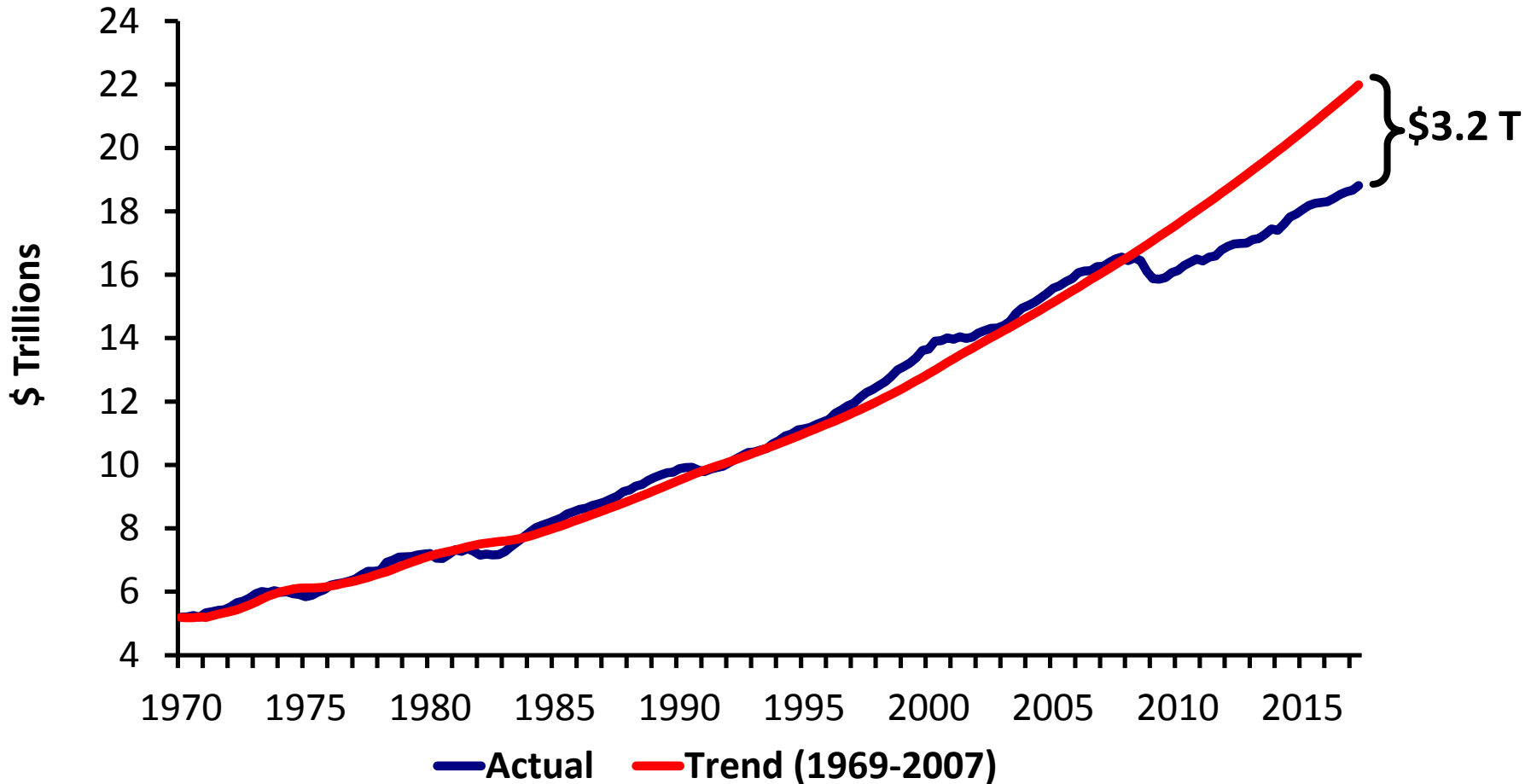




Linneman Associates Webinar

Dr. Peter Linneman
Linneman Associates
Moderated by Bruce Kirsch
REFM
February 12, 2018

Actual vs. Trend Real GDP: Still A Huge Gap Due To SF Housing



Data points through Q3 2017

Is 3% Real GDP Growth Realistic?

- 1820 – 1889: 4.2%
- 1890 – 1948: 3.7%
- 1949 – 2008: 3.4%
- Bush first term: 3.0%
- Obama years: 1.5%
- Not only realistic, it is the norm

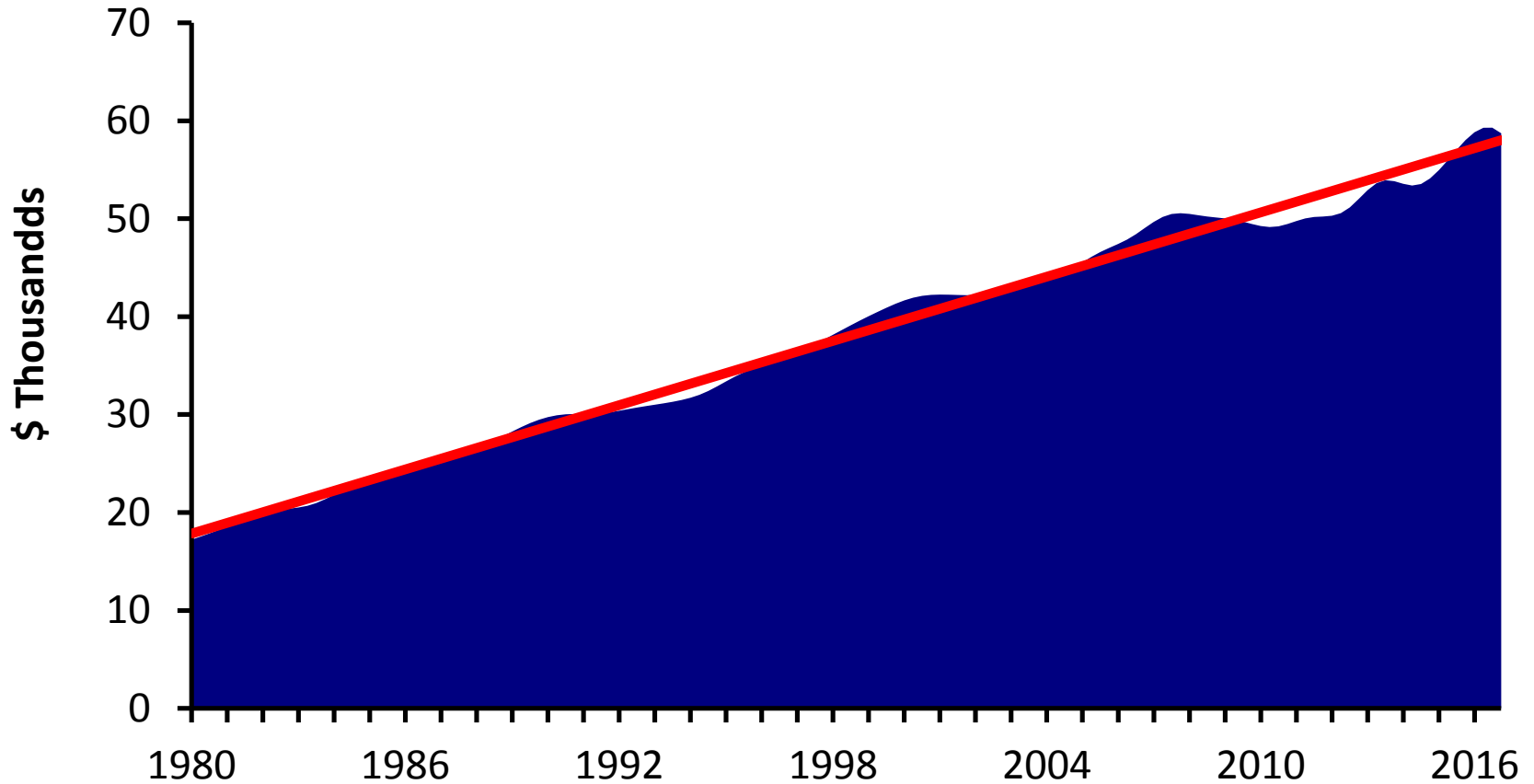
Growth Drivers

- 2.2% productivity
- 0.8% population growth
- Predictable legal and regulatory environment
- Micro incentives to hire, invest, take risk and work
- Harvard's Robert Barro estimates new tax law will add 110 bps to growth

New Tax Structure Shifts Policy Priority Back To Growth Rather Than Redistribution

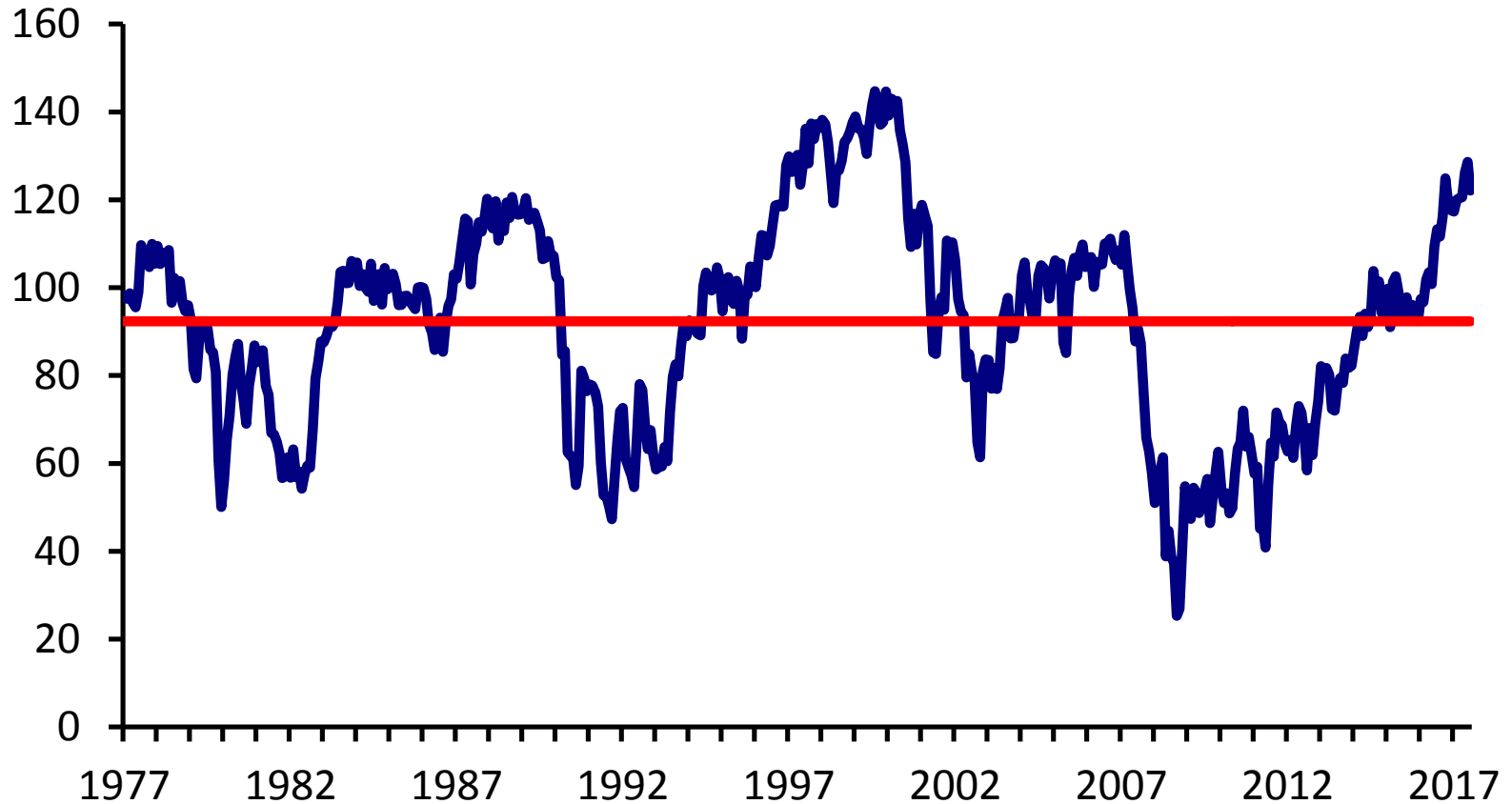
- Cuts everyone's tax
- Especially cuts corporate tax rates
- Restores US as a low corporate tax rate OECD country
- Top 20% gets about 65% of the cuts but pay about 95% of all taxes
- The relative burden at the top goes up
- If you pay no tax, a tax rate cut does not help you, but it also does not hurt you

Real Median Household Income: Around Trend



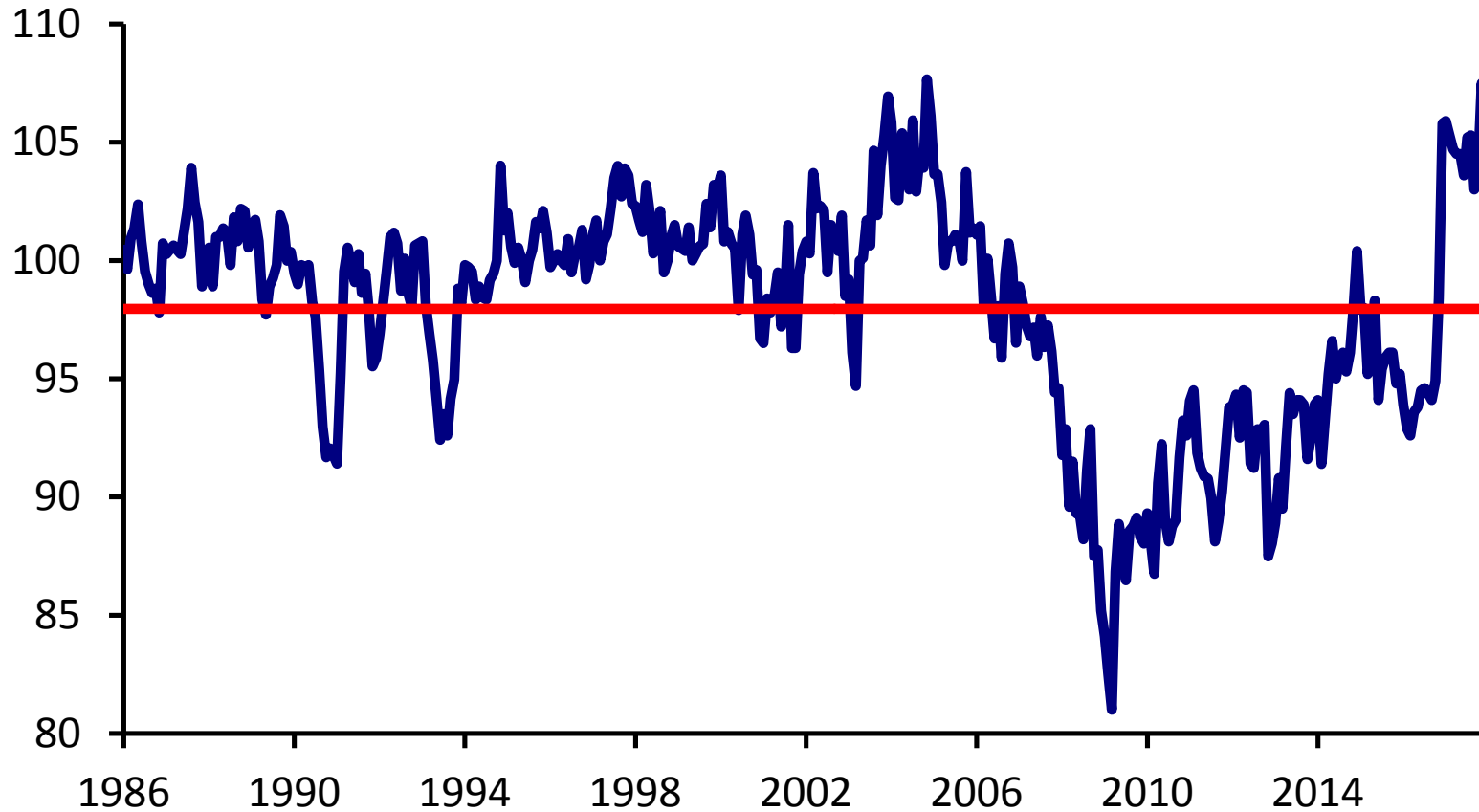
Data points through Q4 2016

Consumer Confidence Index: Post-Election Pop Remains



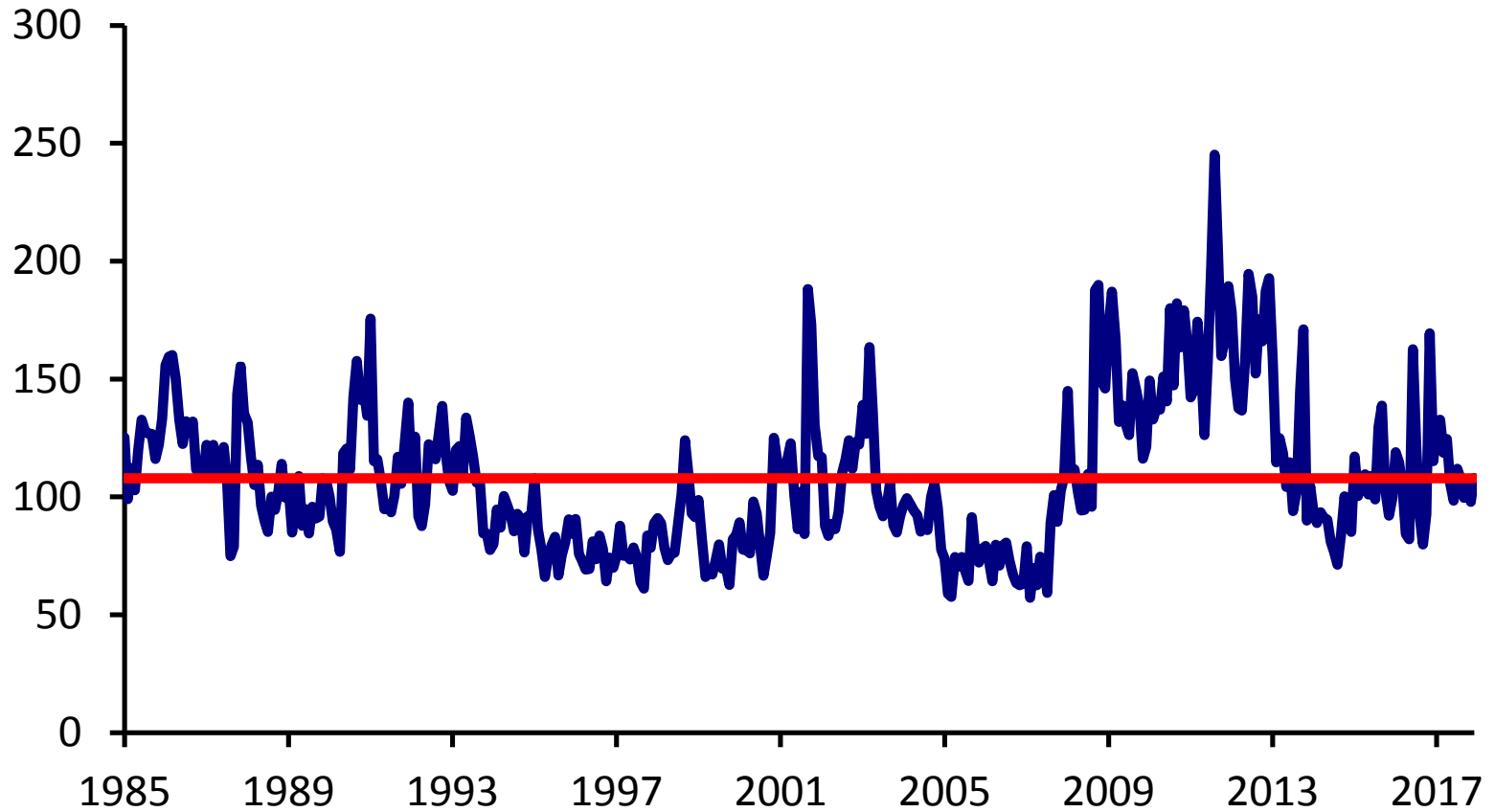
Data points through December 2017

Small Business Optimism Index: Post-Election Surge Continues



Data points through December 2017

Economic Policy Uncertainty Index: Stabilizing

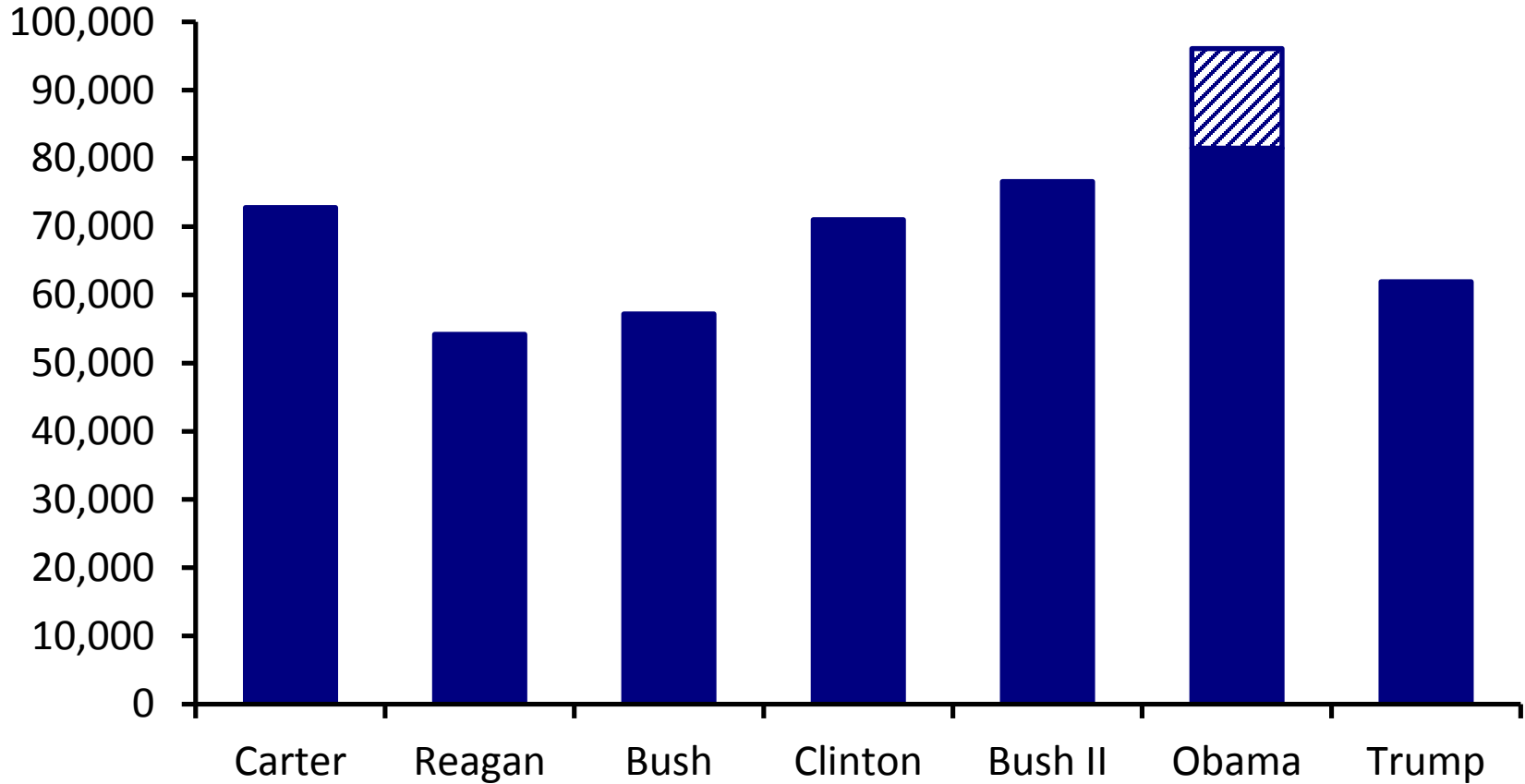


Data points through December 2017

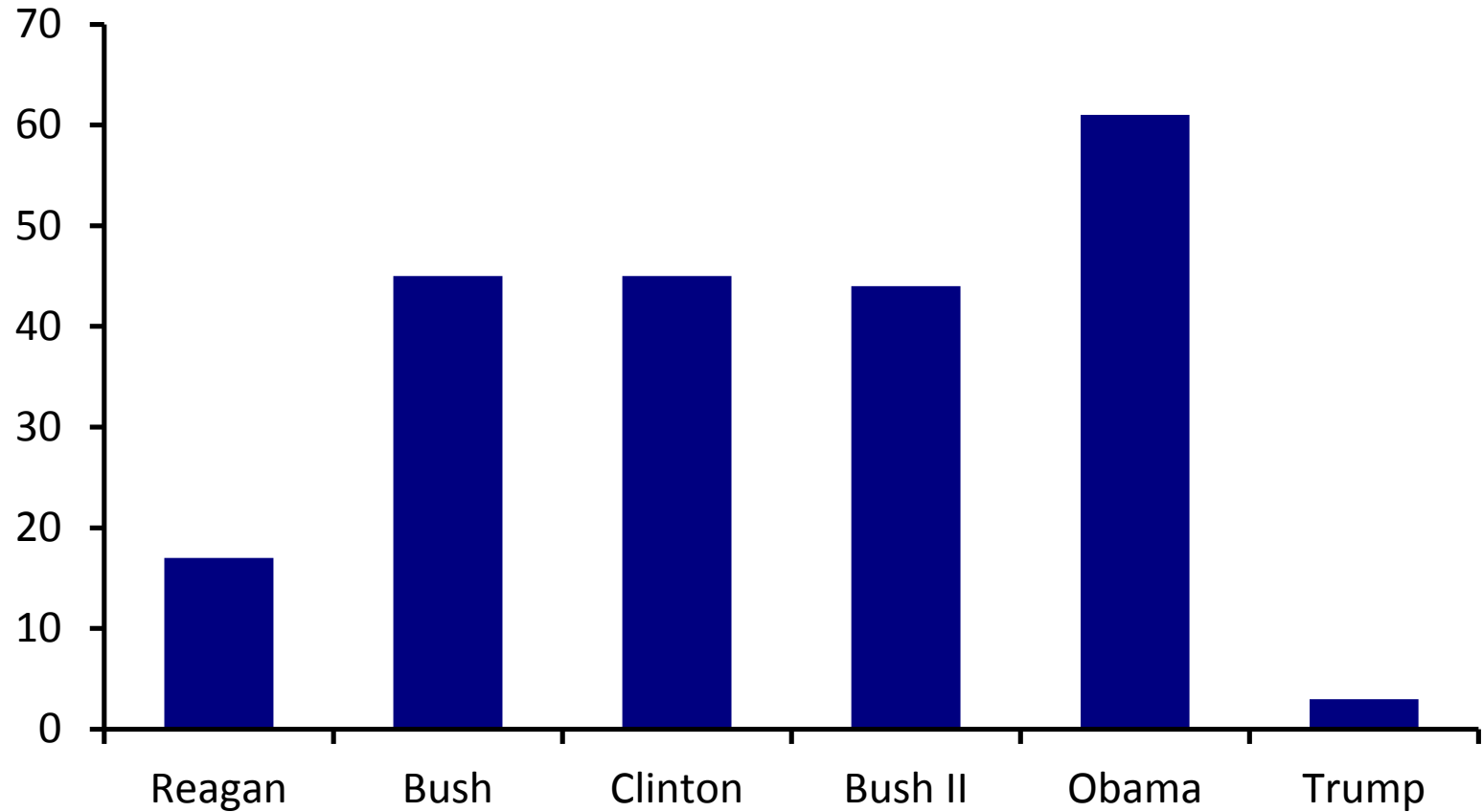
New Federal Restrictions Per Annum: Growth Inhibitors

- Carter 25,000
- Reagan 6,200 (zero first 5 years)
- Bush Sr. 25,000
- Clinton 6,200 (negative last 4 years)
- Bush Jr. 22,000
- Obama 17,000

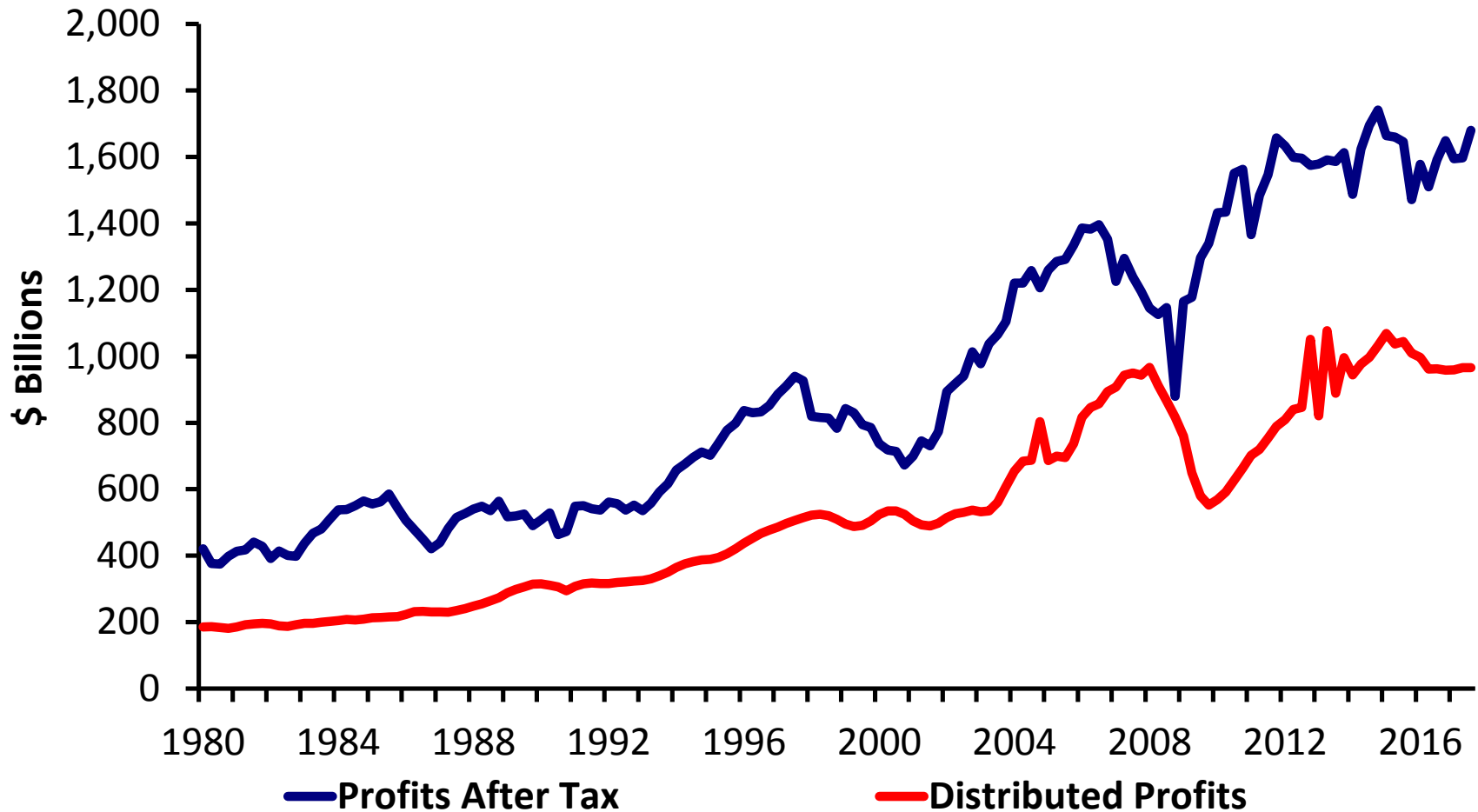
Federal Register: Regulation Slows Growth



Economically Significant New Regulations Per Annum: Wonder Why Growth Was Sub-3%

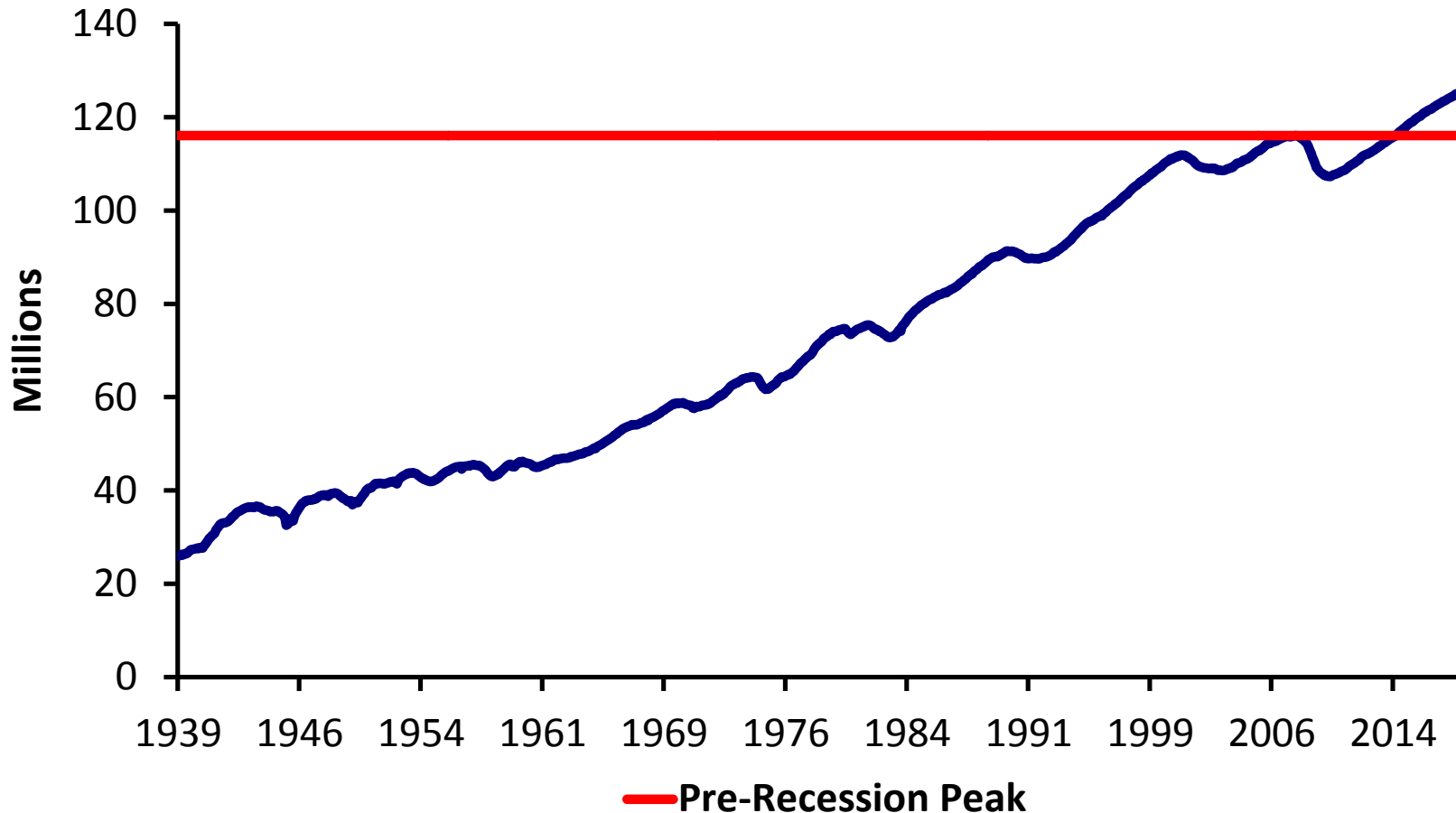


Real Corporate Profits: High But Tough To Grow



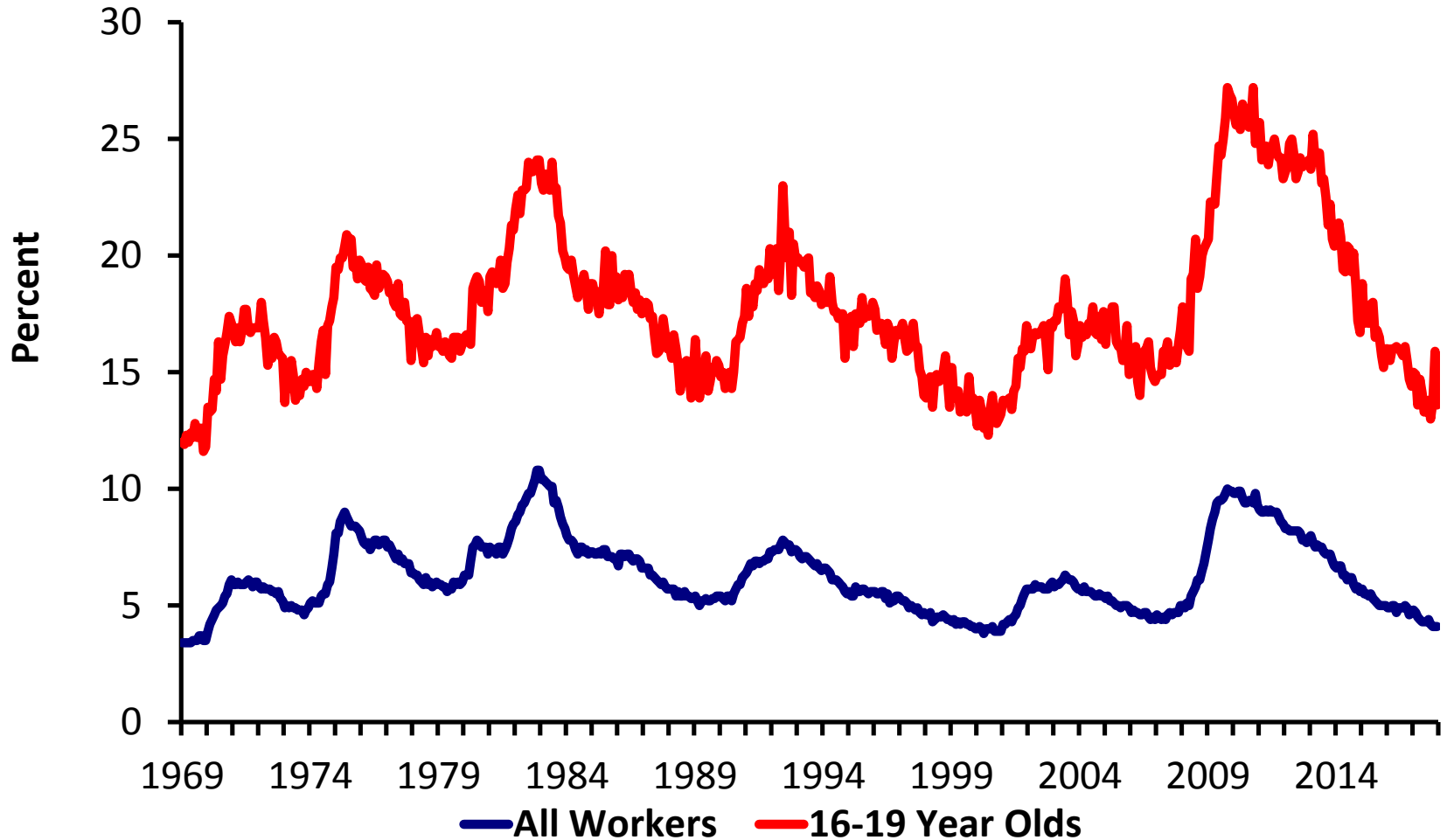
Data points through Q3 2017

Private Sector Employment: All Time High



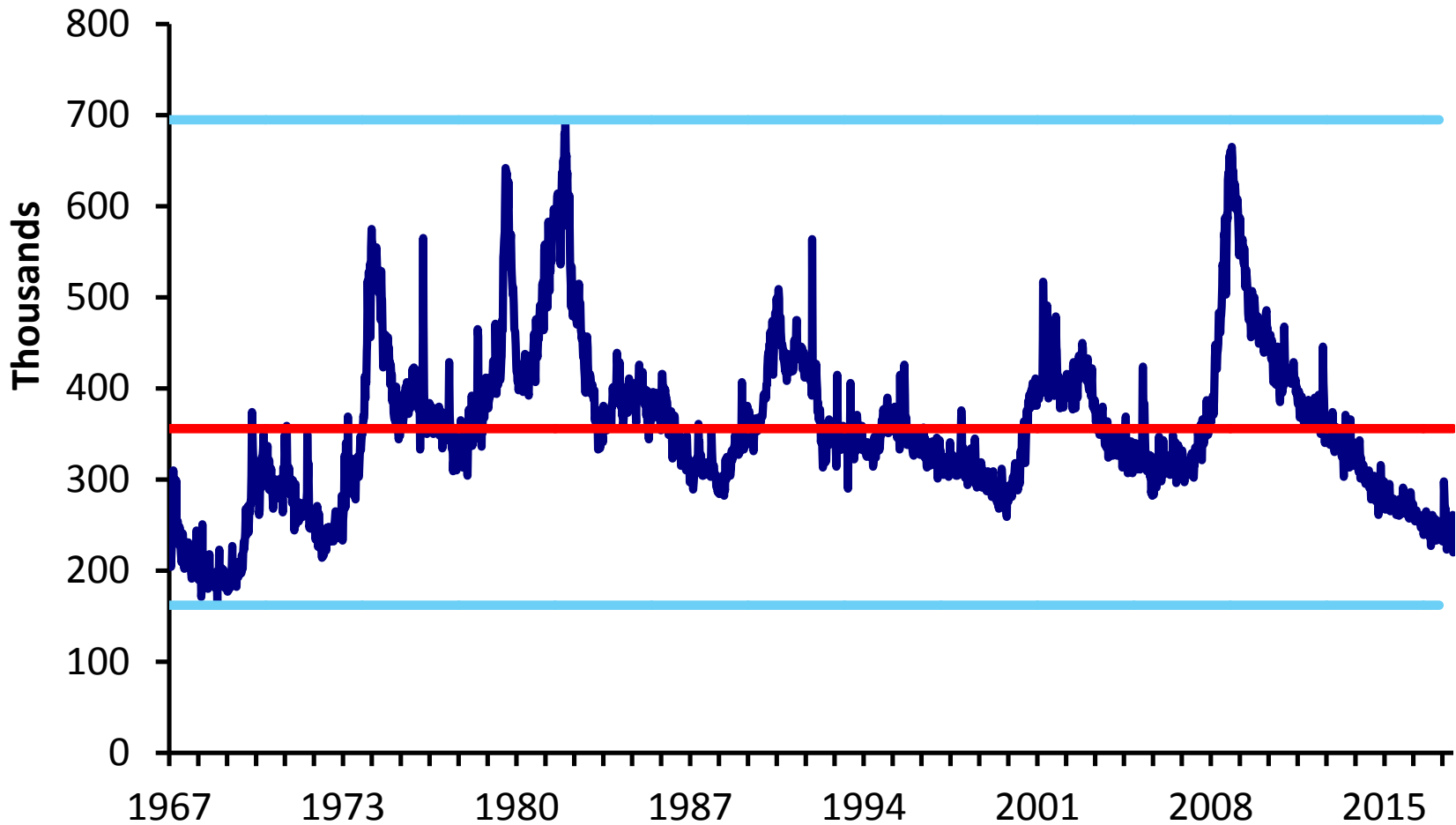
Data points through December 2017

Civilian Unemployment Rate: Nearing Lows



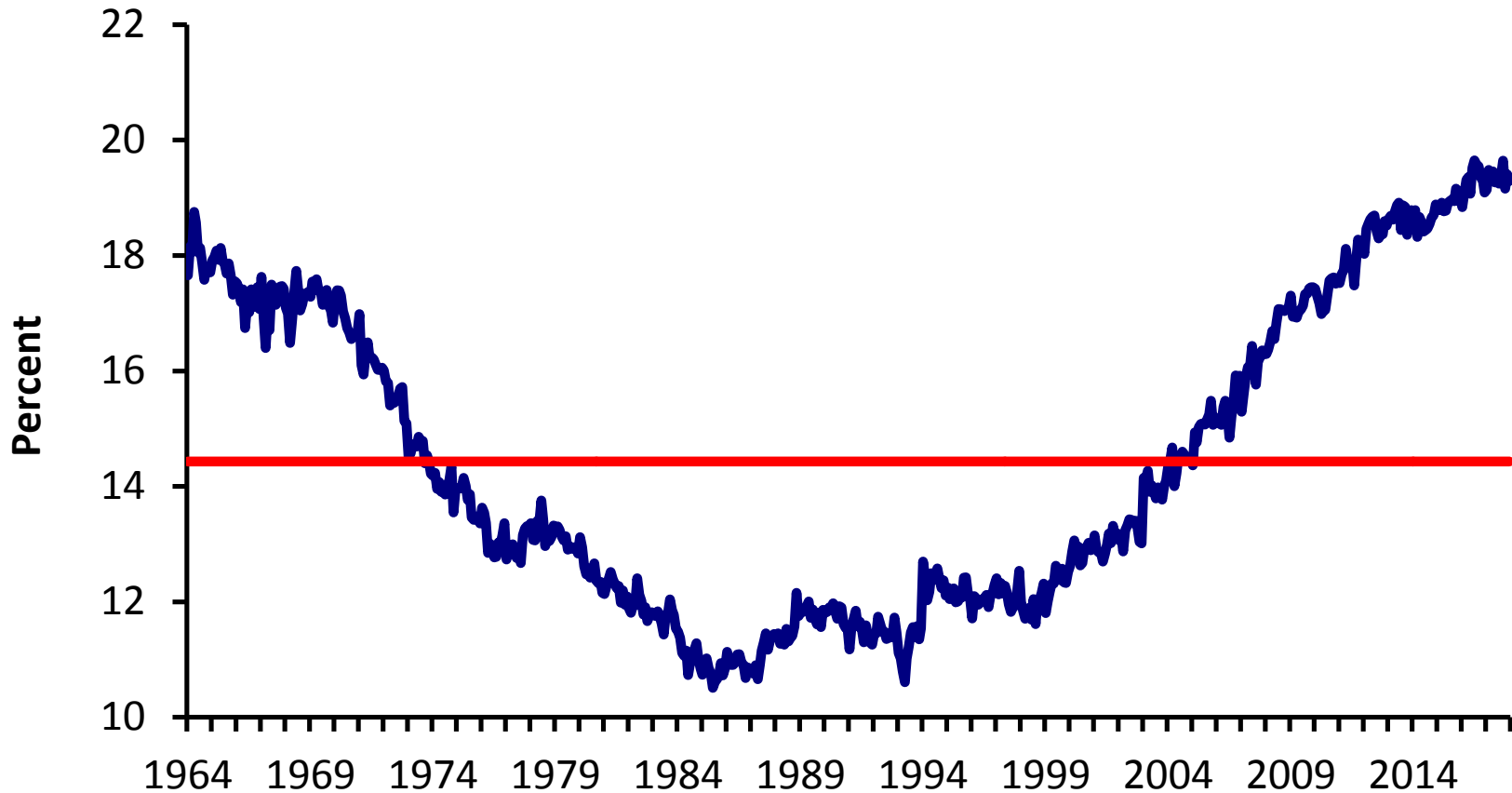
Data points through December 2017

Weekly Initial Unemployment Insurance Claims: Very Strong



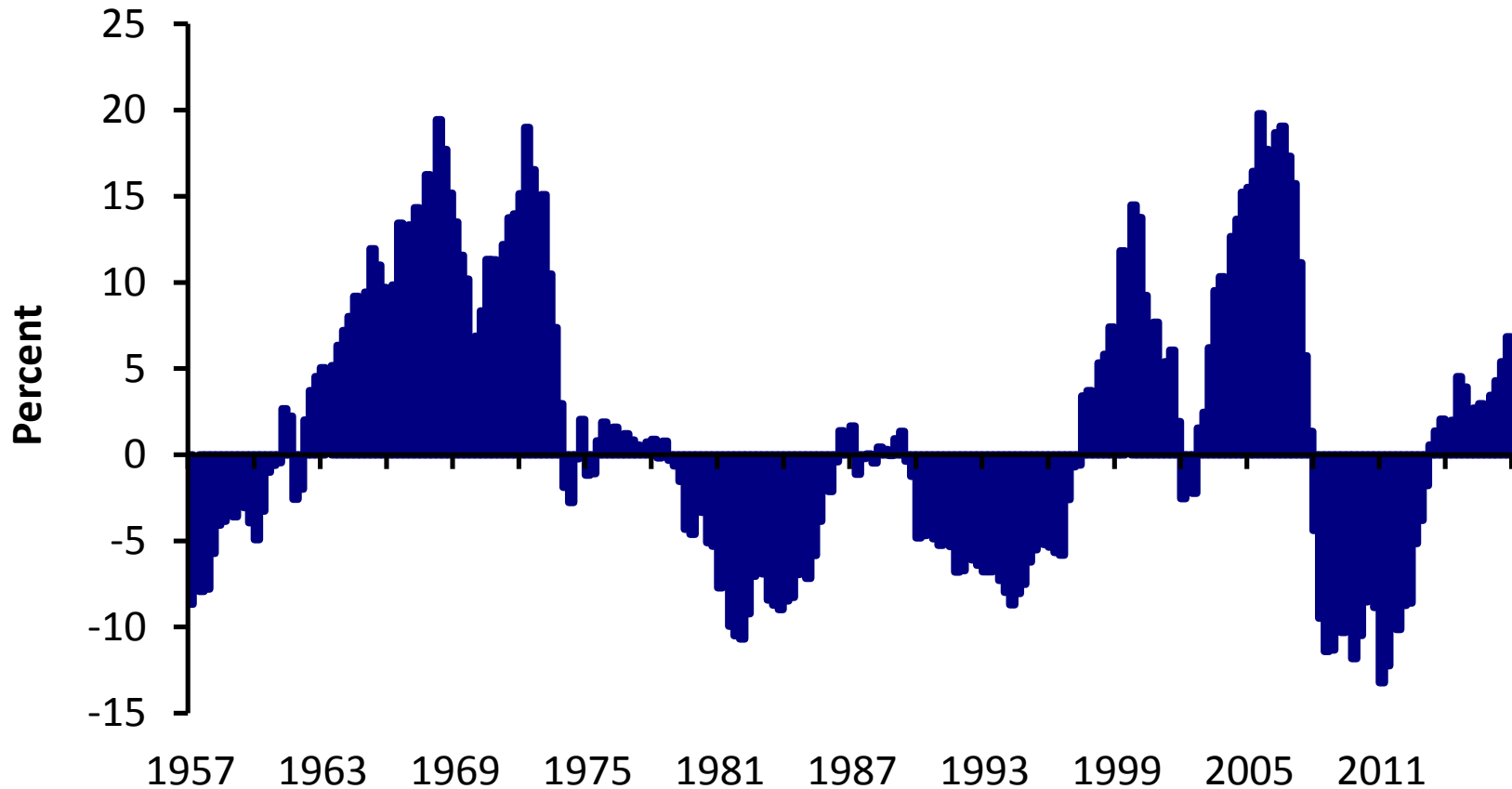
Data points through Jan 13, 2018

Labor Force Participation Rate 65+: And Choose To Work Longer



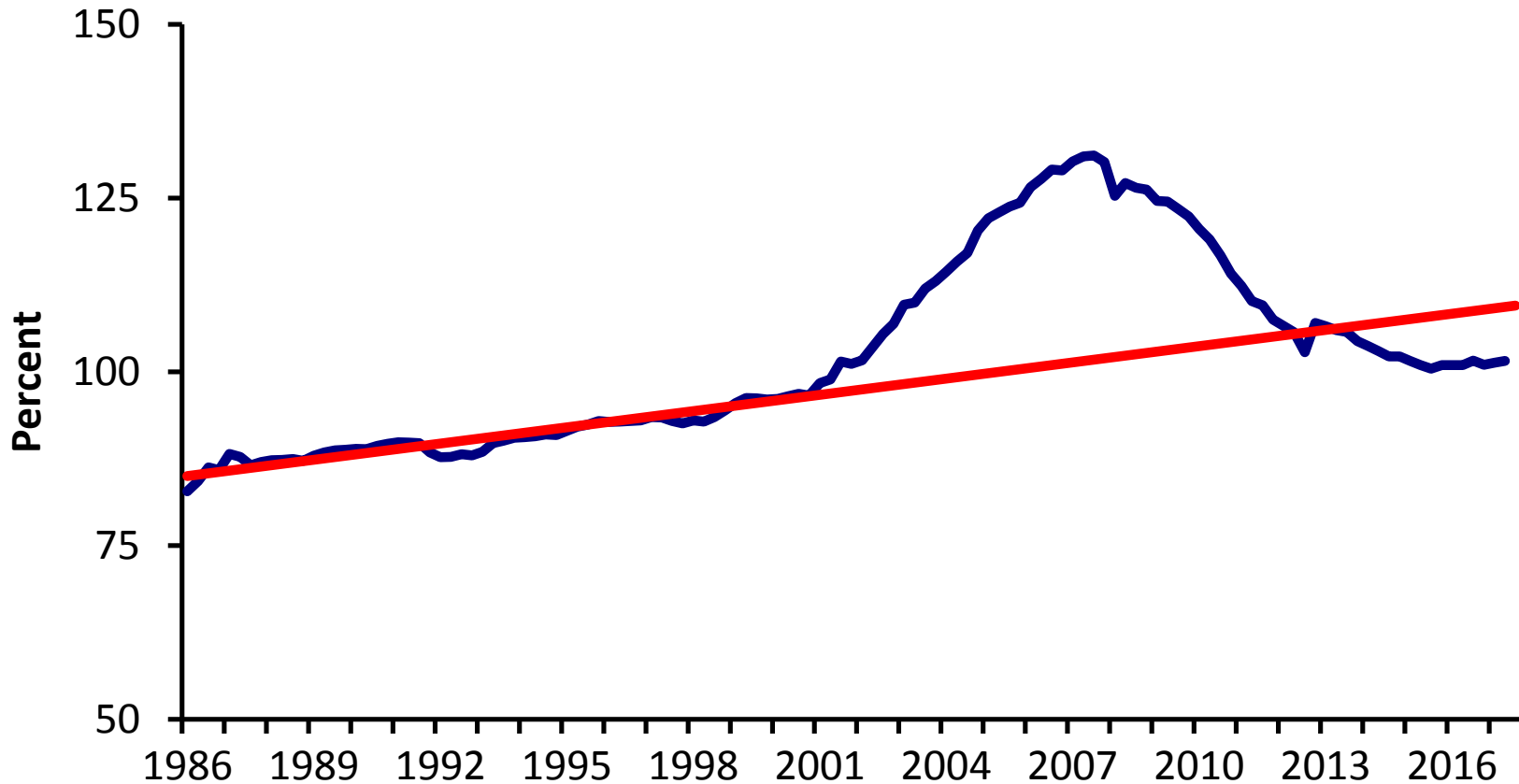
Data points through December 2017

Real U.S. Net Worth Per Household Percent Gap Above (Below) Trend: Heating Up



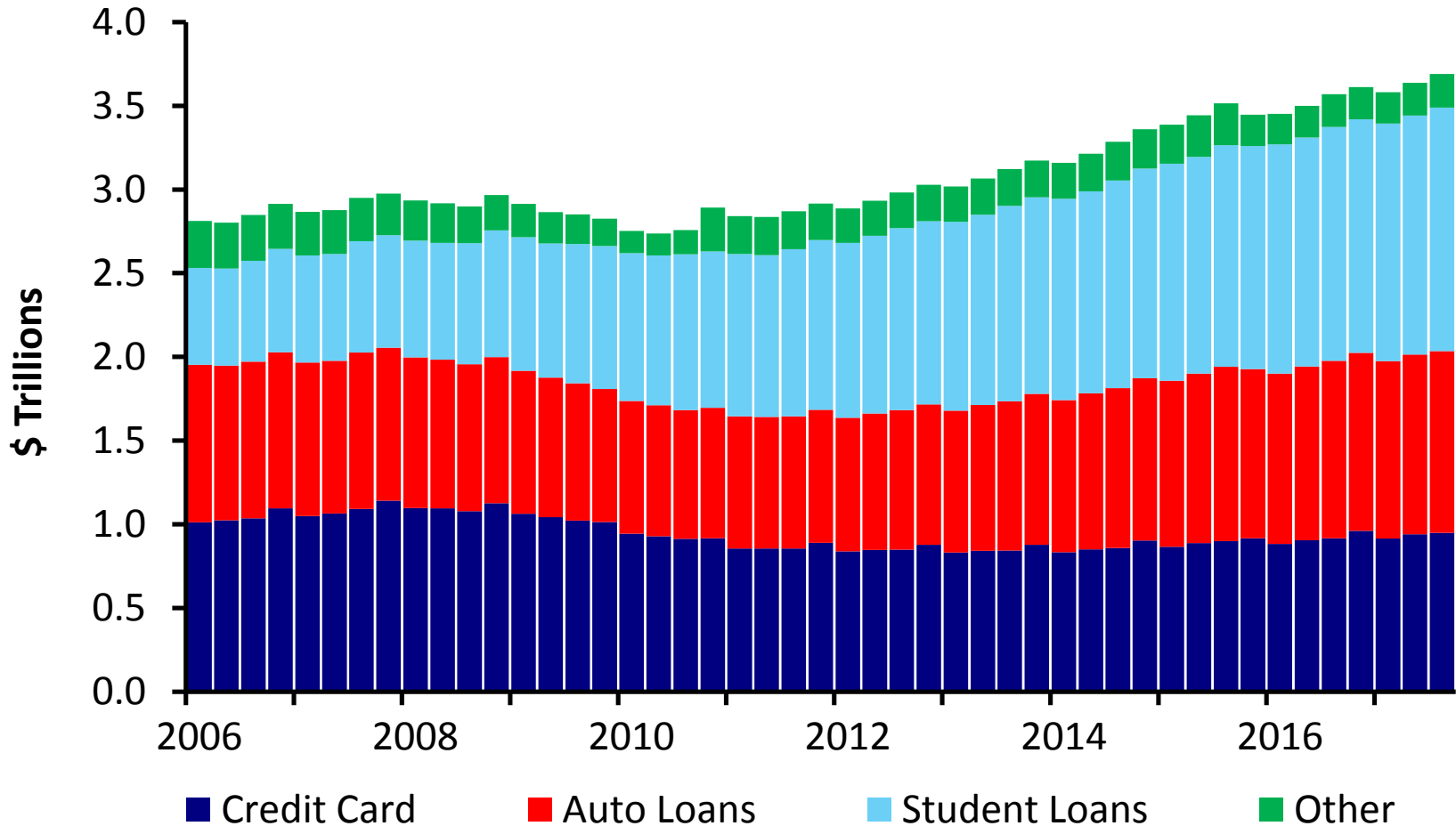
Data points through Q2 2017

Household Debt As Percent of Disposable Personal Income: Low Burden



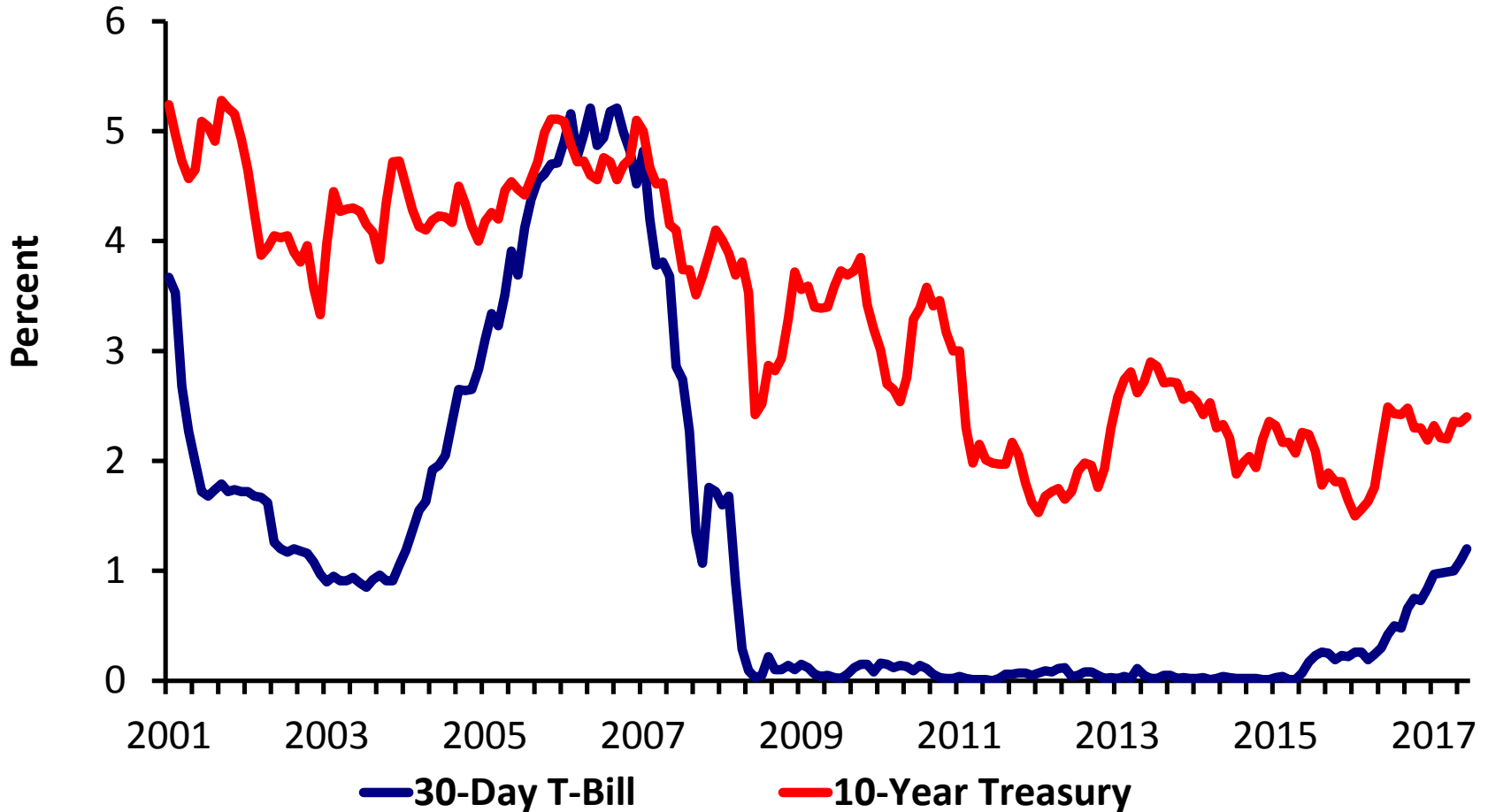
Data points through Q3 2017

Real U.S. Consumer Debt: Student Loans Have Replaced Credit Cards



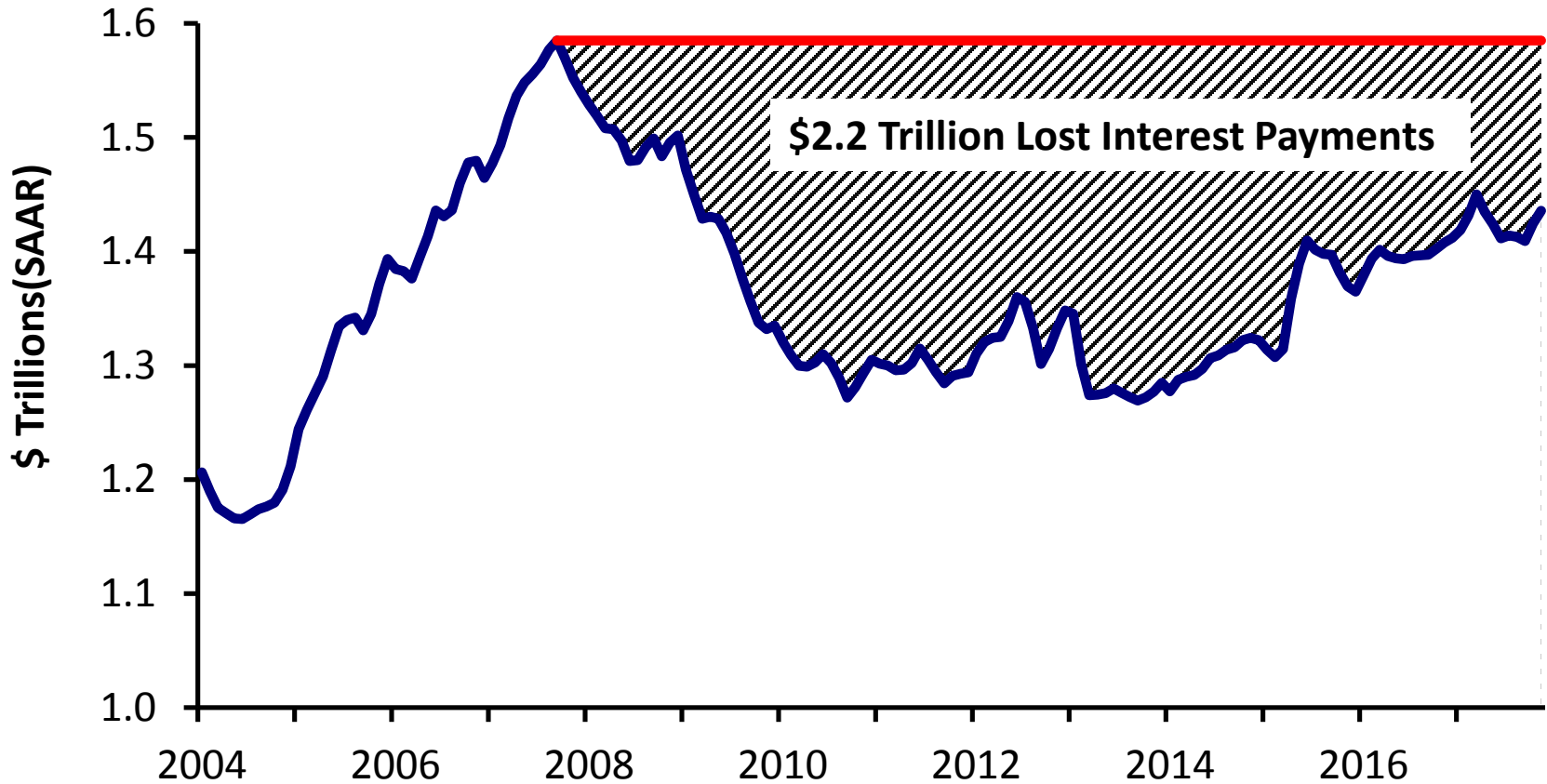
Data points through Q3 2017

Treasury Yields: As Artificially Low Rates Recedes, The Economy Will Grow



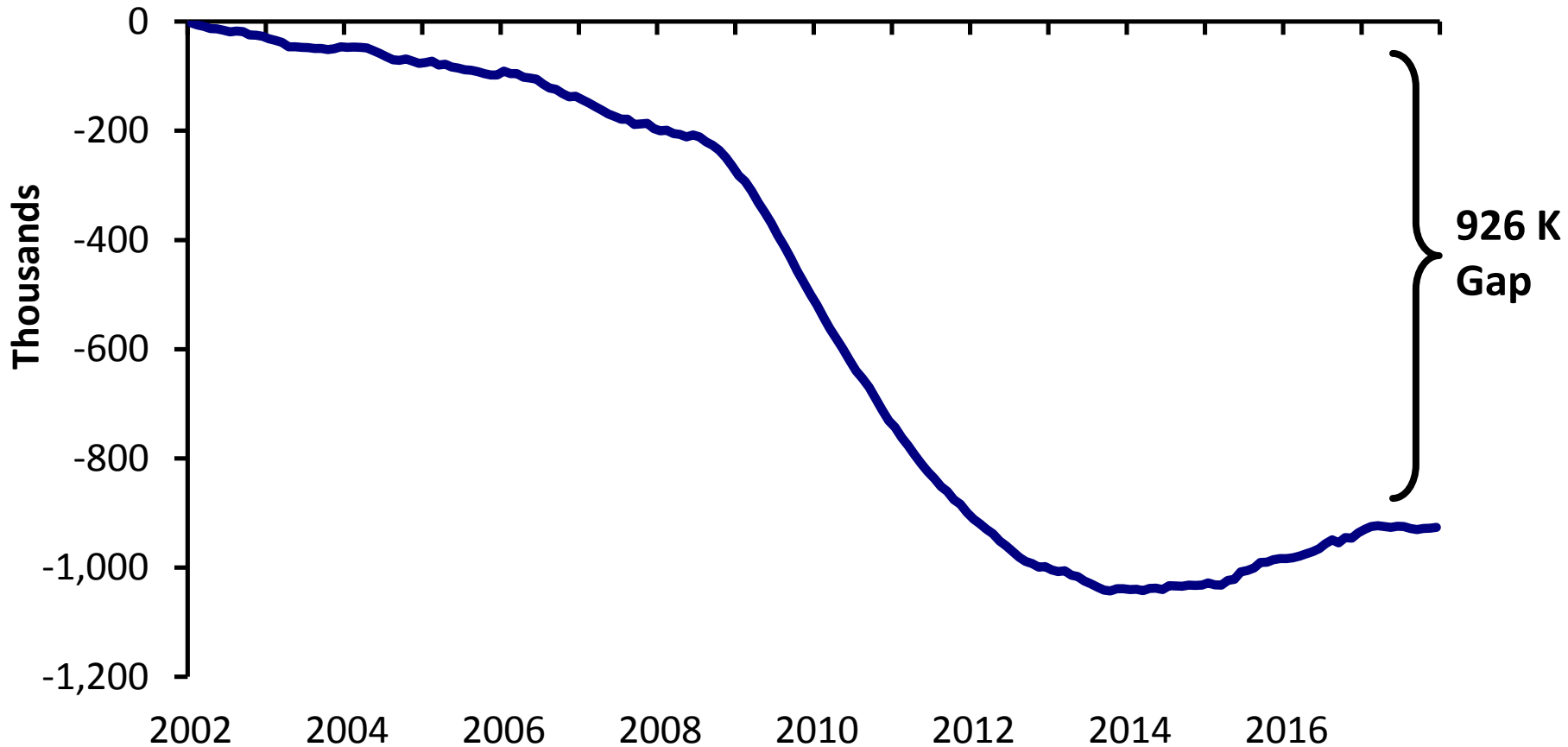
Data points through December 2017

Real Income from Interest Payments: Less Being Robbed From Savers



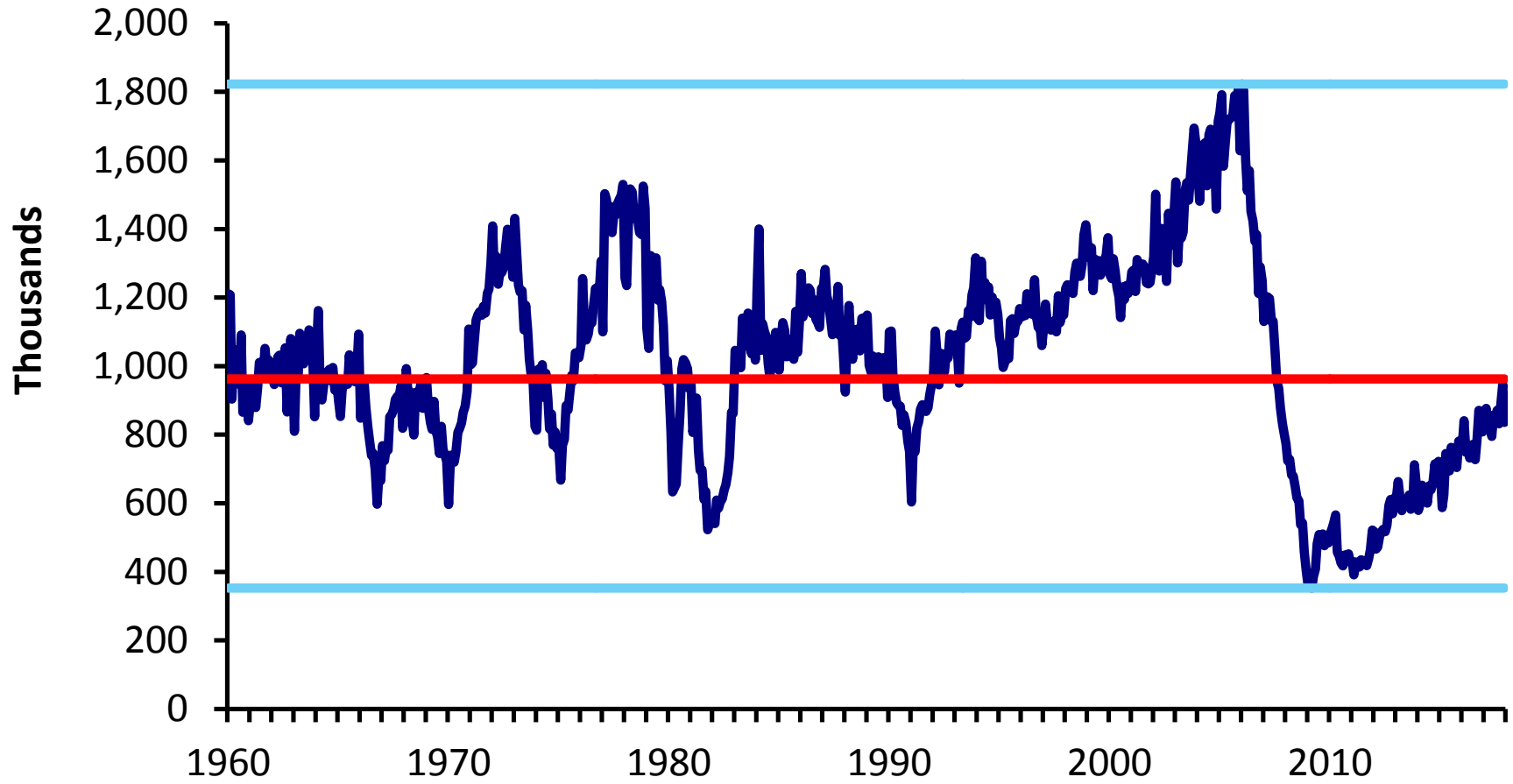
Data points through November 2017

Cumulative Shortage of Multifamily Starts: Still High



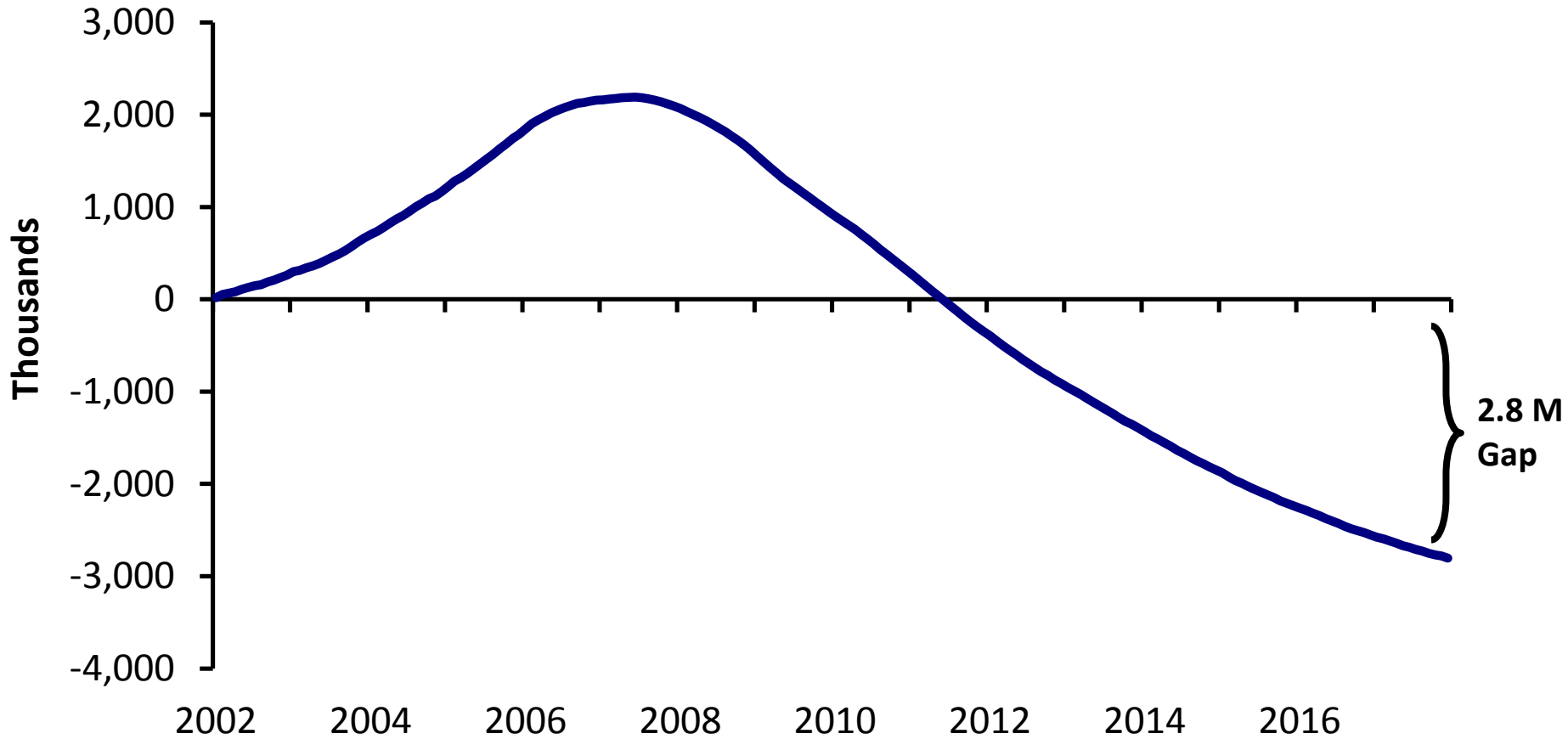
Data points through December 2017

Single Family Home Starts: Up 100% And Still 134,000 Units Below Average



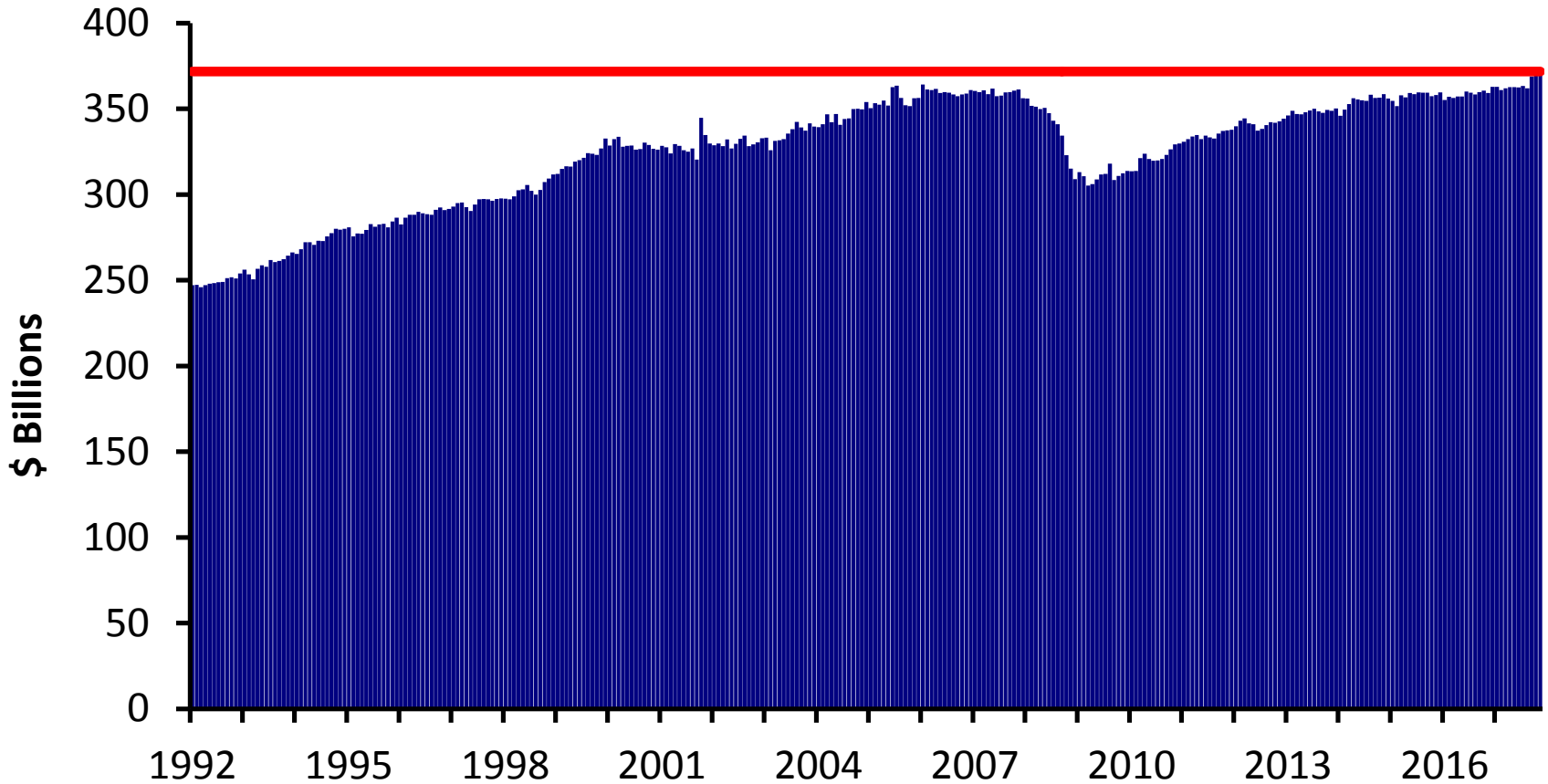
Data points through December 2017

Cumulative Shortage of Single-Family Starts: Huge And Growing



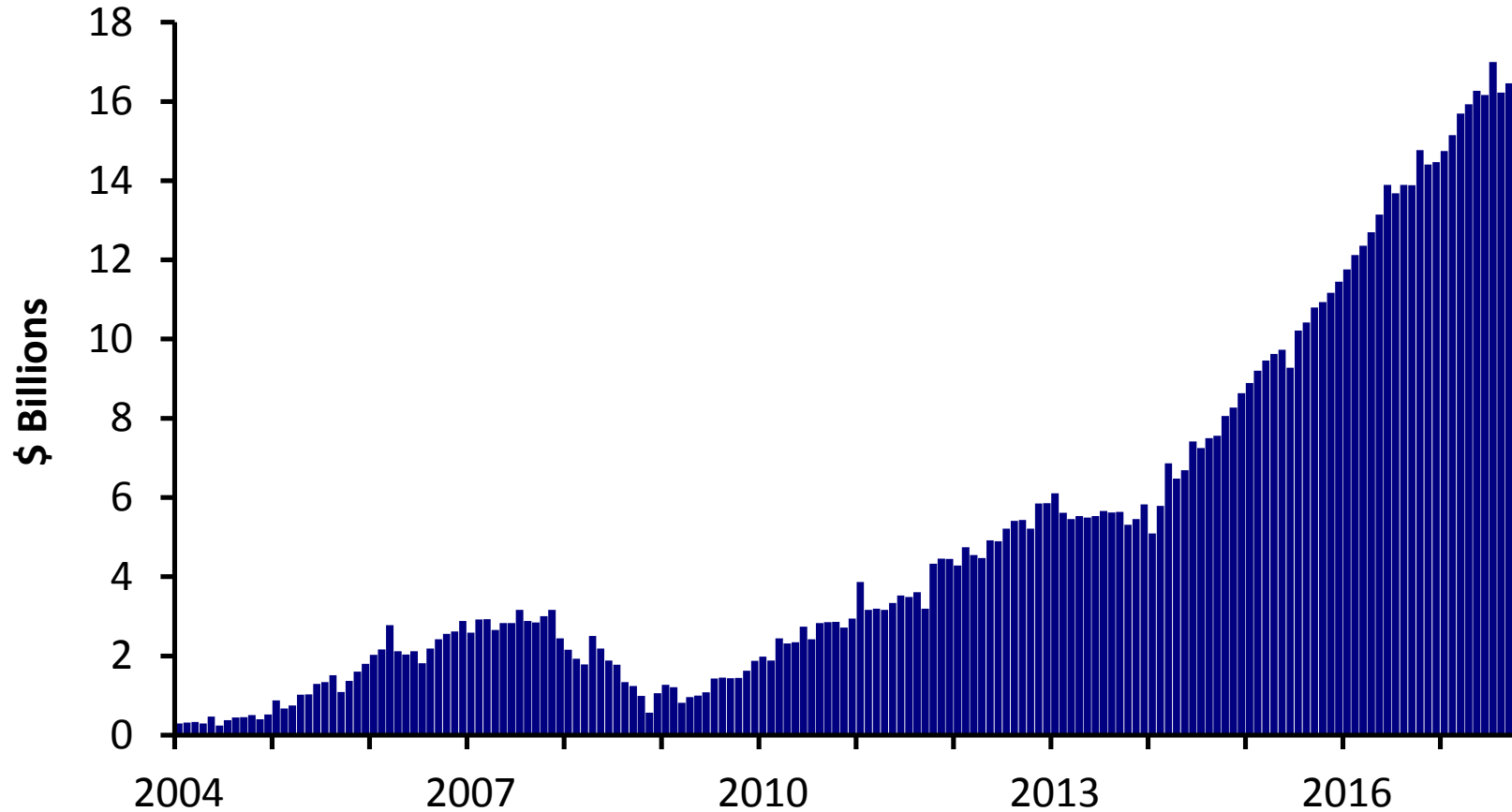
Compared to 1971-2001 Average. Data points through December 2016

Estimated Real Monthly "Brick" Retail Sales: Flat, Flat, Flat



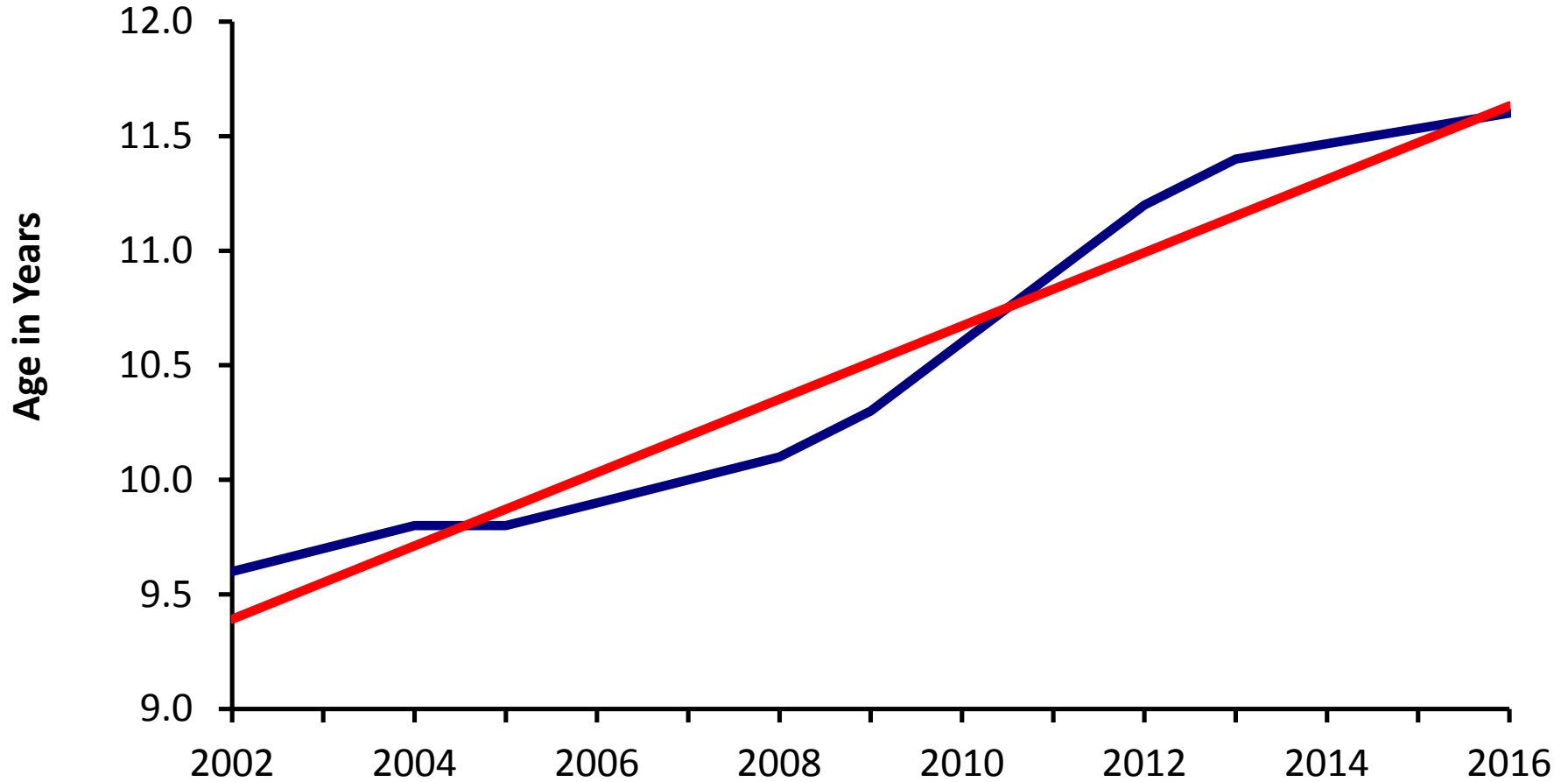
Data points through November 2017

Estimated Real Monthly Internet Sales: Rapidly Rising But Still Only 5.7% Of Sales



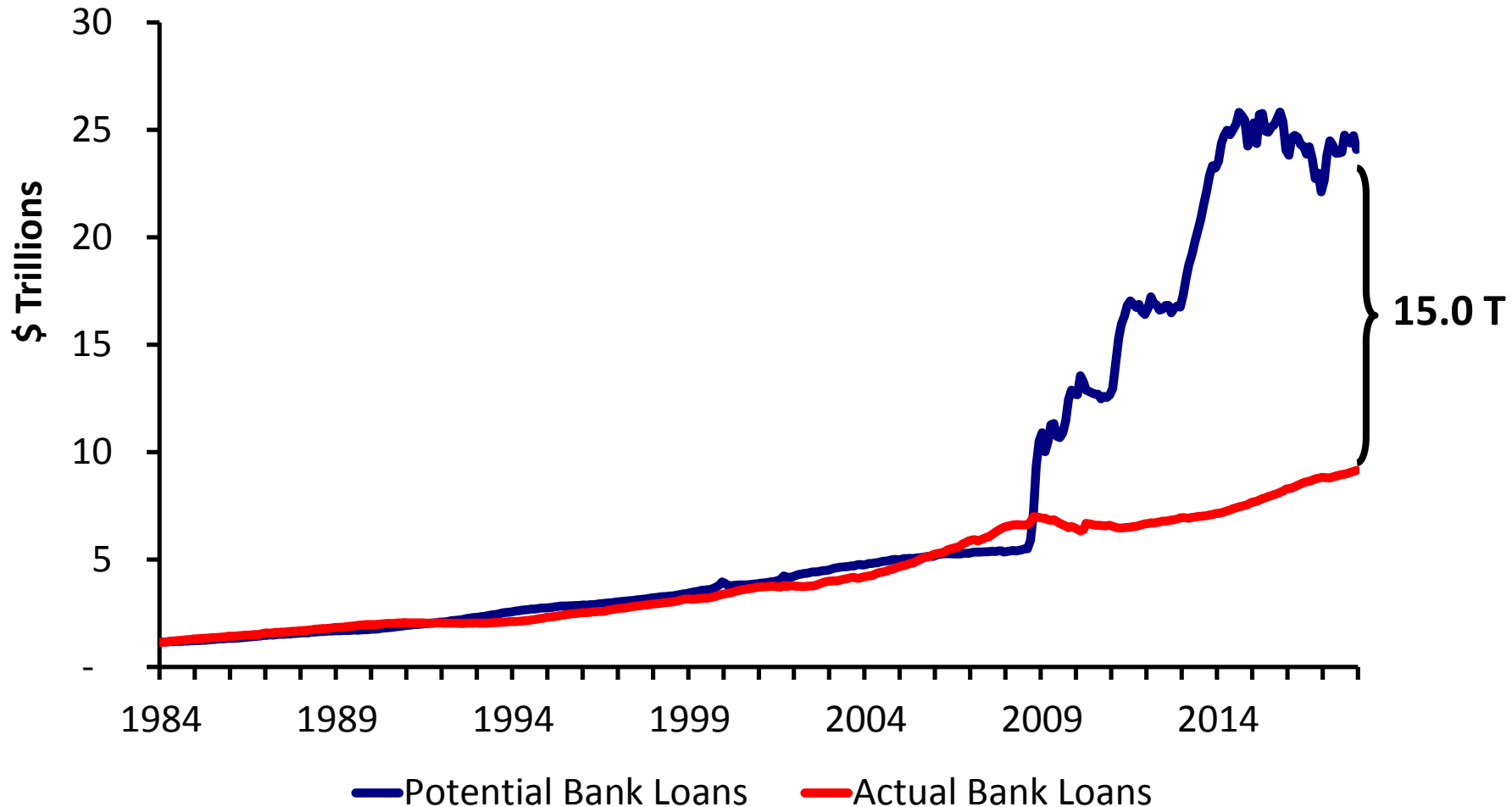
Data points through November 2017

Average Age of U.S. Passenger Cars & Light Vehicles: Back On Trend



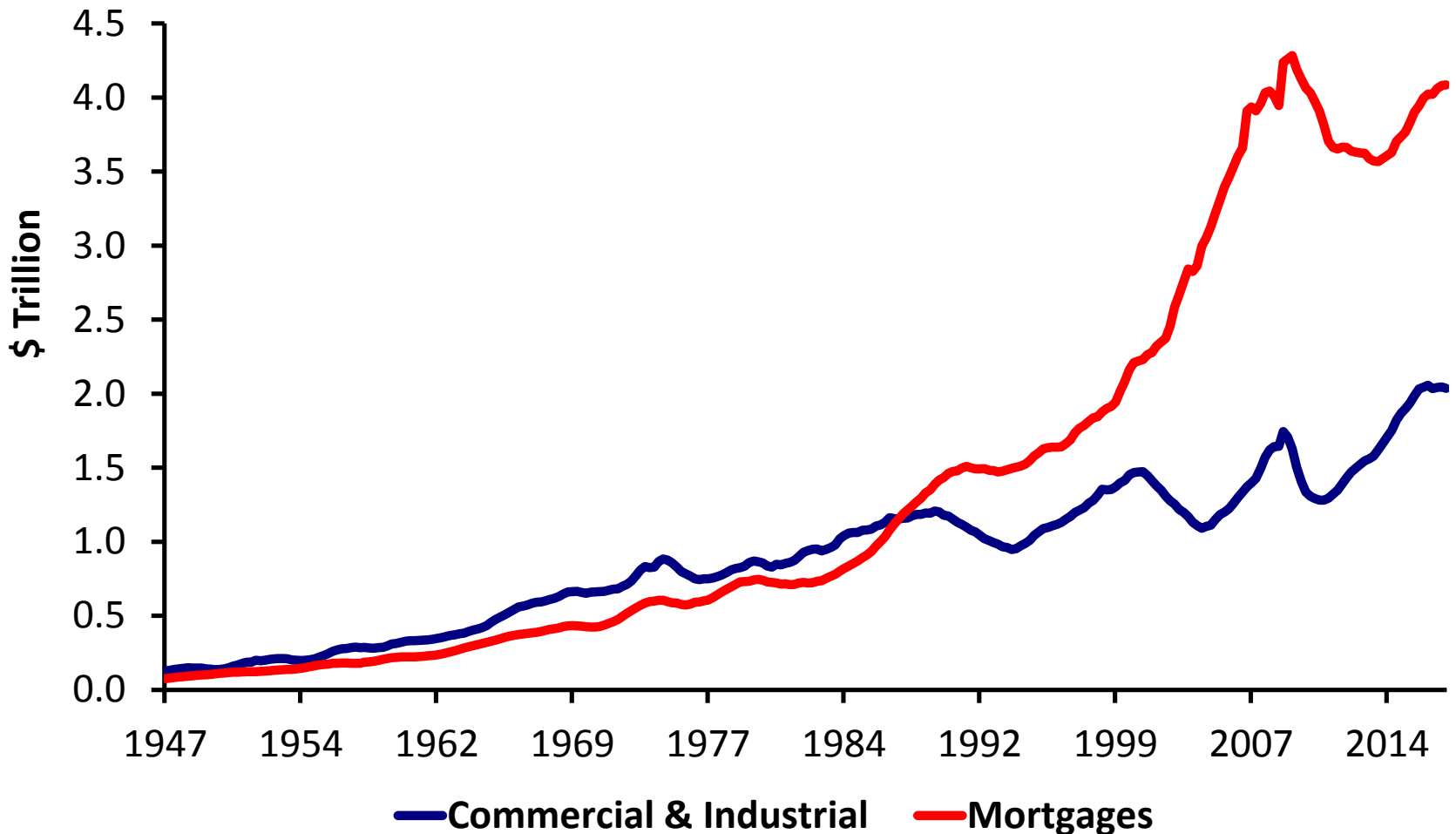
Data points through 2016

Bank Unused Loan Capacity: Still Lots Of Cushion



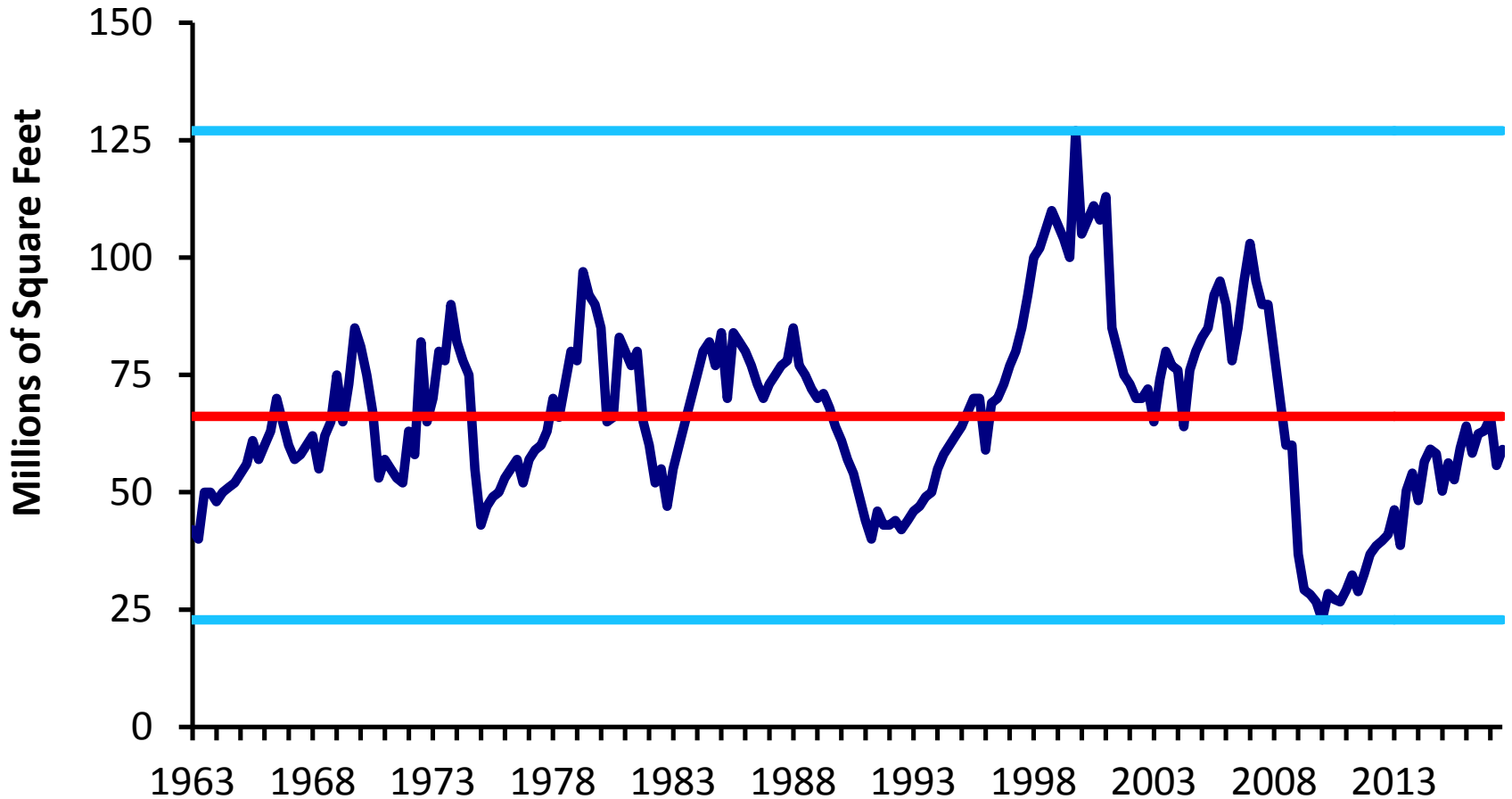
Data points through December 2017

Real Loans Held by Banks: Lending To Real Estate Below Peak



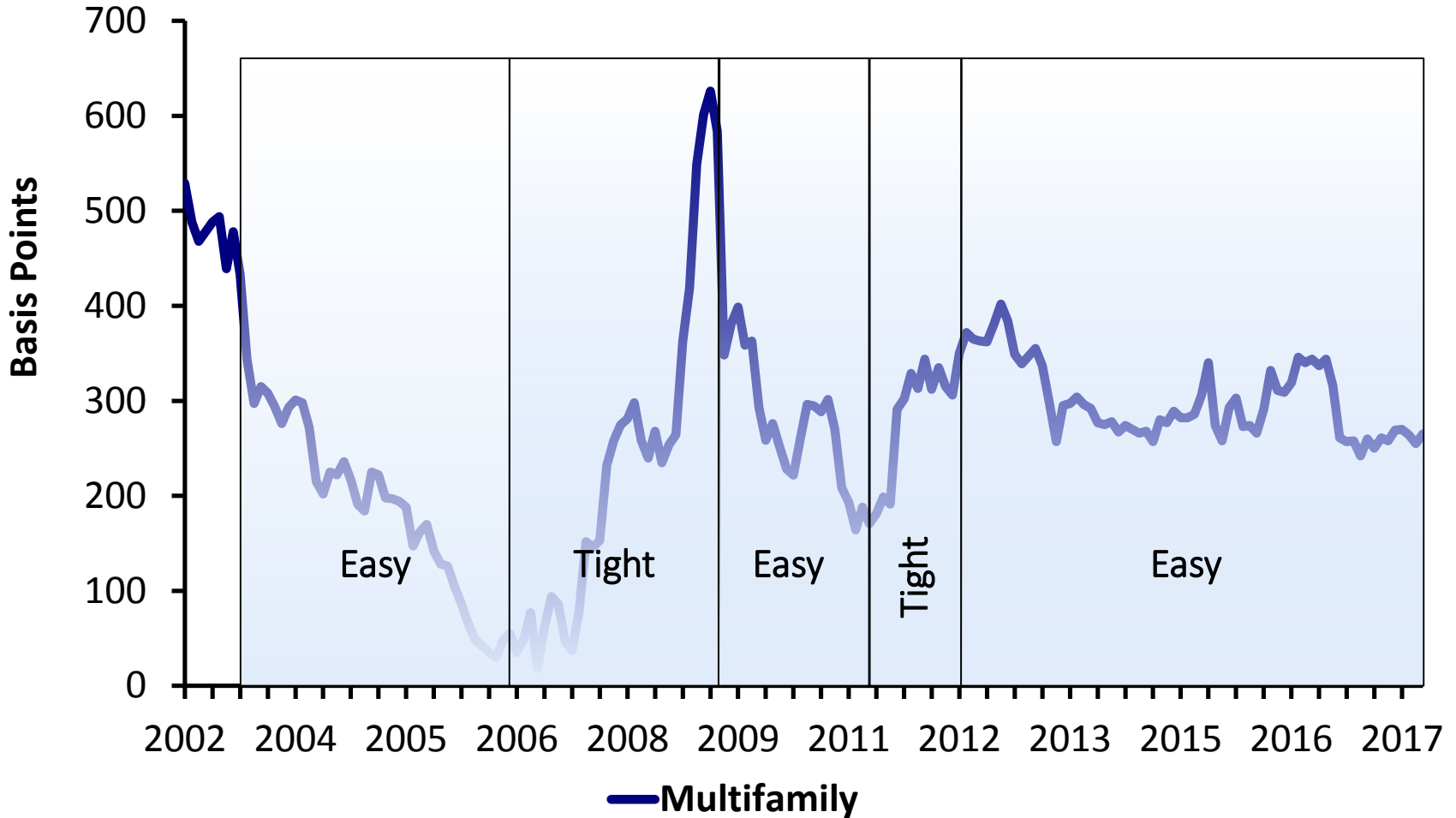
Data points through Q4 2017

Commercial & Industrial Construction Contracts: Footage Amazingly Restrained



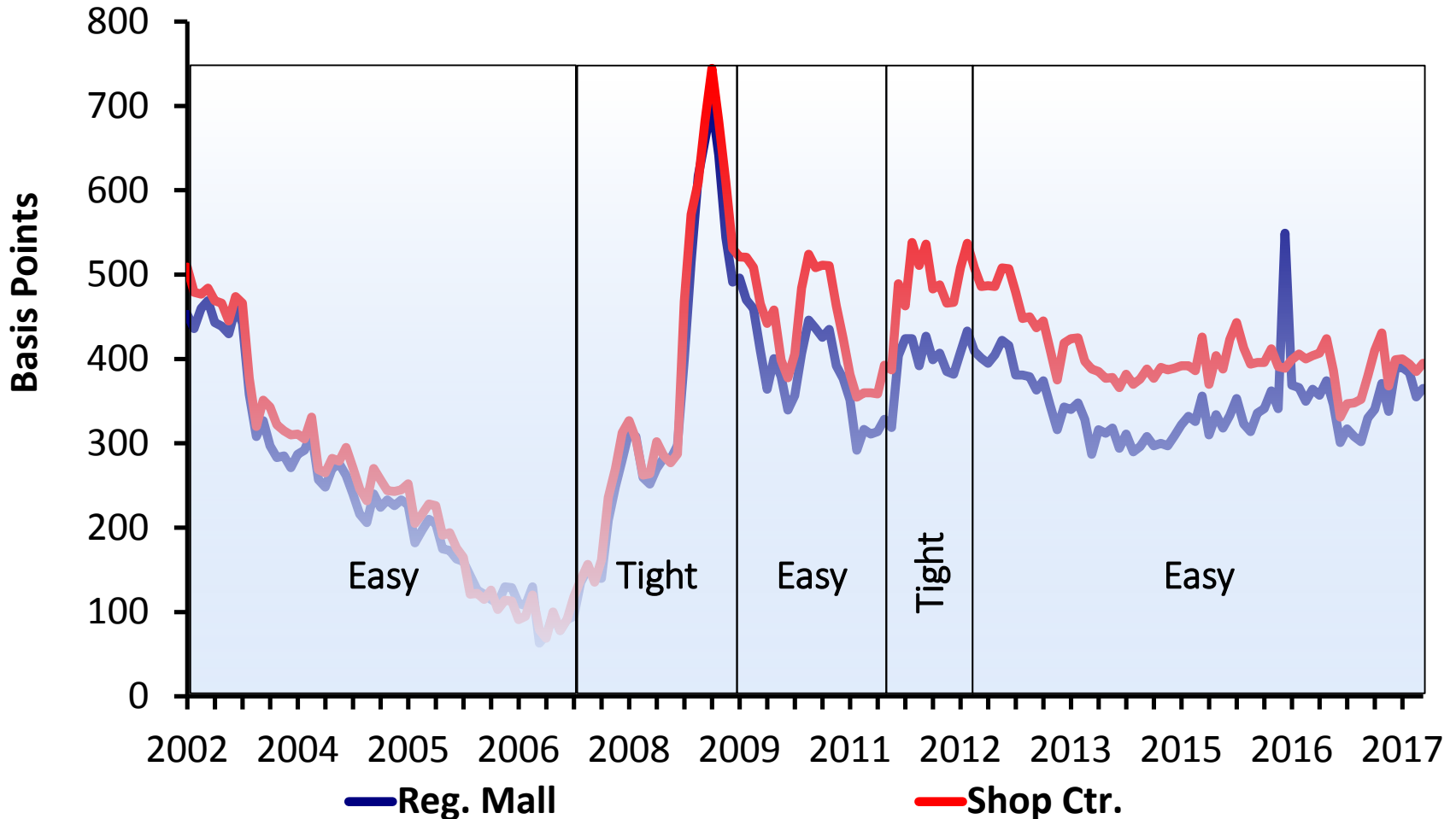
Data points through Q3 2017

REIT Implied Cap Rate Spread over 10-Year Treasury: Not Crazy



Data points through December 2017

REIT Implied Cap Rate Spread over 10-Year Treasury: Retail Spiked Up











Data points through December 2017

Signs Of Excess?

- Single family production: No
- Multifamily production: No
- Auto production: No
- Consumer credit: Picking up
- Consumer confidence: Picking up
- Corporate debt: Picking up

For Now Lots Of Canaries Are Still Chirping

- PIK Debt 
- Massive mortgage growth 
- Spec development boom 
- First replaces mezz 
- Mezz replaces equity 
- Narrow spreads and rising LTVs 
- Record buyout deals 
- Empty space worth more than full space 

Q & A

Thank you for participating in the live webinar.

If you have any questions, please contact us at

linneman@linnemanassociates.com

