

Brown Sugar:

Deriving Satisfaction through Data Analysis

On Behalf of

Eastern Lenders Association
Conference

2018

By: Anirban Basu
Sage Policy Group, Inc.

March 6th, 2018

*Disclaimer: Any resemblance
between the presentation's title
and the speaker is purely coincidental.*

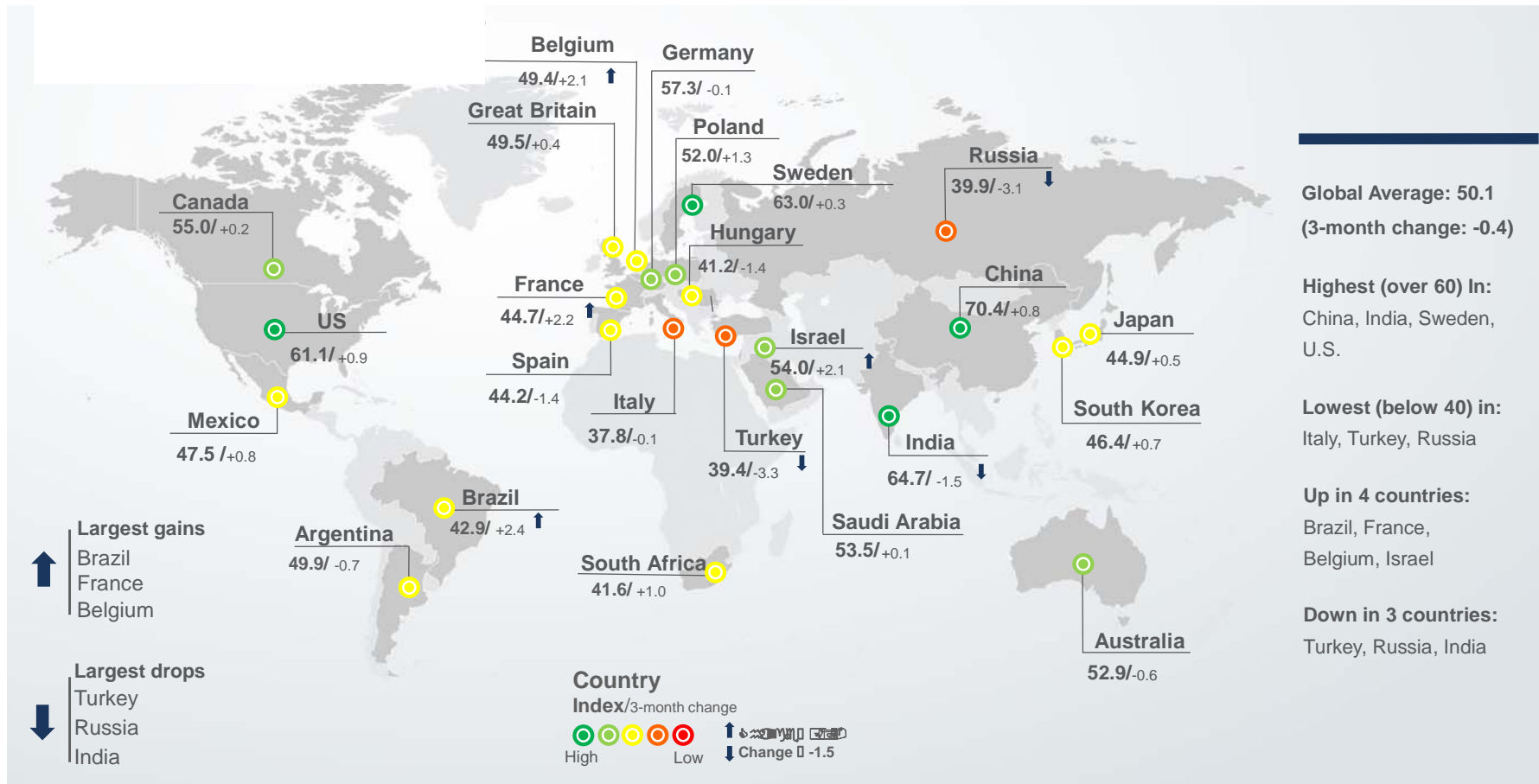


Get off of My Cloud

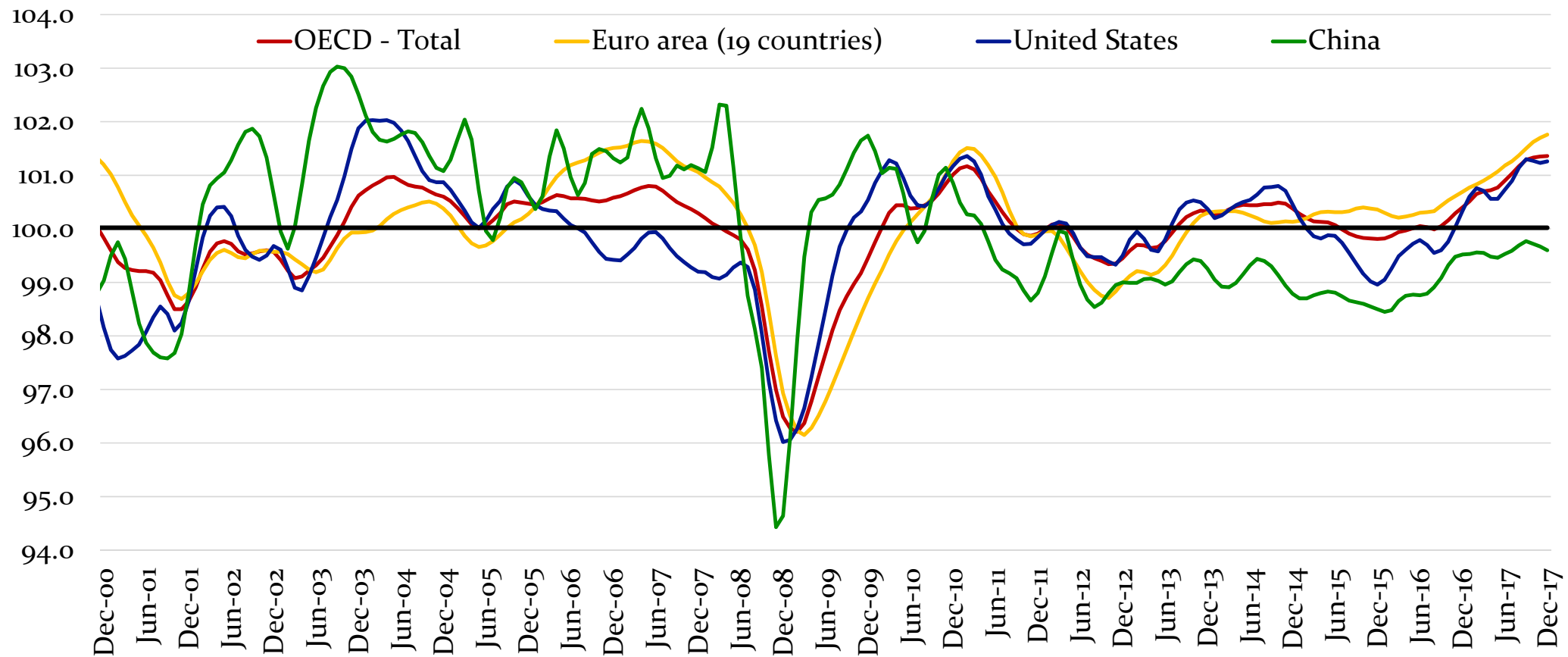


Sage Policy
Group, Inc.

IPSOS Global Confidence Index, January 2018



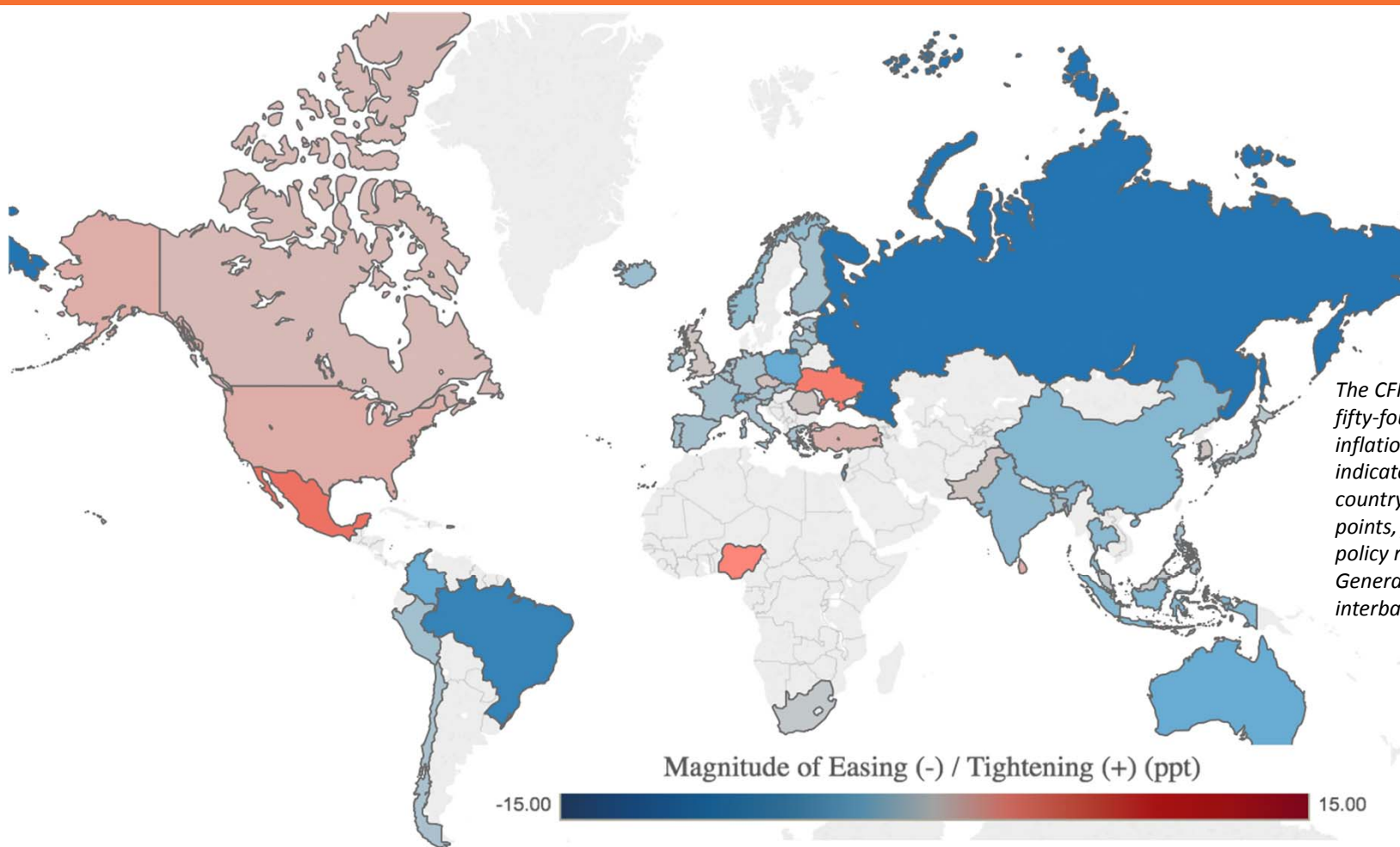
OECD Business Confidence Index –Select Regions/Countries 2000-2017



The business confidence index (BCI) is based on enterprises' assessment of production, orders and stocks, as well as its current position and expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions. Source: OECD

Global Monetary Policy Tightening/Easing

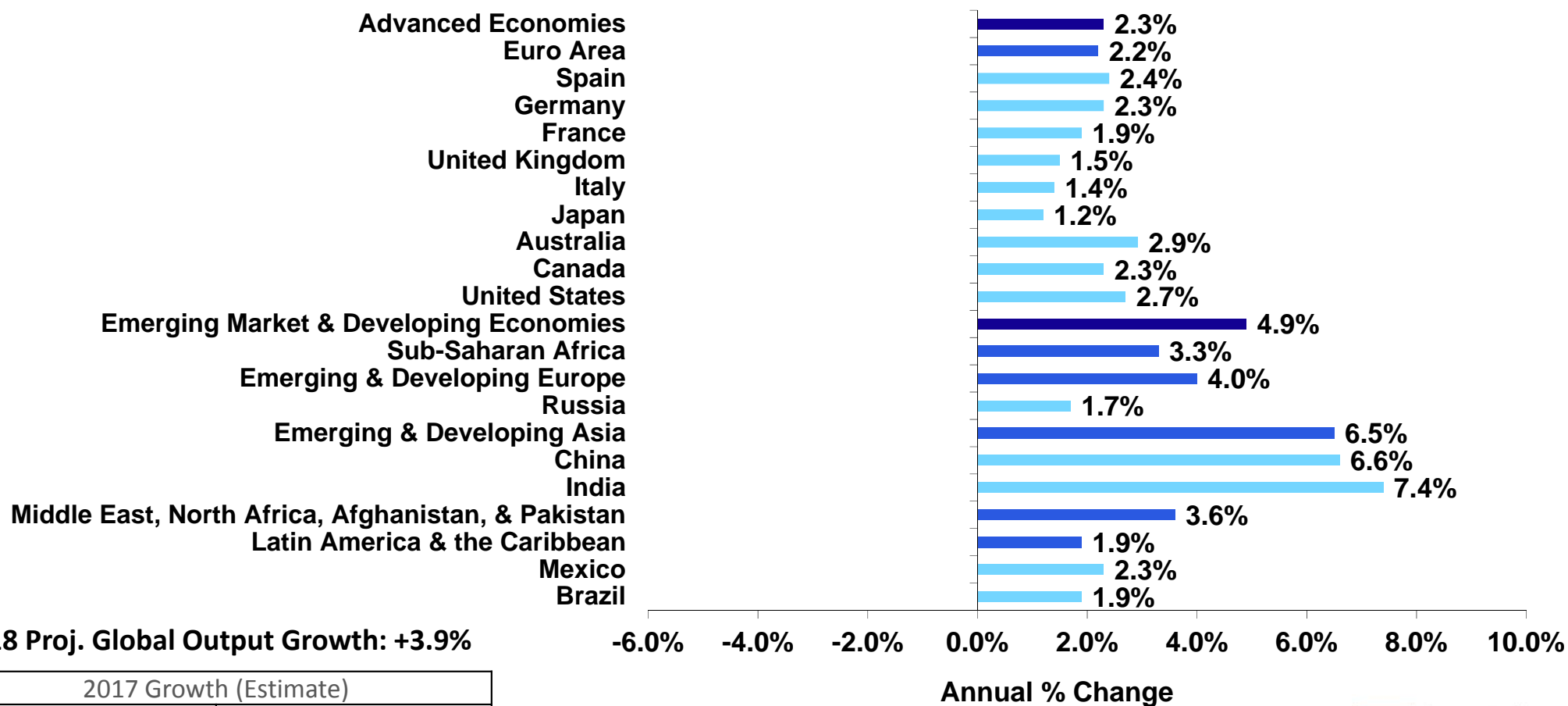
As of January 2018



The CFR Global Monetary Policy Tracker covers fifty-four large countries—mainly those that target inflation in some manner. Tightening policy is indicated in red, loosening in blue. The more a country has raised (lowered) rates, in percentage points, from the most recent trough (peak) in its policy rate, the darker the shade of red (blue). Generally, the policy rate target is the overnight interbank rate, with exceptions indicated.

Estimated Growth in Output by Select Global Areas

2018 Projected

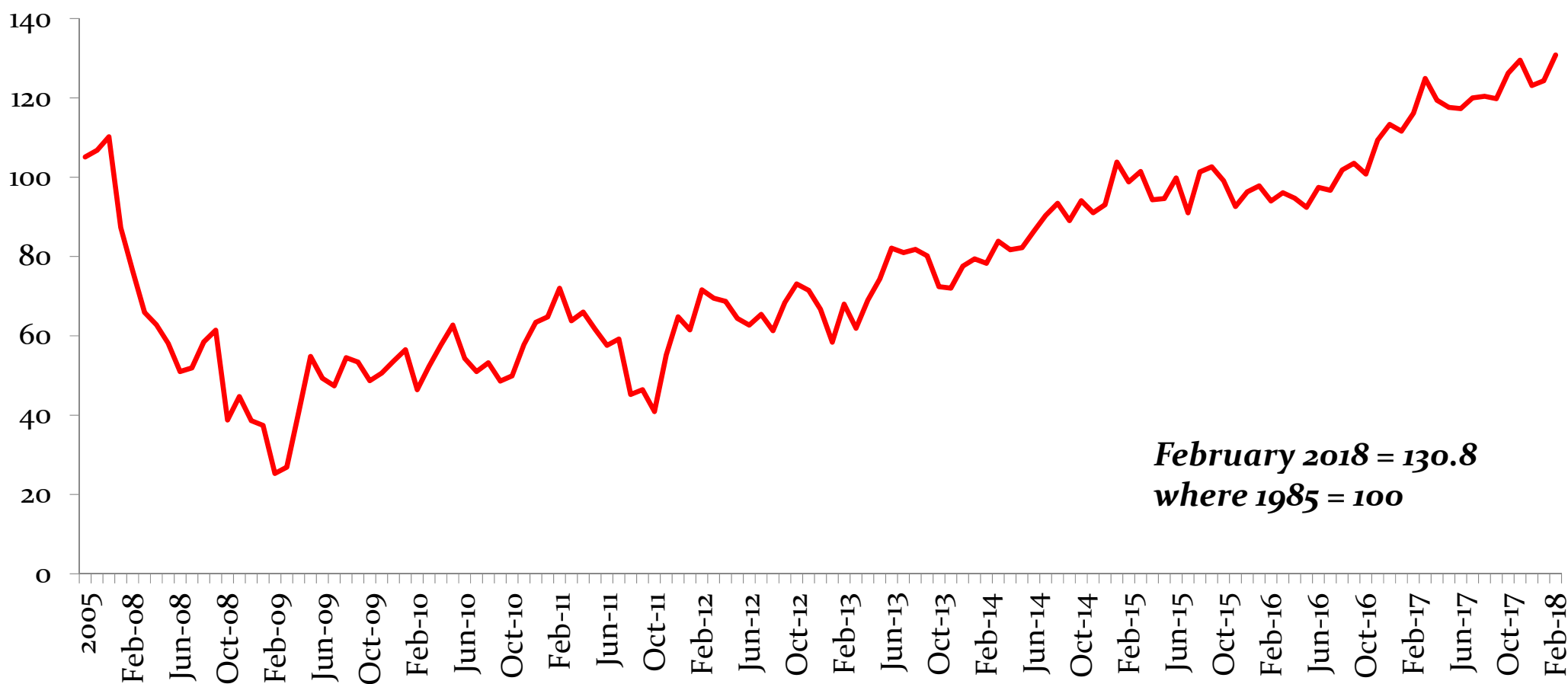


Start Me Up

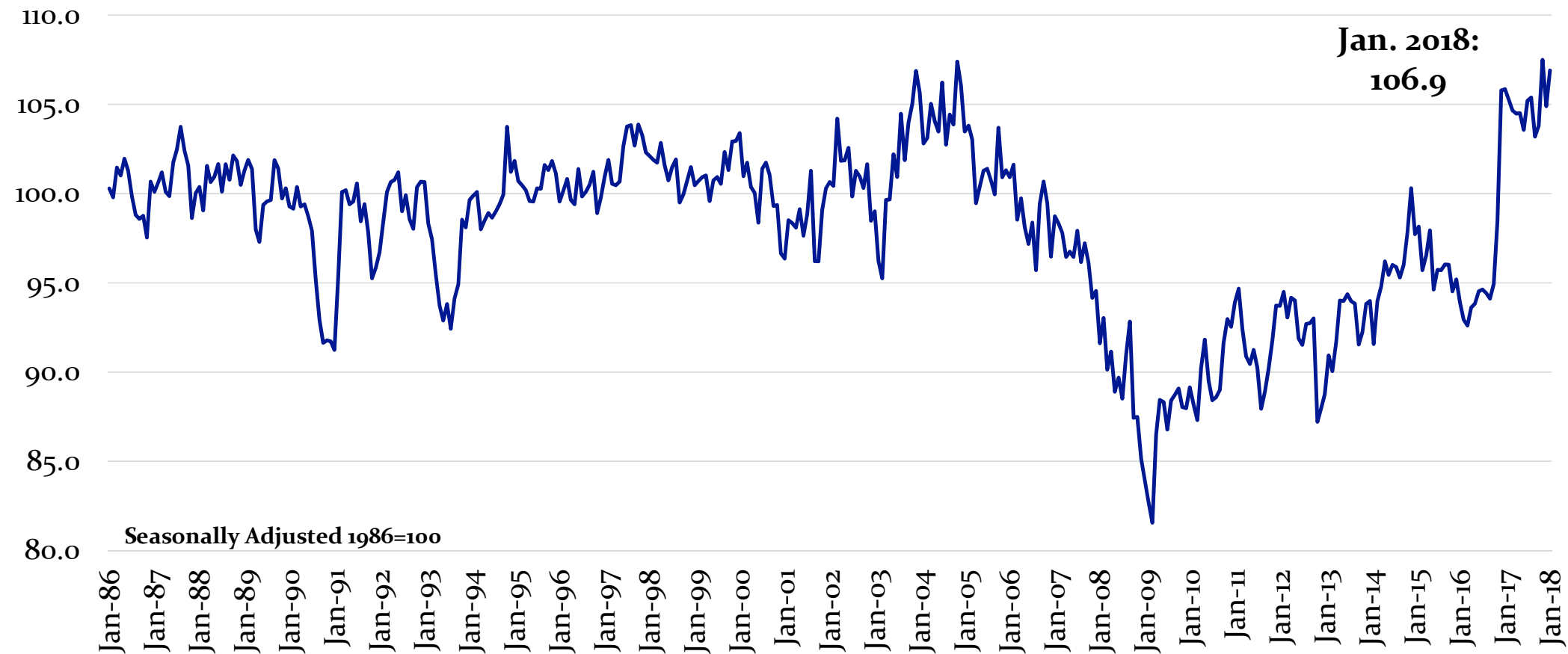


Conference Board Consumer Confidence Index

2005 – February 2018



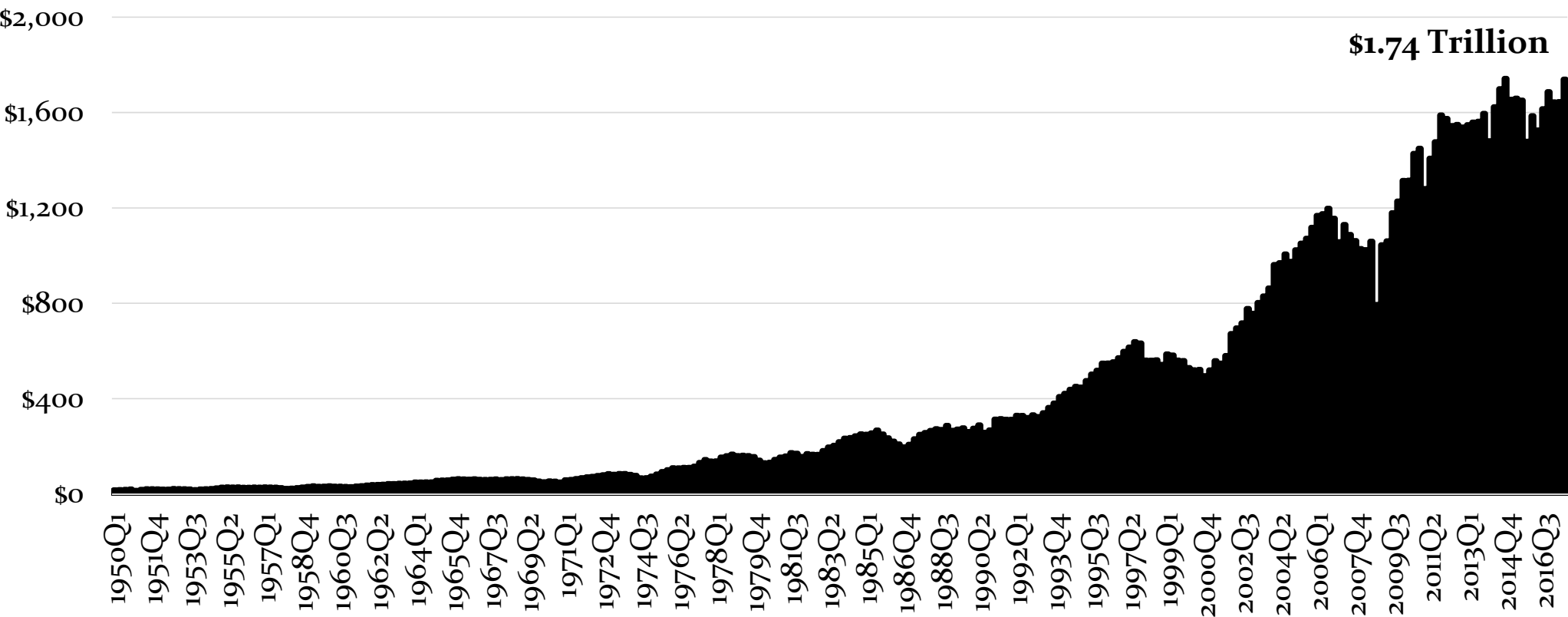
NFIB Index of Small Business Optimism, 1986-2018



Paint It Black – Corporate Profits

*U.S. Corporate Profits After Tax**

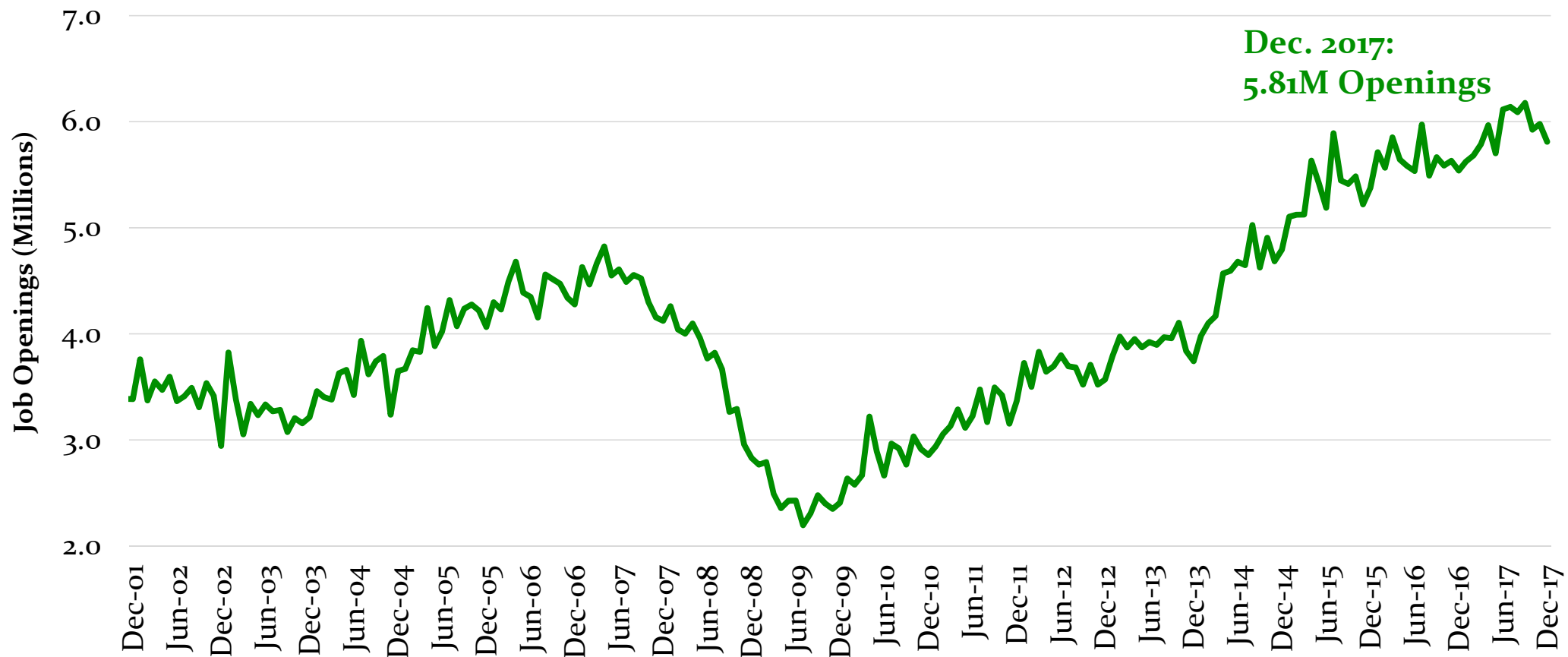
\$ Billions



\$1.74 Trillion

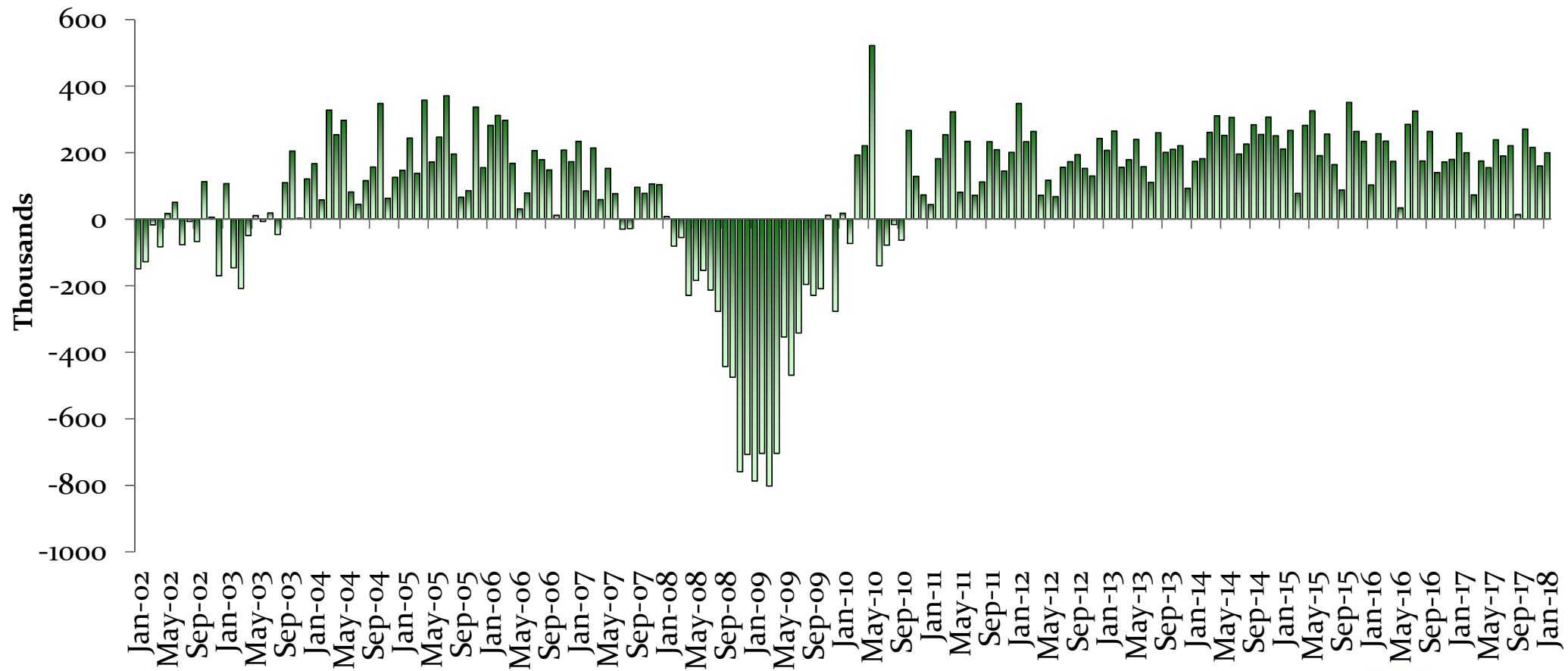
U.S. Job Openings

December 2001 through December 2017



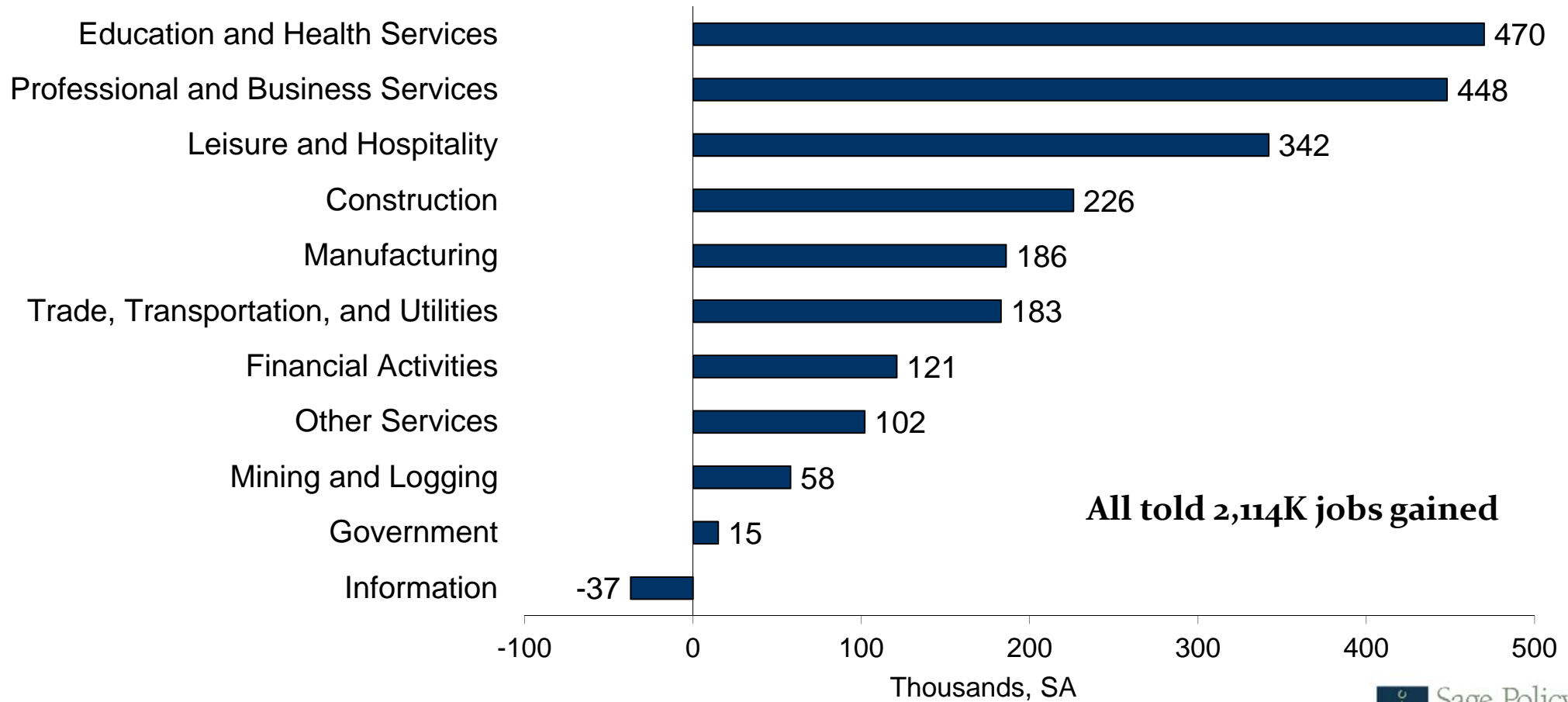
Net Change in U.S. Jobs, BLS

January 2002 through January 2018



National Nonfarm Employment

by Industry Sector, January 2017 v. January 2018



U.S. Labor Force Participation: Men Ages 25-34

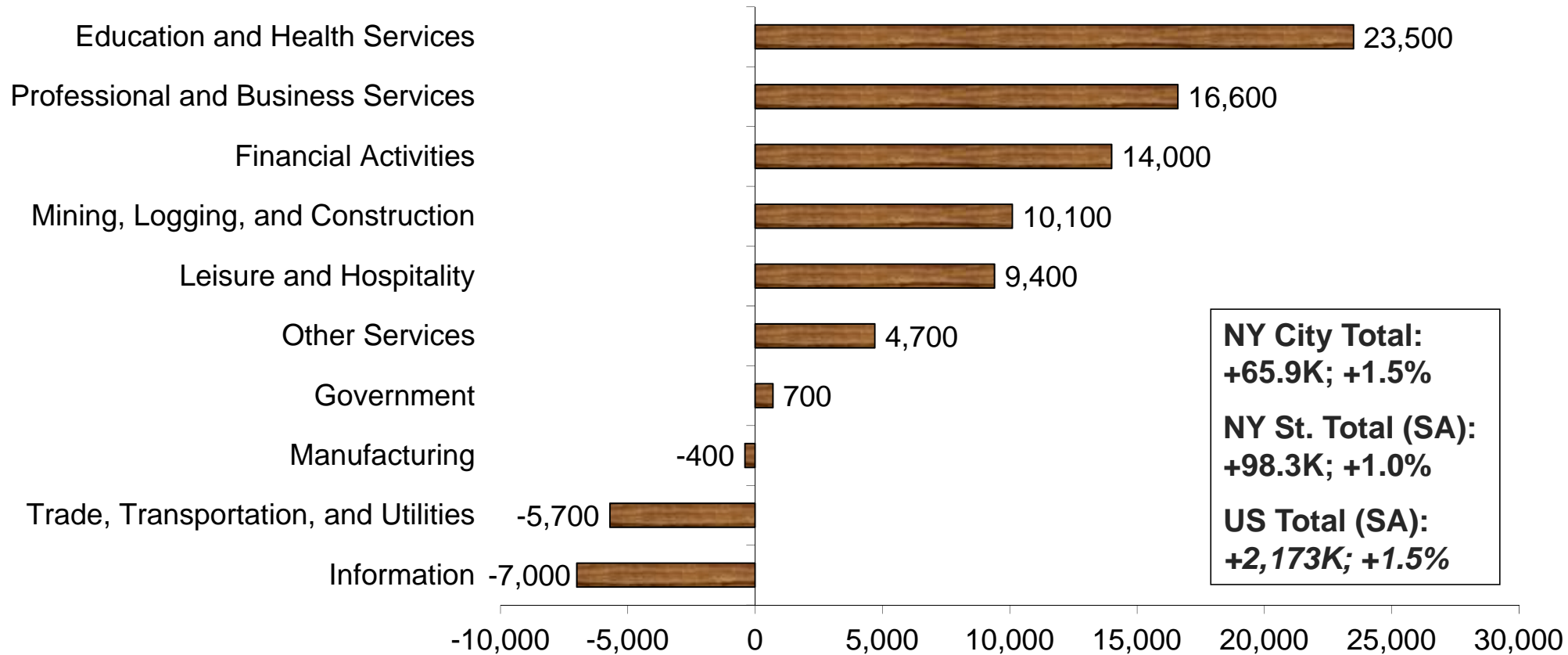
2000 – 2017



New York City Nonfarm Employment

by Industry Sector Groups (NSA)

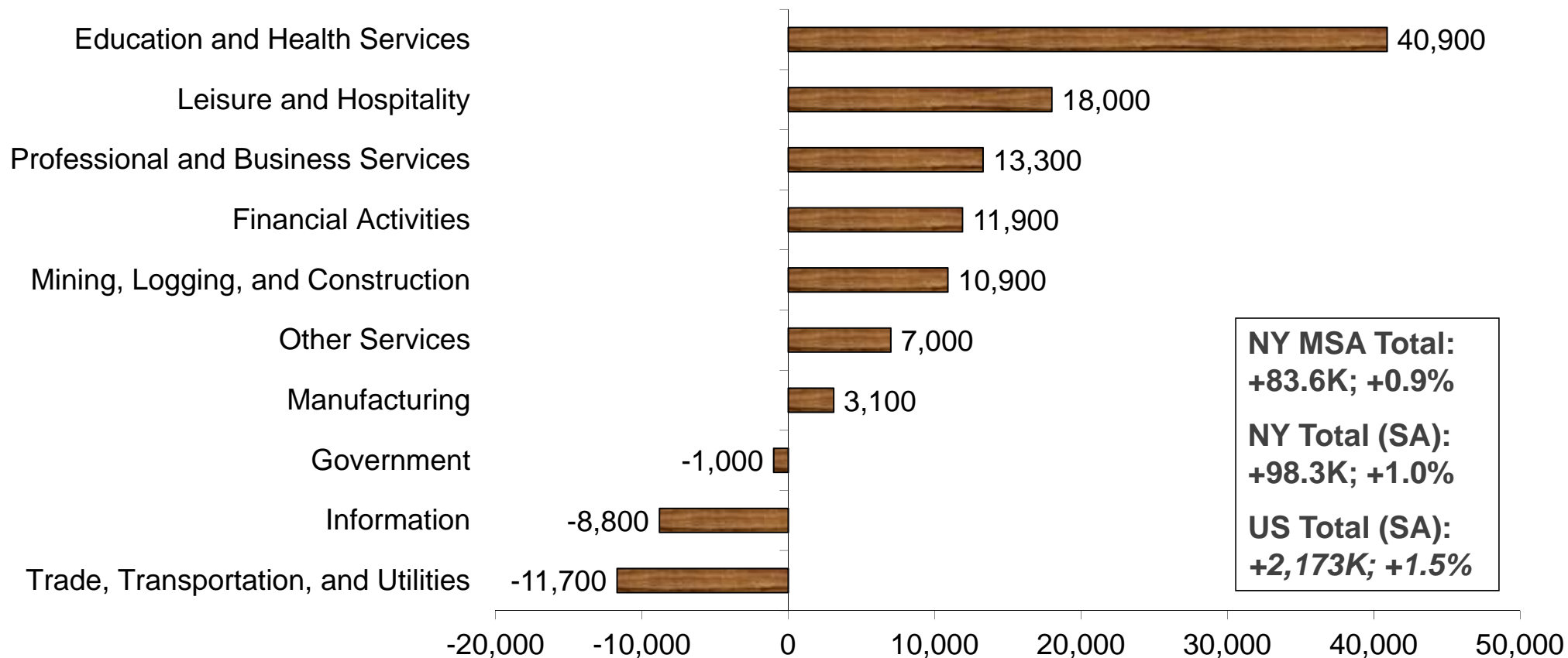
December 2016 v. December 2017 Absolute Change



New York-Newark-Jersey City, NY-NJ-PA MSA Nonfarm Employment

by Industry Sector Groups (NSA)

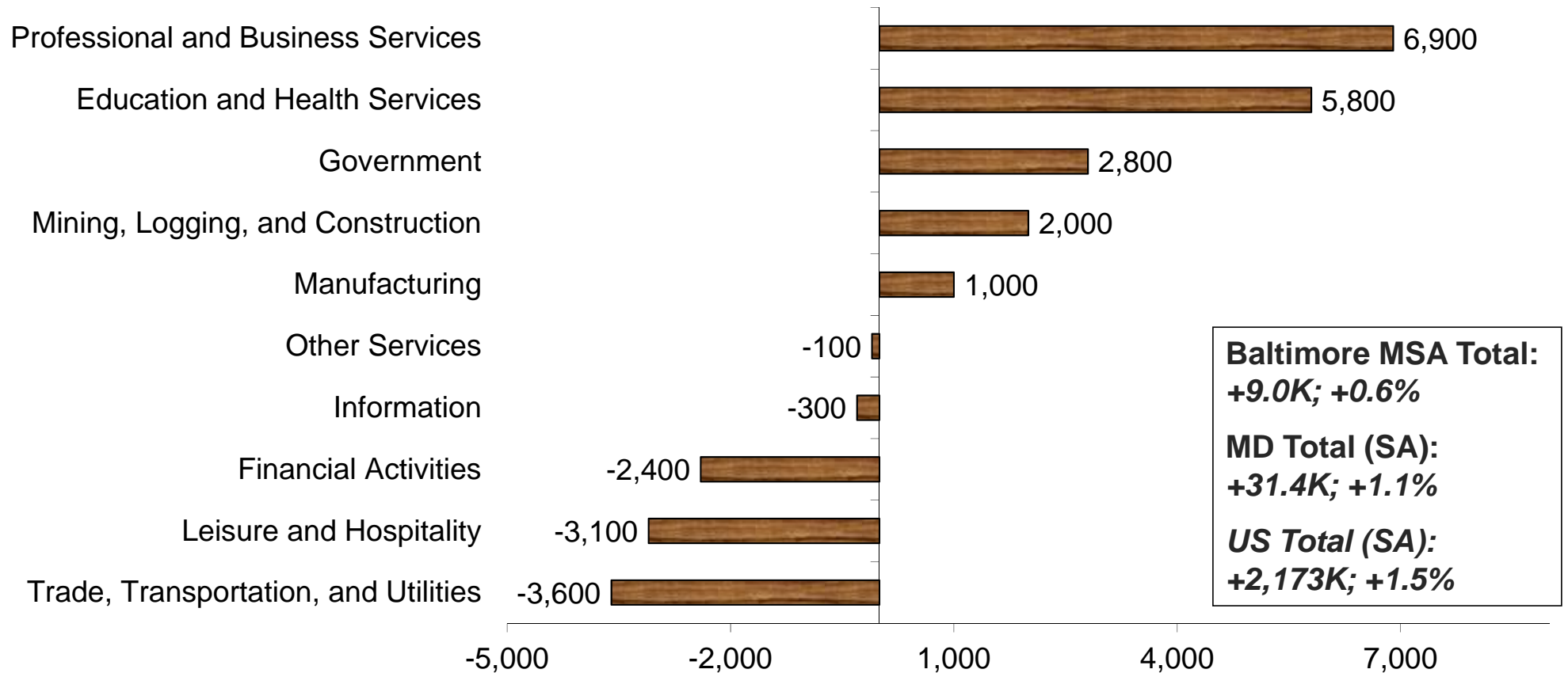
December 2016 v. December 2017 Absolute Change



Baltimore-Columbia-Towson MSA Nonfarm Employment

by Industry Sector Groups (NSA)

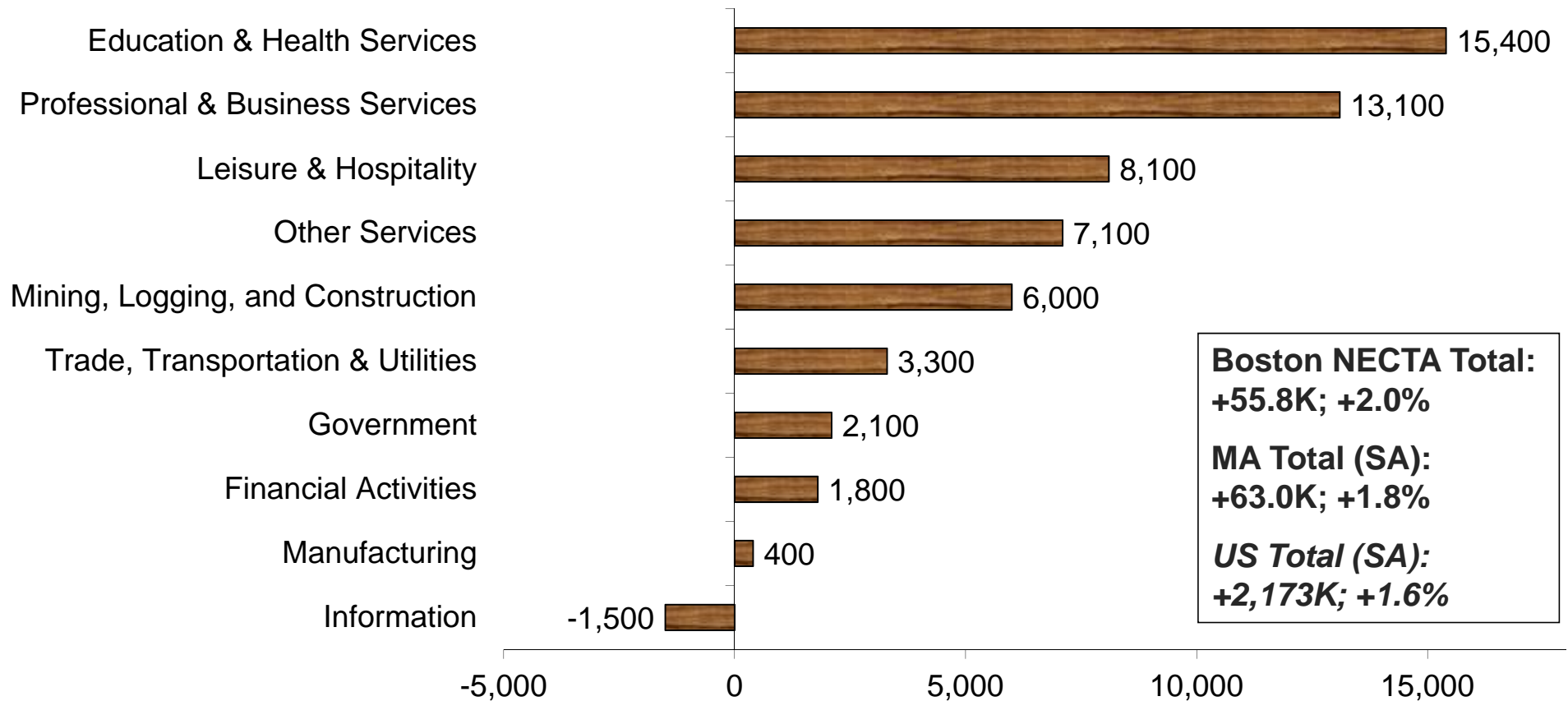
December 2016 v. December 2017 Absolute Change



Boston-Cambridge-Quincy MA-NH NECTA Nonfarm Employment

by Industry Sector Groups (NSA)

December 2016 v. December 2017 Absolute Change



Employment Growth, U.S. States (SA)

December 2016 v. December 2017 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEVADA	3.3	18	WISCONSIN	1.4	33	SOUTH DAKOTA	0.9
2	OREGON	2.7	19	ARIZONA	1.3	36	MAINE	0.8
3	UTAH	2.6	19	MICHIGAN	1.3	36	MISSOURI	0.8
4	FLORIDA	2.5	19	MINNESOTA	1.3	36	NEW HAMPSHIRE	0.8
4	TEXAS	2.5	19	PENNSYLVANIA	1.3	36	VERMONT	0.8
6	SOUTH CAROLINA	2.2	23	NEW MEXICO	1.2	36	VIRGINIA	0.8
7	CALIFORNIA	2.1	23	OKLAHOMA	1.2	41	OHIO	0.7
7	IDAHO	2.1	23	RHODE ISLAND	1.2	42	NEW JERSEY	0.6
7	WASHINGTON	2.1	26	MARYLAND	1.1	43	CONNECTICUT	0.5
10	COLORADO	2.0	26	HAWAII	1.1	43	ILLINOIS	0.5
11	GEORGIA	1.9	26	KENTUCKY	1.1	45	KANSAS	0.4
12	IOWA	1.8	26	NEBRASKA	1.1	45	NORTH DAKOTA	0.4
12	MASSACHUSETTS	1.8	30	DISTRICT OF COLUMBIA	1.0	45	WYOMING	0.4
12	MONTANA	1.8	30	NEW YORK	1.0	48	LOUISIANA	0.3
15	ALABAMA	1.7	30	TENNESSEE	1.0	49	WEST VIRGINIA	0.2
15	NORTH CAROLINA	1.7	33	ARKANSAS	0.9	50	DELAWARE	-0.1
17	MISSISSIPPI	1.6	33	INDIANA	0.9	51	ALASKA	-0.7

U.S. Year-over-year Percent Change: +1.5%

Employment Growth, 25 Largest Metros (NSA)

December 2016 v. December 2017 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL MSA	3.8	14	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	1.7
2	Riverside-San Bernardino-Ontario, CA MSA	3.4	14	Charlotte-Concord-Gastonia, NC-SC MSA	1.7
3	San Antonio-New Braunfels, TX MSA	3.2	16	Detroit-Warren-Dearborn, MI MSA	1.6
4	Seattle-Tacoma-Bellevue, WA MSA	2.9	16	San Francisco-Oakland-Hayward, CA MSA	1.6
5	Portland-Vancouver-Hillsboro, OR-WA MSA	2.7	18	Houston-The Woodlands-Sugar Land, TX MSA	1.5
6	Dallas-Fort Worth-Arlington, TX MSA	2.6	18	San Diego-Carlsbad, CA MSA	1.5
7	Miami-Fort Lauderdale-West Palm Beach, FL MSA	2.5	20	Los Angeles-Long Beach-Anaheim, CA MSA	1.3
8	Minneapolis-St. Paul-Bloomington, MN-WI MSA	2.4	21	St. Louis, MO-IL MSA	1.2
9	Tampa-St. Petersburg-Clearwater, FL MSA	2.2	22	New York-Newark-Jersey City, NY-NJ-PA MSA	0.9
10	Boston-Cambridge-Nashua, MA-NH Metro NECTA	2.0	22	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	0.9
10	Atlanta-Sandy Springs-Roswell, GA MSA	2.0	24	Chicago-Naperville-Elgin, IL-IN-WI MSA	0.7
10	Denver-Aurora-Lakewood, CO MSA	2.0	25	Baltimore-Columbia-Towson, MD MSA	0.6
13	Phoenix-Mesa-Scottsdale, AZ MSA	1.8			

Unemployment Rates, 25 Largest Metros (NSA)

December 2017

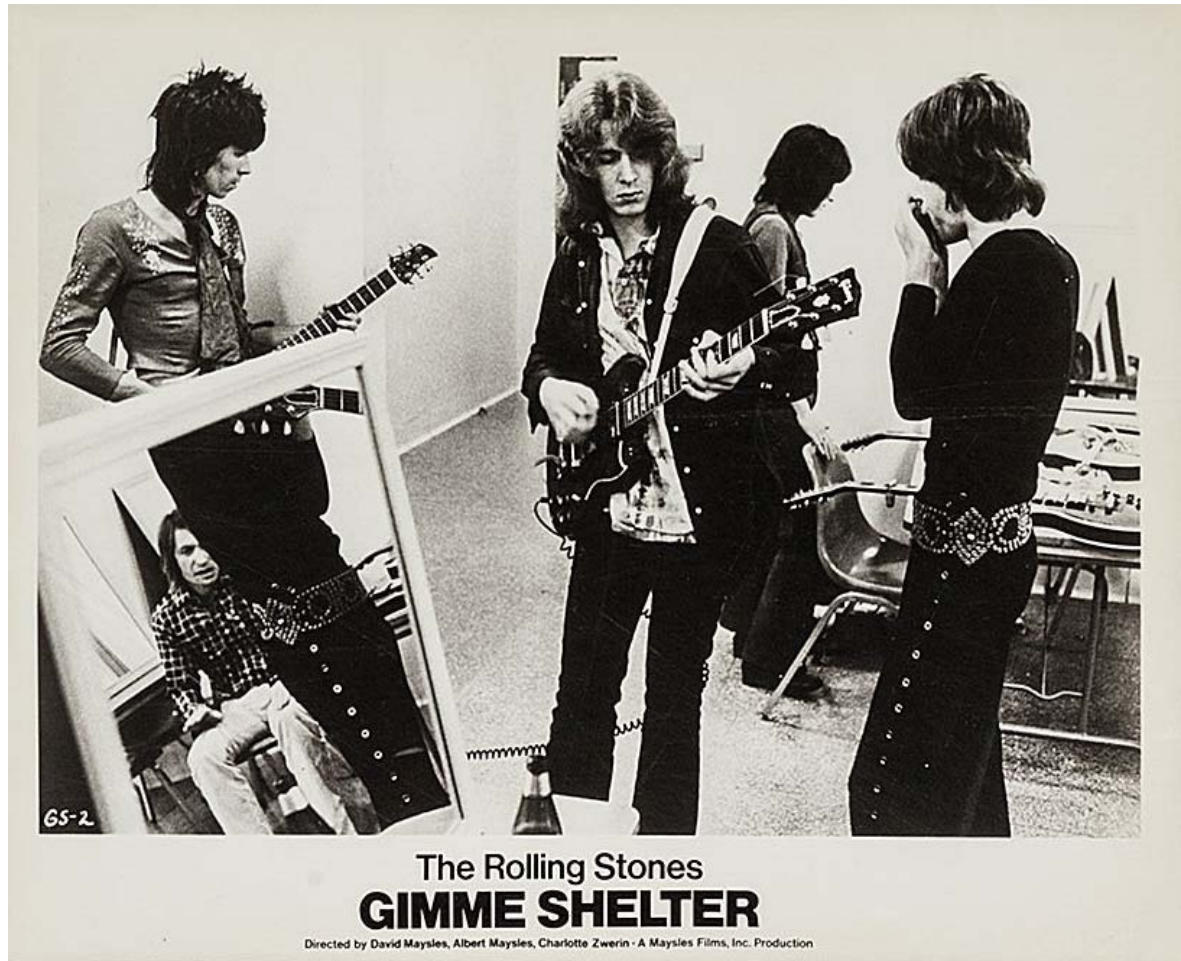
Rank	MSA	UR	Rank	MSA	UR
1	San Francisco-Oakland-Hayward, CA MSA	2.7	13	Los Angeles-Long Beach-Anaheim, CA MSA	3.9
2	Boston-Cambridge-Nashua, MA-NH Metro NECTA	2.8	13	Miami-Fort Lauderdale-West Palm Beach, FL MSA	3.9
3	Denver-Aurora-Lakewood, CO MSA	2.9	13	Phoenix-Mesa-Scottsdale, AZ MSA	3.9
3	Minneapolis-St. Paul-Bloomington, MN-WI MSA	2.9	17	New York-Newark-Jersey City, NY-NJ-PA MSA	4.0
5	San Antonio-New Braunfels, TX MSA	3.0	18	Atlanta-Sandy Springs-Roswell, GA MSA	4.1
6	Dallas-Fort Worth-Arlington, TX MSA	3.1	18	Riverside-San Bernardino-Ontario, CA MSA	4.1
7	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	3.3	18	Seattle-Tacoma-Bellevue, WA MSA	4.1
7	Orlando-Kissimmee-Sanford, FL MSA	3.3	21	Charlotte-Concord-Gastonia, NC-SC MSA	4.2
7	San Diego-Carlsbad, CA MSA	3.3	21	Detroit-Warren-Dearborn, MI MSA	4.2
10	St. Louis, MO-IL MSA (1)	3.4	21	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	4.2
10	Tampa-St. Petersburg-Clearwater, FL MSA	3.4	24	Houston-The Woodlands-Sugar Land, TX MSA	4.3
12	Portland-Vancouver-Hillsboro, OR-WA MSA	3.6	25	Chicago-Naperville-Elgin, IL-IN-WI MSA	4.7
13	Baltimore-Columbia-Towson, MD MSA	3.9			

U.S. Unemployment Rate: 4.1%



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) Survey 1. Area boundaries do not reflect official OMB definitions.

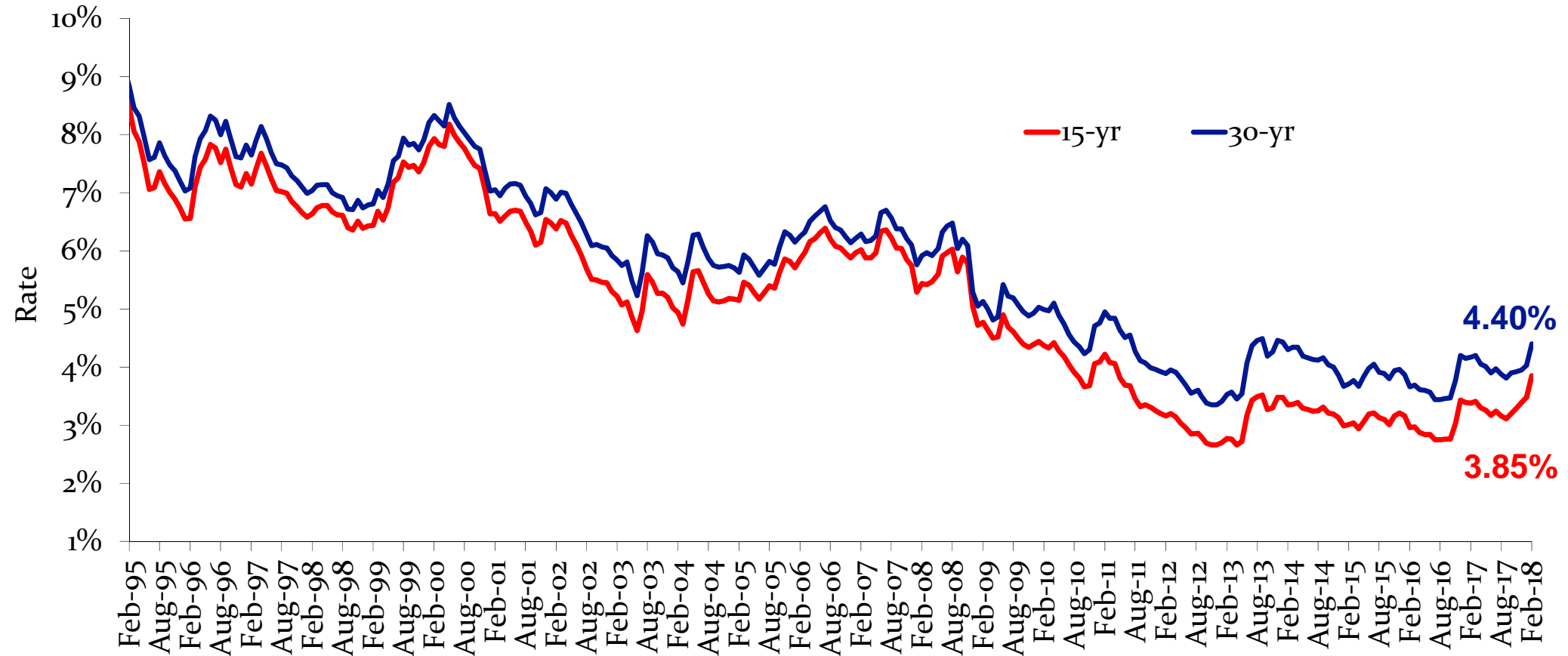
Gimme Shelter



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15-Year & 30-Year Fixed Mortgage Rates

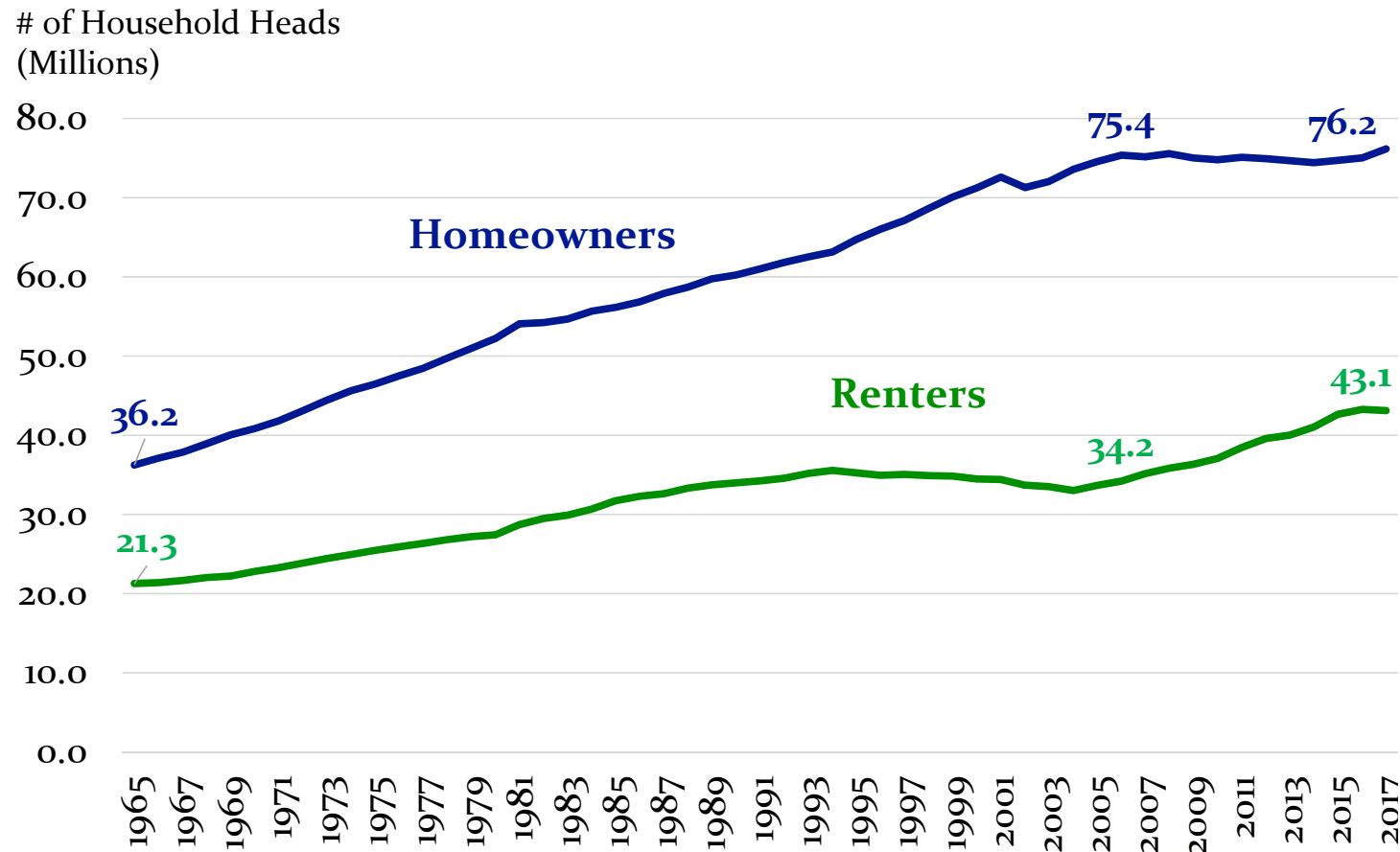
February 1995 through February 2018*



*Week ending 2/22/2018

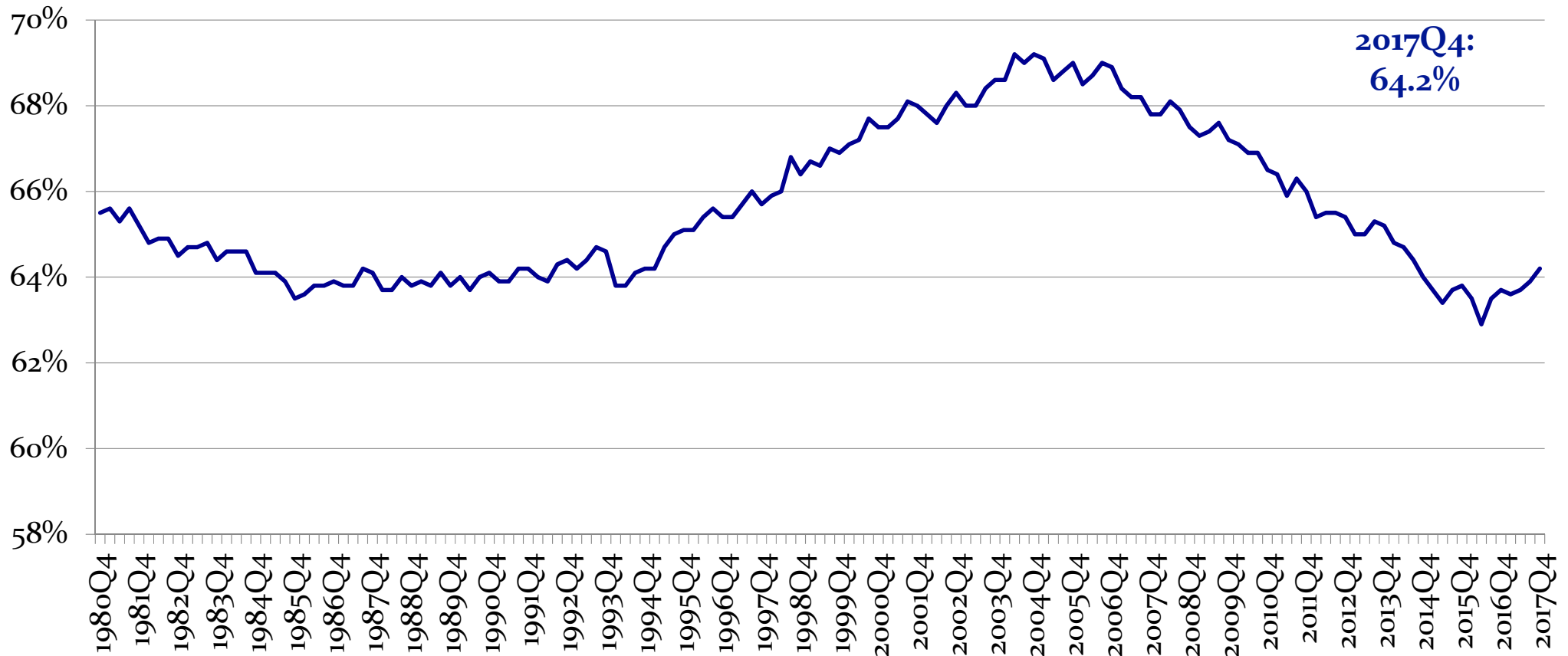
U.S. Households: Owner v. Renter Occupied, 1965-2017

- From 2006-2017 the number of households headed by owners remained relatively flat.
- At the same time, the number of households renting their home increased significantly (+26%).
- The share of renter households also increased—from 31.2% of households in 2006 to 36.1% in 2017.



U.S. Homeownership (NSA)

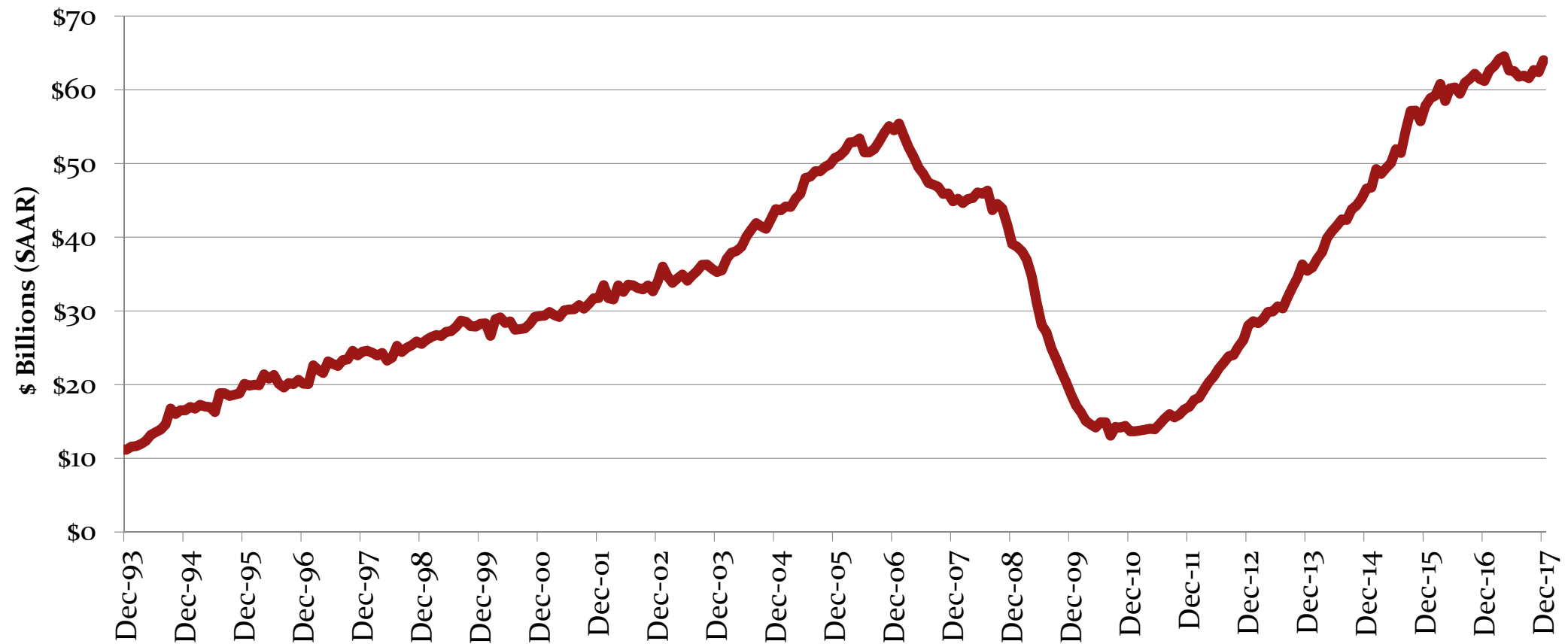
1980Q4-2017Q4



2017Q4:
64.2%

U.S. Private New Multifamily Construction

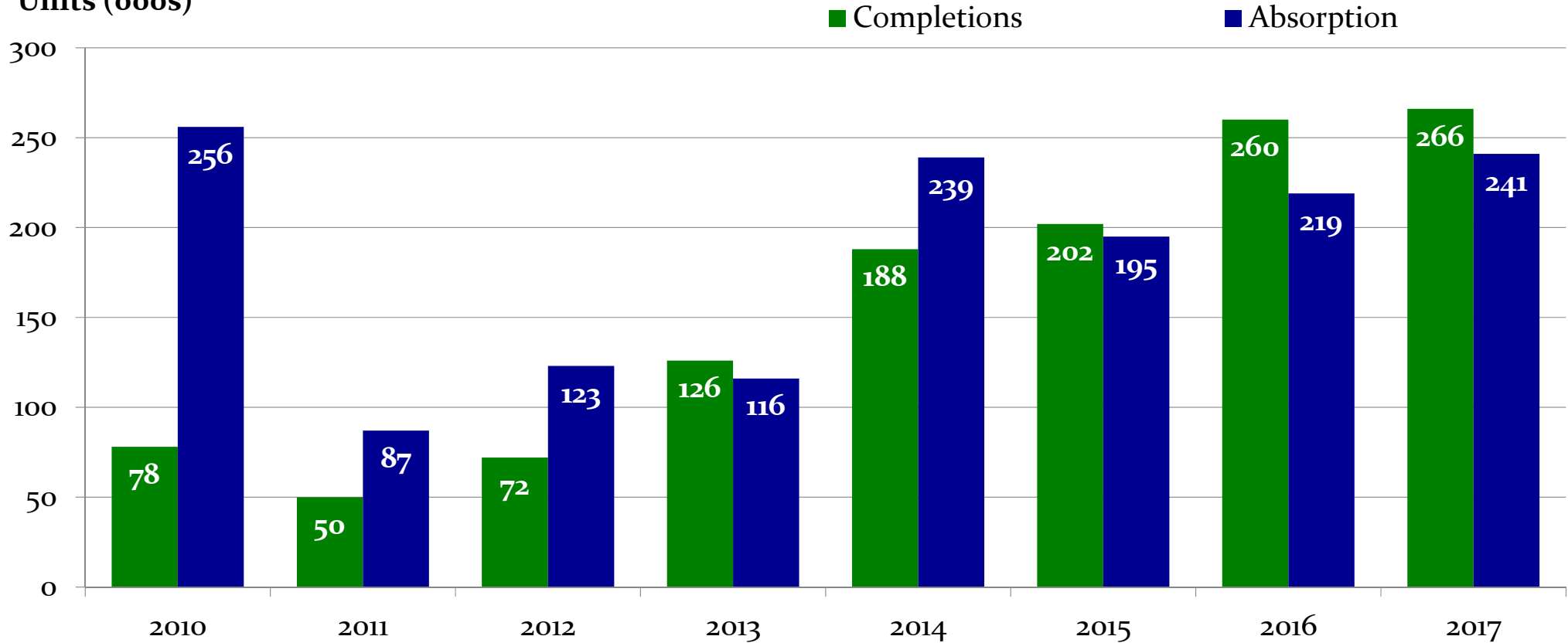
December 1993 through December 2017



U.S. Multifamily Market

Annual Completions vs. Absorption, 2010-2017

Units (000s)



Although demand fell short of completions, in 2017 multifamily demand rose to its highest level since 2010 with absorption totaling 241,200 units.

New Multifamily Supply by Metro Area, Year Ending 2017Q4

Rank (New Supply)	Metro Market	New Supply	New Supply As % of Inventory
1	New York Metro	33,200	1.5%
2	Dallas/Ft. Worth	16,400	2.4%
3	Miami/South Florida	12,200	2.1%
4	Los Angeles/Southern California	12,200	0.8%
5	Washington, D.C.	12,200	2.1%
6	Seattle	10,700	3.0%
7	Denver	10,200	3.4%
8	Houston	9,800	1.6%
9	San Francisco Bay Area	8,600	1.5%
10	Atlanta	8,600	2.0%
11	Austin	8,500	4.2%
12	San Antonio	7,500	4.7%
13	Phoenix	7,500	2.2%
14	Chicago	7,400	1.0%
15	Boston	6,900	1.5%

Multifamily Net Absorption by Metro Area, Year Ending 2017Q4

Rank (Net Absorp.)	Metro Market	Net Absorption	Net Absorption As % of Inventory
1	New York Metro	33,500	1.5%
2	Houston	20,100	3.3%
3	Dallas/Ft. Worth	11,000	1.6%
4	Los Angeles/Southern California	10,600	0.7%
5	Washington, D.C.	10,200	1.8%
6	Denver	10,200	3.4%
7	Miami/South Florida	9,700	1.7%
8	San Francisco Bay Area	8,400	1.5%
9	Seattle	7,700	2.1%
10	Phoenix	7,300	2.1%
11	Austin	7,000	3.4%
12	Orlando	6,900	3.5%
13	Atlanta	6,600	1.6%
14	Boston	6,500	1.4%
15	Minneapolis	5,600	2.1%

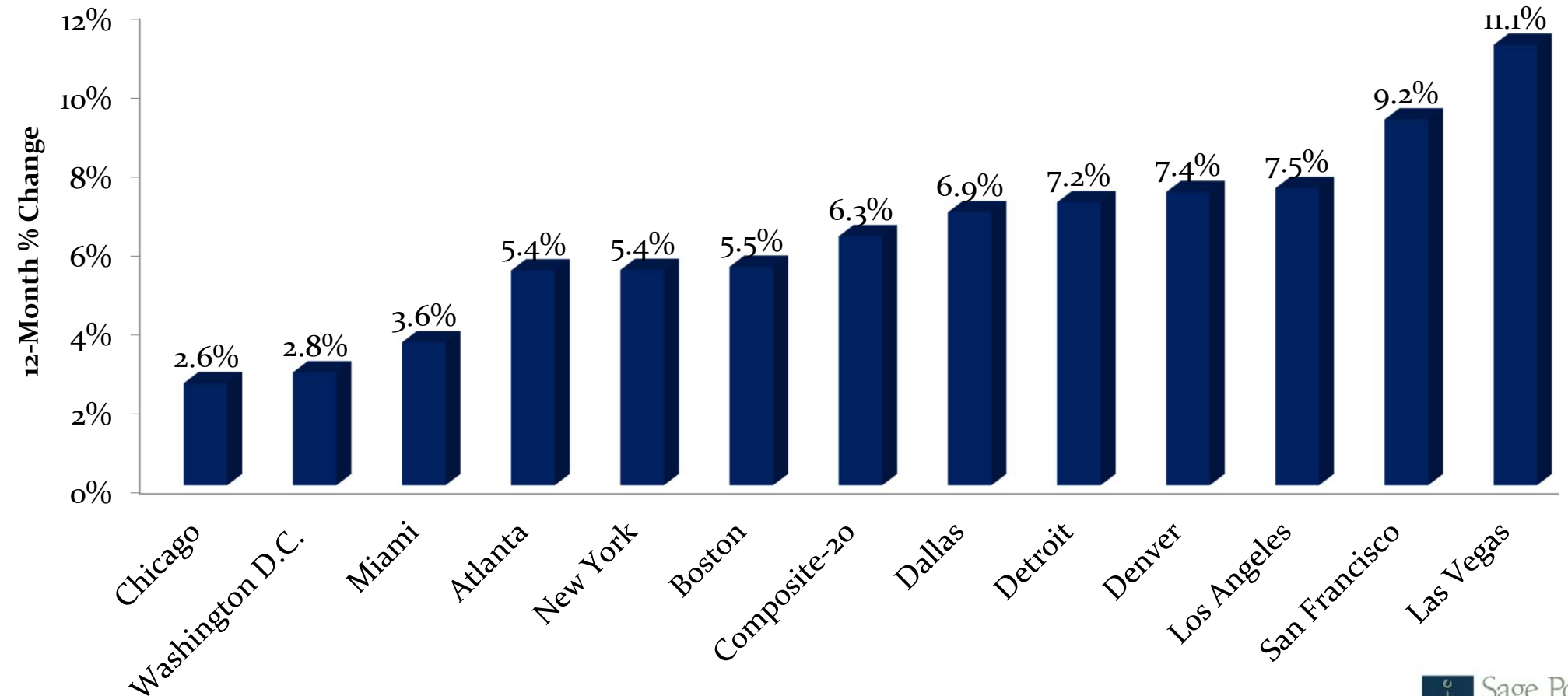
Rental Vacancy Rates, 2017Q4

50 Largest Metropolitan Statistical Areas

Rank	Market	%	Rank	Market	%	Rank	Market	%
1	San Jose, CA	1.4	18	Boston, MA-NH	5.6	35	Philadelphia, PA-NJ-DE-MD	7.7
2	Portland, OR-WA	2.6	19	Virginia Beach, VA-NC	5.8	36	Tampa, FL	7.8
3	San Diego, CA	2.7	20	Raleigh, NC	5.9	37	Orlando, FL	8.1
4	Seattle, WA	3.4	21	Richmond, VA	6.0	38	Milwaukee, WI	8.3
5	Los Angeles, CA	3.7	22	Hartford, CT	6.1	39	Pittsburgh, PA	8.5
6	Riverside, CA	3.8	22	Washington, DC-VA-MD-WV	6.1	40	Detroit, MI	8.6
7	New York, NY-NJ-PA	4.0	24	Louisville, KY-IN	6.3	41	Atlanta, GA	8.8
8	Phoenix, AZ	4.2	25	Baltimore, MD	6.4	42	St. Louis, MO-IL	9.2
8	Providence, RI-MA	4.2	26	Dallas, TX	6.6	43	Houston, TX	9.4
10	Charlotte, NC-SC	4.4	27	Cincinnati, OH-KY-IN	7.1	44	Oklahoma City, OK	10.0
11	Sacramento, CA	4.5	27	Las Vegas, NV	7.1	45	New Orleans, LA	10.7
12	Minneapolis, MN-WI	4.7	29	Austin, TX	7.4	46	Buffalo, NY	12.2
13	San Francisco, CA	4.8	29	Columbus, OH	7.4	47	Birmingham, AL	12.3
14	Chicago, IL-IN-WI	4.9	29	Kansas City, MO-KS	7.4	48	San Antonio, TX	12.5
15	Salt Lake City, UT	5.2	32	Denver, CO	7.5	49	Indianapolis, IN	15.0
16	Cleveland, OH	5.3	32	Jacksonville, FL	7.5	50	Memphis, TN-AR-MS	16.0
17	Nashville, TN	5.5	34	Miami, FL	7.6	-	United States	6.9

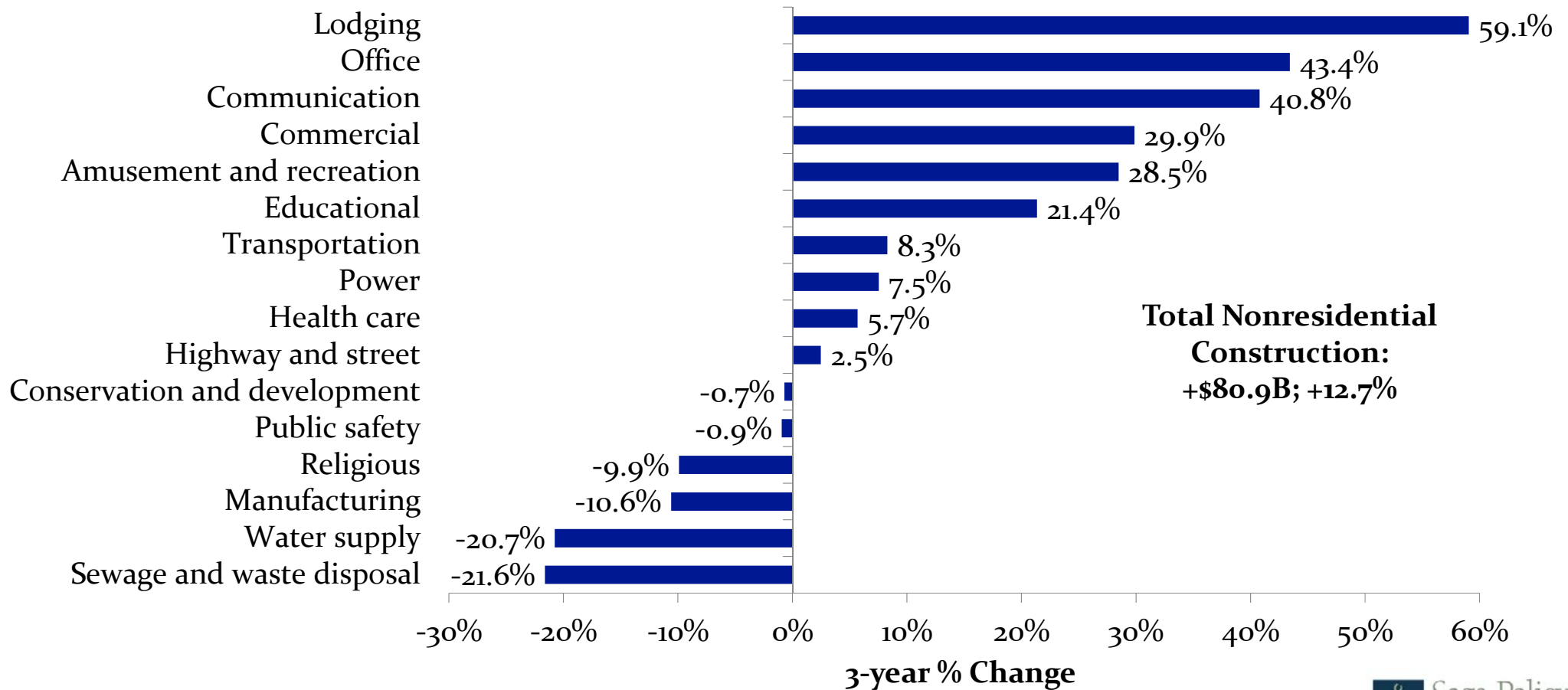
S&P/Case-Shiller Home Price Indices for Select Metros

December 2017, 12-Month Percentage Change

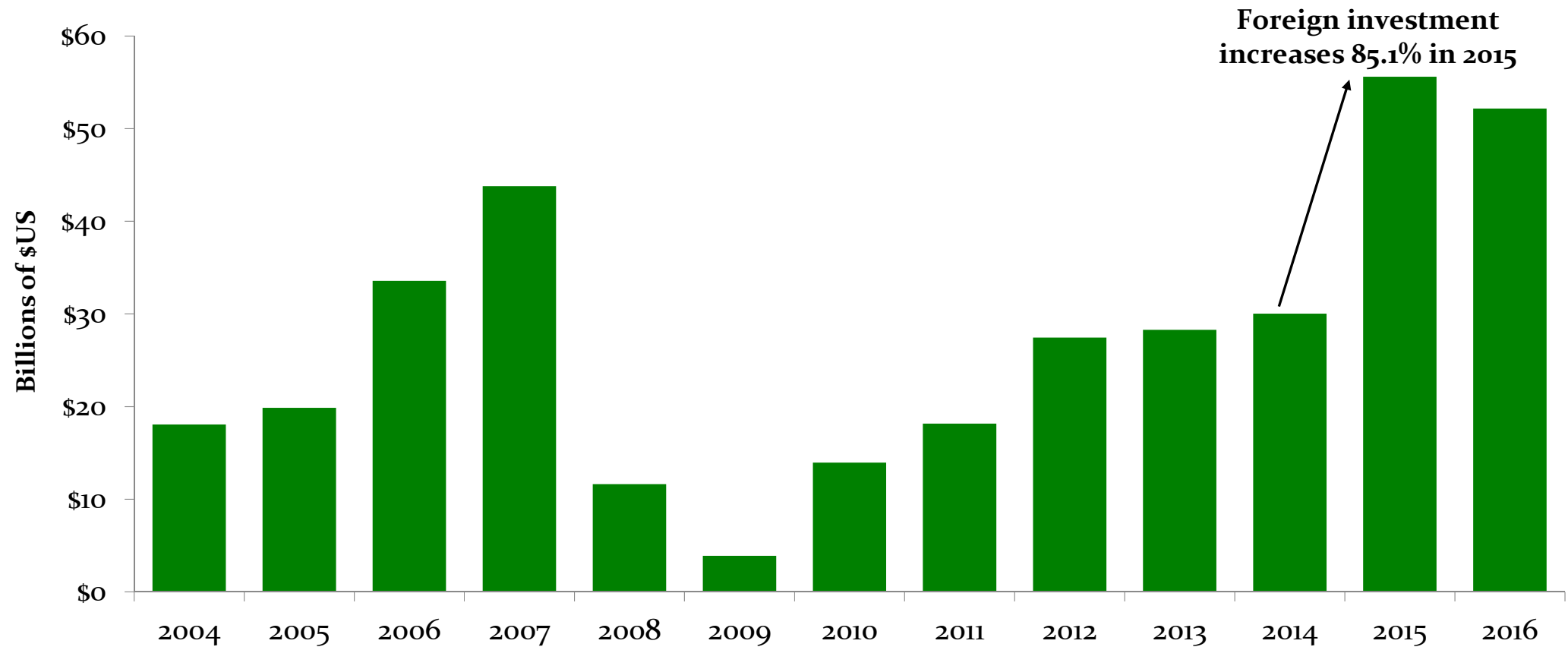


National Nonresidential Construction Spending by Subsector

December 2014 v. December 2017



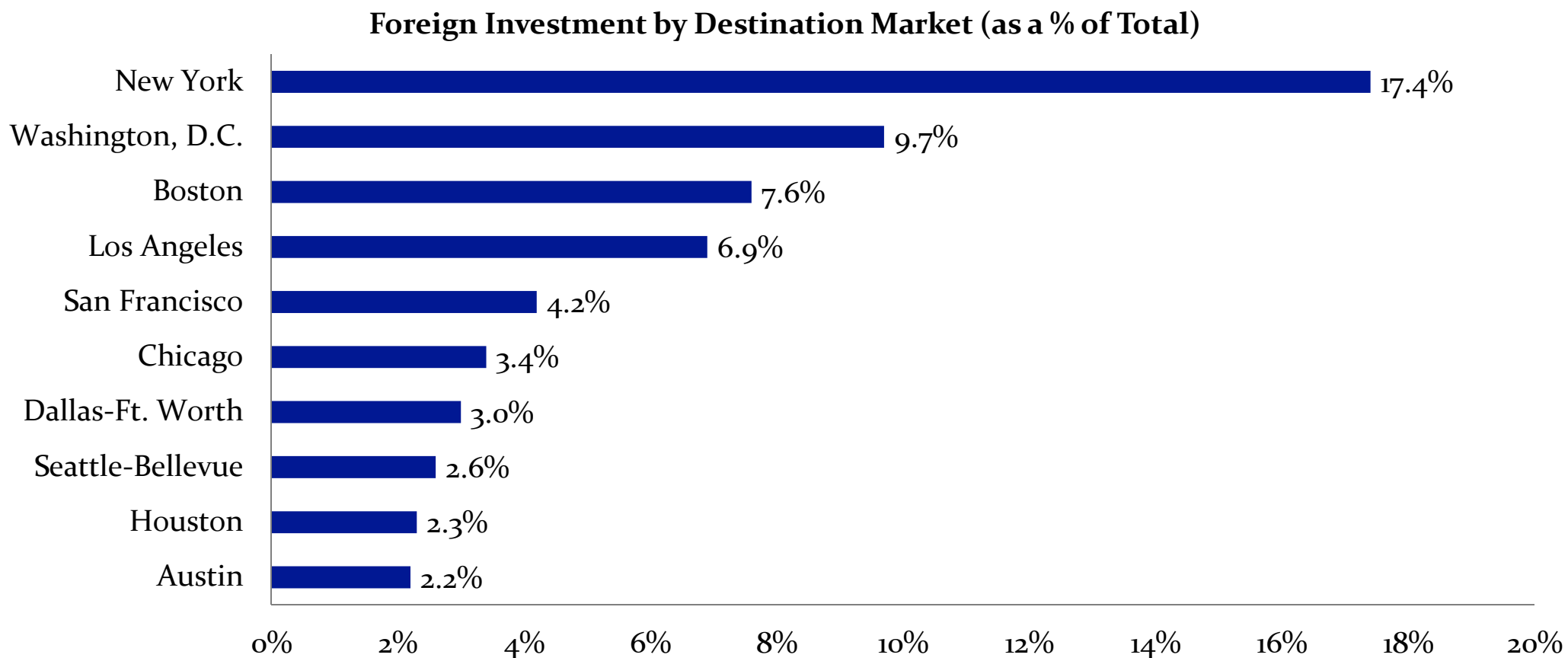
Commercial/Multifamily Offshore Investment Sales Volumes Reach New Heights in 2015/16



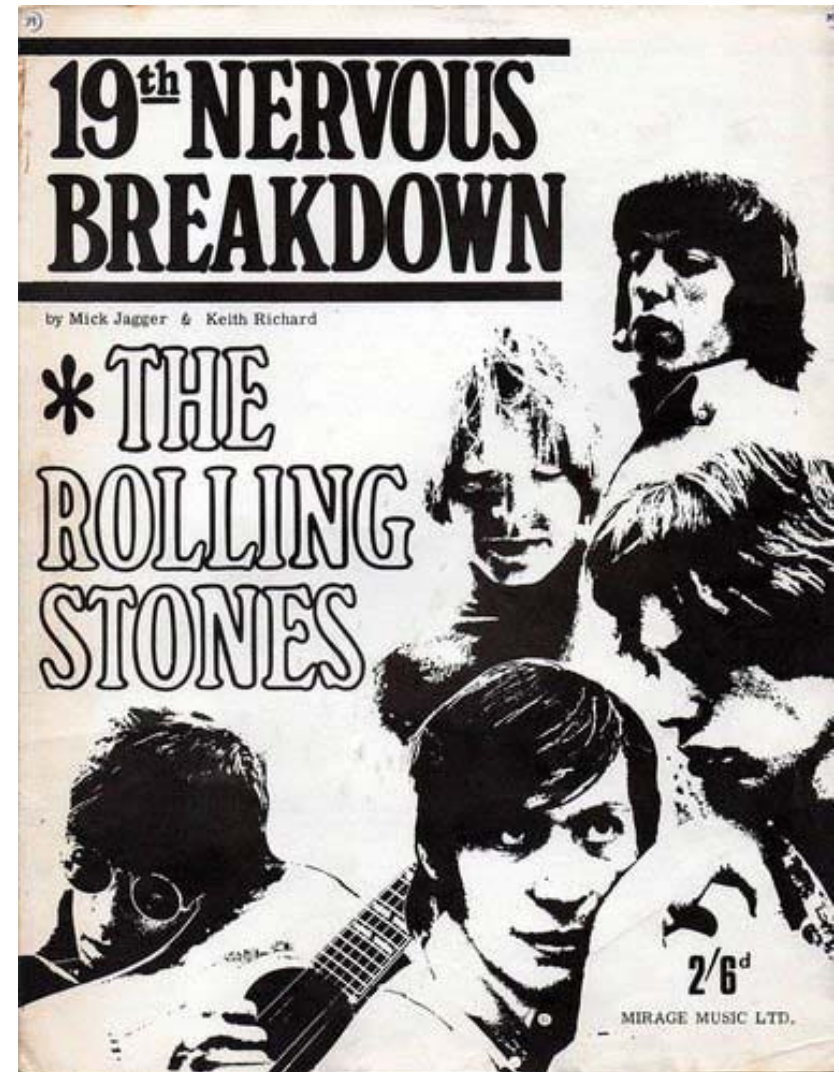
Cross-border investment remained elevated in 2016:
Although down relative to a record 2015, offshore investment levels still exceeded the pre-2015 high in 2007.

Foreign Investment in U.S. Commercial Real Estate

Top Destination Markets, 2017H1



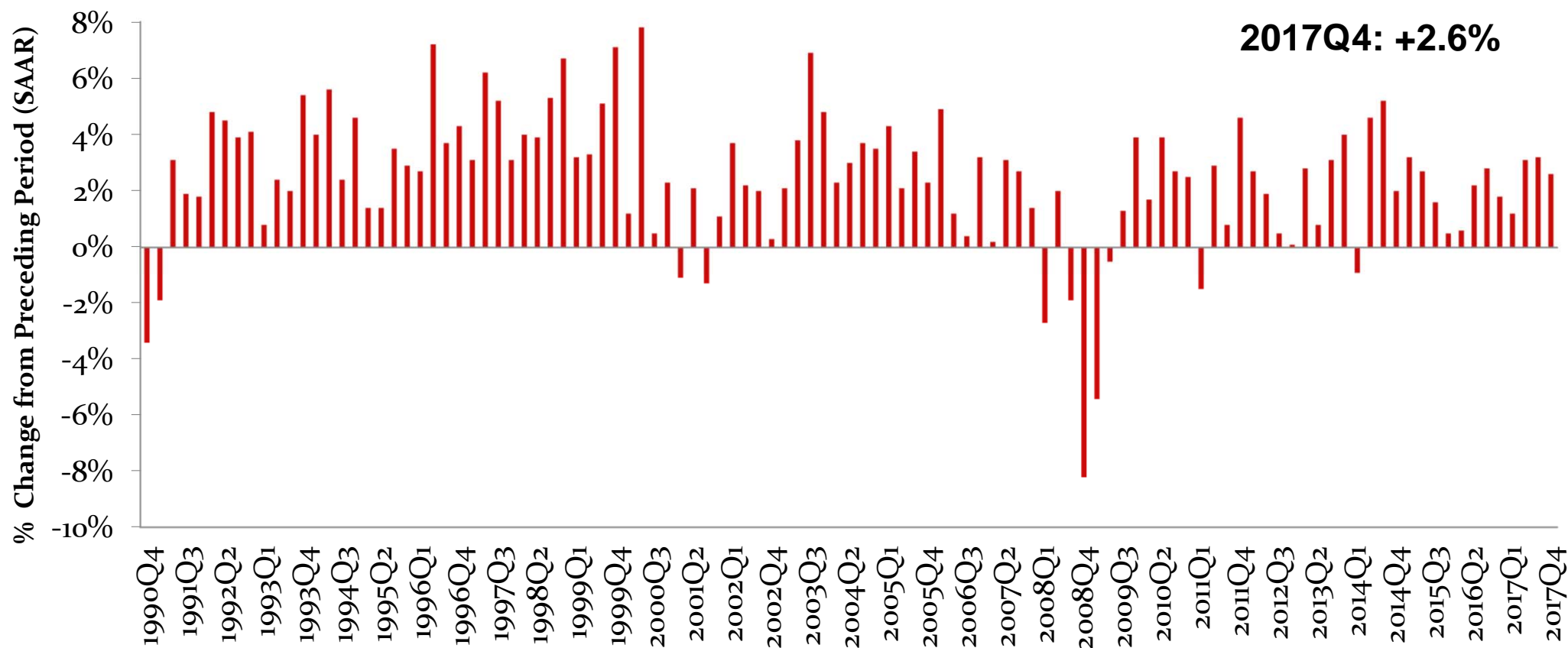
19th Nervous Breakdown



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Gross Domestic Product

1990Q4 through 2017Q4*

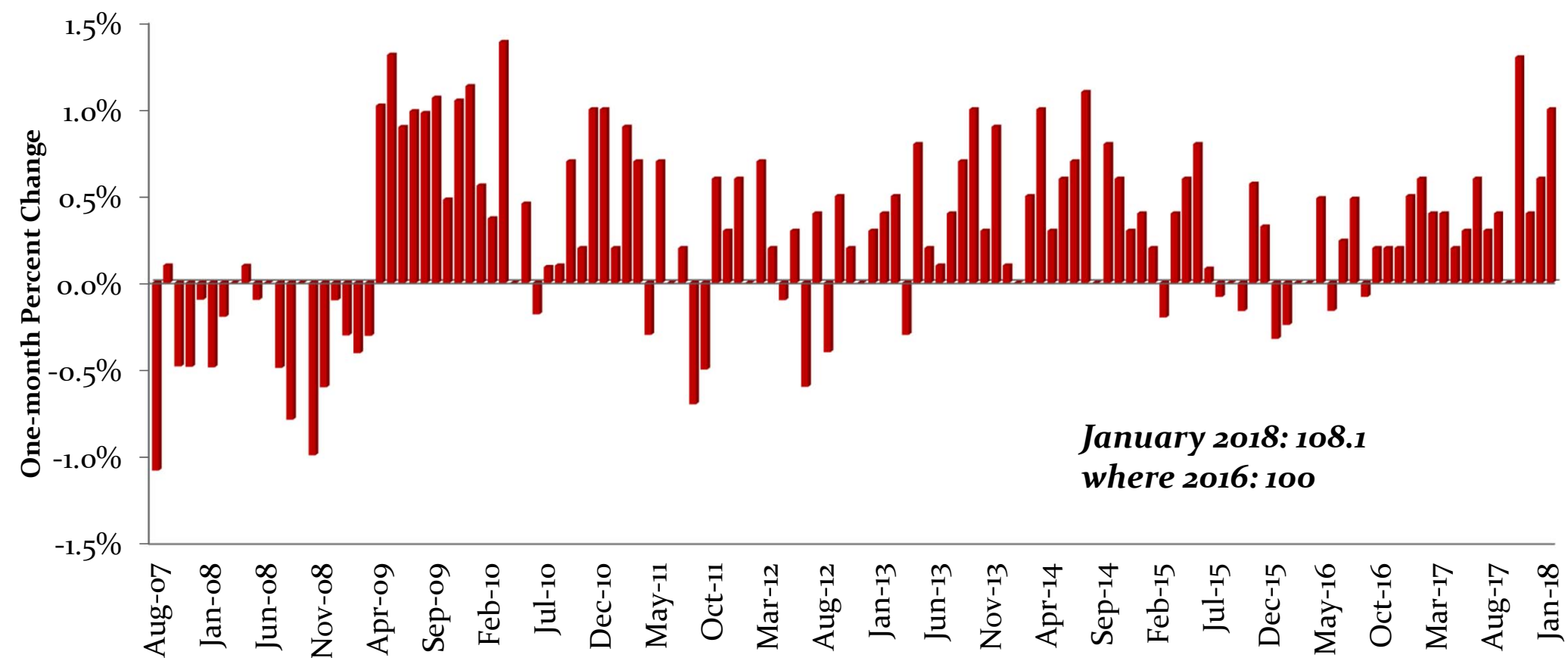


*1st (Advance) Estimate

Source: U.S. Bureau of Economic Analysis

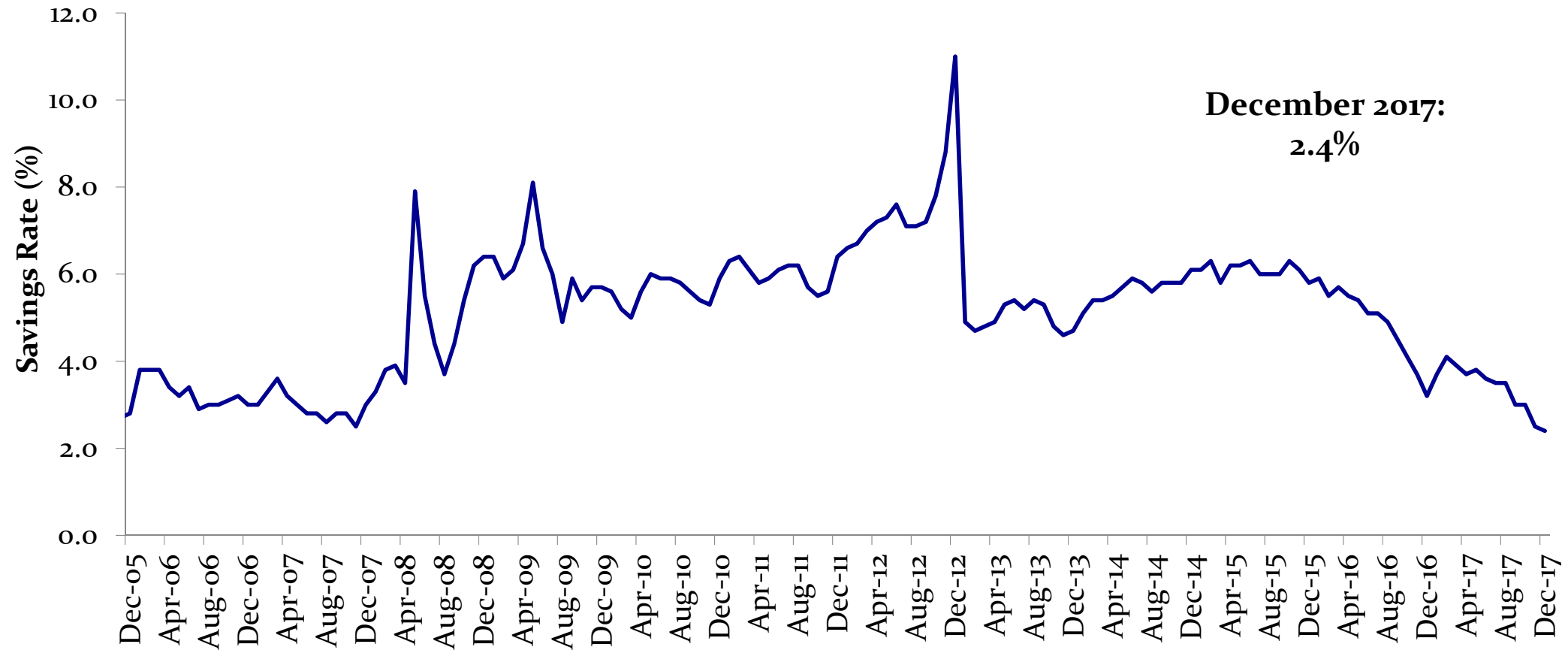
Conference Board Leading Economic Indicators Index

August 2007 through January 2018



U.S. Saving Rate, December 2005 – December 2017

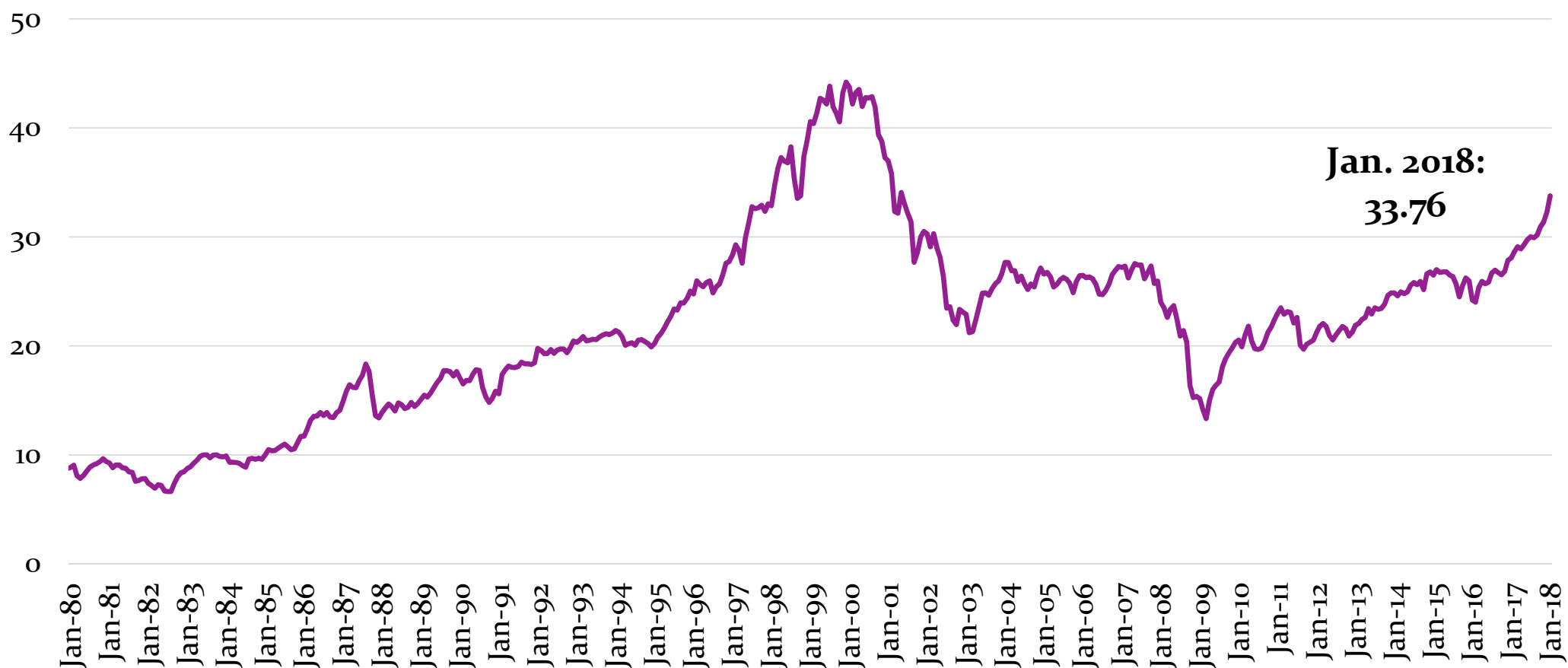
(Savings as Percentage of Personal Disposable Income)



Global Debt Reaches All Time Highs (IIF)

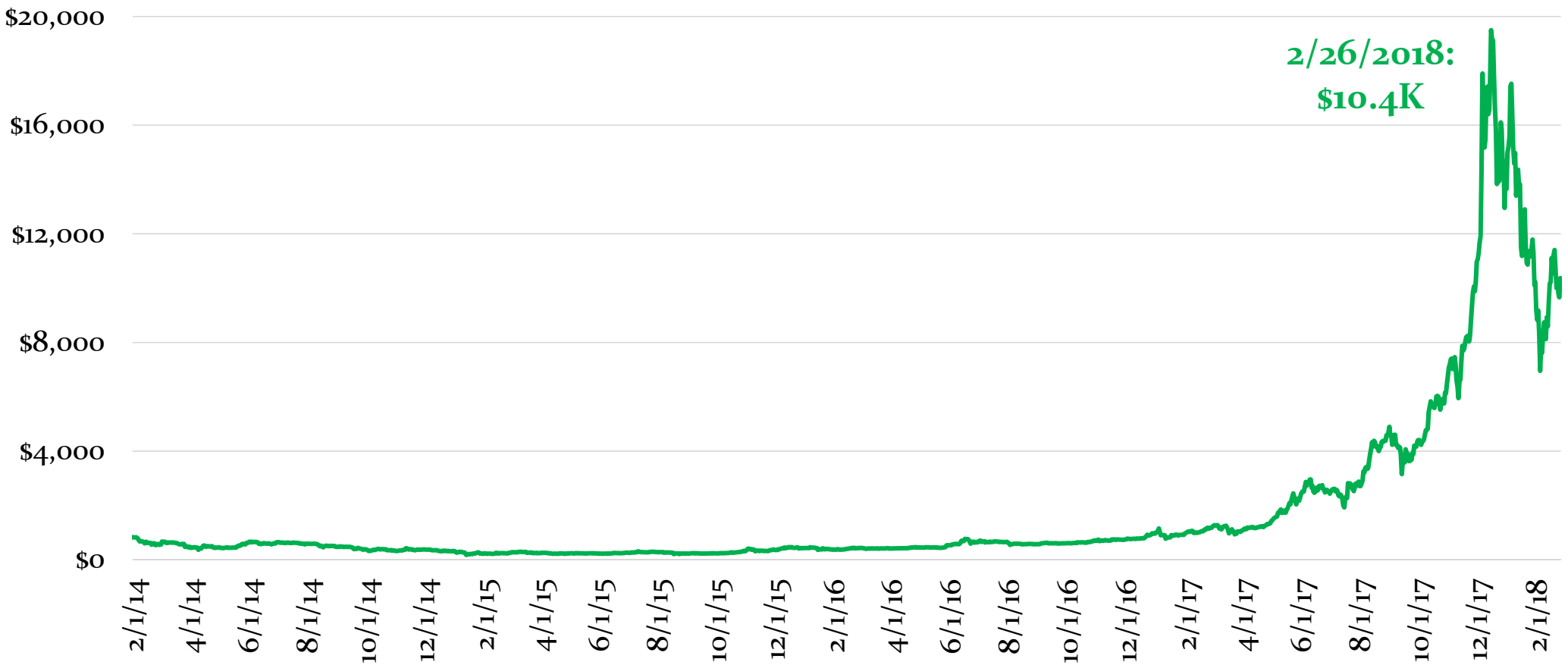
- According to the International Institute of Finance (IIF), global debt has reached an all-time high in 2016;
- At **\$215 trillion**, global debt—including household, government, and corporate—now represents **325% of global GDP**;
- Last year the IMF warned of risks to the global economy:
 - *“sheer size of debt could set the stage for an unprecedented private deleveraging process that could thwart the fragile economic recovery”*

Shiller Price-Earnings Ratio, 1980-2018



Jan. 2018:
33.76

Shattered! --- Bitcoin Price, 2014-2018



Time is on My Side, at least in the Near-Term

- U.S. setting up for best year since '05. . .;
- Global economy also picking up momentum, in large measure due to policymaking;
- Job opportunities are abundant;
- Corporate profitability elevated;
- Consumer and business confidence has been surging. . .;
- And now tax cuts, including major reductions in corporate taxes . . . What could go wrong?;
- A lot can go wrong – that's always true – first there are the Black Swan threats:
- “I'm forever blowing bubbles, pretty bubbles in the air, they fly so high, nearly reach the sky, and like my dreams, they fade and die”;
- Where are all the pretty bubbles? Equity markets? U.S. bond market? Commercial real estate? Bitcoin?
- 2018 will be fine – better than fine – 2019 might be, too, but beyond that, potential deleveraging cycle prompted by a repricing of assets – Bad!!!!

Thank You

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www.sagepolicy.com.

Please contact us when you require economic
research & policy analysis.