



The Economic Outlook

MEREDA 2018 Annual Real Estate Forecast Conference

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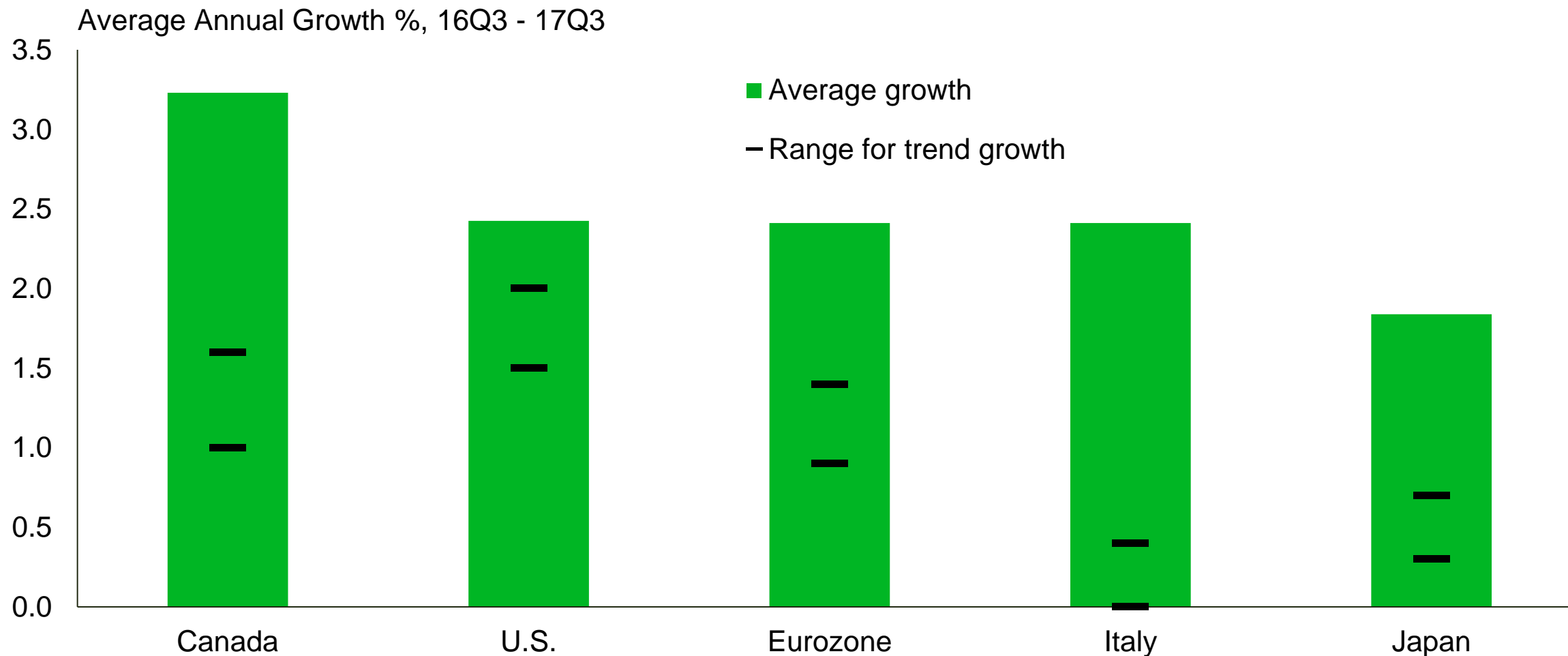


Economic & Financial Themes



- Equity market is optimistic about economic prospects, but bond market giving warning signals
- U.S. dollar to edge lower as global central banks catch up to the Fed
 - Upside risk to exchange rate from NAFTA/other trade flare ups
- American economy to maintain above-trend economic growth
 - Household spending and business investment supported by tax cuts
- Unemployment rate likely can't fall much further (especially in urban Maine)
 - Putting upward pressure on wage growth
- Inflation to move gradually higher
- Federal Reserve to continue normalizing policy
- Long-term interest rates to see modest upside

Global Economy Finally Beating Expectations

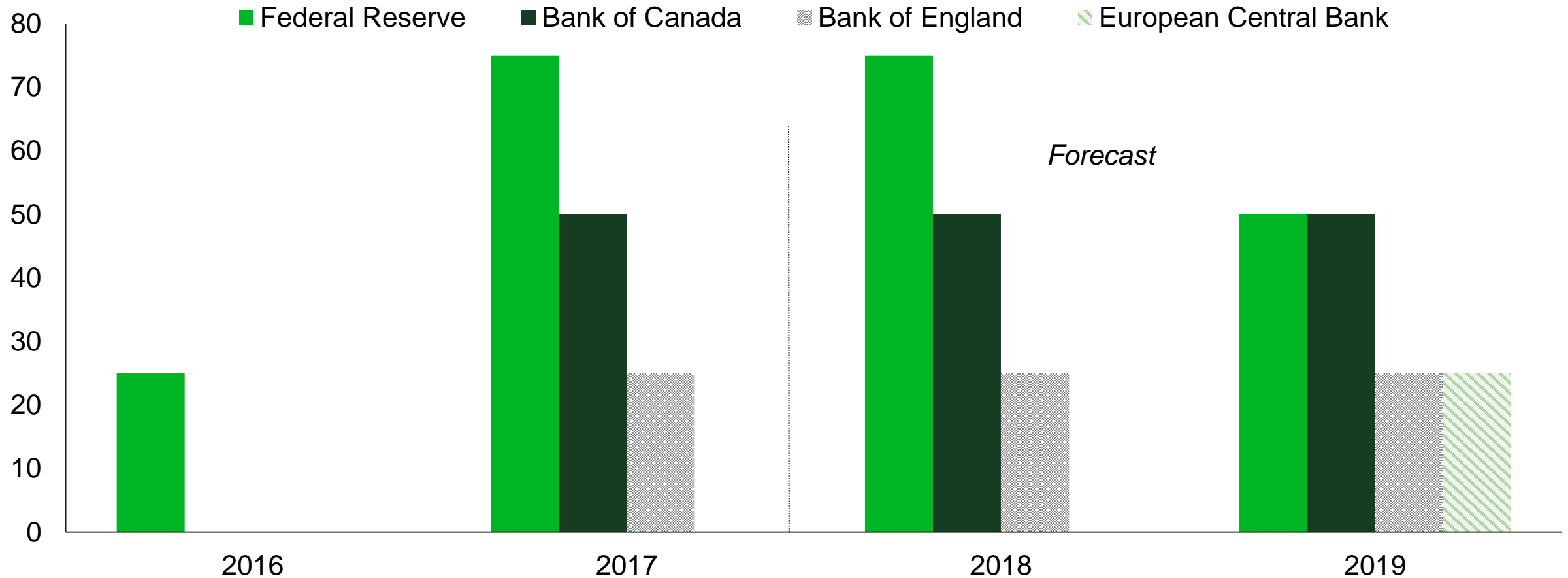


Source: National Statistical Agencies via Haver Analytics, TD Economics

"The Great Unwind": Central Banks Step Back From Emergency Levels

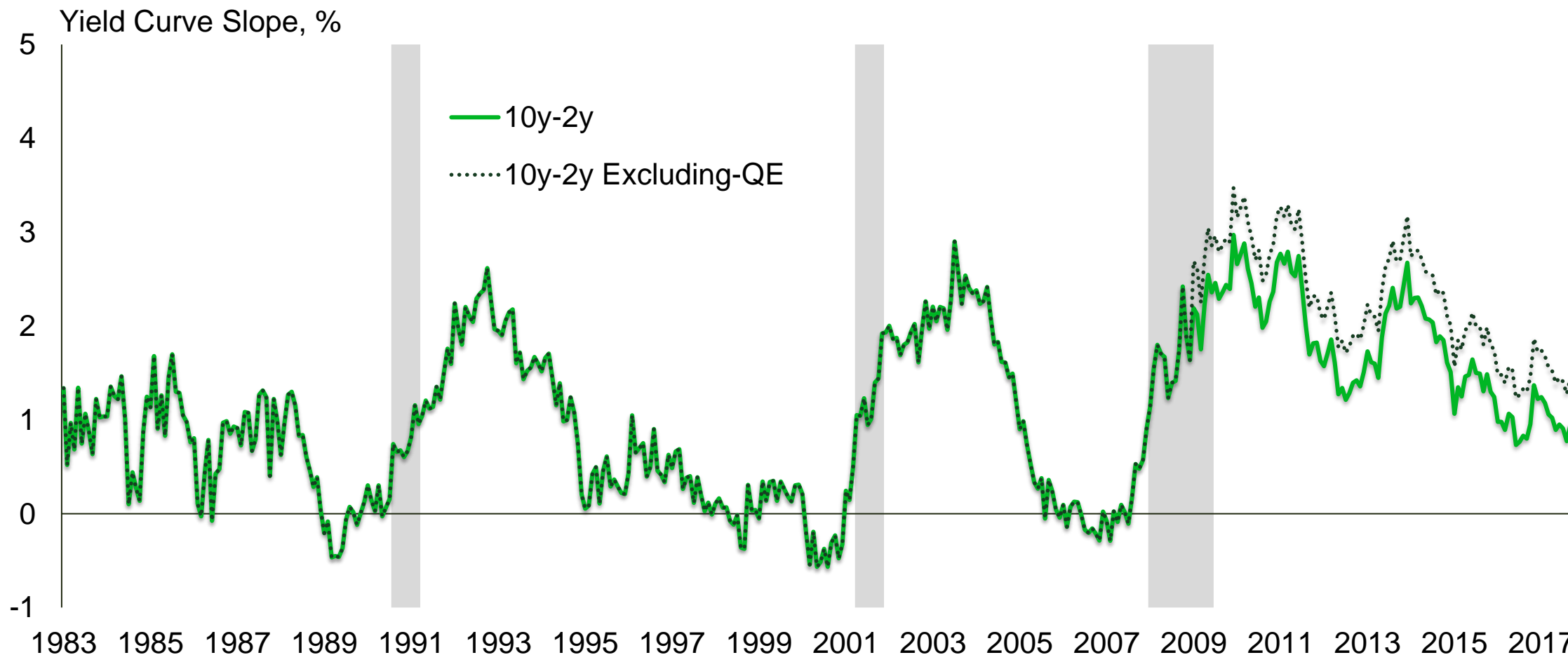


Basis Point Increase in Policy Rate



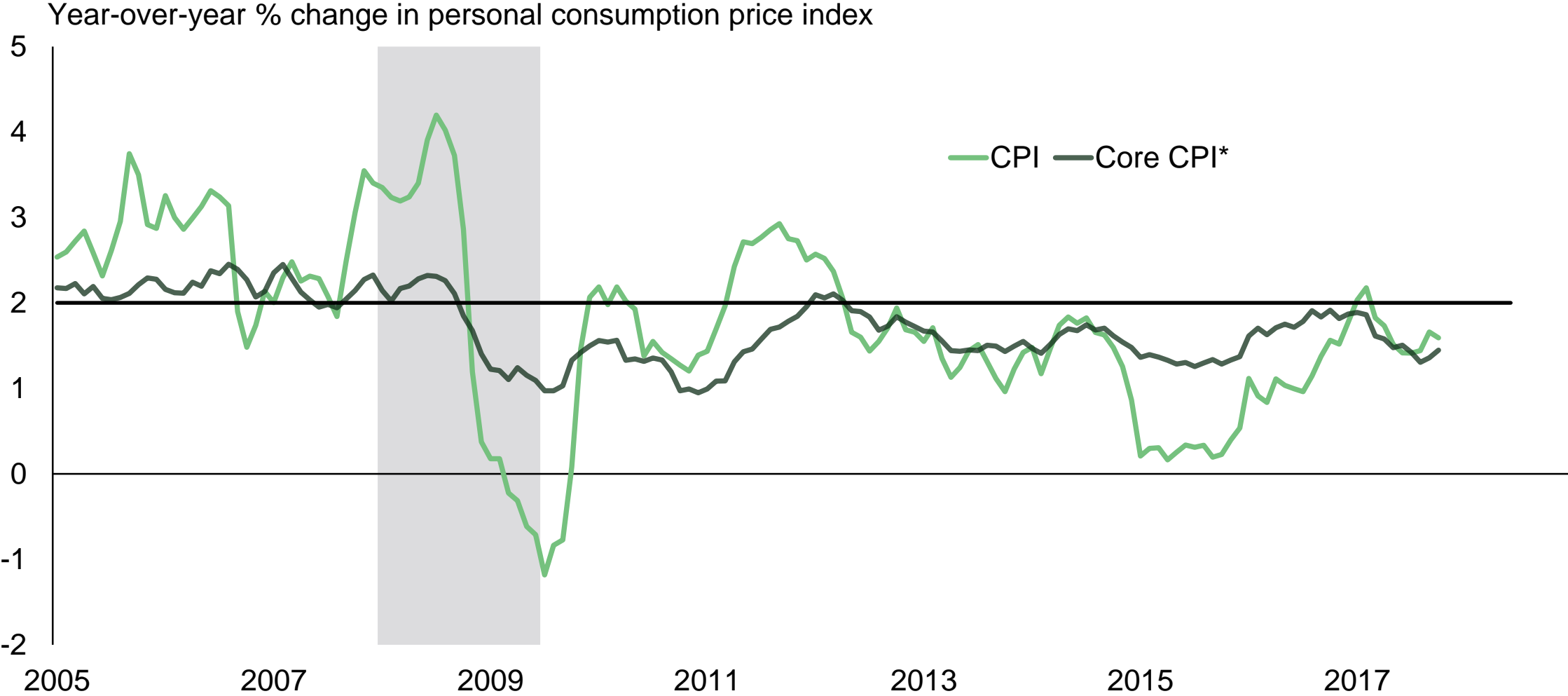
Source: TD Economics.

Flattening Yield Curve Is A Mature Cycle Dynamic, But Not Signaling Recession



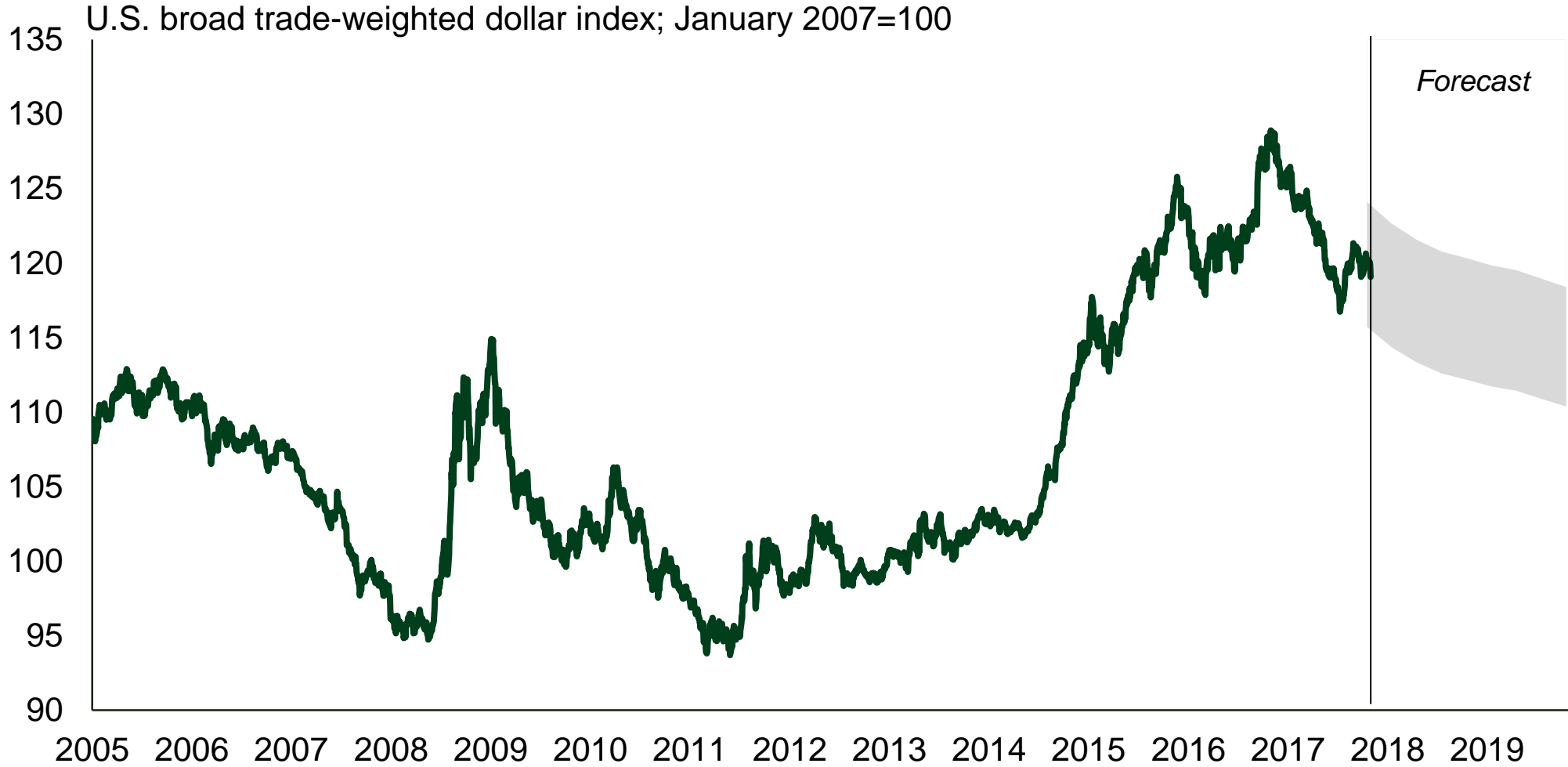
Source: Bloomberg, Federal Reserve Board, TD Economics
Notes: Grey shaded areas represent NBER defined recessions.

Inflation Dipped Lower in 2017, Expected to Turn Higher in 2018



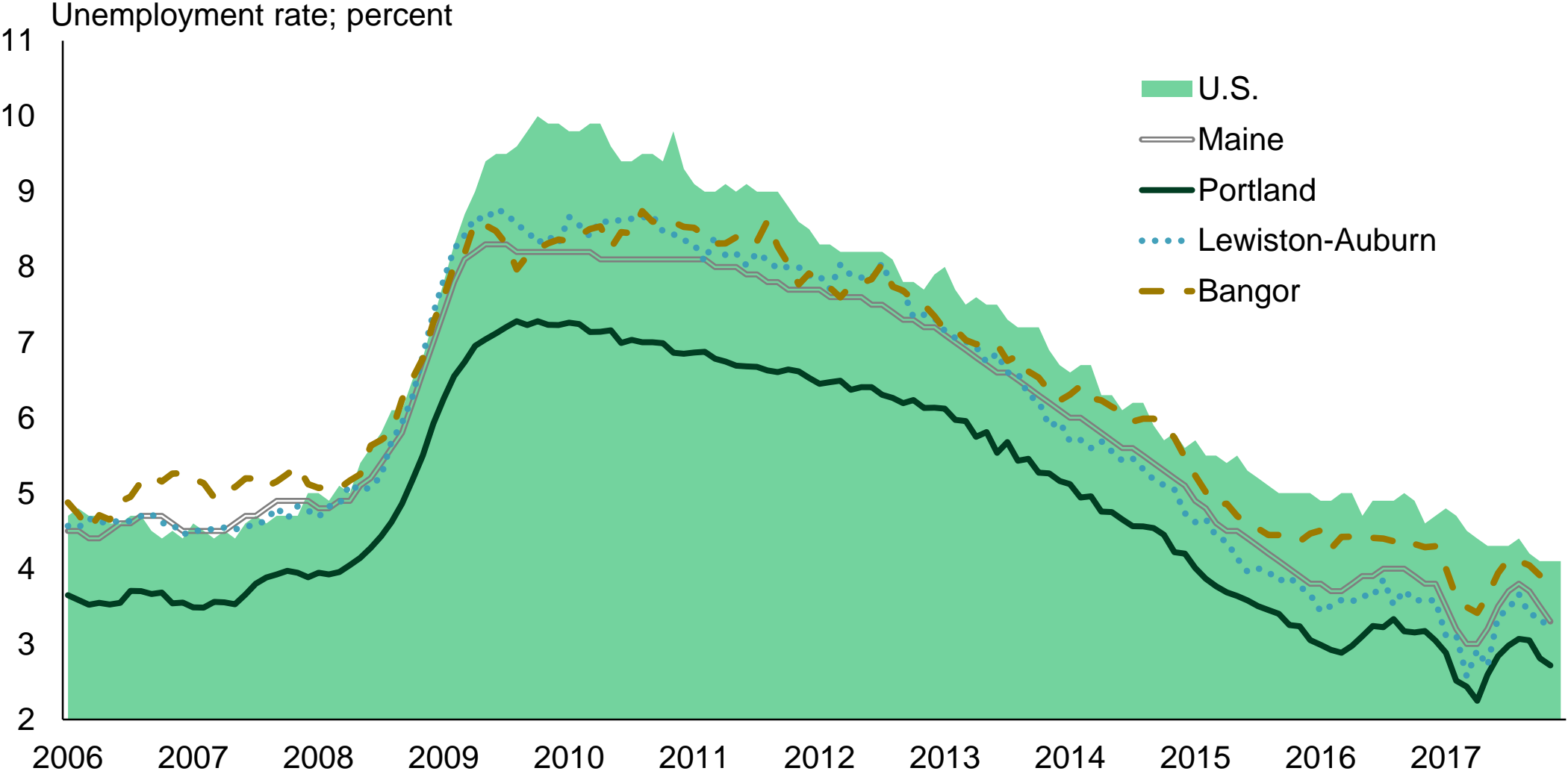
*Excluding Food & Energy
Source: Bureau of Labor Statistics

Dollar To Depreciate As Global Central Banks Catch up to the Federal Reserve



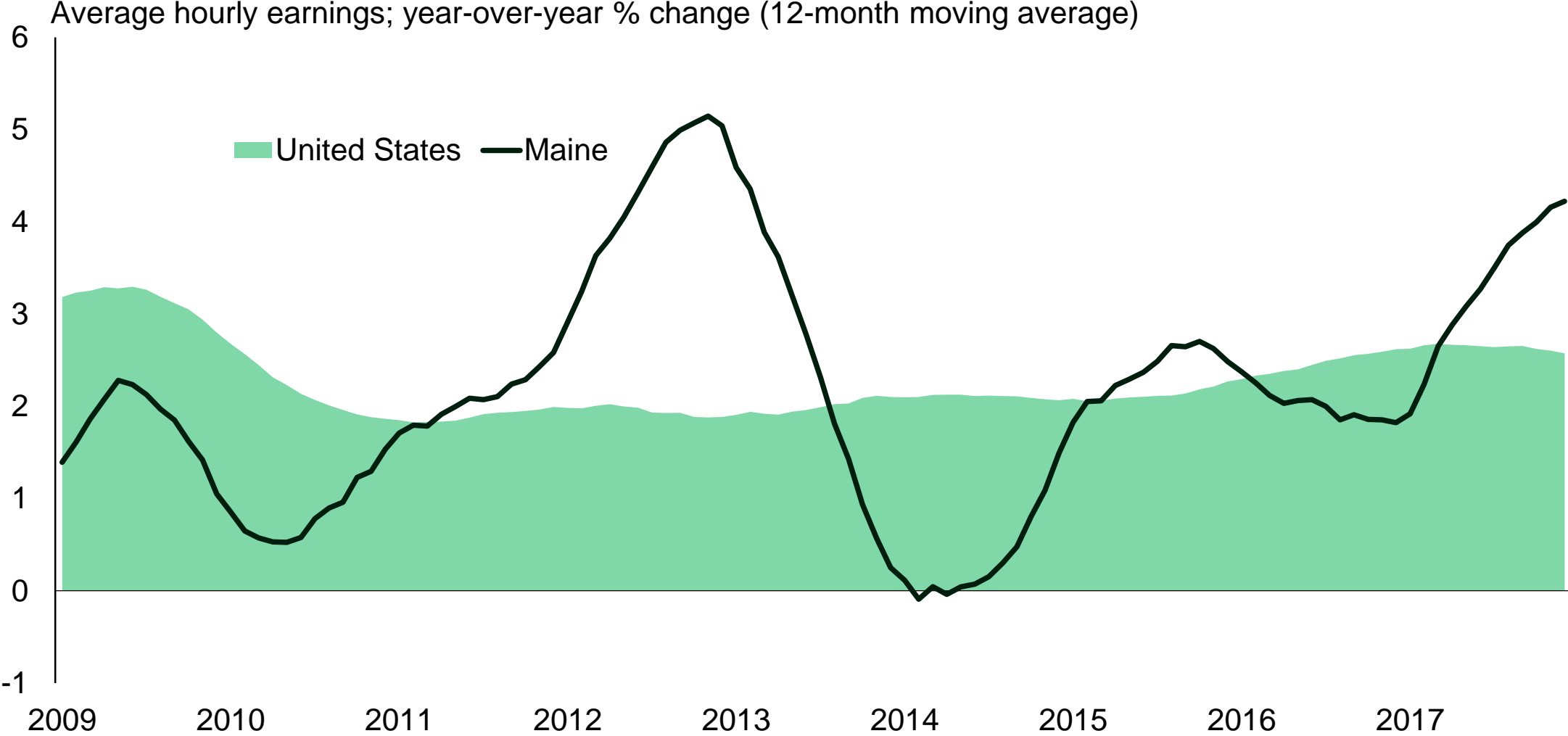
Source: Federal Reserve Board. Forecast by TD Economics

Unemployment Rate Pushing to New Lows



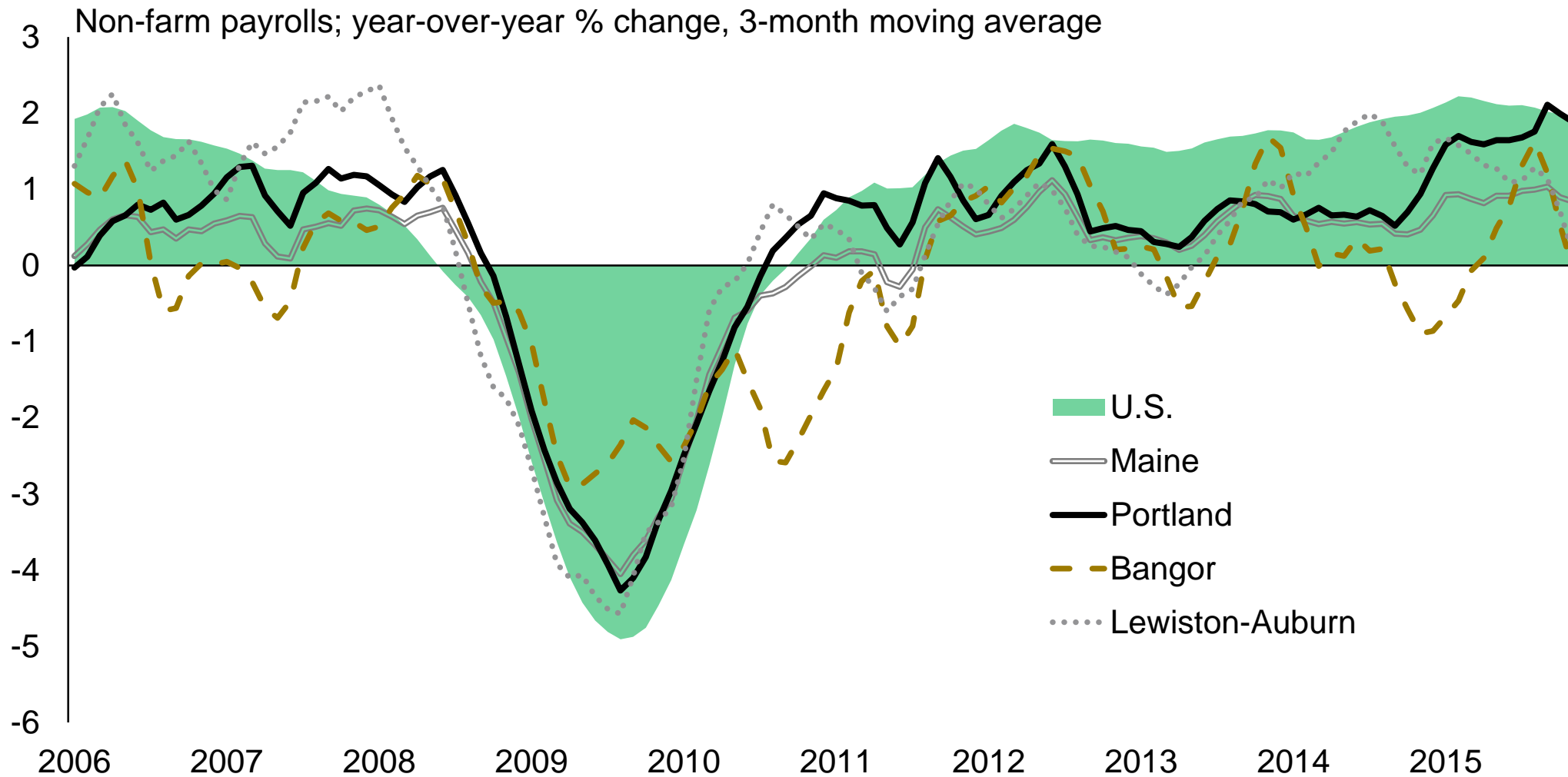
Source: Bureau of Labor Statistics

Putting Upward Pressure on Wages



Source: Bureau of Labor Statistics

Portland Leads the State in Job Creation



Source: Bureau of Labor Statistics

Tax Reform Has Push And Pull Impacts On Economic Outlook



Tax Reform Positives & Negatives

Positives

Lower corporate tax rates (+)

Lower personal & pass-through tax rates (+)

Full expensing (temporary) (+)

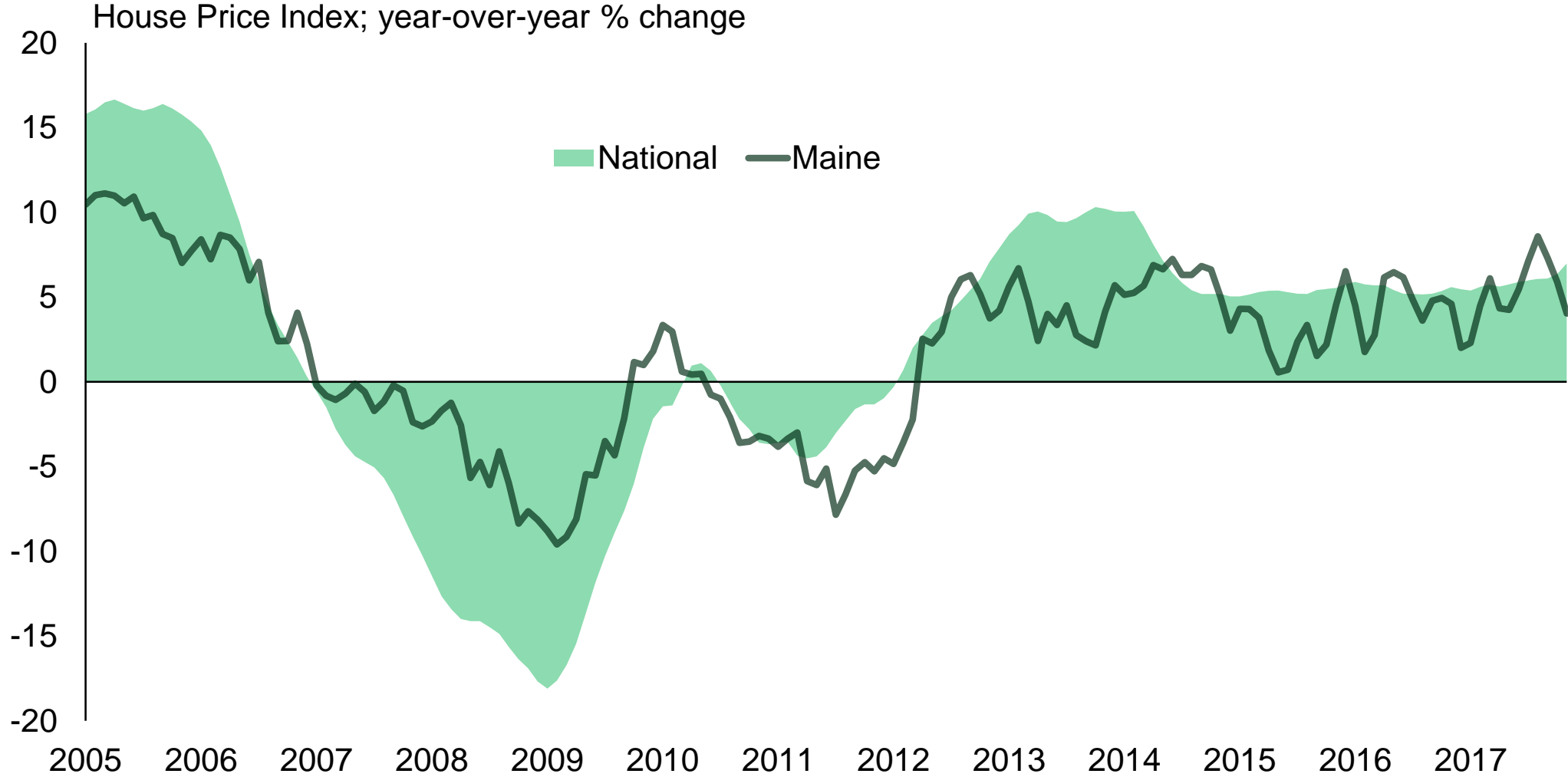
Negatives

State & local tax & other deductions reduced (-)

Caps interest & other misc. deduction (-)

Potential monetary policy response / crowding out (-)

Steady Single-Digit Gains in Home Prices Expected



Source: CoreLogic



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