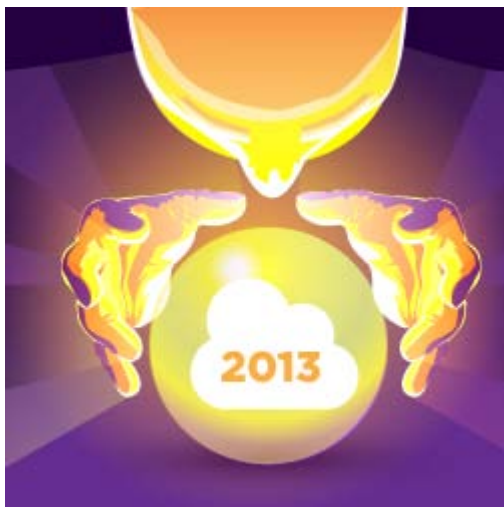




**Chamber of Commerce**  
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# Economic and Housing Outlook for 2013



**Dr. James P. Gaines**

Research Economist



**REAL ESTATE CENTER**  
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**Economic Recovery  
still Slow Going**

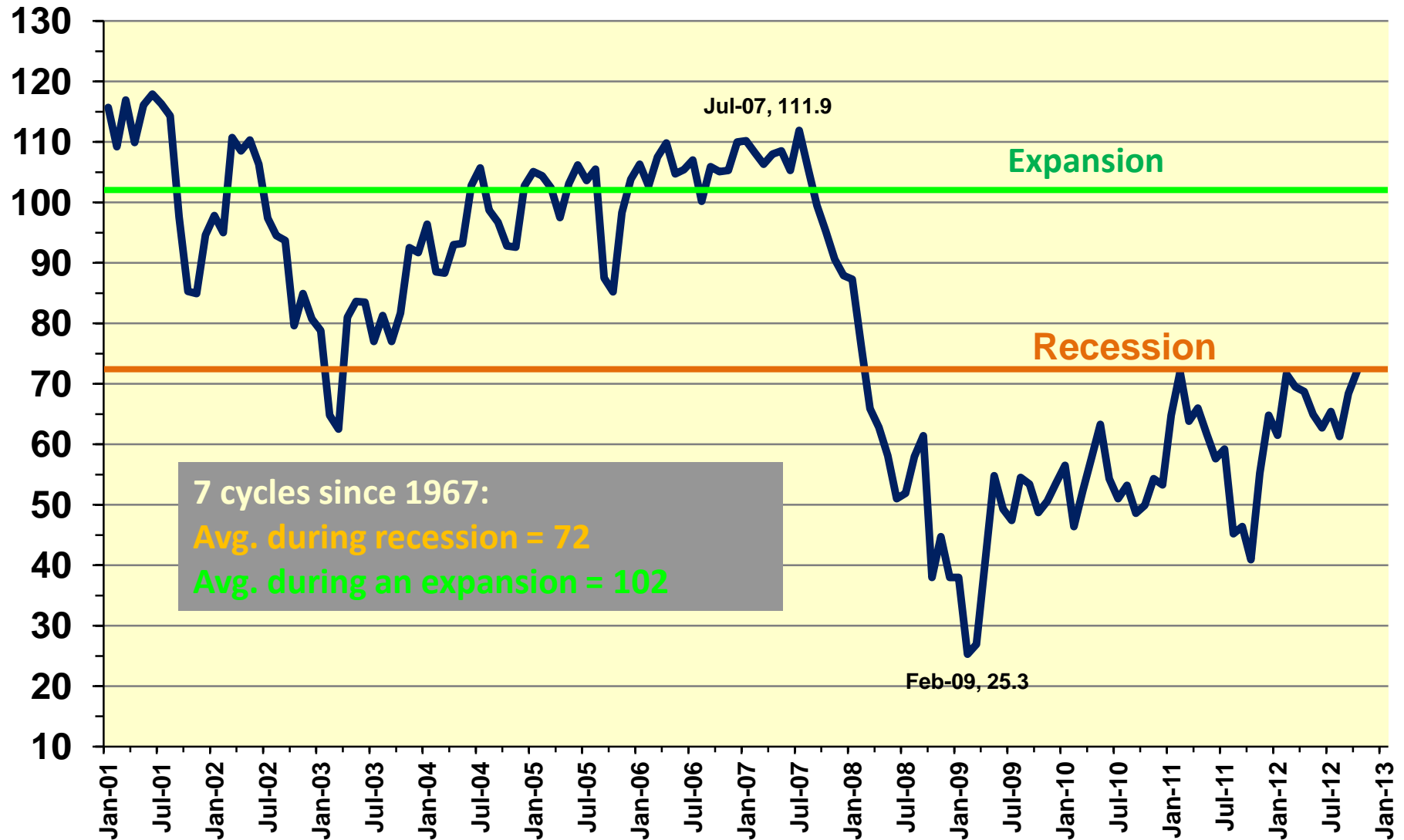
# After the Cliff?

- **American Taxpayer Relief Act of 2012 !!**
- **Most of the significant tax impacts were relieved: AMT, capital gains, estate taxes, etc.**
- **Higher rates for >\$400,000 (\$450,00) income households**
- **“Bush-era” tax rates made permanent**
- **Remaining Issues are Significant**
  - **Debt ceiling: technically already exceed ceiling**
  - **Budget sequester – scheduled spending cuts starting March 1: between -0.5 to -1.0 percent on GDP**
  - **Entitlement spending: two-thirds of budget and growing faster than revenues and offset of sequestered reductions**

# As We Go Into 2013...

- Household & business spending still slow
- Unemployment remains high
- Avoided going over the fiscal cliff but debt ceiling, spending cuts and new Federal budget all come up in March!
- Home construction & prices rising – enough?
- Tight lending may loosen some, but not substantially
- State and local governments pull back
- Regulatory UNCERTAINTY
- General Lack of CONFIDENCE in direction

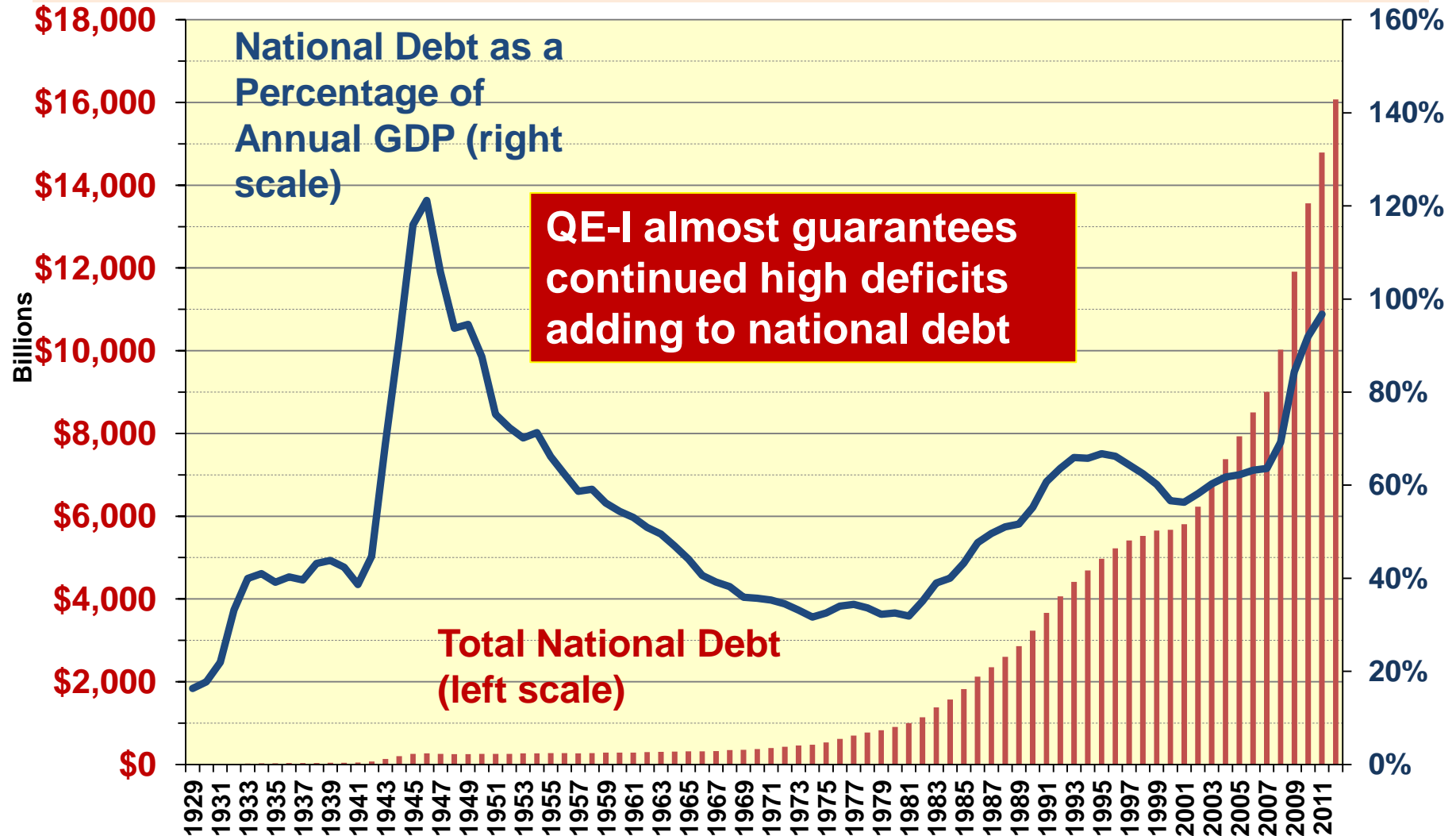
# Consumer Confidence Index



Source: The Conference Board (1985=100)

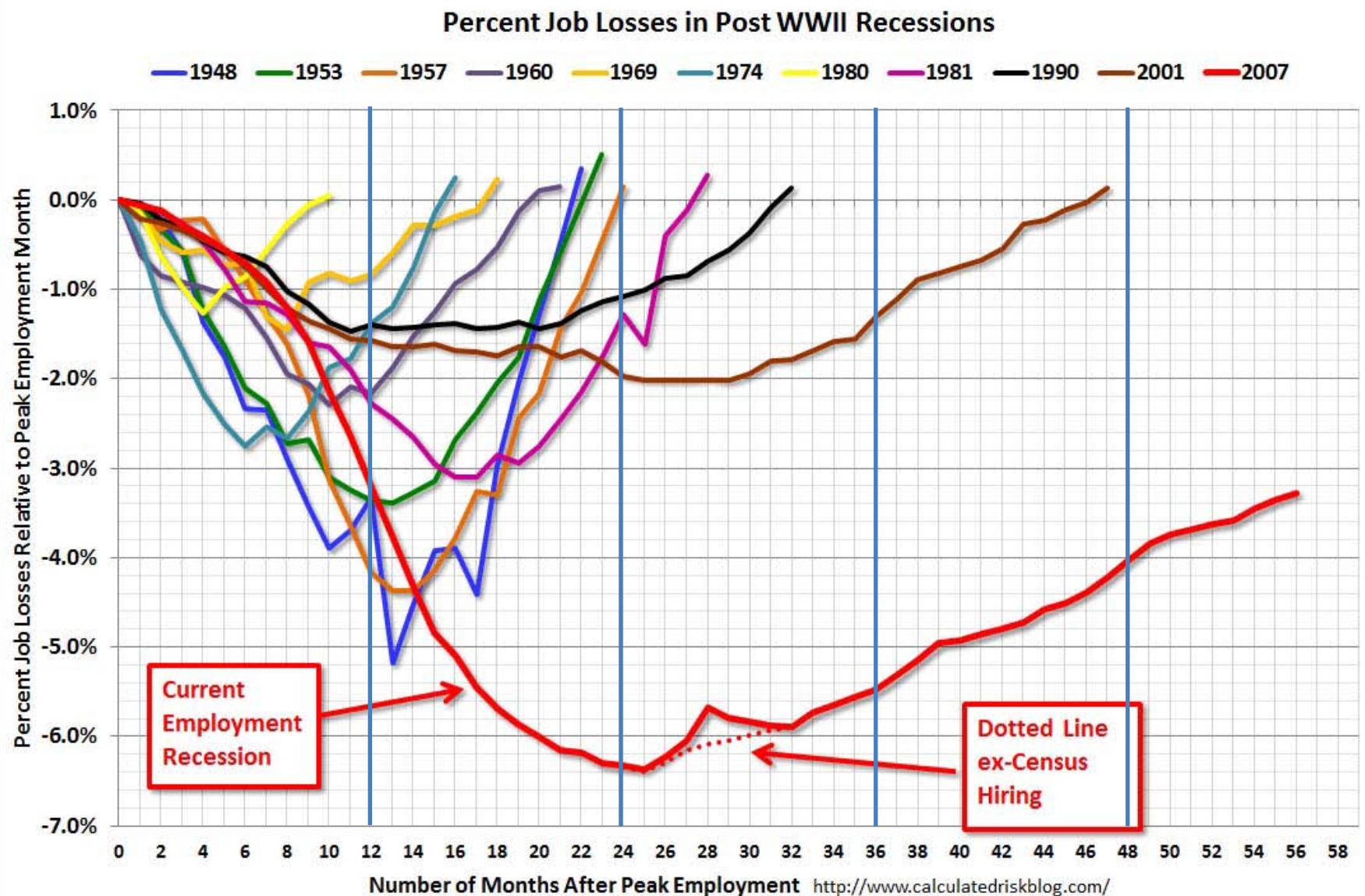
# Total National Debt Since 1929

## Amount and Percent of GDP



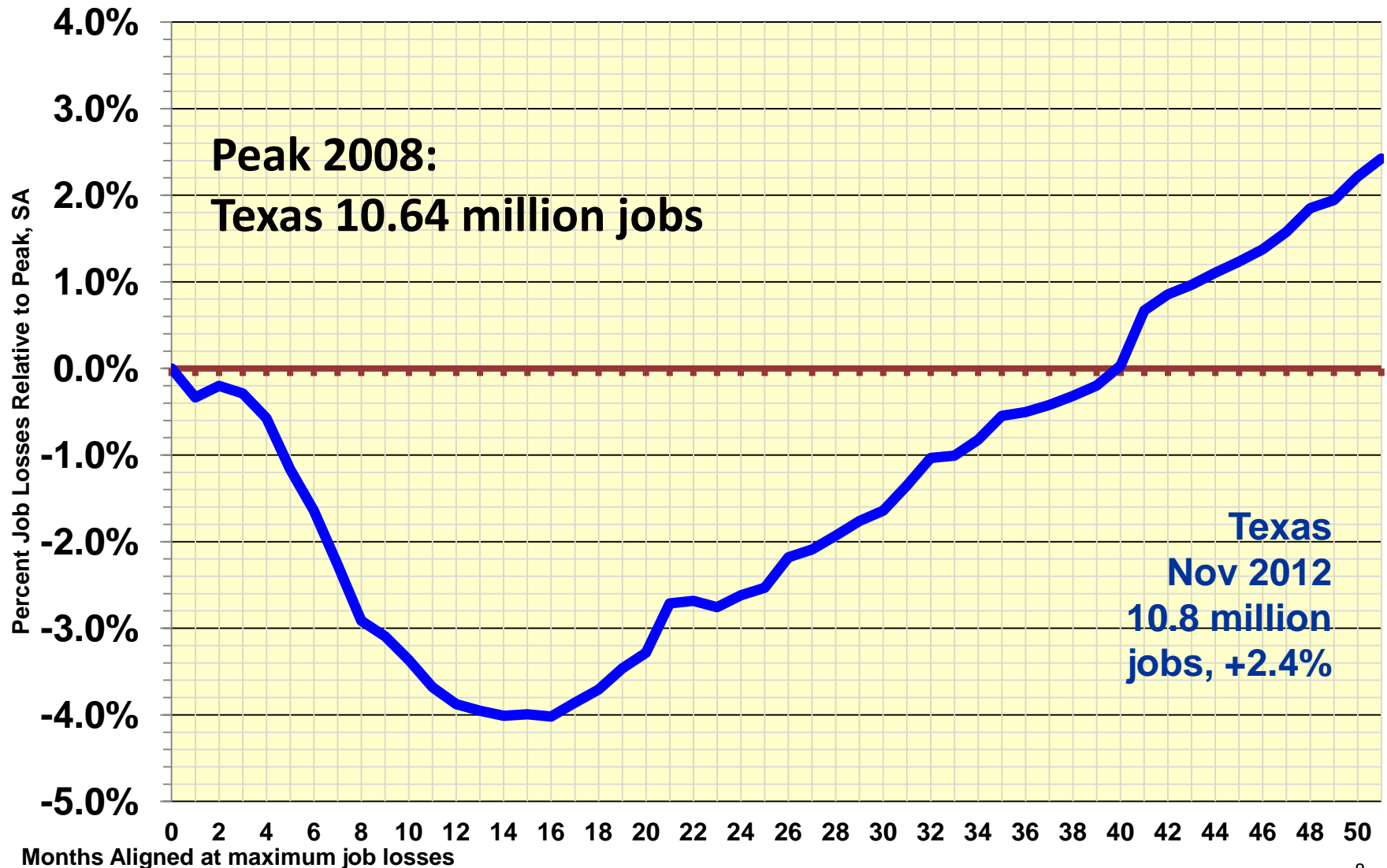
Source: U.S. Treasury

# Employment Recovery May Take a While



# Texas Employment Recovery

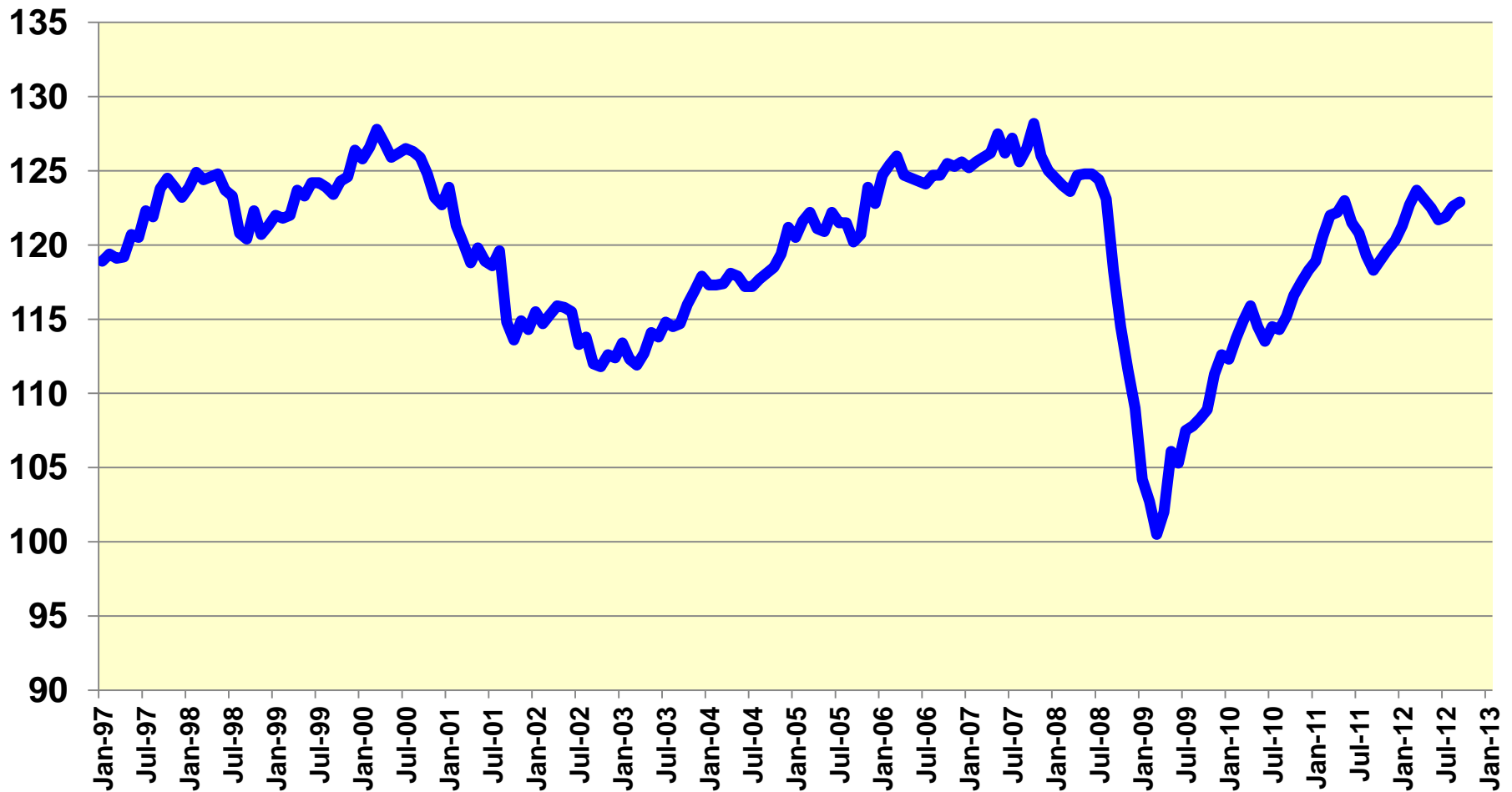
## Percent Job Change From Peak



Source: Texas Workforce Commission; Real Estate Center at Texas A&M



# Texas Leading Economic Index



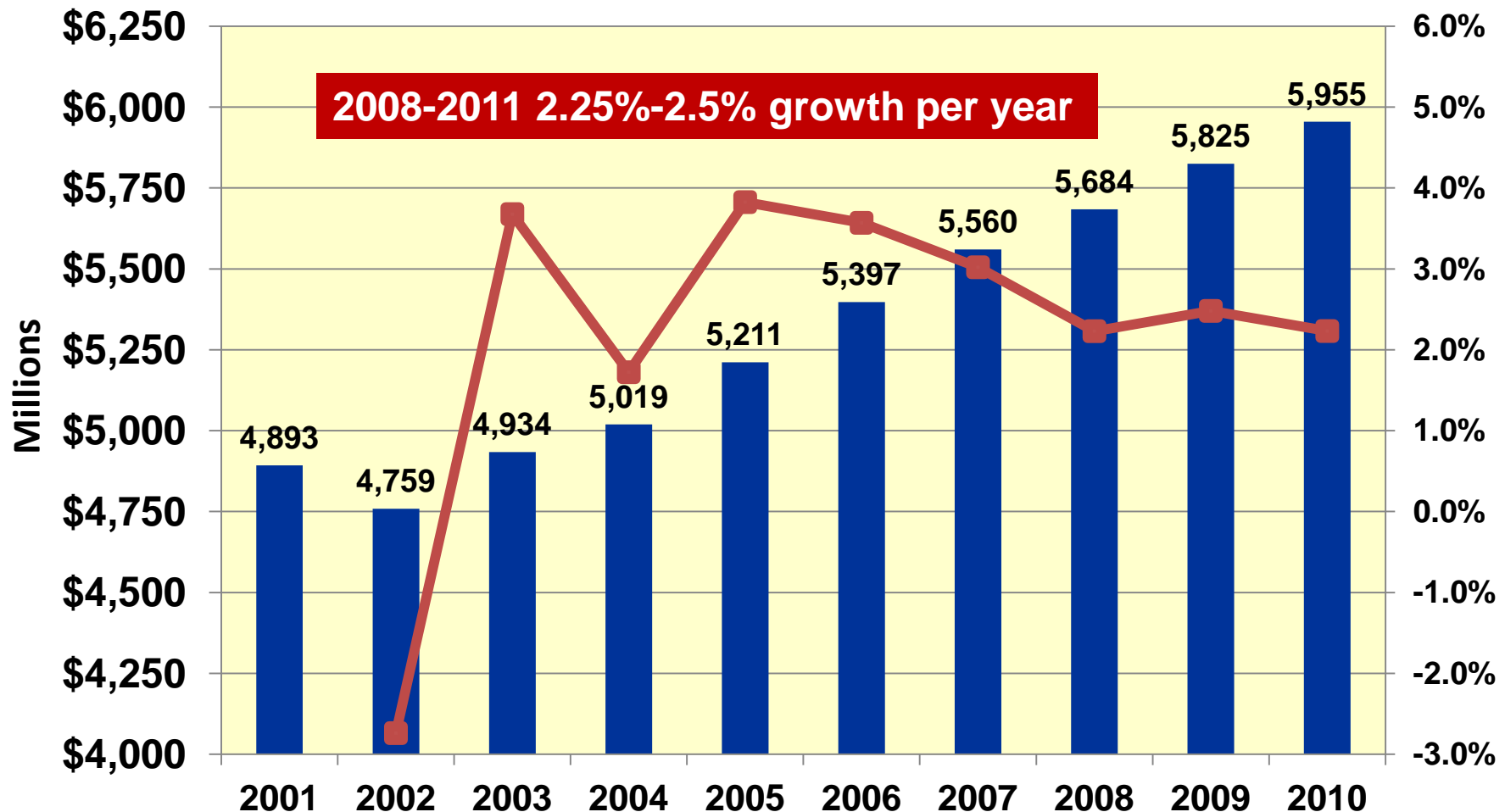
Source: Dallas Federal Reserve

# Texas' Economy is Doing Better Than Most

- **Job Gains**
- **Housing Prices**
- **General Business Growth**
- **Population Growth**

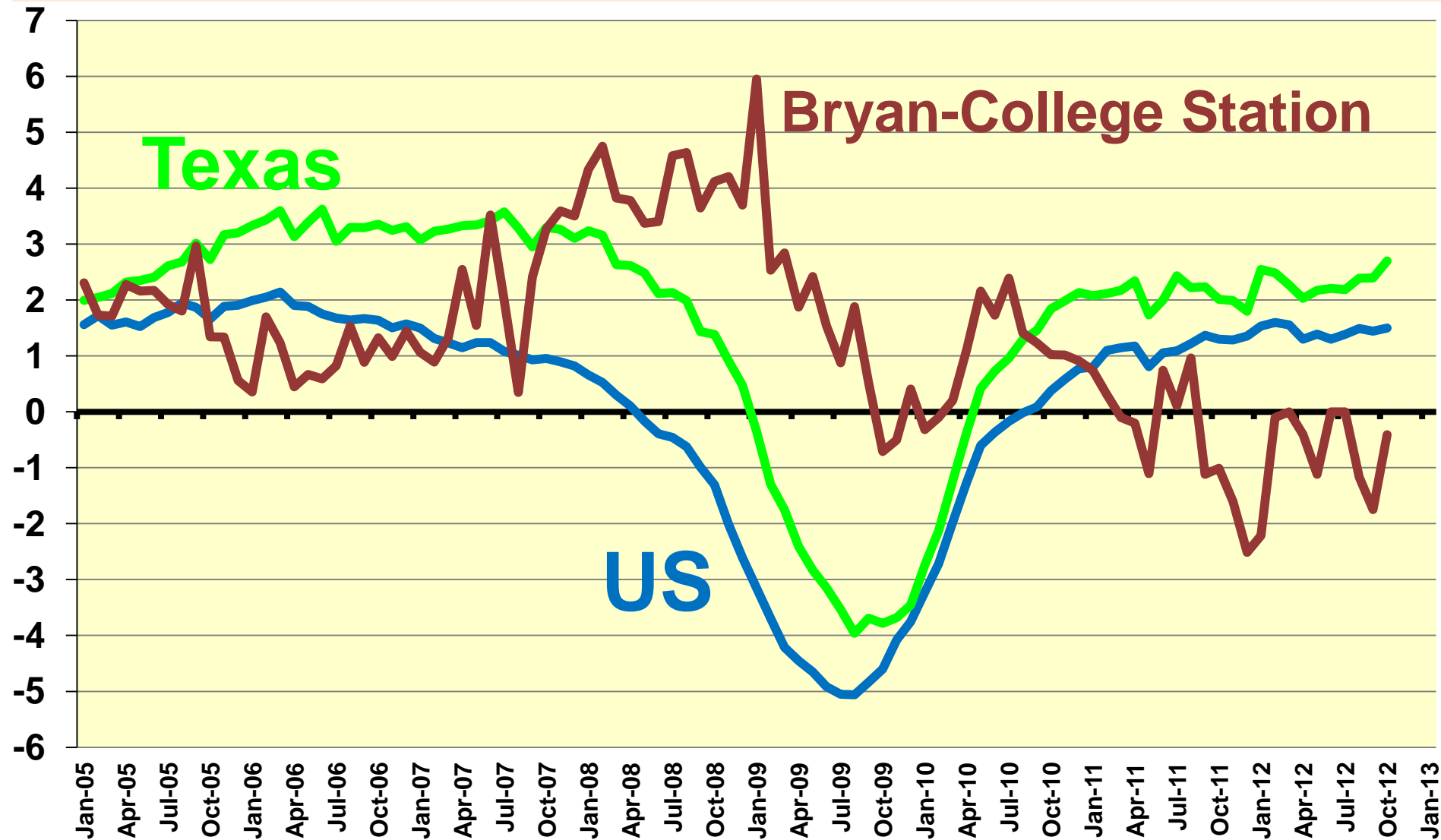
**College Station is  
Bucking the State Trend  
Because We're  
Dominated by State  
Employment: TAMU**

# B-CS Real GDP and Percent Growth



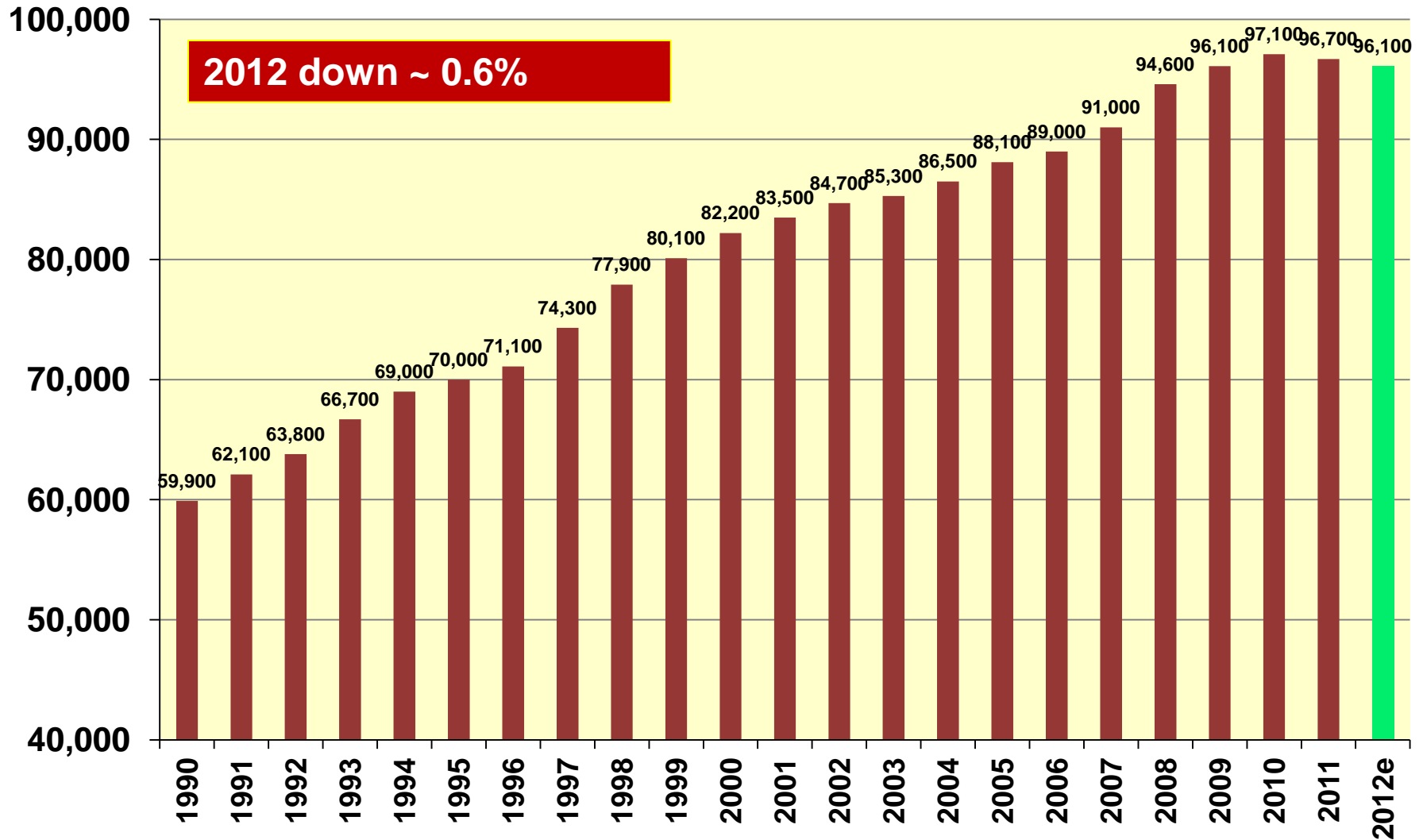
Source: Bureau of Economic Analysis

# Annual Job Growth Rates for US, Texas and B-CS MSA

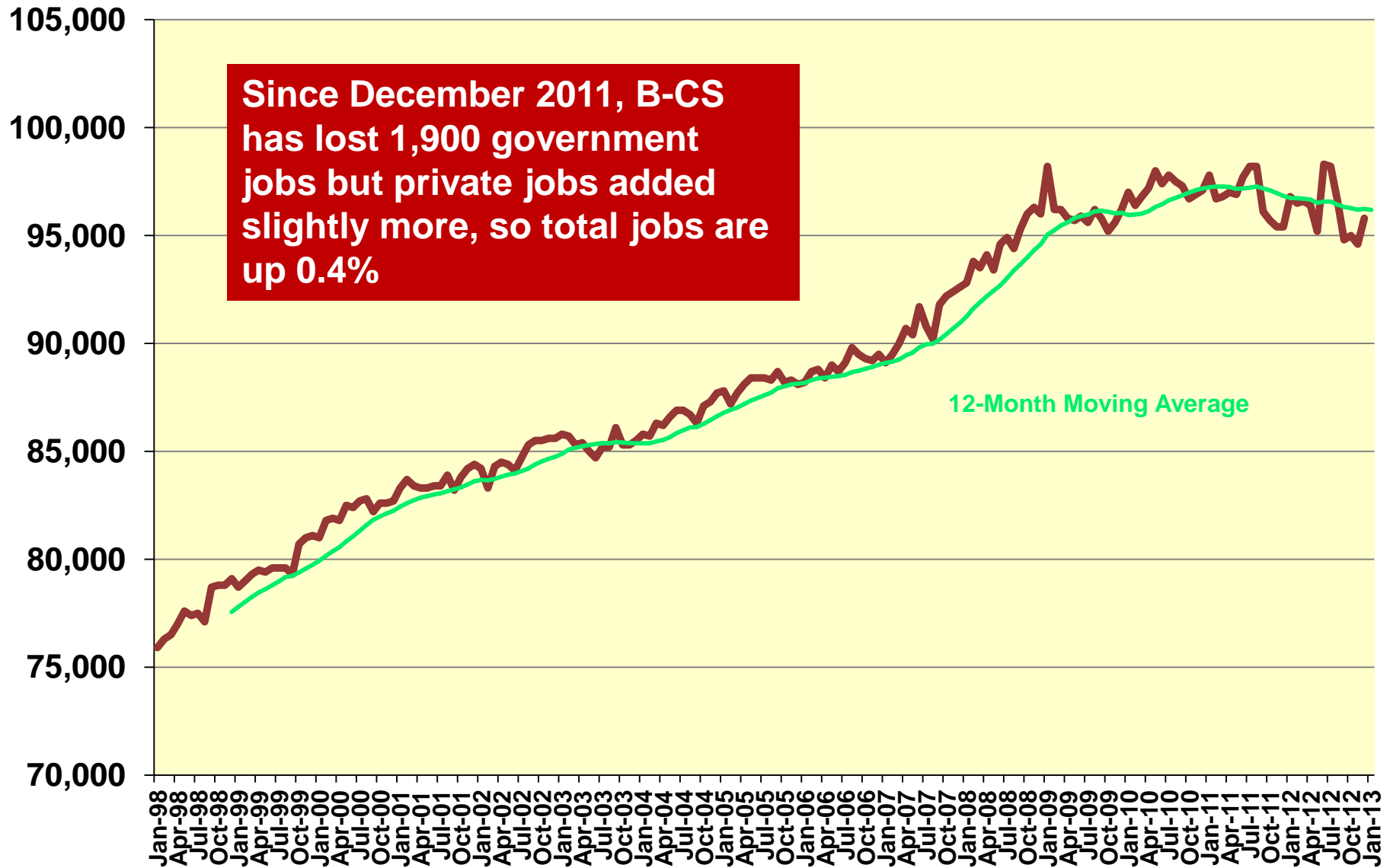


Source: TWC, Real Estate Center at Texas A&M University

# B-CS Annual Jobs

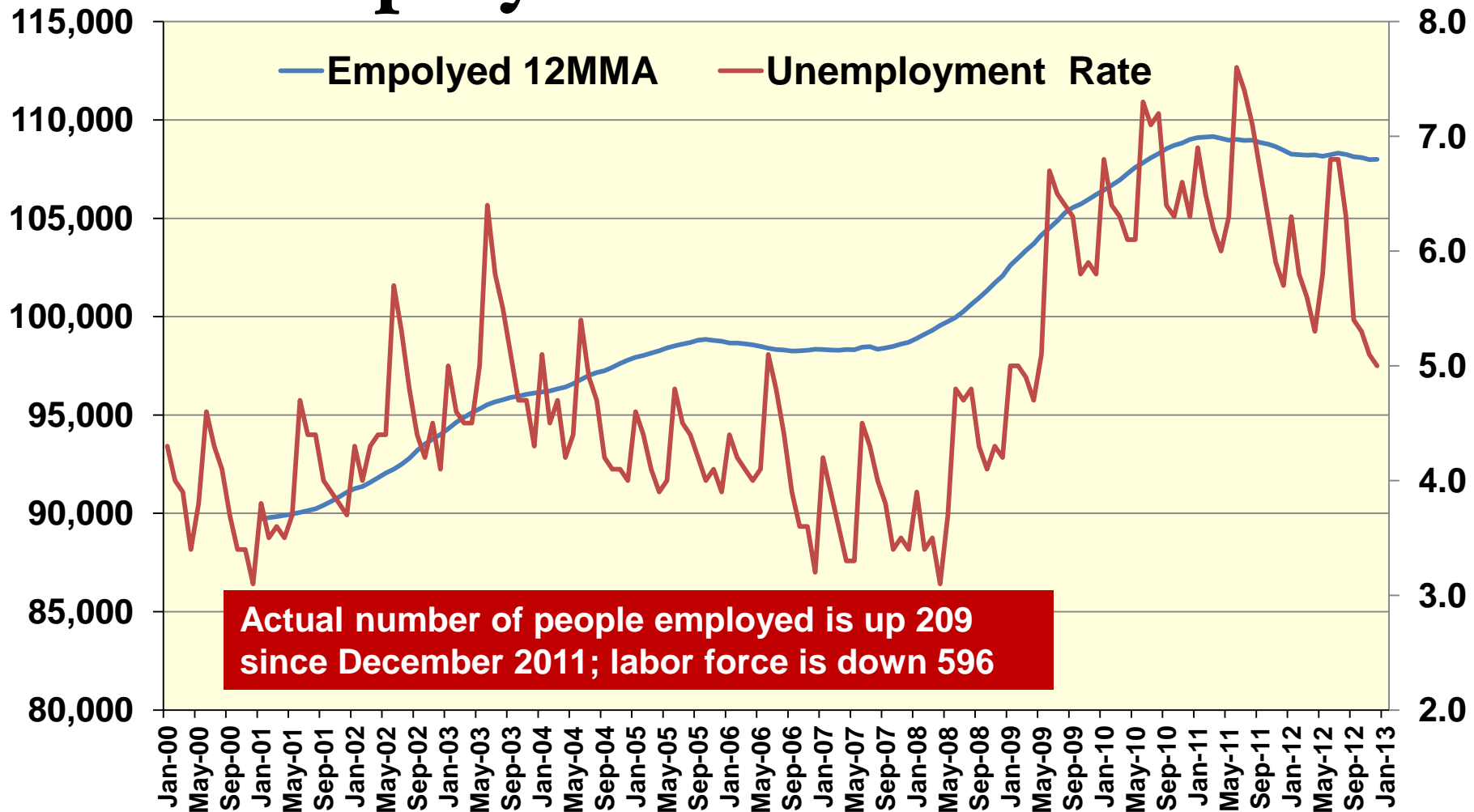


# B-CS Monthly Jobs



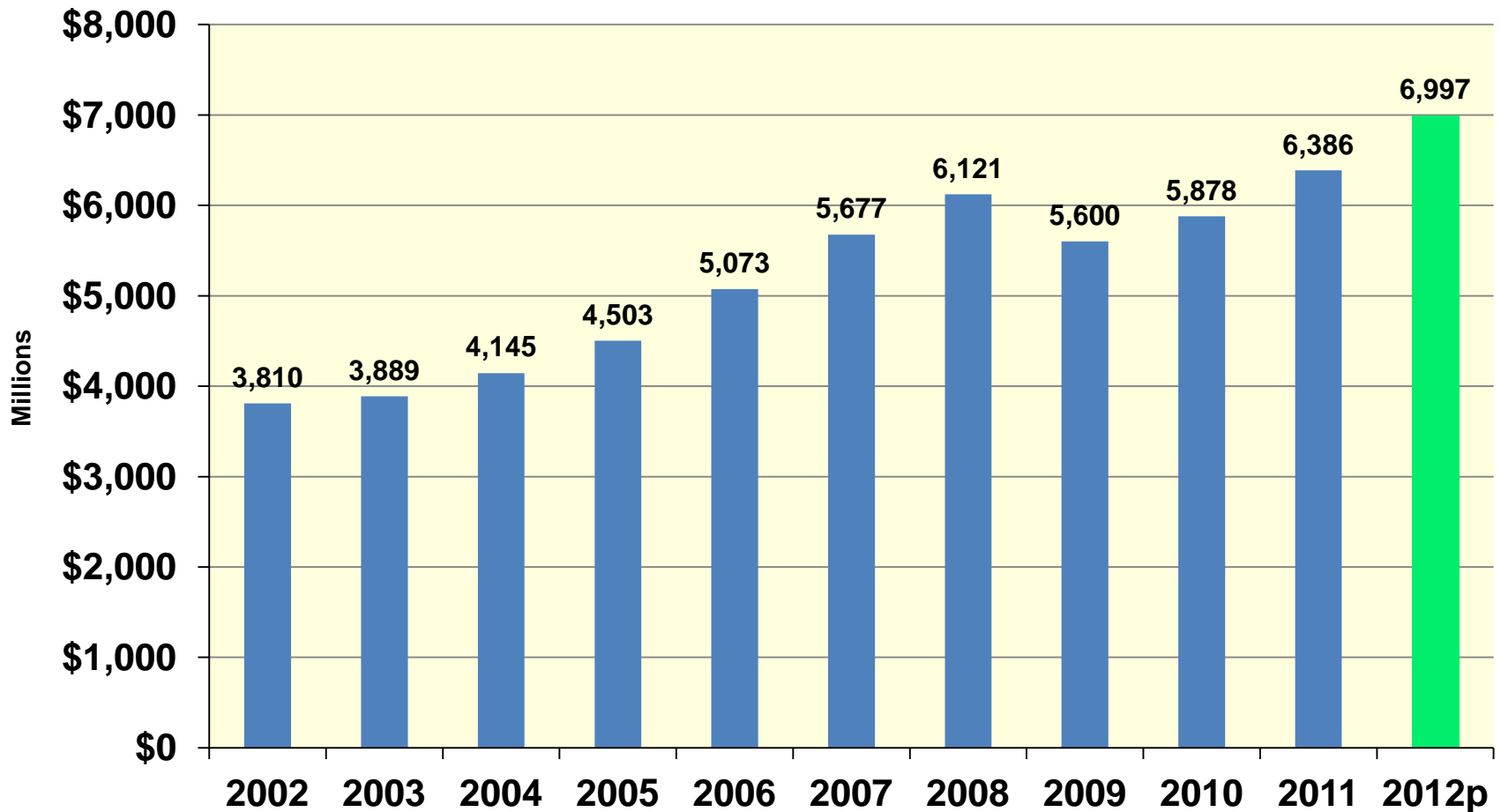
Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University; SA

# People Employed and the Unemployment Rate in B-CS

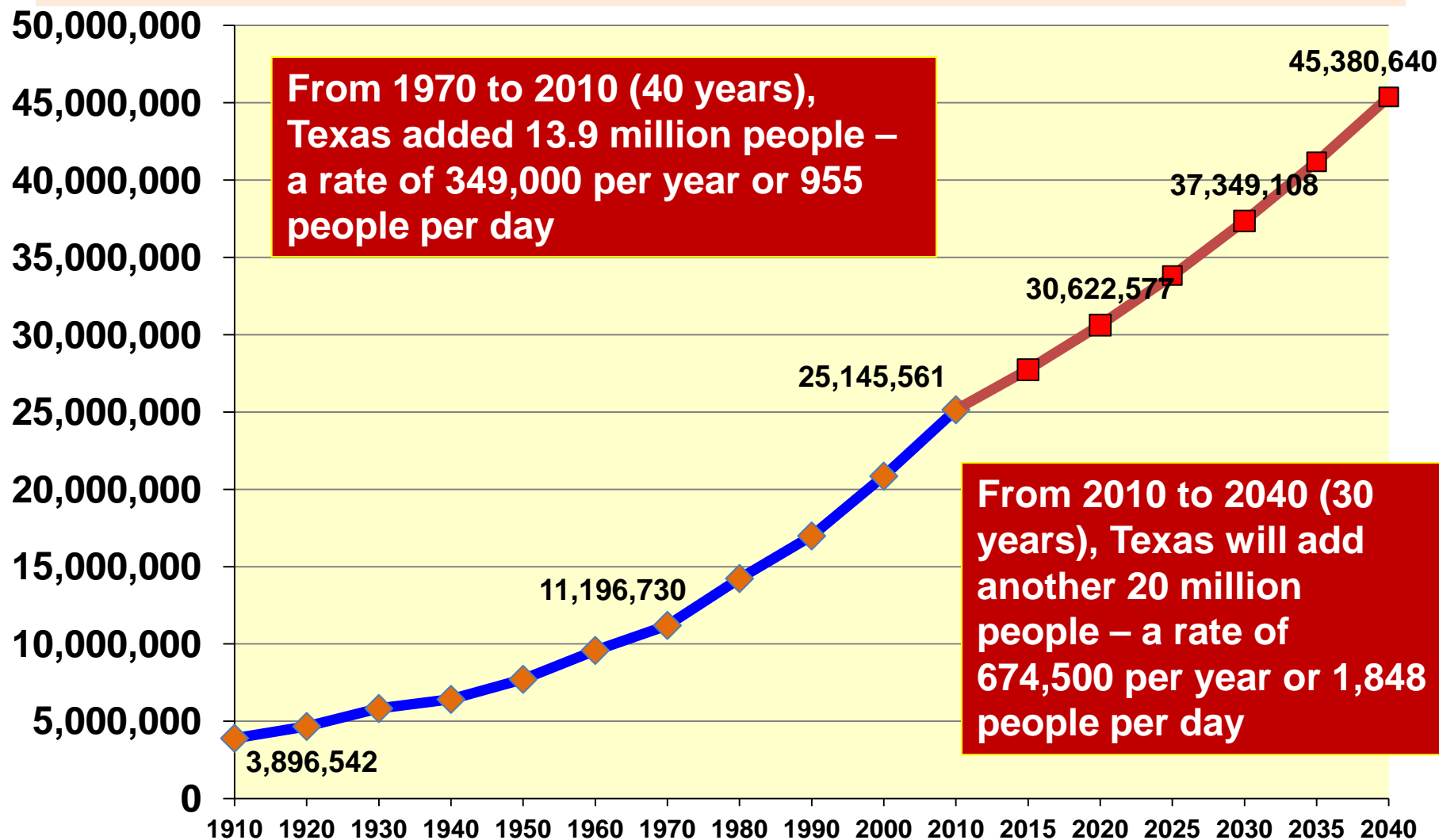




# Gross Sales in the B-CS Area

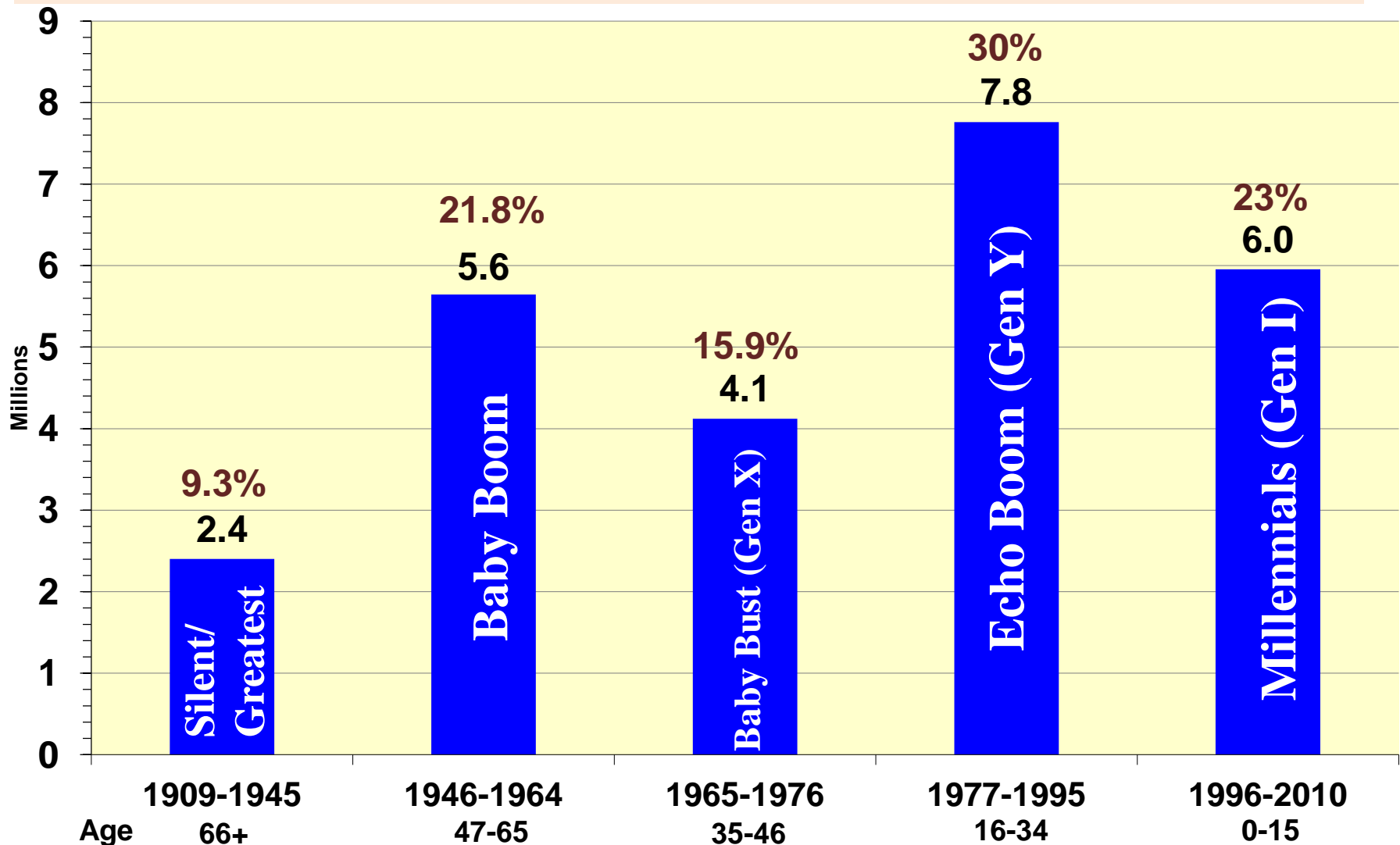


# Texas Population 1910-2040



Sources: U.S. Census Bureau, Texas State Demographer 2012 Projections (2000-2010 immigration scenario)

# Texas Population Groups 2011



Source: U.S. Census Bureau; 2009 National Population Projections (Supplemental)

# 2010-2011 Population Changes

- **4 States added 100,000 or more:**
  - Texas            421,215 (1.67%)
  - California    353,714 (0.95%)
  - Florida        218,929 (1.16%)
  - Georgia       103,053 (1.06%)
- **Brazos County added 1,977 people, 1.01% (30<sup>th</sup>)**

Source: U.S. Census Bureau

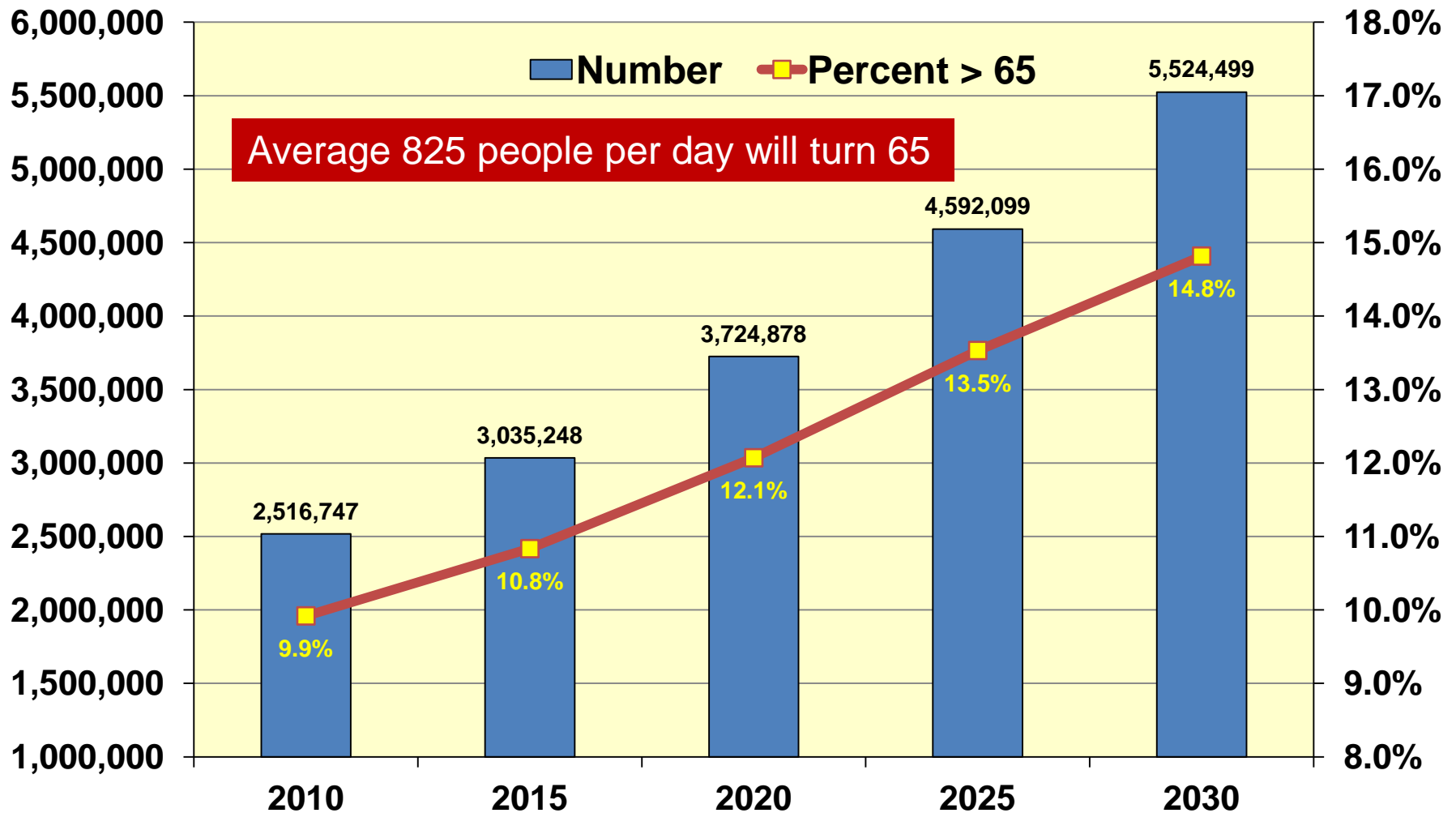
# 2010-2011 Population Changes

- **6 MSA's added 90,000 or more:**

<b>4 DFW</b>	<b>126,037 (1.97%)</b>
<b>5 Houston</b>	<b>110,068 (1.84%)</b>
<b>2 Los Angeles</b>	<b>100,430 (0.78%)</b>
<b>1 New York</b>	<b>96,251 (0.51%)</b>
<b>7 Washington D.C.</b>	<b>94,789 (1.69%)</b>
<b>8 Miami</b>	<b>92,045 (1.65%)</b>
- **Austin** **55,272 (3.20%)**
- **San Antonio** **41,036 (1.91%)**

Source: U.S. Census Bureau

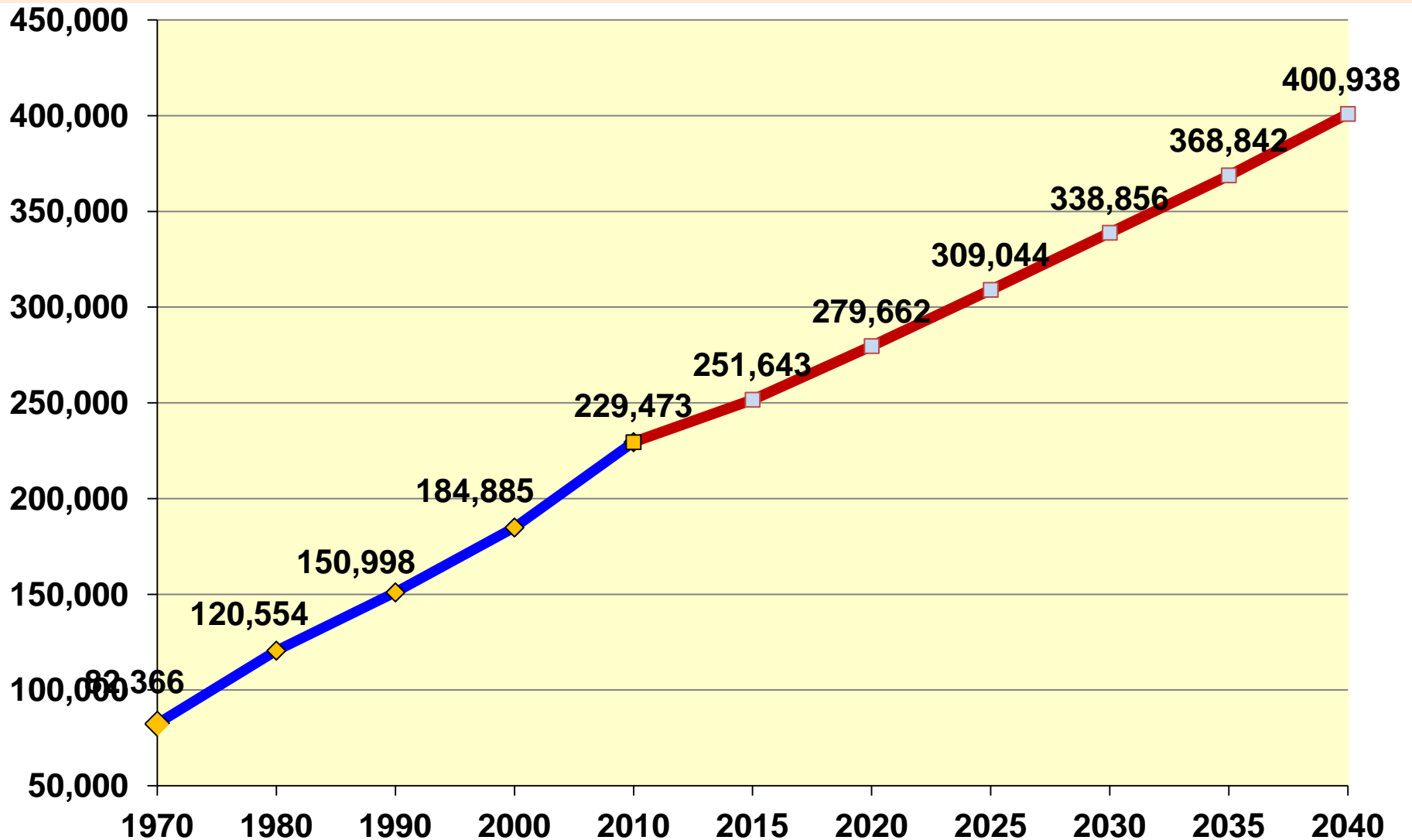
# Texas Population > 65 Years Old



Sources: Texas State Demographer 2008 Projections, 2000-2007 immigration scenarios

# B-CS MSA Population

Brazos, Burleson and Robertson Counties



Sources: U.S. Census Bureau, Texas State Demographer 2012 Projections (2000-2010 scenario)

**Housing Historically Has Lead  
Coming Out of a Recession,  
Even This Time!**

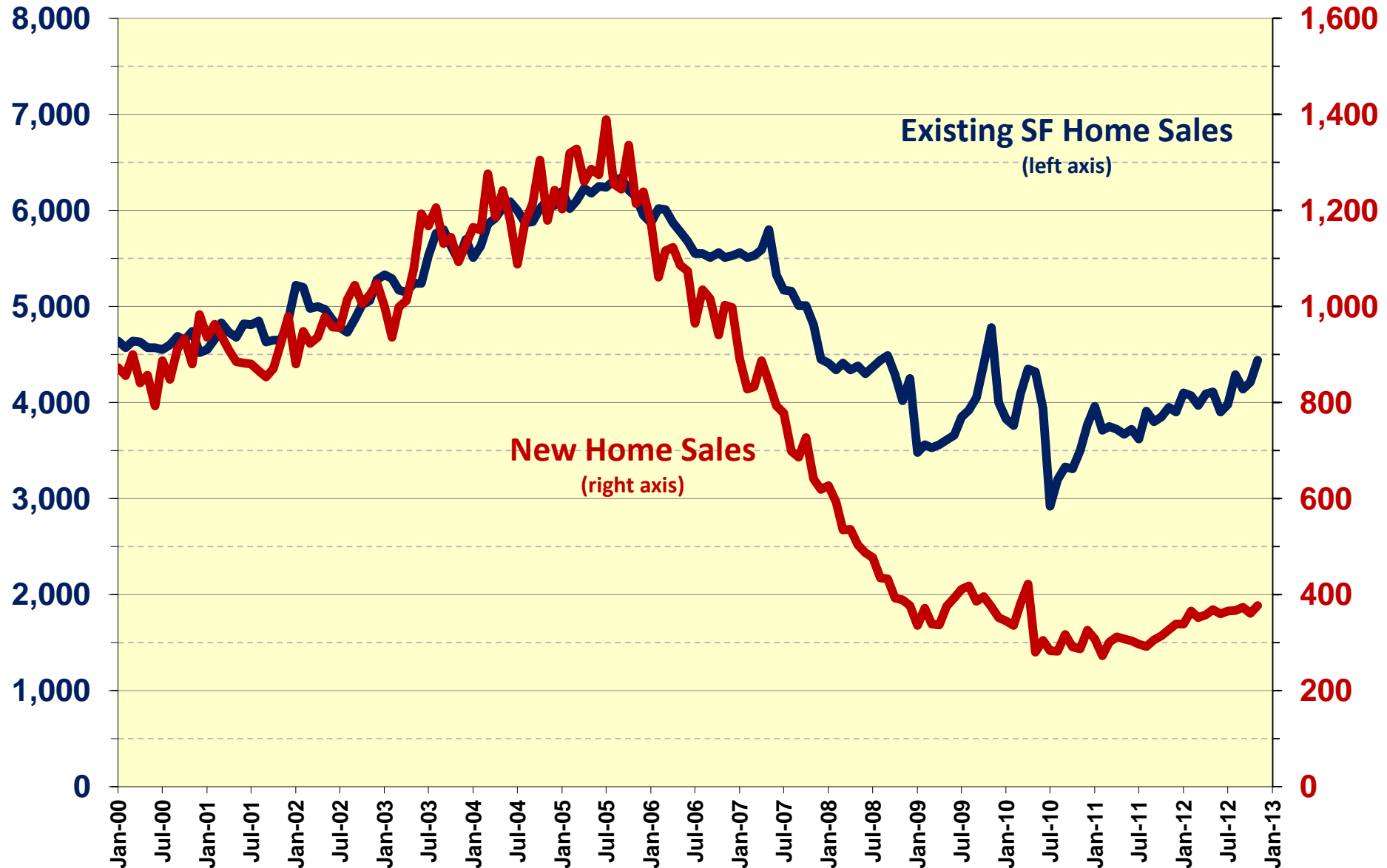
**The General Economy Will  
Lean More Heavily on  
Housing in 2013**



# New and Existing SF Home Sales U.S.

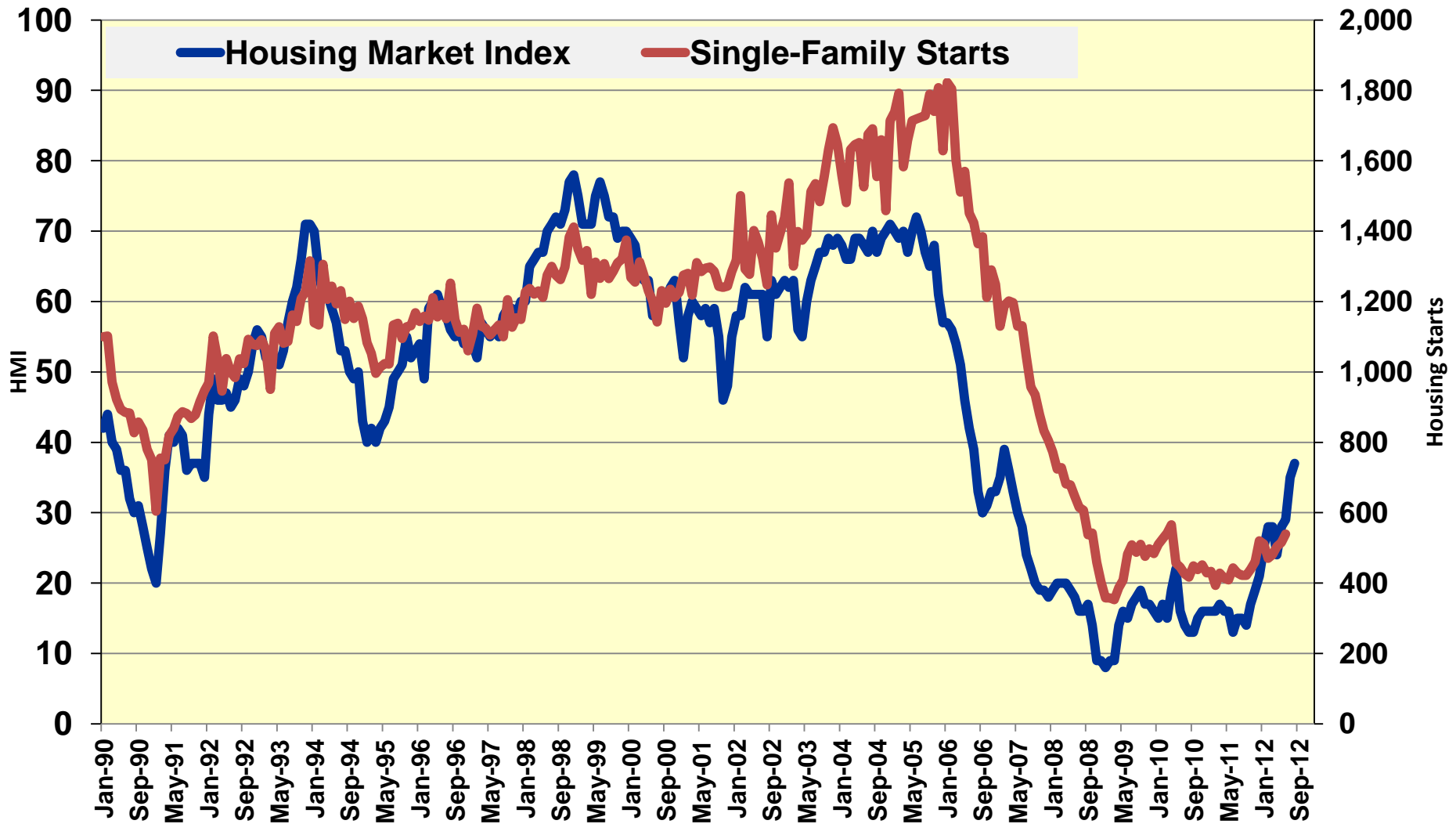
Existing Home Sales 000s

New Home Sales 000s



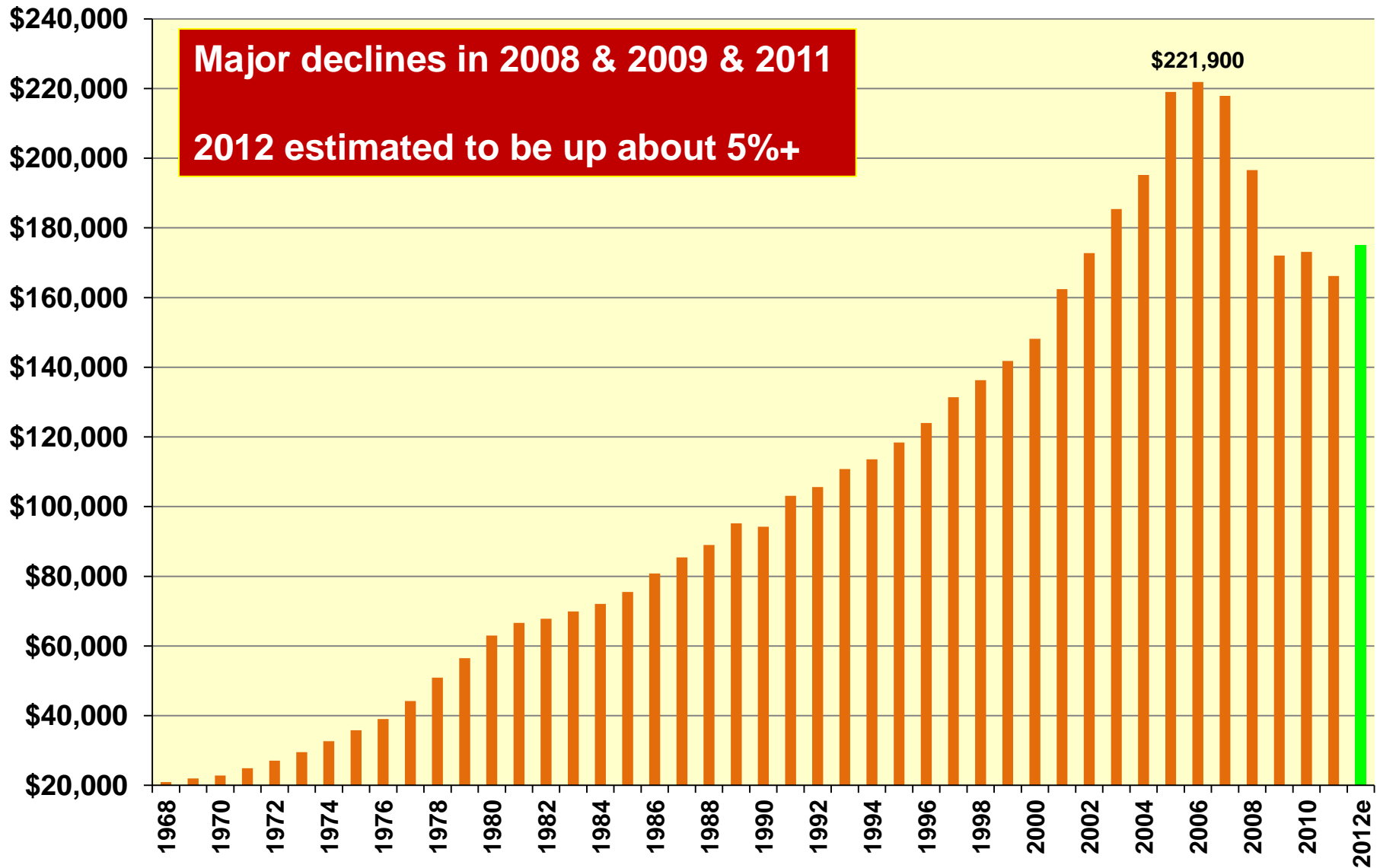
Sources: US Census Bureau , NAR, SAAR

# NAHB/WF HMI & SF Starts



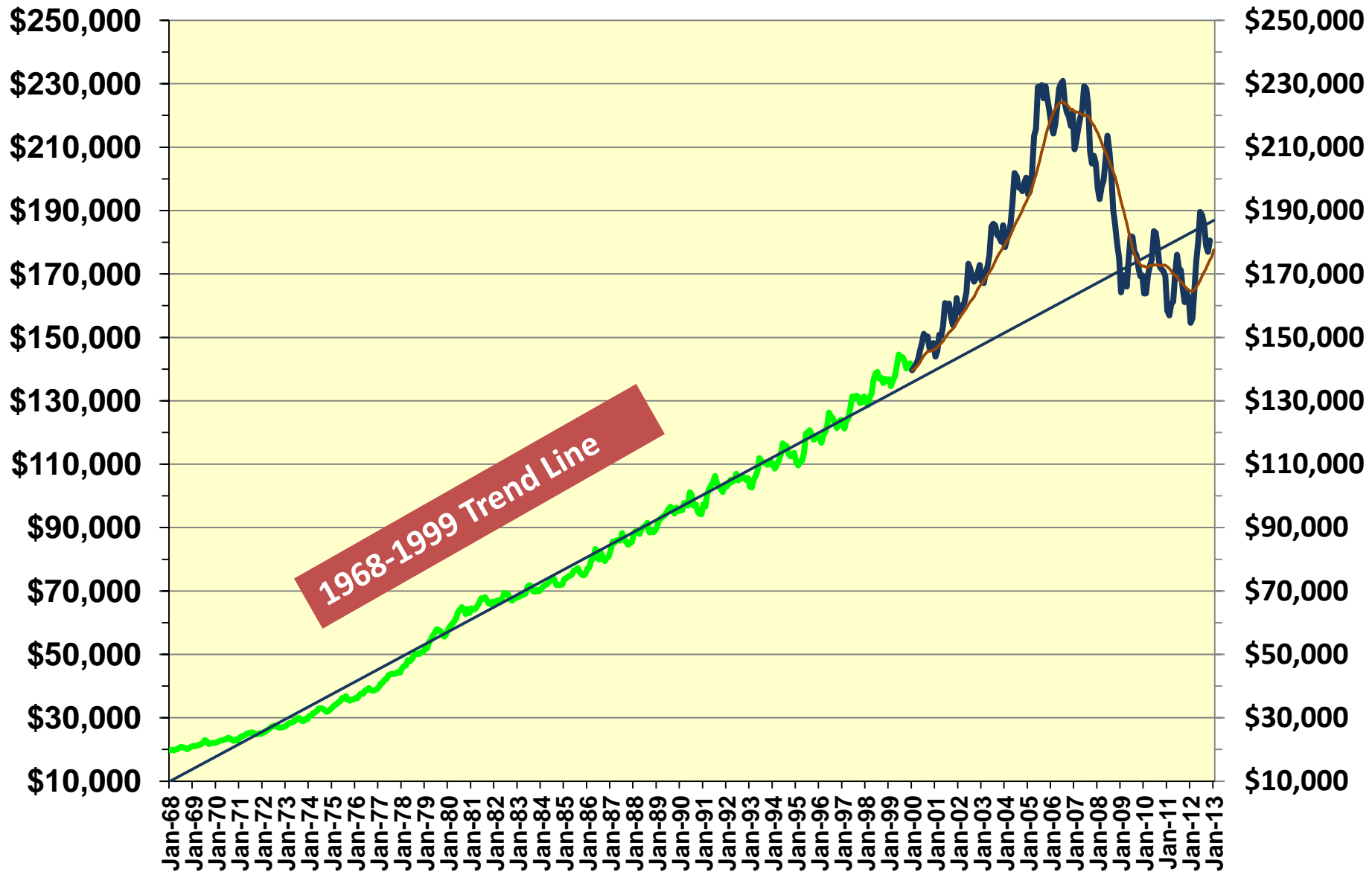
Source: NAHB, Real Estate Center at Texas A&M University

# Median Price of Existing SF Homes



Source: NAR

# US Median SF Home Price



Source: NAR, Real Estate Center at Texas A&M University

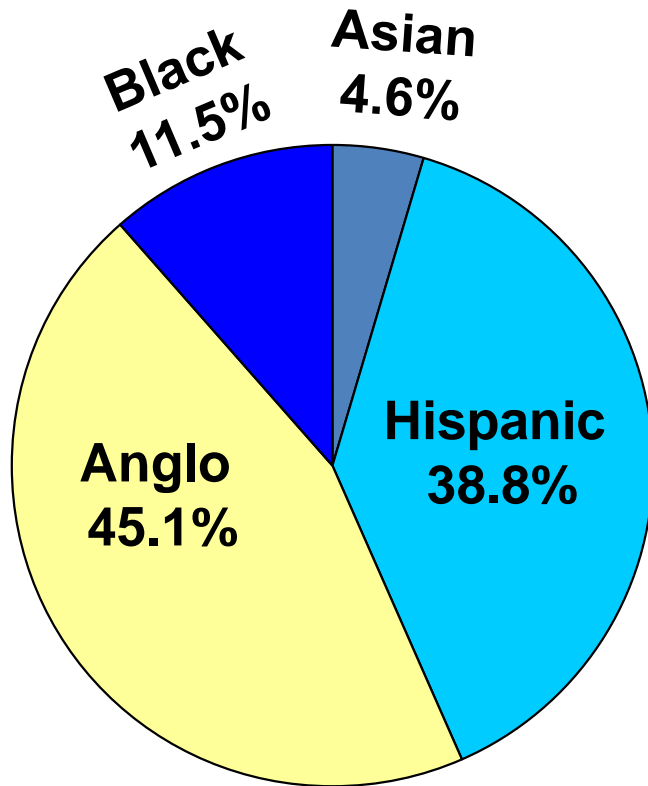
# Dodd – Frank Bank Regulations Severely Impacting the Housing Market

Many potential buyers can't get a loan if they don't have the highest credit ratings, because Dodd-Frank threatens more reserves and big fines if a loan becomes delinquent.

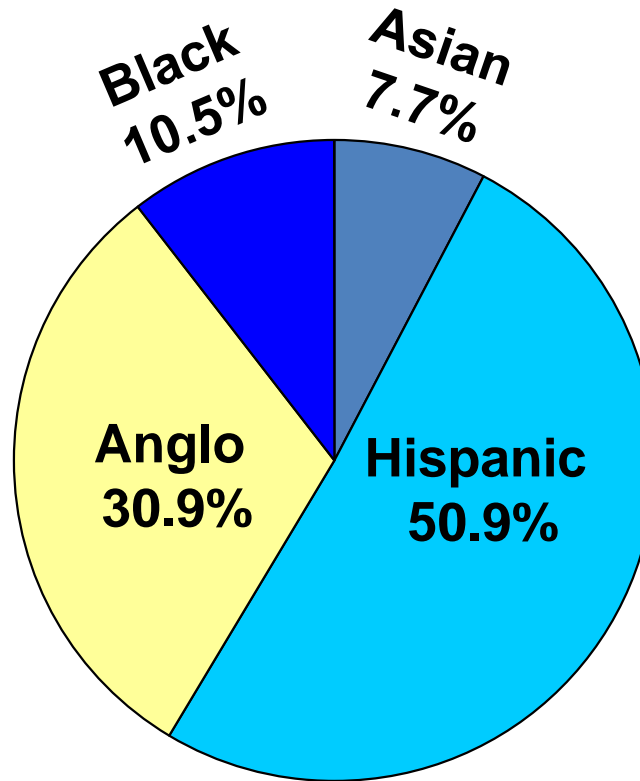
Hundreds of new rules regulating bank behavior and many of those rules still haven't been written.

# Changing Face of Housing: Future Texas Homebuyers and Sellers

## Racial and Ethnic Composition of Texas 2010 and 2030



2010



2030

During the next two decades, minorities will account for approximately two-thirds of household growth ... and half of all first-time homebuyers

# Five Primary Home Buyer Groups

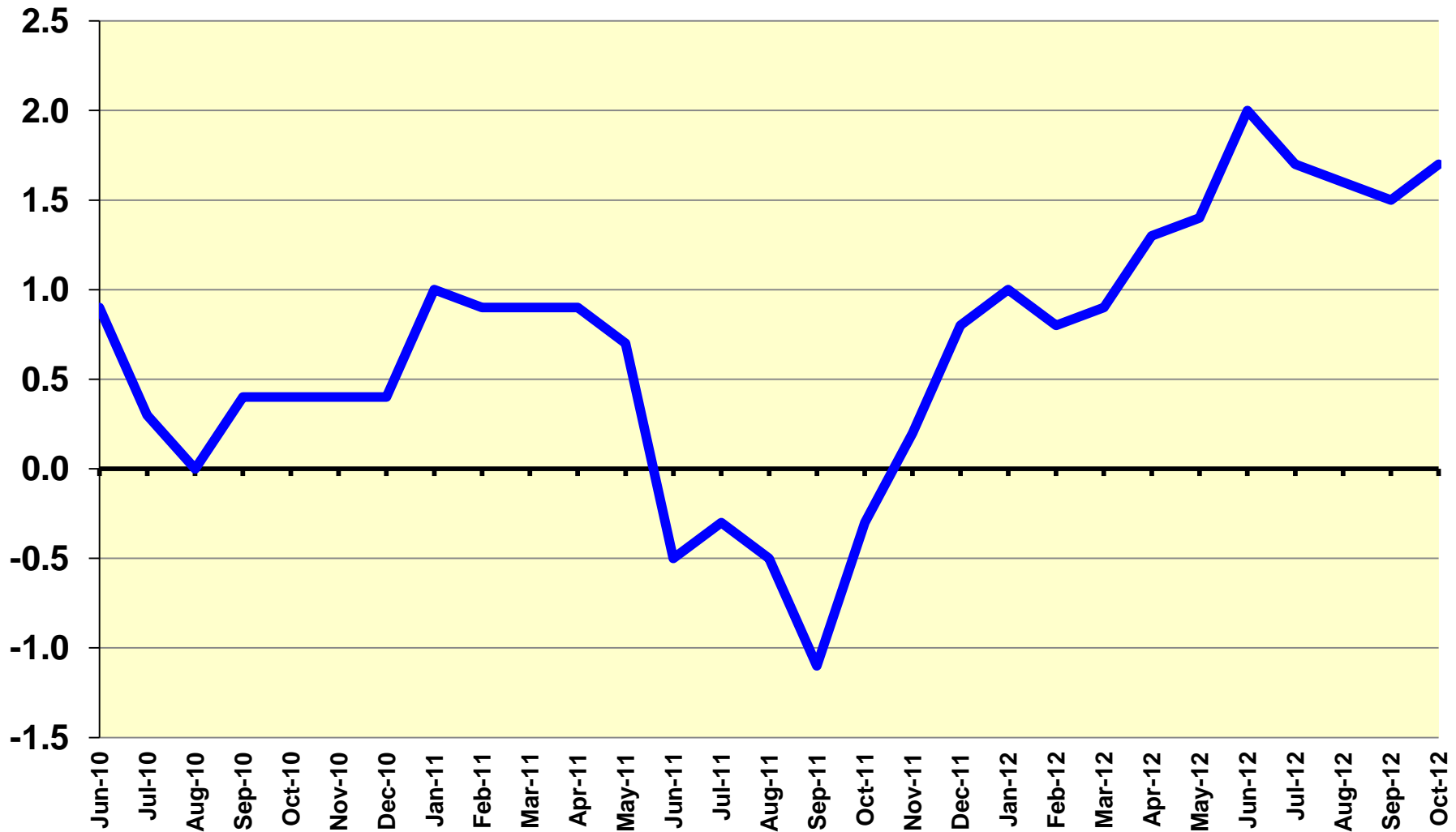
- ❑ **Investors: landlords & flippers**
- ❑ **Boomerang Buyers: former owners – now 5 years since 2008**
- ❑ **Move-out, Entry-level: huge population in 24-40 age group that have been renting**
- ❑ **Move-down: empty nesters, retirees – Boomers**
- ❑ **Move-up: price appreciation attractive; fewer underwater owners**

# Why Home Prices Are Rising

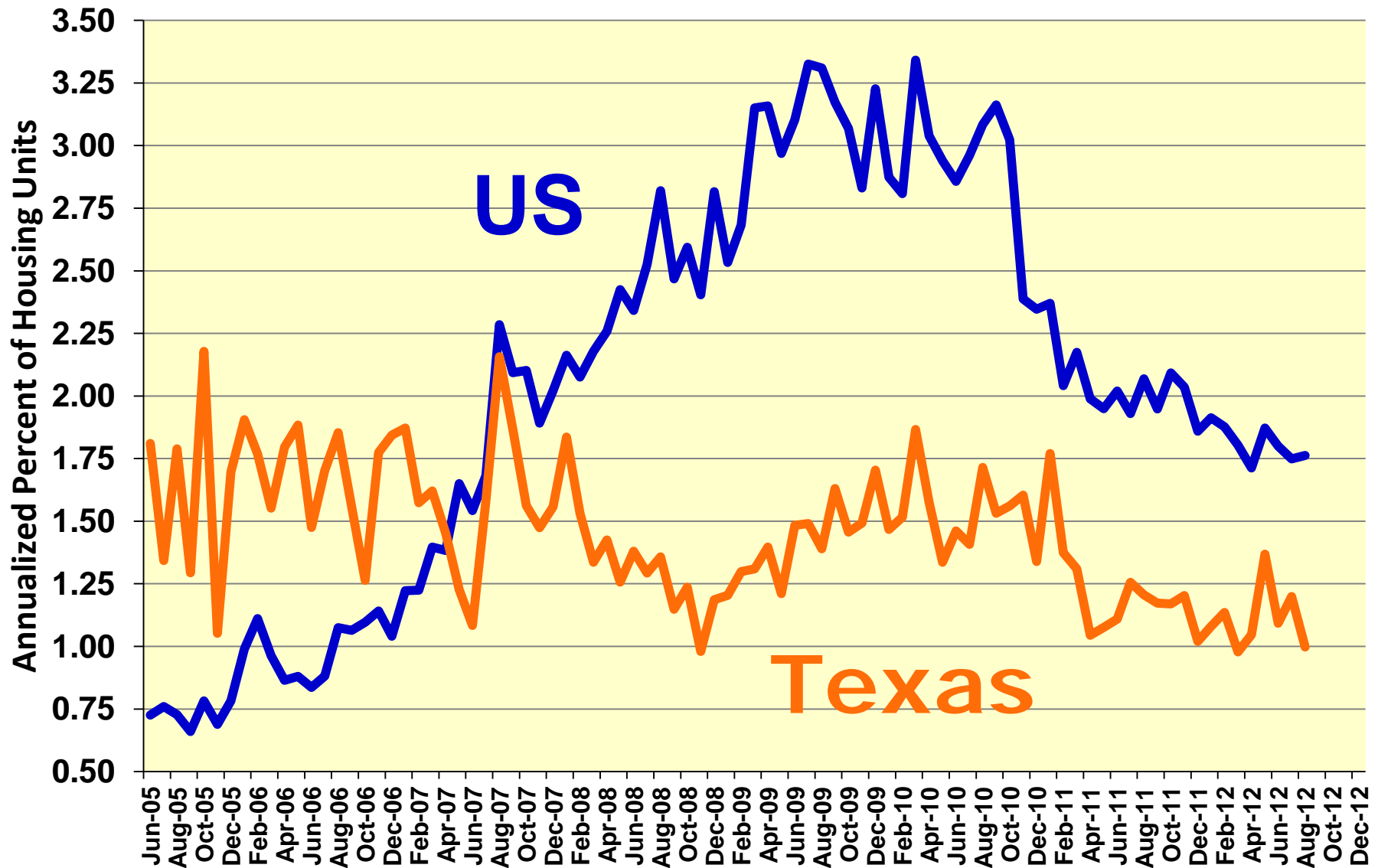
- **Affordability: price-to-income; price-to-rent**
- **HH formations: +1 million in 2012 vs 570k/year past 5 years**
- **Rising rents**
- **Fewer distressed sales**
- **Small inventories of for-sale and new homes**
- **Expectations**



# Average Home Price Level Expectations

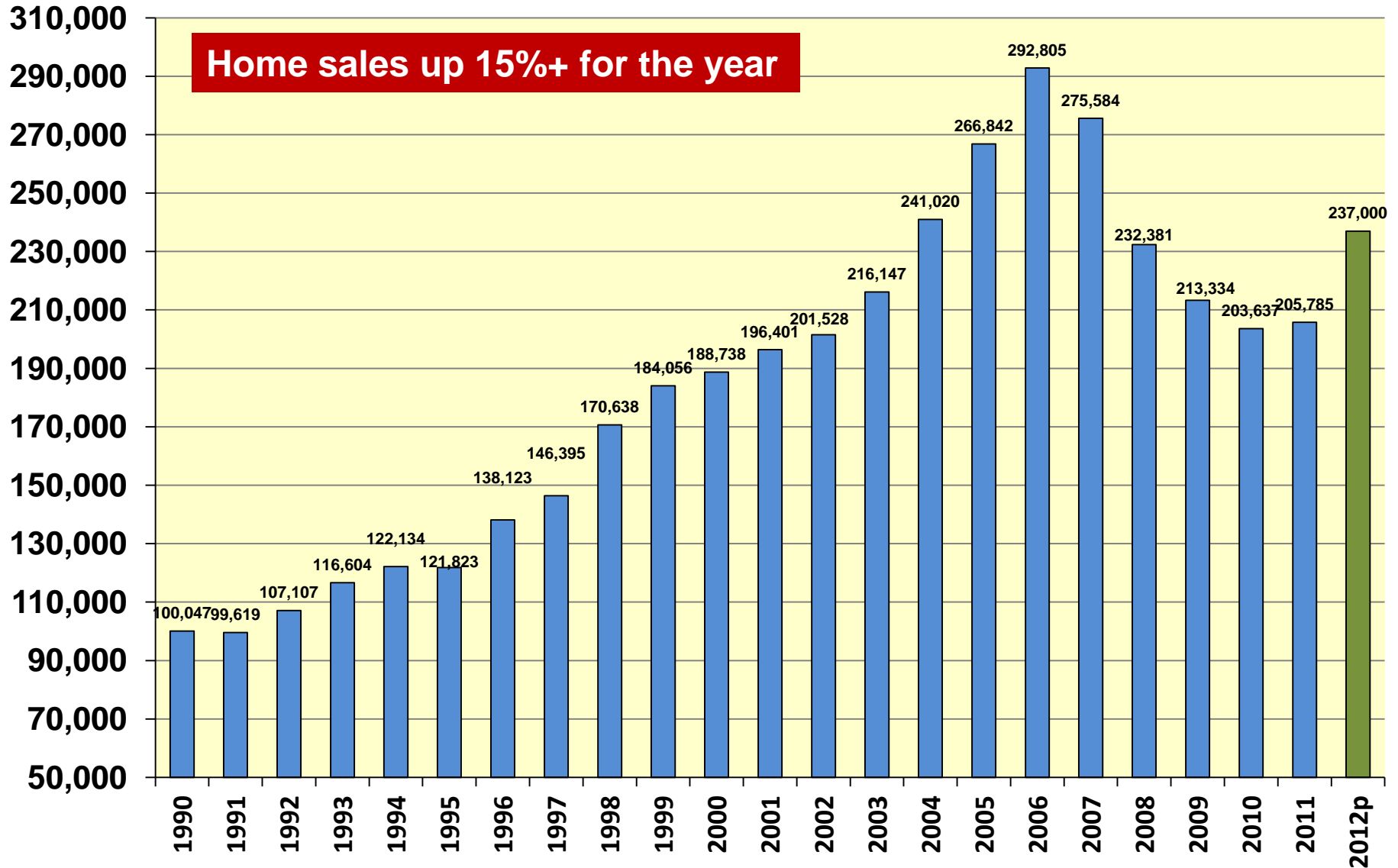


# Monthly Foreclosure Filing Rates



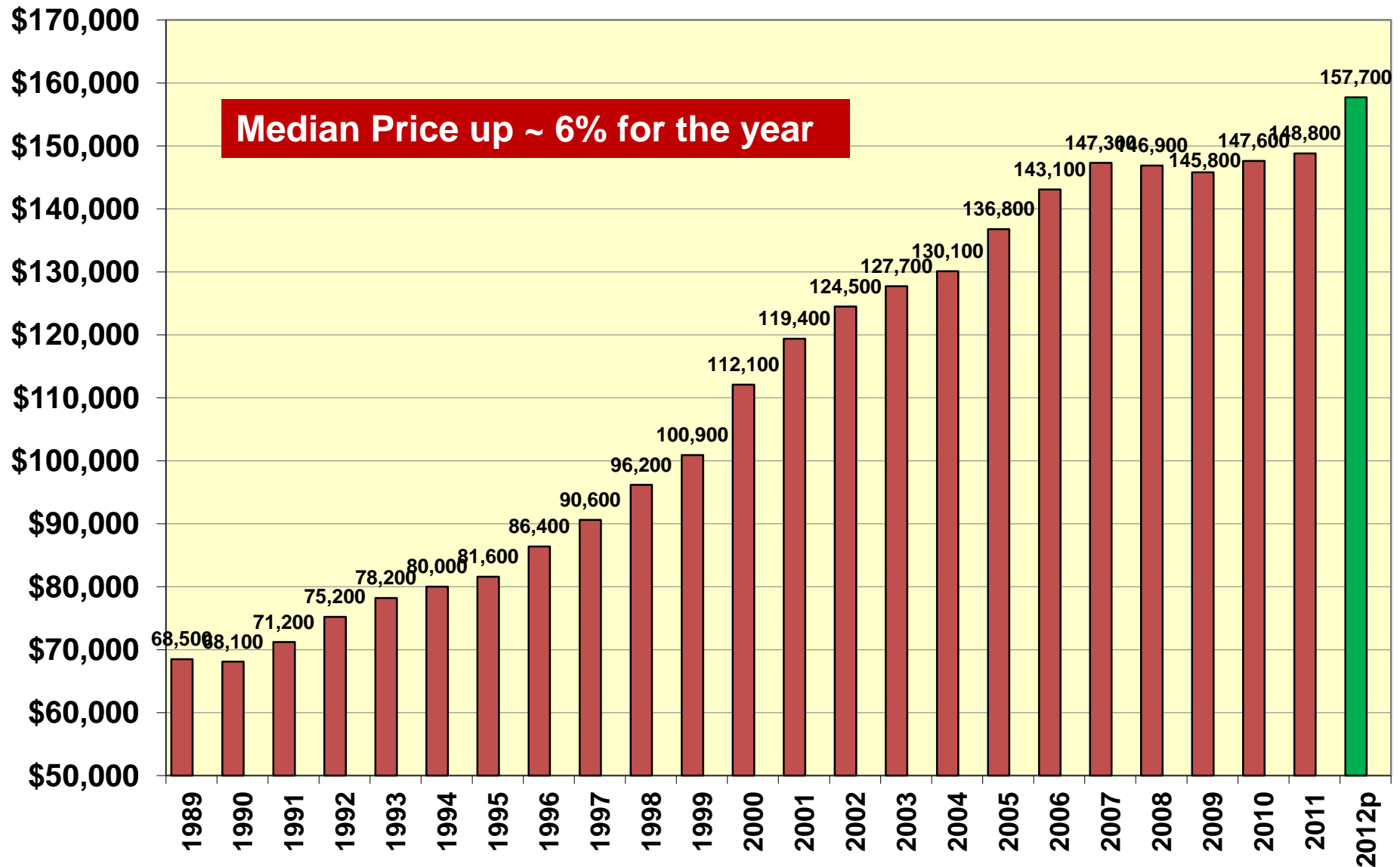
Source: RealtyTrac, Inc.; Real Estate Center at Texas A&M University

# Annual Texas Home Sales



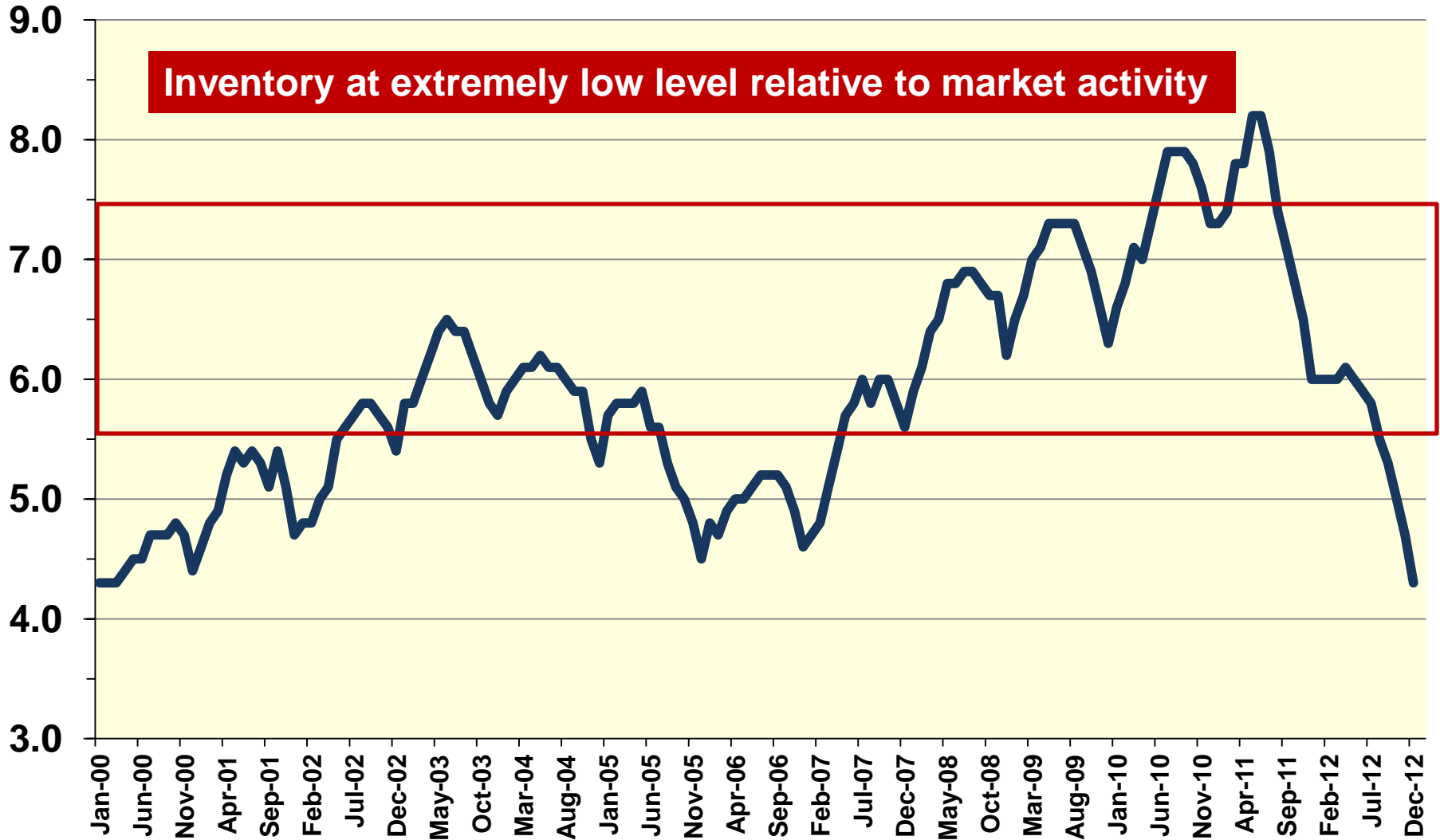
Source: Real Estate Center at Texas A&M University

# Texas Median Home Prices

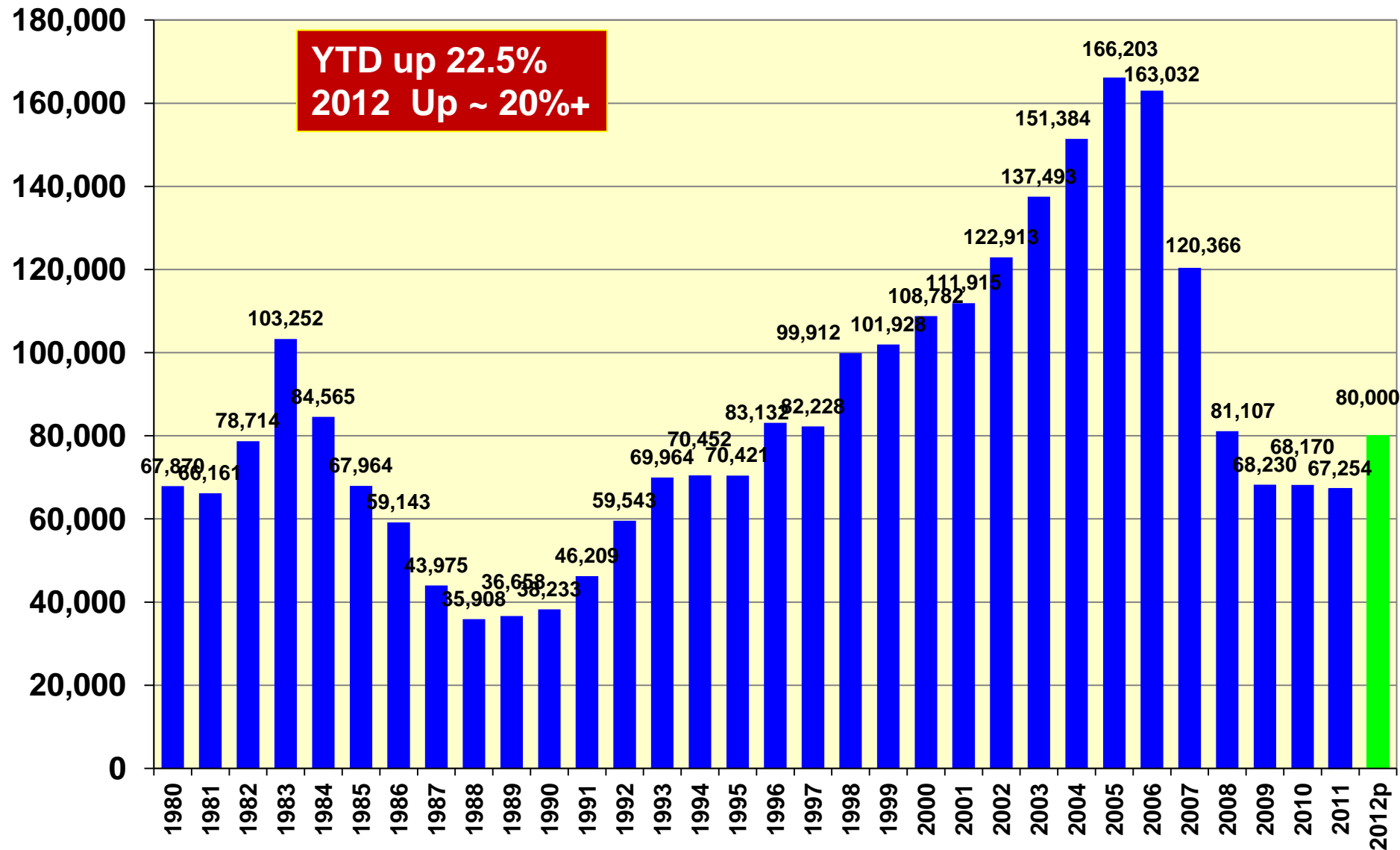


Source: Real Estate Center at Texas A&M University

# Texas Months' Inventory

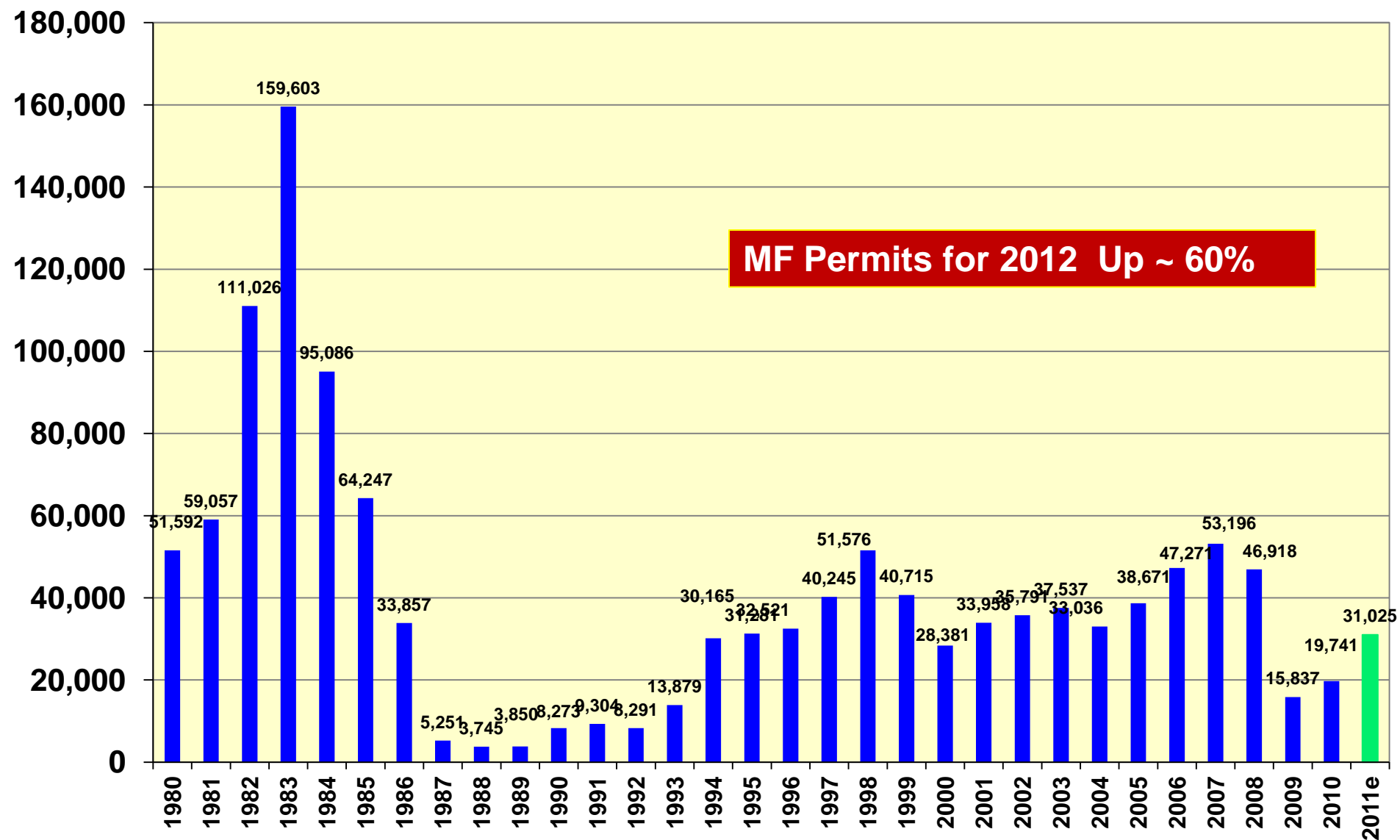


# Texas SF Building Permits



Source: US Census Bureau, Real Estate Center at Texas A&M

# Texas MF Building Permits

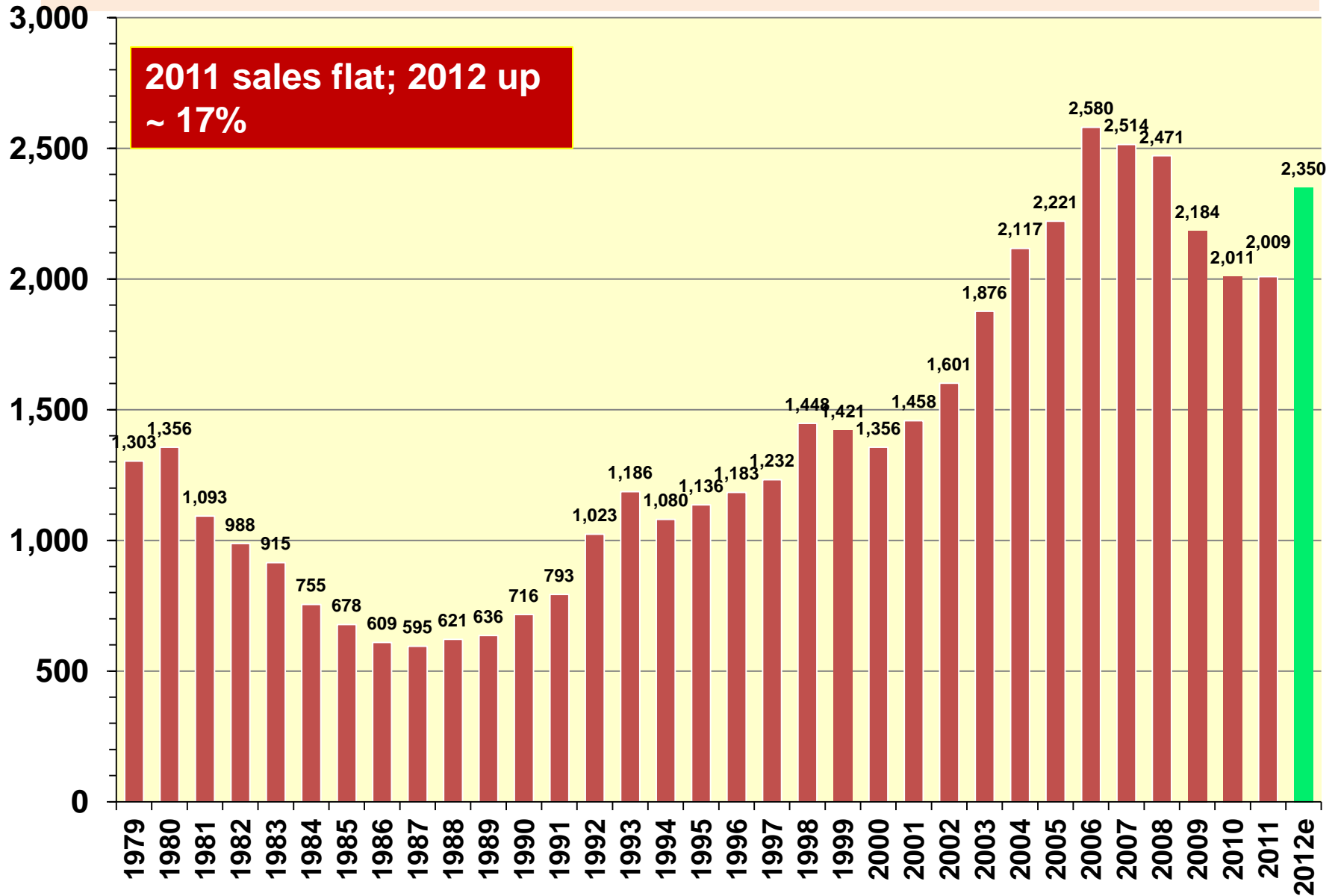


Source: US Census Bureau, Real Estate Center at Texas A&M

**College Station is  
Generally Following the  
State Trend in Housing  
Recovery**



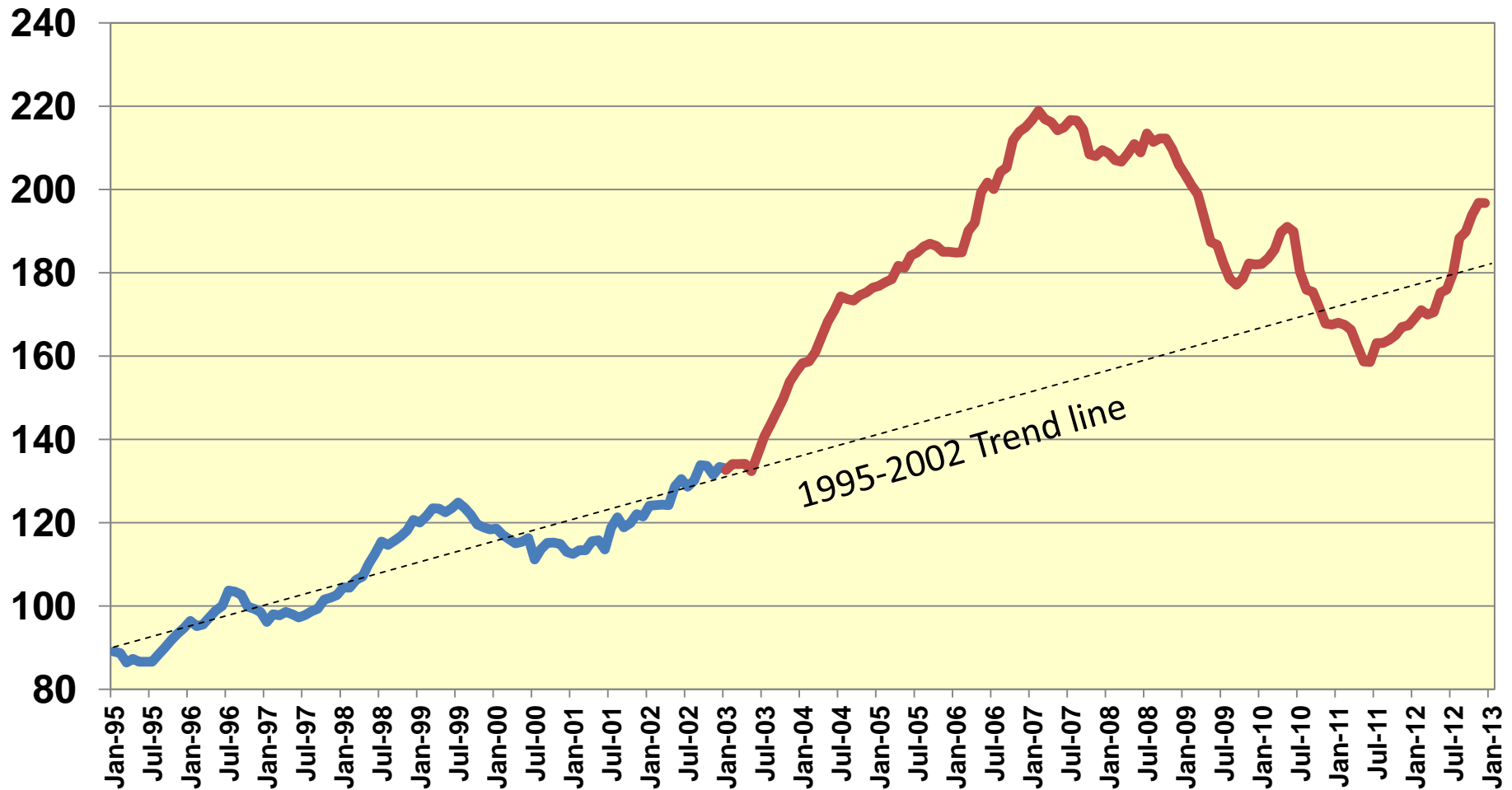
# B-CS Annual Home Sales



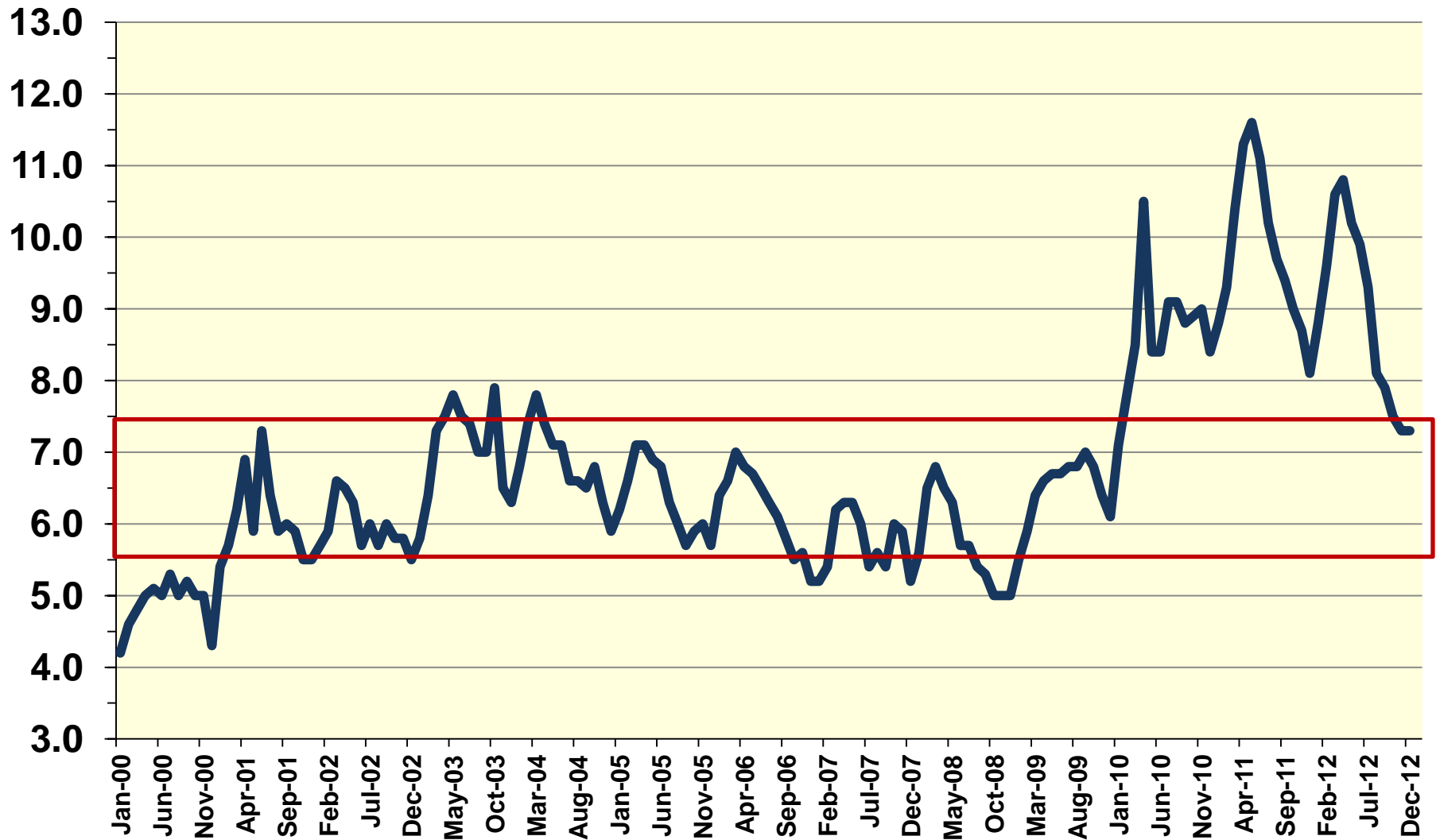
Source: Real Estate Center at Texas A&M

# B-CS Monthly Home Sales

12 Month Moving Average

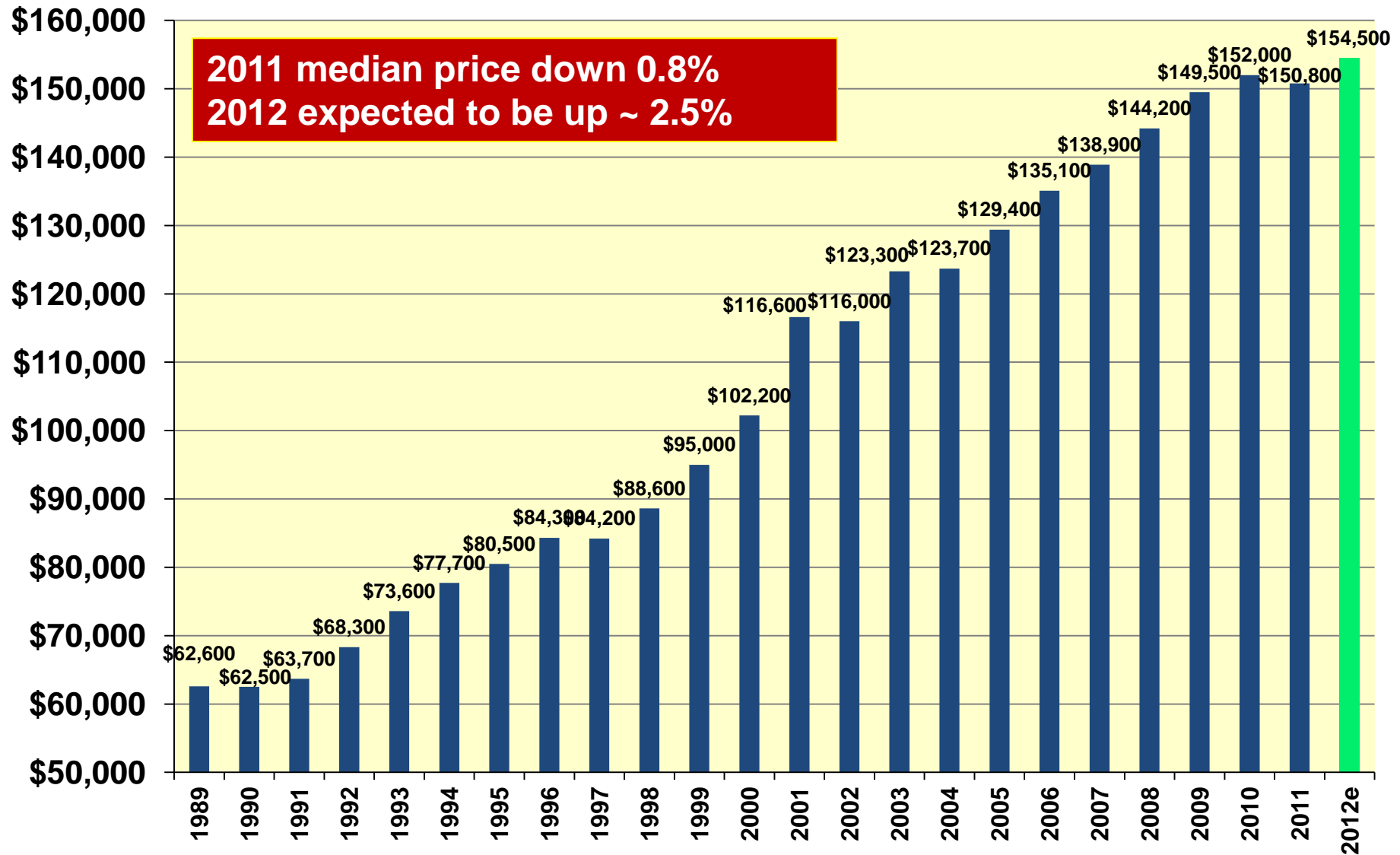


# B-CS Months' Inventory



Source: Real Estate Center at Texas A&M

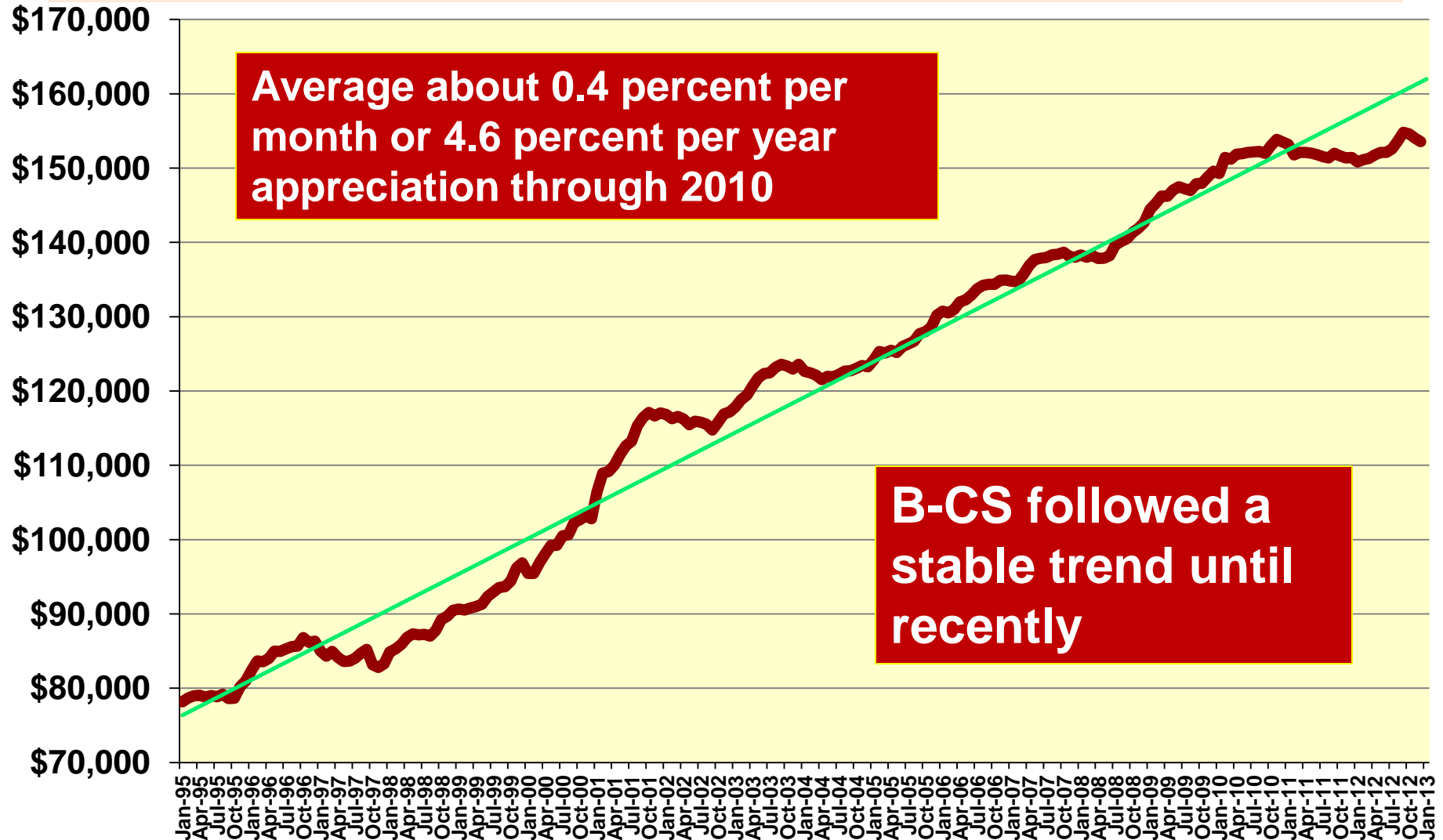
# B-CS Median Home Prices



Source: Real Estate Center at Texas A&M

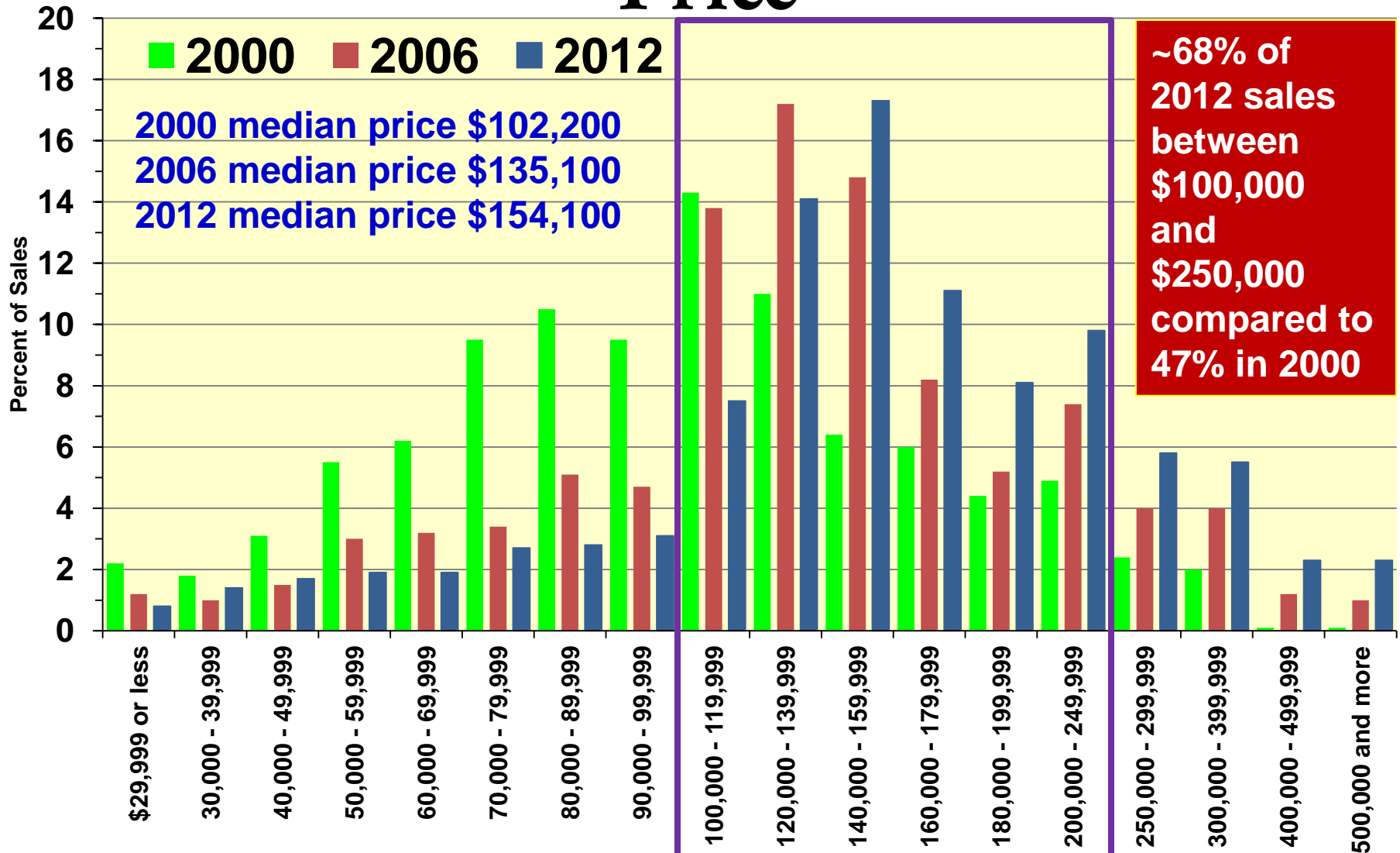
# B-CS Median Home Price

12-Month Moving Average



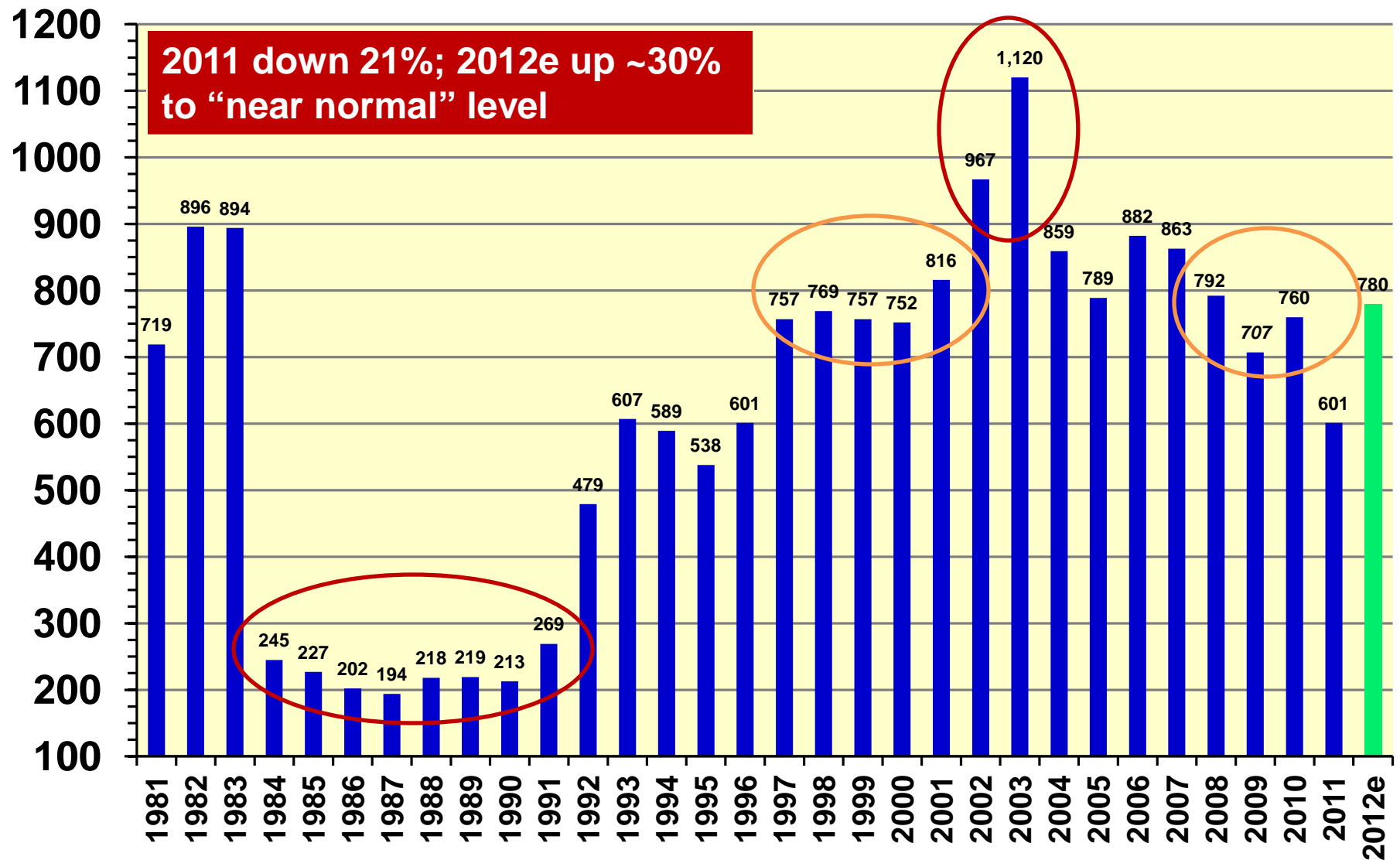
Source: Real Estate Center at Texas A&M

# Percent of B-CS Home Sales by Price



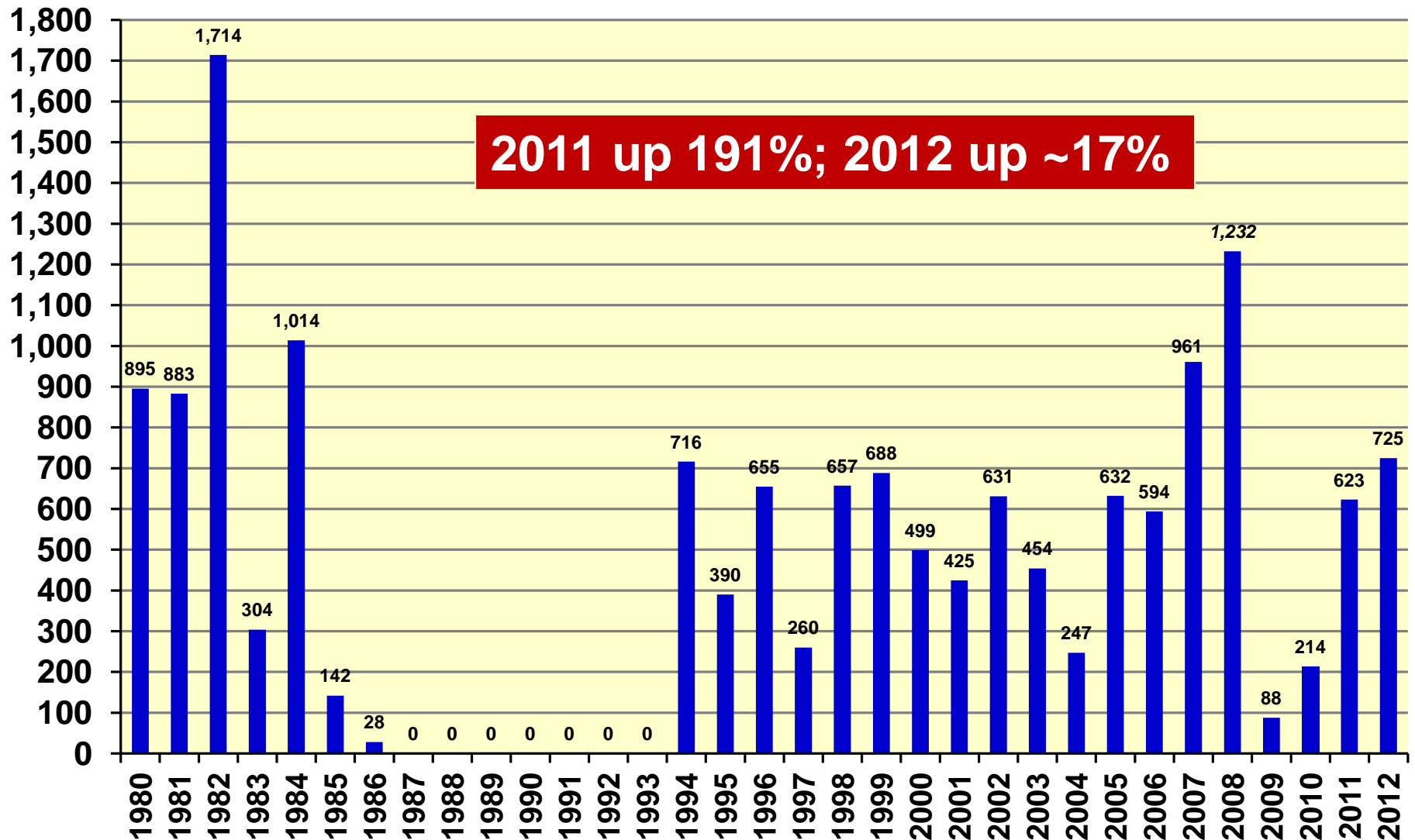
Source: Real Estate Center at Texas A&M

# B-CS Single-Family Building Permits



Source: Real Estate Center at Texas A&M

# B-CS Multi-Family Building Permits



Source: Real Estate Center at Texas A&M



# 2013 + U.S.

- ❑ Rebound started last fall but will move slowly next couple of quarters
- ❑ Home sales and construction, car sales and retail sales are picking up
- ❑ More people are working
- ❑ Interest rates will continue at low levels
- ❑ Five years of negativity being slowly replaced by positive expectations
- ❑ Americans have credit capacity again, but lenders slow to lend
- ❑ Regulatory uncertainty & political risk continue to fuel business indecision

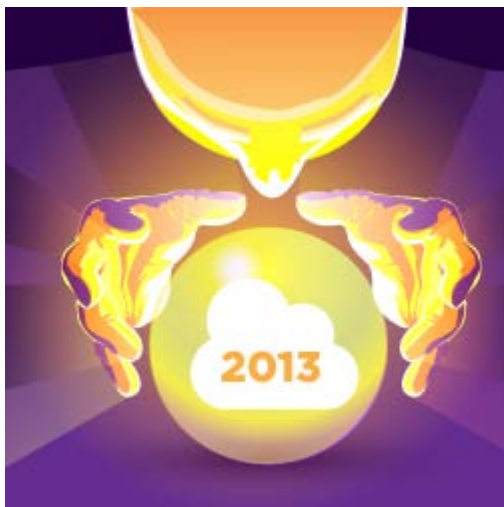
# 2013 + Texas & B-CS

- ❑ **Downside risk is national (global) recession, even then Texas will do better than most other states**
- ❑ **Texas job growth continues to out pace national rate**
- ❑ **Energy sector continues strong – oil & petrochemicals**
- ❑ **State faces financial issues for current legislative session**
- ❑ **Population growth continues even stronger with jobs as bait**
- ❑ **New construction rebound will continue but long way from “recovered”**
- ❑ **University expansion ongoing with another year in the SEC**



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