Houston Housing: Harvey and Beyond

Bayou Preservation Association Symposium

October 18th, 2018
Hurricane Harvey and it’s Impact on Houston
Harvey dumped one year’s typical rainfall on the Houston region in five days (49”).

Moody’s Analytics estimates total economic losses to the Texas Gulf Coast (including Houston) of $97B: $87B in property losses and $10B in lost economic output.

492 businesses in Greater Houston (0.3% of all businesses) reported having major property damage.

Upstream Energy, Health Care, and Aerospace, the three pillars of Houston’s economic base saw relatively minimal impact from Harvey.
• Downstream energy saw greater impact as more than ¼ of the nation’s refining capacity was offline on August 30th due to Harvey. As of September 7th 16% of capacity was offline, and this number continued to improve over the balance of 2017.

• Only 57 of the region’s 1,200 office buildings (less than seven% of inventory) received damage.

• Apartment Data Services found that 15,662 apartment units in 2015 properties, or 2.5% of the overall market inventory, were damaged. Apartment occupancies have improved slightly….but for how long?

• The Houston region is anticipated to lose approximately 300,000 vehicles with a total value of $2.4B
Preliminary numbers indicated that **97,212** Single Family Homes were damaged or destroyed, including:

- Minor Damage: **60,147**
- Major Damage: **37,757**
- Destroyed: **3,638**
Houston After Harvey
Harvey: What Does This Mean for Housing?

....but virtually all look like this:

....not this:
Only 17 of the 1,482 Active Subdivisions had any flood damage, only one severe.
Any sales volume increase due to flood victims was not felt until early 2018.

Risk of competition for trades, vendors, and materials.

Risk of increased cycle times.

Growth opportunity for builders with BOYL operations.
Houston After Harvey
Threats to New Home Demand From Harvey Buyers

Post-Flood DTI Issues

- September 2017 Average **New Car Retail Sales Price** in Houston: **$29,793**
- September 2017 Average **New Truck / SUV Retail Sales Price** in Houston: **$38,322**
- 66% of new vehicle sales in Houston are **Trucks or SUVs**
- 25% of the **300,000** Harvey damaged cars are projected to be replaced with brand new vehicles

Source: TexAuto Facts – InfoNation, Inc.
Houston After Harvey
Threats to Housing Demand From Harvey Buyers

Equity Destruction

MLS Home Sales Since Hurricane Harvey

<table>
<thead>
<tr>
<th>Median Sales Price Per MLS</th>
<th>Harvey Flooded Homes Sold</th>
<th>All Resales</th>
<th>All New Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$145,500</td>
<td>$219,000</td>
<td>$303,143</td>
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<tr>
<td>$150,000</td>
<td>$115</td>
<td>$126</td>
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</tbody>
</table>

Source: Houston Association of Realtors, Metrostudy
83 percent of single and multi-family homes in the Houston area do not have flood insurance.

Half of the area that flooded in Harris County occurred outside the 100 year and 500 year flood plains.
Ease of Repair

62% of Harvey damaged homes received Minor Damage per FEMA, meaning they can be repaired within 30 days or less.
Increased Build on Your Lot Appetite

Close in neighborhoods that flooded may be equity-rich targets for BOYL sales, including the estimated 4,800+ pre-1970 built homes that flooded in the Braes Bayou corridor.

Source: Metrosearch Property Analysis
Area Spotlight: Meyerland
Area Spotlight: Meyerland

Why Discuss Meyerland?

Scores of “once-proud” neighborhoods surround Houston. Driving down a tree-shaded street, you see stately magnificent homes mingled with neon signs hawking insurance agencies, beauty parlors, funeral homes and apartment buildings—melancholy reminders that Houston has no zoning law. For newcomers accustomed to zoning, Houston’s mongrel neighborhoods stand as a caution signal in buying a new home. You can, if you know what to look for, find protection through a subdivision’s planning and restrictions. But you must know what to look for. Living in a neighborhood that was once proud is cold comfort to the homeowner. Meyerland recently published a twelve-page color booklet designed to show many of the points which must be considered if your home is to keep its meaning (and value) twenty years from now. Write the Meyerland Company at 4703 Jason Street or Call MOhaw 7-3377 for your free copy. It could save you later distress.
Area Spotlight: Meyerland

Community Overview

- Grand Opening spring of 1955, with then VP Richard Nixon cutting the ribbon.
- 1200 acre community fully built out by 1969
- Within City of Houston, and Houston Independent School District
- **2,309** total homes / homesites:
  - **667** have never flooded or are elevated new construction
  - **914** flooded only in Hurricane Harvey
  - **728** have flooded repetitively since Memorial Day 2015 – from **two** to **four** times during this time

Source: Metrostudy, HAIF
Area Spotlight: Meyerland

Community Overview

- **40** homes have already been elevated
- **57** additional homes are currently being elevated
- Typical elevation cost: **$160,000** - **$325,000**
Area Spotlight: Meyerland
Community Overview

• **585** home sale transactions have occurred since **3Q 2015**. Of these:
  
  • **26** were foreclosures
  • **11** were new spec home sales
  • **548** were regular resale transactions (**266** cash purchases)
  • One auction of **7** homes was attempted, no transactions resulted as sellers of all 7 homes did not accept the market or near market prices offered.

• Not a teardown market prior to 2015 flooding:
  
  • Existing homes were too large and expensive – median sf **2,500 sf**, at pricing **$425,000+**
  • Median 2010 or newer home is **4,309 sf**
  • Median 2010 or newer home appraised value is **$953,400**

Source: Metrostudy, Houston Association of Realtors
Area Spotlight: Meyerland

Community Overview

- **104** homes are currently listed on the MLS for sale in Meyerland including:
  - **58** as-is flooded homes priced at lot value from **$219K to $375K**
  - **26** previously flooded but fully repaired and renovated (often by flippers) homes priced from **$389K to $720K**
  - **9** never flooded homes for sale priced from **$425K to $576K**
  - **11** new construction spec homes priced from **$929K to $1.29M**

Source: Metrostudy, Houston Association of Realtors
**Area Spotlight: Meyerland**

**New Construction History**

282 new “Tear Down” homes have been completed in Meyerland since 1990.

![Chart showing annual new homes completed in Meyerland from 1990 to 2017.](chart.png)

Source: Metrostudy
Area Spotlight: Meyerland
Current New Construction

- Currently, there are 109 new homes under construction in Meyerland. Of these, less than 5% are specs. Most are BOYL.

- This represents nearly the same number of new homes currently under construction as:
  - Woodforest: 106 homes U/C
  - Miramesa: 109 homes U/C
  - Harvest Green: 102 homes U/C
  - Lago Mar: 109 homes U/C

- An additional 102 vacant lots in Meyerland have been cleared by their owners in preparation for new construction.

Source: Metrostudy
Area Spotlight: Meyerland

Current New Construction

These **109** homes under construction are spread across over **thirty** custom and production homebuilders....with more coming.

<table>
<thead>
<tr>
<th>Builder</th>
<th>Current Homes U/C</th>
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<tbody>
<tr>
<td>Other Custom</td>
<td>14</td>
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<tr>
<td><strong>David Weekley</strong></td>
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<td>Derek James</td>
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<tr>
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<td>Ashwood Custom Homes</td>
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<td>Studio Met</td>
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Source: Metrostudy
...now you know