



HOUSTON INDEPENDENT REAL ESTATE BROKERS ASSOCIATION

General Meeting
February 26, 2020
Trini Mendenhall Community Center

Economic and Real Estate Outlook for 2020

Dr. James P. Gaines

Chief Economist



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY

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NewsTalk Texas

Where's Buda growing—over here, over there

Hobby Lobby's Marshall store on the map

Order in (300k-sf) Hidalgo County's courthouse

NE Side complex sells near Randolph Air Force Base

Junction Hwy. activity as two self-storage properties sell

\$6.1M Student Success worth the cost at LIT

Frisco's 380 Phase 2 wrapping up; Phase 3 next

July 2018 housing statistics for North Texas region

recenter.tamu.edu

Texas Border Economy

JAMES P. GAINES, LUIS B. TORRES, WESLEY MILLER, AND PAIGE WOODSON

Aug 8, 2018



Outlook for the Texas Economy

Luis B. Torres, Wesley Miller, and Paige Woodson
Aug 6, 2018

This monthly report offers an overview of the various sectors of the Texas economy, including housing, manufacturing, energy, employment, and trade.

Click here to subscribe.



Texas Housing Insight

James P. Gaines, Luis B. Torres, Wesley Miller, and Paige Woodson
Aug 2, 2018

Texas housing sales fell 3.2 percent as activity slowed, especially in the \$200,000-\$300,000 price range. Housing demand remained particularly strong amid the state's continued economic expansion.

Click here to subscribe.



Monthly Review of the Texas Economy

Ali Anari
Jul 27, 2018

How does the Texas economy compare with the national one? This report looks at all the angles with a particular focus on employment and unemployment. It includes rankings of various industries by employment.



Magnificent Seven Texas Land Market Regions

Erin Kiella
May 30, 2018

In 2002, the Real Estate Center delineated Texas into seven distinct rural land regions. Focusing on data at the regional rather than statewide level has enabled the Center to more precisely monitor land market trends.



Eleven Expansions Since 1950

Average Duration: 61 months

• Nov 1949	July 1953	46 months
• Jun 1954	Aug 1957	39 months
• May 1958	Apr 1960	24 months
• Mar 1961	Dec 1969	106 months
• Dec 1970	Nov 1973	36 months
• Apr 1975	Jan 1980	58 months
• Aug 1980	Jul 1981	12 months
• Dec 1982	Jul 1990	92 months
• Apr 1991	Mar 2001	120 months
• Dec 2001	Dec 2007	73 months
• June 2009	present	128 months

New Record Every Month!!



Economy's & Housing's Future

1. Jobs & Income
2. Demographics
3. Capital & Money Markets
4. Government: Laws & Regulatory Changes

The Key Questions:

What, when, why and how can one or all of these things change?

What clouds are on the horizon?

U.S. Economy: 2019 Good Year; 2020 Good But Slower

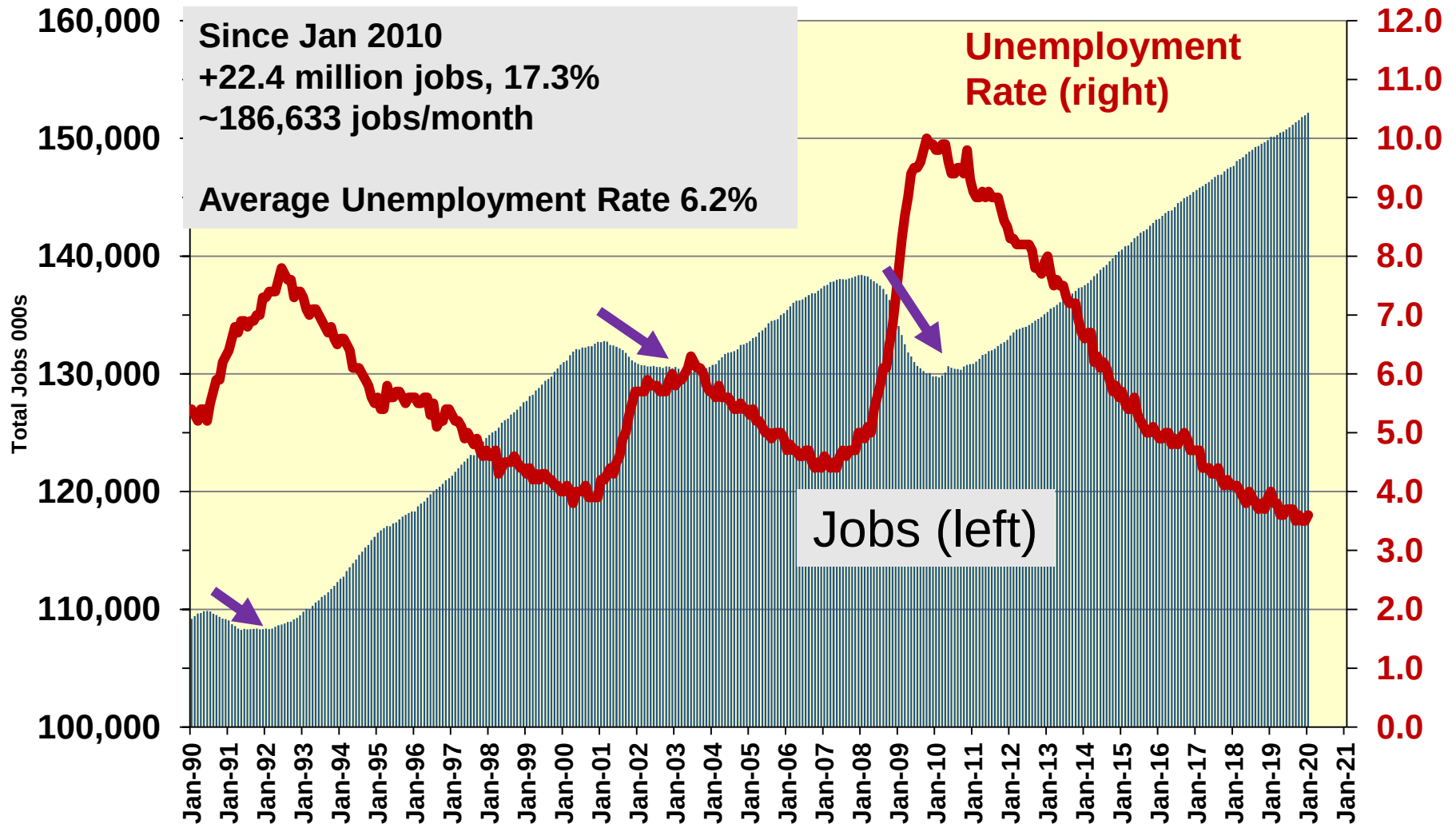
- **Real GDP** 2019 +2.3% 2020 1.9% - 2.1%
- **Spending** 2019 PCE +2.6% 2020 +2.2% - 2.4%*
- **Jobs** +2,330,000 +1.6% 2020 +2,270,000 +1.5%
- **Unemployment Rate** 3.7% 2020 3.5% - 3.7%
- **Housing Starts** +1.29 million 2020 +1.32–1.34 million*
- **Inflation** 2019 CPI +1.8% 2020 +2.0% - 2.2%
- **Industrial Production** 2019 +0.8% 2020 -0.5%

* Key Drivers for 2020

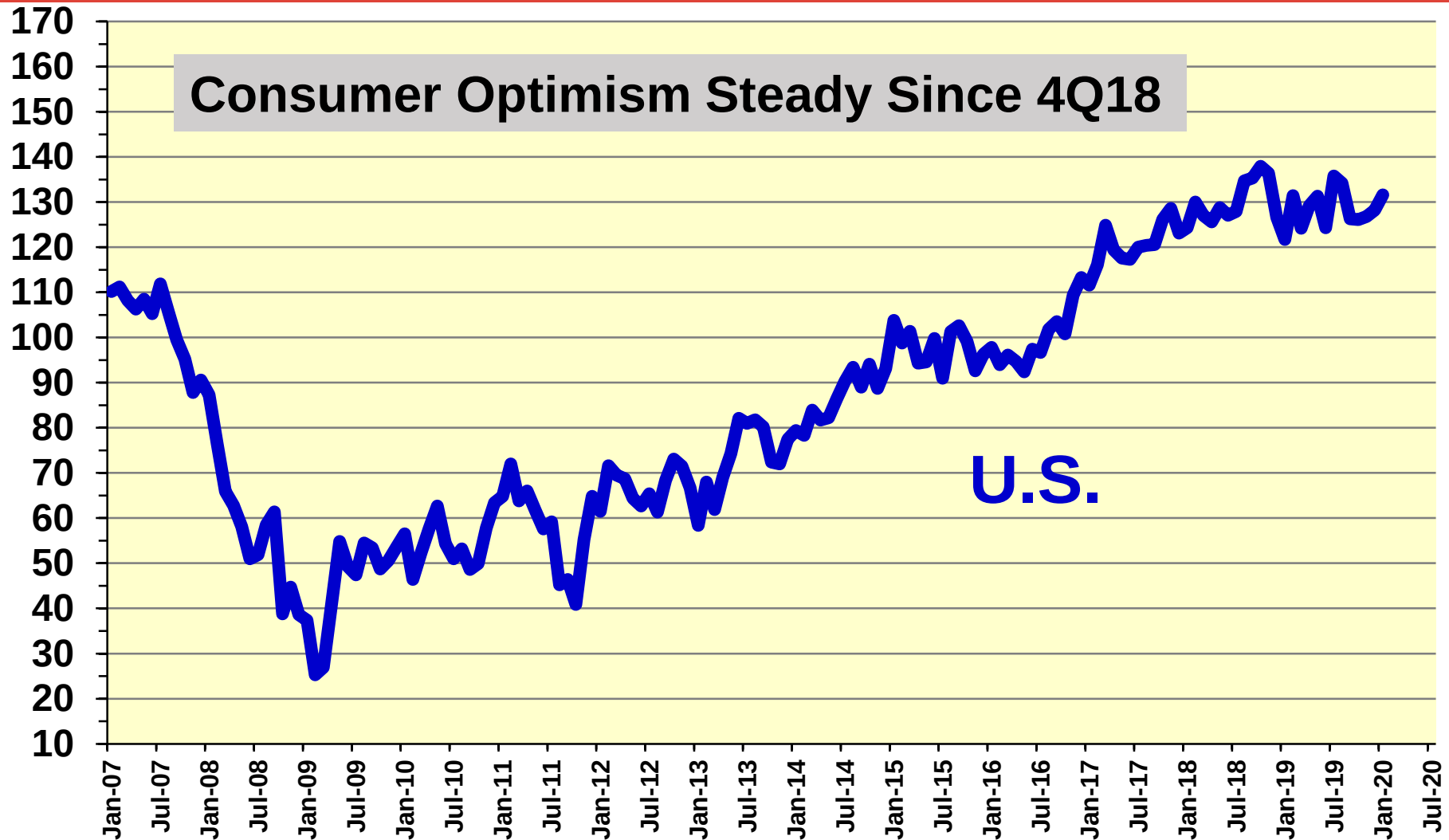
1Q2020 Clouds: Wuhan Coronavirus & Boeing 737 Max

Longer-term: corporate profits & debt; sovereign debt around the world

Jobs Continue to be Created and Low Unemployment

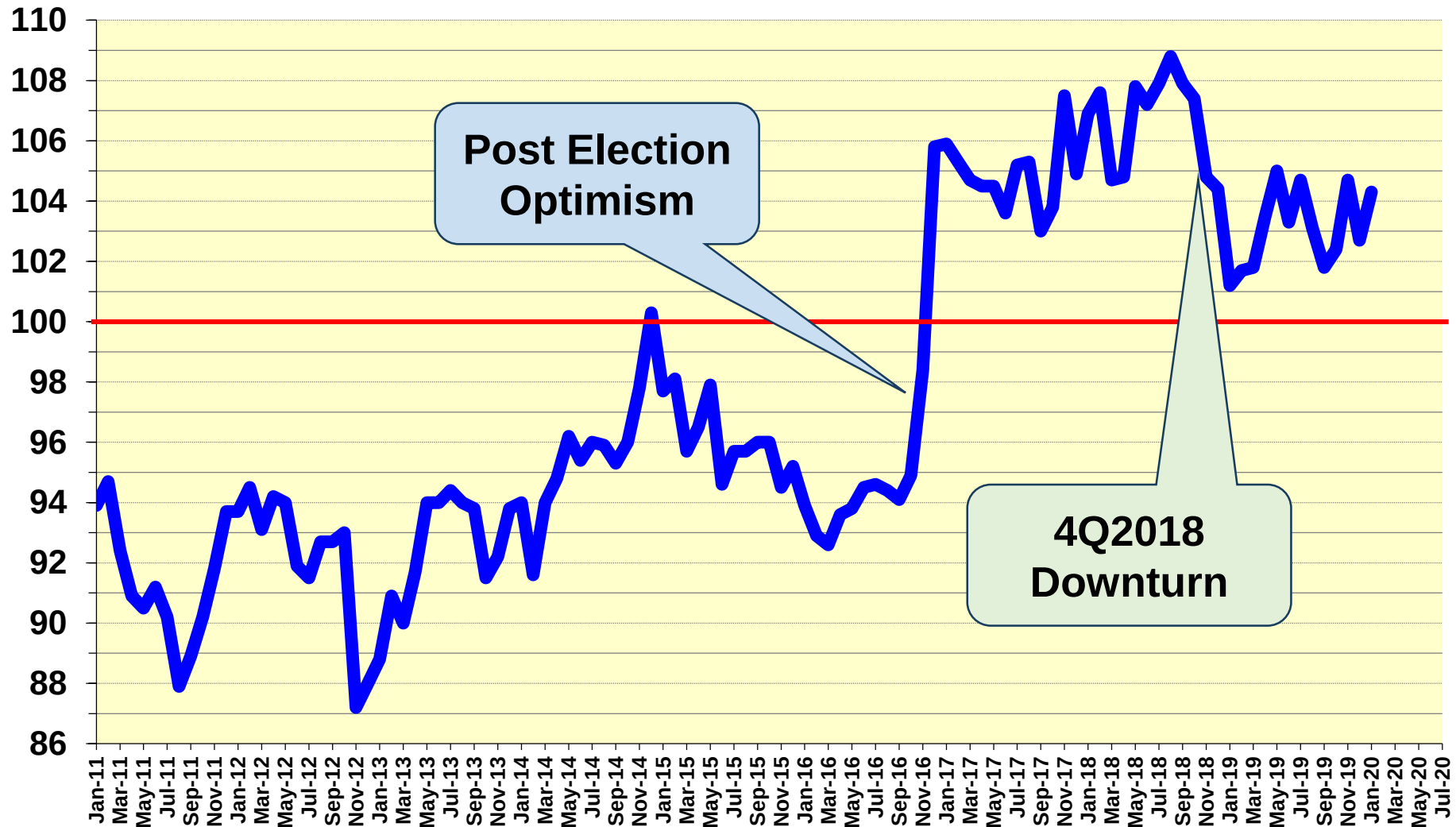


Consumer Confidence Index

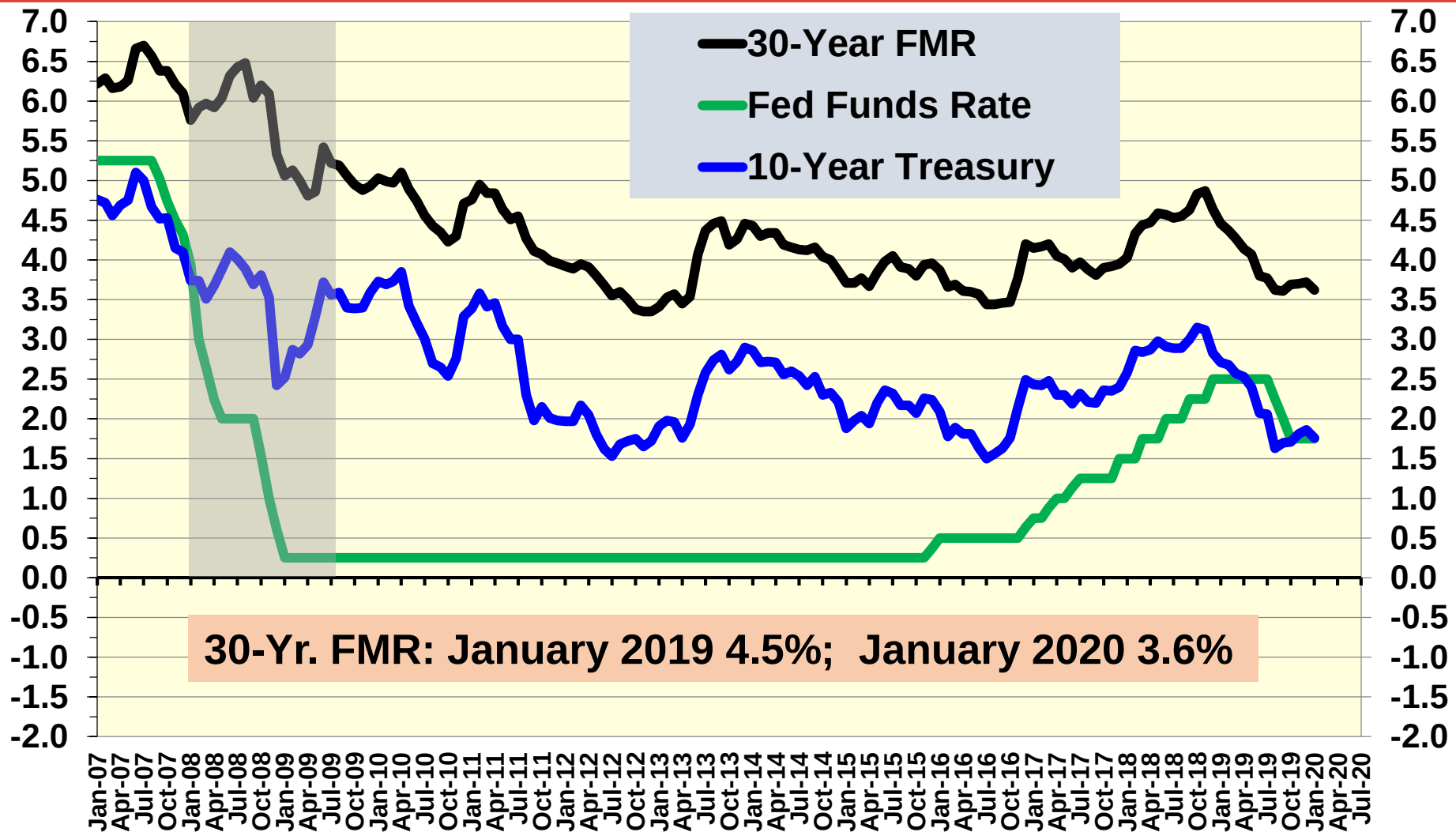


NFIB Small Business Optimism Index

(Overall Index SA 1986 = 100)



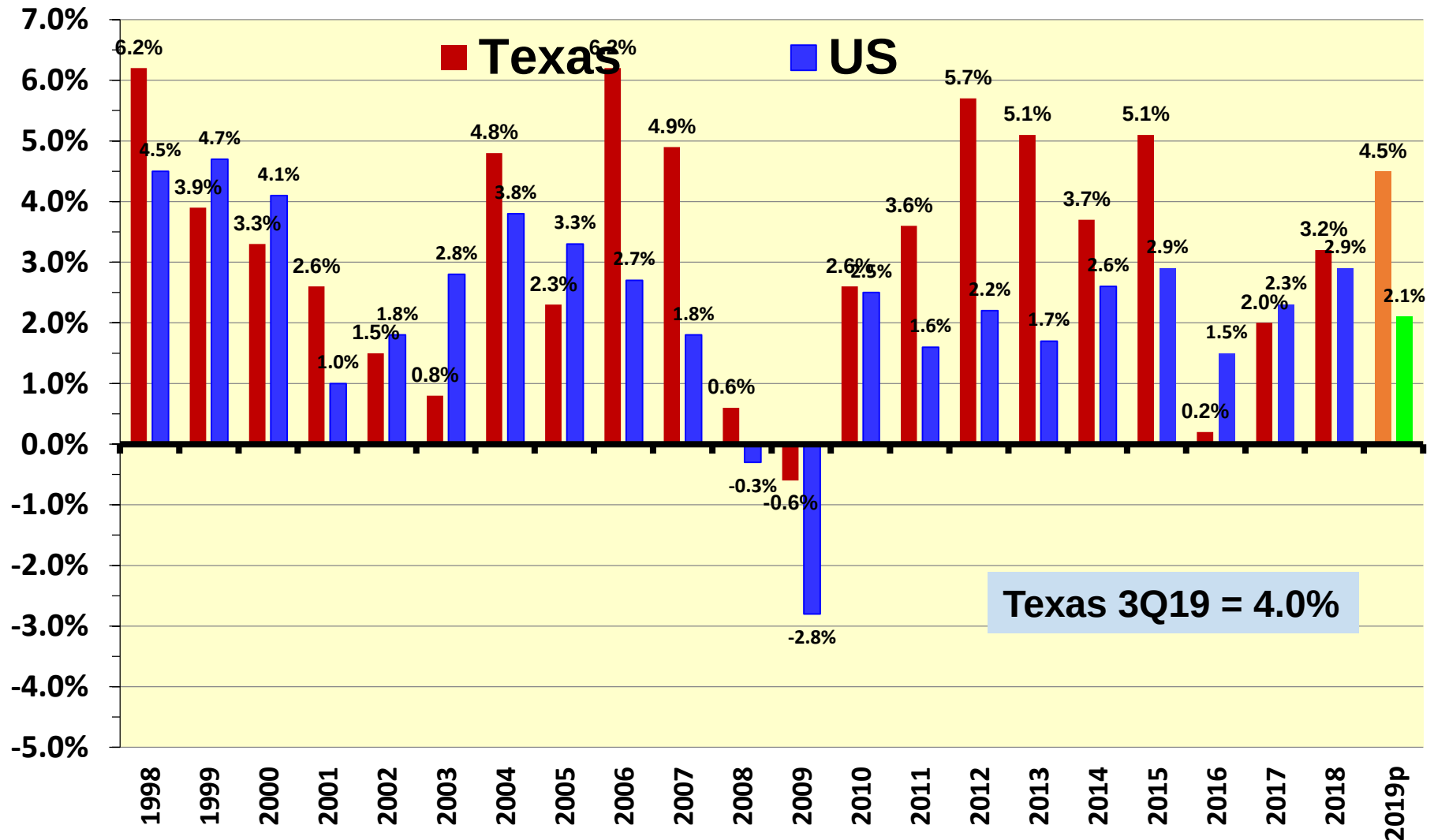
Fed Funds Rate, 10-Year Treasury, 30-Year FMR



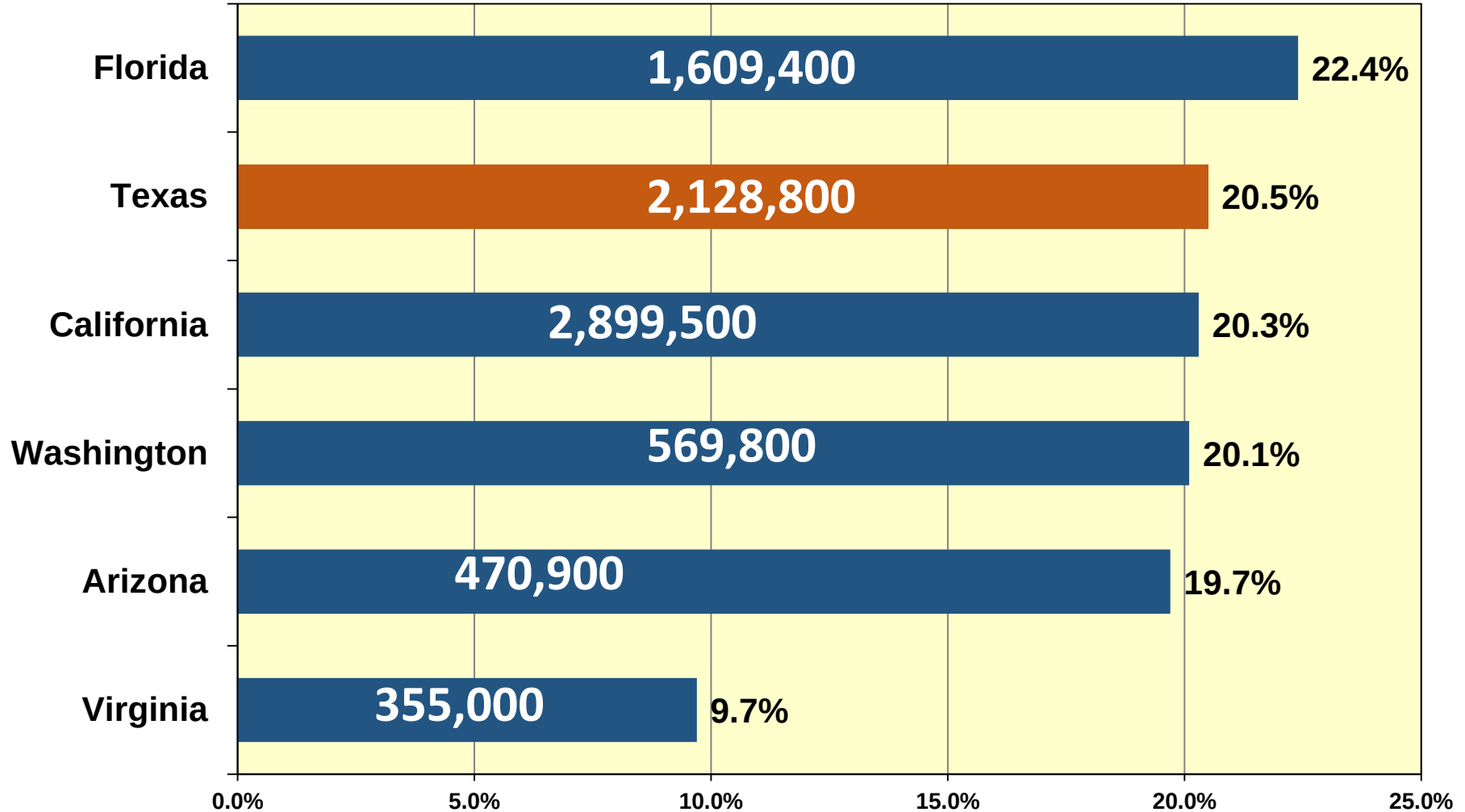
Texas Economy

Texas and U.S. Economic Growth

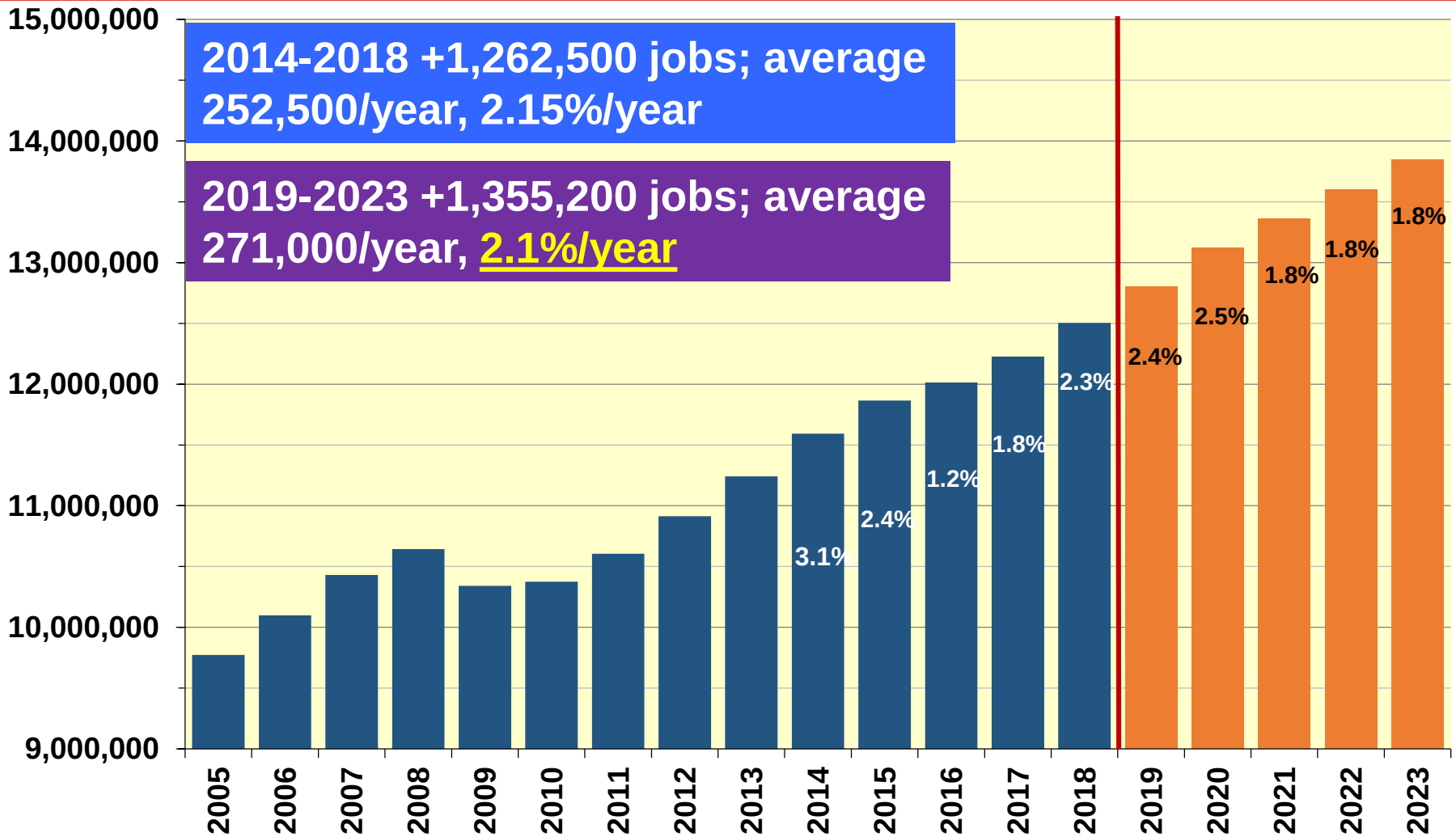
Annual Percent Change in Real GDP



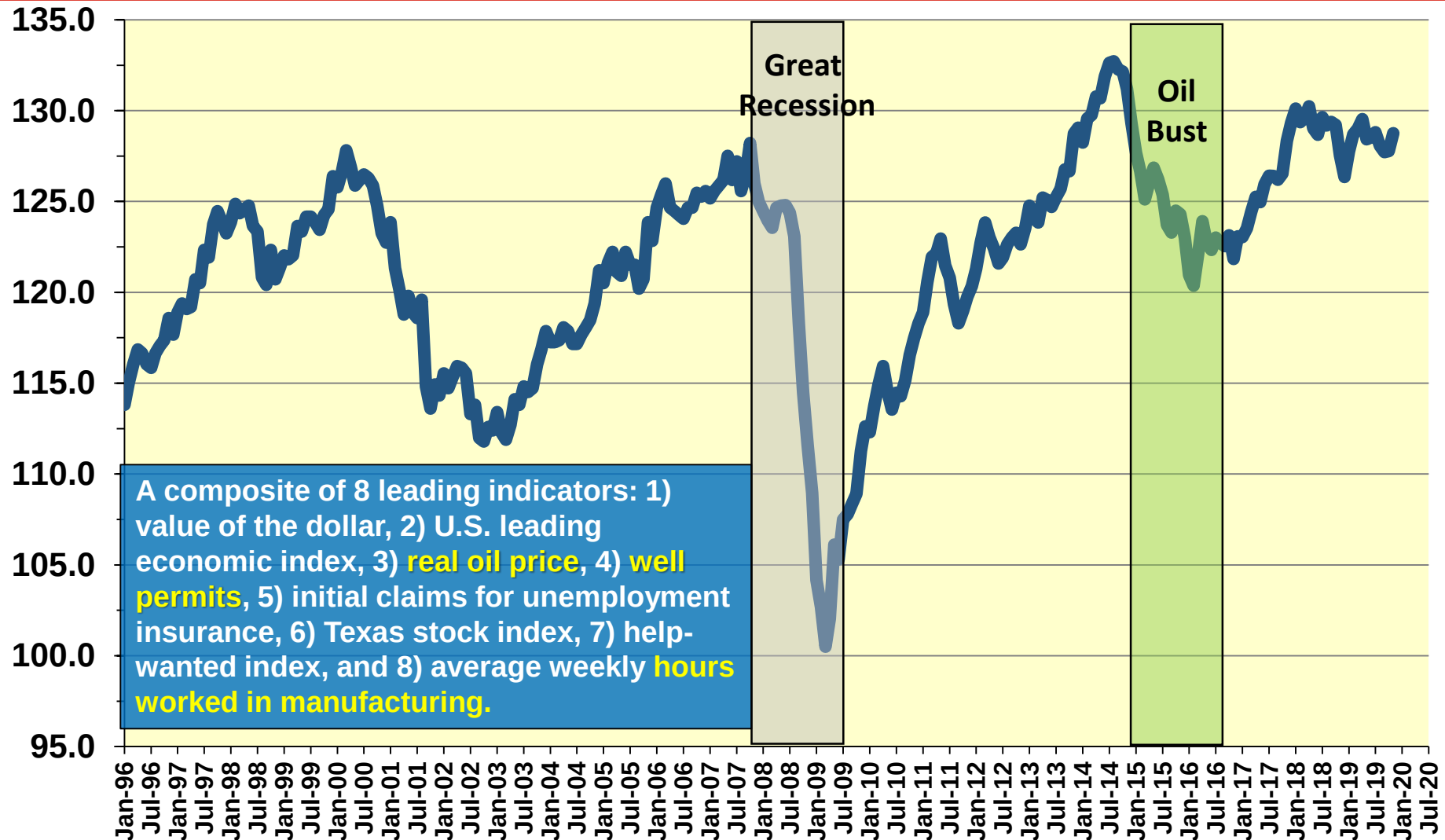
2010-2018 Employment Growth (Jobs & Percent Increase)



Texas Annual Jobs



Texas' Leading Economic Index



Texas' Decade Growth

Year	Jobs, NSA (Dec-Dec)	Population (July-July)
2010	216,200	439,887
2011	236,200	403,548
2012	373,300	443,393
2013	300,800	399,844
2014	420,900	487,678
2015	151,800	509,672
2016	150,000	450,678
2017	253,900	385,225
2018	276,100	379,128
2019	344,200	367,215
2020-2024	1,291,800	2,472,415

2010-2019
+4,194,120
people;

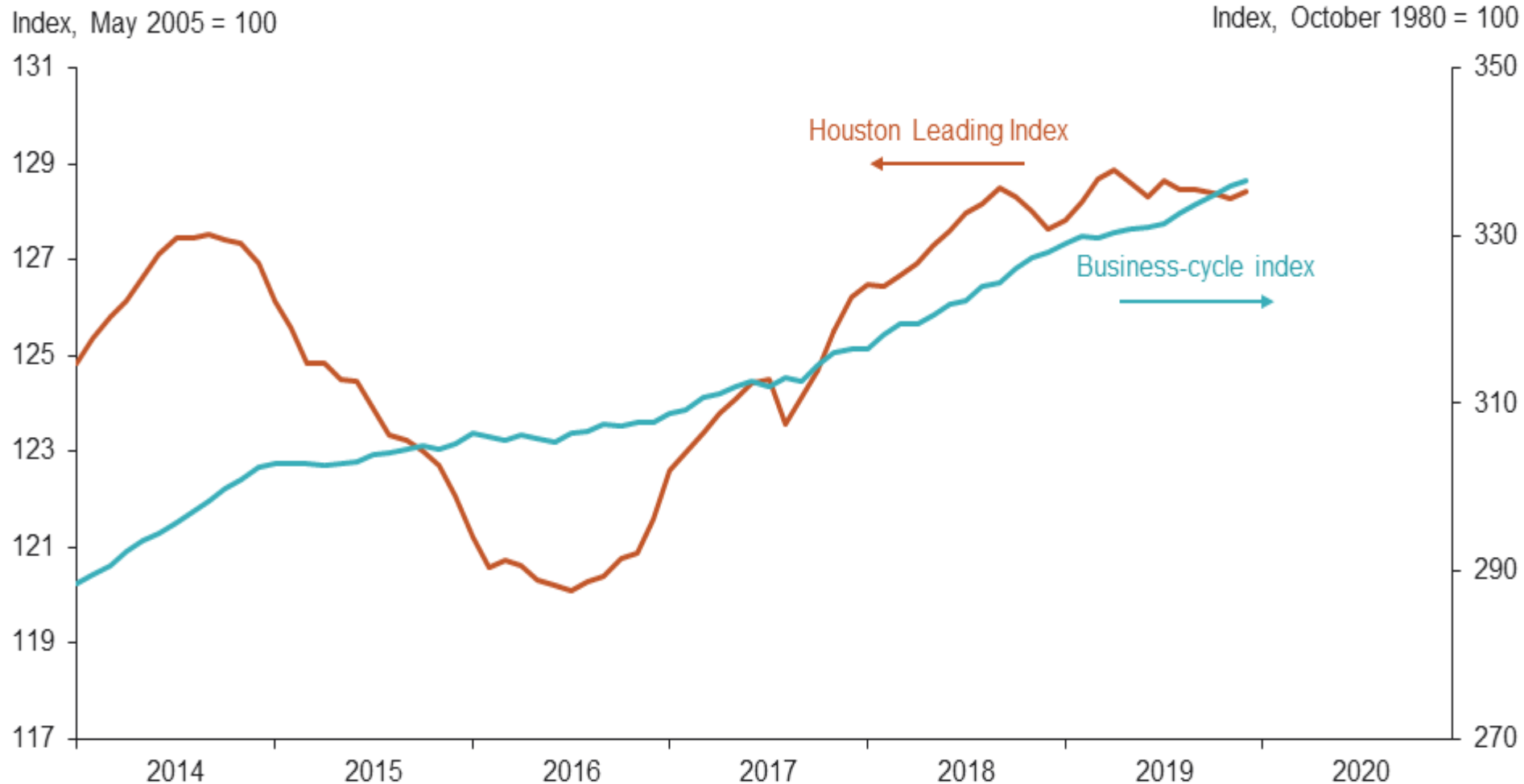
+2,470,700
jobs

1.9%/year
job growth;
1.65%/year
population
growth

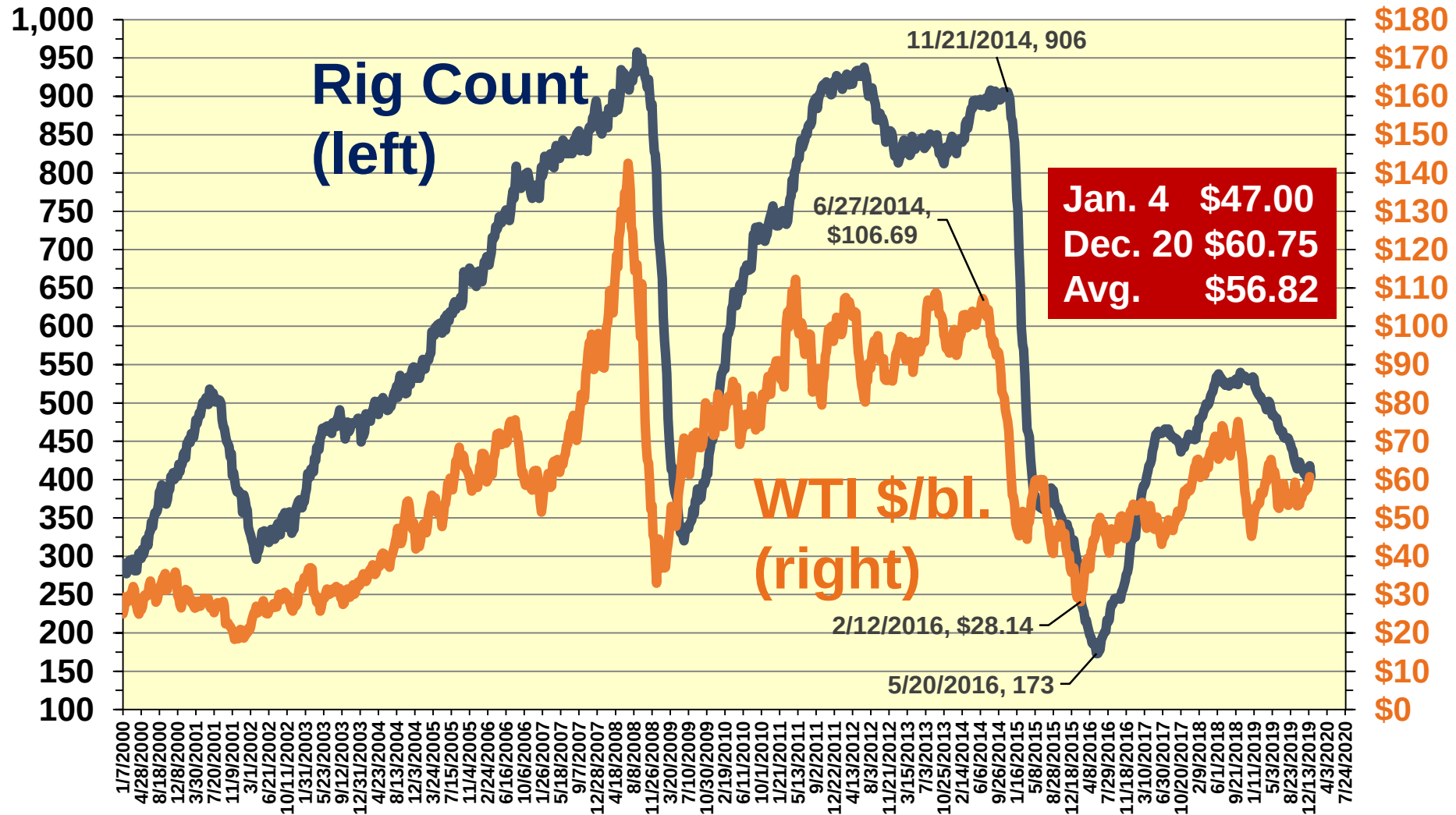
Sources: US Census
Bureau; BLS/Haver
Analytics; Real Estate
Center at Texas A&M
University

Houston Economic Outlook

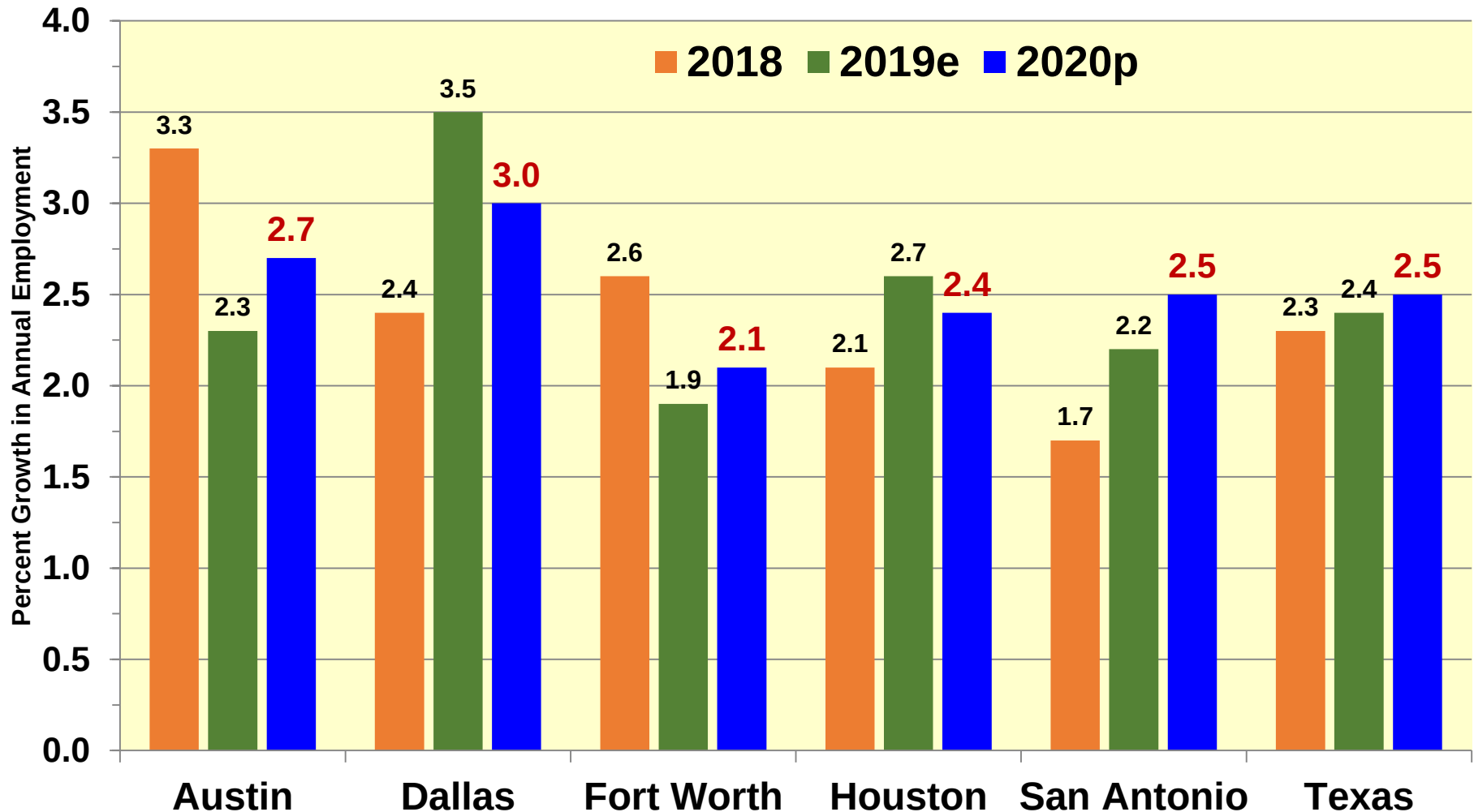
Houston Business-Cycle and Leading Indexes



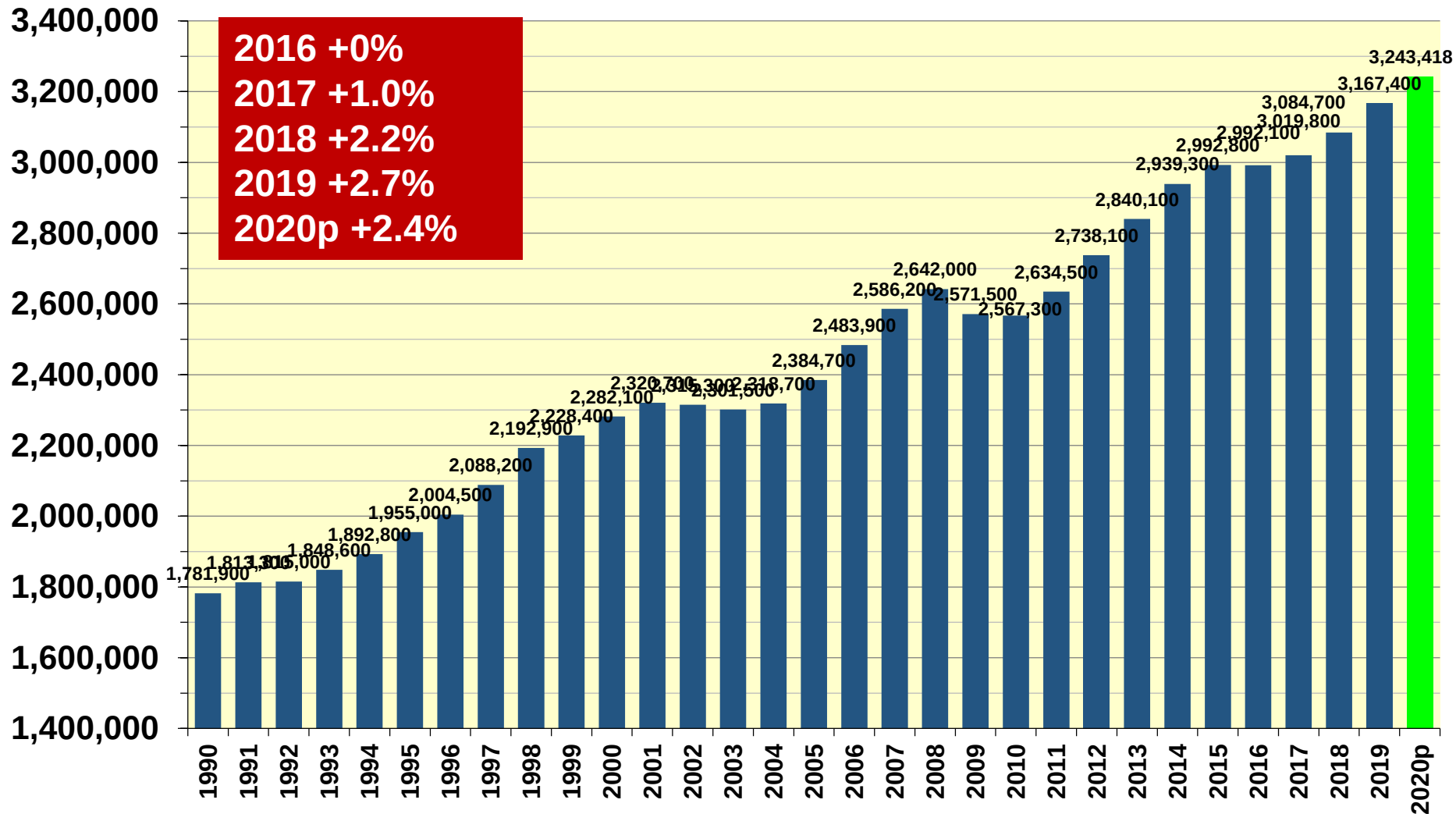
Weekly Active Texas Rig Count & Price of WTI



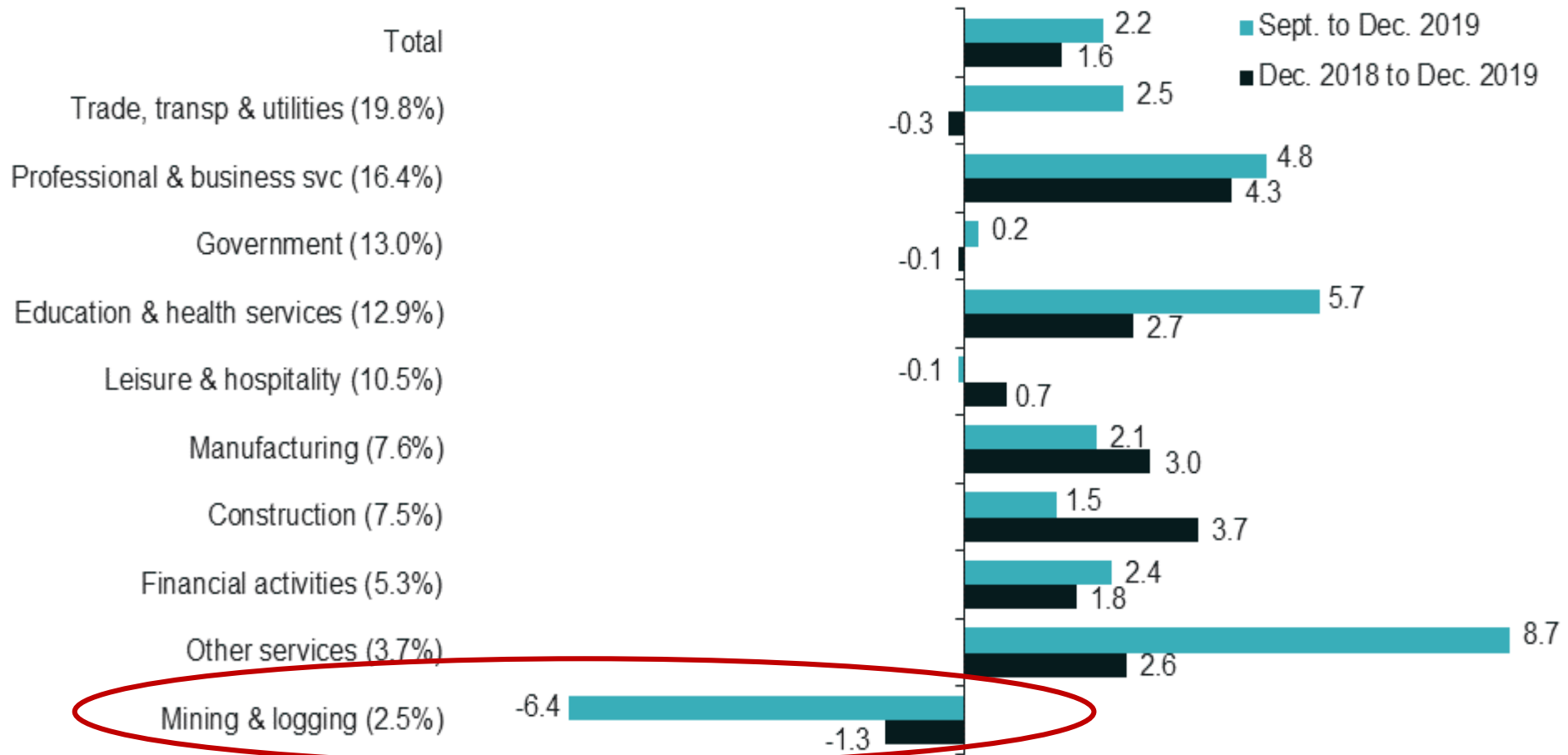
Texas Major MSAs Employment Growth 2018, 2019 & 2020



Houston Annual Jobs

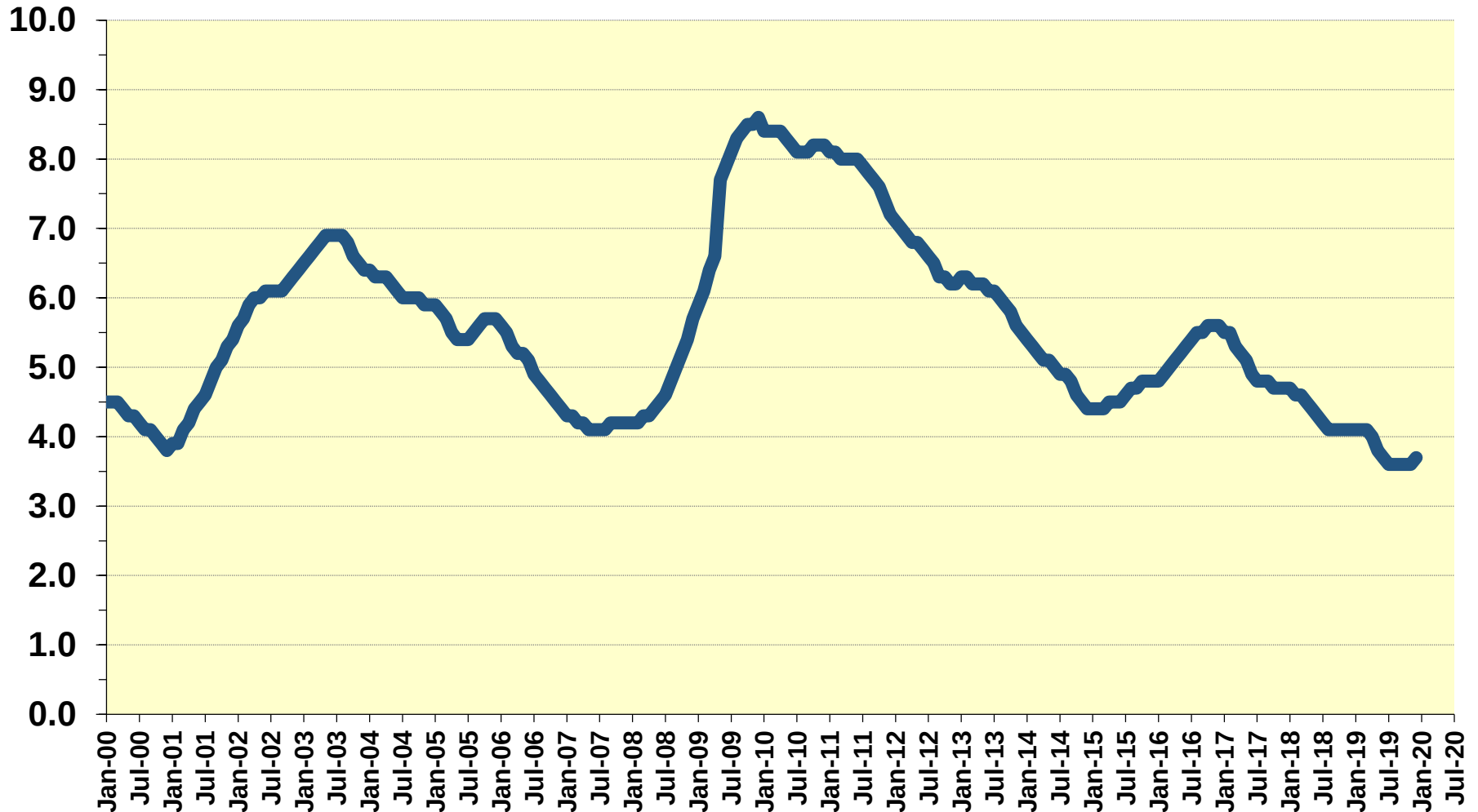


Houston Employment Change by Sector

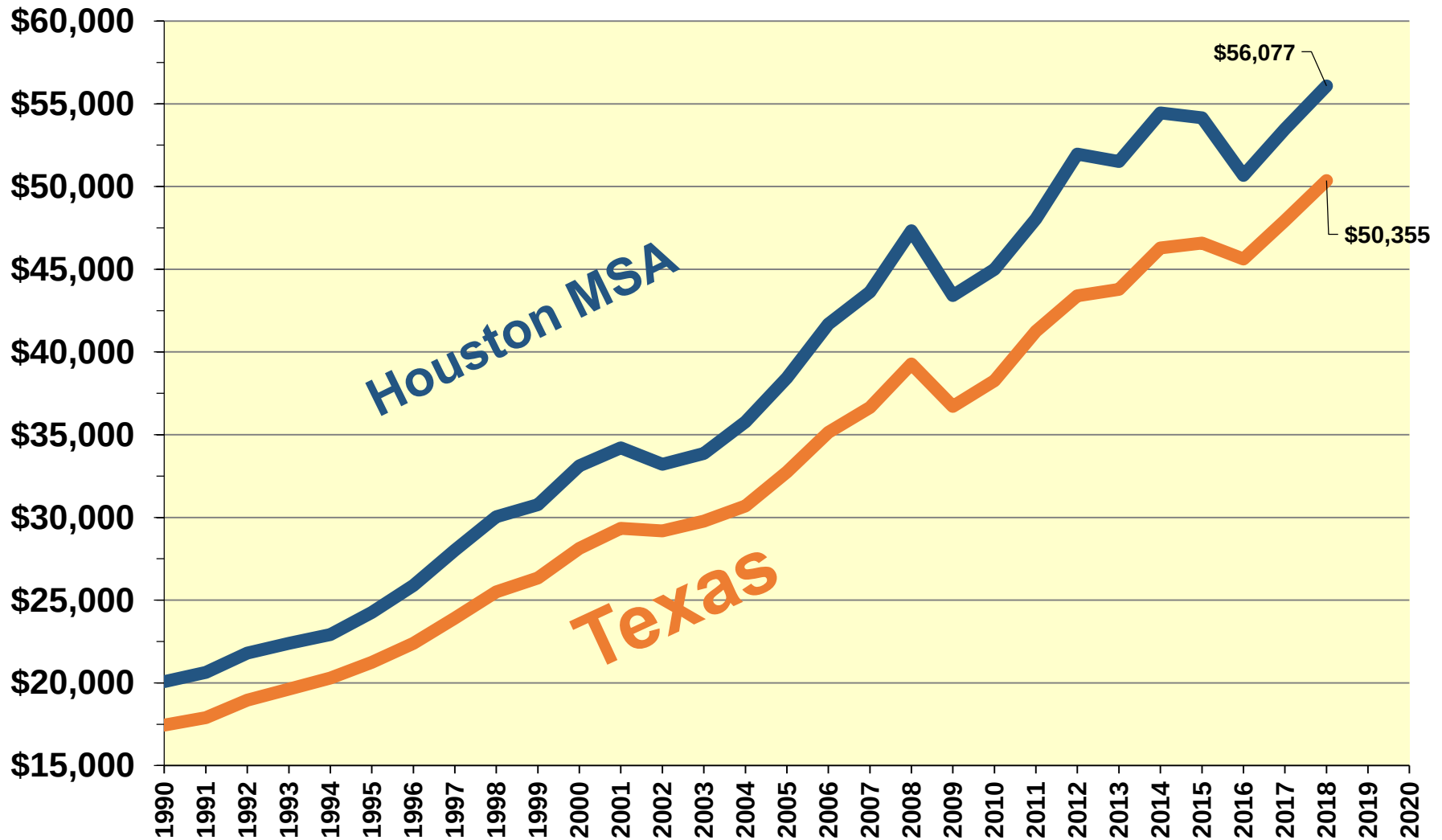


NOTES: Chart shows seasonally adjusted and annualized percentage growth by sector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

Houston Unemployment Rate



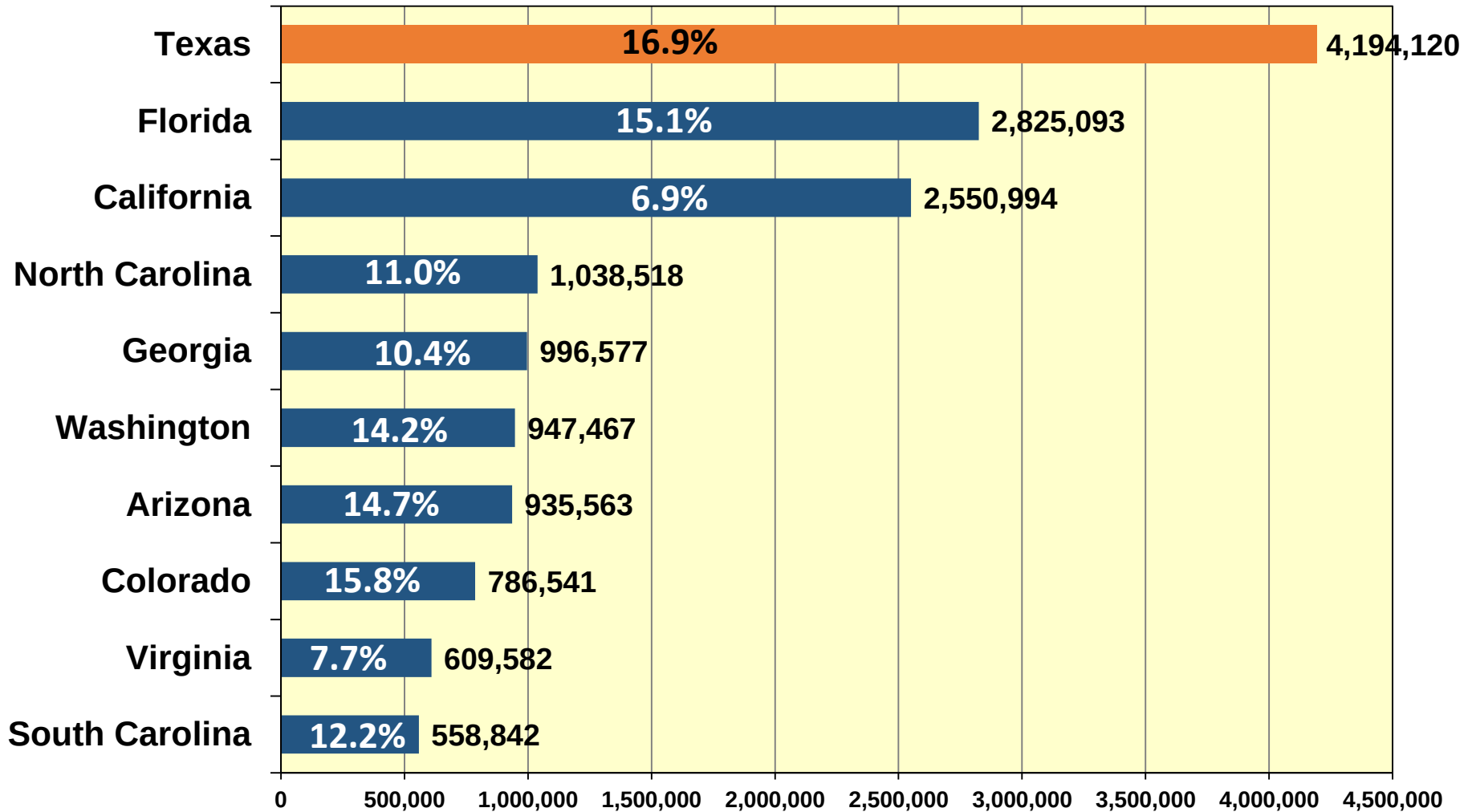
Per Capita Personal Income: Houston & Texas



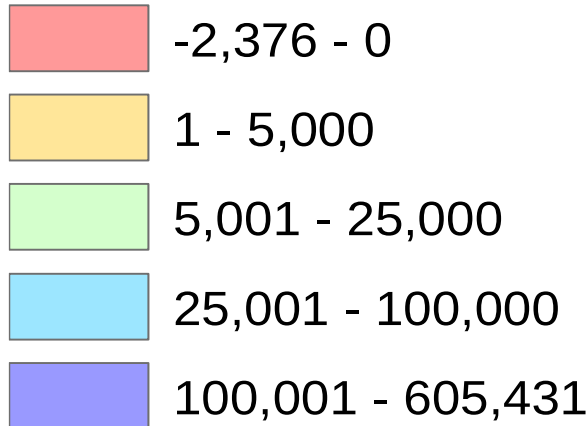
Texas Demographics

2010-2019 Population Growth

Top 10 States by Population Increase



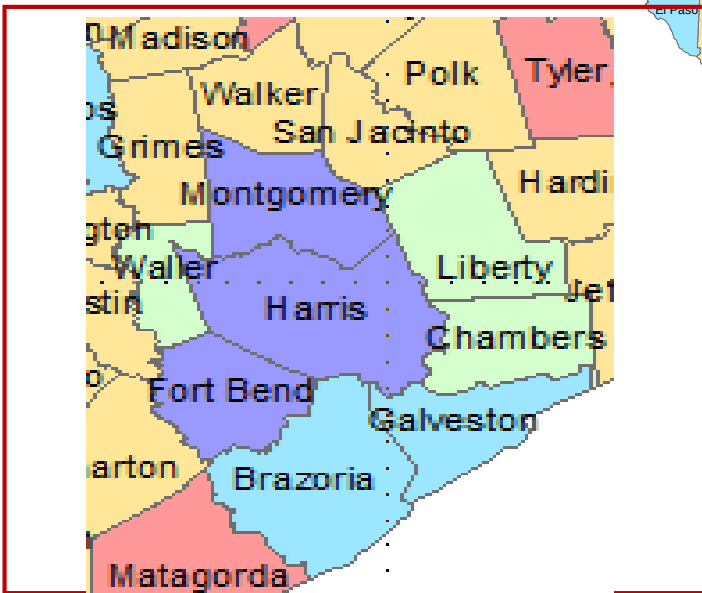
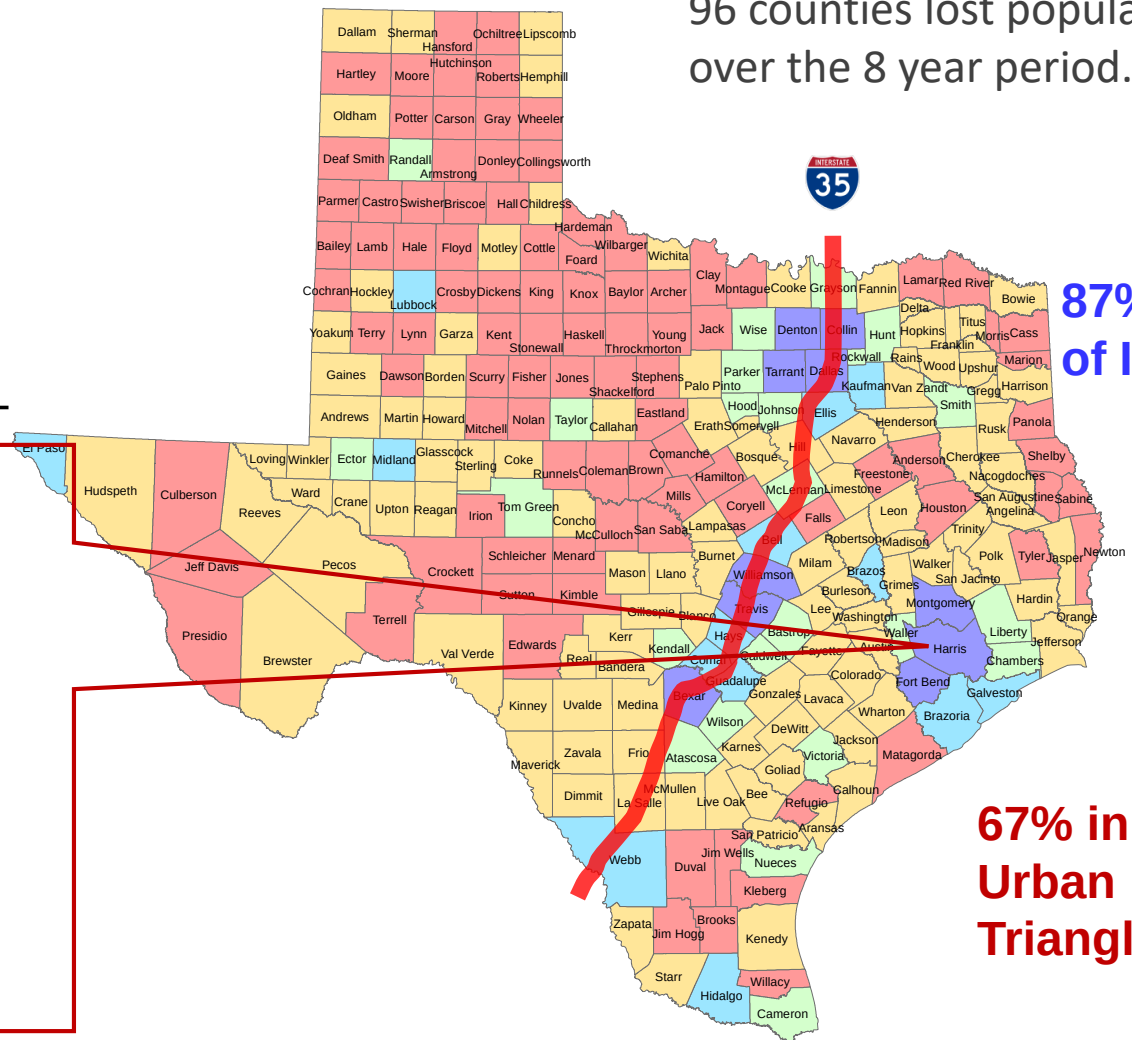
Estimated Population Change, Texas Counties, 2010 to 2018



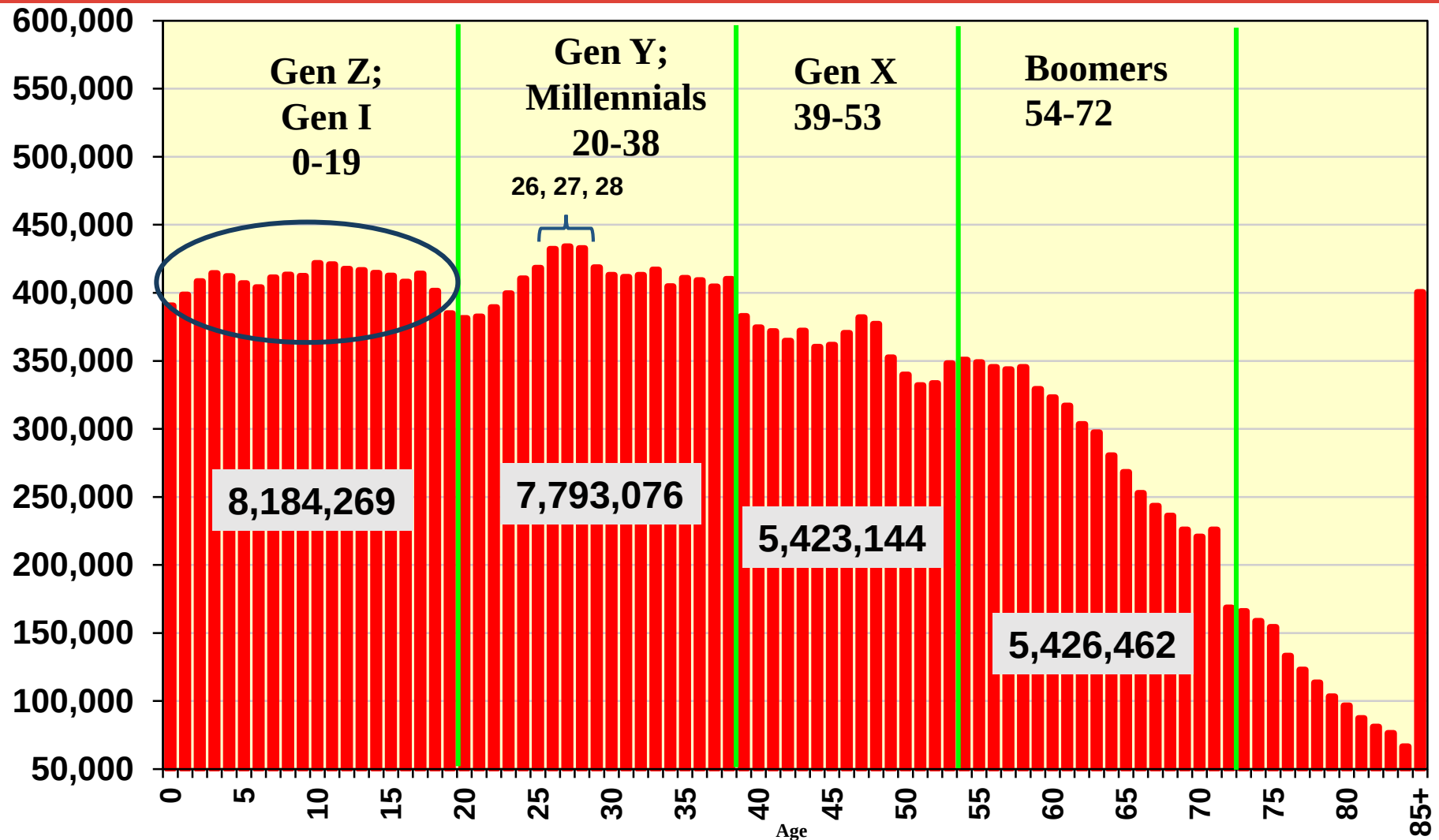
96 counties lost population over the 8 year period.

87% E of I-35

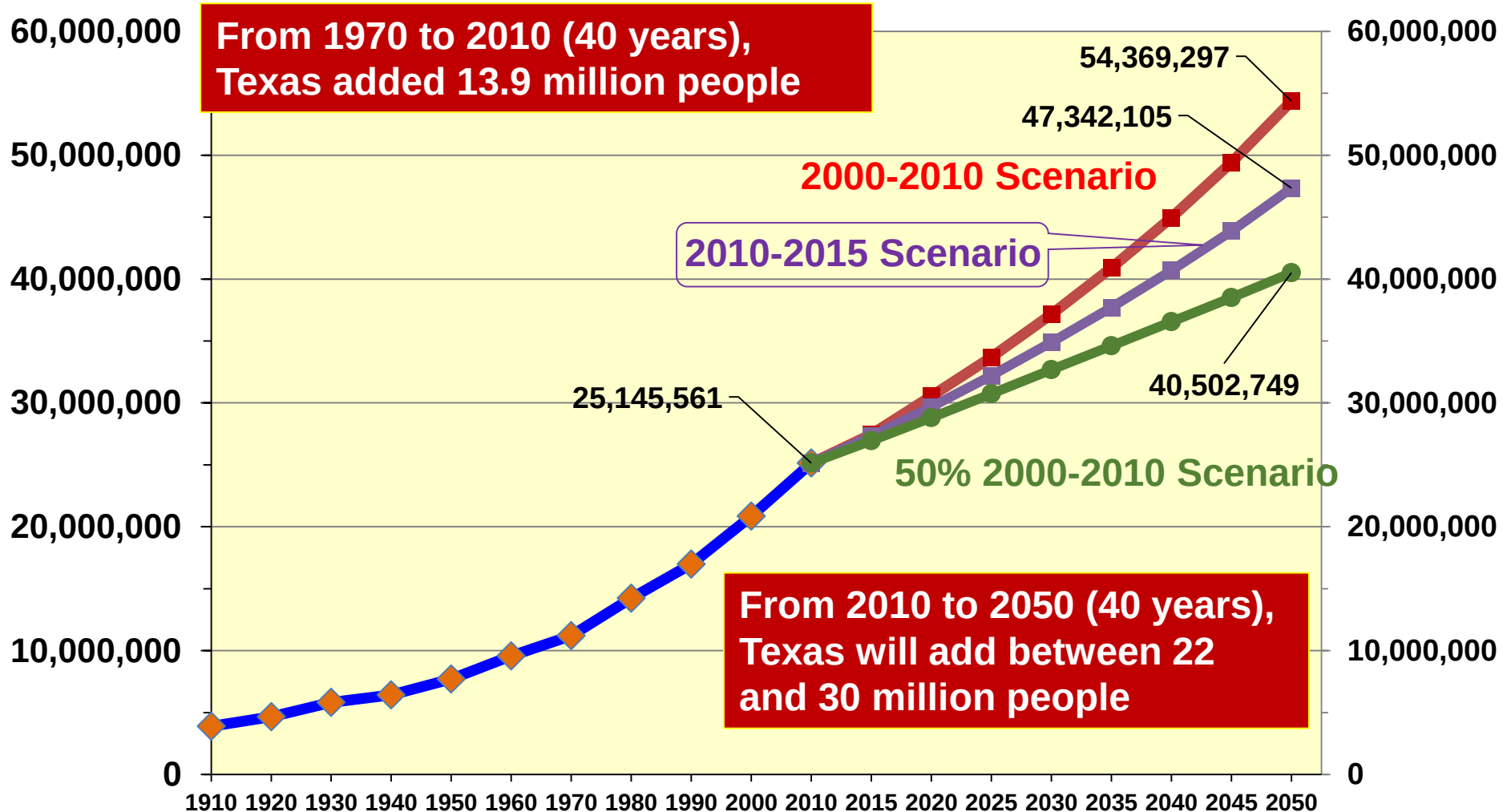
67% in Urban Triangle



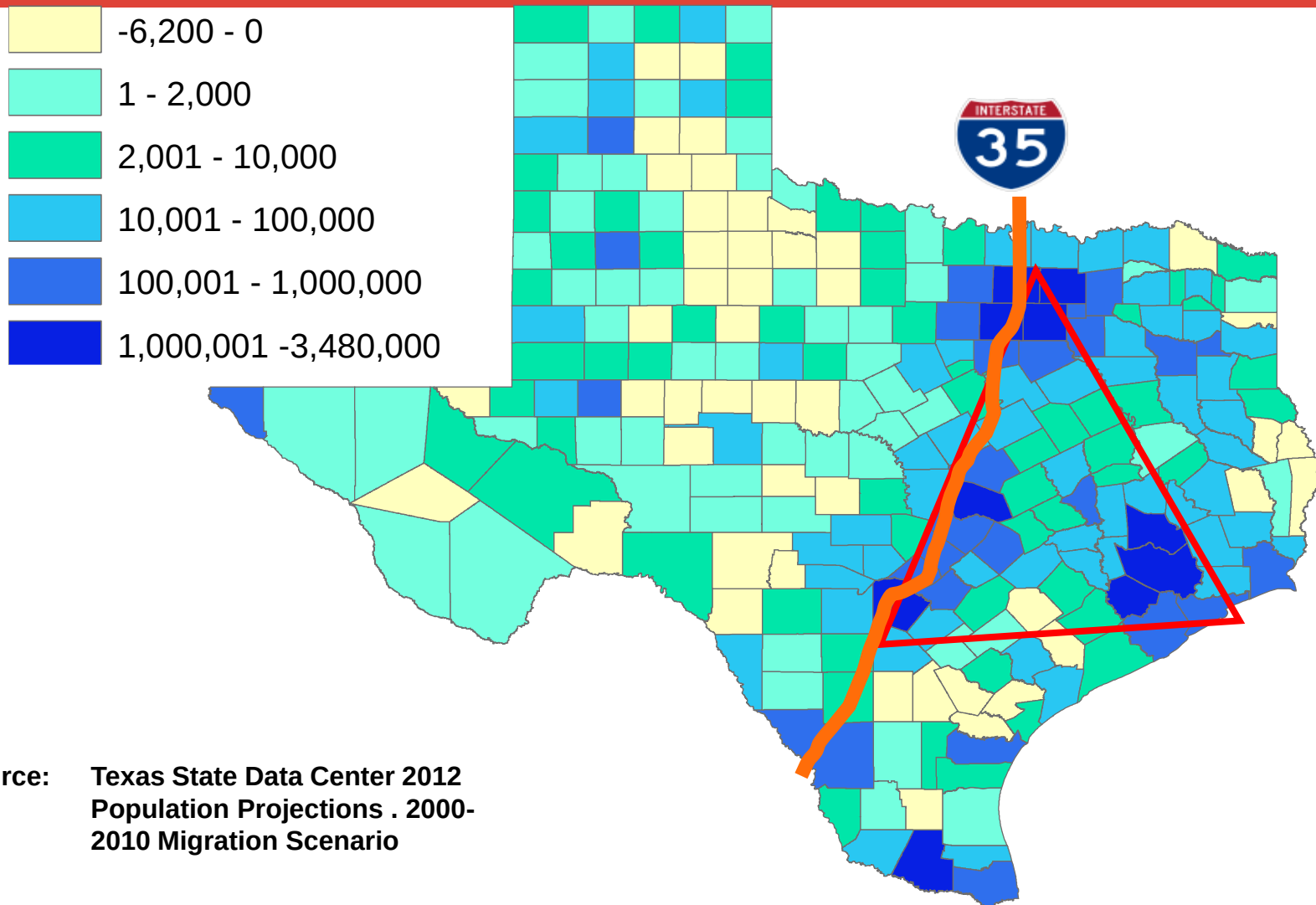
Single-Year Age Distribution of 2018 Texas Population



Alternative Texas Population Projections 2010-2050



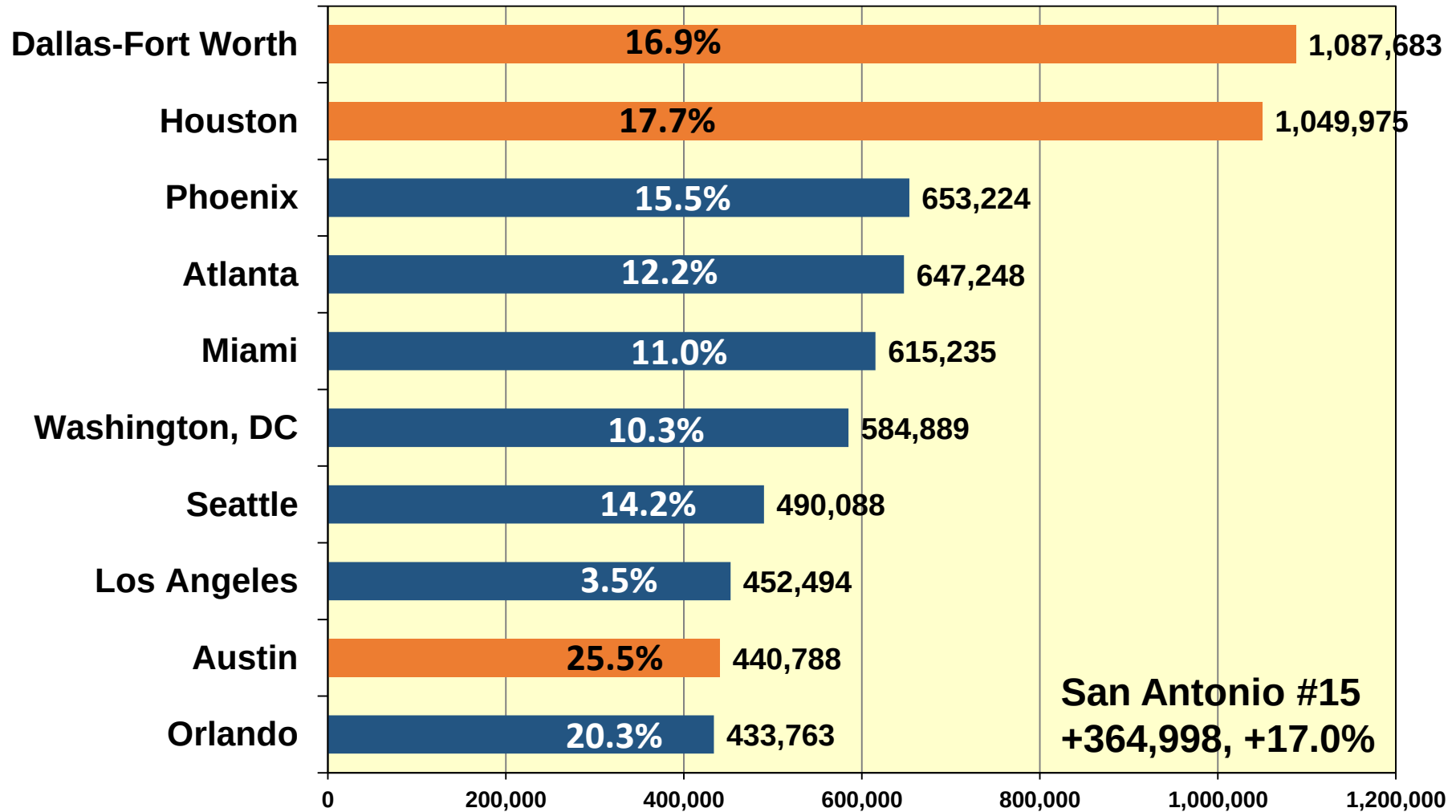
Projected Population Change, Texas Counties, 2010-2050



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

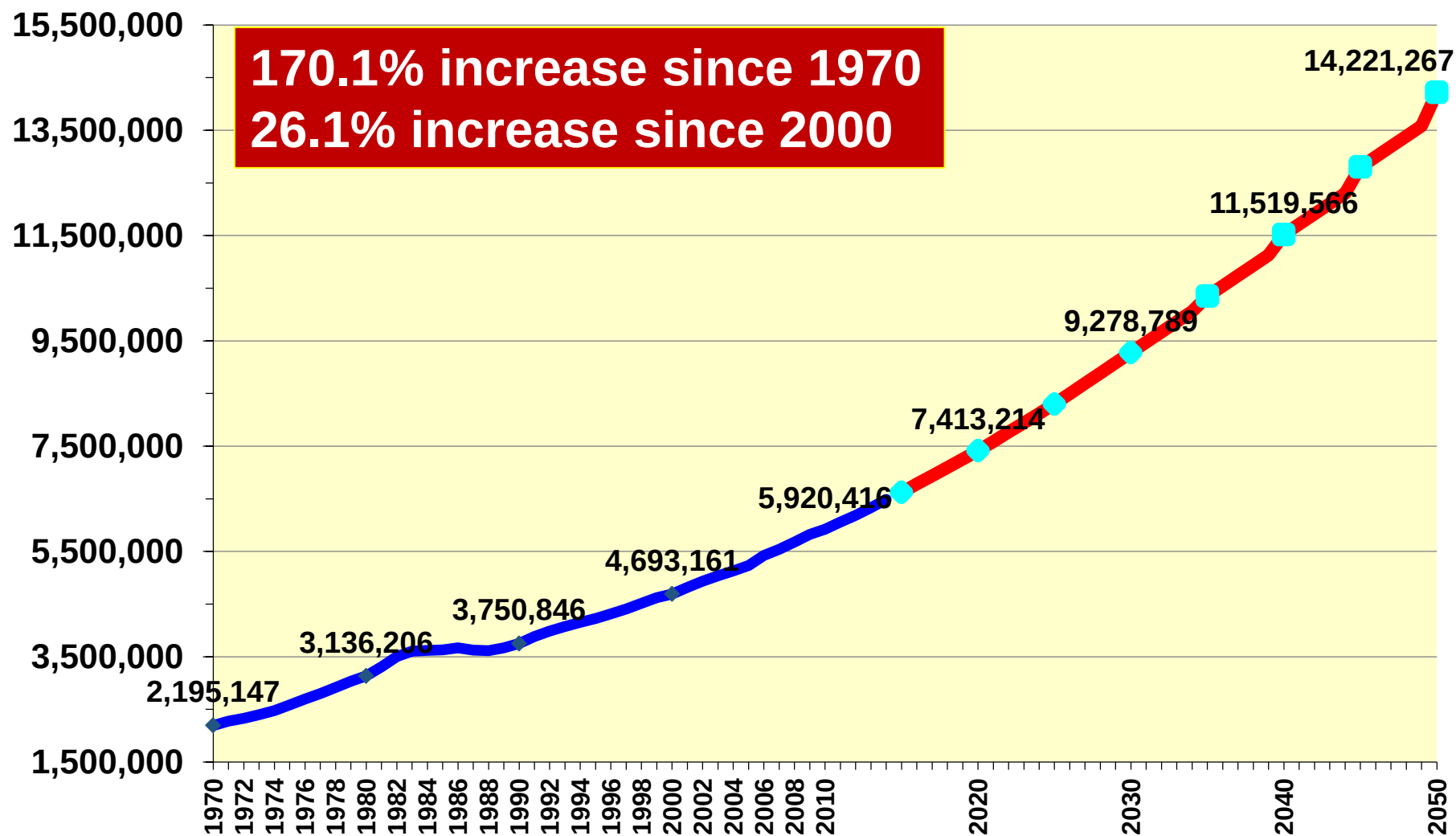
2010-2018 Population Growth

Top 10 MSAs by Number of People

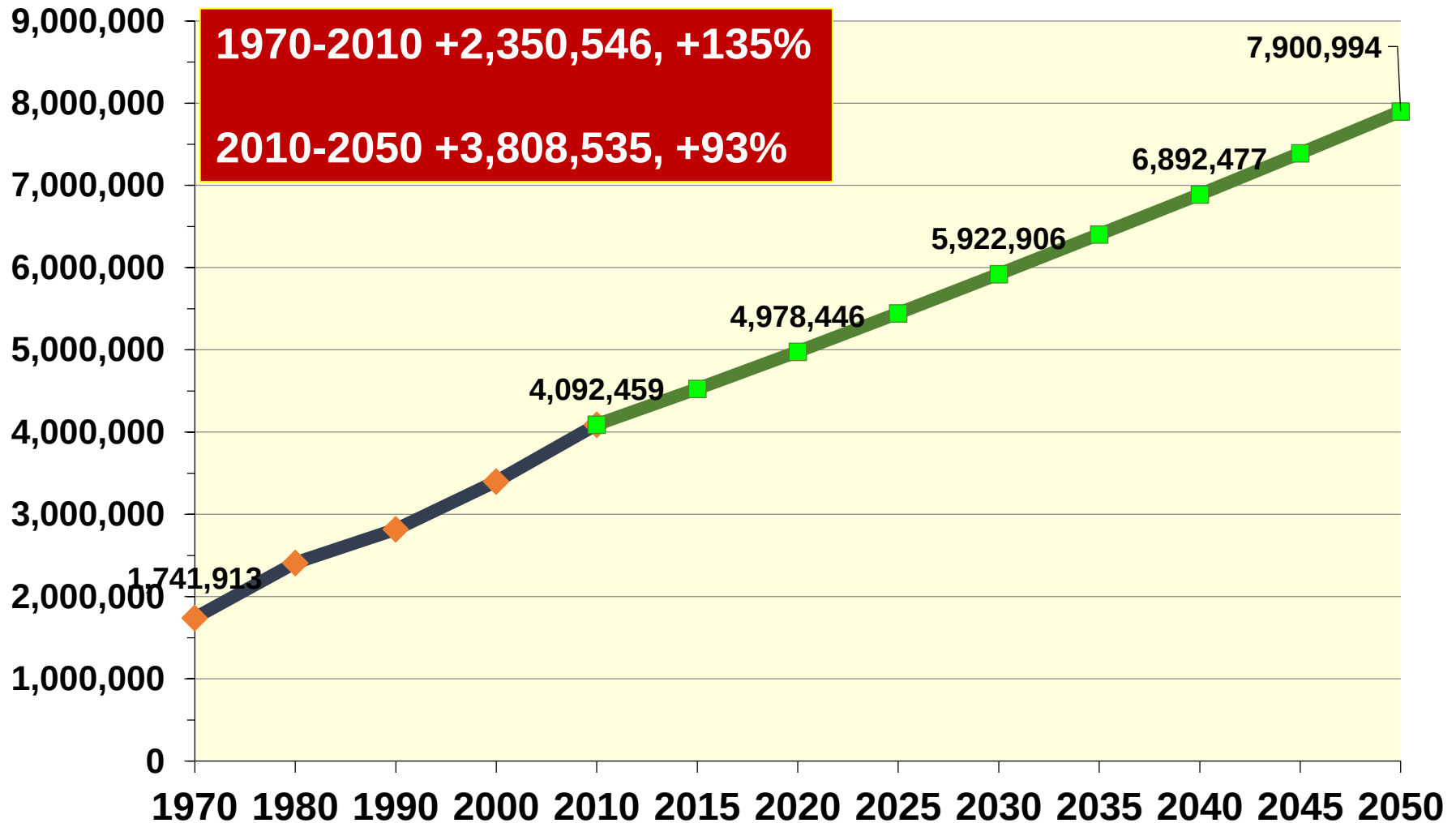


Houston MSA Projected Population

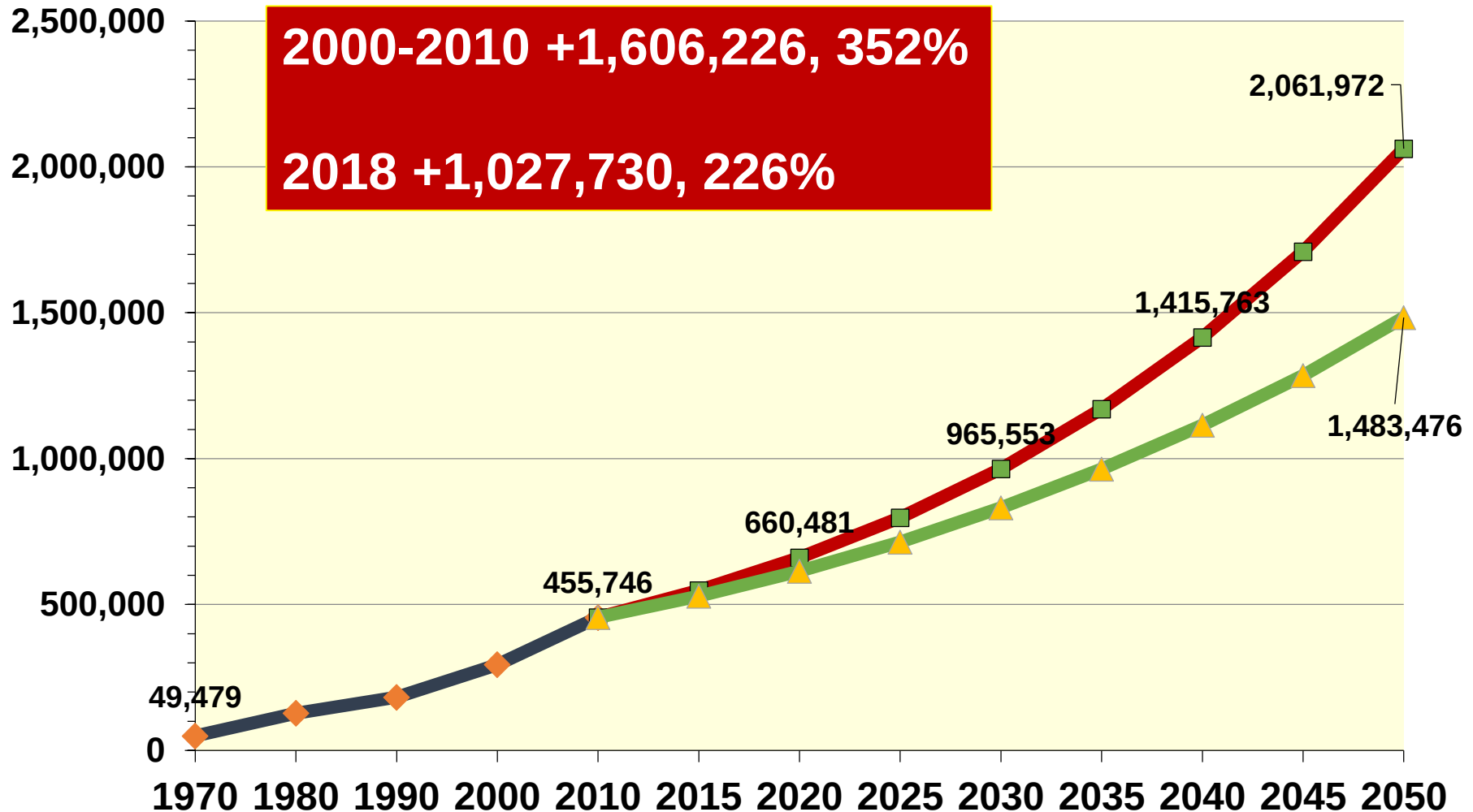
Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery & Waller Counties



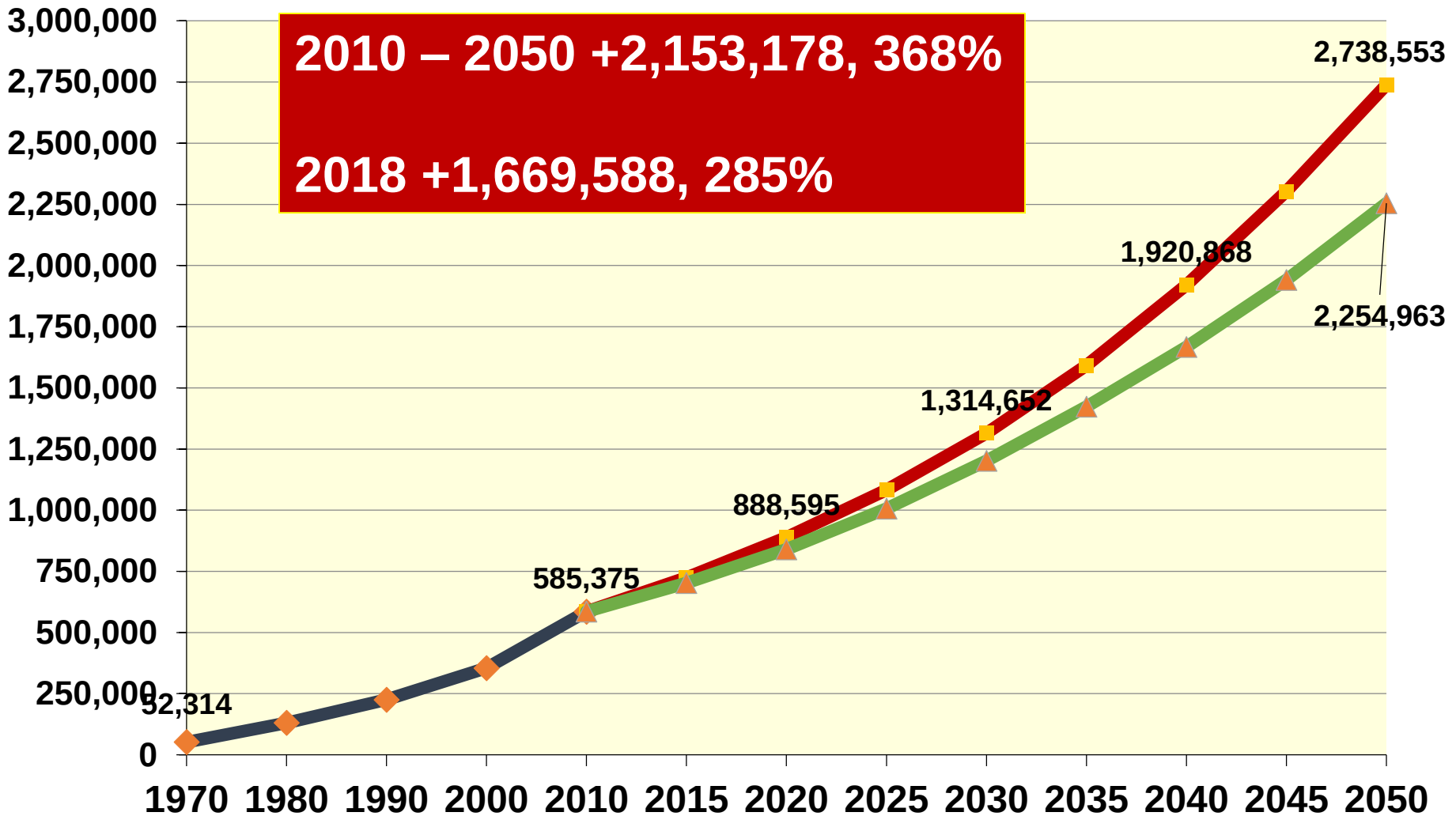
Harris County Population



Montgomery County Population



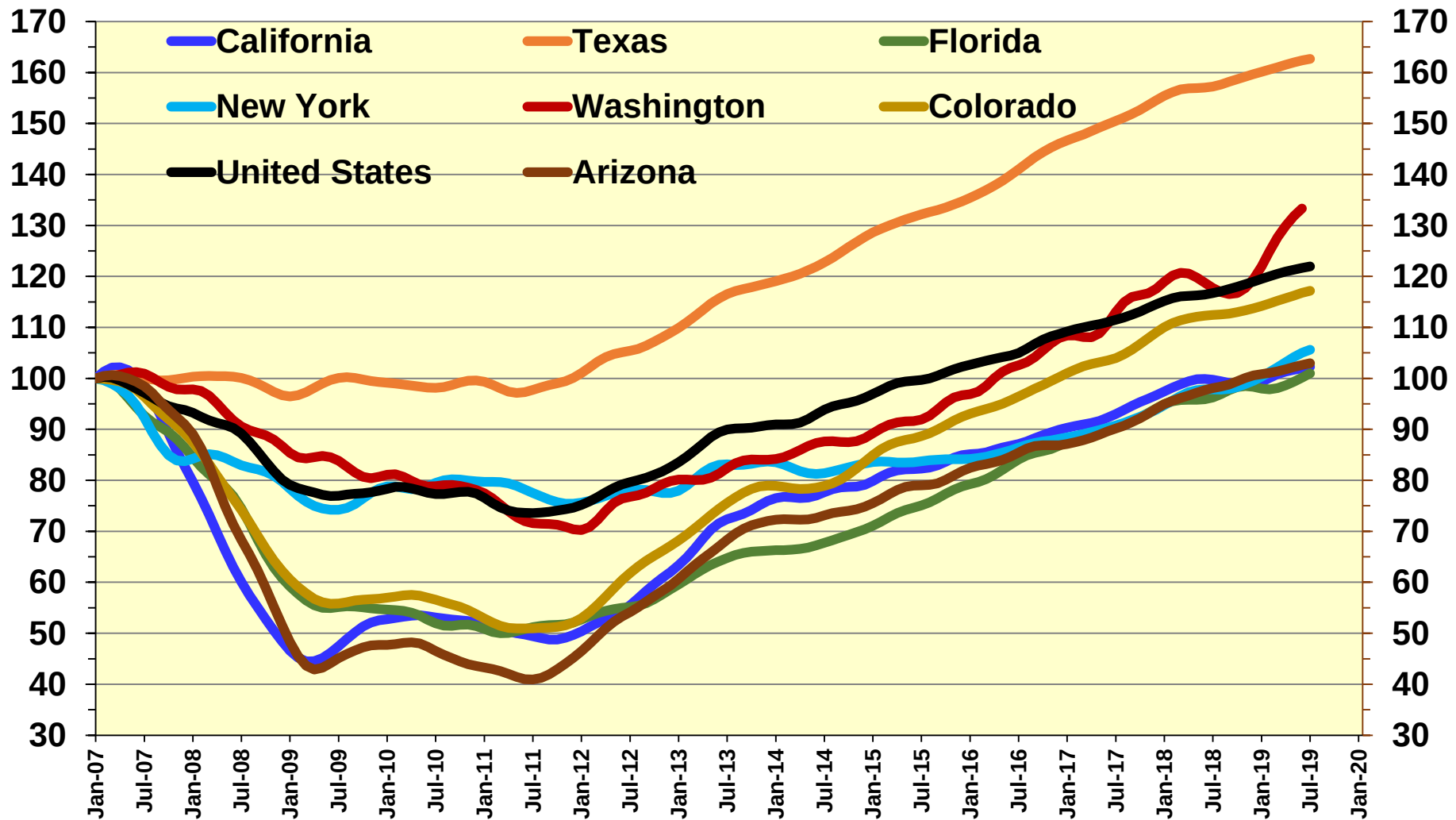
Fort Bend County Population



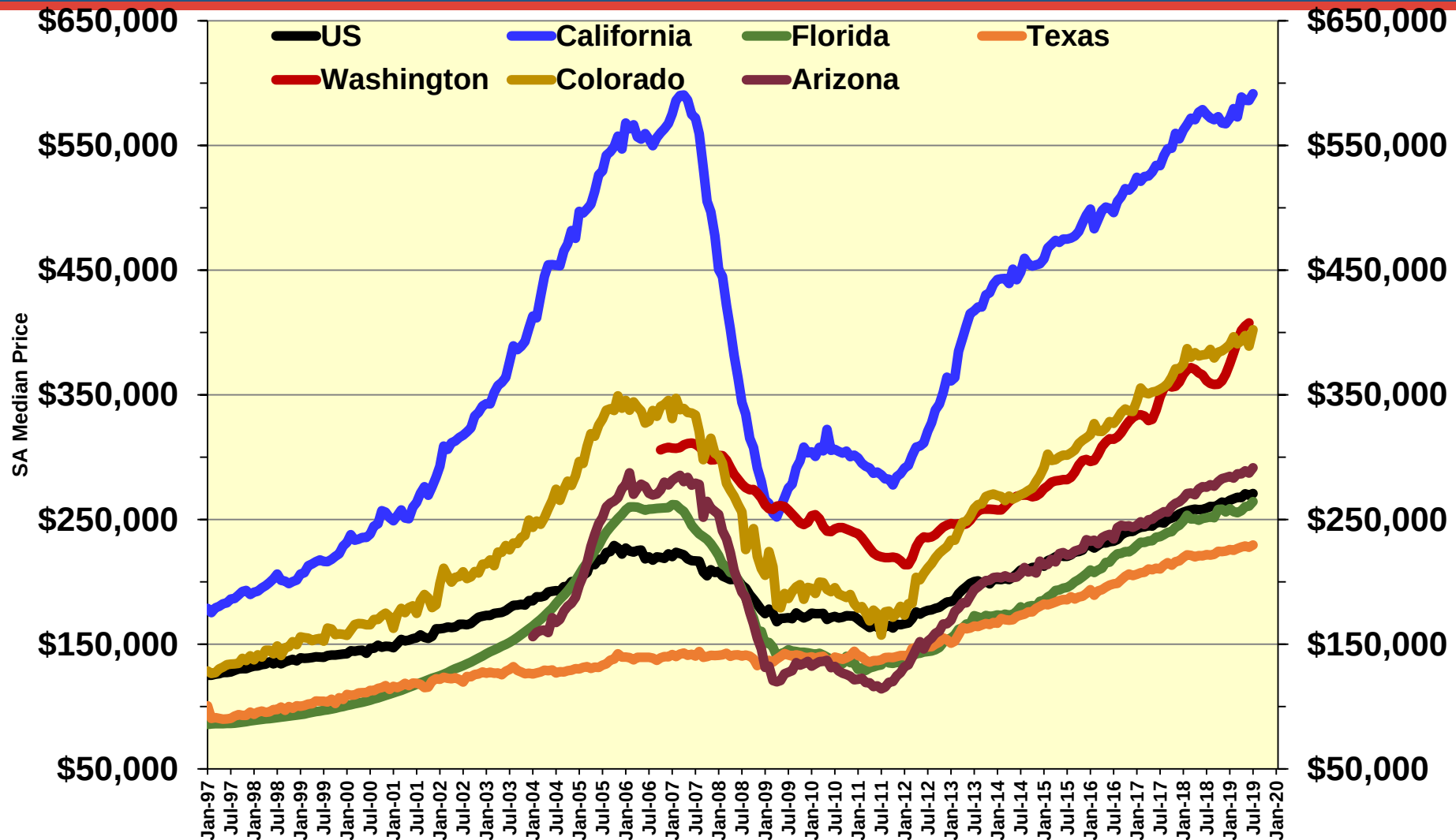
Housing Markets

Median Home Prices

Indexed Jan. 2007=100



Median Home Price in Selected States

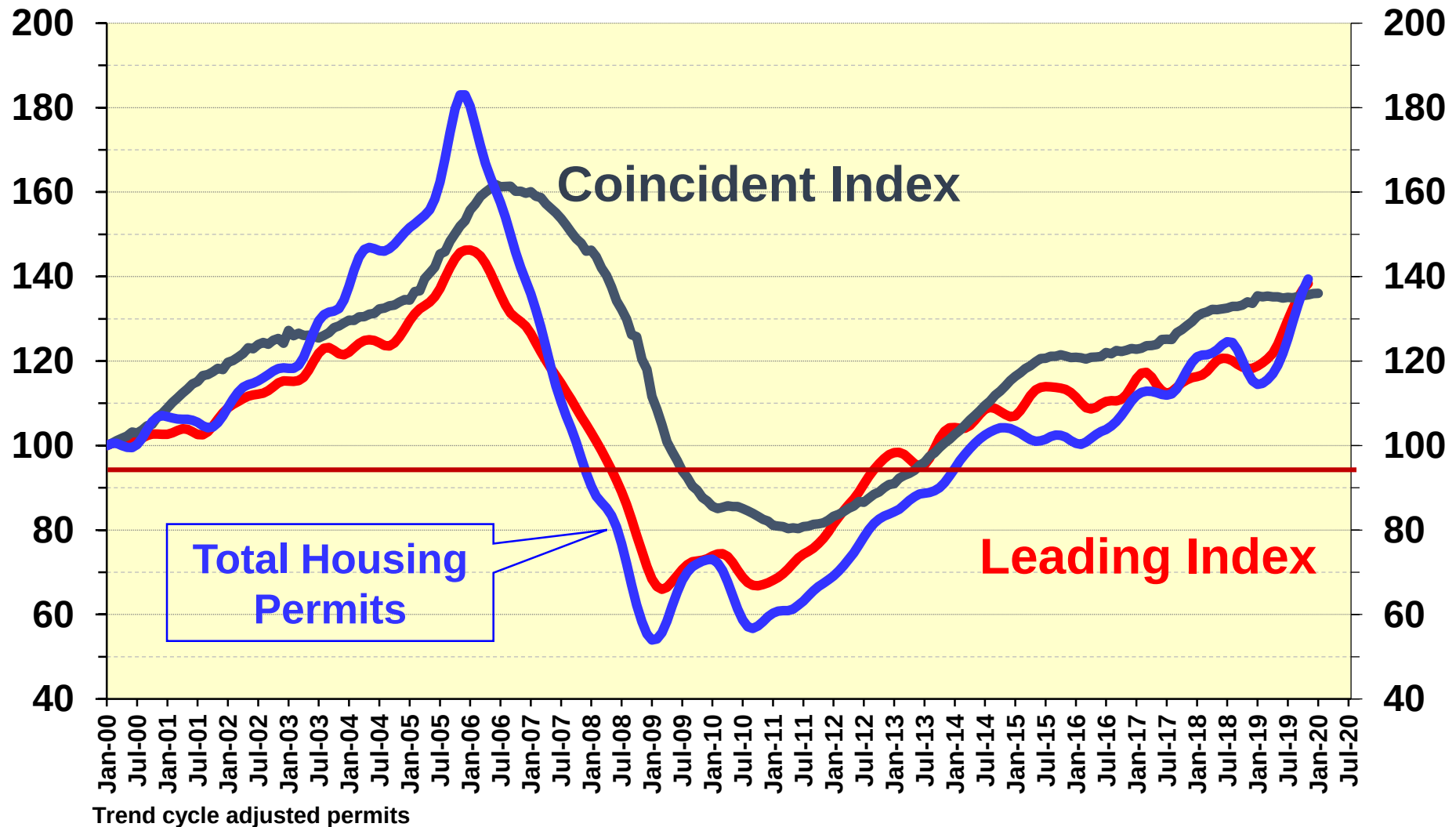


Texas Total Housing Market 2019 Summary: Another Record Year

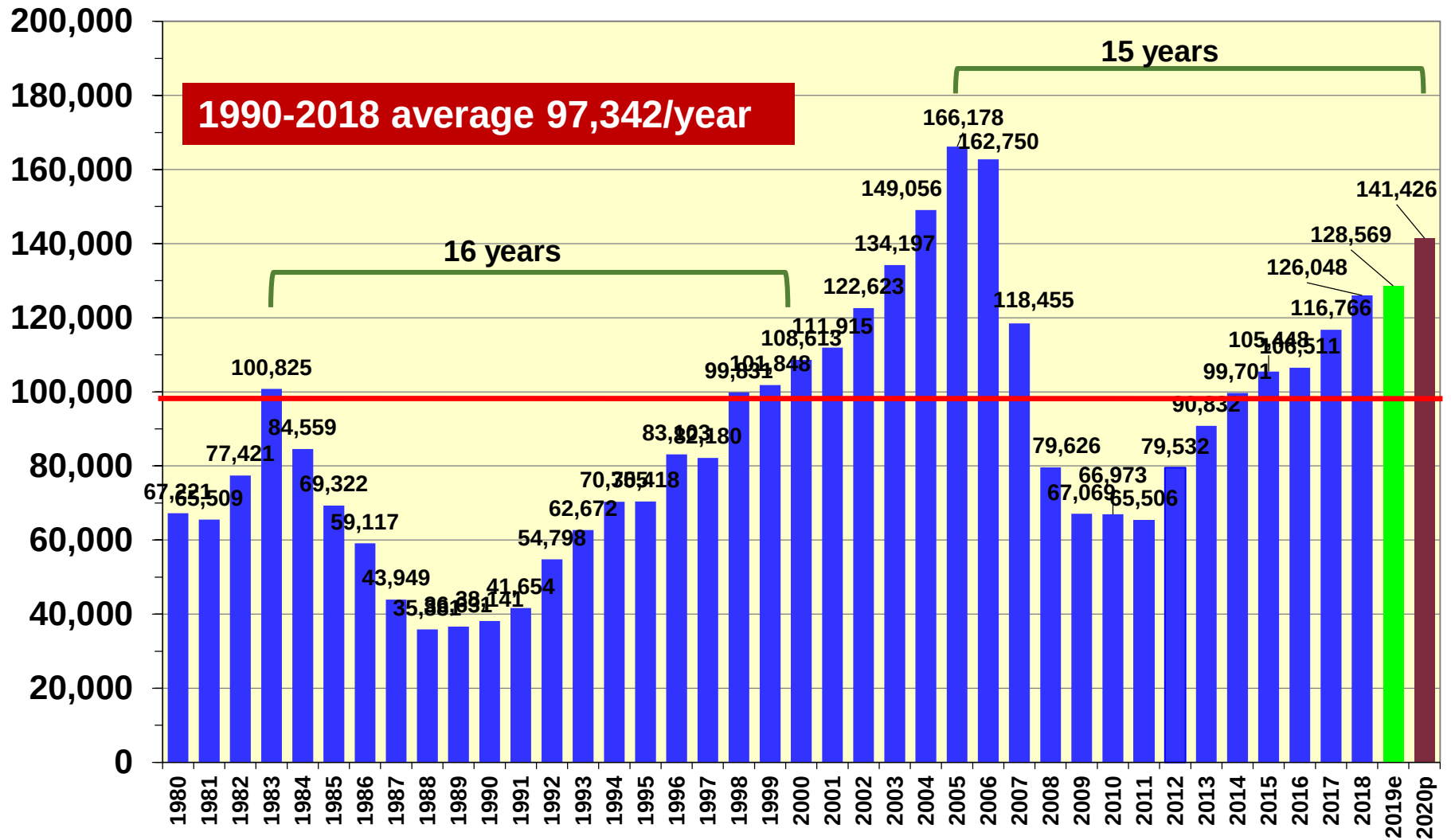
- **357,238 Sales** +4.0% **2020 +6%**
- **Total Dollar Volume** **\$104 Billion** +7.1%
- **Average Price** \$291,833 +3.2% **2020 +5%**
- **Median Price** \$240,000 +3.2%
- **Average Price per Square Foot** \$132 +3.9%
- **New Listings** 504,408 +3.5% **2020 +4%**
- **Months Inventory** 3.1 **2020 3.2 – 3.5**

Texas Residential Construction Leading and Coincident Indexes

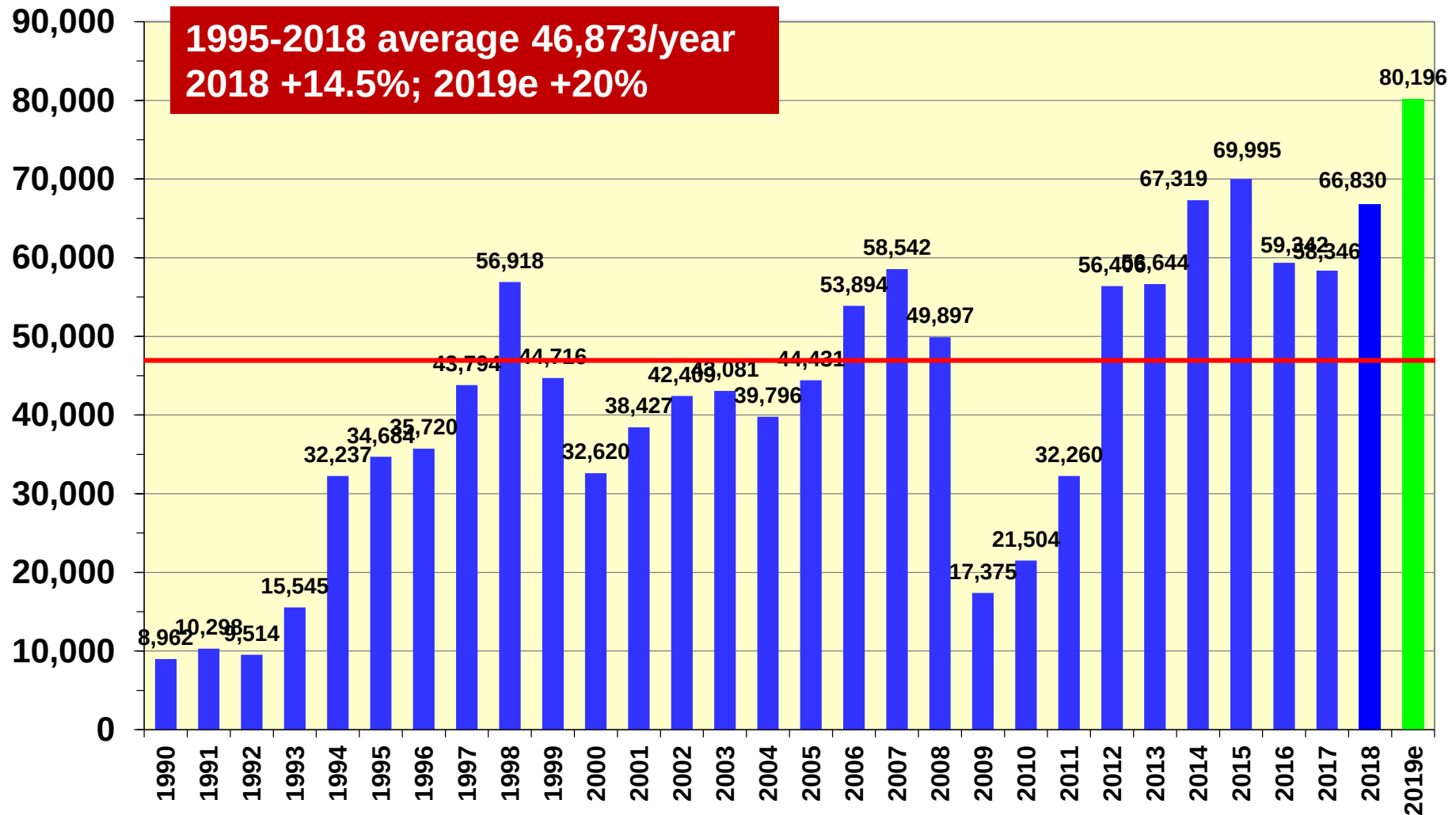
Jan 2000=100



Texas SF Building Permits: Not Nearly Enough



Texas MF Building Permits

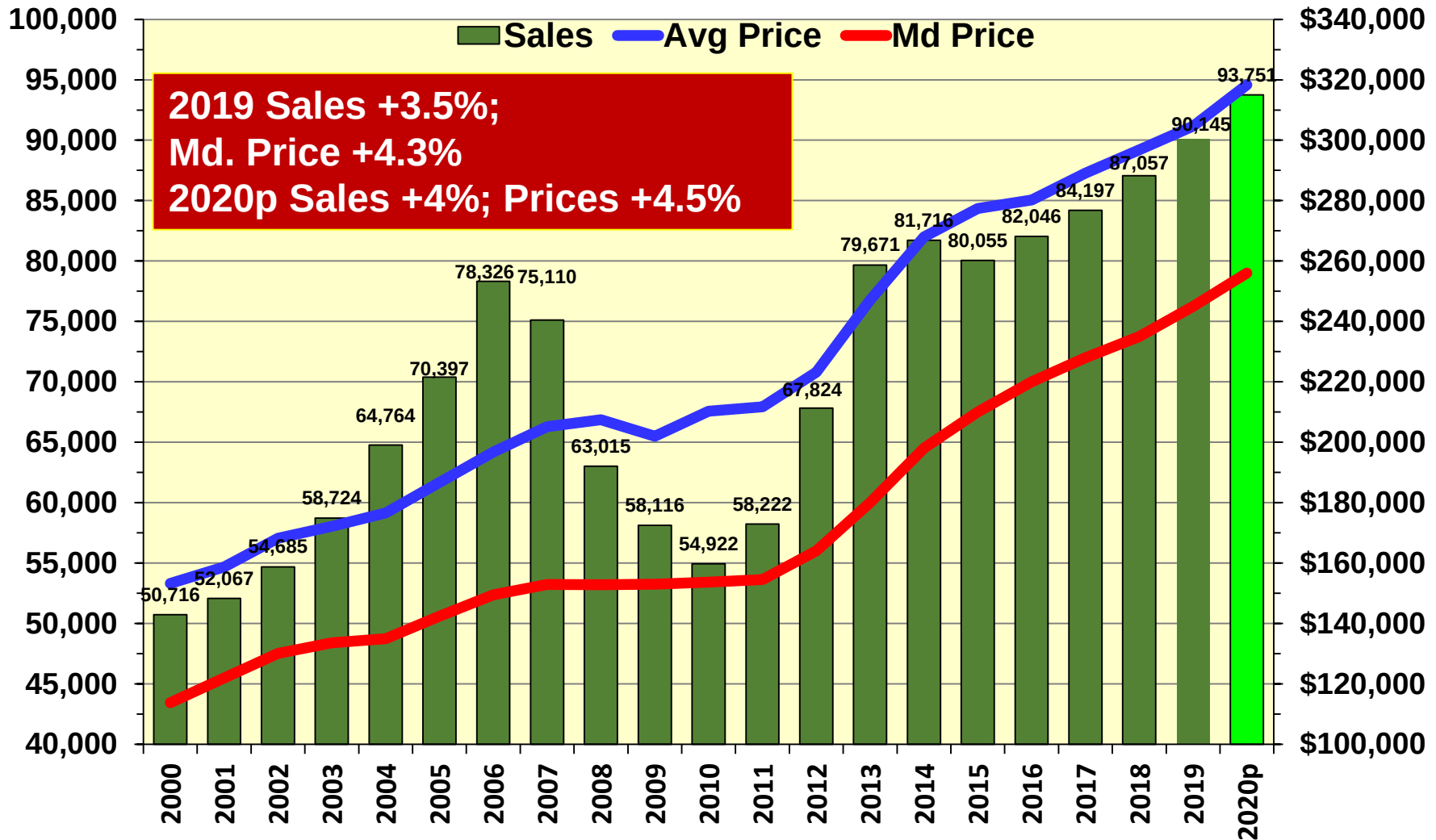


2020 Single-Family Houston Housing Projections

Single Family Forecast	2018 (%)	2019 (%)	2020(%)	1991-2018 (%)
Texas				
Housing Permits	4.6	1.9	10.3	5.4
Sales	2.3	4.2	6.4	4.6
Price per square foot	4.4	4.3	5.2	4.7
Houston				
Housing Permits	2.5	-1.8	8.6	5.8
Sales	3.5	3.4	4.0	3.9
Price per square foot	3.2	3.1	4.8	5.3

- Slower economic and employment growth but low interest rates.
- Price pressures projected constant with sustained housing demand.
- Homebuilders stretch to increase production in entry and first move-up markets.

Annual Houston Home Sales, Average & Median Prices

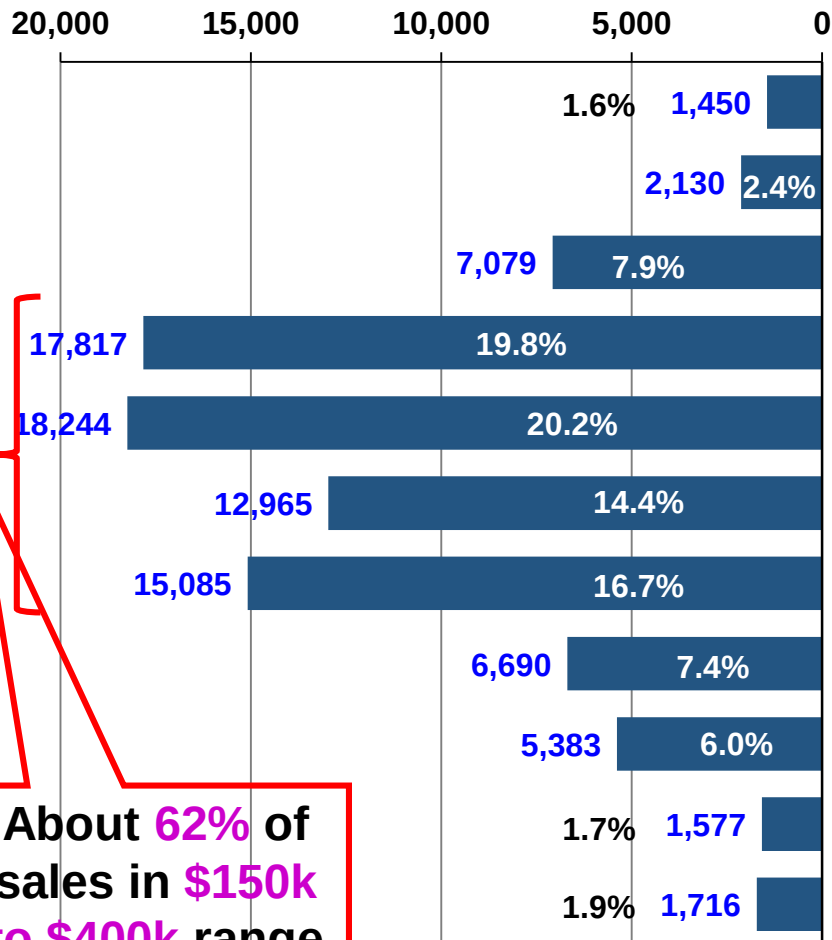


Houston Total Housing Market 2019 Summary: Another Record Year

- **Sales** 90,145 +3.5% 2020 +4%
- **Total Dollar Volume** \$27.5 Billion +6.3%
- **Average Price** \$304,665 +2.6% } 2020 +4% - 5%
- **Median Price** \$245,000 +4.3% }
- **Avg. Price per Square Foot** \$127 +2.4%
- **New Listings** 143,160 +3.7% 2020 +4%
- **Months Inventory** 3.4 2020 3.2 – 3.5
- **SF Permits** 40,303 -0.5% 2020 +9%

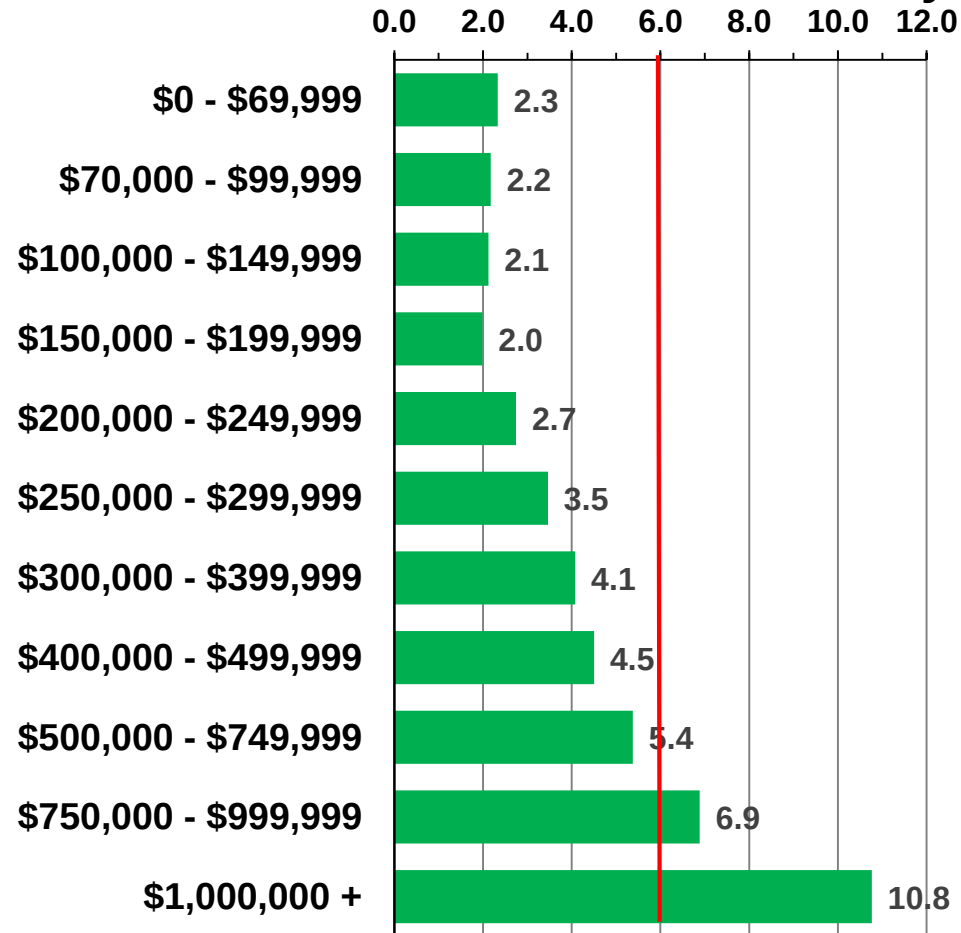
Houston 2019 Residential Sales and Months Inventory by Price

2019 Sales

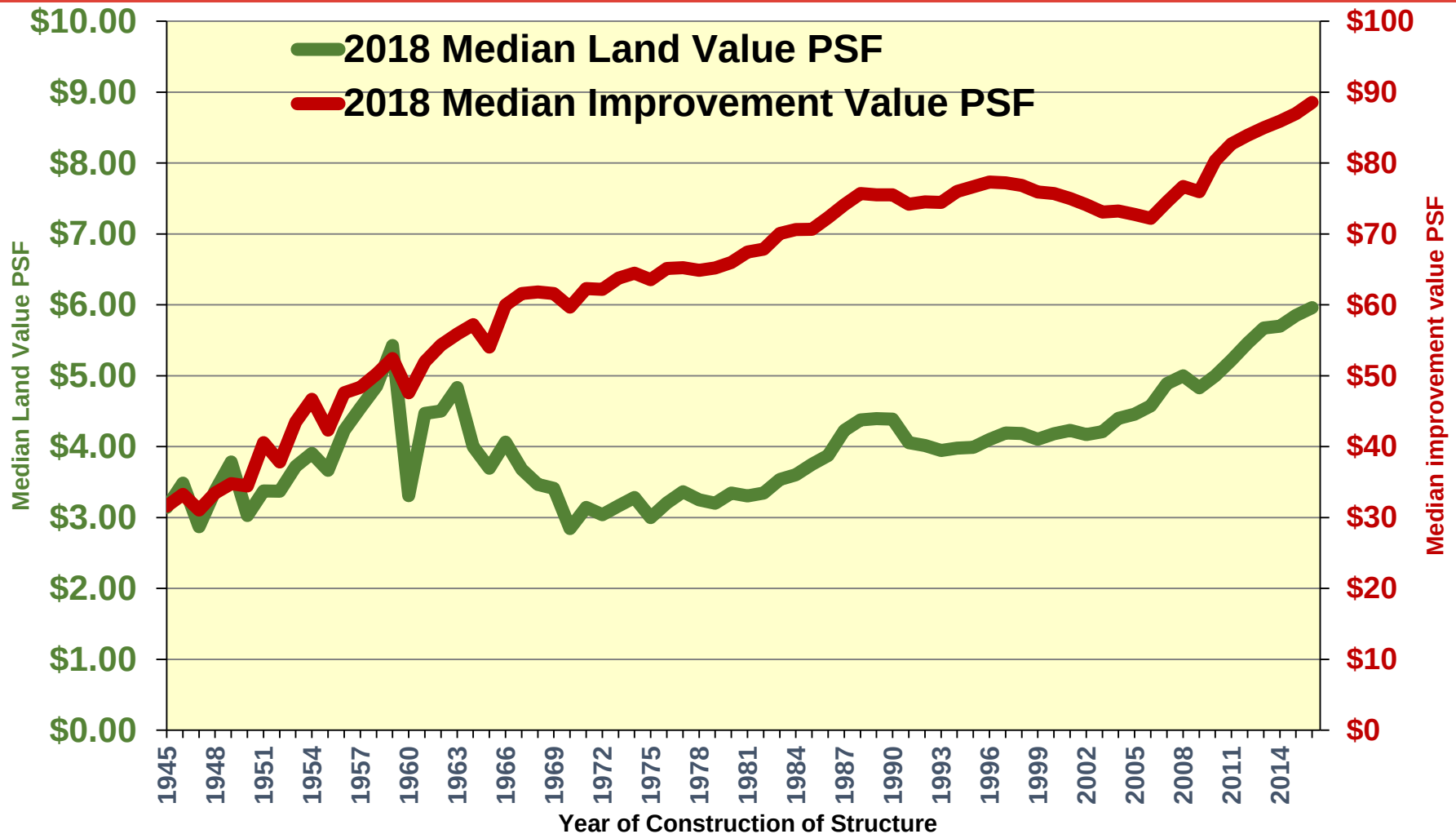


About 62% of sales in \$150k to \$400k range

Current Mos. Inventory

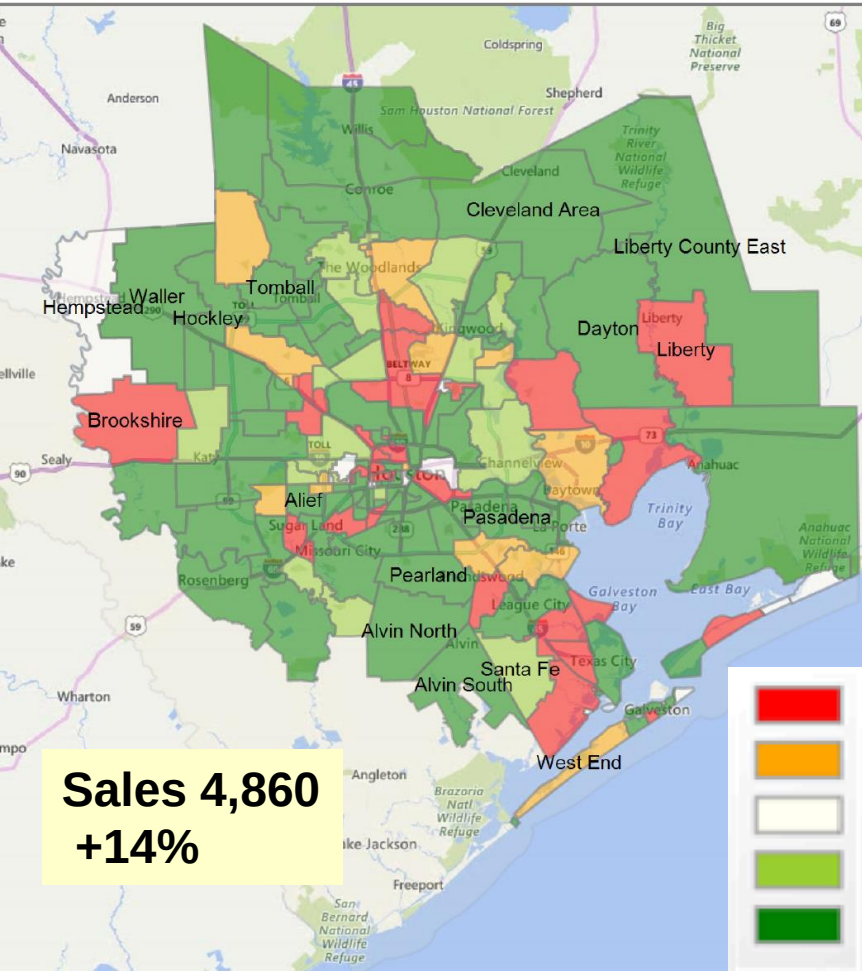


Harris 2018 County Median Land Value PSF vs. Median Improvement Value PFS by Age of Structure



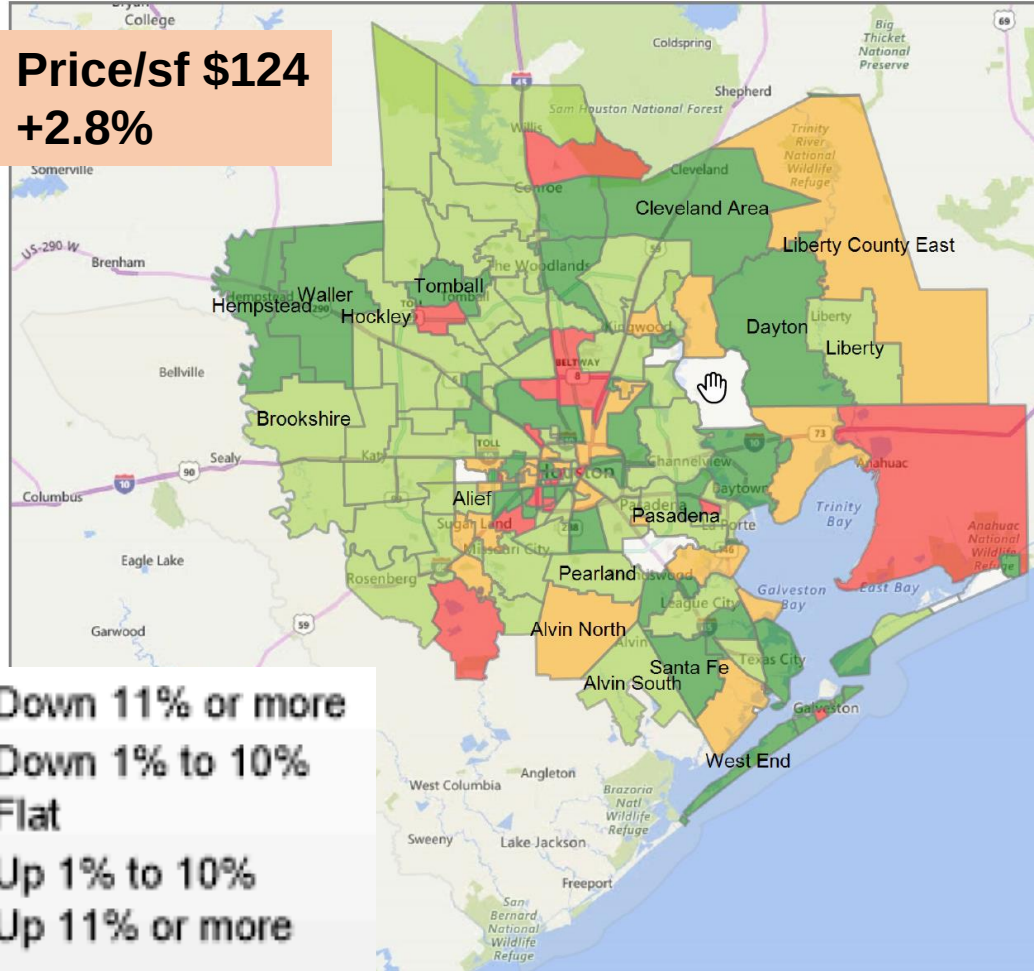
January 2020 Houston Residential Sales Slowed Down & Price/Sq. Ft. Still Up

Residential** Closed Sales
YoY Percentage Change



Residential** Avg Close Price Per SqFt
YoY Percentage Change

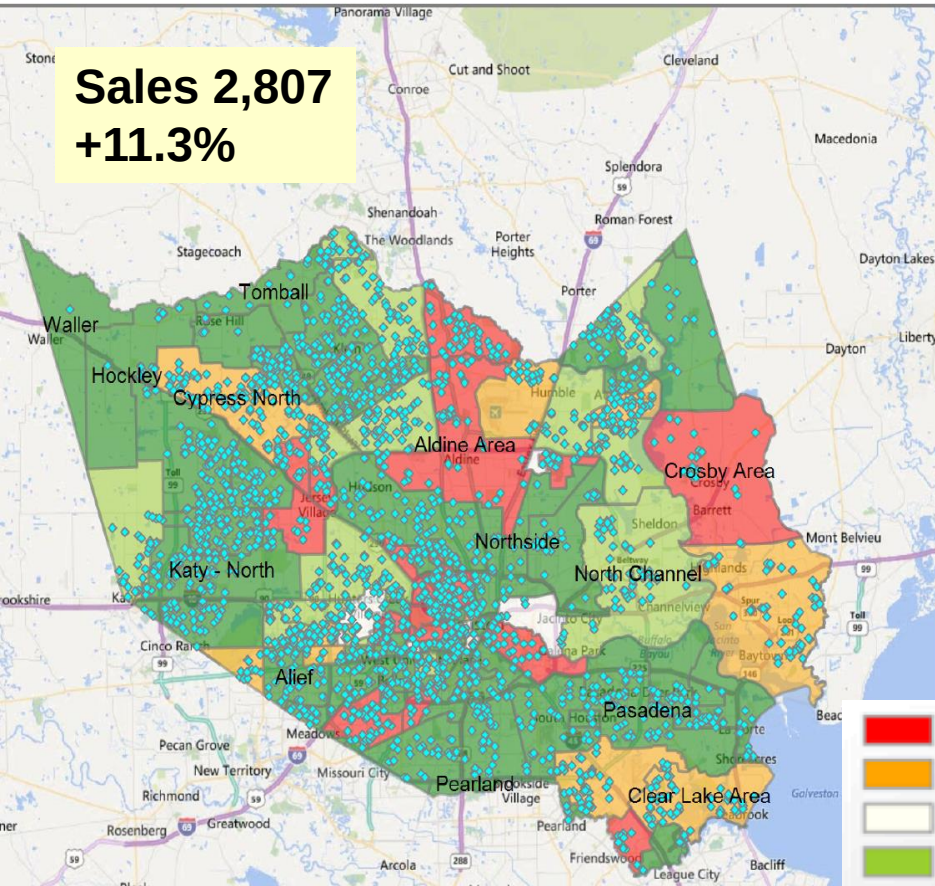
Price/sf \$124
+2.8%



January 2020 Harris Co. Residential Sales & Price/Sq. Ft. by LMA

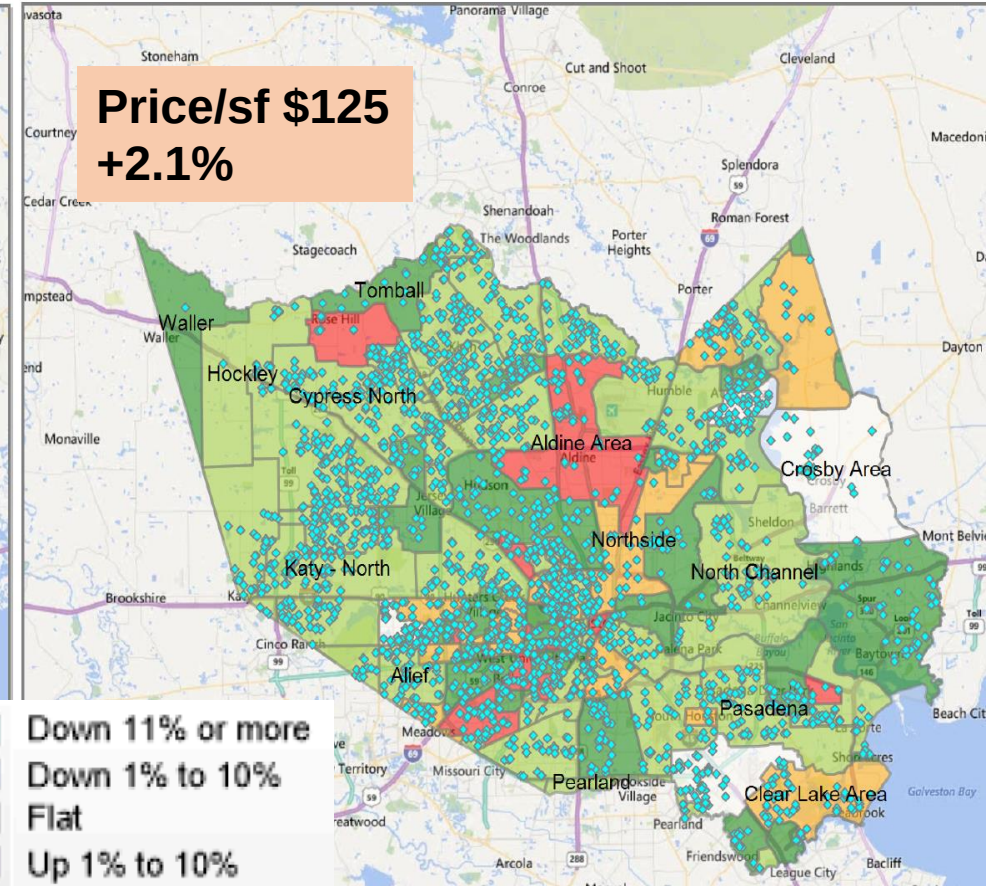
Residential** Closed Sales
YoY Percentage Change

Sales 2,807
+11.3%

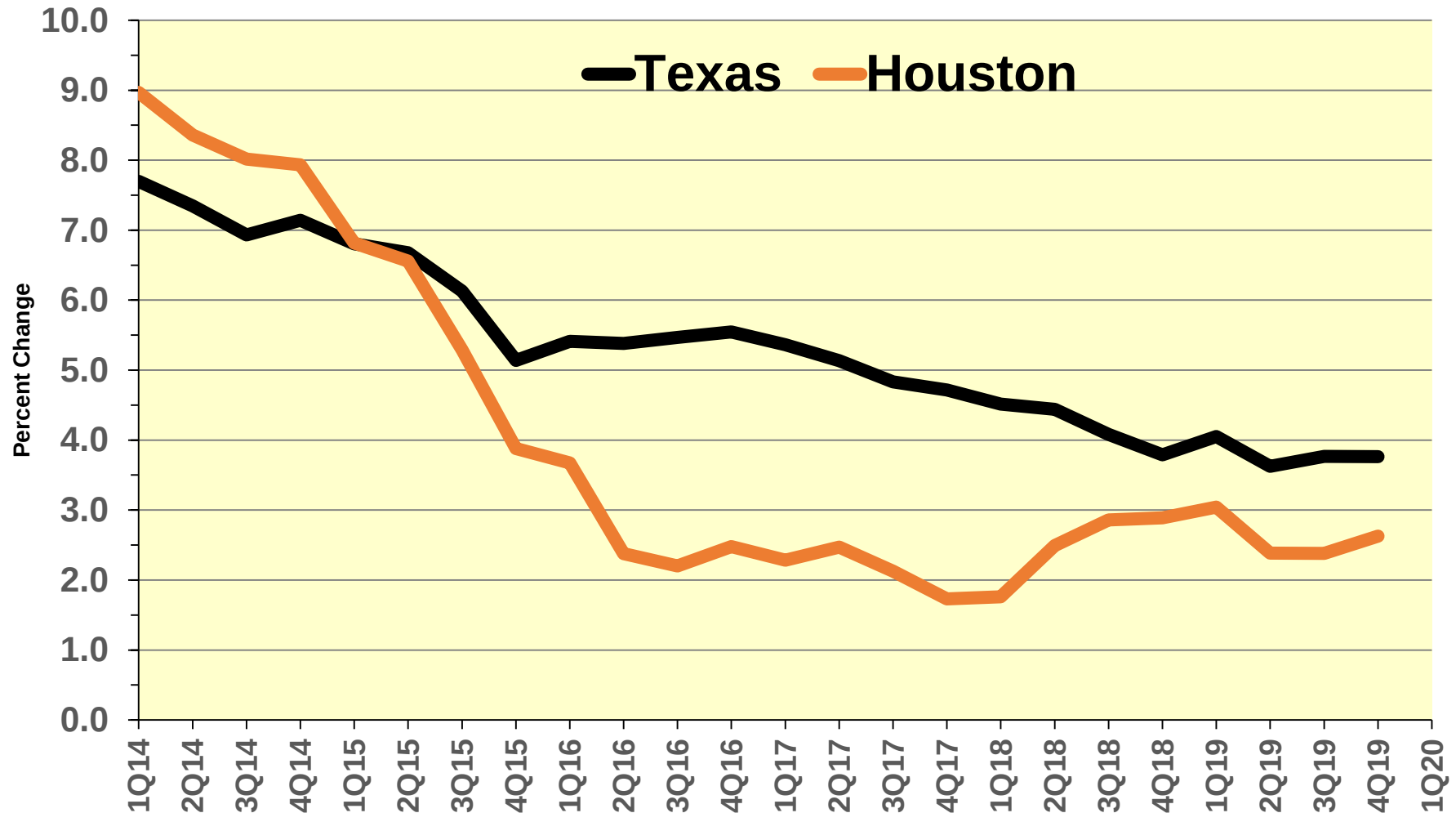


Residential** Avg Close Price Per SqFt
YoY Percentage Change

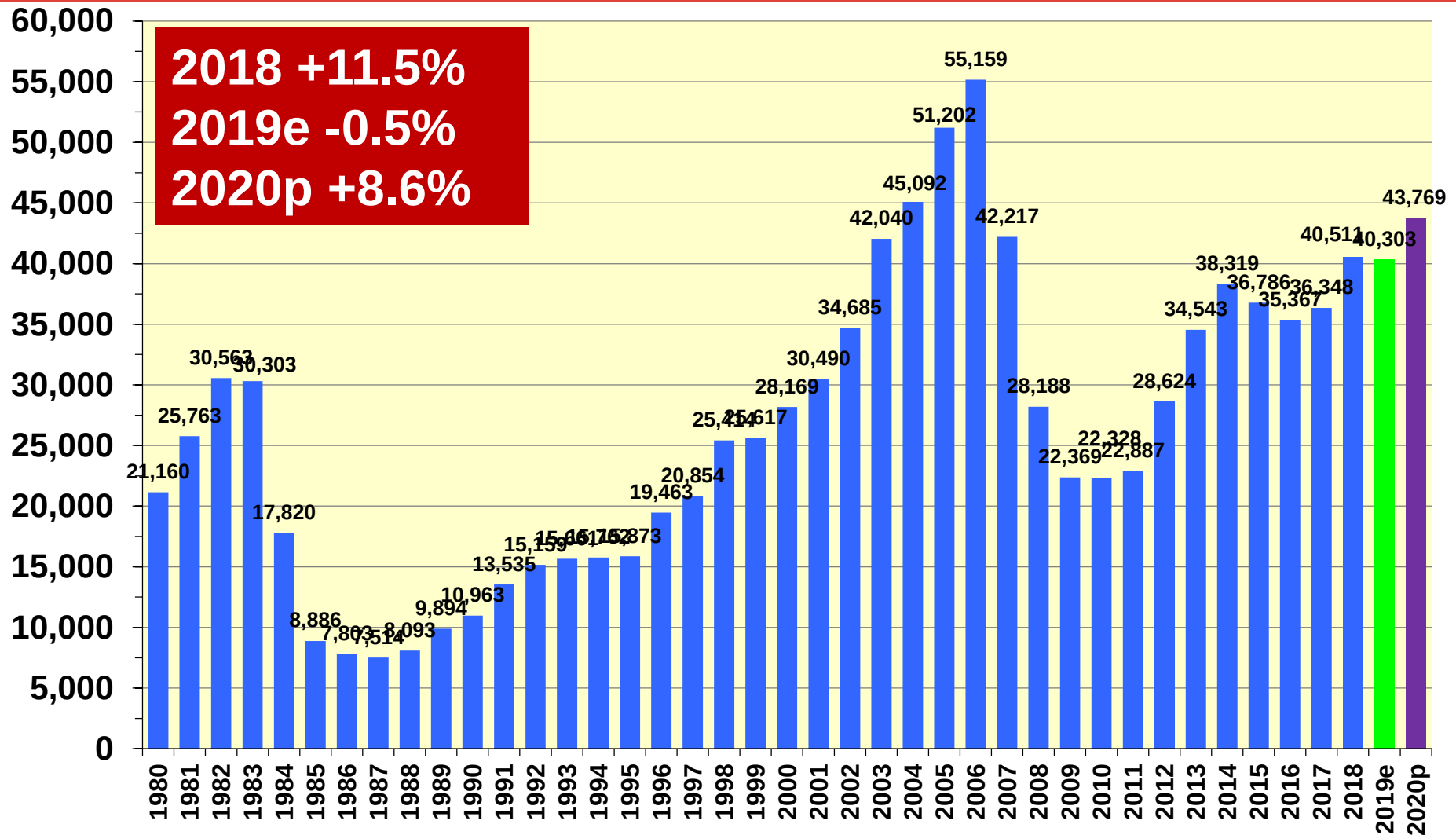
Price/sf \$125
+2.1%



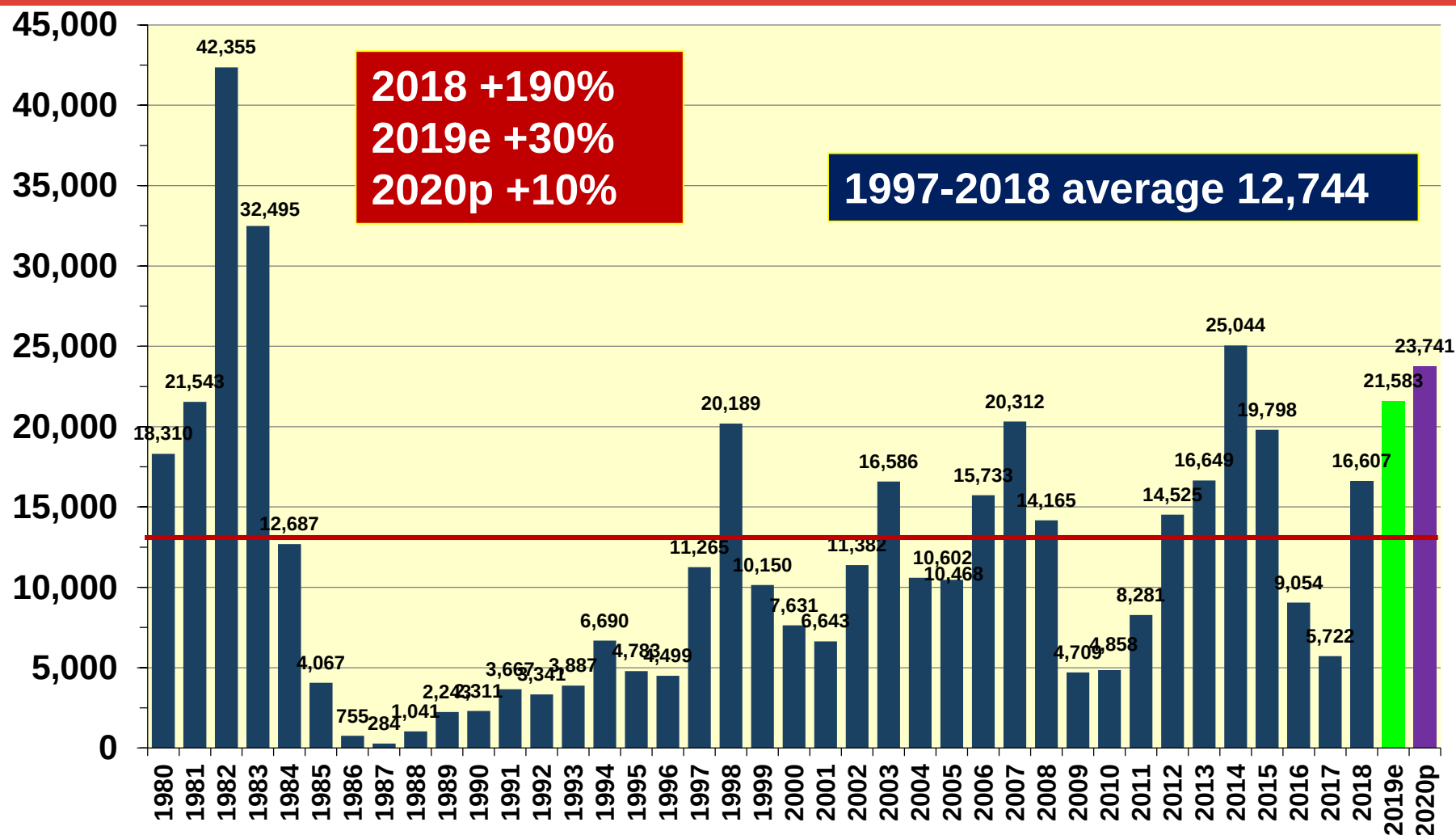
Texas and Houston Repeat Sales Home Price Index



Houston SF Building Permits



Houston MF Building Permits



2020 Outlook for Houston Commercial Real Estate is Positive

Projected Overall Vacancy Rates and Asking Rents

Property Type	Vacancy Rates (%)			Asking Rents (y-o-y %)		
	2018	2019	2020	2018	2019	2020
Apartments*	9.7	9.3	9.5	3.7	1.9	2.0
Office	19.9	19.9	20.2	2.6	2.6	1.0
Class A Office	23.8	22.8	23.0	1.6	3.1	1.0
Retail	6.00	5.9	5.8	3.4	4.7	3.0
Warehouse	6.7	8.2	8.4	4.0	3.0	1.4

Note: Annual numbers represent the four-quarter average of the seasonally adjusted data. Rent growth is nominally estimated from the previous year's average.

*Effective Rent Y/Y%, overall market.



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