GREATER HOUSTON ASSOCIATION OF MORTGAGE PROFESSIONALS

GHAMP
GREATER HOUSTON ASSOCIATION OF MORTGAGEPROFESSIONALS

Houston Housing & Economic Outlook Post Harvey

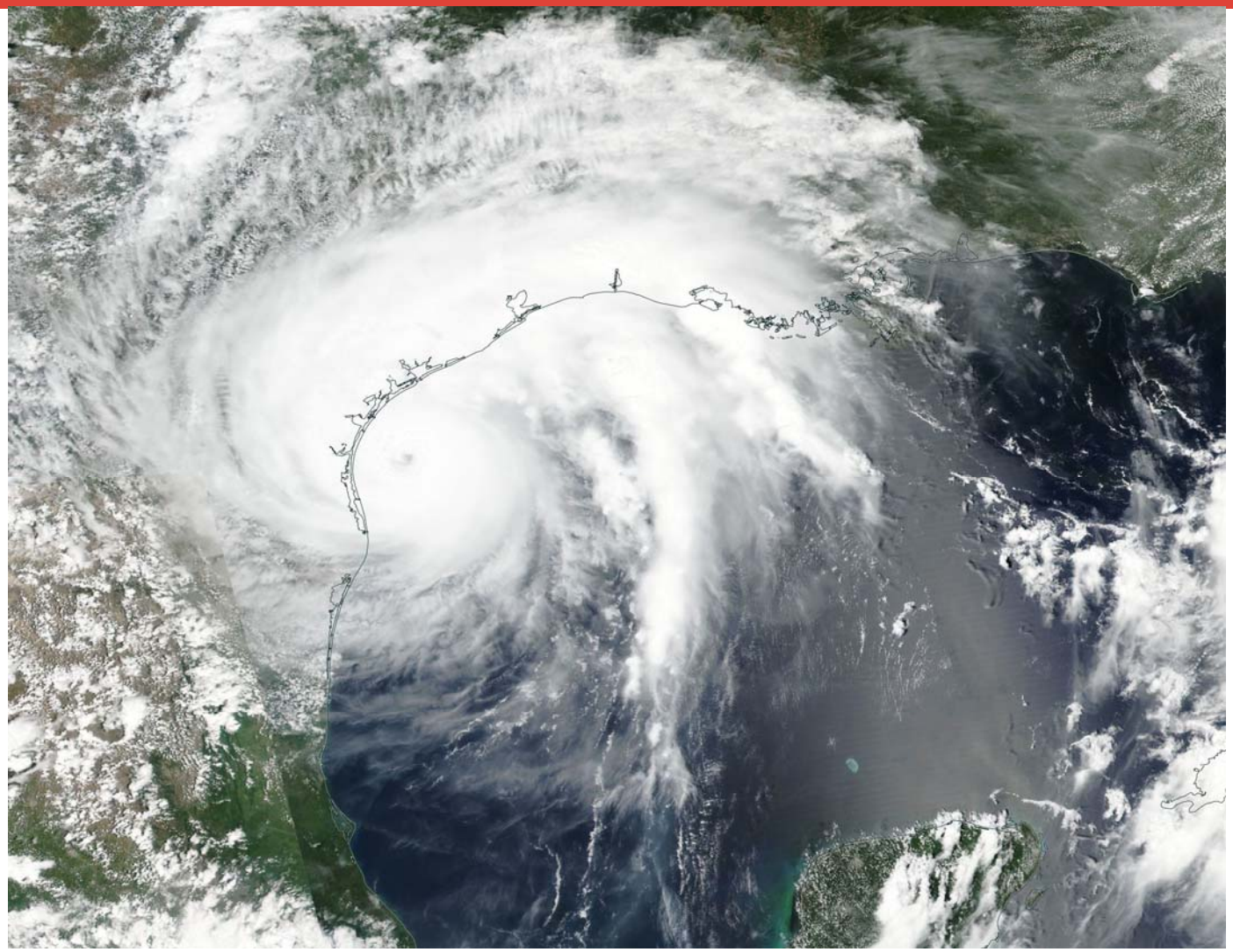
Dr. James P. Gaines

Chief Economist

REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

recenter.tamu.edu

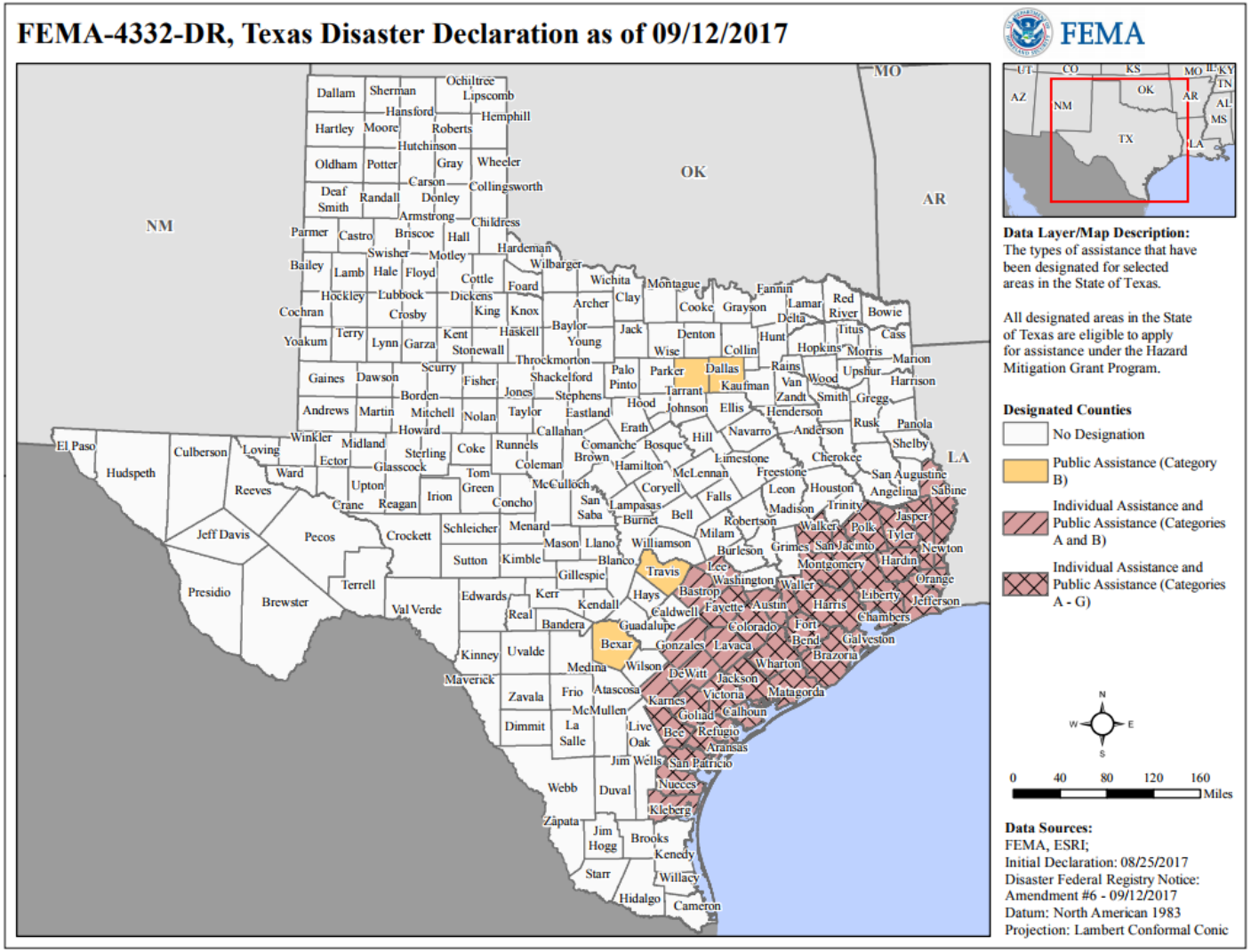
Good 'Ole Harvey



Hurricane Harvey and Texas Counties Declared Disaster Areas

Individual Assistance Applications Approved: 307,913
Total Individual & Households Program Dollars Approved: $896,844,107.53
Total Public Assistance Grants Dollars Obligated: $327,886,760.25

Designated Counties (Individual Assistance):
Aransas, Austin, Bastrop, Bee, Brazoria, Calhoun, Chambers, Colorado, DeWitt, Fayette, Fort Bend, Galveston, Goliad, Gonzales, Hardin, Harris, Jackson, Jasper, Jefferson, Karnes, Kleberg, Lavaca, Lee, Liberty, Matagorda, Montgomery, Newton, Nueces, Orange, Polk, Refugio, Sabine, San Jacinto, San Patricio, Tyler, Victoria, Walker, Waller, Wharton



SF Homes Affected by Harvey Gulf Coast MSAs

	Affected	Minor	Major	Destroyed	Total
Houston	64,405	58,675	35,678	2,859	161,617
Corpus Christi	11,605	8,683	7,395	1,743	29,426
Victoria	1,337	1,614	932	112	3,995
Beaumont-Port Arthur	36,801	15,961	16,817	5,655	75,234
Brownsville-Harlingen	343	0	0	0	343
Total	114,491	84,933	60,822	10,369	270,615

Sources: FEMA (October 24); Real Estate Center at Texas A&M University

SF Homes Affected by Harvey Houston MSA by County

	Affected	Minor	Major	Destroyed	Total
Austin County	35	4	10	21	70
Brazoria County	3,131	2,859	1,930	503	8,423
Chambers County	0	0	0	0	0
Fort Bend County	4,076	3,022	1,384	54	8,536
Galveston County	4,540	8,719	6,652	1,266	21,177
Harris County	51,011	38,640	24,790	845	115,286
Liberty County	1,062	5,030	532	100	6,724
Montgomery County	400	301	350	40	1,091
Waller County	150	100	30	30	310
Total	64,405	58,675	35,678	2,859	161,617

Sources: FEMA (October 24); Real Estate Center at Texas A&M University

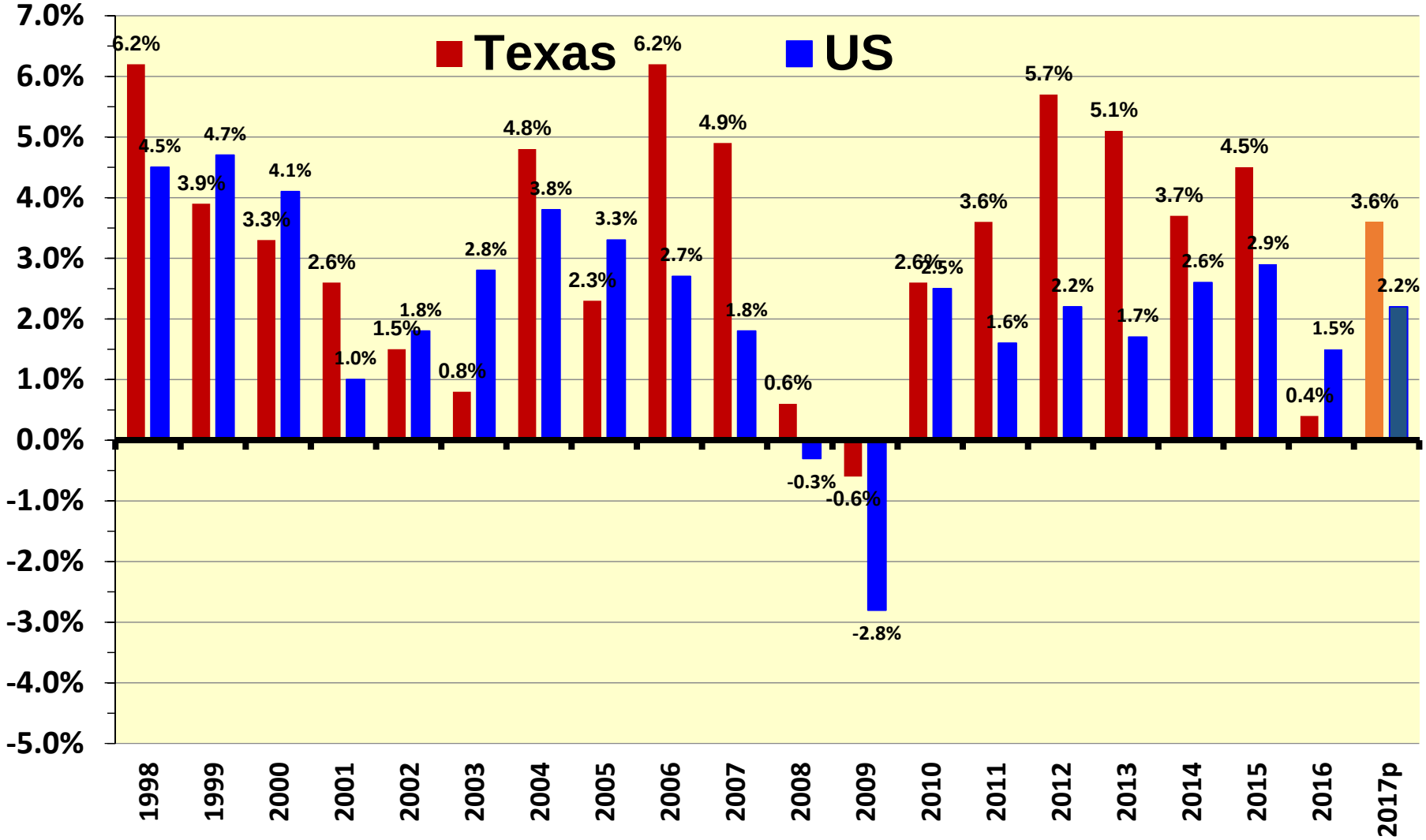
REC's Economic Crystal Ball

U.S. Outlook

- The economy hasn't been "Trumped" so far
- Slow growth the "new norm" – 7 years avg. 2.1%; 2016 GDP growth 1.5%; 2017 ~2.2%
- Interest rates will … maybe!
- Inflation more likely: 2017 2% - 2.5%
- Industrial production and manufacturing little help
- U.S. Housing improving, not fully recovered
- Jobs expand <2%; unemployment rate below 5.0%
- Looking for a "Driver" for expansion

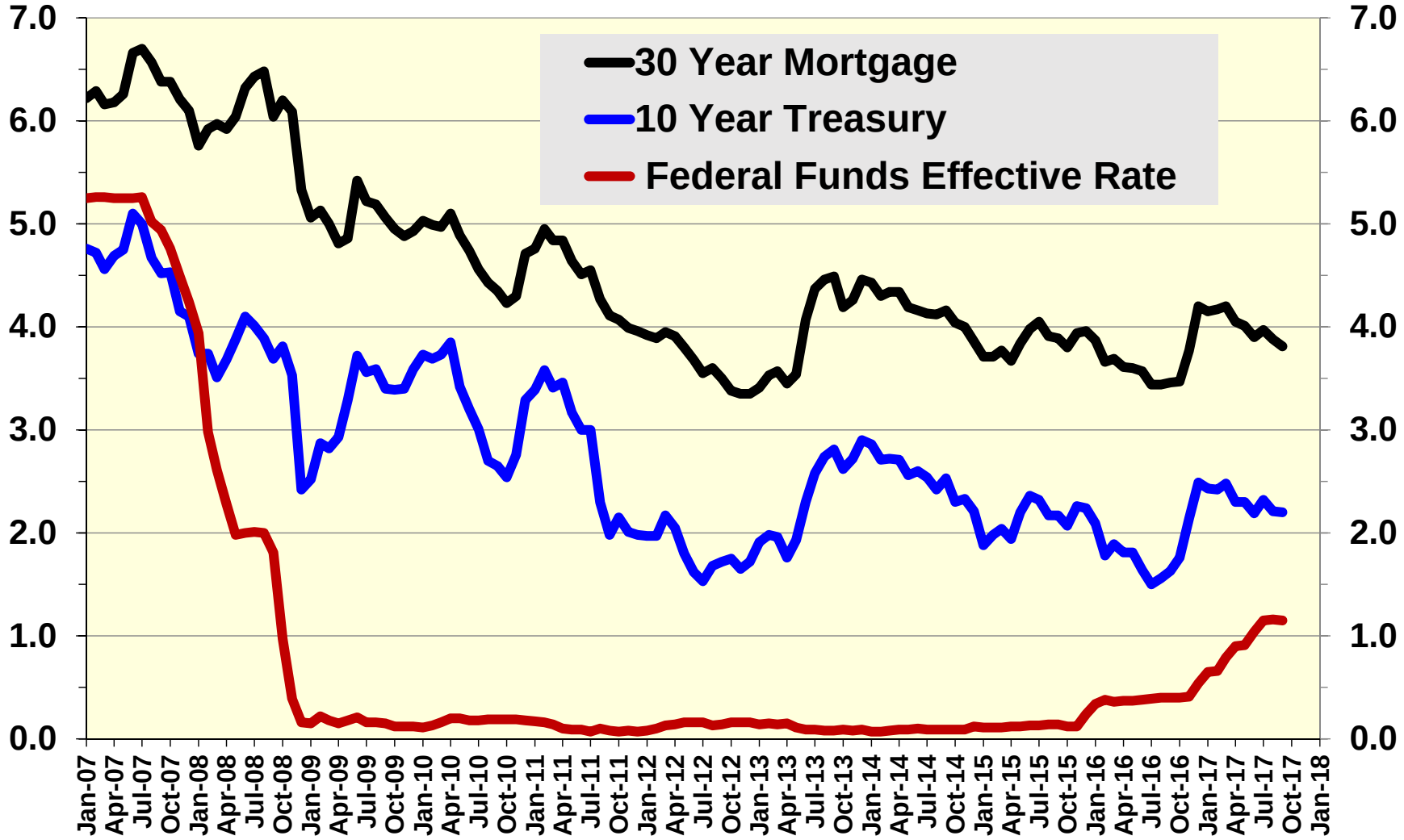
Texas and U.S. Economic Growth

Annual Percent Change in Real GDP



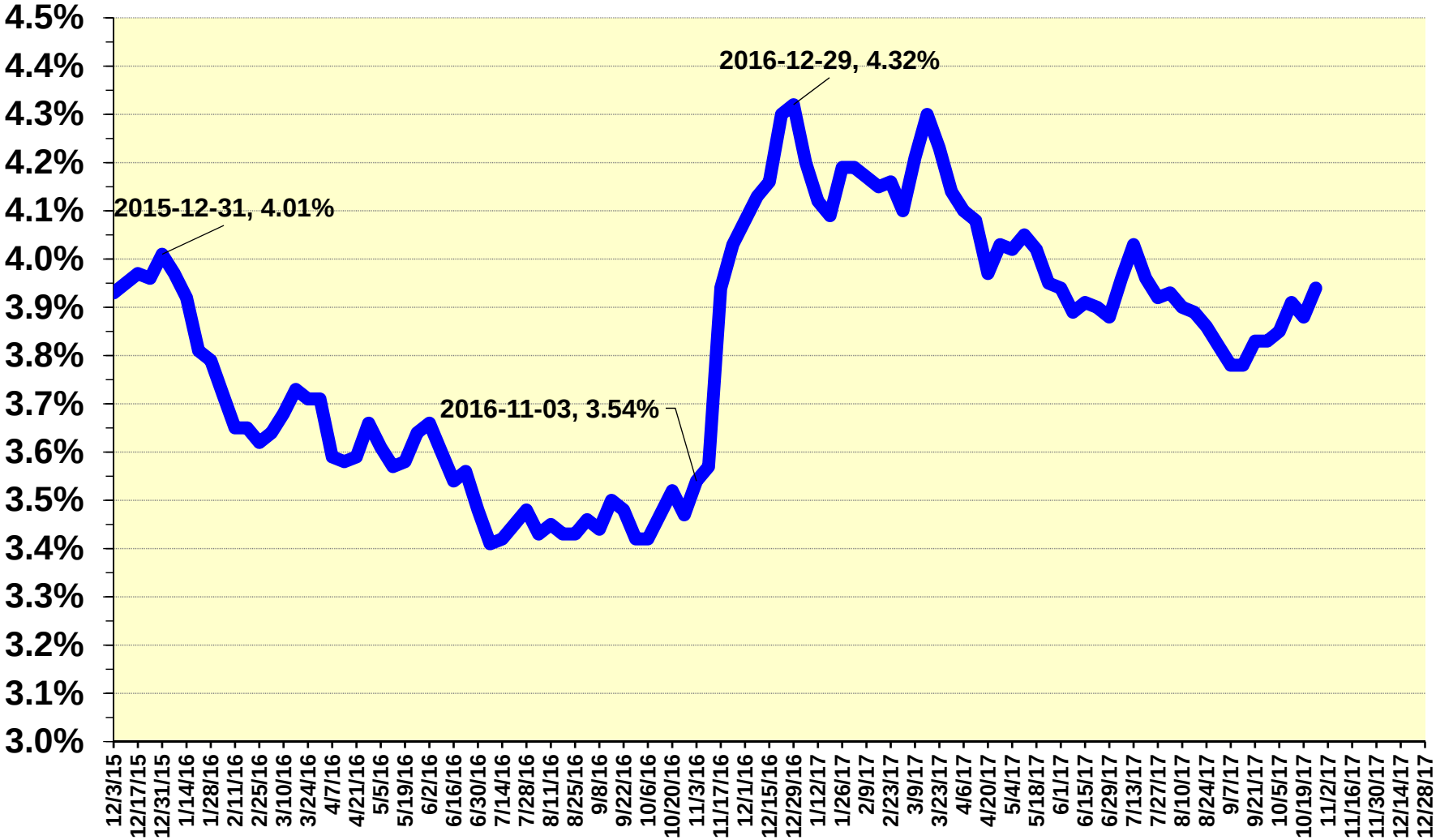
Sources: BEA; Real Estate Center at Texas A&M University

10-Year Treasury; Federal Funds & 30-Year FMR



Source: Haver Analytics; FHLMC; St. Louis FED; Real Estate Center at Texas A&M University

Weekly 30-Year Mortgage Rate



Source: FHLMC; Real Estate Center at Texas A&M University

Texas Economy

2017 Recovery Year – Doing Very Well

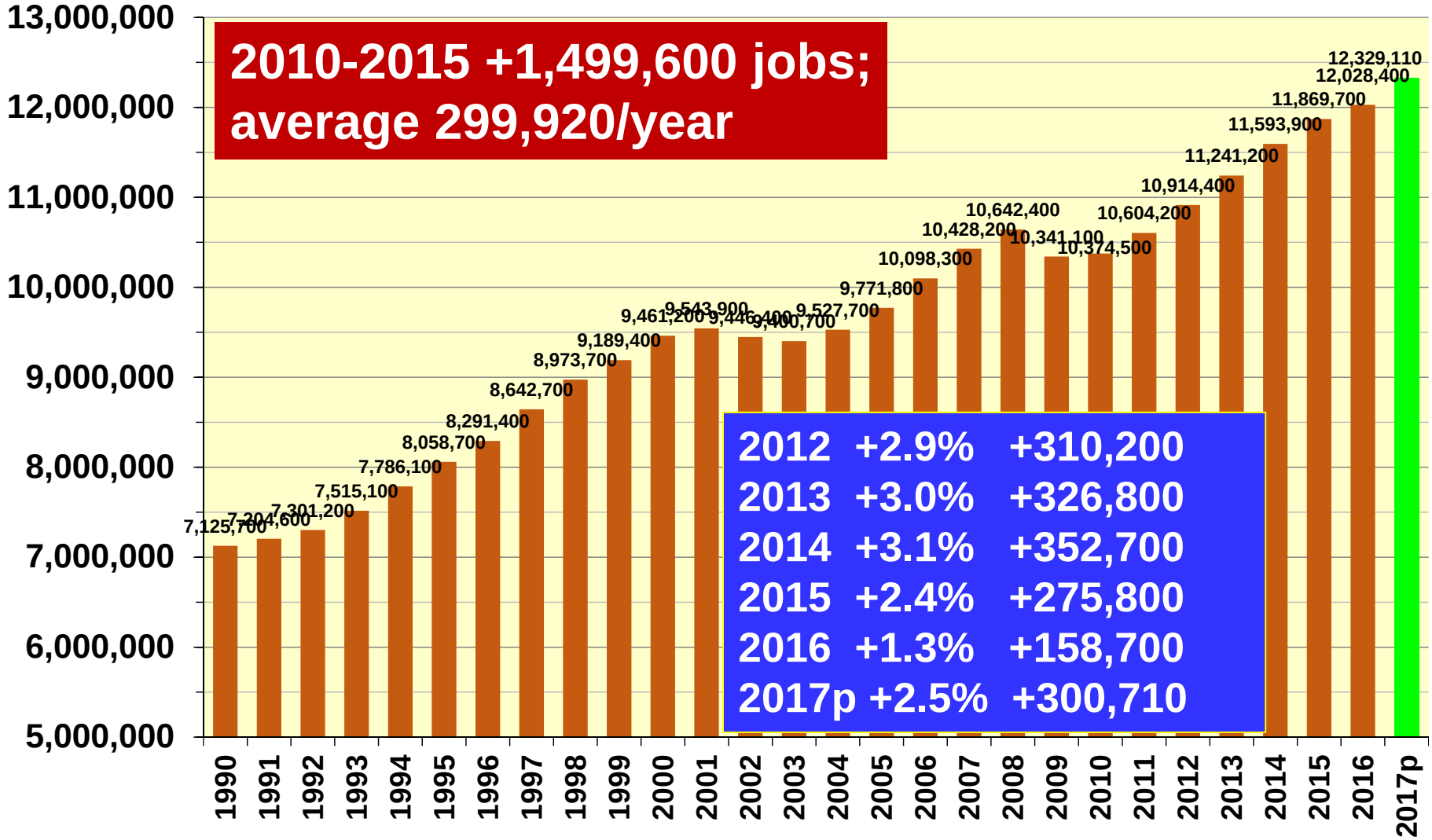
2018: Potentially Great/Difficult Year

REC's Economic Crystal Ball: Texas' Economy…

Texas Outlook

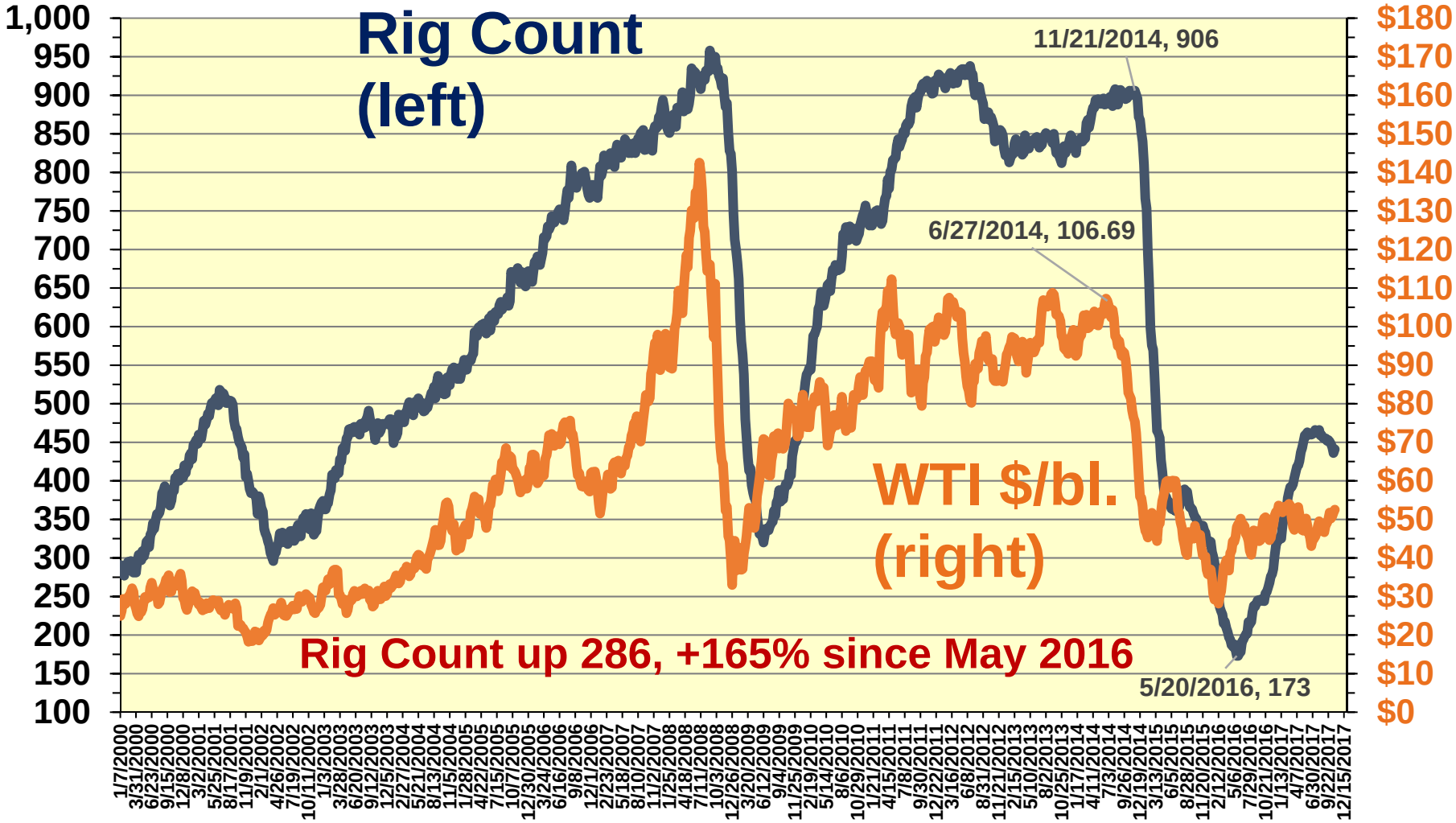
- **Texas Economy slowed significantly in 2016**
- **2017 much better: energy, healthcare, business & professional services up**
- **National economic expansion most positive factor for continued positive 2018**
- **Energy sector downturn impacts mostly over**
- **Texas job growth picking up, expect ~2.5%**
- **Population expansion continues**
- **Local Growth Issues becoming more pressing, causing greater strain on state and local resources and causing some cost impacts on local housing**

Texas Annual Jobs



Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University

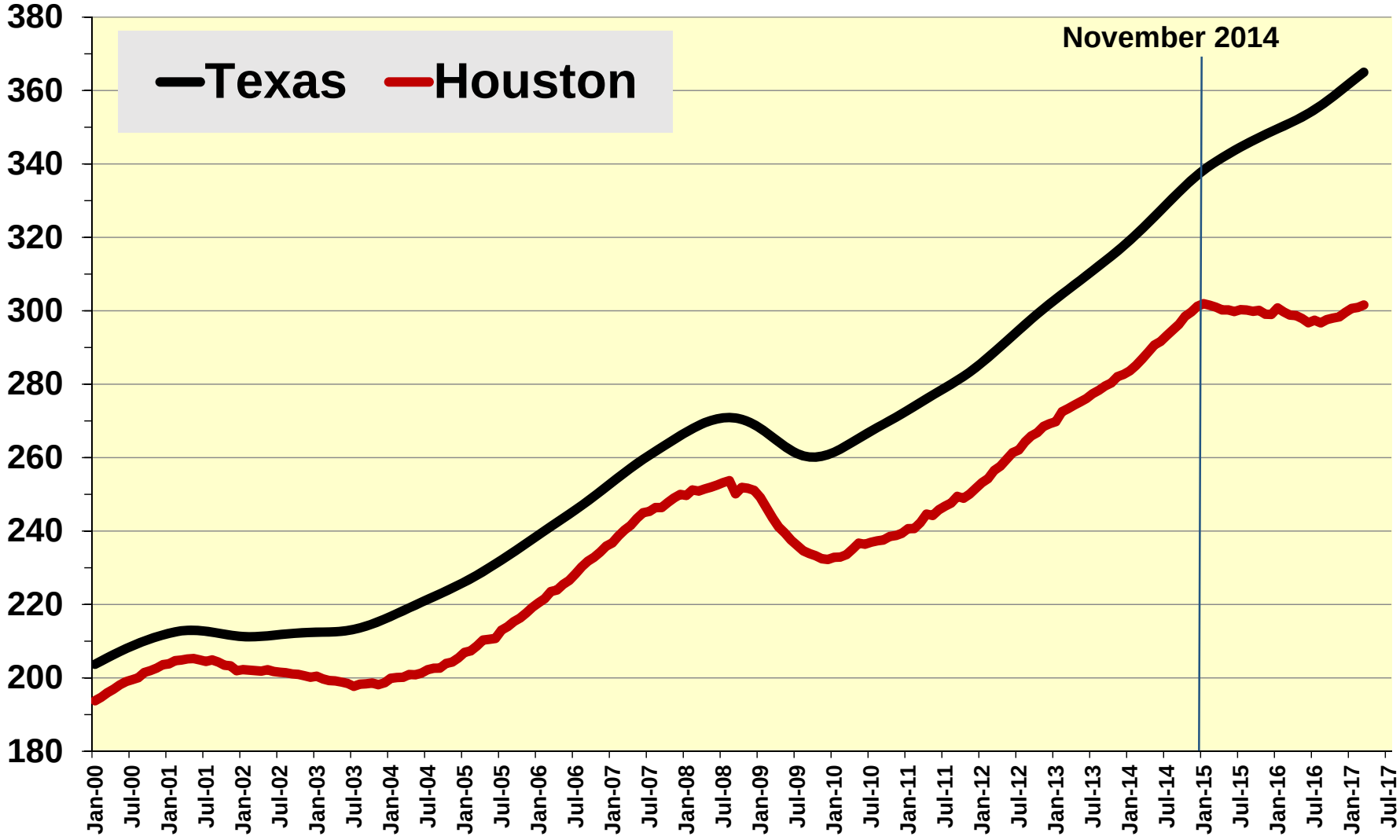
Weekly Active Texas Rig Count & Price of WTI



Source: Baker Hughes; EIA; RE Center at Texas A&M University

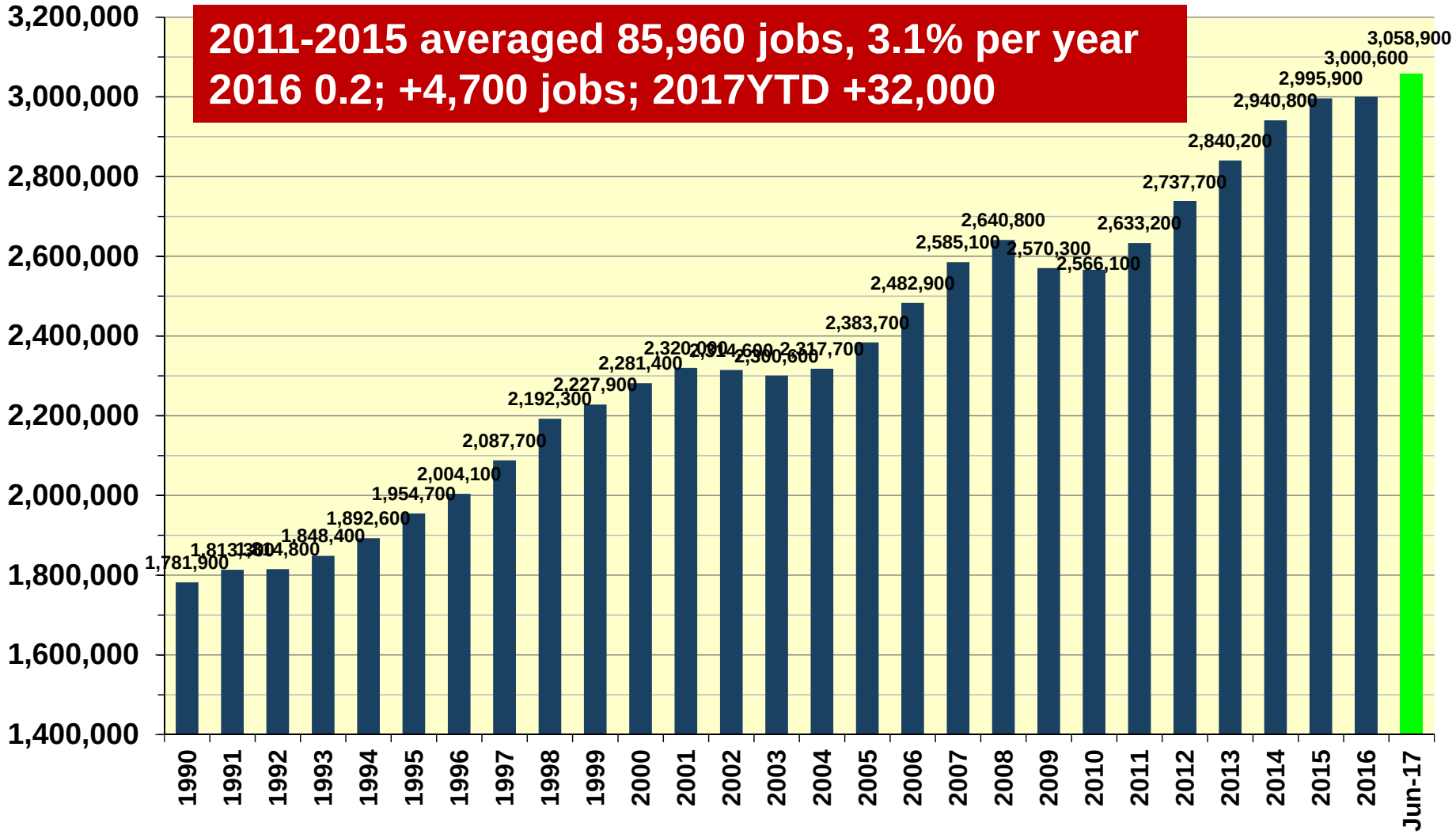
Houston Economy

Business Cycle Indexes: Houston & Texas Months Seasonally Adjusted, 10/1980=100

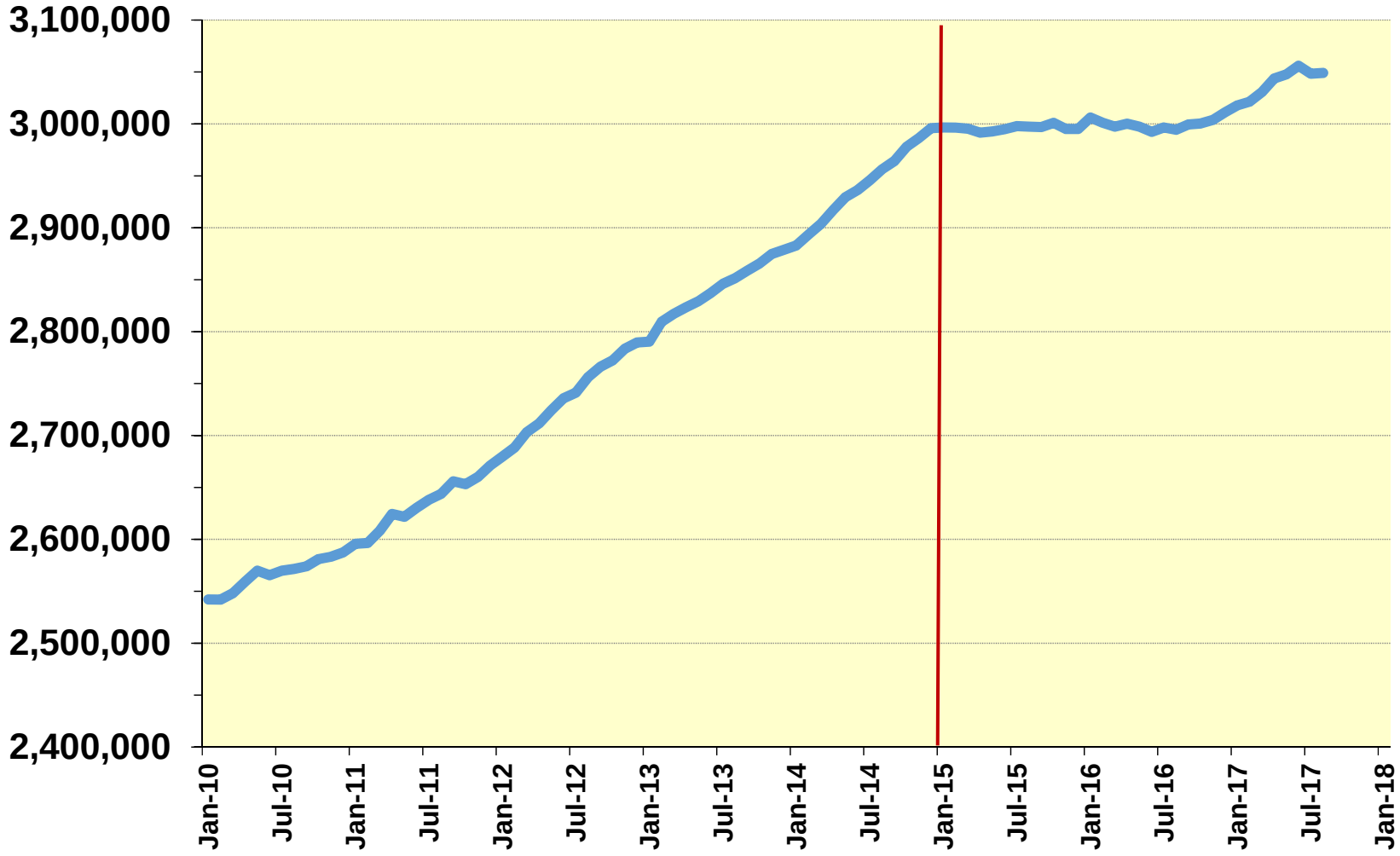


Source: Federal Reserve Bank of Dallas

Houston Annual Jobs

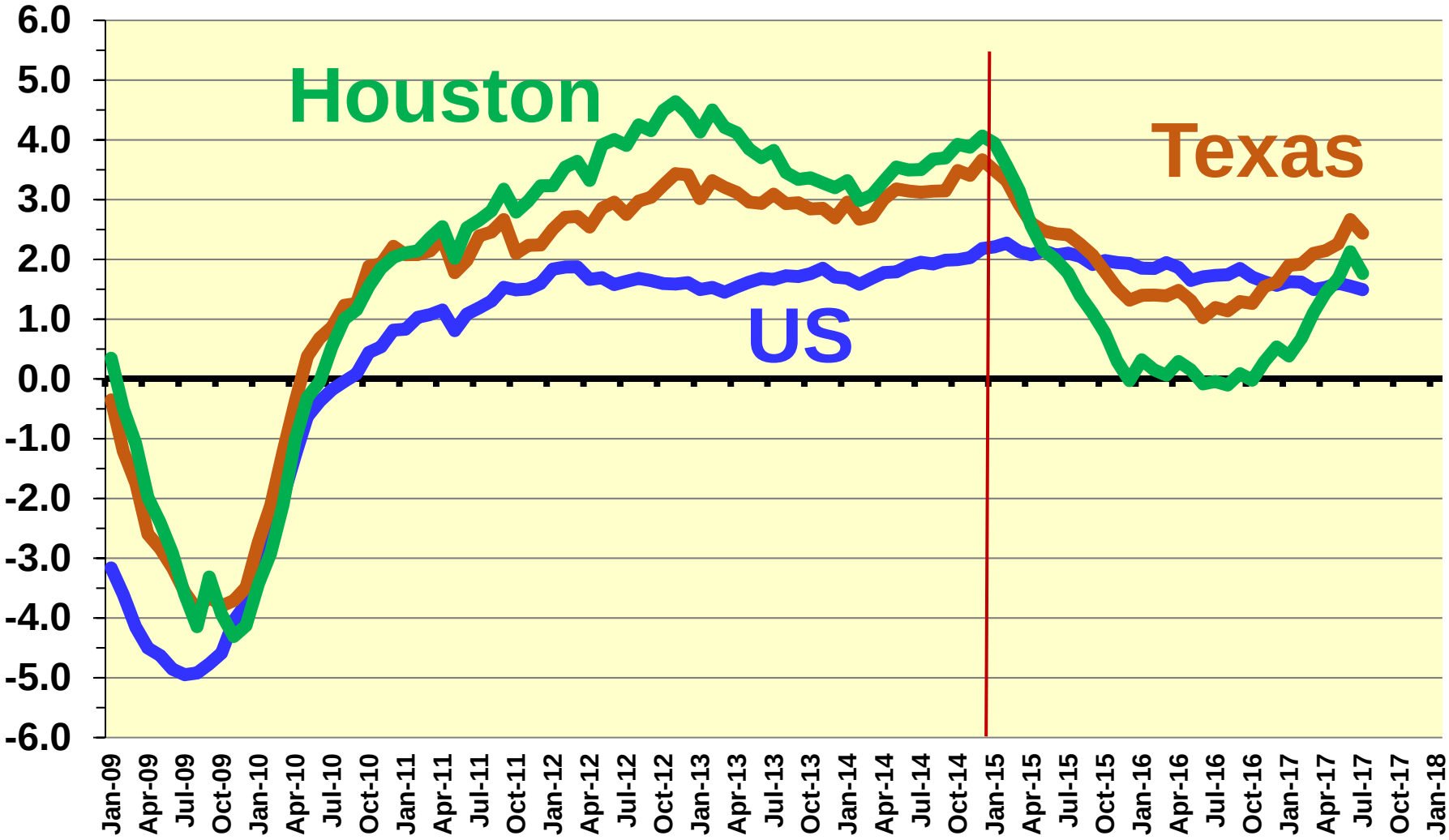


Houston Monthly Jobs



Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University

Annual Employment Growth Rates



Source: BLS, Real Estate Center at Texas A&M University

Houston Economic Summary

- **Rebound from Harvey will contribute to more economic activity in 2018**
  - **September & October numbers probably not as bad as expected**
- **Upstream energy improving; short-run negative impacts essentially over**
- **Around $50B in downstream development finished or near completion**
- **Greater economic diversification evident this time: about 54,800 jobs added August'16 - August'17, +1.8%**
- **Oil prices appear to be stabilizing at $45-$55 leading to job pick up 2017 & 2018**

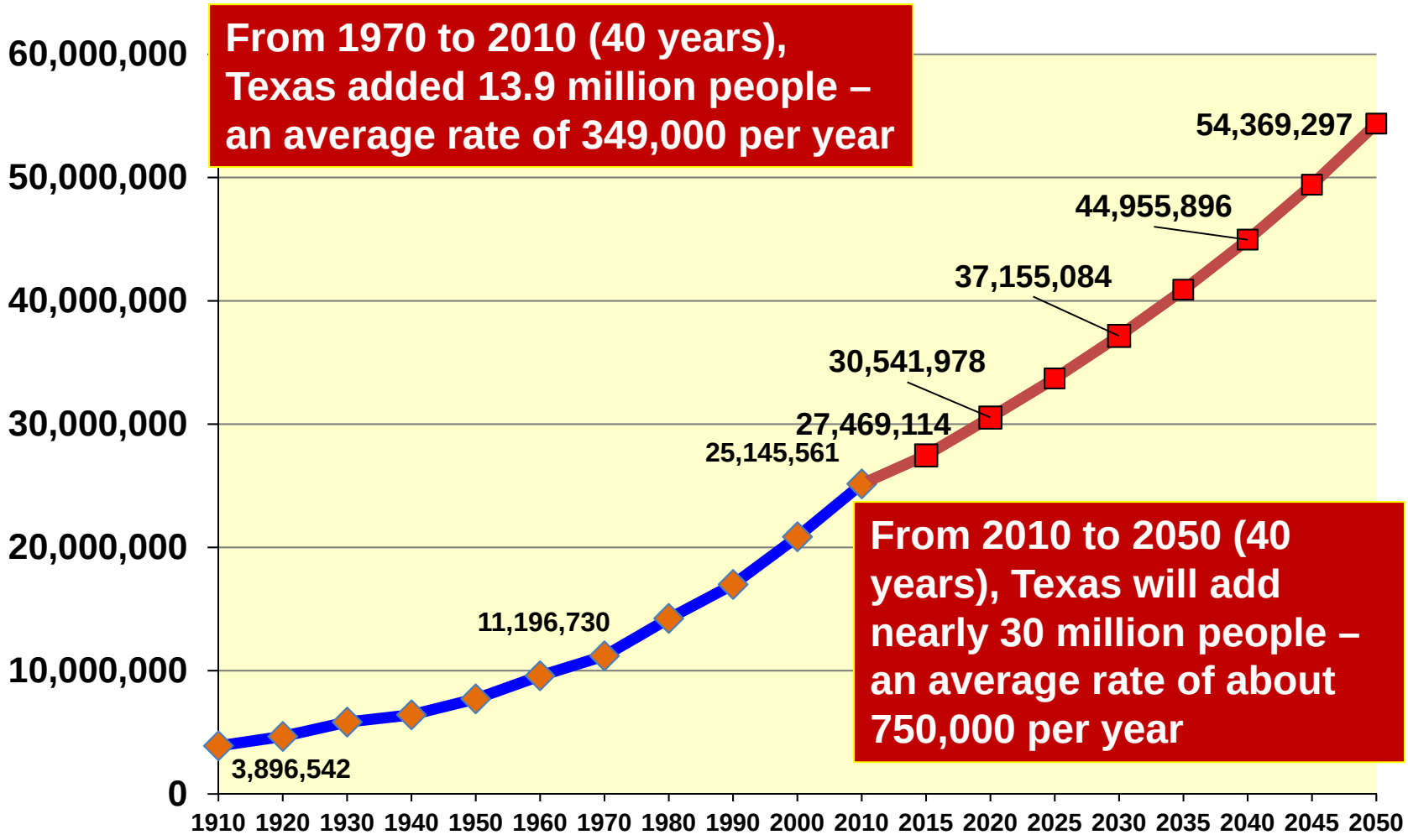
Texas Demographics

2015 to 2016 Population Change

- **Texas added 432,957 people; now 27,862,596;**
  - **217,542 from in-migration: 125,703 Domestic**
  - **Since 2010 +2,618,286 (average 436,381/year)**
- **DFW added 143,400, now 7.23 million #4 MSA**
  - **D-P-I MD +97,839, more than any other MSA except Houston**
  - **Since 2010 +780,646 (average +130,000/year)**
- **Houston added 125,000, now 6.77 million #5 MSA**
  - **Only two MSAs to add > 100,000**
  - **Since 2010 +824,296 (average +137,382/year)**
- **Austin added 58,301; now 2,056,405;**
  - **#31 MSA edging out Cleveland and Columbus, Ohio**
  - **Since 2010 +328,749 (average 54,792/year)**

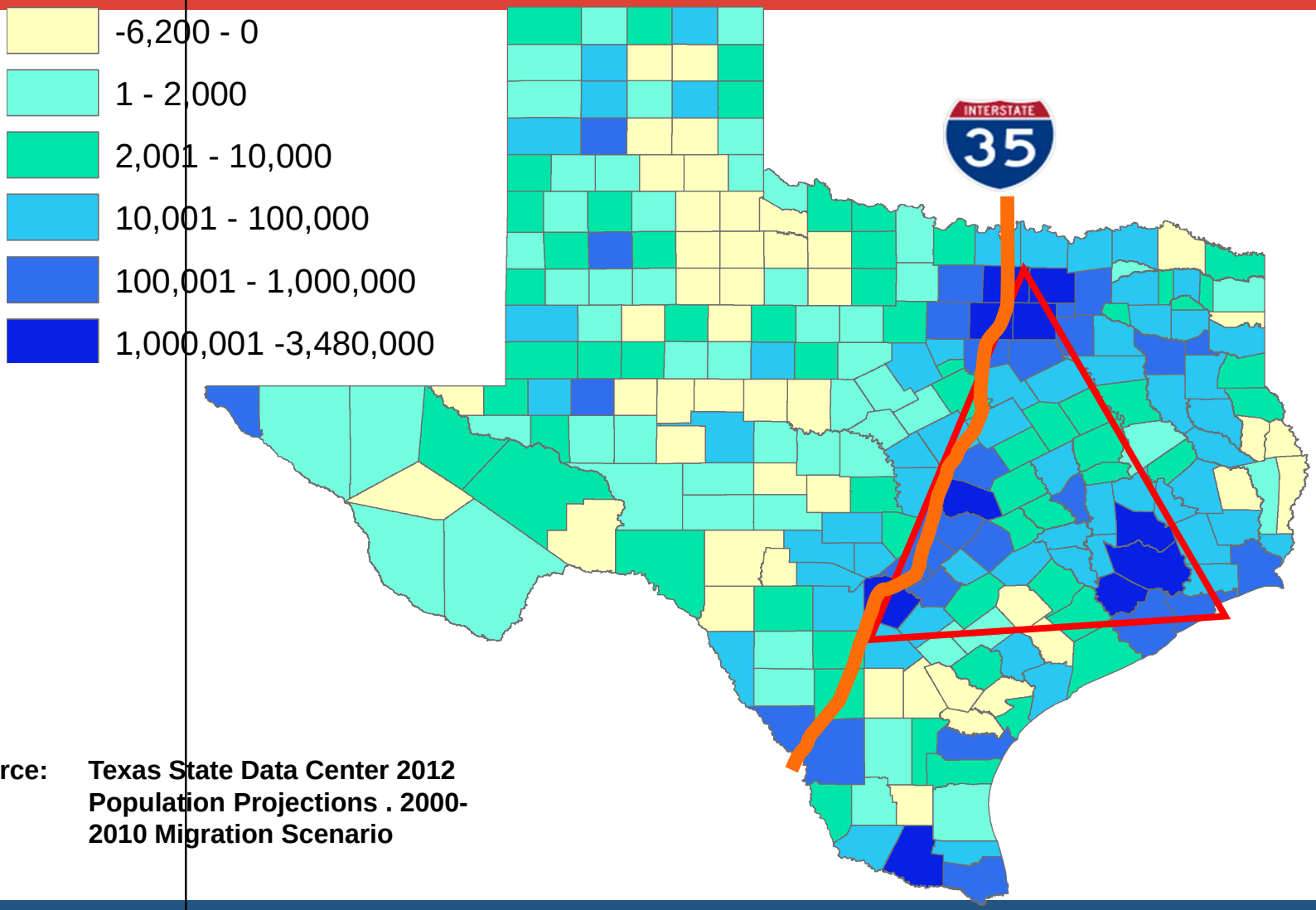
Source: U.S. Census Bureau; Real Estate Center at Texas A&M University

Texas Population 1910-2050



Sources: U.S. Census Bureau, Texas State Demographer 2014 Projections (2000-2010 Scenario)

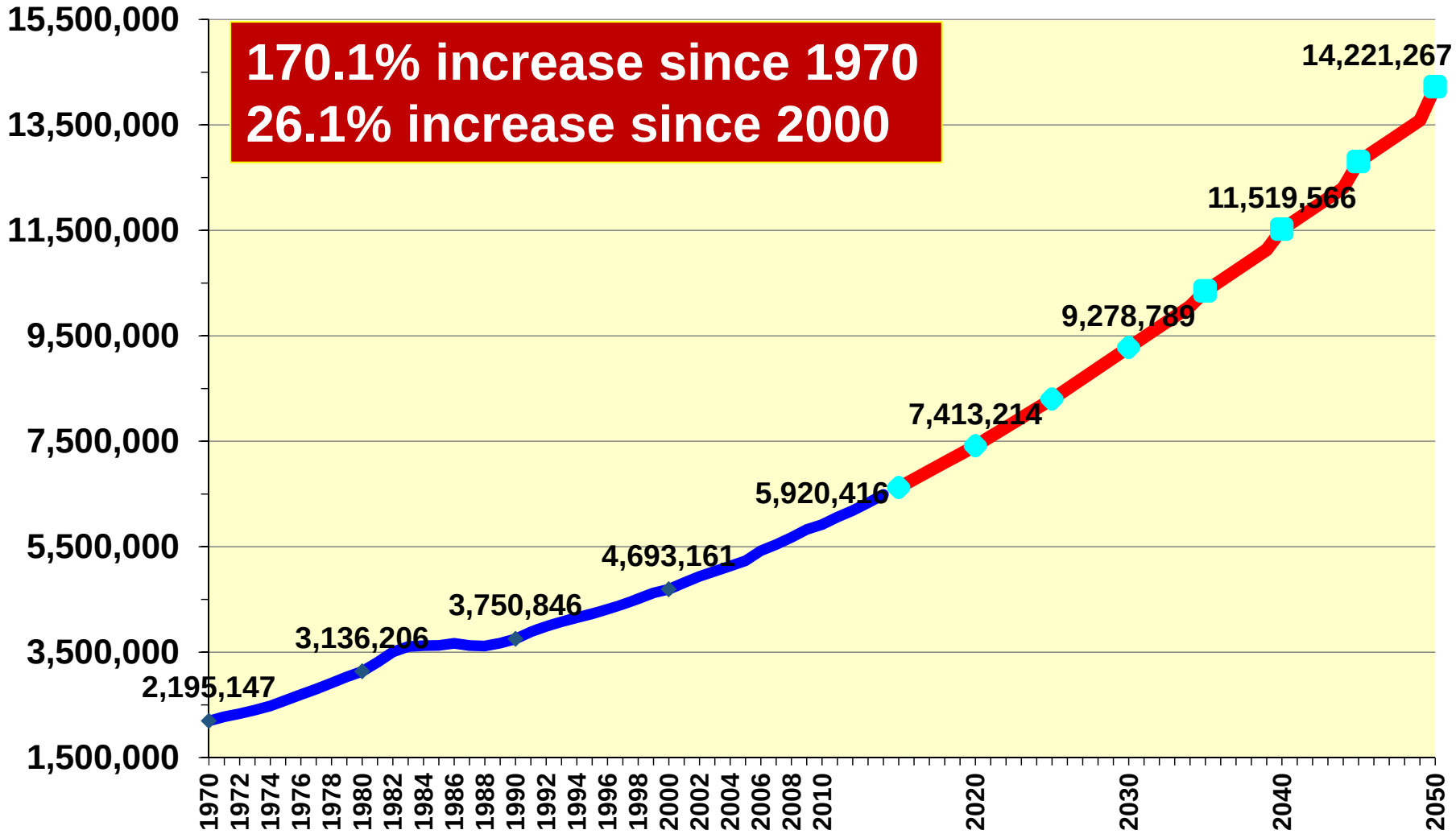
Projected Population Change, Texas Counties, 2010-2050



Source: **Texas State Data Center 2012 Population Projections . 2000-2010 Migration Scenario**

Houston MSA Projected Population

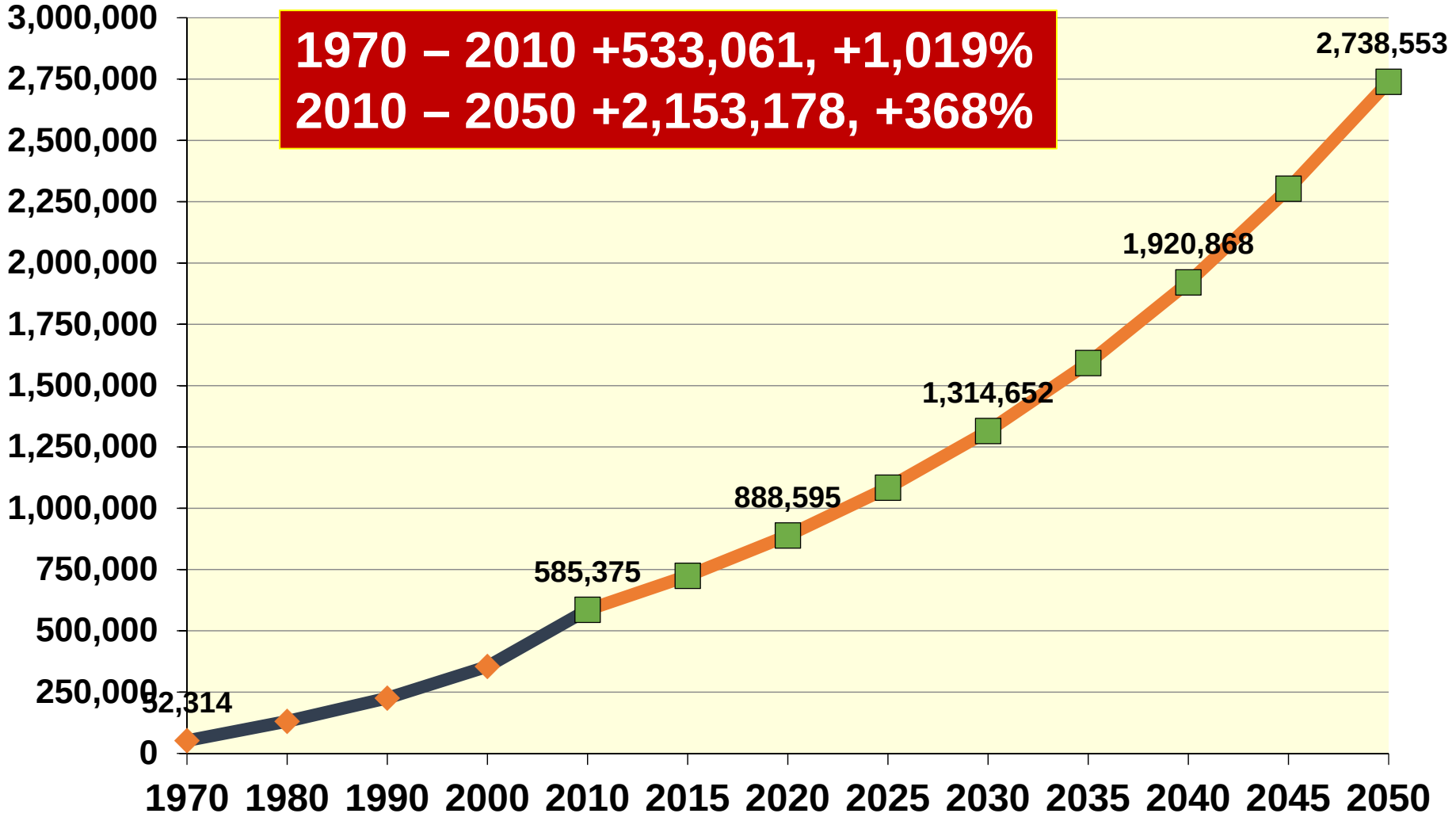
Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery & Waller Counties



REAL ESTATE CENTER TEXAS A&M UNIVERSITY

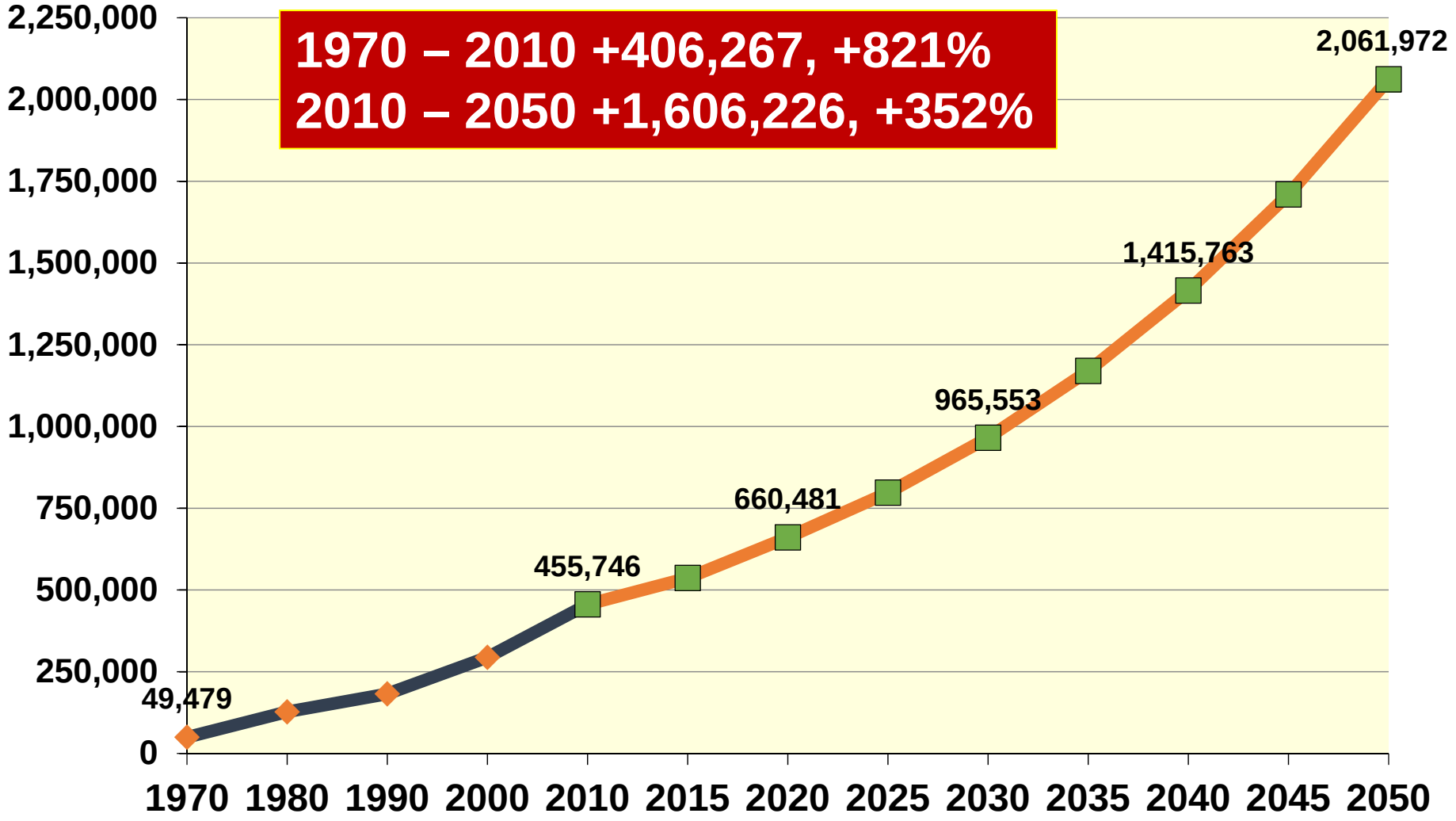
Source: U.S. Census Bureau; Texas Demographer's Office 2014 Projections, 2000-2010 scenario

Fort Bend County Population



Source: U.S. Census Bureau; 2014 Texas State Demographer's Office Projections

Montgomery County Population



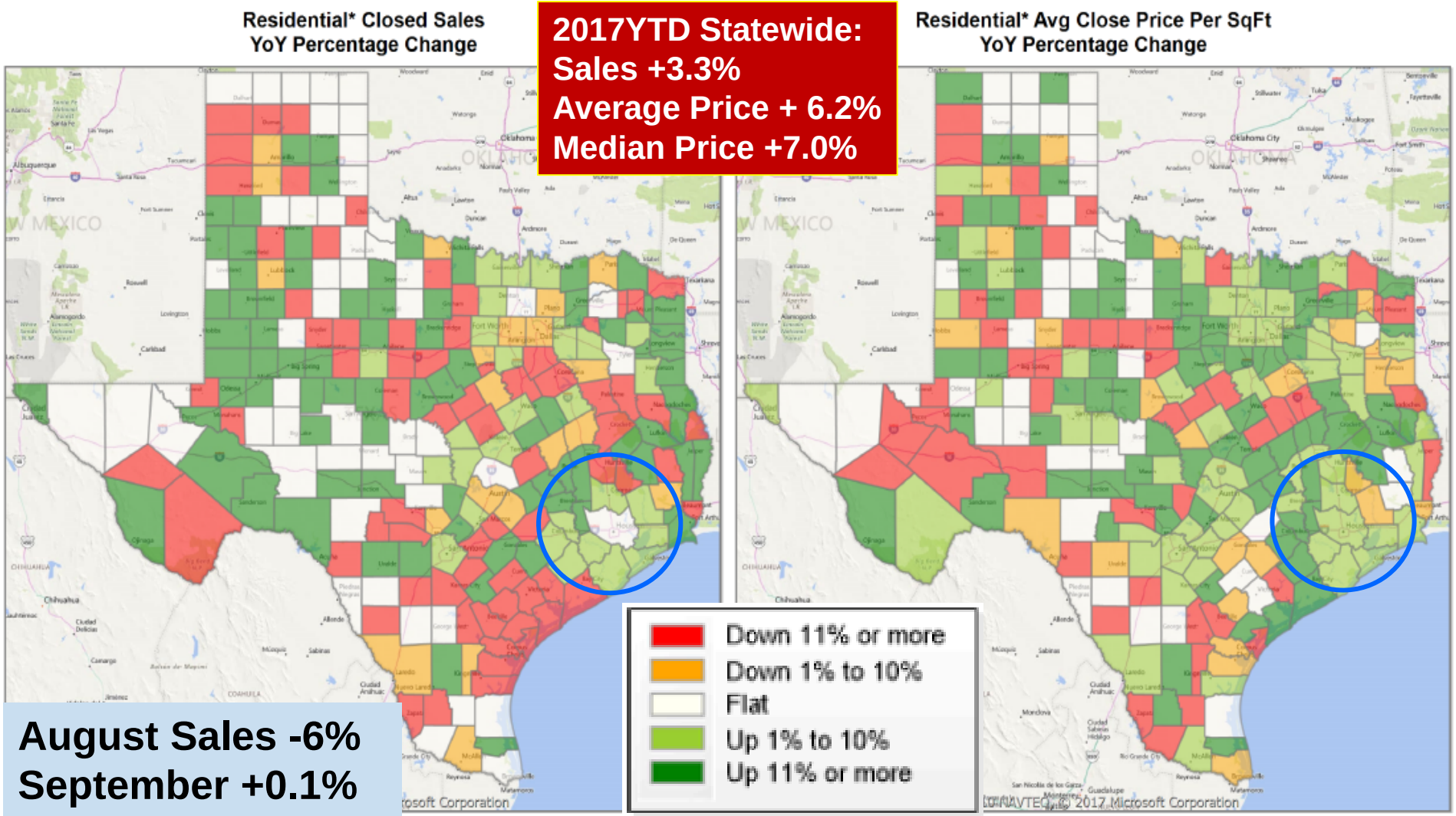
Source: U.S. Census Bureau; 2014 Texas State Demographer's Office Projections

Housing Market

REC's Economic Crystal Ball: Housing Market…

Home Sales & Prices by County September 2017

2017YTD Statewide:
Sales +3.3%
Average Price + 6.2%
Median Price +7.0%



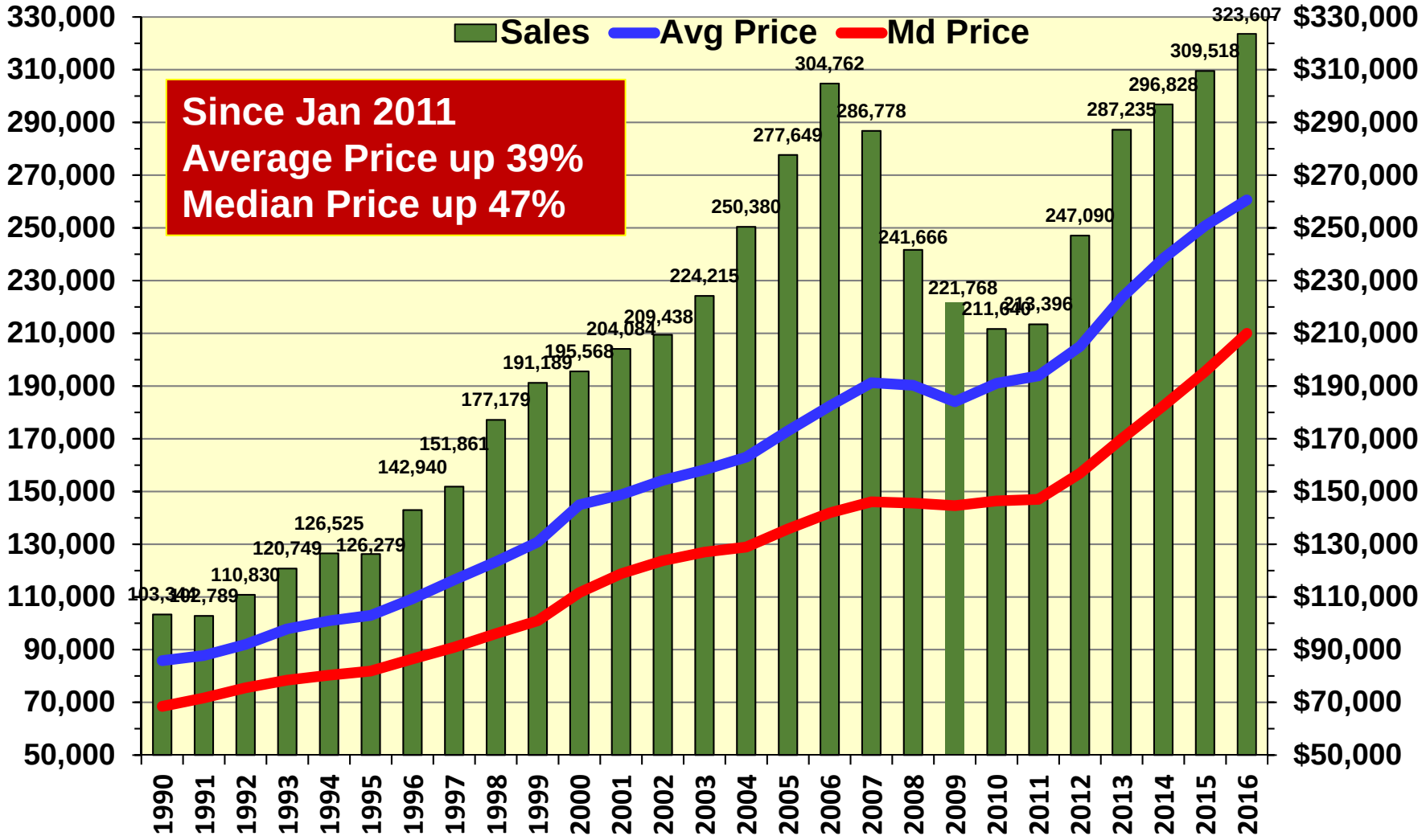
August Sales -6%
September +0.1%

Source: TAR Data Relevance Project; Real Estate Center at Texas A&M University

Future Homeownership

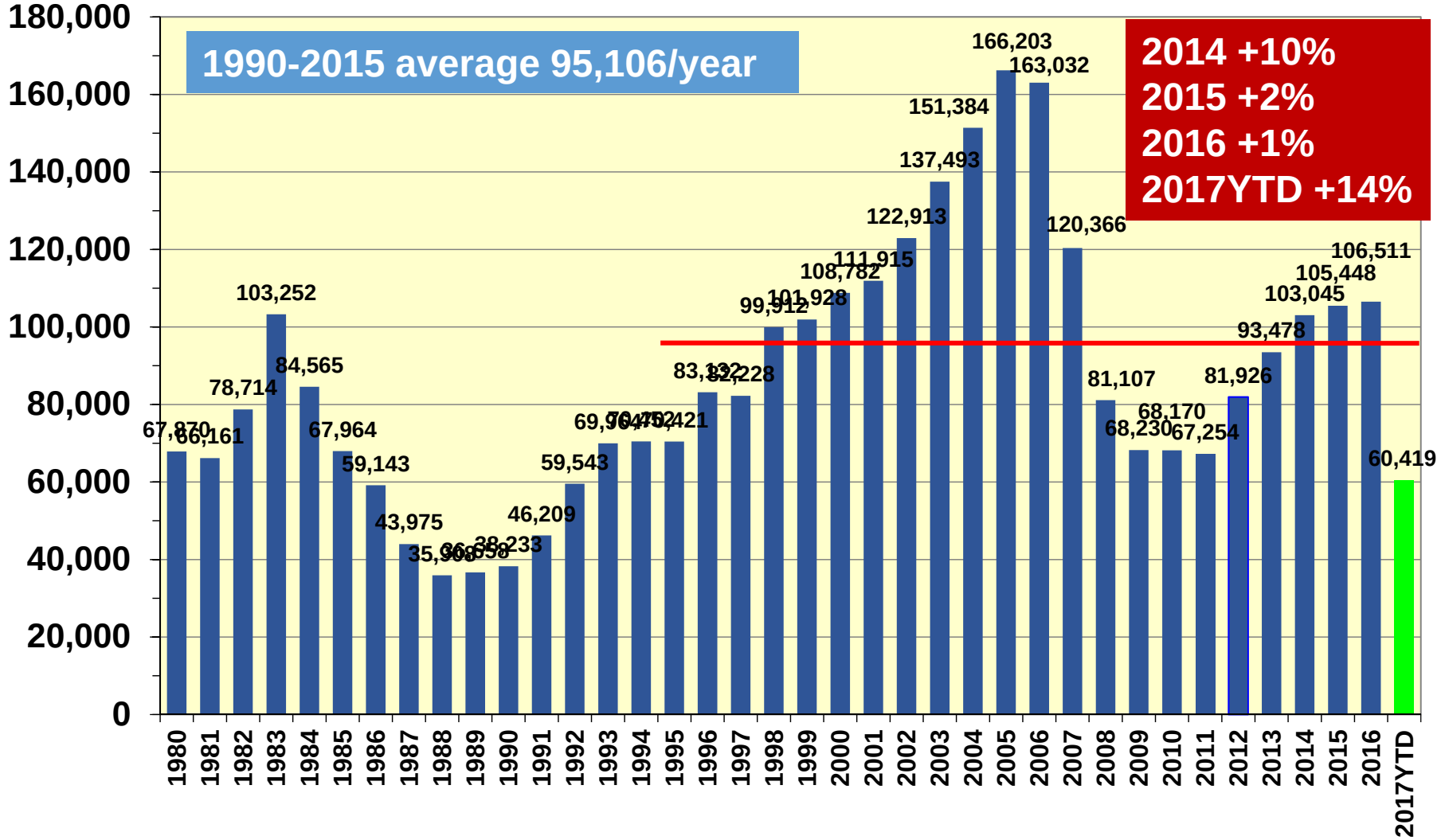
- Demographics
  - Life style/life cycle generational differences: family formations vs. household formations
  - Aging Boomers renting
- Affordability
  - Income growth & distribution
  - Supply Constraints
    - Land development costs: direct & indirect
    - Construction costs: materials & labor supply/cost
- Mortgage credit availability and cost
- SF Investor market

Annual Texas Home Sales



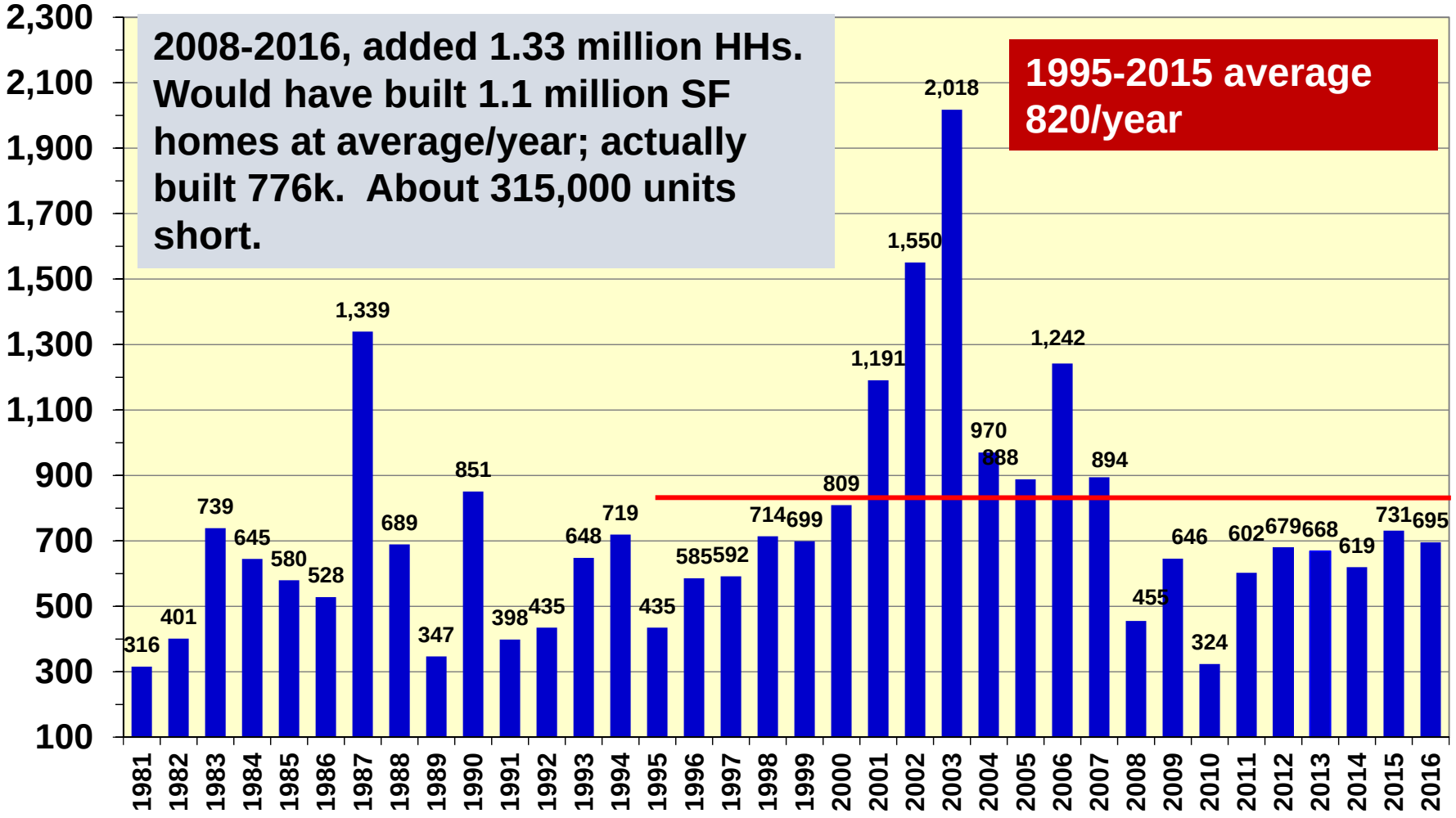
Source: TAR Data Relevance Program; Real Estate Center at Texas A&M University

Texas SF Building Permits



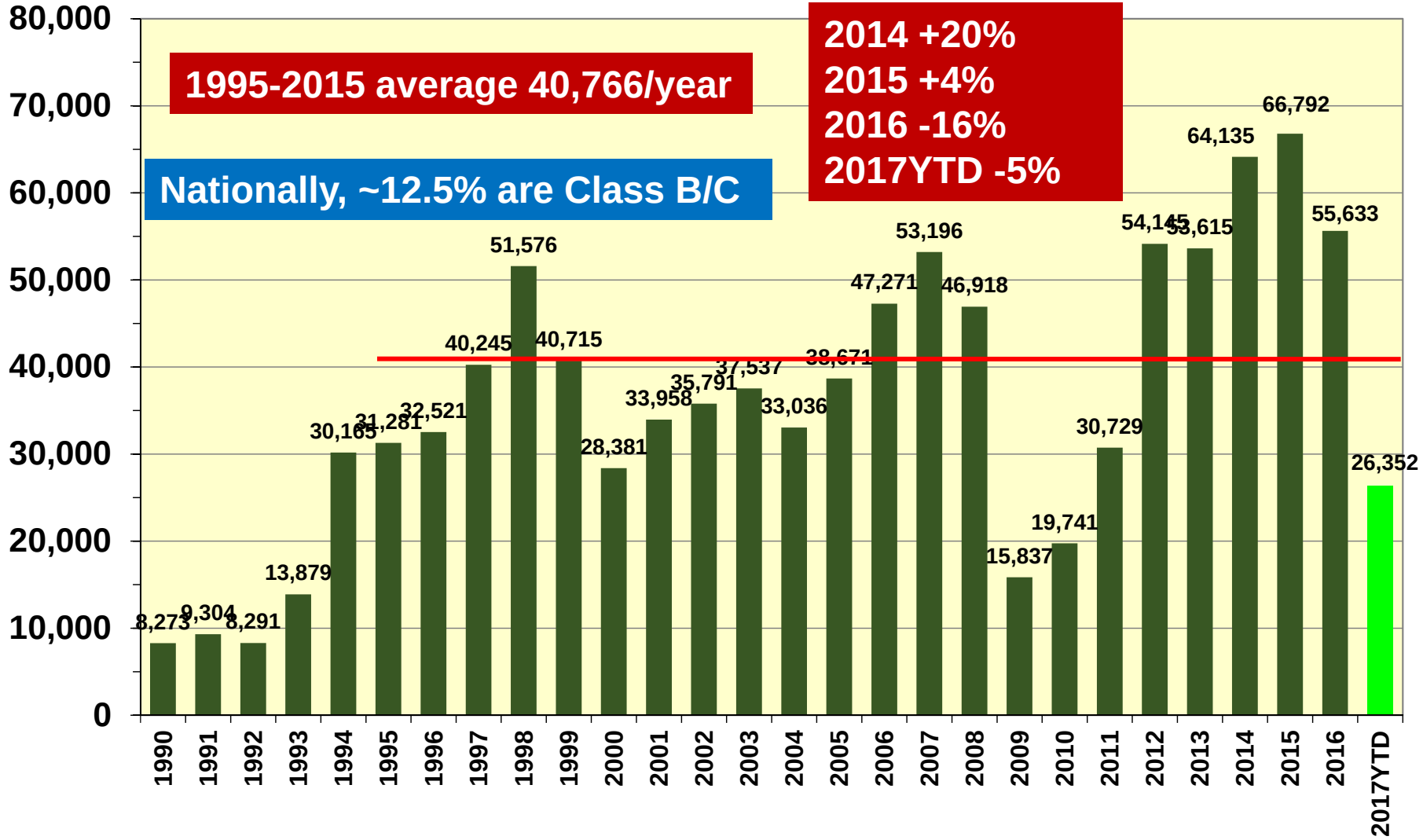
Source: US Census Bureau, Real Estate Center at Texas A&M

Texas SF Building Permits per 1,000 New Households



Source: US Census Bureau, Real Estate Center at Texas A&M

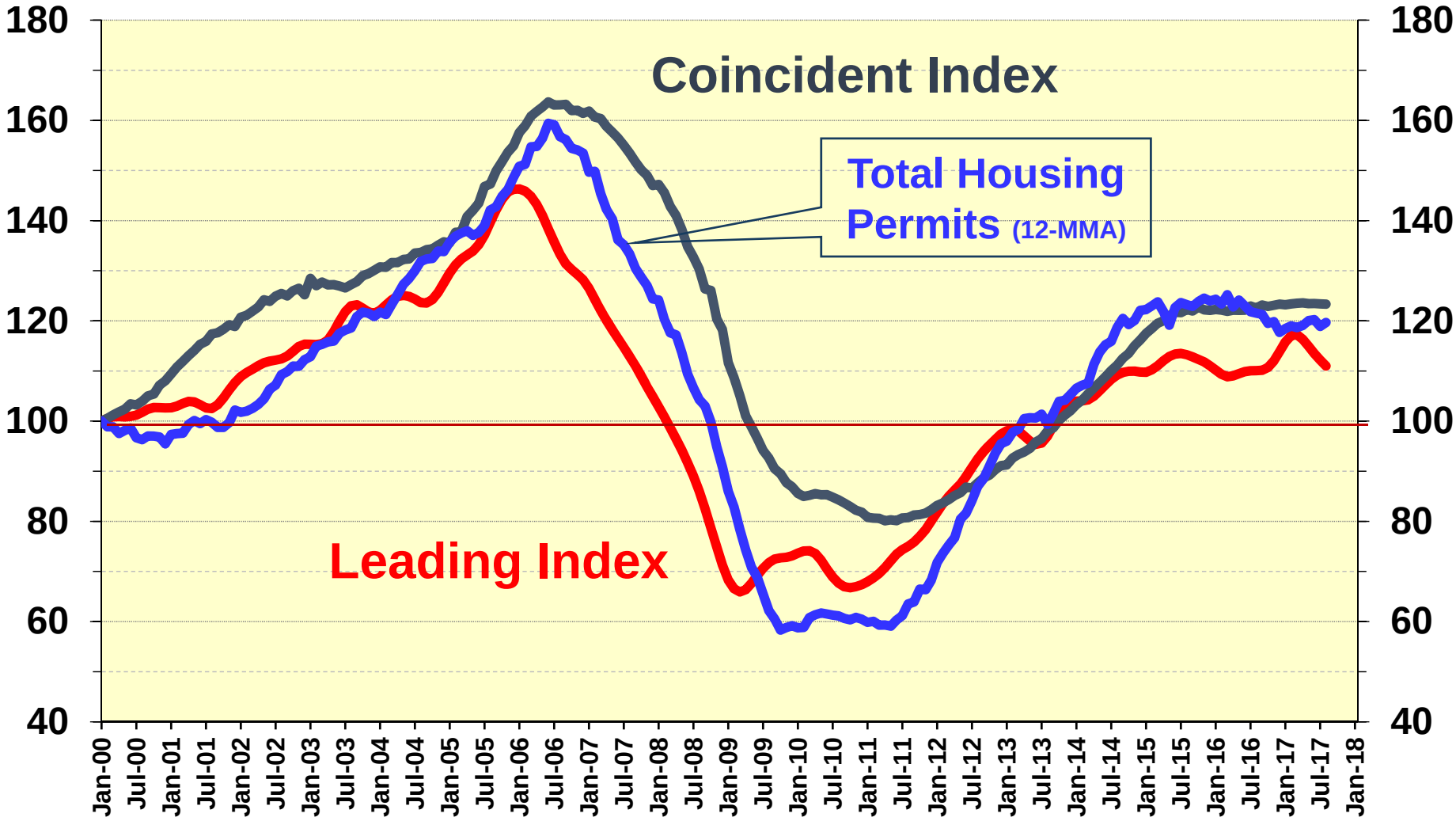
Texas MF Building Permits: Making Up the Difference?



Source: US Census Bureau, Real Estate Center at Texas A&M

Texas Residential Construction Leading and Coincident Indexes

Jan 2000=100

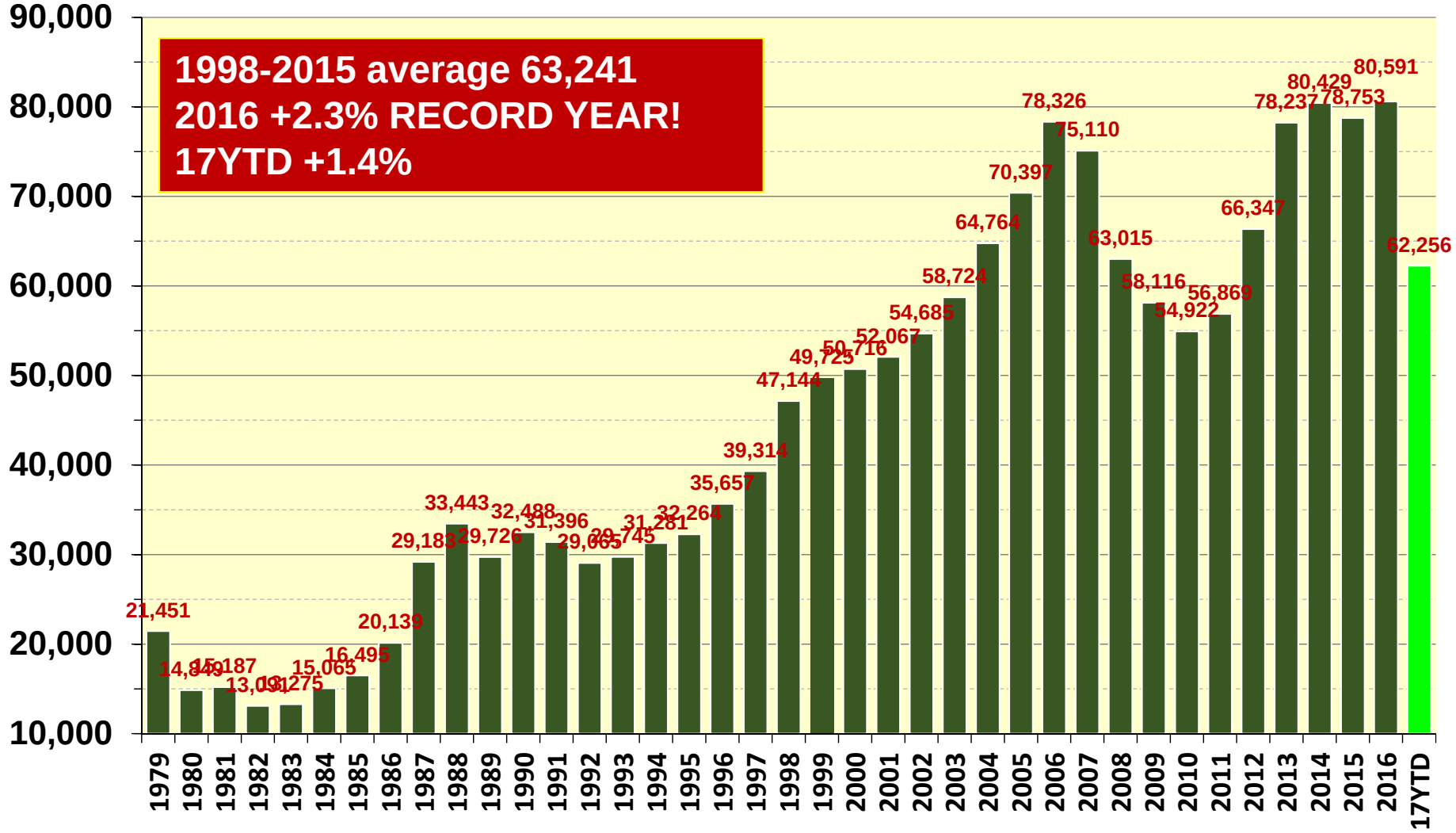


Source: Real Estate Center at Texas A&M University

The Houston Housing Market

NEW HOMES
IN SAN FRANCISCO
FROM THE LOW
$1,000,000s
Summit800Homes.com
SUMMIT
800
1600
OUTFRONT
12' X 25'

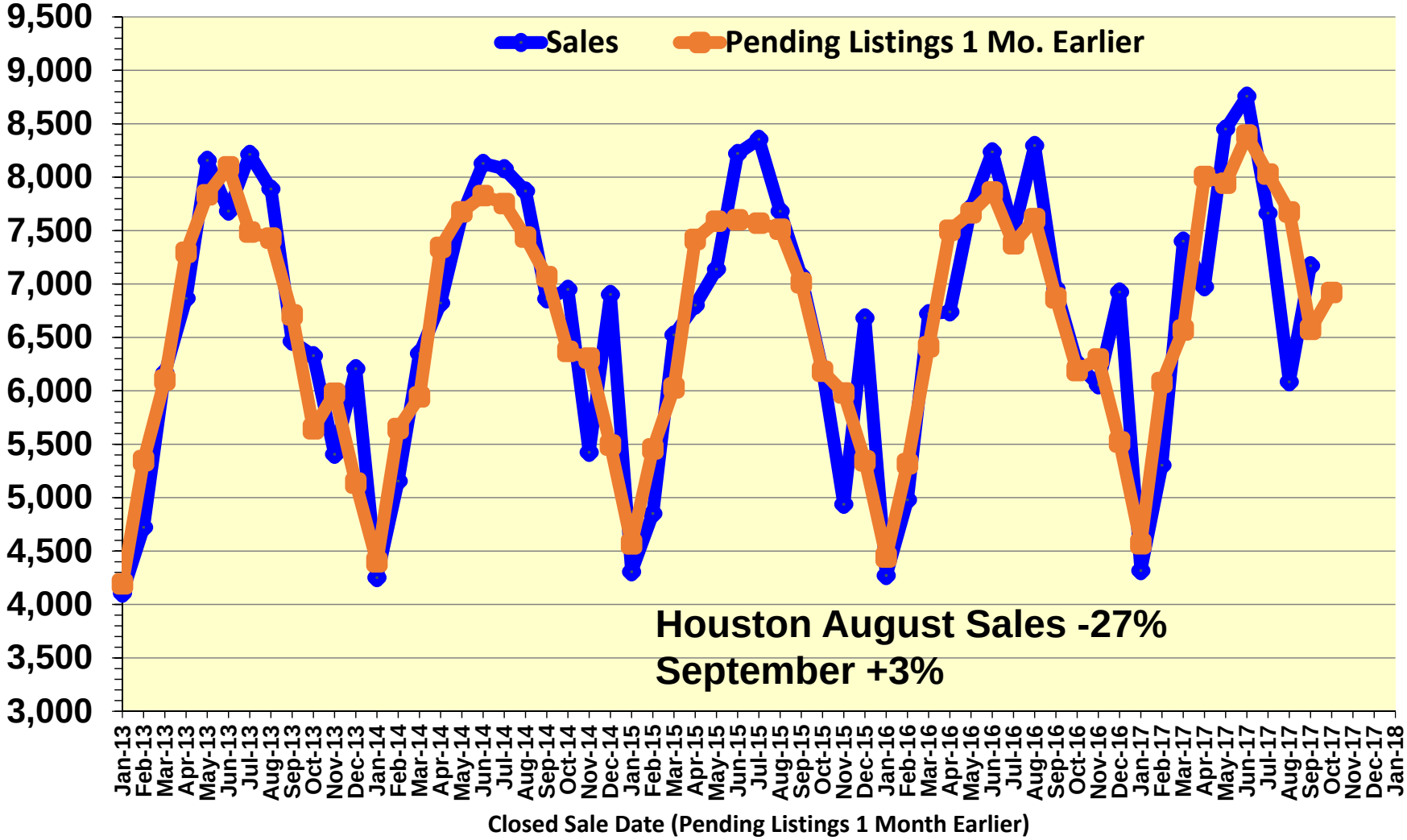
Houston Annual Home Sales



REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

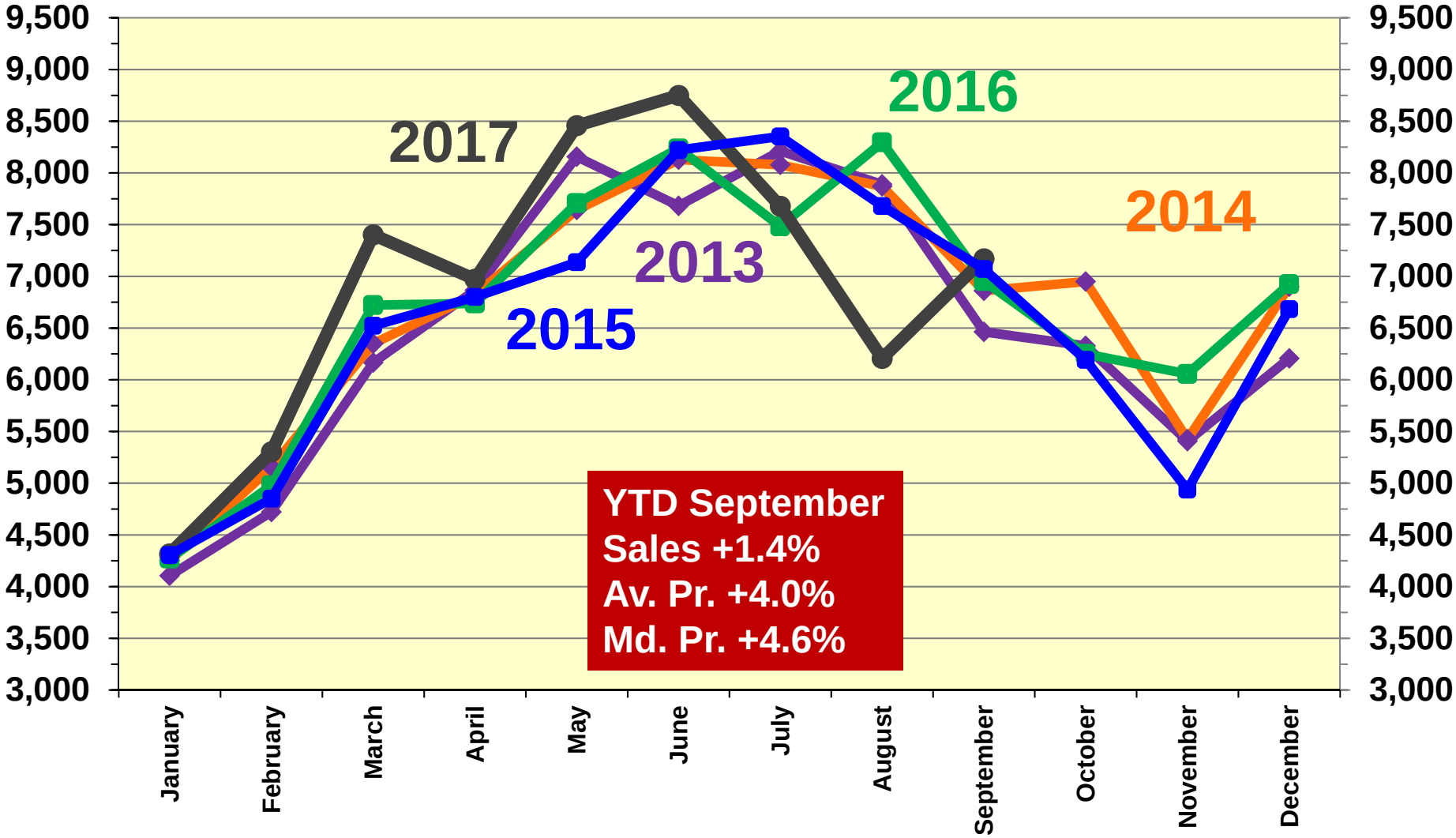
Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

Houston Monthly SF Existing Sales & Pending Sales 1 Month Earlier



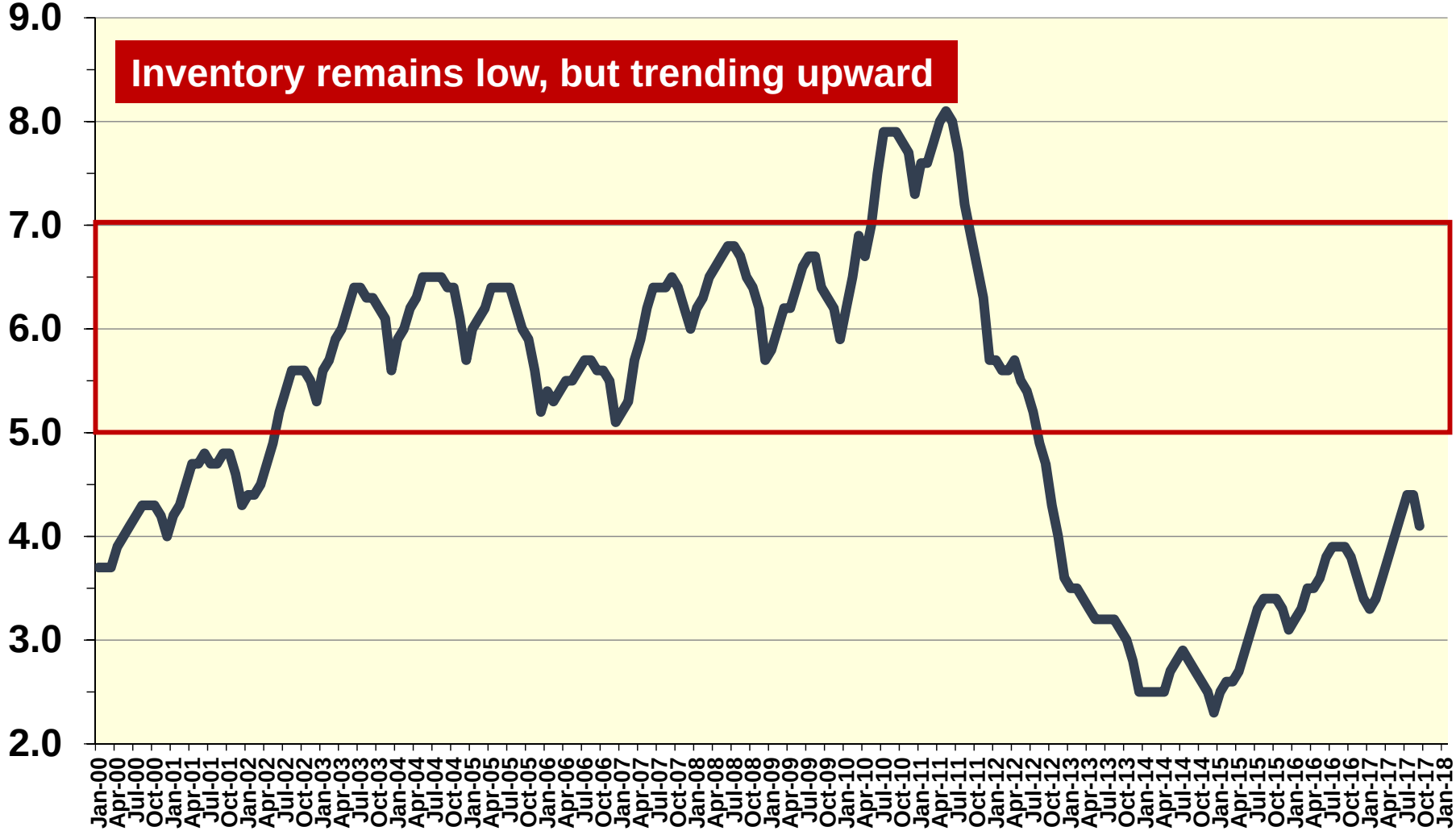
REAL ESTATE CENTER TEXAS A&M UNIVERSITY Source: HAR; TAR Data Relevance Program; Real Estate Center at Texas A&M University

Monthly Sales in Houston



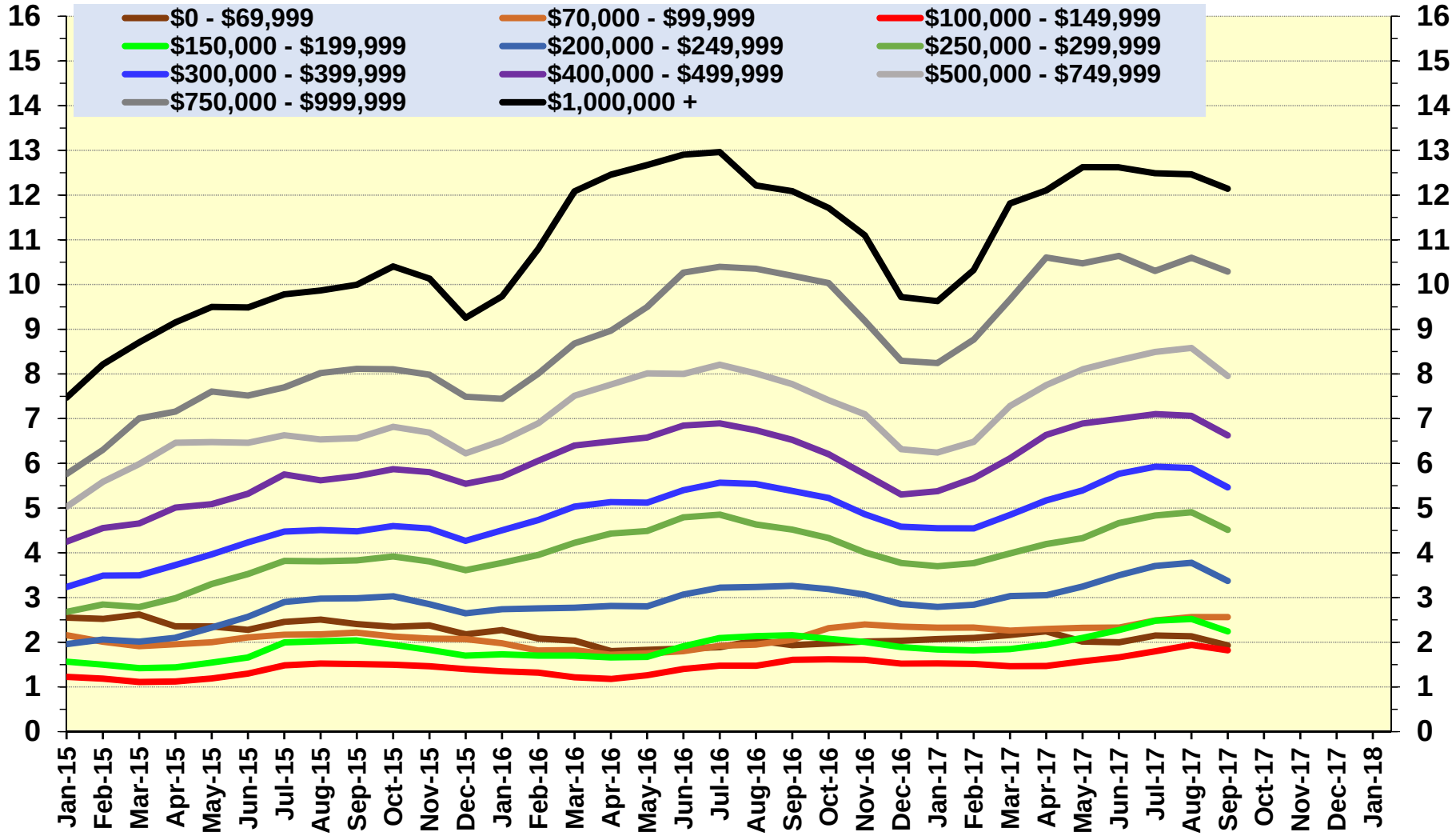
Source: HAR Data Relevance Program; Real Estate Center at Texas A&M University

Houston Months' Inventory



Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

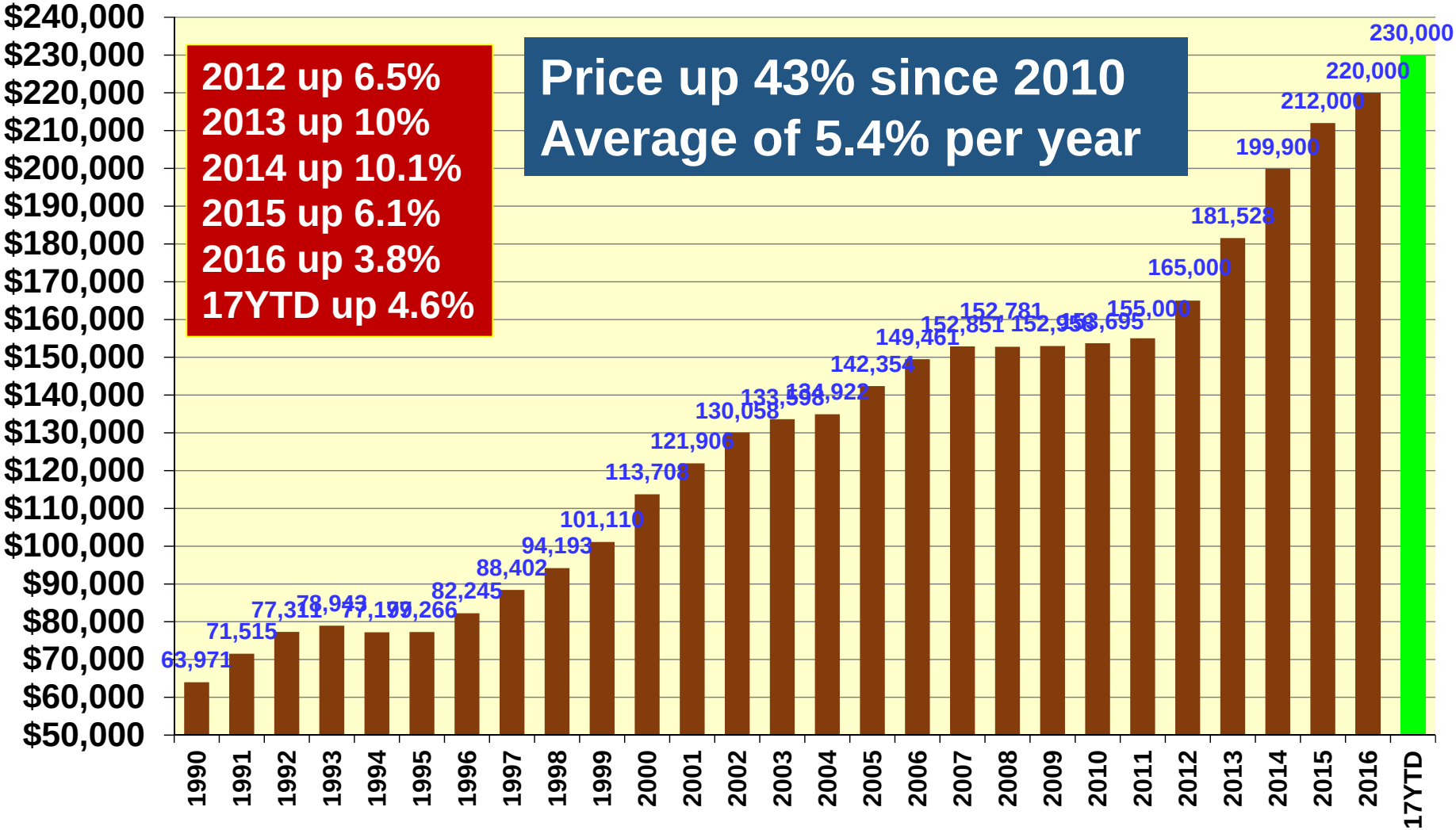
Houston Months Inventory by Price



REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

Houston Median Home Price



REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

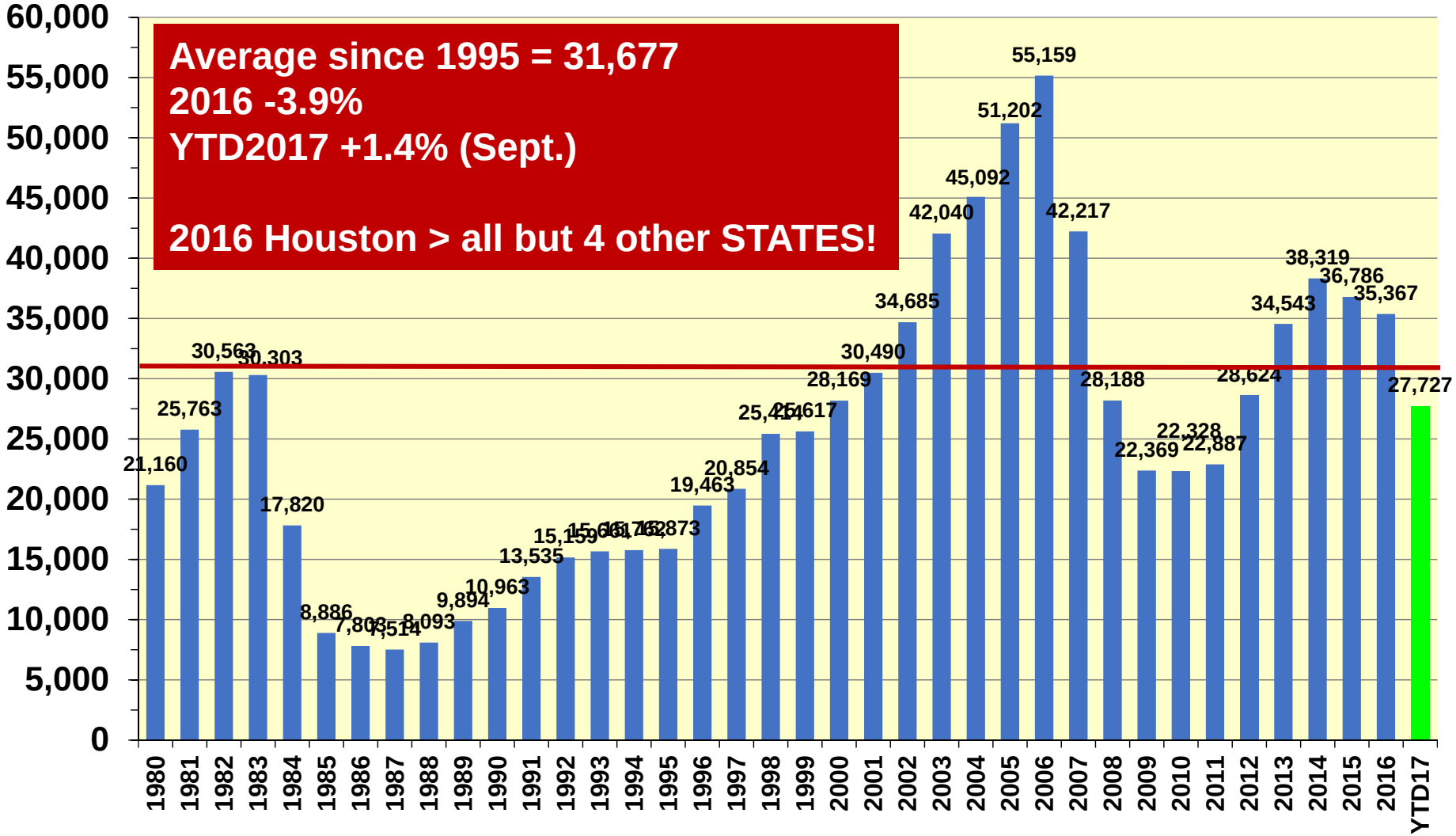
Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

Houston Sales by Price Distribution

Price Range	Percent Distribution					
	2011	2012	2013	2014	2015	2016
$0 - $69,999	13.8	11.6	7.4	5.1	4.2	3.2
$70,000 - $99,999	12.4	11.2	8.7	6.5	5.0	3.9
$100,000 - $149,999	21.7	21.2	20.7	19.2	16.4	14.0
$150,000 - $199,999	16.6	17.2	18.7	19.4	20.7	21.6
$200,000 - $249,999	9.9	11.0	11.5	12.2	13.7	15.9
$250,000 - $299,999	7.5	8.2	8.9	9.5	10.3	11.5
$300,000 - $399,999	8.1	8.8	10.7	12.5	13.6	14.3
$400,000 - $499,999	3.7	4.3	5.4	6.4	6.7	6.7
$500,000 - $749,999	3.5	3.9	4.8	5.7	5.8	5.5
$750,000 - $999,999	1.3	1.4	1.6	1.8	1.8	1.6
$1,000,000 +	1.3	1.3	1.6	1.8	1.9	1.8

Source: HAR; TAR Data Relevance Project; Real Estate Center at Texas A&M University

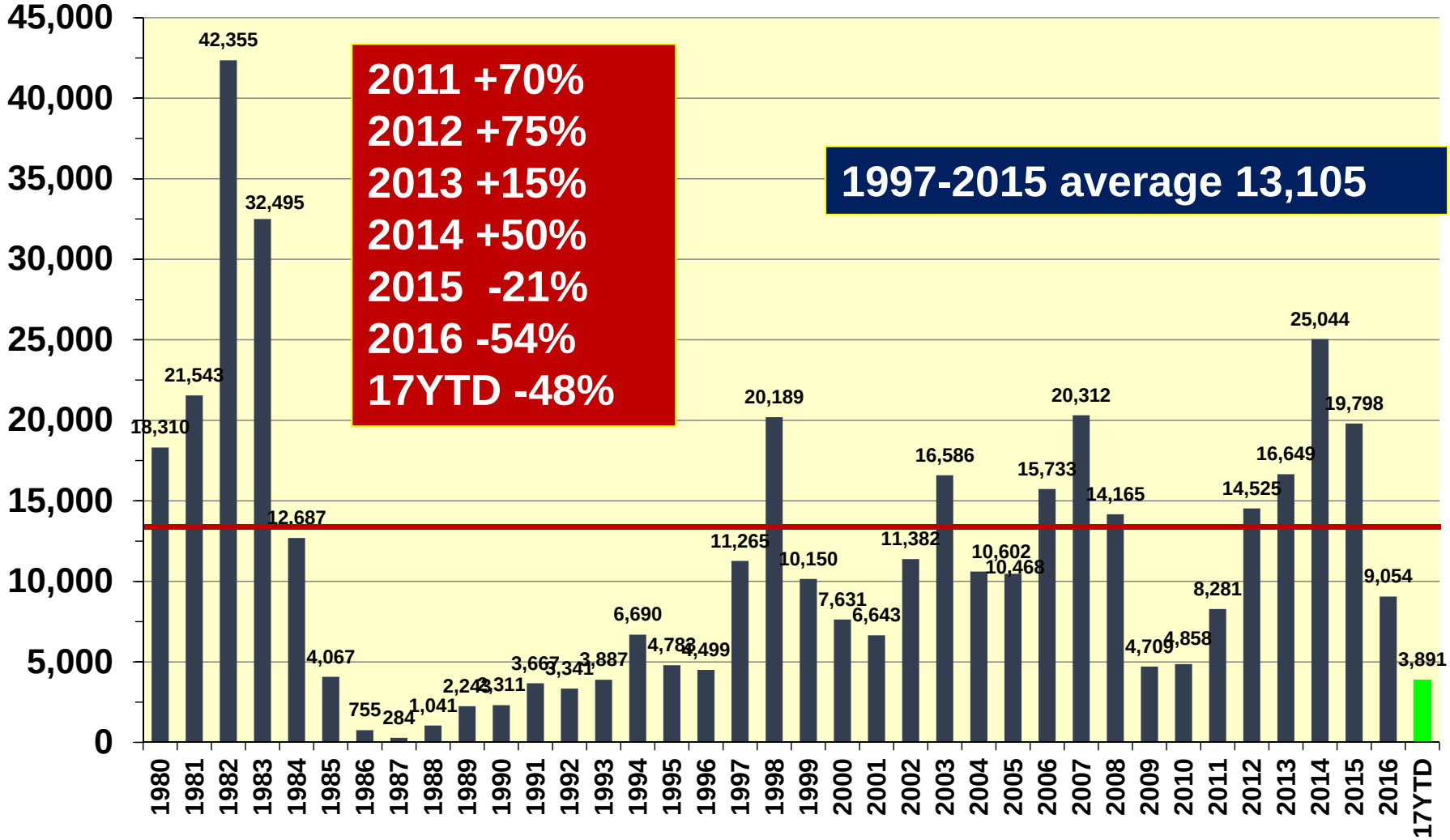
Houston SF Building Permits



REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

Houston MF Building Permits

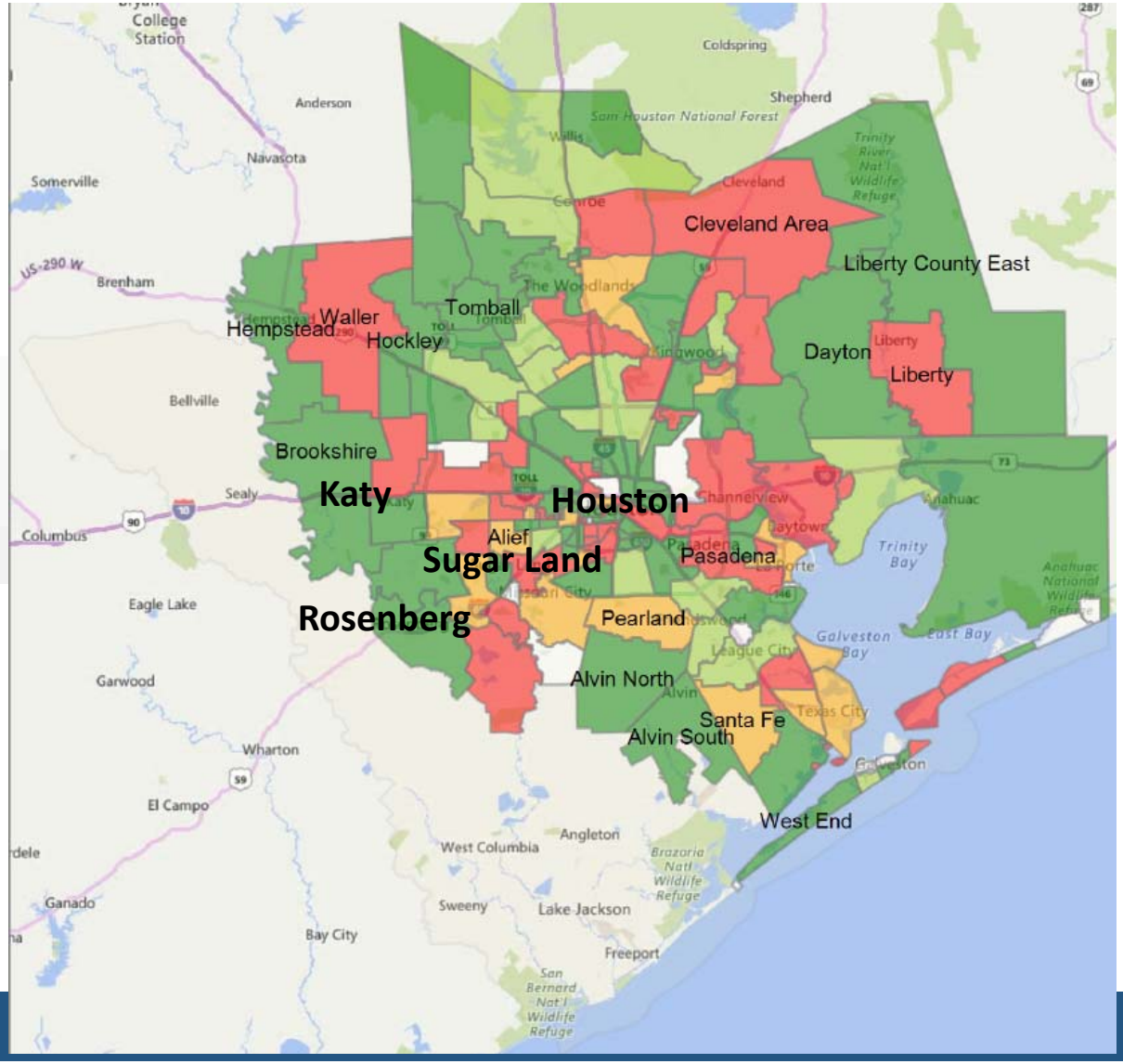


REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

Source: HAR, Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

September Sales in Houston MSA by Local Market Areas (Y/Y Percent Change)

- Down 11% or more
- Down 1% to 10%
- Flat
- Up 1% to 10%
- Up 11% or more

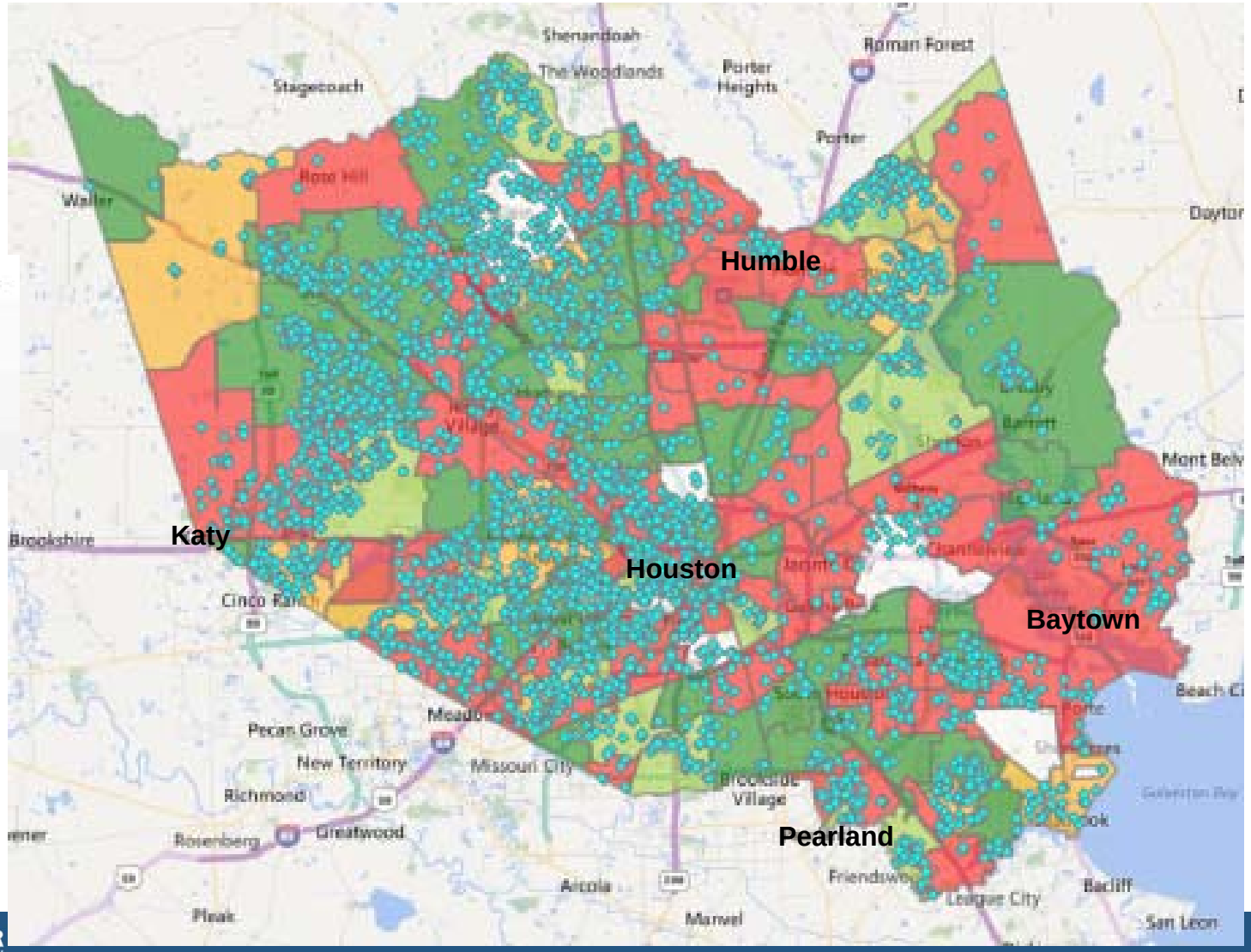


Source: HAR; Texas Realtor® Data Relevance Project Real Estate Center at Texas A&M University

September 2017 Home Sales Harris Co. by Zip Code

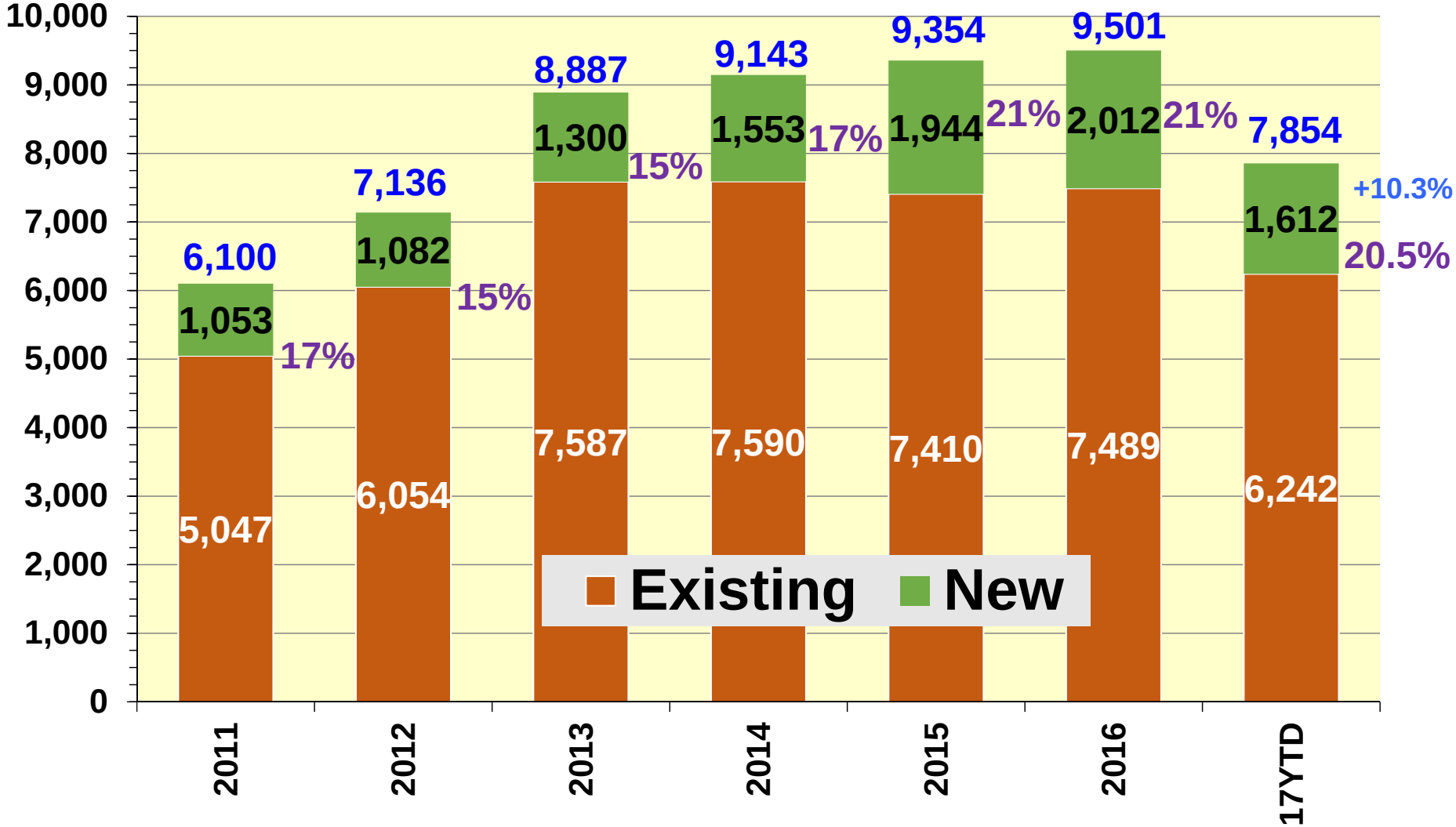
(Y/Y Percent Change)

- Down 11% or more
- Down 1% to 10%
- Flat
- Up 1% to 10%
- Up 11% or more



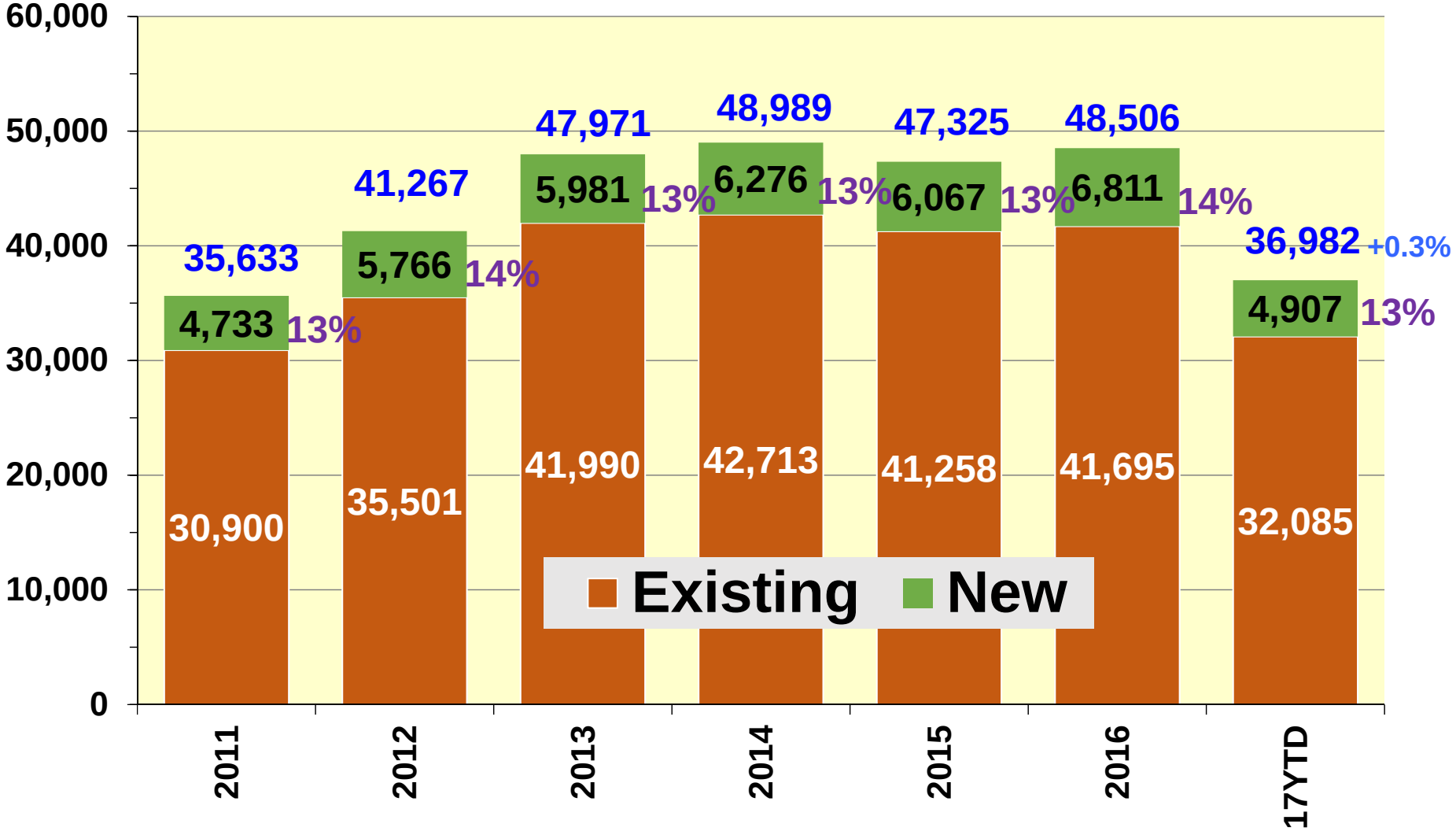
Source: HAR; Texas Realtor® Data Relevance Project Real Estate Center at Texas A&M University

Montgomery Co. Annual Home Sales



Source: HAR Data Relevance Project; Real Estate Center at Texas A&M University

Harris Co. Annual Home Sales



Source: HAR Data Relevance Project; Real Estate Center at Texas A&M University

Montgomery Co. Sales by Price Distribution

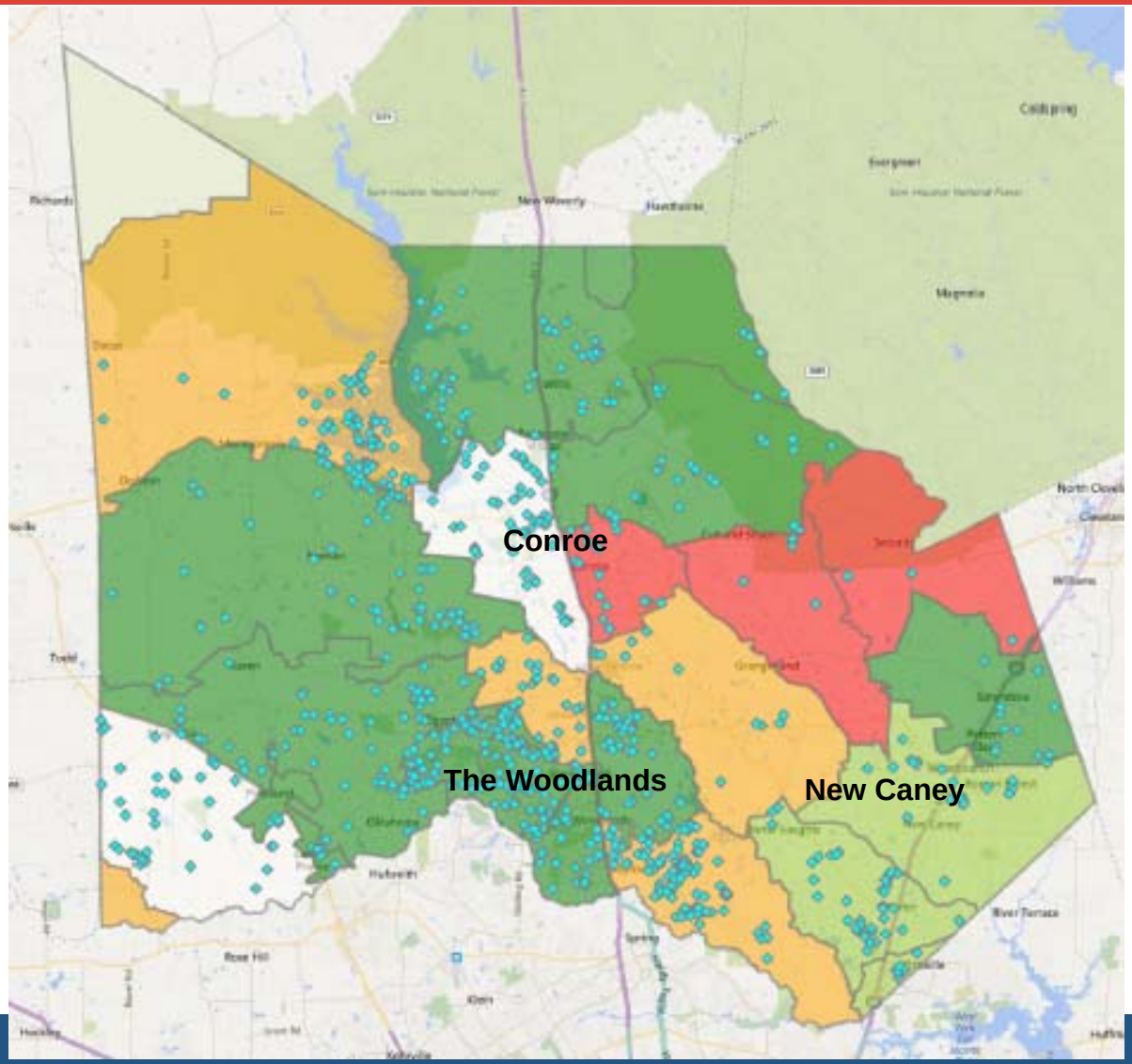
Price Range	Percent Distribution					
	2011	2012	2013	2014	2015	2016
$0 - $69,999	7.8	7.6	5.3	3.3	2.6	2.4
$70,000 - $99,999	7.5	7.1	5.4	3.9	3.1	2.8
$100,000 - $149,999	21.0	19.3	17.4	13.9	10.1	9.5
$150,000 - $199,999	18.8	18.2	18.9	20.0	21.3	19.8
$200,000 - $249,999	12.0	12.8	13.1	14.0	16.0	17.0
$250,000 - $299,999	9.3	9.6	10.7	11.4	11.9	14.4
$300,000 - $399,999	10.2	11.2	12.5	14.6	15.5	16.5
$400,000 - $499,999	5.2	5.6	6.7	7.6	7.9	8.0
$500,000 - $749,999	5.1	5.5	6.4	7.5	7.9	6.6
$750,000 - $999,999	1.6	1.5	2.0	2.2	2.2	1.9
$1,000,000 +	1.5	1.5	1.6	1.6	1.6	1.1

Source: HAR Data Relevance Project; Real Estate Center at Texas A&M University

September 2017 Home Sales Montgomery Co. by Zip Code

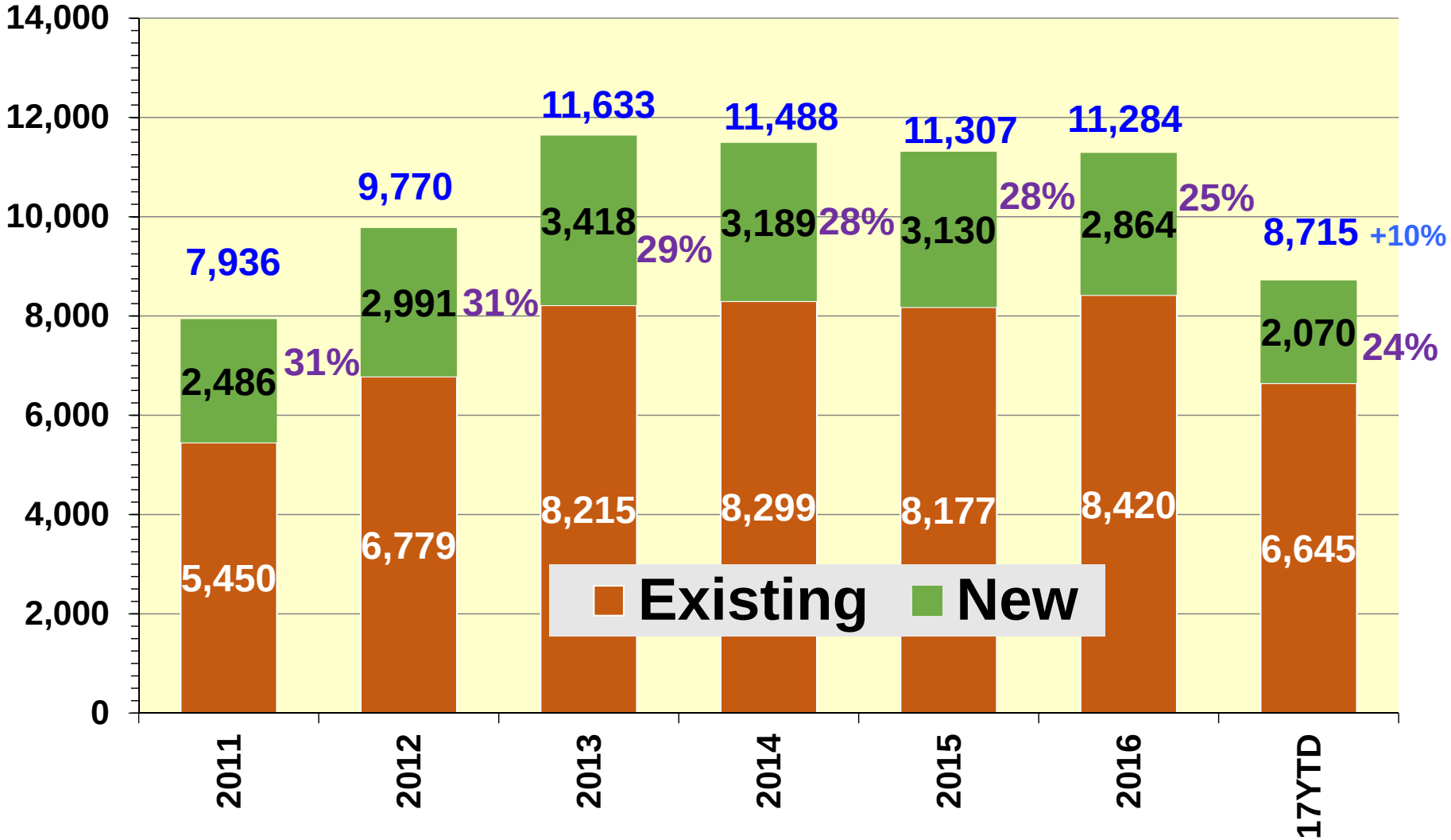
(Y/Y Percent Change)

- Down 11% or more
- Down 1% to 10%
- Flat
- Up 1% to 10%
- Up 11% or more



Source: HAR; Texas Realtor® Data Relevance Project Real Estate Center at Texas A&M University

Fort Bend Co. Annual Home Sales



Source: HAR Data Relevance Project; Real Estate Center at Texas A&M University

Fort Bend Co. Sales by Price Distribution

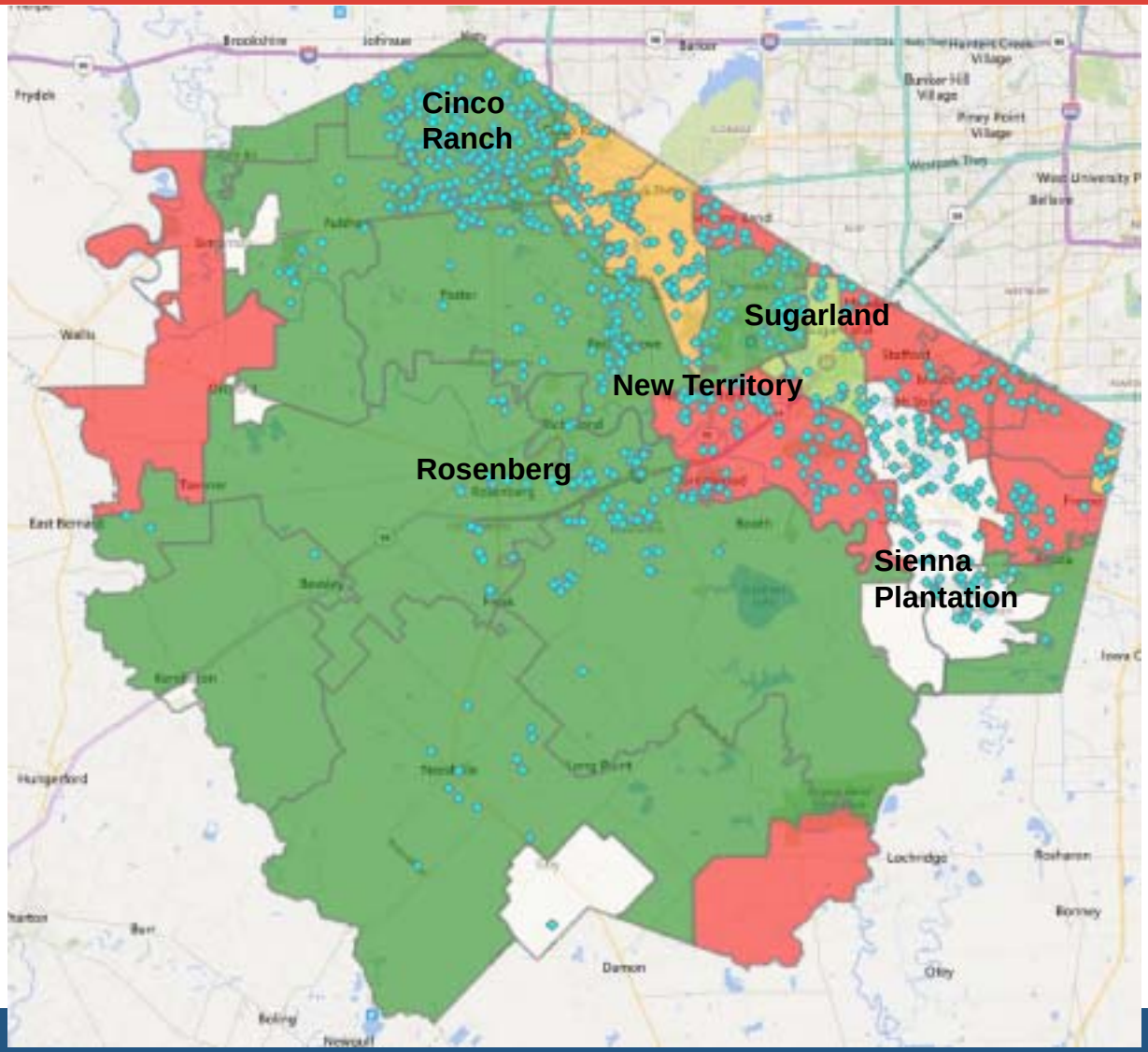
Price Range	Percent Distribution					
	2011	2012	2013	2014	2015	2016
$0 - $69,999	5.6	4.8	2.4	1.0	0.7	0.2
$70,000 - $99,999	6.4	5.8	4.1	2.7	1.8	1.4
$100,000 - $149,999	16.2	15.1	12.0	9.9	7.5	6.7
$150,000 - $199,999	20.0	20.1	17.8	15.7	14.9	15.0
$200,000 - $249,999	15.1	15.7	16.9	14.9	15.5	17.6
$250,000 - $299,999	11.9	12.9	13.5	14.6	15.7	16.8
$300,000 - $399,999	14.0	14.1	16.9	19.6	21.6	22.0
$400,000 - $499,999	5.9	6.2	9.2	11.0	11.4	11.2
$500,000 - $749,999	3.7	4.1	5.6	8.2	8.9	7.4
$750,000 - $999,999	0.9	0.8	1.1	1.6	1.5	1.1
$1,000,000 +	0.3	0.4	0.5	0.6	0.6	0.6

Source: HAR Data Relevance Project; Real Estate Center at Texas A&M University

September 2017 Home Sales Fort Bend Co. by Zip Code

(Y/Y Percent Change)

- Down 11% or more
- Down 1% to 10%
- Flat
- Up 1% to 10%
- Up 11% or more



Source: HAR; Texas Realtor® Data Relevance Project Real Estate Center at Texas A&M University

So What Does Your Crystal Ball Say?

GREATER HOUSTON ASSOCIATION OF MORTGAGE PROFESSIONALS

GHAMP
GREATER HOUSTON ASSOCIATION OF MORTGAGEPROFESSIONALS

Houston Housing & Economic Outlook Post Harvey

Dr. James P. Gaines

Chief Economist

REAL ESTATE CENTER
TEXAS A&M UNIVERSITY

recenter.tamu.edu