DEMOGRAPHIC & ECONOMIC SUMMARY OF THE CITY

The City of Houston was founded on August 30, 1836, by brothers Augustus Chapman Allen and John Kirby Allen, and named after General Sam Houston. The City of Houston's simple 19th century city seal – the noble locomotive (heralding Houston's spirit of progress) and the humble plow (symbol of the agricultural empire of Texas from which Houston would draw her wealth) – clearly speaks to the roots of Houston's economy and to the visionary leadership of its citizens.

According to the United States Census Bureau, Houston has a total area over 600 square miles comprising of 579.4 square miles of land and 22.3 square miles of water. Houston is the fourth most populous city in the nation with an estimated 2015 population of 2,296,224 (3,830 people per square mile), just behind New York, Los Angeles and Chicago; and is the largest city in the southern U.S.

With 6,772,470 inhabitants in 2016, the nine-county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA) is the nation's fifth most populous metro area. The entire MSA covers more than 10,000 square miles and includes all or part of the Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties. Houston is the center city of one of the most dynamic urban centers in the United States.

2015 City Population				
New York	Los Angeles	Chicago	Houston	Philadelphia
8,550,405	3,971,883	2,720,546	2,296,224	1,567,442

2016 Metro Area Population	
New York, Newark, Jersey City, NY-NJ-PA	20,153,634
Los Angeles, Long Beach, Anaheim, CA	13,310,447
Chicago, Naperville, Elgin, IL-IN-WI	9,512,999
Dallas, Fort Worth, Arlington, TX	7,233,323
Houston, The Woodlands, Sugar Land, TX	6,772,470
Washington D.C., Arlington, Alexandria, VA-MD-WV	6,131,977
Philadelphia, Camden, Wilmington, PA-NJ-DE-MD	6,070,500

Population growth continues in the city and the metropolitan area: the Houston metro area added 125,005 residents from July 2015 to July 2016. Every Houston-area county experienced population growth in 2016, the majority of the growth occurred in Harris, Fort Bend, and Montgomery counties, accounting for eight out of every ten new residents (among counties with 250,000 people or more, Fort Bend showed the fastest percentage growth with a 3.8% population increase in one year). Houston also stands among the nation's most diverse cities, drawing newcomers from around the U.S. and across the world – foreign-born residents accounted for two of every five newcomers to the region in the past five years.

According to the U.S. Census Bureau, as of 2010, Houston's population breakdown by race and ethnicity was as follows: Hispanic or Latino origin 43.8%; White (not Hispanic) 25.6%; African-American 23.7%; Asian 6.0%; American Indian and Alaska Native 0.7%; Native Hawaiian and Pacific Islander 0.1%; and persons of two or more races 3.3%. Additionally, 49.8% of Houston's population is female; 25.9% of all persons are under 18 years of age and 9.0% are over 65 years; 28.3% of all persons are foreign born; and 47.1% of all households speak a language other than English.

The Greater Houston Partnership notes that population growth has been steady over the past 15 years, with the region's population change from prior year of 1.9% increasing to 6.7 million and noting that residents continue to favor the suburbs.

MAJOR TRANSPORTATION FACILITIES

Houston is an international city with the third largest consular corps in the nation as well as trade and business connections across the U.S. and around the world. Three in ten Houstonians are foreign born, and there are eighteen sister-cities to Houston on five continents. Two major transportation facilities provide the backbone for Houston in these regards: the Port of Houston and the Houston Airport System.

The **Port of Houston** is a 25-mile long complex of diversified public and private facilities located just a few hours by ship from the Gulf of Mexico. A study in 2015 by Martin Associates says Ship Channel related businesses contribute more than $264.9 billion in statewide economic impact. The port is consistently ranked 1st in the United States in foreign waterborne tonnage; 1st in U.S. imports; 1st in U.S. export tonnage and 2nd in the U.S. in total tonnage.

The ***Houston Airport System (HAS)*** ranks as one of the largest multi-airport systems in the world. The system includes George Bush Intercontinental Airport (IAH), William P. Hobby Airport (HOU) and Ellington Airport (EFD). Ranked as the 10th busiest airport in the U.S. for total passenger traffic, IAH is Houston's largest airport and the largest hub for United Airlines. HOU, Houston's original municipal airport, handles domestic & international passengers for four airlines and one charter service, and is a key hub for Southwest Airlines. EFD is a joint military and civilian airport and serves as a base of operations for the National Aeronautics and Space Administration (NASA) and corporate charters.

Known worldwide as the place for NASA mission control, **Johnson Space Center (JSC)** is a $1.5-billion complex, which was established as the Manned Spacecraft Center in 1961 and renamed in 1973 to honor the late President and Texas native Lyndon B. Johnson. NASA JSC occupies 1,620 acres 24 miles southeast of downtown Houston. While the NASA workforce continues a global reputation for achievement in space exploration, JSC is an economic powerhouse paying for salaries, contracts and grants that create jobs and strengthen business in the Clear Lake and Houston regions and across Texas. JSC is one of NASA's largest Research & Development facilities and a source of the nation's best high-tech professionals in science and engineering.

HEALTH AND EDUCATION

The Houston region's health care system provides quality care from specialized to routine care for patients that come from around the world. Houston is home to the Texas Medical Center (TMC), the largest medical center in the world. The TMC is home to more than 50 of the most renowned medical research and academic institutions in the world. TMC's member institutions include: six general hospitals, eleven specialized hospitals, two specialized patient facilities, four medical schools, five schools of nursing, two schools of pharmacy, a dental school and a community college focused on health science fields. Eight million patient encounters occur every year at the TMC. Houston proudly supports the TMC and their dedication to provide employment for over 106,000 employees.

The **Houston Independent School District (HISD)** is the largest school district in the Houston area. Ranked as the nation's seventh largest district, HISD encompasses over 333 square miles with 283 campuses, and serves more than 215,000 students. HISD serves a dynamic, highly diversified community and is one of Houston's largest business enterprises.

Additionally, Houston boasts more than 100 colleges, universities, technical and trade schools – offering higher education options in more than 500 degrees and certification programs.

ARTS AND ENTERTAINMENT

Houston provides a wide variety of arts and entertainment including theater arts, museums and sports. The City is home to the Houston Livestock Show and Rodeo the world's largest livestock exhibition. Houston is also one of only five cities in the United States with permanent professional resident companies in all of the major performing arts disciplines of opera, ballet, music, and theater. Home to nine world-class performing arts organizations, Houston Theater District is second only to New York in the number of theater seats in a concentrated area. The Houston Grand Opera is the only opera company in the U.S. to win a Grammy, a Tony and an Emmy while the Alley Theatre is the only regional theatre in Texas to win a Tony award. Other performing arts companies such as Broadway in Houston, Da Camera of Houston, Houston Symphony, Society for the Performing Arts, Theatre Under the Stars (TUTS), Ensemble Theater and Uniquely Houston also serve to enrich the lives of Houston area residents.

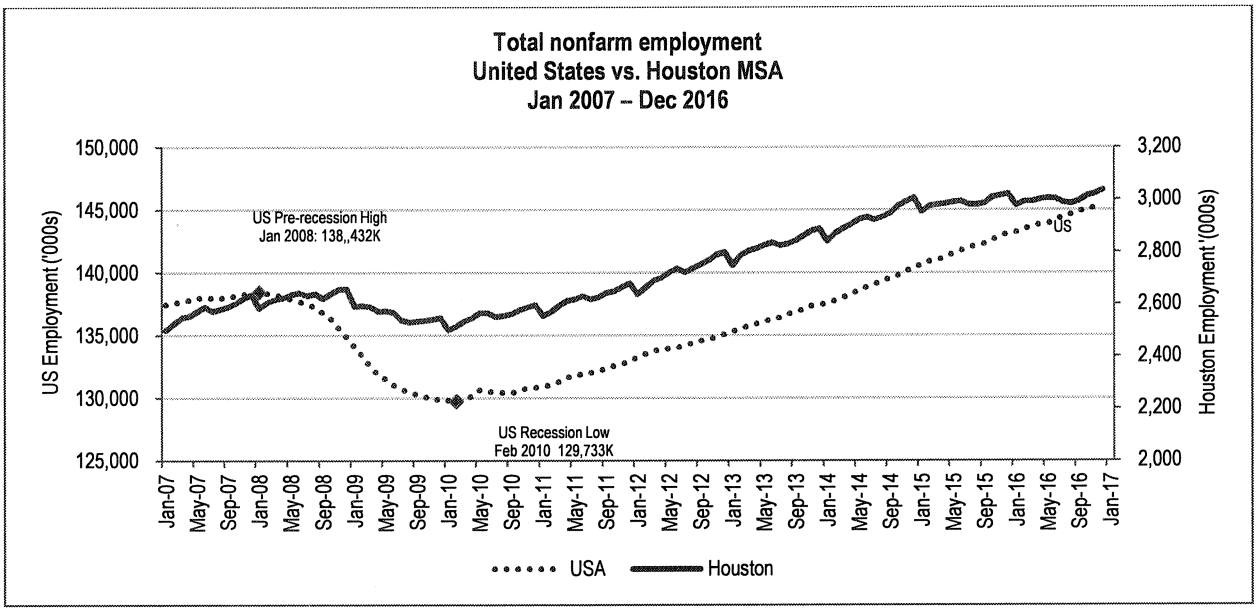
The distinctive Houston Museum district is one of the best in the country. It offers a range of museums, galleries, art and cultural institutions. With its nineteen members within a 1.5 miles radius, the district offers a wide array of exhibits featuring themes of art, history, culture, nature, and science. Among the country's best are The Children's Museum of Houston, the Health Museum and the Museum of Fine Arts. Houston has more than 500 cultural, visual and performing arts organizations, 90 of which are devoted to multicultural and minority arts.

Houston has professional sports teams representing football, baseball, basketball and soccer. The City boasts an array of teams such as the Houston Texans, Houston Dynamo, Houston Rockets, and Houston Astros. Houston has established itself as a destination for hosting major sporting events such as 2004 Super Bowl XXXVIII, 2005 World Series, USA Gymnastics 2008 Men's Visa Championship, 2010 Major League Soccer All Star Game, 2011 NCAA Men's Final Four, 2012 Amateur Athletic Union Junior Olympic Games, 2013 NBA All Star Game, and 2015 Major League Lacrosse All Star Game. The City had recently hosted the 2016 NCAA Men's Final Four Championship and was host to 2017 Super Bowl LI.

ECONOMIC OUTLOOK

After weathering a regional downturn, Houston's economic outlook has shown positive signs in several key economic indicators. As of March 2017 the average oil rig count was 634, and the year-over-year comparison for the month of March showed an increase of approximately 250 rigs marking an increase of 65.1%. The Houston Purchasing Managers Index (PMI) for February 2017 registered 54.2, up from 44.5 for the same period last year and marking the fifth consecutive month of expansion in Houston. The PMI exceeded the 50-point level required to indicate economic expansion over the near term

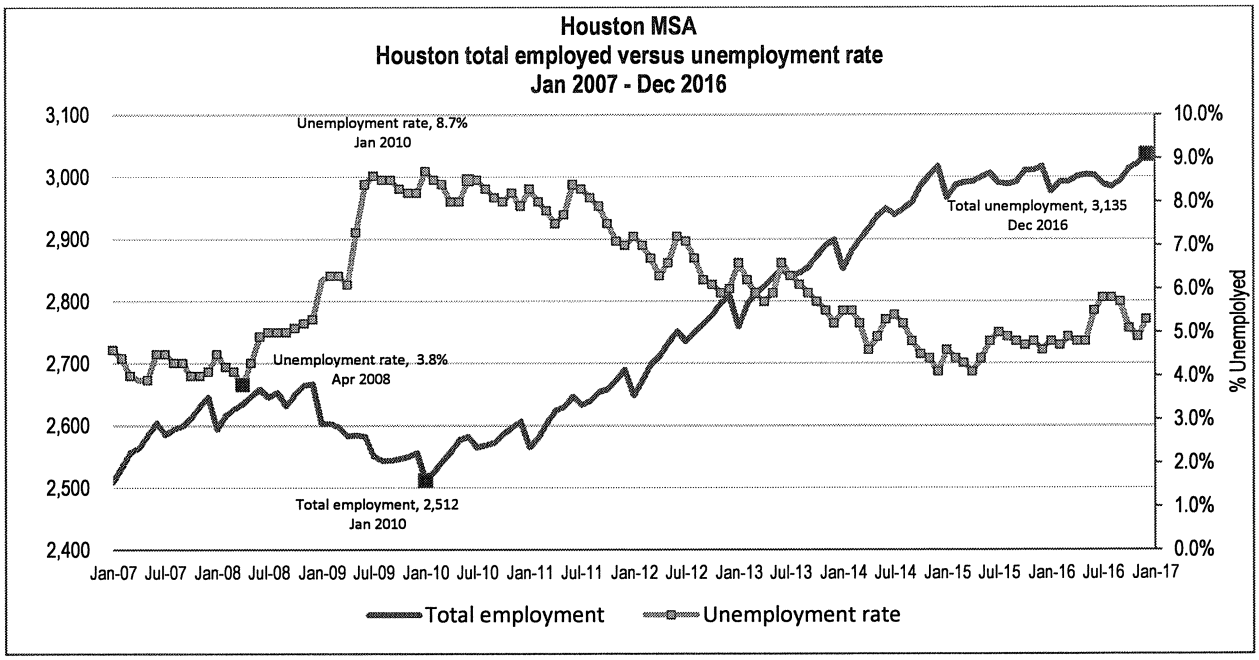
The region's economy remained relatively strong through and following the Great Recession; as indicated in the chart below, Houston never saw the dramatic employment dropoff experienced by much of the U.S. from late 2008 into early 2010. Since that time, the Houston MSA has seen job growth sufficient to keep local employment growth at a pace near that of the nation's employment expansion. However, with the impact of lower oil and gas prices on the upstream energy sector, Houston's employment growth has slowed and is being outpaced by increases in U.S. employment.



Source: US Census Bureau

Nationally, the slow but steady job growth has moved the nation beyond its pre-recession high of 138.4 million jobs in January 2008. Some seven years after the recession low of 129.7 million jobs in February 2010, the U.S. has recovered over 15.5 million jobs with an estimated 145.3 million jobs as of December 2016, easily surpassing the pre-recession highs.

Houston's story is quite different: Houston lost only 156,400 jobs from December 2008 to the recession low in January 2010. The area's recovery was also much more rapid than at the national level, as Houston regained its pre-recession jobs level by December 2011, only 23 months after the low point of the recession. As of December 2016, Houston had gained 534,900 jobs since the recession low in January 2010.



Source: US Census Bureau

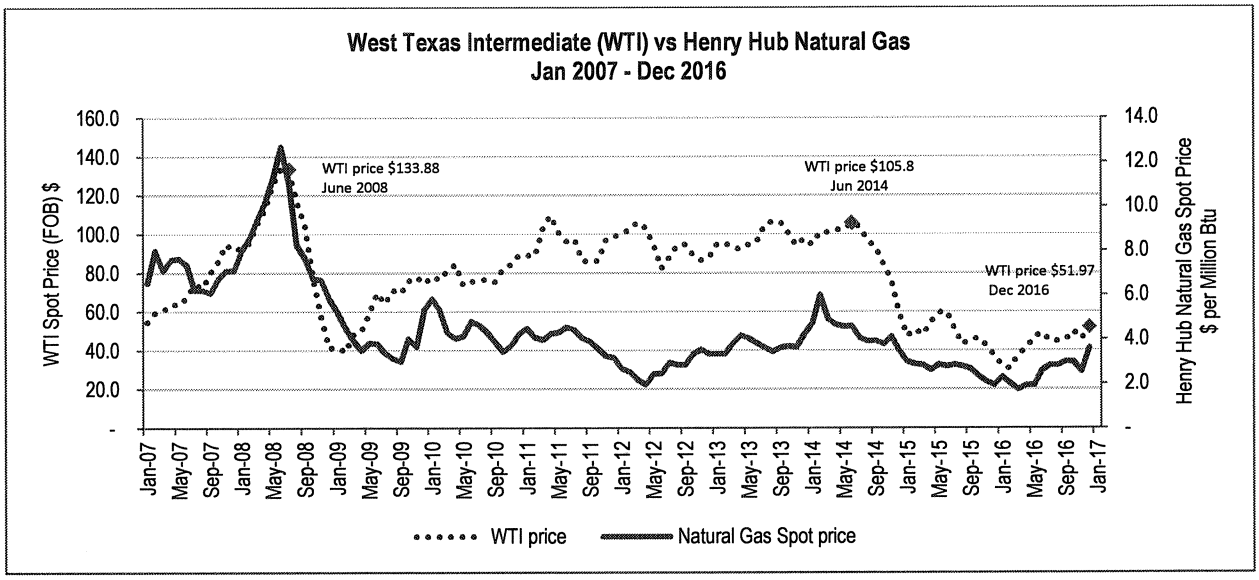
ENERGY

Home to more than 5,000 energy related firms, Houston remains the internationally recognized global energy capital, and as such can suffer material economic impacts when oil prices slump. After achieving a high of nearly $106 in June of 2014, oil tumbled to a low of $30.32/barrel in February 2016, currently price/barrel is $49.41/barrel in April 2017. This is having an impact on job growth in Houston, as Houston holds a substantial portion of the nation's jobs in oil and gas extraction.

Partially offsetting this impact are the nine refineries in Houston that process more than 2.3 million barrels of crude oil per day (approximately half of the state's total production). Lower oil and gas prices translate to lower costs for the inputs that refiners and many other manufacturers in the Houston area use, which can translate into higher profits and more employment related to refining and manufacturing.

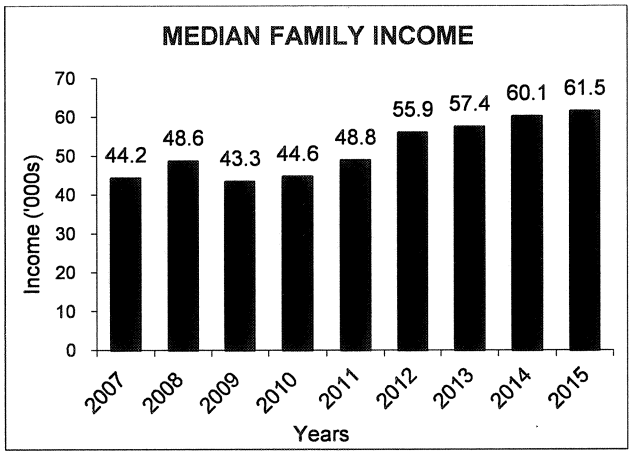
As of April, the Energy Information Administration (EIA) is forecasting West Texas Intermediate (WTI) will approach an average of $55.10/barrel in 2018. Based on this forecast, local economists say Houston should remain relatively strong in the near term, although a price rebound will be needed at some point to compensate for lost jobs and related economic activity as construction at refineries and chemical plants along the Texas Gulf Coast slows in the next year or two.

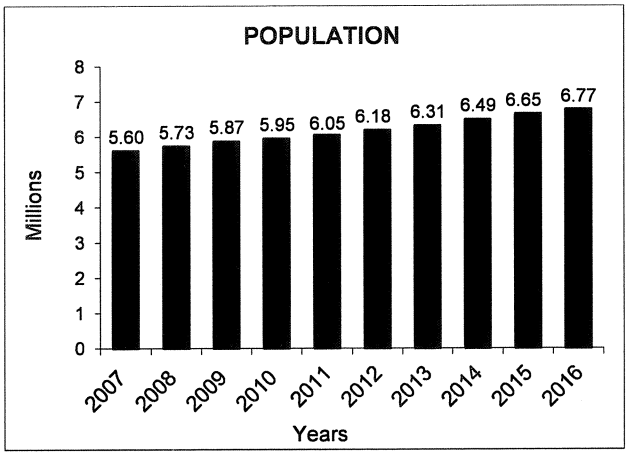
Should oil prices hold to current projections and remain around $50/barrel, or even increase slightly through the remainder of 2017, Houston is likely to navigate this most recent economic challenge in relative health. Given the volatility of oil prices and projections though, the City would do well to prepare for prices below these levels.

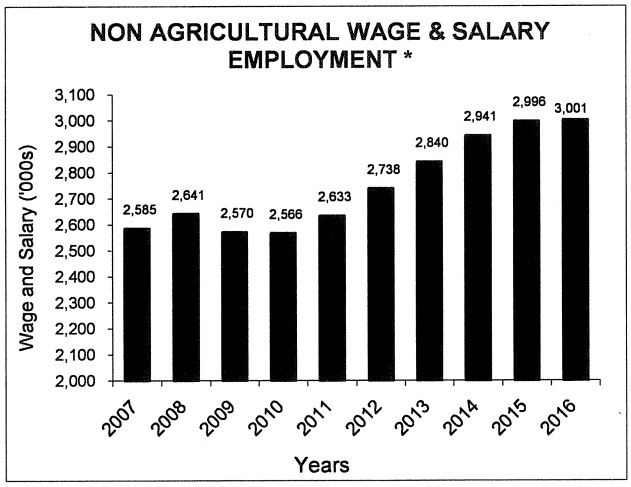


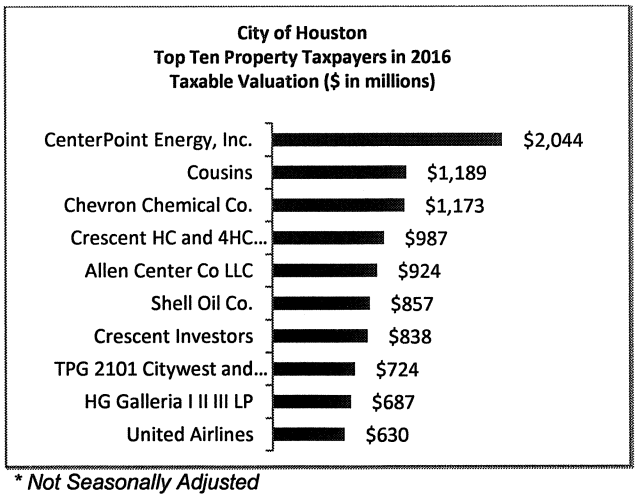
Source: US Energy Information Administration

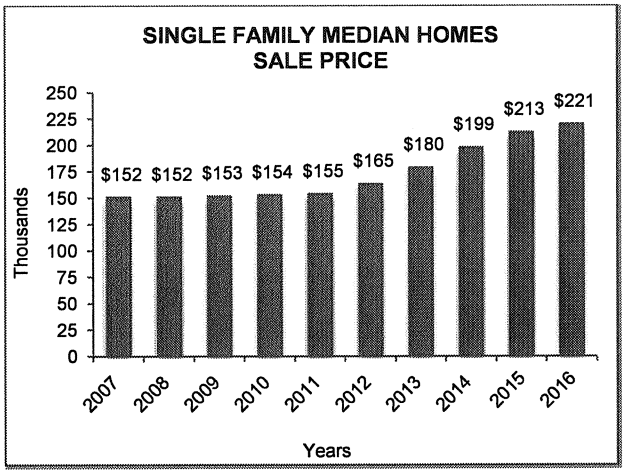
HOUSTON MSA AT A GLANCE











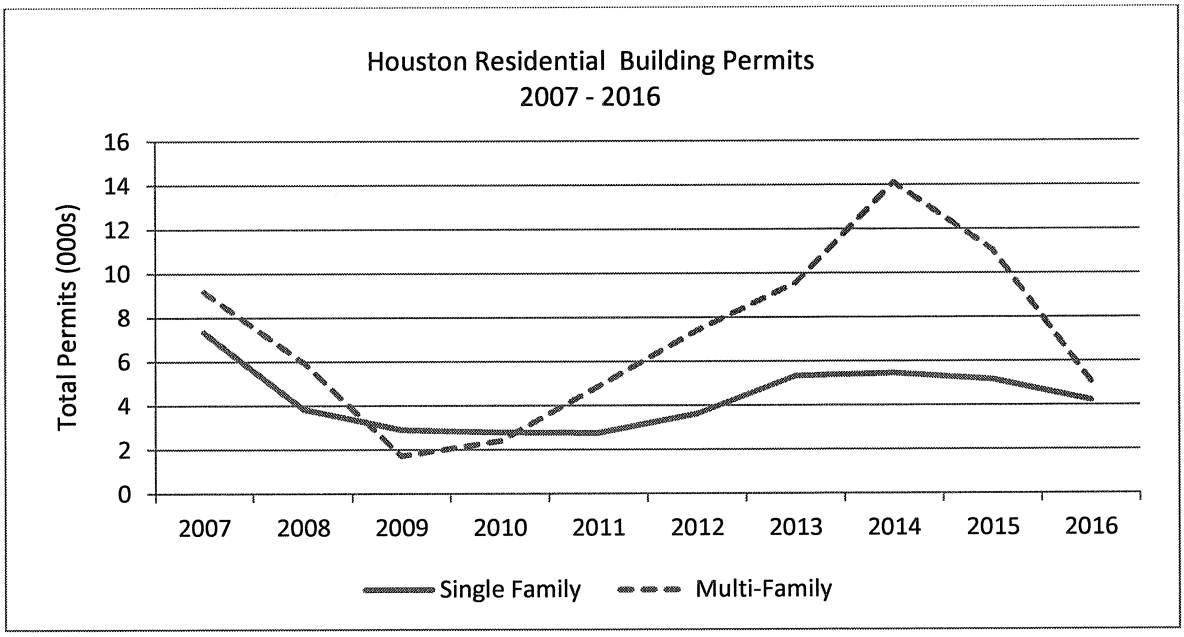
** Not Seasonally Adjusted*

Sources: Greater Houston Partnership, US Bureau of Economic Analysis, US Bureau of Labor Statistics, Harris County Appraisal District

CONSTRUCTION AND REAL ESTATE

The City of Houston issued approximately 9,000 single and multi-family residential permits in 2016, 43% less than in the previous year. As of February 2017 the year to date building permit issuance has been flat in comparison to the same period in 2016. Respectively, there have been 6,975 building permits issued as of February 2017 compared to the same period last year issuances of 6,942.

A total of 7,013 single-family homes sold in March 2017 versus 6,278 a year earlier resulting in an 11.7% increase year-over-year. March sales of all property type in Houston totaled 8,495, up 10.5% from the same month last year with the strongest sales among homes valued between $250,000 – $500,000, followed by the luxury market of $750,000 and above.



Source: City of Houston

Single Family Housing

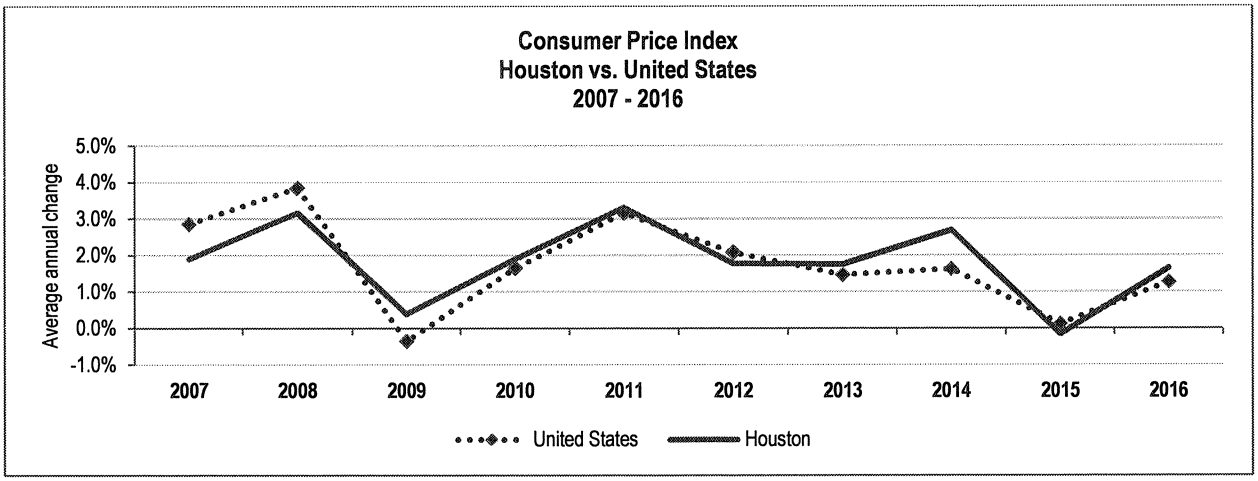
The five-year trend represented in the table below illustrates the vitality of the Houston housing market during the recent employment boom. Sales in 2016 increased slightly from 2015 surpassing 2014 record performance, and total dollar volume held virtually constant as the average sales price increased from $280,290 to $283,183. The report from the Houston Association of Realtors (covering March 2017) highlights positive sales in mid-range homes and increasing inventory as evidence that the Houston real estate market "demonstrated more sustainable conditions." The report shows 2017 home sales running 11.7% ahead of the 2016 year-to-date pace, with single-family inventory levels climbing from a 3.5 month supply to 3.8 months.

SUMMARY OF HOUSTON RESIDENTIAL SALES ACTIVITY					
	2016	2015	2014	2013	2012
Total Sales	91,520	88,764	91,439	88,069	74,116
Total dollar volume	**$24,546,840,733**	**$23,559,111,514**	**$23,553,542,859**	**$20,891,392,084**	**$16,040,186,637**
Single-family sales	76,449	73,724	75,535	73,232	62,374
Average sales price	$283,133	$280,290	$270,182	$248,591	$225,330
Median sales Price	$221,000	$212,000	$199,000	$180,000	$164,500

Source: HAR.COM

COST OF LIVING AND INFLATION

After dropping below the national average in 2015, Houston saw an increase in the cost of living in 2016. Houston prices, as measured by the Consumer Price Index (CPI), increased by 1.6% compared to the national increase of 1.3%. Houston's overall average CPI for 2016 was 216.64 versus 240.01 nationally, the result of which is that Houston residents have a cost of living that is approximately 9.73% lower than the national average.



Source: US Bureau of Labor and Statistics

The cost of consumer goods and services, as measured by the Consumer Price Index for All Urban Consumers (CPI-U) for Houston, trended lower than the national average for 2016 as evidenced in the chart above, before turning upward in 2016. With oil and gas prices on the decline through the latter half of 2014 and much of 2015, Houston's Consumer Price Index responded with a slight decrease. However, indications in 2016 are that inflation is returning to the area, as increasing housing costs and a slight rise in food prices offset cheaper motor fuel and household energy. U.S. Bureau of Labor Statistics data show consumer prices in the metro area rising 2% from February 2016 to February 2017, which the Greater Houston Partnership notes is the largest annual increase since late 2014.

Sources:

- Harris County Appraisal District
- The Greater Houston Partnership (Special Thanks to Patrick Jankowski)
- Houston Association of Realtors
- University of Houston Center for Public Policy
- National Association of Realtors Quarterly Report
- City of Houston
- US Bureau of Labor Statistics
- US Census Bureau
- US Bureau of Economic Analysis
- Federal Reserve Bank of Dallas – Houston Branch
- US Government Energy Information Administration
- University of Houston Institute for Regional Forecasting, C.T. Bauer College of Business (Special Thanks to Dr. Bill Gilmer)
- The Port of Houston Authority
- Houston Independent School District
- Facts and Figures about the Texas Medical Center – Texas Medical Center