But first, let’s answer the big question ..... HOW LONG CAN THIS LAST?
How long can this expansion last?

Annual % Change (seasonally-adjusted)

Source: BEA (07/28/2017)
We’ve won the bronz, and aiming for the silver

**Duration of past expansions (months)**

- 49: 45 months
- 54: 39 months
- 58: 24 months
- 61: 106 months
- 70: 36 months
- 75: 58 months
- 80: 12 months
- 82: 92 months
- 91: 120 months
- 98: 73 months
- 109: 98 months
- Average: 64 months

Source: BEA (07/28/2017)
Why the big slowdown during recent expansions?

Average annual GDP growth rates

7.0%  6.2%  4.9%  4.3%  4.5%  4.3%  3.6%  2.7%  2.2%  4.2%

Source: BEA (08/30/2017)
ECON 101: GDP = C + I + G + NX

Source: BEA (08/30/2017)
So how are consumers doing?
It seems like consumers are pretty happy!

Sources: University of Michigan; Conference Board
Consumer spending growth has been pretty solid ...

Annual % Change
(Seasonally-adjusted)

Source: BEA (08/30/2017)
...but are they digging into their savings?

**Personal Savings Rate**
(Annual rate; seasonally-adjusted)

Source: BLS (08/30/2017)
Jobs! Jobs! Jobs!
Jobs continue to be added

Monthly Change in Nonfarm Jobs (thousands)

- 8.6 million jobs lost in two years
- 17 million jobs added since Jan 2010

Source: BLS (9/1/2017)
Unemployment rates

Source: BLS (08/4/2017)
Declining labor force participation ....

Source: BLS (08/4/2017)
.... even of prime working-age population

Source: BLS (08/4/2017)
Wage growth has been anemic

Average Weekly Earnings
(Annual % change)

Source: BLS (09/01/2017)
A job is a job is a job....

Since 2010, we added about 17 million jobs:

<table>
<thead>
<tr>
<th>Industry</th>
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## A job is a job is a job....

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Private investment could drive growth ....

Private investment as % of GDP

Source: BEA (08/30/2017)
.... but it is quite volatile

Source: BEA (08/30/2017)
Firms still have idle capacity

Manufacturing Capacity Utilization Rate
(seasonally-adjusted)

Growth in investment in equipment does not happen while this is below 80%.

Source: Federal Reserve Board
Investment in residential construction is on the rise

Billions of chained (2009) dollars
(seasonally-adjusted)

Source: BEA (08/30/2017)
Are we building enough housing?

New Privately-Owned Housing Starts
(Units per thousand 25-64 population; seasonally-adjusted)

Source: U.S. Census Bureau
The great shift towards rentership …

% of housing units that are owner-occupied  % of housing units that are renter-occupied

Owner-occupied units % Rental housing units %

Source: U.S. Census Bureau
... may finally be ending

Source: U.S. Census Bureau
Inflation remains tame

Source: BEA (07/28/2017)
Employers’ labor costs have grown very slowly

Employment Cost Index
(Annual % change in total compensation)

Source: BLS (07/28/2017)
How’s the nation doing?

• Do we see a national recession looming?
  • Not really
  • But we may need to accept living in a slow growth-low inflation environment
  • This could be due to the changing mix of industries and the influence of technology

• The consumer will continue to be the main driver
  • So a healthy labor market is important
  • But wage growth has been mediocre
  • ... which is worrisome
E pluribus quattuor
CoStar's economic regions
Regions have performed differently....

Real GDP Growth
(Average annual percent change 2010 to 2016)

U.S. real GDP growth 2010 to 2016:
1.9%

- Southwest: 3.1%
- Rocky Mountain: 2.1%
- Far West: 2.5%
- Mideast: 1.5%
- Great Lakes: 1.8%
- Southeast: 1.4%
- Plains: 1.8%
- New England: 1.2%
… as have states in the West

Real GDP Growth
(Average annual percent change 2010 to 2016)

Source: BEA (05/11/2017)
Most Western states are growing faster than the U.S.

Real GDP Growth
(Percent change 2016 over 2015)

Source: BEA (05/11/2017)
Oregon

Real GDP Growth
(Year over year percent change)

- Unemployment rate: 3.8%
- Job growth (July): 2.9%
- Pop growth (2016): 1.7%
- Per capita income: $40,390

Source: BEA (05/11/2017)
Utah
Real GDP Growth
(Year over year percent change)

Unemployment rate: 3.5%
Job growth (July): 2.5%
Pop growth (2016): 2.0%
Per capita income: $37,110

Source: BEA (05/11/2017)
California

Real GDP Growth
(Year over year percent change)

Unemployment rate: 4.8%
Job growth (July): 1.7%
Pop growth (2016): 0.7%
Per capita income: $43,530

Source: BEA (05/11/2017)
Nevada

Real GDP Growth
(Year over year percent change)

Source: BEA (05/11/2017)

Unemployment rate: 4.8%
Job growth (July): 2.7%
Pop growth (2016): 2.0%
Per capita income: $39,170

Source: BEA (05/11/2017)
Arizona

Real GDP Growth
(Year over year percent change)

Unemployment rate: 5.1%
Job growth (July): 1.2%
Pop growth (2016): 1.7%
Per capita income: $37,270

Source: BEA (05/11/2017)
Colorado
Real GDP Growth
(Year over year percent change)

Unemployment rate: 2.4%
Job growth (July): 1.7%
Pop growth (2016): 1.7%
Per capita income: $45,190

Source: BEA (05/11/2017)
Texas

Real GDP Growth
(Year over year percent change)

Unemployment rate: 4.3%
Job growth (July): 2.4%
Pop growth (2016): 1.6%
Per capita income: $44,420

Source: BEA (05/11/2017)