



COMMERCE NATIONAL BANK

The Bryan-College Station Economic Index September/3rd Quarter 2017

The Bryan-College Station Economic Index was unchanged from August to September at 154.2, but remained improved over its year-ago level, up by 2.0% compared to the September 2016 B-CS Economic Index of 151.2. Third quarter growth in the index was virtually non-existent with the index posting a 0.03% annualized rate of increase over the course of the quarter. The Bryan-College Station Economic Index did, however, achieve its all-time peak level (thus far) in the third quarter, reaching 154.3 in July.

General spending growth was strong in the third quarter, while auto spending took a nosedive over the quarter. Construction activity per building permit valuations was down sharply, but only compared to record numbers in 2016; home building was off in the third quarter as well, but again the numbers were quite strong in the third quarter of the previous two years. Home sales were flat in the third quarter (though higher in the month of September), but the average price of those sales continues to climb pushing the total dollar volume of real estate sales activity ever deeper into record territory. The B-CS metro area continues to add jobs at a faster rate than any other Texas metro area and the unemployment rate remains among the lowest in the state.

The *concurrent* trends in two important sectors of the local economy best represent its current condition, and these are general consumer spending (as represented by inflation-adjusted retail spending), and the metro area employment situation as represented by payroll employment and the unemployment rate.

- Real (inflation-adjusted) spending per third quarter sales tax receipts was solidly improved in the third quarter, posting a 4.6% increase compared to the third quarter of 2016. That is a record third quarter total, as is the year-to-date total, which is up by 3.5% compared to the first nine months of a year ago (and is also a January-September record).
- The rate of year-over-year employment growth retreated a bit in September to 3.4% (compared to 4.4% in August) but Bryan-College Station was the only metro area in the state to exceed 3.0% in September, so it retains the top spot in terms of percentage growth in September followed by Corpus Christi at 2.9% and Dallas-Plano-Irving, El Paso, and Midland at 2.7%. An estimated 3,900 jobs were added over the last 12 months, led by 1,400 jobs added in the “government” sector and 700 jobs added in both the “professional and business services” and “leisure and hospitality” sectors. The B-CS unemployment rate fell below 3.0% in September for the first time (for any month, not just September) in at least the history of the Bryan-College Station Economic Index at 2.9% compared to 3.7% in September of a year ago.

Auto sales activity rather fell off a cliff in the third quarter with inflation-adjusted spending on new and used motor vehicles down by about 12% year-over-year in September for the third straight month. And indeed third quarter real auto spending was off by exactly 12% compared to the third quarter of a year ago, and was the lowest third quarter total since 2012. That pulled the total for the year-to-date

downward to about 4.2% below the total through September of a year ago, which in turn was flat to slightly lower compared to the first nine months of the previous year.

The \$163 million in third quarter real building permit valuations is a big number – the second-largest third quarter total on record, in fact. It is, however, down by nearly 25% compared to the third quarter record which occurred in 2016 (which in turn was up by nearly 180% compared to the third quarter of the previous year). Clearly construction activity remains at a very high level in 2017 but the real building permit valuation total is off by some 11.5% compared to the record numbers in 2016, in which the January-September total was over 70% higher compared to year-to-date through September total from the prior year.

Home building dropped off a bit in the third quarter as well; the 187 single-family residence construction permits issued was the lowest third quarter total since 2014 and was down by about 13% year-over-year. On balance the permit numbers remain generally high, though the year-to-date total is down by about 6% compared to the first nine months of 2016. However, home building numbers began to climb sharply in 2015, establishing new records that year, and though they have fallen off those high levels a bit, new housing construction continues to occur at a generally high level in Bryan-College Station.

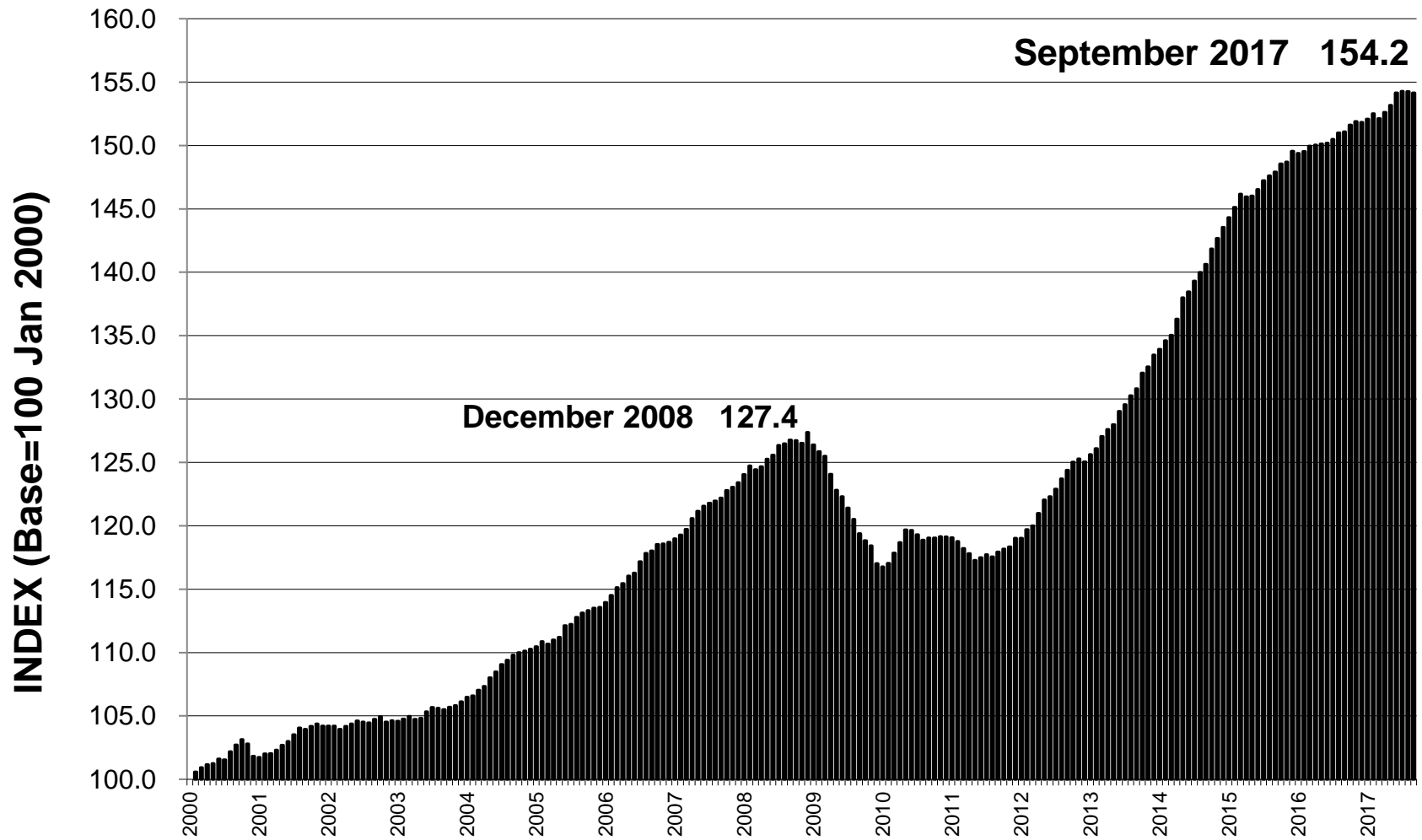
The same is true of existing home sales. The sales numbers (posted closed sales) began to climb sharply in 2012 and generally remain at near-record levels though the rate of growth has leveled off over the last couple of years. The number of closed sales was flat in the third quarter (year-over-year) but is up by about 5% for the year-to-date. The average price of those sales is soaring, however. The September monthly average was up by a whopping 24% compared to the September 2016 monthly average. The third quarter 2017 average was up by 8.2% compared to the third quarter of a year ago, which in turn was up by nearly 14% year-over-year. The average through the month of September is also up by over 8% compared to the January-September 2016 average, which in turn was up by over 10% compared to the first nine months of the prior year.

The end result is a thriving residential real estate market in which the total real dollar volume of sales activity is at record levels for the month of September, the third quarter, and the year-to-date in which the inflation-adjusted sales volume is up by 11% compared to year-ago levels.

Aggregate economic activity as reflected by the Bryan-College Station Economic Index remains high through the third quarter 2017. Again, however, growth rates have faltered with year-over-year declines in some components of the index, in many cases compared to high numbers and strong growth rates last year or in recent years. Encouragingly, the benchmark indicators of general real spending and employment have posted solid (and record level) results thus far in 2017, and this bodes well for the B-CS metro area general economy for the balance of the year.

The Bryan-College Station Economy

The B-CS Economic Index January 2000 - September 2017



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ECONOMIC INDICATORS *	BASE YEAR	LAST YEAR	THIS YEAR	% Change
September/3rd Quarter 2017	2000	2016	2017	2016 - 2017
Retail Sales (Per Sales Tax Rebates - September)	\$ 150,451,942	\$ 221,468,790	\$ 227,409,727	2.7%
Retail Sales (3rd Quarter)	\$ 493,037,458	\$ 713,819,057	\$ 746,962,012	4.6%
Retail Sales (Year-To-Date)	\$ 1,528,511,732	\$ 2,208,903,269	\$ 2,285,344,798	3.5%
Automobile Sales (Dollars Spent on Auto Purchases - September)	\$ 20,121,398	\$ 38,899,150	\$ 34,376,018	-11.6%
Automobile Sales (3rd Qtr)	\$ 61,535,694	\$ 116,501,182	\$ 102,576,240	-12.0%
Automobile Sales (YTD)	\$ 178,831,132	\$ 322,757,478	\$ 309,161,576	-4.2%
Hotel/Motel Revenue (Year-To-Date)	\$ 26,932,076	\$ 66,142,334	\$ 67,009,423	1.3%
Value All Construction Permits (September)	\$ 12,399,554	\$ 44,715,023	\$ 24,905,881	-44.3%
Value All Construction Permits (3rd Qtr)	\$ 114,830,806	\$ 216,358,887	\$ 163,098,510	-24.6%
Value All Construction Permits (YTD)	\$ 287,154,800	\$ 593,281,062	\$ 524,771,343	-11.5%
Single-Family Housing Permits (September)	45	72	74	2.8%
Single-Family Housing Permits (3rd Qtr)	138	214	187	-12.6%
Single-Family Housing Permits (YTD)	553	872	816	-6.4%
Number of Home Sales (September)	93	214	239	11.7%
Number of Home Sales (3rd Qtr)	429	908	900	-0.9%
Number of Home Sales (YTD)	1,125	2,604	2,738	5.1%
Average Home Sale Price (September)	\$ 130,430	\$ 229,745	\$ 285,213	24.1%
Average Home Sale Price (3rd Qtr)	\$ 124,301	\$ 243,361	\$ 263,411	8.2%
Average Home Sale Price (YTD)	\$ 117,209	\$ 230,658	\$ 249,251	8.1%
Dollar Volume of Residential Home Sales Activity (September)	\$ 17,883,169	\$ 50,433,561	\$ 68,165,821	35.2%
Dollar Volume of Residential Home Sales Activity (3rd Qtr)	\$ 78,851,257	\$ 227,112,167	\$ 237,654,223	4.6%
Dollar Volume of Residential Home Sales Activity (YTD)	\$ 195,911,149	\$ 619,571,489	\$ 687,275,516	10.9%
EMPLOYMENT				
Wage & Salary Employment (September)	86,400	115,100	119,000	3.4%
Wage & Salary Employment (3rd Qtr)	83,800	111,000	115,265	3.8%
Wage & Salary Employment (YTD Average)	85,100	112,625	116,210	3.2%
Unemployment Rate (September)	3.7	3.7	2.9	-21.6%
Unemployment Rate (3d Qtr)	4.0	4.0	3.3	-16.7%
Unemployment Rate (YTD Average)	3.9	3.7	3.5	-5.2%
BRYAN-COLLEGE STATION ECONOMIC INDEX - SEPTEMBER	102.7	151.1	154.2	2.0%
(Base = 100.0 January 1996)				

* With the exception of the average home sale price, all economic indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars