“The View”
Midwest Real Estate & Economic Update

2019 MRC ReloFest
Re-Thinking Global Mobility

APRIL 2 - 3, 2019
MILWAUKEE
Session Panel

• *Introductions*, Denise Mast CRP, Client Services Director, MoveNet
• Michelle Bennett - GMS, Vice President Corporate Relocation Services, BHHS Alliance Real Estate in St. Louis, MO
• Tonya Krebs - CRP, Relocation Director, Shorewest Realtors in Metro Milwaukee, WI
• Sue Carey - SCRP, SGMS-T, Vice President Corporate Relocation Strategies, Baird & Warner Real Estate, Inc. in Chicago, IL
• George Mokrzan - PhD, Director of Economics Huntington National Bank Columbus, Ohio

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Tonya Krebs, CRP, GRP, GDS, Director of Relocation
Shorewest Realtors®

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Milwaukee is Thriving

- Ranked among *U.S. News and World Report’s* “Best Places to Live”.
- Ranks in the top 20 out of 101 on *Market Watch’s* best U.S. Metro Areas of “Best Cities for Business”.
- Ranked among the top 50 cities in the U.S. “To Start a Business” by *Inc. Magazine*.
- Milwaukee Region ranks 5th in the Nation for the number of Fortune 500 firms per capita.
- Wisconsin ranks 6th of best states for millennials by *WalletHub*.

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Positive Trends

• Low unemployment
• Affordability
• Quality of life
• Business expansion and new construction
• Milwaukee’s changing skyline
• Recent improvement in mortgage rates
General Trends & Challenges

- Low inventory
- Strong buyer demand
- Increasing home prices
- New construction moderate improvement
2019 Housing Outlook

• Economy remains strong
• Tight inventory likely to remain
• Buyers continue to search
• Home prices continue to rise

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Chicago

- Economic Growth and Job Creation
- #1 U.S. Metro for Corporate Relocations & Expansions for Six Consecutive Years
  
  Site Selection Magazine
- Chicago’s Diversified Economy
- Eye on the Tech Industry

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Chicago

Transportation is a Key Advantage in Chicago

• O’Hare’s new Global Terminal
• Connections to the Suburbs
Chicago

• Housing Trends in Chicago’s Six-County Metro Area
  — City vs Suburban
  — Single Family vs Condo
  — Rental Market
  — Luxury Market

• Activity by Generations

• Global Transfer Activity
  — Long Term Assignments vs Permanent Transfers
Chicago 2019 and Beyond

Challenges present Opportunities

• Taxes
• Inventory Outlook
• Online Real Estate Distractors
• iBuyers

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St. Louis Market

Michelle Bennett-GMS, Vice President Corporate Relocation Services
Berkshire Hathaway HomeServices Alliance Real Estate

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Growing Economy!
The Momentum Continues

Washington University to spend $300 million on Cortex project
Construction starts on 'Geosaurus' office space for geospatial startups in downtown’s T-Rex building.

N.Y. deal helped push Centene past $60B in 2018

Cullinan Properties wants to acquire a 14-acre tract of vacant land from St. Louis University to build 300 apartments, retail restaurants and offices.

National Geospatial-Intelligence Agency.
Feds Pick winner of $712 million to build NGA

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General Trends/Challenges

- Better Together
- I-Buyers?
- Inventory Dwindling
- Competition/Rising home prices
- Rising rental rates
- Boomers/Millenials
2019 Housing Outlook
Some Solutions!

- Knowledgeable buyer’s agent
- Education and Counsel
- HAVE FUN! Go see a Cardinal Game!!
- “Homeownership matters to Americans, who consistently realize the many benefits it provides to communities, families and the nation’s economy.” Former NAR president Gary Thomas

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## Single Family Statistics
### St. Louis, Chicago & Milwaukee

<table>
<thead>
<tr>
<th>Statistical Data</th>
<th>St. Louis/St.Charles</th>
<th>Chicago 6 County</th>
<th>Metro-Milwaukee</th>
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<tbody>
<tr>
<td>Active Listings</td>
<td>5087</td>
<td>5217</td>
<td>29152</td>
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<td>Solds</td>
<td>30631</td>
<td>31155</td>
<td>68789</td>
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<tr>
<td>CDOM</td>
<td>53</td>
<td>55</td>
<td>91</td>
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<tr>
<td>List to Sale %</td>
<td>98.55%</td>
<td>98.6%</td>
<td>97.0%</td>
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<tr>
<td>Months of Inventory</td>
<td>2.89</td>
<td>2.99</td>
<td>3.7 *</td>
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<tr>
<td>Ave. Sale Price</td>
<td>$231,313</td>
<td>$224,291</td>
<td>$330,103</td>
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</tbody>
</table>

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# Condo/Villa Statistics
## St. Louis, Chicago & Milwaukee

<table>
<thead>
<tr>
<th>Statistical Data</th>
<th>St. Louis/St. Charles</th>
<th>Chicago 6 County</th>
<th>Metro-Milwaukee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Listings</td>
<td>634</td>
<td>616</td>
<td>14313</td>
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<tr>
<td>Solds</td>
<td>3979</td>
<td>4080</td>
<td>40778</td>
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<tr>
<td>CDOM</td>
<td>52</td>
<td>51</td>
<td>72</td>
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<tr>
<td>List to Sale %</td>
<td>98.05%</td>
<td>97.85%</td>
<td>98.0%</td>
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<tr>
<td>Months of Inventory</td>
<td>2.56</td>
<td>2.54</td>
<td>2.9 *</td>
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<tr>
<td>Ave. Sale Price</td>
<td>$191,534</td>
<td>$187,278</td>
<td>$282,197</td>
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</tbody>
</table>
Mortgage Trends & Interest Rates!

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The Economic Outlook

Dr. George Mokrzan
Director of Economics

April 2, 2019
The Economic Outlook for the Nation

- **GDP Growth expected to Moderate to 2.3% in 2019 after strong broad-based growth of 2.9% in 2018.** Slowest growth expected in Q1 after subpar Q4 2018.

- **Consumers expected to Lead Again.** Powered by very strong labor markets, rising incomes, improved balance sheets and generally favorable financial conditions. Spending in Q4 2018 and Q1 expected to be weak, but recovering.

- **Small business investment forecasted to strengthen.** All firms, large and small, benefitting from generally solid domestic economic activity. Somewhat lower overall business confidence and a slowdown in energy markets will likely slow overall Business Capital Spending Growth from very strong growth in 2018. ‘The Jobs and Tax Cut Act of 2017’ have increased relative investment returns in the U.S. economy significantly.

- **Export growth is expected to be low relative to the last 2 years as the international economy cools overall.** Europe, Japan and China are all experiencing headwinds. However, Emerging Market economies will likely undergo less currency and bond market pressures given the slowdown of monetary policy tightening in the U.S. and other large central banks.

- **Inflation likely to be tempered by slowdown in the world economy, commodity markets and energy markets.** However, core cost pressures likely to continue.

- **Manufacturing growth slower.** Strongest demand coming from domestic sources. Continued tight labor, but fewer supply constraints.
Interest Rates Generally Expected to Stabilize in 2019

10-Year Treasury Yield, Fed Funds Rate Target and 30-Year Fixed Mortgage

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10-year Treasury constant maturity yield
30-year Fixed Mortgage Rate (Source: Wall Street Journal)
Fed Funds Rate Target

Most Recent Data: March 25, 2019
The U.S. Economy – Positives, Risks and Uncertainties

Positives:
1. Moderate GDP growth and low Inflation is expected
2. Strong labor market; Rising wages and disposable incomes. High Consumer & Business Confidence
3. Strong consumer finances overall although some weak segments
4. Potential Business investment spending:
   1. Solid aggregate profits and cash flows
   2. Increased international competitiveness
   3. New incentives created by tax reform. High Capital repatriation
   4. Accelerating Business Start-ups
   5. Long-term benefits to productivity and real wages likely
5. Recovered housing markets
6. Energy Sector Growth

Risks:
1. Slow growth in international economy
2. Adjustments to normalizing monetary policy and rising interest rates
3. Affordability becoming challenge for some in housing
4. High corporate debt/ Leveraged loans
5. Geo-political risks
6. Brexit, Euro-zone fiscal issues and political unity
7. Gov’t Budget and debt ceiling. High long-term government debt/GDP ratio (U.S. and world)

Swing:
1. Final impact on U.S. Terms of Trade of current international trade negotiations and disputes
2. U.S. Labor Competitiveness
3. Capital Spending Strength
Economic Growth Elevated
Highest Since 2003 to 2005 period of last cycle

ISM Index -- Manufacturing and Non-Manufacturing Indexes
(Greater than 50 = Growth)

97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

Combined Non-manufacturing & Manufacturing
Most Recent Data: February 2019
NFIB Small Business Optimism at High Levels

NFIB Small Business Optimism (SA, Percent)

- NFIB Small Business Optimism

Latest month plotted: January 2019
Small Businesses Raising Capital Expenditures and Especially Employment

NFIB Small Business Optimism (SA, Percent)

- NFIB: Percent Planning to Increase Employment
- NFIB: Percent Planning Capital Expenditures next 3 to 6 months

Latest month plotted: January 2019

Recessions Shown in Grey

Historical Data Source: Haver Analytics, Inc.
Business Starts Accelerating in the U.S. and in the Region (MI, OH, IL)

Historical Data Source: Haver Analytics, Inc.
Historically Low Unemployment Claims
Downward Trend Points to Continued Expansion, but Bottom may have been reached

Historical Data Source: Haver Analytics, Inc.  Recessions shown in Grey
Unemployment Rates at their lowest since the late 1960s

Civilian Unemployment Rate: 16 yr +

SA, %

Source: Bureau of Labor Statistics/Haver Analytics

Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey
Workforce Participation Has Begun to Rise in Non-retirement Ages. Potential for New Workers May be Large

Labor Force Participation Rate: 25-54 Years

Source: Bureau of Labor Statistics/Haver Analytics

Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey
Midwest Leads Nation in Job Openings Rate
From Worst in the Nation in Last Cycle to First in Nation in Current Cycle

Source: Bureau of Labor Statistics/Haver Analytics

Source: Haver Analytics, Recessions shown in gray
Consumer Confidence Up to 2000 Levels
East North Central no longer lagging

Conference Board Consumer Confidence
Index 1985=100

Latest month plotted: March 2019
Household Financial Obligations Ratio has stayed at historically low levels

Financial obligations have fallen on historically low interest rates and debt reductions from historically high levels.

Financial Obligations Ratio (FOR) is an estimate of the ratio of financial obligations payments to disposable personal income. It’s a broader measure than the debt service ratio and includes automobile lease payments, rental payments on tenant-occupied property, homeowners’ insurance and property tax payments.

Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey.
Consumers Saving Somewhat More Out of Incomes

The Saving Rate as a Percentage of Disposable Personal Income

Historical Data Source: Federal Reserve, Haver Analytics, Inc., Recessions shown in gray

Most Recent Data: Nov. 2018
Housing Slowing as Affordability becomes a challenge for some again, but hurdle smaller this time

Housing Prices Compared with Per Capita Disposable Personal Income
Percent Change Since January 2000

Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey
Affordability Highest in the Midwest; Still Above Average in Much of U.S.

NAR Composite Housing Affordability Index

Historical Data Source: Haver, Inc., National Association of Realtors

Recessions shown in Grey

Most Recent Data: January 2019

Median family income qualifies for 80% mortgage on median priced home.
Housing Market: Chicago Lags Big MSAs in Price Appreciation

Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey
Home Ownership High in Midwest States
Affordability Becoming an Asset in the Midwest

Homeownership Rate, Missouri (%)
Homeownership Rate, Wisconsin (%)
Homeownership Rate, Illinois (%)
Homeownership Rate: United States (NSA, %)

Source: Census Bureau/Haver Analytics

Historical Data Source: Haver, Inc., Recessions shown in Grey
State Leading Indicators show dispersion in growth in the First Half of 2019

Source: Federal Reserve Bank of Philadelphia
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Data Sources: Haver Analytics, FACTSET and and other sources shown for applicable slides

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