

Dear Partners,

The following is a report from Metro Study that gives a short summarized look back at 2013 and anticipated activity for 2014. Metro Study presents the data in a slightly different manner than most of their reports. Metro Study is looking forward to 2014 and believes that the market “is shaping up for another record year.” They project that home construction in 2014 will rise to 35,000 units. This is great news for land owners. Metro Study also reports that there will be a rise in lot sales and construction. This will absorb the land in existing developments and create a need for the developers to acquire additional property.

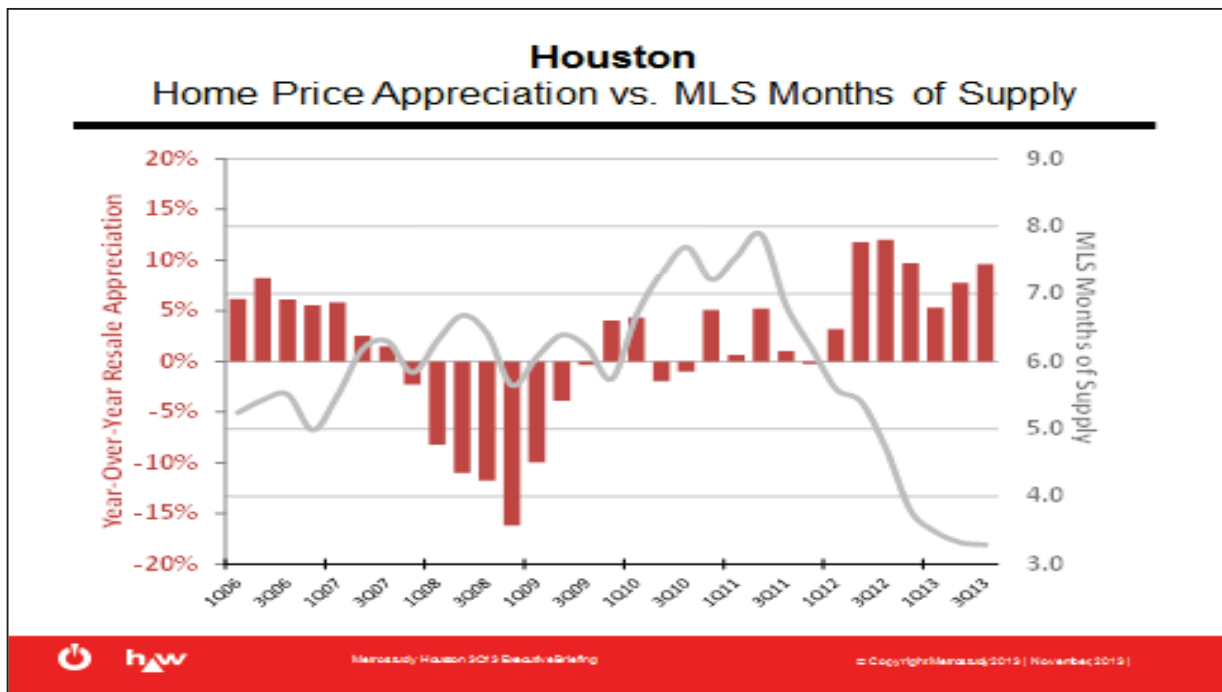
Metro Study is very bullish about Houston real estate in 2014. Below is the December 30, 2013 Metro Study report:



## 2013 Was a Very Good Year

Posted in [National Housing Market](#) | Posted on 12-30-2013 | Written by [David Jarvis](#)

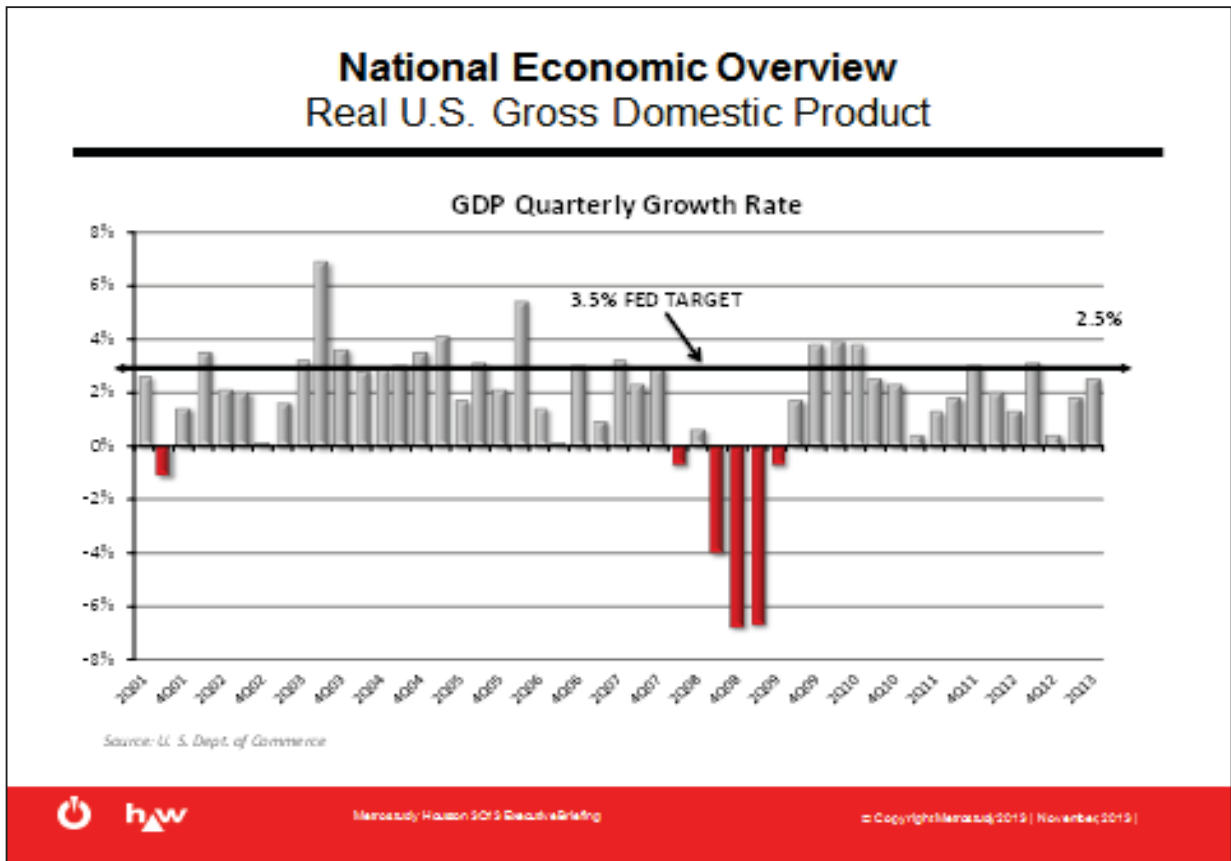
We will remember 2013 as the year when we started making money in real estate, again. According to our own survey of resale transactions Houston homes are currently appreciating at some 10%. Enjoy. That’s better than average for us because we find our market supply constrained. IN the chart below, notice the very low months of supply of homes on the market. If you are thinking about selling your home, be careful your home will sell and it may be hard to find a place to move to.



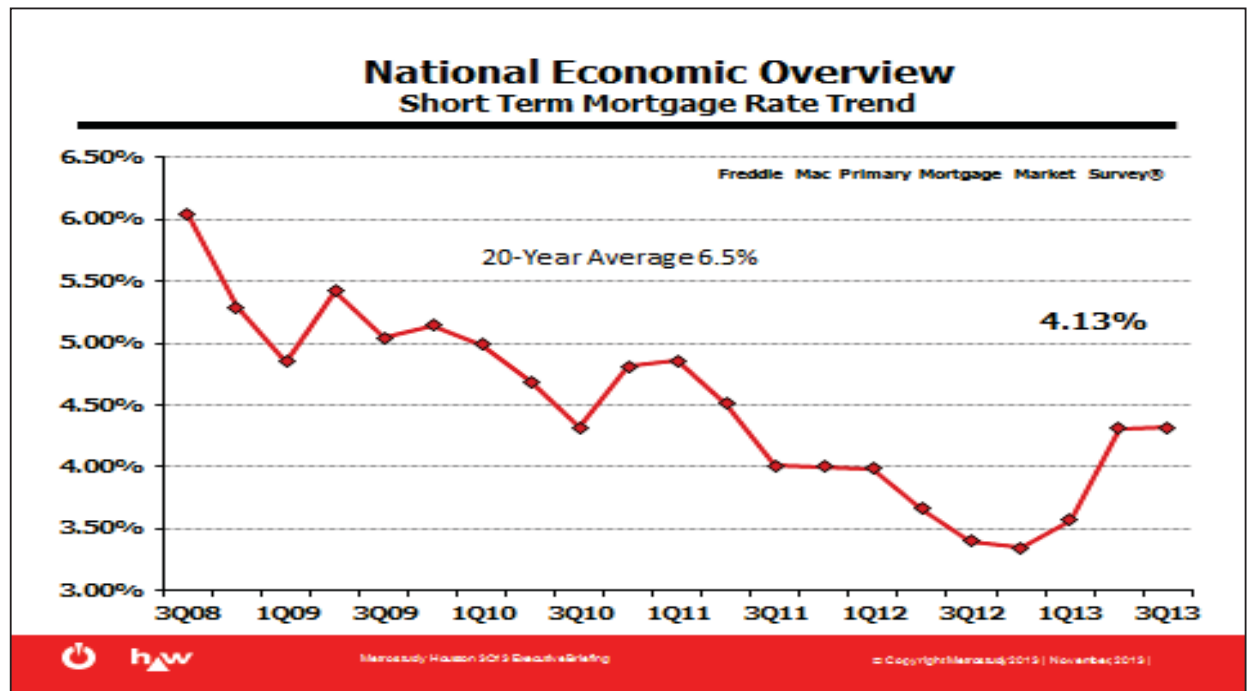
Looking forward to 2014 the market is shaping up for another record year. The economy is finally improving, even at the national level not just in Texas. Do you notice all the out of town license plates? Help me welcome our new neighbors to our oasis of economic prosperity then, ask them not to vote. We have good government, its working and we like it like this way. This is a Red State.

We are concerned about interest rates and the resulting impact on purchasing power. The Federal Reserve is talking about backing off on its economic stimulus which is expected to lead to higher interest rates.

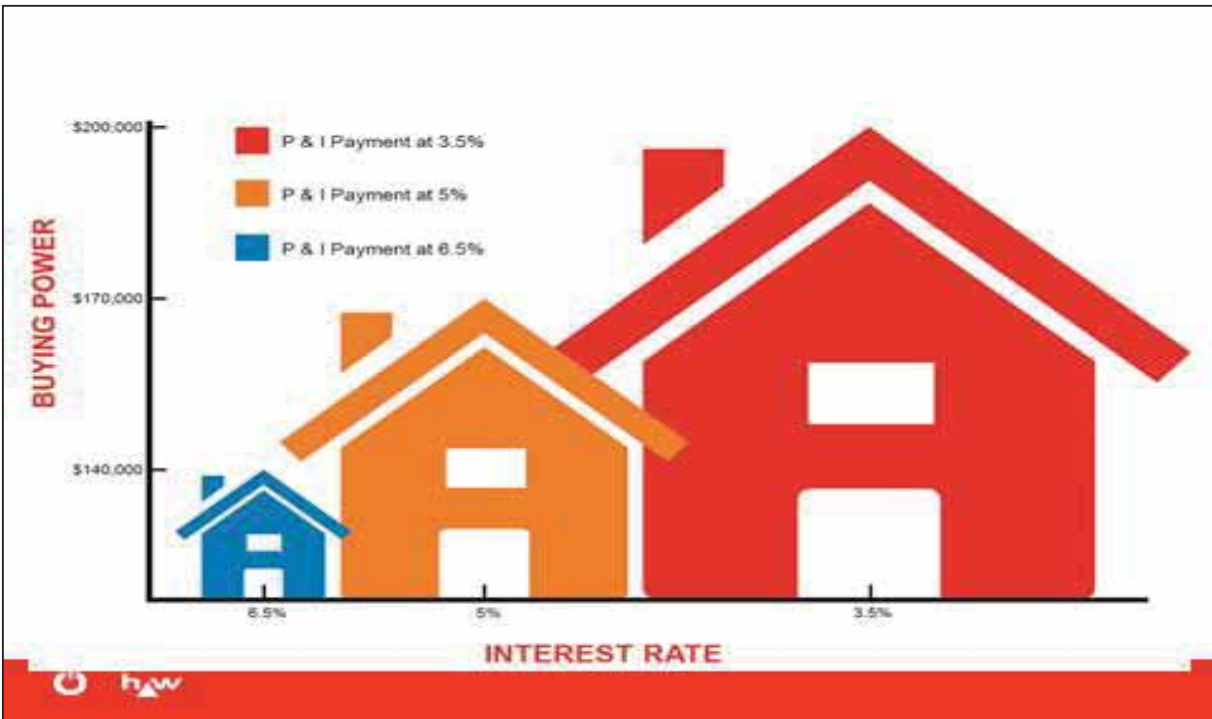
Economists remind us indices tend to seek their trend lines. The 20-year average for mortgage interest rates is 6.5%, a bit higher than our record setting sub 5% rates.



Notice the impact of higher interest rates. For every 1% rise in rates, home buyers *buying power* erodes by 10%. That's not the end of the world, but it would be nice to take advantage of what may be the lowest interest rates in our lifetime, if home ownership is right for you. I say that because home ownership is not right for everyone. Not everyone wants to decorate at will. Not everyone wants a castle to call their own. Perhaps you're not ready to settle down in your community, and want the feeling of permanence and involvement that comes with owning your own home. Perhaps you have all need the space you want to raise a family.



Remember, when you buy a home, your monthly mortgage payments serve as a type of scheduled savings plan. Over time you gradually accumulate equity. In contrast, renters must continue paying rent to a landlord for as long as they rent, without the opportunity to build up equity or pay off their loan and live mortgage free.

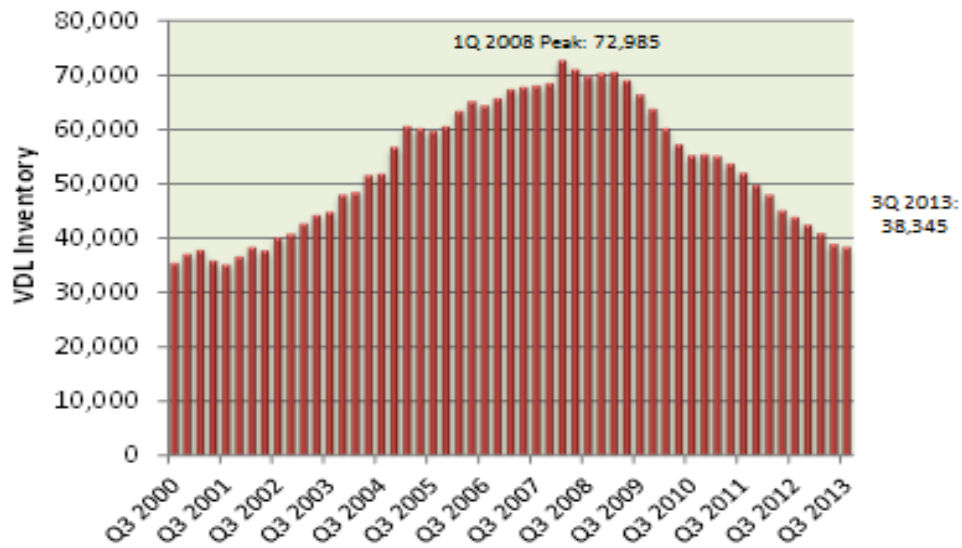


For many people, the motivation for homeownership is primarily financial. Owning your own home can be a sound financial investment as well as a way to reduce your tax obligations.

Okay, back to the future. Land developers and home builders are trying to catch up. Through the recession we didn't develop very many lots, as the banks were not lending into the real estate community and what we do is capital intensive. As a result we find our market short on lots and new homes.



## Houston Vacant Developed Lots

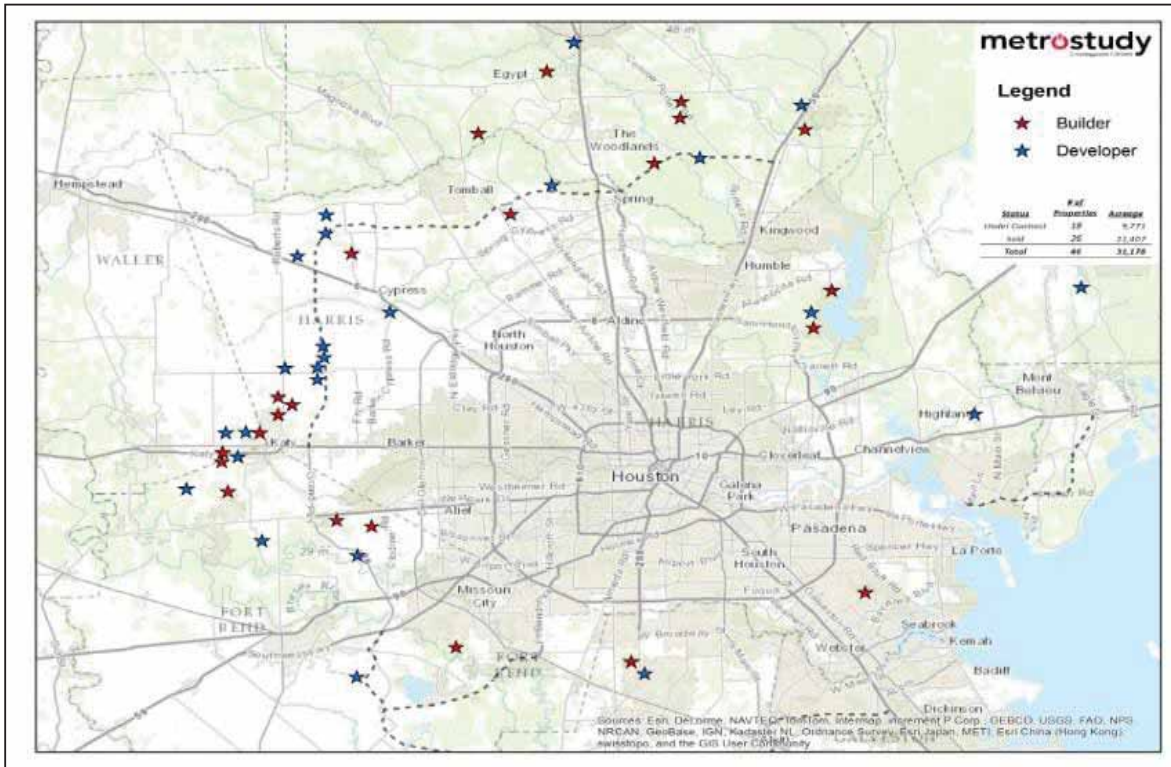


Mercury Houston 2013 Executive Briefing

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Good news, in 2014 developers should deliver as many lots as the market absorbs. That will provide a better selection for home buyers. It's about time.

Below is a map of some of the larger tracts of land that will bring new homes to the market in the coming years.



All in, while there will be demand for some 35,000 new homes next year, builders will find it difficult to meet that demand. Labor and materials are still in short supply causing extended build times.

Source: [http://www.metrostudyreport.com/national-housing-market/2013-was-a-very-good-year/utm\\_source=feedburner&utm\\_medium=email&utm\\_campaign=Feed%3A+MetrostudyReport+%28Metrostudy+Report%29](http://www.metrostudyreport.com/national-housing-market/2013-was-a-very-good-year/utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+MetrostudyReport+%28Metrostudy+Report%29)