

# TEXAS REAL ESTATE ECONOMIC DATA 2011



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# Why Focus on Single Family Housing

## When Analyzing Land Activities

- Single family development absorbs the greatest volume of land compared to other real estate products (offices, apartments, warehouse, retail).
  
- For Houston, considering flood plains, wetlands, roads and detention, the developer will get 2 to 2.5 units per acre
  - 2006 – 50,000 starts – absorbed 20,000 – 25,000 acres
  - 2010 – 22,000 starts – absorbed 9,000 – 11,000 acresversus apartments - 10,000 units absorbs 400 to 450 acres.



- Value of single family house is a determinant of lot value and thus land value.
  - In Houston, the lot price component is normally between 18% and 22% of the value of the total house for new developments on the edge of growth – therefore, analysis of home price is important to determine lot price and value of land for development into lots.
  - Intrinsic land values in Houston have been stable and it is tough to find investment bargains except when a lender or developer is in trouble.

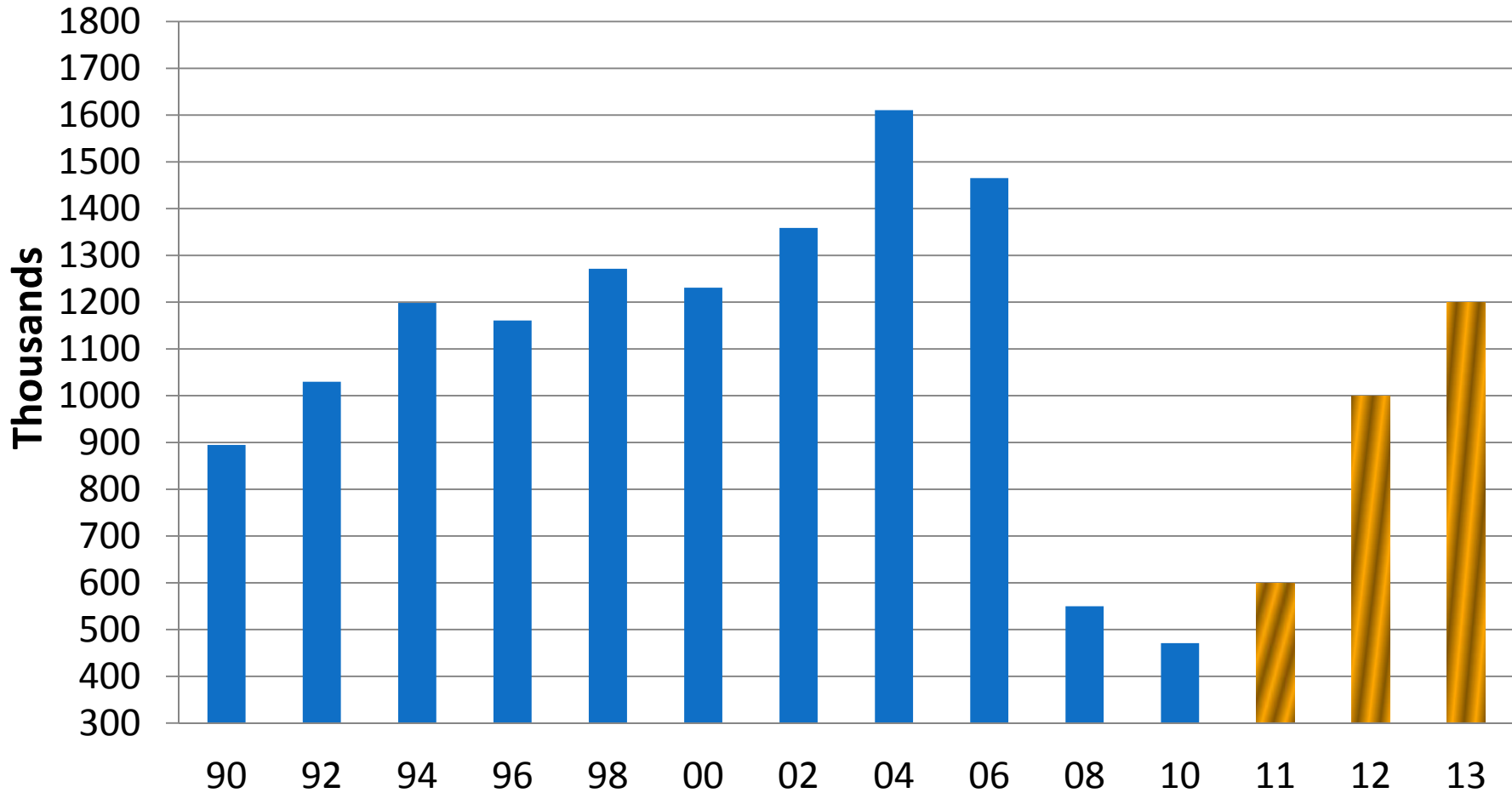


# National Picture – Single Family Housing

- Peak – 1.6 million / year starts
- Trough – 450 thousand / year starts
- Recover to 1 million / year – 2012 to 2013
- Retarding growth factors:
  - Foreclosures
  - Unemployment or fear of job retention
  - Uncertainty of future home values
  - Rising interest rates
  - Increasing level of down payment for loans
- Stimulus for single family housing construction
  - Certainty in U.S. economy
  - Jobs
  - Absorption of foreclosures



# U.S. Single Family Housing Starts



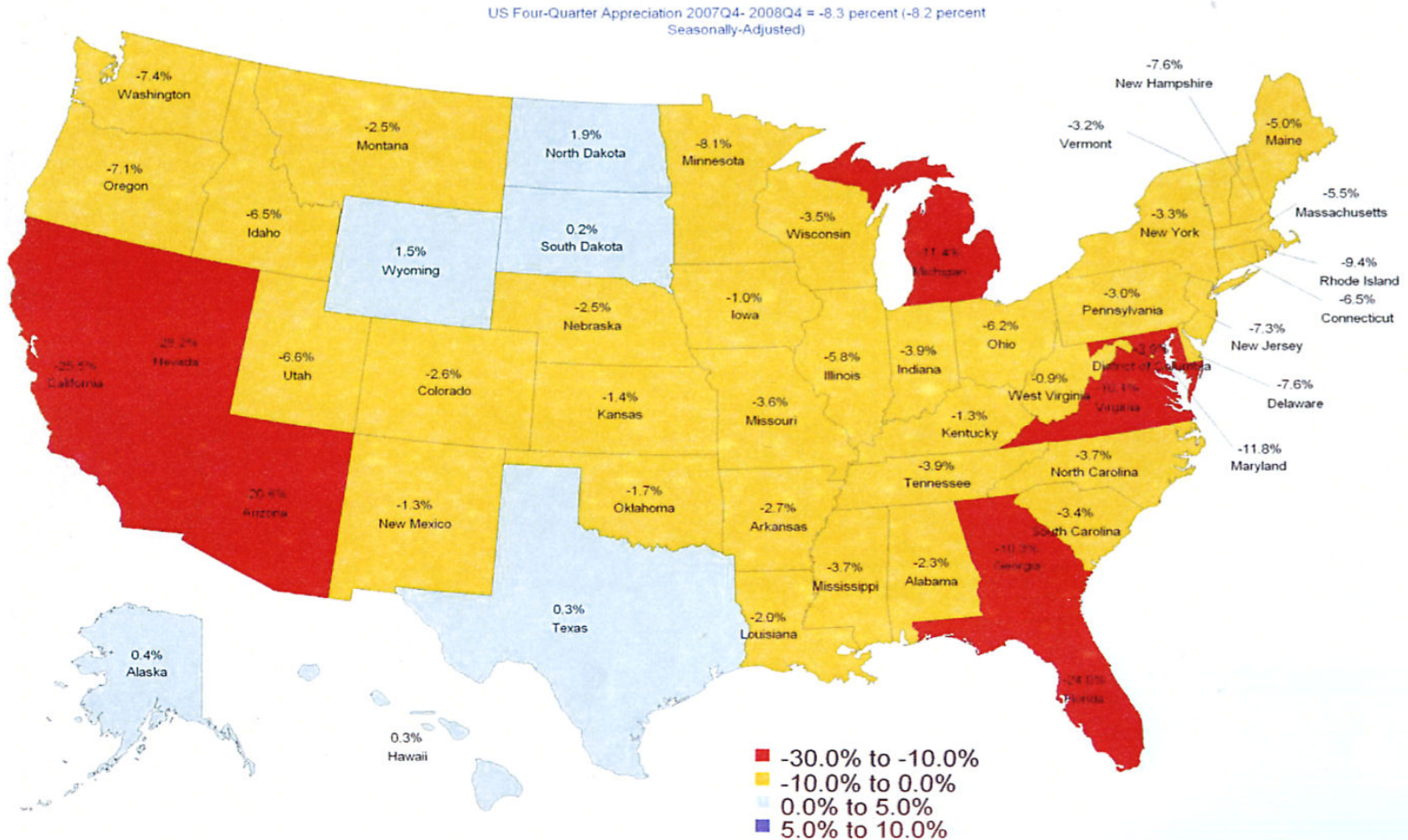
## National Picture – Single Family Housing – Value Trend

- Lead indicator of the beginning of supply-demand-price stabilization is moderation of home price decline.
- Comparison of annual appreciation/depreciation by state 4Q'07 to 4Q'08 shows moderation in home price decline.
- Trend of home appreciation and depreciation by metropolitan areas in the states most severely affected by the sub-prime failure show the speculation spike in value followed by sharp decline in home value ----most areas showed moderation of home depreciation beginning in mid 2009.



# Four-Quarter Appreciation By State 4Q'07 – 4Q'08

## Four-Quarter Price Change by State: Purchase-Only Index (Not Seasonally Adjusted)



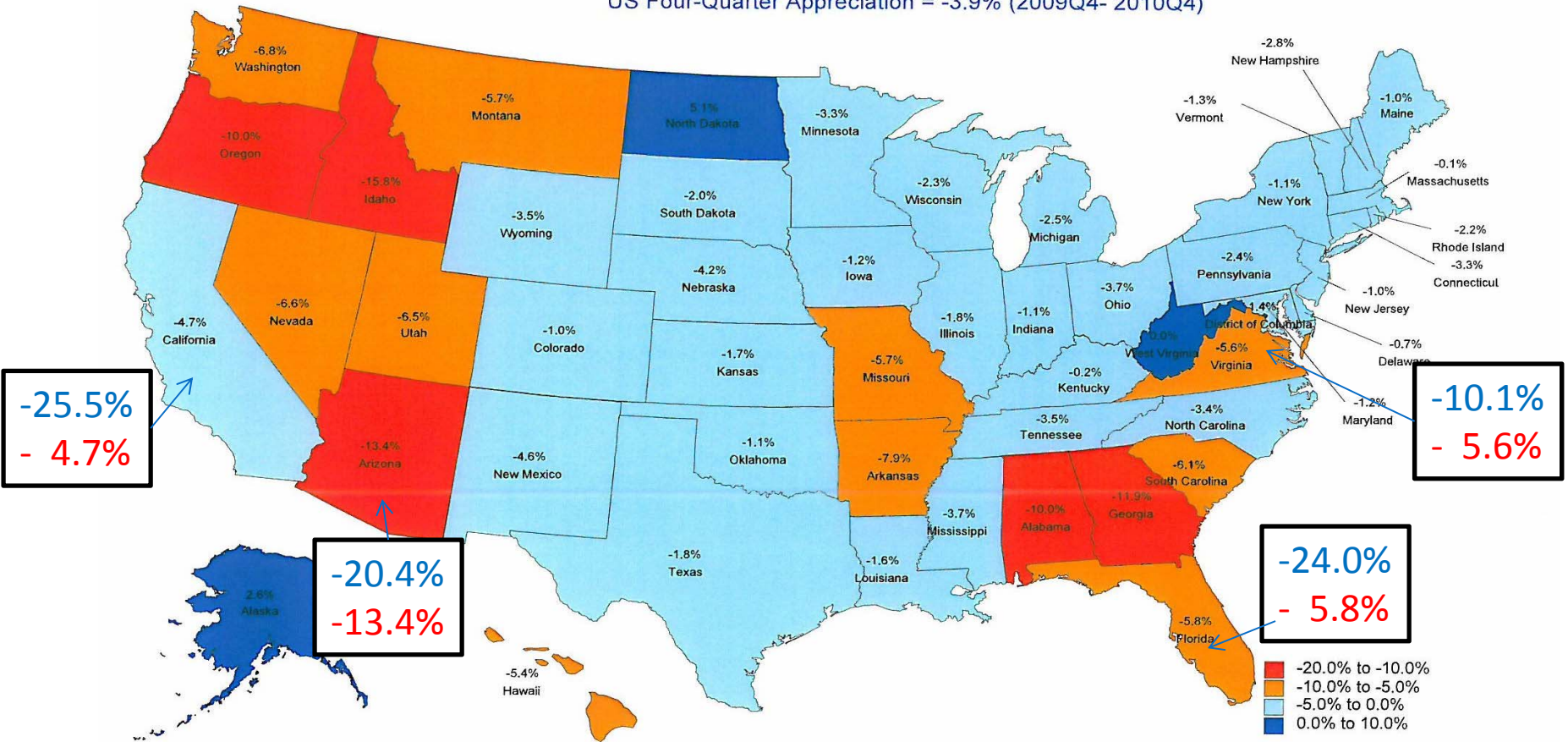
# Four-Quarter Appreciation By State 4Q'09 – 4Q'10

4Q 07-08 – Blue

4 Q 09-10 - Red

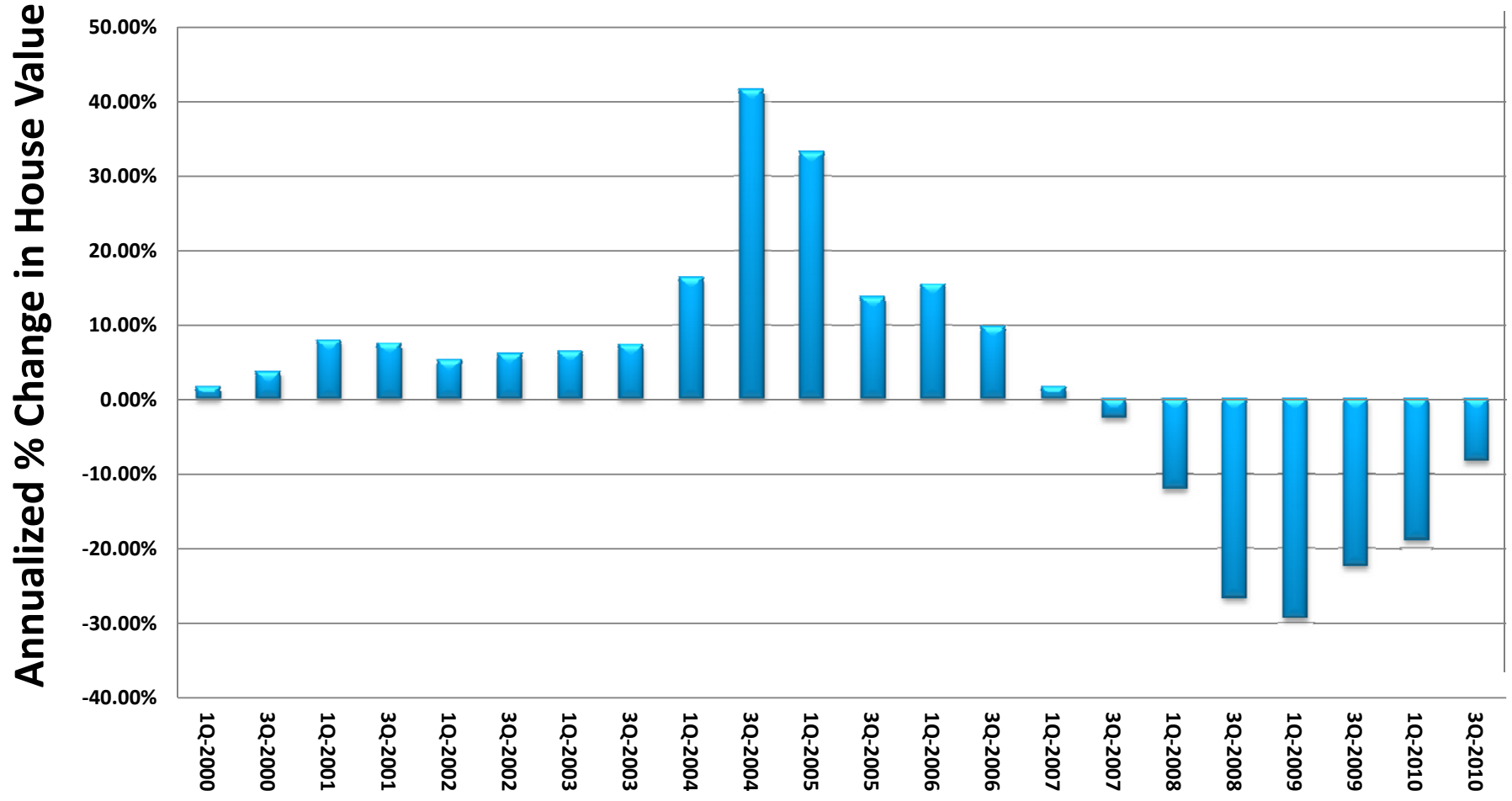
Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

US Four-Quarter Appreciation = -3.9% (2009Q4- 2010Q4)





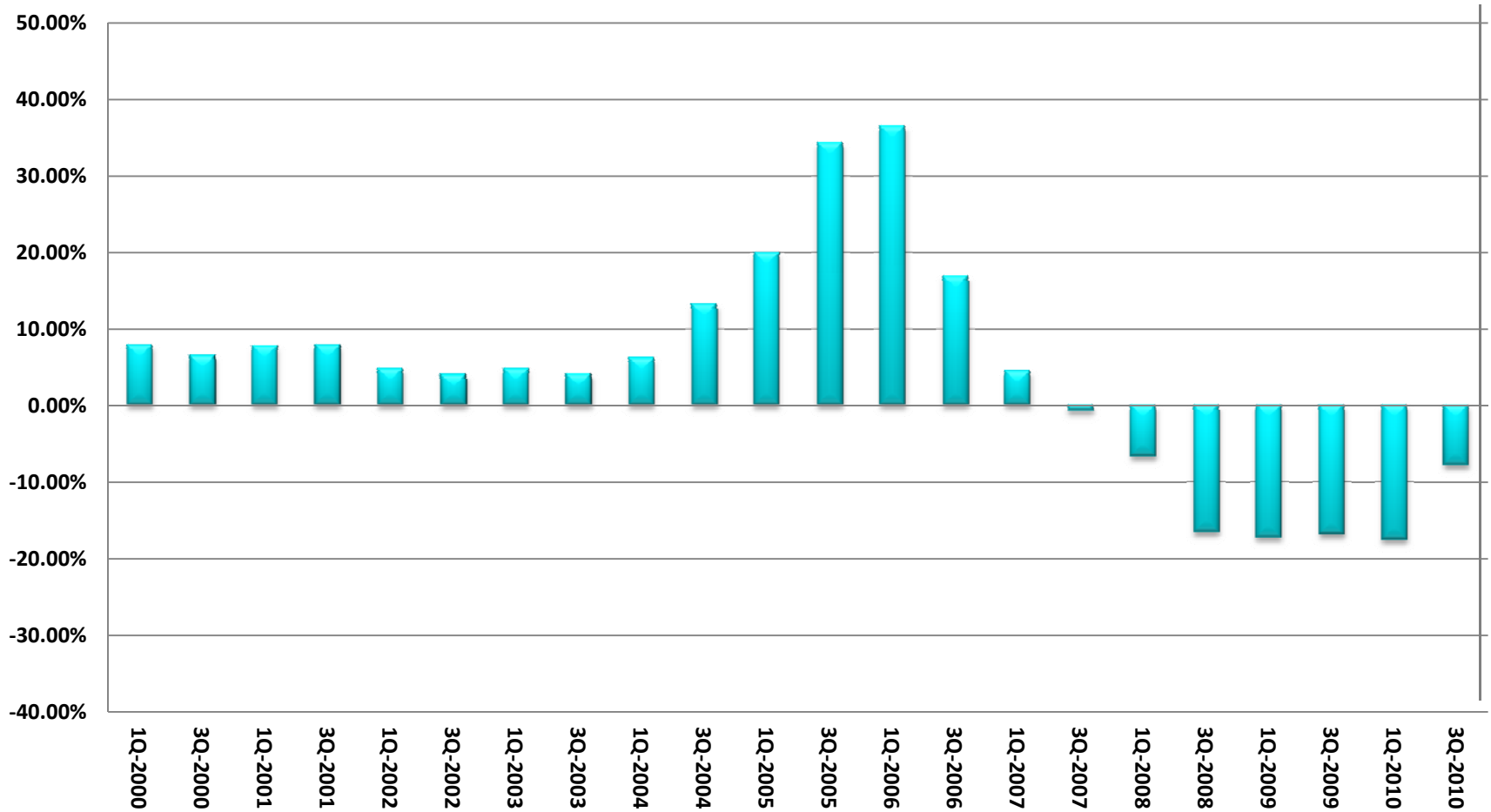
# Las Vegas – Paradise, NV

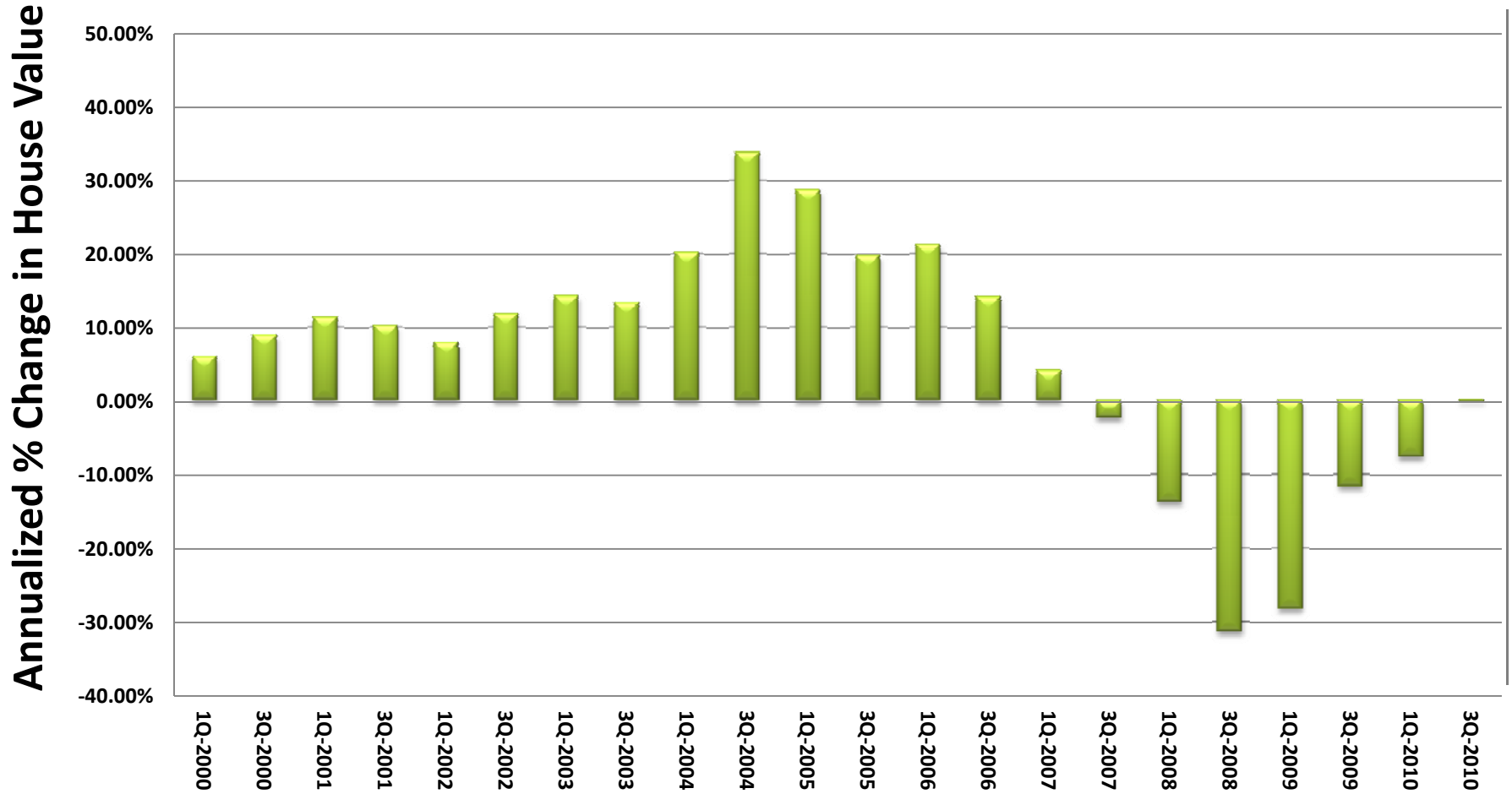


Source: Federal Housing Finance Study

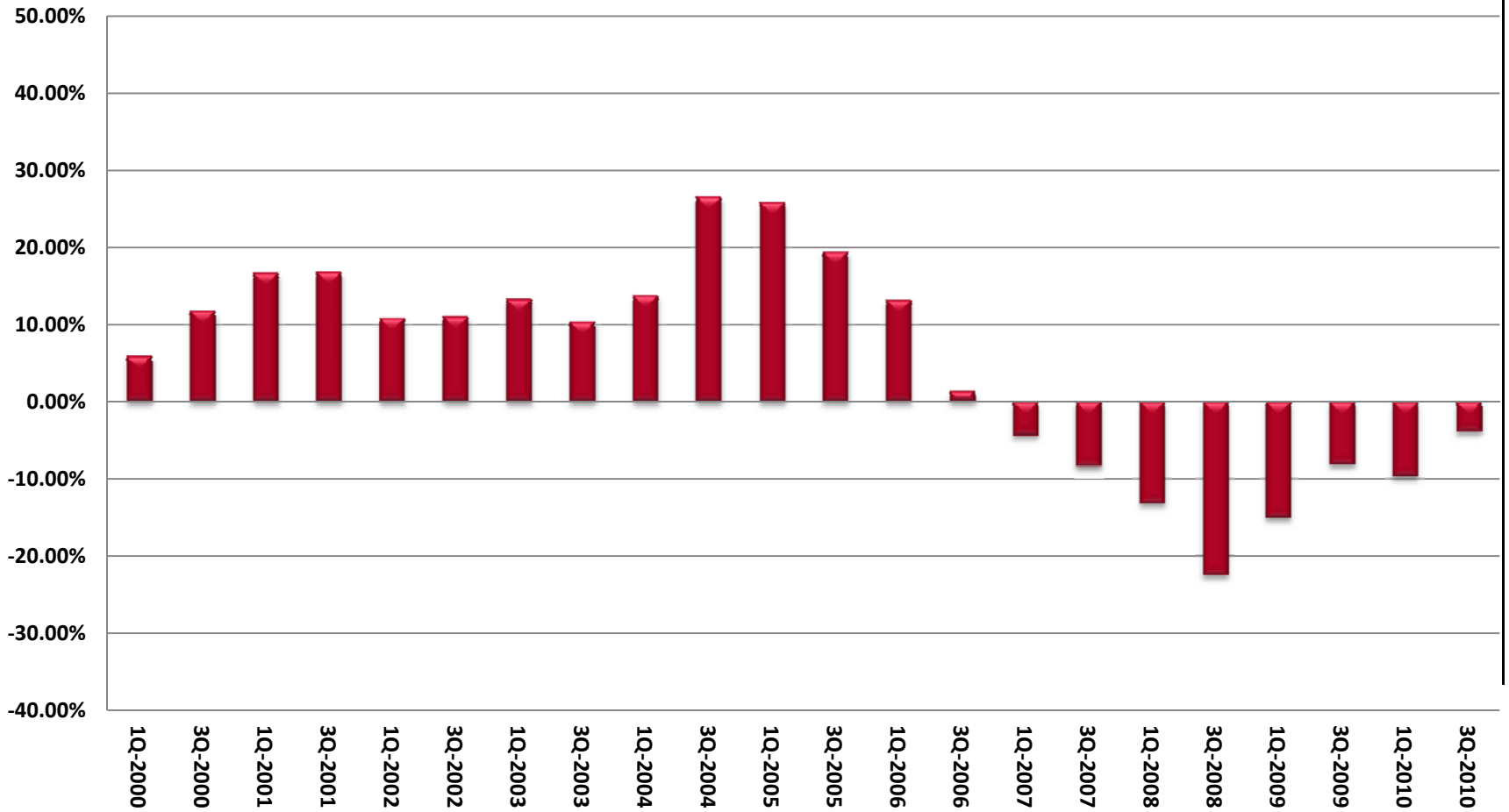
# Phoenix-Mesa-Scottsdale, AZ

**Annualized % Change in House Value**

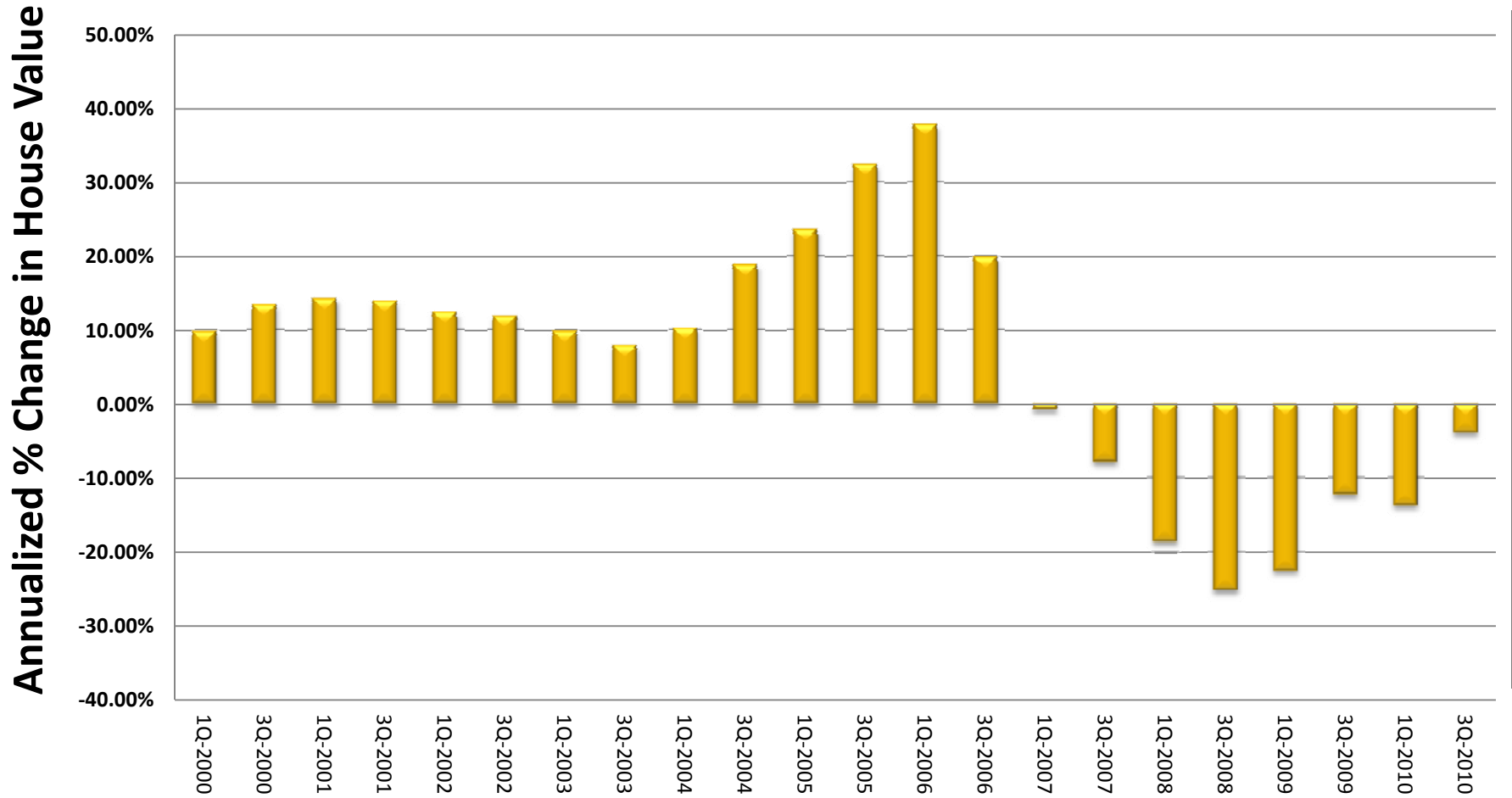




Annualized % Change in House Value



# Naples – Marco Polo, FL

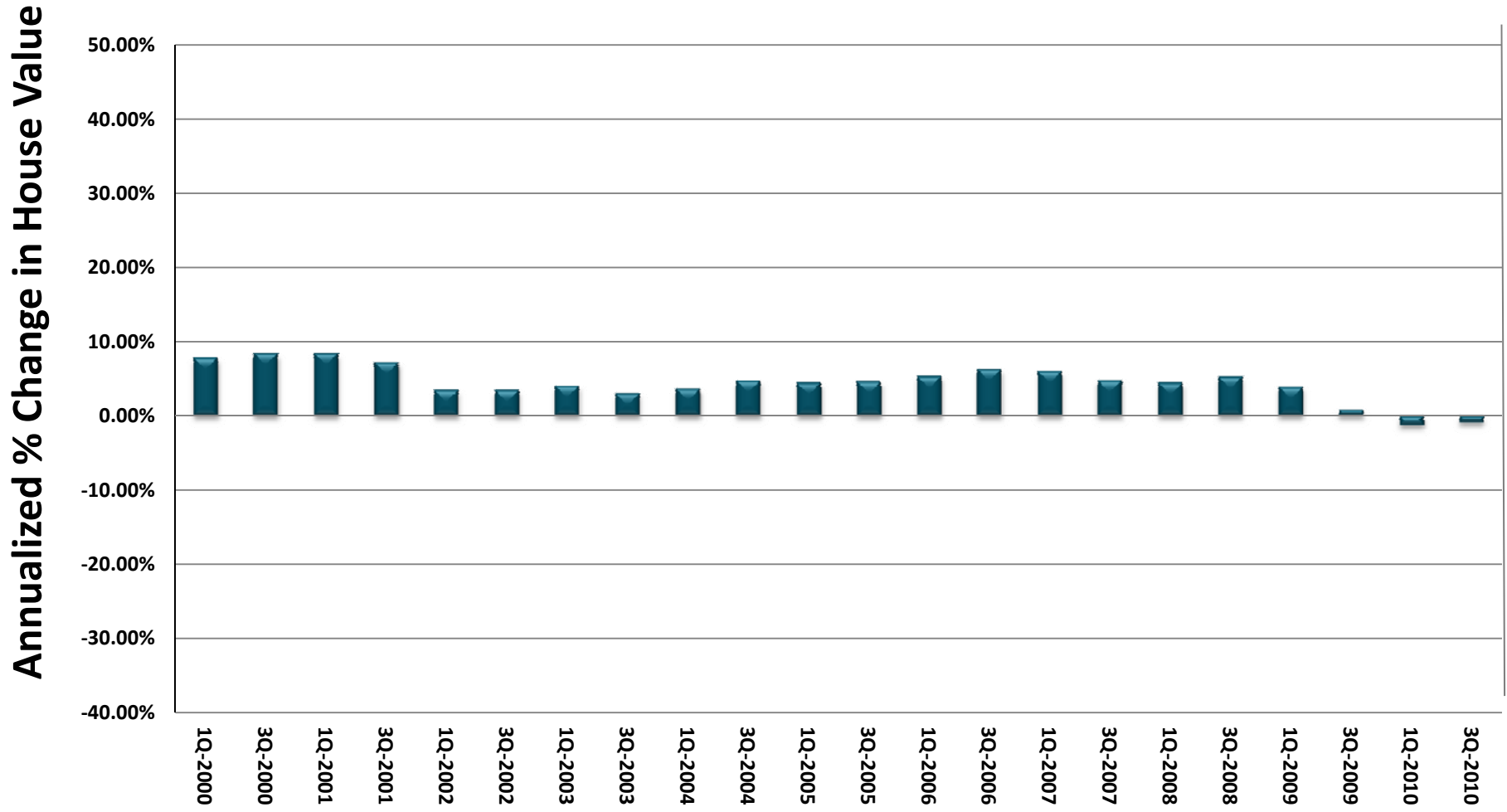


# Texas – Single Family Housing

- Texas cities show level, steady appreciation with no value spike and no severe value decline.
- Texas is the most stable state in the U.S.
- Texas is leading the U.S. in the recovery of real estate construction and value appreciation.

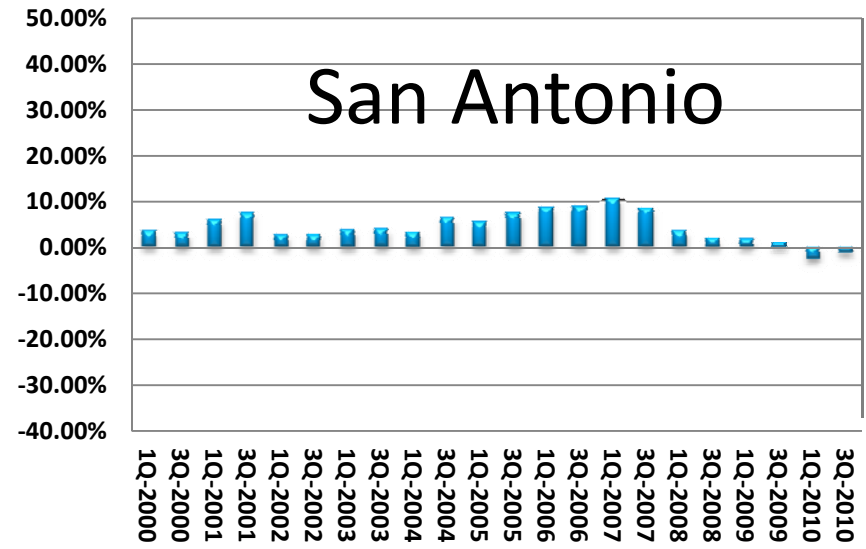
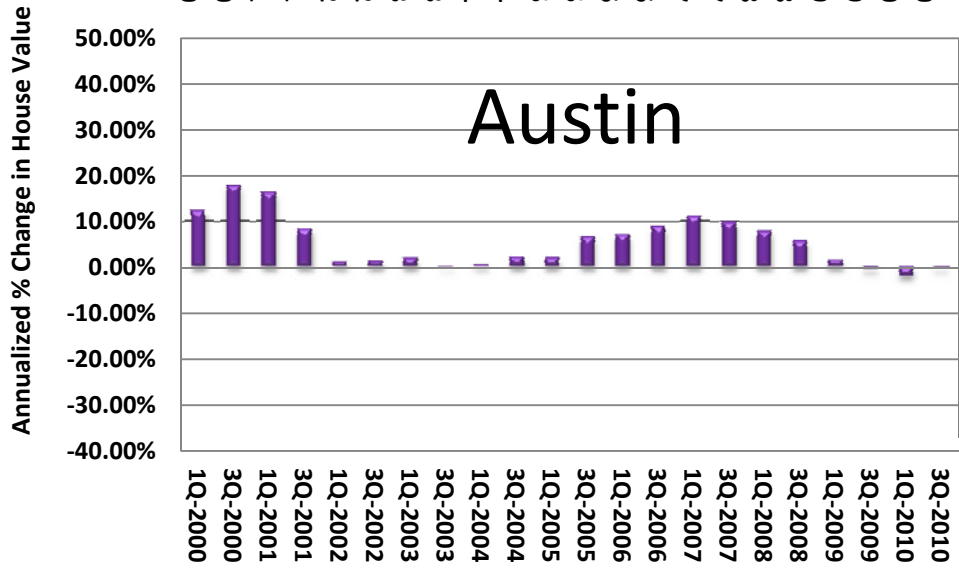
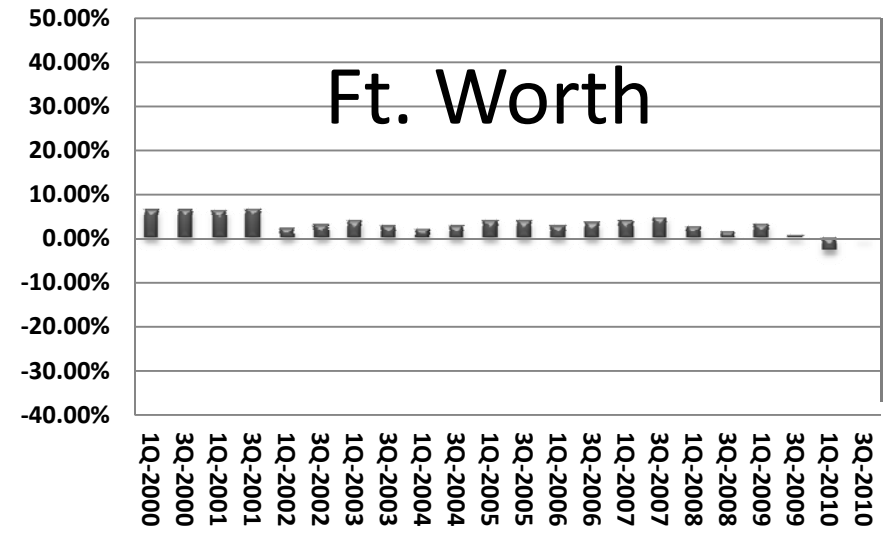
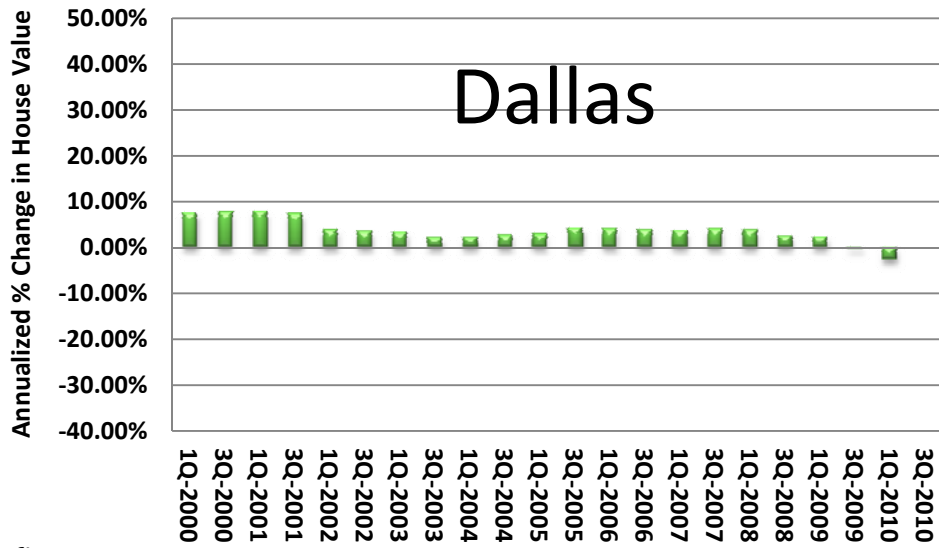


# Houston-Sugar Land-Baytown, TX





# Texas – 4 City Comparison of Appreciated Home Values



Source: Federal Housing Finance Study

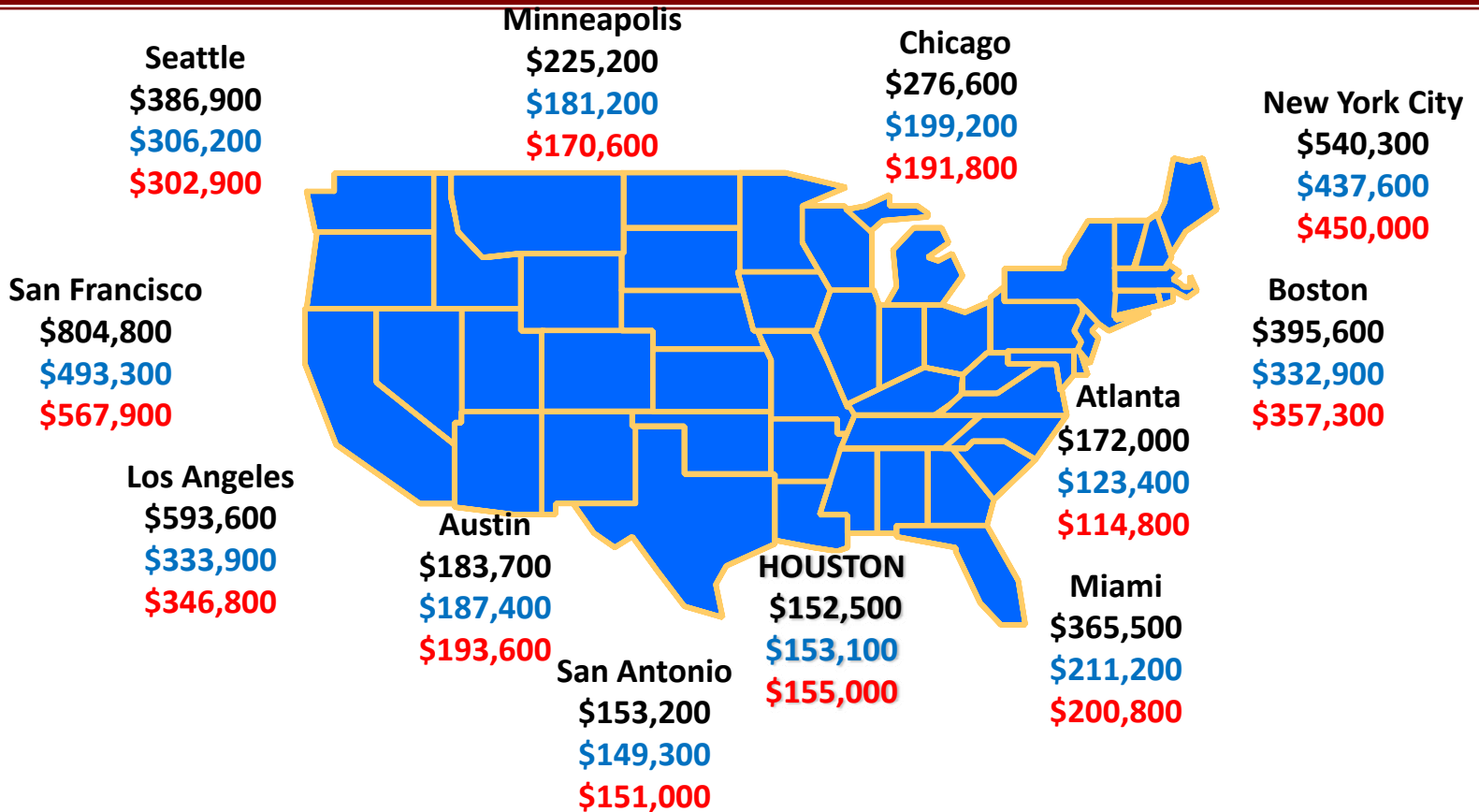


# Texas Median Home Value vs. Other Areas

- Texas home values have held steady while all other major metropolitan areas have had severe home value declines.
- Texas cities provide the most affordable housing among major U.S. metropolitan areas.



4<sup>th</sup> QUARTER 2010 VS 2009 & 2007  
MEDIAN HOME PRICES



Median Household Incomes

Year	Houston	Austin	San Antonio	Los Angeles	Miami	New York
2009	\$63,800	\$73,300	\$57,200	\$67,300	\$59,200	\$77,400
2010	\$65,100	\$73,800	\$57,800	\$68,200	\$60,200	\$78,300

# Texas – Real Estate Demand

## Population and Job-Growth

- Texas leads the nation in both job growth and population growth which creates the demand for housing and space for retail and business activity.
- In the U.S. and particularly in Texas, many families are residing in apartments that would prefer to own a home because of:
  - Lost Job
  - Uncertainty about retaining job
  - Foreclosure on home
  - Uncertain about future value of homes

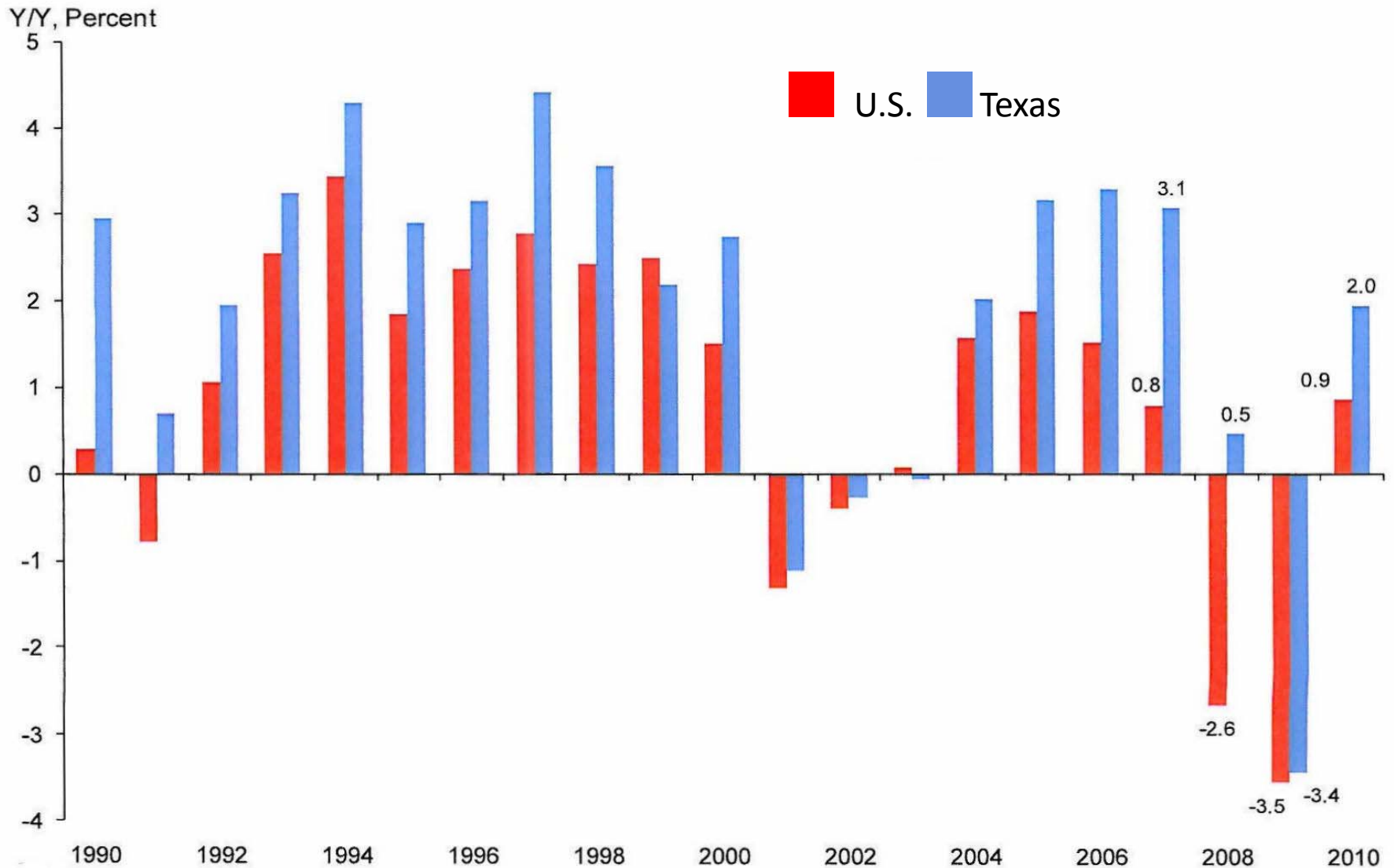


- Solution – JOBS, JOBS AND JOBS!
  
- When confidence returns as the economy recovers:
  - A larger percent of new family units will buy homes.
  - Apartment dwellers deciding to purchase homes will add the second demand stream on home sales.
  - There will be strong demand on the limited inventory of homes and lots in Texas which will put upward pressure on homes, lots and pre-development land tracts.

# Ten Fastest Growing States 2000-2008

State	2000 Population	2008 Population	Numerical Change
Texas	20,851,820	24,326,974	3,475,154
California	33,871,648	36,756,666	2,885,018
Florida	15,982,378	18,328,340	2,345,962
Georgia	8,186,453	9,685,744	1,499,291
Arizona	5,130,632	6,500,180	1,369,548
North Carolina	8,049,313	9,222,414	1,173,101
Virginia	7,078,515	7,769,089	690,574
Washington	5,894,121	6,549,224	655,103
Colorado	4,301,261	4,939,456	638,195
Nevada	1,998,257	2,600,167	601,910

# Texas Jobs Growing Faster Than Nation's



# Job Growth By State

## Non-Farm Employee Payroll

### 2007

Rank	State	12/06 Employed (in thousands)	12/07 Employed (in thousands)	Job Growth (in thousands)
	USA	135,827.6	137,795.2	1,967.6
1	Texas	10,066.2	10,475.1	408.9
2	New York	8,618.4	8,781.1	162.7
3	North Carolina	4,040.6	4,187.7	147.1
4	California	15,060.3	15,171.0	110.7
5	Washington	2,859.2	2,958.3	99.1
6	Louisiana	1,853.2	1,940.8	87.6
7	Georgia	4,089.1	4,159.7	70.6
8	Colorado	2,279.1	2,347.9	68.8
9	Utah	1,203.7	1,264.8	61.1
10	Illinois	5,932.7	5,986.5	53.8
Top 10		<b>56,002.5</b>	<b>57,272.9</b>	<b>1270.4</b>
	Share of USA Total		41.6%	64.6%

# Job Growth By State

## Non-Farm Employee Payroll

### 2008

Rank	State	12/07 Employed (in thousands)	12/08 Employed (in thousands)	Job Growth (in thousands)
	USA	137,795.2	135,615.6	-2179.6
1	Texas	10,475.1	10,628.8	153.7
2	Oklahoma	1574.6	1589.8	15.2
3	Louisiana	1940.8	1949.0	8.2
4	Wyoming	292.5	299.0	6.5
5	South Dakota	408.4	411.8	3.4
6	Alaska	317.4	320.2	2.8
7	North Dakota	360.1	362.1	2.0
8	Kansas	1384.6	1385.5	0.9
9	Washington , DC	701.5	702.1	0.6
10	Nebraska	971.3	970.3	-1.0
<b>Top 10</b>		<b>18,426.3</b>	<b>18618.6</b>	<b>192.3</b>
	<b>Share of USA Total</b>		<b>13.7%</b>	
47	New York (Rank #2 in 2007)	8781.1	8661.2	-119.9
51	California (Rank #4 in 2007)	15171.0	14913.6	-257.4



# Job Growth By State

## Non-Farm Employee Payroll

### 2010

Rank	State	12/09 Employed (in thousands)	12/10 Employed (in thousands)	Job Growth (in thousands)
	USA	128,963.9	130,013.8	1,049.9
1	Texas	10,218.9	10,444.7	225.8
2	California	13,809.6	13,935.8	126.2
3	New York	8,460.9	8,557.9	97.0
4	Pennsylvania	5,554.2	5,639.9	85.7
5	Illinois	5,558.2	5,623.8	65.6
6	Massachusetts	3,137.6	3,193.8	56.2
7	Wisconsin	2,698.4	2,736.3	37.9
8	Ohio	4,998.4	5,034.2	35.8
9	Indiana	2,758.8	2,791.2	32.4
10	Tennessee	2,586.9	2,616.9	30.0
<b>Top 10</b>		<b>59,781.9</b>	<b>60,574.5</b>	<b>792.6</b>
	<b>Share of USA Total</b>	<b>46.4%</b>	<b>46.6%</b>	<b>75.5%</b>

# Net Job Change – Major Metro Areas U.S. – December 2010

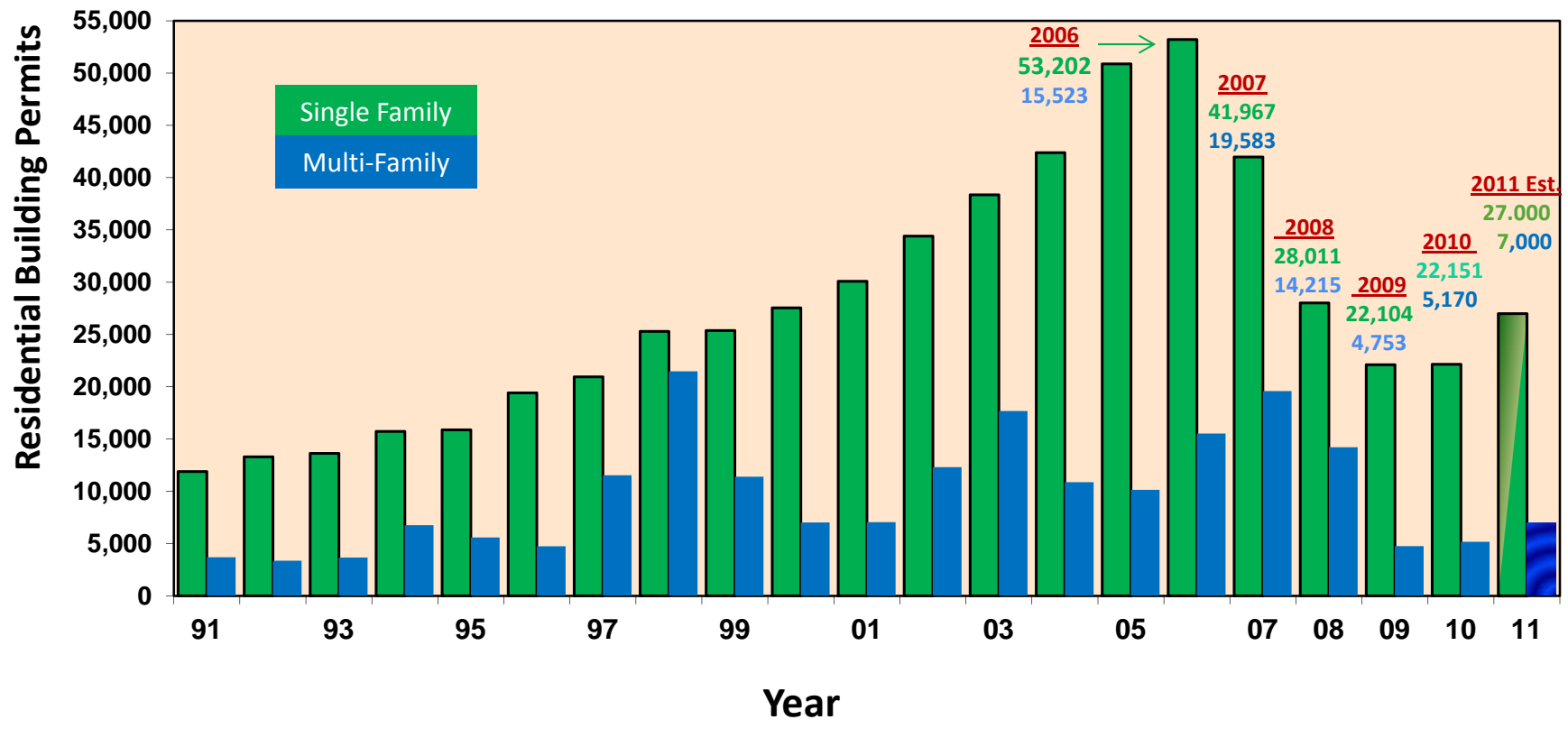
Metropolitan Area	Rank	Growth
Dallas/Ft. Worth, TX	1	50,800
Houston, TX	2	46,300
Washington, D.C.	3	25,000
Chicago, IL	4	22,600
Boston, MA	5	21,800
Columbus, OH	6	15,300
Nashville, TN	7	14,800
Orlando, FL	8	13,700
Pittsburgh, PA	9	12,500
Philadelphia, PA	10	11,700
Austin, TX	13	9,800
San Antonio, TX	16	7,200

# Houston – Single Family Housing – 2011

- 2006 Permits peaked at 53,000
- 2009 permits bottomed at 22,000
- 2010 permits remained at 22,000
- 2011 estimated permits are 27,000
- Since 2001, MLS housing inventory has varied between 4 and 7 months supply which is a healthy range.
- In 2010 Houston led the nation in new home closings with 22,000 units. Houston's housing market is stable.



# Residential Building Permits Houston - MSA

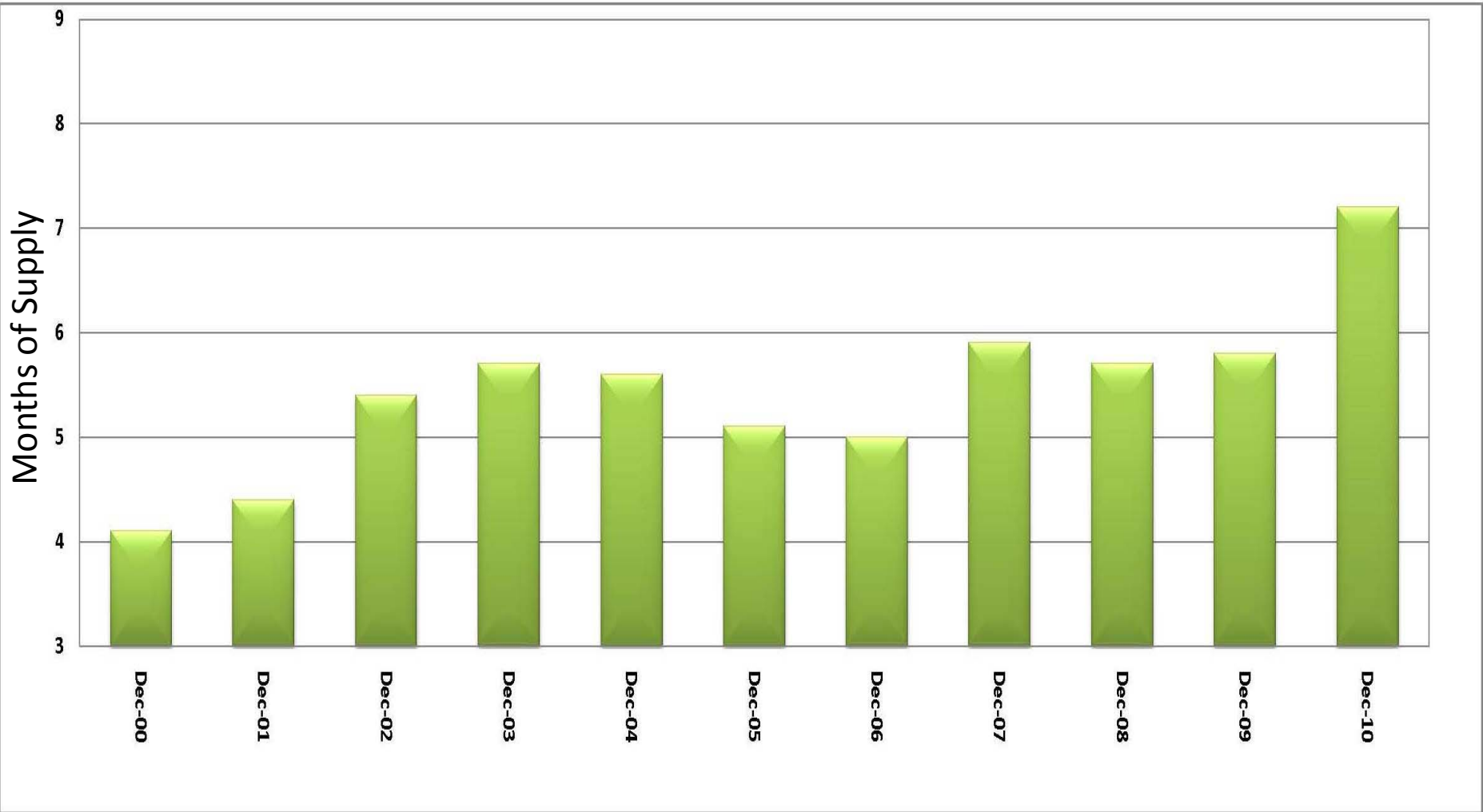




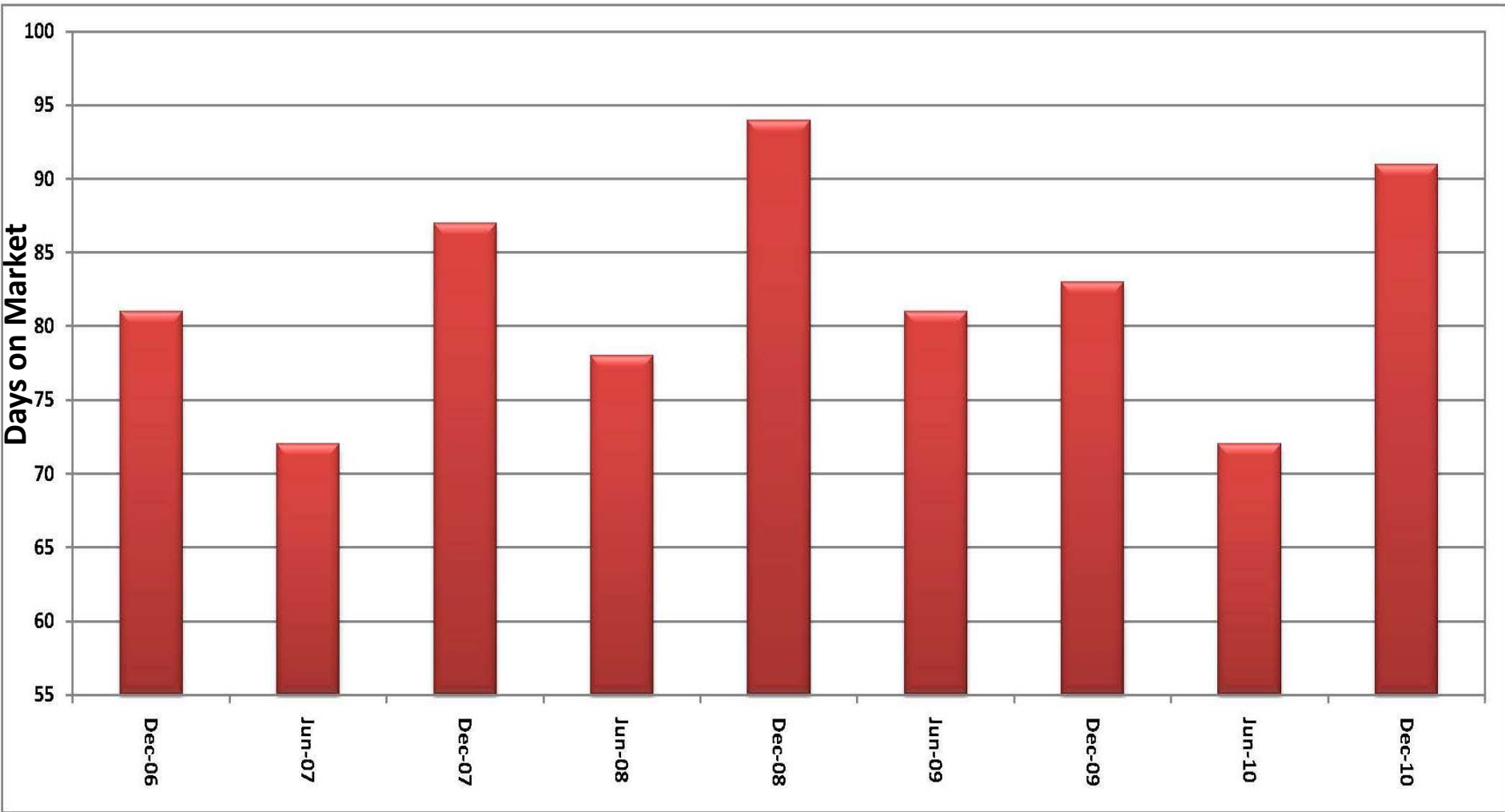
# Houston

## MLS Months of Supply

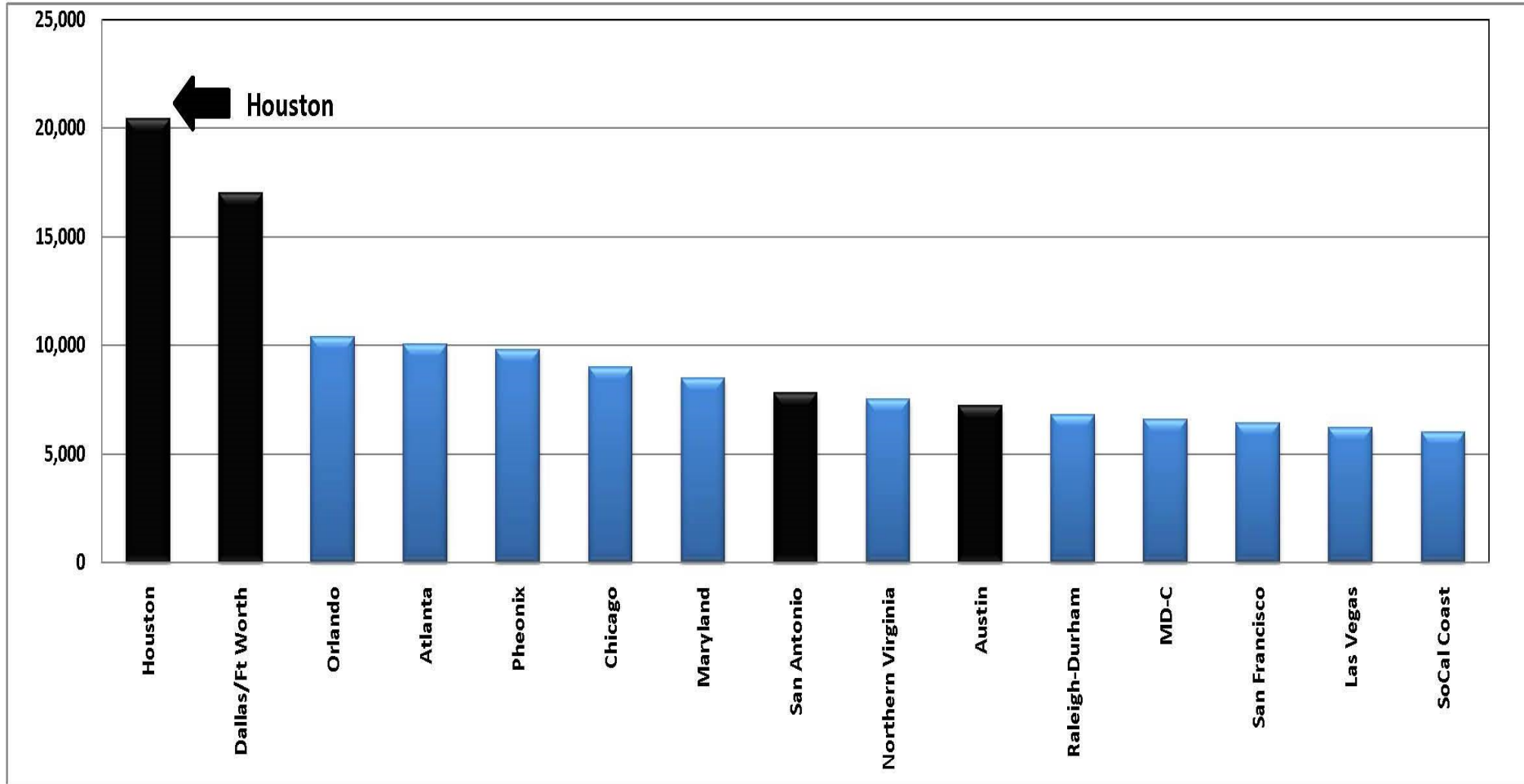
### 4Q10



# Houston – MLS Days on Market – Sold Homes – December 2010



# Top 15 Cities – Annual New Home Closings December 2010



# 2011 Houston Single Family Activity

- Foreclosures: Approximately 1,200 / month  
Approximately 30% of MLS sales
  
- Home Starts: Master Planned Community  
20% to 25% of Houston starts
  
- Lots:  
40,000 quality lots on ground  
2010 lots absorbed 20,000  
2010 lots constructed 12,000  
Lot supply is tight  
15 to 18 months to put lots on ground  
Lot price 2007 - \$750 / front ft.  
2009 - \$500 / front ft.  
2010 - \$600 / front ft.  
2011 - \$700 /front ft.





# Tracts for Development

- Developers buying 20 to 50 acre tracts.  
KB, Perry, MI Homes, Lennar, etc.
- Large tract acquisitions  
Newland - 500 acres – Katy  
Beazer – 200 acres – FM1463
- New financing is difficult – lenders requiring outside loan guarantees' and collateral independent of project.
- 2011 Development cost 25% less than 2007 but expected to increase as inflation and demand increases.
- 2010-2011 traffic for single family home purchases is better qualified and cancellation rates dropped from 35% in 2009 to 15% in 2011.



# Conclusion

- U. S. Housing market beginning to stabilize.
- U.S. home sales will continue to decline but at a more moderate rate.
- Foreclosure inventories will continue to retard U.S. home construction rate for next 2 to 3 years.
- **Jobs are the answer.** As jobs return and the economy improves, the demand for housing will increase and accelerate the absorption of foreclosed inventory and stimulate the demand for new homes. Demand for land for new lots will follow as will financing for development and home purchases.
- Texas will be the first state to strongly recover to a solid home building market.
- Demand and inflation will drive land value and homes above the 2007 levels by 2013-2014.

