Texas Update and Forecast

July 30, 2026

Prepared for:

International Right of Way Association

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BLUF
(Bottom Line Up Front)

- Economy will shake off uncertainty, end 2026 a little stronger
  - Will be a little stronger still Summer 2027
- Job growth bouncing back after lagging behind GDP
- Consumer and business costs see little improvement
- Housing activity slower than forecast, but improving
- Most commercial assets overbuilt in most markets
- Slower population and job growth = lower demand for all assets

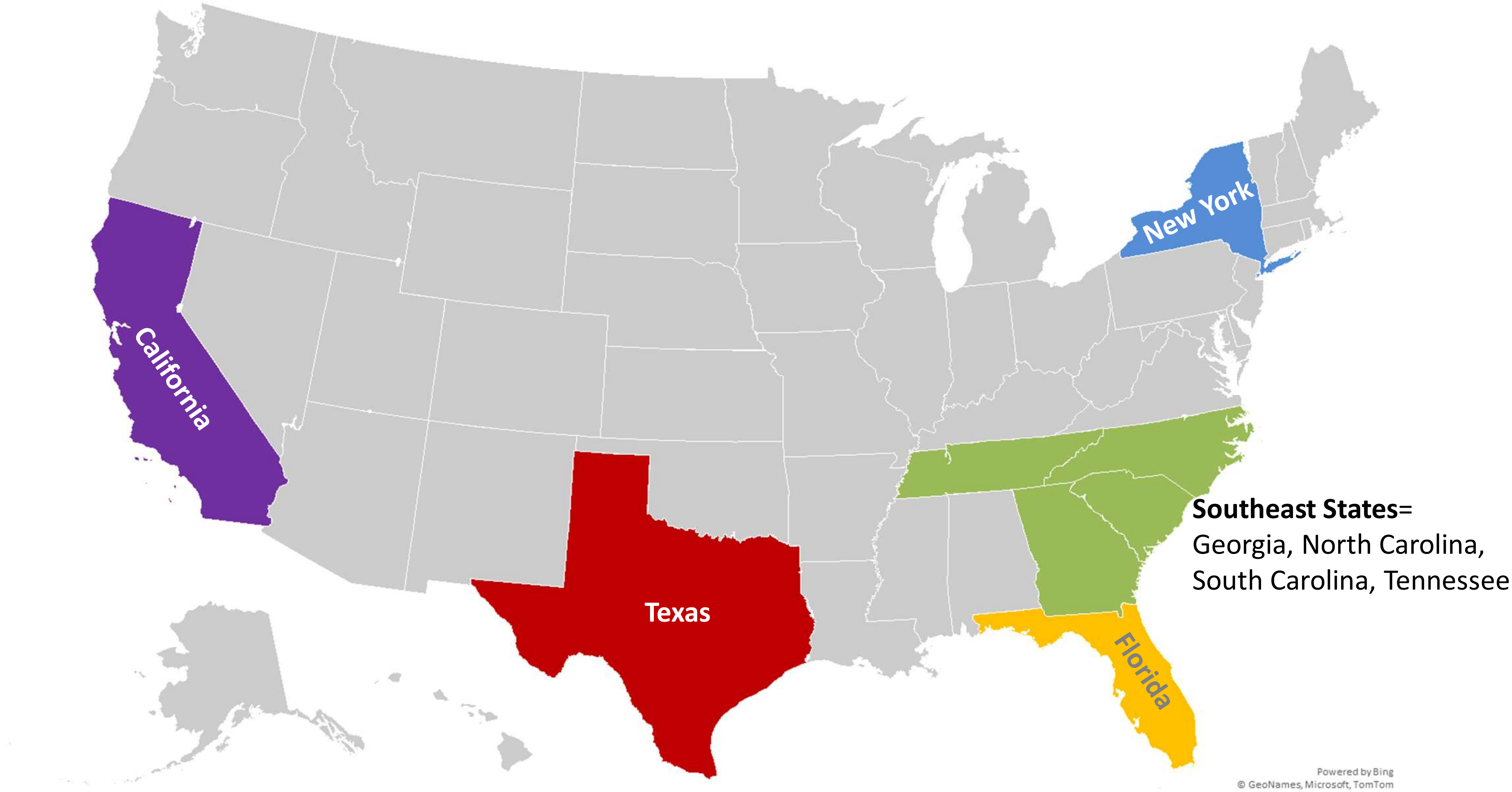
Real Estate Trivia

What happened on January 3, 1959?


TEXAS' BIG BROTHER!
ALASKA THE "BIGGEST" STATE

State Benchmarking

Texas has performed well since COVID shutdowns, but other states have become more competitive.


New York
California
Texas
Florida
Southeast States= Georgia, North Carolina, South Carolina, Tennessee
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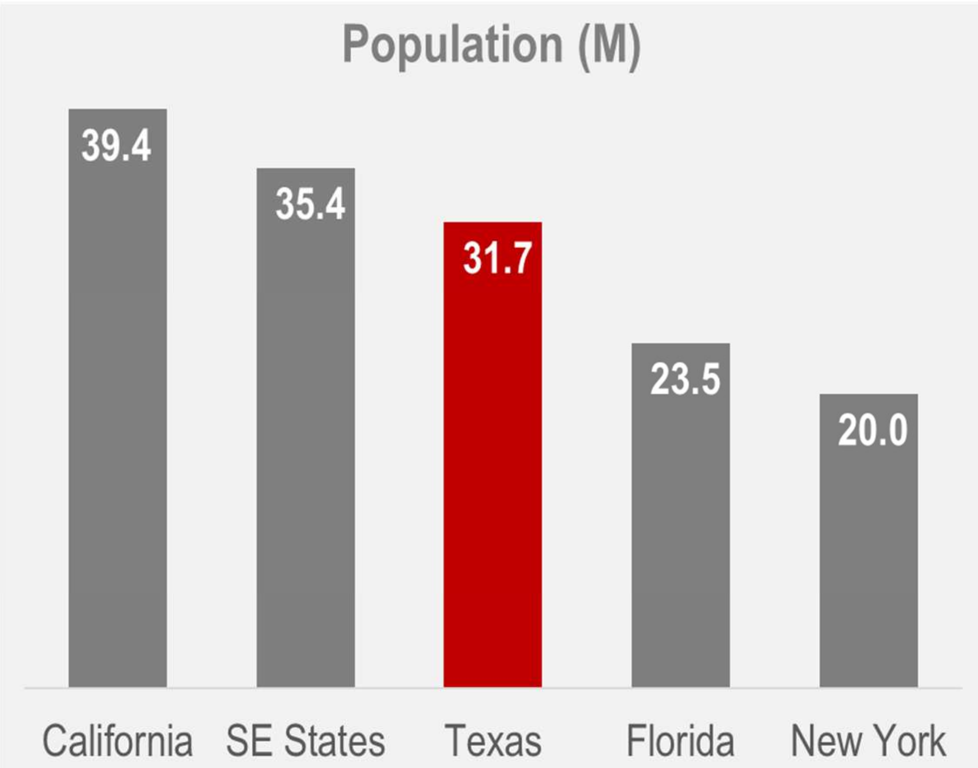
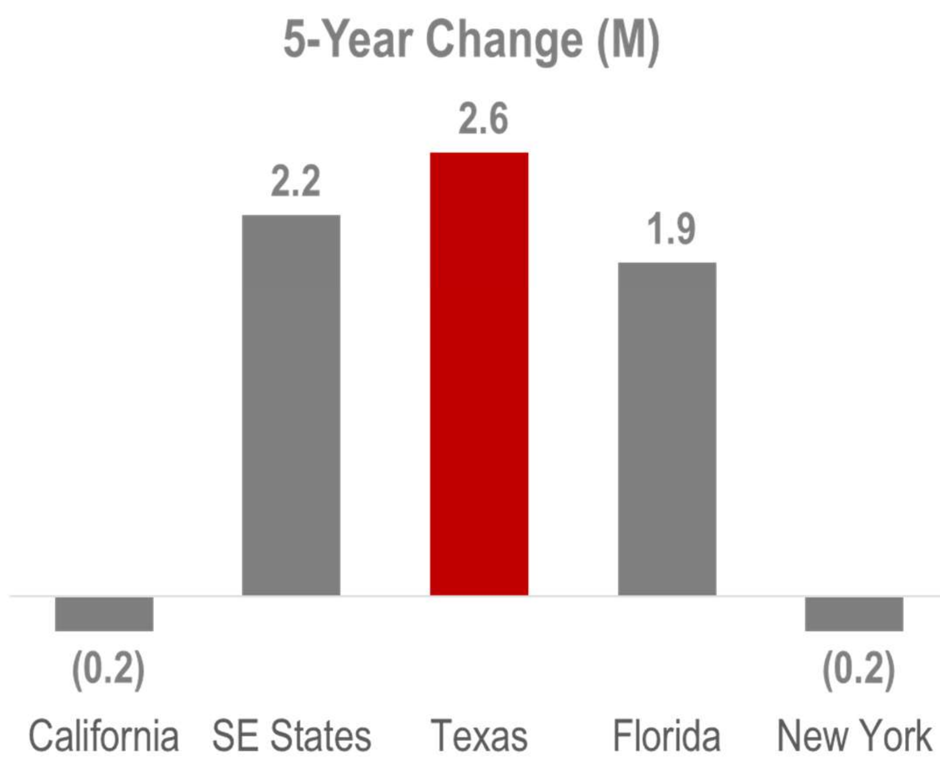
Texas population, workforce, and economy grew more than any other state since 2020.

- +2.6 million residents = 31.7 million in 2025
- +2.0 million payroll jobs = 15 million in January 2026
- +$492 billion in output (GSP) = $2.32 trillion in Q3 2025

- In the last 12 months growth rates have slowed in every category.

Texas added the most people since 2020



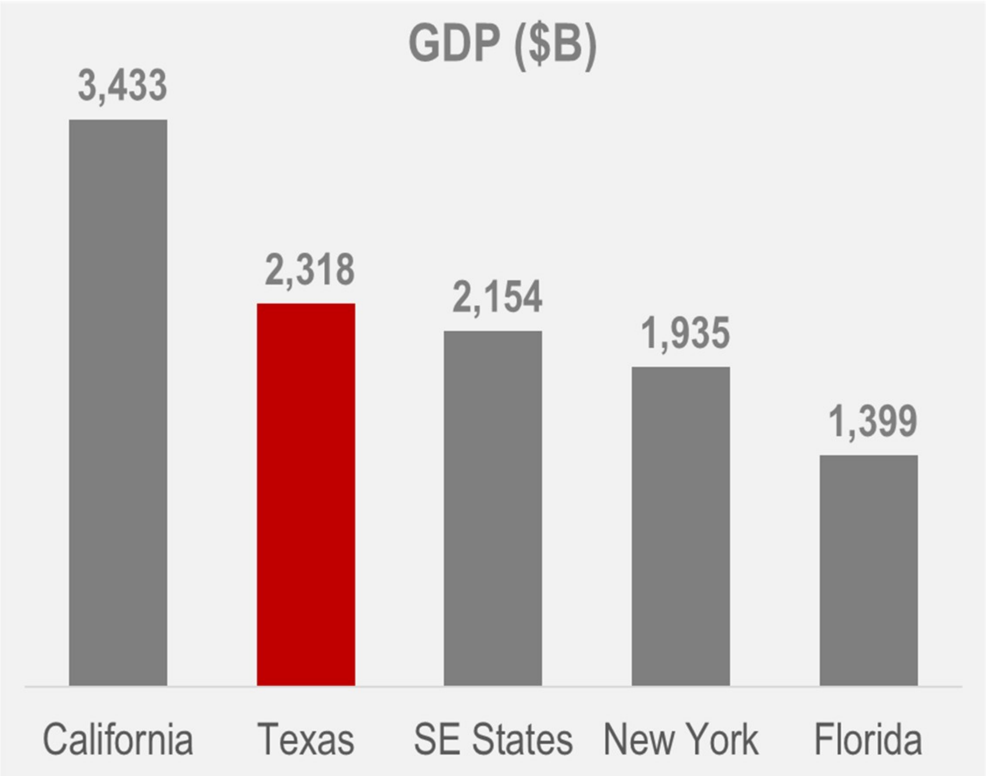


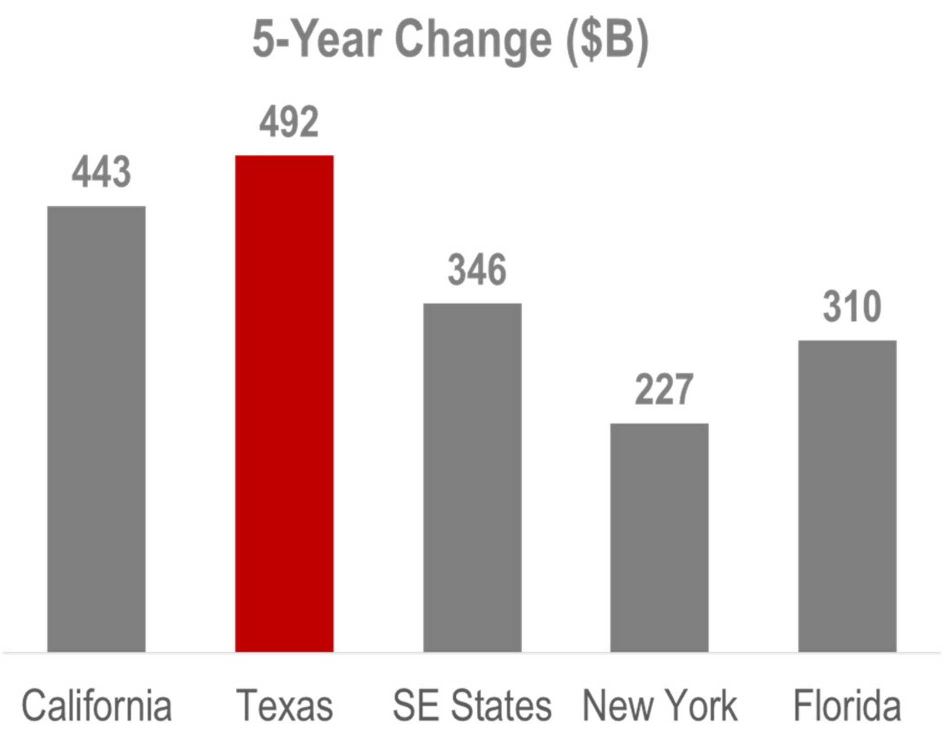
SE States = Georgia, North Carolina, South Carolina, Tennessee

Source: TRERC analysis of US Census data.

Source: TRERC analysis of US Census data.

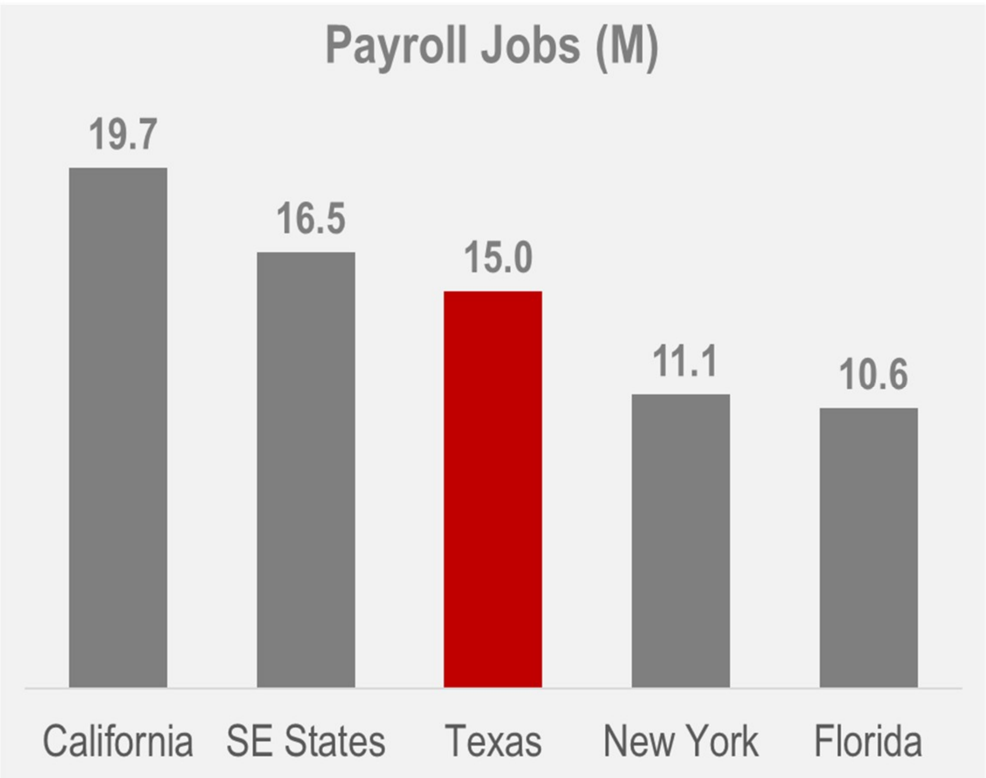
Texas GDP outgrew all other states

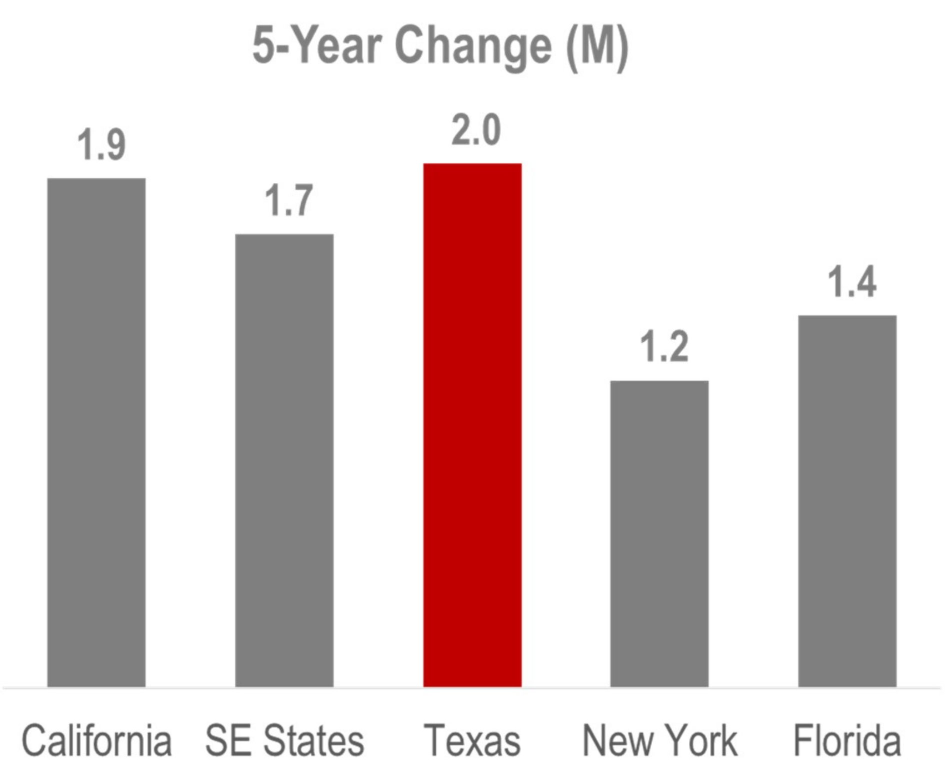




SE States = Georgia, North Carolina, South Carolina, Tennessee
Source: TRERC analysis of US Census data.

Texas just edges out California in job growth





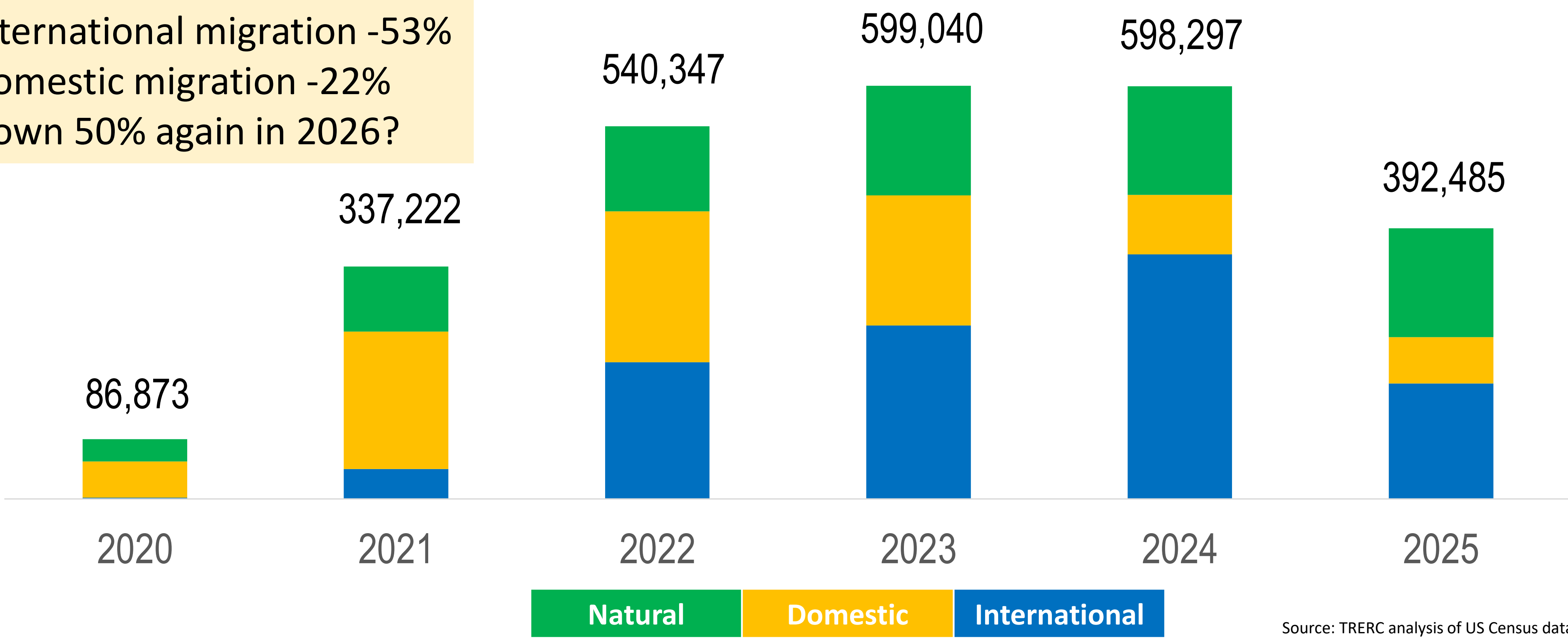
SE States = Georgia, North Carolina, South Carolina, Tennessee
Source: TRERC analysis of US Census data.

Texas Macro Drivers

Slower economic and demographic growth and the composition is changing

Population growth slowed in 2025
(Total population growth by source)

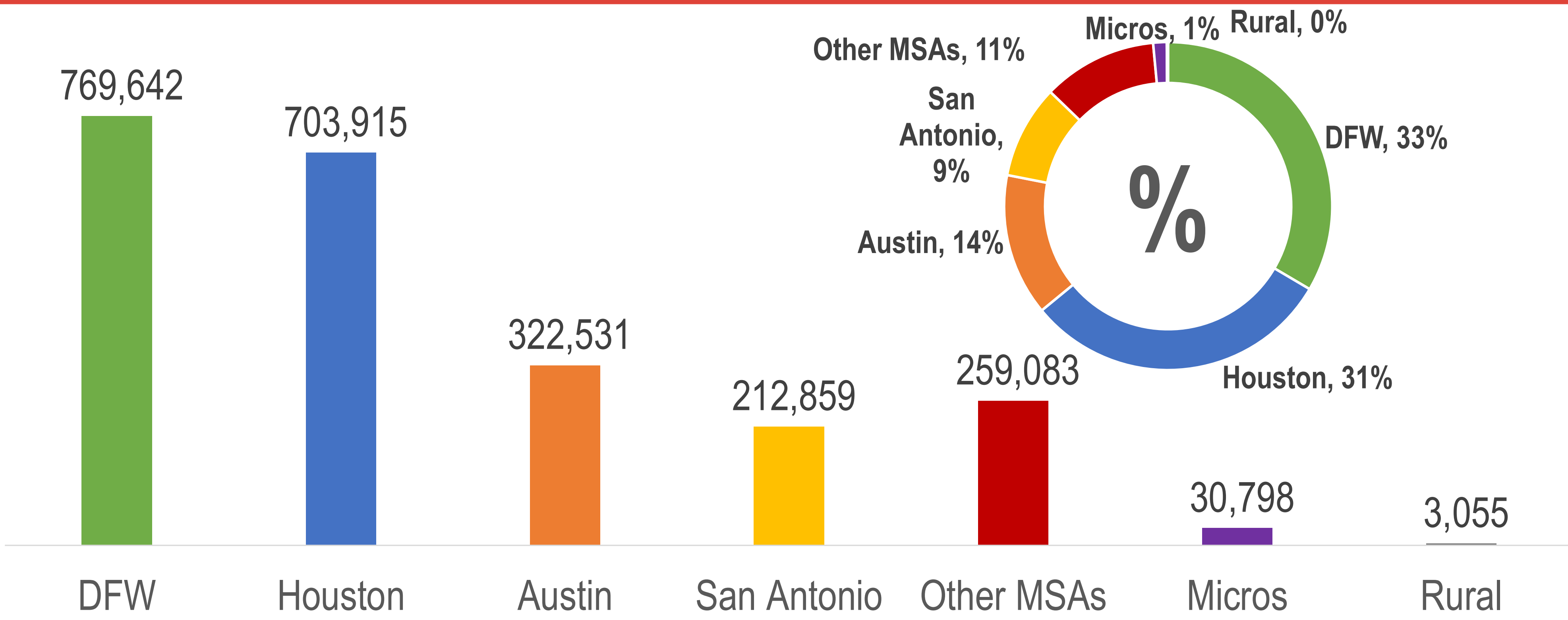
2025:
International migration -53%
Domestic migration -22%
Down 50% again in 2026?



Source: TRERC analysis of US Census data.

87% of population growth in the Big-4*

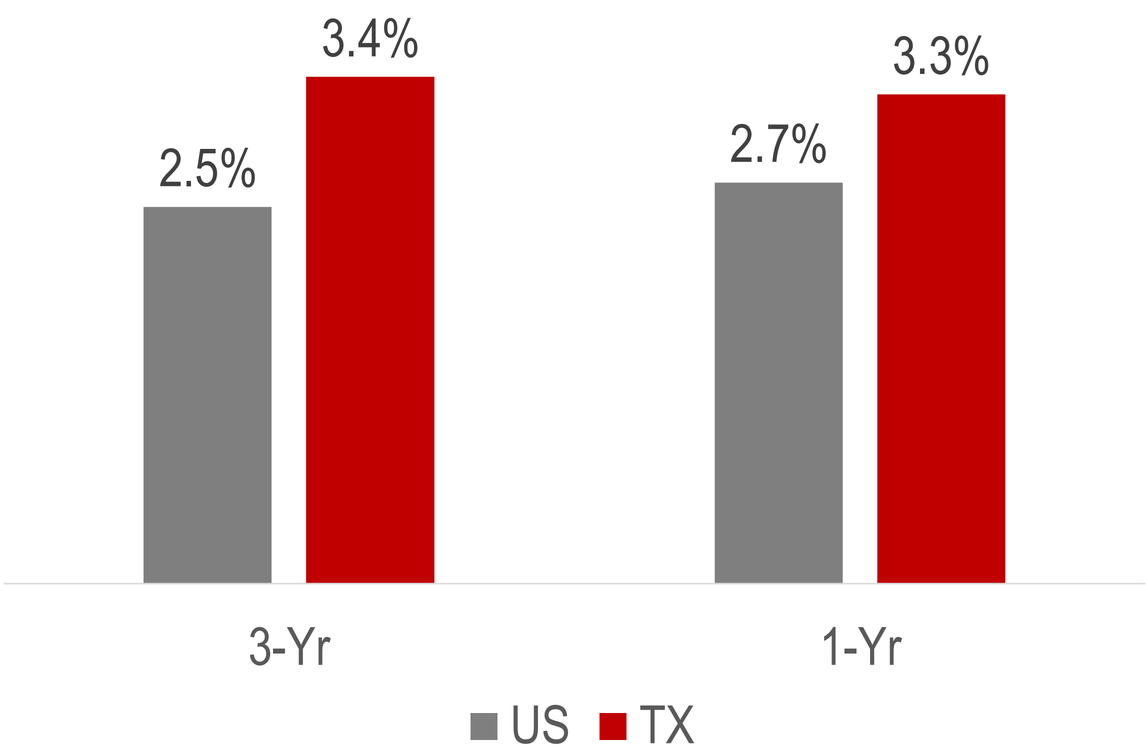
(5-yr change; Pct. of total change)



*Other MSAs = 22 smaller metro areas. Micros = 41 micropolitan areas, Rural = remaining 121 counties

Source: TRERC analysis of Census Bureau data.

TX economic growth up, few lagging sectors
(Compound annual GDP growth rates)



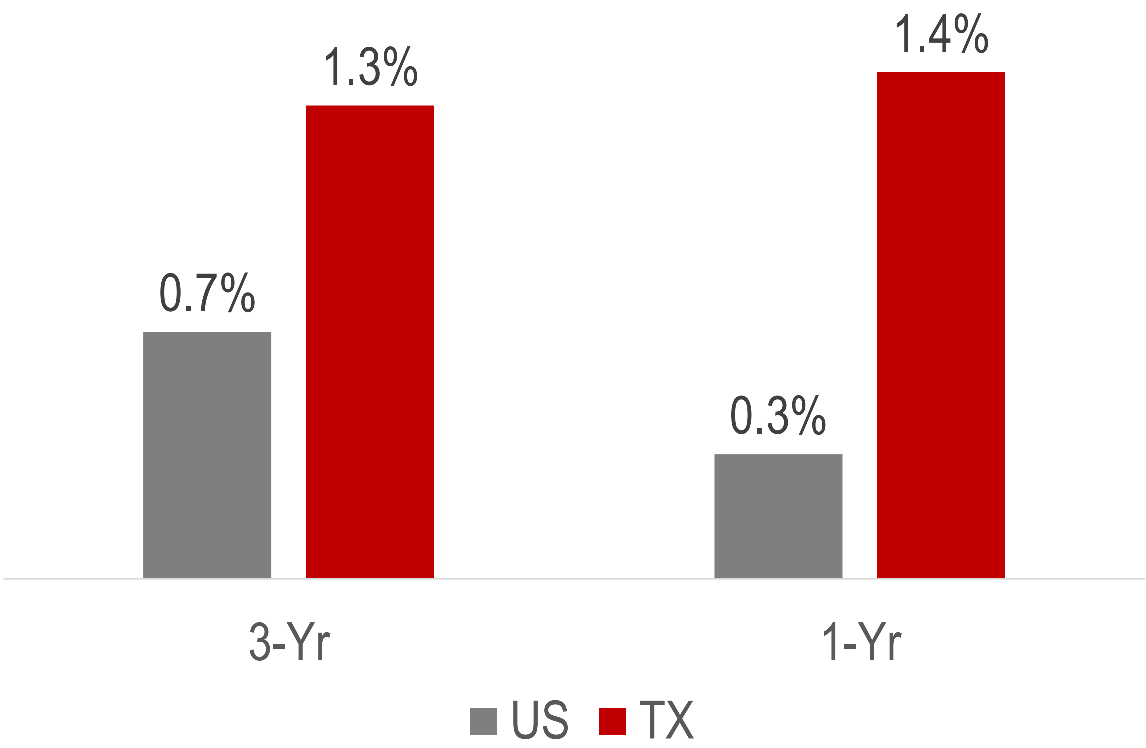
One Year Growth Contributions

- Positive Impact:
  - Mining/Oil & Gas (18%)
  - Manufacturing (17%)
  - Prof/Sci/Tech (11%)
- Negative Impact:
  - Other Services (-1%)
  - Mgmt/Comp (0%)
  - Art/Ent/Rec (0%)

Pre Iran Conflict

Source: Texas Real Estate Research Center analysis of BEA data.

TX job growth slightly better
(Compound annual payroll employment growth rates)



One Year Growth Contributions

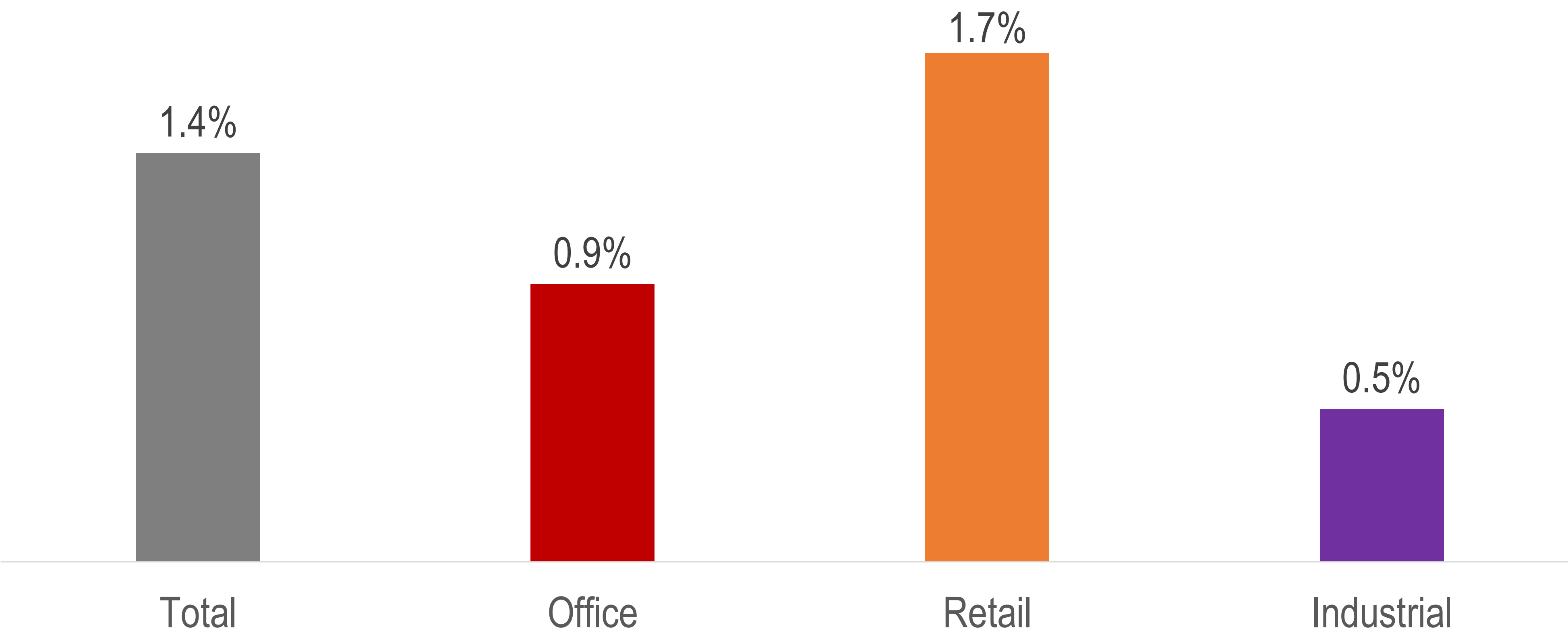
- Positive Impact:
  - Prof. & Bus. Services (39%)
  - Leisure and Hospitality (15%)
  - Health Care & Social Assist. (14%)
- Negative Impact:
  - Information (-5%)
  - Manufacturing (-5%)
  - Government (-2%)

Through June 2026

Source: Texas Real Estate Research Center analysis of BLS data.

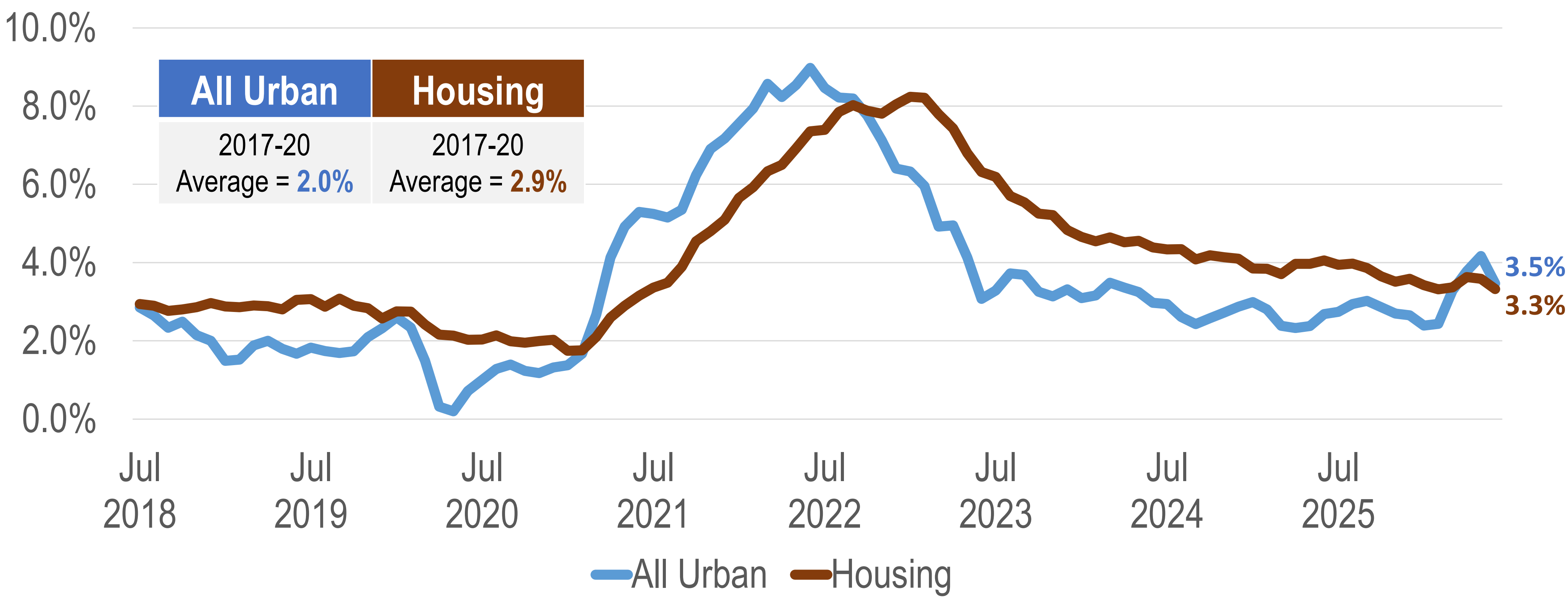
Retail jobs beat state average, office and industrial lag

(YoY pct. change in employment, total and by commercial asset sectors.)



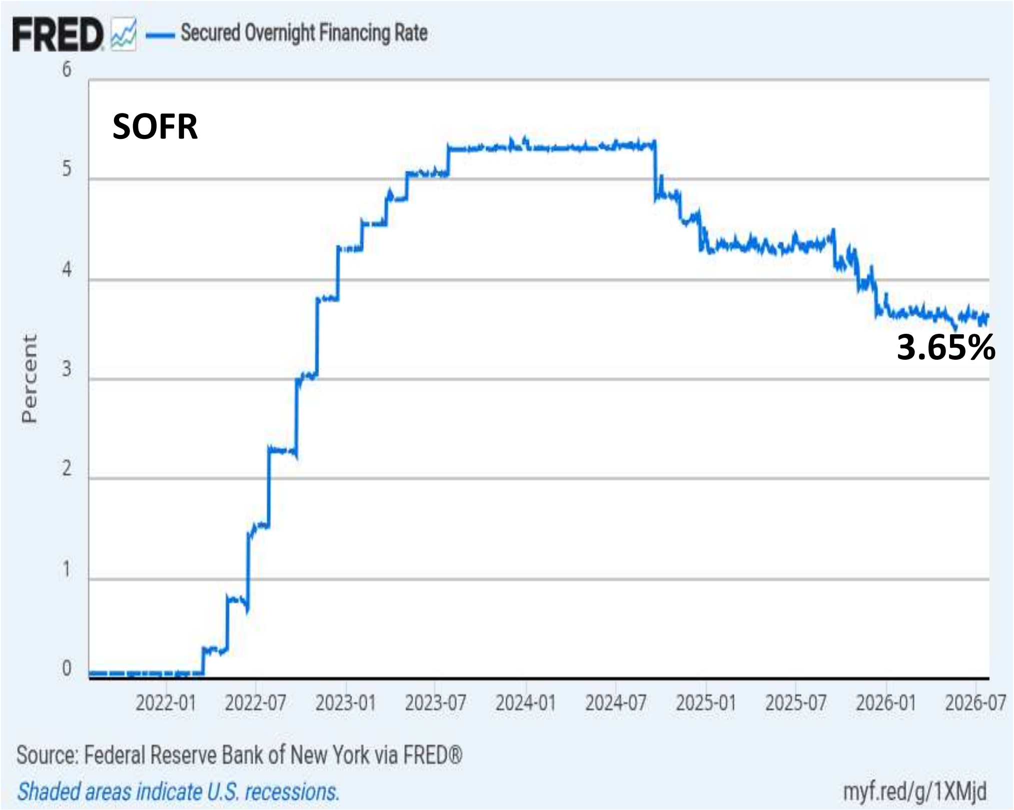
Source: Texas Real Estate Research Center analysis of BLS data.

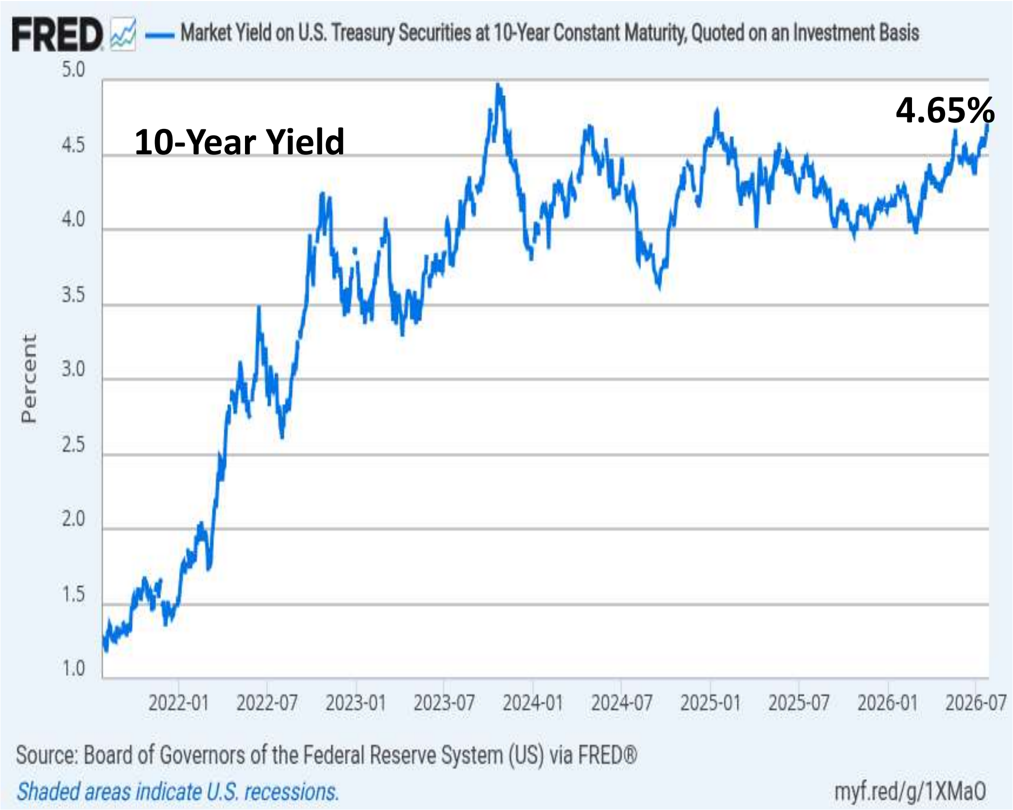
Inflation slowing after Iran "spike", shelter costs unchanged
(CPI, year over year pct. change)



Source: Texas Real Estate Research Center analysis of BLS data.

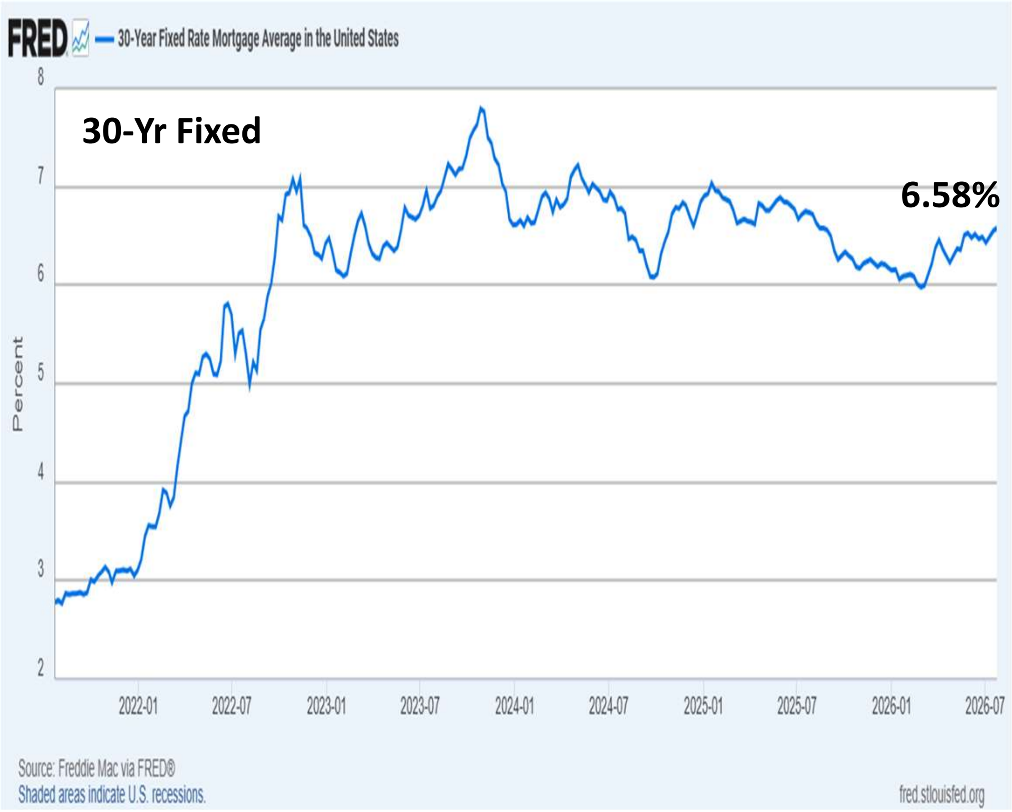
Construction rates flat, takeout rates spiked

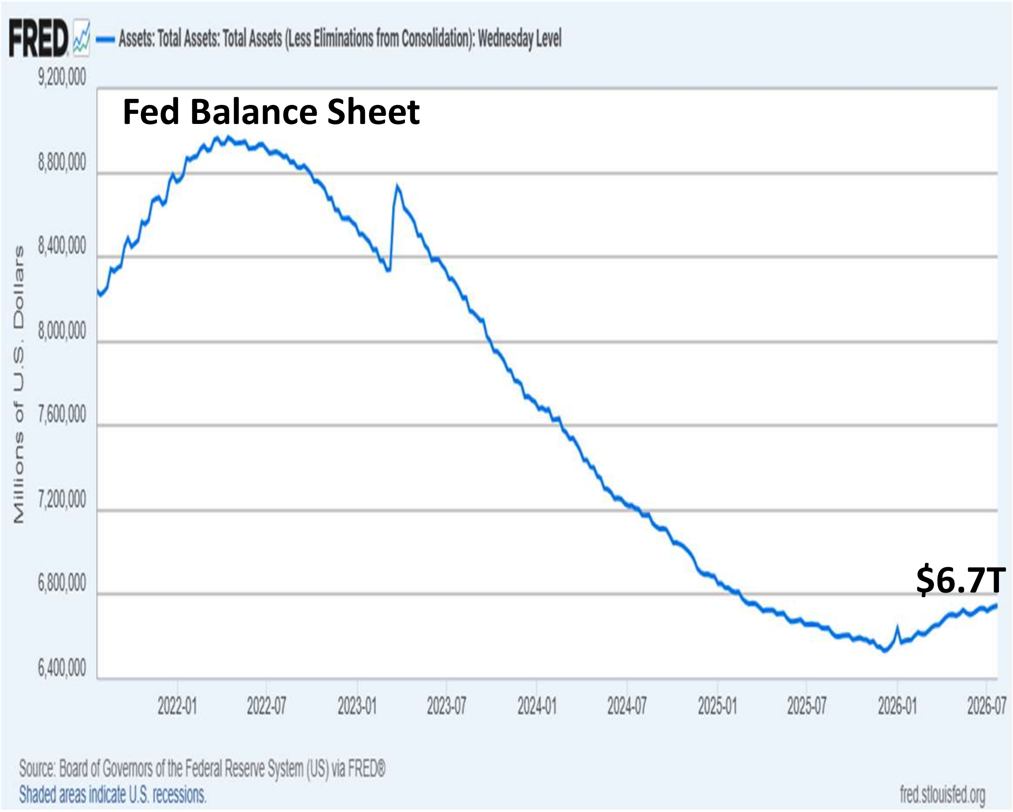




Source: Federal Reserve Bank of NY, BOG Federal Reserve System.

Mortgage rates pop, further moves tied to long-term fundamentals



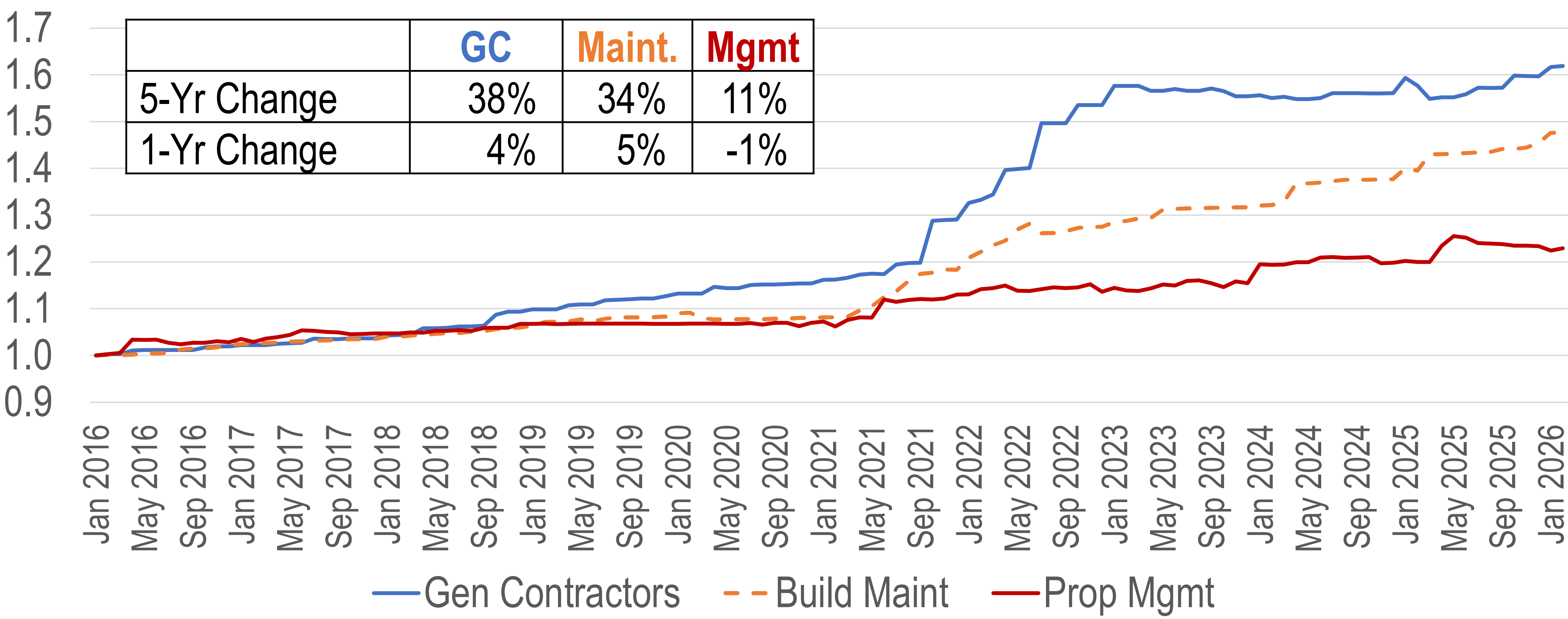


Source: Federal Reserve Bank of NY, BOG Federal Reserve System.

Not much relief on cost indices

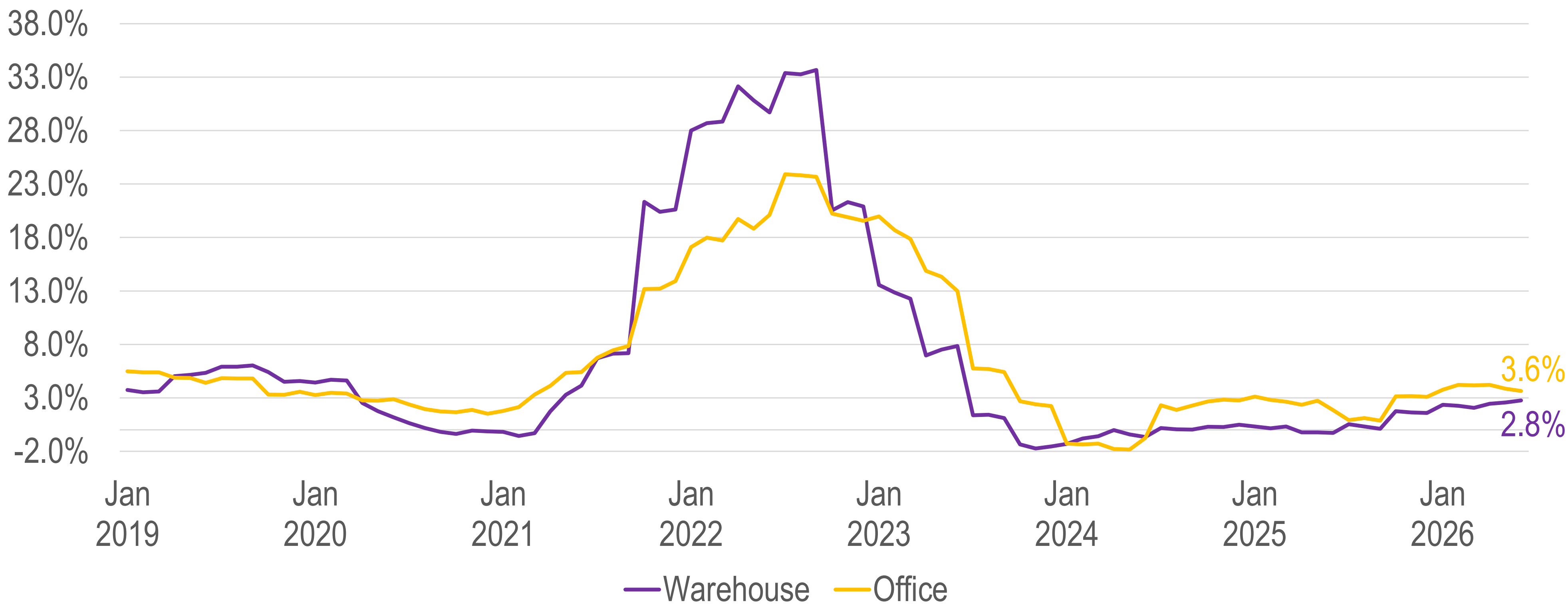
(PPI cost indices, Jan 2016 = 1.0)

	GC	Maint.	Mgmt
5-Yr Change	38%	34%	11%
1-Yr Change	4%	5%	-1%

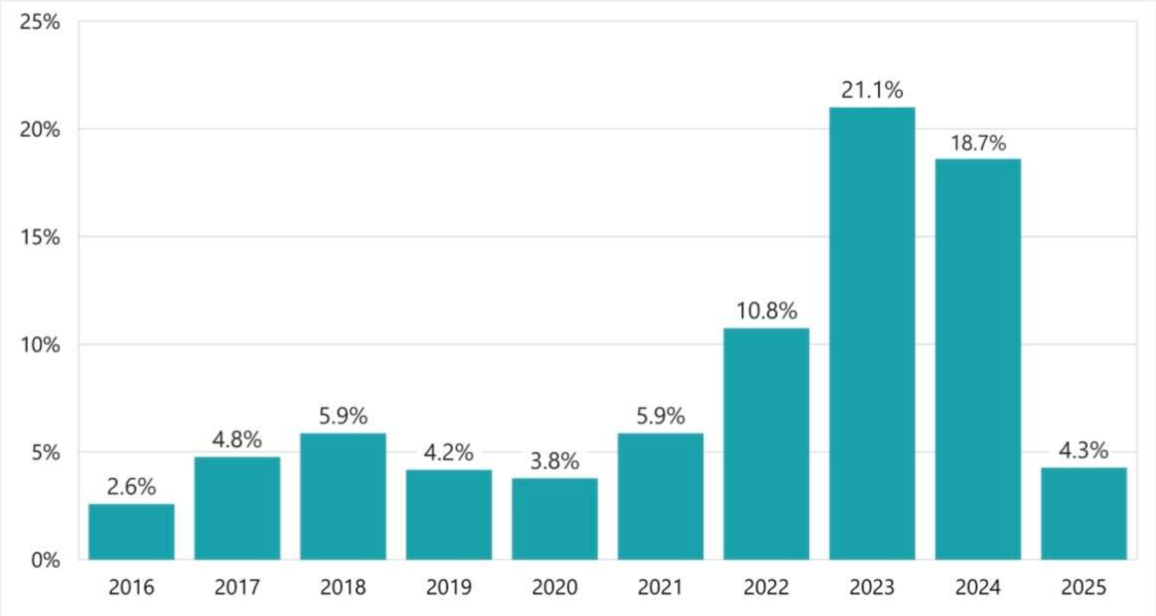


Commercial construction inflation flat

(YoY pct. change in cost indices)



But maybe some relief in insurance?



Source: TDI rate filing data
Types of policies: Homeowners, renters, condo and mobile homeowners

Economic forecast through June 2027

Assumes no significant changes in macro economic or geopolitical events that would result in a major shift in recently prevailing trends.

No recession or major increase in growth rates.

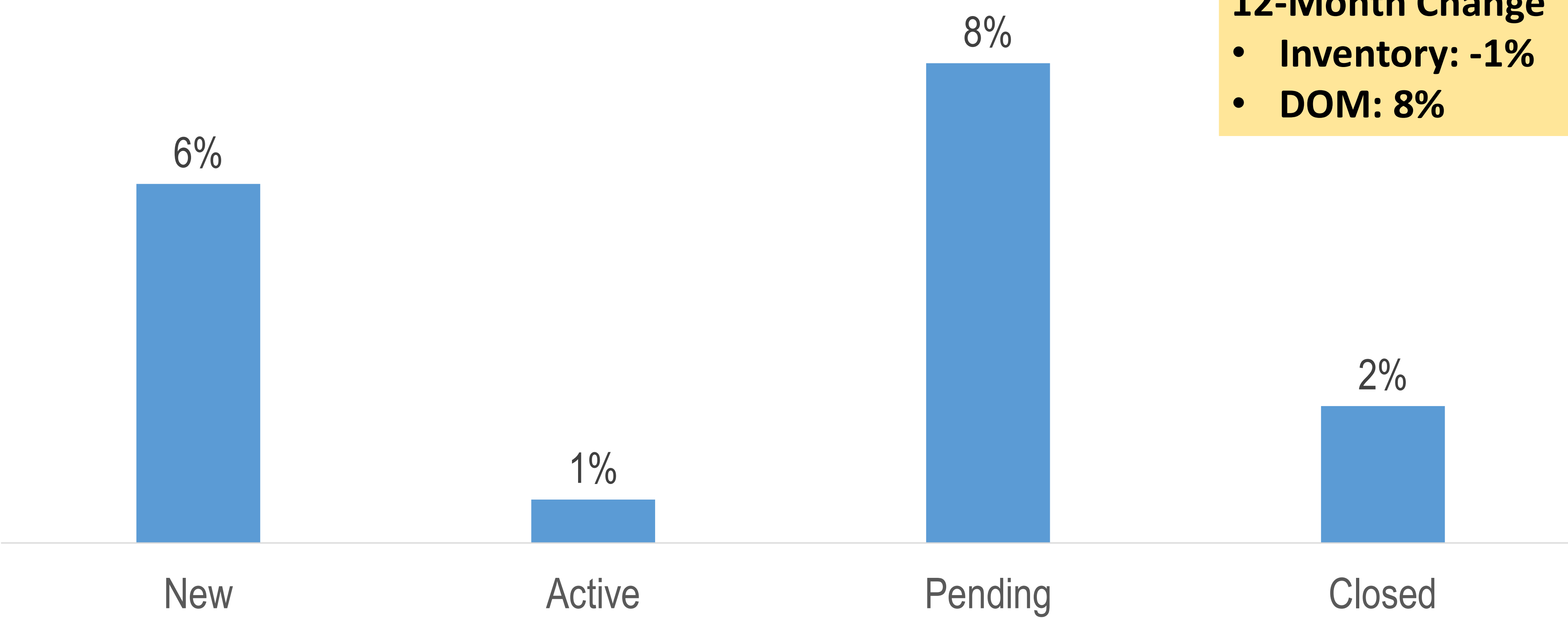
TX Population up 1.1% to 1.5%

Economic Output (GDP)	Jobs (Payroll)	Income (Personal Income)	Inflation (CPI)	Interest Rates
U.S.: 2.0% to 2.5% TX: 2.4% to 2.8%	U.S.: 0.4% to 0.8% TX: 1.1% to 1.7%	U.S.: 4.9% to 5.3% TX: 5.0% to 5.4%	2.5% to 3.0%	Fed Funds Target Range: 3.4% to 3.8% 30-Year Fixed Mortgage Rate: 6.0% to 7.0%

State Housing Markets

Pressure builds and a little relief.

Active listings still up, new, pending and closed down
(Texas, Percent change YoY)

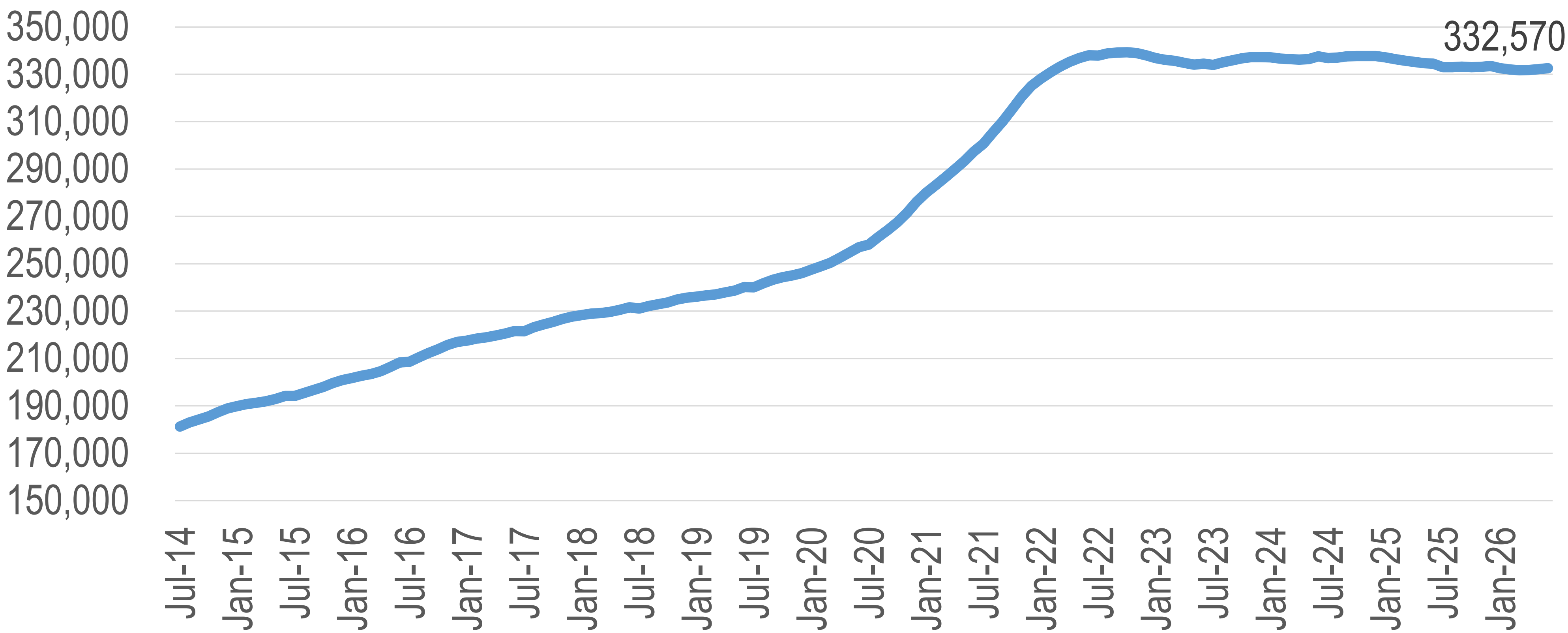


12-Month Change
- **Inventory: -1%**
- **DOM: 8%**

Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

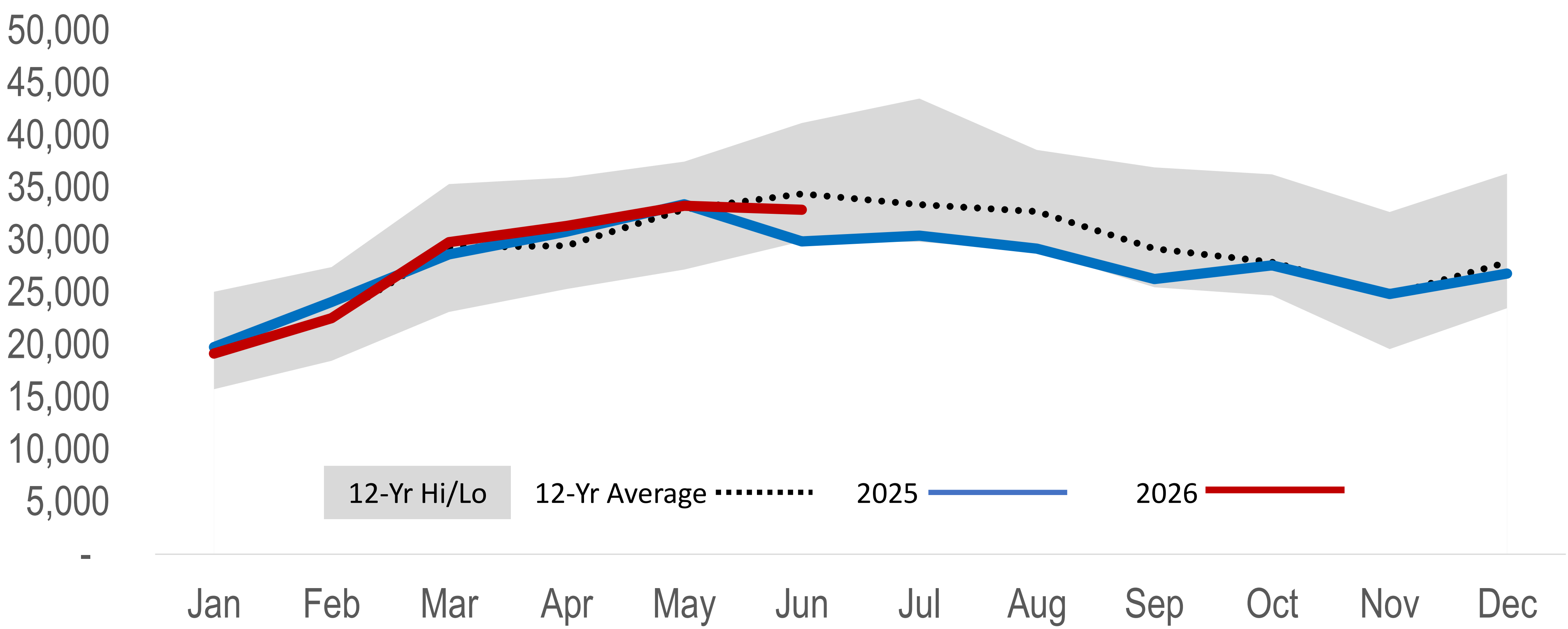
Prices drifting slightly lower the last 20 months

(Texas median price, existing + new)



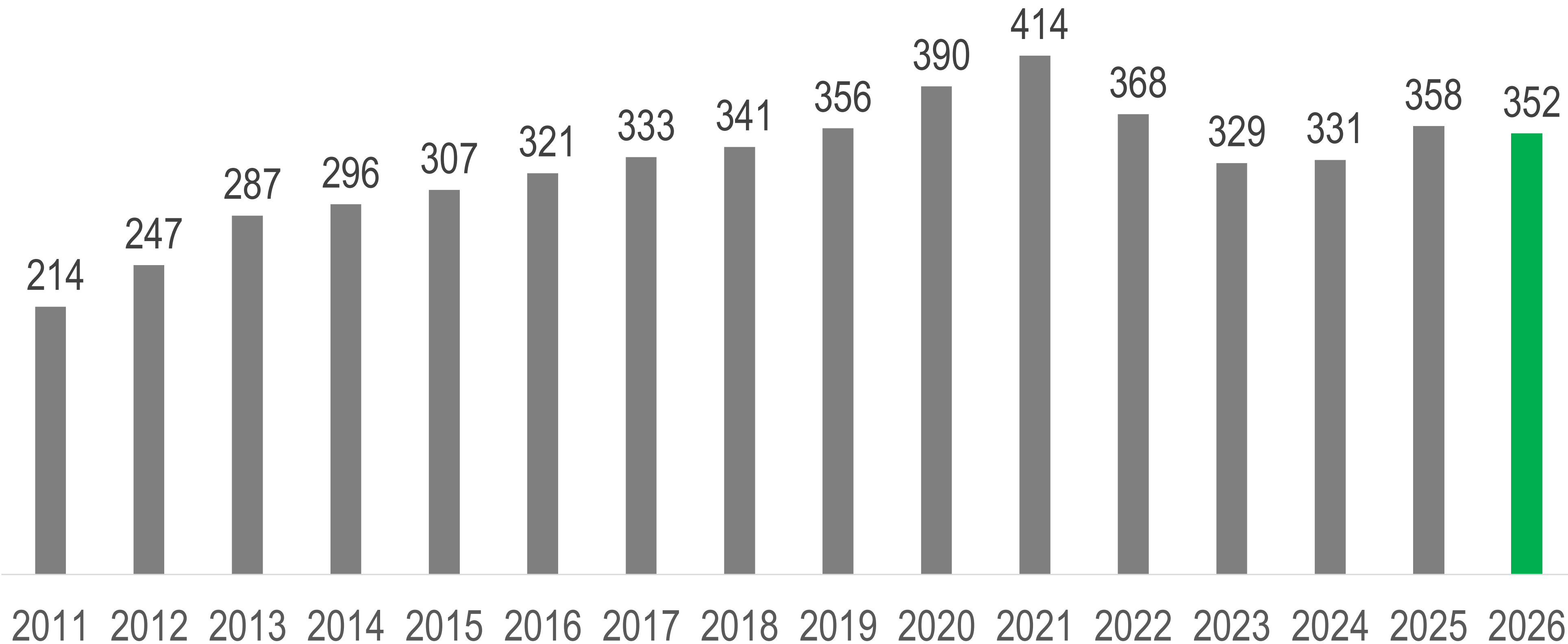
Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

2026 sales running about average
(Monthly existing + new sales in thousands)



Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

After 2nd annual increase, 2026 tracking lower
(Existing + new sales, 1,000s; YTD tracking forecast)

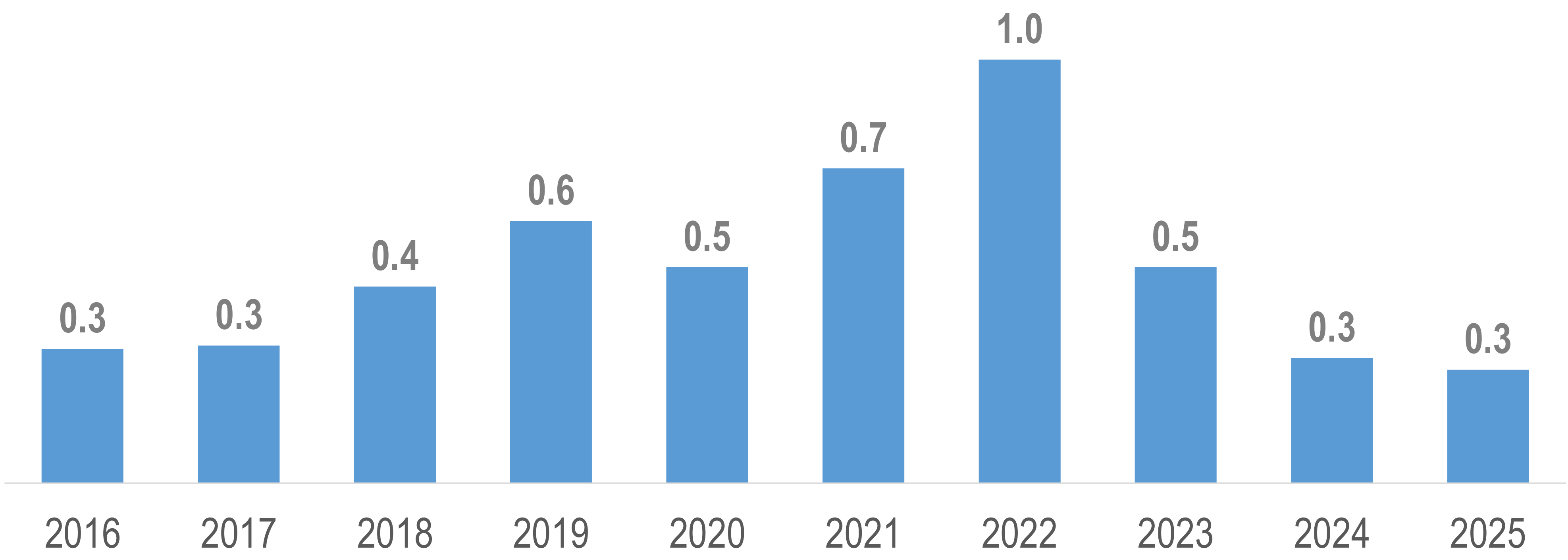


Source: TRERC analysis of Data Relevance Project, Texas REALTORS data.

Texas Commercial Markets

A mixed bag with oversupply in most assets

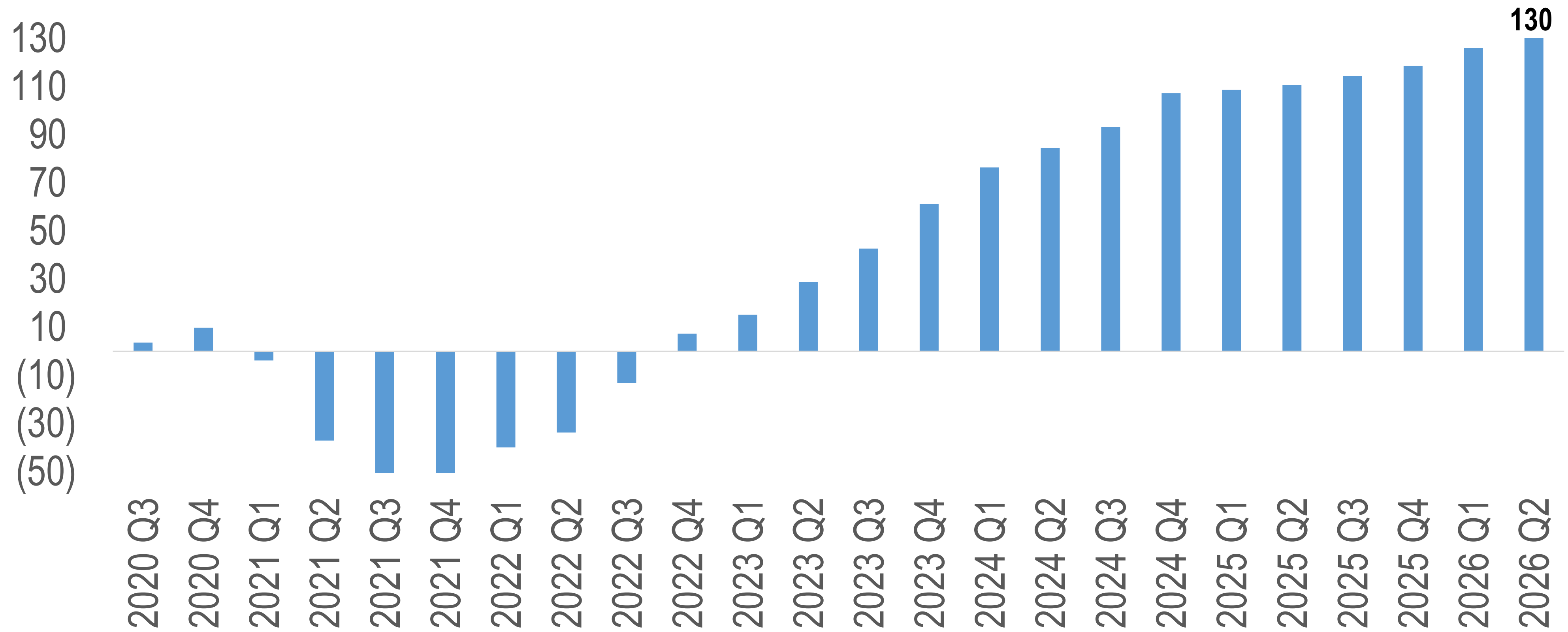
Apartment starts return to more normal level
(Starts per new household, statewide)



Source: TRERC analysis of Census Bureau and CoStar data.

MF unit oversupply steady after long increase

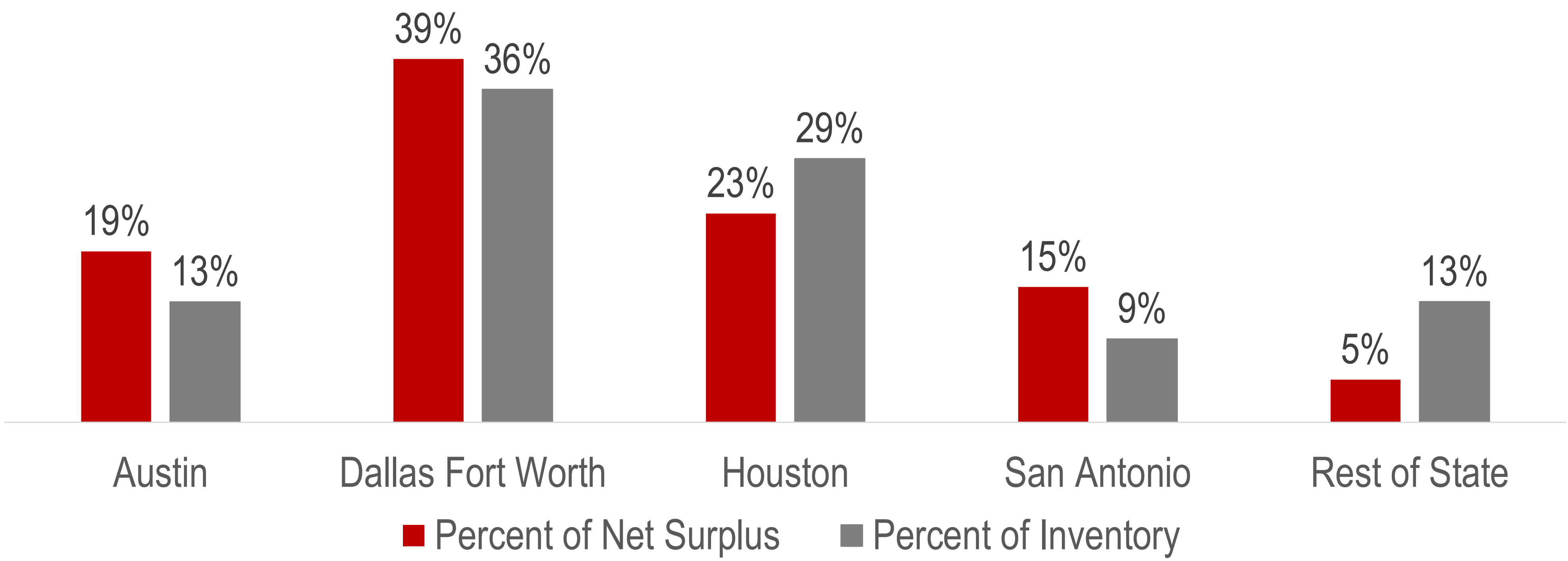
(Texas MSA cumulative supply minus demand, 1,000s units)



Source: TRERC analysis of CoStar data.

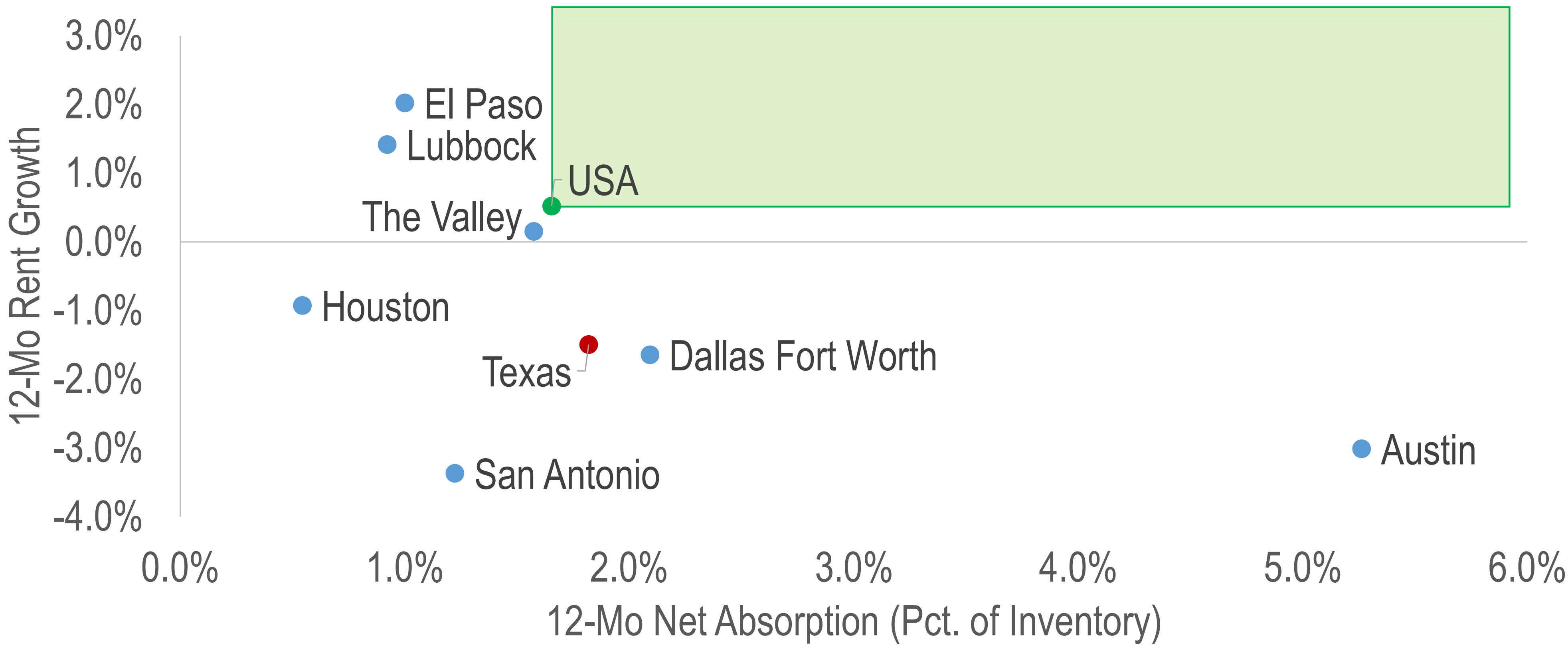
Excessive share of surplus units in Austin, San Antonio

(Share of 5-year surplus and share of total MF inventory)



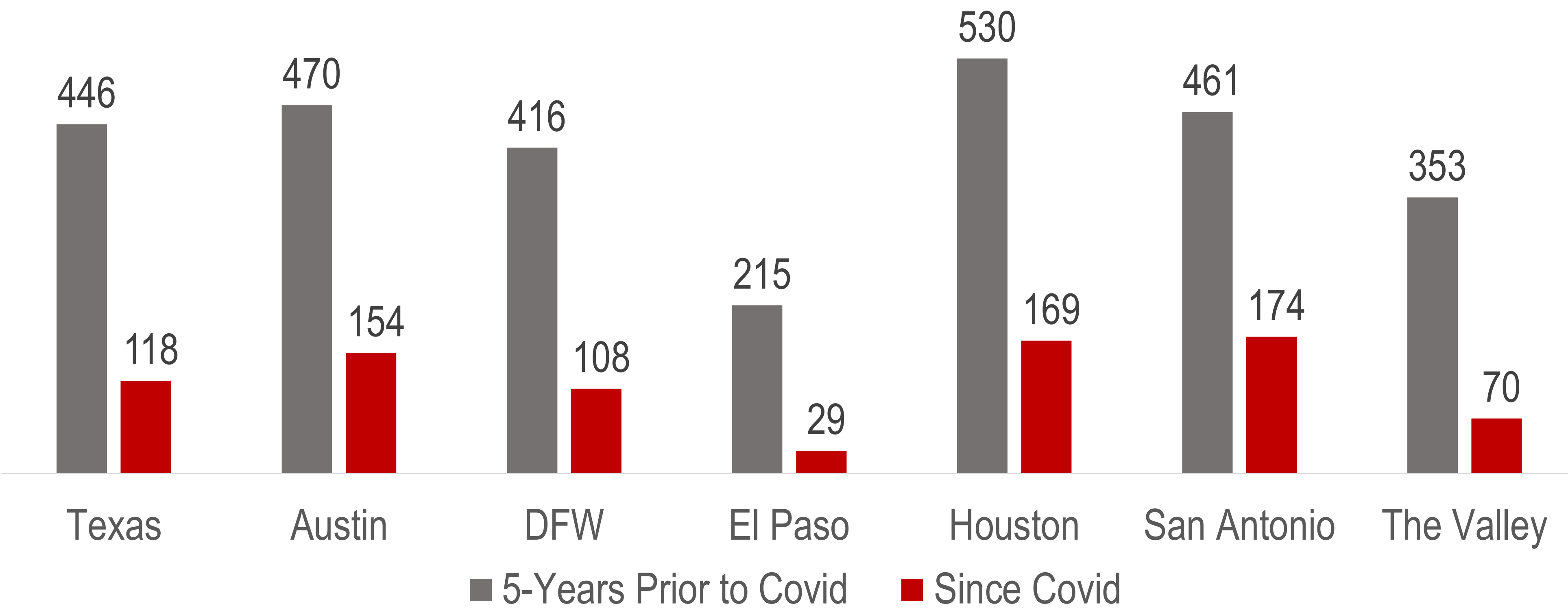
Source: TRERC analysis of CoStar data.

Apartment rent and absorption weak



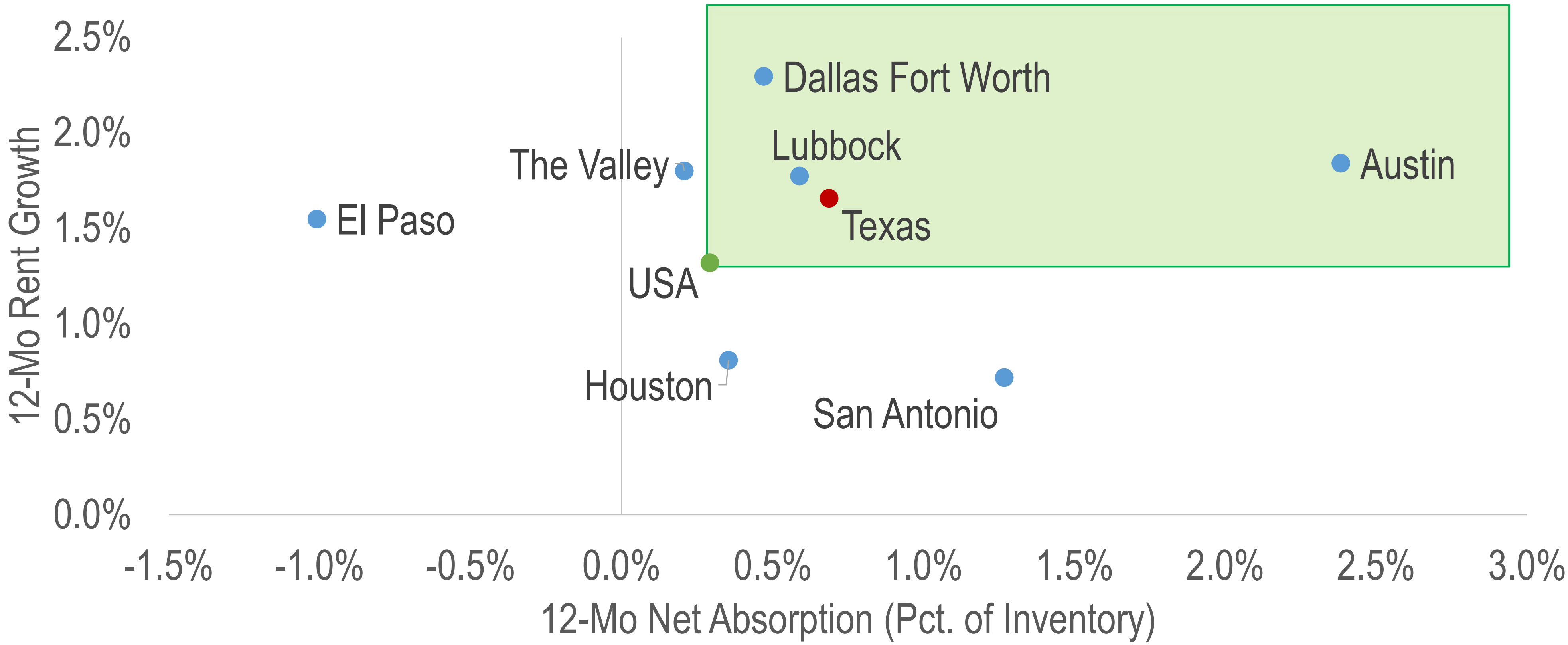
Source: TRERC analysis of CoStar data.

Office starts impacted by WFH
(Average square feet per new office-using job)



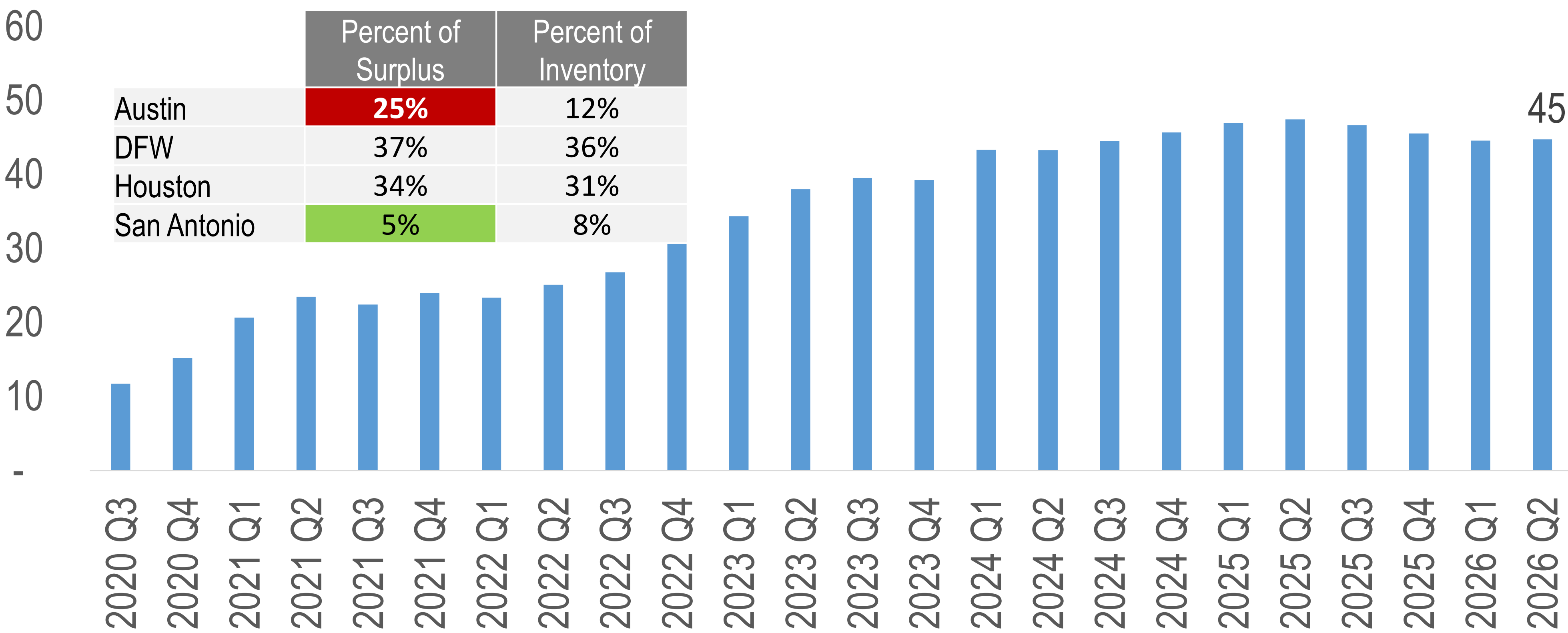
Source: TRERC analysis of COSTAR and U.S. BLS data.

New life for office in Austin, DFW



Source: TRERC analysis of CoStar data.

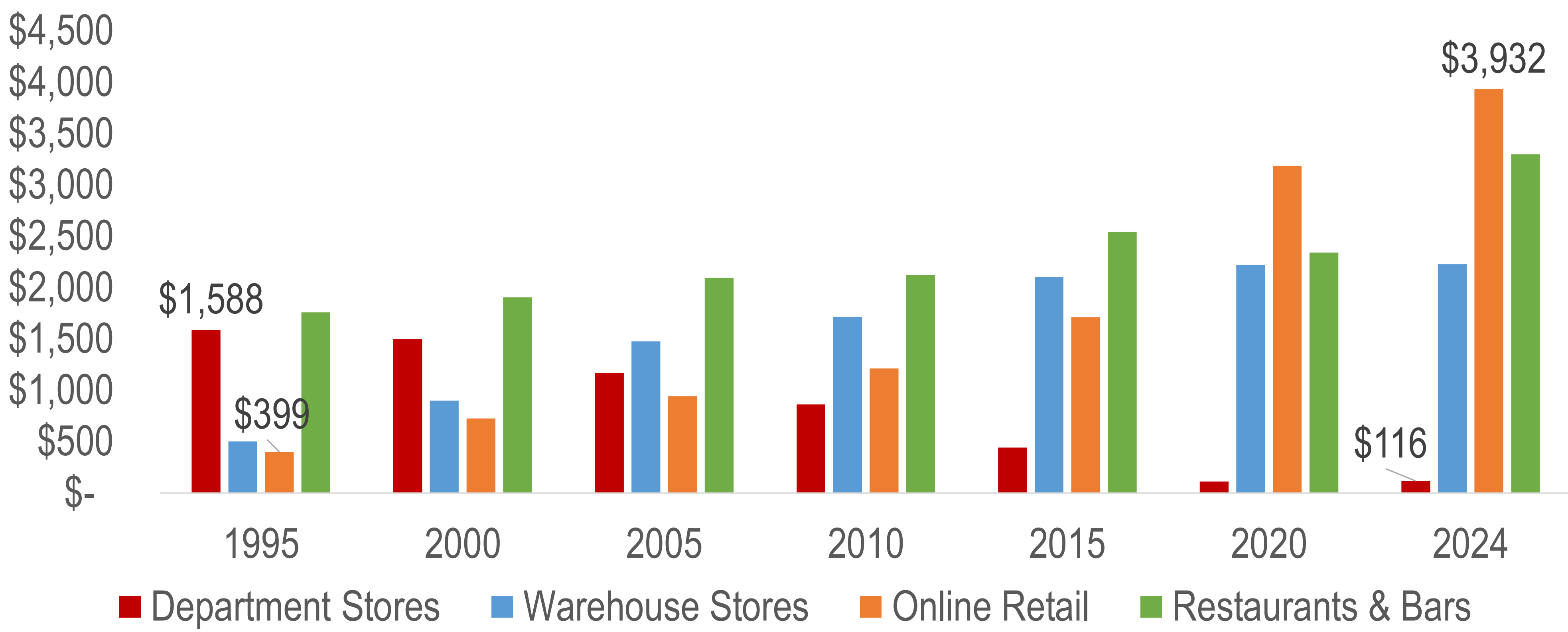
Office oversupply persists, but falling slowly
(Texas MSA cumulative supply minus demand, MSF)



	Percent of Surplus	Percent of Inventory
Austin	**25%**	12%
DFW	37%	36%
Houston	34%	31%
San Antonio	5%	8%

Source: TRERC analysis of CoStar data.

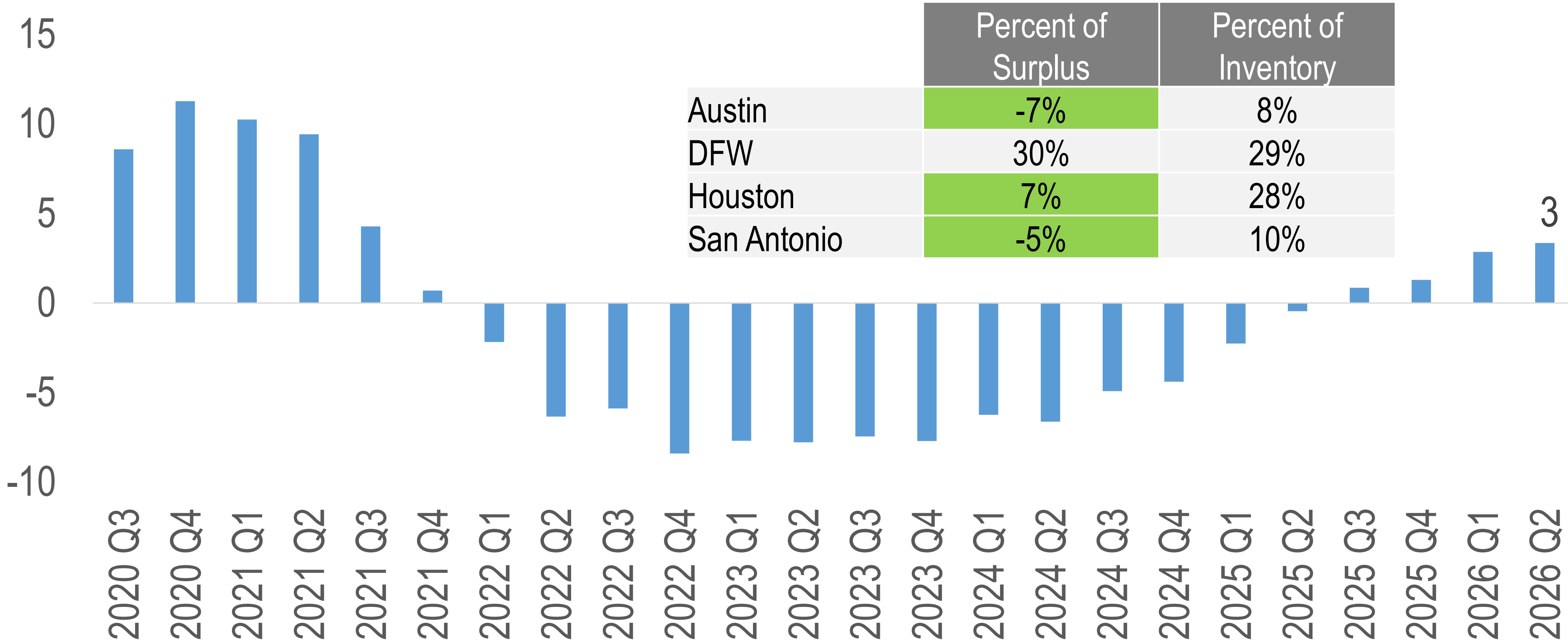
Consumers' shifting retail focus
(Per capita sales, 2024 dollars)



Source: TRERC analysis of Census Bureau data.

Retail supply a little ahead of demand (small markets)

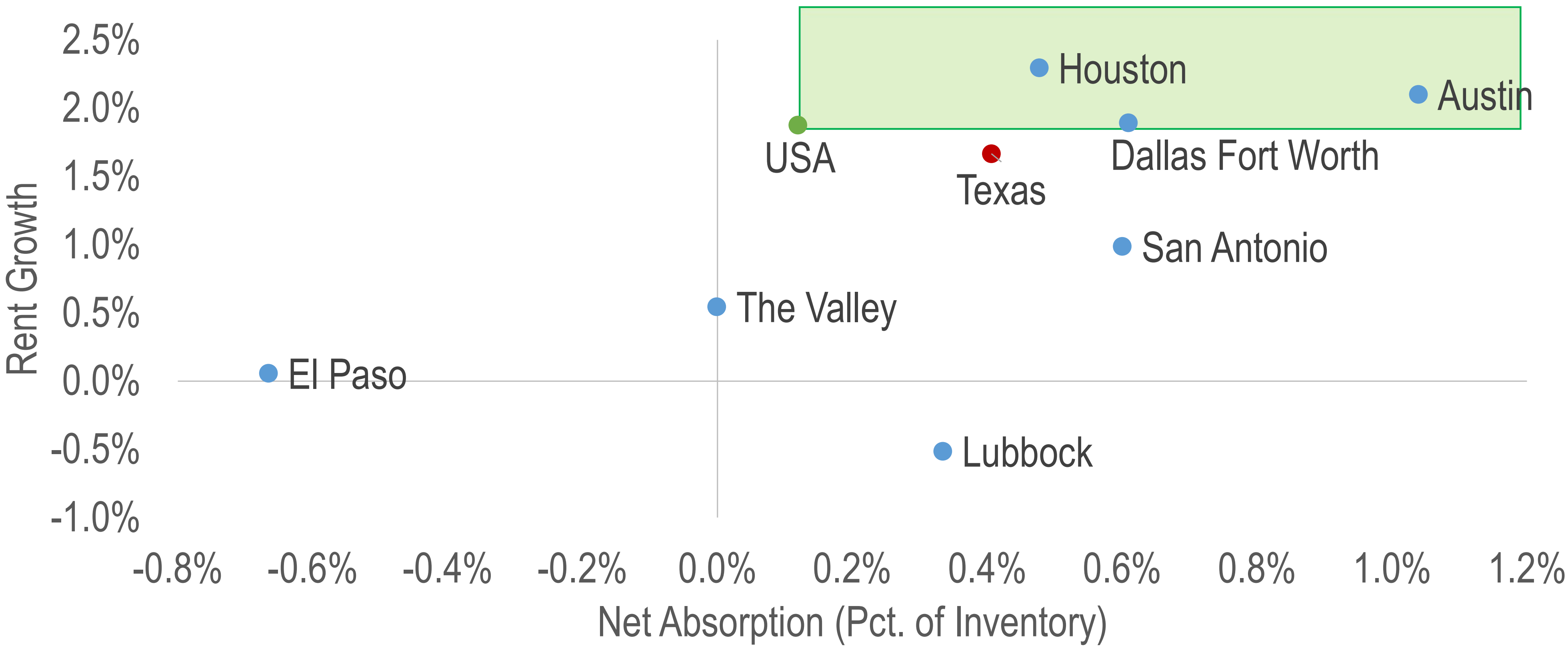
(Texas MSA cumulative supply minus demand, MSF)



	Percent of Surplus	Percent of Inventory
Austin	-7%	8%
DFW	30%	29%
Houston	7%	28%
San Antonio	-5%	10%

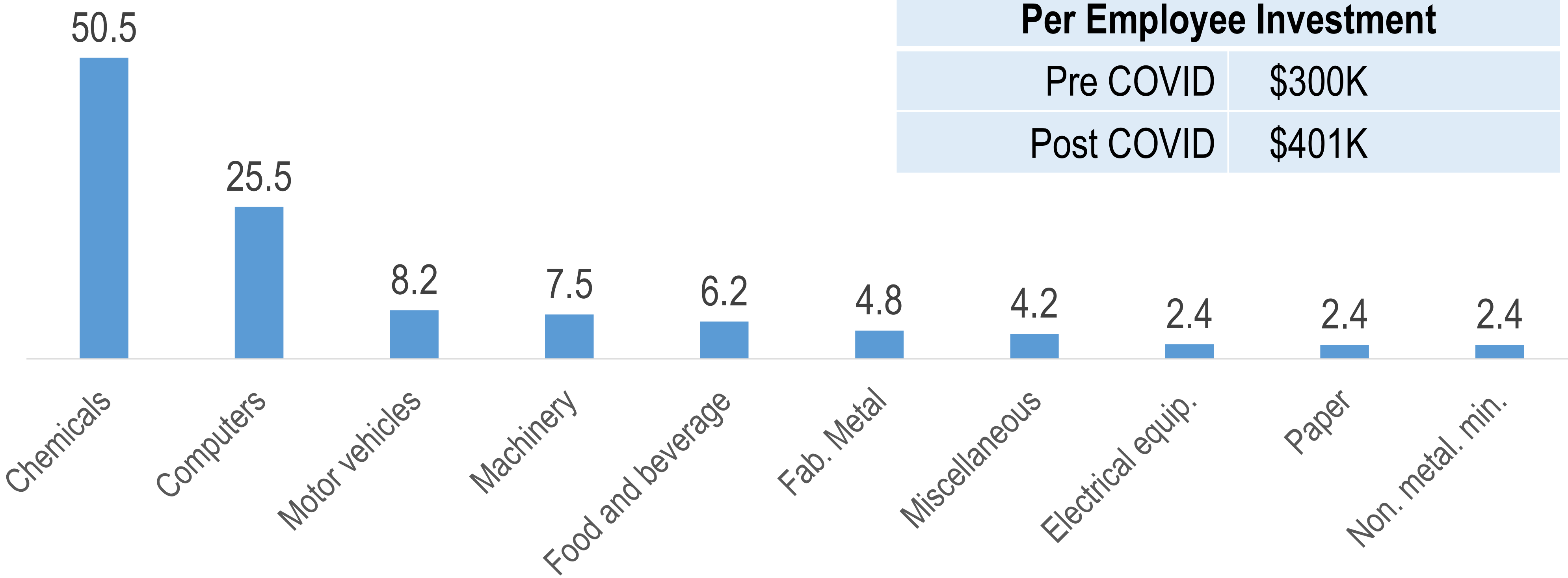
Source: TRERC analysis of CoStar data.

Austin, DFW, Houston top retail performance



Source: TRERC analysis of CoStar data.

An American manufacturing boom?
(Pre/Post COVID change annual average capital investment, $B)



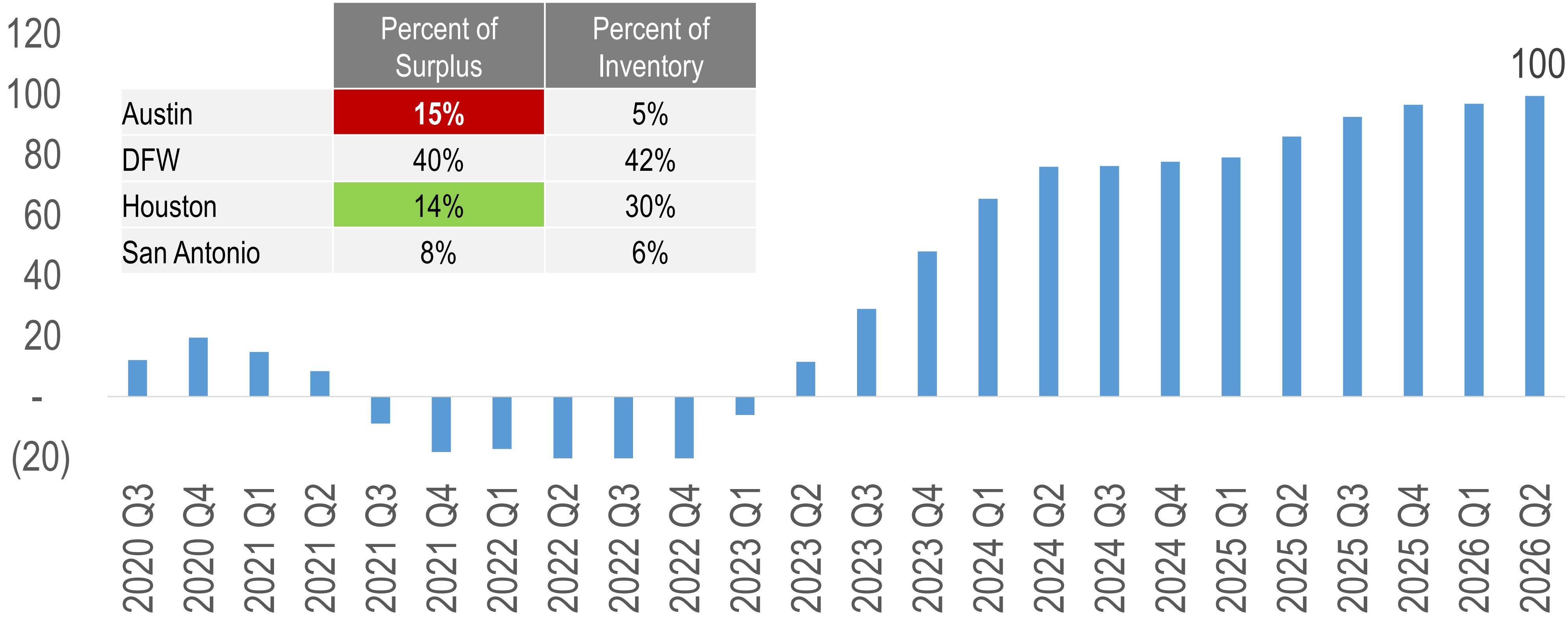
Per Employee Investment	
Pre COVID	$300K
Post COVID	$401K

Total manufacturing increase = $117B Annually

Source: TRERC analysis of BEA data.

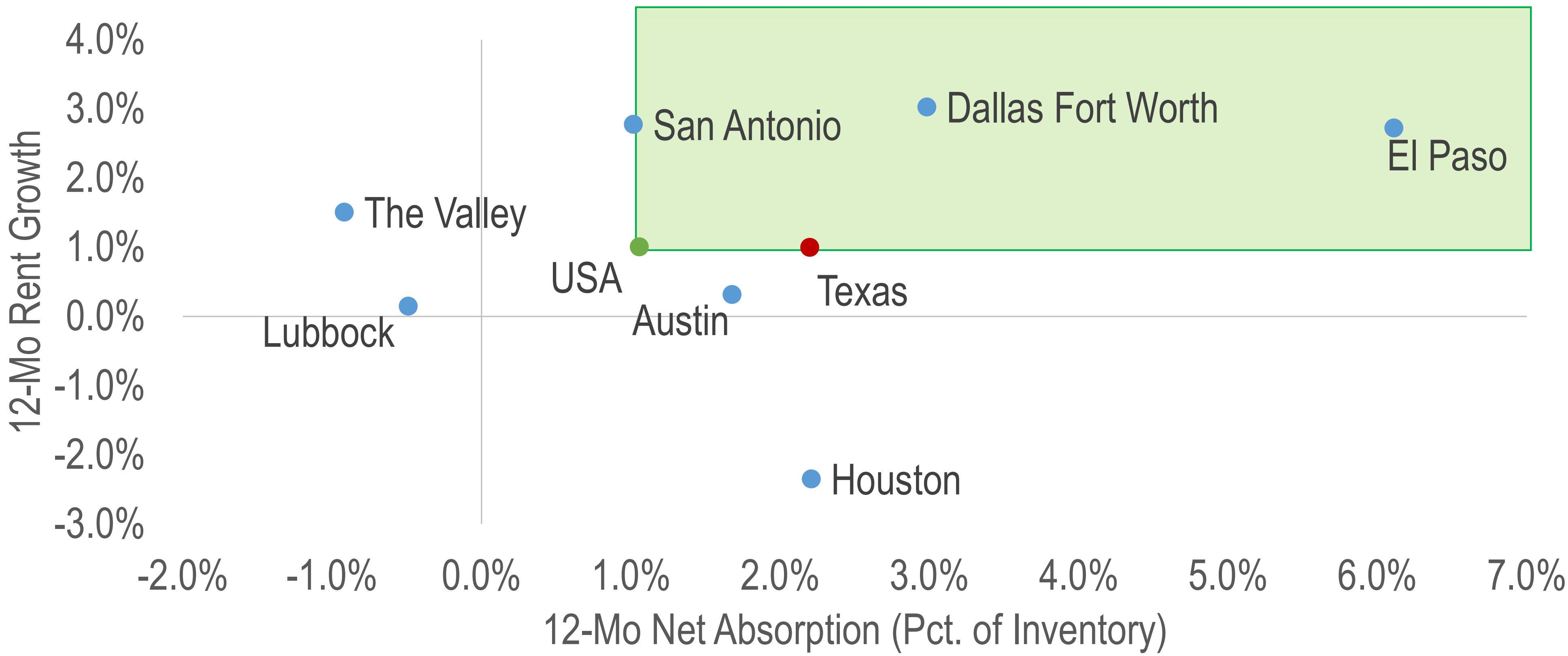
Industrial oversupply still increasing
(Texas MSA cumulative supply minus demand, MSF)

	Percent of Surplus	Percent of Inventory
Austin	**15%**	5%
DFW	40%	42%
Houston	14%	30%
San Antonio	8%	6%



Source: TRERC analysis of CoStar data.

El Paso, DFW, top performing warehouse markets



Source: TRERC analysis of CoStar data.

Questions?