



O'Connor & Associates Land Forecast Luncheon

Speaker: Kirk Laguarta / Land Advisors

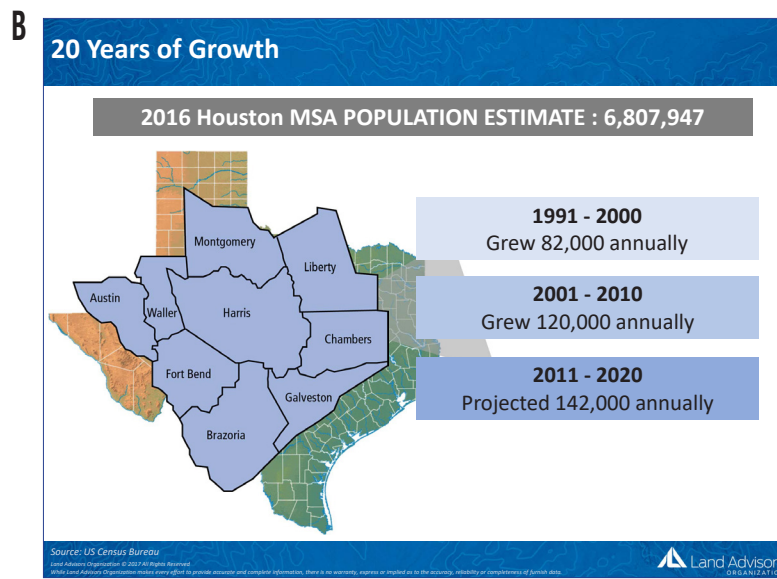
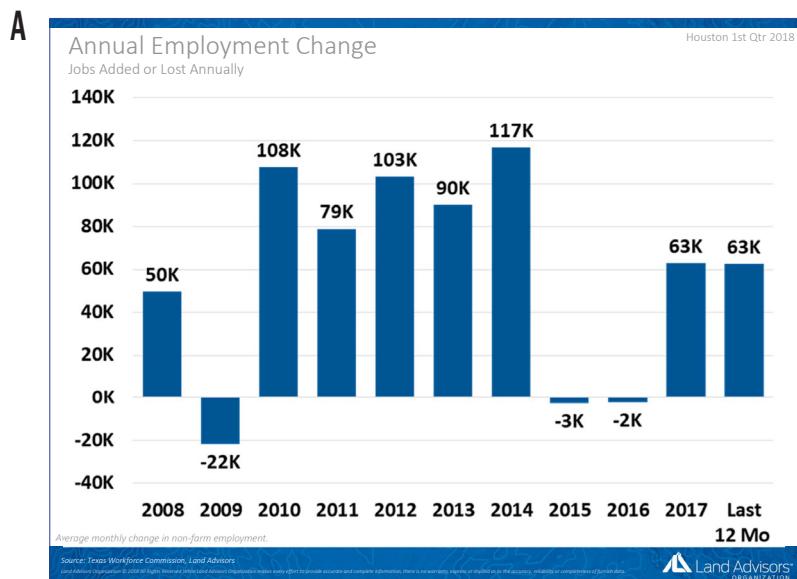


KIRK LAGUARTA

Bullet Points:

- Large master-planned communities of the future will be near the Grand Parkway and beyond.
- Developers who used to access the huge sums needed from banks now access them from equity investors who have a medium- to long-term horizon. These investors are from the money centers and are yield-driven.
- Some large developers have been acquired by or have very close relationships with their sources of their funding. The developers have in some cases traded potentially higher profits for lower risk.
- The Houston economy has many 'drivers' and lot development has continued apace even through the periods when oil prices dropped. This gives assurance to investors.
- We have averaged over 18,000 home starts annually for over 20 years, far more than any other large U.S. city, and in 2017 we had 27,000 starts.
- The land transactions for large master-planned communities are very complex, but lead time in Houston needed for entitlements (governmental approvals) are still shorter than in most other markets, which enables Houston homebuilders to give more home for the money.
- Equity investors seek only the developers with the most sterling reputations.
- With all the population growth in the far-flung parts of the area, roads are important, and toll roads will be the solution, since TXDOT has limited funds.

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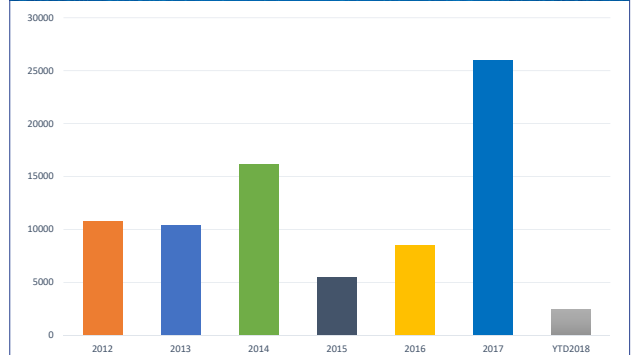


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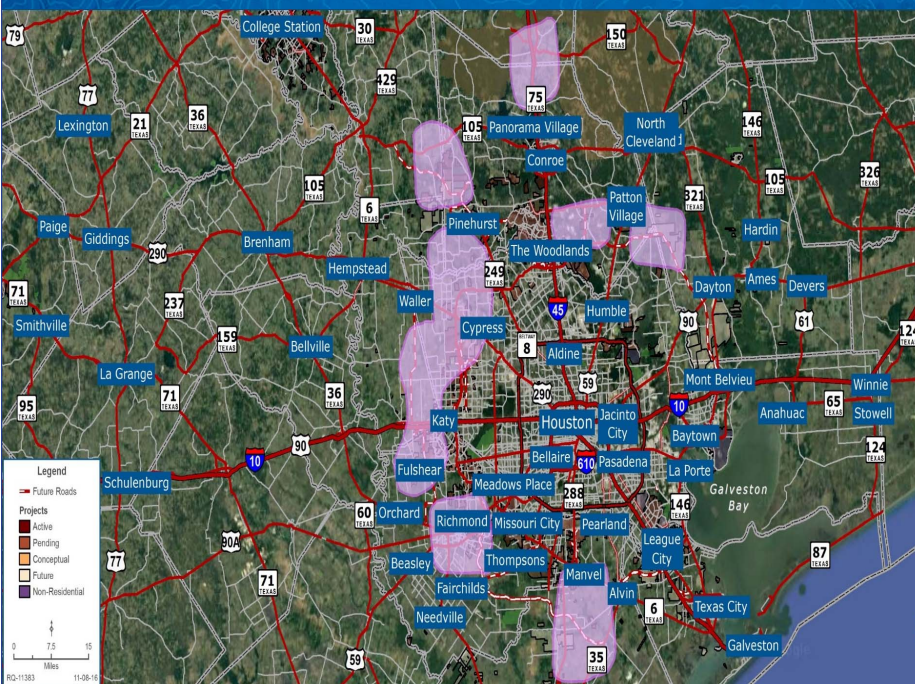
Takeaway: Houston's projected growth boom will require the acquisition of land and its development into residential lots at the rate of 10,000 acres per year, or 200,000 acres over the next twenty years. Houston has led the nation's other large cities for many years in new home starts and will continue to do so.

- Developers and investors are very conservative and attentive to flooding issues, and there was minimal flooding from Harvey in master-planned communities built in the last fifteen years.
- \$250,000 buys a much nicer home in Houston than in most other major markets.
- Houston residential developers can look forward to long steady growth. Currently developers are delivering lots on a planned just-in-time basis, which takes careful planning. ■

D Large Acreage Sale by Year



C Probable growth areas of the future



E Houston Land Market

- From 2009 to mid 2012 there were 4 large acreage tracts sold totaling 3,400 acres.
- Between mid 2012 and mid 2018 there were 71 large acreage sales 300± acres or larger. Since 2015, there have been 19 sales.
 - 2012 – 15 sales
 - 2013 – 16 sales
 - 2014 – 13 sales
 - 2015 – 9 sales
 - 2016 – 5 sales
 - 2017 – 11 sales
 - 2018 YTD – 3 sales
- Approximately 75,000 MPC acres sold since mid 2012.
- Since 2013, Houston has average home starts of 27,000/year.

A) Source: Texas Workforce Commission, Land Advisors B) Source: US Census Bureau
C - E) Source: Land Advisors Organization

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