

It's All About the Price: Washington-Wall Street - Real Estate and the Economy

Ted C. Jones Chief Economist Stewart Title Guaranty Co.

stewart®

**“The amount of grain
required to produce one
tank of ethanol requires
as much grain as a
human needs for an
entire year to exist.”**

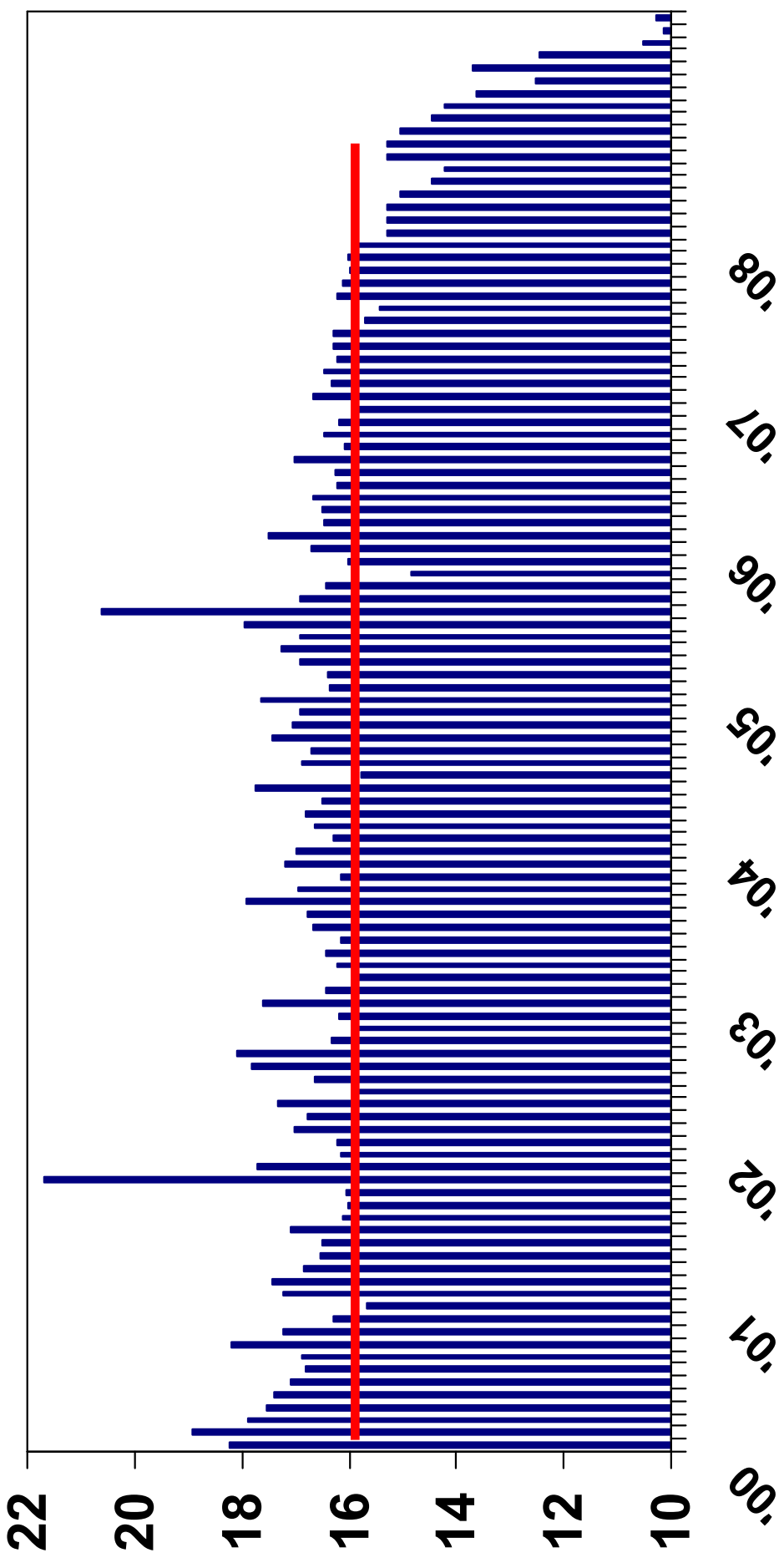
January 2, 2009



Auto and Light Truck Sales

Millions of Vehicles Seasonally Adjusted Annual Rate

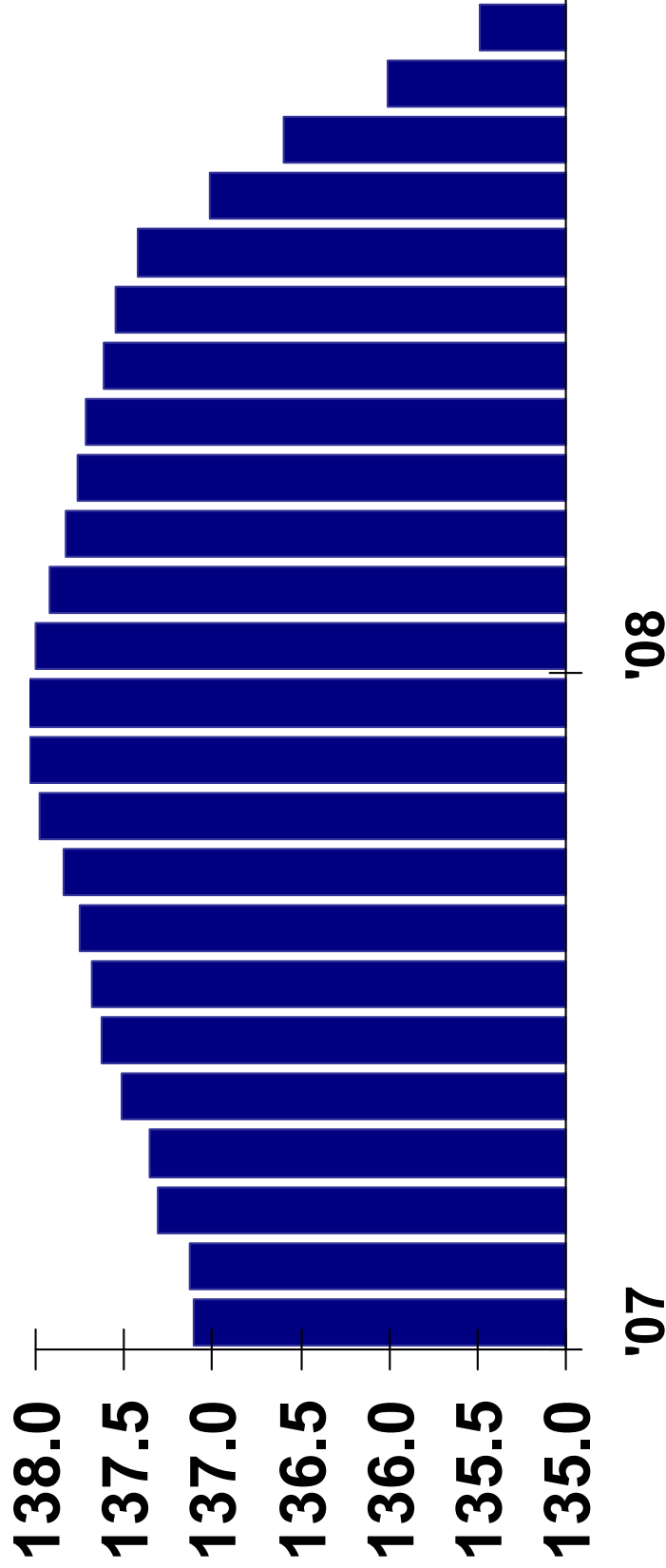
-33.7%



stewart®

US Civilian Employment

Millions of Jobs



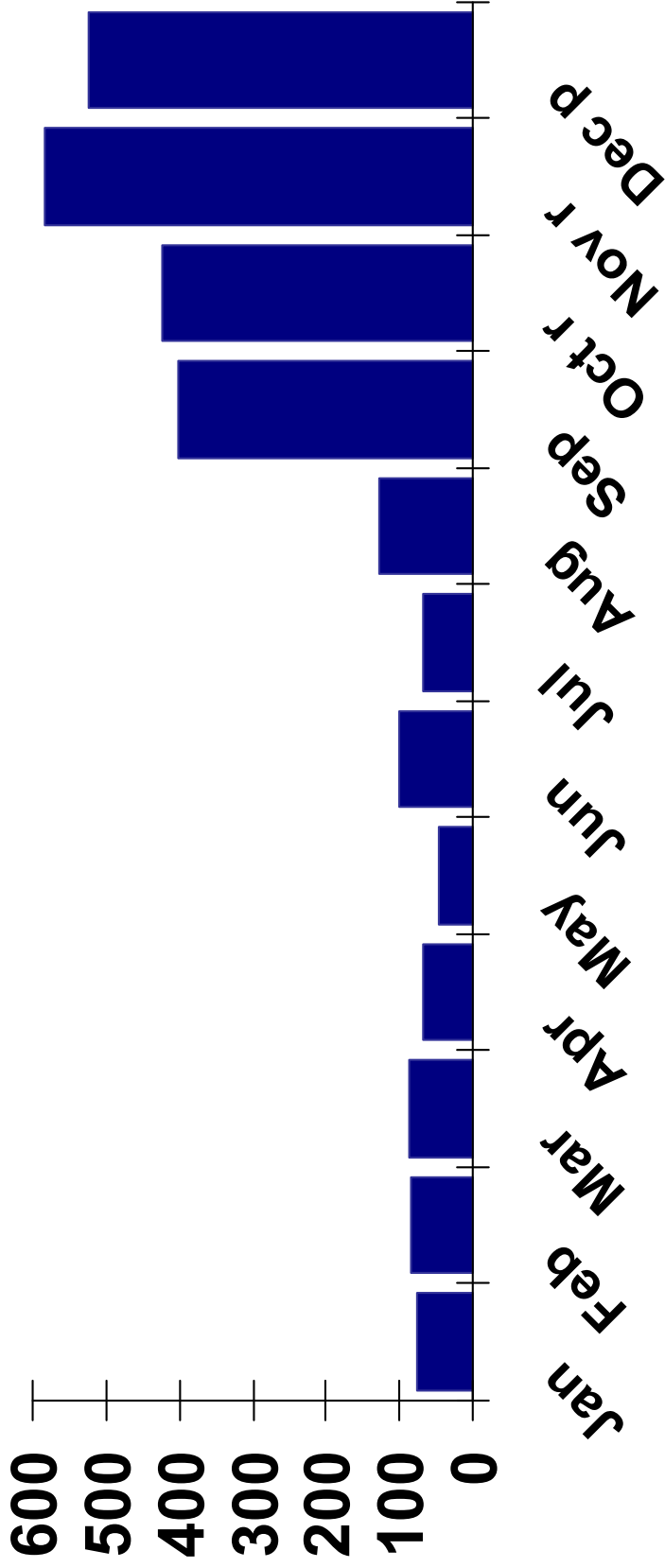
2.59 Million Net Lost Jobs Since January

524,000 Lost in December Alone

stewart

US Civilian Employment Job Loss

Thousands of Jobs Lost Per Month



Where Consumers Plan to Spend the Majority of Their Tax Rebates

Keep In Savings Account	23.3%
Credit Card Bills	21.4%
Car Payments	6.5%
Mortgage Payment	1.4%
Gas-Energy Bills	5.1%
<hr/>	
Sub Total	57.7%
<hr/>	
Buy Clothes	2.3%
Buy Consumer Electronics	1.4%
Buy Food	1.9%

LETTER TO THE BANK

Dear Banker,

In view of current developments in the banking market, if one of my checks is returned marked 'insufficient funds', does that refer to me or to you?

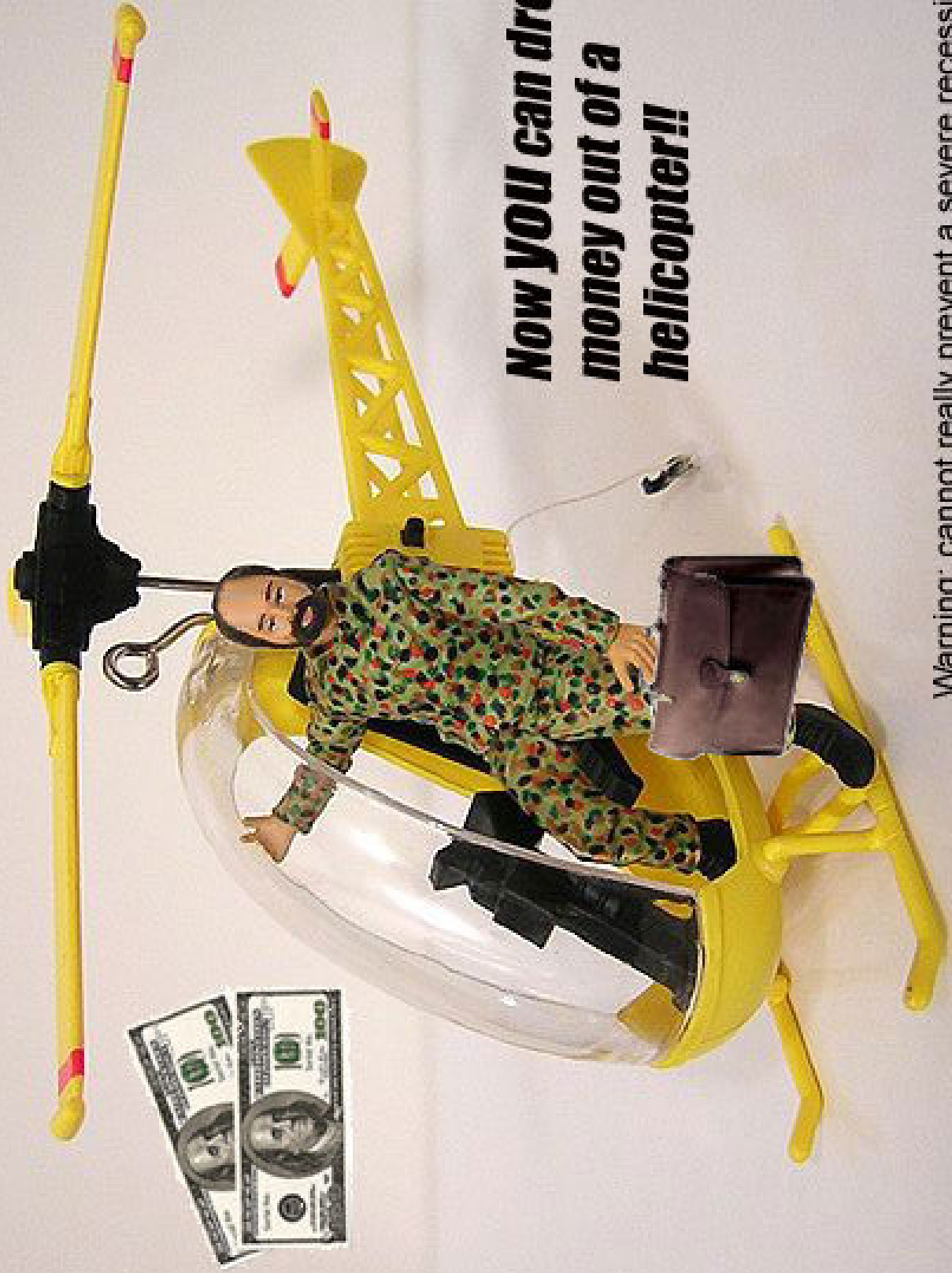
Sincerely Yours,

Greenspan

“If I turn out to be particularly clear, you’ve probably misunderstood what I’ve said.”



Ben Bernanke Action Figure!!

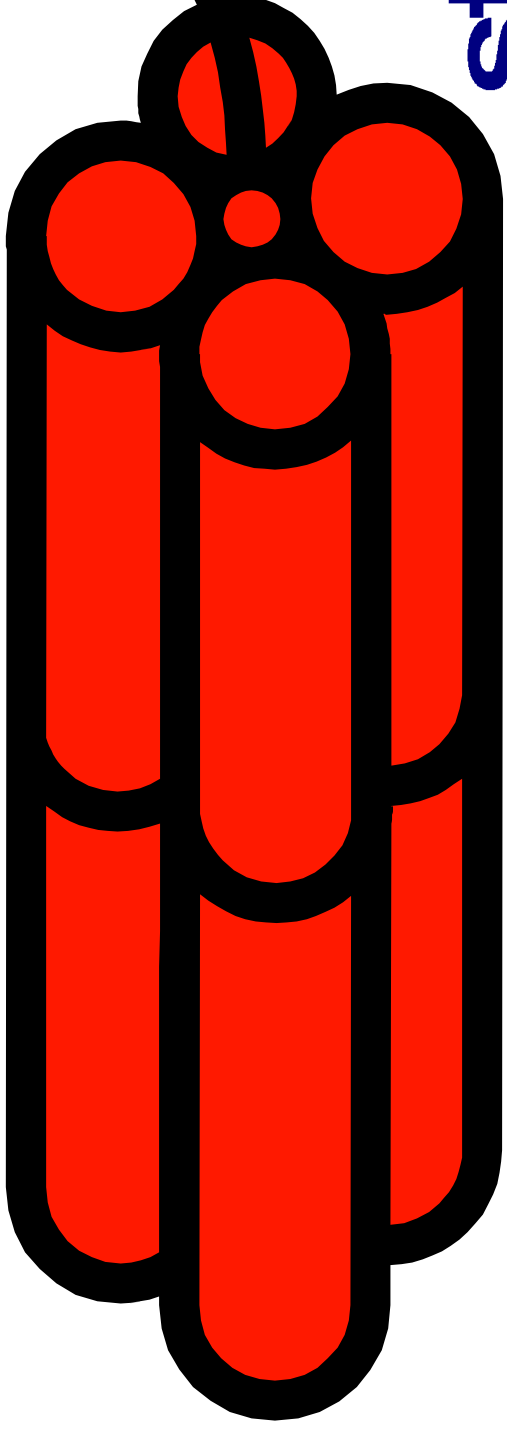


***Now YOU can drop
money out of a
helicopter!!***

Warning: cannot really prevent a severe recession

EXOTIC

Loans

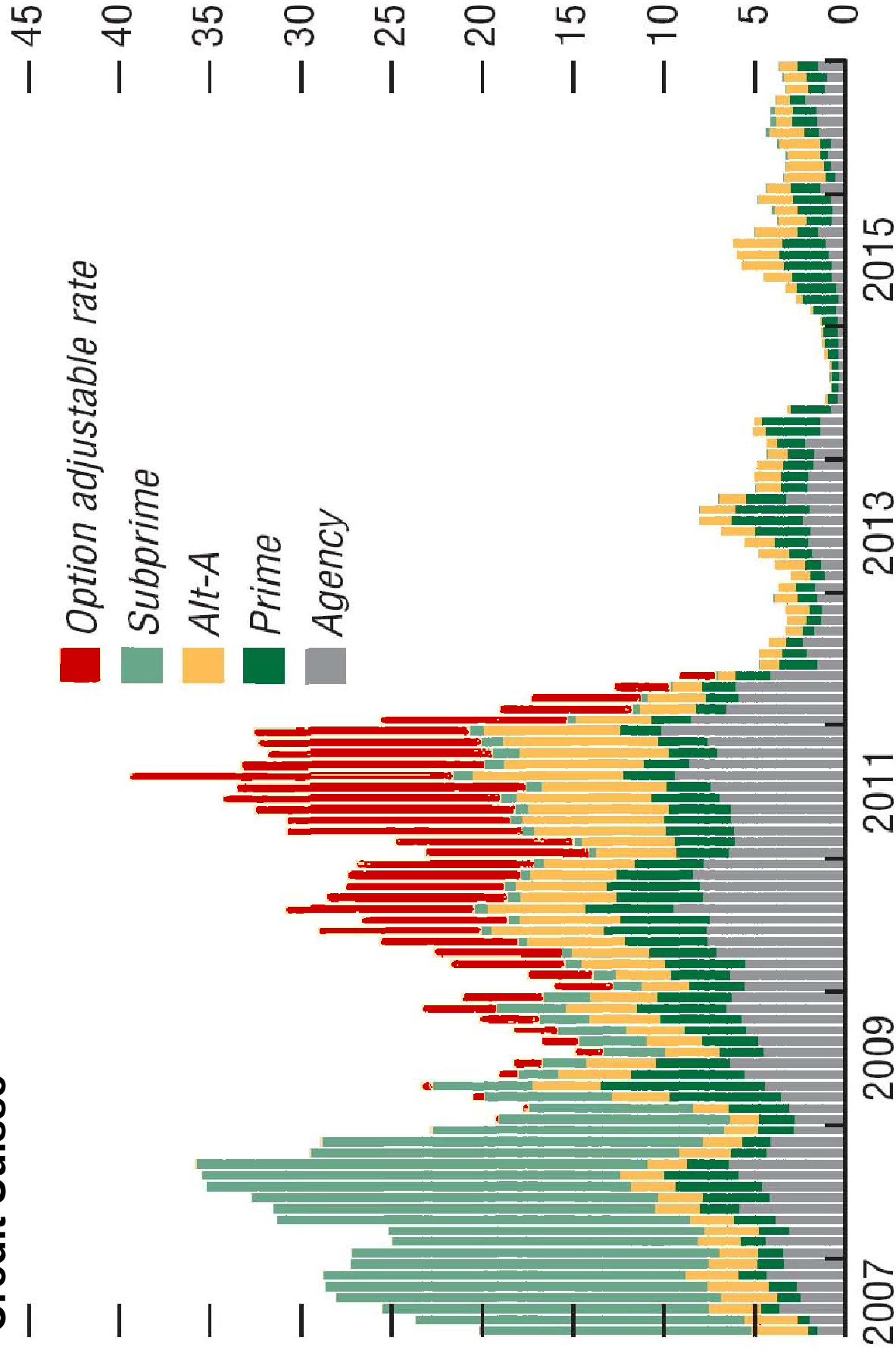


stewart®

Monthly Mortgage Resets

Credit Suisse

\$ Billions

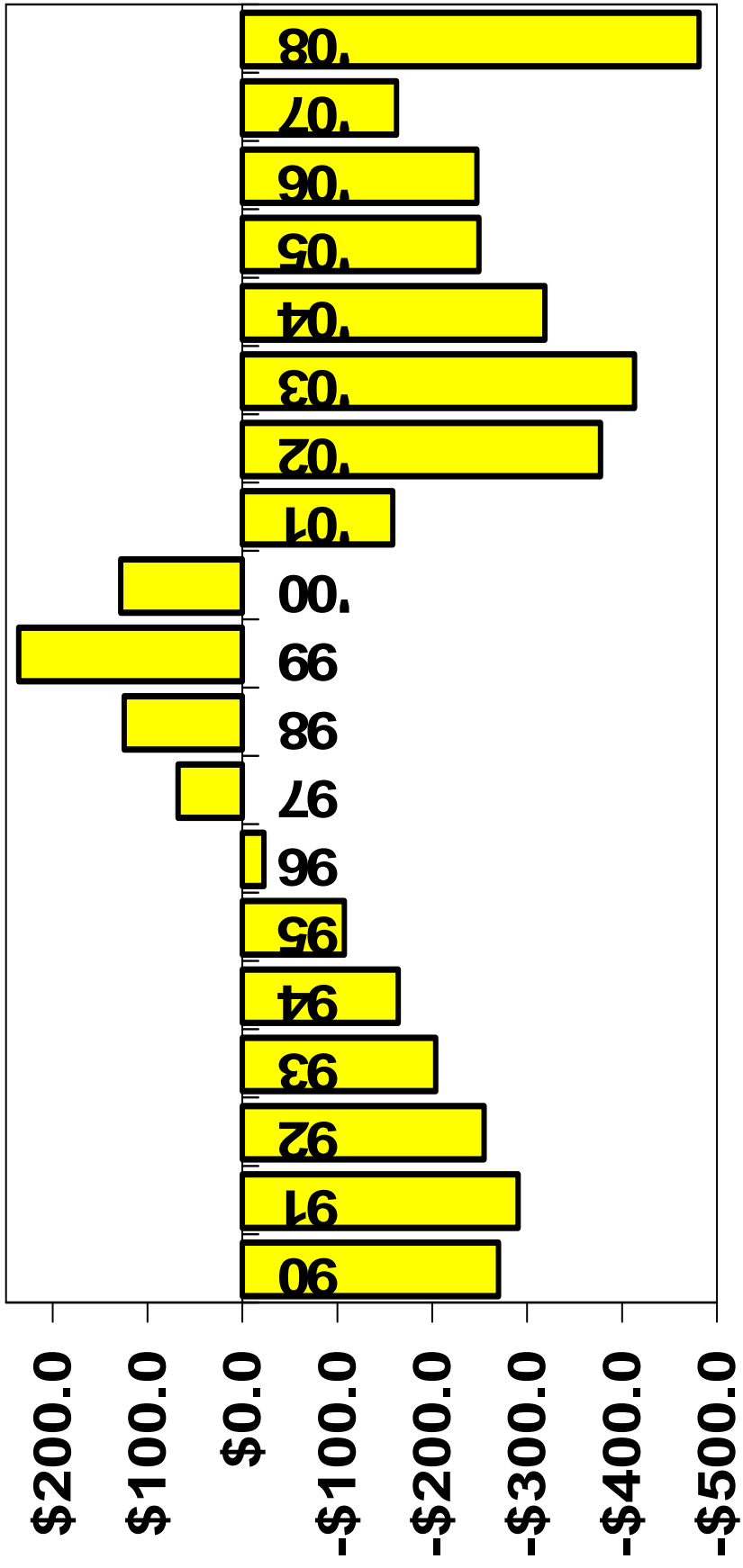


Loan Modifications Do Not Work

Data from banks show that more than half of loans modified during the first three months of the year were delinquent by 30 days just six months after the terms of the loans were changed, John C. Dugan, the comptroller of the currency, said at a conference in Washington. After eight months, 58 percent were delinquent again.

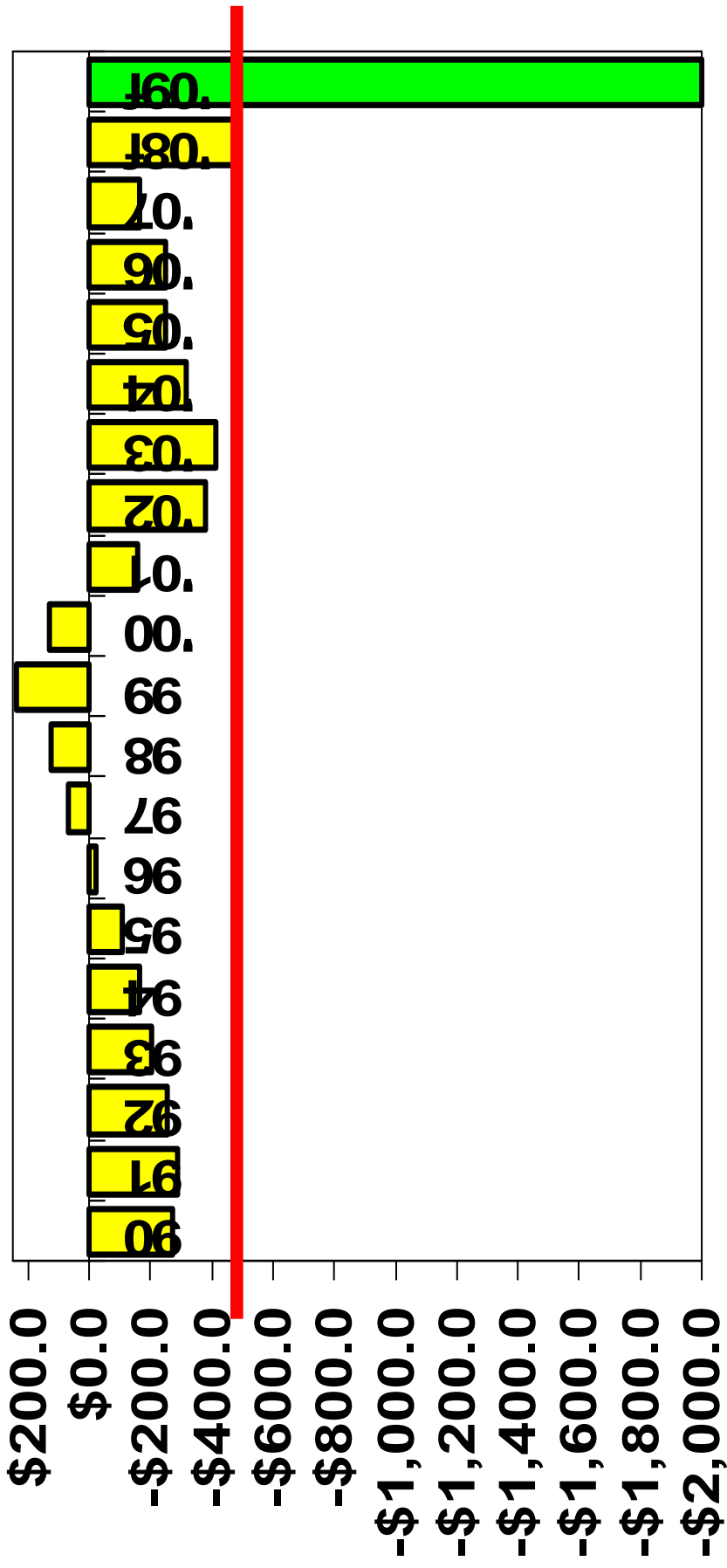
Federal Budget Surplus (Deficit)

\$ Billions



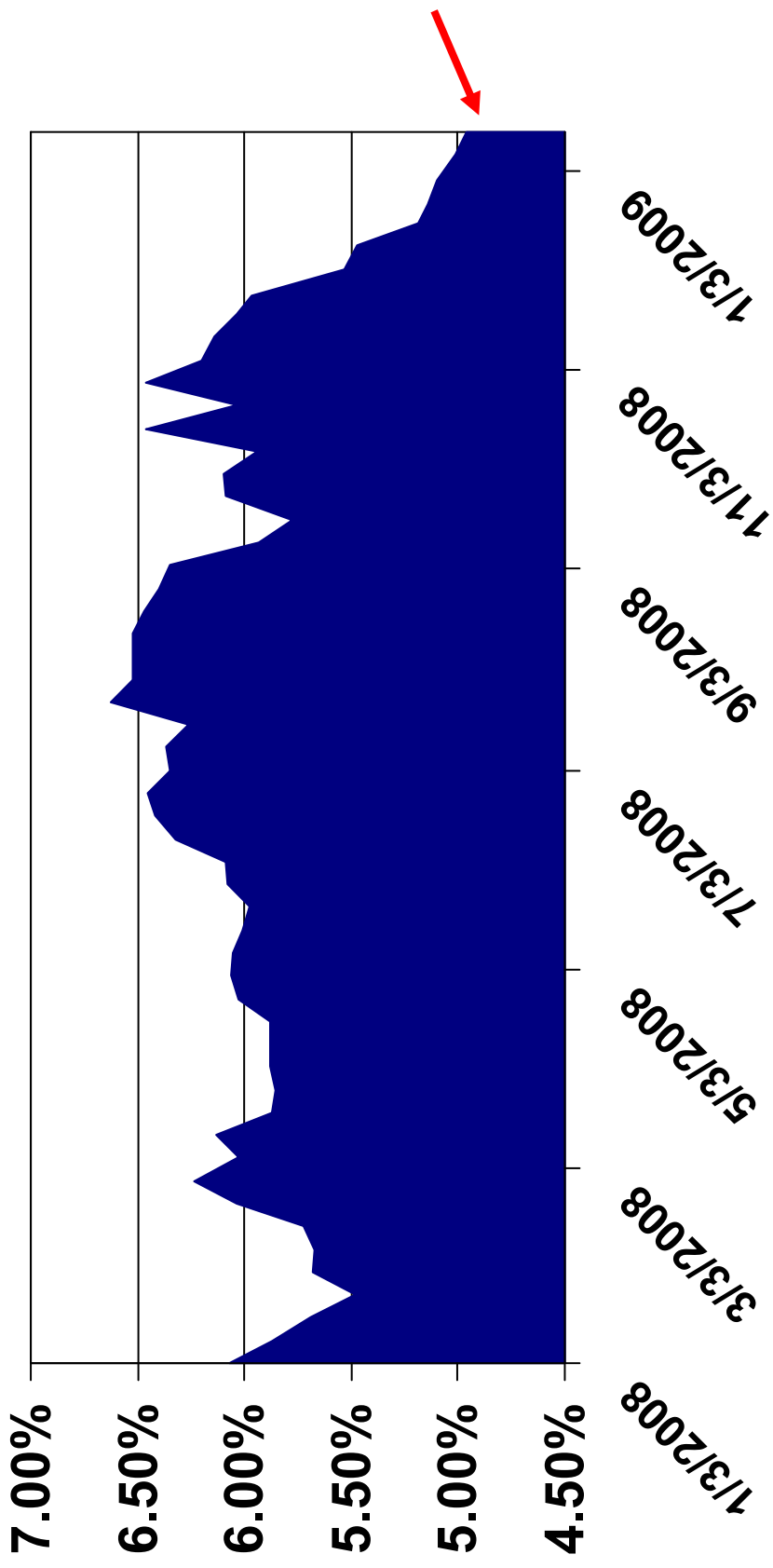
Federal Budget Surplus (Deficit)

\$ Billions



stewart®

30-Year Residential Rates



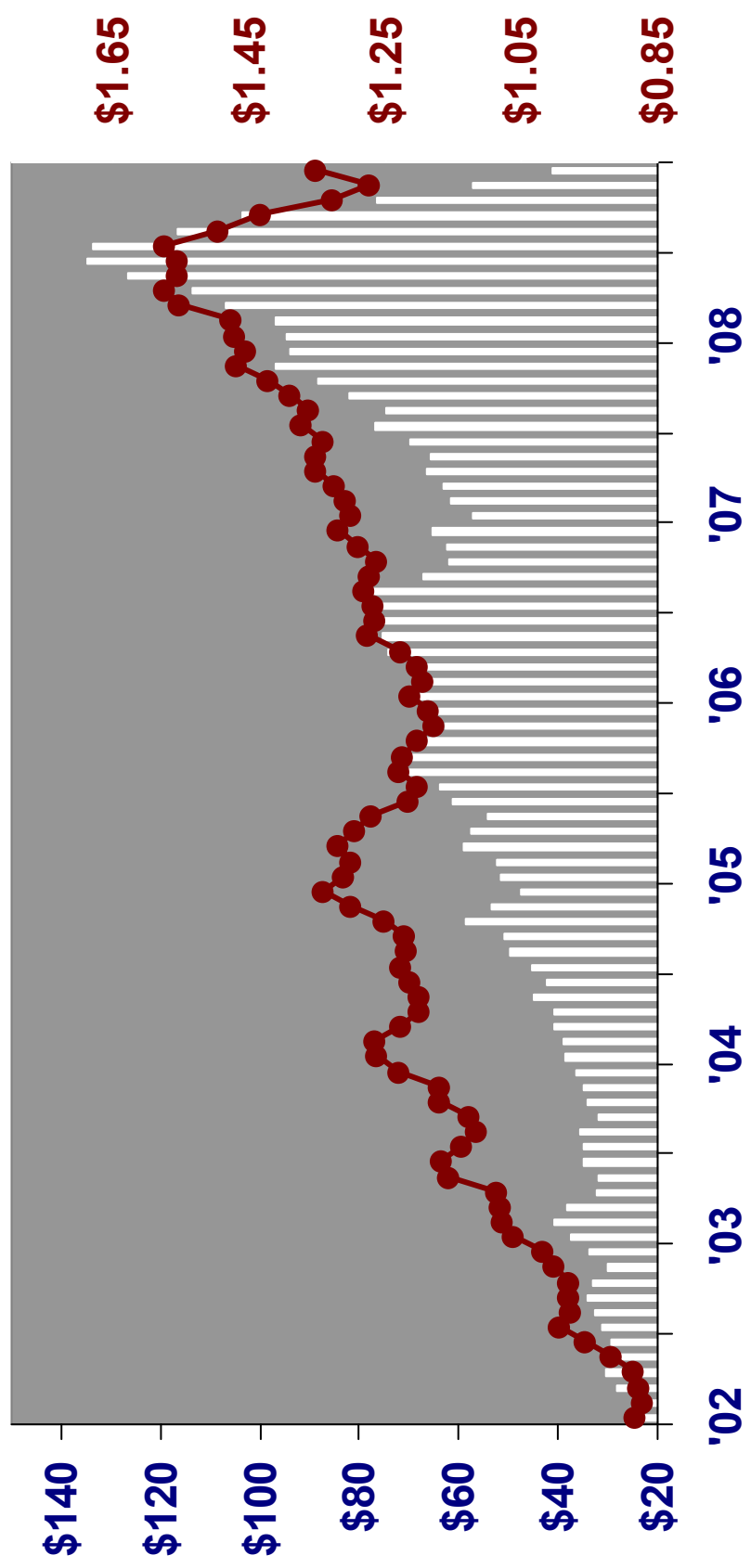
Stewart[®]

Oil Prices & Exchange Rates \$US Per Euro

Oil in December 2008 Dollars

Dollars
Per
Euro

Oil Price

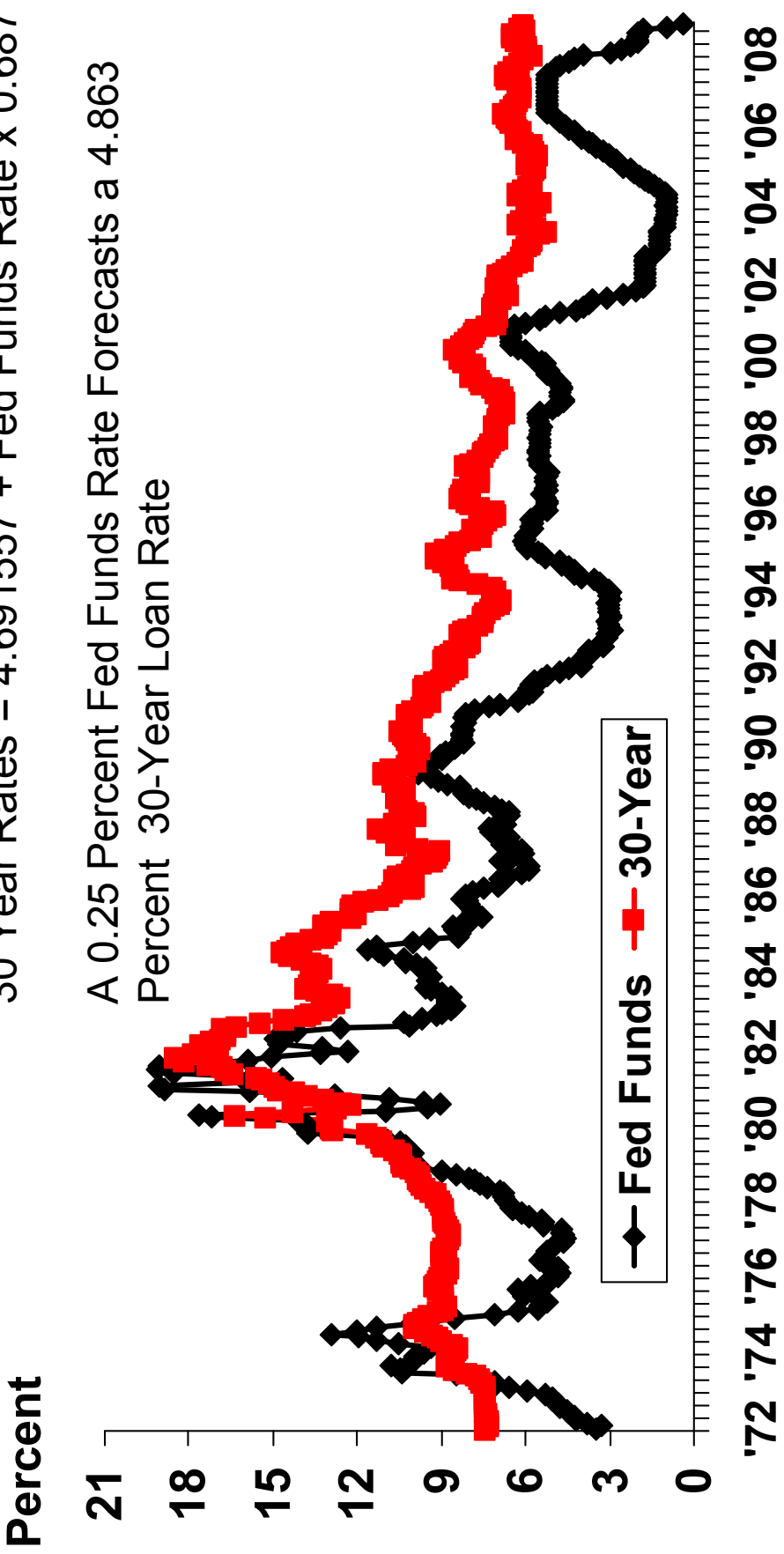


stewart®

Fed Funds Rate vs. 30-Year Mortgages Average Rate Per Month

Correlation = 0.86452

30 Year Rates = 4.691557 + Fed Funds Rate x 0.68713



Ted's Forecast



**Average
30-Year
Rate
4.86%
'09**

Stable

In 2009

(but this will be inflationary)

Commercial Lending Activity

Q3 2008 vs. Q3 2007

Overall	-53%
Hotel	-87%
Office	-61%
Retail	-30%
Industrial	-39%
MultiFamily	-30%
Health	-59%

Down
11 Percent
Q2 2008
To
Q3 2008



stewart

Commercial Lending

Q3 2008 vs. Q3 2007

Lending Source

CMBS

Commercial Banks

Life Insurance Companies

-93%

-71%

-27%



stewart[®]



US Retail Real Estate Sales

Q2 2007

\$15.87 Billion

Q2 2008

\$9.57 Billion

-39.7% Change



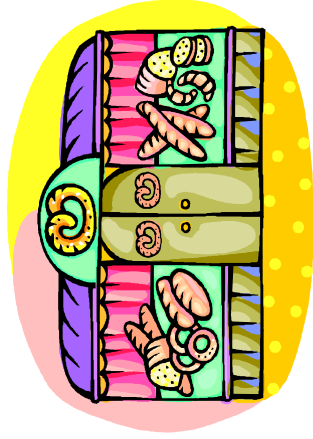
Sales Price / Asking Price

Jan 2007

92%

Jun 2008

89%



Days on Market

Jan 2007

205 Days

Aug 2008

280 Days

36.6% Change

COSTAR



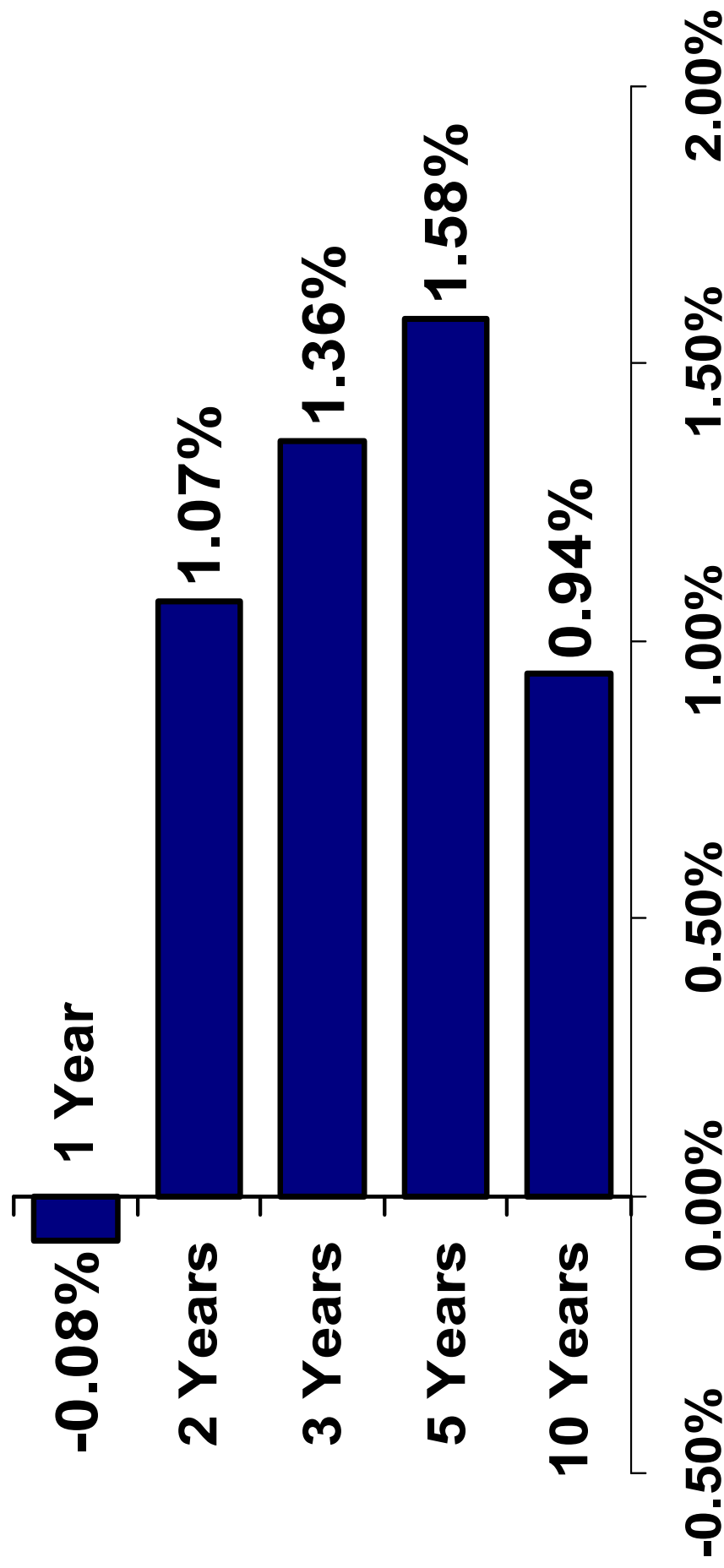
KEEFE, BRUYETTE & WOODS
Specialists in Financial Services

“We expect commercial real estate values to decline 15%-30% over the next several years due to an economic slowdown, a decrease in net capital flows and a greater reliance on income as a driver of return.”

stewart[®]

Denver-Aurora Jobs

November Comparison Compound Annual Growth Rate

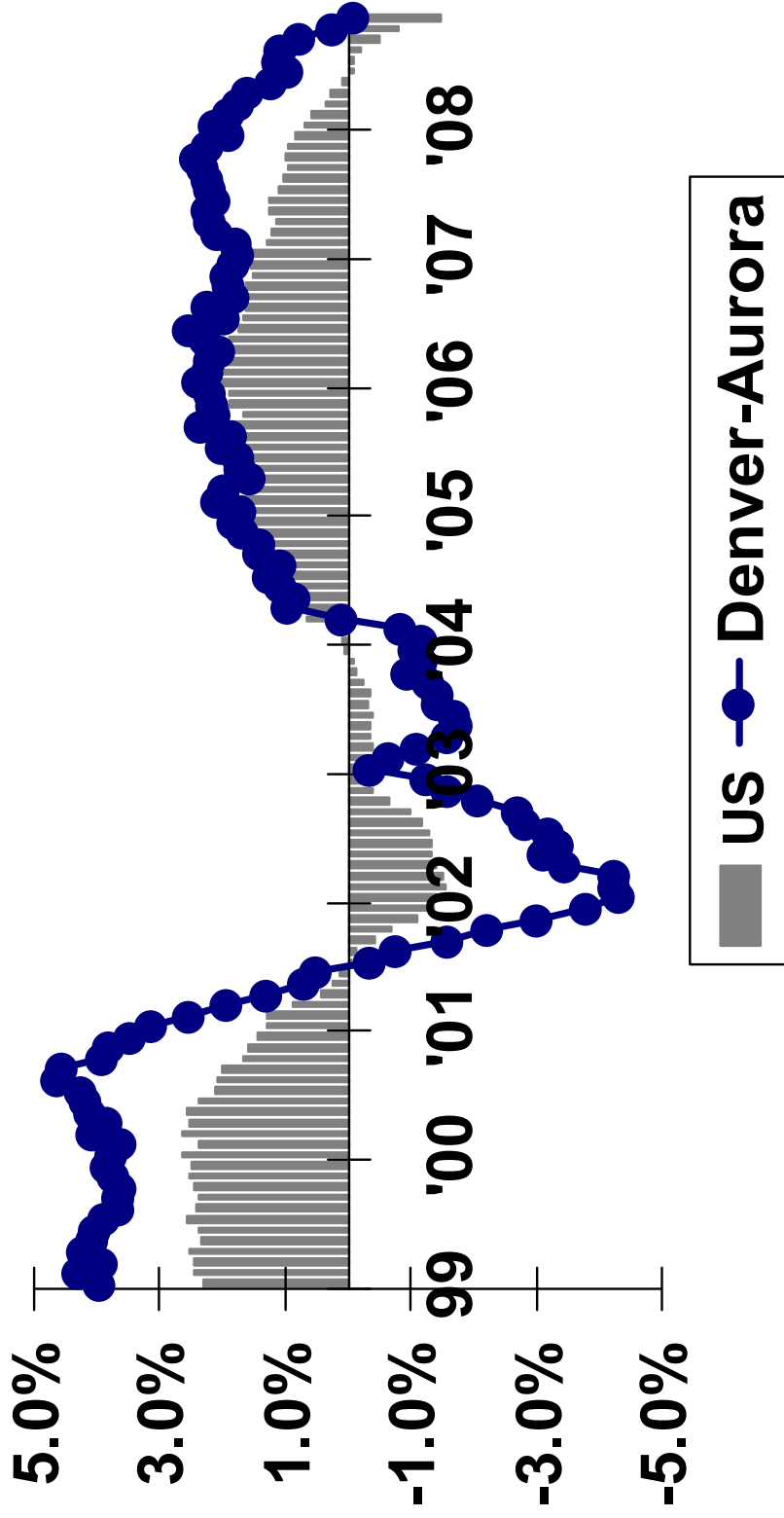


stewart[®]

Denver-Aurora Jobs

Percent Change from Same Month Prior Year

Not Seasonally Adjusted



1,000 Lost Jobs in the Past 12 Months

stewart

Obama Stimulus Plan

\$825 Billion Cost

Create or Save 4 Million Jobs

Spending **\$ 825,000,000,000**

Jobs

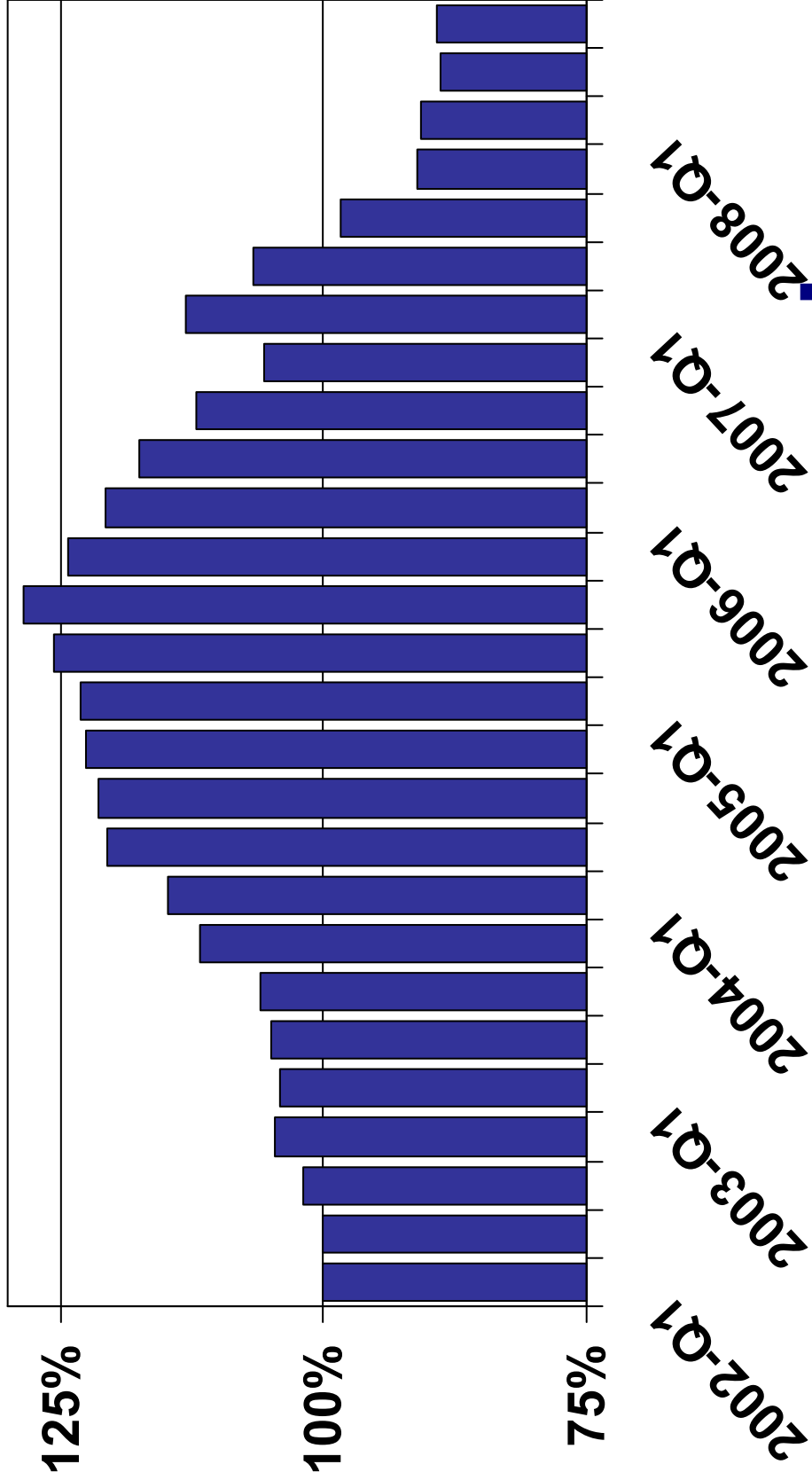
4,000,000

Cost Per Job	\$	206,250
---------------------	-----------	----------------

stewart[®]

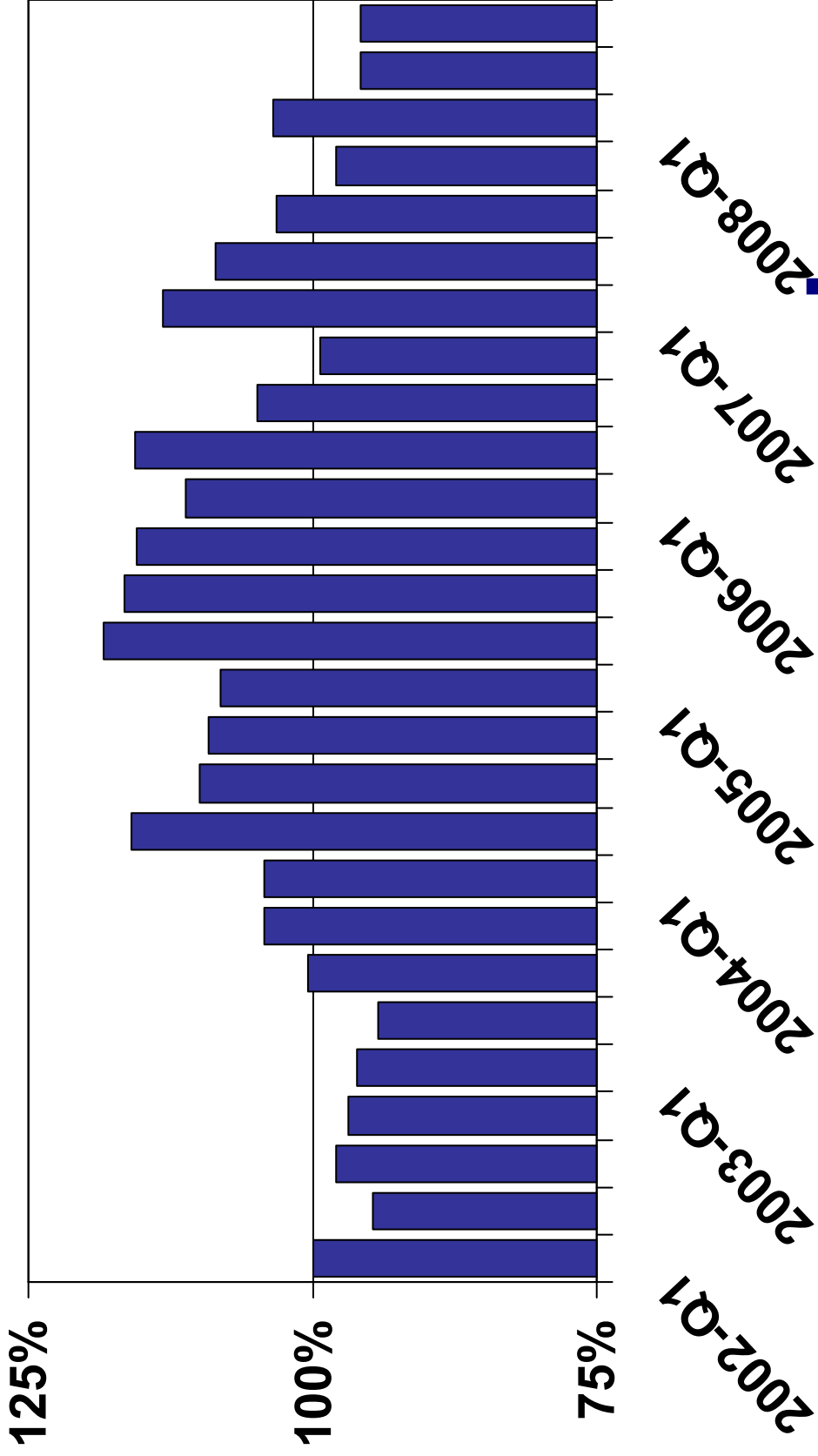
US Existing Housing Sales

2002 Q1 = 100 Percent



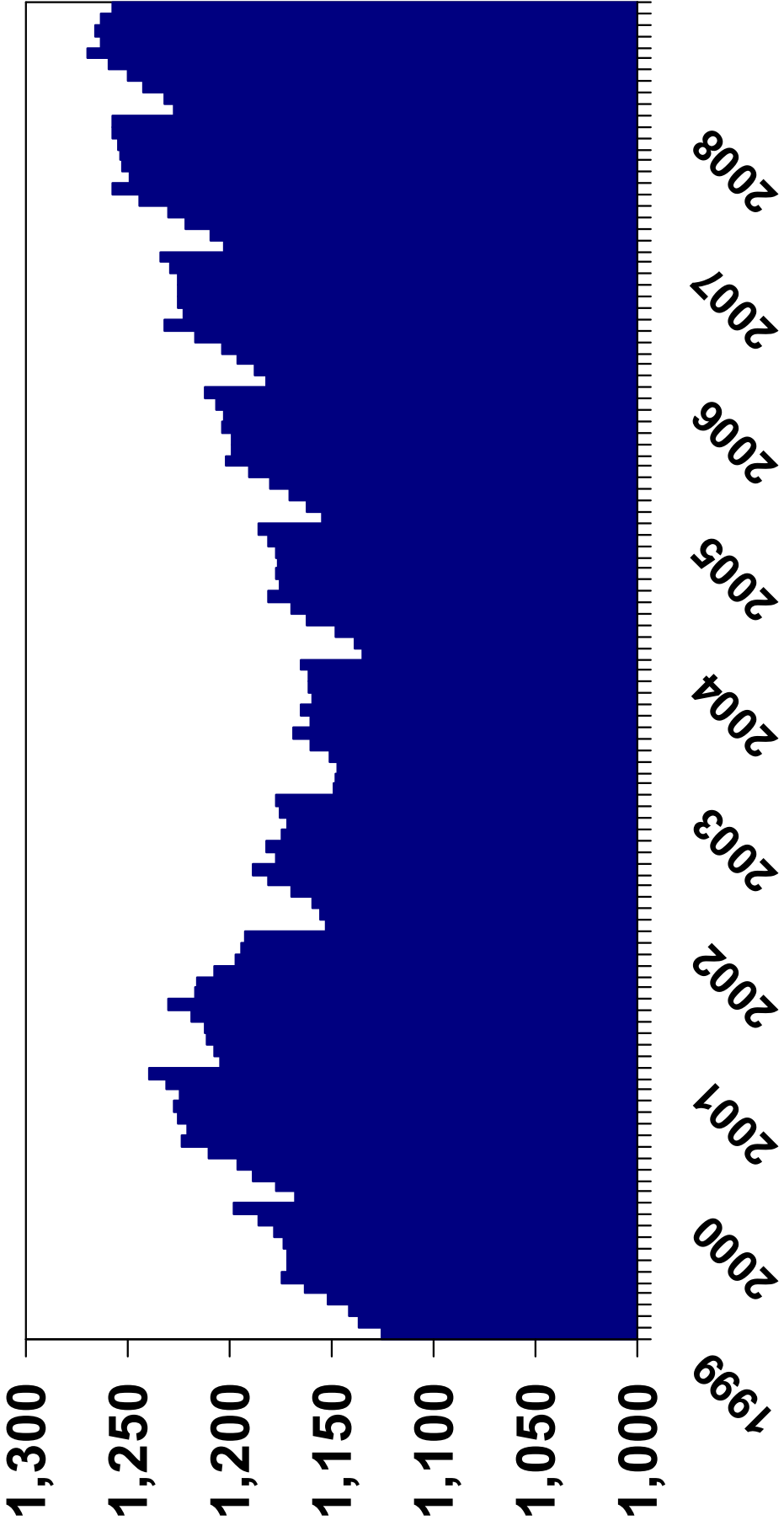
Colorado Housing Sales

2002 Q1 = 100 Percent



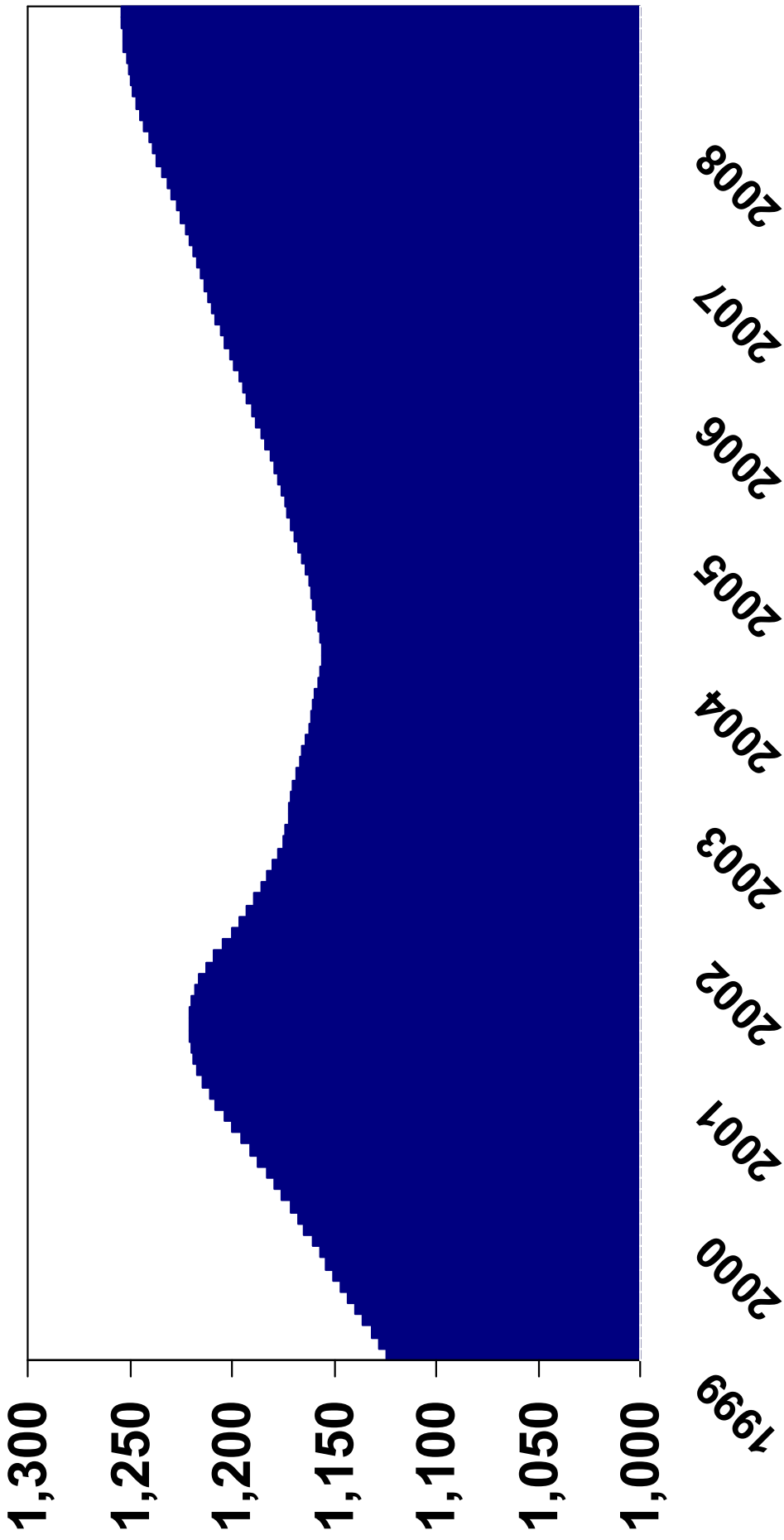
Denver-Aurora MSA Jobs

Jobs (Thousands)



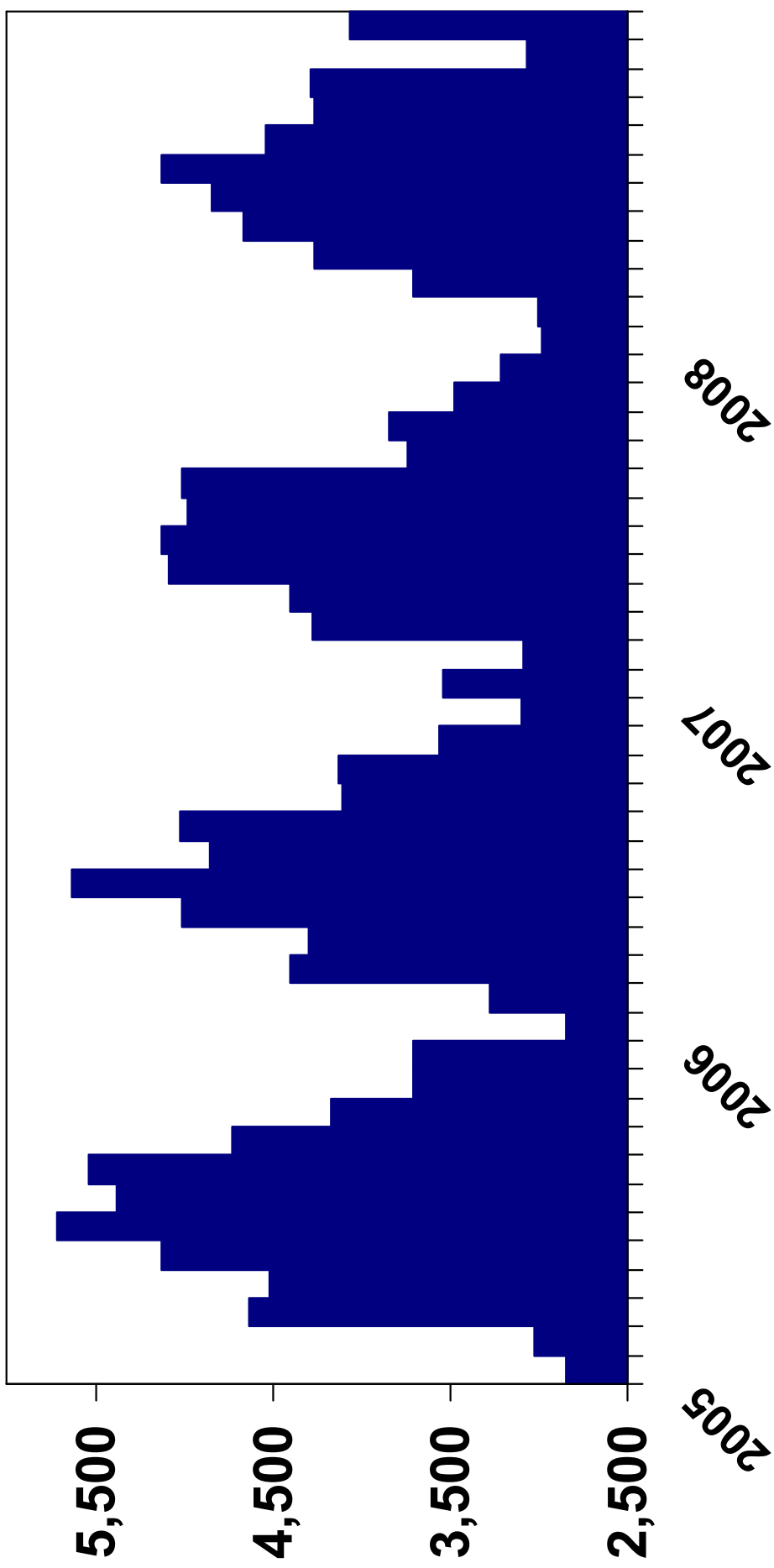
Denver-Aurora Job Numbers

Seasonally Adjusted -- (Thousands)



MetroList Residential Closings

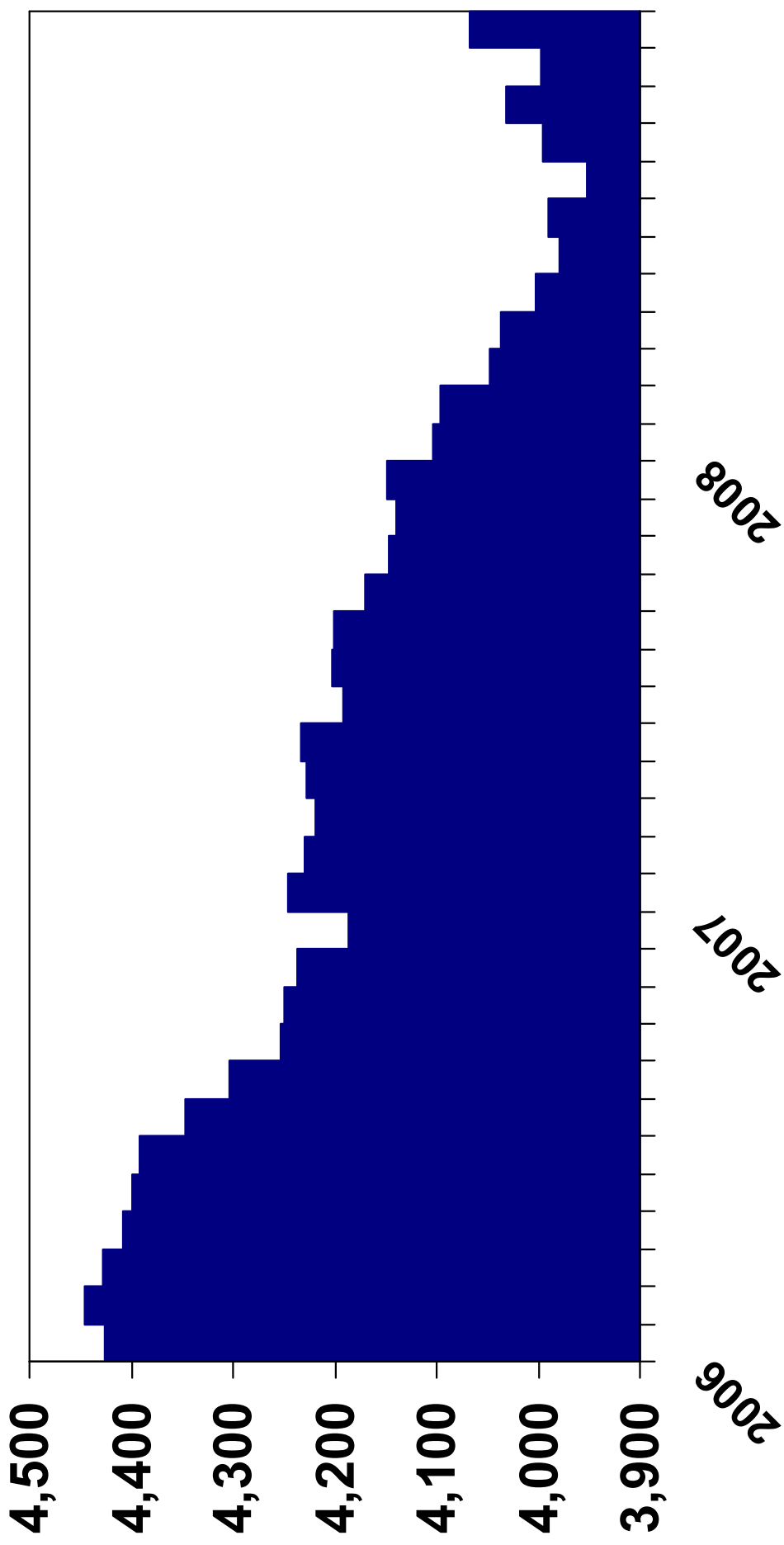
Number Per Month



stewart®

MetroList Residential Closings

Average Number Per Month For Prior 12 Months



stewart[®]

Residential Building Permits

Denver MSA

Year	Single		Multi		Total
	Family	Family	Family	Family	
97	13,406	5,992	8,321	19,398	
98	14,743	8,321	6,192	23,064	
99	16,643	11,415	12,835	22,835	
00	15,264	12,386	26,679	26,679	
01	14,498	8,044	26,884	26,884	
02	13,645	2,949	21,689	21,689	
03	13,240	3,068	16,189	16,189	
04	17,377	2,954	20,445	20,445	
05	16,461	4,738	19,415	19,415	
06	11,569	5,879	16,307	16,307	
07	6,818	5,102	12,697	12,697	
08p	3,622	5,102	8,724	8,724	

stewart[®]

Jobs Per Dwelling

Normal markets typically create 1.25 to 1.5 net new jobs per new dwelling unit.

Denver-Aurora

Last 12 Months

New Jobs

(1,000)

Residential Permits

8,724

New Jobs Per Dwelling

(0.11)

stewart[®]

Obama Tax Implications

Taxes Historically 18.1 Percent of GDP
BY 2012 Minimum 20 Percent (Up 10%)

Top Marginal Tax Rate Rising From 35 to 39.6 Percent

LT Cap Gains Rising 15 to 20 Percent

Dividends From 15 to Up to 39.6 Percent

Estate Tax Repealed in 2010

Returns in 2011 at 2001 High Rates

Caveat: This is a moving extraction and will change
stewart[®]

2009 Economic Concerns

- Wall Street—Washington--Liquidity
- Time Bomb Loans **Housing Sales**
 Continued Stagnant
- Cold War II—Terrorists
- Pandemic (bird flu.....)
- Inflation (and Cap Rates)--*Recession*
- Tax Cut Clock Ticking.....
- Energy: US Imports 63 Percent of Oil
- Real Estate-Autos-Credit Cards-Banks

stewart®

2009 It's All About the Price

Washington-Wall Street

Real Estate and the Economy

Ted C. Jones PhD

Senior Vice President-Chief Economist
Stewart Title Guaranty Company

Director of Investor Relations
Stewart Information Services Corporation

stewart[®]