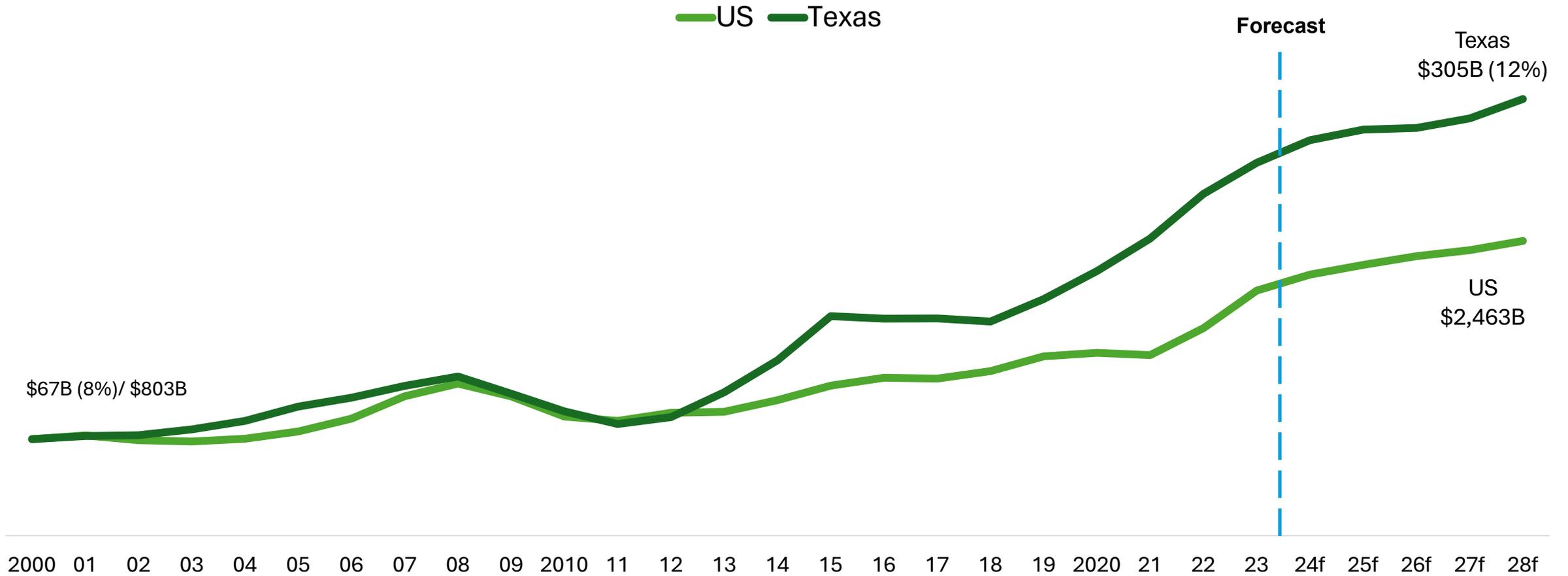


# Honoring The Past Looking To The Future

# ECONOMIC AND CONSTRUCTION INVESTMENT OUTLOOK FOR TEXAS

# TEXAS OUTPACES THE US

Total Construction Spending Put in Place (Growth) – US vs Texas Comparison



# SEGMENT BREAKDOWN

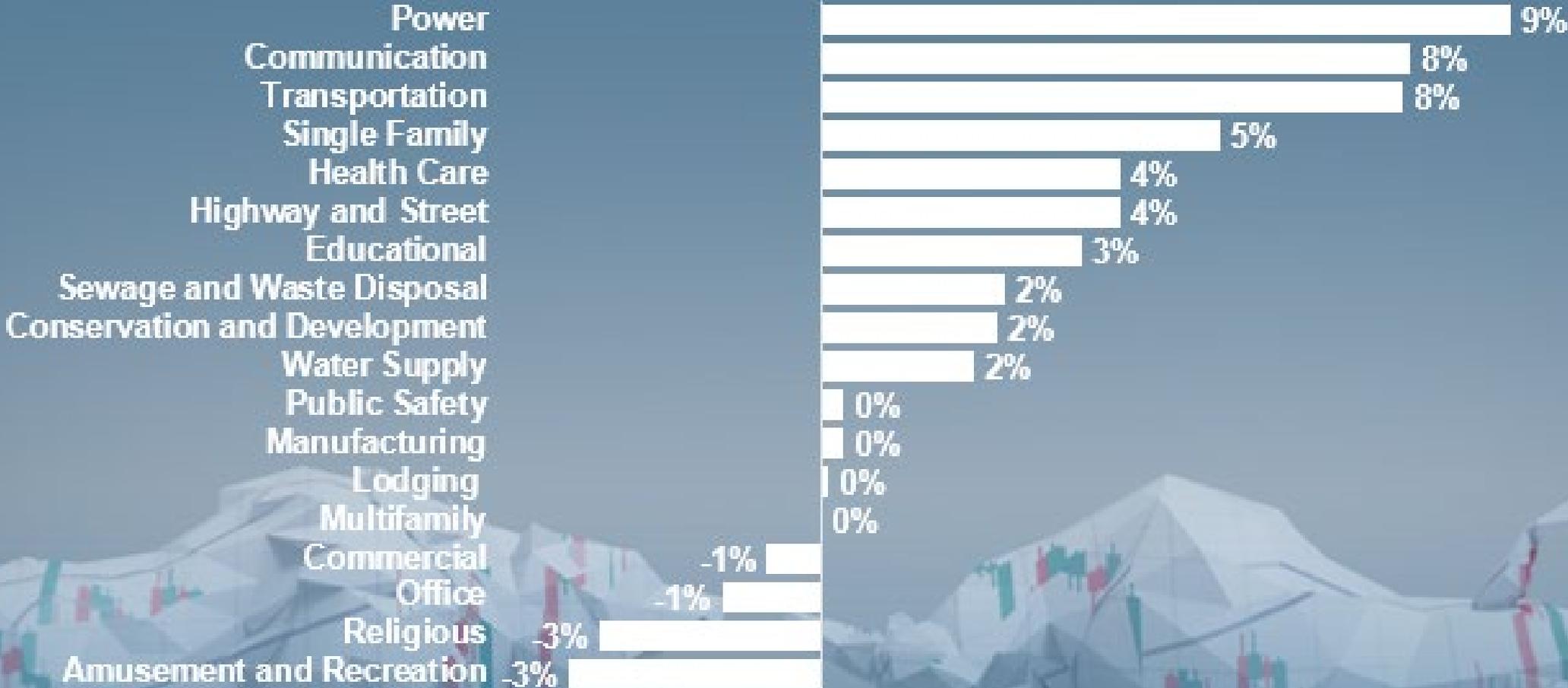
## Forecast Segment Key

NON-BUILDING STRUCTURES	NONRESIDENTIAL BUILDINGS			RESIDENTIAL BUILDINGS
Heavy Civil	Industrial	Institutional	Commercial	Residential
Power	Manufacturing	Health Care	Lodging	Single Family
Highway & Street		Educational	Office	Multifamily
Sewage & Waste Disposal		Religious	Commercial	Improvements*
Water Supply		Public Safety	Amusement & Recreation	
Conservation & Development		Transportation		

*In order to find the most precise and accurate market sizing for Texas, FMI used its forecasting model that is built on both primary and secondary research. FMI regularly conducts a broad literature scan of company annual reports and filings, government statistics through entities such as the Census Bureau and others, and reviews of trade publications. FMI also utilizes prior-industry research and proprietary databases.*

*The included forecast is model driven and considered highly accurate for broad market size and direction comparisons. The model driven forecast may not account for select trend disrupting megaprojects or other select localized events isolated from macro-economic trends. FMI's forecast is of put-in-place construction, and not of construction starts, and so may vary slightly from other sources due to timing effects.*

# THE BULLS & BEARS OF TEXAS



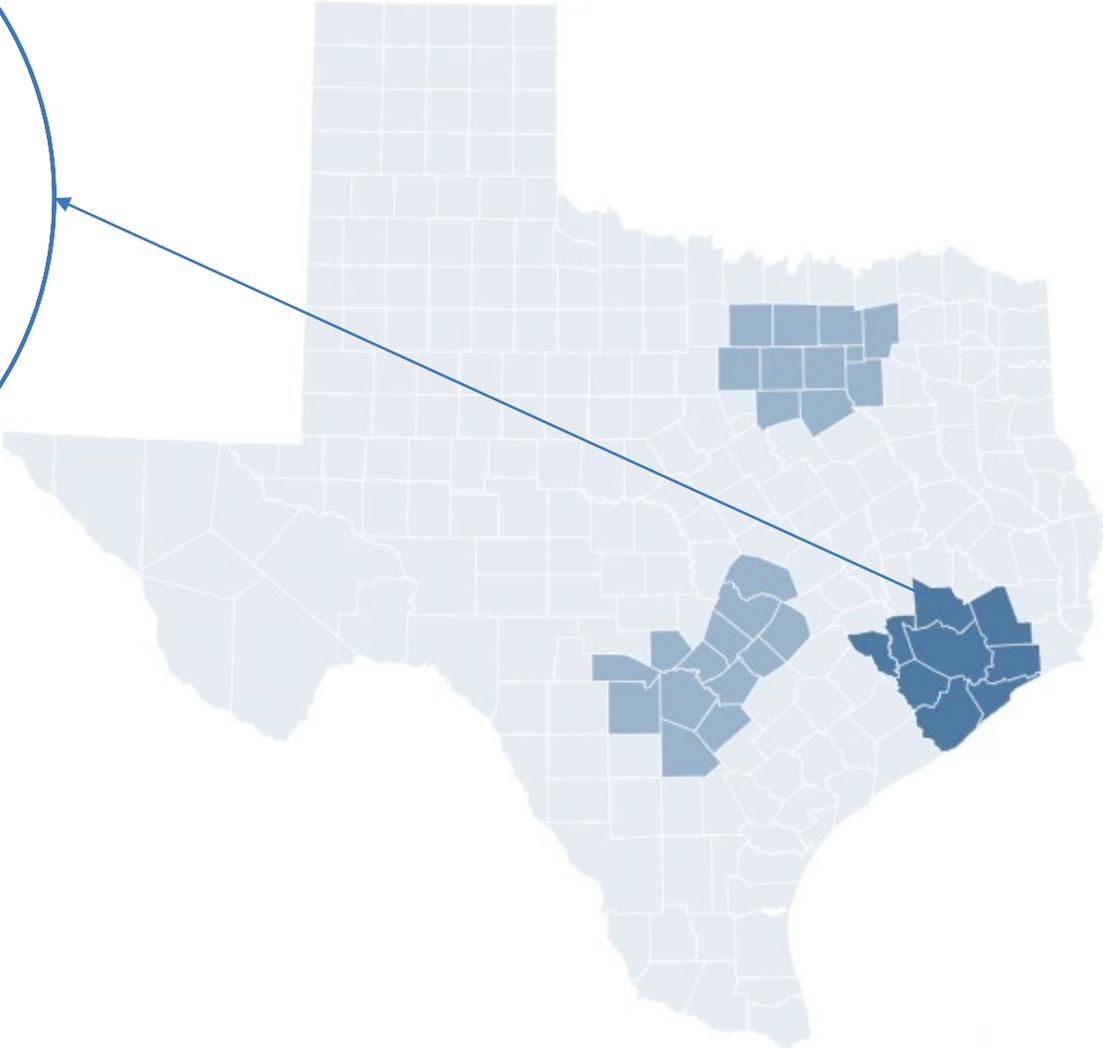
SOURCE: TEXAS FORECAST 2024–2028 Forecast Growth/Contraction (CAGR)





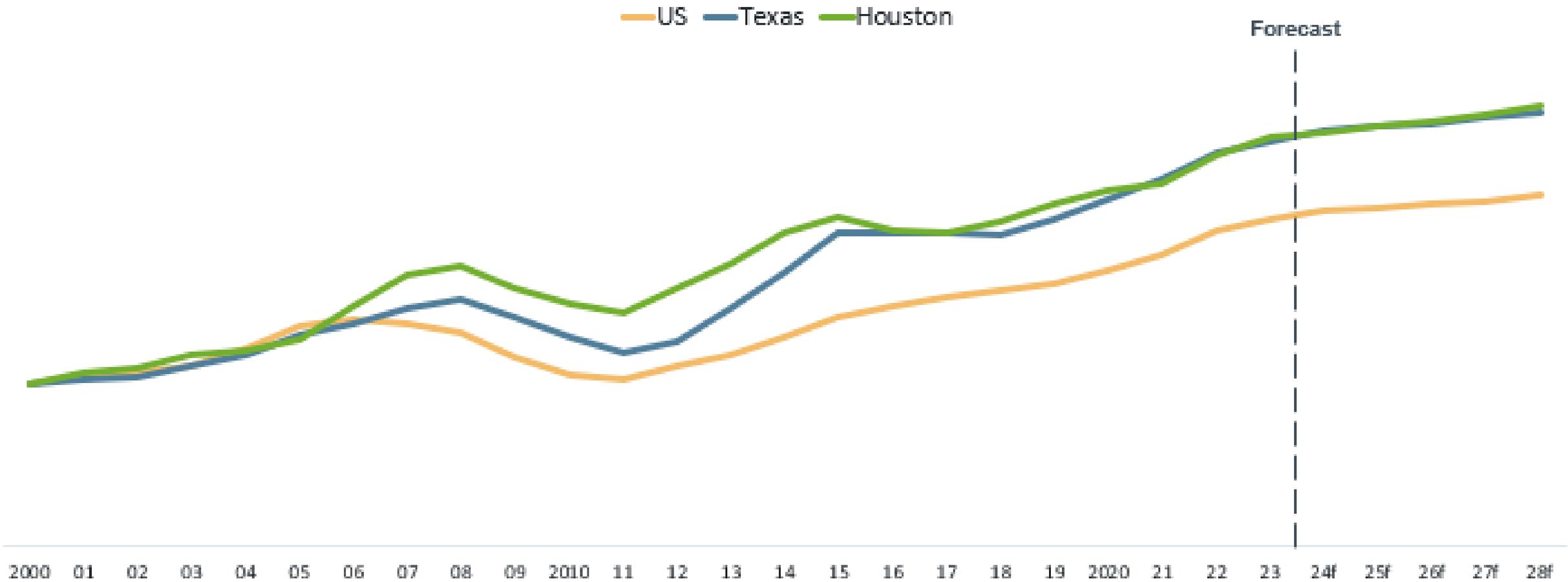
Consulting

# Houston, Texas

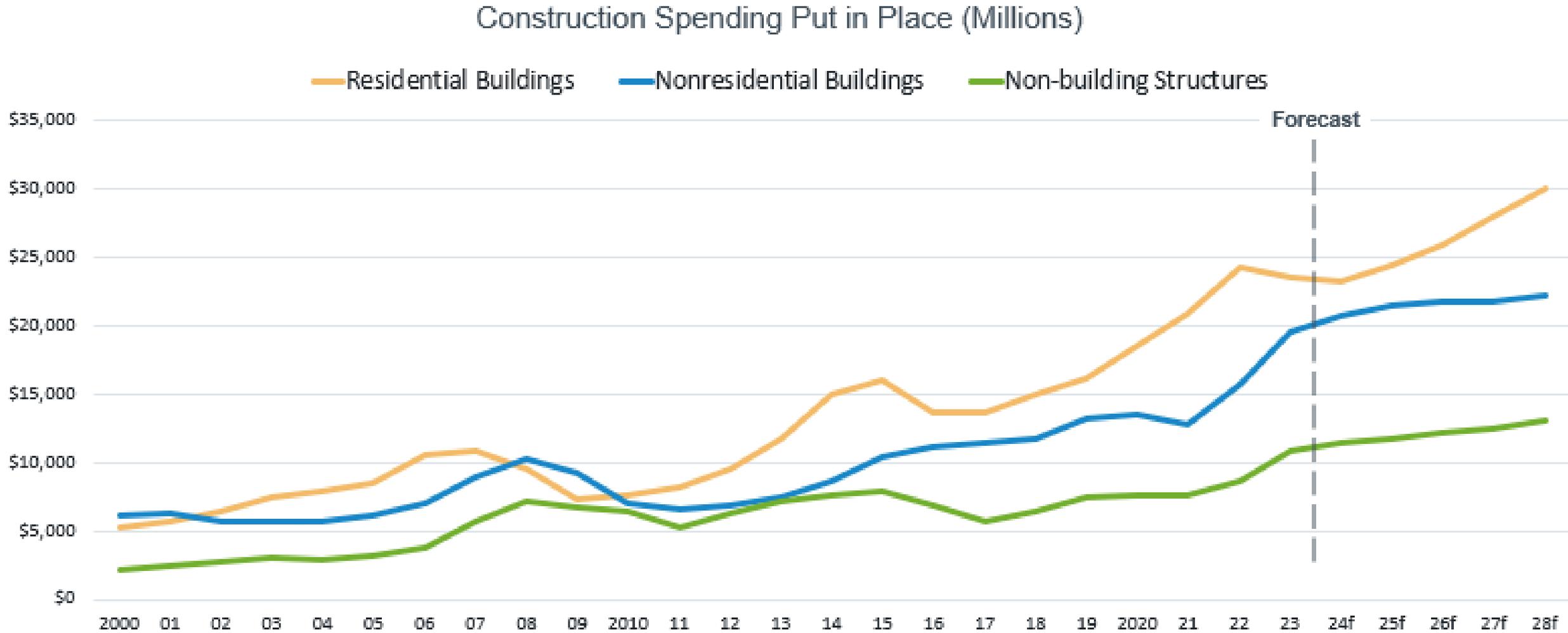


# HOUSTON COMPARED TO THE US AND TEXAS

Total Construction Spending Put in Place (Growth) – US vs Texas vs Houston



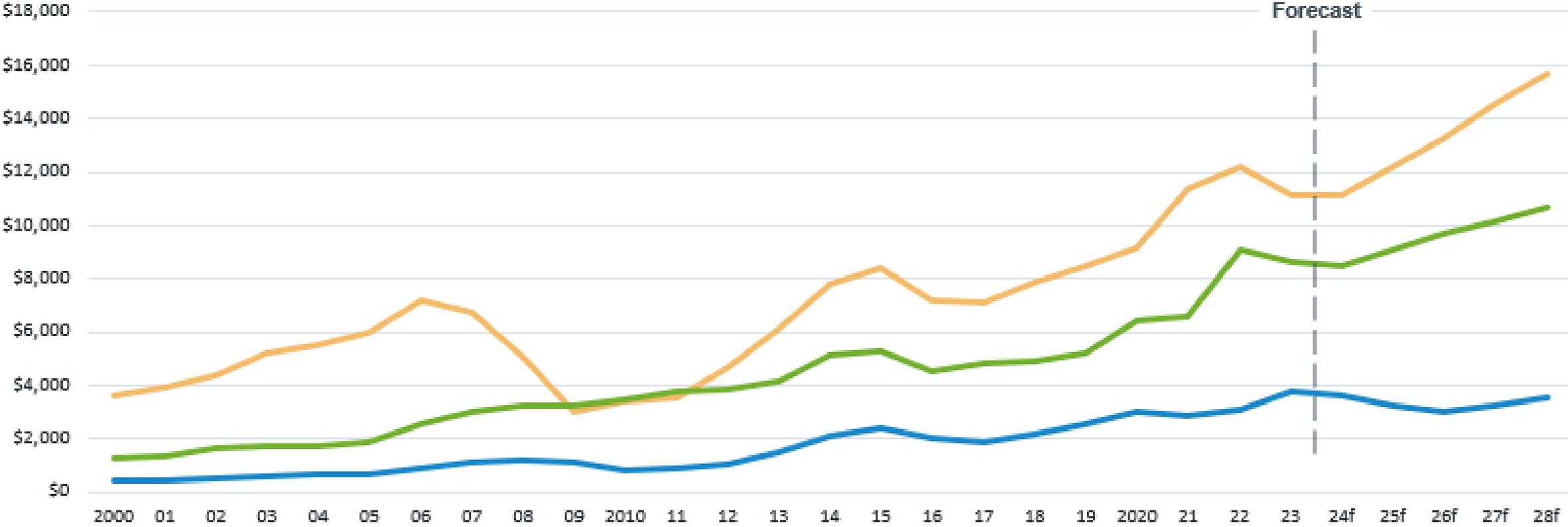
# HOUSTON: CONSTRUCTION SPENDING PUT IN PLACE



# HOUSTON: RESIDENTIAL

Residential Construction Spending Put in Place (Millions)

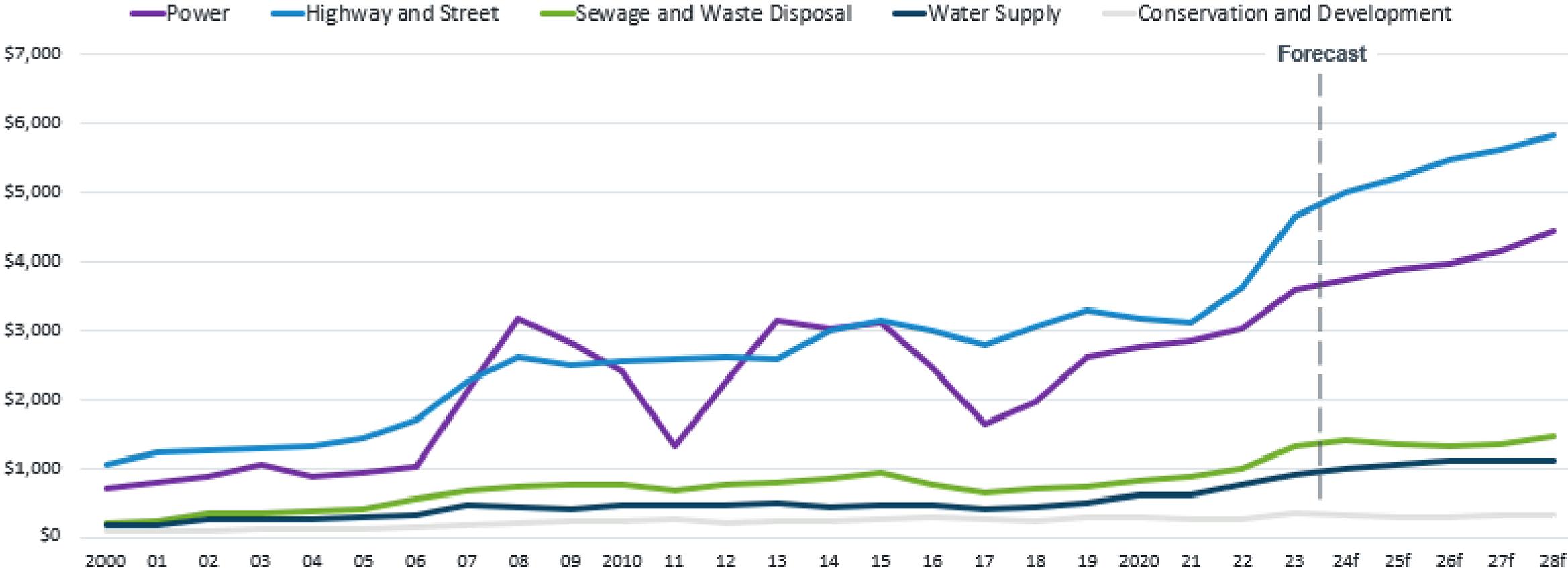
Single Family Multifamily Improvements\*



SOURCE: FMI Q4 2024 FORECAST

# HOUSTON: NON-BUILDING

## Non-building Construction Spending Put in Place (Millions)



SOURCE: FMI Q4 2024 FORECAST

# Regional Executive Summary | Houston

Houston’s land availability and population continue to drive commercial investment.

## Market Summary

- The local economy has seen some significant diversification over the last 15 years, particularly into healthcare, life sciences, technology, and distribution. Nevertheless, Houston remains sensitive to big downturns in oil prices.*
- Manufacturing influxes will continue to increase as Houston also widens the Ship Channel to accommodate larger boats and more export/import activity.*
- Population growth in Houston has averaged 1.7% per year over the past decade, compared with just 0.5% nationally.*
- Transportation construction activity in Houston continues to bolster with The Prop 1 and Prop 7 Bills adding over \$825 million in funding.*



**“Tighter lending standards and reduced job growth will impact the Houston office market with a gradual softening and eventual improvement as companies adapt to changing office dynamics and return-to-office criteria.”**

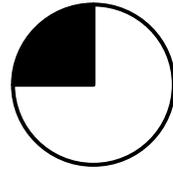
- Patsy Fretwell, Research Director, Colliers Houston

# Regional Economic Summary | Houston

Market diversification, federal funding, and return-to-office dynamics will help sustain the Houston market.

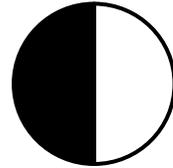


## Tax Incentives



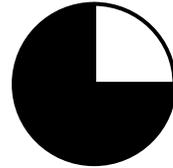
Houston offers property tax abatements for green commercial buildings ranging from 1%-10% depending on the level of LEED certification obtained. Under SB-2453, existing buildings do not require this LEED certification. This will impact future developments of commercial buildings as owners will aim to cut costs and maximize tax abatements.

## Office



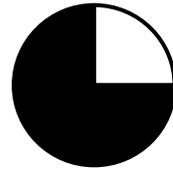
Houston is one of the strong markets in return-to-office statistics. Trophy office spaces dominated most of the office activity, absorbing 479k square feet in Q1 2024. Lower class offices are not being absorbed because of the size of these spaces are typically larger in size. Newer developments like the ThreeWestLake and 5555 San Felipe projects are adding capacity to the Energy Corridor and West Loop/Galleria submarkets.

## Healthcare



Major health systems like Houston Methodist, MD Anderson, Memorial Hermann, and Kelsey Seybold continue to expand their footprint in the metro area, particularly in the suburbs. Projects like Harris Health also just announced a \$500 million project that came from a \$2.5 billion bond proposal in 2023 to upgrade the LBJ Hospital.

## Multifamily



Multifamily experienced a record year in 2023 with a whopping 41% increase in permits issued (with over 80% of permits being 5+ story structures). Absorption in 2023 was about 75% as over 22,000 apartments were added, but only 15,000 were absorbed. Oversupply will be temporary.

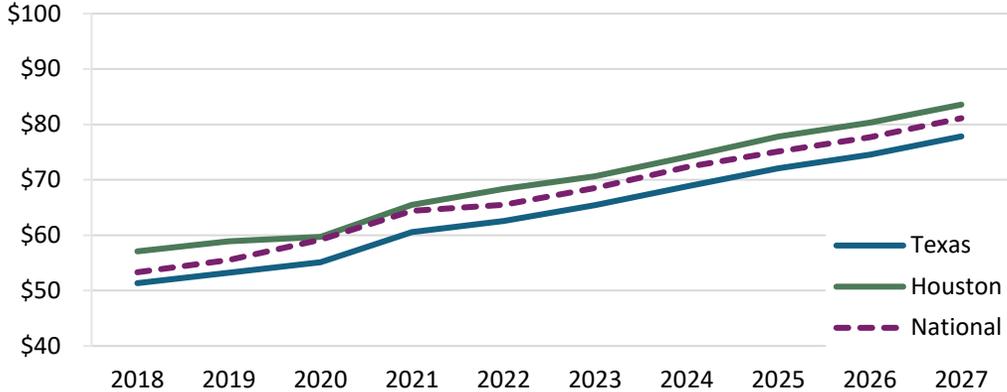
# Regional Economic Indicators | Houston

Houston's growth is in line with national trajectories while multifamily permitting is above averages.

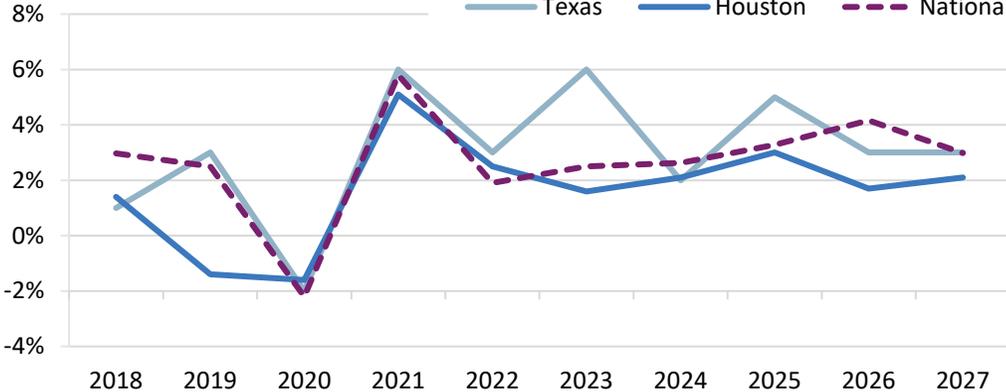
### Economic Indicators

Source(s): Woods & Poole, Moody's Analytics, FRED

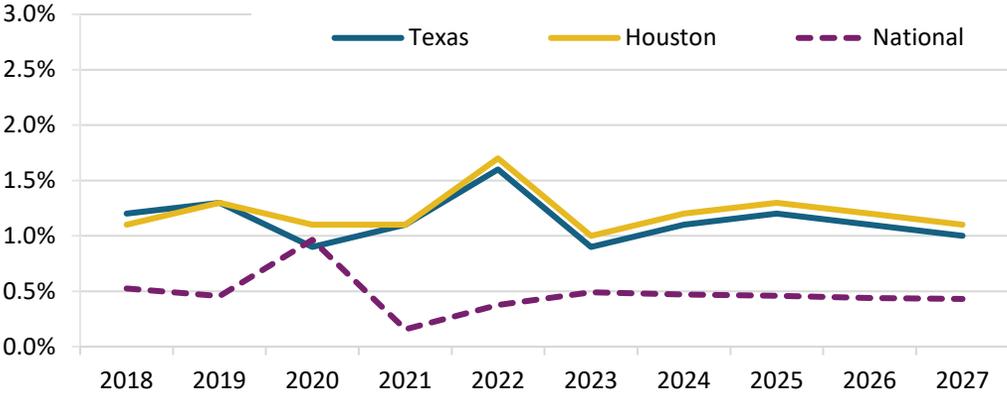
Per capita personal income (thousands)



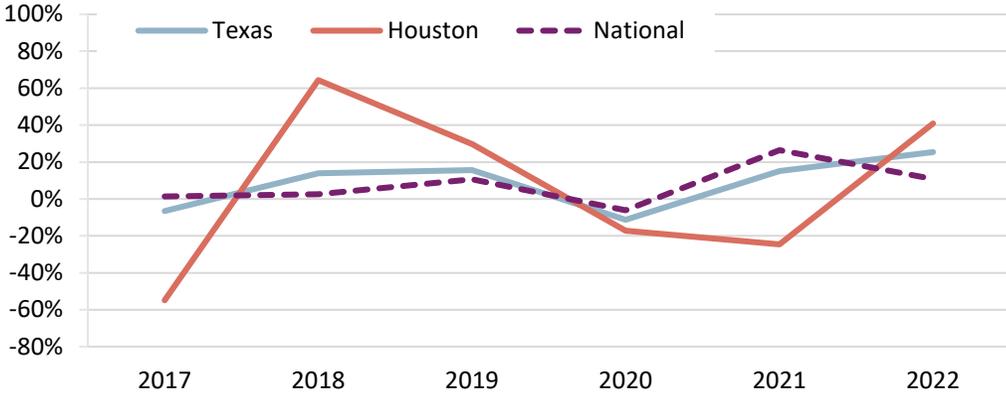
GRP growth (current dollars)



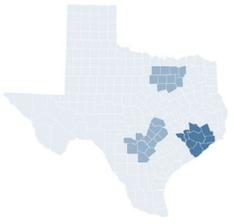
Historical population growth



Multifamily Housing Permits (% change)



# TEXAS: HOUSTON

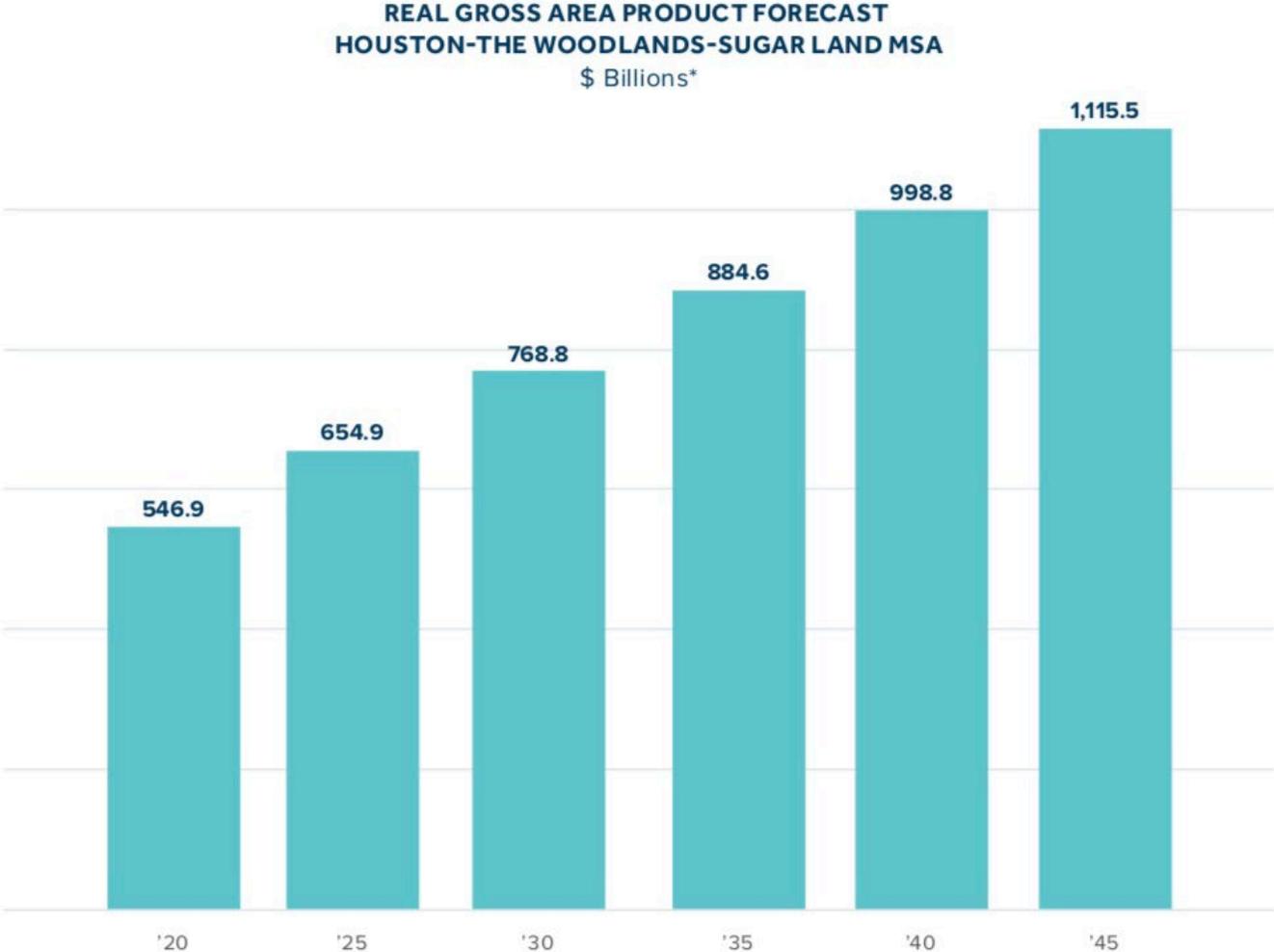


## Total Construction Spending Put in Place – Model-Driven (Millions)

Houston	2018	2019	2020	2021	2022	2023	2024f	2025f	2026f	2027f	2028f	18-23 CAGR	24-28 CAGR
<b>RESIDENTIAL BUILDINGS</b>													
Single Family	7,831	8,435	9,165	11,373	12,173	11,154	11,132	12,211	13,266	14,551	15,719	7.3%	9.0%
Multifamily	2,158	2,577	2,981	2,878	3,109	3,795	3,632	3,210	3,003	3,221	3,574	11.9%	-0.4%
Improvements*	4,933	5,221	6,410	6,592	9,074	8,654	8,438	9,049	9,654	10,163	10,706	11.9%	6.1%
<b>Total Residential</b>	<b>14,923</b>	<b>16,233</b>	<b>18,555</b>	<b>20,843</b>	<b>24,355</b>	<b>23,603</b>	<b>23,202</b>	<b>24,470</b>	<b>25,923</b>	<b>27,935</b>	<b>30,000</b>	<b>9.6%</b>	<b>6.6%</b>
<b>NON-RESIDENTIAL BUILDINGS</b>													
Lodging	658	799	684	439	494	599	539	502	478	492	538	-1.9%	0.0%
Office	1,497	1,967	2,221	1,986	2,233	2,351	2,333	2,279	2,286	2,434	2,640	9.4%	3.1%
Commercial	2,127	2,184	2,422	2,559	3,632	3,969	3,699	3,522	3,444	3,593	3,874	13.3%	1.2%
Health Care	920	998	1,082	1,133	1,340	1,525	1,562	1,624	1,665	1,669	1,717	10.6%	2.4%
Educational	2,159	2,268	2,358	2,153	2,254	2,631	2,824	2,986	3,132	3,195	3,250	4.0%	3.6%
Religious	109	121	106	95	104	122	128	132	130	124	124	2.1%	-0.7%
Public Safety	207	229	311	239	265	325	385	412	406	390	396	9.4%	0.7%
Amusement and Recreation	580	626	529	541	726	855	876	934	935	863	867	8.1%	-0.3%
Transportation	771	872	860	776	849	903	914	984	1,091	1,170	1,223	3.2%	7.6%
Communication	453	536	678	552	468	525	538	565	598	630	660	3.0%	5.3%
Manufacturing	2,291	2,594	2,278	2,346	3,306	5,732	6,967	7,527	7,667	7,291	6,894	20.1%	-0.3%
<b>Total Nonresidential Buildings</b>	<b>11,772</b>	<b>13,196</b>	<b>13,529</b>	<b>12,819</b>	<b>15,671</b>	<b>19,535</b>	<b>20,765</b>	<b>21,468</b>	<b>21,832</b>	<b>21,851</b>	<b>22,183</b>	<b>10.7%</b>	<b>1.7%</b>
<b>NON-BUILDING STRUCTURES</b>													
Power	1,955	2,615	2,766	2,845	3,036	3,576	3,724	3,887	3,963	4,155	4,431	12.8%	4.4%
Highway and Street	3,048	3,287	3,185	3,108	3,624	4,658	5,005	5,218	5,490	5,626	5,821	8.9%	3.8%
Sewage and Waste Disposal	685	730	824	873	993	1,312	1,418	1,348	1,313	1,354	1,456	13.9%	0.7%
Water Supply	439	494	607	614	754	914	995	1,049	1,098	1,105	1,114	15.8%	2.9%
Conservation and Development	237	274	276	243	246	330	306	284	283	298	318	6.8%	0.9%
<b>Total Nonbuilding Structures</b>	<b>6,364</b>	<b>7,399</b>	<b>7,658</b>	<b>7,682</b>	<b>8,653</b>	<b>10,790</b>	<b>11,448</b>	<b>11,784</b>	<b>12,147</b>	<b>12,539</b>	<b>13,139</b>	<b>11.1%</b>	<b>3.5%</b>
<b>Total Put in Place</b>	<b>33,059</b>	<b>36,828</b>	<b>39,742</b>	<b>41,344</b>	<b>48,679</b>	<b>53,929</b>	<b>55,415</b>	<b>57,722</b>	<b>59,903</b>	<b>62,325</b>	<b>65,322</b>	<b>10.3%</b>	<b>4.2%</b>

# Perryman Group | Gross Area Product Forecast

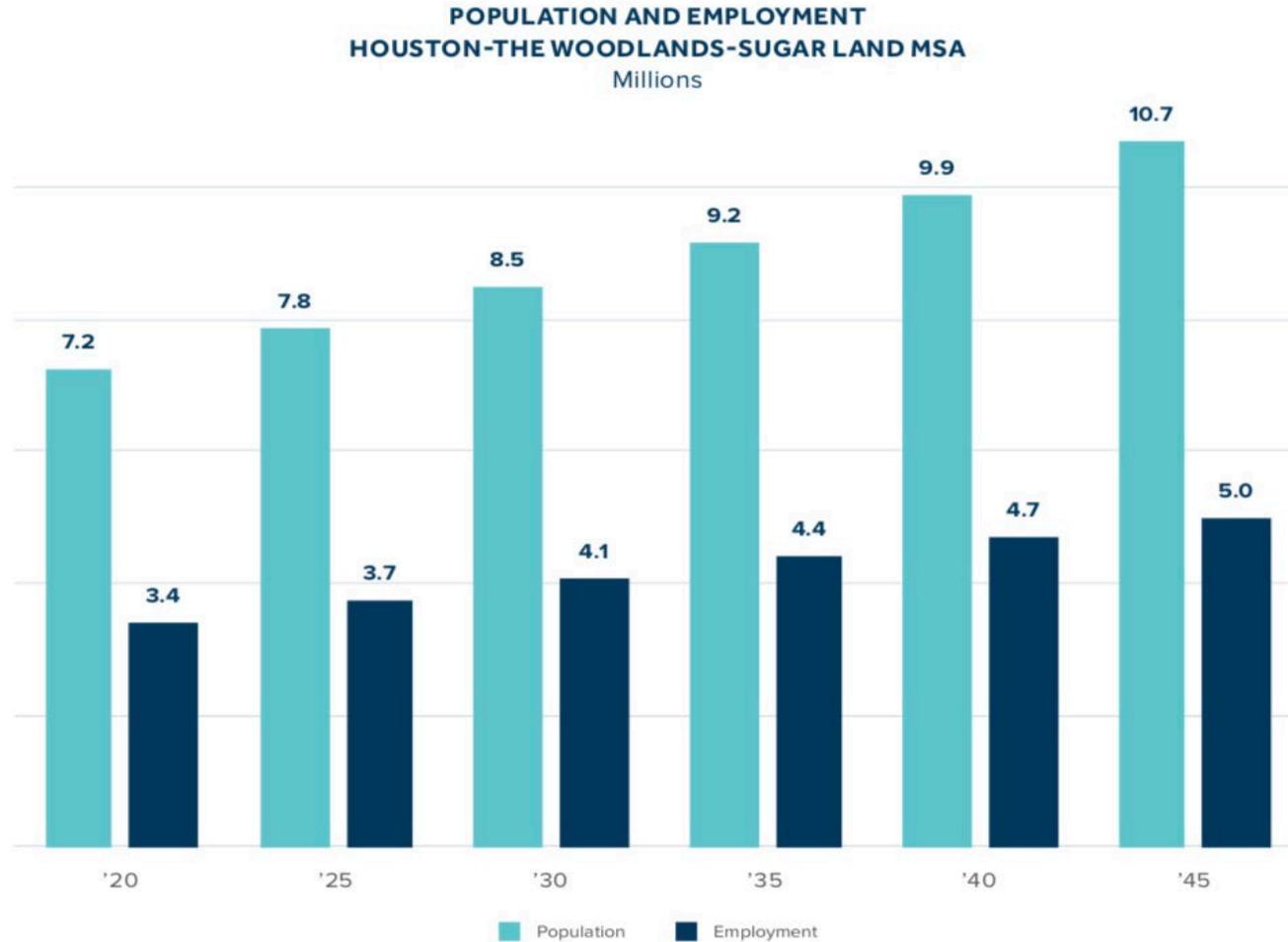
The Perryman Group forecasts sustained economic growth for the Houston metro over the next quarter century.



Source: The Perryman Group  
\*'09 Constant Dollars

# Perryman Group | Population & Employment Forecast

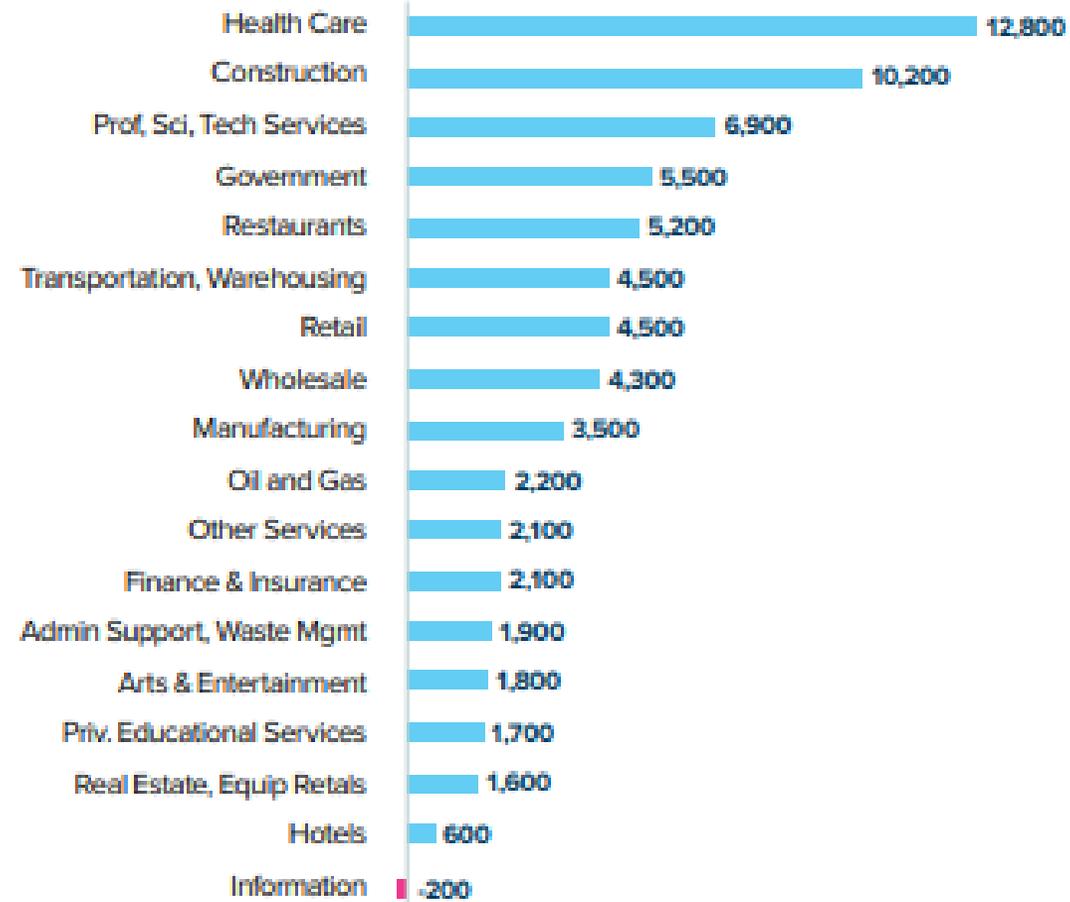
The Perryman Group forecasts Houston's population to reach 10.7 million and employment to grow to 5.0 million by '45.



Source: The Perryman Group

## METRO HOUSTON, FORECAST JOB GAINS/LOSSES

December '24 - December '25



Source: Greater Houston Partnership Research

## Othe Positive Factors for 2025

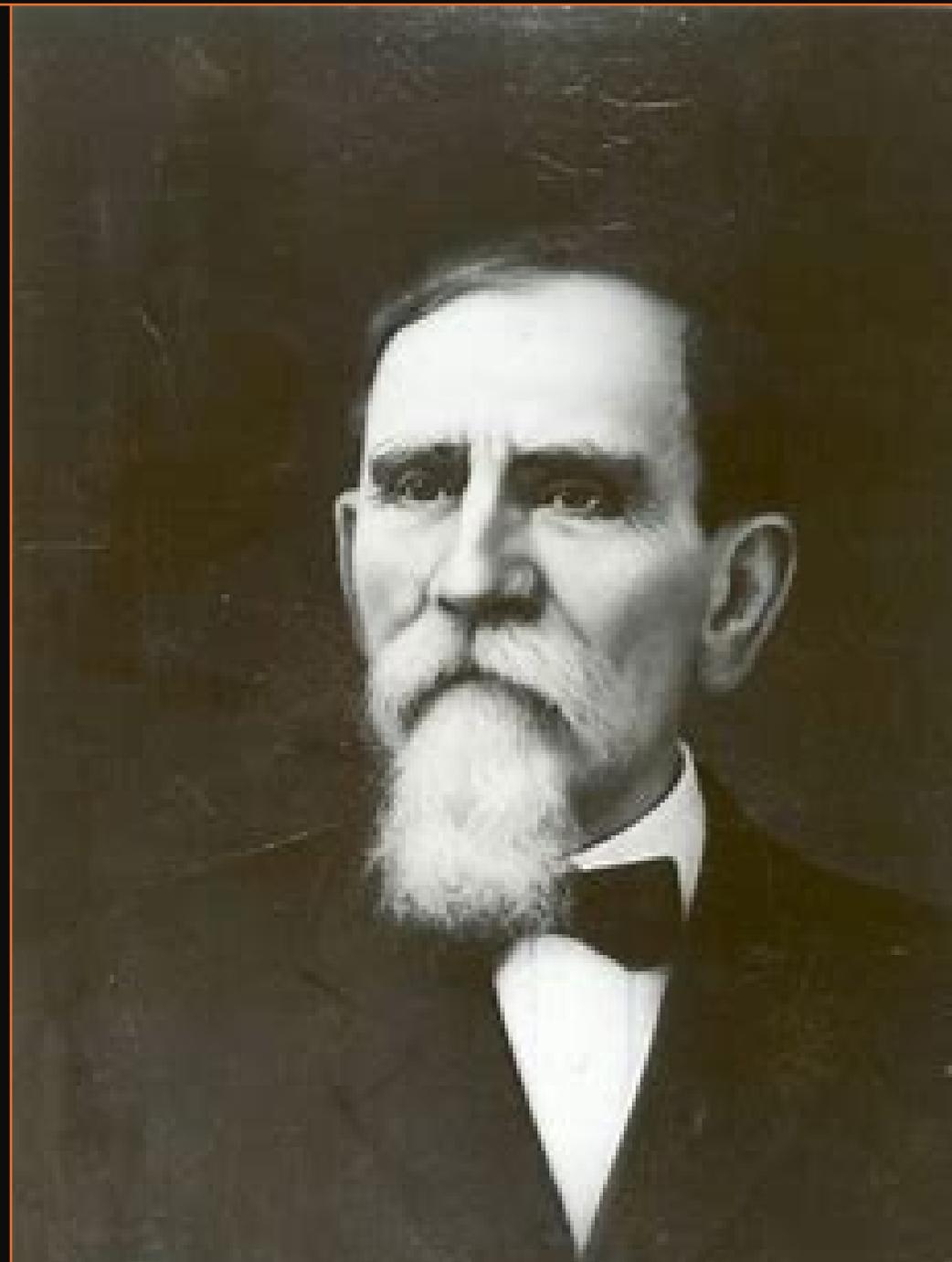
- Houston Will Add 71000 New Jobs
- Houston's Population Will Increase by 118,000
- Despite Rejection Of HISD's 4.4 Billion Bond Proposal- There Are Plenty of Bond Dollars Left in Other Districts and Waller and Alvin Passed Bond Issues Totaling Over \$1 Billion
- There is Optimism that the New Administration Will Reduce Regulation; Streamline Permitting Processes; Help Lower Interest Rates- Be More Business Friendly Overall- A More Positive Environment for Taking Entrepreneurial Risks
- There are two MAJOR UNKNOWNs- Mass Deportation and Tariffs - There is Hope Both Are Impossible.



# Texas Medical Center



# George H. Hermann



**Monroe  
Dunaway  
Anderson**





## Who Will Build Tomorrow

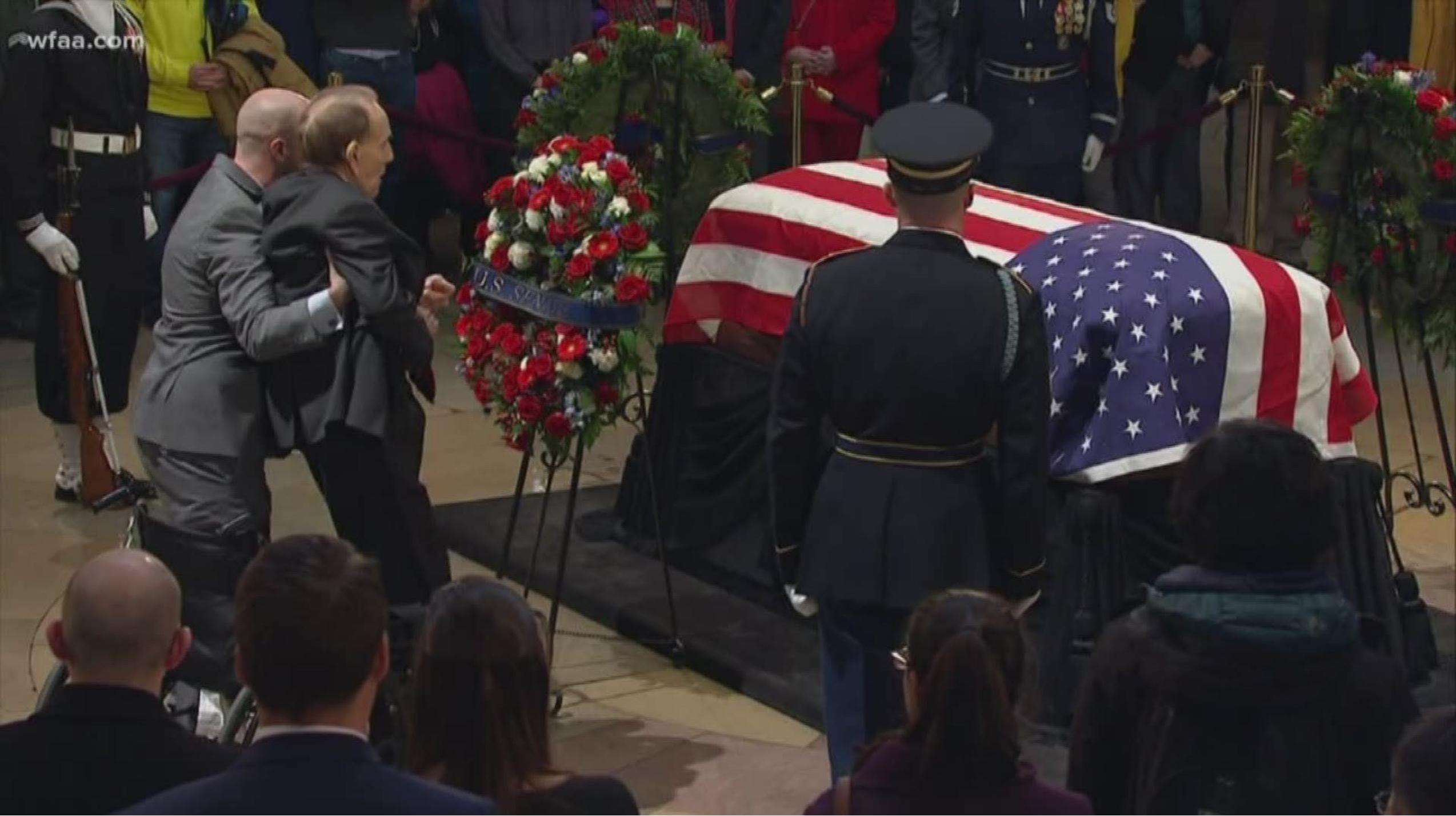
- **The Workforce Challenge**
  - **More Retiring than Entering - a trend since the 80's**
  - **Immigrant Dependent – Must Have Legal Access to Immigrants-- All US Trends are Negative**
    - **Birthrates**
    - **Attitudes- College holds the highest perch**
  - **The increasing Role of Employers Working for Labor Brokers**
    - **Who are custodians of the craft?**
    - **What is our Value Proposition, if not craft-**
  - **Limited Training Options**
    - **Few easily accessible apprenticeship programs-especially for commercial craft workers**
  - **Coping Methods**
    - **Growth of Prefabrication**
      - **Single and multi- craft- hospital rooms**
      - **Modular**
      - **3 D Printing**
  - **High Stakes**
    - **Current Development and AEC Community a competitive advantage in corporate relocation.**
      - **Reasonable Prices**
      - **Competence in all roles**
      - **Speed to Market Strategic variable more assured here.**
  - **What role will Robotics and AI play**
    - **Replace craftworkers? U of H Lab/Robots- When**
    - **Catch a ball**
    - **Sentient in 7-8 Years (Thomas Friedman)**
    -
  - **Consequences of an inadequate community resource- Companies Build Elsewhere**
    - **A Houston Feature Development and AEC Community here is world class.**



## The Leadership Model is Changing

### Teams Run Companies Today-Not Individuals- Changing CEO Role

- **People who run the company; People who can build buildings**
  - **The Family Owned Company Decision Family First Business/ Business First Family**
  - **CEO Role- C Suite Talent & Other Resource Acquisition Plus Culture and Strategy**
    - **Team Members CEO, COO, CFO, CMO, CPO. Maybe Risk, Safety, Division Leaders**
- **Leadership Team**
  - **Define, Communicate, Model the Culture, Then be Unwavering Custodians**
    - **Culture Who We Are and How We Behave (Values Believed and Lived)**
    - **Eliminate Culture Killers (Even High Producers)**
  - **Set The Strategic Direction based on Capacity of Team on Your Bus**
    - **Strategy is about Markets/Services/Competition/Differentiation... About Allocating Scarce Resources to Outperform Competitors (Michael Porter-Competitive Strategy) Understanding Michael Porter by Joan Magretta)**
  - **Increasingly Diverse by Age, Gender, Race and National Origin.**



U.S. NAVY



Winston  
Churchill



# Franklin D. Roosevelt



