



**San Antonio
Independent Real Estate
Professionals
(IREP)**

November 8, 2006

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REAL ESTATE CENTER

at TEXAS A&M UNIVERSITY

Mays School of Business

<http://recenter.tamu.edu>

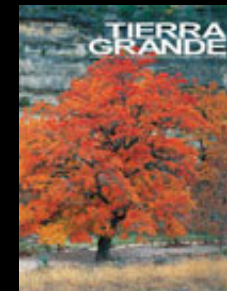
Market Reports

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
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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.



Economy and Housing Markets

- General Economic Overview
- Job Growth
- Interest Rates and RE Financing
- Demographics
- Sales and Construction Activity
- House Prices

How Should We View The Market?

To the optimist, the glass is half full.

To the pessimist, the glass is half empty.

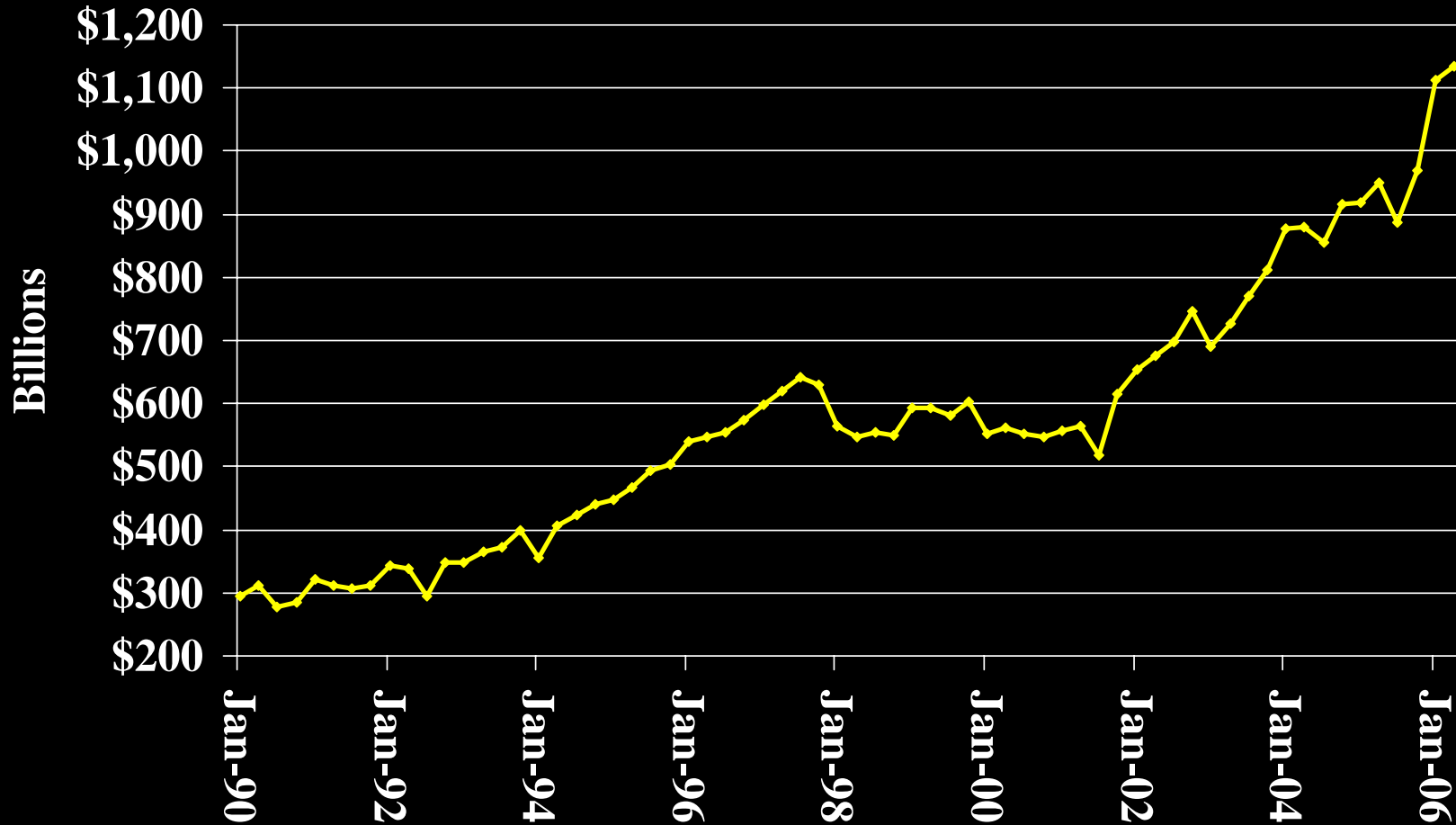
To the engineer, the glass is twice as big as it needs to be.

Overview: National Economy

- Real GDP 3Q06 “advance” estimate = 1.6% vs. 2.5% 2Q06 vs. 5.6% in 1Q [food, housing, medical up; transportation & energy down]
- September '06 Core CPI up 2.9%; total CPI up 2.1% from September '05
- October FHLMC 30-year fixed-rate mortgages =6.36%
- Expect Fed to stop raising rates for time being

Corporate Profits

(With Inventory Valuation Adjustment & Capital Consumption Adjustment)

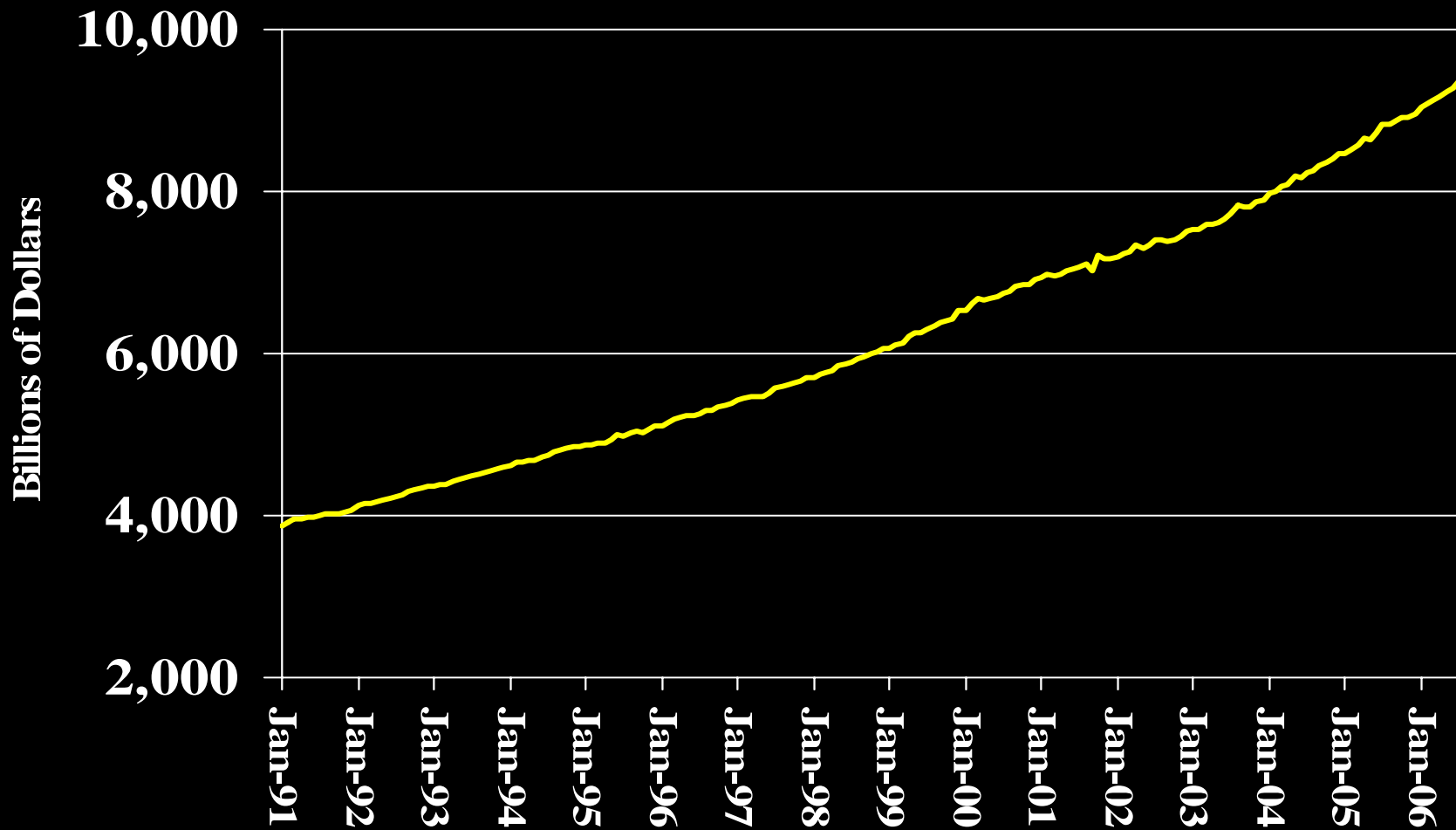


Corporate Hiring Plans in Next 6 Months

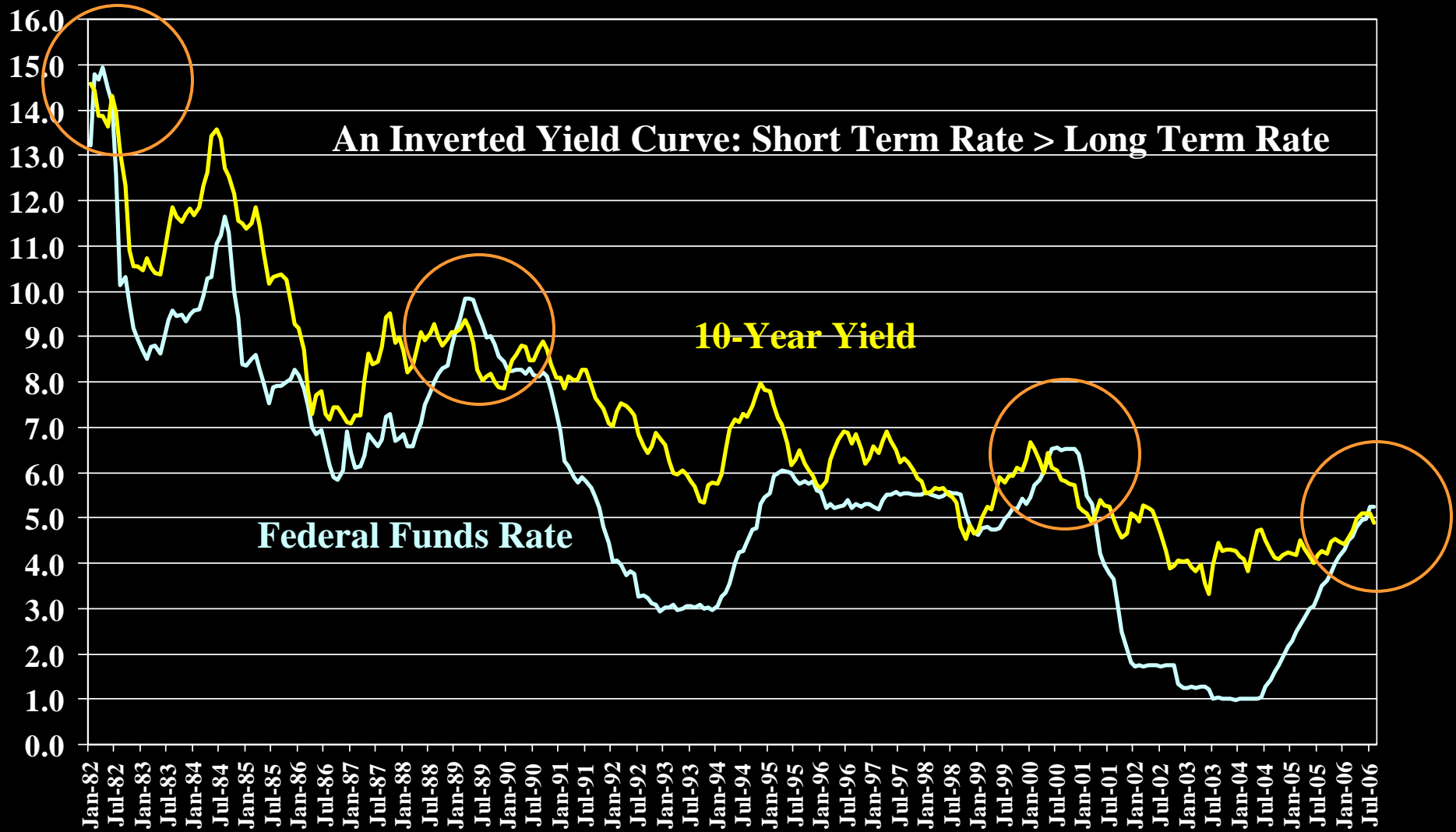
	Q2-2006	Q1-2006	Q4-2005	Q3-2005
More Jobs	41%	43%	40%	35%
Less Jobs	20%	15%	19%	24%

Personal Consumption Expenditures

Seasonally Adjusted

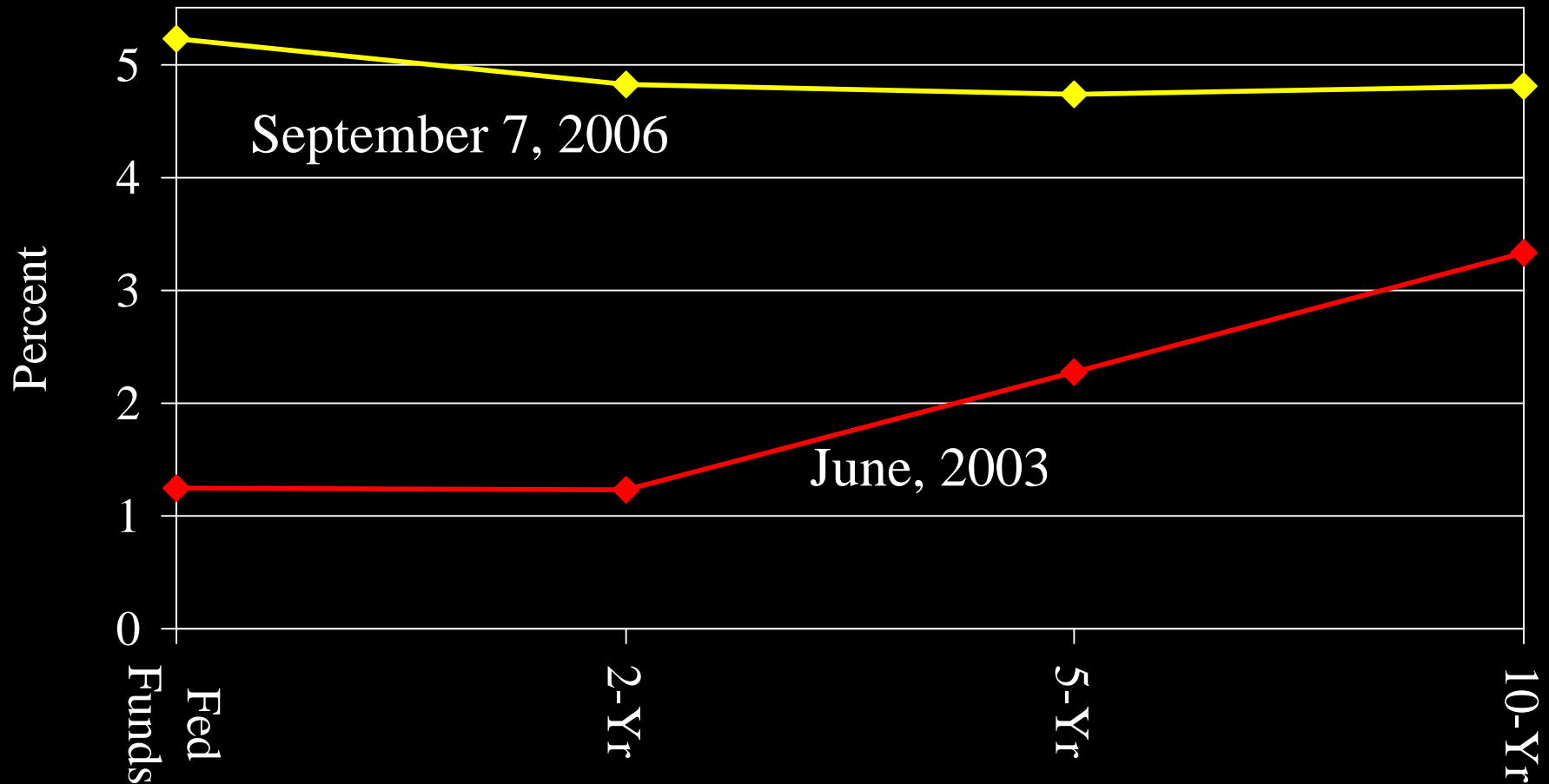


Federal Funds Rate and 10-Year Treasury Yields



Yield Curve in the 2000's

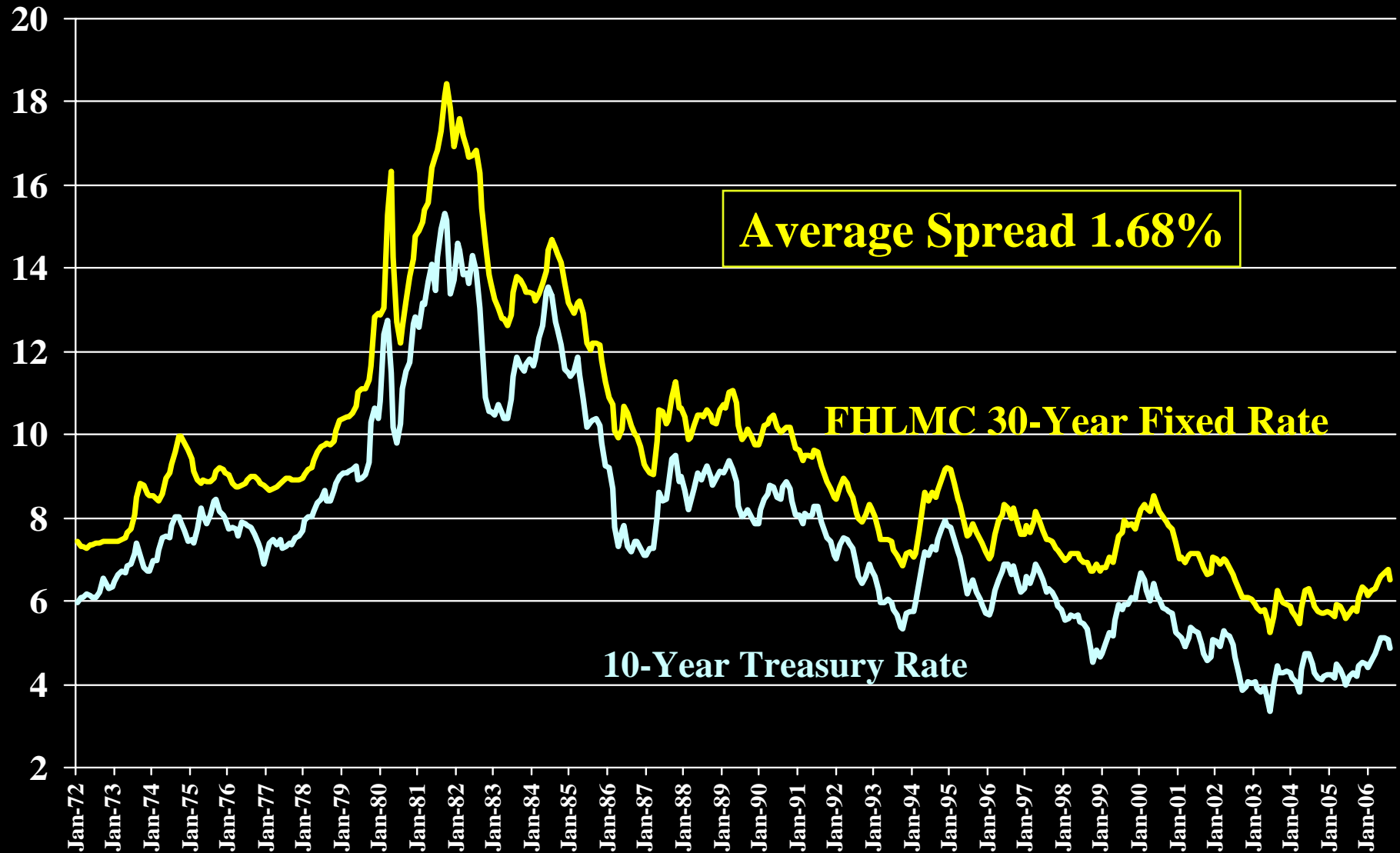
Flat yield curve can lead to recession



The Yield Curve

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

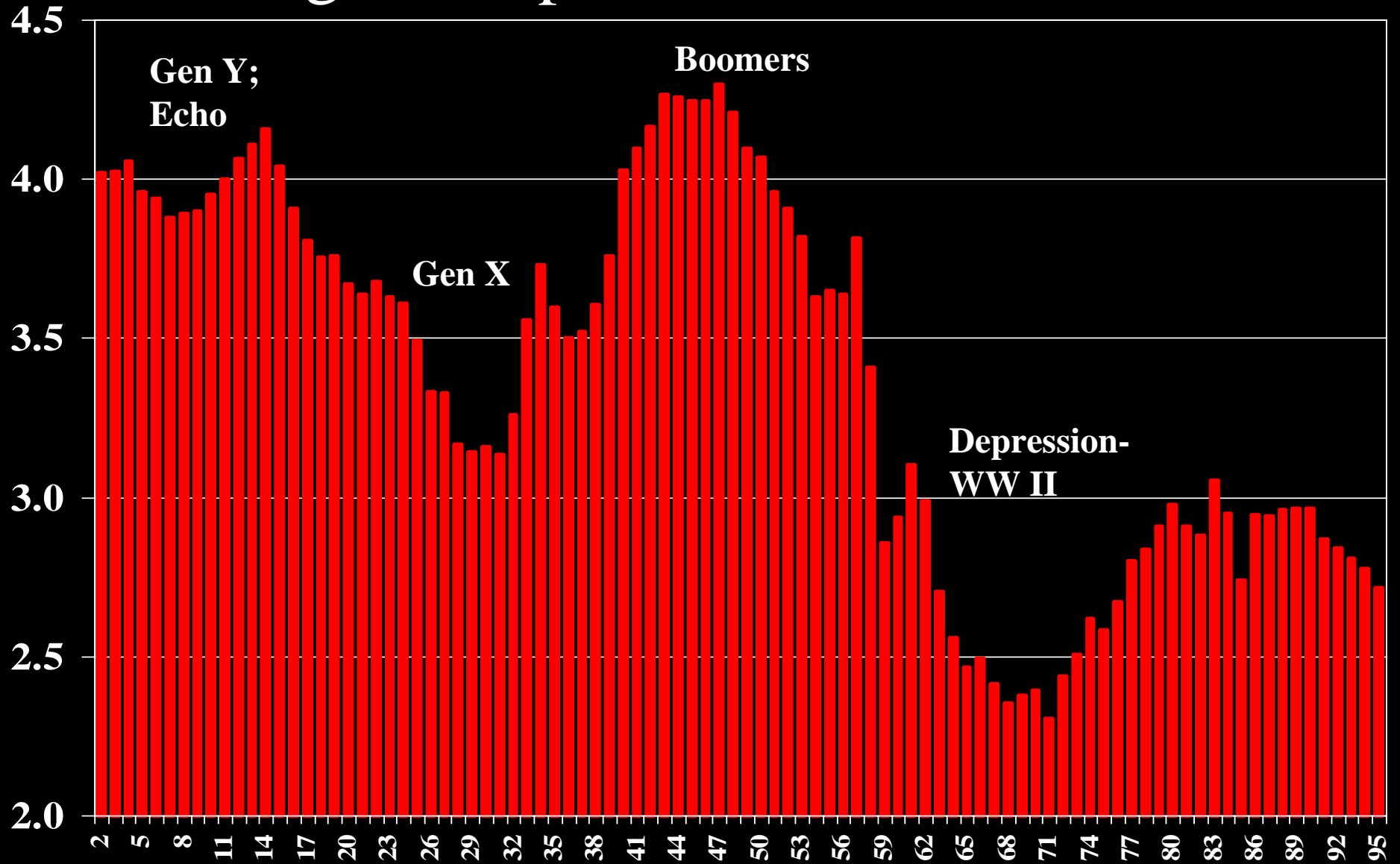
Mortgage Rates and 10-Year Treasury Bonds



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)
- Sub-primes made up **24.6 percent** of conventional home purchase loans on owner-occupied homes in 2005 compared with 11.5 percent in 2004, about **18% were interest only** (Federal Reserve)
- More than **\$2 Trillion of sub-prime-backed bonds** have been issued since 2001 through collateralized debt obligations (CDOs)
- More than \$300 million ARM loans reset in 2006; nearly \$1trillion in loans will reset in 2007

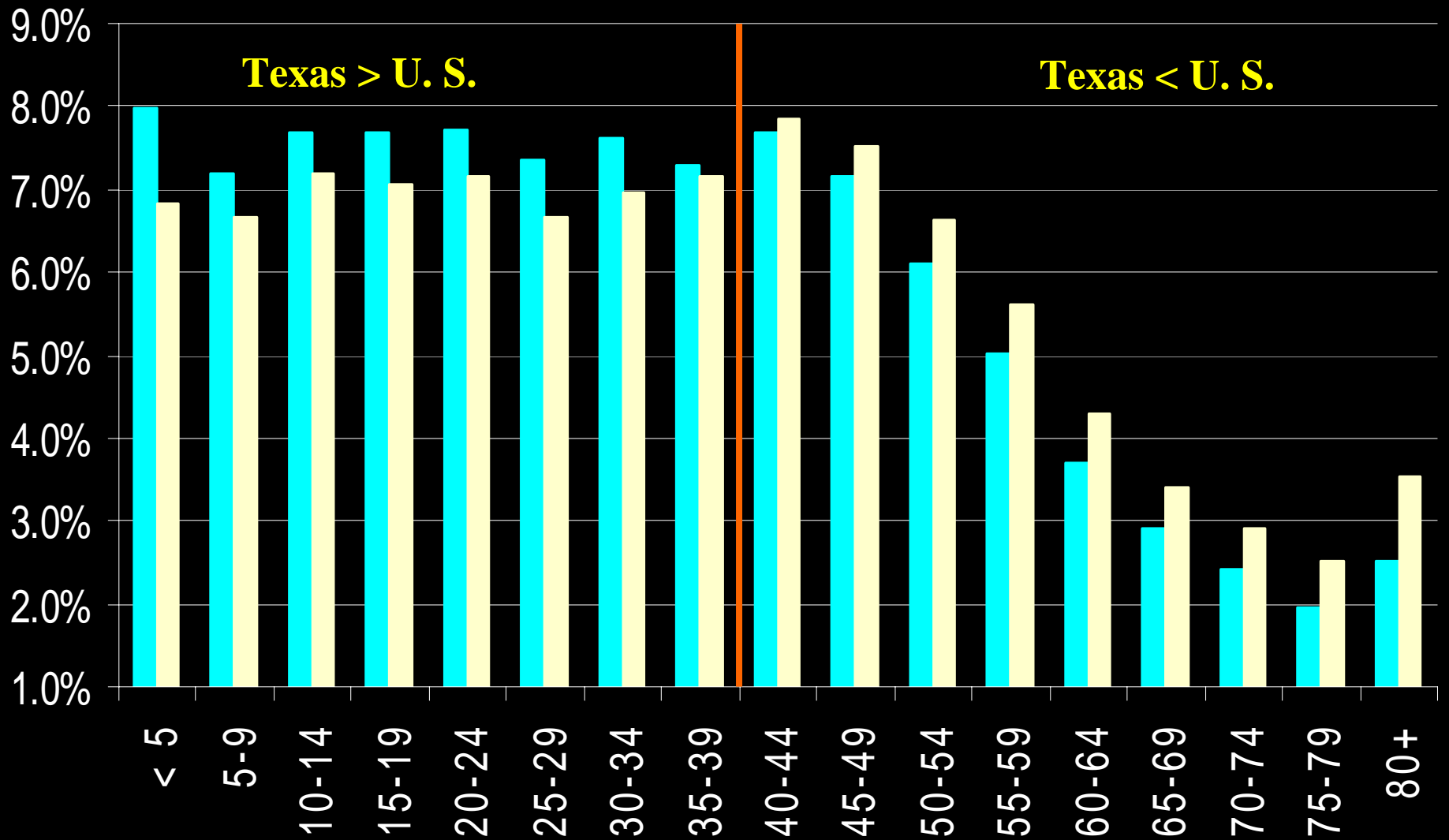
Age Groups in the United States



Source: National Center for Health Statistics

U. S. and Texas Population Age Distribution

■ Texas ■ US



Source: U. S. Census Bureau

Social Security and Medicare: Combined Effect

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

The Boomers Retire

- In 1950 there were 16 workers for every retired person
- Currently, there are about 3 workers for every retired person
- By 2025 the ratio will be 2 workers for every retired person

Source: Social Security Trustees Report, 1993.

workers paying social security taxes relative retirees receiving benefits

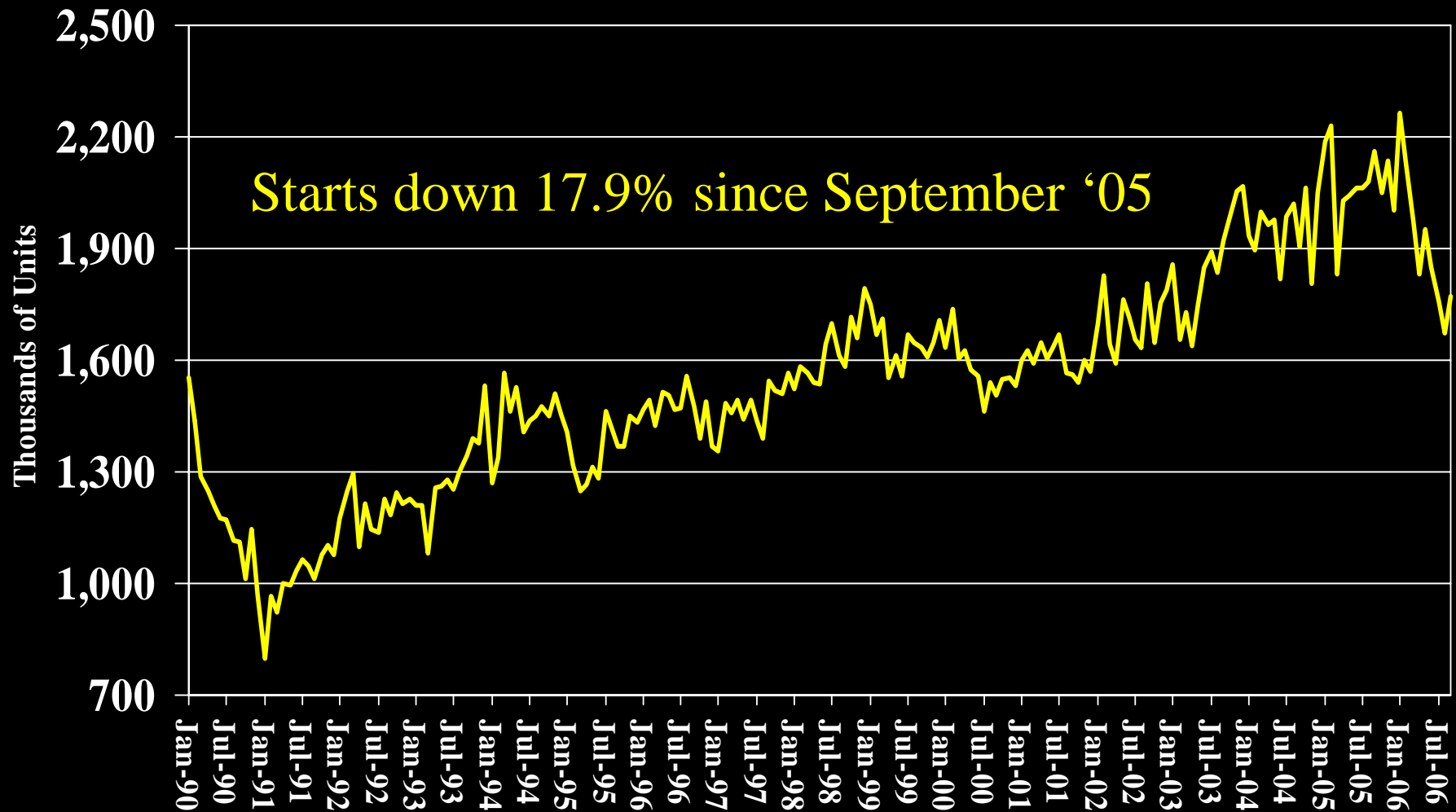
Overview: National Housing Market

- Nearly half (46.7%) of new mortgage applications in September were to refinance adjustable rate loans for fixed rate mortgages (MBA)
- Purchase mortgage applications are **down 14.3%** since October 05
- New home **starts are down 17.9 percent** Sept 06 from Sept 05 (Census Bureau)
- New home sales **down 14.2%** Sept 06 vs. Sept 05 (Census Bureau)
- Inventory of new homes for sale **6.4 months** Sept 06 vs. 4.8 Sept 05 (Census Bureau)

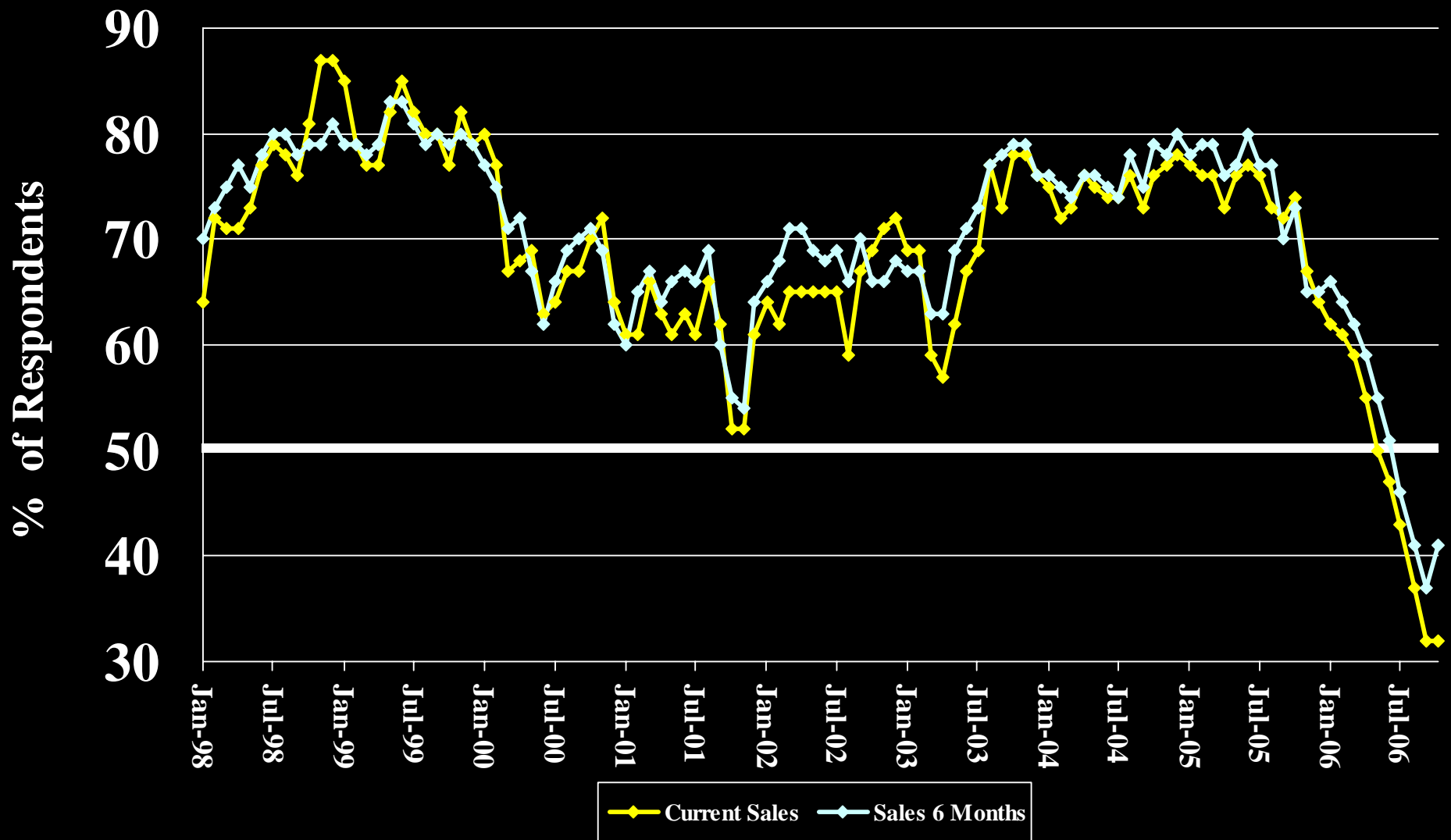
Overview: National Housing Market

- OFHEO 2Q06 national home prices up 10.1% from 2Q05, but quarterly increase of 1.17% lowest since 4Q99
- September home sales 14.2 percent below September 2005 (NAR)
- Housing for sale = 7.3-month supply at current sales versus 4.6 months September 05 (NAR)
- Median home price (all types) = \$220,000 in September, down 2.2 percent from September 2005. August was first time median down since April 1995 on year-over-year basis.

Total Housing Starts in the US

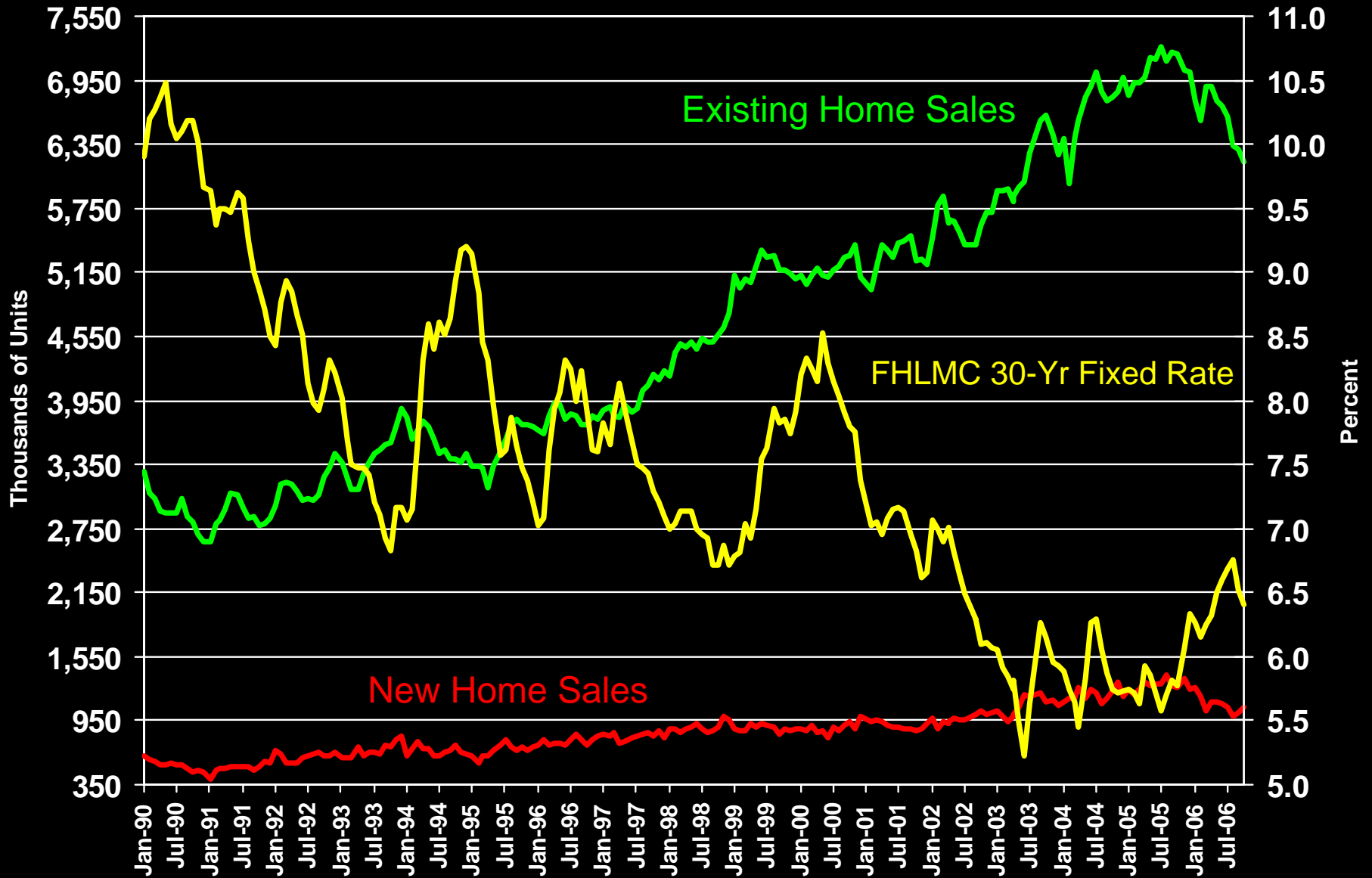


Builders Reporting That Sales Are Good



Source: National Association of Home Builders

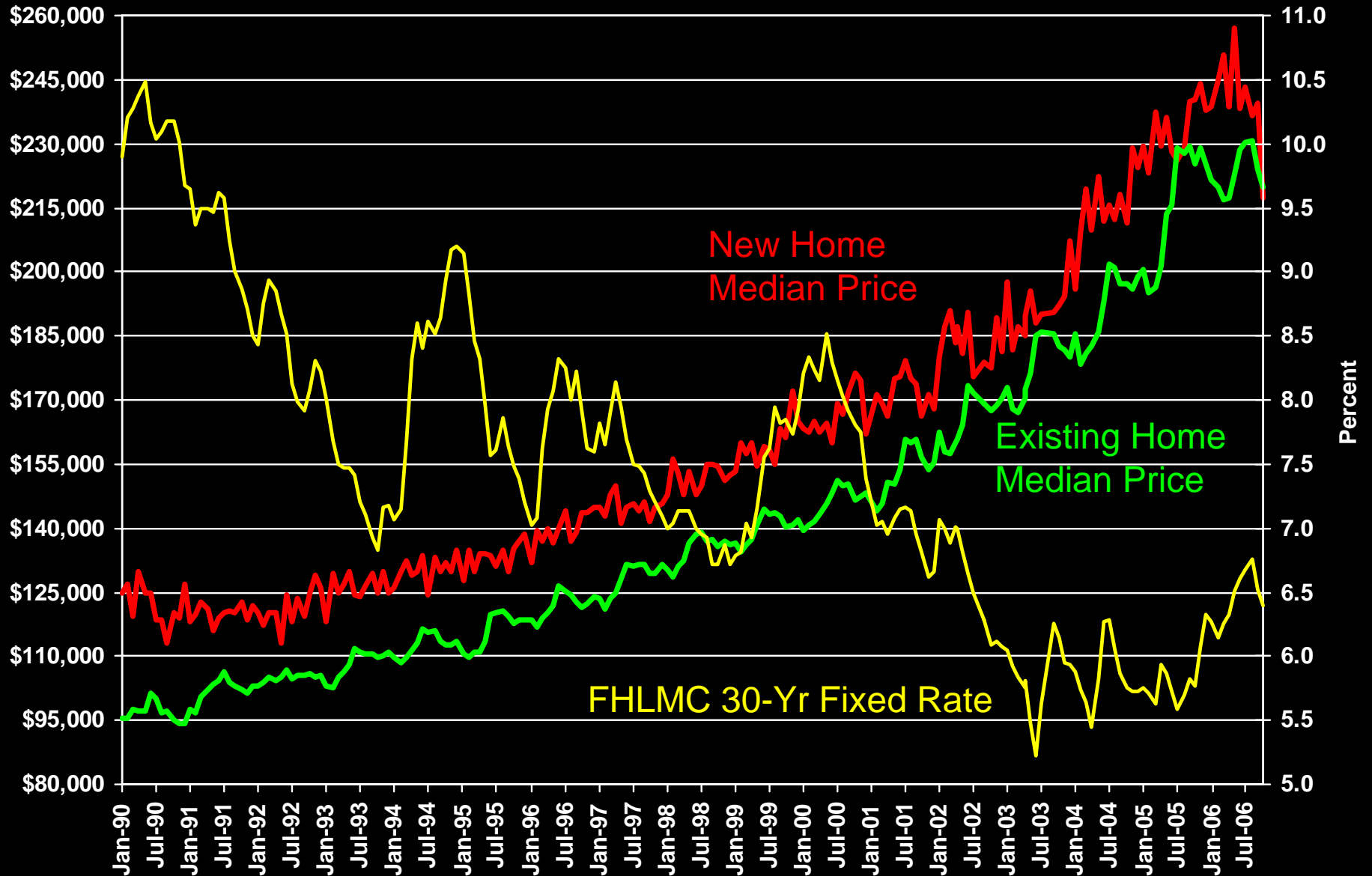
New and Existing Home Sales Since 1990



SAAR monthly sales; EHS SFD to 1/1999, SFD+ Condo after 1/1999
 Source: U. S. Census Bureau; Real Estate Center at Texas A&M University



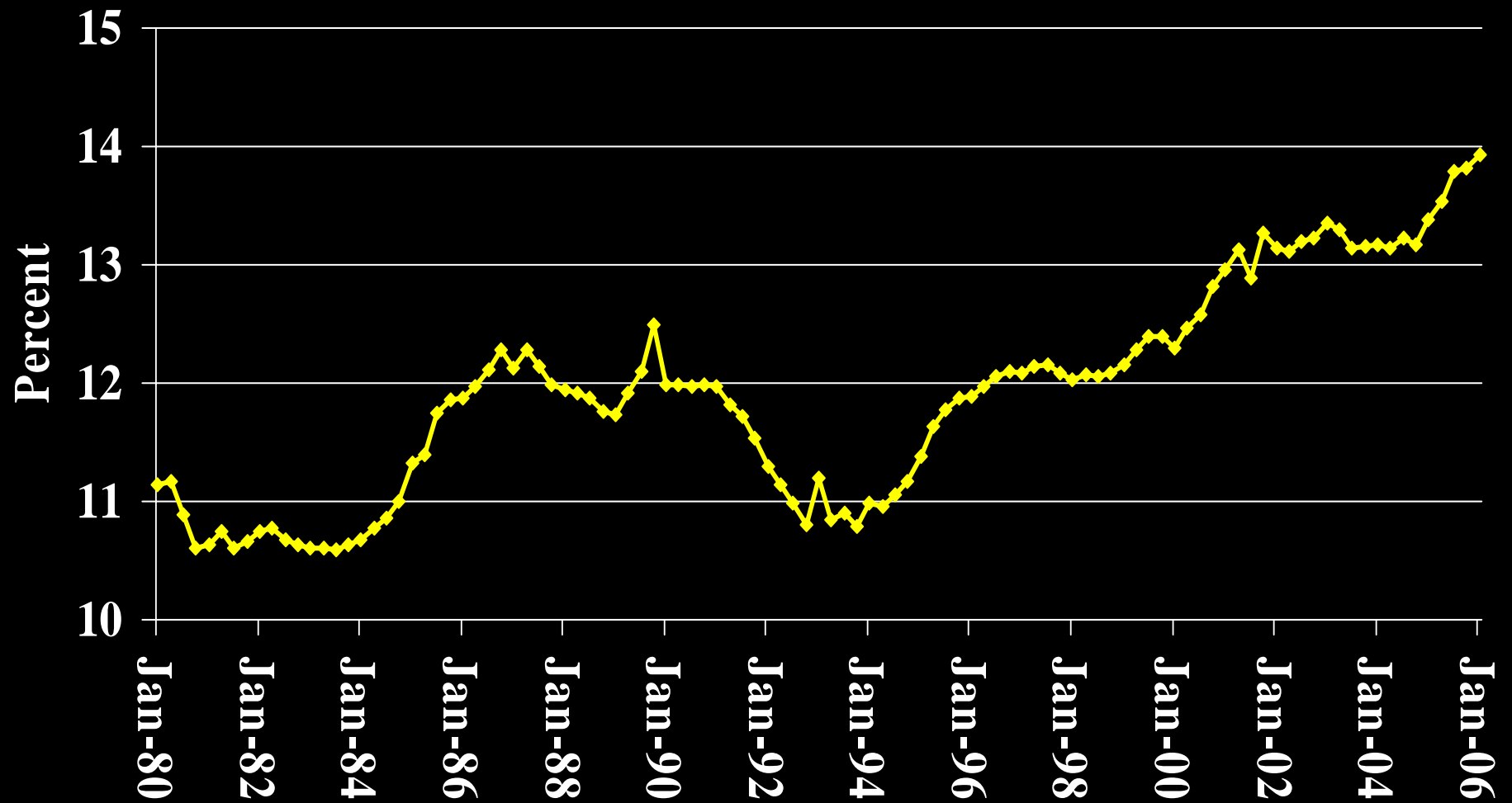
New and Existing Home Prices Since 1990



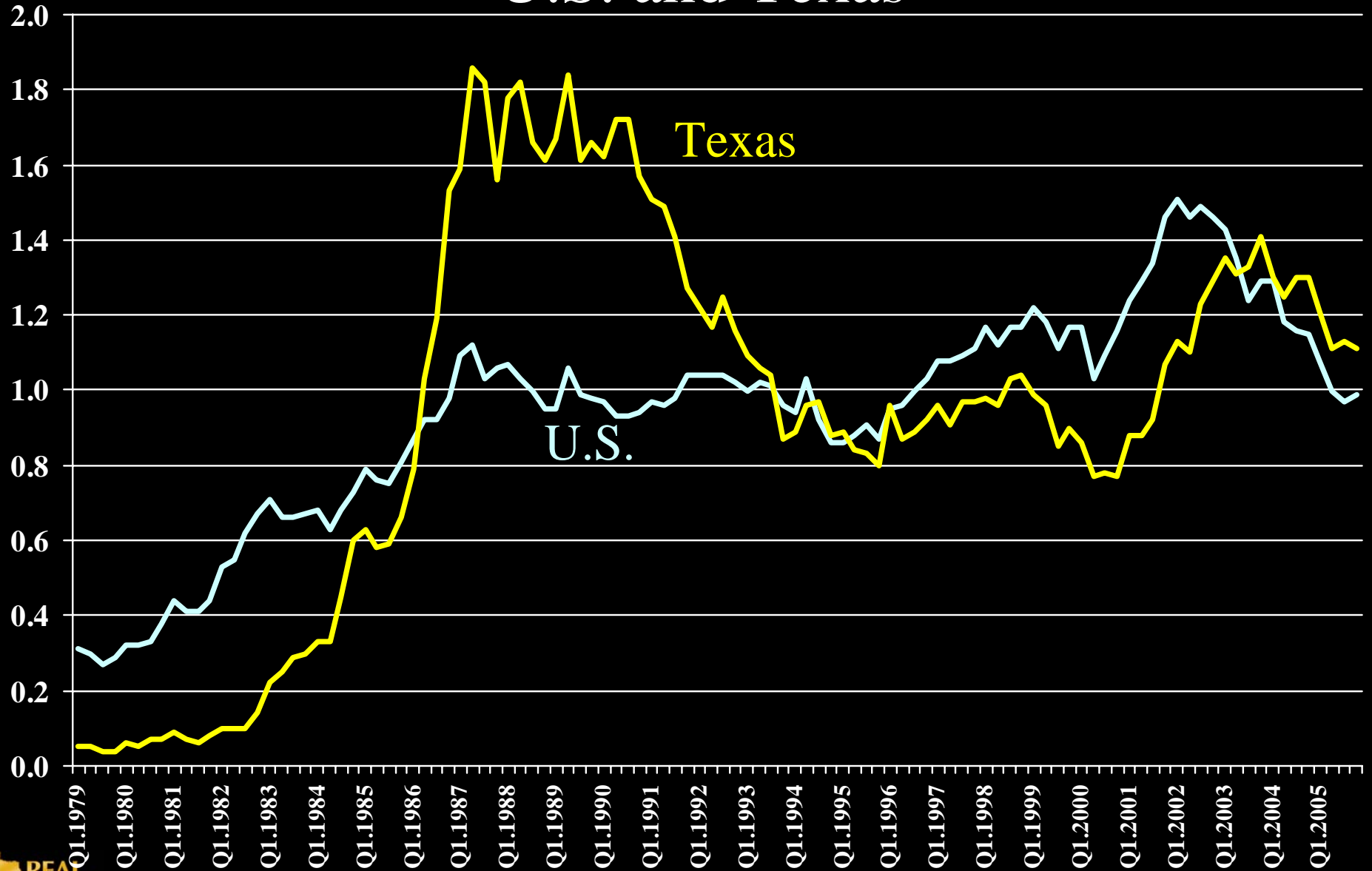
Source: U. S. Census Bureau; Dallas Federal Reserve Bank, Real Estate Center at Texas A&M University

Debt Service Payments

as a Percent of Disposable Personal Income

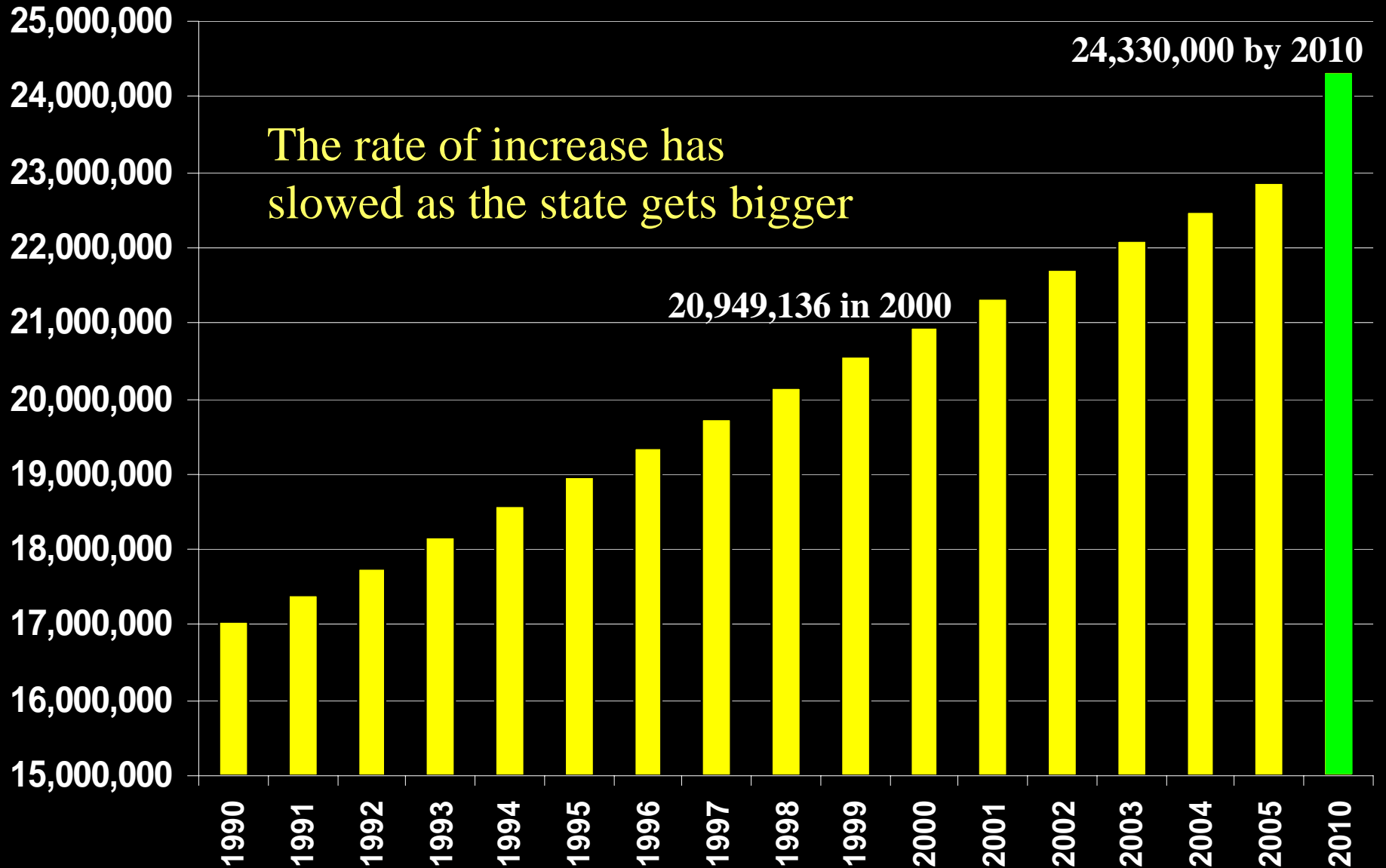


Percent of Loans in Foreclosure: U.S. and Texas



Source: Mortgage Bankers Association

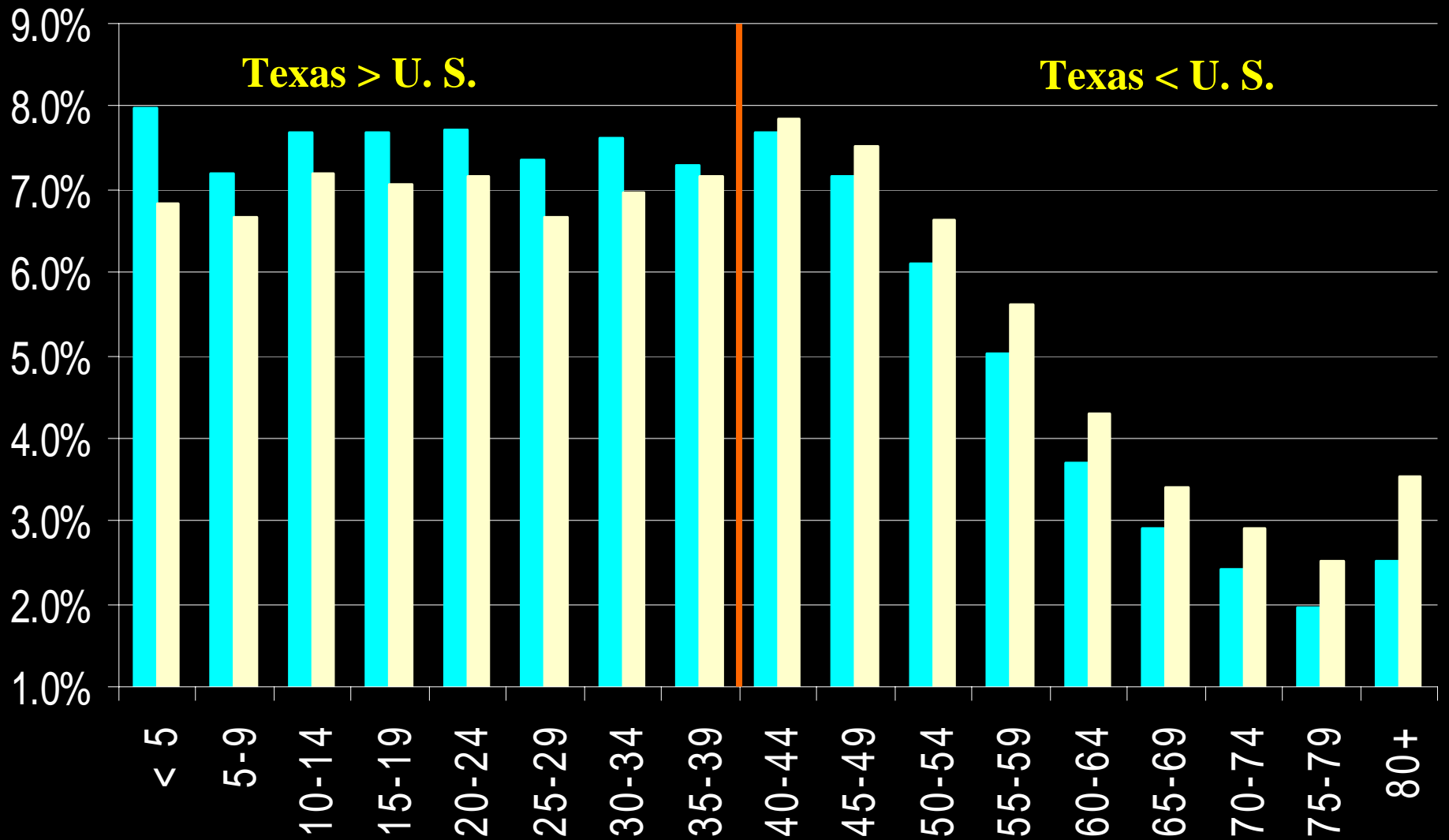
Texas Population



Source: US Census Bureau, Texas State Data Center and Demographer

U. S. and Texas Population Age Distribution

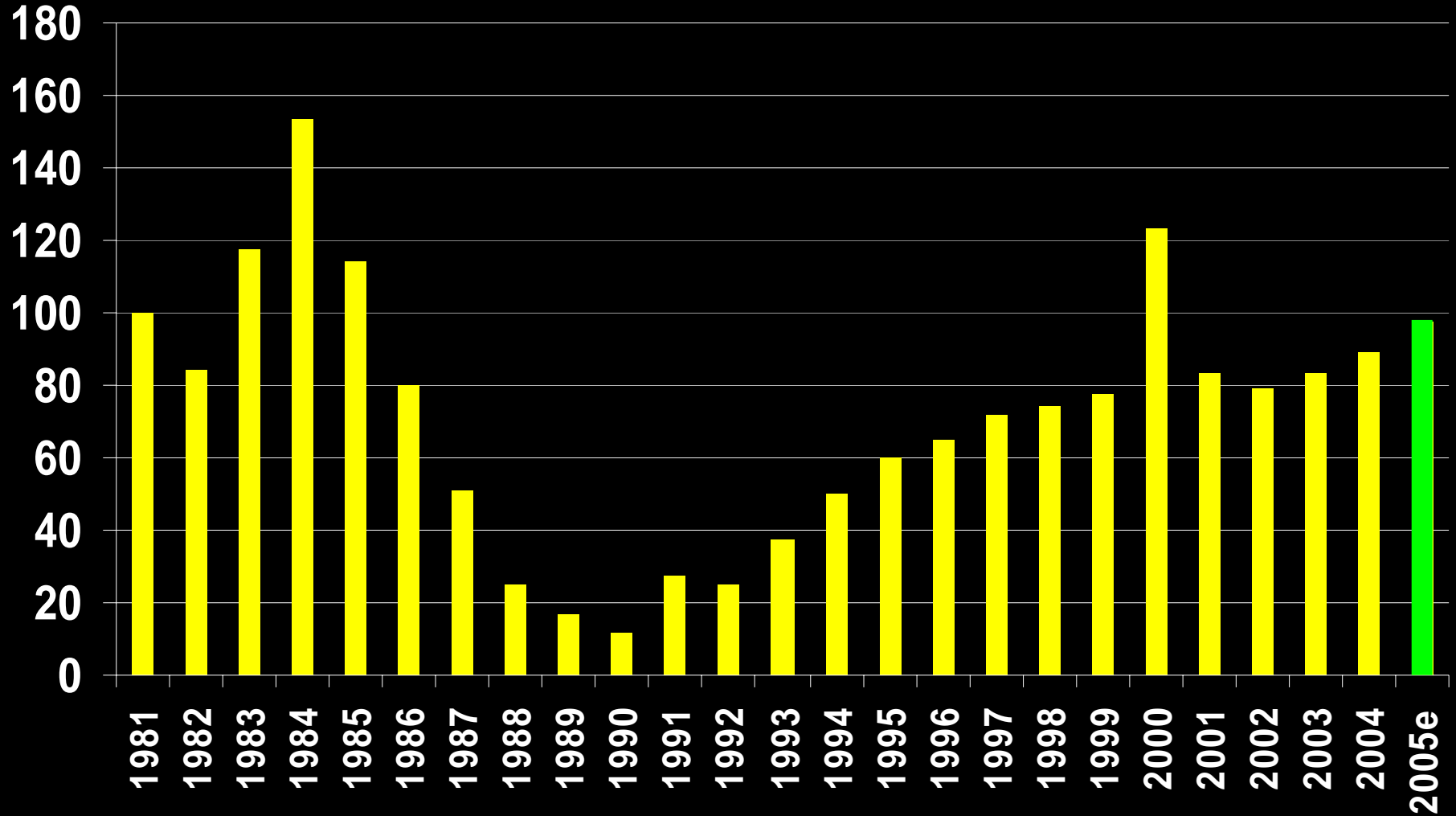
■ Texas ■ US



Source: U. S. Census Bureau

Housing Units Added in Texas

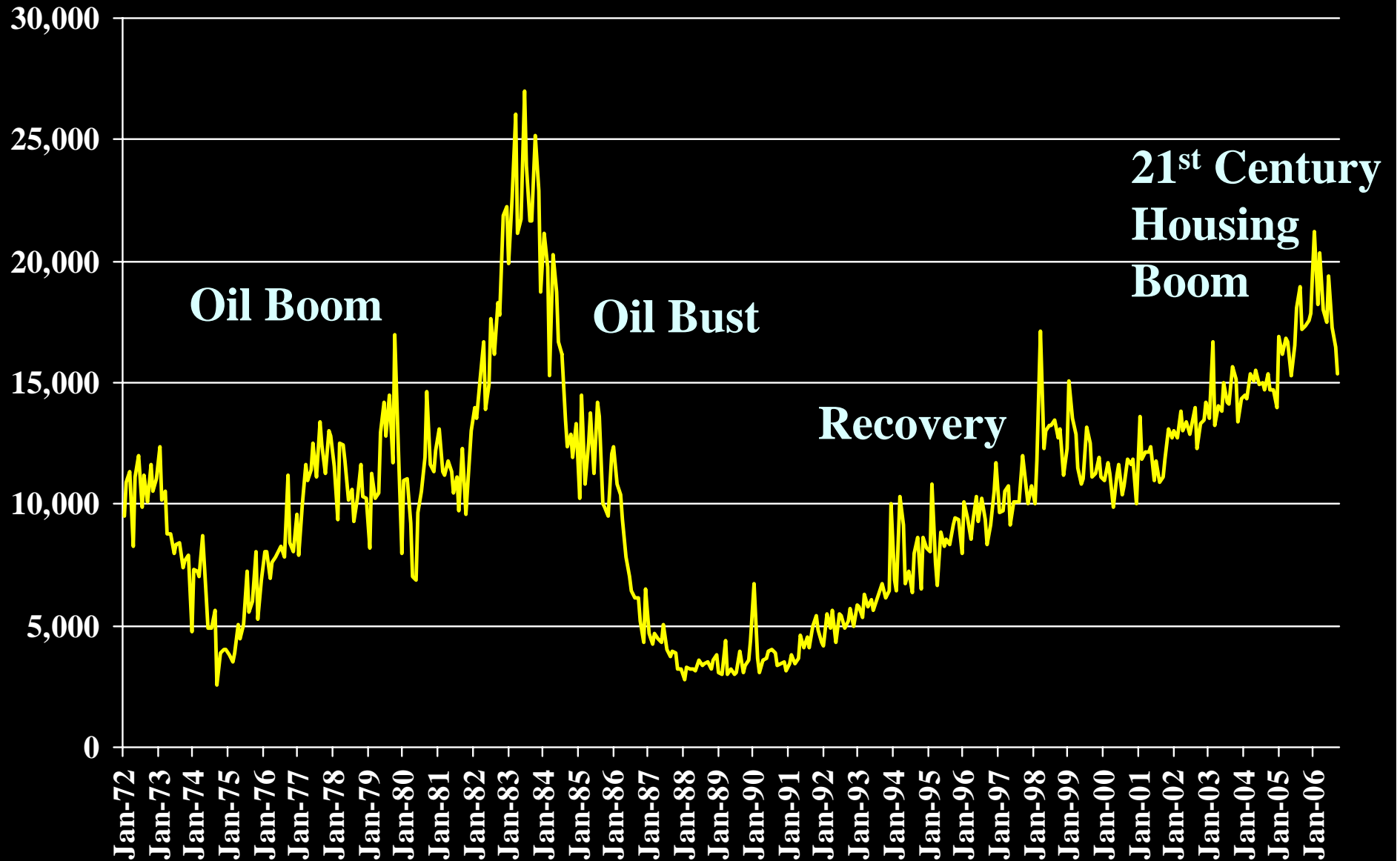
(Thousands of Units)



Source: US Census Bureau, Real Estate Center at Texas A&M

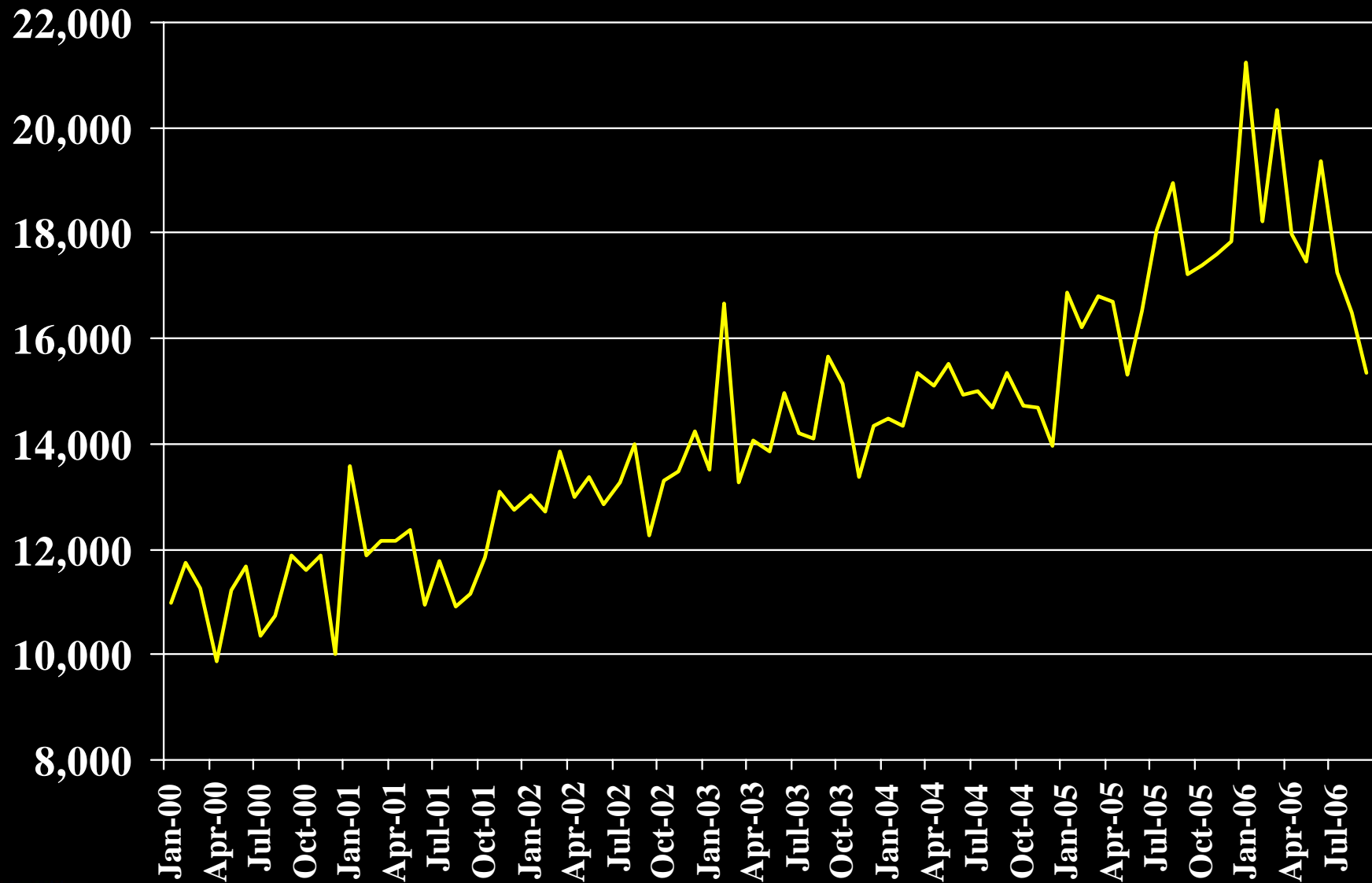


Texas Residential Housing Permits



Source: US Census Bureau , Real Estate Center at Texas A&M

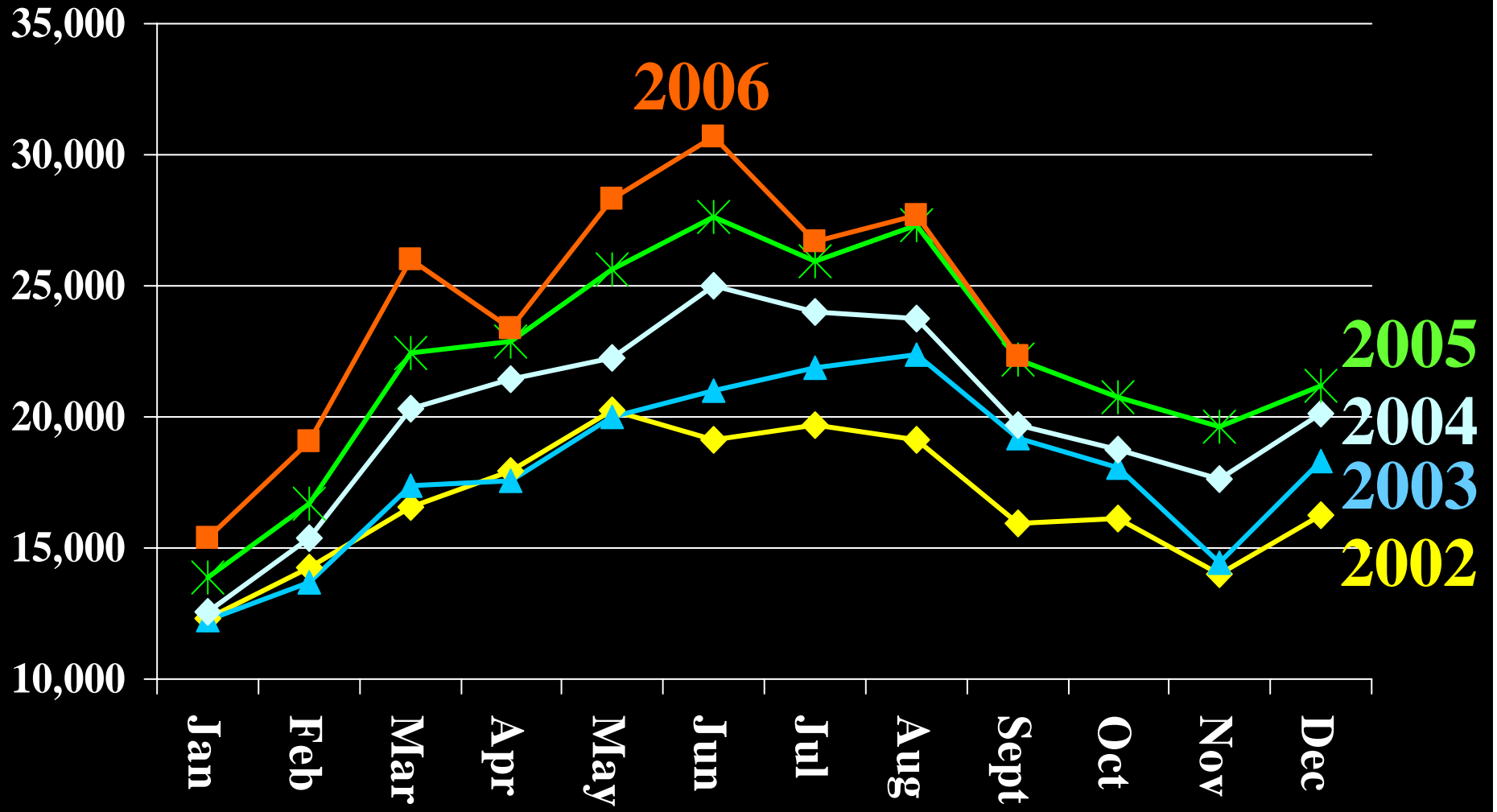
21st Century Texas Residential Housing Permits



Source: US Census Bureau , Real Estate Center at Texas A&M



Existing Home Sales Texas

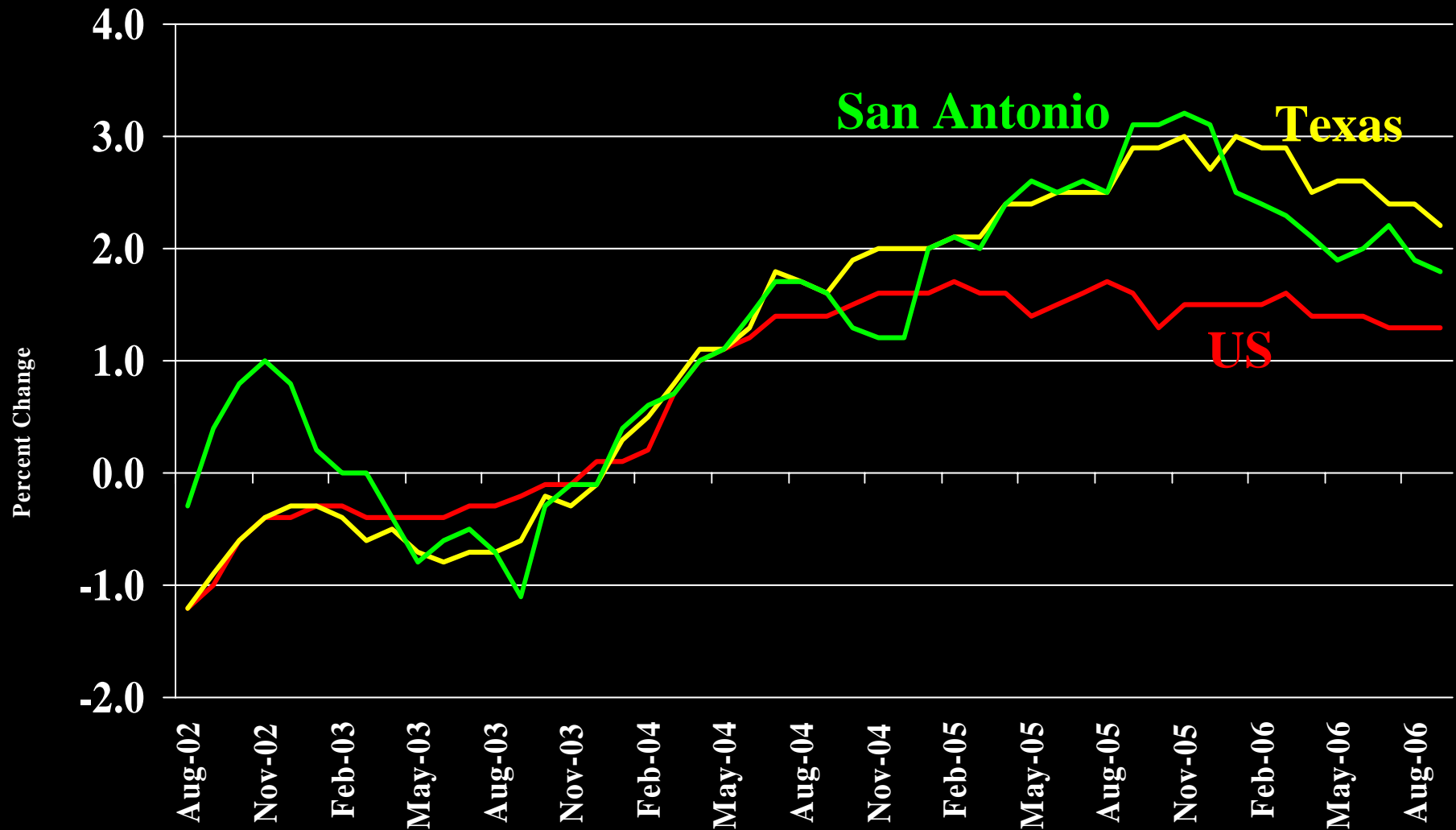


Source: Real Estate Center

Overview – San Antonio

- Historically slow, steady growth in population and employment
- Number of new developments announced throughout the area: **local and out-of-state investors**
- New home construction 1-4 units running strong with some signs of slower than 2005; apartment construction slower than 2005
- Employment growth exceeds US rate but has fallen below state level since January 2006
- 2006 home sales running ahead of the pace of the past three years but also showing signs of slowing down
- Inventory of available homes indicates tight market
- **OFHEO 2Q06 San Antonio MSA 8.2% vs. 10.1% USA vs. 6.45% TX**
- **MLS Median Price up 1.3% from August 2005; Average up 4.9%**

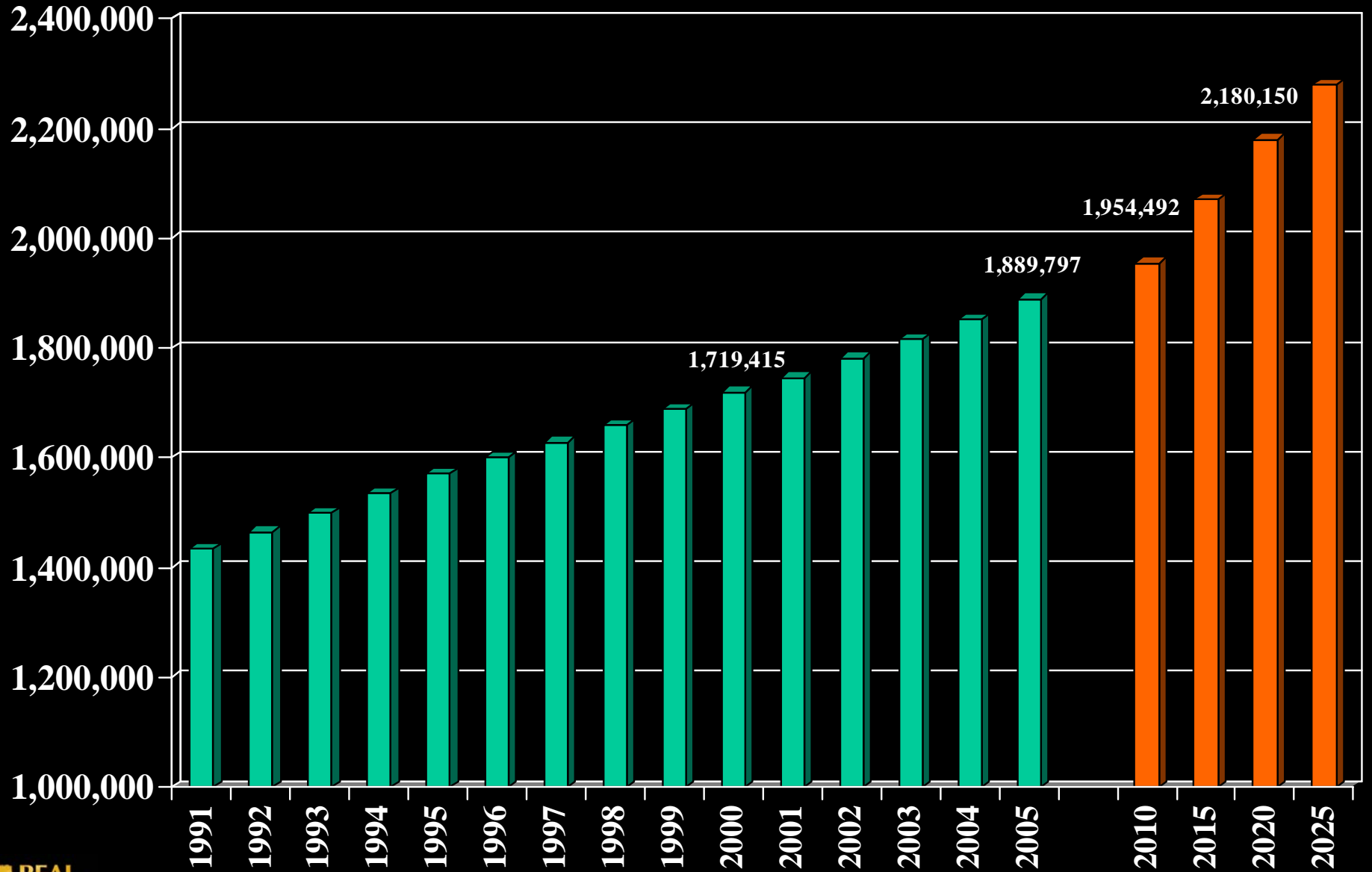
Employment Growth Rates



Source: Bureau of Labor Statistics

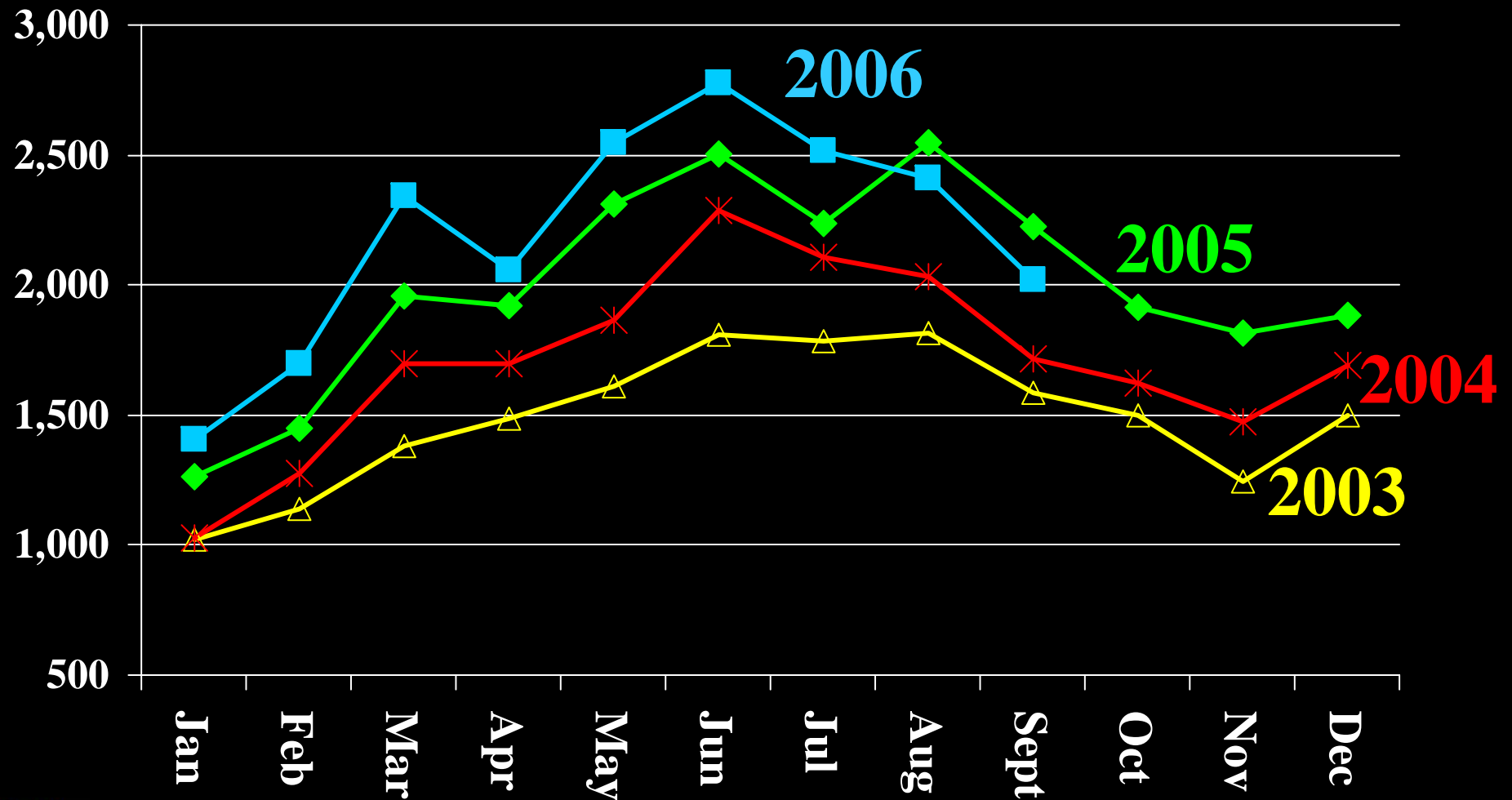
San Antonio MSA Population

(Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendal, Medina & Wilson Counties)

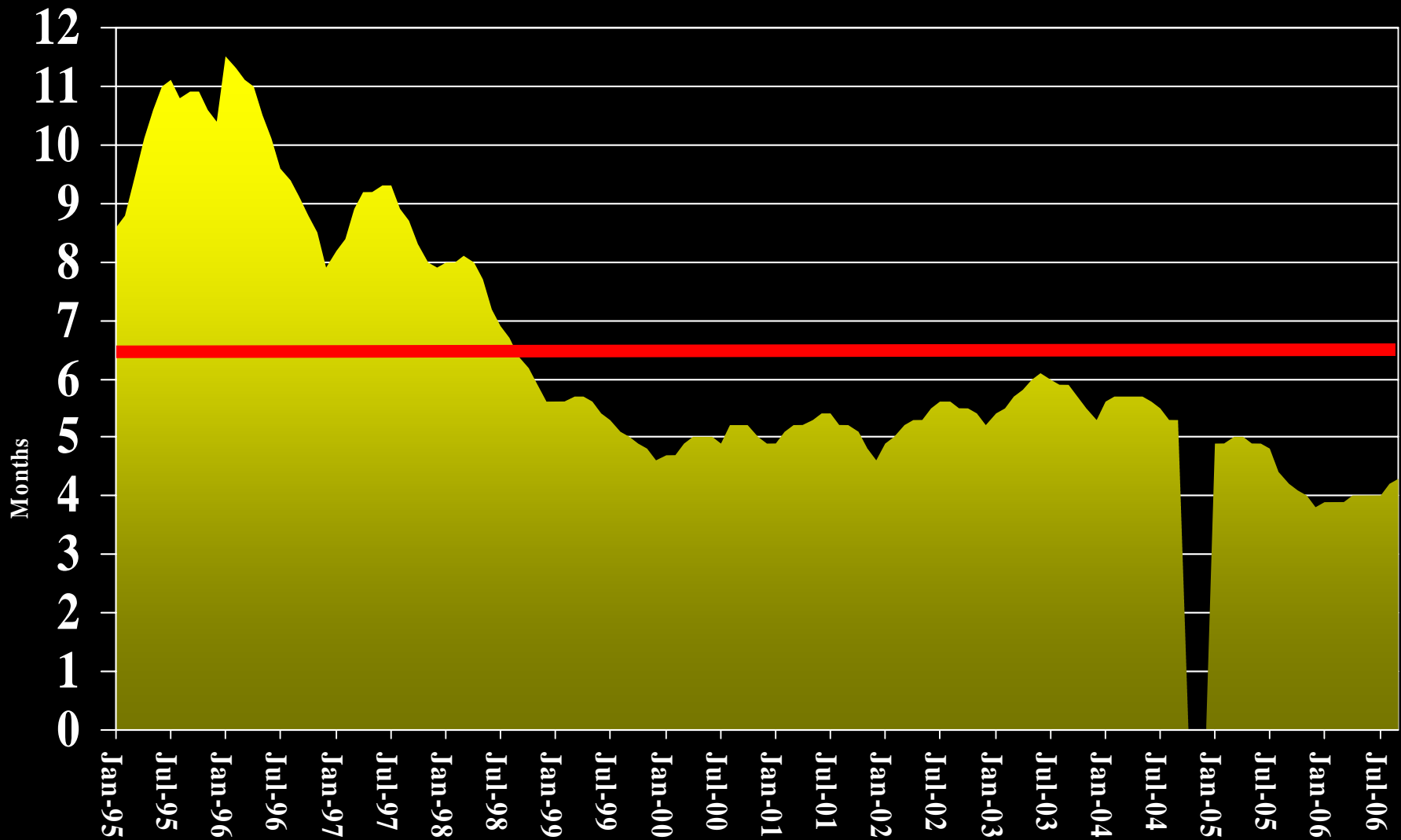


Sources: U. S. Census Bureau; Texas State Demographer's Office

Existing Home Sales San Antonio

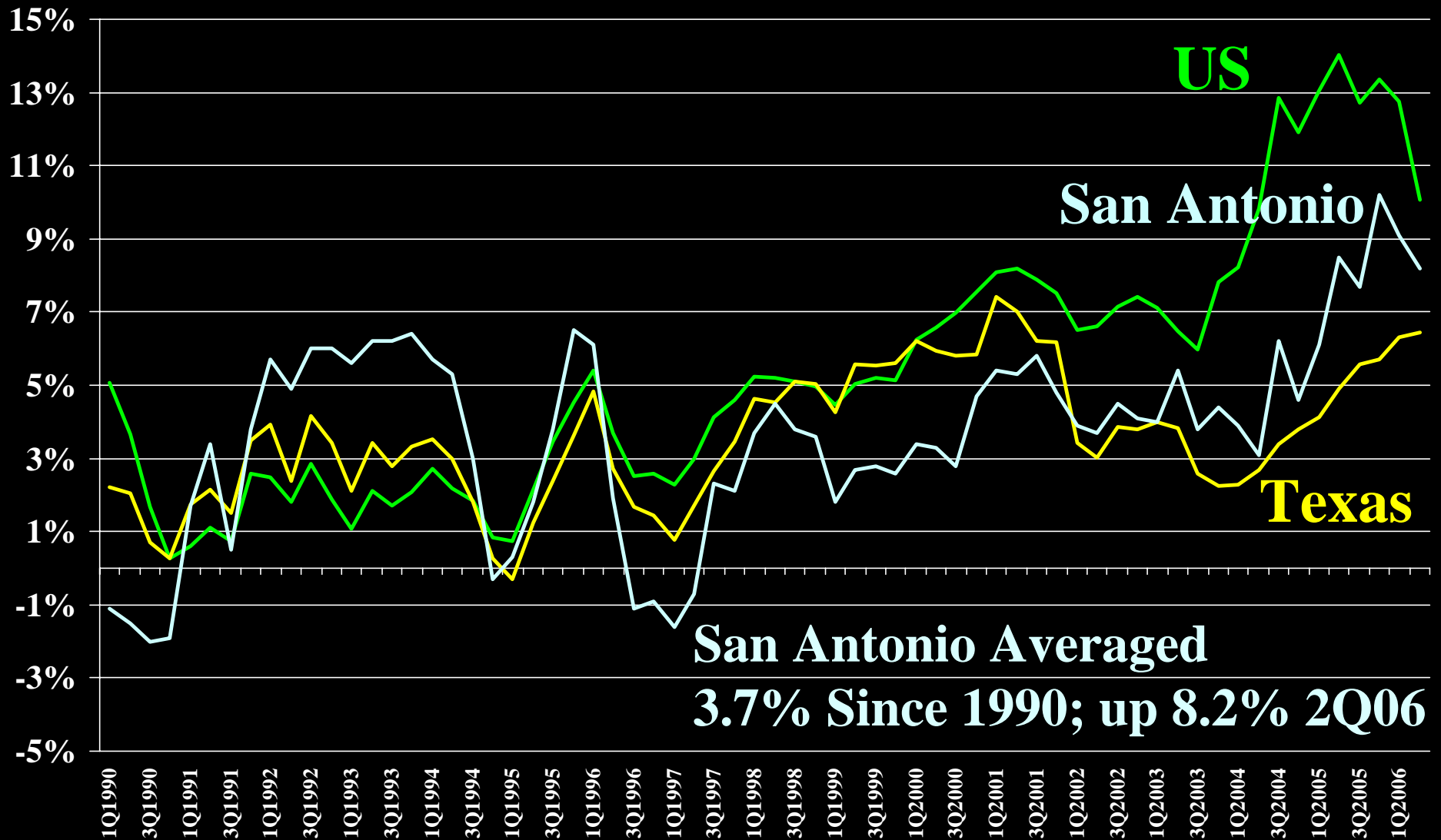


Months Inventory of Unsold Homes

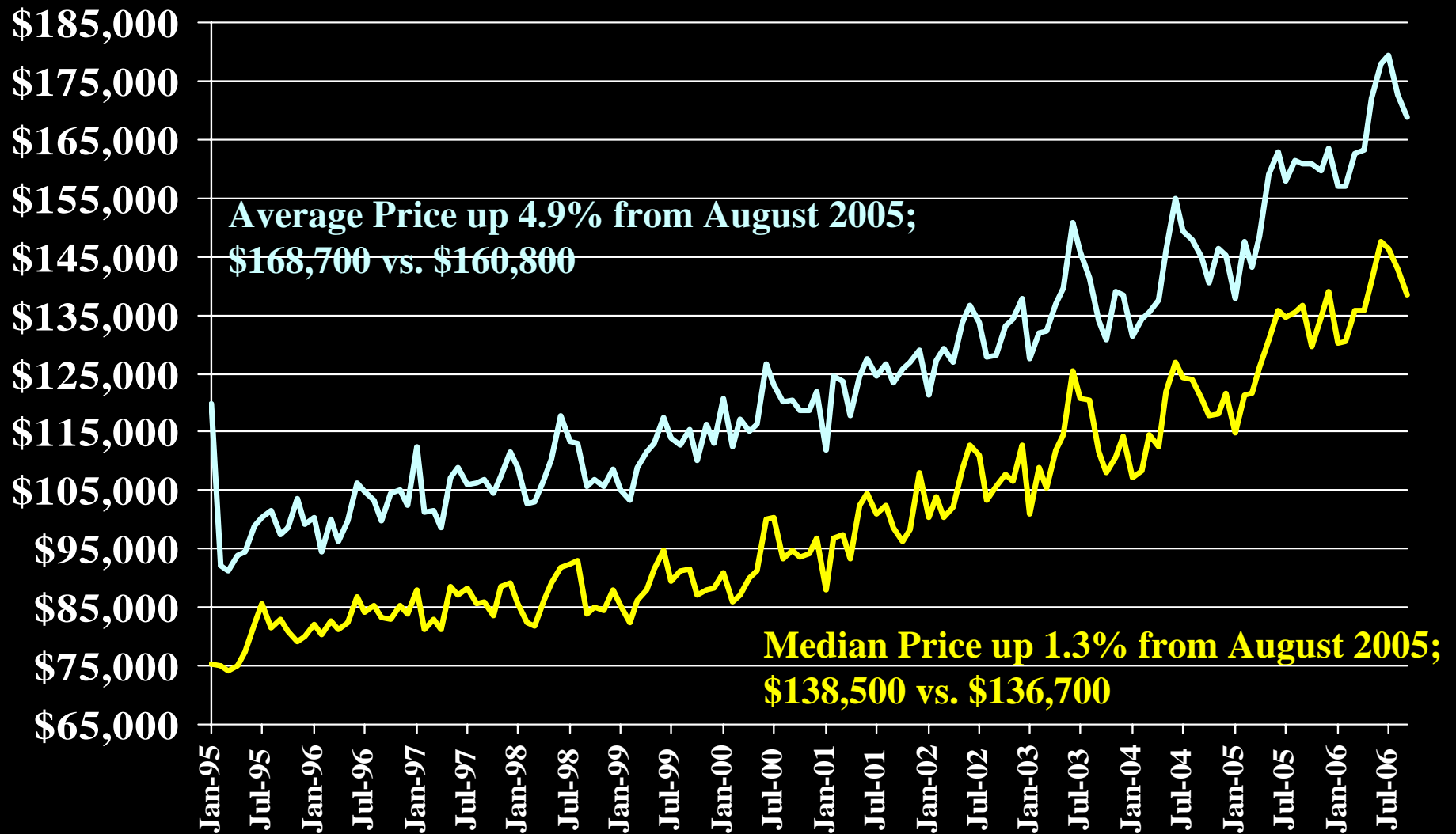


San Antonio House Price Appreciation

Price Index Change Year over Year



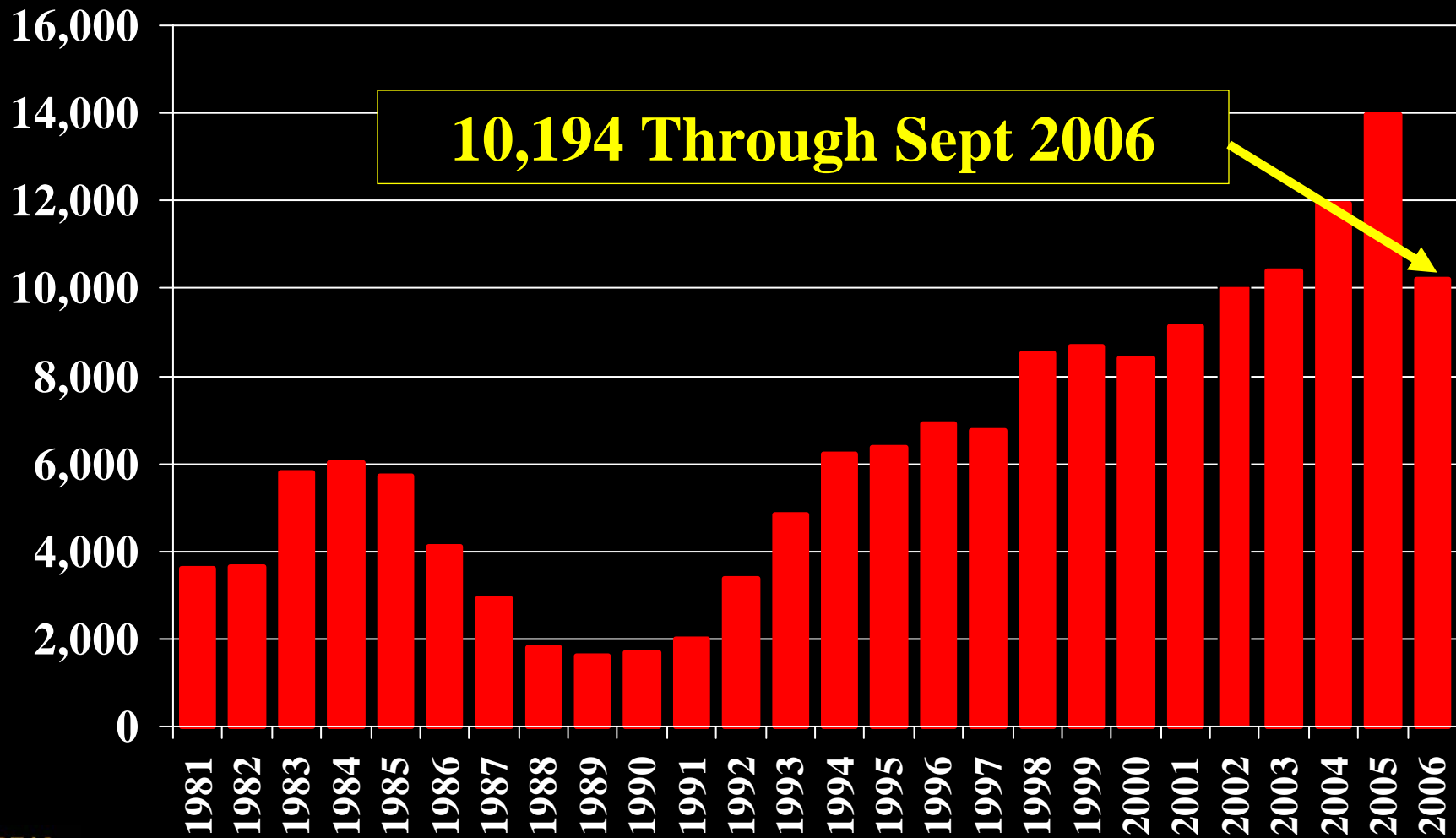
San Antonio MLS Home Prices



Source: Real Estate Center at Texas A&M University

Single-Family Building Permits

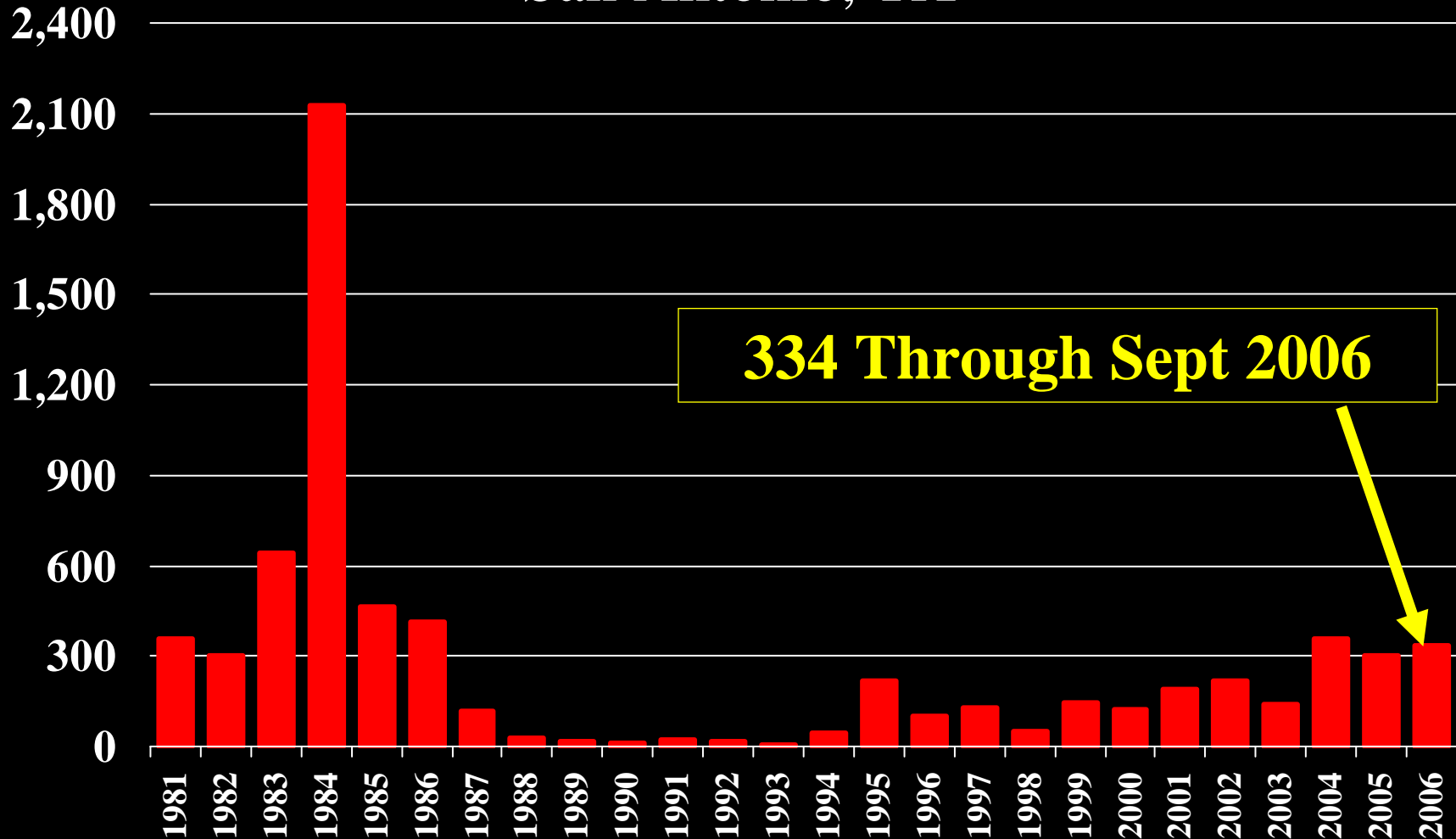
San Antonio, TX



10,194 Through Sept 2006

Multi-Family Building Permits

2-4 Family Buildings San Antonio, TX



334 Through Sept 2006

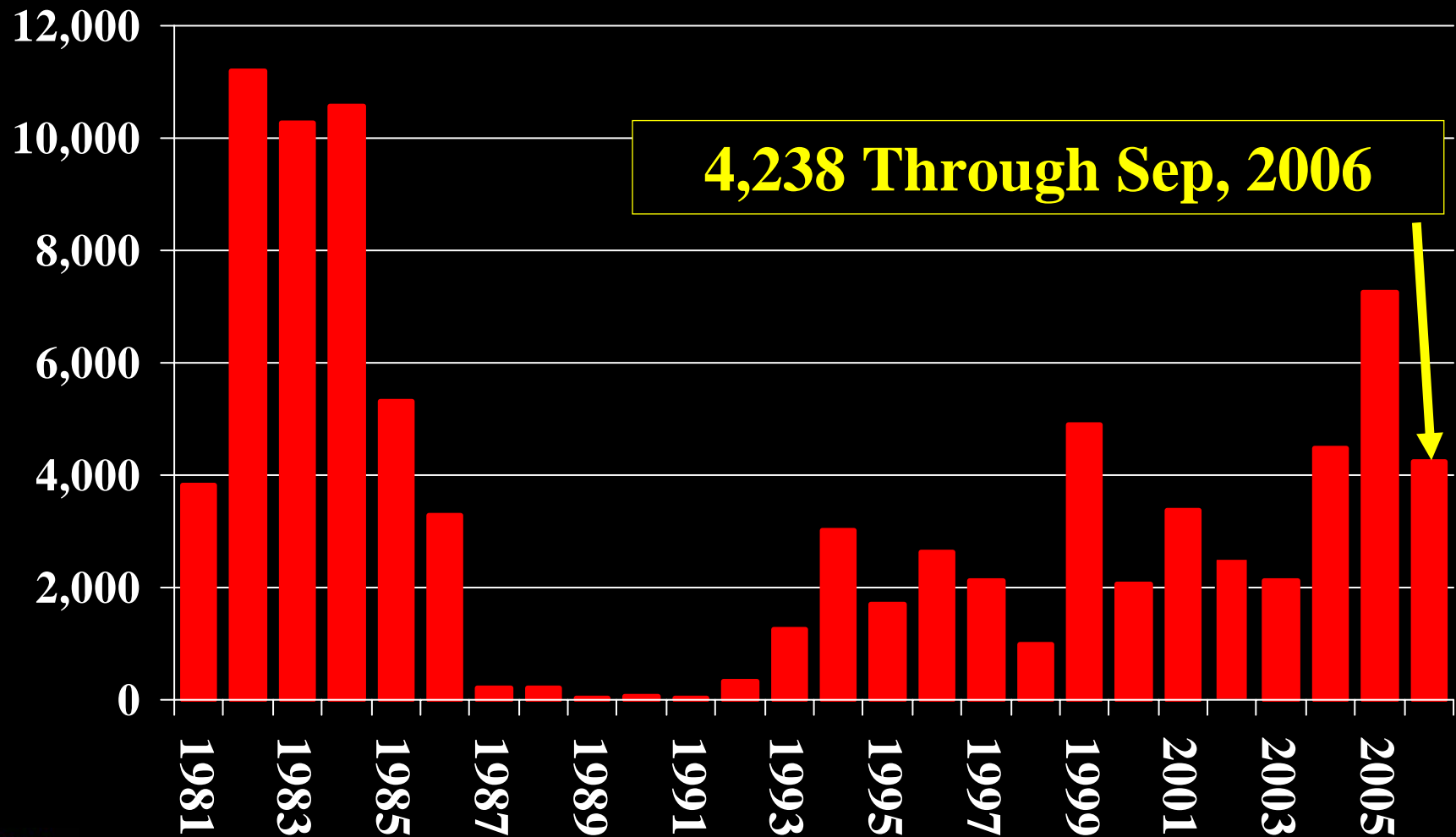


Source: Real Estate Center - Permits for Buildings with 2-4 Units

Multi-Family Building Permits

5+ Units per Building

San Antonio, TX



4,238 Through Sep, 2006

The Outlook for 2007

- Continued steady increase in population and employment
- Interest rates: minor changes up/down, relatively flat
- Slow but positive absorption for commercial properties
- High investment demand for real estate, all types
- Continued good demand for housing, but 2007 probably will not be another “record” year

What To Watch Out For

- General economic slowdown (probable, but to what degree?)
- Inflation concerns could lead to Fed raising rates again (possible, not likely soon)
- The stock market becomes sexy enough to attract attention and capital away from RE (possible-to-probable; institutional money still seeking real estate)
- Federal regulations implemented to limit high-risk lending (not immediately, but probable)
- Overbuilding (watch out!)



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