

# City of West Columbia, Texas Builder / Developer Attraction Advisory

Prepared for the City of West Columbia, TX

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## Introduction

The purpose of this assignment is to aid the City of West Columbia in attracting providers of new housing to the city. This includes both homebuilders and land developers. This advisory report includes the following elements:

- Executive Summary
  - Community Introduction: Challenges, Opportunities, and Assets
  - Key Question and Answer Development
  - Brazoria County Economic Overview
  - Broader Houston Region Overview
  - Brazoria County / South Houston Area Housing Market Analysis
  - West Columbia Area Housing Market Analysis
  - Tracts Available for Development
  - Potential Market Niches
  - Strategic Conclusions and Recommendations
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# I. Executive Summary

## Economic Overview

### Houston Employment Overview

- Houston's economy created an outstanding 500,000 net new jobs during the current market cycle. As a result, unemployment (4.4 percent) remains below the national average (5 percent) and only slightly above Texas (4.2 percent).
- However, after a prolonged period of expansion, Houston area job growth is losing momentum. September figures reflect a mere 1 percent annual growth rate due to significant contractions in the Mining, Manufacturing, and Construction sectors, partially offset by gains in Information Services, Leisure and Hospitality, and Education and Health Services. With year-to-date job growth flat through September and the four-month weighted moving average of new job advertisements down approximately 3 percent, we expect the MSA to end the year with modest December-to-December job losses.

### Housing Market Overview

- Metrostudy's 3Q15 new home survey shows total annual starts of 28,608 through September, down approximately 5 percent from 30,121 the prior year.
- Although demand has weakened slightly, developers must continue their efforts to keep the market supplied with vacant developed lots (VDL). The current 16.6-month supply of developed lots is below the 20-24 month range that Metrostudy considers to be equilibrium (neither the buyer nor seller of lots has a negotiating advantage).
- Despite the delivery of 18,305 multifamily units in 2014, occupancy levels of Houston's apartments remain at 91.3 percent, nearly the highest in over a decade. The market absorbed 10,430 apartments in the first half of 2015, ahead of the pace necessary to match last year's absorption of 16,000 units. At the current pace, the Houston market is forecast to absorb approximately 18,000 apartment units in 2015.

## Brazoria County / South Houston Area Housing Analysis

- Population and household growth estimates (by Claritas) indicate that the TMA is experiencing robust growth. As of 2015, there are an estimated 337,734 people living in 114,892 households. The TMA is expected to increase its population by 23,659 persons with a household increase of 8,063 by 2020, representing gains of 7 percent for both population and households, respectively. The current annual rate of new home construction is insufficient compared to expected demand.
- On average, households within the TMA have considerably higher incomes compared to those in the Greater Houston Area. The TMA's estimated median household income for 2015 is \$68,342 and estimated average household income is \$87,626. In comparison, Houston's median income is \$59,128 and its average is \$83,316.
- The 3Q15 Metrostudy survey shows 1,590 annual new home starts in the TMA, which represents 5.6 percent of Houston MSA housing starts. The TMA's market share of the Houston region is and will most likely continue to increase for at least the next three years.
- As with the overall Houston market, the TMA has a months-of-supply of VDL (vacant developed lots) well below equilibrium. The TMA's VDL count is 2,438 representing 18 months-of-supply (MOS). In comparison, there were 2,027 VDL, or a 25-month supply, three years ago. This indicates a market experiencing robust demand.
- Lot absorption outpaced lot delivery in seven of the previous thirteen quarters. Over the previous four quarters, however, lot deliveries ranged from 233 to 928 per quarter while lots absorbed were between 330 and 474 per quarter. The recent lag in single-family lot absorption compared to lot deliveries is was due to severe inclement weather experienced in Houston, and throughout the state of Texas, during the first half of the year. In addition to the record floods in May and tropical storm in June, Houston precipitation reached 40" in first

six months of 2015, representing over 80 percent of Houston's average annual rainfall of 49".

- Almost half of new home starts are in the \$200s. The single most active new home price range is \$200,000-\$249,000, accounting for 25 percent of annual starts. It is followed closely by starts on homes priced at \$250,000-\$299,000, which make up another 24 percent.
- Three lot size ranges and price segments are feasible and currently below the level of supply Metrostudy considers equilibrium. In terms of pricing, the \$150,000-\$199,000, \$200,000-\$249,000, \$250,000-\$299,000 markets are undersupplied and ripe with opportunity. In terms of size, the 50'-54 segment or 70' and 80' ranges would be ideal candidates.
- The top 10 subdivisions started at least 40 homes each during the trailing twelve month period, and accounted for 1,282 (70%) of total annual starts in the TMA. The top-10 also have only a 12-month supply of vacant developed lots – far below the TMA's 18-month supply. Only one subdivision, Bar X Ranch, is located in the immediate vicinity of West Columbia. It has no currently developed lots, but there are 54 developable lots listed in the resale market.
- Throughout the current housing market cycle, a total of 7,938 lots received either preliminary or final approval to be developed in the TMA. As of 3Q15, all activity is clustered up north in the Pearland area.

## **West Columbia Area Housing Market Analysis**

- The CMA had 186 total annual home starts. As a proportion of the wider TMA, it makes up only 12 percent. The remaining 88 percent are further north along Highway 288. Bar X ranch has been the single largest contributor to new CMA construction.
- Of the 3,987 existing home sales in Brazoria County over the past year, a total of 697 occurred within the CMA. Several significant differences stand out in terms of the characteristics of existing home sales. Most importantly, the median year built is much older in the CMA relative to Brazoria County overall, at 1979 in the

former versus 2002 in the latter, respectively. The price paid per square foot is also lower in the CMA, partially due to depreciation of these much older homes.

- Between Columbia Lakes and Bar X Ranch, there are 74 lots on the market.

## **II. Community Introduction: Challenges, Opportunities, and Assets**

The purpose of this introduction narrative is to present the City in the words and through the lens of a builder / developer. West Columbia is a dynamic community of nearly 4,000 residents located at the strategic junction of Highways 35 and 36. The City is located within a 15-20 minute drive of employment in Lake Jackson, Angleton, and Freeport. West Columbia is also located within a 35 - 45 minute drive of employment in the Pearland / Manvel / Alvin area. The location is well suited for homebuyers who work in any of these areas, or cross-hauling households in which one spouse works in employment centers to the south and one works to the north.

West Columbia provides a unique value proposition as compared to typical Houston area suburban cities in that it offers residents a quaint hometown feel as well as a rich history.

West Columbia has the distinction of being the first capitol of Texas. In September 1836 Columbia, now known as West Columbia, became capital of the Republic of Texas. This took place with the removal of the ad interim government here from Velasco. After the election called by ad interim President David G. Burnet, the first permanent government of the Republic went into operation here in Columbia in October. Inaugurated were President Sam Houston and Vice-President Mirabeau B. Lamar. Under their leadership the first duly elected Congress convened and the first Constitution of the Republic was ratified. Citizens of this vicinity served the Republic. Henry Smith of nearby Brazoria prior of this time has been the first Anglo-American governor of Texas, in the 1835-36 Revolutionary provisional government. In President Houston's cabinet he was secretary of the treasury. Stephen F. Austin, colonizer and Father of Texas, was secretary of state; under the heavy demands of that office, his health broke and he died here on December 27, 1836. In April 1837 at the wish of President Houston, the seat of government was moved to more adequate quarters in the city of Houston.

The City is rich with historical amenities including the Varner Hogg Plantation, the Columbia Historical Museum, and one of the area's only Rosenwald schools.

West Columbia is served by the Columbia-Brazoria Independent School District, which has elementary, junior high, and high school campuses within the City. Both the district and the individual campuses are smaller and more personalized than in larger suburban school districts. All campuses are within a 5-7 minute drive of available land and lots for new home production.

West Columbia is a retail and restaurant hub for the area. National / regional retailers include HEB, Walmart, and Walgreens. In addition, the City features a variety of locally owned establishments such as Carta Valley Market, 421 Coffeehouse and Bistro, and Smokin' R BBQ. All of these establishments are within a 5 minute drive of where new housing could feasibly be developed.

The area includes several public parks, as well as close proximity to Brazos River recreation and the Columbia Lakes golf course.

Challenges the community faces to achieve new housing unit growth chiefly pertain to distance both from Houston and from closer regional employment centers in Brazoria County. The reality of these distances is that they are not significantly greater than distances traveled from other Brazoria County communities more suburban in nature such as Rosharon and Manvel.

Of central importance is the proximity of West Columbia to the significant plant expansions in process and planned for the petrochemical industries in Brazoria County. West Columbia is 10-25 minutes' drive from the Angleton, Lake Jackson, Clute, and Freeport areas. Within these areas, the following largescale investments are being made which will result in increased employment and demand for housing in the area:

Total: **Expected** to be **\$21 billion** of industrial investment throughout Brazoria County over the next several years.

- DOW is pushing forward with a \$4 billion Gulf Coast expansion.

- The Texas Innovation Center is being constructed near downtown Lake Jackson off Highway 288 and Abner Jackson Parkway. Upon completion in late 2016, the center will be a global research and development hub of modern lab and office facilities that employs around 2,000 engineers, chemists, administrative and management personnel.
  - In 2011, the company announced it would construct a new world-scale propylene production facility at Texas Operations in Freeport.
  - Houston-based Freeport LNG Expansion LP plans to spend more than \$13 billion to export liquefied natural gas to countries where natural gas costs significantly more.
  - Tenaris SA, a Luxembourg-based steel pipe company that has its North American headquarters in Houston, is building a \$1.5 billion pipe mill in the area.
  - Phillips 66 (NYSE: PSX) is investing \$3 billion in two Brazoria County projects.
    - A plant in Sweeny, beginning 3Q15
    - And a \$1 billion liquefied petroleum gas export terminal — its first ever — in Freeport by mid-2016.
  - The Woodlands-based Chevron Phillips Chemical Company LP plans two new polyethylene units, as well the expansion of its ethylene production capacity in Old Ocean, Texas. The expansions are part of the company's \$6 billion Gulf Coast petrochemicals project, which is expected to be complete in 2017 and will create 10,000 engineering and construction jobs.
  - BASF SE, the German chemical giant, is building a new production plant for emulsion polymers in Freeport.
-

## III. Key Question and Answer Development

### Purpose

The purpose of this narrative is to preemptively present questions the City may reasonably anticipate being asked by potential land developers and home builders who are contemplating building homes or developing subdivisions in West Columbia. Some of these are direct questions with concrete answers while others are broader concepts of concern and importance to builders and developers when evaluating new places in which to work. Many to most of these questions will be answered as part of Metrostudy's larger engagement with the City of West Columbia.

### Next Steps

City officials and other key related stakeholders should contemplate the answers to these questions and ultimately have answers ready in preparation for potential engagement with builders and land developers to recruit them to expand into West Columbia.

### Market Oriented Questions

1. What is the market demand for new homes in West Columbia?
2. What are the key employers in and around West Columbia?
3. What public schools serve West Columbia and how are they ranked by TEA?
4. Who do you anticipate will want to purchase a new home in West Columbia?
  - a. Current local residents who wish to upgrade their current home?
  - b. Current local residents who wish to downsize from their current home?
  - c. Commuters into Houston?

- d. Commuters to Lake Jackson / Angleton / Freeport?
  - e. Retirees / soon to be retirees from elsewhere in the Houston region?
  - f. Others?
5. What is the current population of West Columbia?
  6. Where do current residents of West Columbia work?
  7. What marketing window can my company use to drive traffic to our subdivision or homes?
  8. What other new home subdivisions (if any) are currently operating or planned within West Columbia?
  9. What attributes distinguish West Columbia from the northern areas of Brazoria County where large scale suburban development is beginning? I.e. why should I expect a homebuyer to buy a new home in West Columbia instead of 15 minutes away in Alvin or 20 to 25 minutes away in Pearland / Manvel.
  10. What is the tax rate in West Columbia, and how does this compare to other cities in Brazoria County?
  11. What community amenities or attributes are special about West Columbia that I can reference to market the homes / neighborhood I plan on developing?

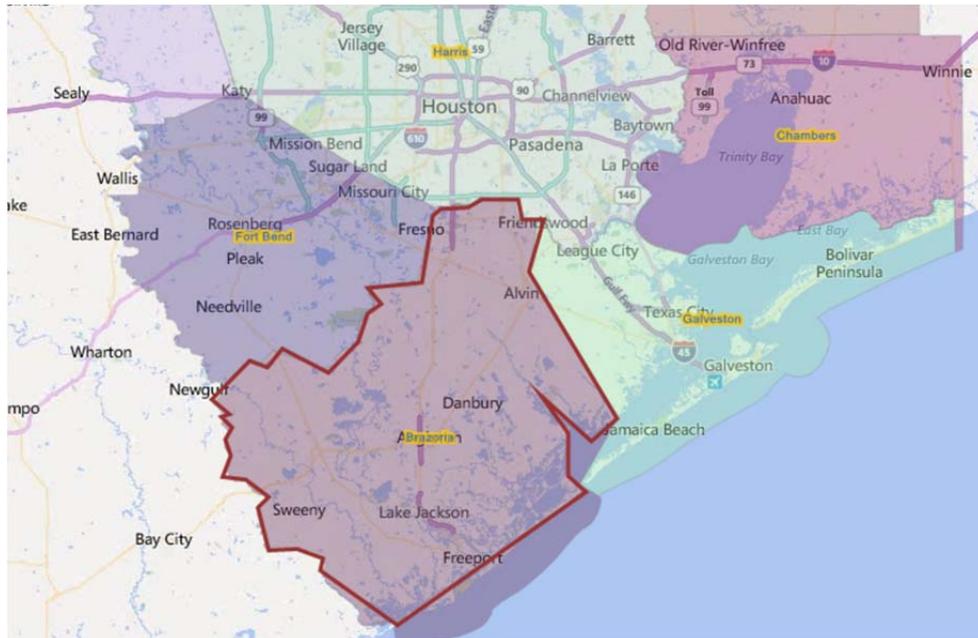
### **Process Oriented Questions**

1. What is the building permit process for home construction in West Columbia?
  2. What is the building inspection process for home construction in West Columbia?
  3. What is the platting /entitlement process for land development in West Columbia?
-

4. What is the development review process for land developments in West Columbia?
  5. Does the City of West Columbia have water and sewer capacity sufficient to serve a new residential subdivision?
  6. Will the City of West Columbia allow the formation of an In-City Municipal Utility District (MUD) to provide utilities to a new subdivision and as a vehicle to reimburse the developer for infrastructure installed in a new subdivision?
  7. Who is the electric, gas, phone, and cable infrastructure provider that serves West Columbia and Brazoria County?
  8. Does West Columbia have zoning or other land use controls in place?
  9. What roads in or near West Columbia are slated for expansion or construction, and what impact will that have on surrounding land tracts for development?
  10. Are any areas of developable land in West Columbia within the FEMA floodplain?
  11. Are there any finished lots currently available to build homes immediately in West Columbia?
  12. Are there any subdivisions currently being engineered or planned for near term future development in West Columbia?
  13. Which civil engineering firms have land development experience in West Columbia?
  14. Does West Columbia have a municipal building code?
  15. Does West Columbia have municipal subdivision regulations?
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## IV. Brazoria County Economic Overview

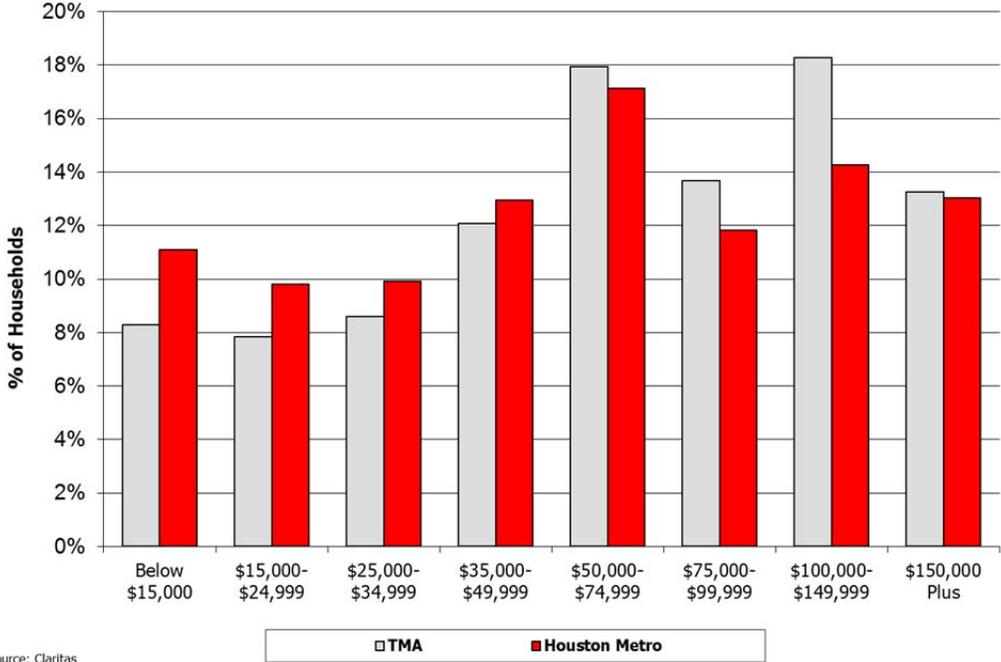
The following section provides a brief economic overview of the Brazoria County area. By looking closely at the income distribution of area residents compared to the Houston MSA, we aim to achieve a better understanding of the types of housing products suitable for development in West Columbia.



The following chart represents the percent distribution of 2015 household incomes in Brazoria County. Of the estimated 337,734 households, the middle (\$50,000-\$74,999) and high (\$100,000-\$149,999) income segments, each with an 18 percent share, represent the most significant groups of potential buyers. The distribution reveals an attractive opportunity to develop:

1. Custom, large lot homes within a highly-amenitized community targeting higher income homebuyers.
2. Affordable housing on smaller lots targeting middle income homebuyers.

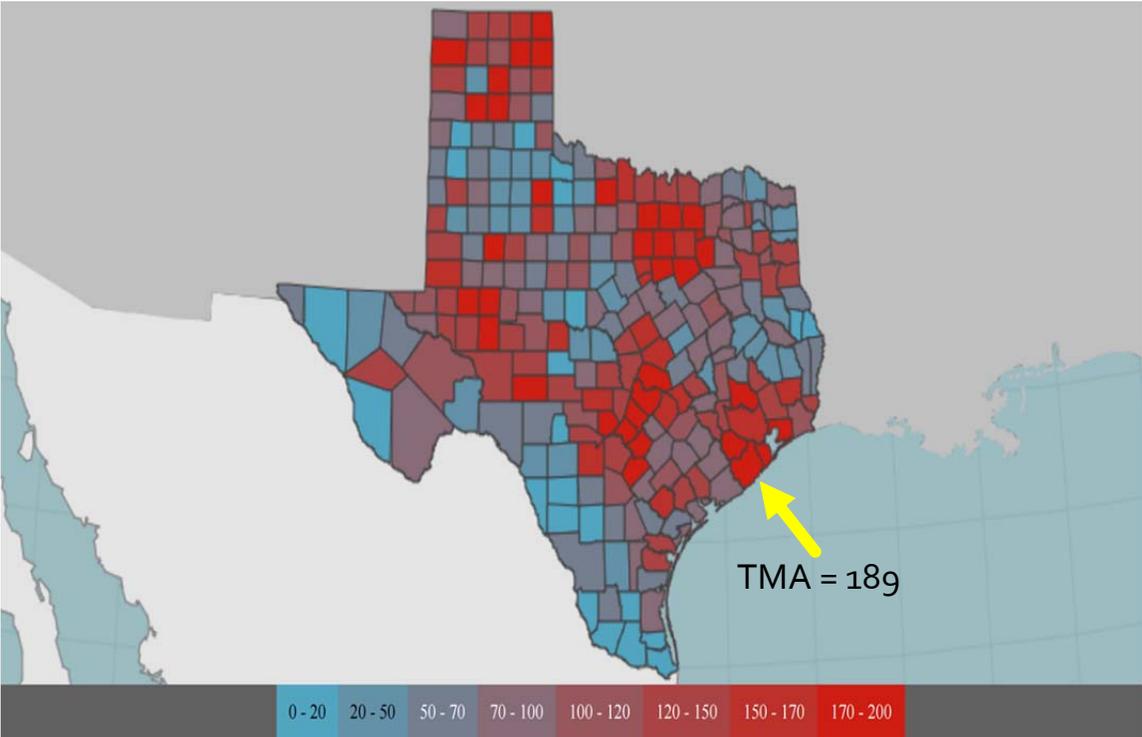
**PERCENT DISTRIBUTION OF 2015 HOUSEHOLD INCOMES**



Source: Claritas

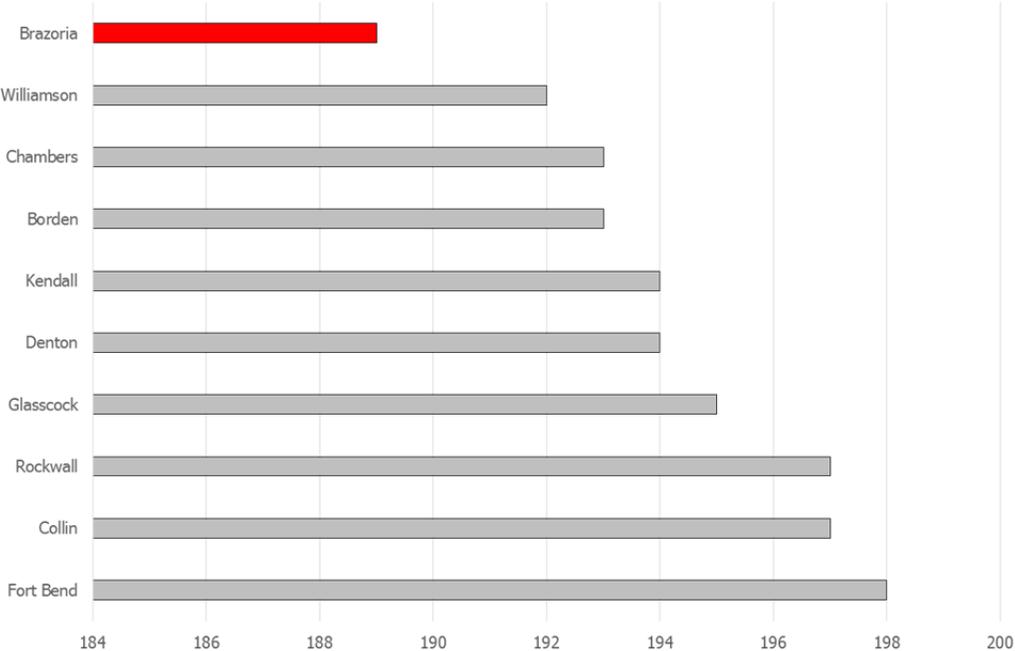
To gauge the relative wealth of a given area, Metrostudy relies on the Median Income Index provided by Easi Analytics. This index looks at our target market area’s (Brazoria County) median household income in relation to the national median (100). The following heat map of Texas plots the Median Income Index by county.

**MEDIAN INCOME INDEX (100=NATIONAL AVERAGE)**



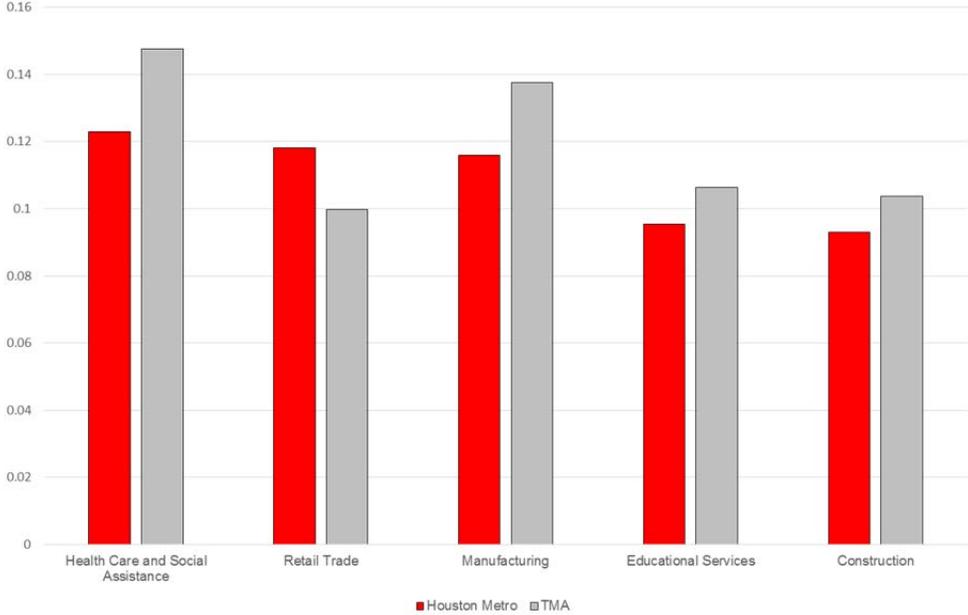
The TMA has an index level of 189, indicating a median income significantly higher than the national average (100). Notably, Brazoria County is within the top ten wealthiest counties in the State of Texas. It is also among the three out of nine wealthiest counties in the Houston MSA, following Fort Bend and Chambers. High incomes support high product pricing when competition and supply are restricted or below equilibrium.

**Texas Top 10 Counties: Median Income Index**



Elevated household income compared to Houston is supported by differences in industrial organization. Whereas the Houston MSA has a greater share of employees working in the retail sector, our TMA offers more high-paying manufacturing jobs in the (downstream) refining and petrochemical industries. Brazoria County also has a greater percentage of employees working construction, which is suffering from a major labor shortage that is providing significant upward pressure on worker incomes.

**TOP 5 EMPLOYMENT SECTORS**



## V. Overview of the Broader Houston Region

In order to understand West Columbia's position in the greater Houston region, and its potential success as part of the greater region, it is important to understand the economic and demographic trends of the greater region in addition to those of the more local Brazoria County area.

### SUMMARY

After a prolonged period of expansion, Houston area job growth is losing momentum. September figures show employment growing at a 1 percent annual rate. That equals about 33,400 jobs created this year, bringing total MSA employment to 2.98 million versus 2.56 million just five years ago. Overall, the economy added about 500,000 net new jobs during the current market cycle. As a result, unemployment in Houston (4.4 percent) is below the national average (5 percent) and only slightly above Texas (4.2 percent). However, the recent pace of job growth (1.2 percent) is lagging that of Texas (1.8 percent) and the US (1.9 percent) for the first time in several years. Unlike previous years when the energy sector, which had been the primary source of Houston's strong economic growth since the end of the Great Recession, propelled job expansion, much of the most recent growth has come from the Information Services, Leisure and Hospitality, and Education and Health Services sectors. Those three sectors have kept employment growth in positive territory year-over-year. Meanwhile, employment losses in the Manufacturing, Mining, and Construction sectors point to a combination of deteriorating cyclical conditions in addition to the global oversupply of crude oil. We expect job growth to remain flat through 2016.

Several significant trends stand out for the Houston housing market. First and foremost, new annual home starts are down 3 percent; however, we still believe it is too early to conclude that this is directly related to deteriorating economic fundamentals. After all,

resale home inventory is historically very low; vacant developed lot inventory is below market equilibrium; and housing inventory remains healthily 41 percent below 3Q06 levels. Combined with depressed mortgage interest rates, these factors are exerting tremendous upward pressure on new home pricing. The average price paid per square foot is \$134, up 60 percent over the \$84 per square foot price in 2010. Most of the increase is a result of higher new home pricing: The spread between pricing per square foot on new versus existing homes reached \$51 in 3Q15, a thirteen-fold jump over the last two years. Another factor contributing to these higher prices on the supply side is an increase in input costs such as land, labor, and materials. Thus far, builders have been able to pass along these costs to homebuyers, as persistently low interest rates for 30-year mortgages kept housing relatively affordable in Houston compared to other MSAs. But between rising prices and interest rates, we expect demand to come down while supply grows to the point where the two reach equilibrium at a lower price level.

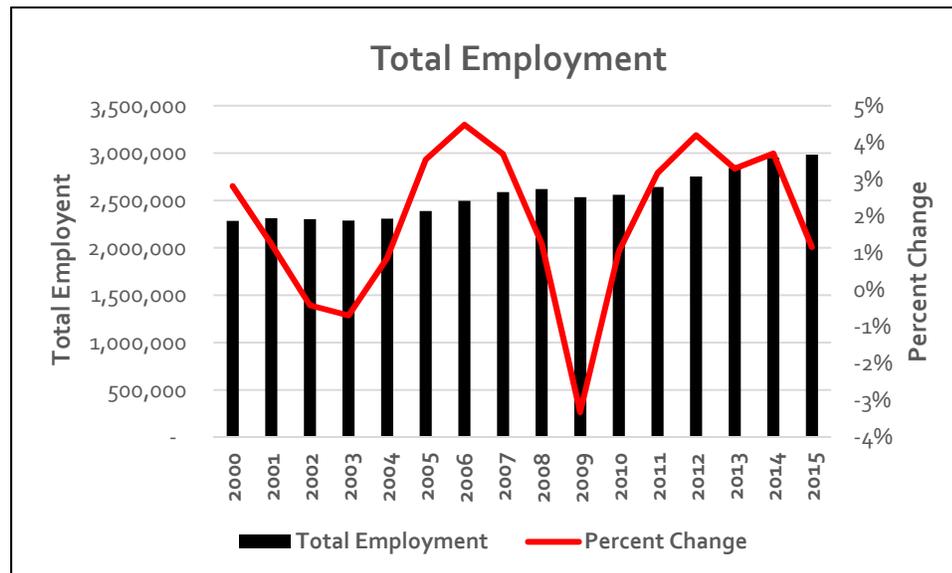
As of early 2015, the housing market had improved significantly relative to the conditions of 2008-12, but it appears to have reached a plateau, at least temporarily, as buyers approached the limit of how much they could (or were willing to) pay. The results will include continued high occupancy rates in apartments and rental homes, and a possible switch to construction of smaller, more affordable homes by builders willing to change strategy. Right now they are coping with an overall increase in the real cost of building a new home. Builders increasingly face intense competition for a limited number of available lots to build on in suitable locations and are paying higher costs for materials while still facing shortages in labor. Additionally, developers have faced inclement weather on a record number of days in the first half of 2015. These factors have contributed to suppress growth in starts and extend delivery times. Simultaneously, increased land and input costs are being passed down to consumers, as tight inventories have increased builders' bargaining power and allowed them to raise prices. The result of these circumstances has been strong appreciation in home values and a robust housing market.

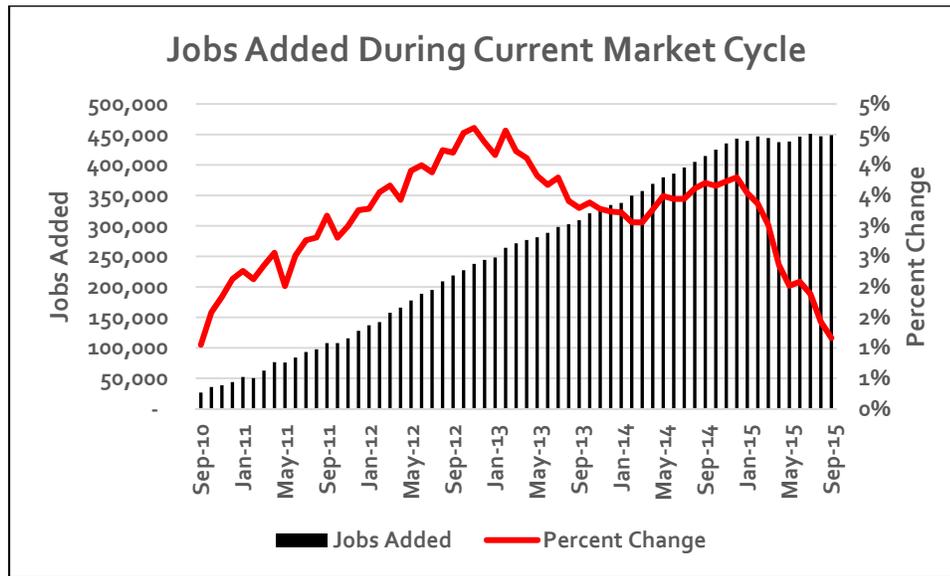
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## HOUSTON EMPLOYMENT

### Total Employment

Despite having slowed significantly, Houston's economic growth is still in positive territory. On an annualized basis, a total of 33,400 jobs have been created this year, bringing total MSA employment up to 2.98 million and sustaining an unemployment rate (4.4 percent) that remains below the national average (5 percent). On the other hand, Houston's labor force has fallen by 48,600 people over the past 10 months, the largest decline since the data's introduction in 1990. The declining labor force is due mostly to structural developments –an aging population, greater college enrollment, and immigration patterns—unrelated to the recent commodity slump. However, we do believe the drop is at least partially cyclical, in the sense that some workers have simply given up seeking employment.





### Total Non-Farm Employment Growth

Year	Total Employment	Nominal Change	Percent Change
2000	2,284,800	62,600	3%
2001	2,313,300	28,500	1%
2002	2,303,700	-9,600	0%
2003	2,287,700	-16,000	-1%
2004	2,307,400	19,700	1%
2005	2,389,100	81,700	4%
2006	2,496,200	107,100	4%
2007	2,588,300	92,100	4%
2008	2,621,000	32,700	1%
2009	2,534,000	-87,000	-3%
2010	2,560,600	26,600	1%
2011	2,641,700	81,100	3%
2012	2,752,700	111,000	4%
2013	2,843,400	90,700	3%
2014	2,948,700	105,300	4%
2015	2,983,000	34,300	1%

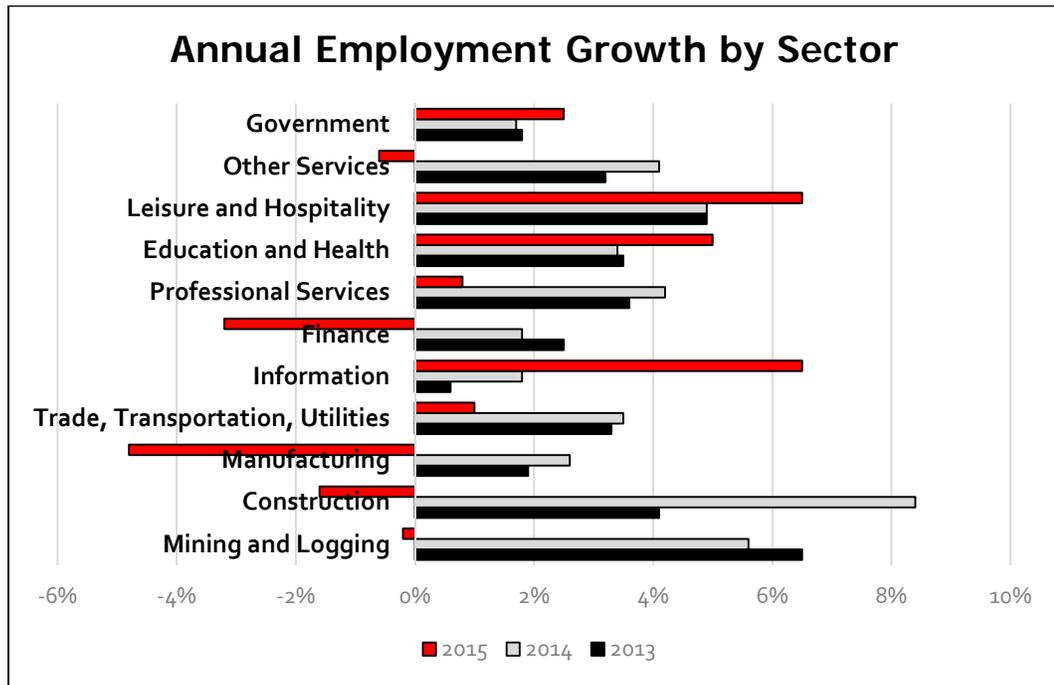
Source: BLS

\*Annual growth is through September

Employment by Sector

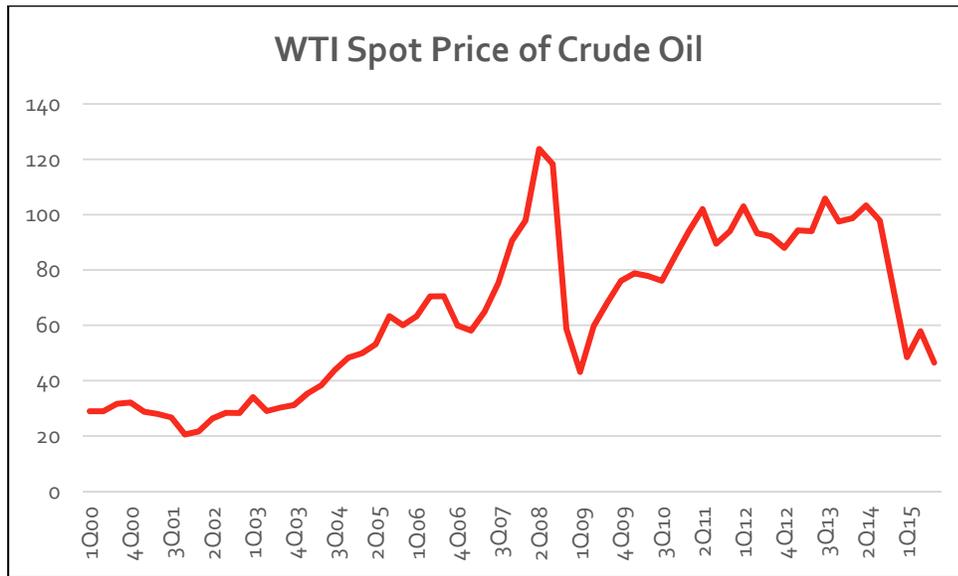
Employment growth by sector accurately portrays the current state of Houston's economy. After several years of substantial gains in mining and manufacturing, those two very important sectors registered contractions year-over-year through 2015. Manufacturing is down the most, with total employment reduced year-over-year and year-to-date by 5 percent and 8 percent, respectively. The effects have been mitigated to some extent by impressive gains in the Information Services, Leisure and Hospitality, and Education and Health Services sectors. Moving forward, we expect a larger pullback in total mining employment, partially offset by a rebound in manufacturing and construction resulting from the largest petrochemical expansion underway in Greater Houston since the 1940s.

Employment Growth by Sector							
Sector	2010	2011	2012	2013	2014	2015	Total
Mining and Logging	3,800	10,000	8,900	6,500	5,900	(200)	34,900
Construction	(4,300)	3,100	6,900	7,600	16,100	(3,300)	26,100
Manufacturing	(2,000)	13,500	15,600	4,600	6,600	(12,300)	26,000
Trade, Transportation, Utilities	3,100	16,800	17,800	18,300	20,300	5,800	82,100
Information	(1,700)	(100)	800	200	(600)	2,100	700
Financial Services	(2,300)	3,000	1,900	3,600	2,700	(4,800)	4,100
Professional Services	12,100	25,900	28,600	15,600	19,000	3,800	105,000
Education and Health	11,000	6,800	12,500	11,500	11,700	17,700	71,200
Leisure and Hospitality	1,900	9,600	14,300	12,900	13,300	18,600	70,600
Other	(100)	2,300	4,000	3,100	4,100	(600)	12,800
Government	6,800	(9,900)	(2,300)	6,600	6,100	9,400	16,700
<b>Total</b>	<b>28,300</b>	<b>81,000</b>	<b>109,000</b>	<b>90,500</b>	<b>105,200</b>	<b>36,200</b>	<b>450,200</b>



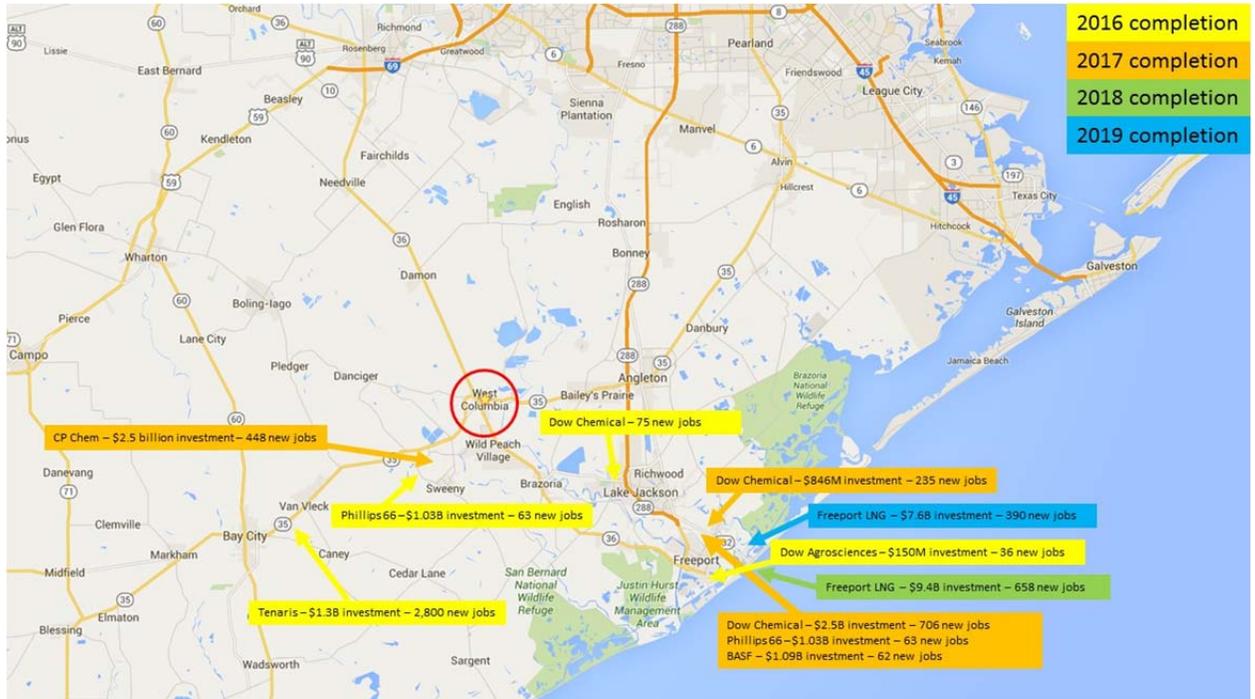
Energy Sector Trends

The recent commodity bust represents the greatest challenge to Houston’s economy in decades. From the early 2000s through 2014, a period of overinvestment dubbed the commodity “super cycle” fueled a booming oil and gas employment cluster. This ultimately culminated in a combination of risk-taking and technological innovation that has permanently increased production capacity beyond emerging market demand for at least the next couple of years. Consequently, we are in the midst of a “new normal,” wherein oil and gas trades within a tight range around break-even pricing. The near-term effect will be a zero-sum game between Houston’s upstream and downstream industries, as the latter is reliant upon natural gas and oil as feed stocks to produce many of the base petrochemicals, refined petroleum, plastics and other derivatives products that it sells.



The downstream expansion will be a catalyst for much higher residential demand in our TMA. With \$28 billion worth of industrial capital expenditures to be spent in this area over the next several years, builders and developers must continue south down the current path of development. For example, Dow Chemical is pushing forward with two major projects: a new propylene production facility in Freeport, and a five-building office campus in Lake Jackson intended to serve as a global research and development hub for more than 2,000 full-time, well-paid employees – from engineers and chemists to management and administration. Likewise, Phillips 66 is investing \$3 billion to build a new plant in Sweeny and a liquefied petroleum gas export terminal in Freeport.

The map below presents West Columbia’s advantageous position relative to large scale investment and resulting employment growth in the downstream petrochemical industry.



West Columbia is within a short drive of employment growth nodes in Bay City, Sweeny, Angleton, Lake Jackson, and Freeport.

## Houston Demographic Trends

### Total Population

The following exhibits summarize the Houston MSA's population and household data from the 2010 Census, and include the current estimates and projections for 2015 and 2020. The Houston region's population currently sits at nearly 6.5 million people in 2.26 million households, and is expected to increase annually by 100,000 people and 34,800 households between 2015 and 2020.

### Houston's Population and Household Growth

Houston Market	Population and Household Growth		
	2010 Census	2015 Estimate	2020 Projection
<b>Population</b>	5,815,573	6,495,706	6,996,376
Total Numerical Change	-	680,133	500,670
Total Percent Change	-	11.7%	7.7%
Annual Number Change	-	136,027	100,134
Annual Percent Change	-	2.2%	1.5%
<b>Households</b>	2,020,843	2,259,795	2,433,678
Total Numerical Change	-	238,952	173,883
Total Percent Change	-	11.8%	7.7%
Annual Number Change	-	47,790	34,777
Annual Percent Change	-	2.3%	1.5%
<b>Average Household Size</b>	2.9	2.9	2.9

Source: Claritas/U.S. Census Bureau

### Age Distribution

During the next five years, Houston's population is anticipated to grow across all age groups except the 25-34. However, the segments of people over the age of 55 are anticipated to account for a larger share of the regional population. Consequently, their future impact on the housing market is likely to be significant.

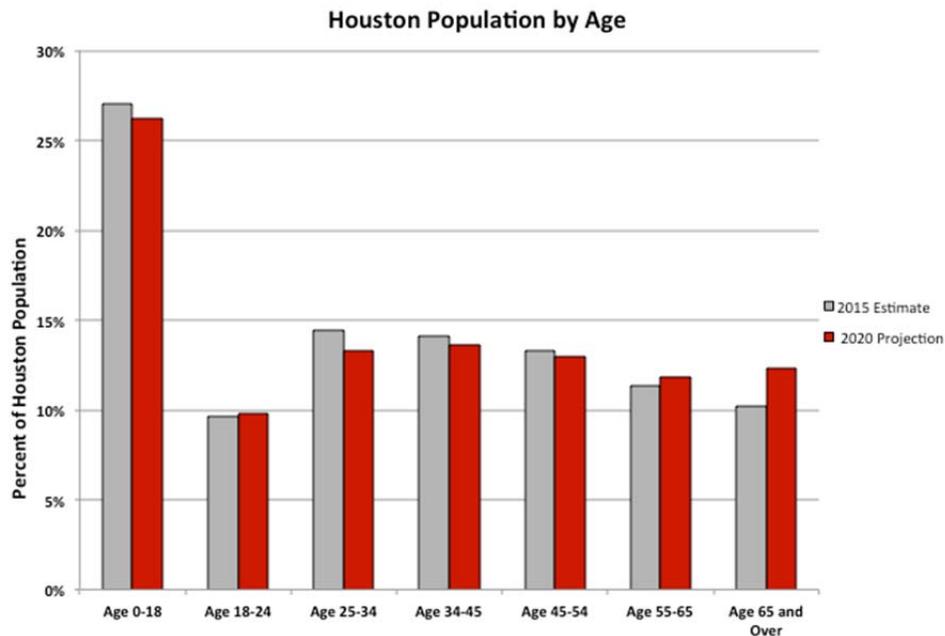
Both the number and percentage of population in the 45-64 age range, which is considered to be highest in earnings potential, are expected to increase in the region during the next five years. The 65-74 age group is expected to have strong gains in

population as well. Demographic shifts in age and income reinforce the need for developers and homebuilders to make timely alterations in neighborhood and/or floor plan designs to meet the needs of more elderly consumers.

### Houston's Population by Age

Population Distribution By Age Houston Market				
Age Range	2015 Estimate		2020 Projection	
	Number	Percent	Number	Percent
Age 0-18	1,754,160	27%	1,833,117	26%
Age 18-24	625,379	10%	682,927	10%
Age 25-34	935,810	14%	928,768	13%
Age 34-45	914,137	14%	955,502	14%
Age 45-54	865,900	13%	905,884	13%
Age 55-65	737,152	11%	826,352	12%
Age 65 and Over	663,168	10%	863,826	12%
<b>Total</b>	<b>6,495,706</b>	<b>100%</b>	<b>6,996,376</b>	<b>100%</b>
<b>Median Age</b>	34.3		35.6	

Source: Claritas/U.S. Census Bureau



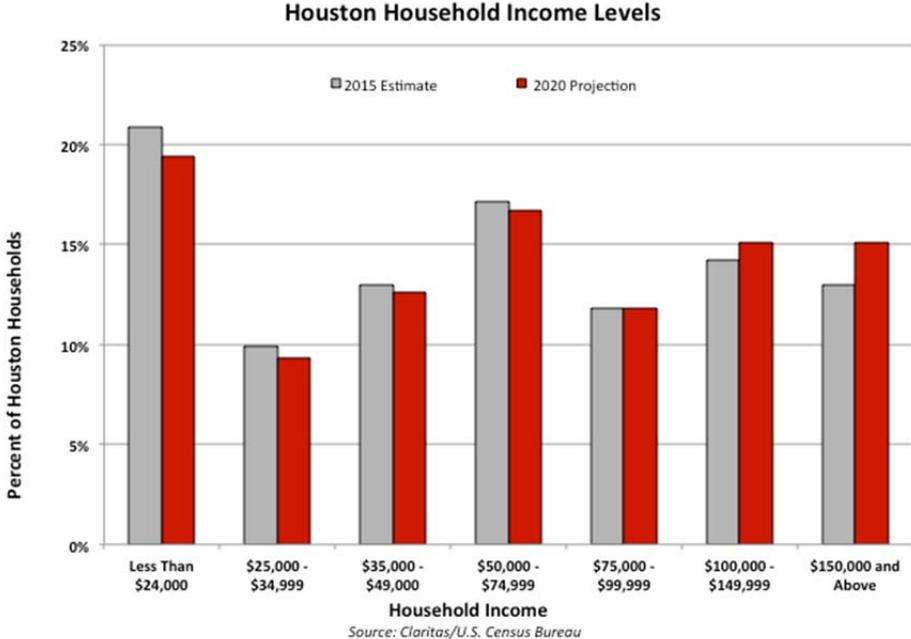
Income Distribution

Houston's economic boom between 2004 and 2008 enhanced income levels for Houston's workforce. Most importantly, it increased the percentage of households with incomes of \$75,000 or more. As Houston continues to expand, households with incomes of at least \$75,000 are anticipated to show the strongest growth. However, as the cost to purchase and develop land increases, there will continue to be challenges associated with providing first-time housing to the 41 percent of households that earn less than \$50,000.

**Houston's Population by Household Income**

Household Income Distribution Houston Market				
Income Range	2015 Estimate		2020 Projection	
	Number	Percent	Number	Percent
Less Than \$24,000	472,219	21%	472,315	19%
\$25,000 - \$34,999	224,019	10%	226,539	9%
\$35,000 - \$49,000	292,956	13%	307,402	13%
\$50,000 - \$74,999	387,450	17%	406,577	17%
\$75,000 - \$99,999	266,922	12%	287,261	12%
\$100,000 - \$149,999	322,099	14%	366,736	15%
\$150,000 and Above	294,131	13%	366,848	15%
<b>Total</b>	<b>2,259,795</b>	<b>100%</b>	<b>2,433,678</b>	<b>100%</b>
<b>Median Income</b>	\$59,079		\$62,949	
<b>Average Income</b>	\$83,260		\$89,387	

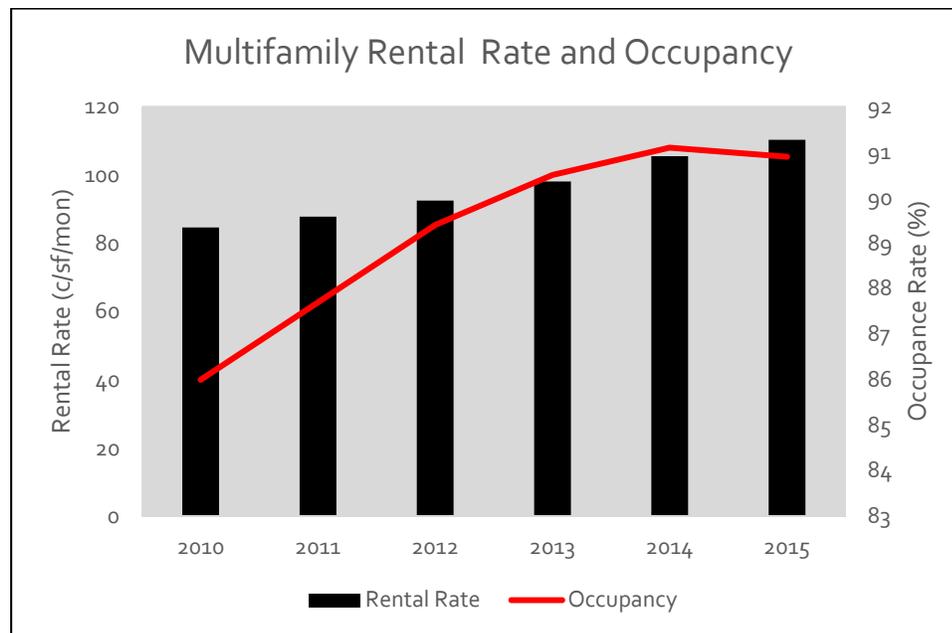
*Source: Claritas/U.S. Census Bureau*



## Houston Housing Market

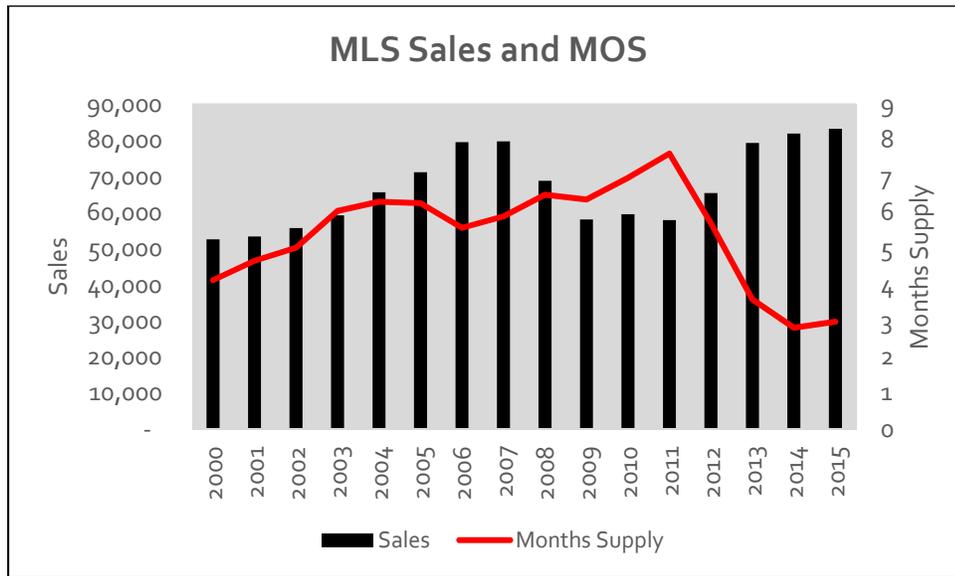
### Multi-Family Market

Apartment rental rates and occupancy have been rising steadily throughout the recovery, even as new construction increased total units by 10 percent since 2010. Apartments are now at 91 percent occupancy, the highest level in a decade. As a result, overall rental rates hit an all-time high of \$1.10 per square foot. These developments point to the continuity of robust local demand for livable square footage.



### Multiple Listing Service (MLS) Activity

Houston's resale home market is in remarkable shape. The total dollar volume of MLS transactions reached \$22.8 billion during the trailing twelve month period ending September, 2015, up 87 percent from \$12.2 billion in 2010. Rising prices and unit sales were responsible for the increase. Annual sales reached 83,213 in 3Q15, up 40 percent from the 59,547 units sold in 3Q10. Similarly, the average home price increased 33 percent, going from \$204,858 in 3Q10 to \$272,700 during 3Q15. Months of supply dropped from 7 to 3 over the same period. Taken together, these factors indicate robust demand for livable square footage throughout Houston.

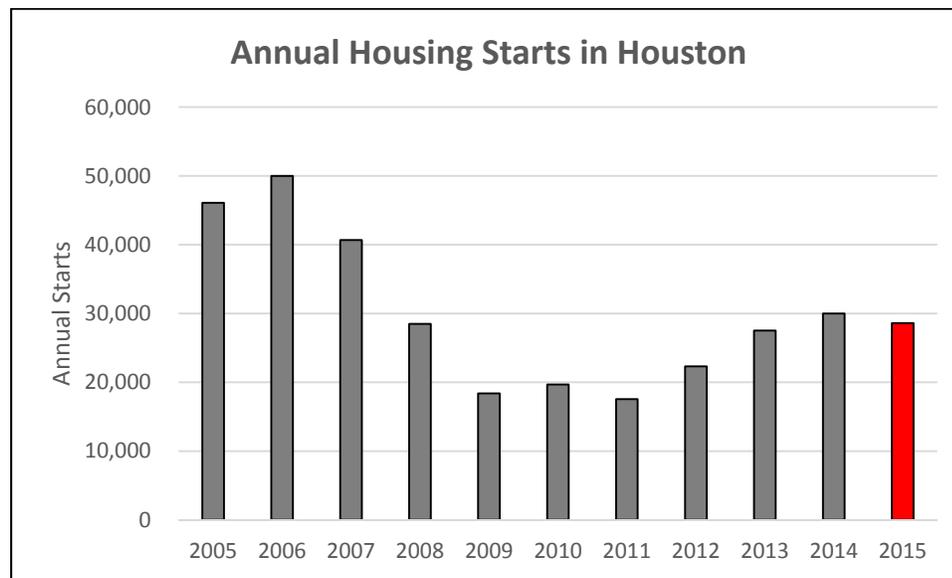


*New Housing Starts & Forecast*

The Houston new home market weakened slightly in the third quarter, with builders starting construction on 865 new homes, a 10 percent decline over the third quarter in 2013. On an annualized basis, starts stand at 28,608, about a 3 percent decline. The slowing pace of new starts resulted from the convergence of multiple factors, including very strong growth during prior years, weather-related issues, and labor issues. We expect new housing starts to range between 26,000 and 29,000 in 2016 before regaining steam post-2017.

Annual Housing Starts in Houston			
Year	Starts	Nominal Change	Percent Change
2005	46,075	5,047	12%
2006	49,987	3,912	8%
2007	40,671	-9,316	-19%
2008	28,502	-12,169	-30%
2009	18,394	-10,108	-35%
2010	19,676	1,282	7%
2011	17,563	-2,113	-11%
2012	22,329	4,766	27%
2013	27,523	5,194	23%
2014	29,990	2,467	9%
2015	28,608	-1,382	-5%

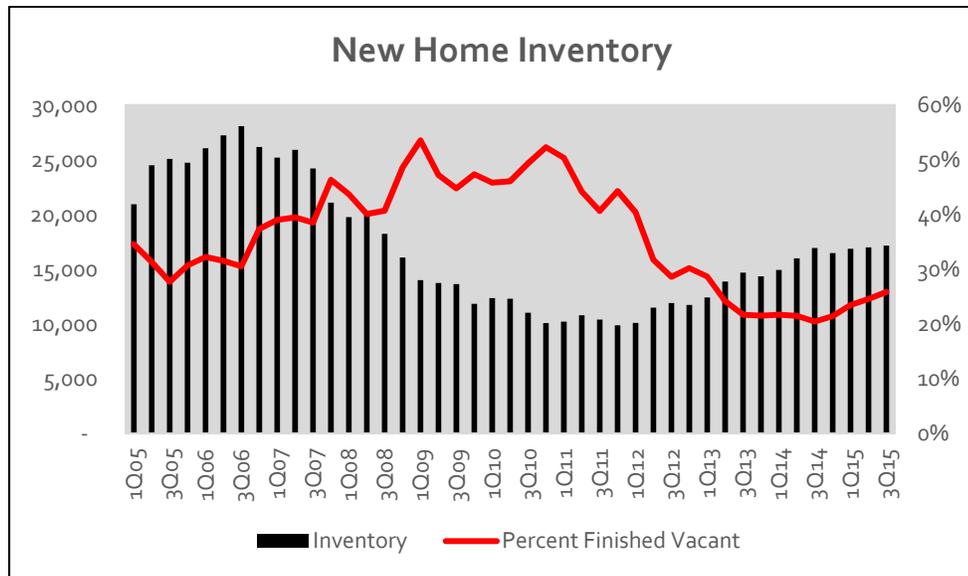
Source: Metrostudy



*New Home Inventory Trends*

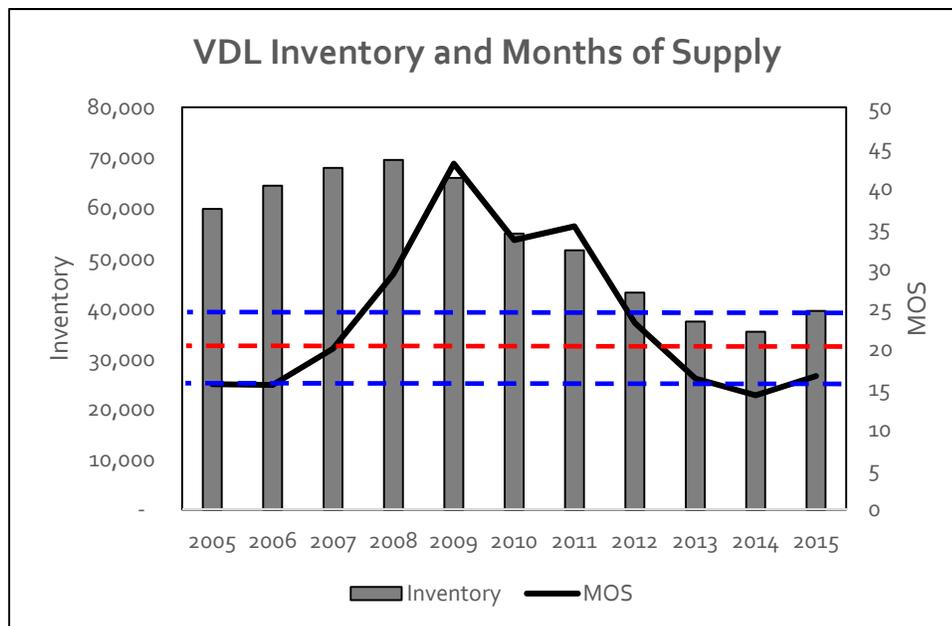
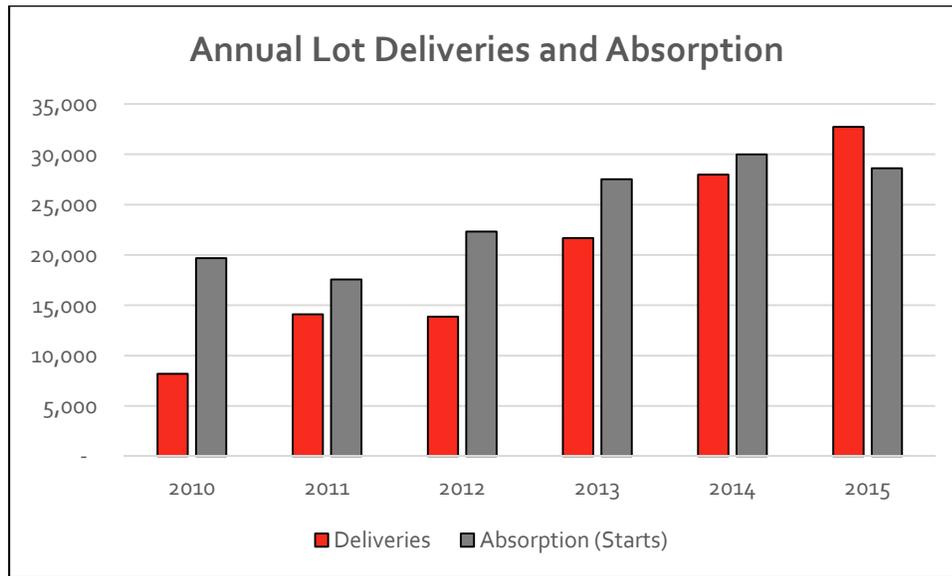
Metrostudy's third quarter survey reflects 11,832 homes currently under construction, down 838 units compared to 3Q14. The MSA has a 7 month supply of total housing inventory, which is roughly equal to its long-term (15-year) average. Conversely, the

supply of homes sitting finished and vacant reached 26 percent during 3Q15, bringing the total up to 4,432 from 3,456 in 3Q14. While still less than half the level witnessed during the height of the speculative boom in 3Q07, this represents a 28 percent jump quarter-over-quarter. The continuation of this trend may ultimately lead builders to scale back production.



*Vacant Developed Lot Inventory and Absorption*

Deliveries of vacant developed lots exceeded absorption for the first time during the current market cycle. There were 32,726 lot deliveries compared to 28,608 housing starts (lots absorbed), leaving a 4,118 lot deficit. Several key factors are important to note. First and foremost, the 2015 deficit occurred after six straight years of strong absorption. In addition, months of vacant developed lot supply is 26 percent below the long-term average. The dotted blue lines in our second chart below represent the bounds of standard deviation. Points above the blue lines indicate a buyer's market, whereas territory below is a seller's market.



Looking ahead, lot availability will continue to be a key factor for the growth of the Houston housing market. In response to builder's demand for increasing lots, the large public homebuilders have taken major land positions representing a significant increase in the share of builder-controlled lots. We expect that some of this inventory will work its way back into the lot of land market as builders attempt to reduce land inventory over the next several years.

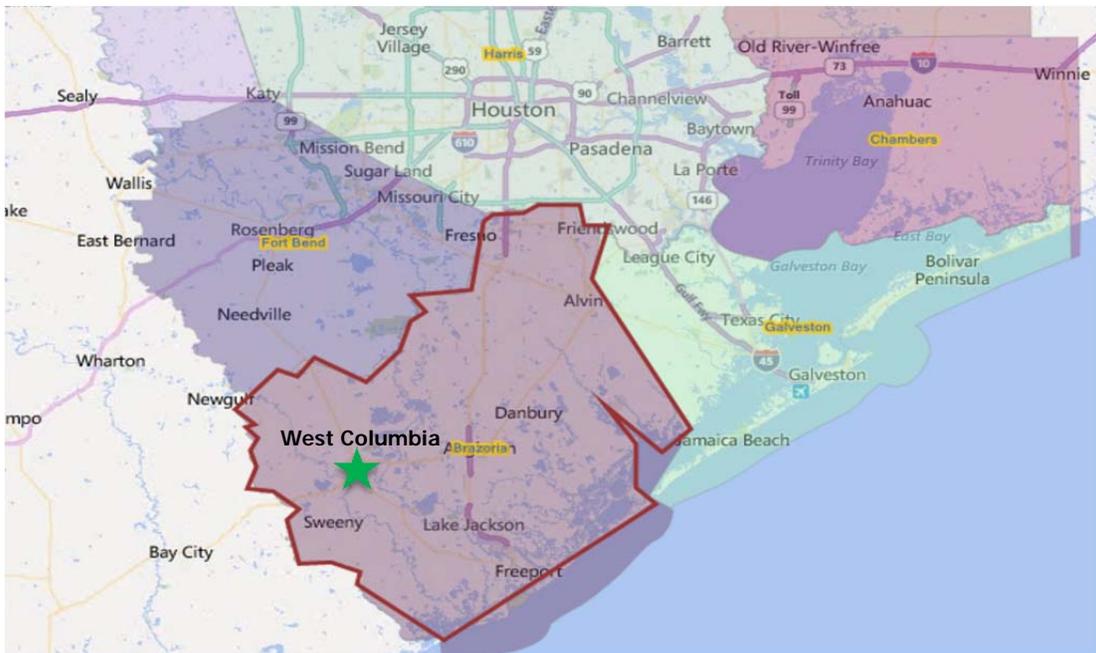
# VI. Brazoria County / South Houston Area Housing Market Overview

## Introduction

This section describes the demographic and new home market trends in the trade area relevant to the subject location. An evaluation of housing sales, starts activity, lot inventory levels, and future development plans provide a foundation for understanding the area's supply and demand, product preference, competition, and potential opportunities.

## Definition and Justification

The map below shows the boundaries for the TMA, as well as the location of West Columbia.



The TMA boundaries were established according to Brazoria County lines. Communities within TMA boundaries form a commuting zone or labor market area (LMA), and hence compete for the same buyer traffic. They share the same infrastructure advantages and

disadvantages, such as retail and commercial locations, traffic patterns, drive time to and from employment clusters, and recreational facility availability. Consequently, new-home trends in the TMA communities are indicative of future demand for particular housing products at the subject site.

## Population and Household Trends

Metrostudy uses demographic data and projections from Claritas to help in characterizing geographic areas and in establishing trends. While the Claritas data are typically reliable for large, highly populated areas, they are less reliable for suburban/exurban areas on the periphery of the metro areas. This is because they, like all other demographic data providers, use a top-down approach, and when they allocate their estimates and projections to the bottom, most granular level, it is infeasible for them to become knowledgeable about such things as land development trends in every census block in the nation.

Brazoria County TMA		<i>Population and Household Growth</i>		
		2010 Census	2015 Estimate	2020 Projection
<b>Population</b>		313,166	337,734	361,393
	Total Numerical Change	-	24,568	23,659
	Total Percent Change	-	7.8%	7.0%
	Annual Number Change	-	1,755	4,732
	Annual Percent Change	-	0.5%	1.4%
<b>Households</b>		106,589	114,892	122,955
	Total Numerical Change	-	8,303	8,063
	Total Percent Change	-	7.8%	7.0%
	Annual Number Change	-	593	1,613
	Annual Percent Change	-	0.5%	1.4%
<b>Average Household Size</b>		2.9	2.9	2.9

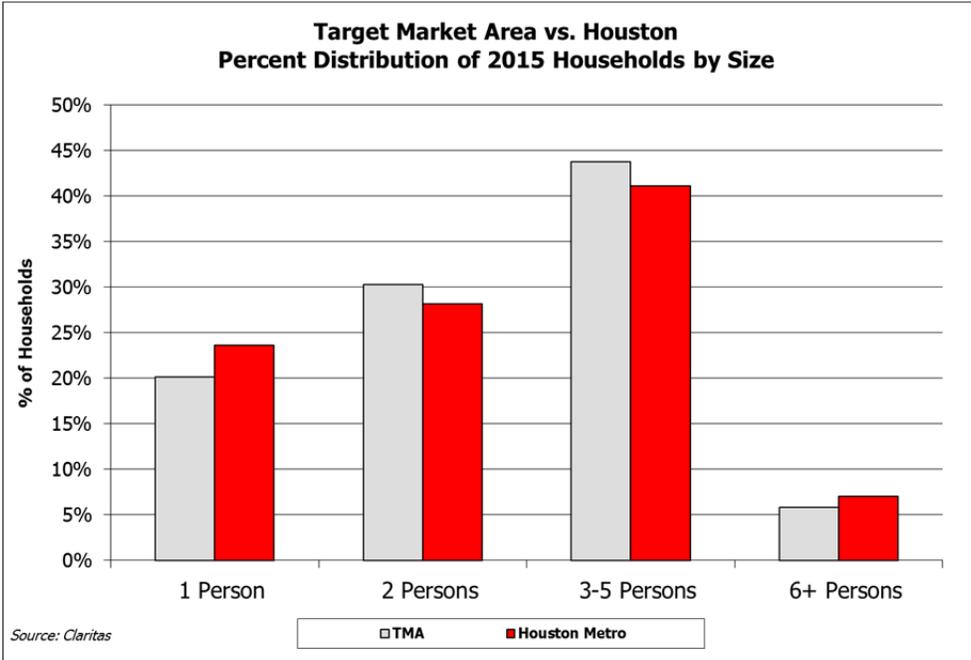
The population and household estimates (by Claritas) indicate that the TMA is experiencing considerable growth. As of 2015, there are an estimated 337,734 people living in 114,892 households. In addition, the TMA is expected to experience a robust population increase of approximately 23,659 with a household increase of 8,063 by 2020, representing gains of 7 percent for both population and households respectively.

**Brazoria County TMA  
Household Size Profile  
2015 Estimate**

Household Size	2015	% Distribution
1 Person	23,161	20%
2 Persons	34,775	30%
3-5 Persons	50,286	44%
6+ Persons	6,670	6%
TOTAL	114,892	100%
TMA Average HH Size:		2.85
Houston Metro Avg. HH Size:		2.84

*Source: Claritas*

The TMA currently has an average household size of 2.85 persons, slightly larger than the 2.84 average size for the Houston area. Households consisting of 2 or fewer persons account for half of the households within the TMA, while households containing 3-5 persons make up the largest single group at 44 percent. Only 6 percent of households in the TMA contain 6 or more persons.



As is typical with suburban areas of Houston, the age distribution skews slightly younger, with 27% of residents (2015 estimate) under the age of 18. The next highest age cohort is a tie between the 34-45 and 45-54 brackets, with each accounting for a 14% share of TMA residents. In all, middle aged individuals with their K-12 school-aged children account for the vast majority (55%) of TMA residents. For developers, this implies a market highly conducive to single-family products.

<b>Population Distribution By Age Brazoria County TMA</b>				
<b>Age Range</b>	<b>2015 Estimate</b>		<b>2020 Projection</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Age 0-18</b>	90,483	27%	94,014	26%
<b>Age 18-24</b>	30,392	9%	34,995	10%
<b>Age 25-34</b>	43,673	13%	43,658	12%
<b>Age 34-45</b>	48,575	14%	48,100	13%
<b>Age 45-54</b>	47,659	14%	49,091	14%
<b>Age 55-65</b>	39,581	12%	44,387	12%
<b>Age 65 and Over</b>	37,371	11%	47,148	13%
<b>Total</b>	337,734	100%	361,393	100%
<b>Median Age</b>	35.9		36.7	

*Source: Claritas*

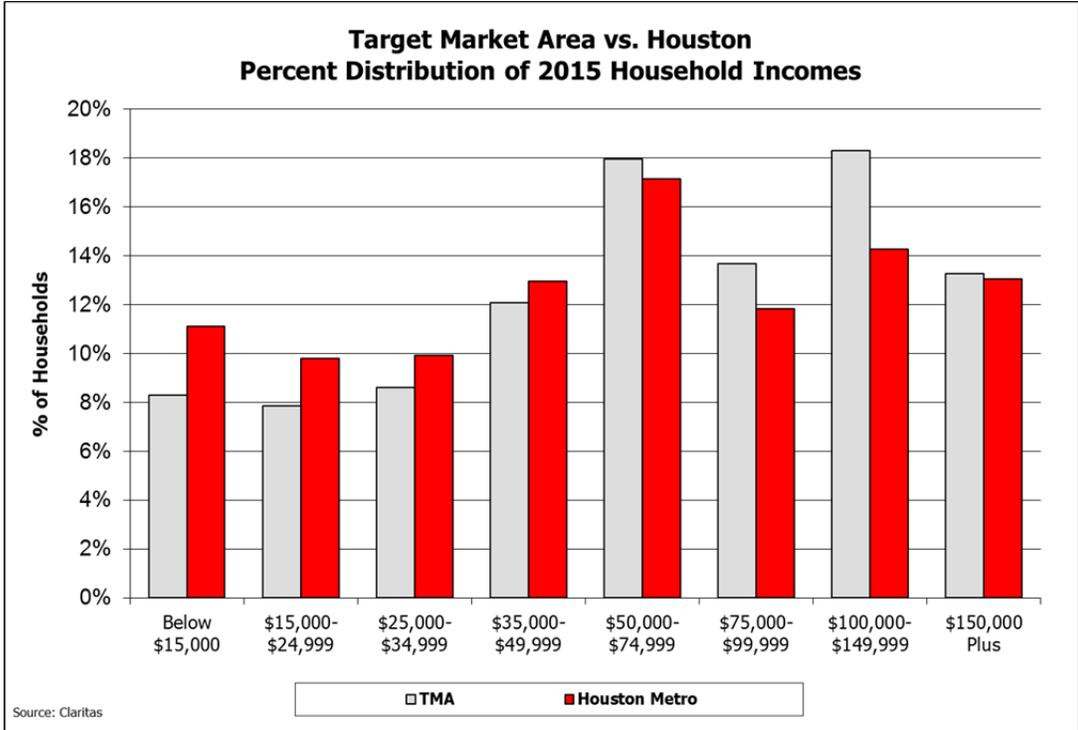
On average, households within the TMA have higher household incomes than others throughout the MSA. The TMA's estimated average household income for 2015 is \$87,626 with an estimated median household income of \$68,342; contrarily, the average MSA household income is \$83,316 with a median household income of \$59,128. Notably, 63 percent of TMA households earn \$50,000 or more per year, which represents a healthy proportion of households that can afford to purchase a new home at current market prices.

**Target Market Area  
Income Profile of Households  
2015 Estimate**

Household Income	2015	% Distrib.
Below \$15,000	9,529	8%
\$15,000-\$24,999	9,014	8%
\$25,000-\$34,999	9,889	9%
\$35,000-\$49,999	13,880	12%
\$50,000-\$74,999	20,628	18%
\$75,000-\$99,999	15,713	14%
\$100,000-\$149,999	21,009	18%
\$150,000 Plus	15,230	13%
<b>TOTAL</b>	<b>114,892</b>	<b>100%</b>

TMA Median HH Income:	\$68,342
TMA Average HH Income:	\$87,626
Houston Metro Med. HH Income:	\$59,128
Houston Metro Avg. HH Income:	\$83,316

*Source: Claritas*



## Residential Analysis

The following section describes recent quarterly trends in single-family housing starts and vacant developed lots in regards to price, volume, lot sizes, and subdivisions.

### Housing Starts

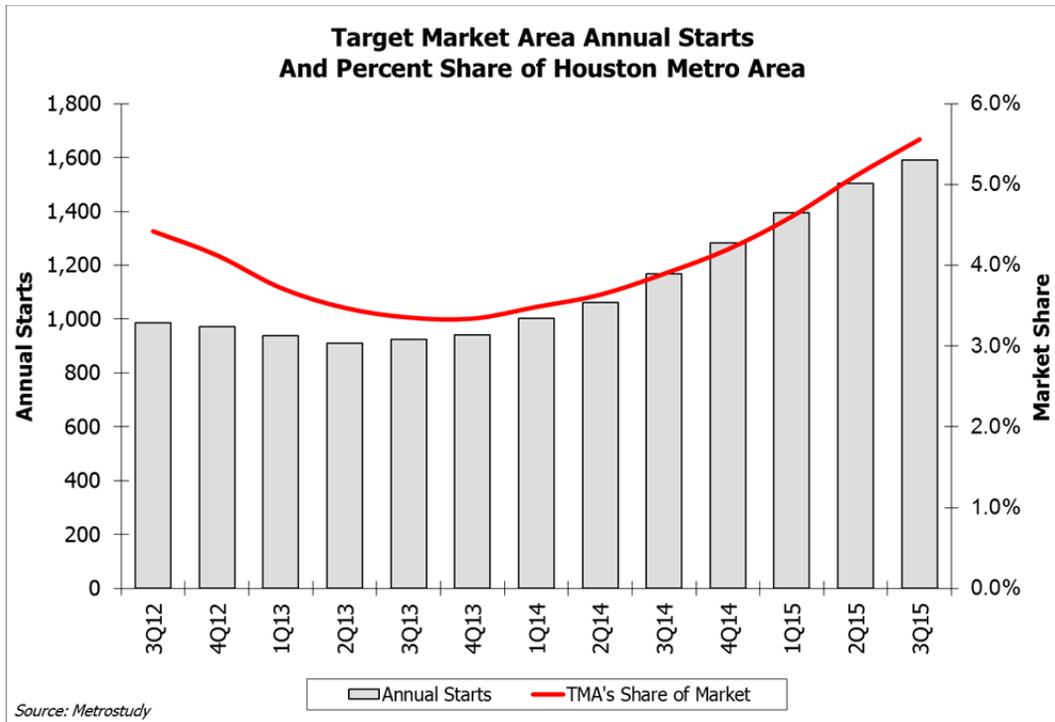
The following table displays the annual rate of new single-family home starts on a quarterly basis from 3Q12 through 3Q15 for both the overall Houston market and the TMA, with the percent share of the metropolitan Houston market captured by the TMA also displayed.

**Brazoria County TMA  
and Market Share of Total Houston Starts  
3Q12 to 3Q15 and Projected**

Qtr/Yr	Ann. Starts Houston	Ann. Starts TMA	TMA Share of Houston
3Q12	22,329	987	4.4%
4Q12	23,552	971	4.1%
1Q13	25,195	937	3.7%
2Q13	26,175	909	3.5%
3Q13	27,523	923	3.4%
4Q13	28,148	940	3.3%
1Q14	28,816	1,004	3.5%
2Q14	29,185	1,061	3.6%
3Q14	29,990	1,168	3.9%
4Q14	30,542	1,282	4.2%
1Q15	30,280	1,394	4.6%
2Q15	29,473	1,505	5.1%
3Q15	28,608	1,590	5.6%
<i>Projected</i>	-----		
2016	29,000 to 33,000	1,711 to 1,947	5.9%
2017	30,000 to 34,000	1,920 to 2,176	6.4%
2018	30,000 to 35,000	2,130 to 2,485	7.1%
Avg. '16-'18	29,667 to 34,000	1,920 to 2,203	6.5%

New construction of single-family homes within the TMA grew significantly over the past three years, primarily due to the rapid rise of Pearland as one of Houston's hottest suburban locations. The TMA's relative share of Houston's annual starts activity jumped from a low of 3.3% in 4Q13 to a high of 5.6% as of our most recent (3Q15) quarterly survey. We expect new home starts within the TMA to continue on the same relatively

stable growth trajectory for the remainder of 2015 through 2018 due to favorable economic conditions and housing demand. Overall, the TMA's share of annual starts is forecasted to increase approximately 1% over the current (5.6%) level during the next three years, which will bring the total annual start rate from 1,590 to roughly 2,100.



Vacant Developed Lots

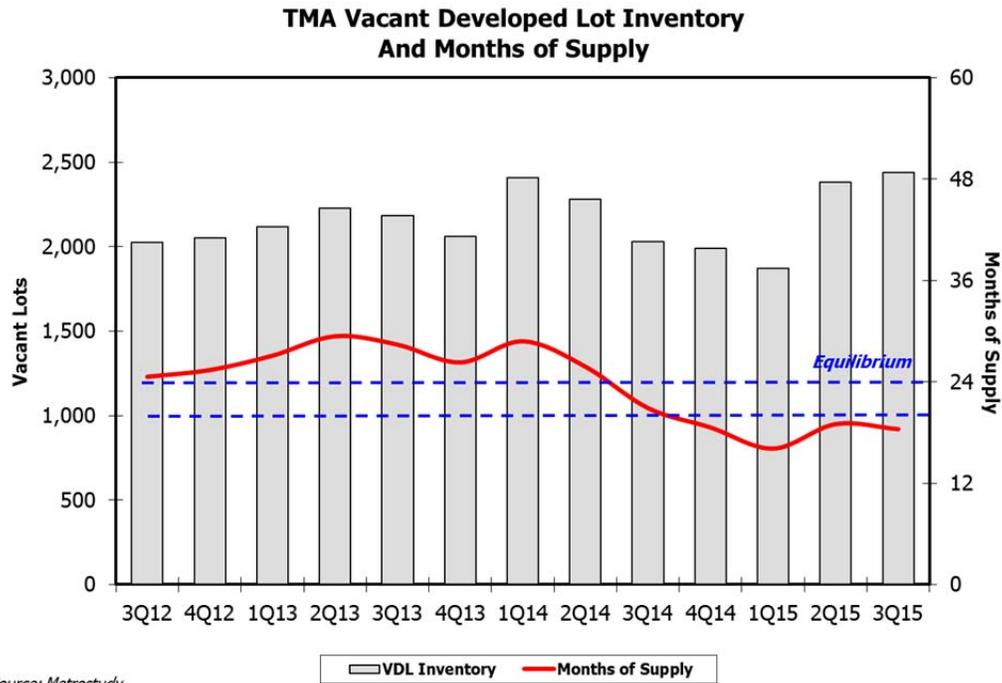
The next chart shows recent quarterly lot inventory trends in Houston vs. the TMA. Houston's VDL inventory steadily declined between the third quarter of 2012 and third quarter of 2014 as developers were unable to accelerate lot production to match the robust rebound of home starts rates. Since 3Q14, however, Houston's VDL inventory has increased from 34,562 to 39,519 while months-of-supply increased from 14.3 months to the current 18-month regional VDL inventory. Overall, we still consider this level is considered tight compared to historical norms.

**Houston and Target Market Area  
Vacant Developed Lot Inventory and Months of Supply  
3Q12 to 3Q15**

<b>Qtr/Yr</b>	<b>Houston VDL</b>	<b>Months of Supply</b>	<b>TMA VDL</b>	<b>Months of Supply</b>
3Q12	43,167	23	2,027	25
4Q12	41,698	21	2,053	25
1Q13	40,216	19	2,119	27
2Q13	37,987	17	2,226	29
3Q13	37,387	16	2,182	28
4Q13	37,912	16	2,062	26
1Q14	37,338	16	2,406	29
2Q14	35,908	15	2,279	26
3Q14	35,382	14	2,030	21
4Q14	36,362	14	1,988	19
1Q15	37,170	15	1,869	16
2Q15	36,935	15	2,382	19
3Q15	39,519	17	2,438	18

*Source: Metrostudy*

Within the TMA, nominal VDL inventory rose while months-of-supply declined as a direct result of higher absorption. Between 3Q12 and 3Q15 the TMA added 411 vacant developed lots, increasing the total from 2,027 to 2,438. However, MOS declined from 25 to 18 over the same period. Developers have struggled to adequately supply market demand. As a consequence, VDL inventory is below market equilibrium. The net effect should be higher lot pricing until more competitors are induced to enter the market or existing players ramp up supply.



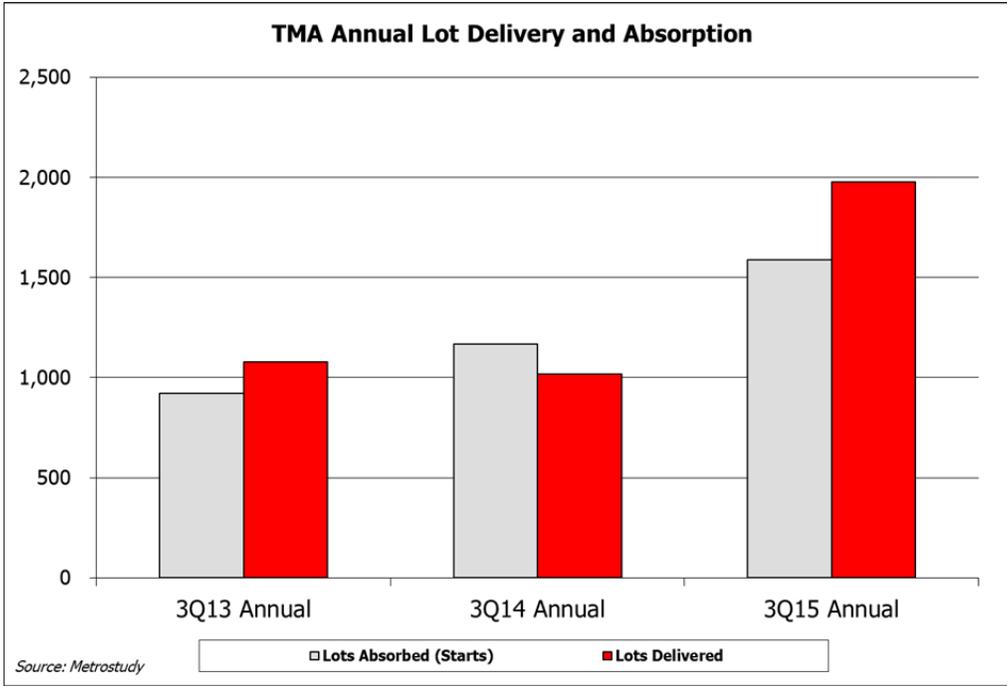
Lot Delivery and Absorption

Lot absorption outpaced lot delivery in seven of the previous thirteen quarters. Over the previous four quarters, lot deliveries have ranged from 233 to 928 per quarter, while lots absorbed have ranged from 330 to 474 per quarter. The abnormal lag observed in 2Q15 single-family lot absorption compared to lot deliveries is most likely a result of severe inclement weather experienced in Houston. In addition to the record floods in May and tropical storm in June, Houston precipitation reached 40" in first six months of 2015, representing over 80 percent of Houston's average annual rainfall of 49". The following table shows historical lot deliveries and absorption rates over the most recent three-year period.

**Target Market Area  
Quarterly Lot Delivery and Lot Absorption  
3Q12 to 3Q15**

Yr/Qtr	Lots Absorbed	Lots Delivered	Net Increase or (Decrease)
3Q12	268	21	(247)
4Q12	199	225	26
1Q13	195	261	66
2Q13	247	354	107
3Q13	282	238	(44)
4Q13	216	96	(120)
1Q14	259	603	344
2Q14	304	177	(127)
3Q14	389	140	(249)
4Q14	330	288	(42)
1Q15	371	233	(138)
2Q15	415	928	513
3Q15	474	530	56

*Source: Metrostudy*



Price Range Distribution of New Home Starts and VDL

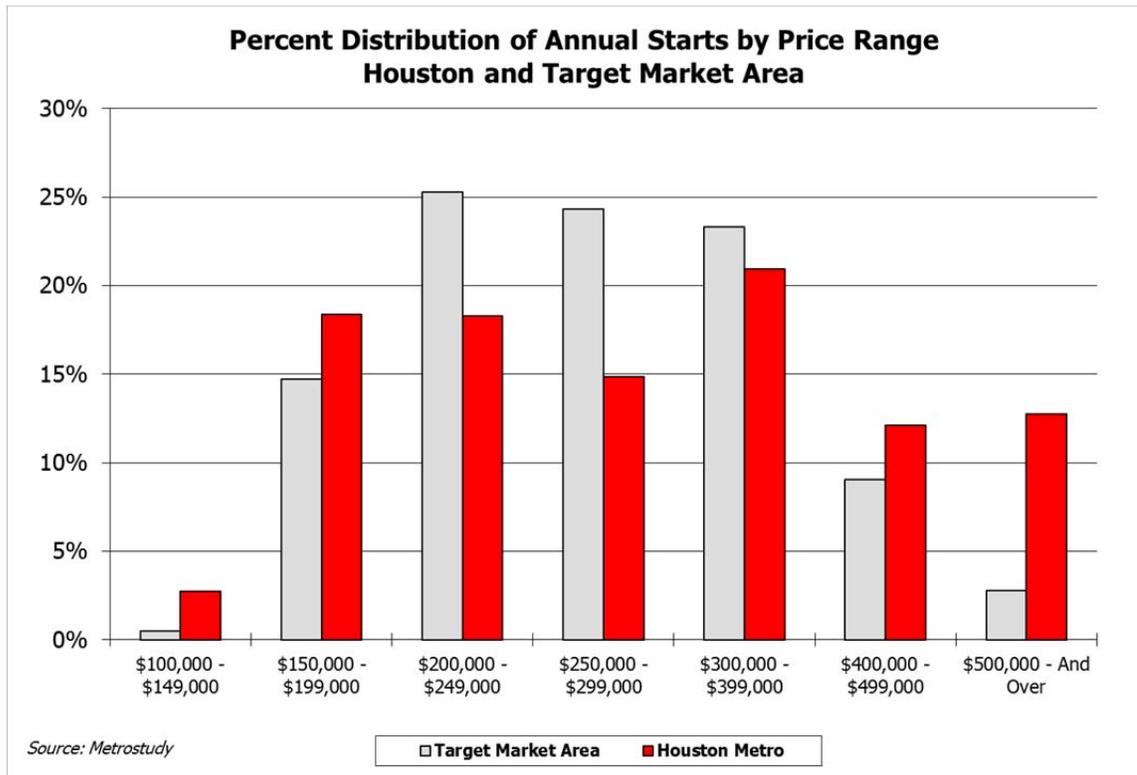
Almost half of new home starts are in the \$200s. The single most active new home price range is \$200,000-\$249,000, accounting for 25 percent of annual starts. It is followed

closely by starts on homes priced at \$250,000-\$299,000, which make up another 24 percent. Starts on homes priced over \$250,000 account for 59 percent of the annual starts in the TMA, while the remaining 49 percent are below \$250,000. Overall, new home prices reflect the area's large distribution of middle income residents.

Target Market Area Price Range Distribution of 3Q15 Annual Starts & Vacant Developed Lots				
Price Range	Annual Starts	Percent Distribution	Vacant Dev. Lots	Months of Supply
\$100,000 - \$149,000	8	1%	22	33
\$150,000 - \$199,000	234	15%	108	6
\$200,000 - \$249,000	402	25%	324	10
\$250,000 - \$299,000	387	24%	462	14
\$300,000 - \$399,000	371	23%	990	32
\$400,000 - \$499,000	144	9%	426	35
\$500,000 - And Over	44	3%	105	28
<b>TOTAL</b>	<b>1,590</b>	<b>100%</b>	<b>2,437</b>	<b>18</b>

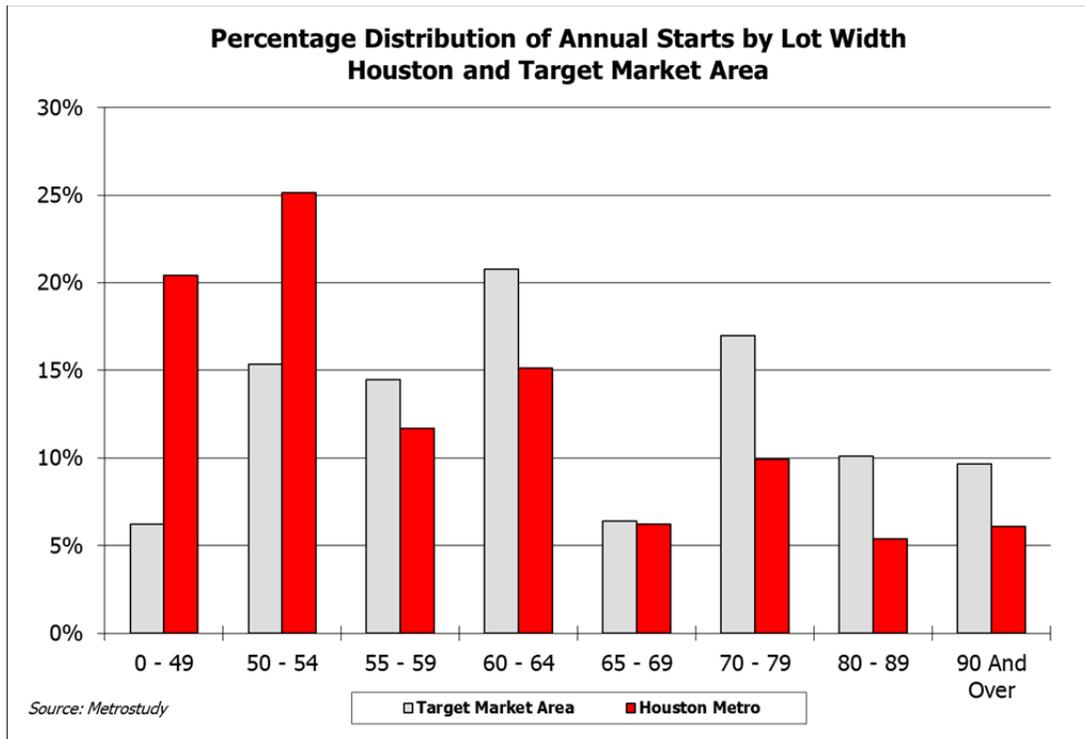
*Source: Metrostudy*

As the following Price Distribution chart displays, the proportion of new home starts priced in the \$200s is significantly greater in the TMA than in the aggregate Houston MSA. On the other hand, the TMA contains a much lower percentage of starts on homes priced at \$400,000 or greater. Builders and developers should also note the relative lack of affordable new housing. The Houston market, even with its recent affordable housing deficiency, is still starting a higher proportion of new homes (18%) in the \$150,000-\$199,000 price segment than our TMA (15%). Only 234 of 1,590 TMA housing starts were in this range. Builders that can find a way to value engineer cost savings into the production process will experience rapid absorption if savings are passed on to consumers.



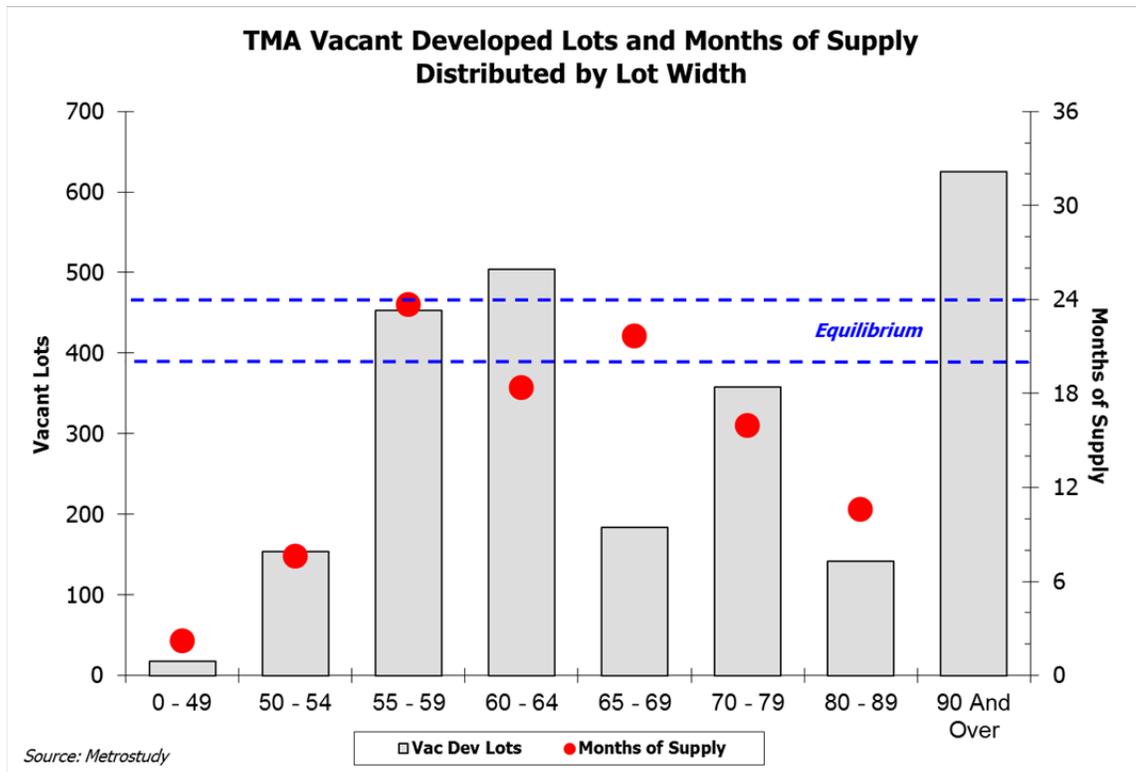
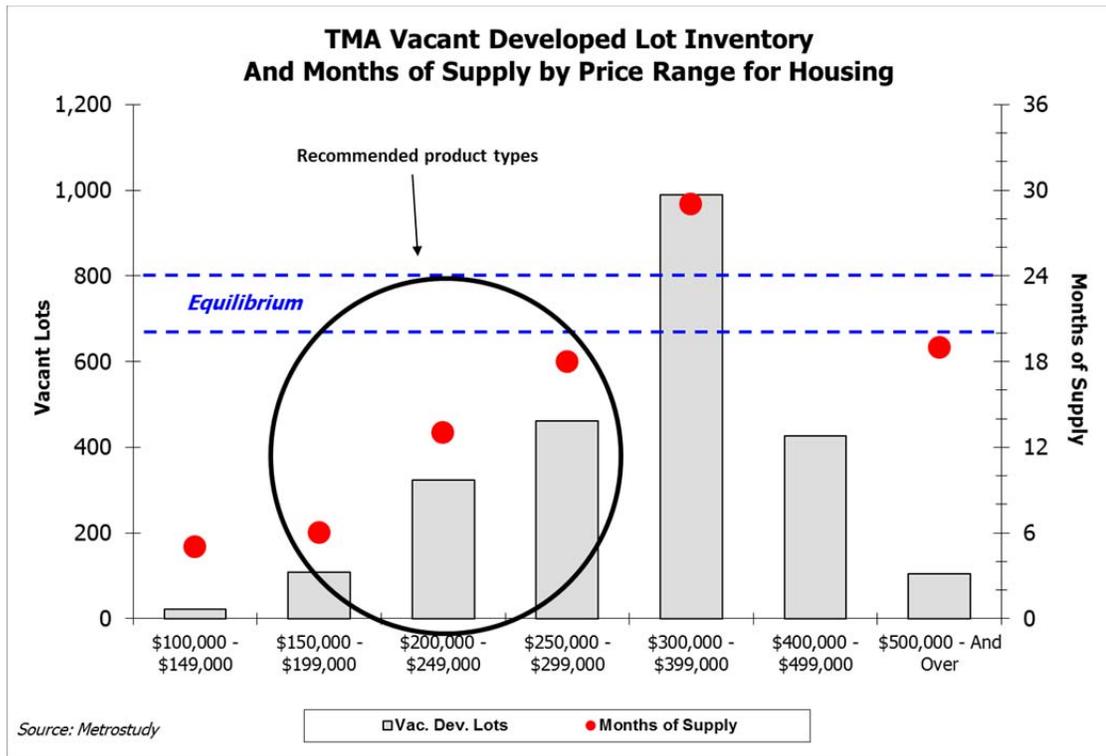
TMA Demand by Lot Size

The most active lot size segments were 60'-64' and 70'-79' wide lots. New home starts activity in the TMA is broadly, if not evenly, distributed across the various lot widths. Our recommendation is to attack 50'-54' or 70' and 80' lots in order to capitalize on those relatively undersupplied programs and maximize subsequent returns.



Three lot size ranges and price segments are feasible and currently below the level of supply Metrostudy considers equilibrium. In terms of pricing, the \$150,000-\$199,000, \$200,000-\$249,000, \$250,000-\$299,000 markets are undersupplied and ripe with opportunity. In terms of size, the 50'-54' segment or 70' and 80' ranges would be ideal candidates. The \$100,000-\$149,000 price range –although though chronically undersupplied—is probably infeasible given current market conditions. In order to maximize returns, builders and developers should strongly consider the following alternatives:

- A. Bring much-needed affordable housing to market in the \$150,000-\$199,000 price range on 45'-54' lots.
- B. Develop a highly ammenitized, upper-end community in the \$200,000-\$299,000 price range on 70'-80' lots.



TMA Subdivisions Ranked by Annual New Home Starts

The following table shows the top 10 subdivisions in the TMA ranked by the total number of new homes started during 3Q15. These top 10 subdivisions started at least 40 homes each during the trailing twelve month period, and accounted for 1,282 (70%) of total annual starts in the TMA. The top-10 also have only a 12-month supply of vacant developed lots – far below the TMA’s 18-month supply. Only one subdivision, Bar X Ranch, is located in the immediate vicinity of West Columbia. And although it has no currently developed lots, there are 54 developable lots listed in the resale market.

Target Market Area Subdivisions Ranked by 3Q15 Annual Starts							
Rank	Subdivision Name Builders	Price Range (in Thousands of Dollars)	Lot Size	3Q15 Ann Starts	3Q15 Ann Closings	Vac Dev Lots	Months of Supply
1	Sterling Lakes	152 - 333	45'-60'	177	151	104	7
2	Southlake	246 - 544	50'-80'	148	129	195	16
3	Savannah/Laurel Heights	205 - 357	50'-70'	138	67	84	7
4	Highland Crossing	232 - 318	55'	114	91	58	6
5	Lakeland	196 - 283	80'	77	100	1	0
6	Sedona Lakes	281 - 610	60'-80'	64	85	204	38
7	Bar X Ranch	220 - 350	150'	53	33	0	0
8	Kendall Lakes	173 - 256	45'-55'	43	24	65	18
9	Avalon Terrace	243 - 323	60'	42	39	55	16
10	North Pointe Trails	137 - 198	51'	40	31	3	1
	Top 10 Total			896	750	769	12
	Balance of TMA			386	329	1,219	44
	TMA Total			1,282	1,079	1,988	22
	Top 10 Subdivisions Share of TMA			70%	70%	39%	

Source: Metrostudy

### **Brazosport Area New Housing Activity**

It is important to note that the market area focused upon in this portion of the study is inclusive of all of Brazoria County, including the Brazosport areas of Angleton, Lake Jackson, Clute, etc. There is new home activity in the Brazosport area, most notably in Angleton and Lake Jackson. However, the volume of new home activity in these communities is generally lower than in communities in northern Brazoria County. The table below summarizes current activity in Brazosport area new home communities.

<b>Current Activity and Profile Report</b>																
<b>Current Selections</b>																
Sorted by Ann Starts																
Map No	Subdivision Name	Sub Area	Status	Lot Size	Price Range	Qtr Starts	Ann Starts	Qtr Clos	Ann Clos	Occ	Inventory			VDL	Future	Total
											Mod	Fin Vac	U/C			
4	Bar X Ranch	SW-Hwy6	Act 2Q08	150'	\$220-\$350	0	53	0	33	319	0	0	38	0	0	357
44	Woodshore	S-288S	Act 4Q14	60'-90'	\$236-\$572	4	31	7	17	17	1	6	14	29	40	107
40	Audubon Woods III	S-288S	Act 3Q13	55'-80'	\$195-\$340	0	24	0	27	44	0	3	9	4	0	60
45	Oyster Bend/Creekside	S-288S	Act 1Q15	70'-80'	\$250-\$350	8	19	5	5	5	0	1	13	35	176	230
56	College Park Estates	S-288S	Act 4Q95	66'	\$350-\$400	0	15	0	15	289	0	2	13	20	0	324
20	Heritage Court Subdivision	S-288S	Act 2Q15	90'	\$271-\$351	1	10	2	2	2	1	2	5	48	0	58
52	Texian Subdivision	S-288S	Act 4Q01	72'	\$200-\$300	0	9	0	7	42	0	1	6	4	0	53
58	Oakwood Shores	S-288S	Act 4Q08	150'	\$325-\$550	0	6	0	6	42	0	0	6	0	308	356
6	Suncreek Ranch	S-288N	Act 4Q01	150'-500'	\$300-\$500	0	3	0	3	120	0	0	4	0	268	392
1	Columbia Lakes	SW-Hwy6	Act 3Q05	75'	\$175-\$500	0	2	0	0	81	0	0	2	0	940	1,023
23	Heritage Oaks	S-288S	Act 3Q99	70'-100'	\$200-\$500	0	2	0	3	134	0	0	2	47	0	183
54	Heritage Park/Angelton	S-288S	Act 4Q12	90'	\$201-\$251	0	2	0	0	25	0	0	2	3	0	30
22	Northwood Estates	S-288S	Act 3Q01	77'-90'	\$250-\$450	0	2	0	4	176	0	0	1	24	0	201
9	Suncreek Estates	S-288N	Act 3Q04	200'	\$300-\$500	0	2	0	2	86	0	0	3	0	311	400
59	Bridgepoint	S-288S	BO 3Q15	40'	\$380-\$450	0	1	0	6	7	0	0	0	0	0	7
2	Coffee Lake Estates	S-288N	Act 1Q10	145'-1285'	\$200-\$450	0	1	0	0	1	0	0	1	21	0	23
10	Dove Meadow/Angelton	S-288S	Act 1Q01	200'	\$200-\$300	0	1	0	0	16	0	1	0	0	4	21
42	Plantation Oaks/Angelton	S-288S	Act 1Q99	85'	\$149-\$180	0	1	0	0	54	0	0	1	2	0	57

Notably, Bar X Ranch very close to West Columbia is the area's most active new home community, achieving 53 annual starts and 33 annual closings. Woodshore, a small master planned development in central Lake Jackson is the second most active development with 31 annual new home starts.

Planned Housing Projects, Future Lot Inventory

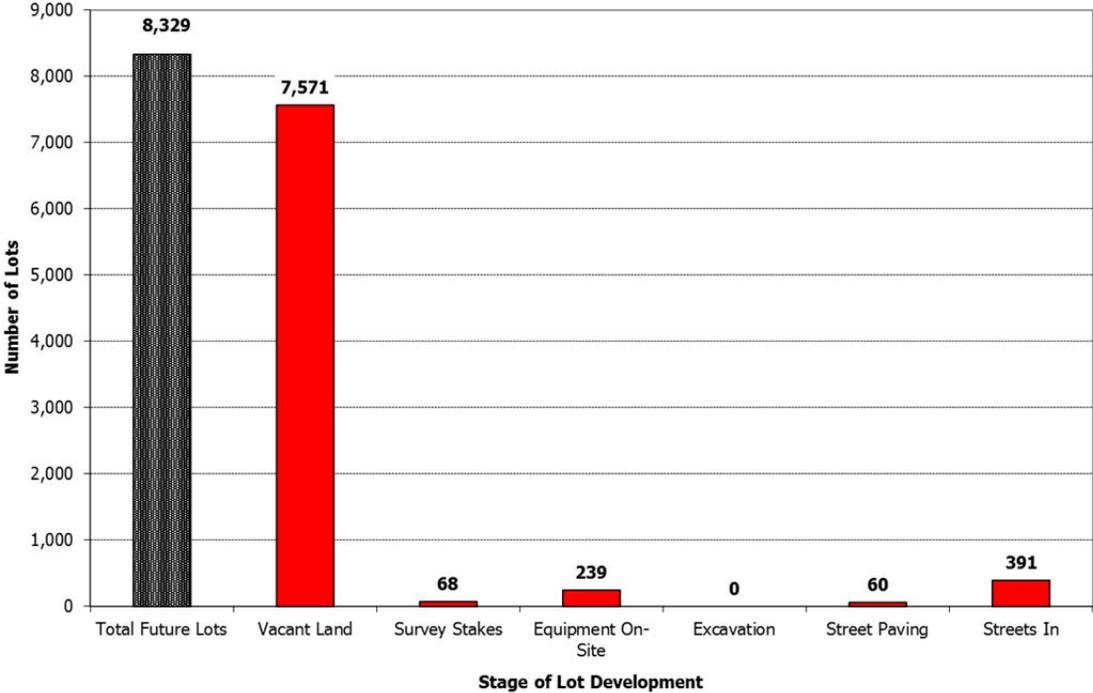
Throughout the current housing market cycle, a total of 7,938 lots received either preliminary or final approval to be developed in the TMA. As of 3Q15, all activity is clustered up north in the Pearland area. It is worth noting that just because a plat is approved does not mean that the lots are under development. Many of these plats are only pre-approved and may not necessarily enter the market within the upcoming 12-24 months. However, we do believe that a vast majority will be delivered at some point over the next several years. Delivery timing of lots will depend on the type of lot, supply and demand for the lot type, and whether the lots are for brand new communities or “add-ons” to existing communities.

**Target Market Area  
Future Lot Inventory**

Subdivision	Sec.	Lot Size	Developer	# of Lots
Afton Lake	Sec X-80	80x130	Sideline Investments, LLC	30
Avalon Terrace	Sec 6-60	60x110	*MHI Partnership, Ltd.	44
Avalon Terrace	Sec 7-60	60x110	*MHI Partnership, Ltd.	47
Canterbury Park	Sec 4-70	70x135	*KB HOME	58
Independence Place/Pearland	Sec X-60	60x130	*DR Horton	23
Massey Lake Estates	Sec X-65	65x155	*Meritage	82
Meridiana	Remaining	0x0	*Rise Communities	4,970
Meridiana	Sec 10-100	100x160	*Gromax Development	53
Meridiana	Sec 13-60	60x120	*Gromax Development	88
Meridiana	Sec 15-80	80x130	*Gromax Development	73
Meridiana	Sec 17-55	55x115	*Gromax Development	109
Meridiana	Sec 4-65	65x120	*Gromax Development	100
Meridiana	Sec 5-72	72x122	*Gromax Development	37
Meridiana	Sec 7-70	70x120	*Gromax Development	70
Newport Lake Estates	Sec 1-70	70x150	*Newport Lake Estates Development, LP	199
Oakshire	Sec 1-55	55x130	*DR Horton	40
Pomona	Remaining-55	55x120	MHI	728
Pomona	Remaining-65	65x120	MHI	498
Pomona	Remaining-75	75x120	MHI	224
Royal Property Subdivision	Sec X-60	60x165	*	37
Savannah/Laurel Heights	Sec 6-70	70x130	*Lennar	60
Savannah/Laurel Heights	Sec 7-55	55x125	*Savannah Dev., Ltd.	79
Savannah/Laurel Heights	Sec 8-55	55x125	*Savannah Dev., Ltd.	68
Savannah/Laurel Heights	Sec 9-50	50x120	*Savannah Dev., Ltd.	66
Southern Oaks	Sec X-55/60	55x125	*Beazer	99
Southlake	Sec 8-60	60x121	518SCR Ltd	56
<b>Total Future Lots</b>				<b>7,938</b>

Source: Metrostudy

**Status of Future Lots**



## VII. West Columbia Area Housing Market

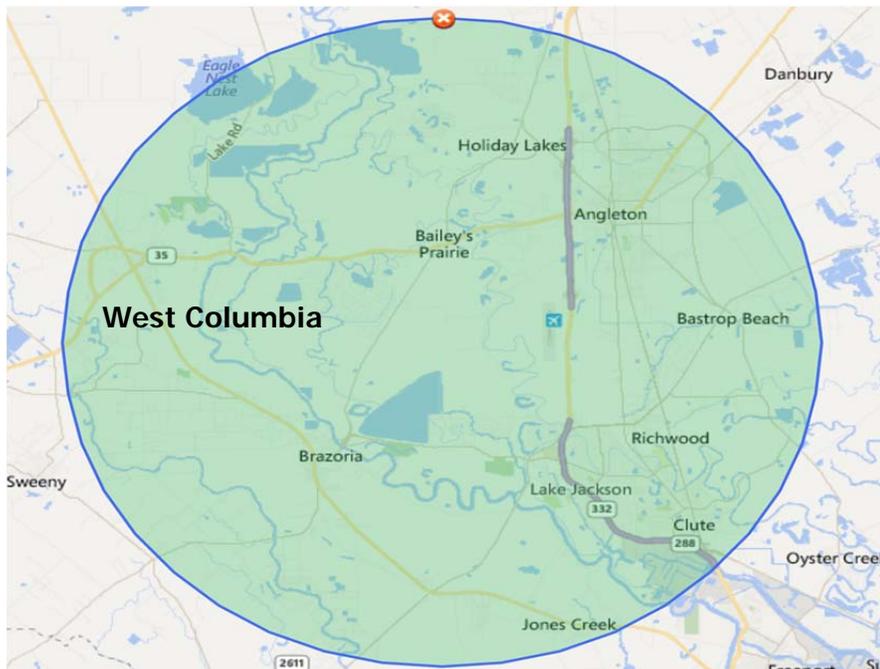
### Introduction

The following section takes a deeper look at the immediate area surrounding West Columbia. In so doing, we analyze three areas of importance for potential builders and developers: new single-family residential construction trends; the resale market for existing homes; and also the two primary competitive communities, Columbia Lakes and Bar X Ranch.

### Definition and Justification

New development in West Columbia would compete for buyer traffic at three levels. The Competitive Market Area (CMA), the most immediate level, primarily represents buyers from the south in the Freeport-Lake Jackson area. In addition, buyers will also trickle in from the Brazoria County TMA and wider Houston MSA.

The following map displays the boundaries of our CMA.



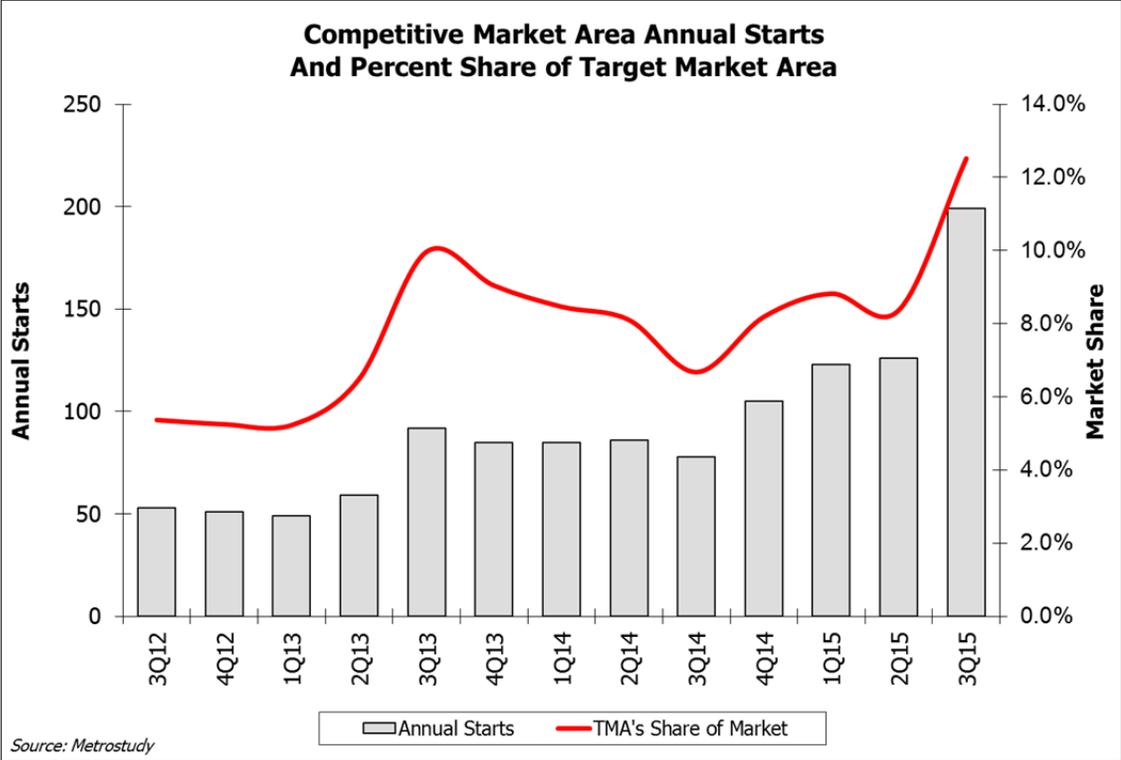
New Home Market

The CMA had 186 total annual home starts. This represents a capture rate of 12% of the overall larger Brazoria County / South Houston TMA area. The remaining 88 percent are further north along Highway 288. Bar X Ranch has been the single largest contributor to new home starts and closings within the CMA. This is a relatively recent phenomenon. Bar X Ranch has contained a large inventory of vacant developed lots for a number of years, and only this year has seen a dramatic uptick in annual starts (53 homes started over the last 12 months) and annual closings (33 homes started over the last 12 months). This is an extremely important indicator of increased demand for new homes in the CMA and especially in the immediate West Columbia area, as Bar X Ranch is one of the very closest communities to the City of West Columbia.

Competitive Market Area Subdivisions Ranked by 3Q15 Annual Starts							
Rank	Subdivision Name Builders	Price Range (in Thousands of Dollars)	Lot Size	3Q15 Ann Starts	3Q15 Ann Closings	Vac Dev Lots	Months of Supply
1	Bar X Ranch	220 - 350	150'	53	33	0	0
2	Woodshore	219 - 572	60'-90'	34	10	33	12
3	Audubon Woods III	195 - 340	55'-80'	31	35	4	2
4	College Park Estates	350 - 400	66'	20	19	20	12
5	Texian Subdivision	200 - 300	72'	12	9	4	4
6	Oyster Bend/Creekside	250 - 300	70'-80'	11	0	43	47
7	Heritage Court Subdivision	285 - 365	90'	9	0	49	65
8	Oakwood Shores	325 - 550	150'	8	9	0	0
9	Heritage Oaks	200 - 500	70'-100'	5	3	47	113
10	Rosewood	160 - 275	50'	3	4	0	0
CMA Total				186	122	200	20
Market Share of TMA				12%	9%	8%	12

Other new home communities in the CMA are generally located in Angleton and Lake Jackson. Notably, several of the Angleton communities are located just east of West Columbia near the 288 and Highway 35 junction, further painting a picture of interest in new housing in the Highway 35 / West Columbia area.

The CMA increased its share of total TMA starts considerably. over the previous three years.



Existing Home Market

Of the 3,987 existing home sales in Brazoria County over the past year, a total of 697 occurred within the CMA. Several significant differences stand out in terms of the characteristics of existing home sales. Most importantly, the median year built is much older in the CMA relative to Brazoria County overall, at 1979 in the former versus 2002 in the latter, respectively. The price paid per square foot is also lower in the CMA, partially due to depreciation of these much older homes. The following tables provide summary statistics on resale market activity.

Target Market Area Resale Activity					
	SqFt	Sale Price	SP/SqFt	DOM	Year Built
<b>Min</b>	648	\$ 5,000	\$ 3.24	0	1894
<b>Avg</b>	2346	\$ 225,054	\$ 95.93	44.19	1995
<b>Max</b>	8163	\$ 1,125,000	\$ 285.16	612	2015
<b>Median</b>	2210.5	\$ 206,500	\$ 95.07	18	2002

Competitive Market Area Resale Activity					
	SqFt	Sale Price	SP/SqFt	DOM	Year Built
<b>Min</b>	738	\$ 27,000	\$ 11.78	0	1914
<b>Avg</b>	1928	\$ 172,181	\$ 89.31	47.54	1980
<b>Max</b>	5354	\$ 840,000	\$ 185.35	502	2015
<b>Median</b>	1770.5	\$ 156,000	\$ 91.03	21	1979

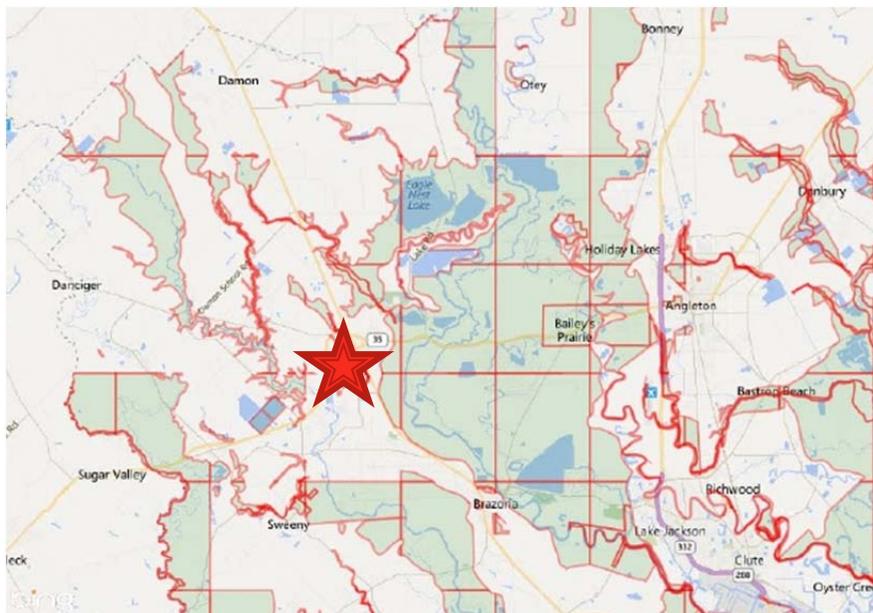
## VIII. Tracts Available for Development

An important consideration for potential providers of new housing in West Columbia is availability of building lots (referred to by Metrostudy as vacant developed lots or VDL) and tracts of land which can be developed into building lots. West Columbia is surrounded by vacant land. However, it would be short sighted to consider it all equally and sufficiently developable for residential subdivisions.

The first consideration is **development feasibility**:

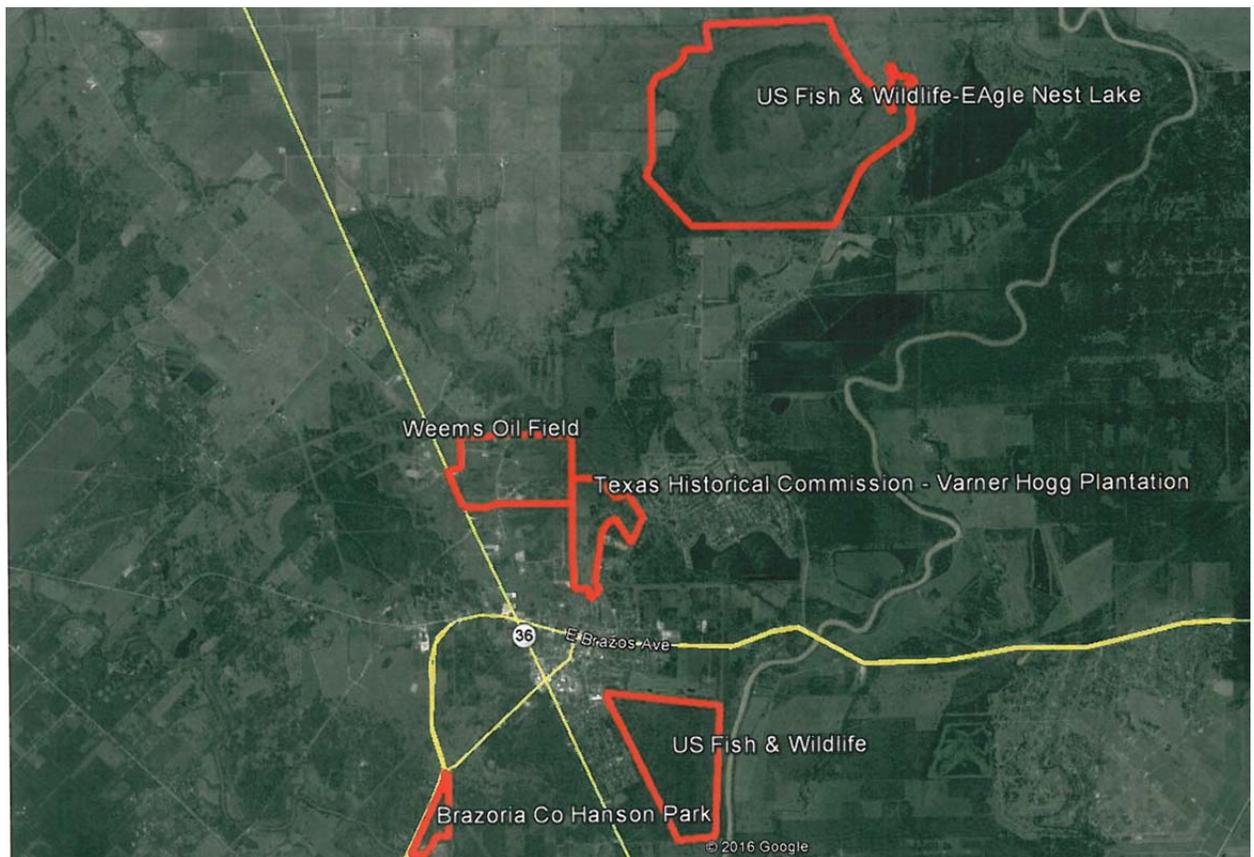
- Will the tract drain in a rain event?
- Is the tract within the 100 year flood plain?
- Can Water, Sewer, and Drainage facilities be extended to serve the development from the City of West Columbia, or can a Municipal Utility District (MUD) be created to assist the developer with the burden of creating such facilities?

It is beyond the scope of this study to determine which tracts in the area are feasible for development. However, the image below gives an indication of how much of the surrounding land in the area is within the 100 Year Floodplain as defined by FEMA.



In addition, there are several tracts and areas of West Columbia that are not feasible for subdivision development for other reasons besides floodplain related issues. The aerial image below indicates the location and nature of some of these constrained tracts.

- 1) The US Fish and Wildlife Service controls a large tract immediately southeast of West Columbia that is part of the larger San Bernard National Wildlife Refuge.
- 2) The Texas Historical Commission controls the Varner Hogg Plantation site, which is a large tract that sits between the northern edge of West Columbia and the southern edge of Columbia Lakes.
- 3) Immediately west of the Varner Hogg Plantation, is the Weems Oil Field. This tract is not feasible for development due to long term mineral leases encumbering the site.
- 4) Southwest of West Columbia is the Hanson Park site controlled by Brazoria County for recreational use by the County's residents.



The second consideration is **marketability and surrounding land uses**. This is a less concrete, more nebulous set of concepts a developer contemplates when considering a site for development:

- What is the access to the site like? Both direct ingress / egress to the site and access to the site from major highways and thoroughfares.
- What is the marketing window for the site? Will it be attractive to potential homebuyers?
- What are the surrounding land uses?
- How can a homebuilder drive traffic to a development at that site?
- How close is the site to area schools and retail?

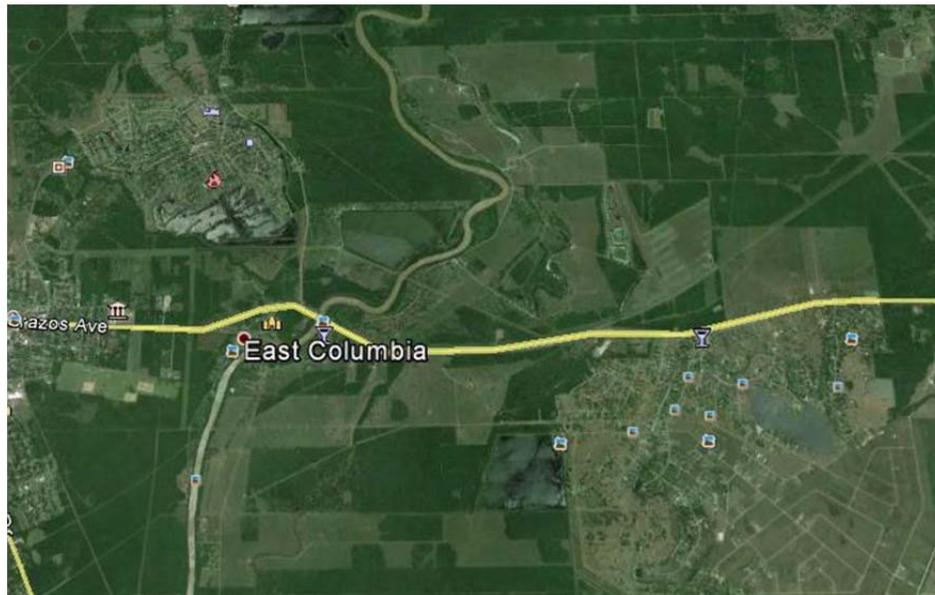
Metrostudy has assessed the various areas within the West Columbia area for new residential development through the filter of types of questions listed above to arrive at two areas that appear to be the most suitable for potential new residential development.

### **Area One: Highway 35 East of Town**

Metrostudy has identified the area east of town along Highway 35, generally between North / South Mattson Street to the west and Bar X Ranch to the east. This includes land both currently within the City of West Columbia and land beyond its current city boundaries. The eastern portions of this area are within the 100 Year Floodplain, although the western portions closest to City of West Columbia are not. Metrostudy identified this area for the following reasons:

- The marketing window from 288 is direct, clean, and visually very attractive for potential homebuyers traveling to the area from points east, north, or south.
- This location provides the most direct access to 288 and regional employment destinations.
- This corridor is “book ended” by two of the area’s larger existing successful residential developments: Bar X Ranch and Columbia Lakes
- The area is already seeing success as validated by Bar X Ranch achieving 53 annual new home starts and 33 annual new home closings in the last twelve

months. *It is important to note that this area suggested by Metrostudy is closer to the retail and amenities of West Columbia than Bar X Ranch, and Bar X Ranch has still achieved strong new home activity.*



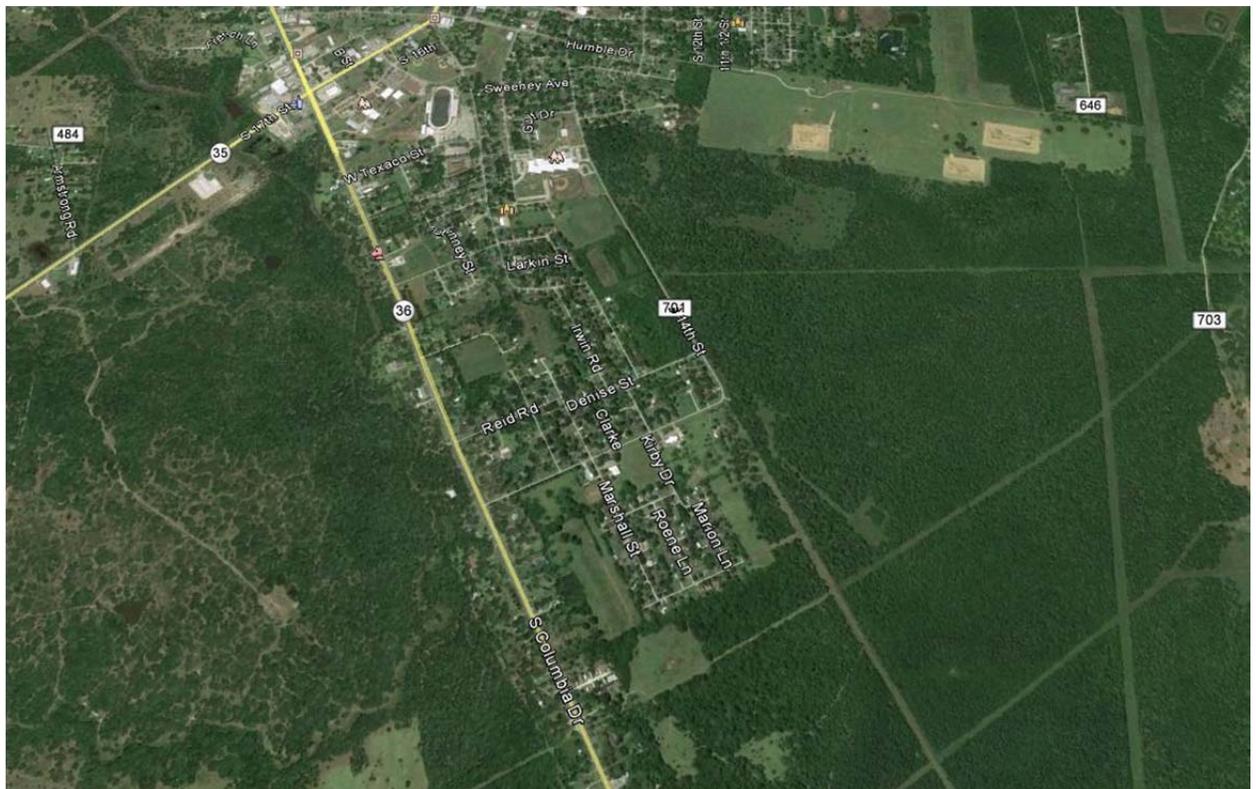
This area is slightly encumbered by the US Fish and Wildlife Service Refuge to the immediate south. However, a reasonable amount of land on which to develop a new community exists between the Refuge and Highway 35.

**Area Two: Southeast West Columbia, Near South Columbia Drive**

The second area Metrostudy has identified is the southeastern area of West Columbia adjacent to the neighborhoods east of and along South Columbia Drive. Due to land availability and existing development, this area is most likely more suitable for a smaller “infill” development adjacent to existing neighborhoods than the Area One which may be more suitable for a larger scale development. The most likely location within this area for an infill development is to the immediate south of existing development. Development to the east of the existing neighborhoods is not feasible because of the location of the San Bernard Wildlife Refuge.

Metrostudy identified this area for the following reasons:

- This area offers close proximity to the elementary and high school.
- The Southeast quadrant of West Columbia is where some of the City's higher quality and more attractive existing single family neighborhoods are located.
- Small tracts adjacent to existing high development quality neighborhoods are present in this area, making it cost effective to extend utility service to a potential small 2-3 street neighborhood development.
- Feedback received is that there may be a market for existing residents of West Columbia who either want to upgrade to a larger new home, or want to downsize to a smaller lower maintenance home. Visual inspection of West Columbia indicates that the neighborhoods east of South Columbia Drive and south of 35 are where many City residents that would have sufficient equity in their current homes as well as other financial resources to upgrade to a new home reside. The opportunity to purchase a new home in essentially their current neighborhood may be appealing to this buyer profile.



## **IX. Potential Market Niches / Strategies**

Metrostudy has analyzed both our proprietary housing market data and performed boots on the ground market evaluation to arrive at potential underserved market opportunities or specific product types that may present an optimal market opportunity for new home success in West Columbia. In doing so, Metrostudy has identified two single family new home market niches that have a potential for success in the West Columbia area. These two shall be explained in further detail below.

### **Market Niches**

#### **Large Lot Development**

Metrostudy has identified a small to medium sized acreage lot development with a “new generation” community theme and amenity package to be a potential market niche that could succeed in West Columbia. The best example in the area of this type of development is Bar X Ranch. This niche has been targeted for the following reasons:

1. Lack of “new generation” large lot product in the entire Brazoria County TMA. All of the large lot acreage community developments in the area are older existing developments with dated community theming and amenity packages. Bar X Ranch is an example of such a community.
2. None of the current large lot / acreage communities in the larger Brazoria County TMA have the benefit of an active new home and / or lot marketing program. These are all communities that were developed in the past, and any available lots for sale are for sale on a one-off basis by individuals.
3. A large lot program offers a value proposition to the homebuyer that cannot be readily found in nearby larger towns such as Angleton and Lake Jackson, and also cannot be found in the suburbs of Pearland and Manvel in the 288 corridor. Such a value proposition incentivizes homebuyers to travel further south or further west to buy a home in West Columbia instead of closer in locations.
4. This is a product type that has demonstrated success in the area. As previously mentioned, Bar X Ranch has achieved 53 new home starts and 33 new home

closings in the last 12 months. This is without the benefit of a new generation community theme or amenity package.

***What would such a development look like?***

A “new generation” large lot development would be comprised of  $\frac{3}{4}$  acre to 2 acre lots with a similar street configuration to Bar X Ranch with no curbs and gutters. What would make this “new generation” is a more contemporary community theme and entry monument, and some level of community amenities. The development of these amenities would be at the cost of the developer, but the maintenance of the amenities would be ultimately funded by annual Home Owners Association (HOA) dues paid for by each home owner. These amenities could include an equestrian facility, a community garden, walking trails, or some sort of water oriented recreation facility utilizing river frontage. A large lot / acreage development like this could utilize tracts east of town (as identified as a target area by Metrostudy) for two key reasons:

1. Less intensive, more spread out development such as this may be more feasible in a 100 year flood plain environment.
2. Such a community could make an amenity out of low lying river bottom land, especially if some portion of that land could have direct water access to the Brazos River.

Two instructive examples of “new generation” large lot / acreage developments in the Houston area are Caldwell Companies’ Spring Creek Ranch in Waller and Willowcreek Ranch in Tomball. In both developments Caldwell has implemented a strategy of selling lots directly to homebuyers who then select from a collection of custom builders from which to build their home. Both communities implement on site sales offices to make it a seamless process for the buyers. Images of these communities are on the following page.





It will be imperative for a large lot / acreage development in West Columbia to present “new generation” amenities and community theme for two reasons, both of which pertain to Bar X Ranch.

**Reason One: Market Differentiation:** There are currently a large supply of vacant developed lots on the ground and available for sale at relatively low prices by individuals in Bar X Ranch. A new community developed west of Bar X closer to West Columbia will have to present a sufficiently compelling argument to entice homebuyers to spend more to buy a lot or home in the new community over a lower priced lot and ultimately home in Bar X. A modern, “new generation” community theme and amenity package will help deliver this enticement.

**Reason Two: Underwriting:** When a developer of a potential new large lot / acreage development seeks acquisition and development financing to do this deal, the underwriters will probably require that developer to present a sufficiently compelling case as to how their development is different than nearby Bar X Ranch that has such a large inventory of vacant developed lots on the ground.

**In summary, should a large lot / acreage development with “new generation” community theme and amenities be developed in the eastern portion of West**

**Columbia, Metrostudy is of the opinion that it is reasonable to anticipate lot and home sales of 24 to 36 units per year. It should be noted that this is less than has been achieved recently in Bar X Ranch. However, many of the lots sold by individuals in Bar X Ranch were sold at below current replacement cost, allowing ultimately for lower priced homes. The lower absorption rate projected for the hypothetical large lot development in eastern West Columbia takes into account higher priced lots resulting in higher priced homes.**

### **Infill “City Lot” Development**

Metrostudy has identified a small (10 – 25 acres) infill “city lot” development located adjacent to existing neighborhoods in southeastern West Columbia (off of South Columbia Drive near the elementary school) to be a potential market niche that could succeed in West Columbia. There are currently no examples of this type of development in the immediate West Columbia area. This niche has been targeted for the following reasons:

1. This type of product serves multiple demand sources. The homes that could be built in such a neighborhood (generally 1,700 to 3,200 square feet) serve both first time / move up family buyers as well as empty nester buyers. Appealing to a wide audience will be important when bringing a new neighborhood to market in an area as small as West Columbia.
2. This type of neighborhood could serve pent up demand for new homes from current “in town” residents of West Columbia, as the neighborhood and resulting houses built within it would be similar to some of the existing higher quality housing stock in West Columbia.
3. This development concept does not necessarily require a large tract of land, so it is likely feasible to develop in close proximity to existing neighborhoods in West Columbia. This proximity will help both in marketing the neighborhood and in terms of cost efficient provision of utility services by the City.

4. Because the concept for this type of neighborhood is based on a relatively small development, it presents a lower economic barrier to entry for developers to be able to build it and bring it to market. This allows for a larger pool of potential developers and investors than would a larger more capital intensive development.
5. Due to its small size, this type and scale of neighborhood can likely be developed within the current City boundaries without additional land annexation.

***What would such a development look like?***

An infill development “City Lot” subdivision development would likely be developed on a 10 to 25 acre tract and would be comprised of lots with full curb and gutter. A typical lot size that would support the type / size of homes intended for such a development would be 60’ wide by 130’ deep. A density of three lots per acre could likely be achieved, resulting in a total of 30 to 75 homes being built in this development. Once such a development is completed and all of the homes have been sold, developers can use this neighborhood as a template to acquire additional similarly small tracts of land to developer continuation “replacement” neighborhoods. Committing to just 10 to 25 acres at a time (or less) minimizes the developer’s risk of producing too much supply in a relatively small market such as West Columbia. This neighborhood would likely be too small to financially support a neighborhood swimming pool or such amenities. However, it should have a “new generation” community entry monument announcing to potential homebuyers that they have arrived into the community. Examples of “new generation” entry monuments and entry areas in relatively small neighborhood developments in the Houston area are presented on the following page.

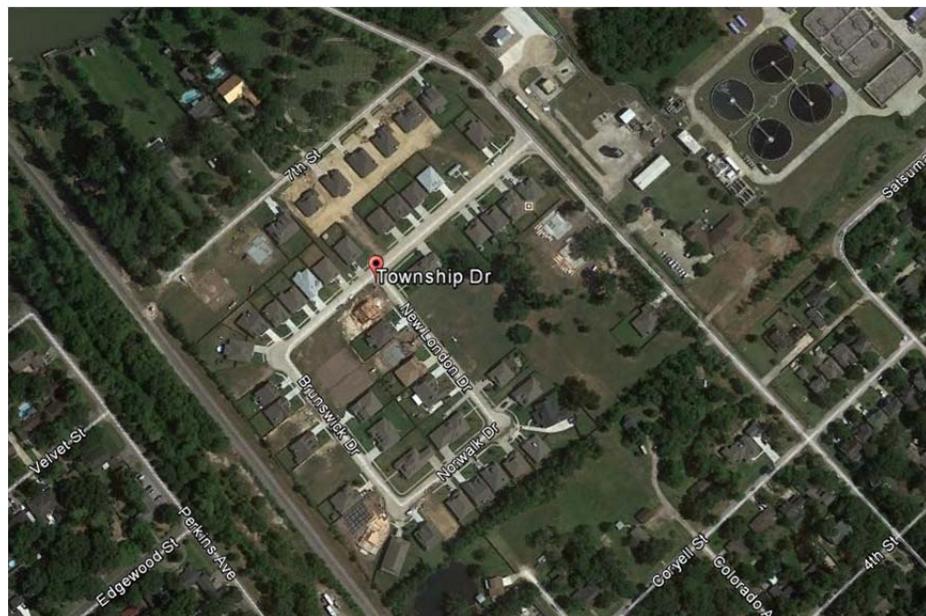
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In a development such as this, most likely either the homebuilder would develop the lots for their own use on which to build homes, or a private land development company would develop the lots and sell them via option contract to 1 to 2 homebuilders, who would then directly market homes to homebuyers via a model home sales center operation within the neighborhood.

One instructive example of such a small, infill neighborhood development is The Township in League City. This community is located in League City off of North Kansas Ave., north of FM 518 and east of Highway 3. Homebuilder Century Communities is

currently building new homes in this community ranging from \$255,000 (1,700 sf) to \$305,000 (2,400 sf). Images of this community are below.



**In summary, should a small infill “city lot” neighborhood be developed in the southeast area of West Columbia, Metrostudy is of the opinion that it is reasonable to anticipate home sales of 18 to 24 units per year. Absorption**

will be aided by the presence of an on-site model home sales office as well as high quality directional marketing signage being allowed by the City to direct homebuyers to the community from Highway 35, 36, and South Columbia Drive.

## **X. Strategic Conclusions and Recommendations**

The purpose of this concluding portion of the study is to provide actionable recommendations to utilize the information and findings of this study to promote development of new housing within West Columbia.

### **Operating Footprint**

West Columbia will achieve the greatest success in attracting builders and land developers to the city if those companies already have an existing operating footprint in the general area. Builders who already operate in Brazoria County, particularly central and southern Brazoria County, will be more likely to be interested in expanding their operations into West Columbia. Hypothetically speaking, if a builder only built in Conroe 72 miles north of West Columbia, it will not be efficient for them to establish operations in West Columbia. This list is not intended to replace more detailed Appendix A to this study, but currently operating builders to focus on (and their nearby operations) include:

- Anglia Homes – currently building in Heritage Creek in Angleton
- Castle Rock Homes – currently building in Woodshore in Lake Jackson
- Noblecrest Homes – currently building in Iowa Colony
- Peltier Custom Homes – currently building in Woodshore in Lake Jackson

Targeting land developers need not necessarily follow the same operating footprint assessment that targeting builders should follow. However, it is important that a potential land developer (and just as importantly their investors and banker) understand and feel comfortable with the Brazoria County market. This comfort can come from a track record of developing currently, or having developed in the past in Brazoria County.

It can also come from being presented a compelling case for growth and opportunity in the area based on population and employment growth. Painting this picture as a value the City can add to the process.

### **Land Identification**

Another strategy the City can take is to identify suitable tracts for the types of development targeted, and work with land owners to promote these tracts to qualified land developers and homebuilders. This exercise provides two benefits to the process of attracting additional housing to West Columbia:

1. Building awareness of the community and opportunities in the community among builders and developers, and
2. Facilitating builders and developers ability to evaluate the tract(s) for potential acquisition more efficiently by providing them some of the information they need to do so. This value add will simply make it easier to get a deal done by providing needed information in a timely and efficient manner.

This can be handled by the City directly, or can be performed in tandem with a qualified land broker. If the latter route is selected, it is important to engage a broker with significant land experience and credibility in the land and land development community. A realtor primarily focused on sales of homes will not be able to effectively provide this service.

### **Community Promotion**

The City can also promote new housing development by marketing the community's assets to the building and development community. Metrostudy has observed a central theme around these assets of West Columbia offering a true home town feel that cannot be replicated in a larger suburb. This theme can include elements such as the local schools and locally owned restaurants and shops. This image can be promoted to the building and development community via print marketing collateral, online presentations, or via targeted emails and letter writing campaigns. Another important

theme for community promotion is proximity to greatly expanding downstream energy employment centers. Much of the Houston area development industry's focus has been providing housing to white collar upstream energy employees on the west, southwest, and north sides of the city. With current turbulence in oil pricing, the downstream energy sector (notably including refining operations) is performing much more strongly than the upstream sector. This has pushed the building and development community to seek opportunities to supply housing to downstream workers, and West Columbia is well positioned to serve that housing market.

### **Leverage Lot Availability in General Area to Attract Builders**

Due to a variety of factors, the Greater Houston area currently has a relative shortage of lots. Annual lot deliveries have not kept up with new home demand as the market has emerged from the previous market cycle downturn, and this has resulted builders scrambling to find lots on which to build homes to grow their businesses and be able to react to increased housing demand. Given this environment, West Columbia enjoys a powerful tool to attract builders to the general area, which can then be leveraged to attract builders directly to the City itself. This powerful tool is a plentiful supply of vacant developed lots, many of which are for sale, in nearby Bar X Ranch and Columbia Lakes. Metrostudy has observed lots priced very competitively in these two communities. The promise of cost effective lots that are ready for building immediately will likely be very attractive to some builders, and will motivate them to expand their operational footprint down into the greater West Columbia area. Current lots for sale in these two communities are summarized below.

### **Lots for Sale in Columbia Lakes and Bar X Ranch**

Between Columbia Lakes and Bar X Ranch, there are 74 lots on the market.

Bar X: 54

Columbia Lakes: 20

The following tables provide summary statistics on lot pricing and size.

Lots for Sale in Columbia Lakes					
	Price	Acres	\$/Acre	Square Ft	\$/SqFt
Average	\$ 15,726	0.29	\$ 62,068	12,632	\$ 1.42
Median	\$ 16,000	0.23	\$ 58,588	10,019	\$ 1.34
Std Dev	\$ 2,993	0.14	\$ 22,130	6,065	\$ 0.51
Min	\$ 11,000	0.20	\$ 16,216	8,712	\$ 0.37
Max	\$ 21,000	0.74	\$ 95,455	32,235	\$ 2.19
Variation	19%	48%	36%	48%	36%

Lots for Sale in Bar X Ranch					
	Price	Acres	\$/Acre	Square Ft	\$/SqFt
Average	\$ 13,629	1.02	\$ 12,984	44,423	\$ 0.30
Median	\$ 10,000	0.90	\$ 12,000	39,204	\$ 0.28
Std Dev	\$ 13,254	0.59	\$ 5,421	25,598	\$ 0.12
Min	\$ 5,000	0.74	\$ 5,556	32,235	\$ 0.13
Max	\$ 99,750	4.68	\$ 32,051	203,862	\$ 0.74
Variation	97%	58%	42%	58%	42%

These communities, and West Columbia overall, are just beyond the radar of most of the Houston area builder and developer community. Therefore, many to most of them are likely not aware of the finished lot opportunity in Bar X and Columbia Lakes. Making them aware of this opportunity will have the following virtuous impacts on ultimately having more housing produced directly within West Columbia:

1. This will lead to a builder or builders expanding their operational footprint much closer to West Columbia, which could have the ultimate impact of making them willing to build within the City limits in a new development.
2. Being able to point to a qualified builder or builders with an active operation in Bar X Ranch and / or Columbia Lakes achieving success, will make it easier for other builders and developers to decide to develop and build within the City limits in a new neighborhood.

It is important to note that while Bar X Ranch and Columbia Lakes are outside the City limits of West Columbia, the housing market as well as most builders and developers would consider them to be in the West Columbia area as none of these stakeholders are as sensitive to City limits boundaries as municipal officials are. This is especially true in the Houston area in which the population of residents who state they live in Katy (due to school district and mailing address) is actually five times the number of people who actually reside within the City limits of Katy.

# Appendix A

## West Columbia Target Homebuilders and Developers

April 2016

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*Target Homebuilders*

## Introduction

110+ Active Homebuilders in Houston

Of these, Metrostudy has identified:

- 16 "A" High Probability Targets
- 13 "B" Medium Probability Targets

## Setting The Stage – Why These Builders?

- Acquisition Criteria
- Acquisition Environment
- Operational Efficiency
- Product Match

## **“A” Prospects – High Probability of Interest**

### **1. Castle Rock Homes – Bryan Smith**

- Active in Brazoria County and Lake Jackson
- Trying to grow their Mercury Custom Homes Brand
- Trying to grow their business overall and in need of land

### **2. Brighton / K Hov– David Orlando / Steven Tinnin**

- Active in Alvin and Pearland
- Multiple product lines
- Trying to grow their business overall and in need of land

## “A” Prospects – High Probability of Interest

### 3. **Cervelle Homes**– Kevin Holland

- Active in Northern Brazoria County
- Product / Brand very popular in South and Southeast Submarkets
- Unique garage and “wide-shallow” product good fit

### 4. **Angila Homes**– Mike Manners / James Hunter

- Active in Manvel and Pearland
- Multiple product lines
- Seeking growth opportunities

## **“A” Prospects – High Probability of Interest**

### **5. Savannah Plantation Homes- Greg Blume**

- Active nearby and seeking growth opportunities
- Entrepreneurial builder with low overhead structure

### **6. Noblecrest Homes– Ray Vargas**

- New builder active nearby in Magnolia Bend
- Wide variety of suitable floor plans

## “A” Prospects – High Probability of Interest

### 7. **GreenEco Homes**– George Kopecki / Neil Wooding

- Active nearby and seeking growth opportunities
- Multiple Product Lines
- Well Capitalized

### 8. **Gehan Homes**– John Damrich

- Seeking land / lot positions in Houston
- Multiple product lines

## “A” Prospects – High Probability of Interest

### 9. **Scott Thomas Homes** – Tom Cawthon

- Seeking growth opportunities
- Multiple Product Lines

### 10. **Saratoga Homes** – David Bombach

- Seeking land / lot positions in Houston
- Multiple product lines
- Strength in other markets

## “A” Prospects – High Probability of Interest

### 11. **Mayberry Homes**– Sharone Mayberry

- Active in southern submarkets
- Multiple product lines including custom

### 12. **Identity Homes**– Scott Lease

- Active west of the community – Fort Bend County
- Experienced in acreage / rural building

## “A” Prospects – High Probability of Interest

### 13. **Bayway Homes**– Jon Skeele

- Active in nearby Galveston County
- Seeking growth opportunities
- Brand recognition in south / southeast submarkets

### 14. **Leckhampton Homes**– David Norwood

- Active in exurban communities south of Houston
- Experienced in acreage / rural building
- Significant market experience

## “A” Prospects – High Probability of Interest

### 15. **Peltier**– Donnie Peltier

- Active in nearby Angleton / Lake Jackson
- Experienced in the area, focused on southern Brazoria County
- Multiple product lines, not focused on high volume

### 16. **Kinsmen Homes**– John Ramsey

- Active in nearby Lake Jackson
- Could be operationally attractive to them

## “B” Prospects – Medium Probability of Interest

### 1. **Beazer Homes**– Bruce Craig / Jeff Anderson

- Active in Pearland
- History in Pearland / Brazoria County
- Multiple product lines / sizes

### 2. **Perry Homes**– Roland Ramirez

- Active in nearby Pearland and Galveston County
- Looking to grow positions and market share
- Multiple product lines / sizes

## “B” Prospects – Medium Probability of Interest

### 3. **KB Home**– Jim Harrison / Tim Early

- Active in Pearland
- Looking for upscale product opportunities
- Internal land development capabilities

### 4. **DR Horton**– Chris Lindhorst / Jonathan Woodruff

- Active in nearby Pearland and Galveston County
- Looking to grow positions and market share
- Multiple product lines / sizes including semi-custom

## “B” Prospects – Medium Probability of Interest

### 5. **Meritage**– Robert Moore

- Active in Pearland
- Multiple product lines including semi-custom
- 85’ “wide – shallow” product could be a fit
- Internal land development capabilities

### 6. **David Weekley**– Ladd Fargo / Mark Welch

- Active in nearby Pearland
- Have a 92’ “wide – shallow” product could be a fit
- Multiple product lines / sizes including semi-custom

## “B” Prospects – Medium Probability of Interest

### 7. **J. Patrick Homes**– Joe DeGeorge / Tim Drone

- Active in Pearland
- Multiple product lines
- Looking for growth opportunities

### 8. **Kendall Homes**– David / Ken Wickens

- Looking for growth opportunities
- Experienced in building in further out locations
- Multiple product lines

## “B” Prospects – Medium Probability of Interest

### 9. Megatel Homes – TBD

- Active in Galveston County
- Multiple product lines
- Looking for growth opportunities in Houston

### 10. Lennar– Michael Johnson / Sawyer Blackburn

- Focused on capturing market share
- Building nearby in Pearland / Manvel / and Dickinson
- Multiple product lines and brands

## “B” Prospects – Medium Probability of Interest

### 11. Chesmar Homes – Don Klein / Scott Merovitch

- Active in Pearland and Galveston County
- Willow Creek Ranch “wide shallow
- Multiple product lines

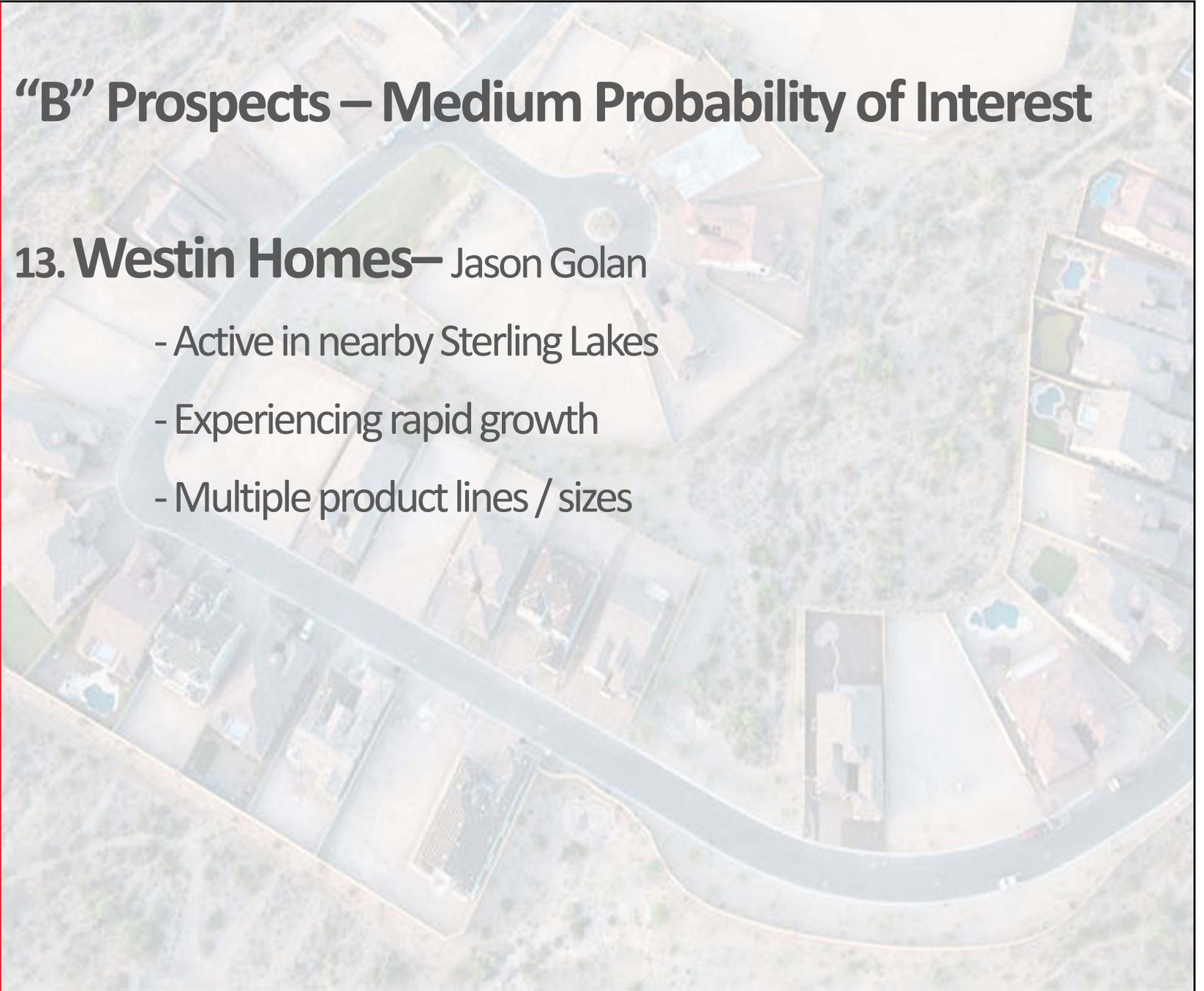
### 12. Trendmaker– Will Holder / Collins Pier

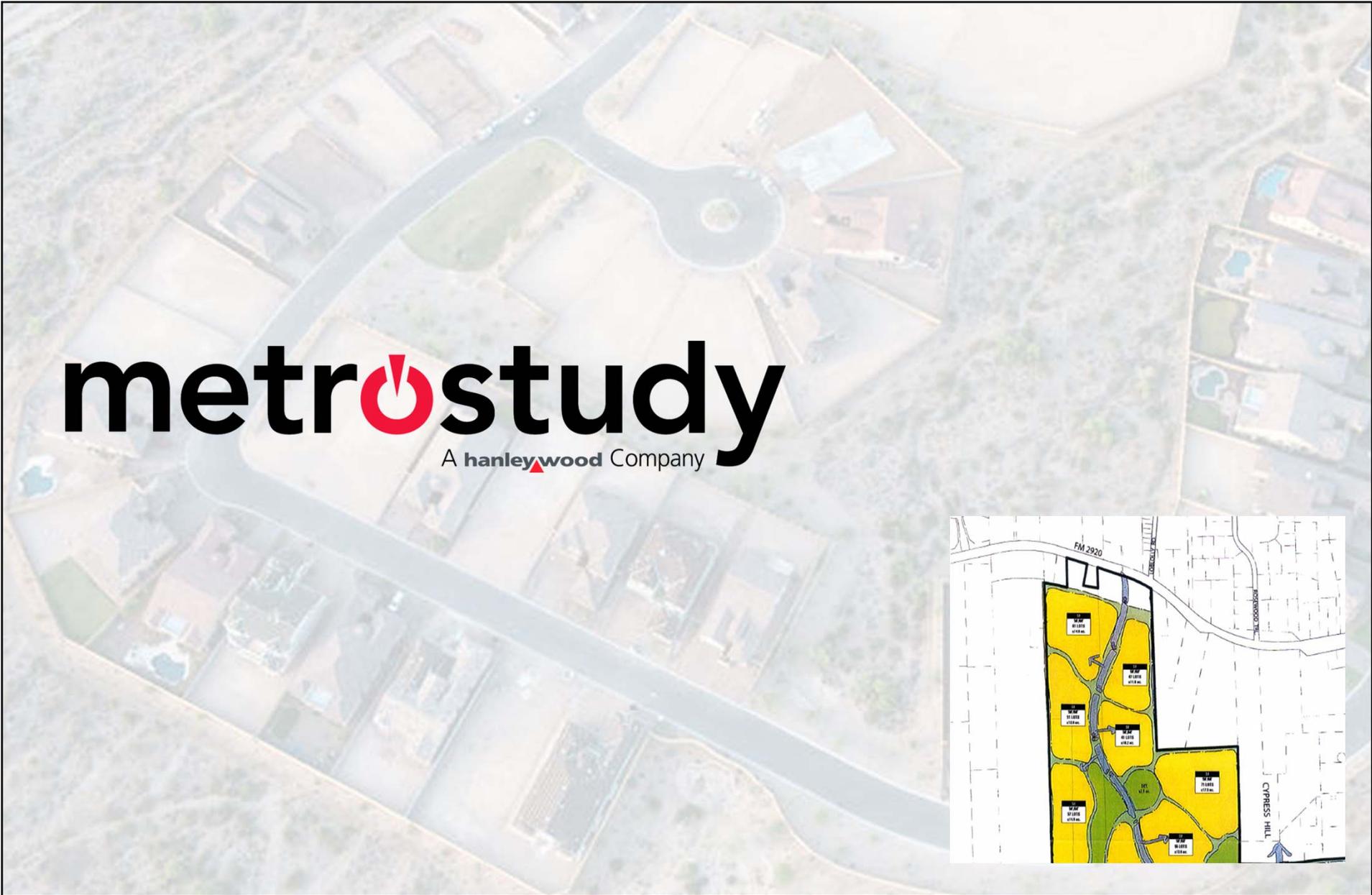
- Multiple product lines / series
- South area currently a hole for them
- Experience building in large lot communities

## “B” Prospects – Medium Probability of Interest

### 13. **Westin Homes**— Jason Golan

- Active in nearby Sterling Lakes
- Experiencing rapid growth
- Multiple product lines / sizes





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*Target Land Developers*

## **Introduction**

Dozens of Active Land Developers In Houston  
Of these, Metrostudy has identified 16 potential targets.

## **Setting The Stage – Why These Developers?**

- Typical market geography
- Scope of typical developments
- Willingness to develop beyond suburban path
- Current activity level in Houston area

## Targeted Developers

These developers will be prioritized by Metrostudy with participation of West Columbia stakeholders based on a) the size / scope of available tracts identified for development in West Columbia and b) the type of community / communities targeted for West Columbia at the conclusion of the housing study exercise. At this point in the process, the list presented on the following page should be considered the broader universe of potential development companies that will then be refined and prioritized at the appropriate time.

## Targeted Developers

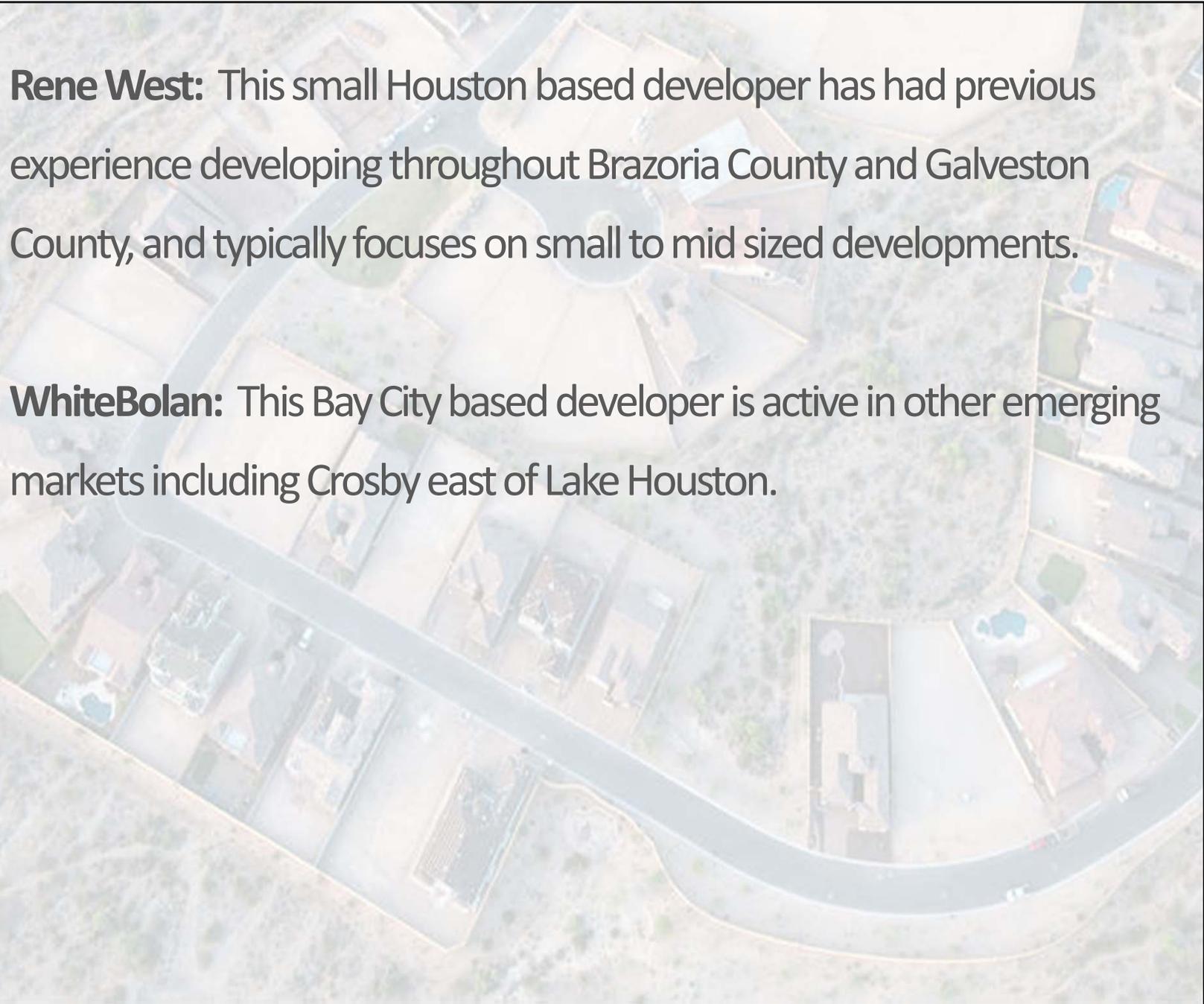
Caldwell	GroMax
Cernus	Land Tejas
Coastal Bend Properties	R-C Development
Cresco	Rene West
DHK	Rise Communities
Elan	Sam Yager
First Capital Builders	Ventana Land
Frey Development	WhiteBolan

Each of these developers has a different typical subdivision product, and different product and geographic areas of expertise. Metrostudy is of the opinion that the developers discussed on the following page are the most likely candidates due to their previous development focus.

**Cresco:** This small Houston based developer has had previous experience developing in Lake Jackson, and has spent considerable time researching and understanding the central and south Brazoria County markets.

**DHK:** This small, also Houston based developer is currently developing Woodshore in Lake Jackson, so they are currently active in the area.

**GroMax:** This Pearland based developer, headed by a previous Pearland City Manager, is deeply entrenched and focused on development in Brazoria County.



**Rene West:** This small Houston based developer has had previous experience developing throughout Brazoria County and Galveston County, and typically focuses on small to mid sized developments.

**WhiteBolan:** This Bay City based developer is active in other emerging markets including Crosby east of Lake Houston.