



**Chamber of Commerce**  
**Bryan/College Station**

# Economic and Housing Outlook for 2017

**Dr. James P. Gaines**

**Chief Economist**



**REAL ESTATE CENTER**  
TEXAS A & M UNIVERSITY



# ECONOMICS

THE SCIENCE OF EXPLAINING TOMORROW WHY THE PREDICTIONS  
YOU MADE YESTERDAY DIDN'T COME TRUE TODAY.

**Current Theme for 2017:**

**Rising Optimism**

⋮

**Awaiting Reality**

**“The biggest risk we face  
is uncertainty.”**

–Patrick Harker, President & CEO,  
Federal Reserve Bank of Philadelphia

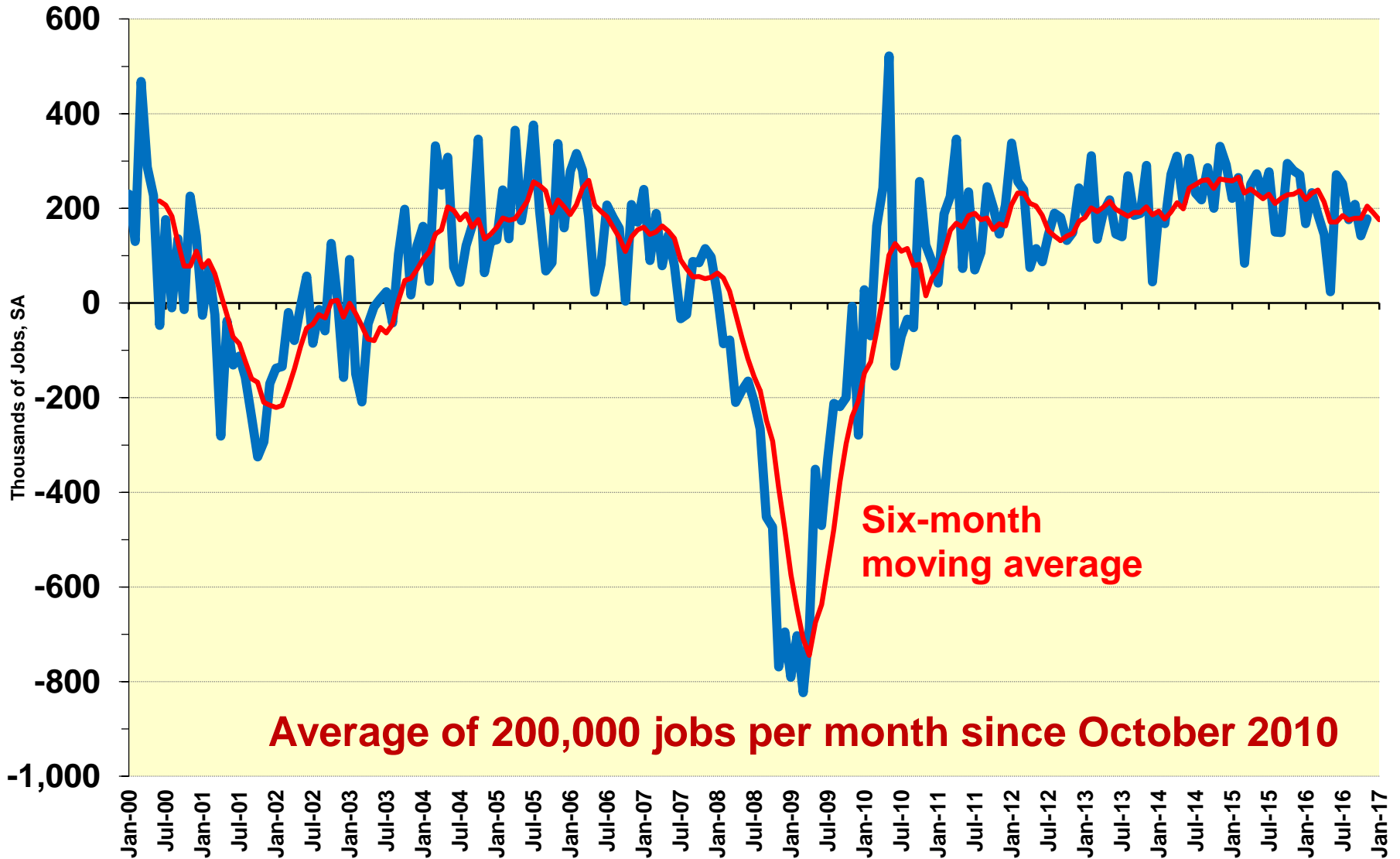
# U.S. Outlook

- Will he “Trump” the economy? Jury is out
- Slow growth the “new norm” – 7 years 1.6%-2.6%; 2016 GDP growth ~2.2%; 2017 ~same? Better
- Interest rates will ... maybe
- Inflation more likely: 2017 2% - 2.5%
- Industrial production and manufacturing little help
- U.S. Housing improving, not fully recovered
- Jobs expand ~2%; unemployment rate below 5.0%
- Looking for a “Driver” for expansion

# Potentially Substantial Changes

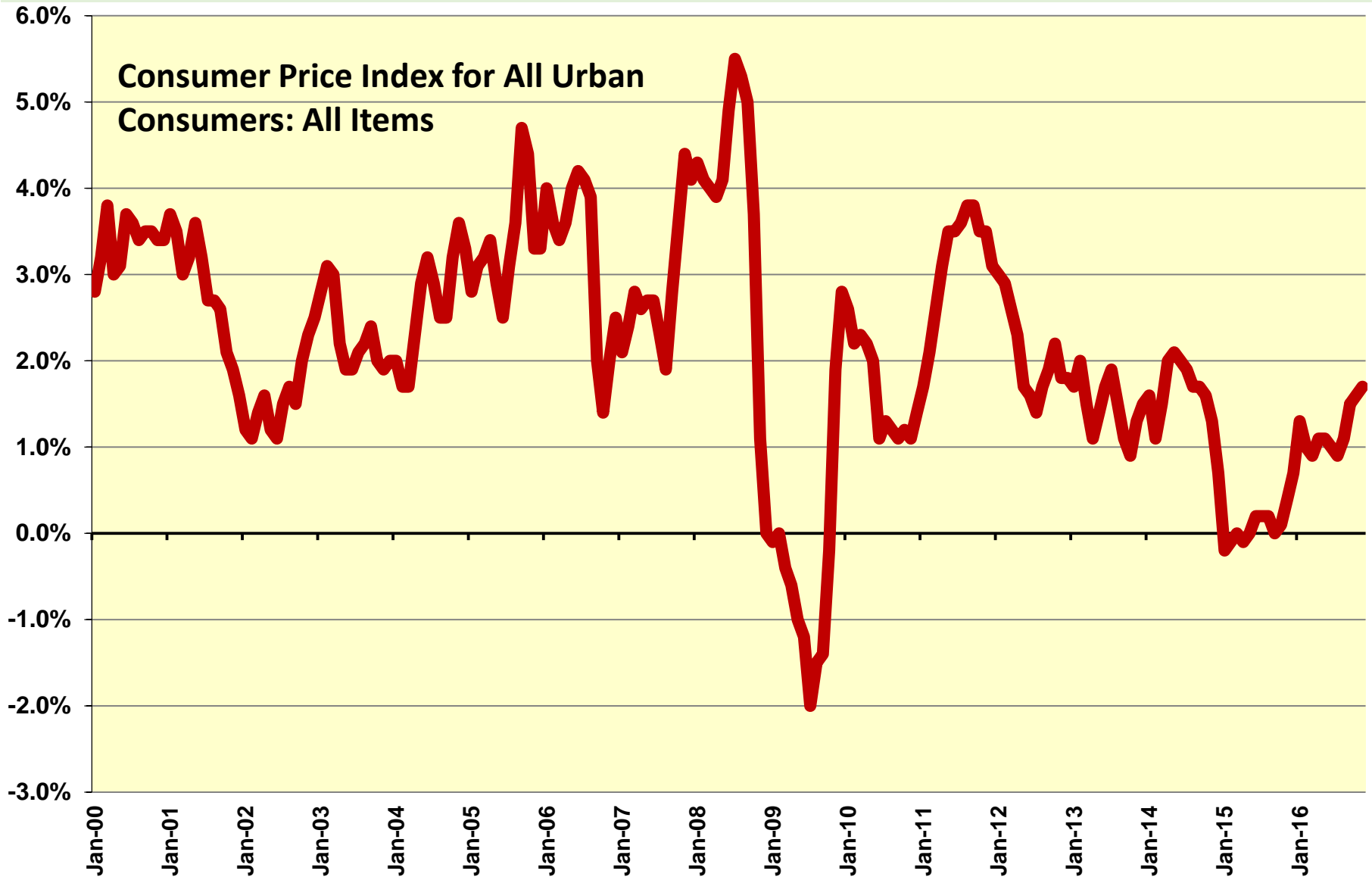
- **Fiscal** – tax reforms with lower tax rates
- **Infrastructure & Defense** – more government spending: domestic orientation, less foreign
- **Monetary** – Fed policies, interest rates
- **Regulatory** – lessen regs & controls on business, housing, banking; Obamacare & Dodd-Frank targets
- **Trade** – foreign trade agreements; trade war?
- **Foreign Relations** – dealings with Europe, Russia, China and rest of the world

# Monthly Change in Total Nonfarm Employment



Sources: BLS; Haver Analytics; Real Estate Center at Texas A&M University

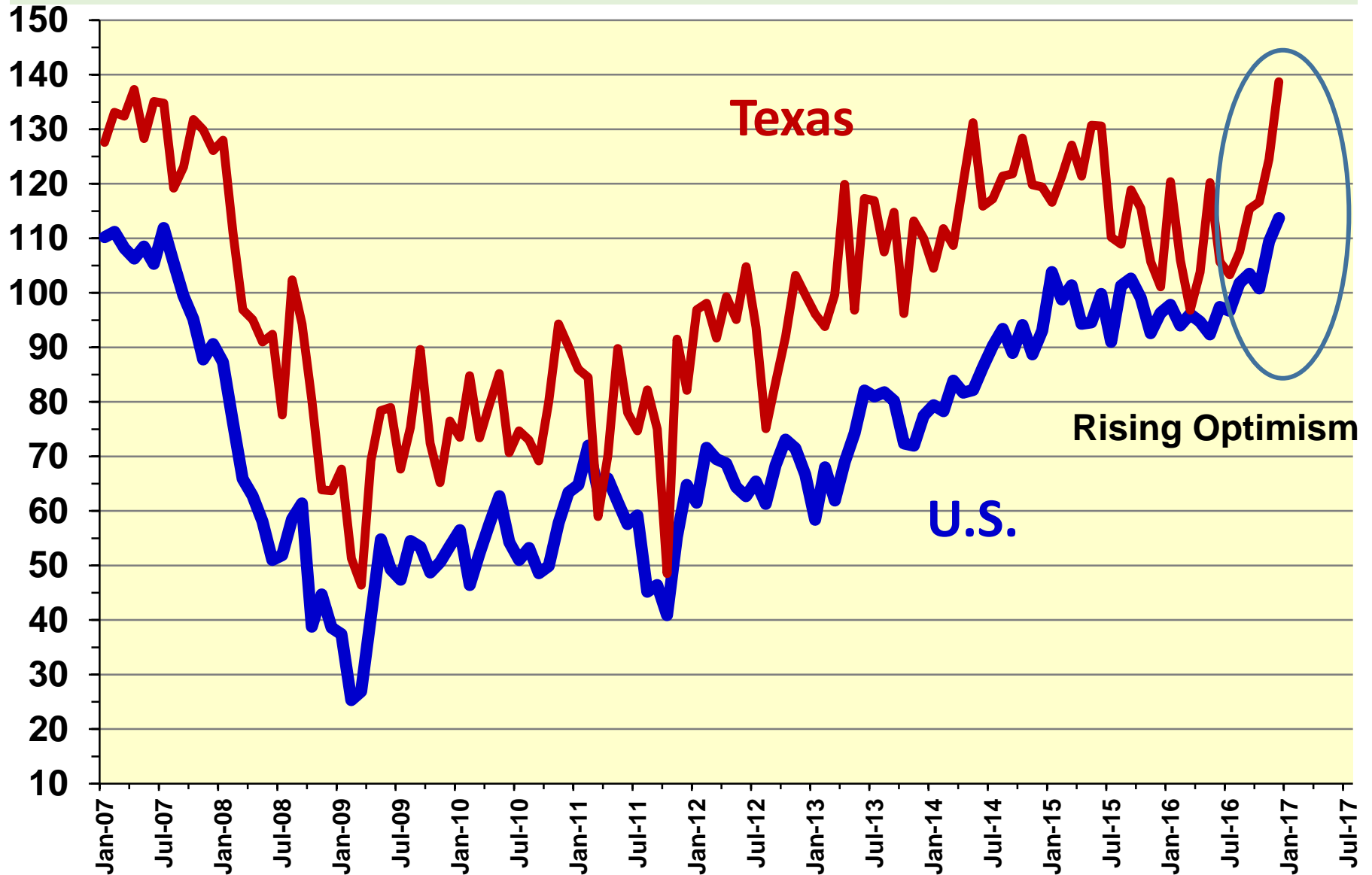
# Inflation Remains Relatively Low



Source: BLS, Y/Y % change in index



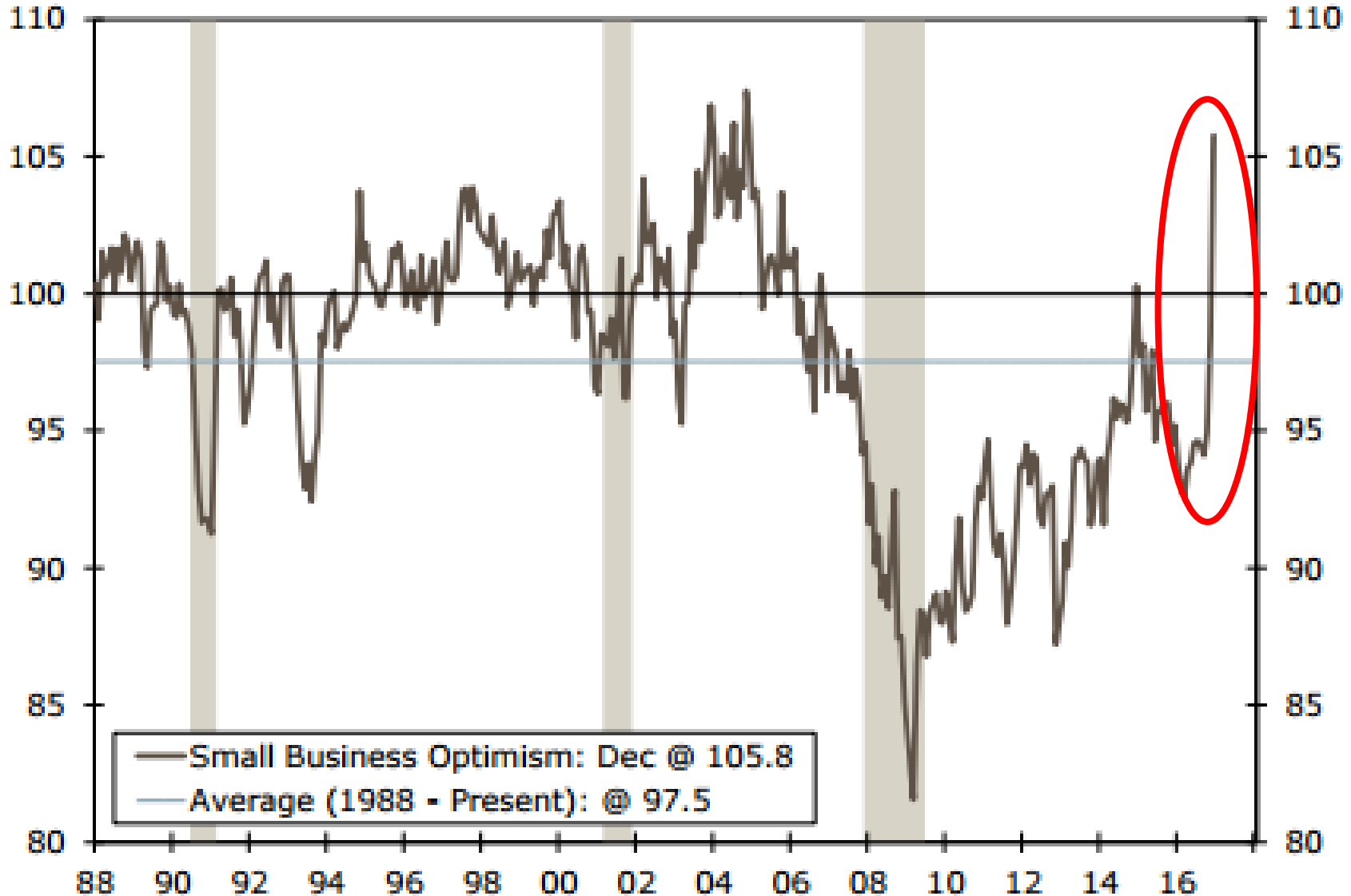
# Consumer Confidence Index



Source: The Conference Board (1985=100); Haver Analytics

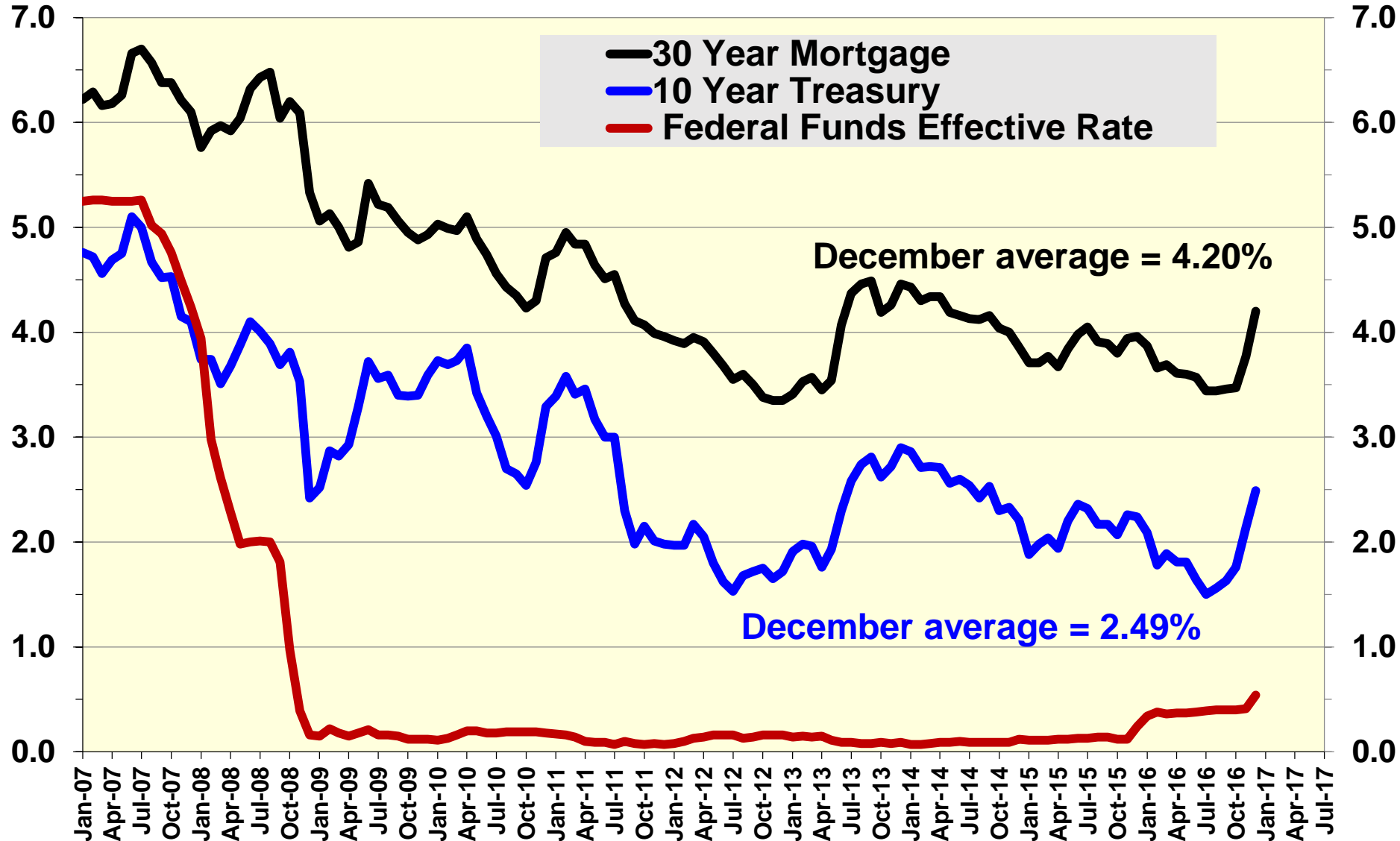
# NFIB Small Business Optimism Index

Overall Index 1986 = 100



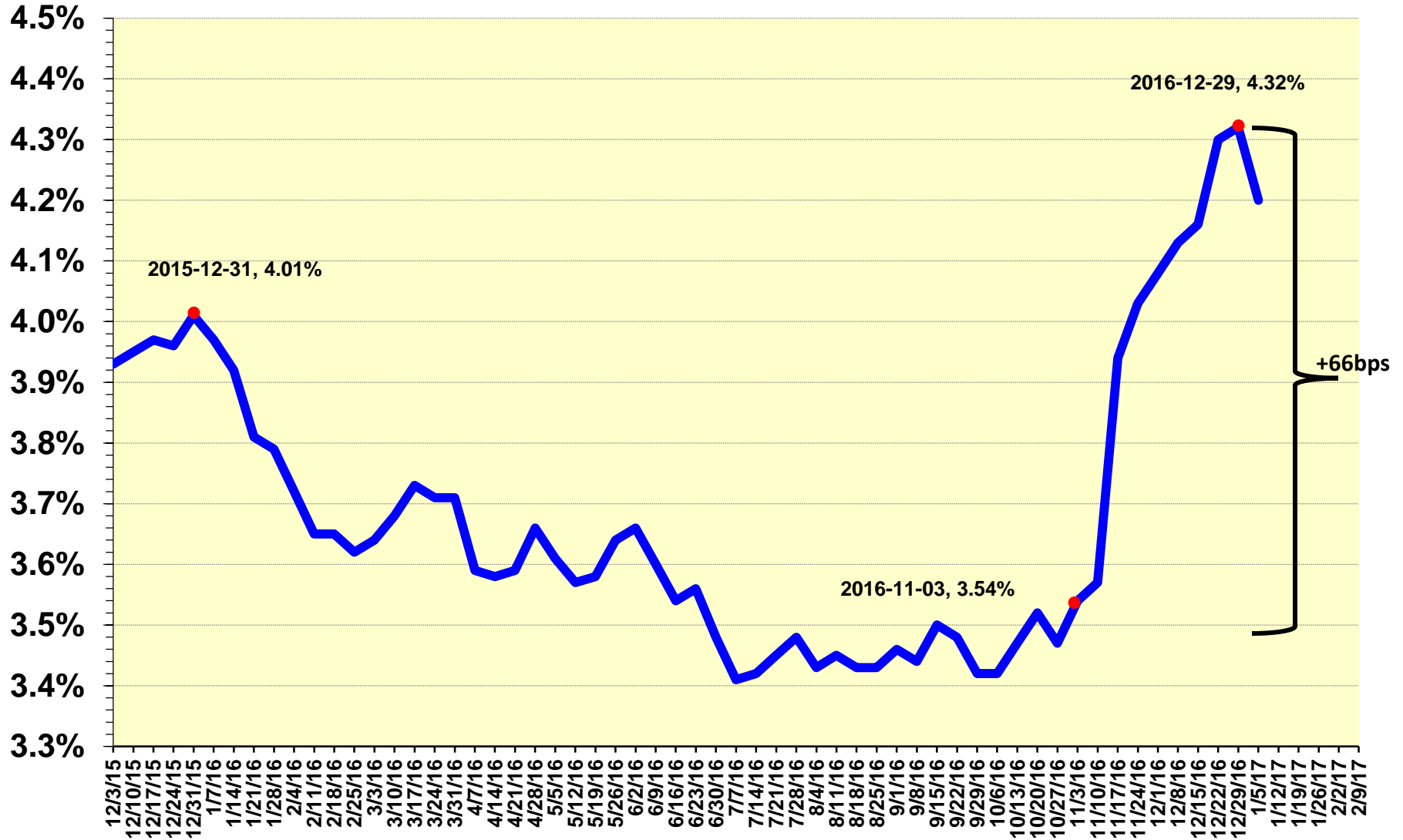
Source: National Federation of Independent Businesses

# 10-Year Treasury; Federal Funds & 30-Year FMR



Source: Haver Analytics; FHLMC; St. Louis FED; Real Estate Center at Texas A&M University

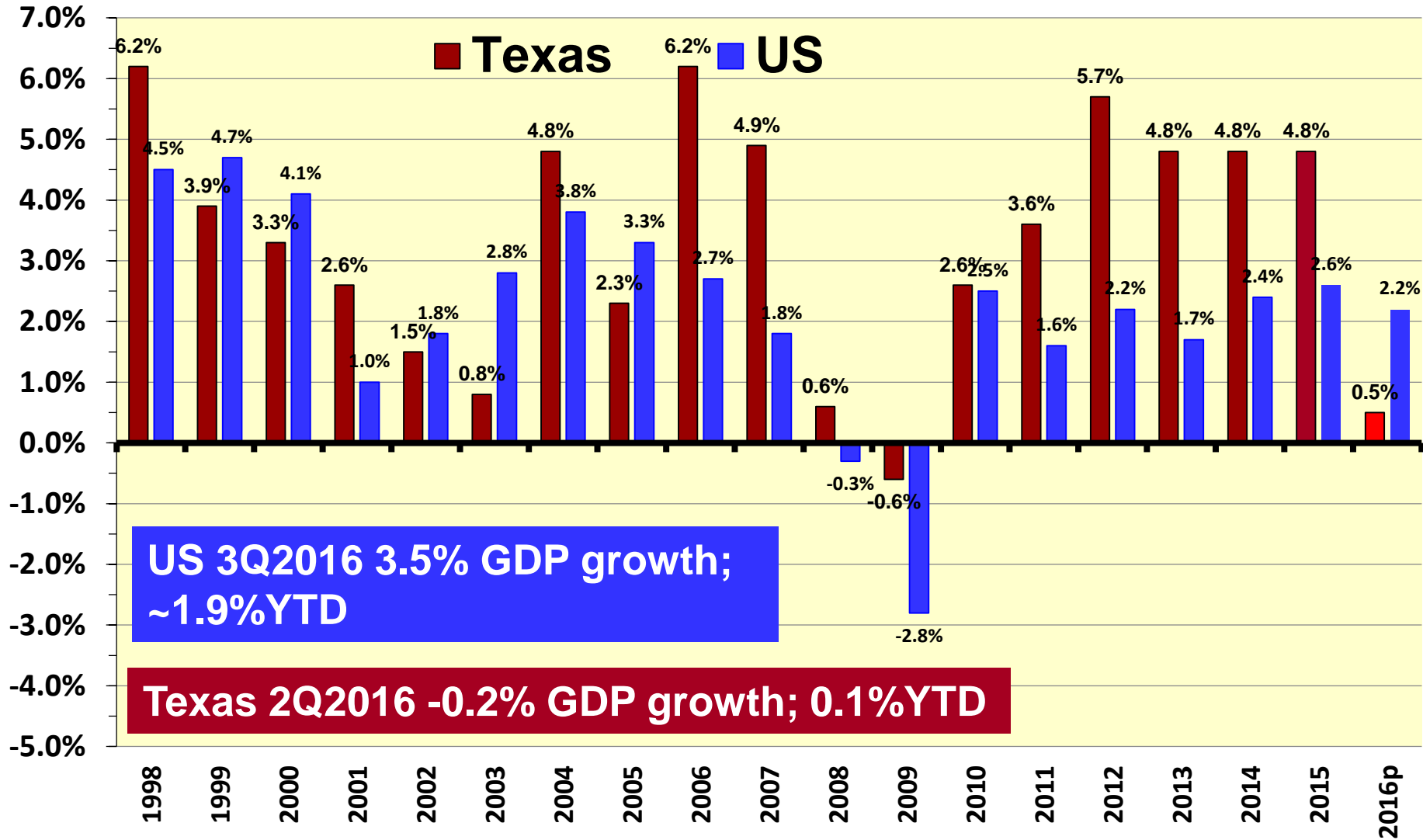
# Weekly 30-Year Mortgage Rate



Source: FHLMC; St. Louis FED; Real Estate Center at Texas A&M University

# U.S. and Texas Economic Growth

Annual Percent Change in Real GDP



Sources: BEA; Real Estate Center at Texas A&M University

# Texas Economy

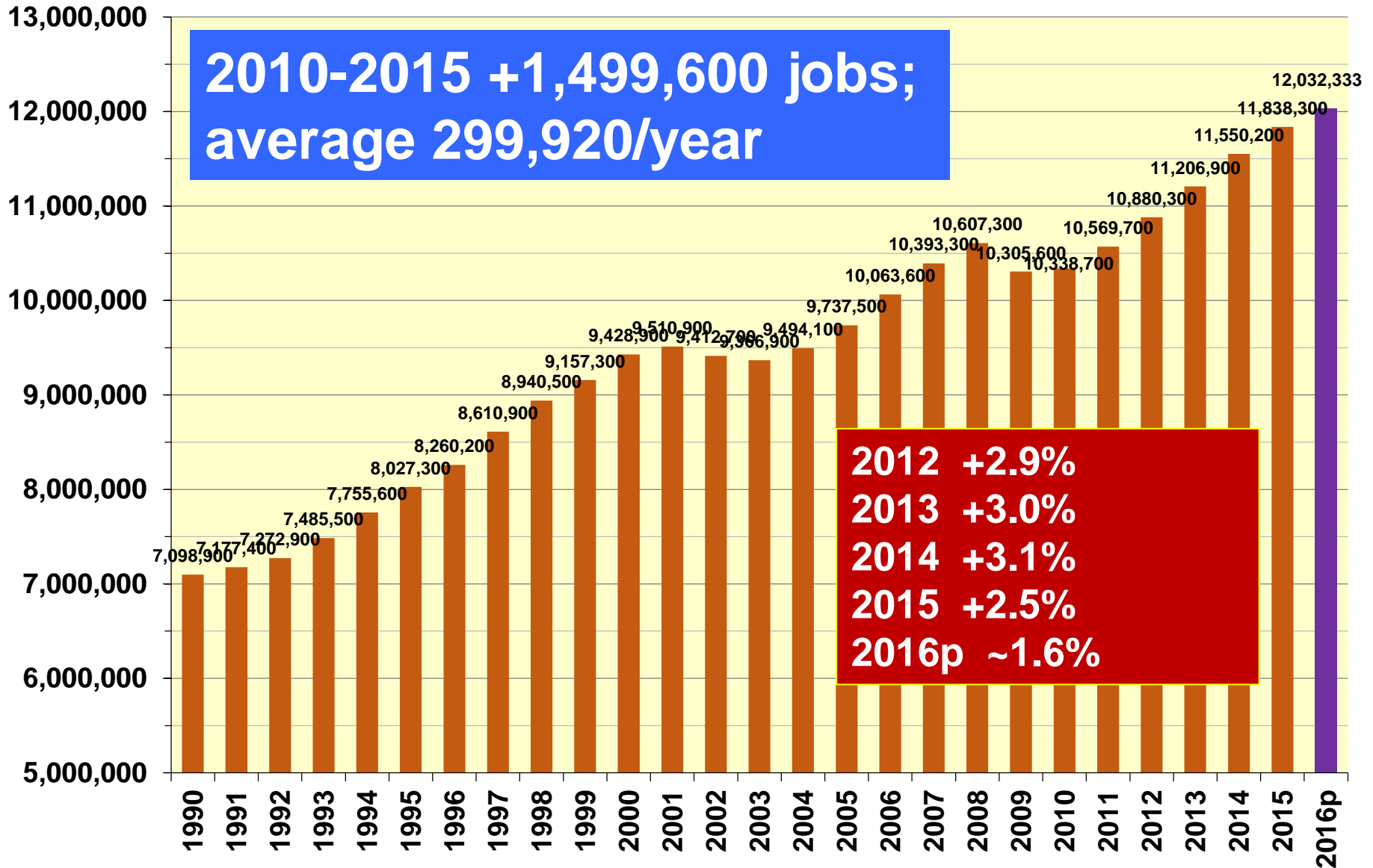
**2016: A Transition Year –  
End of a 5-Year Boom**

**2017 & 2018: Potentially  
Difficult/Great Years**

# Texas Outlook

- ❑ **Texas Economy slowed down** in 2016; 2Q16 **-0.2%** real GDP; Mining and Construction biggest declines
- ❑ **2017** problematic and uncertain; should be better
- ❑ **National economic expansion** most positive factor
- ❑ **Energy sector downturn** lagged impacts into '16 &'17; stabilizing – not a major negative
- ❑ **Global recession** a growing downside risk
- ❑ **Texas job growth** slowed to national rate
- ❑ **Population expansion** continues, but will also slow
- ❑ **Local Growth Issues** becoming more pressing, causing greater strain on state and local resources

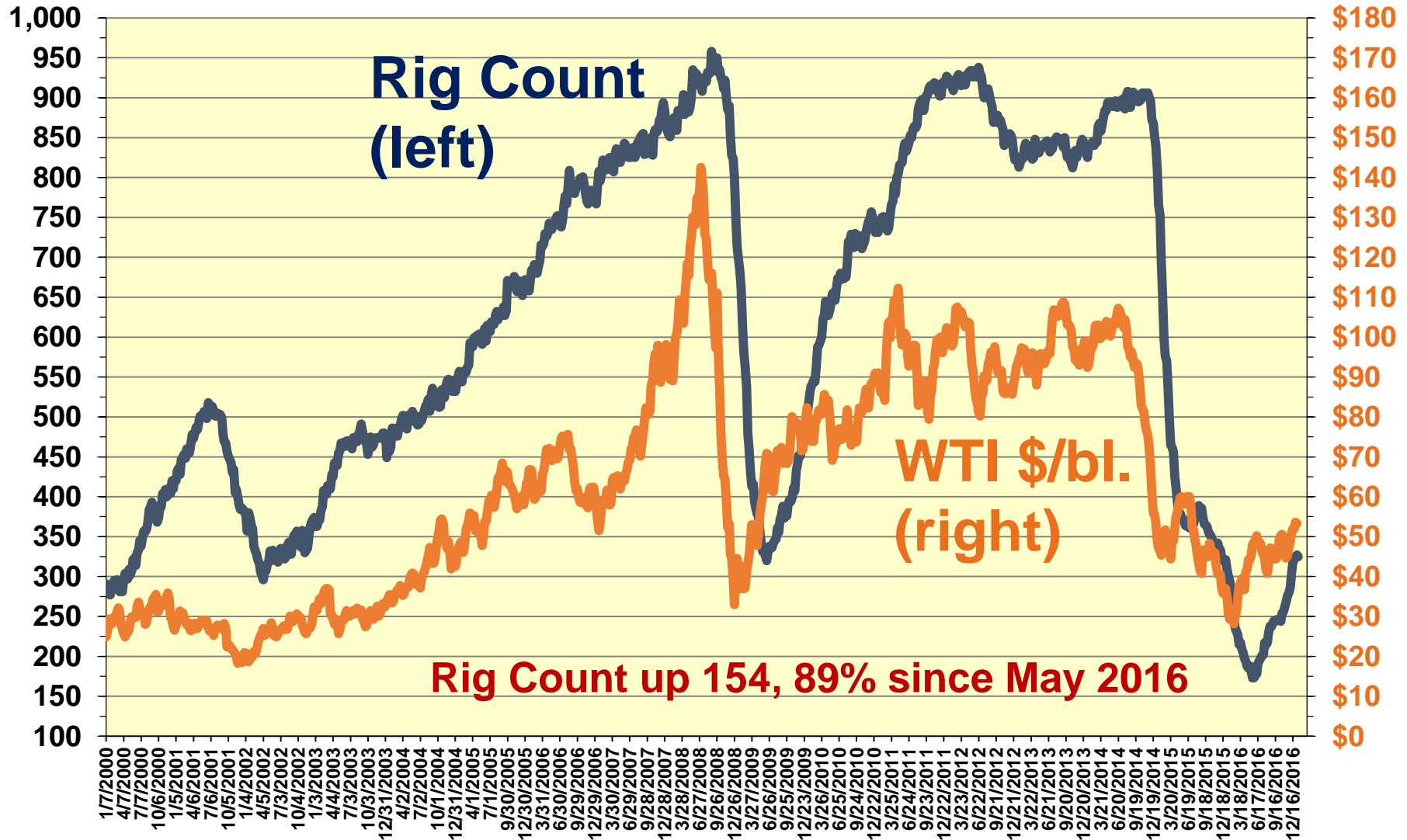
# Texas Annual Jobs



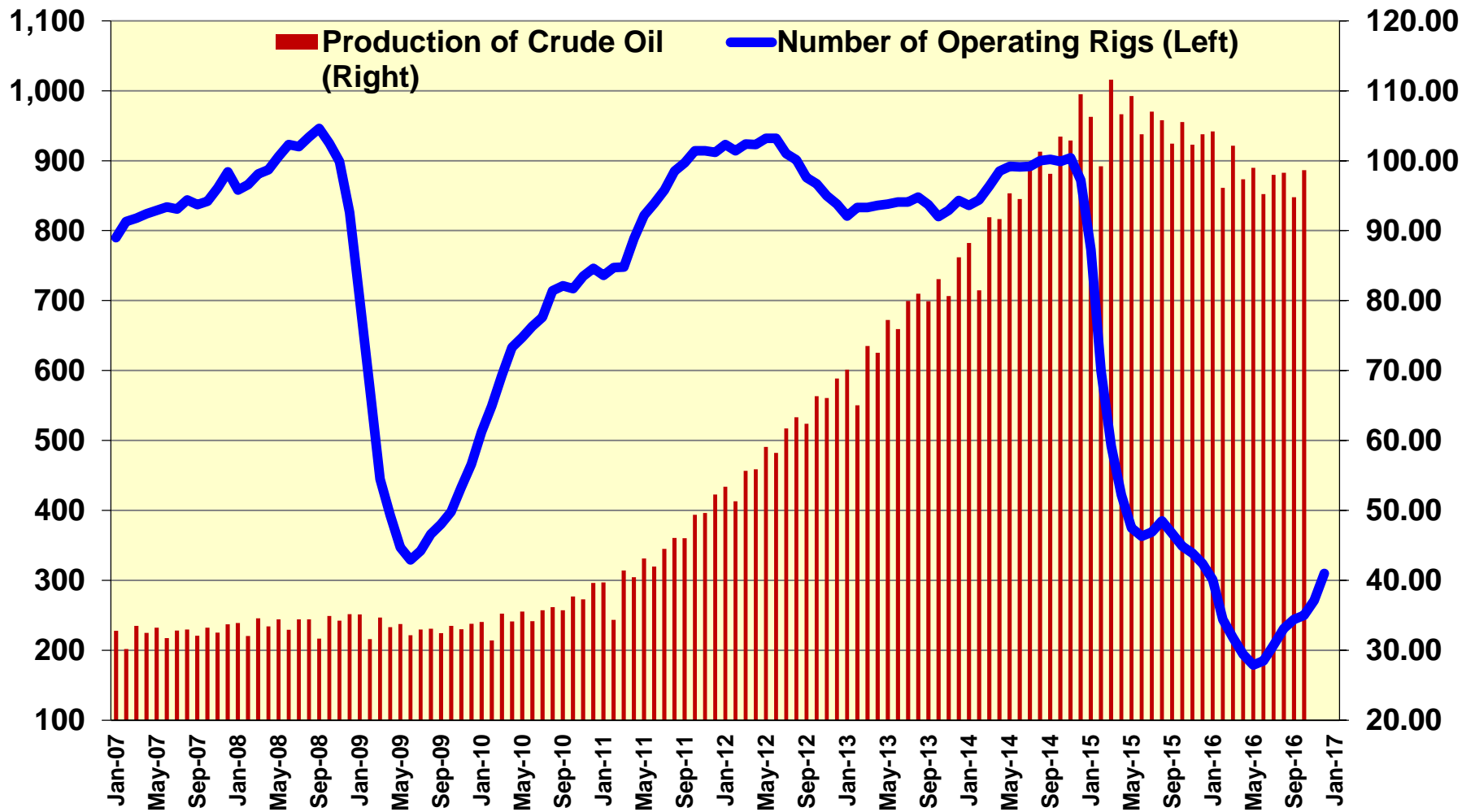
Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University



# Weekly Active Texas Rig Count & Price of WTI

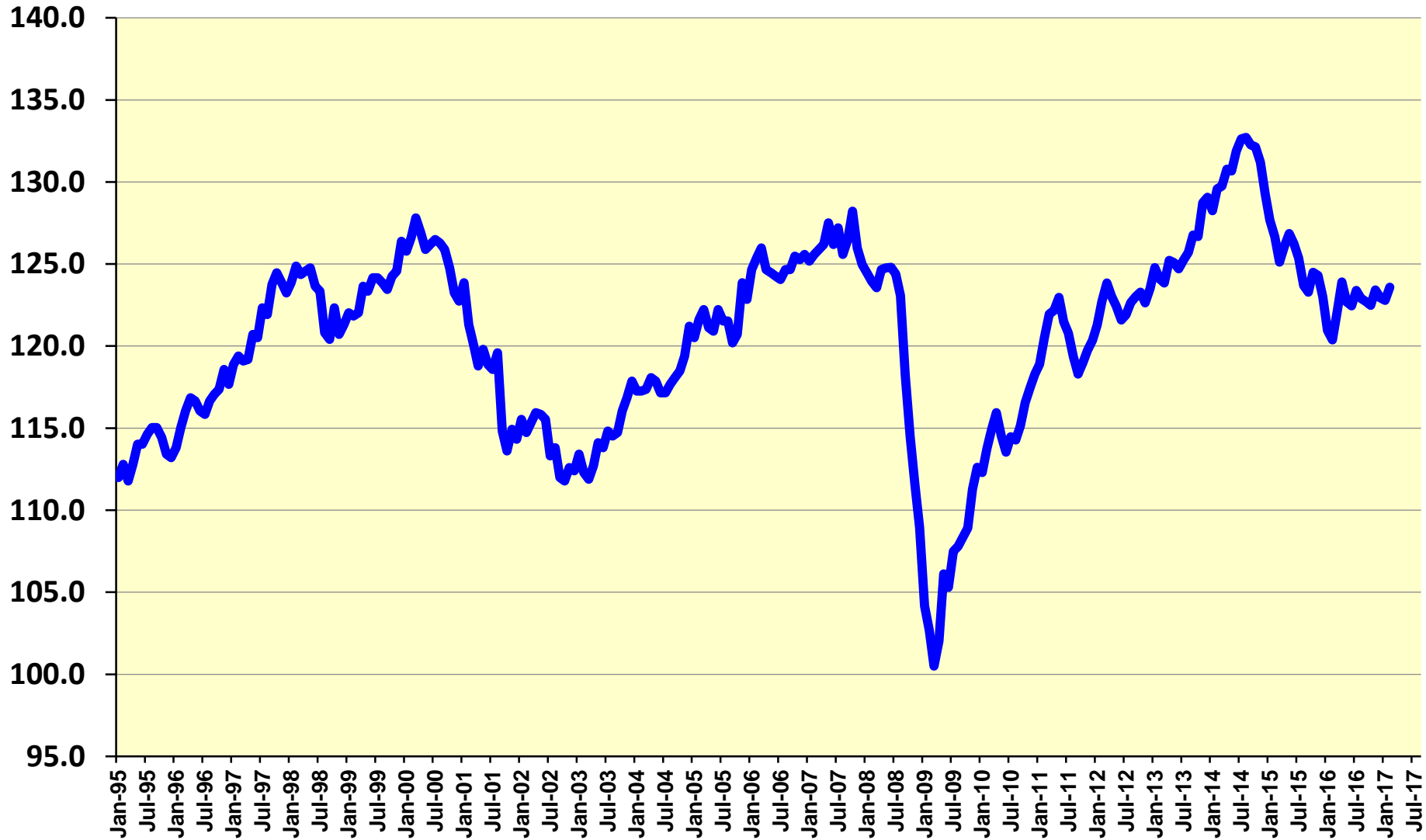


# Texas Rig Count and Oil Production



Source: Baker Hughes; EIA

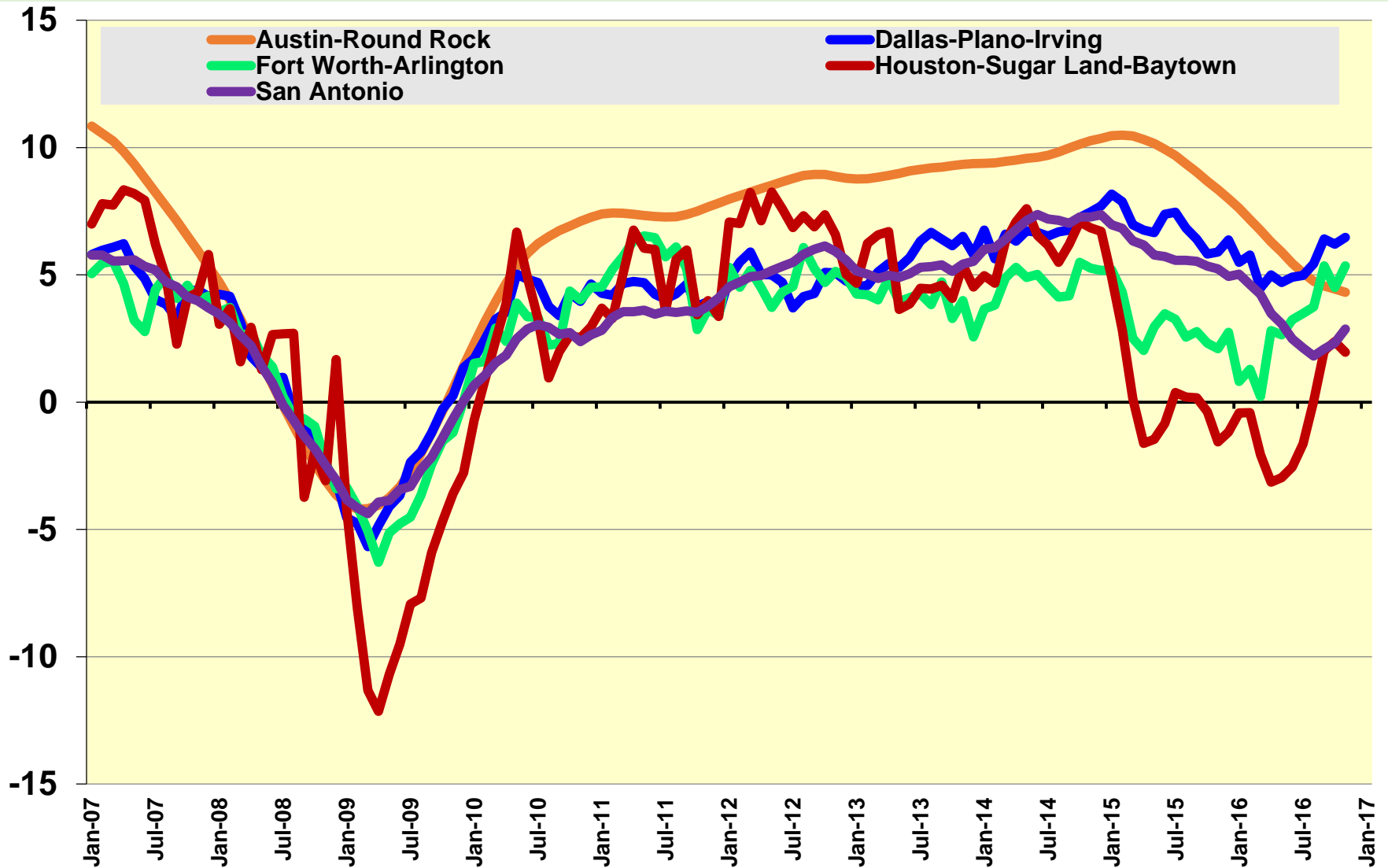
# Texas Leading Economic Index



Source: Federal Reserve Bank of Dallas, 1987=100

# Business Cycle Indexes: Major Texas Metros

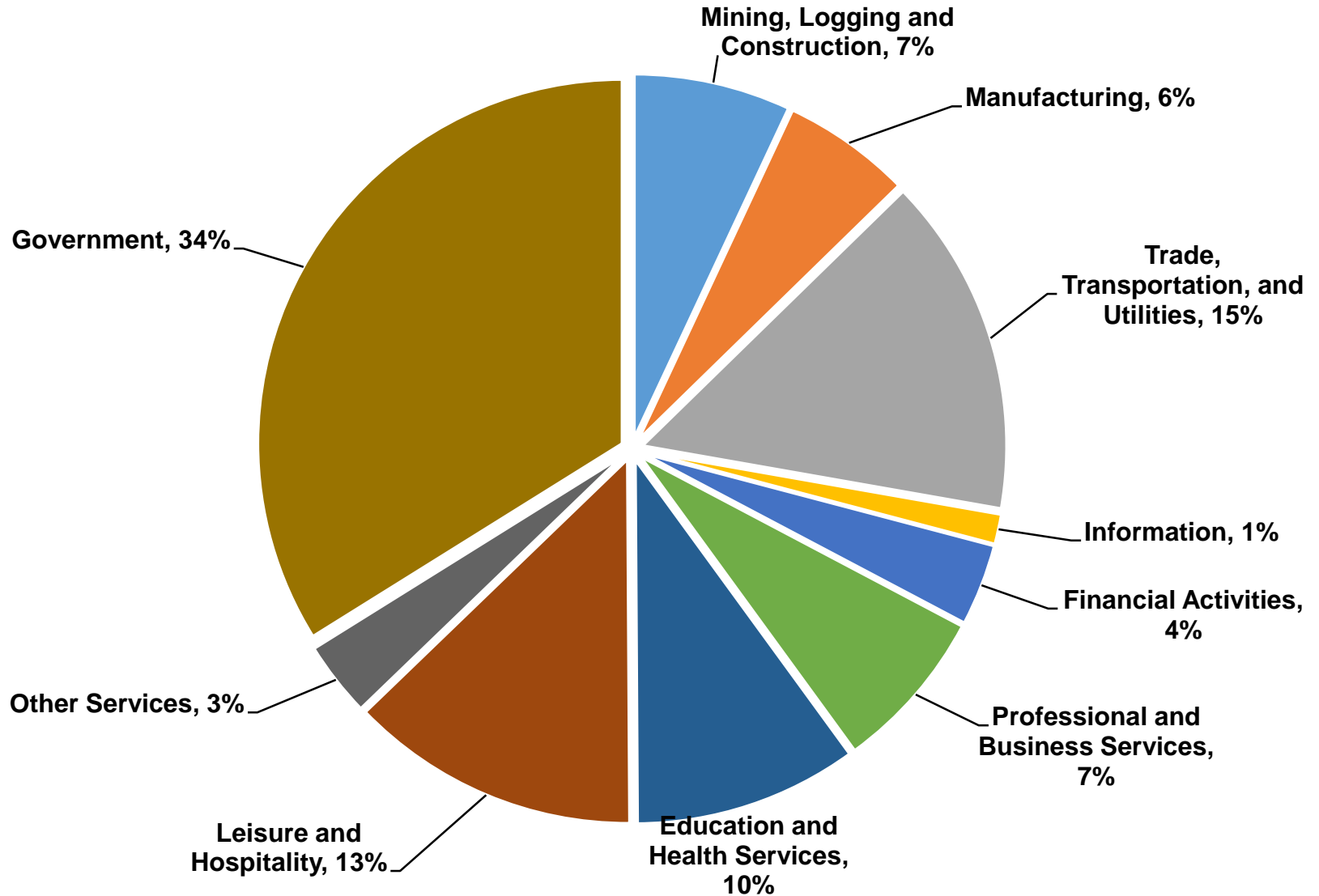
Quarterly Percent Change, Seasonally Adjusted, 10/1980=100



Source: Federal Reserve Bank of Dallas

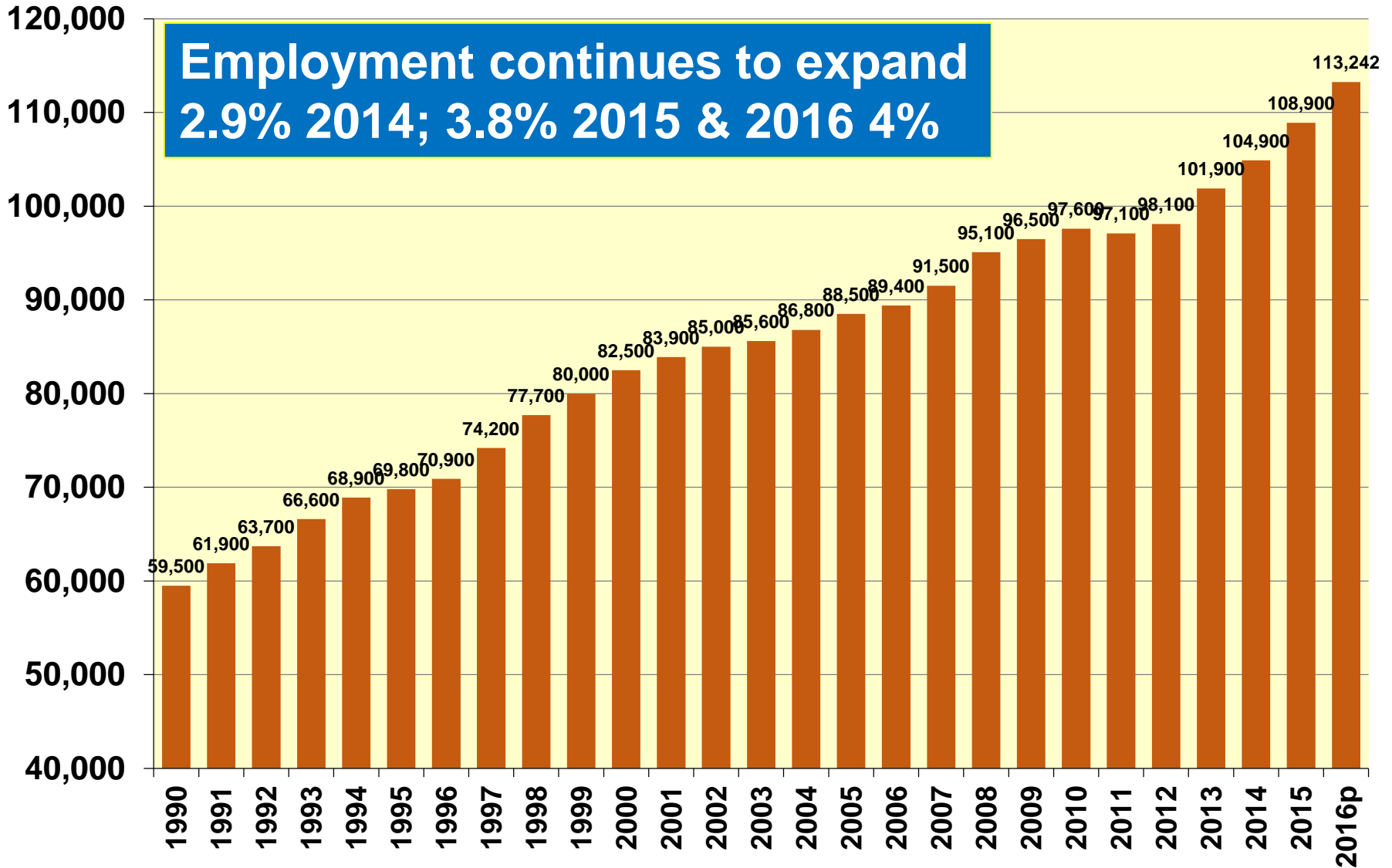
# **Bryan-College Station Economy**

# College Station-Bryan Employment by Industry



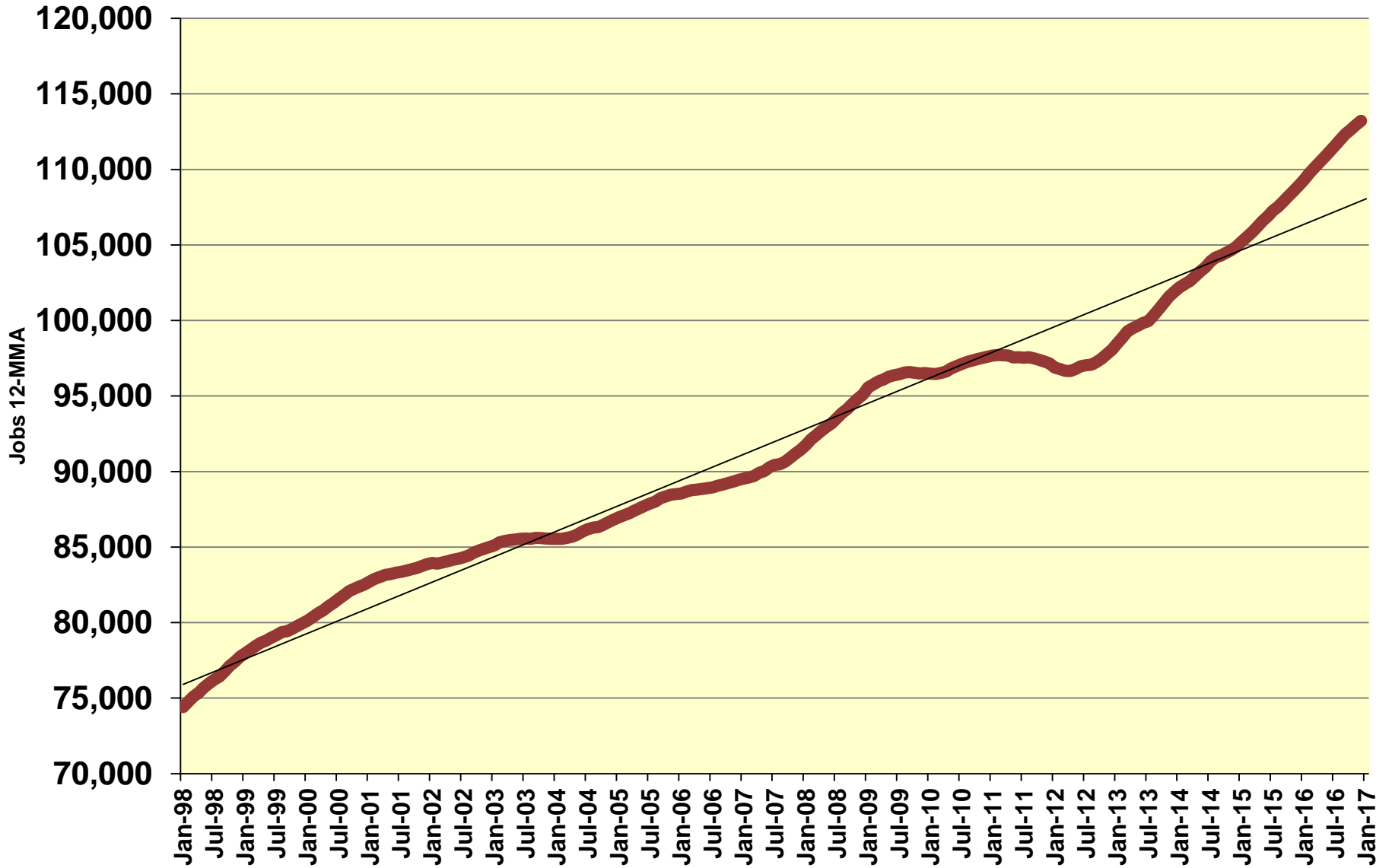
Sources: Texas Workforce Commission, Real Estate Center at Texas A&M University

# B-CS Annual Jobs



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

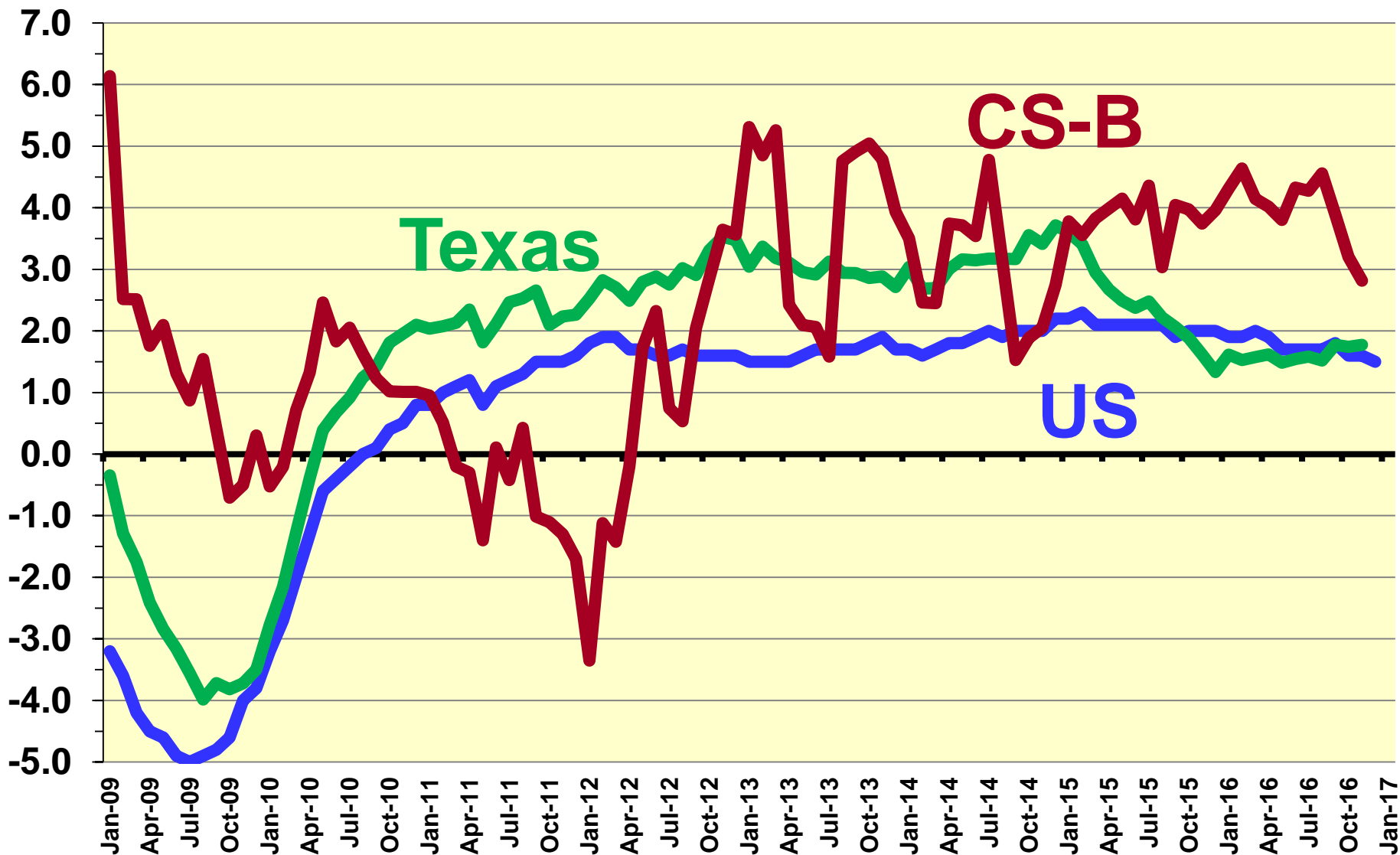
# B-CS Monthly Jobs



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



# Annual Employment Growth Rates



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

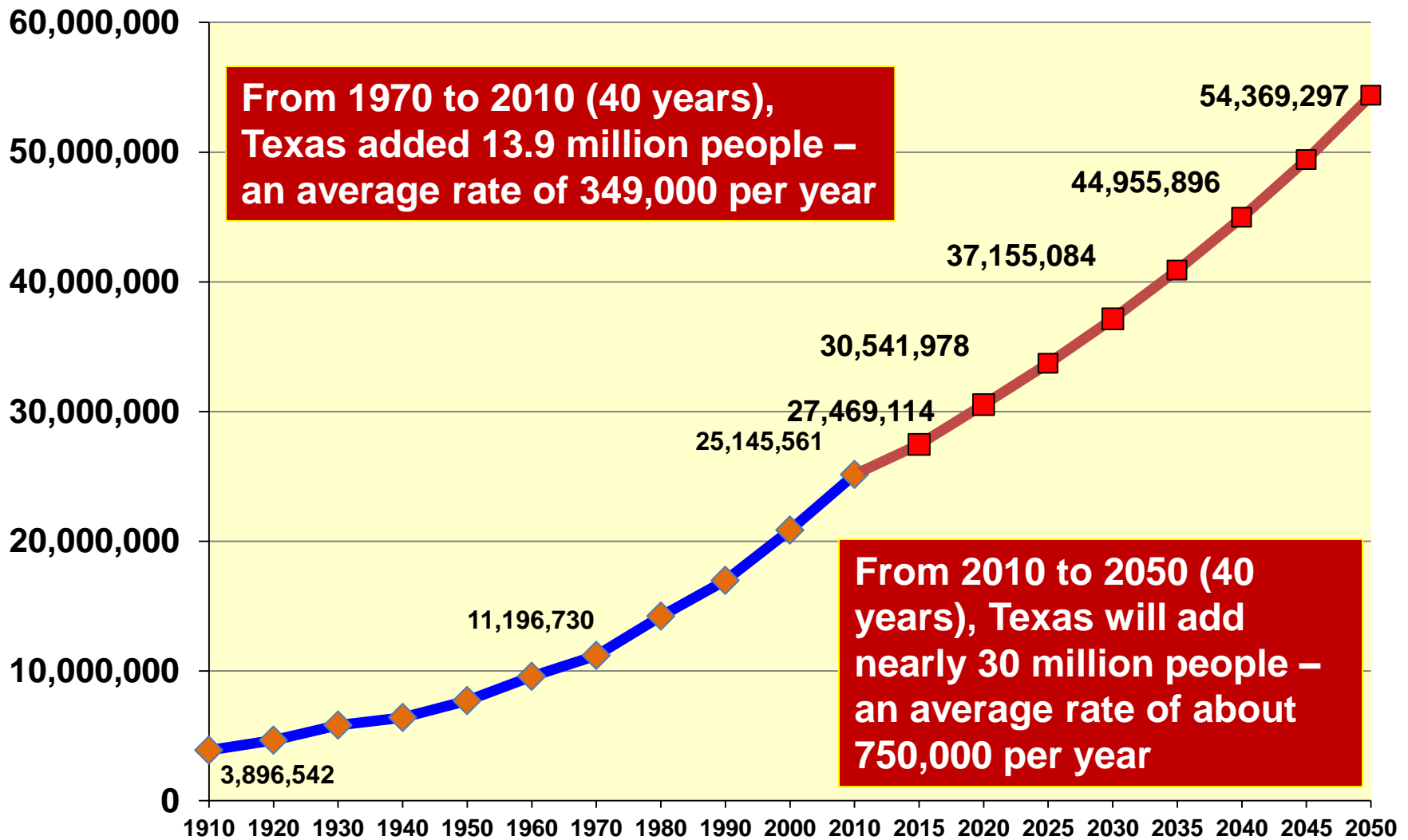
# B-CS Employment Change: December 2015 to December 2016

Industry	December 2016	December 2015	Change	% Change
<b>Total Nonfarm</b>	<b>116,200</b>	<b>112,900</b>	<b>3,300</b>	<b>2.9%</b>
<b>Information</b>	<b>1,400</b>	<b>1,300</b>	<b>100</b>	<b>7.7%</b>
<b>Leisure and Hospitality</b>	<b>15,500</b>	<b>14,600</b>	<b>900</b>	<b>6.2%</b>
<b>Professional and Business Services</b>	<b>8,700</b>	<b>8,300</b>	<b>400</b>	<b>4.8%</b>
<b>Education and Health Services</b>	<b>12,100</b>	<b>11,600</b>	<b>500</b>	<b>4.3%</b>
<b>Wholesale Trade</b>	<b>2,700</b>	<b>2,600</b>	<b>100</b>	<b>3.8%</b>
<b>Retail Trade</b>	<b>13,000</b>	<b>12,600</b>	<b>400</b>	<b>3.2%</b>
<b>Other Services</b>	<b>3,800</b>	<b>3,700</b>	<b>100</b>	<b>2.7%</b>
<b>Local Government</b>	<b>11,500</b>	<b>11,200</b>	<b>300</b>	<b>2.7%</b>
<b>Financial Activities</b>	<b>3,900</b>	<b>3,800</b>	<b>100</b>	<b>2.6%</b>
<b>State Government</b>	<b>28,000</b>	<b>27,500</b>	<b>500</b>	<b>1.8%</b>
<b>Manufacturing</b>	<b>5,400</b>	<b>5,400</b>	<b>0</b>	<b>0.0%</b>
<b>Transportation, Warehousing, and Utilities</b>	<b>1,800</b>	<b>1,800</b>	<b>0</b>	<b>0.0%</b>
<b>Federal Government</b>	<b>800</b>	<b>800</b>	<b>0</b>	<b>0.0%</b>
<b>Mining, Logging and Construction</b>	<b>7,600</b>	<b>7,700</b>	<b>-100</b>	<b>-1.3%</b>

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

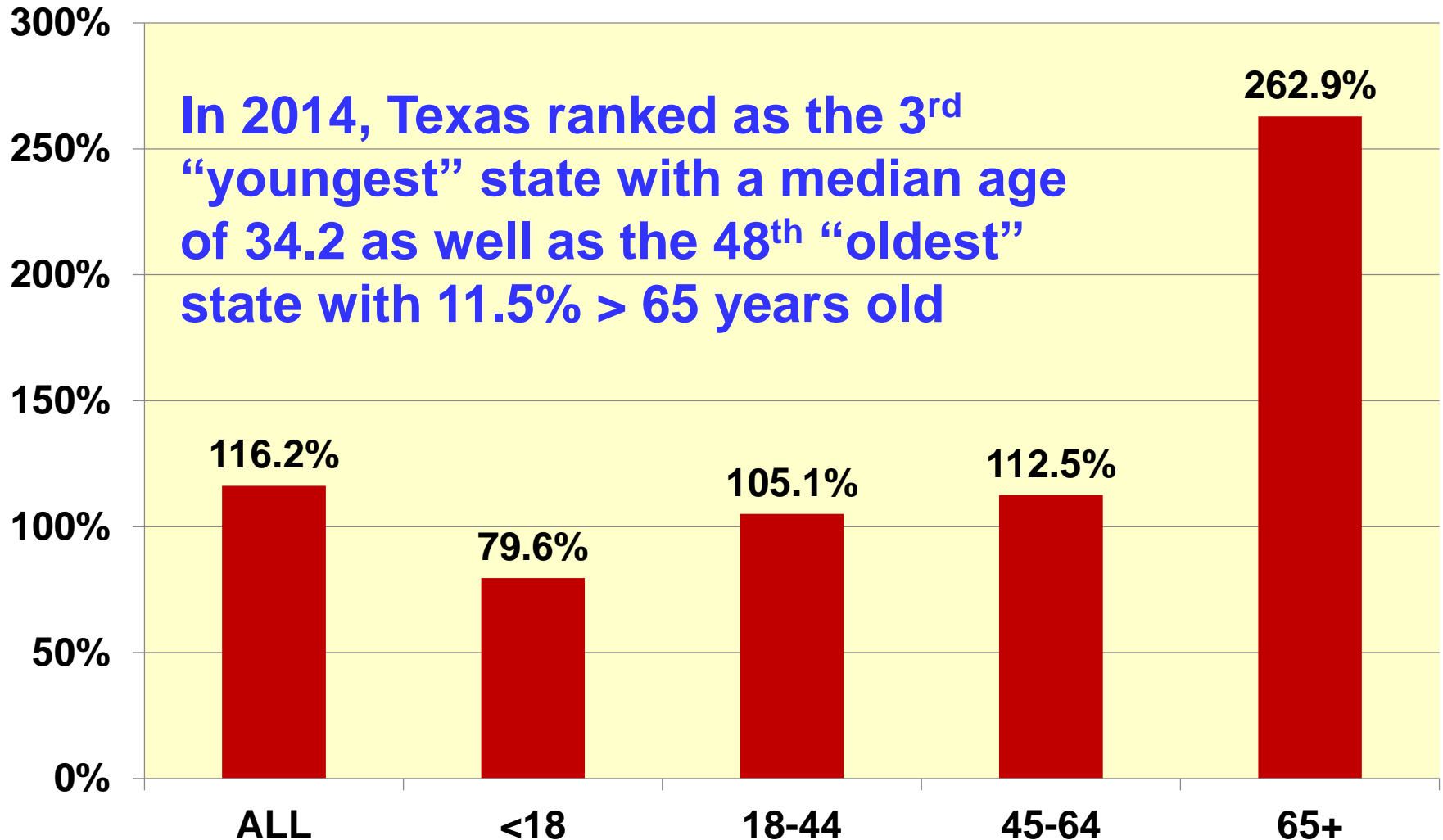
# Texas Demographics

# Texas Population 1910-2050

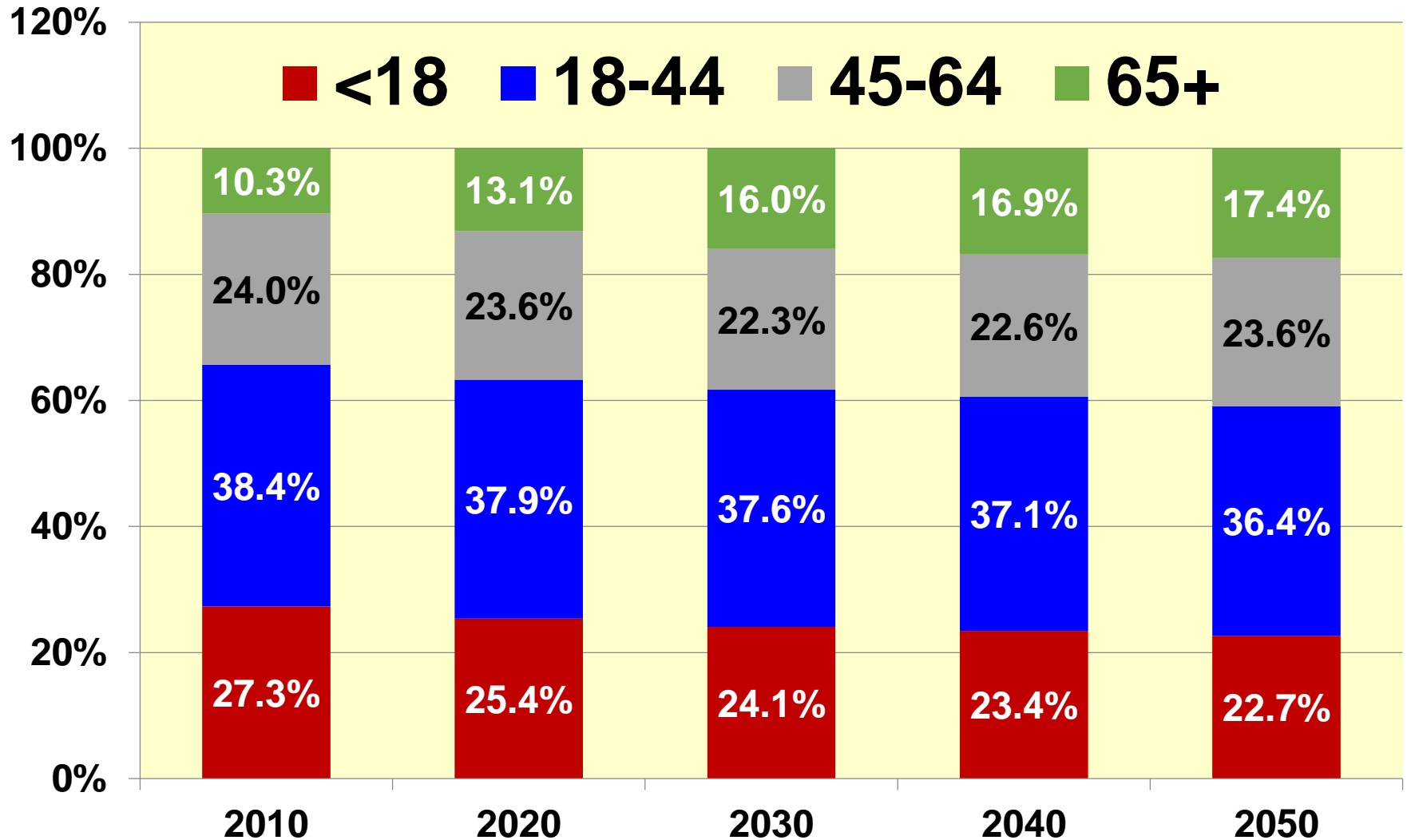


Sources: U.S. Census Bureau, Texas State Demographer 2014 Projections (2000-2010 Scenario)

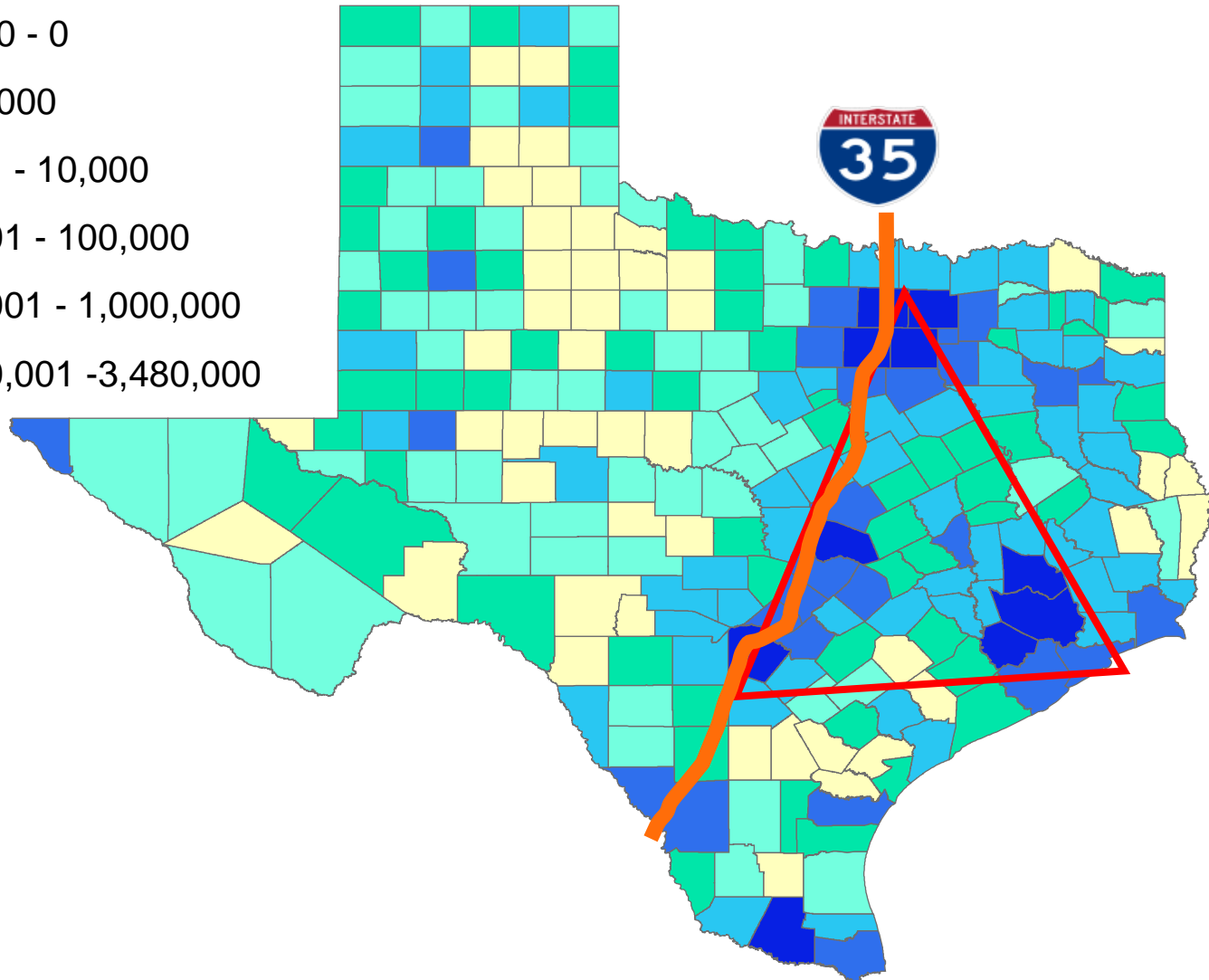
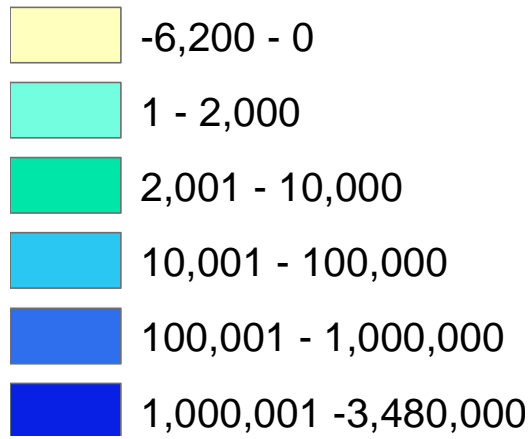
# Percent Change from 2010 to 2050 by Age Groups in the Texas Population



# Percent of Texas Population by Age Groups: 2010 to 2050



# Projected Population Change, Texas Counties, 2010-2050



# Overall Growth and Change in State Population 2010-2050

	<b>Texas</b>	<b>D-FW</b>		<b>Houston</b>		<b>Austin</b>		<b>San Antonio</b>	
	Population	Population	% of State Total	Population	% of State Total	Population	% of State Total	Population	% of State Total
<b>2010</b>	25,145,561	6,426,214	25.6%	5,920,416	23.5%	1,716,289	6.8%	2,142,508	8.5%
<b>2020</b>	30,541,978	7,920,671	25.9%	7,413,214	24.3%	2,306,857	7.6%	2,635,183	8.6%
<b>2030</b>	37,155,084	9,970,678	26.8%	9,278,789	25.0%	3,035,547	8.2%	3,182,644	8.6%
<b>2040</b>	44,955,896	12,728,992	28.3%	11,519,566	25.6%	3,960,317	8.8%	3,735,981	8.3%
<b>2050</b>	54,369,297	16,367,293	30.1%	14,221,267	26.2%	5,176,940	9.5%	4,294,232	7.9%
<b>Increase</b>	29,223,736	9,941,079	34.0%	8,300,851	28.4%	3,460,651	11.8%	2,151,724	7.4%
<b>Total Percent Increase</b>	116.2%	154.7%		140.2%		201.6%		100.4%	

**82% of total increase will go to the Major MSAs**

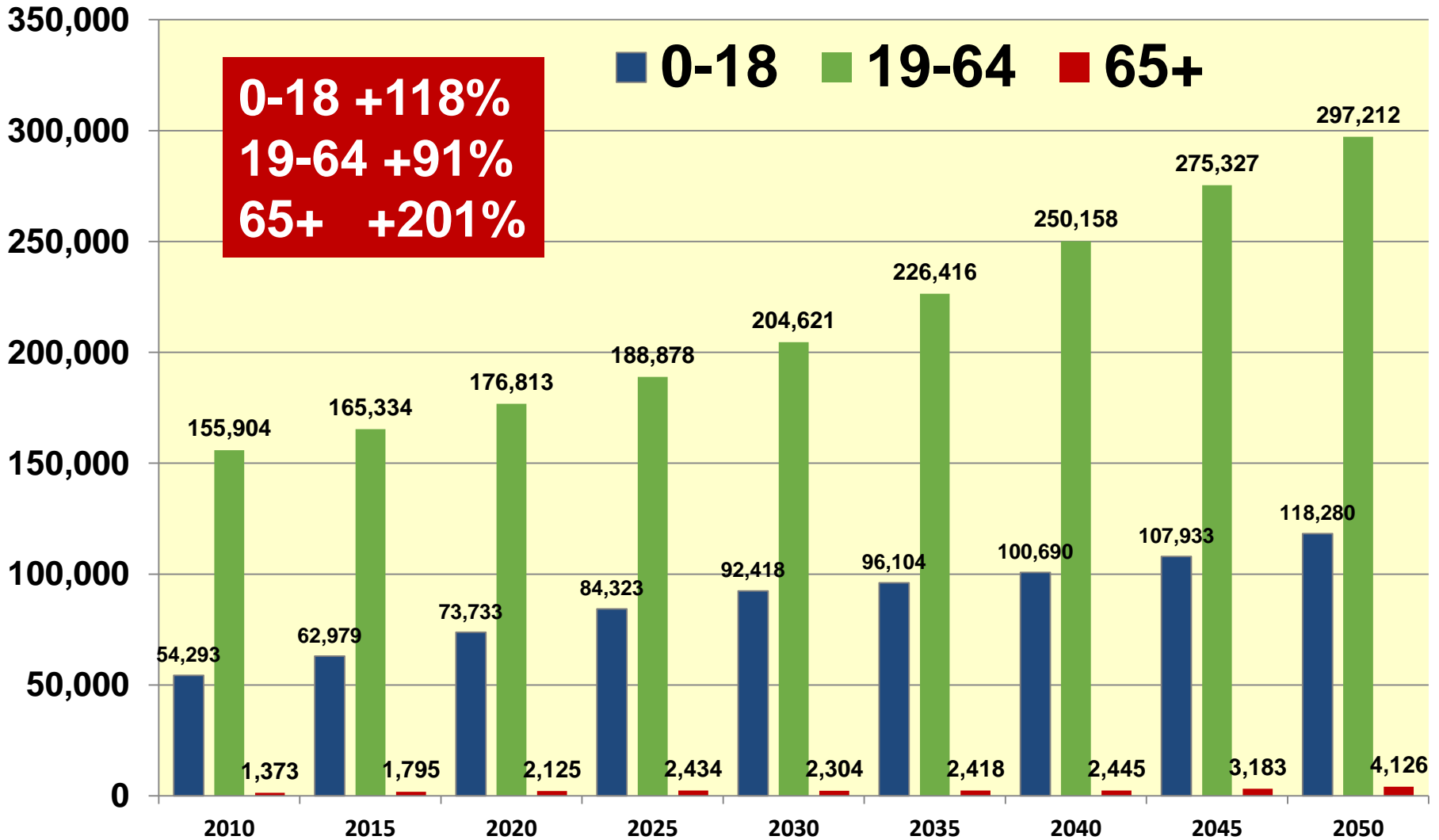


# College Station-Bryan Population: 2010-2050

**220,777 or 88%  
increase 2015-  
2050**

<b>Year</b>	<b>Total Population</b>
<b>2010</b>	<b>228,660</b>
<b>2015</b>	<b>251,252</b>
<b>2020</b>	<b>278,843</b>
<b>2025</b>	<b>307,676</b>
<b>2030</b>	<b>337,071</b>
<b>2035</b>	<b>366,377</b>
<b>2040</b>	<b>398,066</b>
<b>2045</b>	<b>433,616</b>
<b>2050</b>	<b>472,029</b>

# CS-B Projected Population by Age



Sources: Texas State Demographers Office, 2000-2010 Projections; Real Estate Center at Texas A&M University

# Major Demographic Trends & Changing Economic Preferences

- ❖ **Aging population**
  - Generational changes
  - Lifestyle & life cycle: Gen Y vs. Boomers
- ❖ **Increasing racial/ethnic diversity & cultural shifts**
- ❖ **Economic Shift: income & wealth gap**
  - Educated and less well educated
  - Age
  - Race & Ethnicity
- ❖ **Urban Concentration - urban areas**

# Real Estate Markets

VALLEY JAPANESE TEA GARDEN  
LES  
LLO  
MOE  
WILD  
TE  
UMI  
ACH  
LLO  
MOE  
WILD  
TE  
ED BY FERRERMAN'S WHA

# NEW HOMES IN SAN FRANCISCO

FROM THE LOW  
\$1,000,000s

Summit800Homes.com



1600

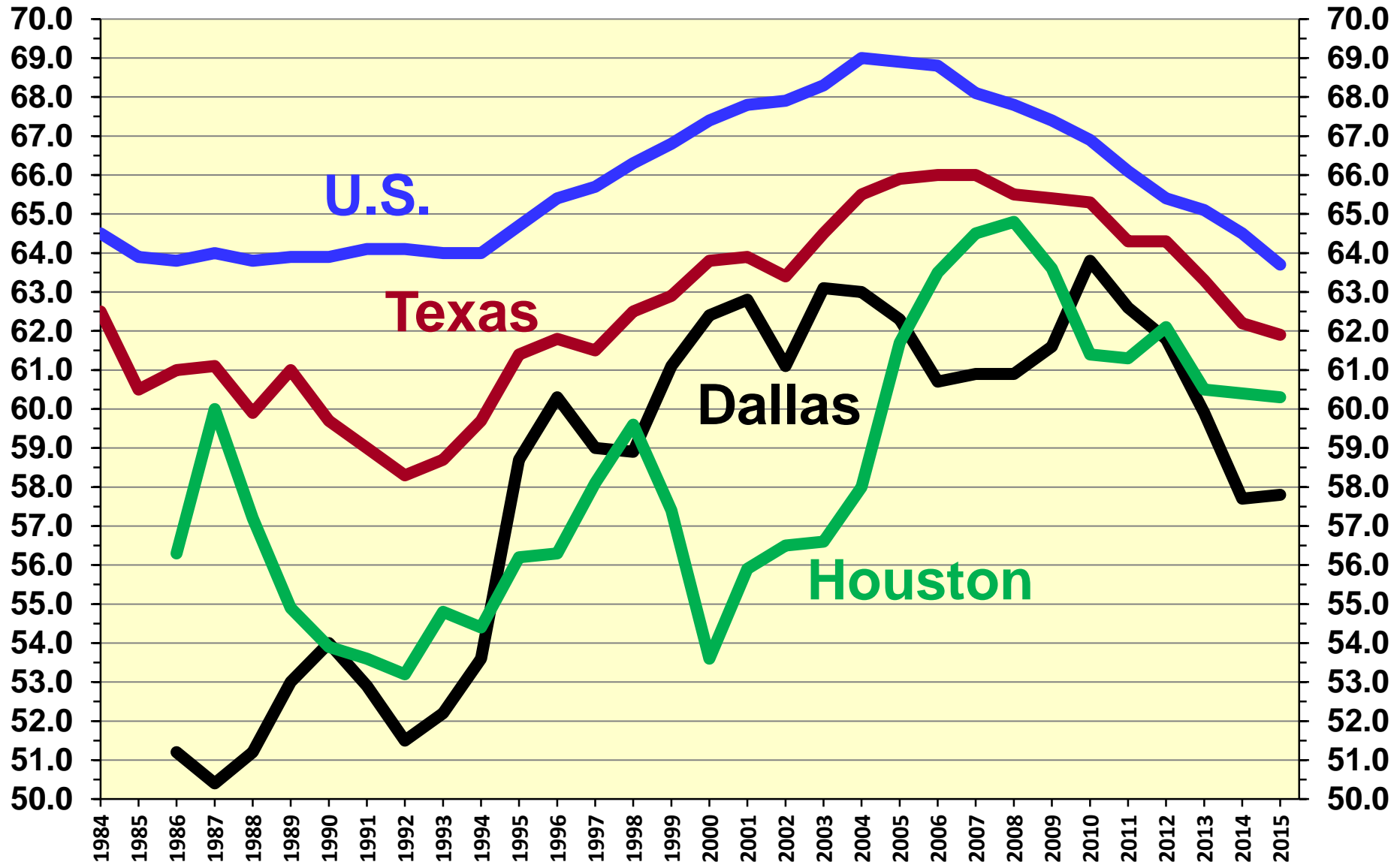
OUTFRONT

12' X 25'

# Macro Housing Issues

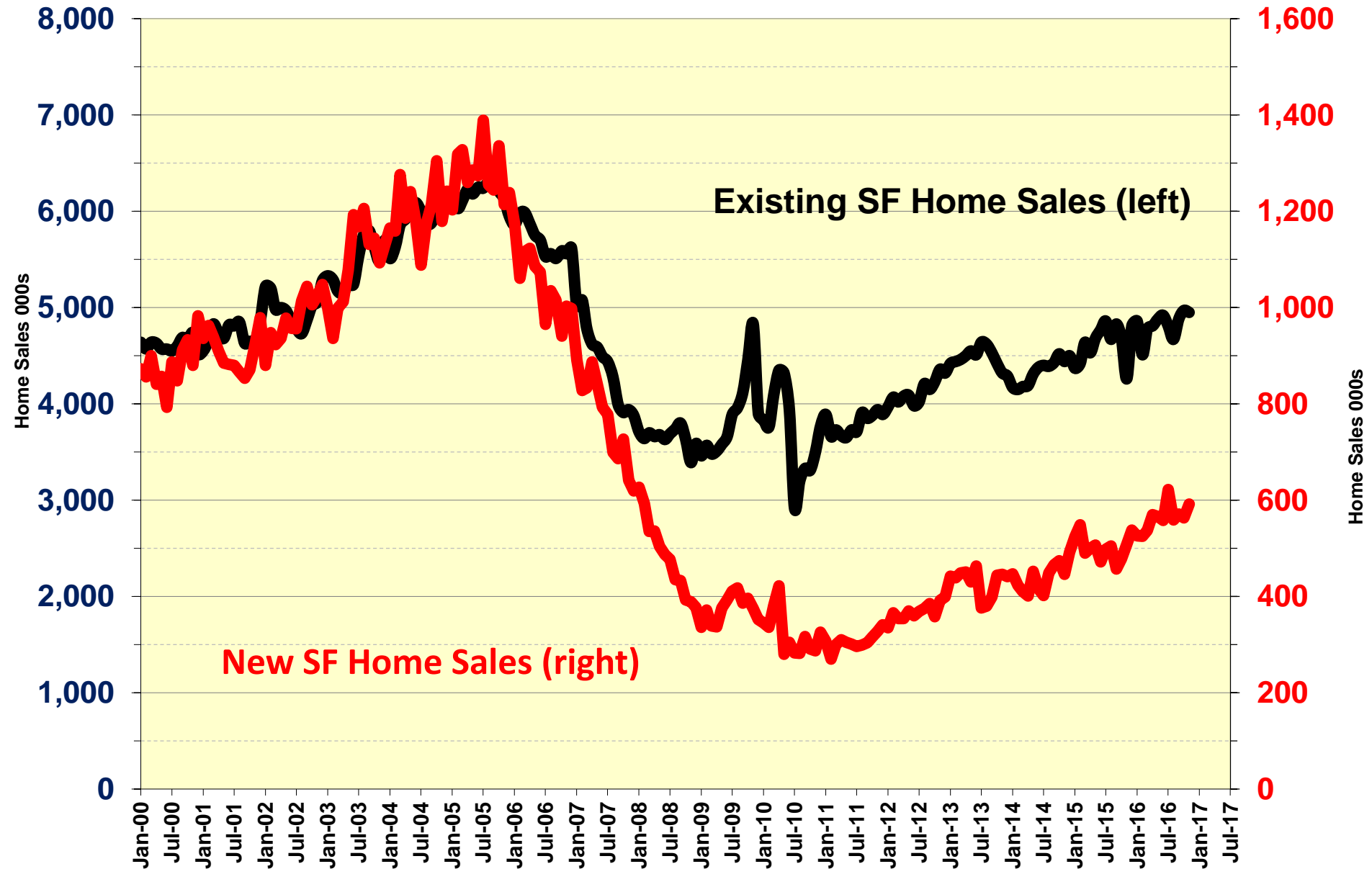
- **Generational Demands:** size, location, price, amenities
- **Affordability:** rents and prices increasing; incomes flat
- **New Construction:** not enough SF to balance; MF reacting to high millennial demand
- **Development:** Design, Density, Resources and Processes
- **Regulatory Costs/Disruptions:** lending; environmental; local land use growth controls & initiatives
  - Federal
  - State
  - Local

# U.S. & Texas Homeownership Rate



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

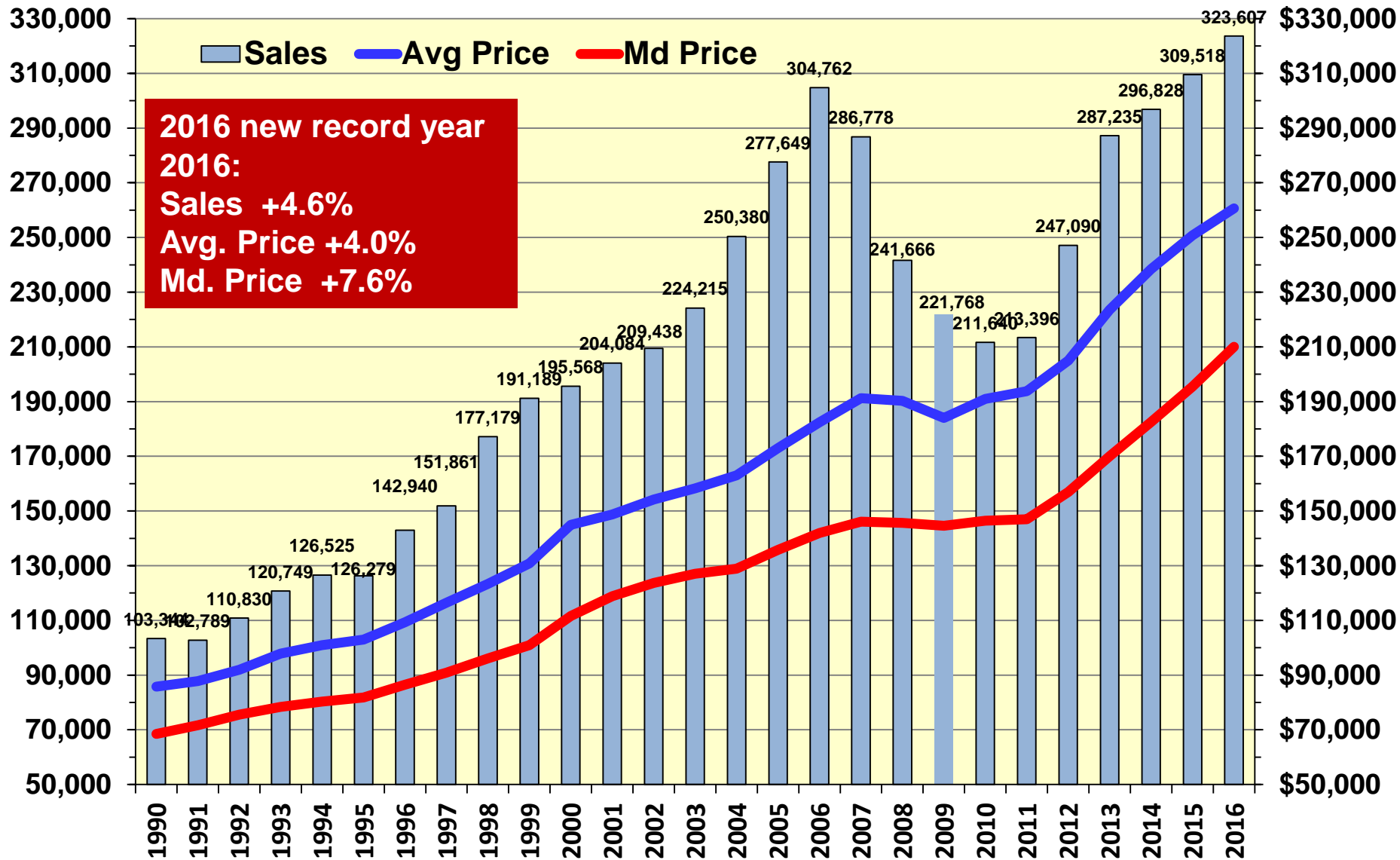
# New and Existing SF Home Sales U.S.



Sources: US Census Bureau , NAR, SAAR

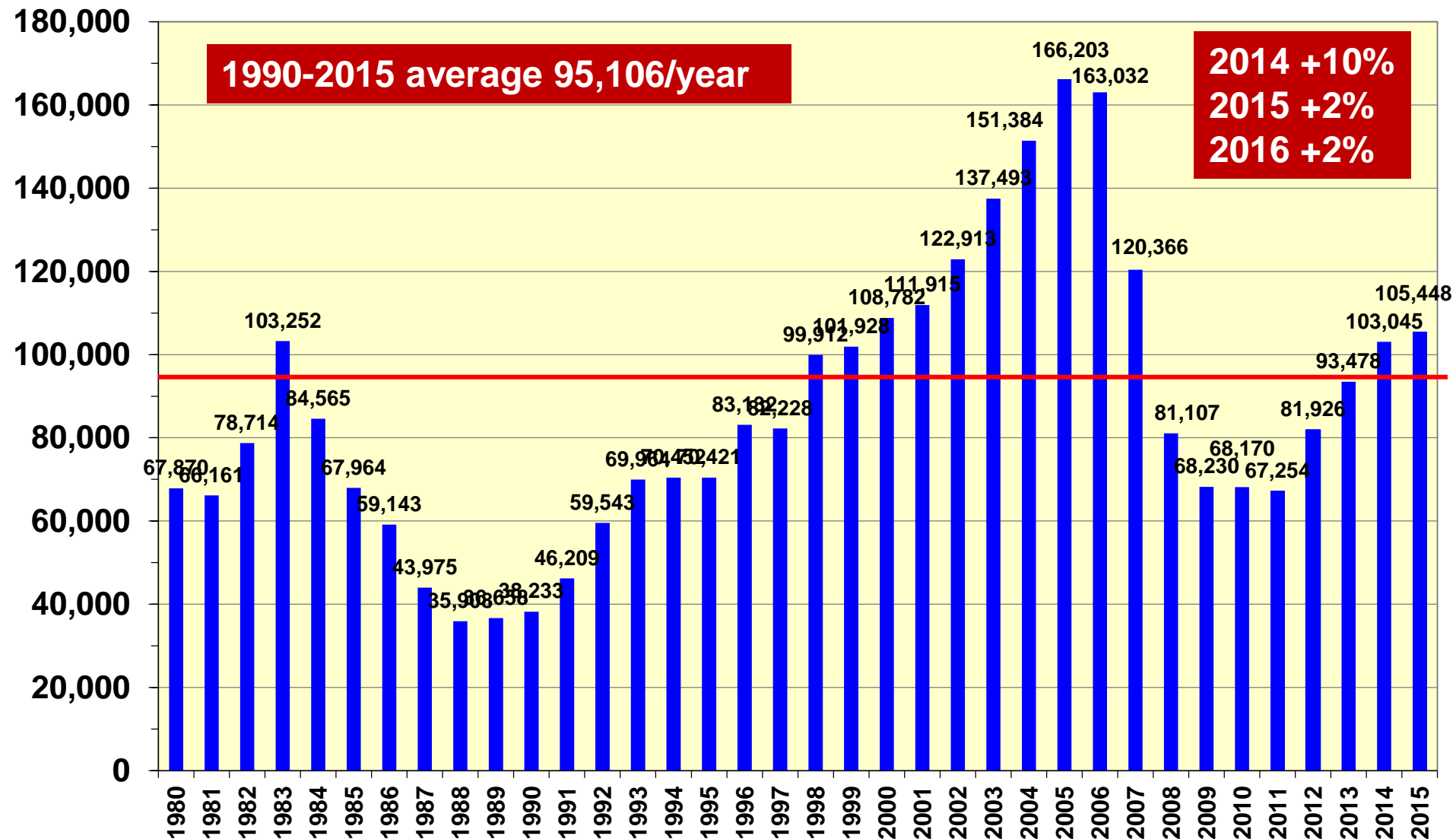


# Annual Texas Home Sales



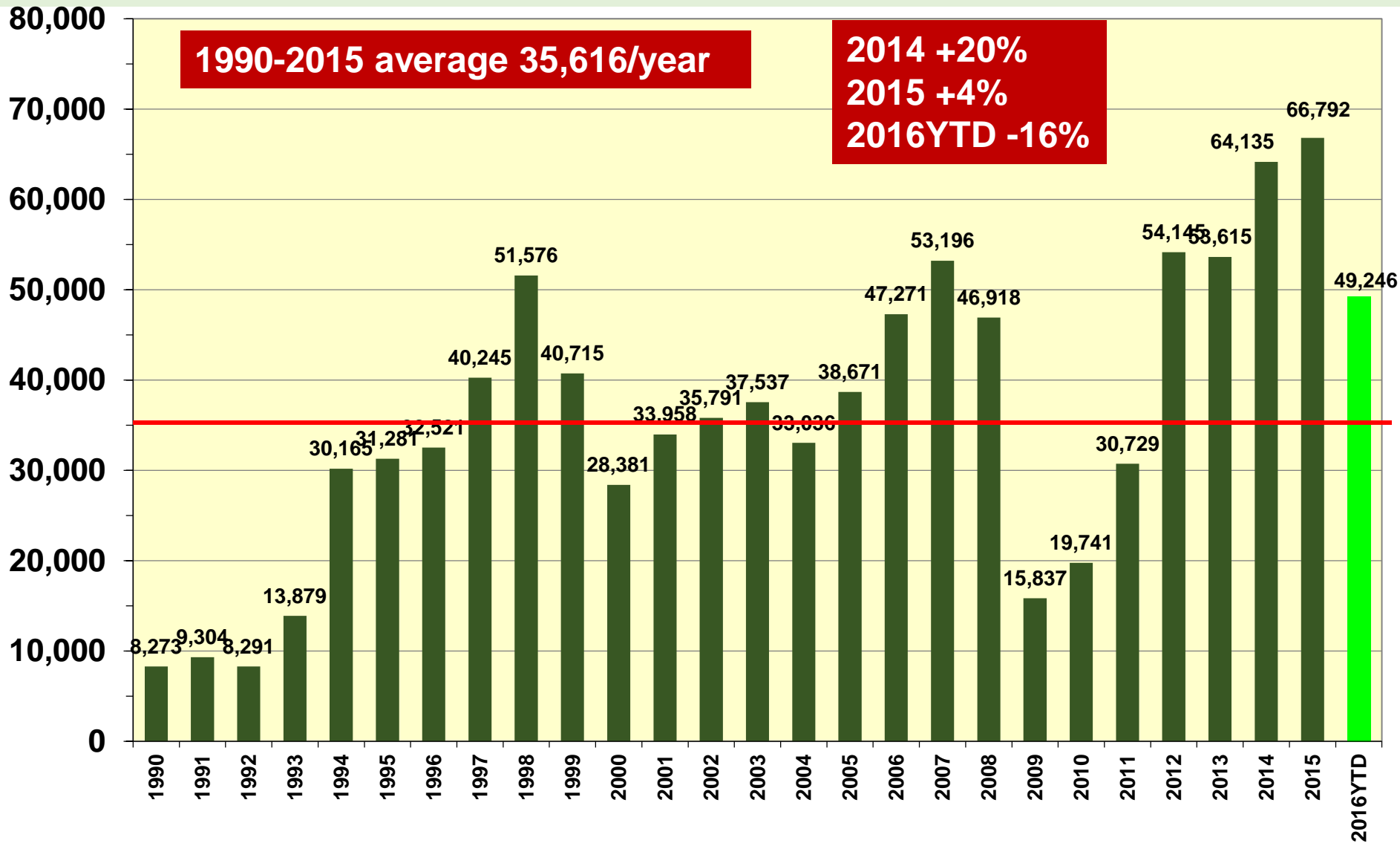
Source: Real Estate Center at Texas A&M University

# Texas SF Building Permits



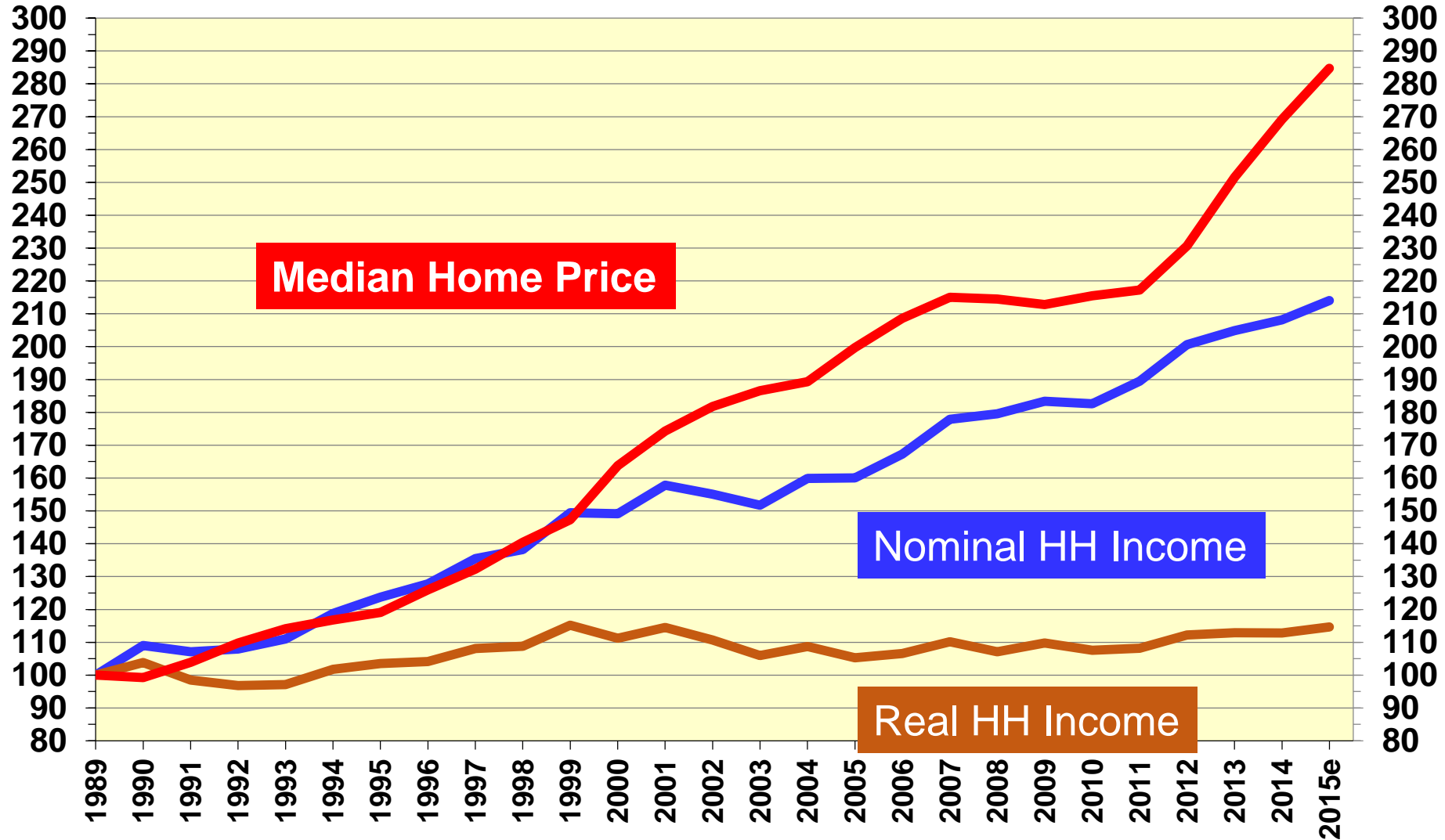
Source: US Census Bureau, Real Estate Center at Texas A&M

# Texas MF Building Permits: Making Up the Difference?



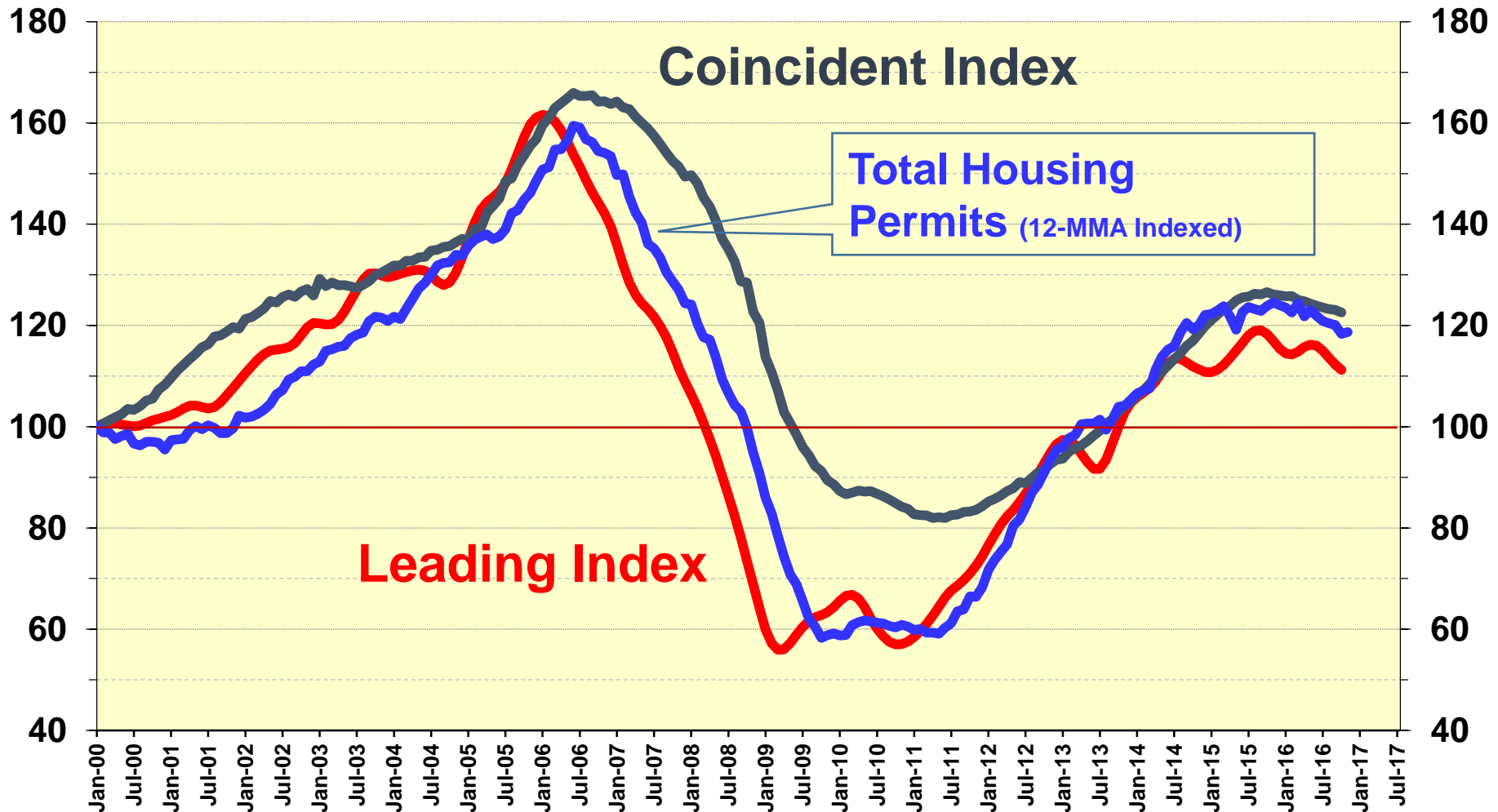
Source: US Census Bureau, Real Estate Center at Texas A&M

# Texas Median HH Income & Median Home Price Indexed to 1989



Source: U.S. Census Bureau; Real Estate Center at Texas A&M University

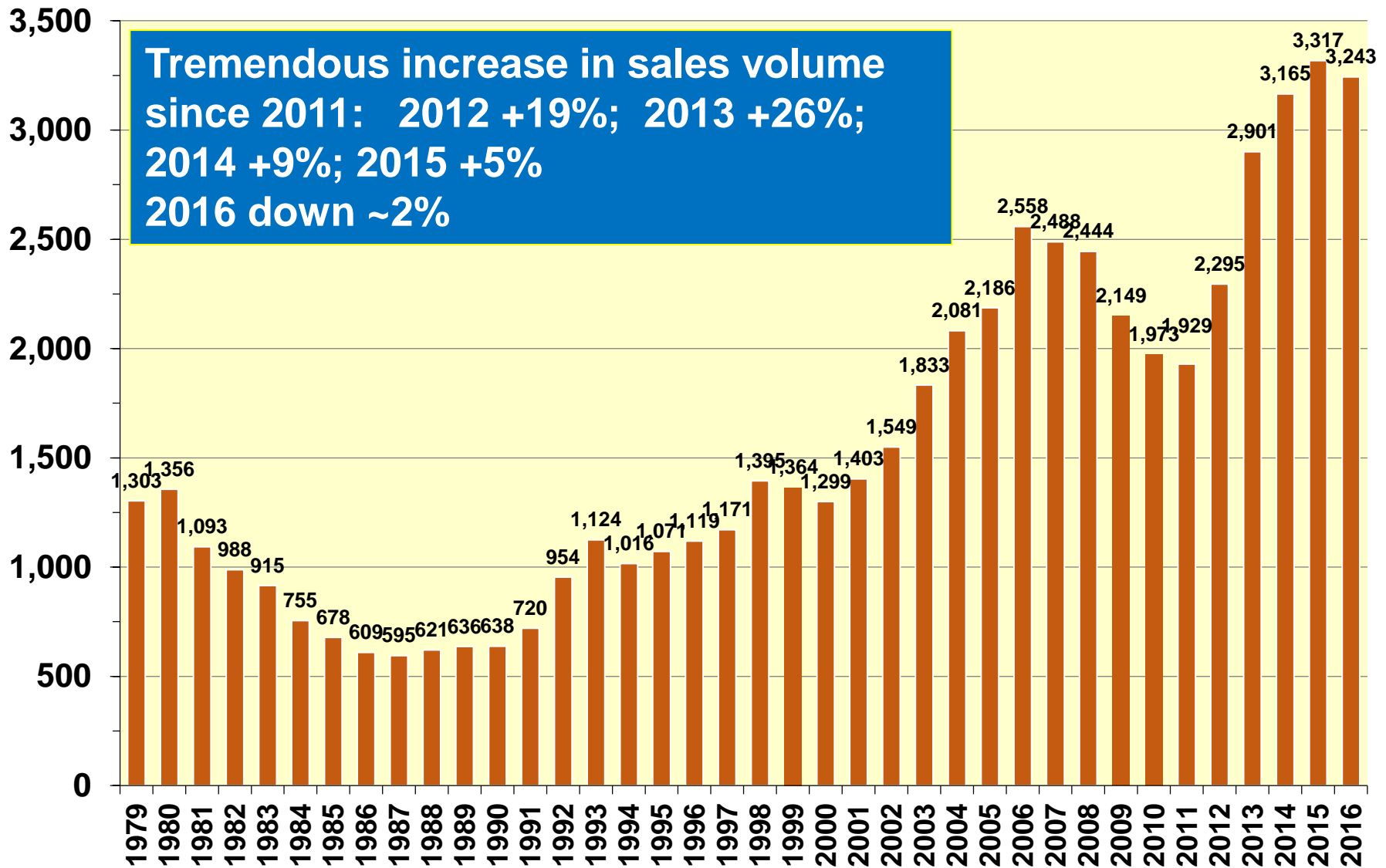
# Texas Residential Construction Leading and Coincident Indexes



Source: Real Estate Center at Texas A&M University

# CS-B MSA Annual Home Sales

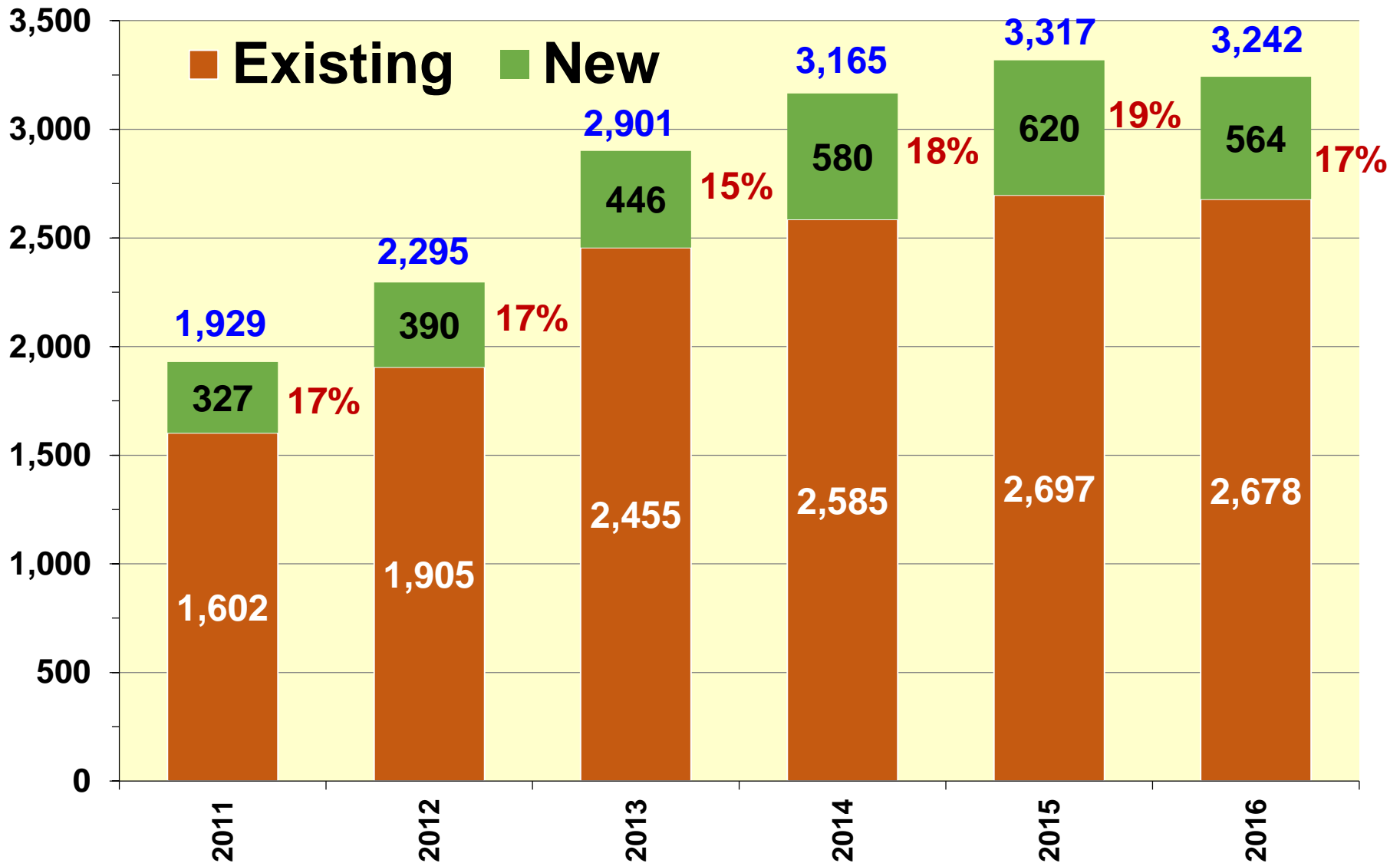
CS-B MSA: Brazos, Burleson & Robertson Counties



Source: BCS Regional Association of REALTORS®; Real Estate Center at Texas A&M University

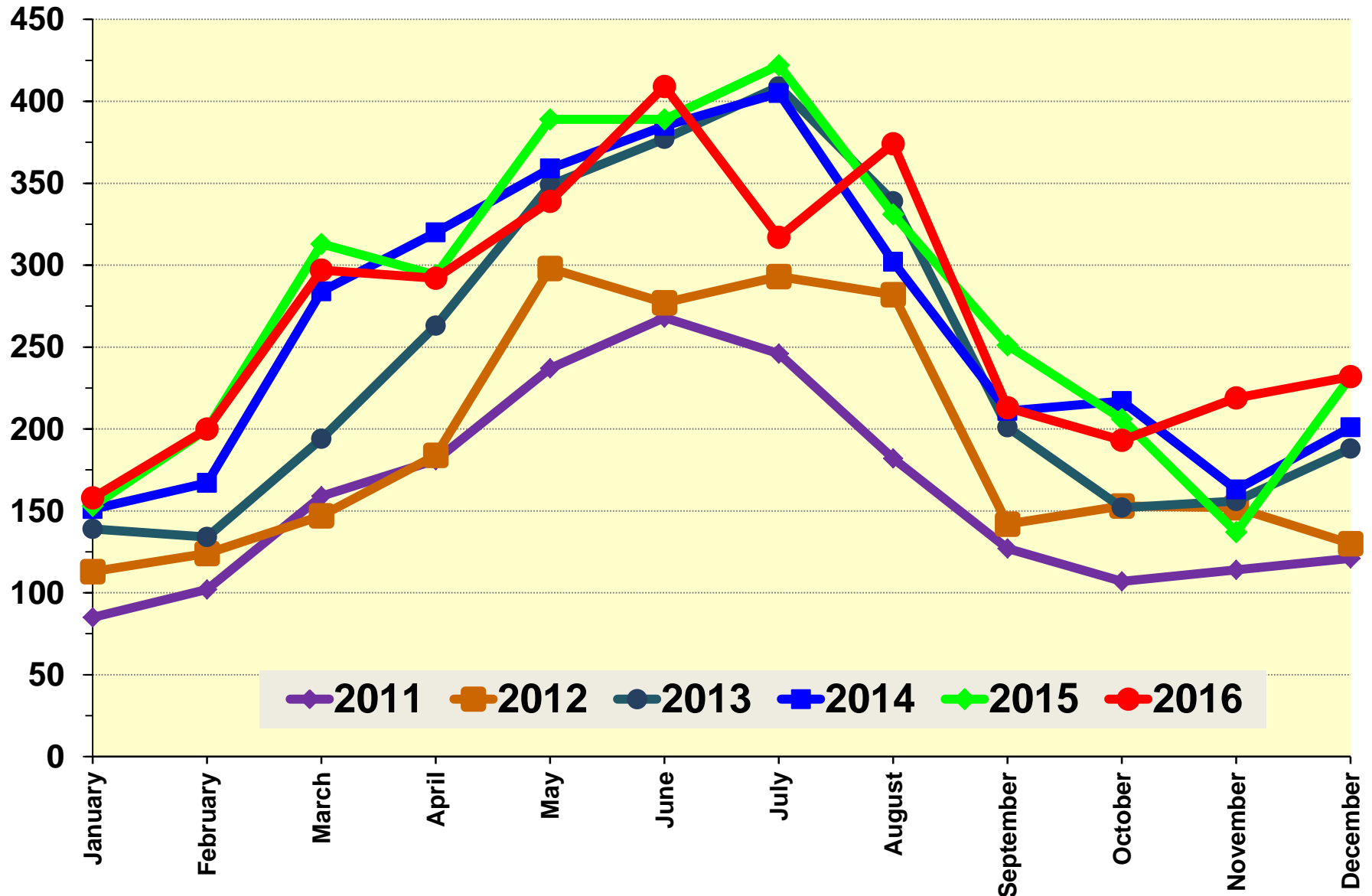
# CS-B MSA Annual Home Sales

CS-B MSA: Brazos, Burleson & Robertson Counties



Source: BCS Regional Association of REALTORS®; Real Estate Center at Texas A&M University

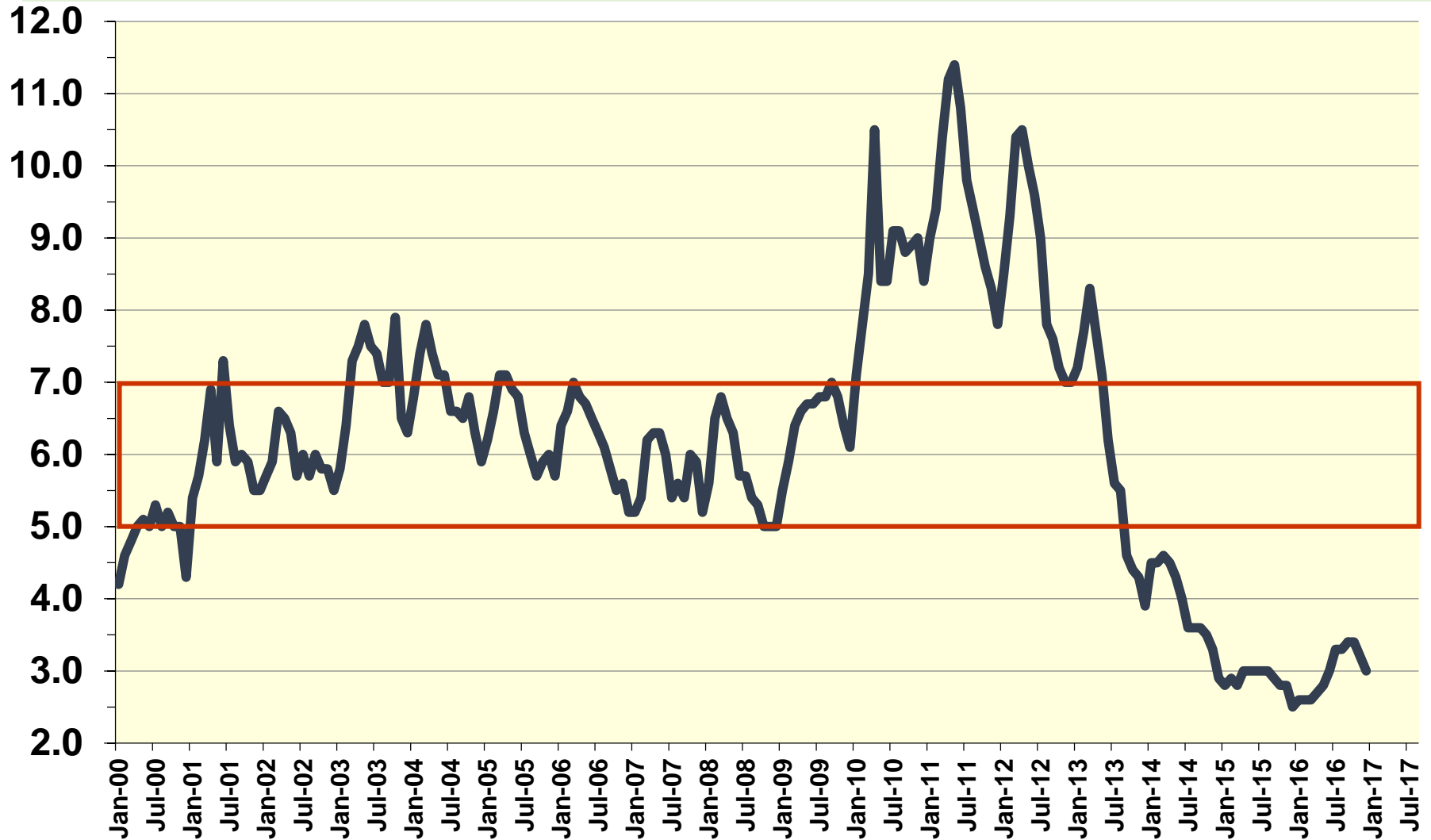
# CS-B Monthly Home Sales



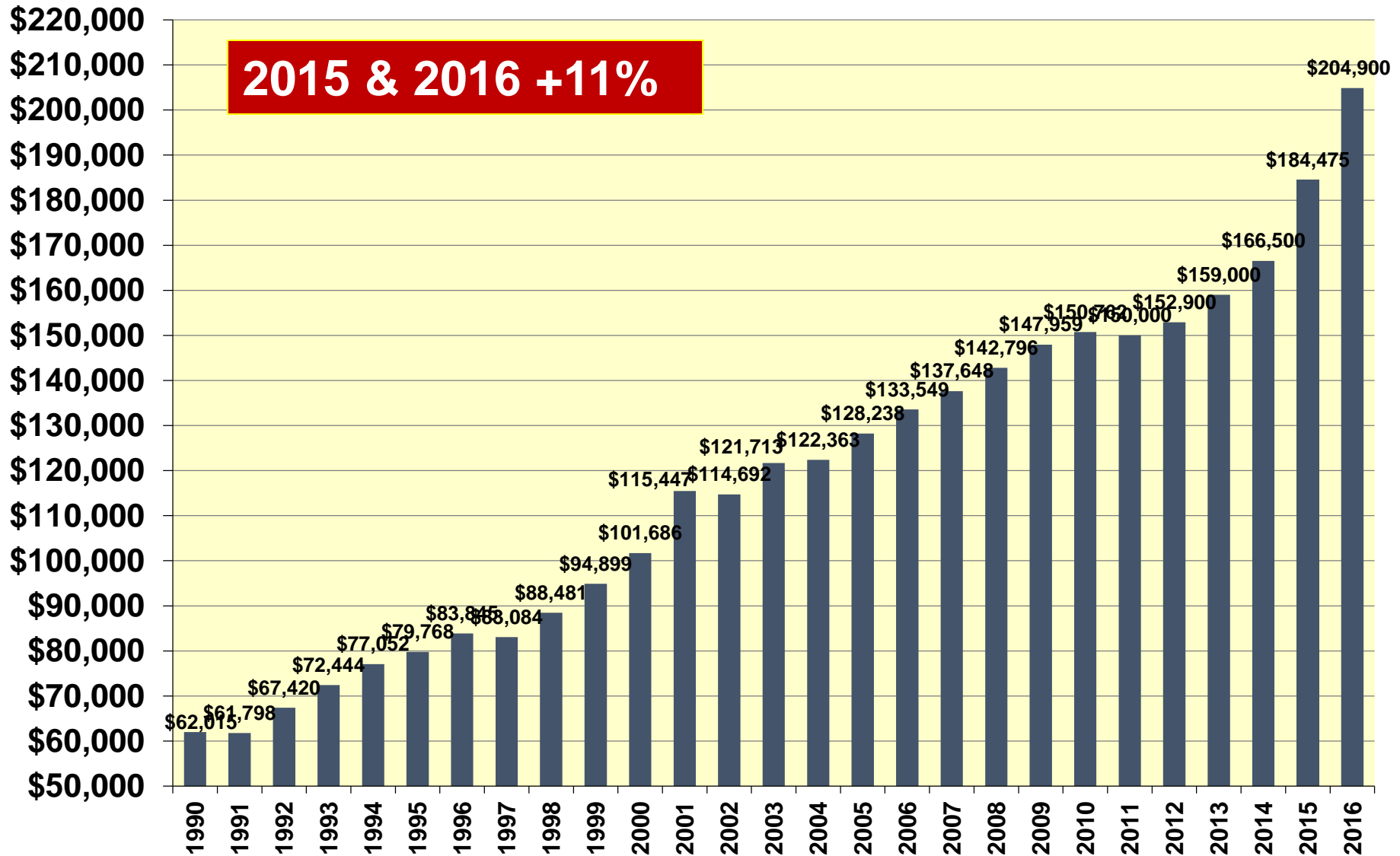
Source: BCS Regional Association of REALTORS®; Real Estate Center at Texas A&M University



# B-CS Months' Inventory

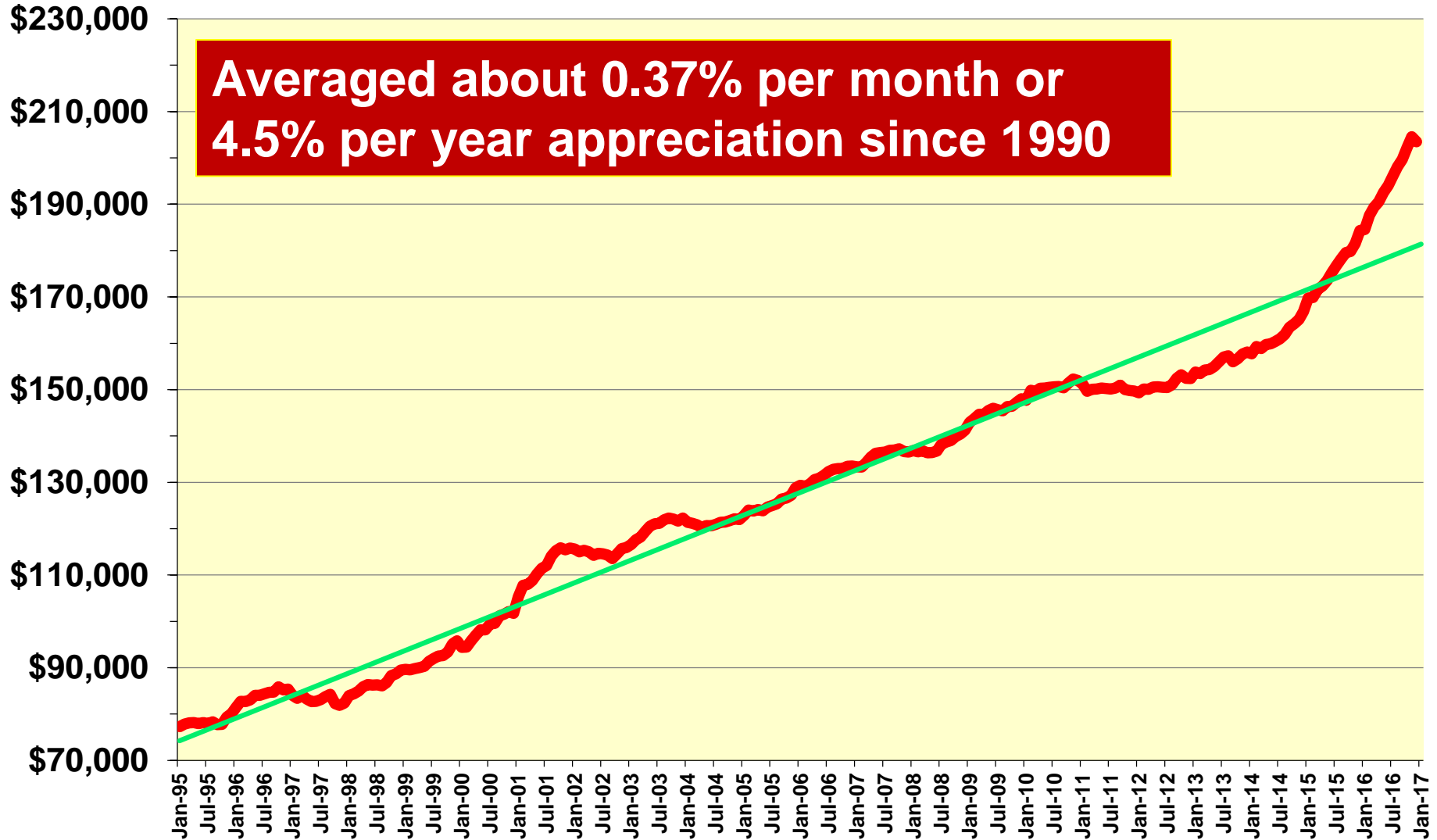


# B-CS Median Home Prices



# CS-B Monthly Median Home Price

12-Month Moving Average



# CS-B Sales by Price Distribution

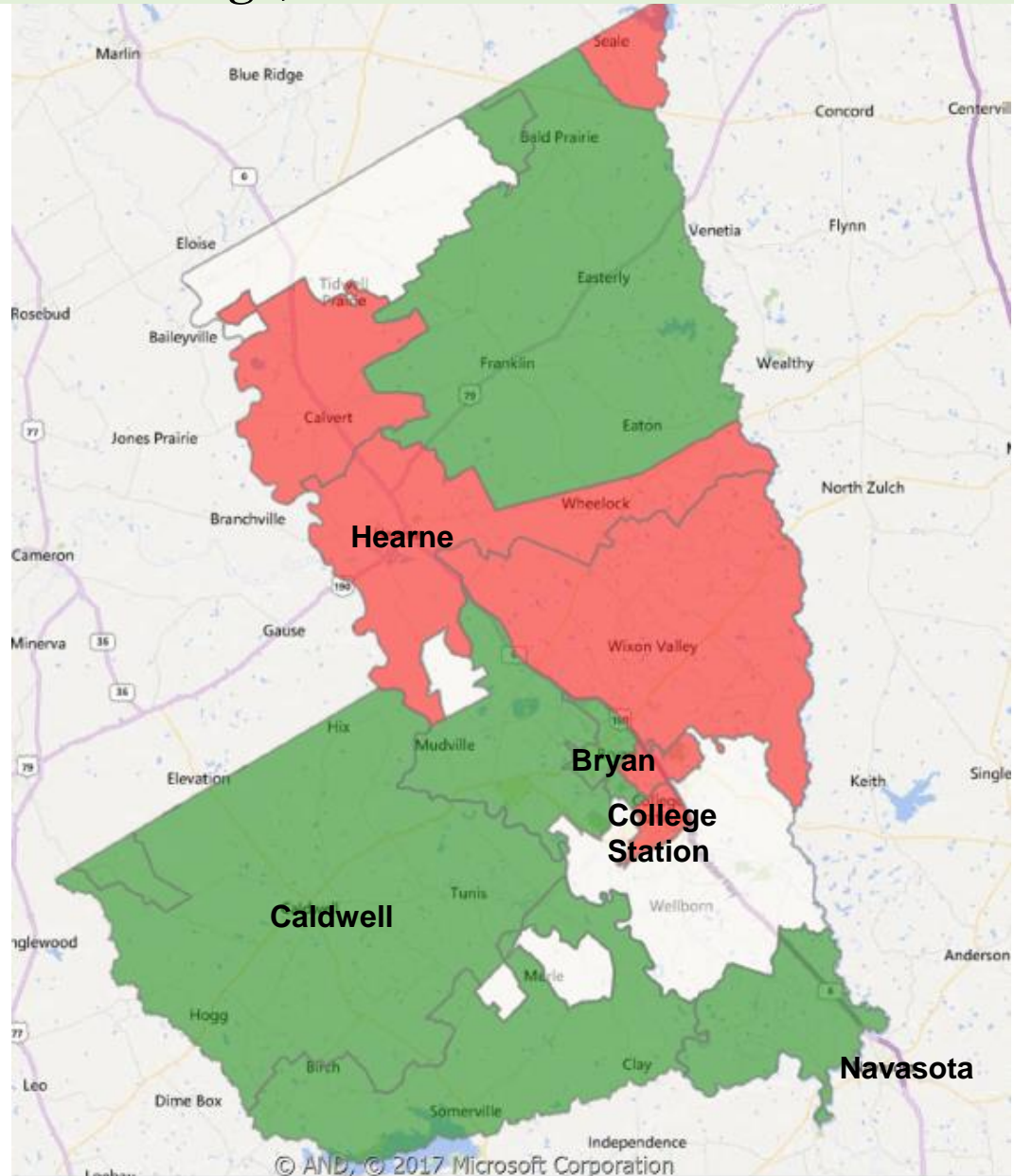
Price Range	Percent Distribution					
	2011	2012	2013	2014	2015	2016
\$0 - \$69,999	8.3	7.9	6.4	5.4	5.4	4.3
\$70,000 - \$99,999	8.6	8.4	6.7	6.7	6.0	4.6
\$100,000 - \$149,999	33.0	31.2	28.4	24.3	16.1	12.4
\$150,000 - \$199,999	27.4	28.3	32.5	31.5	31.0	26.9
\$200,000 - \$249,999	10.0	9.8	10.0	12.2	16.8	22.9
\$250,000 - \$299,999	4.6	5.4	5.5	6.5	10.5	10.2
\$300,000 - \$399,999	4.4	5.0	5.2	6.8	7.4	11.0
\$400,000 - \$499,999	1.9	2.0	2.6	3.6	3.3	3.3
\$500,000 - \$749,999	1.7	1.8	2.3	2.5	2.7	3.8
\$750,000 - \$999,999	0.3	0.1	0.2	0.3	0.6	0.5
\$1,000,000 +	0.1	0.1	0.1	0.1	0.2	0.2

Source: BCS Regional Association of REALTORS®; Real Estate Center at Texas A&M University

# Home Sales by Zip Code, CS-B MSA

Y/Y % Change, December 2016

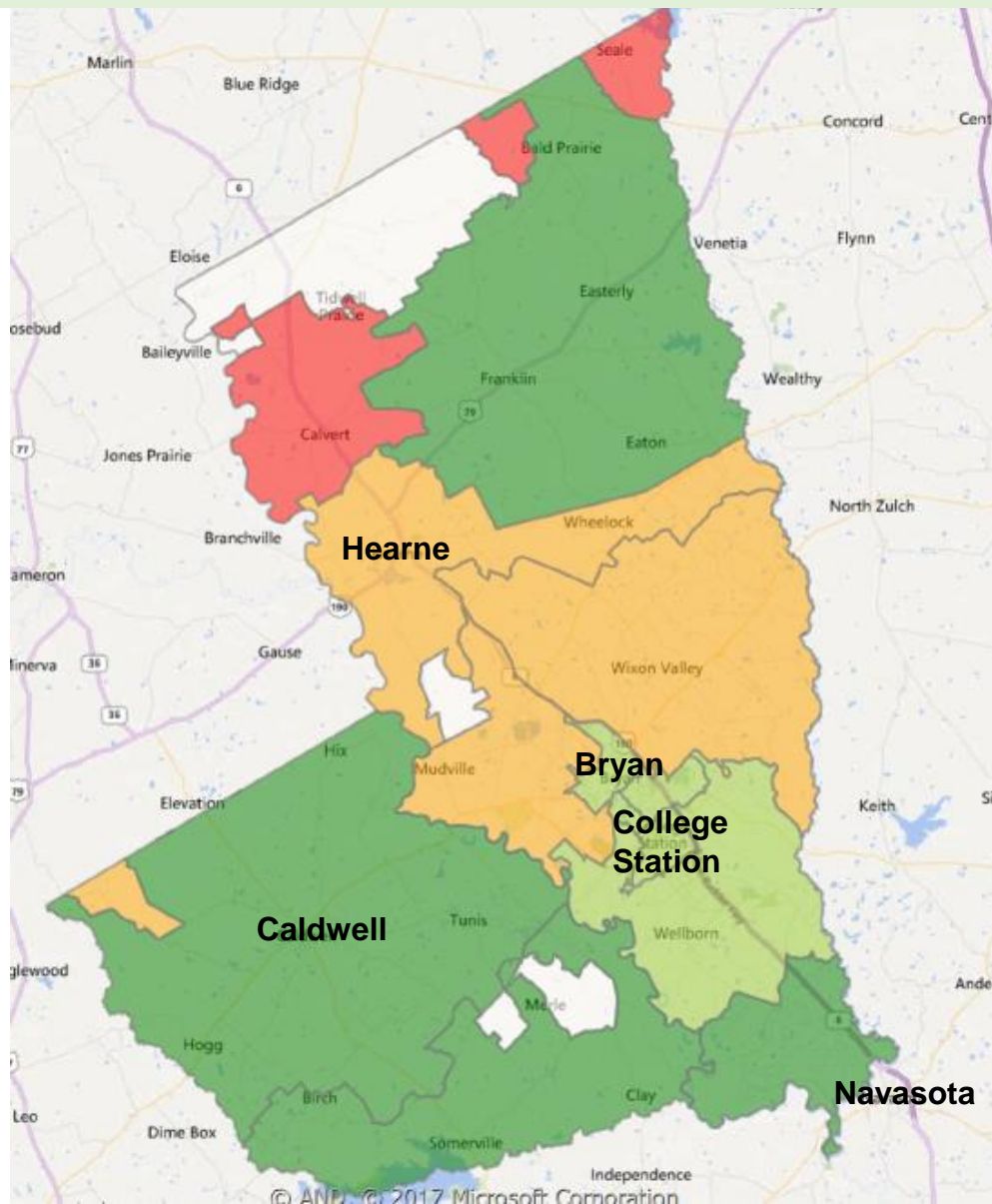
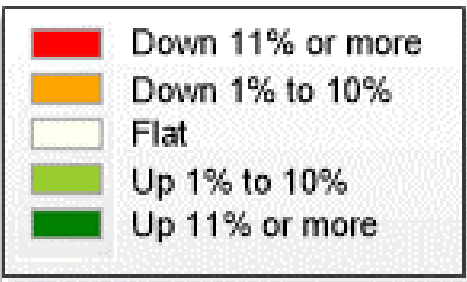
- Down 11% or more
- Down 1% to 10%
- Flat
- Up 1% to 10%
- Up 11% or more



Source: BCS Regional Association of REALTORS® Data Relevance Project; Real Estate Center at Texas A&M University

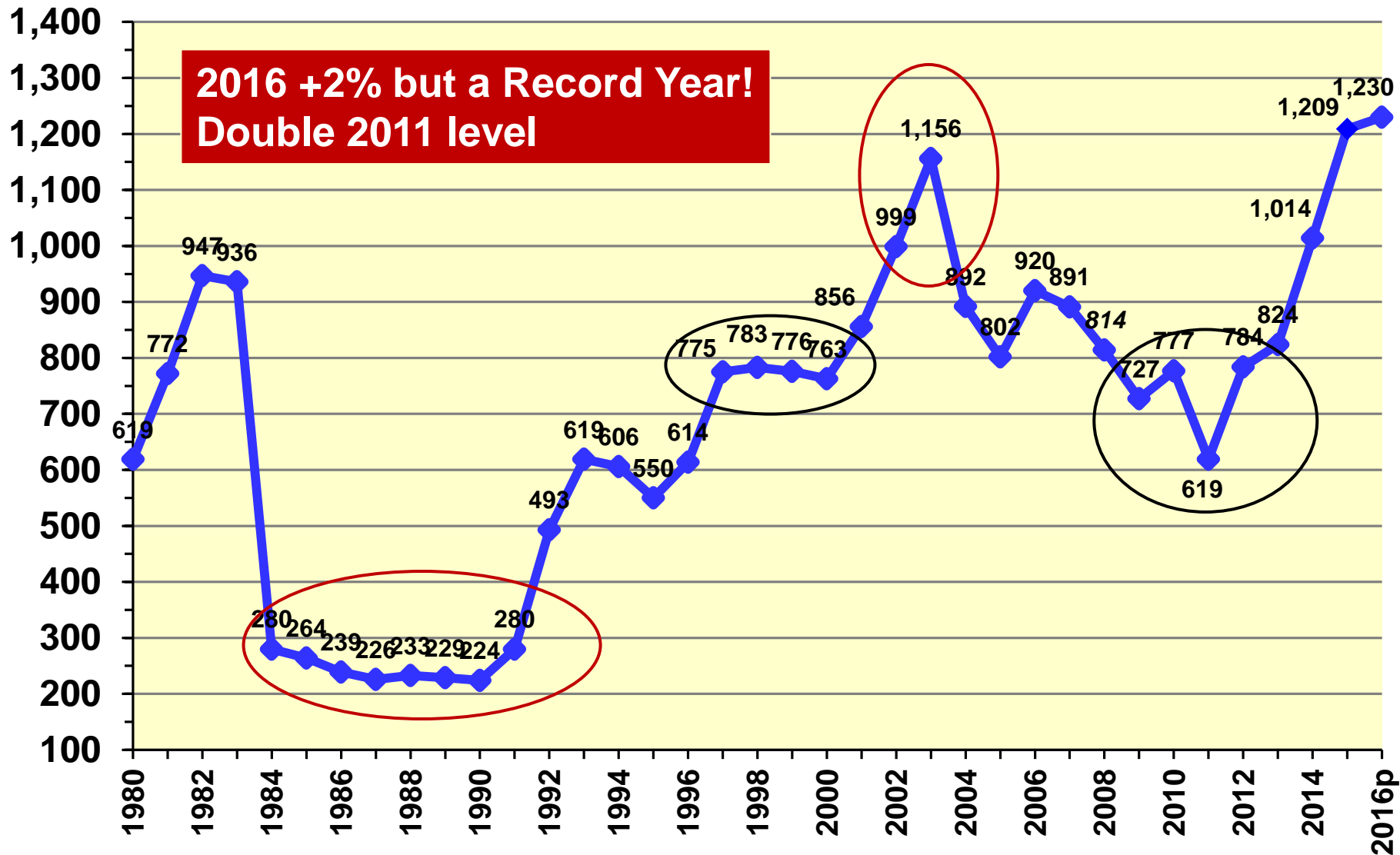
# Home Sales Price/Sq. Ft. CS-B MSA by Zip Code

Y/Y % Change December 2016



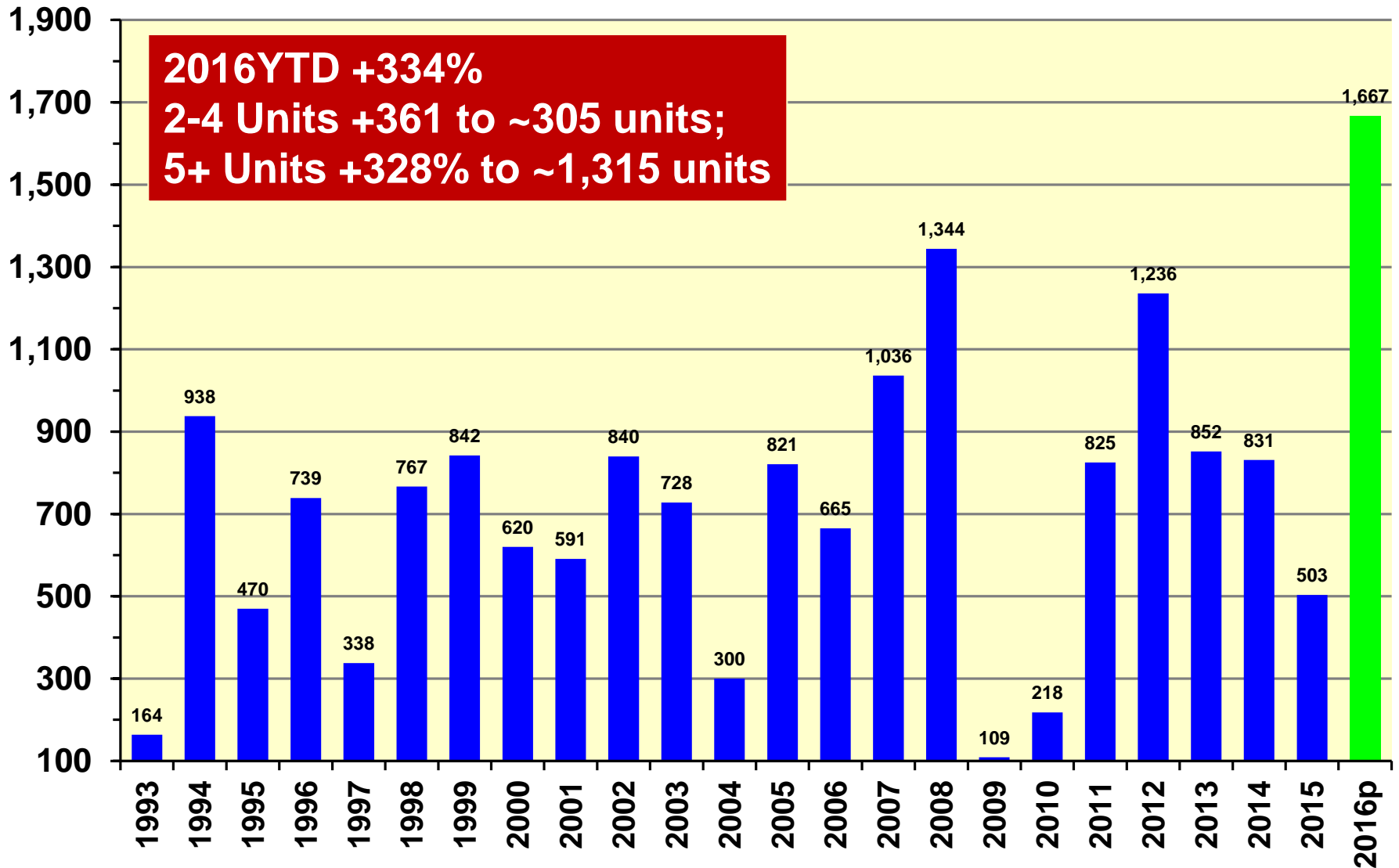
Source: BCS Regional Association of REALTORS® Data Relevance Project;  
Real Estate Center at Texas A&M University

# CS-B Single-Family Building Permits



Source: U.S. Census Bureau; Real Estate Center at Texas A&M

# B-CS Multi-Family Building Permits



Source: U.S. Census Bureau; Real Estate Center at Texas A&M (2-4 units + 5+ units)

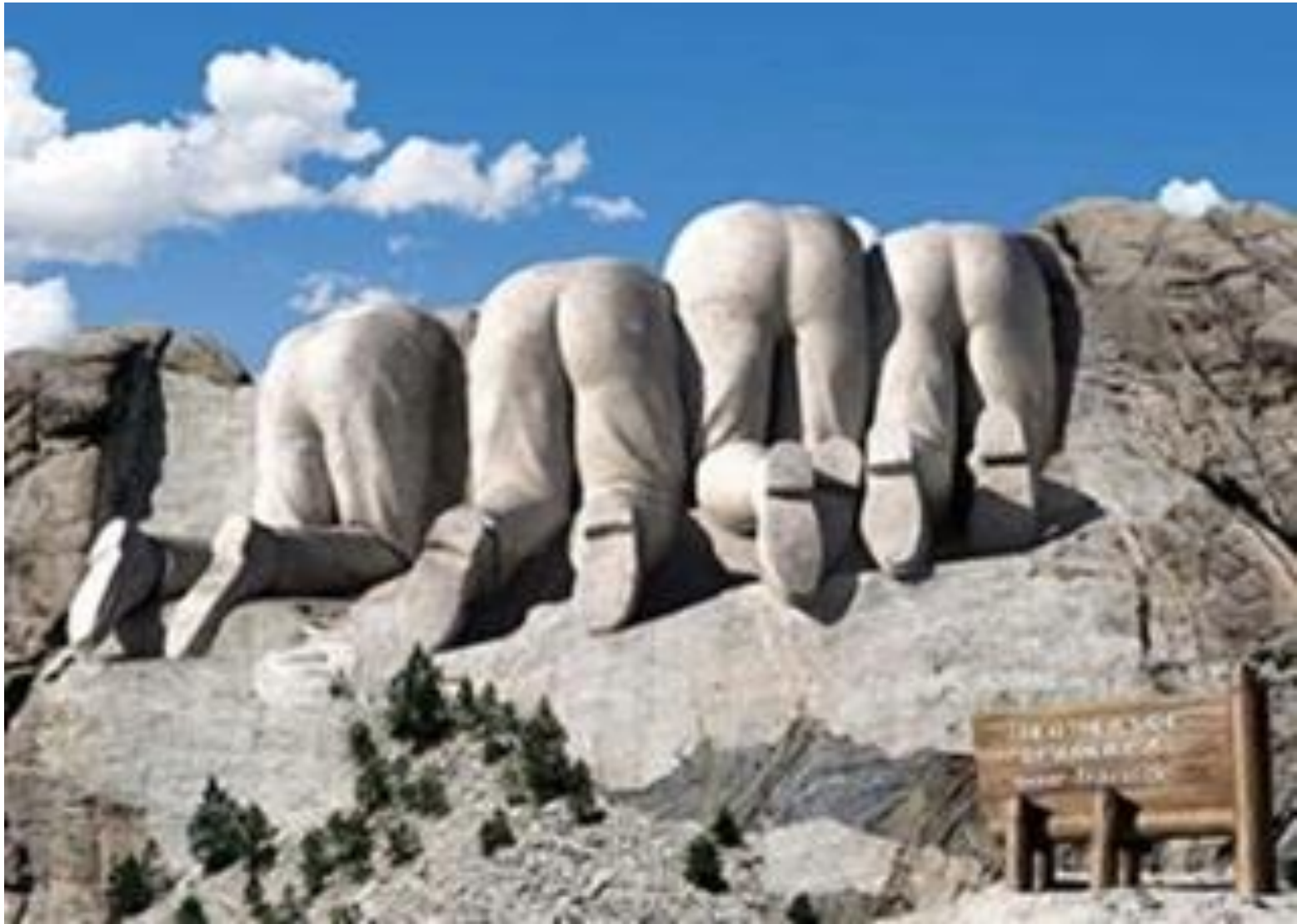


**Sometimes you have to look at things  
from different perspectives**

**Take, for example, Mount Rushmore ...**



... and how Mount Rushmore looks from the other side





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