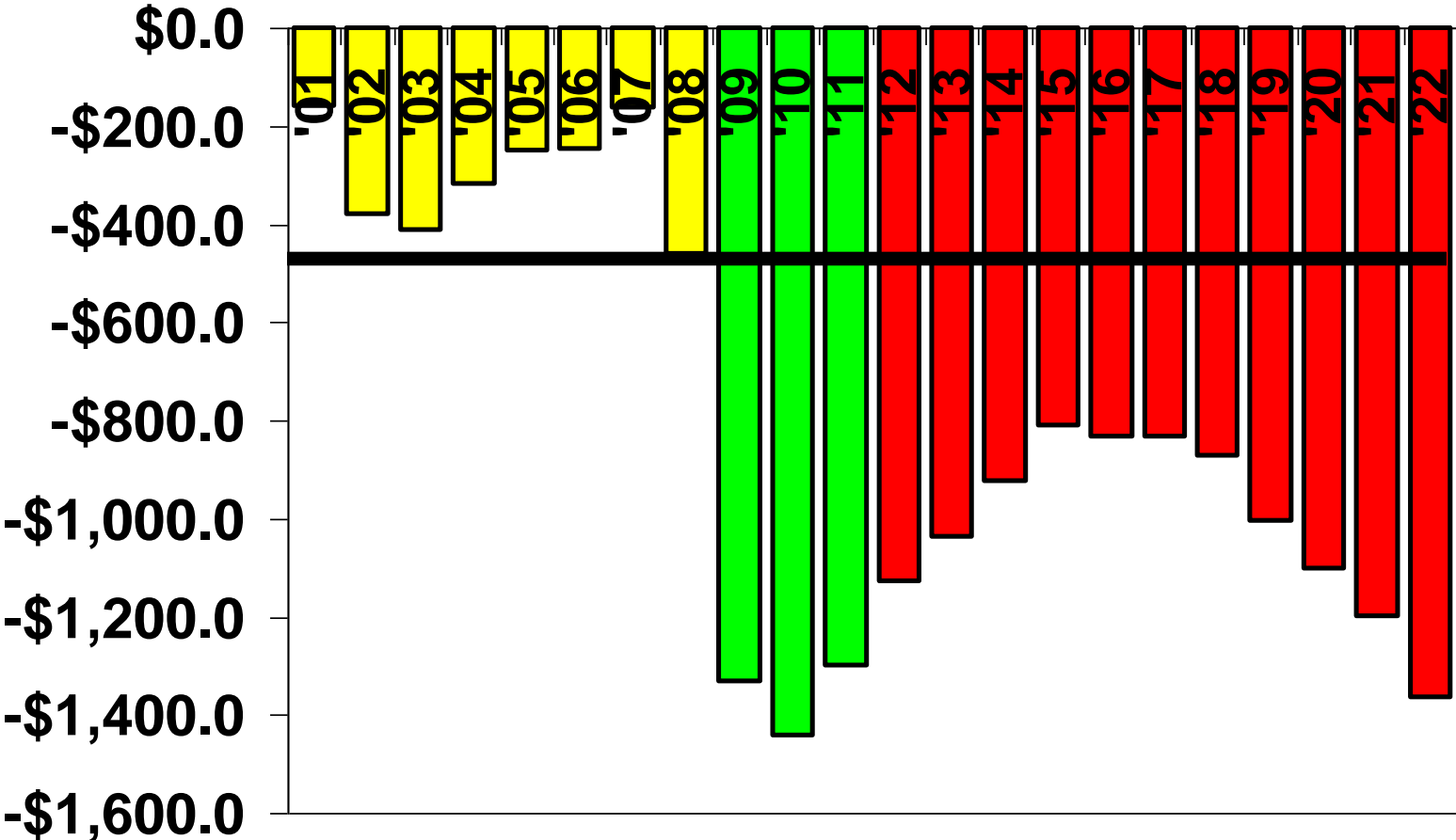
Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



Federal On-Budget Deficit Forecast

\$ Billions – Alternative Fiscal Scenario

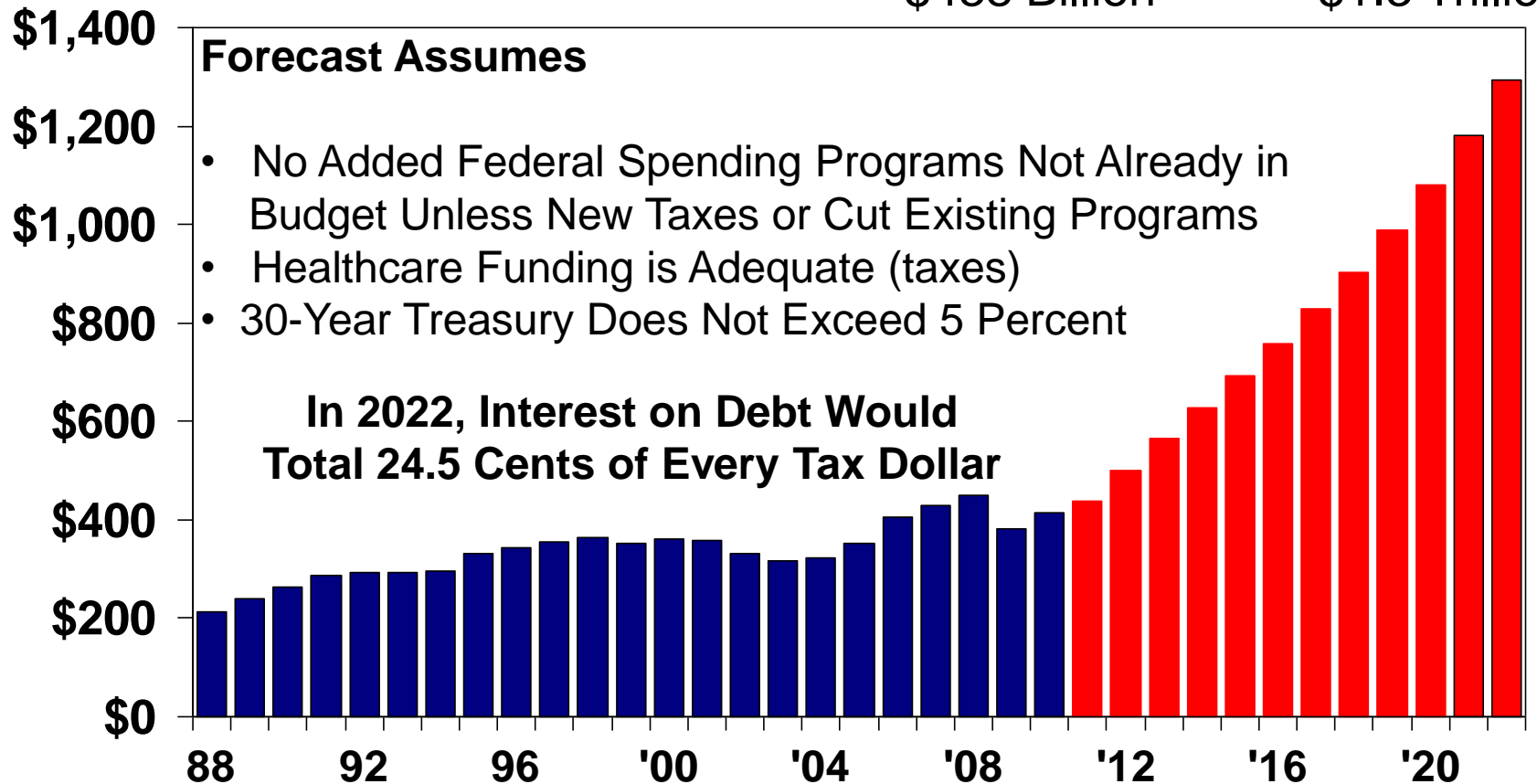


Interest Expense on Federal Debt

\$ Billions

2011
\$438 Billion

2022
\$1.3 Trillion

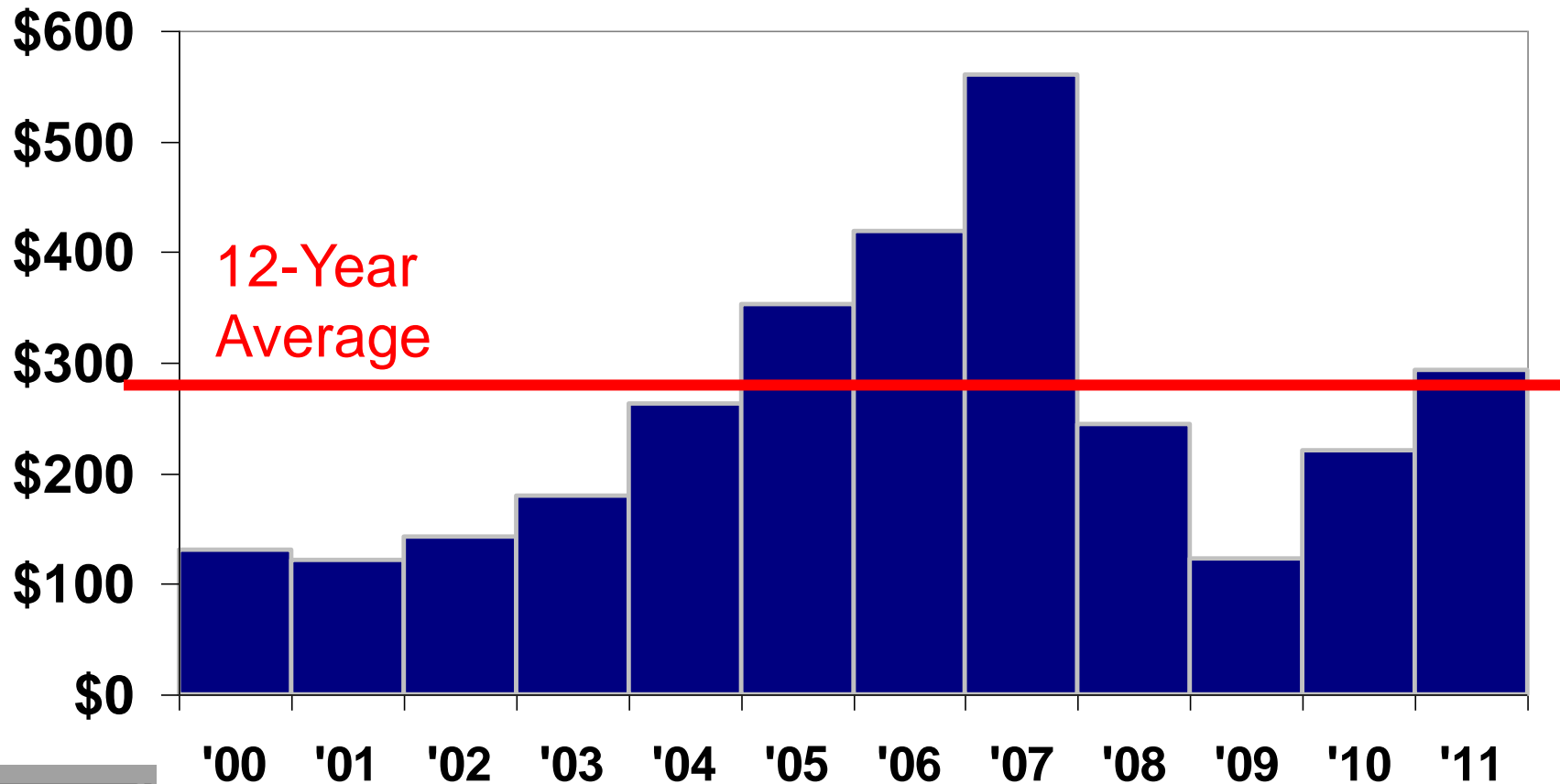


CBO Forecast

**TIME TO
OVERWEIGHT
IN
REAL ESTATE**

Commercial Real Estate Sales Volume

\$ Billions





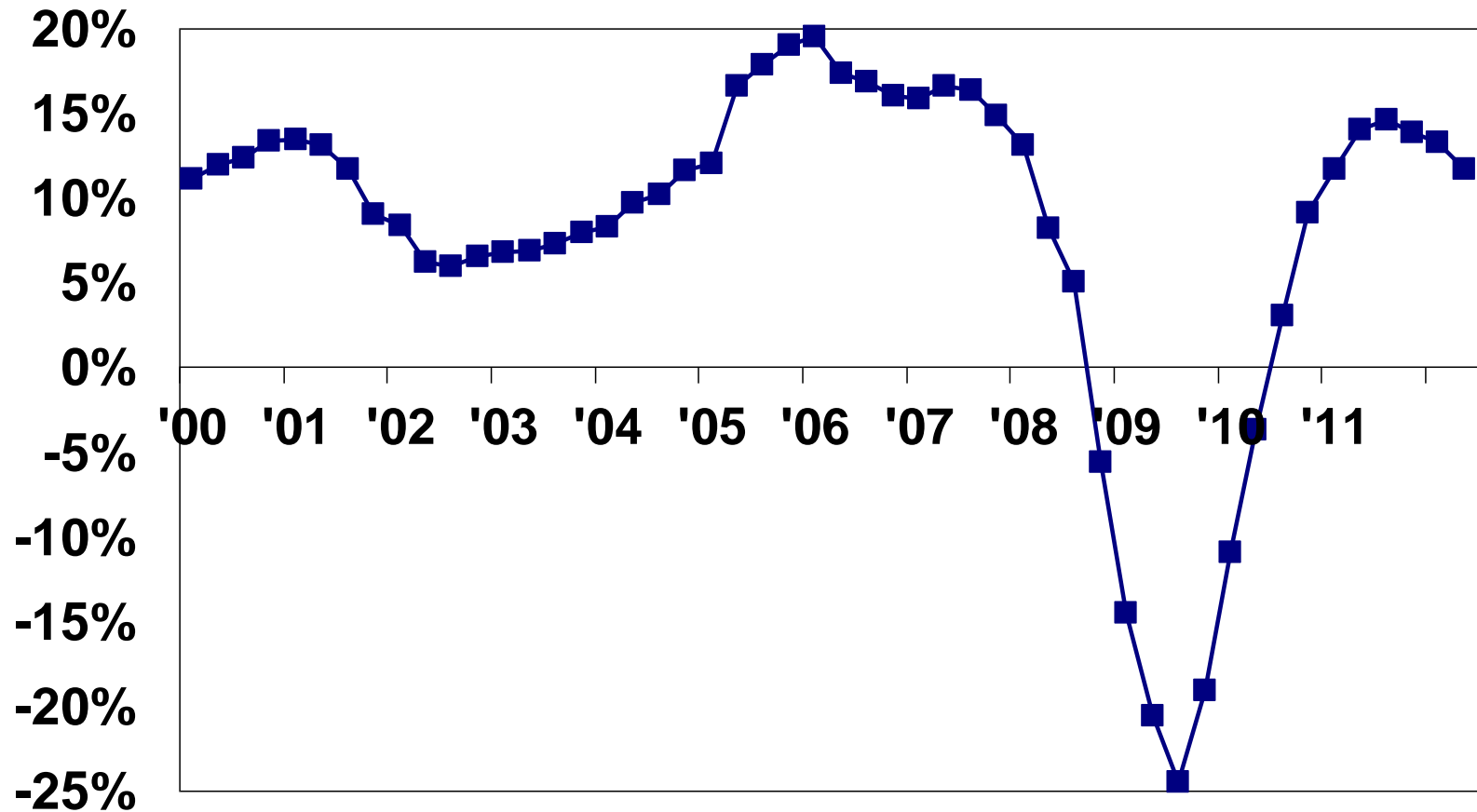
<http://www.ncreif.org/property-index-returns.aspx>

U.S. Industrial Property Returns

Price and Performance Returns

Percent TTM

8.81 Percent Average Annual Return

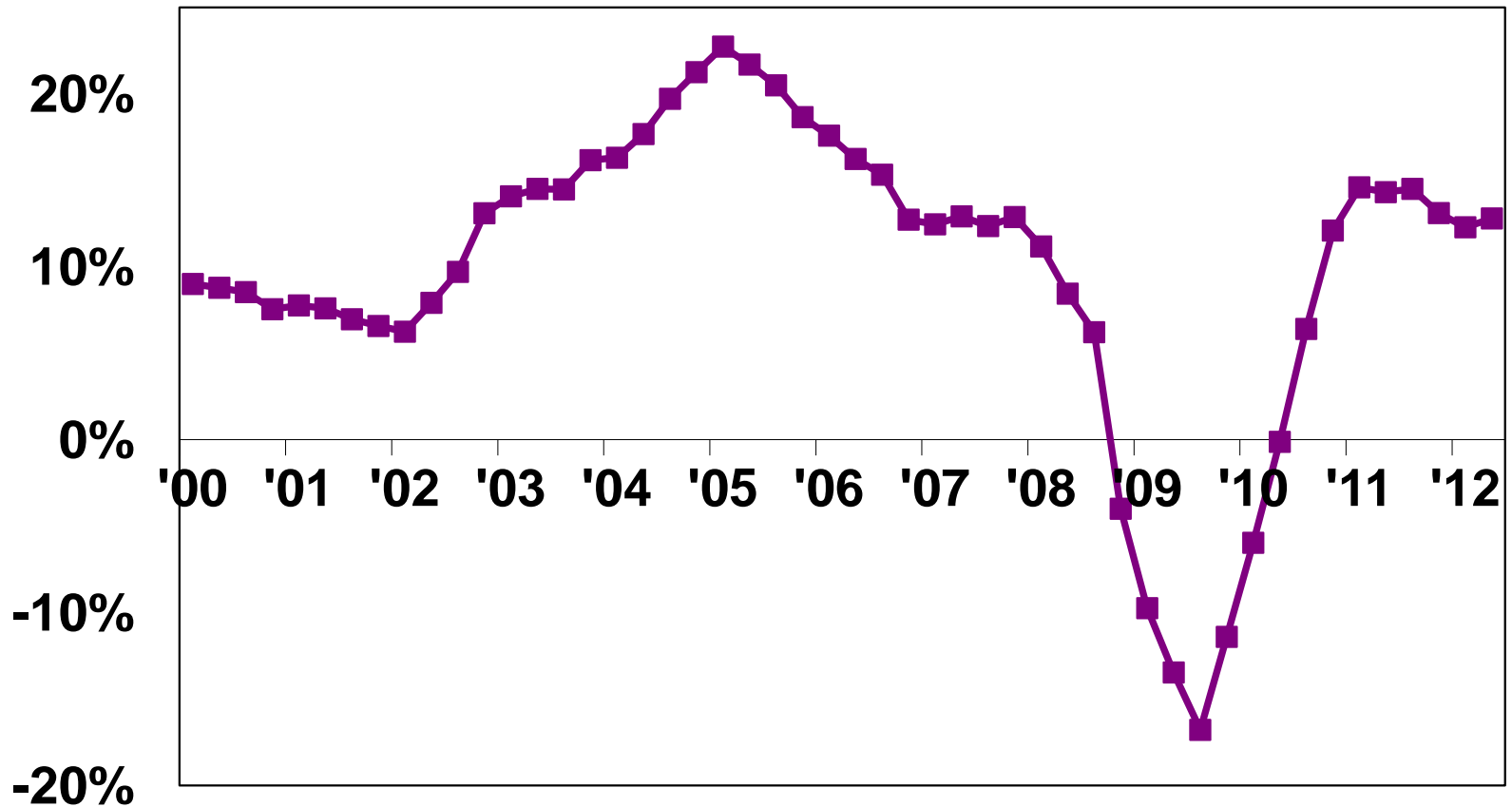


U.S. Retail Property Returns

Price and Performance Returns

Percent TTM

9.89 Percent Average Annual Return

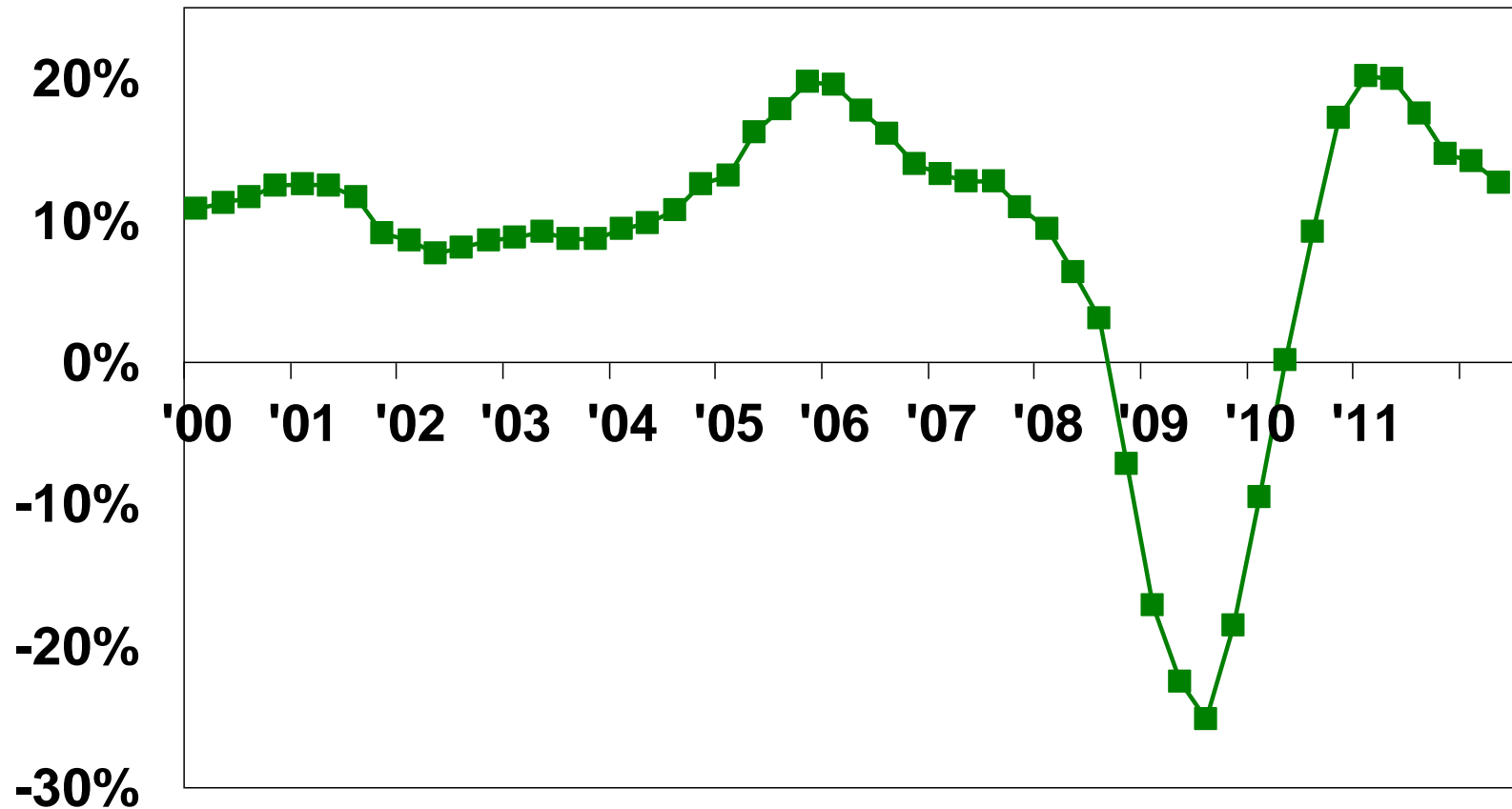


U.S. Apartment Property Returns

Price and Performance Returns

Percent TTM

8.56 Percent Average Annual Return



Average Annual Returns Since 2000

Property	Return
Retail	9.89%
Hotels	6.30%
Apartments	8.56%
Industrial	8.81%
Offices	7.68%

Source: NCREIF

Comparative 10-Year Investment Performance

10-Year Returns	10-Year Price Change	Annual Dividend	Total Annual Return
Commercial Real Estate	26.30%	5.50%	8.13%
Dow Jones Industrial Average	27.50%	2.96%	5.71%
10-Year U.S. Treasury Bond *	0.00%	5.45%	5.45%
S&P 500	22.85%	1.80%	4.08%
U.S. Existing Homes	4.17%	2.45%	2.86%
U.S. Existing Homes **	23.70%	2.45%	4.82%

* Current 10-Year Treasury Yield 1.70 Percent Per Year

** Average 10-Year Home Price Change 1992-2012



2013 Economic Concerns

- **Washington DC** (Congress & Prez)
- **Jobs – *Stimulus Did Not Work***
 - GDP = Consumption + Investment + Government Spending + Exports - Imports**
- **Rural Land Bubble**
- **Fiscal Cliff – DEBT CEILING**
- **Energy: US Imports 60+ Percent of Oil**
- **Government Can't Fix Everything**
 - Newton's Third Law of Motion



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