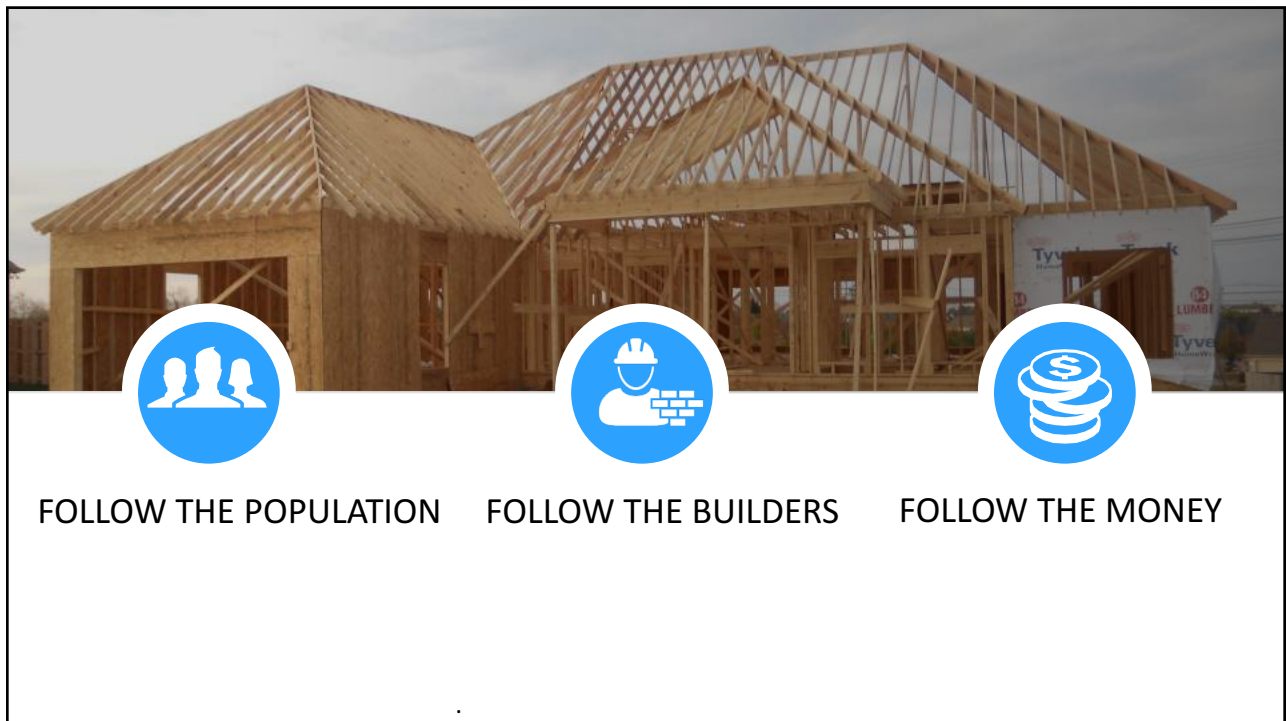

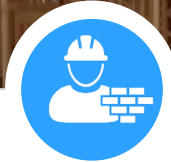



**ECHOES OF THE BUBBLE POP**  
AND WHAT THEY MEAN FOR TEXAS  
PRESENTED TO THE TEXAS SELF STORAGE ASSOCIATION

📅 April 25, 2018  
👤 Brad Hunter  
✉ @bradleyhunter  
☎ 561.573.8351



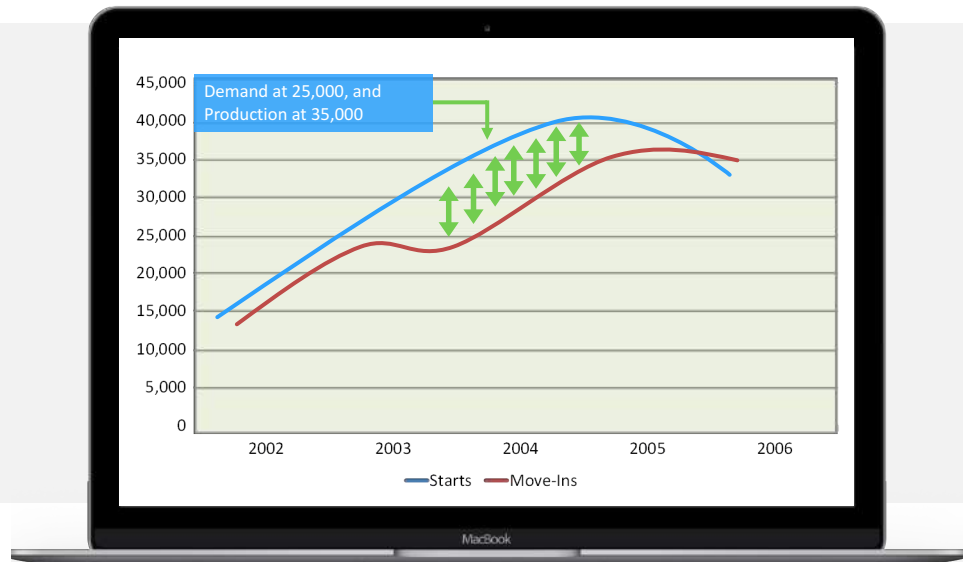
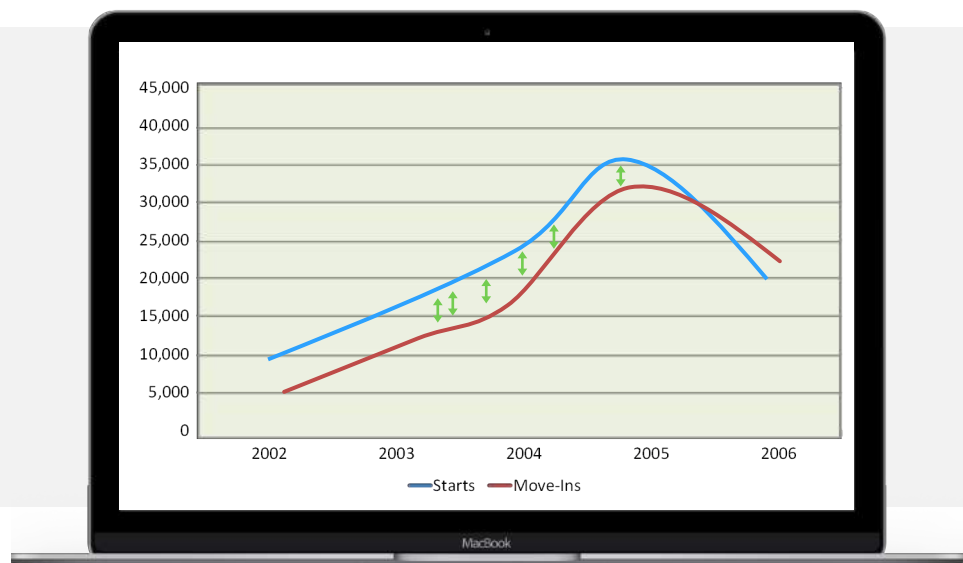
FOLLOW THE POPULATION   FOLLOW THE BUILDERS   FOLLOW THE MONEY



**A BUILDER IN 2003:**  
“Price the home higher  
that you think it is  
worth; if it doesn’t sell,  
RAISE the price by  
\$5,000!”



**NO  
NATIONWIDE  
HOUSING  
BUBBLE  
TODAY.**

**VEGAS EXAMPLE: 2002-2006****MIAMI-DADE COUNTY 2002-2006**



## **PRE-CONSTRUCTION**

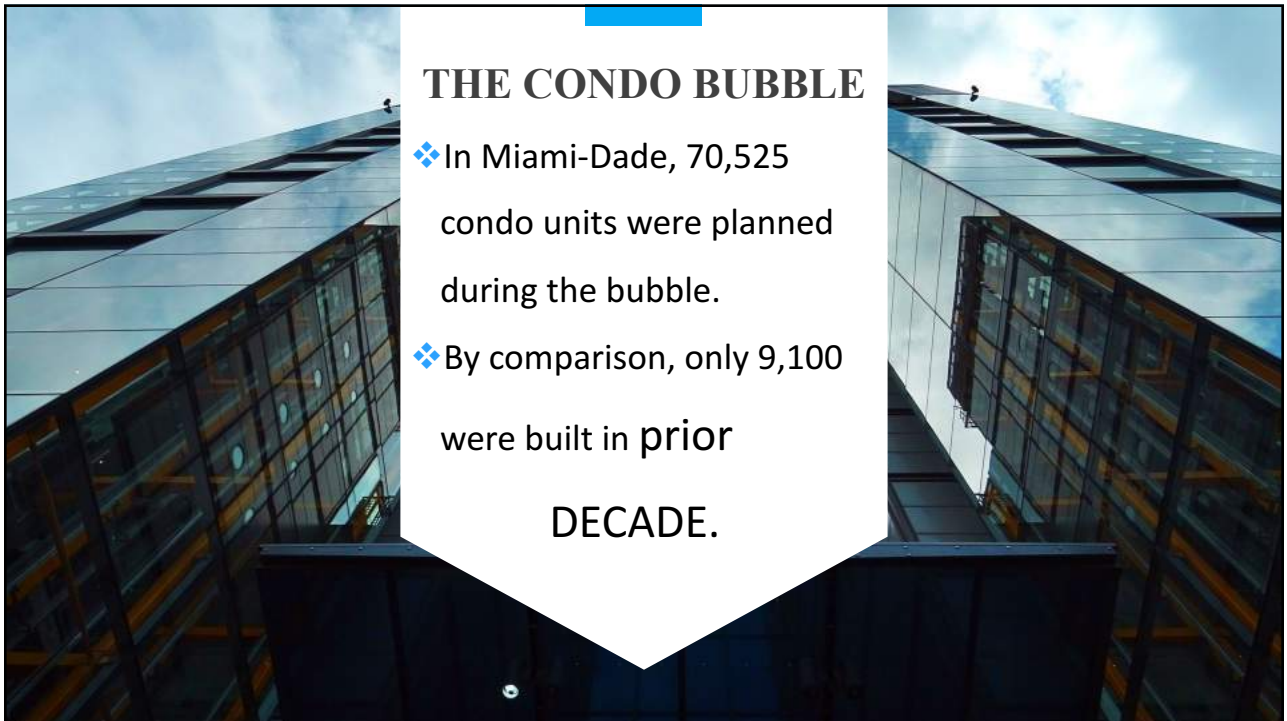
### **CONDOS**

**A highly-leveraged  
investment**



### **THE CONDO BUBBLE**

- ❖ In Miami-Dade, 70,525 condo units were planned during the bubble.
- ❖ By comparison, only 9,100 were built in prior  
DECADE.



## STATE BIRD: THE “CRANE”



“NO INVESTORS”







## WHO WILL DRIVE THE NEXT WAVE OF HOME DEVELOPMENT?



### MILLENNIALS

Millennials don't like the suburbs but can't afford the downtowns. Only 13% live downtown.

## HOUSEHOLD FORMATIONS STILL IMPROVING

- ❖ Forecast is 1.3M/year for next 5 years.
- ❖ Possibly as high as 1.5M



A HOME-  
IMPROVEMENT  
TREND ...

“AGING IN PLACE”



MY DOCTOR TOLD ME NOW  
THAT I AM GETTING OLDER, I  
NEED TO  
INSTALL A BAR IN  
MY SHOWER.



**NOMINAL HOME PRICES ARE 34%  
ABOVE THE BUBBLE PEAK!**





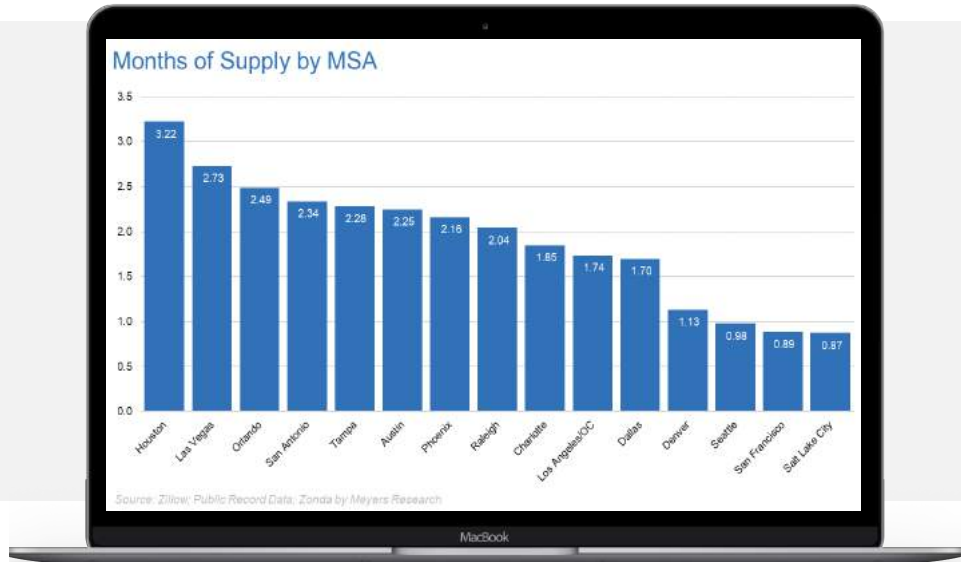
## NEW HOME PRICE IS 30% ABOVE EXISTING



## SALES RATE PICKING UP FOR SPRING SEASON



## LOW SUPPLY ACROSS THE COUNTRY



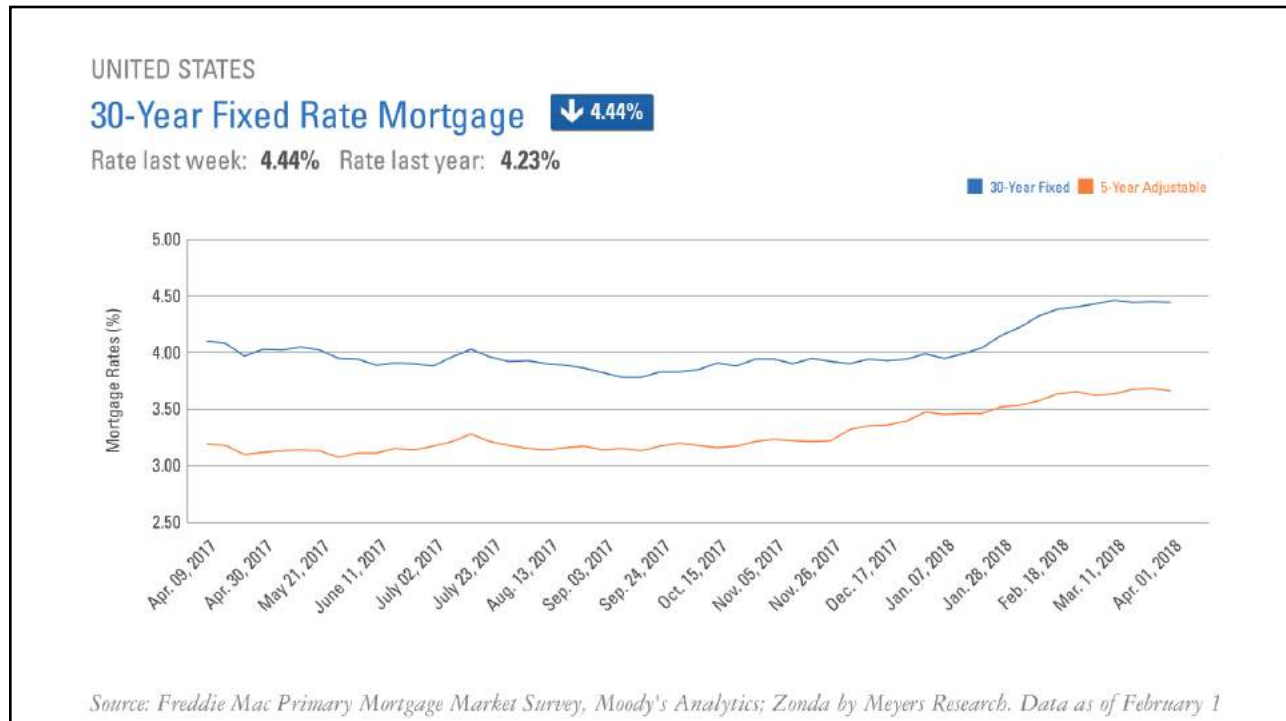
## HOUSTON, DALLAS, AND AUSTIN WILL SEE MORE HOME BUILDING

### Markets with Most SF Permits Pulled

LTM 2017

MSA	Single-Family Permits
Houston	39,231
Dallas	35,101
Atlanta	24,808
Phoenix	20,730
Austin	15,249
Orlando	14,868
Washington, DC	14,625
Charlotte	14,042
Tampa	13,058
Nashville	12,686
Denver	11,201
Raleigh	10,928
Los Angeles/OC	10,507
Riverside/San Bernardino	10,302
Jacksonville	10,134

Source: U.S. Census Bureau; Zonda by Meyers Research





## STOCK MARKET IMPLICATIONS

- ❖ Stock market got ahead of economy
- ❖ Fed inflated assets
- ❖ Bitcoin
- ❖ Rearview

STOCK MARKET  
"CORRECTION"



## THE FEDERAL RESERVE'S JOB



## LOTS ARE AT RECORD HIGH PRICES

❖ ... So how will builders build homes that people can AFFORD?

- ❖ Build Smaller Houses
- ❖ Build in "C" Locations





TO MOST BUILDERS IN TEXAS:  
**A “PIONEER” IS...**

- ❖ ...The guy with the *Arrows sticking out of his back.*
- ❖ Yet VOLUME and COMMUNITY COUNT are desired...



IN OTHER WORDS:

**DRIVE ‘TIL YOU *QUALIFY***

## TEXAS USED TO BE *AFFORDABLE*

- Historically, 60% of NEW home sales were in the under \$250,000 price range.
- Today, it's very hard for builders to hit that price point, due to lot prices, labor costs, and lumber/materials costs.

27

## **60%+ OF NEW HOME DEMAND UNDER \$250K IN TEXAS, BUT THE % OF LOTS IS MUCH LOWER:**

- ❖ Houston: 32%
- ❖ San Antonio: 31%
- ❖ Austin: 24%
- ❖ Dallas: 12%
- ❖ And in Dallas the % \$500K+ has risen from 10% ten years ago to 23.1% in 2017

Source: Metrostudy

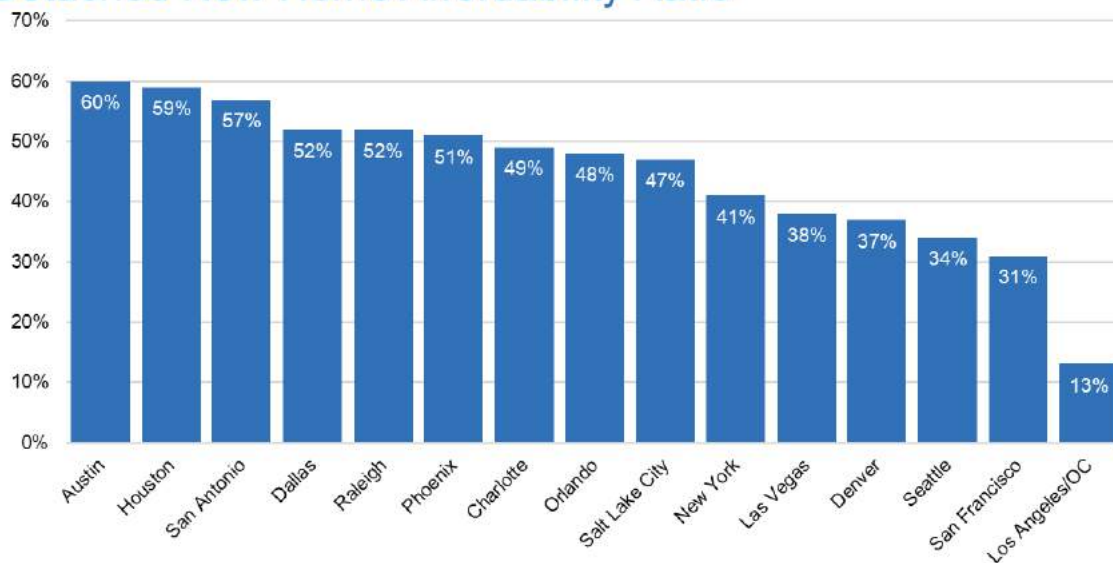
28



**STILL, BUILDERS IN  
TEXAS ARE DOING THE  
BEST AT SERVING THE  
“ENTRY LEVEL” BUYER**



**Detached New Home Affordability Ratio**



Source: Zonda by Meyers Research

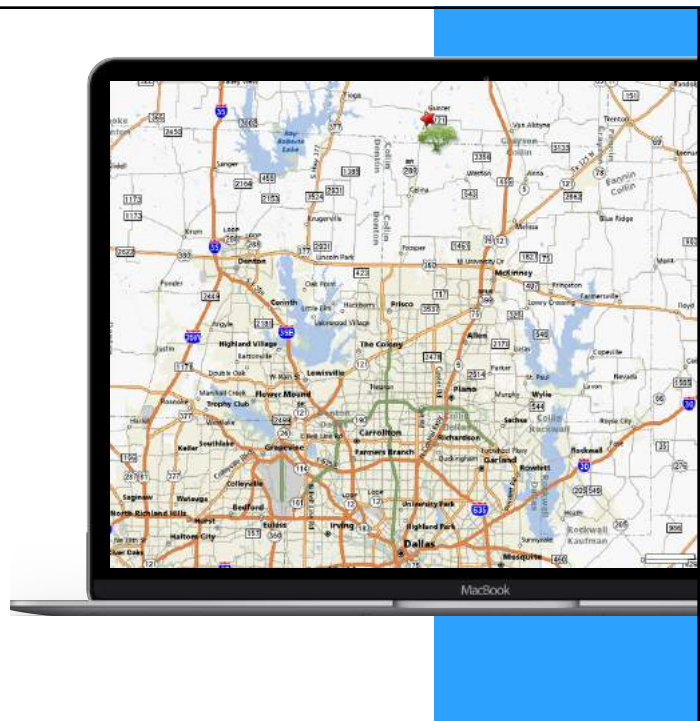


**WHY TEXAS GOT THE  
HANGOVER, BUT DIDN'T  
EVEN GET INVITED TO  
THE PARTY.**

**Example:**

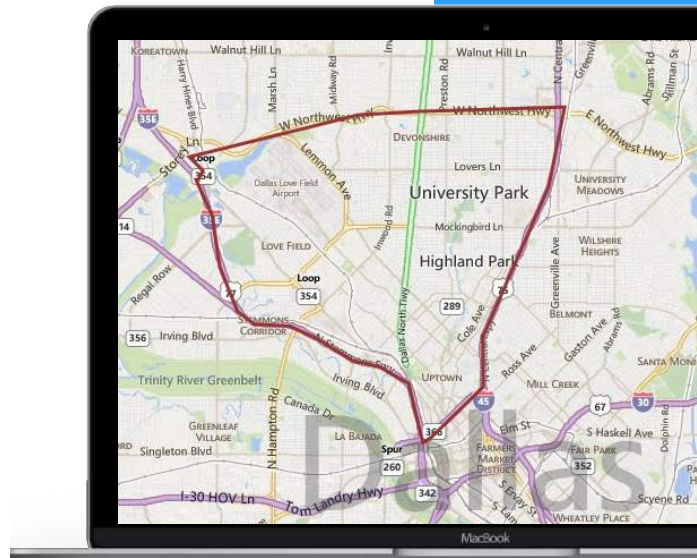
**DALLAS'  
NORTHERN  
SUBMARKETS**

**Seven “Waves”...**



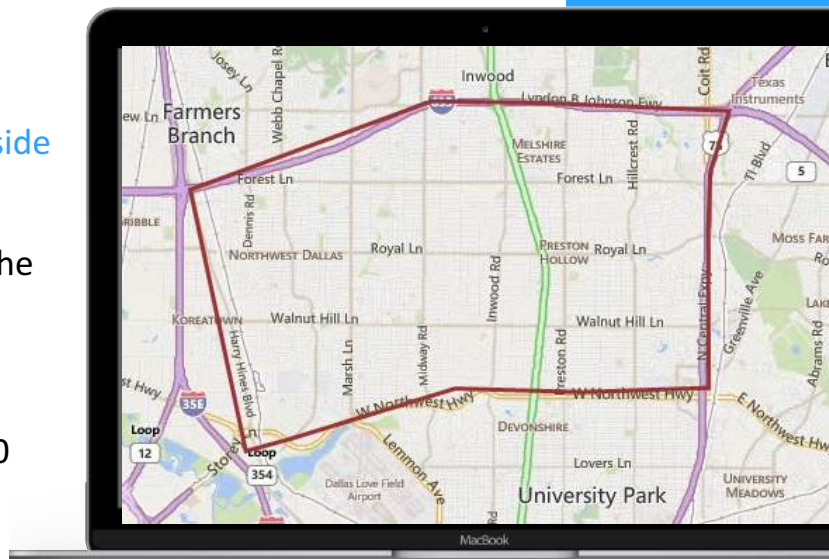
### ❖ Wave One: “Inside Northwest Highway”

- ❖ Urban
- ❖ Built out, except for infill
- ❖ Median year built: 1987
- ❖ Some custom tear-downs



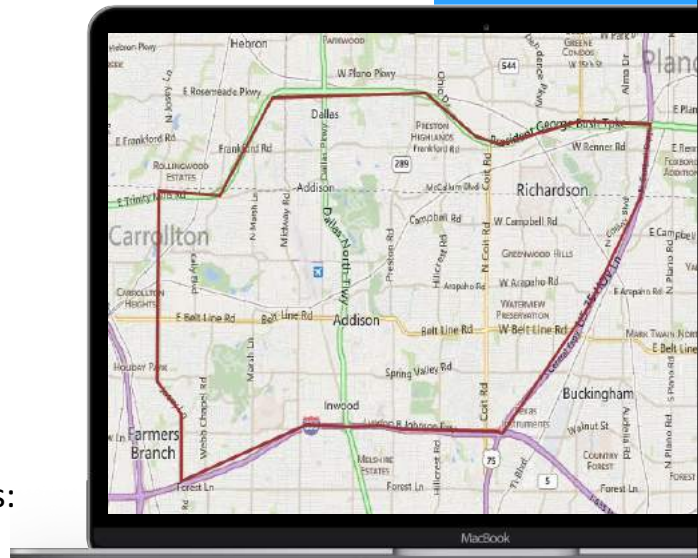
### ❖ Wave Two: “North of Northwest Highway, Inside of Loop 635”

- ❖ 7 to 11 miles north of the CBD
- ❖ Heavily Urban
- ❖ Median year built: 1970
- ❖ Infill

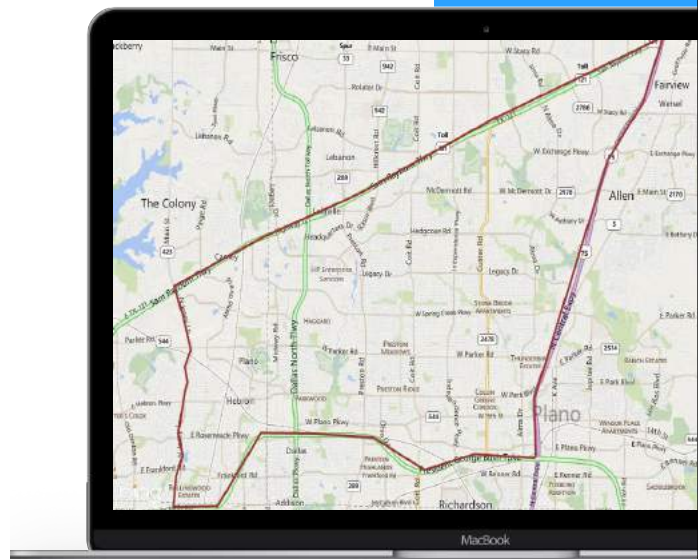




- ❖ Wave Three: “North of Loop 635, inside President George Bush Turnpike”
- ❖ 11 to 20 miles from CBD
- ❖ Nearly built out
- ❖ Median year built: 1983
- ❖ Portions of Plano and Richardson
- ❖ Plano lots in upscale communities: \$3,000/front foot



- ❖ Wave Four: “North of PGBT, Inside of Highway 121
- ❖ 21 to 28 miles from CBD
- ❖ Generally built out
- ❖ Median year built: 1993



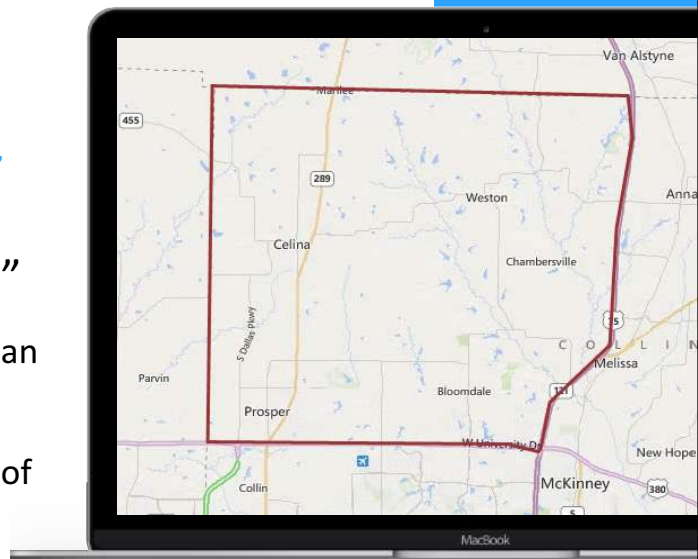
❖ Wave FIVE: “North of Highway 121,  
Inside of Highway 380”

- ❖ “A” Location!!
- ❖ Includes Frisco and McKinney (“A”)
- ❖ Median Year: 2004
- ❖ 85% built out.
- ❖ Remaning land held by long-term farming and ranching families
- ❖ Frisco pop went from 6,582 in 1990 to 136,791



❖ Wave SIX: “North of Highway 380,  
south of the Grayson County Line”

- ❖ 37 to 48 miles north. “B and C”
- ❖ Town of Prosper has seen suburban development growth since 2010.
- ❖ Still “Path of Growth” land north of Prosper



❖ Wave Seven: “North of Grayson County Line, South of Highway 82”

- ❖ 48 to 68 miles north
- ❖ Exurban/rural
- ❖ “Pioneer” definition
- ❖ Commute to Plano, Frisco, Richardson



## SELF-DRIVING CARS







## WILL SELF-DRIVING CARS EMPOWER PEOPLE TO LIVE FARTHER FROM **WORK?**

- ❖ And drones for package delivery
- ❖ And telecommuting
- ❖ Half of all households are in Amazon Prime.




1. Incomes are lower
2. Less savings
3. More difficulty qualifying
4. More difficult to get A&D
5. Downpayment money


So....

- ❖ Texas markets will attract a lot of population growth.
- ❖ “C is the new B.”


A photograph of a house under construction, showing the wooden frame and roof structure. The house is surrounded by construction materials and equipment.



FOLLOW THE POPULATION



FOLLOW THE BUILDERS



FOLLOW THE MONEY

## BURNS' TERM: "SURBAN"

- ❖ Woodlands, TX
- ❖ Bethesda, MD
- ❖ Walnut Creek



## WHERE WILL HOMES BE BUILT IN 2018/19?



- ❖ This year, an additional 100,000 units of potential single-family demand.
- ❖ Who and where?
  - A?
  - Move-up?
  - The former "C"

“C” LOTS NOT *THAT* REMOTE...



**THE OUTLOOK  
IS STRONG**





## PEOPLE WILL STAY IN THEIR HOMES AND REMODEL



## TECH WILL SHAPE CHANGES IN HOW PEOPLE LIVE

- ❖ Telecommuting
- ❖ Package Delivery
- ❖ Self-Driving Cars
- ❖ Work Share

## NONFARM PAYROLL INCREASED 313K



## AVERAGE HOURLY EARNING GREW 2.6% YOY



## ELEVATED CONSUMER CONFIDENCE



### WHAT IT ALL MEANS FOR SELF STORAGE

- ❖ Millennials buy OLDER homes.
- ❖ Builders are starting to offer some smaller homes.
- ❖ High home prices.
- ❖ More downtown living.





## BRAD HUNTER



Brad Hunter orchestrated and directed hundreds of site-specific or area-specific housing market studies for homebuilders over the past 30 years.

Hunter has authored numerous articles and chapters in books for ULI, including Market Profiles. He is regularly cited in local and national journals, and has recently been featured in the *Wall Street Journal*, *Business Week*, and on *CNBC* and *Bloomberg TV and Radio*.