

Houston Construction Market
Update:

Looking Back and to the Future

HOUSTON CHOREOGRAPHY CONTINUED



GERALD HINES



One Shell Plaza: Pennzoil Place: Bank of America Center; Williams Tower; One Post Oak Central

HOW IT ALL BEGAN

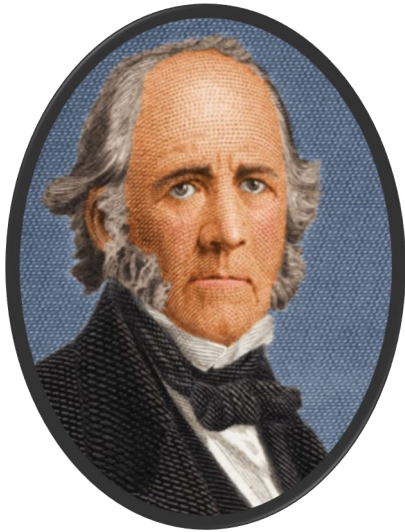


The Allens

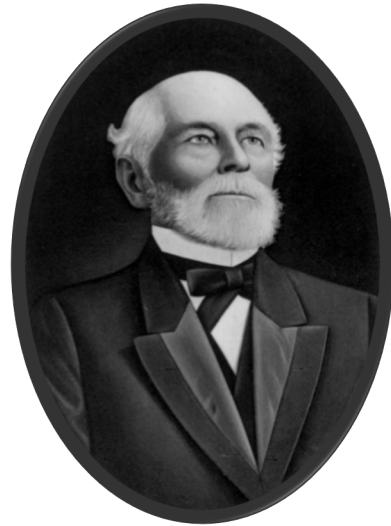


Thomas W. Ward

HOUSTON CHOREOGRAPHY BEGAN



Sam Houston



William Marsh Rice



Jesse Jones



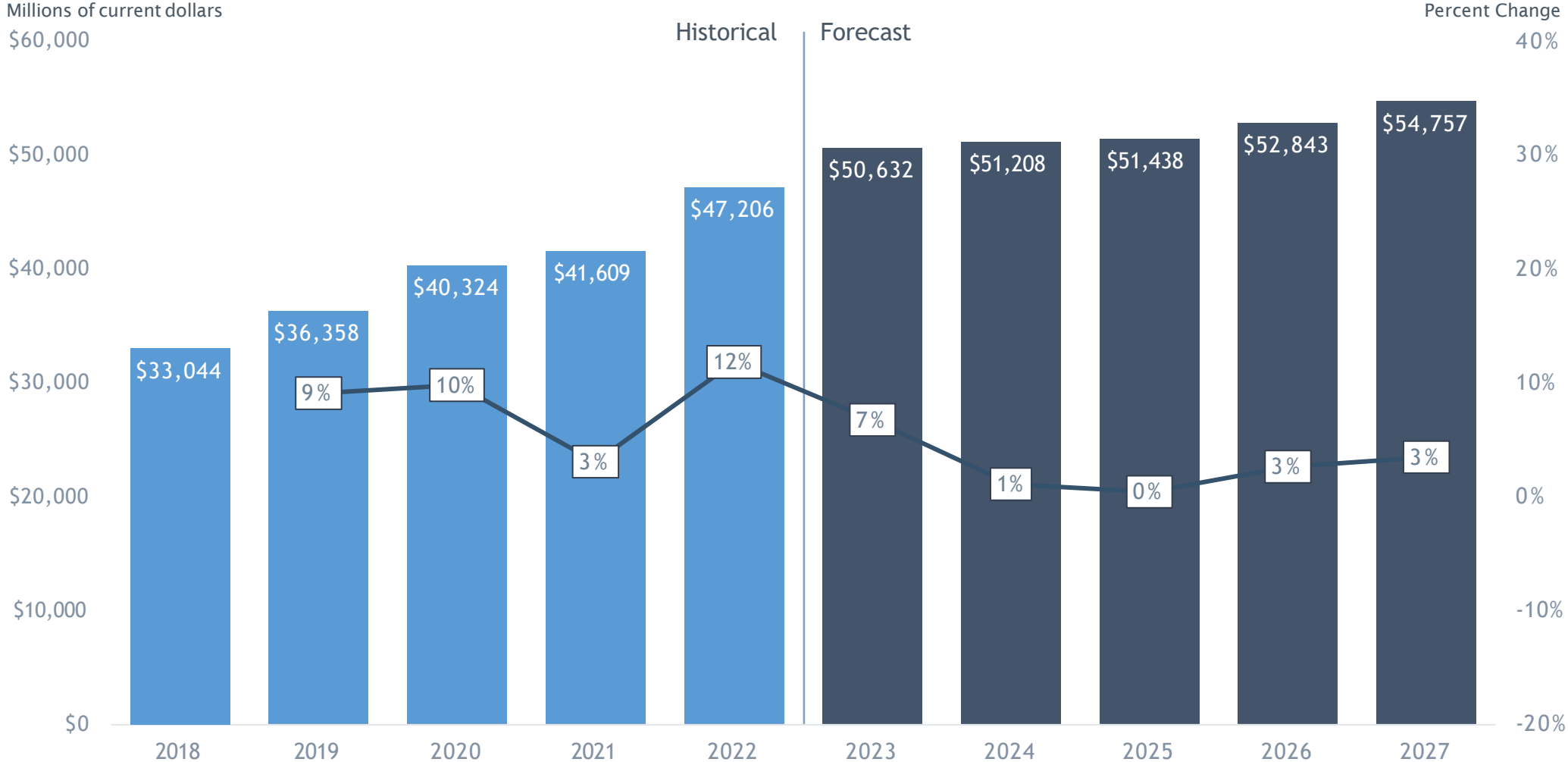
Gerald Hines

Texas | Houston-The Woodlands-Sugarland

Houston's growth will be stable through 2027.

Total construction spending put in place (Houston MSA)

Segments: Single Family, Multifamily, Residential Improvements*, Lodging, Office, Commercial, Health Care, Educational, Religious, Public Safety, Amusement and Recreation, Transportation, Communication, Manufacturing, Power, Highway and Street, Sewage and Waste Disposal, Water Supply, Conservation and Development



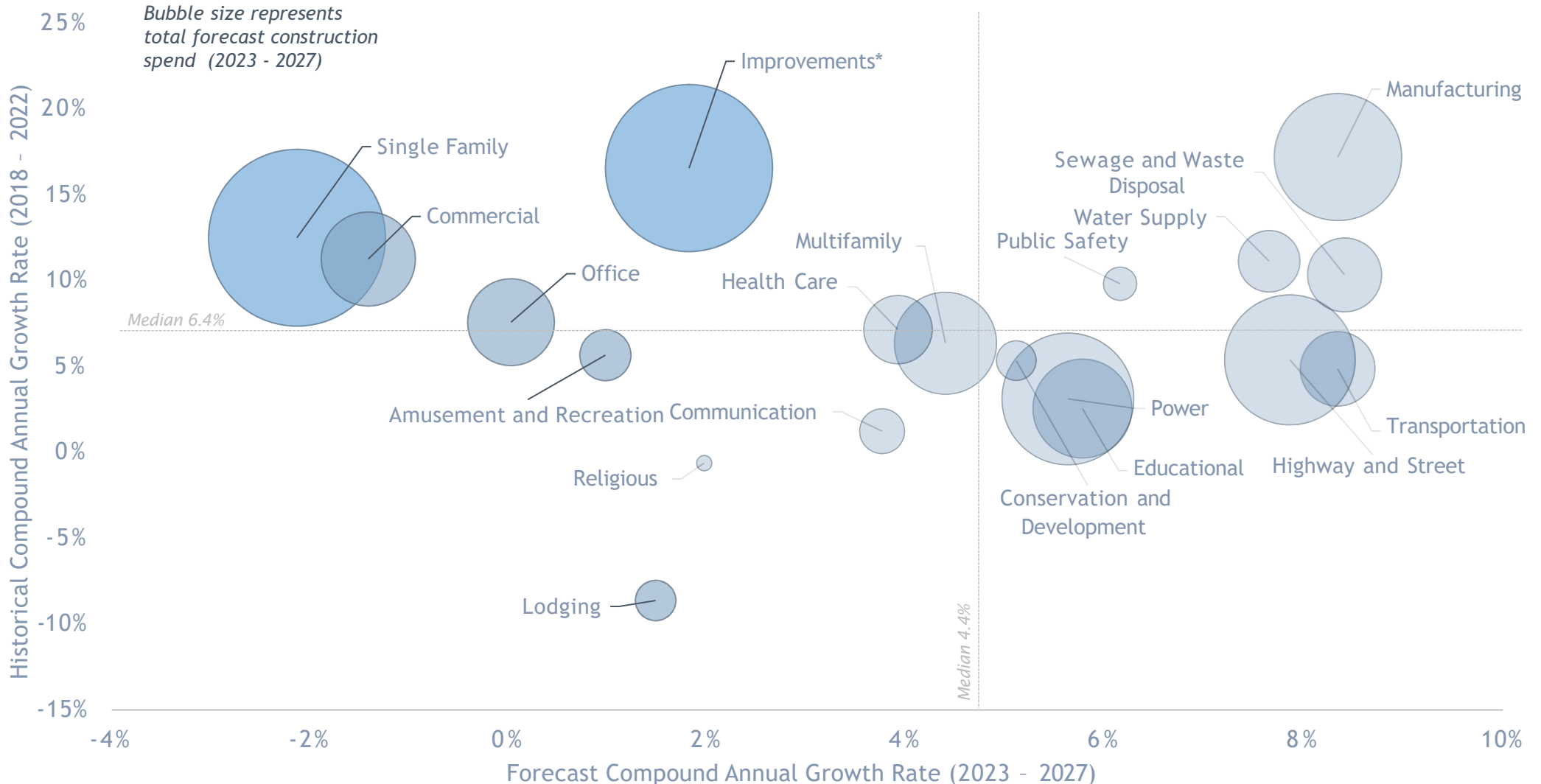
Source: FMI Q4 Model-Driven Forecast

Texas | Houston-The Woodlands-Sugarland

Manufacturing, Sewage and Waste Disposal, and Transportation are projected to be the fastest growing.

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Texas | Houston-The Woodlands-Sugarland

Houston

	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f	2027f	18-22 CAGR	23-27 CAGR
RESIDENTIAL BUILDINGS												
Single Family	6,975	7,461	8,586	10,252	11,174	9,510	8,522	8,776	9,393	10,030	12.5%	-2.1%
Multifamily	1,977	2,281	2,660	2,506	2,531	3,369	3,243	2,908	2,903	3,137	6.4%	4.4%
Improvements*	4,438	4,633	5,917	5,799	8,191	7,915	7,815	8,118	8,516	8,959	16.6%	1.8%
Total Residential	13,390	14,375	17,162	18,556	21,896	20,793	19,581	19,802	20,813	22,126	13.1%	0.2%
NON-RESIDENTIAL BUILDINGS												
Lodging	658	719	641	440	459	541	547	493	474	493	-8.6%	1.5%
Office	1,674	1,964	2,152	2,137	2,242	2,468	2,326	2,114	2,153	2,244	7.6%	0.0%
Commercial	1,810	1,809	1,963	2,171	2,774	3,016	2,769	2,429	2,454	2,583	11.3%	-1.4%
Health Care	914	995	1,054	1,094	1,205	1,308	1,378	1,452	1,477	1,460	7.2%	3.9%
Educational	2,143	2,389	2,445	2,295	2,371	2,631	2,824	2,951	3,042	3,139	2.6%	5.8%
Religious	75	83	78	74	73	78	79	79	79	81	-0.6%	2.0%
Public Safety	194	258	410	301	283	310	332	353	374	381	9.8%	6.1%
Amusement and Recreation	599	678	668	655	746	800	832	821	785	783	5.7%	1.0%
Transportation	1,079	1,175	1,298	1,272	1,305	1,391	1,512	1,676	1,838	1,947	4.9%	8.3%
Communication	536	495	554	527	563	575	594	618	651	677	1.2%	3.8%
Manufacturing	1,546	1,804	1,710	1,968	2,916	4,618	5,306	5,078	4,627	4,352	17.2%	8.3%
Total Nonresidential Buildings	11,228	12,369	12,974	12,933	14,938	17,735	18,500	18,065	17,953	18,141	7.4%	4.0%
NON-BUILDING STRUCTURES												
Power	3,744	4,525	4,661	4,637	4,235	4,716	4,997	5,129	5,376	5,566	3.1%	5.6%
Highway and Street	3,026	3,267	3,479	3,390	3,733	4,425	4,880	5,095	5,300	5,449	5.4%	7.9%
Sewage and Waste Disposal	802	892	998	1,053	1,189	1,462	1,614	1,673	1,717	1,780	10.3%	8.4%
Water Supply	553	587	699	734	843	1,043	1,130	1,165	1,194	1,219	11.1%	7.6%
Conservation and Development	302	344	350	307	372	457	505	509	488	477	5.4%	5.1%
Total Nonbuilding Structures	8,426	9,615	10,187	10,121	10,372	12,104	13,127	13,571	14,077	14,490	5.3%	6.9%
Total Put in Place	33,044	36,358	40,324	41,609	47,206	50,632	51,208	51,438	52,843	54,757	9.3%	3.0%

Source: FMI Q4 Model-Driven Forecast
All values are in millions of US dollars.

Perryman Group | Gross Area Product Forecast

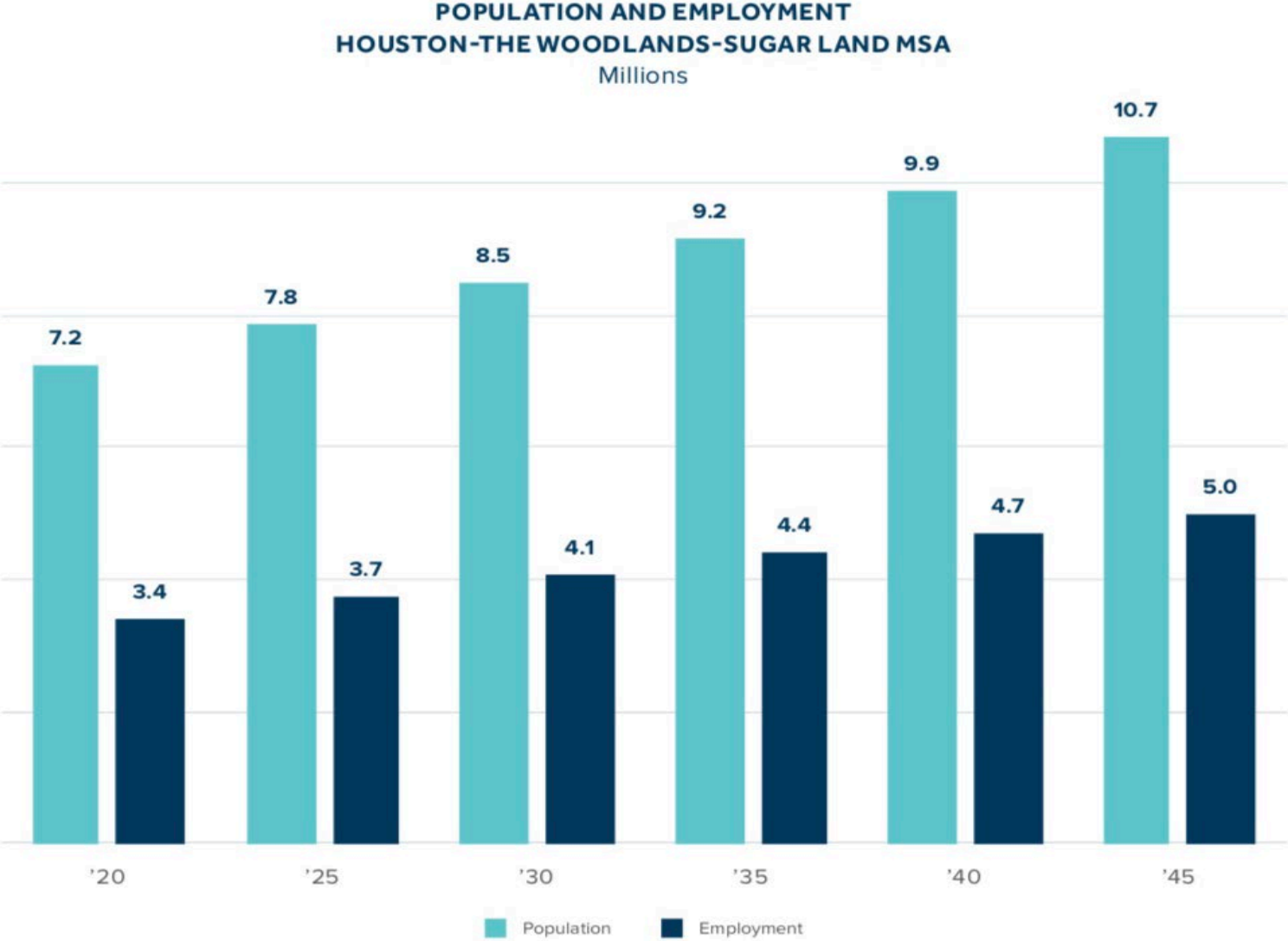
The Perryman Group forecasts sustained economic growth for the Houston metro over the next quarter century.



Source: The Perryman Group

Perryman Group | Population & Employment Forecast

The Perryman Group forecasts Houston's population to reach 10.7 million and employment to grow to 5.0 million by '45.



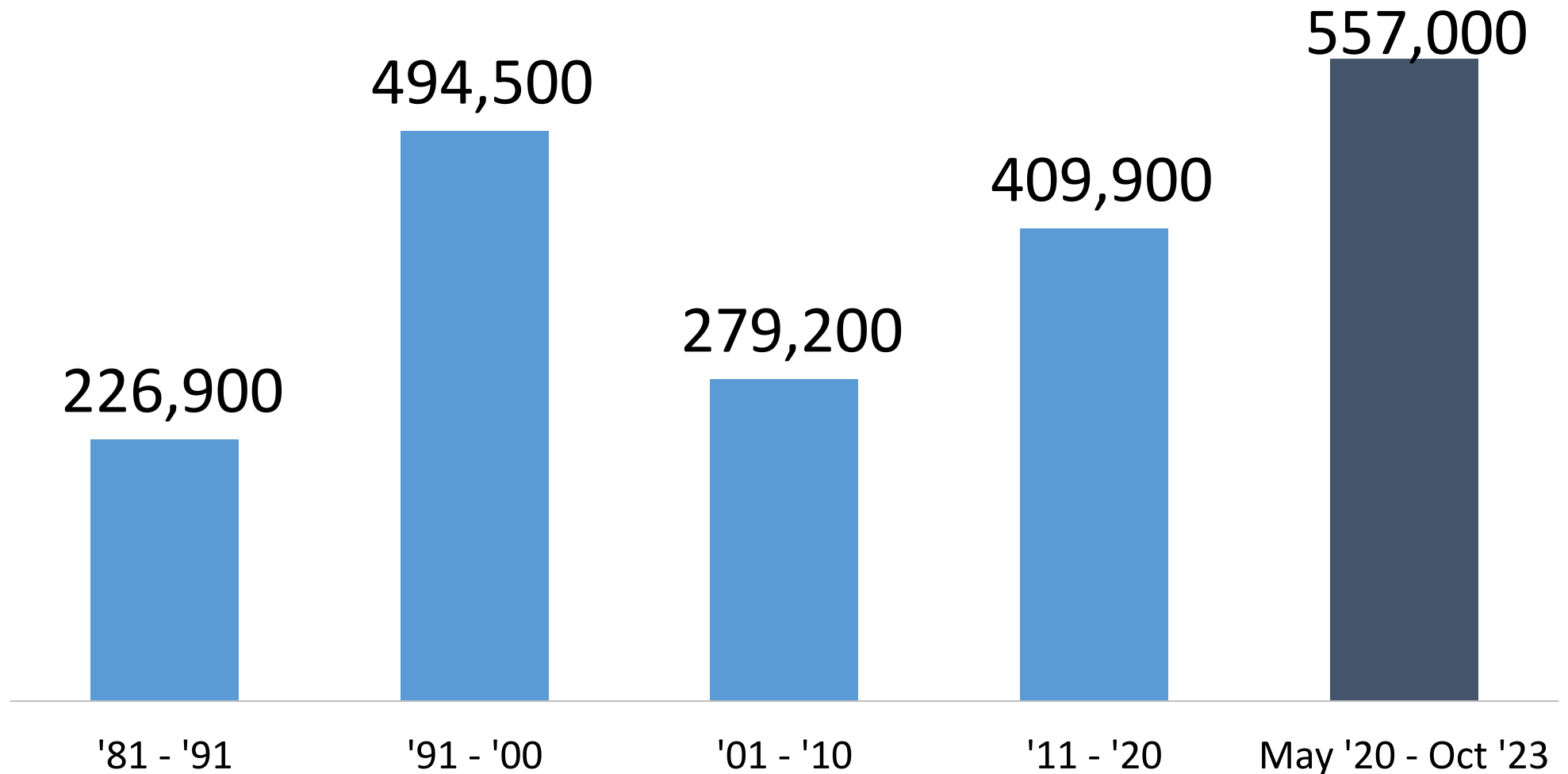
Source: The Perryman Group

557,000

Job Growth

May '20 – Oct. '23

TWC | Metro Houston Job Growth



Source: Texas Workforce Commission

TWC | Job Growth Since Re-Opening*

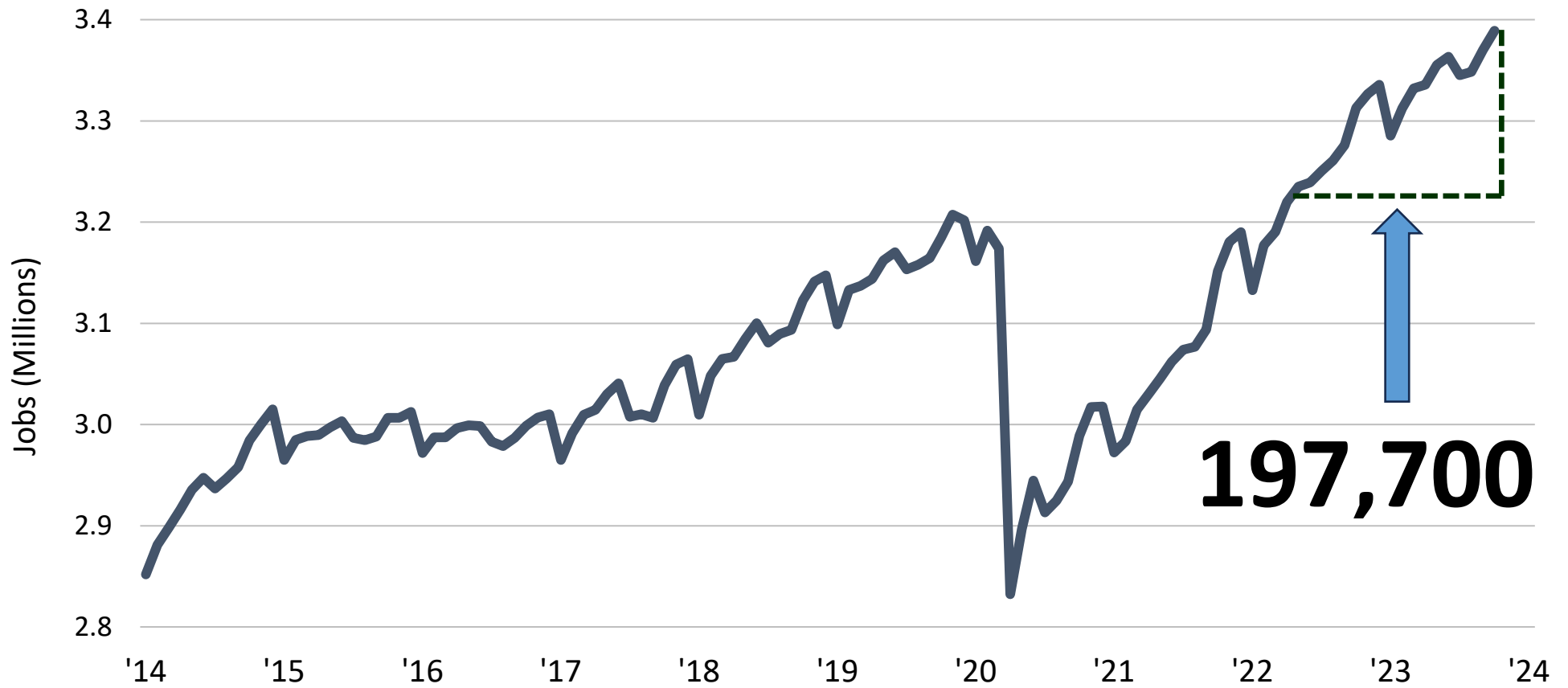
- ✓ Restaurants & Bars
- ✓ Health Care
- ✓ Retail
- ✓ Administrative Services
- ✓ Business Services
- ✓ Transportation, Warehousing
- ✓ Other Services
- ✓ Arts, Recreation
- ✓ Public Education
- ✓ Private Education
- ✓ Real Estate, Equip Leasing
- ✓ Manufacturing
- ✓ Government
- ✓ Accommodation
- ✓ Information
- ✓ Construction
- ✓ Utilities
- ✗ Energy

* Listed in order of jobs gains since May '20

GHP | Since May 2020

Single-Family Homes Sold (MLS)	345,535
Container Traffic (Loaded TEUs)	9.9 M
New Vehicle Sales	1.0 M
Industrial Construction (sq. ft.)	95.0 M
Exports (OM Series)	\$467.6 B

TWC | Metro Houston Employment*



197,700

* Not seasonally adjusted

Source: Texas Workforce Commission

**\$6.4
Trillion**



Coronavirus Aid, Relief, and Economic Security Act (CARES)



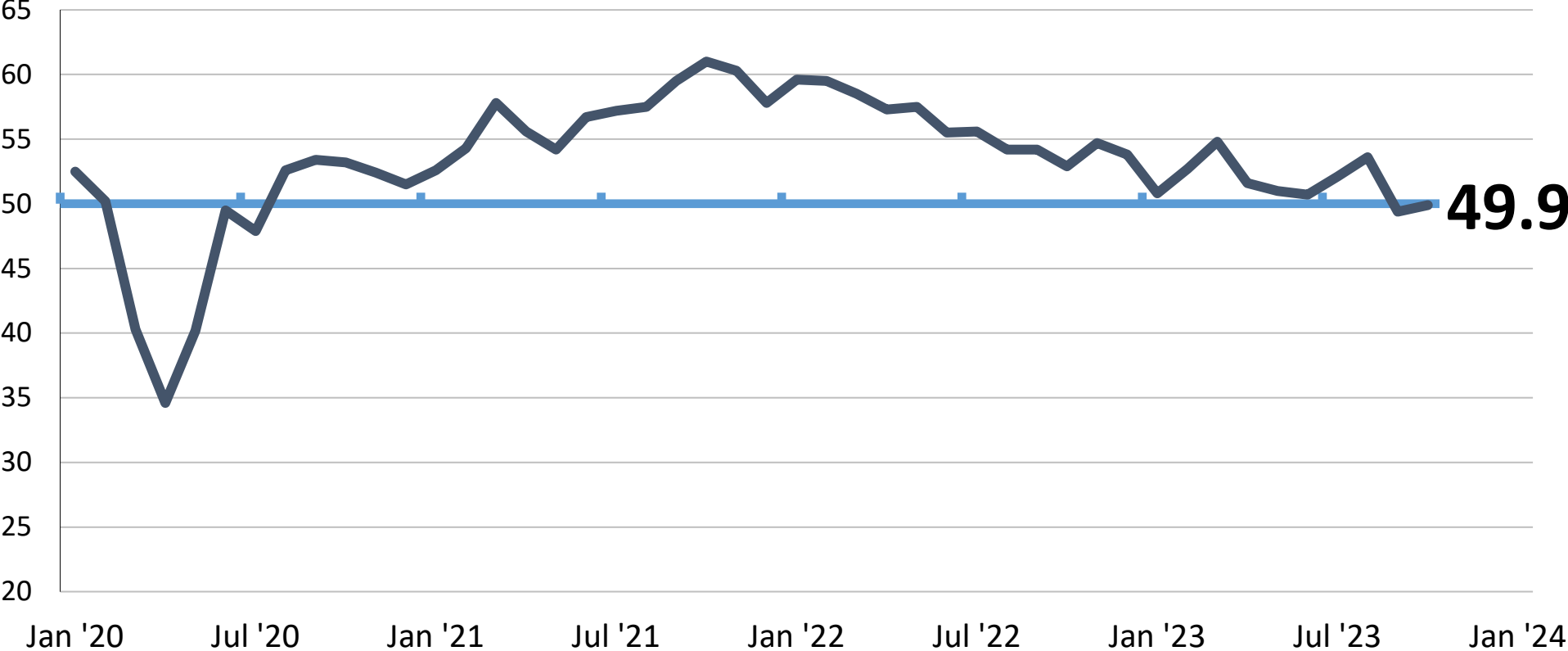
Coronavirus Response and Consolidated Appropriations Act



American Rescue Plan

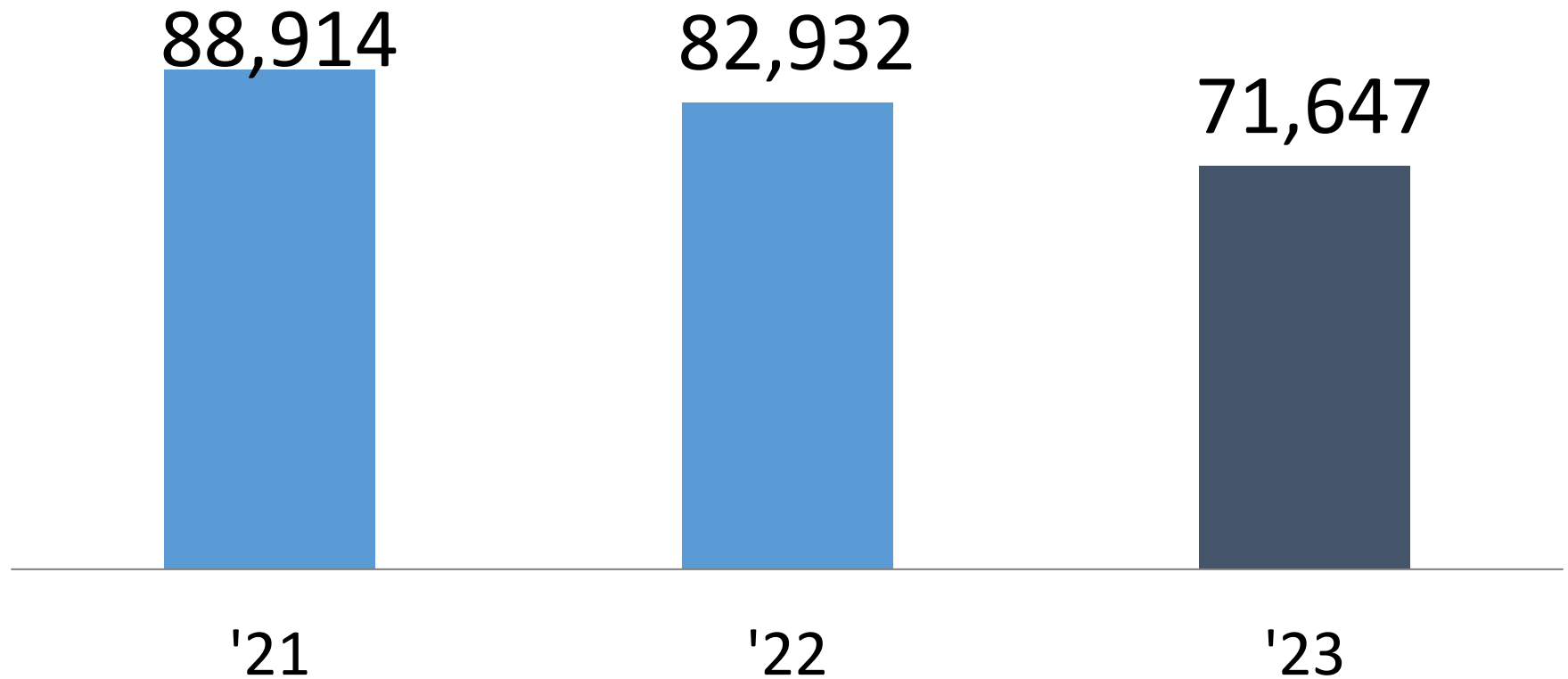
IFSM | Houston Purchasing Managers Index

> 50 = Expansion < 50 = Contraction



Source: Institute for Supply Management - Houston

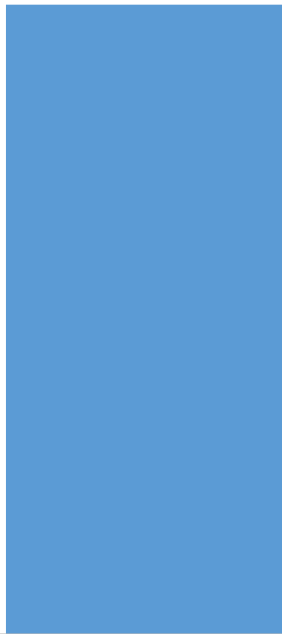
HAR | Single-Family Home Sales, Oct. '23 YTD



Source: Houston Association of Realtors

TWC | Metro Houston Job Growth, Oct. '23 YTD

133,600



'21

122,800



'22

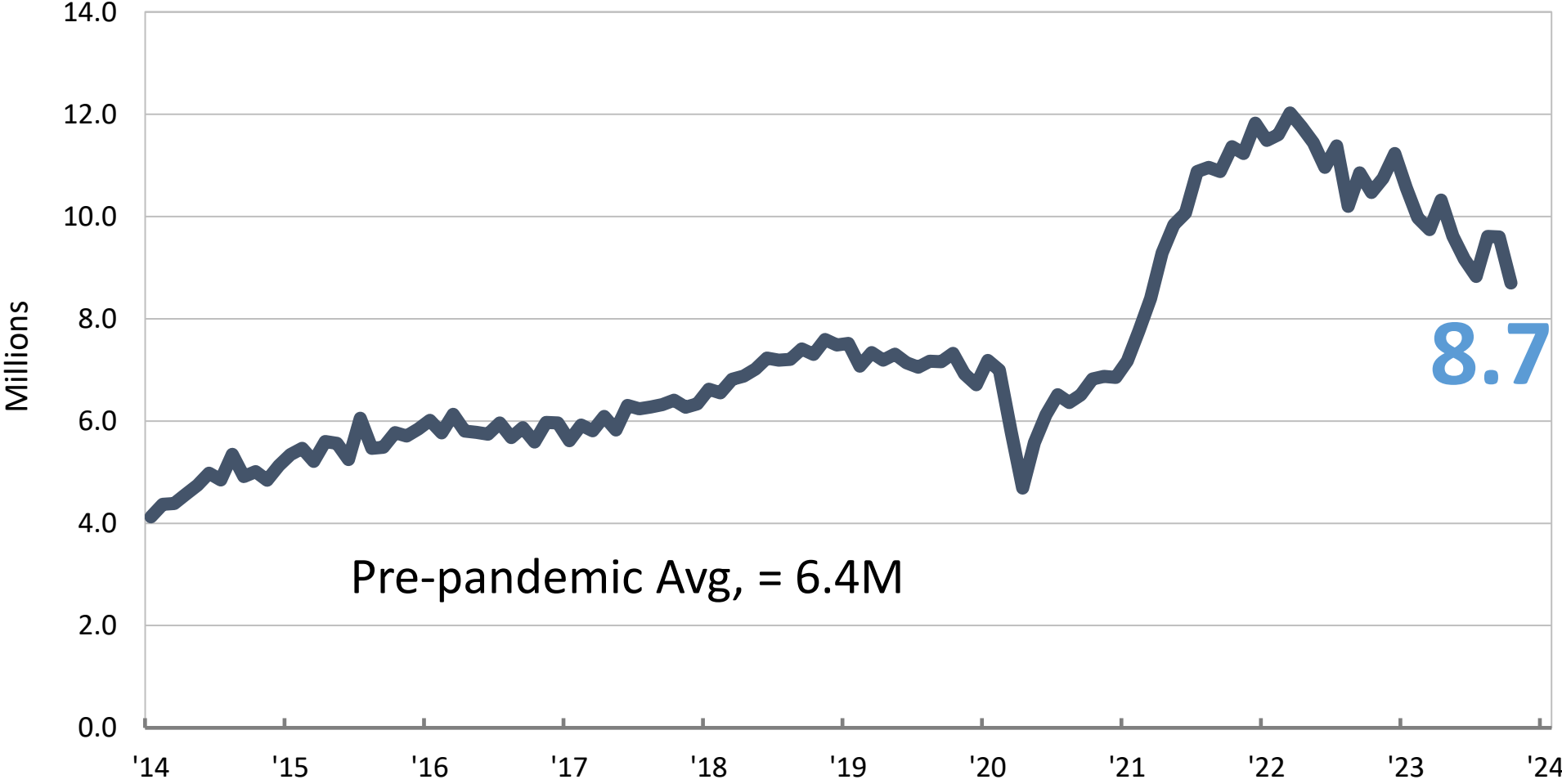
53,700



'23

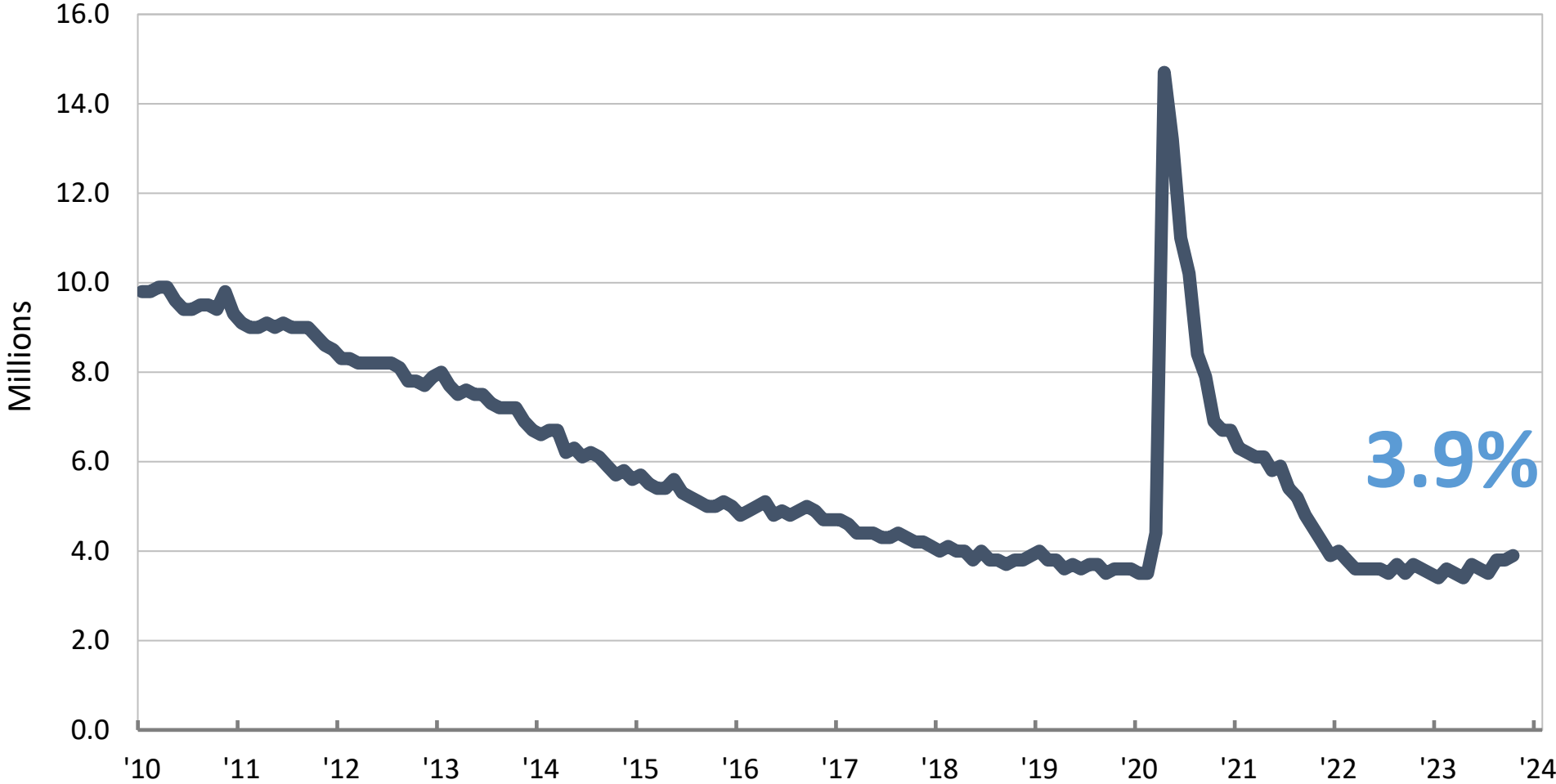
Source: Texas Workforce Commission

BLS | U.S. Job Openings



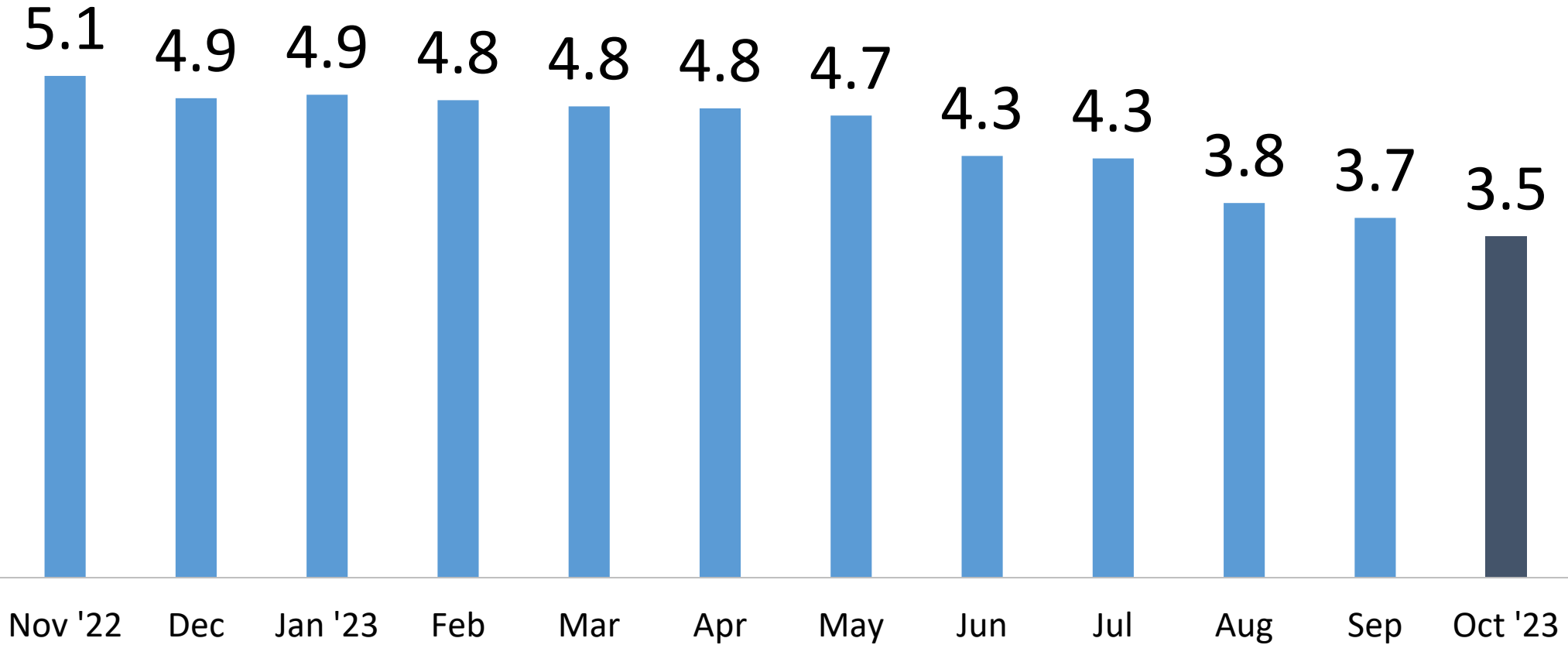
Source: U.S. Bureau of Labor Statistics

BLS | U.S. Unemployment Rate



Source: U.S. Bureau of Labor Statistics

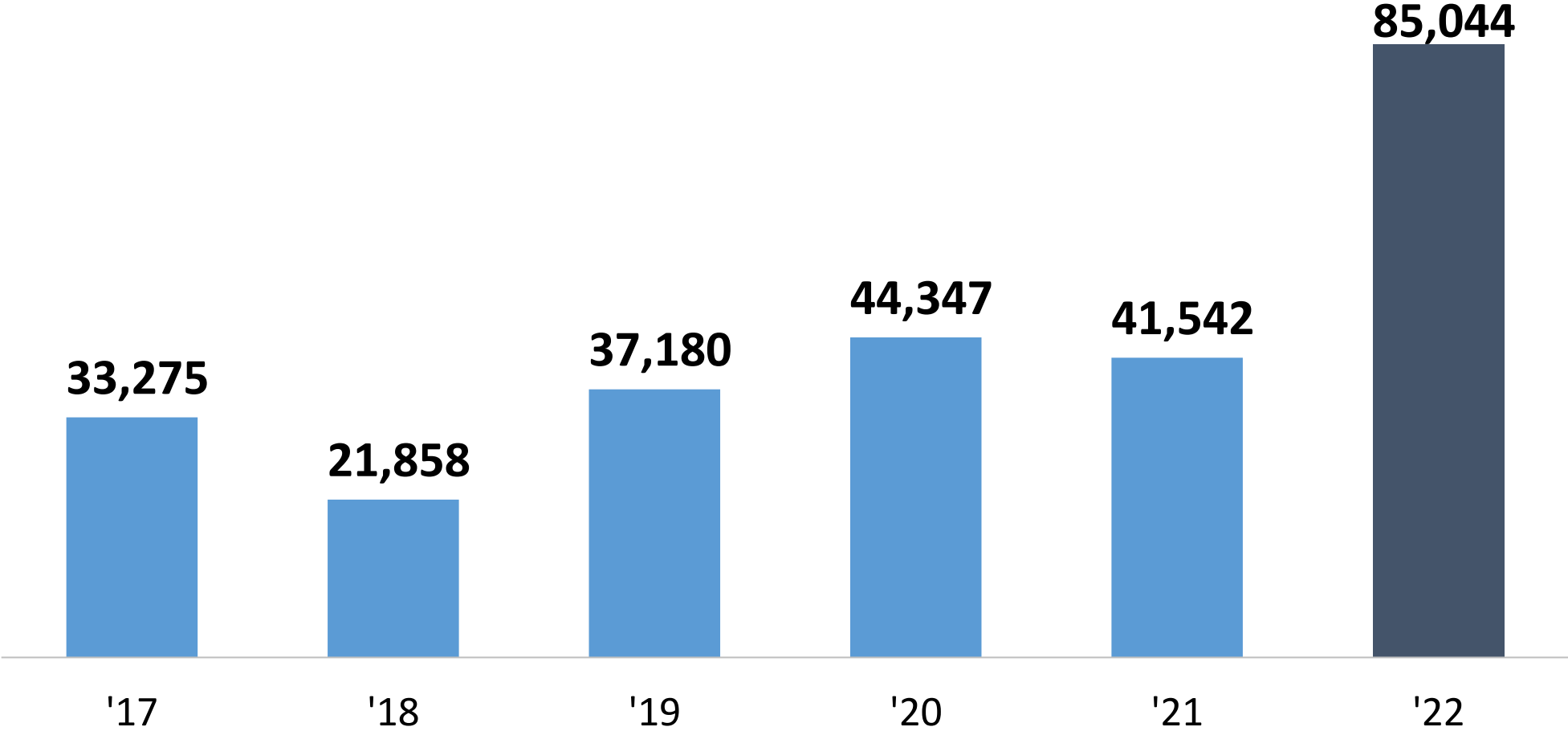
BEA | Core PCE Inflation, Annual Rate - %



Source: U.S. Bureau of Economic Analysis

**What will drive
growth in Houston
this year?**

Census Bureau | Metro Houston Net Immigration*



Source: U.S. Census Bureau

* not a typo

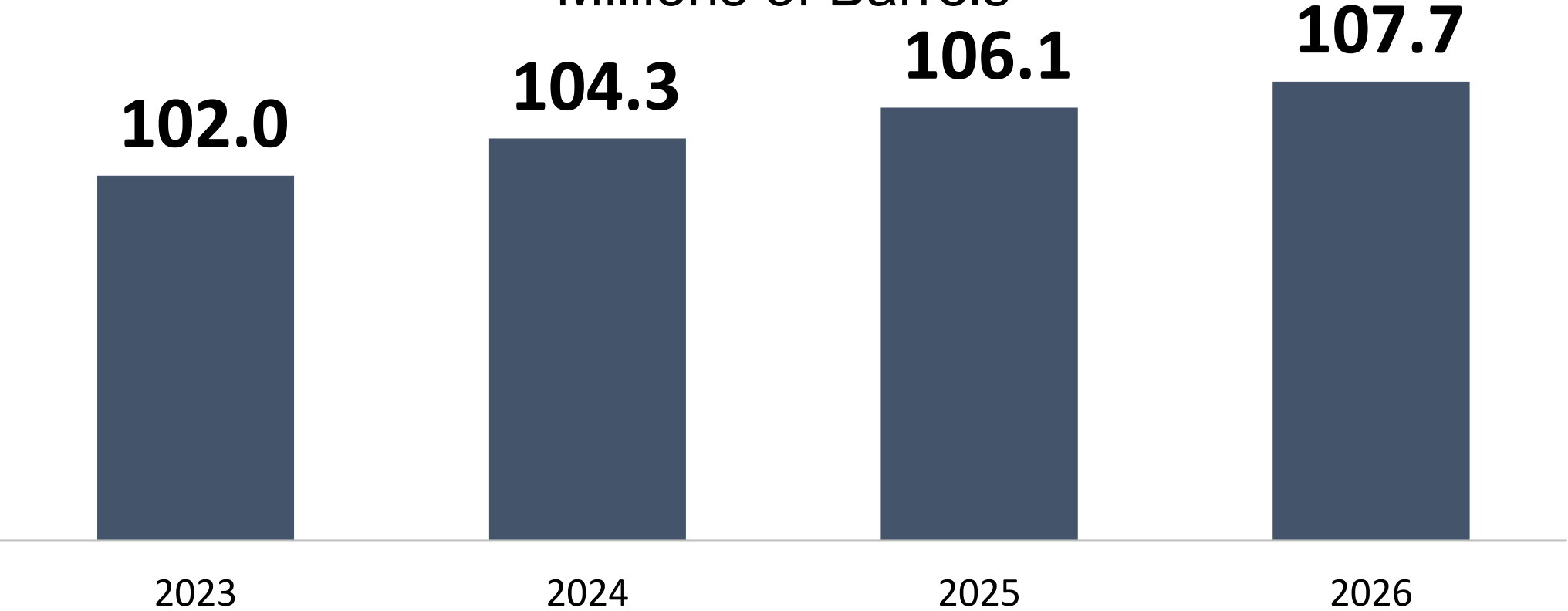
What will drive growth in Houston?



Arts, Entertainment
Education
Health Care
Restaurants & Bars
Retail

OPEC | Average Daily Global Crude Consumption

Millions of Barrels



Source: OPEC

	'22	'23	'24
Brent Crude (dollars per barrel)	100.94	83.99	93.24
U.S. Production (million barrels per day)	11.91	12.90	13.15



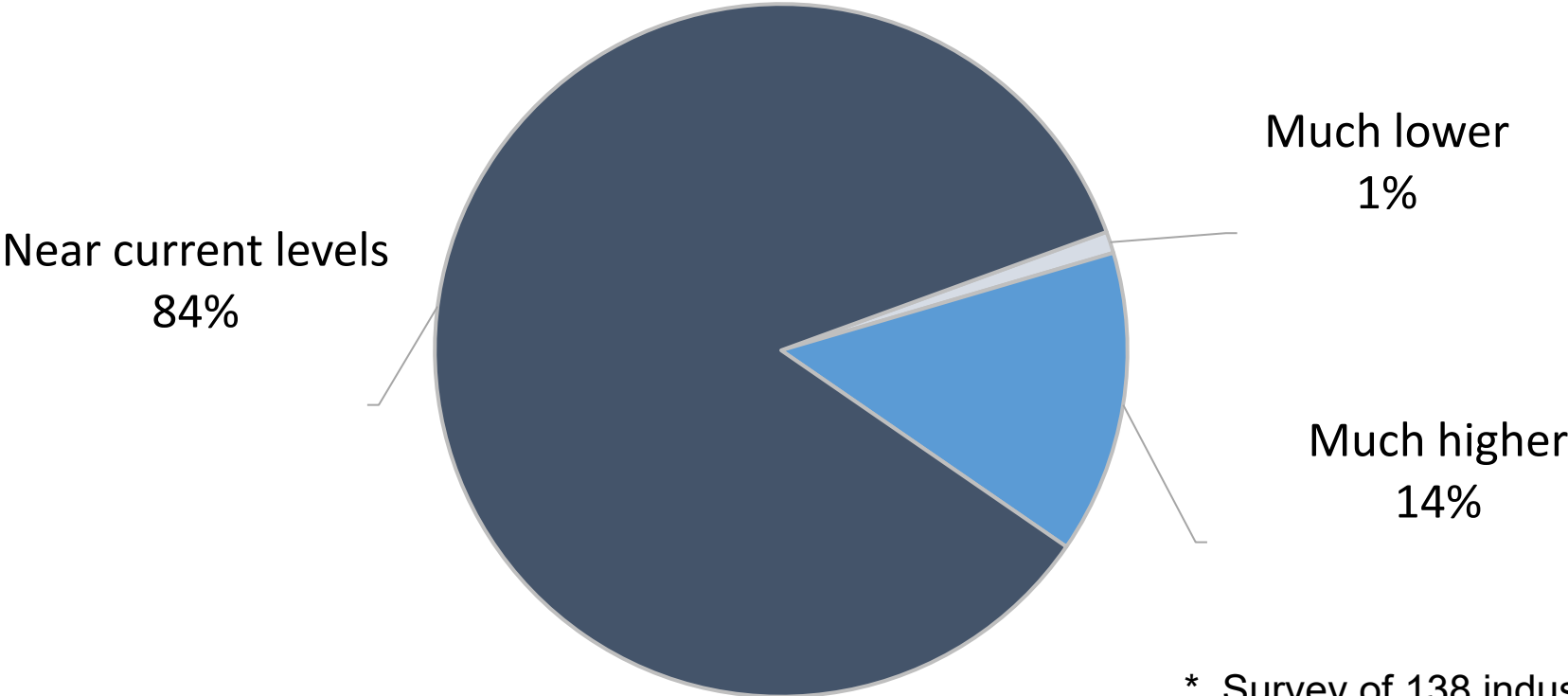
What will drive growth in Houston?



Energy

Professional
Services

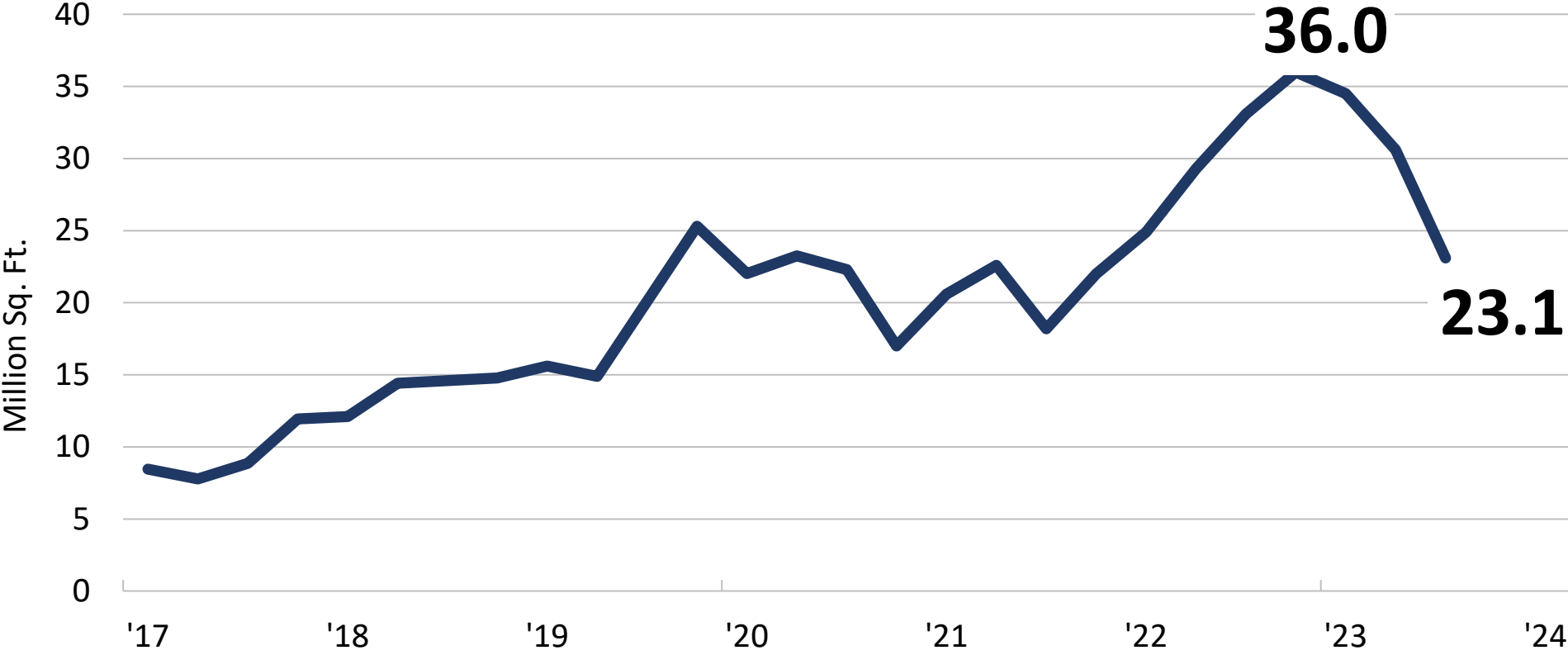
Where do you expect the U.S. rig count to be in six months?



* Survey of 138 industry

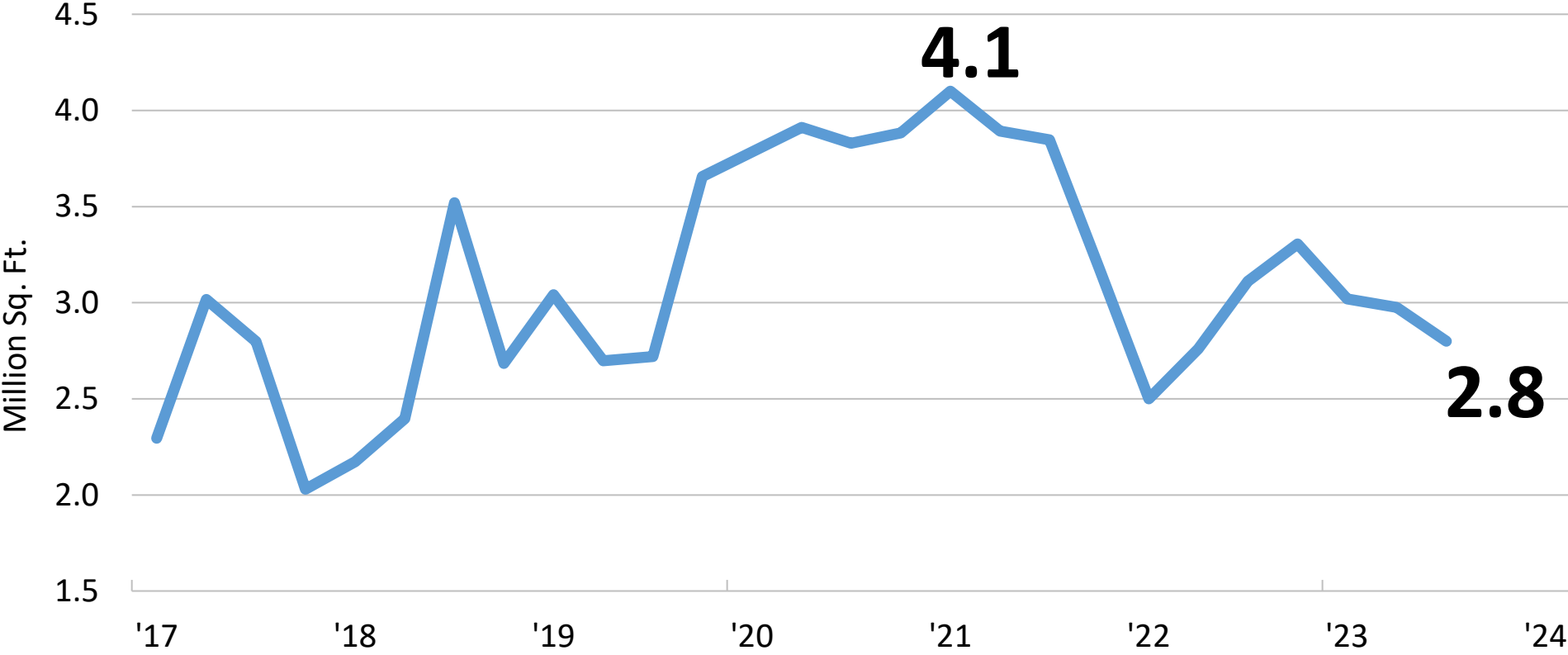
Source: Federal Reserve Bank of Dallas .

CoStar | Industrial Construction, Metro Houston



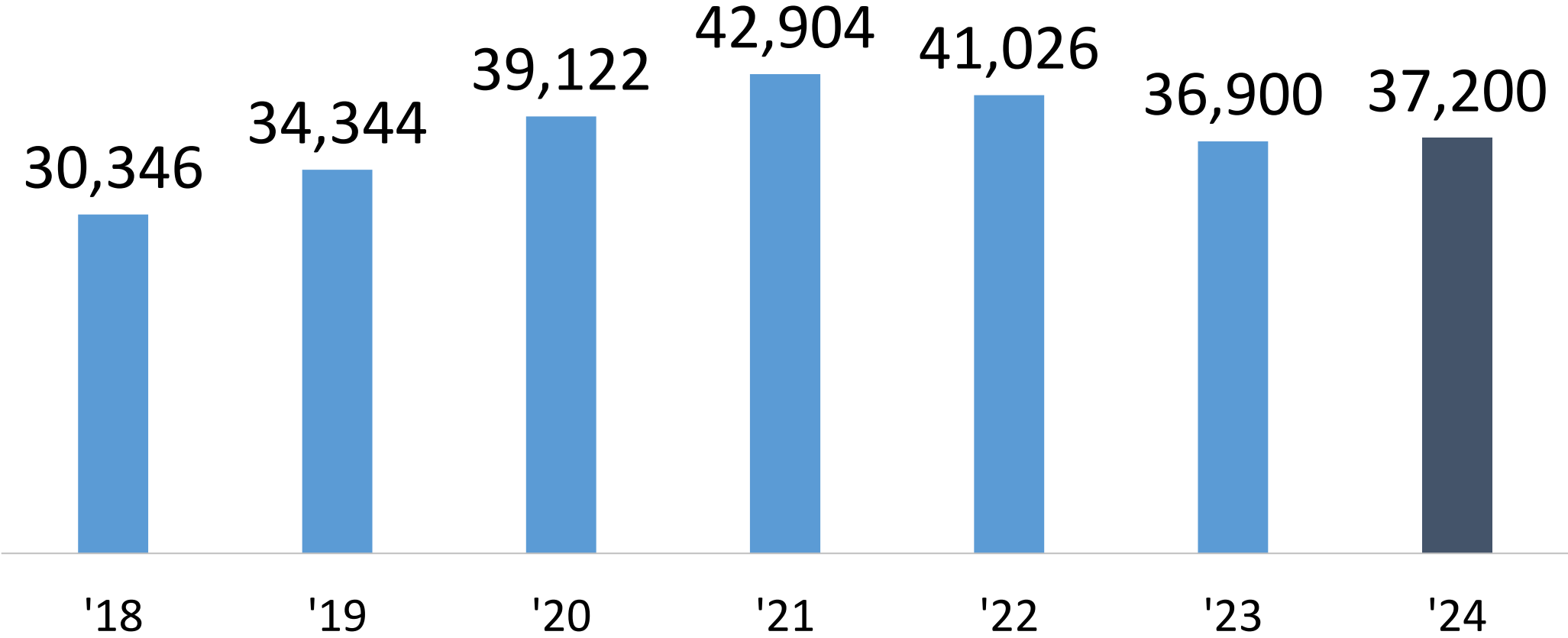
Source: CoStar

CoStar | Office Construction, Metro Houston



Source: CoStar

Real Estate | New Home Construction, Metro Houston



Source: John Burns Real Estate Consulting

What will drive growth in Houston?

Administrative Services
Arts, Entertainment, Rec
Energy
Government
Health Care
Hotels
Manufacturing
Other Services
Private Education

Hotels
Manufacturing
Other Services
Private Education
Professional Services
Restaurants & Bars
Retail
Transportation
Wholesale Trade

✓ **Growth in 2024**

What will **NOT** drive growth in Houston?

Construction
Finance & Insurance
Information
Real Estate

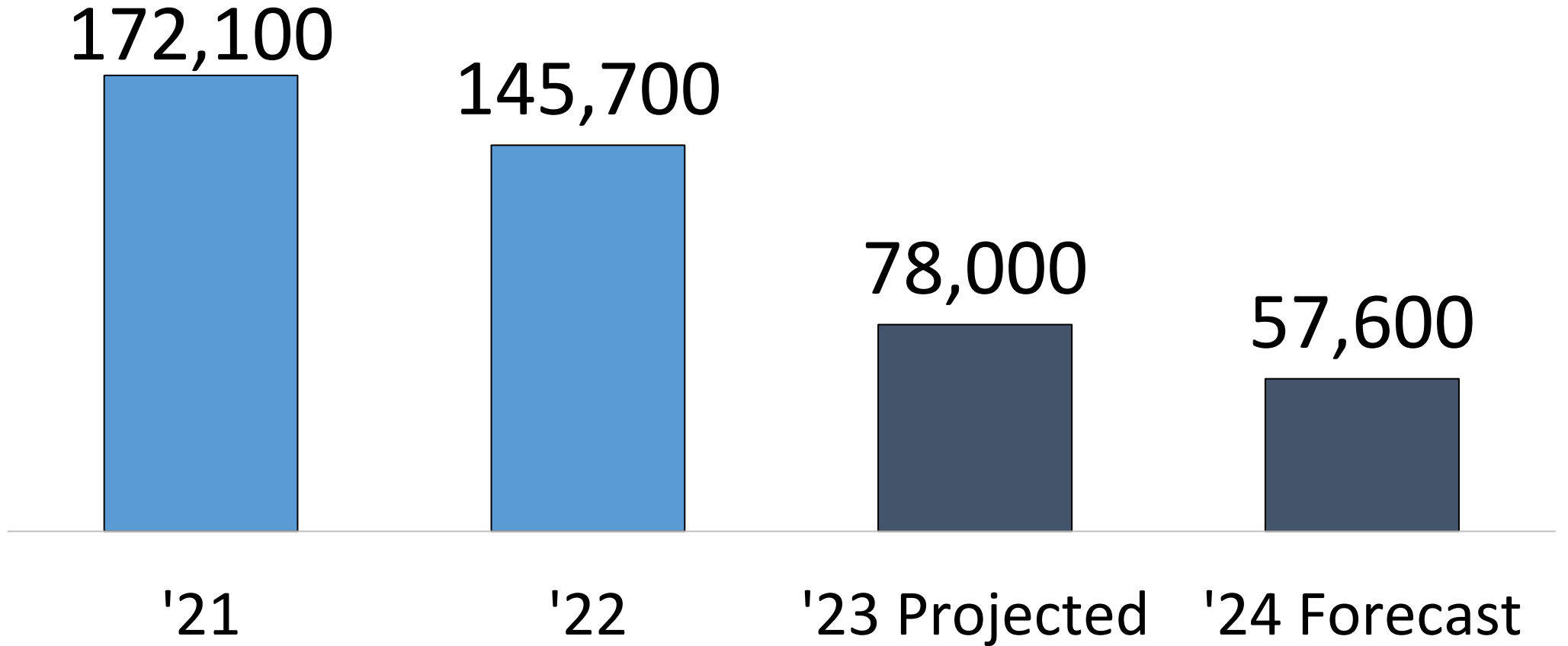
 **No Growth in 2024**

57,600

Projected

Job Growth in 2024

TWC/GHP | Metro Houston Job Growth



Source: Texas Workforce Commission & Partnership Research

List of Challenges and Issues 2024



Offsite Build / Onsite Install

Real Savings

- Time / Cost

Productivity

Taking Many Forms

- Traditional Specialty Contractors Building Additional Facilities

Tech. Based & Funded Start Ups

- ~~Katerra~~ – 3.7 Billion Back log;
Prescient – Full-Stack Modular
- Skender - Struggling
- MiTek – Buffet Company

Modular Applications

- Apartments/ Hotels/ Hospitals





“You might give serious thought to thanking your lucky stars, you live in Texas.”
– Jim Goode, Restaurateur

MCA Houston Members, **THANK YOU!**

PATRICK J. KILEY

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