NAPMW National Association of Professional Mortgage Women

Austin Local Chapter

Economic and Housing Outlook for 2012

REAL ESTATE CENTER AT TEXAS A&M UNIVERSITY

Helping Texans make better real estate decisions.

NAPMW National Association of Professional Mortgage Women Austin

recenter.tamu.edu

Dr. James P. Gaines
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Area Market Reports

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Tierra Grande

Economic Review

Videos, Audios & Presentations

Data, Data & More Data

Bentley's First Law of Economics: “The only thing more dangerous than an economist is an amateur economist!”

Bentley's Second Law of Economics : "The only thing more dangerous than an amateur economist is a professional economist."

Remember:
Amateurs built the Ark

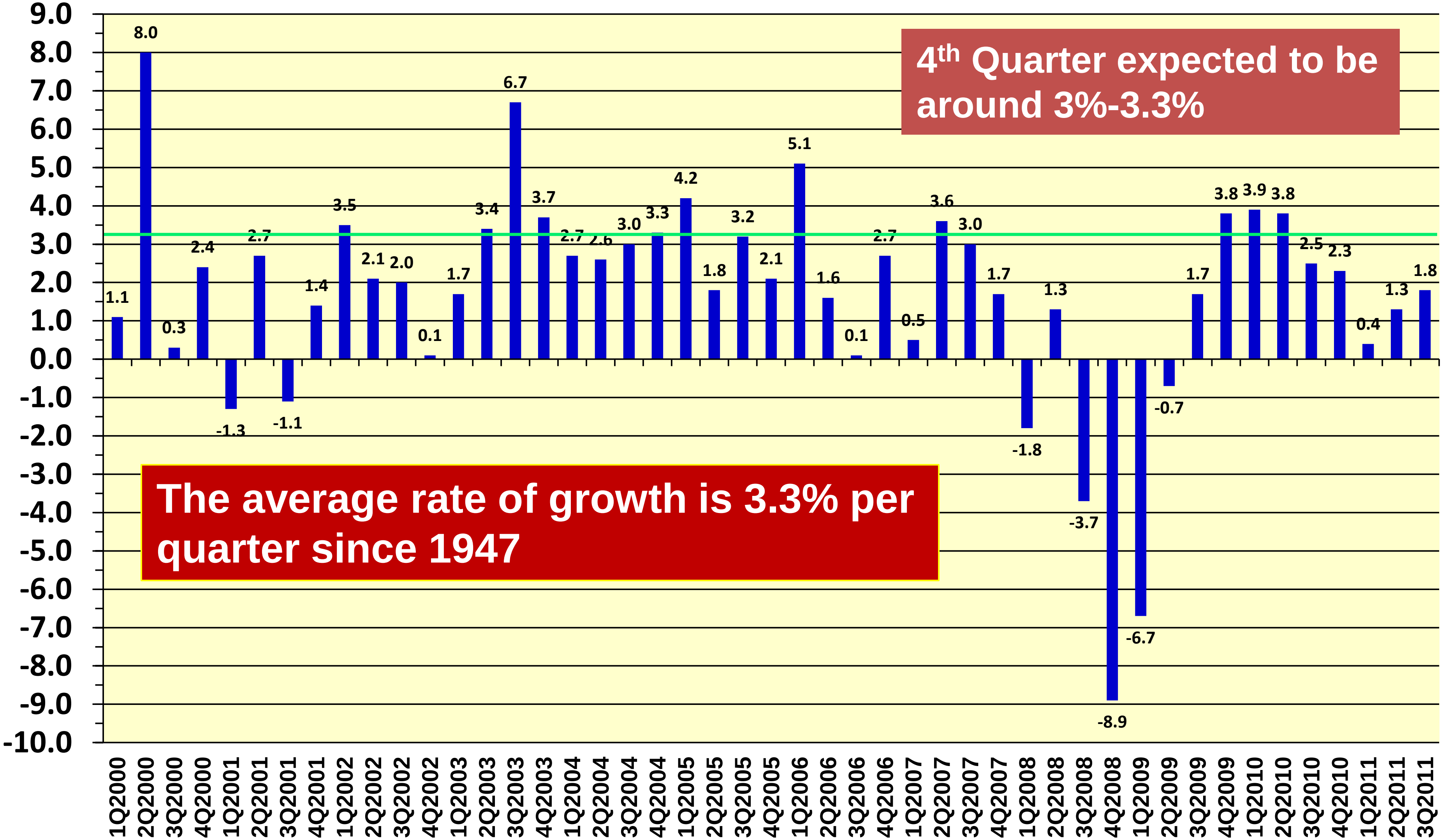
Professionals built the Titanic

Economy is Trying to Recover, but Slow Going

- Great Recession Officially Declared Over
- Employment – Texas twice rate of US growth
- Retail Sales and Consumption
- GDP
- Unsustainable Government deficits
- Corporate Earnings
- Housing

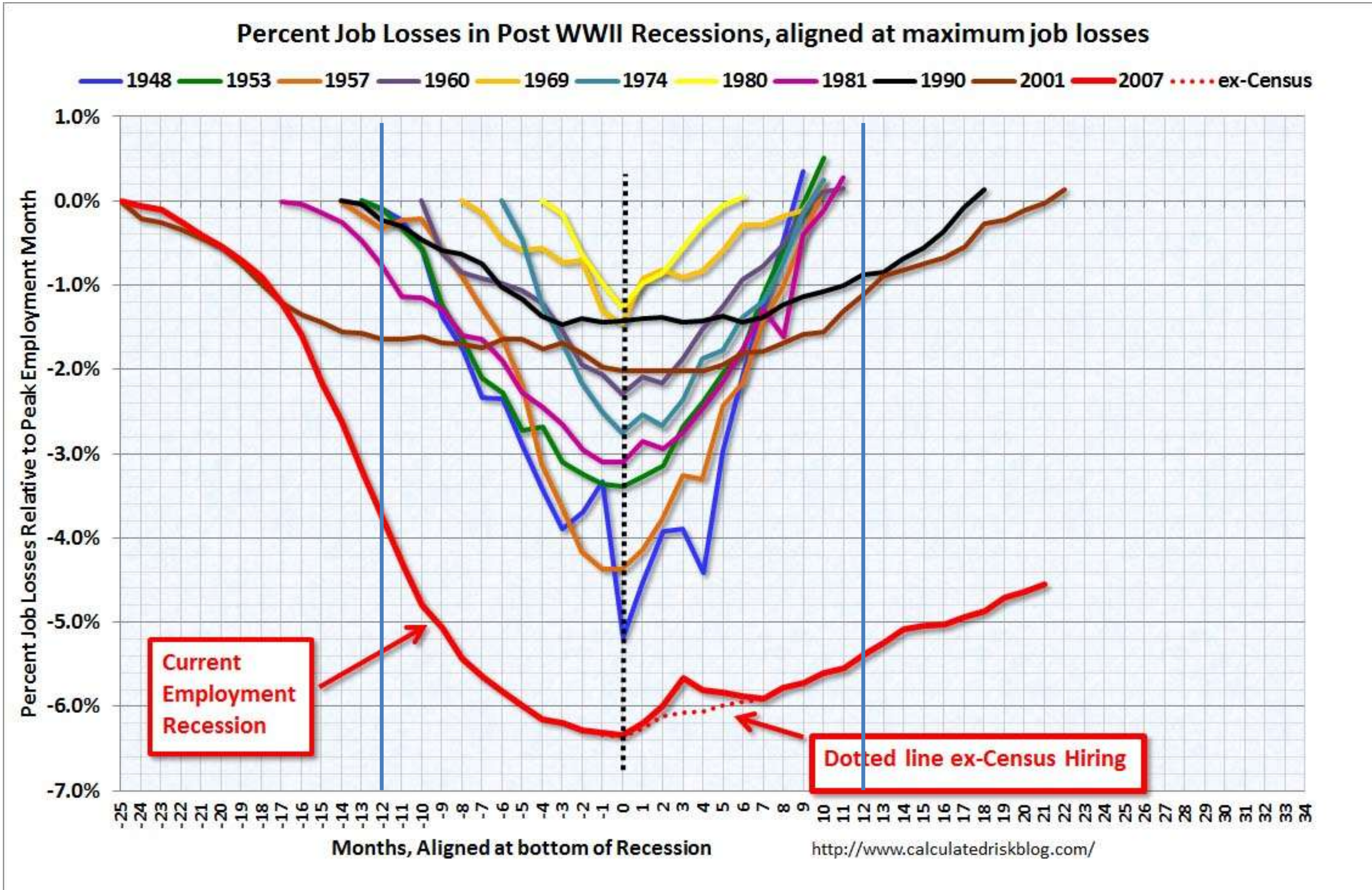
Projections for the next couple of years indicate substantive growth doesn't occur until 2013-14

Percent Growth in Real GDP



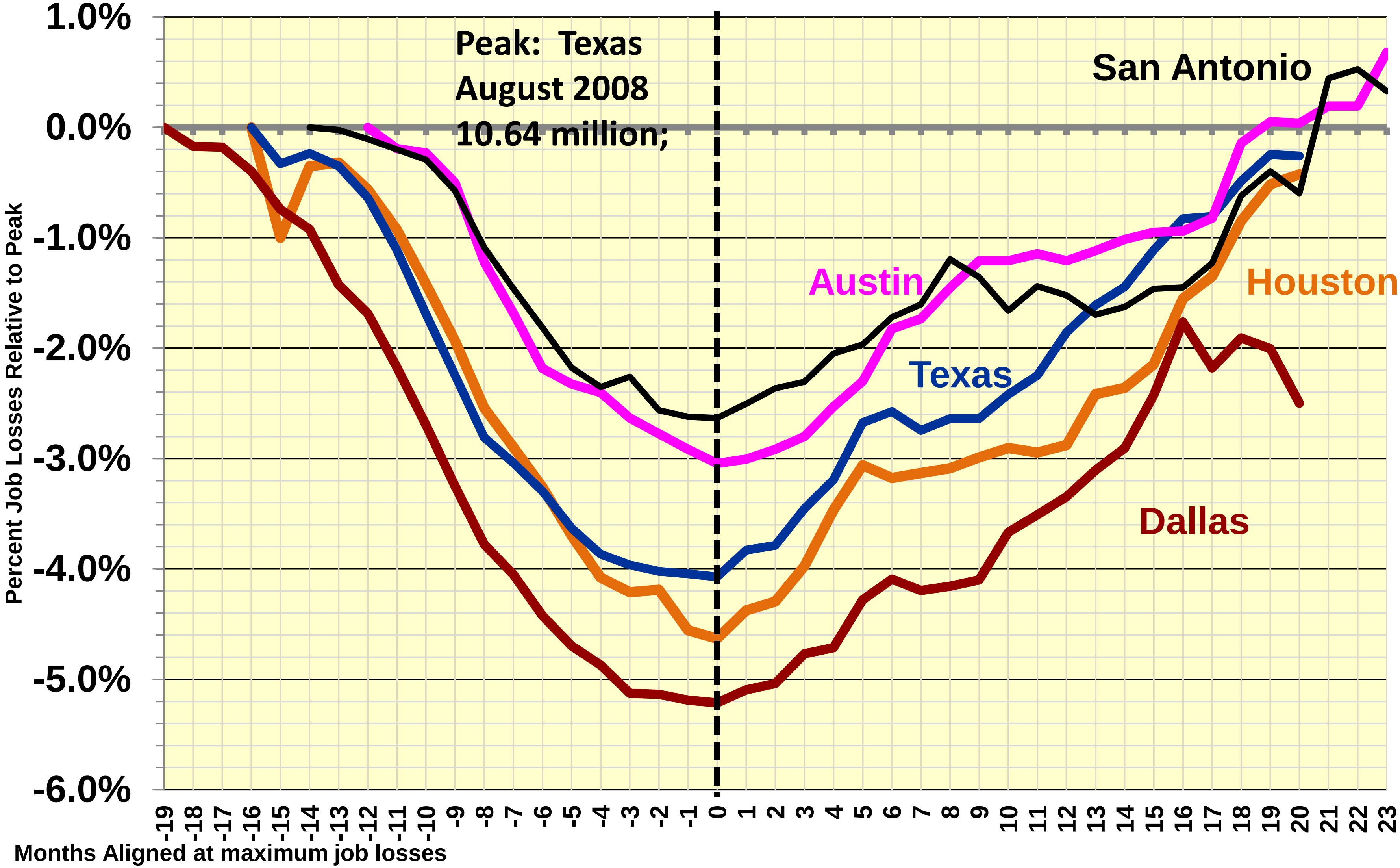
Source: Bureau of Economic Analysis

Recovery May Take a While



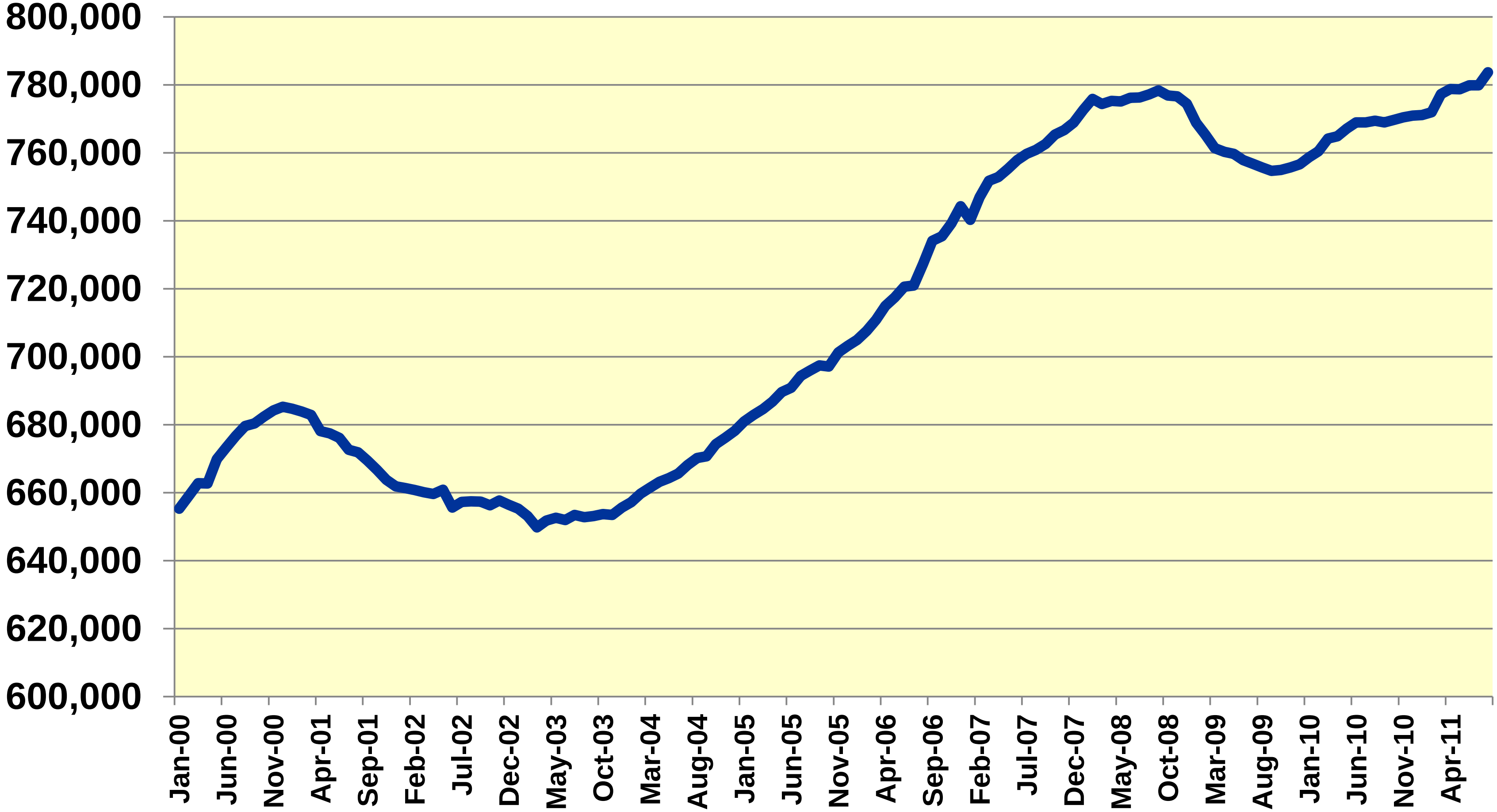
Texas, Dallas, Austin, San Antonio and Houston Employment Recovery

Percent Job Losses From Peak



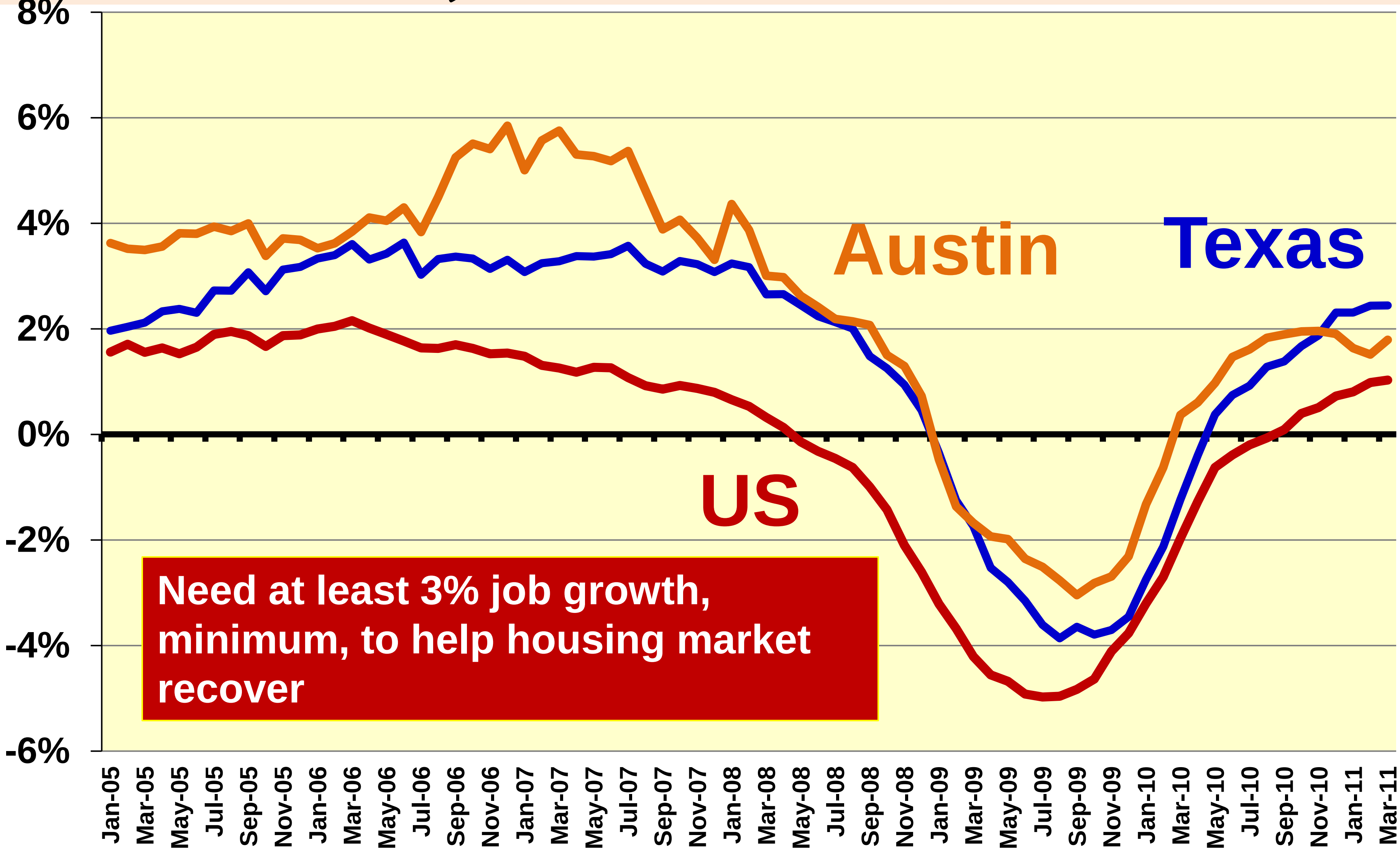
Source: Texas Workforce Commission; Real Estate Center at Texas A&M

Austin Jobs



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

Annual Employment Growth Rates for US, Texas and Austin



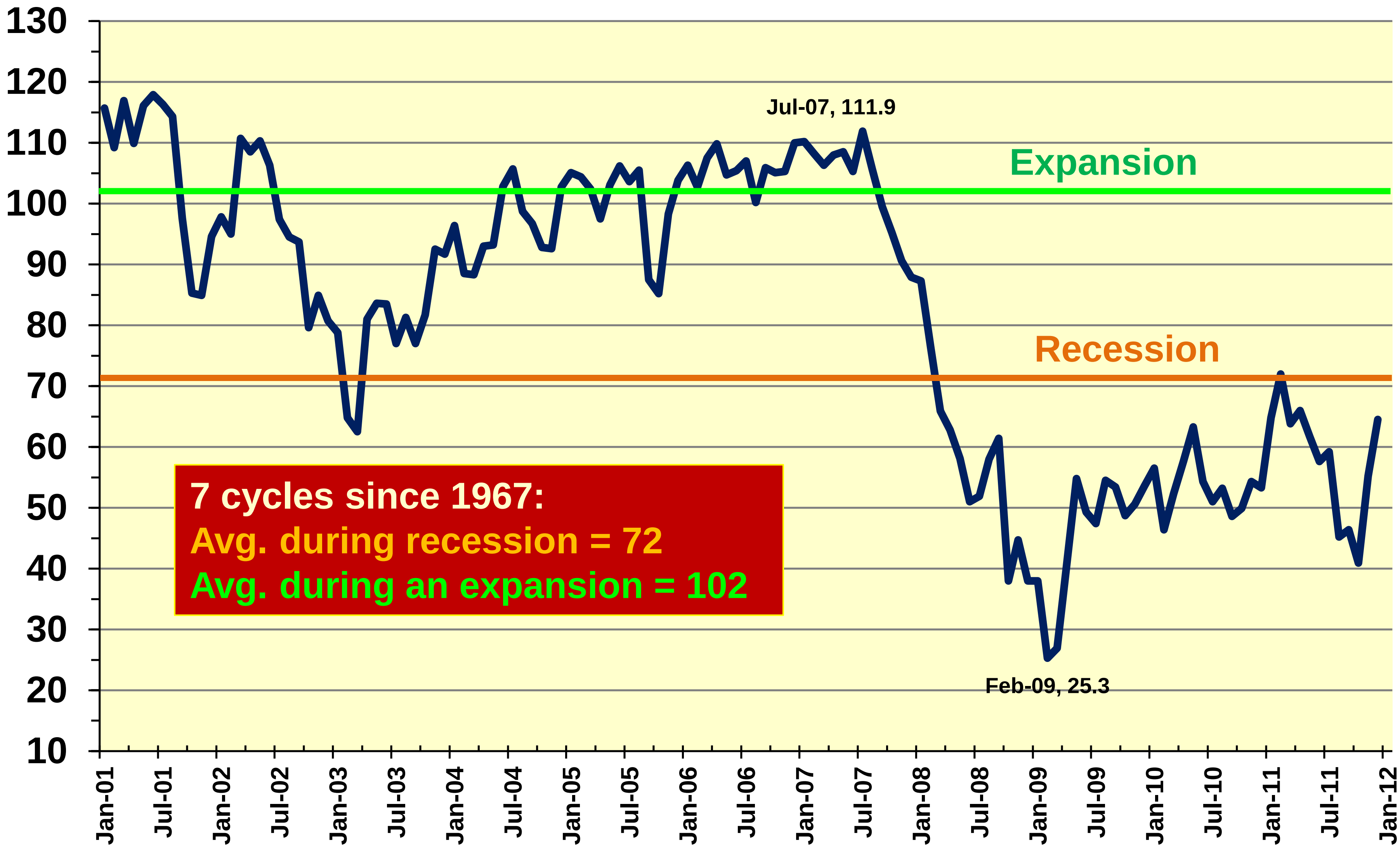
Source: BLS, Real Estate Center at Texas A&M University

Major Hurdles for 2011 and 2012

1. Tepid growth in private sector: jobs and spending
2. Government budget balancing – all levels
3. Credit contraction continues – business, consumer credit, mortgages
4. Flush banking system of bad loans and foreclosed properties
5. UNCERTAINTY & Lack of CONFIDENCE

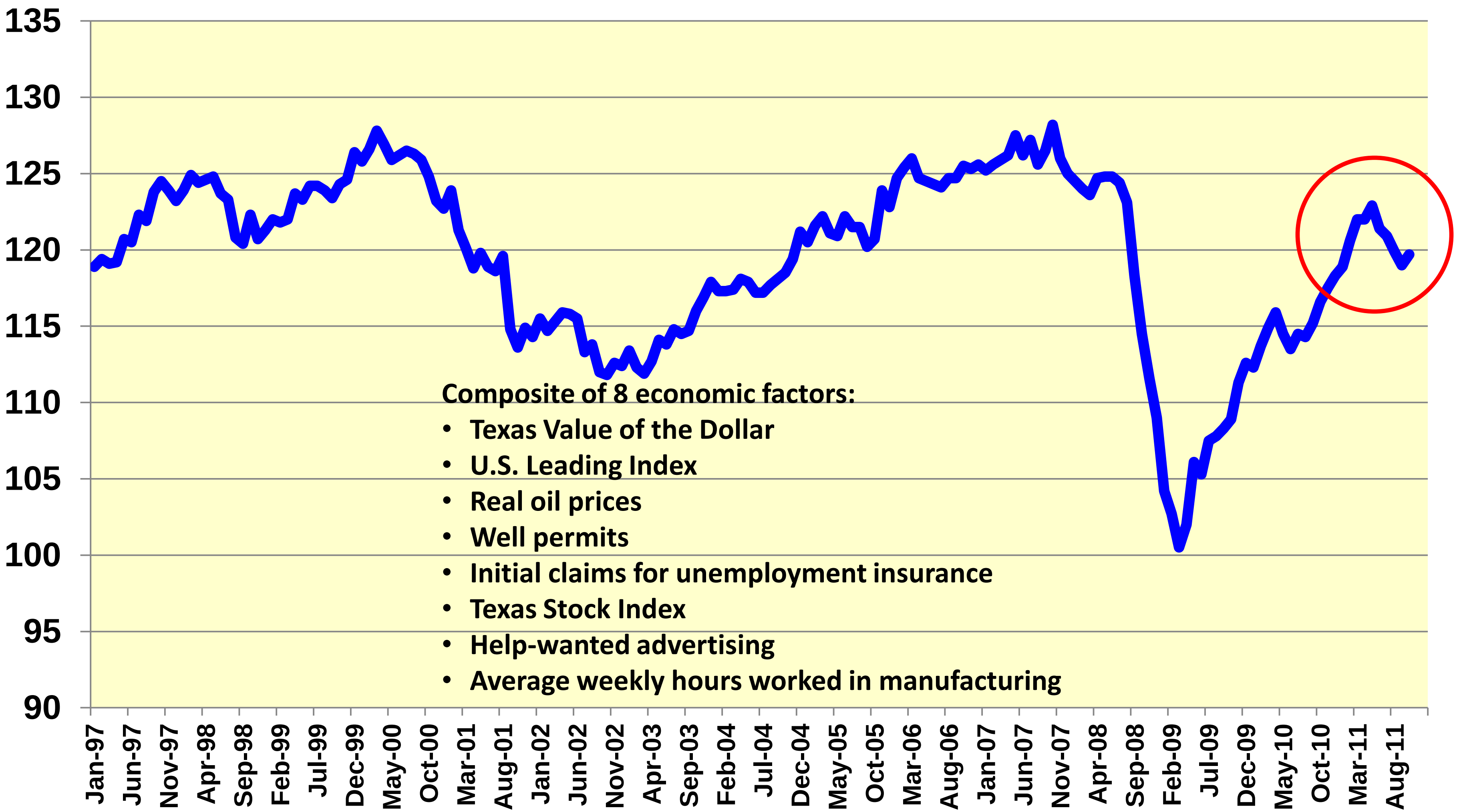
The Law of Unintended Consequences

Consumer Confidence Index



Source: The Conference Board (1985=100)

Texas Leading Economic Index



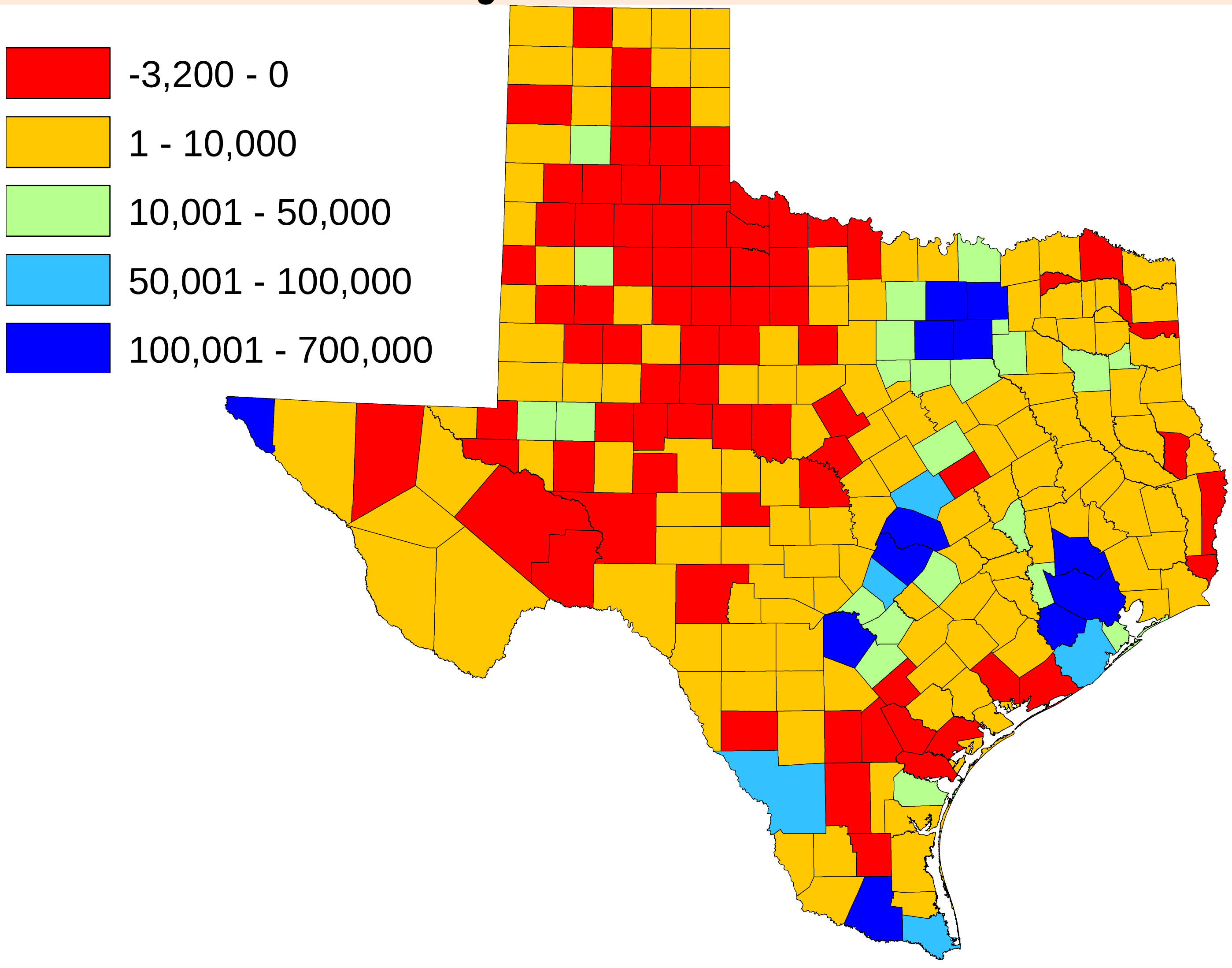
Source: Dallas Federal Reserve

Fastest Growing States, 2000-2010

	2000 Population*	2010 Population	Numerical Change 2000-2010	Percent Change 2000-2010
United States	281,424,602	308,745,538	27,323,632	9.7%
Texas	20,851,820	25,145,561	4,293,741	20.6%
California	33,871,648	37,253,956	3,382,308	10.0%
Florida	15,982,378	18,801,310	2,818,932	17.6%
Georgia	8,186,453	9,687,653	1,501,200	18.3%
North Carolina	8,049,313	9,535,483	1,486,170	18.5%
Arizona	5,130,632	6,392,017	1,261,385	24.6%
Virginia	7,078,515	8,001,024	922,509	13.0%
Washington	5,894,121	6,724,540	830,419	14.1%
Colorado	4,301,261	5,029,196	727,935	16.9%
Nevada	1,998,257	2,700,551	702,294	35.1%
Tennessee	5,689,283	6,346,105	656,822	11.5%

Source: 2010 U.S. Census Bureau

Change in Total Population by County, 2000 to 2010



Source: Texas State Demographer's Office, U.S. Census Bureau 2000 and 2010 Census Counts

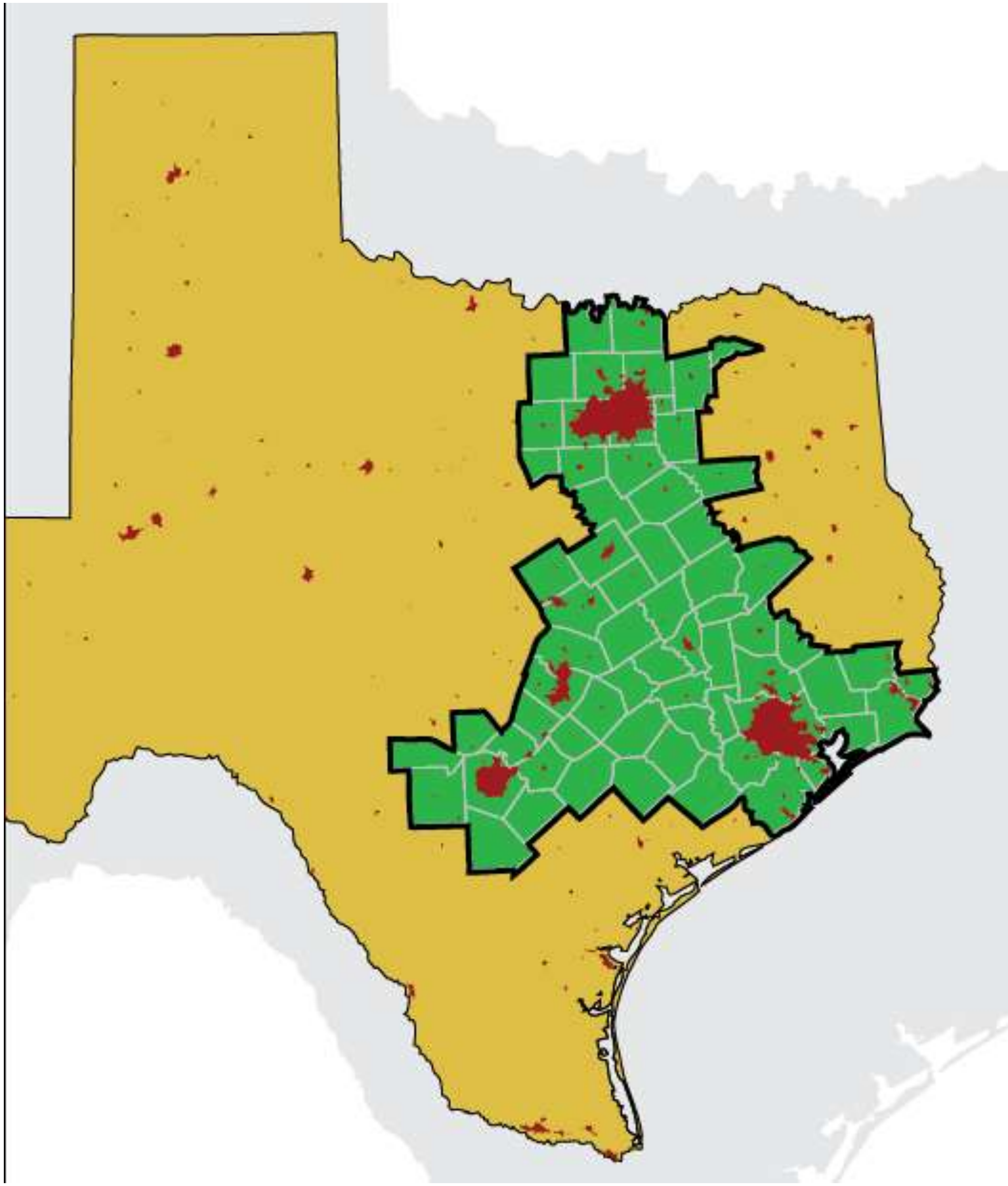
Texas Is An Urban State

MSA	2010 Population (millions)	Percent of Total State Population
Austin	1.72	6.8%
Dallas-Ft. Worth	6.37	25.3%
Houston	5.95	23.7%
San Antonio	2.14	8.5%
Total 4 MSAs	16.2	64.3%
Total All MSAs	21.7	86.5%
Texas	25.1	100.0%

Source: U.S. Census Bureau

Texas Urban Triangle

In 2007, 15.3 million people, about 90% of the total population in the area, lived in the four principal metro areas in the triangle



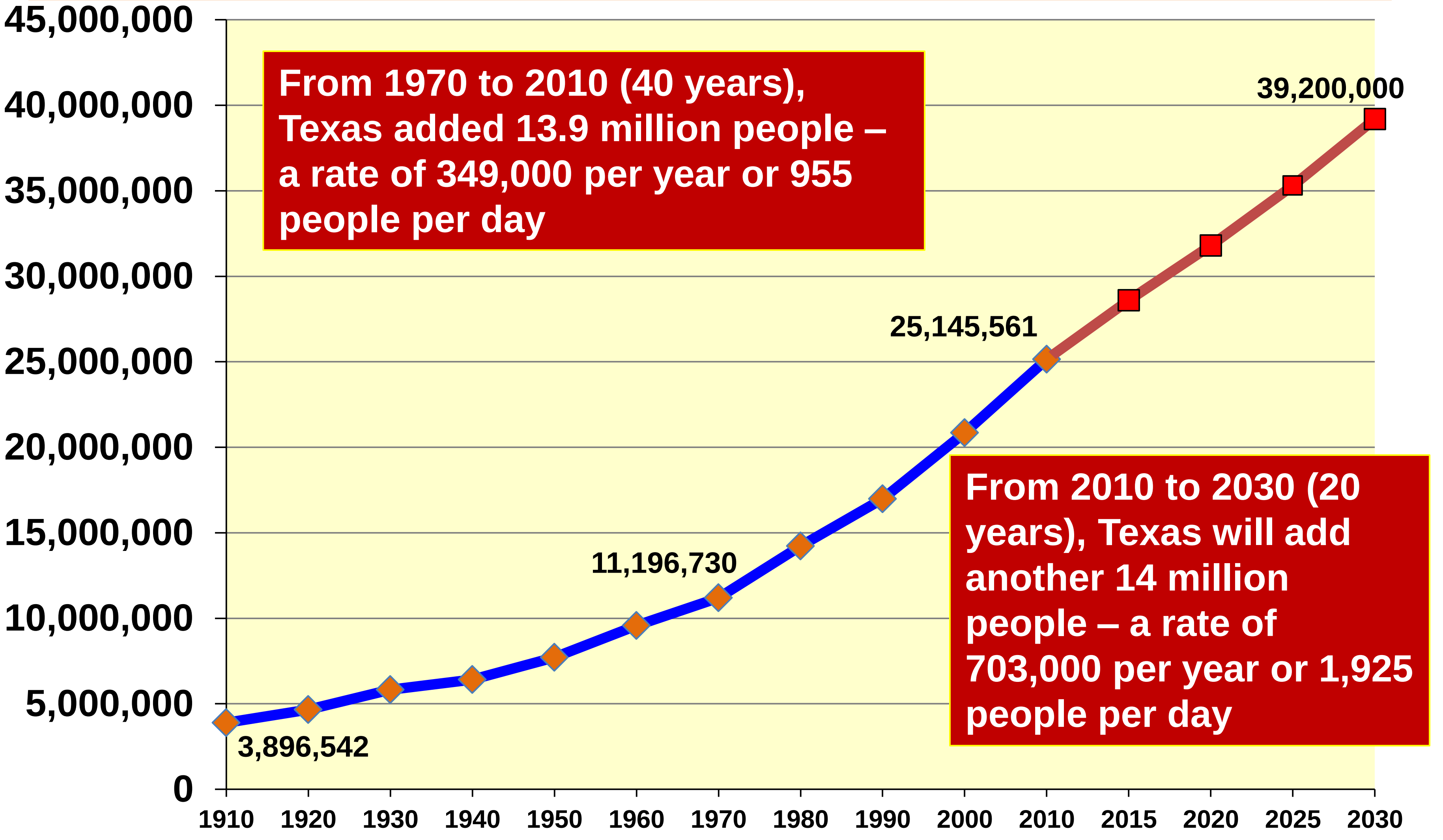
By 2040, 33.7 million people will live in the four principal metro areas in the triangle, a 120% increase

States with Largest Unauthorized Immigrant Populations, 2010

State	Estimate (thousands)	Range	Percent of 2010 Pop
California	2,550	(2,350 - 2,750)	6.8%
Texas	1,650	(1,450 - 1,850)	6.5%
Florida	825	(725 - 950)	4.4%
New York	625	(525 - 725)	3.2%
New Jersey	550	(425 - 650)	6.3%
Illinois	525	(425 - 625)	4.1%
Georgia	425	(300 - 550)	4.4%
Arizona	400	(275 - 500)	6.3%

Sources: Texas State Demographer's Office;
Pew Hispanic Center estimates based on residual methodology applied to March Supplements to the Current Population Survey (February 1, 2011)

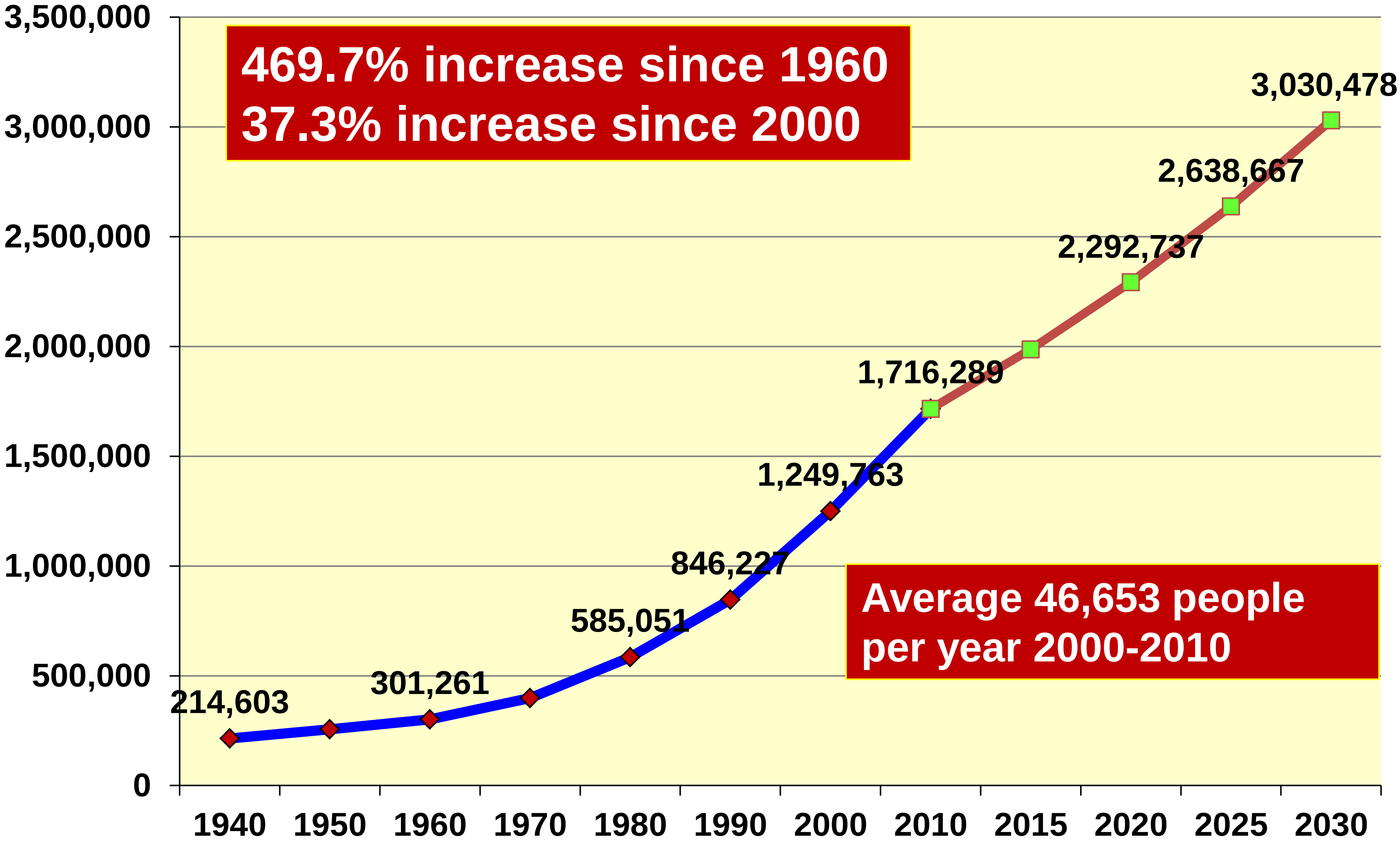
Texas Population 1910-2010



Sources: U.S. Census Bureau, Texas State Demographer 2008 Projections (average of 2000-2007 and 100% 1990-2000 immigration scenarios)

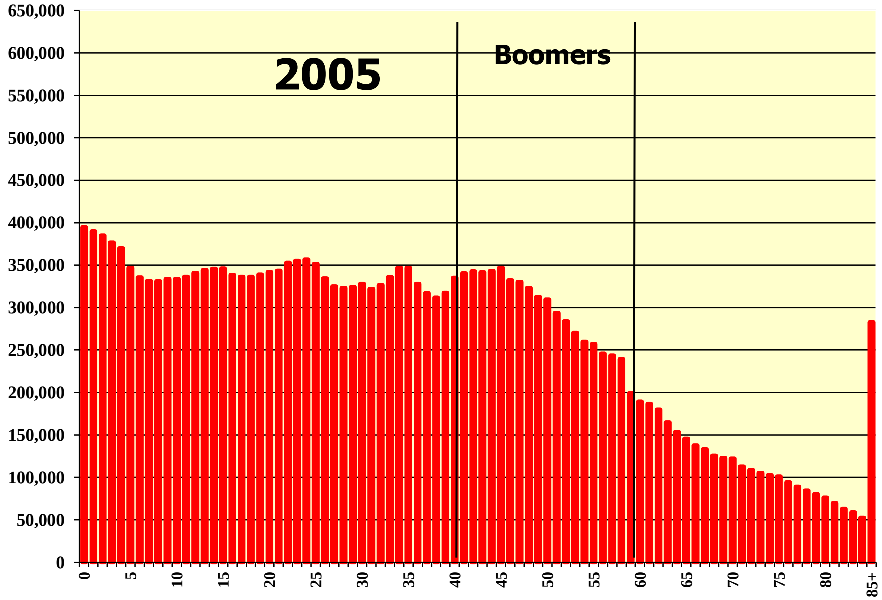
Austin MSA Population

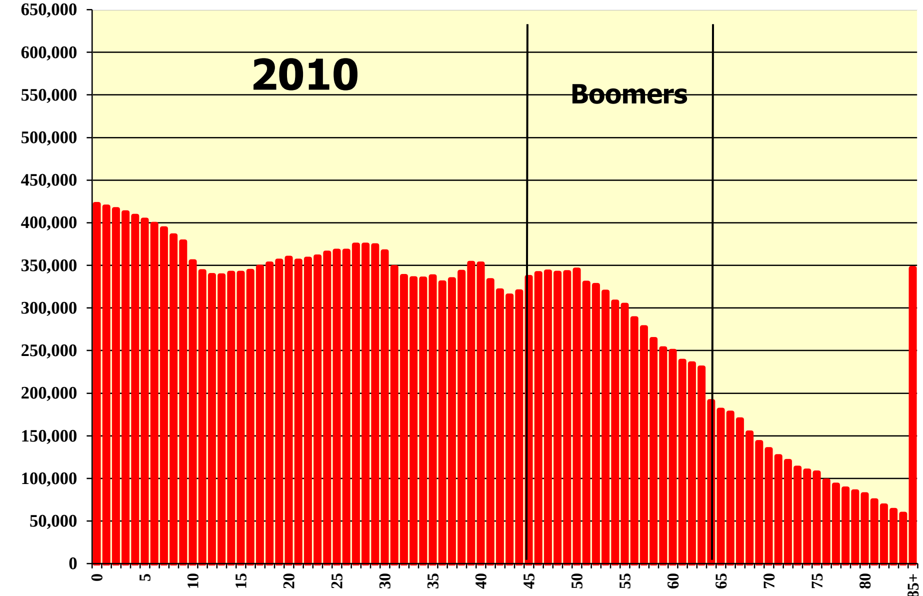
Bastrop, Caldwell, Hays, Travis & Williamson Counties

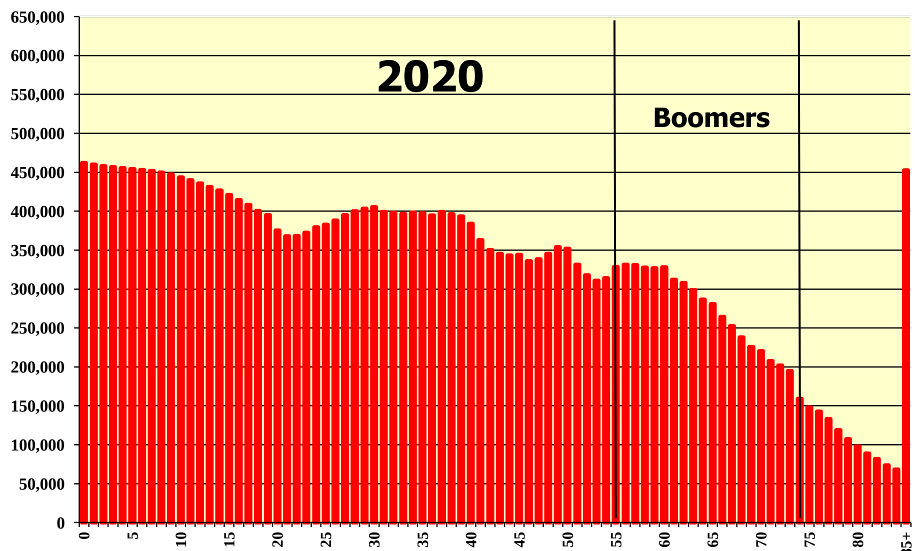


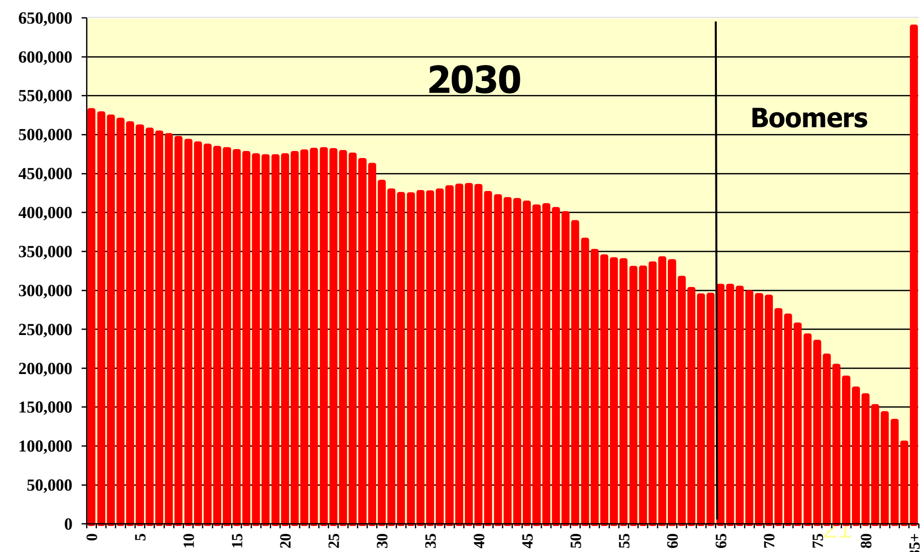
Source: U.S. Census Bureau; Texas State Demographer's Office 2000-2007 Projection

Texas Age Distribution 2005-2030

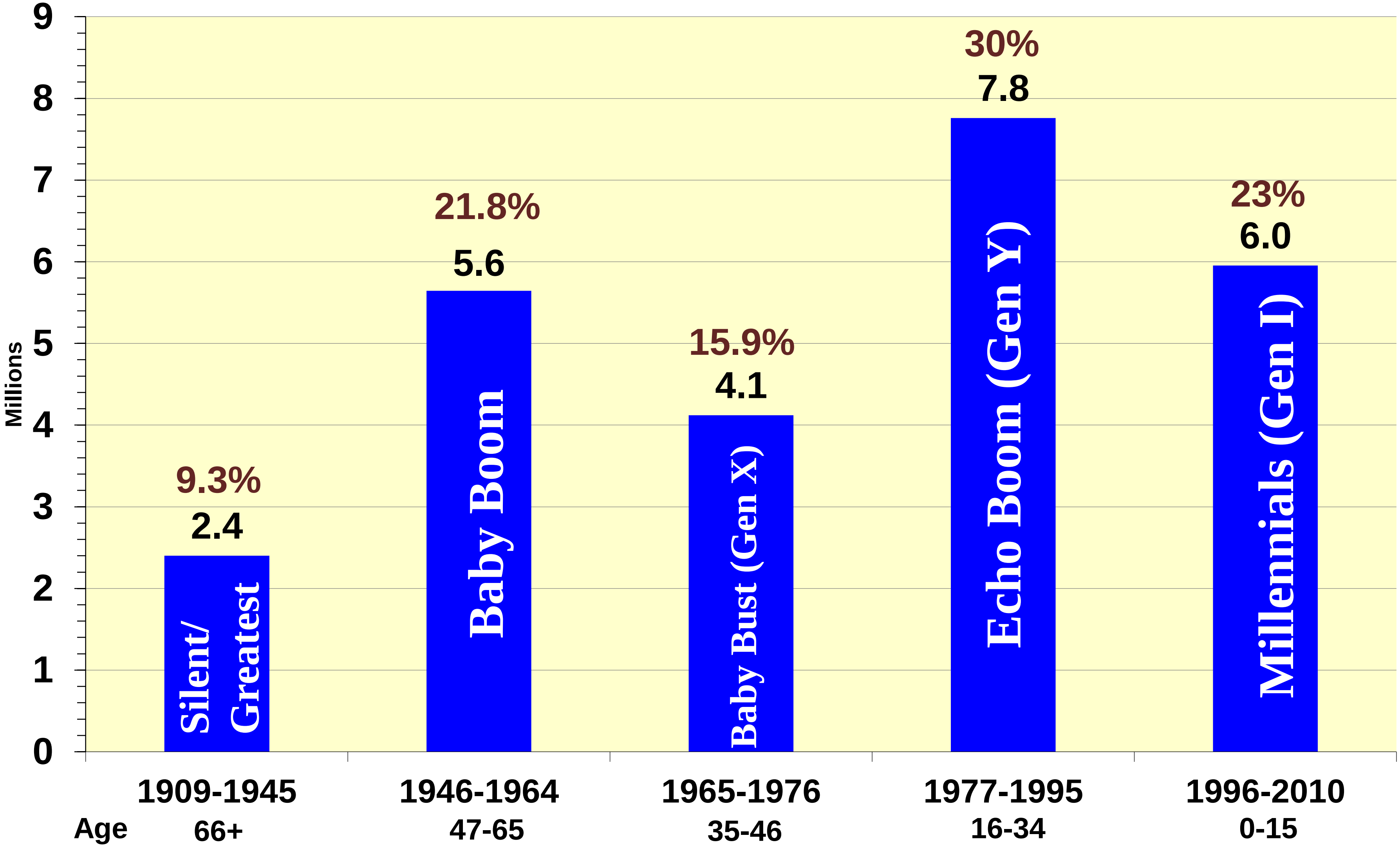






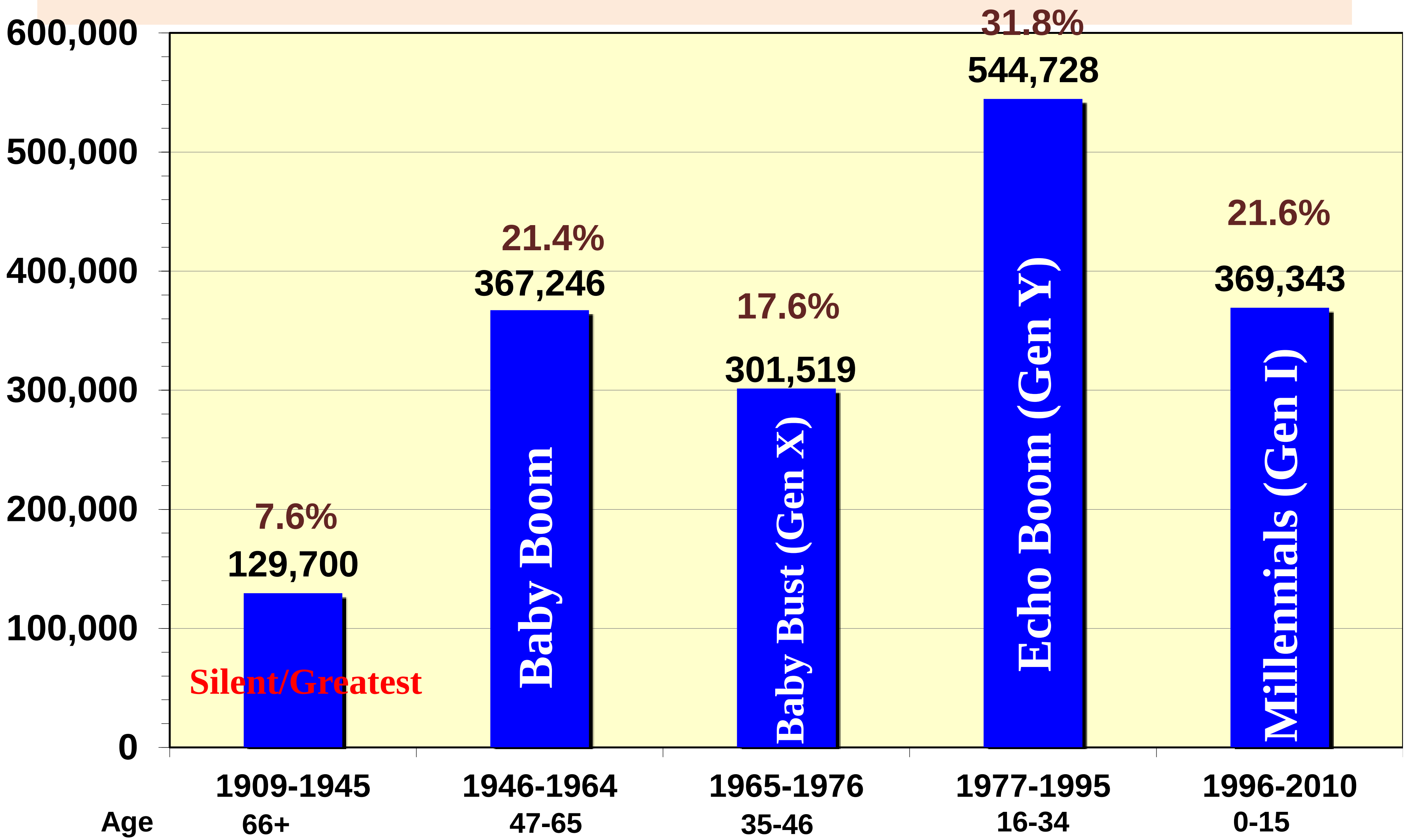


Texas Population Groups 2011



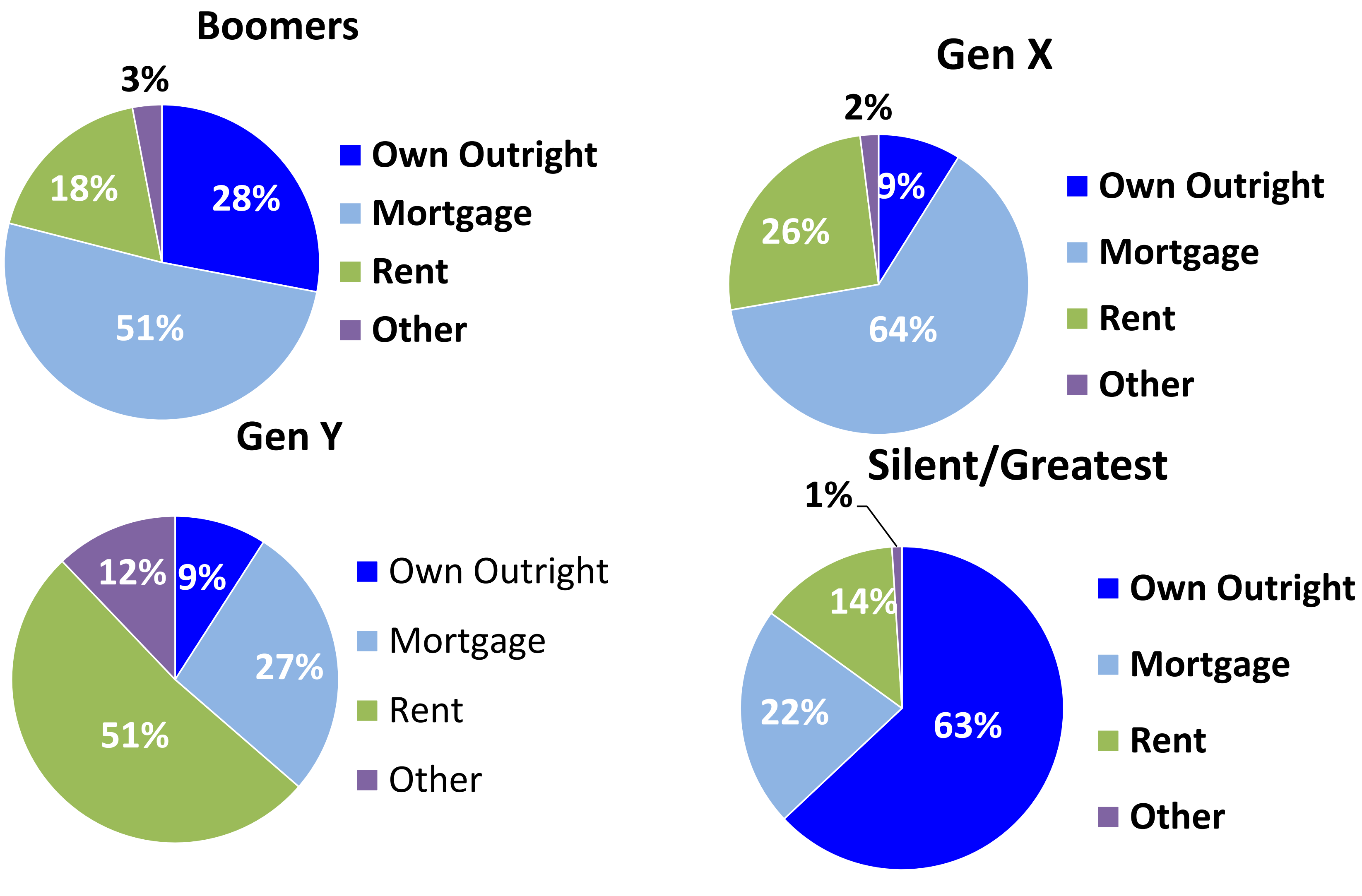
Source: U.S. Census Bureau; 2009 National Population Projections (Supplemental)

Austin Population Groups 2011



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

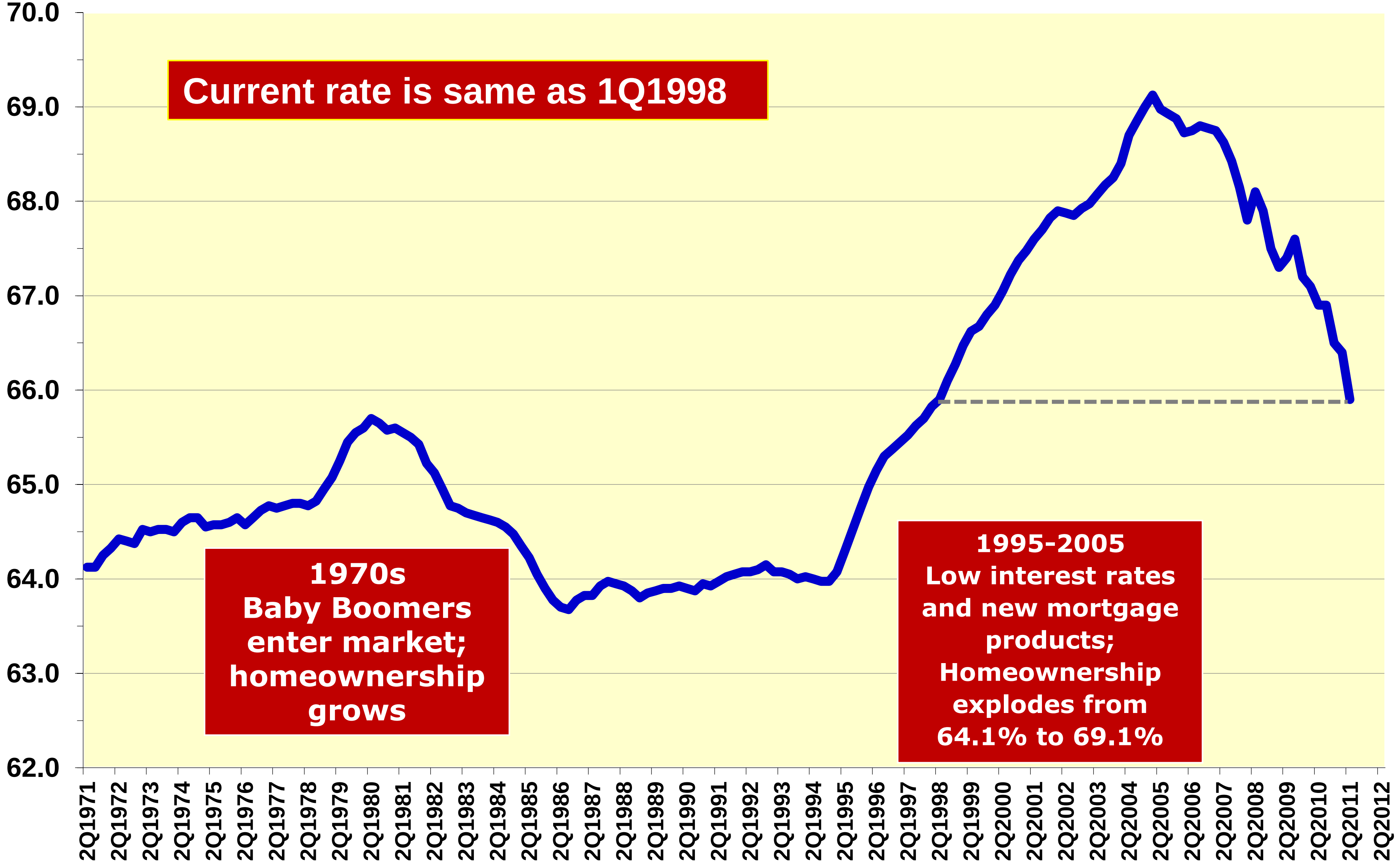
Boomers Own - Gen Y Rents



Source: FNMA National Housing Survey, 4Q2010

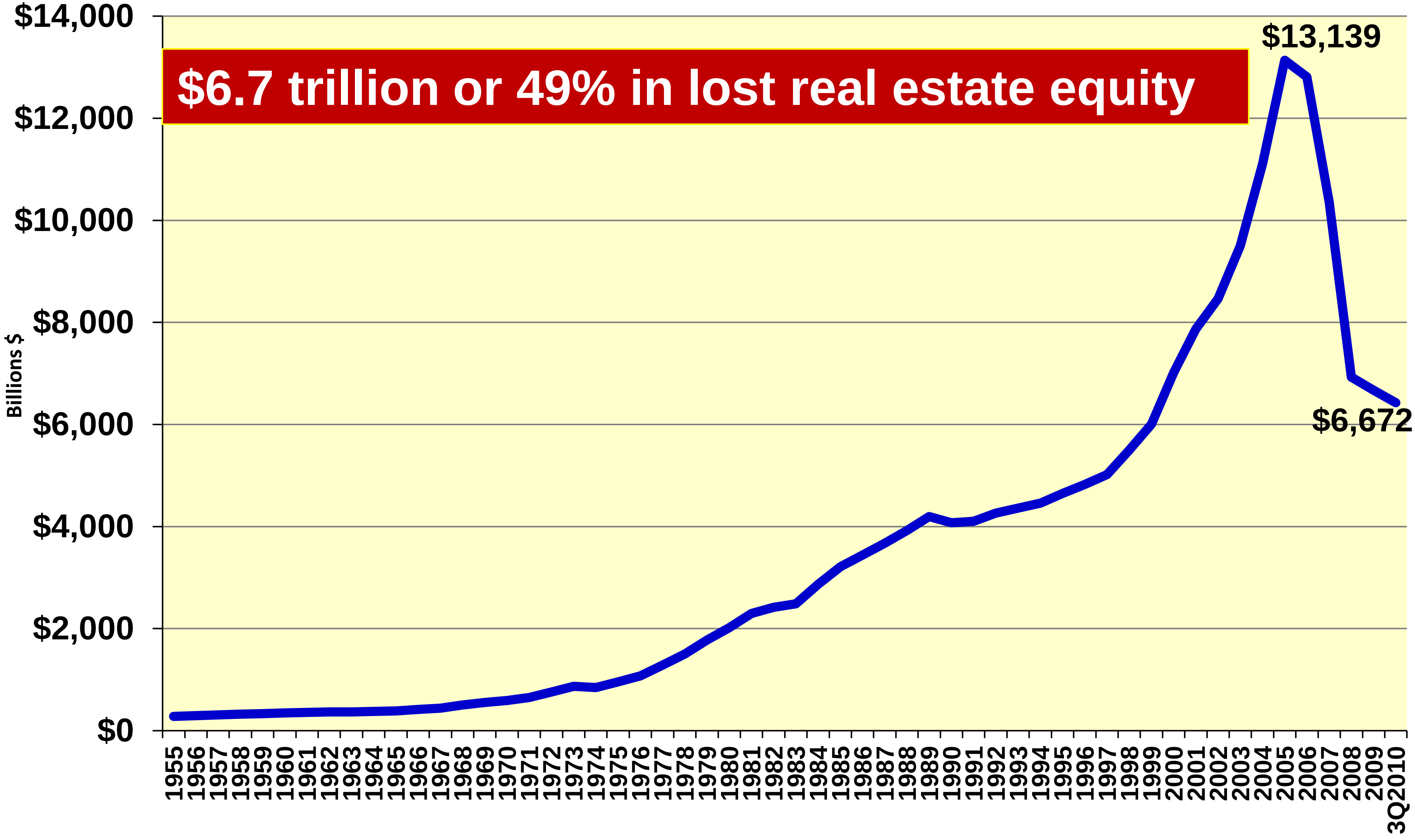
Housing Markets are Changing

US Homeownership Rate



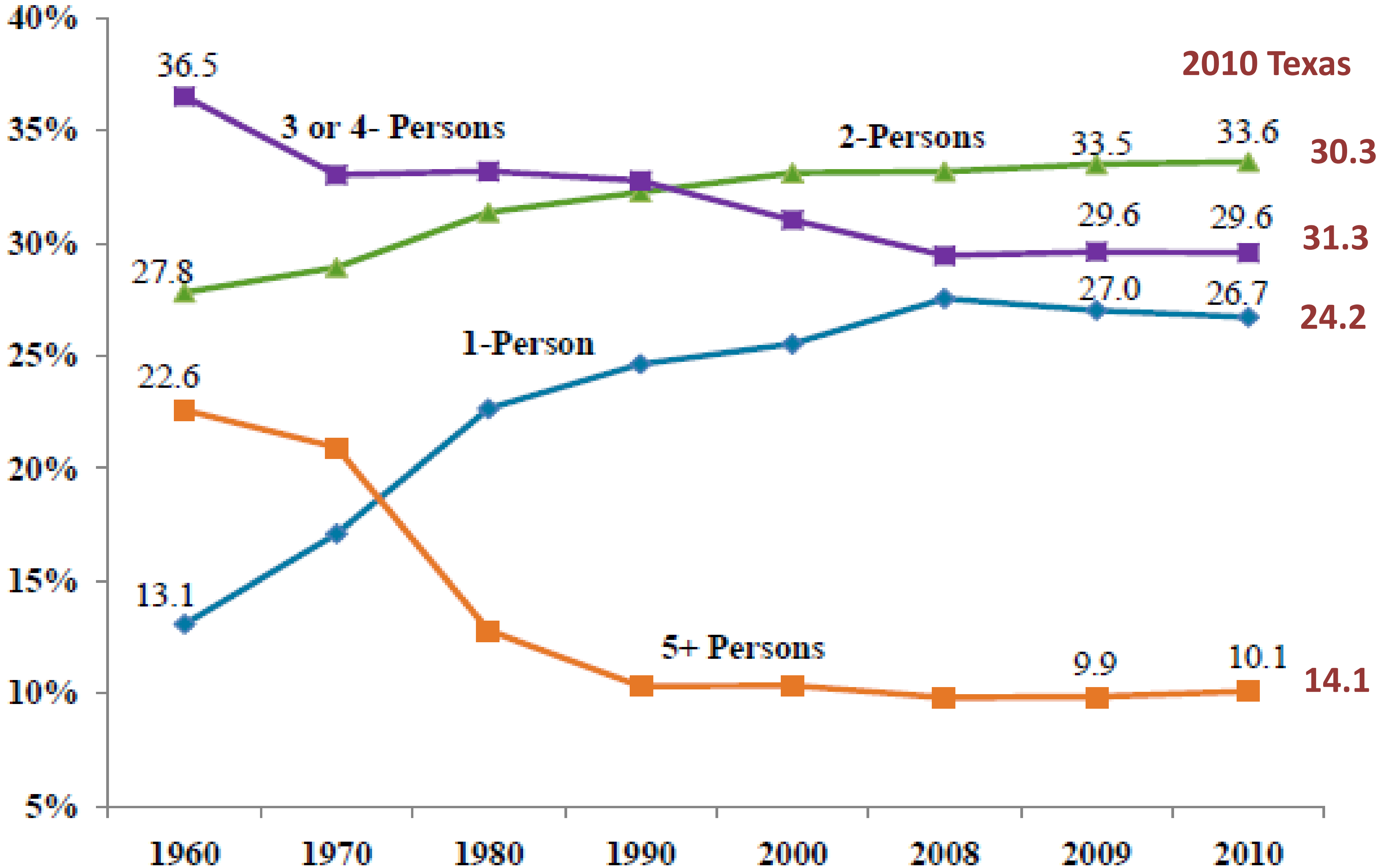
Source: US Census Bureau; FHLMC (4-quarter moving average homeownership rate)

Lost Wealth: Households' Equity in Real Estate



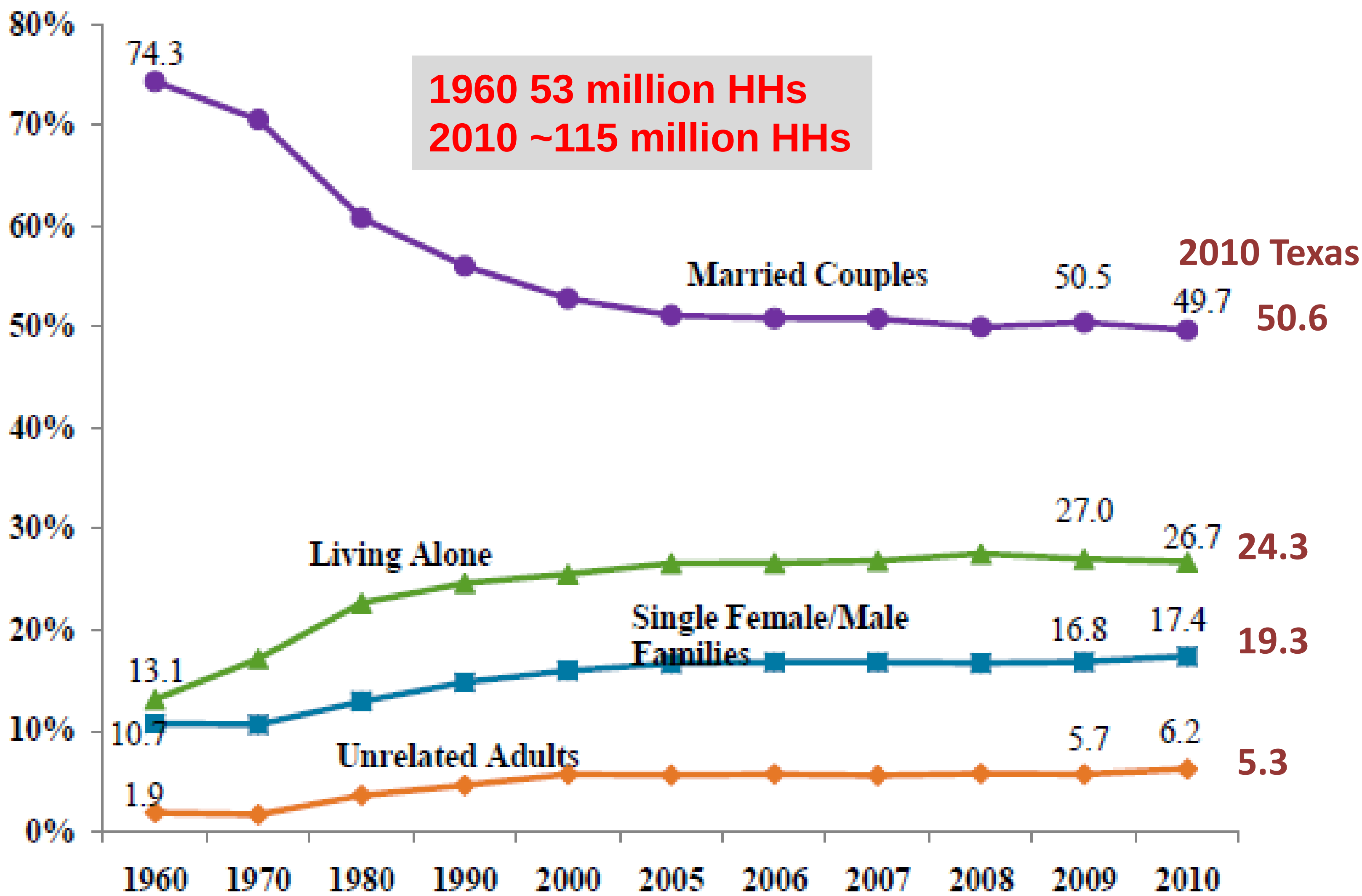
Source: Federal Reserve, Flow of Funds, B-100

Size of US Households



Source: NAHB Economics and Housing Policy Group, "The New Home in 2015," December 2010

Types of US Households



Source: NAHB Economics and Housing Policy Group, "The New Home in 2015," December 2010

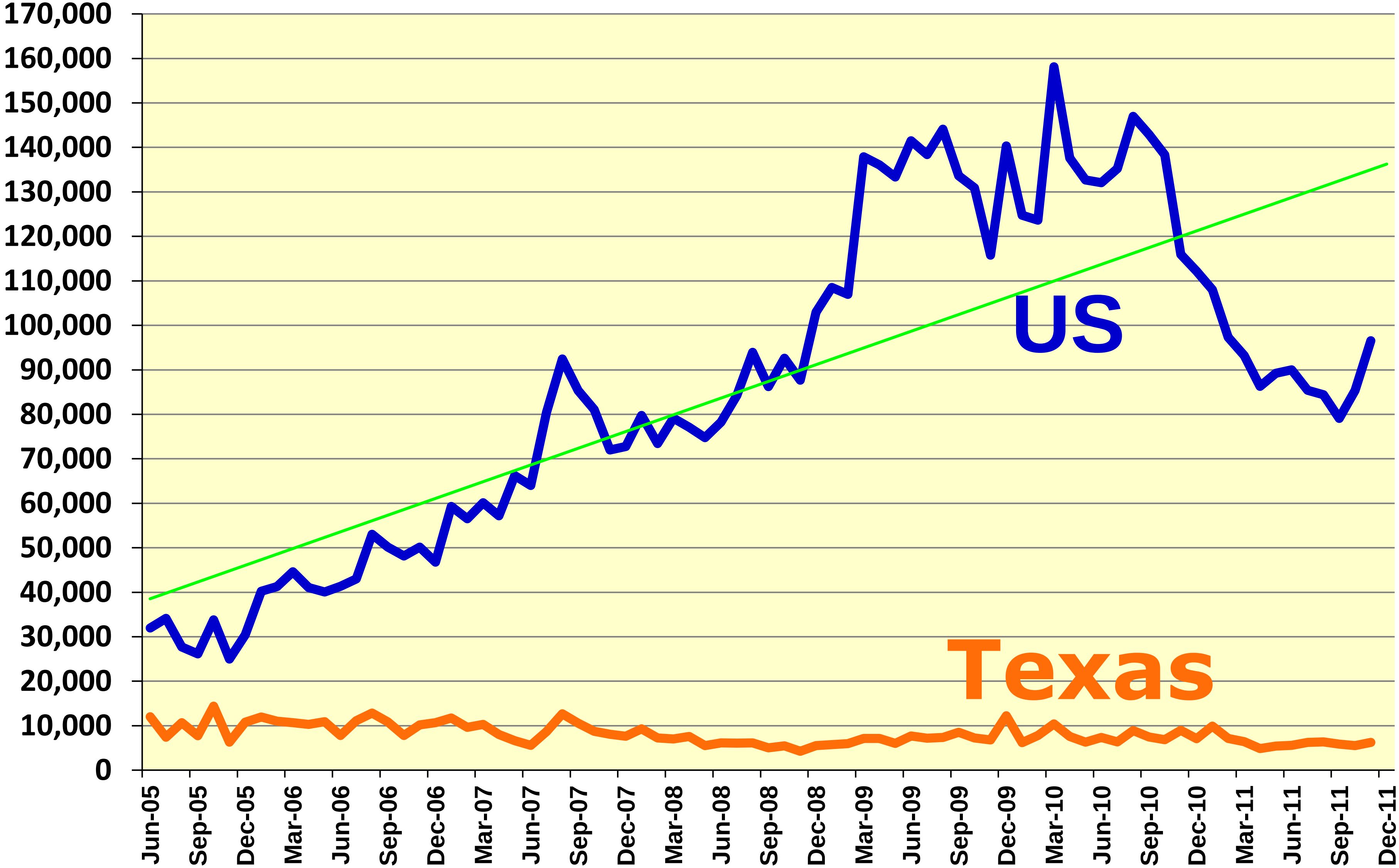
Housing Must Recuperate to Lead a General Economic Recovery

Our Crack Economic and Housing Forecasting Team

Current Housing Issues

- Government stimulus efforts prolonged market recovery
- Low Demand - High Supply = Weak Home Values
- FNMA/FHLMC resolution
- Lenders in difficulty: punished for making RE loans; CRE and other bad loans have not be cleared; definition of QRM
- Renting regarded as viable option to buying
- First-time buyers financially unable to buy
- FHA essentially a subprime lender

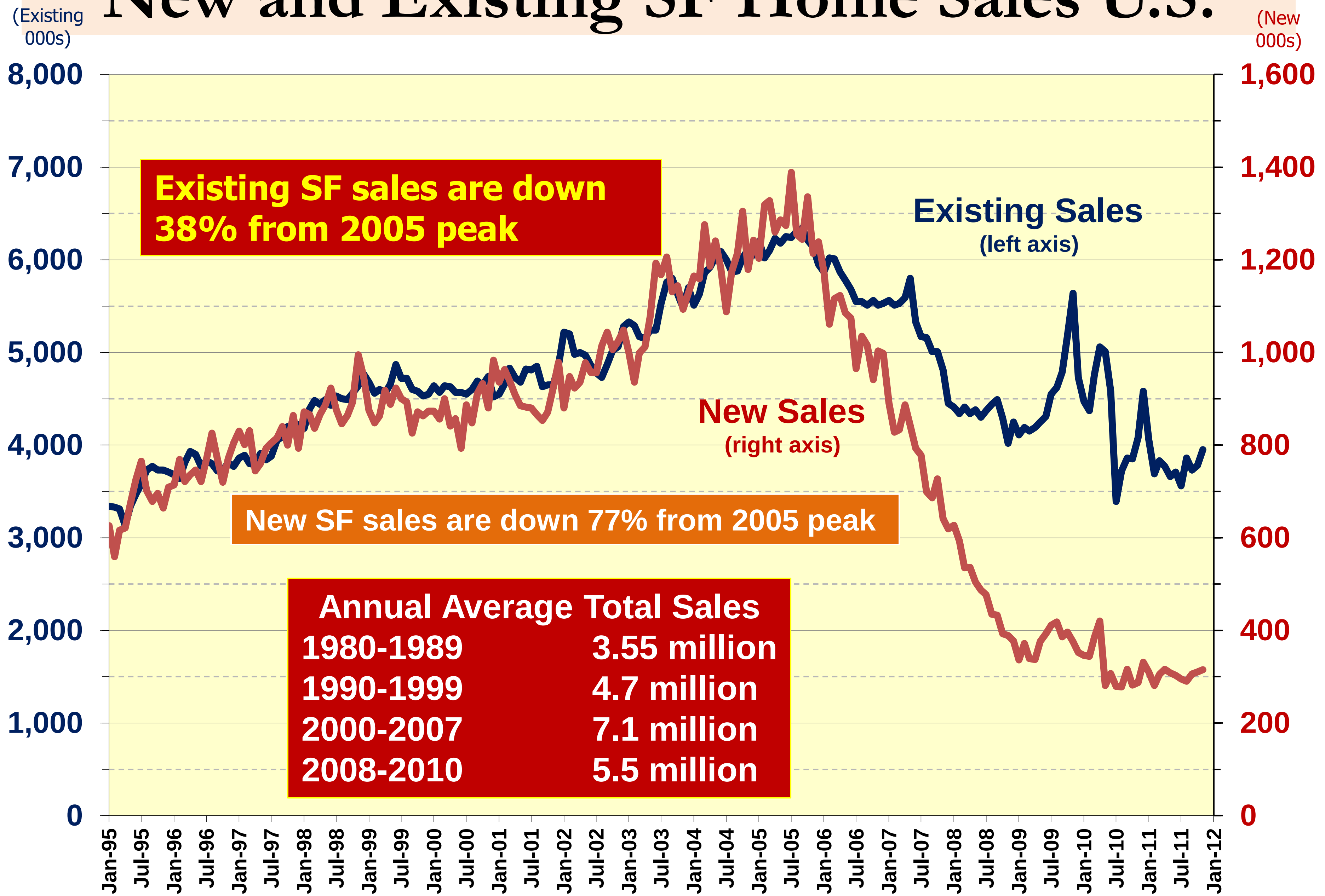
Monthly Foreclosure Filings



Source: RealtyTrac, Inc.

Data include Notices of Trustee Sales plus Notices of Foreclosure Sale

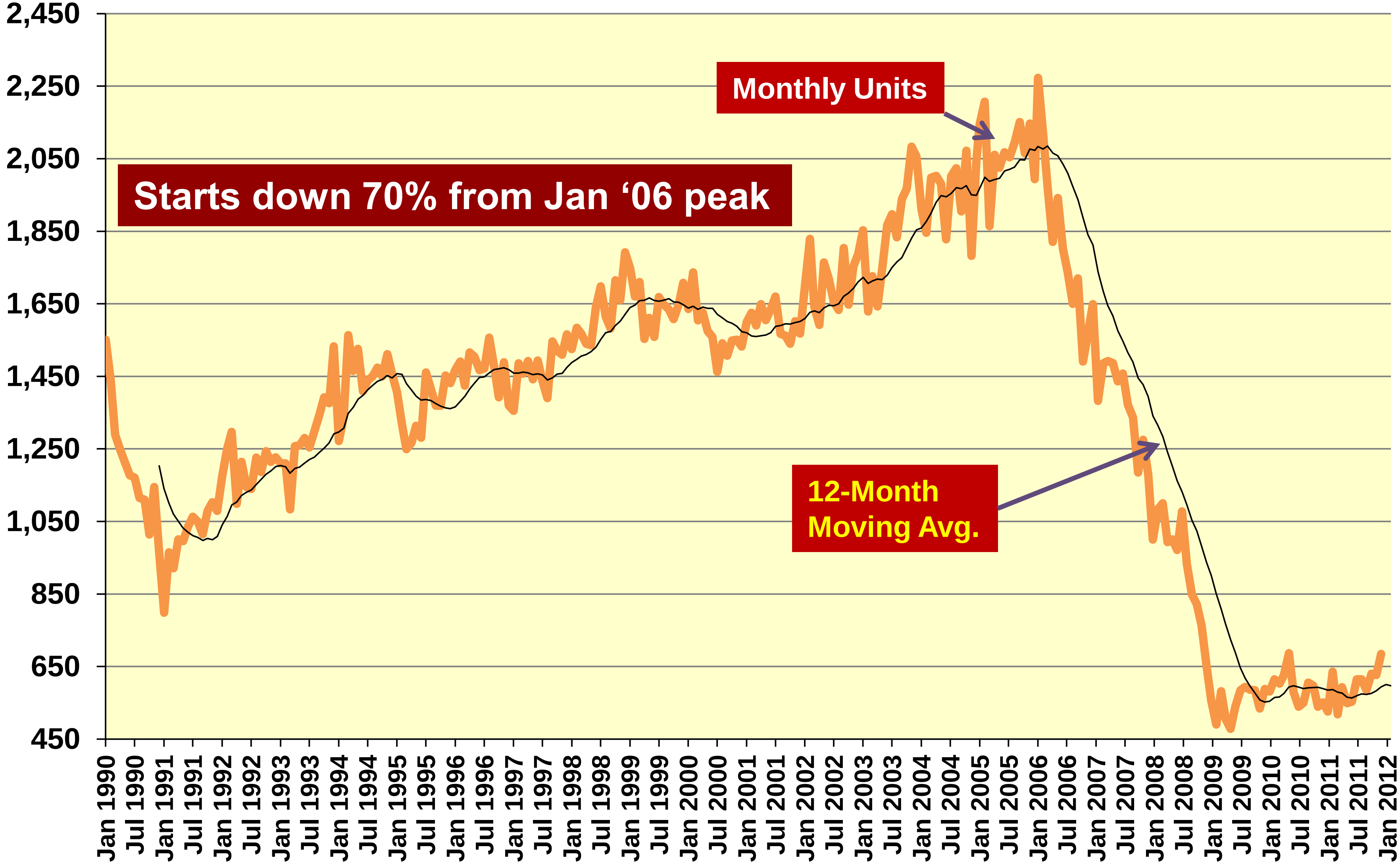
New and Existing SF Home Sales U.S.



Sources: US Census Bureau , NAR, SAAR

US Total Housing Starts

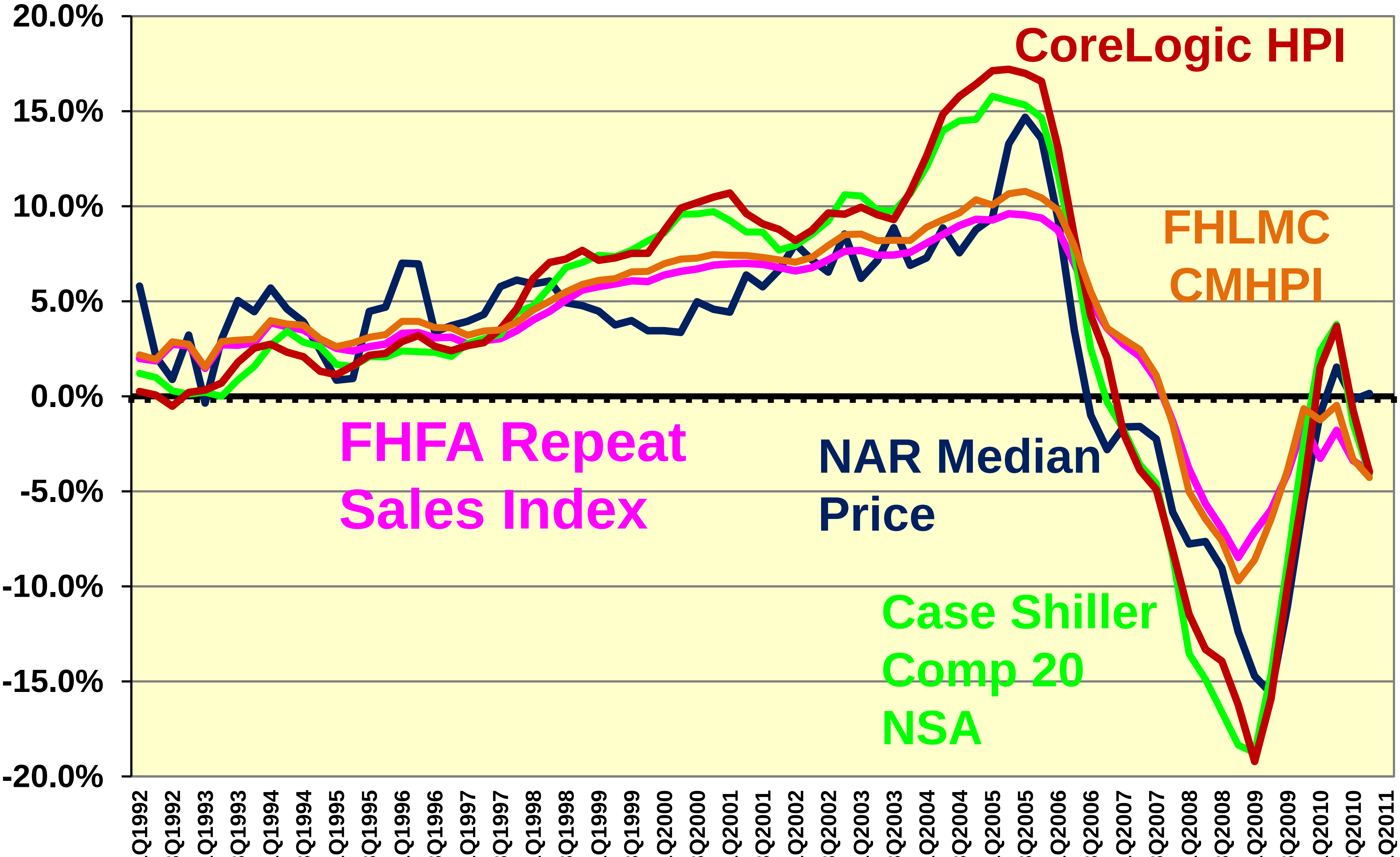
Total Units & 12-Month Moving Average



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

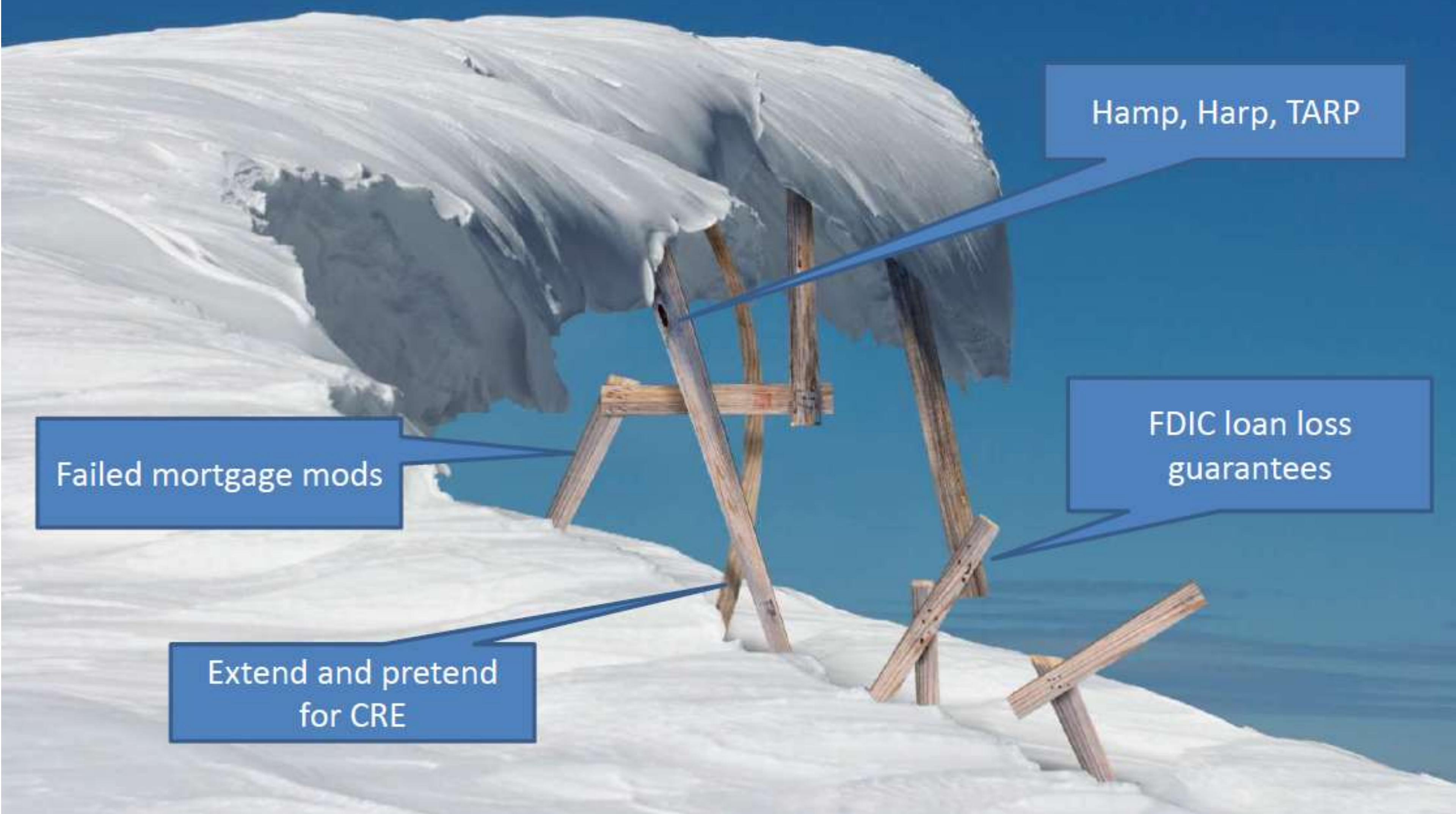
U.S. Home Price Percent Change

Y/Y Percent Change in Quarterly Estimates

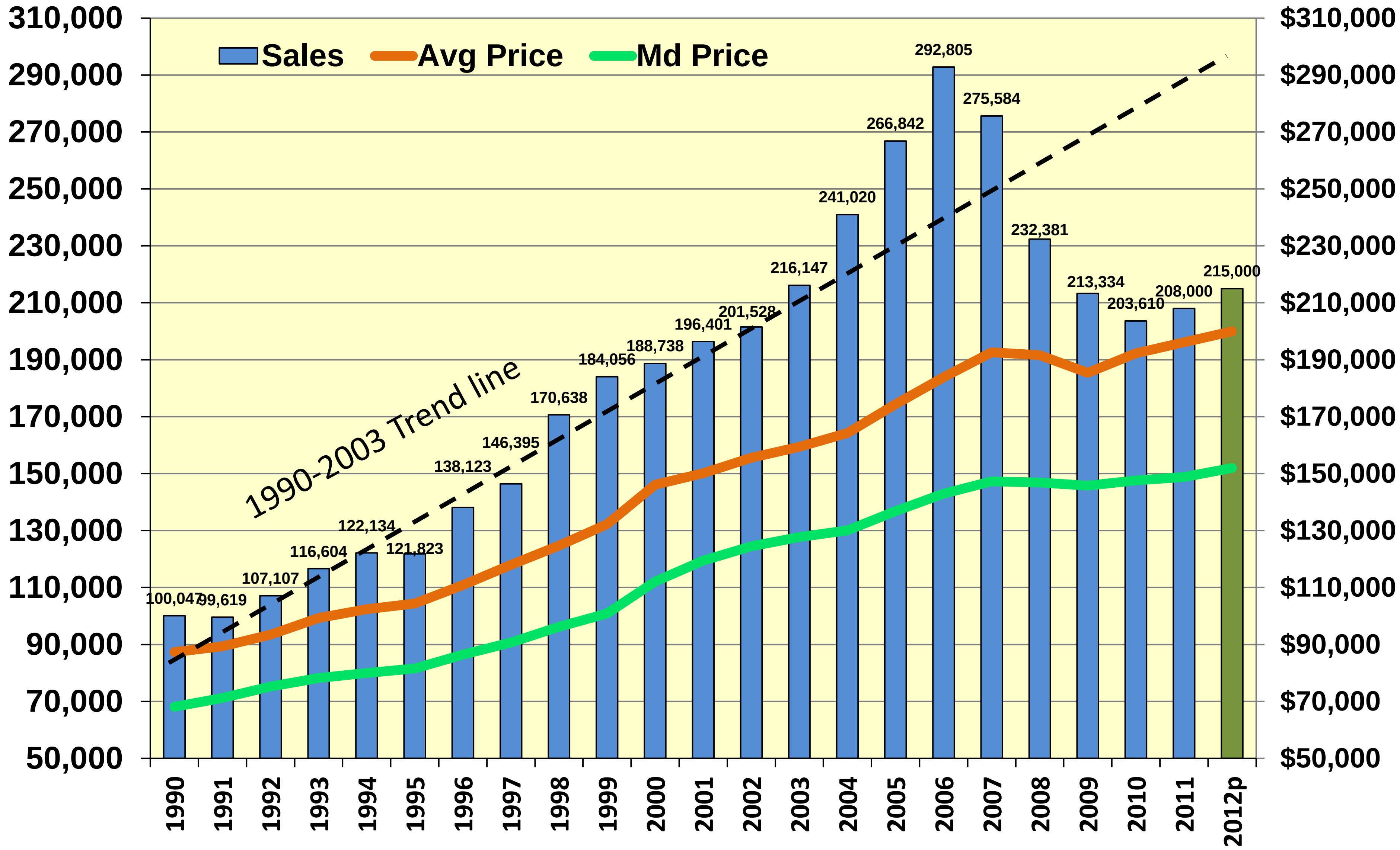


Sources: NAR, FHFA PO Index, Case Shiller, FHLMC; CoreLogic

The overhang of shadow inventory is killing the housing and CRE markets

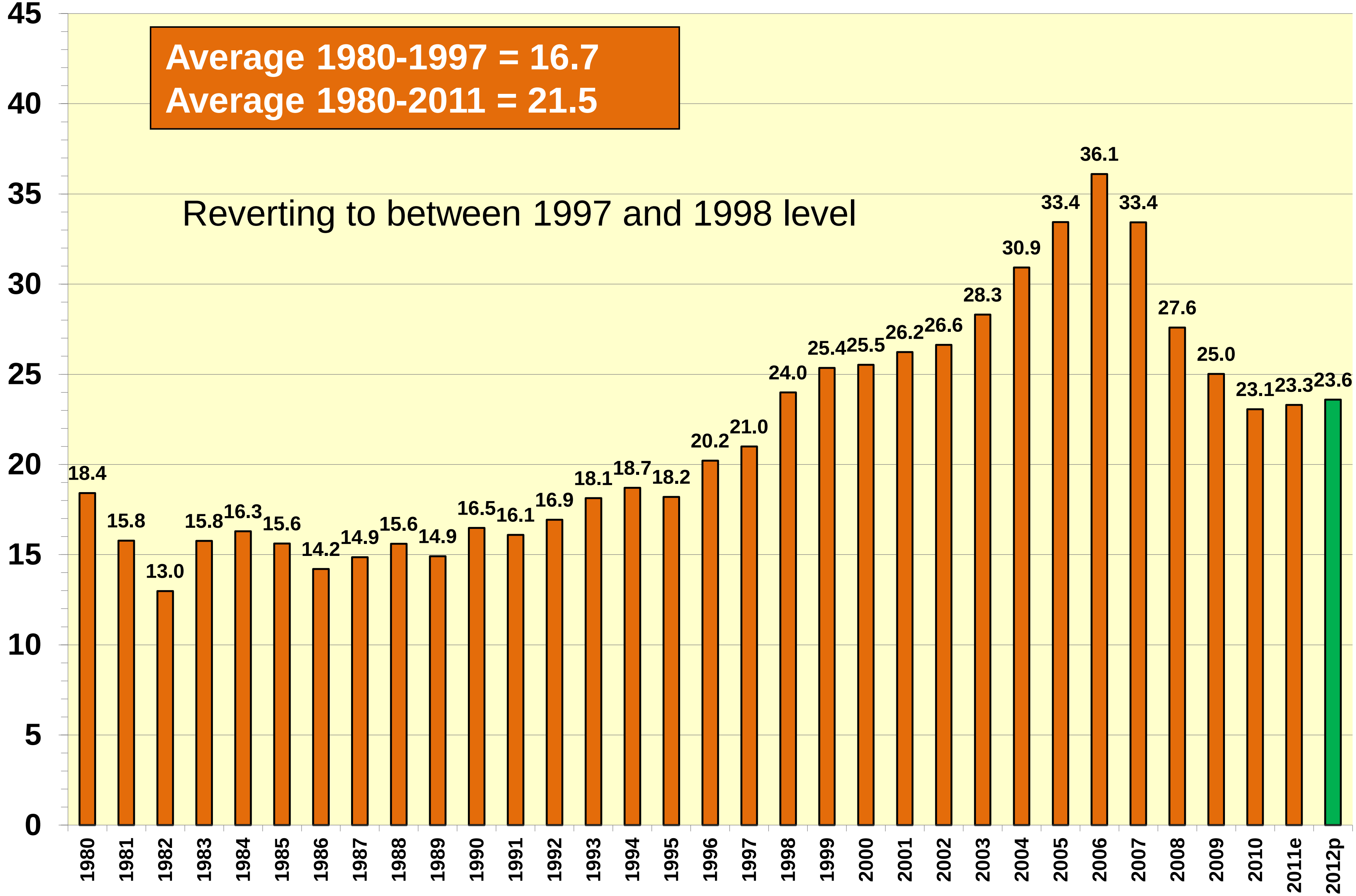


Annual Texas Home Sales



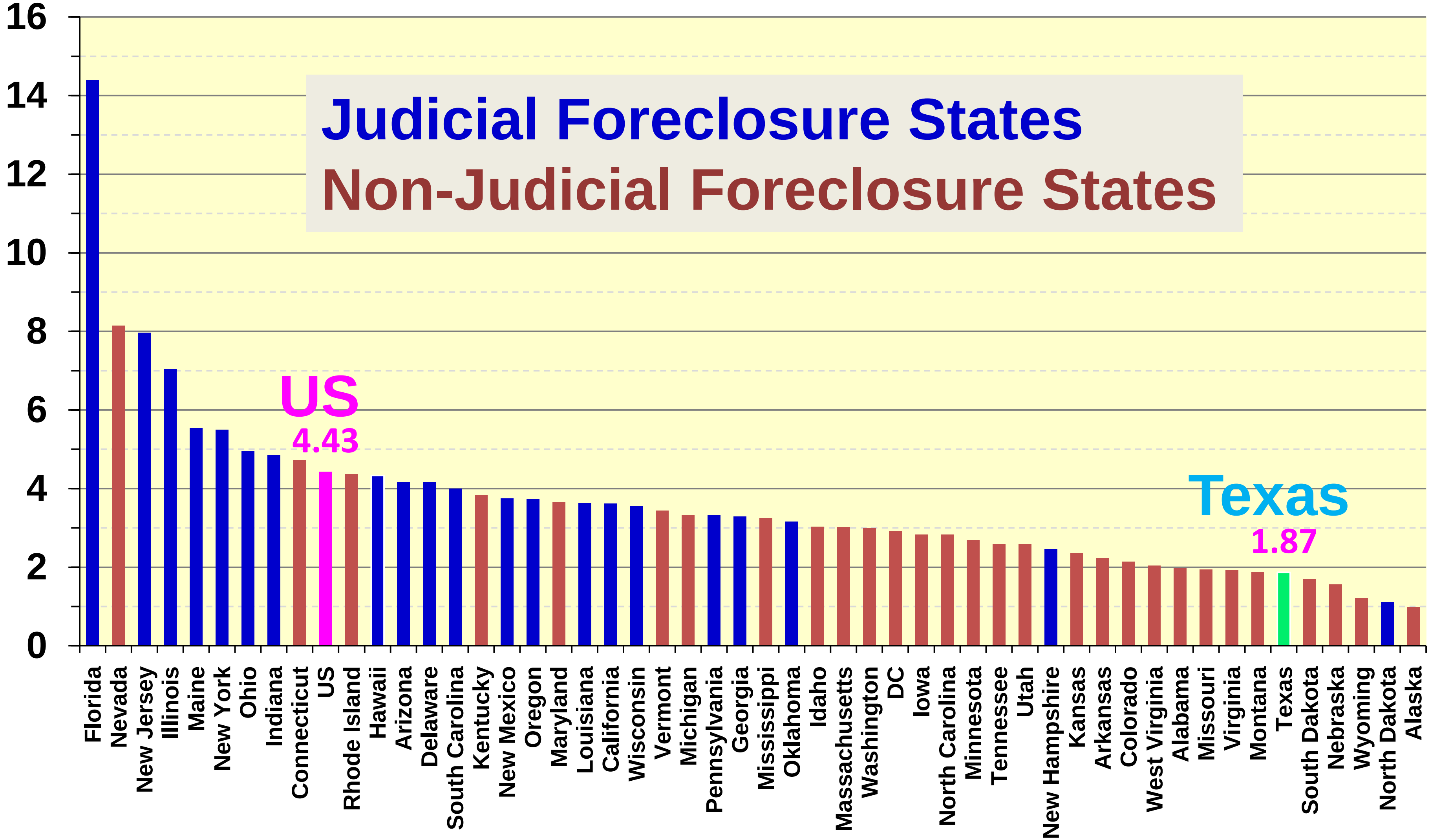
Source: Real Estate Center at Texas A&M University

Texas Home Sales per 1,000 Households



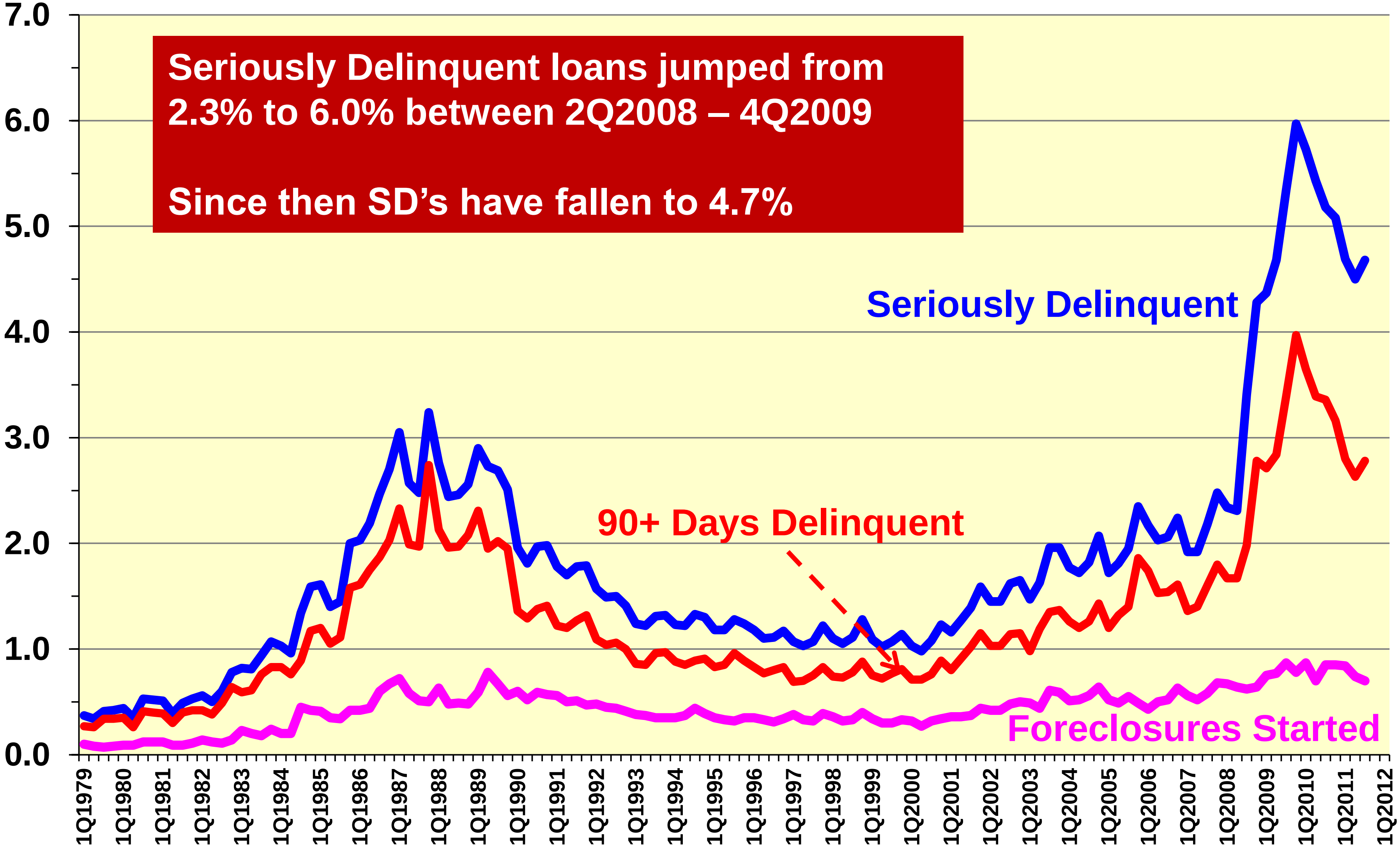
Source: US Census Bureau , Real Estate Center at Texas A&M

Percent of Loans in Foreclosure End of 2Q2011



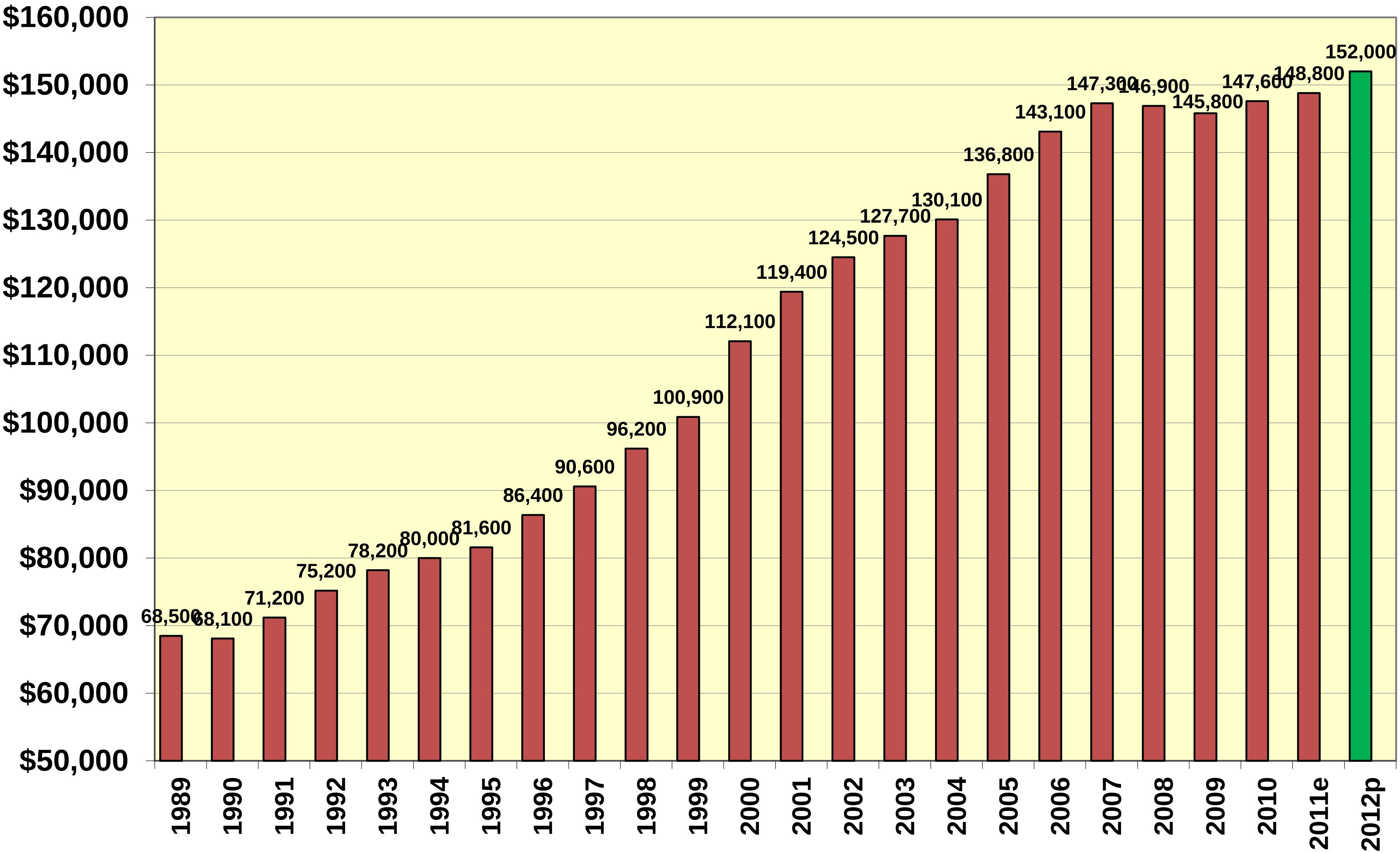
Source: Mortgage Bankers Association, National Delinquency Survey

Percent of Texas Mortgages Seriously & 90+ Days Delinquent & Foreclosures Started



Source: Mortgage Bankers Association, National Delinquency Survey

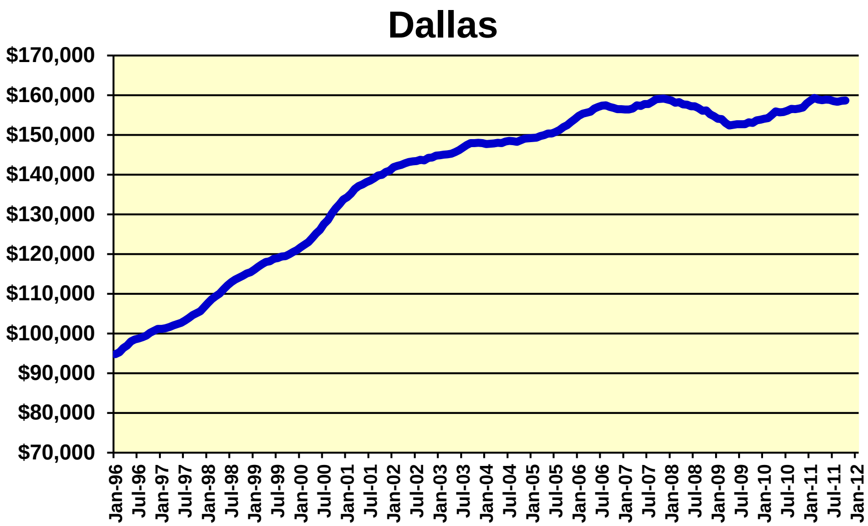
Texas Median Home Prices

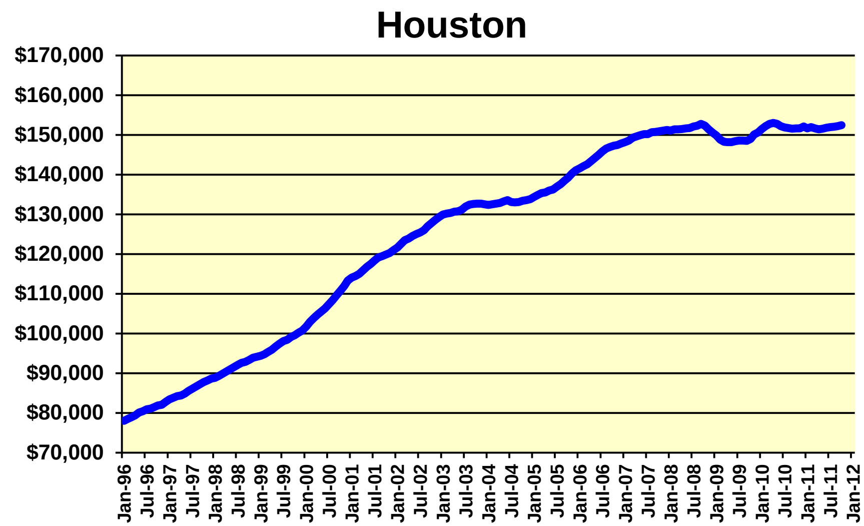


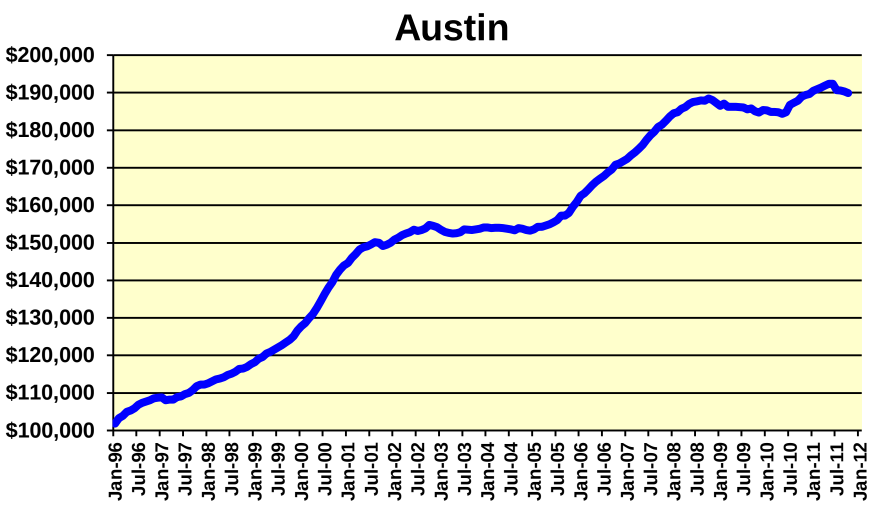
Source: Real Estate Center at Texas A&M University

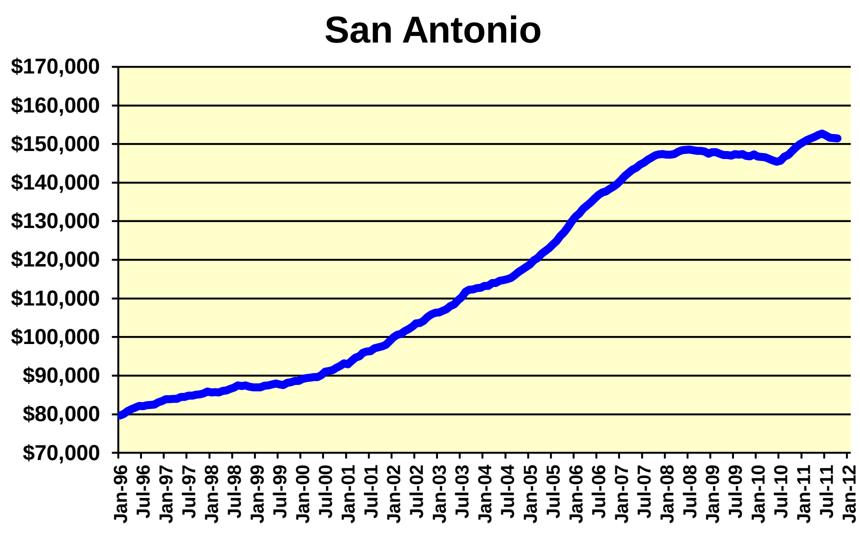
Texas Metropolitan Home Prices

12-Month Moving Average



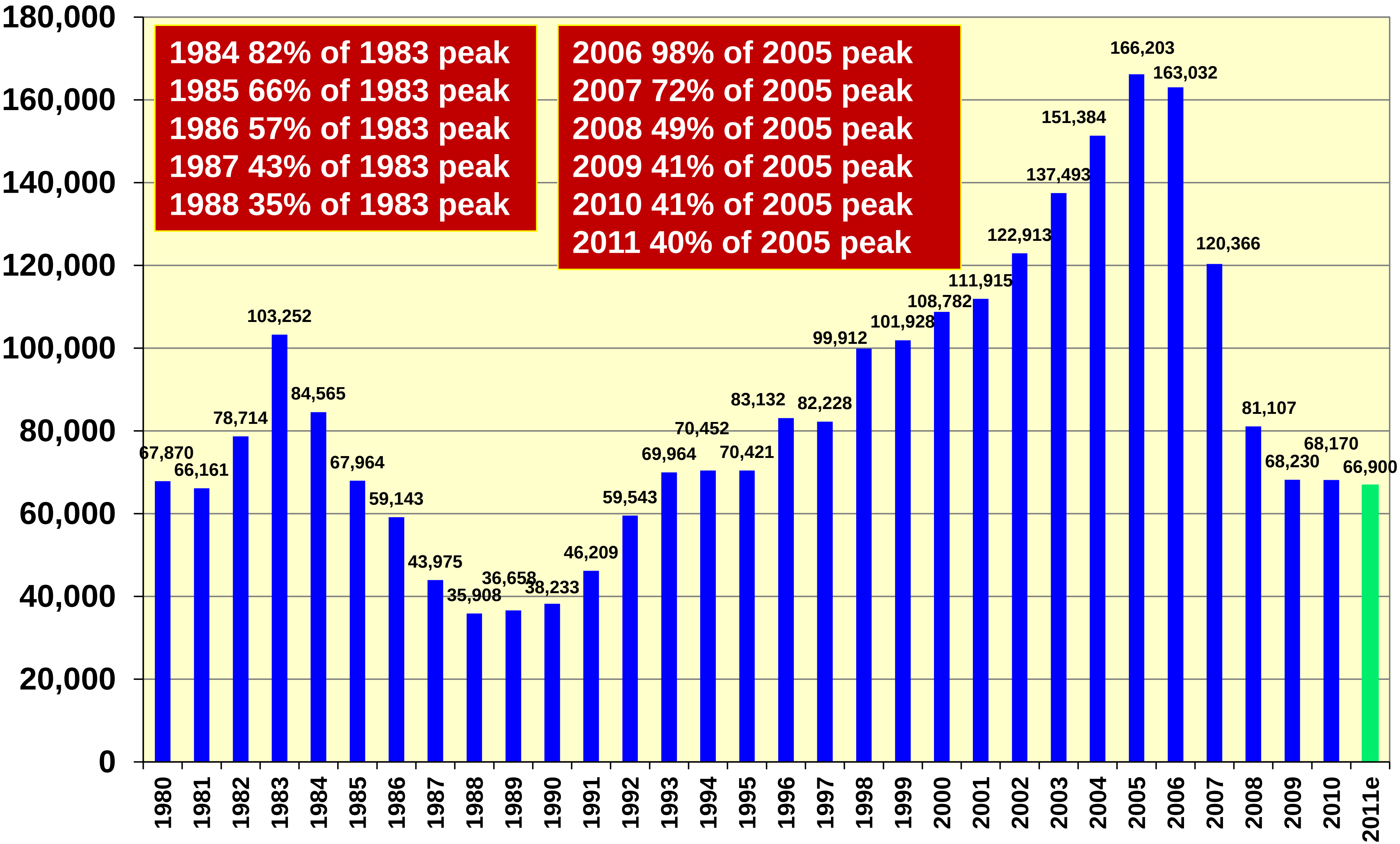






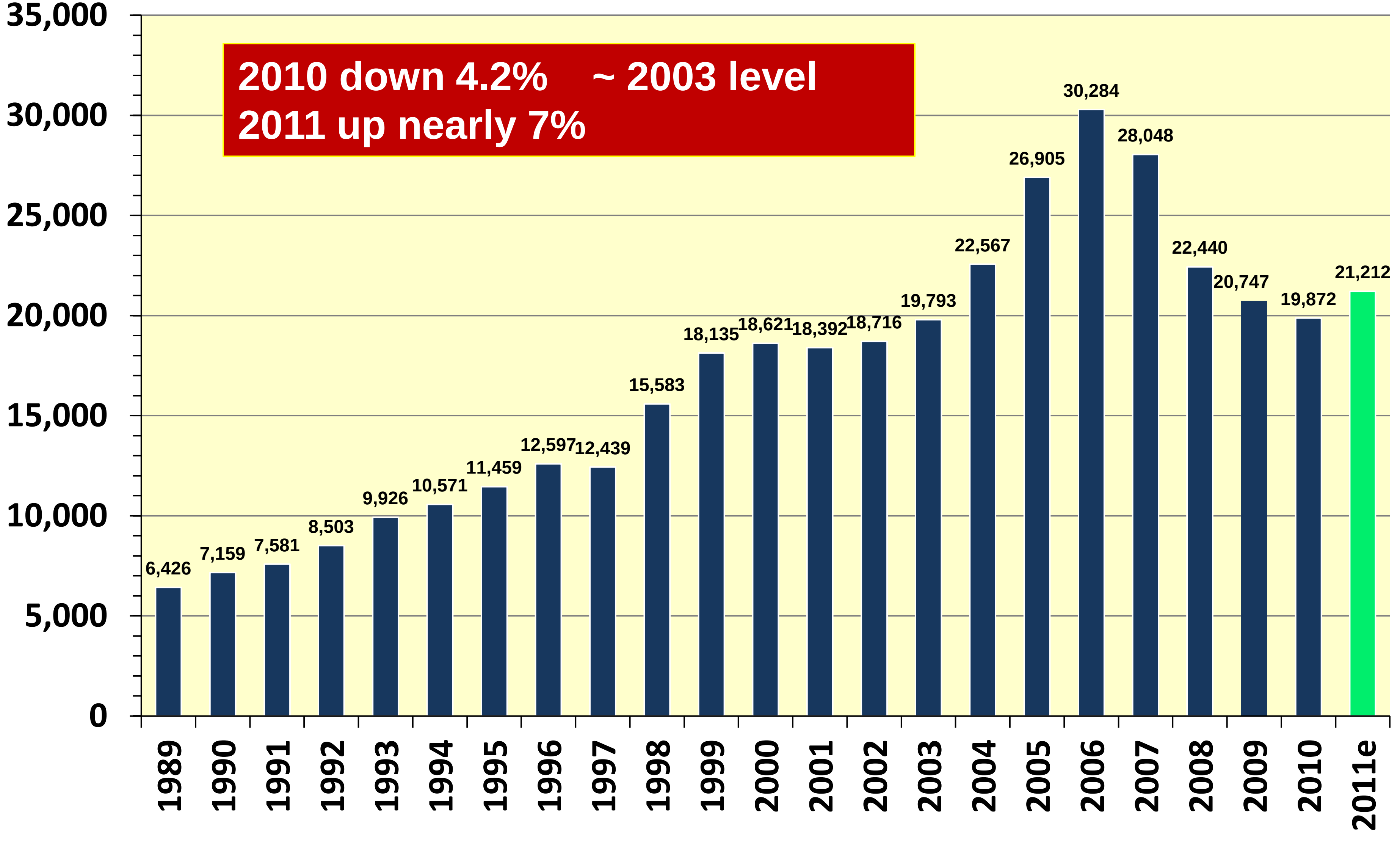
Source: Real Estate Center at Texas A&M University

Texas SF Building Permits



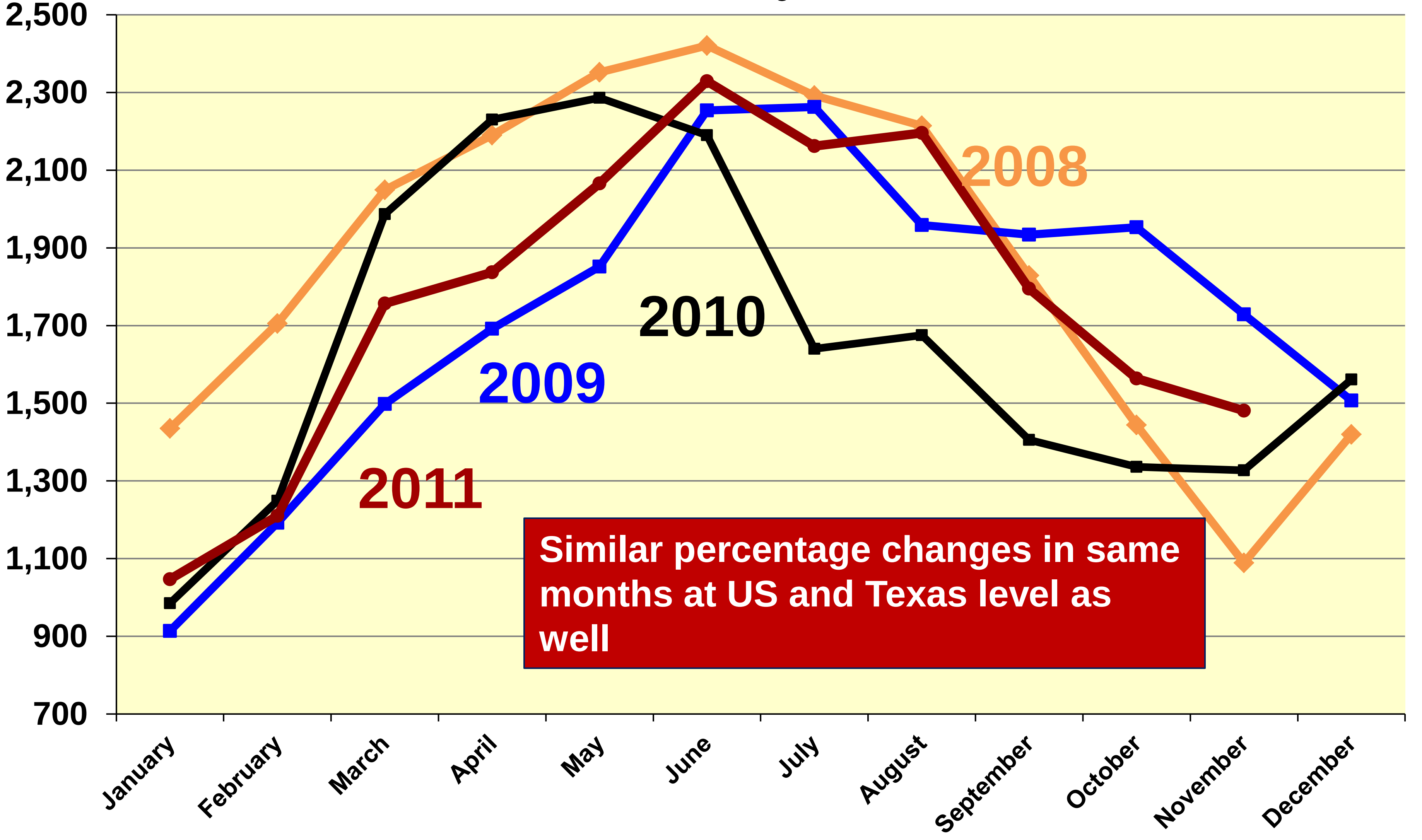
Source: US Census Bureau, Real Estate Center at Texas A&M

Austin Annual Home Sales



Source: Real Estate Center at Texas A&M University

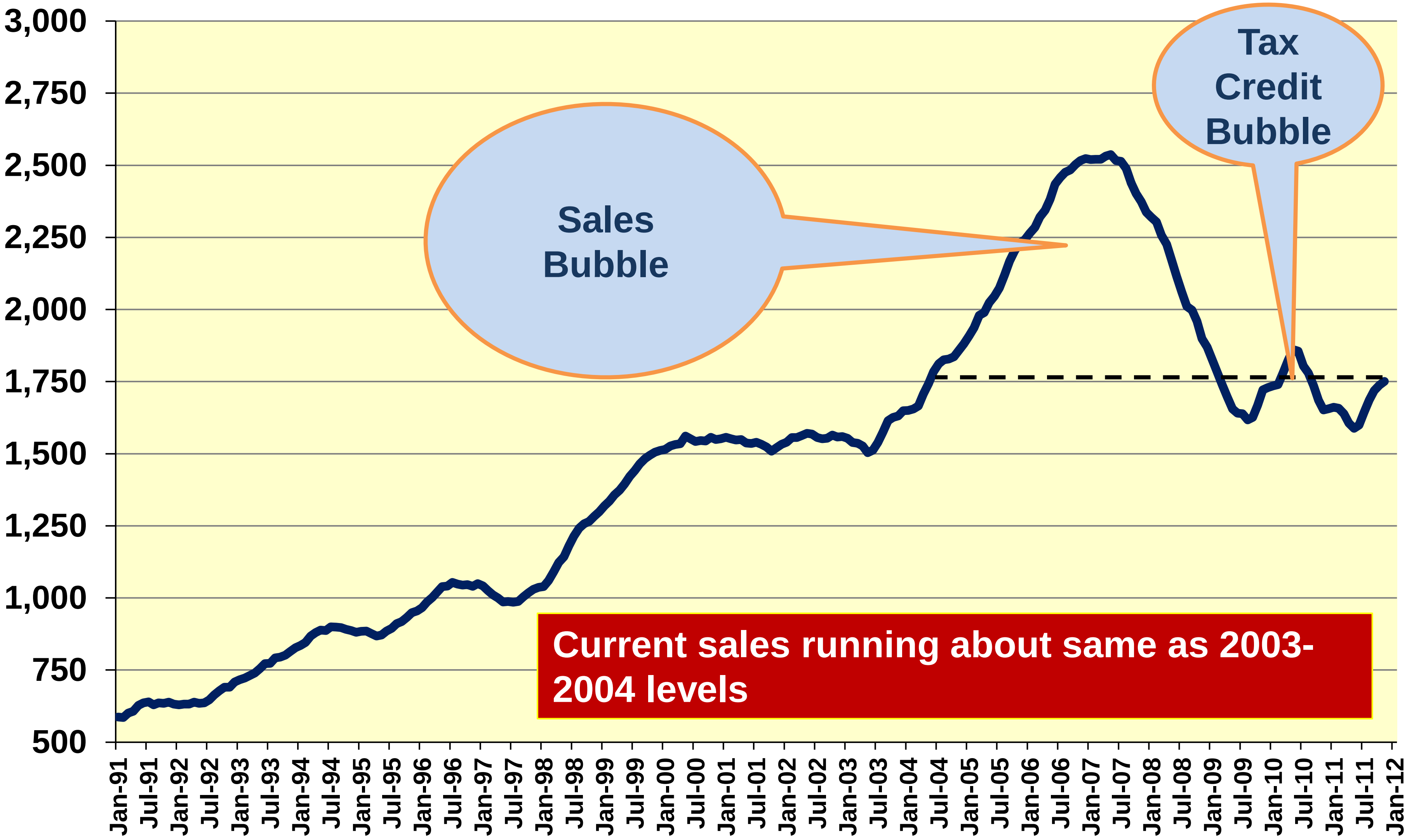
The Impact of the Tax Credit on 2009 & 2010 Monthly Sales in Austin



Source: Real Estate Center at Texas A&M University

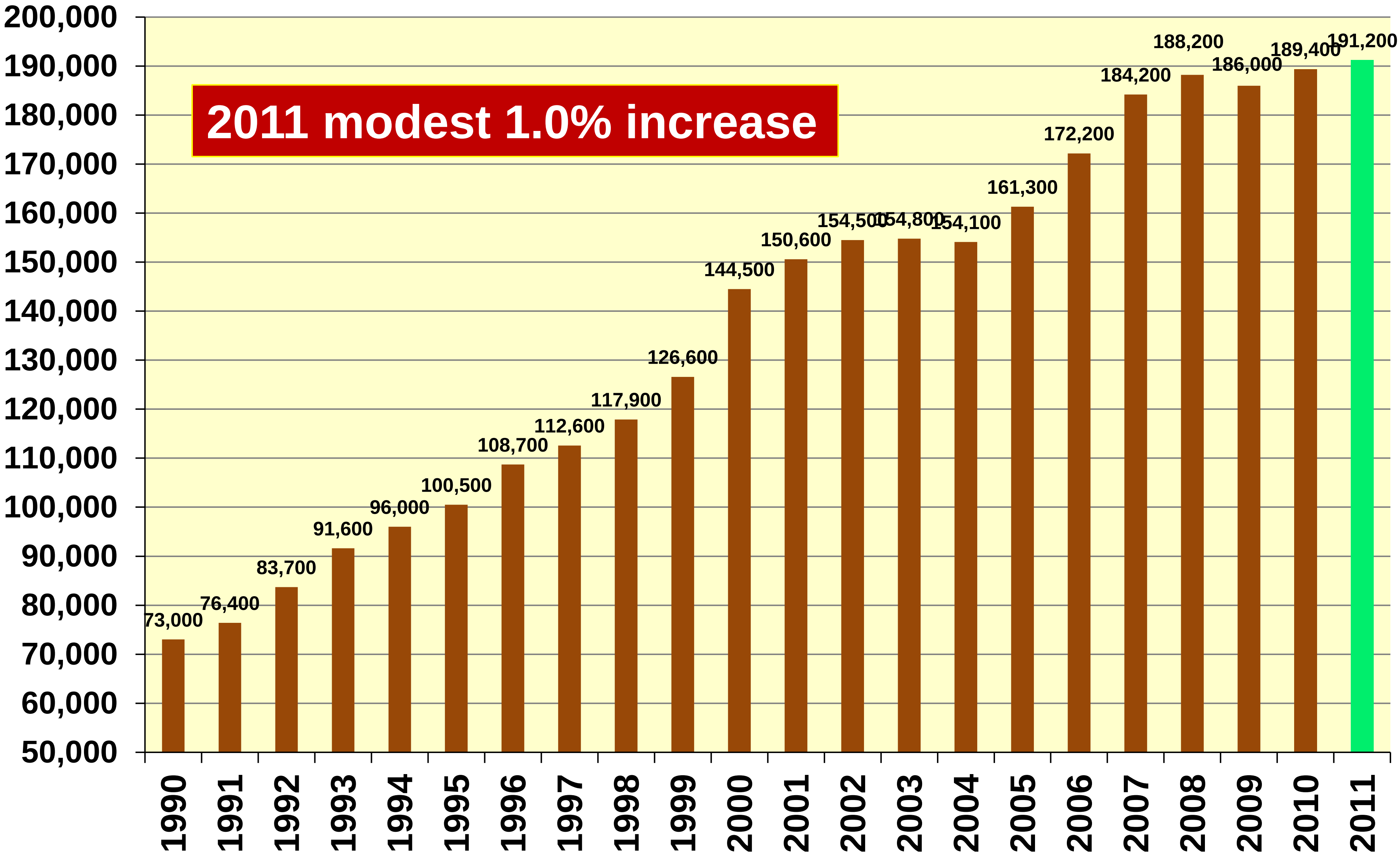
Austin Monthly Home Sales

12-Month Moving Average



Source: Real Estate Center at Texas A&M University

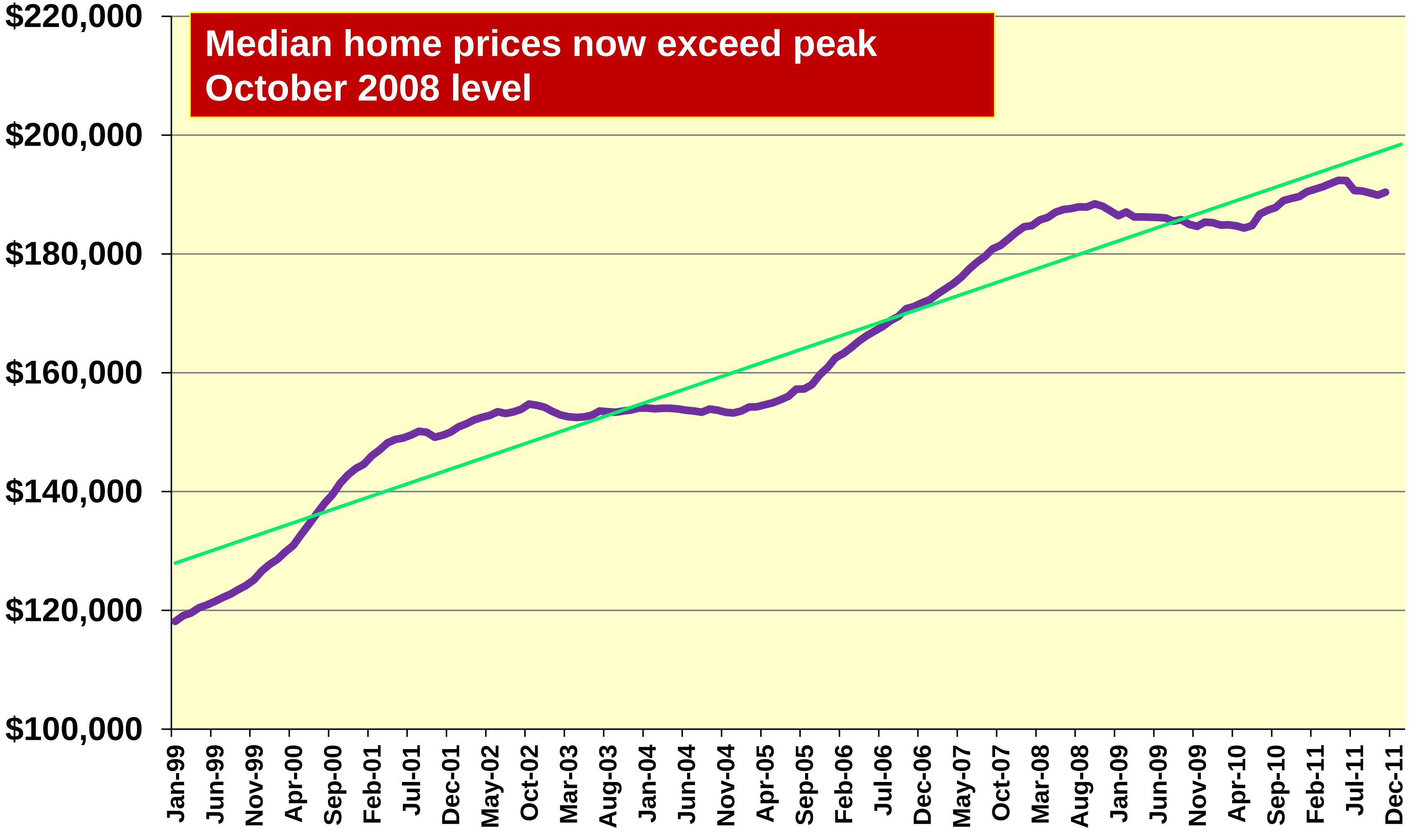
Austin Median Home Prices



Source: Real Estate Center at Texas A&M University

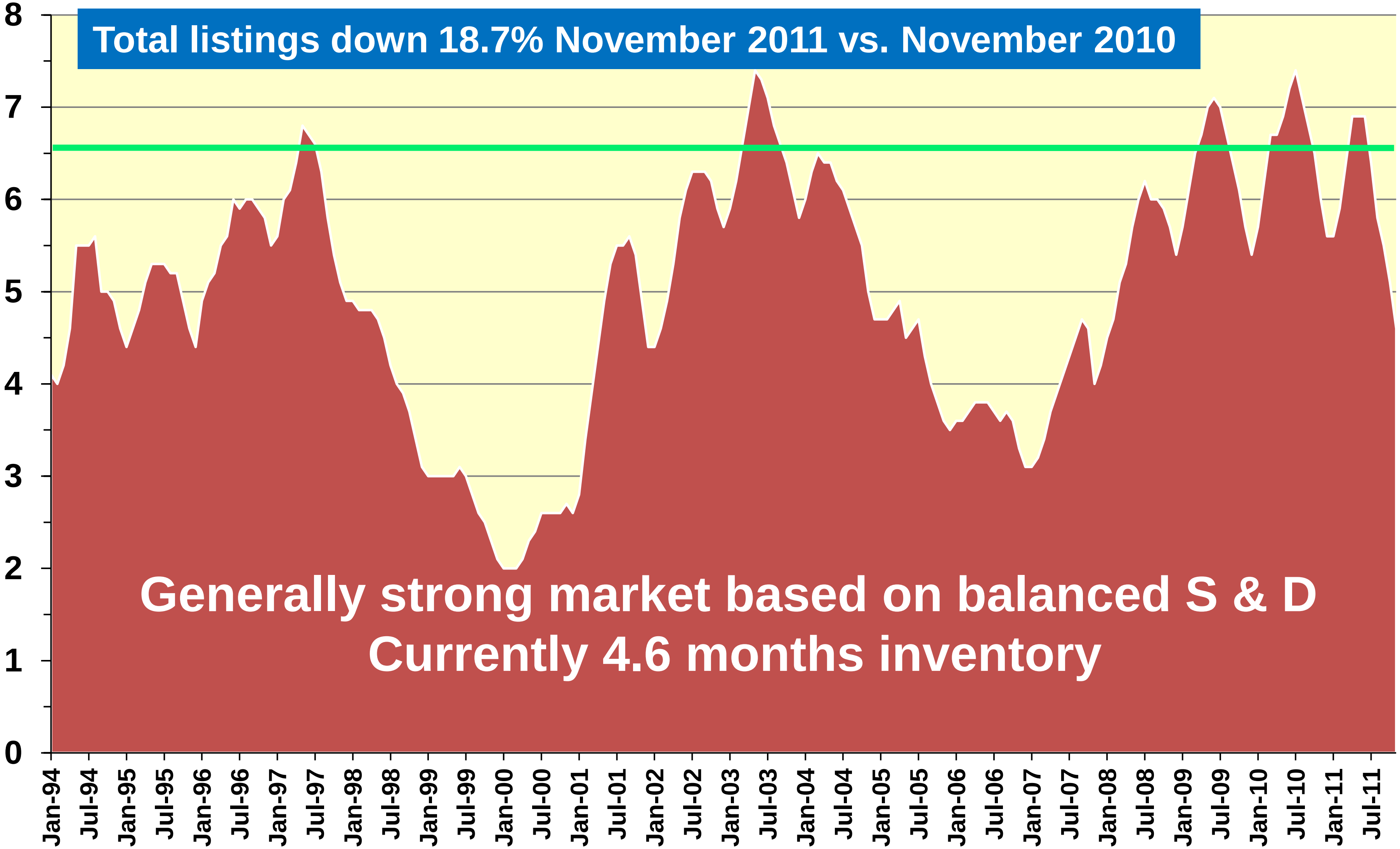
Austin Median Home Prices

12-Month Moving Average



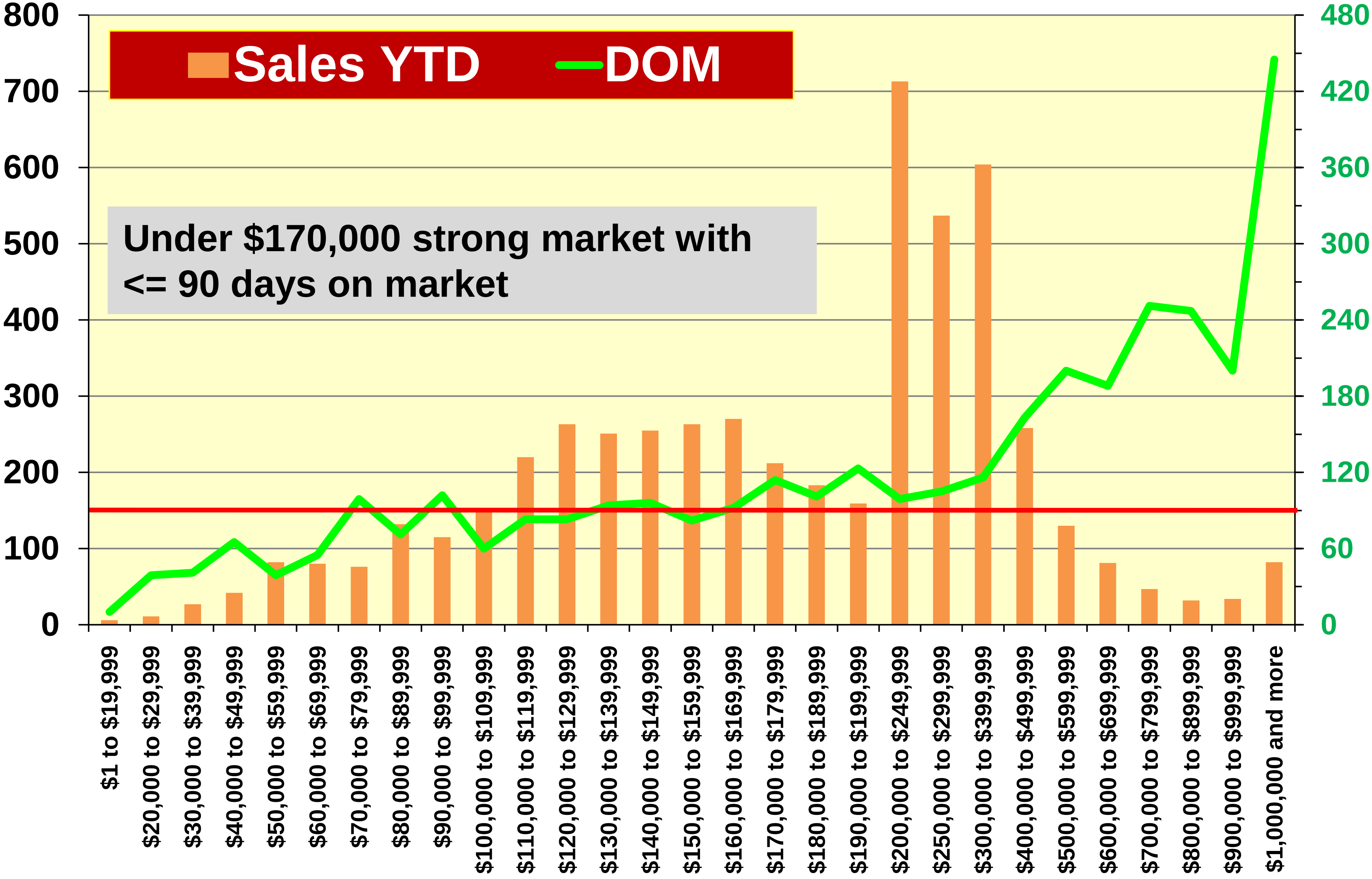
Source: Real Estate Center at Texas A&M University

Austin Months Inventory of Homes For Sale



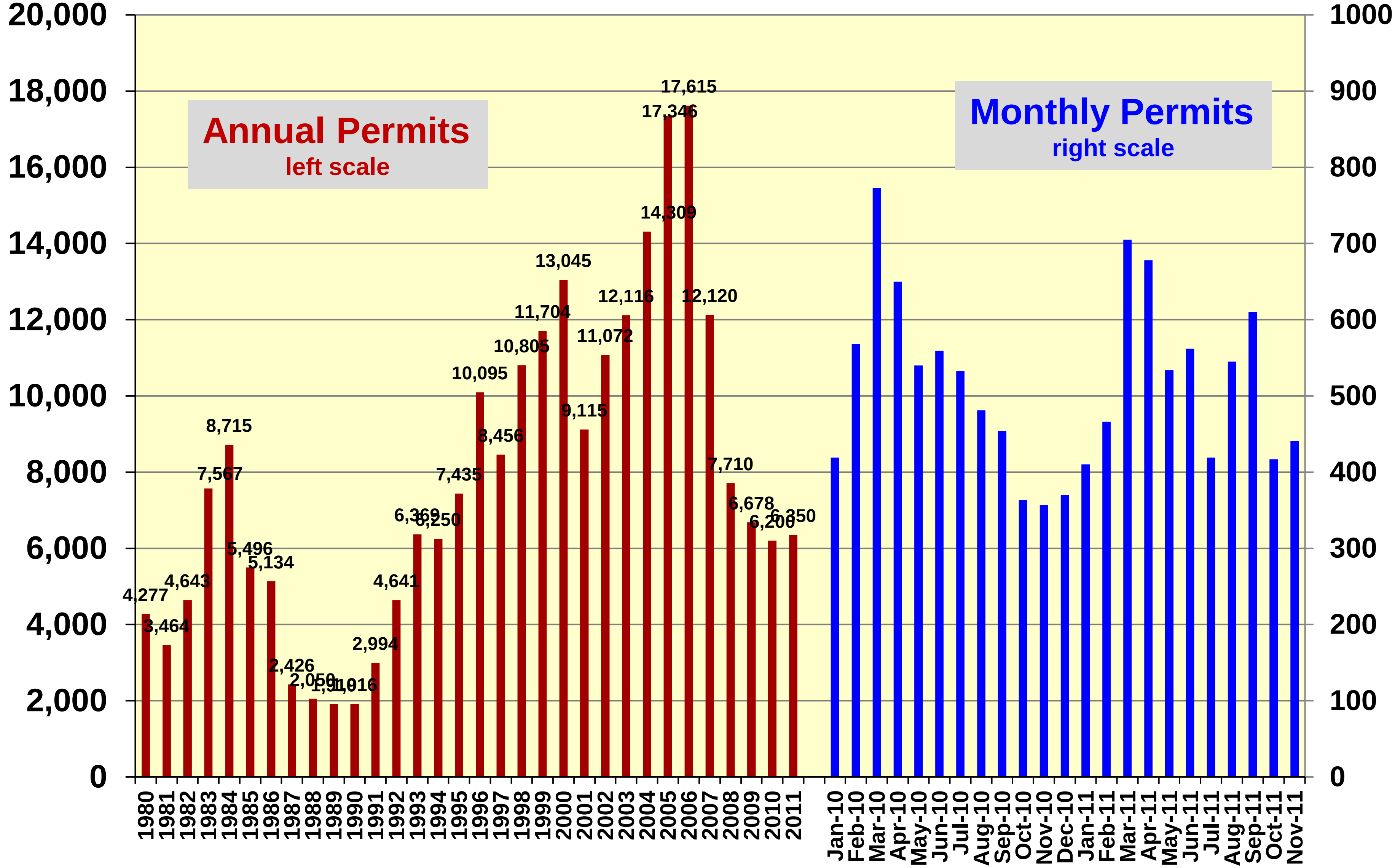
Source: Real Estate Center at Texas A&M University

YTD Sales by Price and Days on Market



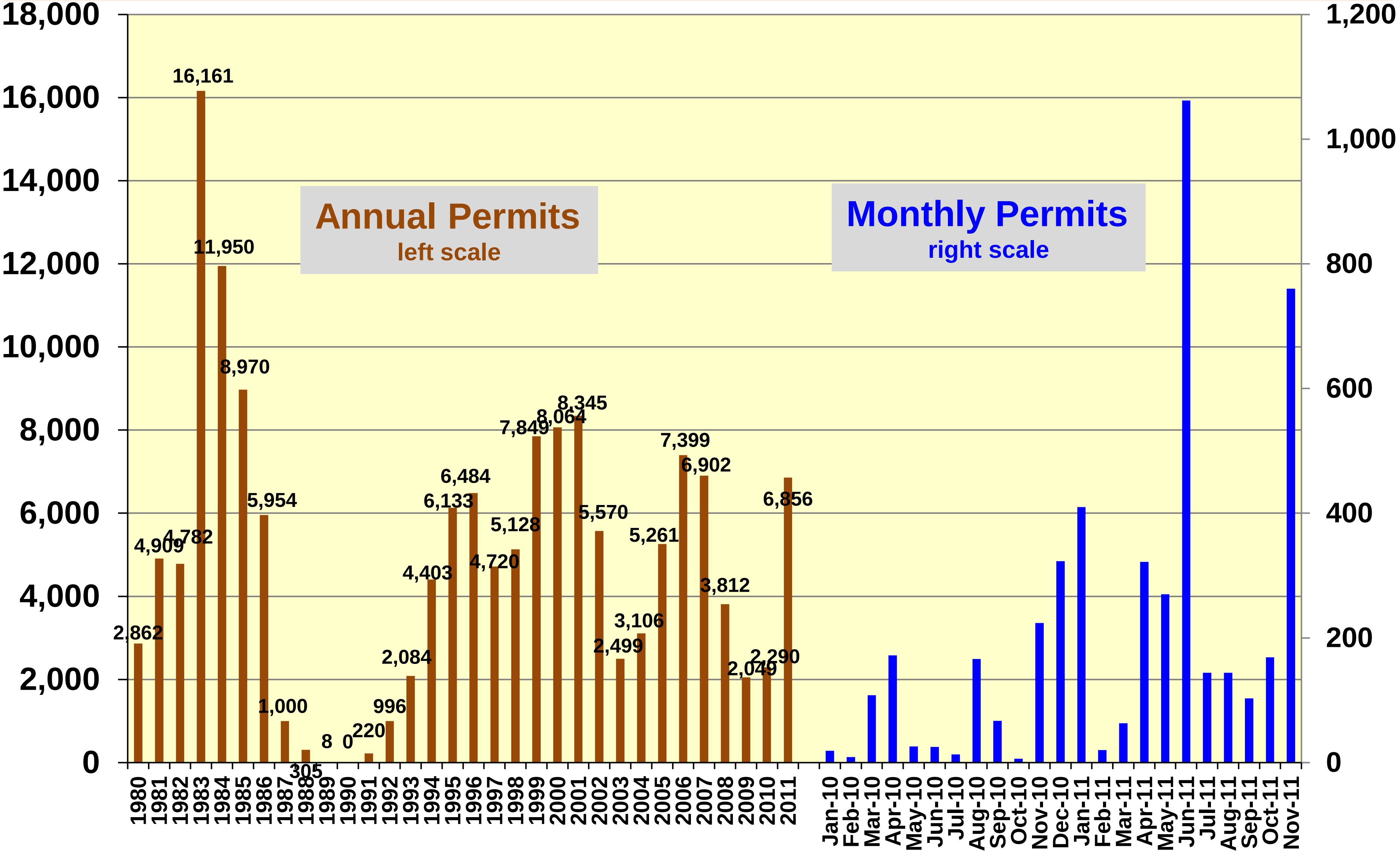
Source: ABOR, May 2011, Real Estate Center at Texas A&M University

Austin SF Building Permits



Source: U. S. Census Bureau, Real Estate Center

Austin Multi-Family Building Permits



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

Conclusions

- 2011 ended generally positive
- Major business, investment and political decisions postponed until after the 2012 election.
- Sluggish growth into the first quarter of 2013.
- Interest rates stay low through 2013, at least.
- U.S. housing market will remain steady with no major movement
- San Antonio housing market should show some modest improvement but no major upgrade

Reasons for Optimism

- Relentless population growth in Texas
- Texas job growth double the national rate

- Austin continues to grow in jobs & pop

- Four years of pent up demand
  - Retiring
  - Moving to a new location
  - Buying a house
  - Expanding a business
  - Relocating a business to Texas

Albert Einstein

“If we knew what we were doing, it wouldn't be called research, would it?”

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