

**You're Nobody and Unless You're
somebody@somewhere.com**

**The Internet, Real Estate, Interest
Rates, Bubbles and the Economy**

**Ted C. Jones, PhD
Senior Vice President-Chief Economist
Stewart Title**



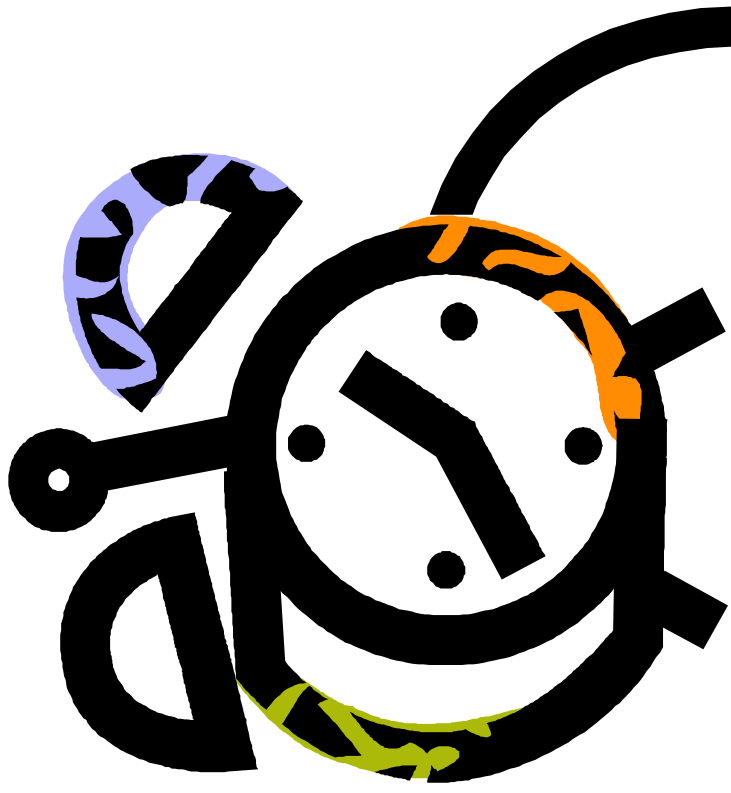
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3 Types of Homebuyers

- They Work There, They Live There, They Own or Rent**
- Second Homes**
- Investors--Speculators**

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Time



Bomb

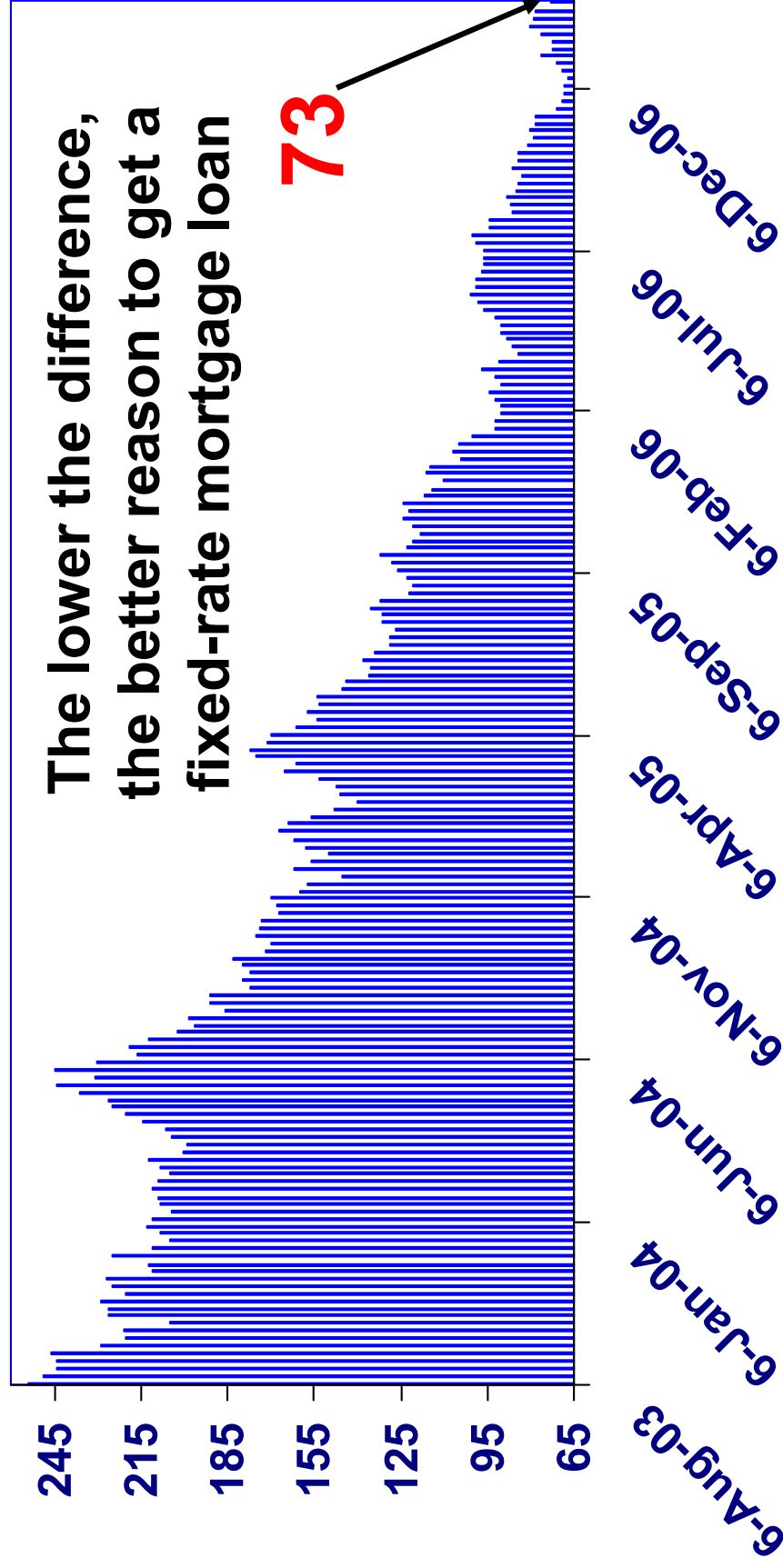


Loans

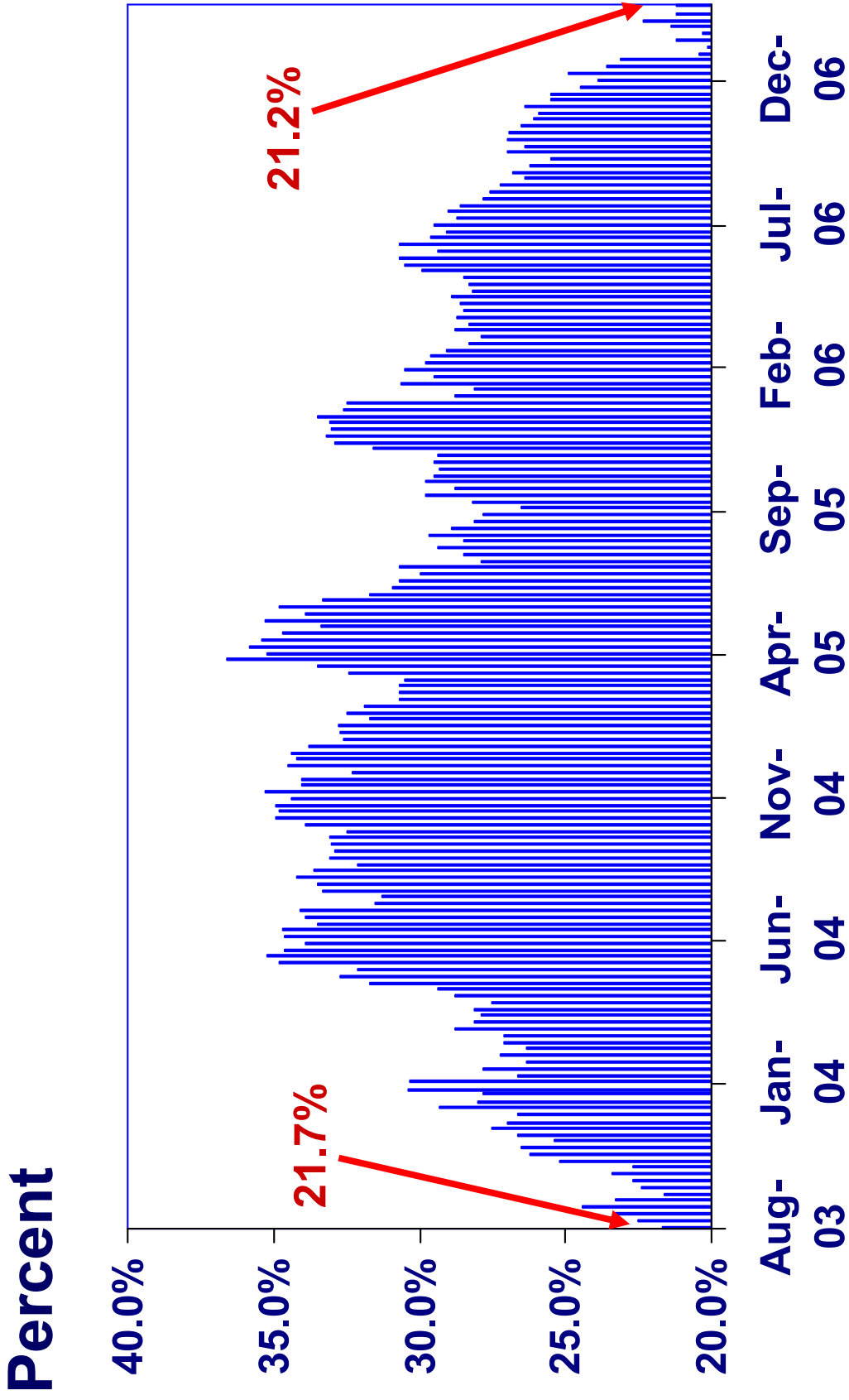


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Interest Rate Difference Between 30-Year and 1-Year ARM Loans Basis Points

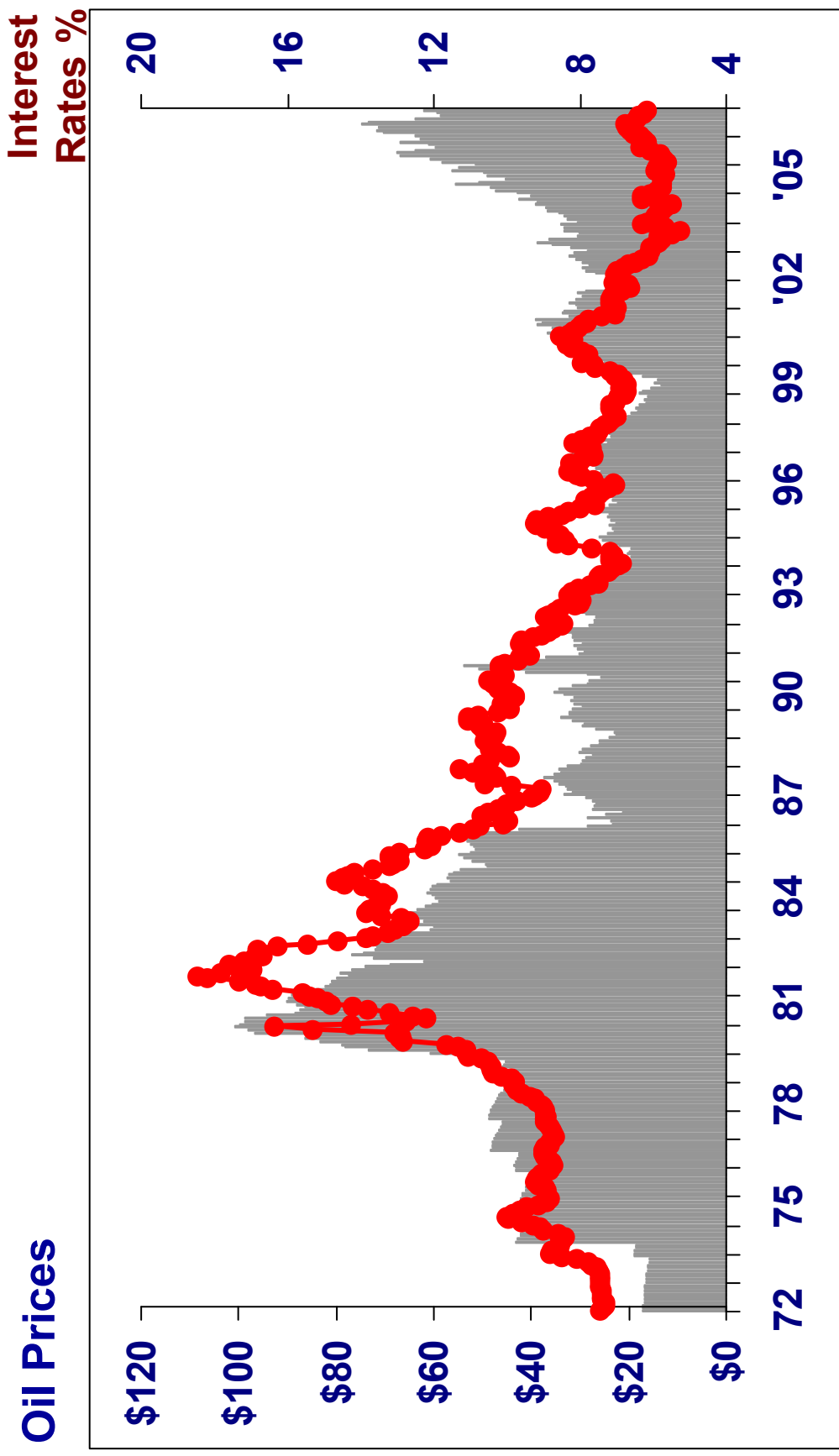


Percent of Loans That Are ARMS



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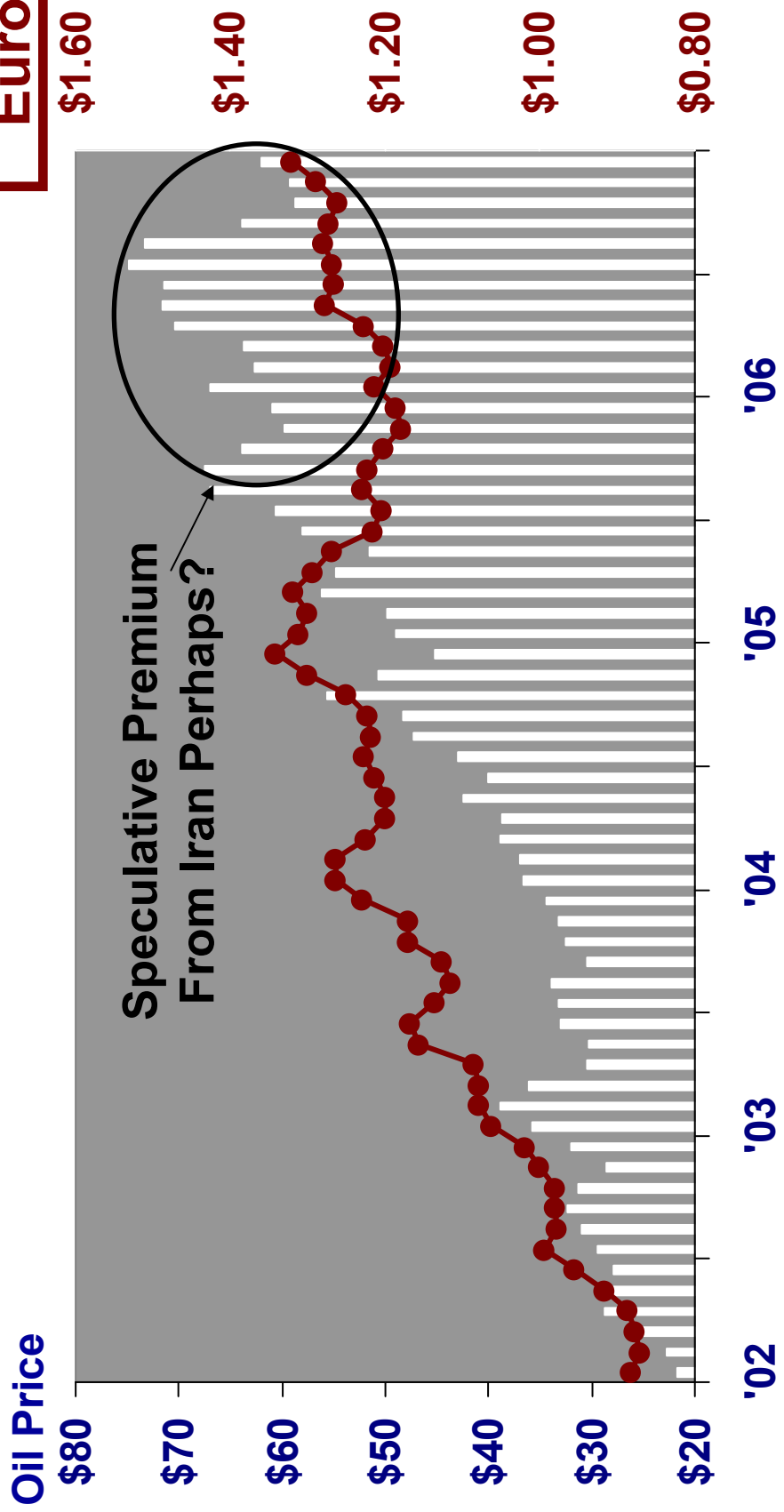
Oil Prices & 30-Year Residential Mortgage Interest Rates December 2006 Dollars



Oil Prices & Exchange Rates \$US Per Euro

Oil in December 2006 Dollars

Dollars
Per
Euro



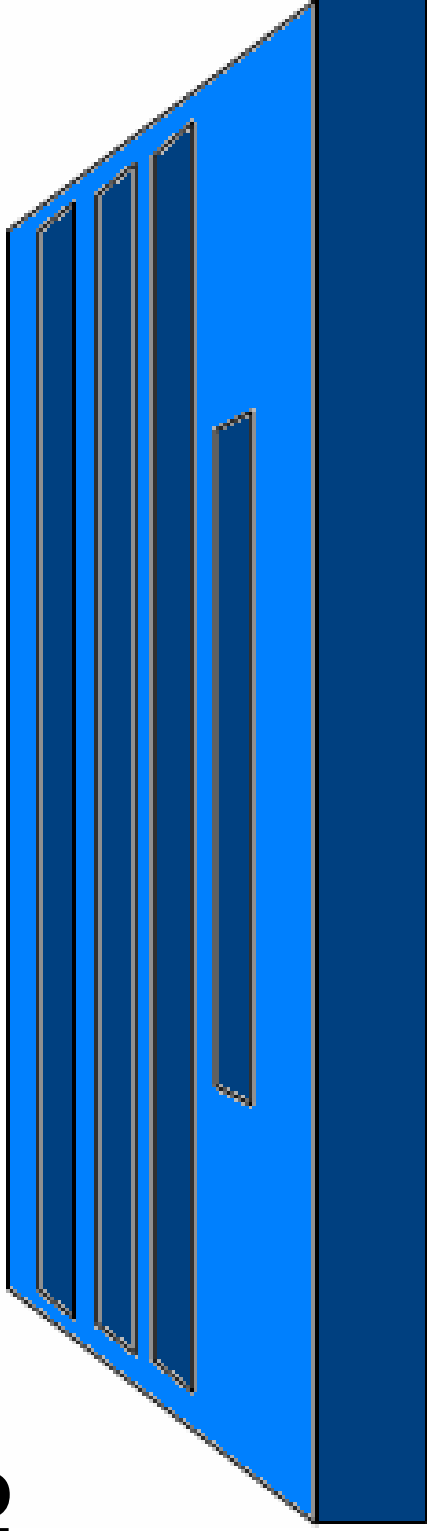
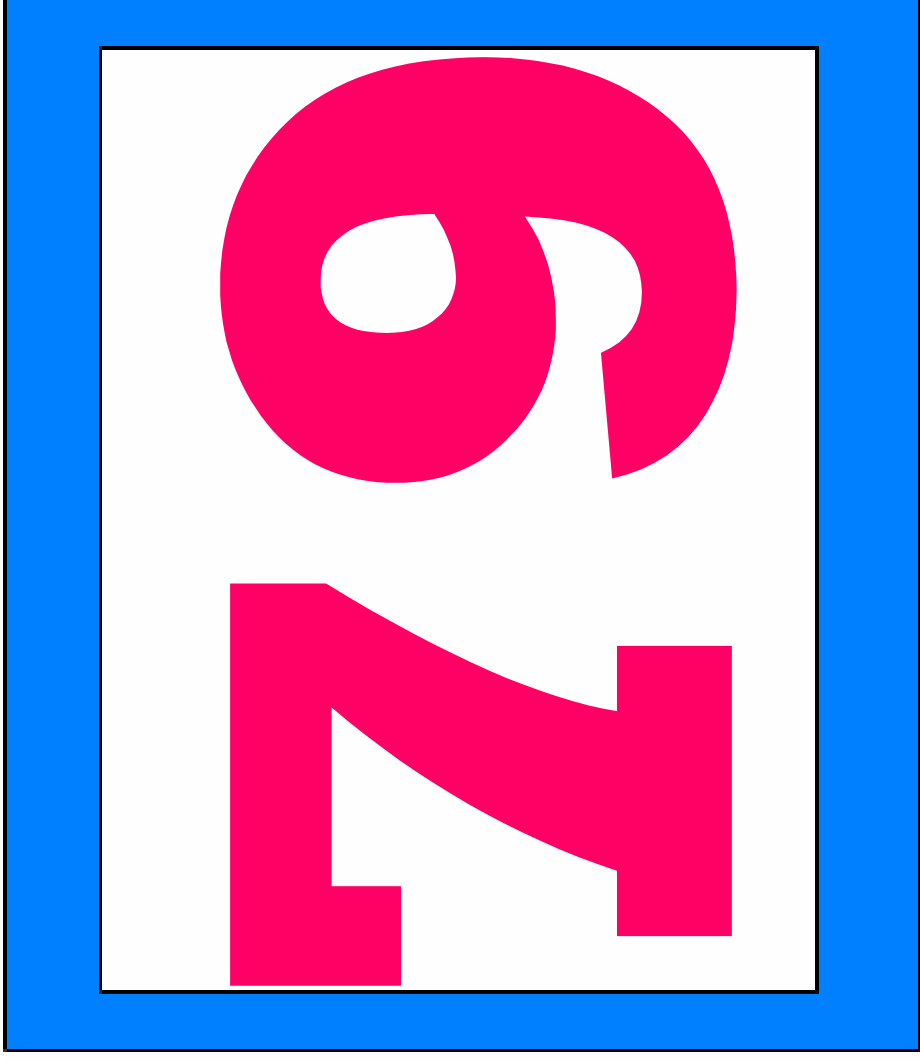
Ted's 2007 Forecast For 30-Year Loans



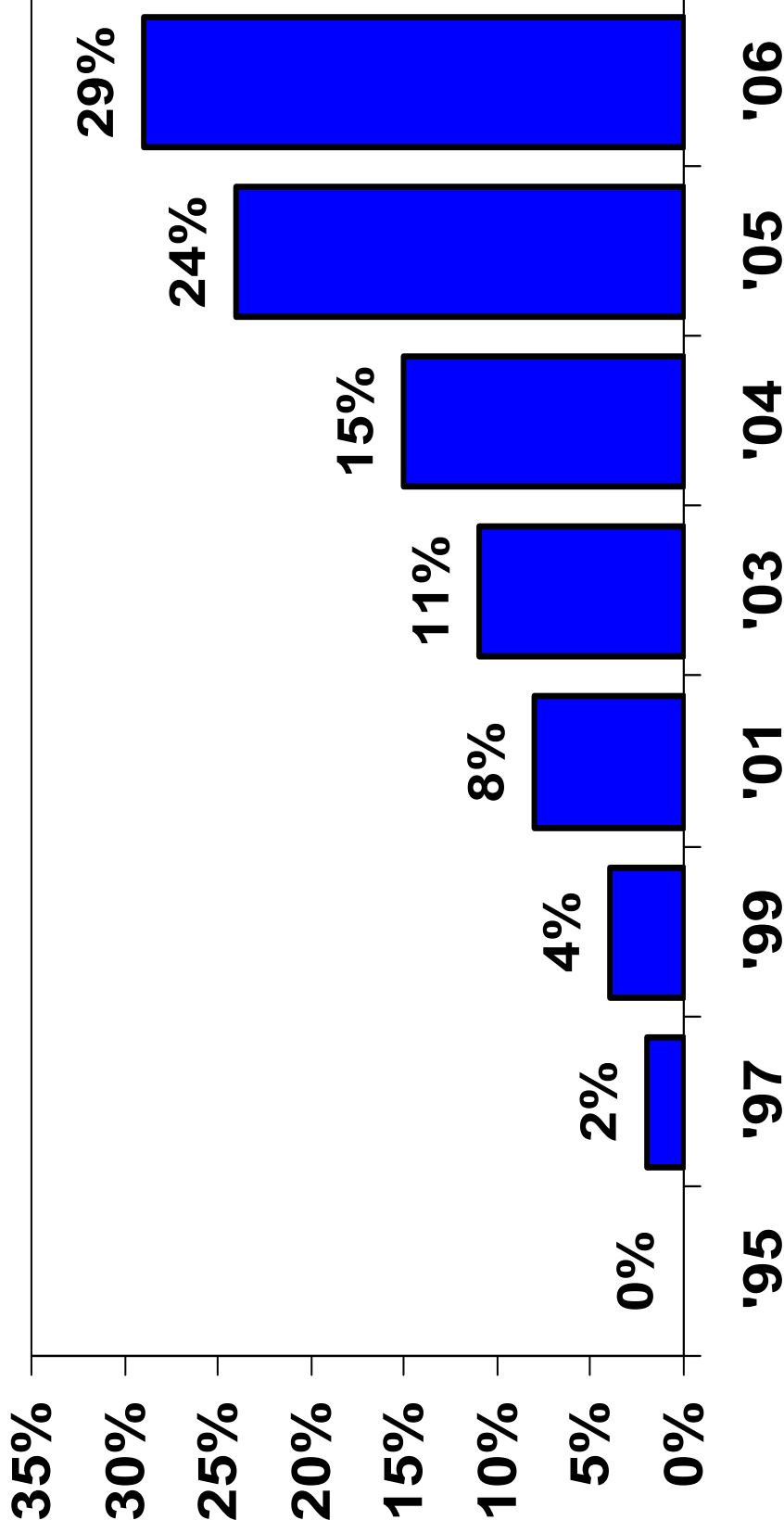
**Up 60 to
80 Basis
Points
July
'07**

**From Jan
1 2007**

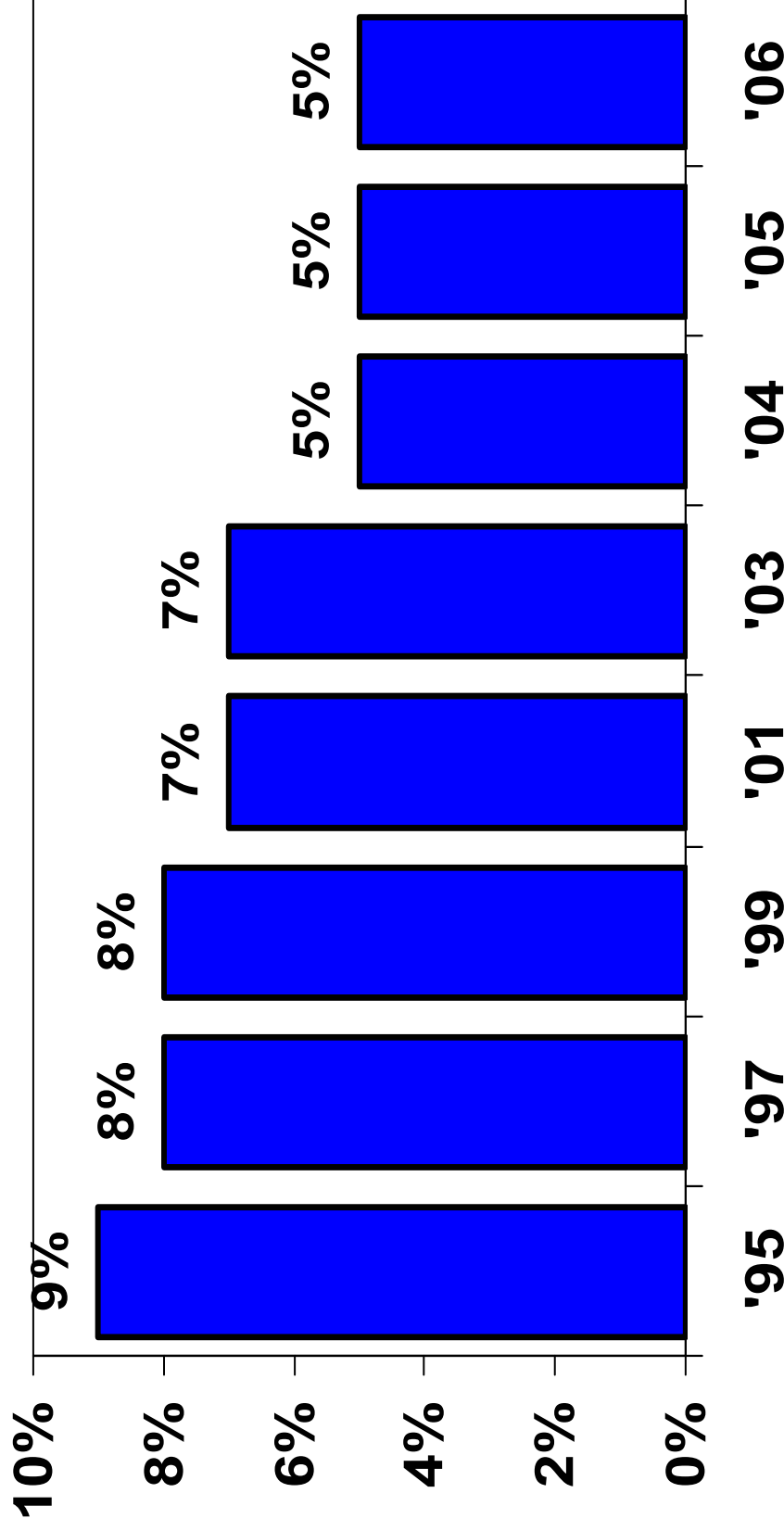
**Percent
Of Home
Buyers
That
Commence
Their
Search
Online**



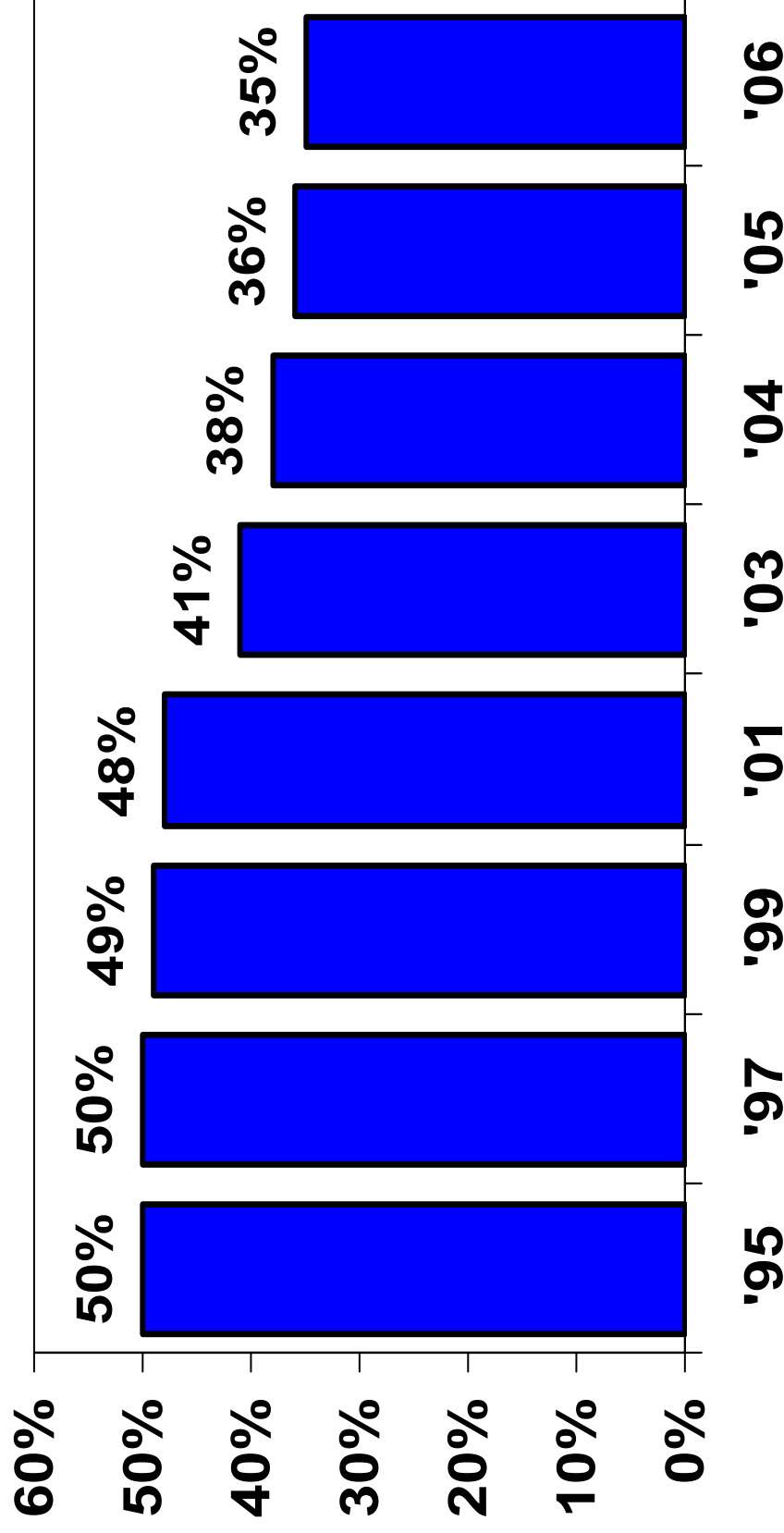
Percent of Homebuyers That First Found Their Home Purchased on the Internet



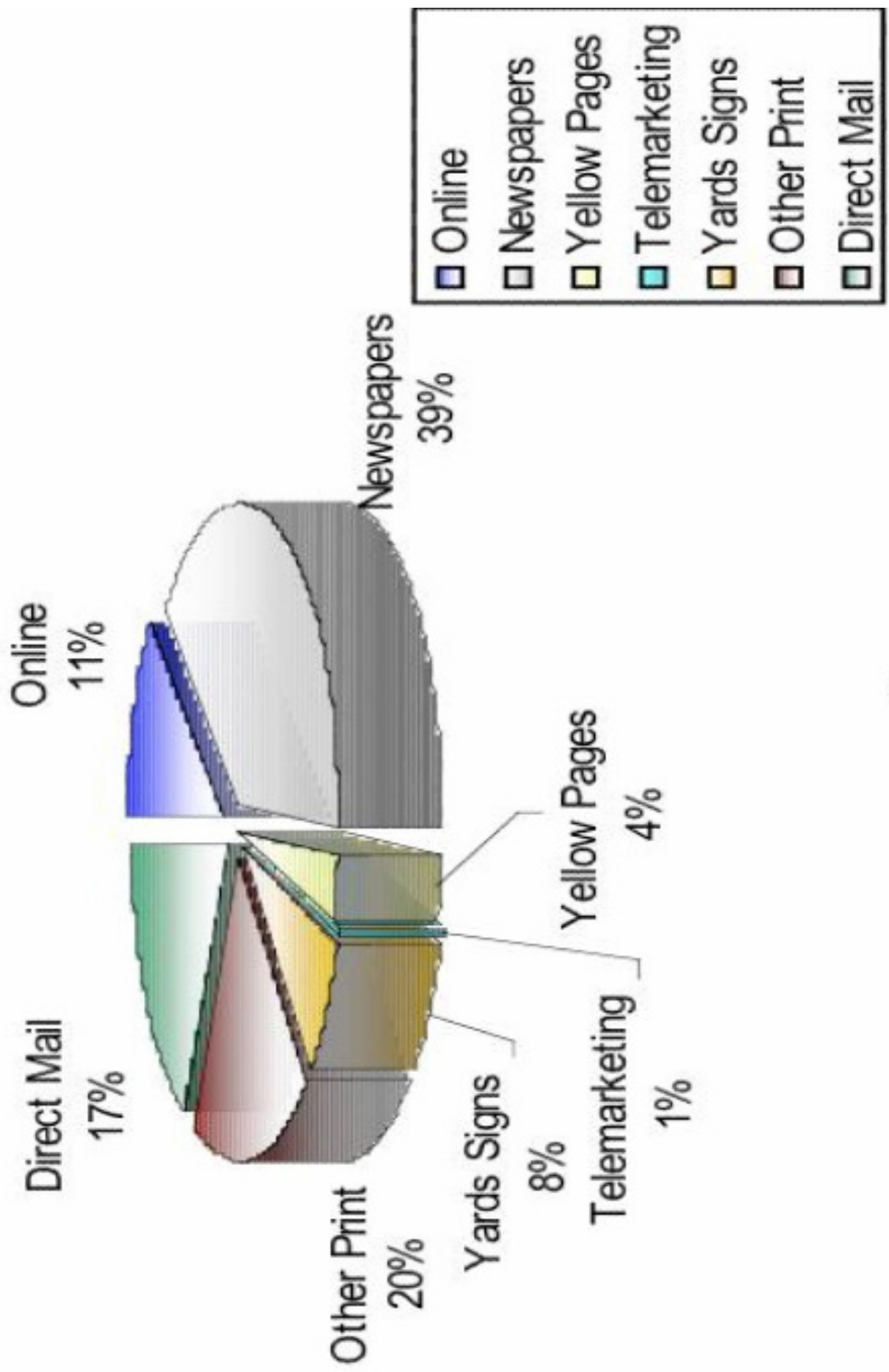
Percent of Homebuyers That First Found Their Home Purchased in the Newspaper



Percent of Homebuyers That First Found Their Home Purchased By the Real Estate Agent



Today's Real Estate Marketing Budget



Commoditization of Transaction Fees



**30 Free Stock Trades Per Month
Combined Balances of \$25,000 or More**

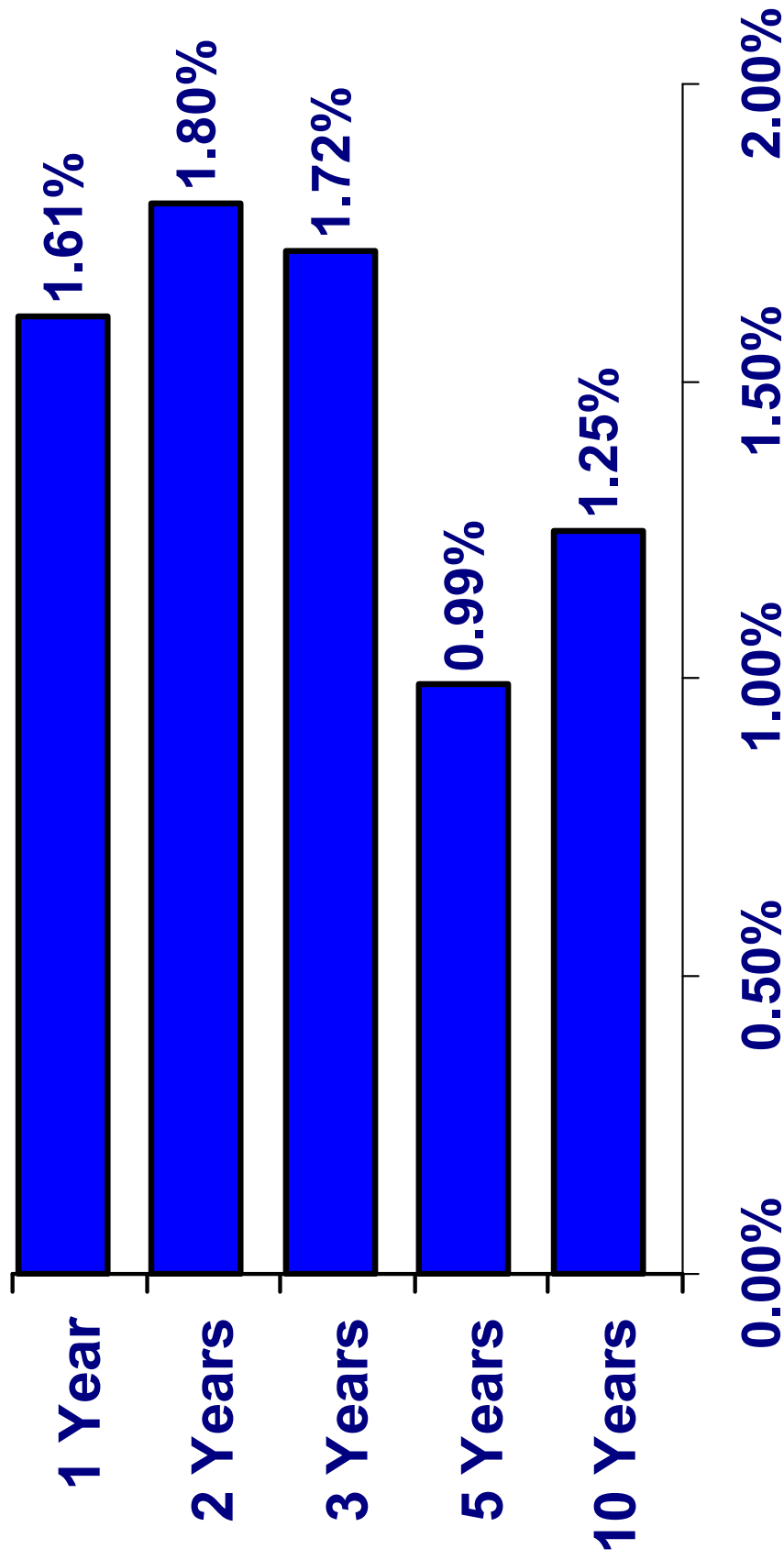
- **Checking**
- **Savings**
- **CD**
- **FDIC-Insured IRA**

Excludes Options and Mutual Funds

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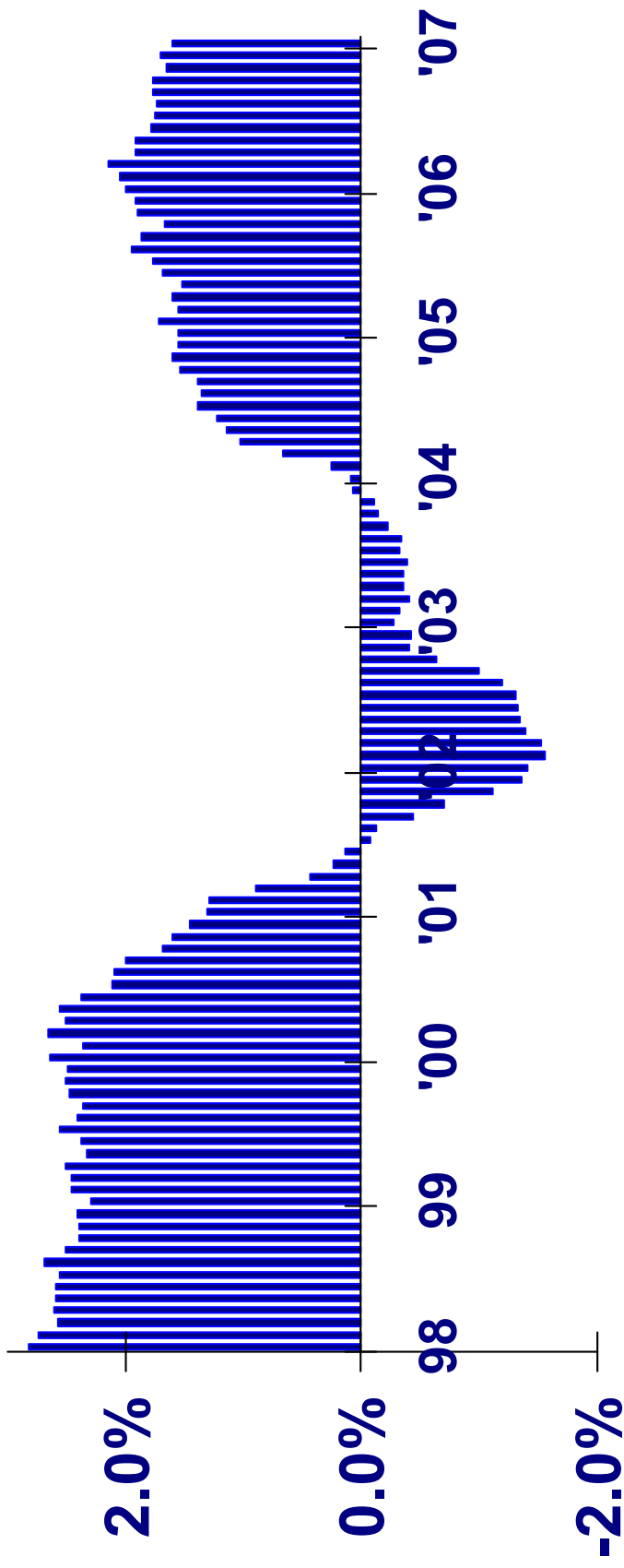
US Job Growth Rates

January Comparison CAGR



US Job Growth

Percent Change from Same Month Prior Year

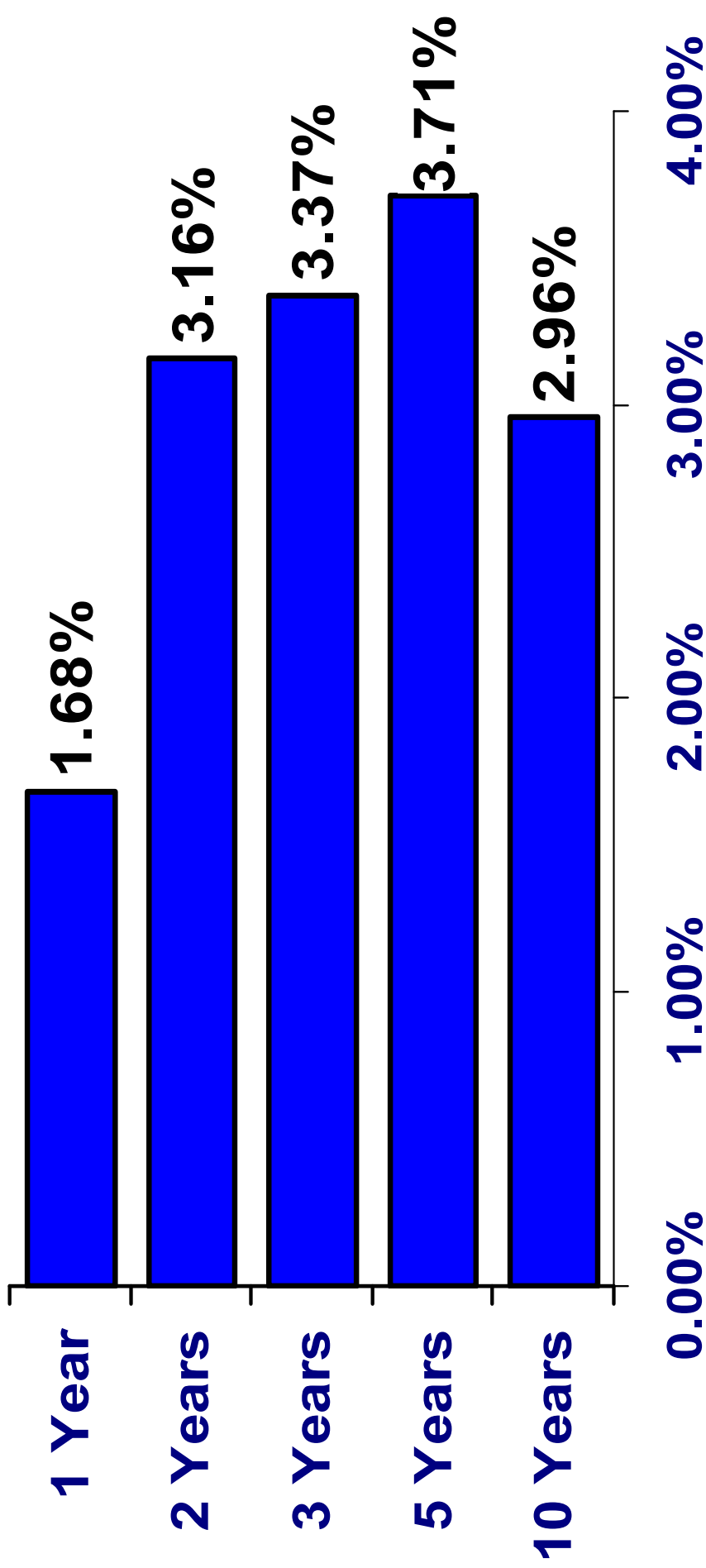


2.140 Million Net New Jobs in Past 12 Months

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Bellingham Job Growth Rates

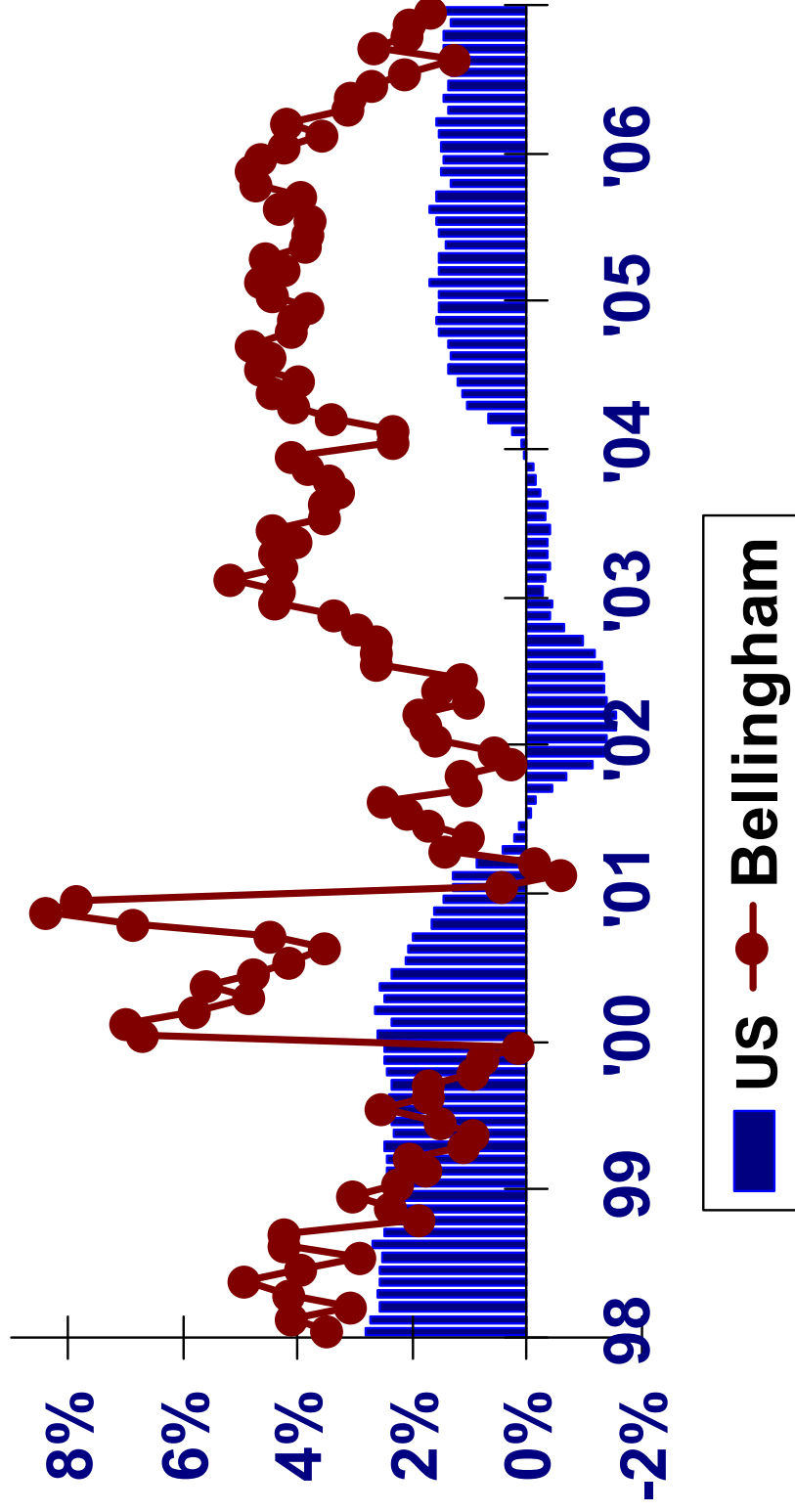
December Comparison CAGR



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Bellingham Job Growth Rates

Percent Change from Same Month Prior Year

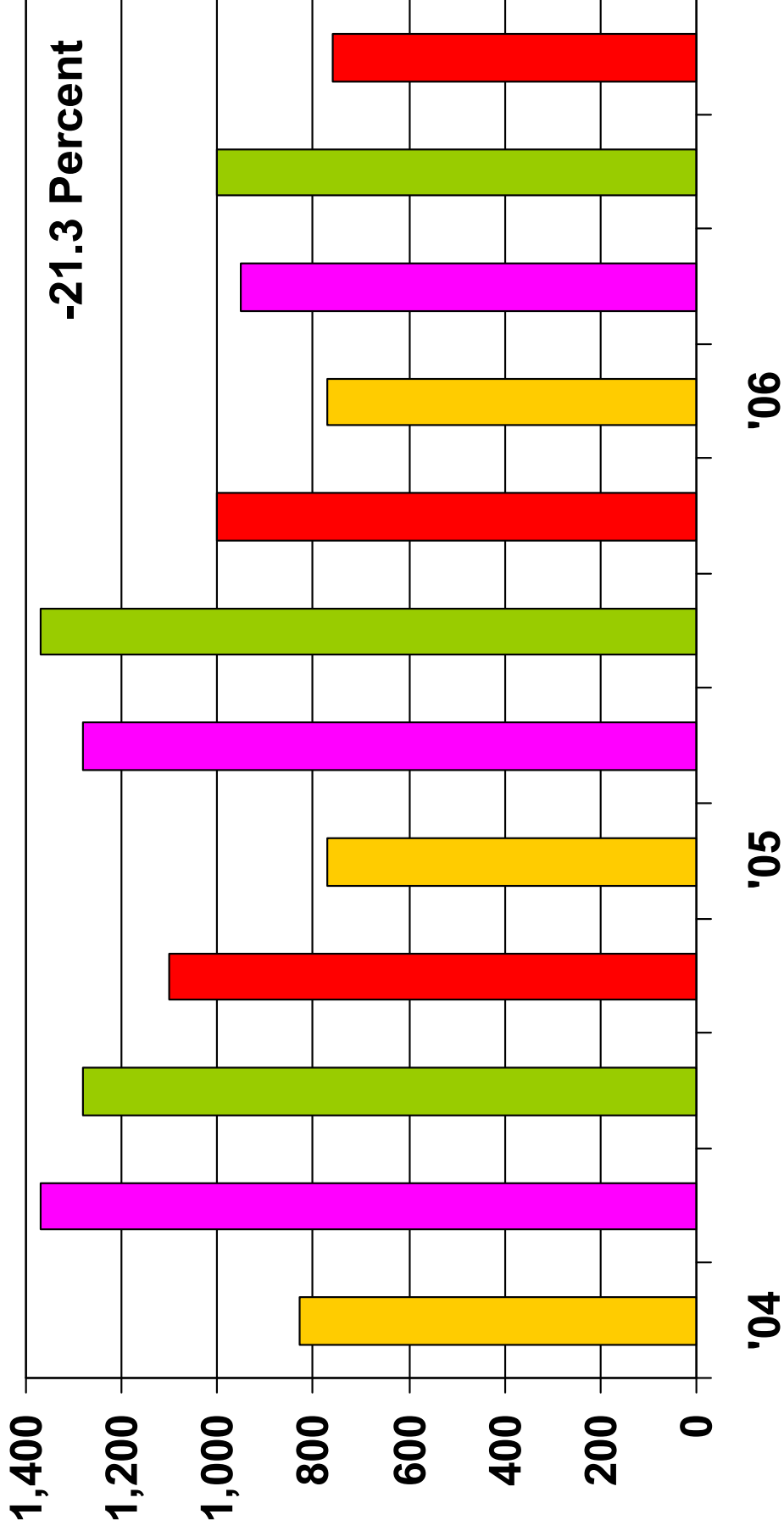


1,400 Net New Additional Jobs in the Past 12 Months

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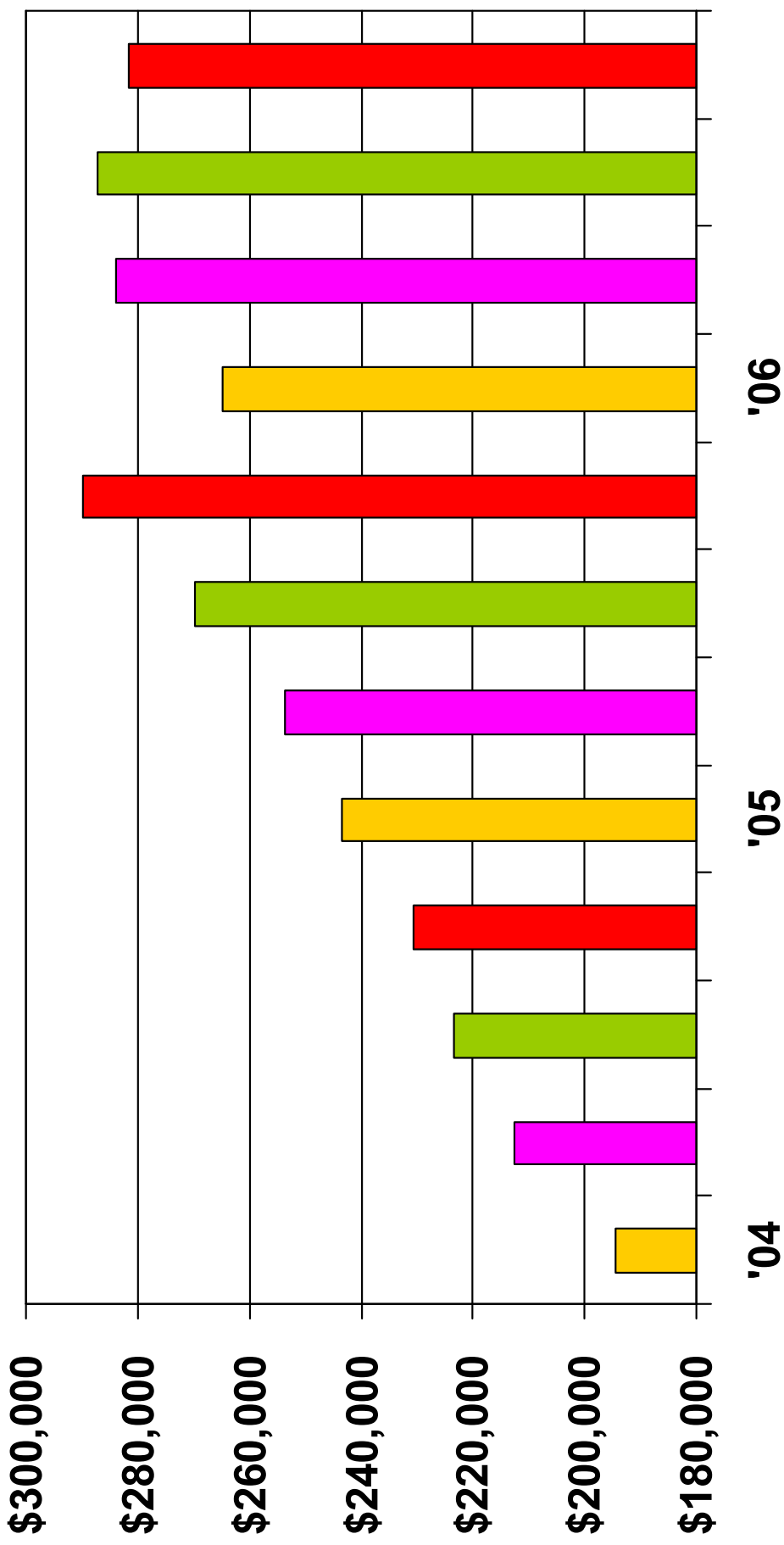
Whatcom County Housing Sales

Homes Sold By Quarter



Whatcom County Housing Sales

Median Price By Quarter



Washington Center for Real Estate Research

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Building Permits

Bellingham

Year	Single		Multi		Total
	Family	Family	Family	Family	
95	854	494			1,348
96	949	339			1,288
97	907	613			1,520
98	921	136			1,057
99	936	550			1,486
00	1069	556			1,625
01	981	463			1,444
02	1,107	430			1,537
03	1,493	827			2,320
04	1,647	841			2,488
05	1,619	824			2,443
06p	838	189			1,027

Jobs Per Dwelling

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

Whatcom

Last 12 Months

New Jobs

1,400

Residential Permits

1,024

New Jobs Per Dwelling

1.37

Unemployment Rates

	2005	2006
Bellingham	4.2%	4.3%
Washington	5.2%	5.0%
US	4.8%	4.6%

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Land Economics

David Ricardo

**All profits in real estate
accrue to land after paying
the fixed costs of capital,
management and labor.**

Land Economics David Ricardo in English

**Builders paid too
much for dirt in the
past 24 months.....**

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Florida Existing Home Sales: December 2006

Sales	Cities	Year To		Percent Change
		Date	YTD	
	Daytona Beach	8,883	13,910	-36.1%
	Fort Lauderdale	8,373	11,331	-26.1%
	Fort Myers-Cape Coral	9,189	12,365	-25.7%
	Fort Pierce-Port St. Lucie	4,851	6,682	-27.4%
	Fort Walton Beach	3,251	3,895	-16.5%
	Gainesville	3,174	3,993	-20.5%
	Jacksonville	15,952	17,946	-11.1%
	Lakeland-Winter Haven	5,160	6,417	-19.6%
	Melbourne-Titusville-Palm Bay	5,830	7,436	-21.6%
	Miami	8,692	11,016	-21.1%

Florida Existing Home Sales: December 2006

Sales	Cities	Year To Date	Last YTD	Percent Change
	Naples	2,863	4,842	-40.9%
	Ocala	5,347	6,118	-12.6%
	Orlando	27,212	36,727	-25.9%
	Panama City	1,700	1,999	-15.0%
	Pensacola	5,196	6,286	-17.3%
	Punta Gorda	3,050	4,029	-24.3%
	Sarasota-Bradenton	7,293	11,053	-34.0%
	Tallahassee	4,848	5,258	-7.8%
	Tampa-St. Petersburg-Clearwater	34,322	53,183	-35.5%
	West Palm Beach-Boca Raton	8,640	13,679	-36.8%
	Totals	173,826	238,165	-27.0%

Florida Association of Realtors®



Median Sales Price Cities	December 2006	December 2005	Percent Change
	Daytona Beach	\$ 205,700	\$ 223,500
Fort Lauderdale	\$ 367,600	\$ 369,000	-0.4%
Fort Myers-Cape Coral	\$ 262,500	\$ 322,300	-18.6%
Fort Pierce-Port St. Lucie	\$ 240,000	\$ 263,300	-8.8%
Fort Walton Beach	\$ 216,300	\$ 223,200	-3.1%
Gainesville	\$ 194,200	\$ 199,400	-2.6%
Jacksonville	\$ 187,000	\$ 195,000	-4.1%
Lakeland-Winter Haven	\$ 174,300	\$ 170,200	2.4%
Melbourne-Titusville-Palm Bay	\$ 205,100	\$ 235,300	-12.8%
Miami	\$ 380,100	\$ 377,700	0.6%

Median Sales Price Cities	December 2006	December 2005	Percent Change
	Naples	\$ 532,600	\$ 532,100
Ocala	\$ 165,200	\$ 162,700	1.5%
Orlando	\$ 260,800	\$ 254,600	2.4%
Panama City	\$ 193,000	\$ 206,500	-6.5%
Pensacola	\$ 166,200	\$ 170,700	-2.6%
Punta Gorda	\$ 209,100	\$ 216,200	-3.3%
Sarasota-Bradenton	\$ 284,700	\$ 344,300	-17.3%
Tallahassee	\$ 183,600	\$ 177,100	3.7%
Tampa-St Petersburg-Clearwater	\$ 230,800	\$ 223,200	3.4%
West Palm Beach-Boca Raton	\$ 368,200	\$ 408,200	-9.8%

Hedge Funds

“Exploit Market Inefficiencies”

\$1.337 Trillion Assets

9,228 Funds

20 Percent Lost Money in 2006

**Hedge Funds Have NO SEC Reporting
Requirements**

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Amaranth Advisors

- **Energy-Tilted Hedge Fund**
- **Formerly \$9 Billion in Assets**
- **32-Year Old Trader Lost \$6 Billion in One Week on Natural Gas Futures**

REIITS CAPRATE TIICS

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2007 Economic Concerns

- **Some Bubbles Do Exist**
- **Time Bomb Loans**
- **Cold War II—Terrorists**
- **Inflation (and Cap Rates)**
- **Pandemic (bird flu.....)**
- **More Hedge Funds Will Fail**
- **Energy: US Imports 64 Percent of Oil**
- **Extreme Partisan Politics**

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