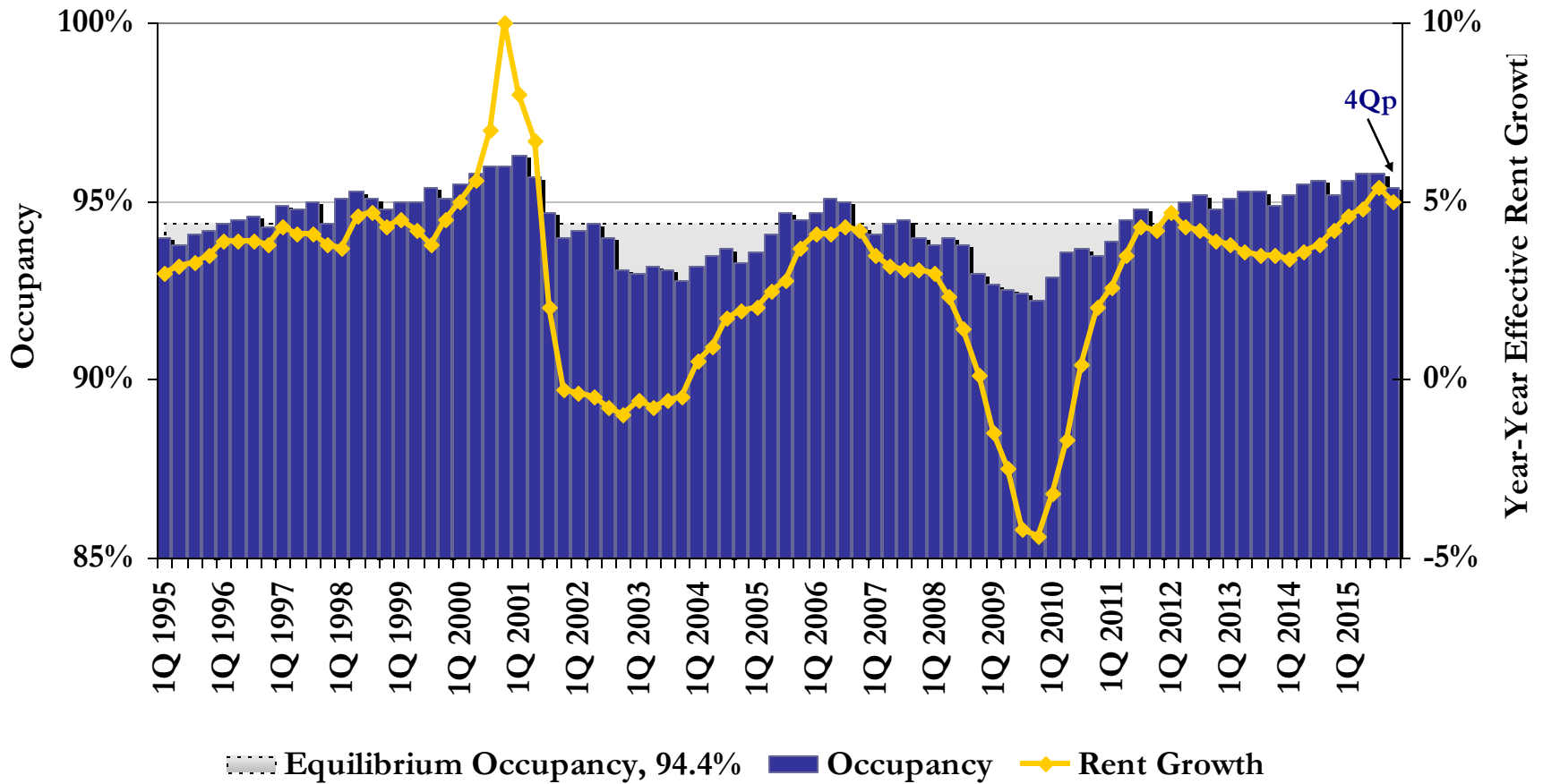


Finding Shelter:
Assessing Texas Residential Real Estate amid the Oil Slump

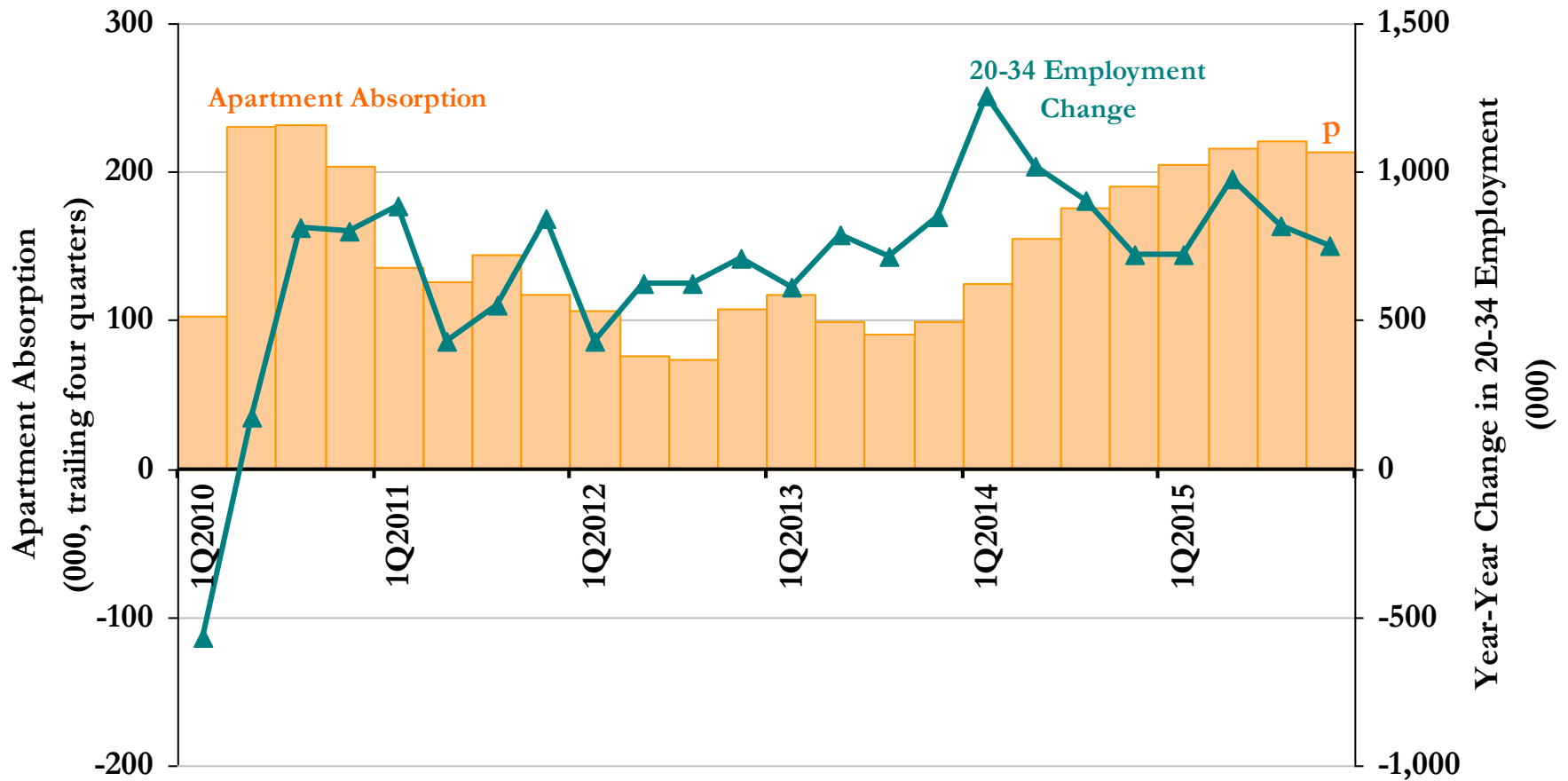
Trends and Outlook for the Texas Apartment Markets

YE15p: Occupancy solid, rent growth decelerating



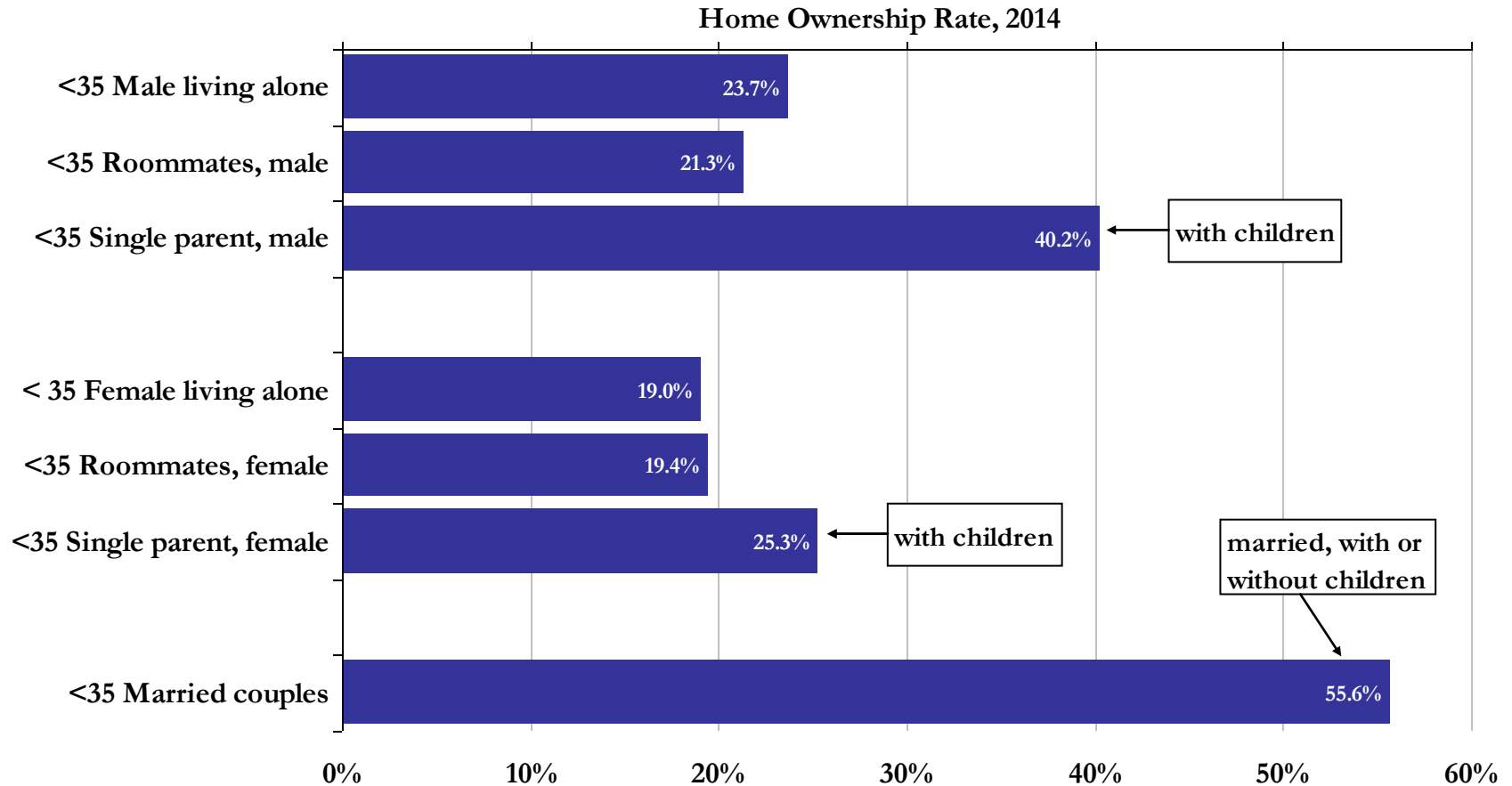
Source: Witten Advisors

Young Adults still finding jobs, though slower than peaks; January year-year: +801K

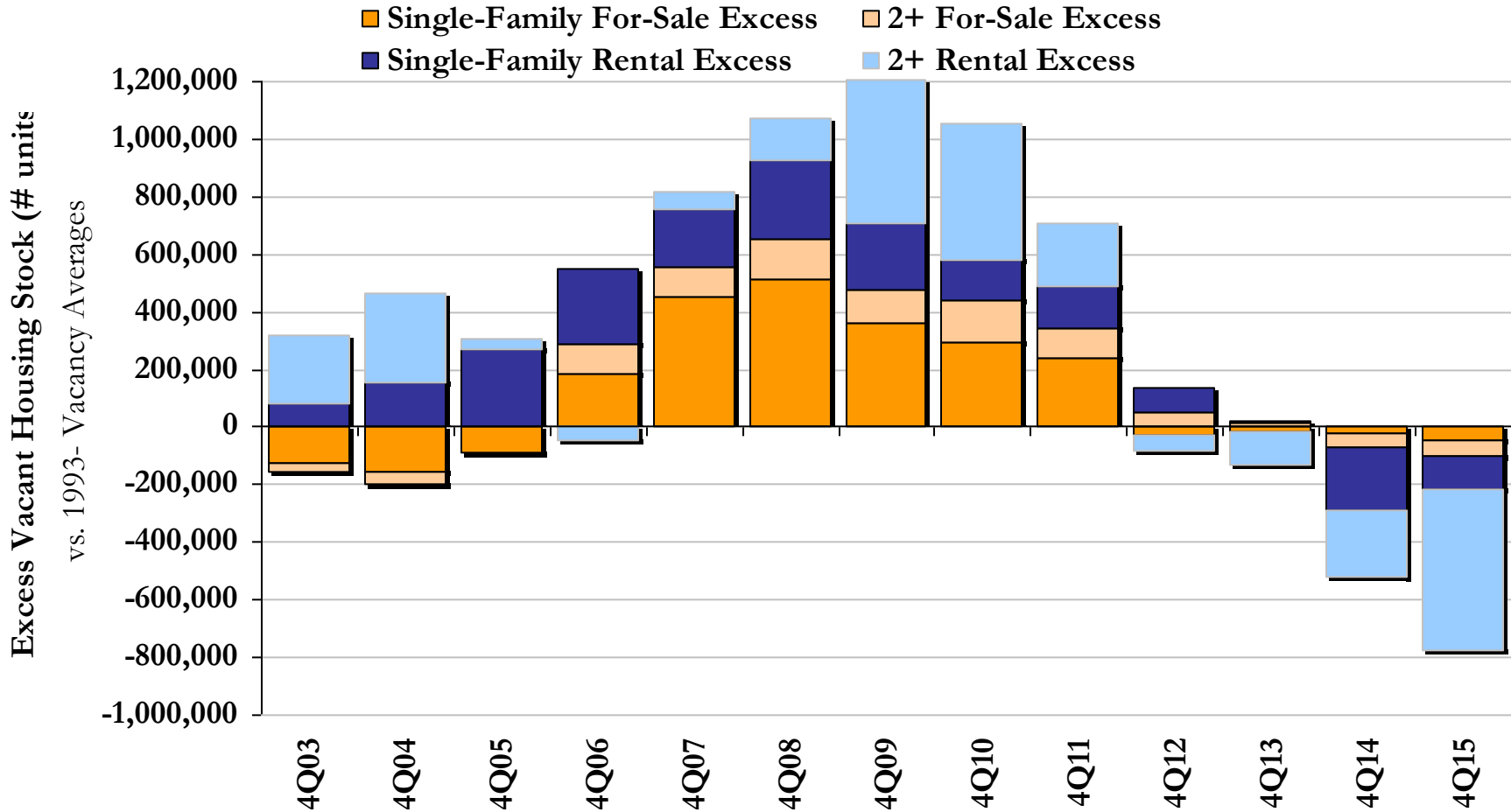


Source: Witten Advisors, U.S. Bureau of Labor Statistics

How do marriage, children influence the housing market?

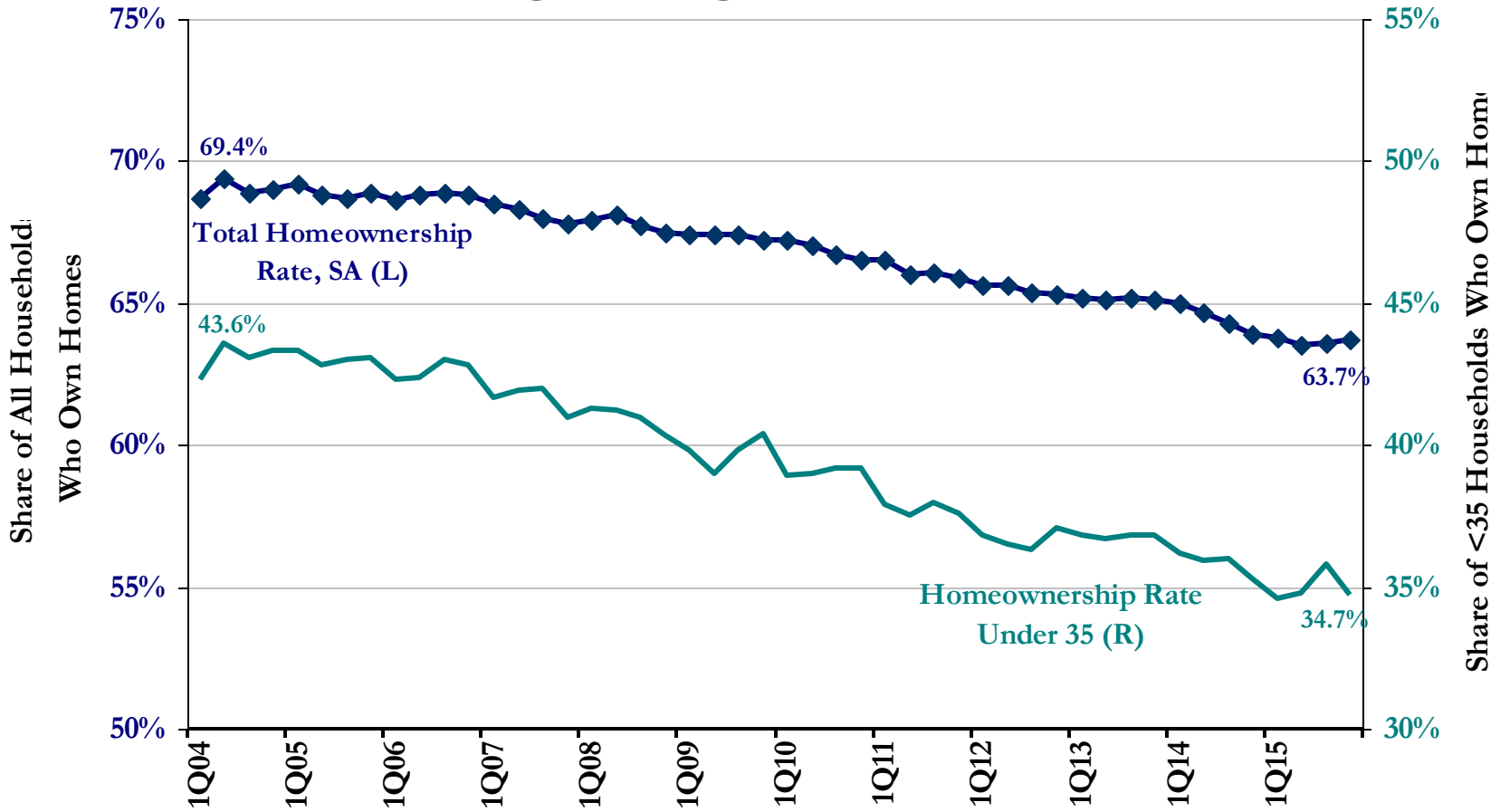


The outcome: a growing shortage of housing *(especially rentals)*



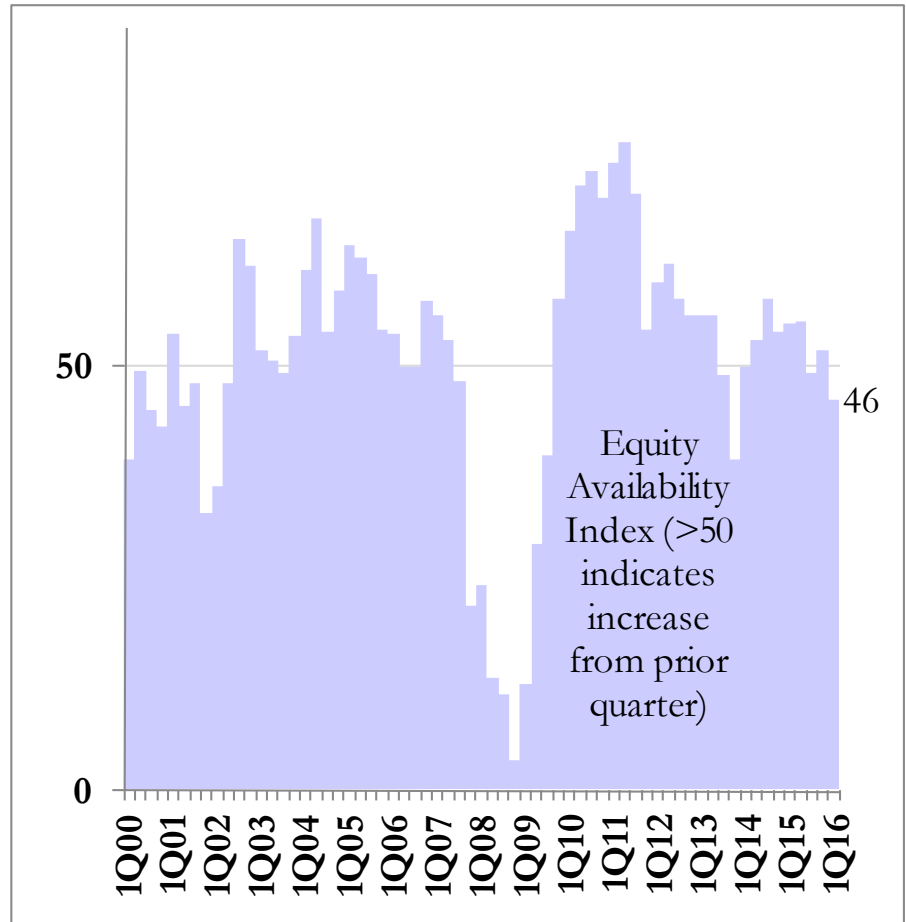
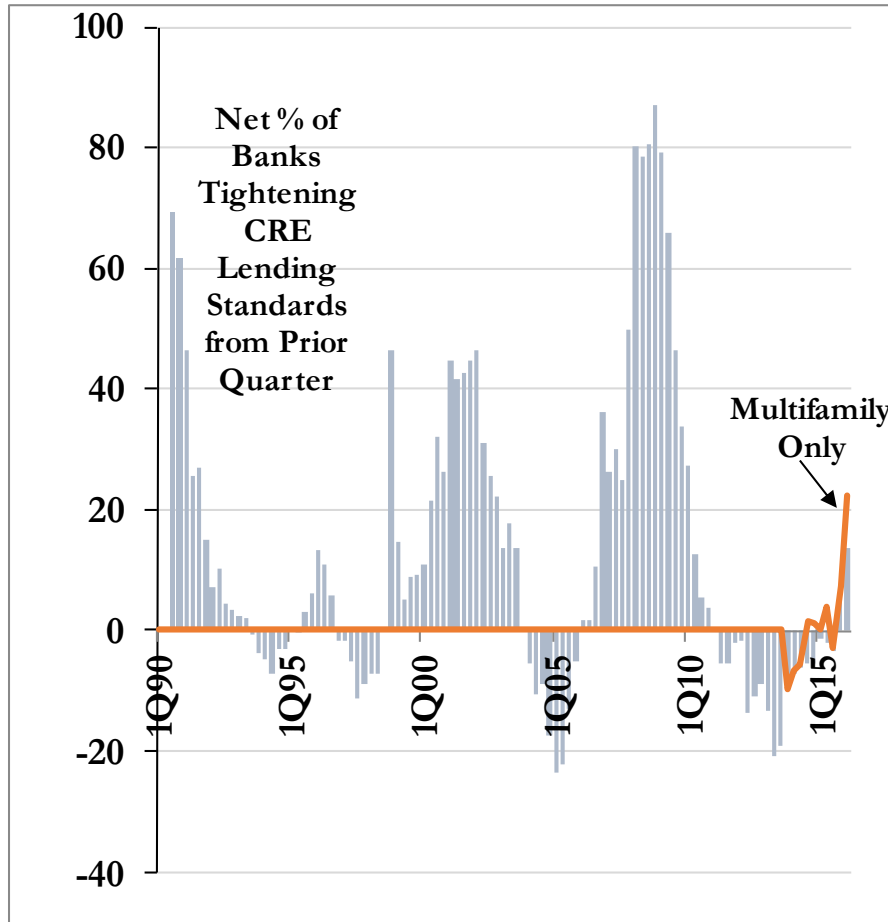
Sources: Witten Advisors, U.S. Census Bureau vacancy data

Homeownership dropped to a 50-year low after 2004 top; beginning to stabilize?



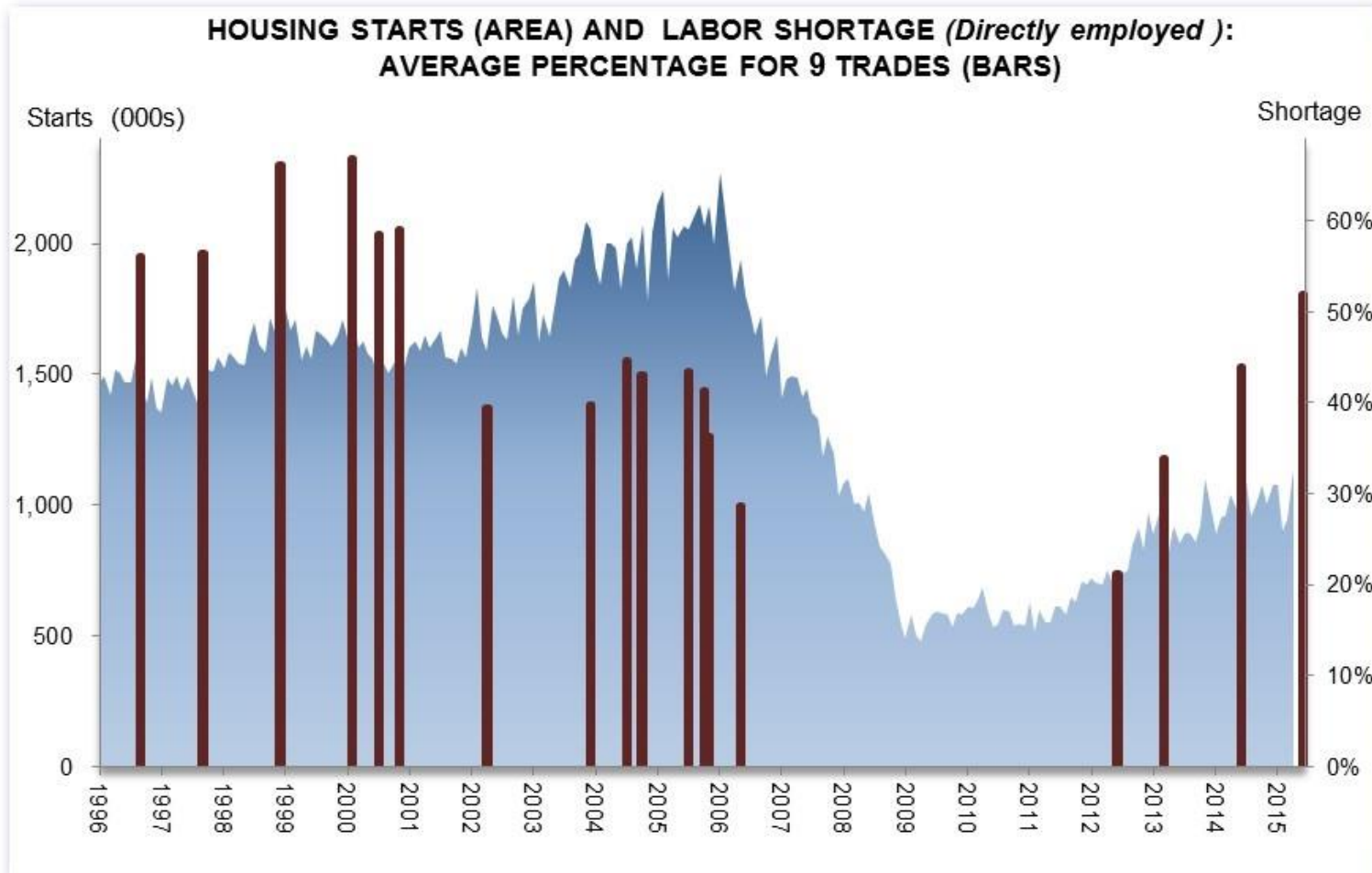
Source: U.S. Census Bureau

Capital flows: Banks tightening; equity stable



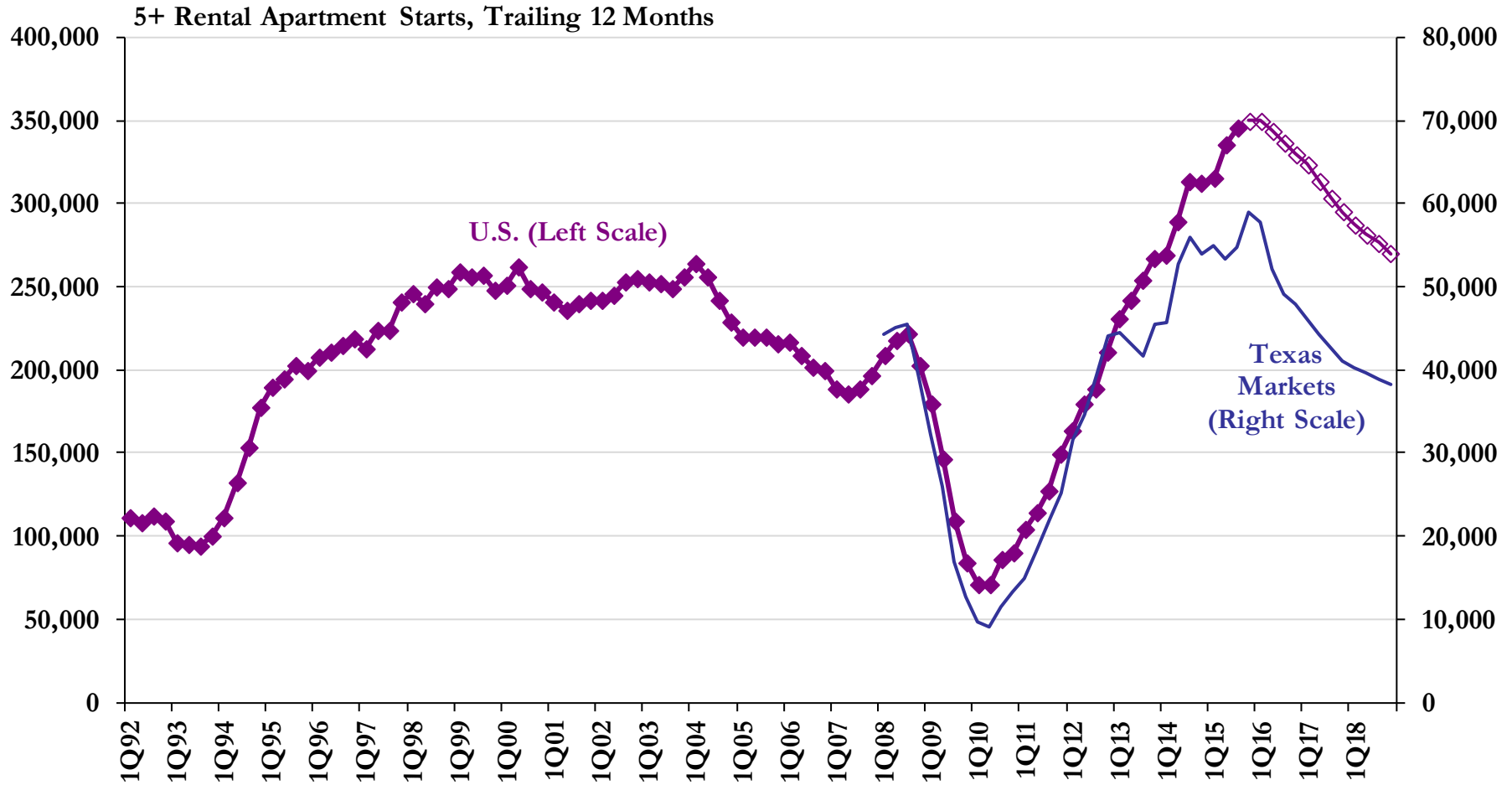
Sources: Federal Reserve Bank, NMHC

Construction labor a headwind for development returns



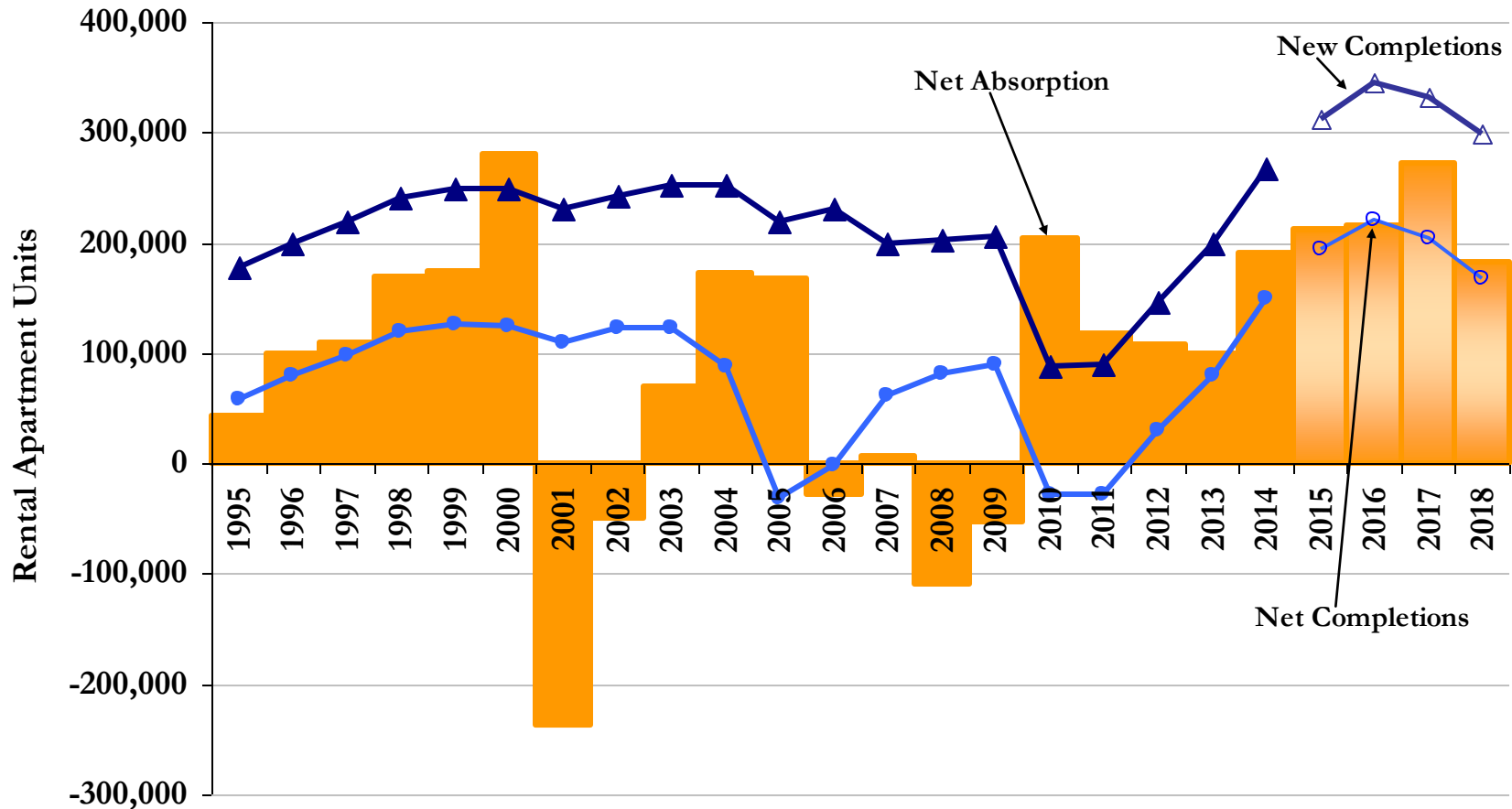
Source: NAHB

2015 apartment starts marked a 28-year high; should decline given costs, bank caution...faster in TX markets (Houston)



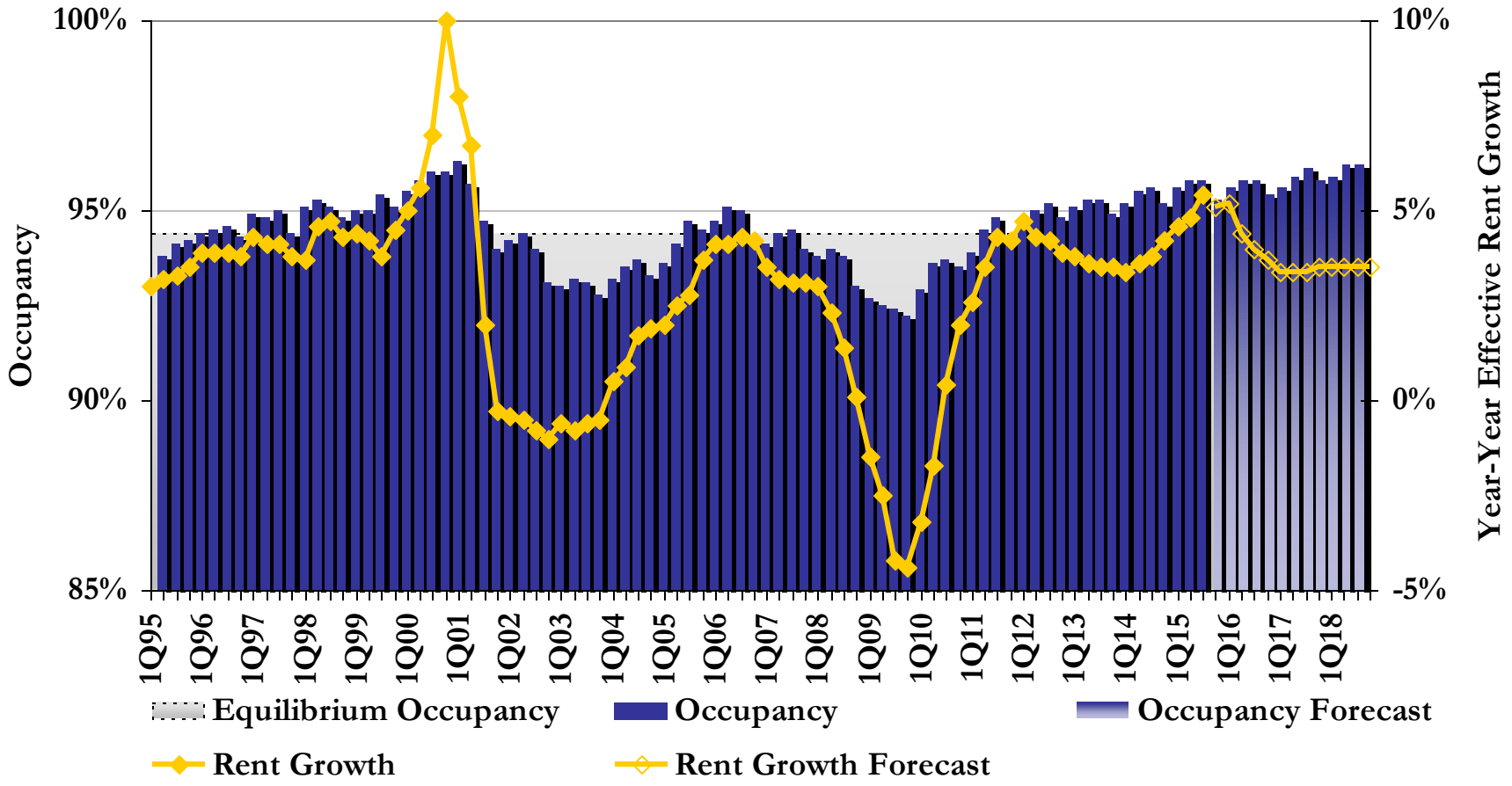
Source: Witten Advisors

Hiring, rising apartment affinity to help demand top supply



Source: Witten Advisors

Occupancy to approach 96%, nearly 2 points above trend; rent growth should ease to 3½%...



Source: Witten Advisors

December job growth positive everywhere; 3%+ in 14 of 43

Employment Growth		
<u>12 Months ending Dec. 2015</u>		
1.	New York (+1.7%)	156.4k
2.	Los Angeles (+2.2%)	93.7k
3.	Dallas (+3.6%)	84.4k
4.	Atlanta (+3.0%)	77.8k
5.	Wash D.C. (+2.2%)	68.5k
<hr/>		
39.	St. Louis (+1.2%)	15.5k
40.	Fort Worth (+1.5%)	14.5k
41.	WPB (+2.4%)	14.1k
42.	Norfolk (+1.0%)	7.3k
43.	Kansas City (+0.3%)	2.7k

Employment Growth Rate		
<u>12 Months ending Dec. 2015</u>		
1.	San Jose	4.4%
2.	San Francisco	3.9%
3.	Portland	3.8%
4.	Austin	3.8%
5.	Riverside	3.6%
6.	Dallas	3.6%
7.	San Antonio	3.5%
8.	Orlando	3.3%
9.	Charlotte	3.3%
10.	Nashville, Tampa	3.2%
		<i>U.S. 1.9%</i>

Source: U.S. Bureau of Labor Statistics establishment survey 12

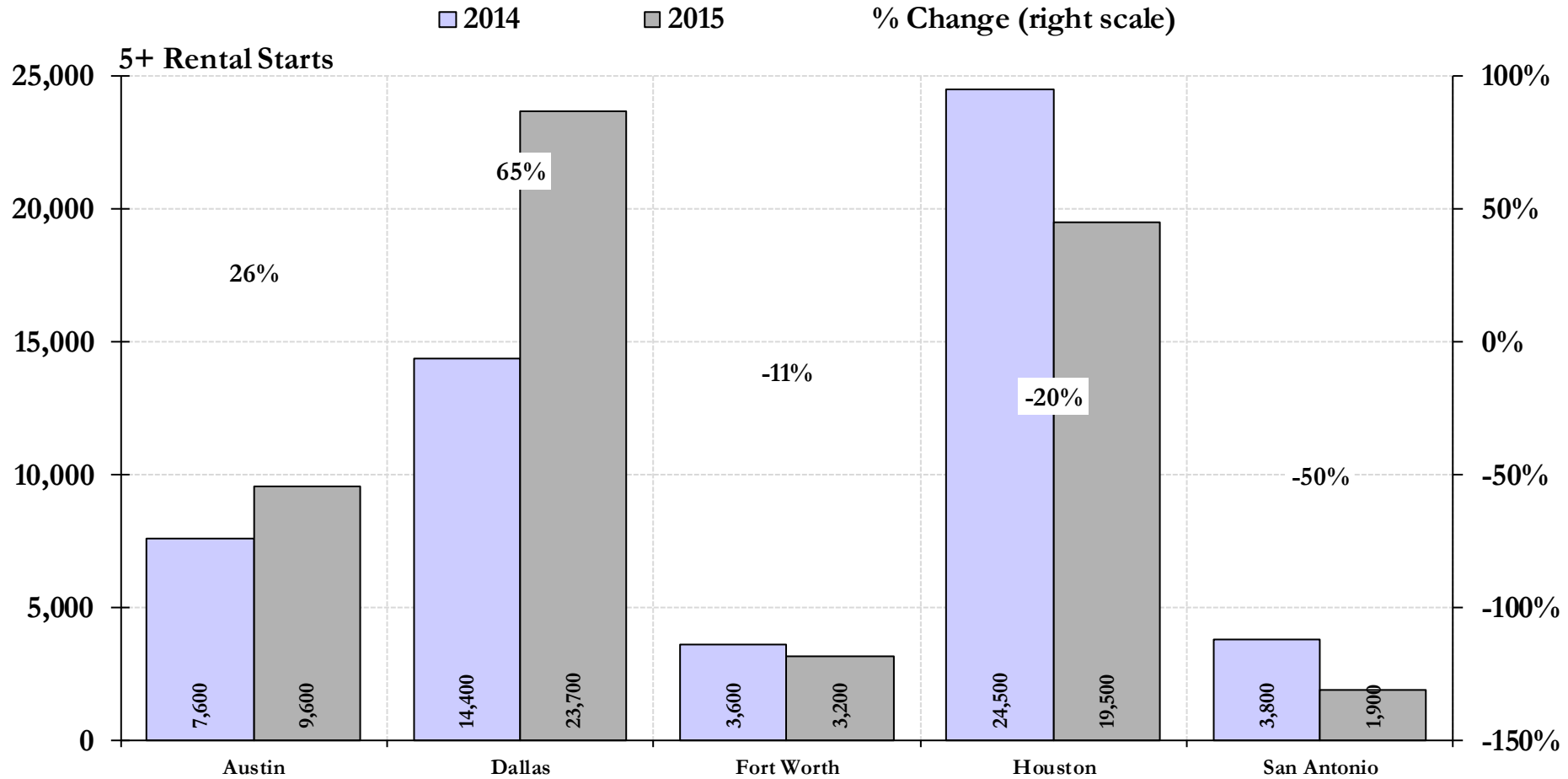
Jobs: Only 3 of 5 major TX markets beat the U.S. (1.9%)

Employment Growth		
<u>12 Months ending Dec. 2015</u>		
1.	Dallas	84.4k
2.	Austin	34.9k
3.	San Antonio	33.6k
4.	Houston	23.2k
5.	Fort Worth	14.5k

Employment Growth Rate		
<u>12 Months ending Dec. 2015</u>		
1.	Austin	3.8%
2.	Dallas	3.6%
3.	San Antonio	3.5%
4.	Fort Worth	1.5%
5.	Houston	0.8%

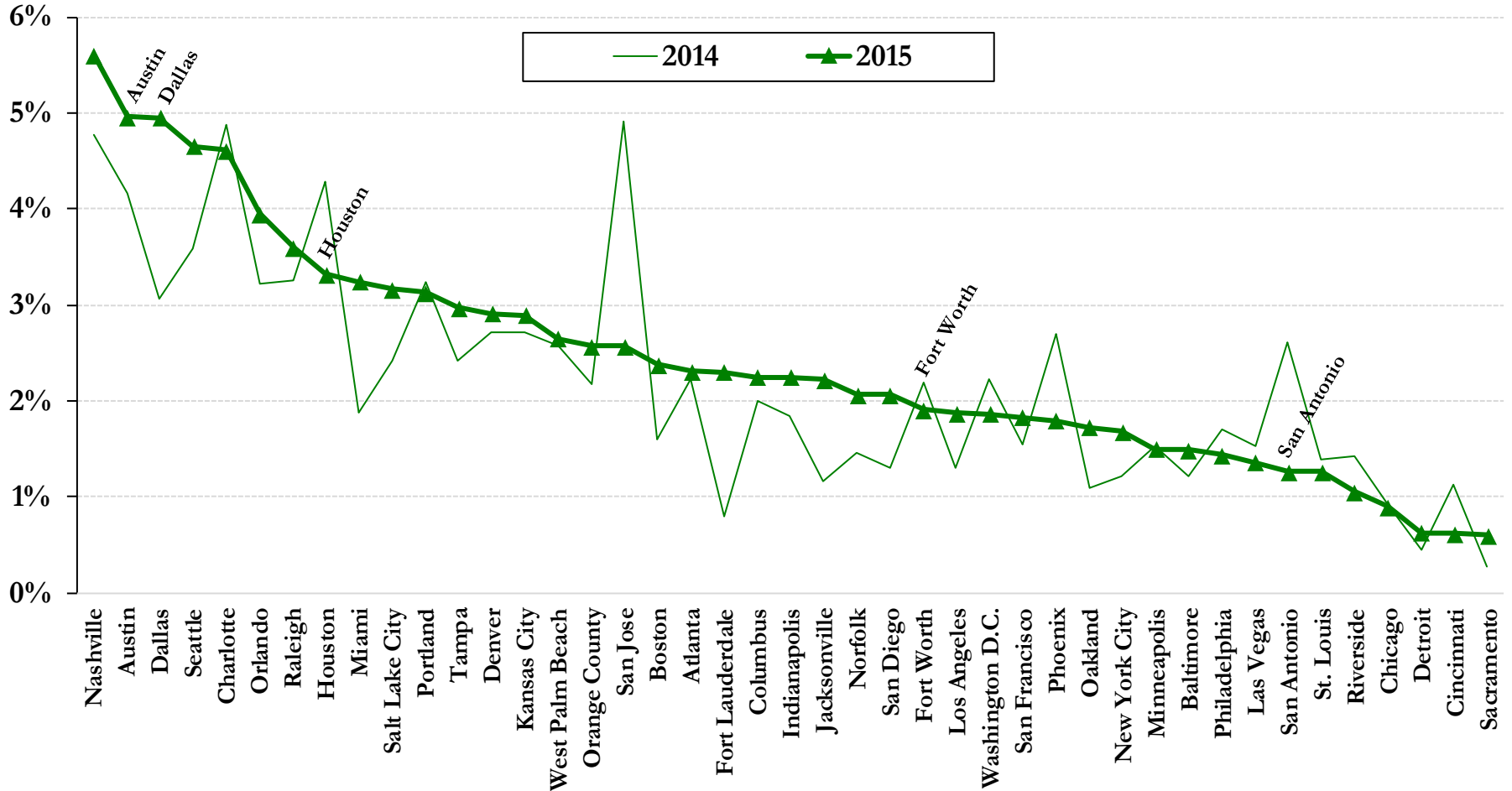
Source: U.S. Bureau of Labor Statistics establishment survey 13

Calendar 2015 starts trended differently across Texas: soaring in Dallas; up in Aus; slower in SA, Hou (*finally*), FW



Source: Witten Advisors 14

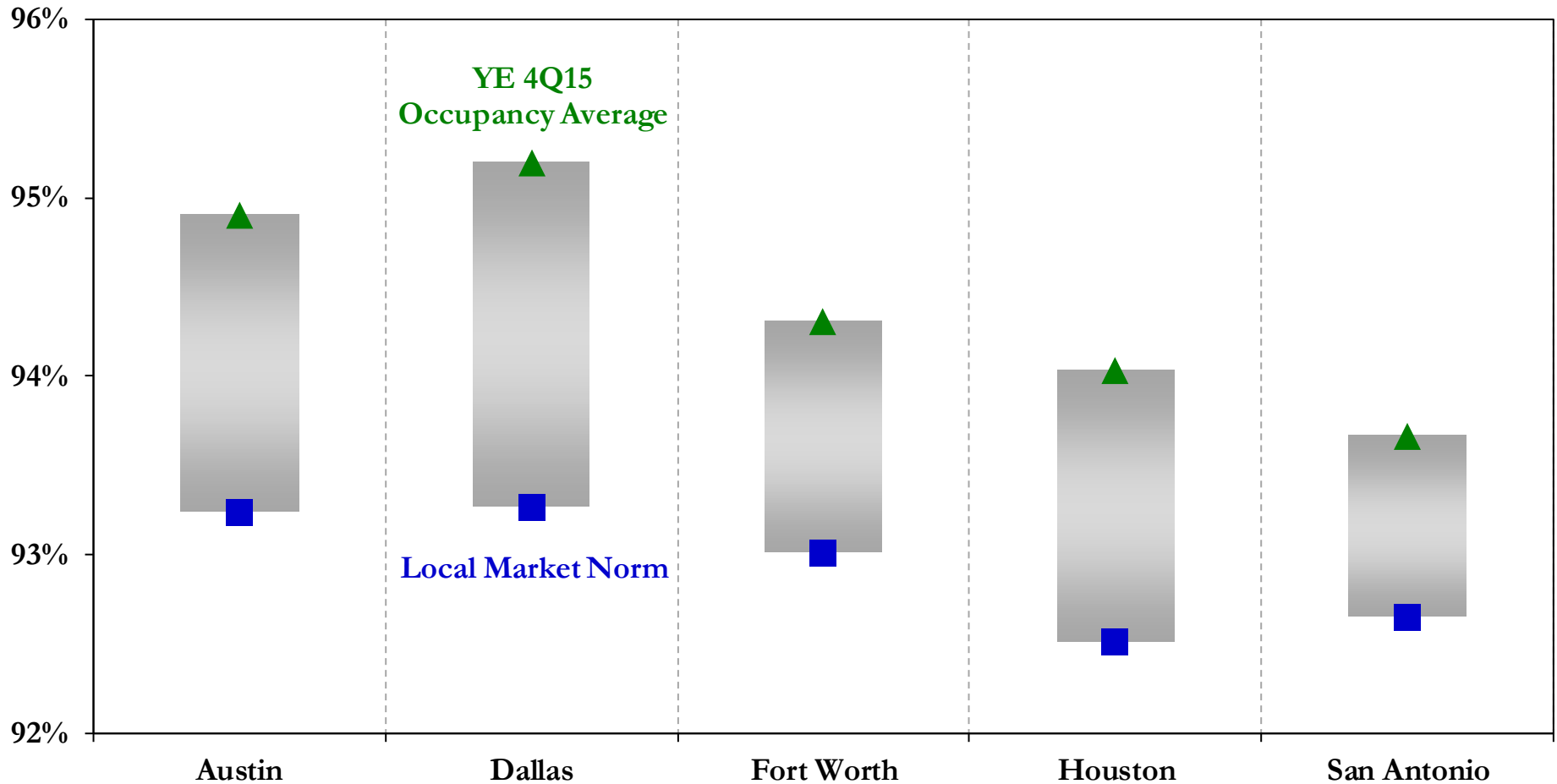
**Starts rates* slowed in 3 of 5 TX markets in '15;
still 5% in Aus, Dal; Hou 3+; but FW <2, SA ~1**



*Starts rate = last 12 months' starts as % of existing apartment stock

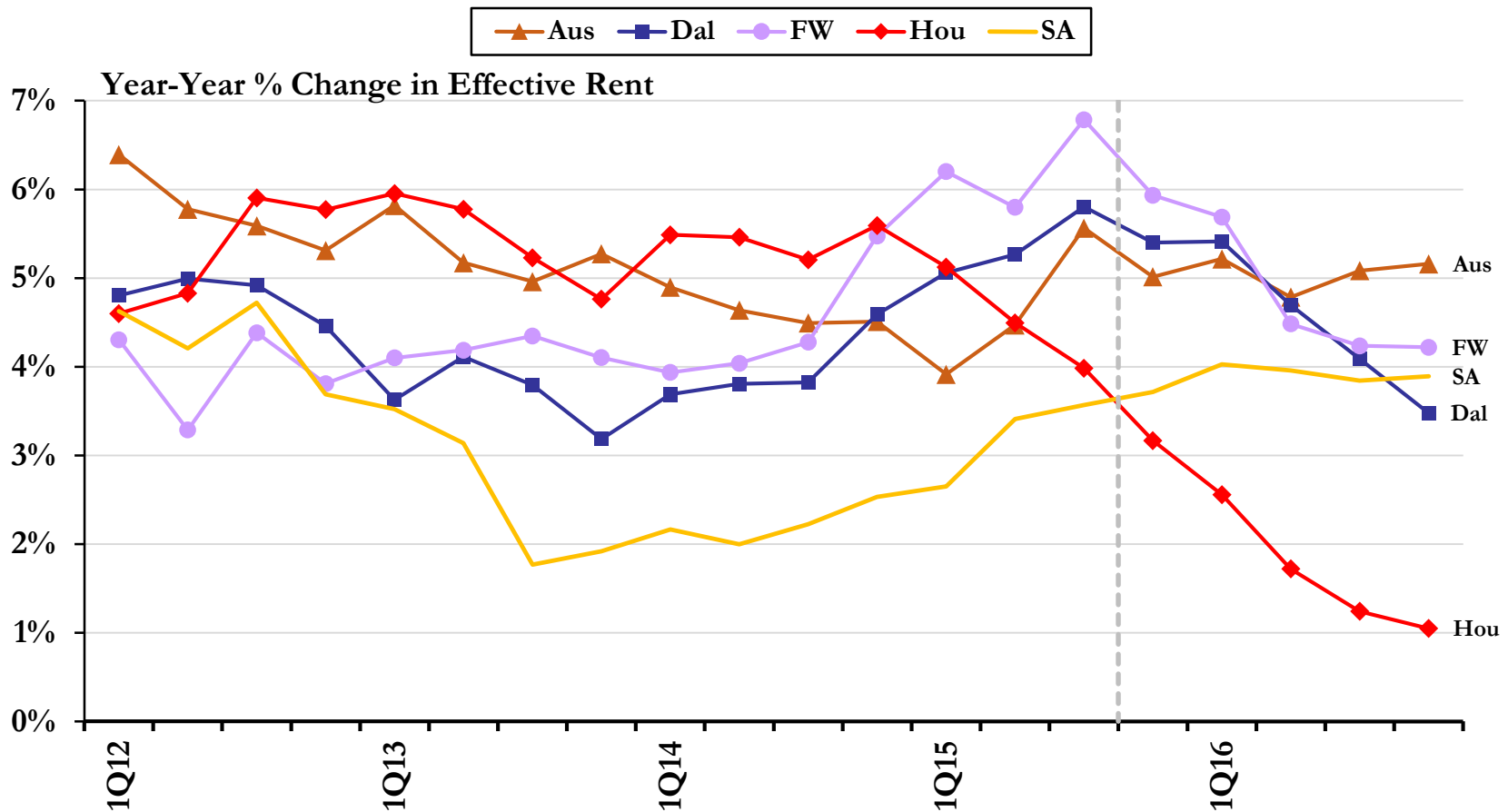
Source: Witten Advisors

TX markets seeing unusually high occupancy now



Source: Witten Advisors

Healthy but easing in FW; Dal and Hou weaker; Aus sustains momentum in '16; SA firms near-term



Source: Witten Advisors

Questions/Discussion