





Economic Indicators

	2020 ACTUAL	2021 ESTIMATE	2022 FORECAST
Global Growth Projection (World Bank)	-3.36	5.5%	4.1%
U.S. Growth Projection (Consensus)	-3.5%	5.7%	4.0%
U.S. Unemployment Projection (Federal Reserve)	14.7%	3.7%	3.8%
U.S. Inflation Rate	1.4%	7%	7.5%
Interest Rates (10 Year Treasury)	.9%	1.9%	2.1 % - 2.3%







The Big Issues

• InflatiOn — Big problem

- Interest Rates
- Supply Chain
- Government Spending
- Labor Supply

INFLATION: CPI aside – How Does Inflation Impact R.E.; NOLA, ATL & Dallas highest

CONSTRUCTION ECONOMICS

JAN. 2022

OCT. 2021

APR. 2021

Construction **Cost Index**

ANNUAL INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	12555.55	+0.6%	+8.0%
COMMON LABOR	24365.52	0.0%	+1.4%
WAGE S/HR.	46.82	0.0%	+1.4%

Building Cost Index

ANNUAL

JAN. 2022 INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR	
BUILDING COST	7359.09	+1.0%	+13.9%	
SKILLED LABOR	11055.72	0.0%	+2.6%	
WAGE \$/HR.	60.99	0.0%	+2.6%	

Construction Cost Index

ANNUAL INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	12464.94	0.0%	+8.0%
COMMON LABOR	24355.78	0.0%	+1.3%
WAGE S/HR.	46.80	0.0%	+1.3%

Building Cost Index

ANNUAL INFLATION RATE



+6.1%

APR. 2021

1913=100	INDEX VALUE	MONTH	YEAR	
BUILDING COST	7244.90	+0.4%	+14.2%	
SKILLED LABOR	10978.76	+0.9%	+2.6%	
WAGE \$/HR.	60.58	+0.9%	+2.6%	

Construction Cost Index

ANNUAL INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	11849.31	+0.8%	+3.8%
COMMON LABOR	24253.88	+0.4%	+1.4%
WAGE S/HR.	46.59	+0.4%	+1.4%

Building Cost Index

ANNUAL INFLATION RATE

1913=100	INDEX VALUE	MONTH	YEAR
BUILDING COST	6612.50	+1.0%	+6.1%
SKILLED LABOR	10805.01	0.0%	+1.7%
WAGE S/HR.	59.73	0.0%	+1.7%

ENR's Cost Indexes by City



32 * ENR * January 3-17, 2022 enr.com



by City?"

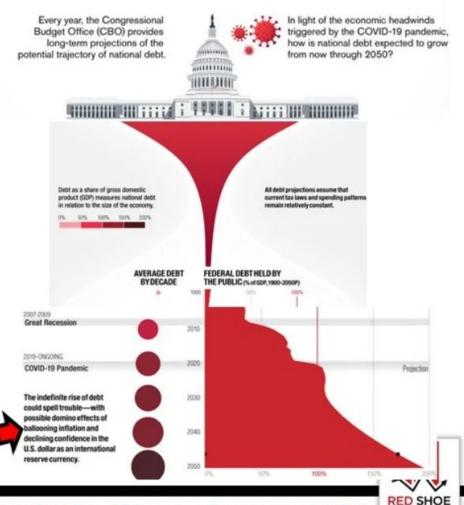
Banks pay attention to Construction Loans and Cost Overruns?



US Debt - The Fed's Big Problem! Our Debt will drive rates higher w/o FED

Decade	of decad (USD bil		t		bt Held By Public hout Decade DP)	Major Events
1900				4.8%		
1910	-			10.0%		World War I
1920	-			22.9%		The Great Depression
1930	\$16			36.4%		President Roosevelt's New Deal
1940	\$40			75.1%	5	World War II
1950	\$257			56.8%		Korean War
1960	\$286			37.3%		Vietnam War
1970	\$371			26.1%		Stagflation (inflation + high unemployment
1980	\$908			33.7%		President Reagan's tax cuts
1990	\$3,233	Since 1	1990,	44.7%	The FED isn't just battling	Gulf War
2000	\$5,674	every decade	we	36.6%	INFLATION, it's battling FISCAL	9/11 attacks & Global Financial Crisis
2010	\$13,562	rack more	up than	72.4%	Deficits that will	Debt ceiling is raised by Congress
2020	\$27,748	THE STREET STREET	of s	105.6%	drive greater Inflation and devalue the US \$	COVID-19 pandemic

U.S. National Debt



ECONOMICS

The Importance of Rail: Rail Connectivity will Remake US Supply-Chain

The 7- Class I RRs Note: CN (red) KCS (brown) CSX (blue)



Port Freeport:

- + 3 Class 1 RR connections;
- + 'Saudi Arabia' of Natural Gas;
- + The 'Port of Savannah' for Dallas

Port of Mobile:

- + 5 Class 1 RR connections;
- + Only CN to Gulf RR connection;
- + New WalMart Container Terminal;
- + Airbus + auto mfg. state (Mercedes);
- + New RoRo by 2022 / Rebuild AL Bill to fund

KC Southern:

- Only direct route to all of Mexico.
- Link KCS with BNSF or CSX to create a mega RR/E-commerce power!

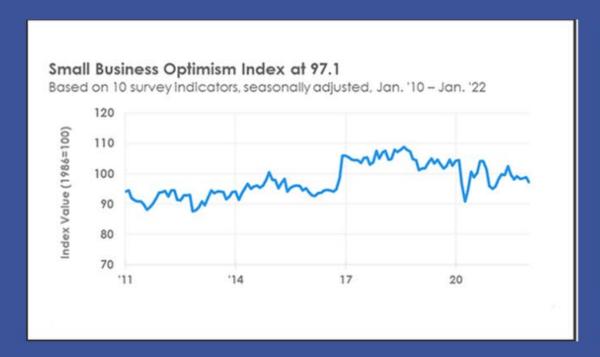
CSX:

- The East coast RR line serving East coast ports.
- CSX and NFS are to SE & Mid-Atlantic what UP is to CA & Westcoast.
- Rail mergers are on the horizon post COVID. (Financially 'weak' merges with 'strong' wanting SE & Gulf reach).



Small Business Optimism

"The NFIB Small Business Optimism Index decreased slightly in January to 97.1, down 1.8 points from December. Inflation remains a problem for small businesses as 22% of owners reported that inflation was their single most important business problem, unchanged from December when it reached the highest level since 1981.



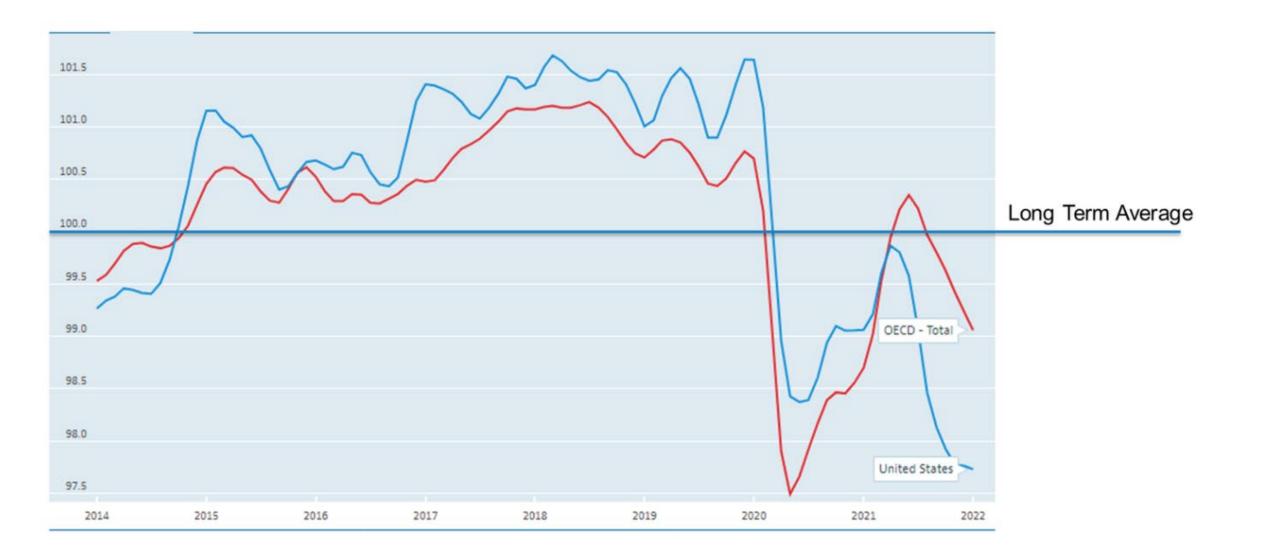


Consumer Confidence Index – OECD Data





Consumer Confidence Declining

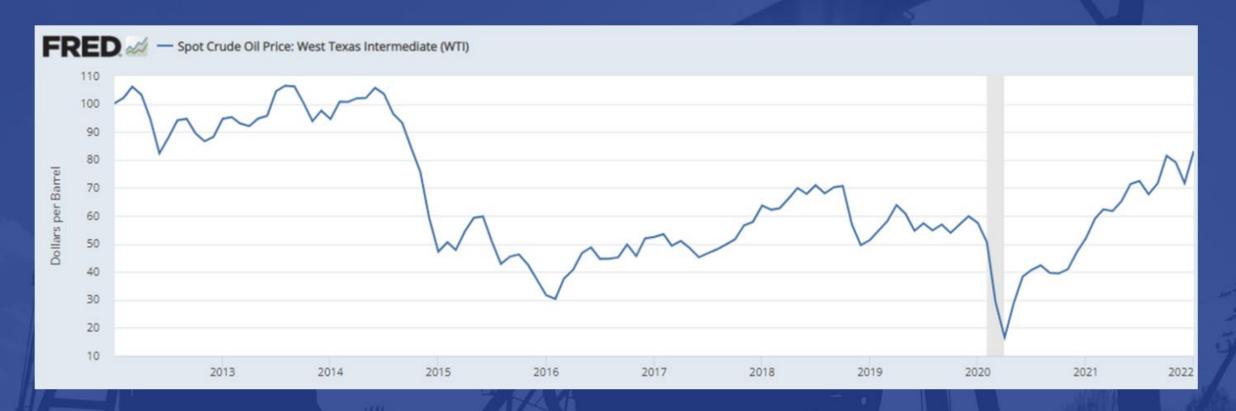


WTI Price





The global drop in demand due to COVID crushed prices in 2020 – Biden Admin anti drilling stance + demand increases + global turmoil – prices now over \$90







U.S. Active Rigs

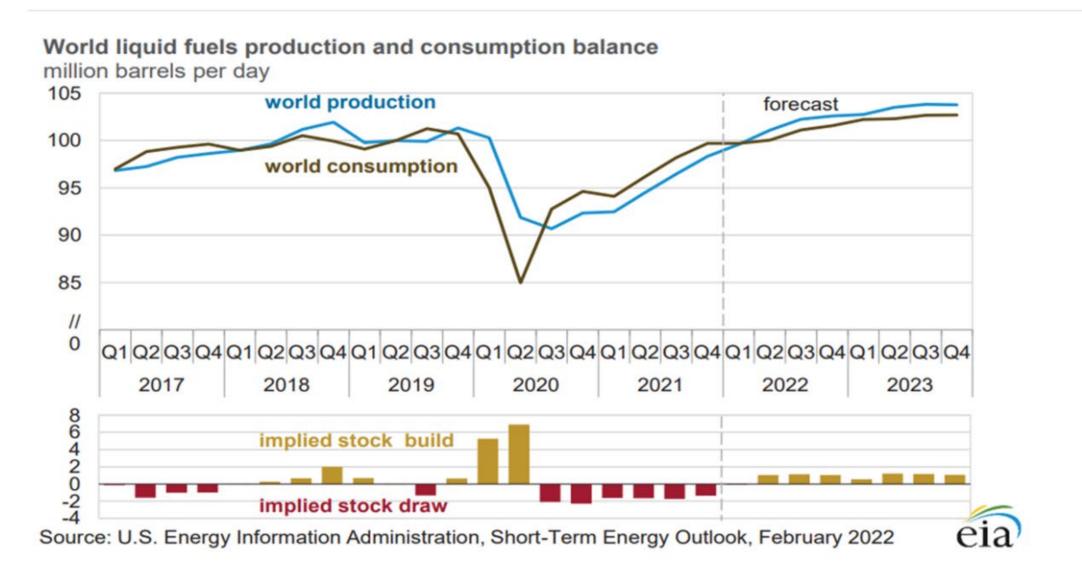


Supply / Demand Balance





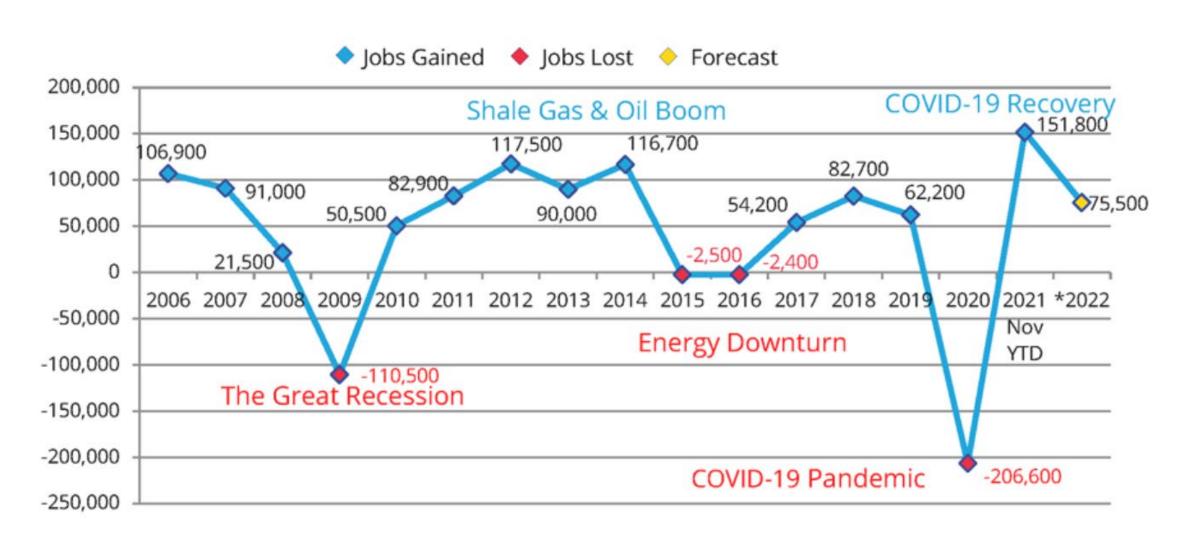
Economic Growth = Demand Growth







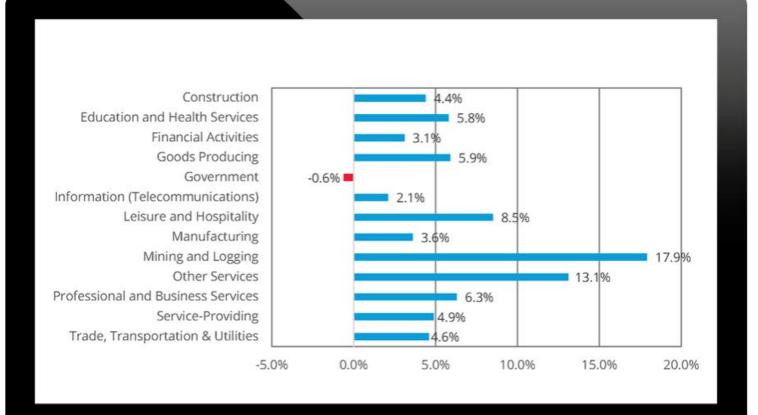
Houston - Sugar Land - Baytown



Jobs

Houston Annual Employment by Sector

5.1% annual gain in 2021 after a -6.5% annual loss in 2020







Single Family Housing

"Houston's housing market plows through the second year of a pandemic to achieve new sales record."



	FULL-YEAR 2020	FULL-YEAR 2021	PERCENT CHANGE
Single-Family Home Sales	96,271	106,229	10.3%
Total Property Sales	115,676	131,041	13.3%
Total Dollar Volume	\$31.2B	\$40.0B	28.2%
Single-Family Average Sales Price	\$324,069	\$376,075	16.0%
Single-Family Median Sales Price	\$260,000	\$300,000	15.4%

Single Family – Fort Bend

Housing

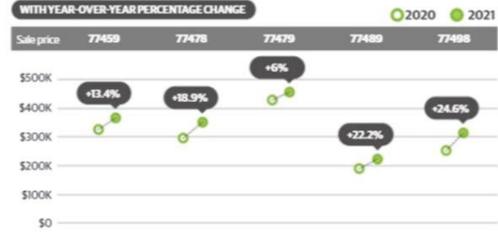


YEAR-OVER-YEAR MARKET DATA: DECEMBER

The median price of homes sold increased in all area ZIP codes in December compared to December 2020. More homes were sold in December compared to 2020 in ZIP codes 77479, 77489 and 77498.



MEDIAN PRICE OF HOMES SOLD



NUMBER OF HOMES SOLD

Year	77459	77478	77479	77489	77498
2020	155	26	129	23	36
2021	131	24	140	35	50

Source: Community Impact - February 2022





COVID-19 Migration

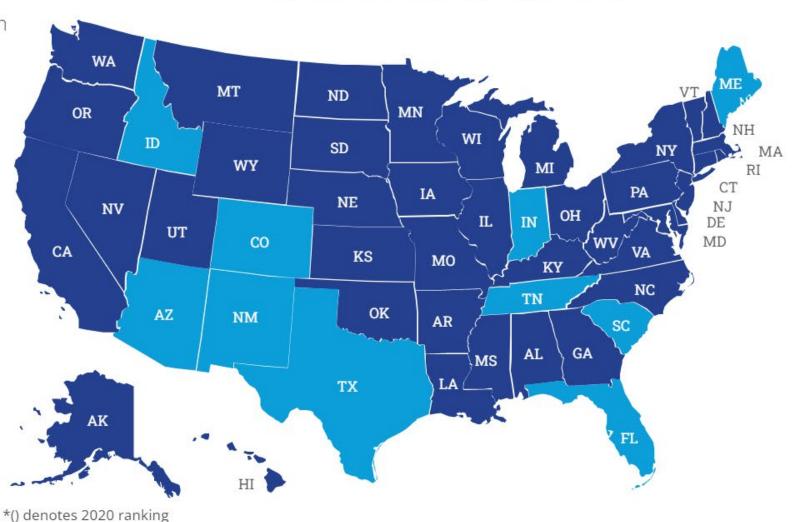
Texas reclaimed the number one spot it held from 2016-2018 from Tennessee according to U-Haul.

California & Illinois recorded the greatest losses. U-Haul ran out of trucks in California.



	One-way moves
1	Texas (2)
2	Florida (3)
3	Tennessee (1)
4	South Carolina (15)
5	Arizona (5)
6	Indiana (12)
7	Colorado (6)
8	Maine (29)
9	Idaho (30)
10	New Mexico (39)

Texas is the #1 Growth State of 2021





Retail Big Picture



m End of Q4 – 307.5M SF



- Vacancy low at 5.8% down 40 basis points Y Y
- Absorption total net positive 3.1M SF in 2021 vs. -700,000 in 2020
- 1.8M SF under construction, 42% pre-leased
- Class A in-line retail rental rates can vary widely from \$25.00 to \$85.00 per SF,
 depending on location and property type

Retail Big Picture - Fort Bend



m End of Q4 – 15.9M SF



- Vacancy low at 6.3% down 90 basis points Y Y
- Absorption total net positive 184,865 SF in 2021 vs. total net negative -43,393 SF in 2020
- 264,070 SF under construction -
 - Rivergate Plaza Buildings A (17,000 SF) & B (11,110 SF) Both are 0% pre-leased.
- 34,116 SF delivered in 2021
- Average asking rental rates down 5.8% Y-Y

Retail Big Picture

Under Constuction

- 1.8M SF (5,000 SF >)
- 42% Pre-Leased
- Highways & Major Thoroughfare Dominant

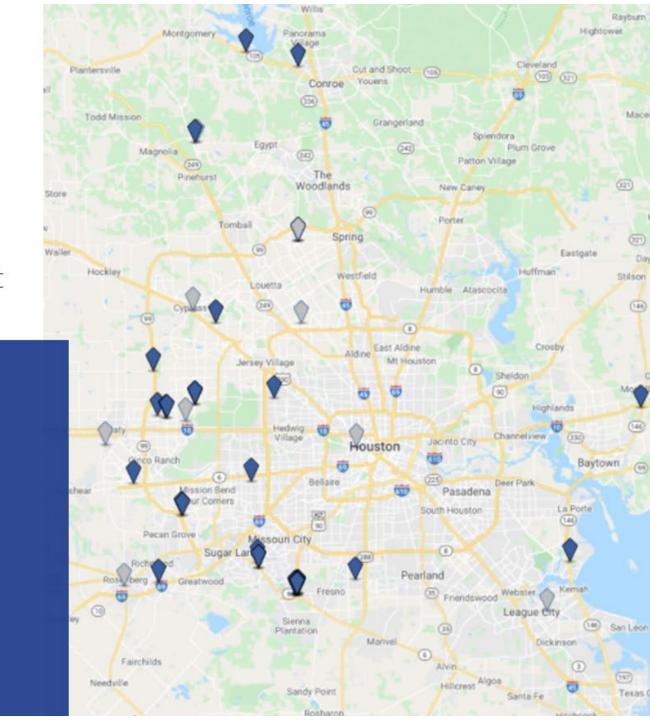
Largest Projects:

Plaza @ Elyson Property Commerce 199,831 SF

Fort Bend Town Center II

Ainbinder Development Corporation

300,000 SF





Retail **Investment**









Average \$ PSF

Houston: \$231 U.S.: \$197 Average Cap Rate

Houston: 6.7% U.S.: 6.5%







Multifamily Big Picture

End of Q4 – 704.8K Units



- Occupancy climbs from 88.4% to 91.8% in 2021up 340 basis points Y Y
- Absorption positive 37,300 units up from 11,900 in 2020
- 15.0K units under construction
- Average monthly rent up 13.5% Y-Y

Multifamily Big Picture

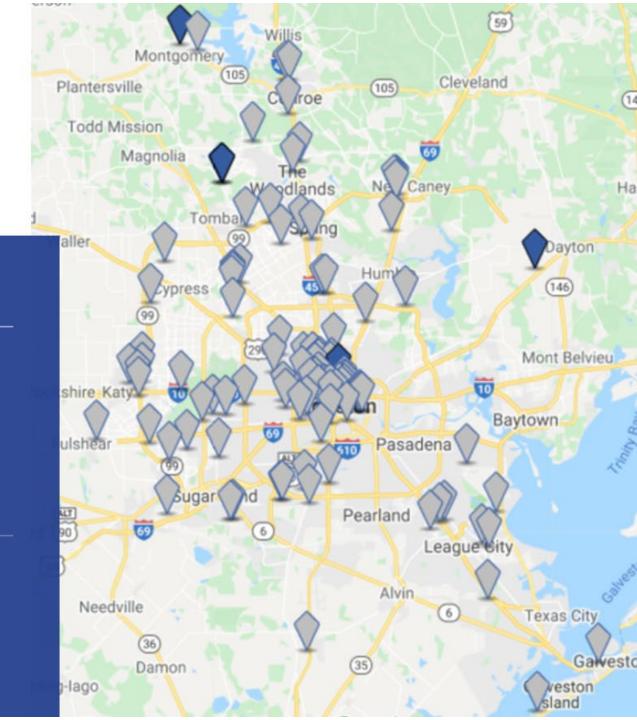
M Under Constuction

Q4 2021

20,904 units delivered (2021 total) 15,013 units under construction 30,863 units proposed

Q4 2020

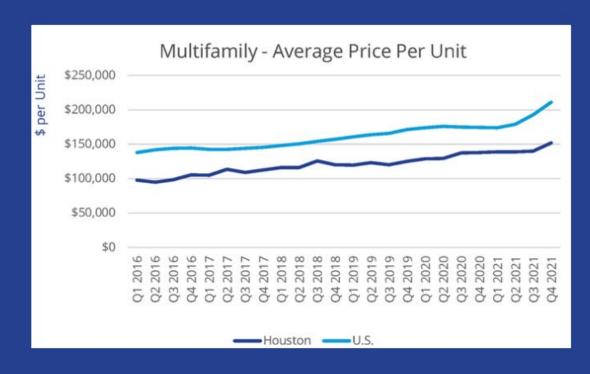
20,362 units delivered (2020 total) 17,790 units under construction 27,448 units proposed

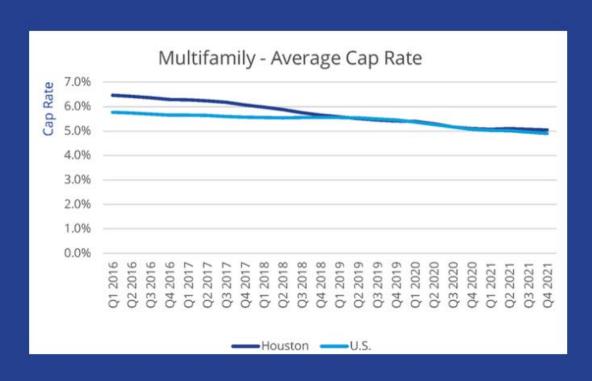


Multifamily Investment









Average \$ PSU

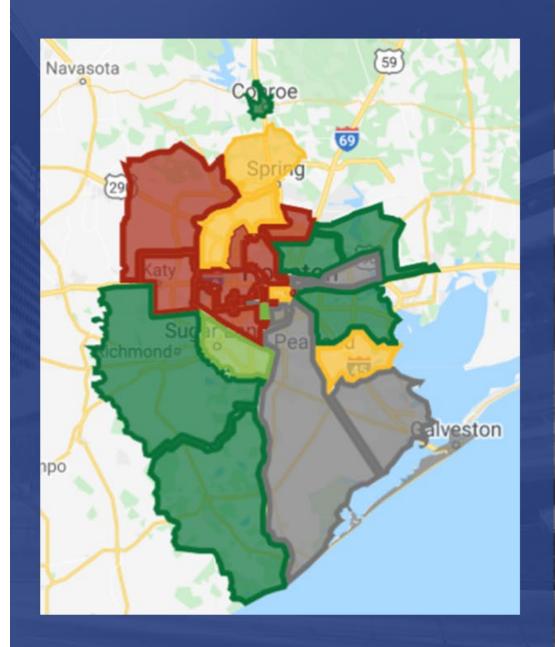
Houston: \$151,917 U.S.: \$211,049 **Average Cap Rate**

Houston: 5.4% U.S.: 4.9%











Class A Submarket Vacancy

Q4 2021 Vacancy Rate

0.0% - 10.0%

10.1% - 15.0%

15.1% - 20.0%

20.1% - >

No Class A

- Average Class A Vacancy: 25.2%

- Post 2005 Construction Vacancy: 18.6%

Office Big Picture End of Q4 – 239.0M SF





- Vacancy still high competitive terms Vacancy up 130 basis points Y Y
- 2021 Total Net Absorption negative 1.9M vs. negative 4.2M in 2020
- 2.9M SF under construction, 55% pre-leased
- Average asking rental rates down 3.29% Y-Y

Office Big Picture – Fort Bend End of Q4 – 6.0M SF



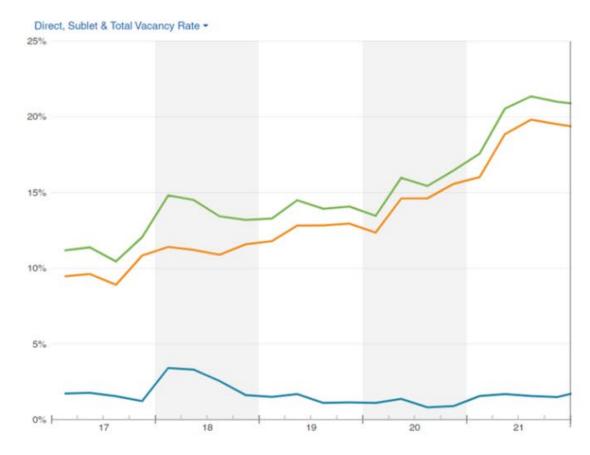




- Vacancy still high = competitive terms; Vacancy up 490 basis points Y Y
- 2021 Total Net Absorption negative 264,442 SF vs. negative 20,811 SF in 2020
- Nothing under construction; Nothing delivered in 2021
- Class A average asking rental rate is down Y_Y, but the overall (all combined classes) average asking rental rate is up 2.3% Y-Y

Office Big Picture - Fort Bend End of Q4 - 6.0M SF





Fort Bend Office 2021 Highlights

Sugar Creek on the Lake recorded 201,000 SF of negative absorption in 2021

Imperial Plaza recorded 48,251 SF of negative absorption in 2021 – Prior tenant Aetna

Office Big Picture – Fort Bend End of Q4 – 6.0M SF





Vacancy still high = competitive terms Vacancy up 490 basis points Y – Y

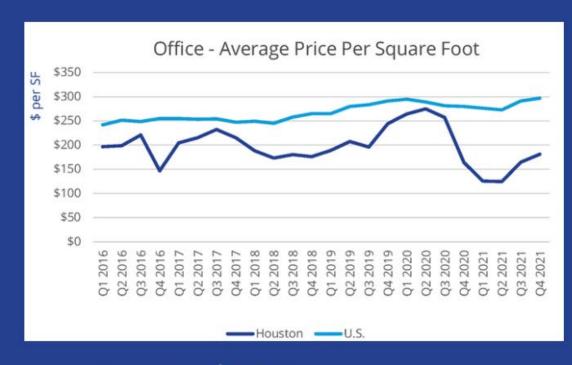
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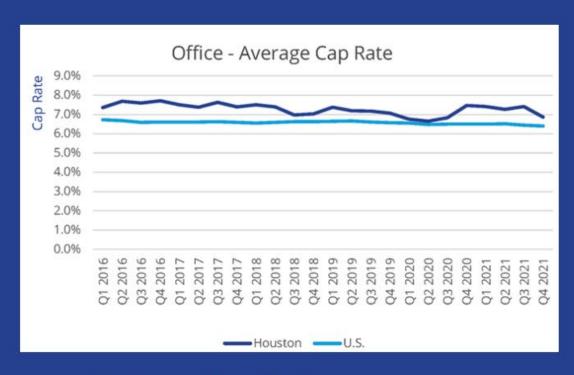


Office **Investment**







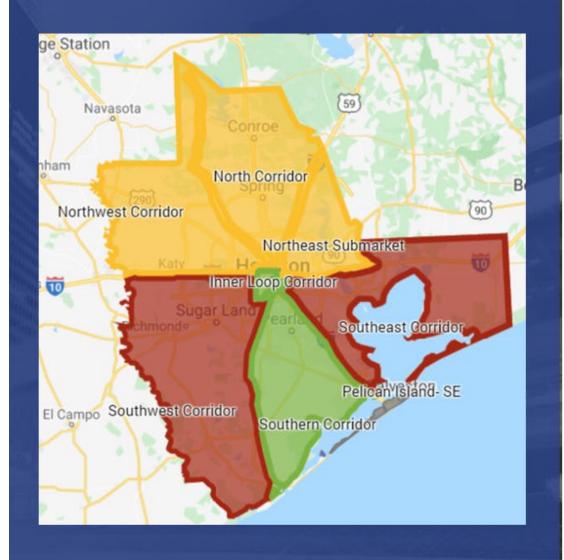


Average \$ PSF

Houston: \$181 U.S.: \$297 **Average Cap Rate**

Houston: 6.9% U.S.: 6.4%





Industrial Submarket Vacancy

Q4 2021 Vacancy Rate

- 0.0% 3.9%
- 4.0% 5.9%
- 6.0% 7.9%
- 8.0% >

Average Class A Vacancy: 7.1%

- Post 2005 Construction Vacancy: 9.5%





Industrial Big Picture





- Vacancy low at 7.1% down 140 basis points Y Y
- Total 2021 Net Absorption historical annual record of 28.5M SF vs. 17.7M SF positive absorption in 2020
- Record leasing volume in 2021 of 44.5M SF
- 16.7M SF under construction, 31% pre-leased
- Average asking rental rates up 7.42% Y-Y





Industrial Big Picture - Fort Bend





- Vacancy increased over the year 120 basis points from 9.1%
- Total 2021 positive net absorption hits a historical high of 4.1SF vs. 1.3M SF positive net absorption in 2020
- Leasing volume in 2021 of 2.6M SF
- 881,500 SF under construction –
- Kirkwood Industrial Distribution Buildings 1 (215,096 SF) & 2 (325,028 SF) both are 0% pre-leased
- 3.7M SF delivered in 2021
- Average asking rental rates up 4.6% Y-Y







Fort Bend Industrial 2021 Highlights



Amazon moved into and absorbed 1.1M SF in Missouri City

Awesung leased and moved into 239,100 SF and ADBA Group leased and moved into 147,600 SF both in the Southwest Commerce Center in Missouri City

Boise Cascade Building Materials moved into 163,600 SF in Nova Logistics Park in Sugar Land

Soft-Tex leased and moved into 167,000 SF in the Sugar Land **Business Park**

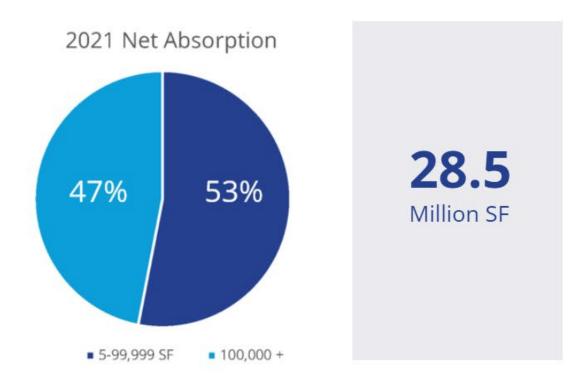
Chempak International leased and moved into 157,000 SF in the Weatherford Business Park in Stafford.

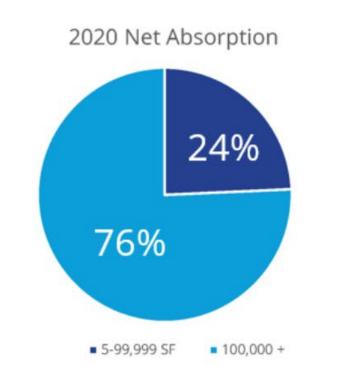






In 2021 47% of Absorption were delas 100K or greater In 2020 76% of Absorption were deals 100K or greater



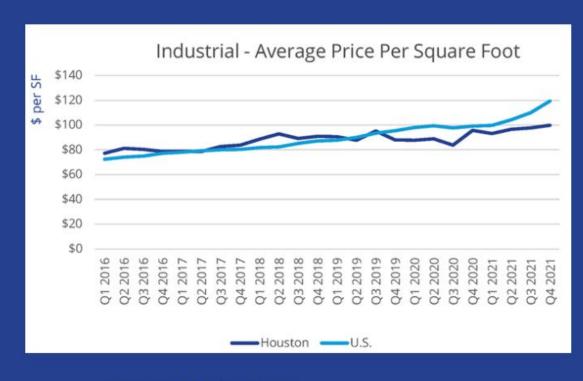


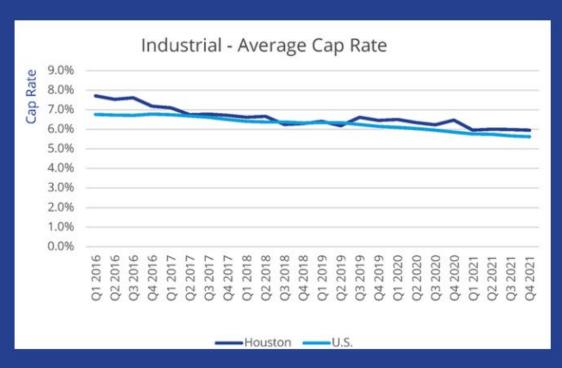












Average \$ PSF

Houston: \$100 U.S.: \$119 **Average Cap Rate**

Houston: 6.0% U.S.: 5.6%







Healthcare





Healthcare Big Picture



















- Vacancy increased slightly up 20 basis points Y Y
- Total 2021 Net Absorption 1.2M SF vs. 1.9M SF in 2020
- 2.0M SF under construction, 31% pre-leased
- 597.5K SF delivered in 2021 (MOB's only)
- Average asking rental rates up 1.6% Y-Y









- Vacancy decreased over the year 350 basis points from 14.8%
- Total 2021 annual positive net absorption 64,100 SF vs. 60,280 SF positive net absorption in 2020
- Leasing volume total 116,108 SF up in 2021 from 73,020 SF in 2020
- Currently no MOB's under construction
- Average asking rental rates up 2.2% Y-Y





Construction Big Picture

Houston Project Lead Times

- Most Masonry Products: 8 - 10 weeks

- Steel/deck/joists: 16 - 24 weeks pending design decisions

- Lumber: 4 - 5 weeks

- Trusses: 16 weeks

- Millwork: 6 - 8 weeks

- Doors: 18 - 22 weeks

- Roofing: 12 - 16 weeks

- Glass/Storefronts: 12 - 16 weeks

- Curtain wall: 16 plus weeks

- Most Flooring: 4 - 8 weeks

- Heavy Gauge Metal Studs: 16 weeks

- Mechanical Equipment: 12 plus weeks

- Light Fixtures: 12 plus weeks

Basically, any job that is 8 months or less needs to be procured 1 -2 months before mobilization to not allow delays

With new variants coming out productions slows and increases the time frame of receiving materials.





Houston Overview

PRICE ESCALATION JANUARY 2021 - JANUARY 2022

20 and 30 percent increase in building cost pending product types. It was averaging between 1 and 1.5 percent per month last year. Lead times seem to be getting a little better. We are not seeing the same cost increases like we did last year.... still increases but much slower. Steel has actually gone down, and numbers are holding.

LABOR SHORTAGES CONTINUE TO BE A BIG PROBLEM

Companies are having a hard time finding skilled and unskilled labor. For example, many manufacturers have additional capacity but cannot find enough workers to load machines, stock supplies, etc. That coupled with new variants coming out productions slows and increases the time frame of receiving materials.

CONTAINERS BEING UNLOADED AT THE PORT ARE STILL AN ISSUE

The cost of containers have quadrupled in the last year. Some material costs less that the actual cost of the container and shipping that are in the container.

CITY OF HOUSTON PERMITTING PROCESS

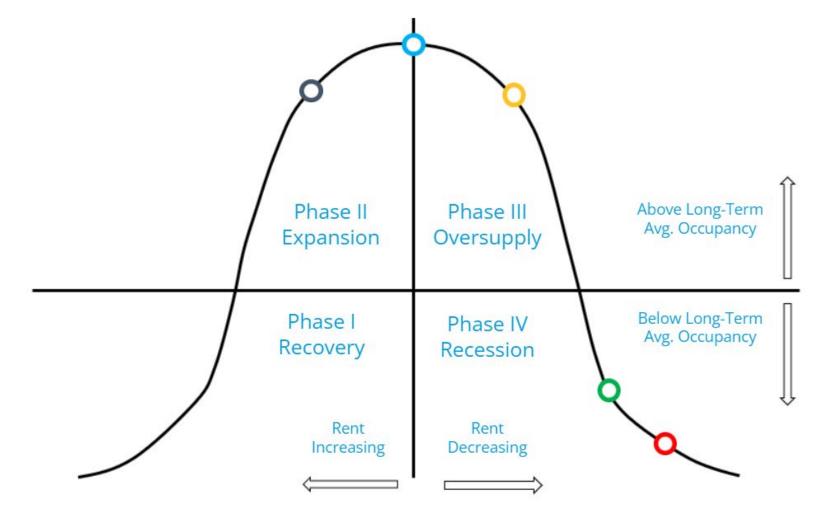
Most building permits are taking over 4 months new construction. Mixed use or complicated project over 6 months. Office- 10-12 weeks being 28 business days per round, and everything is taking 2 rounds. Inspections in the field are an issue. Too much work and not enough inspectors. If contractors are not willing to pay for overtime inspections, you might expect delays.





Houston Commercial Real Estate Market Cycle 2021

- O Industrial
- O Healthcare
- Multifamily
- Office
- Retail







Houston Commercial Real Estate Market Cycle 2022

- Industrial
- O Healthcare
- Multifamily
- Office
- Retail

