

2013 Projections for the Lone Star State

We could go on and on about failed 2012 predictions:

- ◆ Texas A&M was projected to have one of the worst win-loss records in college football because they moved to the SEC. They ran away with a Heisman and one of the most exciting bowl wins in school history;
- ◆ We slept through the End of the World timeline, although asteroid 2012 XE54 came within 140,000 miles (230,000 kilometers) of earth;
- ◆ We could not avoid falling off the fiscal cliff. Last minute negotiations passed the American Tax Relief Act of 2012 (although signed into law in 2013) and tax rates rose for individuals making \$400,000 and couples making \$450,000; and
- ◆ Depressed economic conditions and foreclosures would allow buyers to purchase quality real estate at deep discounts. Actually NNN leased and Class A quality assets, particularly for apartments, are trading at historically low capitalization rates.

Let's start with projections relative to the primary drivers of real estate economics; interest rates, employment and population growth:

- ◆ **Interest rates** - are expected to remain at historically low rates. If the housing market heats up, 30 year rates could move up, but the U.S. Federal Reserve will keep interest rates artificially low to stimulate an economic recovery.

Wall Street, banks and lenders from around the world are targeting Texas real estate. Lenders like BB&T, Mutual of Omaha, PIMCO and others are actively expanding in the state.

Employment - Economists are projecting 2013 should be the best year since 2007 for employment growth. For degreed individuals with experience and skills is expected to see increased demand. The jobless rate for many positions in accounting, finance, legal, advertising, marketing, and technology ranges from 2% to 5%. Salaries in those fields are also projected to grow 3.7% in 2013, according to Robert Half's 2013 Salary Guides.

The Department of Agriculture has \$23 billion in discretionary funding and invests \$6.1 billion in renewable and clean energy and environmental improvements to spur the creation of high-value jobs. About forty percent of the farmers in this country are 55 years old or older, leading to concerns about the long-term health of family farms as an American institution. As such, there is opportunity for America's youth to move to rural communities for jobs.

Over the past two years, Texas experienced steady job growth and an expansion in population, while maintaining an unemployment rate well below the national average. Texas led the nation as one of the first states to recover jobs lost during the recent national economic downturn.

Several Texas cities are recognized as the top places in the nation to live and work. Texas also is nationally known as one of the best states for small business.

- ◆ **Population** - As our nation prepares to begin the New Year, the Commerce Department's U.S. Census Bureau projects that on January 1, 2013, the total United States population will be 315,091,138. This represents an increase of 2,272,462, or 0.73 percent, from New Year's Day 2012 and an increase of 6,343,630, or 2.05 percent, since the most recent Census Day (April 1, 2010).

Texas is projected to achieve a population of 26,390,000 in the first week of 2013 and is projected to grow 2.0% for the year.

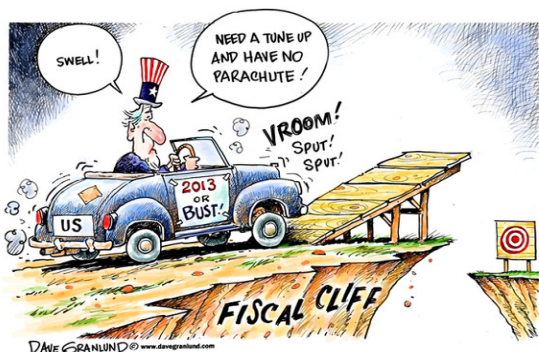
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College Station is a-buzz about the wins and Johnny Football!



Media hype can tend to exaggerate the gravity of the situation.



In reality, only those singles making over \$400,000 and married over \$450,000 will be affected.

Next Month

January 2013 will bring new announcements of lenders moving to Texas to aggressively lend and data services providing enhancements in confirmed property and sales information.

TEXAS REAL ESTATE UPDATE

2013 Projections

Let's start the year with projections that we know will come true in 2013:

- ◆ **You Will Not Get Rich From Secure Investments** - While 2013 projections sound favorable, investment returns on Certificate of Deposits, Bonds and many other investment vehicles will not push individuals into the \$400,000+ tax bracket, unless they are already there. National high yield rates for CDs follow:

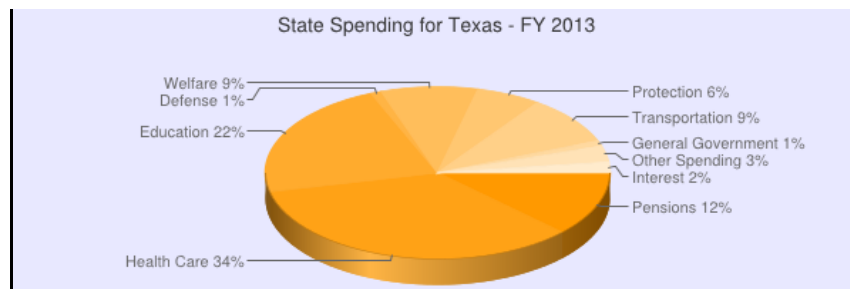
Institution	APY	Rate	Min Deposit
Colorado Federal Savings Bank ★★★★★	1.050% Mon Jan 07	1.040% Compounded daily	\$5,000
MetLife Bank ★★★★★	1.050% Mon Jan 07	1.040% Compounded daily	\$25,000
Silvergate Bank ★★★★★	1.050% Mon Jan 07	1.050% Compounded daily	\$2,500

- ◆ **Build, Build, and Developers will Build** - Construction will be evidenced in all major Texas markets for the four major property types:

Current Construction Pipeline				
Apartments - Under Construction				
	Austin	San Antonio	Dallas - Ft Worth	Houston
Projects	12	5	14	22
Units	3,966	1,351	4,108	5,571
Industrial - Under Construction and Proposed				
Projects	10	16	13	98
Square Feet	1546427	2,930,539	5,240,826	15,867,794
Office - Under Construction and Proposed				
Projects	28	19	85	75
Square Feet	2,469,304	1,423,100	13,231,696	11,574,044
Retail - Under Construction and Proposed				
Projects	29	23	70	83
Square Feet	5,309,833	2,567,634	10,196,870	9,471,781

Source: www.oconnordata.com

- ◆ **Apartment Rents Going Up** - A Houston Inner Loop apartment resident indicated that he is paying \$800 per month, but new and renewal leases are at \$1,200 and he can't find a similar priced option. Expect at least inflationary increases in most markets.
- ◆ **Texas is Spending Money** - With health care and education being the biggest recipients. State Comptroller Susan Combs was telling lawmakers they've got billions of additional dollars at their disposal. "Robust revenue collections driven forward by a recovering Texas economy led by sales taxes will result in a budget surplus," Combs said, projecting new revenue of \$96.2 billion.



— About Sage Group —

We are a group of appraisal professionals working together to provide a single source of information and analysis for commercial real estate professionals across the country. Our team is managed by John Fisher, CCRA, LEED AP; W. F. "Buddy" Trotter, Jr., MAI, Michael L. Miller, MAI and H. E. "Skip" Preble MAI, CCIM. For more information about us or to sign up to receive our newsletter, contact Michael L. Miller at 713.358.8450 or mmiller@sageappraisalnetwork.com.