Homeownership Impacts

• 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 Change in Owner-Occupied and Renter Households

Source: US Census Bureau Housing Vacancy Survey; Mortgage Bankers Association, Chart of the Week June 2, 2017
U.S., Texas & California Homeownership Rates

Source: US Census Bureau; Real Estate Center at Texas A&M University
Texas Outlook

- **Texas Economy** slowed down in 2016; 2017 up
- **Energy sector** negative impacts mostly over; stabilizing – not a major negative
- **Texas job growth** pick up in early 2017; expect ~2.5%
- **Population expansion** continues: +3.1 million since 2010; 2.2 million in main four principal MSAs
- **Local Growth Issues** becoming more pressing, causing greater strain on state and local resources
Texas Demographics
In 2015, Texas ranked as the 3rd “youngest” state with a median age of 34.4 as well as the 48th “oldest” state with 11.7% > 65 years old.
From 1970 to 2010 (40 years), Texas added 13.9 million people – an average rate of 349,000 per year

From 2010 to 2050 (40 years), Texas will add nearly 30 million people – an average rate of about 750,000 per year

Sources: U.S. Census Bureau, Texas State Demographer 2014 Projections (2000-2010 Scenario)
Percent Change from 2010 to 2050 by Age Groups in the Texas Population

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>116.2%</td>
</tr>
<tr>
<td>&lt;18</td>
<td>79.6%</td>
</tr>
<tr>
<td>18-44</td>
<td>105.1%</td>
</tr>
<tr>
<td>45-64</td>
<td>112.5%</td>
</tr>
<tr>
<td>65+</td>
<td>262.9%</td>
</tr>
</tbody>
</table>

Sources: Texas State Demographer’s Office 2014 Projections 1.0 Scenario; Real Estate Center at Texas A&M University
Housing Market
Texas Housing Summary

• 2016 record year for sales (+5%) and prices (+7.6%)
  • 14 of 25 Texas MSAs set records even with short inventories
• 2017YTD sales +3.7%; Md. Price +8.0%; avg. pr./sf +7.5%
• Texas leads nation in residential permits since 2008
  • Residential construction leveling off: 2016 SF +2%; MF -19%
  • DFW and Houston 1 & 2 nationally since 2008 for SF permits
    (despite Houston -21.4% in 2016 and DFW -2.4% )
  • Austin & San Antonio in top 25
  • Approximately 130,000 units “short” since 1994 vs. average
• Statewide median home price expanded 43% since 2011
• RCLI highest in 8 months indicating better 2017
Since Jan 2011
Average Price up 39%
Median Price up 47%

Source: Real Estate Center at Texas A&M University
## Texas Sales by Price Distribution

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>$0 - $69,999</td>
<td>15.0</td>
<td>12.7</td>
<td>9.2</td>
<td>7.2</td>
<td>6.1</td>
<td>5.1</td>
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<tr>
<td>$70,000 - $99,999</td>
<td>12.5</td>
<td>11.3</td>
<td>9.5</td>
<td>8.2</td>
<td>6.8</td>
<td>5.7</td>
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<tr>
<td>$100,000 - $149,999</td>
<td>23.6</td>
<td>22.8</td>
<td>21.9</td>
<td>20.2</td>
<td>17.7</td>
<td>15.3</td>
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<tr>
<td>$150,000 - $199,999</td>
<td>17.5</td>
<td>18.5</td>
<td>19.7</td>
<td>20.3</td>
<td>20.6</td>
<td>20.6</td>
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<tr>
<td>$200,000 - $249,999</td>
<td>9.8</td>
<td>10.8</td>
<td>11.7</td>
<td>12.8</td>
<td>14.1</td>
<td>15.6</td>
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<tr>
<td>$250,000 - $299,999</td>
<td>6.9</td>
<td>7.6</td>
<td>8.4</td>
<td>9.1</td>
<td>10.2</td>
<td>11.3</td>
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<td>$300,000 - $399,999</td>
<td>7.1</td>
<td>7.9</td>
<td>9.3</td>
<td>10.5</td>
<td>11.8</td>
<td>12.9</td>
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<td>$400,000 - $499,999</td>
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<td>3.6</td>
<td>4.2</td>
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<td>4.9</td>
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<td>$750,000 - $999,999</td>
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<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
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<tr>
<td>$1,000,000 +</td>
<td>0.9</td>
<td>0.9</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

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

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

1990-2015 average 95,106/year

Source: US Census Bureau, Real Estate Center at Texas A&M
Since 1994, would have built 2.5 million SF homes at average/year; actually built 2.37. About 130,000 units less than “normal”

Source: US Census Bureau, Real Estate Center at Texas A&M
Texas MF Building Permits: Making Up the Difference?

1995-2015 average 40,766/year

2014 +20%
2015 +4%
2016 -16%

Source: US Census Bureau, Real Estate Center at Texas A&M
Texas Residential Construction Leading and Coincident Indexes

Source: Real Estate Center at Texas A&M University
Sustainable Homeownership Conference 2017

University of California, Berkeley
June 9, 2017

Dr. James P. Gaines
Chief Economist

www.recenter.tamu.edu