

ADVANTAGE ASSET MANAGEMENT
PRESENTS
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EMPLOYMENT AND HOUSING OUTLOOK FOR 2016
April 15, 2016

- Latest on Employment for Houston SMSA (Dec 2014 to Dec 2015)¹:
 - Total employment actually increased about 20,000 jobs
 - Minerals and Manufacturing decreased 50,000 jobs
 - Hospitality, education, health care, construction lead the increases
 - Government Sector up 10,000 jobs
- Rate of Employment Growth²:
 - Texas 1.6%
 - Houston SMSA 0.6%
 - Unemployment:
 - National - 4.9%
 - Texas – 4.2%
 - Houston – 4.6
 - Despite recent declines, Houston is still 25% of entire state of Texas employment
 - “Worst of Oil Collapse’s Economic Impact on Texas May Be Over”
- National Workforce Participation Rate = 62.9% (near record low)³
- Economic Forecast for 2016⁴:
 - Forecast of Job Growth in Houston for 2016 – 0.5%
 - Contrasting with huge drop in oil industry and related businesses, construction on the east side of Houston as production and refineries expand may be contributing an additional 10,000 jobs in 2016.
 - Apartments overbuilt in Greater Houston Area – Expect, vacancies up and rental income down
 - Office Space overbuilt in Greater Houston Area - Expect, vacancies up and rental income down

¹ US Bureau of Labor Statistics

² Texas A&M Real Estate Center

³ US Bureau of Labor Statistics

⁴ Robert W. Gilmer, Institute for Regional Forecasting, UH

- Bankruptcy:
 - Business bankruptcy filings in the Houston Metro area rose 18.8 percent to a total of 500 in 2015—the first increase since 2009. The number of filings fell in the rest of Texas and the U.S. (excluding Texas)⁵.
- Impact on Single Family Housing Market:⁶
 - Houston-area home sales fell 10.5 percent in November, the second straight double-digit decline.
 - November 2015: 4,595 single-family homes changed hands, down from 5,135 a year ago, per HAR.
- The townhouse and condominium market fell 10.3 percent in November and the median price plunged 15.2 percent to \$130,000. Inventory grew to a 3.2-month supply.⁷
 - Houston home sales for November:
 - Homes priced at \$400,000 and below still enjoy a "months of inventory" (MOI) ranking as a sellers' market — from 4.6 MOI to 1 MOI.
 - Homes priced \$400,000 to \$500,000 are categorized as a normal market at 6.1 MOI.
 - Homes priced \$500,000 and above are experiencing a strong buyers' market starting at 7 MOI
 - A home priced over \$1 million has a 10 MOI.
- Broken out by housing segment, February 2016 sales performed as follows⁸:
 - \$1 - \$79,999: decreased 1.1 percent
 - \$80,000 - \$149,999: decreased 7.3 percent
 - \$150,000 - \$249,999: increased 9.5 percent
 - \$250,000 - \$499,999: increased 4.4 percent
 - \$500,000 and above: decreased 12.0 percent

⁵ Dallas Federal Reserve, March 2016 Houston Report

⁶ Houston housing market sees another big drop, December 9, 2015, <http://www.chron.com/business/real-estate/article/TK-6686241.php>

⁷ February 19, 2016, <http://www.marketwatch.com/story/in-houston-health-of-housing-market-depends-on-your-price-range-2016-01-13>

⁸ <http://www.har.com/content/newsroom>