



2015 Market Trends and Reappraisal

April 7, 2015



*Business & Industrial
Property
Market Overview
Tax Year 2015*



Industrial Property

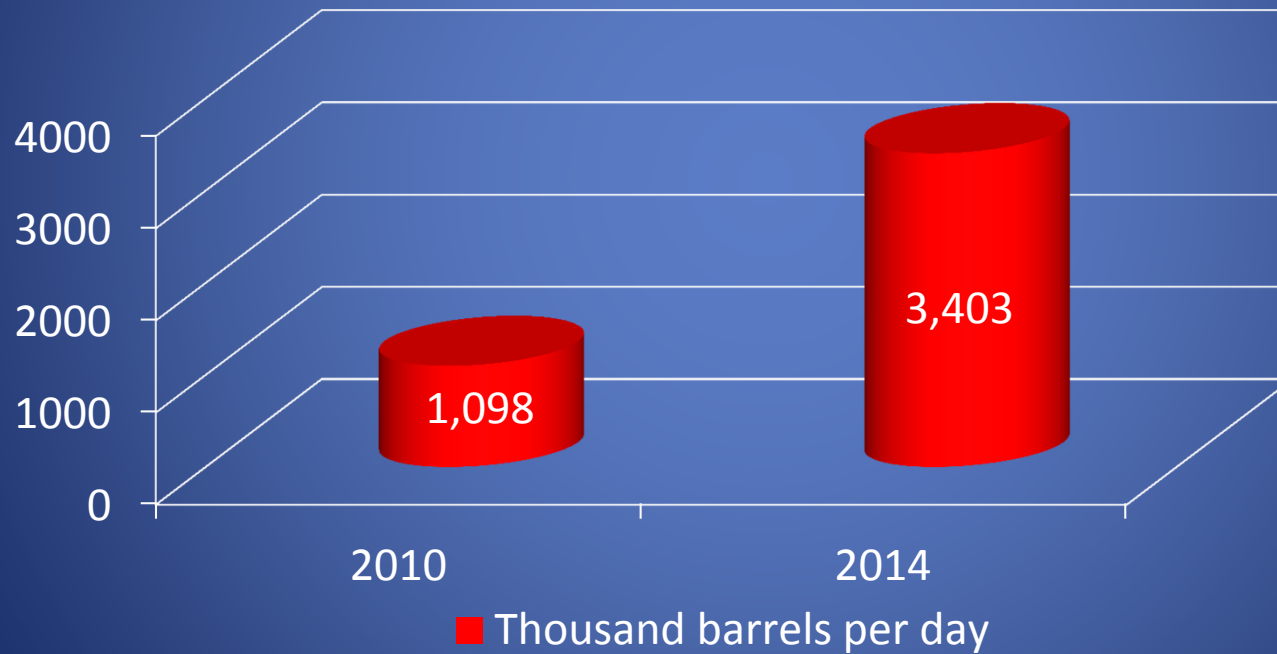


Harris County



Refineries: Texas Crude Oil Production From Shale (Jan '10 – Nov '14)

Economic Policy Journal





Refineries: Shale Oil Boom

Before Boom

- Shortage of light, sweet crude
- Refineries configured to process heavy, sour crude
- Margins better for heavy, sour crude



Since Boom

- Abundance of light, sweet crude
- Refiners who can change configuration or are configured to process light crude have an advantage



Refineries: Oil Prices



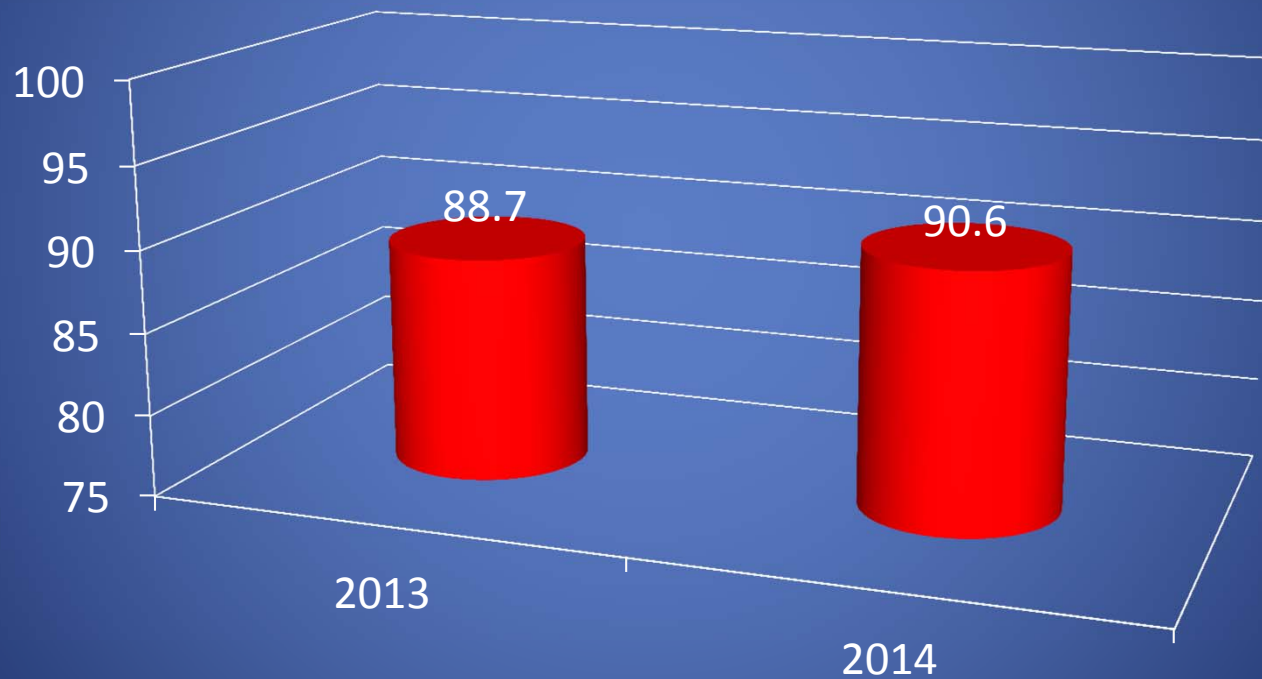
OPEC Producers

- Have not reduced crude production
 - Typically maintains price
- Continued production has allowed prices to fall



Texas Gulf Coast Refinery

Average Annual Capacity Utilization Percentage





Refineries: Projects

ExxonMobil Chemical “SpectraSyn Elite”

- Produce synthetic lubricants
- Complete for 2015
- Over \$100 million appraised value

Valero crude topping expansion

- Boost crude oil processing
- Anticipated mid-2016
- Est. \$400 million appraised value



Chemicals: Projects

- Chevron Phillips
 - 1-Hexene Unit (*100% complete*)
 - Cedar Bayou Complex (*3% complete*)
- ExxonMobil Baytown Olefins Plant
 - New Olefins Unit (*3% complete*)
- Lyondell/Equistar Olefins
 - LaPorte furnace addition (*100% complete*)
 - Channelview furnace addition (*80% complete*)



Chemicals

- Chemical-related inventory
 - Volumes should be similar to 2014
 - Values could decrease overall
- Commodity chemicals (commonly traded)
 - Values should be similar to 2014
- Chemicals dependent on oil-based feed stocks
 - Values could be down for 2015



Utilities: Electric

- Most power in Harris County comes from cogeneration facilities
 - Generate both steam and power
- Calpine to add two natural gas cogeneration turbines in 2015
 - Channelview
 - Deer Park
- Effects on value should be minor





Utilities: Natural Gas

- Governmental regulation:
 - Revenues
 - Expenses
- Values typically stable
- Expect modest increase in 2015
 - Industrial activity
 - Increased retail sales





Gas Storage Facilities

- Little change in infrastructure
- Expect flat value of plant and equipment
- Inventory below last year's high levels Energy Information Administration (EIA)
 - Bammel working gas
 - West Clear Lake working gas
 - Kinder Morgan subletting space in Clear Lake facility



Utilities: Cable

- Combined phone, television, and internet services are available from both:
 - Cable companies
 - Telephone companies
- Competition makes it difficult to sustain a profit
- Telecommunications getting less expensive
 - Advances in technology
- Values could show a slight increase in 2015



Utilities: Telephone



- Traditional telephone property across the state dropped 8% in 2014
- Number of phone lines in the US continues decline
 - Only 1 in 4 adults has a traditional “land-line” telephone in the US
- AT&T plans to end traditional wire service by 2020
 - Requires approval by the FCC



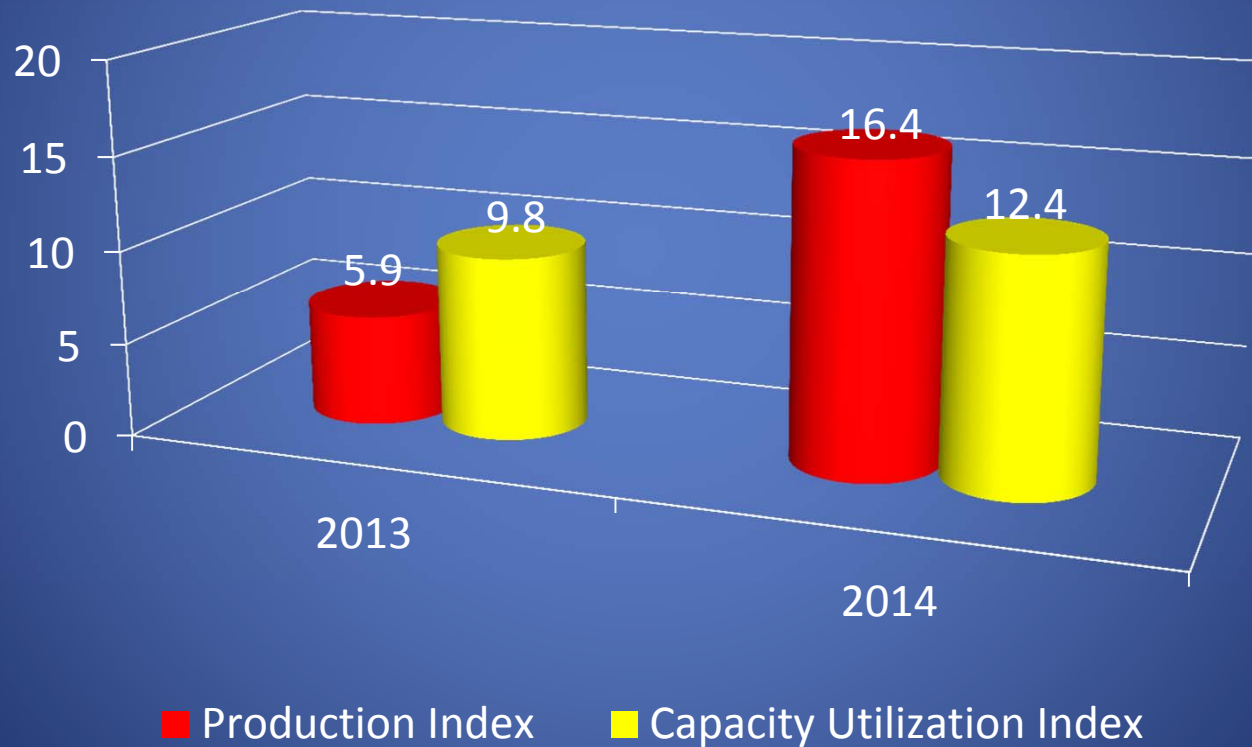
Wireless Communication

- Infrastructure expenditures increased in 2014
 - Increased consumer demand
 - Wireless to be main communication
- Values should increase for 2015
- Expenditures should decrease in 2015





Manufacturing: Production





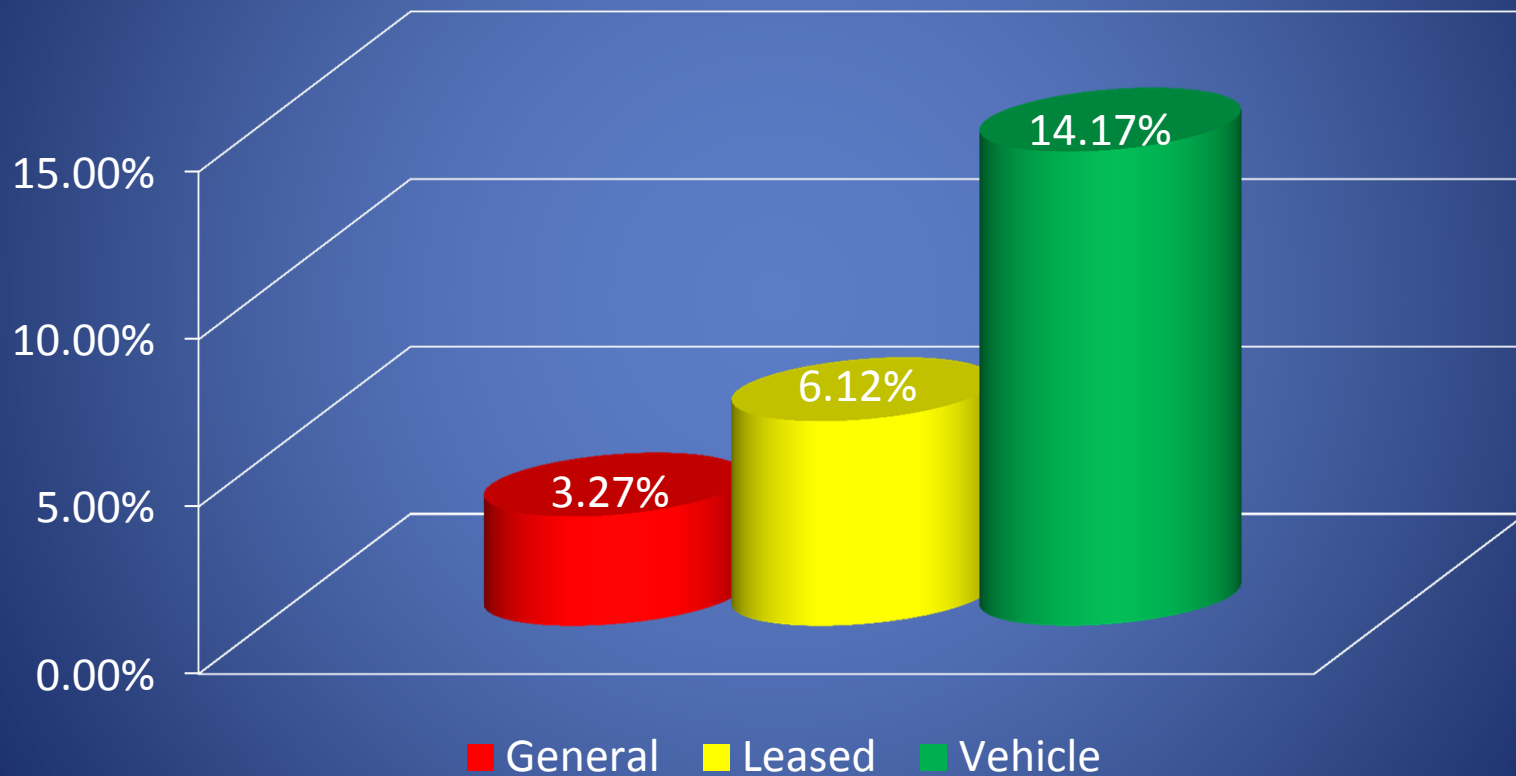
Business Personal Property



Harris County



Business Personal Property: Percent Change 2013 to 2014





Business Personal Property: *Dealer Inventory*

- Vehicle sales
 - Up 6% in Houston region from Nov '13 to Nov '14
- Dealer inventory is tied to prior year sales
 - Indicates an increase in 2015