

T A  C D C

Economic and Housing Outlook: 2020-21

Dr. James P. Gaines

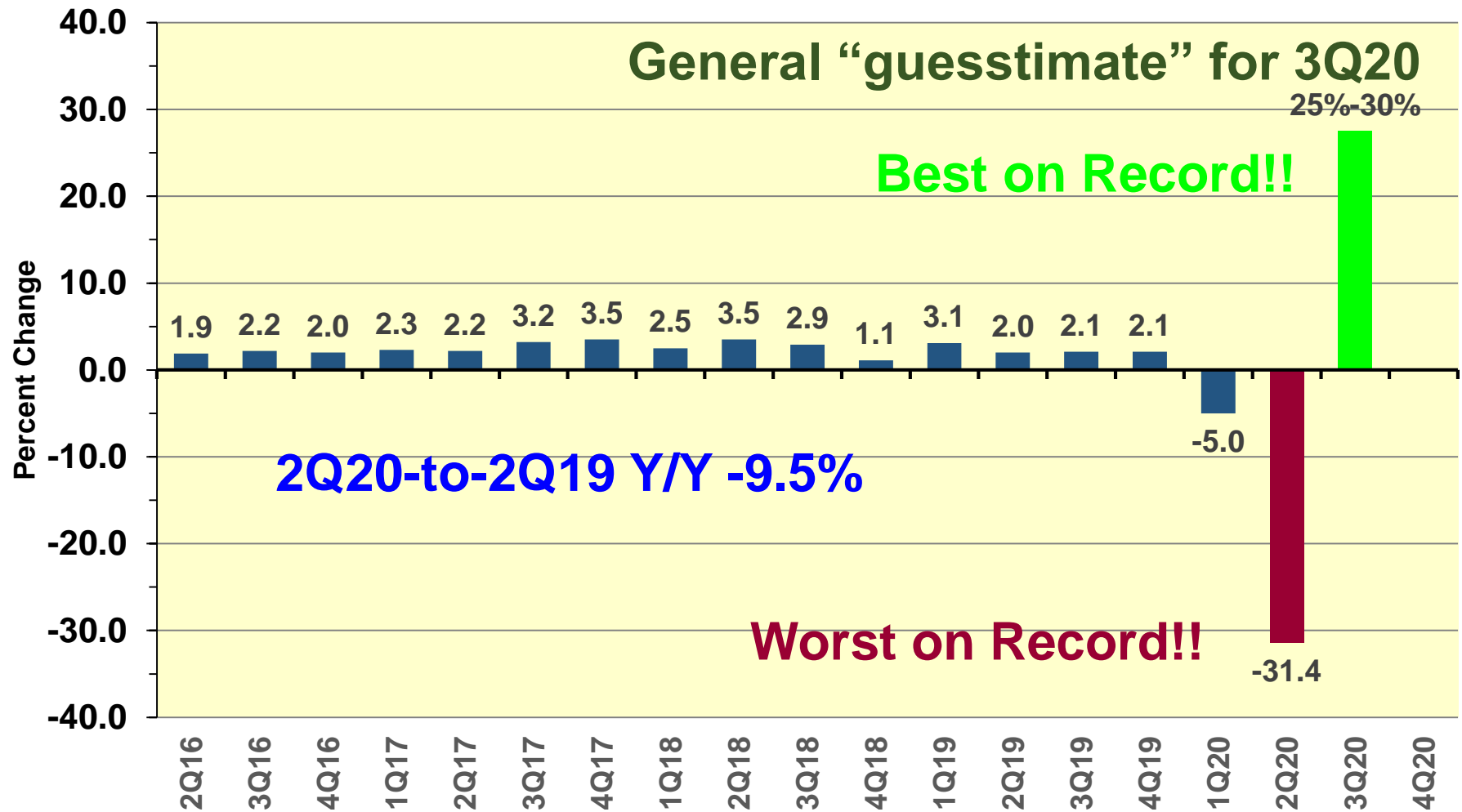
Chief Economist



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY

recenter.tamu.edu

Annualized Percent Change in Real GDP: **We're Officially in Recession!**

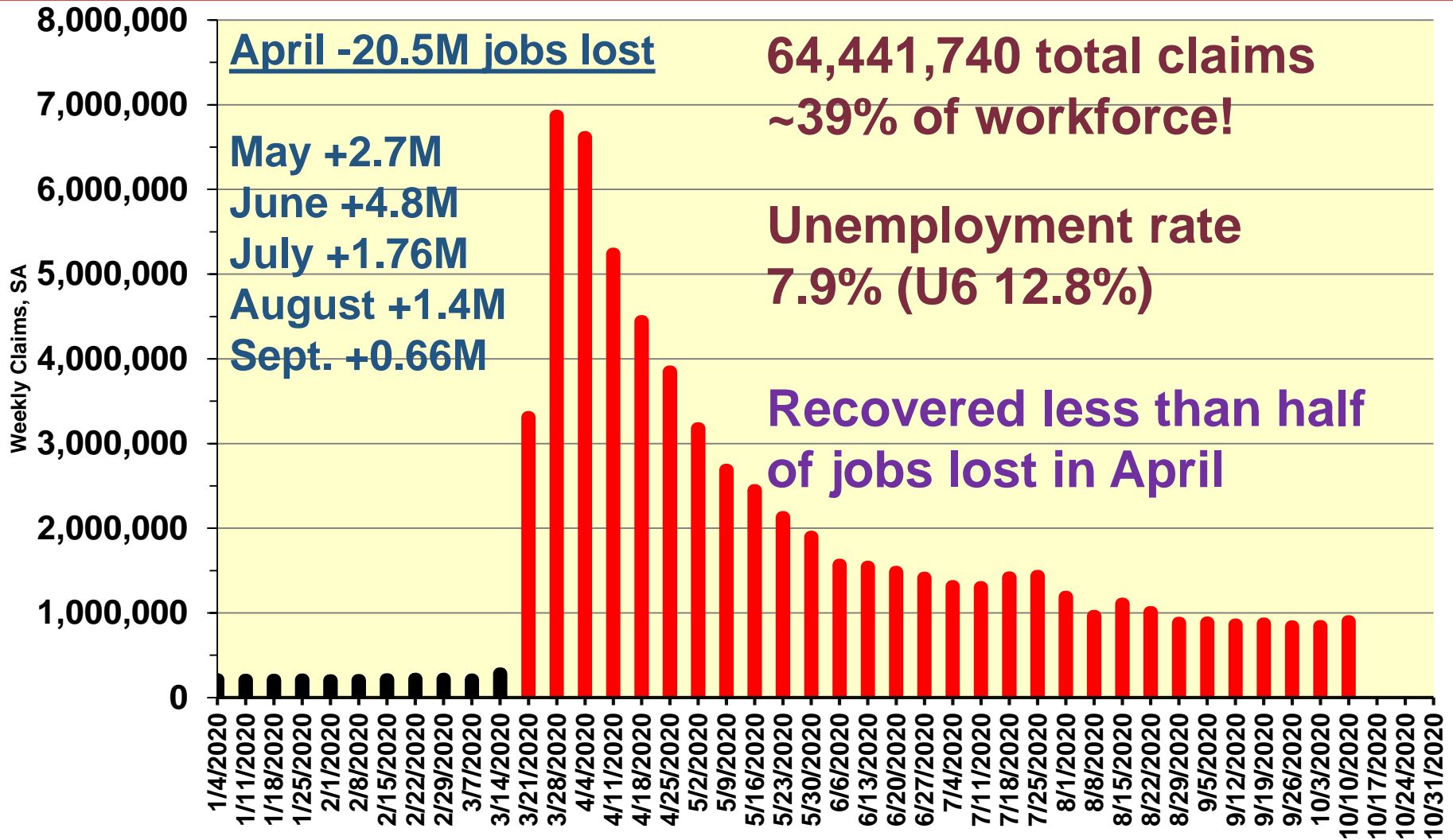


So How Bad Is It?

“Worst on Record” 2Q20

- **U.S.** unemployment **claims** >64M March 15 – October 10, ~38% of jobs;
- **Texas** unemployment **claims** >3.6M; ~25% of jobs;
- **Oil price** ~\$40 per barrel – some recovery, not enough
- ~3M **mortgages** in forbearance, ~5.5% of total; trending downward good sign, but worrisome
- Federal **deficit** will reach ~\$4 Trillion this year; total Federal Debt > GDP; Treasury borrowed ~\$3T in 2Q20

U.S. Weekly Unemployment Claims

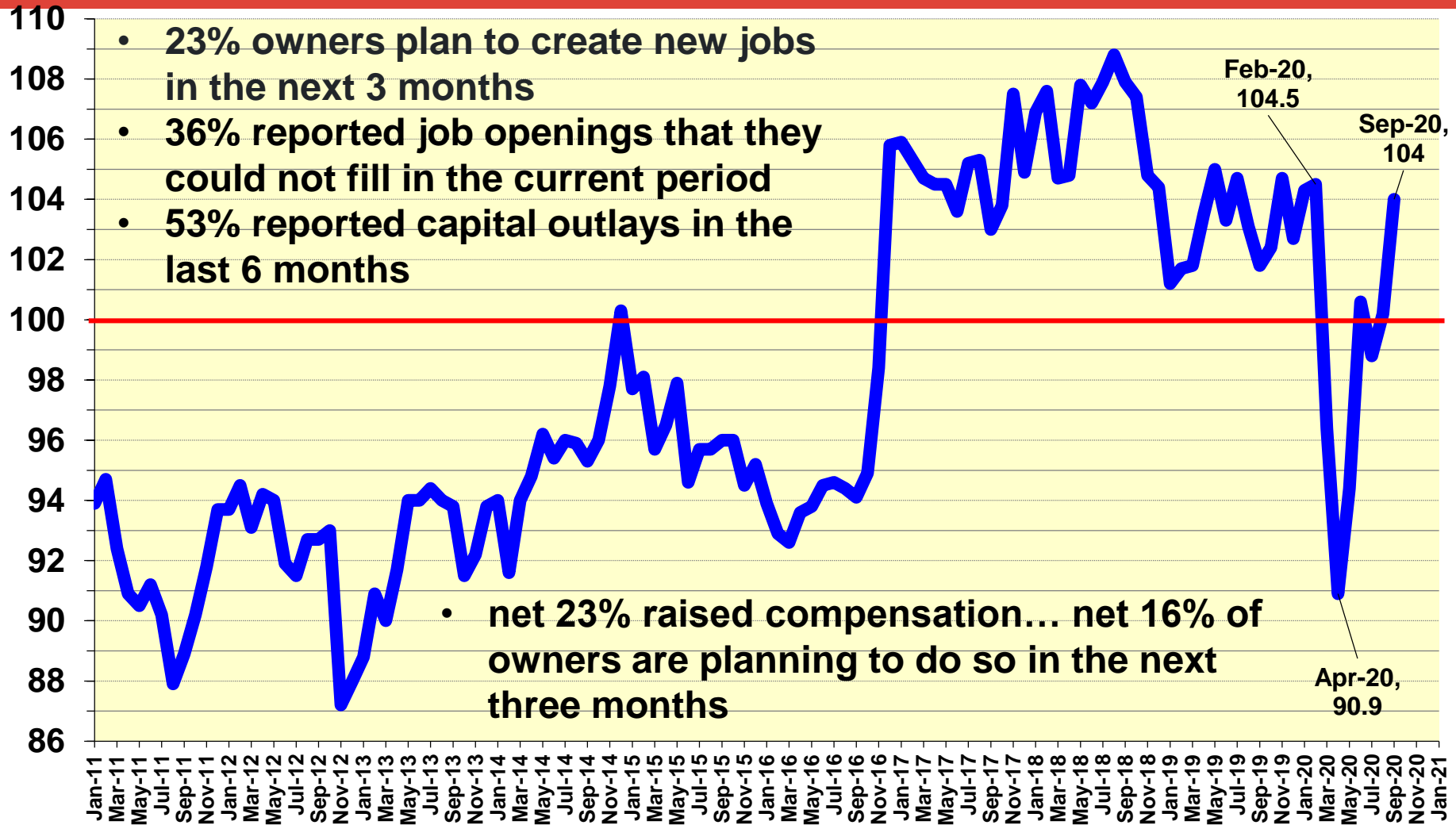


Recovery: What's It Going to Take?

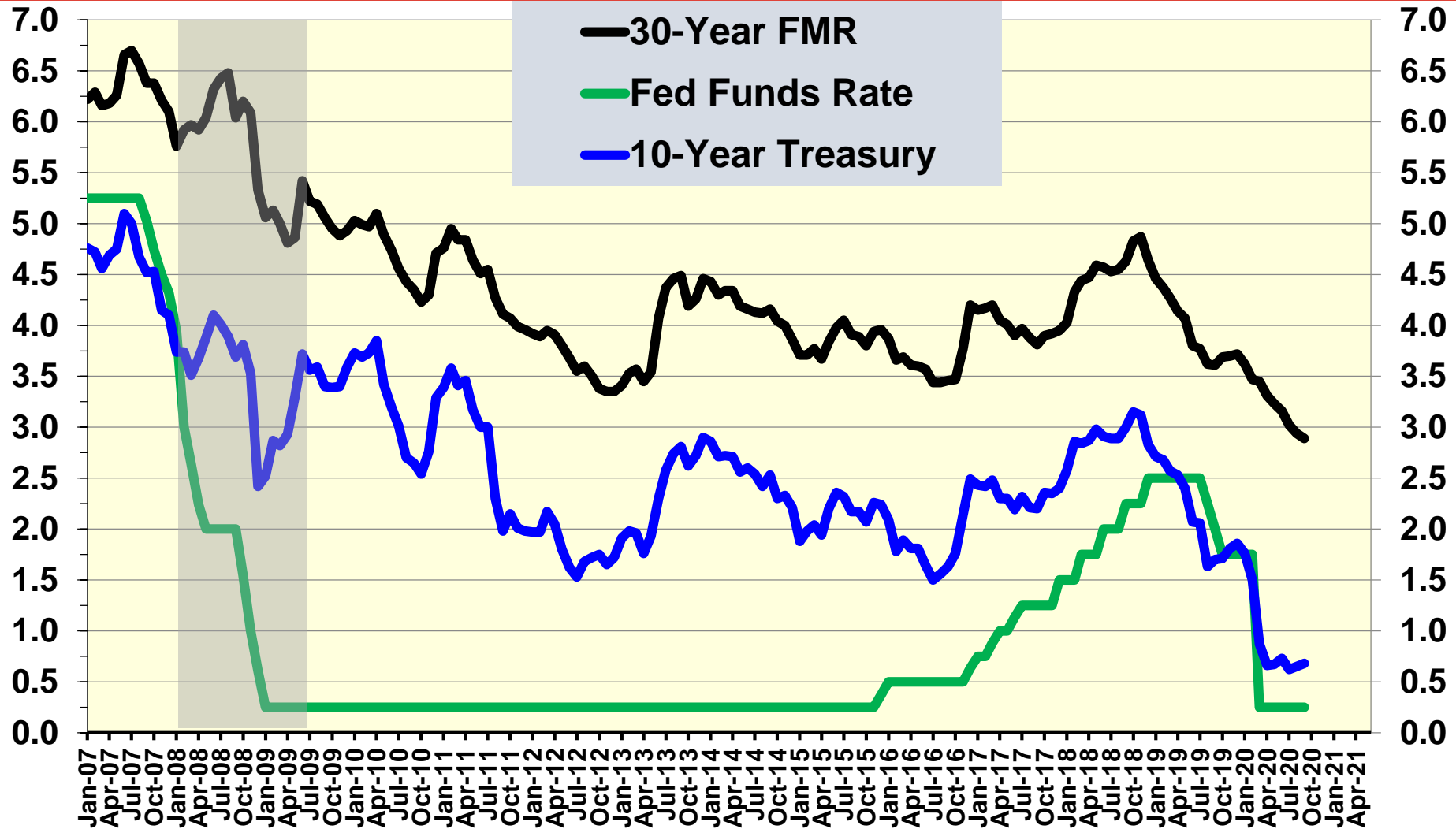
- Get **virus under control** – probably won't go away completely
- Re-employ people: **jobs, jobs and more jobs**
- Increase overall **Demand**: consumer & business spending – good start so far but sluggish
- **Inflation** not immediate concern, but will be later
- **Interest rates** will stay low for some time
- **Taxes & Government Spending** at all levels will be difficult: Federal, state and local taxes will increase **eventually**

NFIB Small Business Optimism Index

(Overall Index, SA 1986 = 100)



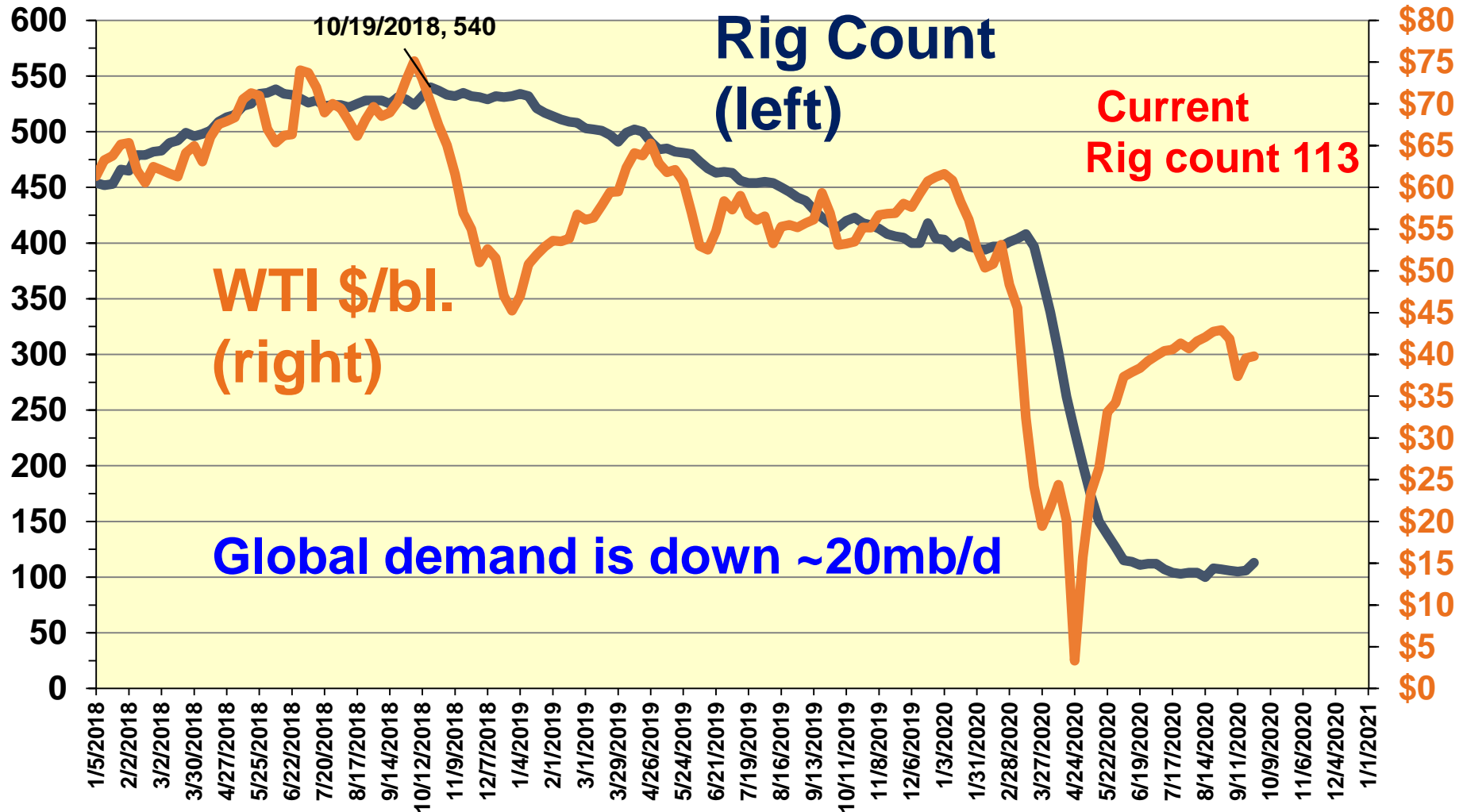
Fed Funds Rate, 10-Year Treasury, 30-Year FMR



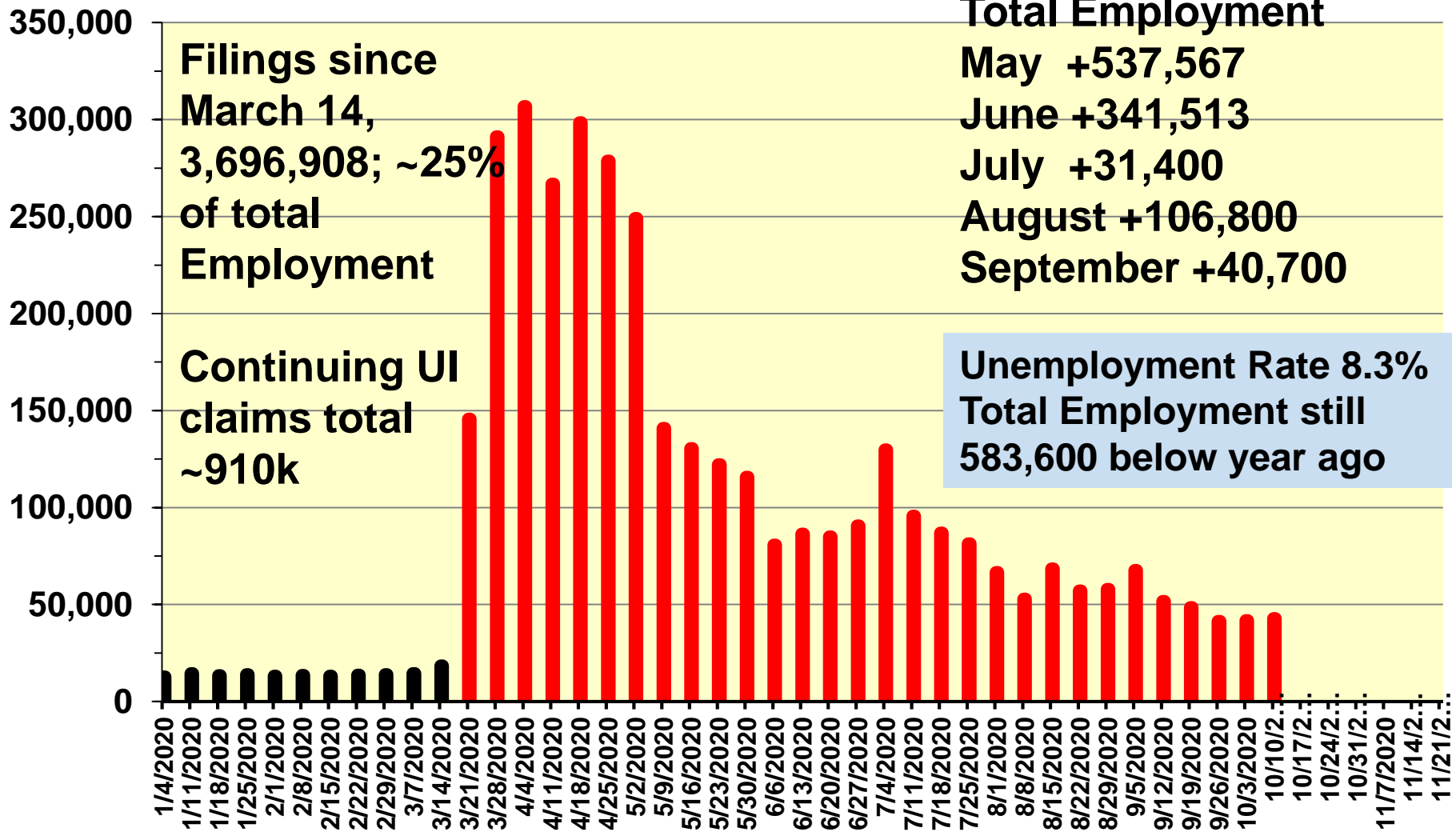
Texas Economic Outlook:

**Double Whammy;
Uneven Recovery**

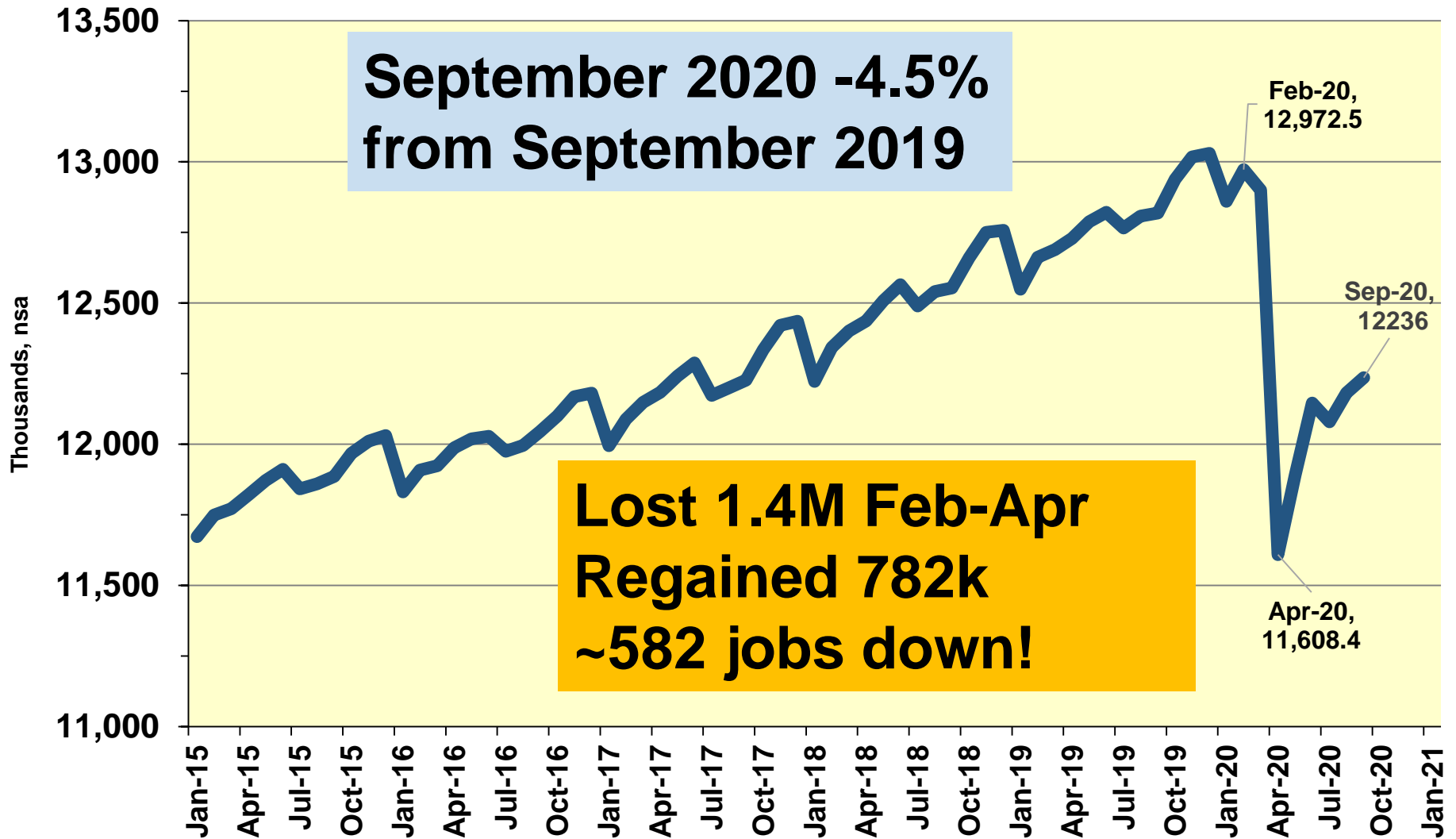
Weekly Active Texas Rig Count & Price of WTI Since Jan. 2018



Texas Weekly Unemployment Claims



Texas Total Nonfarm Jobs



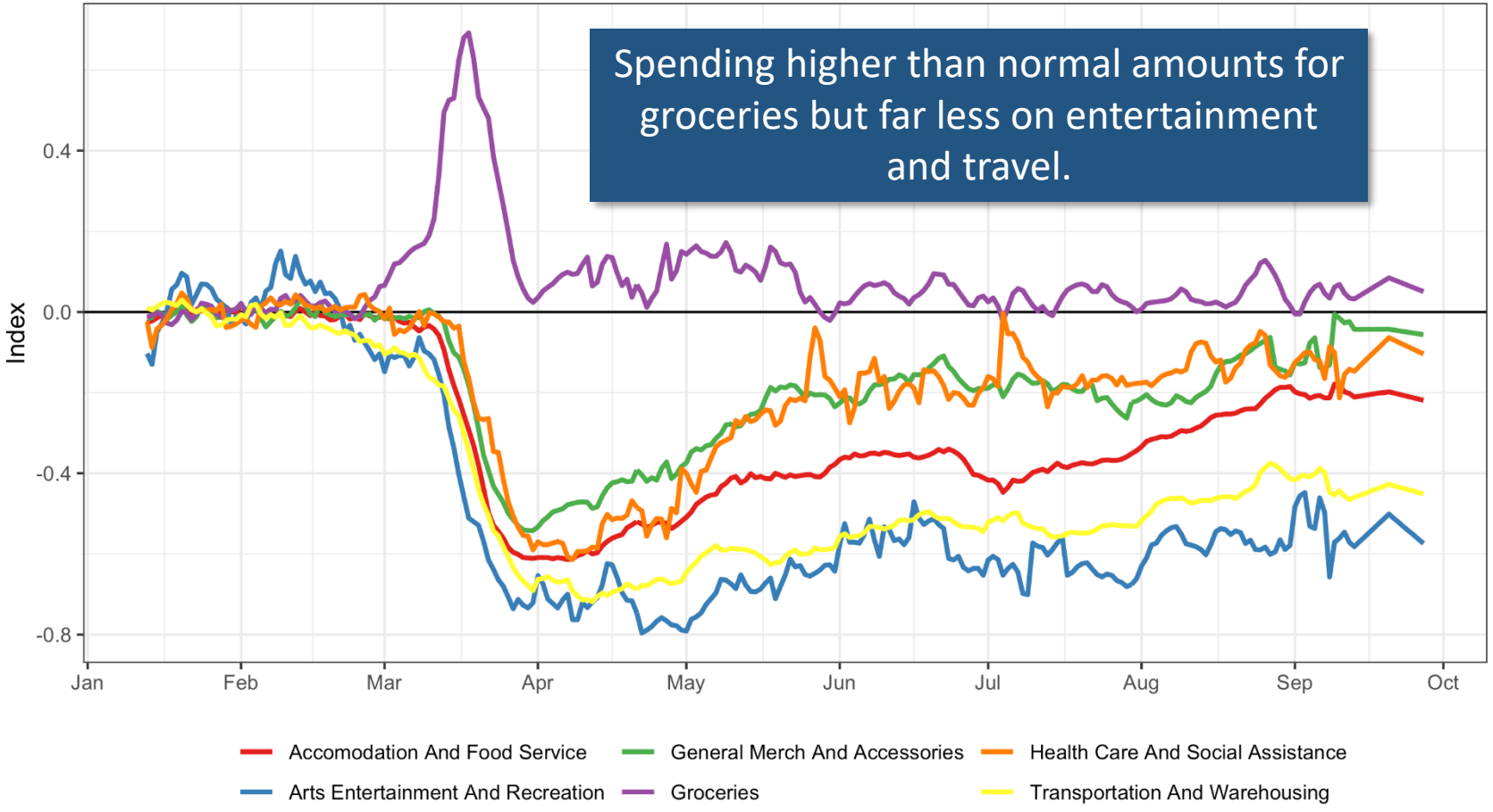
Texas MSA Jobs as Percent of Pre-Pandemic Level as of September

Rank	Region	Recovery Indicator
		Percent
1	Texarkana	99.0
1	Waco	99.0
3	Sherman-Denison	98.6
4	College Station-Bryan	98.3
5	Abilene	96.9
6	Tyler	96.7
7	Austin-Round Rock	96.0
7	Dallas-Plano-Irving	96.0
9	Lubbock	95.9
10	Killeen-Temple	95.5
11	Wichita Falls	95.0
12	San Antonio-New Braunfels	94.7
12	Victoria	94.7
14	El Paso	94.3
	Texas	94.2
15	Amarillo	94.2
16	McAllen-Edinburg	93.9
17	Fort Worth-Arlington	93.6
18	Houston	93.2
	U.S.	93.0
19	San Angelo	92.8
20	Brownsville-Harlingen	92.7
20	Laredo	92.7
22	Longview	92.4
22	Corpus Christi	92.4
24	Beaumont-Port Arthur	91.8
25	Odessa	89.0
26	Midland	86.0

Estimated Unemployment Rates, May & September

	May-20	Sept-20	Sept-19
Texas	13.0%	8.3%	3.5%
Austin	11.6%	6.4%	2.6%
DFW	12.6%	7.5%	3.2%
Houston	14.1%	9.6%	3.7%
San Antonio	13.1%	7.8%	3.0%

Texas Spending Habits Since COVID



Source: Affinity and Real Estate Center at Texas A&M University

Texas' Recovery

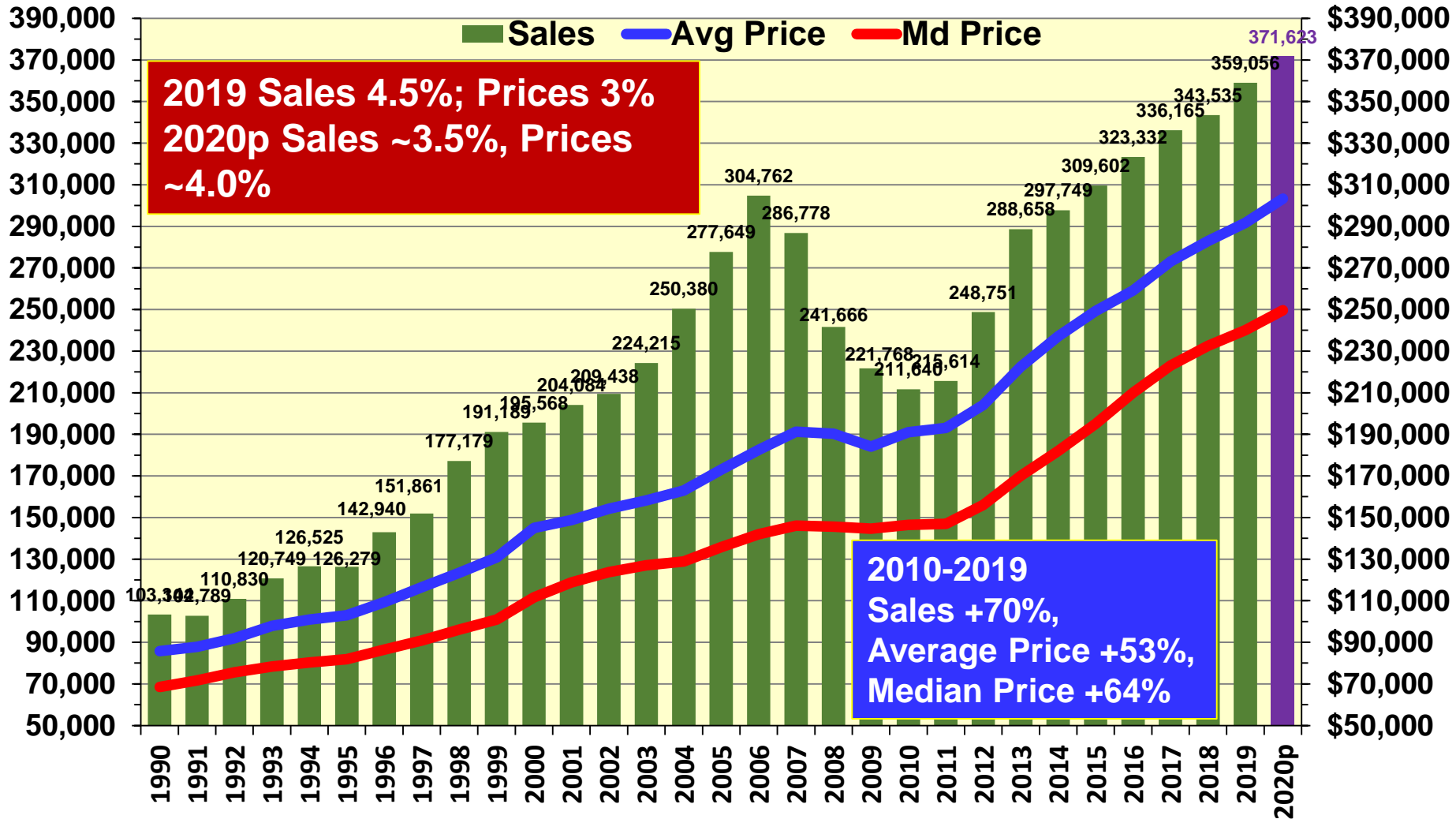
1. **Staged/phased reopening of the economy will take many months** and be uneven
2. **Job** recovery: people being brought back to their jobs ... willingness to come back?
3. **Consumer** attitudes and spending
4. **Businesses** back in business vs. out of business – Entrepreneurism !?
5. **Energy** market decimated; won't be the same
6. **Housing** should rebound reasonably well
7. **State & Local governments' budgets** hard hit: employment & services in coming year?

Housing Market: The Primary Economic Driver For Now

Factors Affecting Home-buying Demand into 2020-21

- **Limited inventory, especially key prices**
 - New construction still limited, not enough
- **Higher prices – affordability – relative to incomes**
- **Historically low interest rates main draw**
- **“Ease” of mortgage financing**
 - “Mortgage credit in September was the tightest since February 2014...”: MBA Mortgage Credit Availability Index, Sept. 2020
- **Concerns about general economy – fear of recession and jobs depending on “cure” for COVID-19**

Annual Texas Home Sales & Prices: YTD Sales & Price +5%!



Texas Housing Report

2020 Q2

Price Distribution



59% Sales \$100,000 - \$300,000

18% Sales >\$400,000

Median price
\$252,400

Up **3%**

Compared to same quarter last year

Active listings

Down **22.1%**

88,143 in 2020 Q2

Closed sales

Down **10.2%**

92,277 in 2020 Q2

Days on market

Days on market	57
Days to close	36
Total	93

5 days more than 2019 Q2

Months of inventory

3.0

Compared to 3.9 in 2019 Q2

About the data used in this report

Data used in this report come from the Texas REALTOR® Data Relevance Project, a partnership among the Texas Association of REALTORS® and local REALTOR® associations throughout the state. Analysis is provided through a research agreement with the Real Estate Center at Texas A&M University.



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2Q20: Hit Hard;

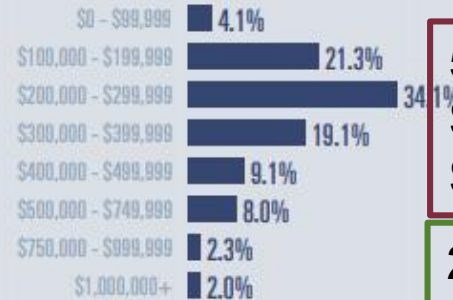
Probably the worst of it for the year

MOI declined because listings did

Texas Housing Report

2020 Q3

Price Distribution



**55% Sales
\$100,000 -
\$300,000**

**21% Sales
>\$400,000**

 Median price
\$266,000

Up **8.6%**

Compared to same quarter last year

 Active listings
Down **32.4%**
71,569 in 2020 Q3

 Closed sales
Up **18.4%**
119,642 in 2020 Q3

 Days on market
Days on market 52
Days to close 37
Total 89

2 days more than 2019 Q3

 Months of inventory
2.3
Compared to 3.6 in 2019 Q3

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AUSTINboard
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**3Q20:
Significant
Recovery;**

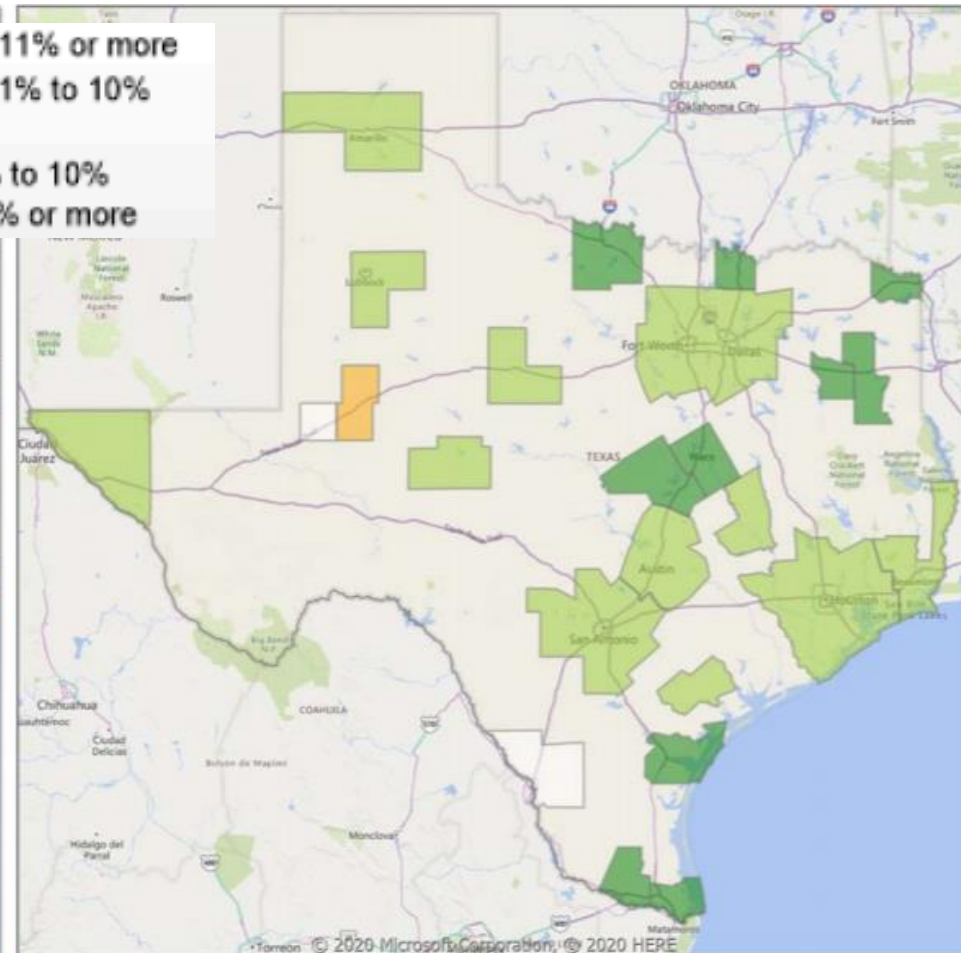
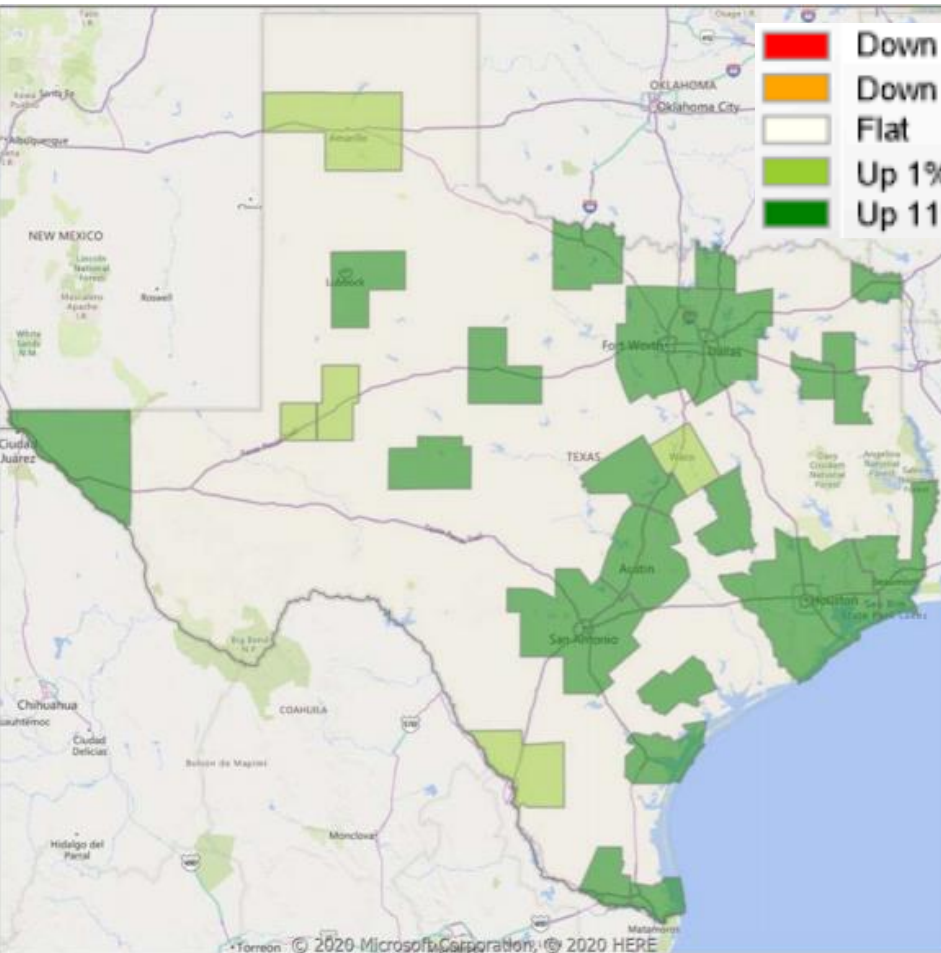
**Probably the
best for the
year**

**MOI declined
because
listings did**

Texas Sales and Prices by MSA, September 2020

**Residential Closed Sales
Y/Y Percent Change**

**Residential Average Price per Sq. Ft.
Y/Y Percent Change**



September, Strong Month for Housing (Y/Y%)

• Texas:

- Sales +27.6%; YTD +5%
- Avg. Price +13.2%
- Active Listings -32.4%
- Md. Price +10%
- MOI 2.3
- Md PSF 7.3%

• DFW:

- Sales +24.7%
- Avg. Price +12.2%
- Active Listings -37.0%
- Md. Price +11.1%
- MOI 1.9
- Md PSF 6.8%

• Houston:

- Sales +28.2%
- Avg. Price +10.0%
- Active Listings -29.0%
- Md. Price +8.1%
- MOI 2.6
- Md PSF 6.1%

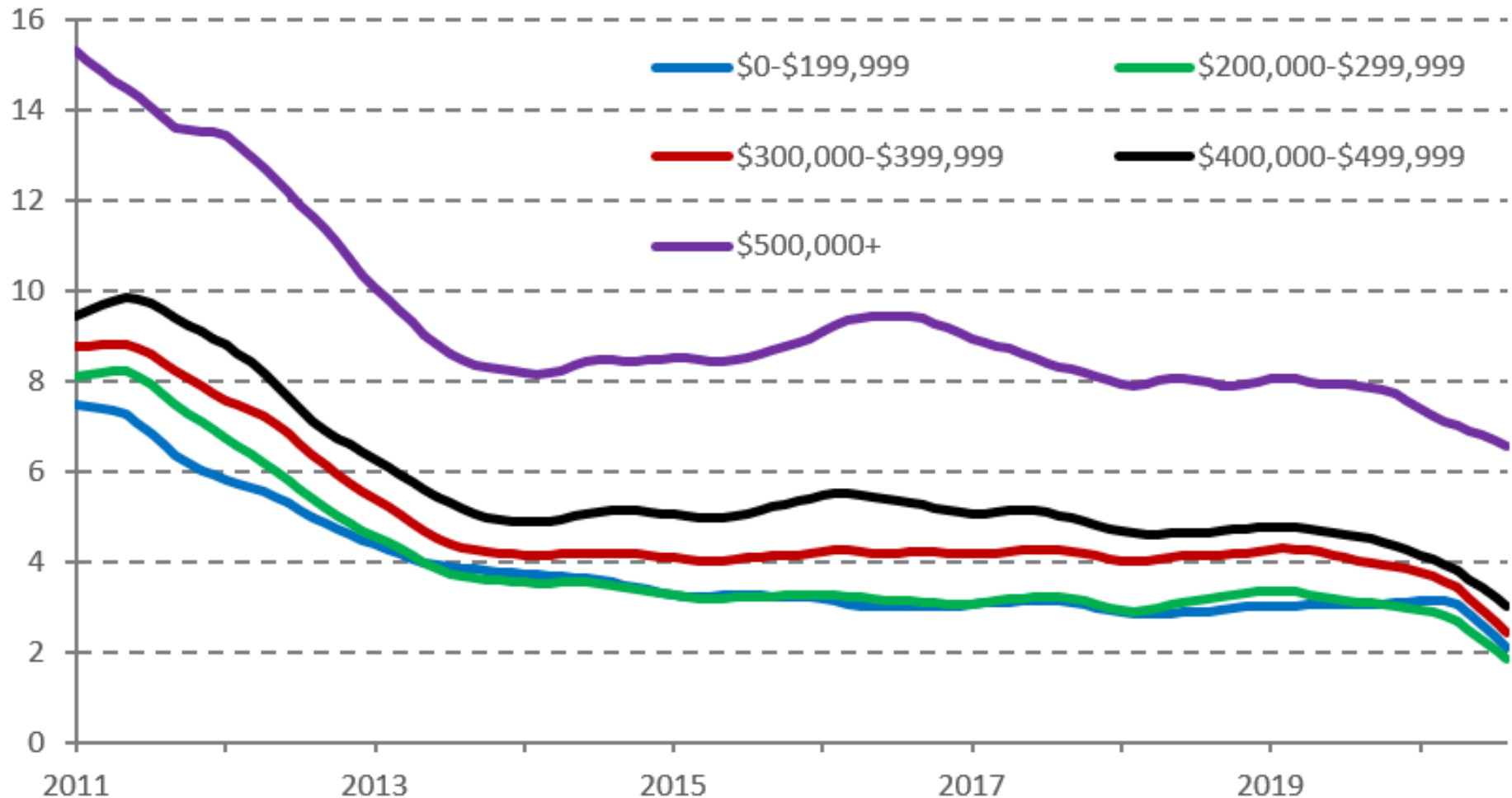
• Austin:

- Sales +31.5%
- Avg. Price +15.3%
- Active Listings -49.9%
- Md. Price +12.1%
- MOI 1.2
- Md PSF 8.1%

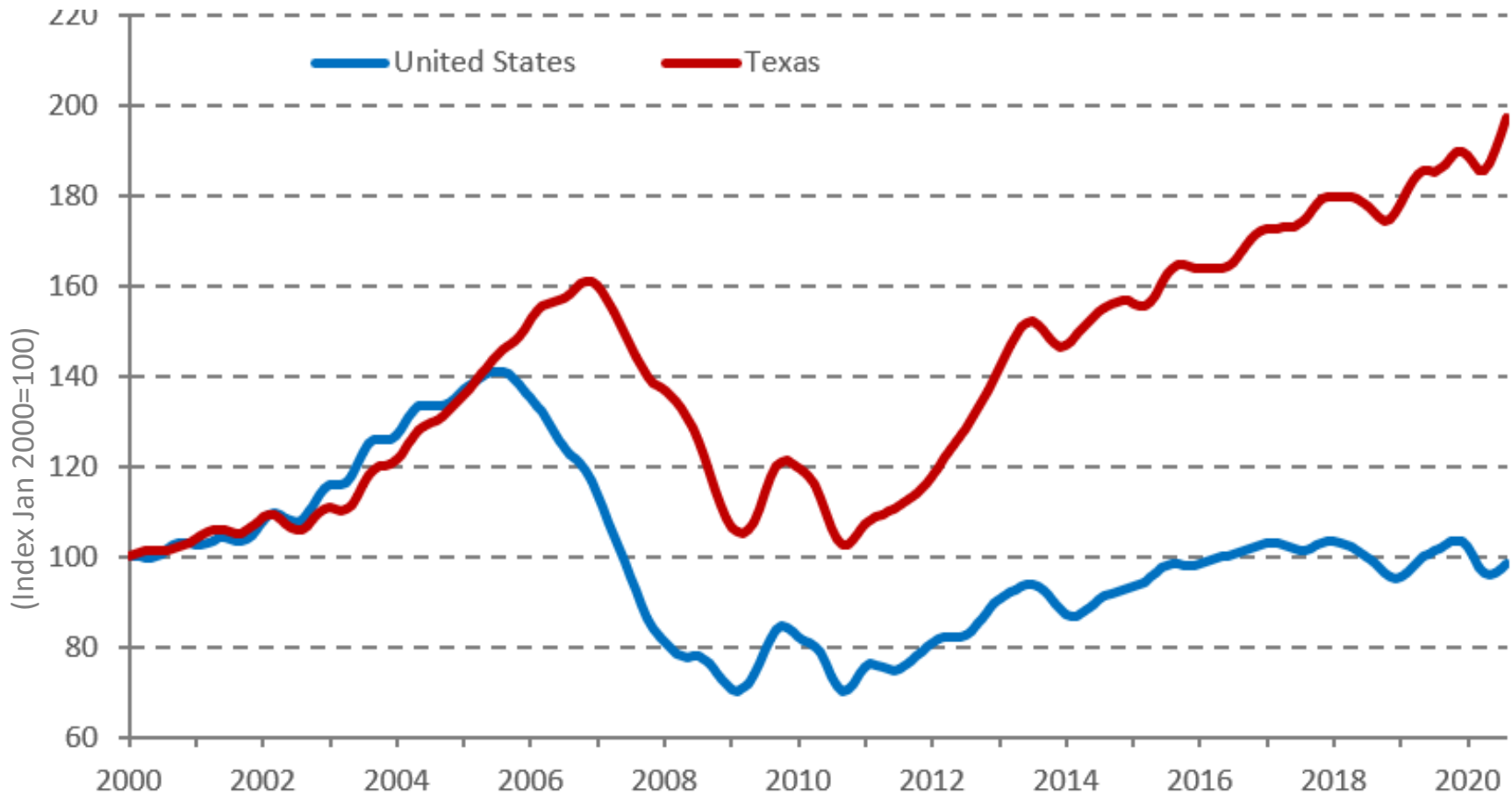
• San Antonio:

- Sales +31.8%
- Avg. Price +15.5%
- Active Listings -30.5%
- Md. Price +12.1%
- MOI 2.3
- Md PSF 9.2%

Months Inventory by Price Range

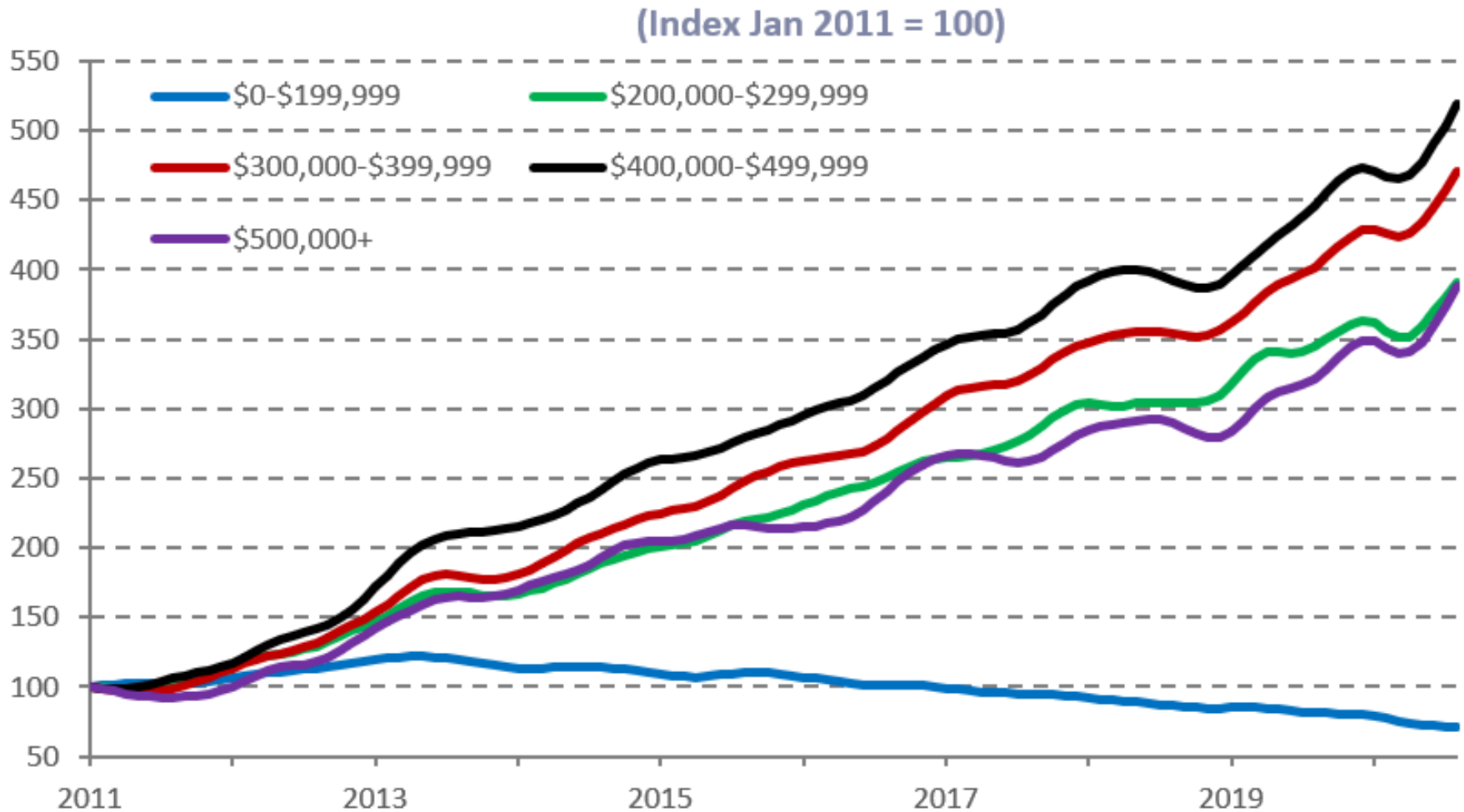


Total Home Sales: U.S. & Texas

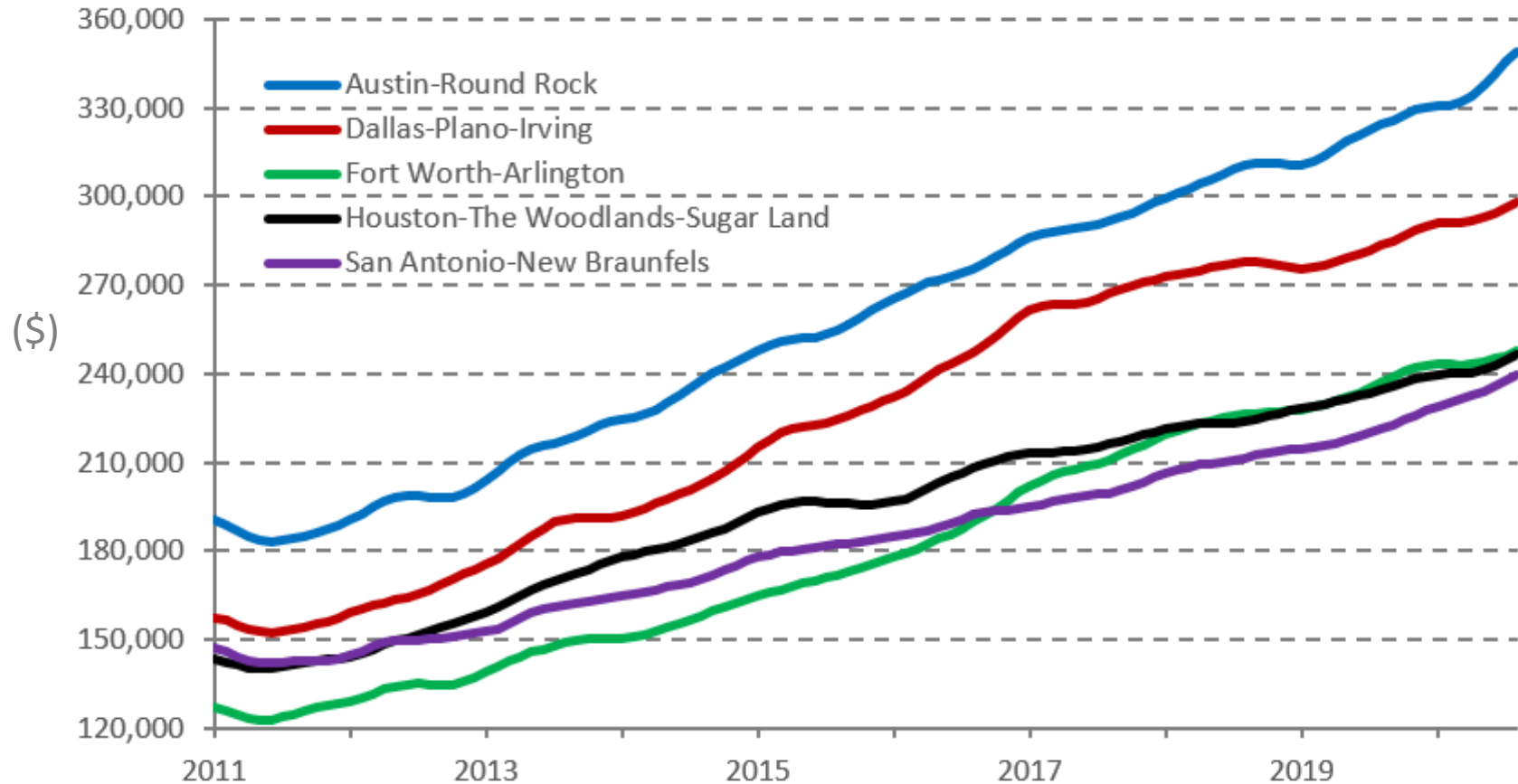


Note: Trend-Cycle Component. Sales for the United States include all existing homes and new single-family homes sold through an MLS; new non-single-family homes are not included. Texas includes all existing and new homes.

Texas Home Sales by Price Cohort



Texas Major MSAs Median Existing Home Sales Price



Note: Trend-Cycle Component. For single-family homes.

Texas Quarterly Apartment Report: 2nd Quarter 2020

DALLAS FORT WORTH

	OCCUPANCY RATES	ASKING RENTS
OVERALL	91.4% ▬	1.6% ▼
CLASS A	87.4% ▼	0.4% ▼

AUSTIN

	OCCUPANCY RATES	ASKING RENTS
OVERALL	90.2% ▼	-0.7% ▼
CLASS A	86.7% ▼	-1.7% ▼

SAN ANTONIO

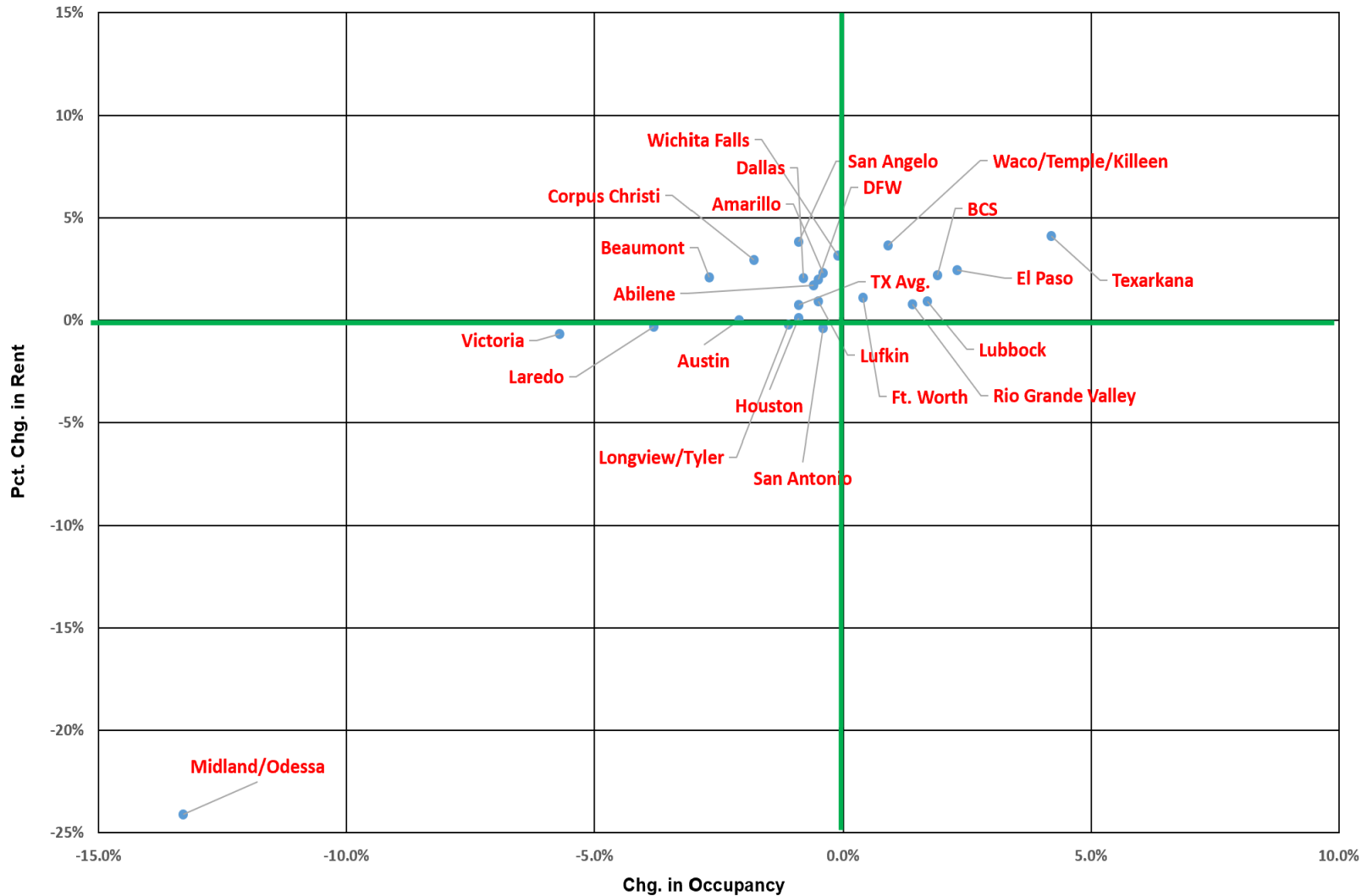
	OCCUPANCY RATES	ASKING RENTS
OVERALL	89.8% ▼	1.3% ▼
CLASS A	88.1% ▼	-0.5% ▼

HOUSTON

	OCCUPANCY RATES	ASKING RENTS
OVERALL	89.7% ▼	0.6% ▼
CLASS A	87.4% ▼	-1.8% ▼

Sources: CoStar and the Real Estate Center at Texas A&M University

Overall Apartment Market Y-O-Y Percent Changes in Effective Rent and Occupancy As of June 2020

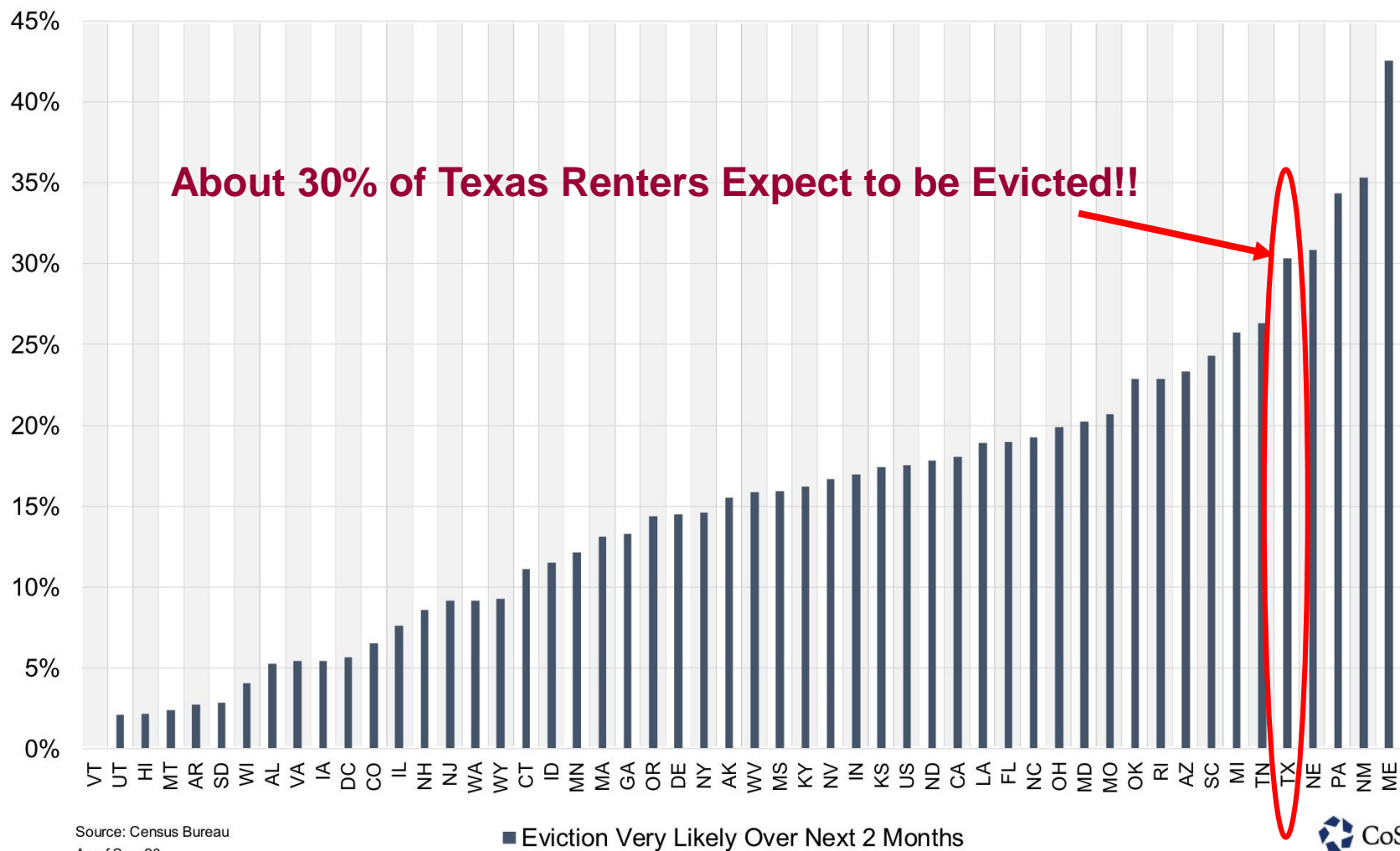


Texas MF Occupancy & Rents

Stabilized Market Y-O-Y Change (Aug. 2019 vs. Aug. 2020)		
Source: ALN		
Chg. In Occupancy & % Chg. In Rent		
Metro Area	Occupancy	Rent
DFW	-0.3%	-0.5%
Dallas	-0.5%	-0.9%
Ft. Worth	0.4%	0.6%
Abilene	-1.5%	0.0%
Amarillo	-0.4%	0.7%
Austin	-1.5%	-3.4%
Beaumont	0.5%	0.5%
BCS	0.1%	2.2%
Corpus Christi	-0.6%	2.0%
El Paso	2.1%	2.1%
Rio Grande Valley	3.2%	1.8%
Houston	-0.4%	-1.4%
Laredo	-2.9%	-1.0%
Longview/Tyler	-0.8%	0.5%
Lubbock	0.7%	2.0%
Lufkin	-1.5%	2.0%
Midland-Odessa	-15.7%	-30.0%
San Angelo	-1.1%	2.5%
San Antonio	-0.2%	-0.9%
Texarkana	2.1%	6.6%
Victoria	-2.4%	2.0%
Waco/ Temple/ Killeen	2.0%	5.0%
Wichita Falls	-0.3%	2.4%
TX Avg.	-0.5%	-1.4%

Stabilized Market M-O-M Change (July 2020 vs. Aug. 2020)		
Source: ALN		
Chg. In Occupancy & % Chg. In Rent		
Metro Area	Occupancy	Rent
DFW	0.1%	0.1%
Dallas	0.1%	0.0%
Ft. Worth	0.3%	0.3%
Abilene	0.1%	0.0%
Amarillo	0.7%	-0.7%
Austin	0.1%	-0.2%
Beaumont	0.3%	-0.2%
BCS	-1.6%	-0.3%
Corpus Christi	0.6%	1.1%
El Paso	0.3%	0.4%
Rio Grande Valley	0.7%	0.6%
Houston	0.1%	-0.2%
Laredo	-0.2%	0.8%
Longview/Tyler	0.9%	0.8%
Lubbock	0.2%	0.5%
Lufkin	0.4%	0.0%
Midland-Odessa	-1.9%	-3.6%
San Angelo	-0.3%	-0.3%
San Antonio	0.5%	0.0%
Texarkana	-1.8%	1.0%
Victoria	0.2%	3.4%
Waco/ Temple/ Killeen	0.6%	1.2%
Wichita Falls	-1.1%	0.0%
TX Avg.	0.2%	0.0%

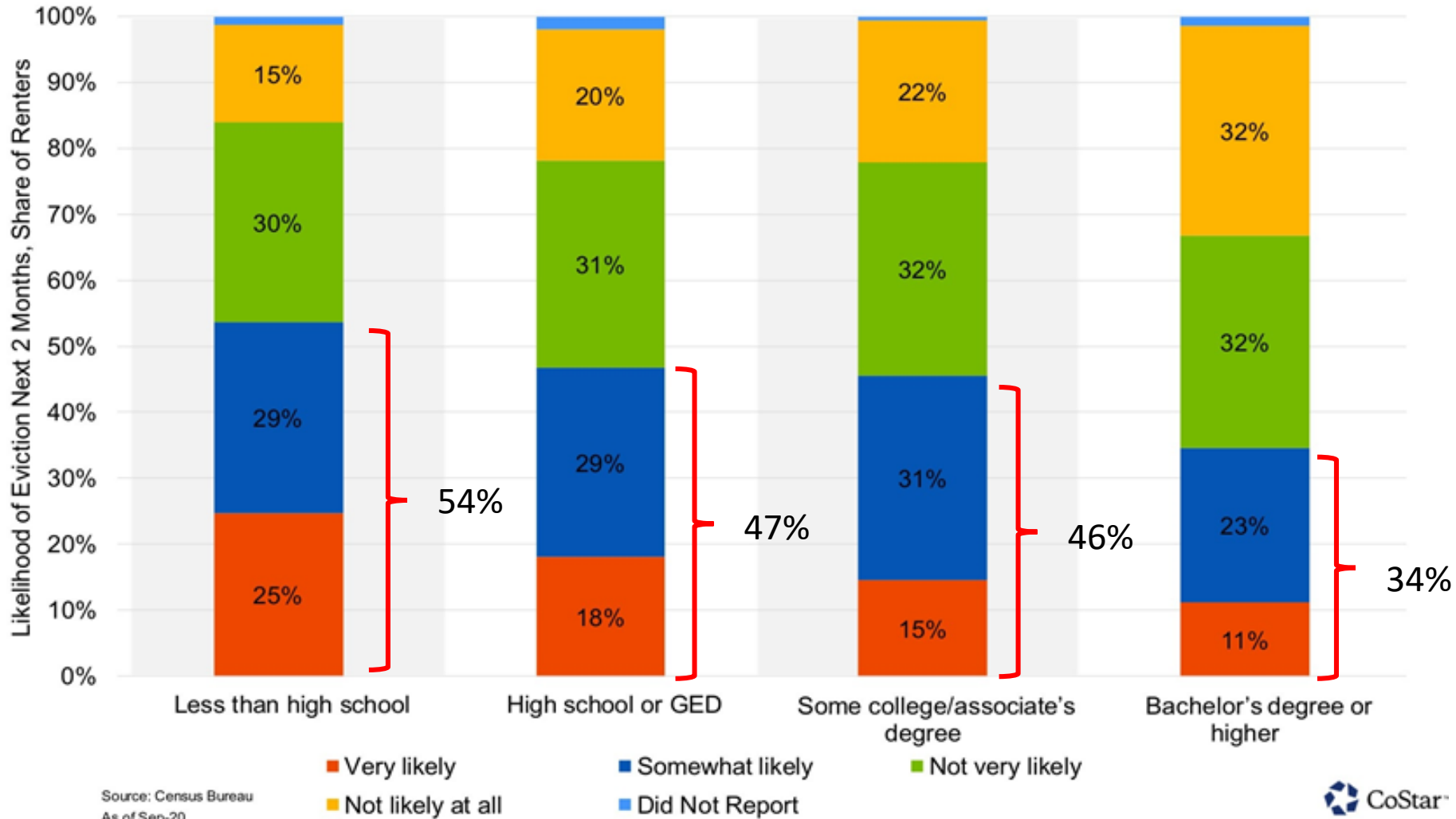
More Than 15% of Renters Expect to be Evicted



Source: Census Bureau
As of Sep-20

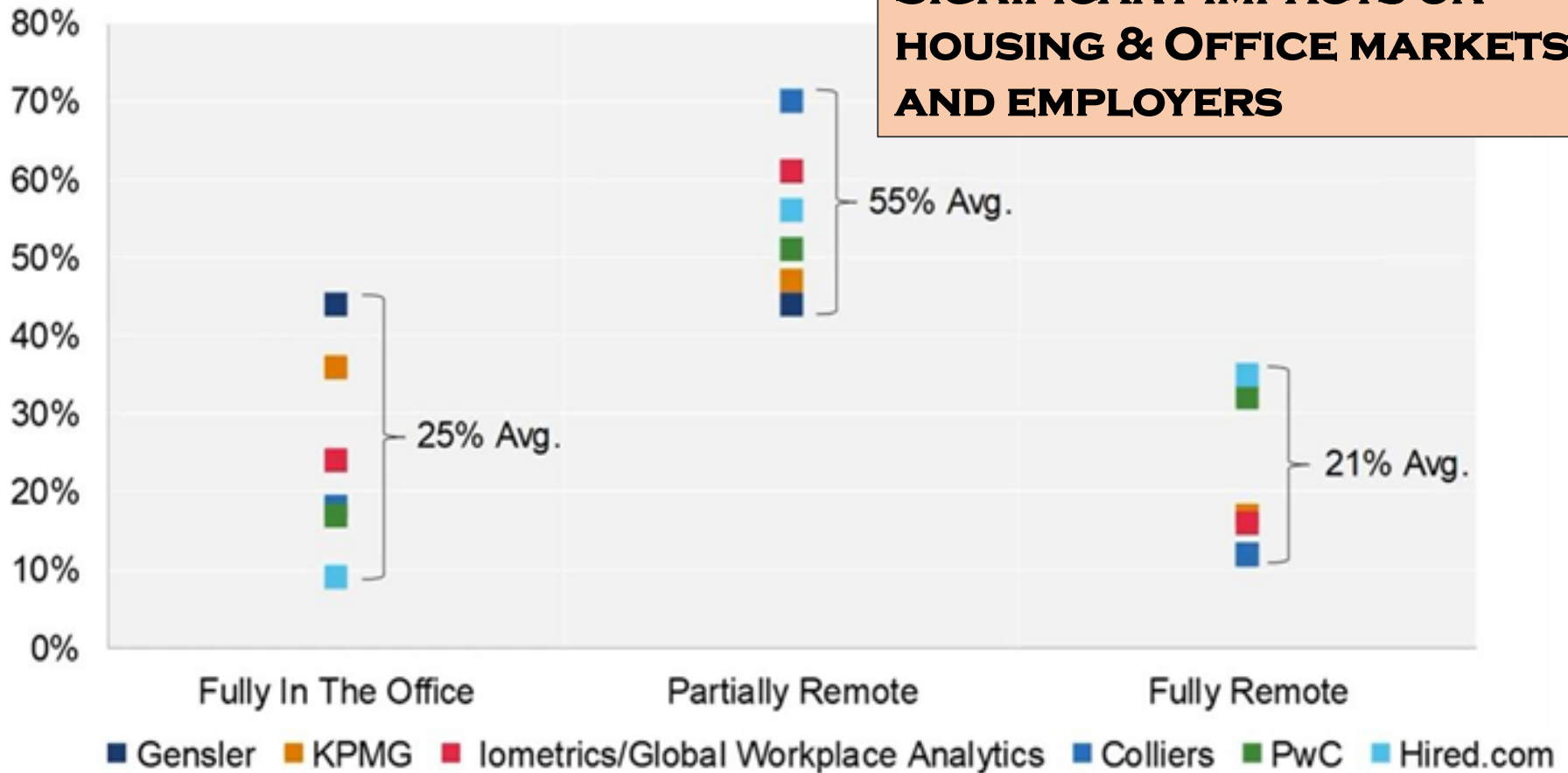


Likelihood of Eviction in Next 2 Months Highest in Class B&C



Surveys Suggest Employees Prefer Partial Remote

Remote Work Preference Share



Sources: Gensler, U.S. Work From Home Survey 2020; KPMG, American Worker Survey, Summer 2020; Iometrics/Global Workplace Analytics, Global Work From Home Experience Survey; Colliers, Exploring the Post Covid Workplace; PwC, U.S. Remote Work Survey; Hired.com, 2020 State of Salaries Report; CoStar Advisory Services

As of September 2020

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