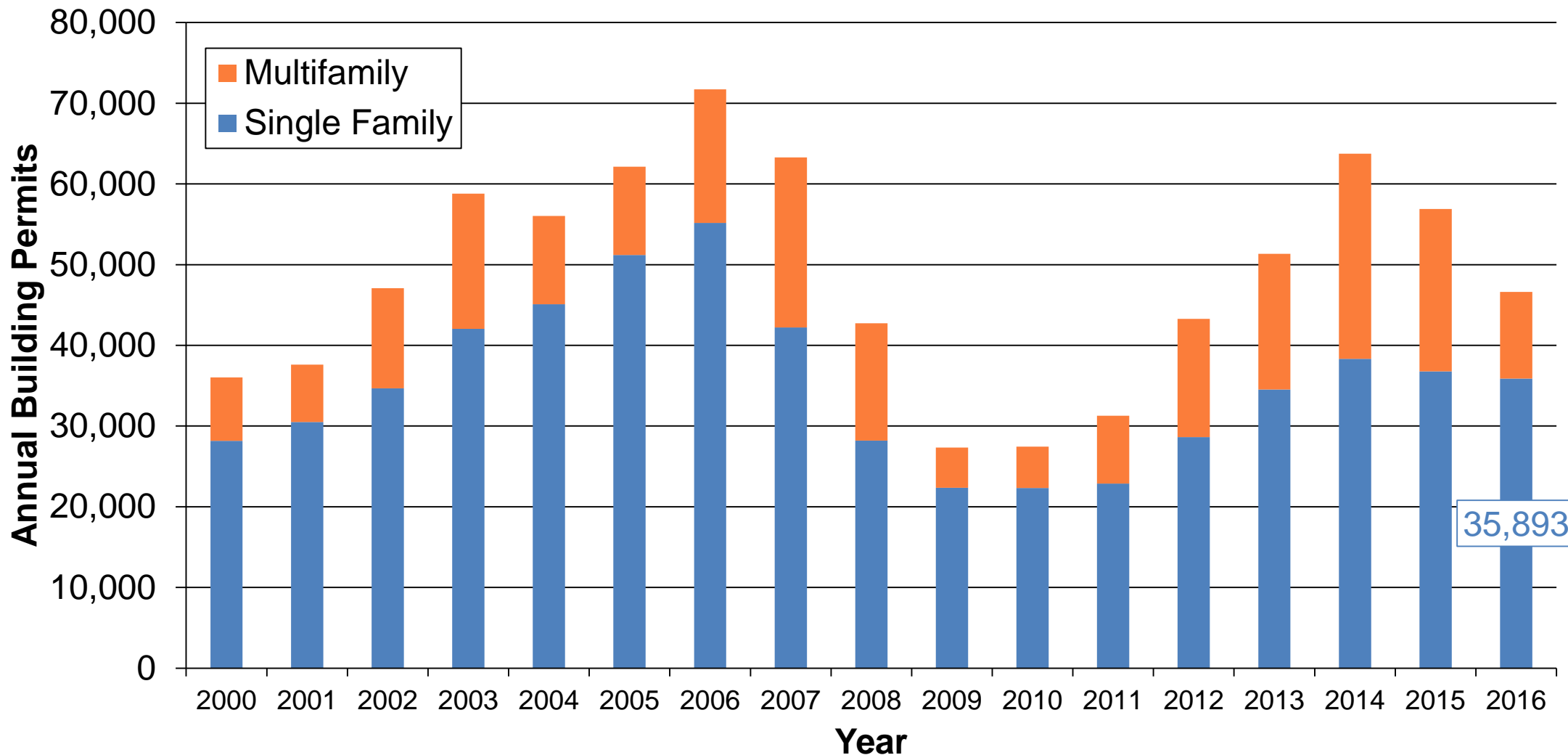


# GREATER HOUSTON BUILDERS ASSOCIATION 2017 FORECAST

*Scott Davis*

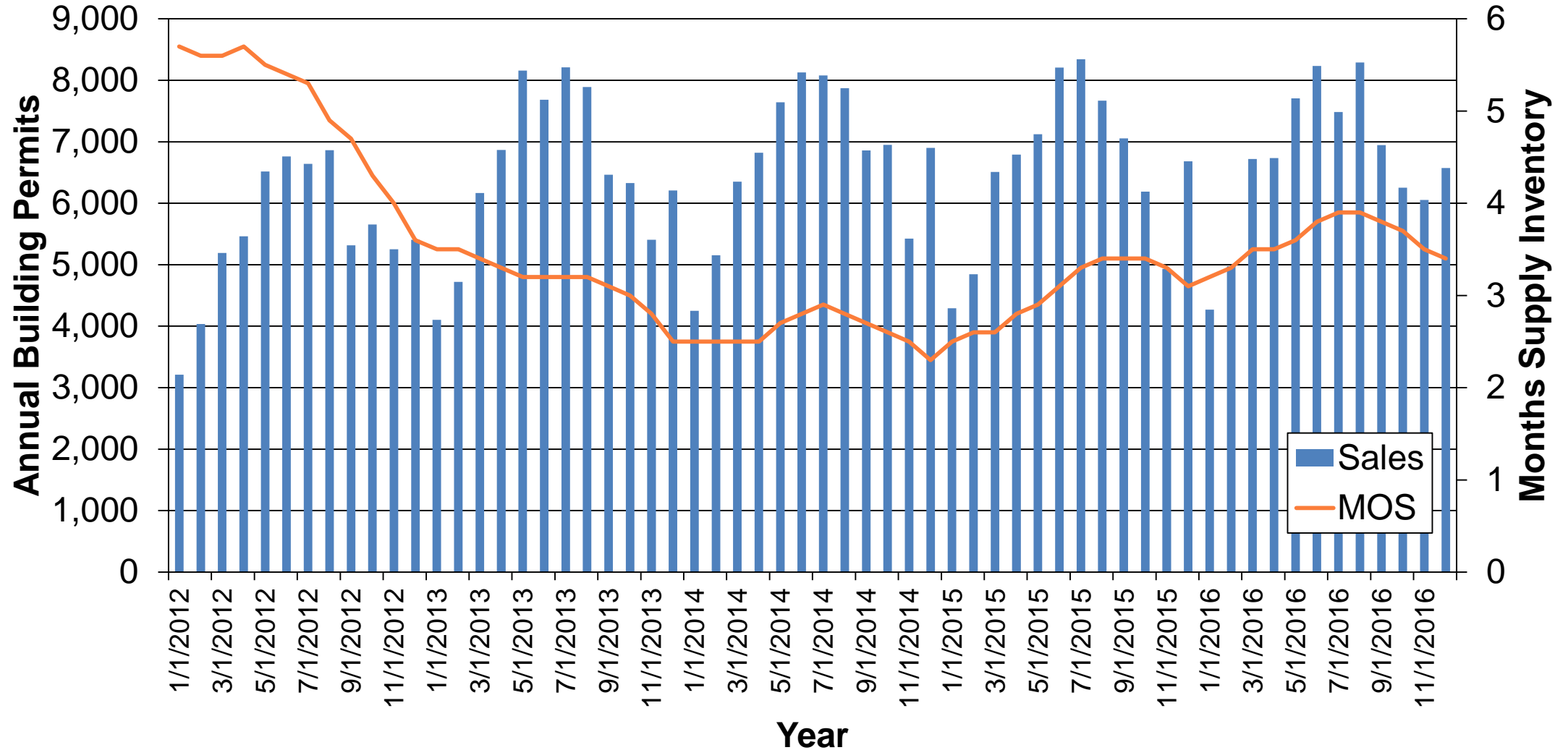
*Senior Vice President  
Meyers Research, LLC*

# SINGLE FAMILY PERMITS DECLINE, LIKELY WILL FLATTEN IN 2017



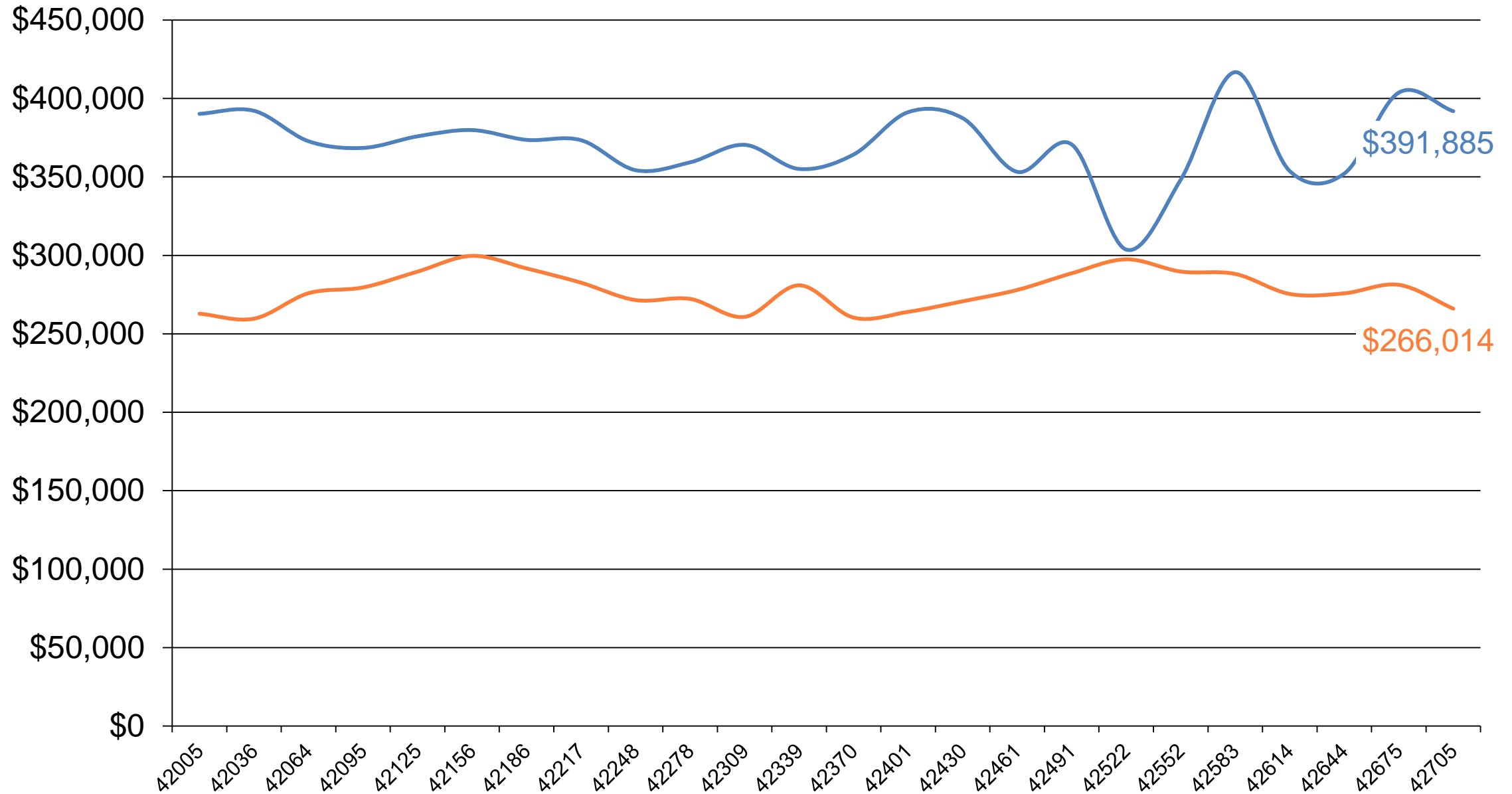
Source: Zonda.

# EXISTING HOME SALES HAD A RECORD YEAR IN 2016



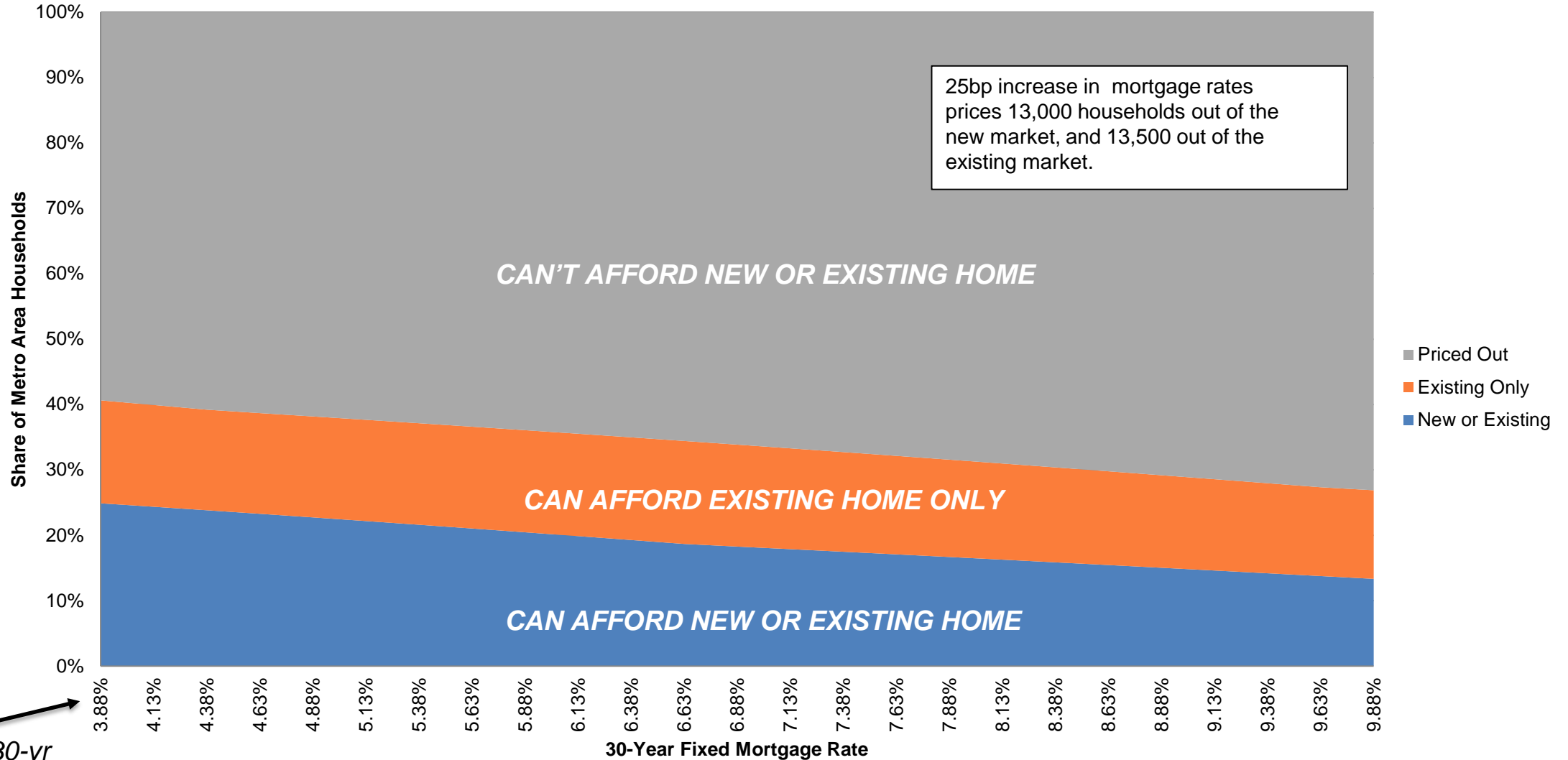
Source: Houston Association of Realtors

# AVERAGE HOME PRICES RETURNING TO 2015 LEVELS



# RISING MORTGAGE RATES A THREAT TO AFFORDABILITY

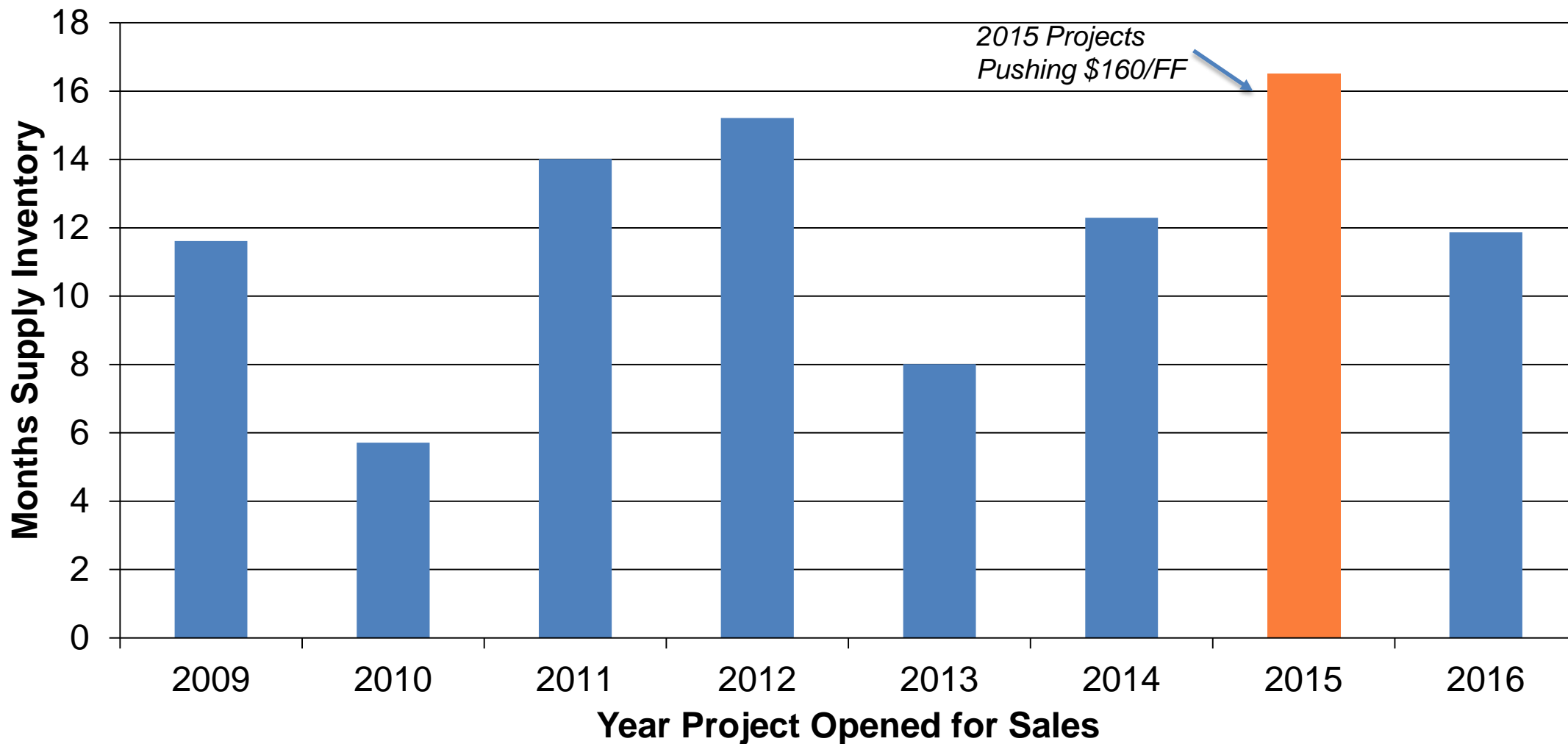
## Share of Households Priced Out by Mortgage Rate Changes



Current 30-yr fixed rates

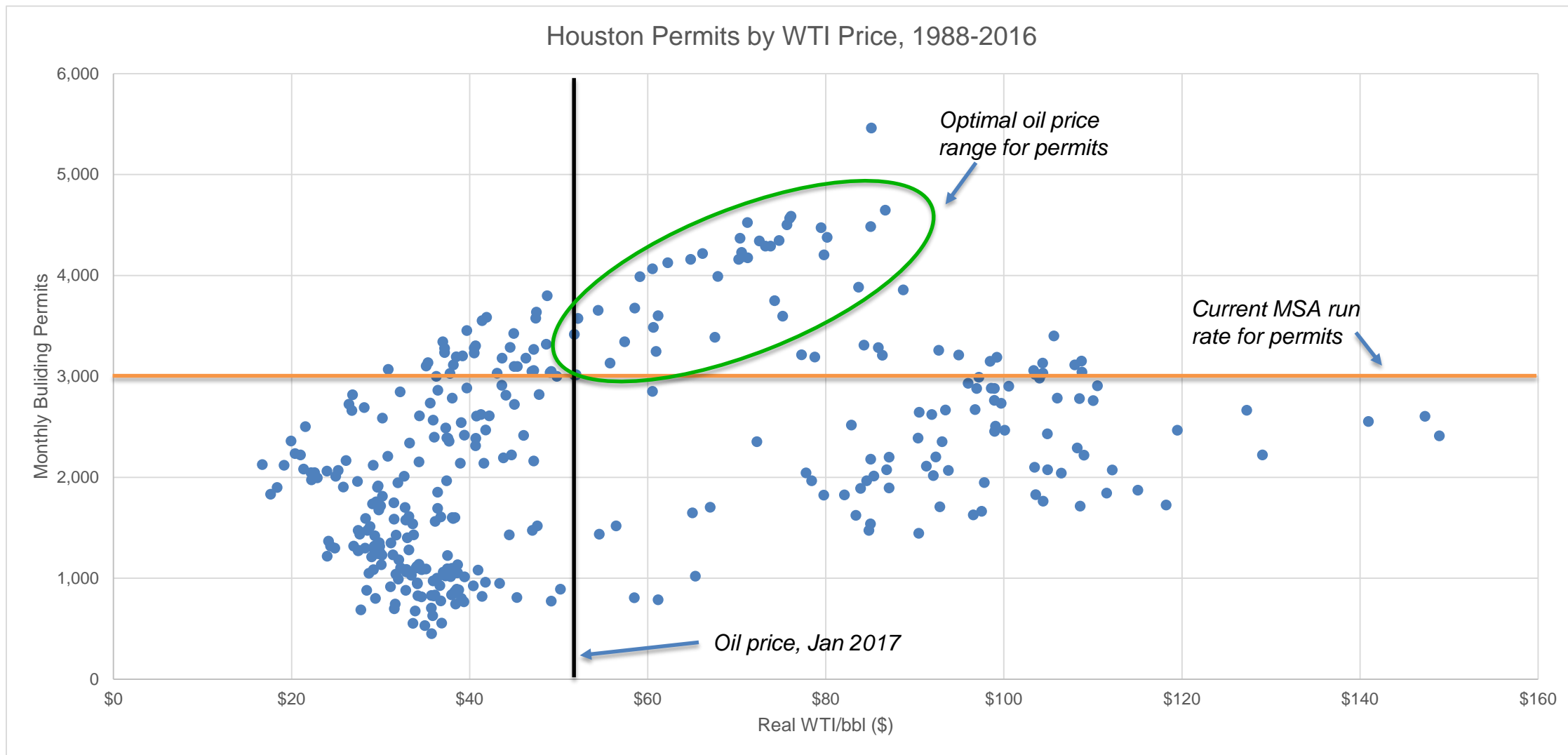
Source: Meyers Research Analysis of data from St Louis Federal Reserve, ESRI and Zonda

# HIGH INVENTORIES IN 2015 VINTAGE PROJECTS



Source: Zonda. Based on projects actively marketed.

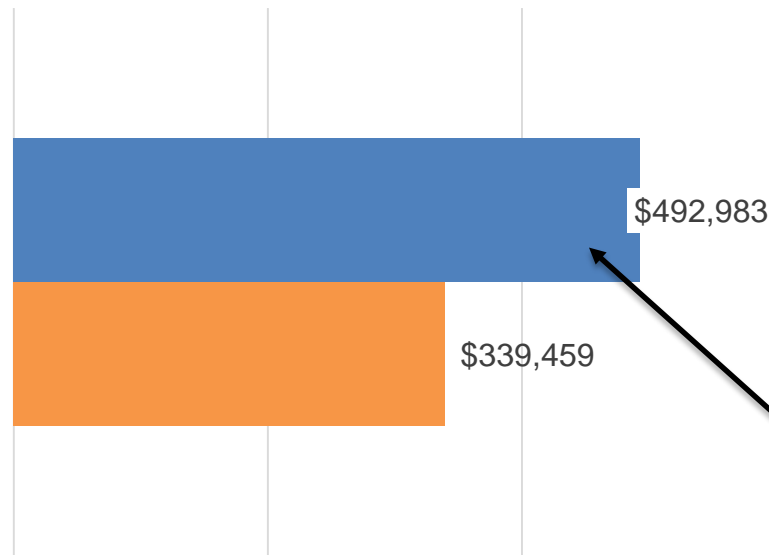
# TODAY'S OIL PRICES SUPPORT SINGLE FAMILY GROWTH



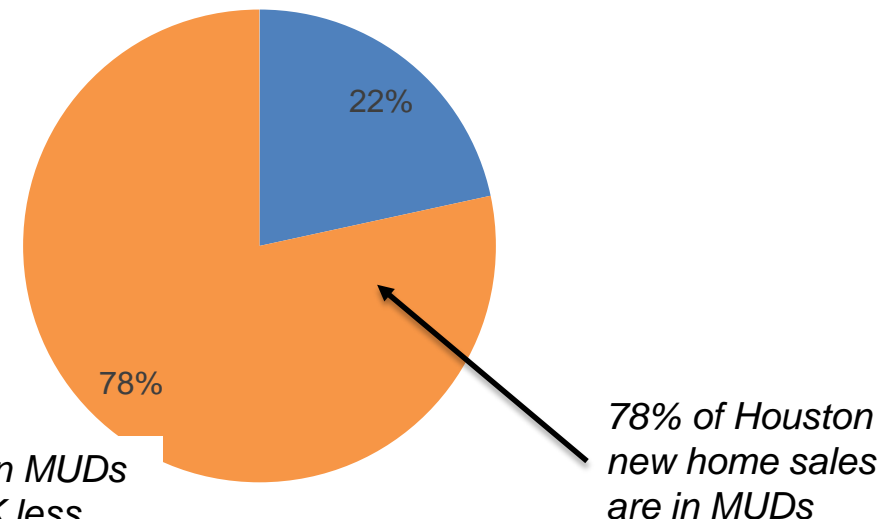
Source: Meyers Research Analysis of data from St Louis Federal Reserve

# MUDS: KEY TO AFFORDABILITY

- 958 Districts
- Average district just over 1,000 acres
- 32% of districts created before 2000, 55% between 2000-2010
- Last 12 months, 14,269 sales in areas with MUDs
- Last 12 months, 3,930 sales in areas without MUDs
- About a \$150,000 price difference between MUD and non-MUD developments
- With taxes rates around 1.75%, MUD taxes capitalized into the home = \$90,000, just over half the difference between MUD and non MUD developments



Source: Zonda, TCEQ



New homes in MUDs sell for \$150K less than non-MUD homes

78% of Houston new home sales are in MUDs



## CONCLUSIONS

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- 2016 Single Family Permits down 2%, half the decline from 2015-2016. Expect permits to be flat in 2017 and start rising again in 2018
- Affordability is the major challenge ahead – existing sales market had a record year because it's much more affordable
- Average Price on new product has started to recover; almost back to Jan 2015 levels – but some areas remain lower because of inventory challenges
- Projects that opened in 2015 will have pricing challenges vs. both older lots and projects coming online in 2017 and later
- Oil prices are now at the lower threshold of supporting single family growth in Houston so improvements in the economy will help from here out
- 78% of Houston new homes were developed inside a MUD in 2016 – potential legislative action regarding MUDs could affect Houston home affordability