

## December 2019 Newsletter



Building  
opportunities  
through  
education.

The Economic Outlook Board of the Waccamaw Council of Governments met on December 4, 2019 to review the latest quarterly economic indicators for the Grand Strand and surrounding region.



**Wilson Springs, George Taylor, and seven properties honored in Dec. 2 ceremony.**



The inaugural S.C. Real Estate Hall of Fame Induction Ceremony and third annual Real Estate Awards were held at Coastal Carolina University on Monday, Dec. 2.

**Hall of Fame Inaugural Inductees**

Wilson B. Springs  
George D. Taylor

**Award Winners**

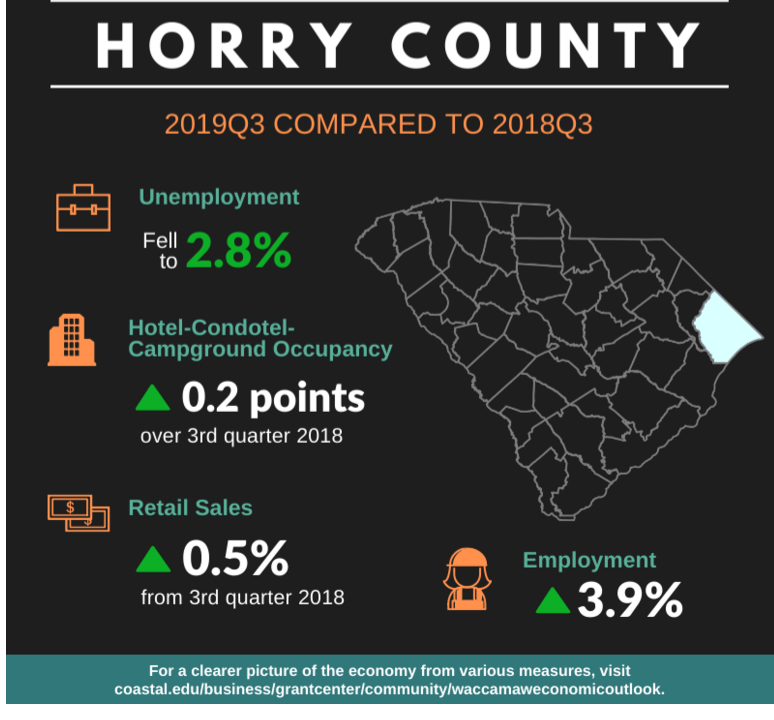
The BullStreet District in Columbia, S.C

Living Dunes at the Grande Dunes

Health Plaza South (Conway Medical Center)

Inlet to Intracoastal Multipurpose Path (I2I)

Teal Towne  
Topgolf



[Click here to read the full WEO report.](#)

## Curated Content

From our visiting scholar **Bob Rajewski's** consulting company, **(P)Gain:**

### "Do we have a housing crisis?"



The first question should really be, "What is a 'crisis'?" Unemployment is at a generationally low of 3.5%, i.e. as a nation we are at full employment. Interest rates are at historic lows and this year, 2019, there have been three Federal Reserve Reductions of the Fed Funds Rate, i.e. a 75bps drop. The capital markets, as measured by the S&P 500 and Dow Jones Industrial Average, reached historic highs in the past month. With all of this good news, how could we have a housing crisis?

When looking at housing, starting in January 2000, the average annual increase to present is 4.20%. When compared to the average increase of the Consumer Price Increase, 2.17%, and wage growth, 3.40%, over the same period, housing is becoming unaffordable. Quite simply, the cost of housing as a percentage of wage has increased since 2000. Couple this with \$1.5tn in student debt for Millennials and affordability of housing, for the younger generations is becoming or has become a crisis.

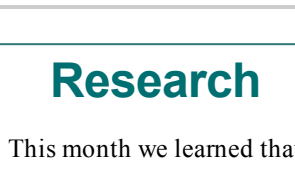
One stark fact about housing has become the volatility of pricing. The range, across the 2000 – 2019 period, of year-over-year change is roughly 30.00%. Whereas the range, across the same period, for wage growth and CPI is closer to 5.00%. Thus, the volatility, as measured by range, is 6X greater for housing.

Should housing be considered an asset? If it is considered an asset than performance must be quantified and compared versus other assets. The long-run return of equities, as measured by the S&P 500, is approximately 8.00%. This is roughly double that of residential housing over the same time period. Both investments provide the investor significant leverage (assuming 80% Loan-to-Cost for Residential and 80% Debt-to-Equity for businesses). However, the major difference is the probability distribution of returns. The maximum loss for an equity investment is 100.0% of the investment. The maximum loss for real estate, in theory and ignoring bankruptcy considerations, is negative infinity. That is, S&P 500 investments follow a lognormal distribution while residential real estate follows a normal distribution. A further consideration when comparing S&P 500 equity investment and residential real estate is liquidity. The buying and selling of equities is virtually instantaneous while a good estimate of real estate is 90 days. Finally, there are virtually no transaction costs with equities while with real estate there keep be transaction costs of between 5 – 10% of the sale price for the seller.

So, do we have a housing crisis? What we have is an inefficient market with most participants unaware of the risks, distribution shape, and issues with housing. The crisis not only affordability and a runoff of pricing ahead of CPI and wage growth, but also consumer knowledge (or lack thereof) of the better and costs of housing. A crisis...perhaps. A need to better understand...absolutely!

Bob Rajewski and Roger Staiger, P(Gain)  
[www.pgainllc.com](http://www.pgainllc.com)

**(P)Gain:** The only financial metric answering the most important question in investing, "What is the probability that I will get my money back?"



### Research

This month we learned that two of our students, **Robin Smith** (B.S.B.A. Economics, May 2019) and **Charles "Cobi" Williams** (MBA, May 2019), have been accepted into the **2020 Legacy of Liberty Fellowship program**. During the Legacy Liberty program, they will work on a research project with a faculty mentor who shares a passion for classical liberalism (economic freedom, liberty, and reason), open inquiry, and sound scholarship. Robin and Cobi have been ardent researchers and collaborators throughout the research efforts in the Grant Center for Real Estate and Economics, attending our weekly research and analytics meetings and/or applying these methods and tools in the classroom. They will attend networking and educational workshops throughout the fellowship, culminating in the Classical Liberals in the Carolinas conference in August 2020. For more on the Legacy of Liberty program: [click here](#).

### Upcoming Events

**Economic Growth and Real Estate Summit**  
Friday, Feb. 28, 2020 at the Marina Inn at Grande Dunes from 8:00 a.m. to 12:30 p.m.

Follow us on social media  
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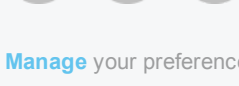


**The Grant Center wishes  
you a happy holidays!**



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