



FORECAST 2020 *and beyond*





DON TATRO

FORECAST 2020 *and beyond*





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Caliber Home Loans, Inc., 1525 S. Beltline Rd Coppel, TX 75019 NMLS ID #15622, 1-800-401-6587/Copyright©2018 All Rights Reserved. This is not an offer to enter into an agreement. Not all customers will qualify. Information, rates, and programs are subject to change without prior notice. All products are subject to credit and property approval. Not all products are available in all states or for all dollar amounts. Other restrictions and limitations apply. #26022_NV



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FORECAST 2020 *and beyond*





The 2020 Reno/Sparks Residential Resale Market Report

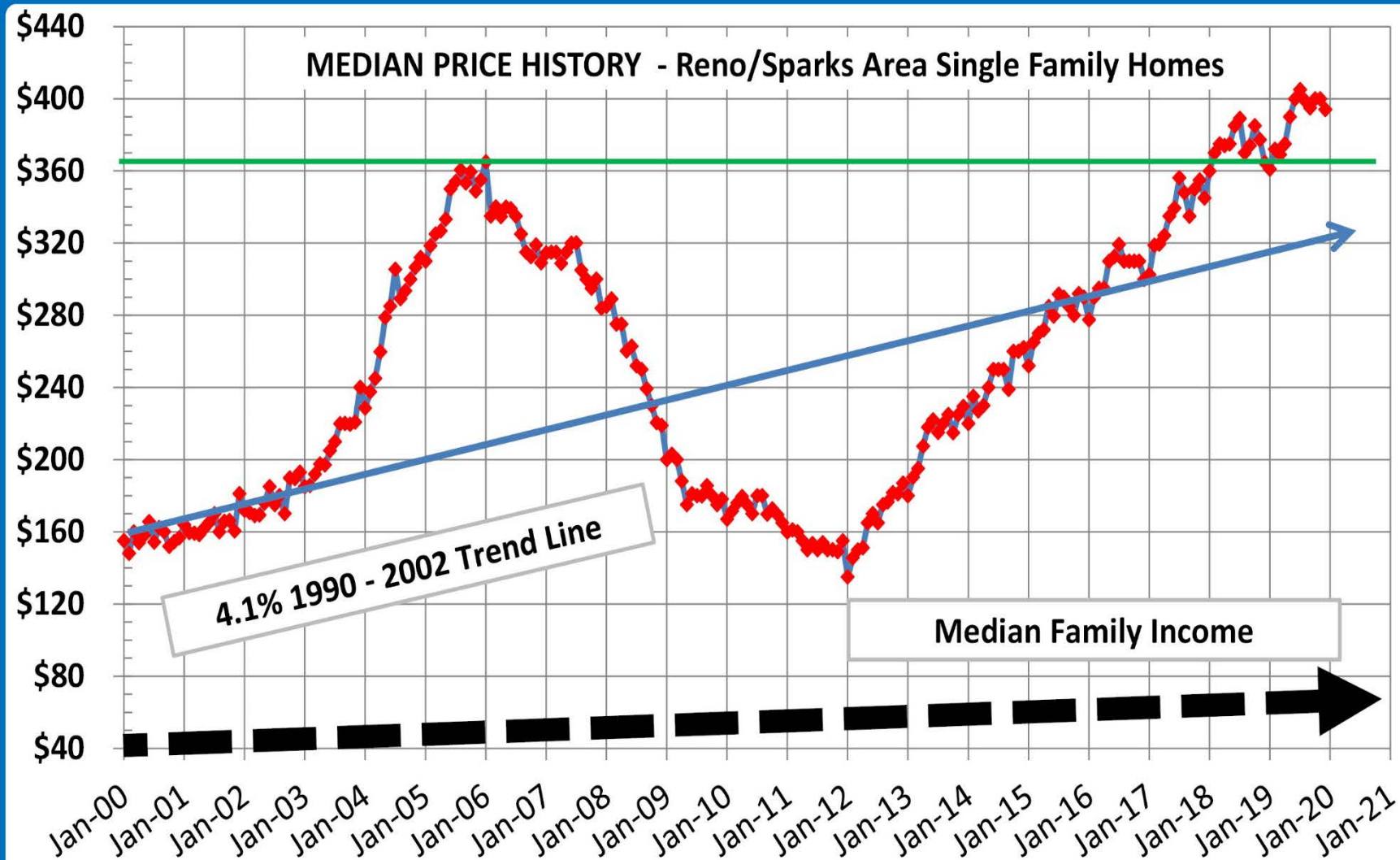
Gary MacDonald, 2020 President-Elect
Reno/Sparks Association of REALTORS®

www.rsar.realtor



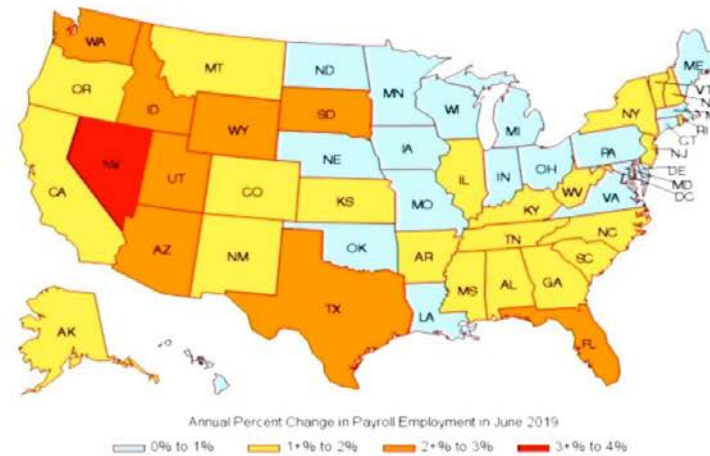
WHY?







Payroll Employment Growth in June 2019 from Year Ago





Reno/Sparks
Association of
REALTORS®

2019 Market Statistics

Single Family Home ▾

Reno, Sparks ▾

Median Sold Price

\$390,000



4.0% ↑

6,255



4.4%

Units Sold

Active Inventory



11.4%



5,813

Days to Contract

52



30.2%



3.8%



Sold \$/SqFt

\$223

New Listings

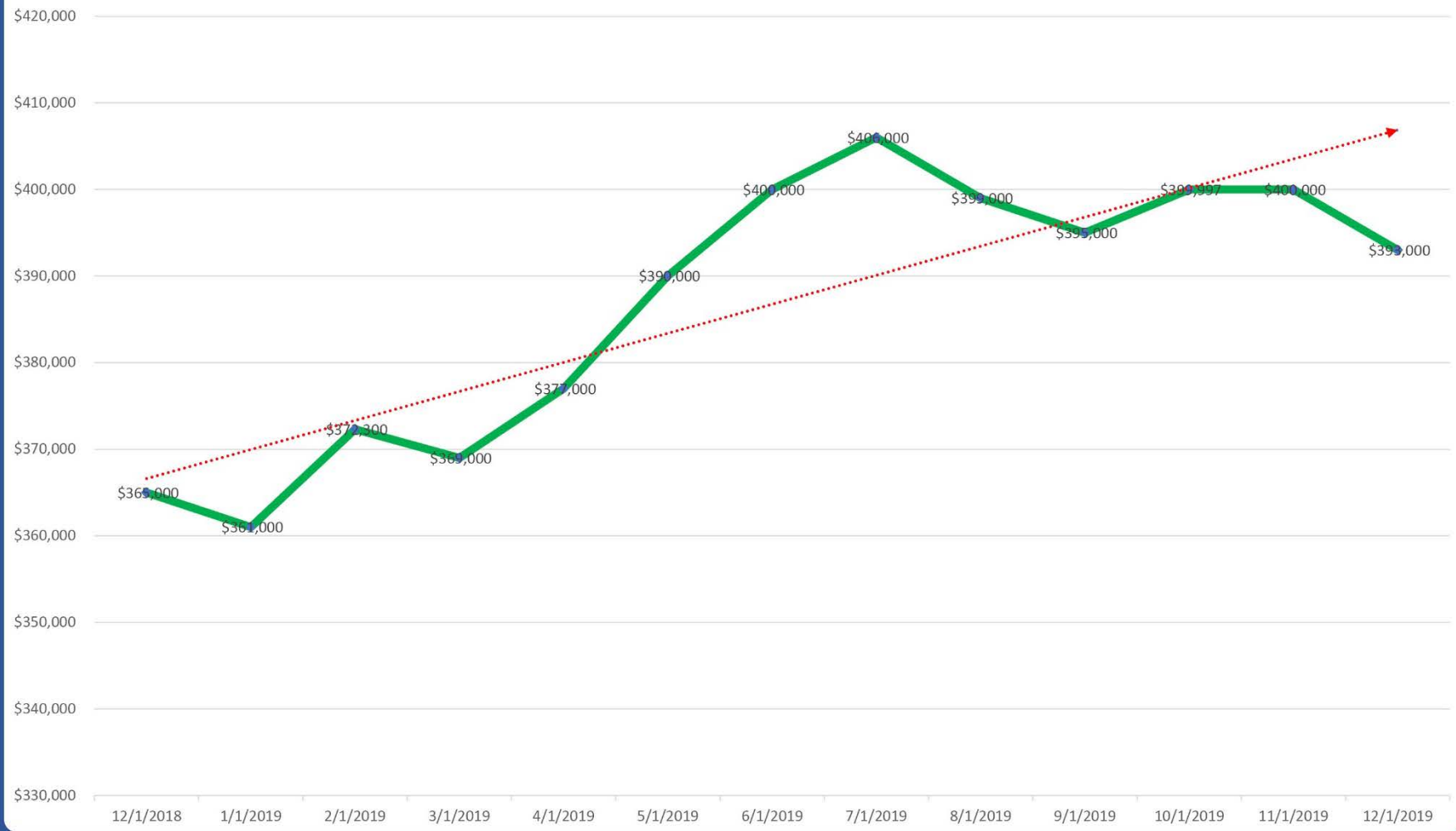


7,360



-1.7%

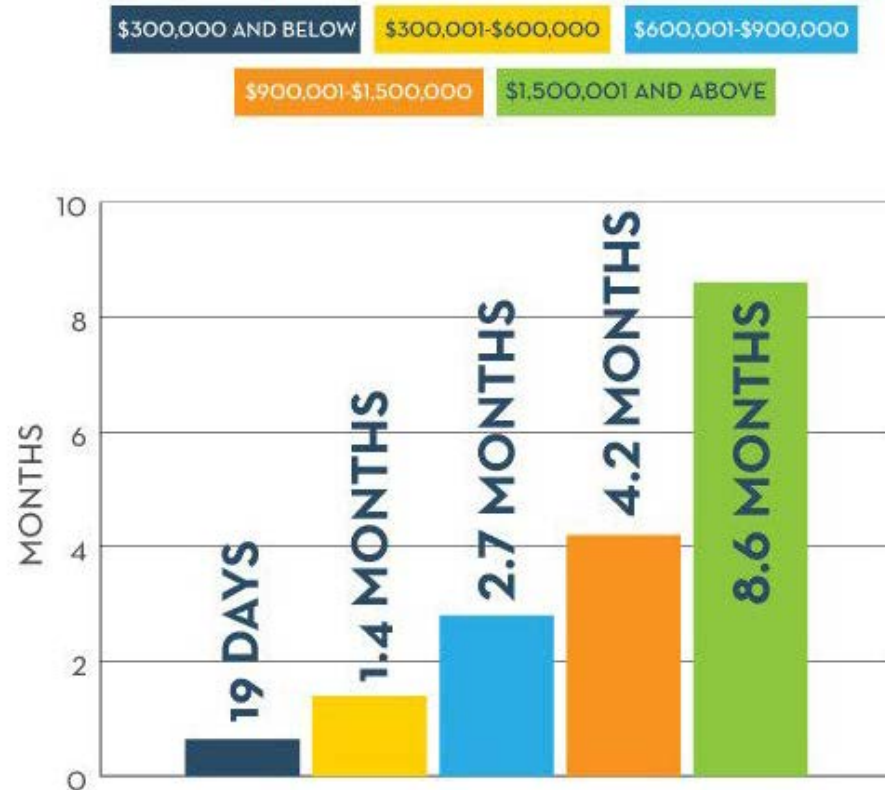
2019 Synopsis





Months of Inventory

RENO/SPARKS AREA



DICKSON
REALTY

Source: NNRMLS All Reno/Sparks areas (Area 100), as of December 31, 2019.
Copyright 2019 Dickson Realty. All Rights Reserved.

Source:
NNRMLS

Image:
Courtesy of
Dickson Realty





FORECAST 2020 *and beyond*



MOVE TO THE MIDDLE LANE

NORTHERN NEVADA LAND RUSH

2020 Forecast Land and New Home Review

Mark Krueger
Principal and Land Expert

ARCHCREST

COMMERCIAL PARTNERS, LLC



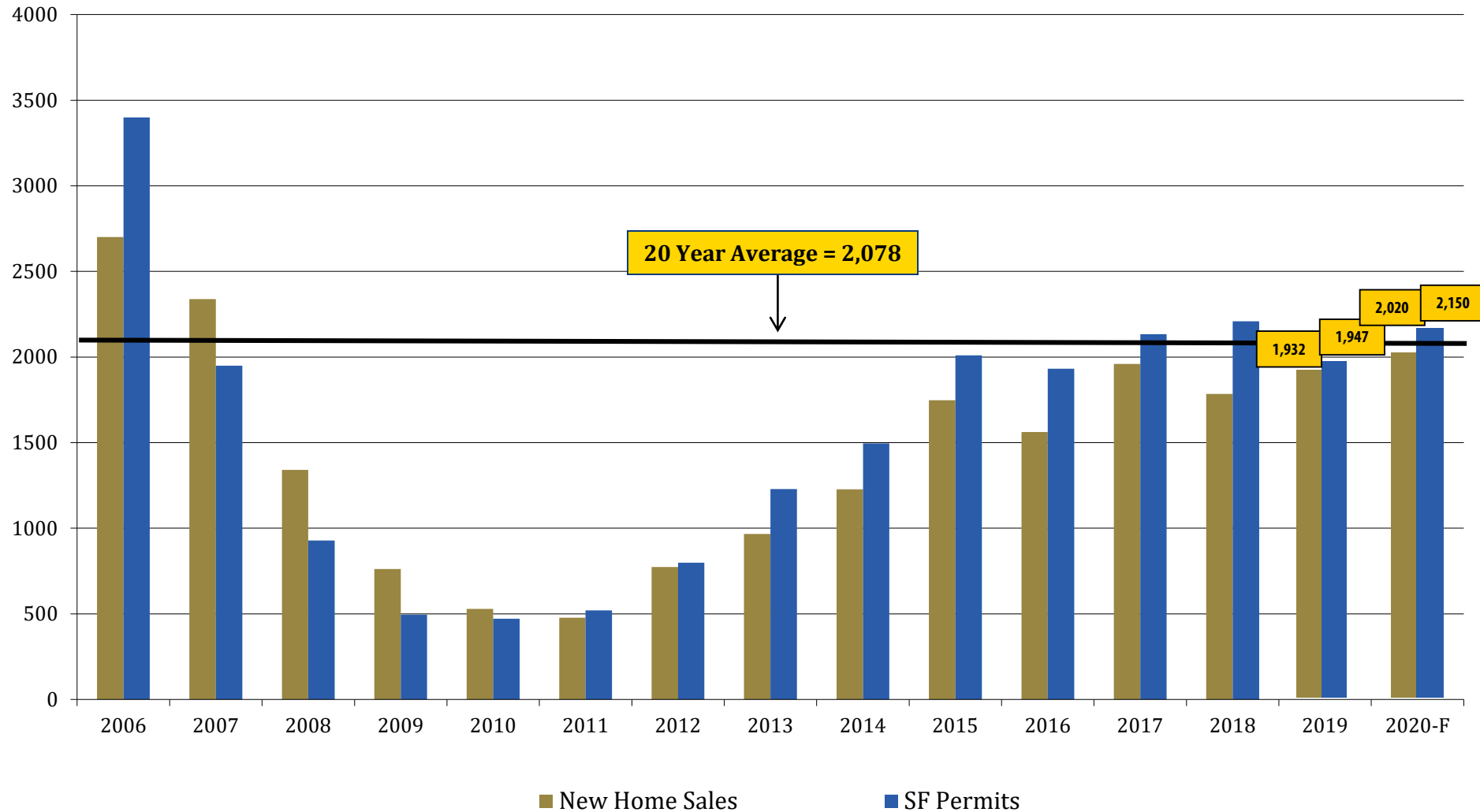
775.852.9800

KRUEGER LAND TEAM

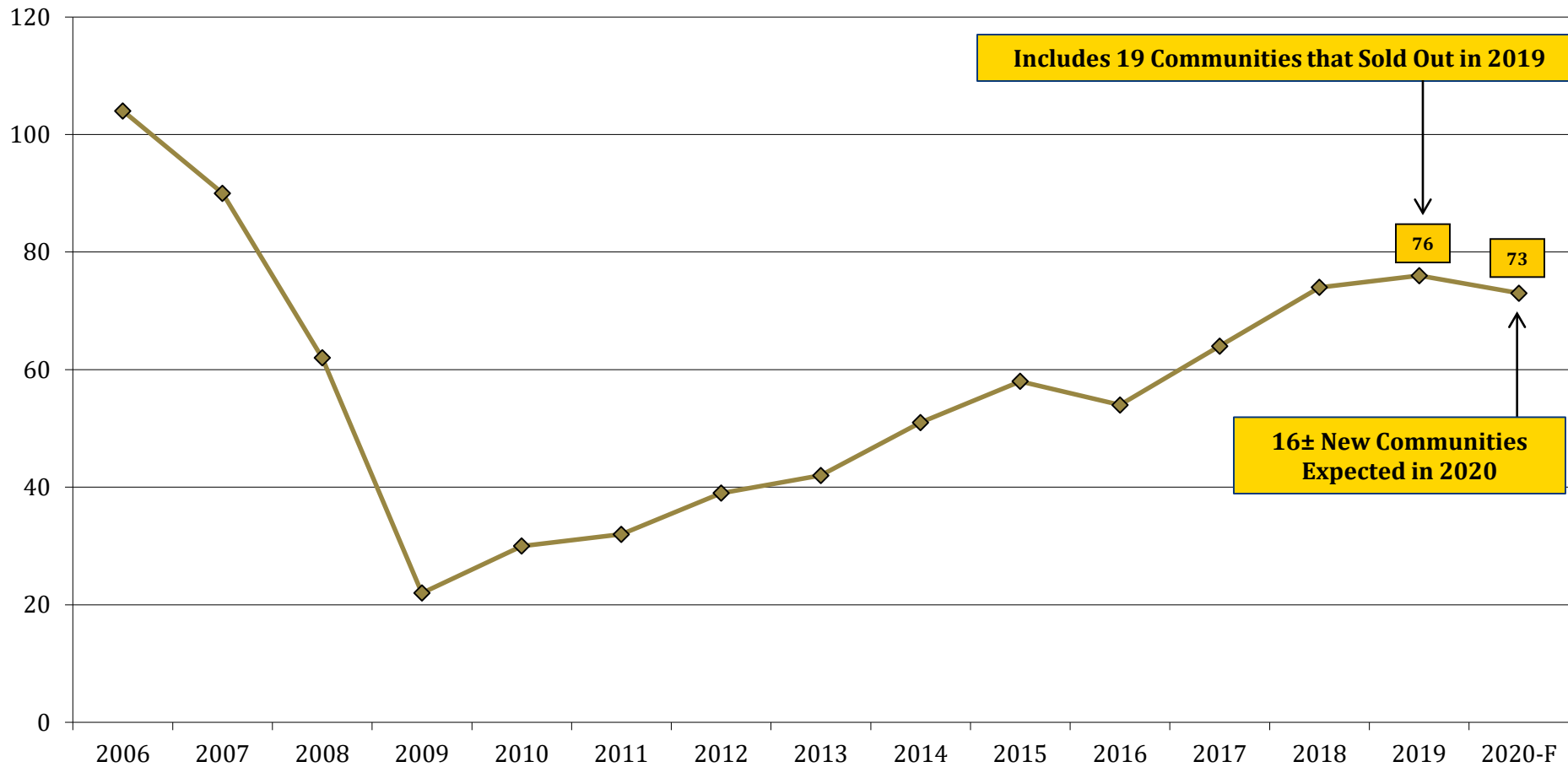
www.archcrestnv.com

our INTEGRATION your SOLUTION

Reno/Sparks New Homes – Attached and Detached Sales & Permits



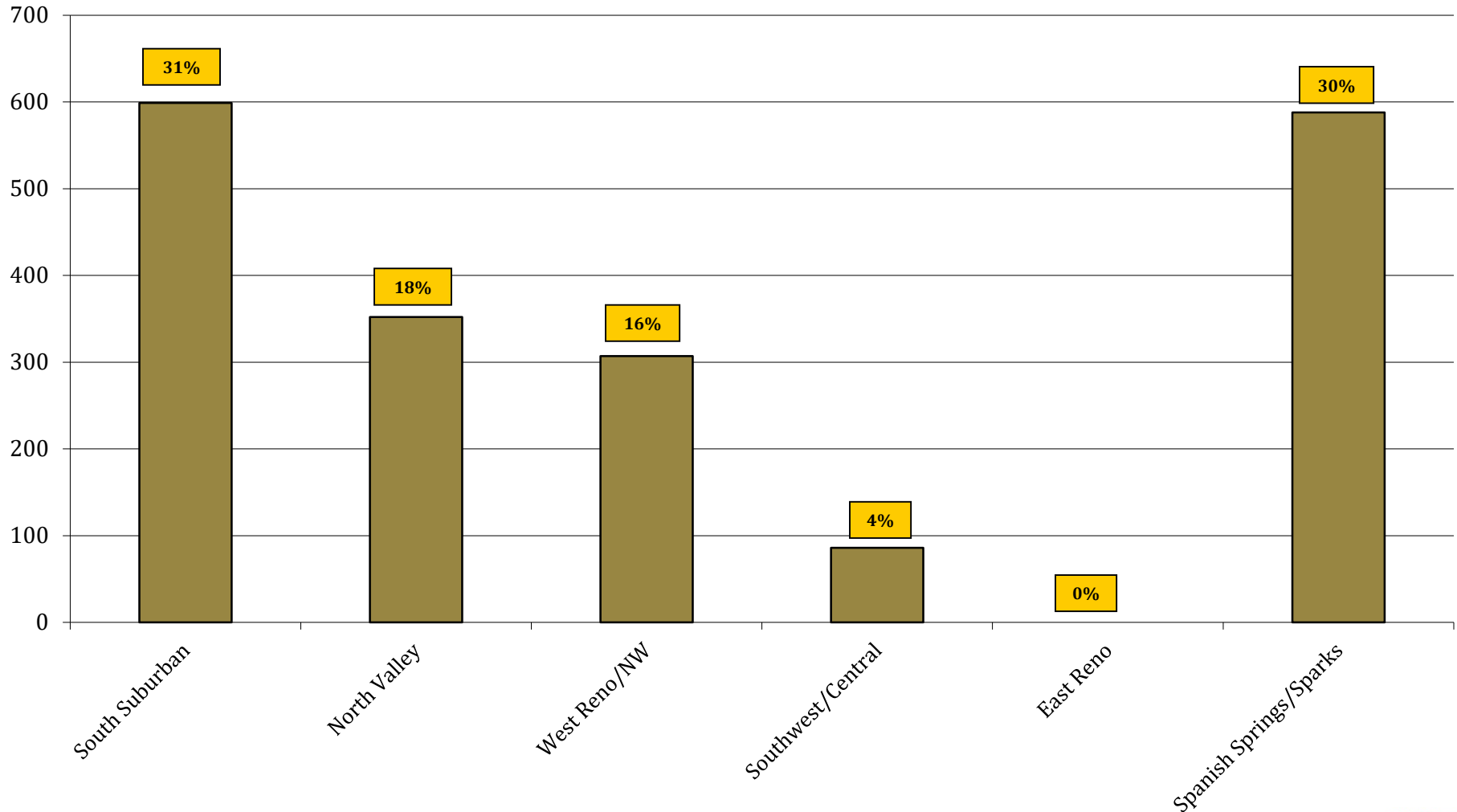
Reno/Sparks New Homes – Attached and Detached Active Communities



Active = 10 or more total units - sold homes in 2019

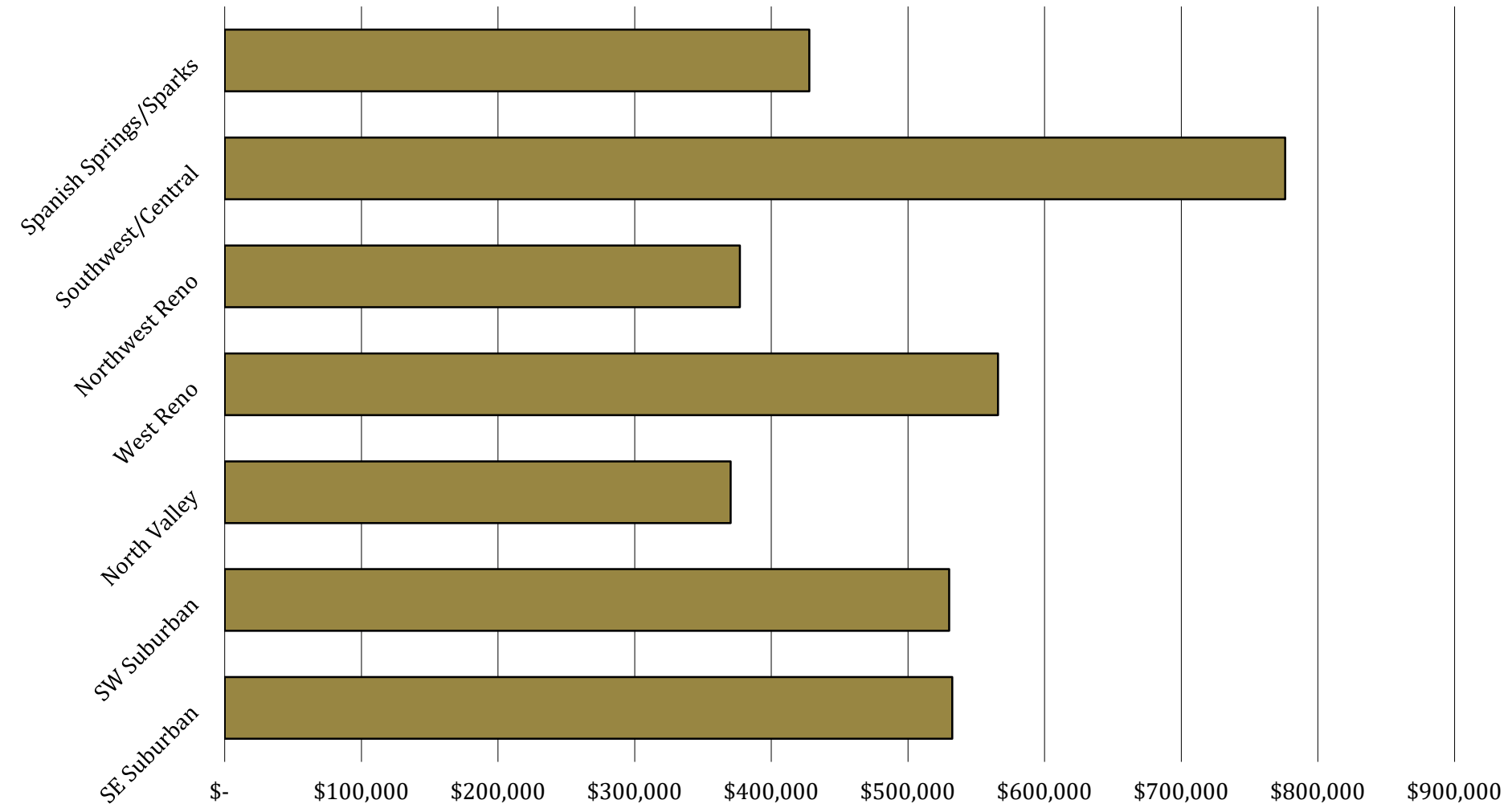
Reno/Sparks New Homes – Attached and Detached

2019 Sales by Area



Reno/Sparks New Homes – Detached

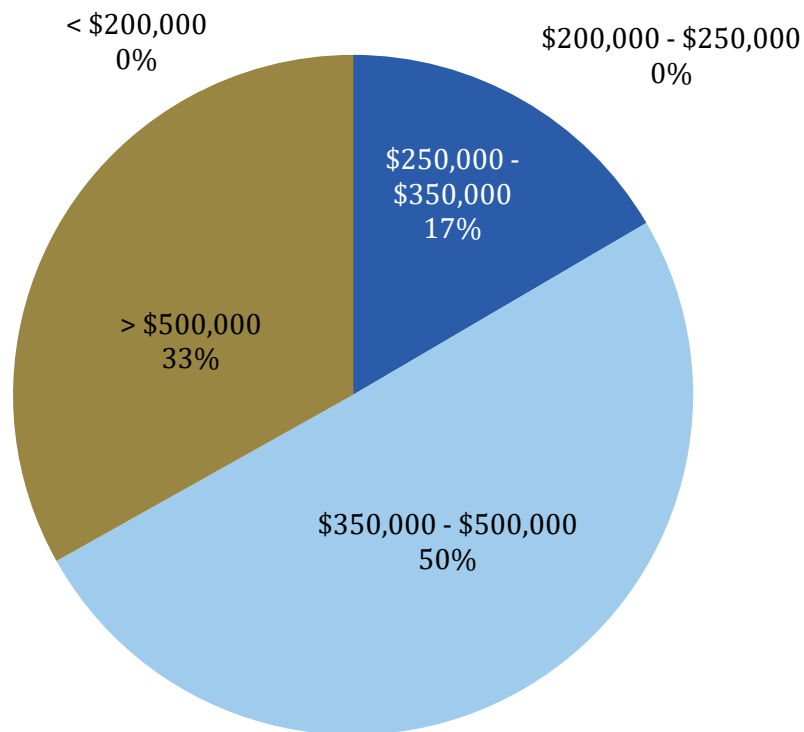
2019 Average Base Price by Area



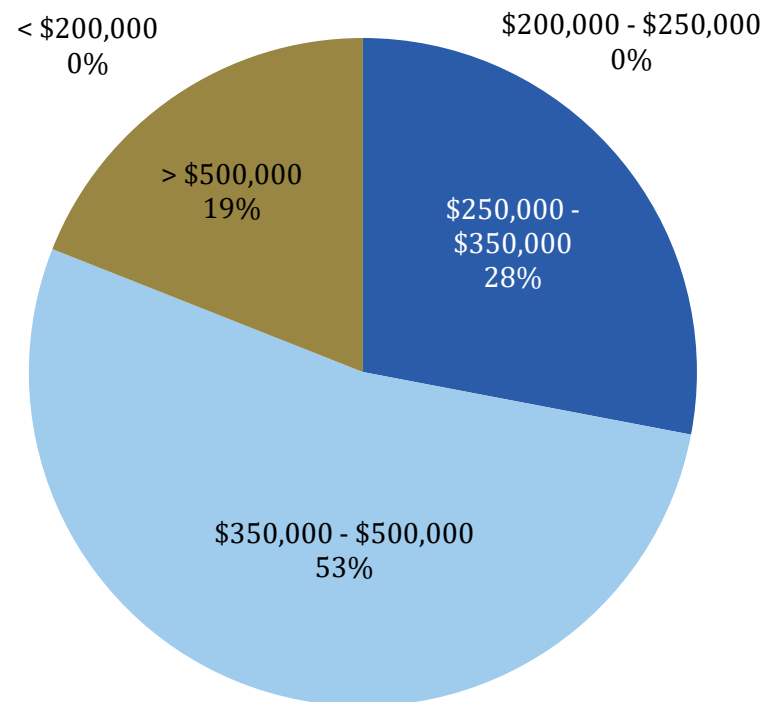
Reno/Sparks New Homes – Attached and Detached

Sales by Base Price Range

2019



2005

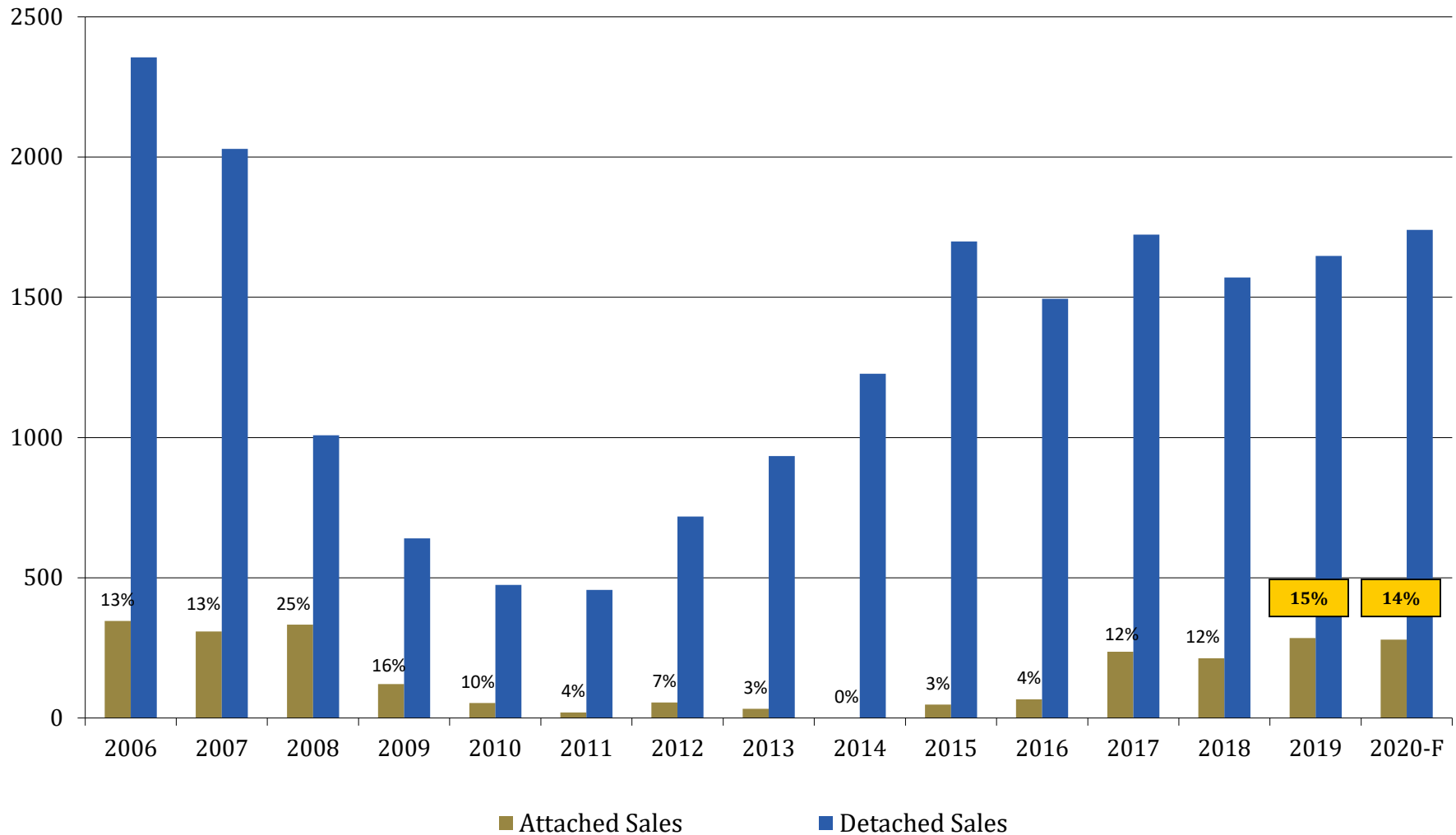


Avg Base Price Increase

Area	4Q18 Avg Price	4Q19 Avg Price	Increase
South Reno	\$535,495	\$562,995	\$27,500
North Valley	\$336,900	\$341,900	\$5,000
North Valley	\$338,500	\$345,500	\$7,000
Sparks/Spanish Springs	\$469,900	\$487,400	\$17,500
South Reno	\$533,495	\$549,995	\$16,500
South Reno	\$459,990	\$492,496	\$32,506
Sparks/Spanish Springs	\$356,450	\$394,950	\$38,500
Sparks/Spanish Springs	\$412,900	\$418,900	\$6,000
South Reno	\$370,900	\$385,400	\$14,500
West Reno	\$585,900	\$604,900	\$19,000
	Avg Price/SF \$203	Avg Price/SF \$211	Avg Increase Per Home \$18,400 (4%)

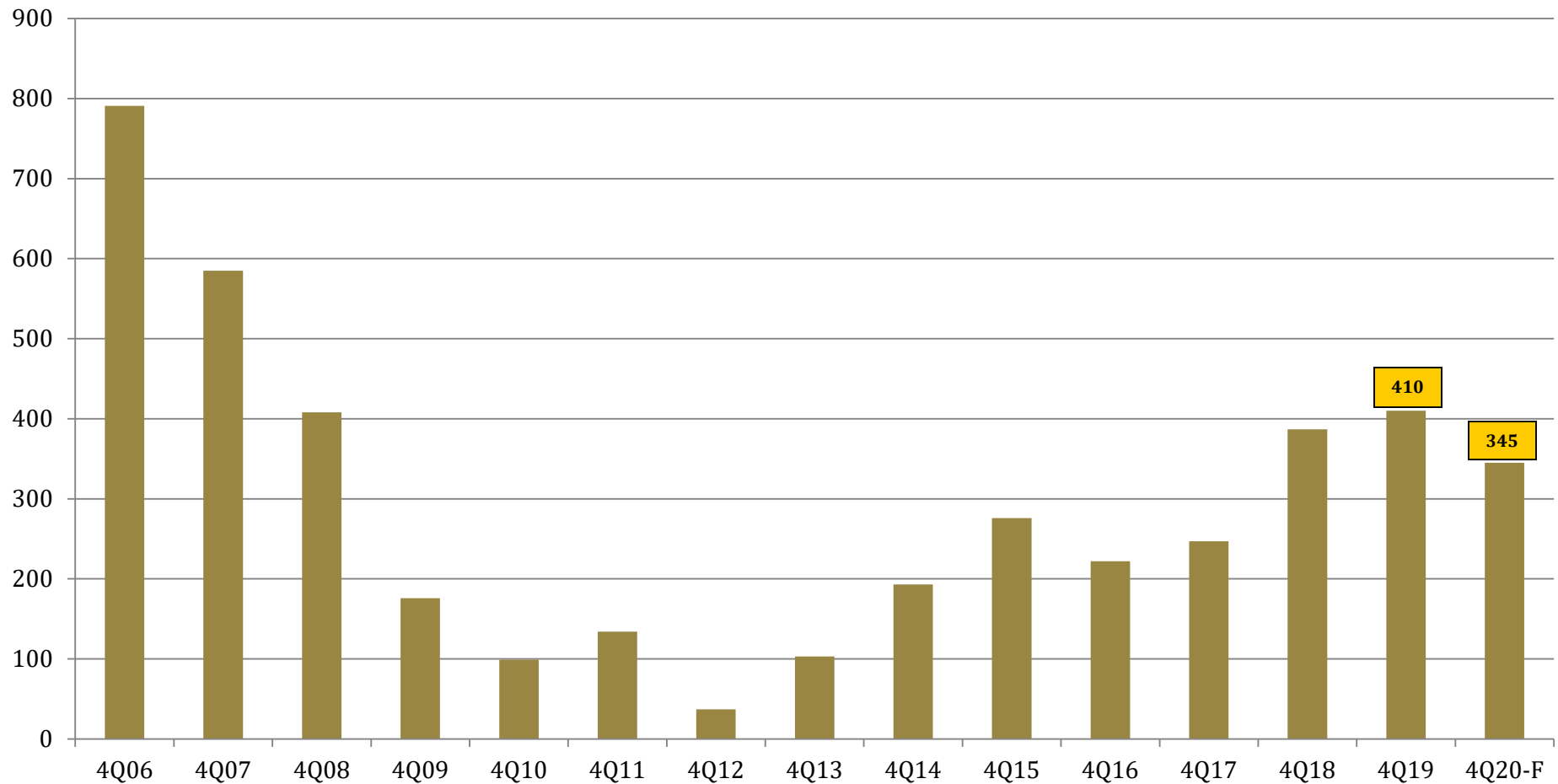
**10 Communities that have been active since 4Q18. Detached product.*

2019 Attached vs Detached Sales



Reno/Sparks New Homes – Attached and Detached

Unsold New Home Inventory



Includes Homes Under Construction

By Builder

- 1) Lennar
- 2) Toll Brothers
- 3) DR Horton
- 4) Jenuane Communities
- 5) Ryder Homes

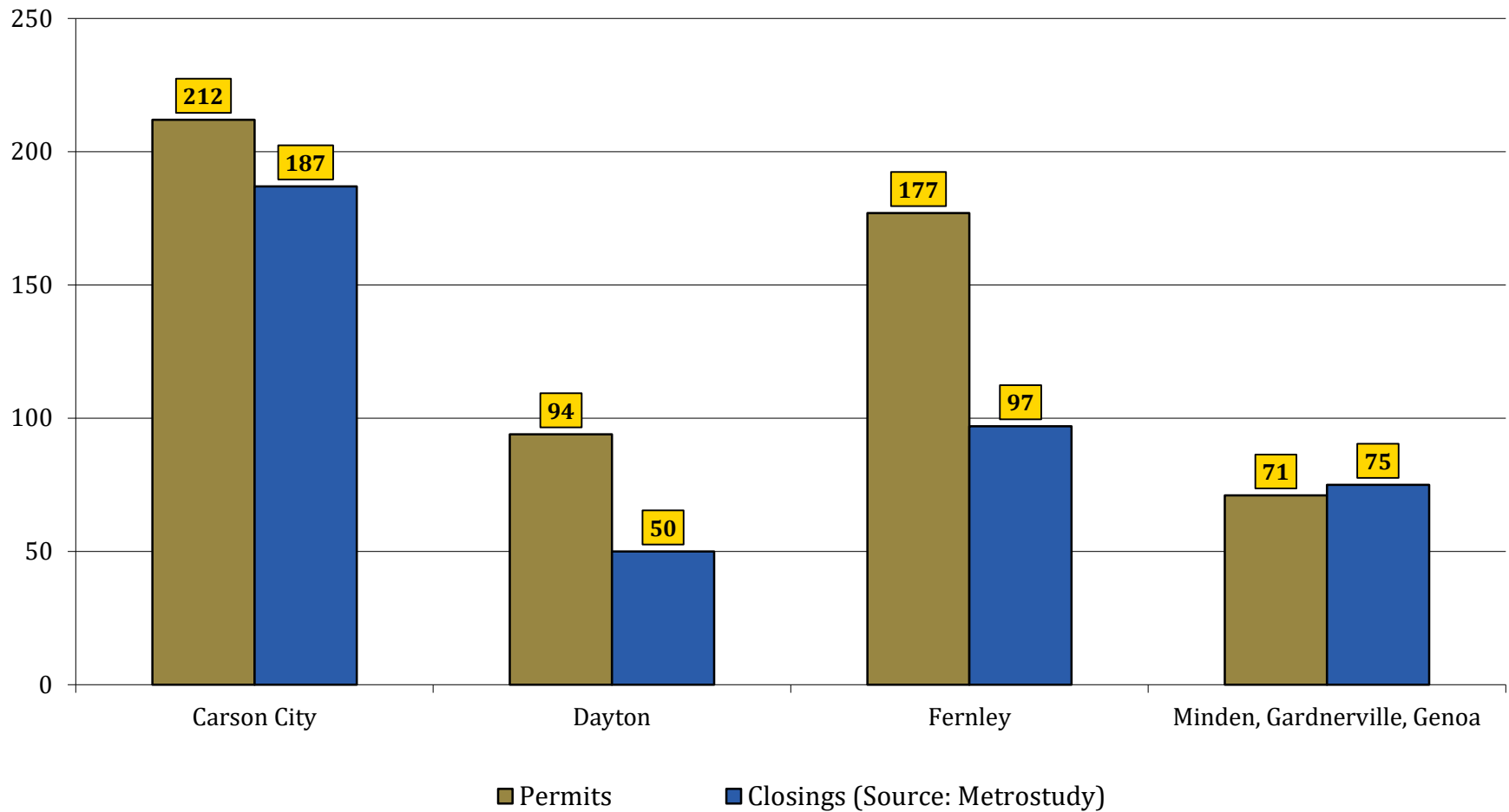
By Community

- 1) Esplanade, Jenuane Communities (tri-plex)
- 2) Woodland Village, Lifestyle Homes
- TIE** 3) Legacy Pointe, Paradiso Communities
Shadow Ridge, Ryder Homes
- 4) Regency @ Caramella, Toll Brothers (active adult)
- TIE** 5) Homestead at Kiley, Lennar
Symphony Ranch, DR Horton

An aerial photograph of a mountainous landscape. In the foreground, a river winds through a valley. To the right, a green golf course is visible. The middle ground shows a small town or village nestled in the valley. The background features rolling hills and mountains under a clear blue sky. The text "NEW HOMES OUTLYING MARKETS" is overlaid in large, white, bold letters with a black outline.

NEW HOMES OUTLYING MARKETS

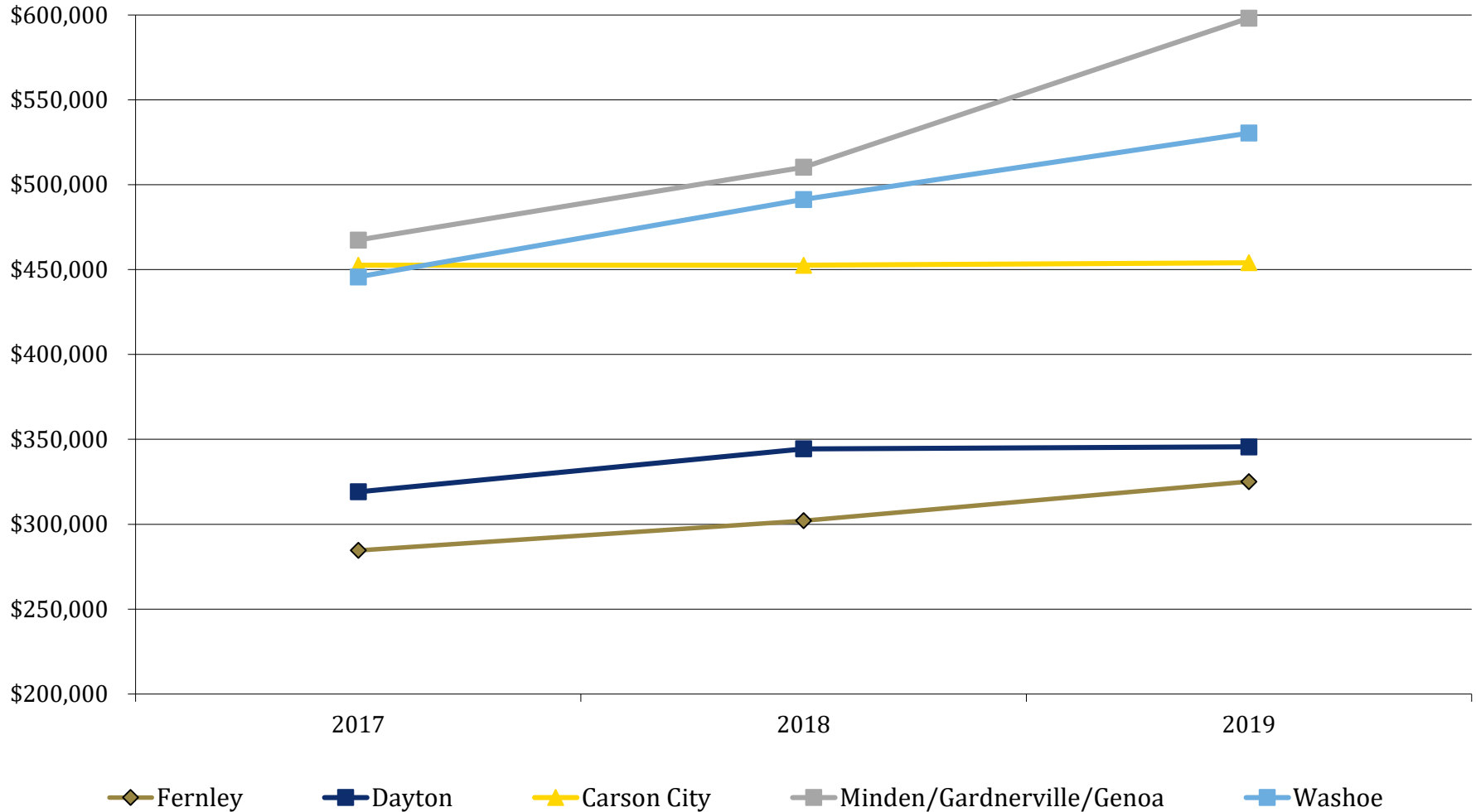
Outlying Markets New Homes – Attached and Detached Permits and Closings



Source:
metrostudy
Sales: 1-800-227-8839
A Realogy Company

Outlying Markets New Homes – Detached

Average Closing Price



Source:

metrostudy
Sales: 1-800-227-8839
A metroland Company

The Top Five – 2019 Closings

By Builder

- 1) Lennar
- 2) Artisan Homes
- 3) Reghetti Investments
- 4) Florsheim Homes
- TIE**
5) Jenuane Communities
Silverado Homes

By Community

- 1) Schulz Ranch
- 2) Donner Trail Estates
- 3) Southwest Meadows
- TIE**
4) Capital Village
Heybourne Meadows
- 5) Silver Oak

**#1 Overall in
Northern NV!**

Source:

metrostudy
Sales: 1-800-227-8839 A Realogy Company



RESIDENTIAL LAND

Residential Land Reno/Sparks Land Deals

2019*

15 Deals

1,984 Lots

691 Acres

\$62.6 Million

**Closing Land
Deals in 2019
Got Harder!**

2018

23 Deals

2,532 Lots

877 Acres

\$89 Million

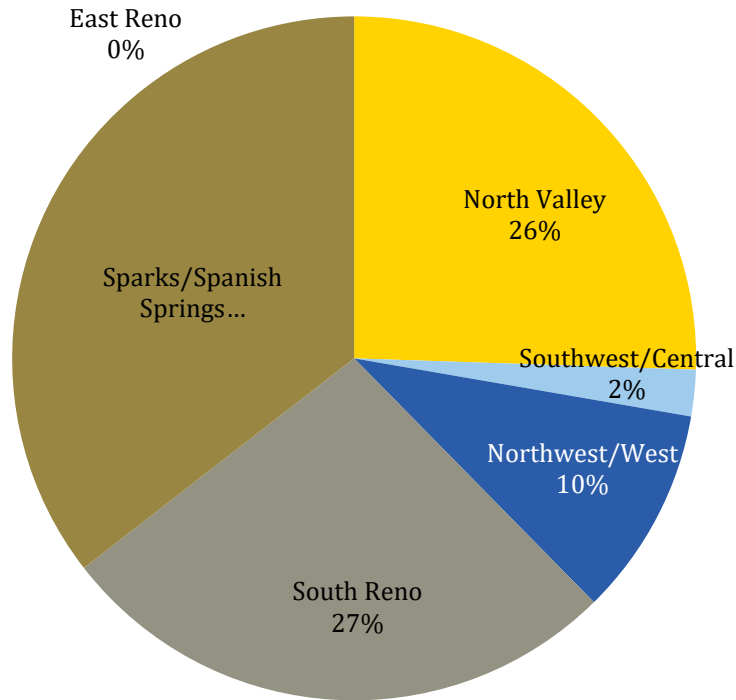
*** Excludes Outlying Markets**
Dayton, Fernley and Carson City
800 Lots Totaling \$10,350,000

*** Excludes Multi-Family Land Sales**
3,200 Units Totaling \$50,200,000

Numbers Are Estimates Only

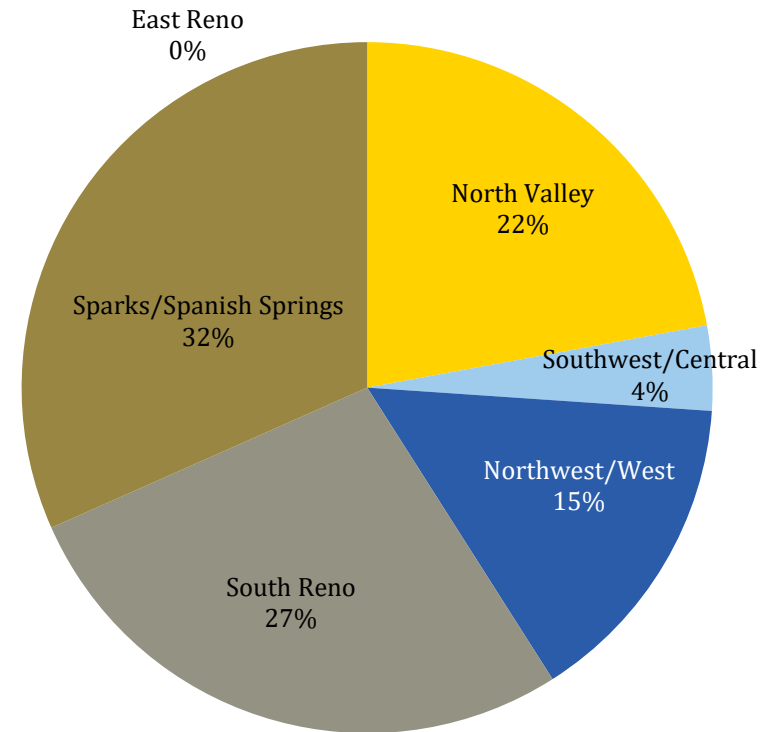
Residential Land (Detached) Finished Lot Supply

2019



3,279 Total Homesites

2018

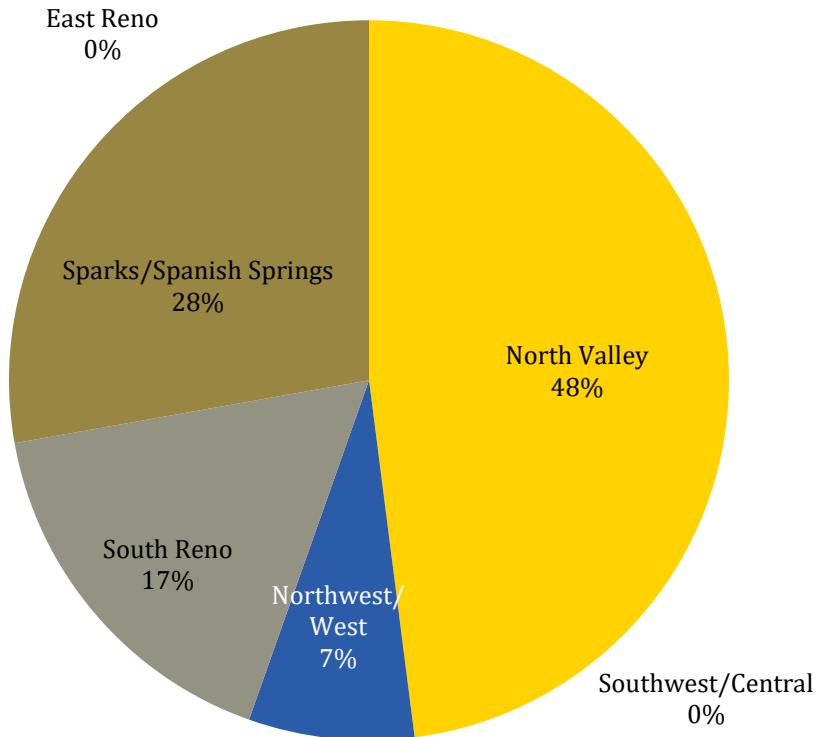


2,623 Total Homesites

1.62 Years of Supply (2020 Forecasted Sales)
as of 12/31/19

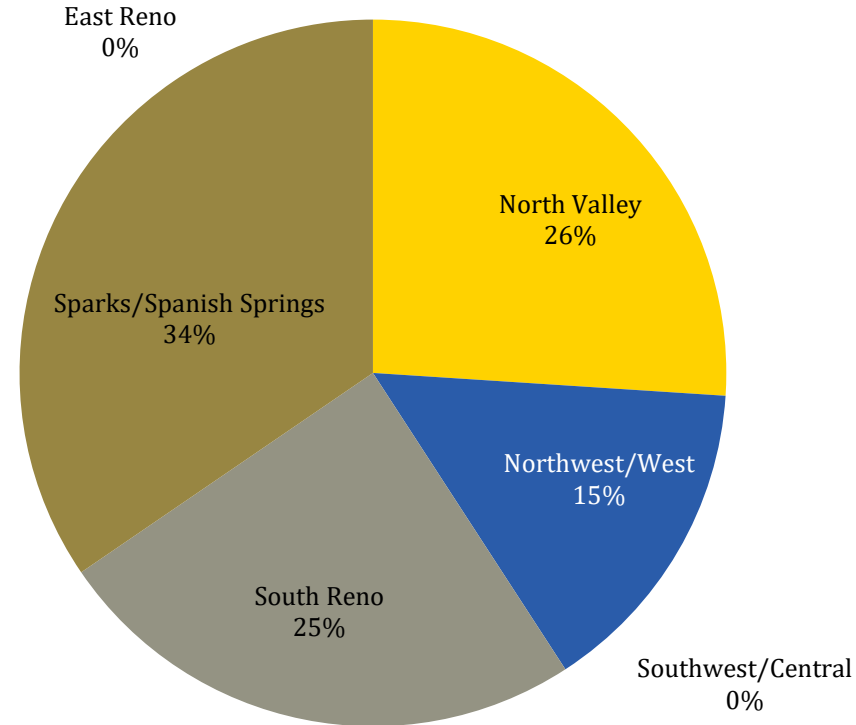
Residential Land (Detached) Final Map Lot Supply

2019



2,126 Total Homesites

2018

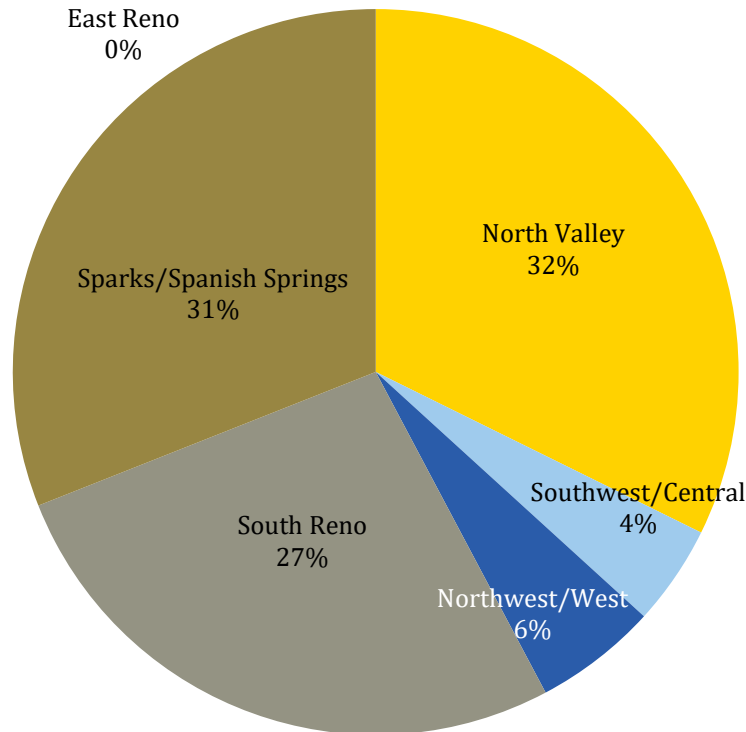


2,209 Total Homesites

1.05 Years of Supply (2020 Forecasted Sales)
as of 12/31/19

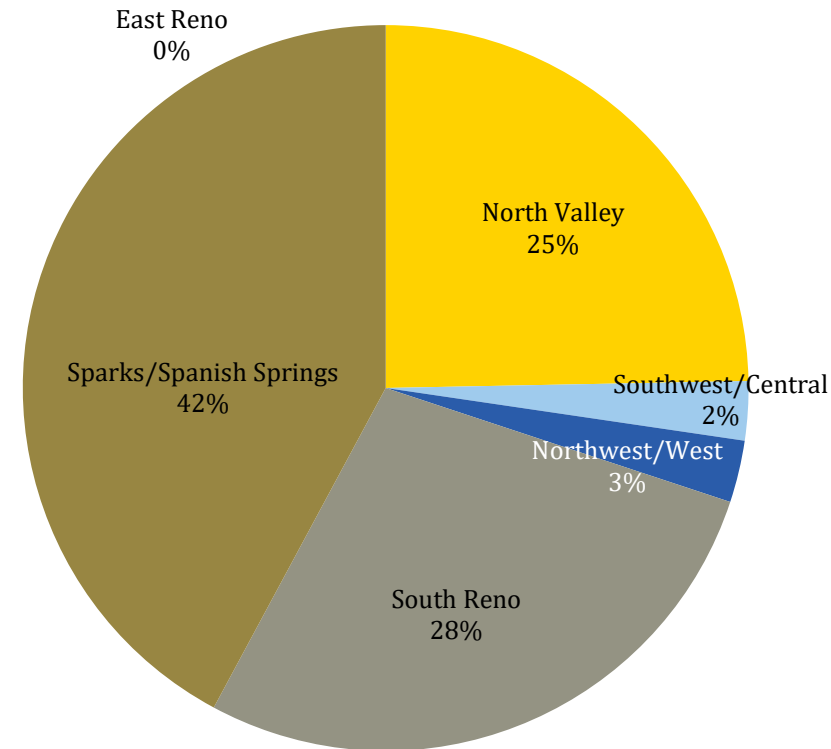
Residential Land (Detached) Tentative Map Lot Supply

2019



6,635 Total Homesites

2018

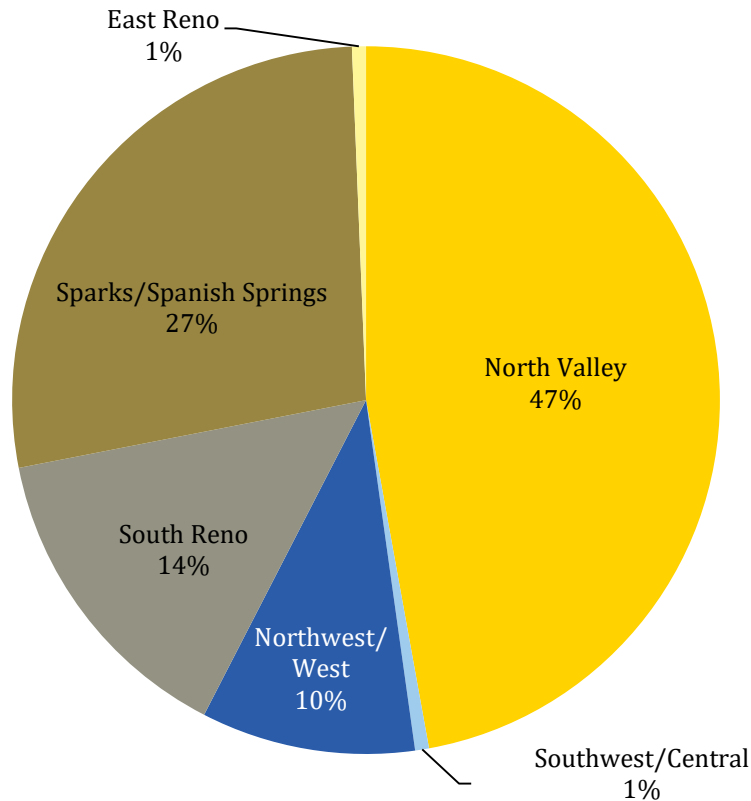


7,605 Total Homesites

3.28 Years of Supply (2020 Forecasted Sales)
as of 12/31/19

Residential Land (Detached) PUD Lot Supply

2019

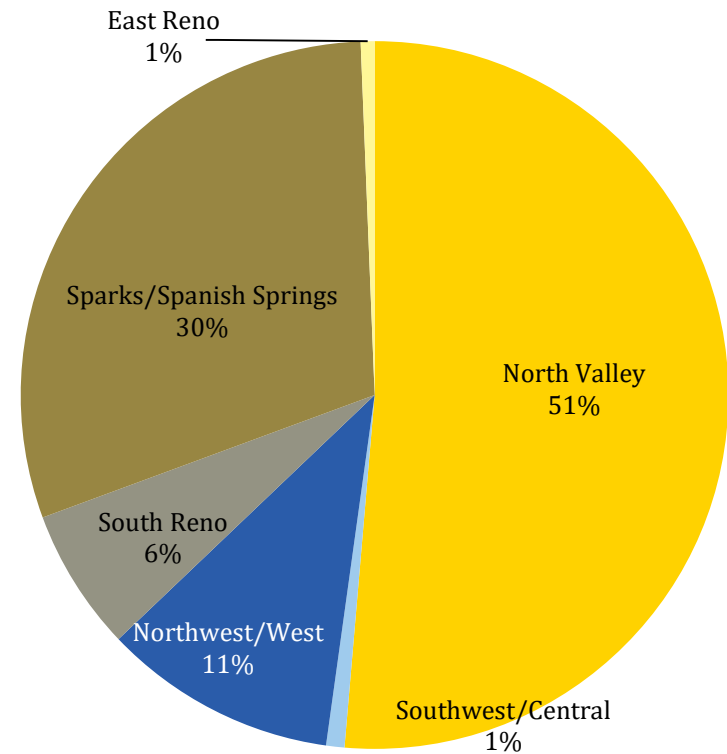


23,667 Total Homesites

11.72 Years of Supply (2020 Forecasted Sales)

**as of 12/31/19*

2018

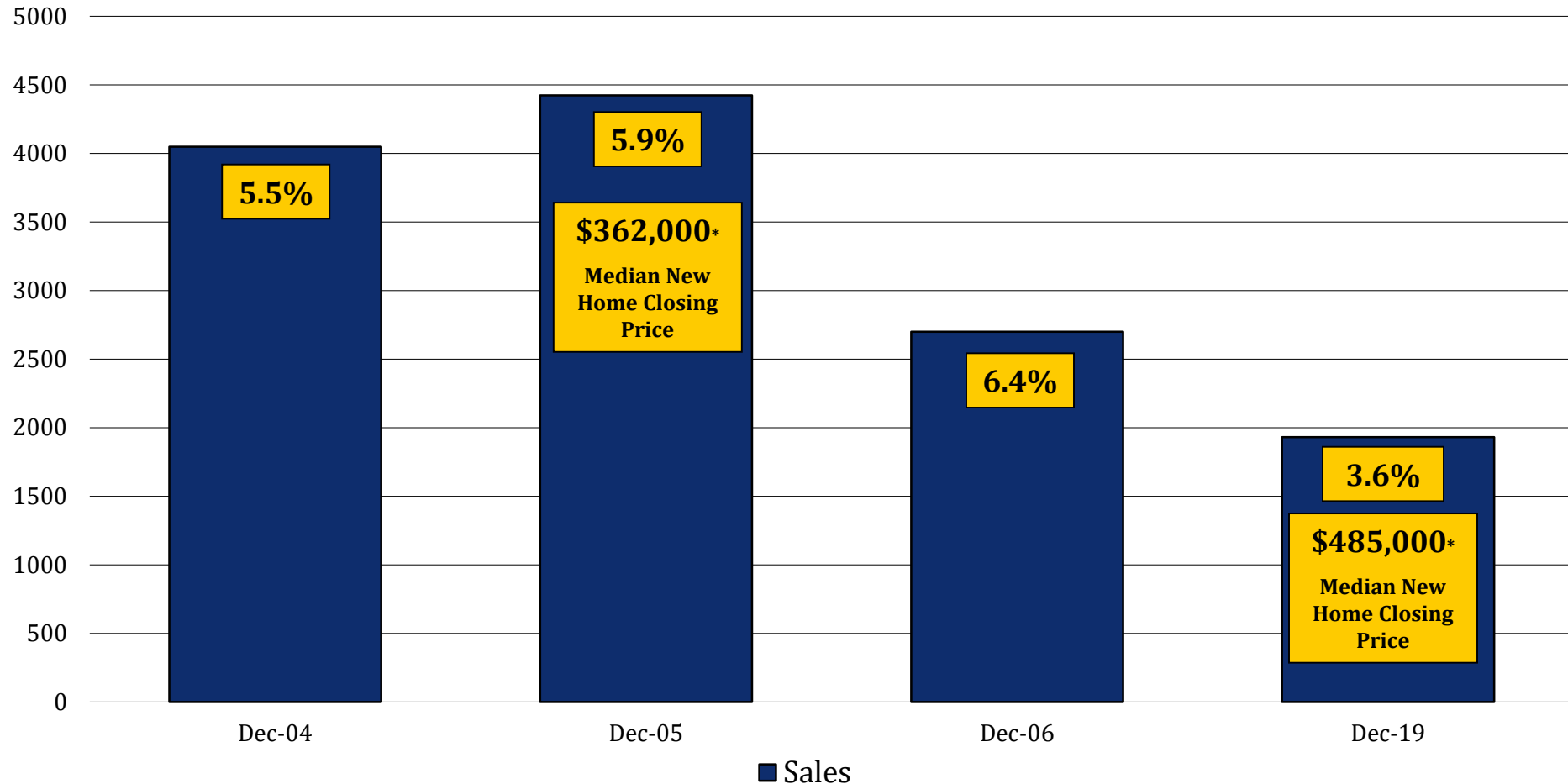


23,869 Total Homesites



REASONS FOR GROWTH

Interest Rates



*Source:

metrostudy
Sales: 1-800-227-8839 A metrowest Company

Reasons for Growth in 2020

Striving for Attainability

Loan Amount	\$300,000	\$400,000	\$500,000
2018 Required Annual Income ^①	\$50,760 \$24.40/hr	\$68,976 \$33.16/hr	\$86,016 \$41.35/hr
2020 Required Annual Income ^②	\$43,686 \$21.00/hr	\$58,327 \$28.04/hr	\$72,805 \$35.00/hr

**Washoe County Median
Household Income = \$63,310±**

Source: Datausa.com

**Washoe County Median New
Home Price = \$485,000±**

Source: Metrostudy

^① Based on current interest rates, 10% down payment and assumes no other debt

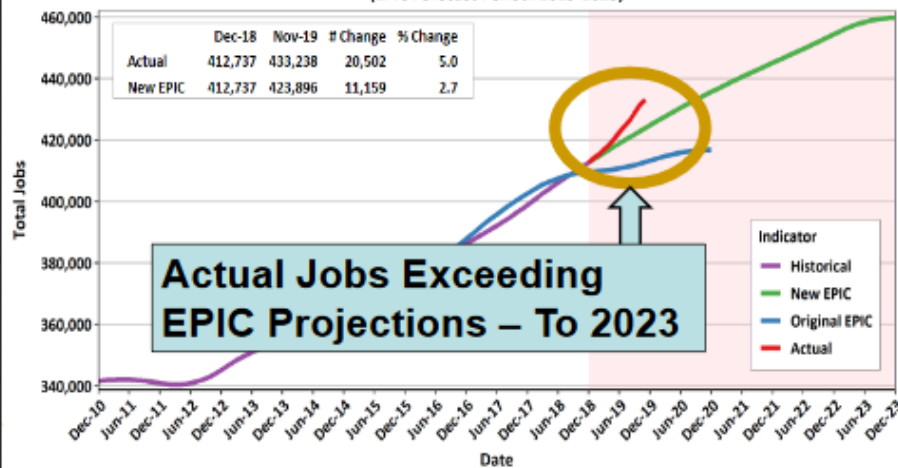
^② Assume 30yr Fixed Convention, Interest Rates as of 1/28/20, 700 FICO Score, 10% down payment and assumes no other debt

Reasons for Growth in 2020

Regional Employment

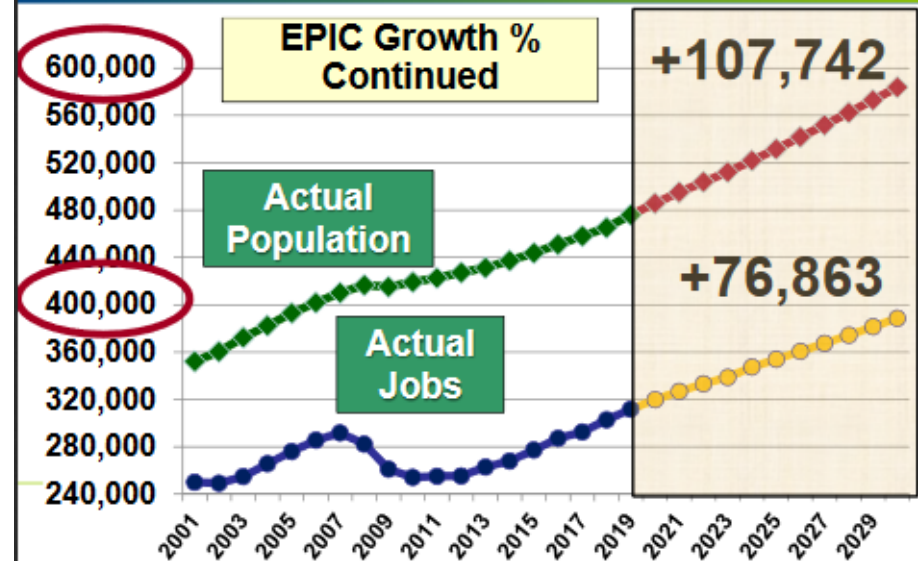
EPIC Employment **Actual** Vs Projected

EPIC Study Area Actual Employment Tracking: Dec-18 to Nov-19
(EPIC Forecast Period: 2019-2023)



Note: Light pink area denotes "New EPIC" forecast period.
Sources: EPIC Committee, RCG Economics, NV State Demographer, TMRPA, Woods & Poole, TMWA, EMSI, BLS, Census.

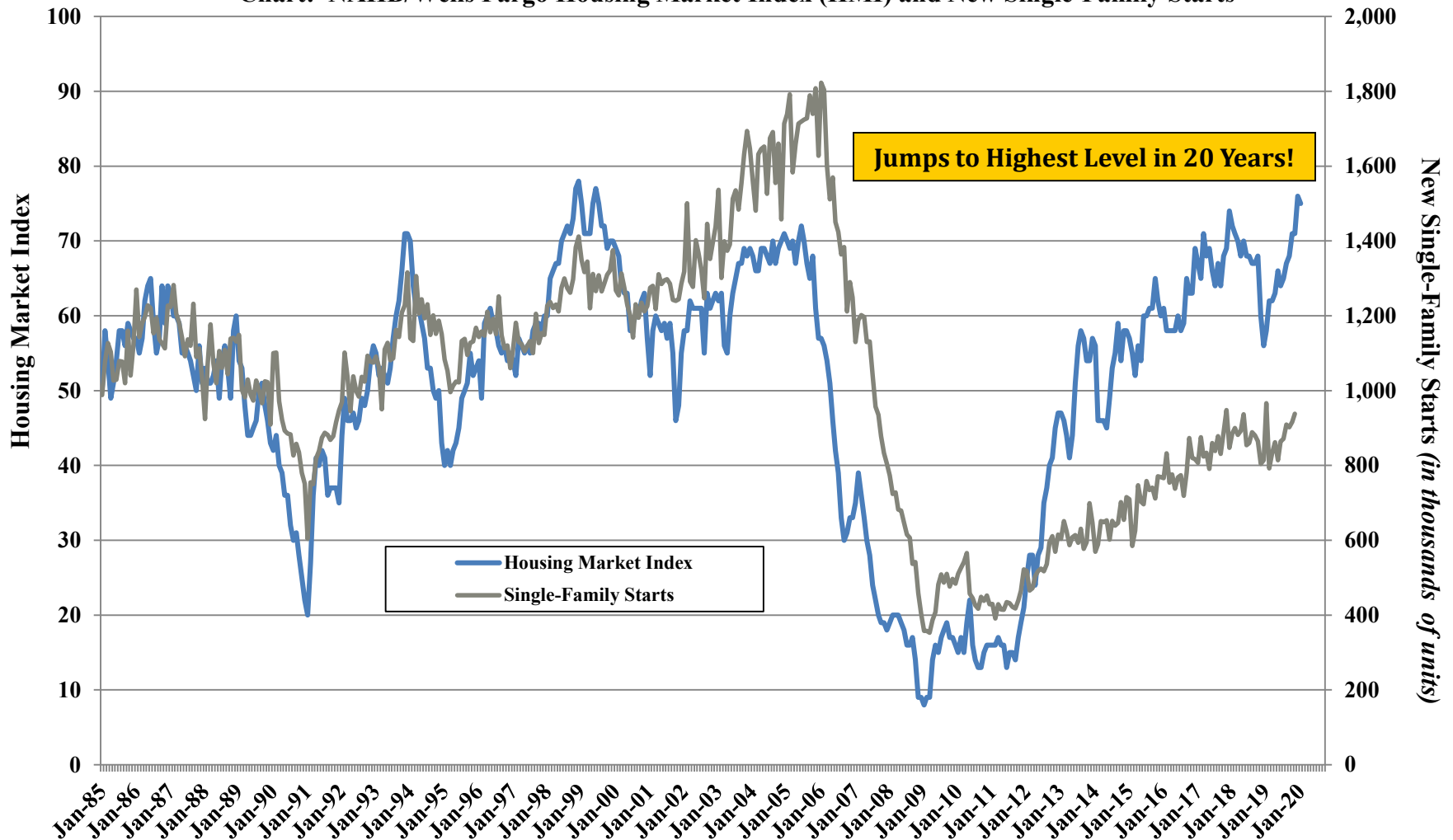
Washoe County By 2030!



Reasons for Growth in 2020

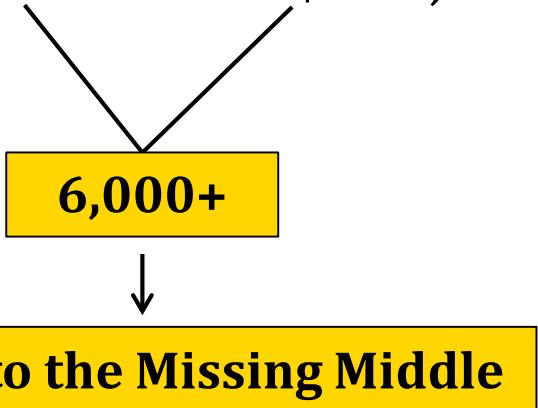
Builder Confidence

Chart: NAHB/Wells Fargo Housing Market Index (HMI) and New Single-Family Starts



Source: NAHB/Wells Fargo Housing Market Index.
U.S. Census Bureau.

Current Renters = Future Buyers

	2 Bed/1 Bath	3 Bed/2 Bath
Avg Monthly Rent	\$1,226	\$1,771
Equivalent Mortgage	\$270,000	\$390,000
Home Value	\$300,000	\$425,000
Number of Units Occupied 2017 – 2020	 <p>6,000+</p> <p>Welcome to the Missing Middle</p>	



CONCLUSION

Housing: Reno named one of the 15 'hottest' real estate markets for the next decade

Jason Hidalgo, Reno Gazette Journal Published 5:00 a.m. PT Dec. 23, 2019

Can we be both?

Study: Reno kicks off 2020 as one of the least affordable cities in the US — again

Jason Hidalgo, Reno Gazette Journal Published 5:00 a.m. PT Jan. 15, 2020

Will land and new home prices level off in the coming months?



Yes!

But certain product types and areas will appreciate more than others

Will construction costs continue to be among the highest in the nation?



Yes!

But the numbers should soften as we move forward and 1) grow our labor force and 2) apartment construction slows

Is the rental market getting overbuilt?



Not Yet!

But be careful at the high-end

Will you need to fight to get new PUD's and tentative maps approved?



Yes!

We already are - politics are changing

Will more homebuilders break the barriers & enter our market?



Maybe!

Barriers are lack of trades, available land, and overall size of market. We have half the builders we had in 2001!

Will new jobs and low rates keep housing demand ahead of supply?



Yes!

Demand is strong and supply continues to lag

If we build the missing middle will they come?



Yes!

We need small lot and attached product in the \$300,000's

Will land brokers have to work harder next year?



**Unfortunately
Yes!**



FORECAST 2020 *and beyond*



2020

CCIM President

Sam Douglass, CCIM



JOHN UHART COMMERCIAL
REAL ESTATE SERVICES



Heritage
Bank
of Nevada



CUSHMAN &
WAKEFIELD



First American Title™



PANATTONI®





2020

Commercial Real Estate Forecasts

Presented by CCIM



AVISON YOUNG

Western Alliance
Commercial, Inc.

Bram Buckley, CCIM

NV RE # S.0071332

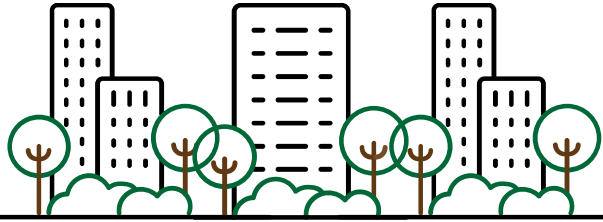
Vice President | Office Specialist

775.332.7307

bram.buckley@avisonyoung.com

Forecast 2020

Pay attention: This is what happened!

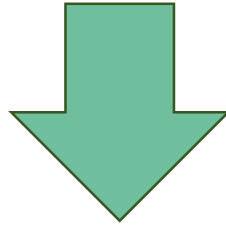


2018 Sales: 125 Office
sales at \$181sf

2019 Sales: 102 Office
sales at \$177sf



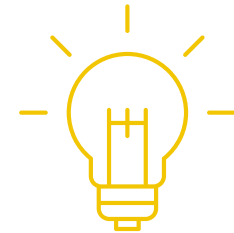
Washoe County
Unemployment
3.6%



However, Time on
Market dropped from
9.8 months to 5.7

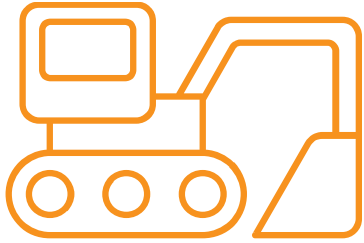


Largest building,
645 E Plumb Lane
85,000sf



EDAWN reports 22
new companies
recruited to Reno
MSA

Pay attention: This is what's going to happen!



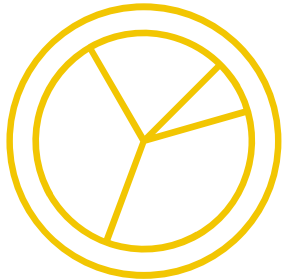
SkyPointe Breaks ground at 180,000sf in the second quarter



Unemployment holds steady



Market positively absorbs 70,000sf



Vacancy drops from 8.6% to 8.2%



CAP rates hold steady at 6.1%

AVISON
YOUNG

Western Alliance
Commercial, Inc.

Thank you!

Bram Buckley, CCIM
NV RE # S.0071332

Vice President | Office Specialist
775.332.7307

bram.buckley@avisonyoung.com



2020

Commercial Real Estate Forecasts

Presented by CCIM

Multifamily Presentation

Floyd Rowley, CPA, CCIM

Founding Broker, Rowley Real Estate Advisors

NV license: B.1002223.CORP

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Founder, Northern Nevada Executive Council

www.nnec.biz



Introduction

Boomtown Apartments Preliminary Layout



Fernley Apartment Land



Fernley Apartment Land



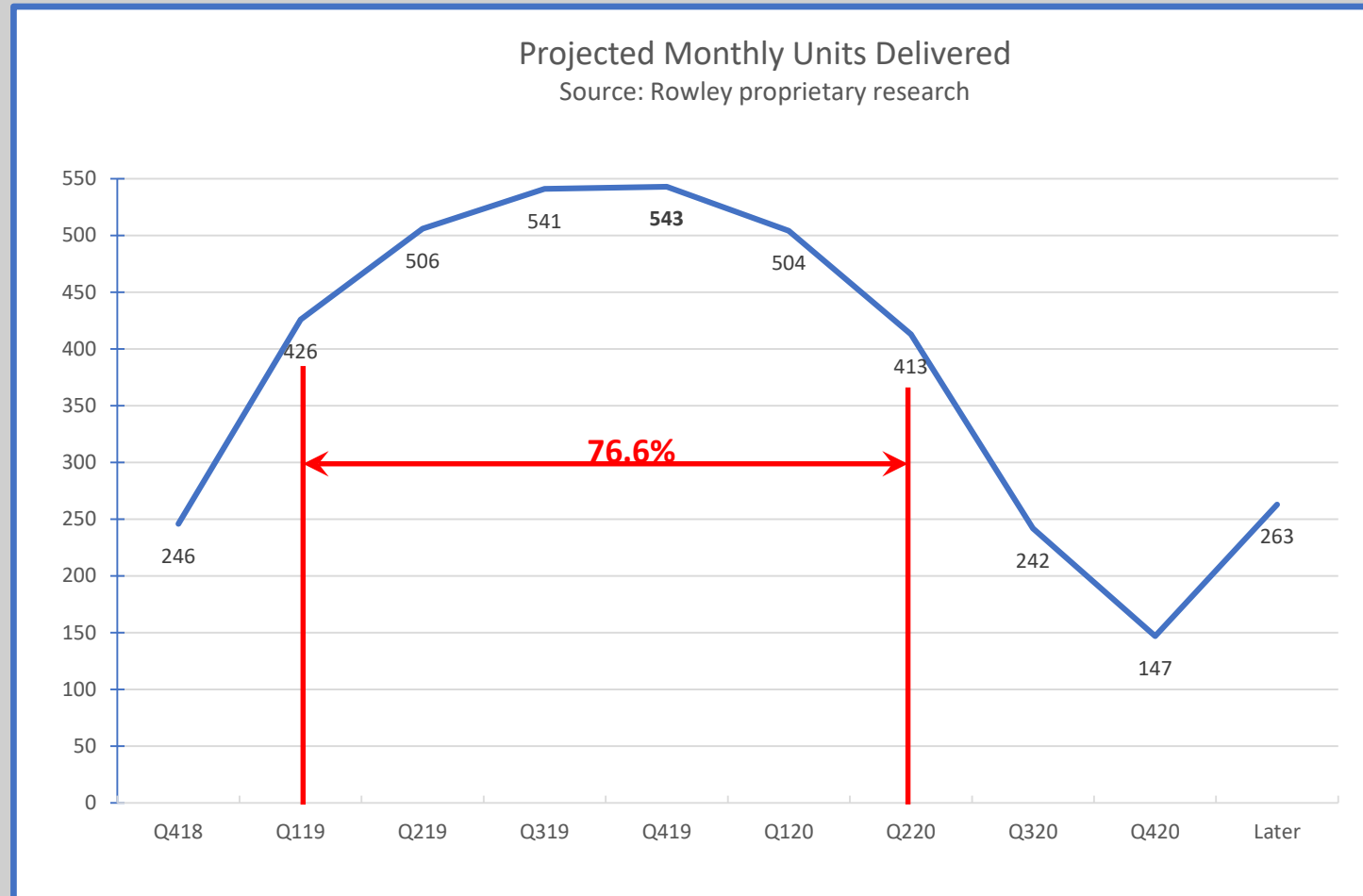
182ksf Industrial Lease



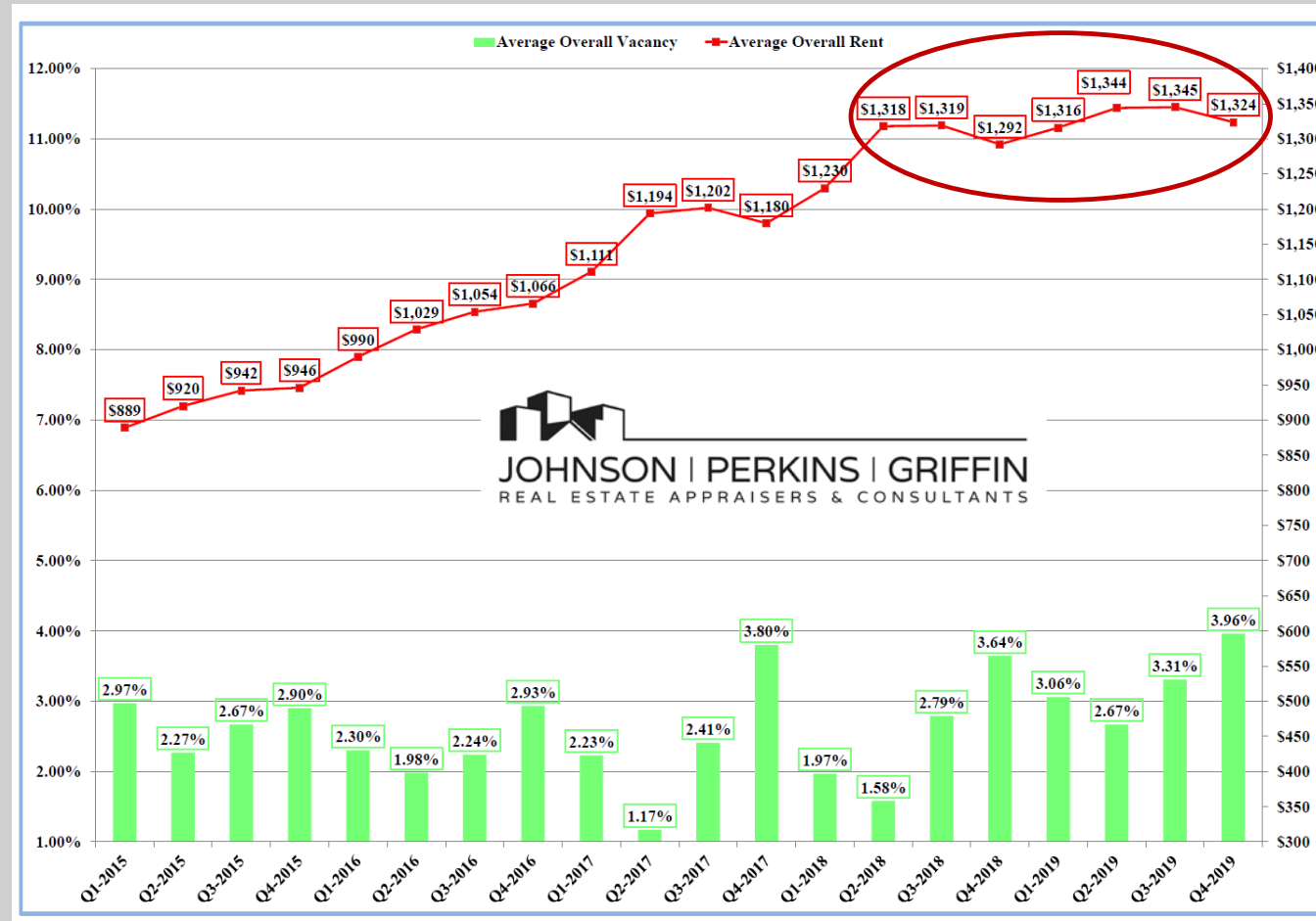
East Sparks Submarket Study Dec 2018



“Peak Apartments”



Overall Apartment Rental Rates and Vacancies



Leasing Incentives



2019 Major Transactions > \$5M

Property	Sale Date	Built	Price	Units	\$/Unit
Southwest Village	01/15/19	1972	35,350,000	332	106,476
Caviata	01/31/19	2007	51,700,000	184	280,978
Western Sun	03/28/19	1988	5,450,000	48	113,542
Towers at Pink Hill	05/14/19	2018	9,350,000	26	359,615
1100 Place Apartments	06/12/19	1975	25,200,000	230	109,565
Skyline Canyon	06/18/19	1973	37,550,000	204	184,069
Colonial Garden Court	08/21/19	1966	6,330,439	54	117,230
La Casa Arms	09/06/19	1972	5,750,000	69	83,333
Waterstone @ Kiley Ranch	09/19/19	2007	55,900,000	203	275,369
Parkway Terraces - Carson	09/30/19	2000	40,750,000	176	231,534
Loft 205	10/30/19	1971	13,700,000	61	224,590
The Element	11/22/19	1975	34,700,000	206	168,447
Marina Village	11/26/19	2003	53,750,000	240	223,958
	Total	13	375,480,439	2,033	184,693

2019 Apartment Sales

			\$	#	
2019 Major Apartment Transactions			\$ 375,480,439	13	Transactions
2019 Small Apartment Transactions			\$ 101,237,755	152	92% of Total Apt Transactions
2019 Total Market Rate Apartment Volume			\$ 476,718,194	165	Transactions
2019 Total Commercial Transactions			\$ 1,910,621,376	582	Transactions
Apartments as % of Commercial Totals			25%	28%	
Major Transactions as % of Apartment Total			79%	8%	

Reno Building Code Update

**“TALK IS CHEAP.
SHOW ME THE CODE.”**

LINUS TORVALDS

Inventor of the Linux operating system

Zoning Code RENOVation



**Planning Commission and City Council to Review
First Draft of Code**

City Council Zoning Code Workshop

**Tuesday, February 11, 2020
11 a.m.**

Reno City Hall - Council Chambers

2020 Predictions



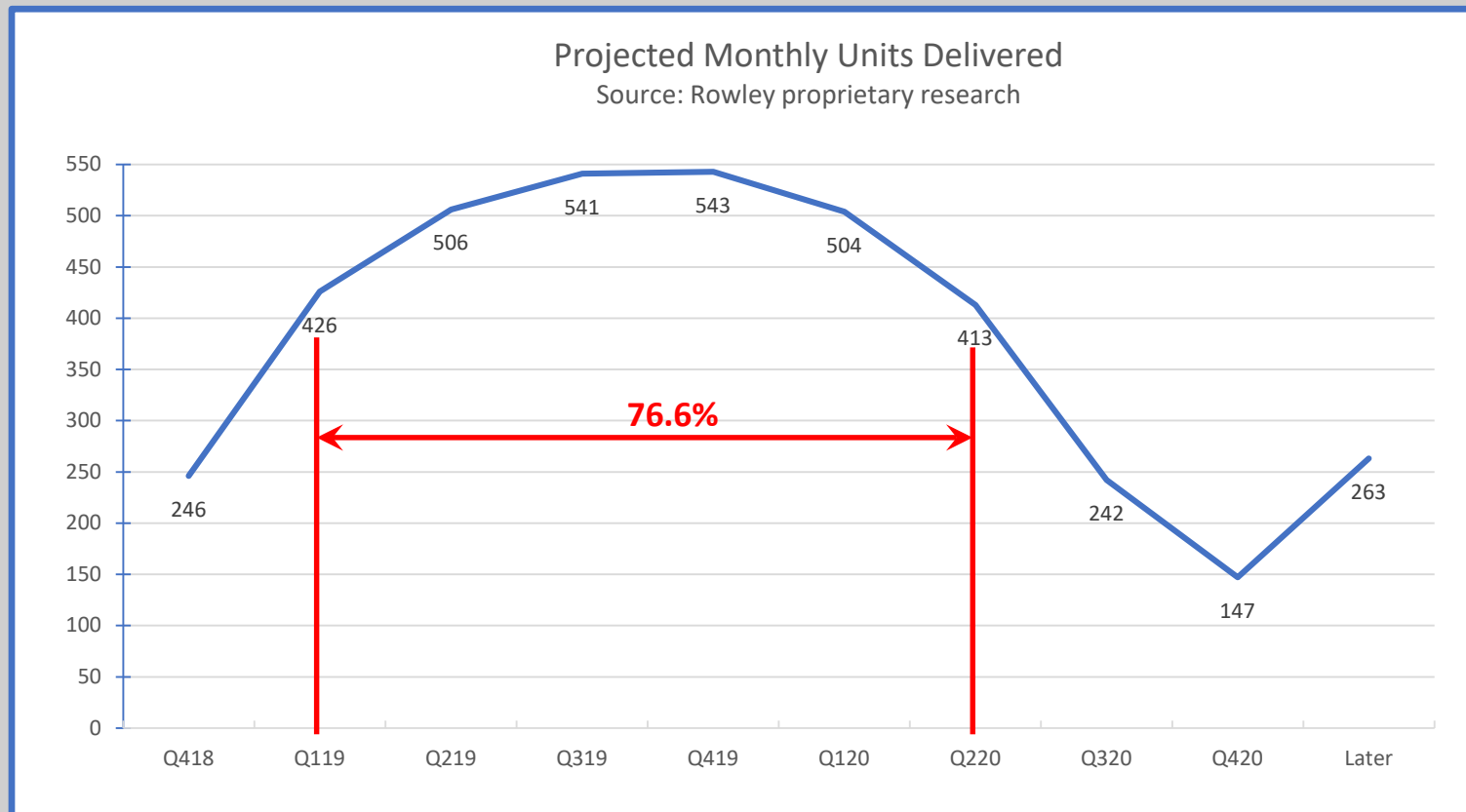
Construction Costs



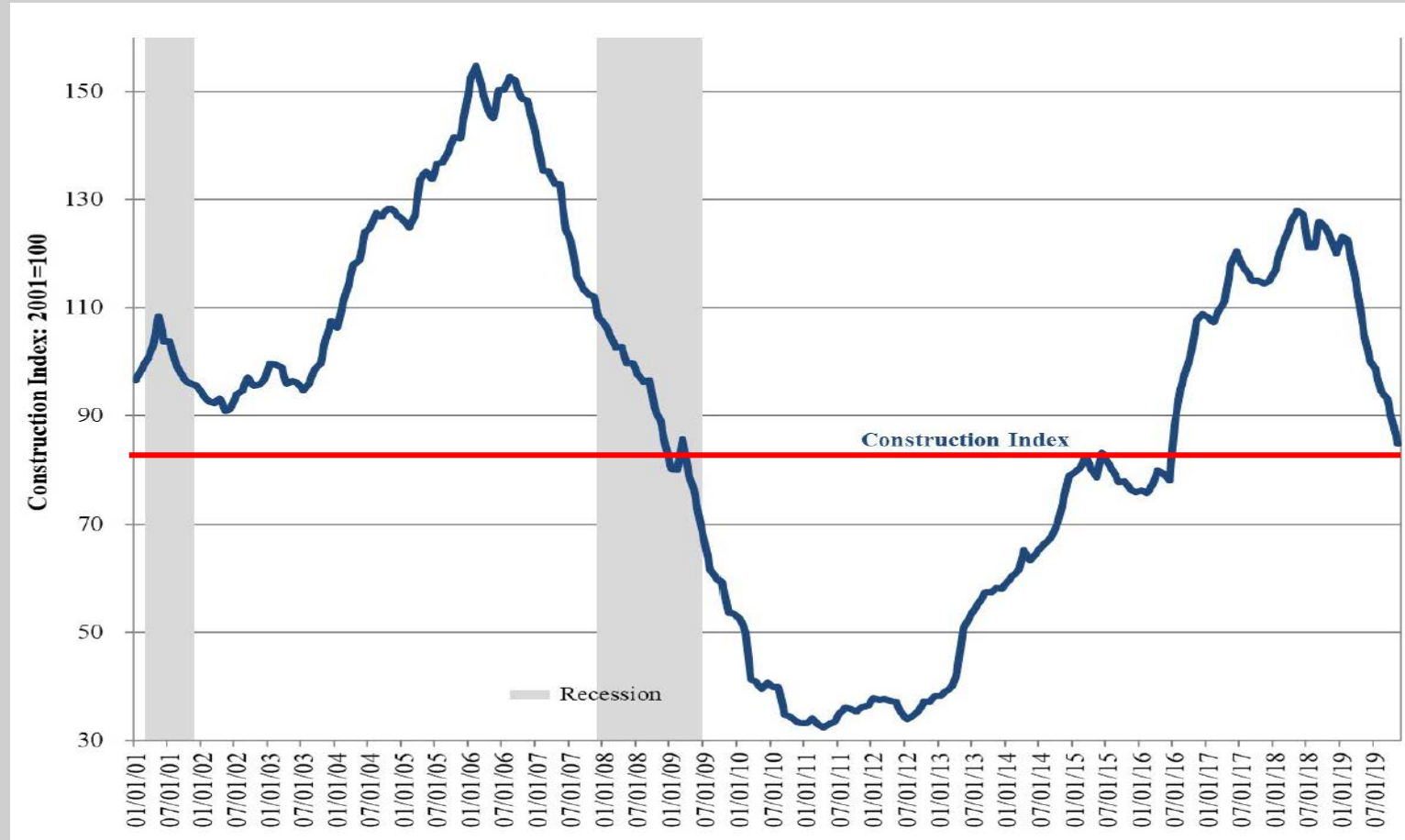
Dang! What happened to my backlog?



Construction Completions



Construction Index Slowing



Commercial Construction Indices

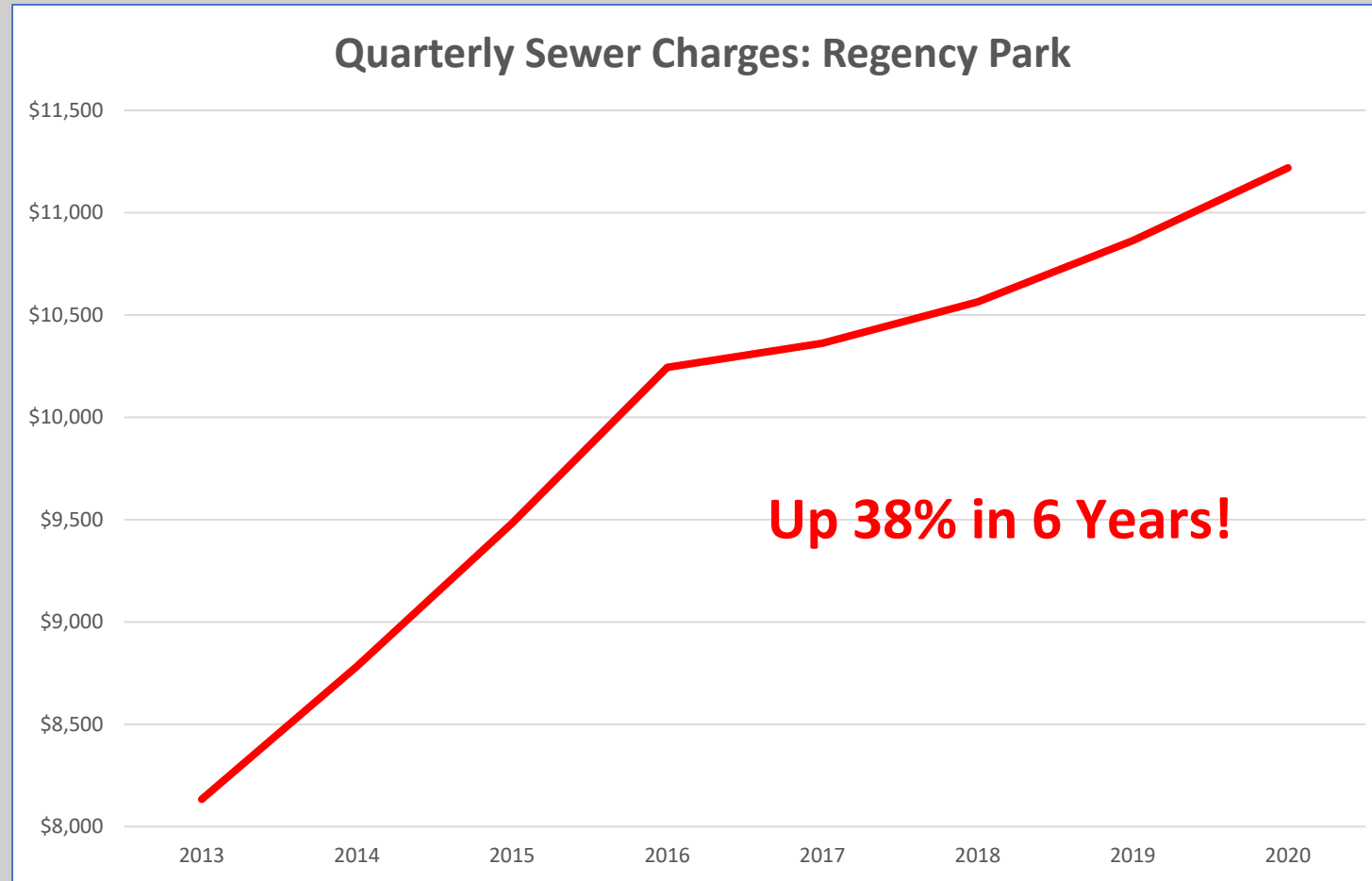
-4.70%

	Commercial		Residential		Residential
	Building	Commercial	Building	Building	Building
	Permit	Building	Permit	Permit	Permit
% Change	Employment	Valuation	Permits	Valuation	Units
Month to Month	0.73% 	-7.58% 	-6.35% 	-7.72% 	-9.20% 

-30.72%

	Commercial Building Permit Valuation		Commercial Building Permits		Residential Building Permit Valuation		Residential Building Permit Units	
% Change	Construction Employment							
Year to Year	9.90%	↑	-53.14%	↓	-80.27%	↓	-13.13%	↓

Sewer Charges



Apartment Predictions

- Construction Costs
- Operating Costs
- Current New Units Glut
- Rents
- Q320 Vacancy: RREA prediction
- Brexit, China, impeachment, election



3.21%



Go Niners!!!





2020

Commercial Real Estate Forecasts

Presented by CCIM

**NORTHERN
NEVADA**

2020

BANN/CCIM INDUSTRIAL FORECAST



DCG DICKSON
COMMERCIAL
GROUP



2019 Direct Vacancy Comparison

VACANCY RATES YEAR OVER YEAR



2019 Direct Vacancy by Quarter

VACANCY RATES QUARTERLY



2019 Gross & Net Absorption



ABSORPTION VOLUME



2019 Notable Leases



FRACHT FWO INC.
1402 S. McCarran Blvd
785,953 SF
Q4



CASE NEW HOLLAND
1600 Newlands Dr
266,000 sf
Q4



PATAGONIA
365 Cabela Dr & 385
Cabela Drive
143,000 & 104,000 sf
Q1



GROVE COLLABORATIVE
1190 Trademark Ave
198,000 sf
Q2



SYMBIA
775 Waltham Way
180,000
Q2



IAL
1402 S McCarran Blvd
165,000 sf
Q2



1A AUTO INC.
9175 Moya Blvd
149,196 sf
Q3



TIRE RACK
3300 Waltham Way
143,520 sf
Q3



L.A. T SPORTSWEAR
2070 Brierley Way
110,000 sf
Q1



TRISTAR
5360 Capital Blvd
72,500 sf
Q2

2019 Sale Volume

2018 SALES		2019 SALES		YEAR OVER YEAR CHANGE
Q1	\$49,894,570	Q1	\$45,618,953	-8.57%
Q2	\$236,081,570	Q2	\$230,150,500	-2.51%
Q3	\$32,136,690	Q3	\$265,402,344	725.85%
Q4	\$50,458,362	Q4	\$118,780,186	135.4%
TOTAL	\$368,571,192	TOTAL	\$659,951,983*	79.1%

*Does not include the GLP portfolio sale and Makita Build-to-Suit.

2019 Notable Sales

INVESTMENT

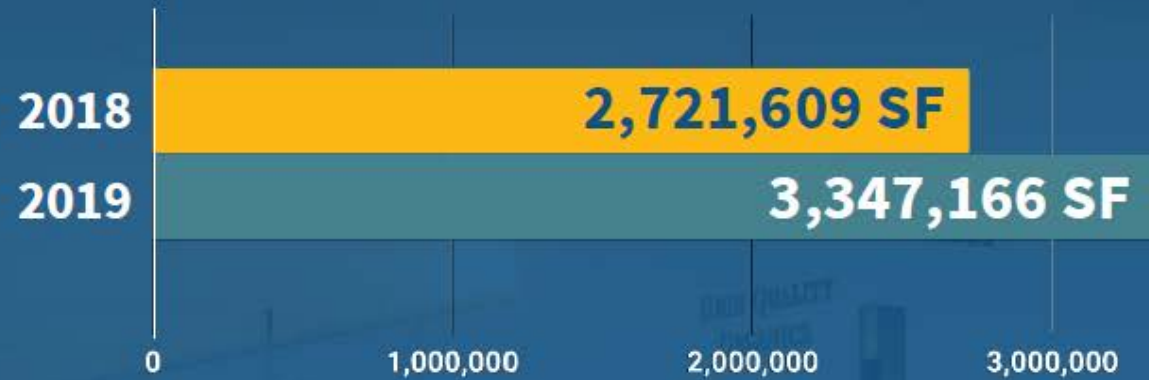
PROJECT	SIZE	SALE PRICE	BUYER
GLP Reno/Sparks Portfolio	10,130,000 SF	Not Disclosed	Link Industrial Properties
Greg St, S McCarran Blvd, Maestro Dr.	1,844,498 SF	\$157,800,000	Link Industrial Properties
Westcore Portfolio	1,125,269 SF	\$79,946,284	Stockbridge Capital Group
LogistiCenter I-80 West	792,547 SF	\$72,322,250	Black Creek Group
Petsmart Distribution Center	827,710 SF	\$54,000,000	Exeter Property Group
LogistiCenter 395 North Valleys	626,960 SF	\$53,900,000	Black Creek Group
South Sparks Industrial Park	584,866 SF	\$50,150,000	Seagate Properties

2019 Notable Sales

OWNER-USER

ADDRESS	SIZE	SALE PRICE	BUYER
8800 Military Rd	841,824 SF	\$54,579,500	Uline - build to suit
Military Rd	598,901 SF	TBD	Makita - build to suit
600 Spice Island Dr	75,500 SF	\$7,985,000	Across International
13805 Mt Anderson St	61,132 SF	\$5,060,500	Sustainable Furniture
350 Greg St	40,656 SF	\$4,500,000	Just Refiners
4655 Aircenter Cir	25,098 SF	\$3,215,000	Hamilton Medical Company
1150 Southern Way	40,040 SF	\$3,085,000	Hsing H Cheng

2019 New Construction Summary



Build-to-Suit construction

1,667,826

SF

Speculative Development

1,679,340

SF

SUBMARKET	SF COMPLETED
West Reno	391,750 SF
North Valleys	1,096,721 SF
Sparks	255,078 SF
South Reno	270,000 SF
I-80 East	1,333,617 SF



Scheduled New Construction 2020

PROJECT	ADDRESS	SIZE	EST COMPLETION	DEVELOPER
North Valleys Commerce Center	5 Buildings: F, G, H, J, & K	1,362,610 SF (Combined)	Q1-Q2 2020	Panattoni Development
Echo Ave - Becknell	6125 Echo Ave	286,487 SF	Q2 2020	Becknell Industrial
West America Commerce Center	550 Milan Dr	610,400 SF	Q1 2020	Tolles Development Company
Ingenuity Industrial Center	447 Ingenuity Ave Bldg's A, B, & C	659,280 SF (Combined)	Q4 2020	Avenue 55

2019 MARKET SUMMARY



Vacancy Rate



Sale Volume



Gross absorption



New Construction

2020 INDUSTRIAL OUTLOOK

Q3 2020 Costar
Vacancy Prediction

6.25%



Institutional Experience.
Local Knowledge.

DCG DICKSON
COMMERCIAL
GROUP

Thank you.



2020

Commercial Real Estate Forecasts

Presented by CCIM

2020 Retail Forecast

Greg Ruzzine, CCIM & Ian Cochran, CCIM
Retail Leasing, Sales, & Investment Specialists



LOGIC

The Effect of Tech on Retail

- The Exceptional becomes the Expected
- Increased pressure on retailers to shorten shipping times
- Greater focus on Omni-Directional Supply Chain
- BOPIS sales require strong online and brick and mortar presence

me:*orders something with
same day delivery on 11:59*
amazon:



LOGIC Commercial Real Estate Reno

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Reno, NV 89502

775.800.4100 | www.LogicCRE.com

LOGIC

Retail Market Disruptors

- Online food delivery has become integral to the success of restaurants
- Innovators like Tesla create a fundamental shift in traditional business models
- Reshaping, not replacing, traditional retail
- Technology is complimentary, not supplementary



Lack of Inventory



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Seller Demand

Buyer Demand

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Notable Lease Transactions

Pavilions



Lee's
Discount
Liquor

+/- 23,729 SF



+/- 23,729 SF

dolce vita
a spa destination

+/- 9,653 SF

**Sierra Standard
Restaurant**

+/- 7,061 SF

Rancharrah



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Notable Lease Transactions



- First location built in Oct 2017
- 4 locations open and operating
- 2 under construction
- 2 additional proposed

Reno Public Market



- Anchor in redevelopment
- +/- 28,860 SF

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Notable Sale Transactions



Sparks Galleria

\$49,650,000 / \$191 PSF
Sold 10.21.19 | 7.23% CAP



University Village

\$7,600,000 / \$194 PSF
Sold 05.31.19 | 9.25% CAP



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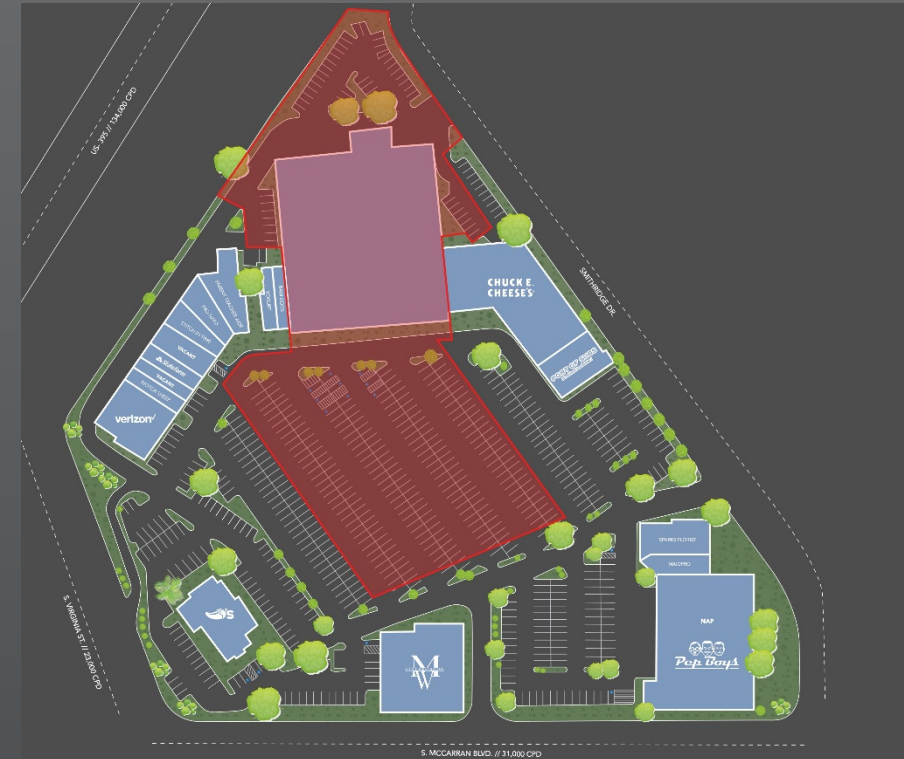
Notable Sale Transactions



\$3,850,000 / \$1,314 PSF
Sold 08.26.19 | 5.12% CAP



\$2,200,000 / \$843 PSF
Sold 11.04.19 | 5.00% CAP



Former Toys 'R' Us

\$3,650,000 / \$84.63 PSF
Sold 02.01.19



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Notable New Developments



Reno Public Market

+/- 150,000 SF of Retail



Park Lane Development

+/- 73,000 SF of Retail



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Notable New Developments



Rancharrah

+/- 64,000 SF of Retail



Skypointe

+/- 34,167 SF of Retail



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Reno Market by the Numbers

2019

Lease Rates

\$1.50 PSF
NNN



Vacancy

7.00%



2020

Lease Rates

\$1.57 PSF
NNN

Vacancy

6.50%



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Thank you!



CCIM



FORECAST 2020 *and beyond*



THE ECONOMY IN 2020: GROWING BUT SLOWING!

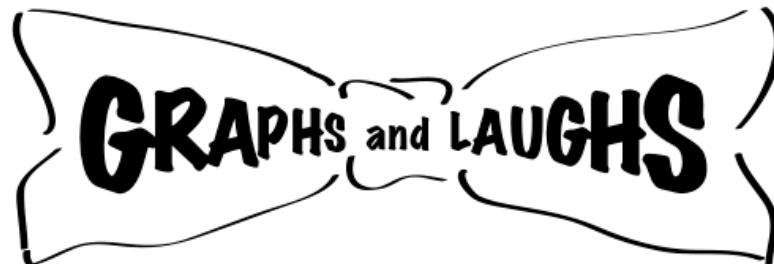
Presented by:

Elliot F. Eisenberg, Ph.D.

President: GraphsandLaughs, LLC

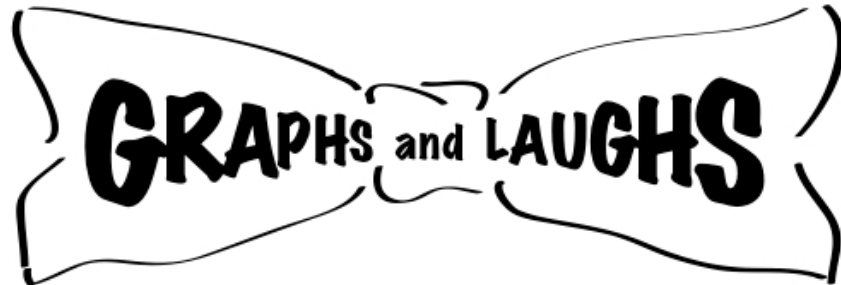
January 30, 2020

Reno, NV



The Economy is Slowing

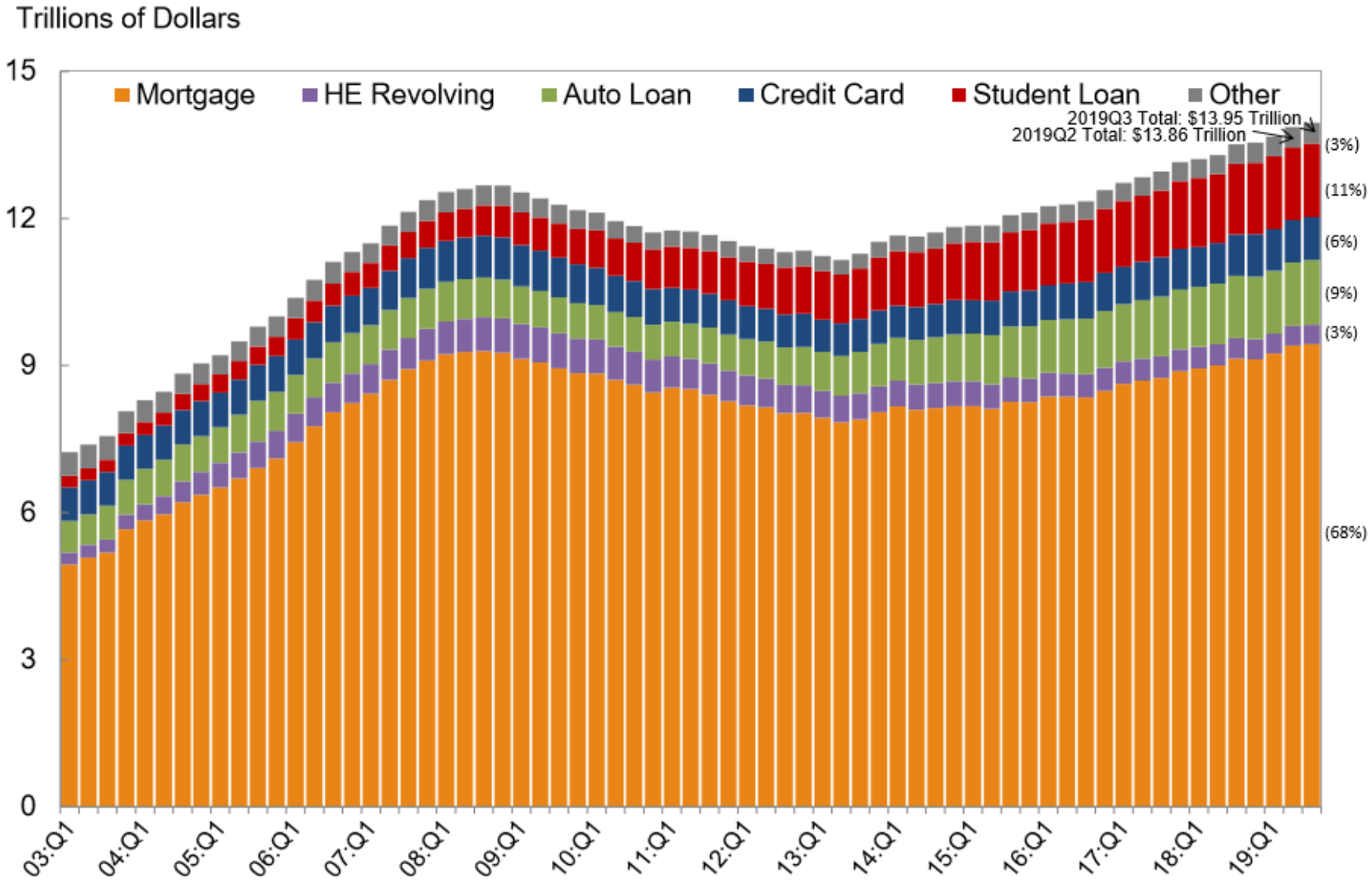
$$\text{GDP} = C + I + G + (X - M)$$



Households Are Re-Leveraging

Mortgage debt remains slightly below the 2008 peak. Total debt is 10% higher

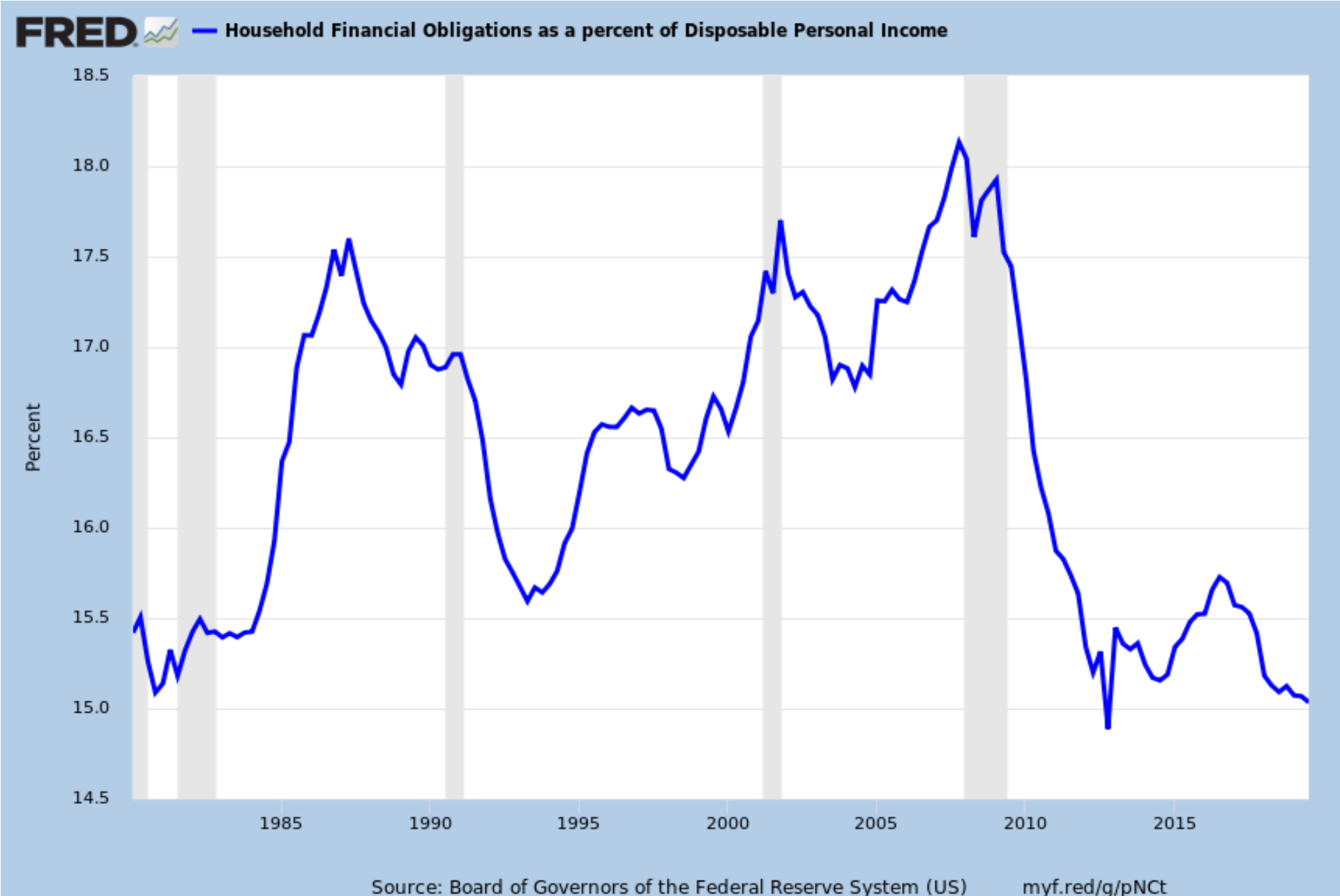
Total Debt Balance and its Composition



Source: New York Fed Consumer Credit Panel/Equifax

Households Balance Sheets Look Pretty Good

Less high interest revolving debt



Univ of Michigan Indices Perks Up

Index was at a post-recession high but has flagged slightly since

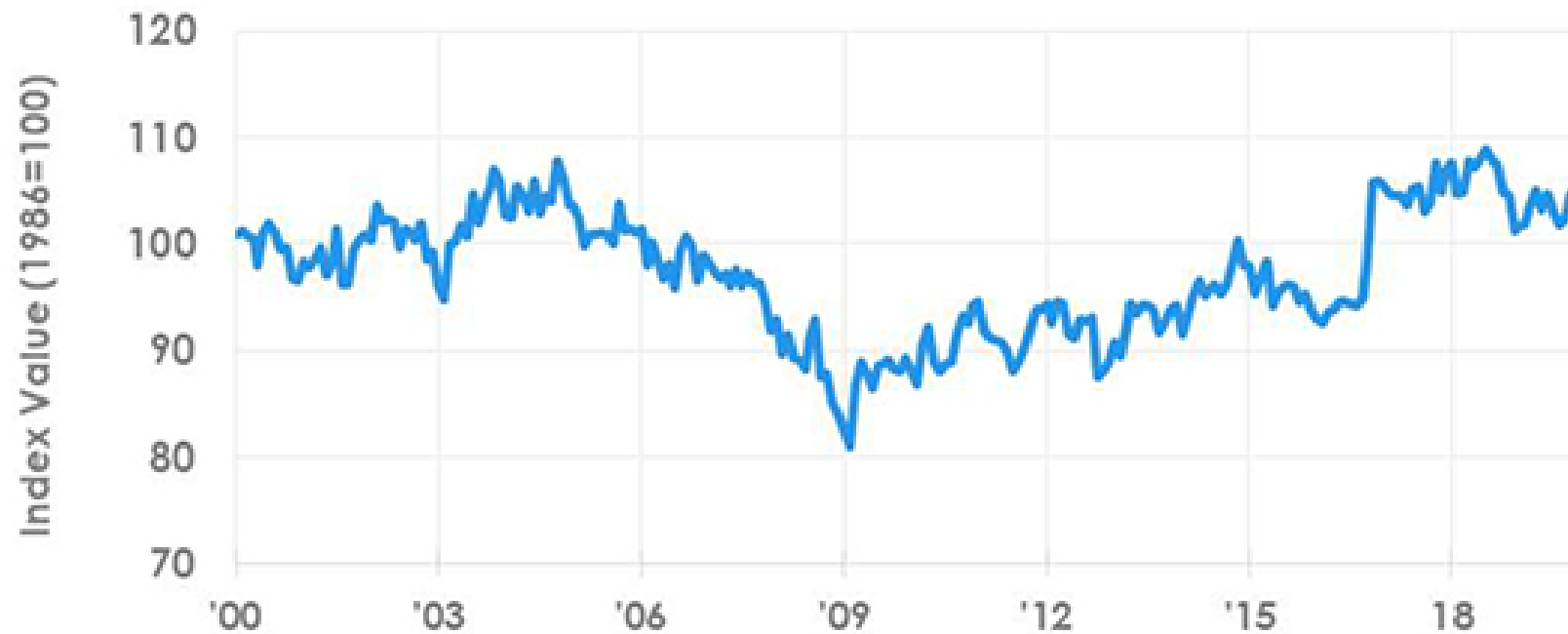


Small Business Confidence Remains Strong

Decline is reversing and it remains above long-term average of 98

Small Business Optimism Index at 102.7

Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Dec. '19



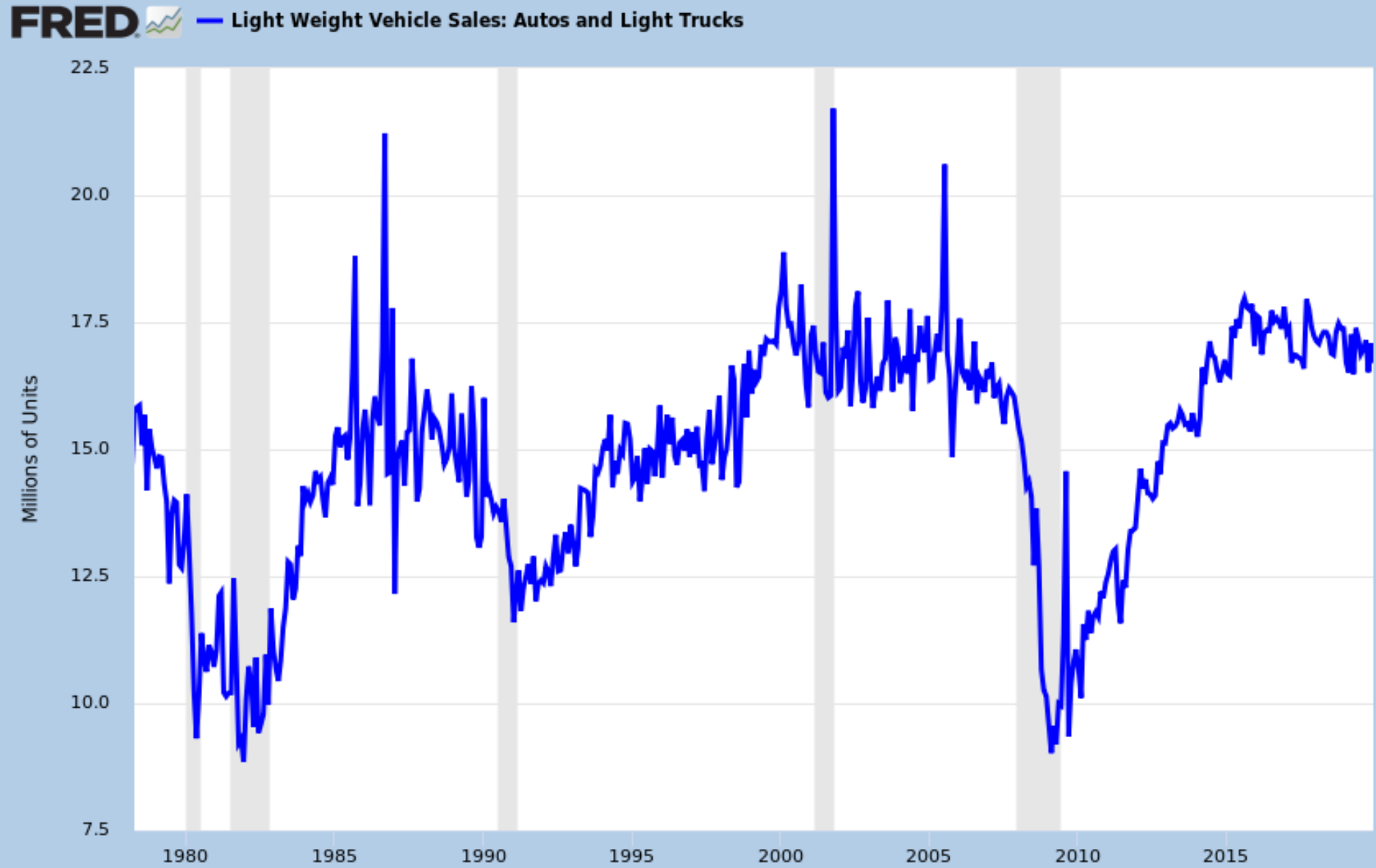
The Stock Market Is Doing Relatively Well

Despite numerous stressors



US Light Vehicle Sales Slow Slightly

First year since 2014 that 17 million units were not sold



Shaded areas indicate U.S. recessions

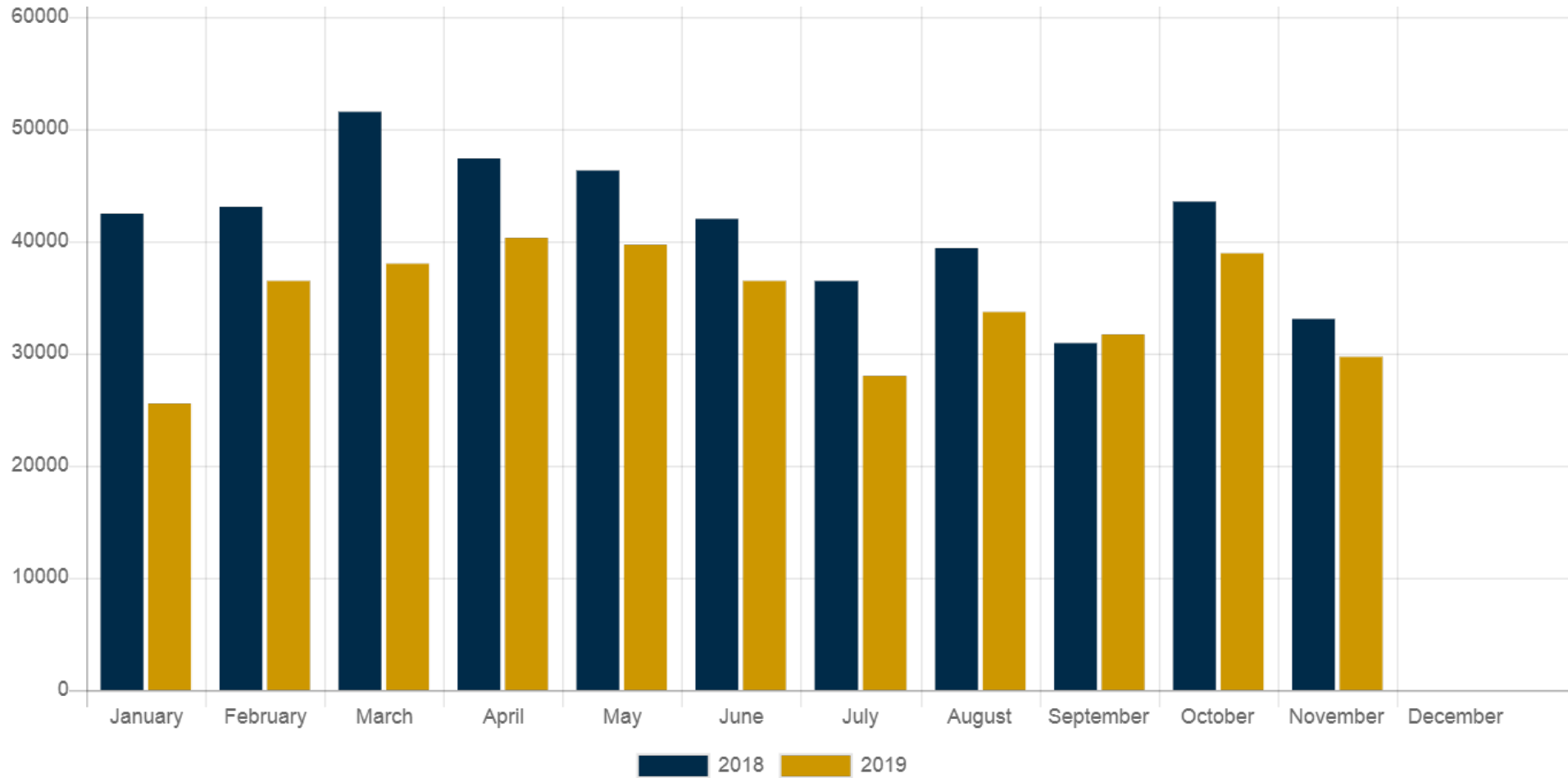
Source: U.S. Bureau of Economic Analysis

myf.red/g/pWvp

Let's Buy an RV, OK Maybe Not!

Sales keep slipping

Total Shipments Monthly vs. Last Year



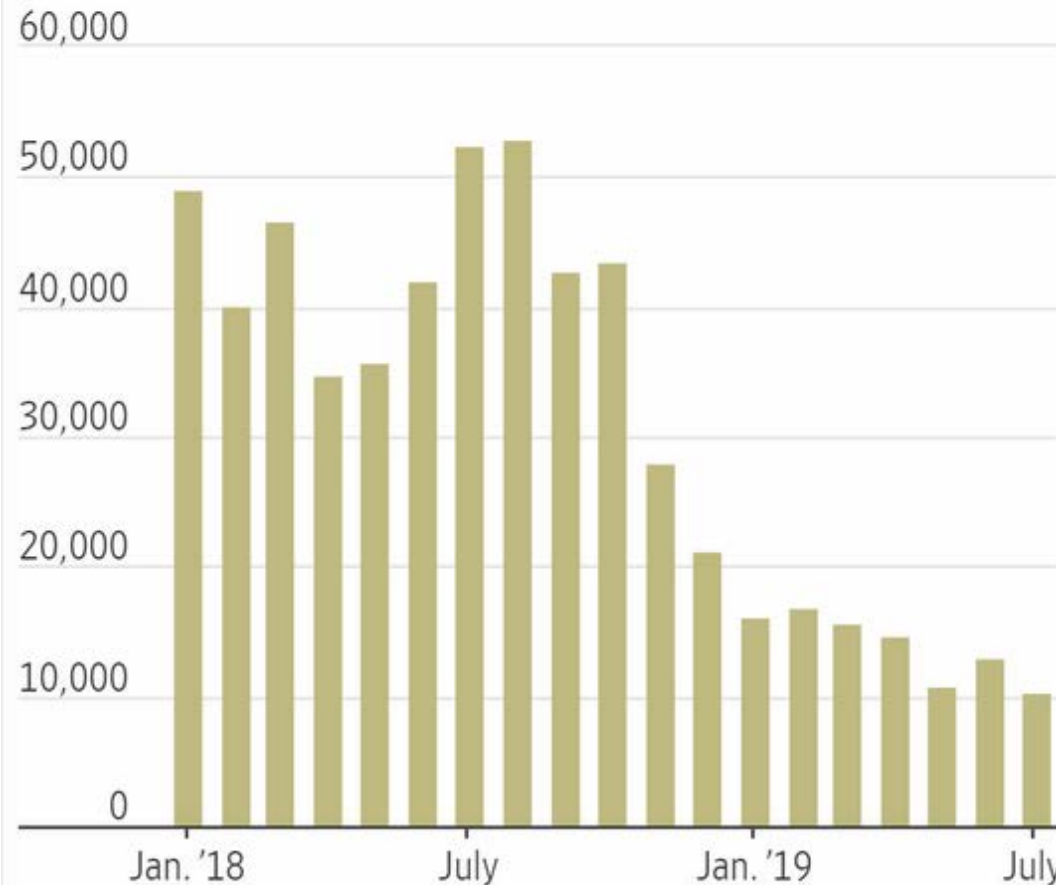
US Heavy Truck Sales Collapse

Gross Vehicle Weight > 7 tons. Down due to huge purchases last year

Orders are falling for new trucks amid a weaker freight industry.

Posted on
WSJ: The Daily Shot
03-Sep-2019
@SoberLook

Net orders of heavy-duty trucks

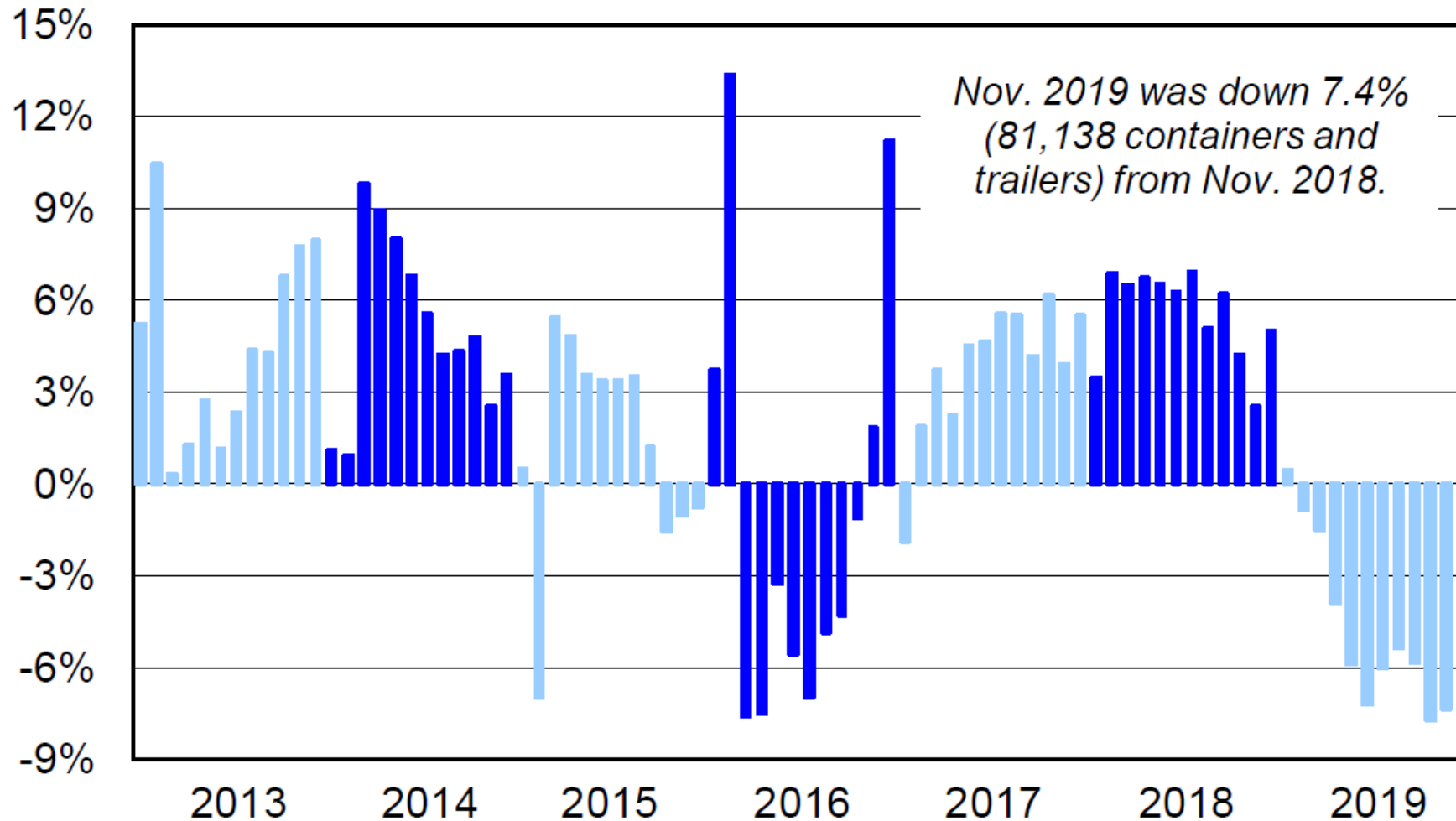


Source: ACT Research

Container Traffic Slows Slightly

2018 was the best year ever. 2019 looks weaker due to less exports, flooding, trade disputes

% Change in U.S. Rail Intermodal Units From Same Month Previous Year: Jan. 2013 - Nov. 2019



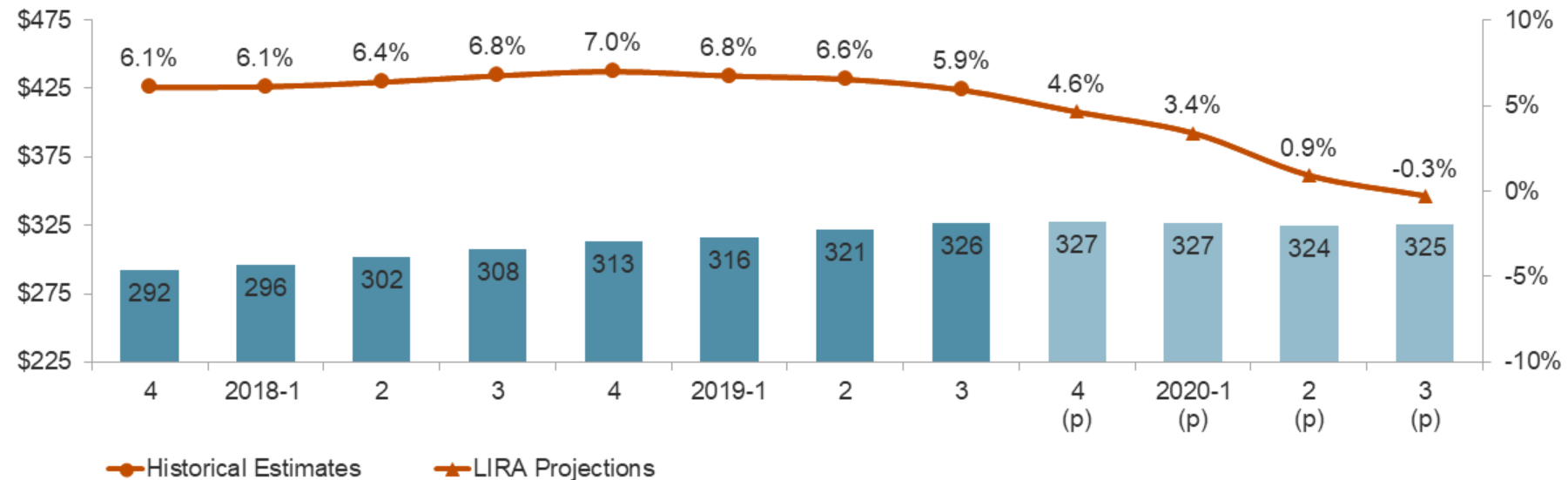
Data are based on originations and do not include the U.S. operations of CN, CP and GMXT. Source: AAR Rail Time Indicators

Housing Improvements & Repairs Rise Very Slowly

Homes are aging, rates are higher, home equity growth slows

Leading Indicator of Remodeling Activity – Third Quarter 2019

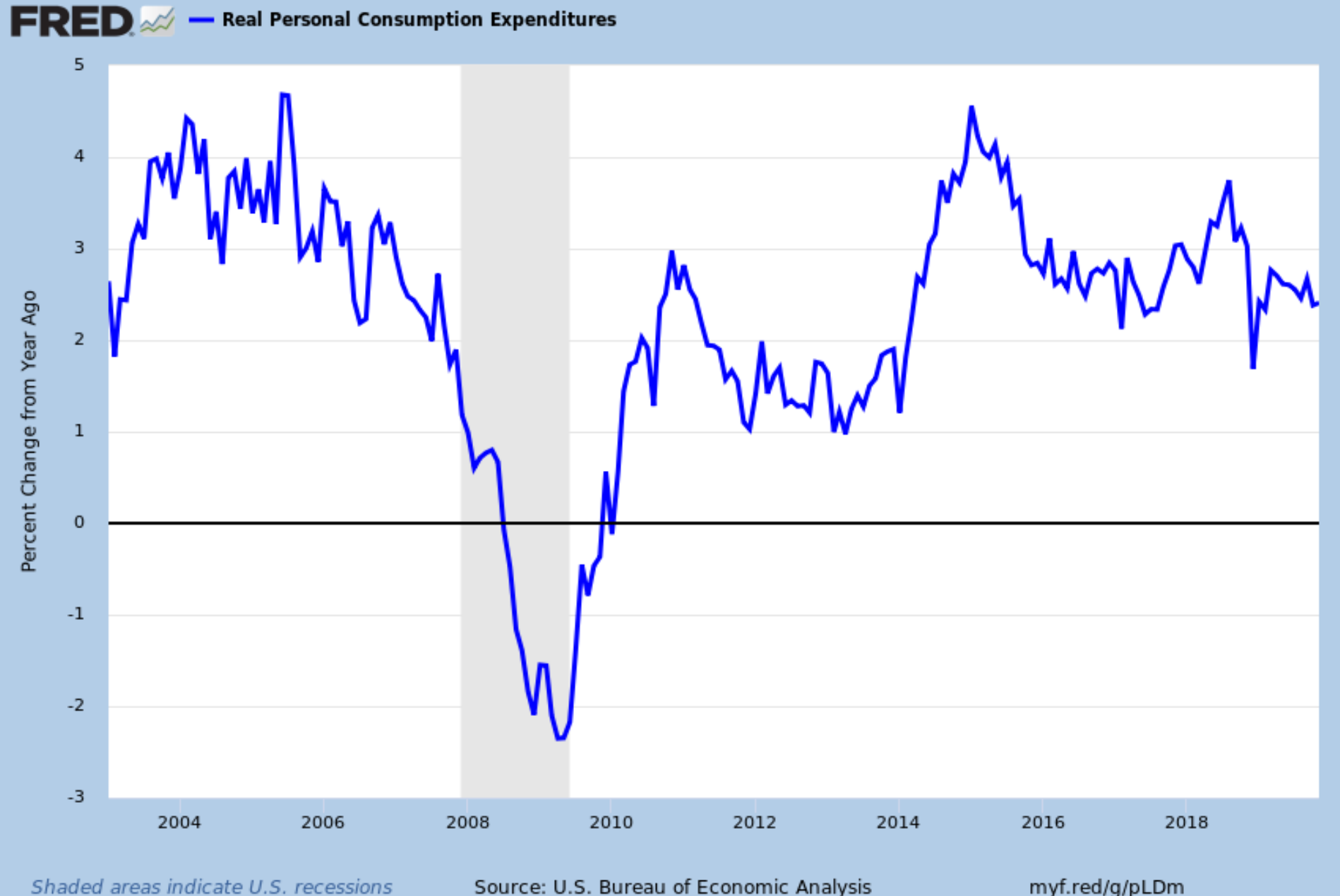
Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions



Note: Historical estimates since 2017 are produced using the LIRA model until American Housing Survey benchmark data become available.

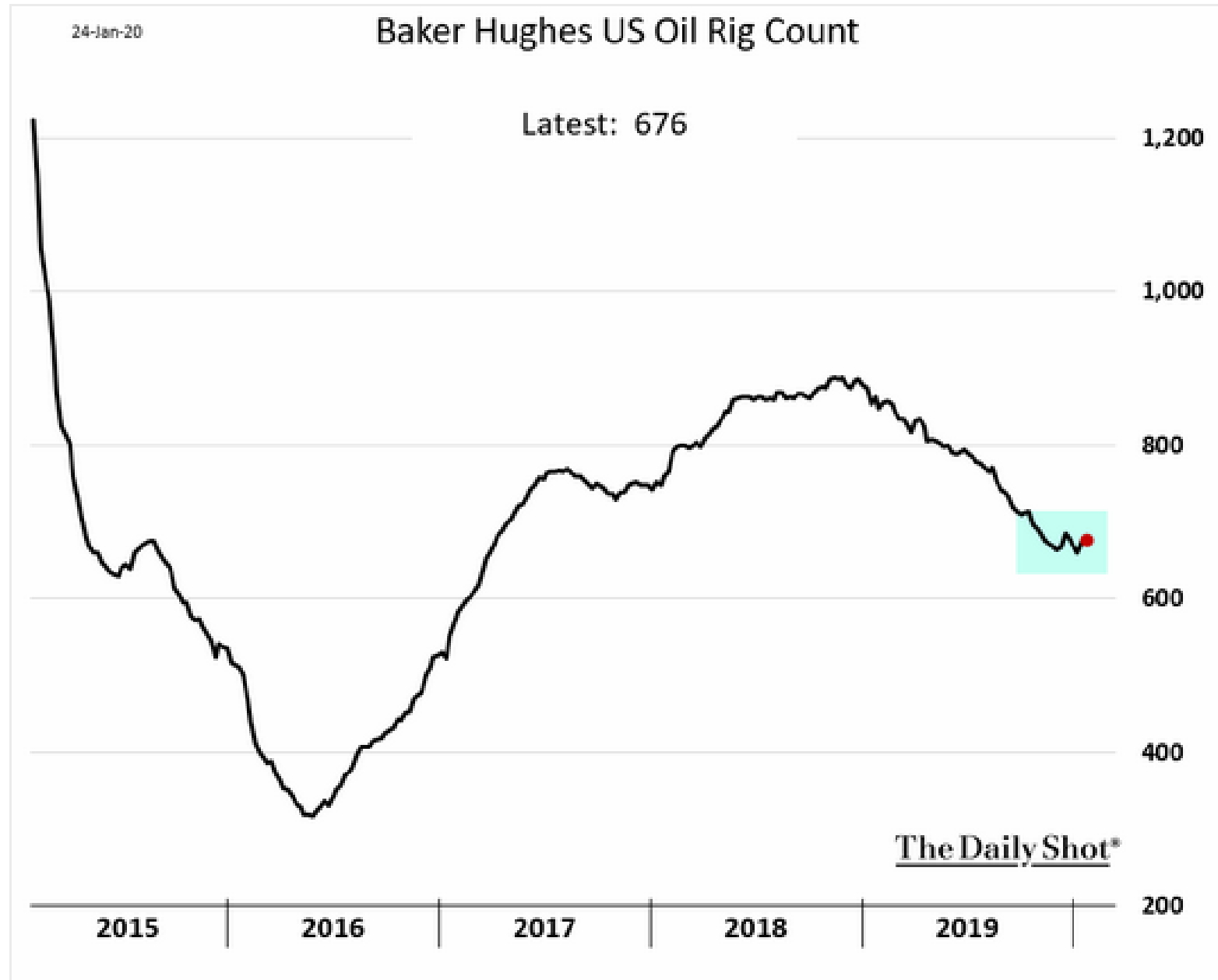
Annual Y-o-Y Percent Change in PCE

A very solid growth rate of about 2.5%, but down from the amazing 2018



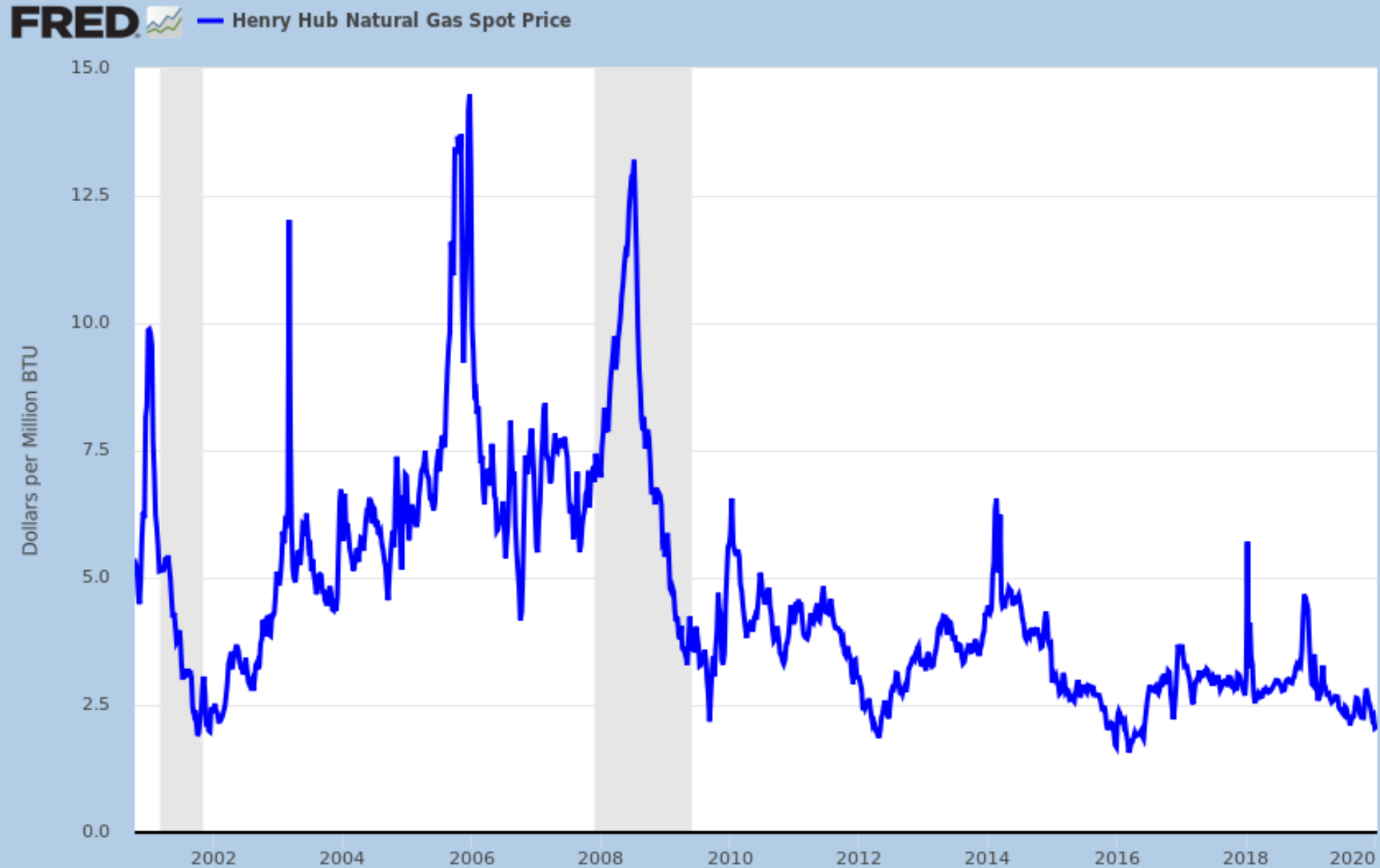
US Rig Counts Stop Falling?

Lower prices and stingy investors are key



Natural Gas Prices are Very Low

One CF is (roughly) equal to 1,020 BTU's



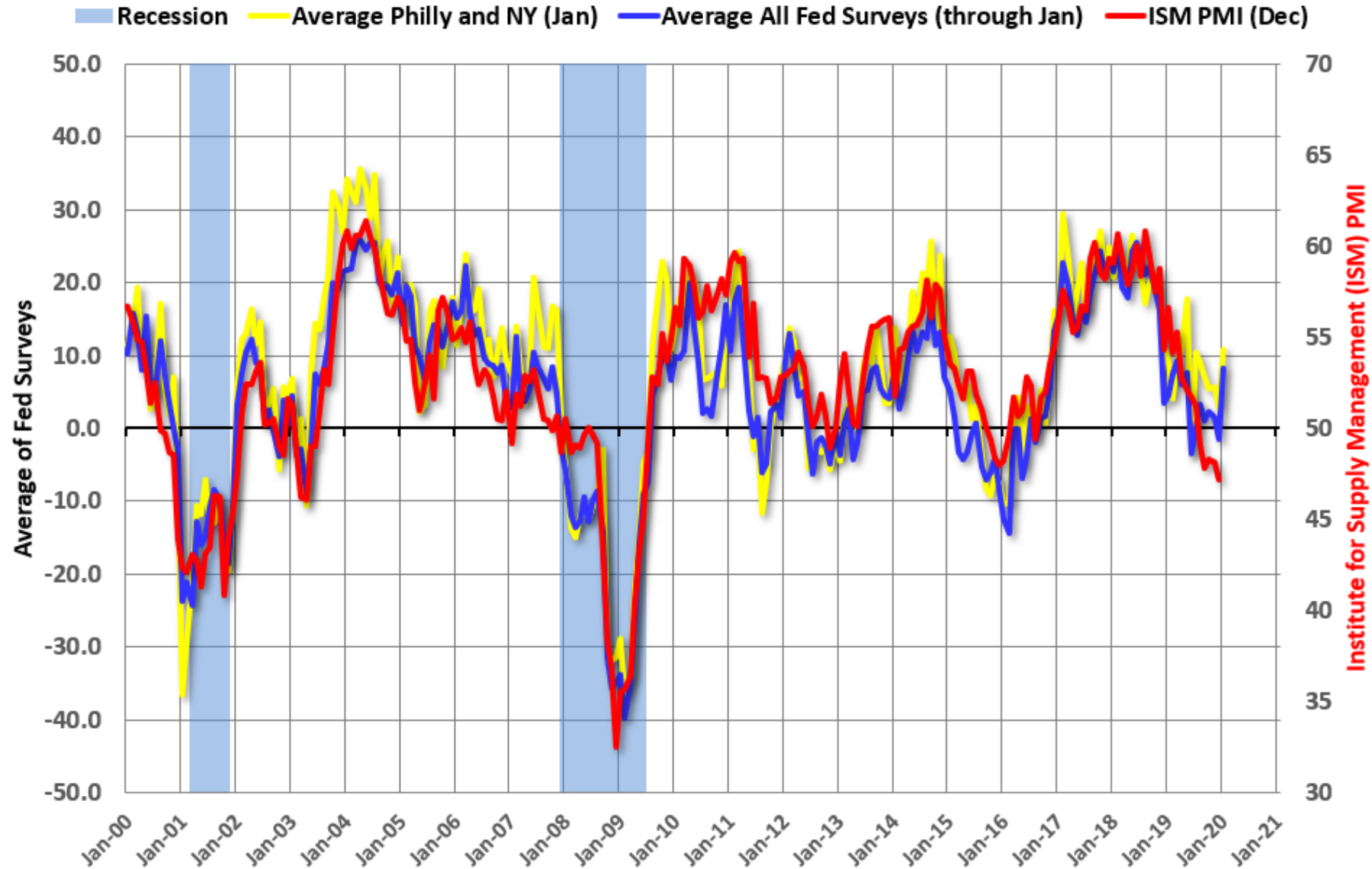
Source: U.S. Energy Information Administration

myf.red/g/pYPU

ISM Manufacturing Numbers Are Weak

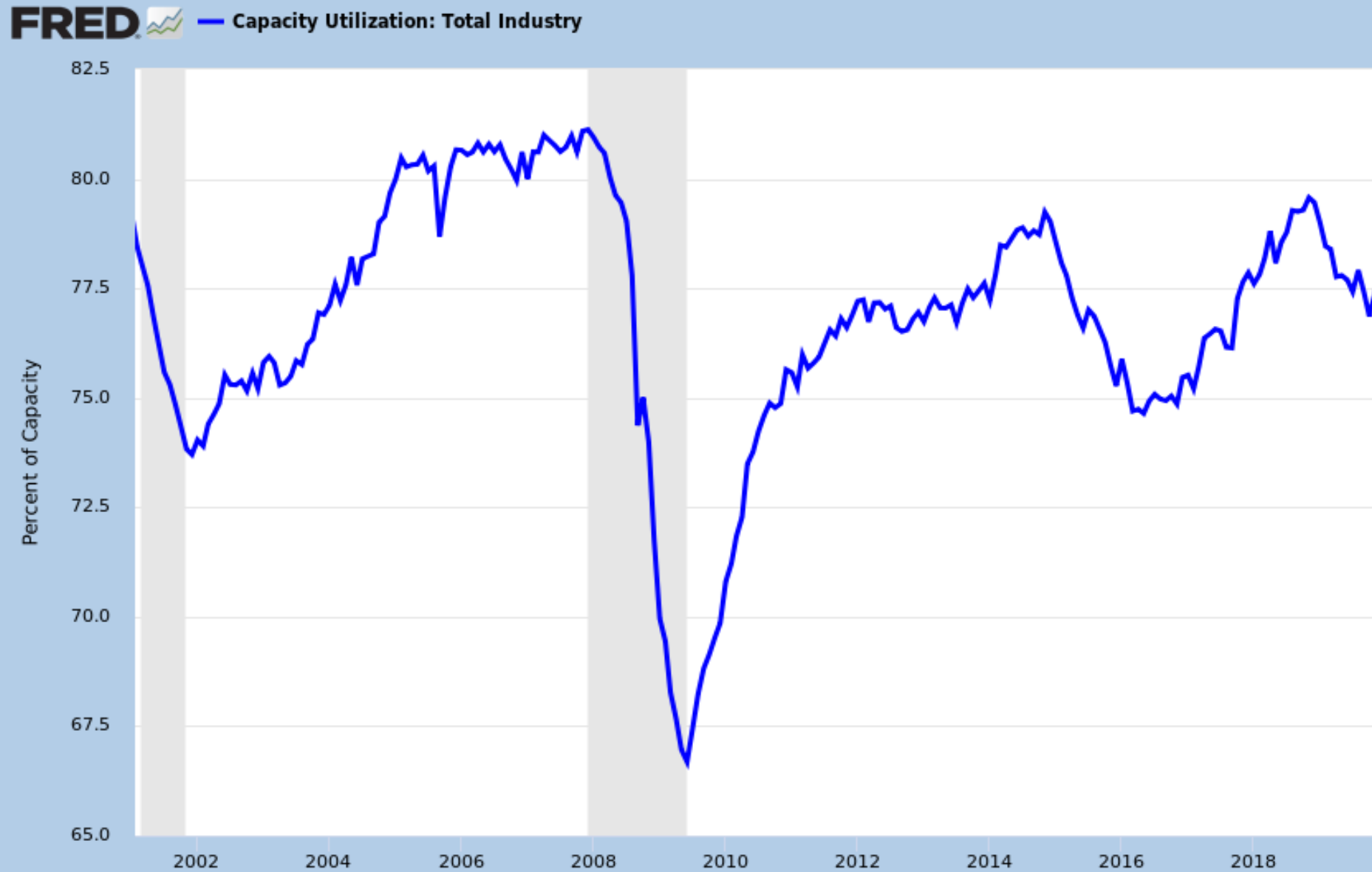
Manufacturing is less important than in decades past

ISM Purchasing Managers' Index (PMI) and Fed Manufacturing Surveys



Factory Utilization Rates are Declining

Combination of slowing global growth, trade wars, weak oil prices and a strong dollar

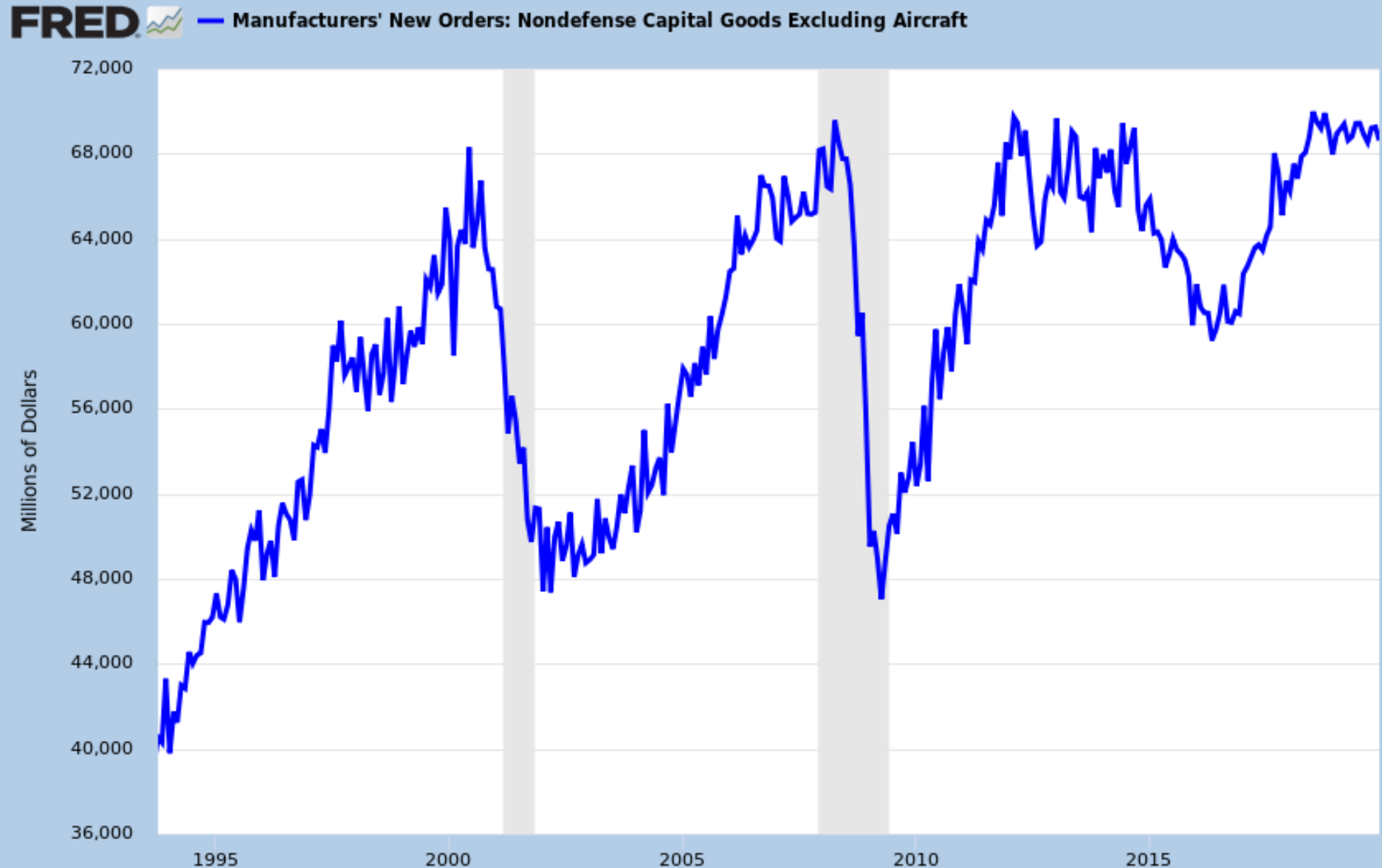


Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/pX4E

Capital Goods Orders are Flat

Slowing global growth, trade concerns, falling oil prices and more...



Shaded areas indicate U.S. recessions

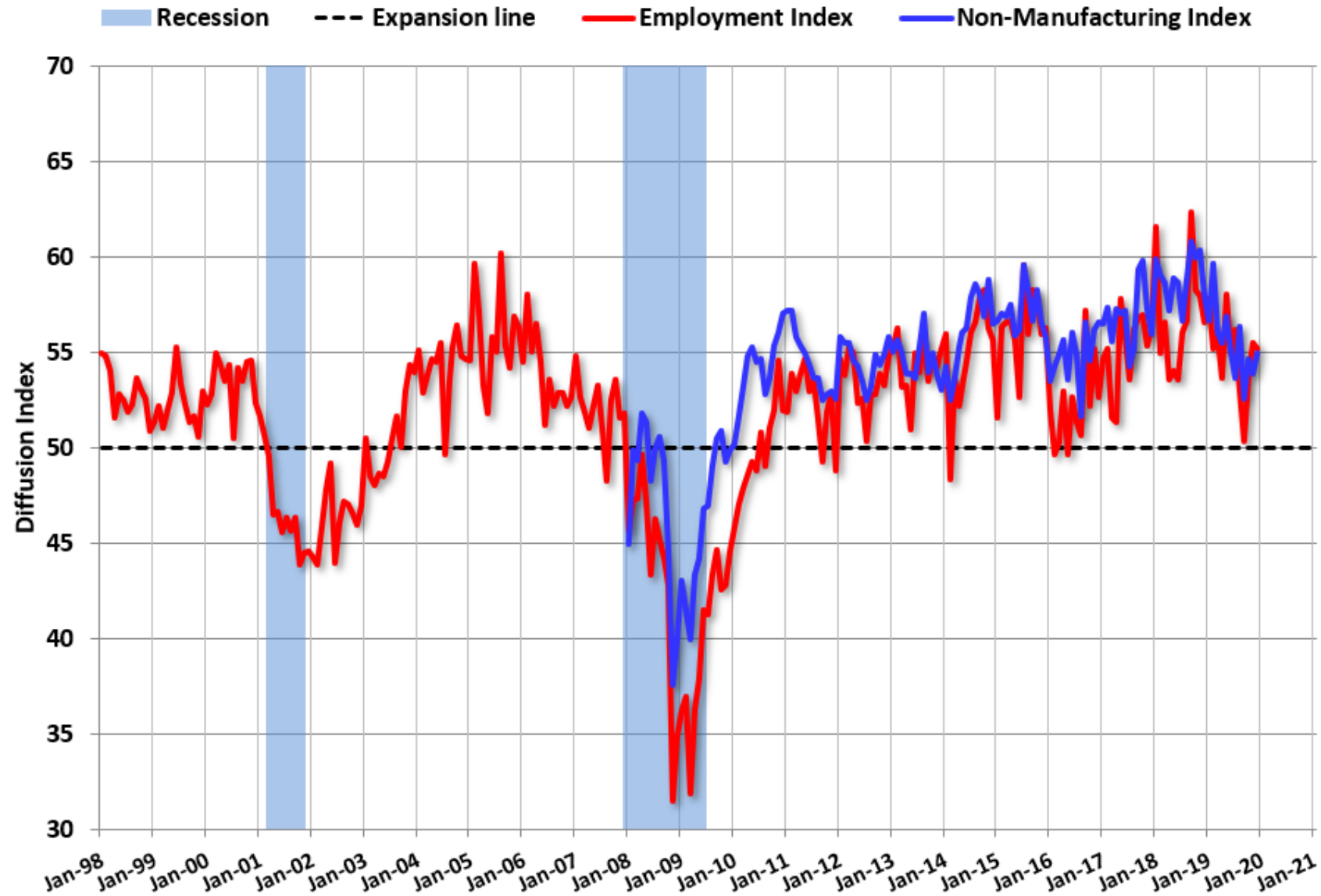
Source: U.S. Census Bureau

myf.red/g/q1j7

ISM Non-Manufacturing Numbers are OK

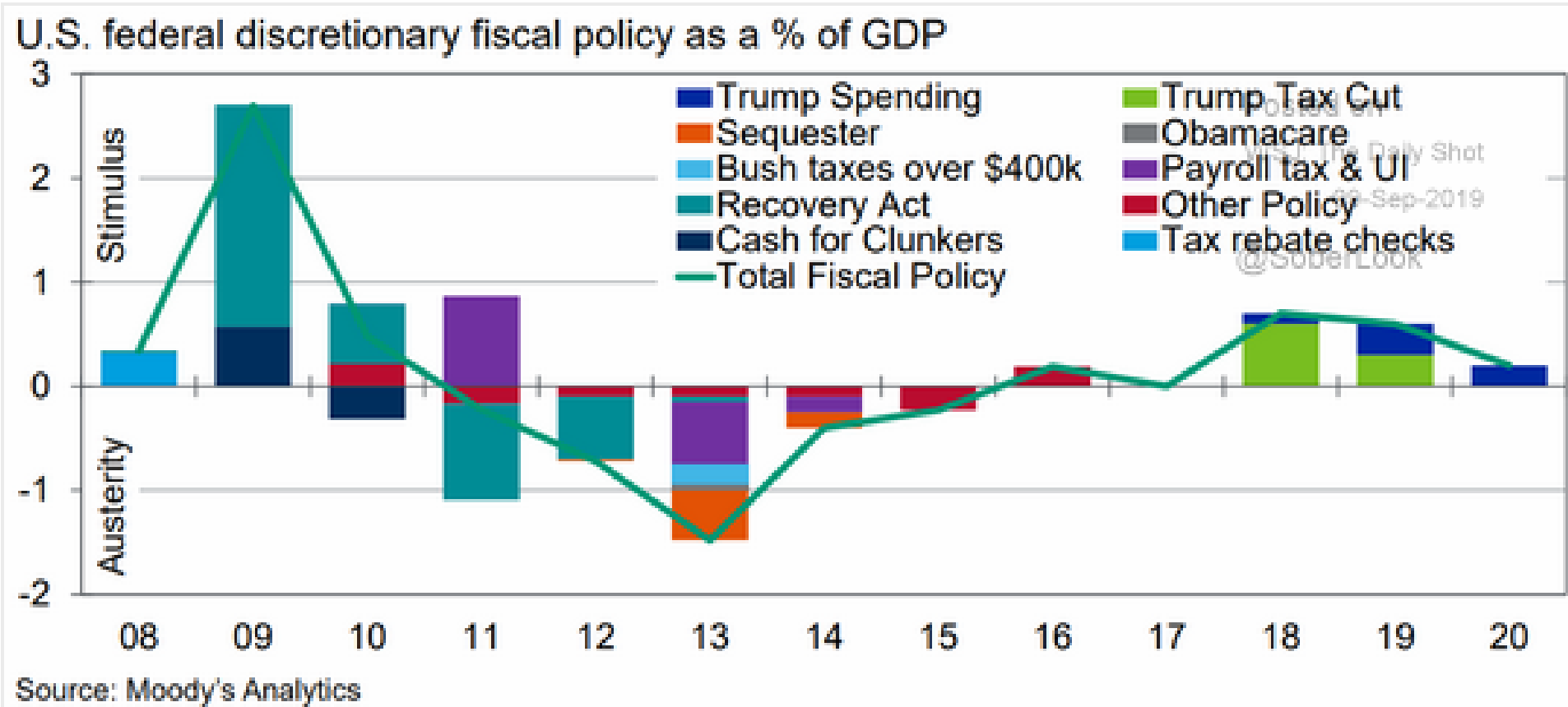
Service sector is stable

ISM Non-Manufacturing and Employment Diffusion Indexes



Tax Cuts Are Waning

By 2020, policy is contractionary

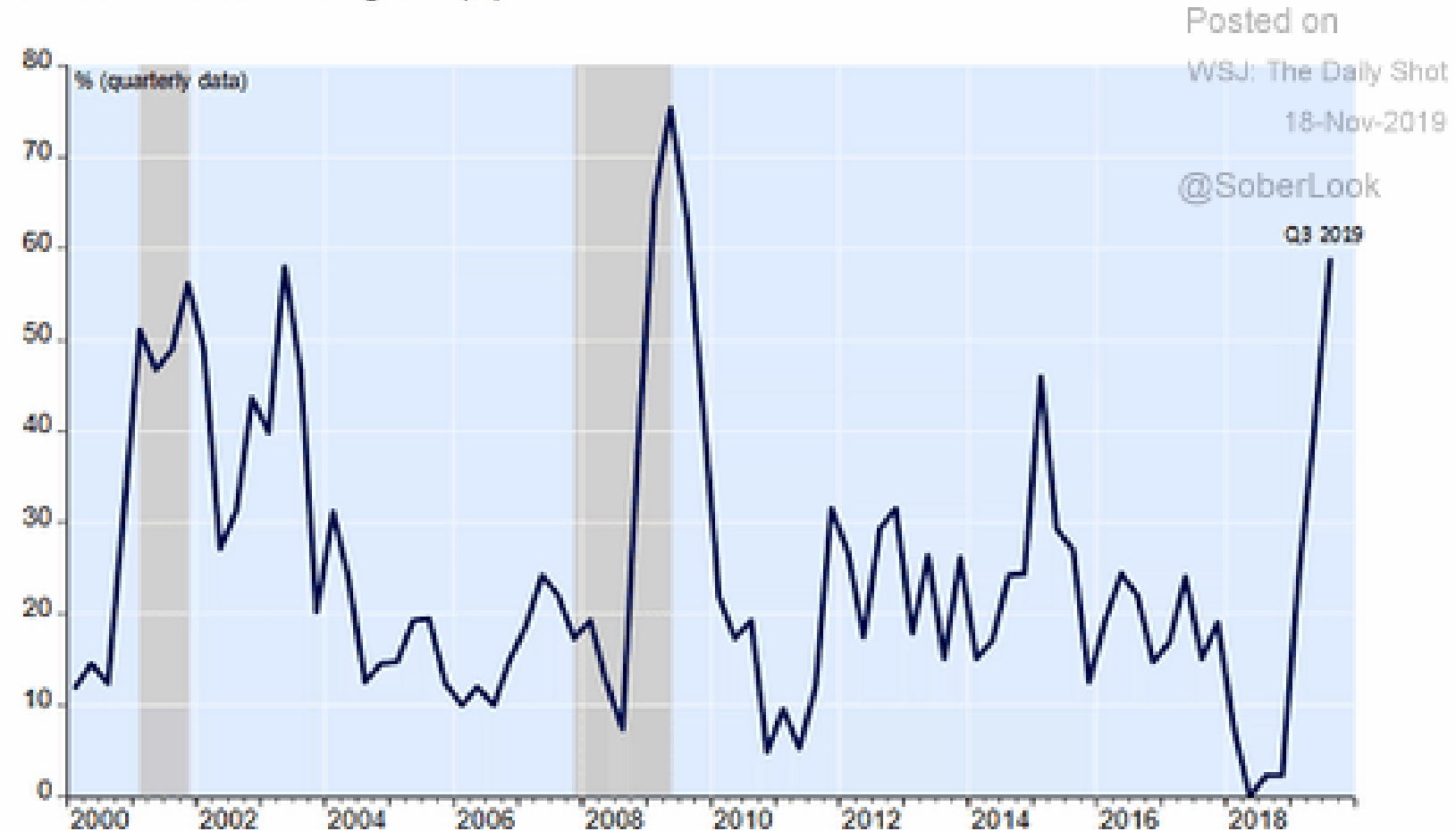


Many Nations are Loosening Monetary Policy

Global growth is slowing, and central banks are easing

World: The most synchronized easing cycle in a decade

Share of central banks cutting rates (%)



\$550 Billion Trade War Hurts US GDP

The impact peak at 0.6% of GDP and then wane

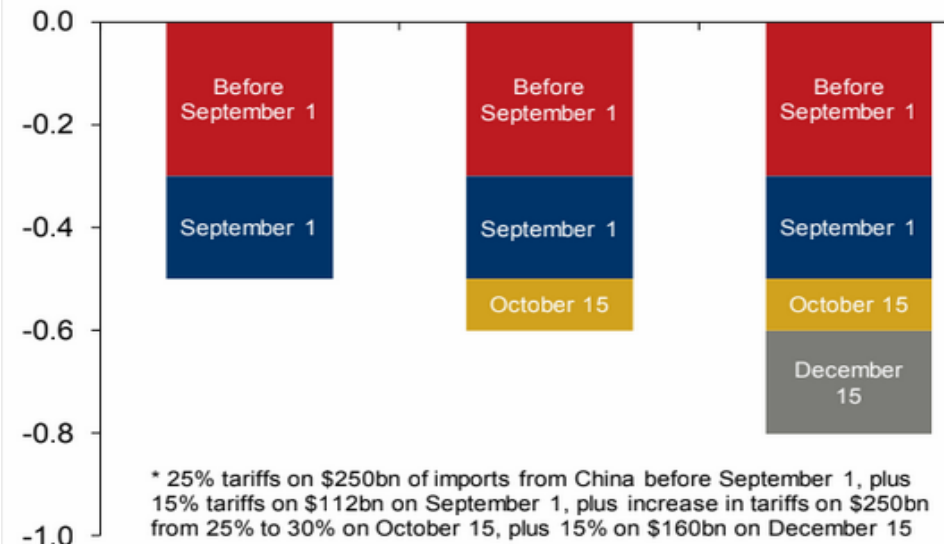
While any de-escalation in the ongoing trade war with China is welcome, today's mini deal would only regain 0.1% of the previously anticipated 0.6% GDP loss.

Given the 0.5% drag from measures enacted so far, this mini-deal doesn't make the outlook rosier – simply less bad.

Posted on
WSJ: The Daily Shot
14-Oct-2019
@SoberLook

US: Real GDP drag from China tariffs*

% GDP in 2020 relative to no tariffs baseline



Source : Oxford Economics

Contact: Gregory Daco | gregorydaco@oxfordeconomics.com

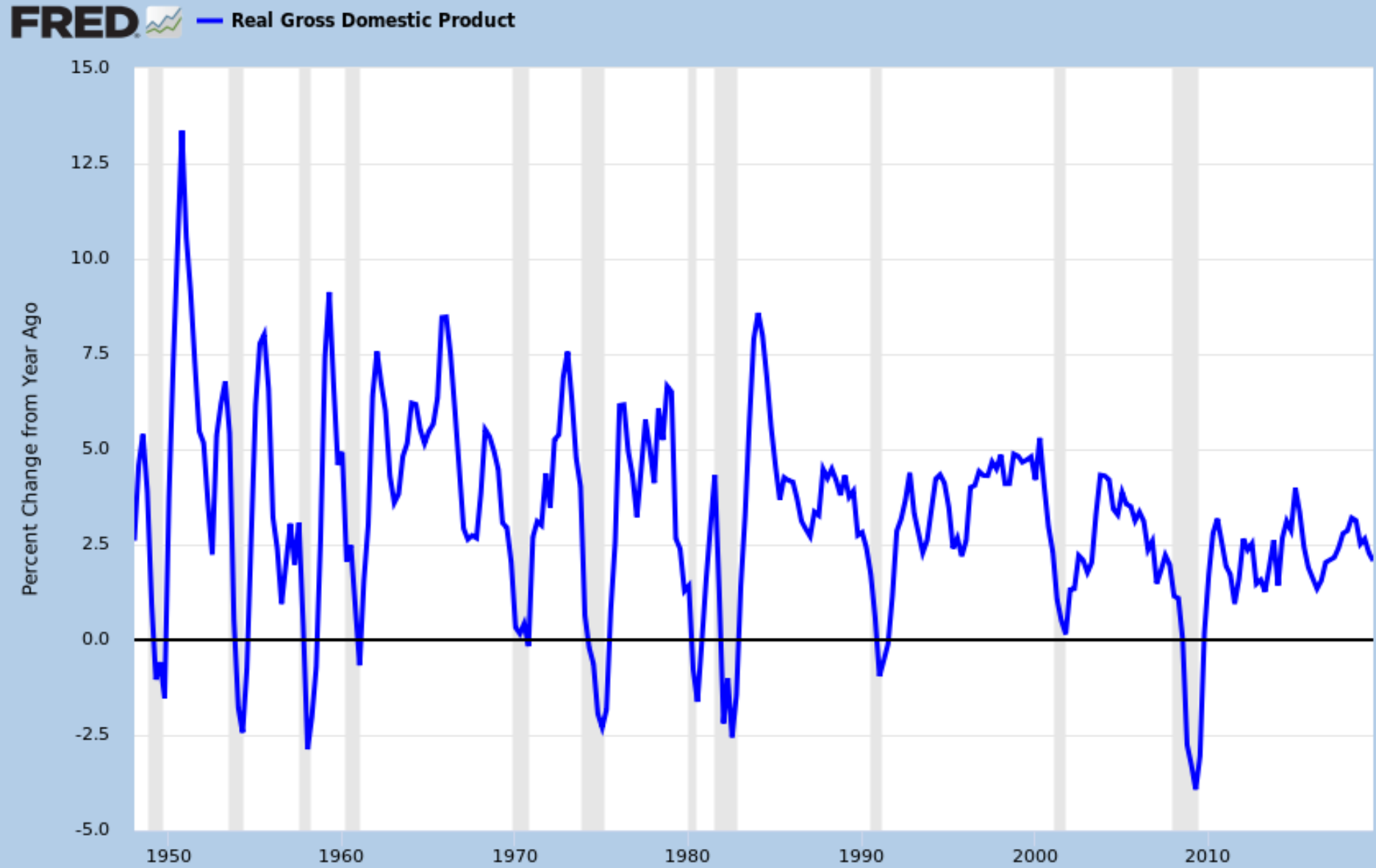
The Dollar Is Surprisingly Strong

Nearly at highest level since in January 2003. This is a big surprise!



GDP Growth Is Slowing

Impact of the 2017 tax cuts and 2018 spending increases have fully dissipated



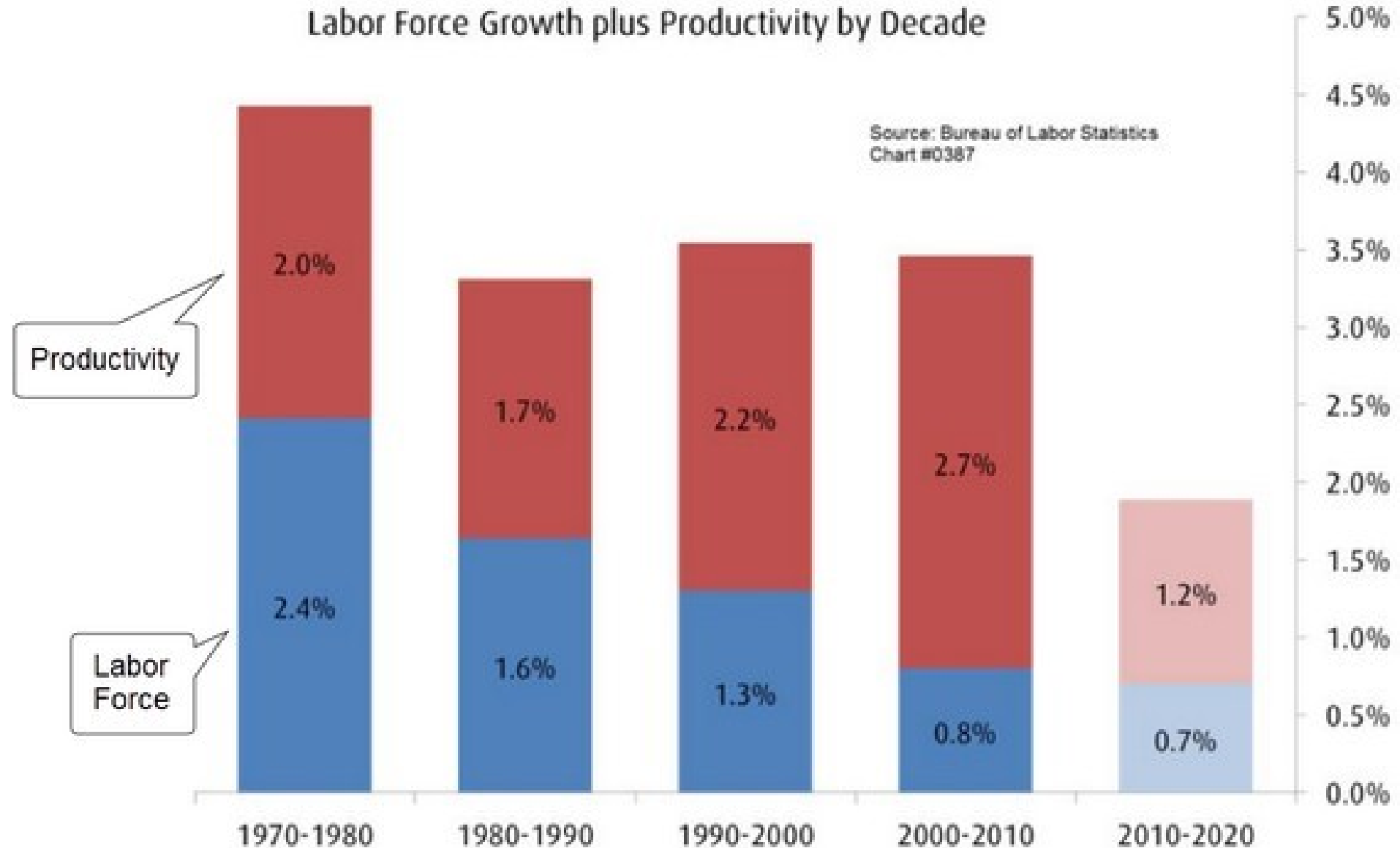
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Economic Analysis

myf.red/g/pLDg

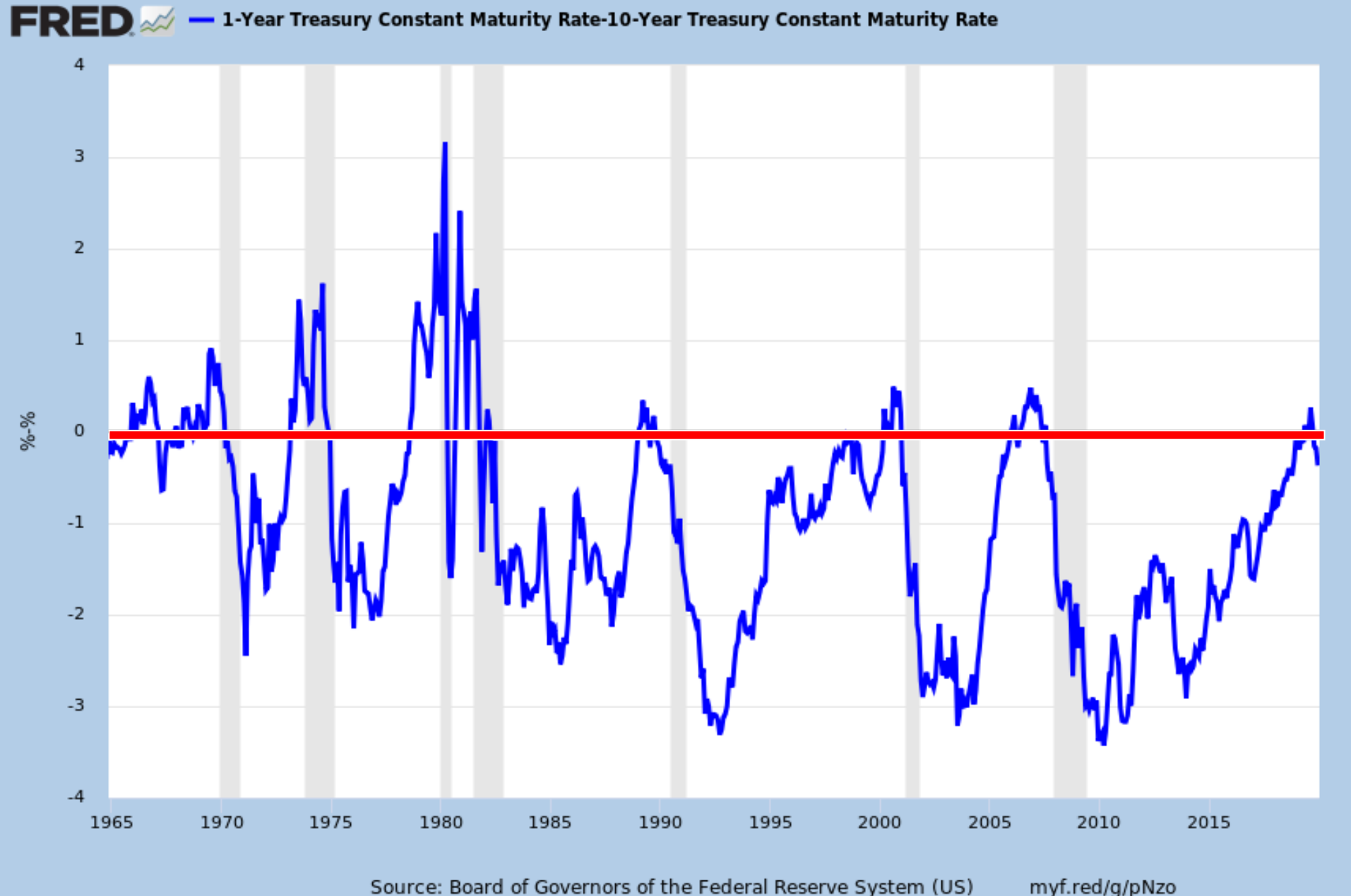
GDP Can't Grow Fast!

Very weak population growth and labor productivity growth



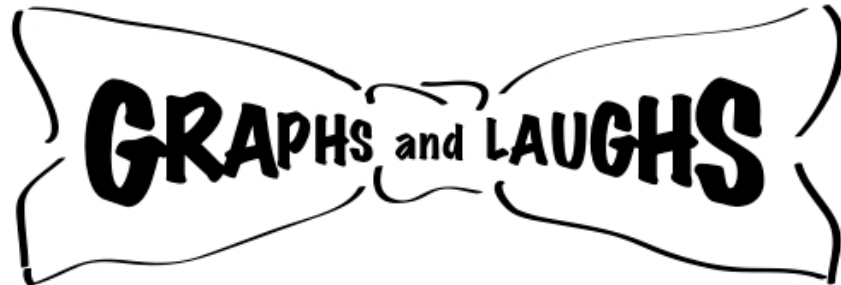
Best of All, No Recession...Yet!

Yield Curve Inversion Test: 1-Year Treasury Yield – 10-Year Treasury Yield



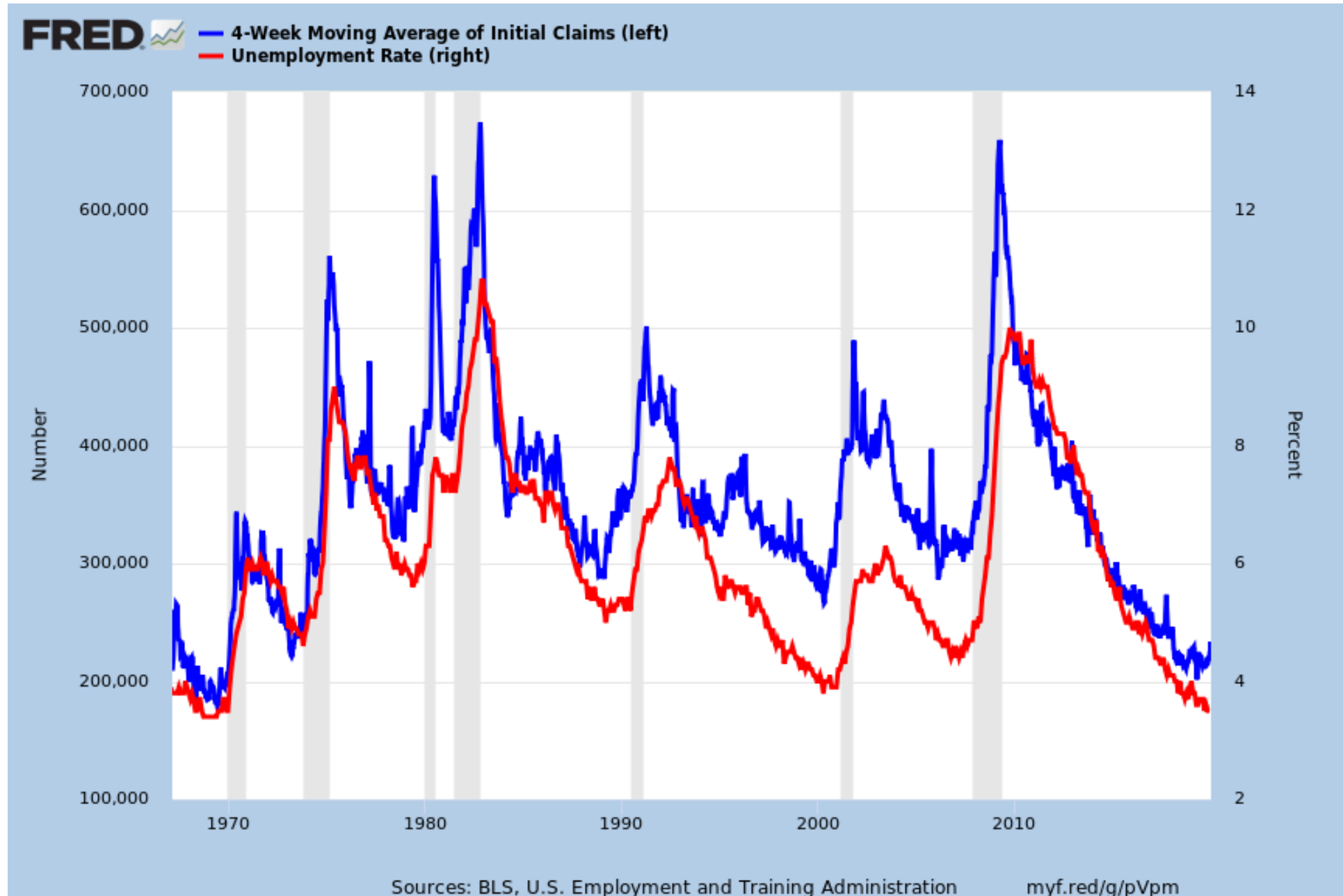
Labor Markets:

They're Tight, Very Tight



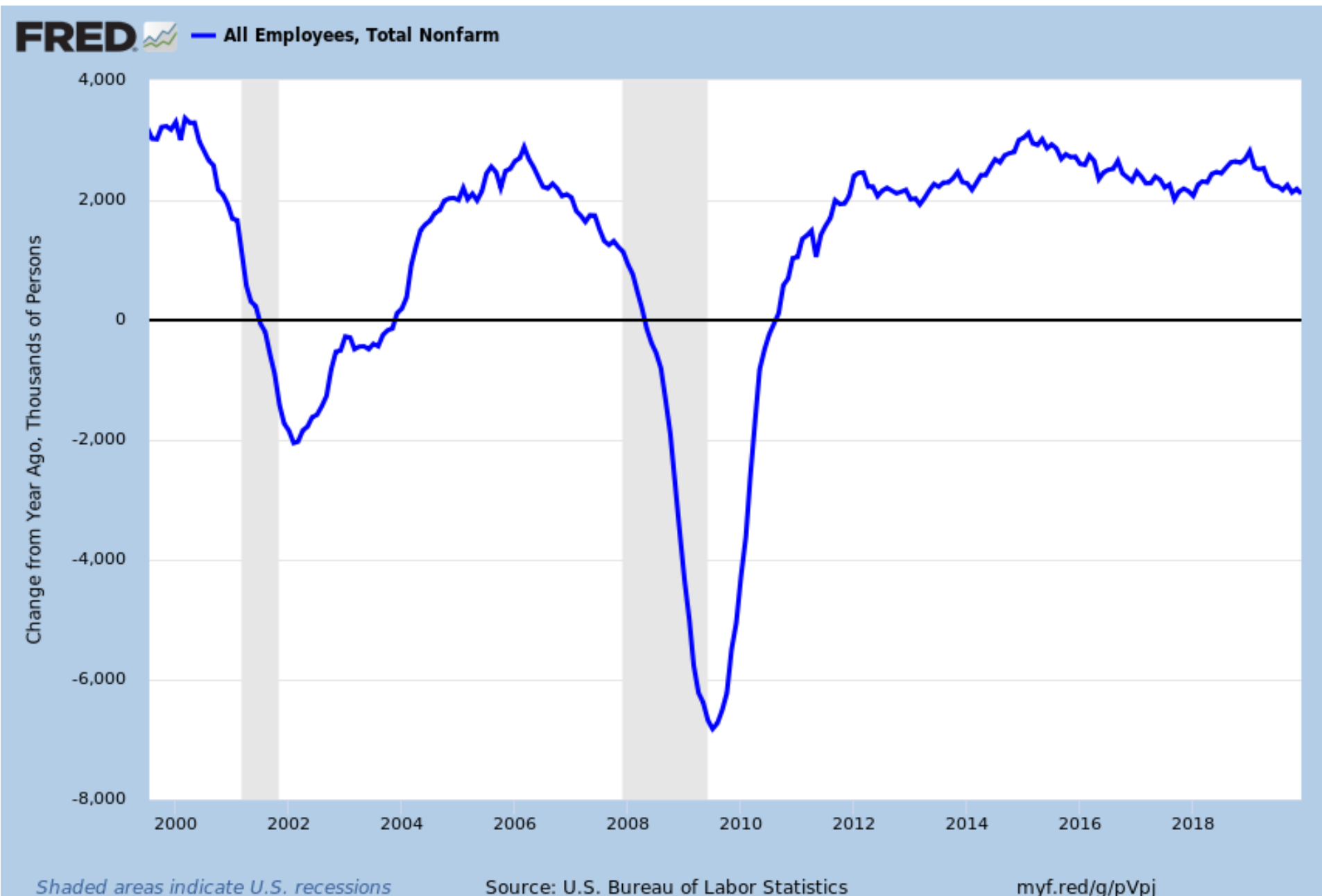
STEADY Labor Market Improvement: Involuntary Separation

Long Term Trends: 1967-2017 Initial claims below 300K for **248** straight weeks!

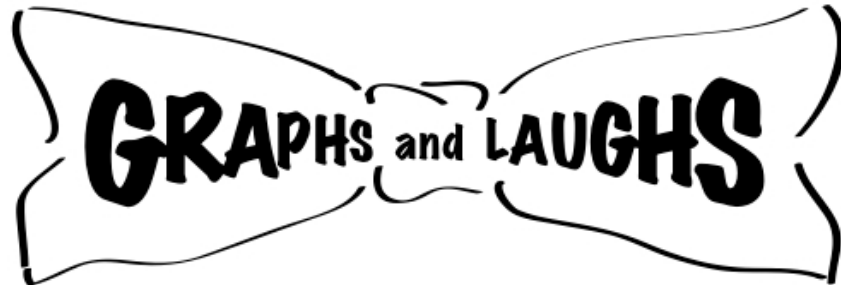


Historical Job Growth Since 2000

Total Employment Change. Y-o-Y is now close to 2 million new jobs!

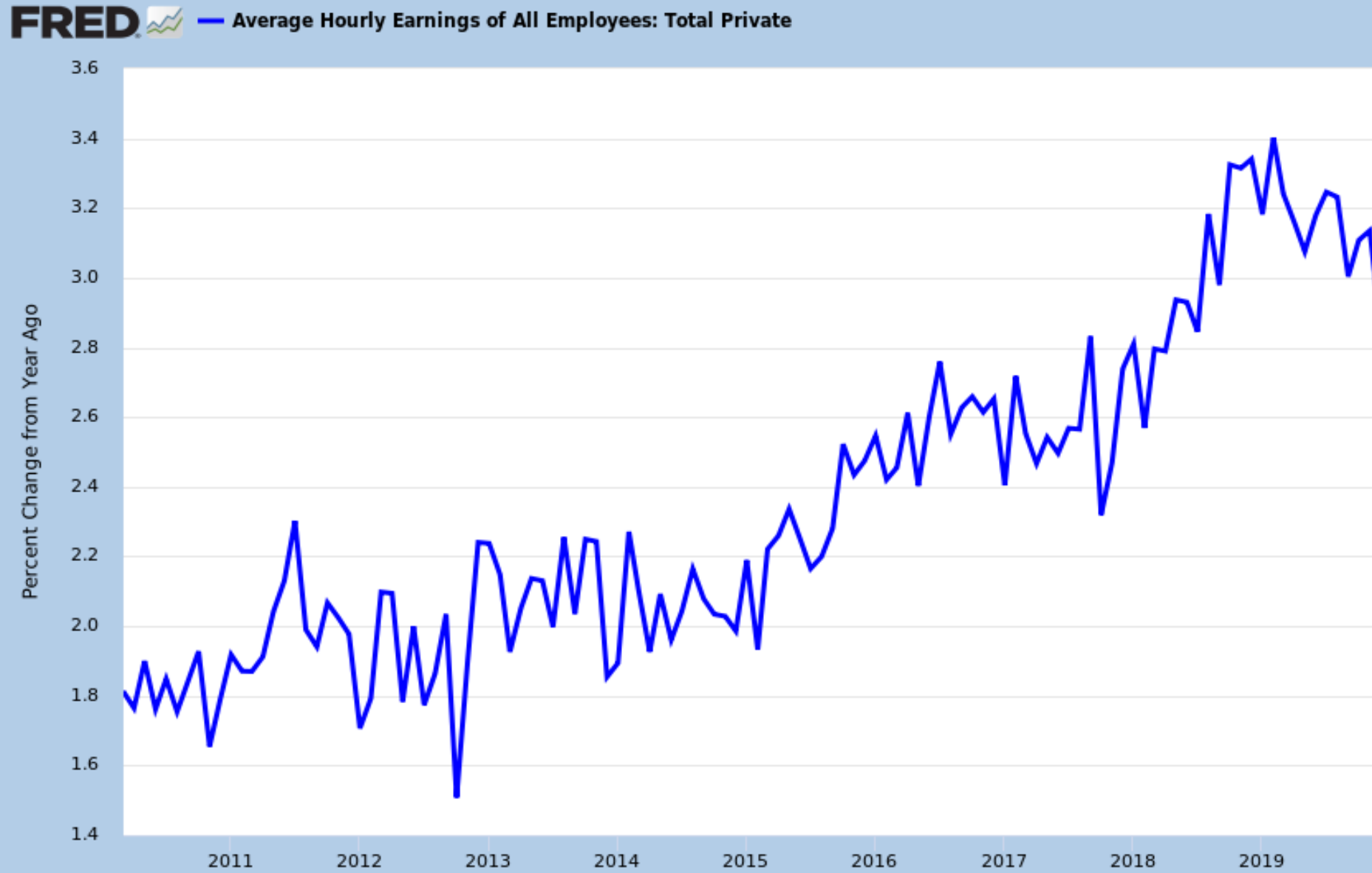


Wage Growth is Weak, But...



Y-o-Y Percent Change in Hourly Earnings

Despite very low unemployment, wage growth is weak



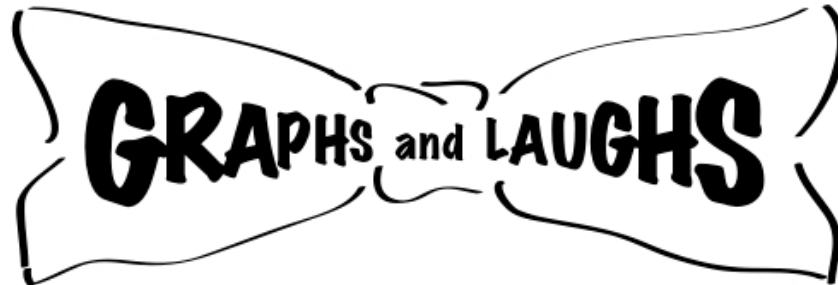
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

myf.red/g/pUbZ

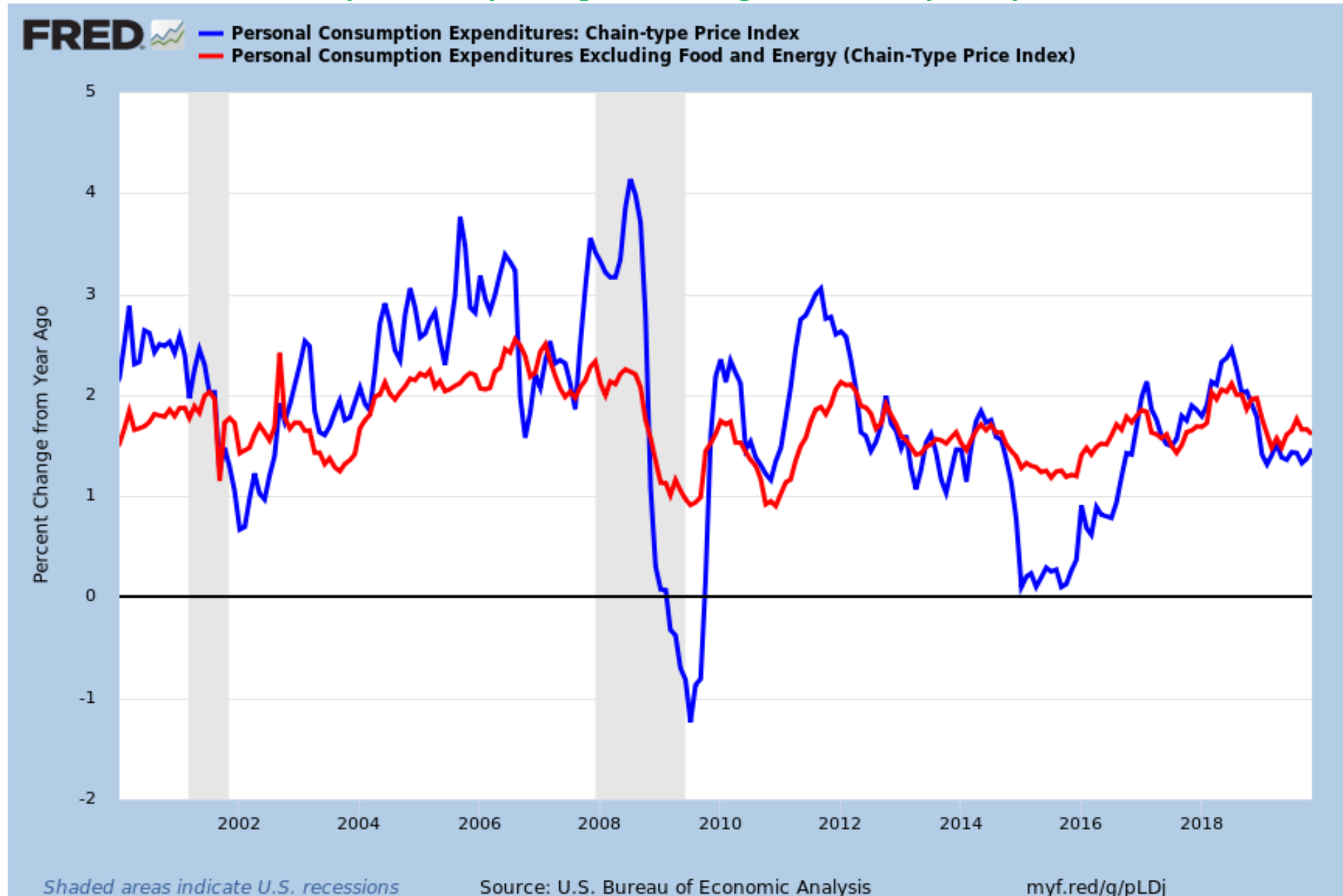
Inflation?

It's MIA!



Core PCE Price Index

Inflation may be slowly rising after being held back by many of factors



Federal Reserve Behavior

Will Rates Rise?

Nope!

Taller Fed Chair, Higher Rates?

BOTH THE HEIGHT OF THE FED CHAIR AND RATES HAVE FALLEN OVER TIME, COULD A TALLER FED CHAIR MEAN RATES RISE?



Source: LPL Research, Bloomberg 10/22/17

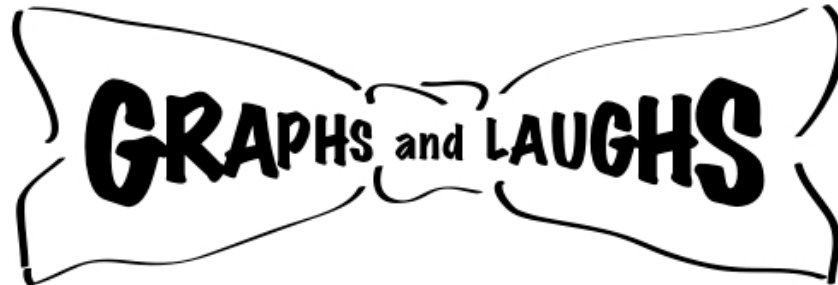
We don't actually believe that interest rates are determined by the height of the Fed chair, but it has been an interesting coincidence.

Federal Reserve Behavior

Best Case Scenario

- Fed funds is currently 1.625%
- 12/31/20: 1.625% 10-yr Treasury @ 2.20%
- 12/31/21: 1.375% 10-yr Treasury @ 2.35%
- 12/31/22: 1.625% 10-yr Treasury @ 2.55%

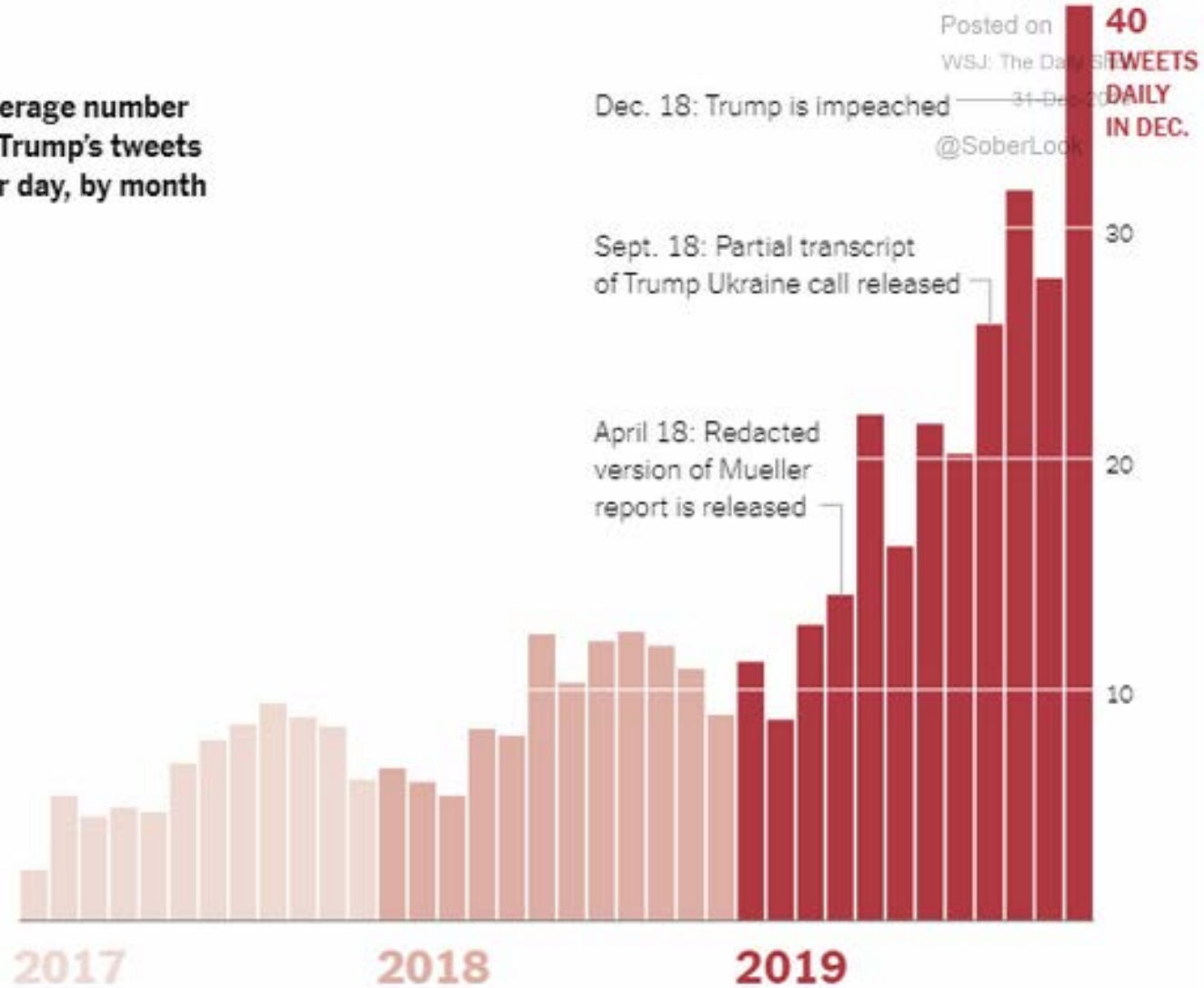
Now For Politics!



Trump Tweets More and More

He has gone from 5/day to 30/day

Average number
of Trump's tweets
per day, by month



Source: [Trumptwitterarchive.org](https://trumptwitterarchive.org/); includes tweets and retweets; tally is from Jan. 20, 2017, through Dec. 27.

Trump Tweets Move Markets

Less tweeting is more powerful tweeting

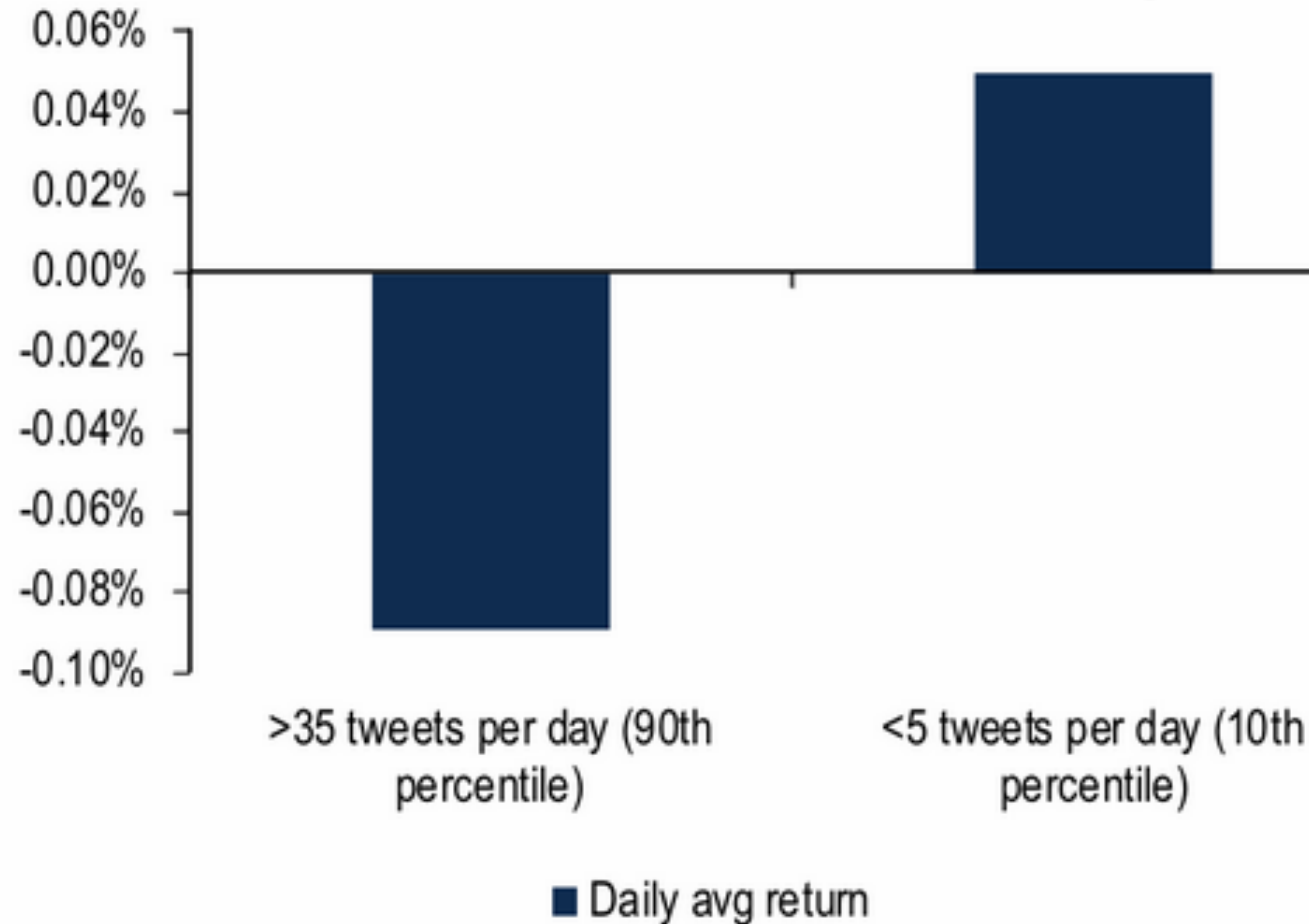
Chart 5: The market tends to fall, on average by 9bp, on days Trumps is more active on Twitter

Average daily returns when Trump writes more than 35 Tweets a day (90th percentile) versus less than five Tweets a day (10th percentile), since 2016

Posted on

(199) The Daily Shot
10-Sep-2019

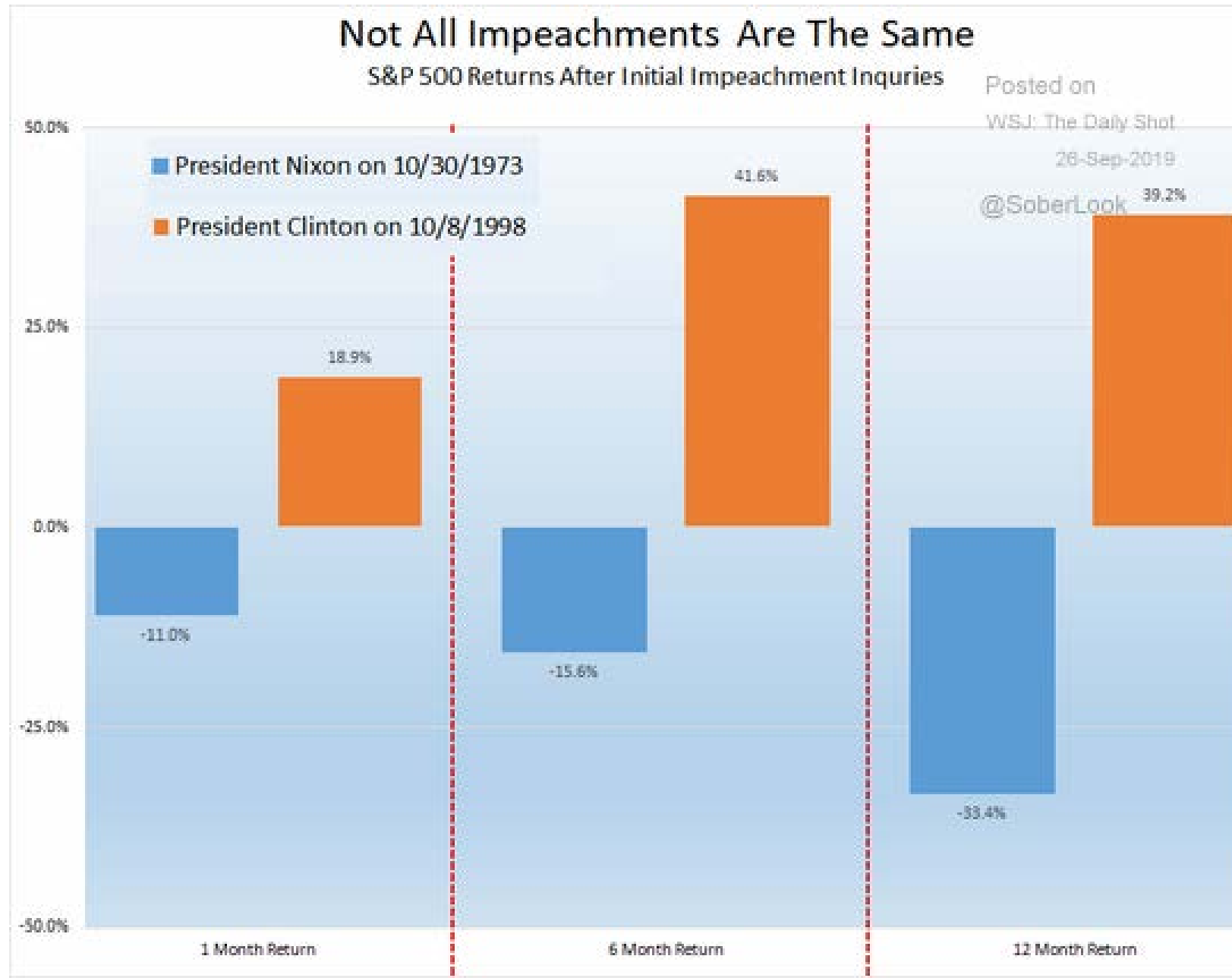
@SoberLook



Source: BofA Merrill Lynch US Equity & Quant Strategy, Twitter, S&P

Impeachment Impact on Markets?

Economic fundamentals rule



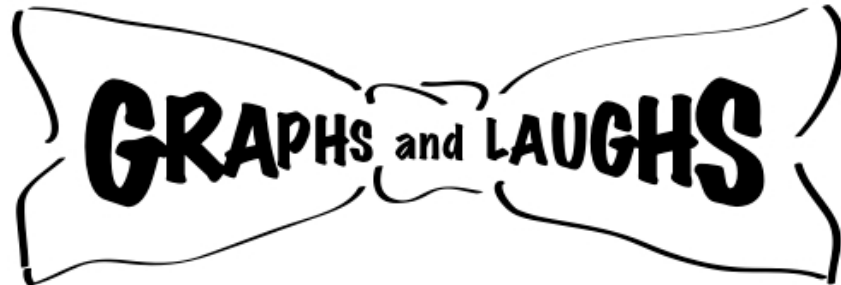
These Are The R Challengers

Presidents that face primary challenges lose general elections ('76, '80, '92)



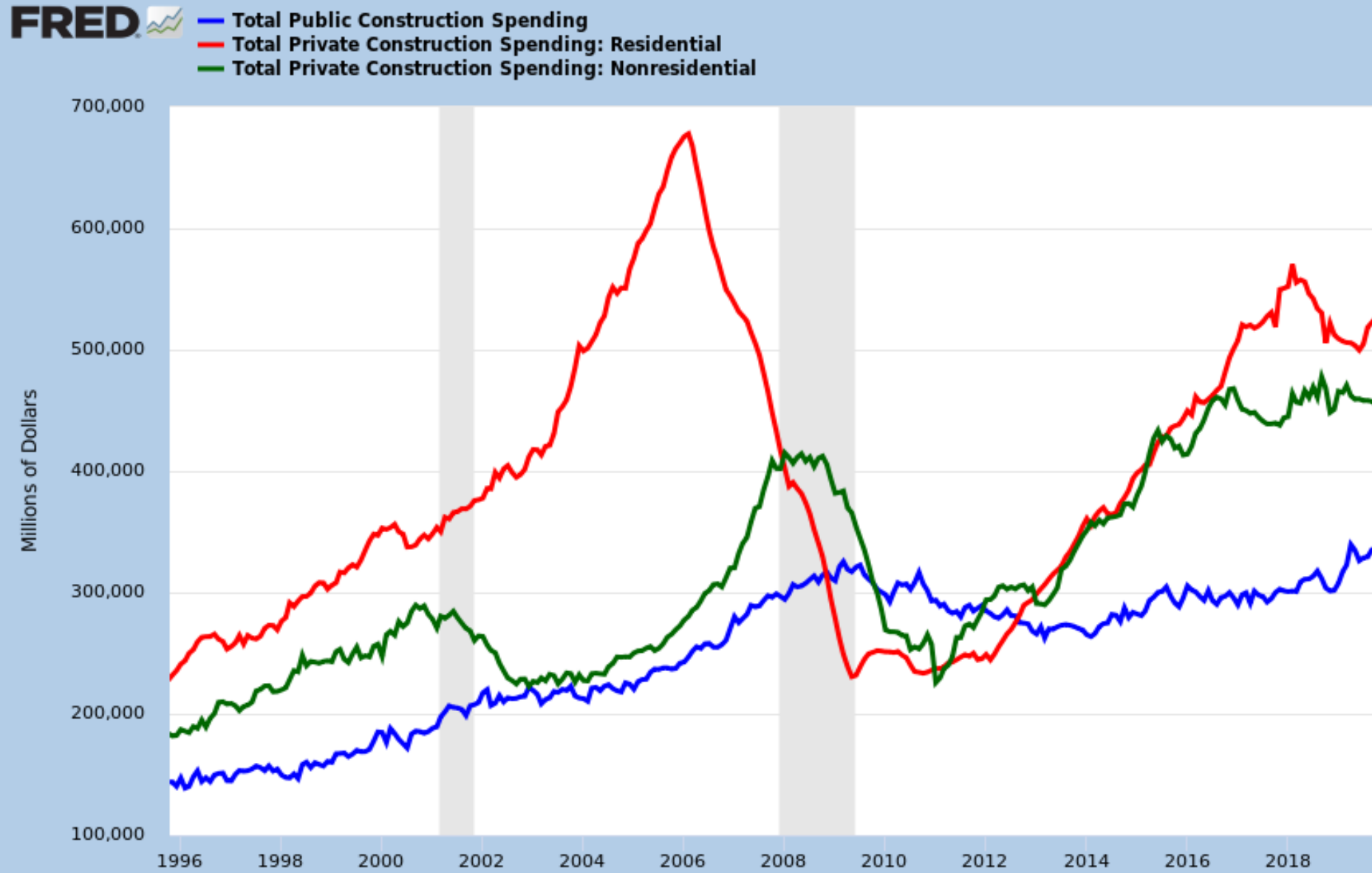
As For Housing?

There is not
enough of it!



Residential Fixed Investment Shrinks

Non-residential is up 8%, public is up 4%, and residential is down 21% from peak



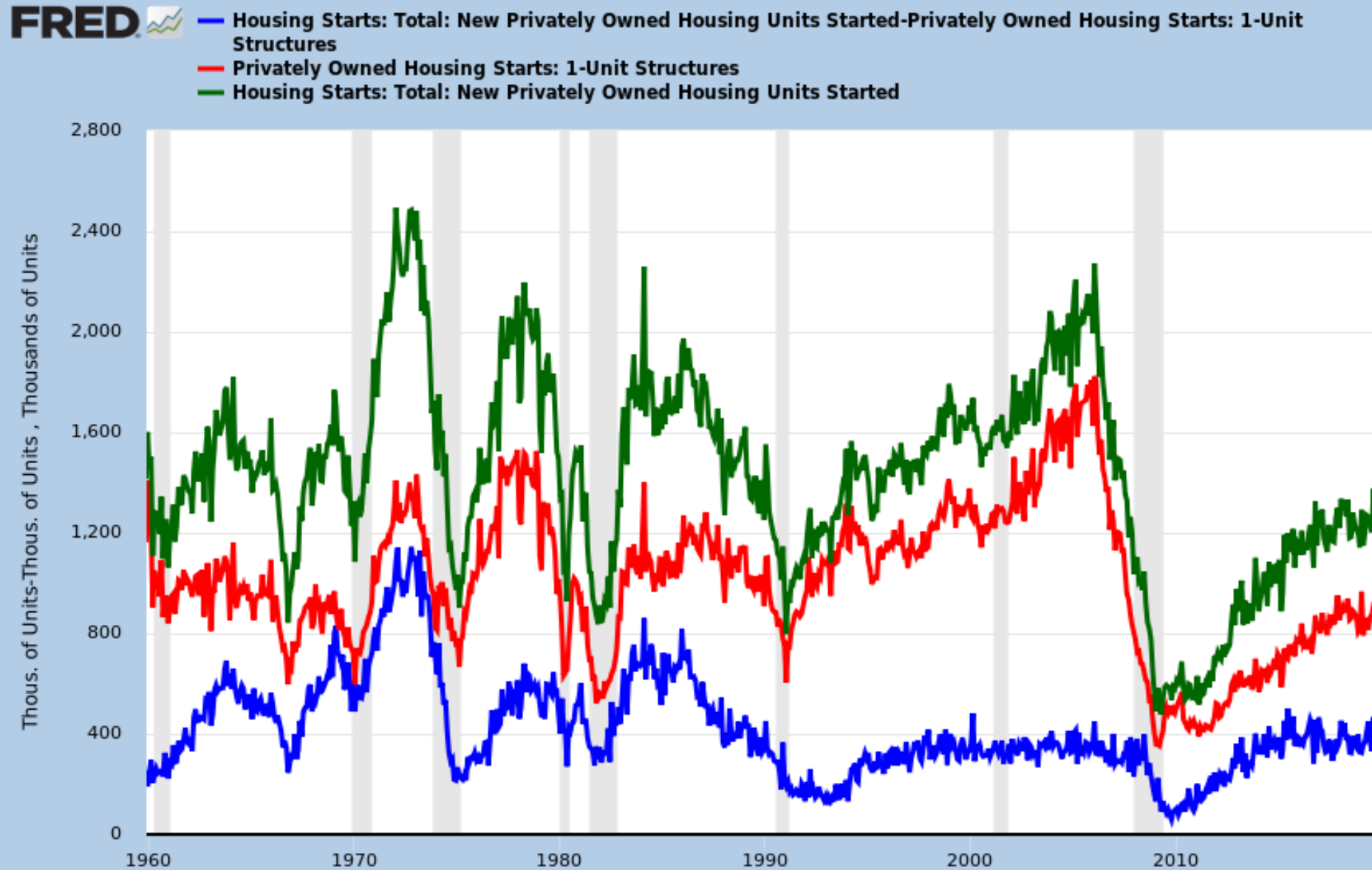
Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

myf.red/g/pPWj

Single-Family and Multifamily Starts – A Slow Recovery

Lack of lots and labor and high prices, SF remains near recessionary lows



Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

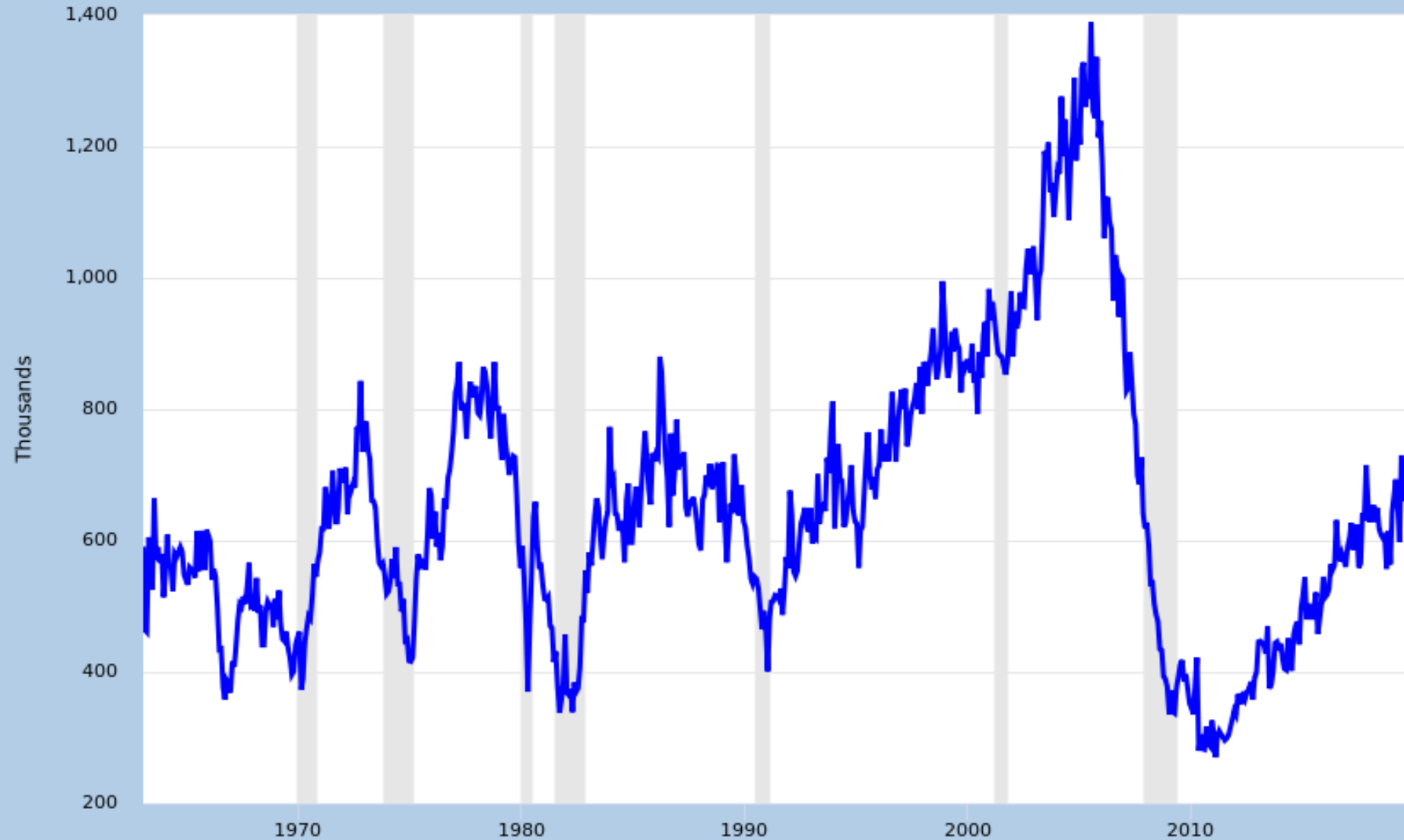
myf.red/g/pX4G

New Home Sales Are Up

They were flat as a pancake but are now again rising

FRED 

— New One Family Houses Sold: United States



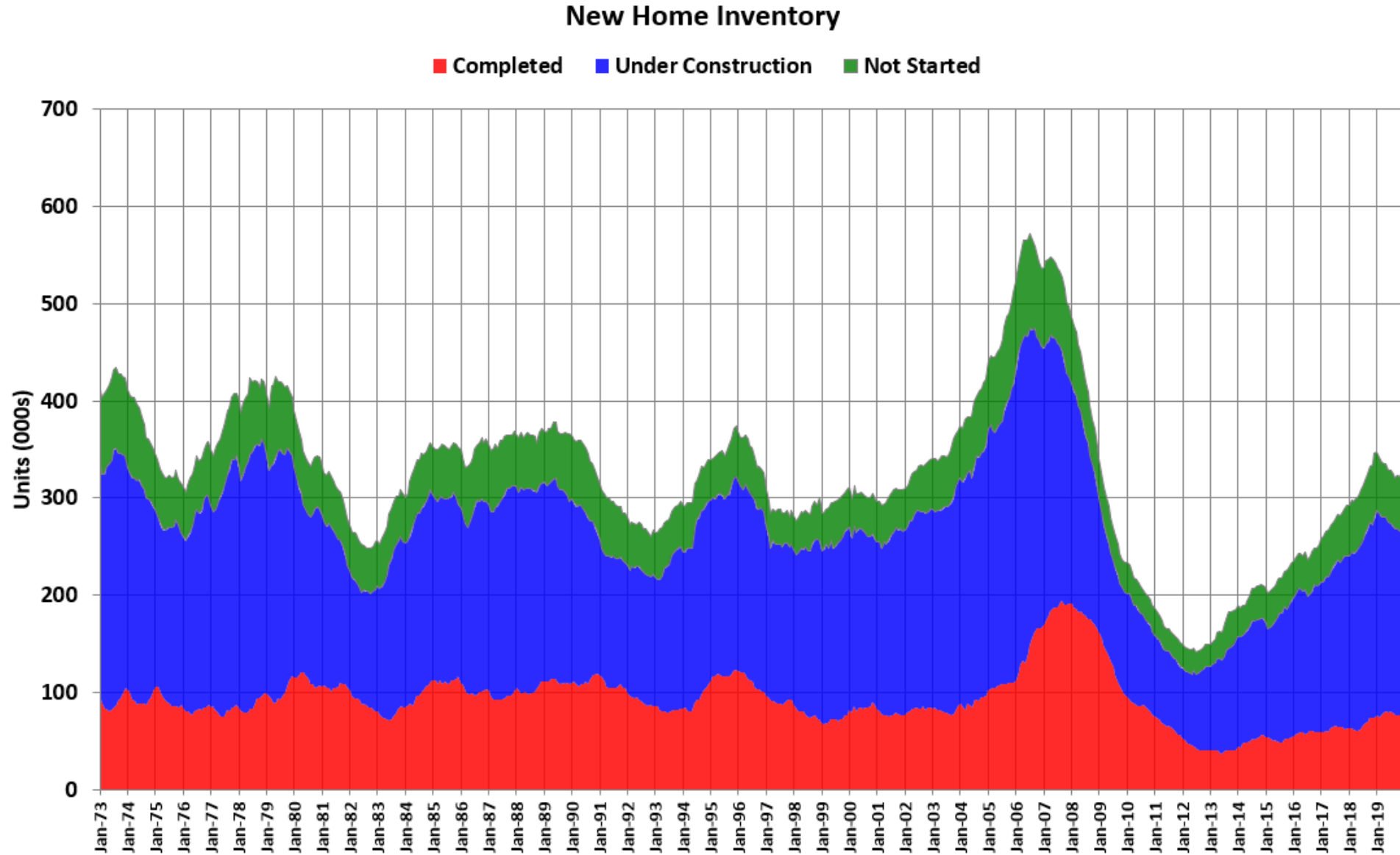
Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

myf.red/g/q1p3

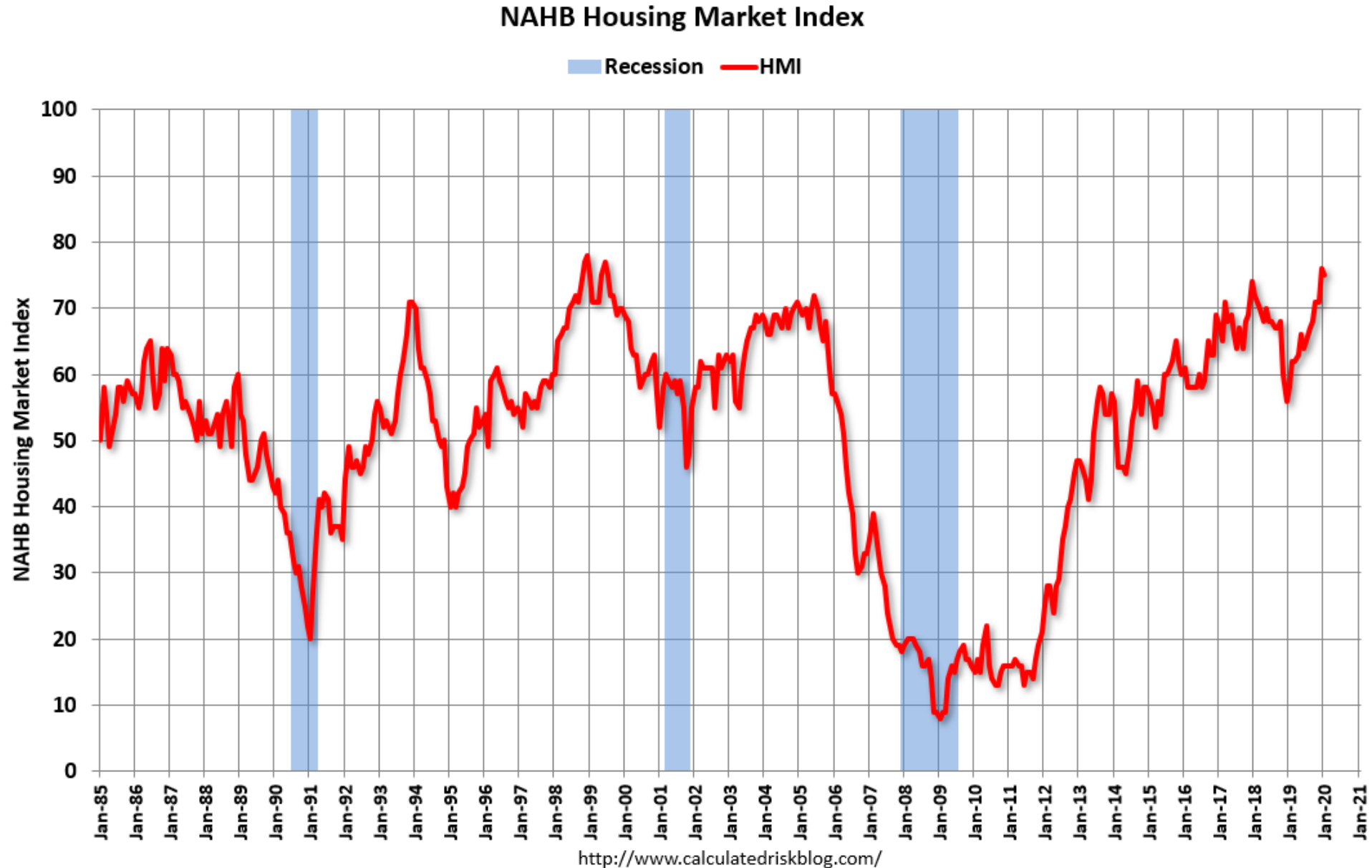
New Home Inventories Fell Fast, Now Back to Normal

They have fully recovered



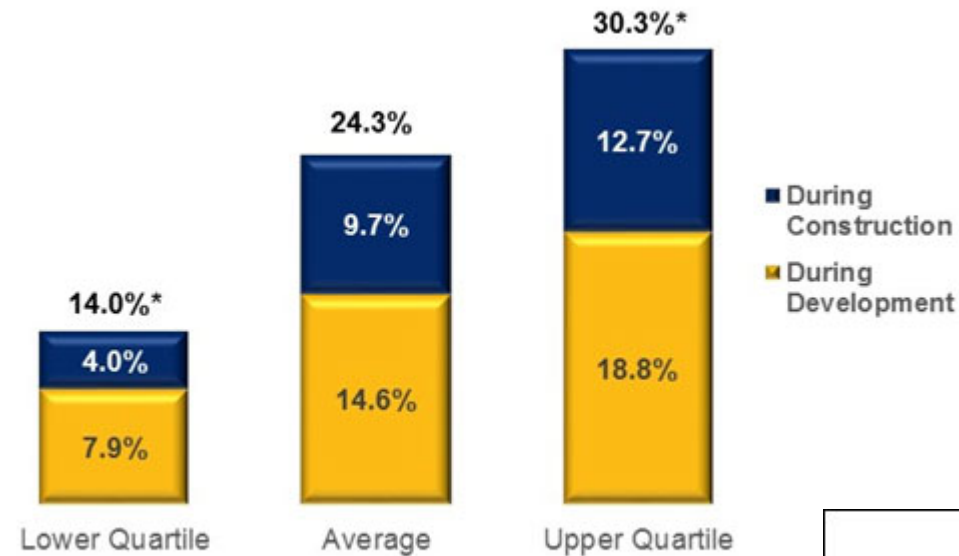
Builders Are Clearly Happy Enough

Builder happiness has recovered, yet starts rise just a little



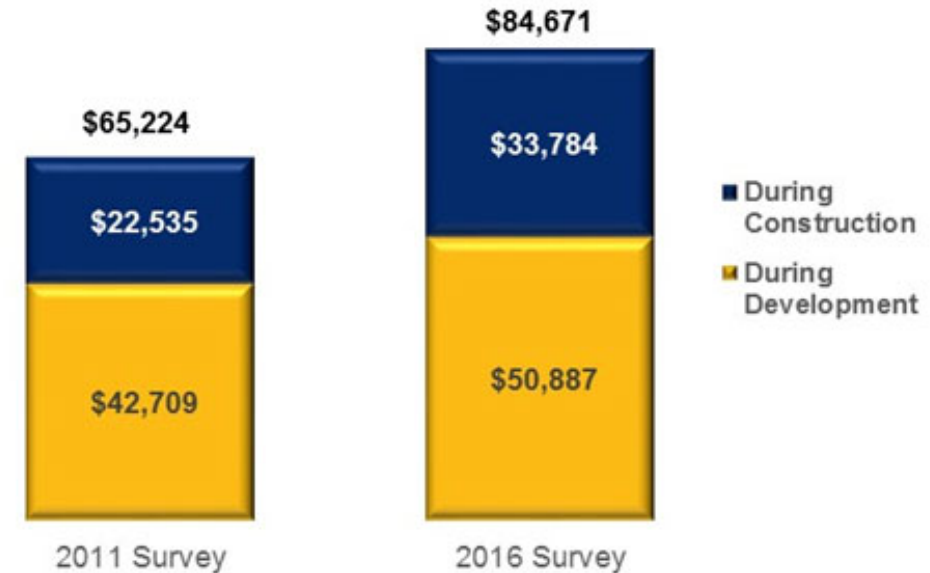
New Home Prices Are Too High Due to Regulation

Figure 1. Regulatory Costs as a Share of Home Price



Source: NAHB/Wells Fargo HMI survey, assumptions described in the Appendix.

Figure 2. Average Cost of Regulation in the Price of a New Home



Based on average new home price one month before the NAHB/Wells Fargo HMI surveys
Source for average new home prices: New Residential Sales, U.S. Census Bureau.

Construction Workers are in Serious Short Supply

Average wage growth/year for construction workers is 5.1%, much higher than the average

Construction Contractor Hourly Wages by Trade

Hourly wages for construction contractors increased 5% YOY, with notable dispersion between trades. Siding wages gained 24%, while wages for flooring stayed flat.

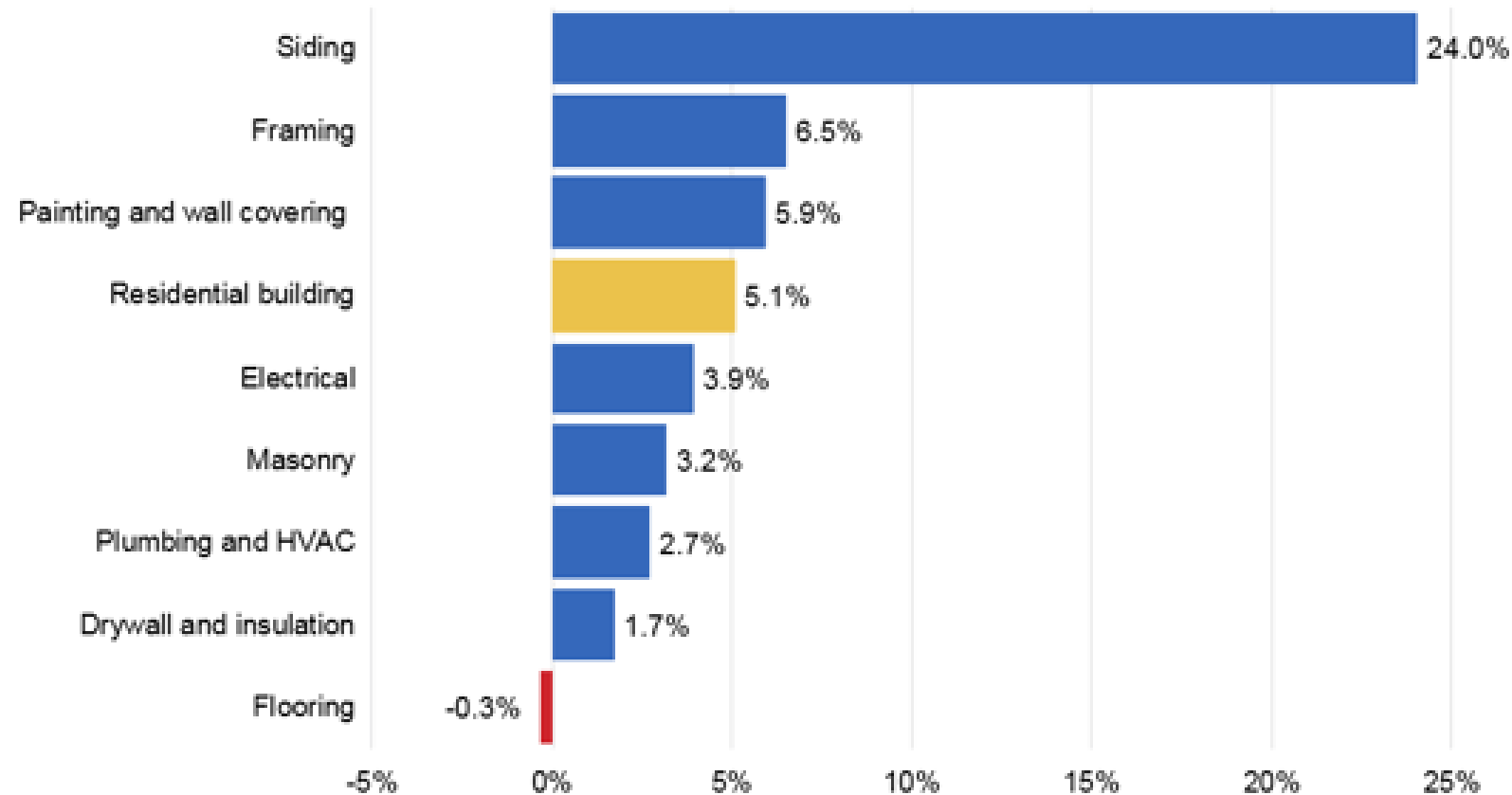
WSJ: The Daily Shot

22-Apr-2019

Construction Contractor Hourly Wages

YOY % change*

@SoberLook



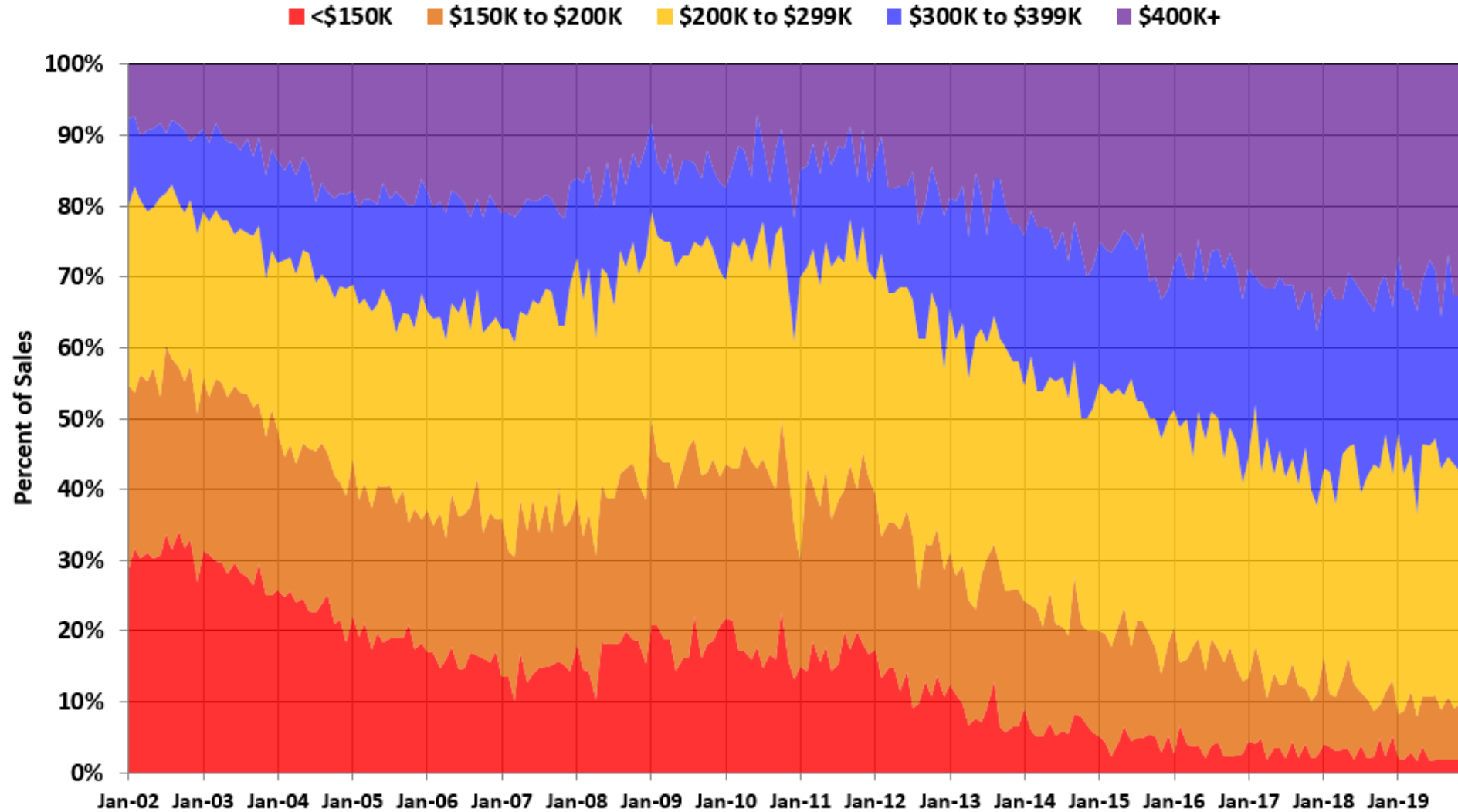
Source: BLS (Data: Jan-19, Pub: Mar-19)

*We take a 3-month average to remove unnecessary volatility

To Many Expensive Houses

Almost none that are affordable

New Home Sales by Price

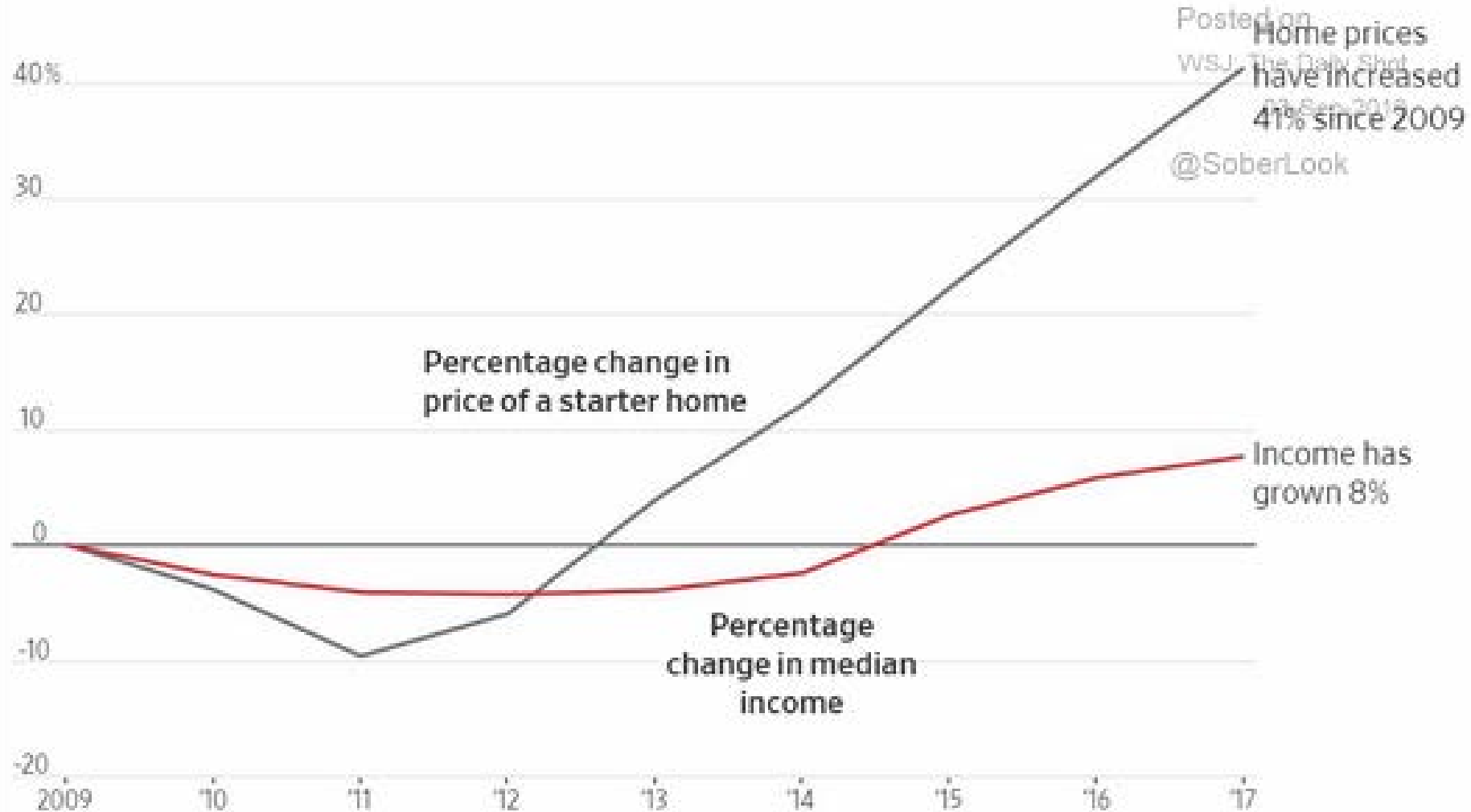


<http://www.calculatedriskblog.com/>

Starter Home Price Growth Has Been Huge

The gap is large, and home ownership at the lower end are relatively low

Since 2009, home prices have outpaced incomes, making it harder for families to purchase their first home.

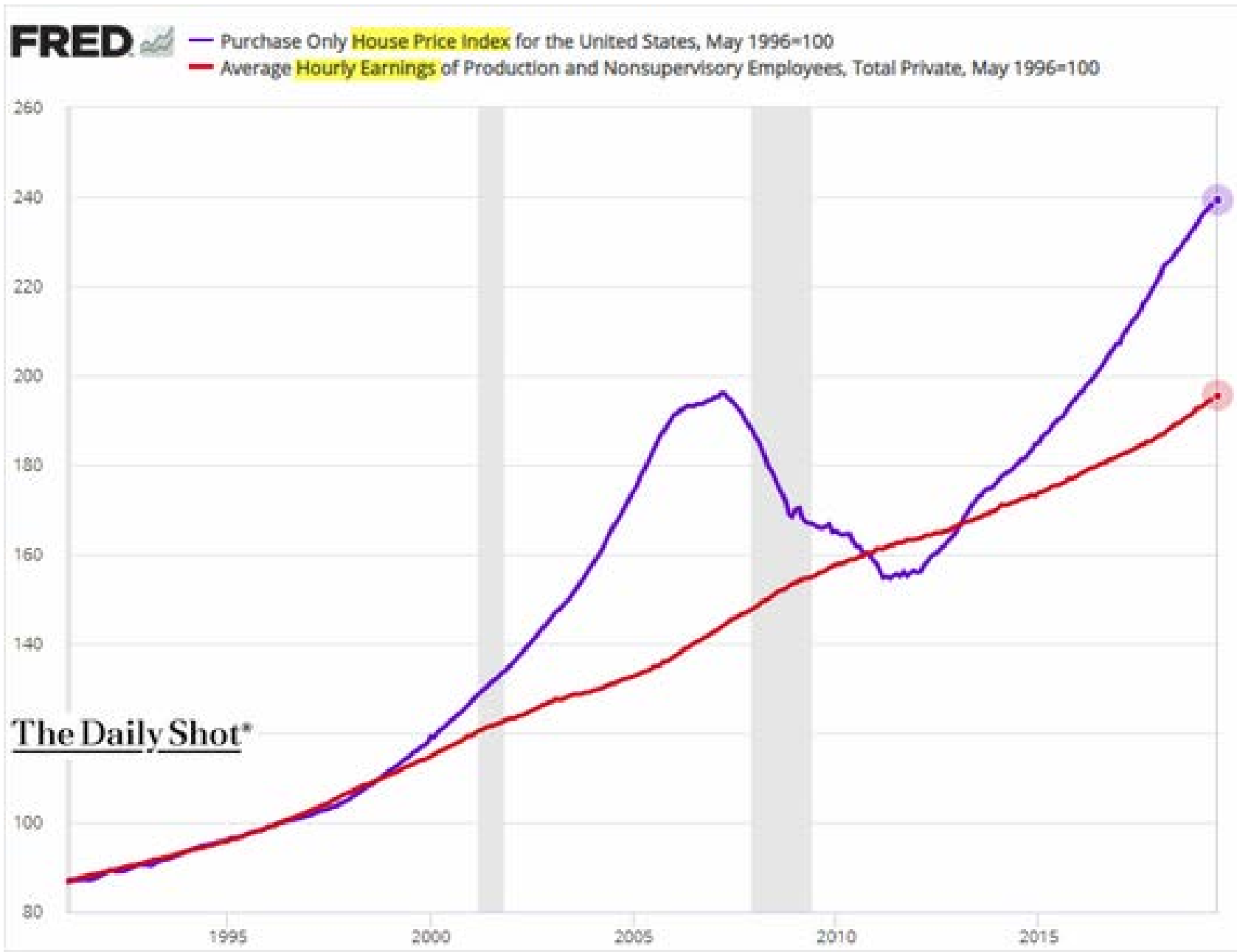


Note: Adjusted for inflation

Sources: CoreLogic (home prices); Commerce Department (incomes)

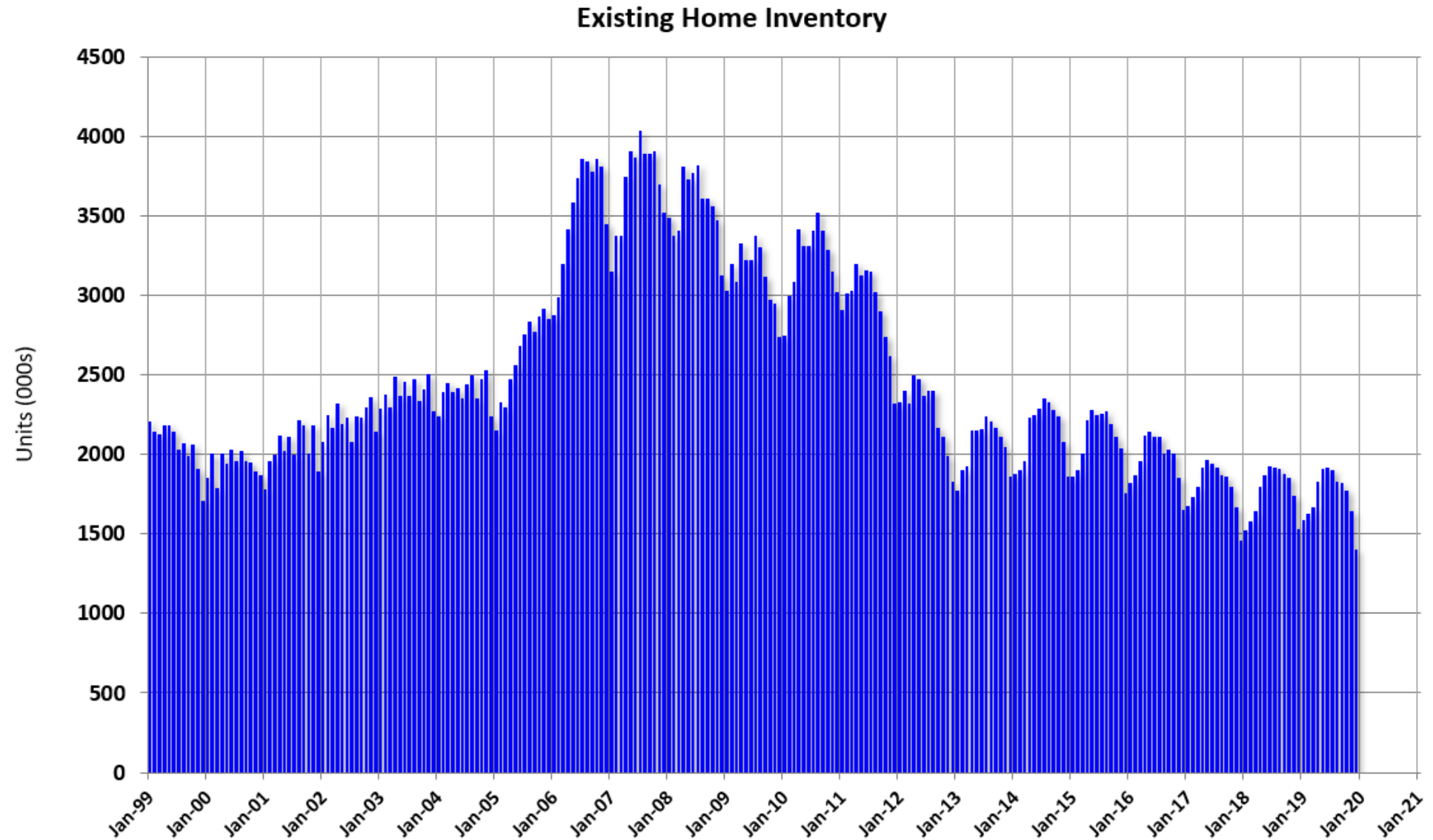
House Prices Rise Too Quickly

Approaching the magnitude of the Housing Boom



Inventory Is Low and Keeps Shrinking

Inventory is rapidly declining Y-o-Y ! At an all-time low



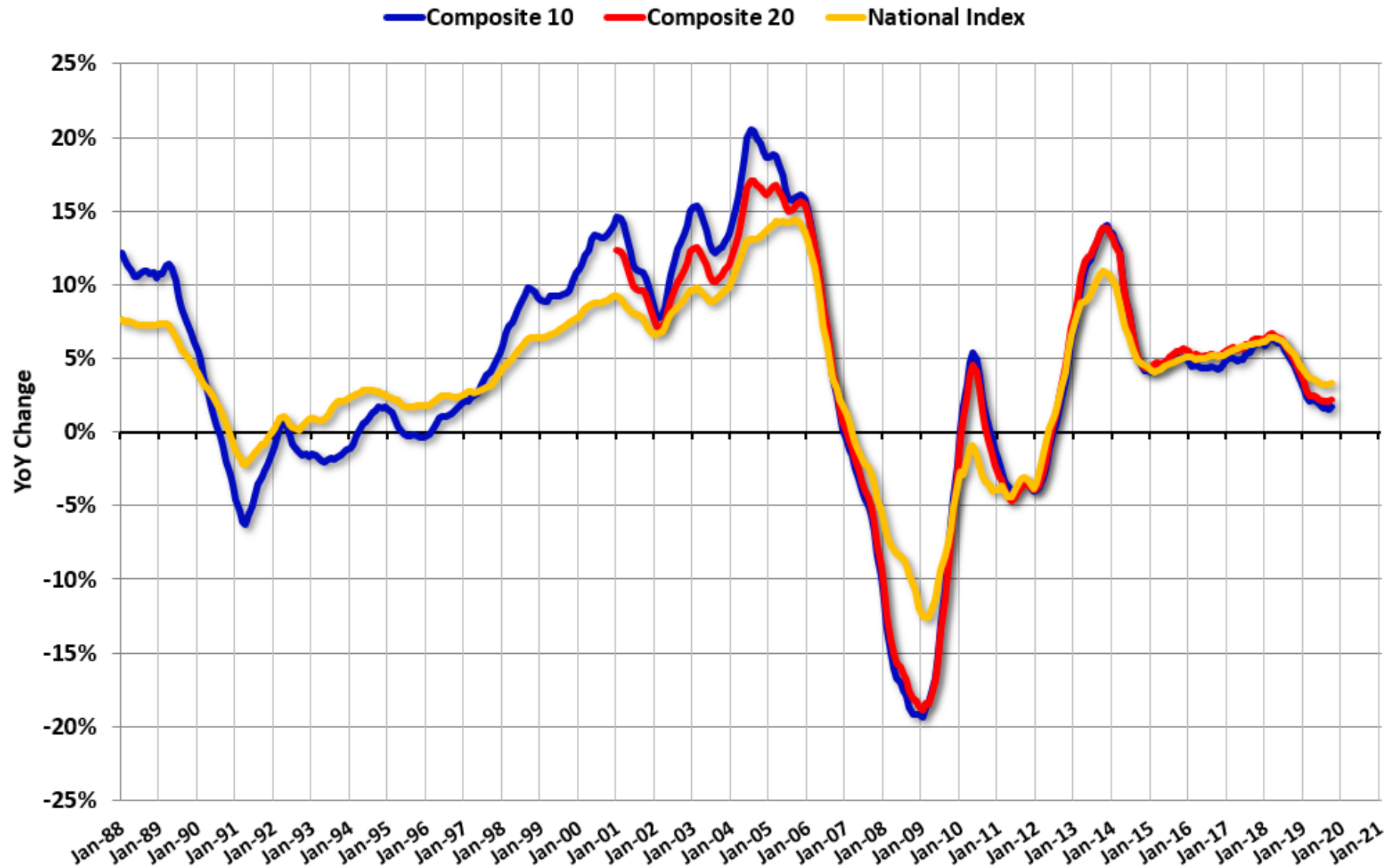
<http://www.calculatedriskblog.com/>

Source: NAR

Price Growth is Slowing

Prices rise faster than wages! Y-o-Y prices up 1.7%, 2.2% or 3.3% depending on the measure

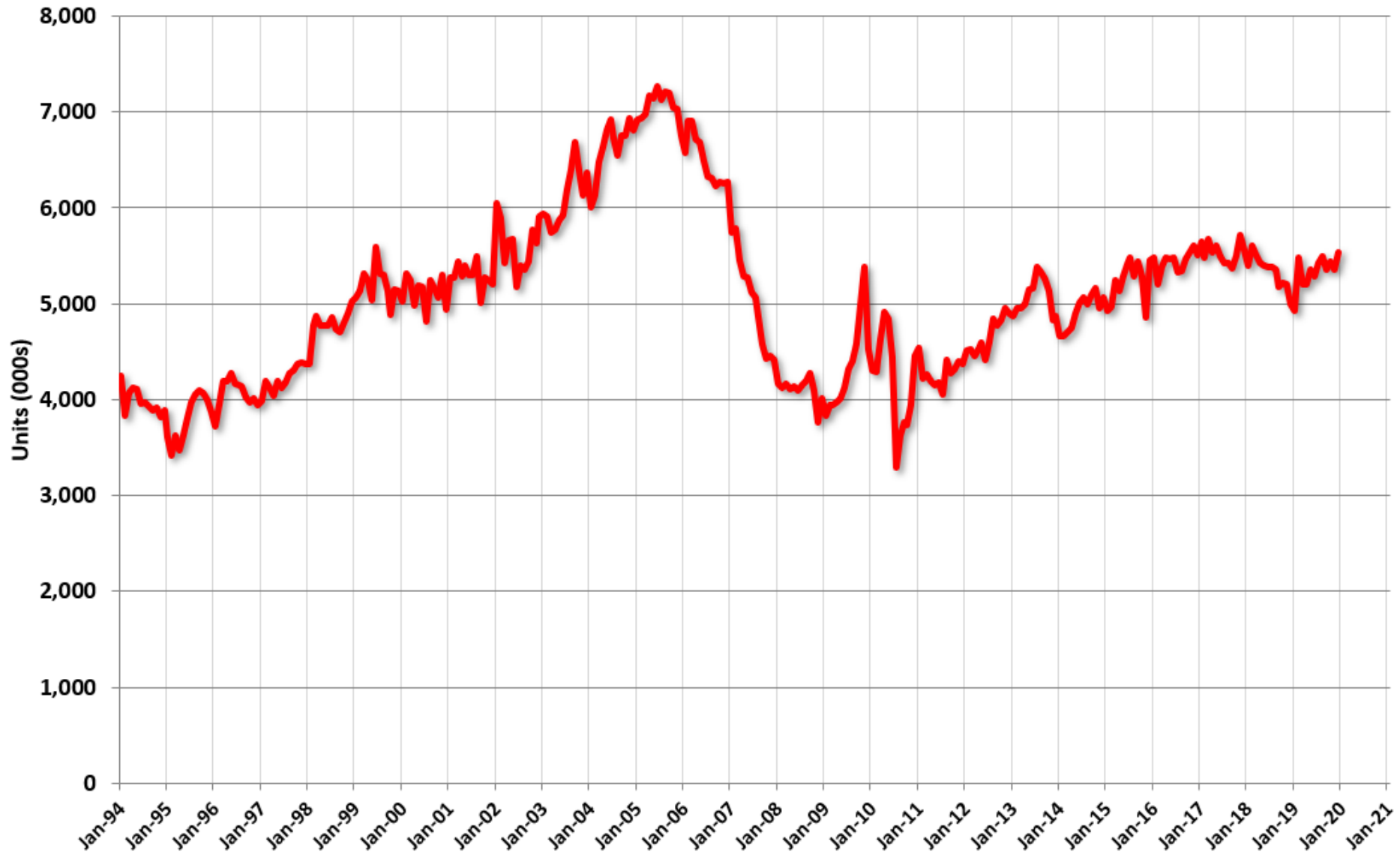
Case-Shiller National and Composite Indices SA, Year-over-year Change



Existing Home Sales are Rising But Just Slightly

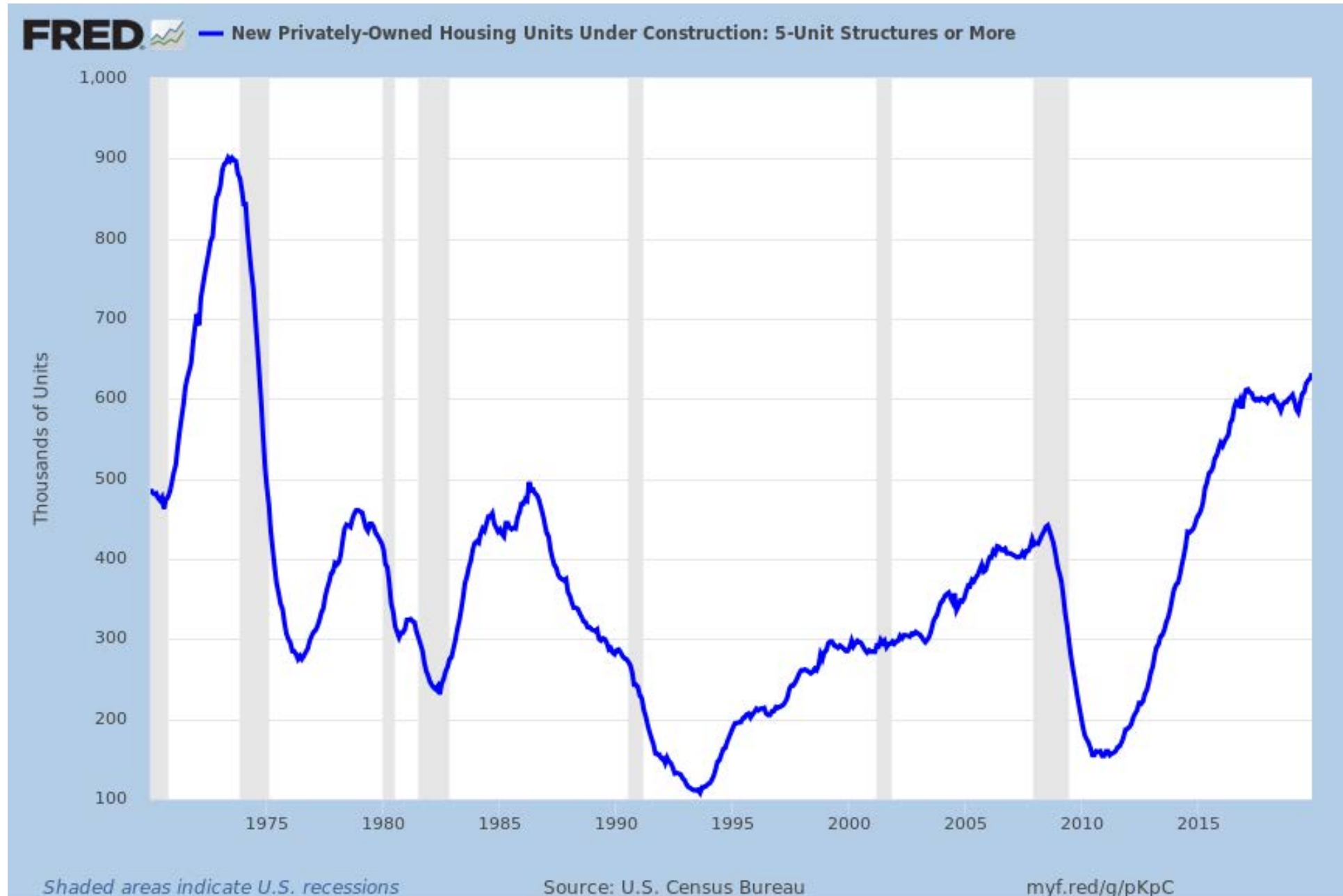
Regrettably, this is occurring while the economy rocks!

Existing Home Sales (SAAR)



Number of Multifamily Units Under Construction

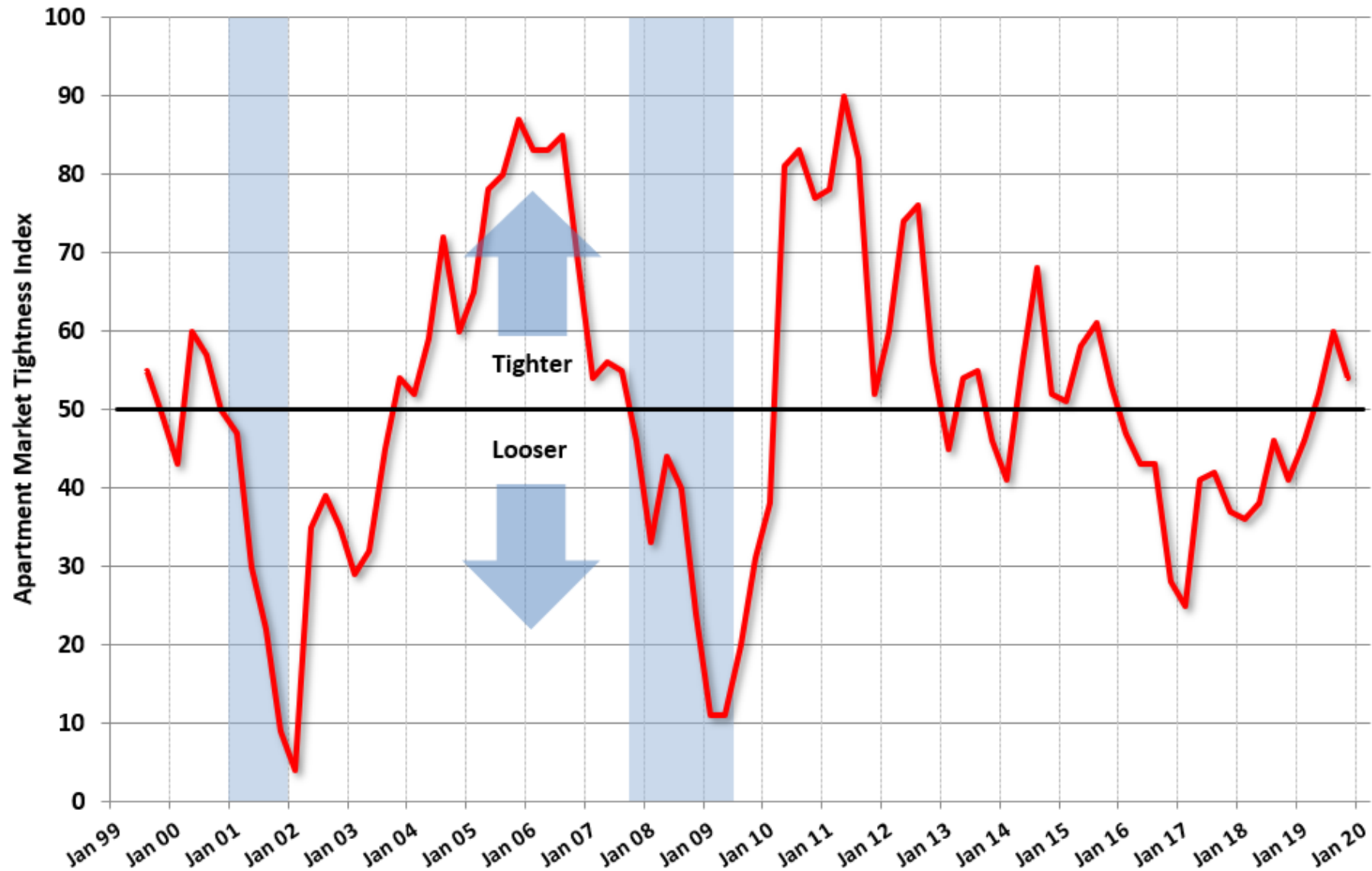
The number of units being built is huge



Apartment Rental Situation

The multifamily party is picking up steam. A lack on new building is probably why

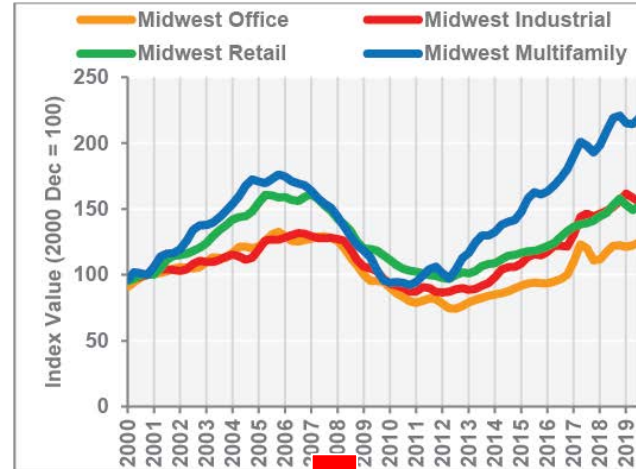
NMHC Quarterly Survey of Apartment Market Tightness



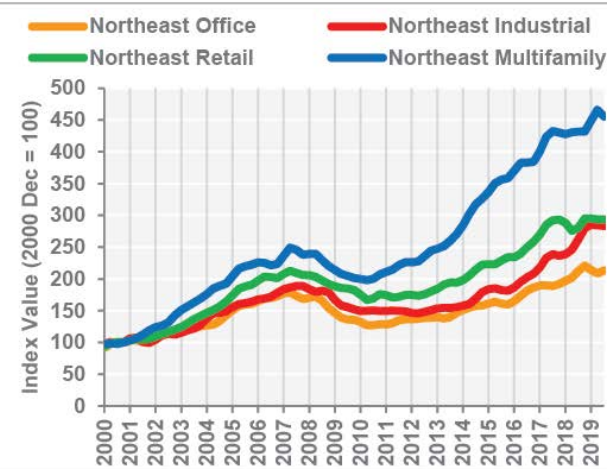
Commercial Real Estate is Generally Slowing

The South looks best

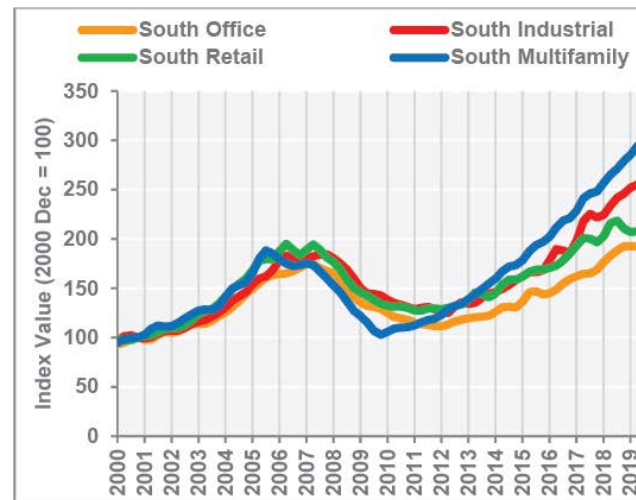
U.S. Midwest Property Type Quarterly Indices
Equal-Weighted, Data Through September 2019



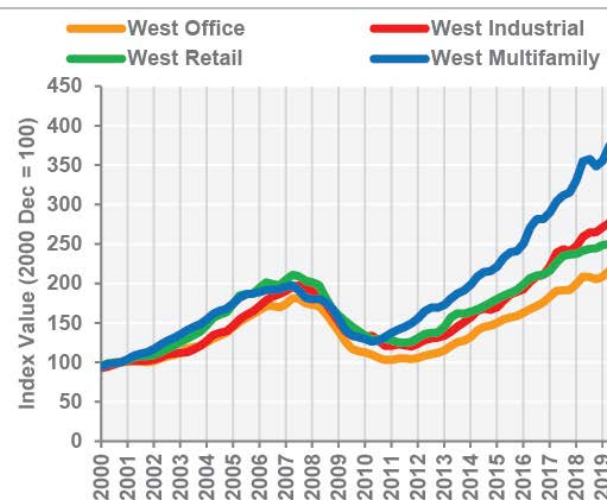
U.S. Northeast Property Type Quarterly Indices
Equal-Weighted, Data Through September 2019



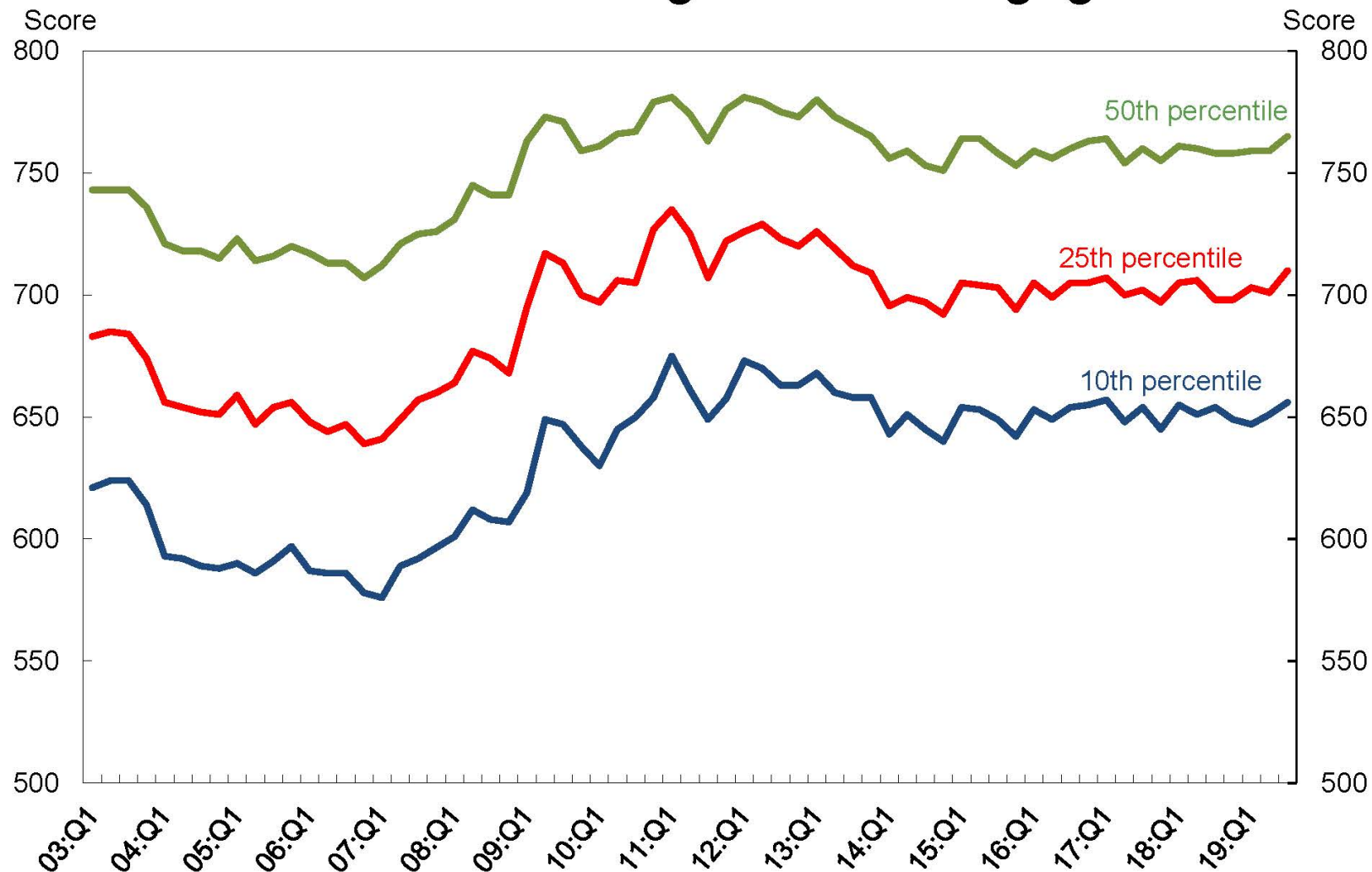
U.S. South Property Type Quarterly Indices
Equal-Weighted, Data Through September 2019



U.S. West Property Type Quarterly Indices
Equal-Weighted, Data Through September 2019



Credit Score at Origination: Mortgages*



Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0; mortgages include first-liens only.

DTI Ratios Creep Up

Few risk loans are being made

Share of mortgages in Fannie and Freddie securities that have debt-to-income ratios above 43%, annually

Posted on
WSJ: The Daily Shot
10-Sep-2019

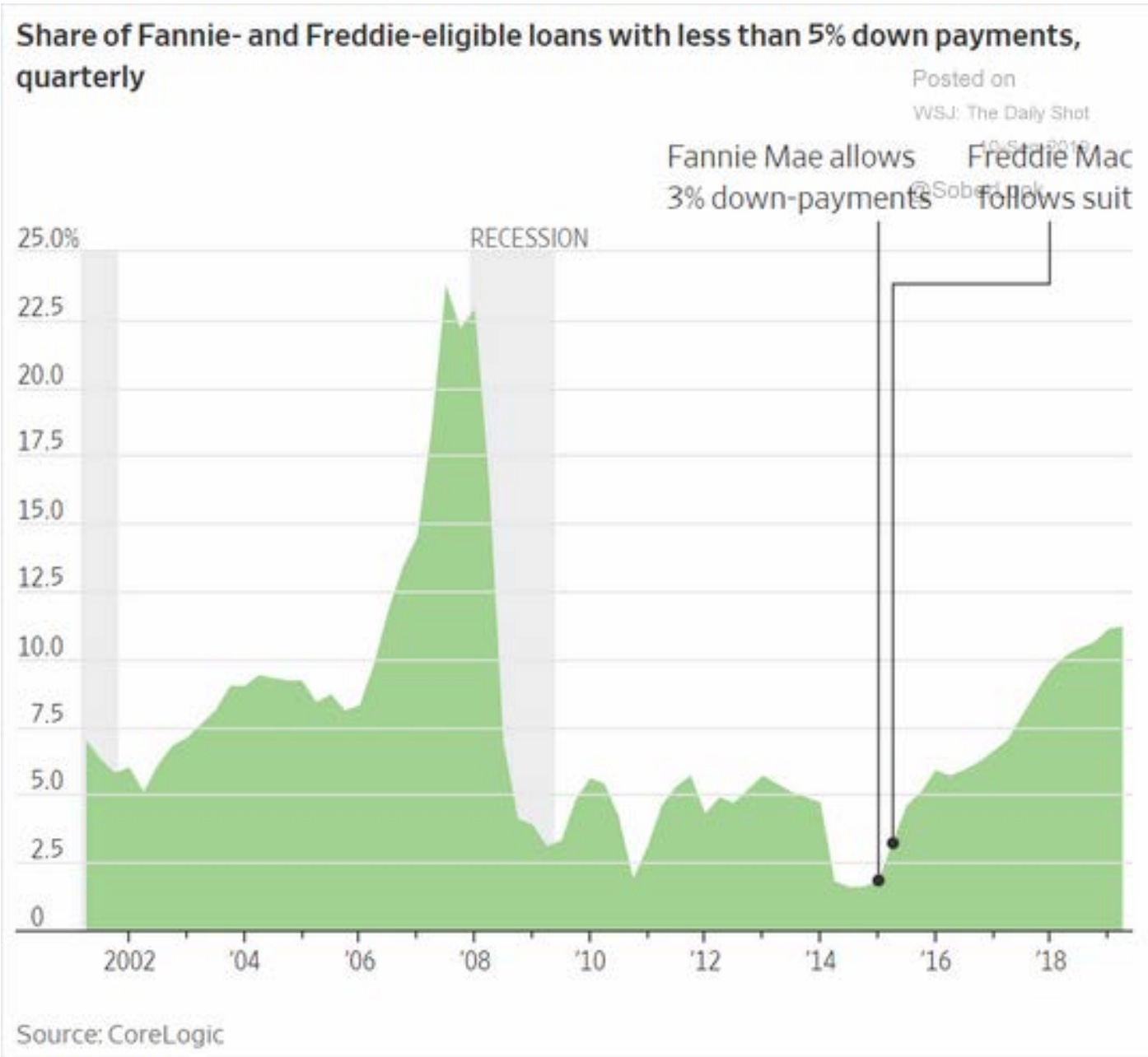
@SoberLook



Source: Inside Mortgage Finance

Low Down Payment Borrowers

The percentage is rising!

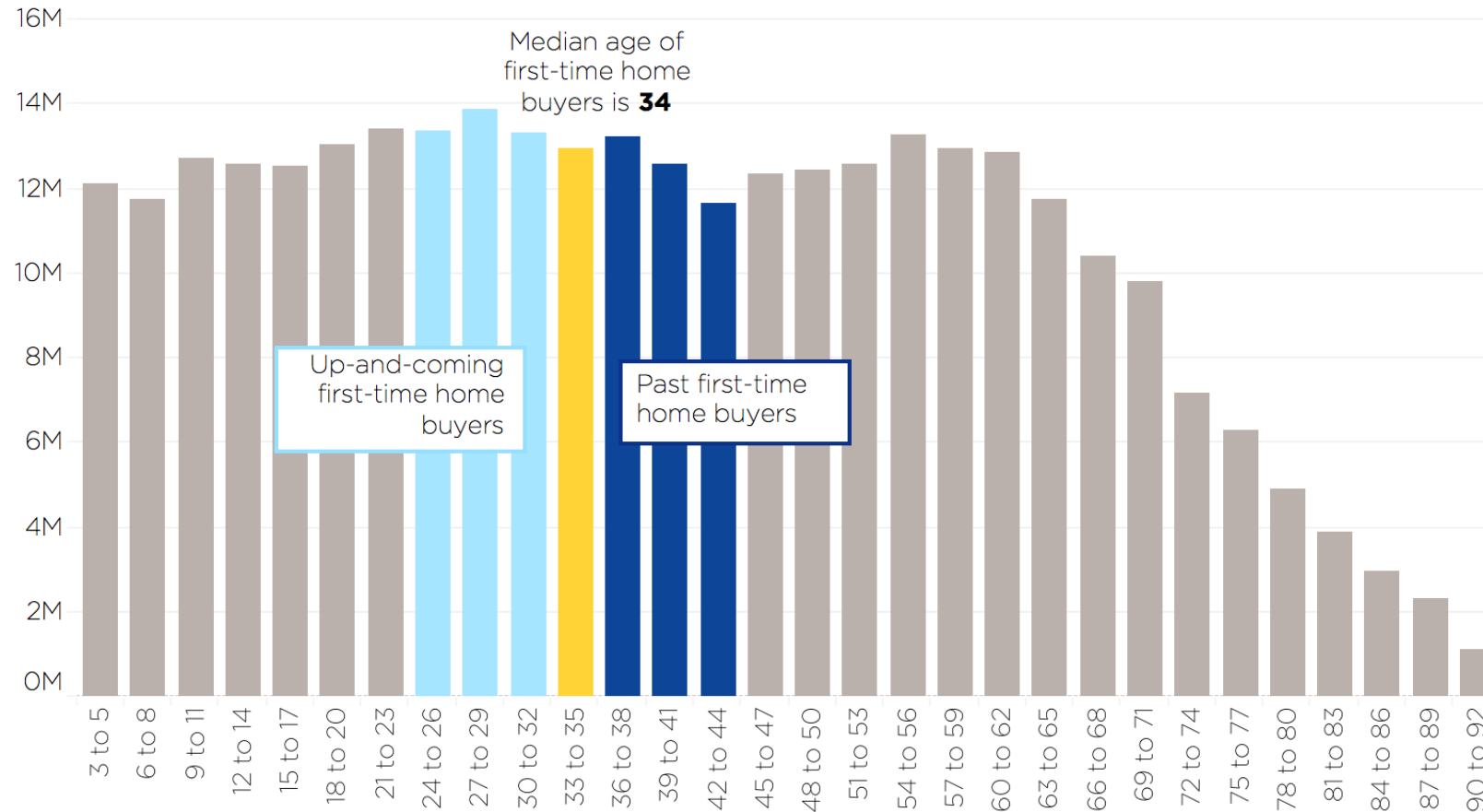


Millennials Will Keep This Issue Front and Center

Beginning to approach Peak Millennial

Coming soon: An even bigger wave of potential buyers

Age distribution of the United States

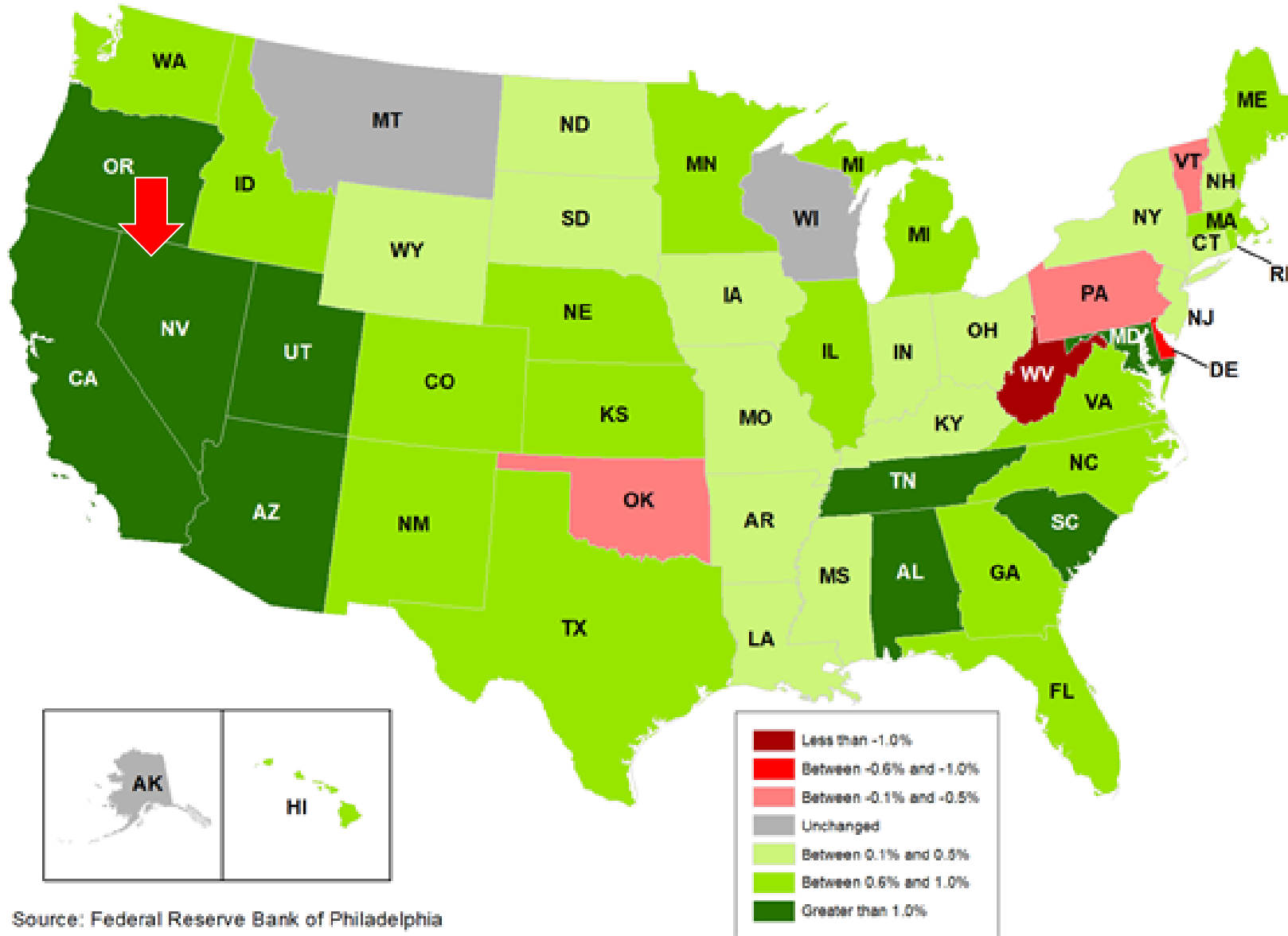


Zillow Economic Research | Source: Population counts by age and metro was pulled from one-year 2017-ACS data made available by IPUMS - USA. Ages of individuals were bumped up one year to coincide with our source for median age of first time buyer, the 2018 Zillow Group housing trends report. That survey was boosted in five metro areas, allowing for metro level median first-time home buyer ages in Phoenix (34.5 years), San Francisco (37 years), Atlanta (37 years), Chicago (34 years) and Washington, D.C. (34 years).

**What About
Things Here?**

Things Are Good Now

November 2019 State Coincident Indexes: Three-Month Change

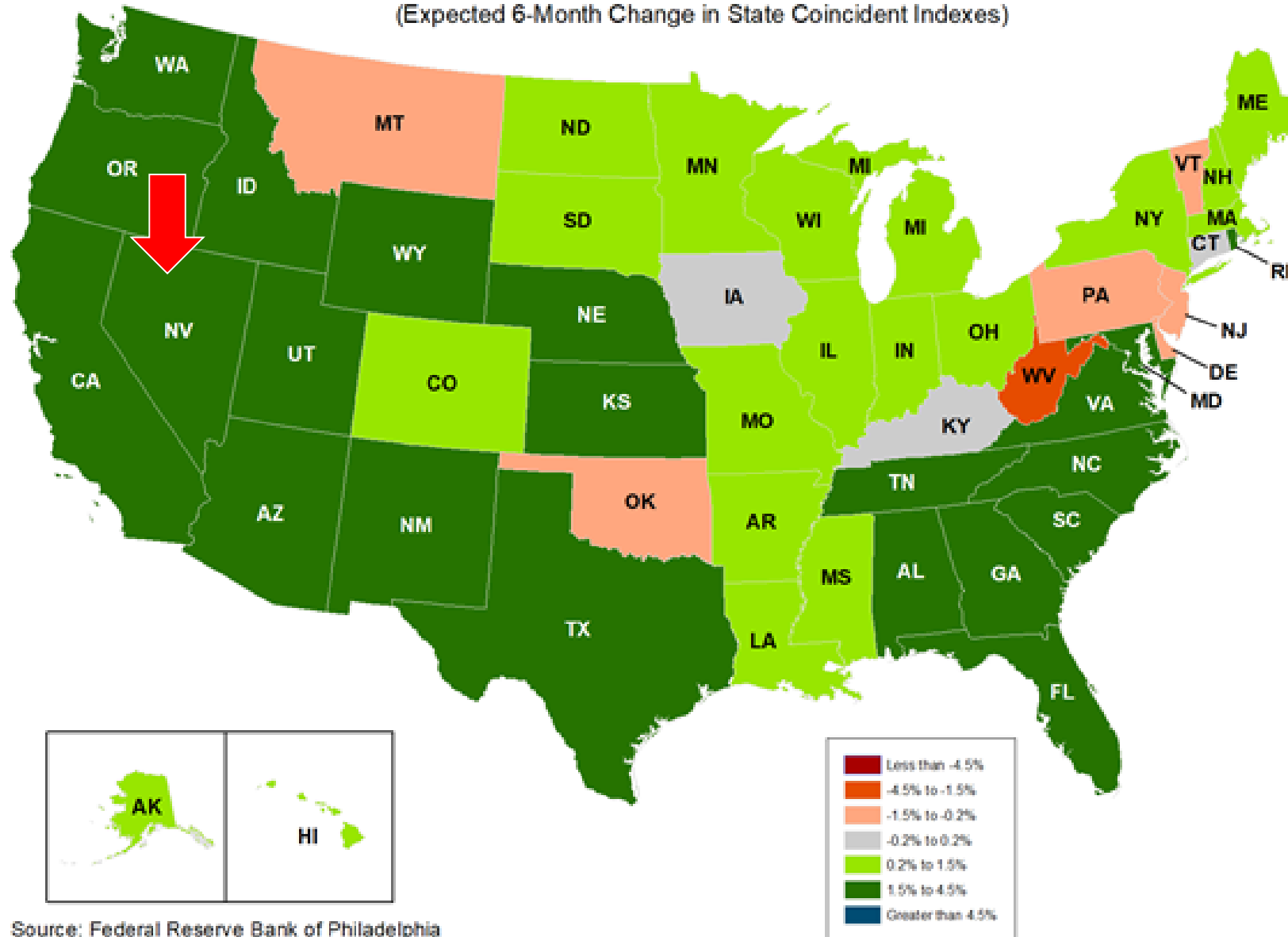


Source: Federal Reserve Bank of Philadelphia

The Future Looks Good Too!

November 2019 State Leading Indexes

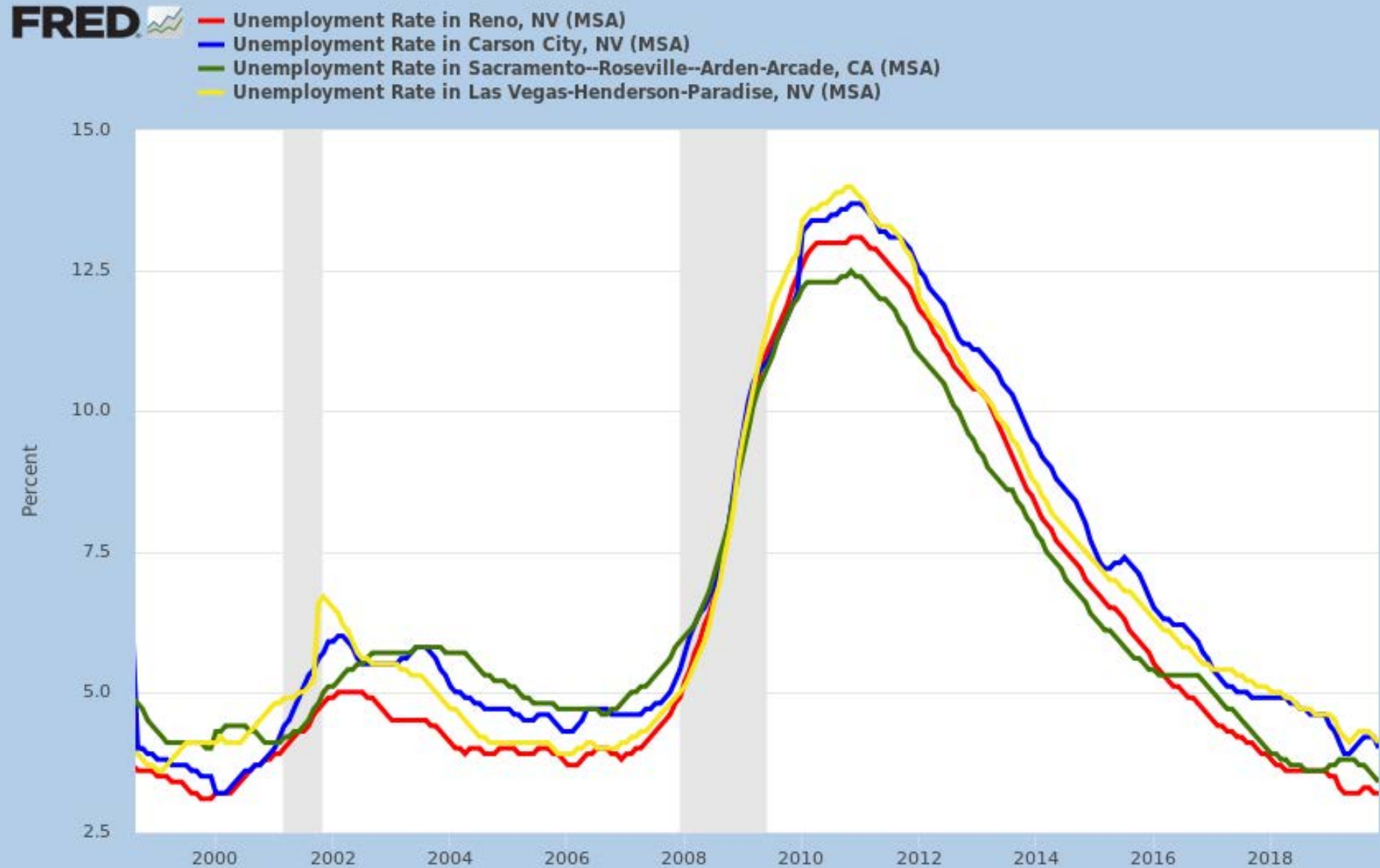
(Expected 6-Month Change in State Coincident Indexes)



Source: Federal Reserve Bank of Philadelphia

Unemployment Rates Plummet!

Reno is best at 3.2%. Your 12/9 low was 3.1%. How much lower can you go?



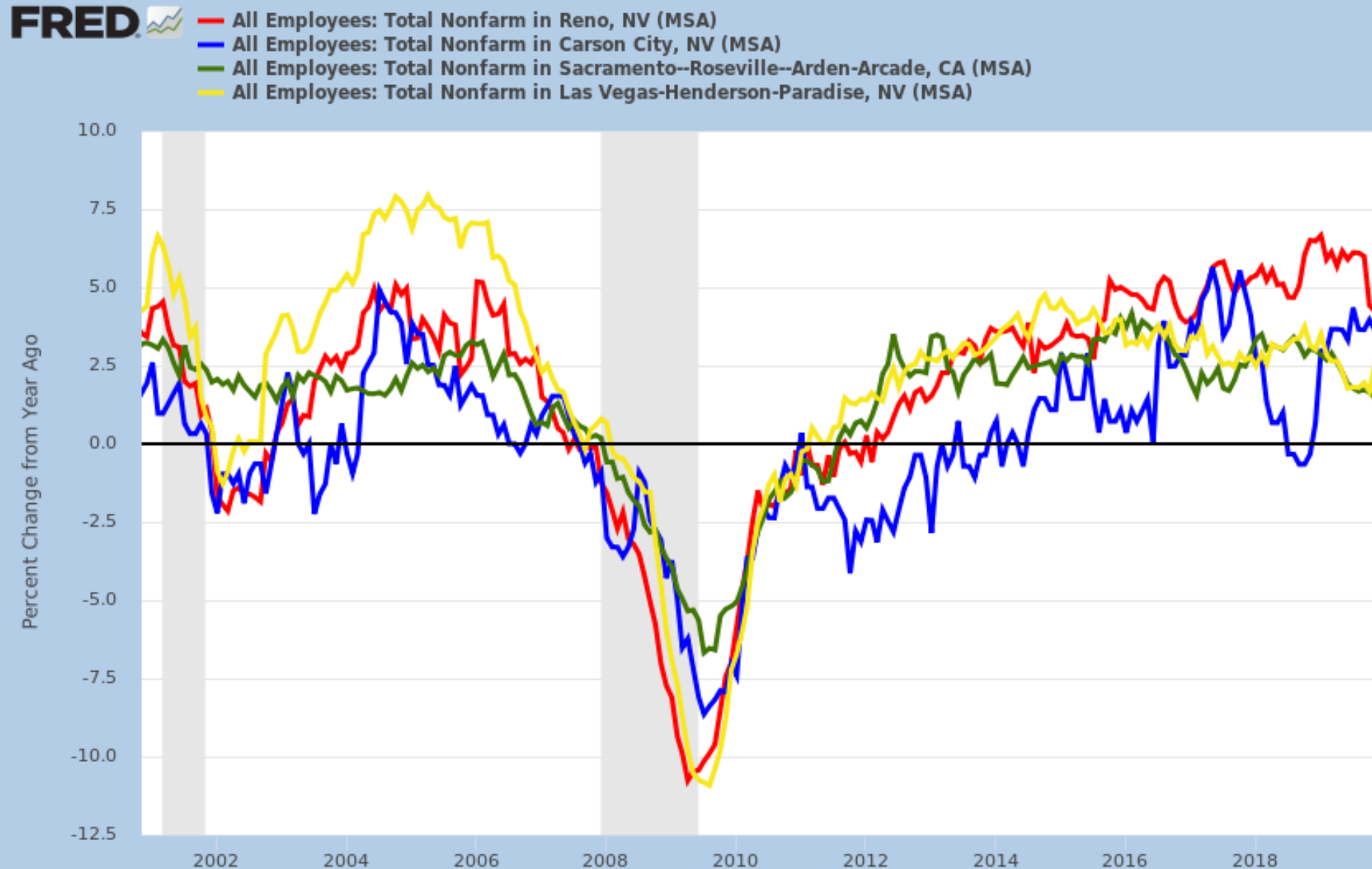
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

myf.red/g/q2er

Non-Farm Payroll Growth is A Concern

It peaked in late 2018 or early 2019. And Reno has been on fire!!!! Keeping it up will be hard



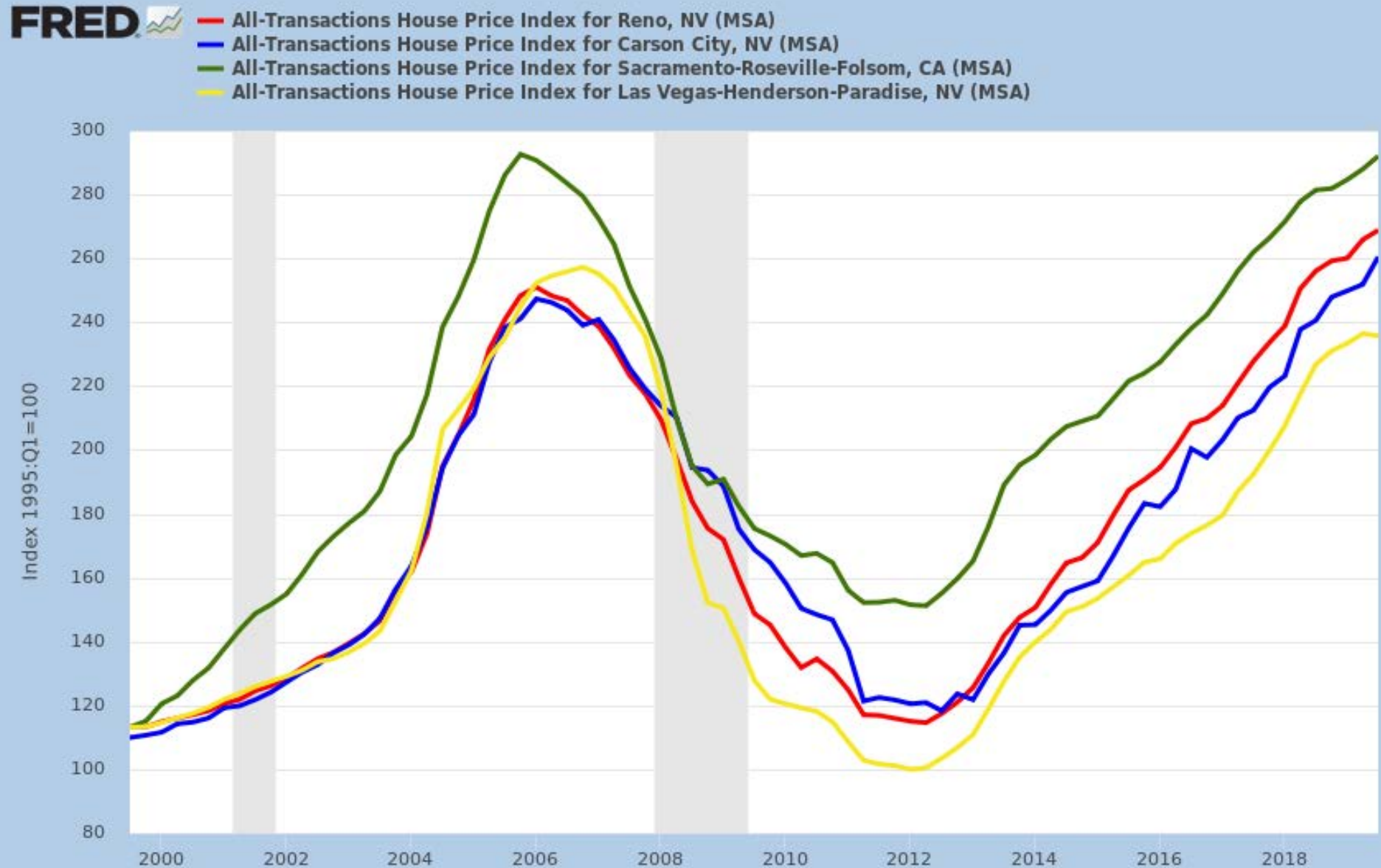
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

myf.red/g/q2el

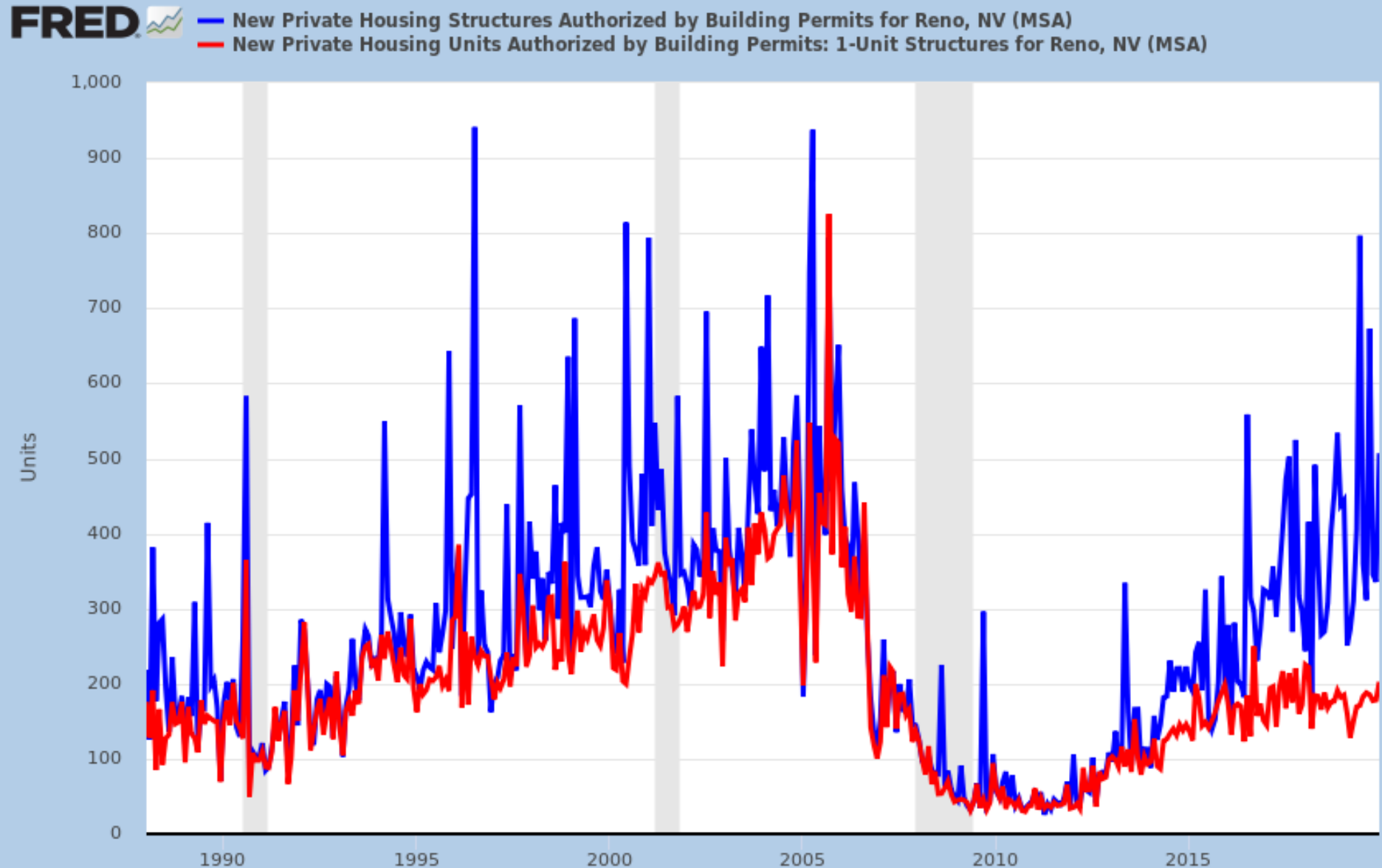
House Price Appreciation Around Here

All places have recovered except Las Vegas. Housing is again so expensive



Housing Starts in Reno

Single-family activity is dead. Multifamily activity is strong



Shaded areas indicate U.S. recessions

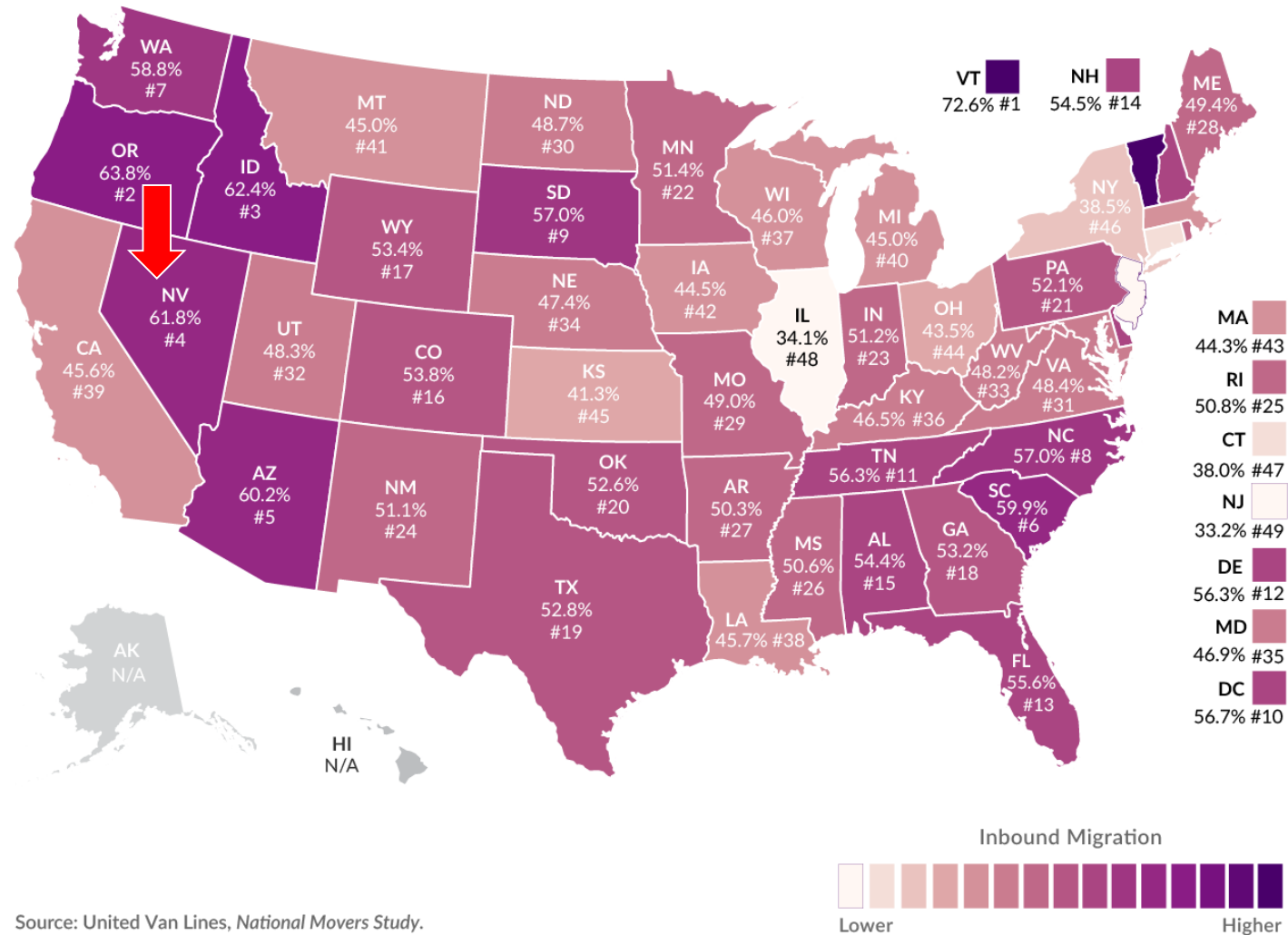
Source: U.S. Census Bureau

myf.red/g/q2e9

Interstate Migration Patterns 2018

Where Did Americans Move in 2018?


Inbound Migration as a Percent of Total Moves, 2018



Source: United Van Lines, *National Movers Study*.


States With Fastest Pop Growth in 7/1/18-6/30/19

Where is the Golden State?

Top 10 States in Numeric Growth, 2018 to 2019					
Rank	Geographic Area	April 1, 2010 (Estimates Base)	July 1, 2018	July 1, 2019	Numeric Growth
1	Texas	25,146,091	28,628,666	28,995,881	367,215
2	Florida	18,804,564	21,244,317	21,477,737	233,420
3	Arizona	6,392,288	7,158,024	7,278,717	120,693
4	North Carolina	9,535,751	10,381,615	10,488,084	106,469
5	Georgia	9,688,729	10,511,131	10,617,423	106,292
6	Washington	6,724,540	7,523,869	7,614,893	91,024
7	Colorado	5,029,319	5,691,287	5,758,736	67,449
8	South Carolina	4,625,366	5,084,156	5,148,714	64,558
9	Tennessee	6,346,276	6,771,631	6,829,174	57,543
	10 Nevada	2,700,677	3,027,341	3,080,156	52,815

States With Fastest Percentage Growth 7/1/18-6/30/19

Where is the Golden State?

Top 10 States in Percent Growth, 2018 to 2019					
Rank	Geographic Area	April 1, 2010 (Estimates Base)	July 1, 2018	July 1, 2019	Percent Growth
1	Idaho	1,567,657	1,750,536	1,787,065	2.1%
	2 Nevada	2,700,677	3,027,341	3,080,156	1.7%
3	Arizona	6,392,288	7,158,024	7,278,717	1.7%
4	Utah	2,763,891	3,153,550	3,205,958	1.7%
5	Texas	25,146,091	28,628,666	28,995,881	1.3%
6	South Carolina	4,625,366	5,084,156	5,148,714	1.3%
7	Washington	6,724,540	7,523,869	7,614,893	1.2%
8	Colorado	5,029,319	5,691,287	5,758,736	1.2%
9	Florida	18,804,564	21,244,317	21,477,737	1.1%
10	North Carolina	9,535,751	10,381,615	10,488,084	1.0%

ANY QUESTIONS?

Elliot F. Eisenberg, Ph.D.

Cell: 202.306.2731

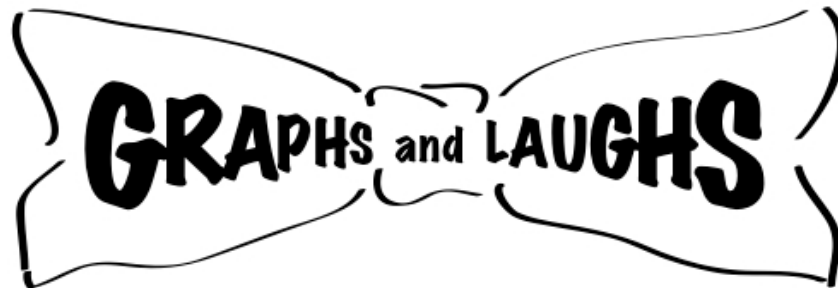
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