2016 Market Trends and Reappraisal

Board of Directors Meeting
March 16, 2016
Residential Property Market Overview

Tax Year 2016
Houston Economy

• Houston’s residential market has cooled considerably since the hot market of 2014

• This is due in no small part to the fact that for the 5th time in the last 4 decades the Houston metropolitan area is facing uncertainty due to the collapse of oil prices
  • The price WTI crude fell more than 60 percent from 1/1/2014 – 1/01/2016 ($95.14 to $36.81)
  • Rig reduction of 61.5 percent (1,187)
Houston Economy

- The supply of homes is not an issue as in prior downturns, especially the 1980s and the great recession (2008)
- The current inventory of 3.2 months is below equilibrium and below the national average, which is currently 3.9 months
- Annual “new starts” is still well below pre-recession levels

![New Starts Chart]

<table>
<thead>
<tr>
<th>Year</th>
<th>New Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10,983</td>
</tr>
<tr>
<td>2014</td>
<td>17,813</td>
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<tr>
<td>2013</td>
<td>16,071</td>
</tr>
<tr>
<td>2012</td>
<td>13,540</td>
</tr>
<tr>
<td>2011</td>
<td>10,395</td>
</tr>
<tr>
<td>2010</td>
<td>10,732</td>
</tr>
<tr>
<td>2009</td>
<td>11,177</td>
</tr>
<tr>
<td>2008</td>
<td>14,761</td>
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<tr>
<td>2007</td>
<td>22,592</td>
</tr>
<tr>
<td>2006</td>
<td>31,955</td>
</tr>
<tr>
<td>2005</td>
<td>31,741</td>
</tr>
</tbody>
</table>
New Housing Starts

Billions of Dollars

New Starts

New Construction Value


we value our community

HARRIS COUNTY APPRAISAL DISTRICT
Texas
Sales Volume

• According to HAR, sales volume for single family residential properties declined 2.4 percent
  • 2015: 73,724 units
  • 2014: 75,535 units
• There were 6 months in 2015 where sales volume increased versus the same month in 2014
Sales Prices

• Although sales volume was off slightly for the full year 2015, both the average and median sales prices continued to rise

• Average sales price increased 3.7 percent year over year
  • 2015: $280,290
  • 2014: $270,182

• Median sales price increased 6.5 percent year over year
  • 2015: $212,000
  • 2014: $199,000
Foreclosures

• The number of foreclosures in Houston continues to fall despite the problems in the oil patch

• HCAD recorded foreclosures:
  • 2013: 4,946
  • 2014: 2,636
  • 2015: 1,882 (4.4 percent of total sales)
Houston Economy

• Other bright spots:
  • Although Houston lost an estimated 10,200 oil-patch related jobs a net gain of more than 20,000 new jobs was realized in 2015
  • The Texas Workforce Commission is forecasting that Houston will add almost 22,000 jobs in 2016
  • Oil price appears to have bottomed out and is more than 30 percent higher than its January lows