



Texas Economic and Housing Outlook 2019

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2018 a Very Good Year Economically For Texas

- Rebound from Harvey in 2017 strong, but dragging
- State **GDP** +6% (2Q18) #1 in U.S. [estimate ~4.5% 2018 total]
- **Personal Income** +5.1% (3Q17-3Q18)
- **Oil Prices** >\$70 until 4Q
- **Population** increased 379,128 to 28,701,845
 - 190,951 natural increase (50.3%)
 - 104,976 foreign immigration (27.7%)
 - 82,569 domestic immigration (22%)
- **Jobs** increased 391,800 +3.2%

Texas Economic Outlook: 2019

Positive but Slower Growth Than 2018

Upside

- ❑ **U.S. Economy** stays relatively strong
- ❑ **Employment:** ~2.7% from 2.9% in 2018
- ❑ **GDP:** 4% 2019 from ~4.5% 2018
- ❑ **Energy sector** neutral; oil prices \$40-\$60/bl., production up
- ❑ **Population** expansion continues but at slower pace
- ❑ **Exports** doing well and contributing to economy – trade agreements add uncertainty
- ❑ **Retail Sales** steady but not significantly higher

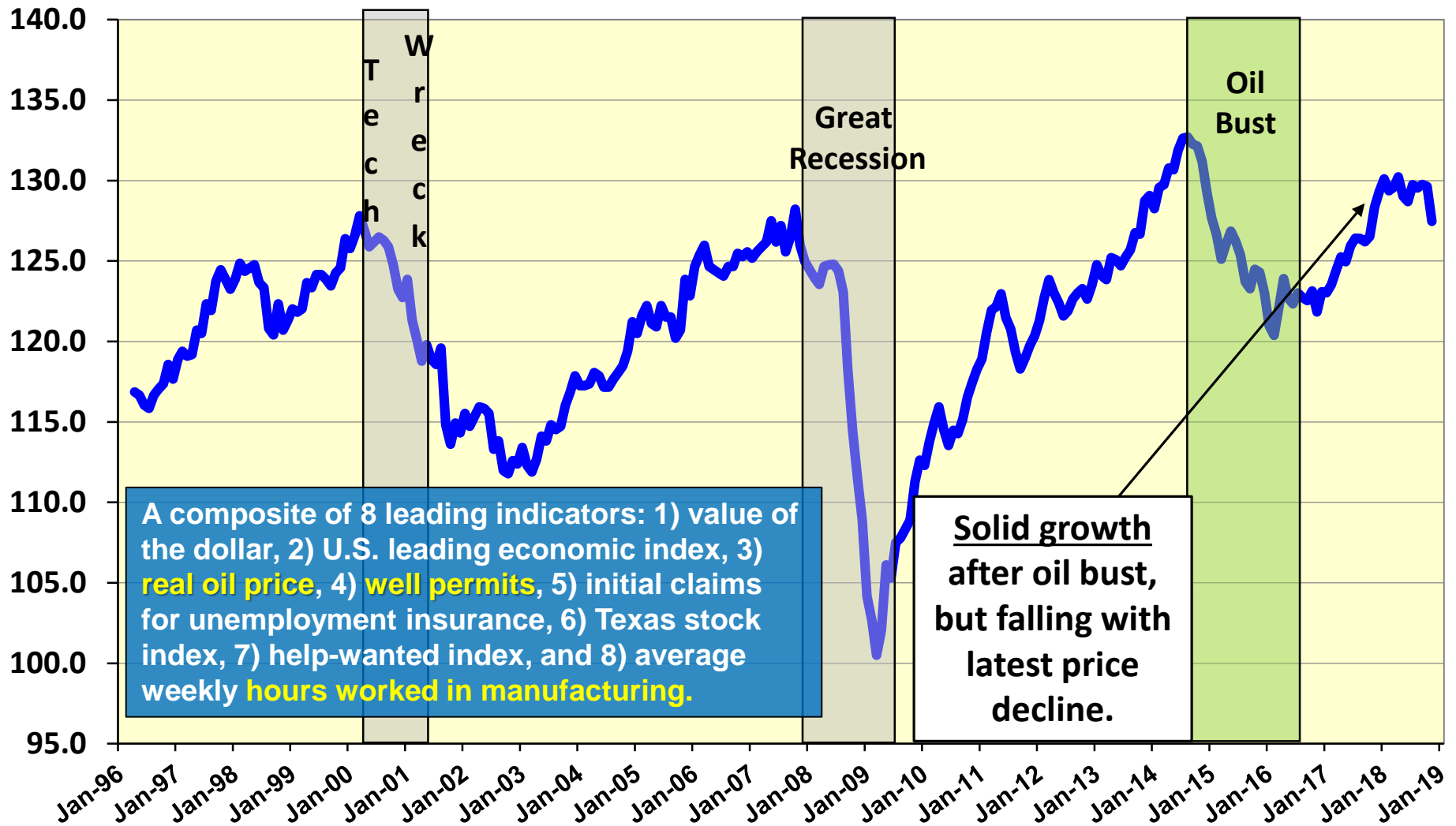
Texas Economic Outlook: 2019

Positive but Slower Growth Than 2018

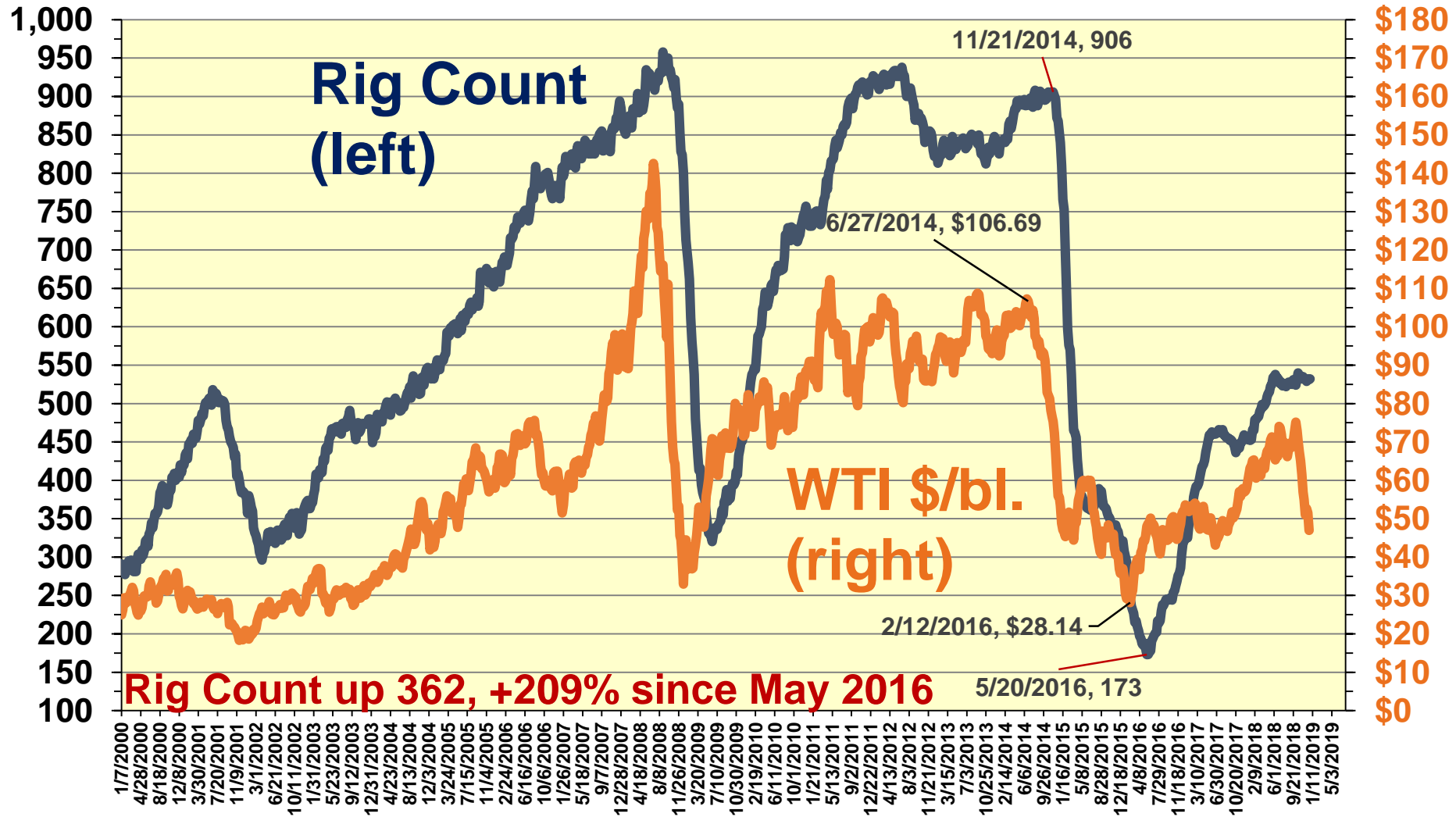
Downside: U.S. & Global Issues

- ❑ **Greatest headwinds from psychological impacts and counter-productive political-fiscal-monetary actions**
 - ❑ **Treasury & Fed Monetary Policy - sell-off of Fed assets and financing 2019 deficit**
 - ❑ **Fed increases rates too much, too fast**
 - ❑ **Yield curve shifts create uncertainty**
- ❑ **Housing market softer, new construction flat & higher unaffordability growing concern**
- ❑ **Global economic flattening: growth slower than expected**

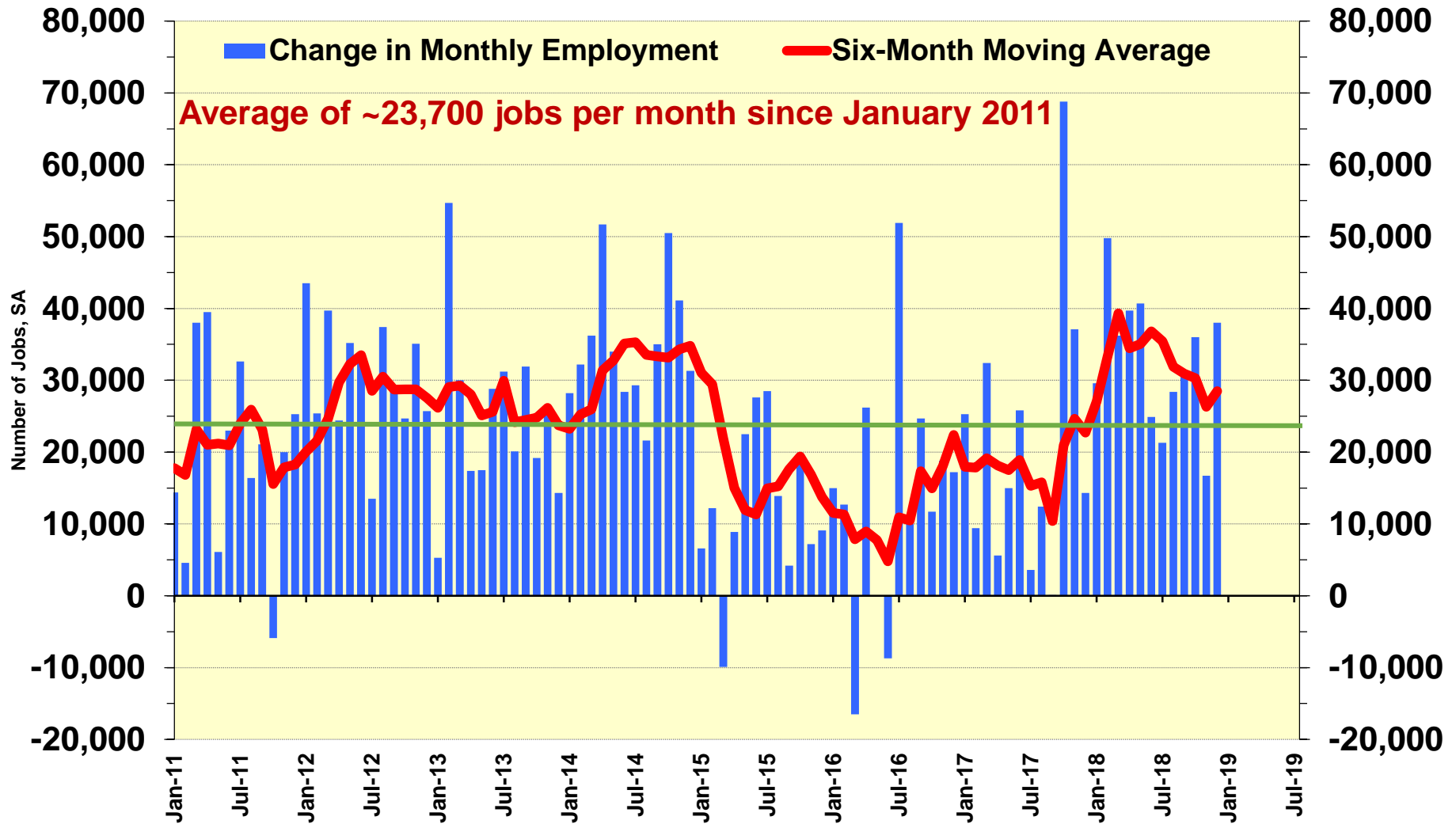
Texas' Leading Economic Index



Weekly Active Texas Rig Count & Price of WTI



Monthly Change in Total Nonfarm Employment Texas



Texas Growth

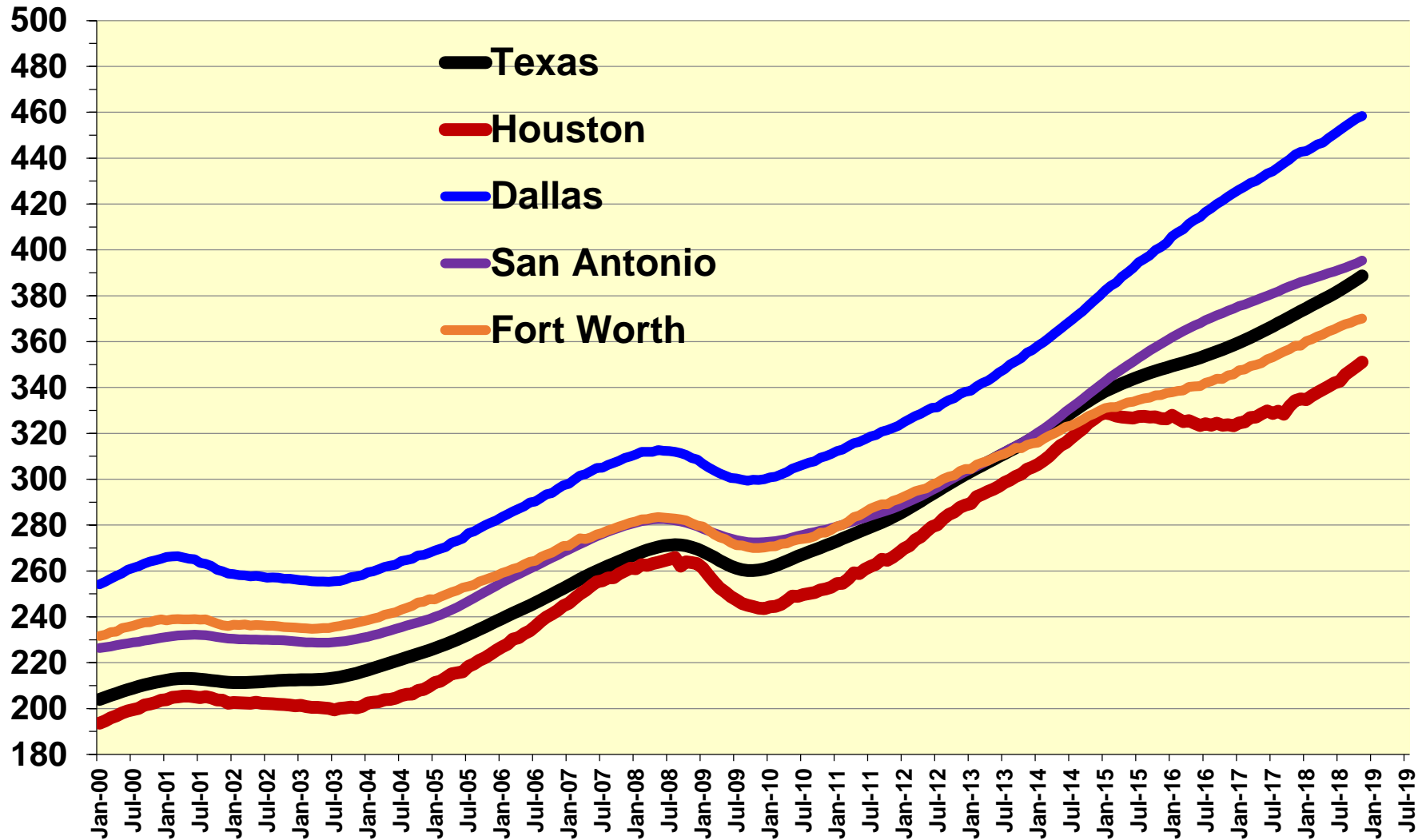
Year	Jobs, NSA (Dec-Dec)	Population (July-July)	
2010	215,800	439,887	
2011	236,400	402,776	
2012	374,400	433,903	2010-2018 +3,881,963 people +2,496,700 jobs
2013	301,400	400,952	
2014	420,400	475,157	
2015	152,000	500,444	
2016	146,200	449,982	
2017	258,300	399,734	
2018	391,800	379,128	

Major MSAs Economic Outlook



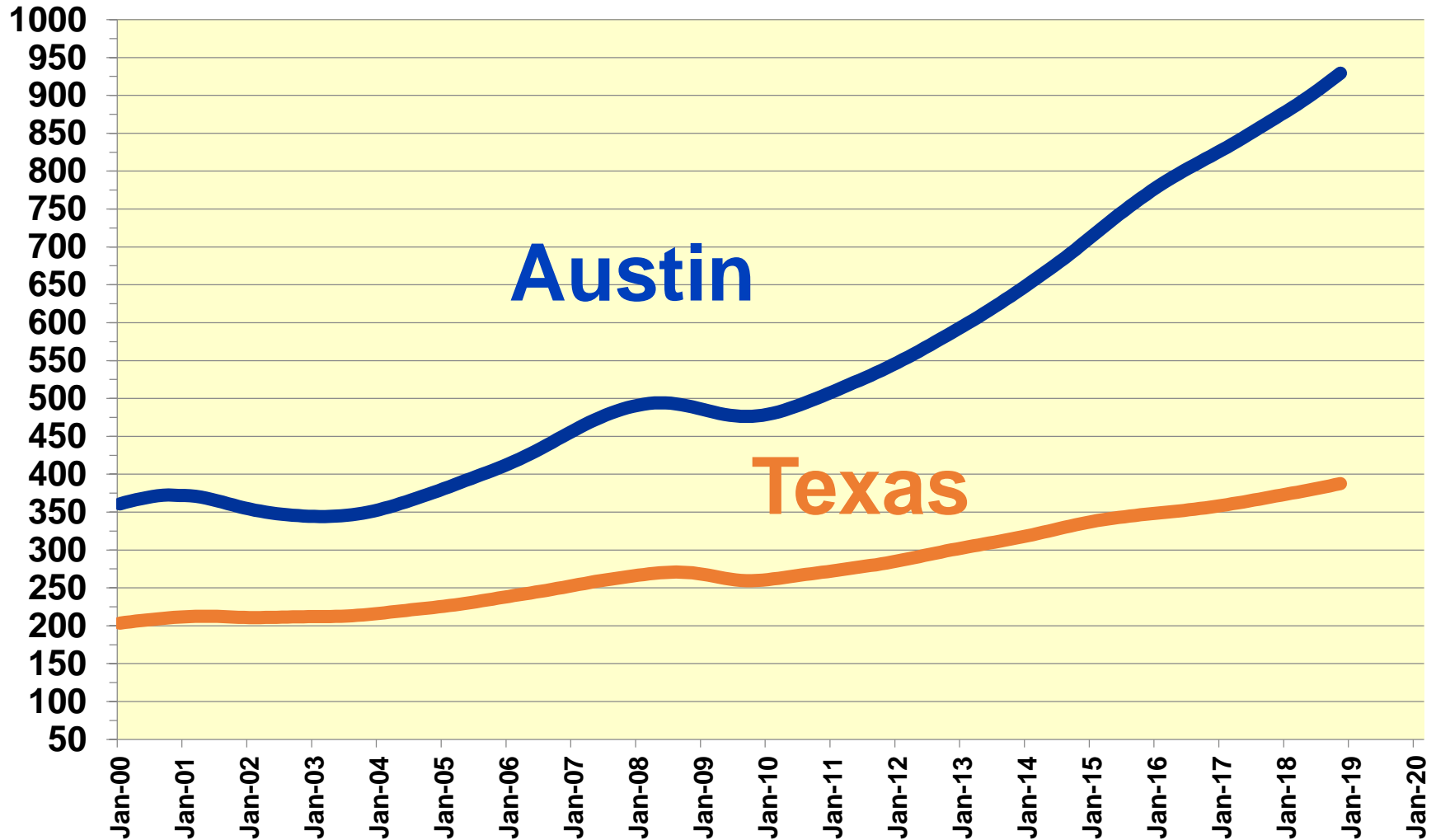
Business Cycle Indexes: Dallas, Houston Fort Worth, San Antonio & Texas

Months Seasonally Adjusted, 10/1980=100

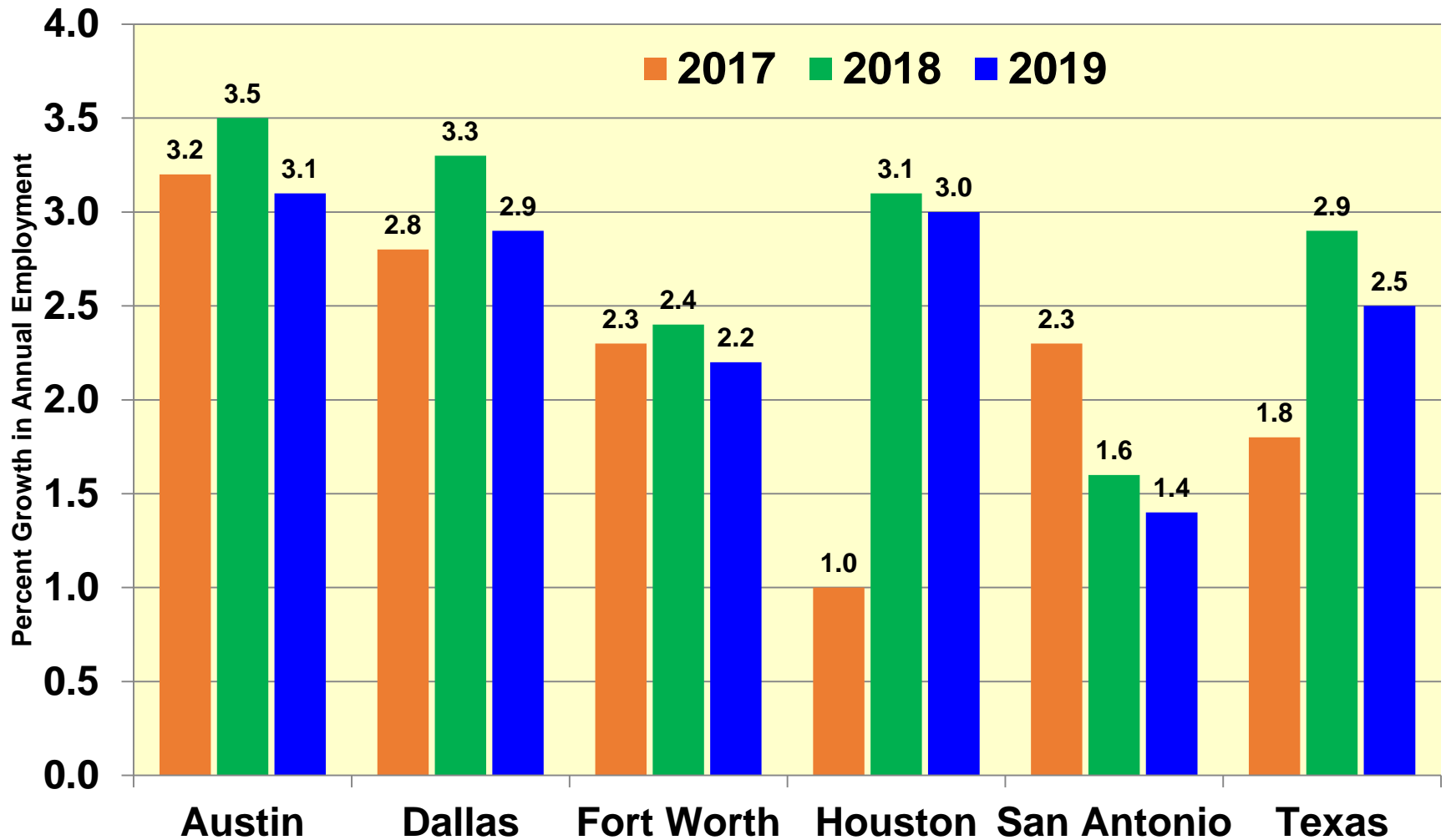


Austin & Texas Business-Cycle Indexes

Monthly, Seasonally Adjusted, 10/1980=100

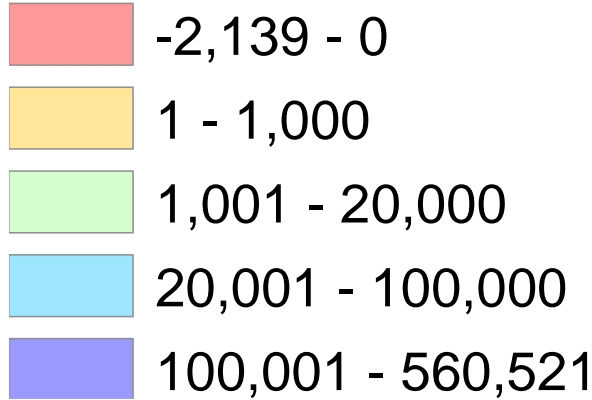


Texas Major MSAs Employment Growth 2017, 2018 & 2019

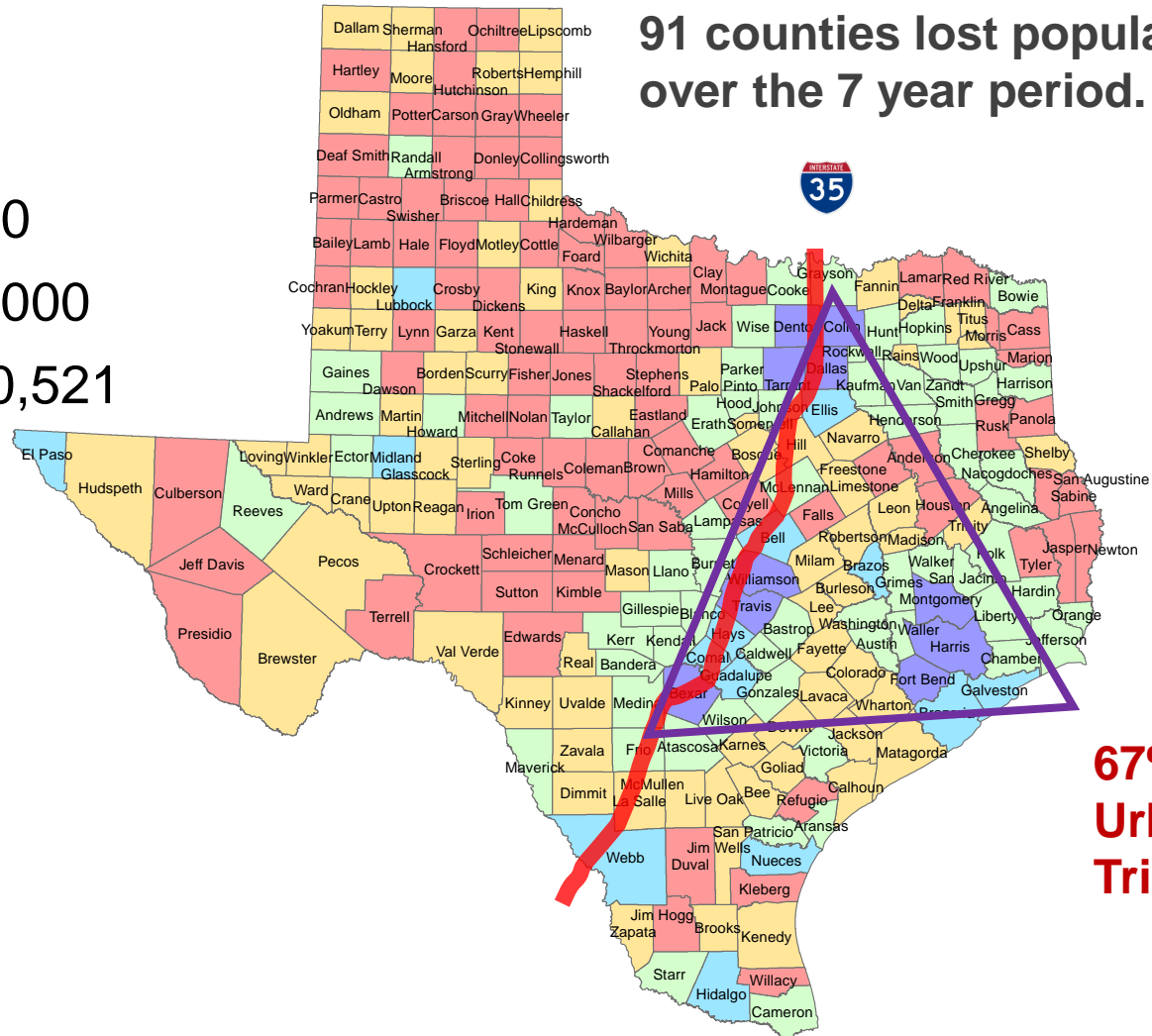


Texas Demographics

Estimated Population Change, Texas Counties, 2010 to 2017



91 counties lost population over the 7 year period.

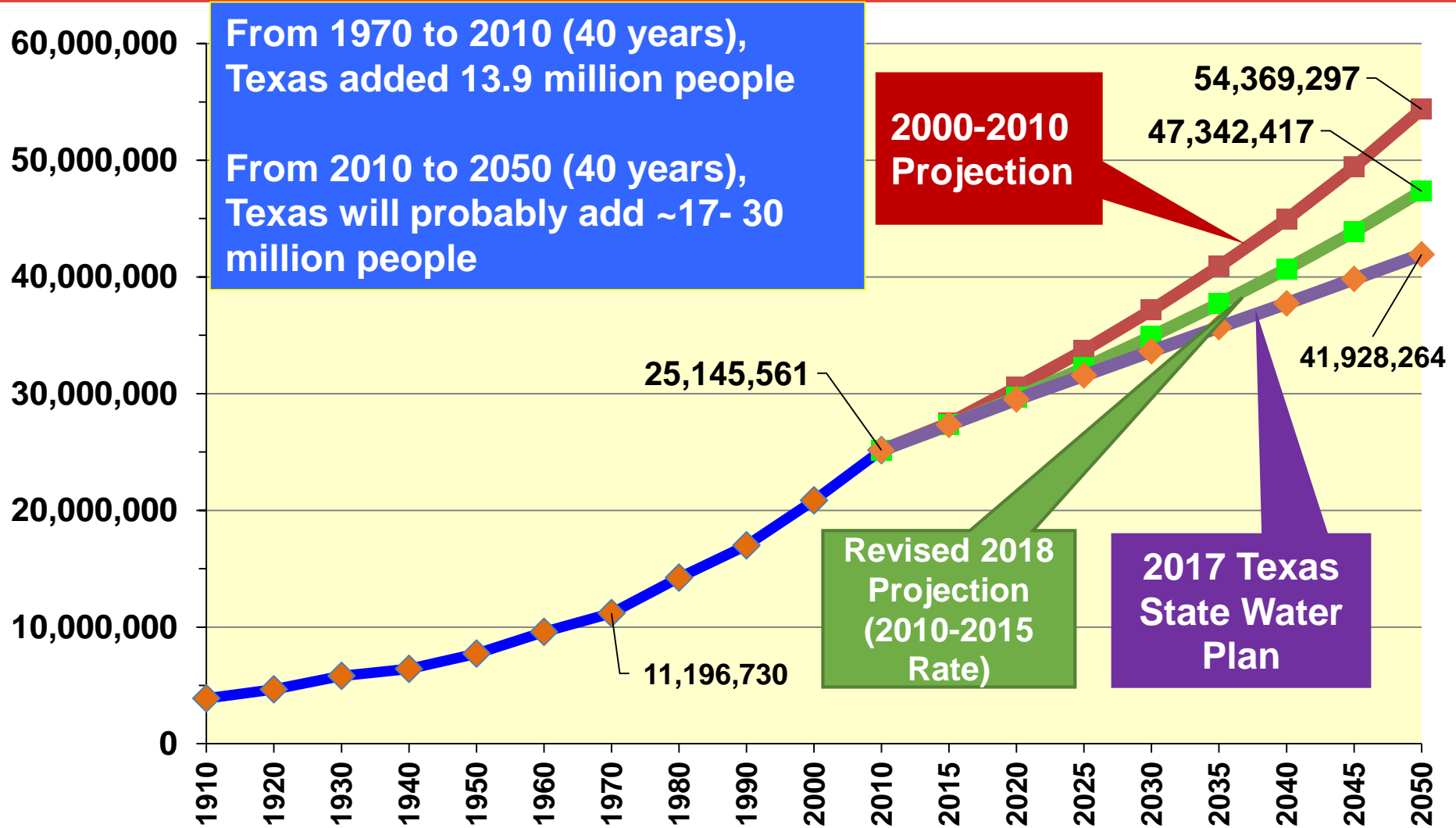


87% E of I-35

67% in Urban Triangle

Texas Population 1910-2050

2018 Population Projection & 2017 Texas Water Plan



Texas Housing Market

2018 Percent Changes in Key Housing Measures

	Sales	Average Price	Median Price	Months Inventory	Median Price/sf
Texas	1.8%	3.7%	4.5%	(3.4)9.8%	5.0%
Austin	1.4%	4.2%	3.9%	(2.3)9.7%	3.9%
DFW	-2.4%	4.1%	3.9%	(2.5)19.7%	5.7%
Houston	3.4%	2.7%	3.1%	(3.5)13.5%	4.2%
San Antonio	2.9%	4.2%	5.2%	(3.2)8.0%	5.5%

Texas Single-Family Housing Markets Expected to Slow Down in 2019

Single Family Forecast	2018 (%)	2019 (%)	2020(%)	1991-2018 (%)
Texas				
Housing Permits	5.7	2.1	1.0	5.4
Sales	1.8	0.9	3.4	4.6
Price per square foot	4.4	4.0	4.7	4.8
Austin				
Housing Permits	9.6	0.2	1.3	11.4
Sales	2.3	2.8	3.0	6.1
Price per square foot	4.5	4.0	5.8	6.3
DFW				
Housing Permits	5.3	3.3	0.6	4.7
Sales	-2.2	0.3	2.4	5.0
Price per square foot	5.3	4.4	4.9	4.6
Houston				
Housing Permits	4.1	0.1	3.0	5.9
Sales	3.5	1.1	4.3	3.9
Price per square foot	3.1	4.6	5.1	5.3
San Antonio				
Housing Permits	9.7	10.5	1.4	7.9
Sales	2.3	-1.0	6.7	6.8
Price per square foot	5.2	3.9	4.5	4.6

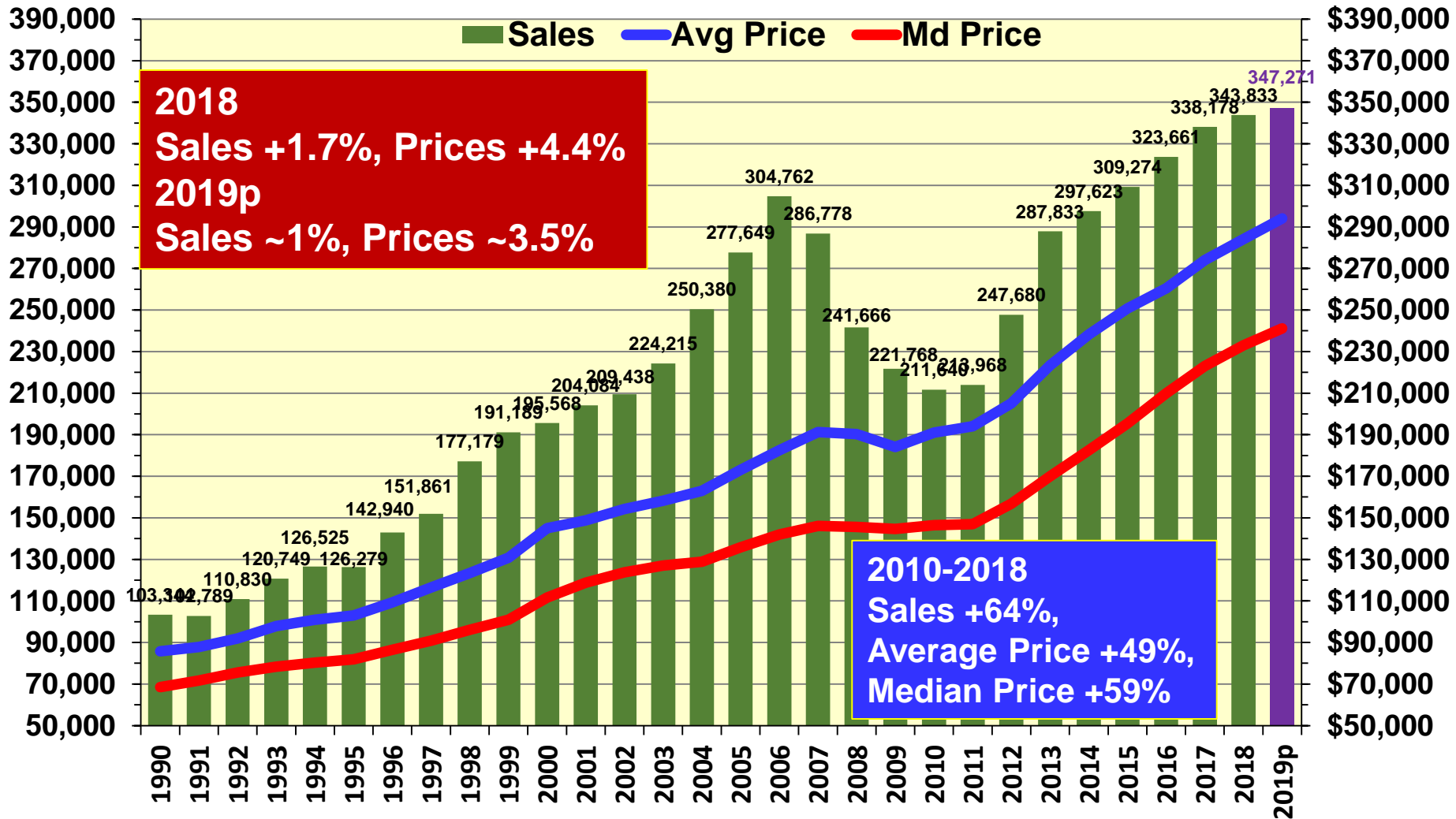
Note: Estimated with October/December 2018 data. 2018 Housing Permits are forecasted.

2019 Home Market Slowdown

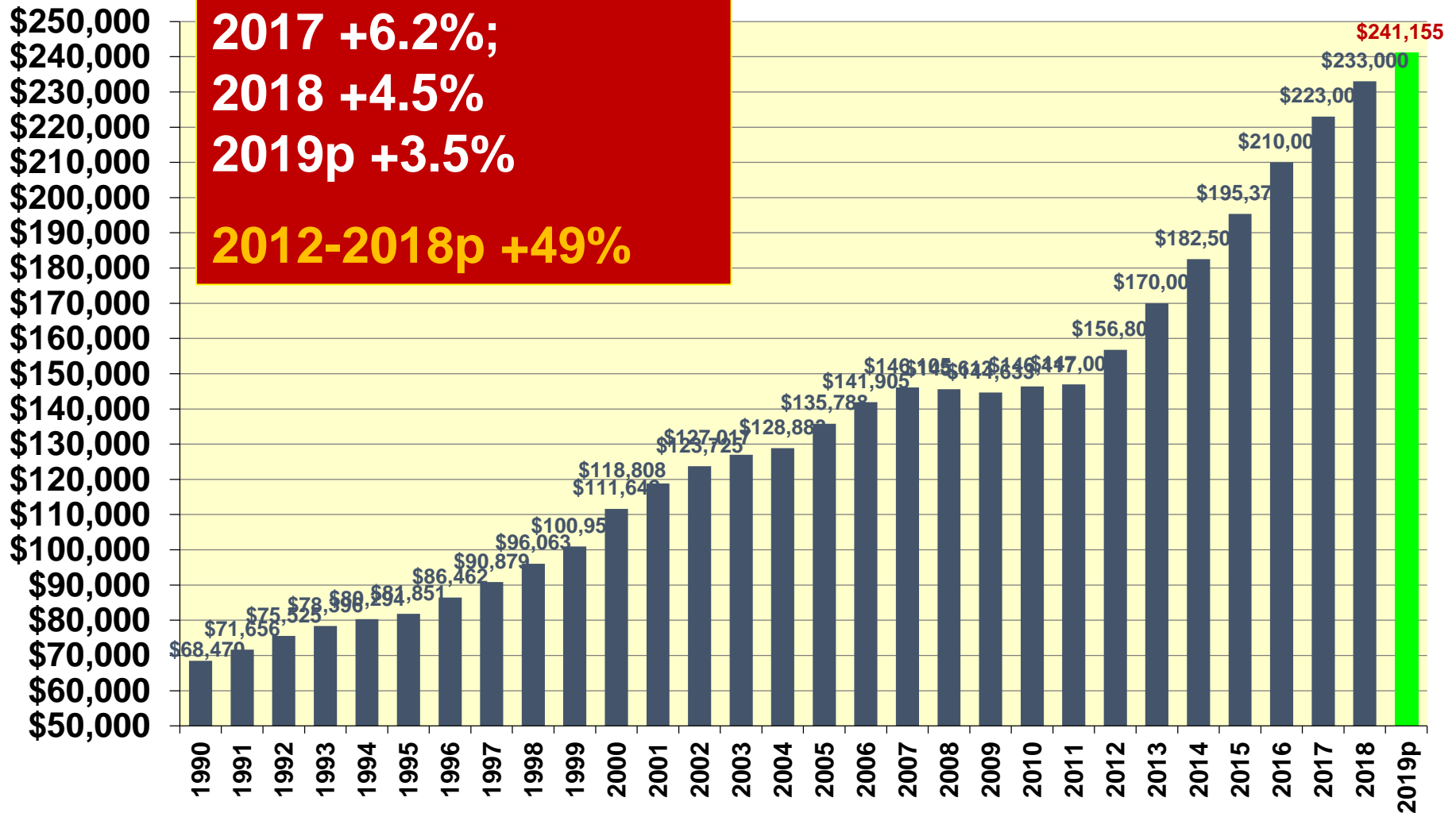
Factors that may create a drag on home-buying demand

- **Limited inventory availability**
- **Higher prices - Affordability & Price Fatigue**
- **Increasing interest rates**
- **Concerns about general economy – fear of recession or jobs**
- **Negative press coming off record year(s)**

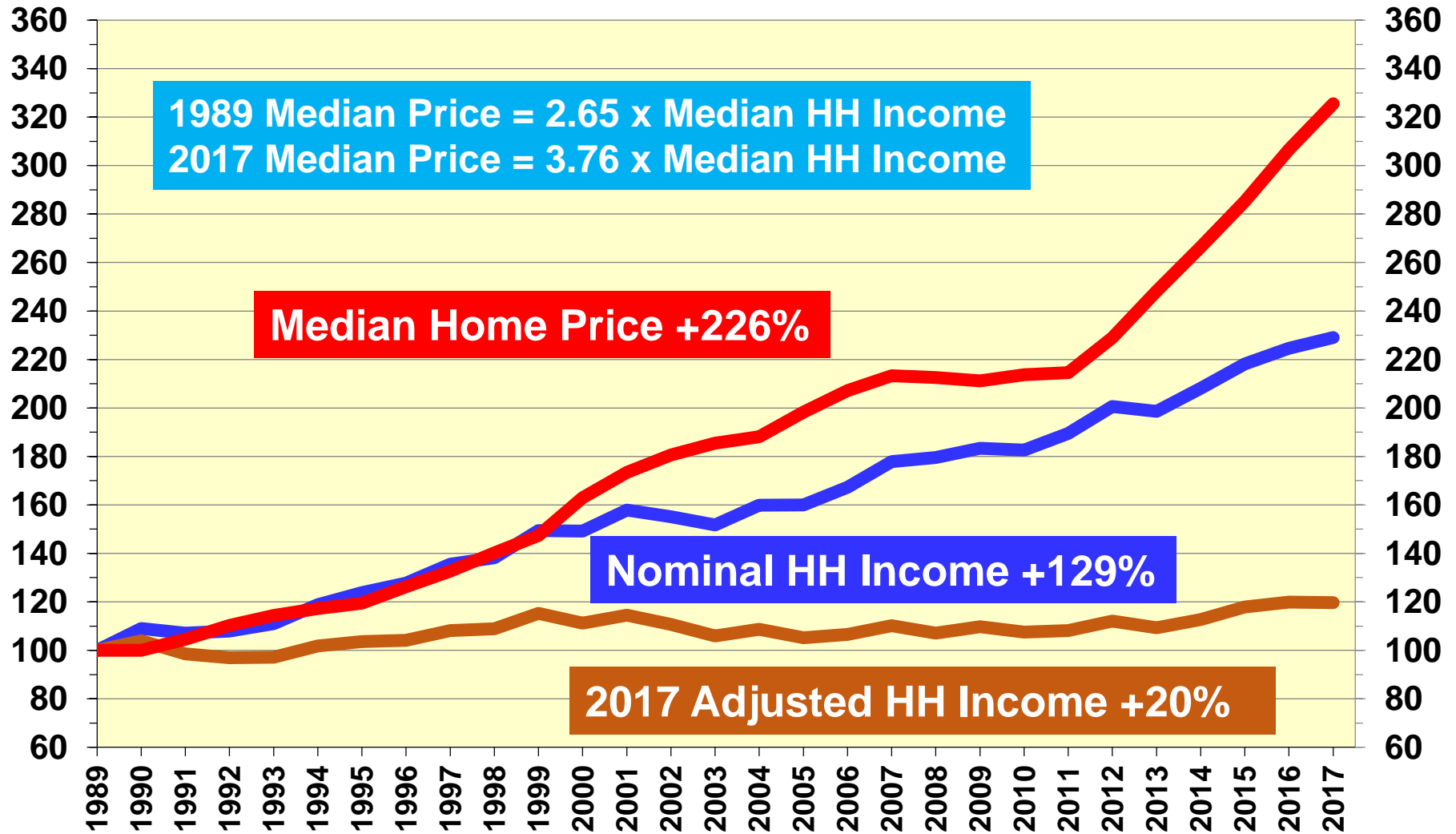
Annual Texas Home Sales & Prices



Texas Median Home Prices Continue to Climb

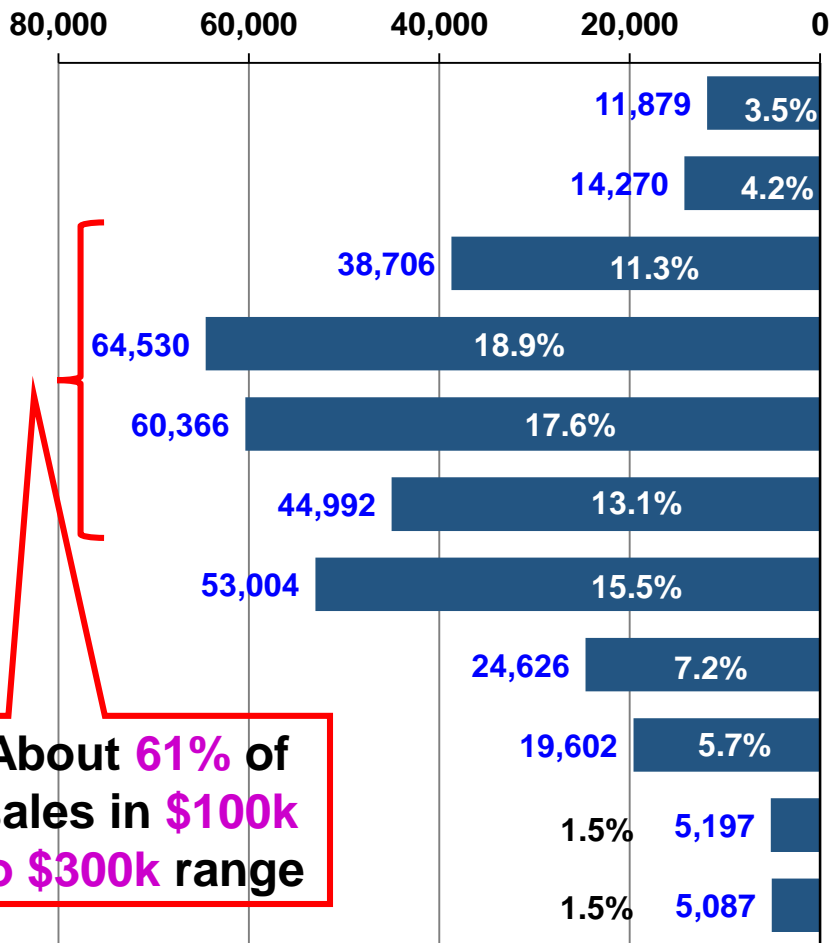


Texas Median HH Income & Median Home Price Indexed to 1989



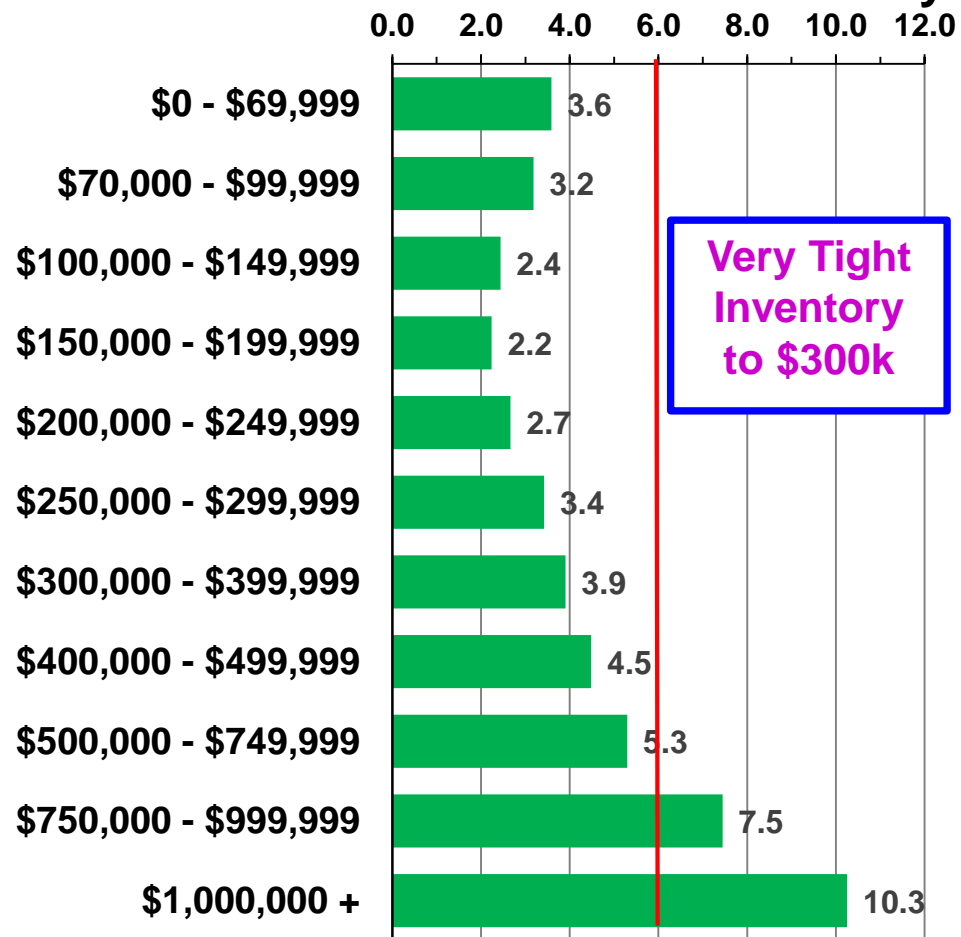
Texas 2018 Sales and Months Inventory by Price

2018 Sales



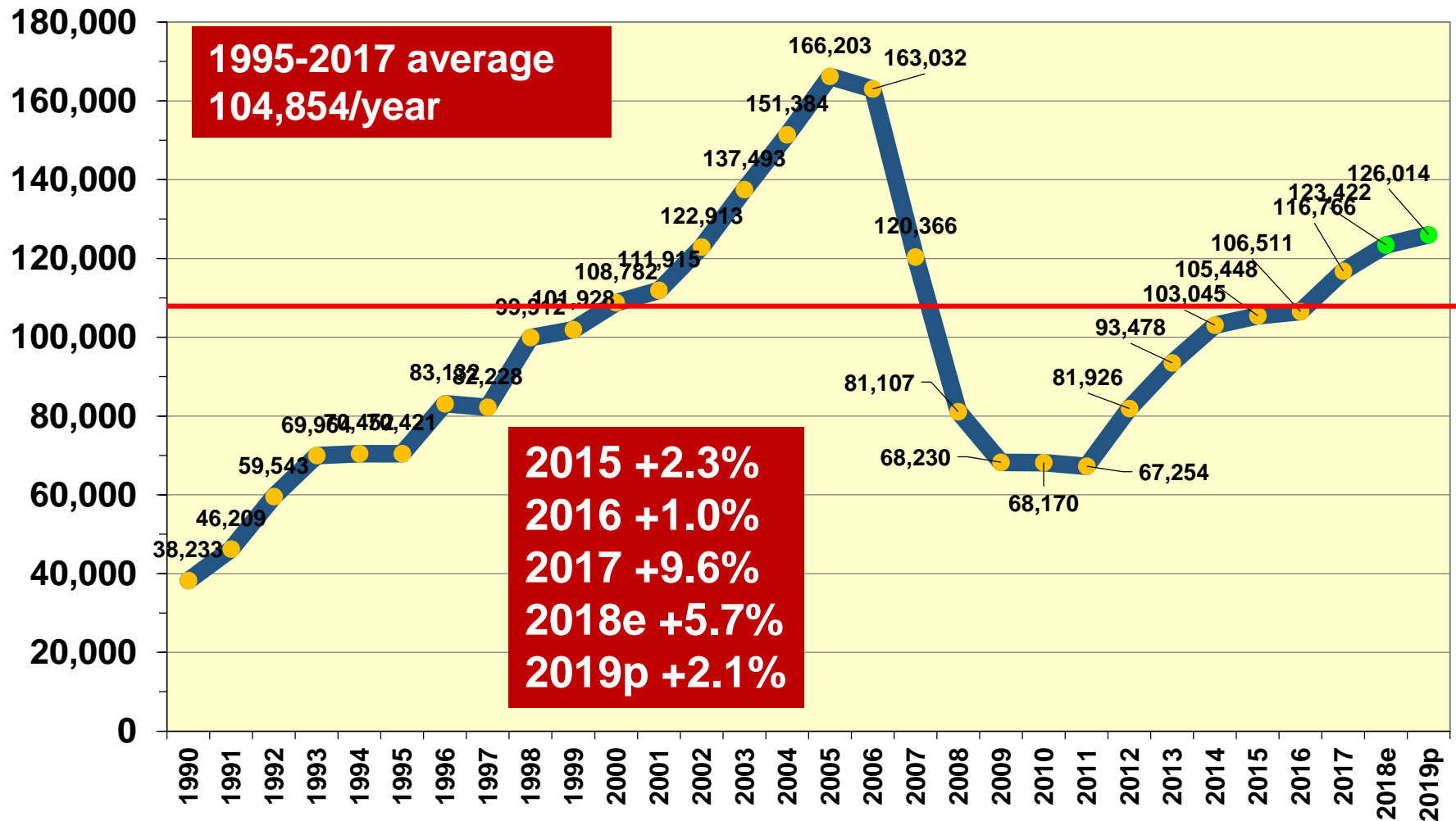
About 61% of sales in \$100k to \$300k range

Current Mos. Inventory

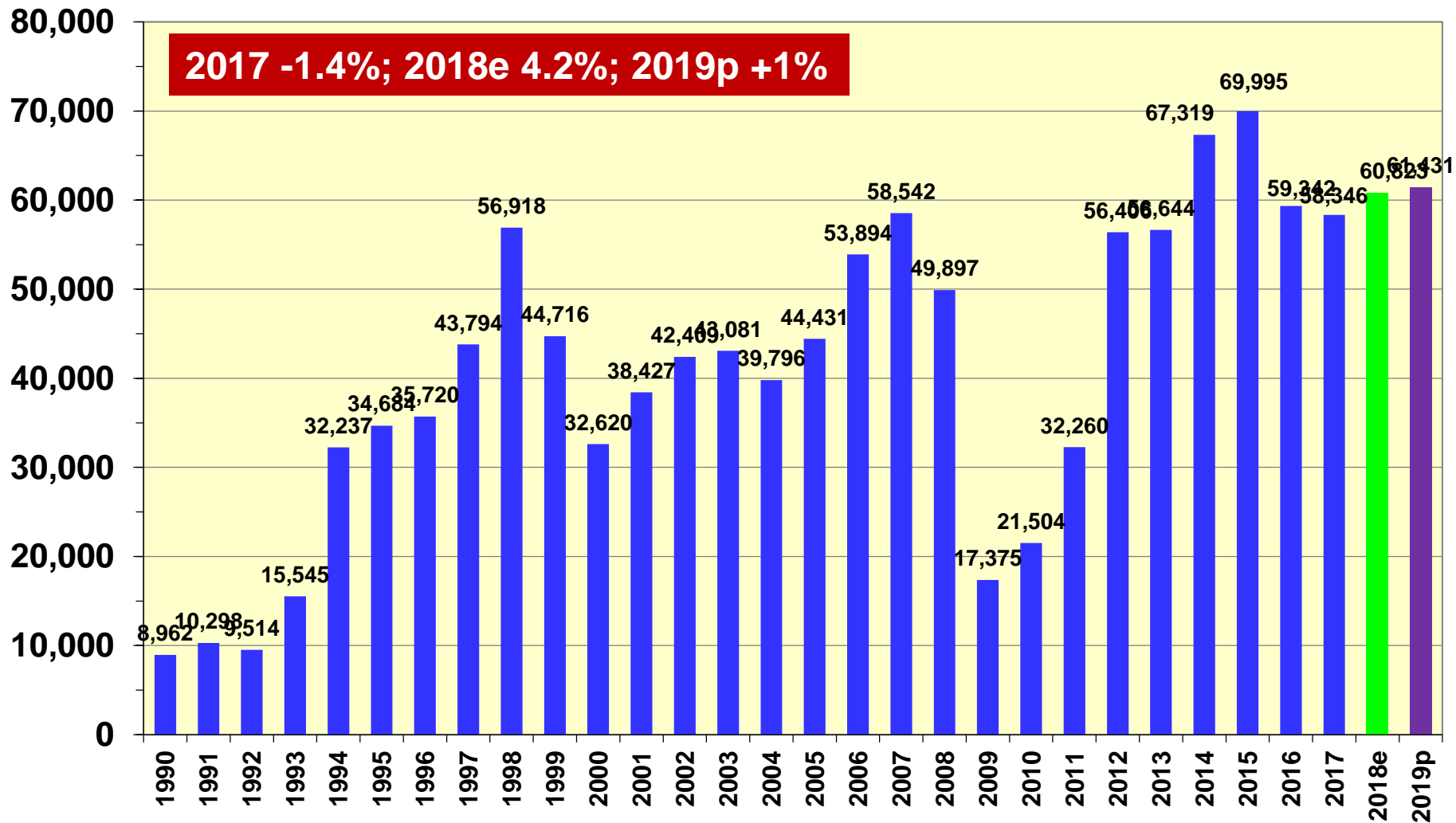


Very Tight Inventory to \$300k

Texas SF Building Permits

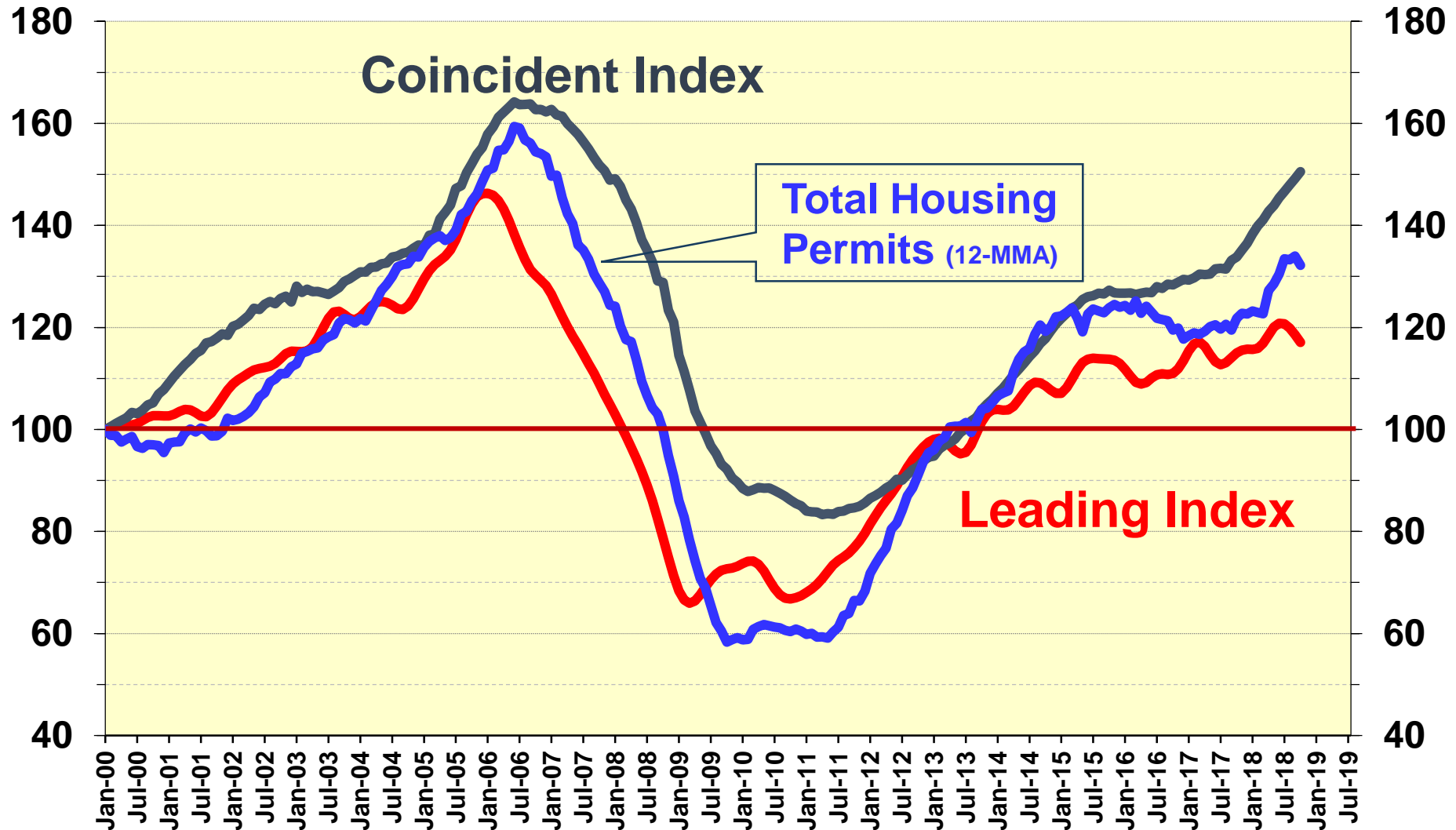


Texas MF Building Permits



Texas Residential Construction Leading and Coincident Indexes

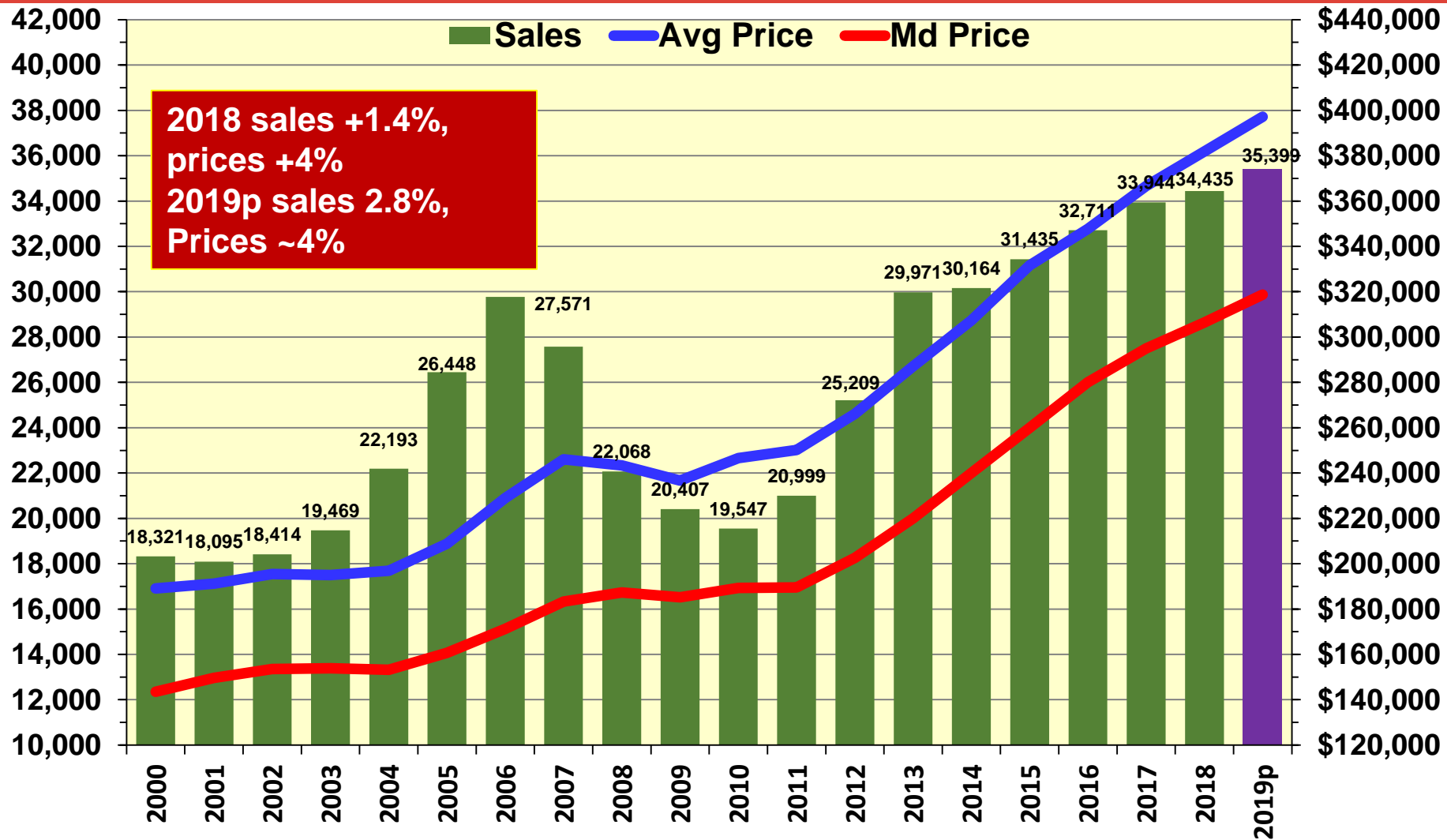
Jan 2000=100



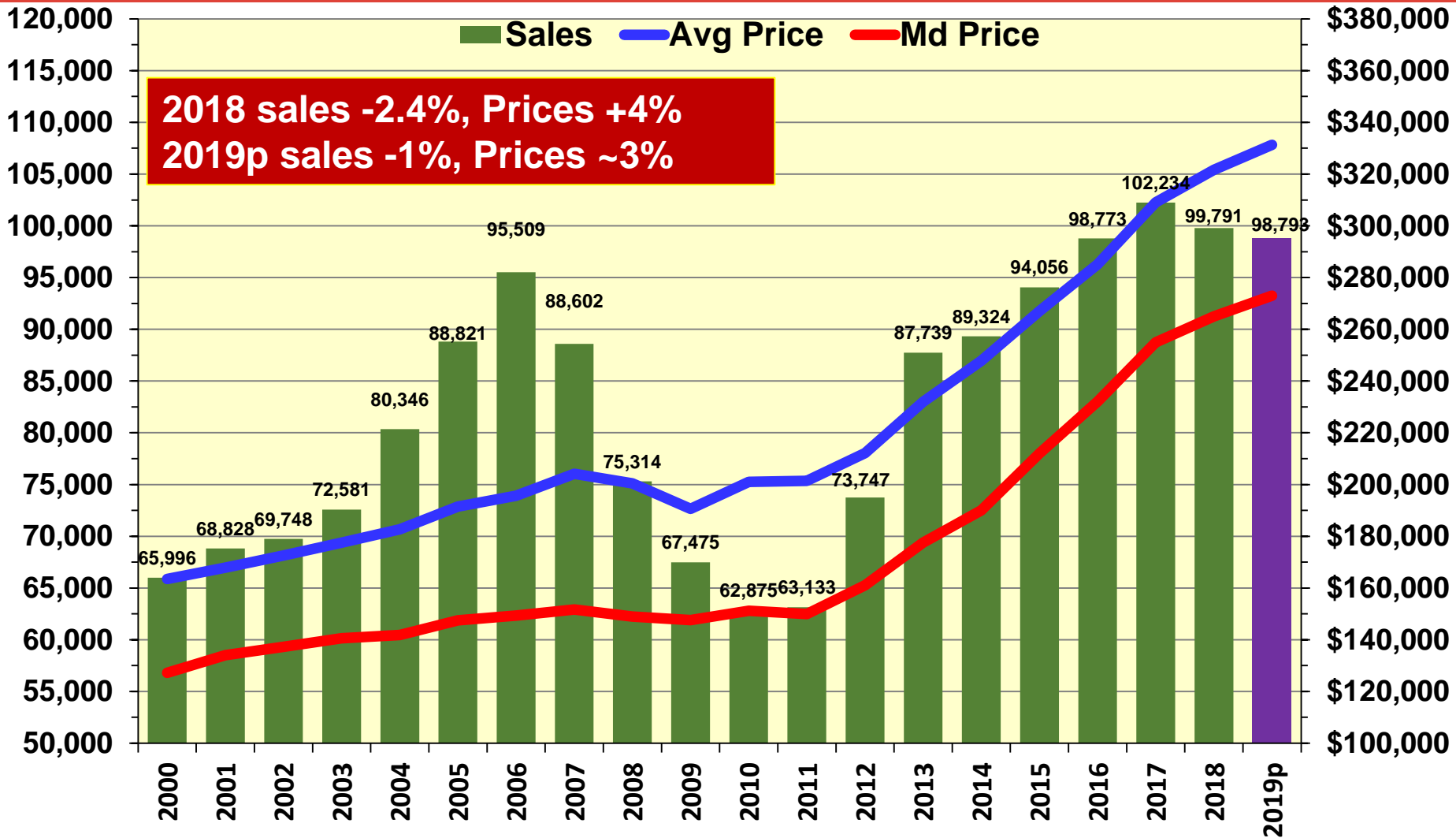
Housing Markets Around the State

Austin Home Sales

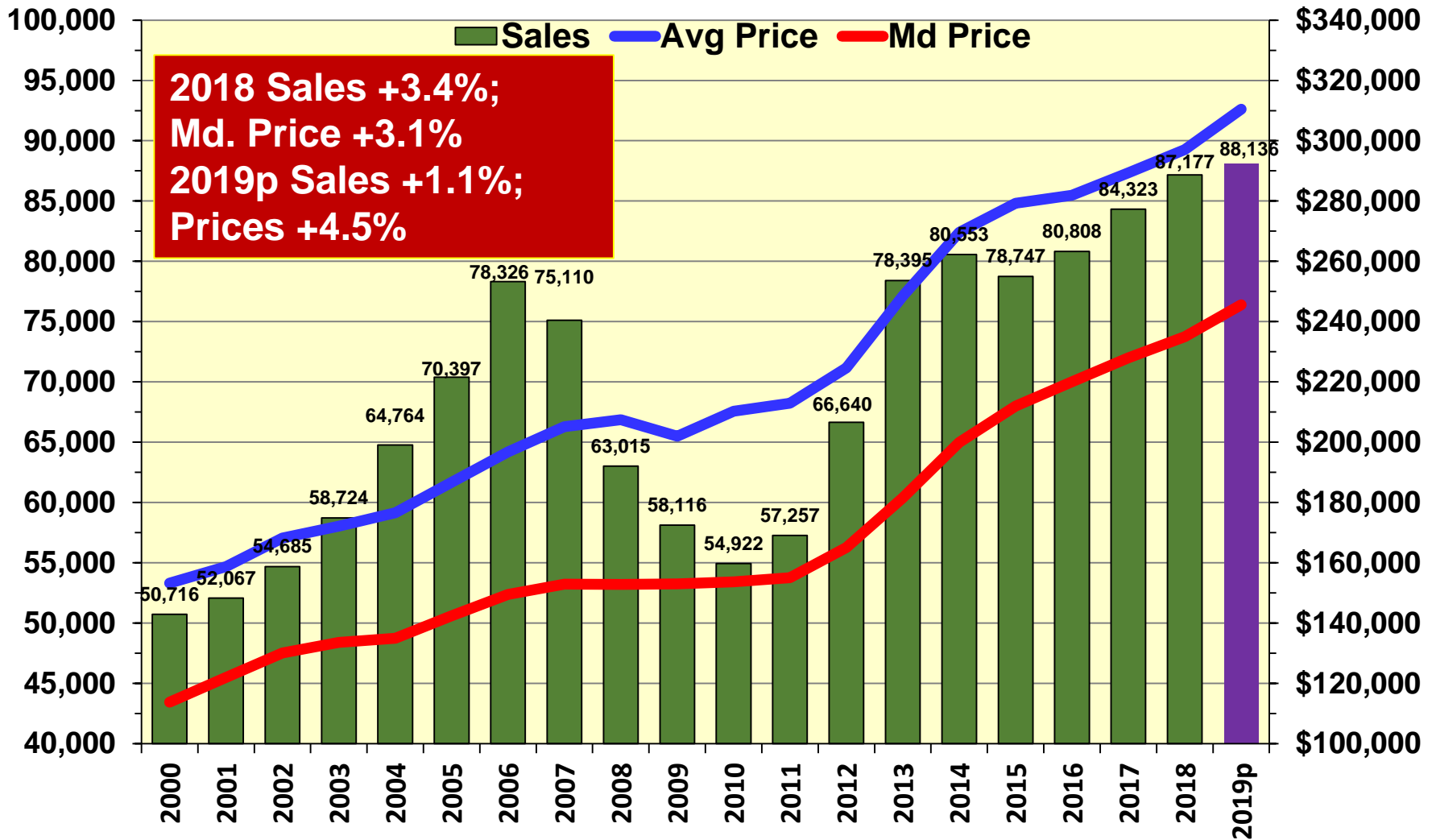
Bastrop, Caldwell, Hays, Travis & Williamson Counties



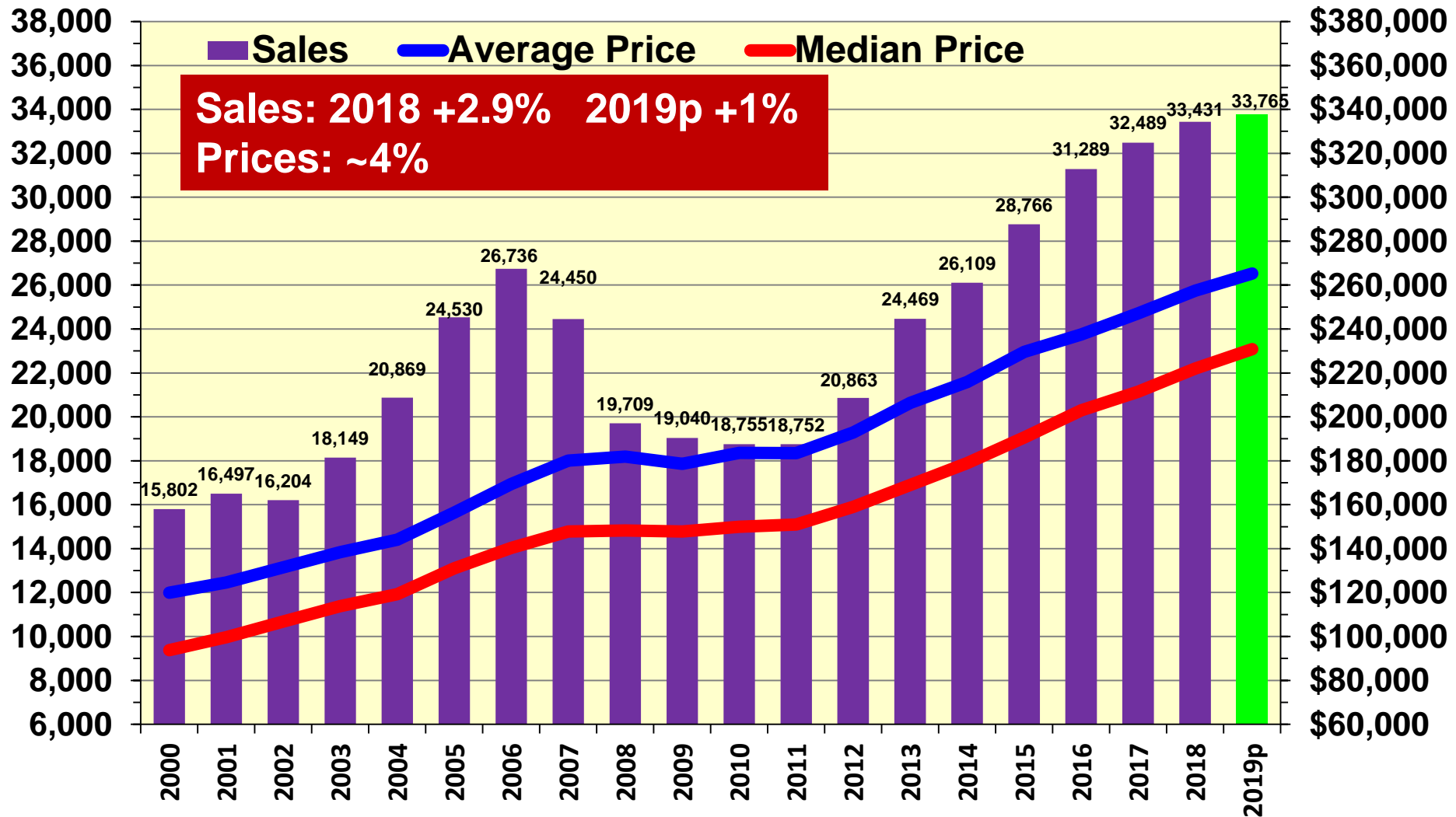
D-FW Home Sales



Houston Home Sales



San Antonio Annual Home Sales



2019: Cautious Optimism

- **Economy is still doing fine; 2019 Positive Growth at Slower Rate**
- **Uncertain interest rates**
- **Selective, limited housing inventory available to sell**
- **Different marketing and communications to prospective buyers**
- **Builders/Developers Rethinking Designs & Processes**
- **Changing loan underwriting requirements and standards**
- **Pricing difficult both for listings and for sales**
- **Office market seems to have reached bottom, while retail and warehouse will continue to register strong growth**

Texas 2019

What, Me Worry?





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