2018

Going Up?

- Global Growth Projection (IMF) ±3.8%
- U.S. Growth Projection ±2.9%
- U.S. Unemployment Projection Below 4%
- Inflation Up ±2.5%
- Federal Reserve MOS
- Interest Rates (10 Yr. Treasury) ±3% YE
Consumer Confidence
U.S. consumer confidence remains near 17-year high.

Confidence has been fueled by a few factors: The job market, the stock market rally and Republicans' fiscal reforms. – CNN Money

Consumer Confidence Index – OECD Data
Consumer Confidence

U.S. consumer confidence remains near 17-year high.

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Consumer Confidence Index – OECD Data
“As the Trump administration focuses on promoting small businesses and reducing small business effective tax rates, 2018 looks set to be another great year for this vital part of the American economy.” - American Business Journals
Oil & Gas

WTI Price Recovery
Oil Prices back in the black – Prices Up / Costs Down

Rig Count
Drilling Permits
Efficiency Way Up
Supply/Demand Balance
Natural Gas
WTI Price Recovery

Oil Prices back in the black – Prices Up / Costs Down
Rig Count

West Texas' Permian Basin now accounts for 427 rigs, which is more than half of all the nation's oil rigs. – Houston Chronicle
Drilling Permits

Texas Drilling Permits

![Graph showing Texas Drilling Permits from 2001 to 2017.](image)
Efficiency Way Up

Half the Rigs But Production Is Up
Supply / Demand Balance

millon barrels per day

Source: Short-Term Energy Outlook, January 2018
Natural Gas Prices

Henry Hub natural gas price

dollars per million Btu

Note: Confidence interval derived from options market information for the 5 trading days ending Jan 4, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, January 2018, and CME Group.
LNG Exports

U.S. liquefied natural gas exports and export capacity (Jan 2016 - Nov 2017)
billion cubic feet per day

Train 2
Train 3
Train 4

Sabine Pass
Train 1 comes online

total capacity
LNG exports

Jan-16 Apr-16 Jul-16 Oct-16 Jan-17 Apr-17 Jul-17 Oct-17

Source: U.S. Energy Information Administration, *Natural Gas Monthly* (data for October and November 2017 are EIA estimates based on tanker loads)
LNG Exports

Source: U.S. Energy Information Administration, based on IHS and trade press
Jobs

Heading back to “normal” growth of 60-70k jobs per year

Houston-Sugar Land-Baytown Annual Job Growth

Houston’s growth was spurred by high oil prices

Houston’s growth ground to a halt in 2015 after crude prices plummet
Jobs

Job growth is expected to increase 50% in 2018.
Market Sectors

Houston
Office

Could be worse. Could be raining.

Class A Submarket Vacancy

Office Big Picture – End of Q4
Houston Office

Class A Submarket Vacancy

Q4 2017 Vacancy Rate

- 0.0% - 12.0%
- 12.1% - 17.0%
- 17.1% - 21.0%
- 21.1% - >
- No Class A

Average Class A Vacancy: 19.1%
Office Big Picture – End of Q4

- Vacancy up 1.60% (16-17) 17.5% to 19.1%
- Q4 positive 700,000 SF – Best performance in 3 years
- Available sublease space contracted Q3 – Q4
- Construction pipeline decreased Q3 – Q4 and Y-Y
- 500,000 SF delivered in Q4 (0.2% of total market)
**Houston Industrial Submarket Vacancy**

Q4 2017 Vacancy Rate

- 0.0% - 3.4%
- 3.5% - 5.4%
- 5.5% - 7.4%
- 7.5% - >

Average Industrial Vacancy: **5.4%**

**Industrial Big Picture – End of Q4**
Industrial Big Picture – End of Q4

- Vacancy low at 5.4% (up 0.2% Y – Y)
- 6.7M SF absorbed in 2017  (Under Construction – 6.375M Q4)
- Industrial is the new retail?
- Several large projects under construction –
  - Emser Tile 600,000 SF in the North Fwy/ Tomball Pky corridor
  - Vinmar International 500,000 SF in the East-Southeast Far corridor
"Every retailer should know that their future depends on whether they can reinvent themselves"
Retail Customer Experience 1/18
Retail Big Picture – End of Q4

- Vacancy 5.6% - Up 0.2%
- Absorption down due to limited new deliveries
- 2.9M SF under construction, 64% pre‐leased
- Class A in‐line retail rental rates can vary widely from $30.00 to $85.00 per SF, depending on location and property type
Retail Under Construction

2.9M SF
64% Pre-Leased

Grand Parkway Dominant

Largest Projects:

336 MarketPlace
The Johnson Development Co
211,677 SF

The Village at Riverstone
Regency Centers Corp
165,000 SF
Population and Housing

Houston MSA Projected Population

Source: U.S. Census Bureau, Texas Demographer's Office 2014 Projections, 2000-2010 scenario

U-Haul Growth States:
Texas Remained Number 1 in 2017

Housing
Multifamily Projects Under Construction
Multifamily Big Picture - End of Q4
Construction
Houston MSA Projected Population

170.1% increase since 1970
26.1% increase since 2000

Source: U.S. Census Bureau, Texas Demographer's Office 2014 Projections, 2000-2010 scenario

U-Haul Growth States: Texas Remained Number 1 in 2017
Housing

“Houston’s housing market hit a new high for home sales in 2017, besting the previous year’s record by 3.5 percent amid an unexpectedly strong rebound after Hurricane Harvey.” – Houston Chronicle

<table>
<thead>
<tr>
<th></th>
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<th>16-17 Change</th>
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<tbody>
<tr>
<td>Single Family Homes Sales</td>
<td>79K</td>
<td>Up 3.5%</td>
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<tr>
<td>Average Sales Price</td>
<td>$291K</td>
<td>Up 2.9%</td>
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<tr>
<td>Median Sales Price</td>
<td>$229K</td>
<td>Up 3.8%</td>
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Multifamily Projects Under Construction

8,531 units (32 projects) - Down from 15,171 in 2016
## Multifamily Big Picture – End of Q4

<table>
<thead>
<tr>
<th>Market Indicators</th>
<th>Annual Change</th>
<th>Annual Forecast*</th>
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<tbody>
<tr>
<td>OCCUPANCY</td>
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<td>NET ABSORPTION</td>
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<td>UNDER CONSTRUCTION</td>
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- Total Market – 639,979 Units / 8,531 under construction (1.3%)
- Absorption is up – 17,469 units 2017 / 4,527 in 2016 (Harvey)
- Under Construction – Inner Loop still the Hot Spot
- Demand to increase in 2018
Construction

- Harvey had a short-term impact on ALL construction activity. Most projects incurred a 2 to 4 week schedule impact.
  - Residential - significant work in the pipeline
  - Commercial construction - no long term effects
  - Minimal cost impacts - with gypsum products leading the way

- Consultant community continue to fill their pipeline - downsizing has tapered off

- Office sector continues to lag - medical, retail and industrial construction remain strong

- Subcontractors still showing interest in competitively bid projects

- Long lead delivery times for critical path material and equipment
Houston

Commercial Real Estate Market Cycle

- Office
- Retail
- Industrial
- Apartment
2018

Going Up?

WE THINK SO!
Thank you, have a great 2018.
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