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Residential Property Market Overview

Tax Year 2023



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Houston Residential Home Market

Despite several “headwinds” facing Houston’s economy, the residential market is doing well.

Economic indicators is much more of a mixed bag than has been the case for the last 5+ years



Leading Indicators

Key metrics used to predict or explain market behavior:

- Interest rates & mortgage rates
- Inventory levels & new starts
- Sales prices and sales volume

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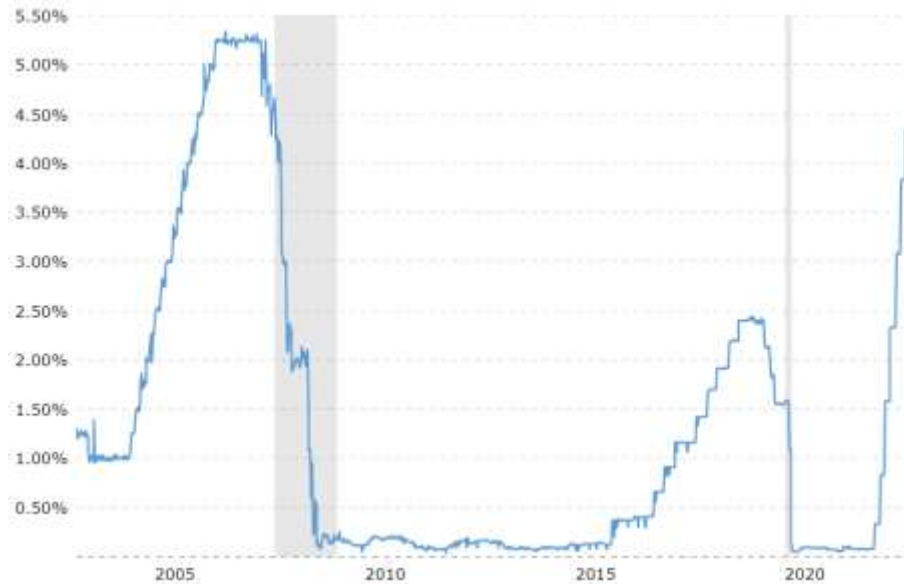


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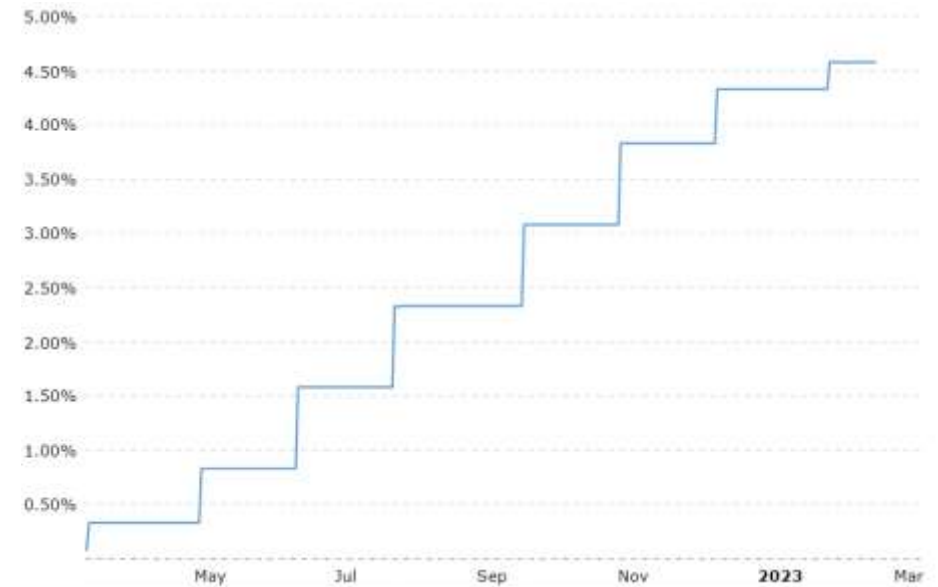
Interest Rates

Fed Funds Rate was almost zero for last 11 of 15 years.
Indirectly affects other rates.

Federal Funds Rate (2002-2022)



Federal Funds Rate (2/22 thru 2/23)





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Interest Rates

Mortgage rates have fallen consistently over the last 30 years. This has changed. As of 3/14/23 30-year avg. mortgage rate is 6.94%. Highest in more than 20 years.





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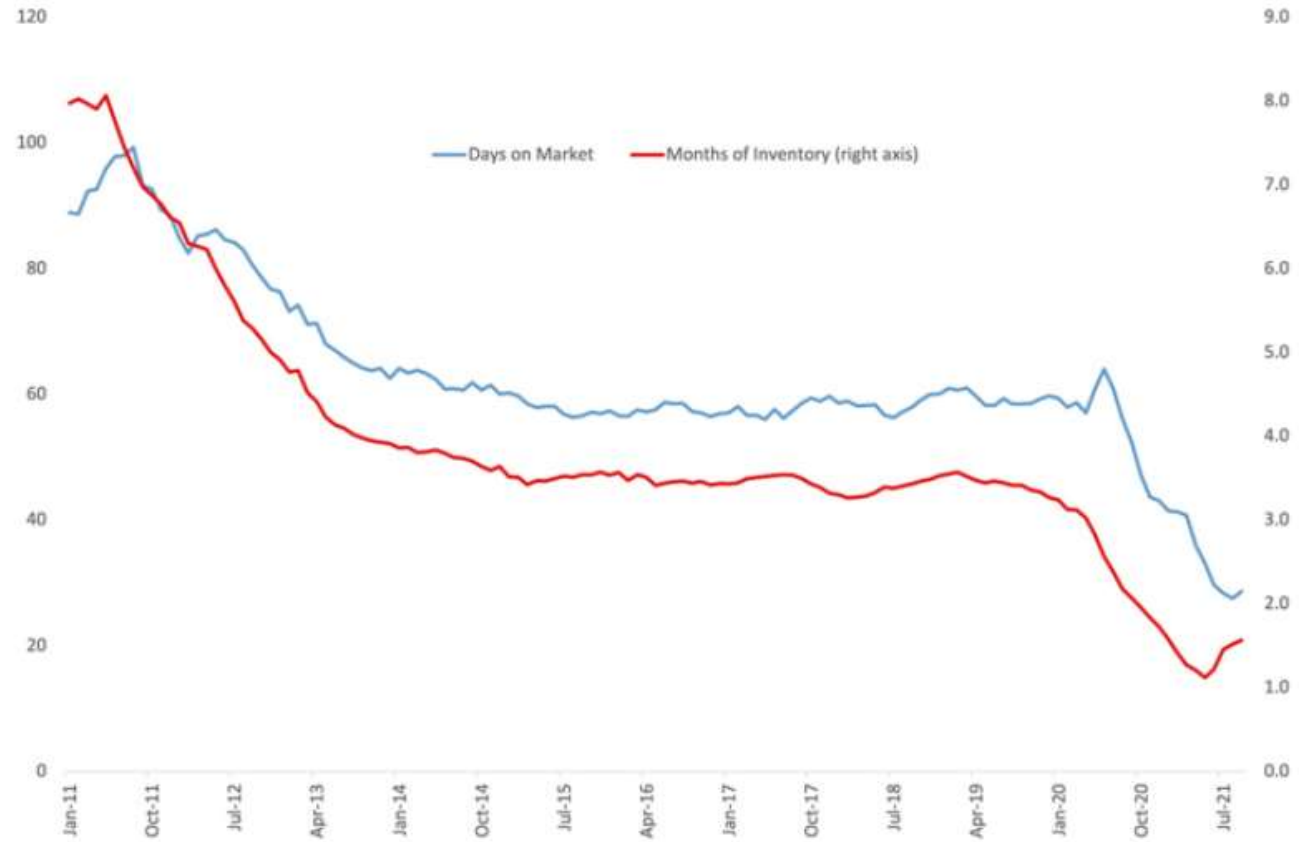
Home Inventory

- According to the Houston Association of Realtors (HAR), the inventory of available homes has increased to 2.7 months of supply as of January 2023 with 33,000+ listings
- The 2.7 months of inventory is doubled from the 1.3 months in January of 2022
- Days on the market increased sharply from 39 to 59 days



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Home Inventory

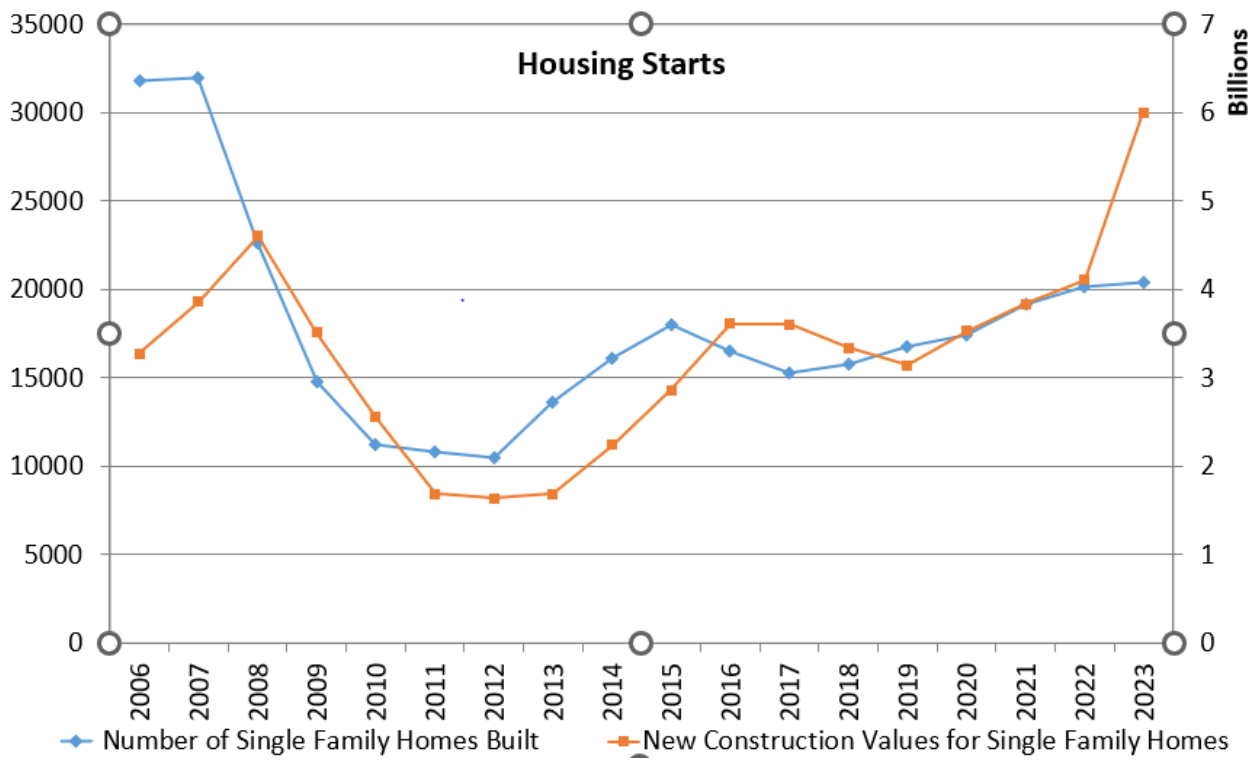


[Newsroom - HAR.com](https://www.har.com/newsroom)



New Starts

New starts will exceed 20,000 for first time in 14 years.





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Single Family Sales Volume

- Full year decrease (-10.9%)
 - 2021: 106,756
 - 2022: 95,113

- Month-over-month decrease (-29.9%)
 - January 2022: 8,134 units
 - January 2023: 5,700 units

*****10 straight months of declining sales*****



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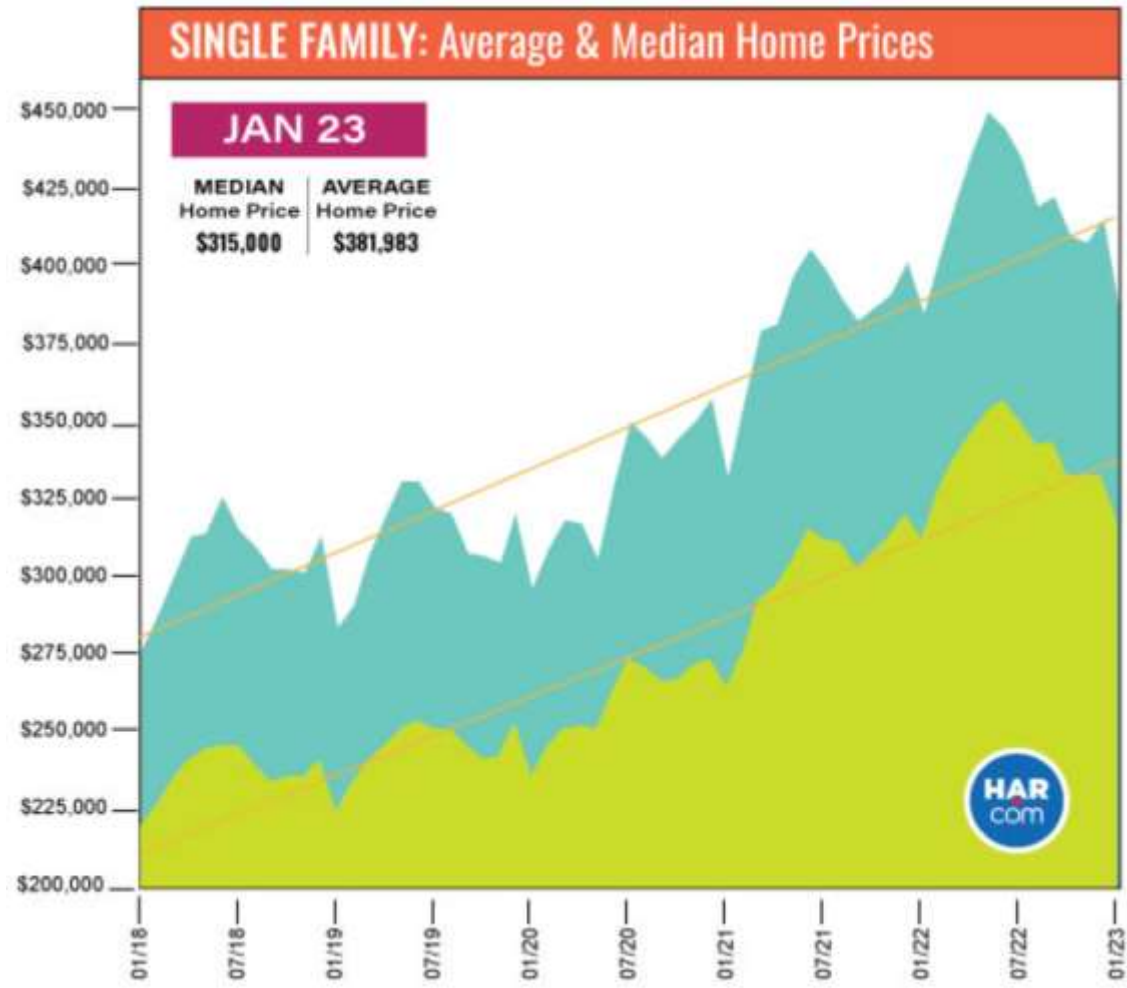
Sales Prices

- Average sales price (10%):
 - Full year 2021: \$376,075
 - Full year 2022: \$413,657

- Median sales price (12.8%) :
 - Full year 2021: \$300,000
 - Full year 2022: \$338,295



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Average Price up from \$275k in January 2018 to \$382k in January 2023 (+39%)

Median Price up from \$220k in January 2018 to \$315k in January 2023 (+43%)



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2023 Outlook and Insights

Given the amount of volatility and uncertainty in the market it is difficult to say what will happen with the housing market in 2023.

- Oil seems stable for now
- Interest rates depend on how inflation reacts to the increases
- Job growth is strong in Texas and nationally
- Will inventories grow or do new starts and development slow
- Is there a recession coming



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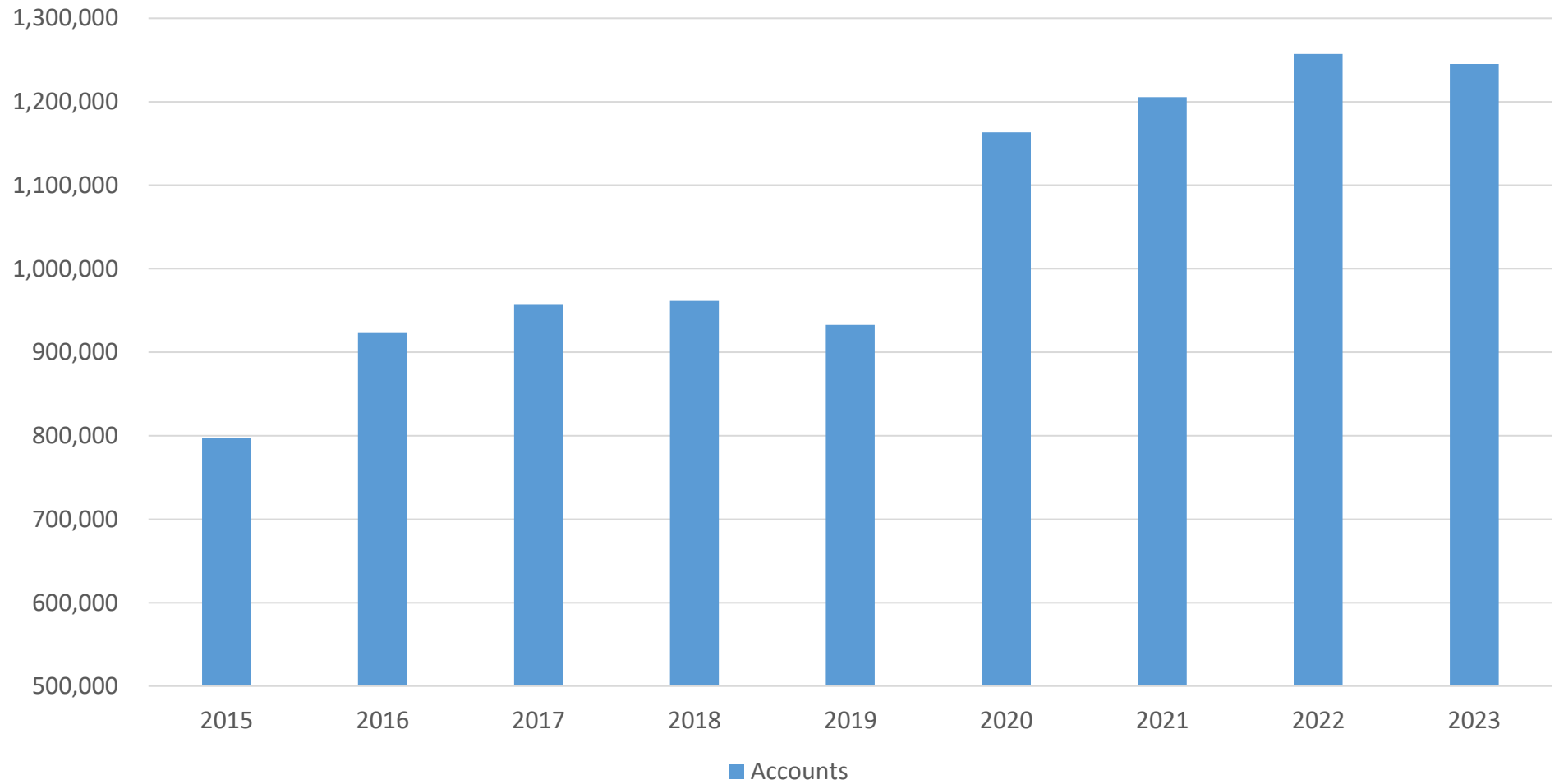
2023 Residential Noticing

- Residential noticing selected Friday, March 3rd
 - Single family homes, including townhomes & condos
 - Real and personal property mobile homes
 - Vacant land
- 1,245,000 accounts noticed the first two weekends (\$418b)



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Initial Noticing 2015 - 2023





2023 Single-family Increase, Decrease, No Change

(as of March 10)

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Market Value	Parcels	Percent of Parcels		
		No Change	Increase	Decrease
Under 124,999	61,072	12.5%	84.9%	2.6%
125,000 - 199,999	164,005	4.2%	94.2%	1.6%
200,000 - 299,999	383,096	1.9%	97.3%	0.8%
300,000 - 449,999	303,796	1.6%	97.4%	1.0%
450,000 - 749,999	140,831	2.4%	96.1%	1.5%
750,000 and up	69,196	3.2%	94.2%	2.6%
Total	1,121,996	2.9%	95.8%	1.3%
Tax Year 2022		2.6%	96.6%	0.8%



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2023 Single-family Percent Change

(as of March 10)

Market Value	Average Percent of Change		Overall Percent of Change
	Reappraisal Only	with New Construction	
Under 124,999	21.22%	21.89%	18.05%
125,000 - 199,999	17.71%	20.14%	16.36%
200,000 - 299,999	15.88%	20.92%	15.32%
300,000 - 449,999	16.28%	28.85%	16.23%
450,000 - 749,999	17.05%	29.57%	17.16%
750,000 and up	17.04%	23.23%	16.98%
Total	16.77%	24.23%	16.39%