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Real partners. Real possibilities.™



For Every Action There is An Equal and Opposite Reaction

**Newton Was an Economist - The
Outlook for Real Estate and the Economy**

**Ted C. Jones, PhD
Chief Economist**

Twitter

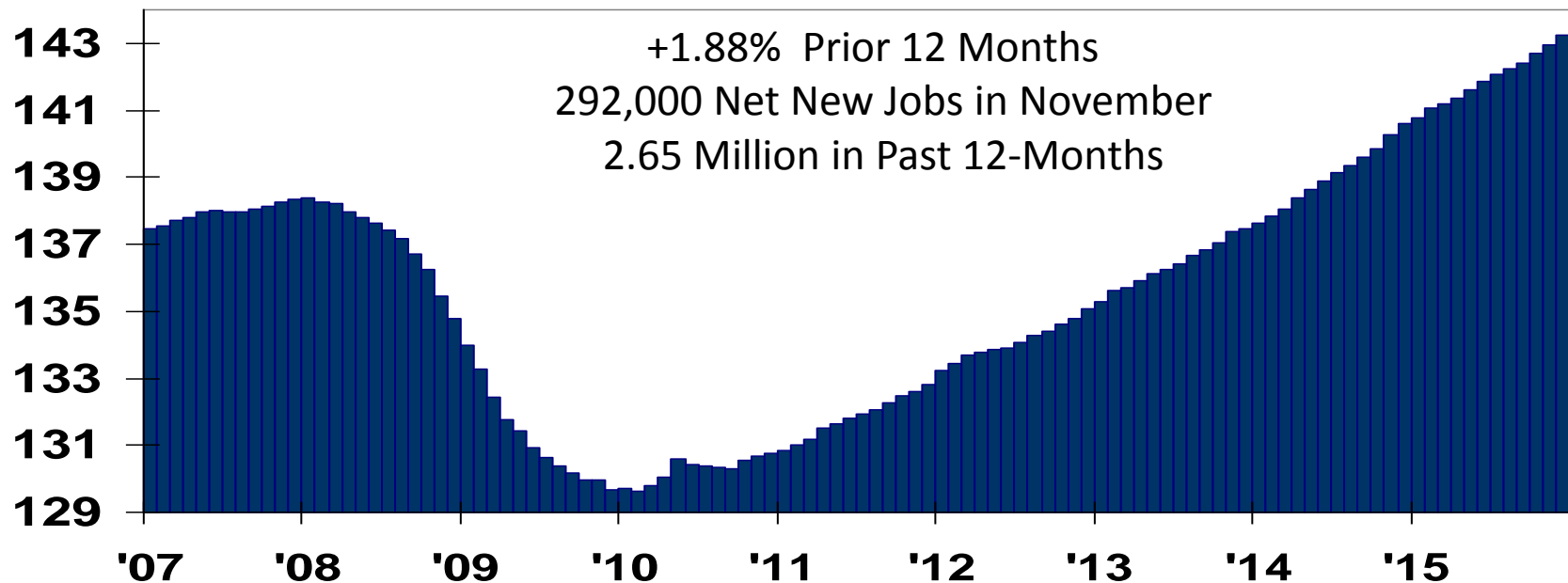
#DrTCJ

Mega Themes

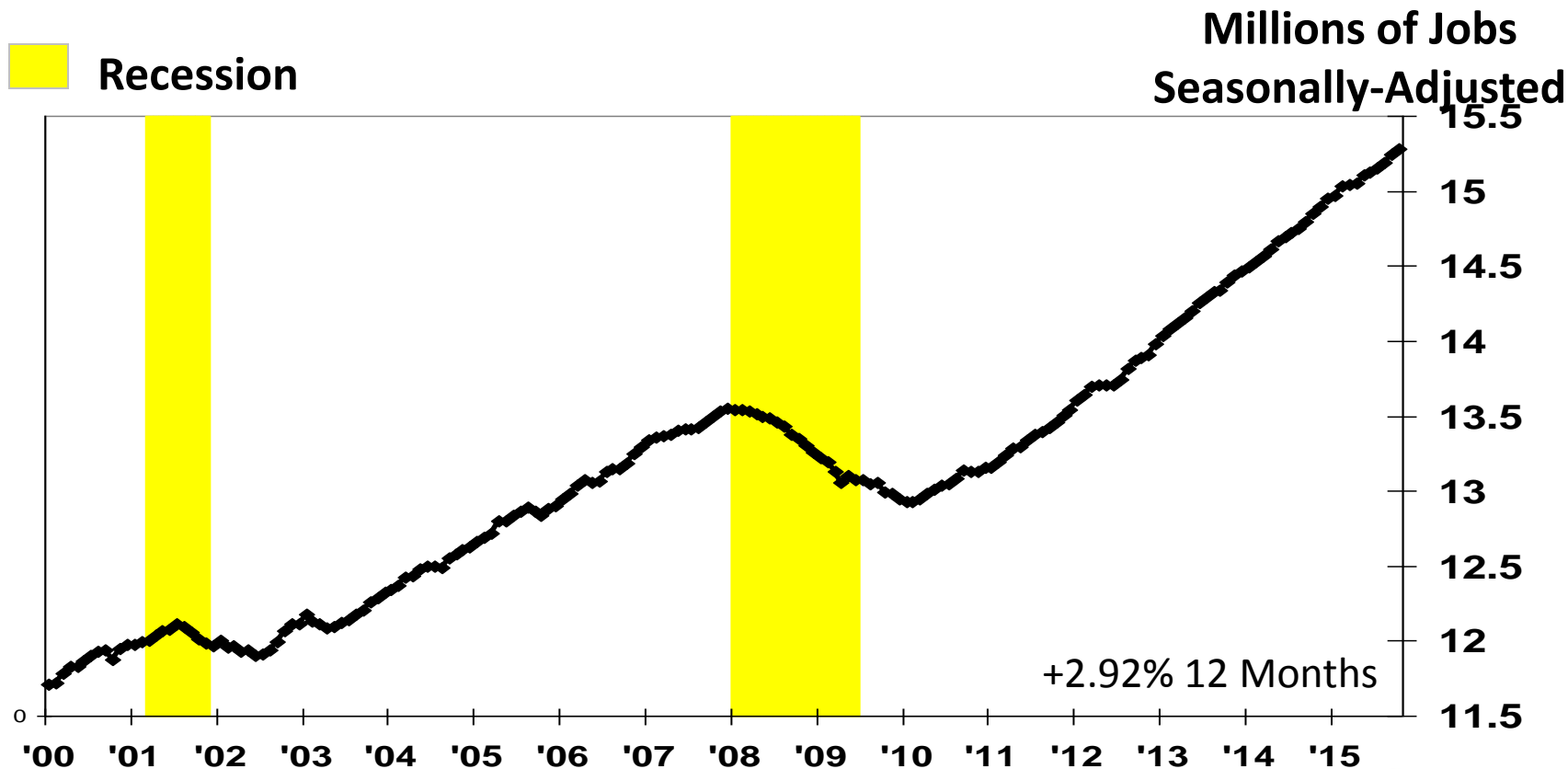
- More Jobs Than Ever in History
- Retail Boom Just Starting
- Residential Renting vs. Owning
- Entry Level Homebuyers Returning
- Inflation Potential
- Overweight in Real Estate
- Terrorism is Here to Stay

U.S. Jobs

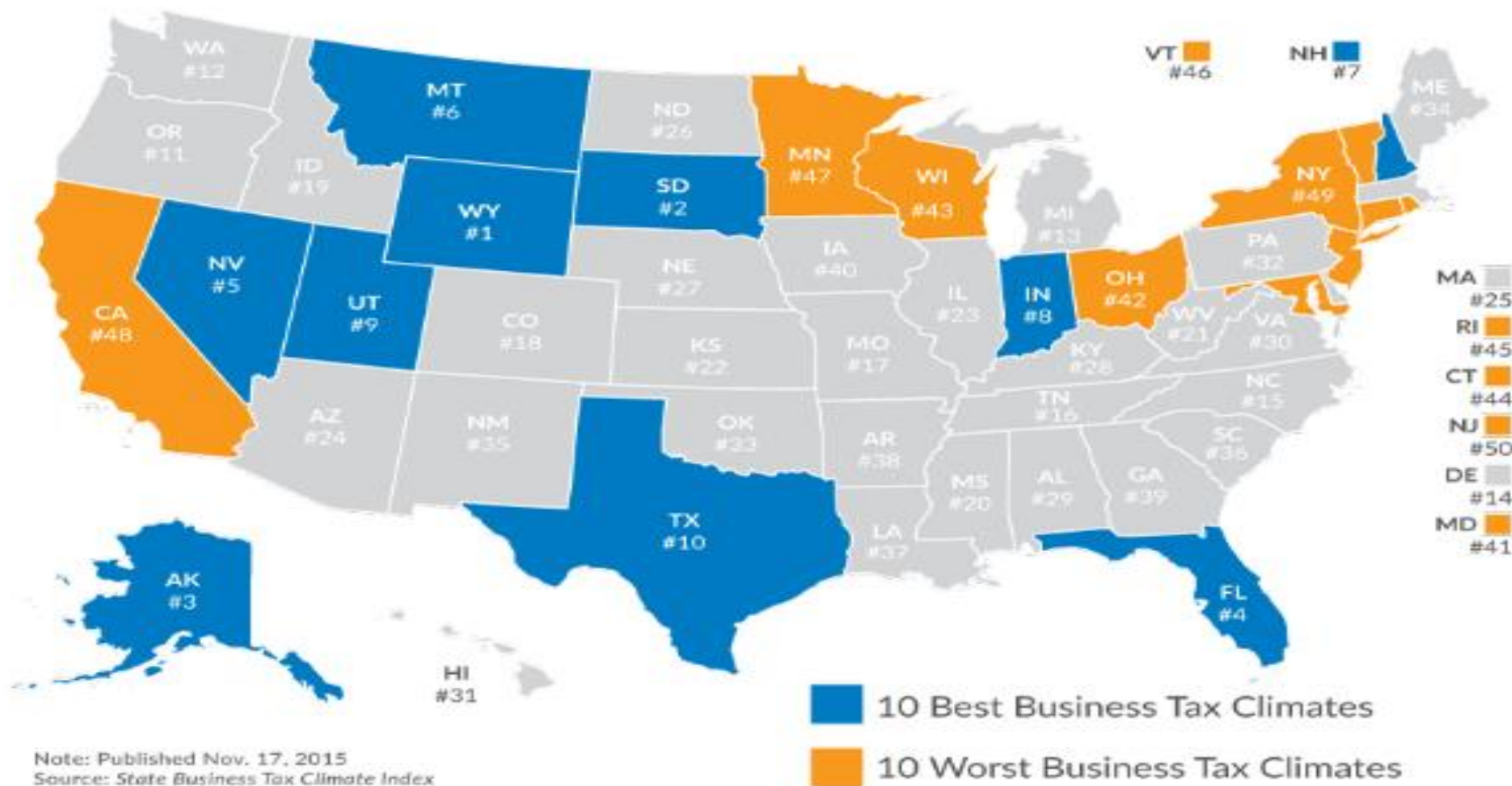
Jobs (Millions) *Seasonally Adjusted*



U.S. Leisure & Hospitality Jobs



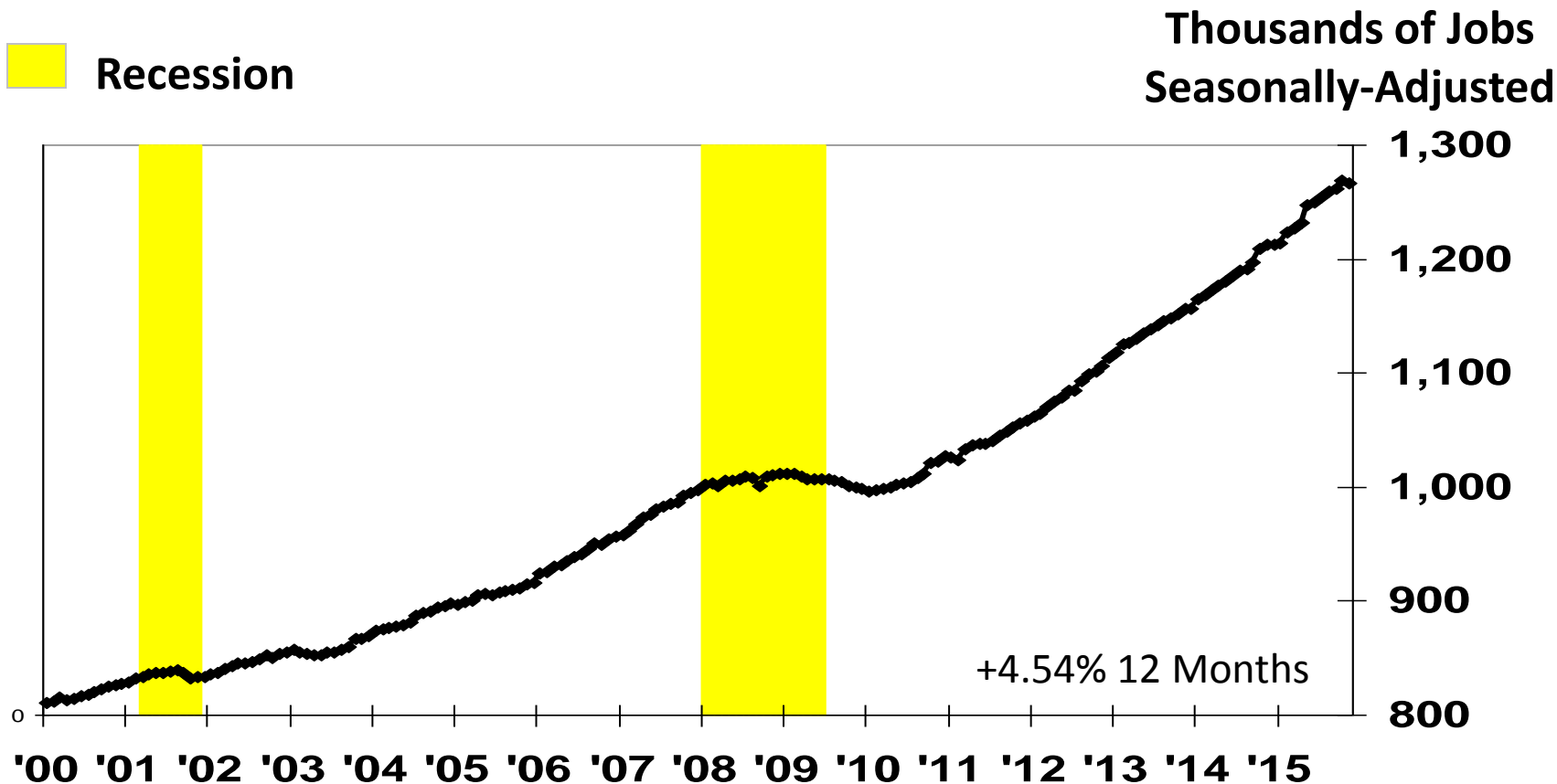
2016 State Business Tax Climate Index



State Job Growth Rates - 12 Months Ending November 2015

State	Percent	State	Percent	State	Percent
Idaho	4.19%	Colorado	1.78%	Minnesota	1.13%
Utah	3.55%	Kentucky	1.77%	Dist of Columbia	1.09%
Florida	3.02%	Iowa	1.75%	Missouri	1.04%
Washington	2.87%	Tennessee	1.71%	Wisconsin	1.04%
Oregon	2.75%	Michigan	1.71%	Mississippi	0.89%
South Carolina	2.64%	Rhode Island	1.67%	Montana	0.71%
California	2.63%	Connecticut	1.60%	Pennsylvania	0.68%
South Dakota	2.59%	Texas	1.53%	New Hampshire	0.63%
Nevada	2.52%	Nebraska	1.50%	Illinois	0.61%
Arizona	2.49%	Ohio	1.41%	Kansas	0.50%
Massachusetts	2.23%	Delaware	1.40%	New Mexico	0.36%
Georgia	2.20%	New Jersey	1.39%	Alaska	0.15%
North Carolina	2.18%	Virginia	1.37%	Oklahoma	-0.09%
Hawaii	2.11%	Vermont	1.28%	Louisiana	-0.57%
Maryland	2.02%	Maine	1.27%	Wyoming	-0.72%
Indiana	1.96%	Alabama	1.27%	West Virginia	-1.42%
New York	1.88%	Arkansas	1.23%	North Dakota	-2.87%

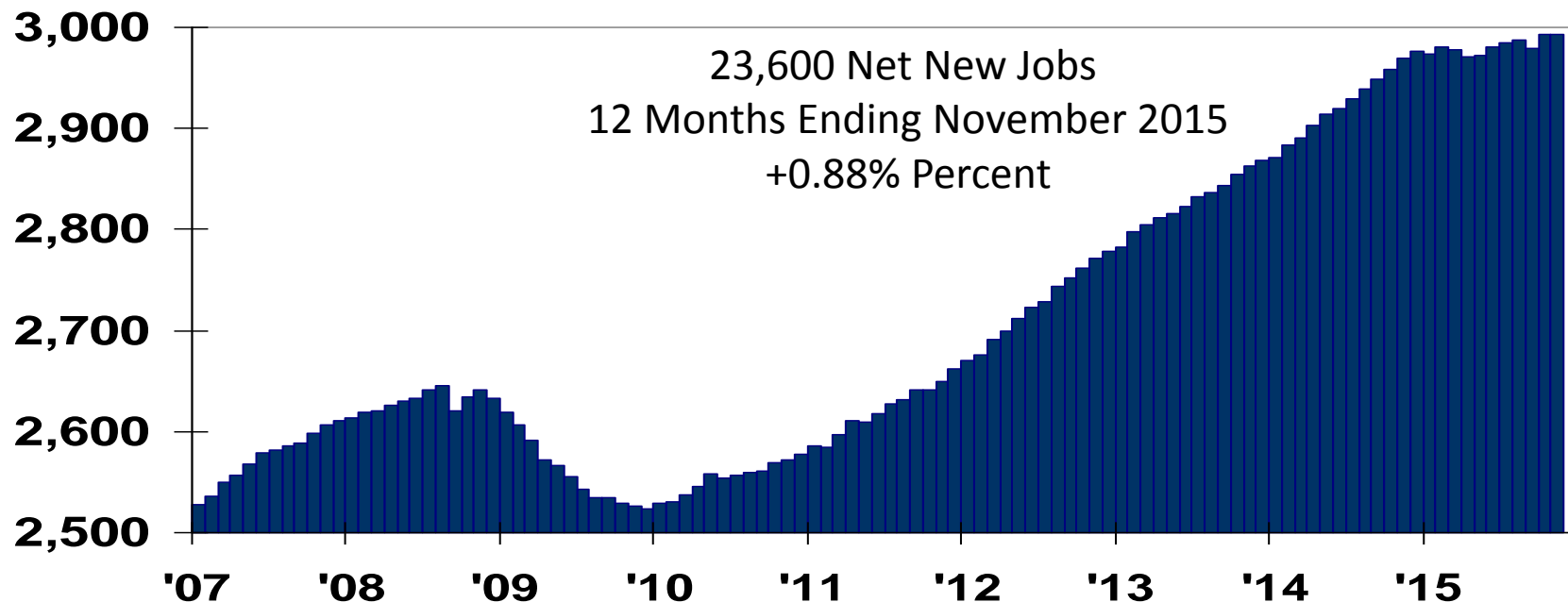
Texas Leisure & Hospitality Jobs



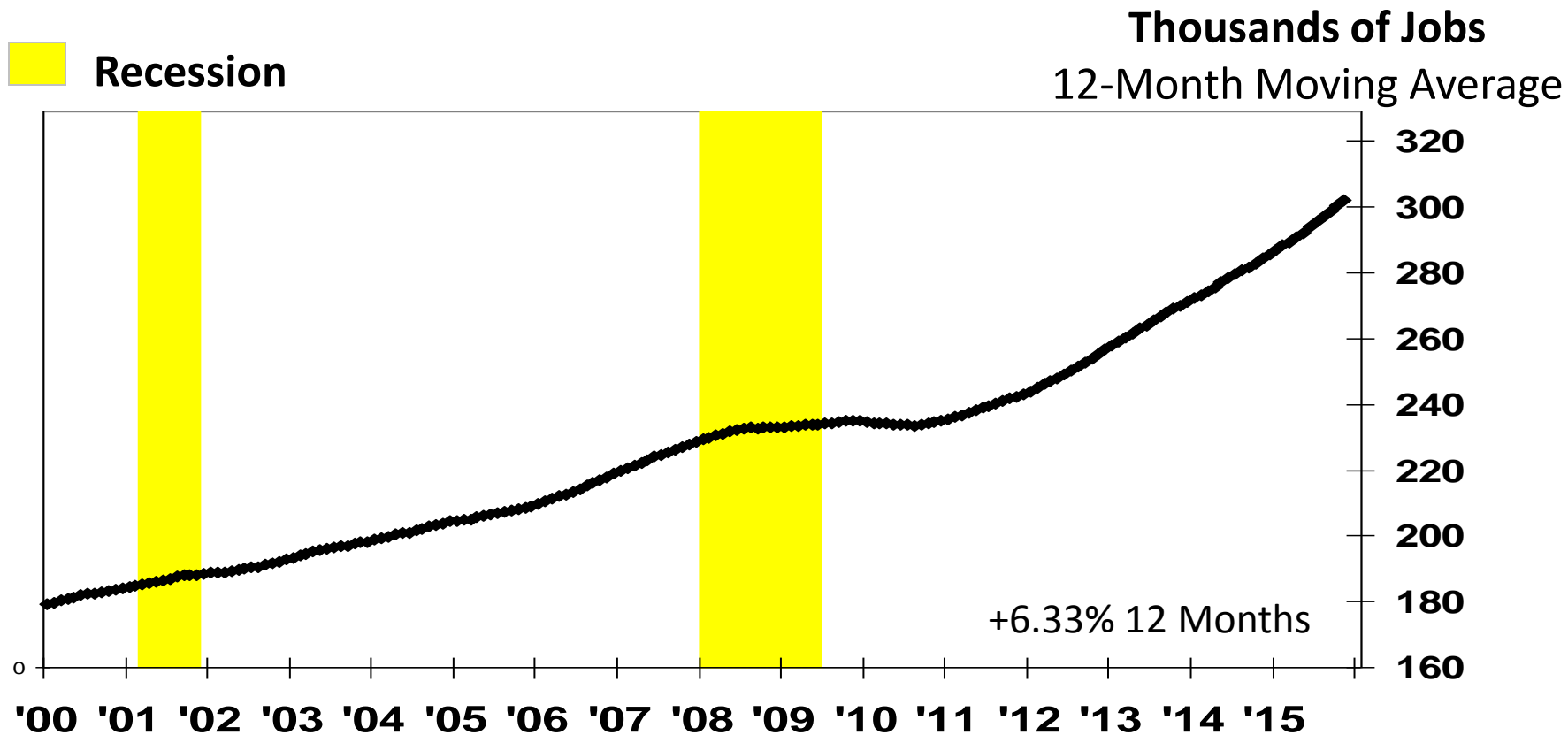
Houston MSA Jobs

More Jobs Than
Anytime in History

Jobs (Thousands) *Seasonally Adjusted*



Houston MSA Leisure & Hospitality Jobs



HAR MLS

	Single Family	Condo- Townhouse	Mid-High- Rise	Total
2014	75,535	6,982	909	83,426
2015	73,742	6,850	760	81,352
Percent Change	-2.37%	-1.89%	-16.39%	-2.49%



Montgomery County

**Single
Family**

**Condo-
Townhome**

Total

2014

8,706

477

9,183

2015

8,844

501

9,345

Percent Change

1.59%

5.03%

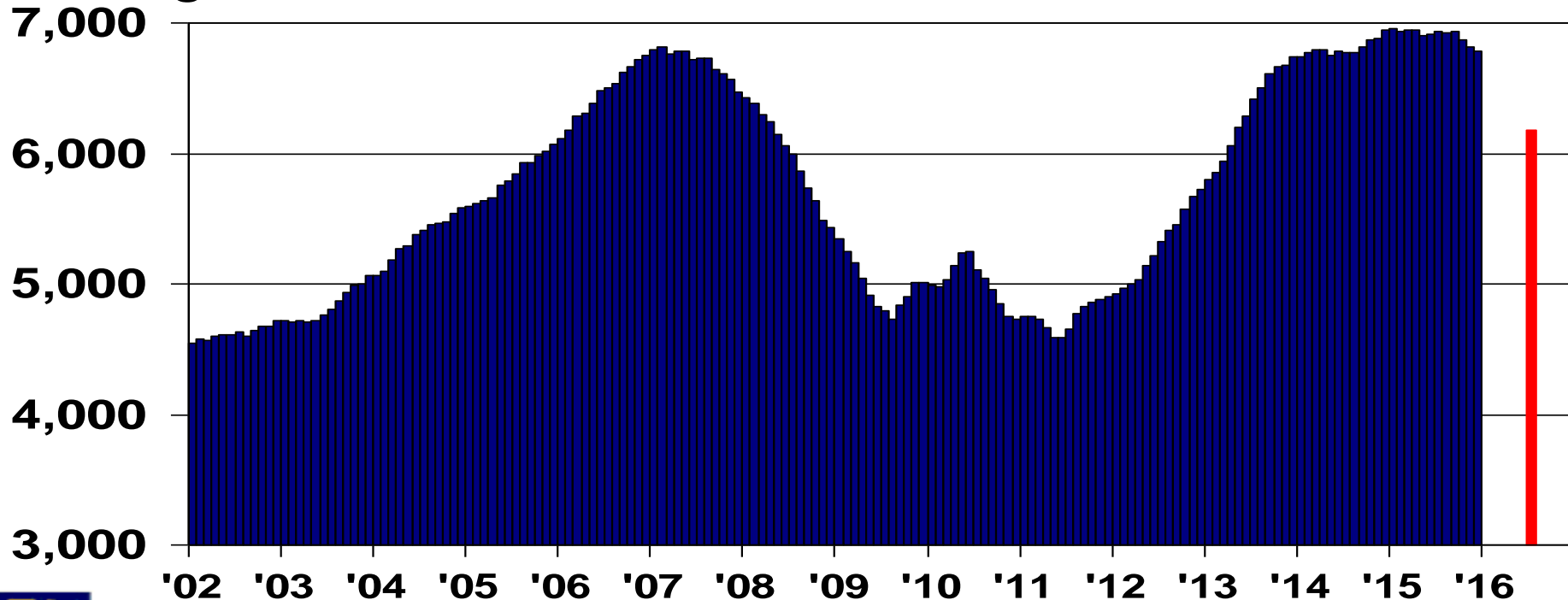
1.76%



Houston Existing Home Sales

Dec 2015
Preliminary

Average Number Per Month For Prior 12 Months



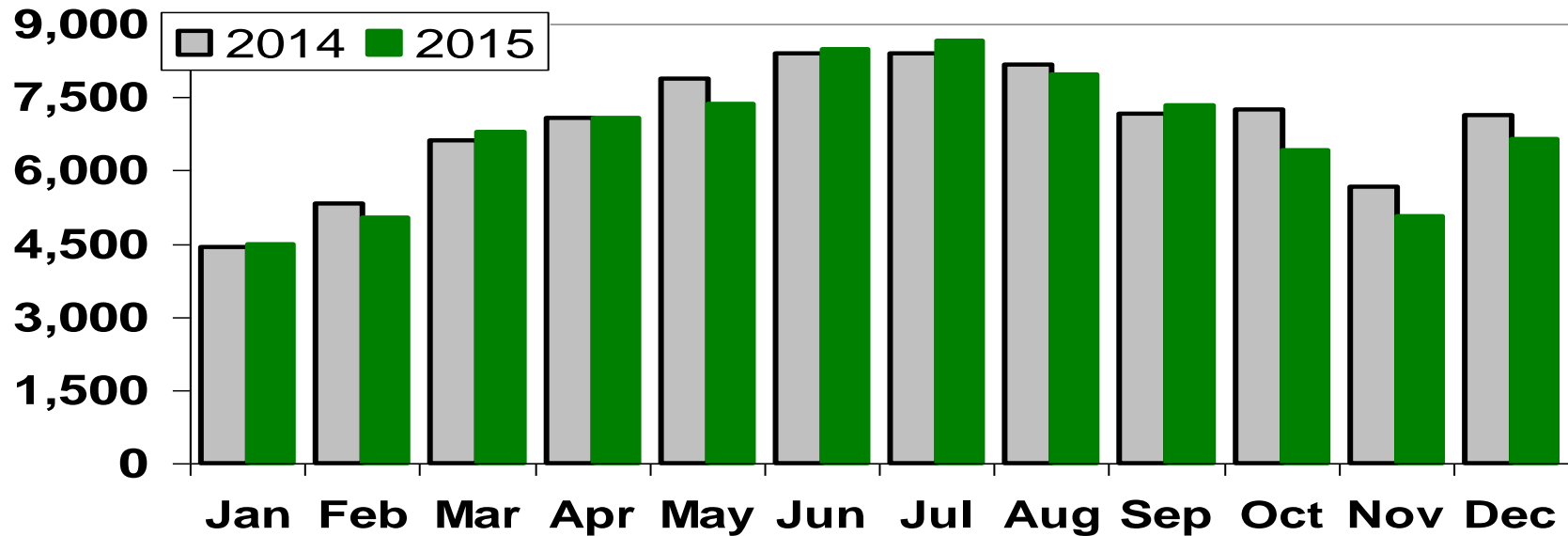
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Houston Existing Home Sales

Dec 2015
Preliminary

Sales — *Not Seasonally Adjusted* - Thousands



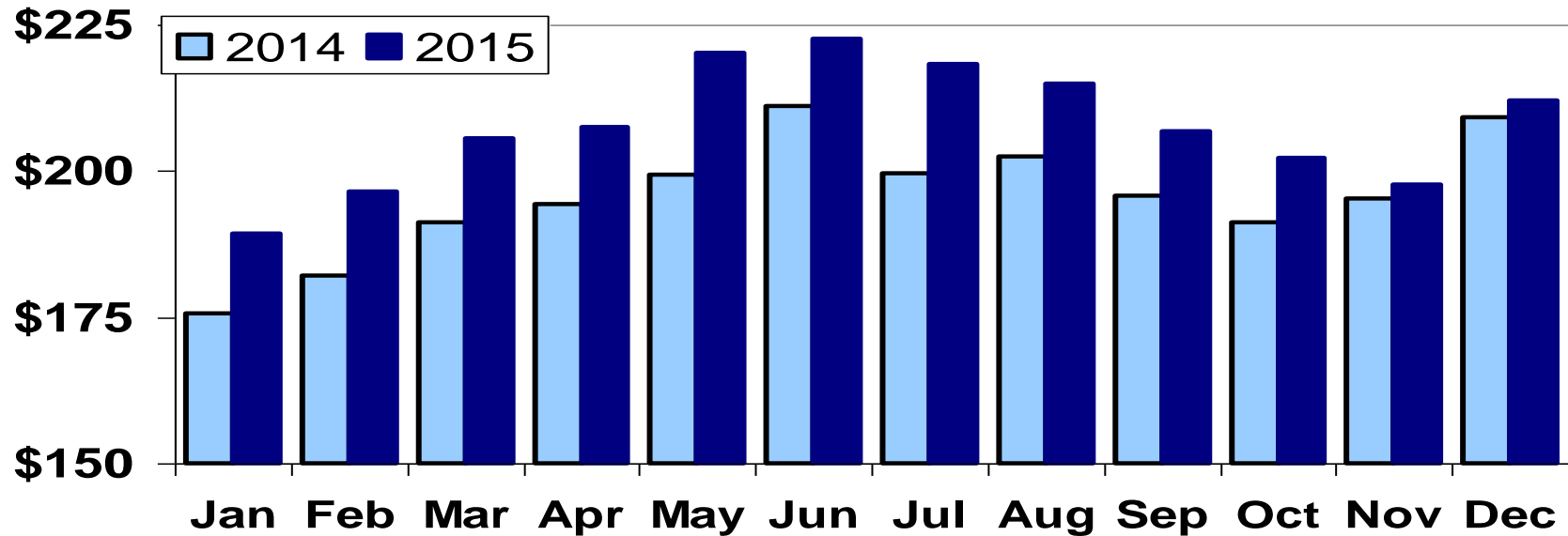
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Dec 2015
Preliminary

Houston Existing Home Sales

Median Price – *Not Seasonally Adjusted* - \$Thousands



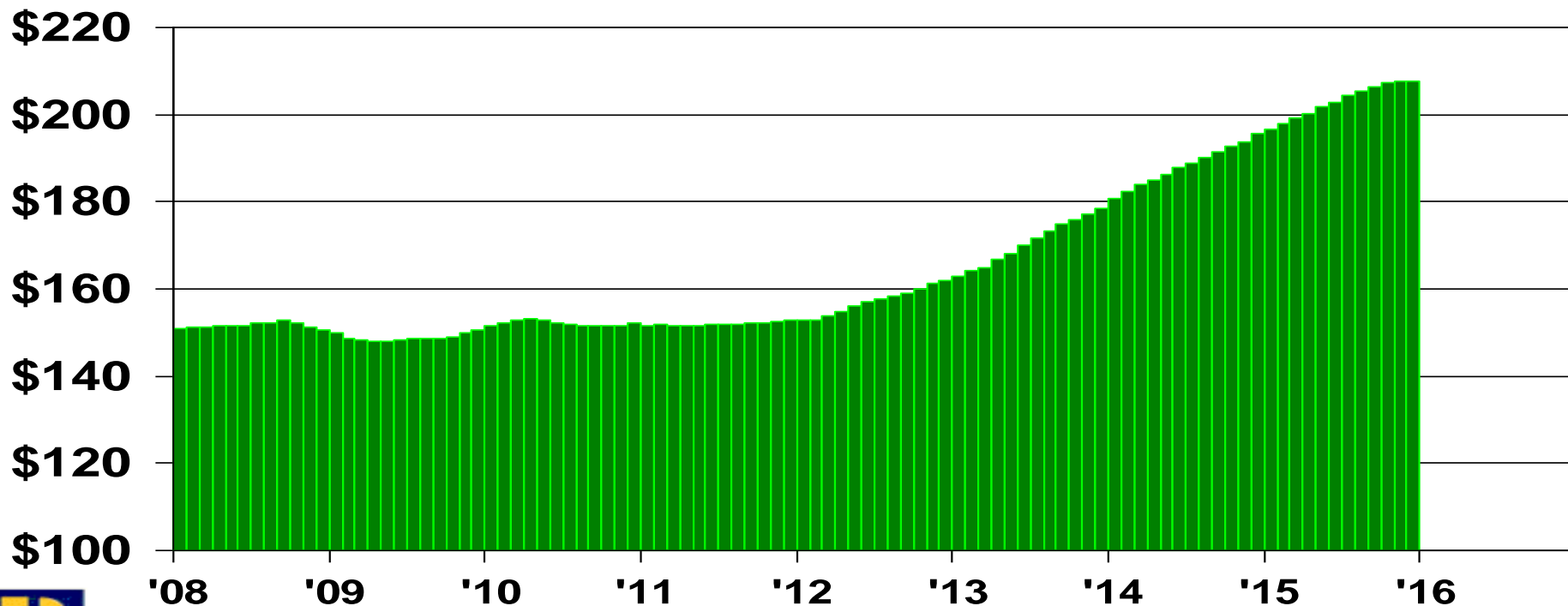
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Houston Existing Home Prices

Dec 2015
Preliminary

Median Price \$ Thousands *Prior 12 Month Moving Average*

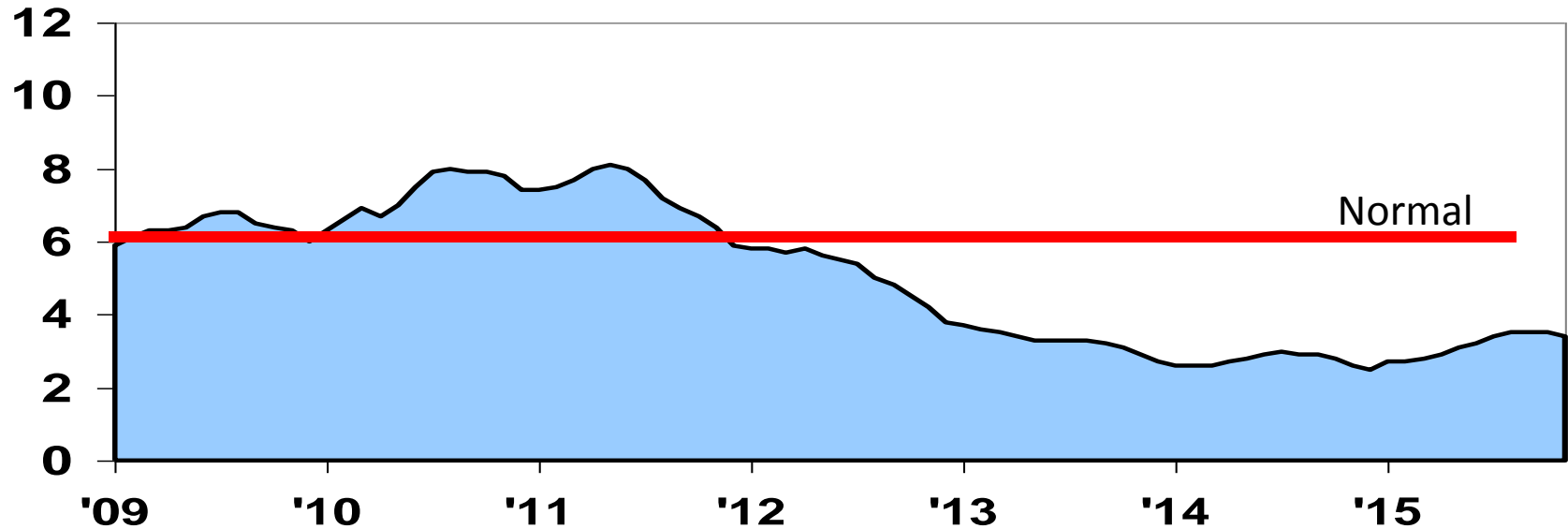


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Houston Existing Home Sales

Months Inventory – *Seasonally Adjusted*

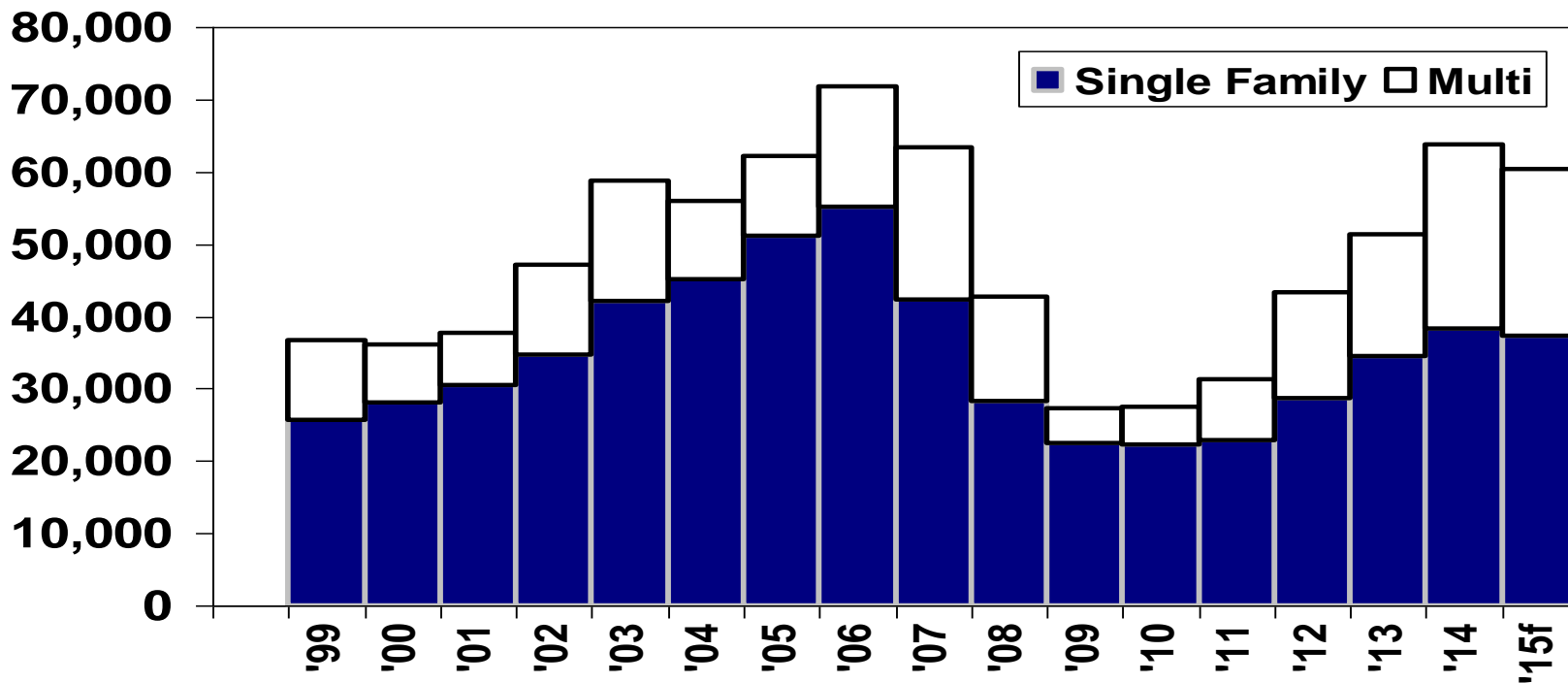


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Houston MSA Residential Building Permits

Number of Dwelling Units



60,447 Permits is the past 12 months, 23,600 New Jobs

0.39 New Jobs Per New Dwelling Unit – 1.25 to 1.5 is Normal

Houston MSA Population Forecast

2010	5,920,416
2015	6,622,047
2020	7,413,214
2025	8,300,084
2030	9,278,789
2035	10,349,257
2040	11,519,566
2045	12,802,736
2050	14,221,267

Net Population Growth

701,631	140,326
791,167	158,233
886,870	177,374
978,705	195,741
1,070,468	214,094
1,170,309	234,062
1,283,170	256,634
1,418,531	283,706

Per Year

39.9 Percent Renters

55,990
63,135
70,772
78,101
85,423
93,391
102,397
113,199

Needed New Multifamily -- Average Household 2.89 People

19,374
21,846
24,489
27,024
29,558
32,315
35,431
39,169

Historical Houston MSA Multifamily Permits

Year	Number
2003	16,761
2004	10,933
2005	10,920
2006	16,557
2007	21,057
2008	14,536
2009	4,957
2010	5,122
2011	8,382
2012	14,662
2013	16,791
2014	25,428

Per Year Numbers

Population Forecast -- Texas State Data Center
Scenario - 2000 to 2010 Net Migration Growth

23,131 Multifamily Permits in Last 12 Months

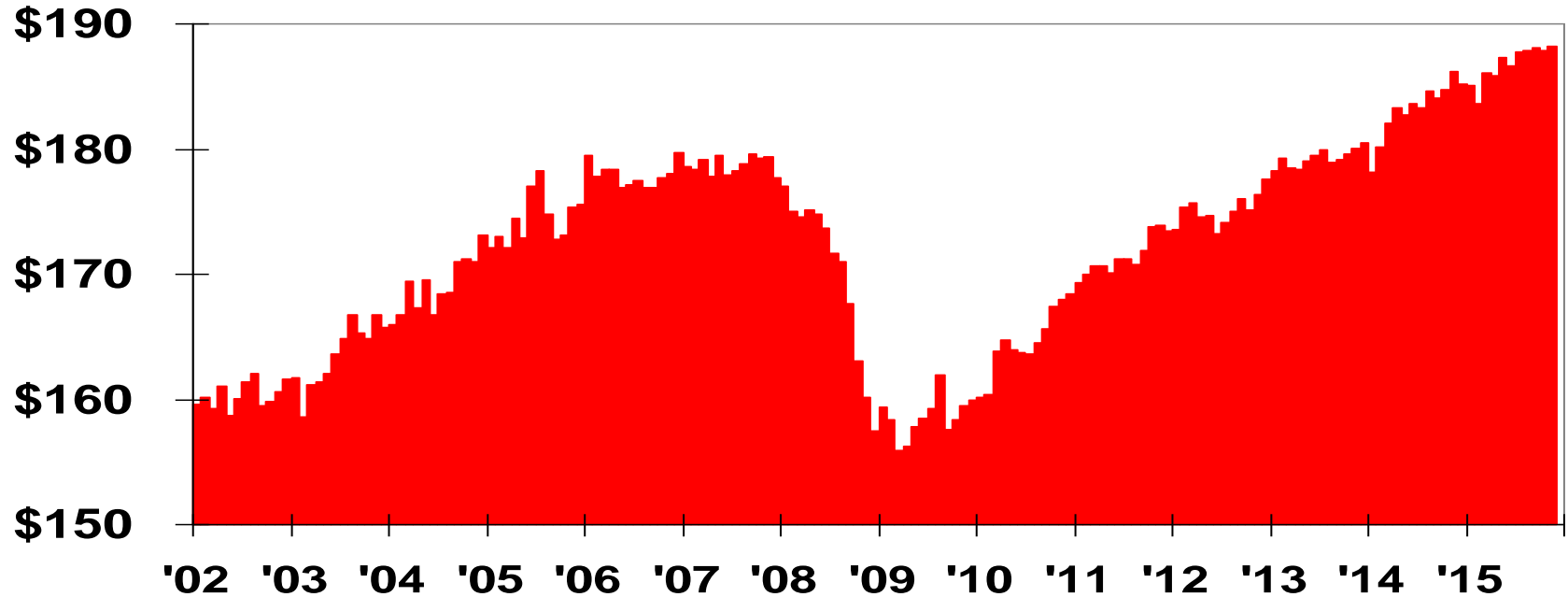
Income and Home Prices

	2014 Median Household Income		2013 2014 Percent Change	2014 Median Home Price		Home Price To Income Multiple
U.S.	\$	53,657	0.93%	\$	206,710	3.85
Texas	\$	53,035	2.00%	\$	184,400	3.48
Houston	\$	60,072	3.03%	\$	195,650	3.26
Dallas	\$	55,930	2.05%	\$	204,908	3.66
Austin	\$	63,603	6.41%	\$	238,792	3.75

Sources: Census Bureau - Real Estate Center - NAR

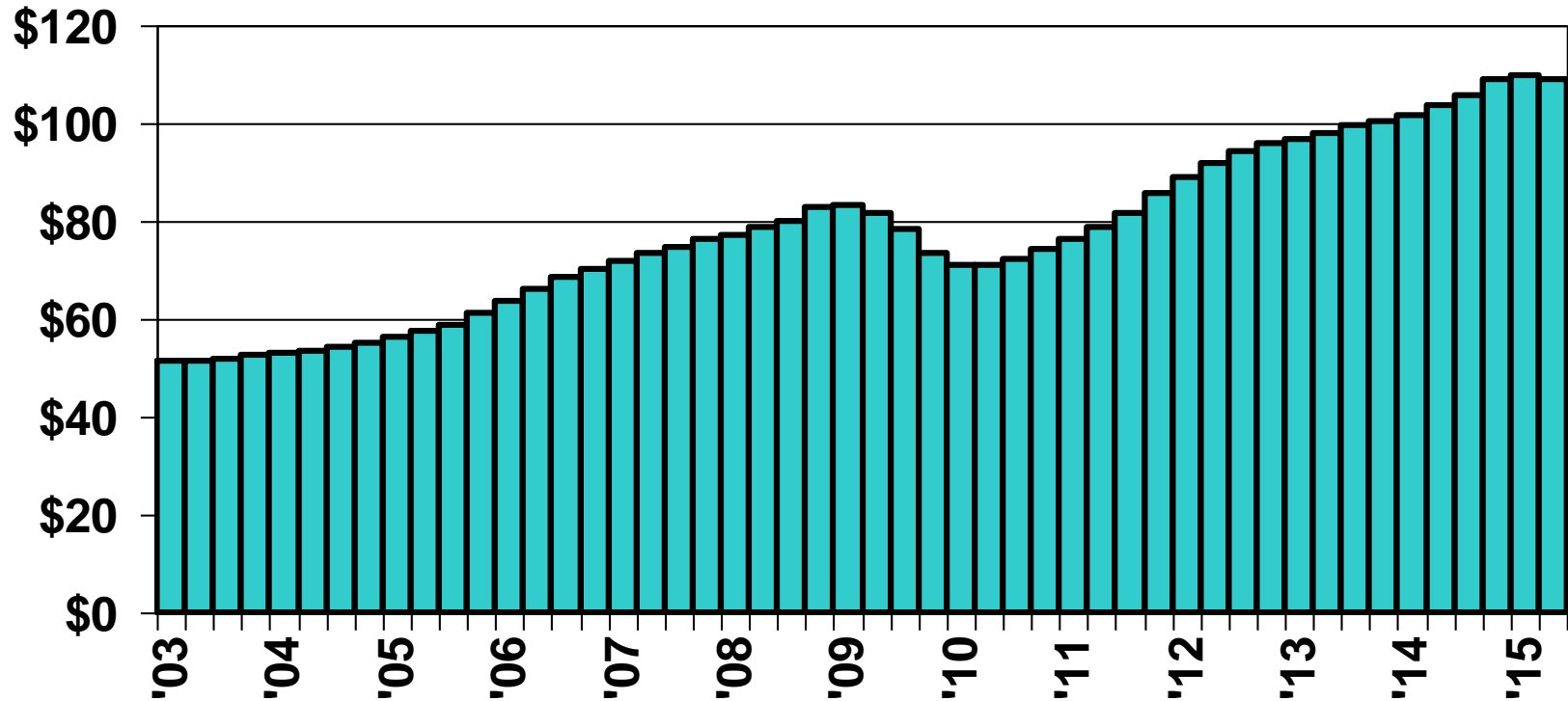
U.S. Real Retail & Food Service Sales

\$ Billions – Seasonally Adjusted



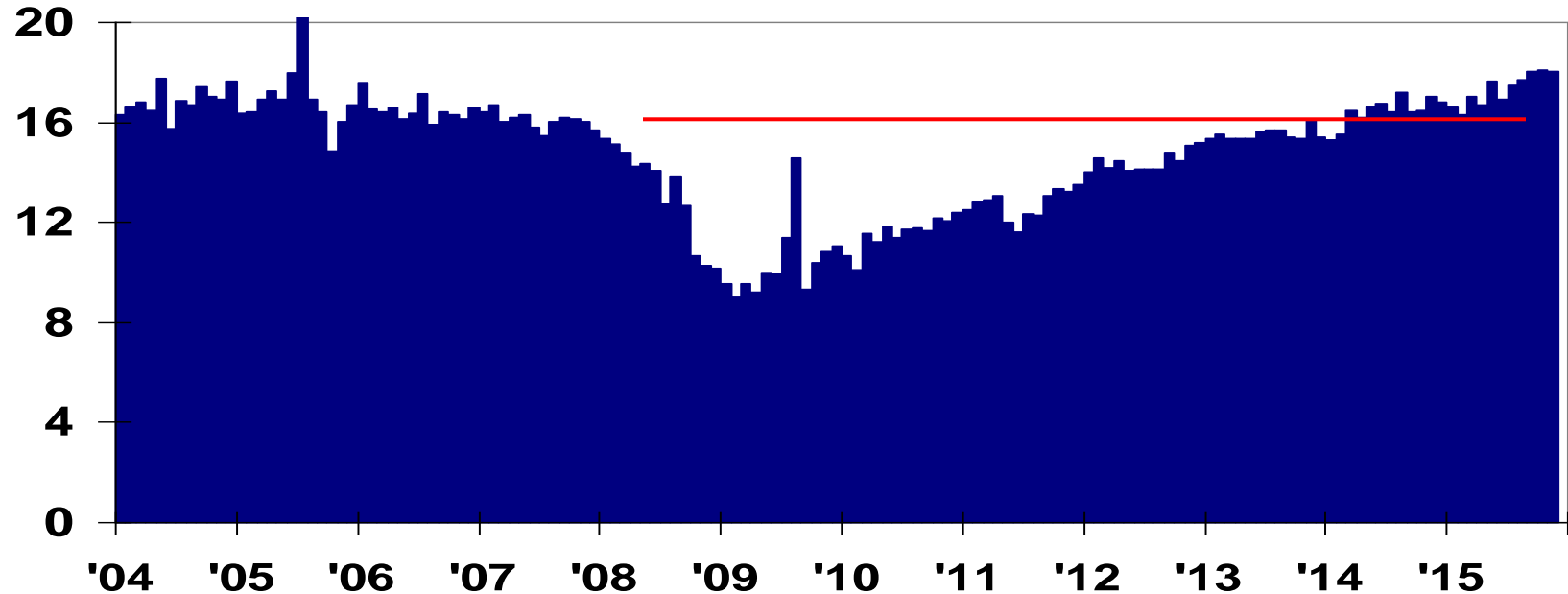
Sales Subject to State Tax – Houston MSA

\$ Billions

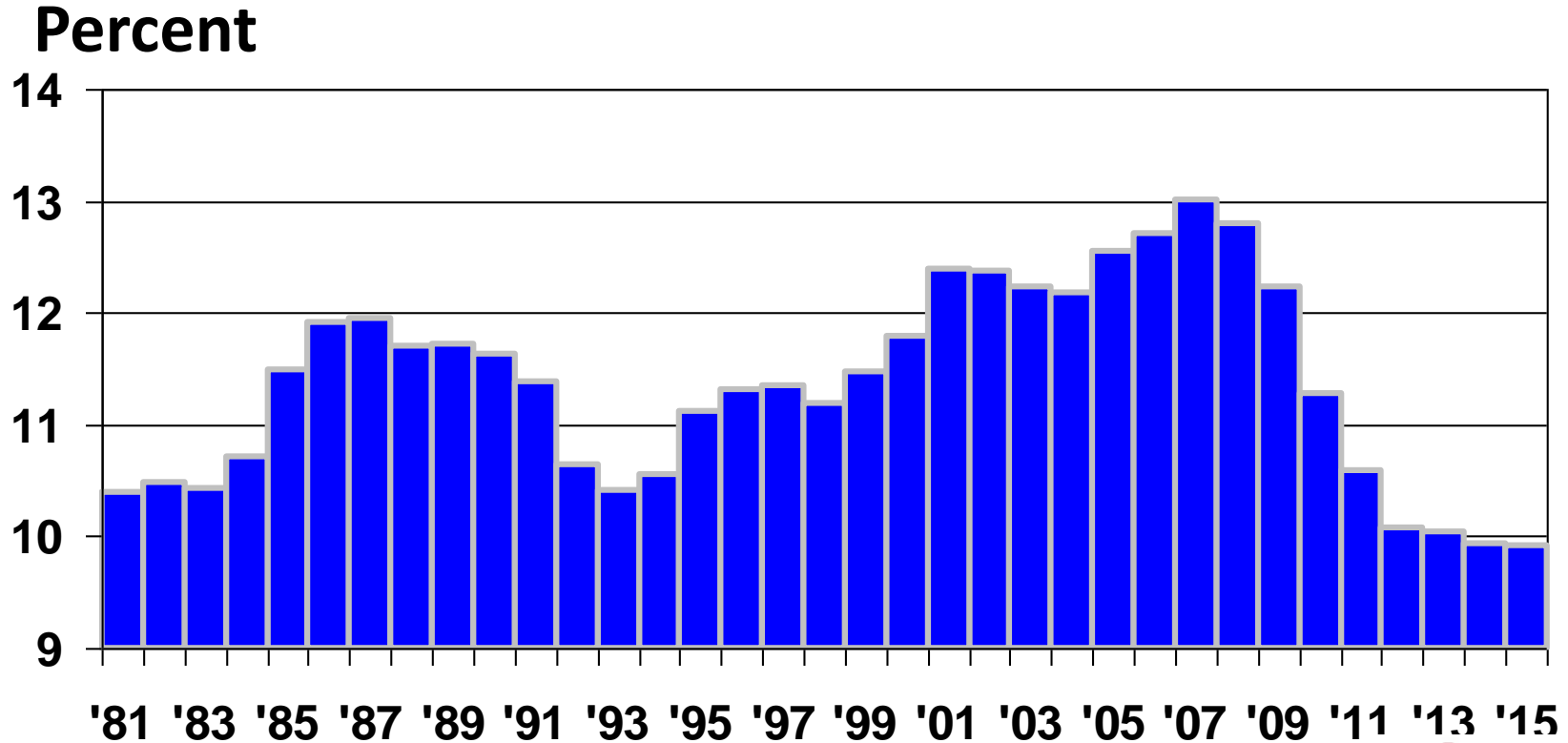


Light Weight Vehicle Sales

Millions – *Seasonally Adjusted Annual Rate*



Household Debt Service as a Percent of Household Disposable Income



U.S. Property Returns

Q3 2015 TTM

Property	12-Month Return
All	12.84%
Hotel	13.89%
Apartment	11.52%
Retail	13.71%
Industrial	14.79%
Office	12.47%

- Tax-Exempt Investments
- All Cash Purchase
- Cash Flow + Value Change
- Only Pay Property Taxes
- \$459 Billion of Properties
- 7,012 Properties

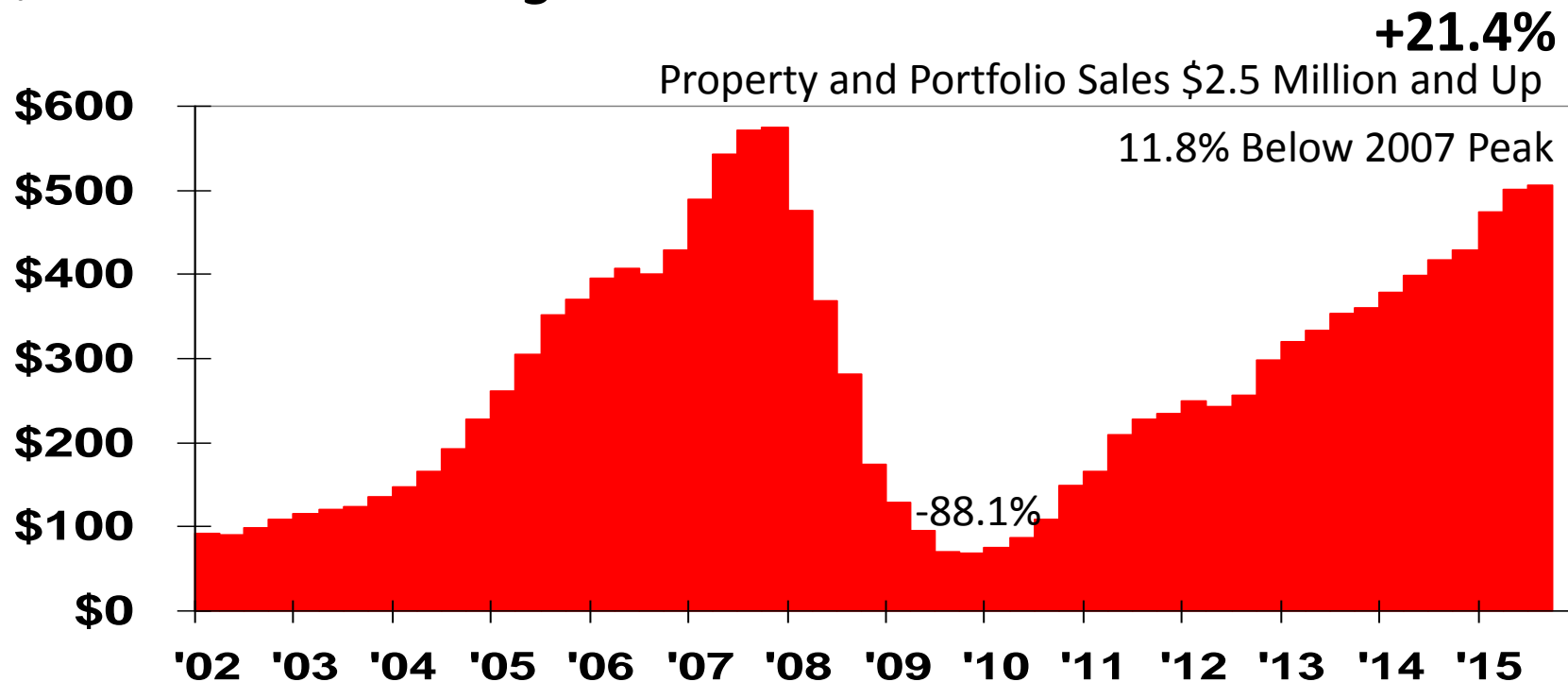
Source: NCREIF

<http://www.ncreif.org/property-index-returns.aspx?region=N>



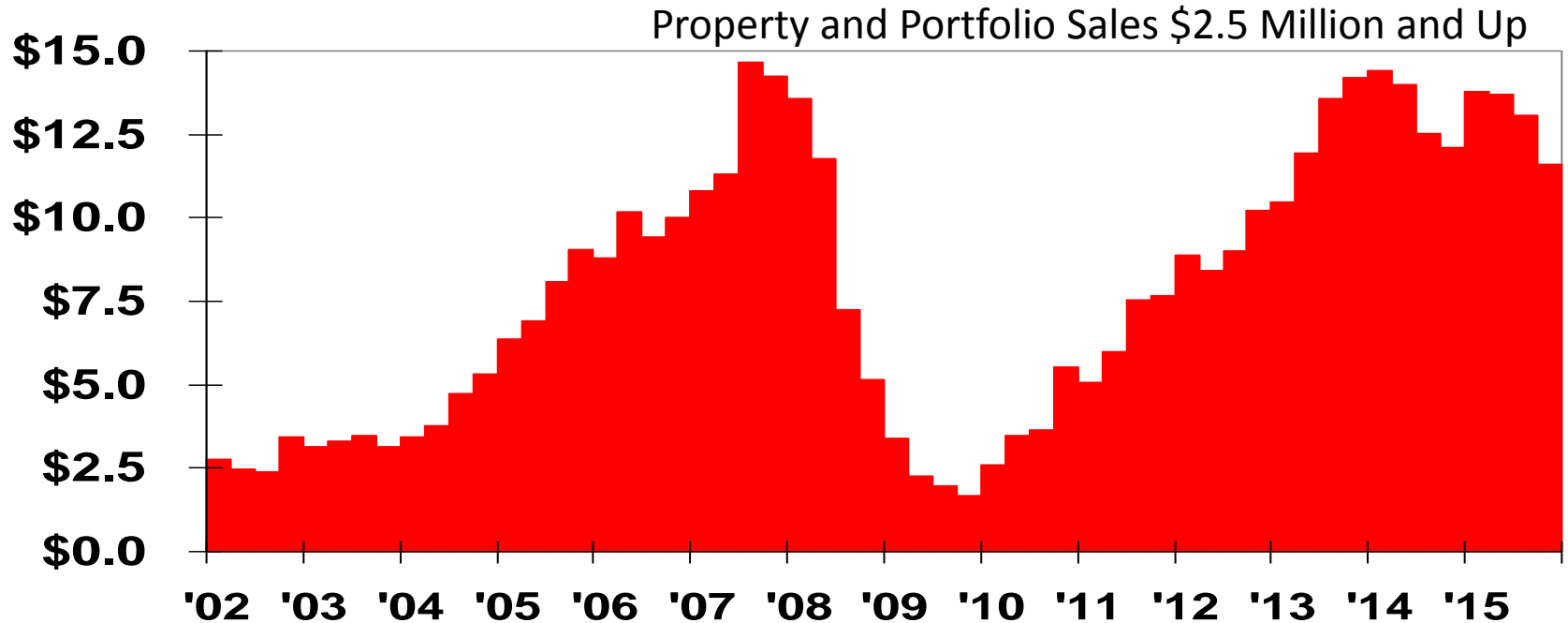
U.S. Commercial Real Estate Sales Volume

\$ Billions – *Trailing 12 Months*



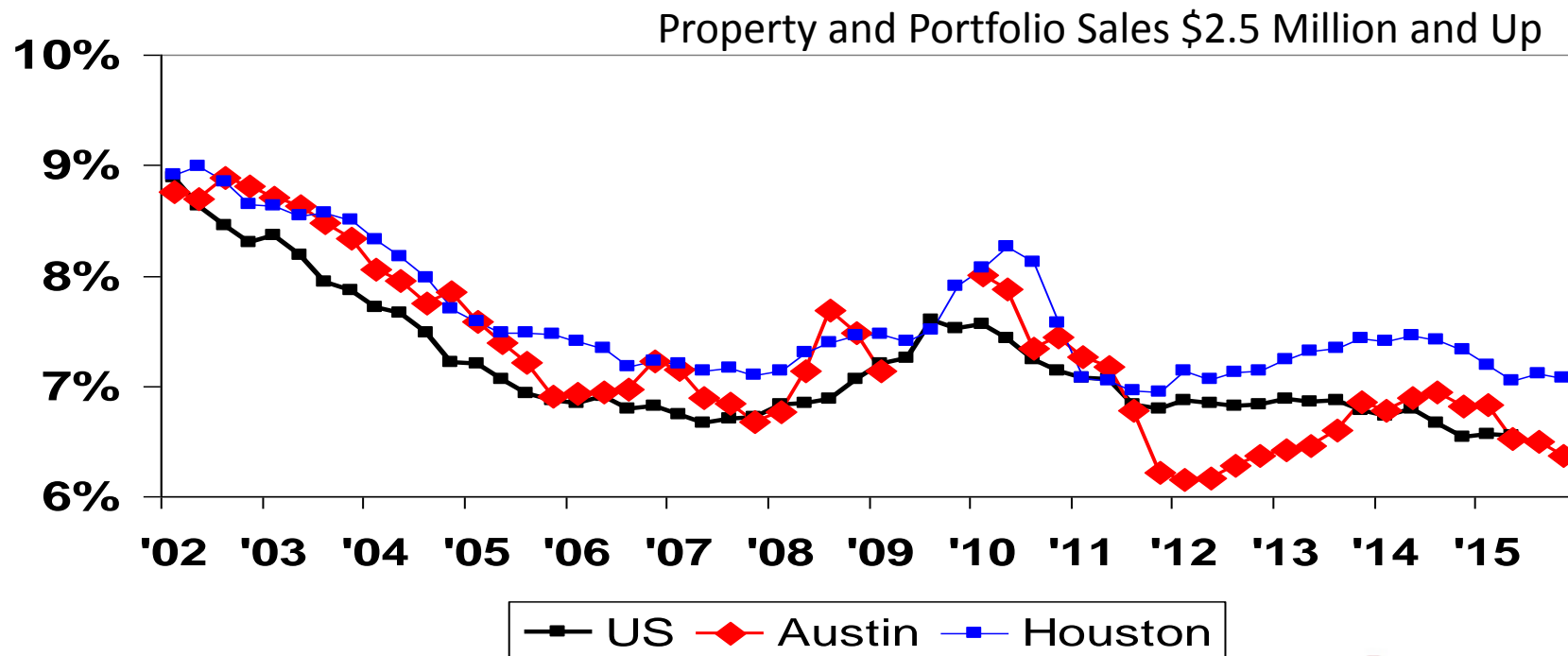
Houston Commercial Real Estate Sales Volume

\$ Millions – *Trailing 12 Months*



Commercial Real Estate Cap Rates

Percent – All Property Types




























BUYING

RENTS

EXIT

Houston Scorecard

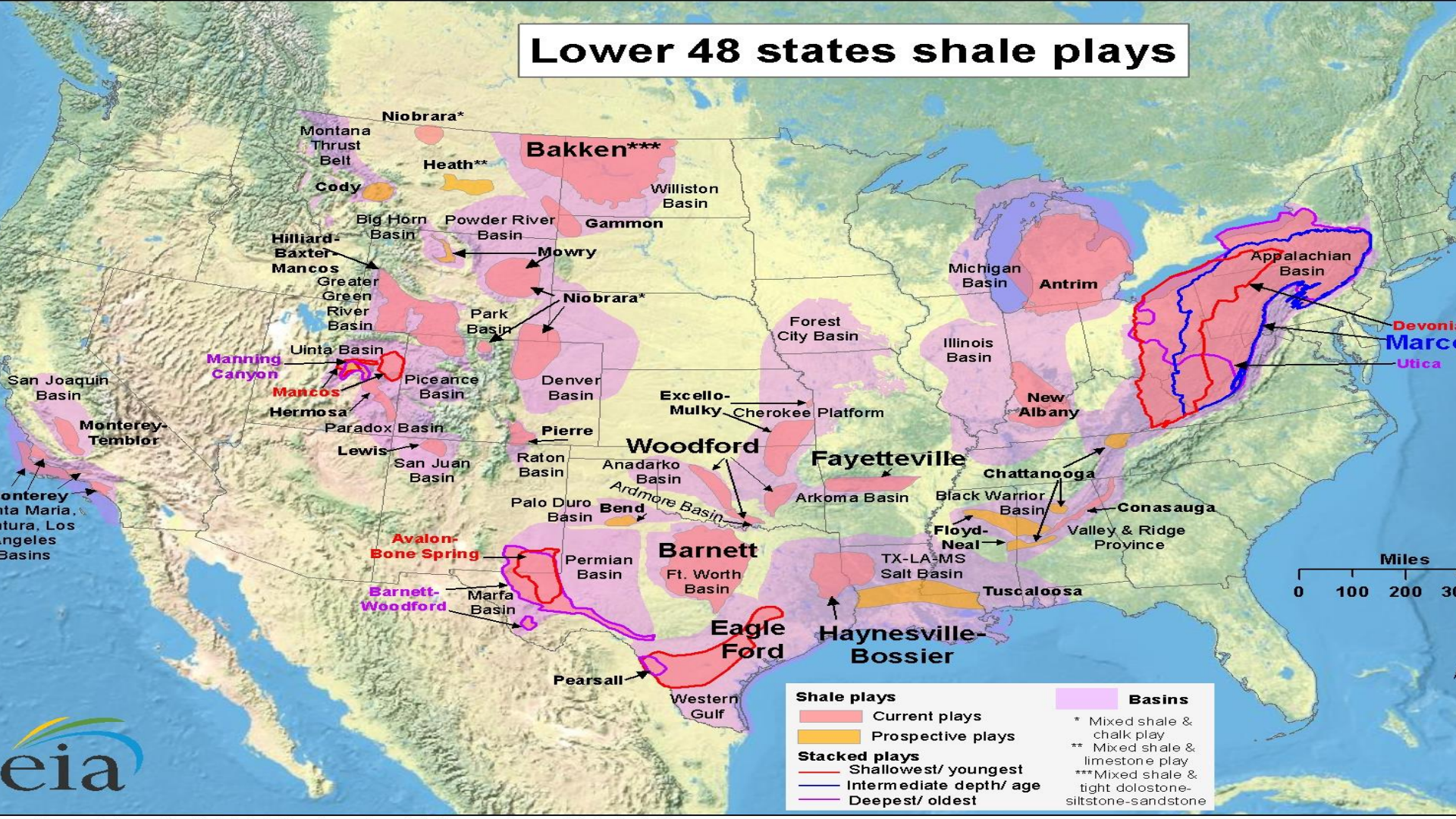
	A	B	C	D	F
Retail					
Industrial					
Apartments					
Office					
Hotel					

2.06

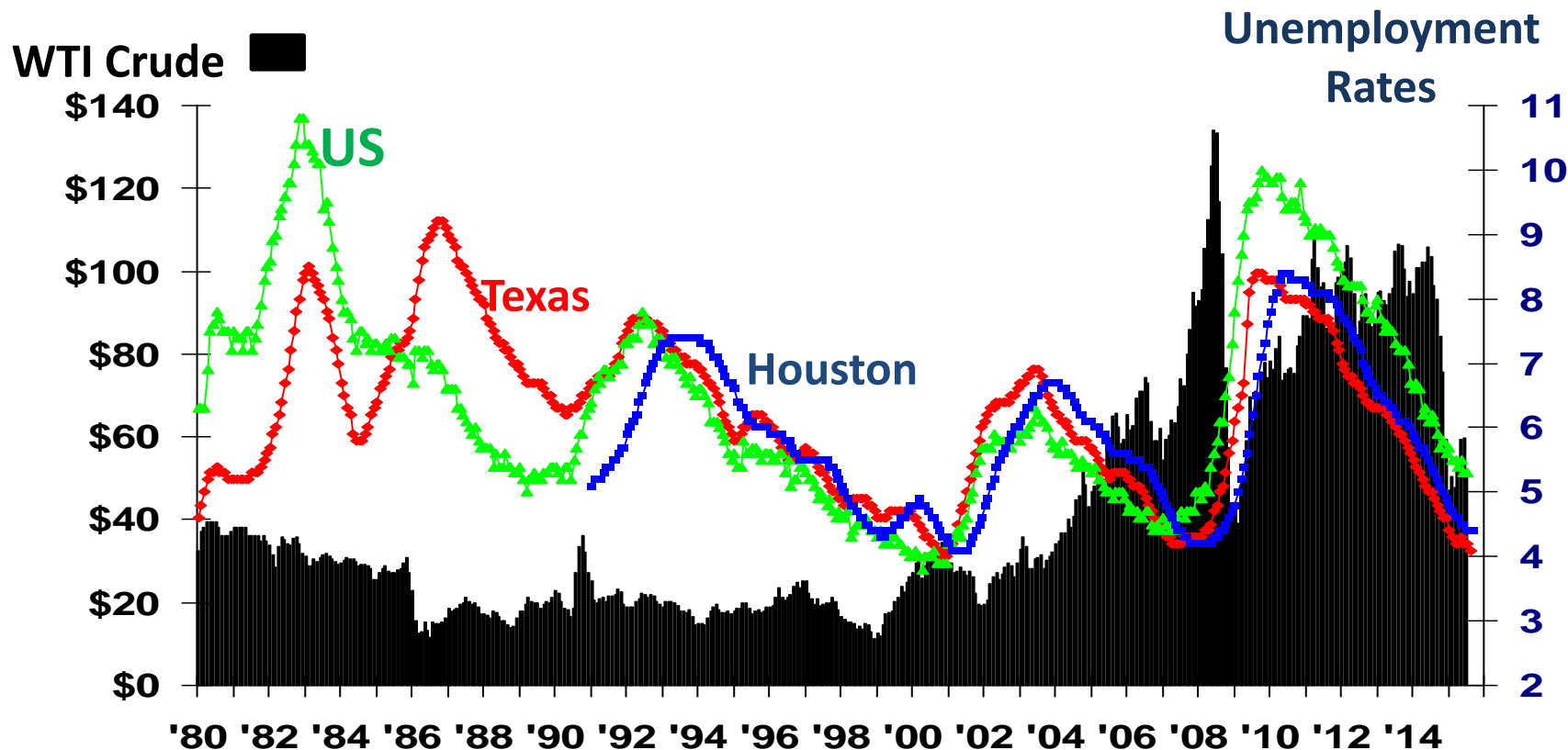
60

\$60 OIL

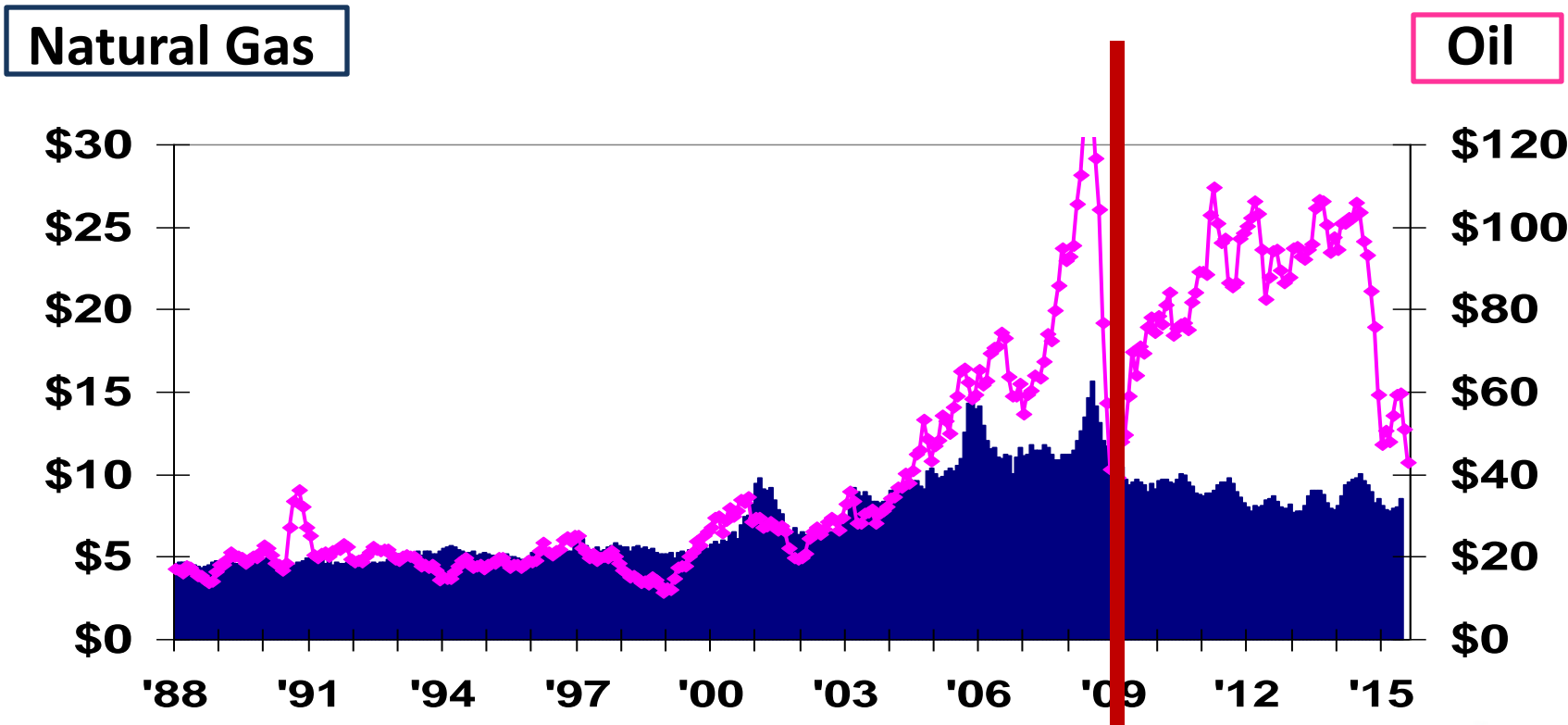
Lower 48 states shale plays



Oil Prices & Unemployment Rates



Natural Gas Price Delivered to Commercial Customers vs. WTI Crude Oil -- Gas Per 1,000 Cubic Feet, Oil Per Barrel



U.S. - China Trade -- \$US Millions

Month	Exports	Imports	Balance
Dec-14	12,166.2	40,218.9	(28,052.7)
Jan-15	9,552.0	38,158.4	(28,606.4)
Feb-15	8,699.8	31,240.1	(22,540.3)
Mar-15	9,887.2	41,121.9	(31,234.7)
Apr-15	9,316.8	35,795.1	(26,478.3)
May-15	8,758.8	39,211.2	(30,452.4)
Jun-15	9,687.8	41,145.1	(31,457.3)
Jul-15	9,500.7	41,077.2	(31,576.6)
Aug-15	9,166.7	44,117.2	(34,950.5)
Sep-15	9,423.7	45,700.6	(36,277.0)
Oct-15	11,384.3	44,358.0	(32,973.7)
Nov-15	10,681.0	41,940.5	(31,259.5)
	\$ 118,225.0	\$ 484,084.2	\$ (365,859.4)

4X

Source: U.S. Census Bureau

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China Impact on U.S. Economy

**U.S. 2015 GDP \$18.01 Trillion
(Q2 2015 Annualized Rate)**

**Purchases by China of U.S. Goods
\$118.2 Billion (2015 est)**

Impact = 6.5/10ths of 1 Percent of U.S. GDP

2016 Economic Concerns

- **Election Year** – *Politicians vs Leaders*
- **Government Revenues & Regulations**
- **Rural Land Bubble Just Starting**
- **GSEs** – *Fannie Mae & Freddie Mac*
- **Inflation & Interest Rates**
- **Texas Property Taxes**

Creativity



Real partners. Real possibilities.™

Ted C. Jones

Chief Economist, PhD

Senior Vice President

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