



# Over the Edge

A Look Back and to the Future  
for Real Estate and the Economy



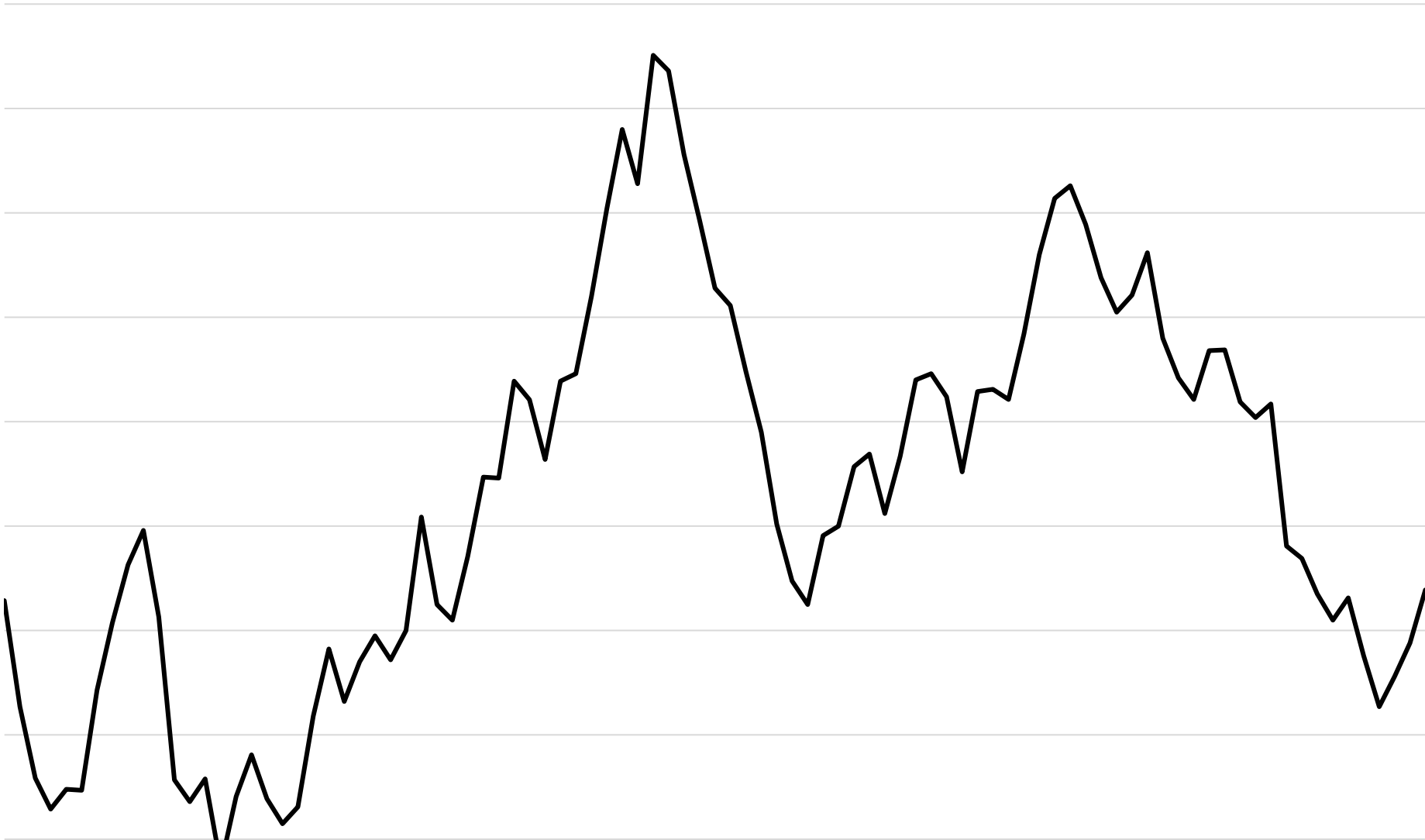
**Ted C Jones, PhD**  
**Real Estate Economist**

# 10-Year Treasury

5.0  
4.8  
4.6  
4.4  
4.2  
4.0  
3.8  
3.6  
3.4

'23

'24



# The C's of 2024-25

- Change
- Choices
- Credit
  - Cap Rates
- Costs
- Commercial
- Congress

**CHANGE**

# Top Inbound MSAs 2023

- 1 Myrtle Beach, SC (84%)
- 2 Wilmington, NC (82.77%)
- 3 Flagstaff, AZ (82.47%)
- 4 Sioux Falls, SD (80.49%)
- 5 Santa Fe, NM (80.42%)
- 6 Eugene-Springfield, OR (75.7%)
- 7 Dothan, AL (75.38%)
- 8 Brownsville-Harlingen, TX (71.85%)
- 9 Bellingham, WA (70.54%)
- 10 Richland-Kennewick-Pasco, WA (70.11%)



# Top Inbound MSAs 2023

- 1 PALM BAY-MELBOURNE, FL (4)
- 2 OCALA, FL (1)
- 3 CHARLESTON-NORTH CHARLESTON, SC (10)
- 4 SARASOTA-BRADENTON, FL
- 5 AUSTIN, TX

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- 6 COLLEGE STATION-BRYAN, TX
- 7 CHARLOTTE, NC
- 8 HUNTSVILLE, AL (9)
- 9 DALLAS, TX

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- 10 MYRTLE BEACH-NORTH MYRTLE BEACH, SC (7)



**CHOICES**

# Nutrition Facts

14 servings per container

**Serving size** 8 oz (227g)

Amount per serving

**Calories** 0

% DV\*

**Total Fat** 0g 0%

Saturated Fat 0g 0%

Trans Fat 0g

Polyunsaturated Fat 0g

Monounsaturated Fat 0g

**Sodium** <5mg 0%

**Total Carbohydrate** 0g 0%

**Protein** 0g

Not a significant source of cholesterol, dietary fiber, total sugars, added sugars, vitamin D, calcium, iron, and potassium

\*%DV = %Daily Value

**Ingredients: Water**

Reddy Ice, LLC • 5710 LBJ Fre  
www.reddyice.co

Nutritional  
Information  
On Ice



# CONCERNS for 2024-2025

- Sustained High Interest Rates
- Capital Market Freeze
- Regulatory Issues – *Politics*  
*\$93,870 Regulatory Cost New SFR Unit - NAHB*
- Property Taxes - Insurance
- Housing Affordability

# Greatest Population Gain 2020 - 2023

## Population Change



Rank	State	Population			Change 2020-2023	Percent Change	
		2020	2022	2023		2020 to 2023	2022 to 2023
1	Idaho	1,849,339	1,938,996	1,964,726	115,387	6.2%	1.3%
2	Florida	21,591,299	22,245,521	22,610,726	1,019,427	4.7%	1.6%
3	South Carolina	5,132,151	5,282,955	5,373,555	241,404	4.7%	1.7%
4	Texas	29,234,361	30,029,848	30,503,301	1,268,940	4.3%	1.6%
5	Montana	1,087,311	1,122,878	1,122,812	45,601	4.2%	0.9%
6	Utah					4.1%	1.1%
7	Delaware					4.0%	1.2%
8	North Carolina					3.7%	1.3%
9	South Dakota					3.5%	1.0%
10	Arizona					3.4%	0.9%
11	Tennessee					2.9%	1.1%
12	Georgia					2.8%	1.1%
13	Nevada	3,115,840	3,177,421	3,194,176	78,336	2.5%	0.5%

**Houston MSA**  
**2020 6.371 M to 6.707M 2023**  
**+5.3%**

# Houston MSA Population Forecast

<b>Year</b>	<b>Population Millions</b>	<b>Annual Growth</b>
<b>2020</b>	6.371	2.0%
<b>2021</b>	6.491	1.9%
<b>2022</b>	6.603	1.7%
<b>2023</b>	6.707	1.6%
<b>2024</b>	6.802	1.4%
<b>2025</b>	6.890	1.3%
<b>2026</b>	6.971	1.2%
<b>2027</b>	7.046	1.1%

**2023  
US  
Population  
Growth  
0.5%**

*\* Assuming 2.7 People Per Household*

# Greatest Population Loss 2020 - 2023



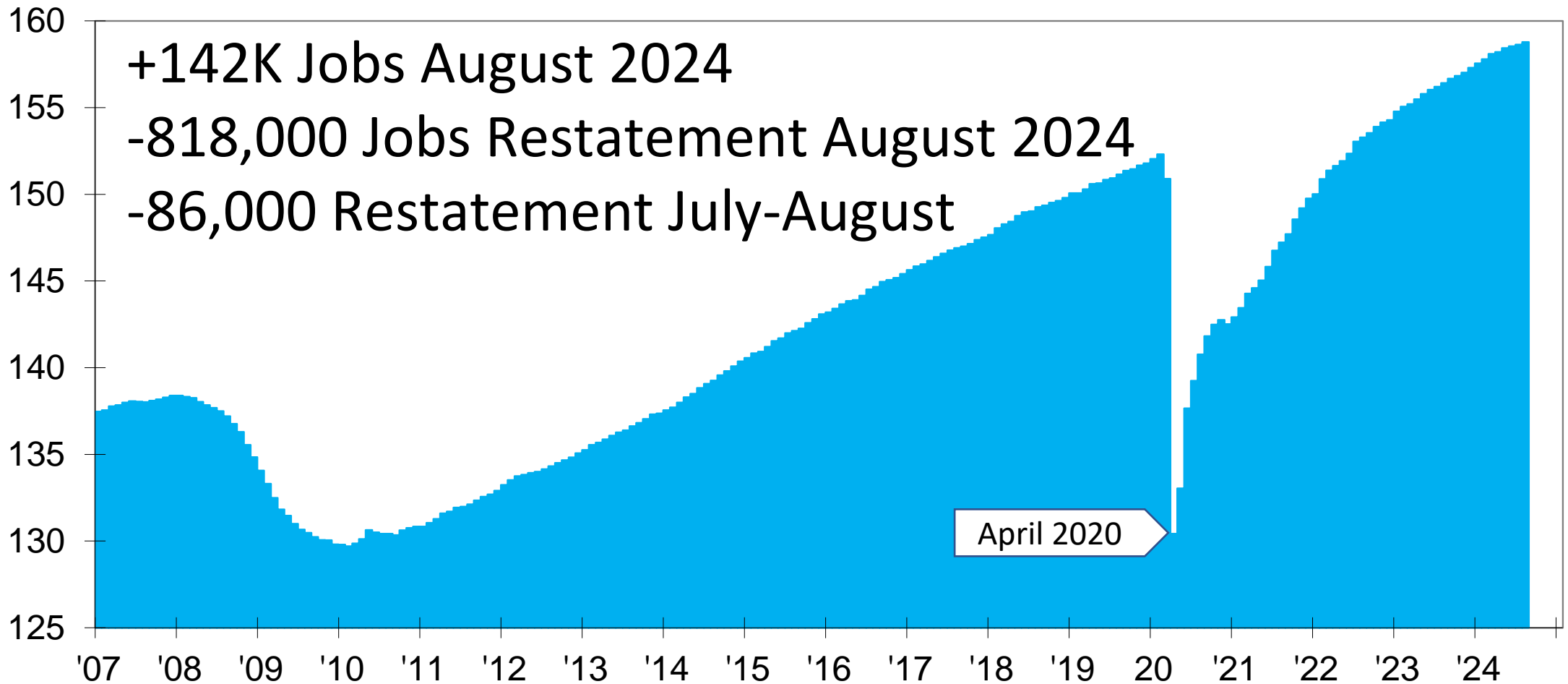
Rank	State	Population			Change 2020-2023	Percent Change	
		2020	2022	2023		2020 to 2023	2022 to 2023
40	Ohio	11,798,292	11,759,697	11,785,935	-12,357	-0.1%	0.2%
41	New Mexico	2,118,488	2,113,476	2,114,371	-4,117	-0.2%	0.0%
42	Pennsylvania	12,995,477	12,972,091	12,961,683	-33,794	-0.3%	-0.1%
43	Oregon	4,245,044	4,239,379	4,233,358	-11,686	-0.3%	-0.1%
44	Michigan	10,070,627	10,033,281	10,037,261	-33,366	-0.3%	0.0%
45	Mississippi	2,958,409	2,938,928	2,939,690	-18,719	-0.6%	0.0%
46	Hawaii	1,451,181	1,439,399	1,435,138	-16,043	-1.1%	-0.3%
47	West Virginia	1,791,562	1,774,035	1,770,071	-21,491	-1.2%	-0.2%
49	Louisiana	4,652,022	4,588,023	4,573,749	-78,273	-1.7%	-0.3%
50	Illinois	12,790,357	12,582,515	12,549,689	-240,668	-1.9%	-0.3%
51	New York	20,104,710	19,673,200	19,571,216	-533,494	-2.7%	-0.5%
	<b>United States</b>	331,526,933	333,271,411	334,914,895	3,387,962	1.0%	0.5%

# U.S. Jobs

Jobs (Millions) *Seasonally Adjusted*



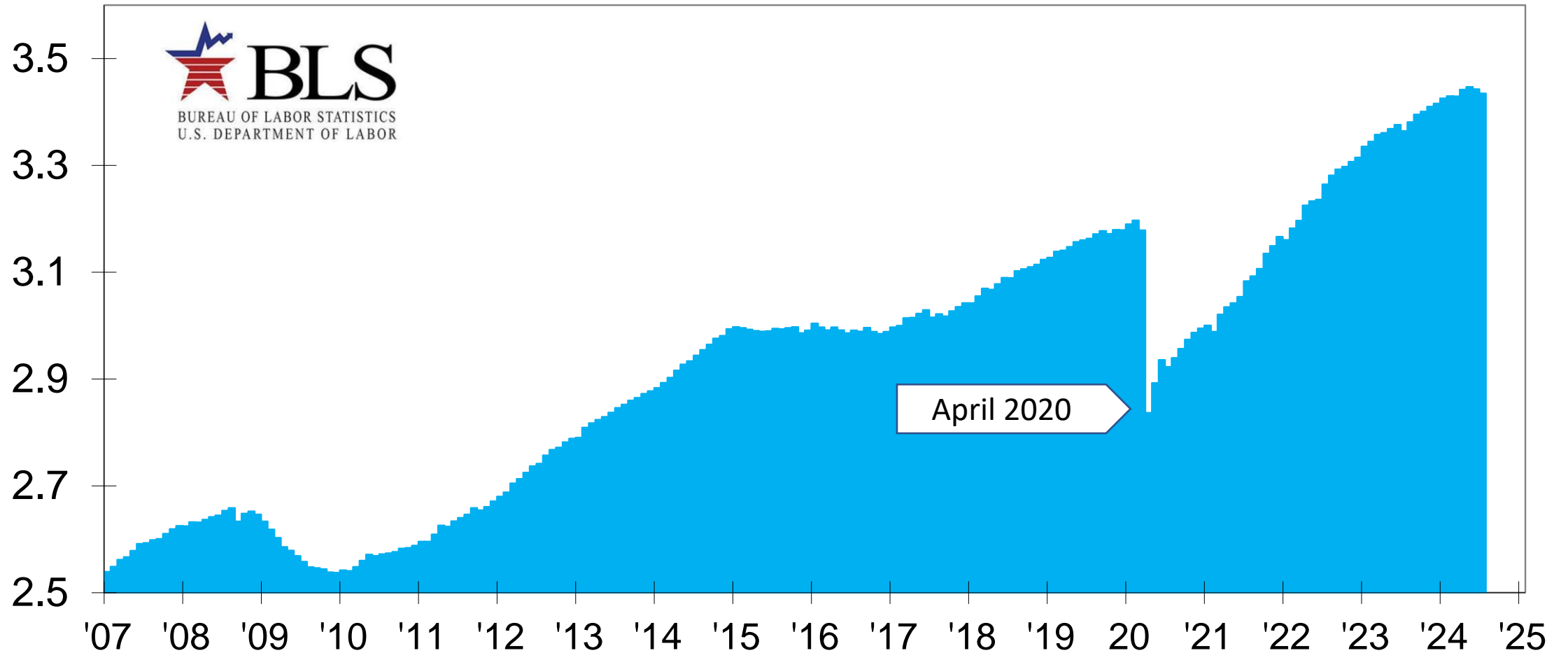
1.51%



# Houston MSA Employment

Jobs (Millions) *Seasonally Adjusted*

2.09%



# Houston MSA Employment Real Estate NAICS 55530 Real Estate & Leasing & Renting

	March 2020	August 2024	Houston Percent Change	U.S. Percent Change
55530 Employment - Thousands	63.9	69.2	8.3%	11.0%
Housing Sales Units TTM - Thousands *	92,770	85,149	-8.2%	-25.7%
Median Sales Price	\$249,100	\$350,000	40.5%	50.6%
Commercial Sales Q1 TTM - Billions	17.8	10.81	-39.3%	-40.7%
CPI - Percentage Chg = Inflation	222.4	271.43	22.0%	21.7%

\* Housing Sales Information Based on August 2024 Data

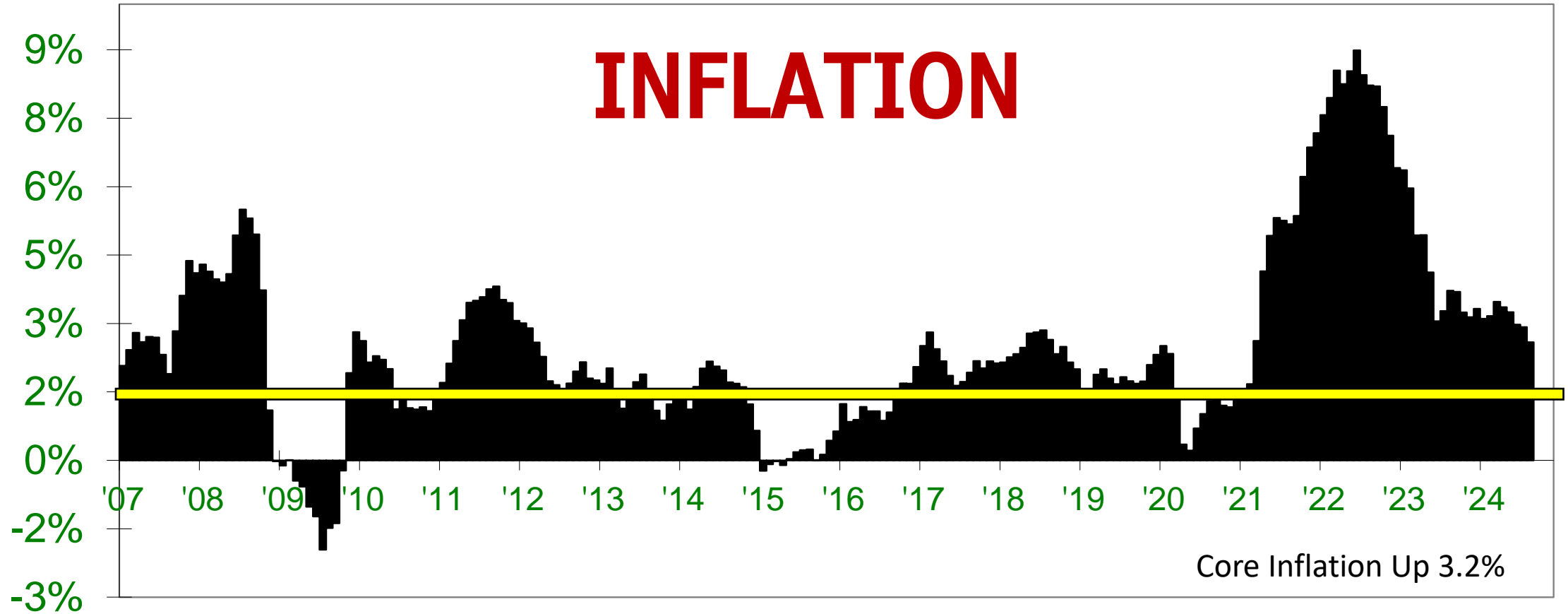
**COSTS**



# CPI for All Urban Consumers -- *U.S. City Average*

12-Month Change Seasonally Adjusted

2.6% August 2024 year-Over-Year

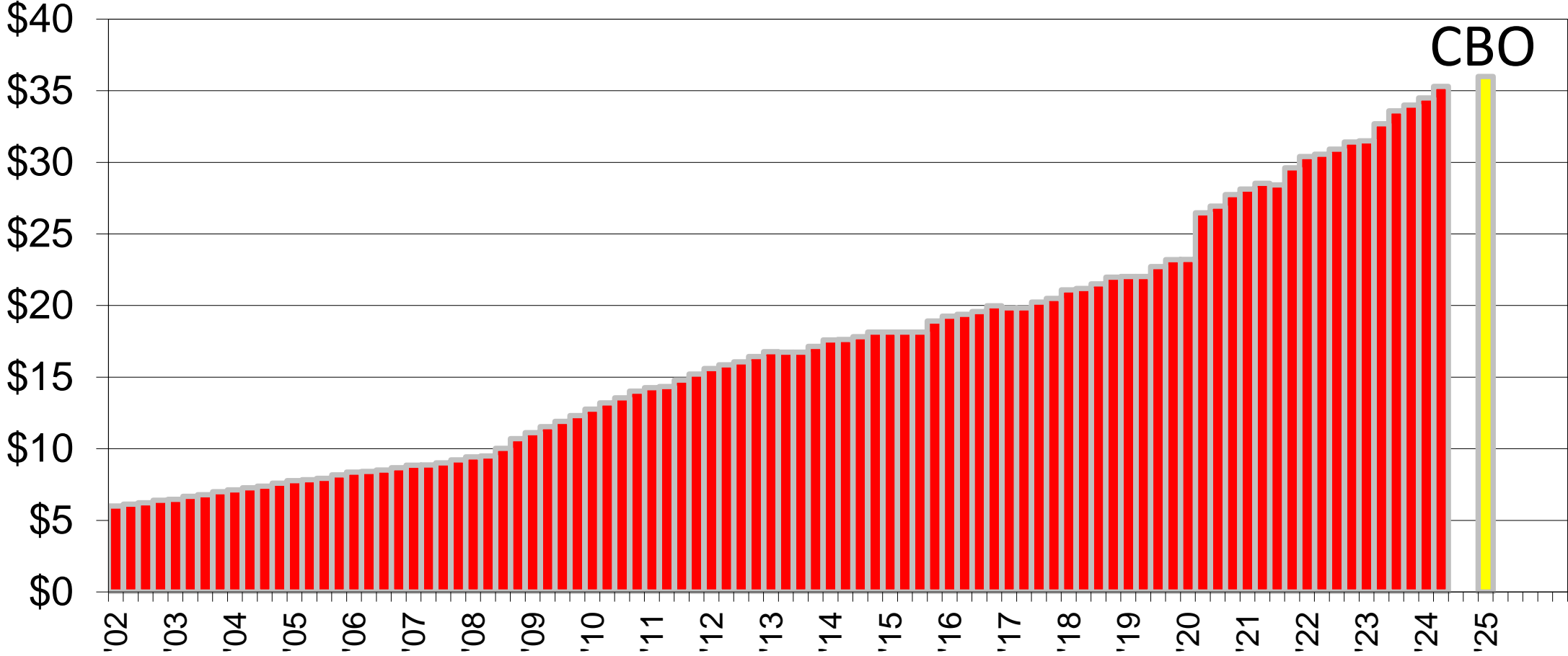


**CREDIT**

# Federal Debt – Total Public Debt

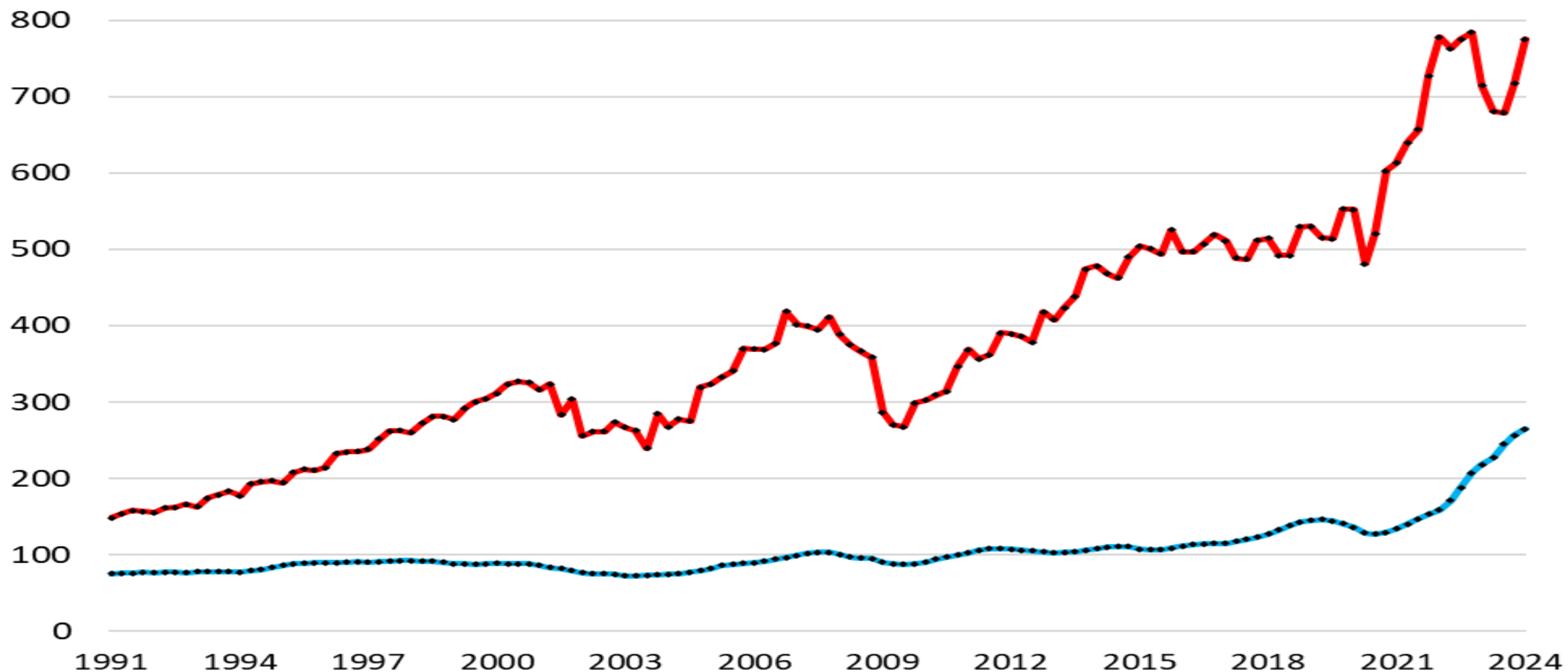


\$ Trillions



# US Gov. Tax Receipts & Interest Payments, Quarterly

Billion \$, not seasonally adjusted



Source: US Treasury Dept., St. Louis Fed

WOLFSTREET.com

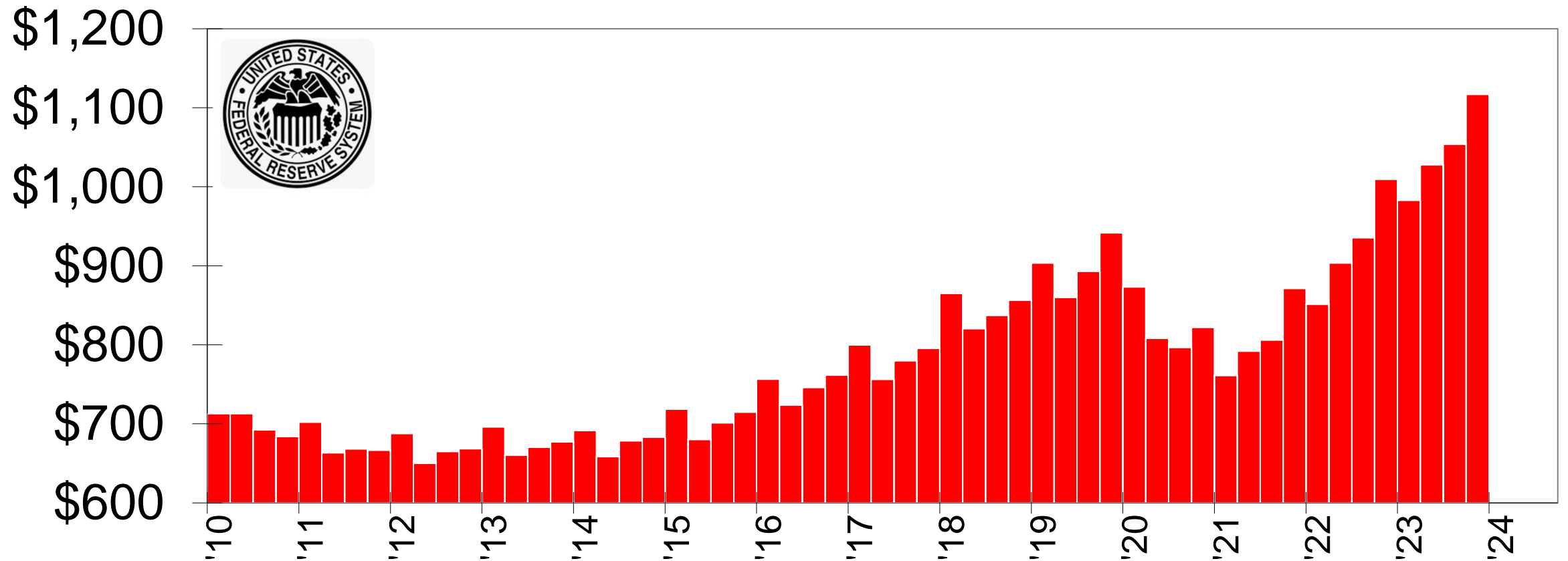
# **U.S. Federal Debt**

**Interest Payments on Federal Debt  
Jumped to 3.8% of GDP – Highest Since 1998**

**Average U.S. Federal Debt Rate 3.23% in  
April 2024 While Average Issue Treasury  
Bill-Bond-Note 5.36% in April 2024**

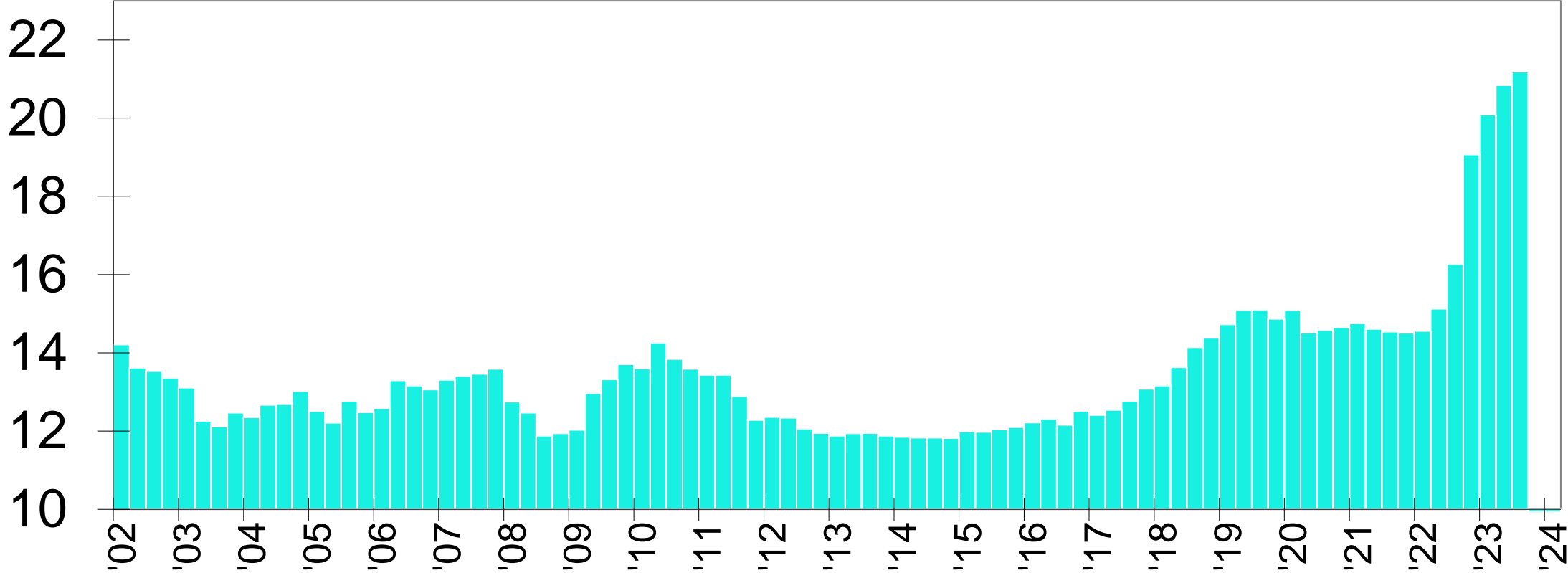
# Credit Card Debt

\$ Billions



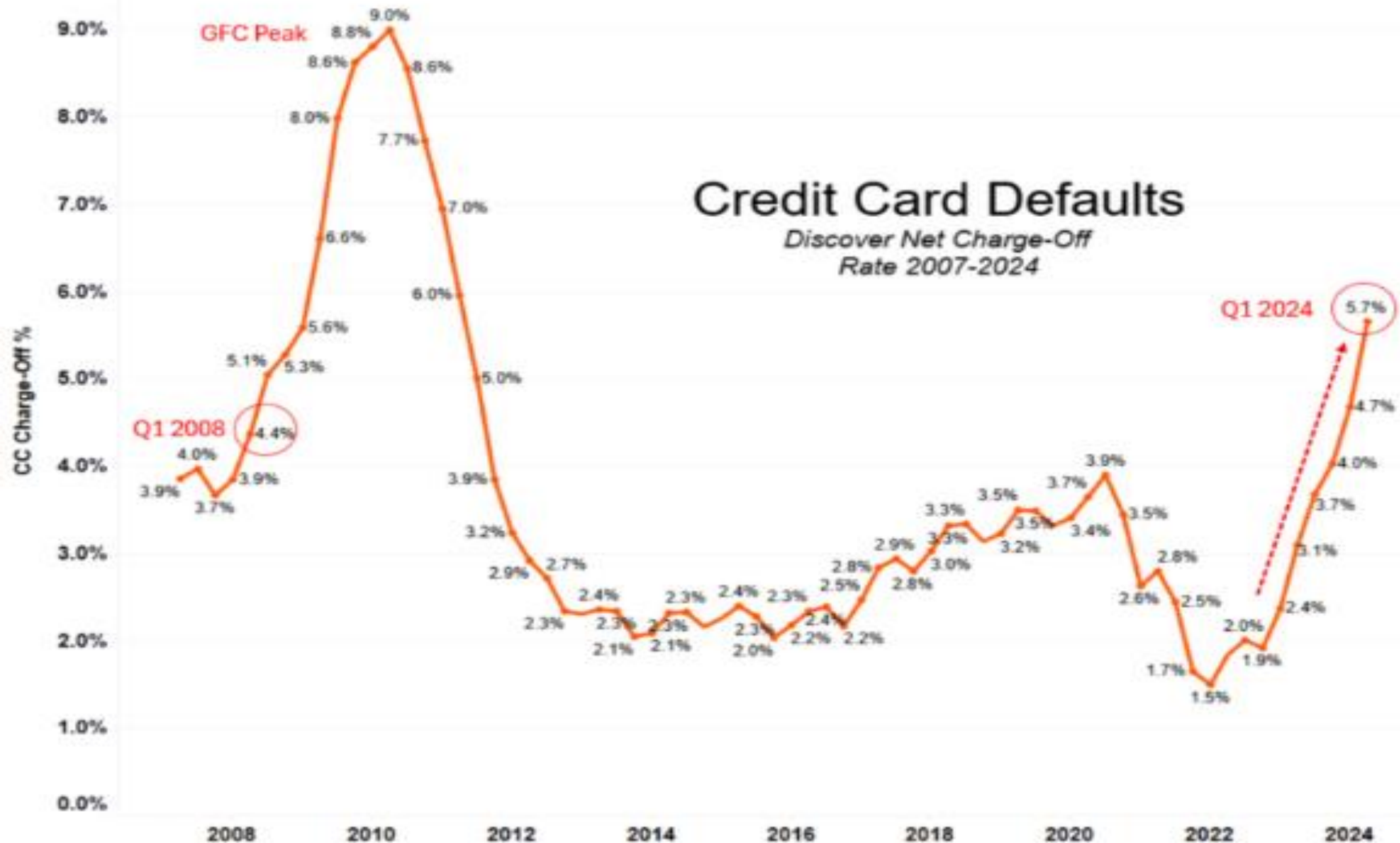
# Commercial Bank Interest Rate on Credit Card Plans

Percent



# Credit Card Charge-off %: Discover Financial

Discover Net Charge-off Rate 2007-2024 (Source: SEC Filings)

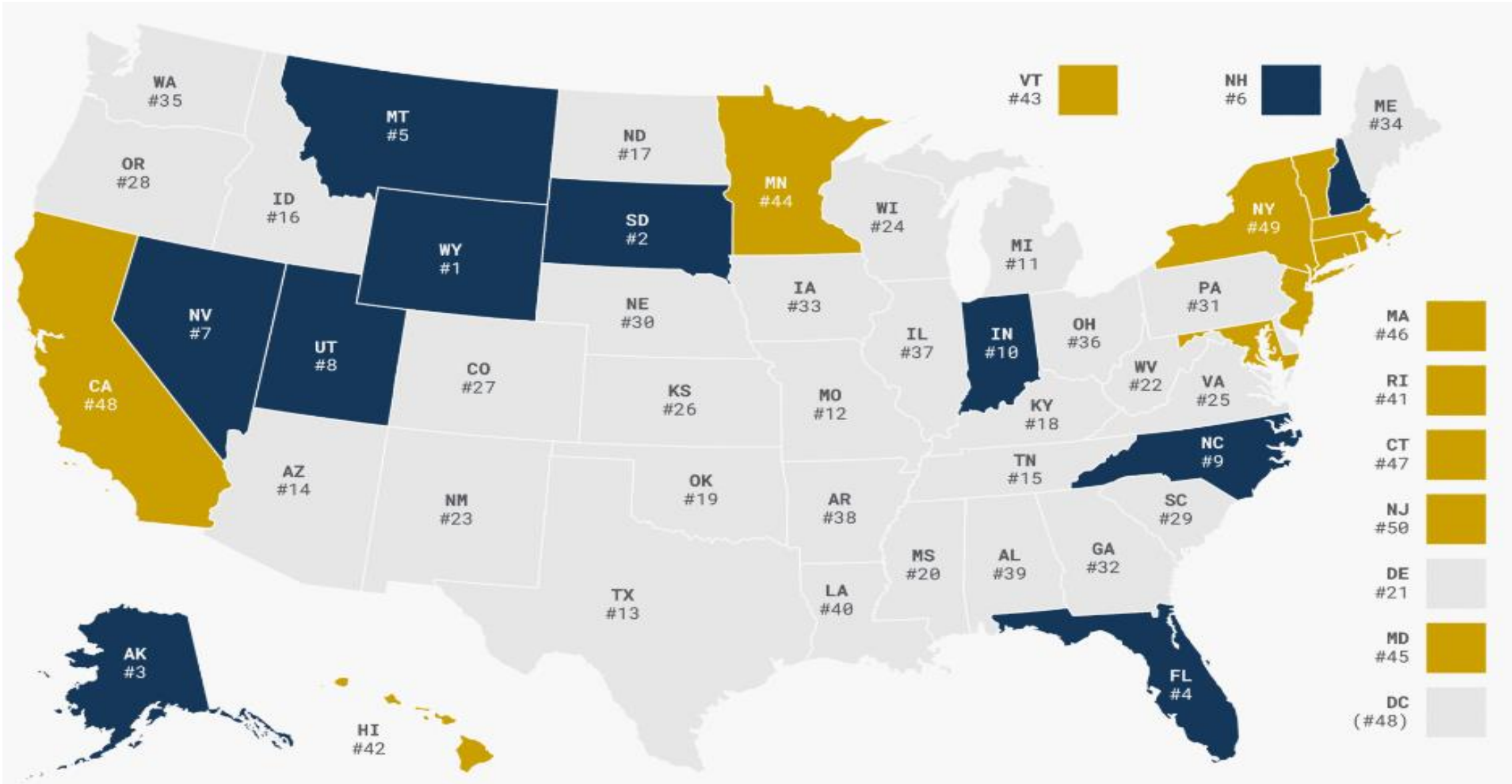




# 2024 State Business Tax Climate Index



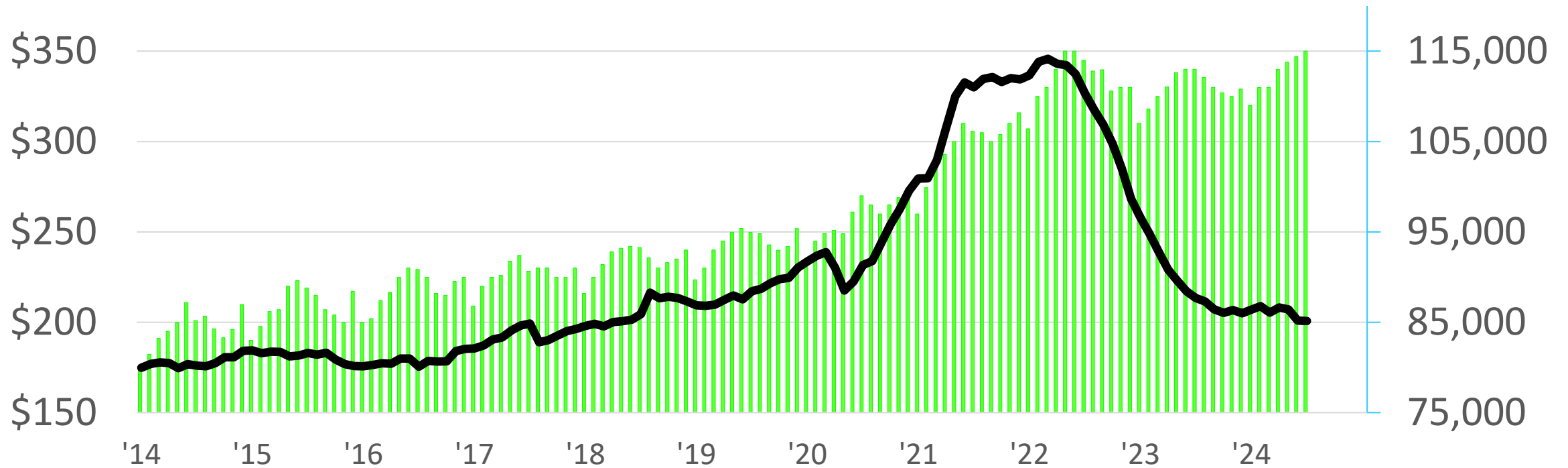
TAX FOUNDATION



# Houston MSA Home Sales & Median Prices

Median Price *\$ Thousands*

Sales – Prior 12-Months



# Average P&I House Payment Assuming 20% Down

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<b>Median Home Price Forecast</b>			<b>Monthly P&amp;I Payment</b>		
	Price Forecast *		Fannie Mae		
	Fannie Mae	MBA	Fannie Mae	MBA	
2020	\$296,700	\$296,700	\$1,007.76	\$971.03	2020
2021	\$350,700	\$350,700	\$1,176.81	\$1,176.81	2021
2022	\$378,790	\$384,000	\$1,975.54	\$2,002.71	2022
2023*	\$404,550	\$388,100	\$2,109.89	\$2,024.10	2023
2024*	\$429,228	\$408,500	\$2,215.77	\$2,114.19	2024
2025*	\$442,104	\$404,400	\$2,120.51	\$1,976.21	2025

**Bloomberg**

HAVER ANALYTICS



# Return to Pre-Covid Affordability

**-41%**

Median  
Price

**+69%**

Income

**-4.3%**

Mortgage  
Rates



**Ted C. Jones**

@DrTCJ

Percent of US Home Loans & Interest Rate Q3 2023

88.5% of all mortgages less than 6%

78.7% of all mortgages less than 5%

59.4% of all mortgages less than 4%

22.6% of all mortgages less than 3%

[@Redfin](#)

4:18 AM · Jun 18, 2024

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Pending home sales (newly signed purchase contracts) fell 5.5% in July 2024 to lowest level recorded since 2001 when [@NAR\\_Research](#) commenced reporting the metric. These are the pipeline for closings of existing homes for August & September

6:37 AM · Sep 6, 2024 · 9 Views

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**TRAIN  
WRECK**

**Commercial  
Real Estate  
Market  
2024-2025**

# *A Rolling Loan Gathers No Loss.....*



**\$929 Billion  
In Estimated  
Commercial  
Loans Coming  
Due in 2024**

**MBA**





**Ted C. Jones**

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Commercial real estate foreclosures more than doubled in March 2024 compared to 1-year ago (up 117%) days [@Attomdata](#) & increased 6% vs Feb 2024

California posted 187 foreclosures in March 2024 (most in the US), up 405% year-over-year but down 8% vs February

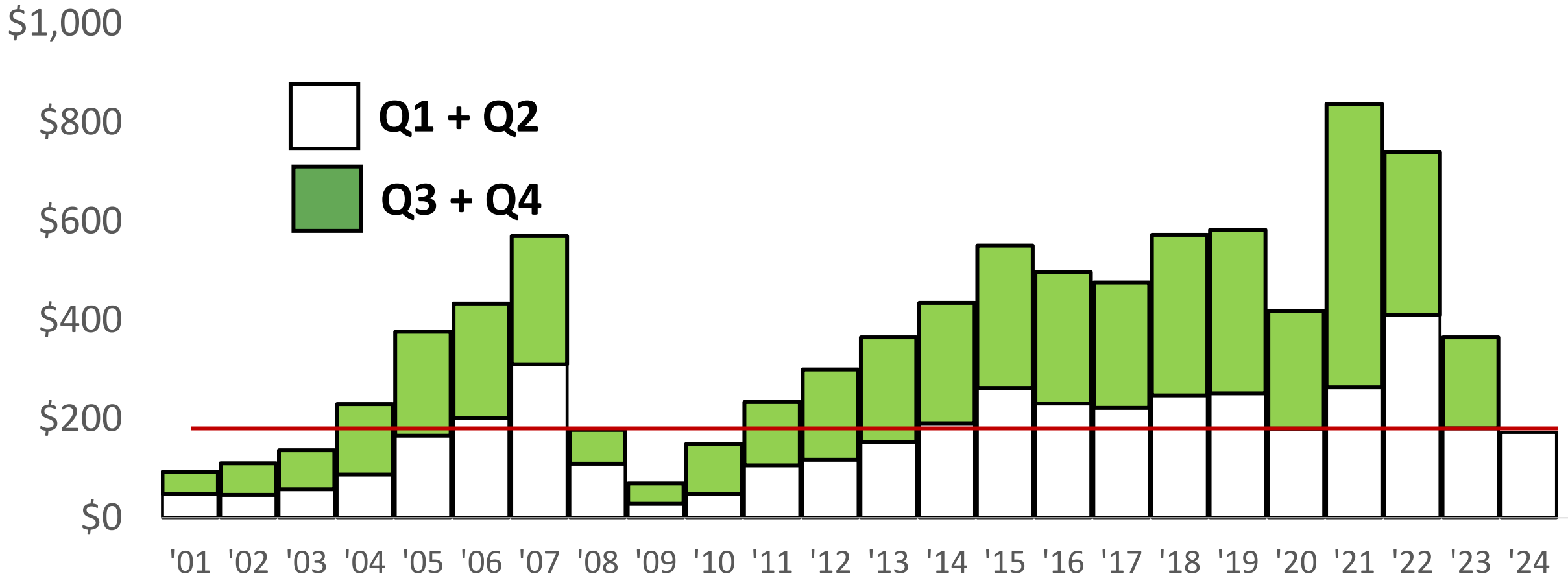
8:28 AM · Apr 25, 2024 · **1,006** Views

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# U.S. Commercial Real Estate Sales



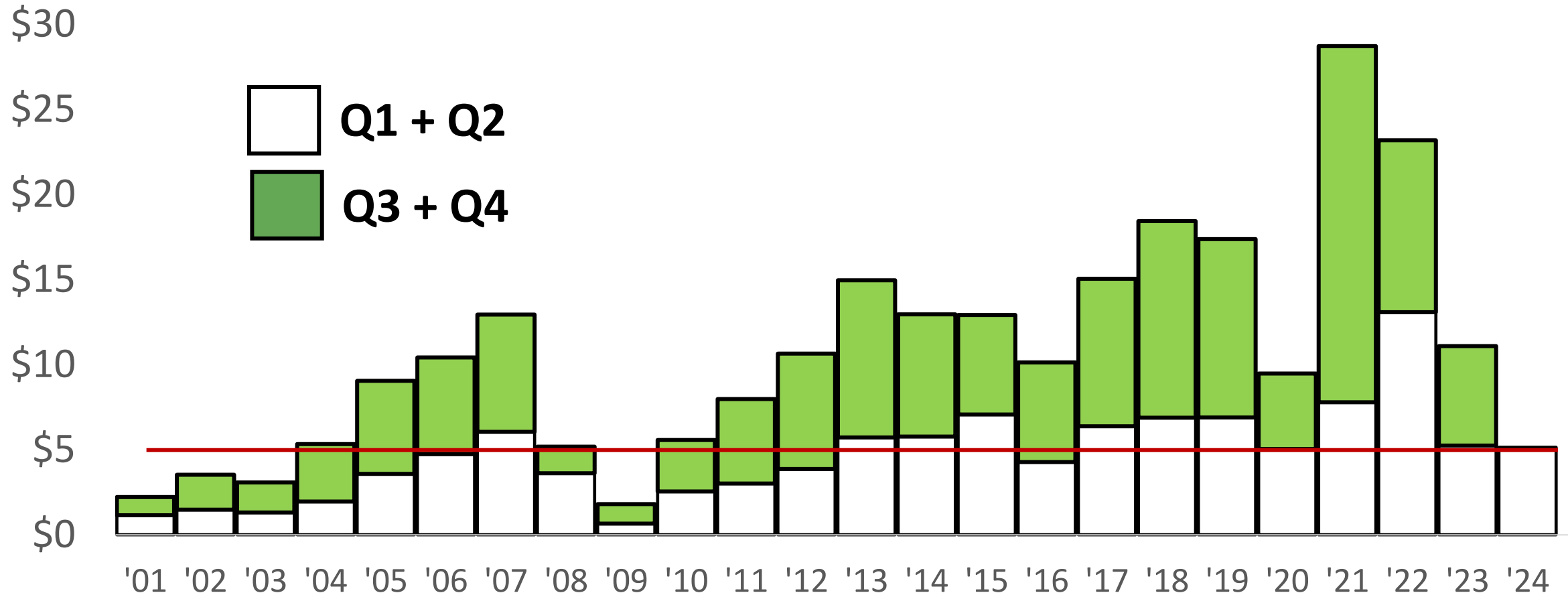
*\$ Billions*



# Houston Commercial Real Estate Sales



*\$ Billions*



# U.S. Commercial Real Estate Sales

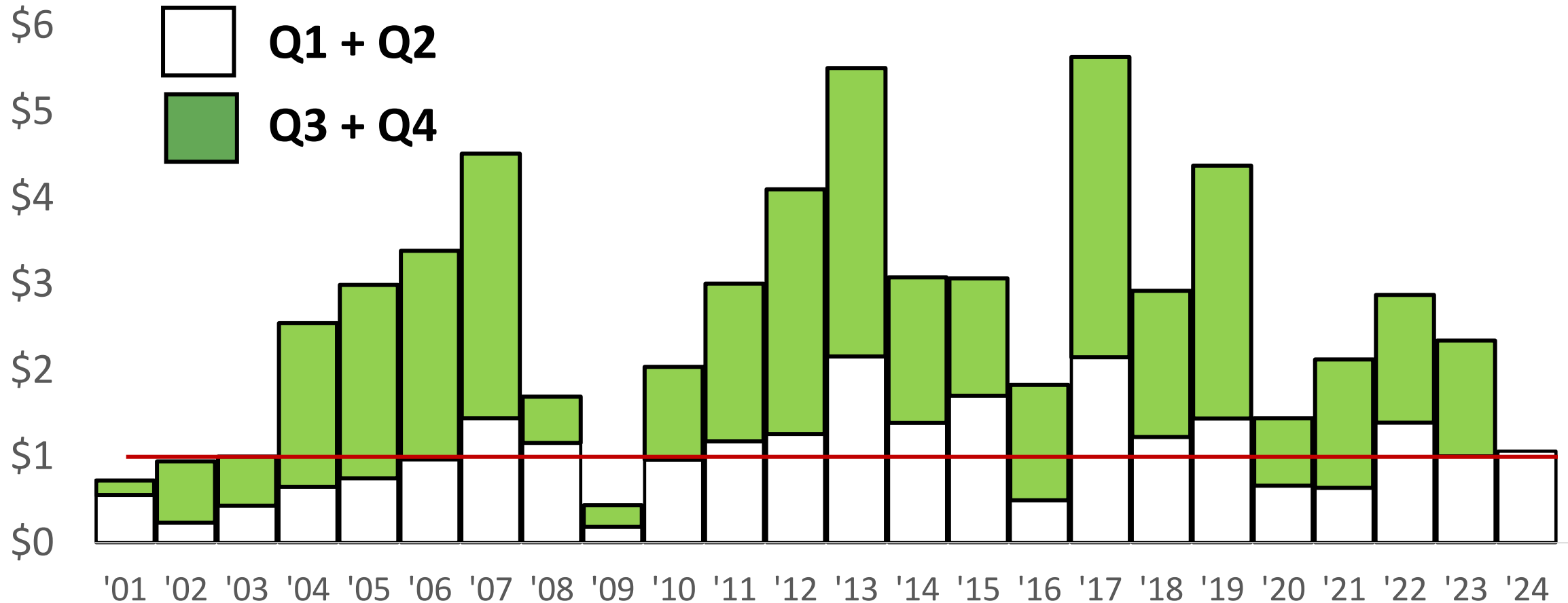


	August 2024		YTD 2024		
	Vol (\$b)	YOY	Vol (\$b)	YOY	Cap Rate
Office	4.2	6%	36.7	12%	7.2%
Retail	3.6	-29%	34.1	-9%	7.0%
Industrial	6.2	-27%	52.1	-17%	6.4%
Hotel	2.2	3%	15.8	-5%	8.3%
Apartment	9.9	-9%	81.0	3%	5.6%
Snr Hsg & Care	1.4	39%	6.6	-3%	6.1%
Dev Site	1.1	-49%	12.3	-16%	
Total	28.7	-15%	238.6	-4%	

# Houston Office Real Estate Sales



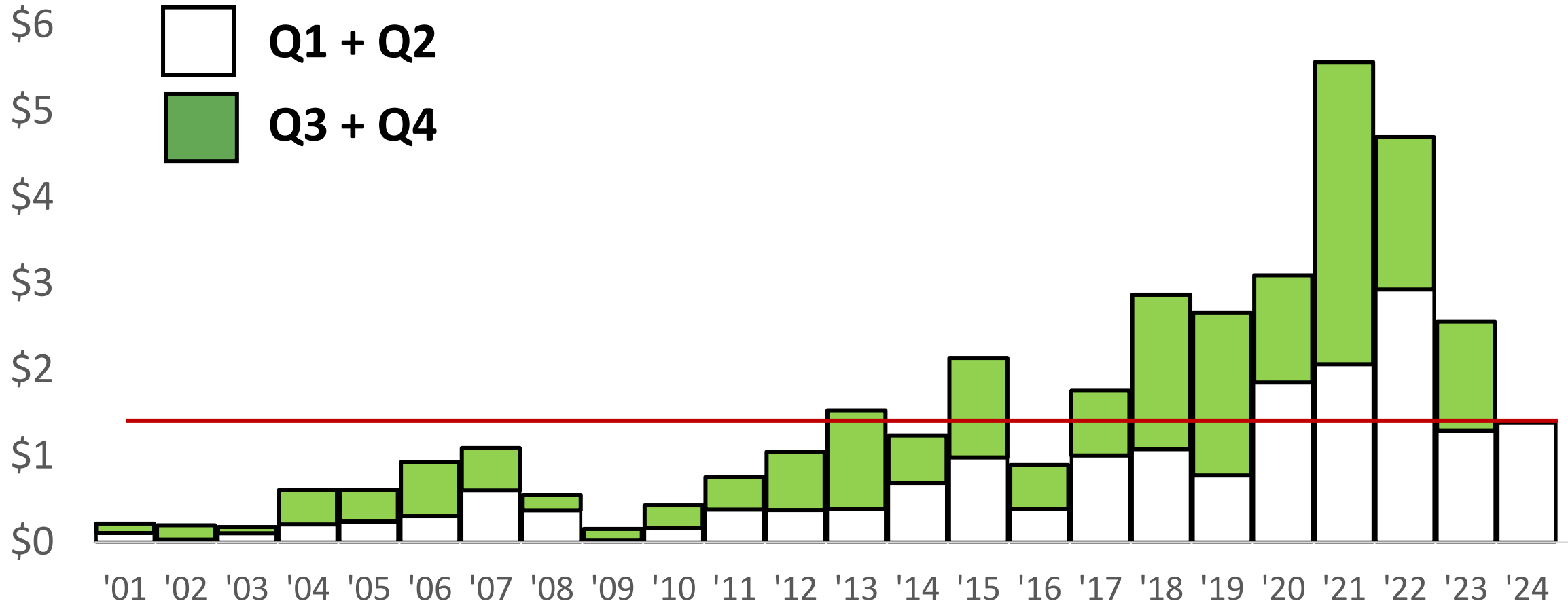
*\$ Billions*



# Houston Industrial Real Estate Sales



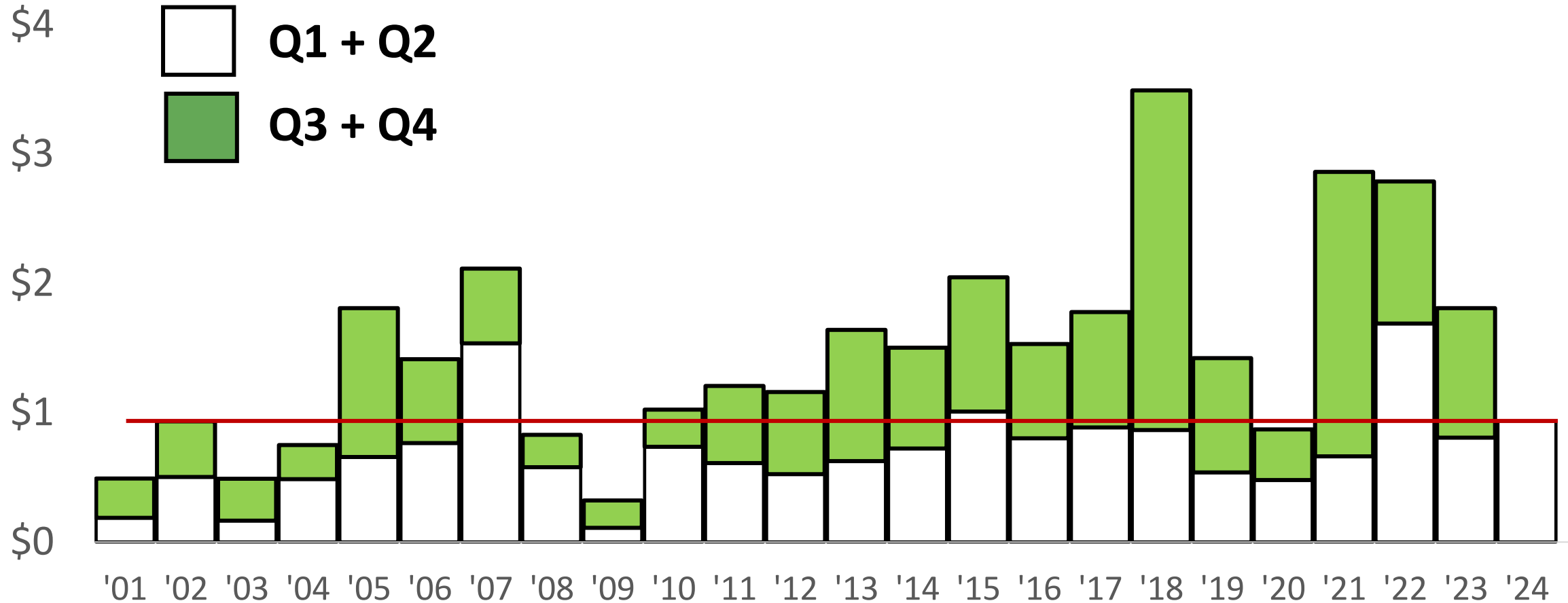
*\$ Billions*



# Houston Retail Real Estate Sales



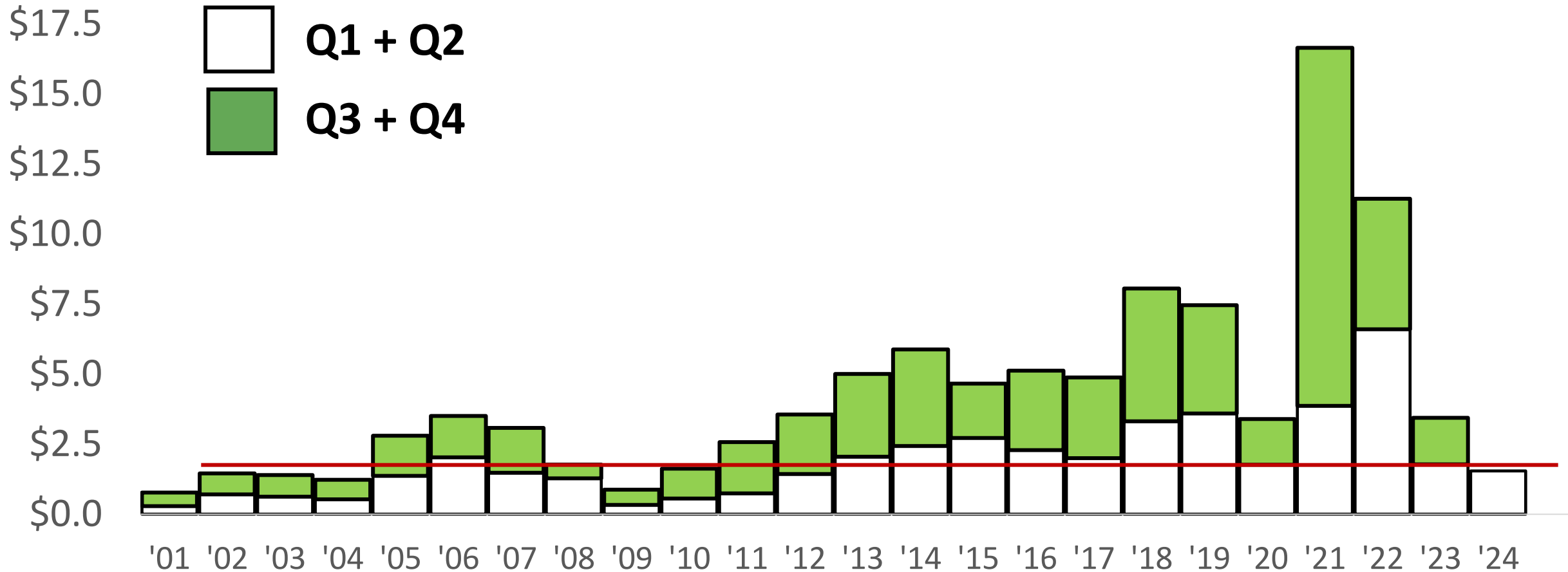
*\$ Billions*



# Houston Apartment Sales



*\$ Billions*



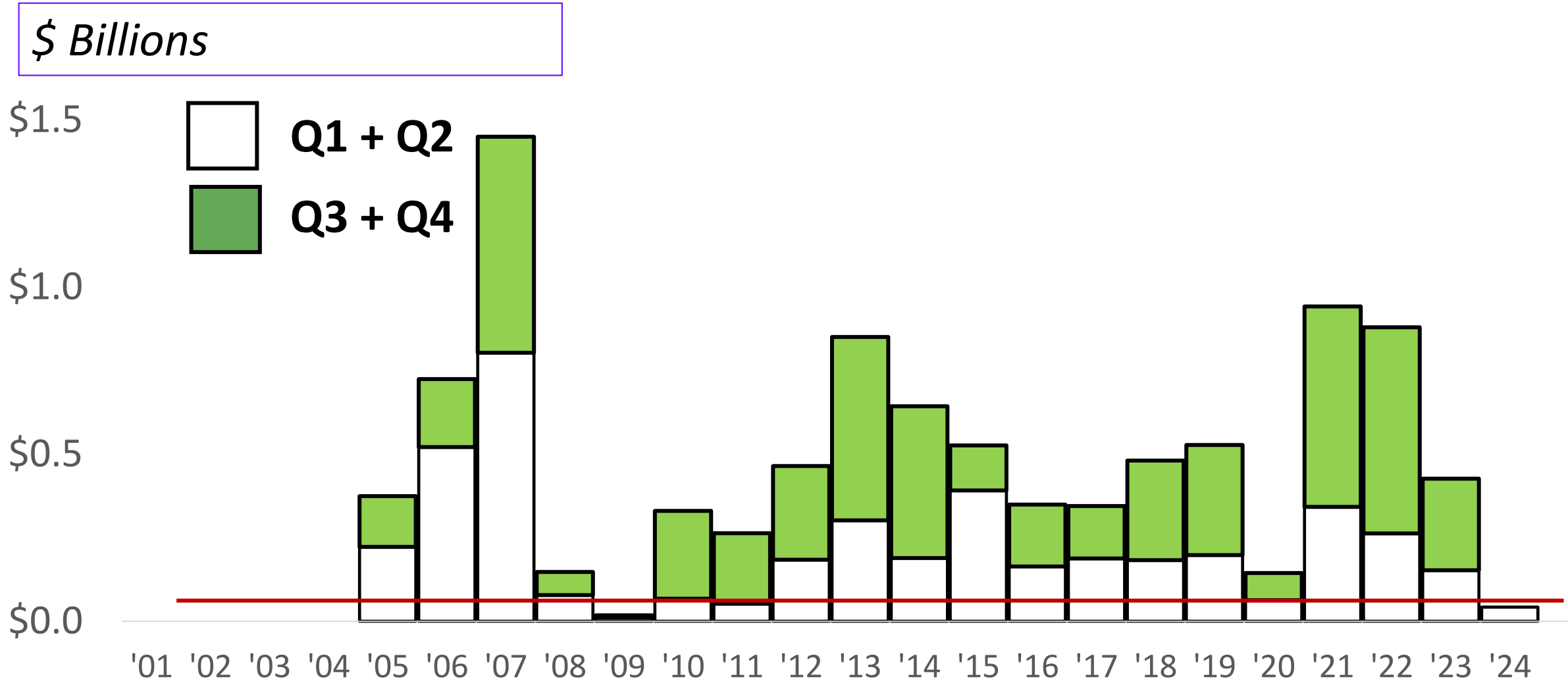


# Houston MSA Jobs & New Residential Construction

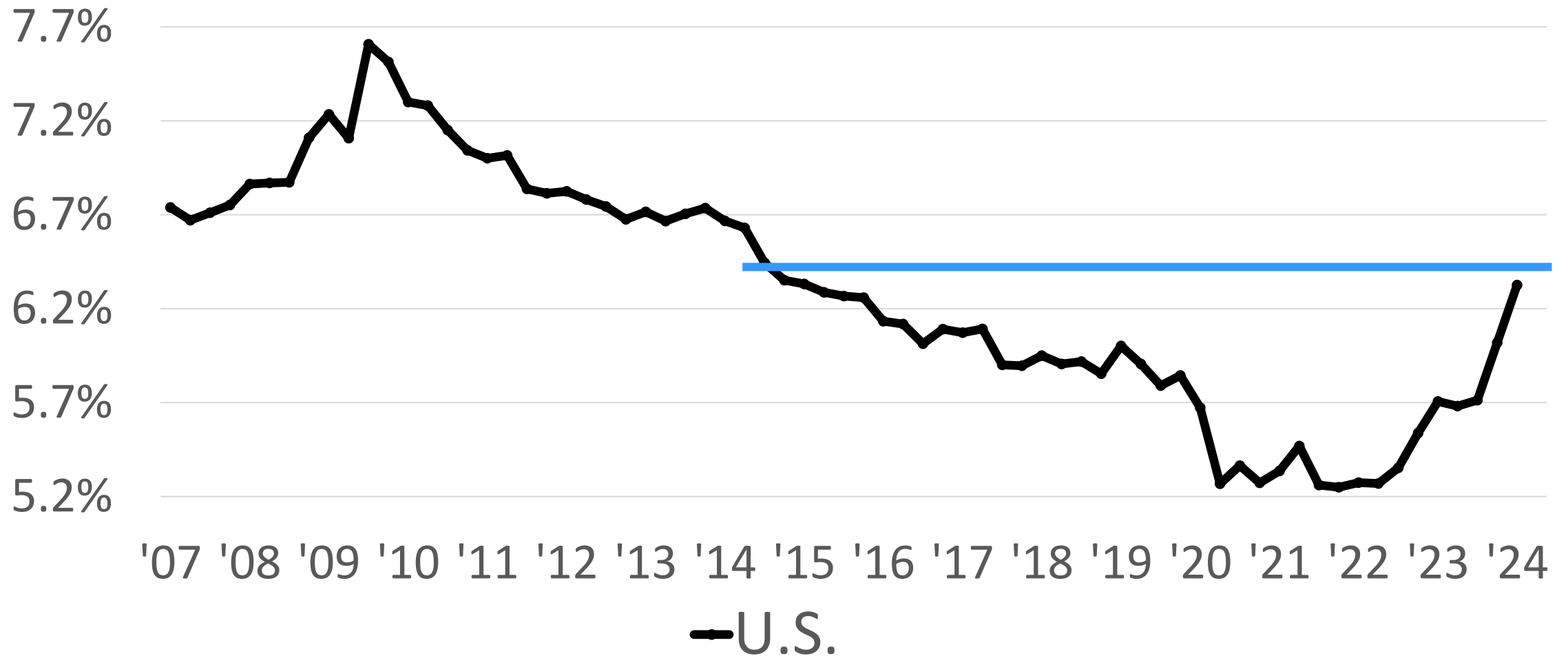
Year	Number of New Dwelling Units		Total Dwelling Units	Net New Jobs	New Jobs Per Dwelling
	Single Family	Multi Family			
2014	38,321	25,426	63,747	116,600	1.83
2015	36,963	20,115	57,078	(2,500)	-0.04
2016	35,632	9,365	44,997	(2,300)	-0.05
2017	36,716	6,047	42,763	54,400	1.27
2018	40,887	16,967	57,854	82,800	1.43
2019	39,901	24,165	64,066	54,500	0.85
2020	50,632	20,625	71,257	(183,900)	-2.58
2021	53,315	16,544	69,859	172,100	2.46
2022	48,485	28,027	76,512	149,100	1.95
2023	50,992	18,311	69,303	102,900	1.48
	<b>431,844</b>	<b>185,592</b>	<b>617,436</b>	<b>543,700</b>	<b>0.88</b>

**Normal  
1.25 to  
1.50  
Net New  
Jobs Per  
New  
Dwelling  
Unit**

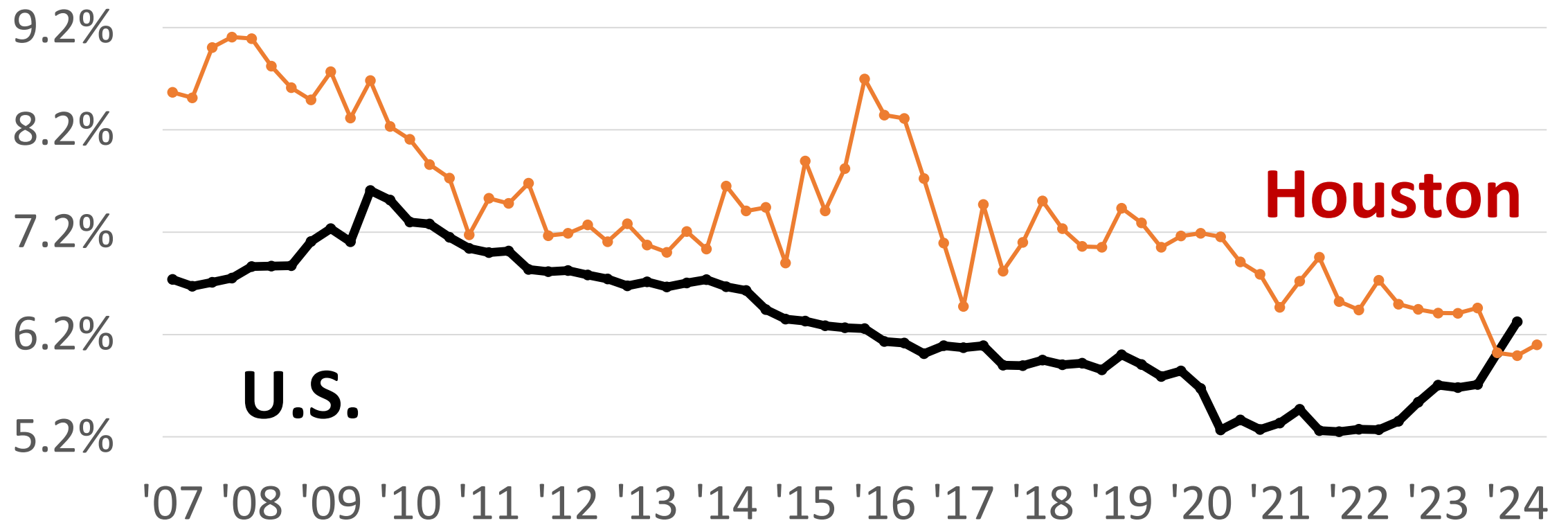
# Houston Hotel Sales



# U.S. Cap Rates – *All Property Types*



# U.S. & Houston Cap Rates – *All Property Types*



# Cap Rate Change Impact on Property Value

Cap Rate Change Basis Points	Original Cap Rate						
	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
	Percent Change in Property Value						
<b>-40</b>	11.1%	9.8%	8.7%	7.8%	7.1%	6.6%	6.6%
<b>-20</b>	5.3%	4.7%	4.2%	3.8%	3.4%	3.2%	3.2%
<b>20</b>	-4.8%	-4.3%	-3.8%	-3.5%	-3.2%	-3.0%	-3.0%
<b>40</b>	-9.1%	-8.2%	-7.4%	-6.8%	-6.3%	-5.8%	-5.8%
<b>60</b>	-13.0%	-11.8%	-10.7%	-9.8%	-9.1%	-8.5%	-8.5%
<b>80</b>	-16.7%	-15.1%	-13.8%	-12.7%	-11.8%	<b>-11.0%</b>	-11.0%
<b>100</b>	-20.0%	-18.2%	-16.7%	-15.4%	-14.3%	-13.3%	-13.3%
<b>120</b>	-23.1%	-21.1%	-19.4%	-17.9%	-16.7%	<b>-15.6%</b>	-15.6%
<b>140</b>	-25.9%	-23.7%	-21.9%	-20.3%	-18.9%	-17.7%	-17.7%

Assumes Constant NOIs



**Ted C. Jones**

@DrTCJ



Portland Oregon's Montgomery Park Office Building, which sold for \$255 million in 2019, sold for \$37.7 million at foreclosure this week (\$52 per SF) plunging 85.2% in value reported the [@Oregonian](#)

The property was bought by the company holding the mortgage, NY-based [@natixis](#)

5:52 AM · Feb 16, 2024 · **1,126** Views



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# **Creativity**

**\$ Billions to Be Made**





# Over the Edge

A Look Back and to the Future  
for Real Estate and the Economy



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**Real Estate Economist**