Texas & Temple-Belton Economy and Housing Outlook 2019

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2018: A Very Good Year - 2019: Definite Slowdown

- Real GDP growth 2018: 2.9%+  2019: ~2.5%
- Jobs expanded ~1.5%  Unemployment rate ~4.0%+
- Interest rates up/down during the year;
- Inflation approached 2.5%
- 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
Consumer Confidence Index

Source: The Conference Board (1985=100; NSA); Haver Analytics
NFIB Small Business Optimism Index
(Overall Index SA 1986 = 100)

Source: National Federation of Independent Businesses; based on ten survey indicators
Fed Funds Rate, 10-Year Treasury, 30-Year FMR

Source: Haver Analytics; FHLMC; St. Louis FED; Real Estate Center at Texas A&M University
Fed Funds Rate, 10-Year Treasury, 30-Year FMR & Inflation

Source: Haver Analytics; FHLMC; St. Louis FED; Real Estate Center at Texas A&M University
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 going strong but not over
- **State GDP** +3.7% (3Q18) [estimate ~4.5% 2018]
- **Personal Income** +5.3% vs. 4.5% nationally
- **Oil Prices** >$70 until 4Q – dropped then rebounded
- **Jobs** increased 276,100 +2.3%
- **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%)
Texas Economic Outlook: 2019
Positive but Slower Growth Than 2018

- **U.S. Economy** stays relatively strong
- **Employment:** ~1.5% - 2.0% from 2.3% in 2018 (revised)
- **GDP:** 3.5% 2019 from ~4.5% 2018
- **Energy sector** neutral; oil prices $40-$60/bl.
- **Population** expansion continues but at slower pace
- **Exports** doing well and contributing to economy – trade agreements and value of dollar add uncertainty
- **Retail Sales** steady but not significantly higher
Texas’ Leading Economic Index

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.

Source: Federal Reserve Bank of Dallas, 1987=100
Weekly Active Texas Rig Count &
Price of WTI

Rig Count (left)

WTI $/bl. (right)

Rig Count up 318, +184% 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; Real Estate Center at Texas A&M University
Futures contracts for Midland and Cushing crudes show the market expects their prices to stay in the mid-$50 range through the end of 2019.*

*Permian Basin Economic Indicators, Dallas Federal Reserve Bank, March 22, 2019
Monthly Texas Oil Production & Price of WTI

Source: EIA; RE Center at Texas A&M University
Texas Annual Jobs

2014-2018 +1,262,200 jobs; average 252,440/year

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

Average of ~21,900 jobs per month since January 2011

Sources: TWC; Haver Analytics; 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>216,200</td>
<td>439,887</td>
</tr>
<tr>
<td>2011</td>
<td>236,200</td>
<td>402,776</td>
</tr>
<tr>
<td>2012</td>
<td>373,300</td>
<td>433,903</td>
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<tr>
<td>2013</td>
<td>300,800</td>
<td>400,952</td>
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<tr>
<td>2014</td>
<td>420,900</td>
<td>475,157</td>
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<tr>
<td>2015</td>
<td>151,800</td>
<td>500,444</td>
</tr>
<tr>
<td>2016</td>
<td>150,000</td>
<td>449,982</td>
</tr>
<tr>
<td>2017</td>
<td>253,900</td>
<td>399,734</td>
</tr>
<tr>
<td>2018</td>
<td>276,100</td>
<td>379,128</td>
</tr>
</tbody>
</table>

Sources: US Census Bureau; Texas Workforce Commission; Real Estate Center at Texas A&M University

2010-2018: +3,881,963 people +2,379,200 jobs
Killeen-Temple MSA
Bell County Economic Outlook
Killeen-Temple MSA
Texas Major MSAs Employment Growth 2017, 2018 & 2019

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

2015 +4.4%
2016 +3.9%
2017 +3.4%
2018 +3.3%
2019p +2.5%

Sources: Haver Analytics; Real Estate Center at Texas A&M University
Bell County Annual Employment

2016 +2.4%
2017 +1.8%
2018 +1.9%
2019p +1.5%

Sources: Haver Analytics; Real Estate Center at Texas A&M University
Bell County Unemployment Rate
Killeen-Temple Employment by Industry

Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University
Texas 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% of I-35

67% in Urban Triangle

Source: U.S. Census Bureau, 2017 Vintage Population Estimates; Texas State Demographer’s Office
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.
Projected Population Change, Texas Counties, 2010-2050

-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

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

90%+ in the Urban Triangle
Austin MSA Population
Bastrop, Caldwell, Hays, Travis & Williamson Counties

2010-2050 2,826,538; 165% increase
70,663/year average

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

2010-2050 1,216,117; 288% increase
30,400/year average

Source: U.S. Census Bureau; Texas State Demographer’s Office 2014 Projection; 2000-2010 Scenario
Killeen-Temple MSA Population
Bell, Coryell & Lampasas Counties

2010-2050 185,803; 46% increase
4,650/year average

Source: U.S. Census Bureau; Texas State Demographer’s Office 2018 Projection;
Real Estate Center at Texas A&M University
Bell County Population

2010-2050 172,083; 55% increase 4,300/year average

Sources: U.S. Census Bureau; Texas State Demographer’s Office 2018 Projection; Real Estate Center at Texas A&M University
Texas Housing Market
2018 A Solid Year For Housing Around the State

• Total Housing Activity: 2018 vs. 2017

  • Sales +1.7%  343,833 vs. 336,502  $97.7B vs. $92.4B
  • Listings +1.4%  101,603 vs. 100,664
  • DoM 58 vs. 57
  • MOI 3.4 vs. 3.1
  • Average Price +3.7%  $284,173 vs. $274,580
  • Median Price +4.5%  $233,000 vs. $223,990
  • Md. Price/sq. ft. +5%  $116.37 vs. $110.55
  • Avg. Price/sq. ft. +4.3%  $128 vs. $122

Source: TAR Data Relevance Program; Real Estate Center at Texas A&M University
2018 A Solid Year For New Housing Around the State

- **New Home Construction** lead the nation
  - State 168,500 total starts, ~122k SF ~47k MF
  - DFW 57.9K (35.1k SF, 22.8k MF); Houston 50.8k (41.3k SF, 9.5k MF)

- **New Home Sales** stayed strong
  - New home sales +8.1%
  - DoM 93
  - MOI 5.1
  - Average price -0.4%
  - Median price +0.2%
  - Price/sq. ft. +2.9%
### 2018 Percent Changes in Key Housing Measures

<table>
<thead>
<tr>
<th>Region</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: TAR 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)
March 2019 Residential Sales Slowed Down; Price/Sq. Ft. Still Up

Residential* Closed Sales
YoY Percentage Change

Residential* Avg Close Price Per SqFt
YoY Percentage Change

Sales 0.7% YTD

Price +3.4% YTD

Source: TR Data Relevance Program; Real Estate Center at Texas A&M University
Annual Texas Home Sales & Prices

2018
Sales 1.7% Prices ~4%
2019p
Sales ~1%, Prices ~3.5%

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

1990-2000 Average 20.8

2001-2017 Average 30.6

Source: TAR Data Relevance Program; US Census Bureau; Real Estate Center at Texas A&M University
Texas Median Home Prices Continue to Climb

- 2017: +6.2%
- 2018: +4.5%
- 2019p: +3.5%
- 2012-2018p: +49%

Source: TAR Data Relevance Program; Real Estate Center at Texas A&M University
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 2018 Sales and Months Inventory by Price

About 61% of sales in $100k to $300k range

Very Tight Inventory to $300k

Source: TAR Data Relevance Program; Real Estate Center at Texas A&M University
Texas SF Building Permits

1995-2017 average
104,854/year

Source: US Census Bureau; NAHB; Real Estate Center at Texas A&M
Texas MF Building Permits

1995-2016 average 45,444/year
2017 -1.7%; 2018p -3%

Source: US Census Bureau, Real Estate Center at Texas A&M
Texas Residential Construction Leading and Coincident Indexes

Jan 2000=100

Coincident Index

Total Housing Permits (12-MMA)

Leading Index

Source: Real Estate Center at Texas A&M University
# Texas Single-Family Housing Markets Expected to Slow Down in 2019

<table>
<thead>
<tr>
<th>Texas</th>
<th>2018 (%)</th>
<th>2019 (%)</th>
<th>1991-2018 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Permits</td>
<td>5.7</td>
<td>2.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Sales</td>
<td>1.8</td>
<td>0.9</td>
<td>4.6</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>4.4</td>
<td>4.0</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Austin</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Permits</td>
<td>9.6</td>
<td>0.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Sales</td>
<td>2.3</td>
<td>2.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>4.5</td>
<td>4.0</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>DFW</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Permits</td>
<td>5.3</td>
<td>3.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Sales</td>
<td>-2.2</td>
<td>0.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>5.3</td>
<td>4.4</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Houston</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Permits</td>
<td>4.1</td>
<td>0.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Sales</td>
<td>3.5</td>
<td>1.1</td>
<td>3.9</td>
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<td>Price per square foot</td>
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<td>4.6</td>
<td>5.3</td>
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<td><strong>San Antonio</strong></td>
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<td>Housing Permits</td>
<td>9.7</td>
<td>10.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Sales</td>
<td>2.3</td>
<td>-1.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Price per square foot</td>
<td>5.2</td>
<td>3.9</td>
<td>4.6</td>
</tr>
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Source: Real Estate Center at Texas A&M University
Killeen-Temple/Bell County Housing Markets
Annual Killeen-Temple Home Sales & Prices

2018 sales +4.4%, prices +4.6%
2019p sales ~3.0%, Prices ~4%

Source: Temple-Belton BoR; Real Estate Center at Texas A&M University
Annual Bell County Home Sales & Prices

2018 sales +2.2%, prices +5.0%
2019p sales ~2.5%, Prices ~3.5%

Source: Temple-Belton BoR; Real Estate Center at Texas A&M University
Bell County 2018 Sales and Months Inventory by Price

- About 67% of sales in $100k to $250k range

Source: Temple-Belton BoR; Real Estate Center at Texas A&M University

Sales +12.1% YTD

Price +3.5% YTD

Source: Temple-Belton BoR; Real Estate Center at Texas A&M University

**Sales & Prices by Zip Code**

- **Sales**: +13.4% YTD
  - **Existing**: +20%
  - **New**: -11.2%
- **Price/sf**: +0.7% YTD
  - **Median**: +2.6% YTD

**2.6 Months Inventory**

Source: Temple-Belton BoR; Real Estate Center at Texas A&M University
Killeen-Temple Housing Report

2019 Q1

Median price
$157,600
Up 4.7%
Compared to same quarter last year

Price Distribution
- $0 - $99,999: 17.9%
- $100,000 - $199,999: 54.1%
- $200,000 - $299,999: 18.7%
- $300,000 - $399,999: 5.3%
- $400,000 - $499,999: 2.4%
- $500,000 - $749,999: 1.2%
- $750,000 - $999,999: 0.2%
- $1,000,000+: 0.2%

Active listings
Down 12.3%
1,471 in 2019 Q1

Closed sales
Up 12.1%
1,429 in 2019 Q1

Days on market
- Days on market: 71
- Days to close: 31
- Total: 102

1 day less than 2018 Q1

Months of inventory
2.6
Compared to 3.2 in 2018 Q1
Bell County Housing Report

Median price $159,900
Up 2.6%
Compared to same quarter last year

2019 Q1
Price Distribution

- $0 - $99,999: 15.9%
- $100,000 - $199,999: 54.7%
- $200,000 - $299,999: 19.4%
- $300,000 - $399,999: 5.8%
- $400,000 - $499,999: 2.7%
- $500,000 - $749,999: 1.3%
- $750,000 - $999,999: 0.2%
- $1,000,000+: 0.0%

Active listings Down 14.3%
1,181 in 2019 Q1

Closed sales Up 13.4%
1,150 in 2019 Q1

Days on market Days on market 72
Days to close 31
Total 103
Unchanged from 2018 Q1

Months of inventory
2.6
Compared to 3.2 in 2018 Q1

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.
Bell County SF Permits

2017 +1%; 2018e +14%; 2019p +1%

Source: US Census Bureau; Real Estate Center at Texas A&M University
Longer-Term Outlook

- **Population** Growth Continues to Outpace U.S.; Concentrated in Urban Triangle
- **Infrastructure** Trying to Keep Up with Growth: roads, water/sewer, utilities, schools
  - Water West of I-35 Major Limiting Factor for Growth
- **Infrastructure Financing** higher rates; bond market competition for capital; private vs. public financing; taxes
- **Land** and land resources & government regulatory actions
- **Money** Capital & Money Markets: debt, inflation and interest rates
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