

Frame

Fort Bend EDC Board Meeting

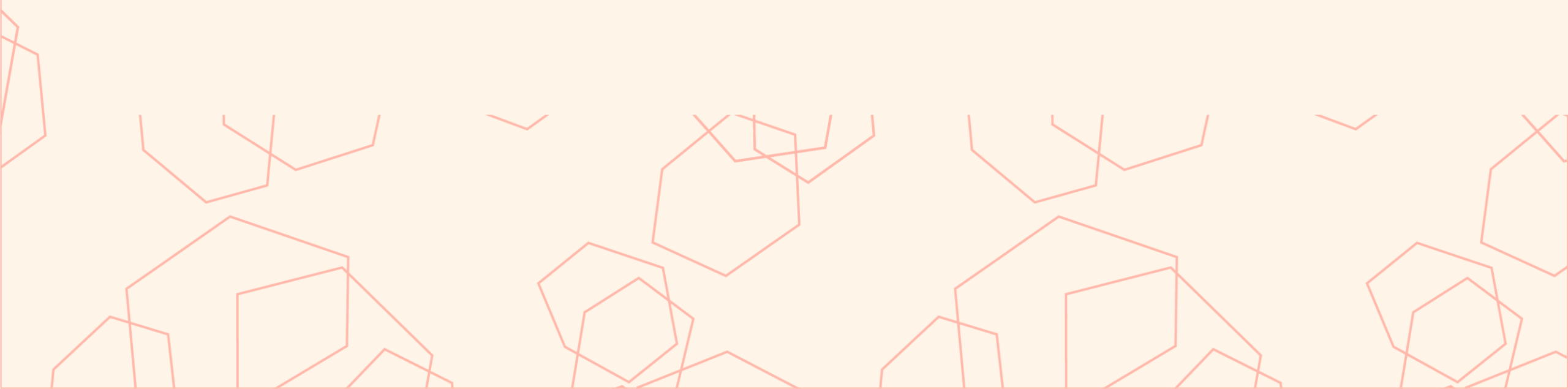
Houston / Fort Bend Market Update

Sharing market trends from a local perspective

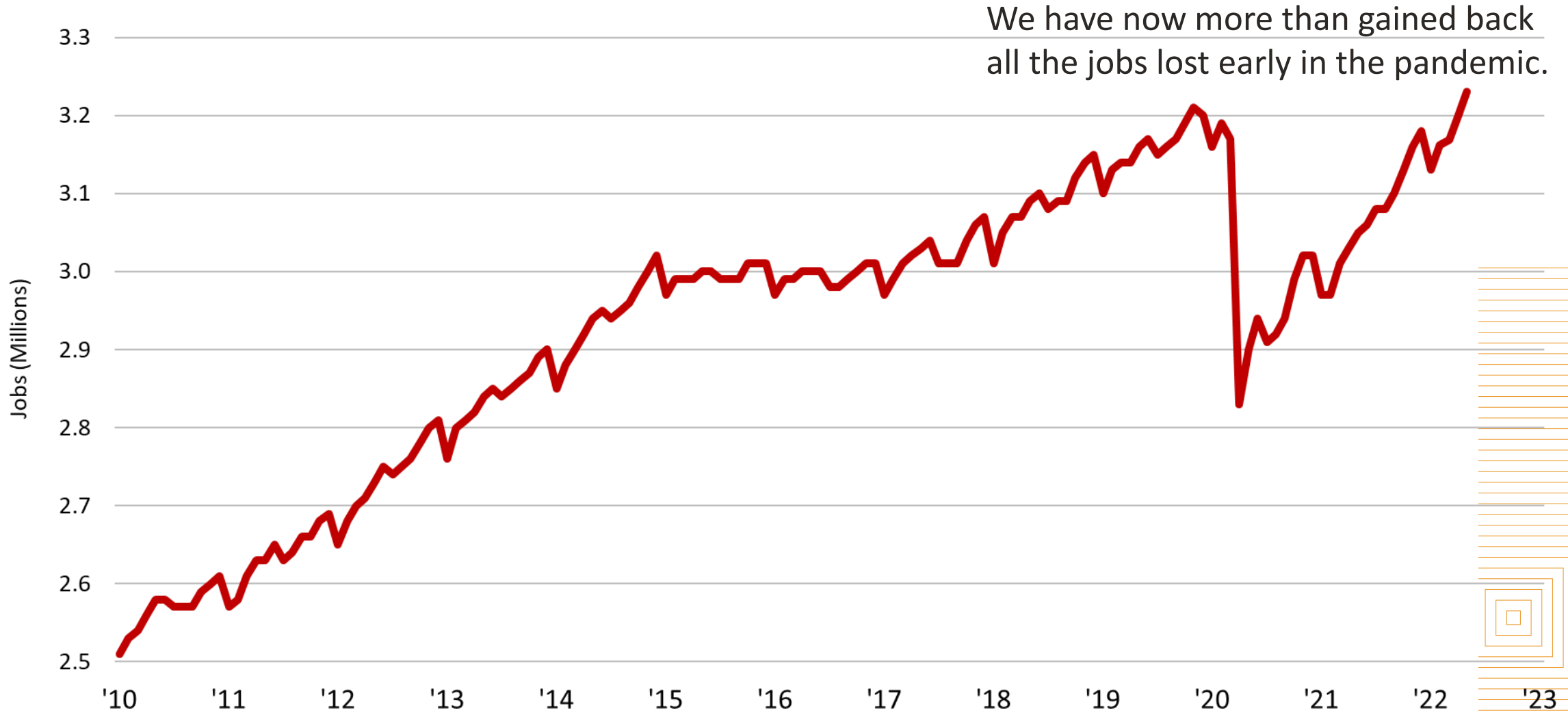
August 18, 2022
Lawrence Dean
Senior Vice President, Advisory
ldean@zondahome.com

Houston Summer 2022

Houston Employment and Economy



Zonda Metro Houston Employment



Source: Greater Houston Partnership, Partnership calculations based on Texas Workforce Commission data

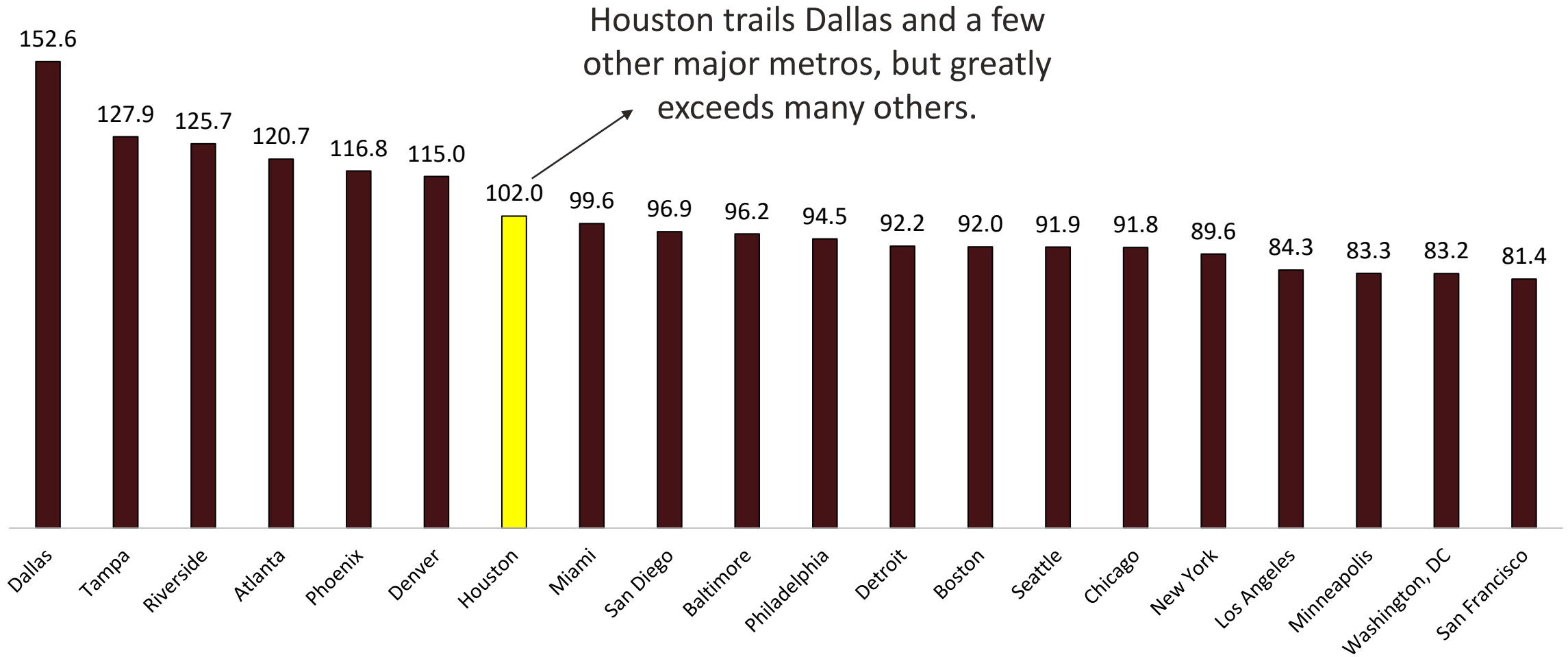
Jobs Lost, March – April '20

359,400

Jobs Created, May '20 – May '22

397,700

Percent Pandemic Jobs Losses Recovered*

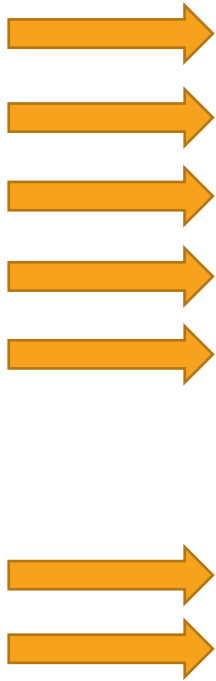


Source: Greater Houston Partnership calculations based on Bureau of Labor Statistics data

* As of May '22

Employment Sectors Fully Recovered as of May '22

Growth in “Homebuying Wage Level” sectors:



Houston Industry/Sector	Jobs Lost, Mar '20 – Apr '20	Created Since May '20	Jobs above previous peak
Total Jobs Lost	359,400	397,700	38,300
Admin Support	28,100	35,200	7,100
Arts, Entertainment, Rec	17,300	19,500	2,200
Educational Services	8,200	14,700	6,500
Finance, Insurance	1,400	6,400	5,000
Government	7,200	14,500	7,300
Health Care	36,800	45,800	9,000
Prof, Sci, Tech Services	13,200	13,800	600
Restaurants, Bars	99,500	111,300	11,800
Retail	39,800	56,400	16,600
Transport, Warehousing	3,300	19,400	16,100
Wholesale	8,700	12,600	3,900

Source: Greater Houston Partnership, Partnership calculations based on Texas Workforce Commission data, Zonda

Employment Sectors Still in Recovery as of May '22

Industry/Sector	Jobs Lost, Mar '20 – Apr '20	Created Since May '20	Left to Recoup
Information	4,400	3,300	1,100
Real Estate, Equip Rentals	6,000	3,900	2,100
Hotels	11,500	8,300	3,200
Construction	23,900	18,200	5,700
Other Services	30,400	23,000	7,400
Manufacturing	11,300	-1,700	13,000
Energy	6,300	-5,300	11,600

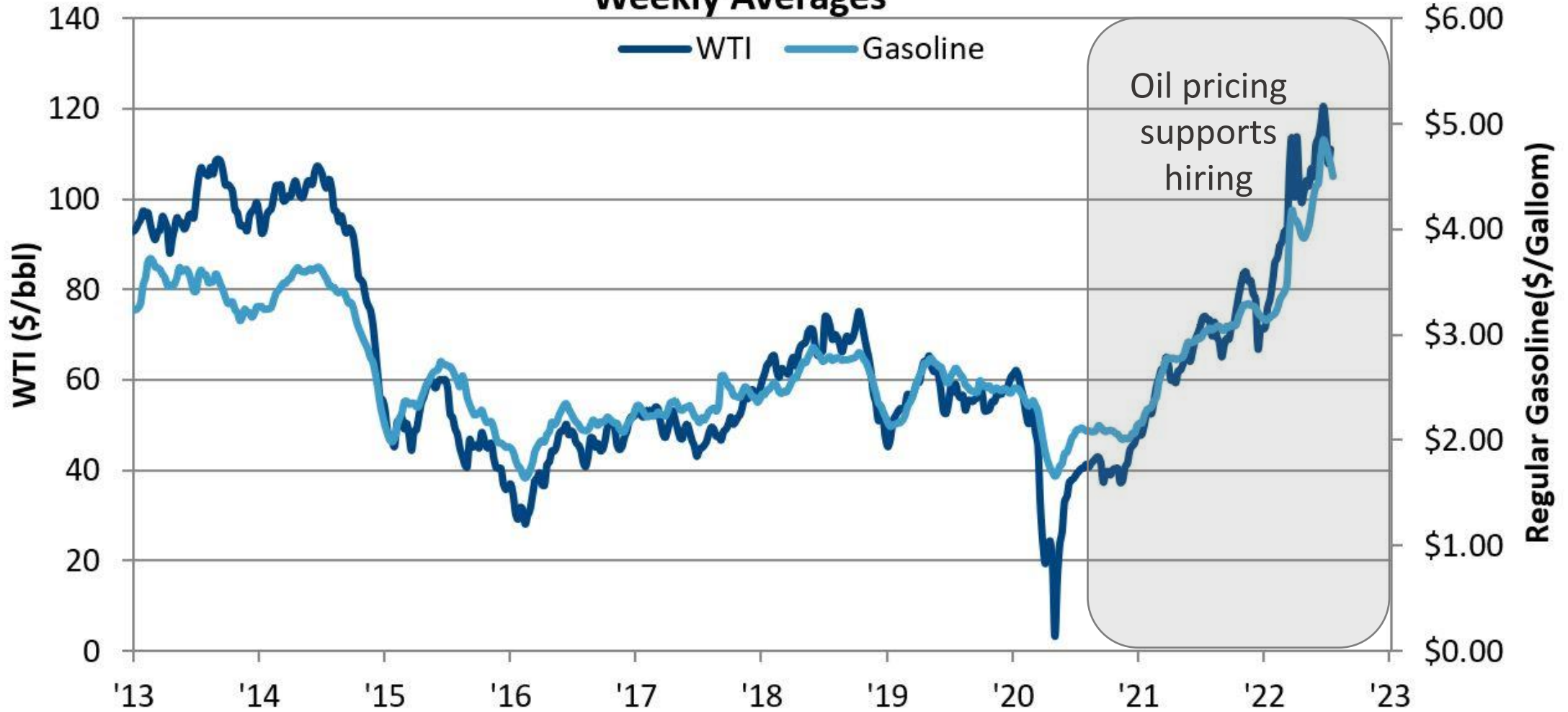
This does not tell the entire story though.....

'Mining and Logging' is up 13.8% Y-O-Y

Source: Greater Houston Partnership, Partnership calculations based on Texas Workforce Commission data, Zonda

Spot Crude and Regular Gasoline Prices

Weekly Averages

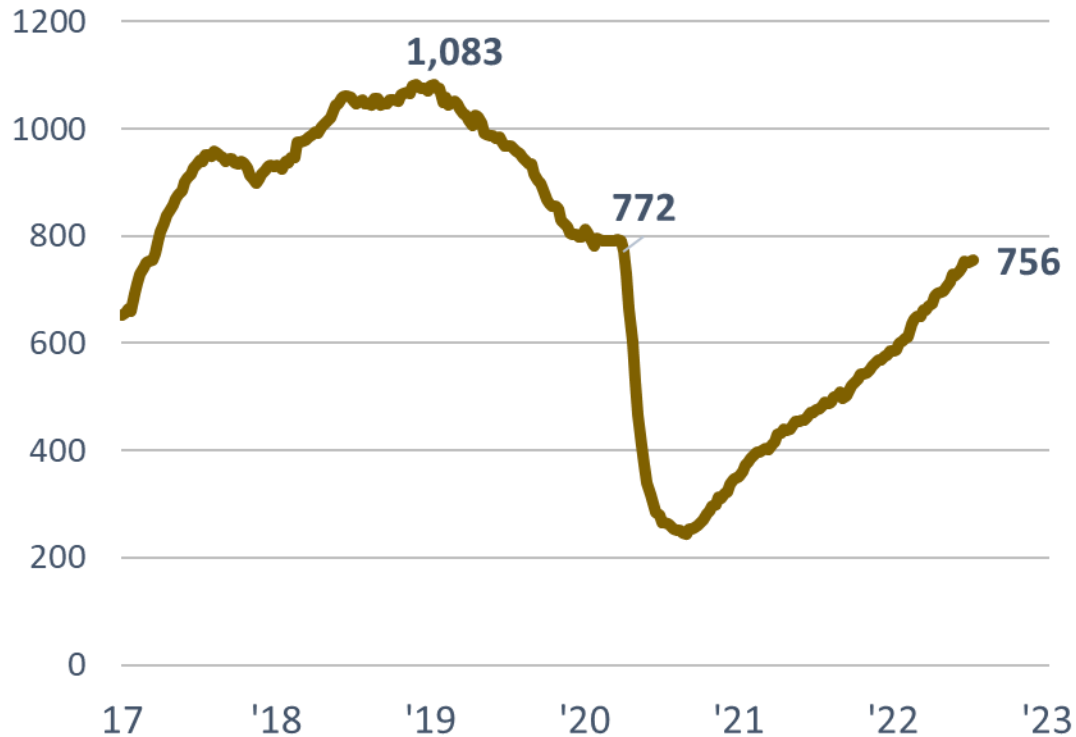


Source: U.S. Energy Information Administration

Source: Greater Houston Partnership, US EIA

Houston's Energy Sector

Baker Hughes Rig Count



Source: Greater Houston Partnership, Baker Hughes

Energy Jobs Created May '21- May '22, Metro Houston

Sector	Jobs
Exploration and Production	3,300
Oilfield Services	4,200
Energy Equipment Manufacturing	300
Engineering	5,100

+12,900 jobs!

Source: Greater Houston Partnership Texas Workforce Commission

Houston's Port Is An Economic Driver

RELENTLESS RECORD BREAKING AT PORT HOUSTON

Record-breaking activity continues at Port of Houston public terminals. According to Port Houston, business remains strong for container and general cargo terminals, with 21.6 million tons handled through May. In particular, the container activity continued at record levels for the year and was 20% higher through May, with the 335,866 TEU total representing the best month in Port Houston history. In addition, there are no signs of imports backing off, and exports – especially resins – are beginning to rebound. General cargo volumes through the multi-purpose facilities are also up 116% for the year, with nearly 3.3 million tons recorded.

PORT HOUSTON

Greater Port of Houston Rankings:

- #1** U.S. port by foreign waterborne tonnage – 202 million metric tons
- #1** U.S. port in petroleum, steel and project cargo
- #6** U.S. container port by loaded TEUs
- #16** Busiest port in world by tonnage

Houston Has The Third Highest Volume of Fortune 500 Headquarters

- Twenty-four companies on the '22 Fortune 500 list are headquartered in the Houston metro area, ranking Houston third behind New York (64) and Chicago (35) but ahead of Dallas-Fort Worth (23).
- The biggest movers from '21 to '22 were NRG Energy (from #333 to #133), Targa Resources (from #364 to #216), and EOG Resources (from #285 to #193).
- Two companies on the '21 list slipped off the '22 list. Crown Castle International dropped from #467 to #503 and NOV from #457 to #566.
- Two companies joined the roster of Houston Fortune 500 companies: APA at #431 and Southwestern Energy at #486.

Source: Greater Houston Partnership, Fortune

Fortune 500 Companies

Houston ranks third among U.S. metro areas in Fortune 500 headquarters.

Published on 7/19/22

Fortune 500 Companies Headquartered in Houston Metro, 2022					
Rank	Company	Revenues (\$ Billion)	Rank	Company	Revenues (\$ Billion)
29	Phillips 66	114.9	223	Kinder Morgan	16.6
70	Sysco	51.3	233	Cheniere Energy	15.8
77	ConocoPhillips	48.3	241	Halliburton	15.3
88	Plains GP Holdings	42.1	273	Group 1 Automotive	13.8
89	Enterprise Products Partners	40.8	285	Quanta Services	12.9
123	Hewlett Packard Enterprise	27.8	320	Westlake Chemical	11.8
133	NRG Energy	27.0	410	Huntsman	8.4
135	Occidental Petroleum	26.8	414	CenterPoint Energy	8.4
170	Baker Hughes	20.5	431	APA	7.9
193	EOG Resources	18.6	460	KBR	7.3
203	Waste Management	17.9	481	Academy Sports & Outdoors	6.8
216	Targa Resources	16.9	486	Southwestern Energy	6.7

Source: Fortune, June 2022

Note: Schlumberger, which has principal offices in Houston, Paris, London, and The Hague, appears on the Fortune Global 500 list but not on Fortune 500.

The Texas Medical Center Is An Economic Driver



TMC Facts & Figures

Texas Medical Center (TMC)—the largest medical complex in the world—is at the forefront of advancing life sciences. Home to the brightest minds in medicine, TMC nurtures cross-institutional collaboration, creativity, and innovation because together, we can push the limits of what's possible.

8 million
PATIENT VISITS PER YEAR

180,000+
ANNUAL SURGERIES
TMC begins 1 surgery every 3 minutes

750,000
ER VISITS PER YEAR

Home to the
**WORLD'S LARGEST
CHILDREN'S HOSPITAL**
TEXAS CHILDREN'S HOSPITAL



Home to the
**WORLD'S LARGEST
CANCER HOSPITAL**
MD ANDERSON CANCER CENTER

With 1,345 total acres, TMC is the
8th largest
BUSINESS DISTRICT IN THE U.S.

TMC offers over
9,200
TOTAL PATIENT BEDS

TMC's campus encompasses
50 million
DEVELOPED SQUARE FEET

OVER 25,000 BABIES DELIVERED PER YEAR
TMC delivers 1 baby every 20 minutes, resulting in approximately 26,280 births per calendar year.

13,600+
TOTAL HEART SURGERIES

\$3 billion
IN CONSTRUCTION
PROJECTS UNDERWAY

106,000+
TOTAL EMPLOYEES

Source: Texas Medical Center

Houston Purchasing Managers Index

> 50 = Expansion

Houston's PMI
Remains in
Expansionary
Territory
Above 50



Source: Institute for Supply Management-Houston Chapter

Source: Greater Houston Partnership, ISM Houston Chapter

Houston Summer 2022

Resale Market Highlights



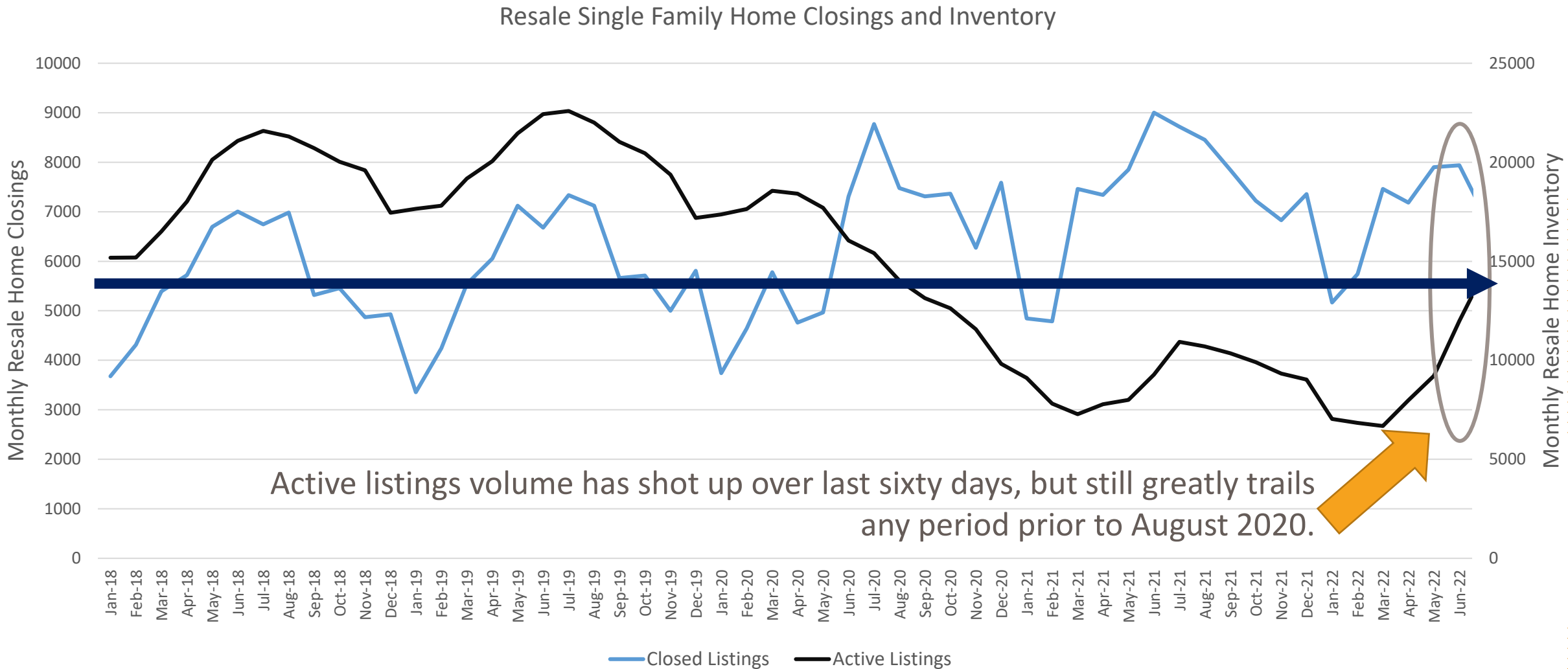
Single Family True Resale Home Sales – MLS Stats

Resale sales volume moderating against increasing (but still depressed) inventory levels.....



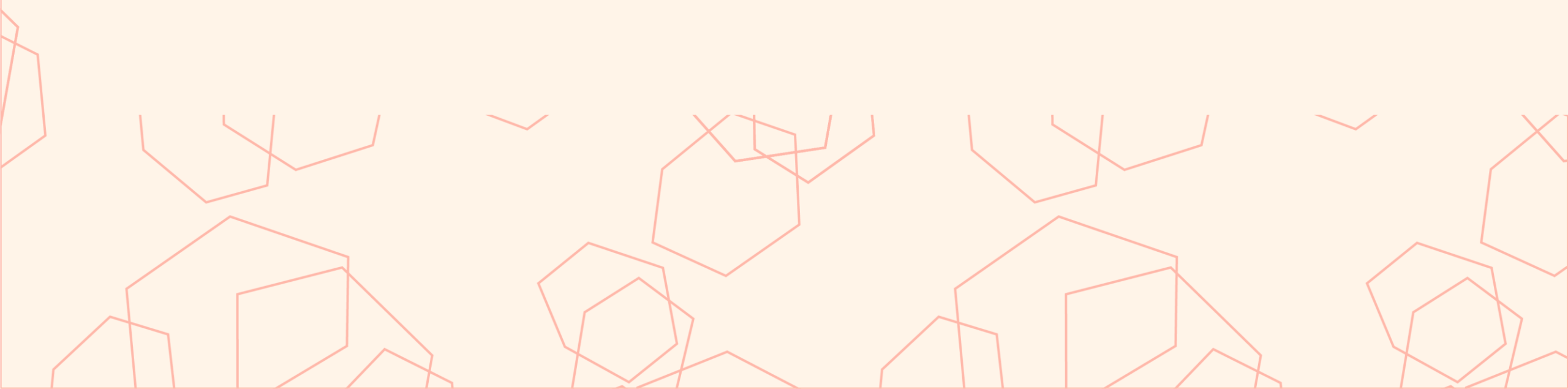
	July 2022	YOY Increase
YTD Sales	47,955	-4%
Monthly Sales	6,921	-20%
Average Price	\$427,931	10%
Median Price	\$340,000	11%
Active Listings	14,509	33%
Days on Market	20	-5%
Months Supply	2.1	
Sales / List Price	100.0%	

Resale Single Family Home Closings Versus Inventory



Houston Summer 2022

Apartment Market Highlights



Houston Apartment Market Key Metrics at a Glance (July)

The Apartment Market Remains Strong, But Returning to Balance

Occupancy: 91.2% ←

Price: \$1,259 / month

Rental Rate: \$1.42 \$ / sf / month

Size: 890 sf

Past Twelve Months:

→ 9.2% Rental Rate Growth

→ 16,238 units absorbed
22,703 new units added

Proposed Construction:

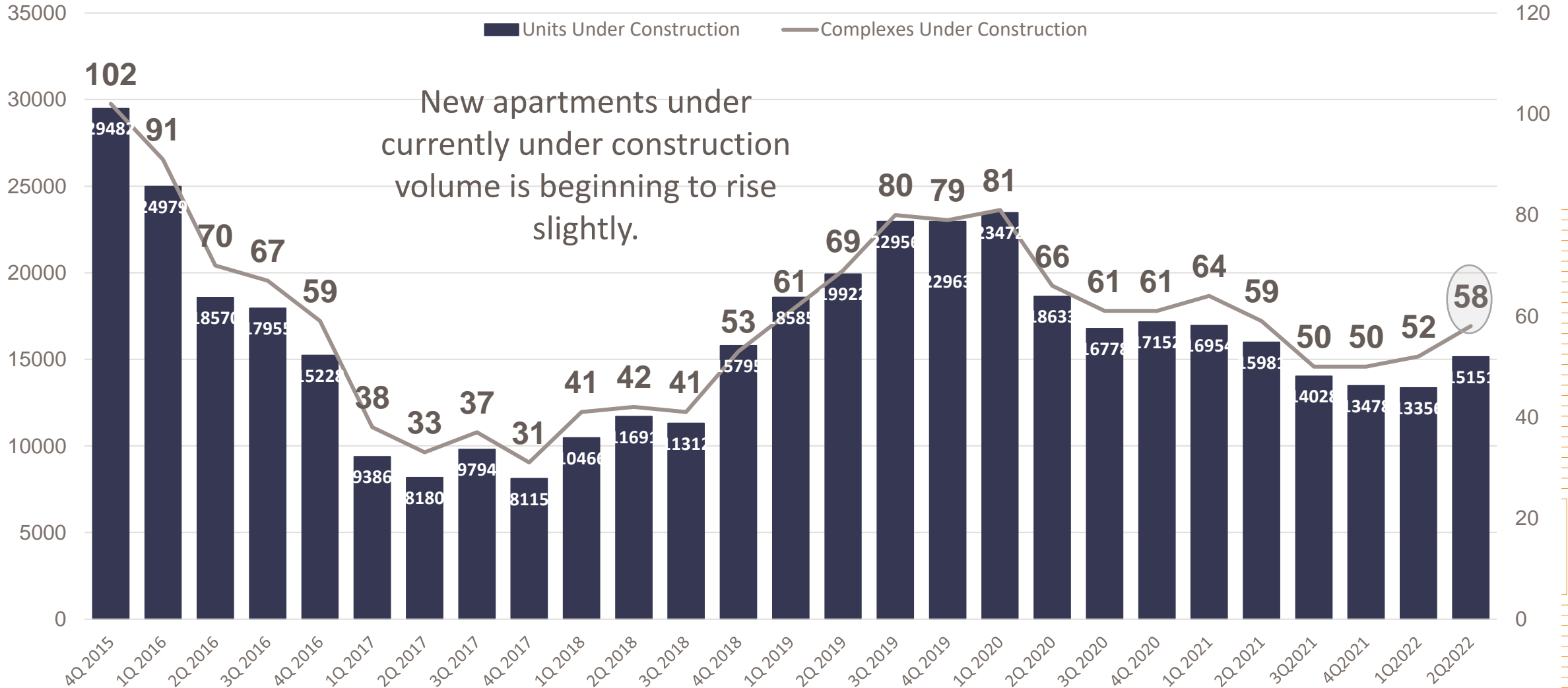
118 communities

35,200 units



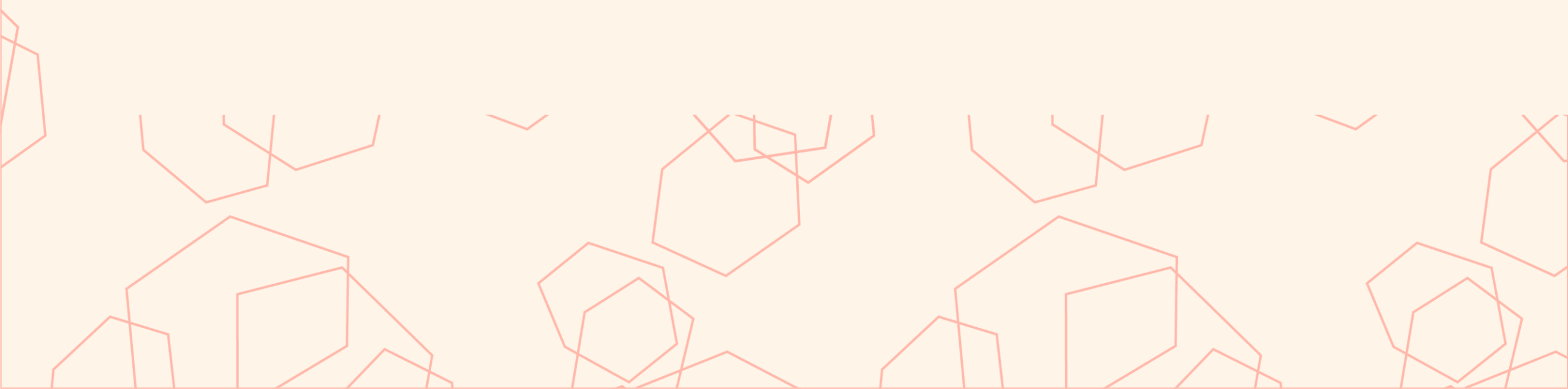
Source: Apartment Data Services 1-800-595-8730

Current Pipeline of Apartments Under Construction



Houston Summer 2022

New Home Market Highlights

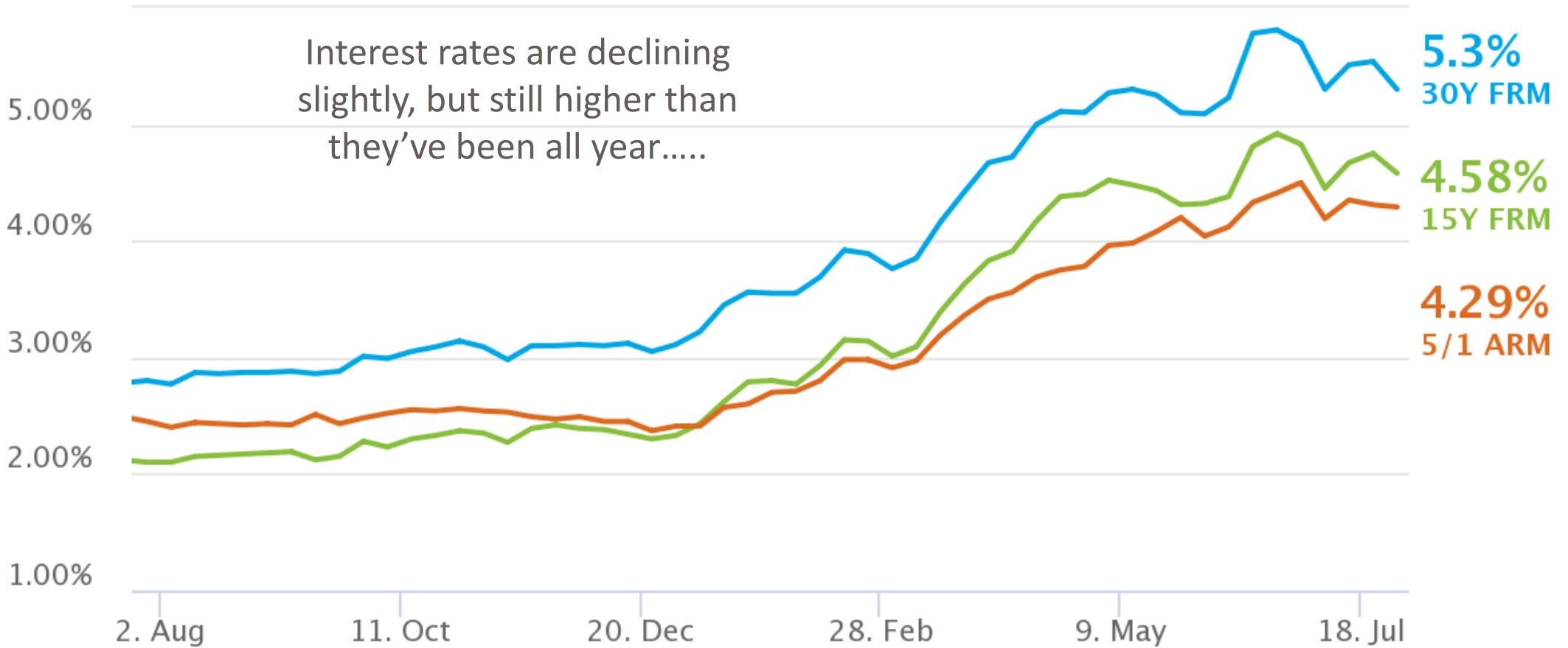


Mortgage Rates Keep Moving Higher.....*One Year Look*



Primary Mortgage Market Survey[®]

U.S. weekly average mortgage rates as of 07/28/2022

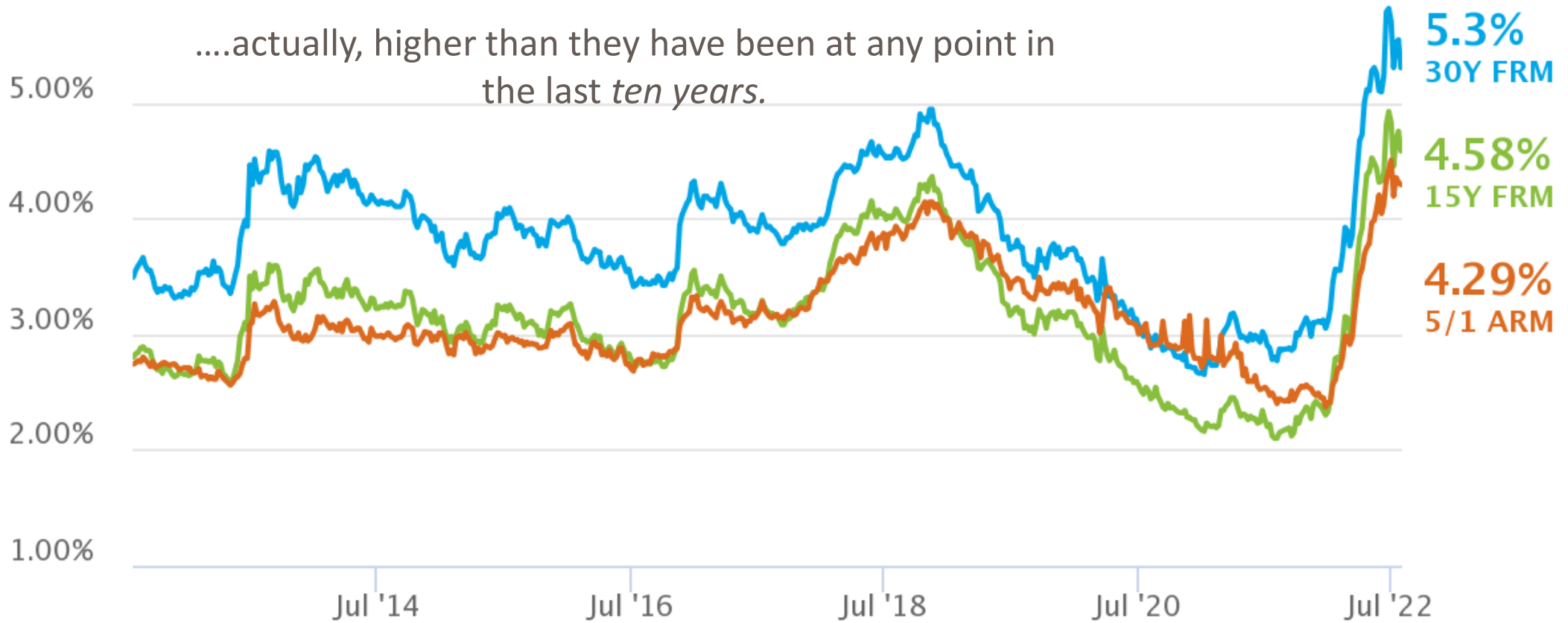


Mortgage Rates Keep Moving Higher*Ten Year Look*



Primary Mortgage Market Survey[®]

U.S. weekly average mortgage rates as of 07/28/2022

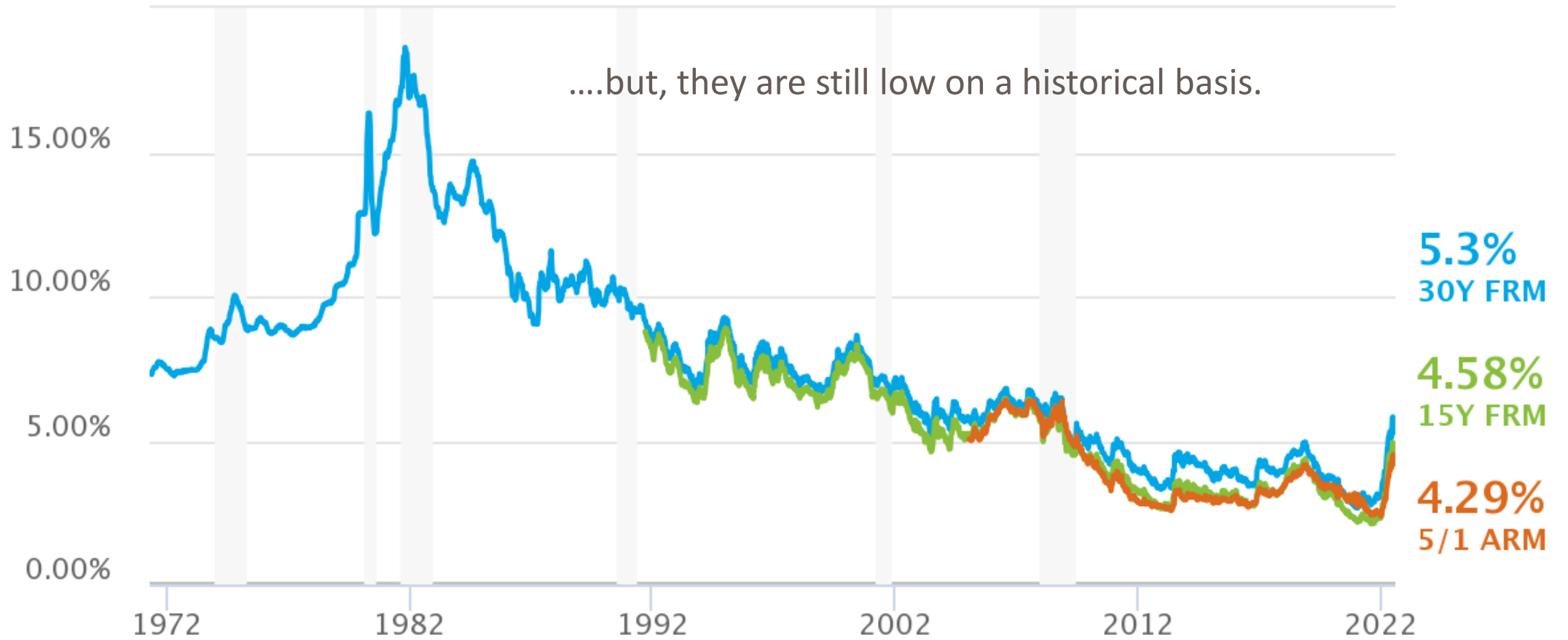


Mortgage Rates Keep Moving Higher*The Long View*



Primary Mortgage Market Survey[®]

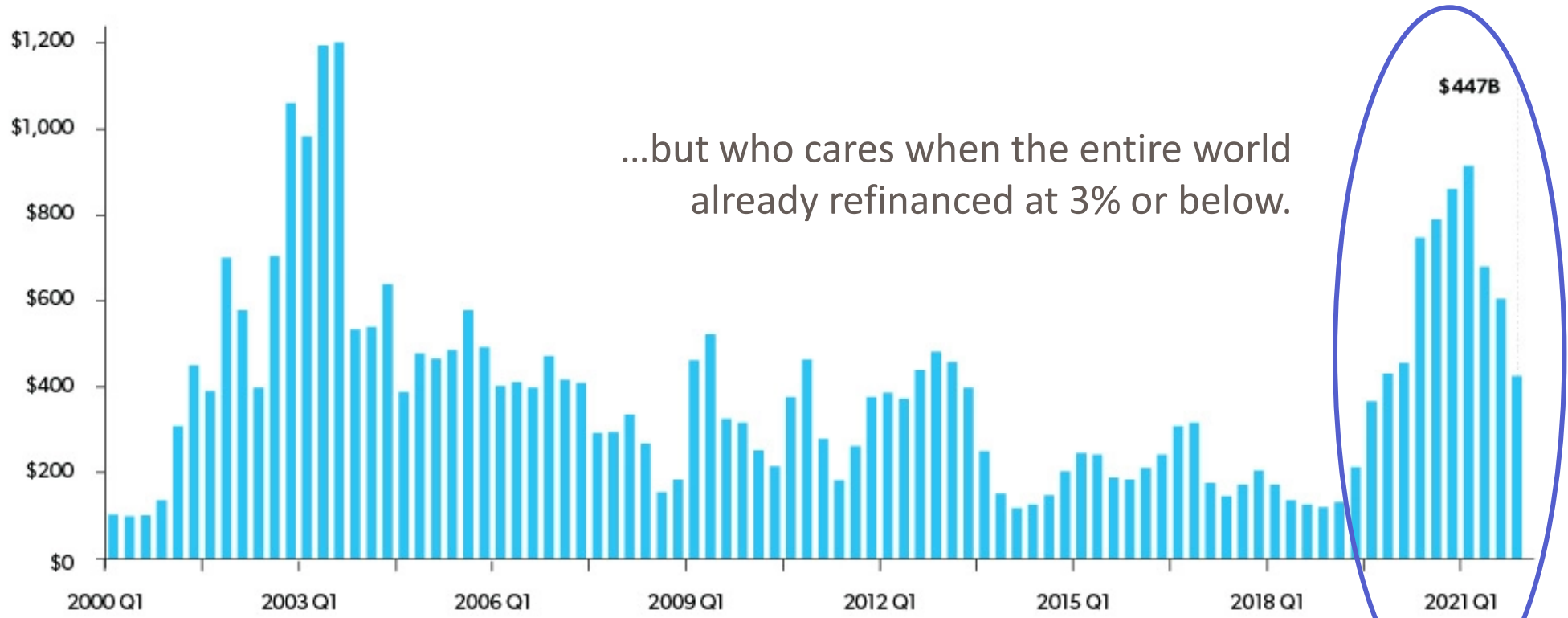
U.S. weekly average mortgage rates as of 07/28/2022



📈 Zonda Mortgage Rates Keep Moving Higher*The Long View*

EXHIBIT 1

U.S. single-family mortgage refinance originations (2021 U.S. dollars, billions)



...but who cares when the entire world already refinanced at 3% or below.

Sources: Freddie Mac Economic and Housing Research total market estimates, originations deflated by U.S. Bureau of Labor Statistics CPI-U all items.

📈 Zonda

What is Happening to Monthly Payments?

Since January:

- Mortgage Rates up ~66%
- Base Prices up 7%

January Monthly Payment

3.5% Interest Rate and \$343,221

Median Base Price:

\$1,905

June Monthly Payment

5.8% Interest Rate and \$365,700

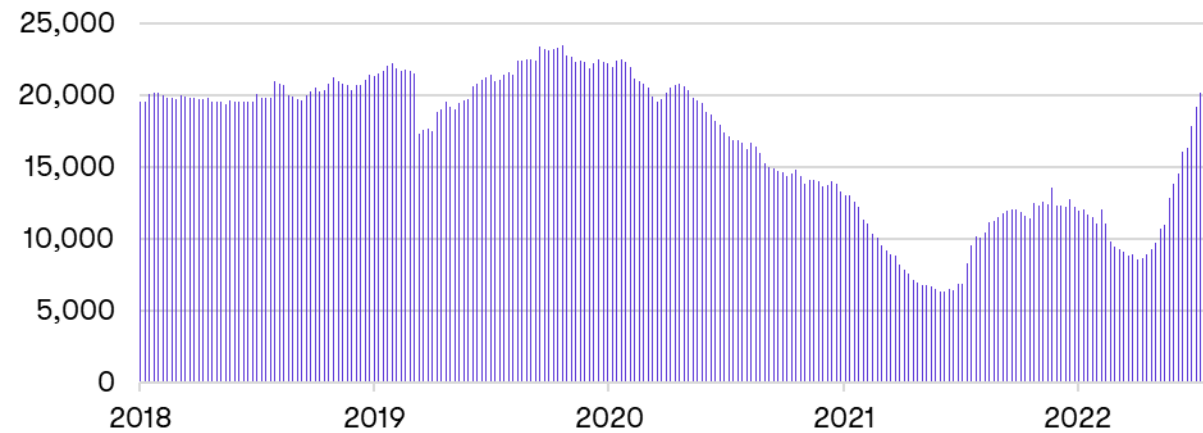
Median Base Price:

\$2,434

Monthly Payment up \$529 (~28%)

Inventory is starting to build as homes take longer to sell

Weekly Quick Move-Ins



Source: Zonda

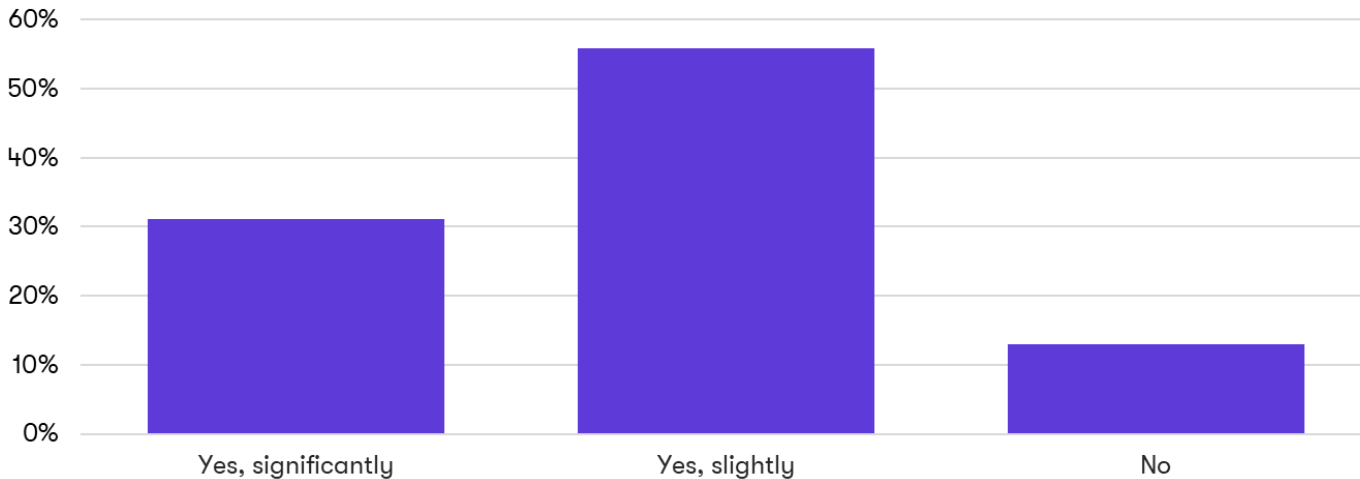
Weekly Quick Move Ins

Metro	Current	Last Year	2019	YOY Change	Change from 2019
Jacksonville	597	323	206	85%	190%
Las Vegas	375	51	191	635%	96%
Sacramento	385	175	259	120%	49%
Houston	2,676	1,602	2,005	67%	33%
Denver	397	289	375	37%	6%
Phoenix	998	166	984	501%	1%
Riverside/ San Bernardino	281	31	296	806%	-5%
Washington, DC	238	139	255	71%	-7%
Dallas	2,116	771	2,328	174%	-9%
Tampa	478	111	575	331%	-17%
San Francisco	147	49	193	200%	-24%
Raleigh	453	71	614	538%	-26%
Austin	813	212	1,117	283%	-27%
Charlotte	306	141	562	117%	-46%
Seattle	207	90	385	130%	-46%
Los Angeles/ OC	137	51	265	169%	-48%
Orlando	410	167	794	146%	-48%

Source: Zonda

Those with standing inventory are trying to sell the homes quickly and are adjusting their strategy

Do you anticipate slowing down new housing starts in response to changes in the market?



Source: Zonda

Can not start more homes with weak sales

We have a big pipeline that we will be careful about adding to until we see sales paces increase

We are waiting for inventory to sell before allowing more starts

We are cutting starts at least 50% for 2 months. This pause will let us assess the market, but I anticipate starts to be down at least 30% in the second half of 2022 from our plan.

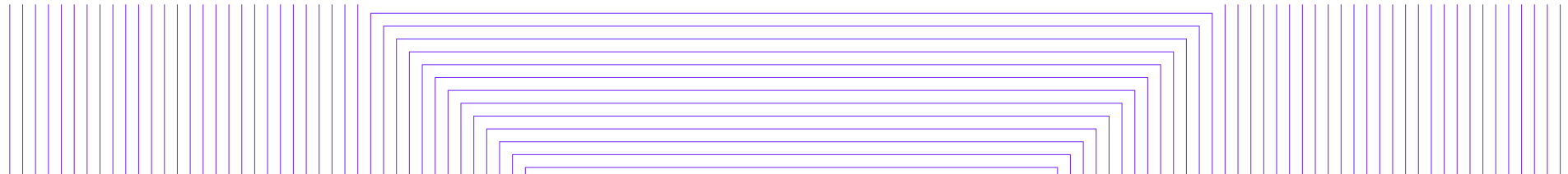
87% of builders plan to slow starts (90% Texas-wide and 94% in Houston)



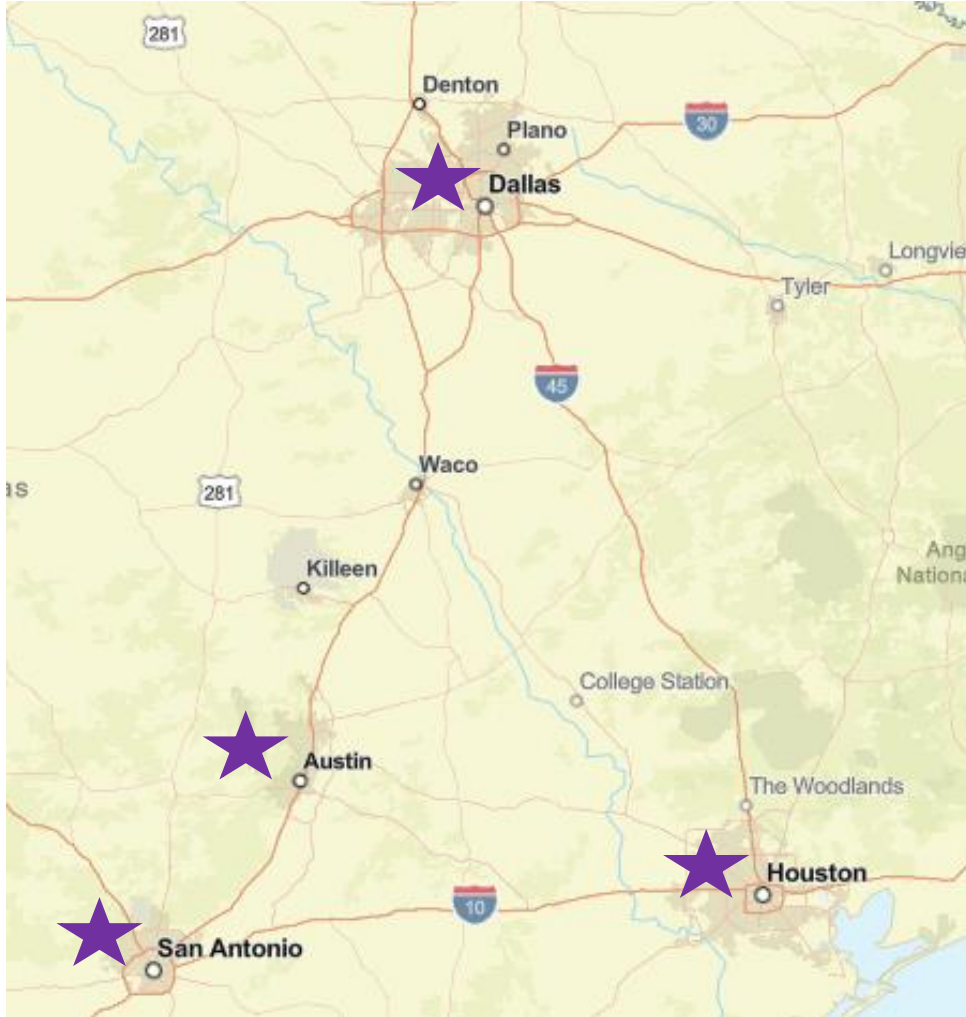
Units Under Construction by Metro

Metro	Q2 2006	Q2 2022	Percent Change	Population Change over the Same Period of Time
Austin	6,569	18,254	178%	53%
San Antonio	7,529	15,625	108%	36%
Dallas	17,819	32,869	84%	34%
Boise City	2,637	3,957	50%	36%
Raleigh	5,522	7,179	30%	46%
Salt Lake City	3,610	4,369	21%	26%
Houston	18,313	22,072	21%	36%
Sacramento	5,200	5,309	2%	18%
Denver	10,460	8,687	-17%	28%
Jacksonville	8,988	7,363	-18%	29%
Charlotte	9,410	7,392	-21%	36%
Tampa	12,117	9,072	-25%	25%
Minneapolis	7,780	5,785	-26%	15%
Orlando	15,102	9,943	-34%	37%
Phoenix	31,987	19,542	-39%	36%
San Francisco	7,030	3,991	-43%	17%
Atlanta	25,238	12,563	-50%	26%
Los Angeles	12,355	6,074	-51%	7%
Riverside	16,104	6,120	-62%	20%
Las Vegas	21,469	7,900	-63%	34%
Washington, DC	20,490	7,480	-63%	20%

Source: Zonda



New Home Market Trends Across Texas



Houston and Austin already seeing new home starts moderate

Austin MSA
Starts: **-0.2% YOY**
Closings: **-9.0% YOY**
Avg. Base Price: **\$485k**
Price Change: **+20.6% YOY**
VDL Supply: **12.1 Mos.**
Deliveries vs. Starts: **104%**

San Antonio MSA
Starts: **+25.9% YOY**
Closings: **-0.9% YOY**
Avg. Base Price: **\$358k**
Price Change: **+14.4% YOY**
VDL Supply: **11.8 Mos.**
Deliveries vs. Starts: **102%**

DFW MSA
Starts: **+8.8% YOY**
Closings: **-3.0% YOY**
Avg. Base Price: **\$515k**
Price Change: **+24.4% YOY**
VDL Supply: **13.2 Mos.**
Deliveries vs. Starts: **108%**

Houston MSA
Starts: **+0.2% YOY**
Closings: **+0.3% YOY**
Avg. Base Price: **\$426k**
Price Change: **+17.2% YOY**
VDL Supply: **11 Mos.**
Deliveries vs. Starts: **104%**

Houston Remains the 2nd Most Active New Home Market Nationally

Rank	Market	Annual Starts	Annual Change	%
1	Dallas/Ft.Worth	54,281	4,413	8.8%
2	Houston	42,567	77	0.2%
3	Central Florida	41,208	5,574	15.6%
4	Phoenix/Tucson	33,600	1,286	4.0%
5	Atlanta	26,578	-5,177	-16.3%
6	Austin	23,146	-43	-0.2%
7	Denver/Colorado Springs	23,165	2845	14.0%
8	Southern California	19,926	-2195	-9.9%
9	San Antonio	23,787	4,828	25.5%
10	Salt Lake City	19,268	1,602	9.1%
11	Tampa	14,959	-1,629	-9.8%
12	Raleigh/Durham	15,030	-972	-6.1%
13	Northern California	15,722	11	0.1%
14	Charlotte	14,113	-1,241	-8.1%
15	Philadelphia Region	12,894	-1,326	-9.3%
16	Central California	12,649	-1,873	-12.9%
17	Las Vegas	13,835	-64	-0.5%
18	Jacksonville	13,828	1,406	11.3%
19	Suburban Maryland	10,229	-2,136	-17.3%
20	South Florida	12,328	66	0.5%
21	Nashville	10,932	-651	-5.6%
22	Sarasota	13,145	2,319	21.4%
23	Seattle	9,478	-762	-7.4%
24	Twin Cities	10,141	-304	-2.9%
25	Northern Virginia	9,181	-505	-5.2%

4

Texas Markets in the national Top 10 rankings

2nd

Houston's national rank in terms of starts volume

14 of the top 25

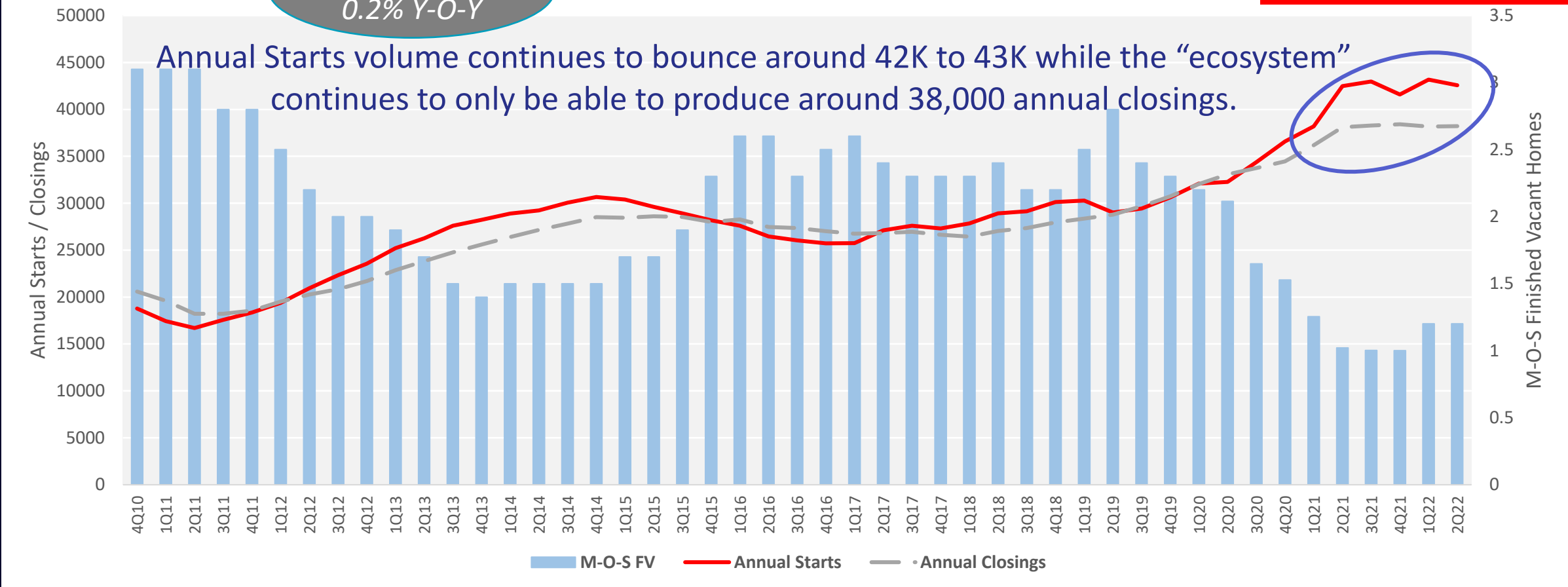
Highest volume new home markets have seen annual starts decline Y-O-Y

Annual New Home Starts and Closings

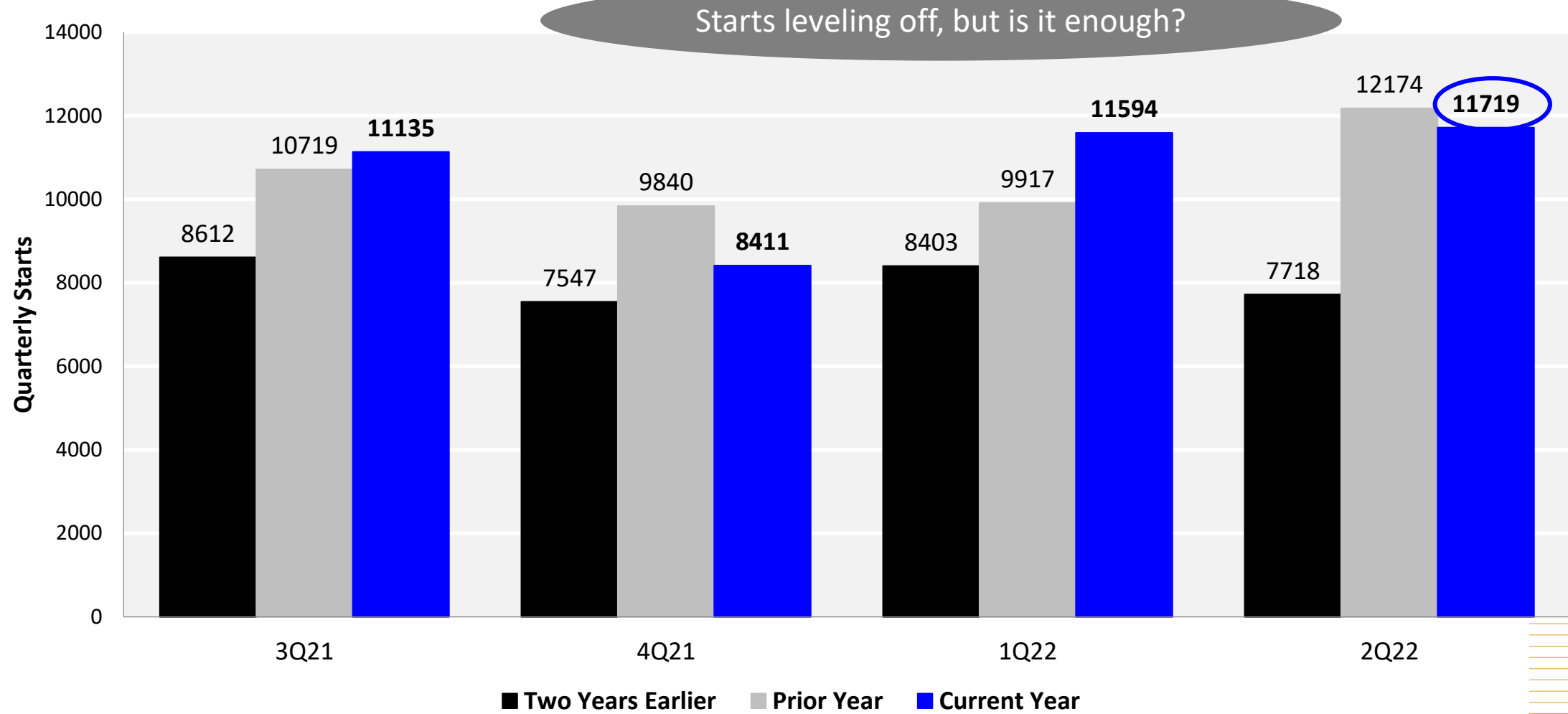
43,567 Starts

Starts up
0.2% Y-O-Y

38,210 Closings

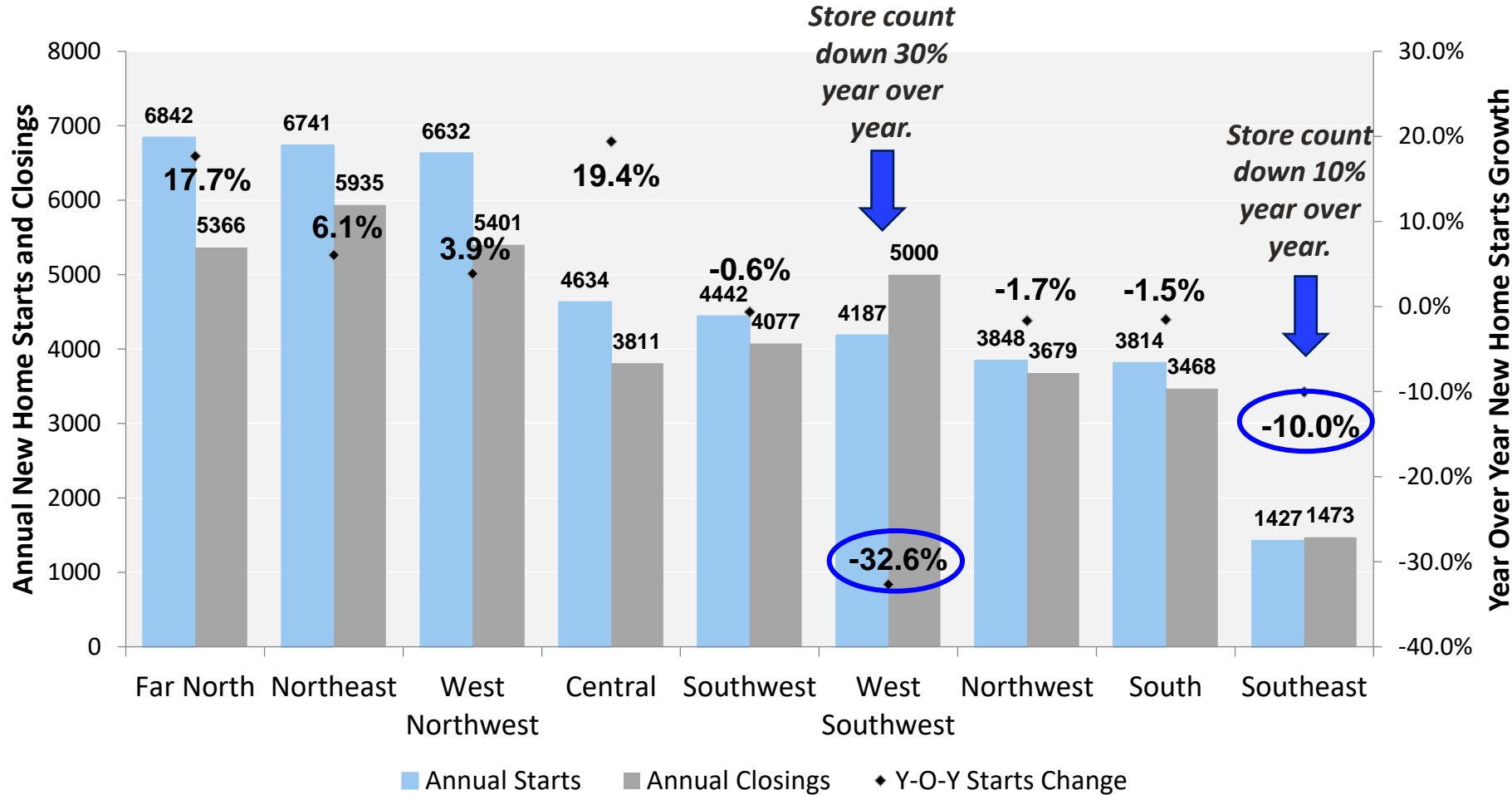


Quarterly New Home Starts Trend

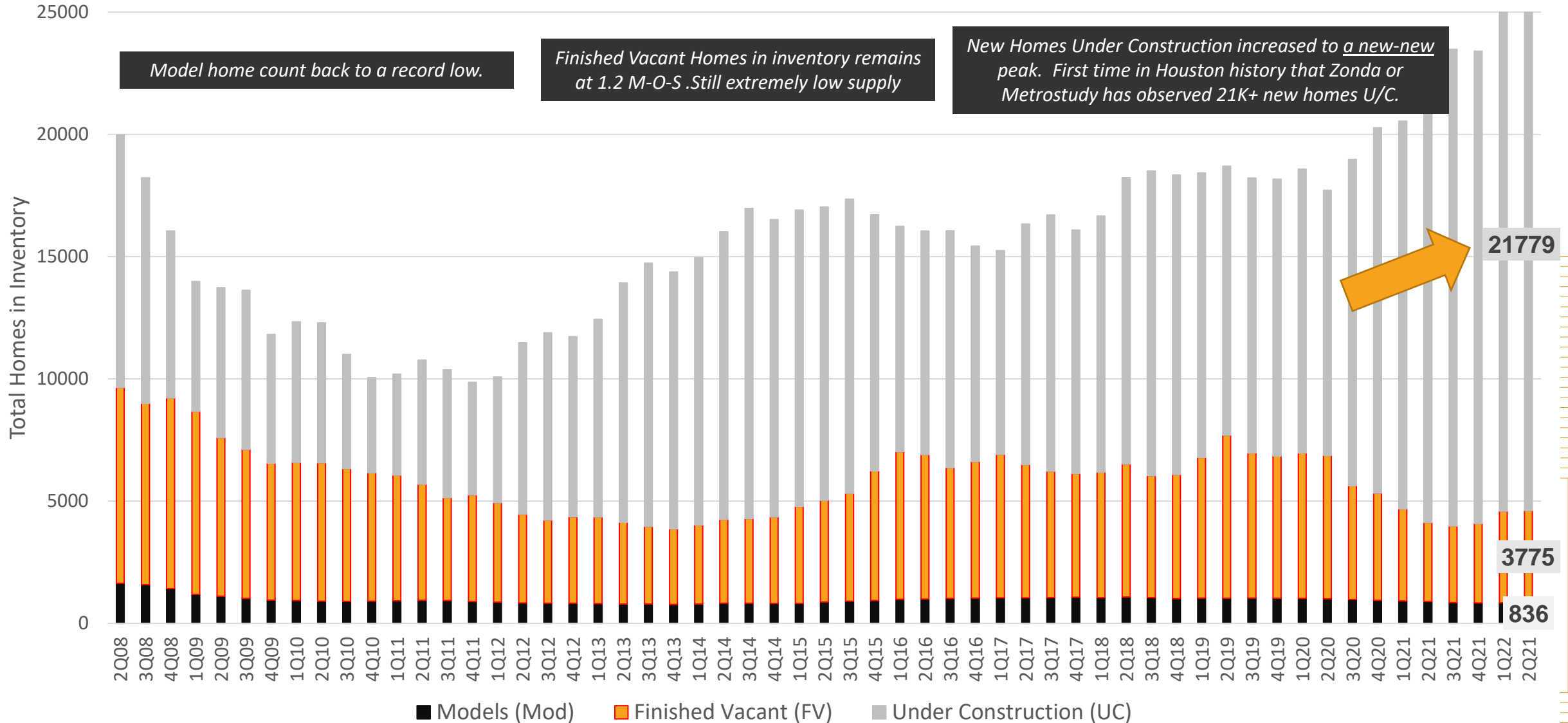


Annual New Home Starts and Closings by Market Area

Two market areas saw pronounced Y-O-Y starts declines.



Overall New Home Inventory

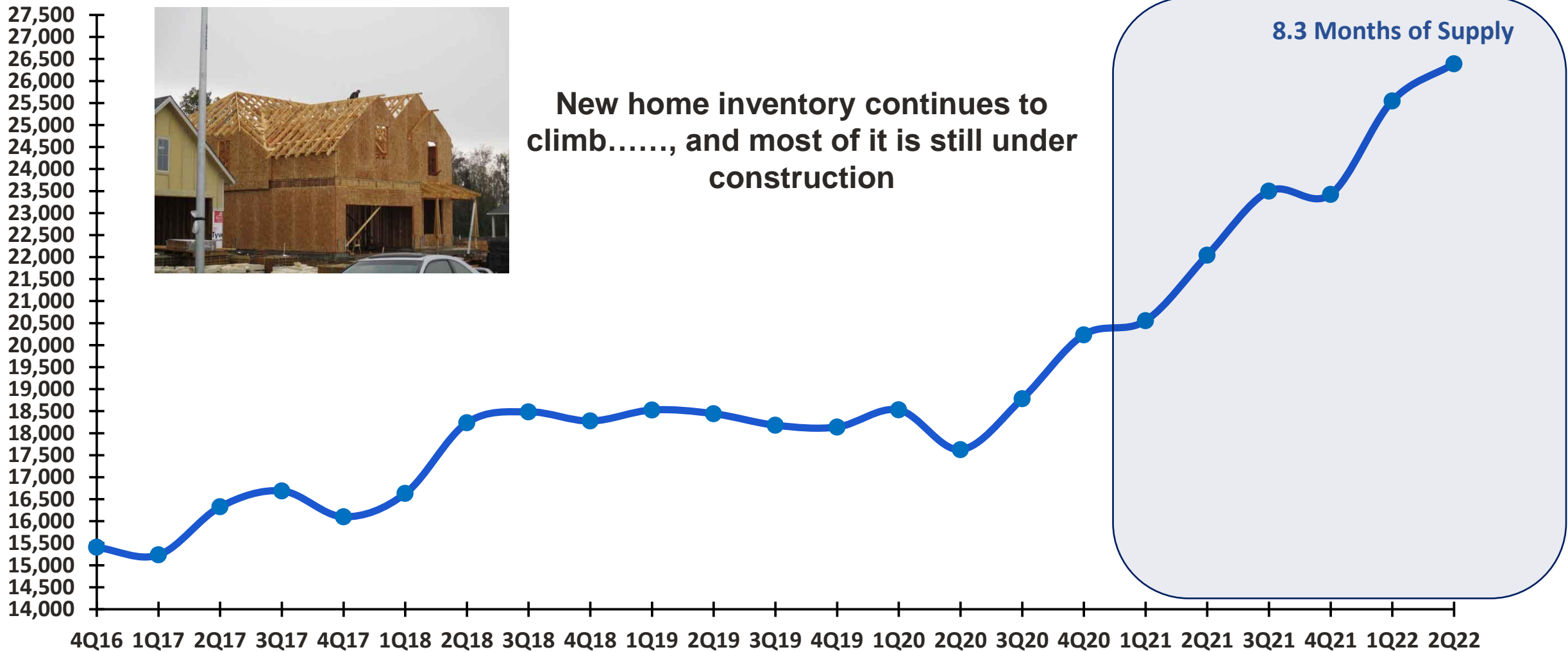


Total New Home Inventory – 2016-2022

Houston

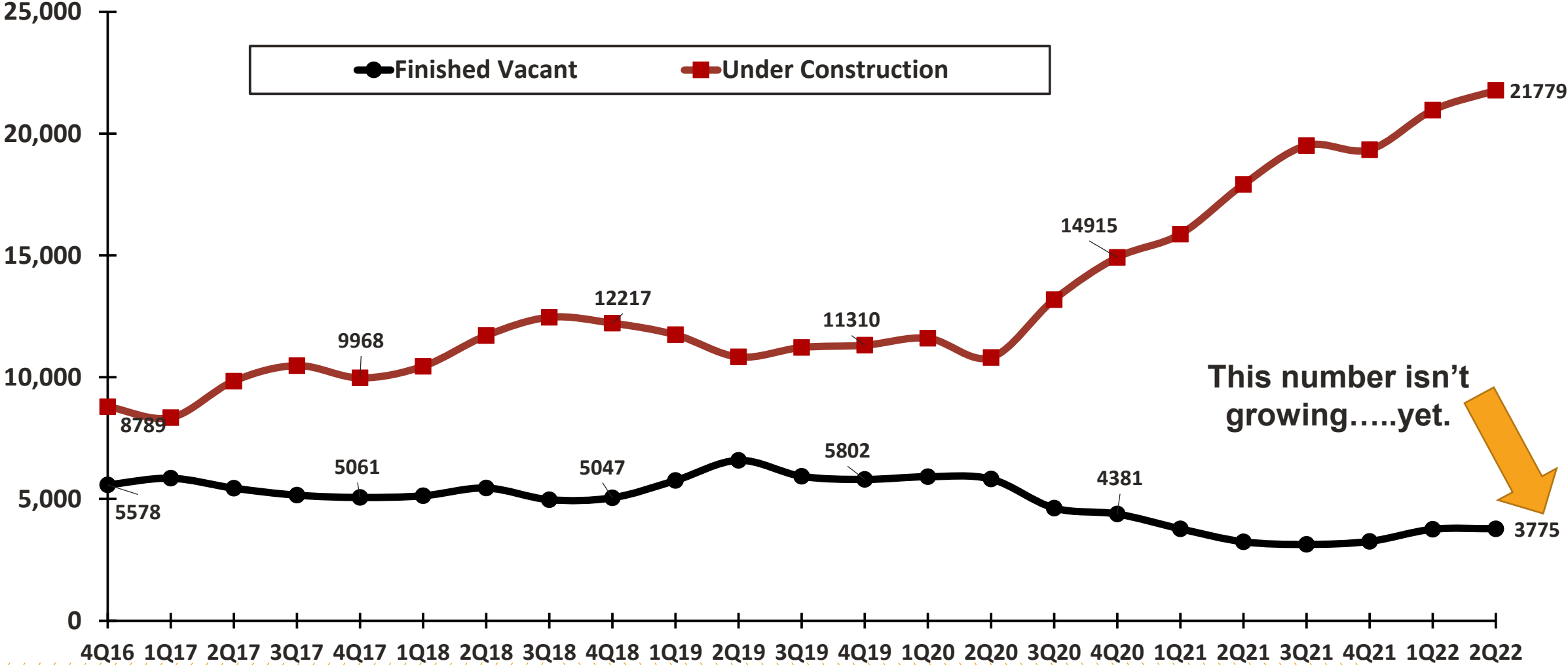


New home inventory continues to climb....., and most of it is still under construction



New Home Inventory – Finished v UC – 2016-2022

Houston

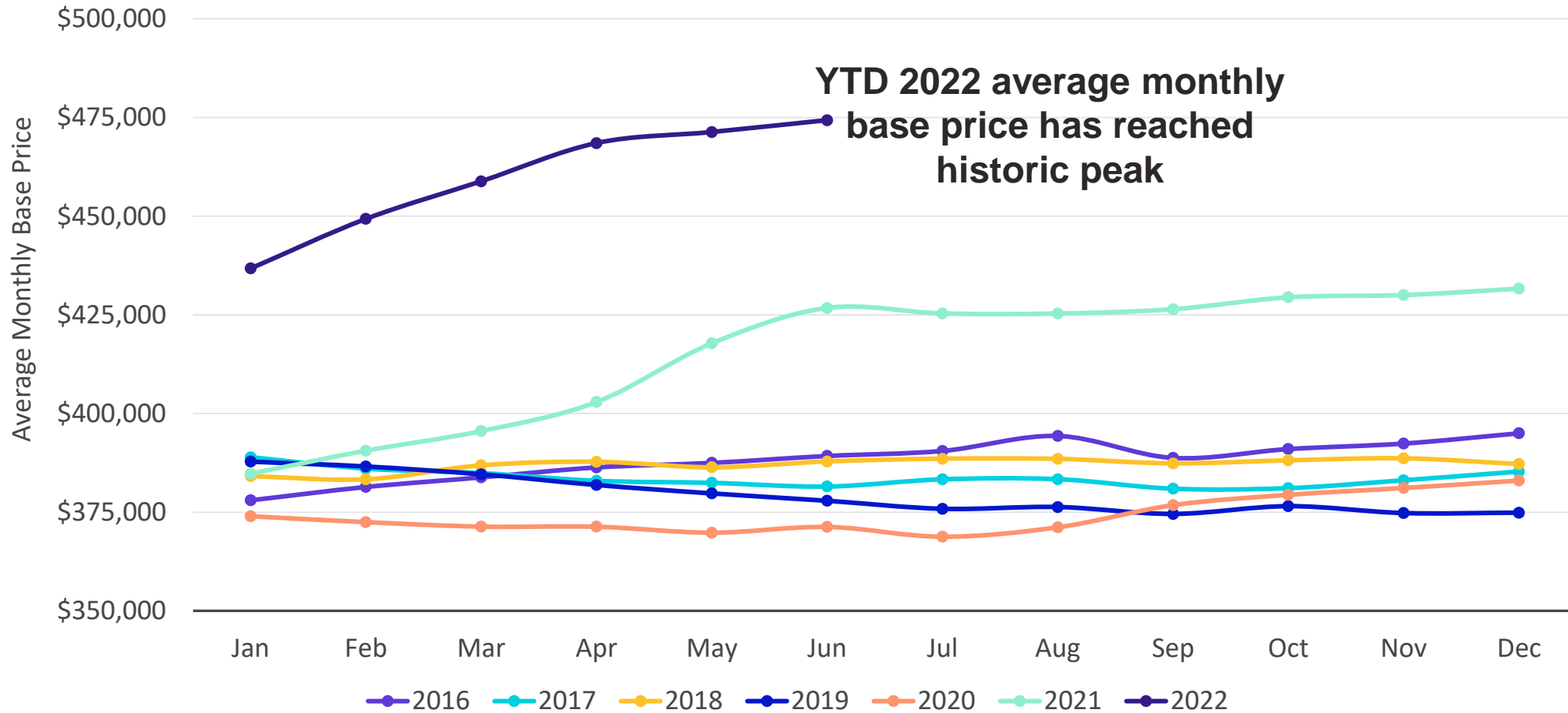


This number isn't growing.....yet.

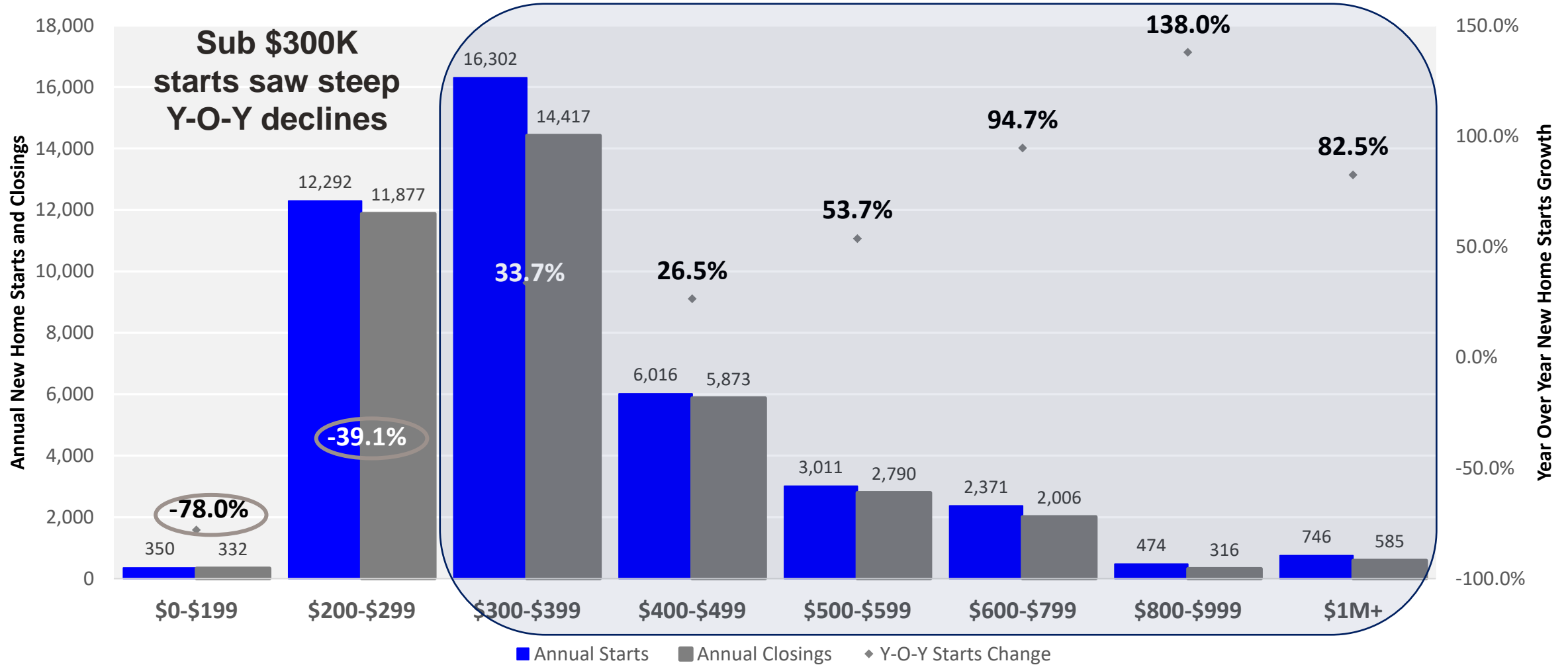


Average Monthly Base Price by Year

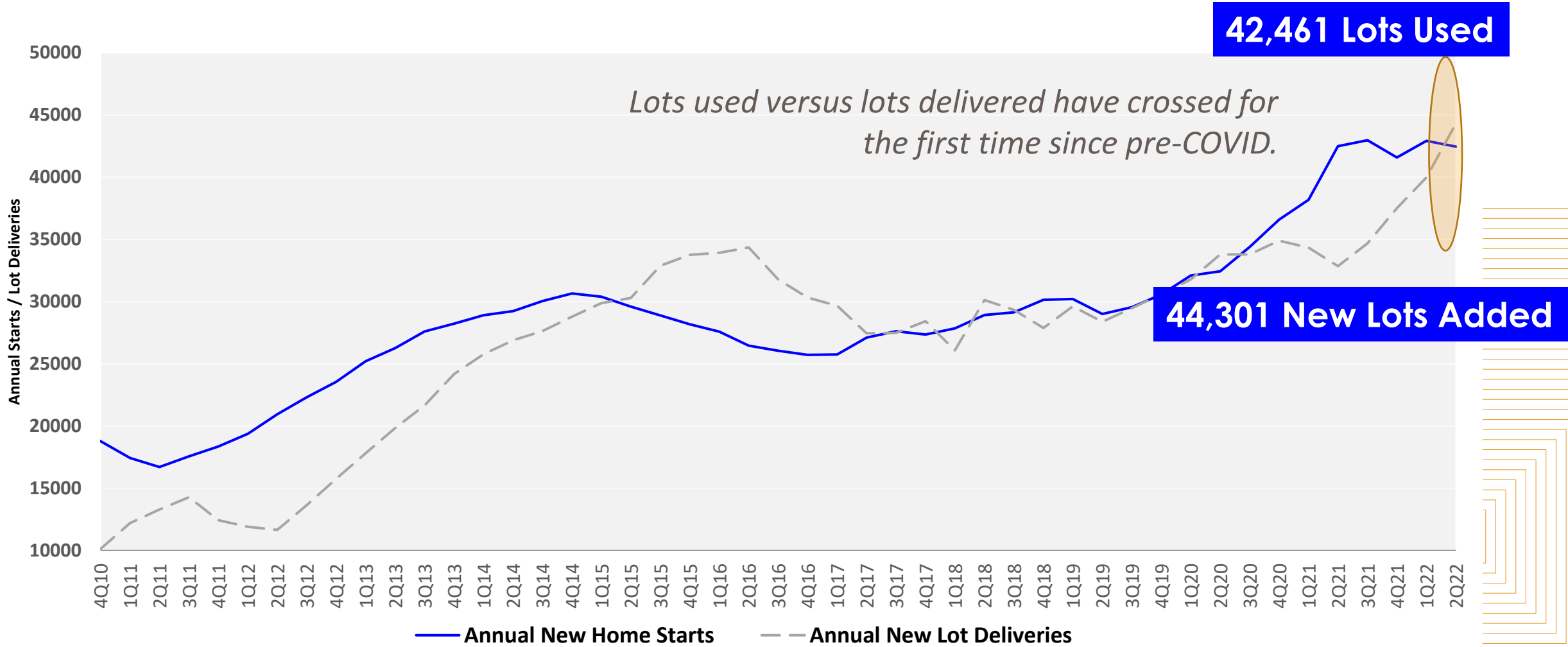
Houston Market



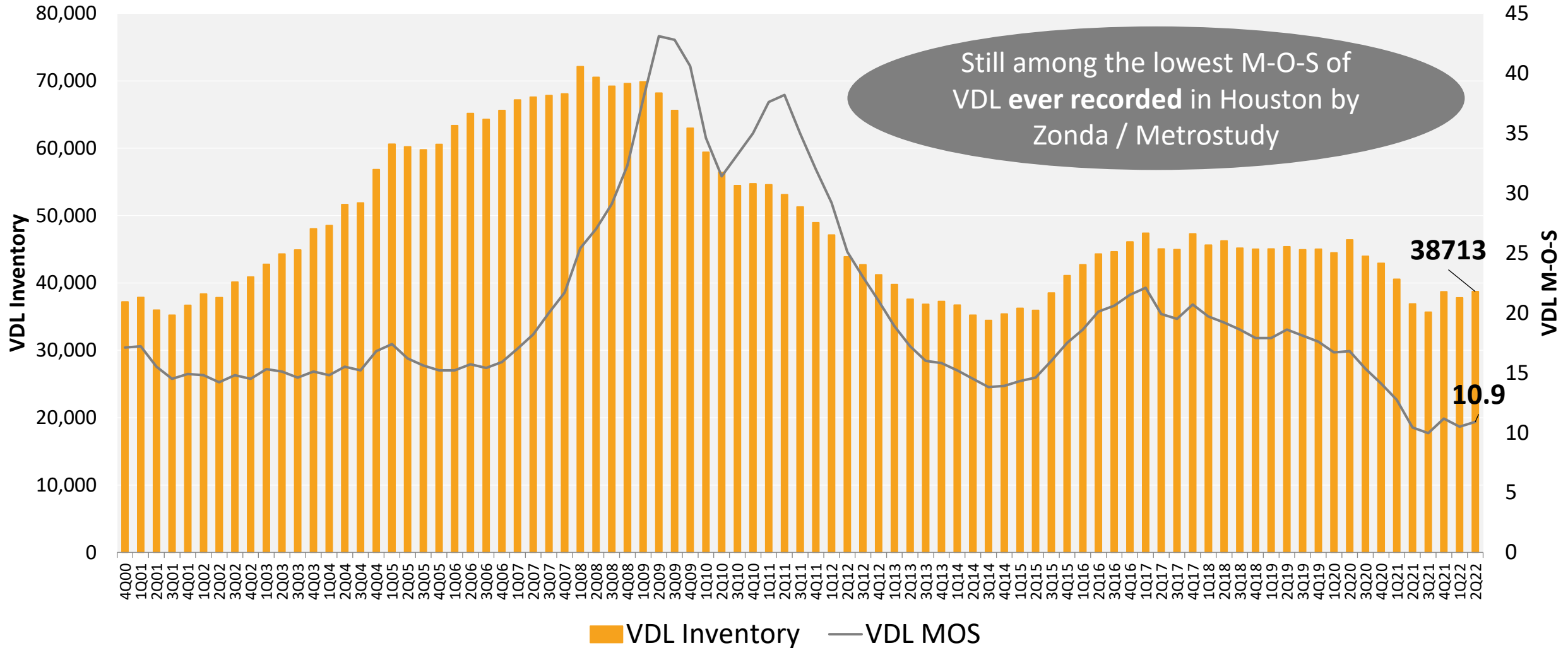
Annual Starts and Closings by Base Price Band



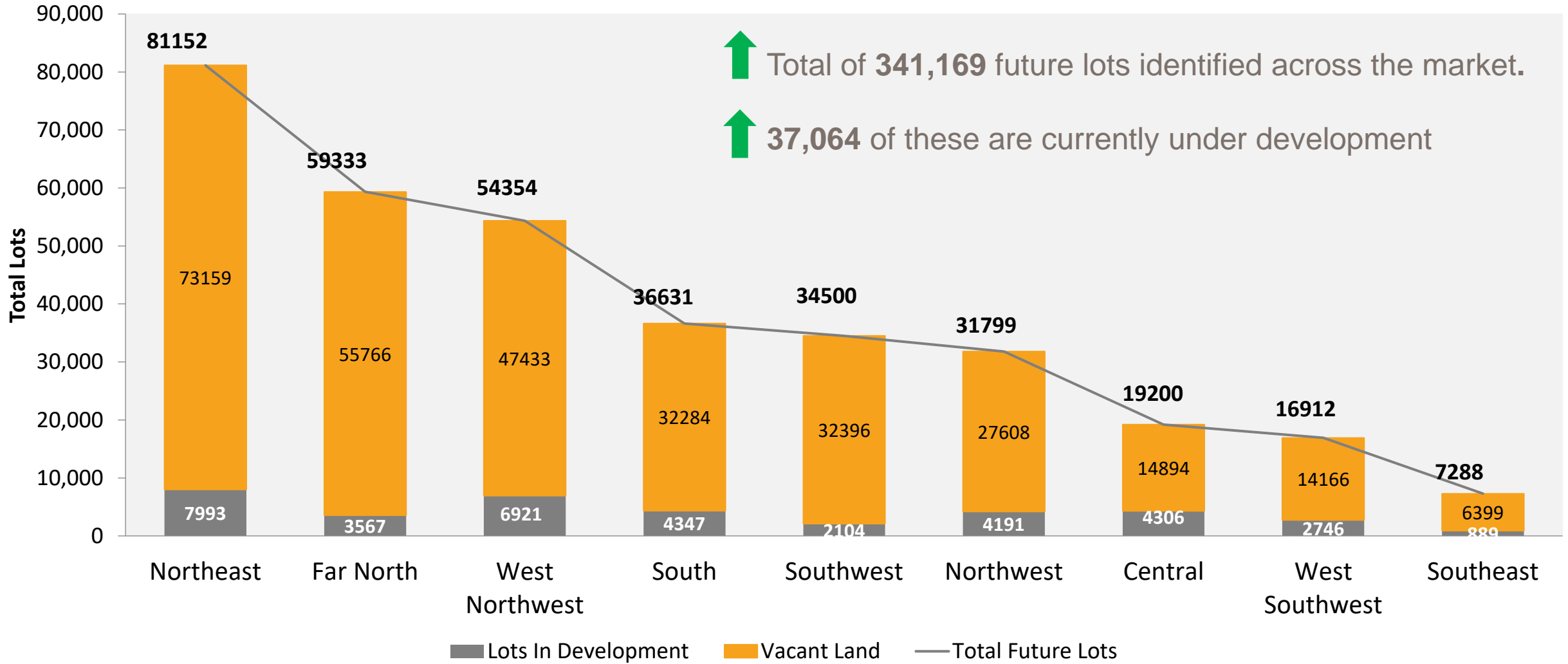
Annual New Home Starts Versus New Lot Deliveries



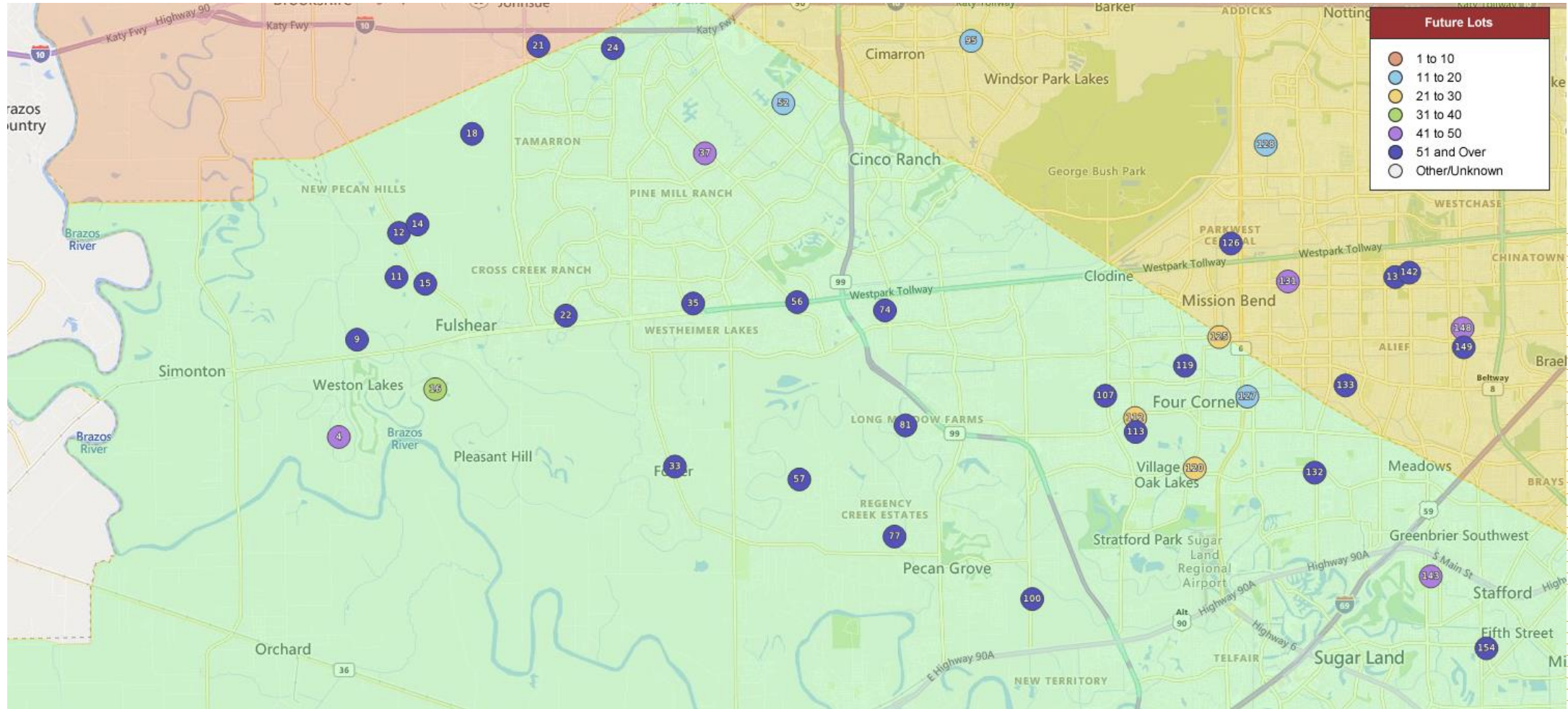
Vacant Developed Lot Inventory



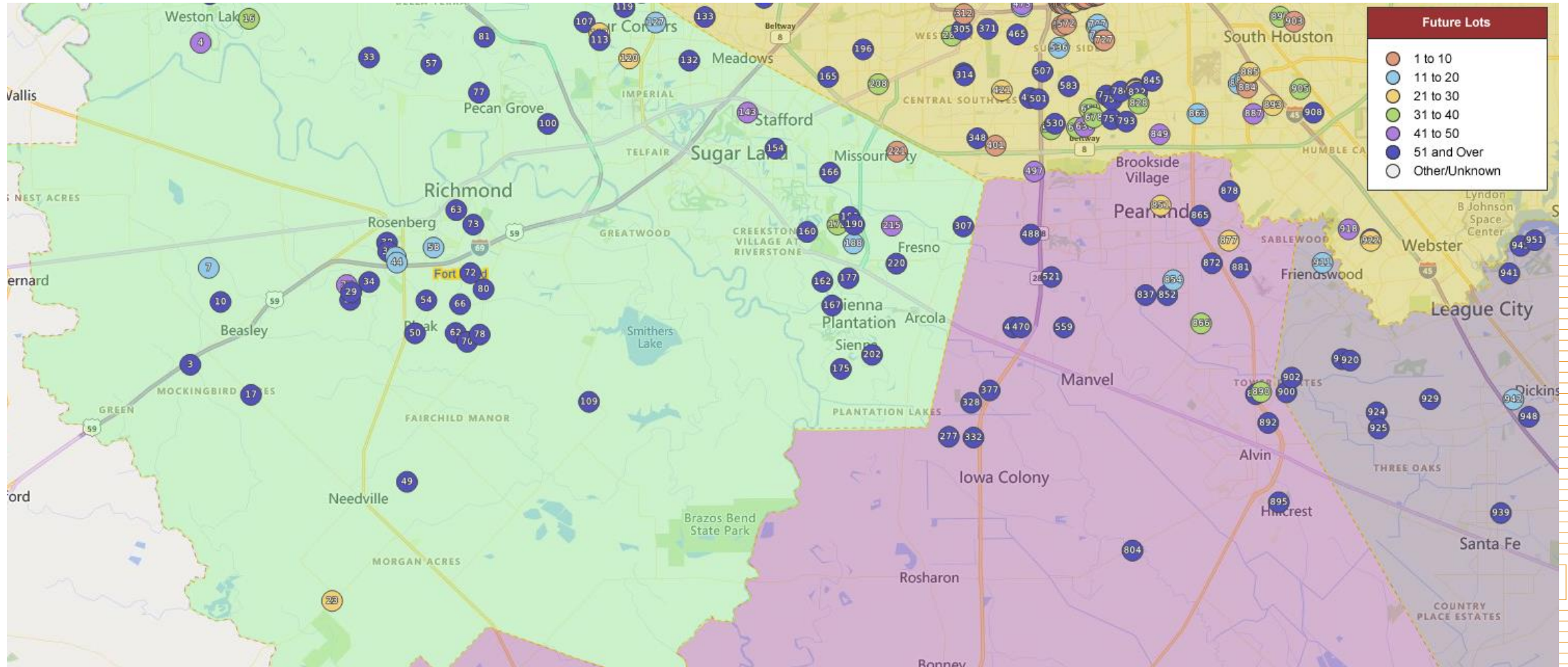
Future Lot Inventory Across the Houston Market



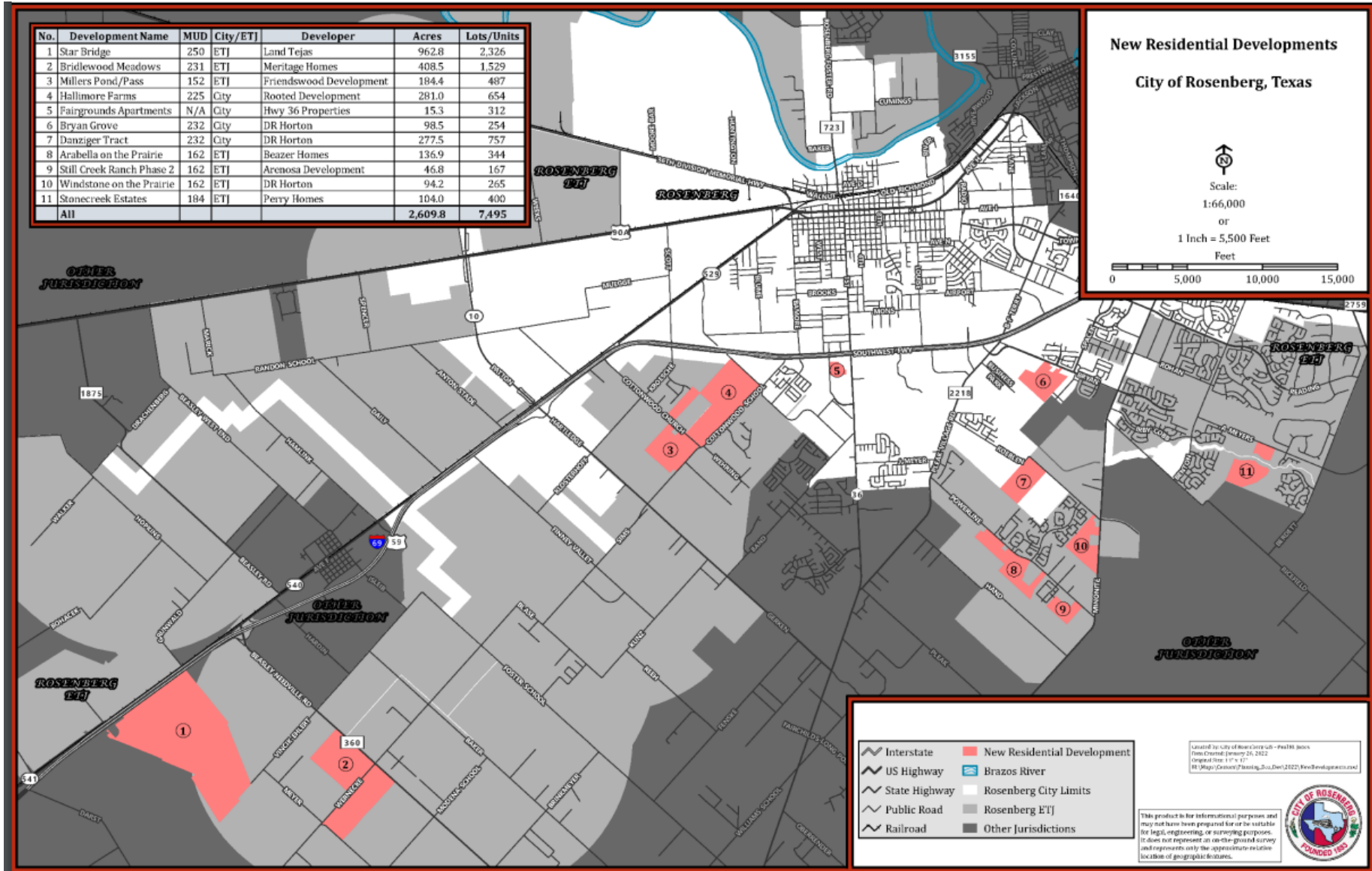
Future Lots Planned in Fort Bend County



Future Lots Planned in Fort Bend County

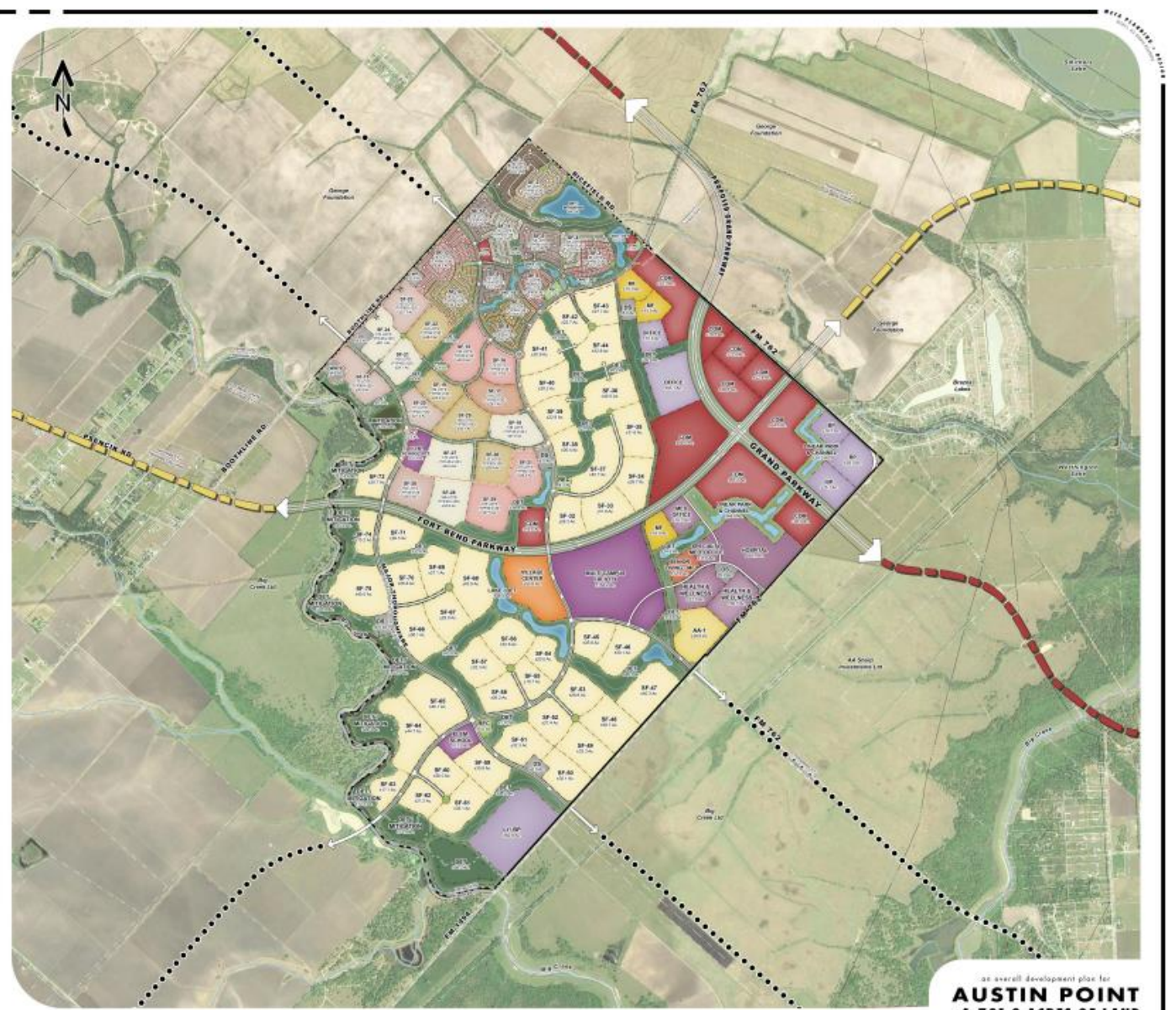


Future Developments in Rosenberg





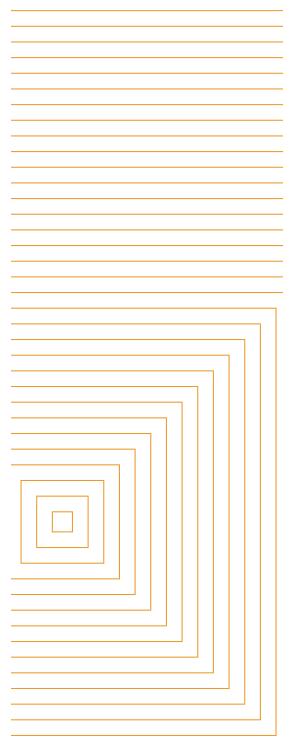
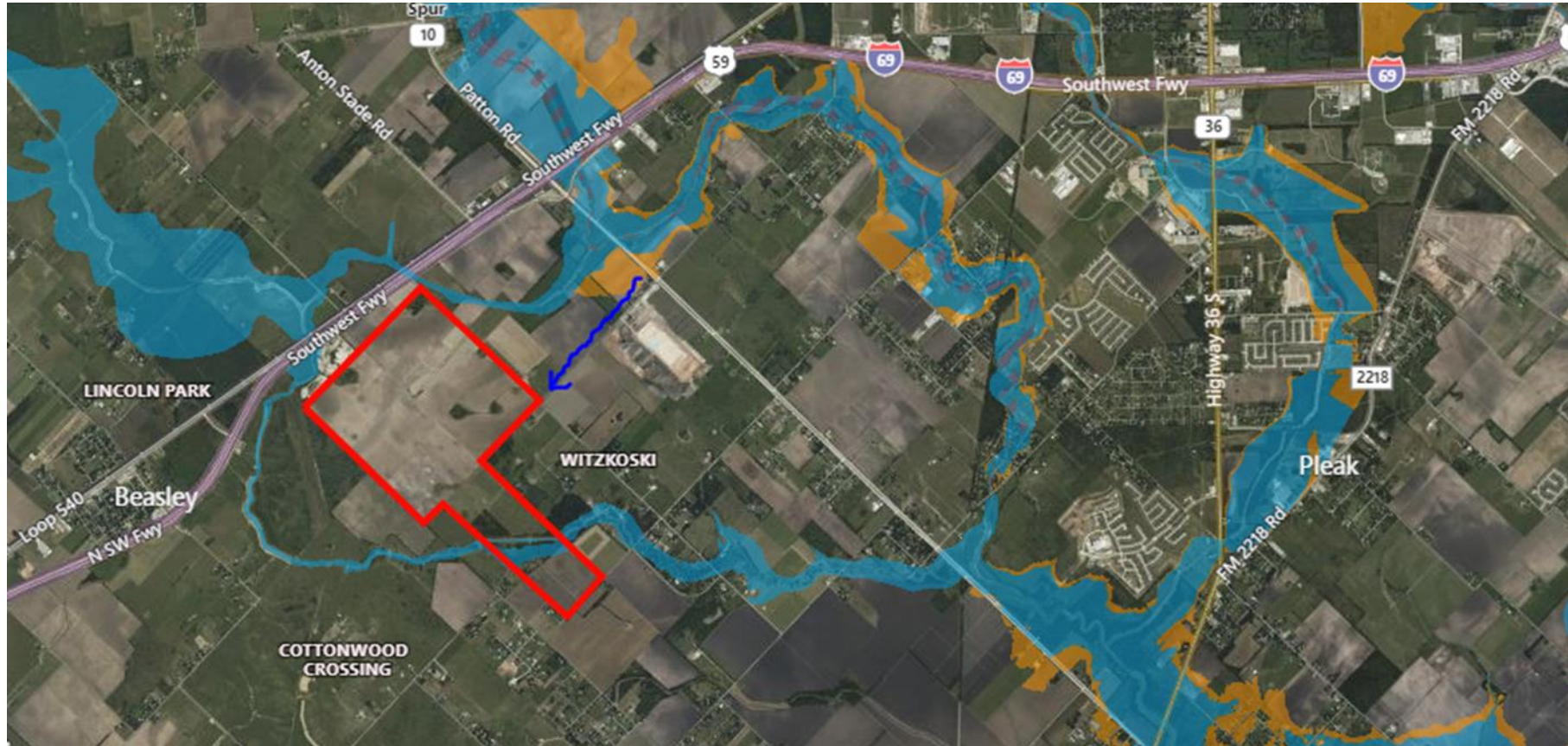
Future Developments: Austin Point



an overall development plan for
AUSTIN POINT
± 4,731.9 ACRES OF LAND
prepared for
SIGNORELLI COMPANY
META
24273 Katy Freeway, Ste. 200
Katy, Texas 77494
Tel: 281-910-1433
MFA-24231
OCTOBER 5, 2021

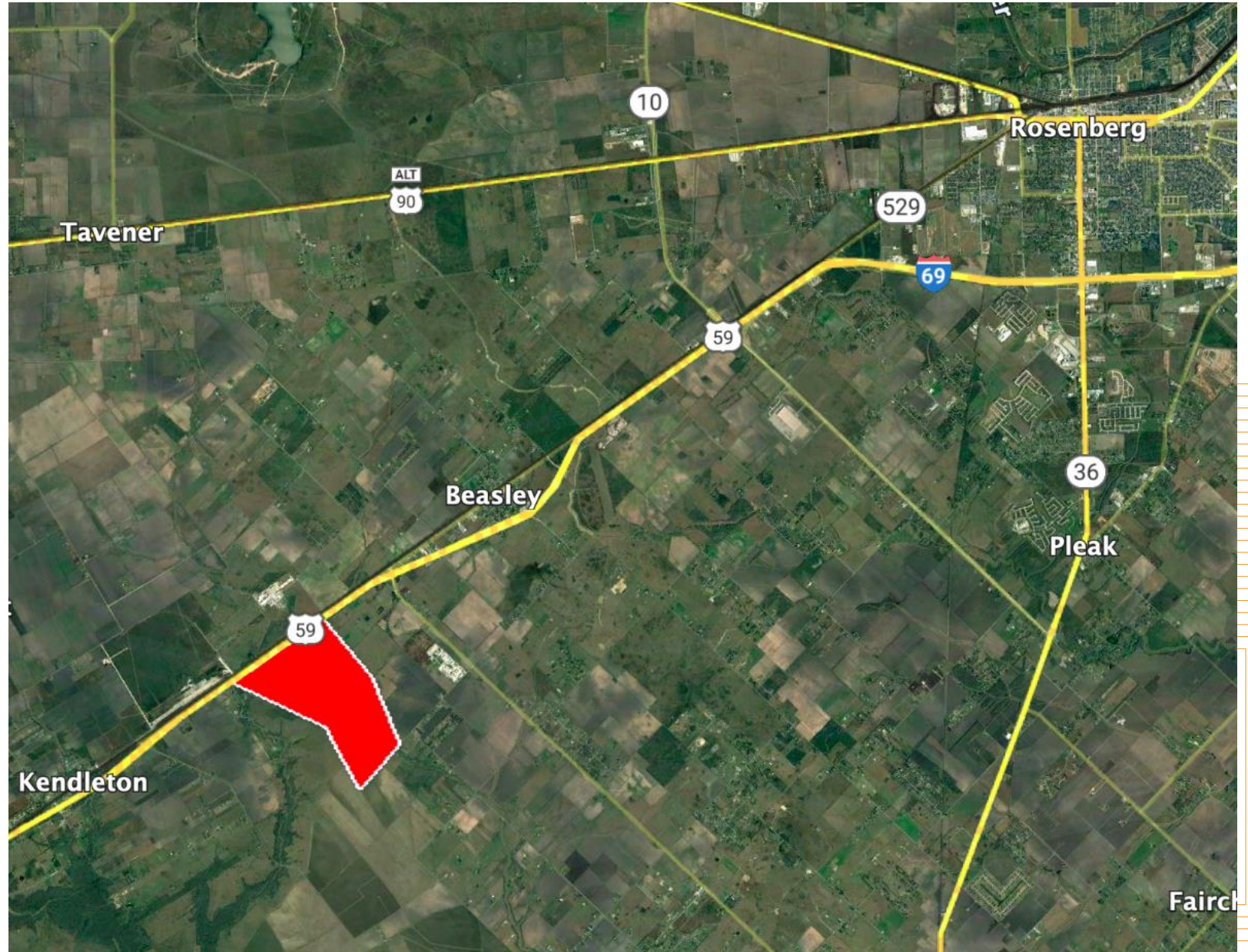
THIS DRAWING IS A GRAPHIC REPRESENTATION FOR PRESENTATION PURPOSES ONLY AND IS NOT FOR CONSTRUCTION OR CONTRACTOR PURPOSES. THE CONTRACTOR SHALL OBTAIN ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AND AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AND AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AND AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL GOVERNMENT AND AGENCIES.

Future Developments: Hines Wallingford Tract



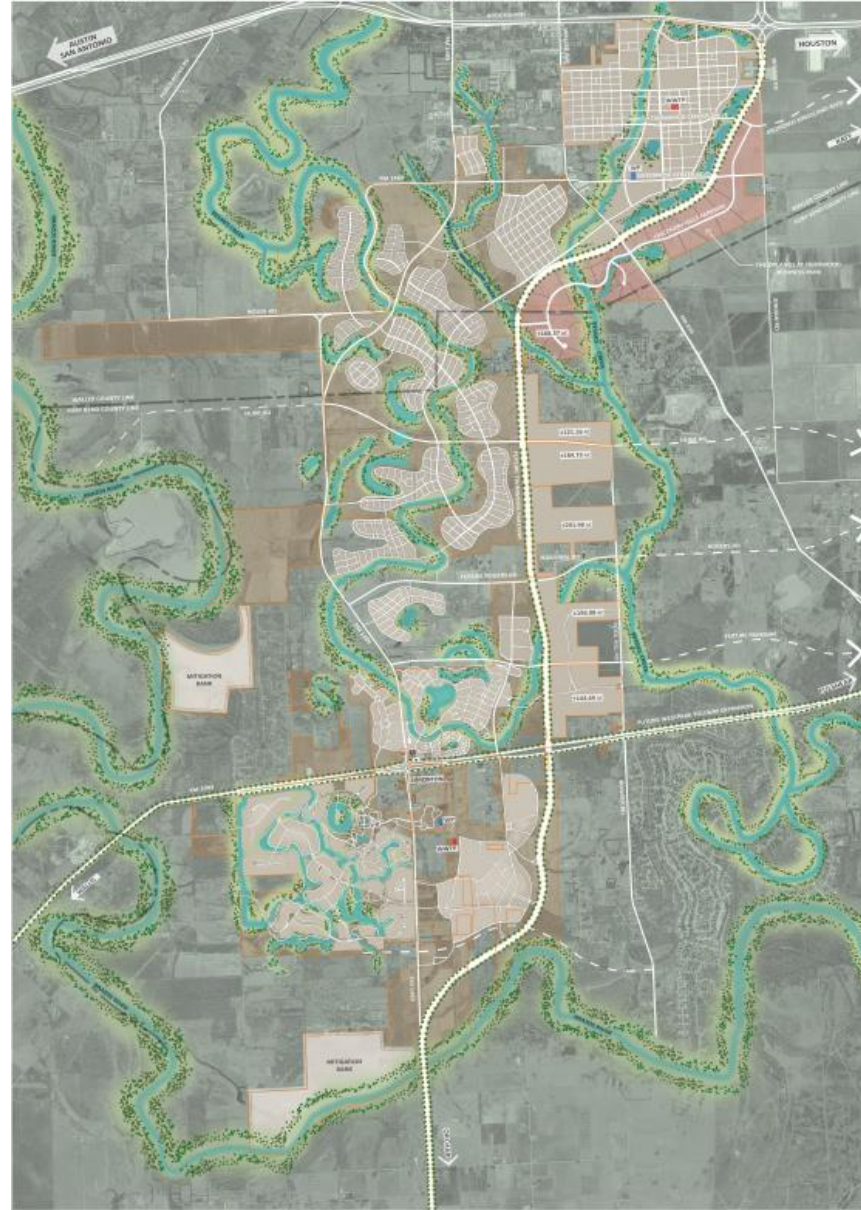


Future Developments: Starbridge

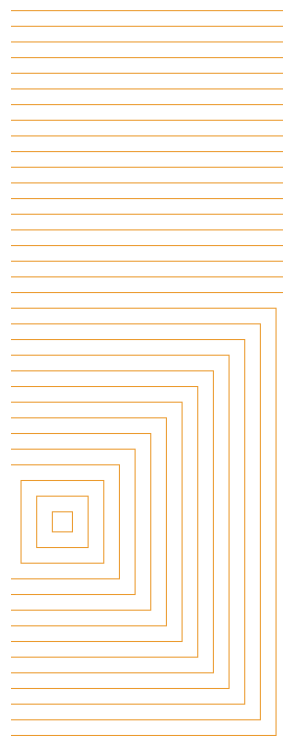




Future Developments: Twinwood

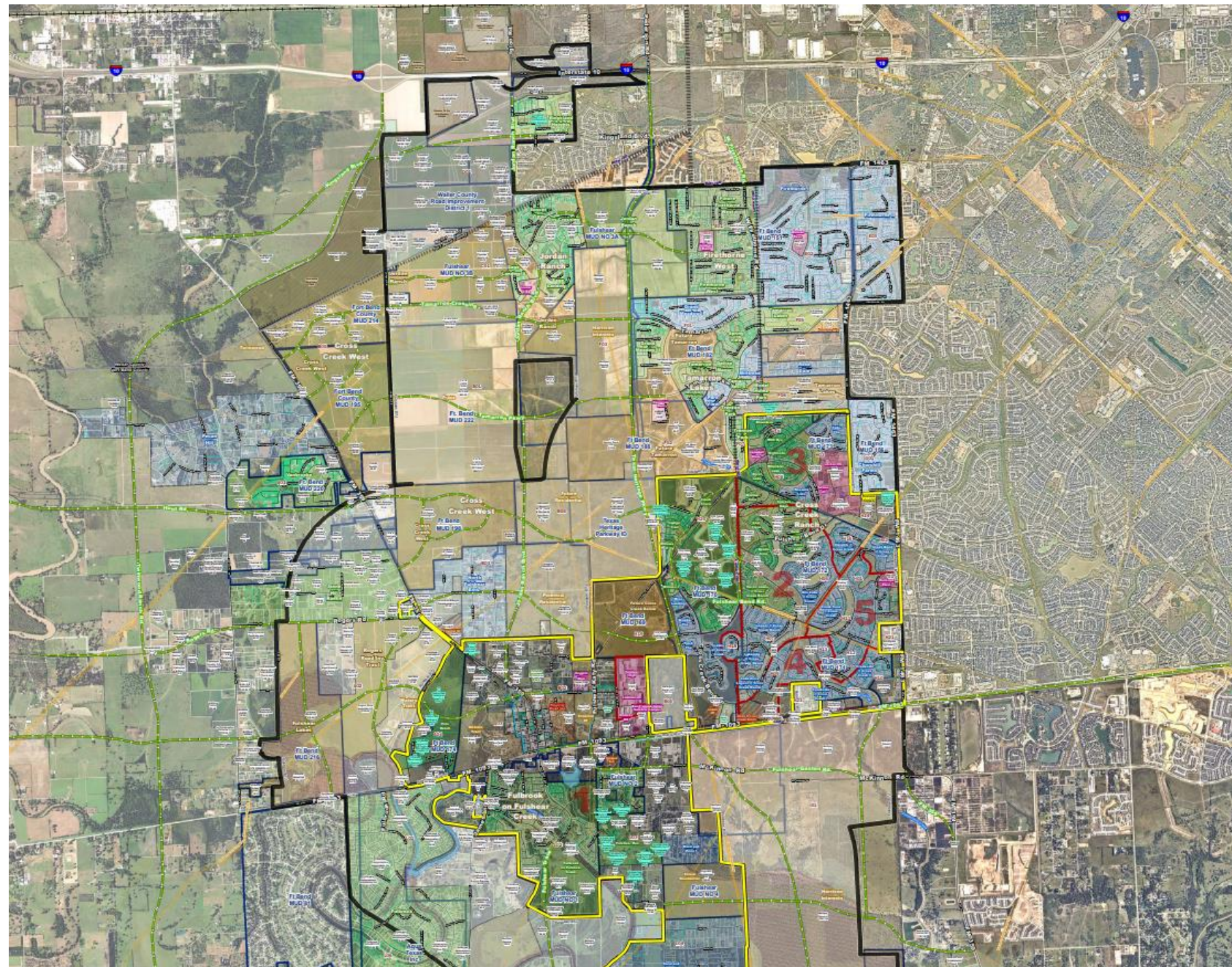


13,479ac Twinwood Properties Park General Master Plan
Waller/Fort Bend County, Texas



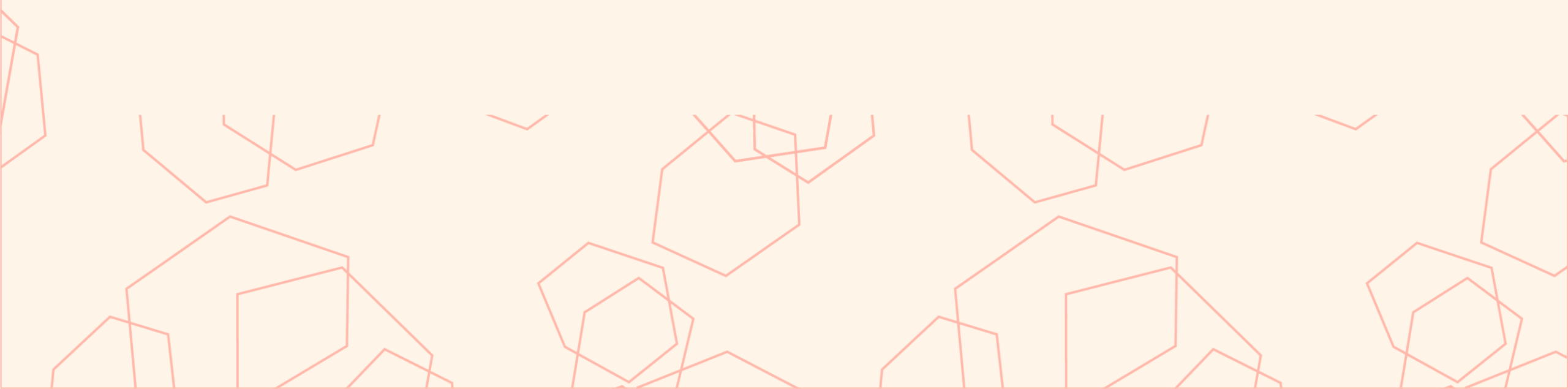


Future Developments: Fulshear Area



Houston Summer 2022

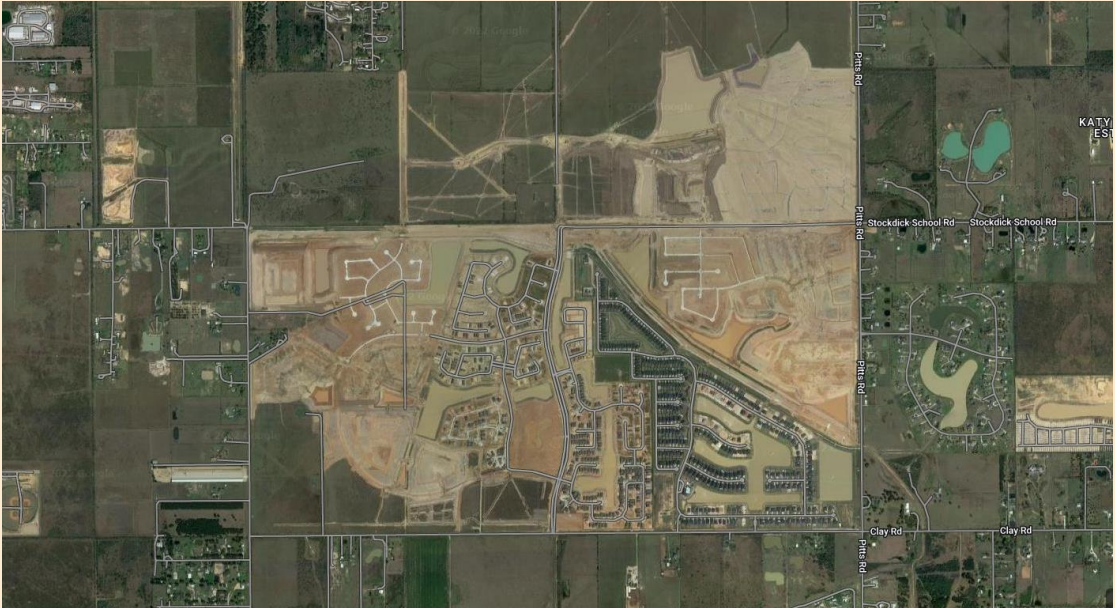
The Bottom Line: 2022-2023 Forecast



Houston Forecast

Annual Starts:

2010	18,773	1%
2011	18,343	-2%
2012	23,552	28%
2013	28,220	20%
2014	30,635	9%
2015	28,106	-8%
2016	25,665	-9%
2017	27,487	7%
2018	30,186	10%
2019	30,570	1%
2020	36,582	20%
2021	41,629	14%
2022	40,000 to 42,000	
2023	30,000 to 35,000	



And Now You Know!

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