

ECONOMIC PRESENTATION

Idaho Apartment Association

October 9th, 2018

- Wes Jost, Zions Bank

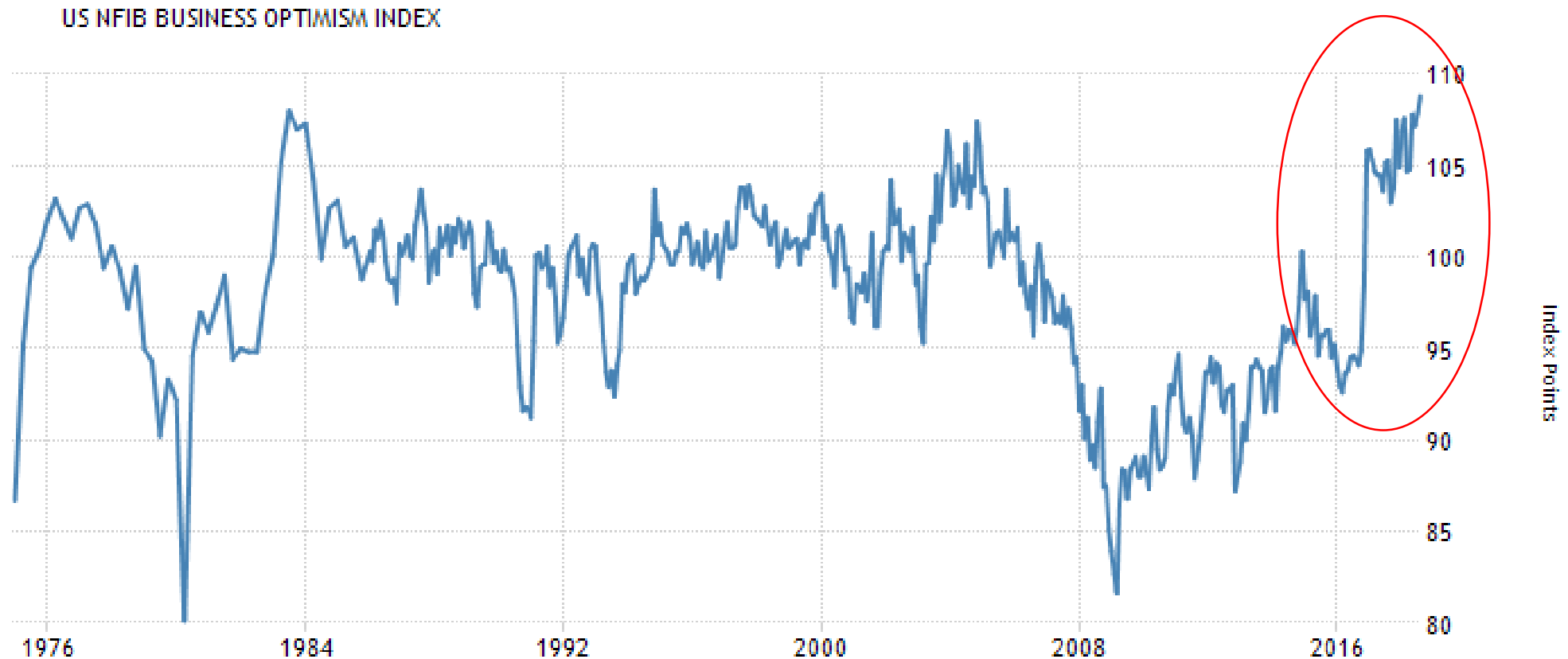


National Economic Conditions

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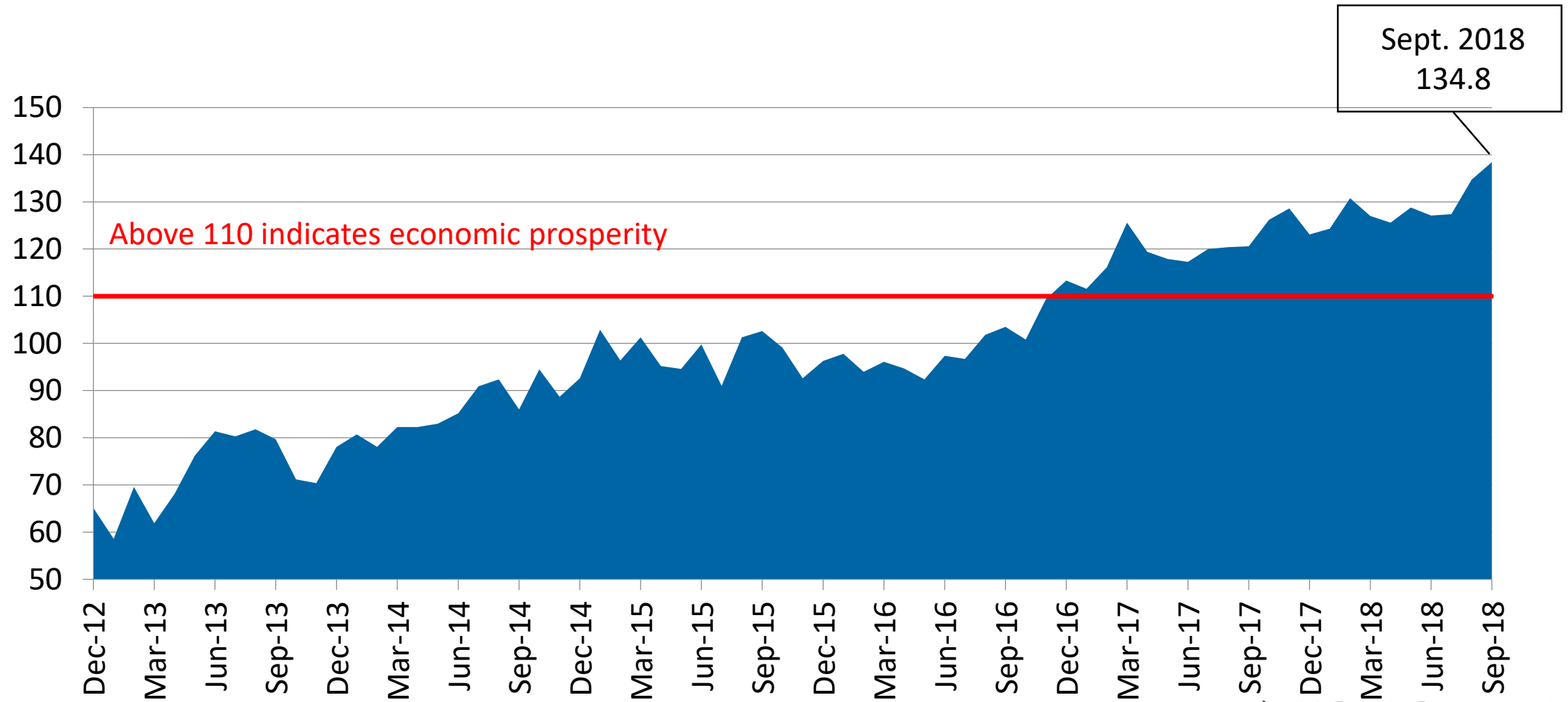
Business Optimism Reaches Highest Level Ever



SOURCE: TRADINGECONOMICS.COM | NATIONAL FEDERATION OF INDEPENDENT BUSINESS

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Consumer Confidence Remains High



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Source: The Conference Board

Trumponomics

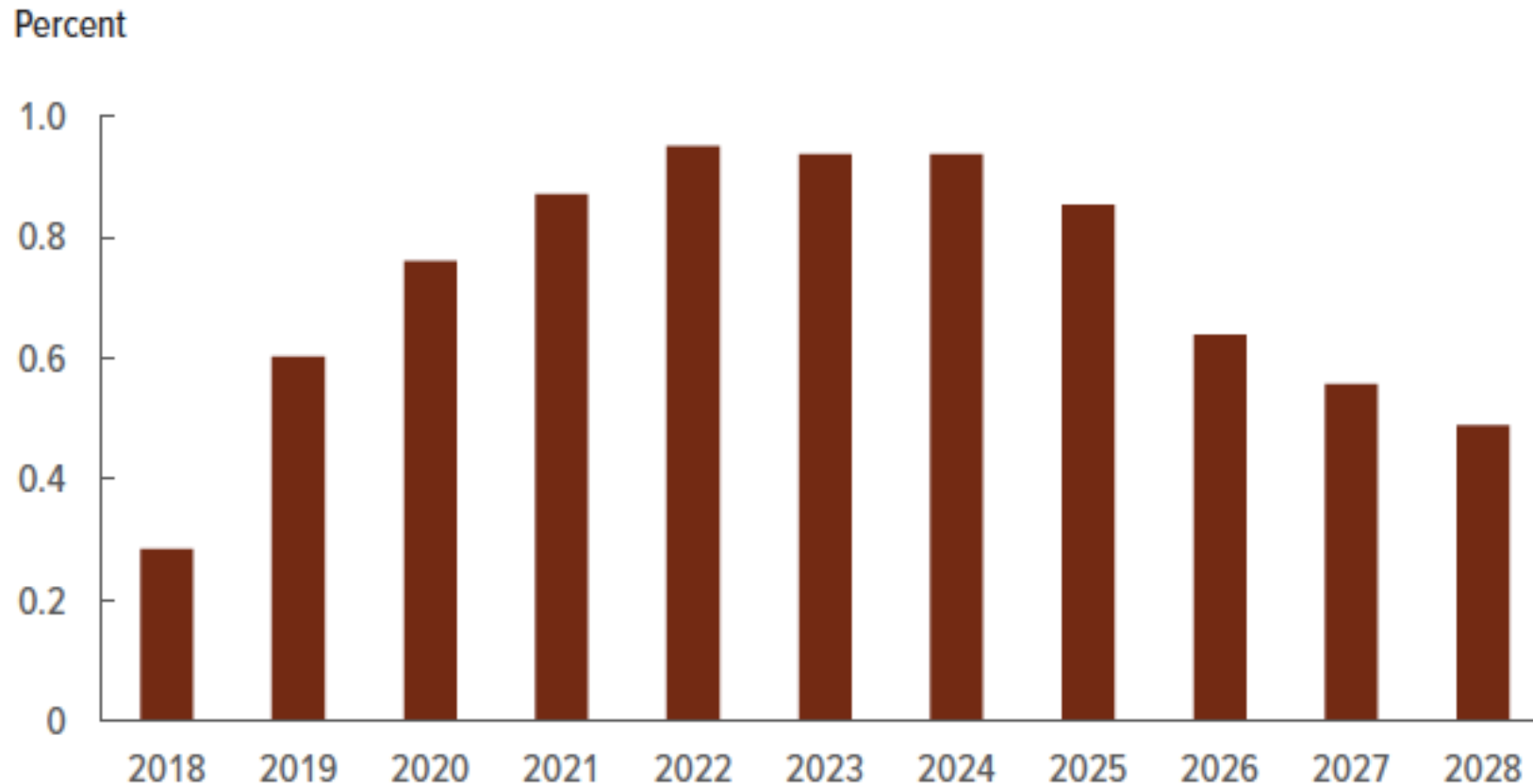
- Repeal and replace the Affordable Care Act
- Tax Reform
- Increase spending on infrastructure and military
- Reduce government regulations
- Renegotiate trade deals

- But can they get it done...?

US Tax Reform Overview

- Individual (Sunset in 2025)
 - Small changes to tax rates
 - Increase standard deduction
 - Eliminate personal exemption
 - Double child tax credit
 - Lower mortgage interest deduction from \$1m to \$750k
 - Cap deductions for state and local taxes at \$10,000
 - Eliminate various itemized deductions
 - Remove the health insurance mandate (permanent)
- Corporate (Permanent)
 - Reduce corporate tax rate from 35% to 21%
 - Pass-through income deduction of 20%
 - Repatriation of foreign income at 15.5% (territorial tax system)
- Economic Impact
 - Score of around \$1.5 trillion
 - Many US companies already increasing wages and bonuses
 - Increase GDP by up to 0.5%
 - Fed reaction?

Tax Reform has an Initial Impact and then Tapers Off

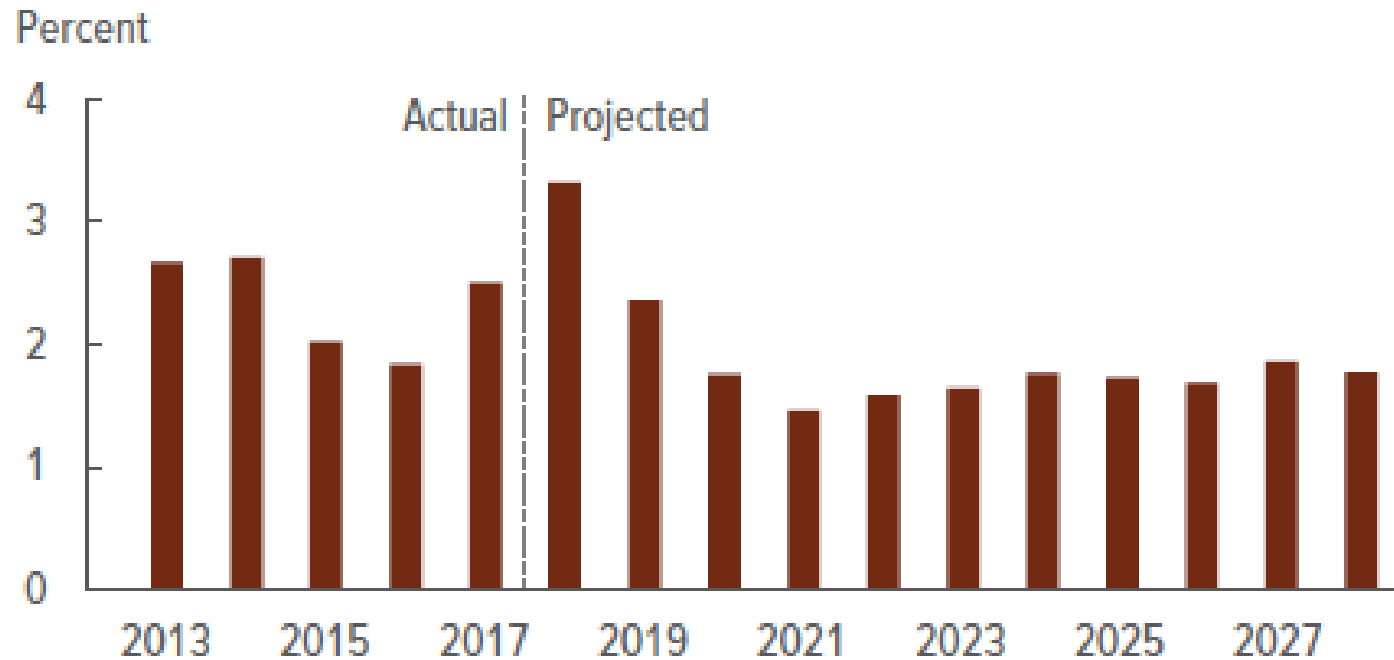


In CBO's projections, the effect of the 2017 tax act is an **increase in the level of real GDP** by 0.7 percent, on average, over the 2018–2028 period. Later in the period, the effects are tempered as some tax provisions expire and as increased borrowing crowds out private investment.

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CBO Projections Show a Spike Followed by a Slowdown in Economic Growth

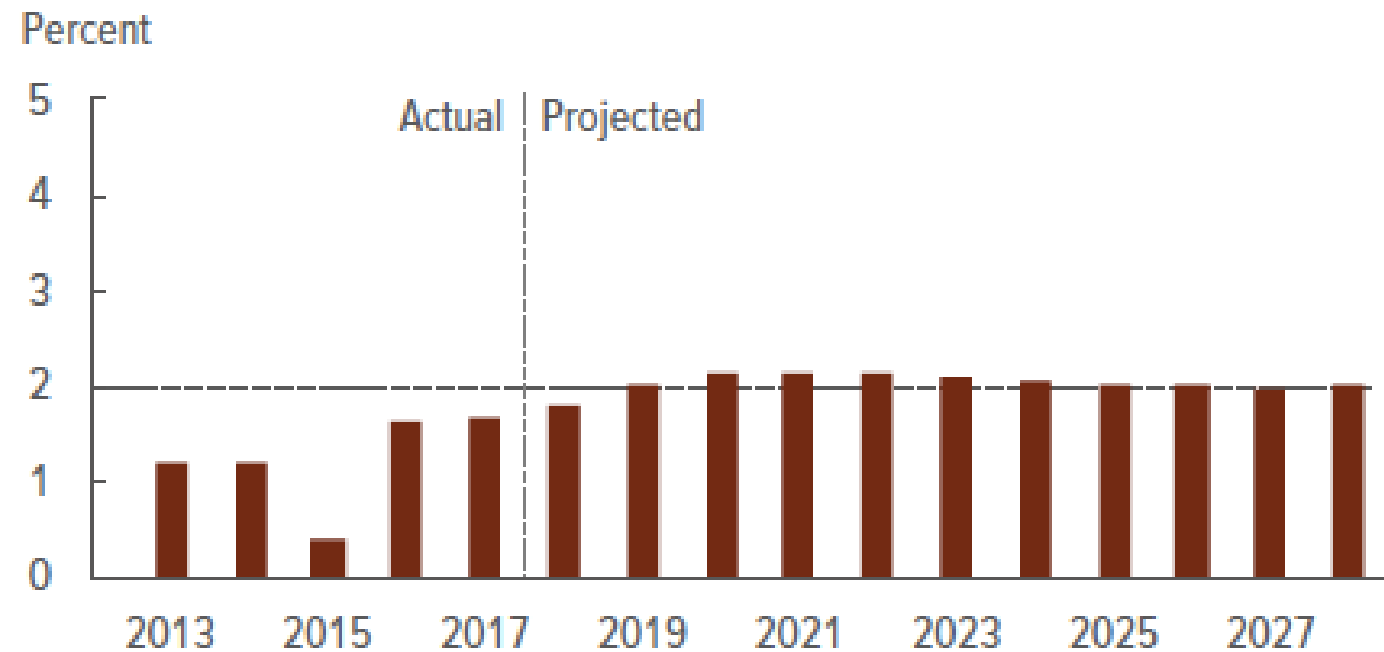
- 1 Spurred by fiscal stimulus, **real GDP growth** is expected to be 3.3 percent this year and 2.4 percent next year.



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CBO Projections Show a Slowdown in Inflation in the Longer Term

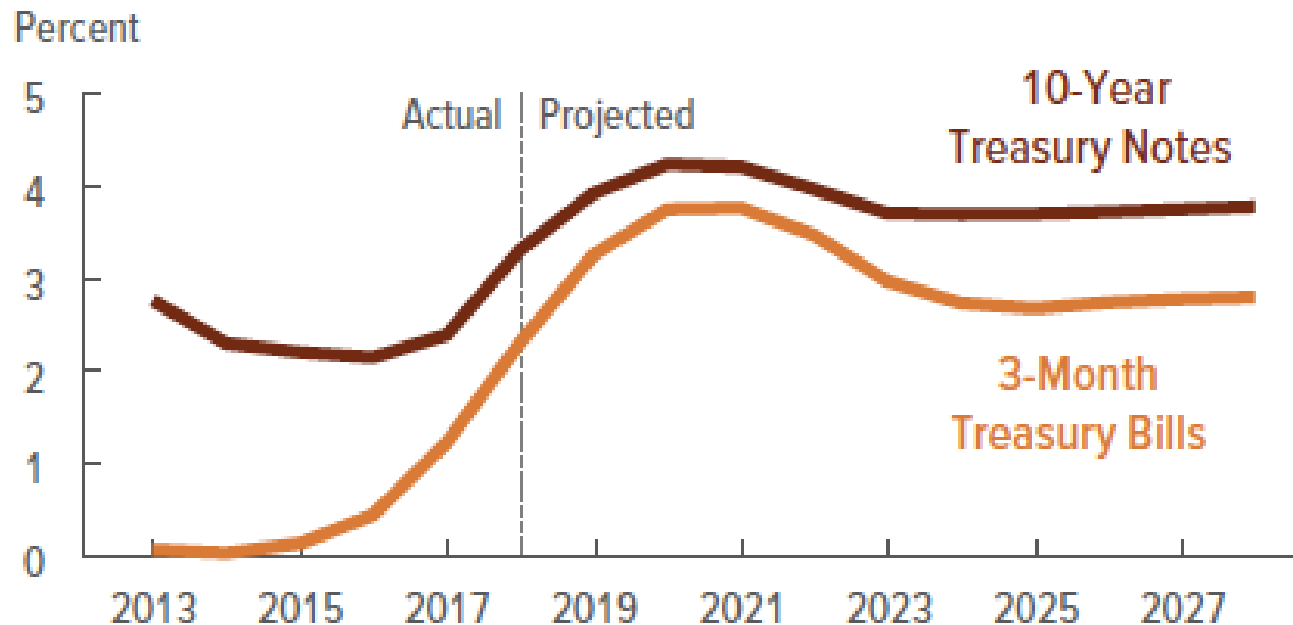
- 3 By 2020, excess demand pushes consumer price inflation slightly above the Federal Reserve's target of 2 percent.



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CBO Projections Show a Rise in Interest Rates

- 4 **Interest rates** rise over the next few years as the Federal Reserve raises the federal funds rate to reduce inflationary pressures.



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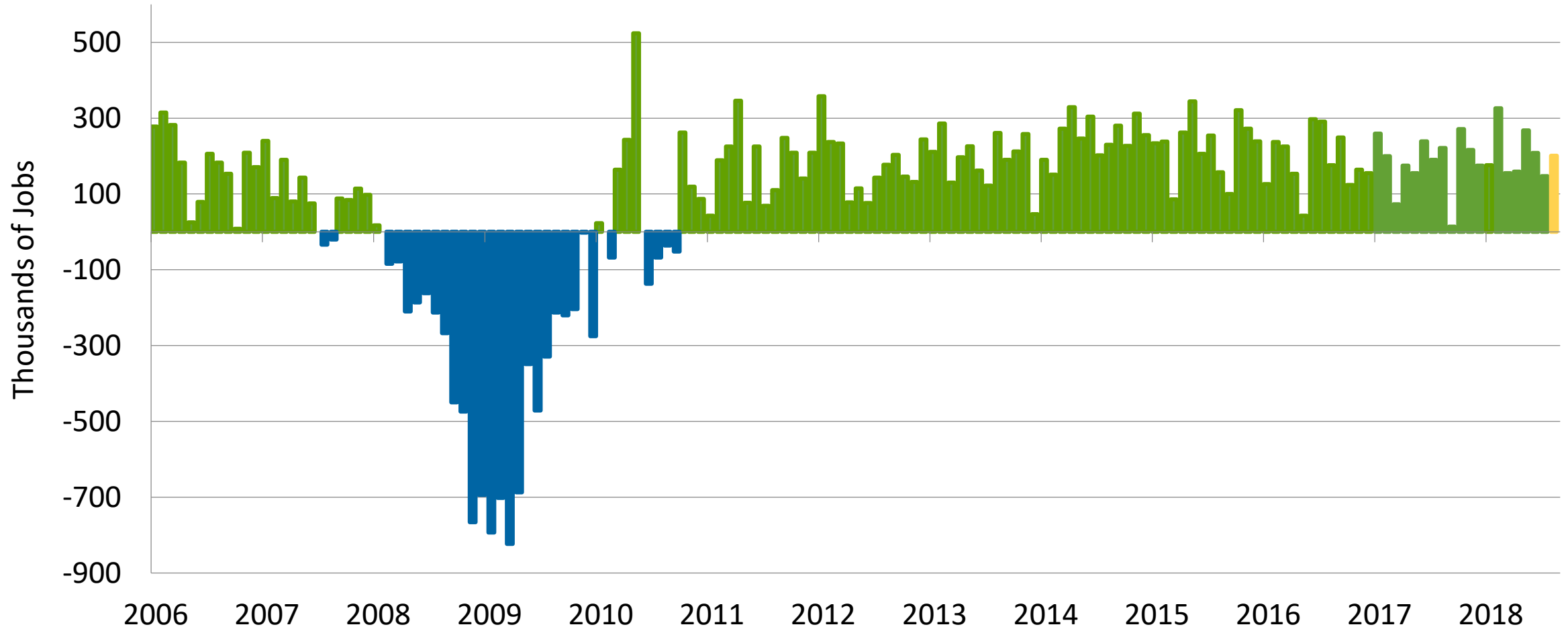
August Job Indicators

| Indicator | Expectation | Actual |
|------------------------------------|-------------|---------|
| Total Nonfarm Payrolls | 195,000 | 201,000 |
| Unemployment Rate | 3.8% | 3.9% |
| Private Payrolls | 190,000 | 204,000 |
| Monthly Average Hourly Wage Growth | 0.3% | 0.4% |
| Yearly Average Hourly Wage Growth | 2.7% | 2.9% |
| Labor Force Participation | 62.8% | 62.7% |

Sources: Wall street Journal and Bureau of Labor Statistics

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August Marks 95 Straight Months of Job Growth

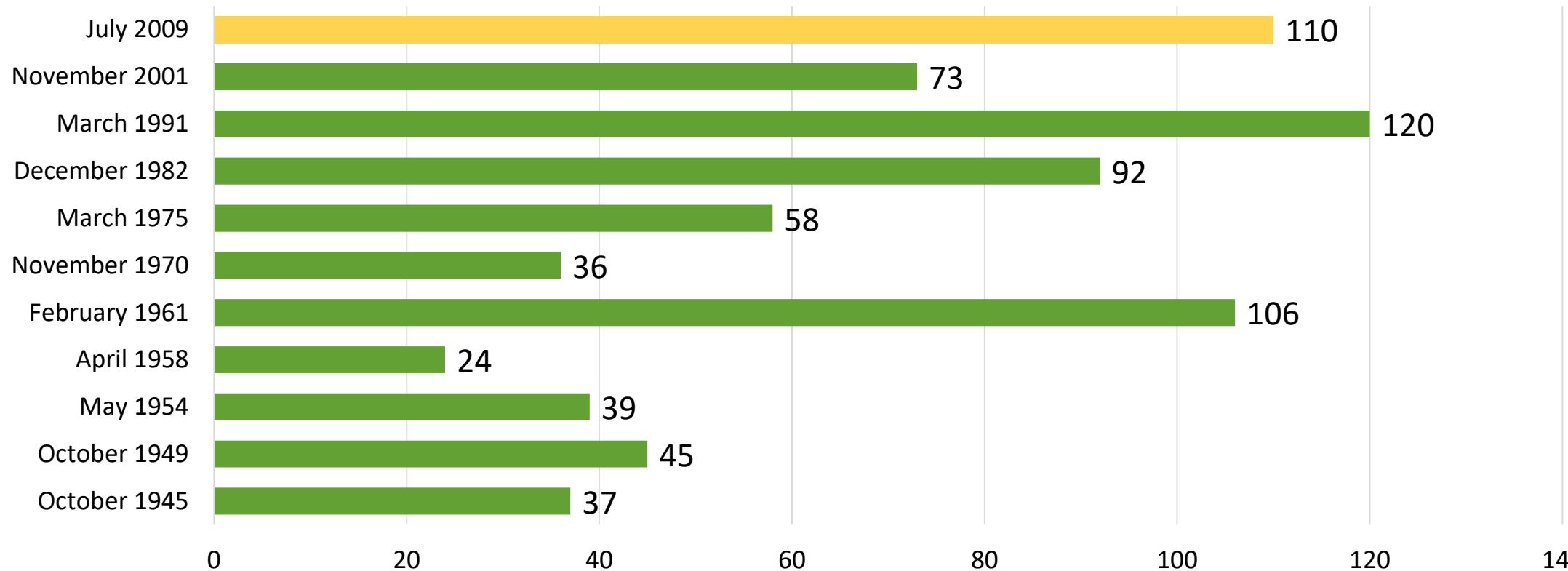


Source: Bureau of Labor Statistics

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The US is currently in the 2nd longest economic expansion on record

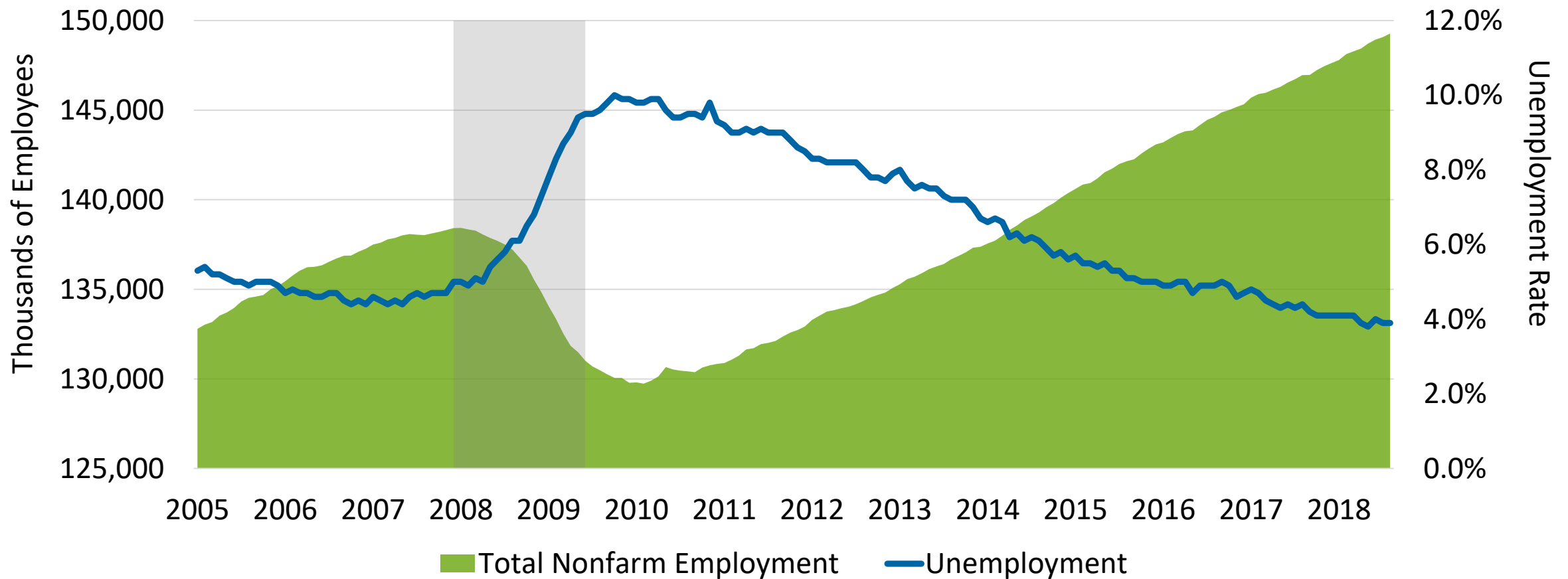
Duration of Economic Expansion by Months



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Source: National Bureau of Economic Research

Employment Continues to Rise as Unemployment Falls

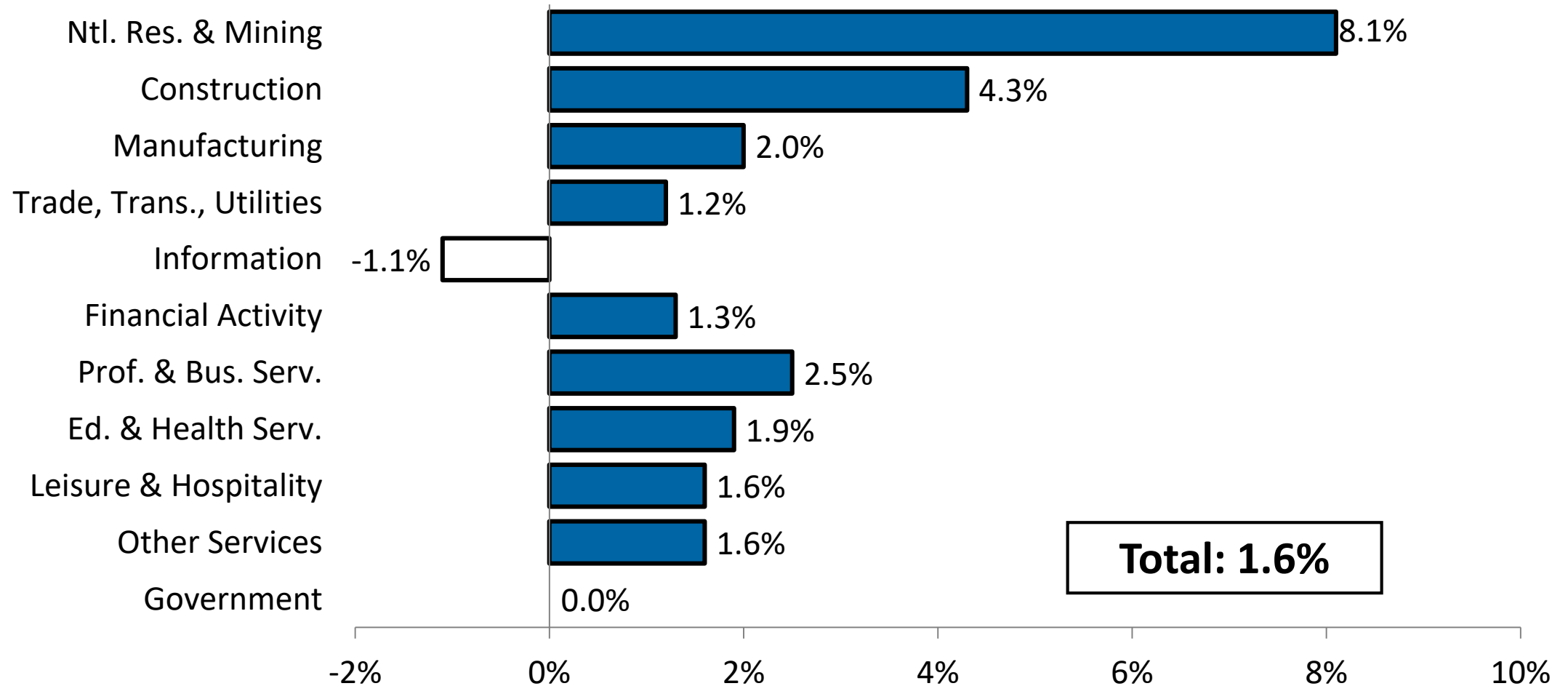


Source: Bureau of Labor Statistics

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National Employment Change

Percent Change in National Employment by Industry: August 2017 to August 2018

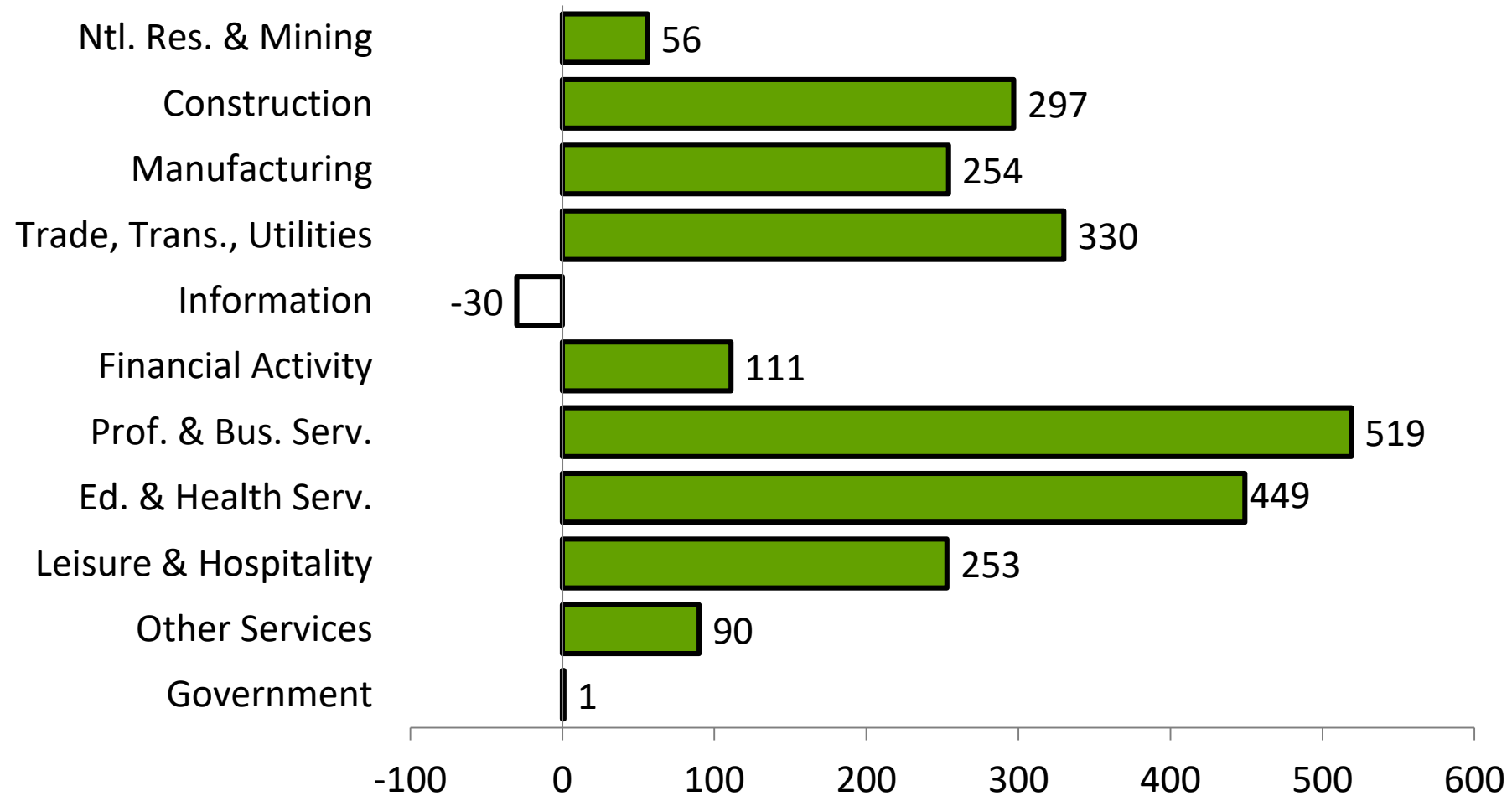


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Source: Bureau of Labor Statistics

National Employment Change

Total Change in Number of Jobs by Industry in Thousands: August 2017 to August 2018

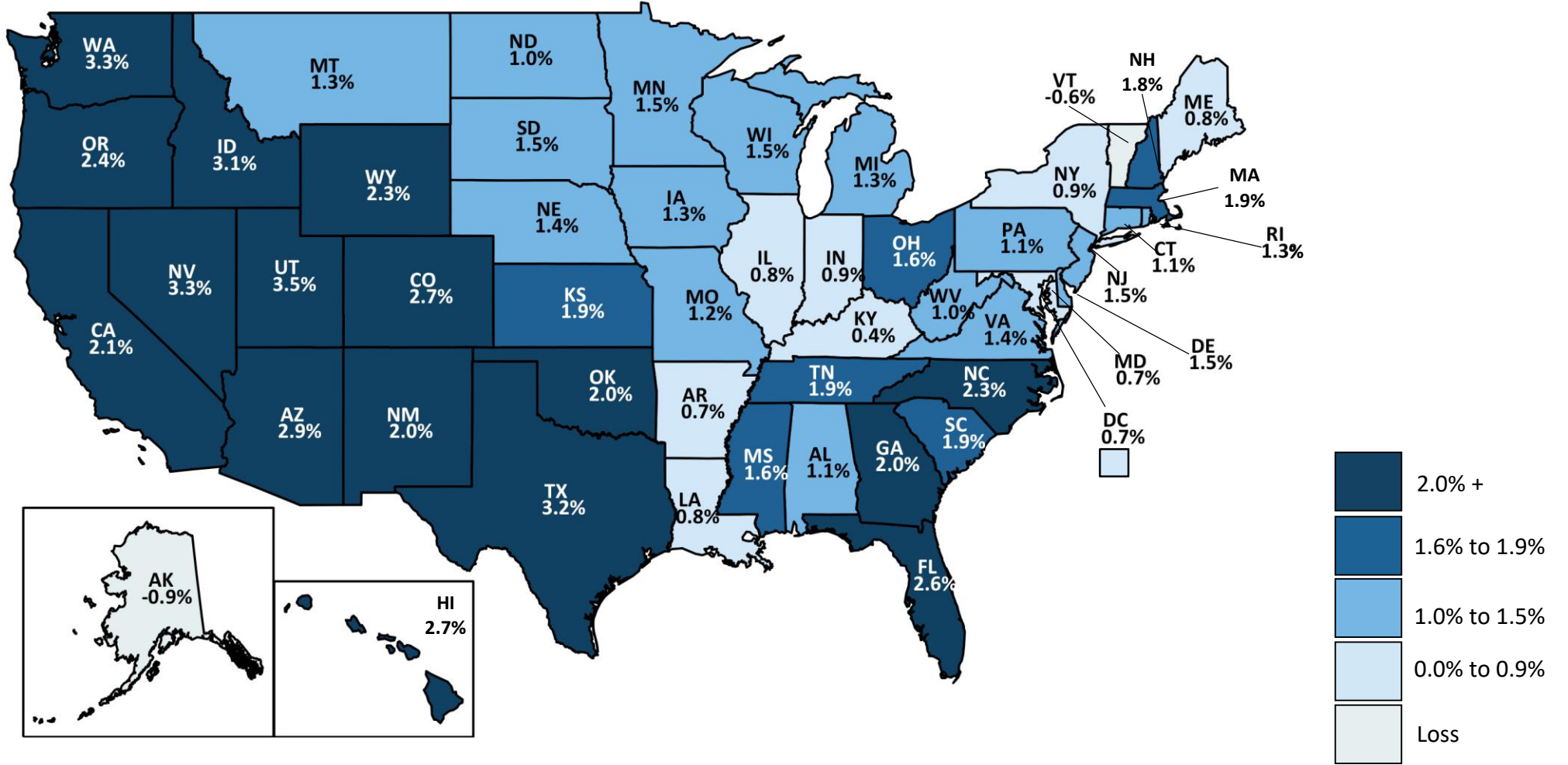


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Employment Growth by State

Percent Change in Employment for States: August 2017 to August 2018

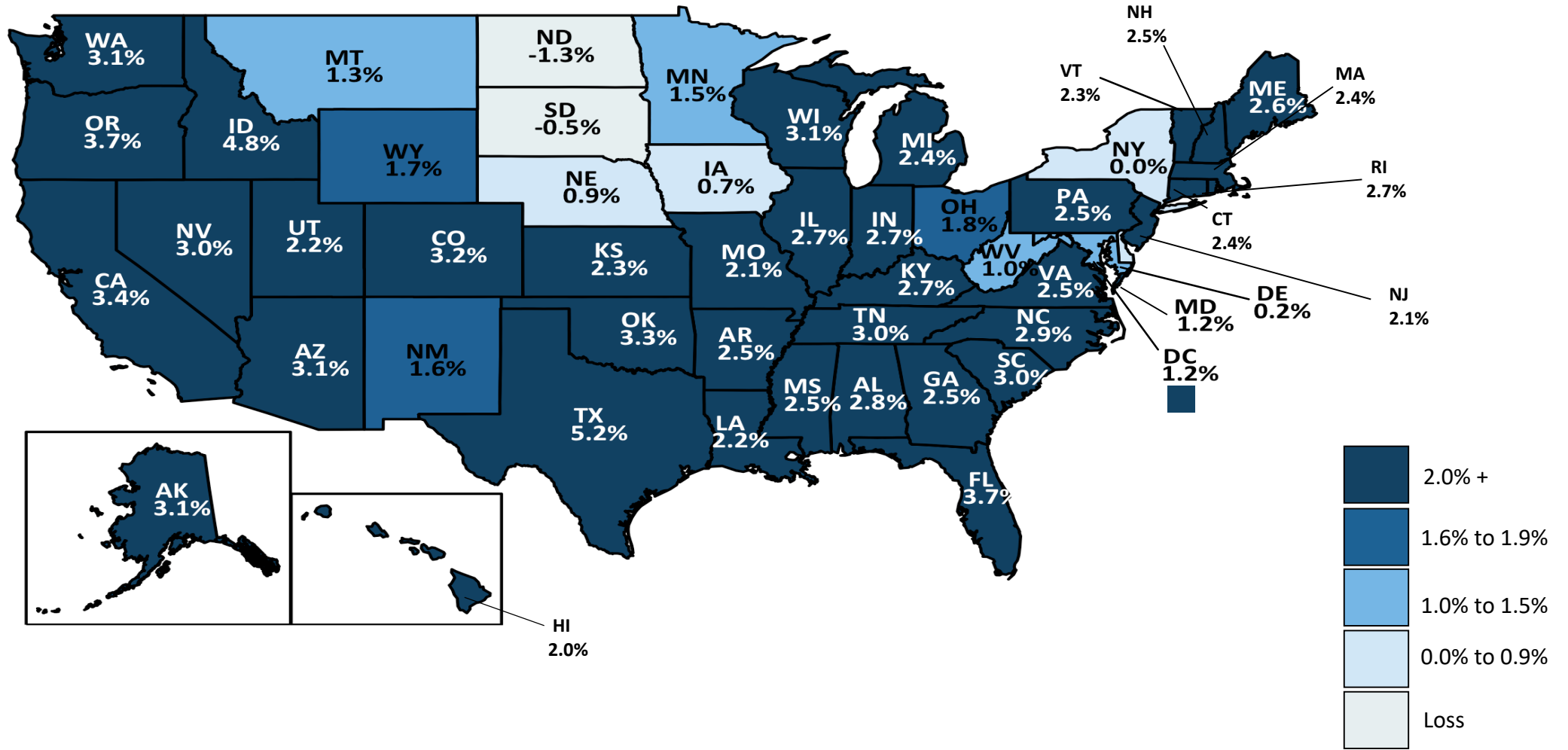
U.S. Rate = 1.6%



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Gross Domestic Product by State: Q4 2017

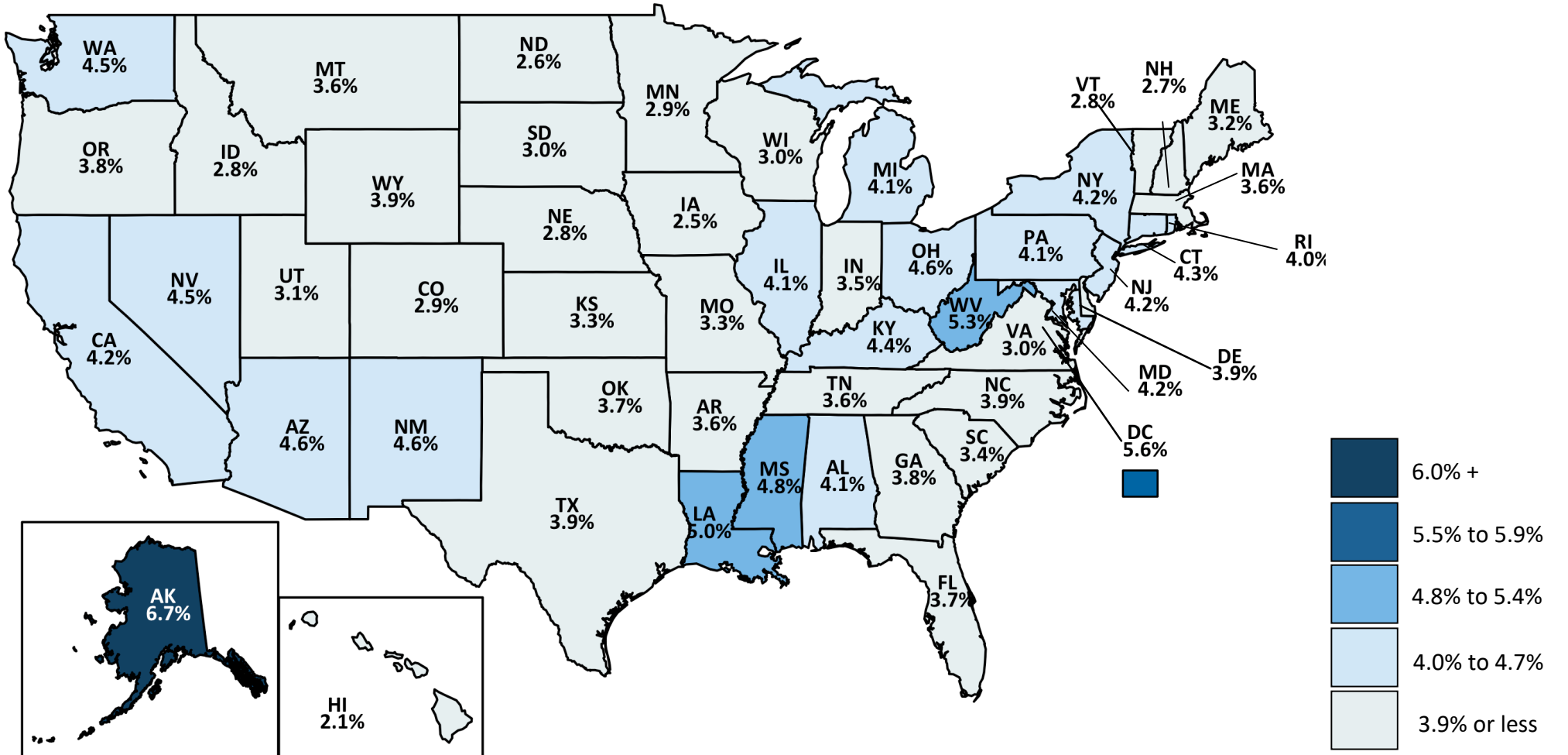
U.S. Rate = 2.6%



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Unemployment Rates by State

August 2018 U.S. Rate = 3.9%

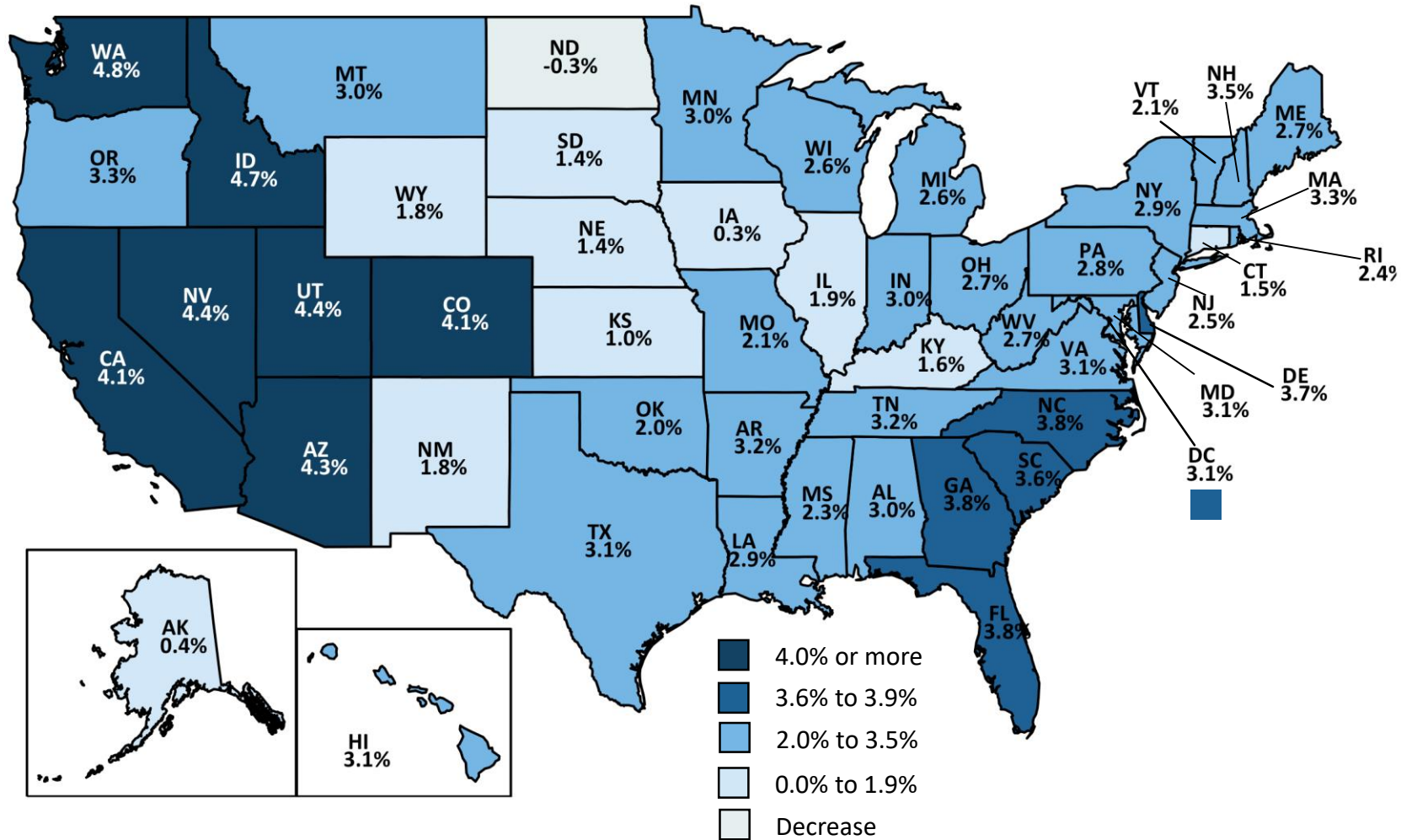


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Personal Income Growth by State

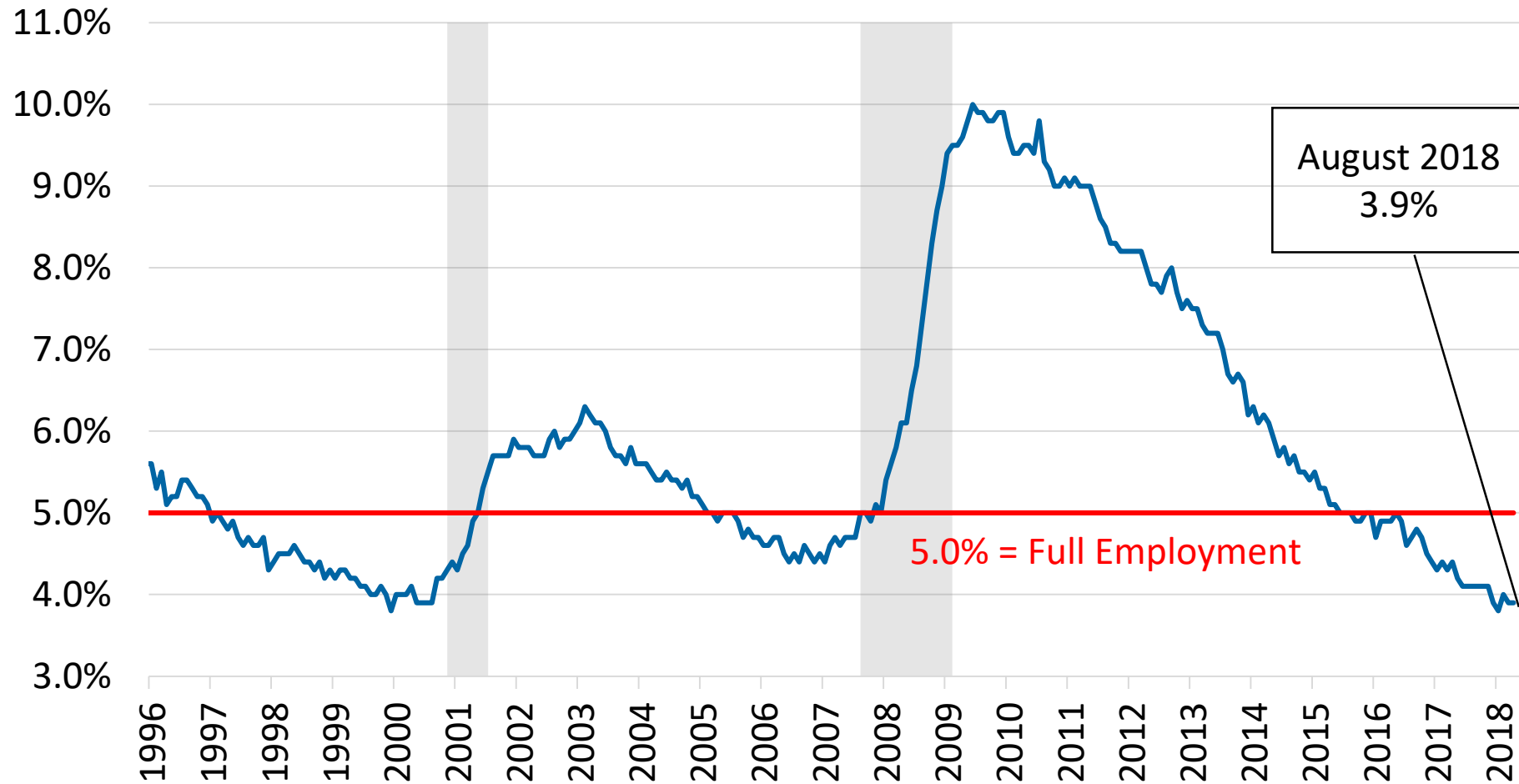
Percent Change in Personal Income : 2016 - 2017

U.S. = 3.1%, UT = **4.4%** ID = **4.7%**



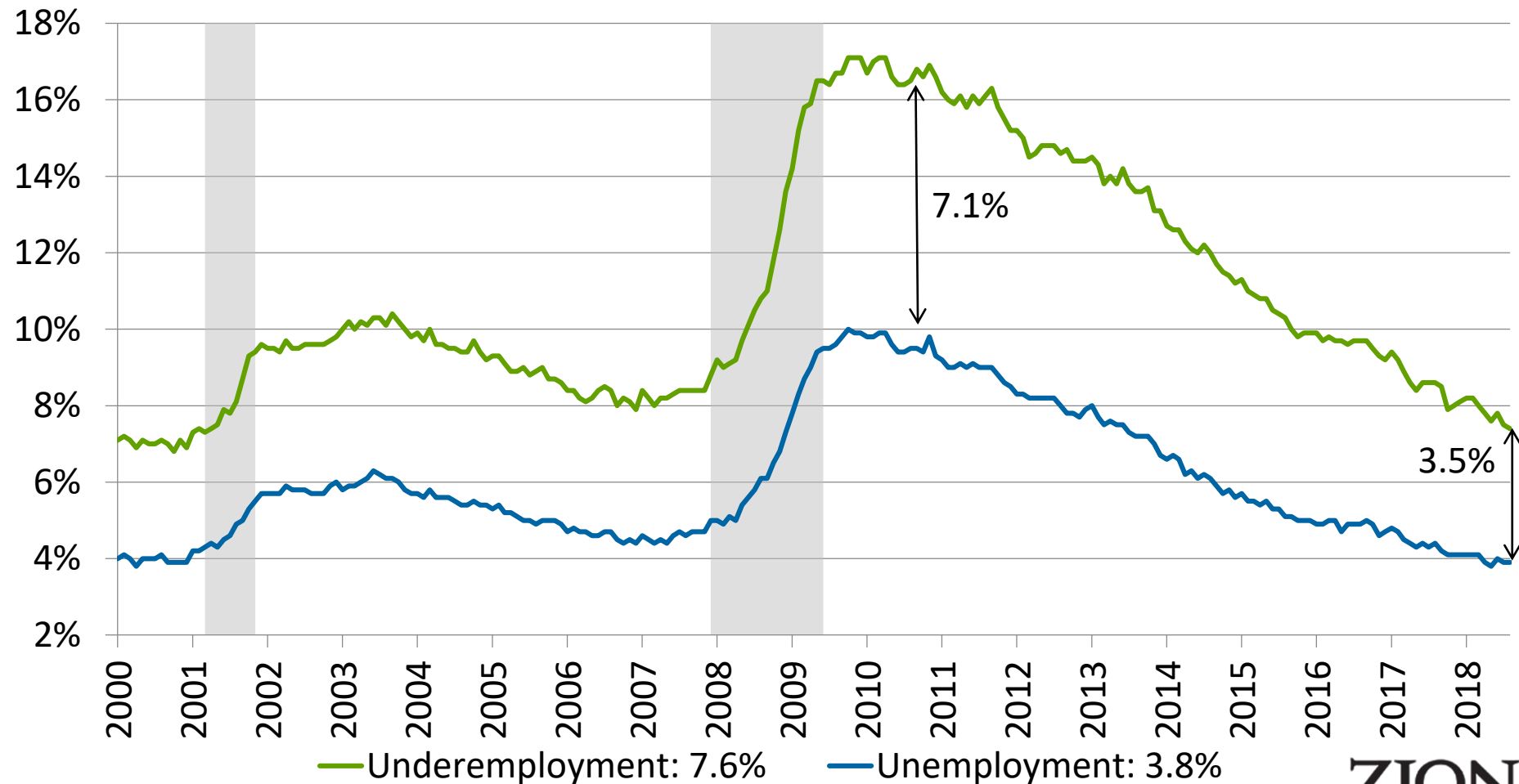
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US Unemployment Rate Remains Historically Low



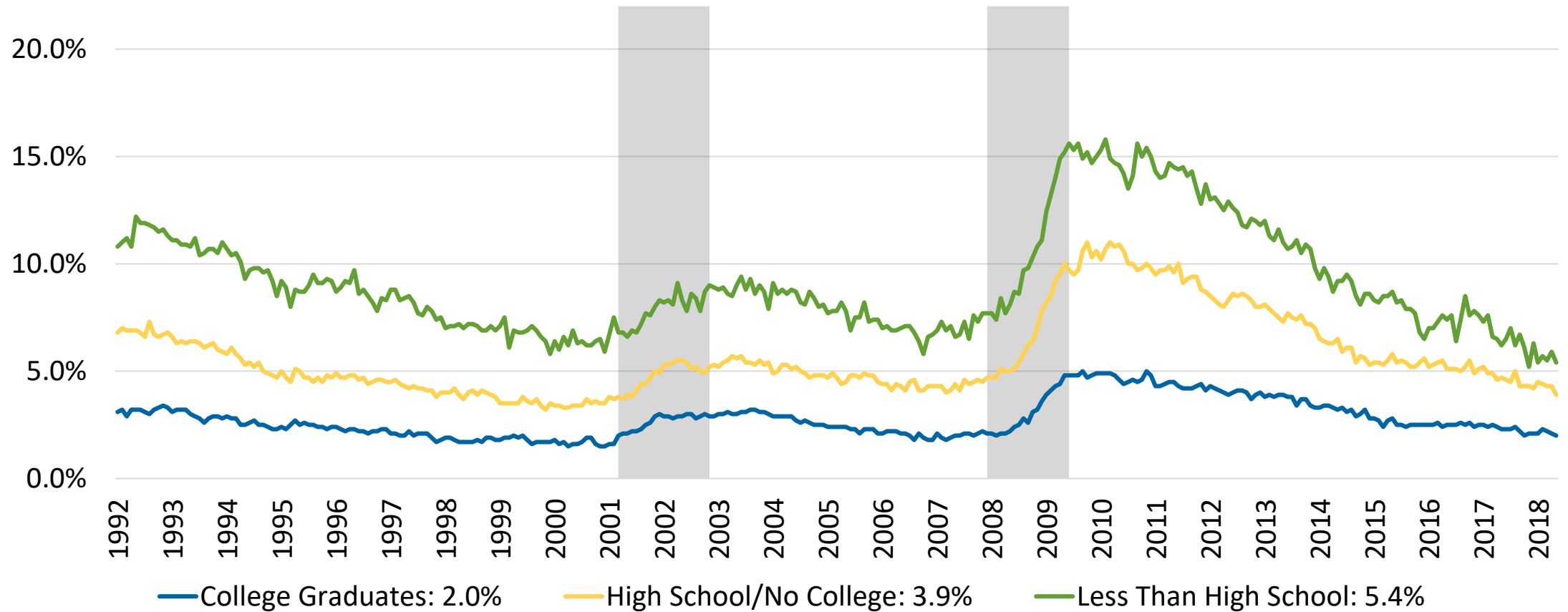
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Unemployment and Underemployment Remain Low



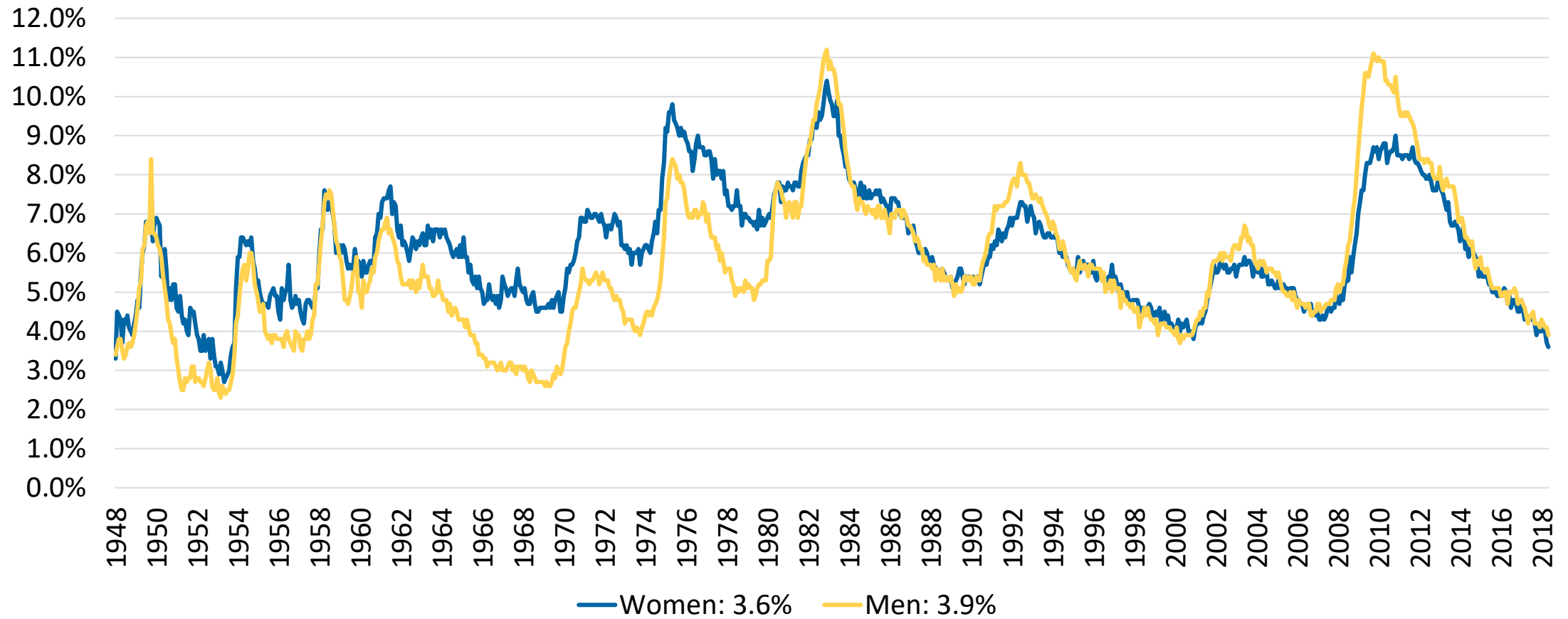
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Unemployment Declining Across Educational Attainment



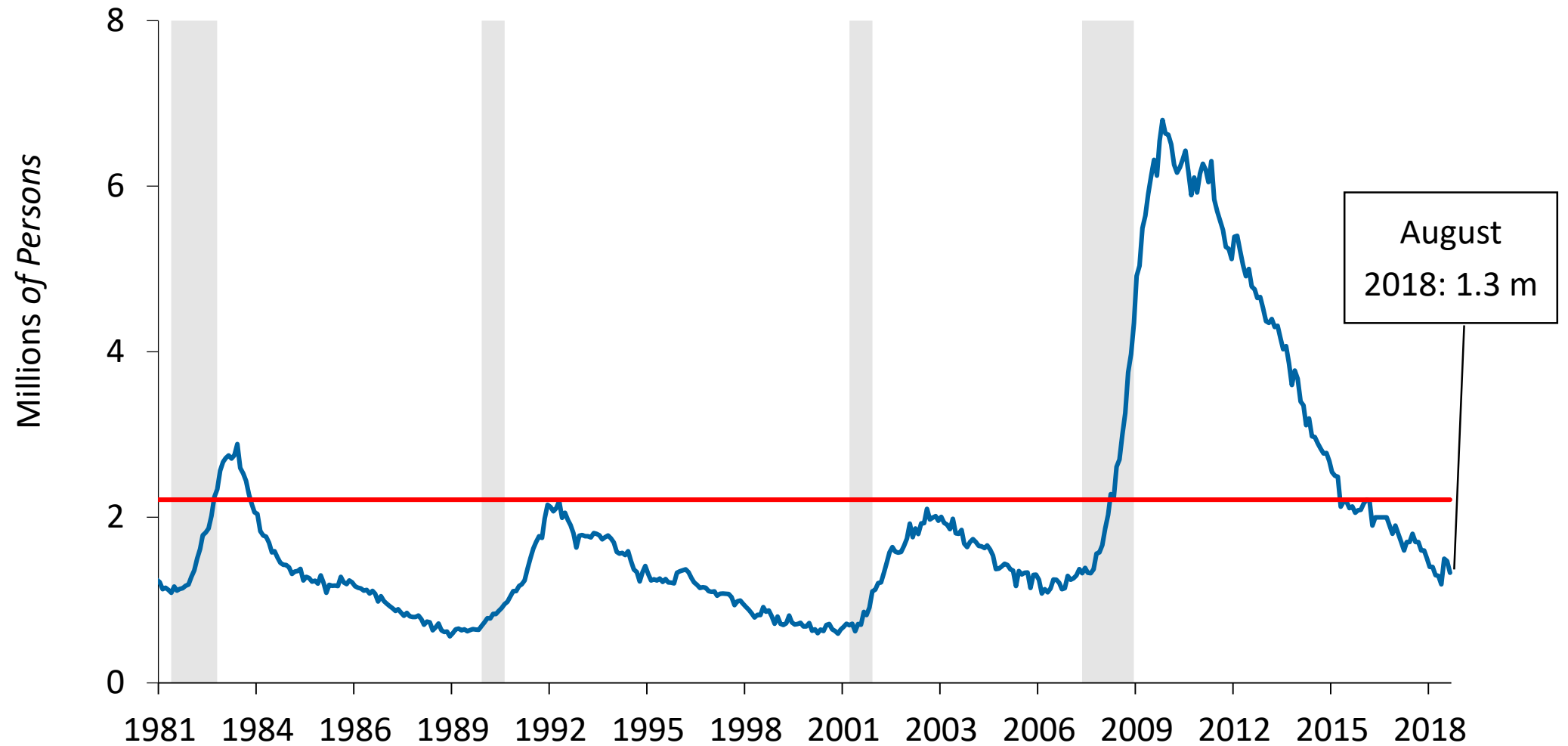
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Unemployment for Women at Lowest-Level Since 1953



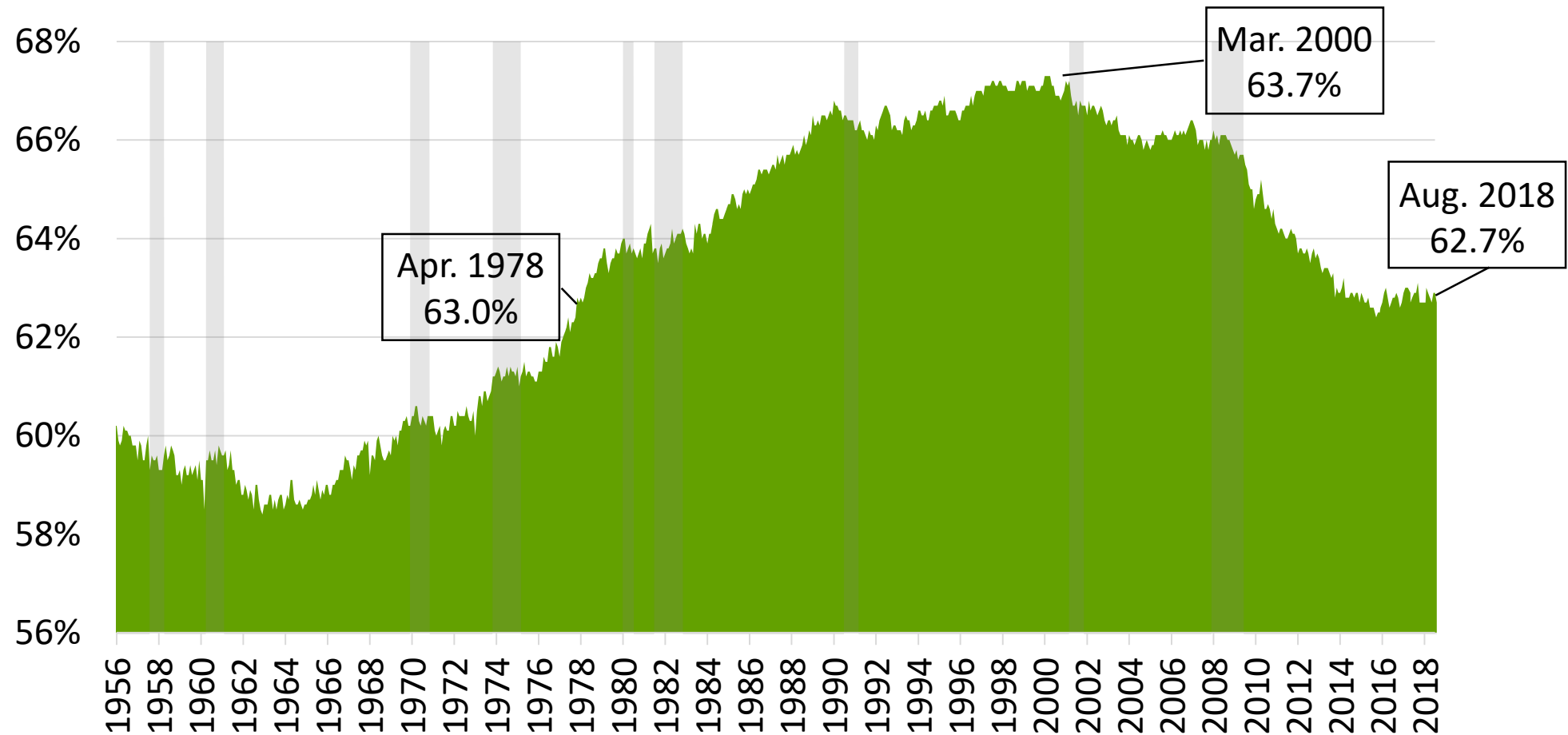
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Long-Term Unemployment Staying Low



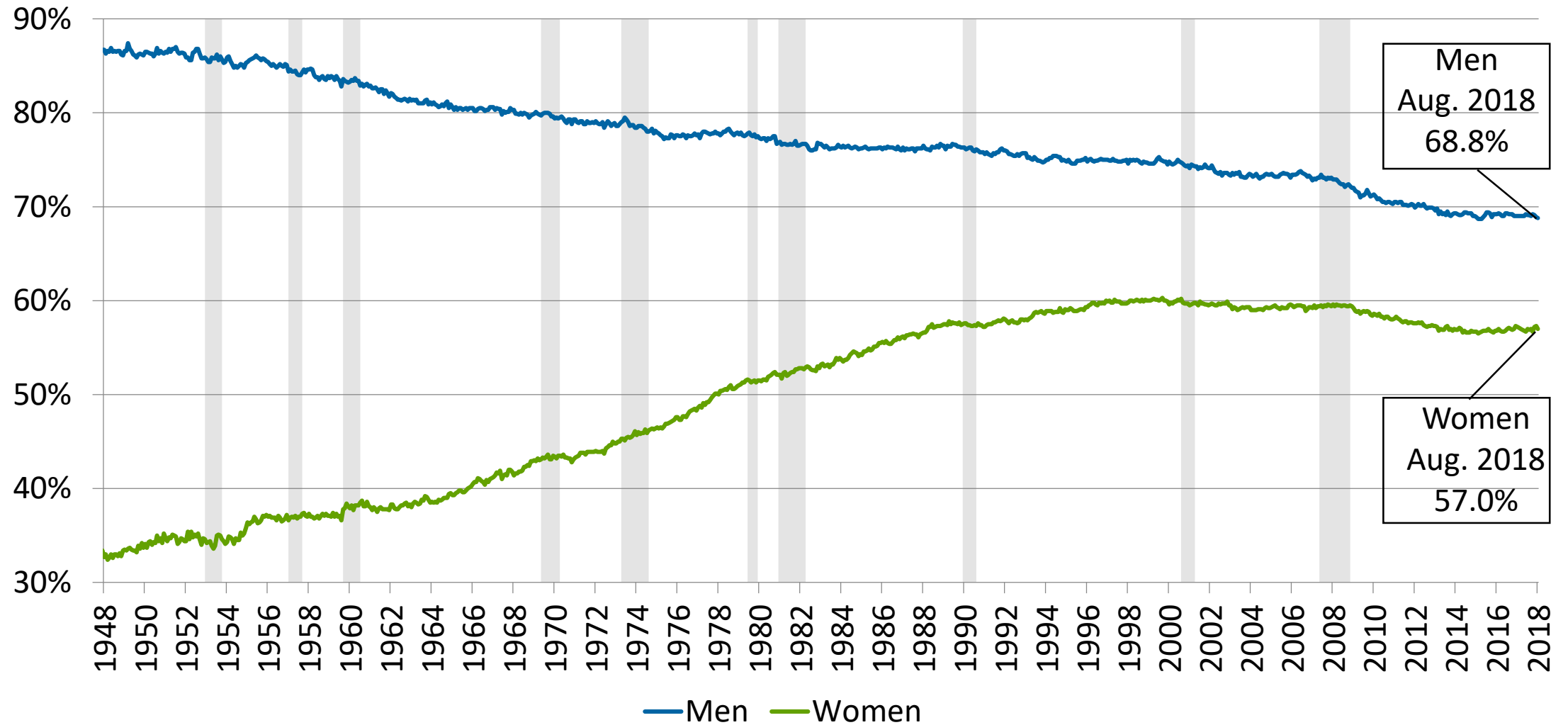
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Labor Force Participation Among Lowest Level in Almost 40 Years



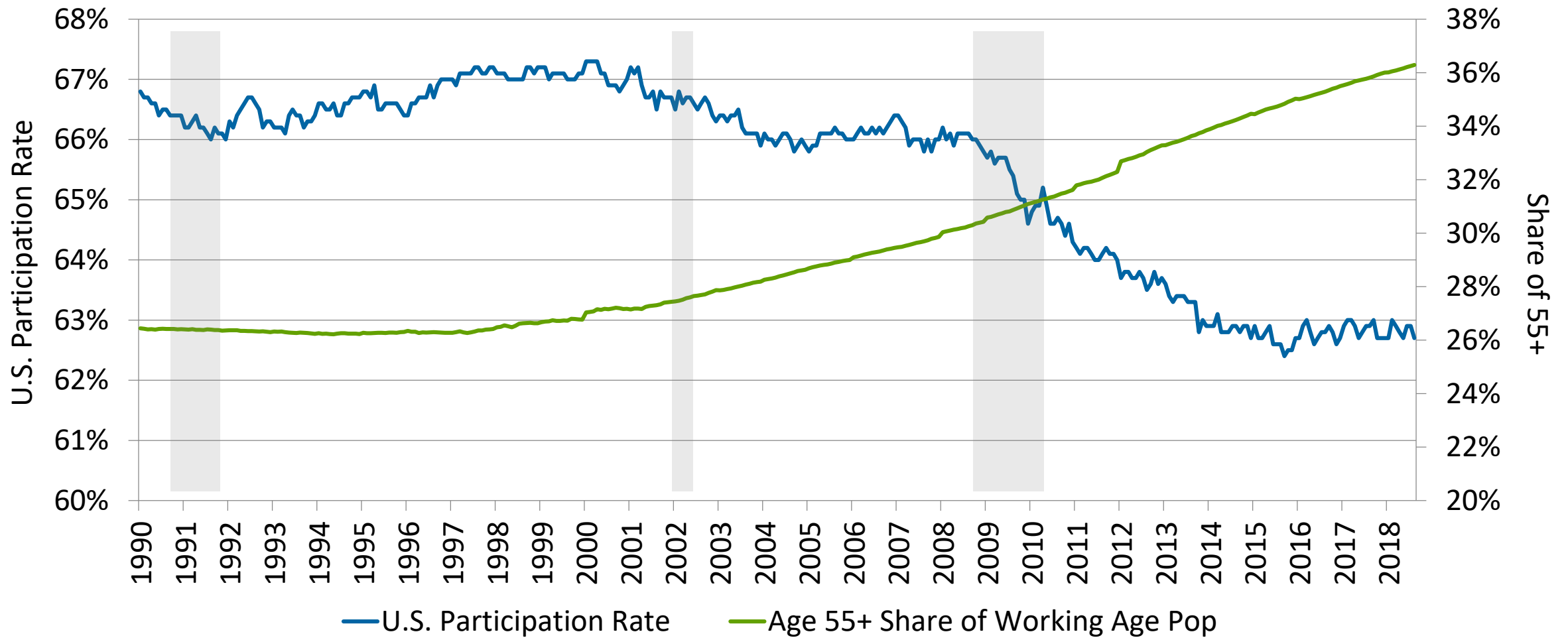
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Civilian Labor Force Participation Rate



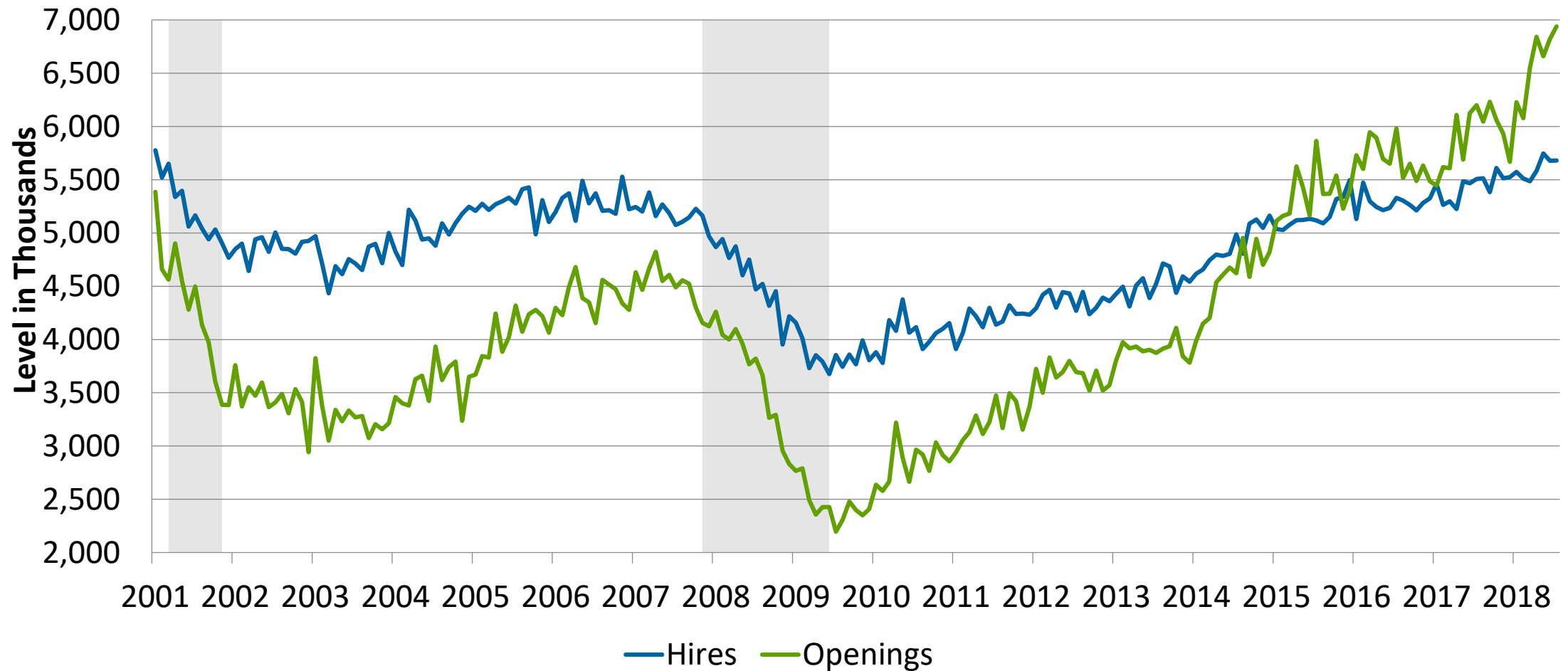
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Baby Boomers Head for Retirement



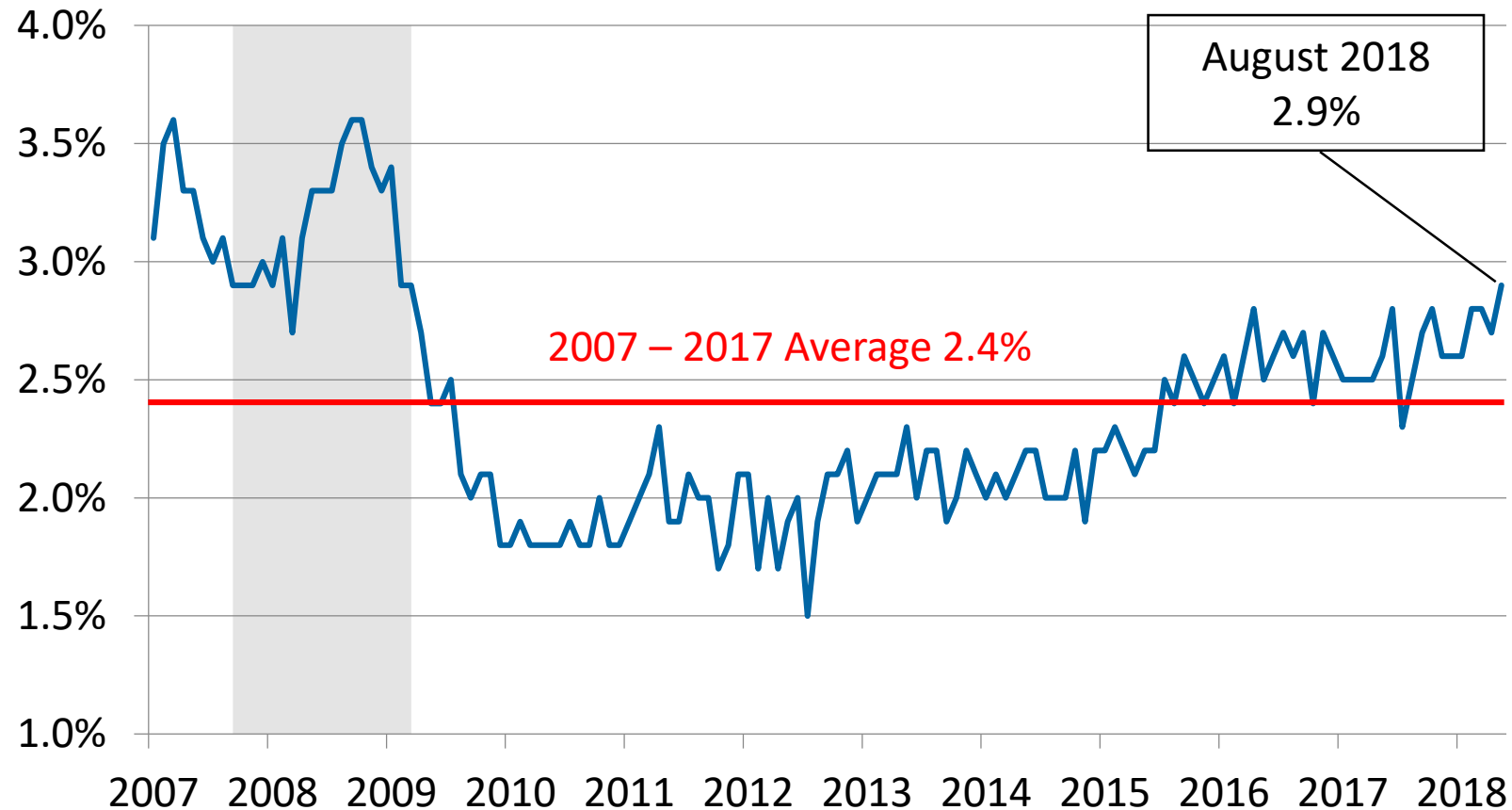
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Job openings continue to outpace job hires



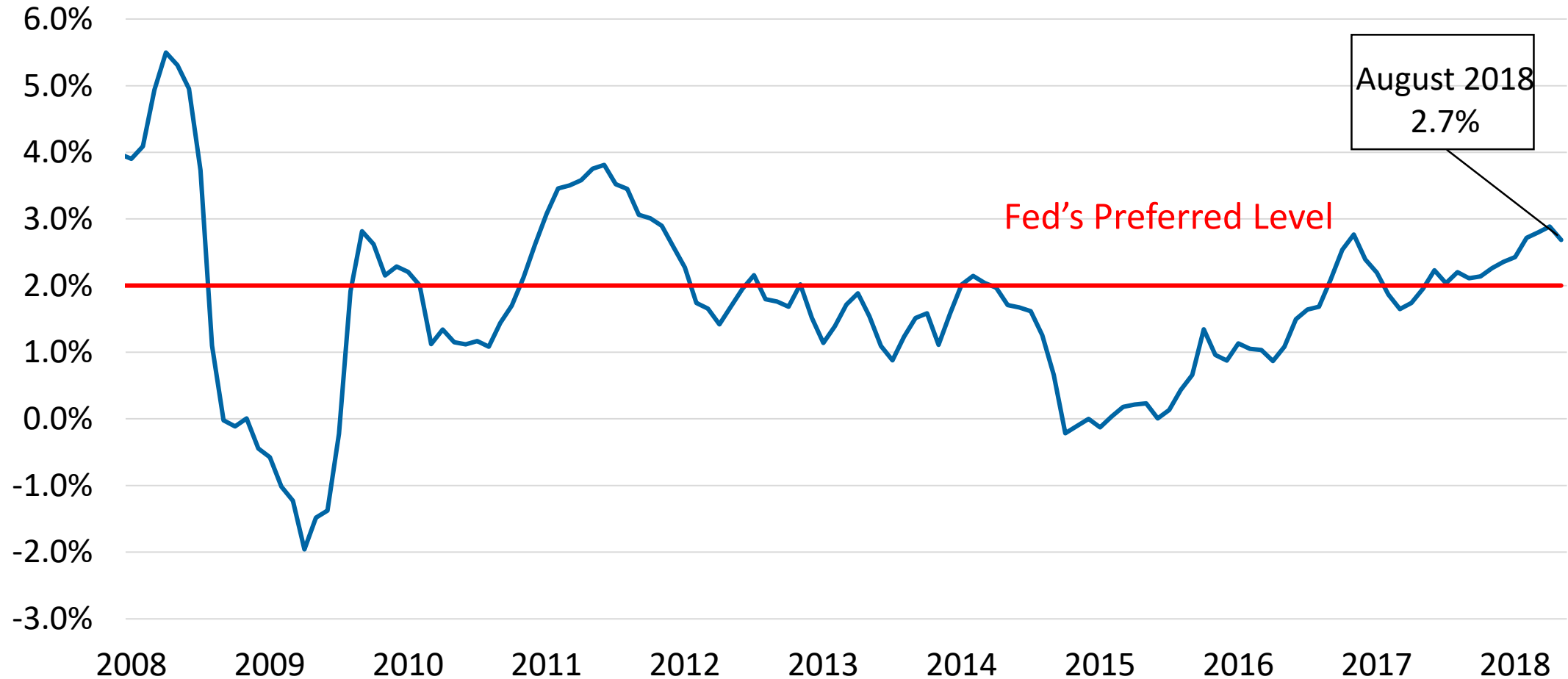
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Annual Wage Growth Hits Highest Level Since 2009



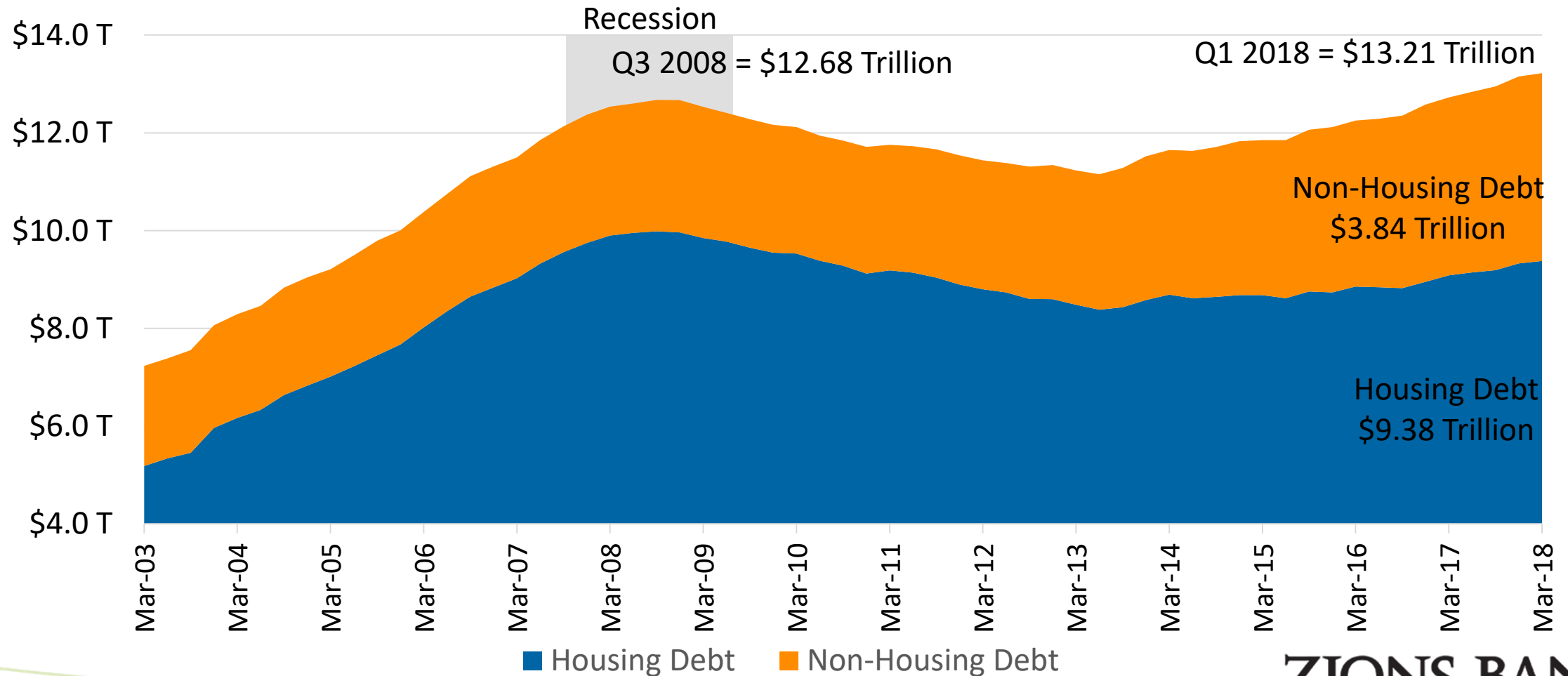
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Inflation Remains Above 2%



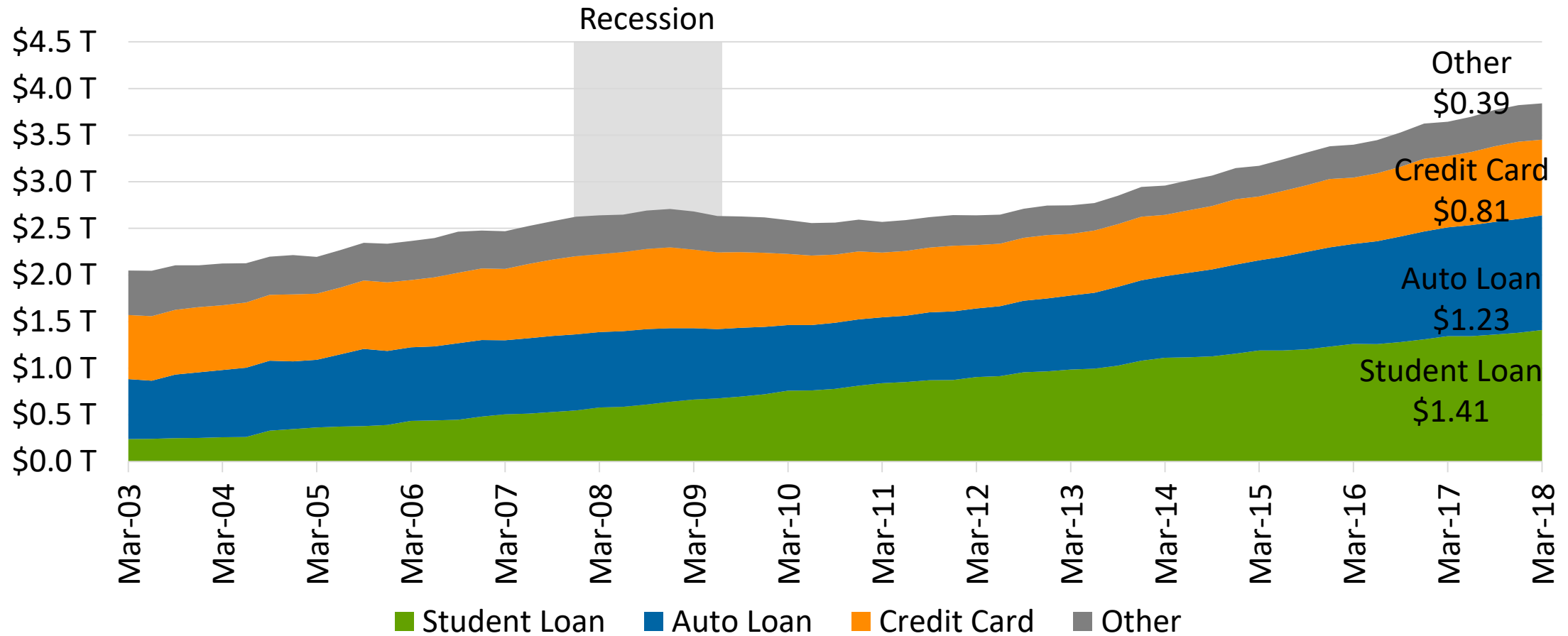
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Total Household Debt Reaches All-Time High



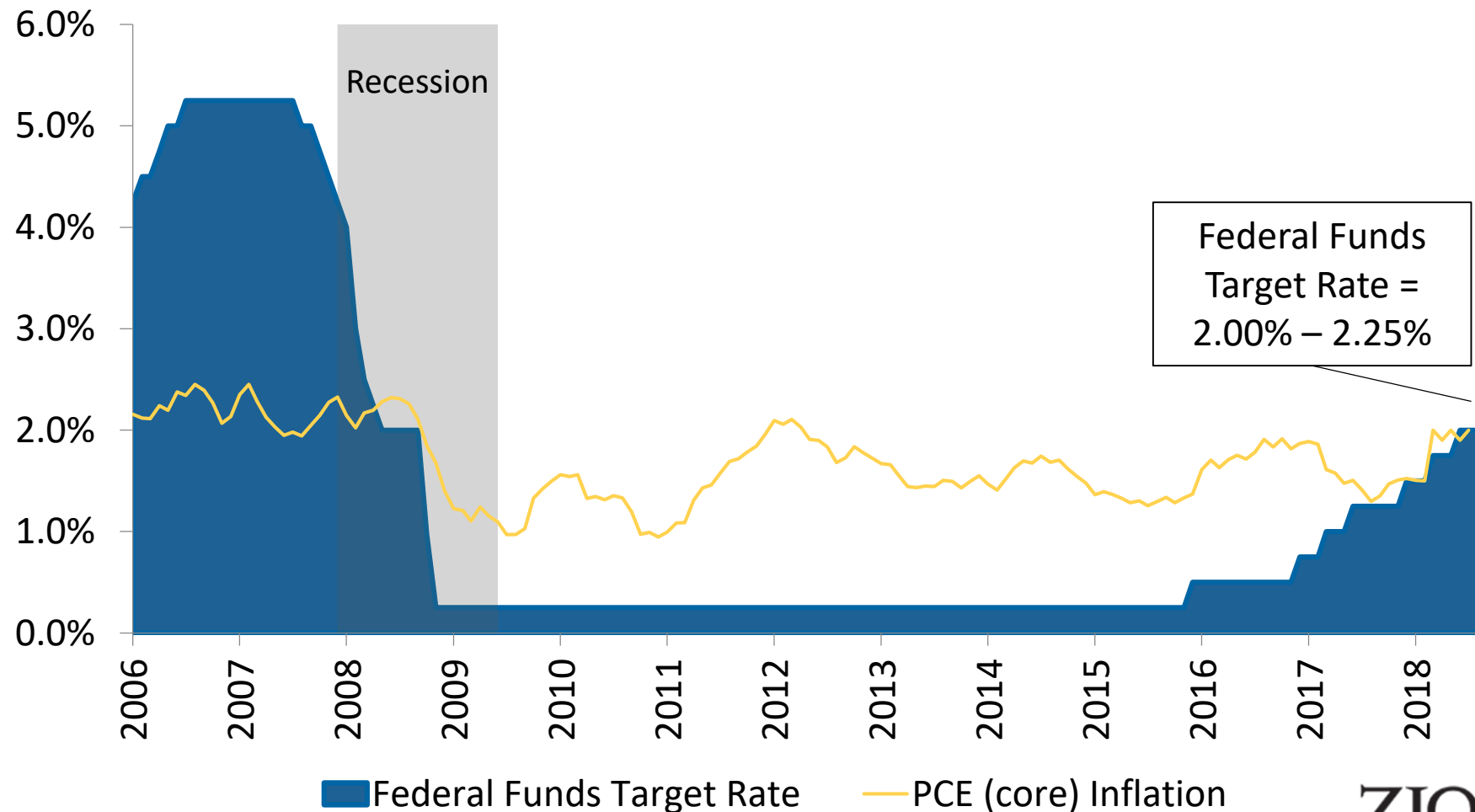
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Student and auto loan debt make up the majority of non-housing debt



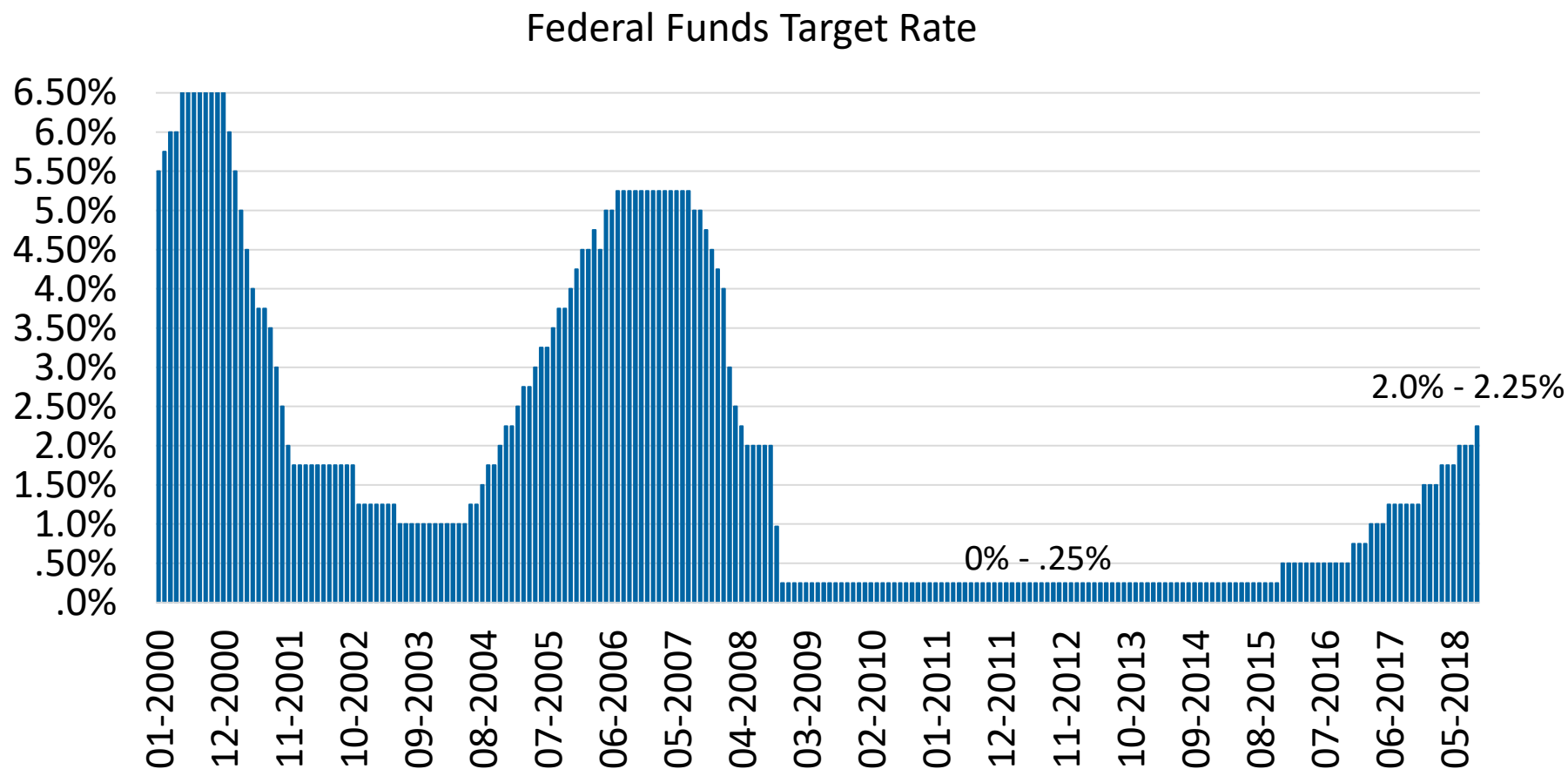
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Federal Funds Target Rate Sees 8th Increase in 3 Years



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Federal Reserve Raises the Fed Funds Rate to 2.0% - 2.25%

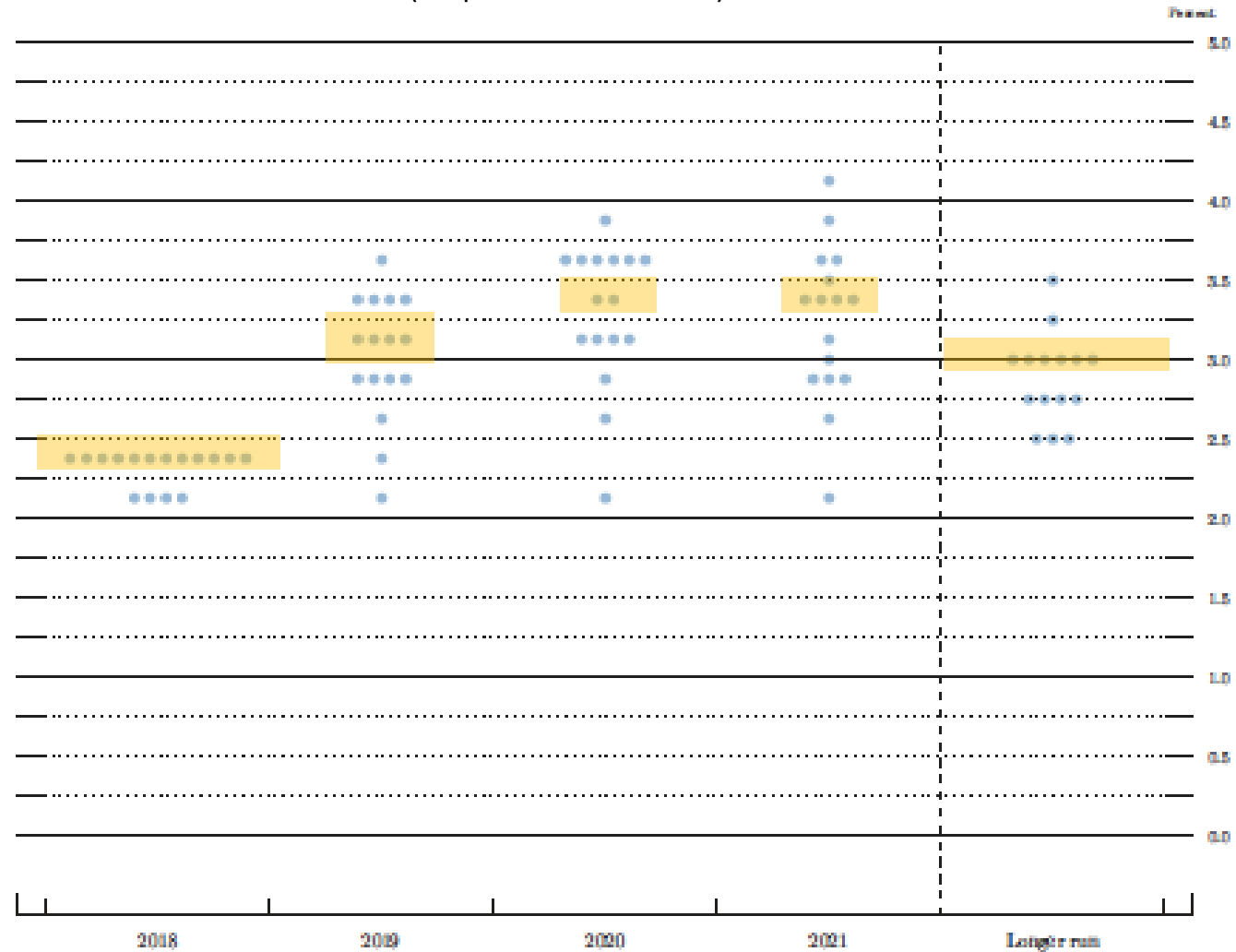


Source: Federal Reserve Board of Governors

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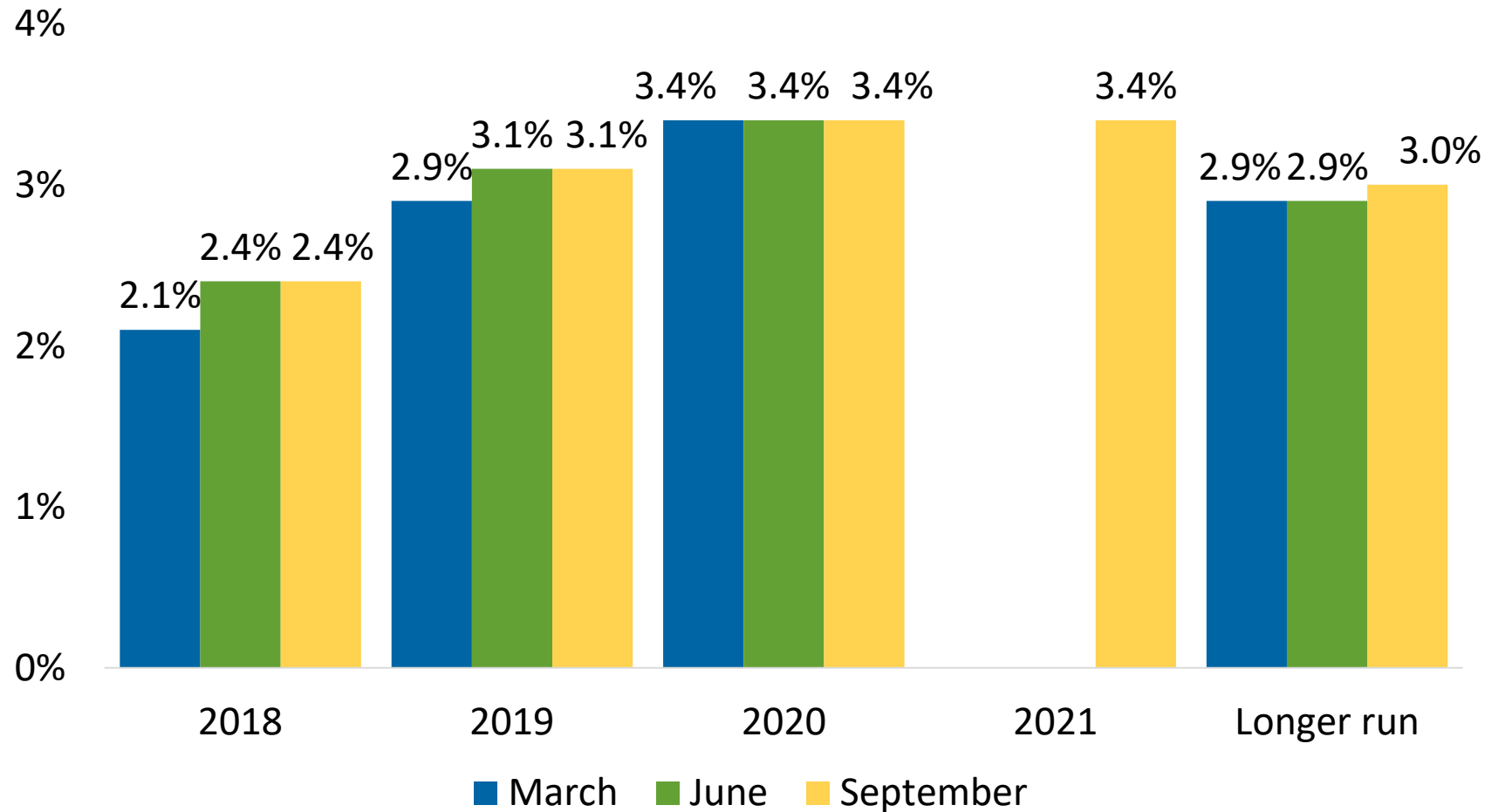
Federal Funds Rate Forecast

(September 2018)



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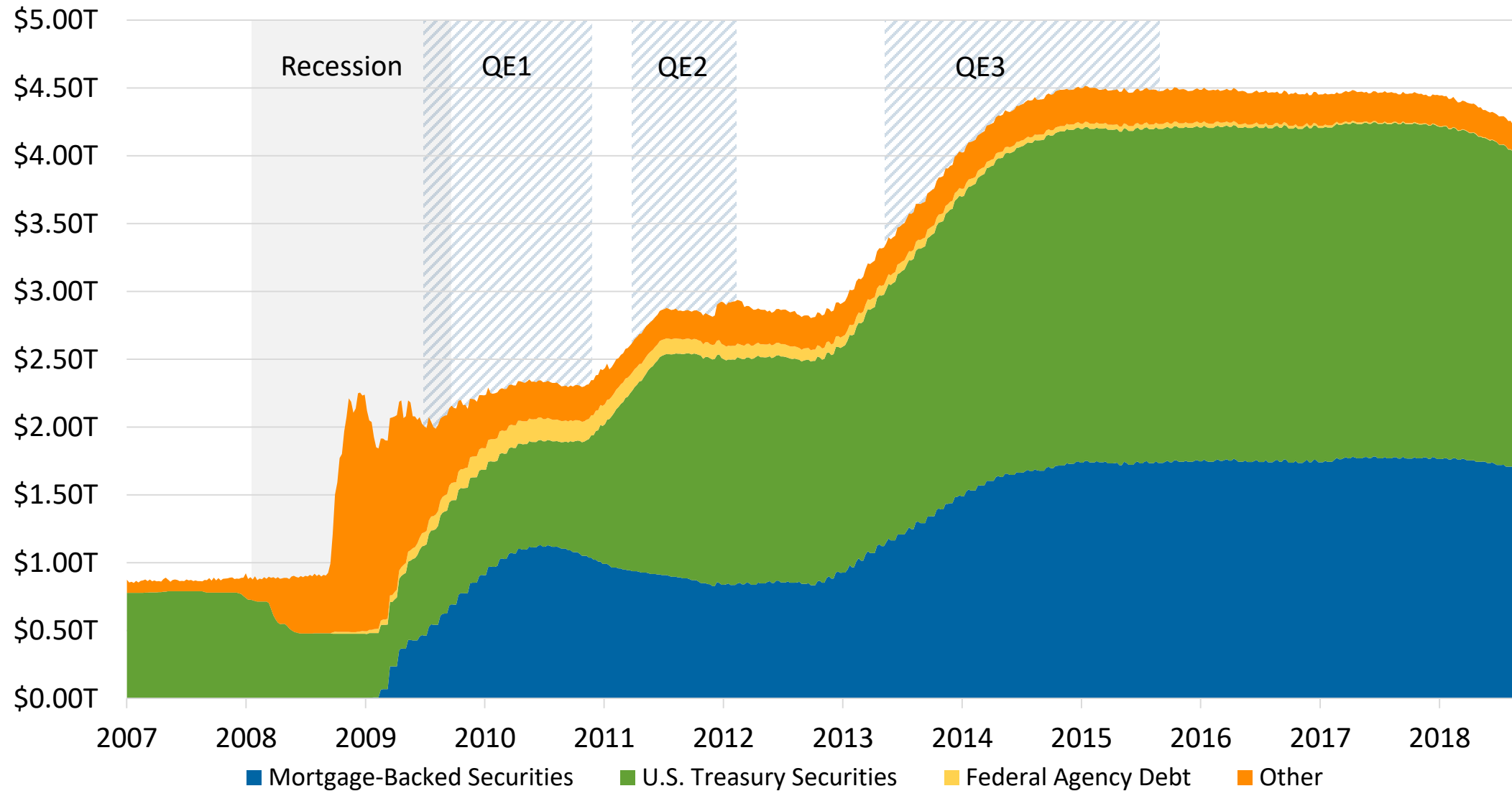
Fed Rate Increase Projections for 2018 FOMC meetings



Source: Board of Governors of the Federal Reserve

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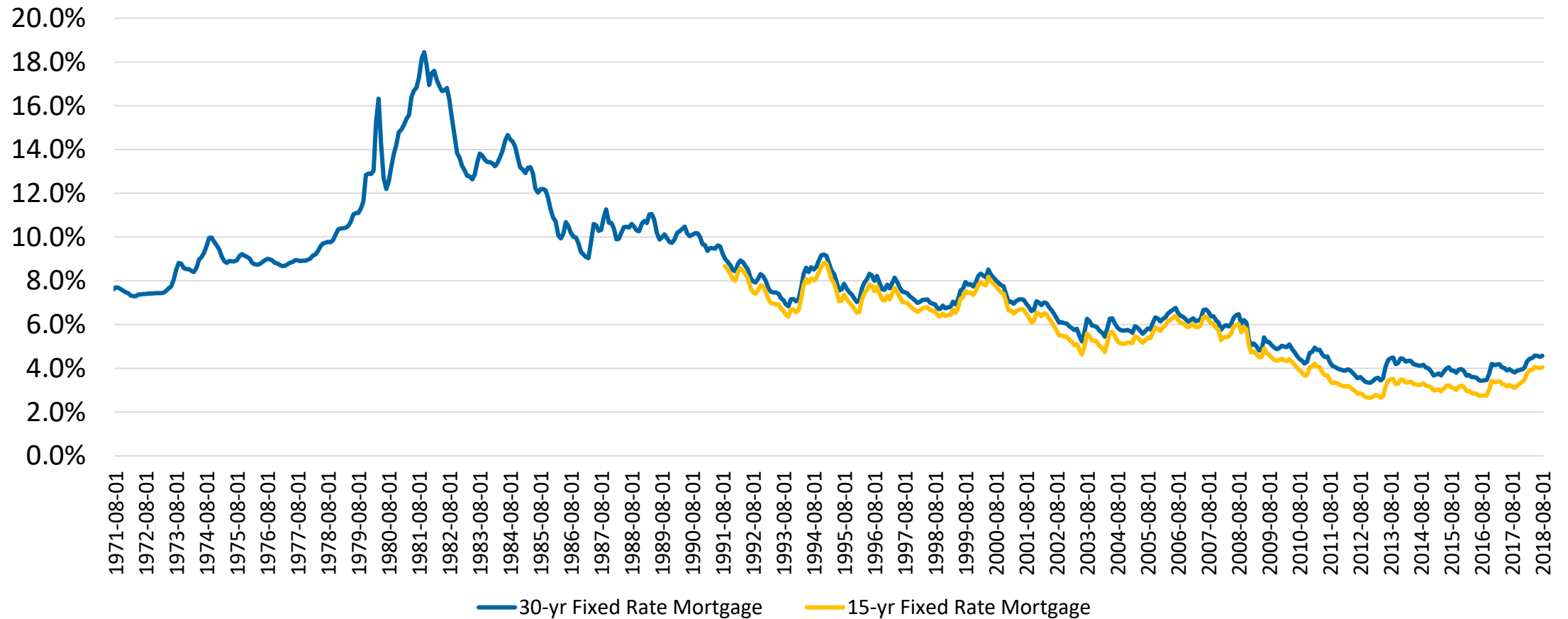
The Fed is Beginning to Reduce its Holdings (In Trillions of Dollars)



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Source: Federal Reserve Bank of St. Louis

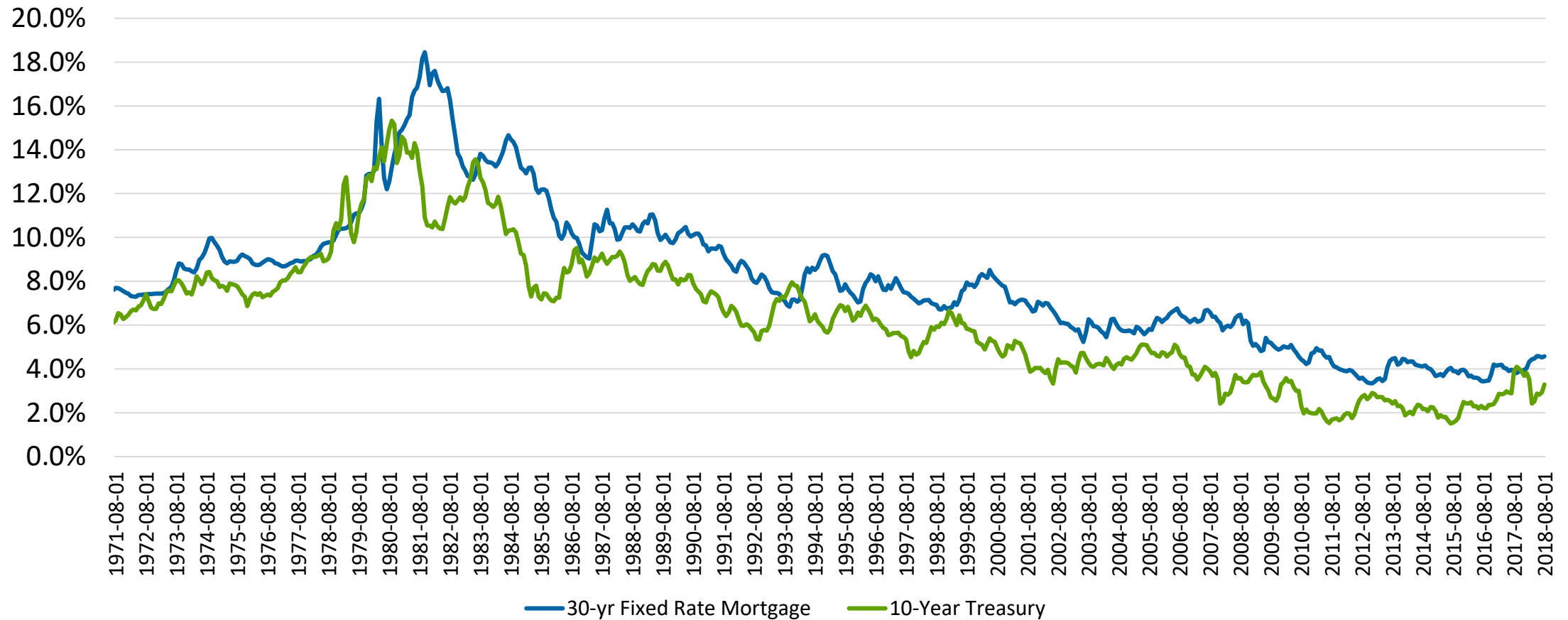
Historical Mortgage Rates



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Source: Federal Reserve Bank of St. Louis

Mortgage Rates and 10-Year Treasury

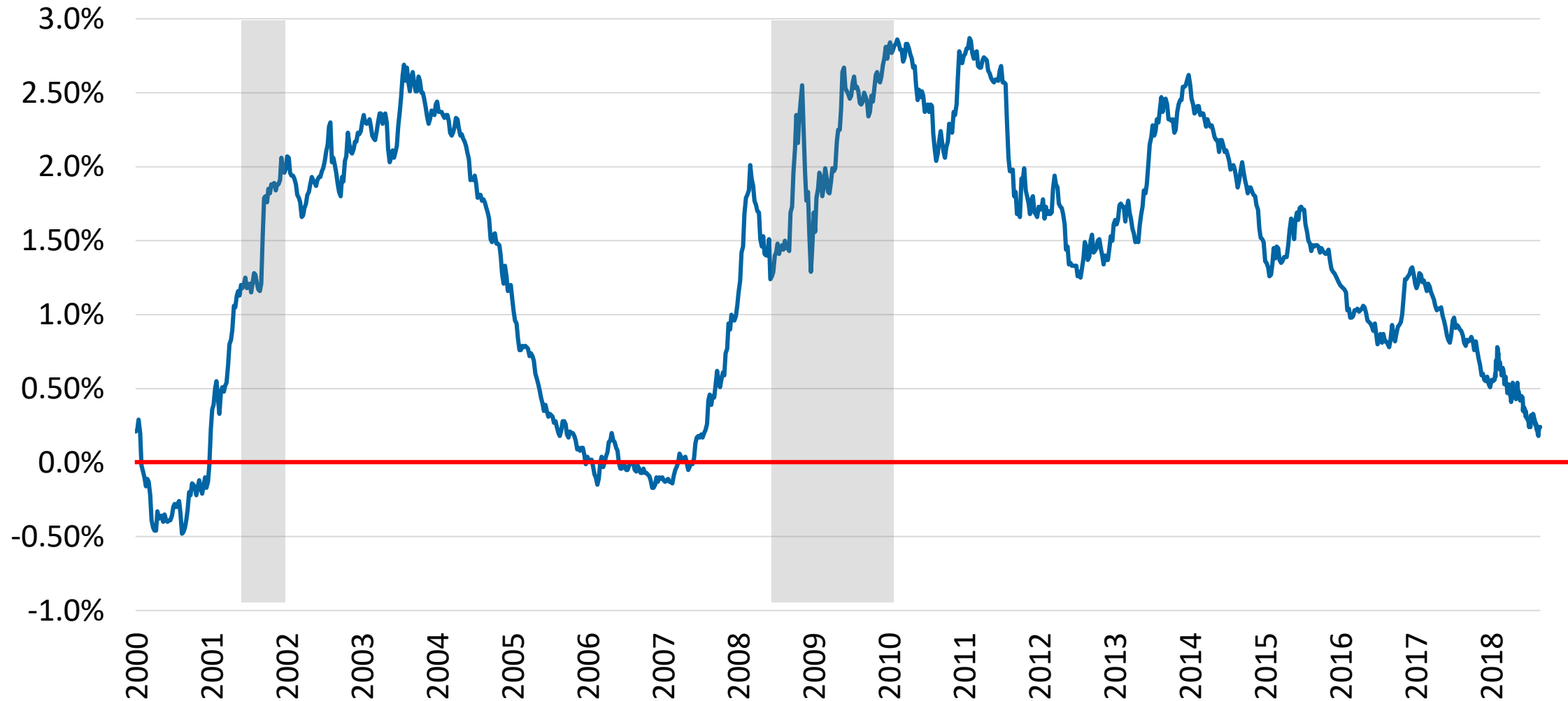


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Source: Federal Reserve Bank of St. Louis

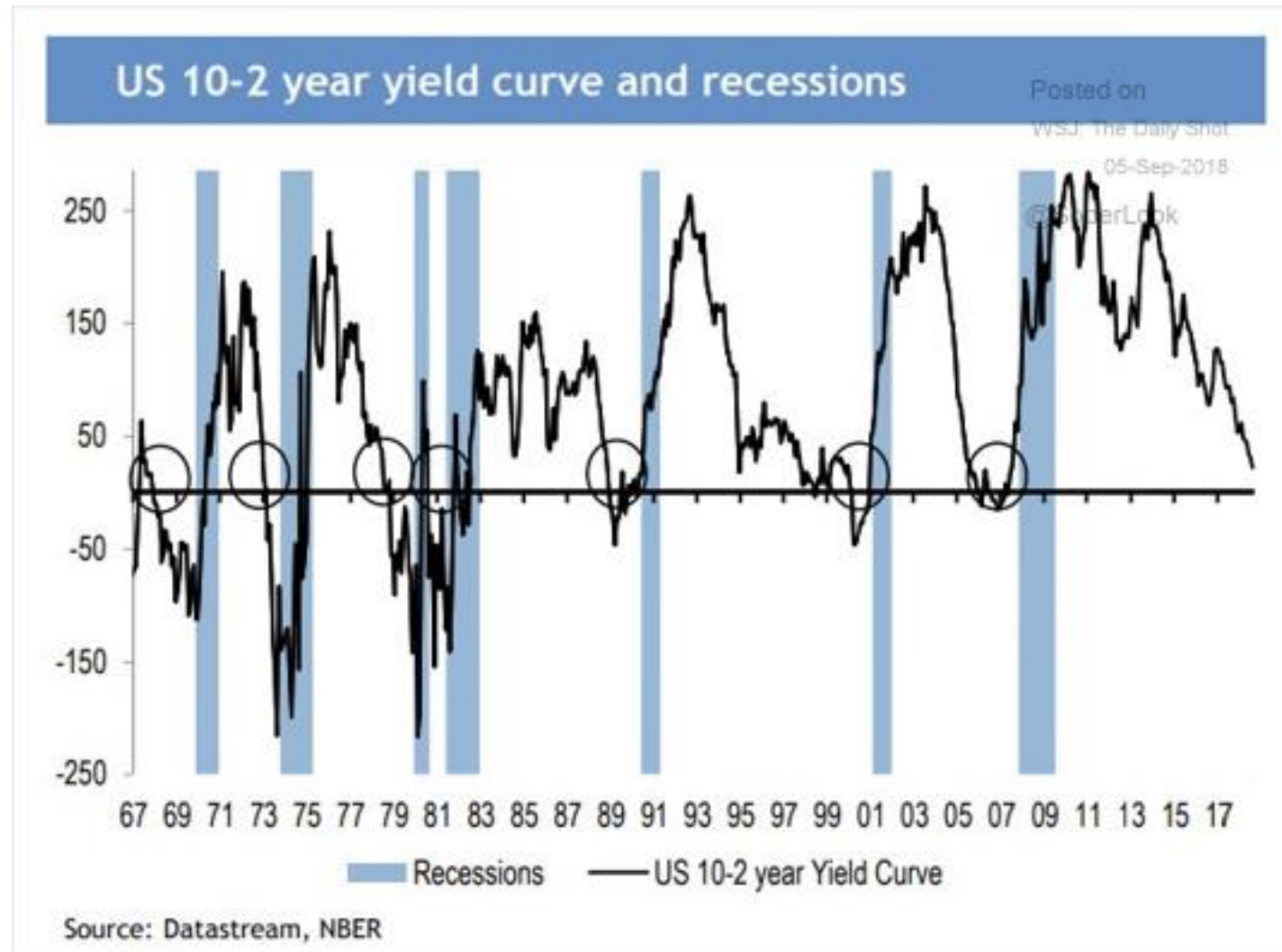
Yield Curve Declines to Lowest-Level Since 2007

10-year minus 2-year spread



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Is a Recession on the Way?

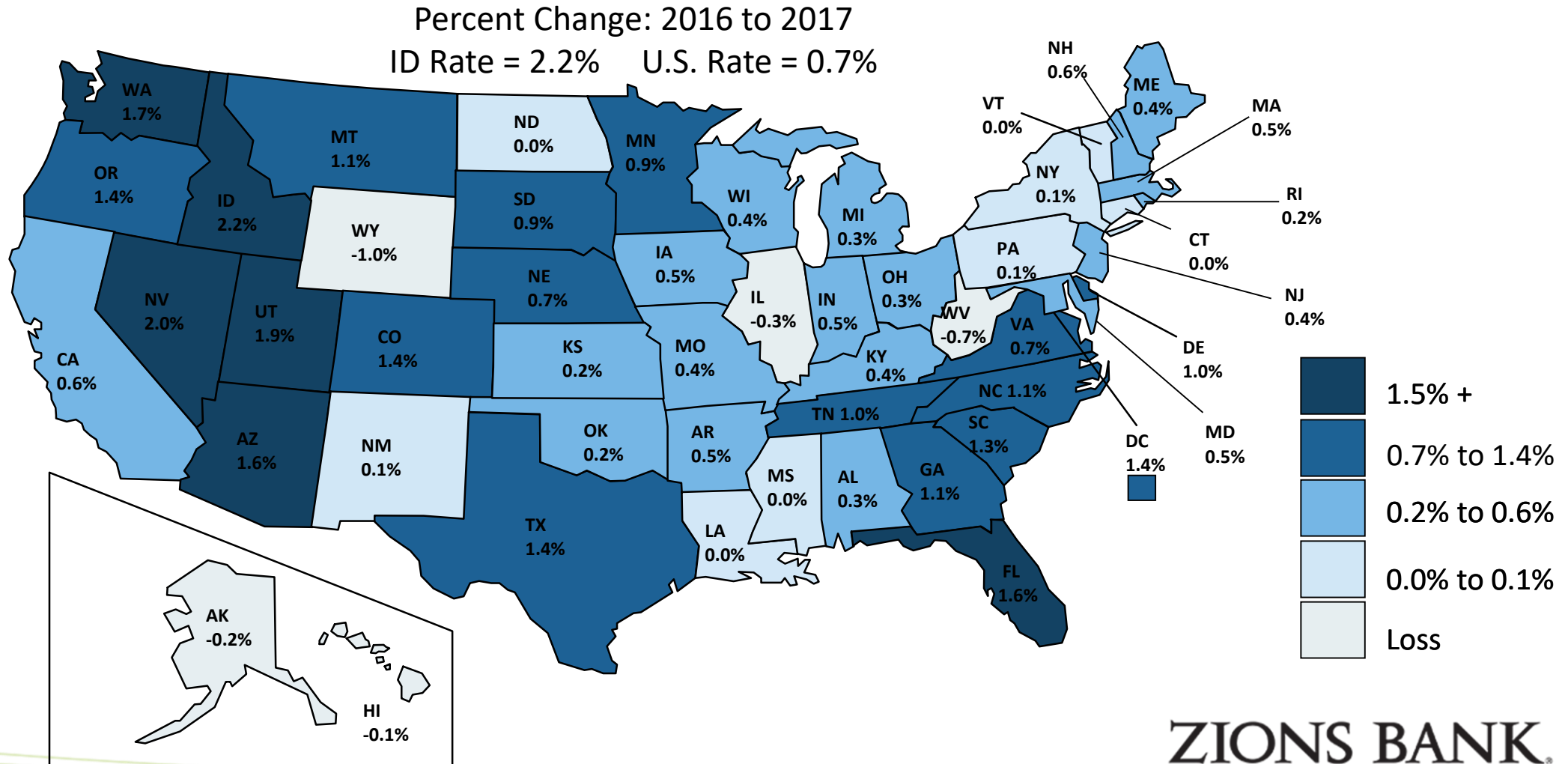


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Idaho Economic Conditions

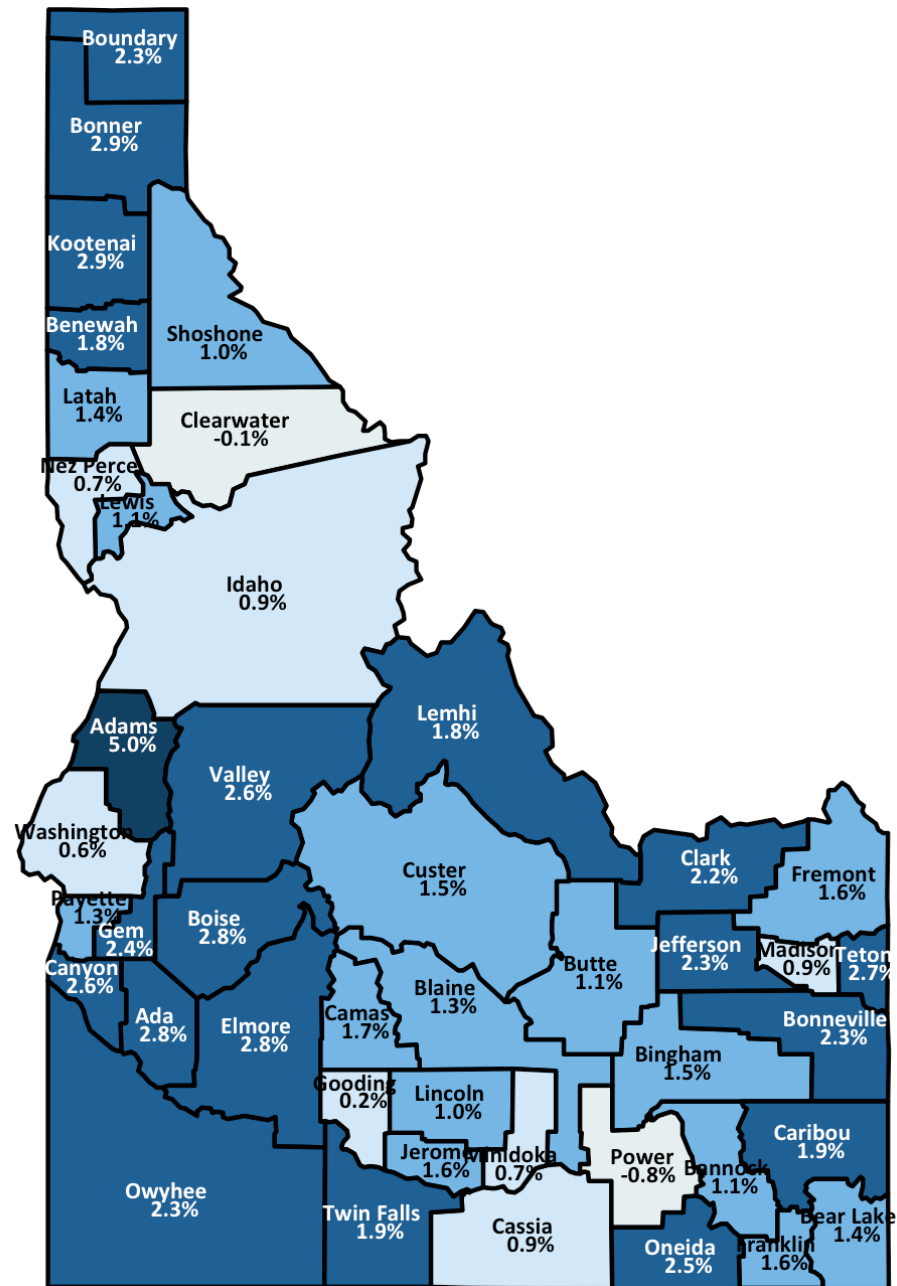
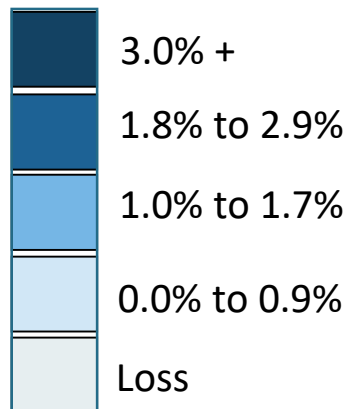
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Idaho has the **fastest** growing population in the US



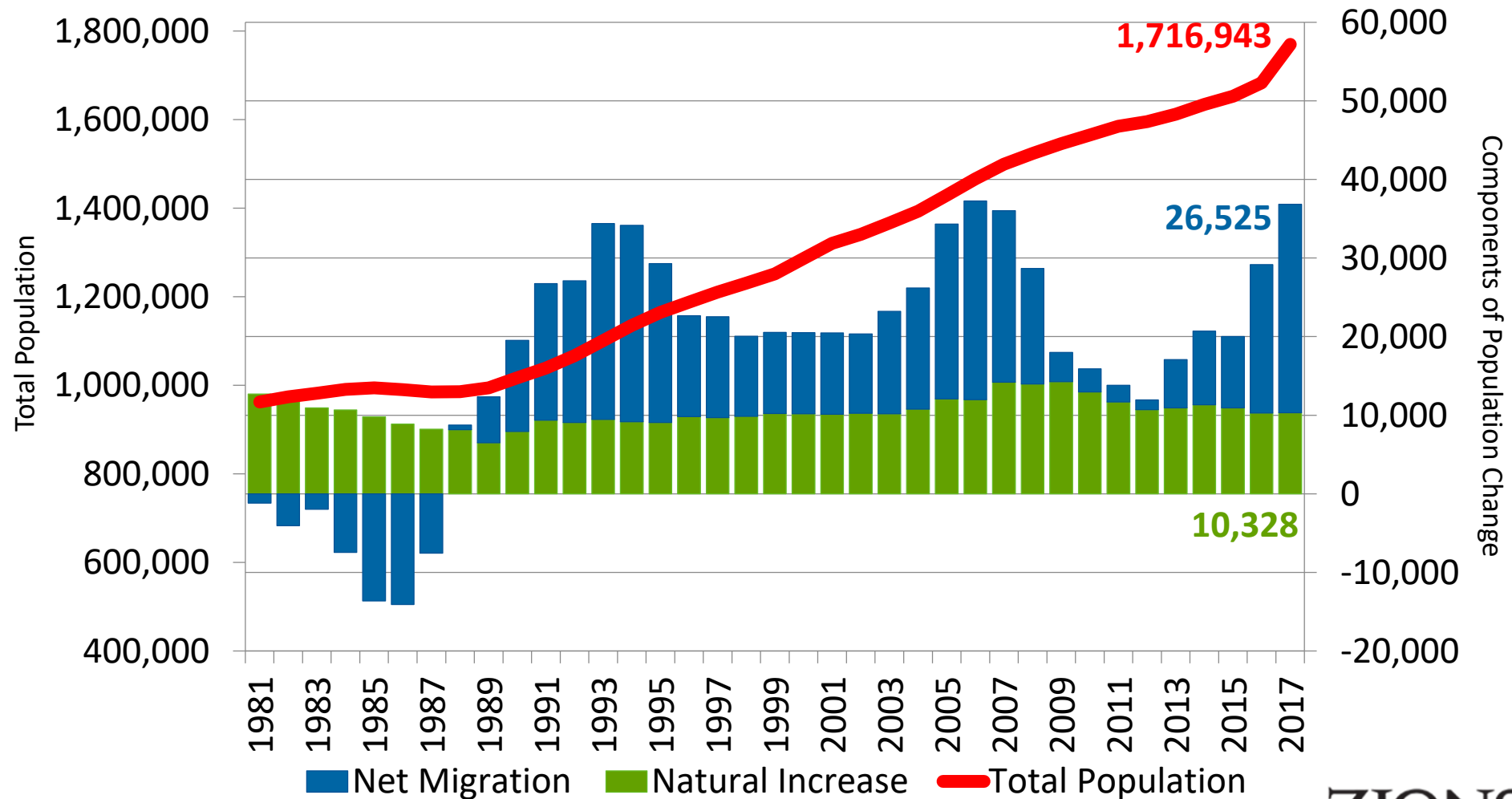
Idaho Population Growth Rates By County 2016 to 2017

State Average = 2.2%



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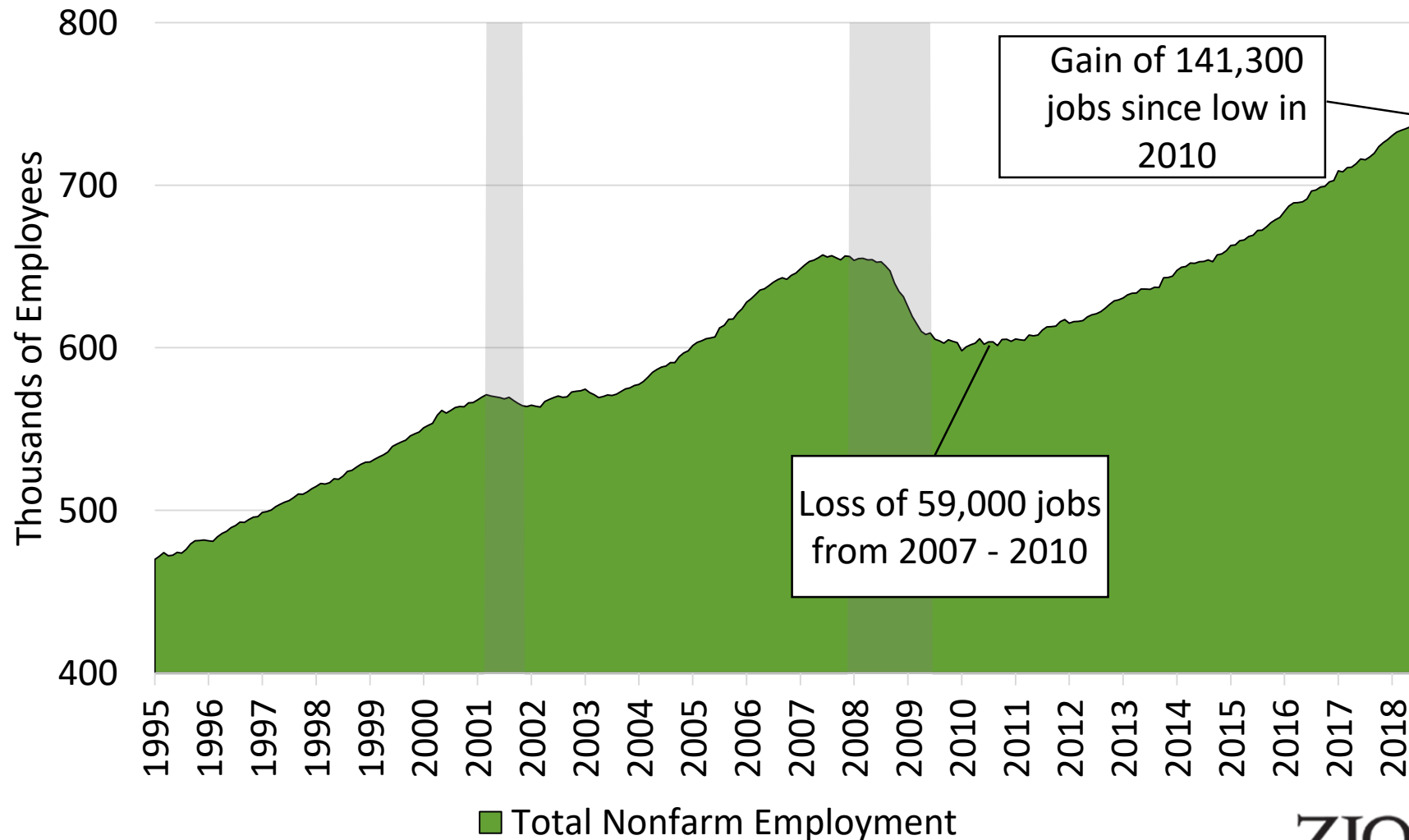
Idaho Population and Components of Change



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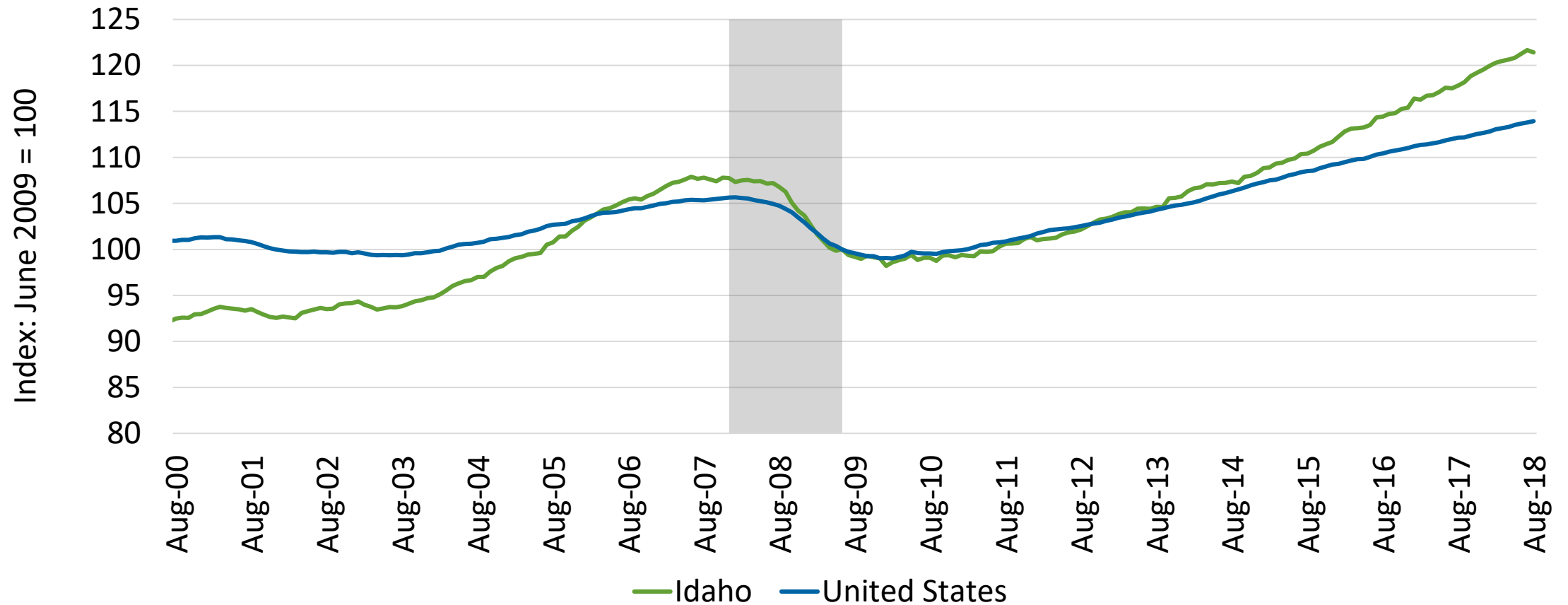
Source: Zions Bank analysis of U.S. Census Bureau data

Idaho Total Employment



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Idaho's Employment Growth Has Surpassed National Averages

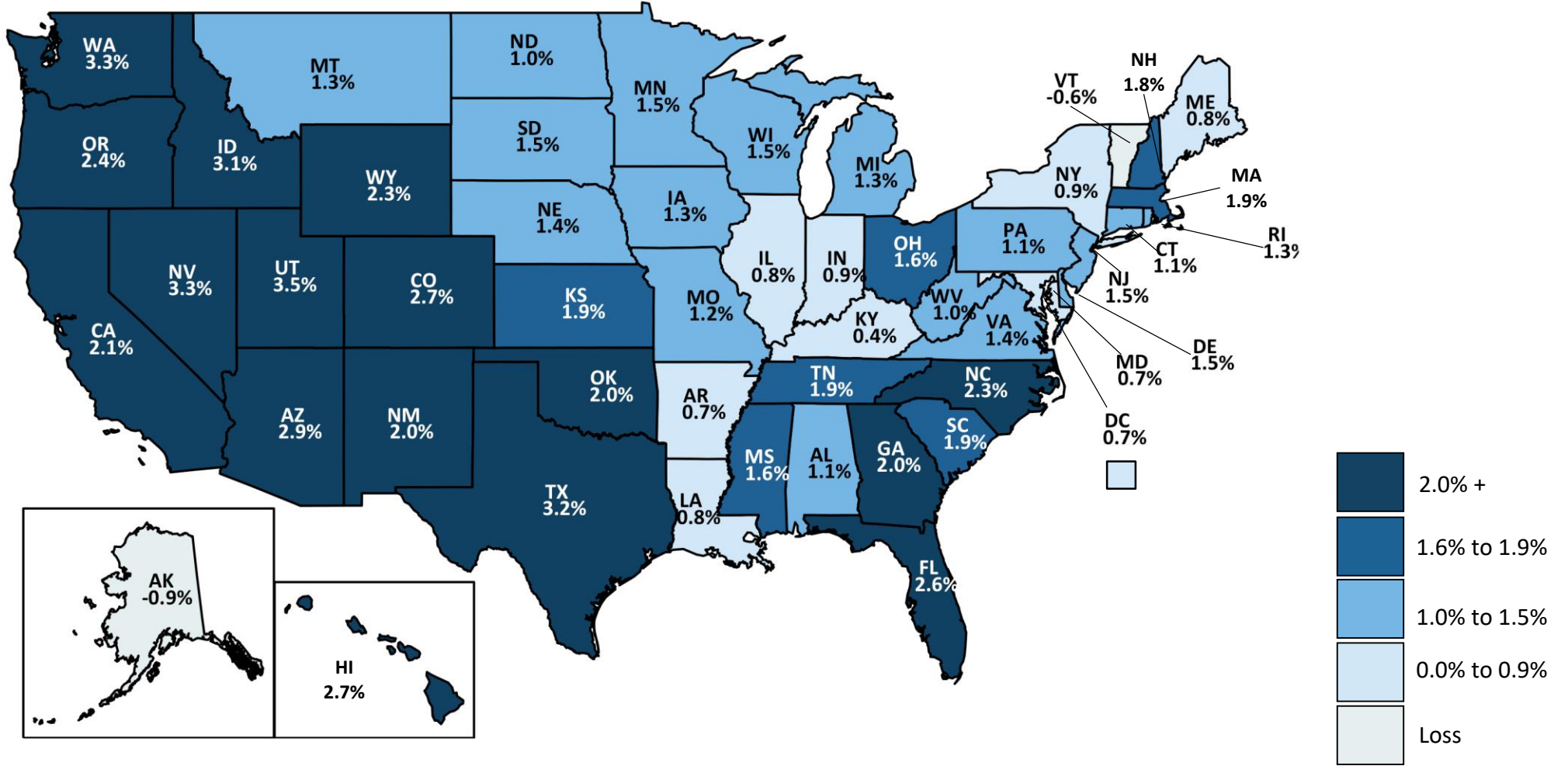


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Idaho has the 5th Highest Employment Growth

Percent Change in Employment for States: August 2017 to August 2018

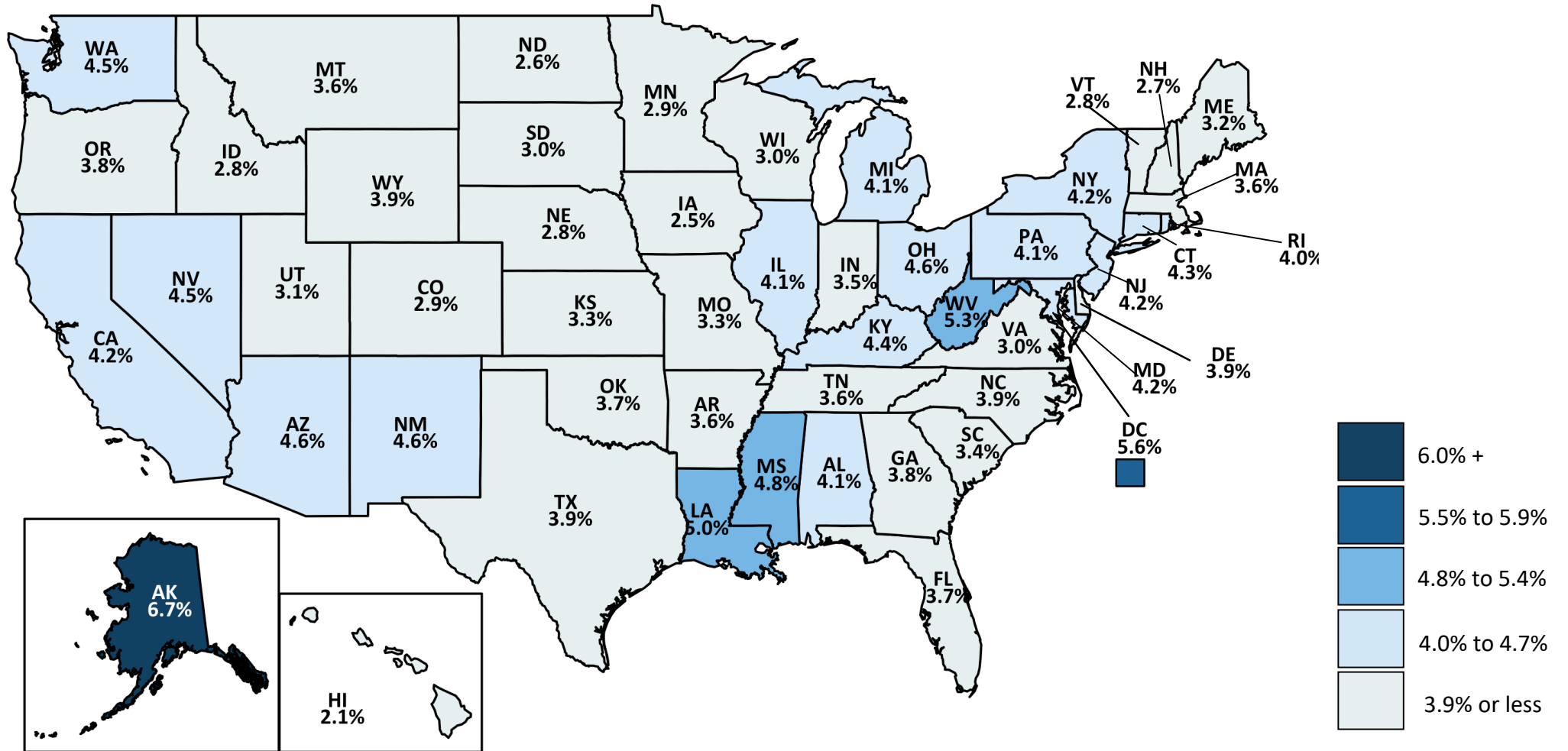
U.S. Rate = 1.6%, ID Rate: 3.1%



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Idaho Has the 5th Lowest Unemployment Rate

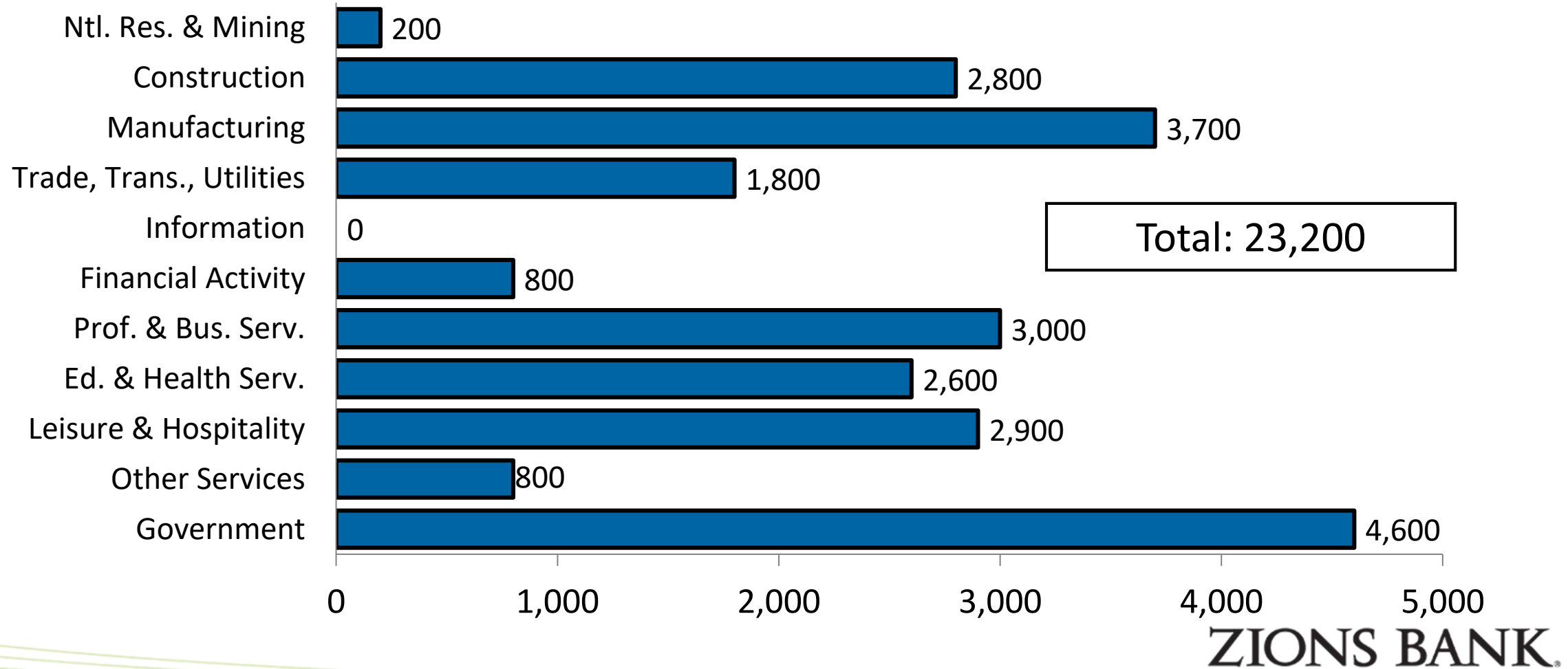
August 2018 U.S. Rate = 3.9%; ID = 2.8%



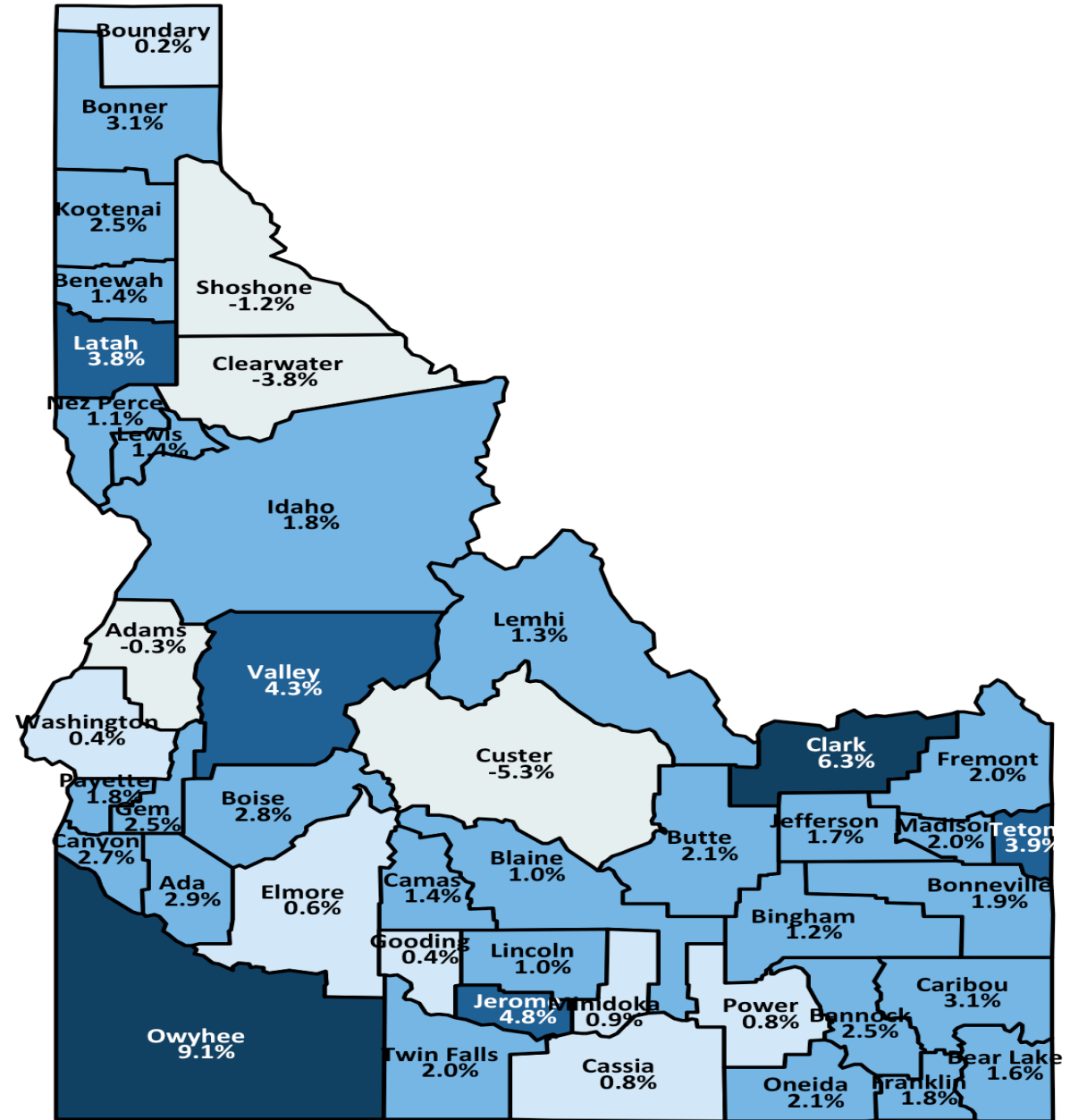
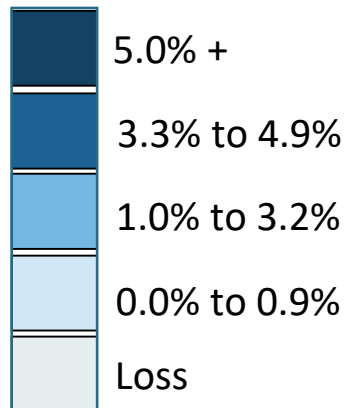
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Idaho Employment Gains and Losses by Industry

Total Change in Idaho Employment by Industry: August 2017 – August 2018



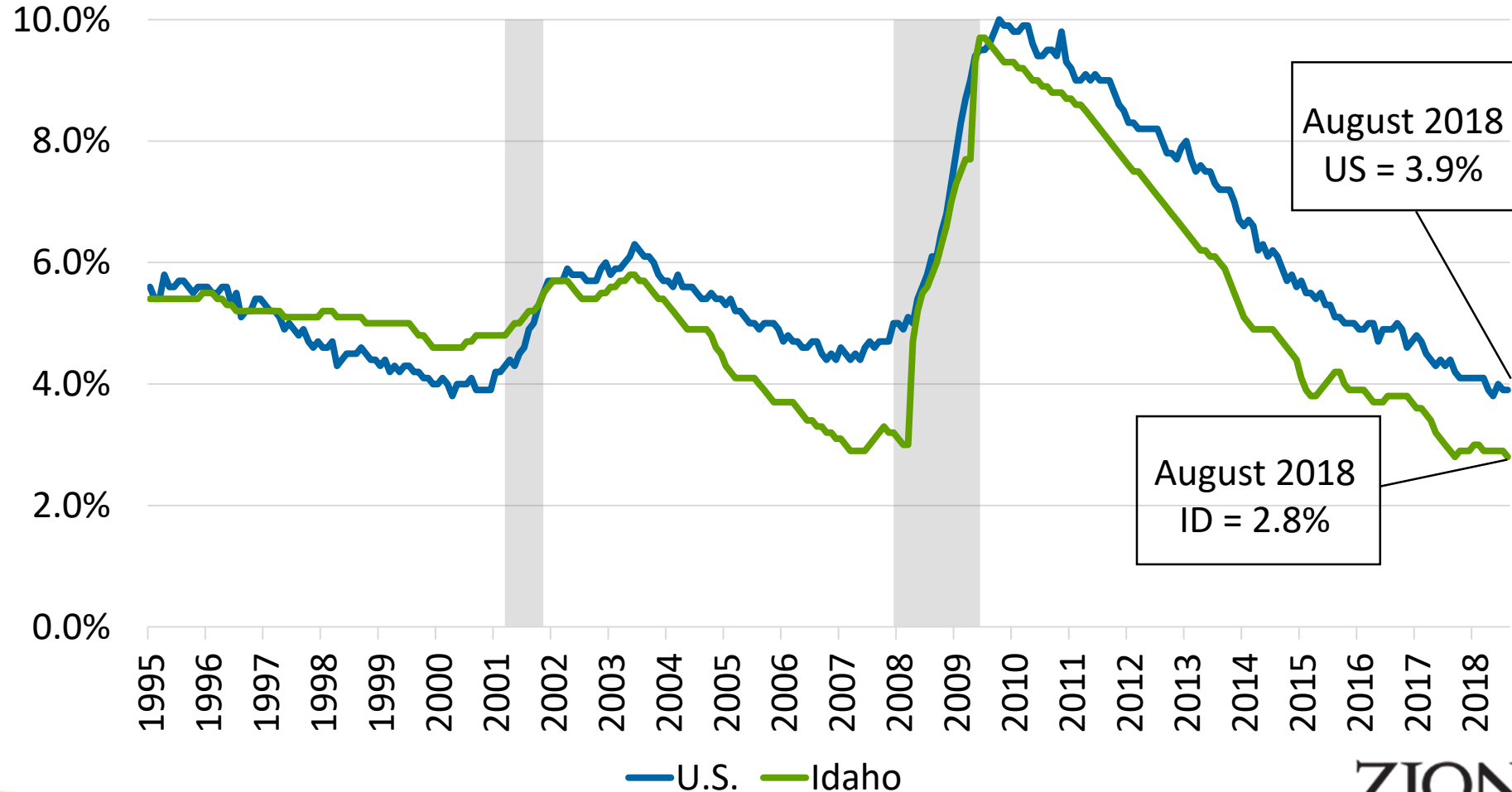
Idaho Employment Change Rates By County August 2017 to August 2018 State Rate = 2.1%



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Source: Idaho Department of Labor, Total Employment

ID Unemployment Lower than the Nation

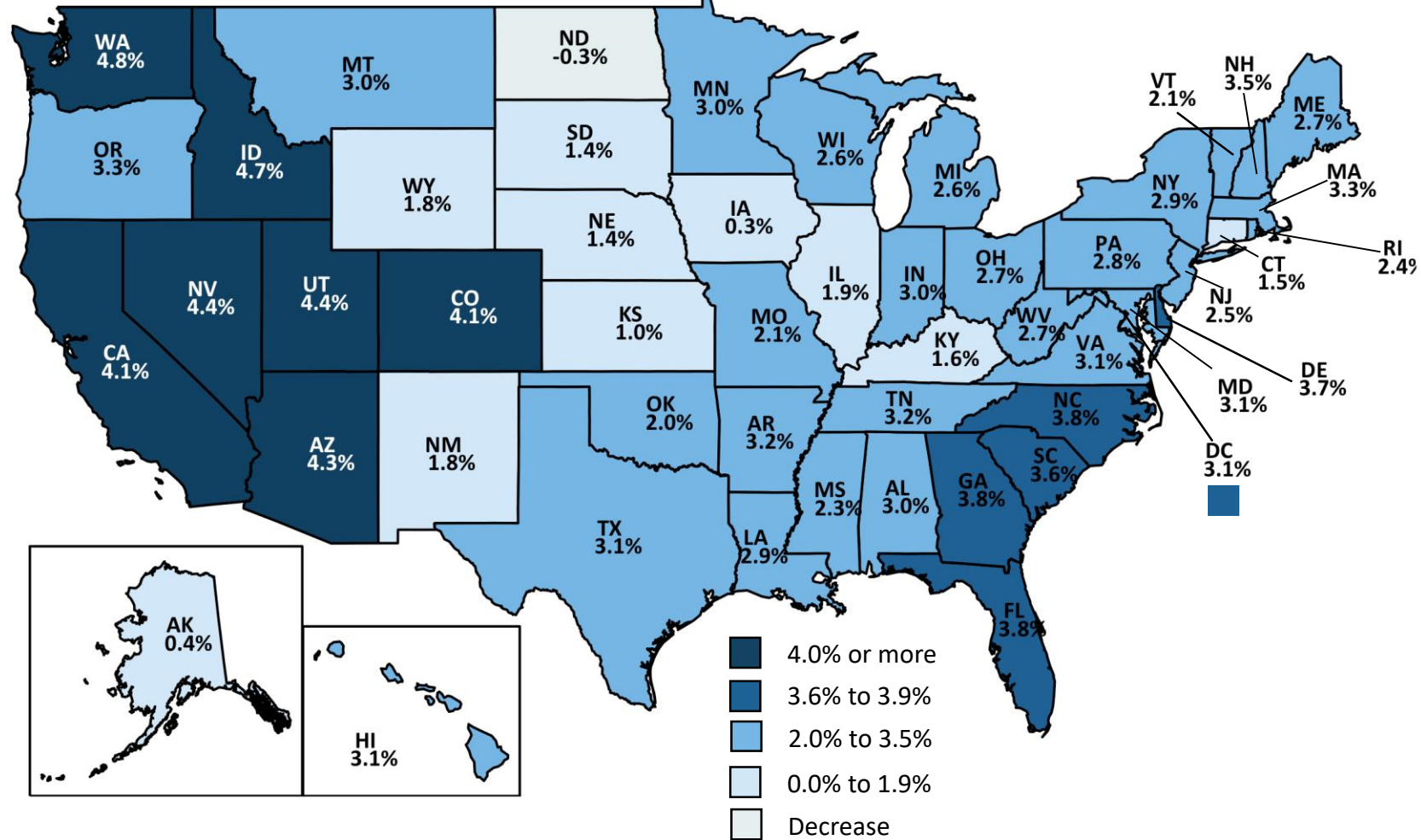


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ID Personal Income Growth 2nd Highest in the Nation

Percent Change in Personal Income : 2016 - 2017

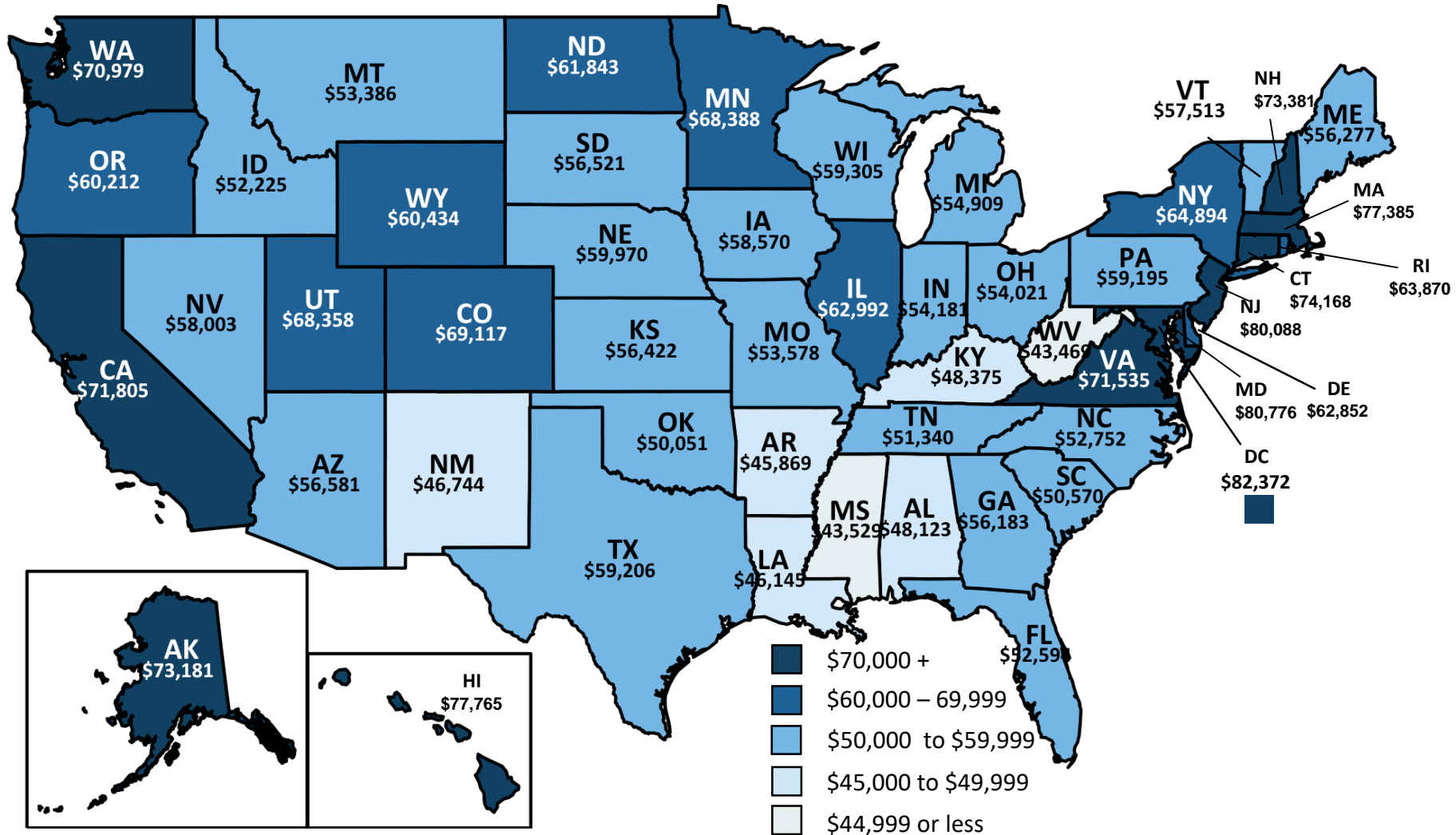
U.S. = 3.1%, ID = 4.7%



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Median Household Income by State

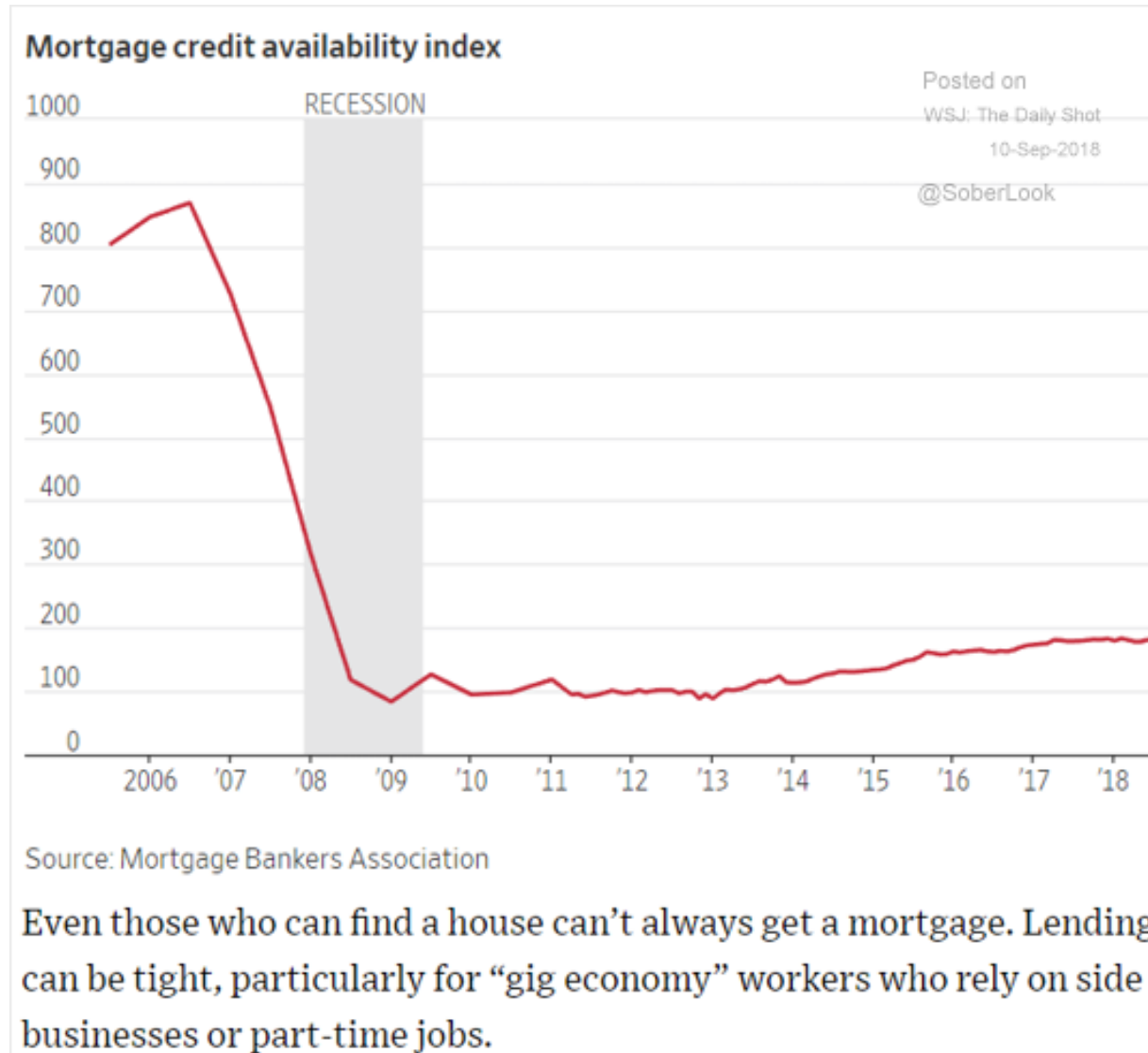
2017 U.S. = \$60,336, ID = \$52,225



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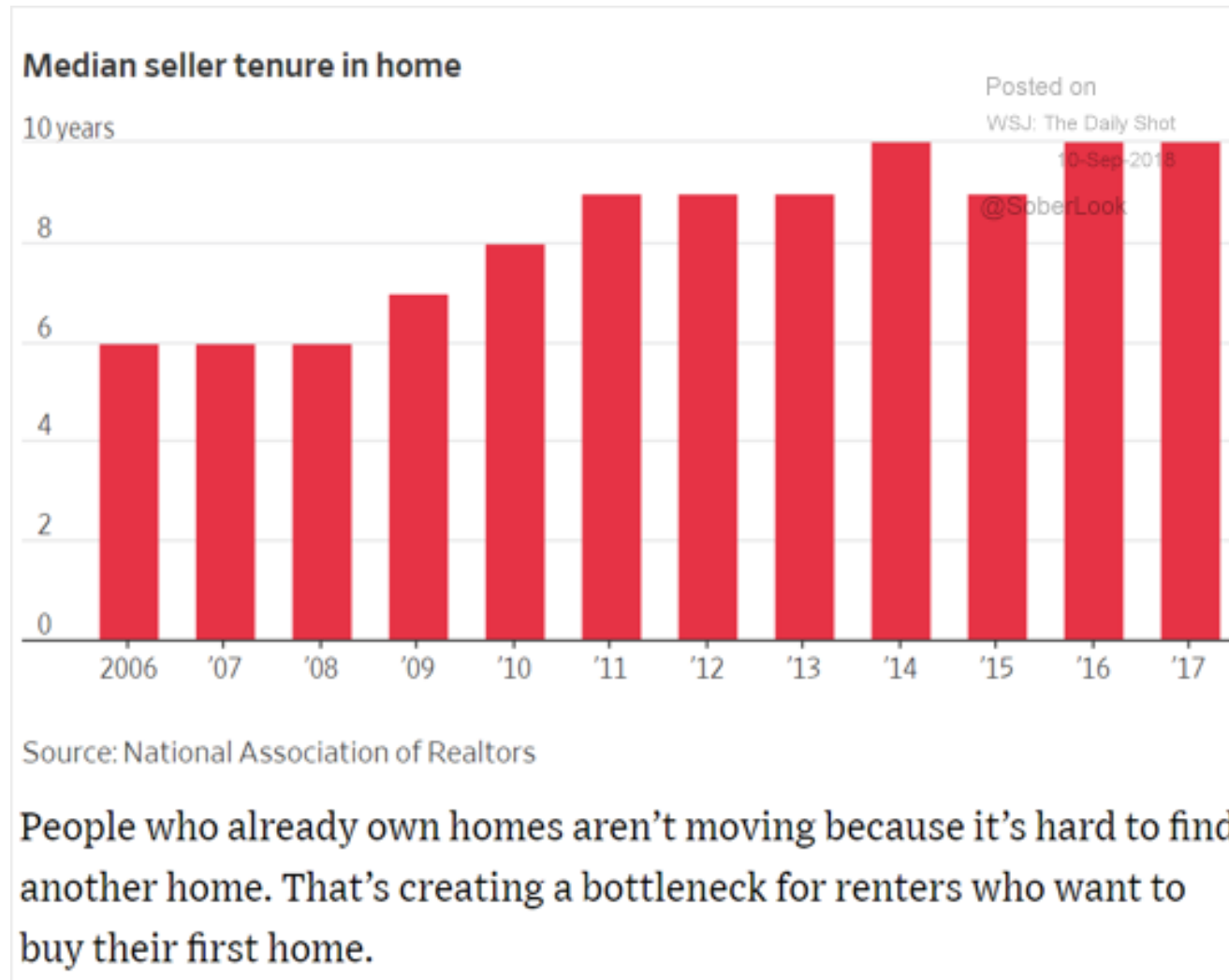
Housing

Mortgage Availability Still Low



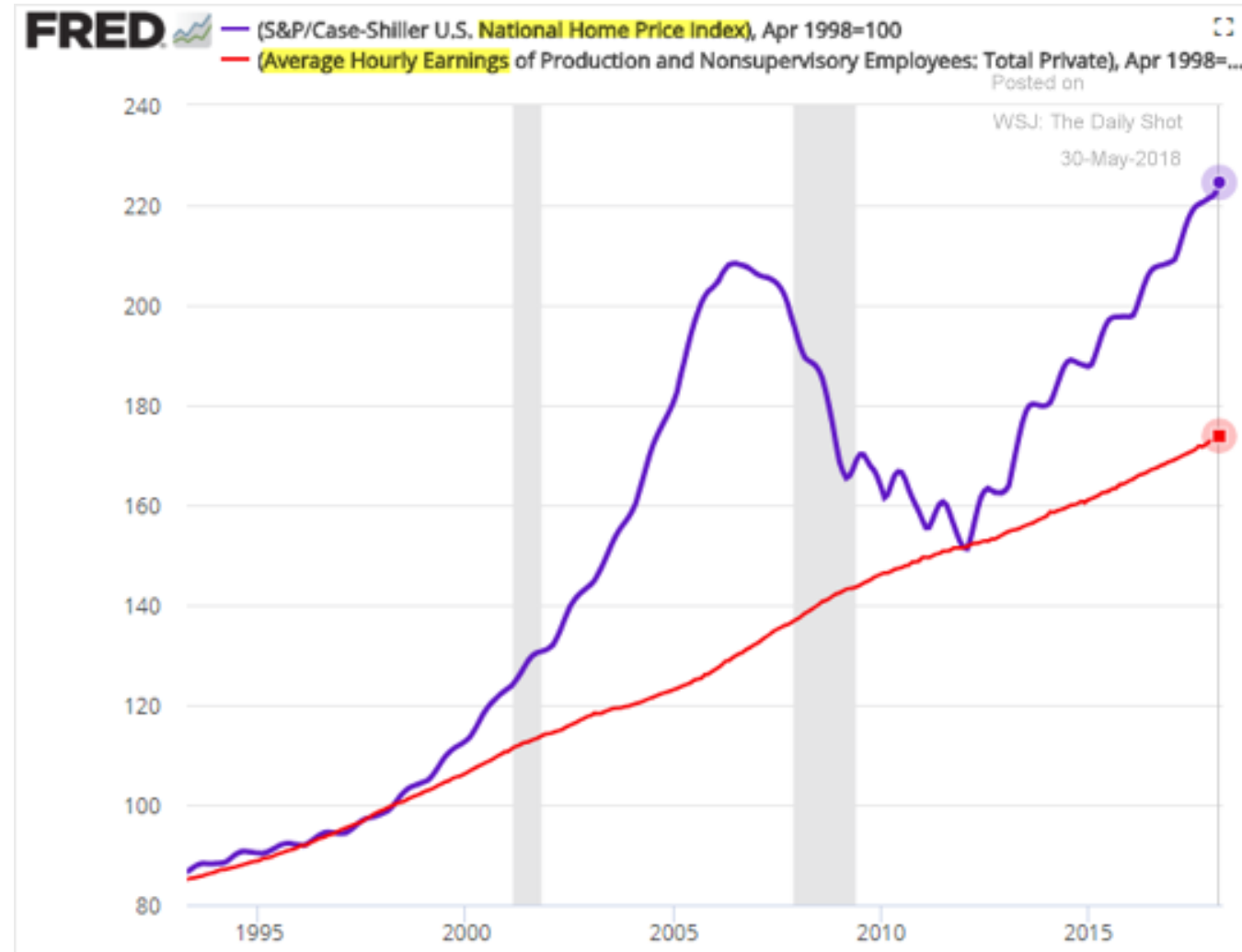
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Decreased Supply of Homes



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Home Prices Increasing Faster Than Wages



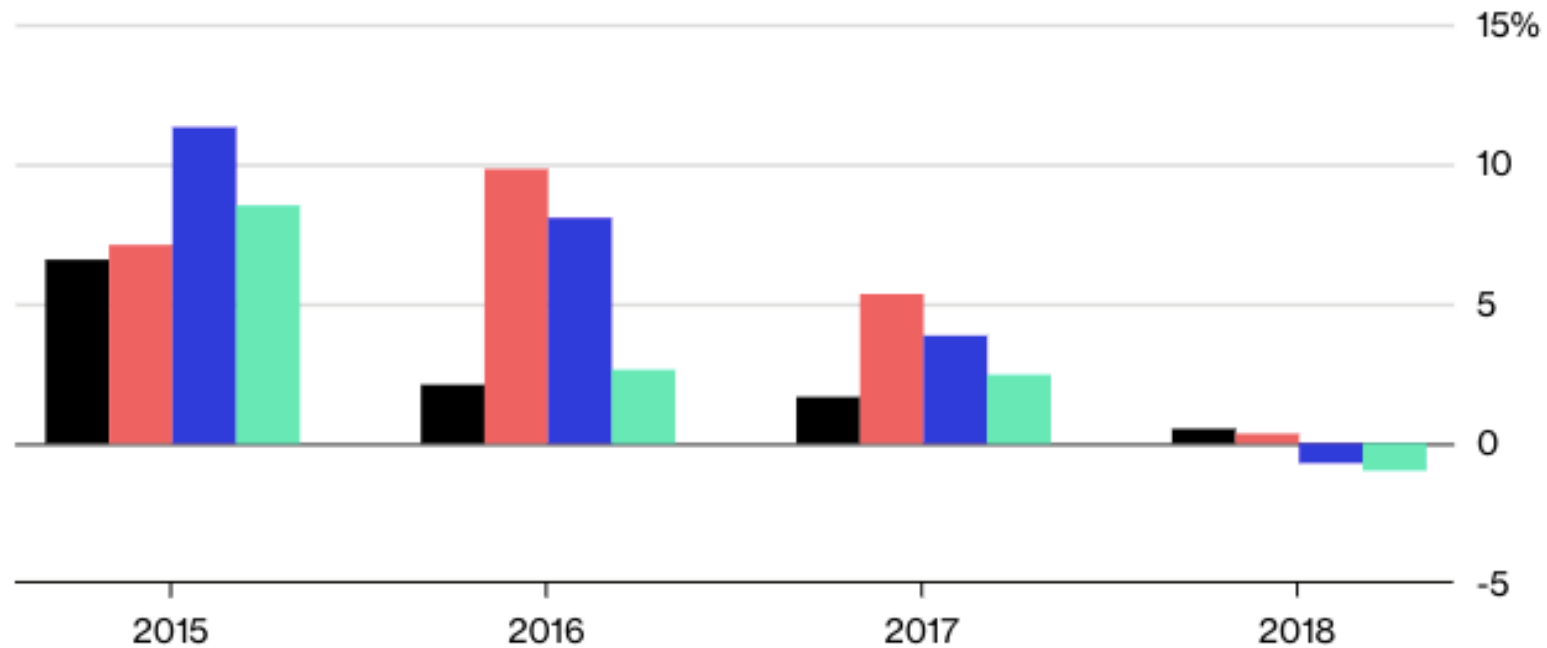
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Rental Prices Peaking?

Boom to Bust

Rents go from double-digit gains to declines in four years

■ United States ■ Seattle, WA ■ Portland, OR ■ Kansas City, MO



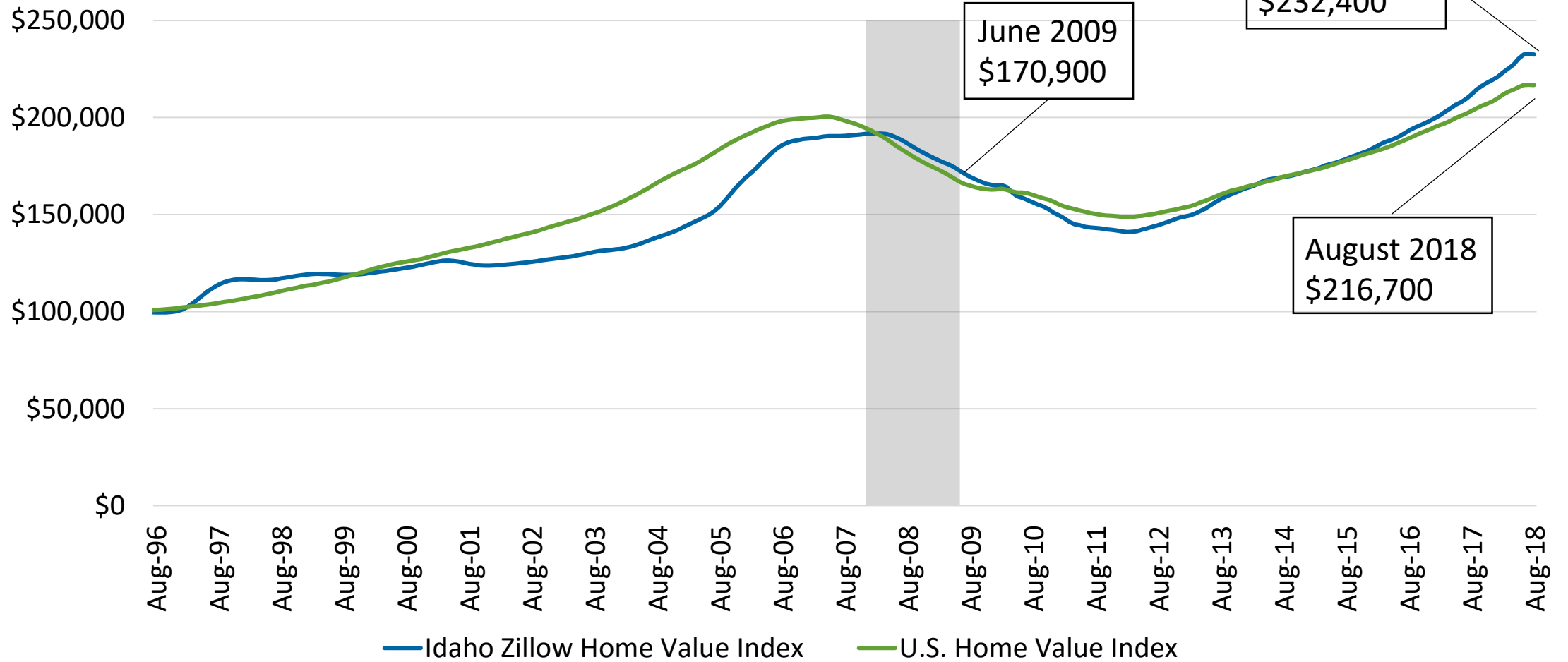
Source: Zillow

NOTE: Figures represent July % change from same month a year earlier.

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Idaho Home Values

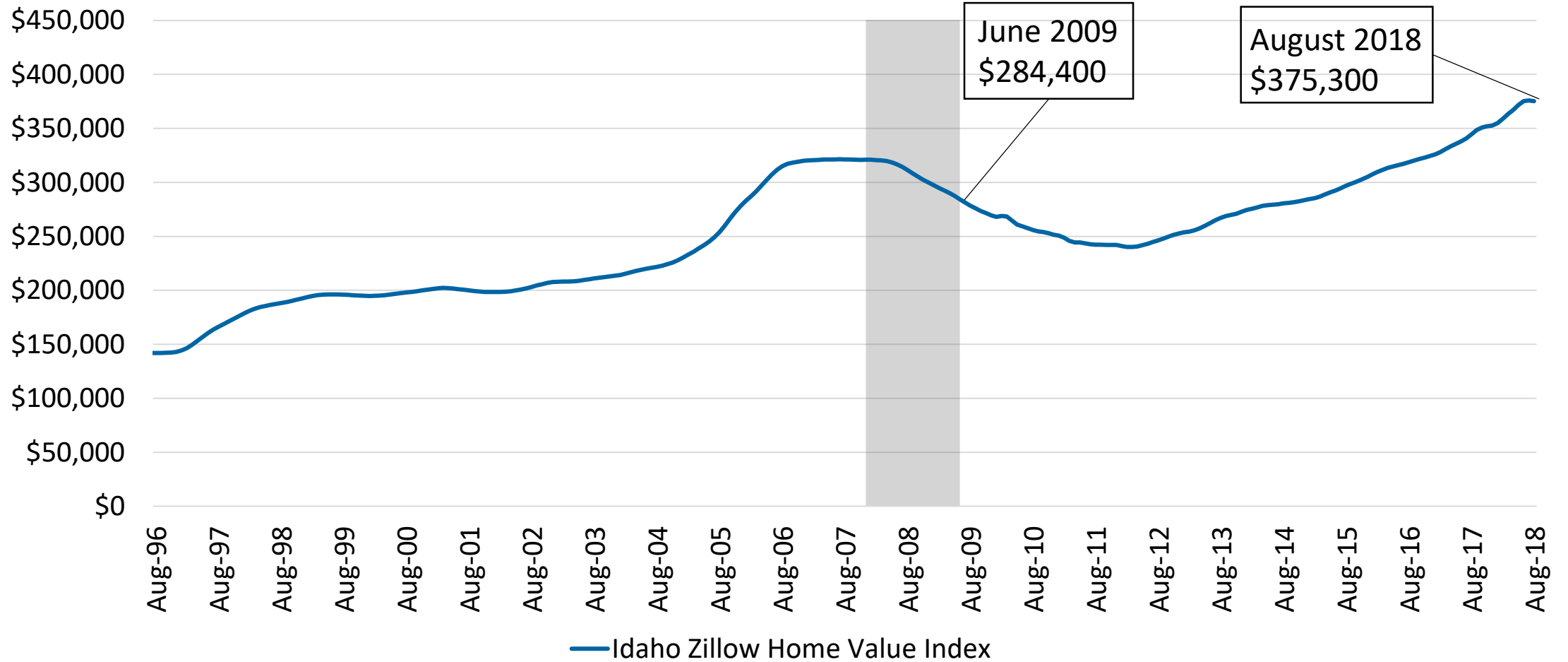
All homes



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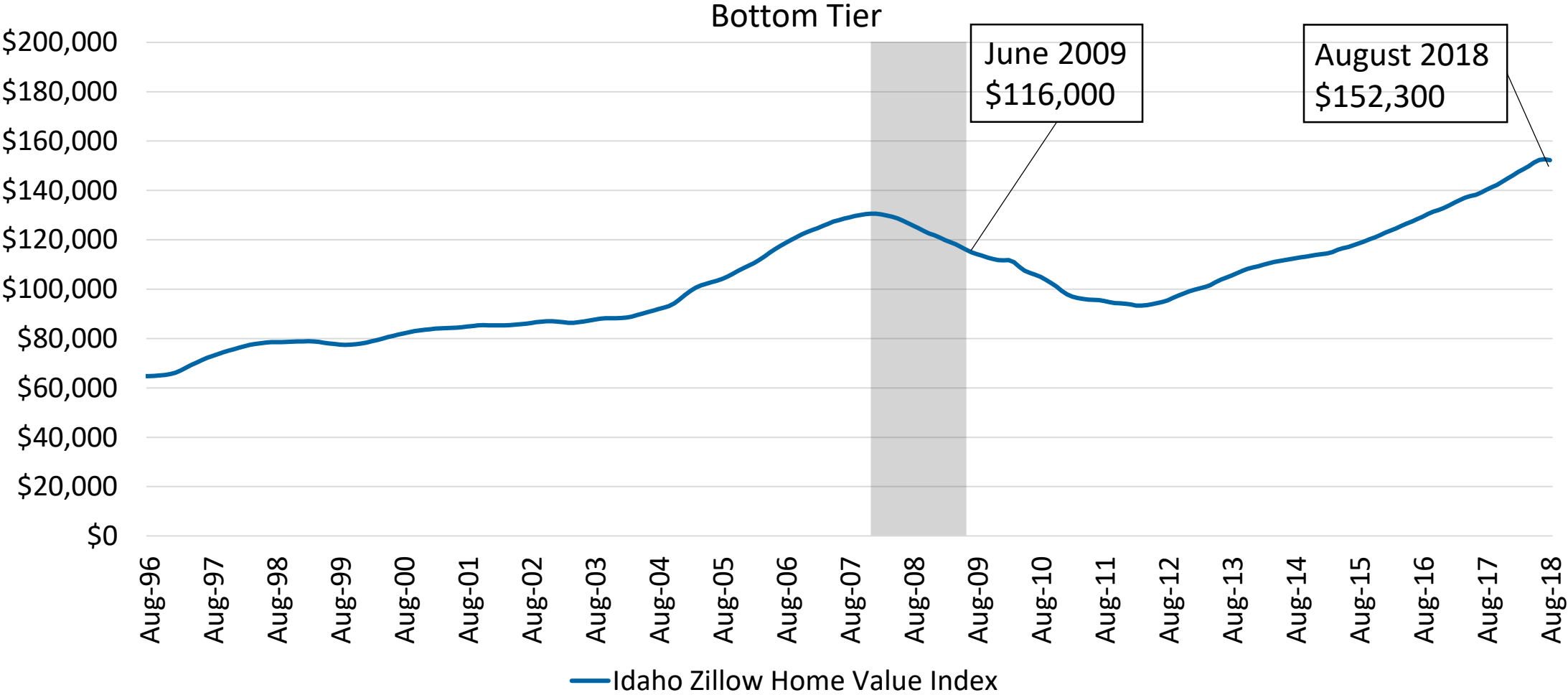
Idaho Home Values

Top Tier



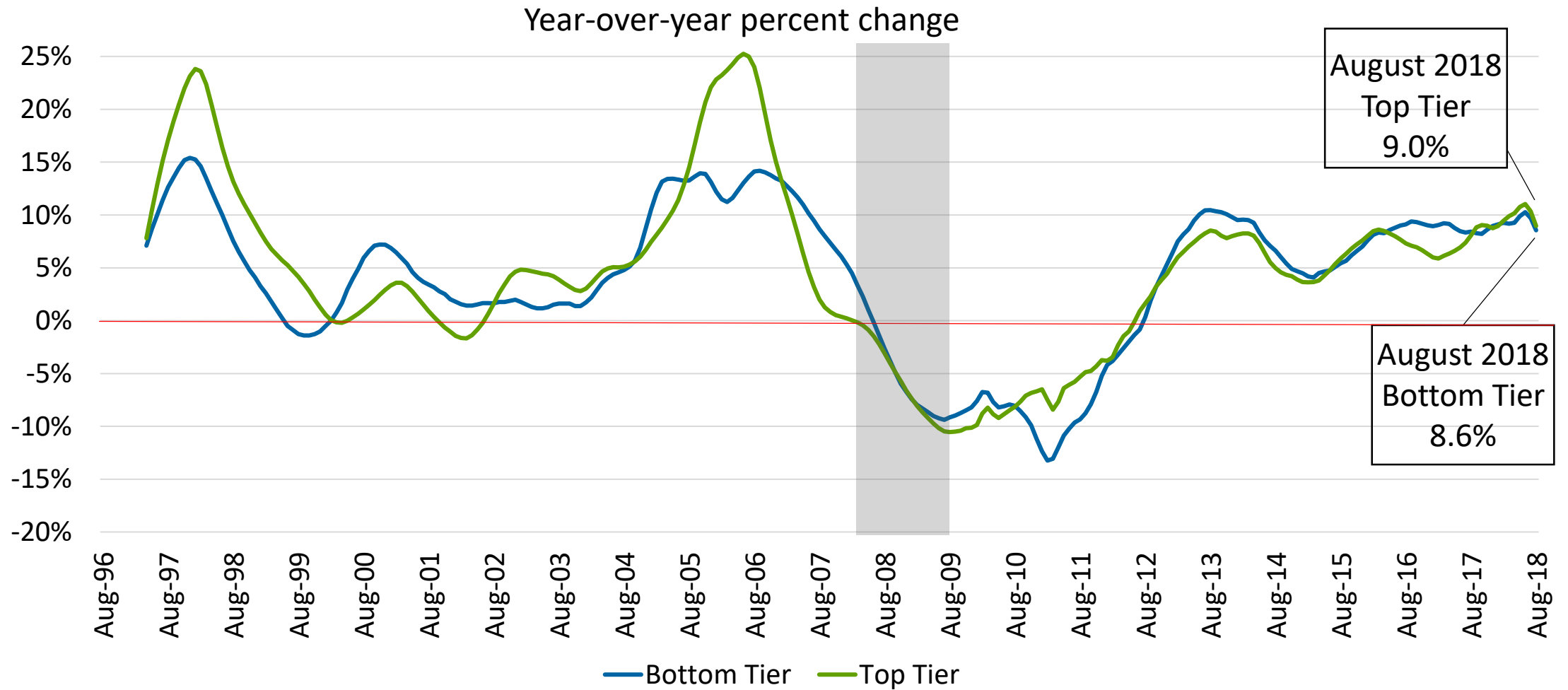
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Idaho Home Values



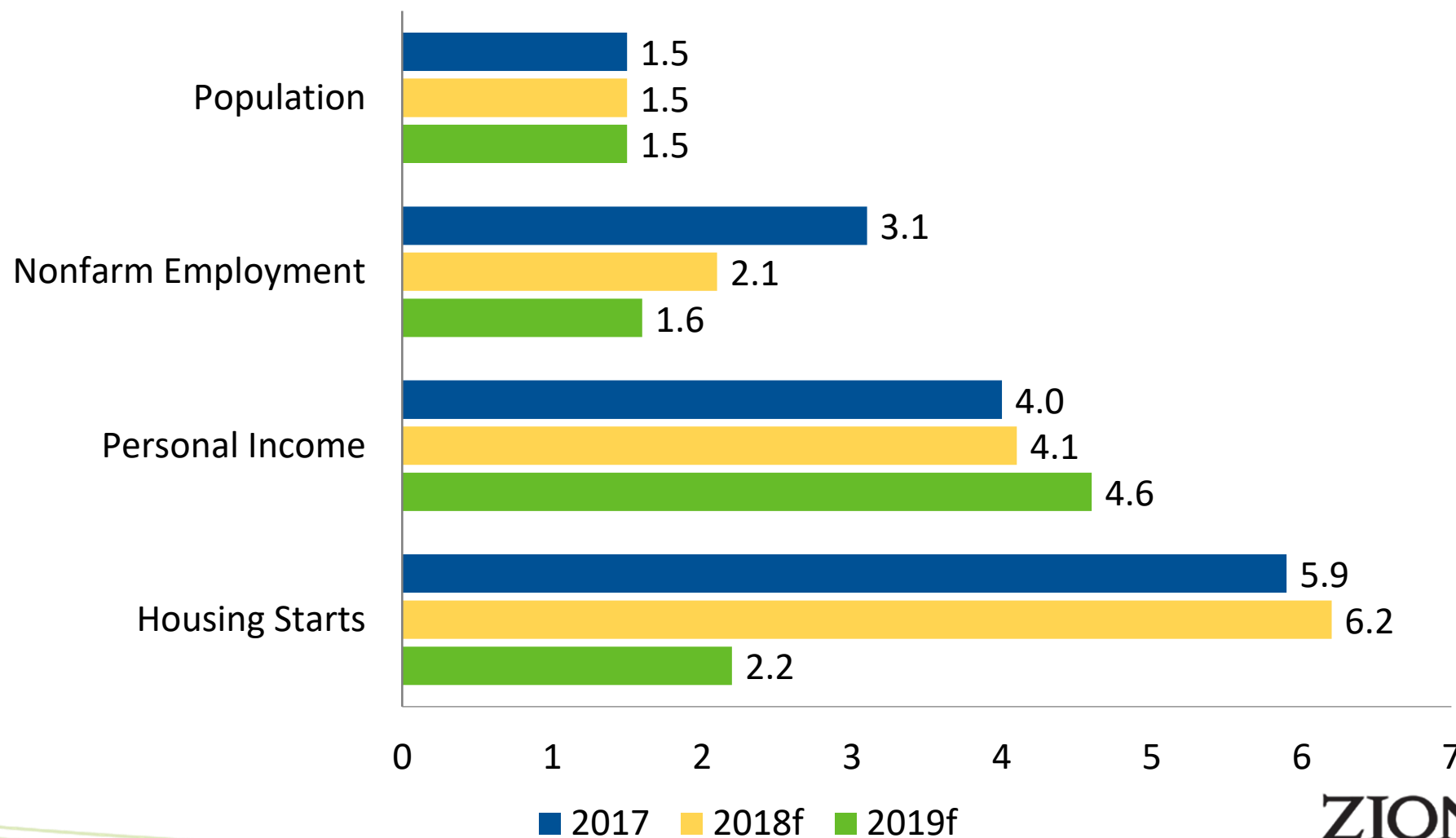
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Change in Idaho Home Values by Tier



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Idaho Economic Indicators 2017-2019



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Economic Overview

The “Crystal Ball”

Tailwinds

- Continued consumer and business confidence, bolstered by the tax rate cuts
- Steady, moderate employment growth and continued low unemployment
- Steady economic growth bolstered by population growth, particularly net migration

Headwinds

- Synchronized global recovery, plus higher wages and commodity prices, forecasts inflation growth in 2018-19
- Higher home sales prices coupled with higher 30-year T bill rate and construction cost will slow home buying and construction
- Higher long-term rates puts upward pressure on cap rates (negatively impacting future CRE values)

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WE HAVEN'T FORGOTTEN
WHO KEEPS US IN BUSINESS®

Wes Jost

Senior Vice President

Email: Wes.Jost@Zionsbank.com

Phone: 208-501-7491

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