

# REALTOR® RALLY

October 6, 2006

GREATER

*El Paso*

ASSOCIATION OF REALTORS®

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# REAL ESTATE CENTER

at TEXAS A&M UNIVERSITY

Mays School of Business

<http://recenter.tamu.edu>

## Market Reports

Planning to invest in Texas real estate? Are you looking for local real estate market information for Texas cities? Click here for extensive data for every metro area in the Lone Star state. Our reports include employment trends, population, residential, multi-family, office, industrial and retail information.

## Data

Building permits  
Employment  
Home Sales  
Housing  
Affordability  
Population  
Rural Land

## Publications



### Tierra Grande

is our quarterly magazine with timely research and analysis of the trends and events shaping Texas real estate today. Experts on appraisal, housing, finance, law, demography, economics, investment and other areas share insights unavailable anywhere else.

## News

### RECON Newsletter

You'll be an insider – if you subscribe to our electronic newsletter RECON. RECON is an acronym for Real Estate Center Online News. It's a twice-weekly briefing on Texas real estate news. Currently more than 20,000 subscribers worldwide are signed on. Best of all, RECON is free.

RECON  
News Releases  
Events  
Calendar  
Videos  
TRECI Index

## Events Calendar

**Happy New Year!** The staff of the Real Estate Center wish you and yours a happy and prosperous new year! This year marks the 35th anniversary of the Real Estate Center. In 1971, Gov. Preston Smith signed legislation creating the Texas Real Estate Research Center and placed it at Texas A&M University.

**Instructor Training Courses**, May 18-19, College Station, Texas. The Legal Update and Ethics instructor training courses include credit for the required 3-hour Legal Update course and the required 3-hour Ethics course. In addition, each instructor training course will include a brief orientation to the teacher's manuals for each course as well as a discussion of training issues.



[www.recenter.tamu.edu](http://www.recenter.tamu.edu)

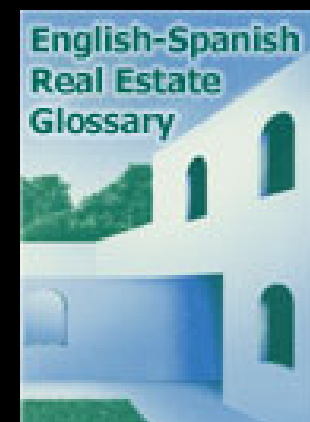
Free Market Reports on  
All Texas MSAs



Free Bi-Weekly Newsletter on  
Real Estate Developments

**RECON**  
Real Estate Center Online News

Spanish-English Real Estate  
Dictionary: Book or CD



# The Economy and Real Estate in El Paso

- General Overview
- General Economic Trends
- Interest Rates
- Demographics
- Home Sales and Construction
- House Prices
- Outlook

# Overview: National Economy

- Real GDP up 2.5% 2Q06 vs. 5.6% in 1Q –  
Slower housing market
- August '06 Core CPI up 2.8%; total CPI up 3.8%  
from August '05
- August FHLMC 30-year fixed-rate mortgages  
=6.52%
- Expect Fed to stop raising rates for time being . .  
. Maybe

# Overview: National Housing Market

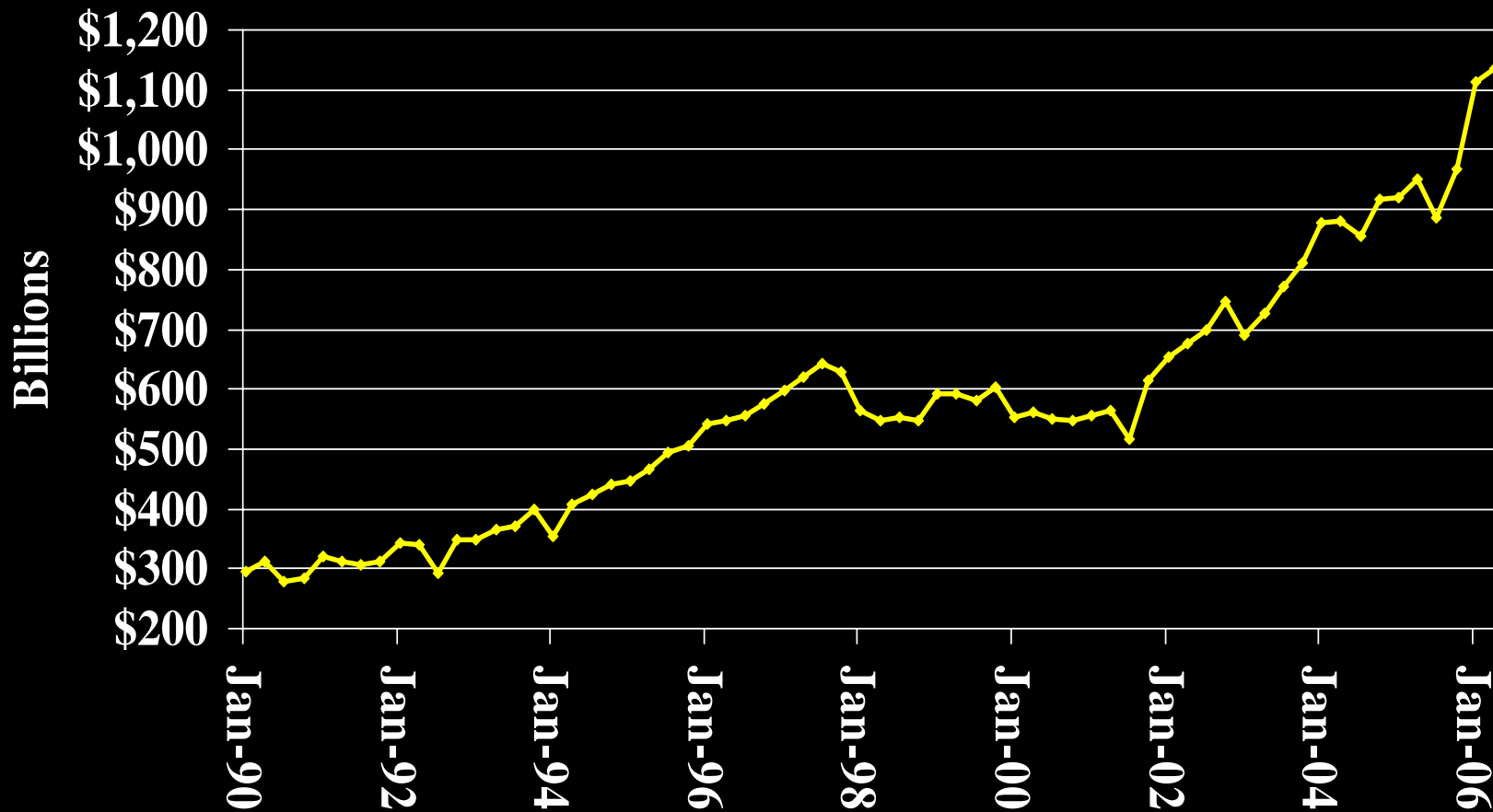
- New home starts are down 19.8 percent August 06 from August 05
- New home sales down 21.6% July 06 vs. July 05
- Inventory of new homes for sale 6.5 months July 06 vs. 4.2 July 05 (NAHB)
- OFHEO 2Q06 national home prices up 10.1% from 2Q05, but quarterly increase of 1.17% lowest since 4Q99
- August home sales 12.6 percent below August 2005 (NAR)
- Housing for sale = 7.5-month supply at current sales versus 4.7 months August 05 and highest since April 1993 (NAR)
- Median home price (all types) = \$225,000 in August, down 1.7 percent from August 2005. First time since April 1995 year-over-year down.

# Overview – El Paso

- BRAC announcement for Ft. Bliss major instigator of RE activity
- Substantial number of new developments announced throughout the area: **local and out-of-state investors**
- New home construction 1-4 units running strong, no signs of slow down like national market
- Employment growth parallels U. S. rate; July rate of 2.1% nearly equal to state rate and exceeds national growth rate
- 2006 home sales running ahead of the pace of the past three years
- Inventory of available homes indicates tight market
- **OFHEO 2Q06 El Paso MSA 16.4% vs. 10.1% USA vs. 6.45% TX**
- **MLS Median Price up 19.1% from July 2005; Average up 30.4%**

# Corporate Profits

(With Inventory Valuation Adjustment & Capital Consumption Adjustment)

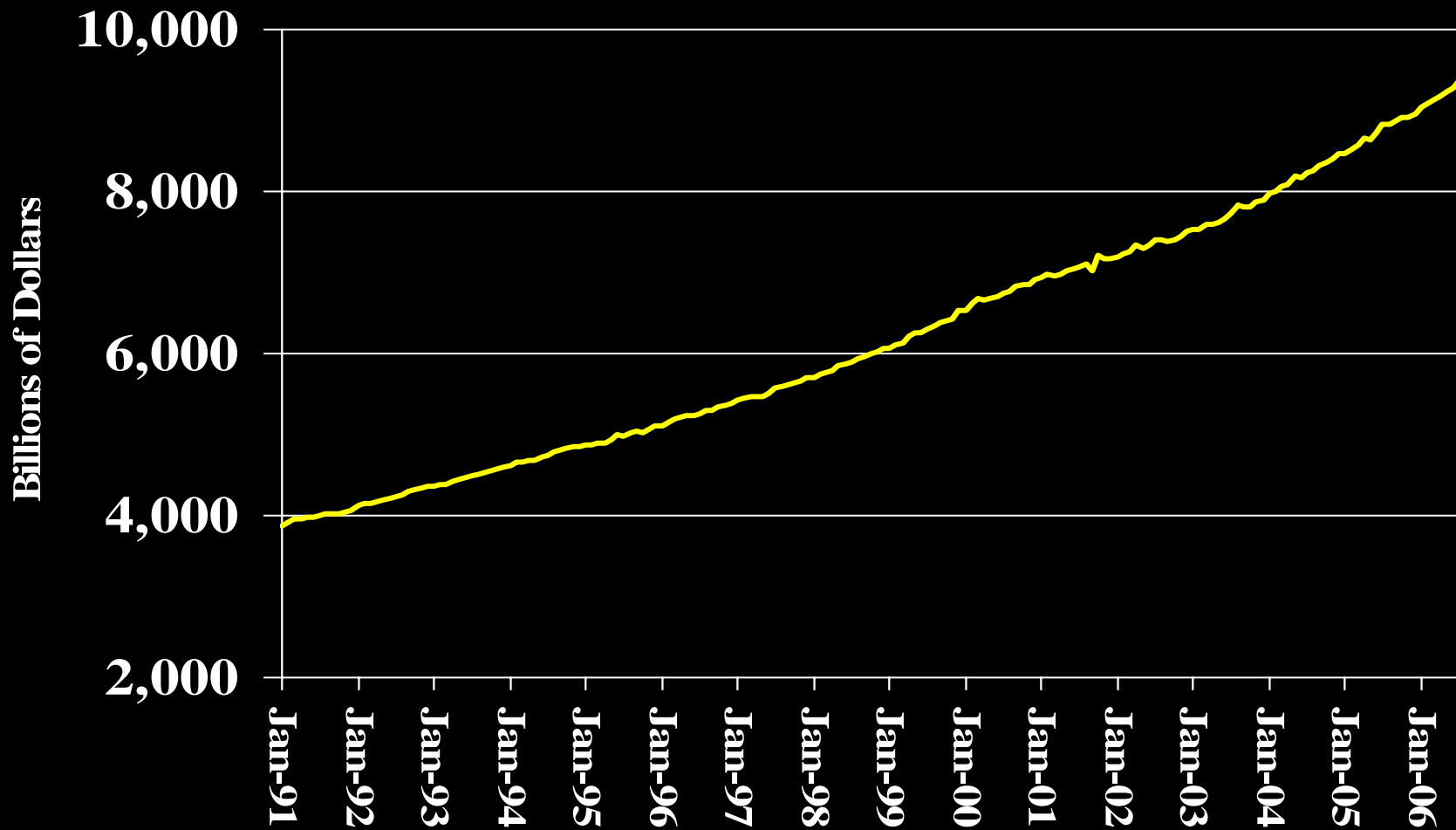


# Corporate Hiring Plans in Next 6 Months

	Q2-2006	Q1-2006	Q4-2005	Q3-2005
More Jobs	41%	43%	40%	35%
Less Jobs	20%	15%	19%	24%

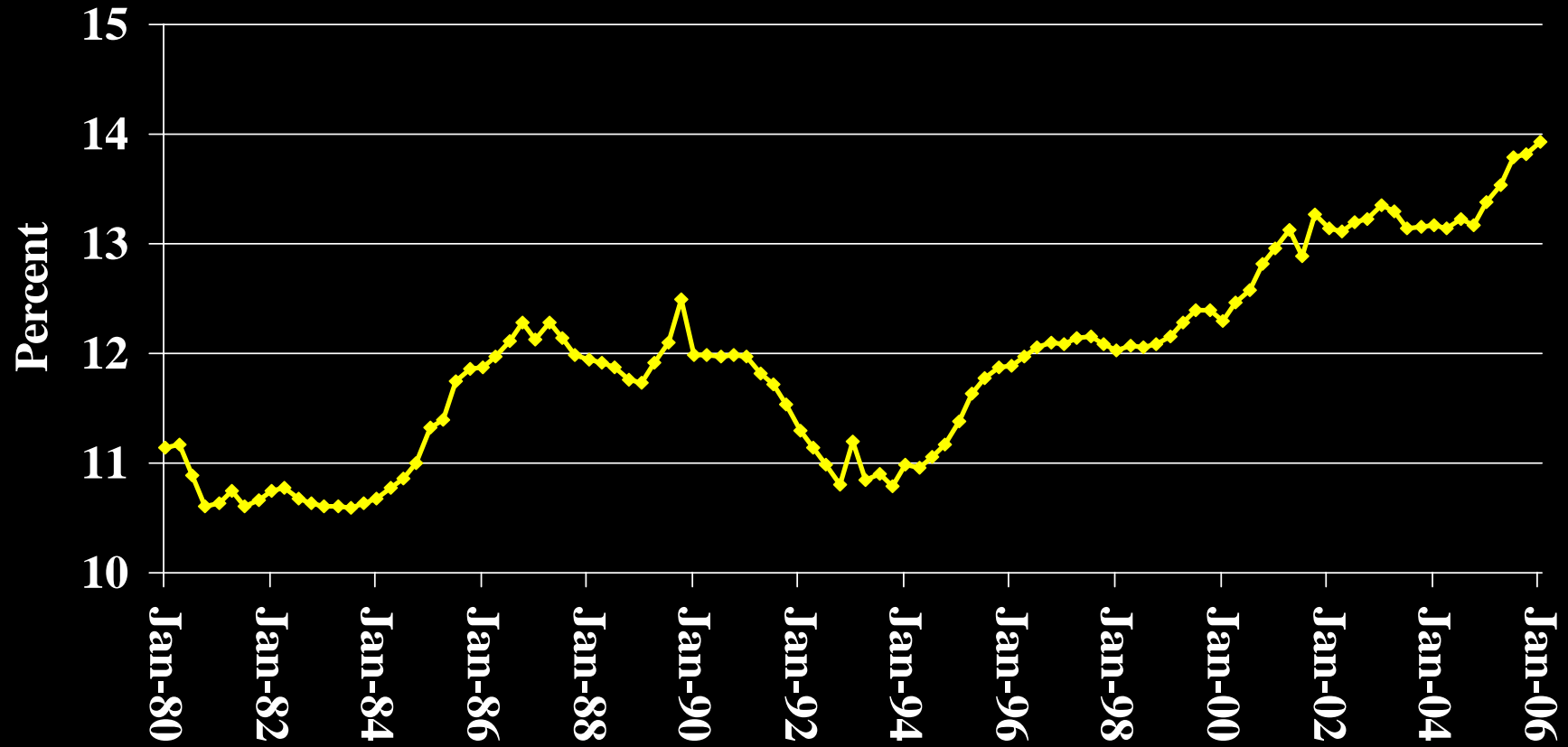
# Personal Consumption Expenditures

Seasonally Adjusted

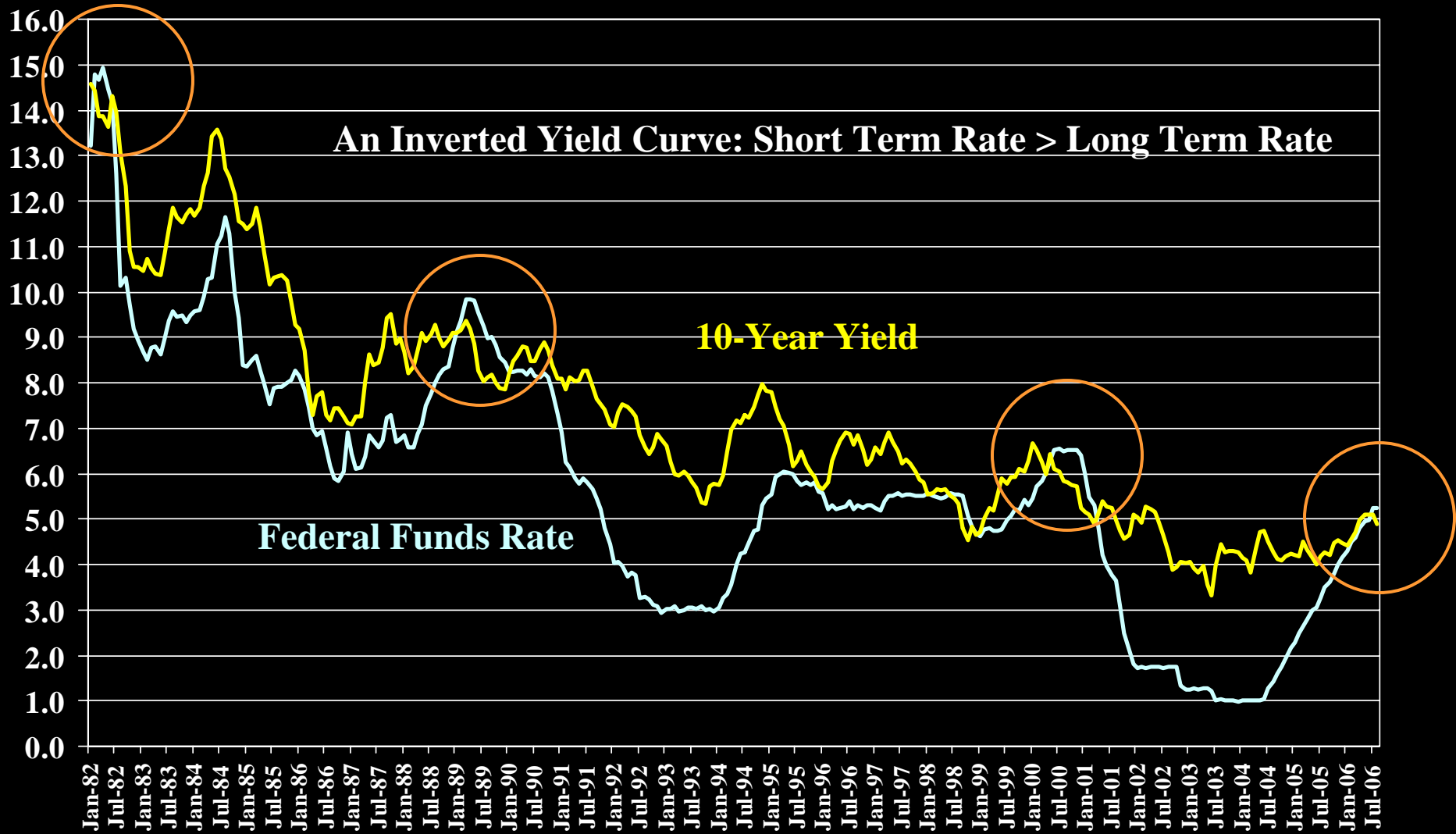


# Debt Service Payments

as a Percent of Disposable Personal Income

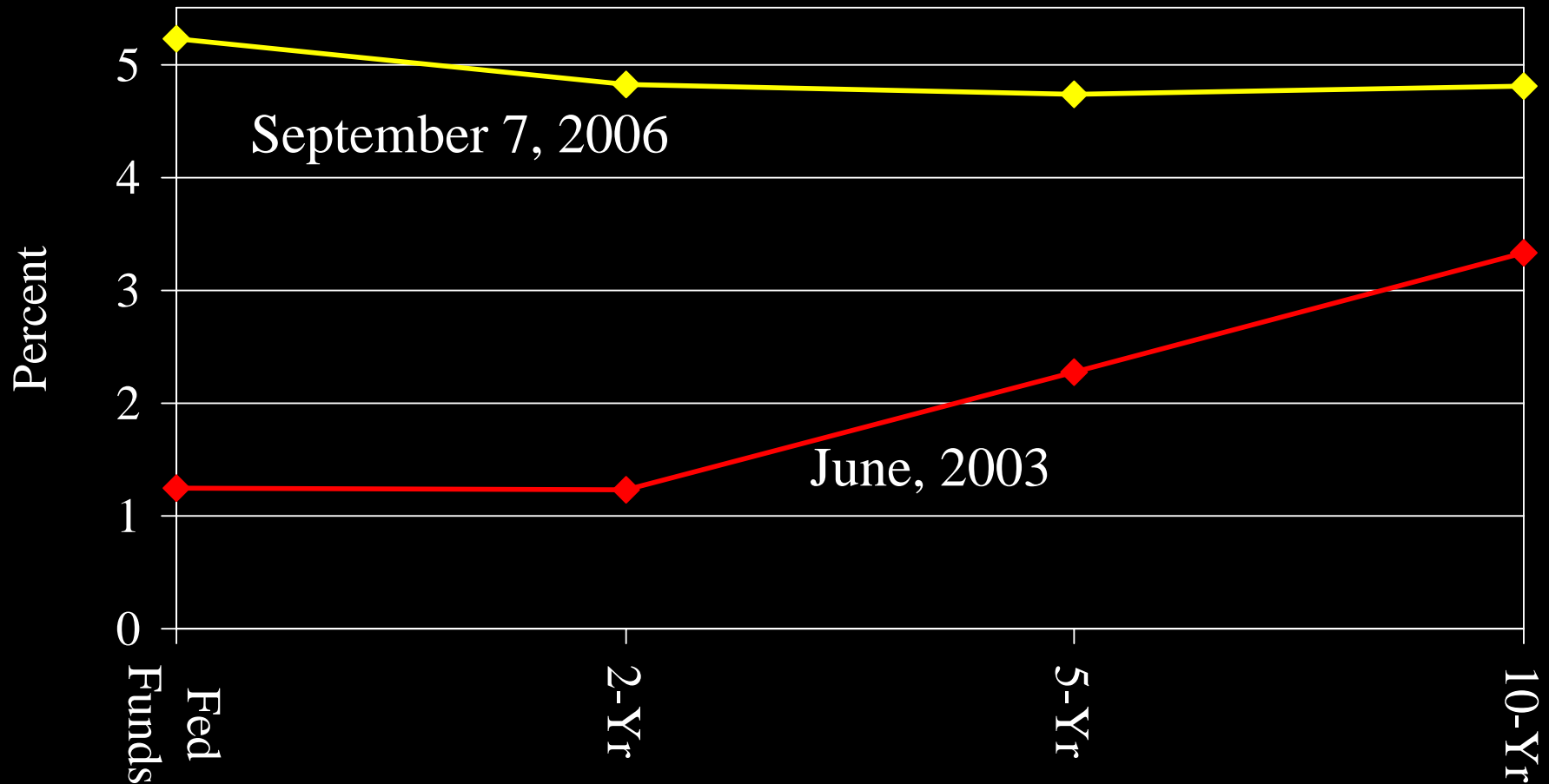


# Federal Funds Rate and 10-Year Treasury Yields



# Yield Curve in the 2000's

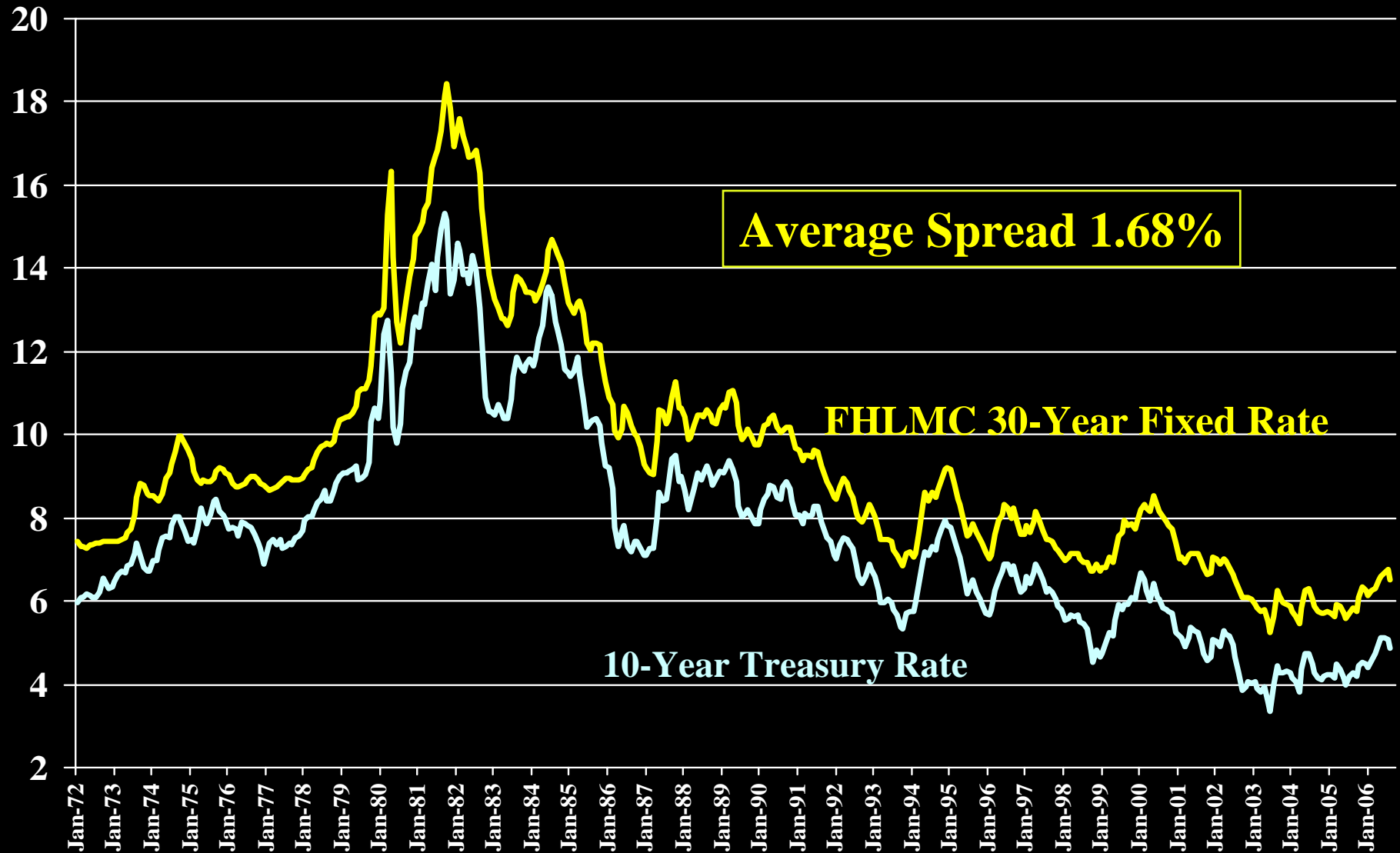
Flat yield curve can lead to recession



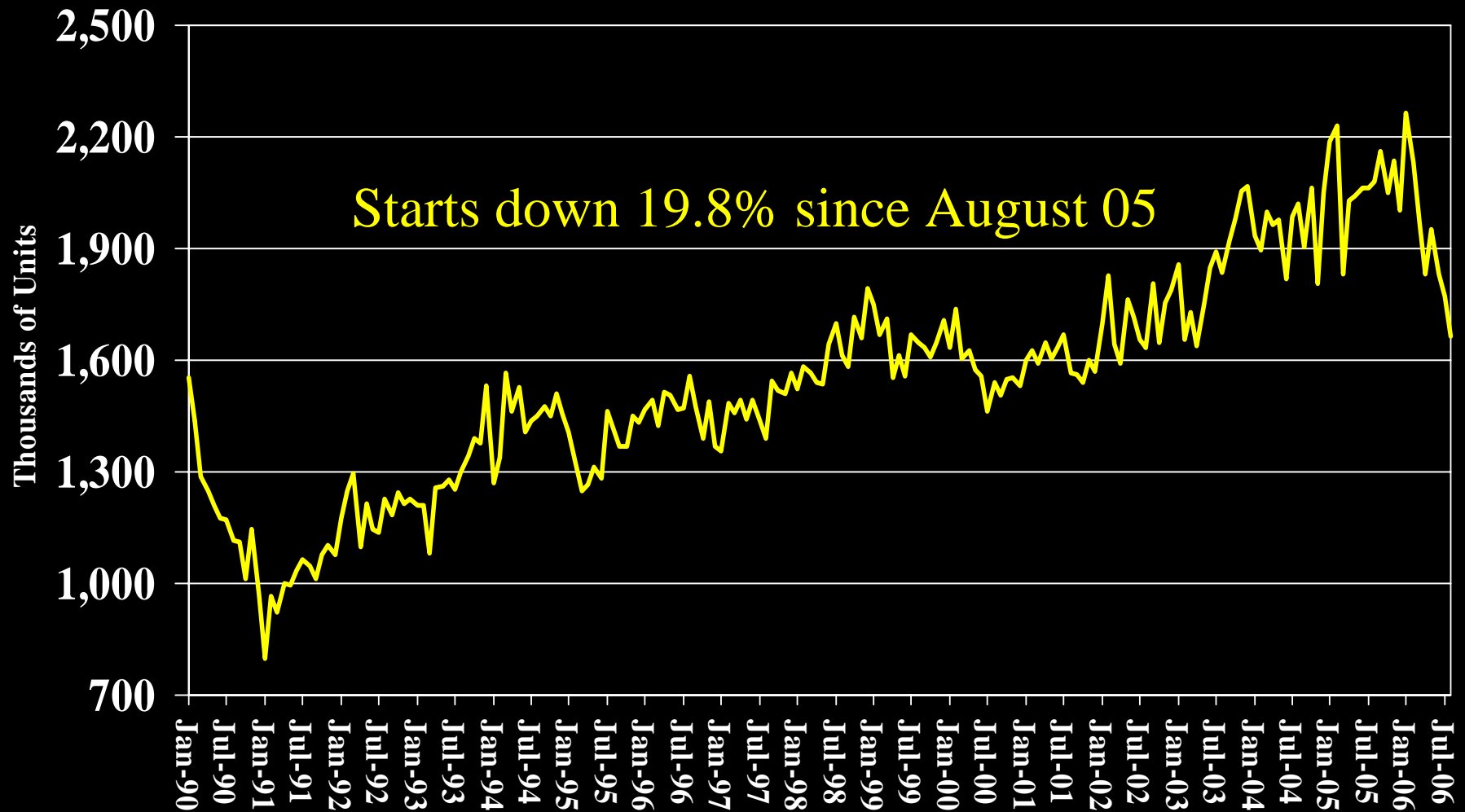
# The Yield Curve

- “The yield curve has turned inverted prior to each of the last eight recessions, while giving only one false signal”.

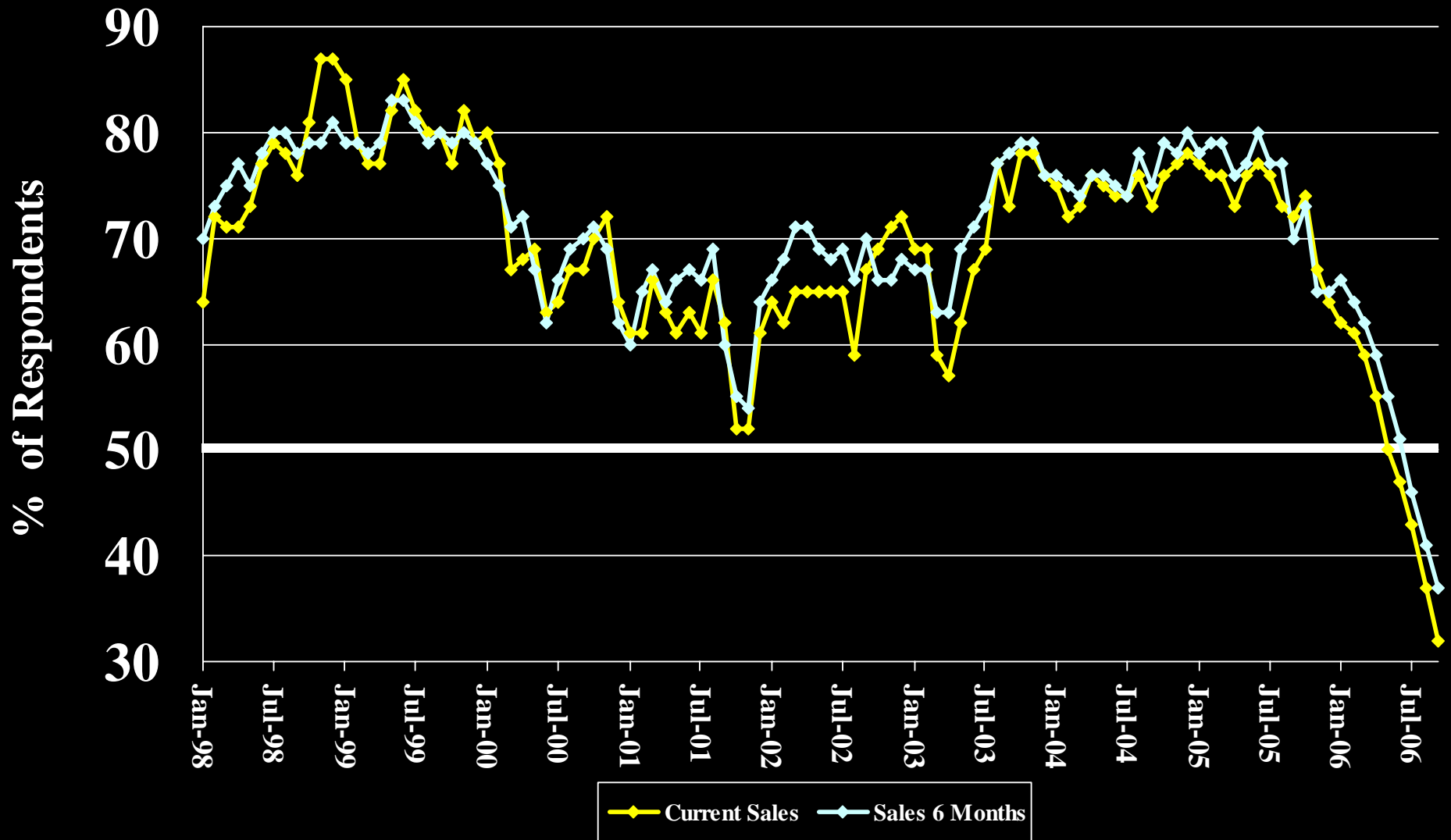
# Mortgage Rates and 10-Year Treasury Bonds



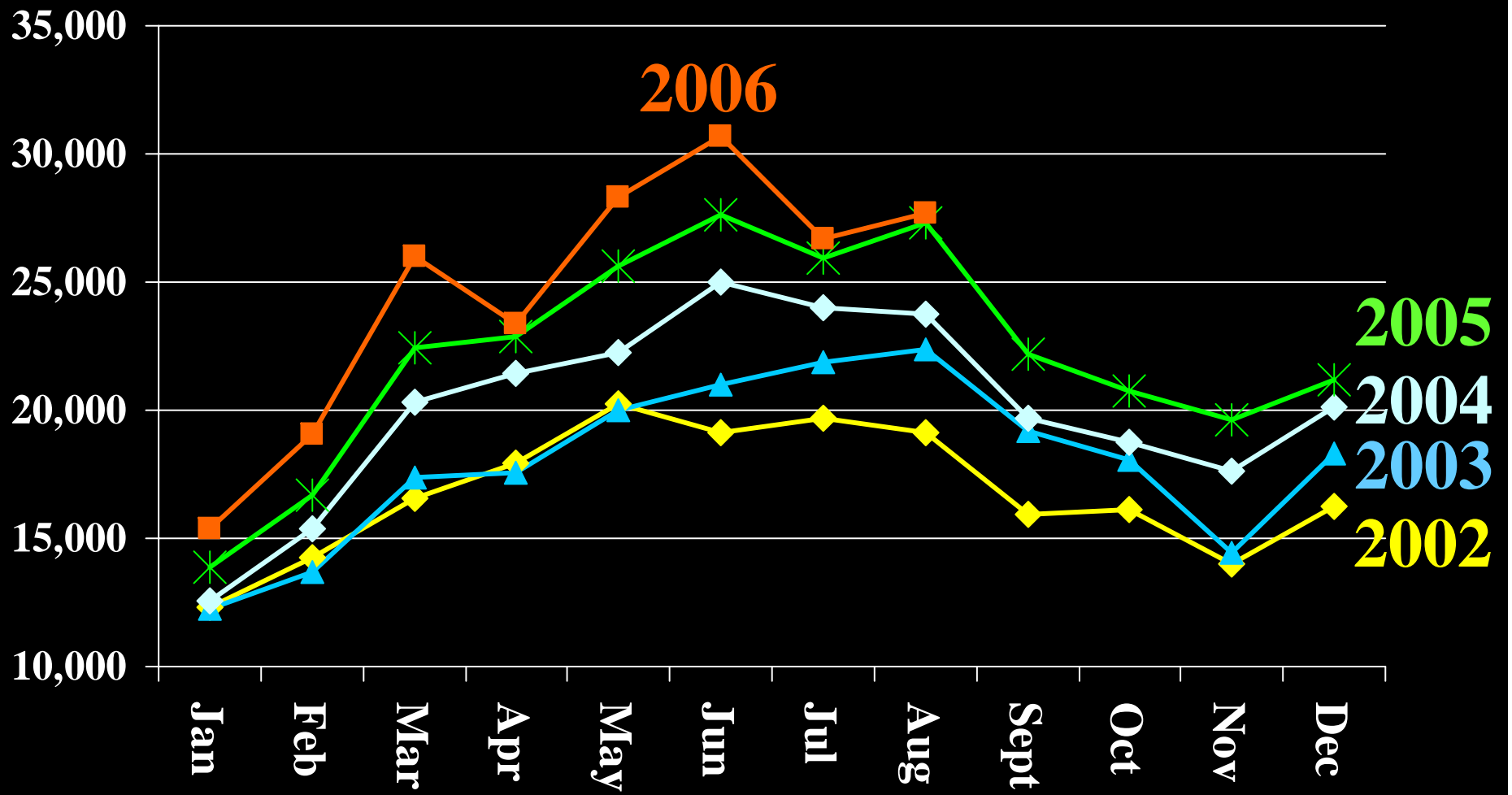
# Total Housing Starts in the US



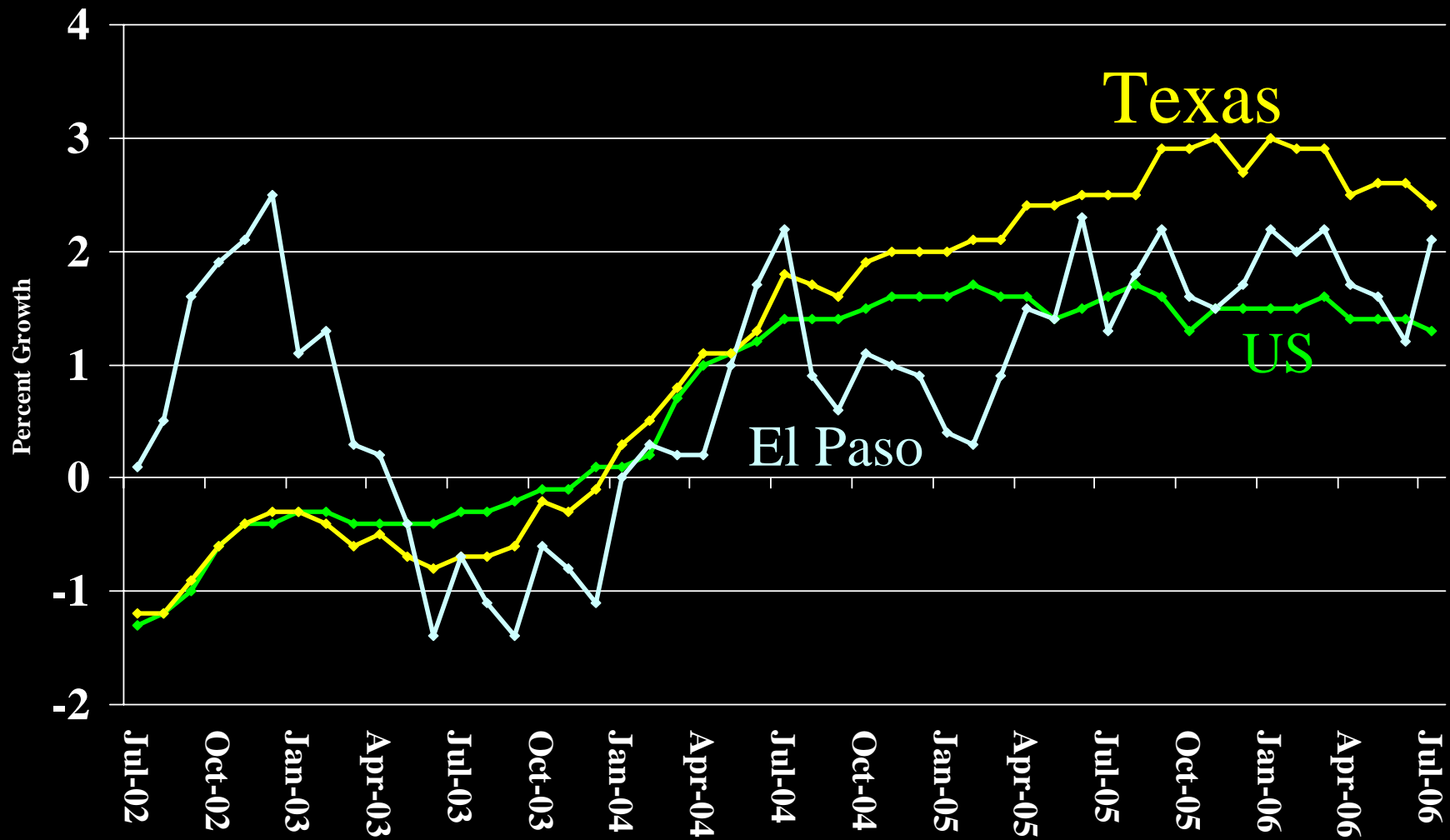
# Builders Reporting That Sales Are Good



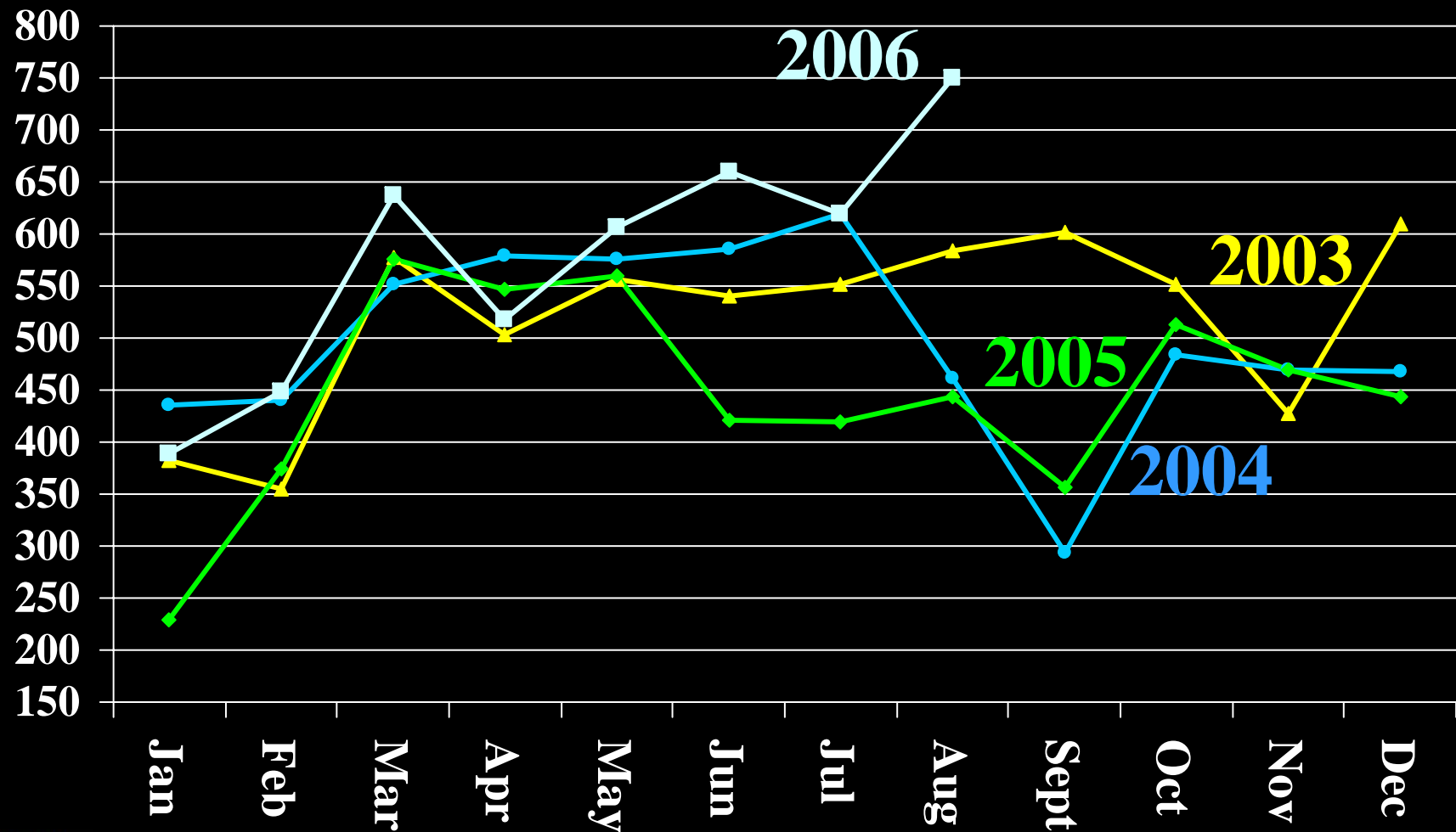
# Existing Home Sales Texas



# Employment Growth Rates

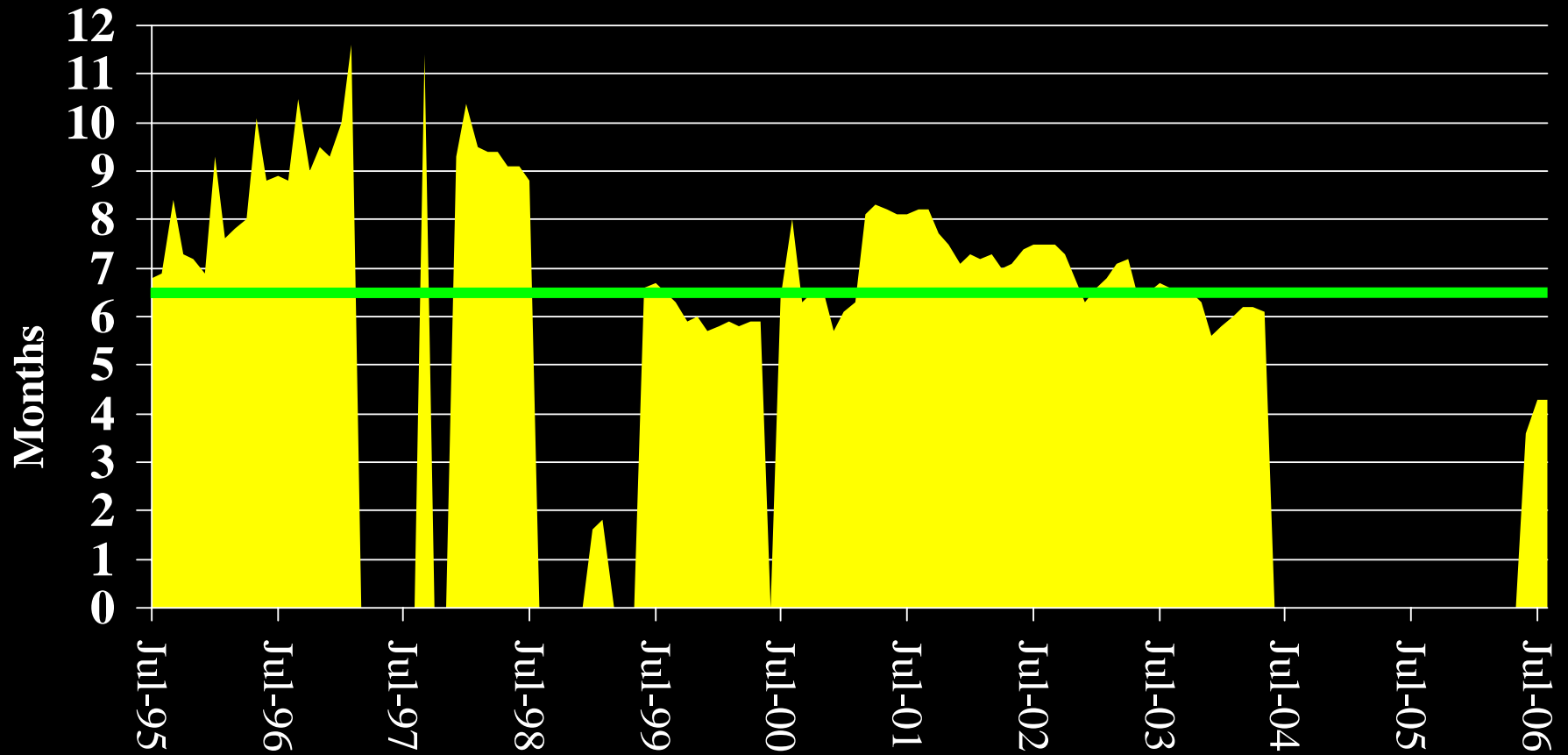


# Existing Home Sales El Paso



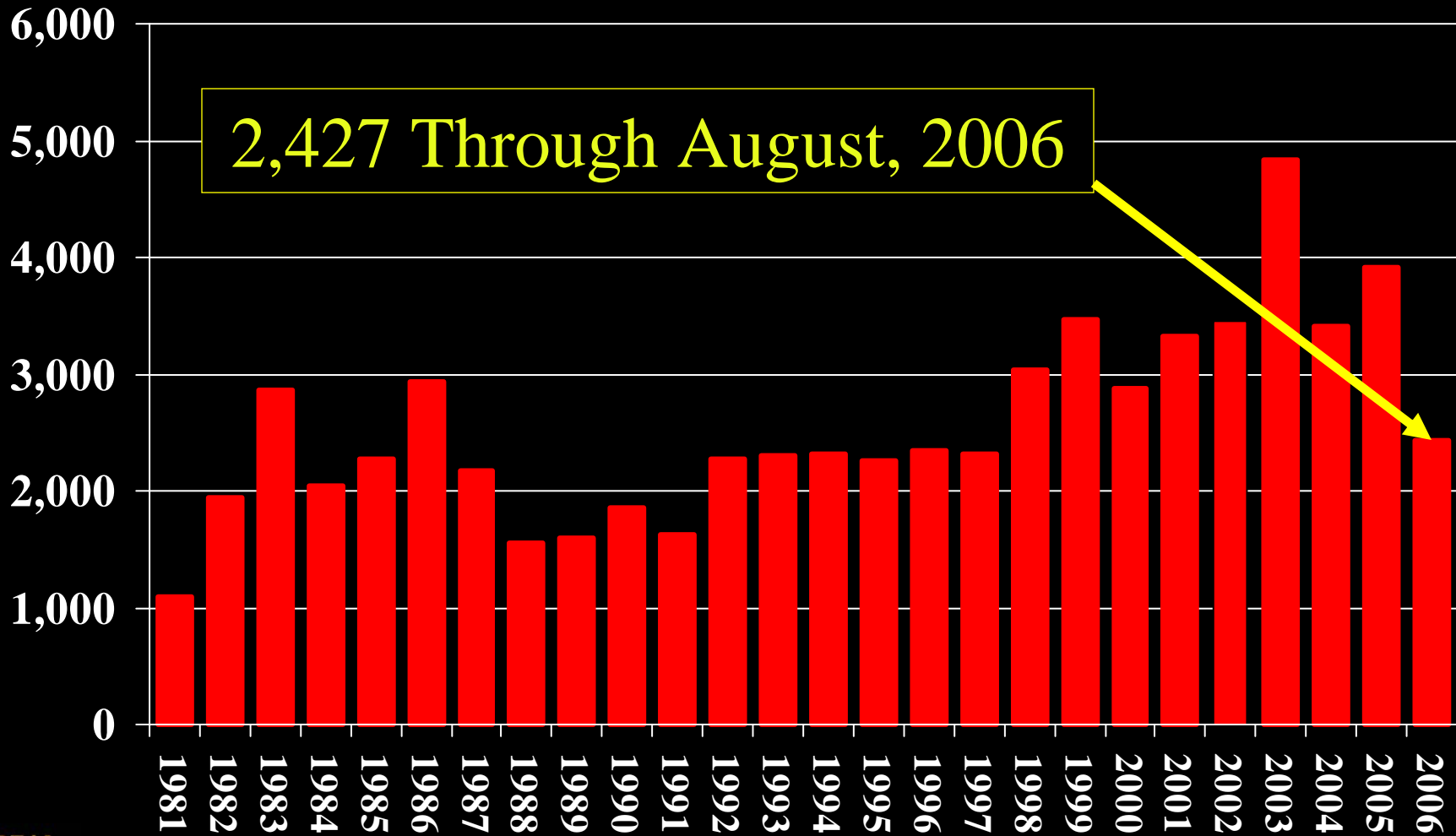
Source: Real Estate Center

# Inventory of Unsold Homes El Paso



# Single-Family Building Permits

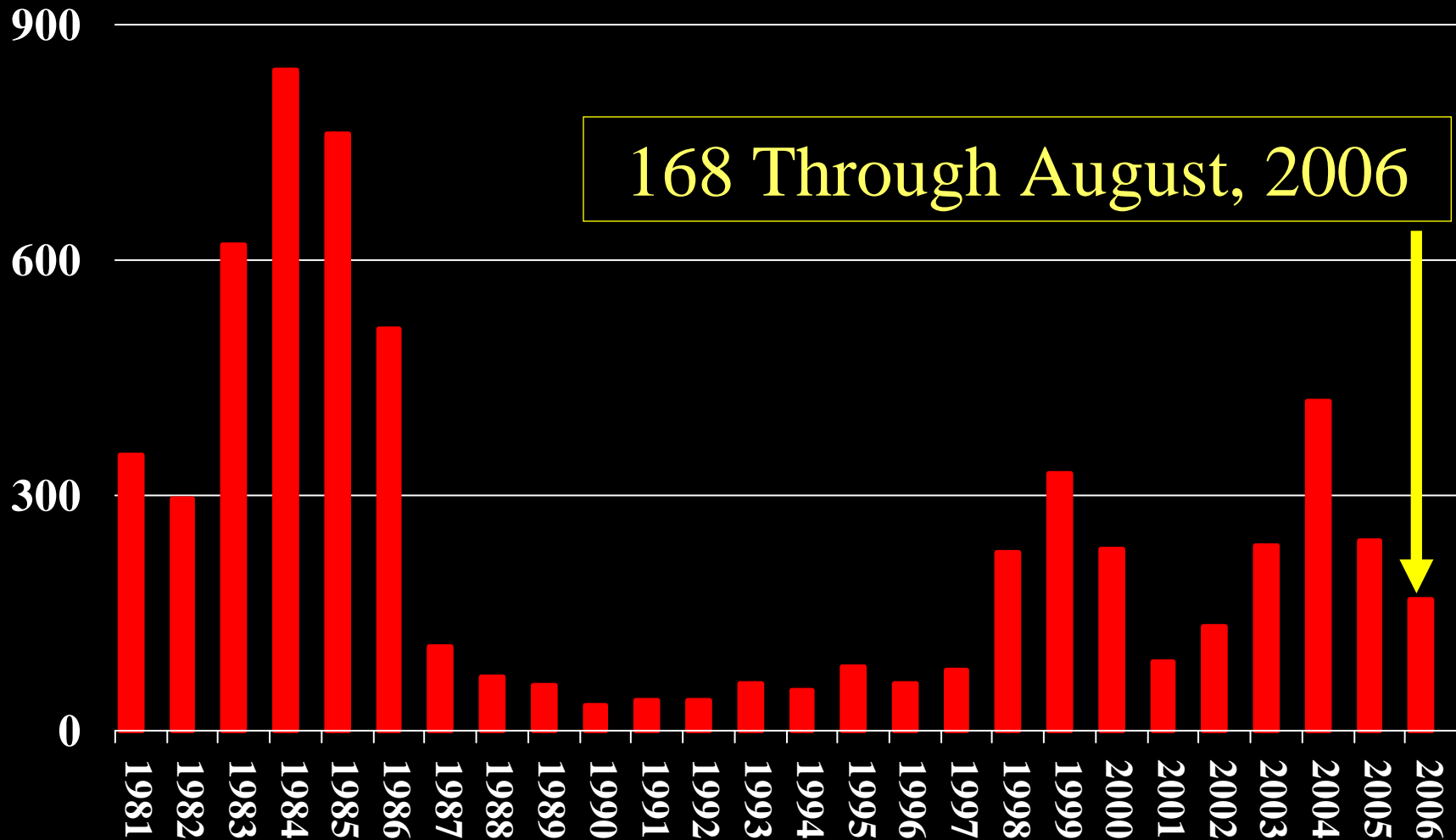
El Paso, TX



Source: Real Estate Center

# 2-4 Family Building Permits

## El Paso, TX

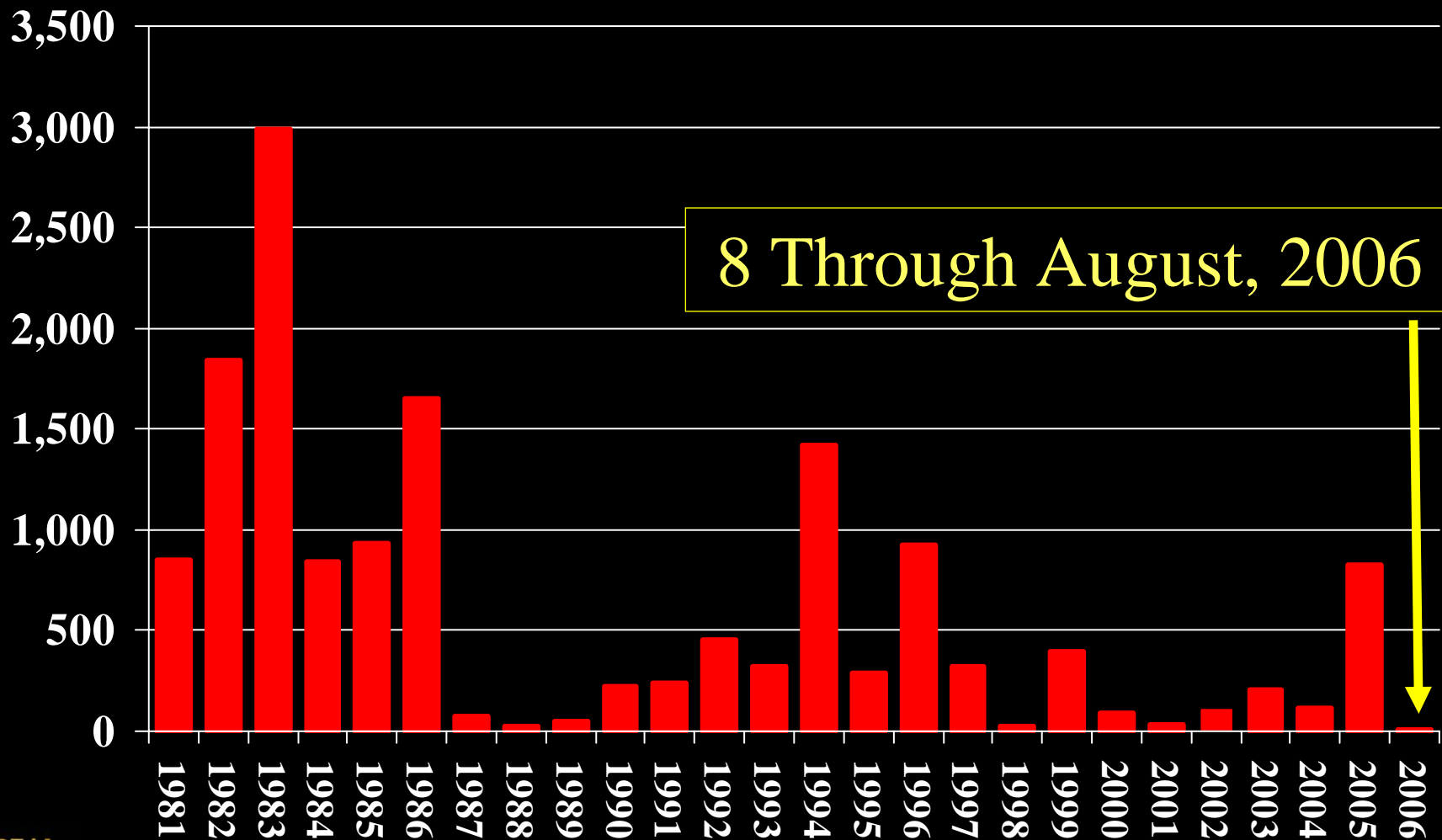


Source: Real Estate Center - Permits for Buildings with 2-4 Units

# Multi-Family Building Permits

5+ Units per Building

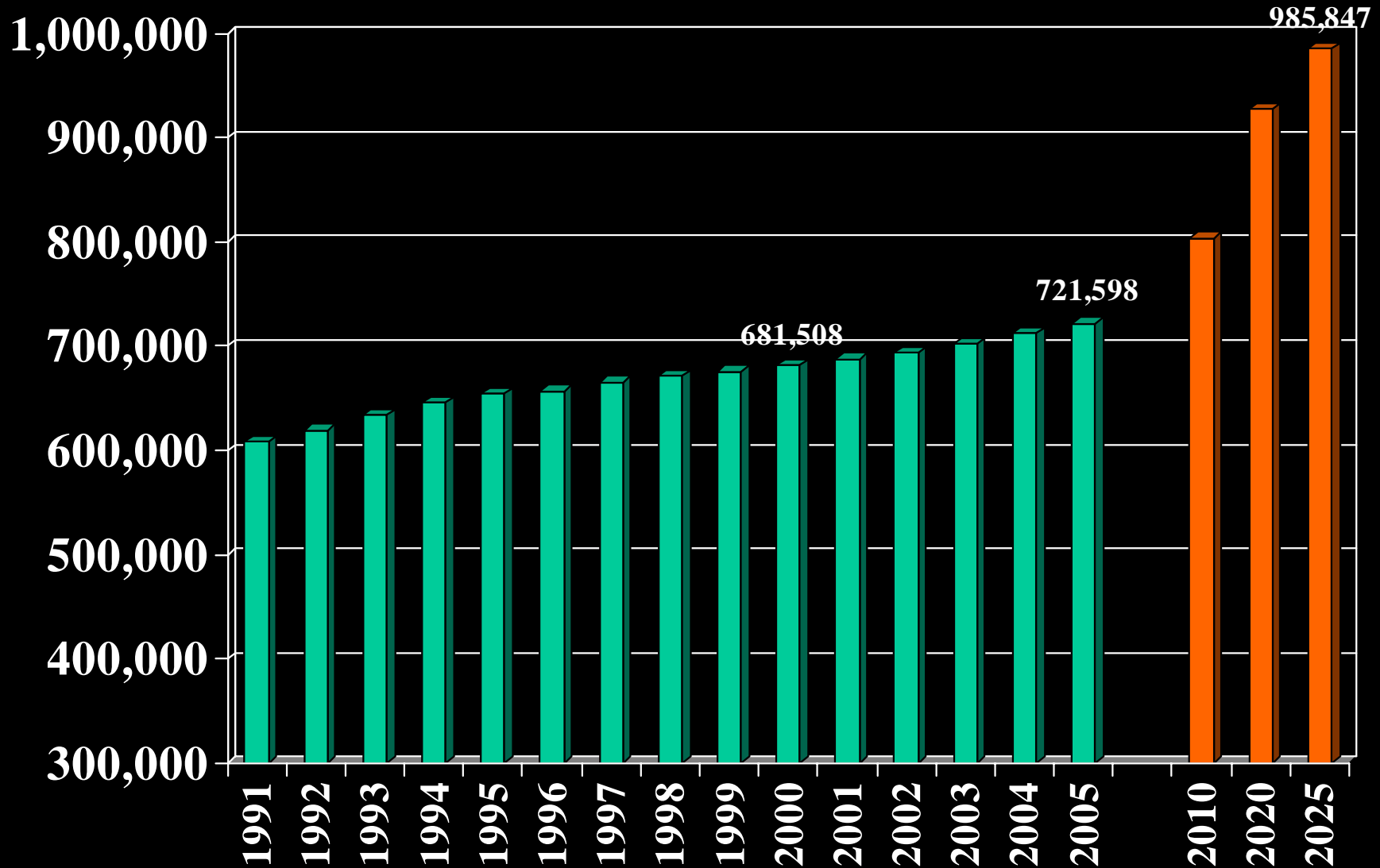
El Paso, TX



Source: Real Estate Center - Permits for Buildings with 5+ Units

# El Paso MSA Population

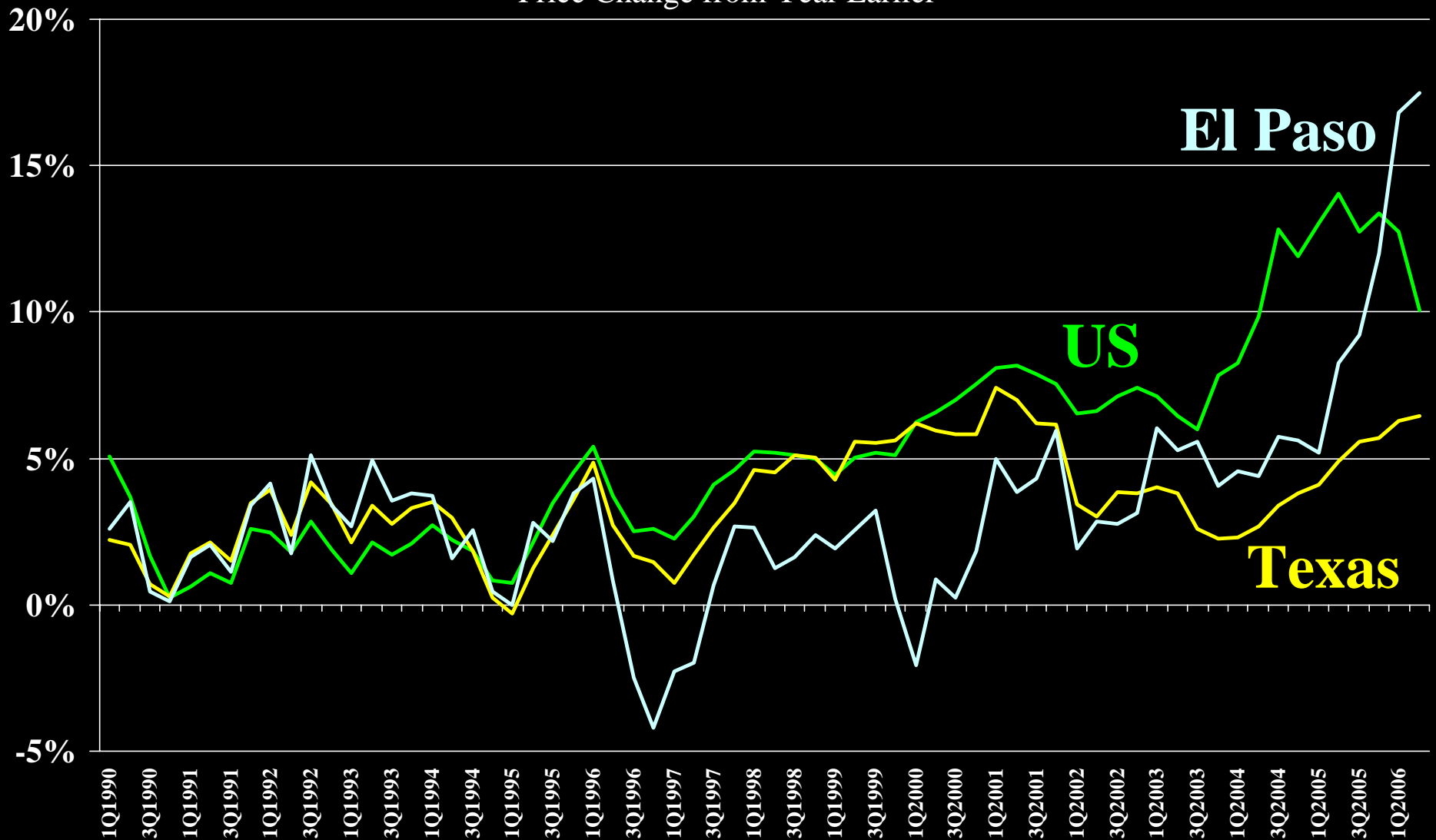
(El Paso County)



Sources: U. S. Census Bureau; Texas State Demographer's Office

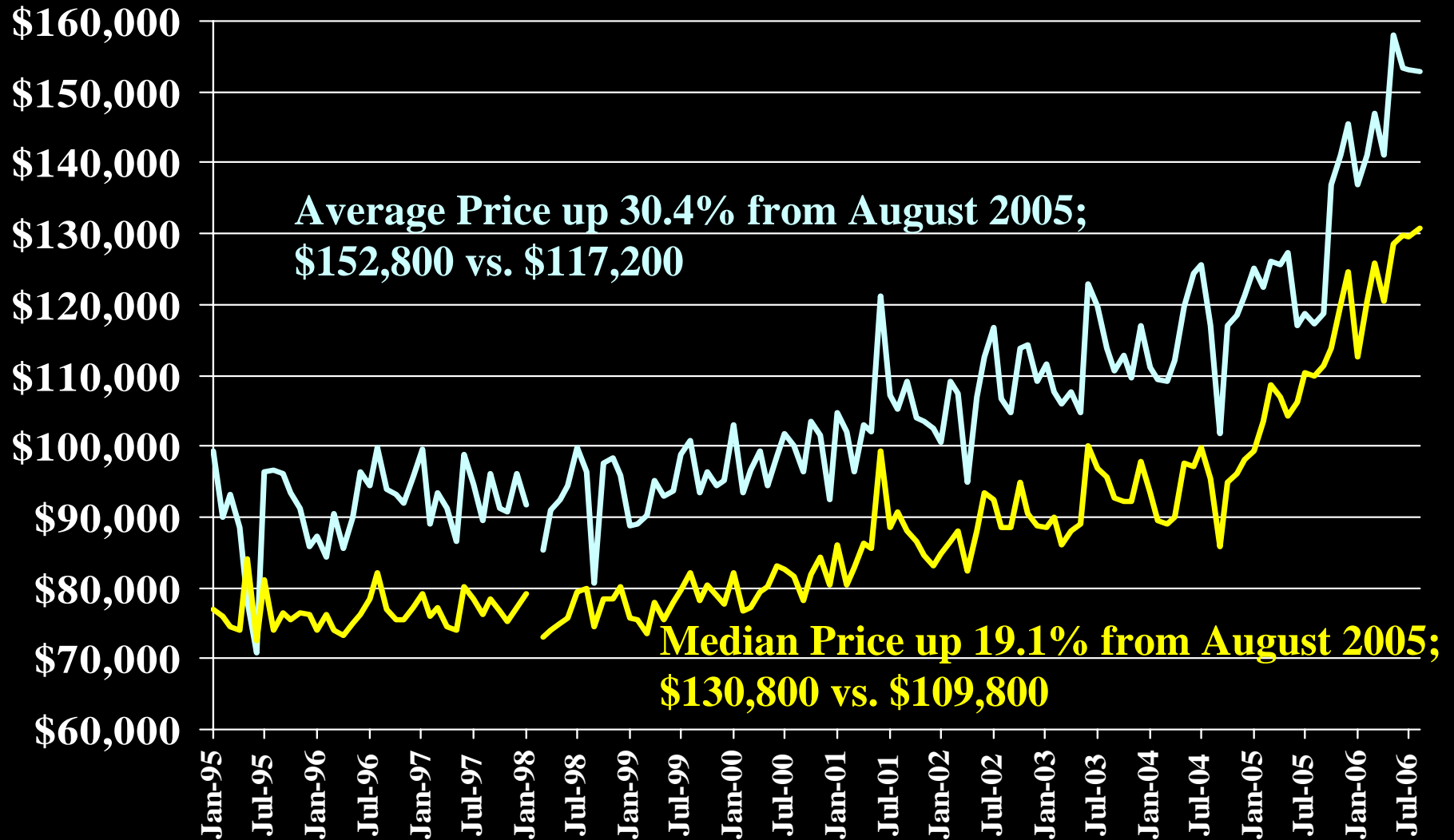
# El Paso House Price Appreciation

Price Change from Year Earlier



Source: OFHEO

# El Paso MLS Home Prices

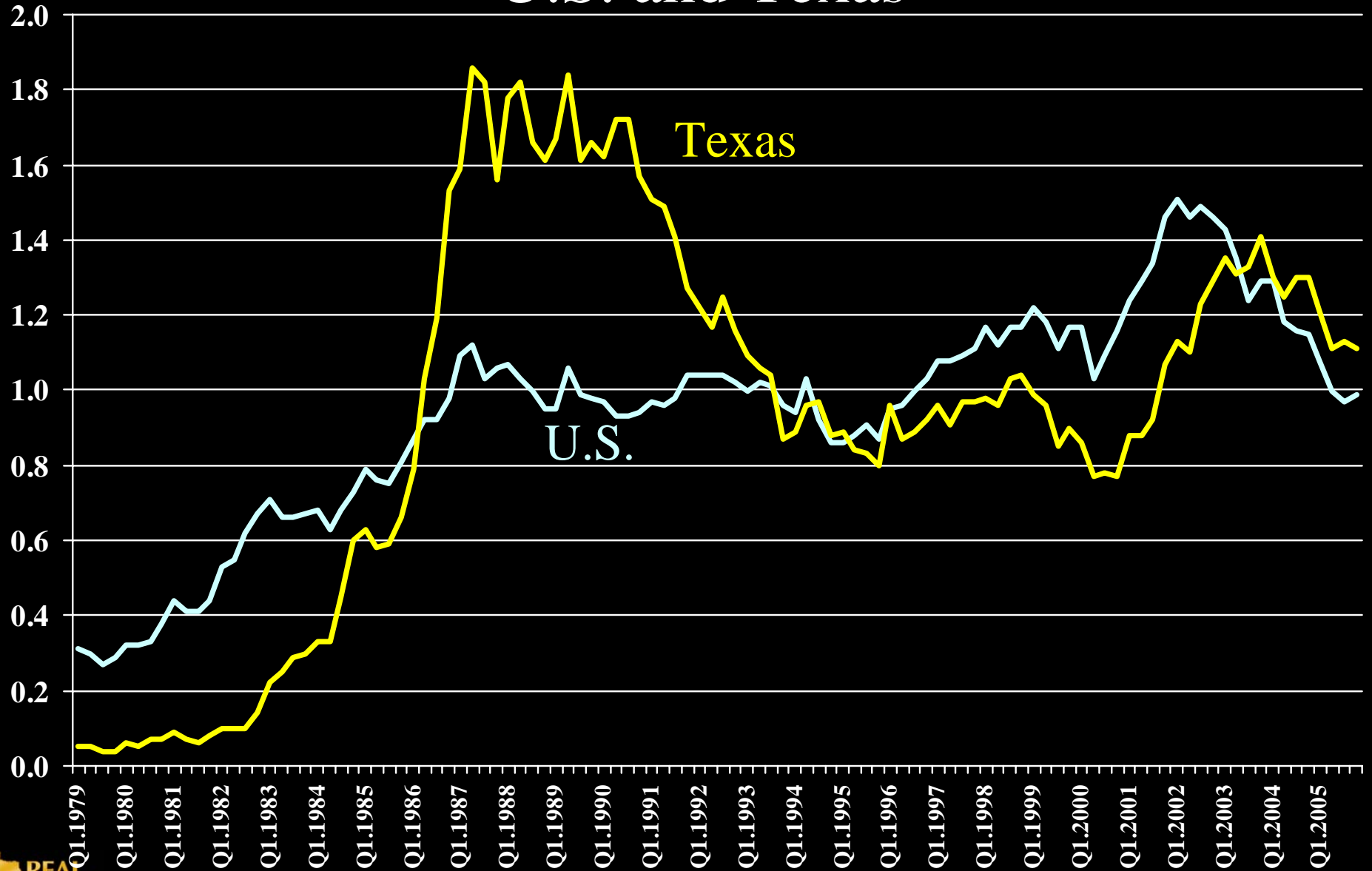


Source: Real Estate Center at Texas A&M University

# Residential Lending

- 29% of borrowers who took out mortgages in 2005 have no equity in their homes or owe more than the house is worth compared to 10.6% in 2004. (WSJ 5/18/06)
- higher-priced first-lien mortgages (sub-prime three percentage points over Treasury yields of comparable maturities) made up 24.6 percent of conventional home purchase loans on owner-occupied homes in 2005 compared with 11.5 percent in 2004 (Federal Reserve)
- Piggy-back lending in 2005 -- second-lien mortgages to allow buyers to buy homes with down payments less than 20 percent -- . . . accounted for more than half the increase in the number of higher-priced loans. (Federal Reserve)

# Percent of Loans in Foreclosure: U.S. and Texas



Source: Mortgage Bankers Association

# Social Security and Medicare: Combined Effect

- The Medicare unfunded liability (\$29.9 trillion) is more than five times the Social Security unfunded liability (\$5.7 trillion).
- The total liability of \$35.6 trillion is almost five times the total federal debt of \$7.4 trillion.

# The Outlook for 2006

- Continued increase in corporate profits, especially energy companies in Texas
- Interest rates: minor changes up/down, relatively flat
- Modest to good increase in employment
- Slow but positive absorption for commercial properties
- High investment demand for real estate, all types
- Continued good-to-strong demand for housing

# What Could Go Wrong ?

- General economic slowdown (probable but to what degree?)
- Inflation leads to Fed raising rates again (possible)
- The stock market becomes sexy enough to attract attention and capital away from RE (possible)
- Federal regulations implemented to limit high-risk lending (not immediately, but coming)
- Overbuilding (watch out!)

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