

University of North Texas

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Fort Worth Convention Center Fort Worth, Texas Real Estate Market Overview And 2003-2005 Predictions¹

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- I. Real Estate will be a great business with some sad events in some sections. Why?
- A. Inflation and Devaluation of US\$ is coming!
 - B. Growth will continue at slower rate.
 - C. Higher IRS tax rates will be required.
 - D. Investors will flee stock market (again).
 - E. Low yield of interest rates and dividends <2% vs. real estate yields of 8%+ appreciation will make income properties boom.
 - F. Real estate for tax shelter and inflation protection will boom.
 - G. Record number of sales agents and seminars stimulate demand.

¹ These brief notes are available on Baen's web site at www.coba.unt.edu/firel/baen. These predictions reflect only the views of John Baen and not necessarily the organizers, other speakers, sponsors, or anyone else.

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II. Why Real Estate in Texas will Boom (Relative to US)?

- A. No income tax (yet).**
- B. Weather, fewer snow days = greater productivity and cheaper construction costs.**
- C. Fewer unions / cheaper labor**
- D. Time zone / central; 10-hour workday**
- E. U.S. political power (President, etc.)**
- F. Military manufacturing and bases**
- G. High tech & high touch friendly state**
- H. Sea ports – Houston / Brownsville / Corpus Christi**
- I. Oil & Gas self-sufficiency**
- J. Texas Bankruptcy / Homestead Law**

III. Why Fort Worth Real Estate Will Be Generally Good (Much Better Than Dallas!)?

- A. Functional Council And Mayor**
- B. 100,000+ Prime Acres With Superior Access (I-35W, 287, SW Parkway)**
- C. Alliance Airport / Jobs / Zoning / Affordable Housing**
- D. Oil & Gas Boom (\$1 Million / Well Added To Tax Base) And High-Energy User Industries Could Move Here!**
- E. Military Manufacturing Jobs**
- F. Closer to Crawford than Dallas! (Political Power)**
- G. No NFL Team Named After City**
- H. Growing Tax Base**
- I. Affordable Single-Family Lots / Prices <\$30k>**
- J. Race Track**
- K. Billy Bobs / Stockyards**
- L. Fort Worth Culture**
- M. Central Location in U.S. (Time Zone, Travel, Etc.)**
- N. Fewer High Tech Jobs Or Jobs Lost**

IV. U.S. Macroeconomics Influences and Predictions

- A. Artificially low interest rates will continue to encourage:**
 - 1. job retention**
 - 2. stock market stabilization (low yield)**

3. affordable federal debt, budget and deficits
 4. consumer buying (cars, houses, etc.) [zero down, zero payments until?]
- B. Falling US (\$) Dollar due to printing money and artificially low interest rates to encourage:**
1. U.S. exports
 2. Reduce trade deficits
 3. Consumer buying of US goods
 4. EZ credit availability
 5. Hard assets that appreciate greater than savings deposit rates of interest (real estate, oil & gas, gold, etc.)
- C. U.S. Economy and Job Creation and retention will be more important than value of currency.**
- D. Record deficits by government (Fed, State, County, Cities) due to:**
1. fat budgets
 2. boom years
 3. reduced income
 4. higher expenses
 5. Homeland Security
- E. Record growth of last ten (10) years based on five (5) main factors that have changed:**
1. Efficiency due to technology (dot bomb?)
 2. Record immigration to U.S. / Texas with "open" borders (pre 9-11)
 3. Strong U.S. \$ (foreign investment / deposit)
 4. Cheap oil, gas and gasoline (cheaper than Coca Cola)
 5. Zero terrorism costs to business and government (pre 9-11)
- V. Recreational / Farm Ranch Market Within 90 Miles**
- A. Prices will boom
 - B. Income from hunting / ranchland equals savings accounts with appreciating asset (cattle and hunting income = >\$20/acre , \$1000/acre values = 2% + yield)
 - C. Baby boomers are buying for retirement in 10-20 years

- D. Technology, computers, cell phones, videoconferencing, faxes, satellite hookups, telecommuting, etc., make rural living a real option (commute to city 2-3 days per week = reverse Yuppie schedule)
- E. Big city terrorist retreats / safety “place / notion”
- F. High cattle prices (may bust)
- G. Subdivision potential
- H. Visions of Oil & Gas Royalty / Wealth

VI. Urban Fringe Land (North And Southwest Fort Worth) Will Continue To Sell To Users And Developers Based Only On:

- A. End user, buyer, tenant’s ability to make payments and/or rent...
 - 1. Interest rates to stay low?
 - 2. Employment rates stabilize?
- B. Few forced sales of major tracts of land (Dell site? Other tract foreclosures?)
- C. Assumption of Fort Worth City Council’s continued support of small, affordable lot sizes / prices.
- D. No new city policy, fees that add to lot prices. (i.e. assessments of historic or new roads, sewer, water, etc.)
- E. New “Loop” around Fort Worth (Highway 51/380)

VII. 2003-2005 Predictions - Single-Family Home Market Will Be Highly Segmented, Fragmented And Volatile:

- A. Interest rate sensitive
- B. Equity out refinance risk / values / cashout refinancing
- C. <\$140,000 boom / appreciation @ 7%+
- D. \$225,000> flat / depreciation and foreclosure increases
- E. \$600,000> drop in prices, bust, foreclosures
- F. Starter home boom will continue with high speed cable connections and better, newer schools. (Inner-city education gap?)
- G. Inner-city new America, new Americans. Rapid growth of Hispanic culture, schools and politics.
- H. Private school foundations to attract the best teachers in various districts.
- I. Pressure to limit affordable lot zoning will be defeated in favor of market condition, demand, desire for growth, and sanity.
- J. Higher development costs will be real.
- K. Oversupply of finished lots likely in some markets.

- L. **Mobile Home defaults may result in more strict underwriting.
(Needed!)**

VIII. 2003-2005 Predictions - Fort Worth Apartment Market

- A. **Occupancy will remain the same but vacancies will greatly increase / apartment neighbors joining households**
- B. **New projects will be scarce unless:**
 - 1. **Low Income (Zoning Discrimination?)**
 - 2. **Student Housing (Special Opportunities for Tarrant County Colleges?)**
- C. **All bills paid apartments will drop in value due to:**
 - 1. **increased cost of utilities**
 - 2. **mold threats (flat roofs)**
 - 3. **higher insurance rates**
 - 4. **slower migration rates from new Americans (9-11 and the INS / Homeland Security)**
- D. **Property Management profession will be kings and queens (TAA).**

IX. 2003-2005 Predictions – Fort Worth Retail

- A. **Vacant big boxes will crash in value or be bulldozed (K-Marts, etc.).**
- B. **No new major mall announcements without 50% preleased.**
- C. **Neighborhood strip centers in new communities will be in demand.**
- D. **Existing freeway pad sites with service roads will be slow. (New TxDot rules and McDonald's depression / fast food .)**
- E. **Out of county (Tarrant) car dealerships will steal buyers with lower overhead, taxes and labor costs.**
- F. **The Internet will continue to rob sales tax dollars and reduce city sales tax income.**
- G. **Convenience stores will continue to increase on the foreclosure list due to :**
 - 1. **environment**
 - 2. **SBA overlending**
 - 3. **Reduced New American owners / workers**
 - 4. **Over-priced "flips"**

X. 2003-2005 Predictions – Fort Worth Office Market Is In For Reduced Demand Except For Small Suburban Garden / Professional Offices Due To:

- A. Growth of home and mobile offices.
- B. Export of customer service jobs and call centers to India.
- C. Computer efficiencies
- D. Reductions in space / employees
- E. General economic climate of U.S.

XI. 2003-2005 Predictions – Fort Worth Industrial / Warehouse Will Have A Flat Market Demand Or Built On Demand Within 90-180 Days

- A. Reduced demand at or near DFW Airport
- B. Few if any “spec” buildings
- C. Increase in shipping direct from manufacturer to user and less warehousing or storage of products (computer efficiencies)
- D. More robotic manufacturing with fewer workers and desired lower building standards or old building conversions
- E. More satellite distribution centers: NAFTA / Distribution trends will bypass Fort Worth / Dallas traffic (I-20 / Weatherford; Decatur Highway 51 / Decatur Denton / Greenville US380)

XII. Conclusions for Fort Worth 2003-2005

As for real estate, you are in the right business, in the right place (Fort Worth) and at the right time.

Fort Worth . . . the place to be . . . (even if we could be going into a recession and inflation).

I have been asked to give a forecast of the future. There are two (2) types of economic forecasters:

1. Those who don't know the future.
2. Those who don't know they don't know the future.