IT'S THE ECONOMY!

- Current Economic Environment
- Short Run Prospects
- Long Run Challenges
US Economy

- GDP growth record expansion; 2018 4th Qtr. Up 3.08%
- Interest rates steady
- Jobs expand US - 1.8%; Texas 3.2%; Unemployment ~ 4.0%
- February rate of inflation 1.5%
- Industrial Production at new high
- Debt rapidly increasing: Total US debt 1Q18 ~$66 trillion
- Income growing; spending not as much
Percent Change (Year-to-Year) in Real GDP

Source: Real Estate Center at Texas A&M University
CURRENT CONDITIONS

• Increasing employment and incomes
• High levels of consumer confidence
• Manageable but increasing debt levels
• Rising oil prices

Source: Real Estate Center at Texas A&M University
JOBS, JOBS, JOBS!
Texas Consumer Confidence Index

Source: Real Estate Center at Texas A&M University
IT'S ABOUT THE JOBS

Nonfarm Employment Growth Rates for United States and Texas
Annual Employment Growth Rates, 2015-2018

Sources: Texas Workforce Commission and Real Estate Center at Texas A&M University
TEXAS ECONOMY

- Unemployment: ~3.7%
- GDP: up 6.0% second quarter 2017 to second quarter 2018
- Energy sector recovered
- Population expansion continues but at slower pace
- Exports doing well – trade war?
- Rebound from Harvey contributes to 2018 economic growth; impact ongoing
In press conference, Powell to emphasize economy strong enough not to need a rate cut

Published: Mar 20, 2019 9:08 a.m. ET
West Texas Monthly Oil Price

Source: Real Estate Center at Texas A&M University
Oil Prices Shoot Up On Large Inventory Draw

By Irina Slay - Mar 20, 2019, 9:48 AM CDT
Texas Personal Income

Total Personal Income, Texas (SAAR, Mil $)

Source: Real Estate Center at Texas A&M University

2018 Q4 -- $1,439,371,000
Texas Real Per Capita Personal Income Growth

Source: Real Estate Center at Texas A&M University
Texas Per Capita Personal Income Growth

- 1980s: 0.88 percent
- 1990s: 2.66 percent
- 2000s: 1.95 percent
- 2009-2018: 0.86 percent
- 2010-2018: 1.60 percent
RIPPED FROM HEADLINES

THE WALL STREET JOURNAL.

Is Elite College Worth It? Maybe Not
Texas Land Market Developments
Total Dollar Volume
Texas Rural Land Statewide

2006 Q2 -- $1.09 Billion
2018 Q2 -- $1.25 Billion

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices
Panhandle and South Plains

Source: Real Estate Center at Texas A&M University
Total Dollar Volume
Panhandle and South Plains

Sources: Real Estate Center at Texas A&M University
Texas Rural Land Prices
Far West Texas

Source: Real Estate Center at Texas A&M University
Total Dollar Volume
Far West Texas

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices
West Texas

Dollars per acre

Nominal
Real or Deflated

Date

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices
North East Texas

Source: Real Estate Center at Texas A&M University
Total Dollar Volume
North East Texas

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices
Gulf Coast - Brazos Bottom

Source: Real Estate Center at Texas A&M University
Total Dollar Volume
Gulf Coast - Brazos Bottom

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices

South Texas

Source: Real Estate Center at Texas A&M University
Texas Rural Land Prices

Austin – Waco – Hill Country

Source: Real Estate Center at Texas A&M University
Total Dollar Volume
Austin – Waco – Hill Country

Source: Real Estate Center at Texas A&M University
Reading The Signs!
‘This One Here Is Gonna Kick My Butt’—Farm Belt Bankruptcies Are Soaring

Throughout much of the Midwest, U.S. farmers are filing for chapter 12 bankruptcy protection at levels not seen for at least a decade, a Wall Street Journal review of federal data shows.
Bayer Shares Fall After Legal Setback on Roundup Weedkillers
TEXAS LAND MARKET

• Behaves like an investment market
• Political and economic developments shape markets
• Recent prices, recent acreage, personal income, oil prices, fed funds rate
• Recent expansion driven by higher land prices
Texas Rural Land Markets Price Forecast

Most Likely Scenario
95% Confidence Interval

Note: Oil price — $56 / Bbl
Texas personal income growth — +5%
Fed Funds rate — 2.25%

Source: Real Estate Center at Texas A&M University

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Source: Real Estate Center
Texas A&M University

Sources: Real Estate Center at Texas A&M University
Texas Rural Land Markets Sales Forecast

Most Likely Scenario
95% Confidence Interval

Note: Oil price -- $56 / Bbl
Texas personal income growth -- +5%
Fed Funds rate -- 2.25%

Source: Real Estate Center at Texas A&M University

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Source: Real Estate Center
Texas A&M University
Texas Rural Land Markets Volume Forecast

Most Likely Scenario
95% Confidence Interval

Note: Oil price -- $56 / Bbl
Texas personal income growth -- +5%
Fed Funds rate -- 2.25%

Source: Real Estate Center at Texas A&M University
THE NEXT YEAR?

• Prices -- up from 2018
• Sales -- down 8 percent
• Volumes -- down 7 percent
• Regional markets will vary

• *Ceteris paribus*
Ceteris Is Never Paribus
THE NEXT 1 YEAR?

• Tax cuts
• Rising interest rates
• Culture wars
• Political uncertainty
• Trade disputes
• Korea – Iran – Venezuela
• Which way for oil prices
THE GREEN NEW DEAL

• Ten year plan
• Providing
  • Health care
  • Affordable, safe and adequate housing
  • Economic security
  • Higher education, to all people
  • 100 zero emission electricity
  • Upgrade all buildings
  • Etc.
Defining generations: Where Millennials end and Generation Z begins

BY MICHAEL DIMOCK

- The Silent Generation: Born 1928-1945 (73-90 years old)
- Baby Boomers: Born 1946-1964 (54-72 years old)
- Generation X: Born 1965-1980 (38-53 years old)
- Millennials: Born 1981-1996 (22-37 years old)
- Post-Millennials: Born 1997-Present (0-21 years old)
MILLENNIALS LIVE WITH MOM AND DAD

Though Millennials are the largest adult population, they do not head the largest number of households

U.S. households, in millions

Note: There are a relatively small number of households (about 200,000) headed by a person who was younger than 18 in 2016 that are not shown. Households are categorized on the basis of the characteristics of the head of household. Source: Pew Research Center analysis of 1976-2016 Current Population Survey Annual Social and Economic Supplement (IPUMS).
Millennial households dominate the ranks of the nation’s renters, in millions (2018)
MILLENNIALS ARE POOR

More households headed by a Millennial are in poverty than other generations

U.S. households in poverty, in millions (2016)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Poverty Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>16.6</td>
</tr>
<tr>
<td>Millennial</td>
<td>5.3</td>
</tr>
<tr>
<td>Generation X</td>
<td>4.2</td>
</tr>
<tr>
<td>Baby Boomer</td>
<td>5.0</td>
</tr>
<tr>
<td>Silent/Greatest</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Note: Households are categorized on the basis of the characteristics of the head of household. There are a relatively small number of households headed by a person younger than 18 that are not shown but are included in the total.


PEW RESEARCH CENTER
MILLENNIALS ARE POOR

Percent of Millennials and Gen Z agreeing with statement

<table>
<thead>
<tr>
<th>Statement</th>
<th>Total</th>
<th>Millennials and Gen Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Govt. should provide universal health care</td>
<td>66.7</td>
<td>73.2</td>
</tr>
<tr>
<td>Govt. should provide tuition-free college</td>
<td>56.2</td>
<td>67.1</td>
</tr>
<tr>
<td>Prefer living in a socialist country</td>
<td>37.2</td>
<td>49.6</td>
</tr>
<tr>
<td>Support abolishing ICE</td>
<td>29.7</td>
<td>43.1</td>
</tr>
<tr>
<td>High earnings result of free enterprise</td>
<td>67.1</td>
<td>71.2</td>
</tr>
<tr>
<td>Govt. should allow private insurance</td>
<td>78.9</td>
<td>86.5</td>
</tr>
</tbody>
</table>

Data: The Harris Poll; Poll conducted Feb. 21-25 among 2,035 adults; Chart: Axios Visuals
• 18 – 29 Year-olds owe more than $1 trillion in student debt
• Minimal income growth
• Nearly 75 percent (23 – 38) delayed at least 1 major financial milestone
• Under 35 homeownership
  • 36.2% (2018)
  • 43.1% (2004-05)
• Socialism doesn’t sound too bad… but is that really what they want?
  • 53% of Americans under 30 view socialism favorably
  • 64% of millennials prefer a free-market economy
  • 69% favor a government guarantee for health insurance and 54% support a guarantee for a college education
• A millennial thing… maybe not
  • Baby boomers: 52% supported bigger government in 1980s (today, 25%)
  • Generation Xers: 53% supported bigger government in the 1990s (today 37%)
WE WANT THE WORLD AND WE WANT IT ... NOW!  
The Doors

• How to pay for it?
• *Modern Monetary Theory* (MMT)
  • Keynesian economics
  • Full employment
  • Price stability
MMT: THE NEXT 10 YEARS?

• Modern Monetary Theory (MMT)
  • Interest rates (low)
  • Taxes to stop inflation
  • Debt doesn’t matter

• The government can and will get it right!
The Next 10 Years?

- Exploding demand for land?
- Rising interest rates
- More dollars/euros/etc. printed
- Rising debt levels
- Jobs disappearing
- Energy change to renewables