Recessionary Fears

Stock Market Woes Raise a Nagging Fear: Is a Recession Near?

Nearly half of US CFOs fear a 2019 recession

People Are Really Worried About a Recession.
2018 A Very Good Year - 2019 Definite Slowdown

• Real GDP growth 2018 ~ 3.1%+  2019 ~2.7% – 2.9%
• Jobs expanded ~1.5%  Unemployment rate ~4.0%+
• Interest rates up during the year, but didn’t rise with end-of-year Fed Funds rate hike!
• Inflation approached 2.5% and will probably stay there
• Tax Cuts added positive impacts
• Industrial Production high but less labor
• Income and spending growing
  • Real Disposable Personal Income +2.9% thru 3Q18
  • Real PCE +2.6% thru 3Q18
• Housing improving, not fully recovered; recent stalling
• U.S. became #1 oil producer and net exporter
NFIB Small Business Optimism Index
(Overall Index SA 1986 = 100)

Source: National Federation of Independent Businesses; based on ten survey indicators
Inflation Bounced Upward Then Fell Expected to Remain Within Range

-3.0%
-2.0%
-1.0%
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
6.0%

Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14 Jan-15 Jan-16 Jan-17 Jan-18 Jan-19 Jan-20

Source: BLS (Consumer Price Index for All Urban Consumers: All Items; Y/Y % change in index)

4Q fall off from lower oil prices and reduced upward pressure from general economy
Curb on rate increases from slower global economic growth and restrained inflation.
Texas Economy

2015-2016 Oil Decline; Down Years

2017 Recovery – A Good Year

2018: Better than 2017

2019 Some Headwinds, but Not Bad
2018 a Very Good Year Economically For Texas

- Rebound from Harvey in 2017 strong, but dragging
- State GDP +6% (2Q18) #1 in U.S. [estimate ~4.5% 2018 total]
- Personal Income +5.1% (3Q17-3Q18)
- Oil Prices >$70 until 4Q
- Population increased 379,128 to 28,701,845
  - 190,951 natural increase (50.3%)
  - 104,976 foreign immigration (27.7%)
  - 82,569 domestic immigration (22%)
- Jobs increased 391,800 +3.2%
Texas’ Leading Economic Index
Fourth Quarter Fall Off

A composite of 8 leading indicators: 1) value of the dollar, 2) U.S. leading economic index, 3) real oil price, 4) well permits, 5) initial claims for unemployment insurance, 6) Texas stock index, 7) help-wanted index, and 8) average weekly hours worked in manufacturing.

Solid growth after oil bust, but falling with latest price decline.

Source: Federal Reserve Bank of Dallas, 1987=100
Texas Annual Jobs

2014-2018 +1,335,550 jobs; average 267,110/year

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
Monthly Change in Total Nonfarm Employment Texas

Average of ~23,700 jobs per month since January 2011

Sources: TWC; Real Estate Center at Texas A&M University
# Texas Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs, NSA (Dec-Dec)</th>
<th>Population (July-July)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>215,800</td>
<td>439,887</td>
</tr>
<tr>
<td>2011</td>
<td>236,400</td>
<td>402,776</td>
</tr>
<tr>
<td>2012</td>
<td>374,400</td>
<td>433,903</td>
</tr>
<tr>
<td>2013</td>
<td>301,400</td>
<td>400,952</td>
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<tr>
<td>2014</td>
<td>420,400</td>
<td>475,157</td>
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<tr>
<td>2015</td>
<td>152,000</td>
<td>500,444</td>
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<tr>
<td>2016</td>
<td>146,200</td>
<td>449,982</td>
</tr>
<tr>
<td>2017</td>
<td>258,300</td>
<td>399,734</td>
</tr>
<tr>
<td>2018</td>
<td>391,800</td>
<td>379,128</td>
</tr>
</tbody>
</table>

2010-2018: +3,881,963 people, +2,496,700 jobs

Sources: US Census Bureau; Texas Workforce Commission; Real Estate Center at Texas A&M University
Texas Metropolitan Areas Ranked by Employment Growth Rate

Percent Growth November 2017 – November 2018

- Midland, Texas Metropolitan Texas
- Micropolitan Texas

Sources: TWC; Real Estate Center at Texas A&M University

Texas added 365,400 jobs November 2017 to November 2018, +3.0% vs. U.S. 1.7%
Weekly Active Texas Rig Count & Price of WTI

Rig Count (left)

WTI $/bl. (right)

Rig Count up 341, +197% since May 2016

Source: Baker Hughes; EIA; RE Center at Texas A&M University
Current and Futures Monthly Average Price of WTI

Sources: EIA; Haver Analytics
Monthly Texas Oil Production & Price of WTI

Source: EIA; RE Center at Texas A&M University
Texas Economic Outlook: 2019
Positive but Slower Growth Than 2018

- **U.S. Economy** stays relatively strong
- **Employment:** ~2.7% from 2.9% in 2018
- **GDP:** 4% 2019 from ~4.5% 2018
- **Energy sector** neutral; oil prices $40-$60/bl., production up
- **Population** expansion continues but at slower pace
- **Exports** doing well and contributing to economy – trade agreements add uncertainty
- **Retail Sales** steady but not significantly higher
Texas Major MSAs Employment Growth 2017, 2018 & 2019

Percent Growth in Annual Employment

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>3.2</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Dallas</td>
<td>3.1</td>
<td>3.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Fort Worth</td>
<td>2.9</td>
<td></td>
<td>2.3</td>
</tr>
<tr>
<td>Houston</td>
<td>3.1</td>
<td>3.0</td>
<td>1.0</td>
</tr>
<tr>
<td>San Antonio</td>
<td>2.3</td>
<td>1.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Texas</td>
<td>2.9</td>
<td>2.5</td>
<td></td>
</tr>
</tbody>
</table>

Sources: TWC; Real Estate Center at Texas A&M University
Kerr County Economic Outlook
Kerr County Annual Employment Stable the Past 7 Years

Source: Texas Workforce Commission
Kerr County Monthly Employment

Noticeable uptick in 2018

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
## Kerr County Annual Unemployment Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>2.7</td>
</tr>
<tr>
<td>1991</td>
<td>3.7</td>
</tr>
<tr>
<td>1992</td>
<td>3.8</td>
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<tr>
<td>1993</td>
<td>3.7</td>
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<td>1994</td>
<td>2.8</td>
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<td>1995</td>
<td>2.8</td>
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<tr>
<td>1996</td>
<td>2.5</td>
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<td>1997</td>
<td>2.6</td>
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<tr>
<td>1998</td>
<td>2.2</td>
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<td>1999</td>
<td>3.8</td>
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<td>2000</td>
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<tr>
<td>2002</td>
<td>5.2</td>
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<td>2003</td>
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<td>2007</td>
<td>3.9</td>
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<td>2008</td>
<td>5.8</td>
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<td>2009</td>
<td>6.7</td>
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<td>2010</td>
<td>6.7</td>
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<td>2011</td>
<td>5.8</td>
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<td>2012</td>
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<td>4.4</td>
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</tr>
<tr>
<td>2017</td>
<td>3.3</td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
Average Weekly Wages

Solid 3.4% annual rate of increase

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
Number of Establishments in Kerr County

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
Texas & Kerr County Demographics
Estimated Population Change, Texas Counties, 2010 to 2017

-2,139 - 0
1 - 1,000
1,001 - 20,000
20,001 - 100,000
100,001 - 560,521

91 counties lost population over the 7 year period.

87% E of I-35
67% in Urban Triangle

Source: U.S. Census Bureau, 2017 Vintage Population Estimates; Texas State Demographer’s Office
Texas Population 1910-2050

2018 Population Projection & 2017 Texas Water Plan

From 1970 to 2010 (40 years), Texas added 13.9 million people

From 2010 to 2050 (40 years), Texas will probably add ~17-30 million people

Sources: U.S. Census Bureau; Texas State Demographer’s Office 2018 Population Projection & 2000-2010 Scenario; Real Estate Center at Texas A&M University

2000-2010 Projection

Revised 2018 Projection (2010-2015 Rate)

2017 Texas State Water Plan

54,369,297

47,342,417

41,928,264
Projected Population Change, Texas Counties, 2010-2050

Source: Texas State Data Center 2012 Population Projections 2000-2010 Migration Scenario

Legend:
-6,200 - 0
1 - 2,000
2,001 - 10,000
10,001 - 100,000
100,001 - 1,000,000
1,000,001 - 3,480,000

90%+ in the Urban Triangle
Projected Kerr County Population

2000-2010 +40%, 19,728
2018 Rev. +13%, 6,455

Sources: Texas State Demographers Office, 2000-2010 Projections & 2018 Revised; Real Estate Center at Texas A&M University
Texas Housing Market
## 2018 Percent Changes in Key Housing Measures

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Average Price</th>
<th>Median Price</th>
<th>Months Inventory</th>
<th>Median Price/sf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>1.7%</td>
<td>3.7%</td>
<td>4.5%</td>
<td>9.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Austin</td>
<td>1.4%</td>
<td>4.2%</td>
<td>3.9%</td>
<td>9.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>DFW</td>
<td>-2.4%</td>
<td>4.1%</td>
<td>3.9%</td>
<td>19.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Houston</td>
<td>3.4%</td>
<td>2.7%</td>
<td>3.1%</td>
<td>13.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>San Antonio</td>
<td>2.9%</td>
<td>4.2%</td>
<td>5.2%</td>
<td>8.0%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Source: TR Data Relevance Program; Real Estate Center at Texas A&M University
2019 Home Market Slowdown

Factors that may create a drag on home-buying demand

- Limited inventory availability
- Higher prices - affordability
- Increasing interest rates
- Concerns about general economy – fear of recession or jobs
- Stock market volatility
- Negative press coming off record year(s)
Annual Texas Home Sales & Prices

2018
Sales 1.7% Prices ~4%

2019p
Sales ~1%, Prices ~3.5%

2010-2018
Sales +64%, Average Price +49%, Median Price +59%

Source: TR Data Relevance Program; Real Estate Center at Texas A&M University
Texas Home Sales per 1,000 Households

Source: TR Data Relevance Program; US Census Bureau; Real Estate Center at Texas A&M University

1990-2000 Average 20.8

2001-2017 Average 30.6
Texas Median HH Income & Median Home Price Indexed to 1989

1989 Median Price = 2.65 x Median HH Income
2017 Median Price = 3.76 x Median HH Income

Median Home Price +226%
Nominal HH Income +129%
2017 Adjusted HH Income +20%

Sources: U.S. Census Bureau; Haver Analytics; Real Estate Center at Texas A&M University
Texas Months’ Inventory Still Quite Low

"Balanced" Market

Mo. Inventory = Current month’s total listings / 12 mo. moving avg. of monthly sales

Source: Real Estate Center at Texas A&M University (New & Used Homes Sold thru MLS’s)

Seller’s Market Since June, 2012
Texas MF Building Permits

Source: US Census Bureau, Real Estate Center at Texas A&M
The Kerr County Housing Market
Kerr County Housing Report

2018

Median price
$246,434
Up 9.3%
Compared to 2017

Price Distribution

- $0 - $99,999: 4.5%
- $100,000 - $199,999: 29.4%
- $200,000 - $299,999: 31.1%
- $300,000 - $399,999: 18.4%
- $400,000 - $499,999: 6.8%
- $500,000 - $749,999: 6.8%
- $750,000 - $999,999: 1.4%
- $1,000,000+: 1.7%

Active listings
Down 12.1%
334 in 2018

Closed sales
Down 15.6%
719 in 2018

Days on market
- Days on market: 76
- Days to close: 26
- Total: 102

16 days less than 2017

Months of inventory
5.1
Compared to 4.2 in 2017

About the data used in this report:
Data used in this report come from the Texas REALTOR® Data Relevance Project, a partnership among the Texas Association of REALTORS® and local REALTOR® associations throughout the state. Analysis is provided through a research agreement with the Real Estate Center at Texas A&M University.
Kerr County Annual Home Sales
Rate of Growth Slowing Down

Sales up 104% 2011-2017

Source: Kerrville Association of Realtors®; Real Estate Center at Texas A&M University
Kerr Co. Monthly Home Sales

Average 58/mo.

Source: Kerr County AoR; TAR Data Relevance Project; Real Estate Center at Texas A&M University
Kerr County Median Home Price

Price up 65% 2011-2018
Average of 7% per year

Source: Kerrville Association of Realtors®; Real Estate Center at Texas A&M University
Kerr Co. Home Median Price

Average 7.6% per year

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

Source: Kerrville Board of REALTORS®; Real Estate Center at Texas A&M University
Kerr Co. 2018 Sales and Current Months Inventory by Price

60% of sales in $100k to $300k range

Source: Kerr County AoR; TAR Data Relevance Project; Real Estate Center at Texas A&M University
Monthly Sales and Months Inventory
Kerr County

Source: Kerrville Board of REALTORS®; Real Estate Center at Texas A&M University
January Sales in Kerr County by Zip Code

(Y/Y Percent Change)

January:
51 Sales
+21.4% YoY

5.3 Months Inventory

Source: Kerrville Board of Realtors®; Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University
(Y/Y Percent Change)

January:
Price/SF $138
+4.0% YoY

Median Price
$235,000
-4.9% YoY

Source: Kerrville Board of Realtors®; Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University
Kerr Co. S.F. Building Permits

1997-2017 average 61

Source: U. S. Census Bureau; Real Estate Center at Texas A&M University
Austin-Waco
Hill Country

Source: Real Estate Center at Texas A&M University
Region 7: Austin-Waco-Hill Country
Rural Land Prices per Acre

Average 4.5% annual percent change the past 5 years

Source: Real Estate Center at Texas A&M University
5.7% growth rate the past 5 years
Hill Country – South LMA 17
Bandera, Blanco, Kendall & Kerr Counties

Highland Lakes LMA 16
Burnet, Gillespie, Llano and Mason Counties
Rural Land Prices per Acre: Land Market Areas 16 & 17

Since 2011:
61% increase in LMA17 average +10% per year
55% increase in LMA16 average +9% per year

Source: Real Estate Center at Texas A&M University