

2015 Real Estate Trends



Marc Moffitt – MPA, RPA

Sr. Research Analyst

Denton CAD

About Me

- Denton CAD – (2002 – Present)
- UNT – BBA Finance
- UNT – MPA Public Finance
- TAAD/TAAO Instructor
- Adjunct Professor Real Estate -UNT
- Licensed Texas Real Estate Broker
- Married to Angie - 9 yrs
- Three Children– John David (6), Marcus Jr. (4), Emily (2)





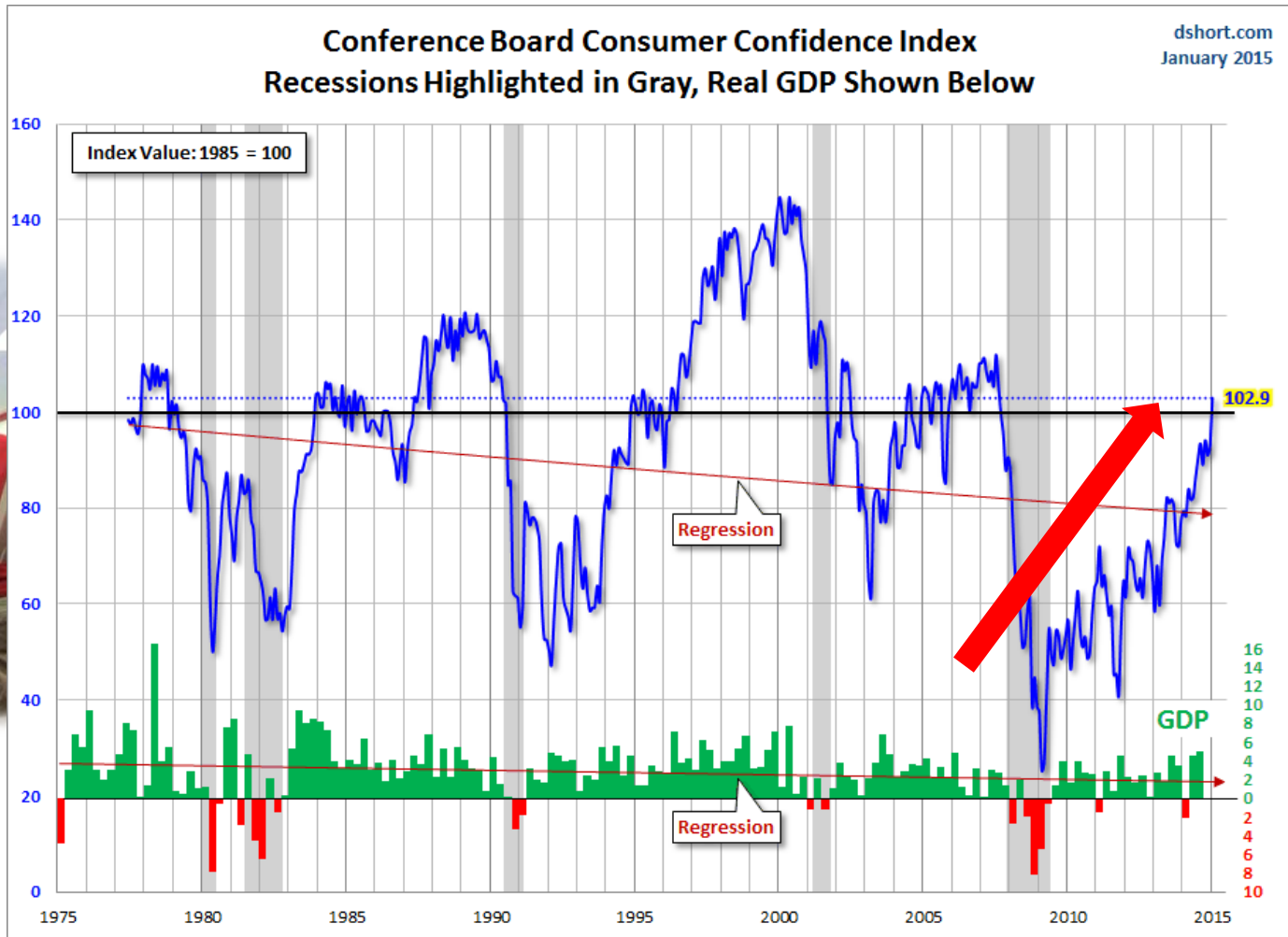
Overview

- Big Picture Stuff
- State/Regional Stuff
- Metroplex Stuff
 - Residential
 - Retail
 - Office
 - Industrial
- Things to Watch For



Big Picture

Consumer Confidence @ Highest Since '07-'08



“Alex from Target”

Big Picture

Stock Markets Up Nearly 30 % from 2007 Peaks
Up 200-300% from 2009 Lows



Big Picture

**Mortgage Rates Still At All Time Lows
How Low Can You Go??**

What About Negative Interest Rates??

Average 30 Year Fixed Mortgage Rates

Mortgage News Daily, MBA, and Freddie Mac

Zoom From To



Big Picture



MarketWatch

Home News Viewer Markets Investing Trading Deck Personal Finance Retirement Economy R

The Tell » THE MARKETS NEWS AND ANALYSIS

History made as euro-zone overnight borrowing costs turn negative

August 28, 2014, 4:34 PM ET

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MarketWatch

NEWS VIEWER MARKETS INVESTING TRADING DECK PERSONAL FINANCE RETIREMENT **ECONOMY** REAL ESTATE

Opinion: Think negative interest rates can't happen here? Think again

MATTHEW LYNN'S LONDON EYE [GET EMAIL ALERTS](#)

Published: Jan 21, 2015 4:00 a.m. ET

[f](#) 46 [t](#) 10 [in](#) 35 [g+](#) [e](#) [c](#) 105

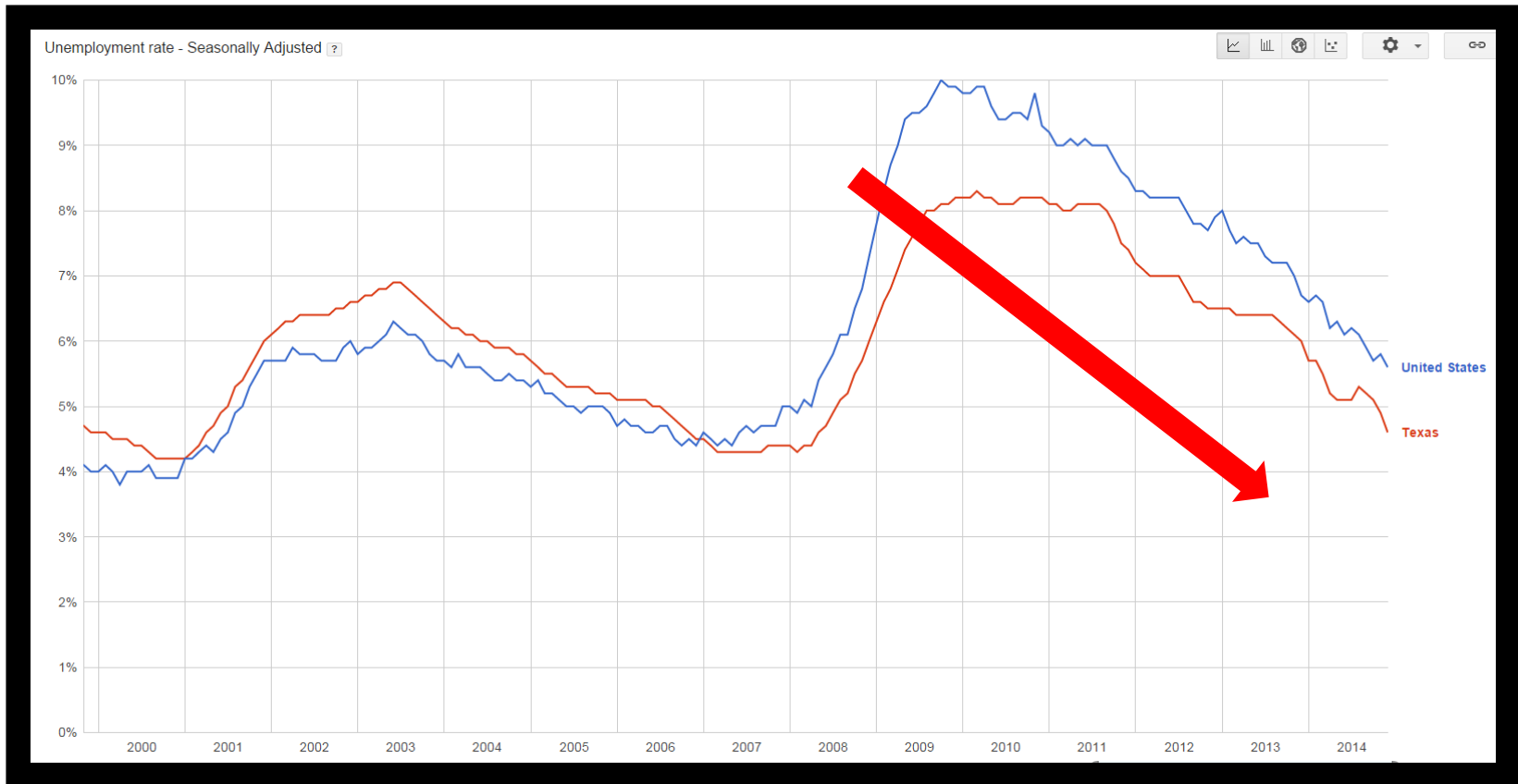
U.S. or U.K. may have to defend currency against hot money flows

The backwards world of negative rates:

- Pay a fee to hold \$ in your savings account
- Get Paid to Borrow
- Banks actually come out ahead if you don't pay
- What a deal!!

Big Picture

**Unemployment Continues to Decline Nationally
Lowest Since 2008**



Big Picture

- Possible Headwinds....
 - Potential for Deflation
 - Interest rates already near 0%
 - Economic Data At or Above Previous Peaks
 - Some indicators showing signs of divergence



Big Picture

BUSINESS INSIDER

BI INTELLIGENCE EVENTS f t g+ in

Tech

Finance

Politics

Strategy

Life

Sports

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All

MARKETS

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Now It's Time To Think About What Will Happen When Companies Stop Buying Back So Much Stock...



HENRY BLODGET



AUG. 5, 2014, 11:01 AM

9,208

18

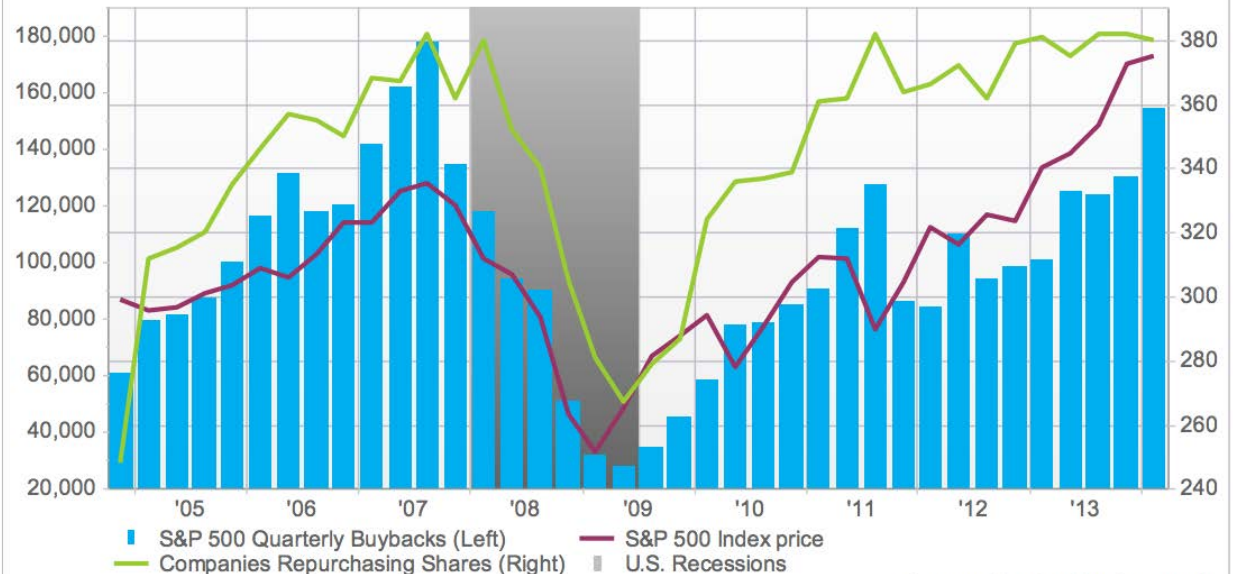
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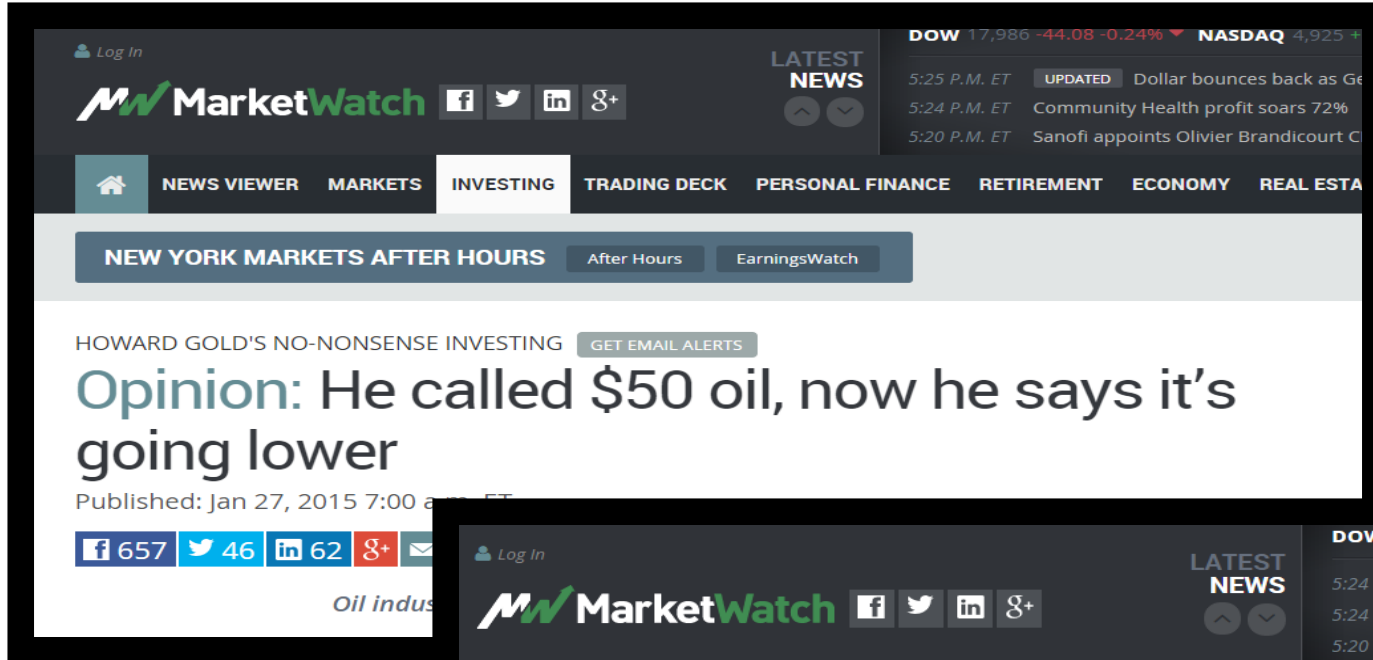
Ultimately, stock prices are determined by

Quarterly Share Repurchases (\$M) and Buyback Yield (%)







Source: FactSet Fundamentals

Big Picture



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MarketWatch    

LATEST NEWS

DOW 17,986 -44.08 -0.24% **NASDAQ** 4,925 +

5:25 P.M. ET **UPDATED** Dollar bounces back as Ge
5:24 P.M. ET Community Health profit soars 72%
5:20 P.M. ET Sanofi appoints Olivier Brandicourt C




NEWS VIEWER **MARKETS** INVESTING TRADING DECK PERSONAL FINANCE RETIREMENT ECONOMY REAL ESTA

NEW YORK MARKETS AFTER HOURS After Hours EarningsWatch

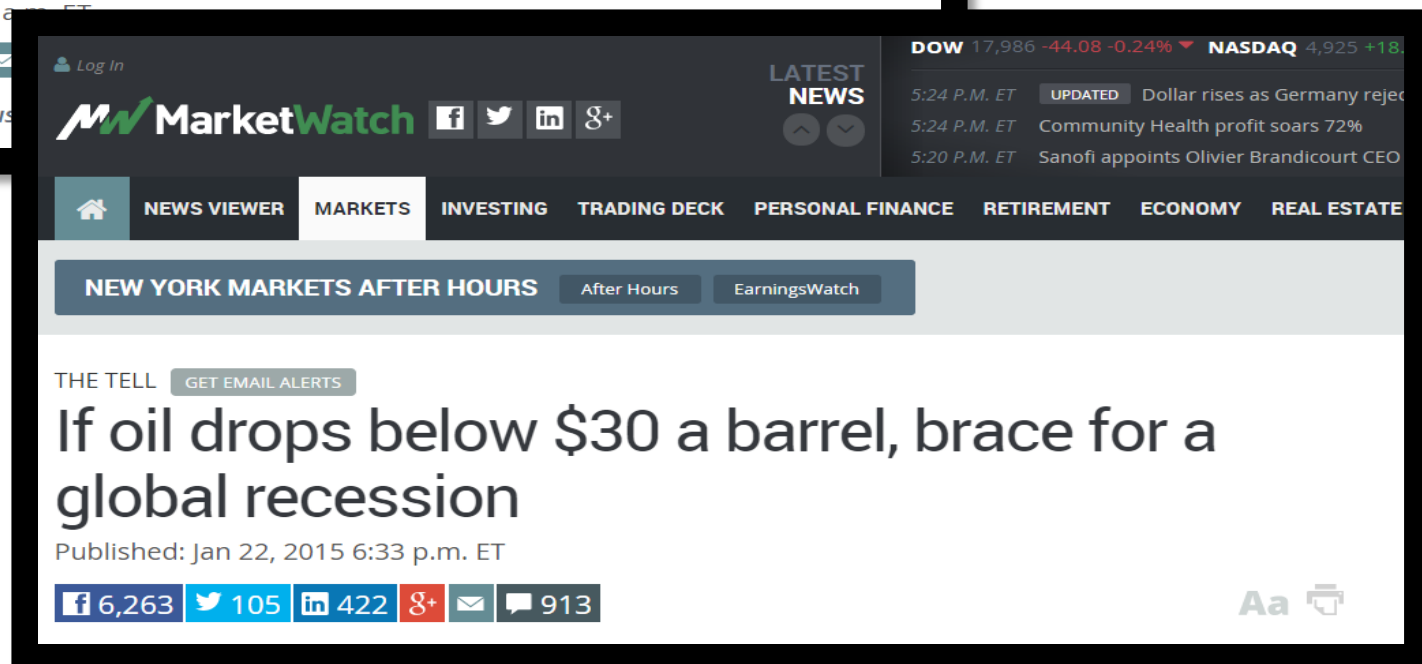
HOWARD GOLD'S NO-NONSENSE INVESTING **GET EMAIL ALERTS**

Opinion: He called \$50 oil, now he says it's going lower





Published: Jan 27, 2015 7:00 a

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Oil indus



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LATEST NEWS

DOW 17,986 -44.08 -0.24% **NASDAQ** 4,925 +18

5:24 P.M. ET **UPDATED** Dollar rises as Germany rejec
5:24 P.M. ET Community Health profit soars 72%
5:20 P.M. ET Sanofi appoints Olivier Brandicourt CEO







NEWS VIEWER **MARKETS** INVESTING TRADING DECK PERSONAL FINANCE RETIREMENT ECONOMY REAL ESTATE


NEW YORK MARKETS AFTER HOURS After Hours EarningsWatch

THE TELL **GET EMAIL ALERTS**

If oil drops below \$30 a barrel, brace for a global recession

Published: Jan 22, 2015 6:33 p.m. ET

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Aa 

MARKETS MAIN

U.S. Producers Ready New Oil Wave

Even as crude plunges, energy firms are waiting to unleash more supply, capping any price gains



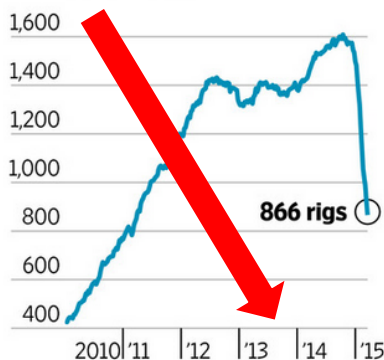
Strategic Drilling

Capital spending by energy companies and the U.S. rig count have fallen...

Capex for biggest U.S. shale firms



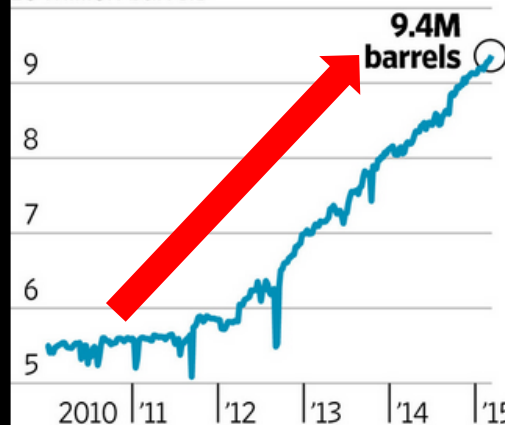
Total active oil rigs



...but U.S. production remains robust, thanks to a focus on the best fields, keeping prices down.

Daily oil production

10 million barrels



Oil price, West Texas Intermediate





\$120 a barrel



Sources: the companies (capex); Baker Hughes (rigs); Energy Information Administration (production); SIX Financial Information (price)

Big Picture

Log In

MarketWatch    

LATEST NEWS

- 5:26 P.M. ET Newmont swings to profit thanks to as
- 5:25 P.M. ET **UPDATED** Dollar bounces back as Ger
- 5:24 P.M. ET Community Health profit soars 72%







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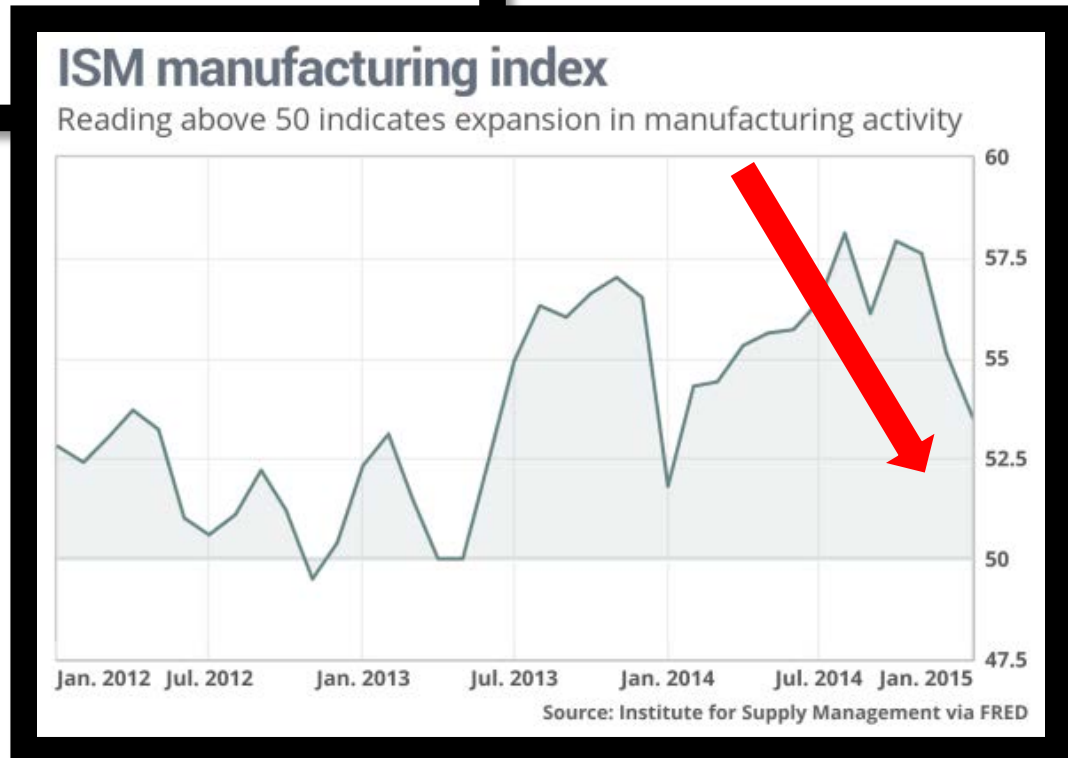
NEW YORK MARKETS AFTER HOURS [After Hours](#) [EarningsWatch](#)

ECONOMIC REPORT [GET EMAIL ALERTS](#)

Manufacturing showing signs of sputtering

Published: Feb 2, 2015 3:15 p.m. ET

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State/Regional

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Residential Real Estate

Analysts split over whether oil plunge will hammer Texas' housing market

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Trending

- Downtown Dallas' Chase Tower to get first makeover since 1980s
- New management hopes to revitalize Cedar Hill's Uptown Village
- Richardson is getting massive development next door to State

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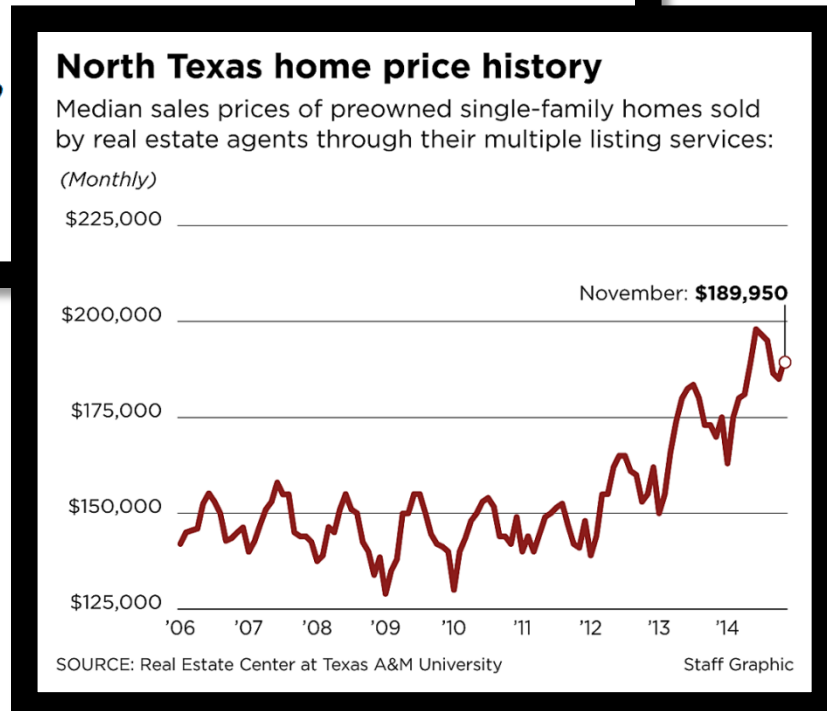
Business > Residential Real Estate

Residential Real Estate

Trending

New report: Texas home prices overvalued, “may be unsustainable”

Share Tweet Email 5 Comment Print



State/Regional

- **Over 1,000 people a day are moving to Texas**
 - Lower cost of living
 - (Relatively) Cheap Land
 - Lots of jobs
 - Fleeing states like CA, NY



State/Regional

So, what's the impact??

- Increased Demand for Housing
- Increased Construction
- Increased Labor Costs for Construction
- Increased Existing Home Prices
- Increased Traffic/Congestion
- Increased Prison Population
- Etc...

**“YOU MAY ALL GO TO HELL
AND I WILL GO TO TEXAS”**

DAVY CROCKETT



State/Regional

The New York Times

For \$82 a Day, Booking a Cell in a 5-Star Jail



Monica Almeida/The New York Times

Nicole Brockett is serving her sentence for drunken driving in a pay-to-stay cell at the jail in Santa Ana, Calif.

By JENNIFER STEINHAUER
Published: April 29, 2007

SANTA ANA, Calif., April 25 — Anyone convicted of a crime knows a debt to society often must be paid in jail. But a slice of Californians willing to supplement that debt with cash (no personal checks,



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DALLAS 2015 EARTHQUAKE



FEEL

WE WILL REBUILD!

Metroplex Residential Market



Metroplex

Residential Market

- Values up 5-25% in many areas (NTREIS)
- Many Areas Seeing Double-Digit Increases in Value (NTREIS)
- New Home Construction is On Fire
- Many houses selling in “hours”
- Multiple Offers and Bidding Wars are common
- “Hip Pocket” and “Off Market” sales becoming common
- Sellers receiving Offers “Substantially Over List Price”
- Pre-Owned Inventory at all time low (2.6 Months)



Source:

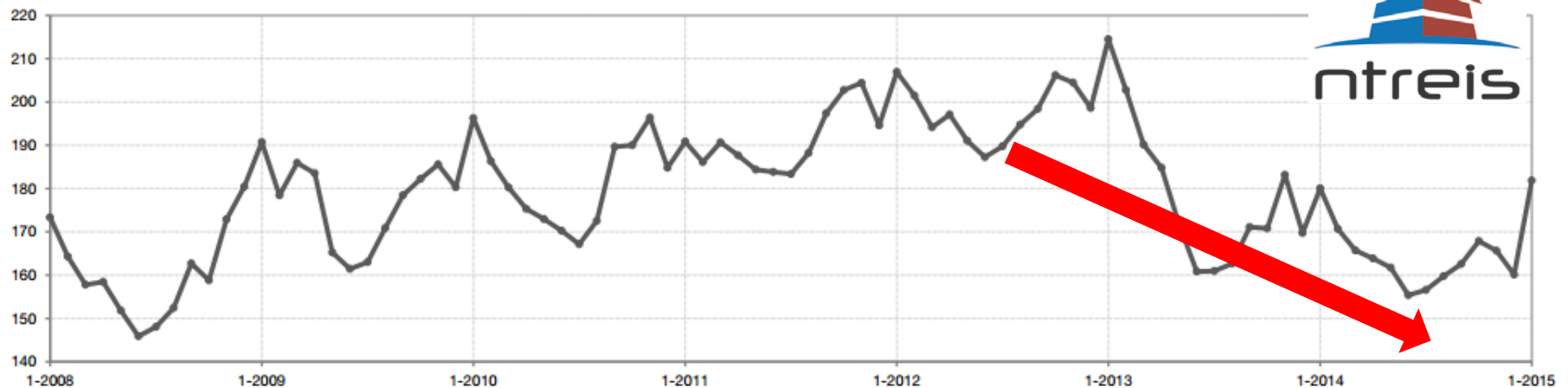


Metroplex

Residential Market

- Housing Affordability Declining – Nearing '08 Levels
- Sellers can't replace what they have and keep the same payment – Don't Sell!
- Home equity rising rapidly for most homeowners – Feelin' Good!
- Potential for rising interest rates in near future – Affordability will decline more
- Will "Real" wages Increase? Decrease?

Historical Housing Affordability Index



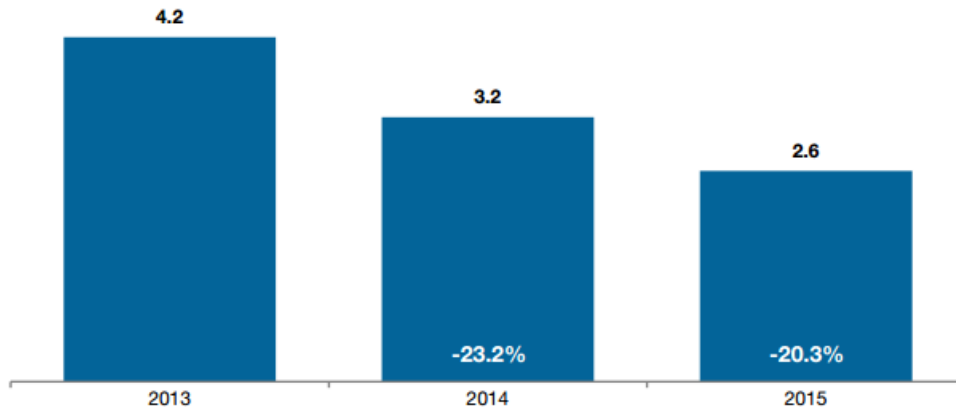
Metroplex

Months Supply of Inventory

The inventory of homes for sale at the end of a given month, divided by the average monthly pending sales from the last 12 months.

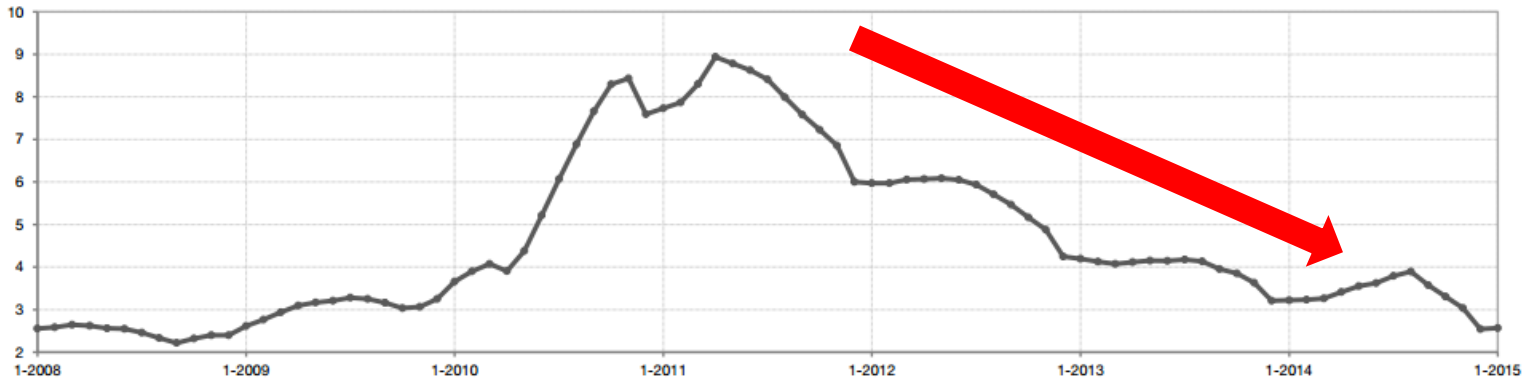


January

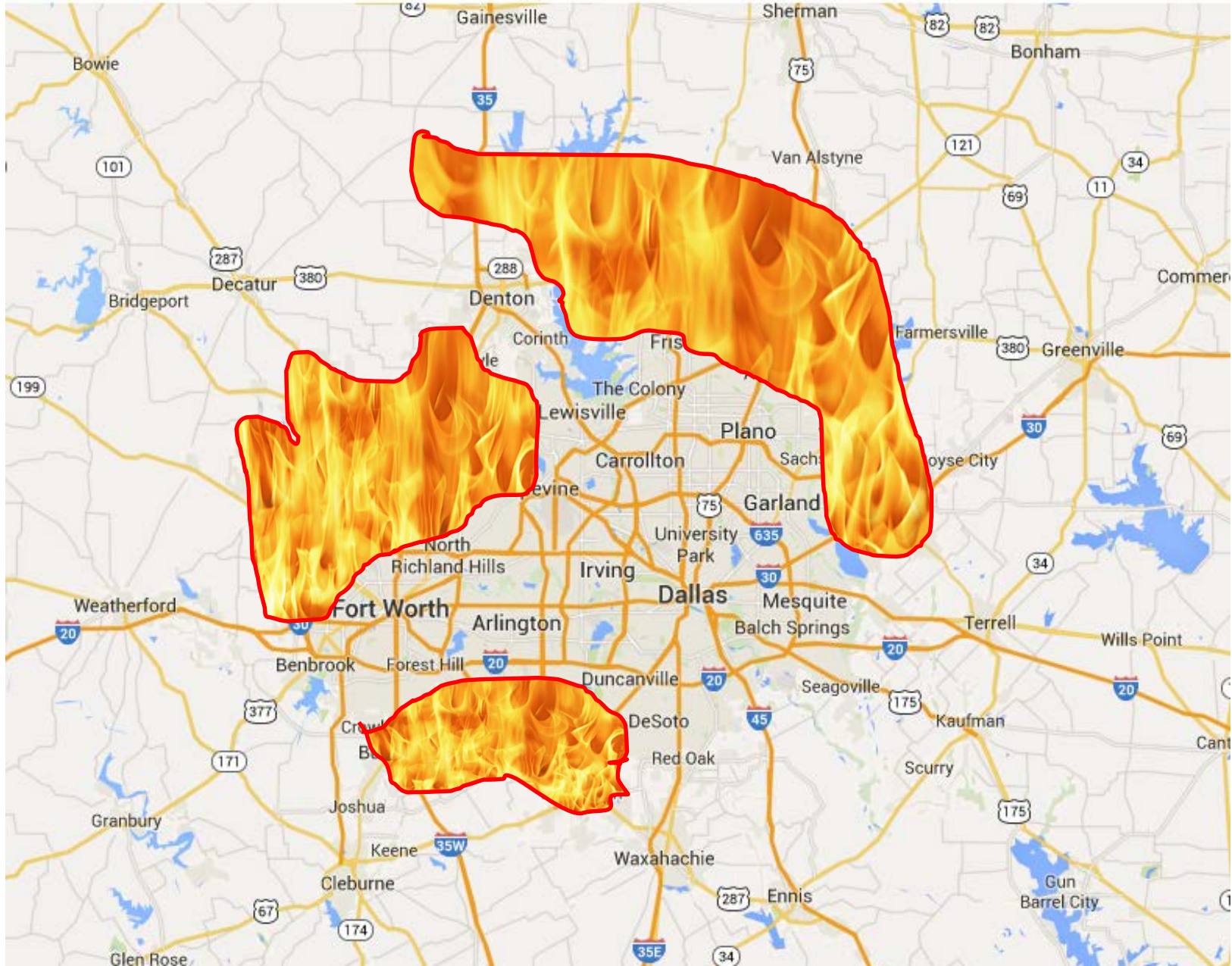


Month	Prior Year	Current Year	+/-
February	4.1	3.2	-21.8%
March	4.1	3.3	-19.9%
April	4.1	3.4	-17.1%
May	4.1	3.6	-14.4%
June	4.1	3.6	-12.6%
July	4.2	3.8	-9.2%
August	4.1	3.9	-5.8%
September	4.0	3.6	-9.6%
October	3.9	3.3	-14.2%
November	3.6	3.0	-16.3%
December	3.2	2.5	-20.7%
January	3.2	2.6	-20.3%
12-Month Avg	3.9	3.3	-14.9%

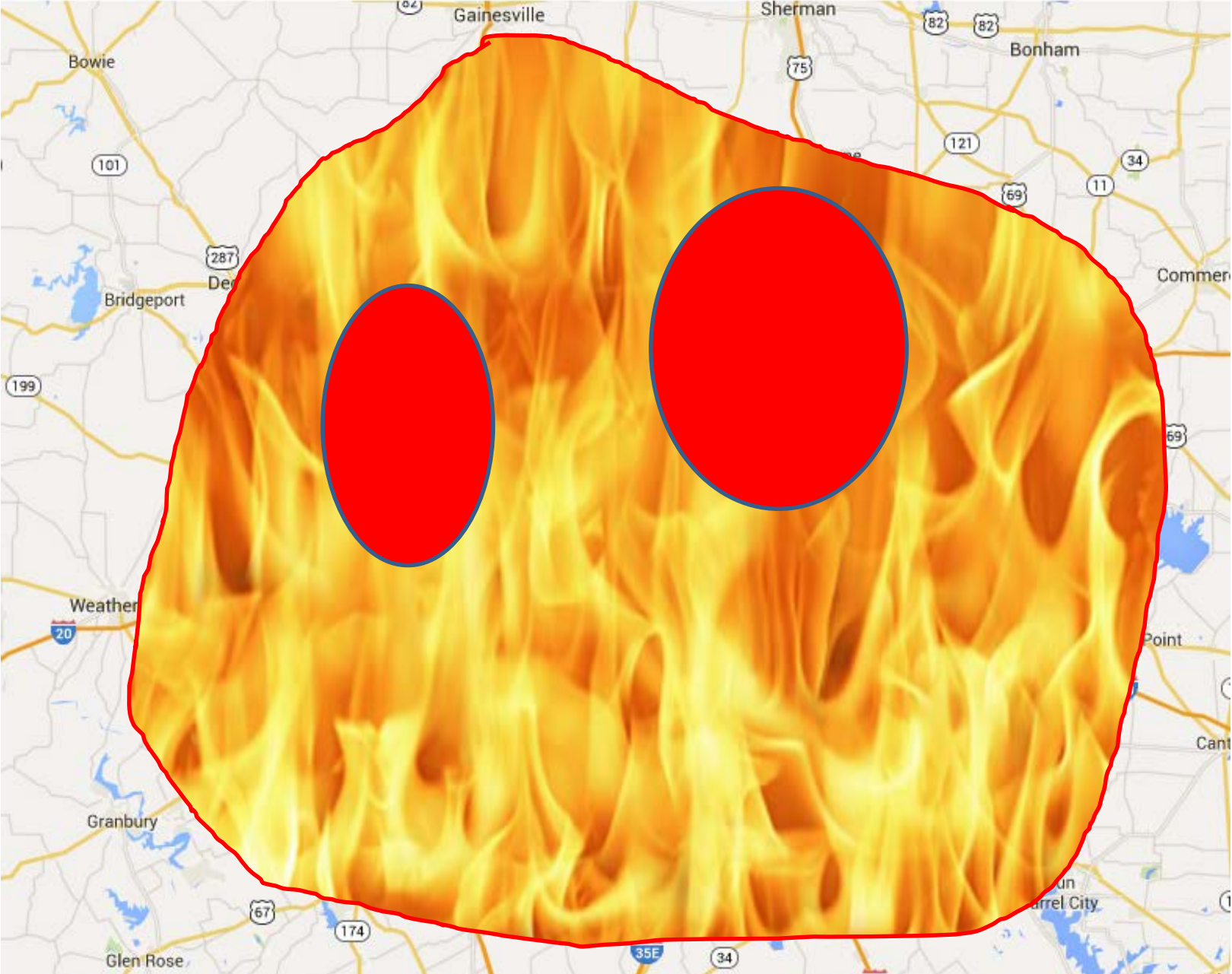
Historical Months Supply of Inventory



Residential Hot Spots – New Growth



Residential Hot Spots – Value Growth



Metroplex Retail Market



Metroplex - Retail Market

- Rooftops drive demand for Retail
- Large Population Influx
- California Dreamin' ...
 - Lower Cost of housing = Discretionary Income
 - Discretionary Income = Retail Dreamland
 - See Frisco, Trophy Club, McKinney, Plano, Flower Mound..
- “Urbanized Suburbia”
 - New residents are accustomed to urban environments and seek urban lifestyle in suburbs
 - Retail will find a way to accommodate Urban customer base



Metroplex - Retail Market

- Big Box vs The Internet – Who's Gonna Win?
- Walmart – The Beast!
- Traditional Shopping Malls are Dying
- Power Centers... Meh..

Google



Why Drones Won't Work In Texas



AMAZON DELIVERY DRONES



SKEET SHOOTING WITH PRIZES

How do People Really Feel?

30 REGISTERS

3 OPEN

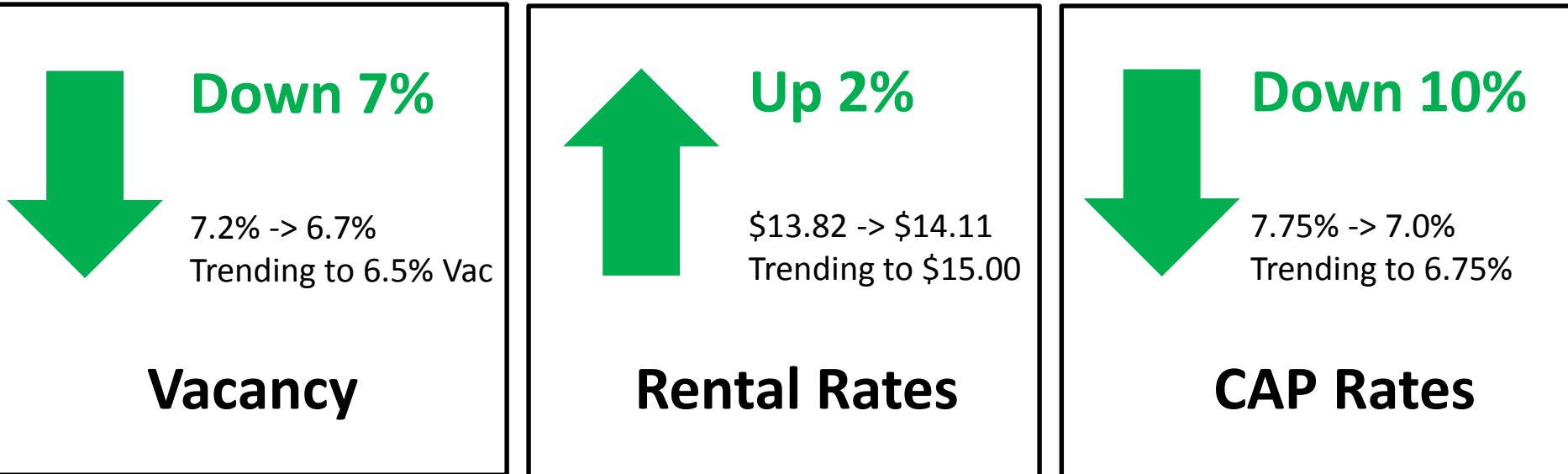
WAL★MART®

You hate us, but you shop here

Anyway.

Metroplex - Retail Market

Key Market Indicators – All Retail



Translation: Retail Values Up 10-15%

Metroplex - Office Market



Metroplex – Office Market

- Growing/New Companies Driving Demand for Office
- Many New Startups and Relocations to DFW
- Mega HQ/Complexes (State Farm, Toyota, Chase)
- Consolidation of Multi-Branch Operations
- Data/Tech Centers



Metroplex – Office Market

- Lots of New Construction
- Vacancy Still Declining
- Medical Office Space in High Demand
- Medical Groups Forming/Consolidating



Metroplex – Office Market

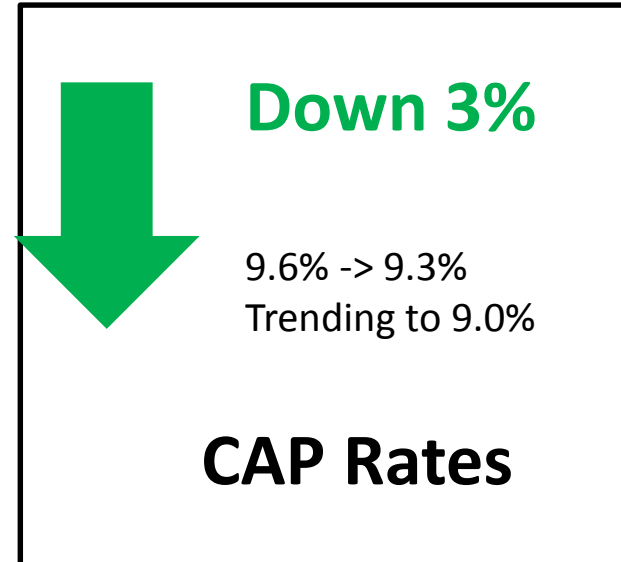
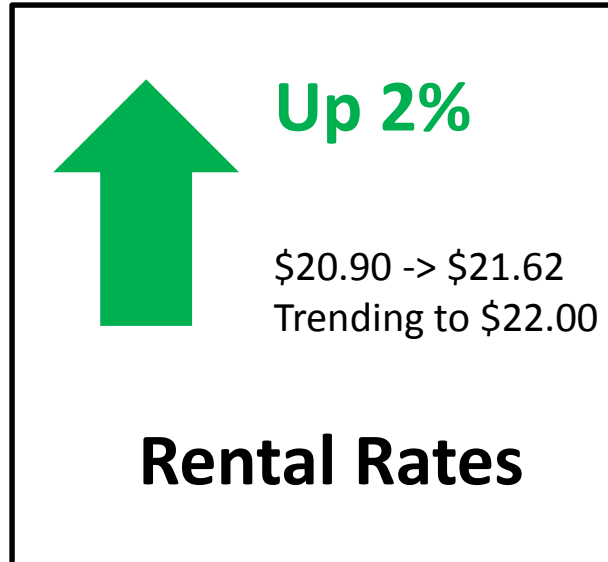
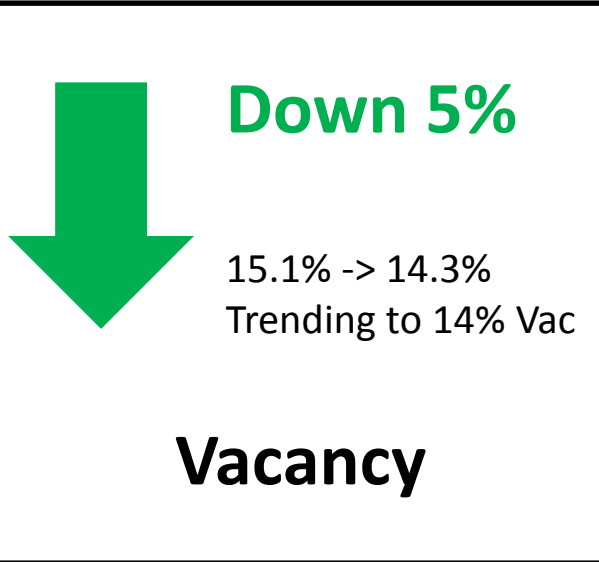
Working @Home vs Going In

- Accountability & Productivity vs Job Satisfaction



Metroplex – Office Market

Key Market Indicators – All Office



Translation: Office Values Up 6-8%

Metroplex – Industrial Market



Metroplex – Industrial Market

- Major Intermodal Hubs Continuing to Develop
- Storing goods waiting for the next truck/train takes space
 - E-Commerce is booming!
- Multiple 500k-1M sqft Facilities Ready or Under Construction Now
- Over 17 Million total sqft Under Construction Now
- 7 Million Sqft New Space Completed in Q4 - 2014



A DEVELOPMENT OF HILLWOOD
A PEROT COMPANY™



Metroplex – Industrial Market

- More Companies will Look at Large Distribution Centers
 - Cost Savings, Inventory Control, Transit Time Reductions
 - Just In Time Delivery Concept Reduces Retail Sqft Needs
 - Walmart – The Beast!



Metroplex – Industrial Market

- Examples of Shifting Retail Concepts

Retailer	Old Concept	New Concept
Best Buy	38,500	2,000
Office Depot	24,500	5,000
WalMart SuperCenter	207,000	100-185k
Sports Authority	40,000	15,000
Old Navy	25,000	10,000



**SPORTS
AUTHORITY®**

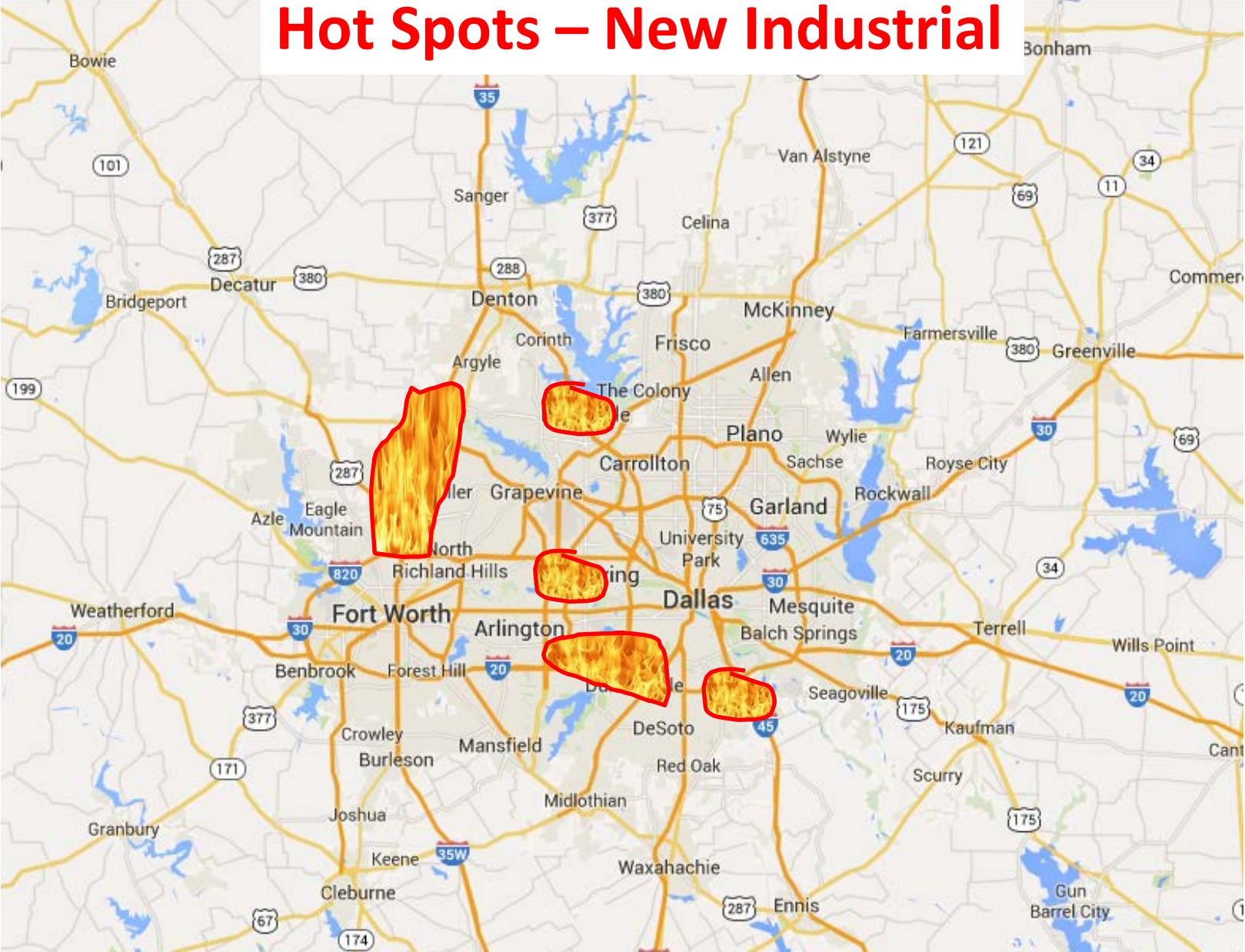


**Office
DEPOT®**



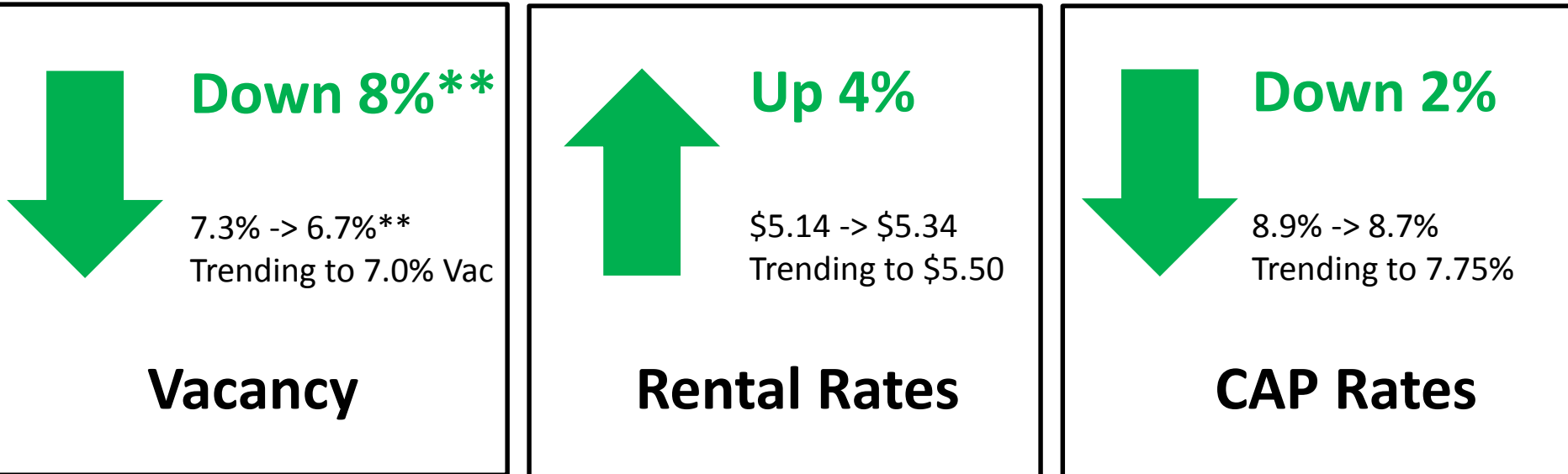
Metroplex – Industrial Market

Hot Spots – New Industrial



Metroplex – Industrial Market

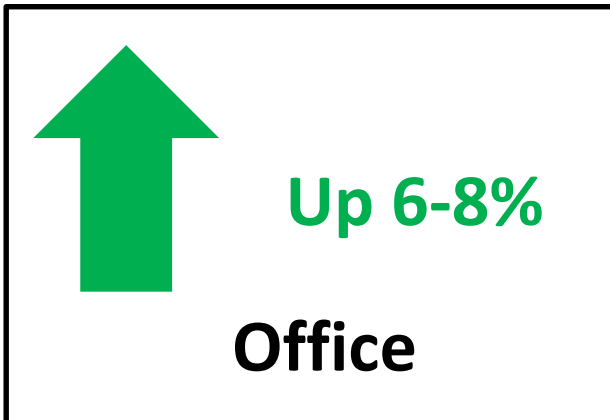
Key Market Indicators – All Industrial



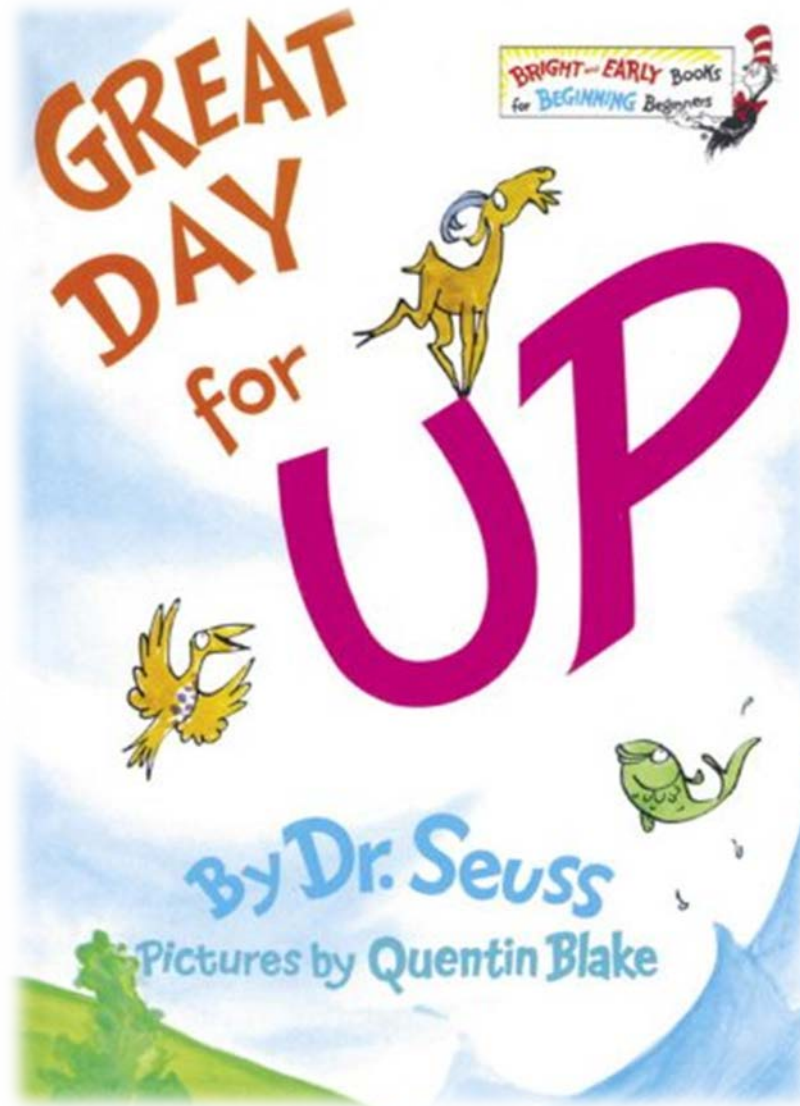
Translation: Industrial Values Up 5-7%

**Adjusted for 5mm sqft of speculative inventory delivered Q4

Recap..



Recap...



Things To Watch For...



Things To Watch For...

- Interest Rates/Inflation/Deflation
- Stock Market & Response to Shift
- Oil Prices & Fallout From Decline
- “Global Events”
- Continued Evolution in Retail Concepts
- Speculative Building Patterns



