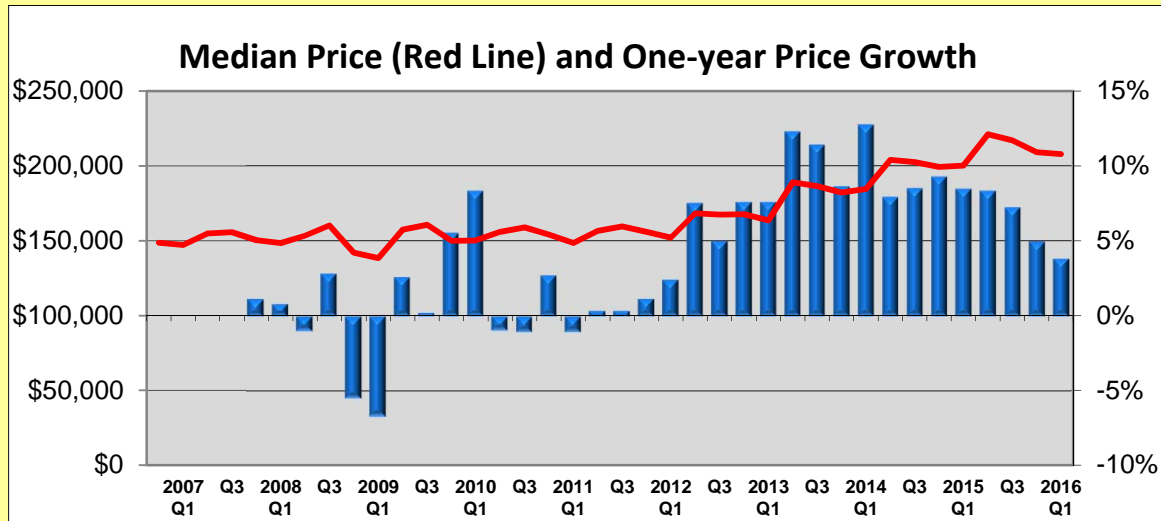


Houston-Baytown-Sugar Land Area Local Market Report, First Quarter 2016

Today's Market...



Local Price Trends			
Price Activity	Houston	U.S.	Local Trend
Current Median Home Price (2016 Q1)	\$208,000	\$215,767	Prices are up from a year ago, but price growth is slowing
1-year (4-quarter) Appreciation (2016 Q1)	3.8%	6.1%	
3-year (12-quarter) Appreciation (2016 Q1)	27.1%	22.6%	
3-year (12-quarter) Housing Equity Gain*	\$44,300	\$39,833	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	\$69,500	\$48,200	
9-year (36 quarters) Housing Equity Gain*	\$60,800	\$1,667	

*Note: Equity gain reflects price appreciation only

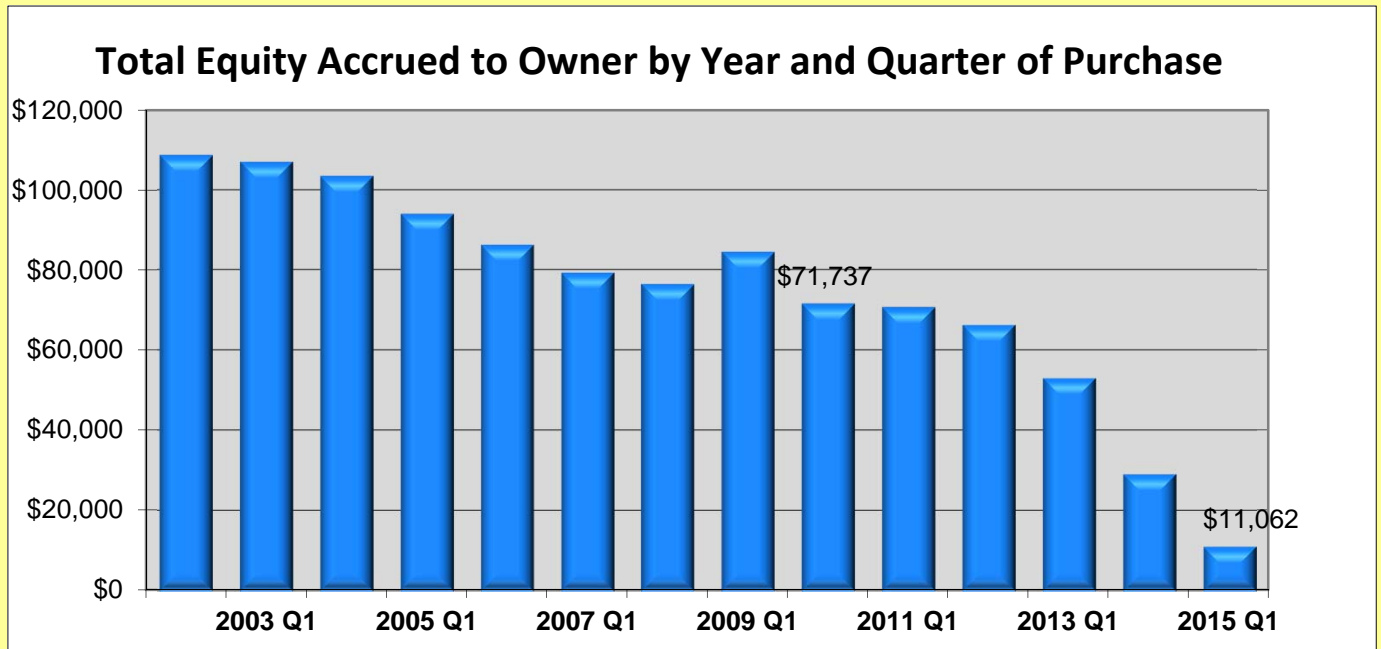
	Houston	U.S.	
Conforming Loan Limit**	\$417,000	\$625,500	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$326,600	\$625,500	
Local Median to Conforming Limit Ratio	50%	not comparable	

Note: limits are current and include the changes made in November of 2012 and extended in November of 2013

Local NAR Leadership

The Houston-Baytown-Sugar Land market is part of region 10 in the NAR governance system, which includes all of Louisiana and Texas. The 2016 NAR Regional Vice President representing region 10 is Matthew Ritchie.

Benefits of Ownership: Total Equity Appreciation



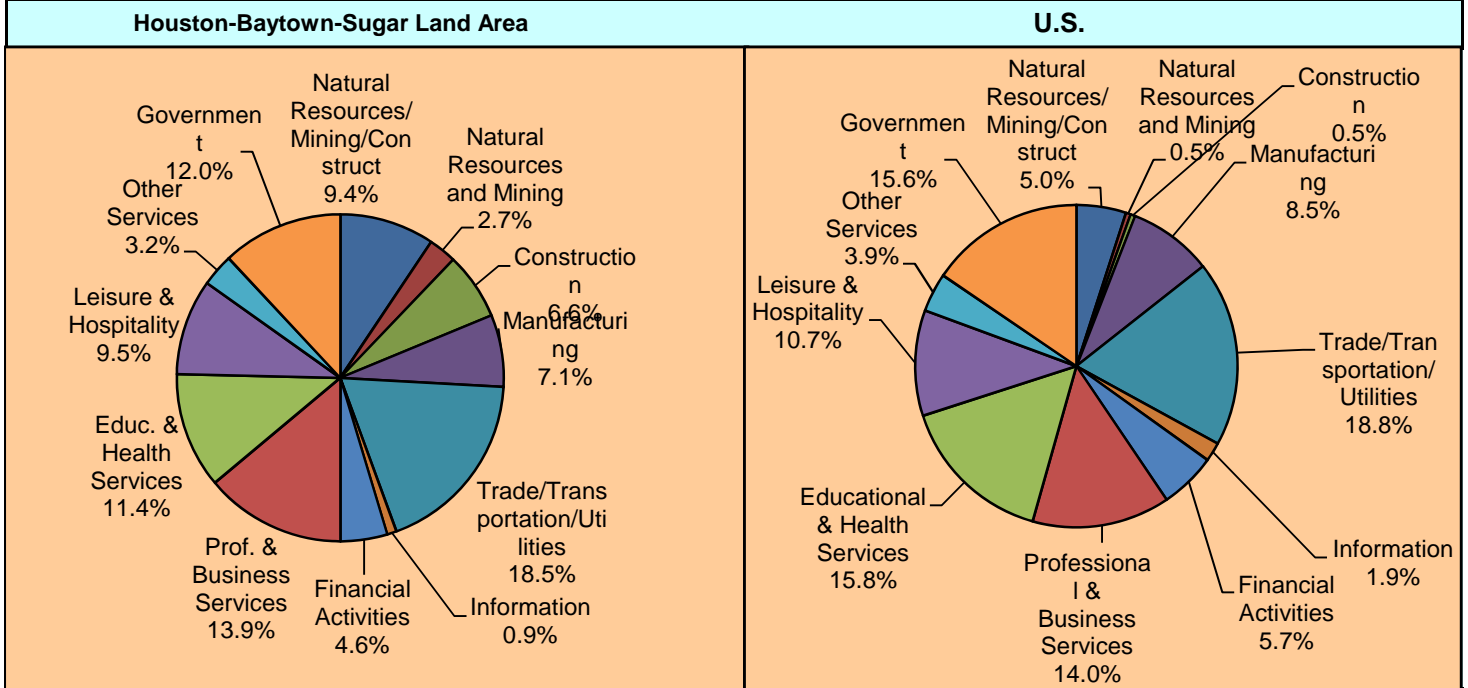
Total Equity Gained** through 2016 Q1 from quarter in which home was of purchased			
Price Activity	Houston	U.S.	Local Trend
1-year (4-quarter)	\$11,062	\$15,781	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
3-year (12-quarter)*	\$53,161	\$49,356	
5-year (20-quarter)*	\$70,871	\$68,727	
7-year (28 quarters)*	\$84,639	\$59,758	
9-year (36 quarters)*	\$79,484	\$16,435	
If purchase in 2005, the national price peak	\$94,152	\$30,059	

*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity

Drivers of Local Supply and Demand...

Local Economic Outlook	Houston	U.S.	
12-month Job Change (Mar)	7,400	Not Comparable	Employment growth has eased, but remains positive
12-month Job Change (Feb)	8,600	Not Comparable	
36-month Job Change (Mar)	184,300	Not Comparable	Unemployment has risen since the same period last year, but Houston's labor market has been more resilient than the national average
Current Unemployment Rate (Mar)	4.9%	5.0%	
Year-ago Unemployment Rate	4.3%	5.5%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	0.2%	2.0%	

Share of Total Employment by Industry



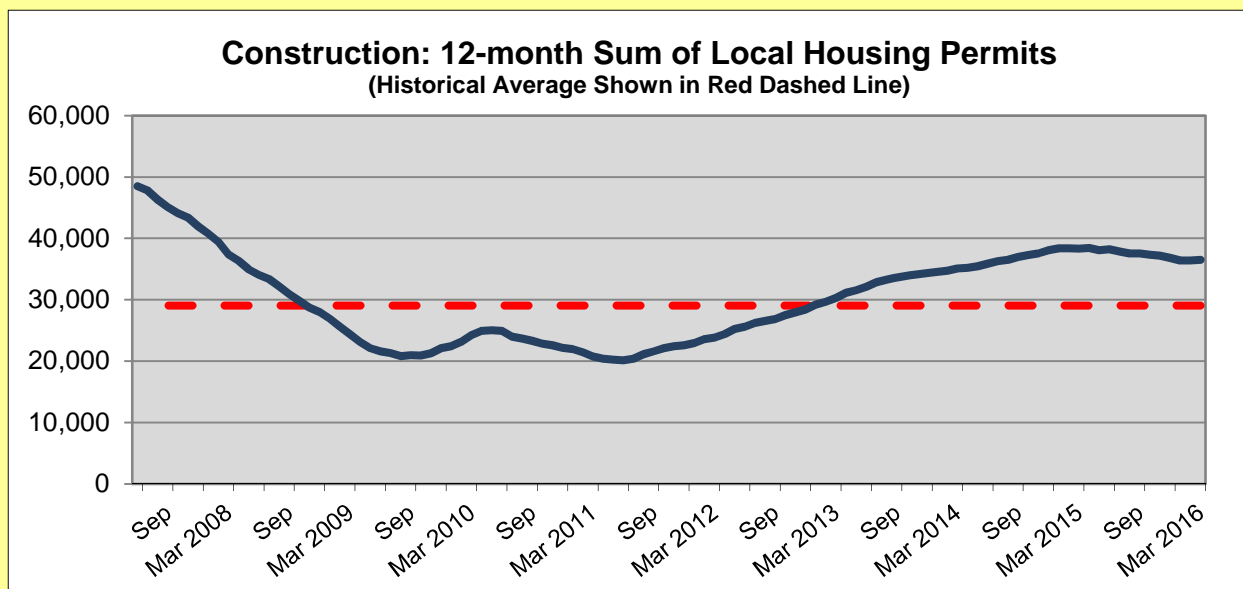
12-month Employment Change by Industry in the Houston-Baytown-Sugar Land Area (Mar - 2016)

Goods Producing	NA	Information	-1,000
Natural Resources/Mining/Construction	-10,000	Financial Activities	2,100
Natural Resources and Mining	-14,100	Prof. & Business Services	-10,200
Construction	4,100	Educ. & Health Services	14,500
Manufacturing	-20,600	Leisure & Hospitality	18,900
Service Providing Excluding Government	NA	Other Services	-200
Trade/Transportation/Utilities	5,900	Government	8,000

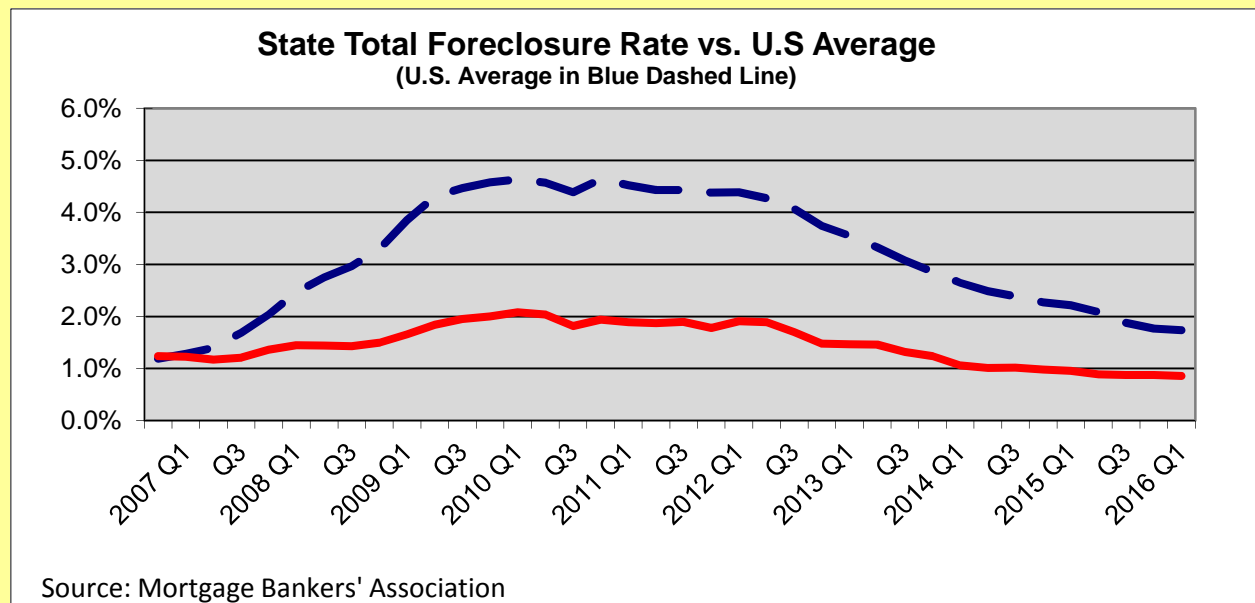
State Economic Activity Index	Texas	U.S.	
12-month change (2016 - Mar)	2.5%	3.1%	Texas's economy is growing, but decelerated from last month's 2.55% change and lags the rest of the nation
36-month change (2016 - Mar)	13.1%	10.5%	

New Housing Construction

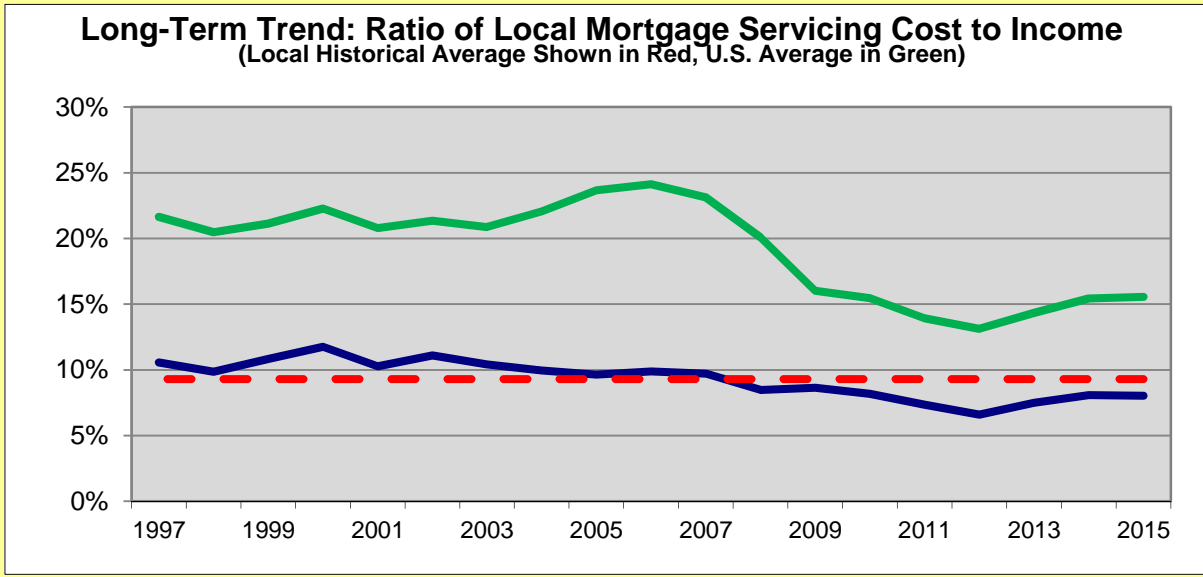
Local Fundamentals	Houston	U.S.	
12-month Sum of 1-unit Building Permits through Mar 2016	36,506	not comparable	The current level of construction is 25.6% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	29,064	not comparable	Production above trend for an extended period of time could cause prices to moderate as inventory is built
Single-Family Housing Permits (Mar 2016) 12-month sum vs. a year ago	-4.7%	11.3%	Construction is down from last year, but appears to have bottomed.



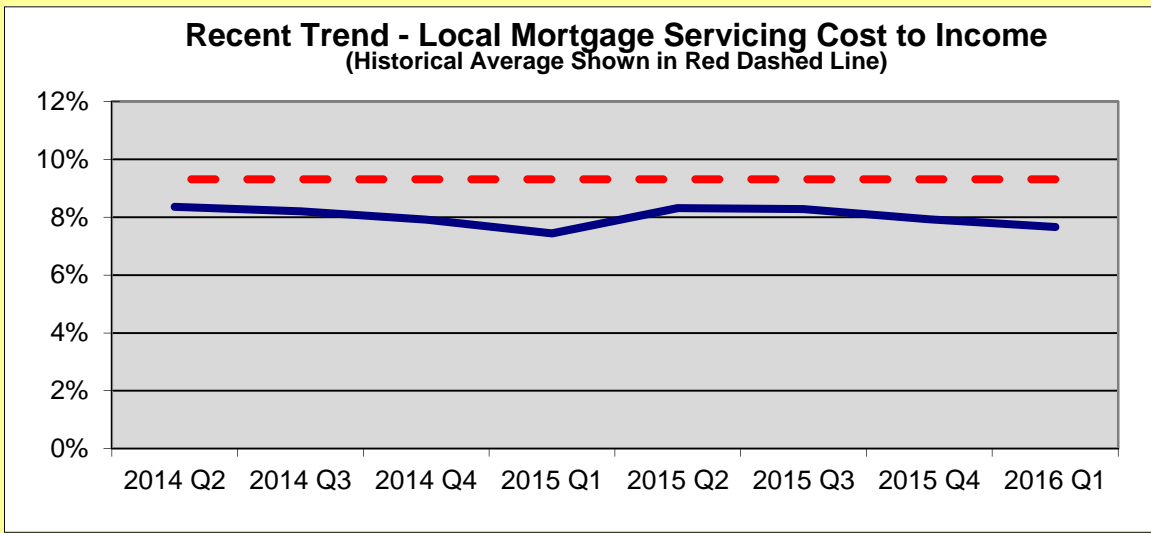
While new construction is the traditional driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or distressed sales, place downward pressure on the median home prices.



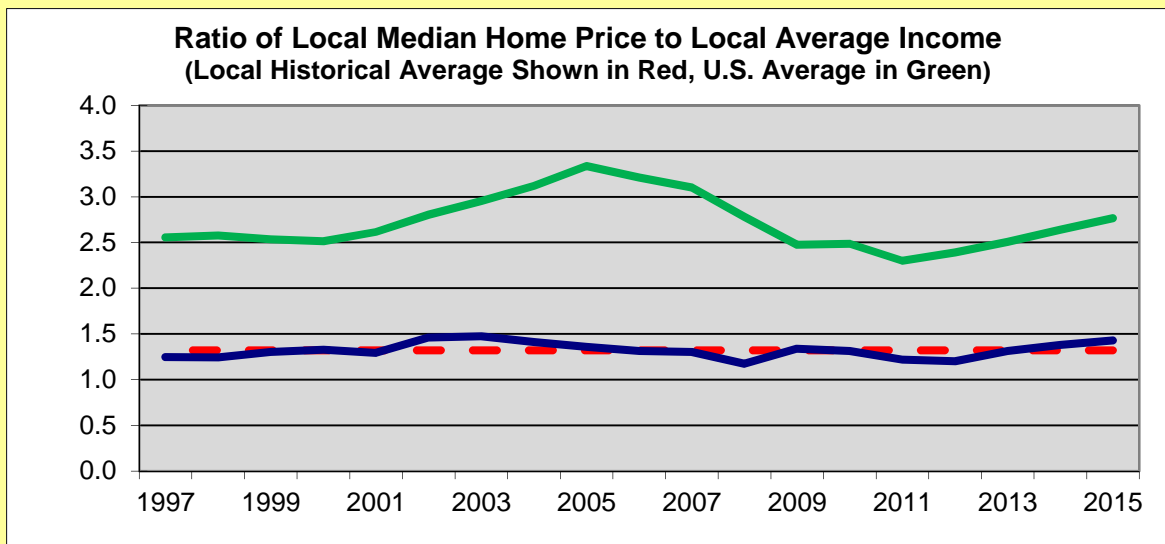
Affordability



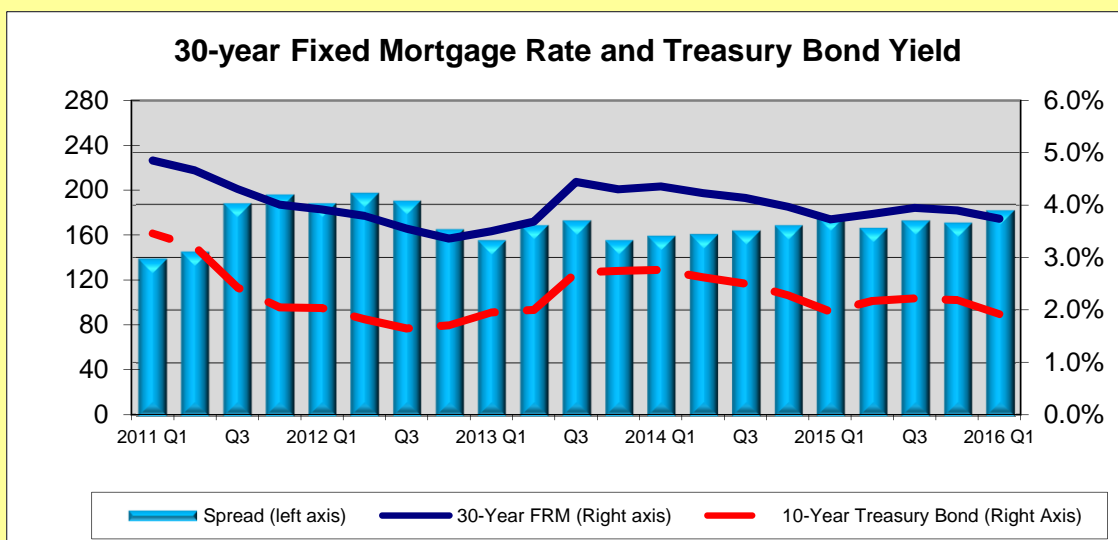
Monthly Mortgage Payment to Income	Houston	U.S.	
Ratio for 2015	8.0%	15.6%	Historically strong and an improvement over the fourth quarter of 2015
Ratio for 2016 Q1	7.7%	14.5%	
Historical Average	9.3%	19.5%	More affordable than most markets



Median Home Price to Income	Houston	U.S.	
Ratio for 2015	1.4	2.8	The price-to-income ratio eased, but could be better
Ratio for 2016 Q1	1.4	2.6	
Historical Average	1.3	2.7	Affordable compared to most markets

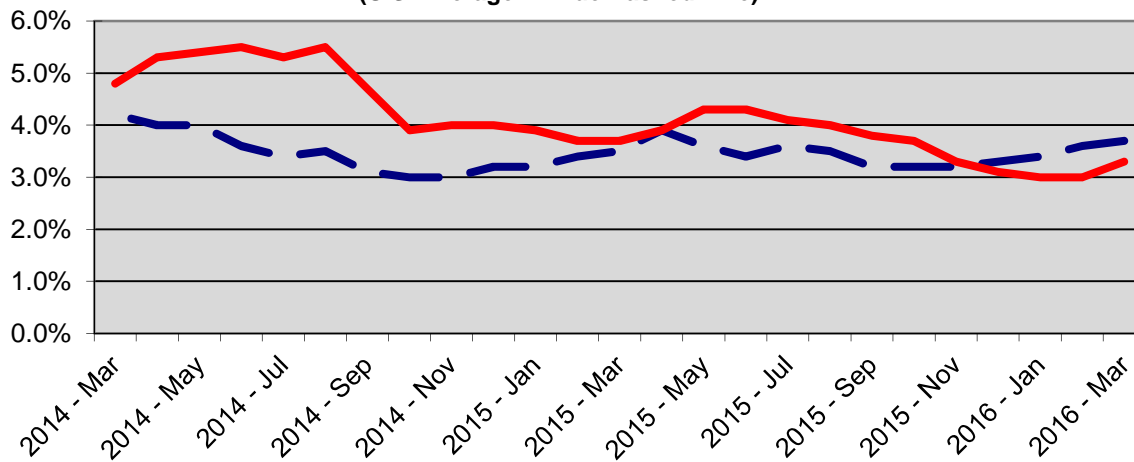


The Mortgage Market



The first quarter of 2016 was marked by paroxysms in financial, energy, and commodity markets. The uncertainty in China and the emerging-market economies, the gathering doubt about the sustainability of the modern European project, and weakness in domestic growth were the issues of the early days of 2016. With regard to the mortgage market, the year began after the FED started its tightening cycle with the first rate hike this past December. However, since the start of the year mortgage rates have dropped as the FED held off on expected rate hikes. The 30-year fixed-rate mortgages eased from 3.9 percent in the 4th quarter of 2015 to 3.7 percent in the first quarter of 2016. The 10-year Treasury fell to 1.92 percent which is the lowest rate after Q4 2012. Rates are likely to remain low through the spring as the market deals with international instability and mixed signals for the domestic economy. NAR is now forecasting fewer rate hikes by the FED in 2016 and as a result the 30-year fixed rate mortgage is now expected to average just 4.3 percent for 2016."

REALTOR® Price Expectations for the Next 12 Months (U.S. Average in Blue Dashed Line)



Source: NAR

REALTOR® Price Expectations	Texas	U.S.	
2016 - Apr	3.7%	3.8%	REALTORS® expect weaker price growth in Texas than in the U.S. in the next 12 months. Their price expectations for the local market are more modest than a year ago.
Prior 12 months	3.9%	3.9%	



Geographic Coverage for this Report

The Houston area referred to in this report covers the geographic area of the Houston-Baytown-Sugar Land metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Austin County, Brazoria County, Chambers County, Fort Bend County, Galveston County, Harris County, Liberty County, Montgomery County, San Jacinto County, and Waller County

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforeg_statpolicy/