

HILL COUNTRY

ECONOMIC SUMMIT

February 14, 2019
Kerrville, Texas

Economic and Housing Outlook 2019



Dr. James P. Gaines

Chief Economist



REAL ESTATE CENTER
TEXAS A & M UNIVERSITY

Recessionary Fears



Stock Market Woes Raise a Nagging Fear:
Is a Recession Near?



Nearly half of US CFOs fear a 2019 recession

BARRON'S

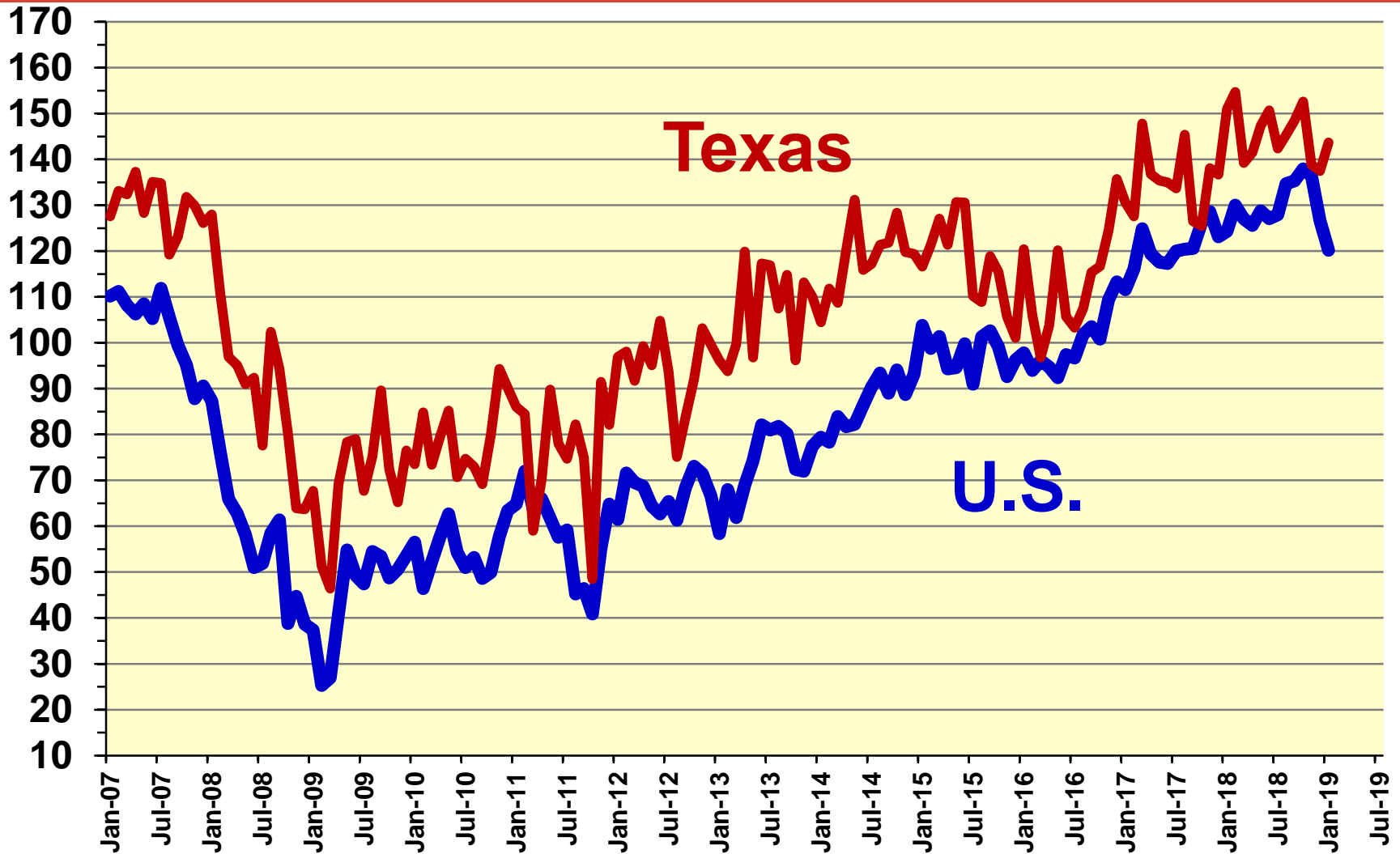
People Are Really Worried About a
Recession.

2018 A Very Good Year - 2019 Definite Slowdown



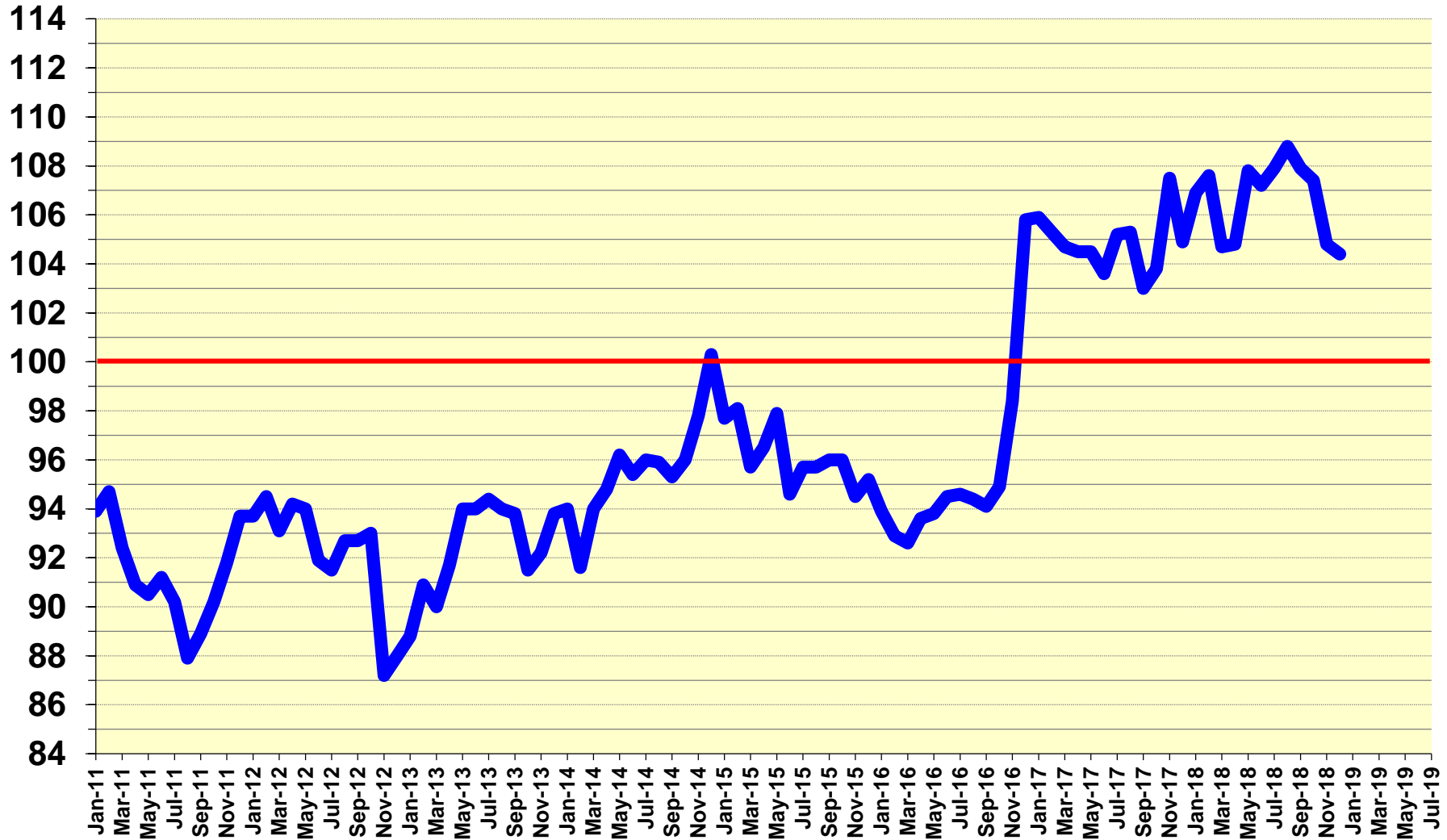
- **Real GDP growth 2018 ~ 3.1%+ 2019 ~2.7% – 2.9%**
- **Jobs expanded ~1.5% Unemployment rate ~4.0%+**
- **Interest rates up during the year, but didn't rise with end-of-year Fed Funds rate hike!**
- **Inflation approached 2.5% and will probably stay there**
- **Tax Cuts added positive impacts**
- **Industrial Production high but less labor**
- **Income and spending growing**
 - **Real Disposable Personal Income +2.9% thru 3Q18**
 - **Real PCE +2.6% thru 3Q18**
- **Housing improving, not fully recovered; recent stalling**
- **U.S. became #1 oil producer and net exporter**

Consumer Confidence Index

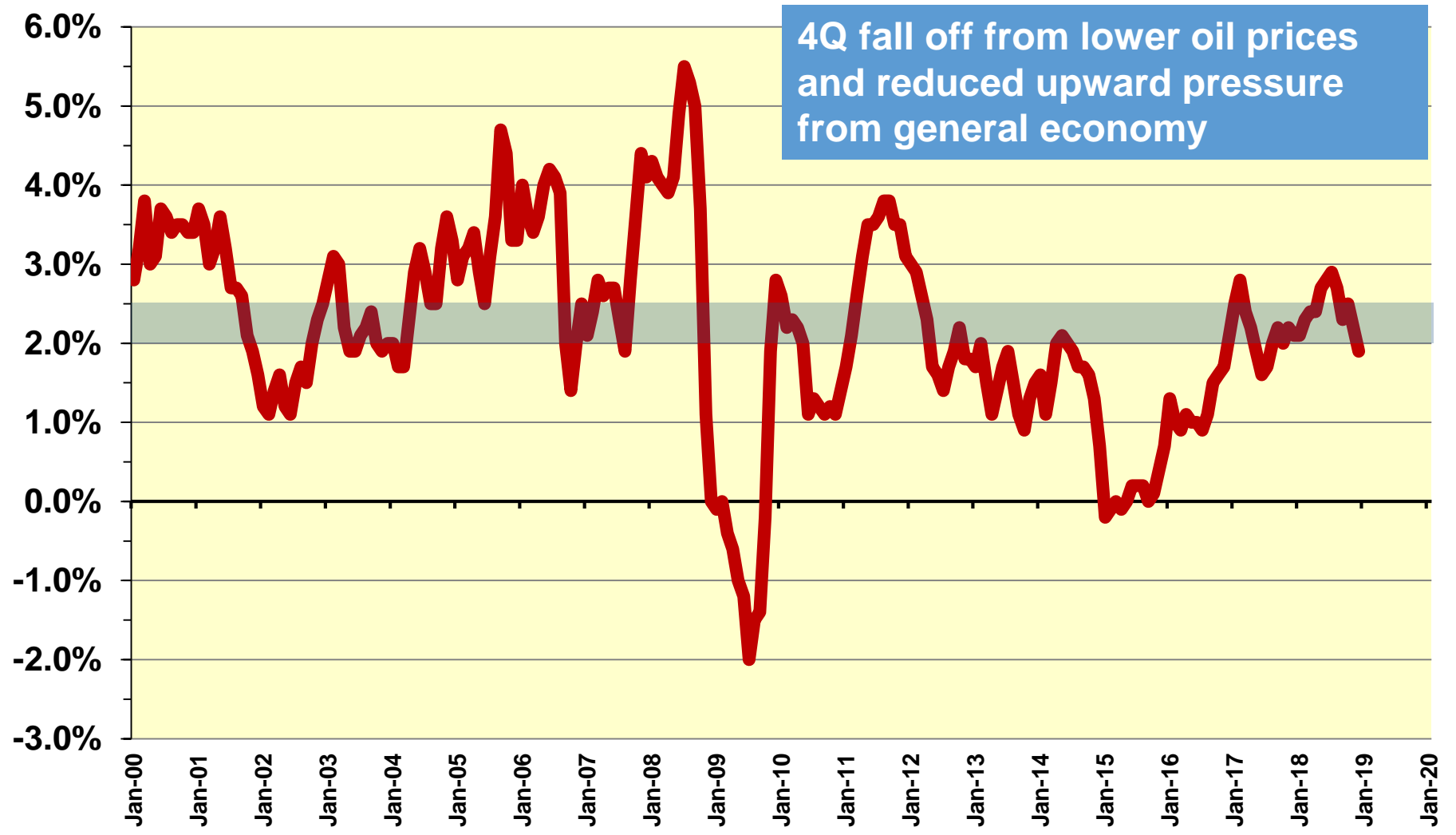


NFIB Small Business Optimism Index

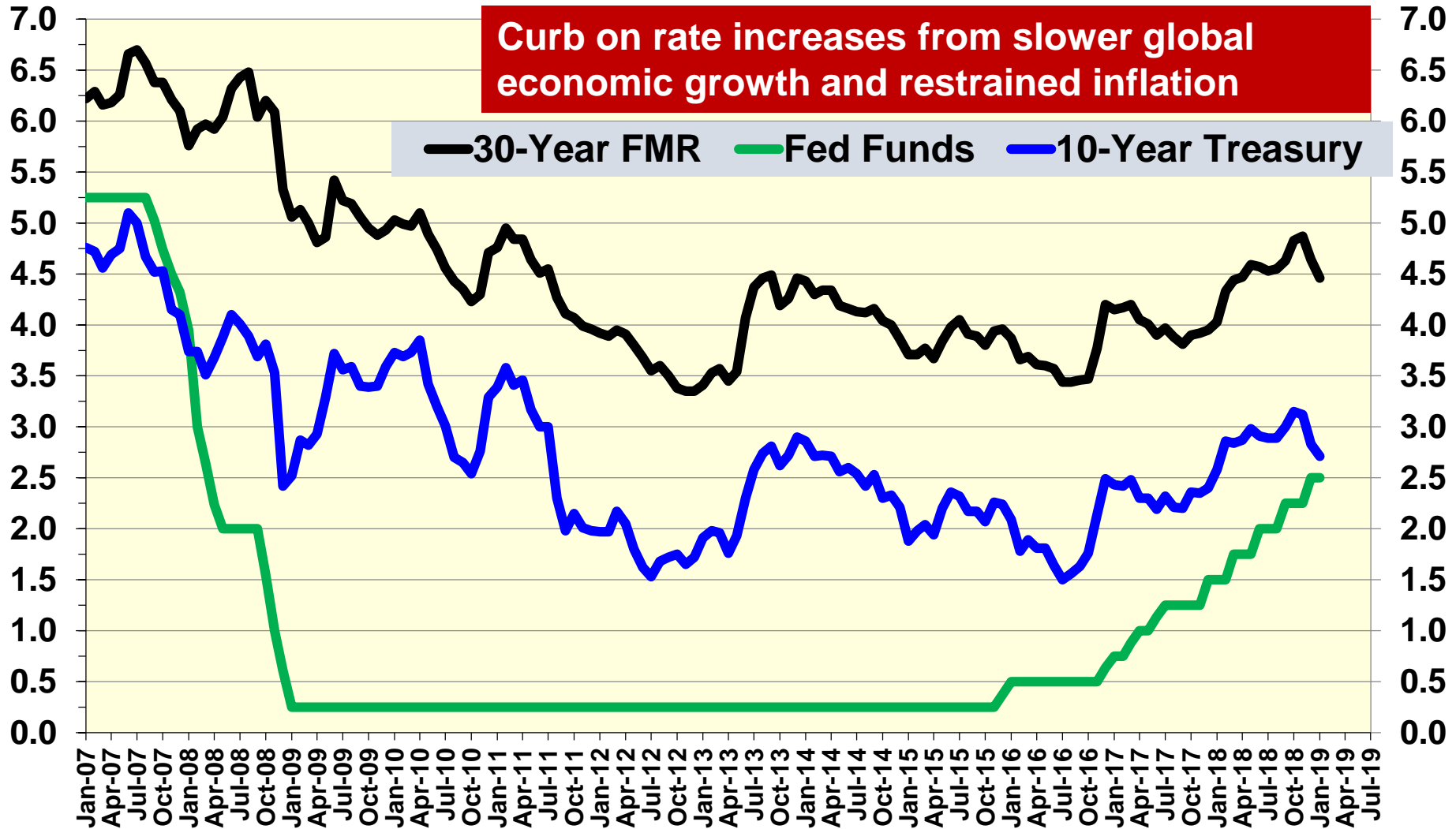
(Overall Index SA 1986 = 100)



Inflation Bounced Upward Then Fell Expected to Remain Within Range



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



Texas Economy

2015-2016 Oil Decline; Down Years

2017 Recovery – A Good Year

2018: Better than 2017

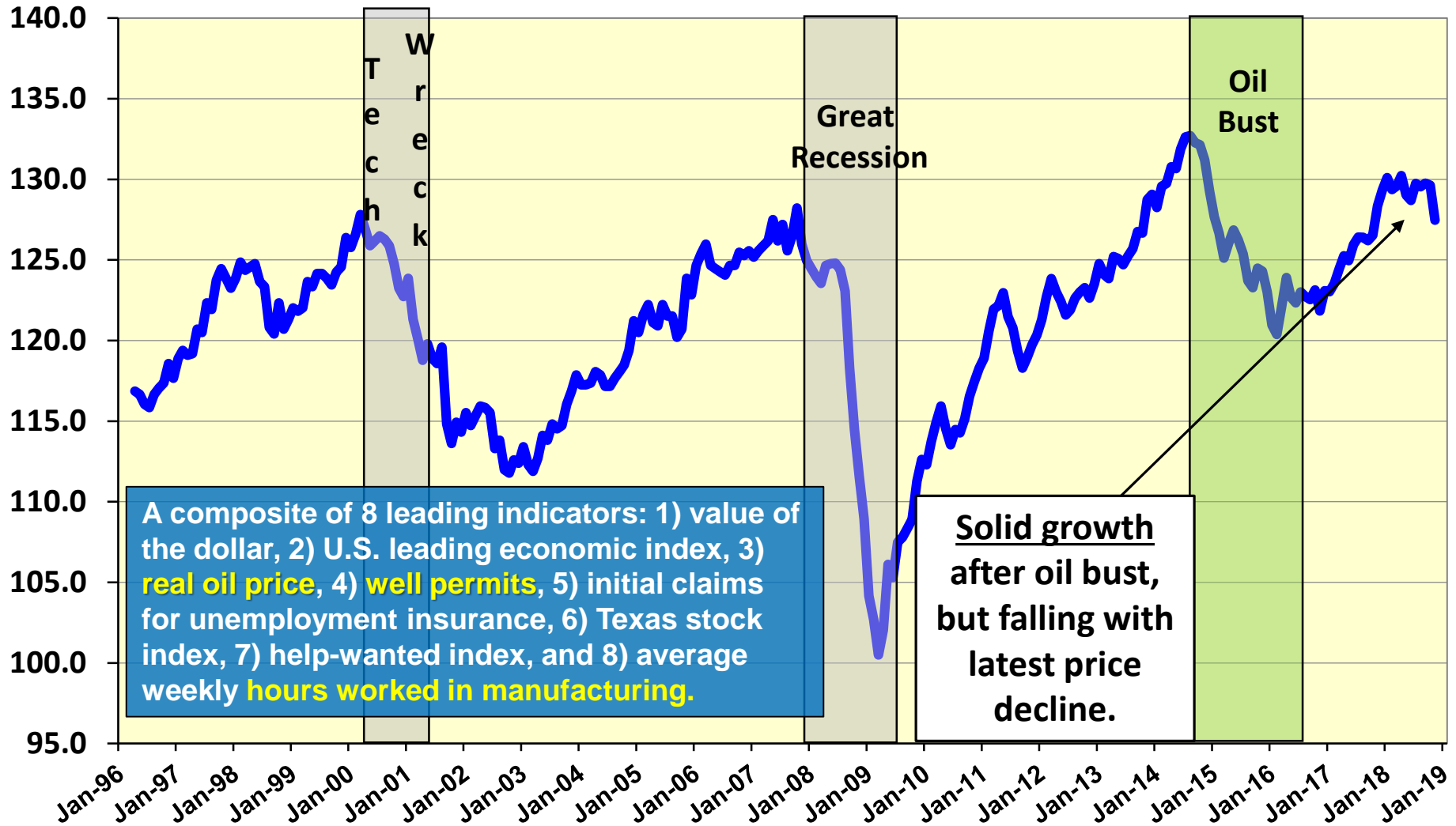
2019 Some Headwinds, but Not Bad

2018 a Very Good Year Economically For Texas

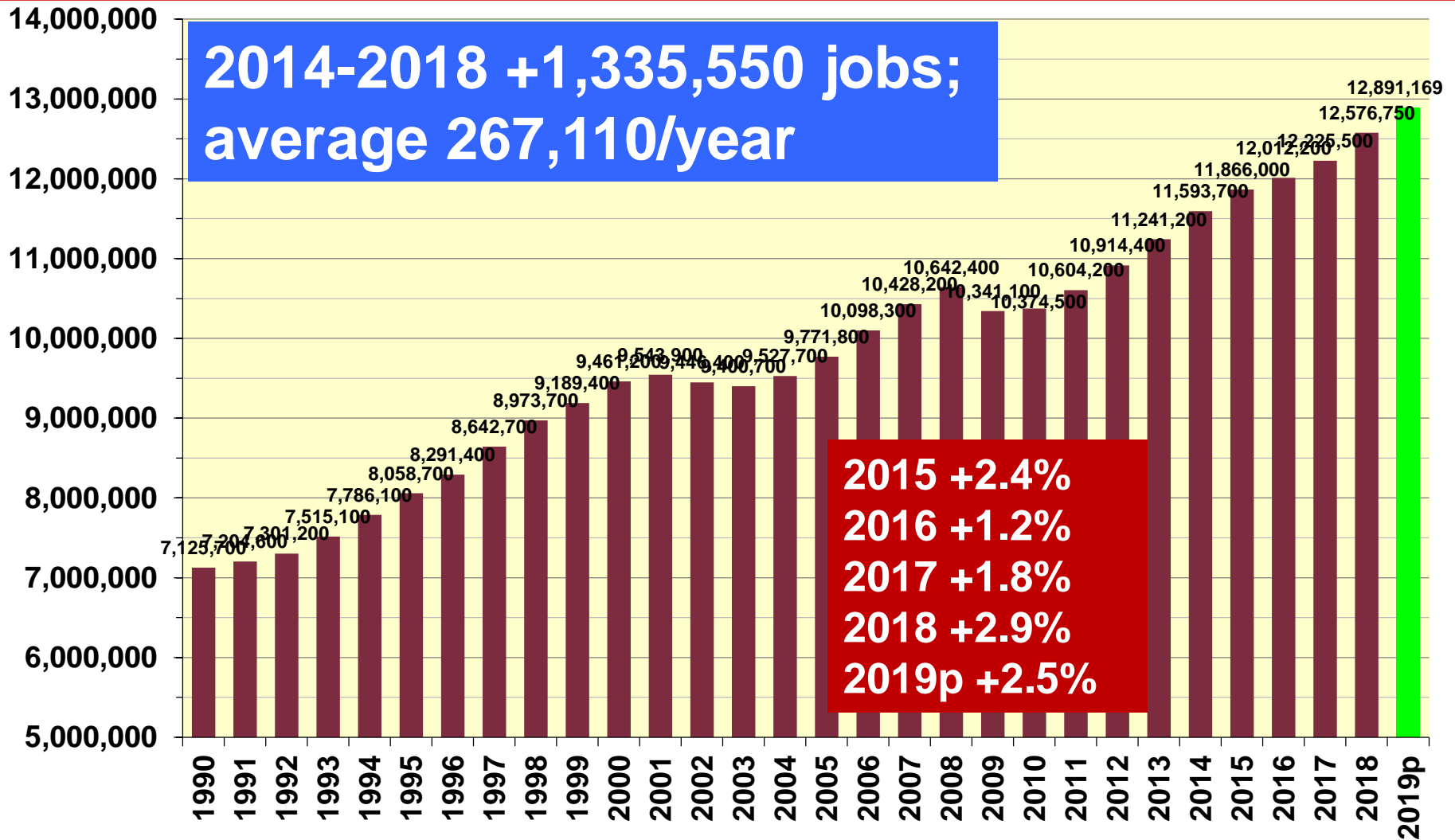
- Rebound from Harvey in 2017 strong, but dragging
- State **GDP** +6% (2Q18) #1 in U.S. [estimate ~4.5% 2018 total]
- **Personal Income** +5.1% (3Q17-3Q18)
- **Oil Prices** >\$70 until 4Q
- **Population** increased 379,128 to 28,701,845
 - 190,951 natural increase (50.3%)
 - 104,976 foreign immigration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

Texas' Leading Economic Index

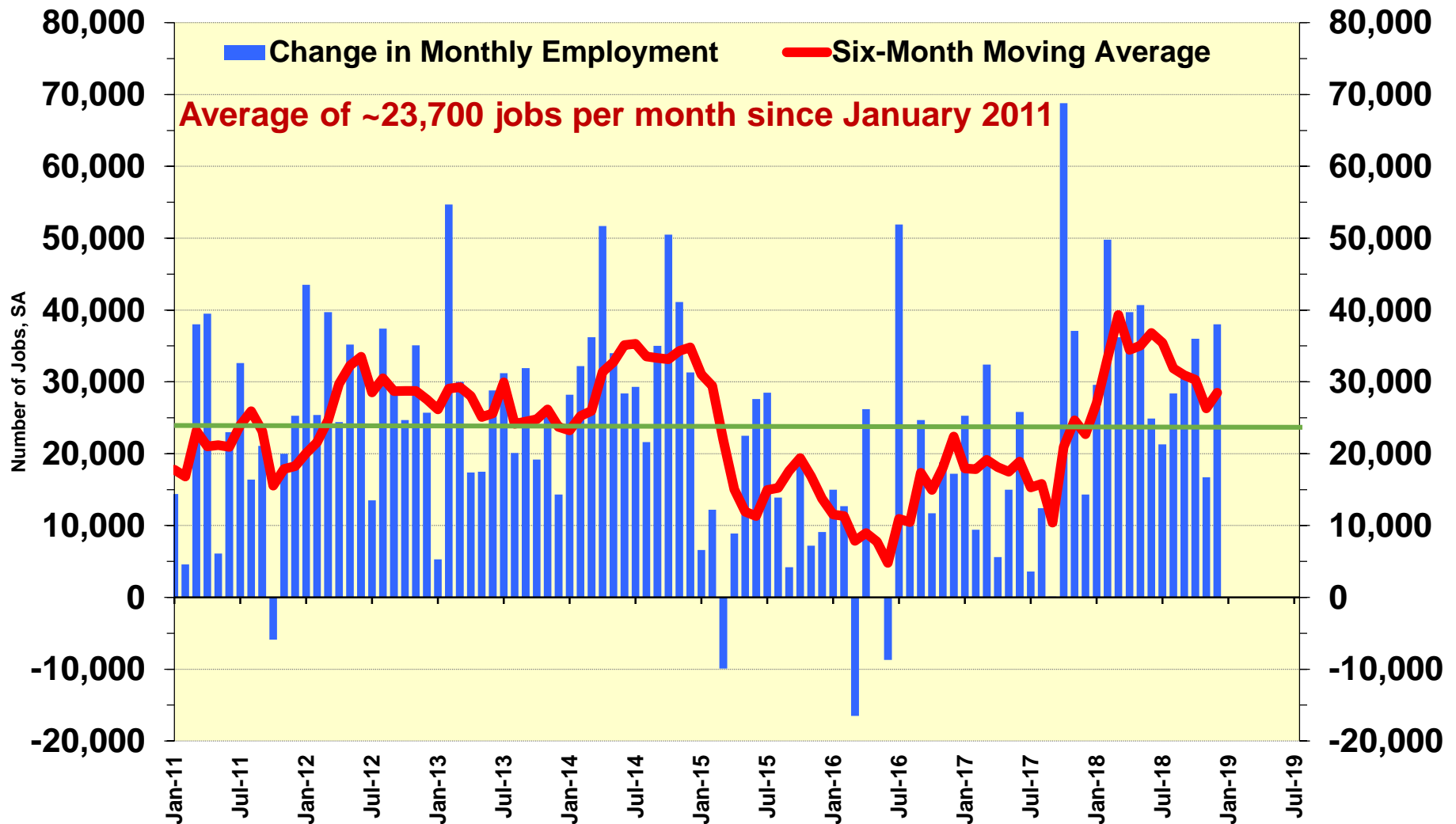
Fourth Quarter Fall Off



Texas Annual Jobs



Monthly Change in Total Nonfarm Employment Texas

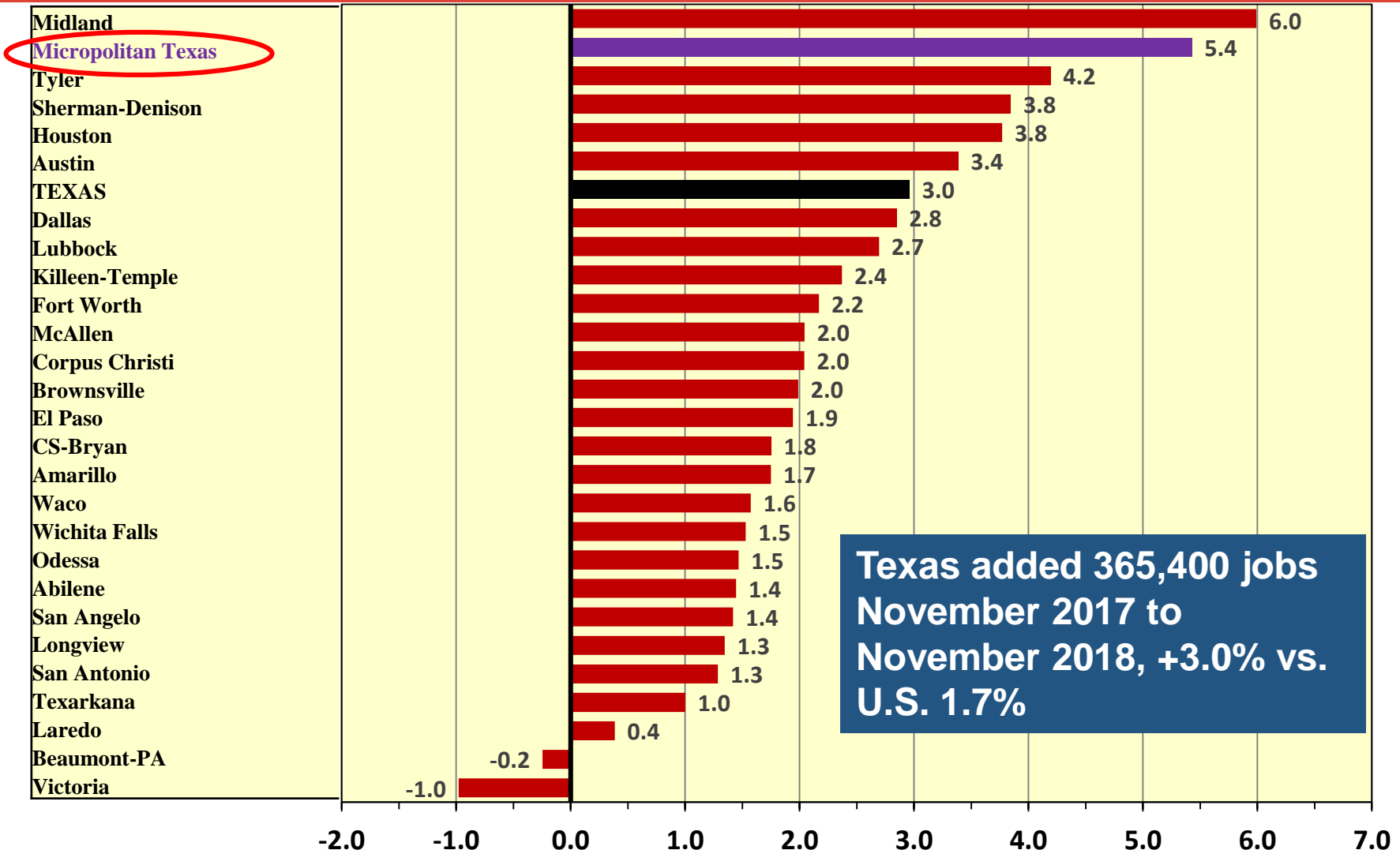


Texas Growth

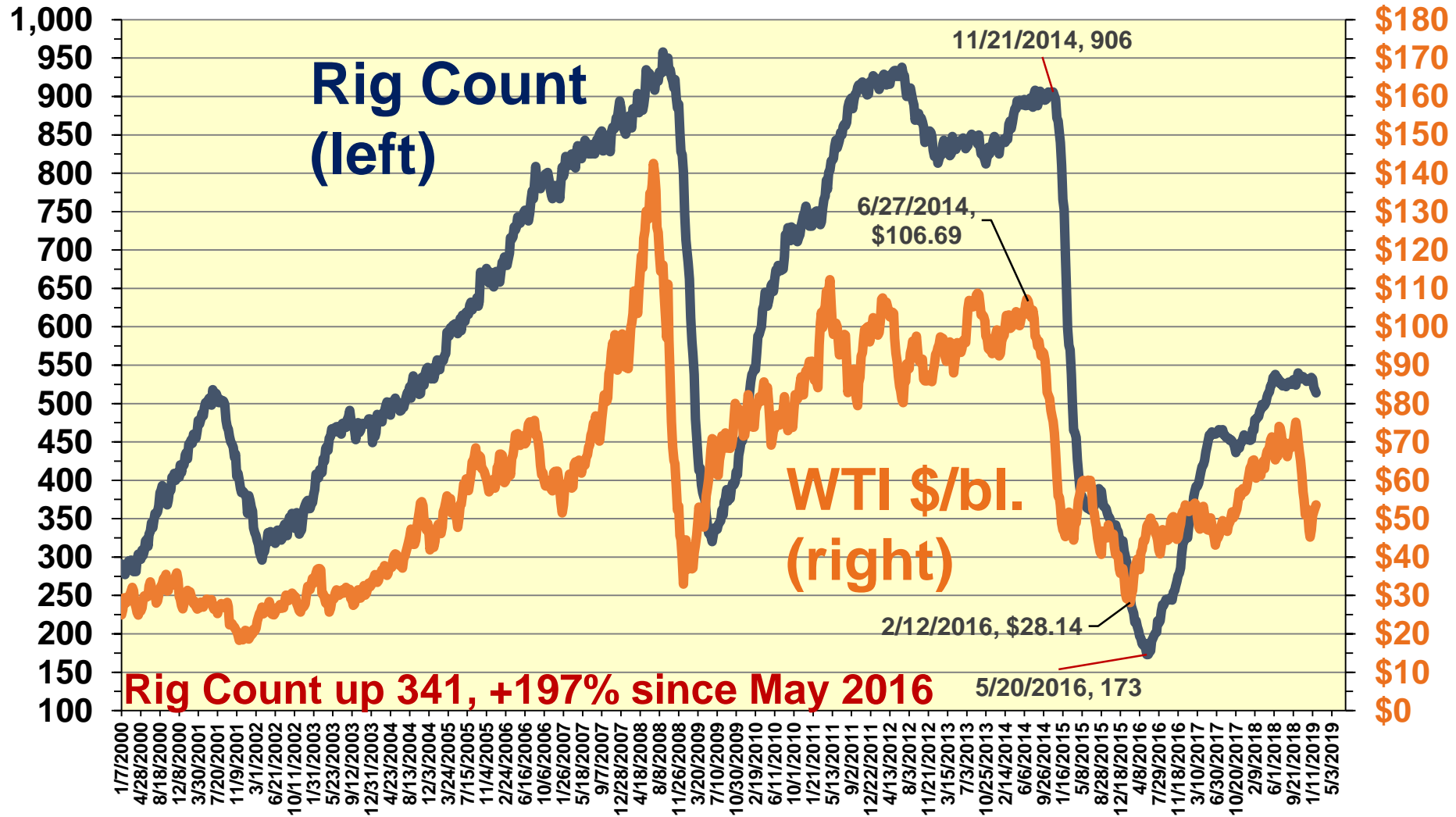
Year	Jobs, NSA (Dec-Dec)	Population (July-July)	
2010	215,800	439,887	
2011	236,400	402,776	
2012	374,400	433,903	2010-2018 +3,881,963 people +2,496,700 jobs
2013	301,400	400,952	
2014	420,400	475,157	
2015	152,000	500,444	
2016	146,200	449,982	
2017	258,300	399,734	
2018	391,800	379,128	

Texas Metropolitan Areas Ranked by Employment Growth Rate

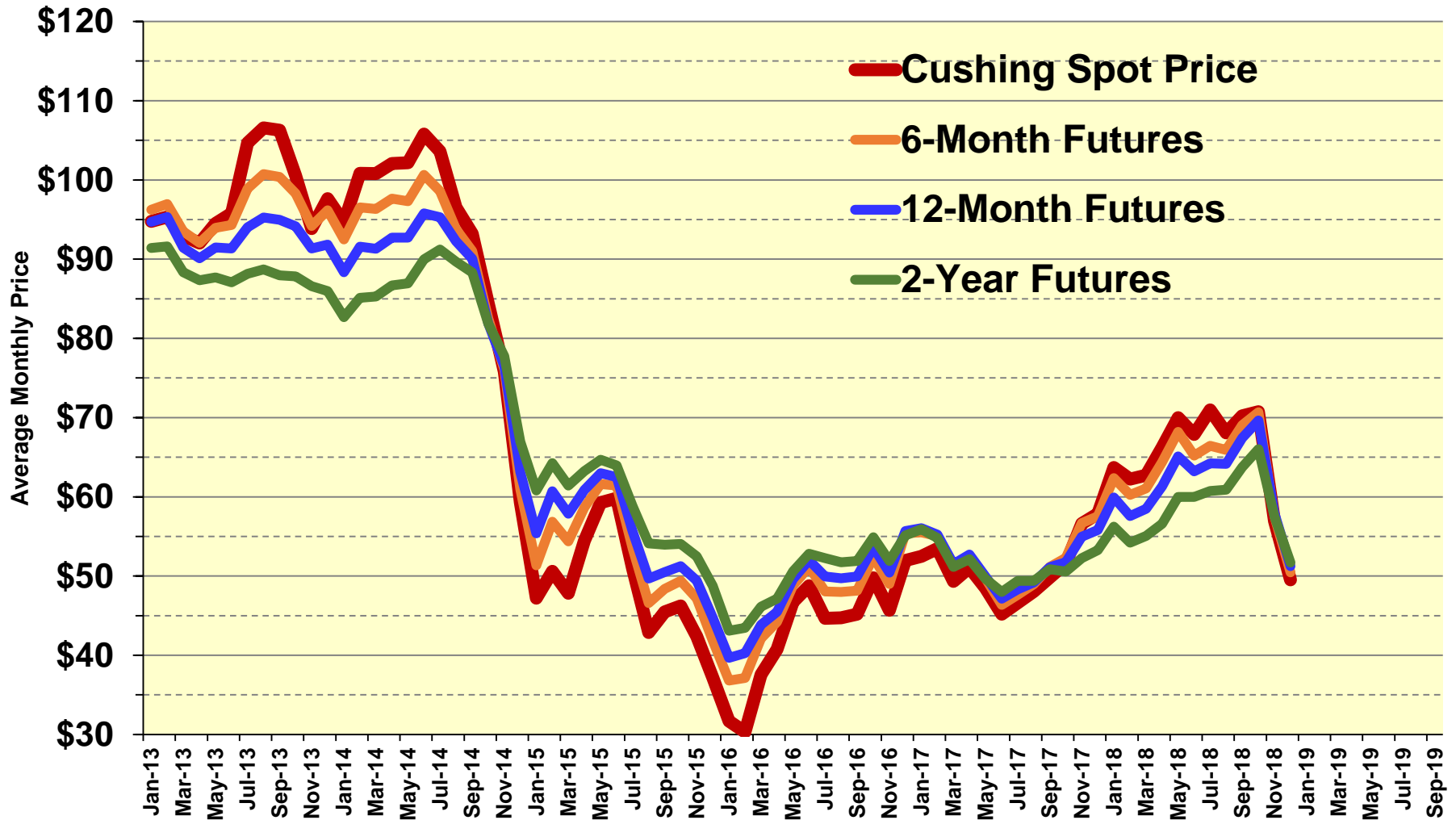
Percent Growth November 2017 – November 2018



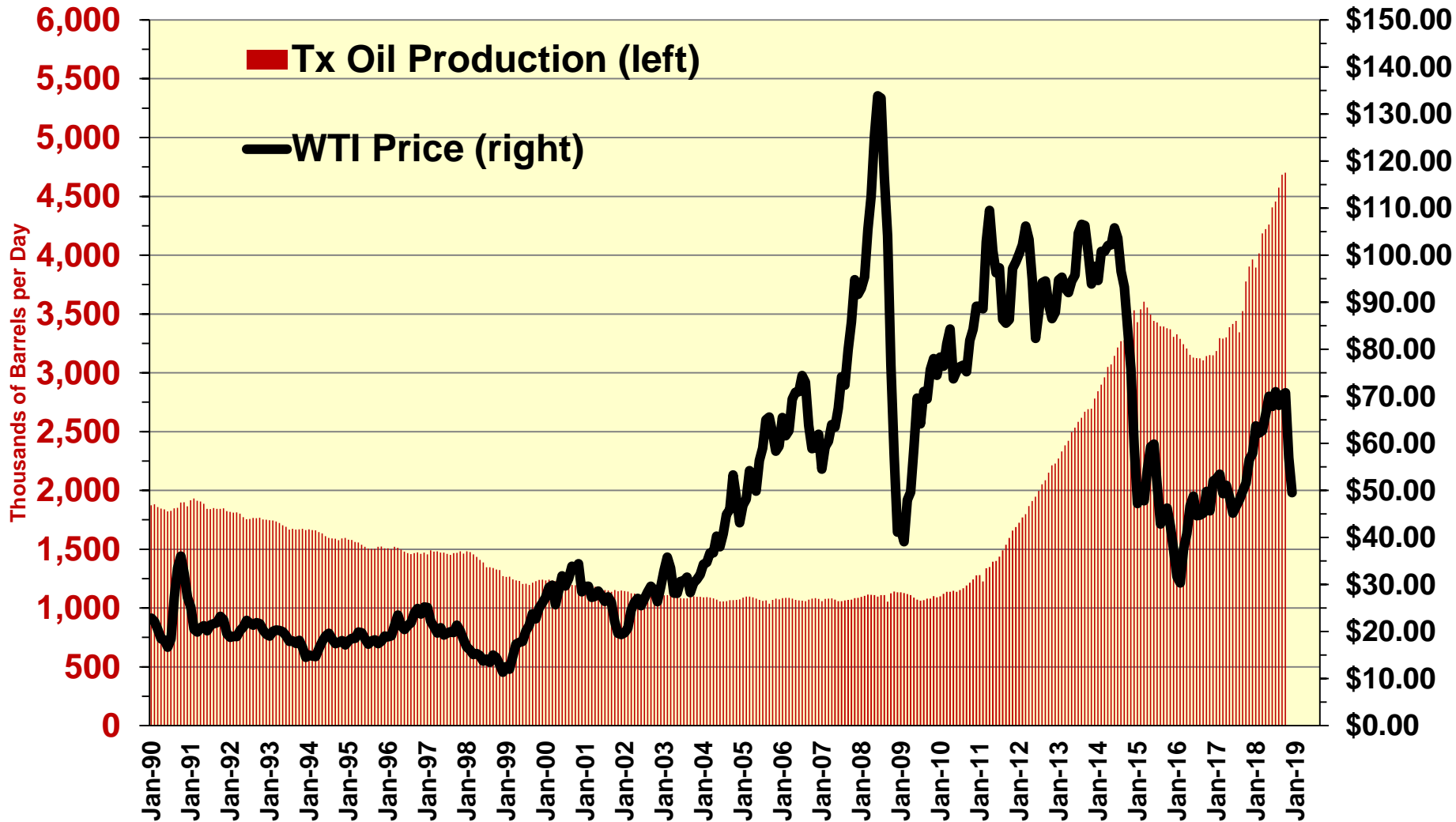
Weekly Active Texas Rig Count & Price of WTI



Current and Futures Monthly Average Price of WTI



Monthly Texas Oil Production & Price of WTI

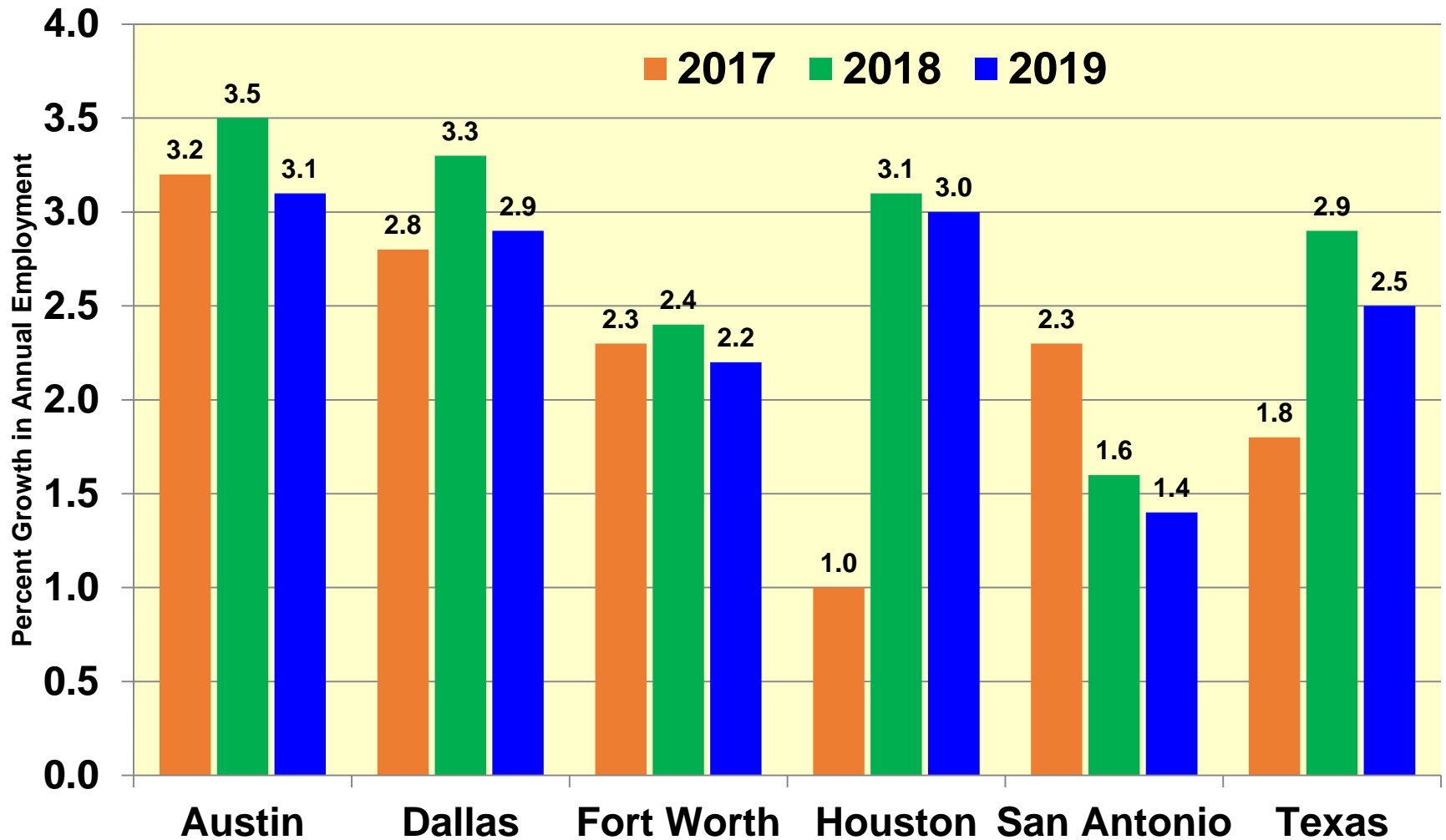


Texas Economic Outlook: 2019

Positive but Slower Growth Than 2018

- ❑ **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

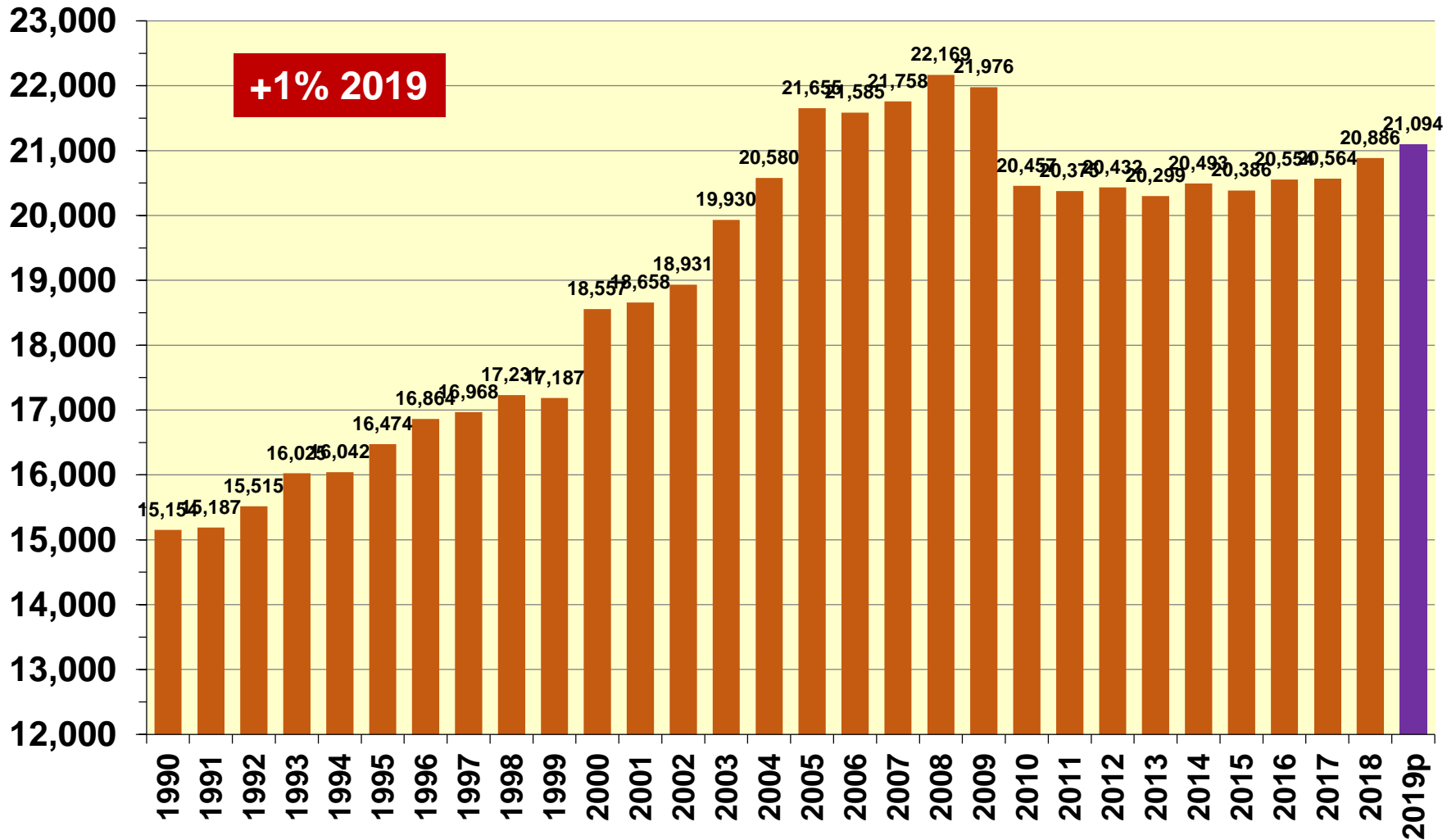
Texas Major MSAs Employment Growth 2017, 2018 & 2019



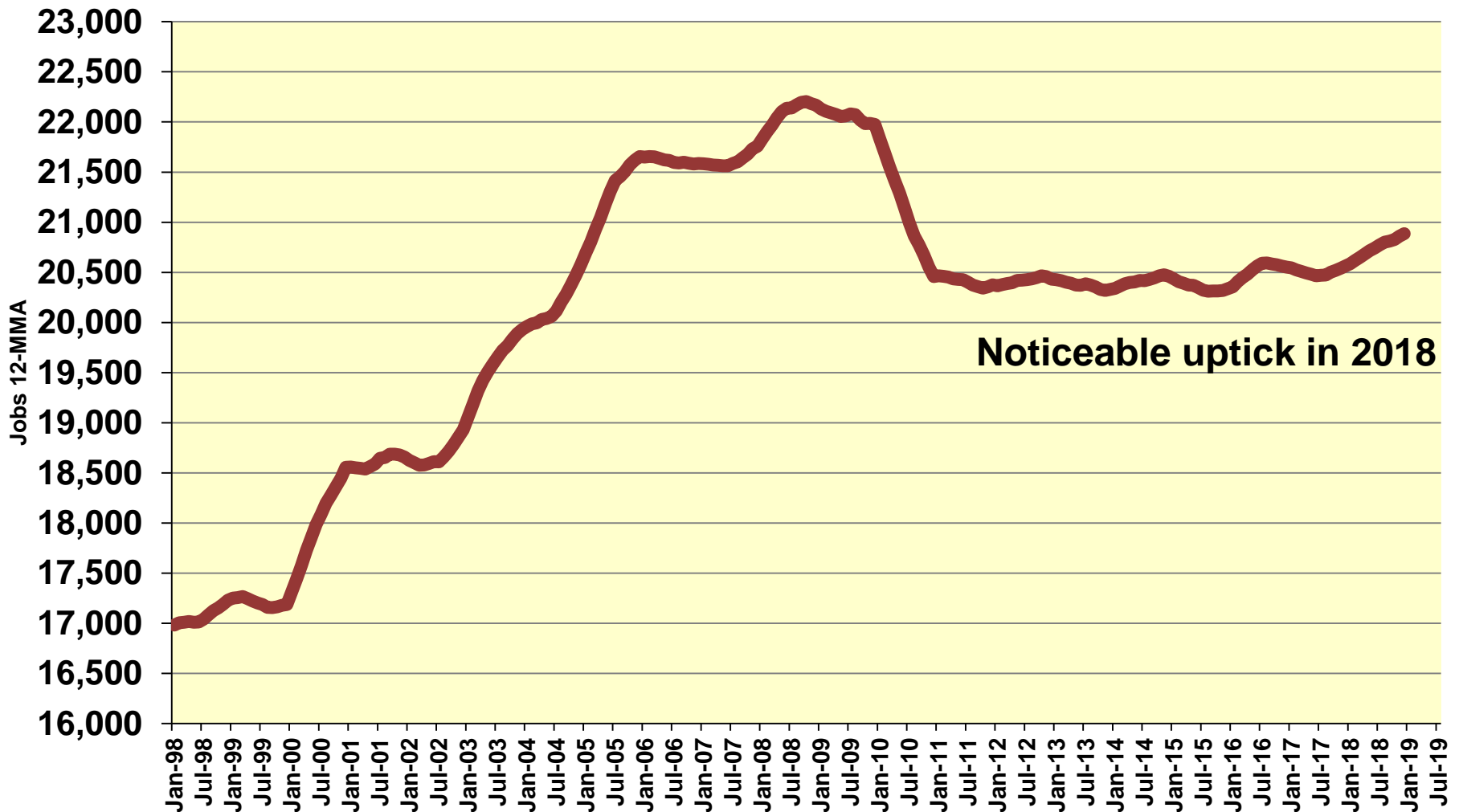
Kerr County Economic Outlook



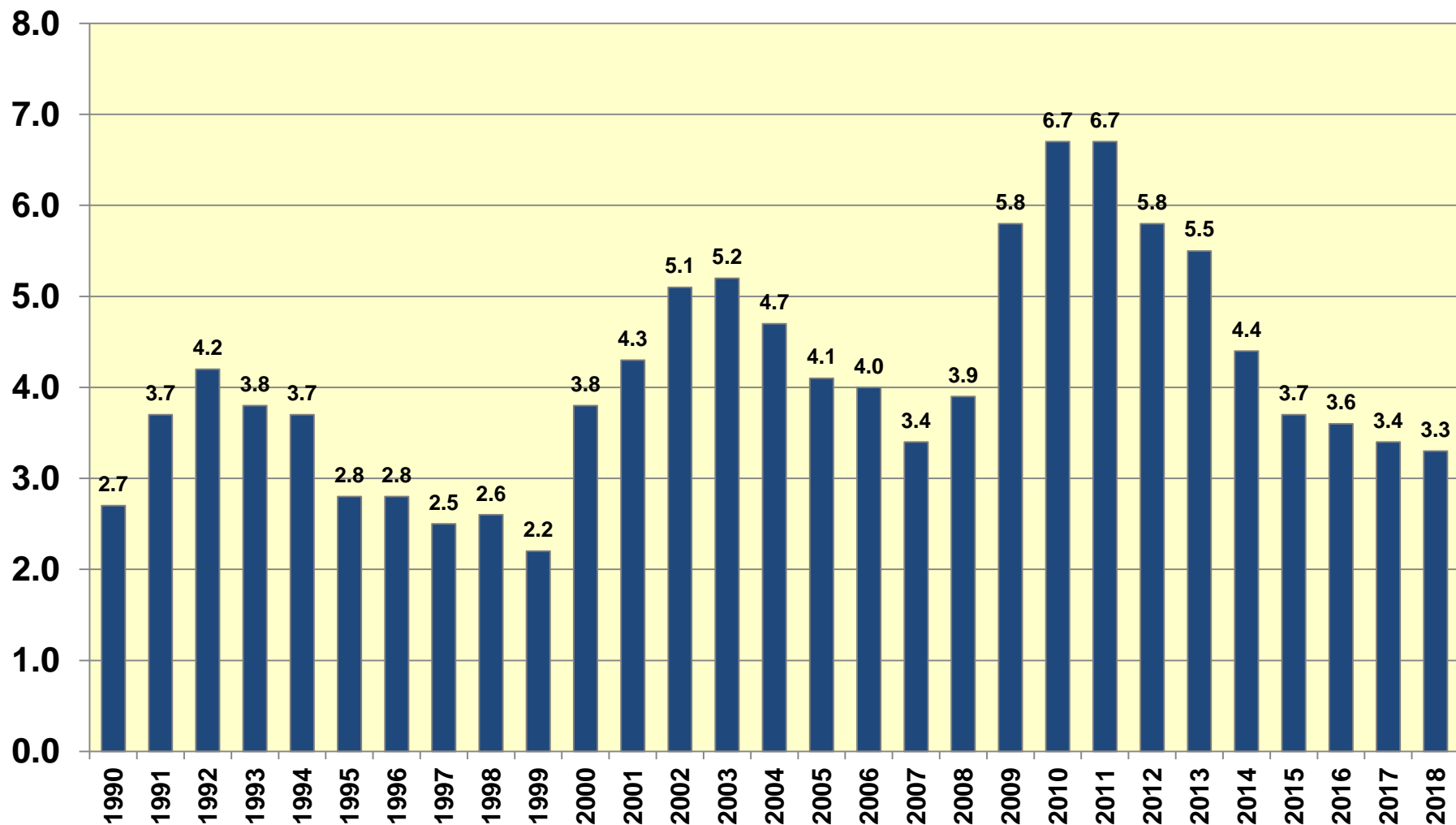
Kerr County Annual Employment Stable the Past 7 Years



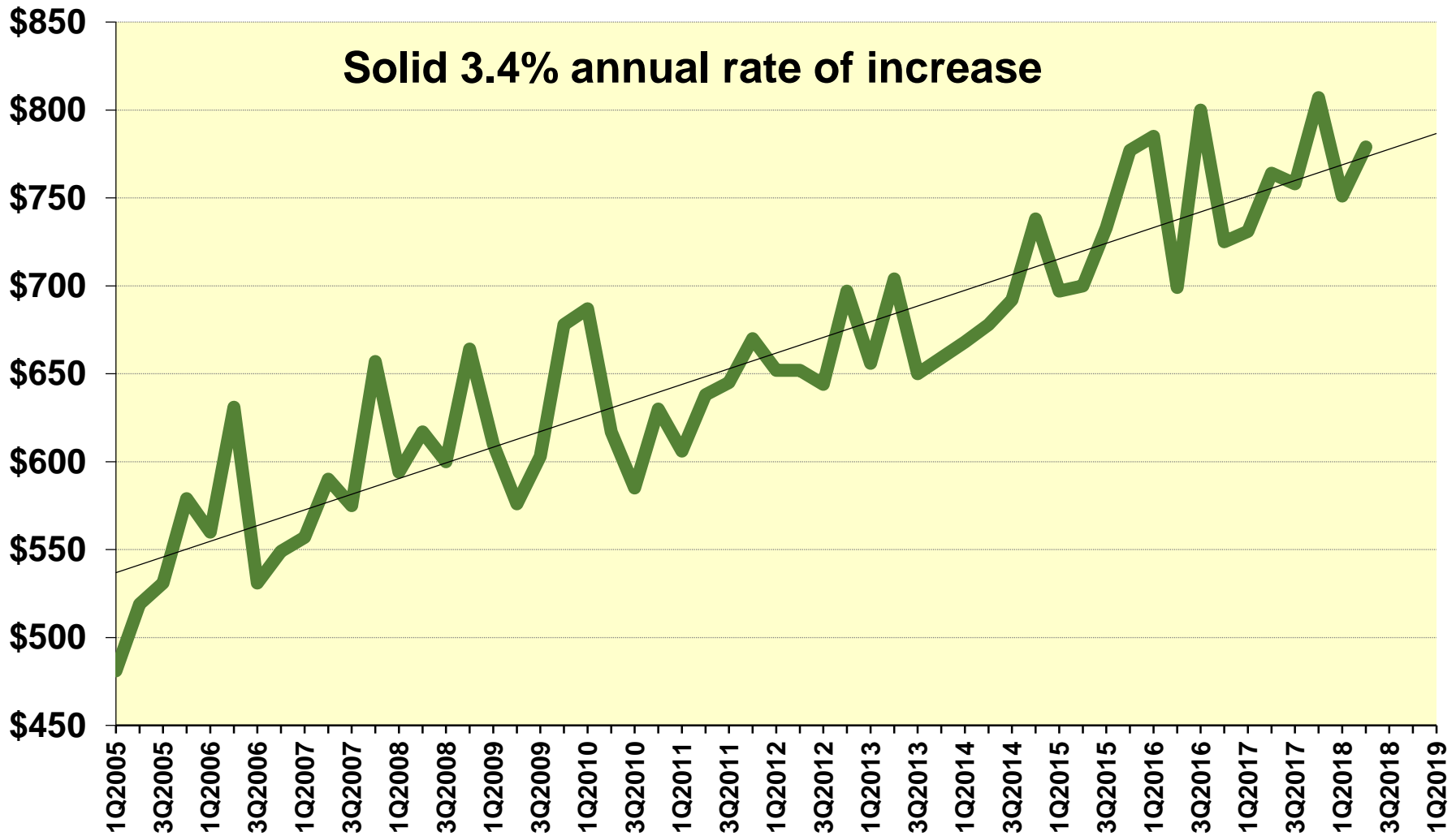
Kerr County Monthly Employment



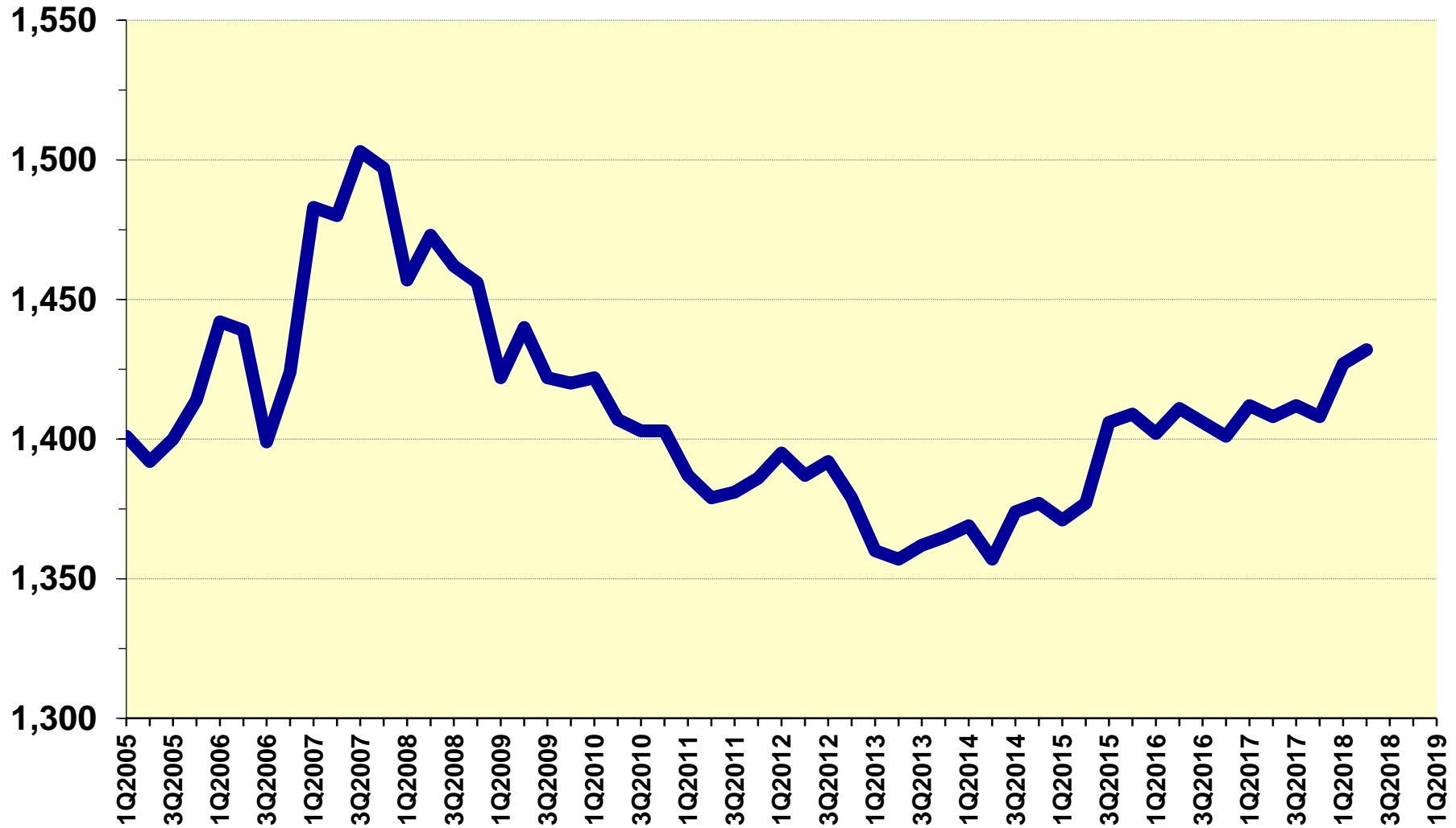
Kerr County Annual Unemployment Rate



Average Weekly Wages

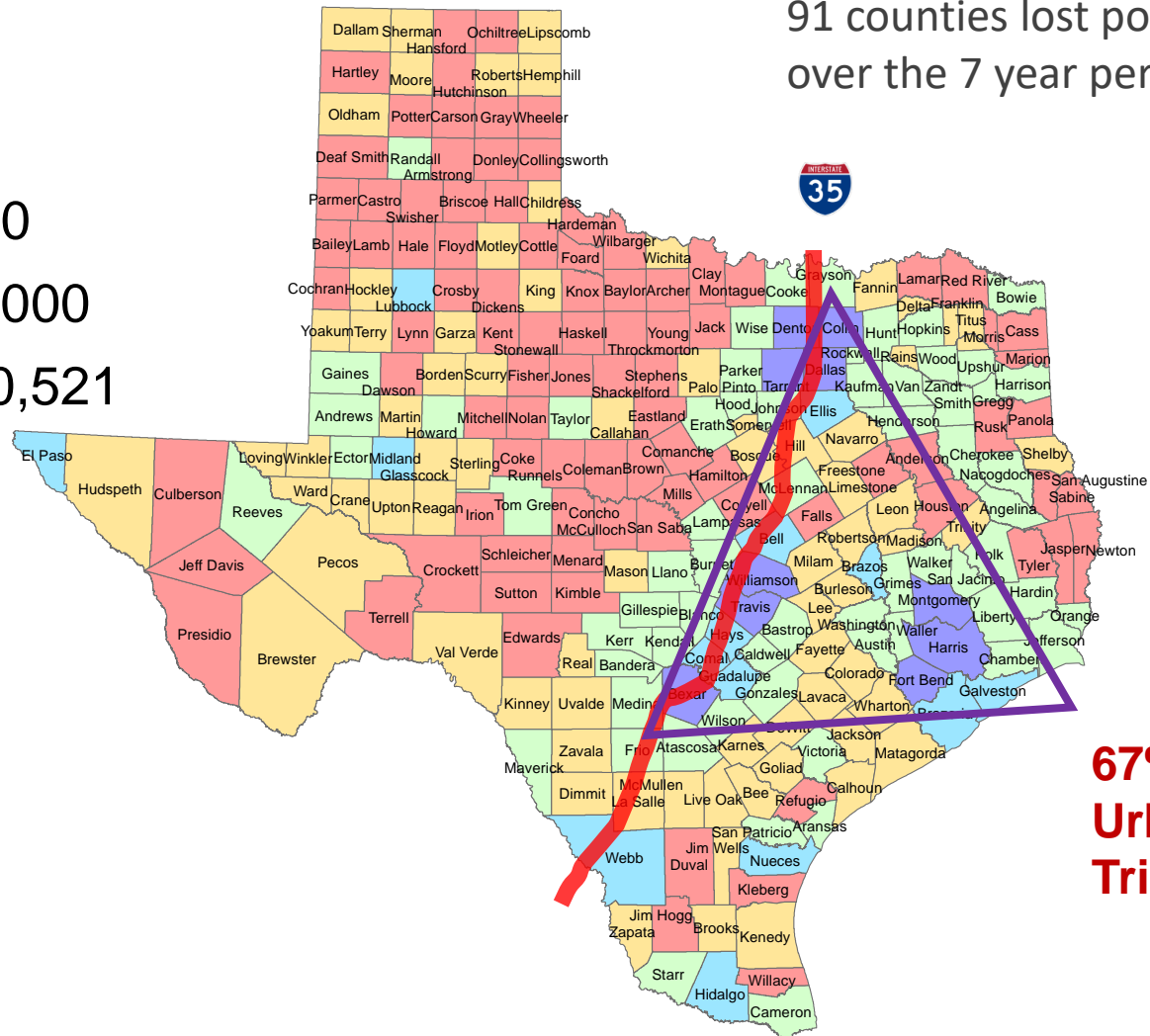
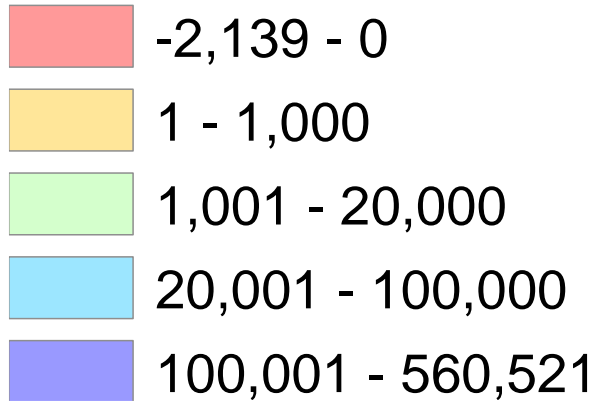


Number of Establishments in Kerr County



Texas & Kerr County Demographics

Estimated Population Change, Texas Counties, 2010 to 2017



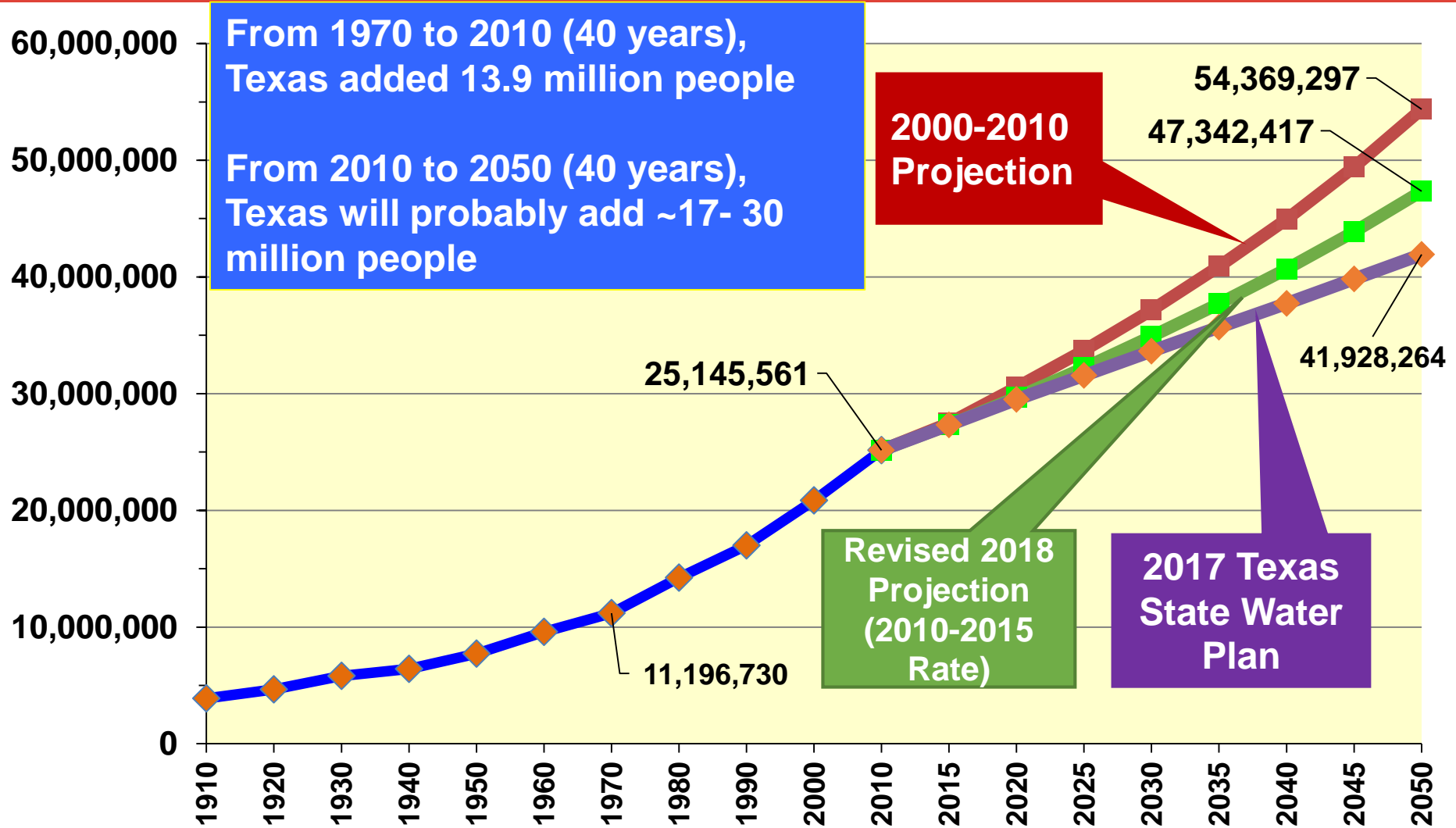
91 counties lost population over the 7 year period.

87% E of I-35

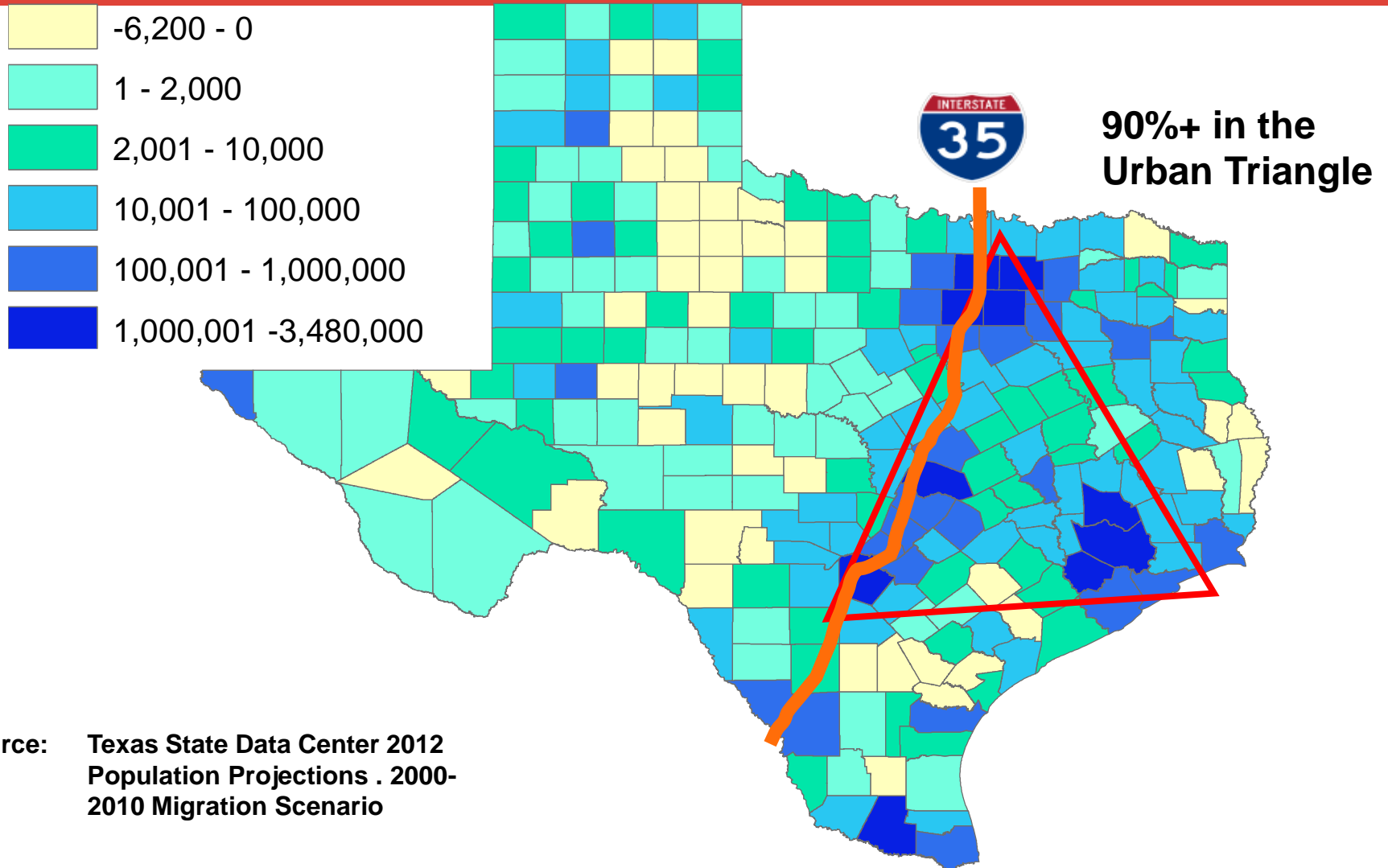
67% in Urban Triangle

Texas Population 1910-2050

2018 Population Projection & 2017 Texas Water Plan

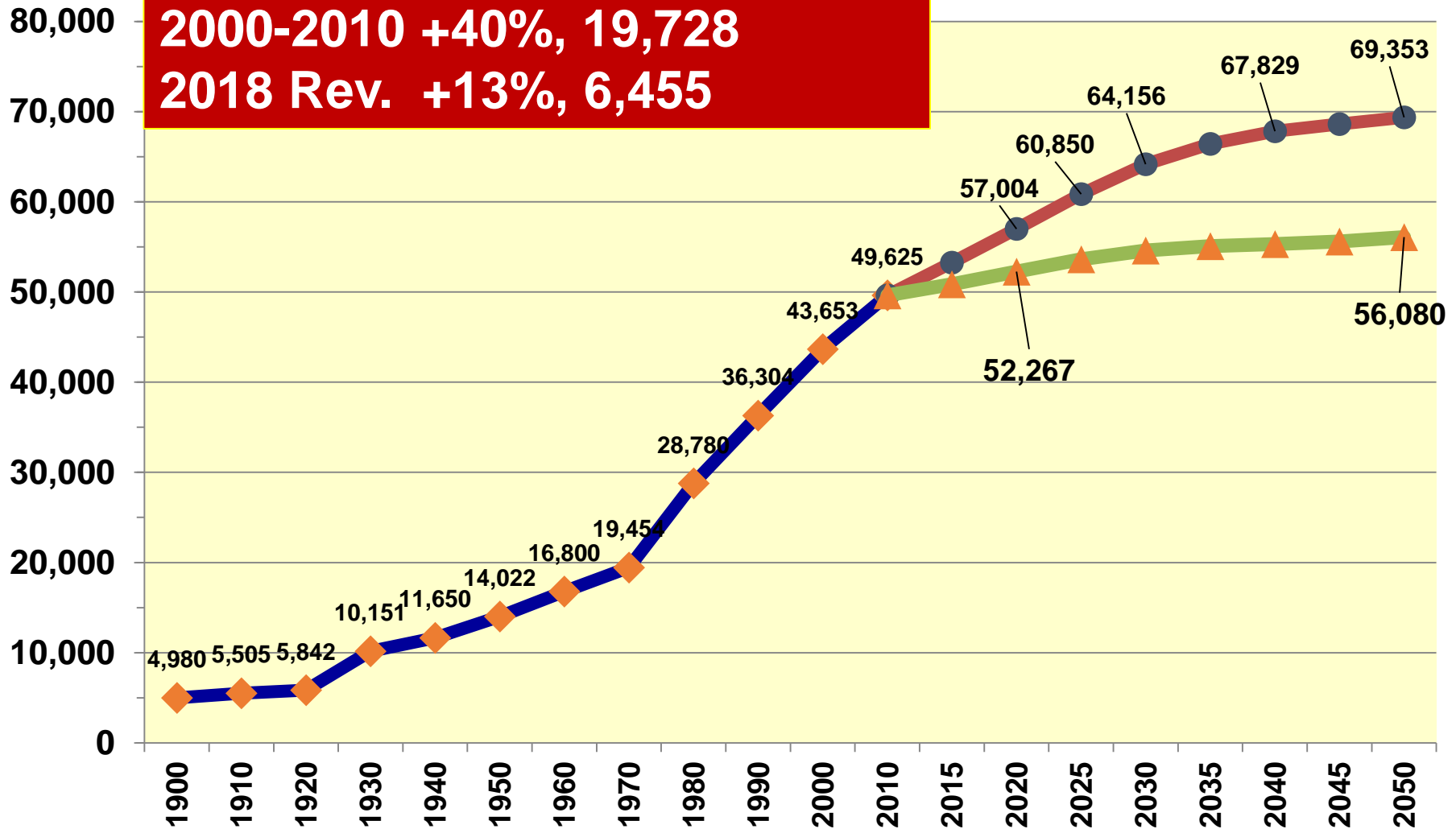


Projected Population Change, Texas Counties, 2010-2050



Source: Texas State Data Center 2012
Population Projections . 2000-
2010 Migration Scenario

Projected Kerr County Population



Texas Housing Market

2018 Percent Changes in Key Housing Measures

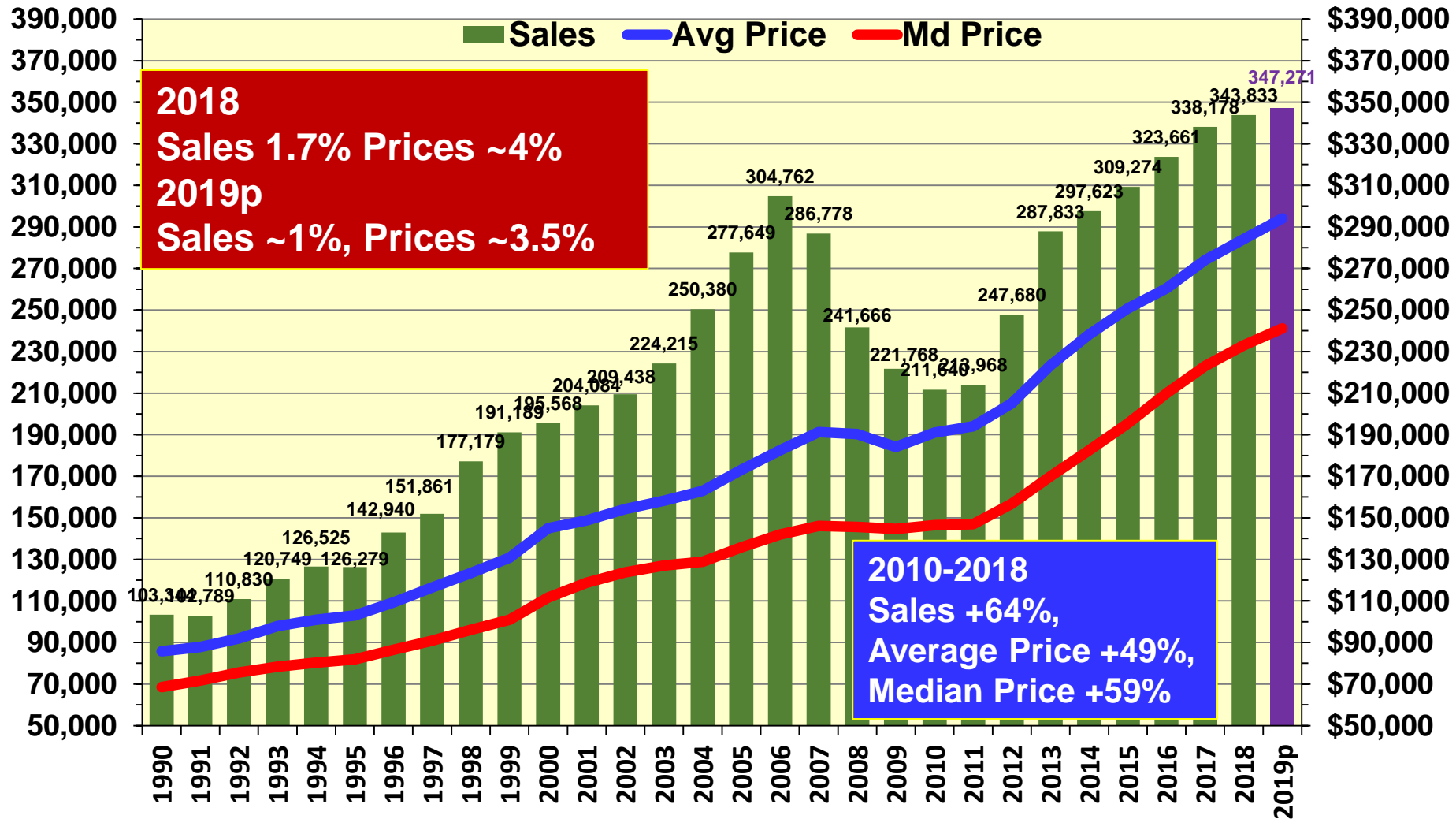
	Sales	Average Price	Median Price	Months Inventory	Median Price/sf
Texas	1.7%	3.7%	4.5%	9.8%	5.0%
Austin	1.4%	4.2%	3.9%	9.7%	3.9%
DFW	-2.4%	4.1%	3.9%	19.7%	5.7%
Houston	3.4%	2.7%	3.1%	13.5%	4.2%
San Antonio	2.9%	4.2%	5.2%	8.0%	5.5%

2019 Home Market Slowdown

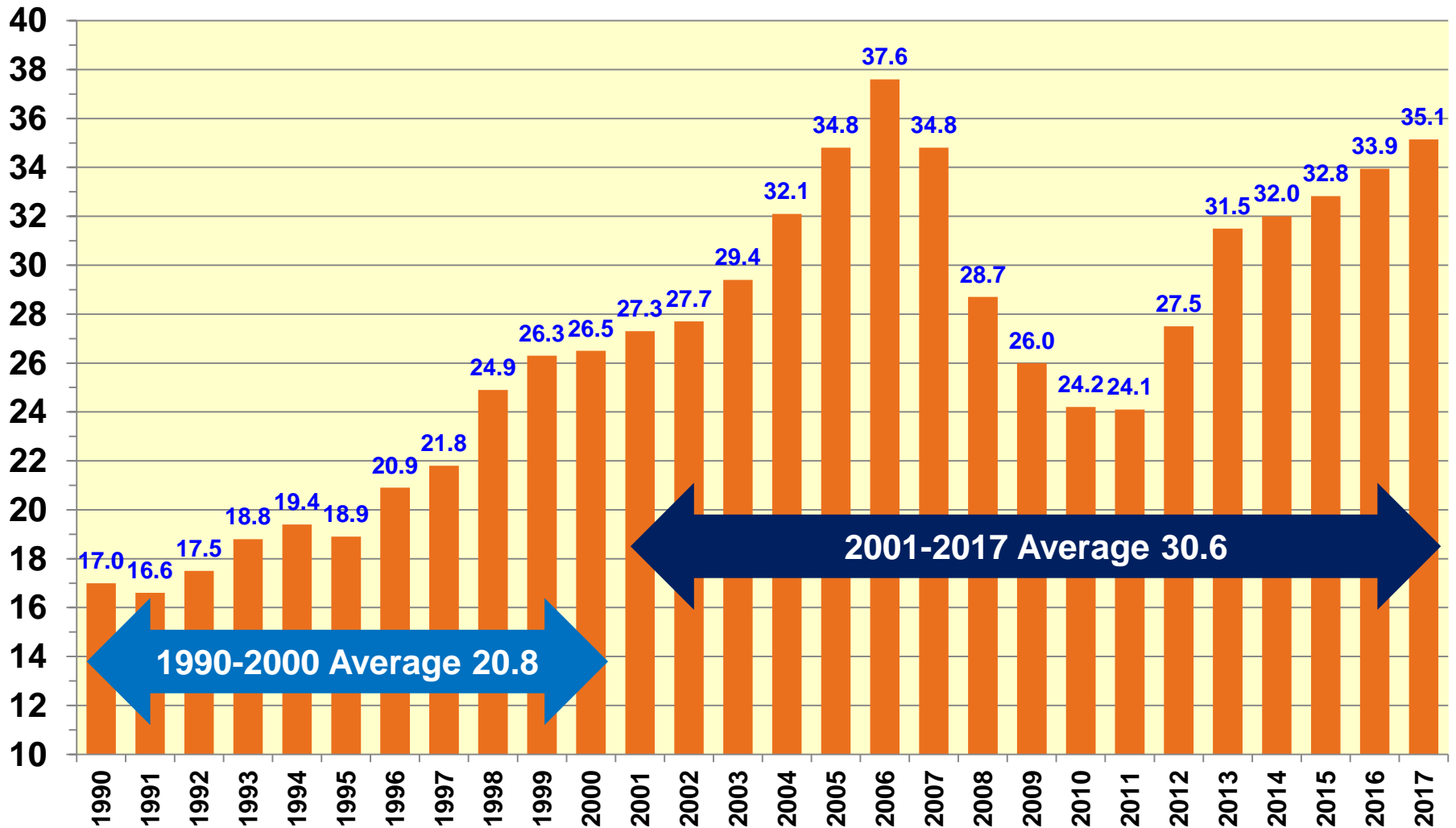
Factors that may create a drag on home-buying demand

- **Limited inventory availability**
- **Higher prices - affordability**
- **Increasing interest rates**
- **Concerns about general economy – fear of recession or jobs**
- **Stock market volatility**
- **Negative press coming off record year(s)**

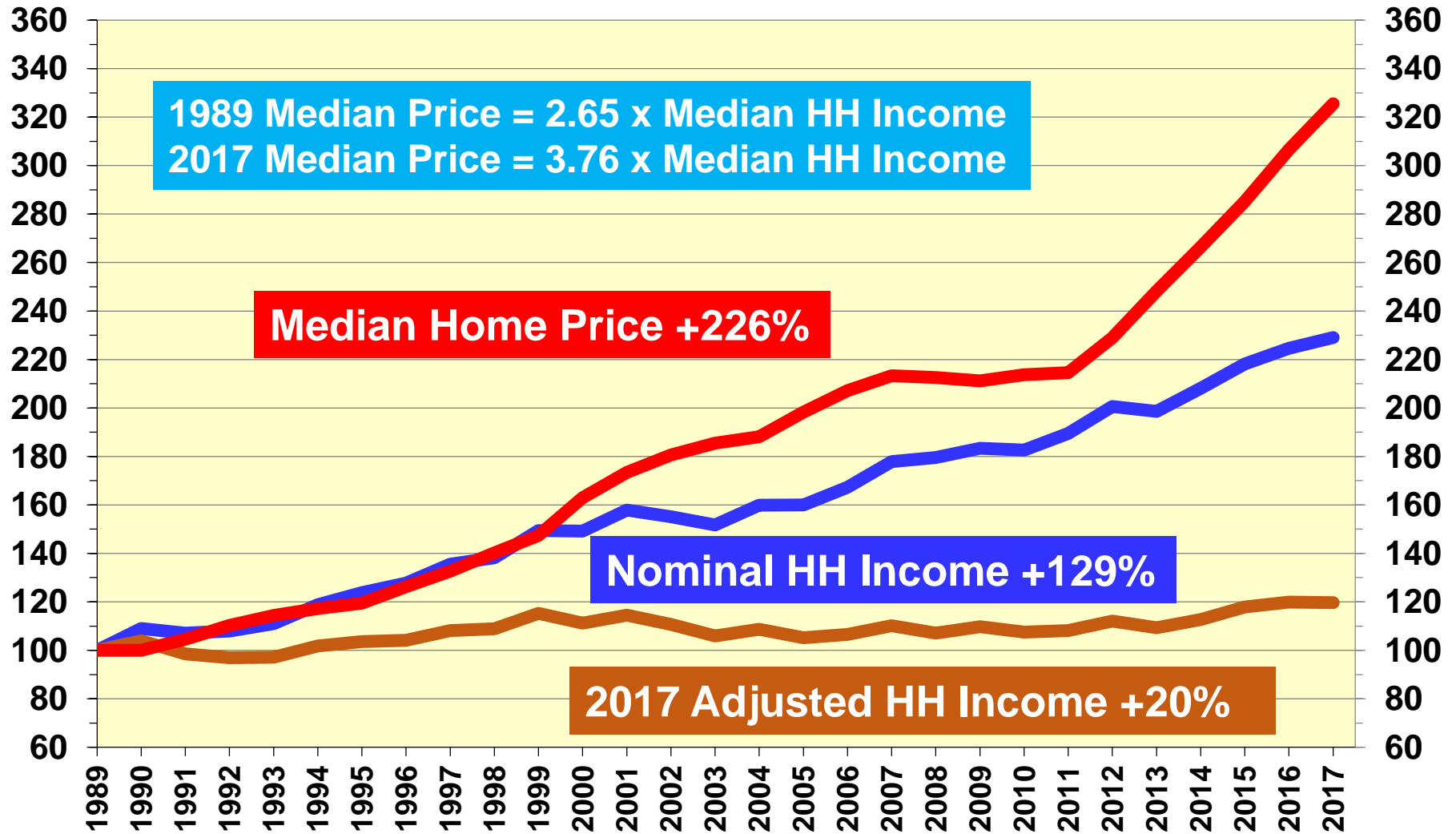
Annual Texas Home Sales & Prices



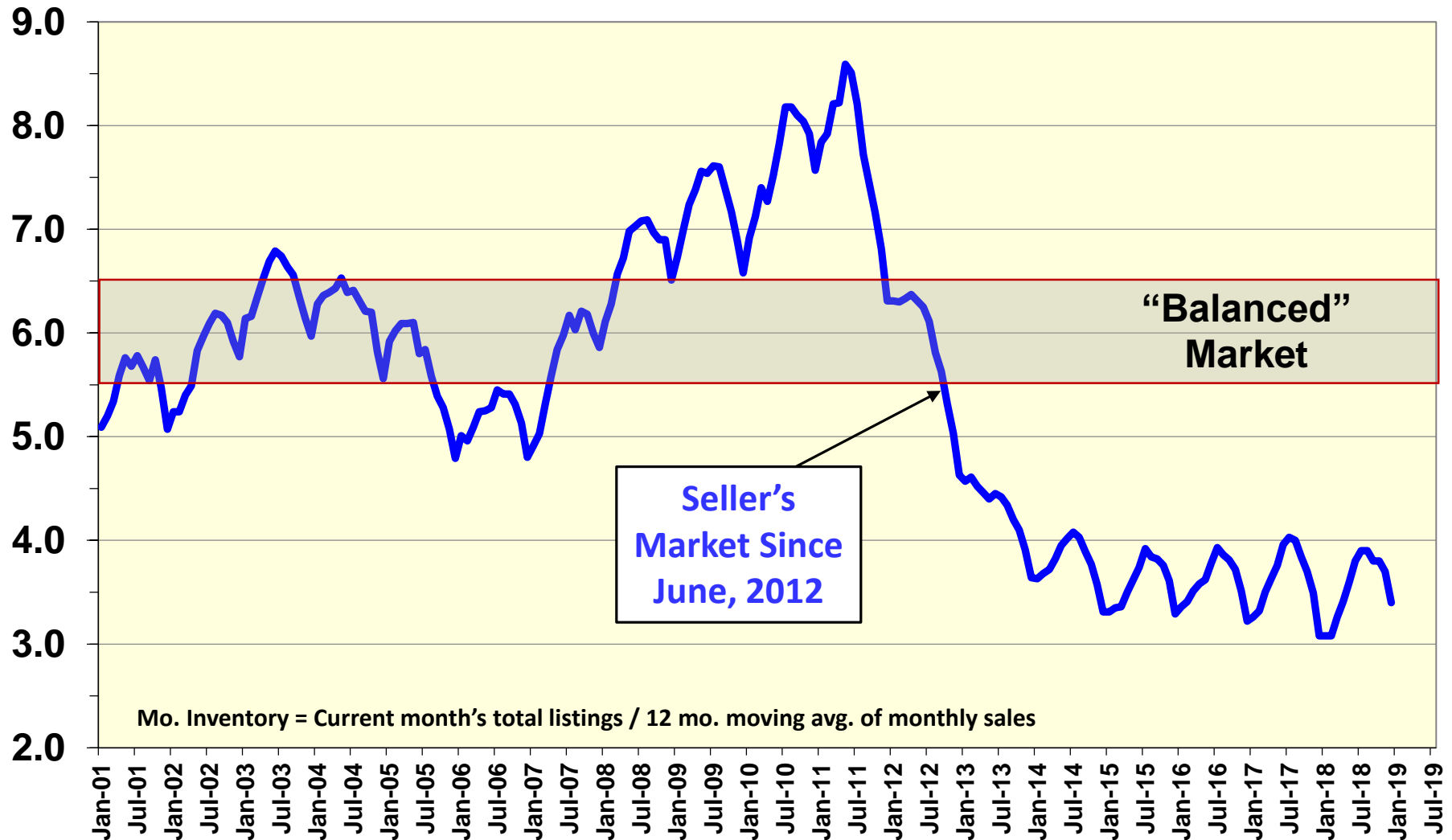
Texas Home Sales per 1,000 Households



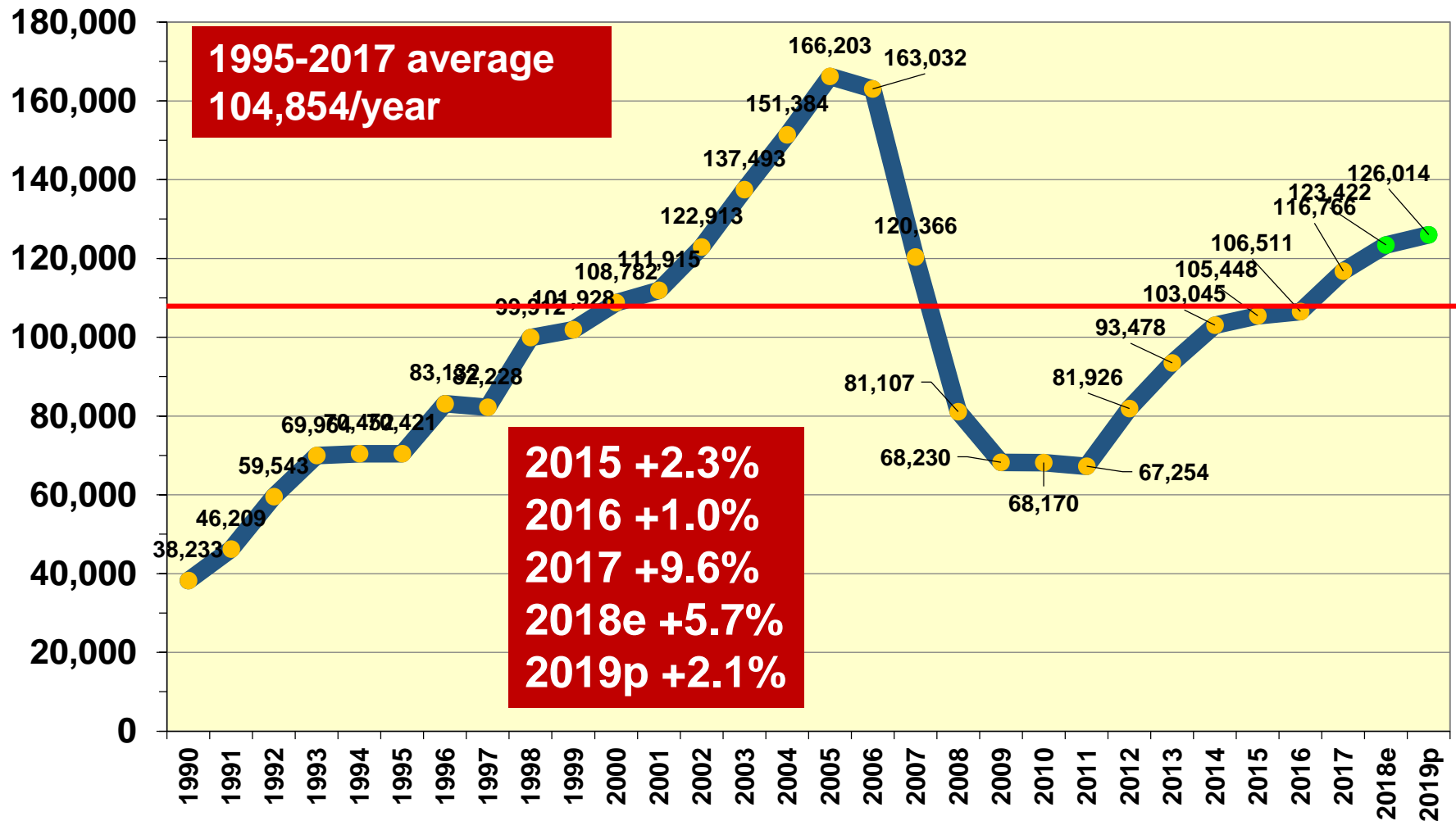
Texas Median HH Income & Median Home Price Indexed to 1989



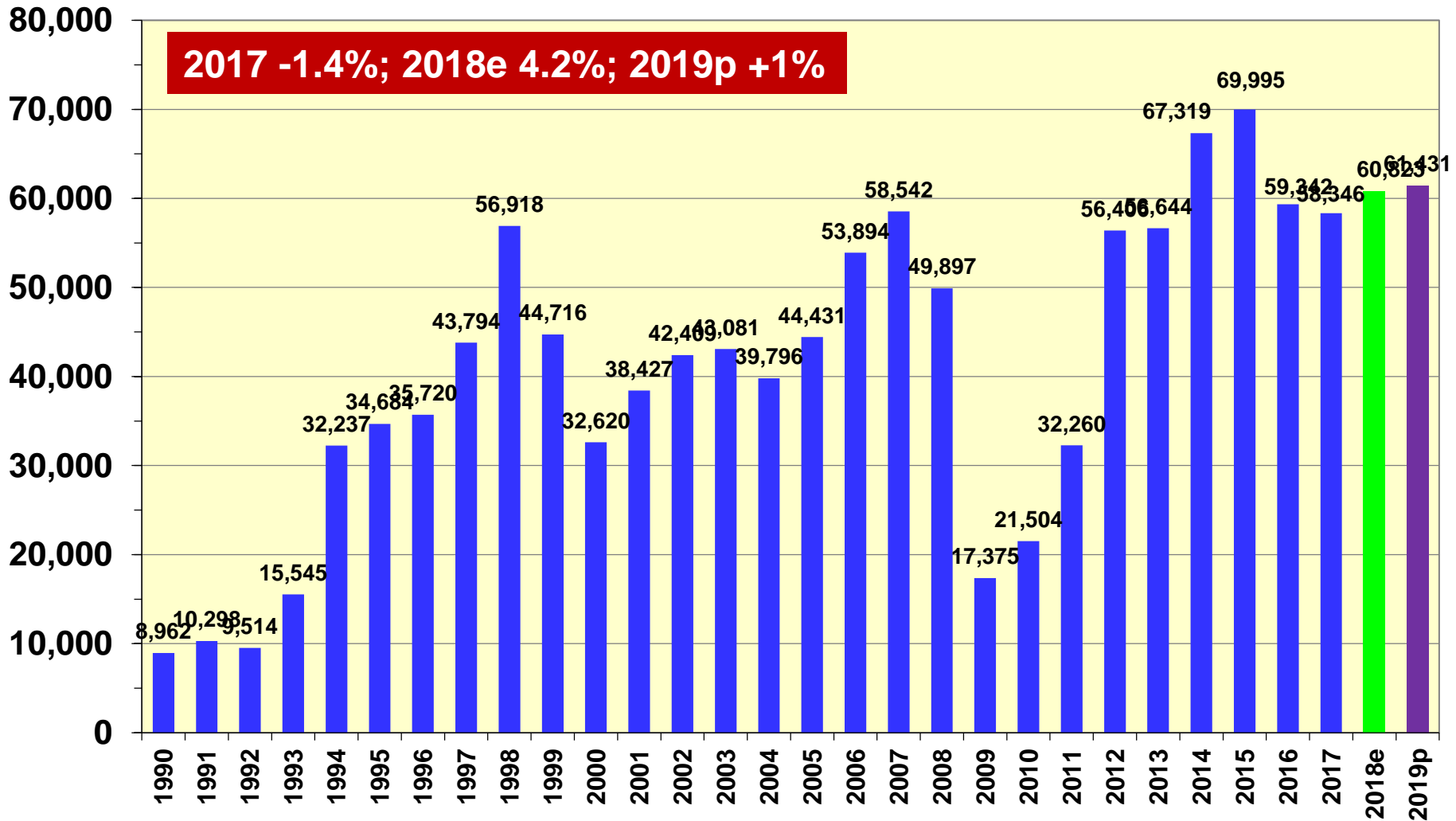
Texas Months' Inventory Still Quite Low



Texas SF Building Permits



Texas MF Building Permits



The Kerr County Housing Market

Kerr County Housing Report

2018



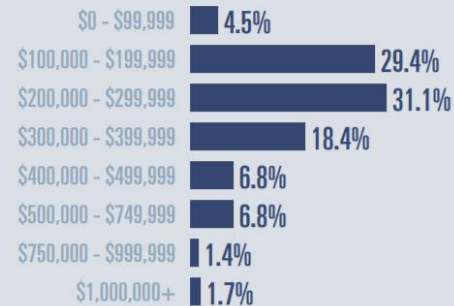
Median price

\$246,434

Up **9.3%**

Compared to 2017

Price Distribution



Active listings

Down **12.1%**

334 in 2018



Closed sales

Down **15.6%**

719 in 2018



Days on market

Days on market	76
Days to close	26
Total	102

16 days less than 2017



Months of inventory

5.1

Compared to 4.2 in 2017

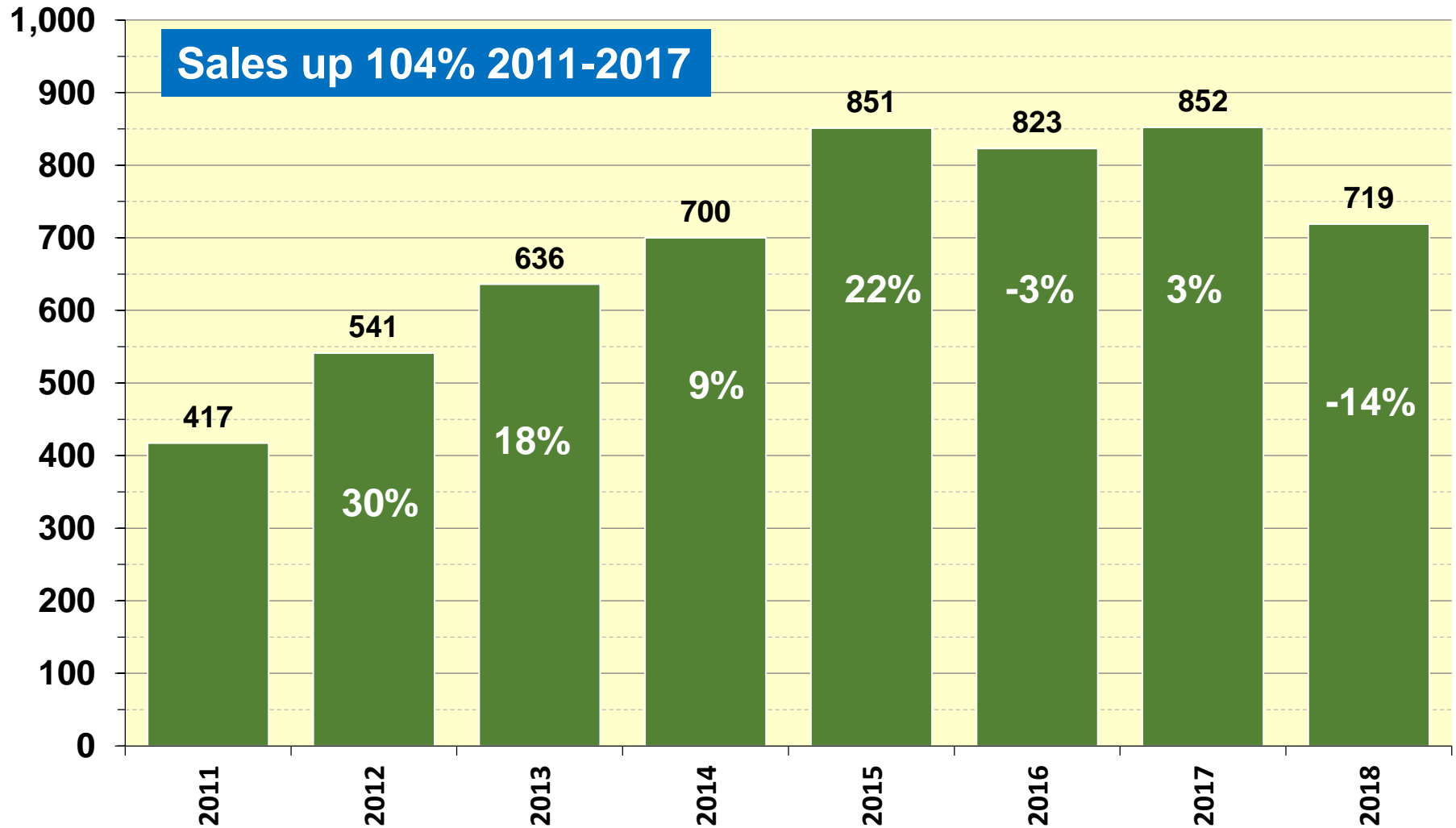
About the data used in this report

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.

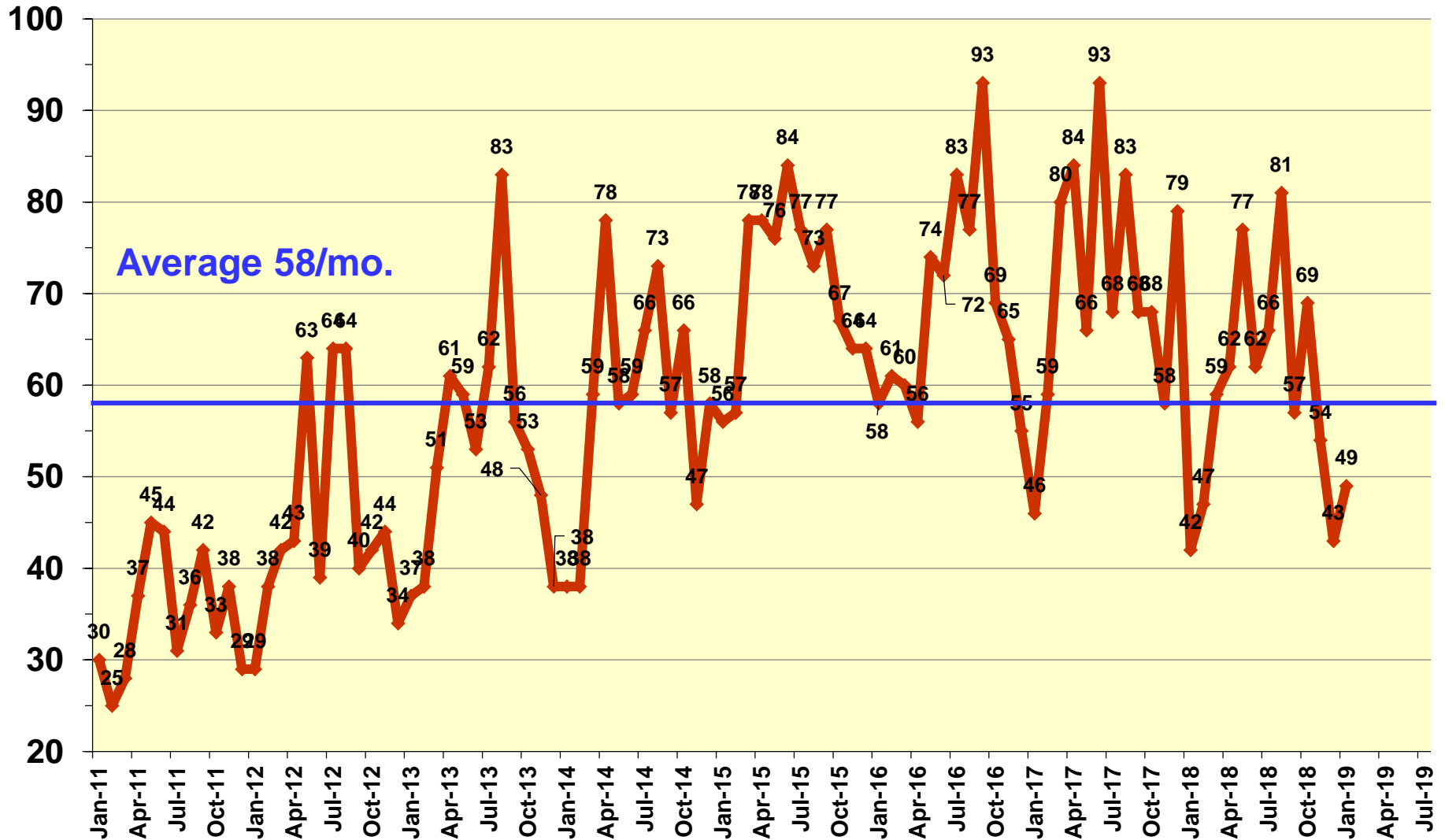


Kerr County Annual Home Sales

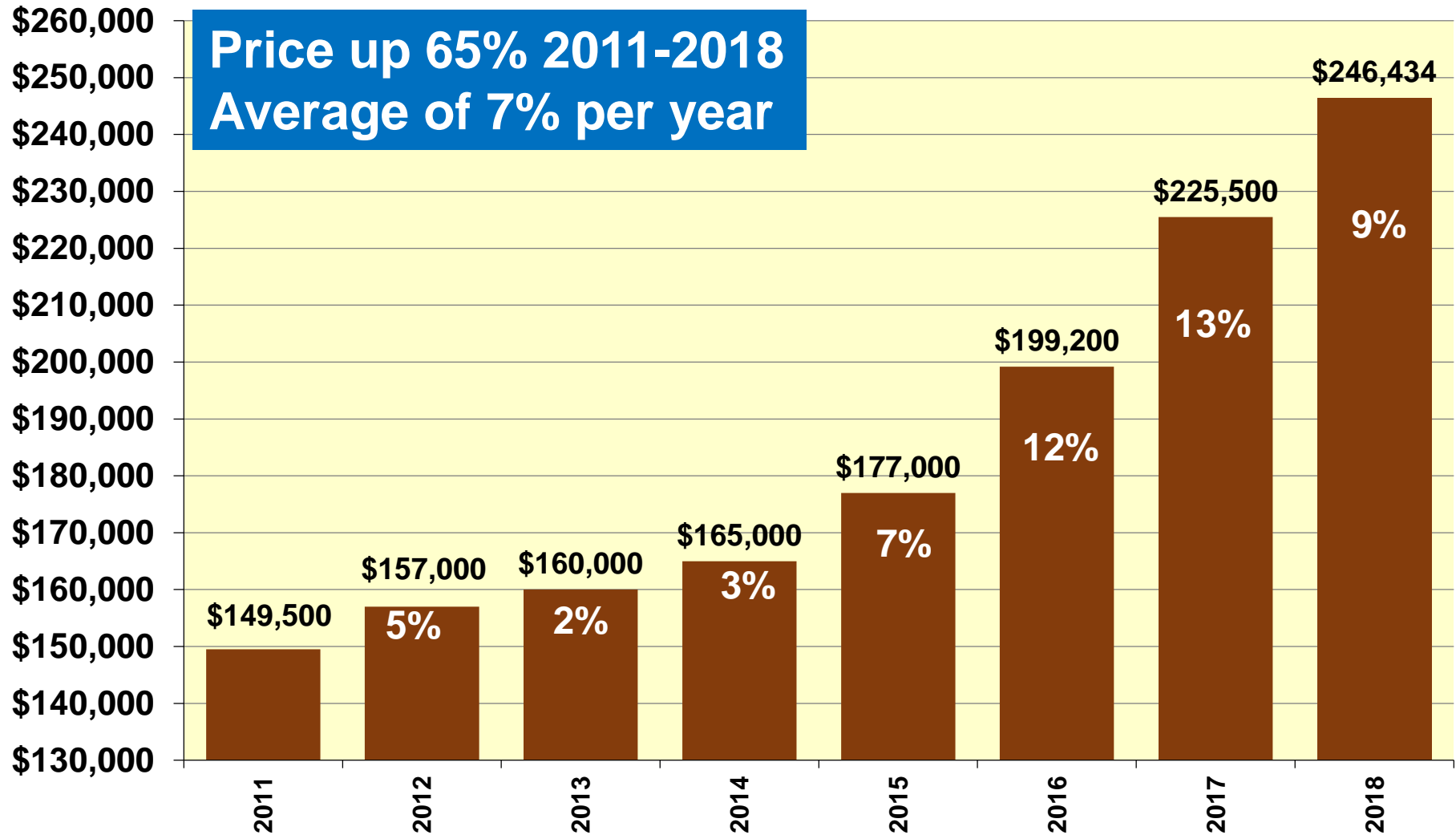
Rate of Growth Slowing Down



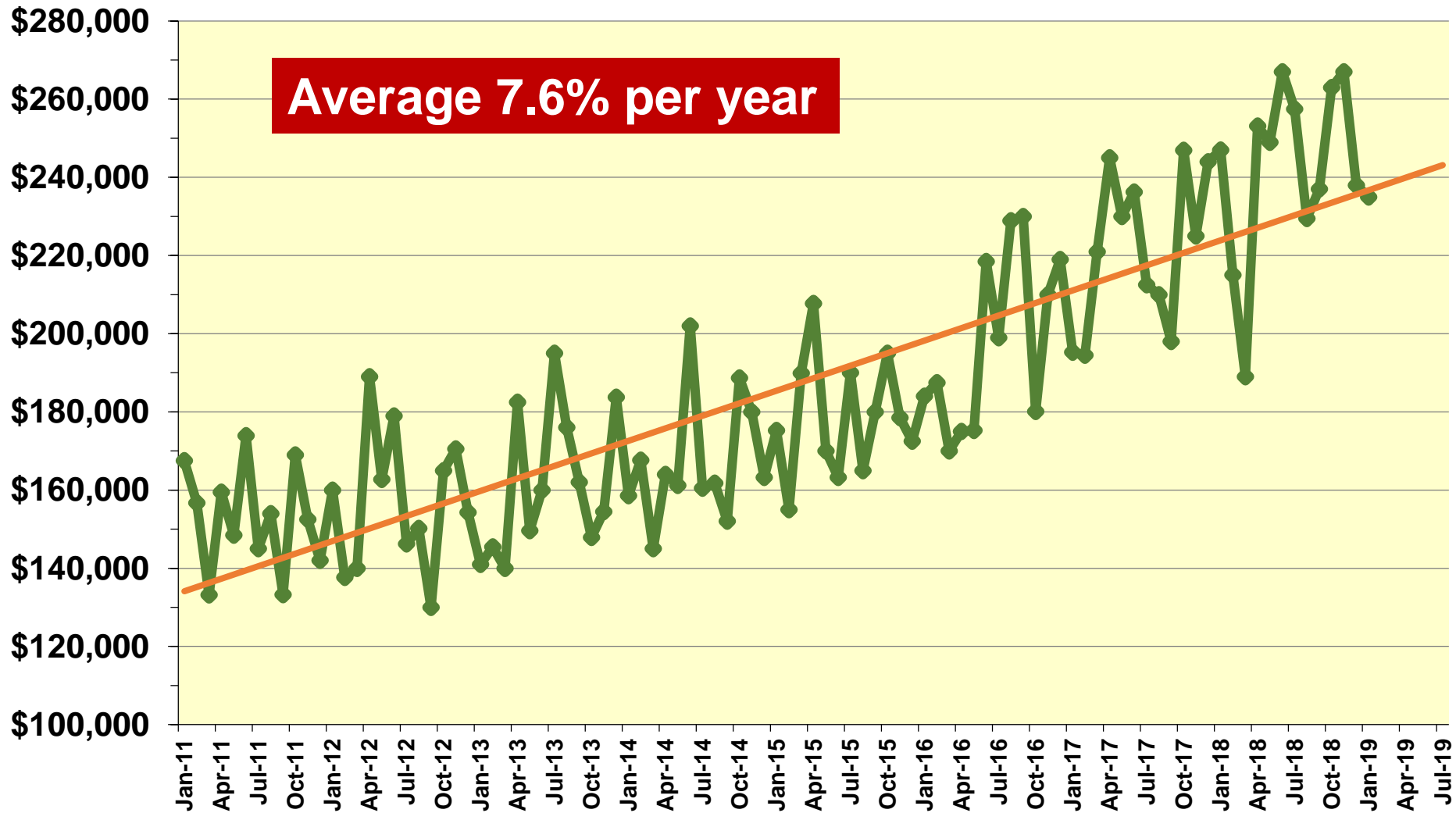
Kerr Co. Monthly Home Sales



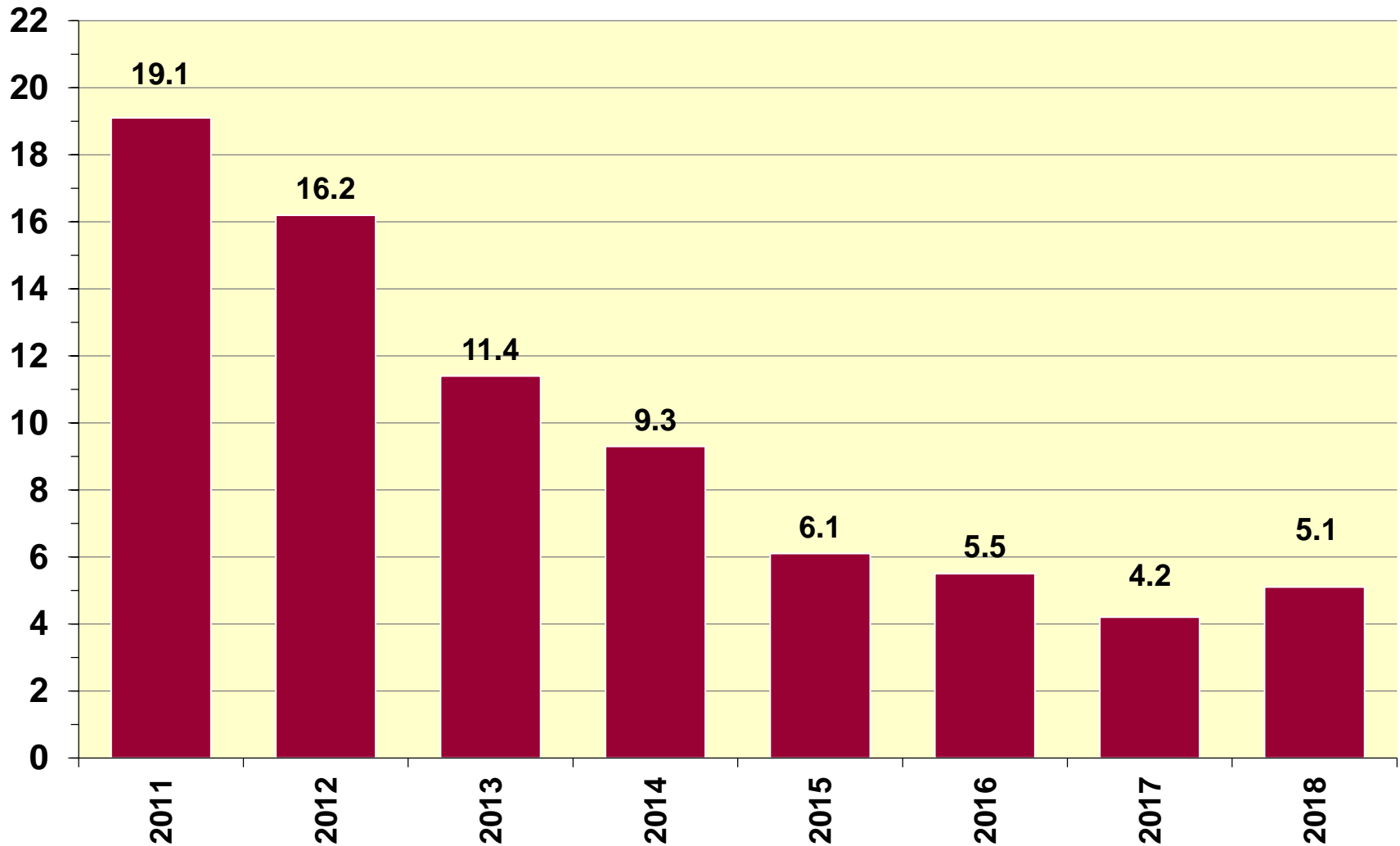
Kerr County Median Home Price



Kerr Co. Home Median Price

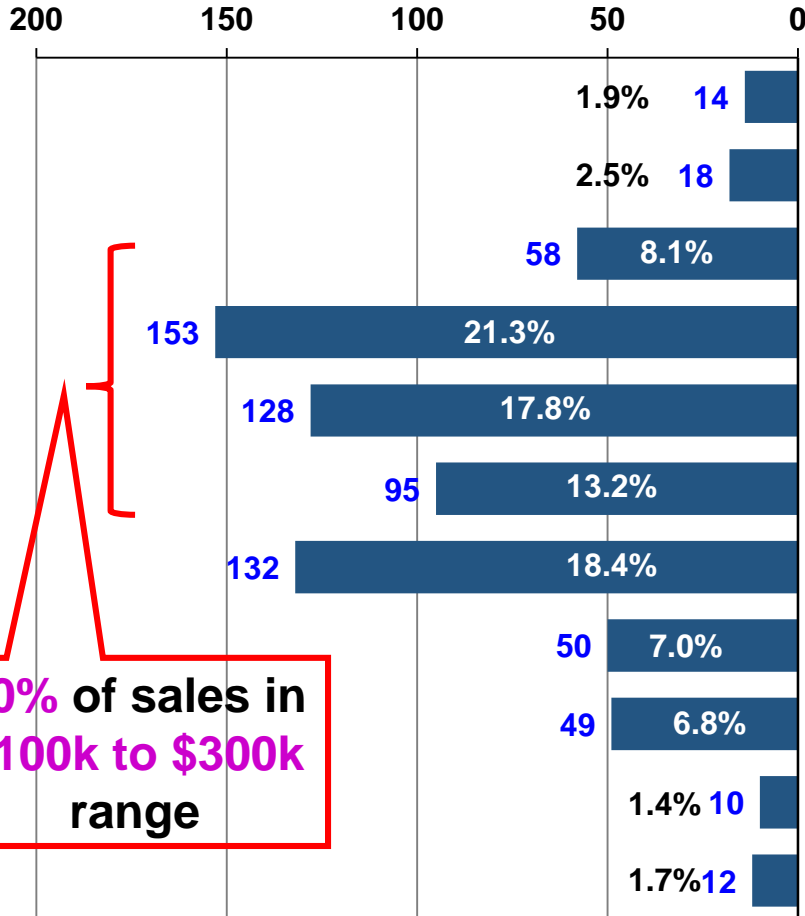


Kerr County Months Inventory



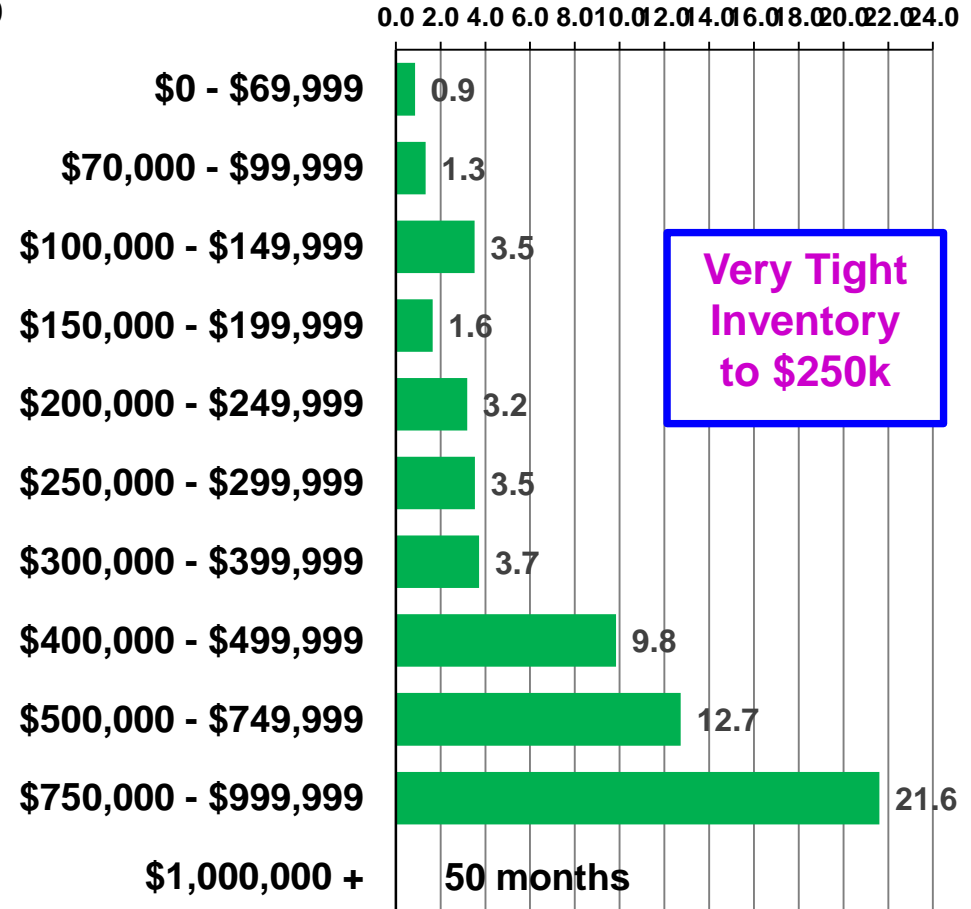
Kerr Co. 2018 Sales and Current Months Inventory by Price

2018 Sales



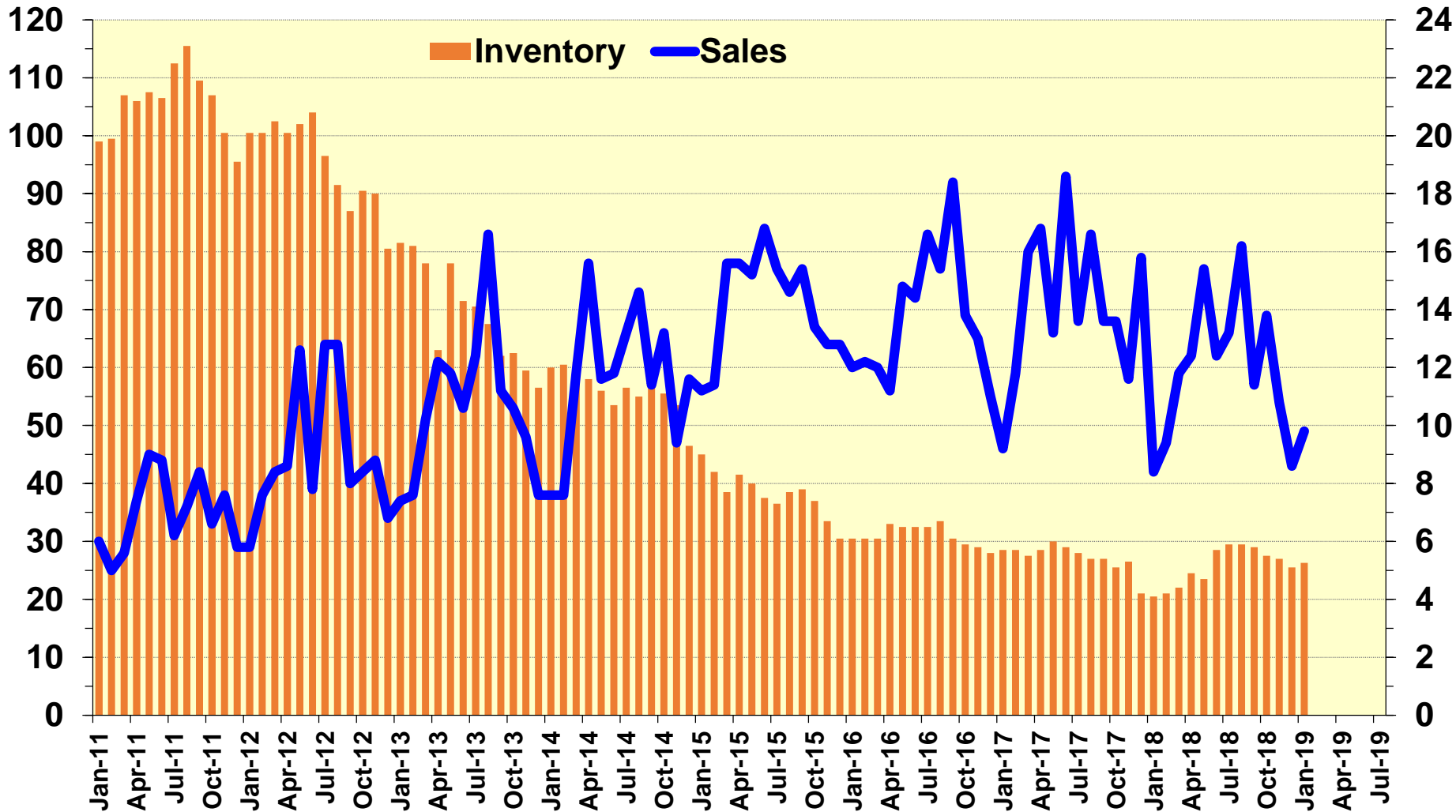
60% of sales in \$100k to \$300k range

Current MOI



Very Tight Inventory to \$250k

Monthly Sales and Months Inventory Kerr County

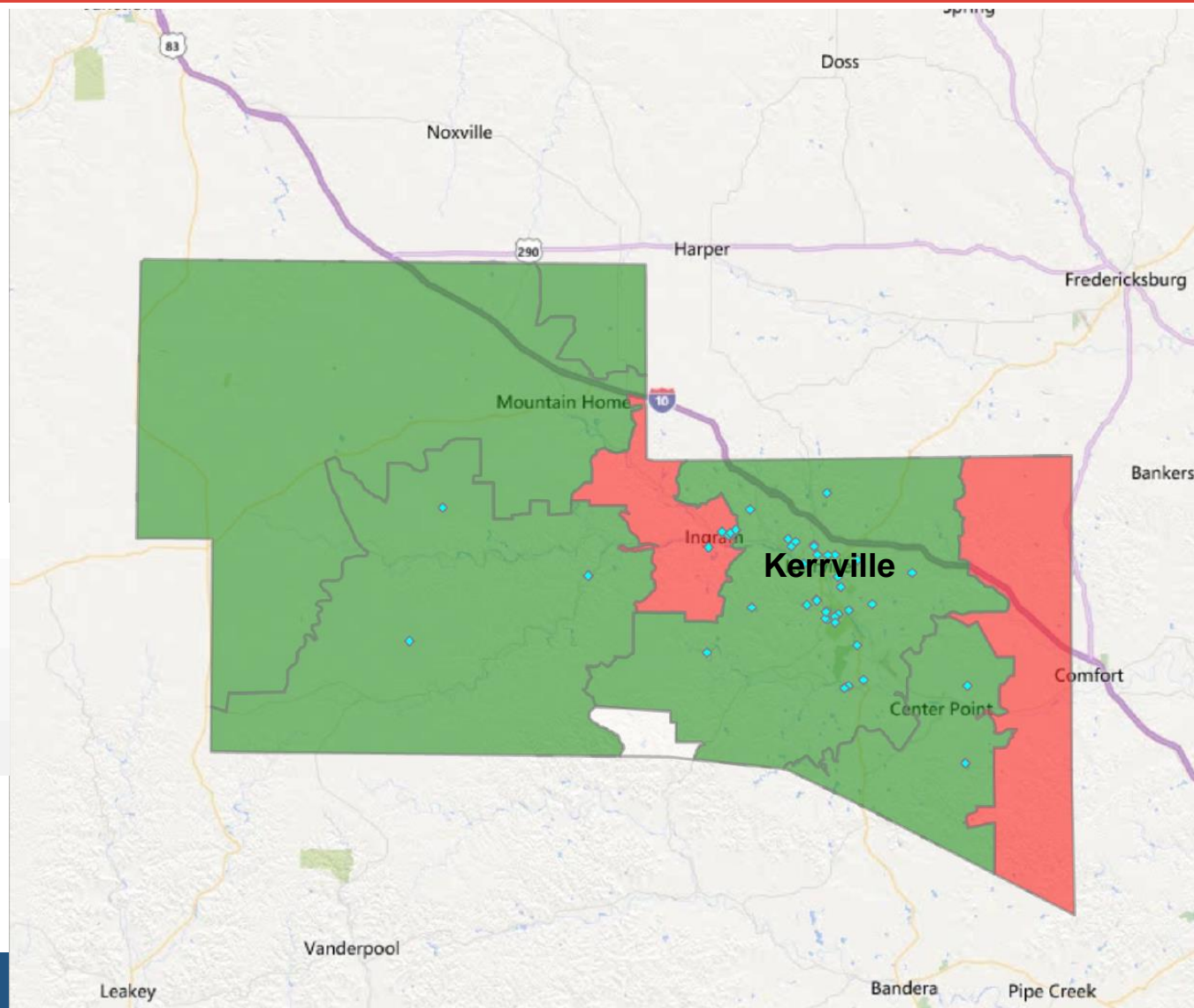
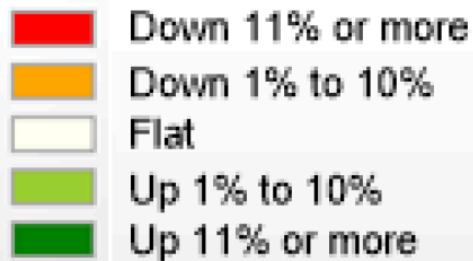


January Sales in Kerr County by Zip Code

(Y/Y Percent Change)

January:
51 Sales
+21.4% YoY

5.3 Months Inventory



Source: Kerrville Board of Realtors®; Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University








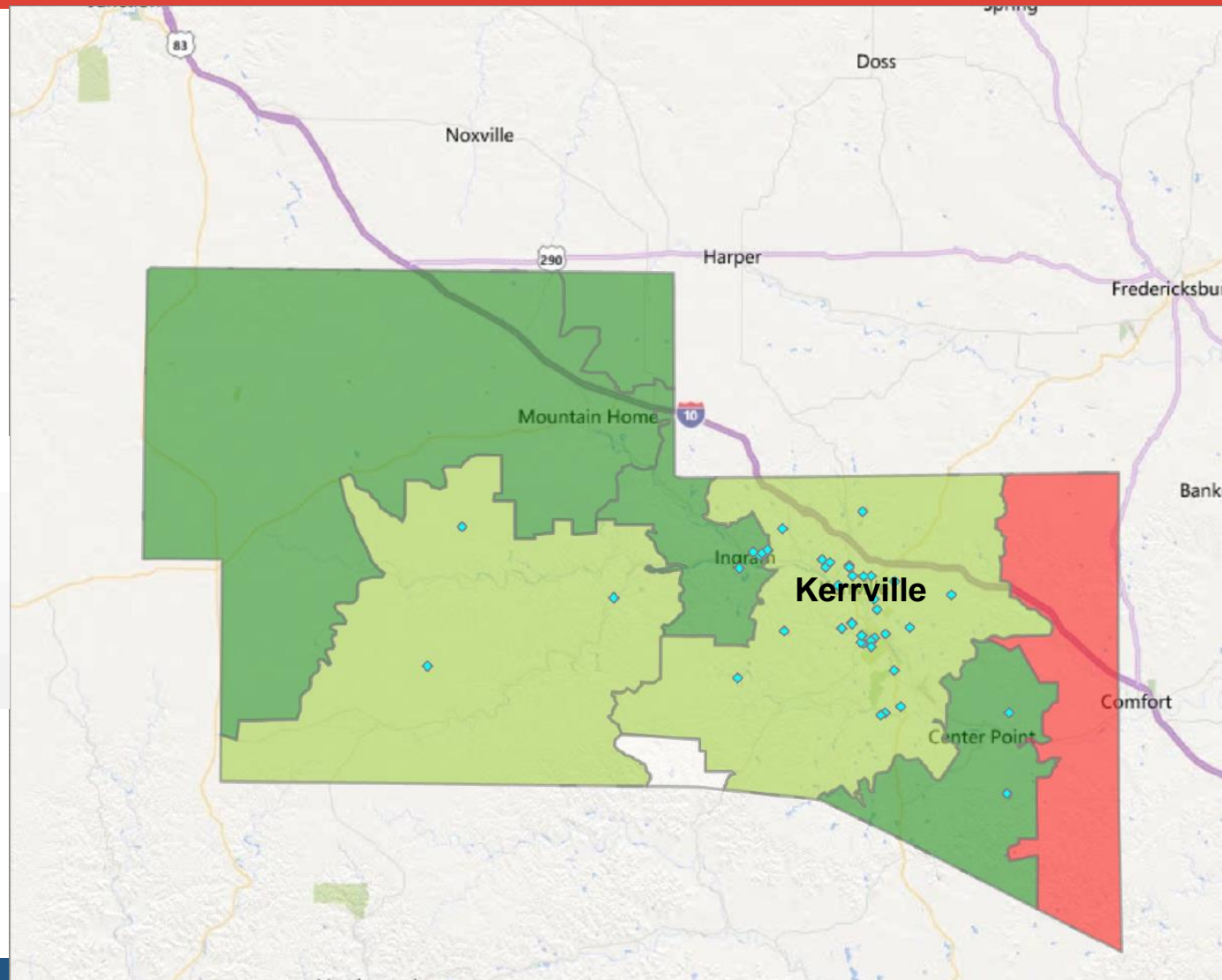
January Avg. Price/sq. ft. Kerr County by Zip Code

(Y/Y Percent Change)

January:
Price/SF \$138
+4.0% YoY

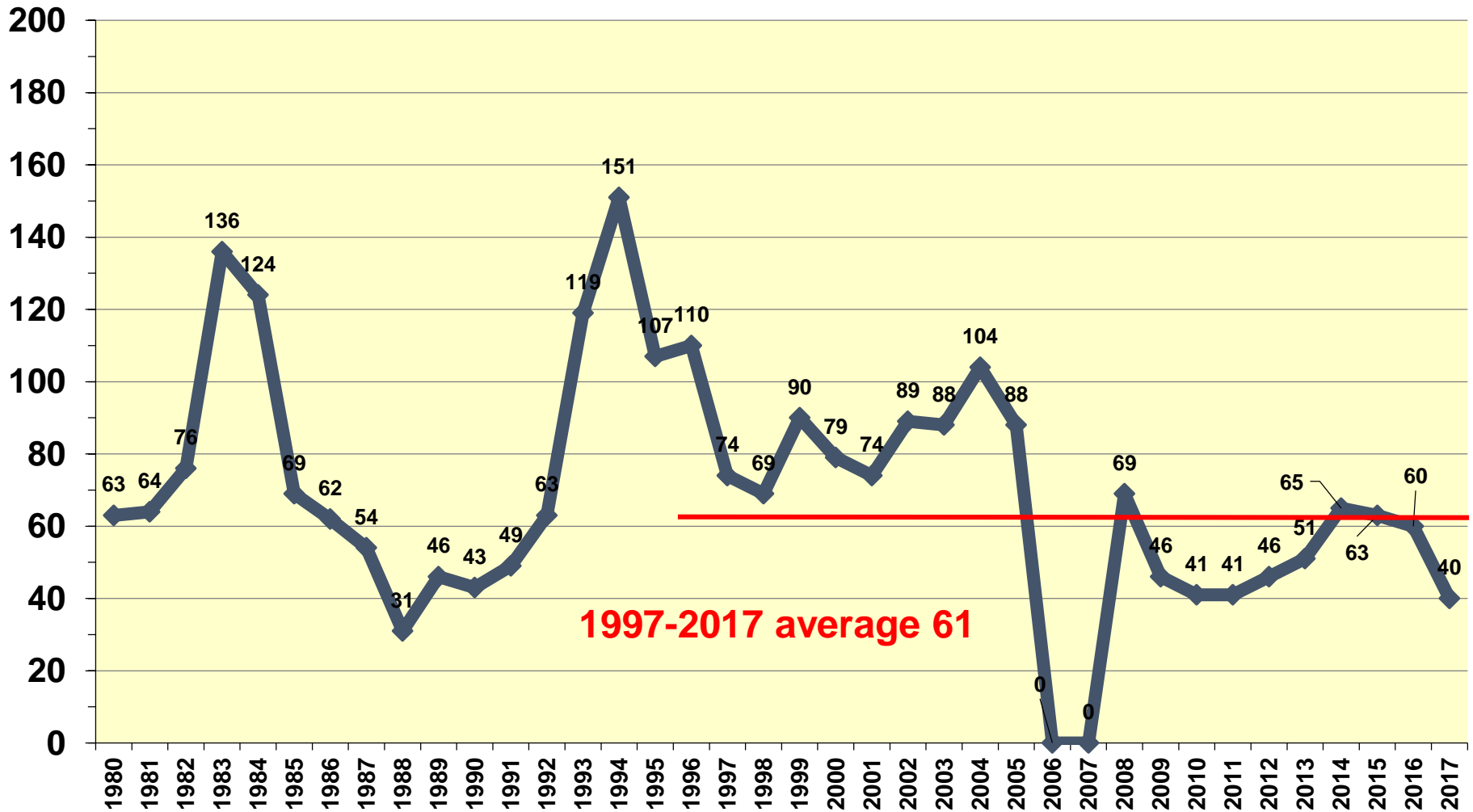
Median Price
\$235,000
-4.9% YoY

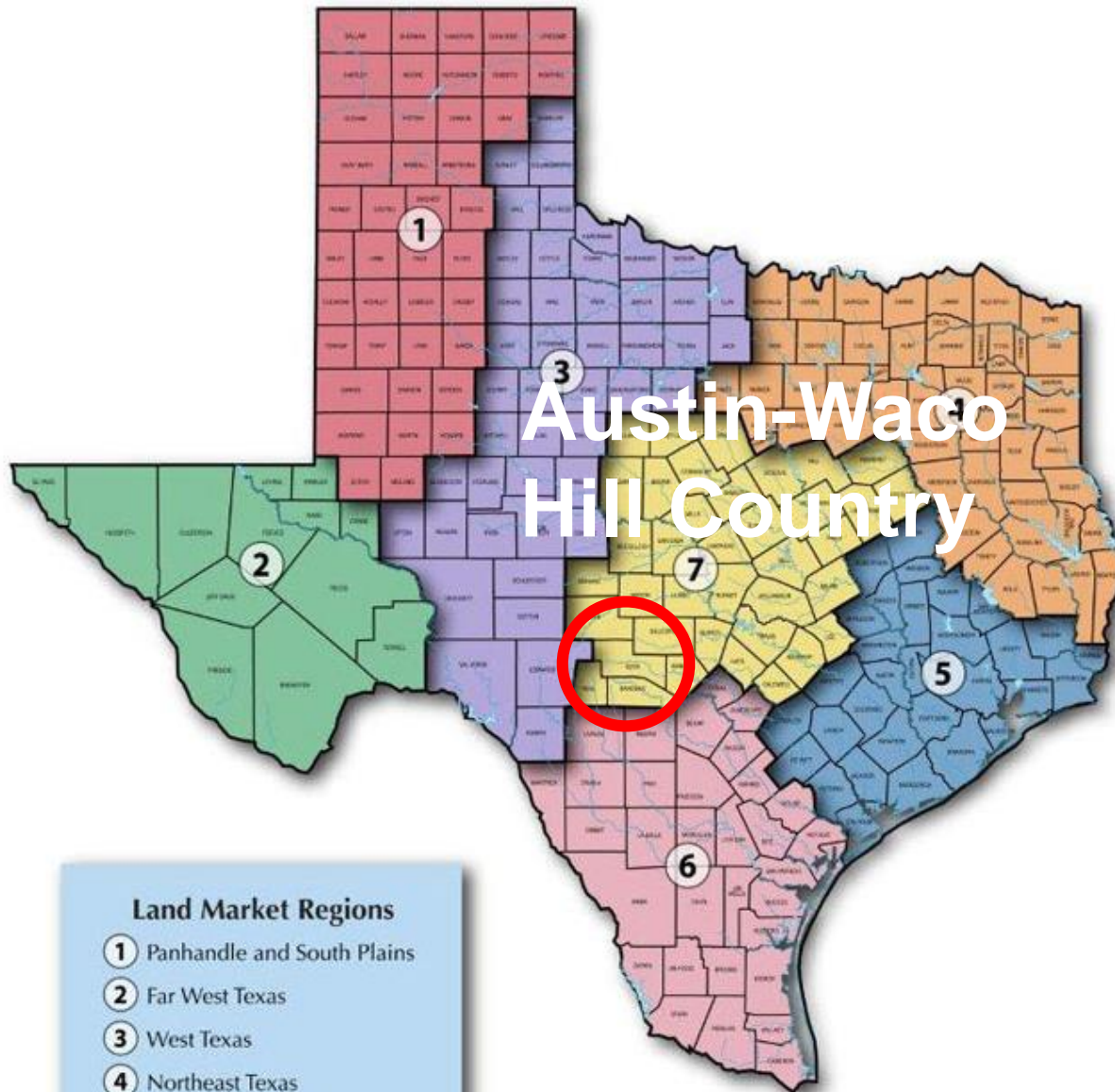
-  Down 11% or more
-  Down 1% to 10%
-  Flat
-  Up 1% to 10%
-  Up 11% or more



Source: Kerrville Board of Realtors®; Texas Realtor® Data Relevance Project; Real Estate Center at Texas A&M University

Kerr Co. S.F. Building Permits



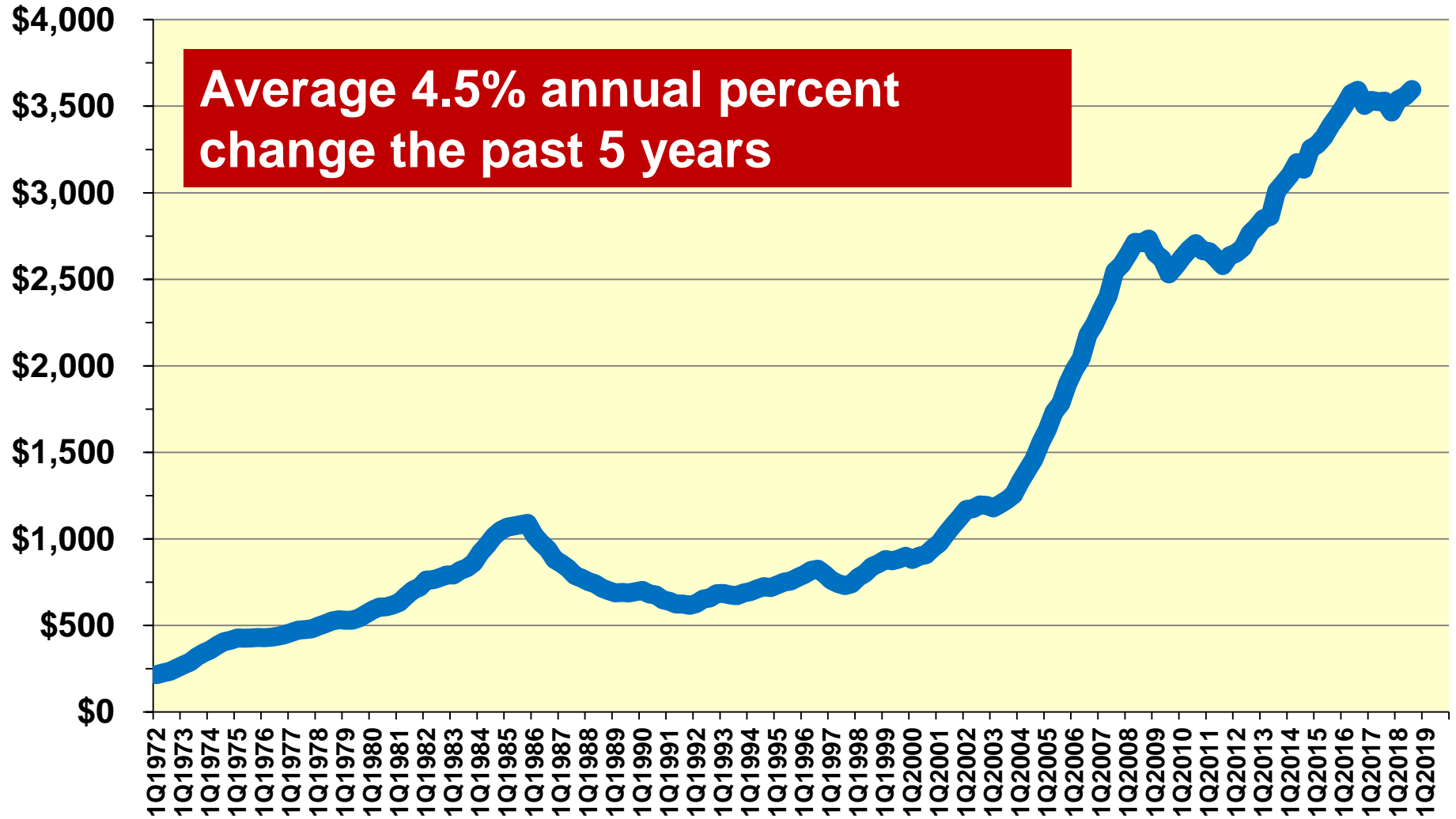


- Land Market Regions**
- ① Panhandle and South Plains
 - ② Far West Texas
 - ③ West Texas
 - ④ Northeast Texas
 - ⑤ Gulf Coast-Brazos Bottom
 - ⑥ South Texas
 - ⑦ Austin-Waco-Hill Country

Source: Real Estate Center at Texas A&M University

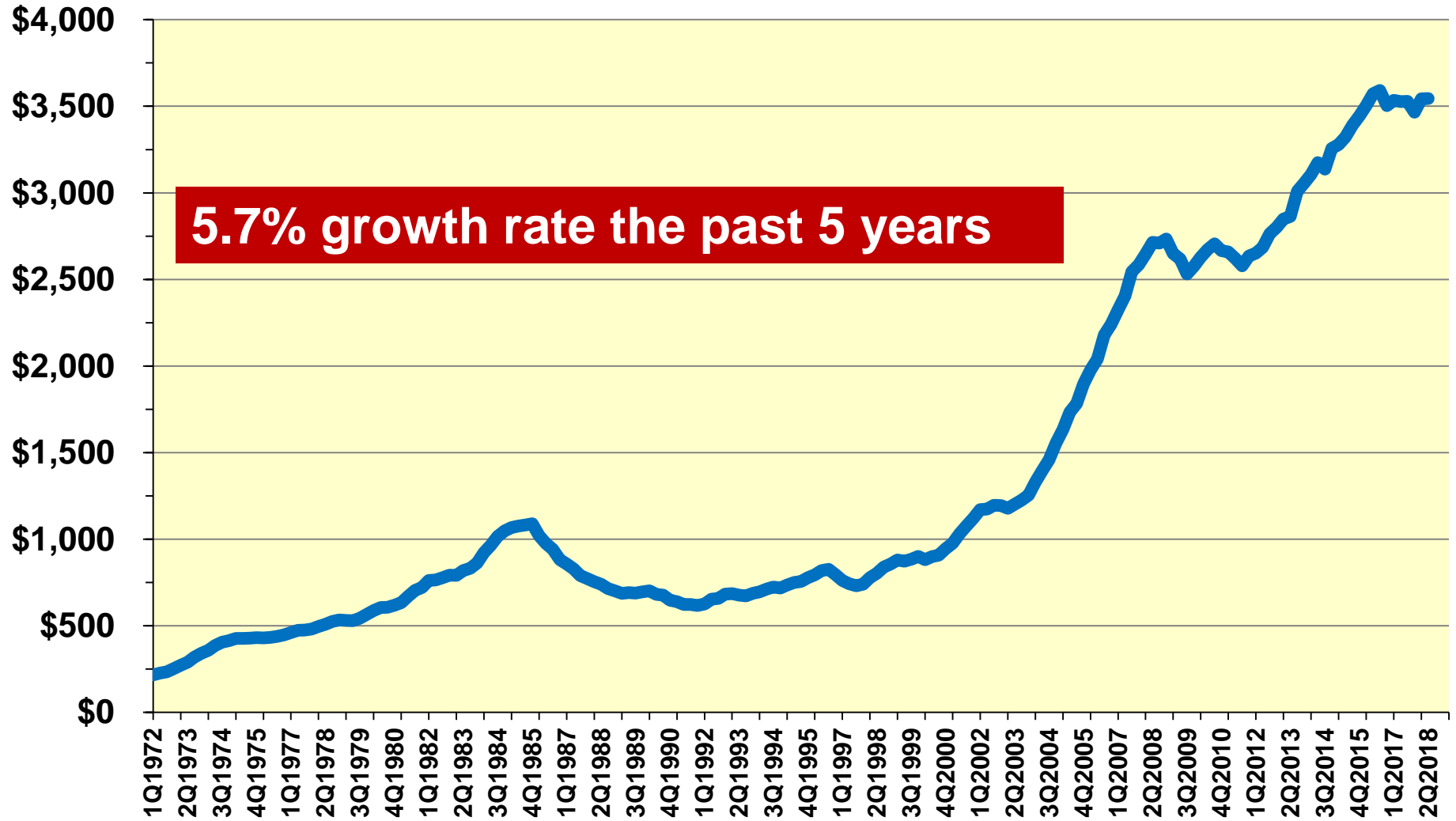
Region 7: Austin-Waco-Hill Country

Rural Land Prices per Acre

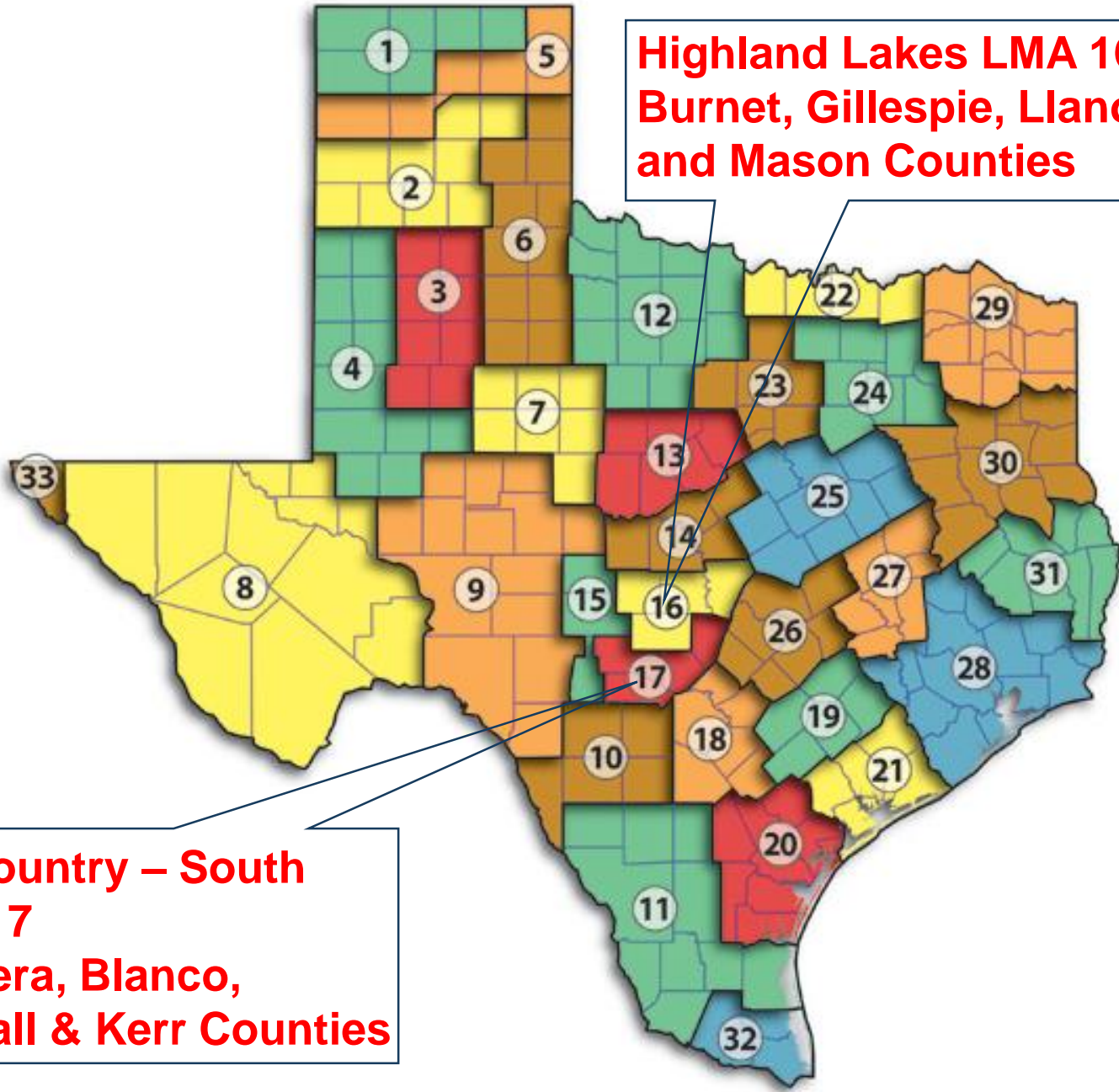


Region 7: Austin-Waco-Hill Country

Rural Land Sales Acre

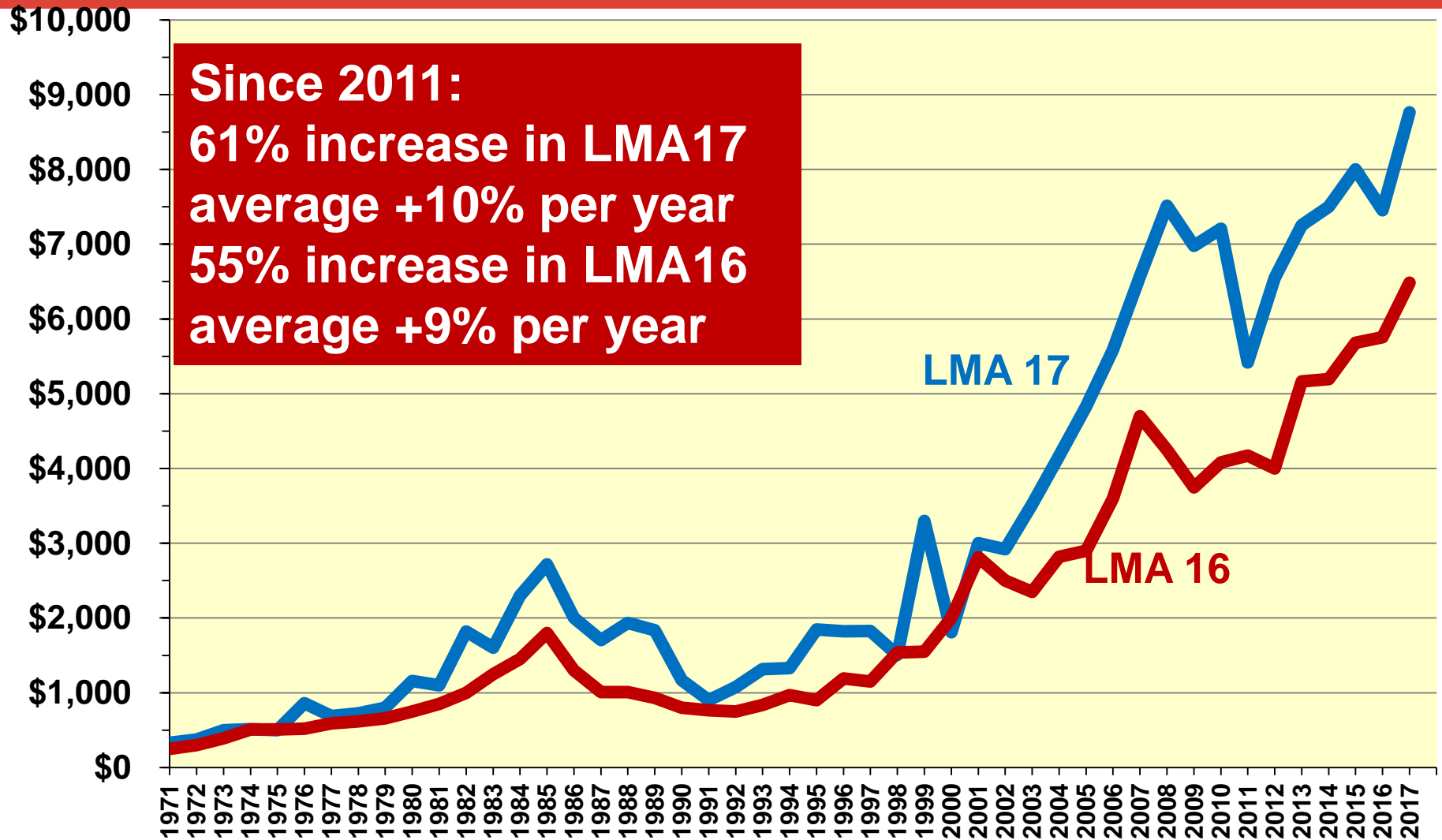


**Highland Lakes LMA 16
Burnet, Gillespie, Llano
and Mason Counties**



**Hill Country – South
LMA 17
Bandera, Blanco,
Kendall & Kerr Counties**

Rural Land Prices per Acre: Land Market Areas 16 & 17



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