2016 Market Trends and Reappraisal

Board of Directors Meeting
March 16, 2016
Industrial and Commercial Personal Properties Market Overview

Tax Year 2016
Property Types

**Industrial Property**
- Refineries/Chemicals
- Utilities
  - Electric
  - Natural Gas
  - Cable
  - Telephone
- Wireless Communication
- Manufacturing

**Commercial Personal Property**
- Dealer Inventory
- Transportation
- Leasing
- General
Crude Oil Prices (2011-2016)

Source: U.S. Energy Information Administration – West Texas Intermediate (WTI) prices from the first trading day of each year
Texas Gulf Coast Refinery
Average Annual Capacity Utilization Percentage

Source (2015): Department of Energy through October 2015
Chemicals:

Projects

• Chevron Phillips Cedar Bayou Complex
  • 1-Hexene Unit (*complete*)
  • New Olefins Unit (*est. 2017*)

• ExxonMobil Baytown Olefins Plant
  • New Olefins Unit (*est. 2017*)

• Lyondell/Equistar Olefins
  • LaPorte furnace addition (*complete*)
  • Channelview furnace addition (*complete*)
Chemicals:
Inventory

• Chemical-related inventory
  • Volumes should be similar to 2015
  • Values dependent on product
• Commodity chemicals (commonly traded)
  • Values should be down for 2016
• Chemicals dependent on oil-based feed stocks
  • Values could be down for 2016
Utilities:
Electric

• Most power in Harris County comes from cogeneration facilities
  • Generate both steam and power
• Calpine added two natural gas cogeneration turbines in 2015
  • Channelview
  • Deer Park
• Power prices soft
  • Wind projects in West Texas
  • Mild weather
• 2016 should reflect a reduction in values
Utilities:
Natural Gas

- Governmental regulation
  - Revenues
  - Expenses
- Values typically stable
- Expect modest increase in 2016
  - National improving job market
  - National housing sales
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 should change little for 2016
Utilities: Telephone

• 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
• Competition keeping values down
  • Cell phones
  • Voice over Internet Protocol (VoIP)
Wireless Communication

• Infrastructure expenditures increased in 2015
  • Increased consumer demand
  • Wireless as main communication

• Values should decrease for 2016
  • Depreciation outweighs new construction
  • Replacement cost decreases
    • Design and manufacturing improvements
  • Older generation equipment
    • Expedited obsolescence
Manufacturing:
Production

Source: Dallas FED production index
Dealer Inventory

• Vehicle sales
  • Up 7% in Houston region from 2014 to 2015, per TexAuto Facts
• Dealer inventory is tied to vehicle sales
  • Indicates an increase in 2016
Commercial Personal Property:
Percent Change 2014 to 2015

- General: 6.07%
- Transportation: 10.68%
- Leased: 1.93%