What's On The Horizon?

Mark Sprague ◆ State Director of Information Capital
www.IndependenceTitle.com

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What do you think?

Will the market in 2022 be

Better? Same? Worse?

- When do we get back to normal? Economy / jobs.
- Is it a global economic slowdown or failure to recover from COVID?
- What is the impact of what's happening in the Ukraine on Texas
- Supply-chain disruptions – how does it affect housing?
- Inflation -what is healthy inflation?

Where have we been?

- 2021 was projected to expand at a pace near the long-term average, with inflation ticking up and the unemployment rate remaining low.
    - the U.S. economy was entering its 11th year of its expansion in 2020, making this the longest expansion in U.S. history.
    - (GDP) gross domestic product was improving, but still weak the last 15+ years comparatively. During the previous 41 quarters, the annualized rate of real GDP growth was 2.3%—somewhat above what is considered the long-term rate of growth for the U.S. economy. (3.5% to 5% is considered healthy)
    - Real estate was pacing along at a healthy pace, with residential just under inventory equilibrium.
  - 2020 /21 was anything but normal, with COVID shutting down the global and national economies. Largest ever GDP dip and rise historically.
    - Supply chain issues, retail shortages, all industries seeing shortages.
    - Due to oil wars, energy prices began to surge after hitting historical low previously in the year. Real estate (all channels saw a dramatic surge in sales and values nationally, regionally and locally.)
    - Historically the market goes through about 30% to 35% of listings monthly. By June 2020, the market went through 48% of listings, by August 2020 98%, leading to inventory shortages / bid wars through the end of 2020. 2021 pace a bit slower.
- 2021 due to lack of inventory and supply chain issues residential sales would be 3% to 7% less. 70% less on refis.. It looks as if 2021 will end up close to those numbers.

COVID ECONOMIC IMPACT

- Pandemic, an unusual economic downturn due to the rise in incomes, surging demand for goods and housing, collapse in demand for services, labor shortage
- 2020 compressed / accelerated trends already prevalent before the pandemic;
  - Income inequality: low-educated / low-skill / direct contact services hardest hit by the health crisis and subsequent businesses shut down.
  - Working from home.
  - Online purchases of goods and services, changing the face of stick and brick retail.
  - Automation and digitalization of the economy.
  - Did not have enough housing inventory. (below inventory equilibrium.)
- Why did the housing market do so well?
  - ✓ Potential homebuyers weren't affected by the pandemic.
  - ✓ Medium-high educated / medium-high skill work in industries that can socially distance.
  - ✓ Increase in the preference of purchasing of home.
  - ✓ Working from home.
  - ✓ Low mortgage rates (monetary policy by the Federal Reserve).
  - ✓ Fiscal stimulus did not allow the economy to collapse.
  - ✓ Record savings and net worth.

Global Economic Outlook

The rest of the world was in recovery till Februarys invasion of Ukraine…….

What started the Russia / Ukraine War?

- **Why is Russia important to energy markets?**
  - Russia is a major producer of oil and relies heavily on its energy resources to support its economy. Should the conflict disrupt the flow of Russian oil, or Western governments impose sanctions on Russian oil exports, anyone who receives that oil (which is about 30% of Europe's natural gas.) would need to find new sources.
  - The military move jeopardizes up to 1 million barrels per day of crude through Ukraine and the Black Sea, which could push the European benchmark to $130 per barrel by June,
  - Without Russian gas, Europe's tight gas market has the potential to trigger a global recession.
  - Should the rest of the world be cut off from Russian energy, other oil / natural gas exporters will have to step up to fill the void. (The majority of oil and gas refineries are in Texas.)
- **Why NATO Has Become a Flash Point With Russia in Ukraine**
  - Russia has mobilized more than one hundred thousand troops along its border with Ukraine and is demanding major security concessions from NATO.
  - Russia alleges that U.S. leaders have broken promises they made in the early 1990s after the fall of the berlin wall and the Russian federation broke up, to not expand NATO's membership eastward.
  - U.S. and NATO leaders say no such pledges were made and refuse to discuss limitations on NATO's future expansion, but they say they are open to some security dialogue with Russia.
- **This is the culmination of eight years of tensions between Russia and Ukraine.**
  - This isn't the first time Russia has attacked Ukraine in recent history. In 2014, Russia annexed the Crimean Peninsula, invaded eastern Ukraine, and backed Russian separatists in the eastern Donbas region. That short war killed more than 14,000 to date
  - Russia's assault grew out of mass protests in Ukraine that toppled the country's pro-Russian President Viktor Yanukovych, which began over his abandonment of a trade agreement with the European Union. US diplomats visited the demonstrations, in symbolic gestures that further agitated Putin.

Global concerns / problems

- **Financial markets** are reacting as expected to the heightened uncertainty. In the first days of the invasion, global equities plunged while safe-haven assets rallied.
- In short, while we have anticipated a broader, cyclical turn against the dollar could be underway, this shift in favor of other currencies—including emerging markets—could be pushed further out. (i.e., **the dollar** is currently the currency of choice.)
- Ukraine's demonstrated resistance could make annexation difficult, while crippling economic sanctions would impair Russia's ability to successfully maintain control over Ukraine.
- **Volatility in Equities and Risk Assets**. Hard assets become safe haven.
- **Oil and Commodities** Prices to Rise
- **Supply-chain Disruptions** to Increase.
- **Economic Policy Outlook** - Now, even with rising inflationary pressures, central banks may tolerate more inflation and moderate tightening to protect growth. However, the ability for the Fed and other major central banks to engineer a soft landing has become exponentially more complicated.
- **Impact of Sanctions on Russia**.
- **Humanitarian Crisis** in Europe
- The Russia-Ukraine crisis has not only heightened geopolitical risk but signifies a major shift in the world order to one that is more multi-polar. The end results are likely more frequent and more unpredictable flareups and higher market volatility.

Global concerns / problems

- **Russia provides 40% of EU's gas imports + 30% of oil imports**
- **Russia is world's largest wheat supplier**
- **Ukraine is a material exporter of corn, wheat, and oilseeds**
- **Fear of energy sanctions**, limiting supply and causing higher prices
  - Would cut the spending power of consumers
  - Past three recessions were preceded by a doubling of the price of oil
  - Market may be starting to fear stagflation .
  - Central banks can do little about high energy prices
  - **US GDP estimate is down to 1.3% for Q1**
  - **Europe could enter recession**
    - Germany is already on brink – reported 25% increase in producer prices
    - Due to 67% increase in energy costs
  - Russia and Ukraine supply gases and other materials used in semiconductor production (e.g., neon)
- Oil - Russia's invasion of Ukraine and uncertainty about sanctions
  - Or possibility of Russia holding back supply
  - Currently, the US imports ~150K – 200K barrels of Russian oil and 500K barrels of refined products per day. 7% of US imports.
- **OPEC**
  - Global oil prices are up 11% since their Feb. meeting.
  - Over the past week, an increase in anticipated supply and, to a lesser extent, a decrease in demand expectations resulted in lower oil prices.
  - Expectation is that they will expand output by 400K barrels / day. But realized that they are 700K barrels/day short of their 38.74MM goal
  - The US, other world powers, and Iran, are nearing a deal to revive the 2015 nuclear accord a. Restraining Iran's nuclear program is seen as key to Middle East stability.
  - Allows the US to focus on China and Russia
  - Countries most vulnerable to energy shocks include Hungary, Poland, Germany, Czech Republic (Czechia), and Italy
  - Danger is that Russia halts exports or EU sanctions Russian energy

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE 2021	PROJECTIONS 2022	2023
World Output	5.9	4.4	3.8
Advanced Economies	5.0	3.9	2.6
United States	5.6	4.0	2.6
Euro Area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
France	6.7	3.5	1.8
Italy	6.2	3.8	2.2
Spain	4.9	5.8	3.8
Japan	1.6	3.3	1.8
United Kingdom	7.2	4.7	2.3
Canada	4.7	4.1	2.8
Other Advanced Economies	4.7	3.6	2.9
Emerging Market and Developing Economies	6.5	4.8	4.7
Emerging and Developing Asia	7.2	5.9	5.8
China	8.1	4.8	5.2
India	9.0	9.0	7.1
ASEAN-5	3.1	5.6	6.0
Emerging and Developing Europe	6.5	3.5	2.9
Russia	4.5	2.8	2.1
Latin America and the Caribbean	6.8	2.4	2.6
Brazil	4.7	0.3	1.6
Mexico	5.3	2.8	2.7
Middle East and Central Asia	4.2	4.3	3.6
Saudi Arabia	2.9	4.8	2.8
Sub-Saharan Africa	4.0	3.7	4.0
Nigeria	3.0	2.7	2.7
South Africa	4.6	1.9	1.4
Memorandum			
Emerging Market and Middle-Income Economies	6.8	4.8	4.6
Low-Income Developing Countries	3.1	5.3	5.5

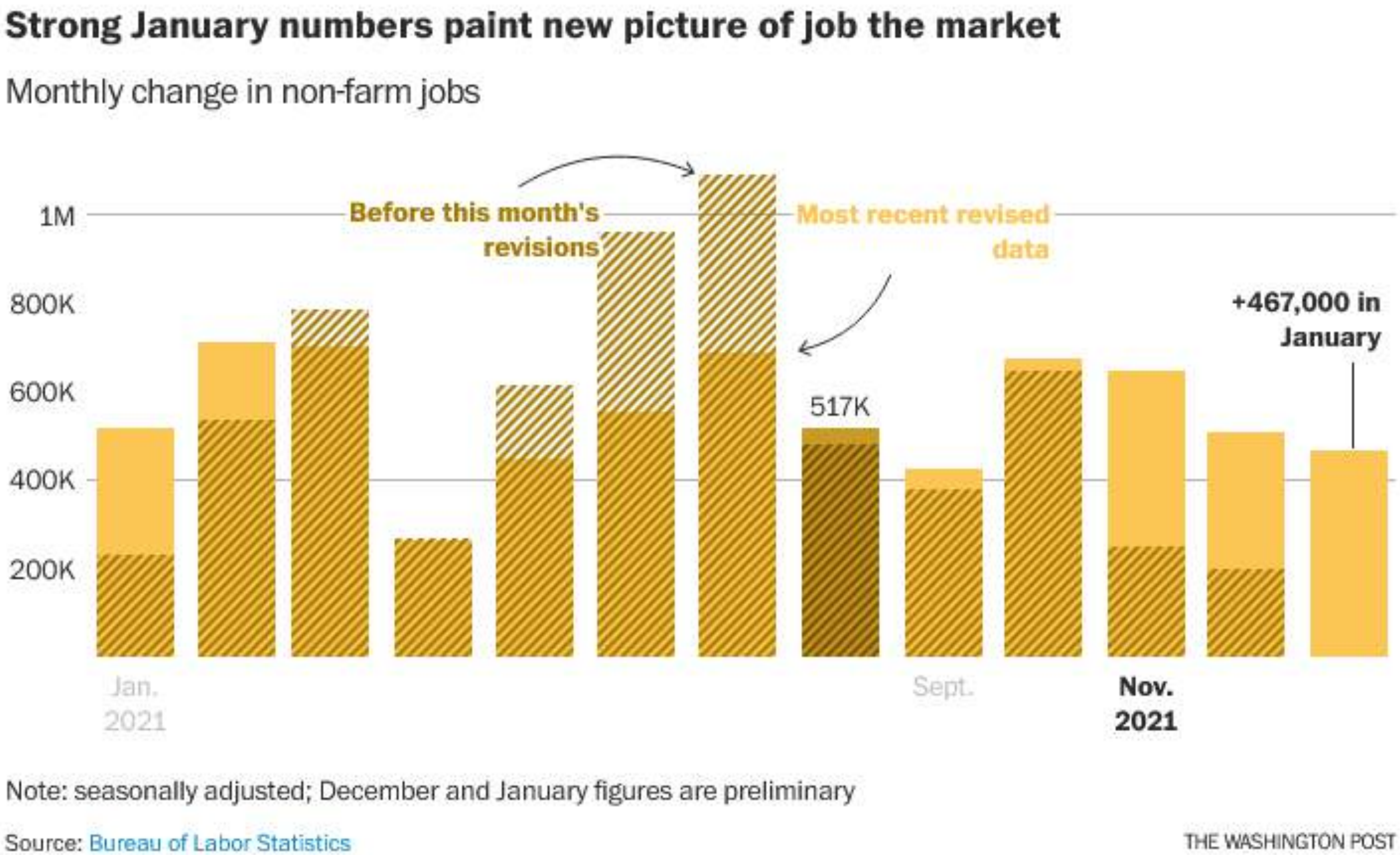
Source: IMF, *World Economic Outlook Update*, January 2022

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For the January 2022 WEO Update, India's growth projections are 8.7 percent in 2022 and 6.6 percent in 2023 based on calendar year. For India the impact of the Omicron variant is captured in the column for 2021 in the table.

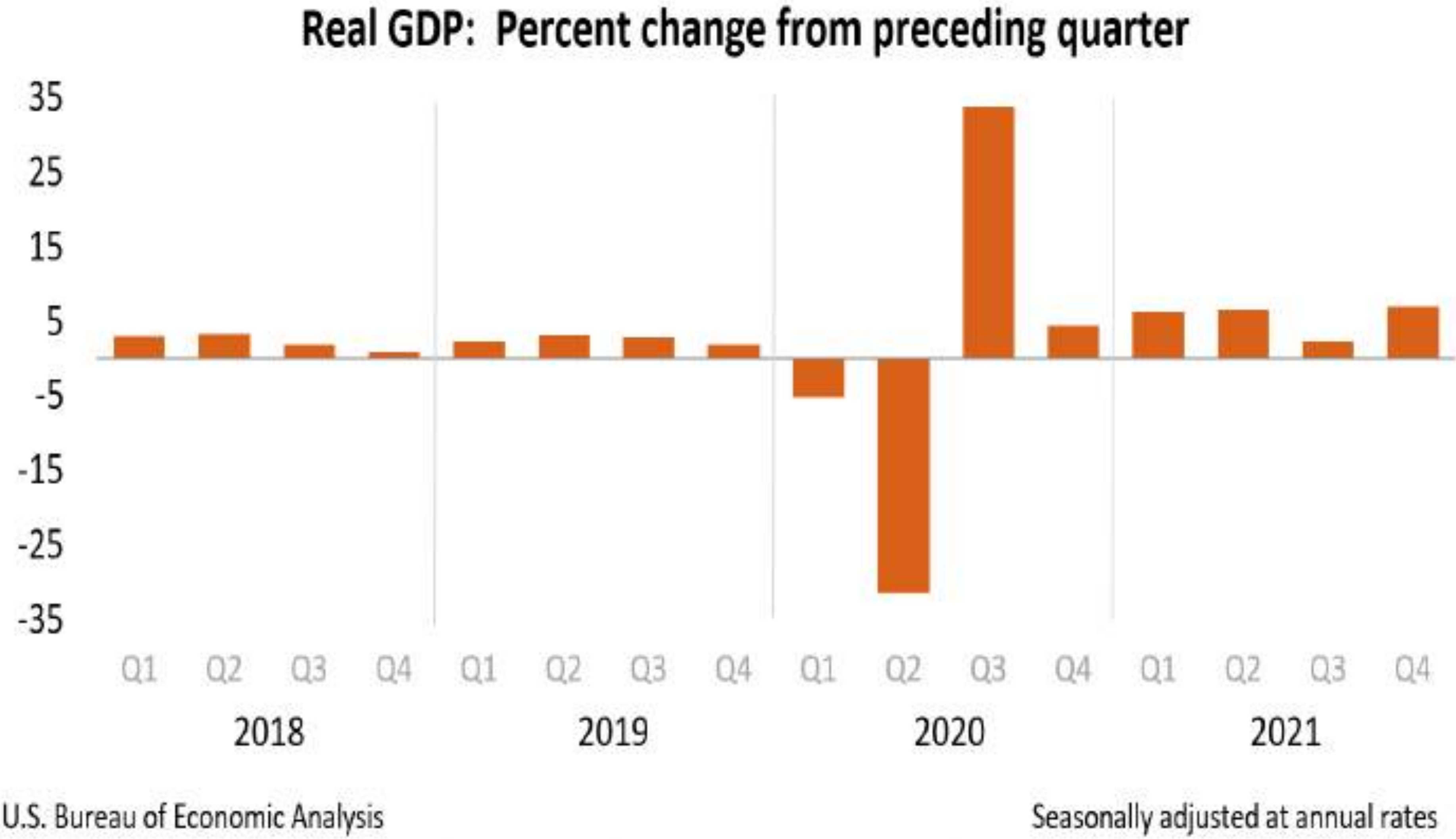
INTERNATIONAL MONETARY FUND IMF.org

US Economic Outlook

National Job Growth



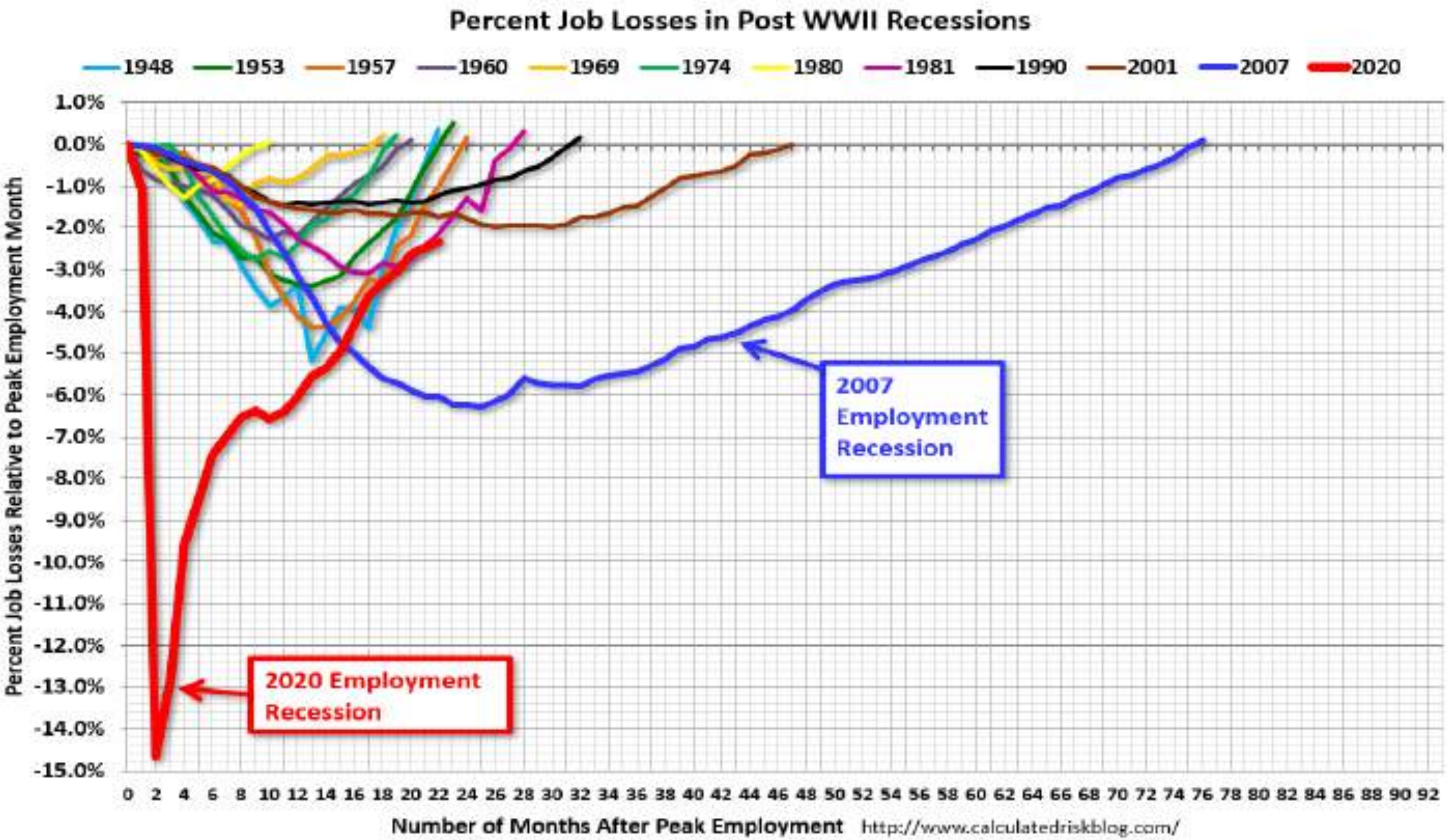
Annual GDP growth



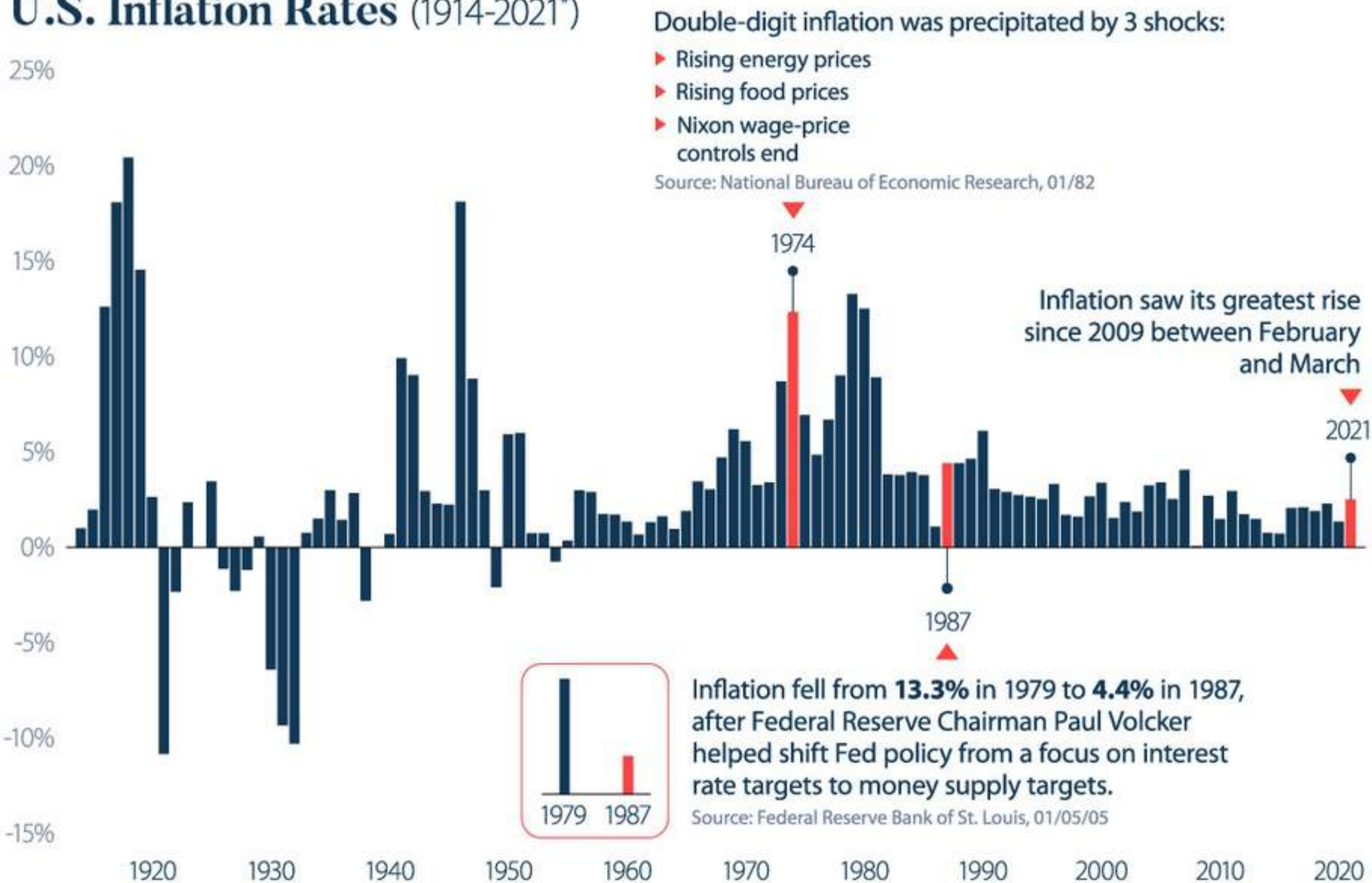
Slow GDP Growth: The New Normal?

- Last 7 years prior to March 2020, growth rate averaged 2.3%.
- It was steadily declining prior to March 2020.
- -5% (annualized) decline in Q1 and -33% in Q2. That is the largest drop ever, and largest growth ever. 4Q2020 projected to be 3% to 5%.
- Although the 3rd / 4th quarter came back, we are still are not back to pre-March 2020.
- Locally, regionally and nationally due to COVID it will be unstable.
- Local and regional should recover within 2 to 3 quarters. Nationally 3 to 7 years.
- U.S. GDP expanded at 5.7 percent in 2021 compared to an annual decrease of 3.4 percent in 2020, marking the largest expansion since 1984 when GDP grew by 7.2 percent.
- A Recession is defined as 2 negative quarters of GDP
  - 2019 2.2%
  - 2020Q1 -5.0%
  - 2020Q2 -31.4%
  - 2020Q3 33.4%
  - 2020Q4 6.0%
  - 2020 4.0%
  - 20212Q1 6.4%
  - 20213Q 2.1% (projected to be 7% till COVID variant affected supply chain and much more.)
  - 2021Q4 6.9%
  - 2022Q1 1.7%?

COVID Economic Comparison



U.S. Inflation Rates (1914-2021*)



*As measured by the Consumer Price Index
Source: Macrotrends, 06/01/21

2022 U.S. Economic Outlook

- The national economy was improving through March 2020 although at a slower pace.
  - The U.S. economy experienced its longest economic expansion in history up to 2020.. Additionally, the economy had added jobs every month for 127 straight months, unemployment was at 50-year low, and wages were growing at their fastest rate in nine years.
  - 2020 puts a stop to that expansion. 2021 is rebounding, but not evenly. 2022 more of the same uneven recovery.
- Slower growth economy since 4Q 2015. Is below 2% the 'new norm' ? 2016 GDP growth 1.5%; 2017 2.2%, 2018 3.1%. 2019 2.1%. -5% (annualized) decline in Q1 and -32% in Q2, 33.1% 3Q20. 2020 was the largest drop ever.
  - 2020 GDP improved through the year; larger fiscal stimulus package. 2021 had started strong at 6.4% but dropped as COVID surged.
  - 2021 data was uneven but over all show's stronger economic recovery. 2022 growth is dependent on COVID, supply chain and war issues.
  - Larger than normal consumer savings. Went from avg. of $2.5 trillion to over $9.7 trillion in 2020, causing economic spurts in some channels. 2021 . Savings dropped to $5.5 trillion. Equity build up last 2 years to over $9 trillion
- After a disastrous 1st six months 2020 auto industry sales / profitability have picked up and now shortage of cars (new and used.)
  - In November, nearly 87% of all new vehicles bought by individual consumers sold at or above the sticker price. Pre-pandemic, this was 36% of sales
- Trade wars with China, initially caused internal consumer slowdown (starting with Apple's slowdown early 2019.) has had negative impact on technology and oil growth globally into 2022. China economy positive end of 2020 but does not help US due to trade wars and tariffs. 2021 China economy has stumbled. Real estate, banking, govt. regulation and more. 2022 may show a Chinese real estate meltdown……
  - Trade / foreign relations changing spending and costs, import, export habits. Longer term effects of tariffs, coronavirus crisis, etc.
  - Current Chinese power shortages and COVID causing factory closures and real estate lending issues, are slowing economic expansion nationally and globally.
- Federal reserve fund rate has been stable. Currently lending at .25. for 3+ years. there was pressure on Fed to keep national economy from stalling. Fed has announced the need to have up to 11 rate increases in 2022 if inflation maintains at current levels, 7+%.
- After anemic Inflation for the last 15+ years,. Stronger inflation a concern. (real estate sales appreciation, fuel not part of inflation.).
- U. S. housing had a strong spurt in 2020, recovery started slow. March, April, May stumbled, June through December 2020 came roaring back through 2022
  - No, we are not in a bubble.
  - It's been a start and stop economy in 2021./22.
  - Slower population / birth growth / patent growth?
    - By product of immigration policies?
- Employment is better, national, regional and local unemployment rates below 5.0% early 2020. Good news, wages are improving. Labor scarce.. Texas better than most.
  - Crisis beginning to change that. Shortage of workers pushing wages through 2022 and longer possibly. .
- Before the crisis, historical economic data suggests that the US was due for a correction. However, no one predicted a 'work stoppage'! Most analysts cite a strong economic path after the crisis due to lack of inventory and need for reemployment.
- Retail continues to change. Department store deconstruction and obsolescence. Tremendously over built. Overall retail maturity end of cycle. Changes in consumer habits; shopping, apparel needs, preferences. Loss of middle-class shopping. Retail technology advances. Stronger push to online shopping. Mall debt questionable. Current estimates of 25,000+ storefronts to close in 2020.
- Yet retail had 28+% increase last year in 2020. 18.2% in 2021. Will 2022 be a continuation of explosive growth?
- Russian / Ukraine war exuberates all the above.

2022 U.S. Economic Outlook

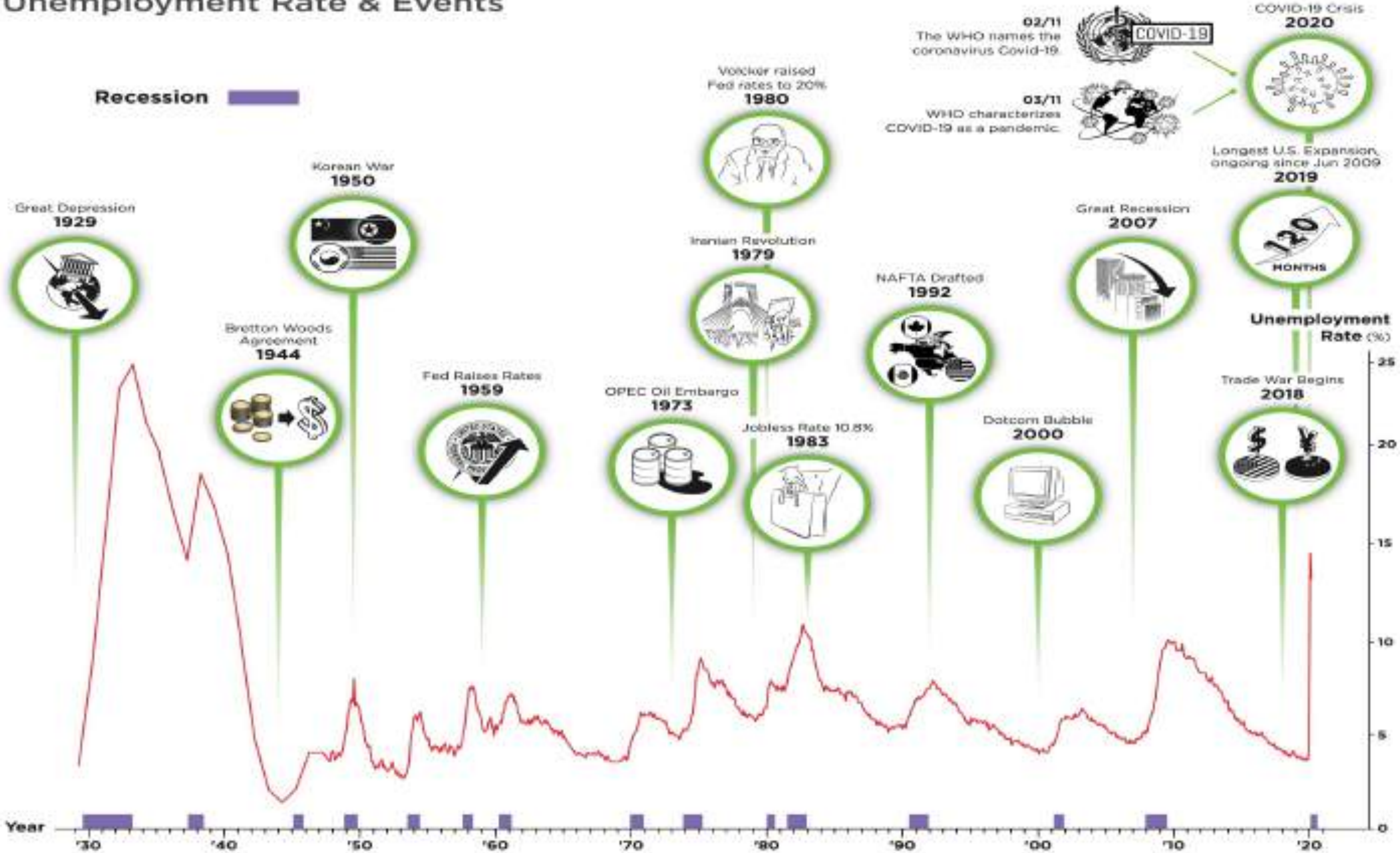
- **Q1 growth estimates decreased as:**
  - On March 16, the Fed raised interest rates by a quarter-percentage point and cut its GDP estimate for 2022.
    - To slow inflation, look for 4 to 11 hikes priced into 2022.
  - Fed now sees the economy expanding by 2.8% this year, down from the 4% it had predicted in December, when wages were still rising rapidly, and omicron hadn't peaked yet.
  - The combination of strong earnings clashes with rising interest rates. Value outperforms growth. Slows DJ / S&P.
  - Shortages of workers and products continue with slowdown of distribution as global and domestic   Factories globally challenged by COVID and war. Ports are clogged. Supply chain issues may be a 3-to-5-year disruption.
  - Continued concerns about inflation and the debt ceiling.
  - Q12022 GDP forecasts lowered (from 7% in January to 1.7%). Credit and debit card figures show that spending has increased at the end of 2021, which in turn helps GDP / economy, but leads to product shortages and supply chain issues.
  - Wages and rents continue to rise, persistent inflation becomes the dominant theme..
  - We're still seeing strong demand for durable goods by over 20+%, (but we do have chip shortages).
  - Consumer spending continues to increase. 2021 will end at 5.8%+/-, 5.5% in 2022. (supply chain will continue to be in issue.)
  - The chip shortage for cars may have morphed from a short-term crisis into a longer-term issue.
    - Car manufacturers had canceled chip orders in 2020 when they thought car demand would be weak. Chip manufacturers shifted to producing chips for other consumer products.
    - Chip manufacturers are gradually phasing out the low-tech, low-margin chips that are prevalent in new cars.
    - Auto makers need to figure out their supply for the future (quite a few missed forecasts the last 20 months.) . Global vehicle output is expected to be 10.6MM lower than it would be without the chip shortage.
    - 48% of US car shoppers said that they were likely to postpone a vehicle purchase because of the car shortage.
    - If we annualize 2022 new car sales, we'd be on pace to sell ~15.5MM cars. 14.9 in 2021. -2.2 million short of annual average New car sales (in past years) have reached ~17.5MM.
  - The price of framing lumber averaged roughly $550 in 2020 and nearly $850 in 2021, each a new annual record. The price is $1202. per thousand linear board feet mid March 2022.
    - The average from 2015 – 2019 was $357.
    - Prices had been as high as $1,711 per 1000 linear feet earlier this year.
    - Reasons for the recent increase:
      - Commodity prices are rising in general. Wildfires, wood beetles have also hurt production.
      - Higher housing starts have resulted in higher demand for lumber.

U.S. Economic challenges and issues in 2022

- U.S. economic growth has been low and unequal across the country, relative to historical performance.
  - 80+% of job growth happened in 53 metros out of 35,000+ in the US, since 2009.
  - What type of migration will the crisis cause?
    - Texas and Florida seeing most in-migration.
    - Population growth an issue in 11 states.
- Is Congress interested in economic growth?
- Businesses have not used 2016 tax benefits to expand and create jobs.
  - 1 out of 5 businesses failed in 2020 / 21. However, during COVID, record number of startups.
- Corporate earning may have peaked.
  - Stock values dropped due to lower earning and market growth, (China, far East, crisis.) dropped close to 11,000 points, than rebounded 16,000+ points.
  - Stock market performance disengaged from national / global economic performance.
- Headwinds facing the US economy:
  - Nation was only about 45% recovered from 2009 recession. (over 10 years.)
  - Out of top 50 US metros, only 8 had fully recovered since 2009. 4 are in Texas. *(full recovery of GDP, real estate values & employment). 4 outside of Texas and 1 in Texas have stumbled in 2020 / 21.
  - Weak productivity growth. (industrial and manufacturing)
  - Low unemployment (below 5%) before crisis. Bounced back in 2021. Hospitality, leisure and retail still less than 40% recovered from February 2020.
    - Lack of qualified applicants
      - Immigration policies not helping.
      - Declining population.
    - Falling labor force participation.
    - Wage growth improving.
    - Crisis caused large unemployment, when market recovers, US back, to not enough qualified workers.
  - US housing / real estate dramatic 2020 improvement… where / what is normal market?
  - Trade war / Tariffs.
    - Higher costs preventing expansion.
    - Trade partners relying less on US production still a stumbling block on recovery.
  - Increasing polarized income distribution
  - RESTARTING and maintaining the economy long term.

Timeline of the U.S. Unemployment History

Unemployment Rate & Events



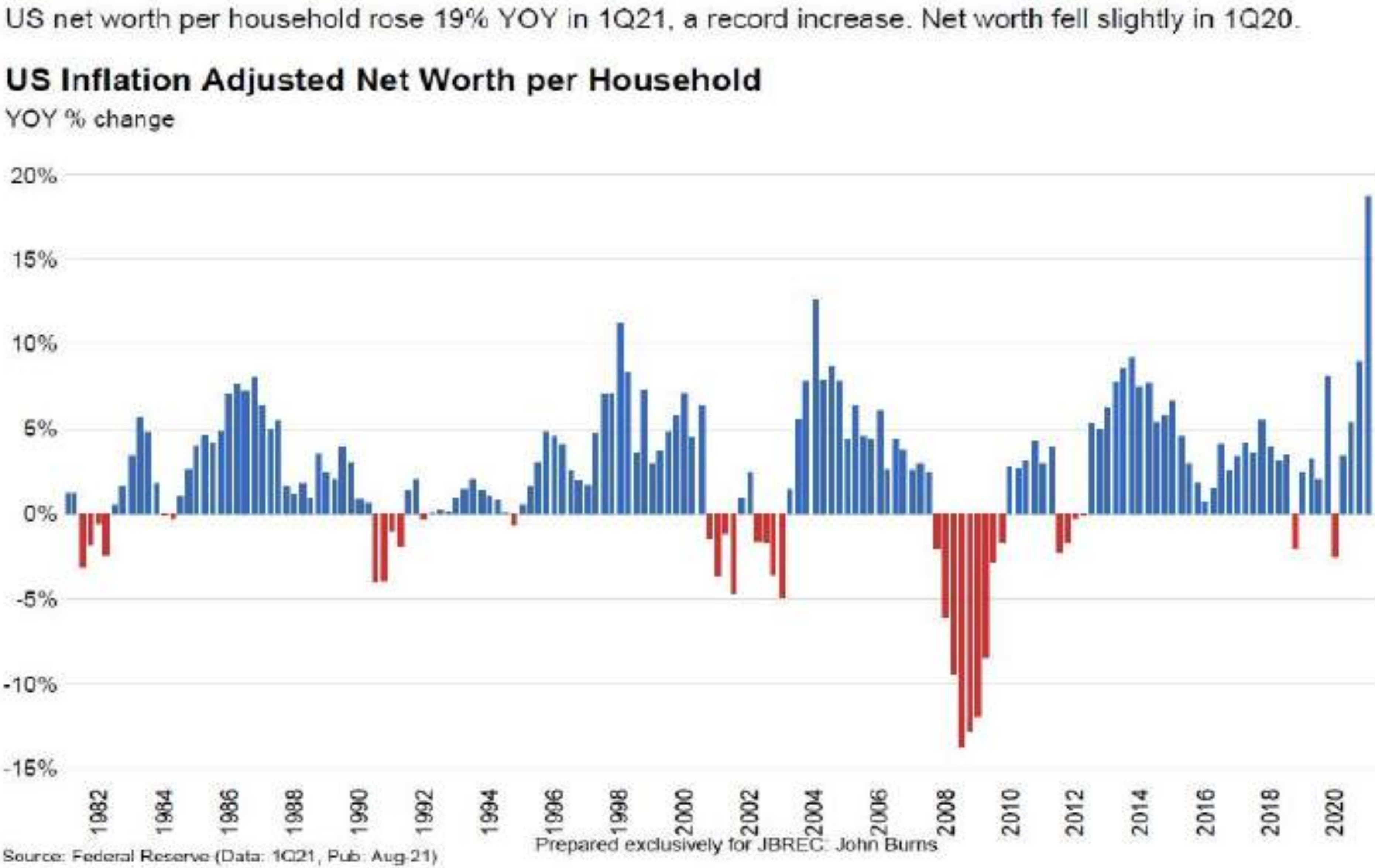
Articles & Sources:
https://howmuch.net/articles/timeline-united-states-unemployment-history
U.S. Bureau of Labor Statistics - https://www.bls.gov/

howmuch.net

Also unusual for a recession, personal income rose

NOTE: Data for Texas. Change in real per capita personal income and wages & salaries, from first quarter to last quarter of recession.
SOURCE: Bureau of Economic Analysis (BEA)

America's net worth has risen 19% - the highest ever.



2022 U.S. Economic Outlook

- **What is the US economy like right now?**
  - Last 2 years made you dizzy. Started well, then COVID, Q2/2020 was the worst economic quarter in history. Economic growth (GDP) was decimated by the COVID pandemic. Total for 2020 4.0%, better than expected. 2021 was more of the same. One quarter we would be on track, the next a COVID variant would rise, crippling the economy and affecting GDP. US Real GDP growth will rise to 6.5 percent (annualized rate) in Q4 2021, vs. 2.1 percent growth in Q3 2021, and that 2021 annual growth will come in at 5.6 percent (year-over-year).
  - The number of unemployed since March 2020 has improved, but is still high with close to 4M, still unemployed with little opportunity to return to previous employer due to health mandates. 2021 showing uneven improvement. 2022 more of the same.

➢ Unemployment
  - The unemployment rate (U3) averaged 5.5% through 2021. Forecast it to fall to 5.5 in 2021, 4.6% in 2022, 4.% in 2023. currently at 4.2% in November 2021. National unemployment peaked at 14.7% in April 2020 as businesses closed in response to the pandemic.
  - The real unemployment rate (U6) includes the underemployed, the marginally attached and discouraged workers. For that reason, it is historically double the reported / headline rate.

➢ Inflation
  - Inflation was anemic in 2020 and the last 20+ years. 2022 is different, currently at 7.9+/-%. The core inflation rate strips out volatile gas and food prices. It does not include real estate appreciation but uses a rent equivalent.
  - This is concerning, inflation is one of the economic strength (in moderation) signals. Too much and your economy is in trouble, too little the same result. The federal reserve has been aiming for 2.0%.

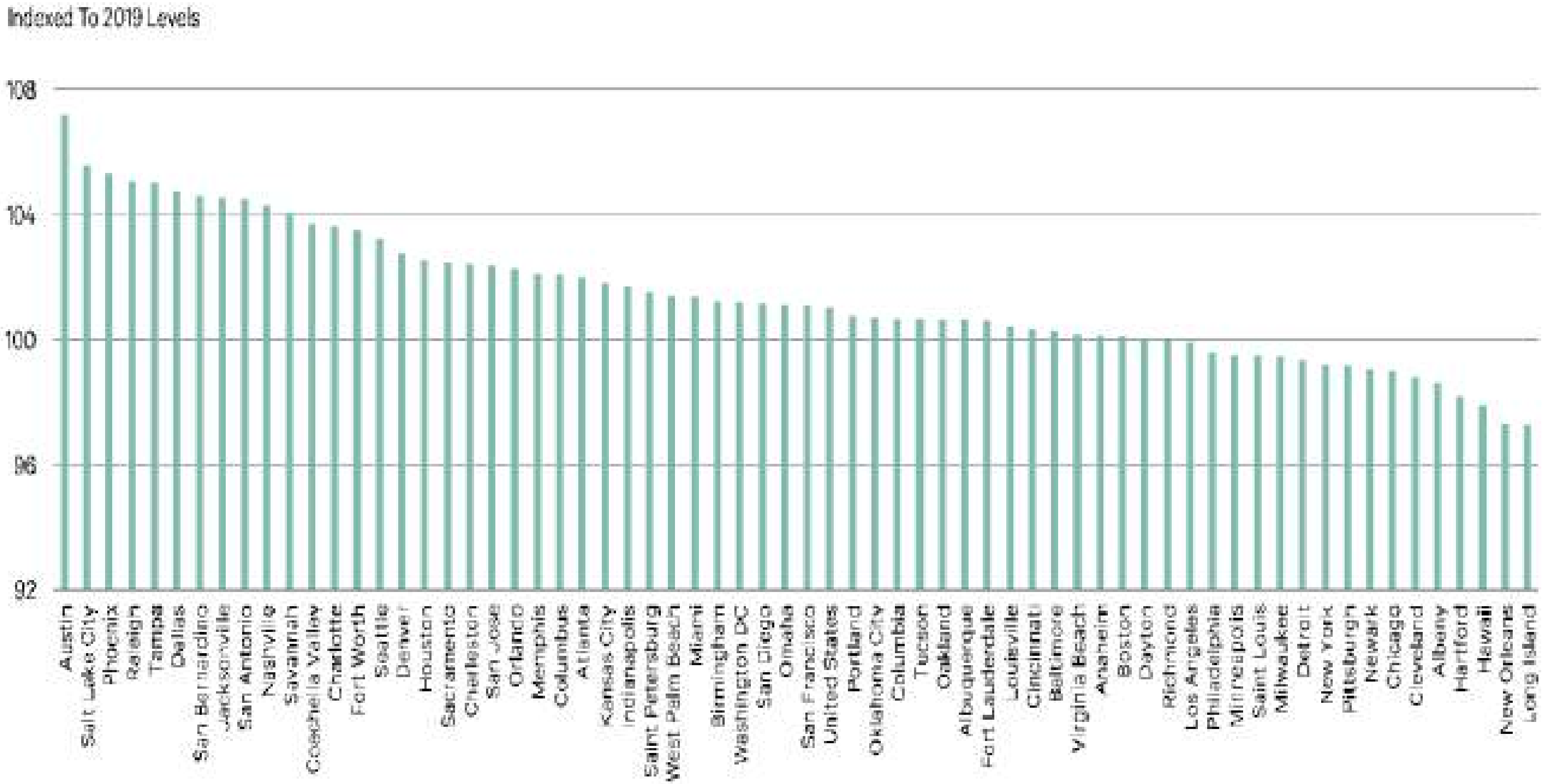
➢ Interest rates
  - in 2022 a new era for Fed policy that could include as many as 4 to 11 rate hikes — according to FOMC's anticipated direction— and a faster-than-expected end to the Fed's billion-dollar asset purchase program.. Current inflation may change that.

➢ Oil and Gas prices
  - Higher prices at the pump will continue, due to the war. However, the US is still 11M barrels less a day (5.13B annually) being consumed pre 2020. Oil consumption may have seen its highest consumption in 2019 for a while. Predictions are that WTI will average around $122 a barrel through 2022.

Texas Economic Outlook

Majority of markets will return to 2019 employment levels by 2022

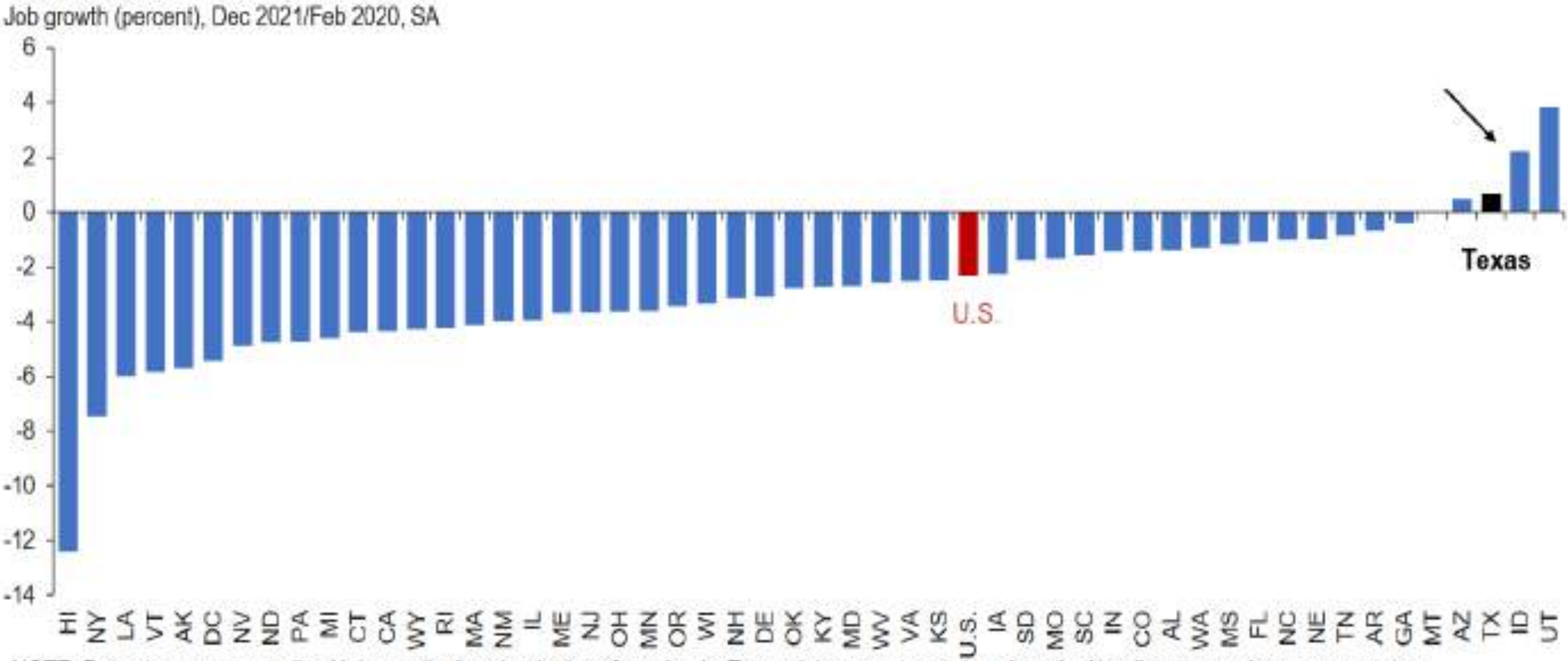
2022 Employment Forecast Indexed to 2019 Levels



Source: CBRE Hotels Research, CBRE EA, BLS

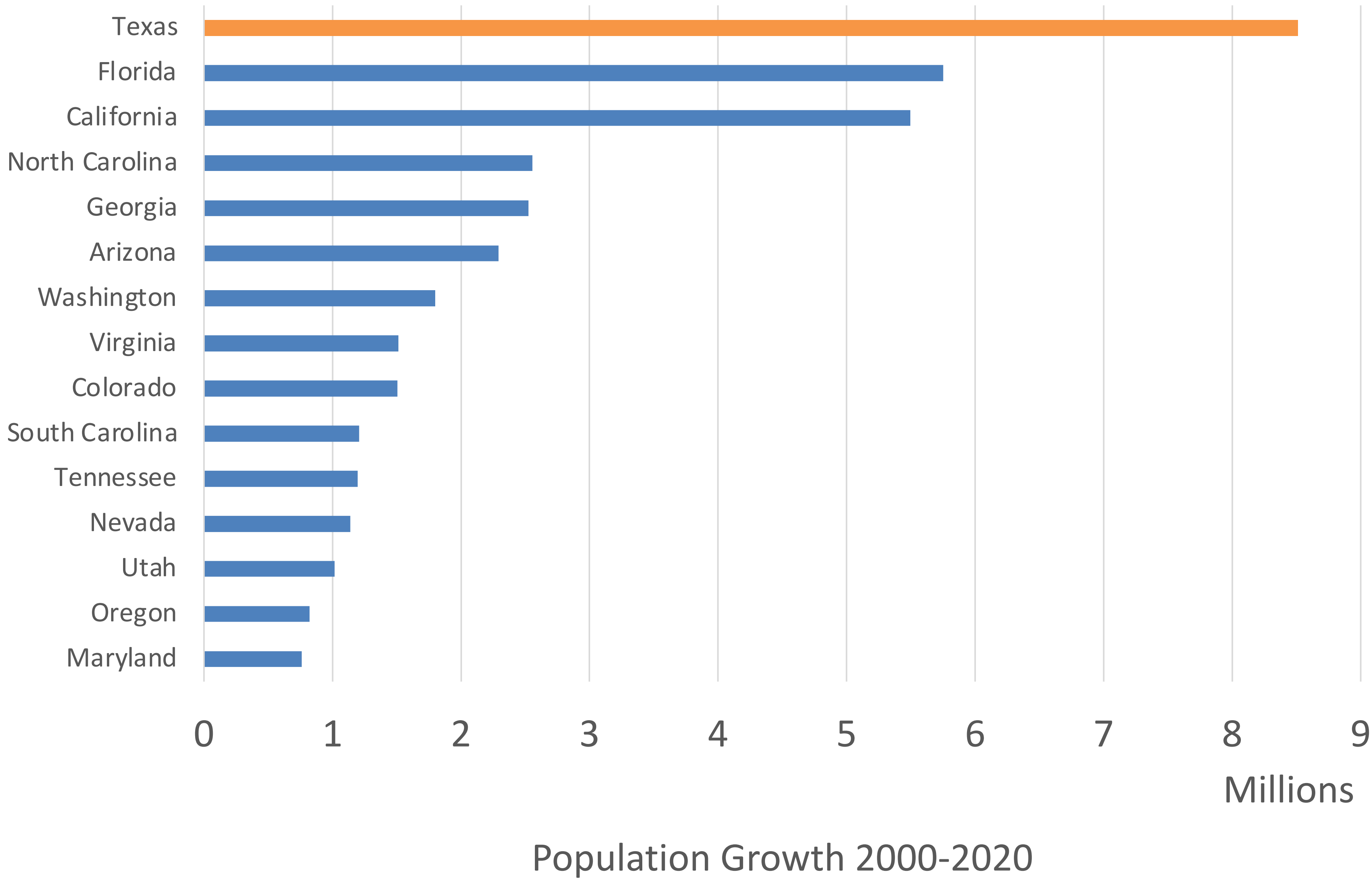
Texas Unemployment Growth

Texas is one of only four states that have exceeded their pre-pandemic level of employment



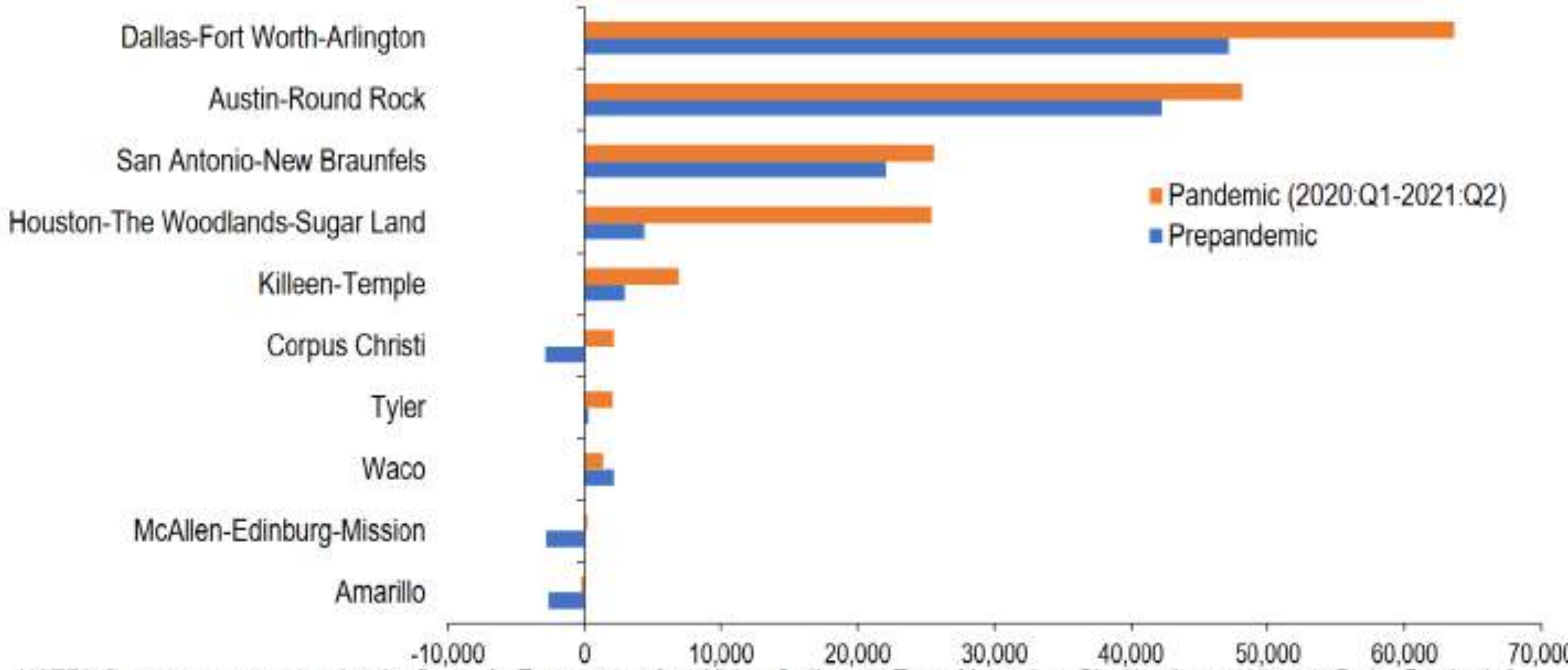
NOTE: Data show non-annualized job growth since beginning of pandemic. Texas data are not early benchmarked to allow comparison across states.
SOURCES: Bureau of Labor Statistics.

State Population Growth from 2000 to 2020



Where did Texans come from?

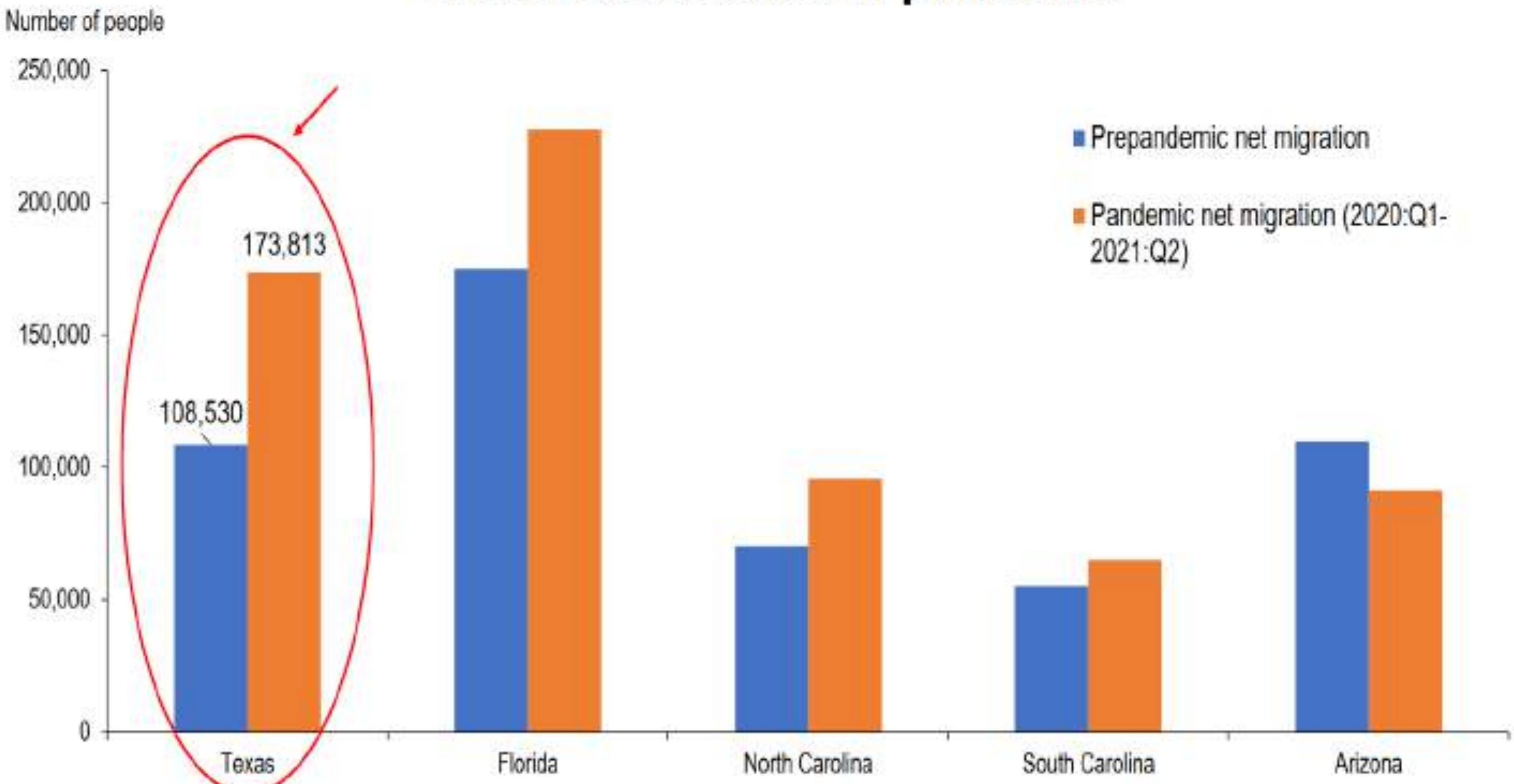
Even though migration flowed mostly to D-FW & Austin, almost all Texas metros enjoyed higher inflows in pandemic



NOTES: Data shown are net in-migration figures for Texas metros from Yichen Su "Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic," *Southwest Economy*, 4th quarter, 2021.

SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

Texas job growth fueled by domestic migration, which accelerated in pandemic

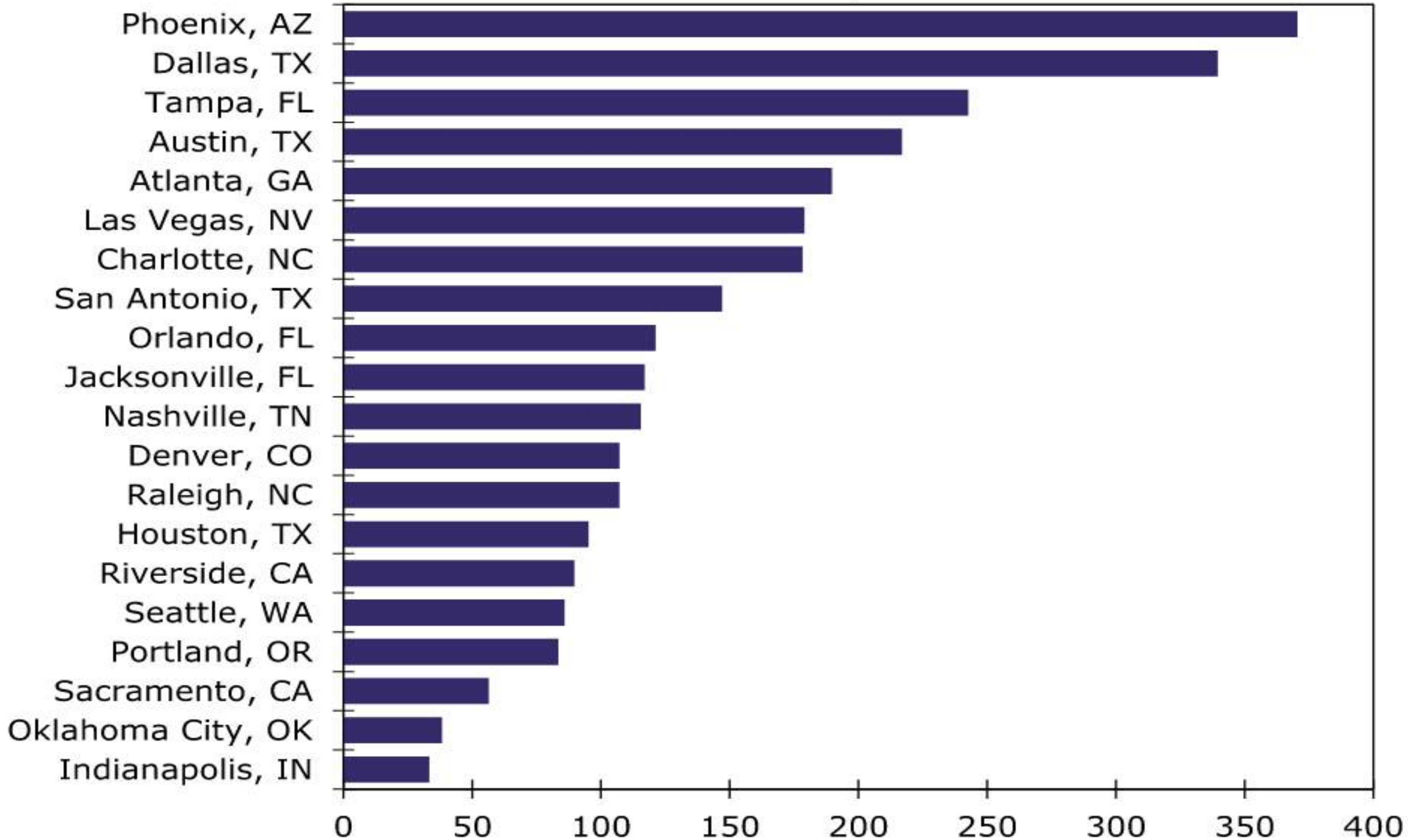


NOTE: Data and analysis from Yichen Su "Largest Texas Metros Lure Big-City, Coastal Migrants During Pandemic," *Southwest Economy*, 4th quarter, 2021.
SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

Rate of Population Growth, 2020 vs 2019

Metro Area Net Domestic Migration: Top 20

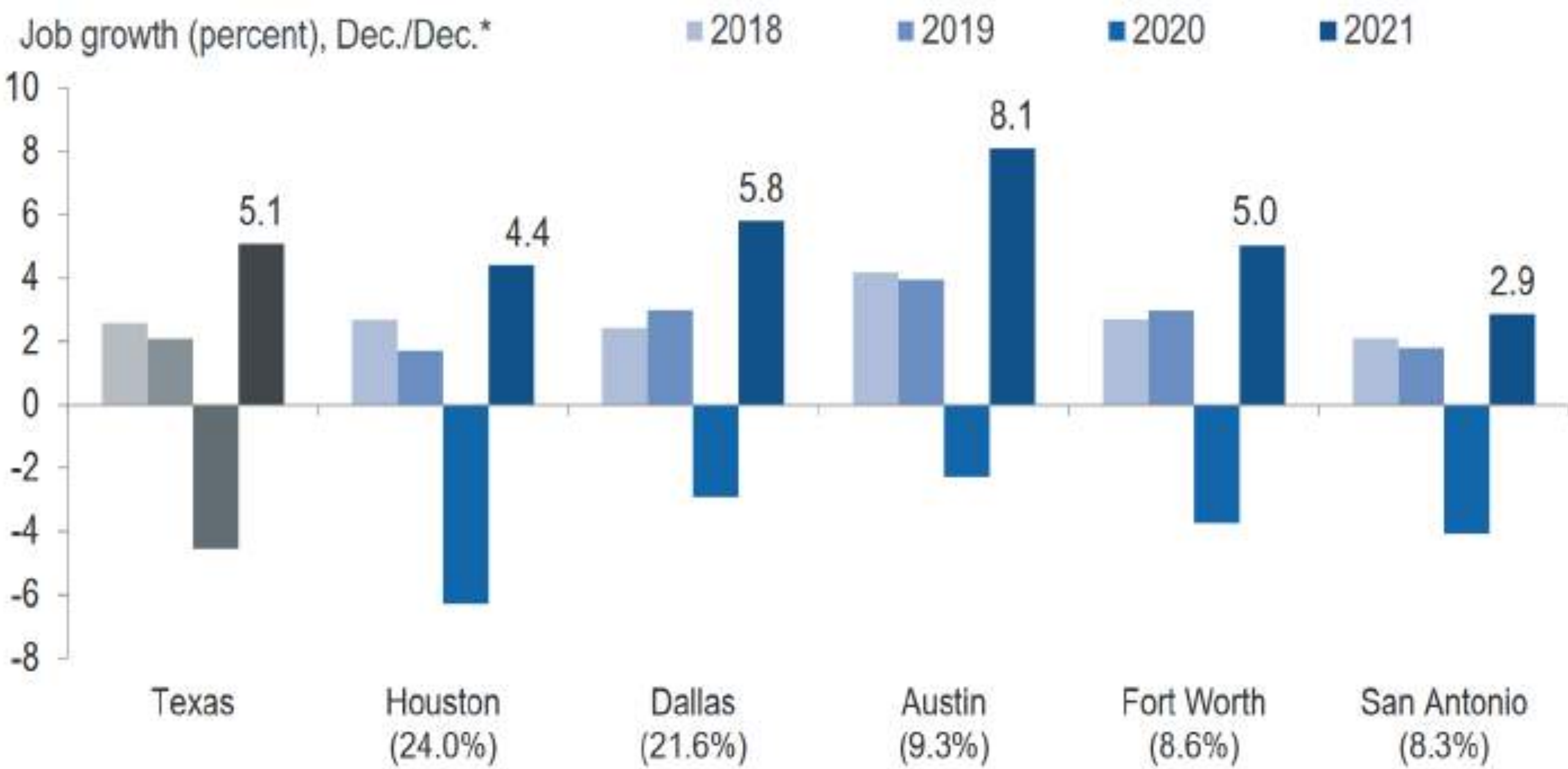
Cumulative Total in Thousands, 2015-2020



Source: US Census Bureau / Wells Fargo Securities

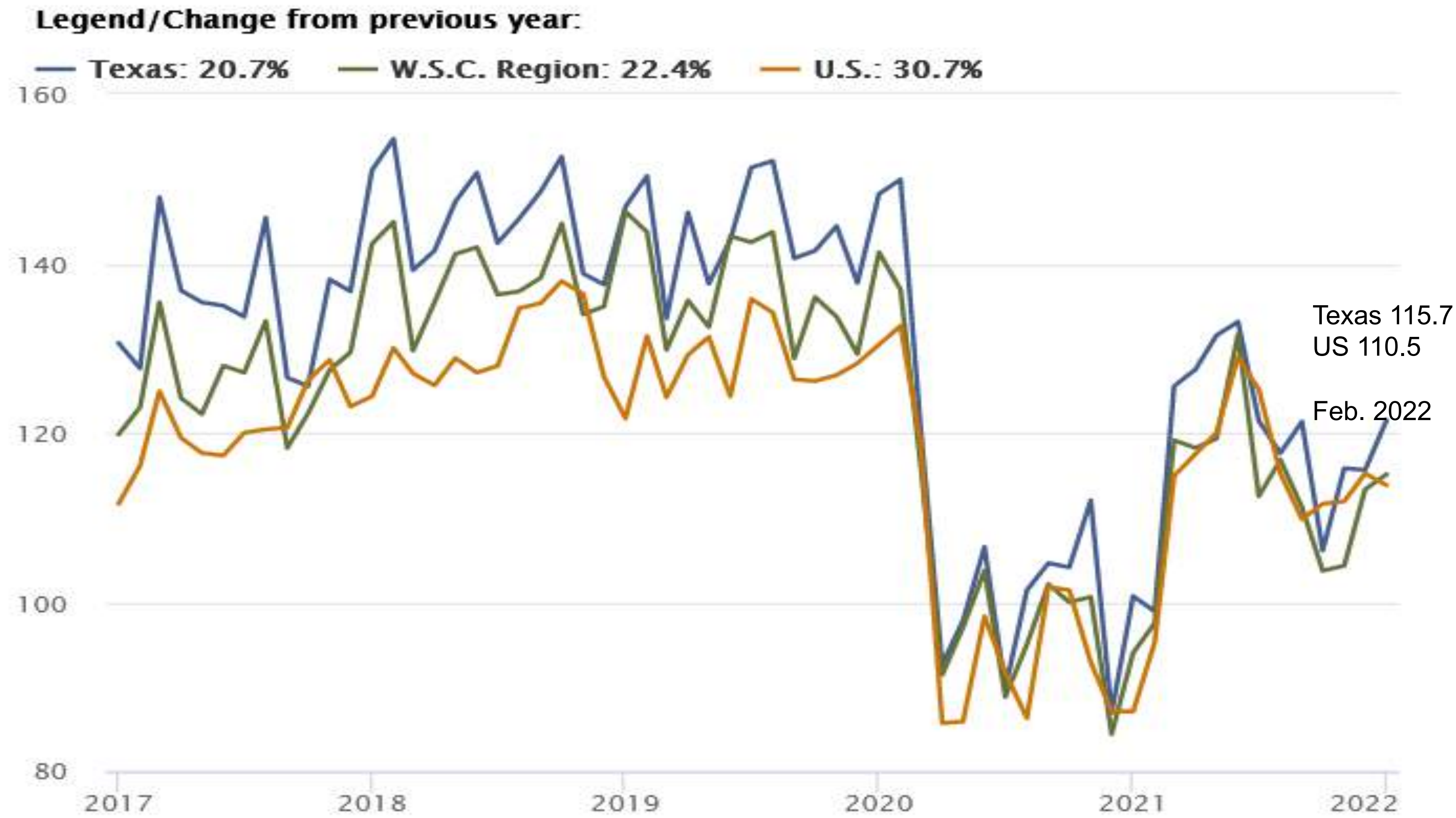
Texas Metro Gains

Jobs Recovery Fastest in Dallas and Austin



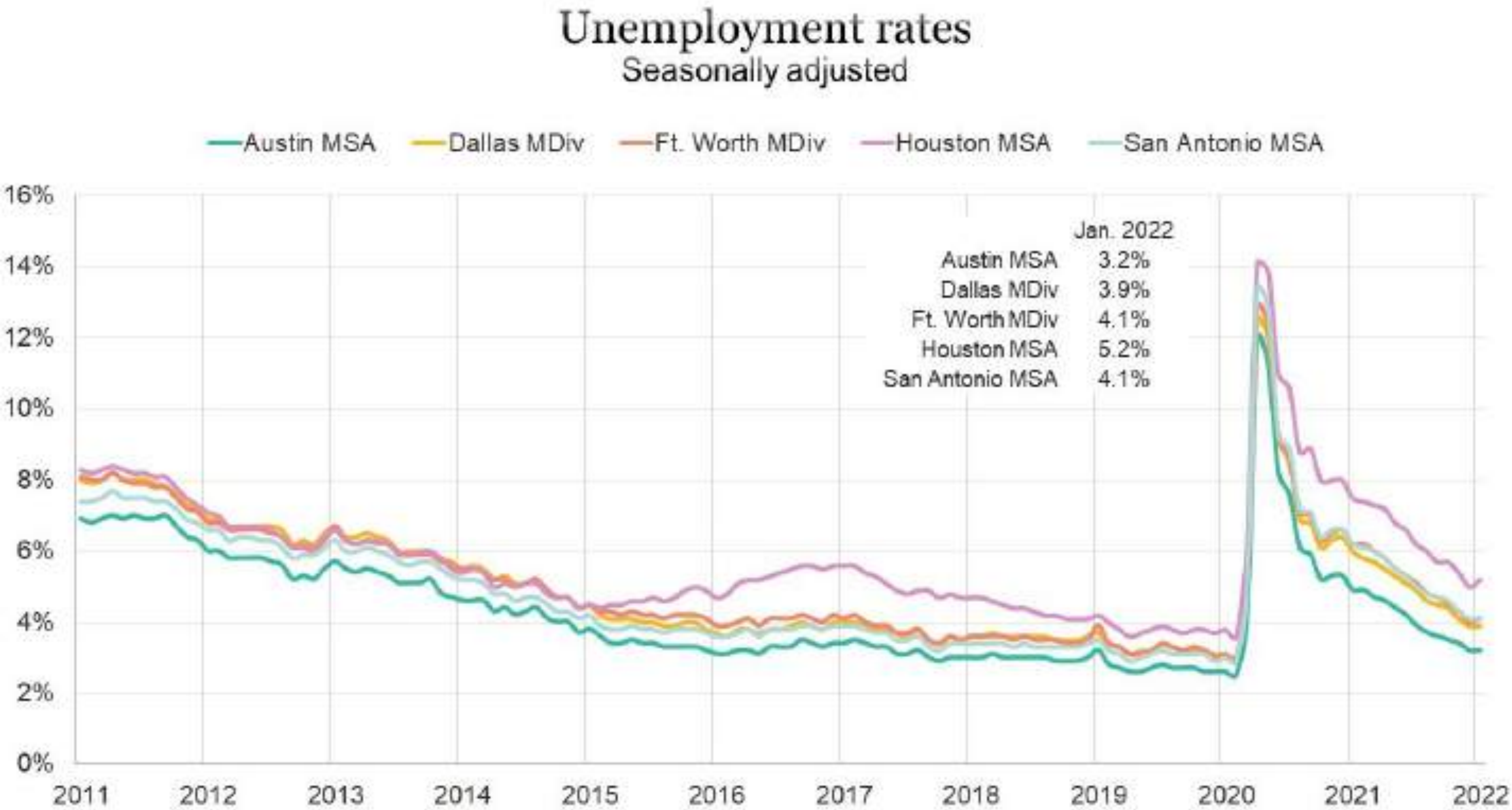
*Seasonally adjusted, annualized rate.
NOTE: Numbers in parenthesis indicate share of state employment for most recent monthly data.
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.
DATA: https://www.dallasfed.org/research/econdata/tx-emp.aspx#tab3

Consumer Confidence Index



Source: The Conference Board

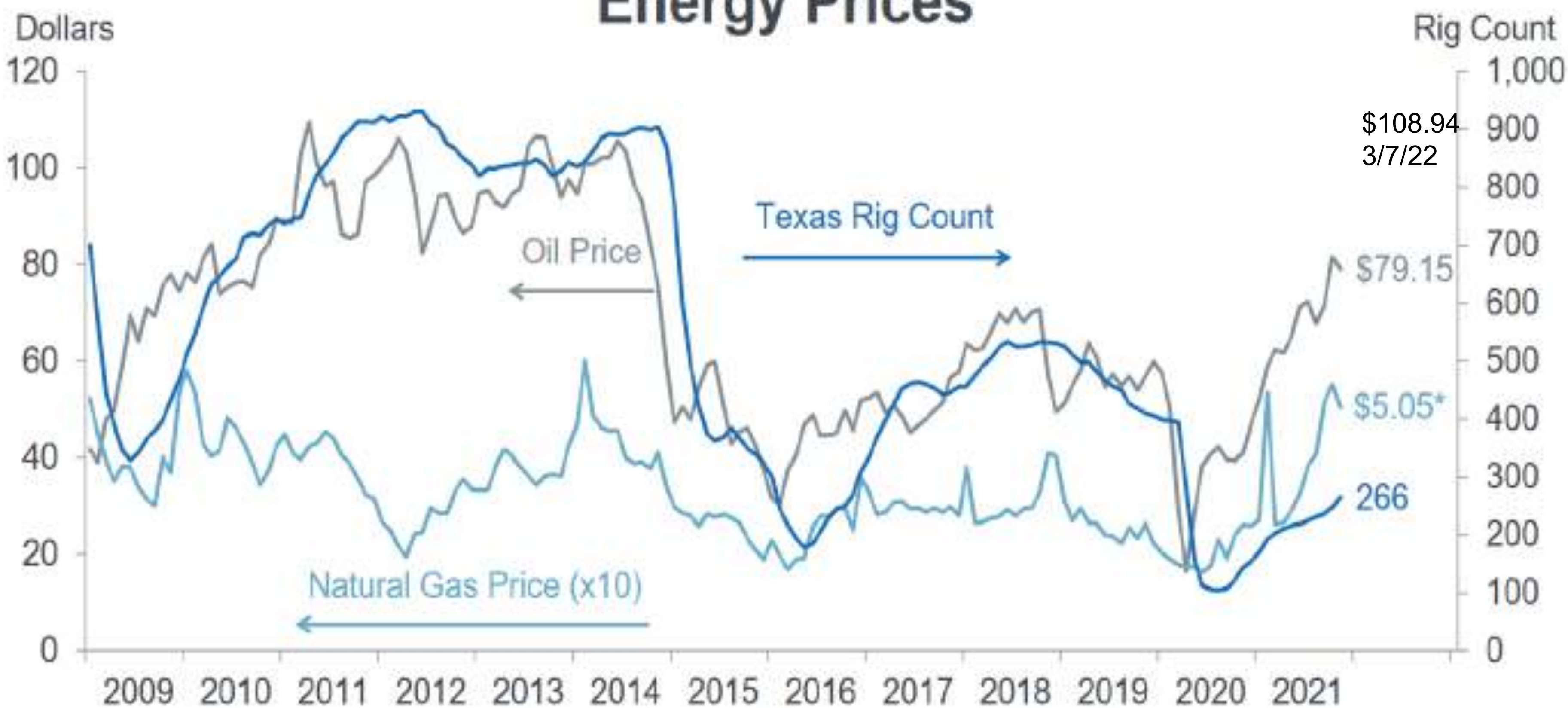
Texas Unemployment Growth



Source: Federal Reserve Bank of Dallas, Local Area Unemployment Statistics (LAUS).

Oil WTI Improved

Drilling Activity Gradually Trending Upward Amidst High Energy Prices



*Latest labeled natural gas price is dollars per million Btu, while the series is dollars per million Btu multiplied by 10.
NOTES: Oil price is dollars per barrel. Data through Nov. 2021.
SOURCES: *Wall Street Journal*; Baker Hughes; U.S. Energy Information Administration.

Texas Economic Outlook

- Texas economy continued to improve through March 2020; energy rebounded into 'Oil war', healthcare, business and professional services up. 2020 was better than expected. 2021 started well. 2022 more of the same
  - Global COVID slowdown slowed Texas economy. Recovering in 2021/2022.
  - Oil wars has slowed parts of Texas economy.
- Real estate sales (commercial / residential) remain stronger than what was expected. 2020 was surprisingly stronger. After initial COVID shock and slowdown, residential real estate rebounded into 2021. Residential challenged in 2021 due to lack of inventory. 2022 will remain challenged with lack of inventory and supply chain issues.
- Energy sector downturn impact worse. 2019 showed stability. 2020 started well, till OPEC/ Russia price war took the bottom out. WTI dropped from high $50's to negative $23+/- a barrel. Still negotiating of relief of political tensions within OPEC. Oil employment will be challenged for several years.
- Texas job growth had picked up, outpacing U.S.. Crisis stopped growth. Rebounding stronger than other states.
- Population expansion continues.
- Uneven growth. Only 12 cities out of 3300+ in Texas had any growth the last ten years.
- Texas manufacturing and construction sector continue to expand.
- Construction activity slowed start of 2019, had uneven improvement in 2020, improved into 2021, however materials and labor challenged
  - Multi family and single-family building had slowed, increased activity in pipeline.
  - Labor shortage a problem 100% of the time.
    - Supply chain issues in multiple channels; lumber, cabinets, appliances, cement, etc. a problem through 2024/25.
  - Construction and material costs rose significantly and will continue through 2022.
  - All price points have seen improved strength.
  - Office and Warehouse construction strong,
    - Office construction and rent growth should slow as vacancy rate gets closer to natural rate (15 to 19%).
- Texas employment was strong; however, Houston much slower job growth from previous 5 years.
- Texas is younger and faster growing than the nation.
- Local growth and regulation issues becoming more pressing, causing strain on value vs. cost of labor and materials in Texas metros.
- COVID surge threatens to slow local, state and national more.
- When does Texas economy get back to normal?

Texas Economic Outlook

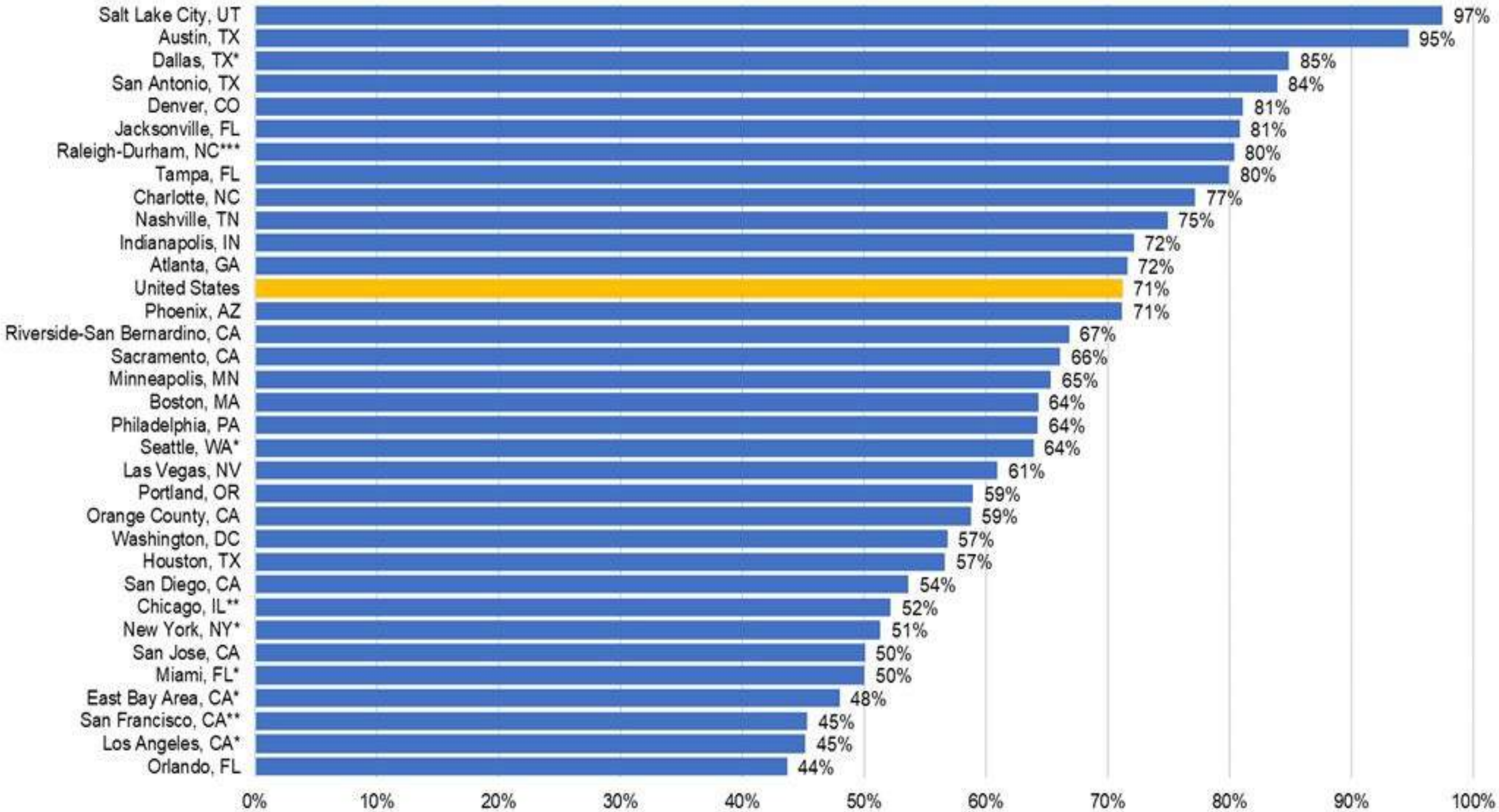
- The Texas economy has rebounded sharply following the COVID-19 pandemic, although employment remains below pre-pandemic levels.
  - Pandemic initially destroyed 1.5 million Texas jobs; 105% have been recovered through November 2021.
  - Manufacturing output continues robust recovery, while the service sector rebound has been more uneven.
  - Unemployment rate declined sharply since April 2020 peak, is 5.2 percent as of November 2021
  - 2022 outlooks are positive, although supply chain and labor constraints will continue to hamper growth.
- The Texas unemployment rate declined from 5.4 percent in October to 5.2 percent in November 2022. While labor markets are tight in Texas, the labor force has been growing at a faster pace than nationally, likely helped by strong net migration from other US states.
  - The Texas labor force grew 3.6 percent annualized for the three months ending in November while increasing only 1.3 percent nationally.
- Texas is #1 producer of oil and natural gas in the nation.
  - Approximately 30% of US refinery capacity and 75% of US petrochemical production in Texas.
- Texas produces 10% of US manufactured goods.
- Texas is the top exporting state and accounts for 20% of US exports.
- Unemployment began 2020 at a near-record low of 3.5 percent.
  - Energy sector activity remains weak. Unemployment rate peaked at 13.5 percent in April 2020, has since declined to 5.2% in November 2021.
- With the virus outbreak and subsequent containment measures, along with energy price declines, the state outlook turned negative in March 2020. Began improvement at end of 2020 into 2021. Improving, but uneven through 2022.
- Services and manufacturing output still recovering through 2021 after steep declines in 1st half of 2020. 2022 more of the same.
- Hospitality, leisure and retail sharp contraction statewide. Most operating at less than 20% of norms. Improving. But surges continue to make a long way back to normal
  - Lack of festivals, sports events, etc. devastating to most.
- Sharp contraction in the energy sector due to 'oil war' starting in March 2020. Energy sector activity remains weak.
- Unemployment claims improving after falling from record highs in April 2020.
- Yet, residential real estate markets are currently tight in most of the state.
- Leading indicators point to improvement in the state economy.
- Recent data has shown improvement,. 2021 / 22 should have record reemployment.

What to watch?

- Job Growth
- Gross Domestic Product
- Population Growth
- Consumer Confidence
- Real Estate
- Interest Rates / Cap Rates

Recovery of Payroll Job Losses to Date

Through June 2021



Recovery measured against peak payroll employment (non-seasonally adjusted), which for most major markets was in November or December 2019.
Trough employment (non-seasonally adjusted) for these markets was April or May 2020
*Metro division **Combination of metro divisions ***Combination of metro areas
Source: John Burns Real Estate Consulting, LLC tabulations of Bureau of Labor Statistics data

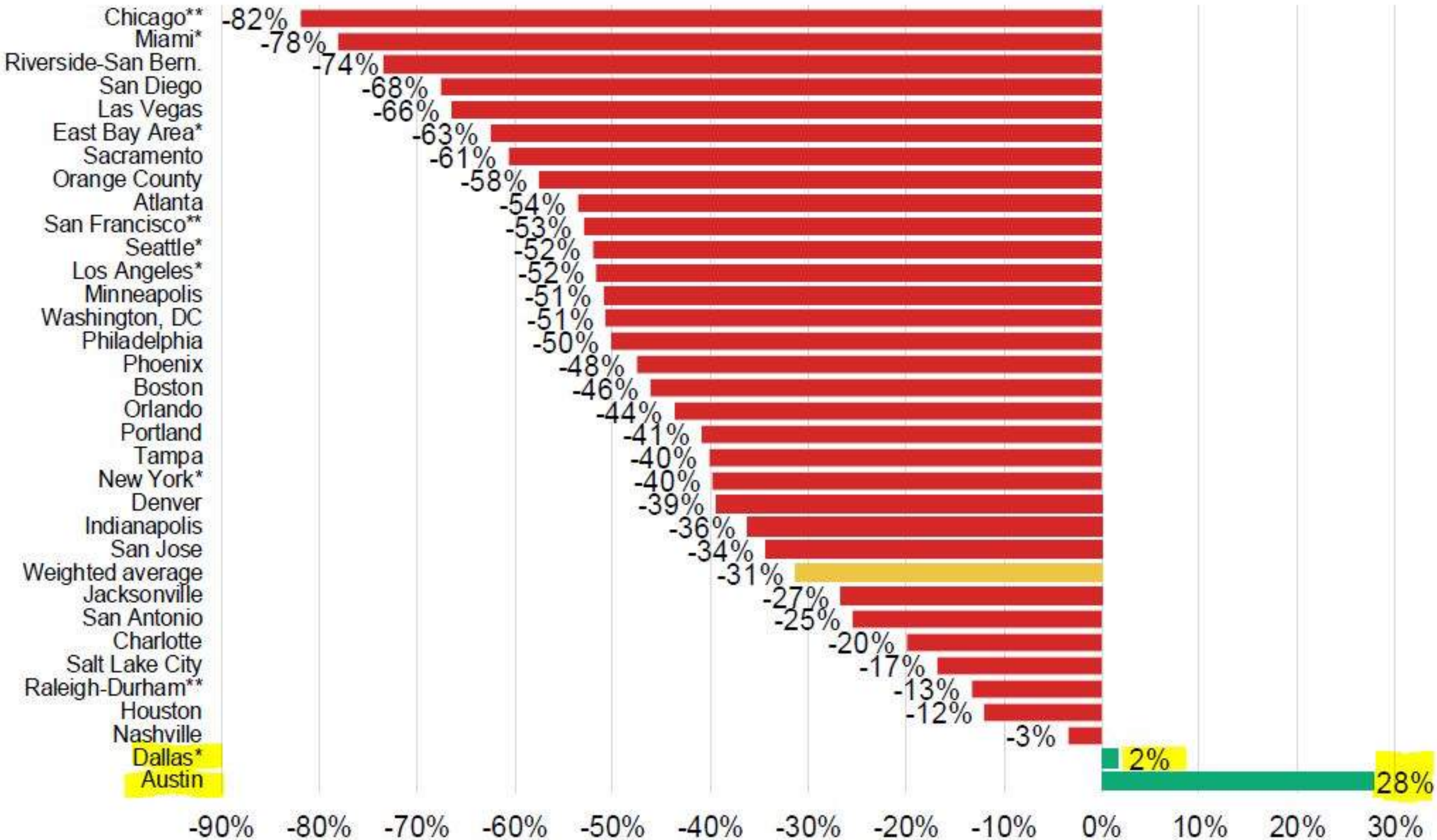
Top Markets by Housing Starts (3Q2021)

Rank	Market	Annual Starts	Annual Change	%
1	Dallas/Ft.Worth	55,306	16,259	41.6%
2	Houston	43,170	8,613	24.9%
3	Central Florida	35,170	5,406	18.2%
4	Phoenix/Tucson	34,124	6,270	22.5%
5	Atlanta	31,779	6,603	26.2%
6	Austin	26,767	6,372	31.2%
7	Denver/Colorado Springs	24,780	4,543	22.4%
8	Southern California	21,556	4,472	26.2%
9	San Antonio	20,102	5,069	33.7%
10	Salt Lake City	19,812	5,315	36.7%
11	Tampa	17,922	4,908	37.7%
12	Northern California	17,032	2,959	21.0%
13	Raleigh/Durham	16,168	2,895	21.8%
14	Charlotte	15,470	2,335	17.8%
15	Philadelphia Region	15,226	3,808	33.4%
16	Central California	14,535	3,042	26.5%
17	Las Vegas	14,350	3,320	30.1%
18	South Florida	12,828	3,434	36.6%
19	Jacksonville	12,753	3,207	33.6%
20	Suburban Maryland	12,063	2,210	22.4%
21	Nashville	11,399	590	5.5%
22	Sarasota/Bradenton	11,375	3,334	41.5%
23	Twin Cities	10,915	2,806	34.6%
24	Seattle	10,746	790	7.9%
25	Northern Virginia	9,576	1,448	17.8%

Source: Zonda

Current Single-Family Permits vs. Peak Permits

Trailing twelve months (Peak permits are calculated between 2002 and 2008.)



*Metro division **Combination of metro divisions (except Raleigh-Durham, which is combination of metros)

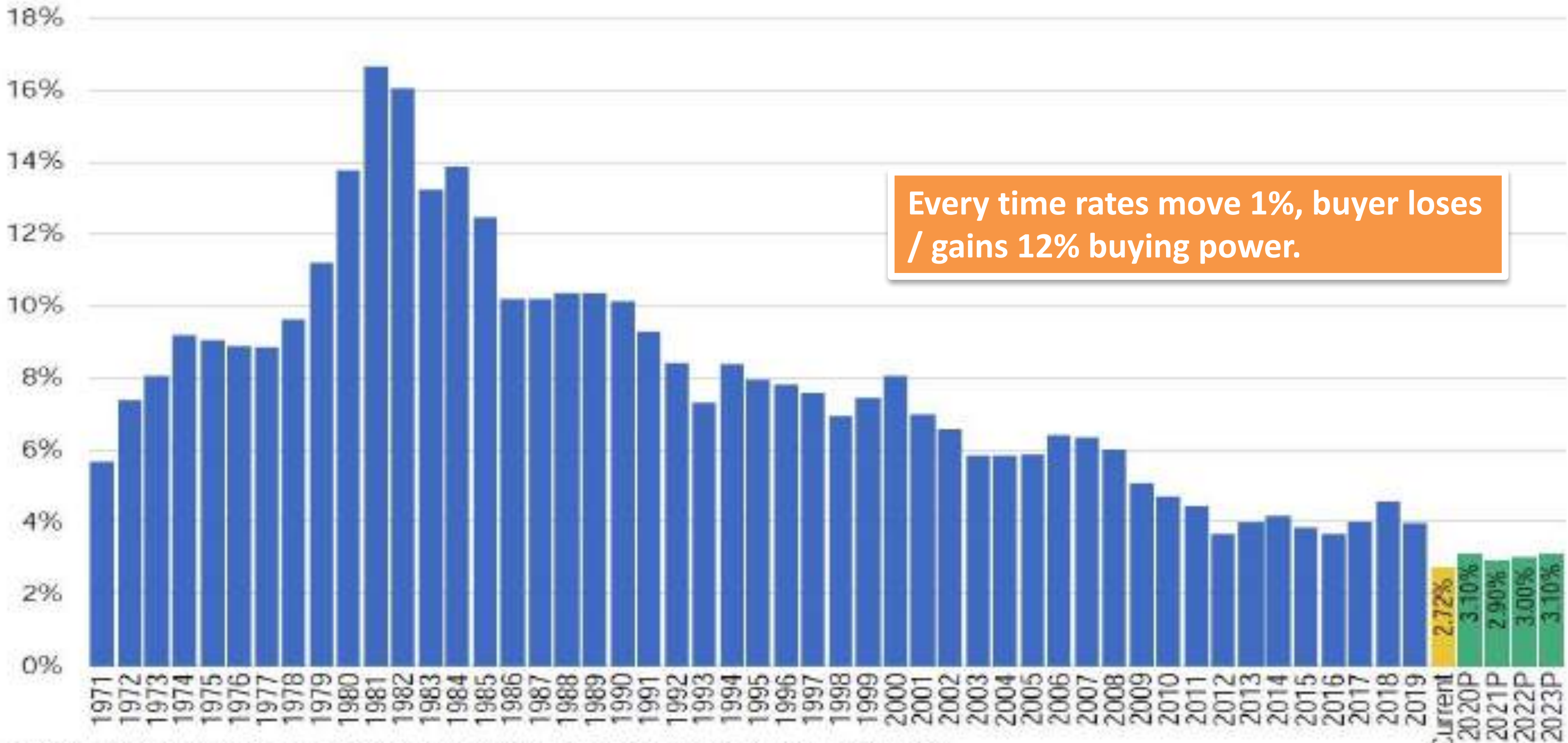
Sources: John Burns Real Estate Consulting, LLC (Data: Jan-21, Pub: Mar-21)

Where are Rates Headed?

Mortgage Rates

We expect mortgage rates to remain historically low through 2023.

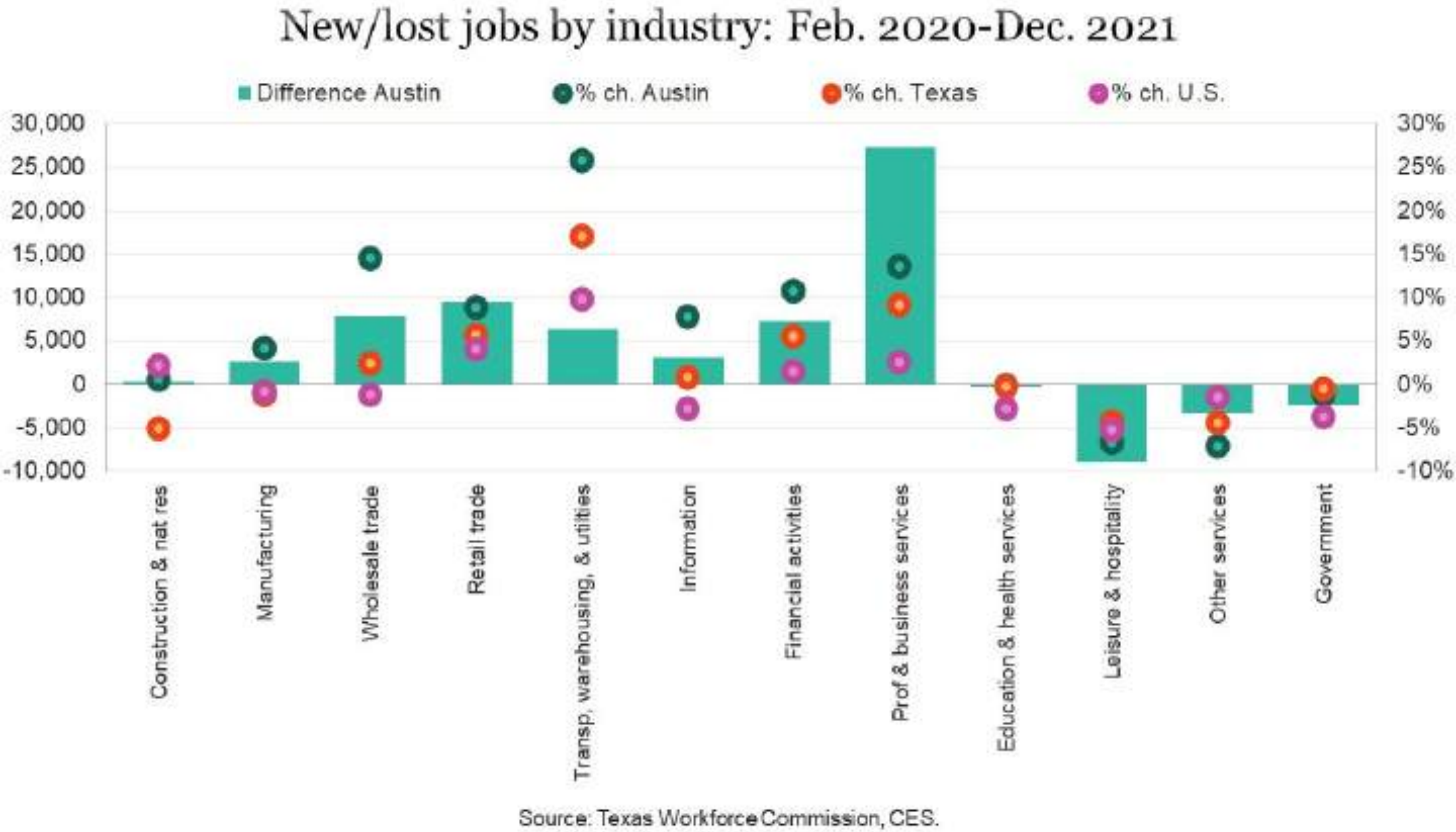
30-Year Fixed Mortgage Rates



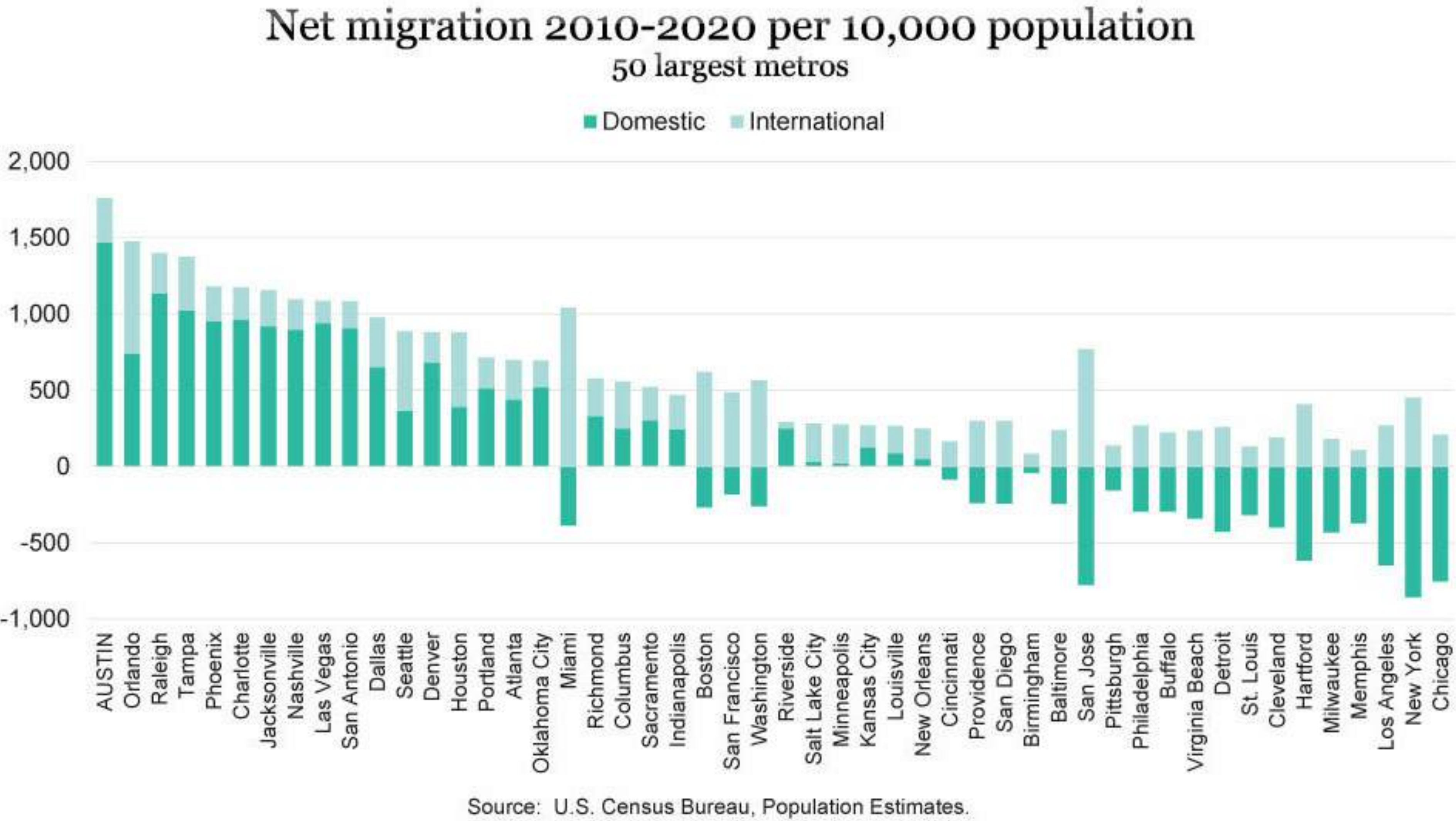
Sources: Freddie Mac; John Burns Real Estate Consulting, LLC forecasts (Data: Nov-20, Pub: Dec-20)

Austin Economic Outlook

Austin Jobs

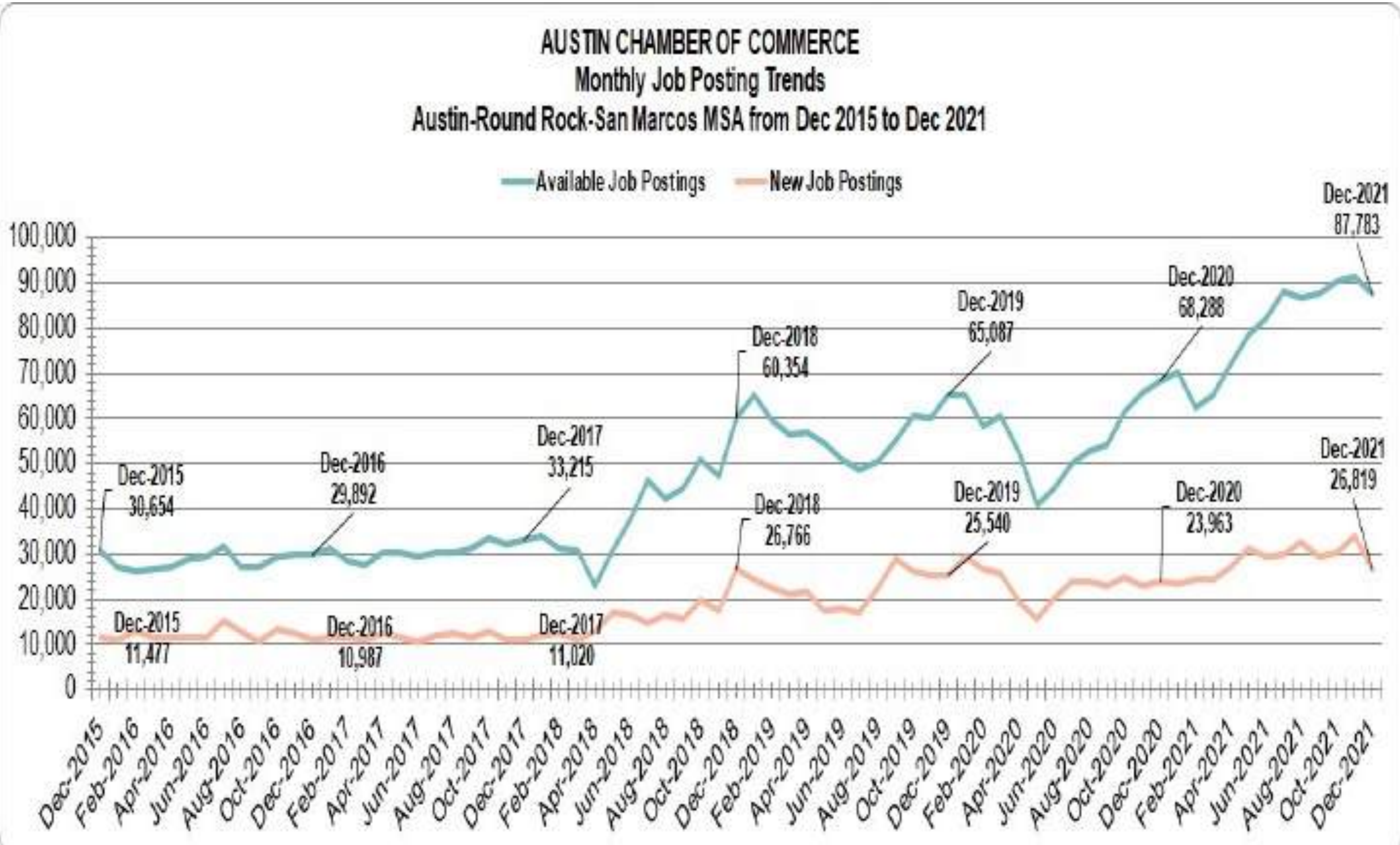


New/lost jobs by industry: Feb. 2020-Dec. 2021
Difference Austin
% ch. Austin
% ch. Texas
% ch. U.S.
30,000
25,000
20,000
15,000
10,000
5,000
0
-5,000
-10,000
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
Construction & nat res
Manufacturing
Wholesale trade
Retail trade
Transp, warehousing, & utilities
Information
Financial activities
Prof & business services
Education & health services
Leisure & hospitality
Other services
Government
Source: Texas Workforce Commission, CES.



The Austin metro area gains about 33,700 people annually from domestic migration, 6,660 from international migration, and 15,980 from natural increase.

Austin Jobs


AUSTIN CHAMBER OF COMMERCE
Monthly Job Posting Trends
Austin-Round Rock-San Marcos MSA from Dec 2015 to Dec 2021
Available Job Postings
New Job Postings
Dec-2015 30,654
Dec-2016 29,892
Dec-2017 33,215
Dec-2018 60,354
Dec-2019 65,087
Dec-2020 68,288
Dec-2021 87,783
Dec-2015 11,477
Dec-2016 10,987
Dec-2017 11,020
Dec-2018 26,766
Dec-2019 25,540
Dec-2020 23,963
Dec-2021 26,819
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Dec-2015
Feb-2016
Apr-2016
Jun-2016
Aug-2016
Oct-2016
Dec-2016
Feb-2017
Apr-2017
Jun-2017
Aug-2017
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Oct-2019
Dec-2019
Feb-2020
Apr-2020
Jun-2020
Aug-2020
Oct-2020
Dec-2020
Feb-2021
Apr-2021
Jun-2021
Aug-2021
Oct-2021
Dec-2021

Where are we presently?

•

- The state has added 506,300 jobs year to date.
- Based on the forecast, 626,700 jobs will be added in the state this year, and employment in December 2021 will be 13.0 million.
- Unemployment rates in October increased in El Paso, Houston, Laredo and McAllen-Edinburg-Mission and stayed the same in the remaining five major Texas metros as of the end of October 2021.
- The number of people currently hospitalized with COVID-19 in Austin has continued to slow since its sharp rise in early July. Office occupancy is recovering from the COIVD work from home / more office is needed with rising rents and a 82+/- occupancy currently and rising rents.
- Retail occupancy has stayed at a robust 90+% occupancy. One of the few bright spots in the nation in that channel.
- Warehouse occupancy is 90+% with rents slowing as inventory begins to overcome demand.
- Apt. rents and occupancy rise with 91+% occupancy after a tough 2020 and start to 2021. (COVID, rent freeze, actual spring freeze)
- Existing-home sales in Texas contracted during the summer due to lack of inventory. Historically the summer months see an increase in annual sales because of seasonality. Lack of inventory may the main culprit, but as stated last year, we were stealing sales from future sales with the robustness of last year's record year.. At the state level, sales were up 14.0 percent for that period. with $301,580 in Texas—a 10.0 percent increase.
- Number of chip manufacturing announcements in Texas this year.
  - Samsung may have selected Taylor for their $17 billion dollar chip plant. This will be the largest foreign investment in the US.
  - Texas instruments announced a $30 billion dollar chip plant in Sherman. Other chip manufacturers are shopping for Texas sites.

Where are we presently?

Key Employment Stats:

- 2020 GDP of Austin-Round Rock is nearly $159.4 billion, according to the Federal Reserve Bank, and has grown by over 88% in the last ten years.
- Target industry sectors include advanced manufacturing, creative and digital media, clean technology, life sciences, space technology, and data management.
- Companies with corporate or regional headquarters in Austin include AMD, Apple, Dell, Cirrus Logic, Home Depot, IBM, Indeed, Legal Zoom, Oracle, Samsung, Tesla and Vrbo.
- Apple, Amazon, Cisco Systems, eBay, PayPal, Facebook, Google, HomeAway, and Xerox are just a few of the many high-tech companies with Headquarters in California & operations in Austin, helping the metro area earn the nickname Silicon Hills.
- Major employers in the Austin metropolitan area include Apple, Ascension Seton healthcare headquarters, Austin Independent School District, City of Austin, the Federal Government, State of Texas, and Samsung Austin Semiconductor.
- University of Texas at Austin, Austin Community College, and Concordia University are three of the major universities and colleges in Austin. There are 42 institutions of higher learning within 200 miles of Austin.
- 90% of the Austin residents have a high school degree or higher, while 46% hold a bachelor's degree or advanced degree.
- Interstate highways I-10, I-35, and SR-130 put Houston, San Antonio, and Dallas less than a three-hour drive from Austin.
- Burlington Northern Santa Fe Railway and Union Pacific Railroad are two of the freight rail lines serving Metro Austin.
- Austin is within 250 miles or less of the top U.S. ports in Houston, Beaumont, Corpus Christi, and Texas City.
- Austin-Bergstrom International Airport (ABIA) serves nearly 16 million passengers with nonstop service to more than 70 national and international destinations, and last year handled 182.5 million pounds of air cargo shipments.

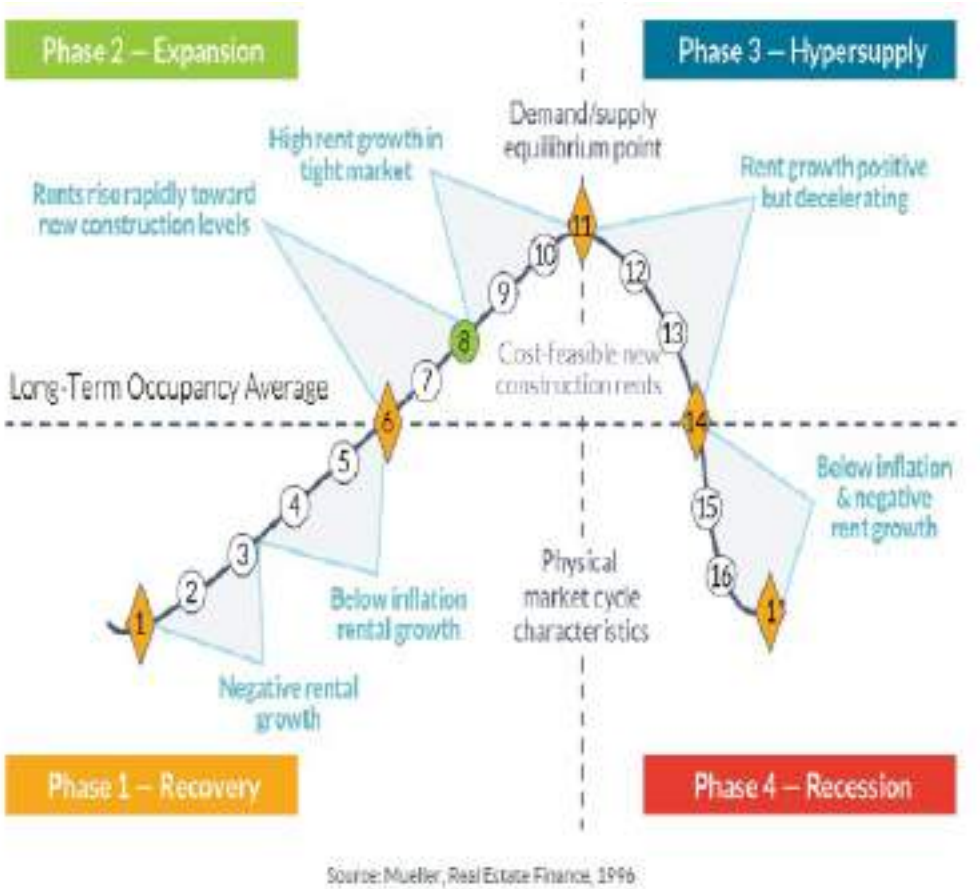
Where are we presently?

Key Population Stats:

- City of Austin is home to nearly 965,000 residents with almost 2.2 million people residing in the Hays county metropolitan area.
- Population of Austin has increased by 2.5% year-over-year.
- Population has doubled every 20 years.
- Austin metro grew by 33.0% (adding 567,082 people) from 2010 to 2020, ranking as the fastest growing large metro in the nation.
- Austin is the 2nd most populated capital city in the U.S., right behind Phoenix.
- Austin remains one of the top destinations for migrating talent, with about 6.7% of Austin residents in 2018 having lived elsewhere just one year earlier.
- By 2050 the population of the Austin MSA is projected to more than double in size to more than 4.5 million residents.
- Median age in Austin is 31.8 years vs. 33.9 years for the State of Texas.
- 46% of the population in Austin is between the ages of 20 and 49 years.
- Hays County was the fastest growing county in the U.S. with a population over 100K, growing by 53.4% over the decade, while Williamson County ranked fourth with 44.1% growth.
- Austin metro officially became a majority-minority metro with the percentage of the population identifying as “Non-Hispanic White alone” falling below 50% in 2020.
- While each major race and ethnic grouping had positive growth from 2010 to 2020, the Asian population grew an extraordinary 96.8% and now represents the third largest major ethnic/racial group in the region.
- The Austin region continues to densify. The land area with a density of more than 5,000 increased from 62.6 square miles in 2010 to 90.4 square miles in 2020.

Real Estate

The Real Estate Market Affects the Economy!



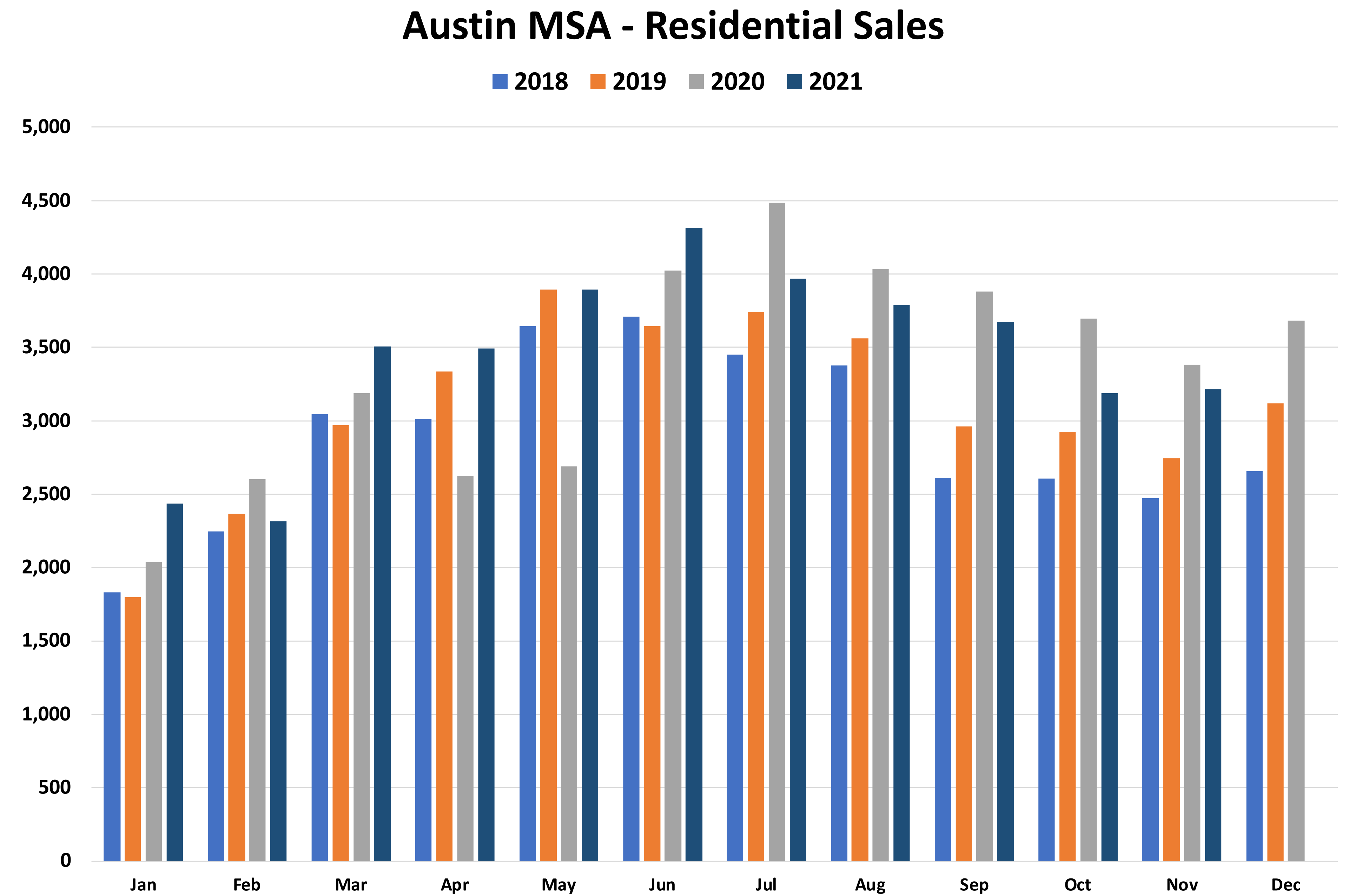
Rising real estate / home values generally encourage consumer spending and lead to higher economic growth.

A sharp drop in real estate and home values adversely affects consumer confidence, construction and leads to lower economic growth.

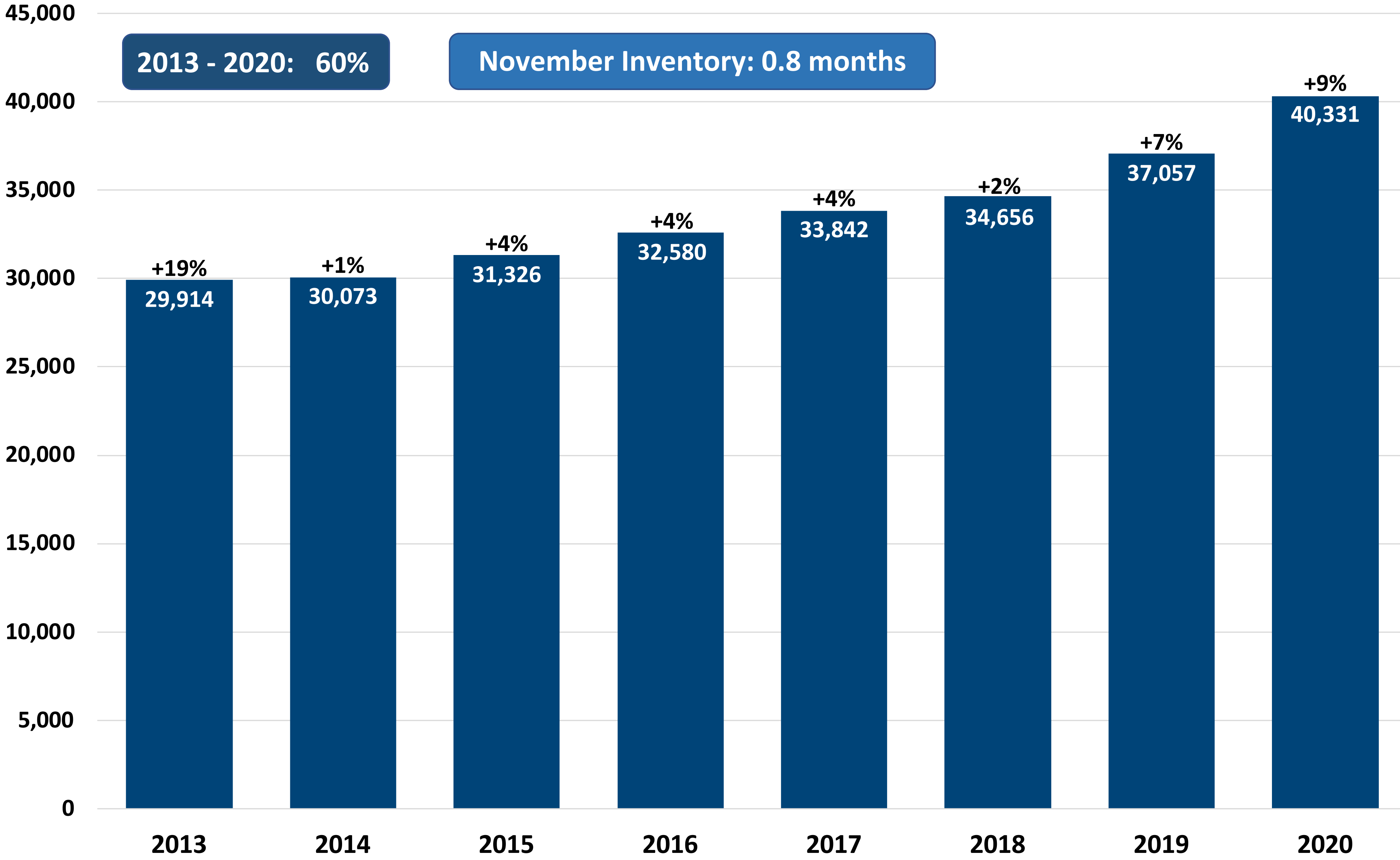
Top real estate values are found where there is top employment, strong GDP and strong consumer confidence.

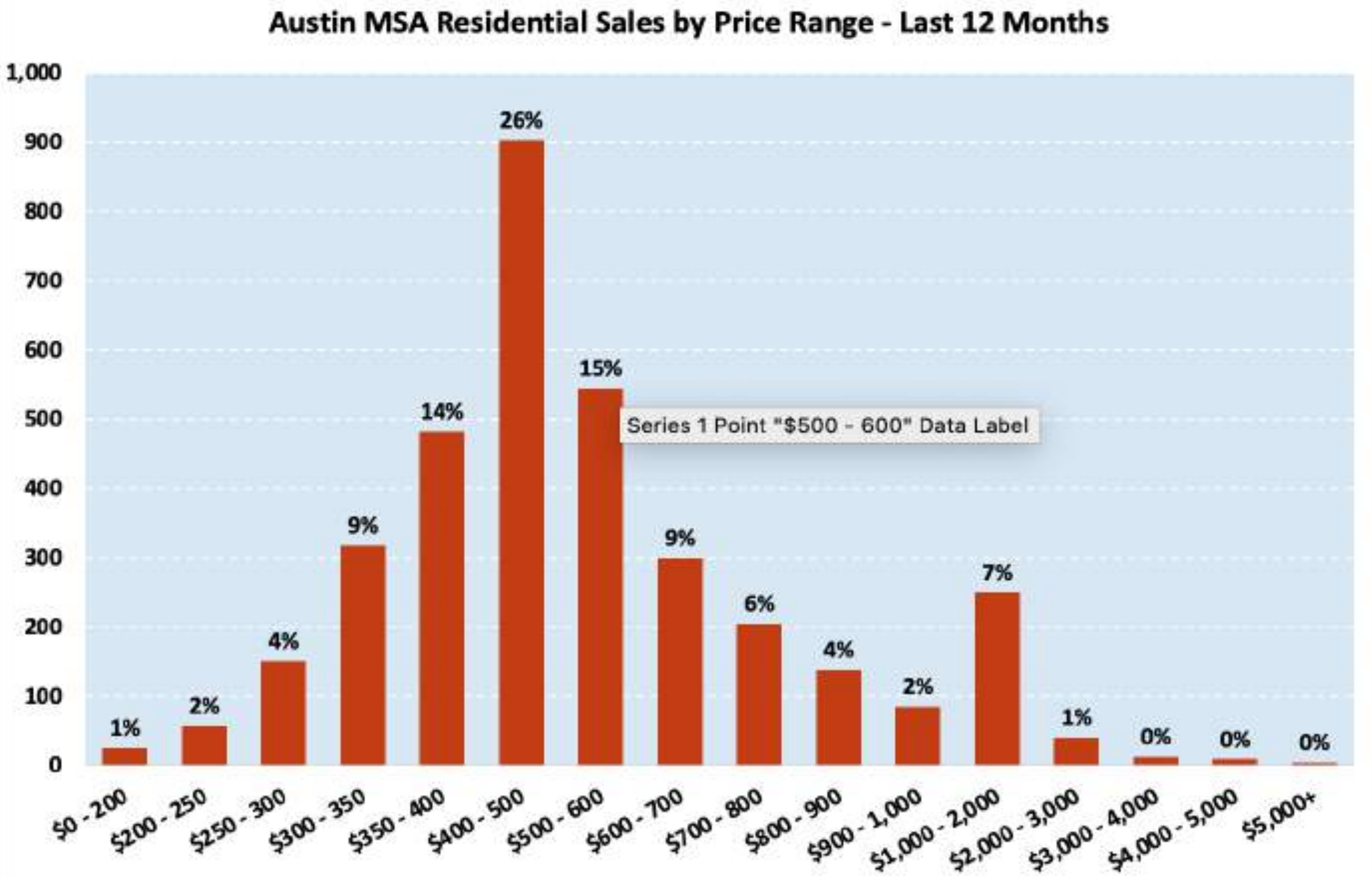
All hard assets, (including real estate) are cyclical. Understanding where you are in the cycle is paramount.

One of the unique aspects of commercial real estate is that investors can invest successfully across all four phases of the cycle.


Austin MSA - Residential Sales
2018
2019
2020
2021
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Austin MSA - Annual Residential Sales




Austin MSA Residential Sales by Price Range - Last 12 Months
1,000
900
800
700
600
500
400
300
200
100
0
1%
2%
4%
9%
14%
26%
15%
Series 1 Point "$500 - 600" Data Label
9%
6%
4%
2%
7%
1%
0%
0%
0%
$0 - 200
$200 - 250
$250 - 300
$300 - 350
$350 - 400
$400 - 500
$500 - 600
$600 - 700
$700 - 800
$800 - 900
$900 - 1,000
$1,000 - 2,000
$2,000 - 3,000
$3,000 - 4,000
$4,000 - 5,000
$5,000+

COVID Effect on Commercial Real Estate

- 2020 accelerated trends already present before the pandemic and compressed them.
- Office: Vacancy rates and rents hit from accelerated changes due to work from home remotely mandate.
  - Early on, considerations of rent reduction and potential income stream reductions due to lack of need for office. 2022 different, rents stabilized and rising
  - Not everyone has the capabilities / employment that allows remote work.
  - The amenities that some offices provide cannot be duplicated at home.
  - Relationship and network building difficult to replicate working from home.
  - Accelerated the process of working from home and doing business online (Zoom).
  - More satellite offices in the suburbs or in other cities with less density to put fewer employees in Central Business Districts (downtown) or in higher density and cost areas. Potential of expansion.
  - 2021 / 22 seeing office expansion in some metros. Likely to see a hybrid of office / remote.
- Retail hit the hardest – accelerating the shift from mortar and brick to online. Potential of over 25,000+ storefronts closing. Yet retail online is dramatically improving.
- Industrial – benefitted by the shift to online shopping for distribution, warehousing and flex office.
  - More warehouse closer to the customer.
  - Companies wanting to shift their risk geographically as well as minimize the impact of a local problem such as another pandemic outbreak.
  - Strong demand and response may lead to overbuilding due to greater investor interest in the sector.
- Hospitality, Leisure and retail due to business shutdown and suppression will be challenged for several years. Potential consolidation, change of venue or purpose.
- Based on this scenario
  - Office occupancy did not improve significantly until second half of 2021 and presently in DFW 2022.
  - employees were returning to office in late 2021, however, omicron has caused remote to be more popular till employees, are able to return to a safe work environment.
  - Only then will we be able to the effects of remote working on office space Presently, the likely needs of future work will be a combination of the two.
- Retail will continue to consolidate contract for several years.
  - More retail that is more convenient, attractive, engaging or even entertaining could flourish.
  - Options outside of retail will begin to show in 2022.
- Industrial – will continue to flourish through 2023.
  - Expansion will possibly over build by end of 2023.

Commercially, 2021 Two Different Economies

Commercially 2020 / 2021 is a tale of two economies, with a K – shaped recovery. 2022 should be more of the same.

At the top of the K, warehouse, multifamily and office will be fine.

- Office sector – The significant decrease in office leasing volume was one of the primary concerns at the end of 2020, especially coming after three years of high leasing volume. By the end of 2020, a total of 5,056,999 sf of leases were signed according to CoStar data. This is a decrease of 6,918,985 sf (57%) from what was seen in 2019.
  - Total office leasing volume in 2021 was still well below what it was prior to COVID-19, totaling 6,310,683 sf, but did show an increase from 2020. 2021 saw several large office leases, a positive indicator of what we may see moving into 2022. Notable large deals included Cloudflare leasing 125,000 sq. ft. at Foundry II, Skyworks leasing 90,000 sq. ft. at Eastlake at Tillery, and Miro leasing 72,000 sq. ft. at Colorado Tower. Meta, Facebooks parent company leased 589,000 sq ft at 6th and Guadalupe.
  - The other major concern about the Austin office market in 2020 was the significant and rapid increase in sublease space. This space grew to a peak of 4,088,912 sf by 4Q 2020, an increase of 2,514,428 sf (160%) of the total sublease space on the market at the end of 2019. The CBD submarket was hit the hardest in terms of total sublease space added, increasing from 342,218 sf to 1,421,892 sf (315%) over the same period.

    However, the total volume of sublease space began to drop at the beginning of 2021 and has been on a downward trend ever since. As of this writing, there is a total of 2,673,896 sf of office space on the sublease market, a decrease of 1,415,016 sf (35%) from the 2020 peak.

    As we wrote previously, 25% of the sublease space at the beginning of 2021 was held by 20 companies.. Many of these spaces have been taken off the market by tenants deciding to keep their spaces, landlords marketing it as direct space or by securing sublease tenants.

    At the start of COVID lease values saw some concessions but plateaued quickly. Continued strong interest in CBD, Domain, and East with the strong high-tech base, and other industries beginning to look. Most corporate and commercial decisions delayed in 2020 now coming to fruition. Suburban office will continue to improve.
- Multifamily –44,799 units under construction. 55,000+ in planning. Rents are rising, crisis resets vacancy and rent values. Vacancy continues to be less than 7%.
- Warehouse – 11,000 million sq ft being built. 5% vacancy. Industrial / warehouse continues to have strength in a relatively small industrial market.

- Hospitality, leisure and retail will be challenged for years. At the bottom of the K.
  - Austin restaurant traffic for the week ending January 20, 2022, is down 42% in Austin, 32% statewide and 57% nationally, compared to the same week of 2020. Since March 2020, 1 out of 4 restaurants have closed permanently.
  - Bars opened in May, still not back to 2019 numbers.
  - Retail – strong going into crisis, saw 28% national surge, however potential of over 25,000 storefronts closing in next 12 months nationally. Quality product, quality location remains strong. Either have a strong e-commerce side or do not compete against e-commerce to be successful..

Economic Forecast for 2022

- Economy slowly improving nationally, COVID variants continue to cripple economy.
- March 2020 virus crisis stopped everything.
- Real Estate values maintain strong appreciation.
- Sales continue, with greater velocity on values.
- Inventory challenged.
- Oil / Gas prices improved
  - Great for America, good for Texas.
- Weaker global demand for consumer goods.
- Strong employment -
- Virus crisis hits hospitality, leisure and retail hard. When market can reopen, one out of five gone.
- Austin's overall economic activity moderated in 2019 even as job growth continued its upward trend and wage growth rose. 2020 started strong, finished strong. 2021 improved. 2022 strong, lack of qualified candidates' biggest issues.

- **What should we pay attention to?**
  - Unemployment numbers / jobs created.
  - Strength in employment growth.
  - Corporate relocations.
  - GDP growth hampered to lack of labor.
  - Crisis business realignments.
  - Inventory numbers.

Economic Forecast for 2022

- Austin Hays county employment growth between 2% to 4% through 2022.
  - Slowed in 2016. 2018- 2020 saw tech, healthcare, federal, business and professional services improve. COVID crisis slows growth. 2020-through 2023 will see businesses repositioning and employment improving..
  - Beginning of 2020 surged to low $60. WTI a barrel. Oil war dropped it to negative $32. WTI a barrel. New oil dispute between UAE and OPEC driving WTI barrel to $75.00+/+ at start of July 2021.
  - Uncertainty of war changed everything. Oil escalated to $130. a-barrel WTI.
  - 2021 started strong, since January 2021, uneven employment growth monthly. Lack of qualified applicants biggest hurdle.
- As in previous recession, Austin turned quickly on multiple fronts, 2021 had started well, but still uneven recovery. How long for overall regional market to return to pre COVID? 2022 more of the same.
- Real estate sales came out of COVID stronger than expected and market is pressed for inventory. It will take a 2 to 3 years to catch up. Maybe longer.
- Local growth issues in the four Texas metros becoming more pressing. New codes, approval process, work stoppage caused by crisis, etc. causing delays forcing values up unintentionally. Should help suburbs and satellite towns.
- Tight inventory in all real estate channels in 5 largest metros. However, hospitality, leisure and retail will be challenged coming out of crisis. 1 out of 5 businesses will not reopen.
- More competition for real estate pros.
  - Explosive growth in the number of real estate professionals.
  - Managing sellers' expectations – tech companies moving here does not mean a 30% increase in annual values / sales.
  - Overpricing – on the market more than 30 days, likely overvalued.
  - Gone from a seller's market to less than 1 month inventory. Biggest challenge will be lack of inventory.
- Good news for investors, rental concessions disappeared late 2017. 2019 / 20 was maintaining that strength. Crisis caused rental / sales values to plateau. 2021 showed strong absorption and rent increases. 2022 will see the same.
- Rates stayed low in 2021. Rate increases due to stronger inflation in 2022.
- Labor and materials were continuing to increase 15% to 30% in 2021 due to supply and demand. Presently rising 4% to 5% monthly.
  - Affordability in all metros being challenged.
  - Repair. Remodeling and DIY constriction explodes.
  - Supply chain disruption. Will be an issue 3 to 5 years.
  - Consumers staying longer in homes (15 years+) due to all the above.
- Tight labor market across all employment sectors. Lack of qualified applicants a local, regional and national issue.

Where are we headed?

2021 Was A Good Year!

- **Decreased sales of 3% to 5% in the Austin Hays area in 2021. 2022 will be 3% to 7% due to less inventory and supply chain issues.**
  - Continuation of K shaped recovery.
  - Residential values will continue to improve. Nationally commercial should plateau coming out of crisis, with some sectors challenged. Locally industrial, office and multifamily outperform rest of nation.
  - Commercial inventory will continue to be challenged, rent values increasing.
  - Demand greater than expected. Particularly residentially during crisis.
  - Consumers buying and selling behavior will be challenged.
    - Continued value improvement and interest is different than the previous 20+ years. Values will continue to rise. Rates should will increase slowing sales.
  - Regional psychology positive, but cautiously optimistic in 2020 due to crisis and media negativity. 2021 continued improvement. 2022 cautious.
  - Real estate values have not decreased since late 80's.
  - Almost 120,000 net new jobs are likely to be added (2.12% per annum growth) through 2024, bringing wage and salary employment to nearly 1.2 million aggregate positions.
  - One of the reasons why many people feel concerned about the Austin and Texas markets is values are escalating stronger than previous history. The last 10 years both coasts have experienced 30+% to 40% appreciation. Texas has experienced 150+% in the same time. We are creating jobs, they aren't.

K Shaped recovery

2021 -2022 will be different than previous recoveries

- Understand that the COVID recession recovery will be K shaped –

  A K-shaped recovery is one where parts of the economy are experiencing robust growth and strong demand while others are struggling with viability and profitability.

  The divergence occurs among groups of people, industry sectors, or business segments.

  – The top of the K includes:

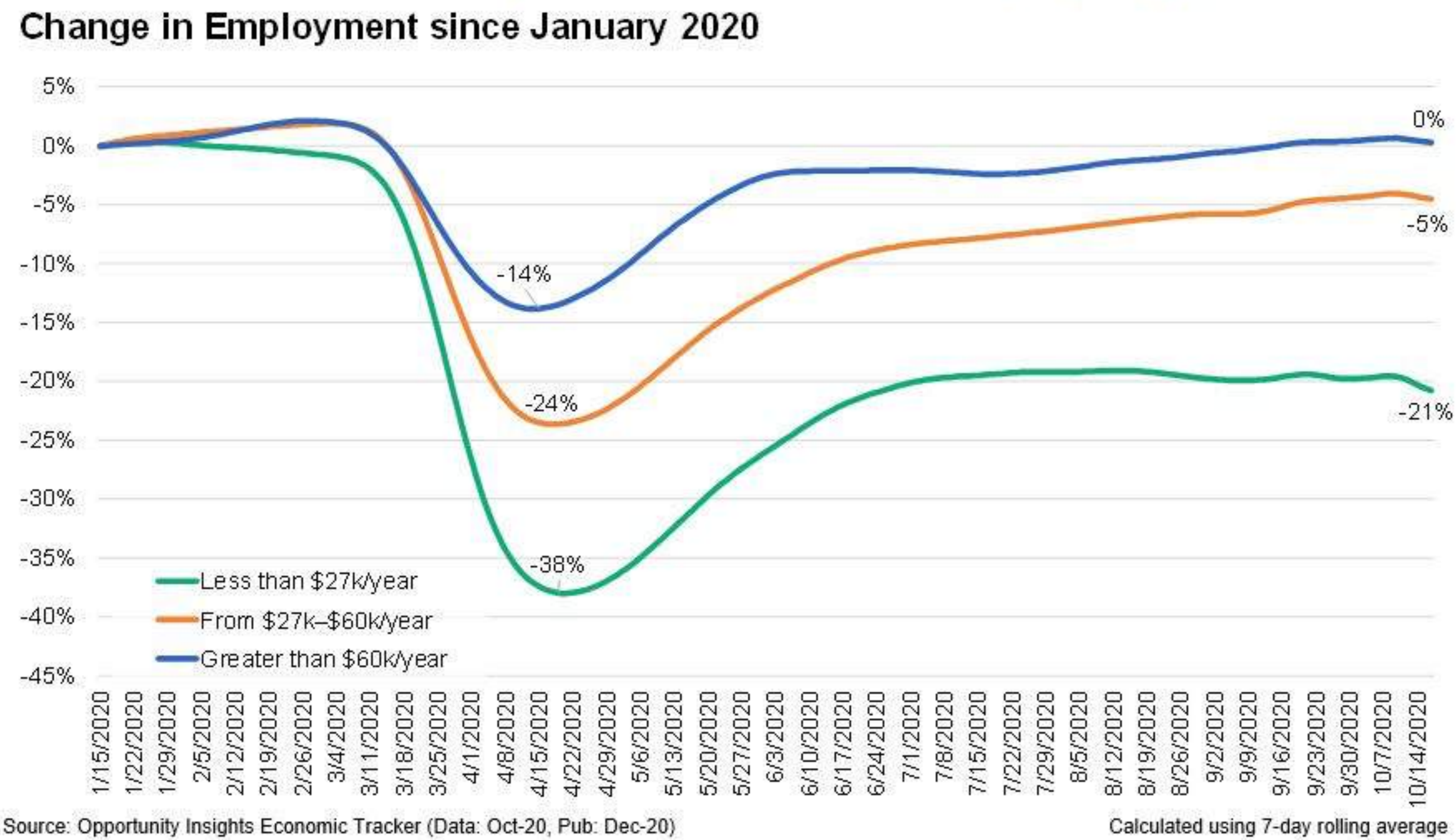
    - Workers with remote capabilities.
    - Higher-educated individuals.
    - Those with money in soft or hard assets.
    - Businesses that have benefited from the changing demand landscape.
    - Online retail.
    - Not spending up to capacity.
    - Currently, the economic growth in the top part of the K has been nothing short of remarkable while the bottom half continues to rebound slowly.

  – The bottom of the K includes:

    - Those unable to work from home.
    - Households where childcare is creating time or financial stress.
    - Companies and employees related to high-touch / face to face services.
    - Hospitality and leisure, travel and tourism-related businesses.
    - Retail sales online is one example of a sector that is outperforming compared with last year. With the inability to spend our money on service-related items, sales of goods are skyrocketing. Retail sales are up 2.7% year over year as people ramp up online shopping and spend money on items for the home or new hobbies. However stick and brick stores will see one out of 4 disappear.

K Shaped recovery

All the lost jobs are now lower paying jobs



Final thoughts

- US expansion slows, Austin markets and submarkets continue to outperform the region, nation.
- The development of a vaccine is not the same thing as widespread vaccination and the achievement of broad global immunity. As a result, pandemic and economic concerns could last well into 2022.
- Global equity / capital looking at the strength of the Texas markets, particularly DFW and Austin.
- Commercially mixed outcome;
  - Warehouse, multifamily and office will be fine.
    - Office sector – continued strength in CBD, Domain, and East with the strong high-tech base, and other industries beginning to look. corporate and commercial decisions delayed. 1.5+ million ft available for sub lease. Suburban office will continue to improve.
    - Warehouse - Industrial / warehouse continues to have strength in a relatively small industrial market.
  - Hospitality, leisure and retail will be challenged for years.
    - Retail – strong going into crisis. Greatly weakened coming out of crisis. potential of over 25,000 storefronts closing in the last and next 12 months. Quality product, quality location remains strong. Either have a strong e-commerce side or do not compete against e-commerce to be successful.
  - Residential –
    - Single Family - strong with lack of inventory (new and used). Sales strong across all price points. Robust going into crisis and maintaining.
    - Multifamily – 18,000 units under construction. 21,000+ to start Rents were rising, crisis resets vacancy and rent values. Vacancy continues to be less than 7%.
    - Foreclosures – nonevent in most of Texas due to strength of market. Still a seller's market.
  - Tesla, Oracle, Apple, etc.. What has been the biggest job creator announced in the last 10 years?
  - Will we continue to see job announcements?
  - The Austin area continues to show strength in opportunities. Knowledge of the submarkets pipelines and fundamentals key in being successful.

There is not a better time to buy!