SQUISHY

But Firming…..

Dr. Ted C. Jones, PhD
Real Estate Economist

An Outlook for Real Estate and the Economy

GlobeSt.

Net Lease Alert

RESEARCH

Cap Rates Level Off Across Net Lease Sectors While Investor Interest Stays Strong

By Erika Morphy

Pricing alignment boosts certainty while the sector expects more deals ahead. Read More

ANALYSIS

Smaller Tenants Lead Industrial Leasing as Big Users Hold Back

By Erika Morphy

Also, tertiary markets are emerging as industrial investors seek new opportunities. Read More

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Multifamily Alert

ANALYSIS

Young Buyers Turn to Stocks as Housing Becomes Unaffordable

By Erik Sherman

Real estate's first-time buyer pipeline begins to dry up. Read More

NOMINATIONS

Influencers in Multifa

By Erika Morphy

Discover our top multifa influencers. Read More

Analysis

CRE Capital Raising on Pace to Surpass Pre-Pandemic Records

By Erik Sherman

Multifamily and industrial remain top targets for institutional investors.

Read Story

Analysis

1031 Exchanges Face Unprecedented Pressures From Bonus Depreciation Trends

Research

These Cities are In UBS' Global Housing Bubble Index Where Prices Outpace Rents

Trending Stories

1 Features
Depreciation Recapture Becomes a Larger Threat Under Big Beautiful Bill

2 Analysis
Remote Work Culture Keeps Office Utilization From Rebounding

3 Features
Multifamily Cap Rates Signal Turning Point for Investors

4 Research
CRE Prices Show Strongest Annual Growth Since 2022

5 **Decoding Foot Traffic in H2 2025 and Where to Invest in 2026**

6 Research
Benchmarking Study Reveals High Repair Costs for Single-Family Rentals

Leaner, Safer Deal Structures for a Volatile Market

By Erika Morphy

Stronger equity is shielding the industry from future shocks.

Read Story

Tariffs, Sparking Cost Worries

Analysis

Multifamily Owners Face Rising Threat From Sophisticated Fraud

Trending Stories

1 Features
Depreciation Recapture Becomes a Larger Threat Under Big Beautiful Bill

2 Research
These Cities are In UBS' Global Housing Bubble Index Where Prices Outpace Rents

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CRE Capital Raising on Pace to Surpass Pre-Pandemic Records

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Remote Work Culture Keeps Office Utilization From Rebounding

5 Analysis
1031 Exchanges Face Unprecedented Pressures From Bonus Depreciation

6
Decoding Foot Traffic in H2 2025 and Where to Invest in 2026

Trending Stories

1 Nominations
CRE's Best Bosses of 2025

2 Research
These Markets Are Setting the Pace for Multifamily Growth in 2025

3 Features
Multifamily Risks Mount as Office Properties Offer Window for Value

4 Analysis
New Rule Lets Banks Drop Troubled Loans After One Year

5 Analysis
CRE Loan Trouble Rises But Distress Sales Remain Scarce

6 Analysis
Distressed CRE Loan Levels Split U.S. Markets in Surprising Ways

principal balances.

Read Story

Trending Stories

1 Analysis
Jamie Dimon Warns Economy is Weakening

2 News
Blackstone Boosts Net Lease Portfolio With $869M First Internet Bancorp Deal

3 Analysis
Job Revision Wipes Out 911,000 Positions, Fueling CRE Uncertainty

4 Research
Here are the Cities With the Biggest Apartment Rent Discounts

5 Research
Multifamily Rents Bounce Back with Strongest Gains in More Than Two Years

6 Research
Investors Stay Selective as Multifamily Cap Rates Edge Higher

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Top U-Haul Growth Markets 2024

1 Dallas TX
2 Charlotte NC
3 Phoenix AZ
4 Lakeland FL
5Austin TX
6 Nashville TN
7 Raleigh NC
8 Palm Bay FL
9 Houston TX
10 Greenville NC

Top U-Haul Market Growth States 2024

1 South Carolina
2 Texas
3 North Carolina
4 Florida
5 Tennessee
6 Arizona
7 Washington
8 Indiana
9 Utah
10 Idaho

U-HAUL®

1 Ocala FL
2 Fredericksburg VA
3 Kissimmee FL
4 Lorton VA
5 Myrtle Beach SC
6 College Station TX
7 Knoxville TN
8 Tukwila WA
9 Johnson City TN
10 Foley AL

Top U-Haul Growth Cities Outside Big Metros 2024

Top Inbound MSAs 2024

1 Wilmington, NC 83% Inbound
2 Springfield MO 81%
3 Myrtle Beach SC 80%
4 Flagstaff, AZ 79%
5 Brownsville-Harlingen 79%
6 Bellingham WA 78%
7 Dover DE 77%
8 Yuma AZ 76%
9 Hickory NC 75%
10 Sioux Falls SD 74%

United Van Lines

Top Outbound States 2024

1. New Jersey 66.9% Outbound
2. Illinois 66.9%
3. New York 59.9%
4. California 57.9%
5. Massachusetts 57.9%
6. North Dakota 57.8%
7. Wyoming 56.7%
8. Mississippi 56.1%
9. Nebraska 55.6%
10. Colorado 54.9%

Worst U-Haul Market Growth States 2024

1 California
2 Massachusetts
3 New Jersey
4 New York
5 Pennsylvania
6 Illinois
7 Louisiana
8 Michigan
9 Maryland
10 Connecticut

Best & Worst State Population Growth Rates 2020-2024

United States Census Bureau

Rank	State	Percent
1	Florida	8.2%
2	Idaho	8.2%
3	Texas	7.0%
4	South Carolina	6.8%
5	Utah	6.7%
6	Delaware	6.0%
7	North Carolina	5.7%
8	Arizona	5.5%
9	Nevada	4.8%
10	District of Columbia	4.7%
11	Montana	4.6%
12	Tennessee	4.3%
	U.S.	2.6%

Rank	State	Percent
51	West Virginia	-1.2%
50	New York	-1.2%
49	Louisiana	-1.2%
48	Illinois	-0.7%
47	Mississippi	-0.5%
46	Hawaii	-0.4%
45	California	-0.2%
44	New Mexico	0.5%
43	Pennsylvania	0.6%
42	Michigan	0.7%
41	Oregon	0.7%
40	Ohio	0.7%
	U.S.	2.6%

Texas Demographic Center

Population Estimates - *Millions*

Year	Harris County	Houston MSA	Texas
2020	4.735	7.142	29.240
2021	4.737	7.219	29.570
2022	4.807	7.375	30.113
2023	4.904	7.569	30.728
2024	5.009	7.767	31.291

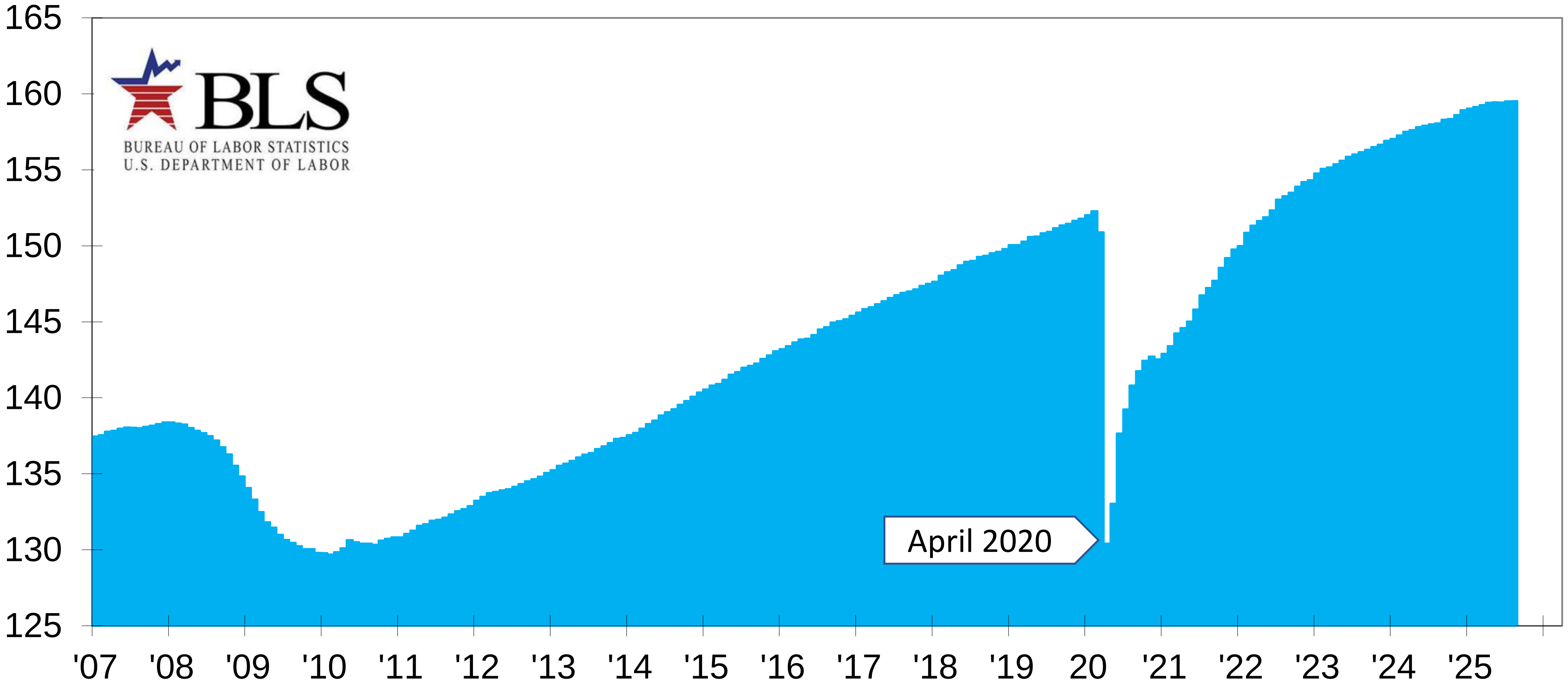
Percent Change Versus 2020

Year	Harris County	Houston MSA	Texas
2021	0.0%	1.1%	1.1%
2022	1.5%	3.3%	3.0%
2023	3.6%	6.0%	5.1%
2024	5.8%	8.7%	7.0%

U.S. Jobs

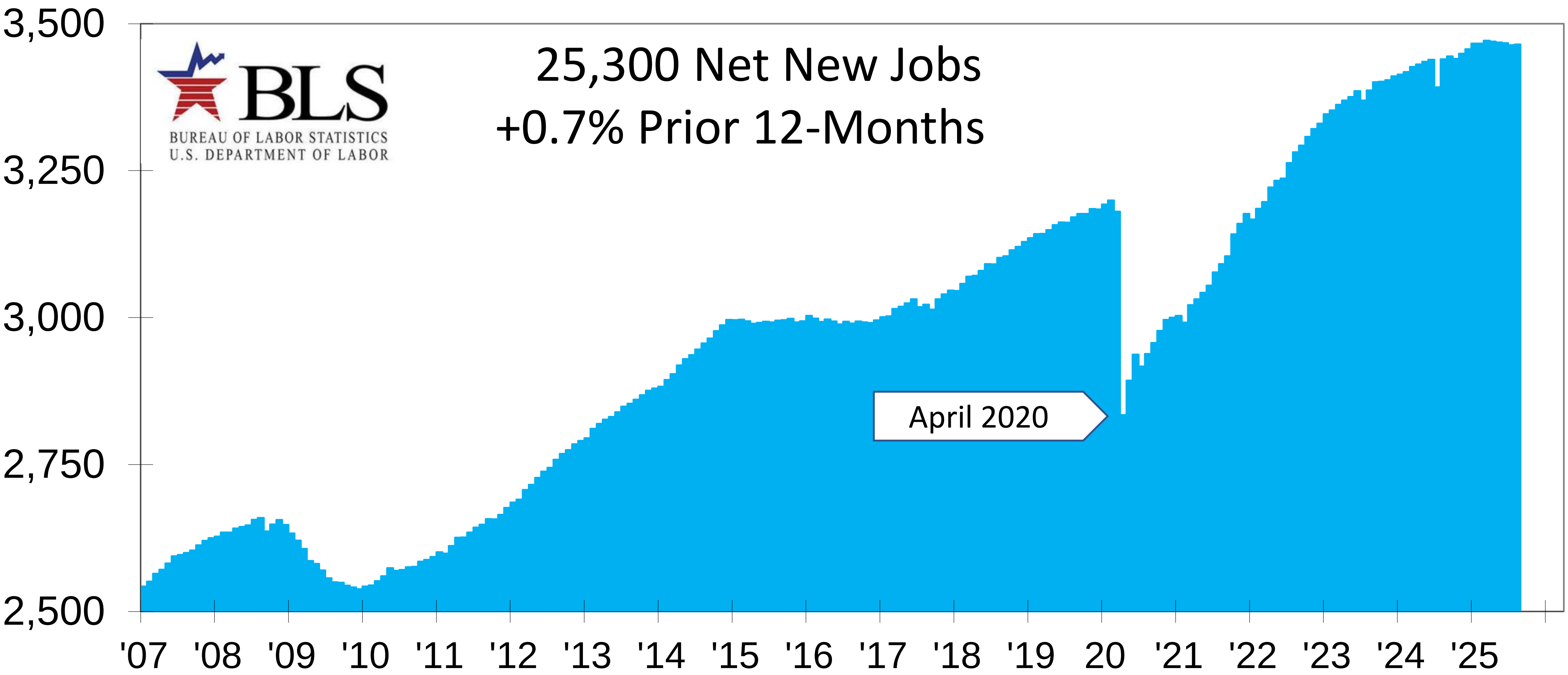
Jobs (Millions) *Seasonally Adjusted*

1.446 Million Net New Jobs
+0.9%
Prior 12 Months



Houston- Pasadena-The Woodlands MSA

Jobs (Thousands) *Seasonally Adjusted*



Trump Terminates BLS Commissioner Dr Erika McEntarfer

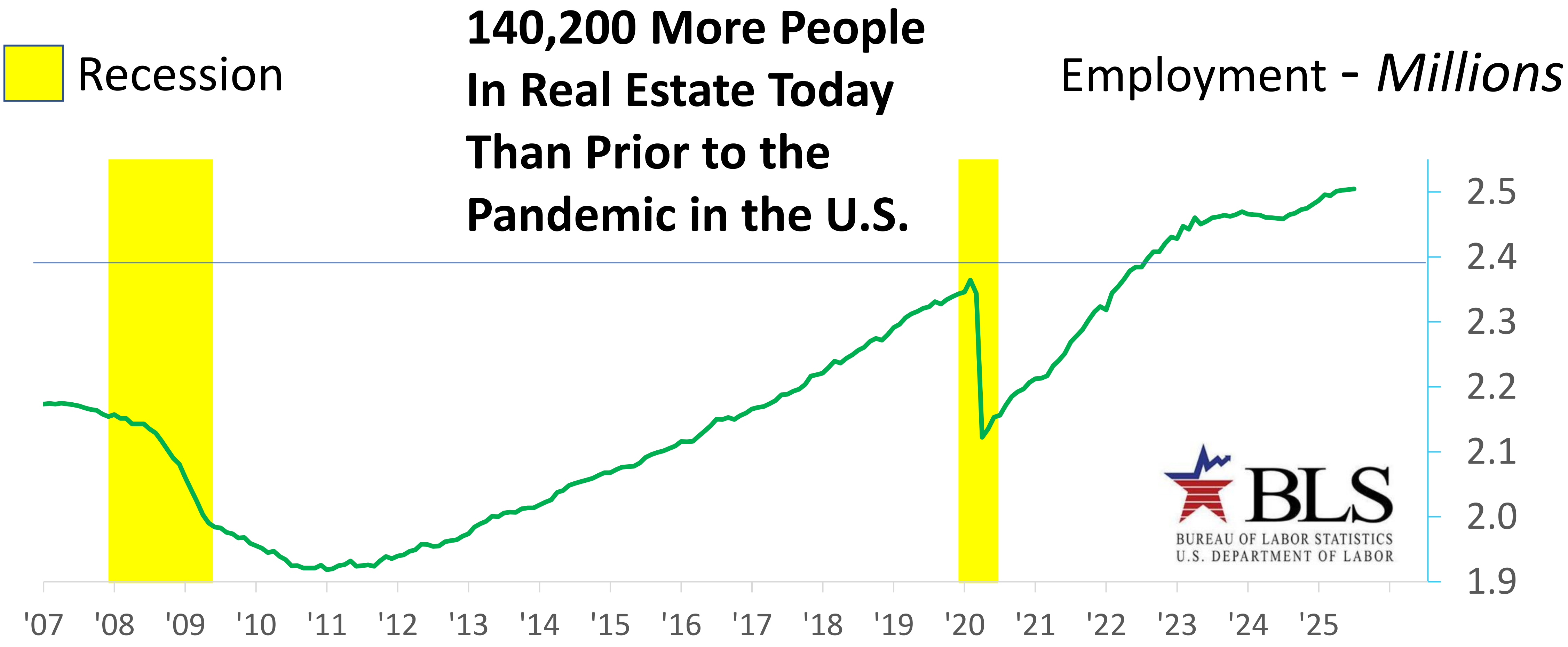
Under President Biden, the BLS's First-Estimate of Job Numbers Was Overstated in 45 of the 48 Months And Revised Downwards Following the Monthly Release

Overstated 93.75% of the Time

Correct 6.25% of the 4 Years

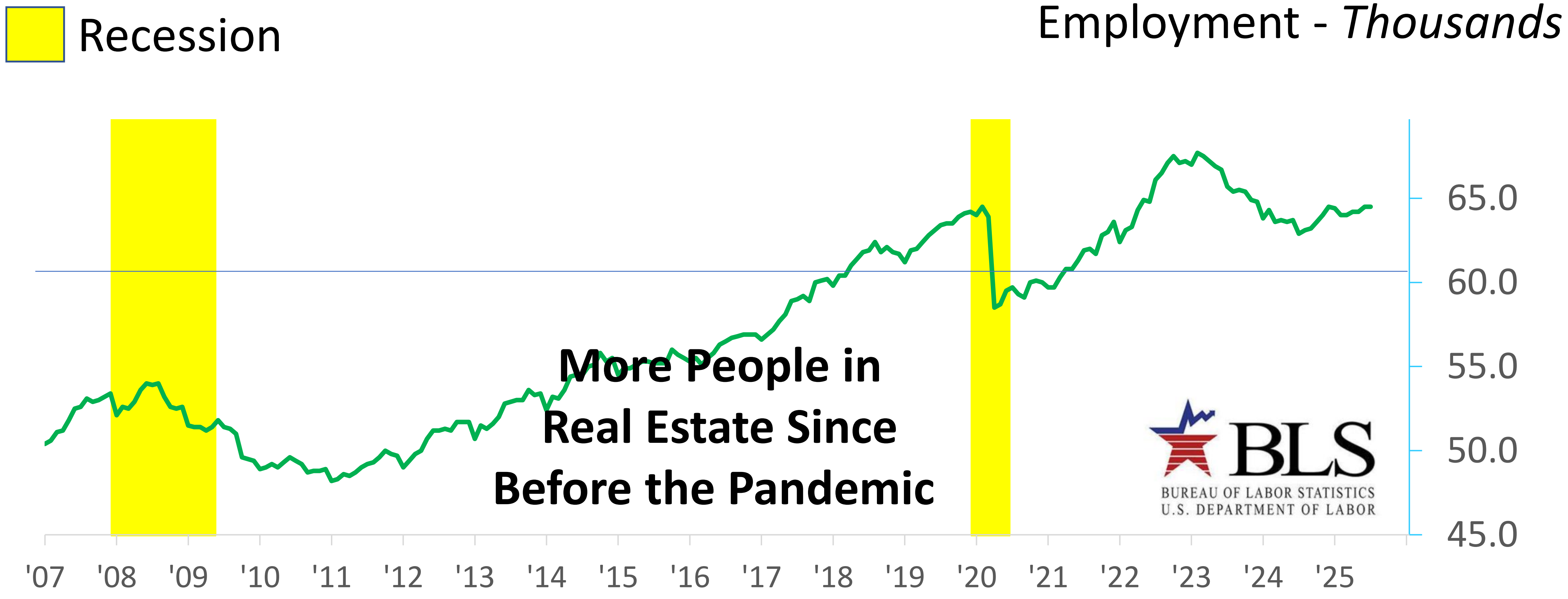
Initial June +147,000, Restated to -13,000

U.S. Employment - NAICS 55530
Real Estate, Rental & Leasing



Houston MSA Employment - NAICS 55530

Real Estate, Rental & Leasing



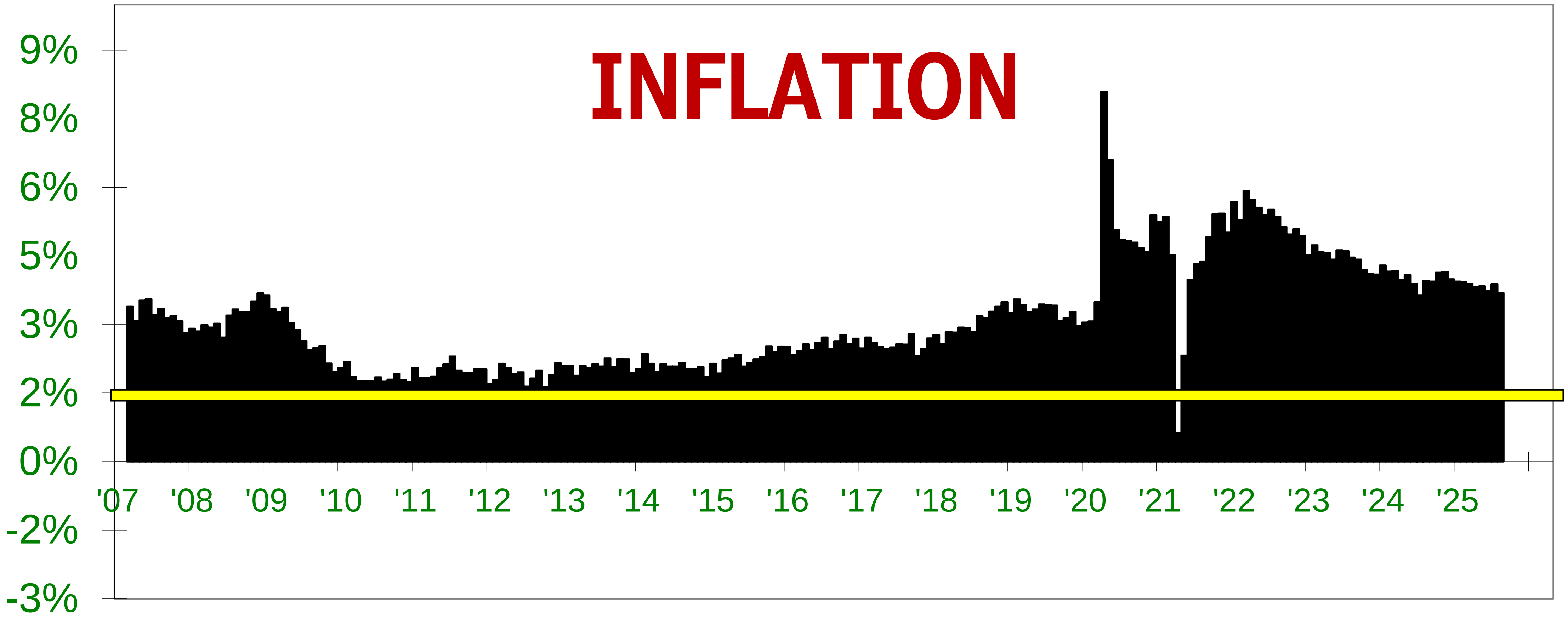
CONCERNS & +s for 2026

- Sustained High Interest Rates
- Capital Market Freeze Now Melting
- Regulatory Issues – *Politics*
  $93,870 Regulatory Cost New SFR Unit - NAHB
- Property Taxes - Insurance
- Housing Affordability *+Apartments*

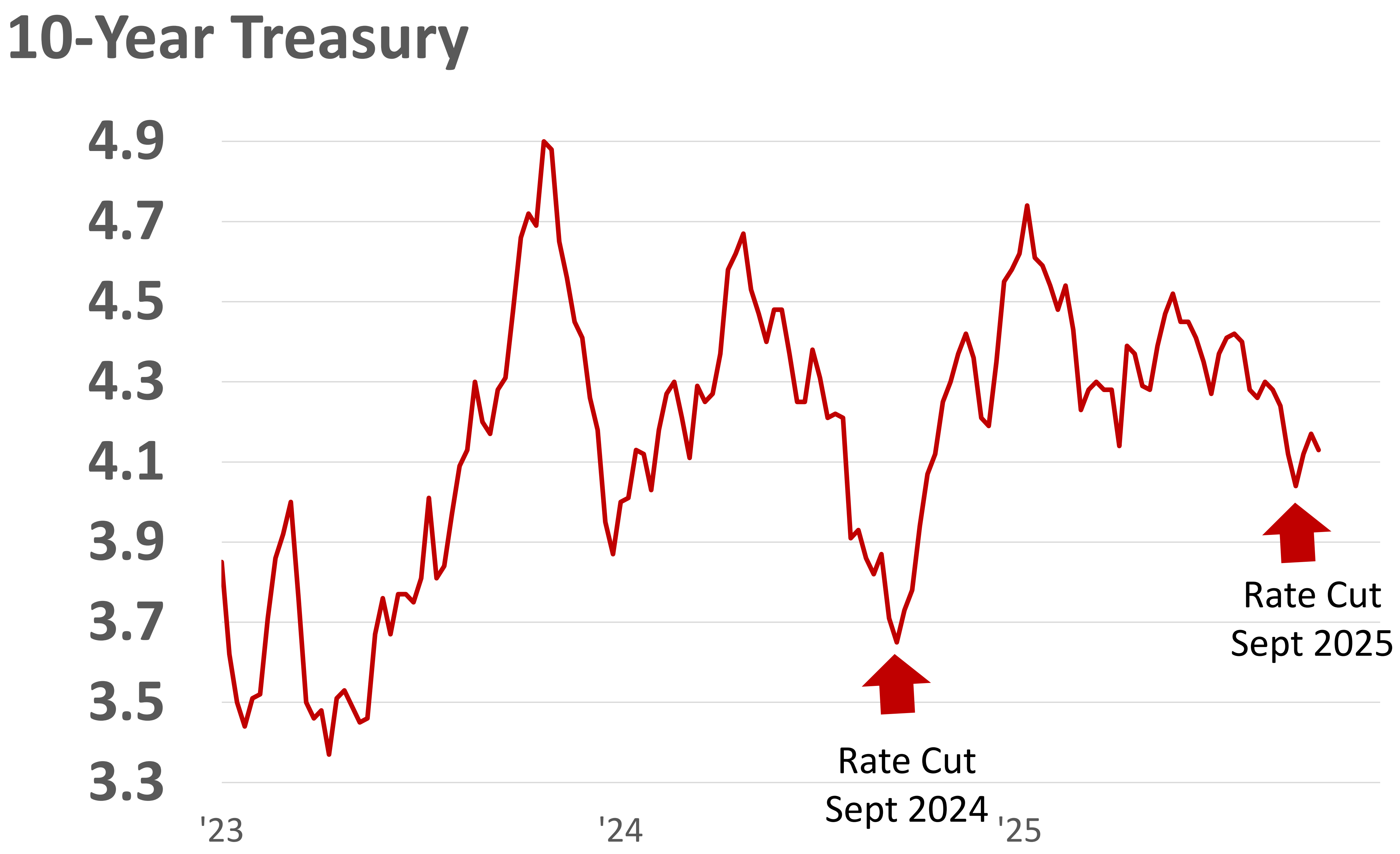
CPI for All Urban Consumers -- *U.S. City Average*

12-Month Change Seasonally Adjusted

2.9% August 2025 Year-Over-Year



BLS
BUREAU OF LABOR STATISTICS


10-Year Treasury
4.9
4.7
4.5
4.3
4.1
3.9
3.7
3.5
3.3
'23
'24
'25
Rate Cut
Sept 2024
Rate Cut
Sept 2025

2025 State Tax Competitiveness Index

1. Wyoming
2. South Dakota
3. Alaska
4. Florida
5. Montana
6. New Hampshire
7. Texas
8. Tennessee
9. North Dakota
10. Indiana

41. Massachusetts
42. Hawaii
43. Vermont
44. Minnesota
45. Washington
46. Maryland
47. Connecticut
48. California
49. New Jersey
50. New York

Major Tax Components

Corporate
Individual Income
Sales-Use-Excise
Property-Gift-Inheritance
Unemployment Insurance

TAX FOUNDATION

2025 State Tax Competitiveness Index

TAX FOUNDATION

Texas

Ranked From Lowest Tax Burden (1) to Greatest (50)

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
7	46	1	36	40	30

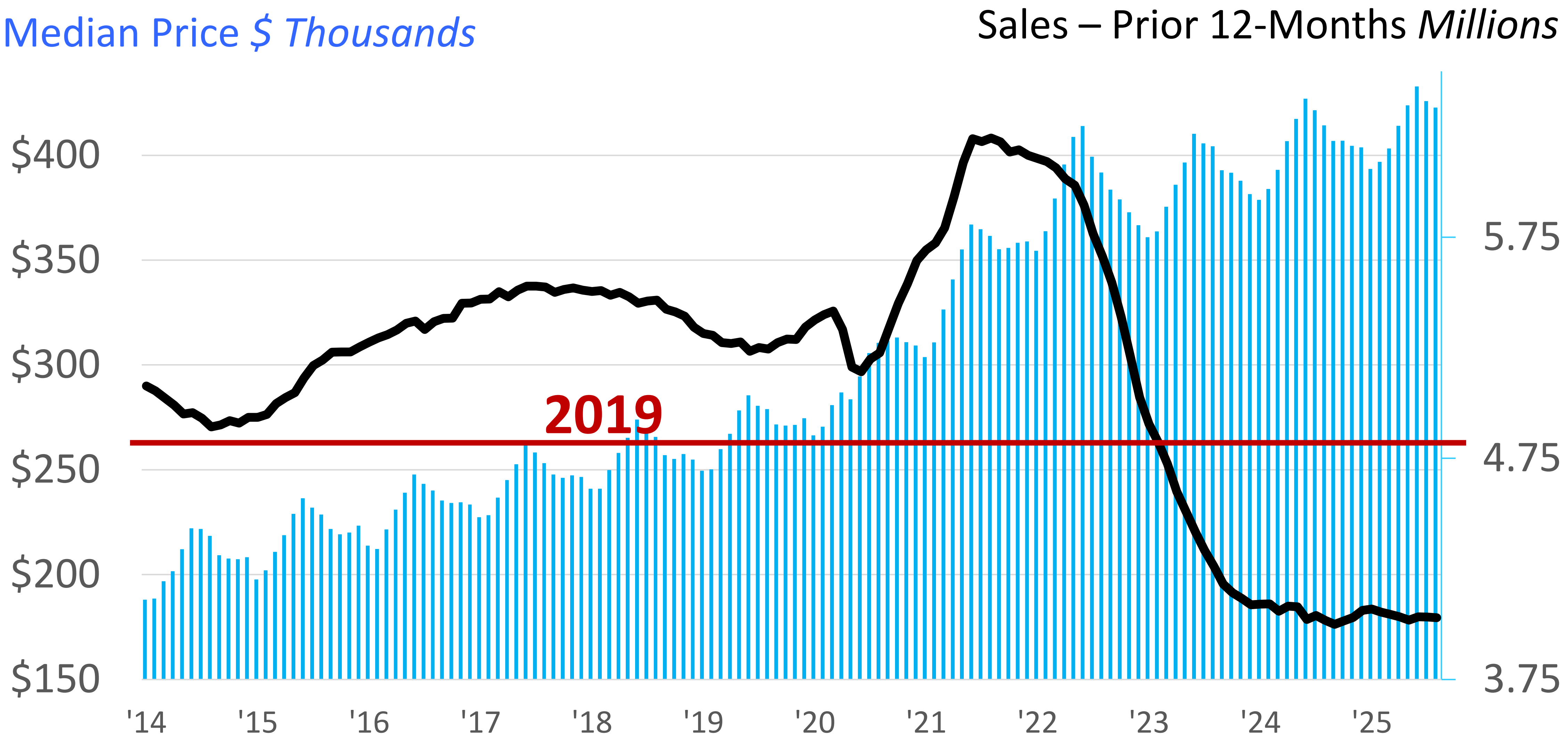
Florida

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
4	16	1	14	21	10

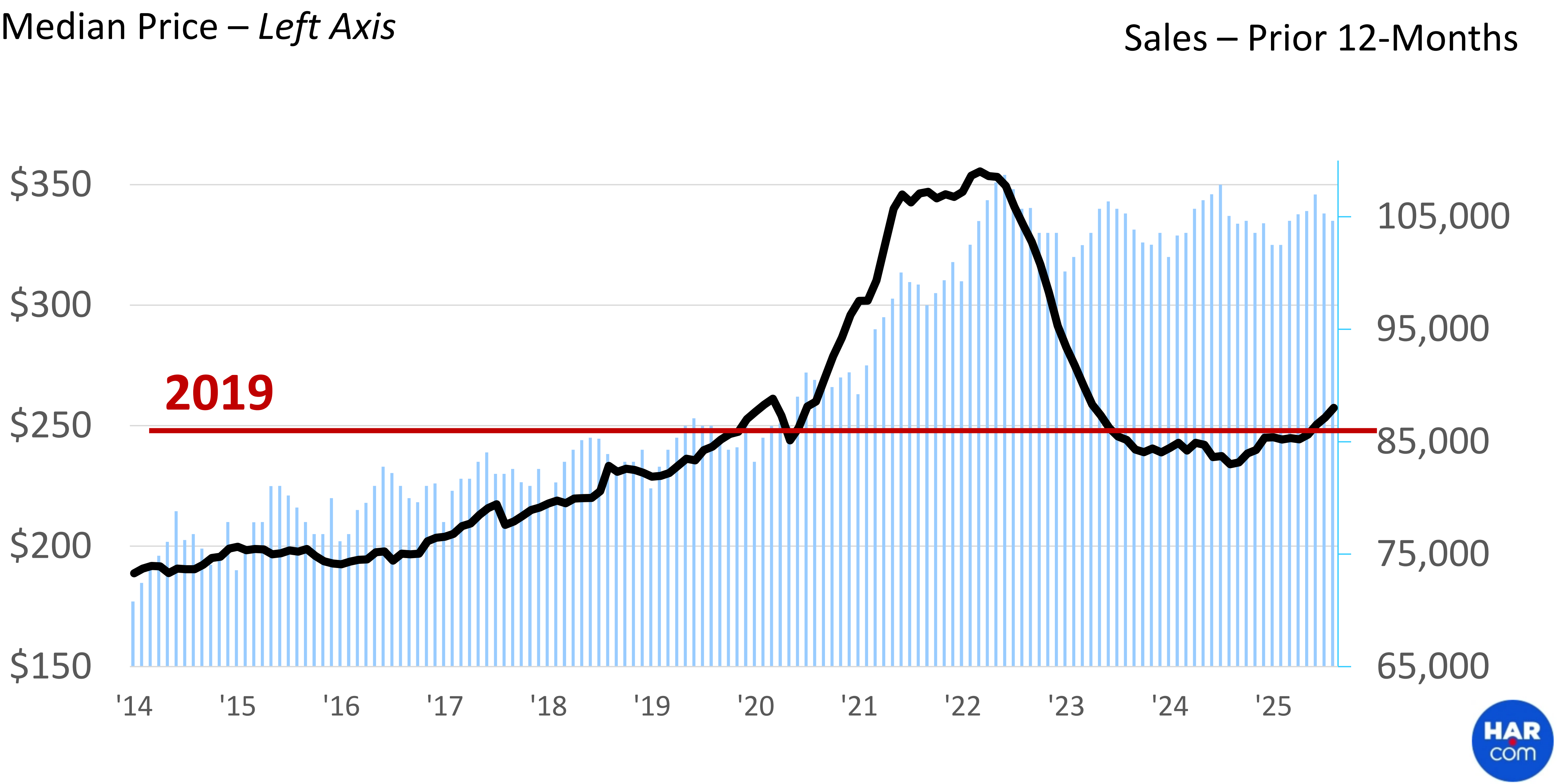
California

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
48	41	49	46	23	25

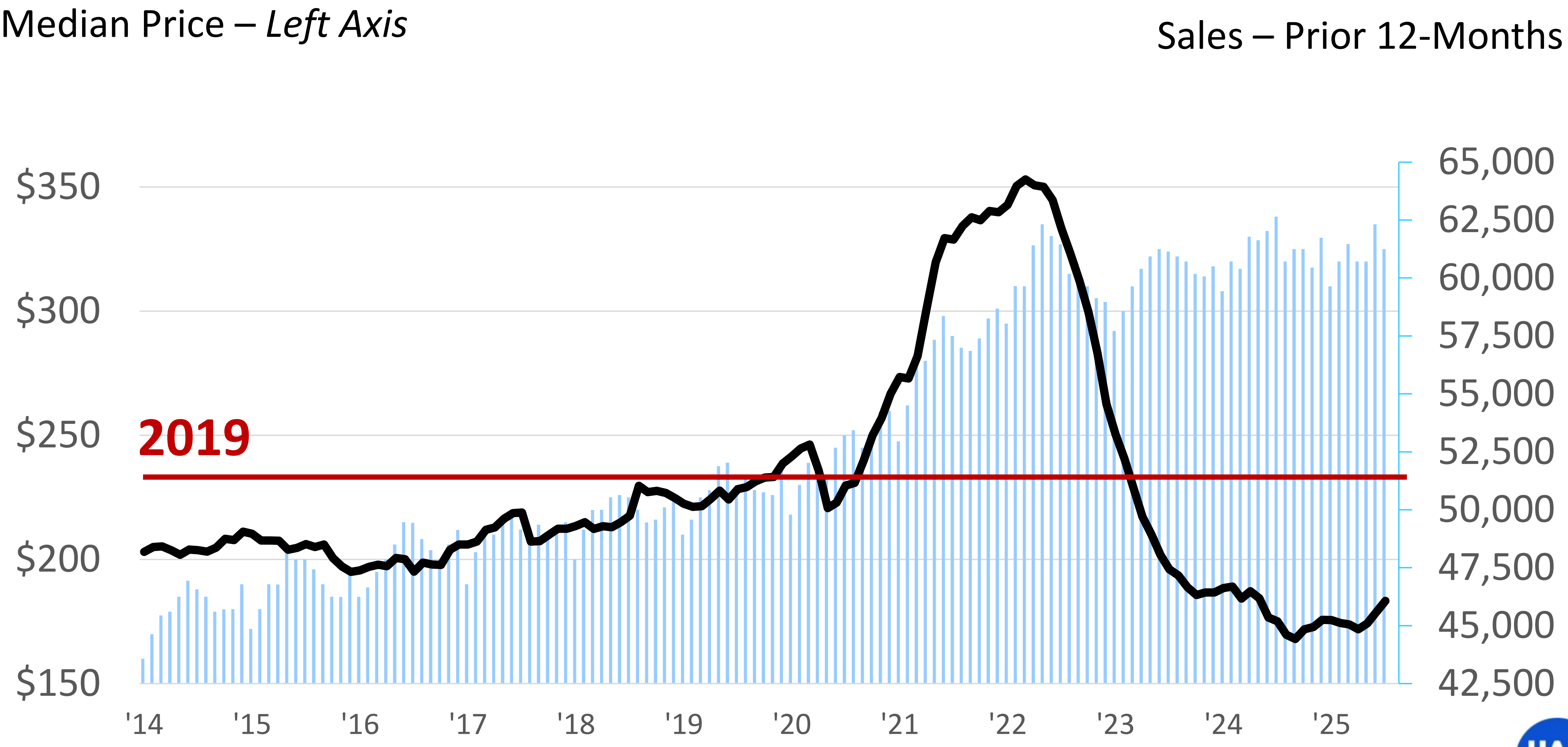
US Existing Home Sales & Median Prices



Houston MSA SFR Home Sales *Number* & Median Prices *$ Thousands*



Harris County Home Sales *Number* & Median Prices *$ Thousands*



Commercial Real Estate Market 2024 Was A Train Wreck

Q^3

Quality

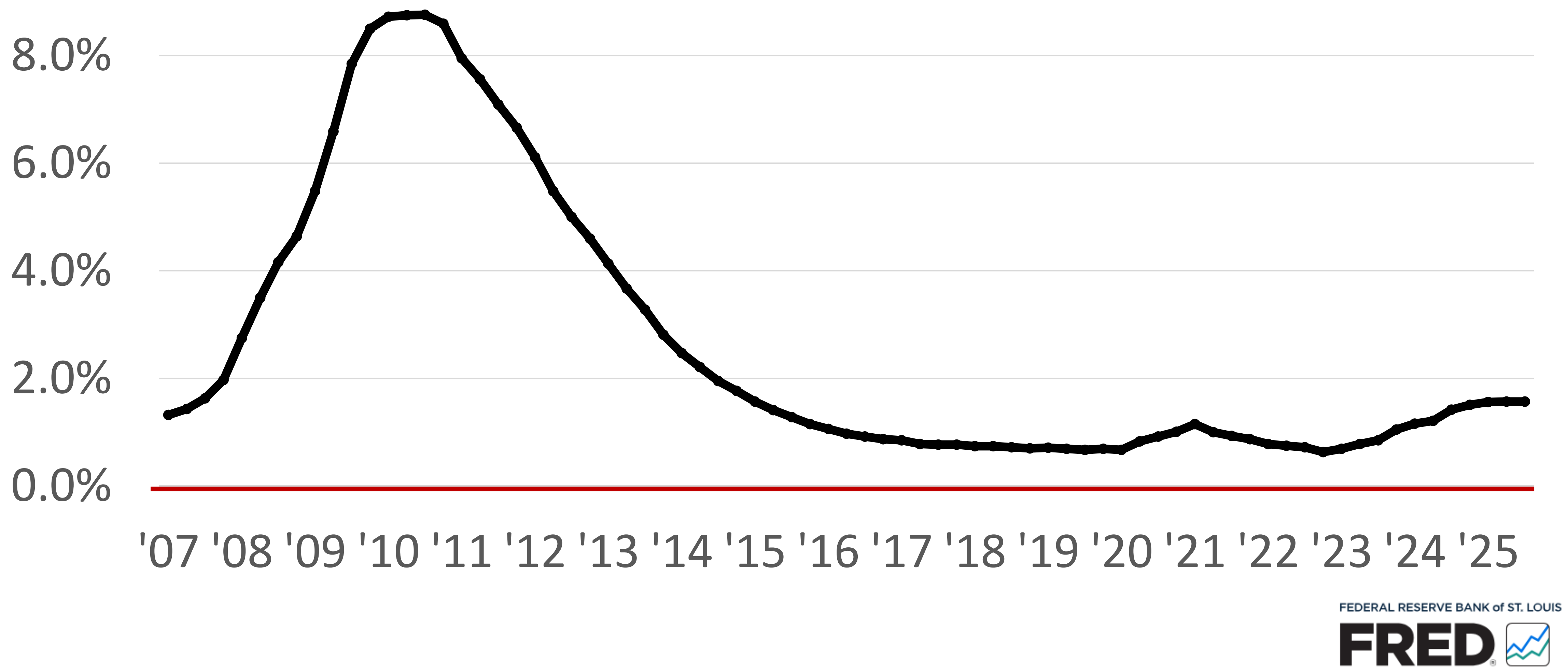
Ted C. Jones PhD

- Location
- Property
- Tenants

Frozen Capital Markets 2024

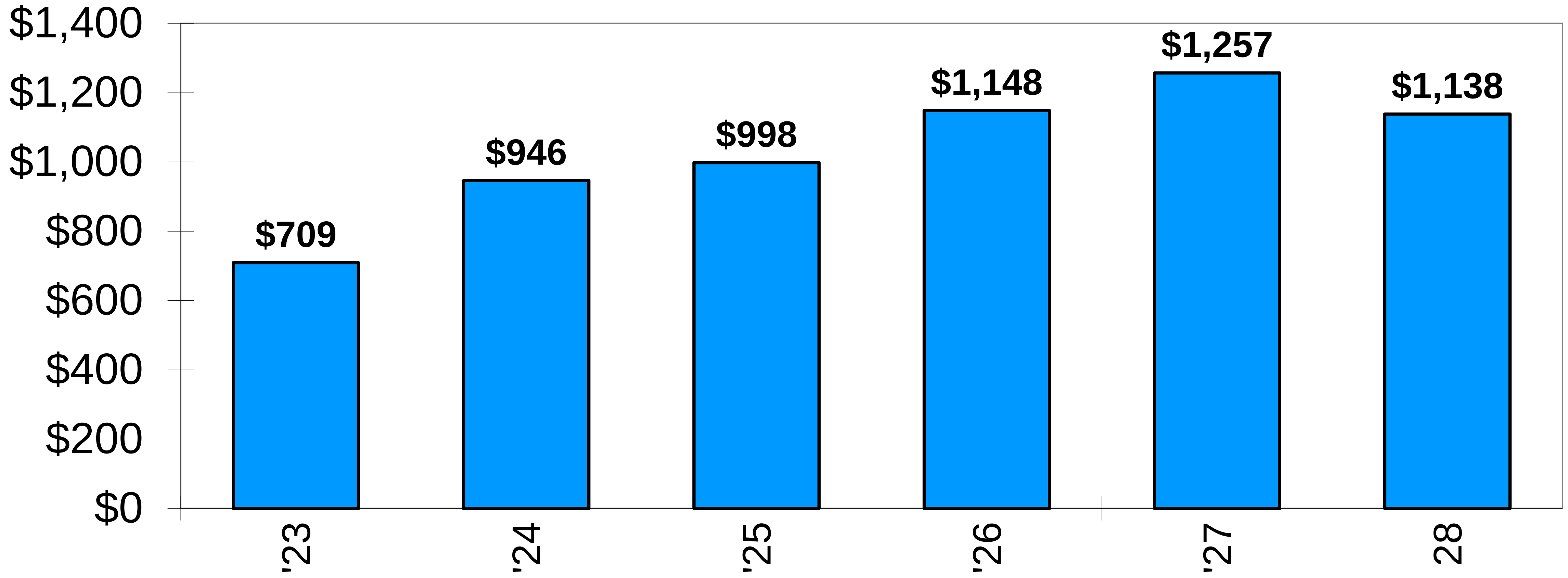
But Now Thawing

Delinquency Rate US Commercial Real Estate Loans



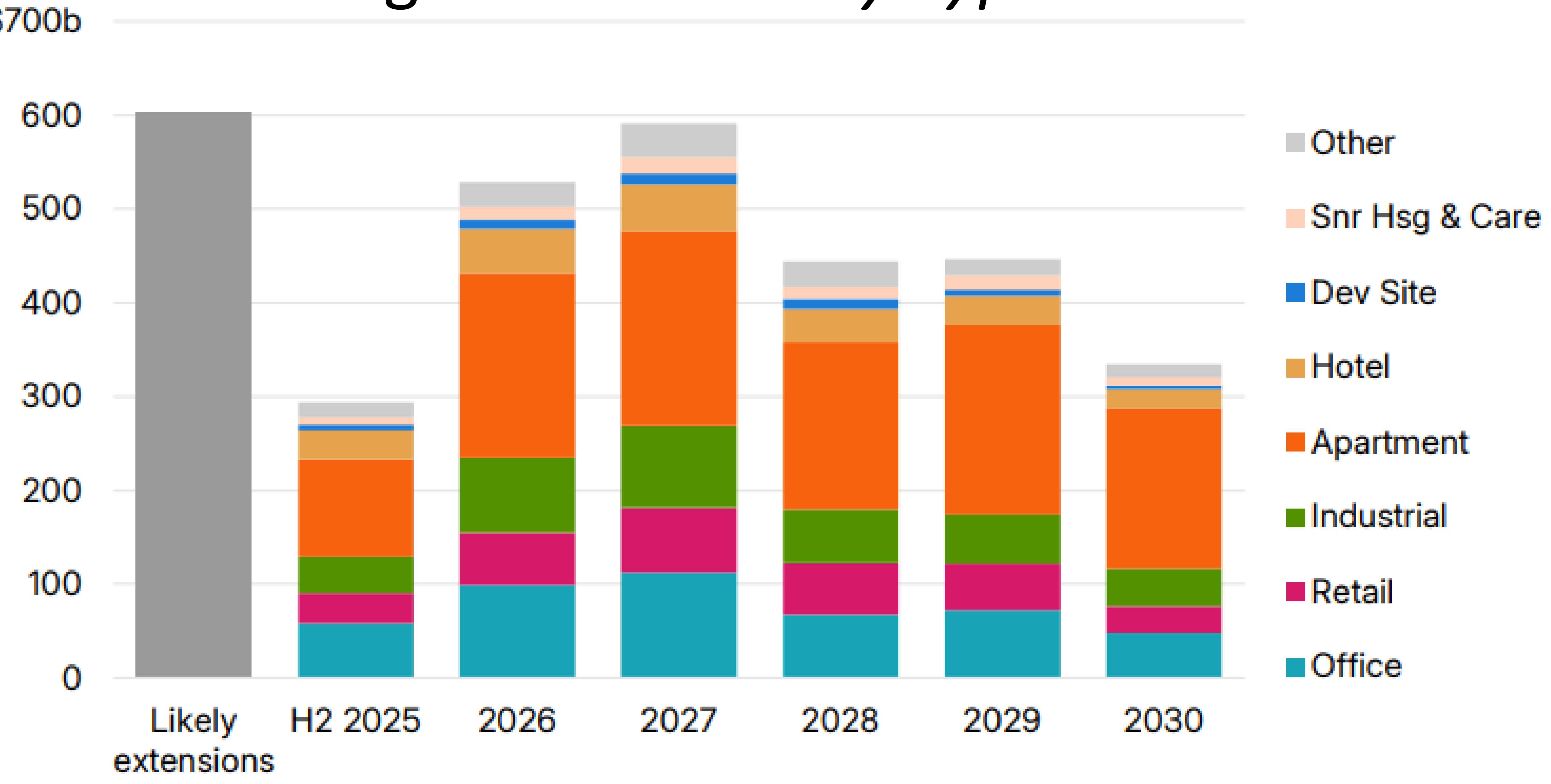
CRE Commercial Mortgage Maturities

$ Billions



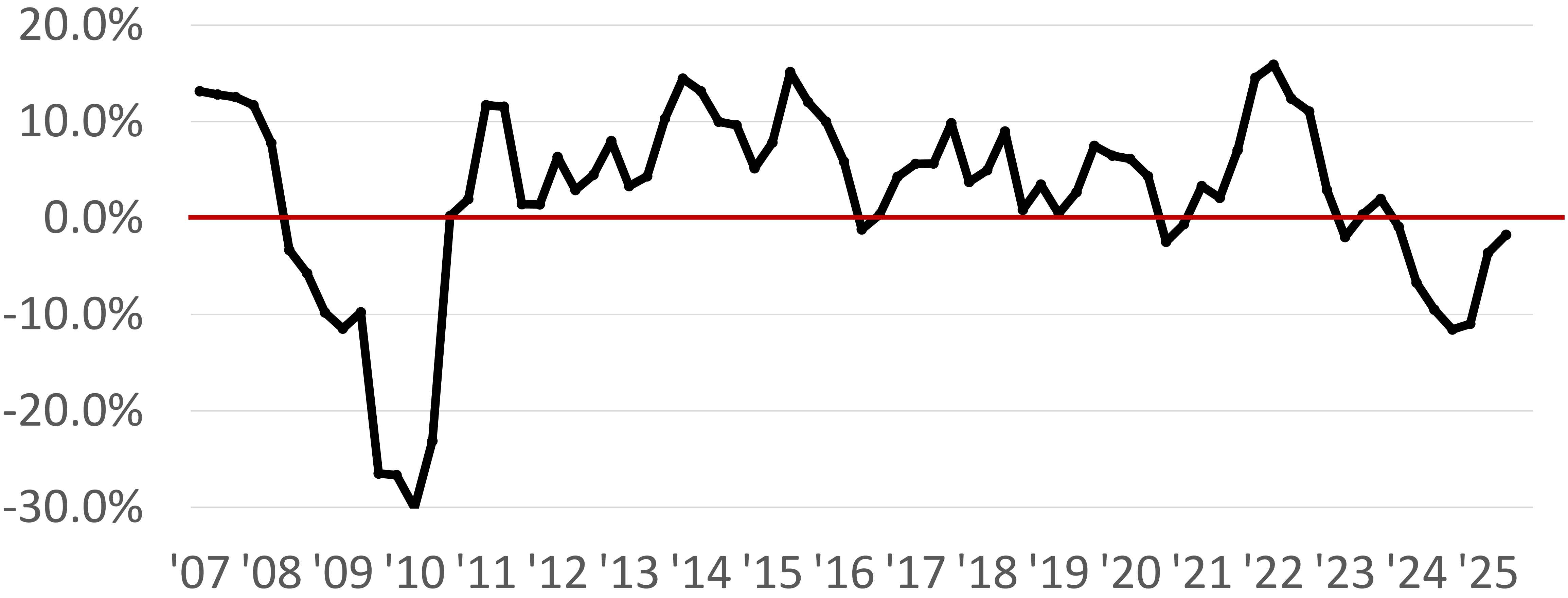
S&P Global

Maturing CRE Loans – *by Type*



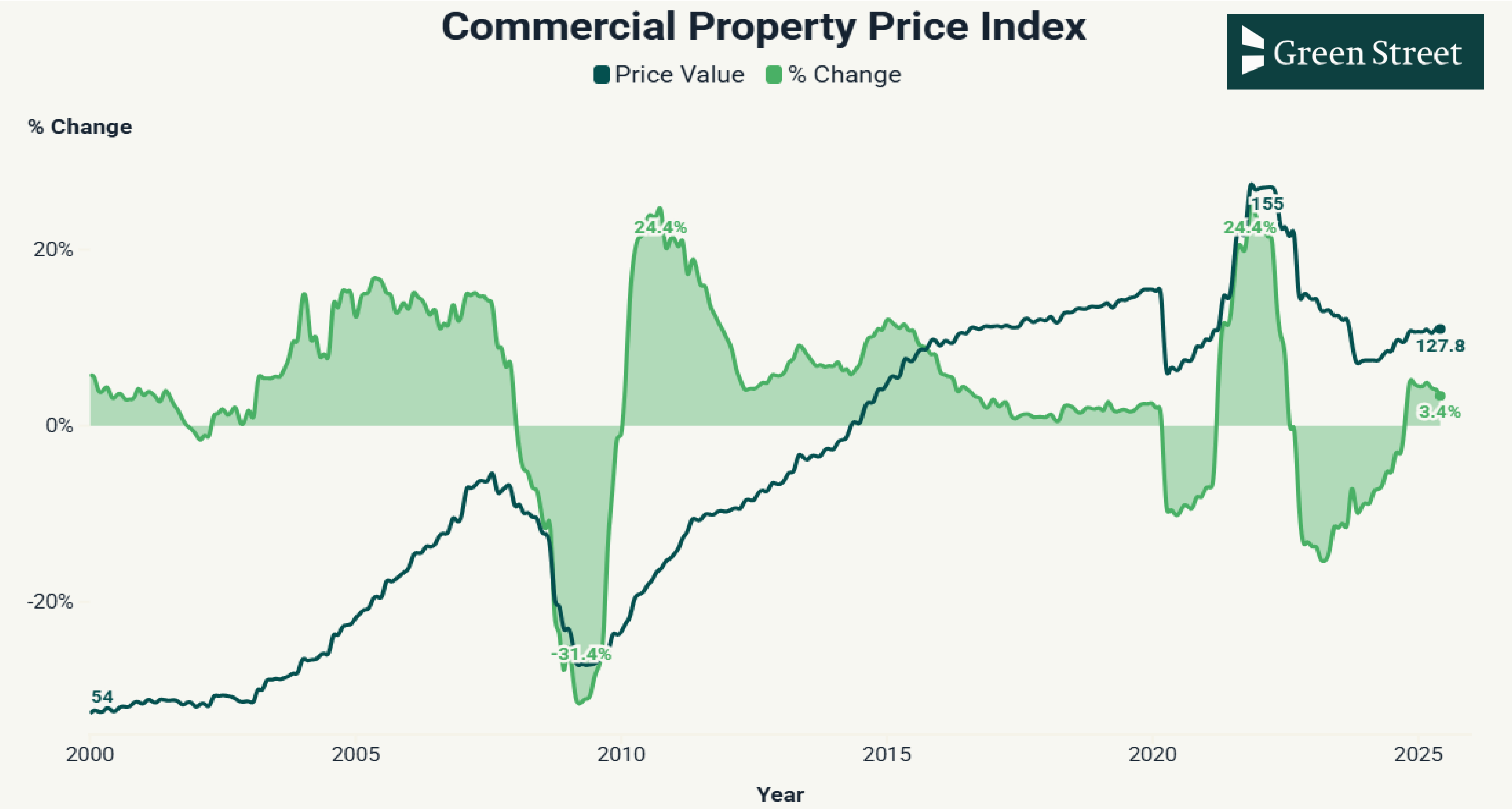
US Commercial Real Estate Prices – *All Property Types*

Percent Change Prior 12 Months



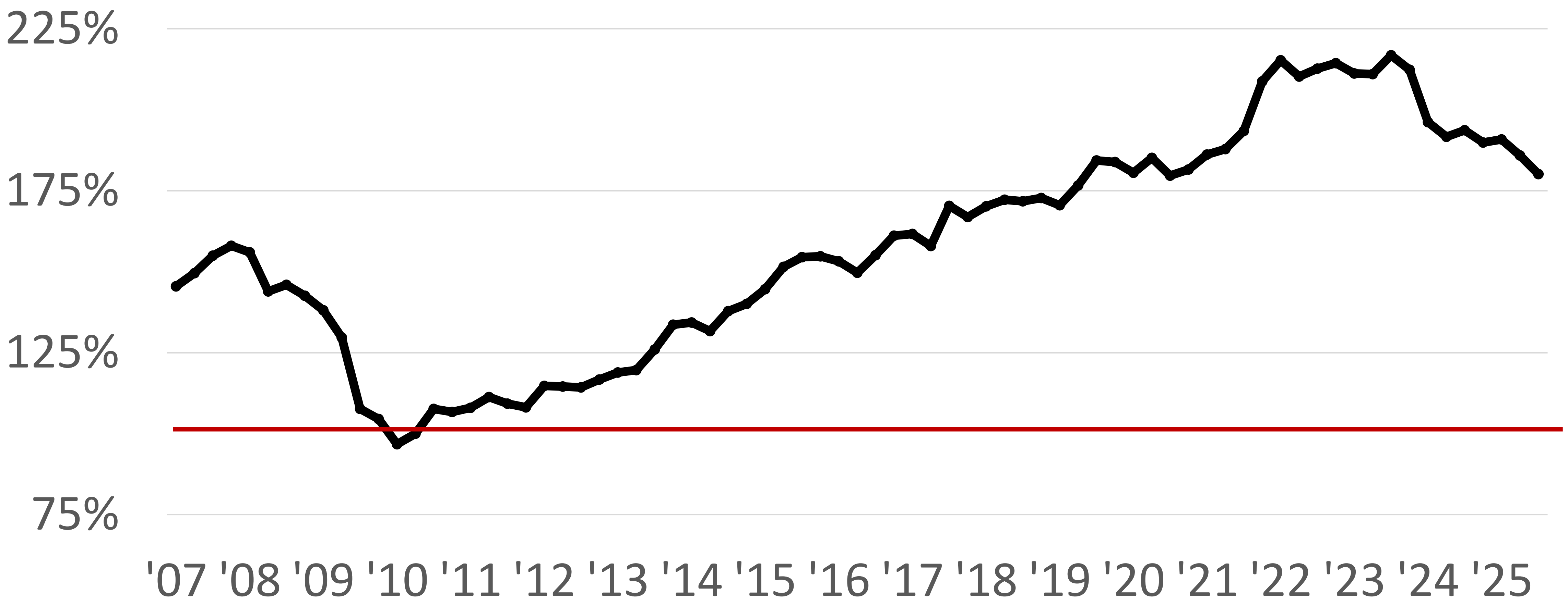
FEDERAL RESERVE BANK of ST. LOUIS

INTERNATIONAL MONETARY FUND FRED


Commercial Property Price Index
Price Value
% Change
Green Street
% Change
20%
0%
-20%
24.4%
-31.4%
155
24.4%
127.8
3.4%
54
2000
2005
2010
2015
2020
2025
Year

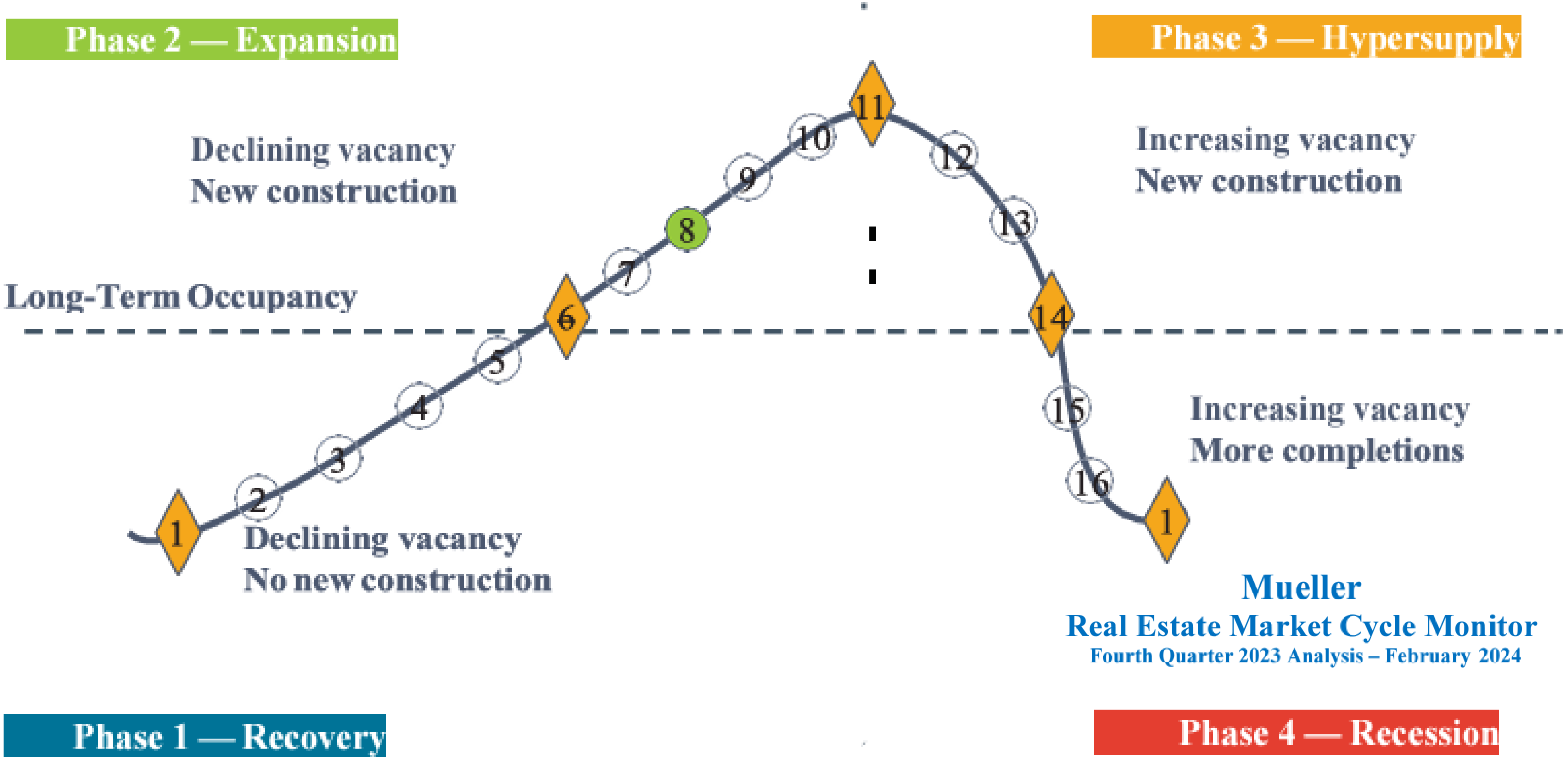
US Commercial Real Estate Price Index

Q1 2010 = 100%



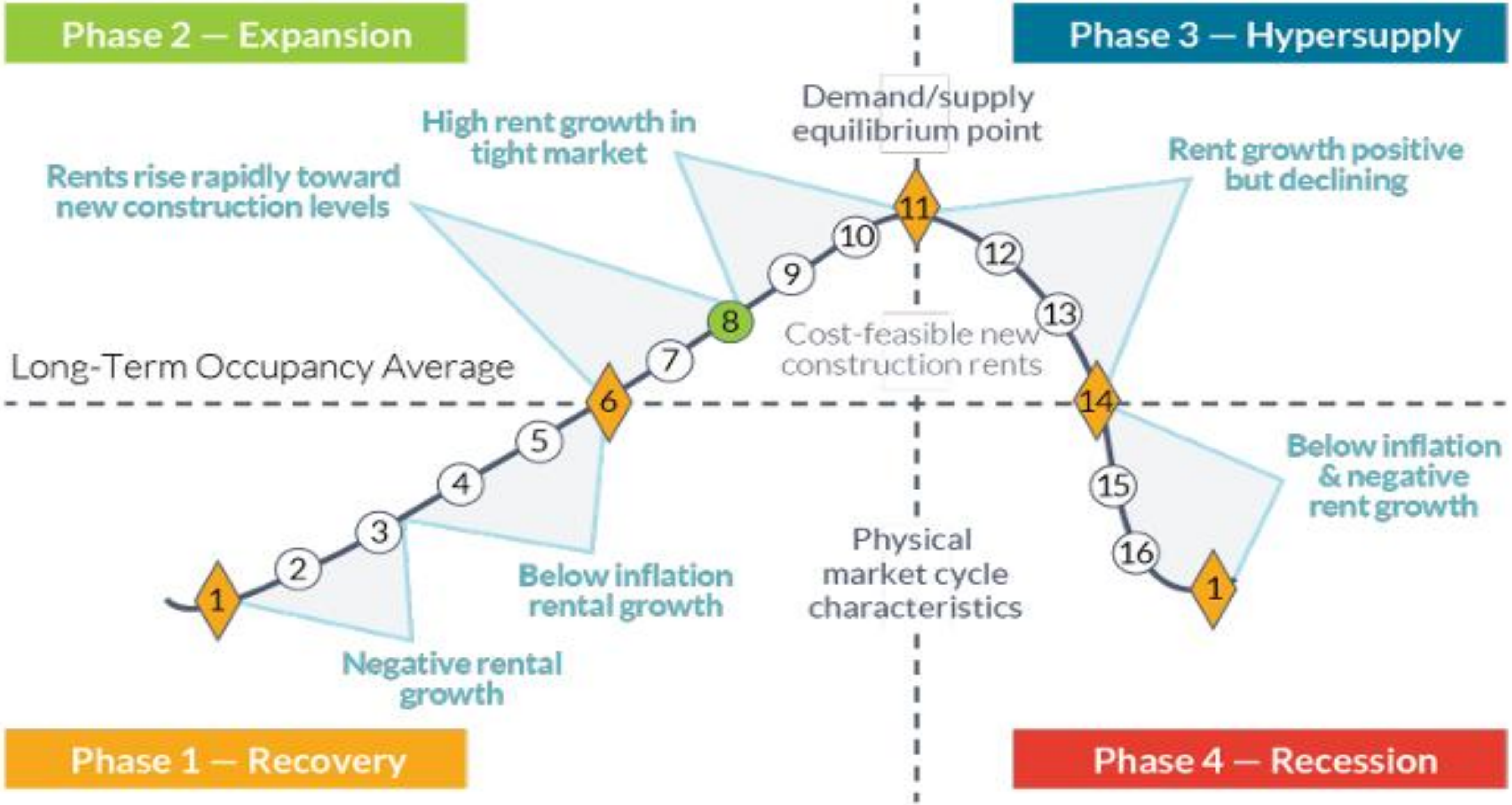
FEDERAL RESERVE BANK of ST. LOUIS
FRED

Market Cycle Quadrants



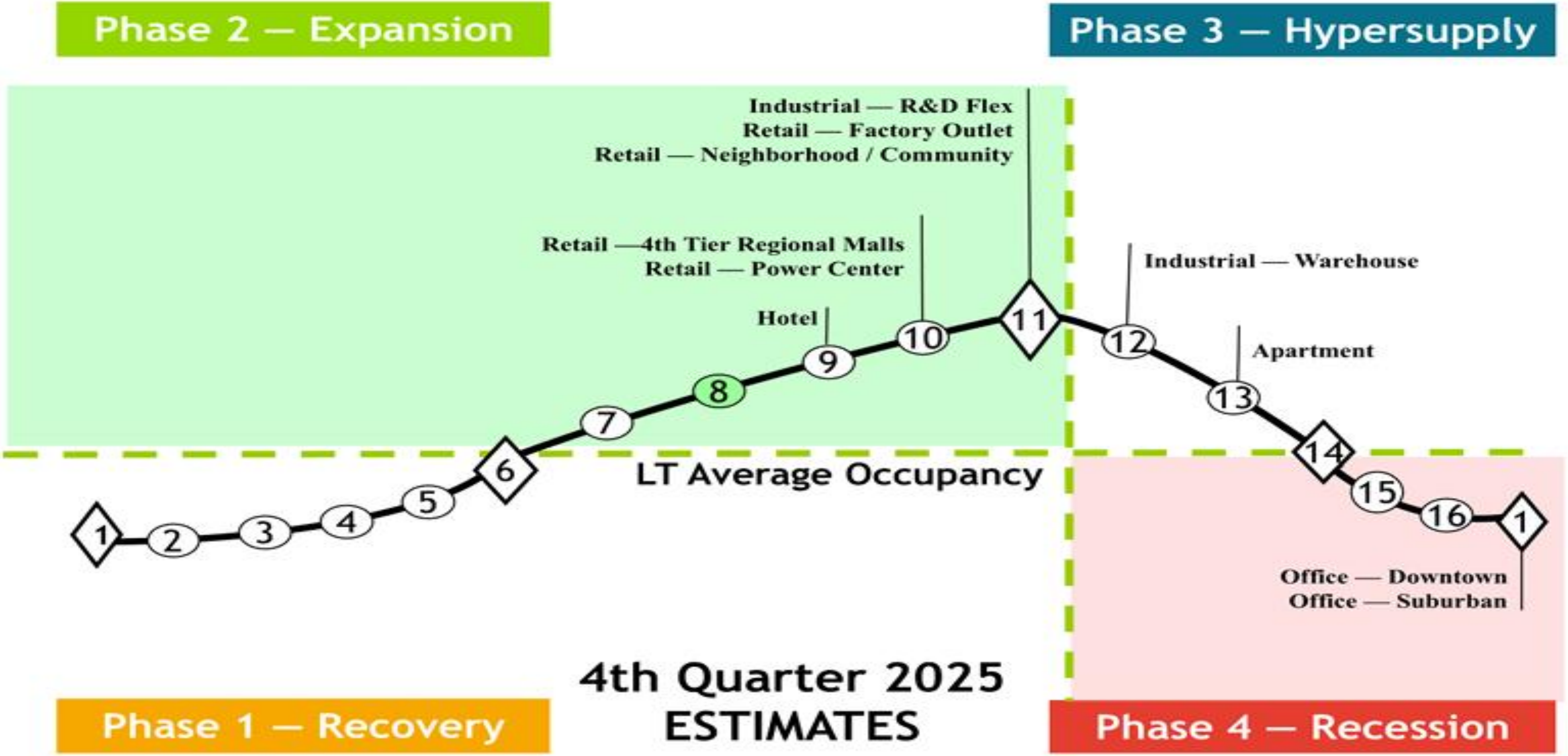
Source: Mueller, Real Estate Finance, 1996.

Rent Growth Rates



Source: Mueller, Real Estate Finance, 1996.

National Property Type Cycle Forecast



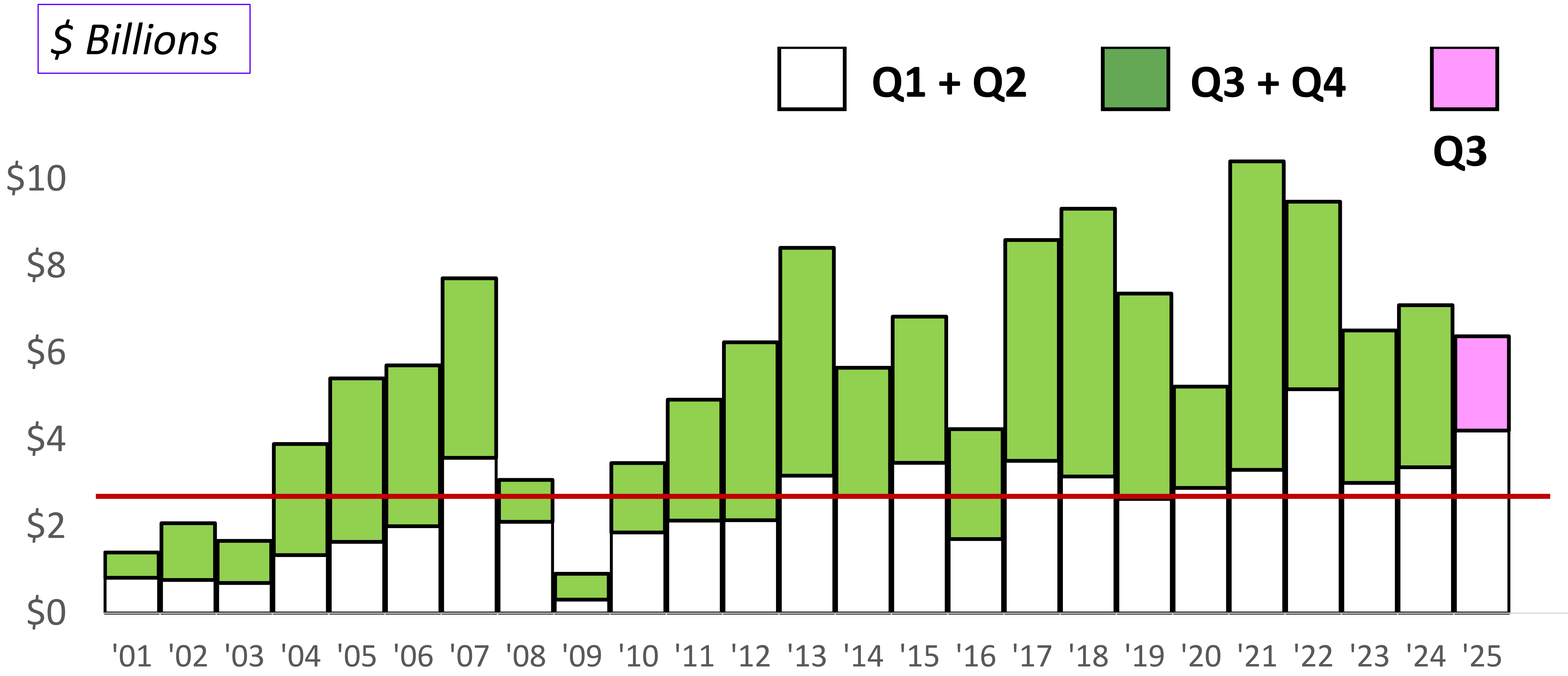
Source: Mueller, 2025

Commercial Real Estate Sales

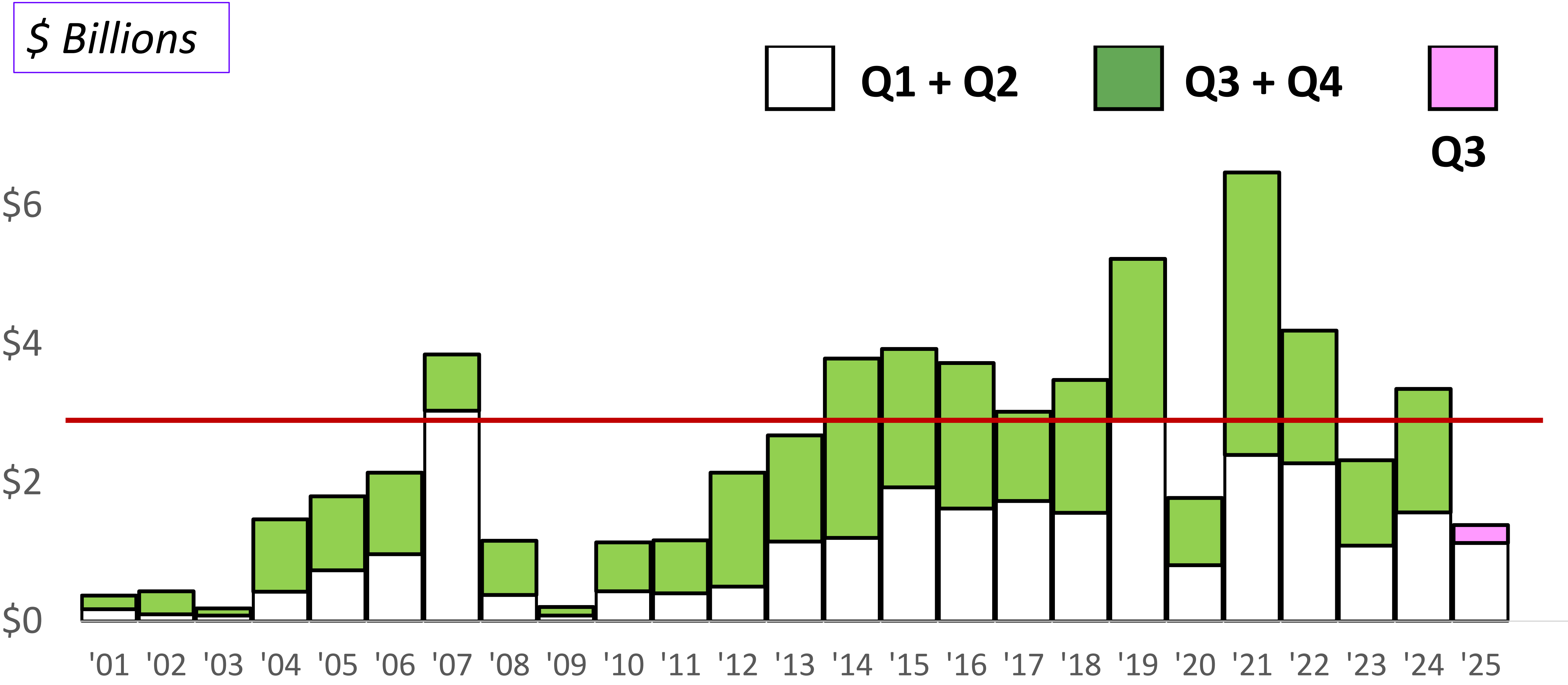
MSCI

	August 2025		YTD 2025			RCA CPPI
	Vol ($b)	YOY	Vol ($b)	YOY	Cap Rate	YOY
Office - CBD	2.5	115%	15.2	45%	7.1%	0.7%
Office - Suburban	3.5	-12%	28.9	4%	7.5%	0.3%
Industrial	7.4	-15%	63.8	10%	6.4%	5.0%
Data Center	0.0	-76%	2.8	-24%	7.1%	
Retail	4.7	-11%	42.8	18%	7.0%	5.3%
Apartment	12.5	-8%	91.6	5%	5.5%	0.2%
Hotel	2.0	-27%	15.0	-10%	8.2%	4.5%
Snr Hsg & Care	1.6	-20%	11.7	57%	7.0%	
Dev Site	1.8	7%	19.7	33%		
Total	36.0	-8%	291.4	11%		2.4% *

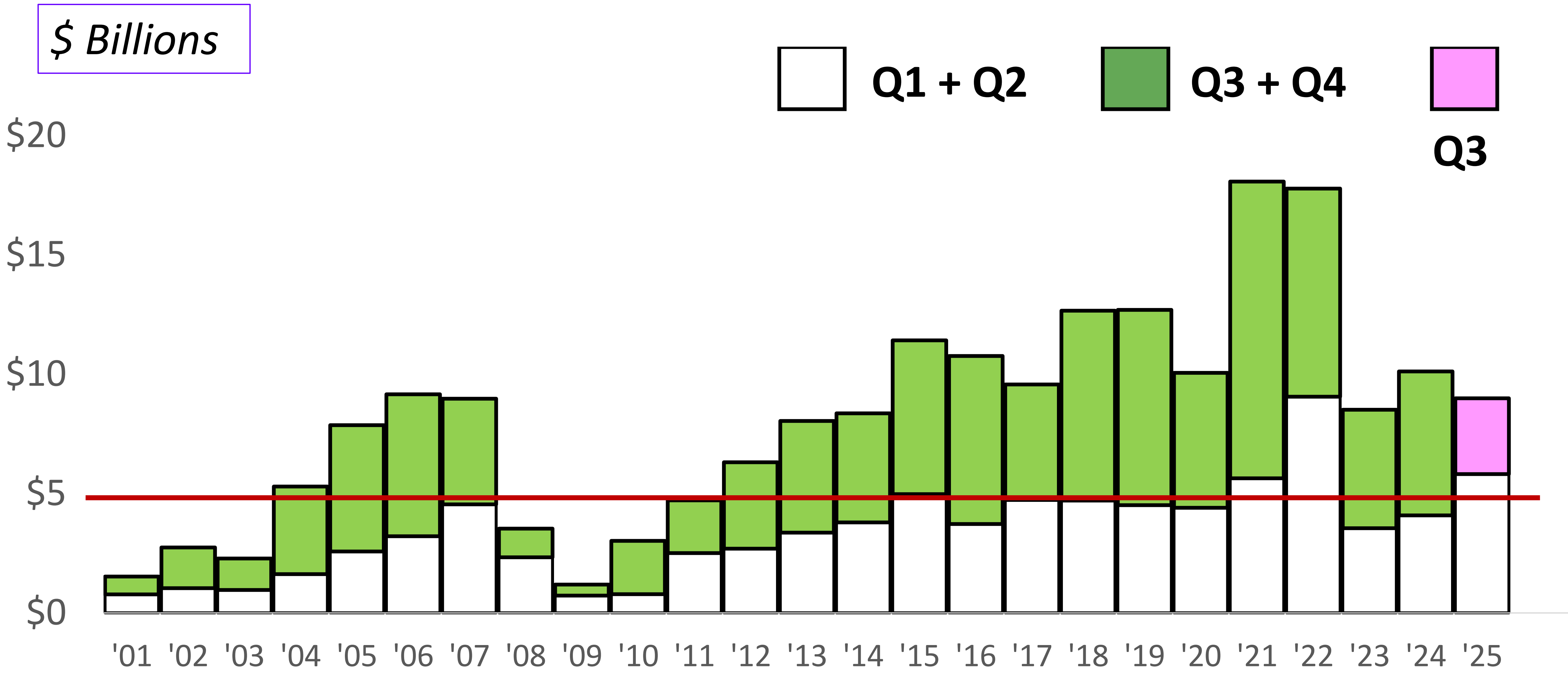
Houston Commercial Estate Sales



Austin Commercial Estate Sales

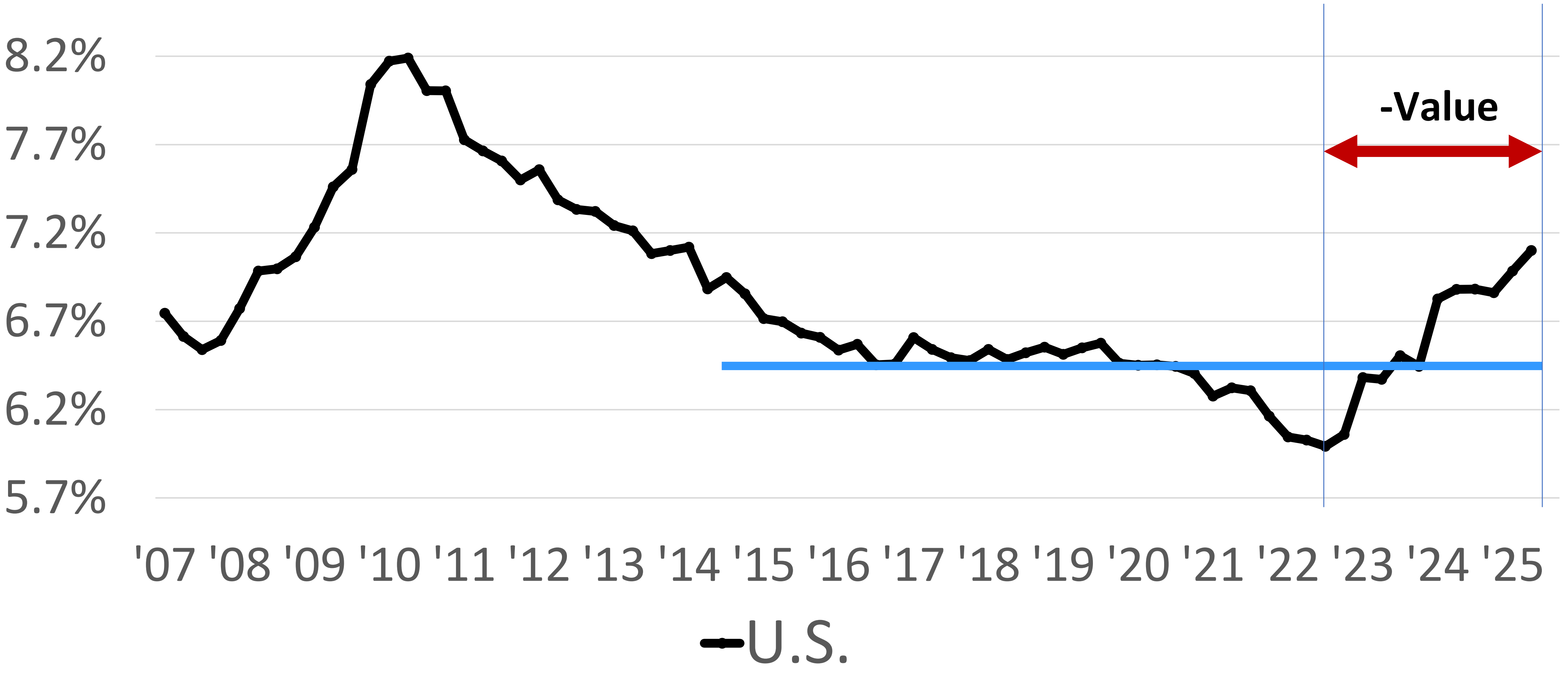


DFW Commercial Estate Sales



U.S. Cap Rates – *All Property Types*

MSCI



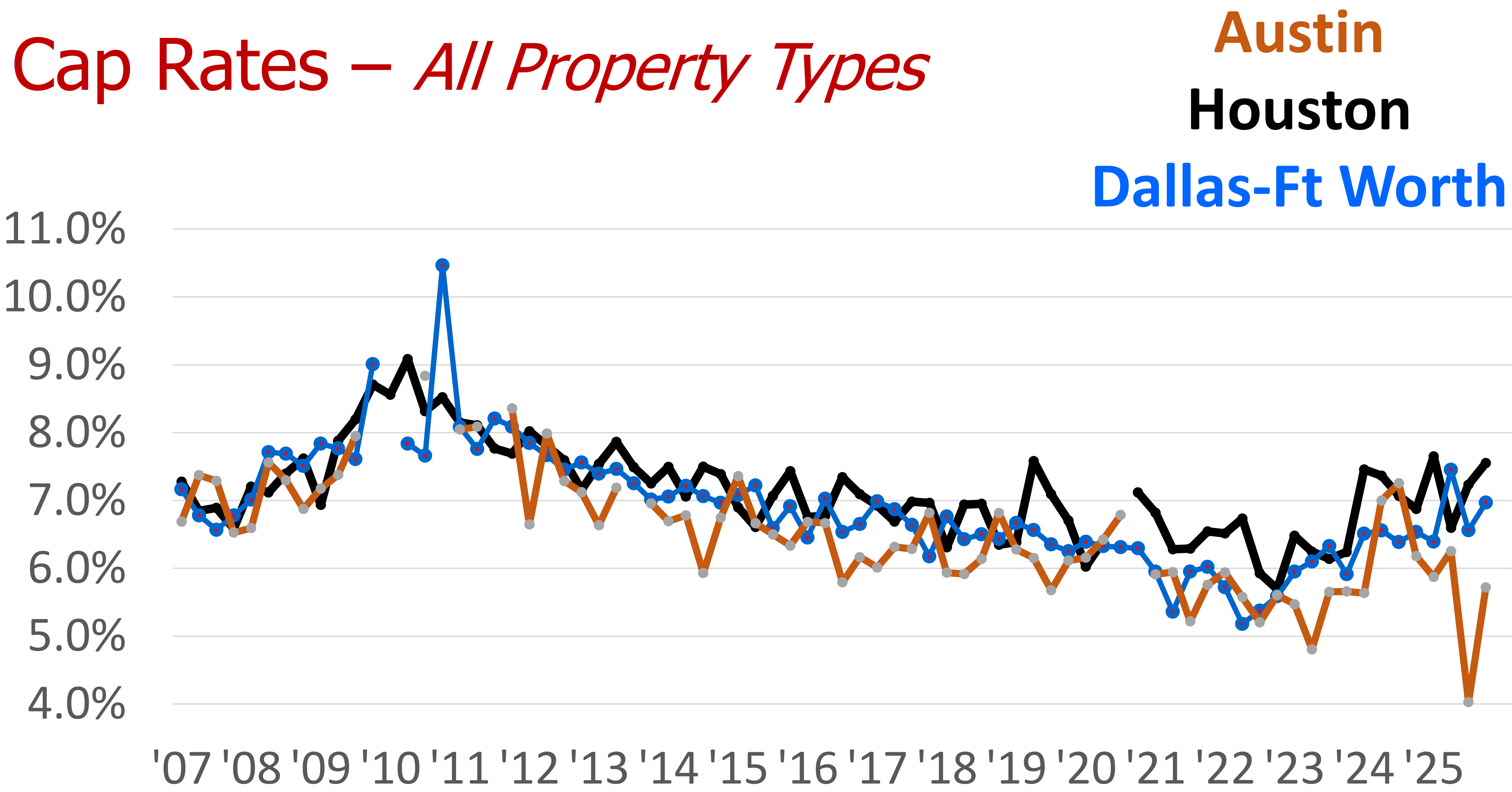
Cap Rate Change Impact on Property Value

Cap Rate Change Basis Points	Original Cap Rate 4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
	Percent Change in Property Value						
-40	11.1%	9.8%	8.7%	7.8%	7.1%	6.6%	6.6%
-20	5.3%	4.7%	4.2%	3.8%	3.4%	3.2%	3.2%
20	-4.8%	-4.3%	-3.8%	-3.5%	-3.2%	-3.0%	-3.0%
40	-9.1%	-8.2%	-7.4%	-6.8%	-6.3%	-5.8%	-5.8%
60	-13.0%	-11.8%	-10.7%	-9.8%	-9.1%	-8.5%	-8.5%
80	-16.7%	-15.1%	-13.8%	-12.7%	-11.8%	-11.0%	-11.0%
100	-20.0%	-18.2%	-16.7%	-15.4%	-14.3%	-13.3%	-13.3%
120	-23.1%	-21.1%	-19.4%	-17.9%	-16.7%	-15.6%	-15.6%
140	-25.9%	-23.7%	-21.9%	-20.3%	-18.9%	-17.7%	-17.7%

Assumes Constant NOIs

Ted C Jones

Cap Rates – *All Property Types*



MSCI

Houston MSA – New Jobs Per New Dwelling Unit

	Number of New Dwelling Units				New Jobs
			Total	Net	Per New
	Single	Multi	Dwelling	New	Dwelling
Year	Family	Family	Units	Jobs	Annual
1991	13,535	3,699	17,234	-7,900	-0.46
1992	15,159	3,368	18,527	18,000	0.97
1993	15,667	4,011	19,678	44,500	2.26
1994	15,761	6,756	22,517	53,800	2.39
1995	15,879	5,833	21,712	56,700	2.61
1996	19,467	4,682	24,149	52,700	2.18
1997	20,859	11,507	32,366	106,900	3.30
1998	25,415	21,479	46,894	92,700	1.98
1999	25,618	11,088	36,706	17,700	0.48
2000	28,180	7,845	36,025	60,500	1.68
2001	30,496	7,117	37,613	1,300	0.03
2002	34,685	12,407	47,092	-1,600	-0.03
2003	42,053	16,761	58,814	-11,400	-0.19
2004	45,103	10,933	56,036	39,500	0.70
2005	51,205	10,920	62,125	91,200	1.47
2006	55,162	16,557	71,719	106,900	1.49
2007	42,217	21,057	63,274	91,000	1.44
2008	28,192	14,536	42,728	21,800	0.51
2009	22,369	4,957	27,326	-110,500	-4.04
2010	22,330	5,122	27,452	50,100	1.83
2011	22,889	8,382	31,271	83,000	2.65
2012	28,631	14,662	43,293	117,700	2.72
2013	34,548	16,791	51,339	89,500	1.74
2014	38,321	25,426	63,747	117,100	1.84

Houston MSA – New Jobs Per New Dwelling Unit

Normal – 1.2 to 1.5 Net New Jobs Per New Dwelling Unit

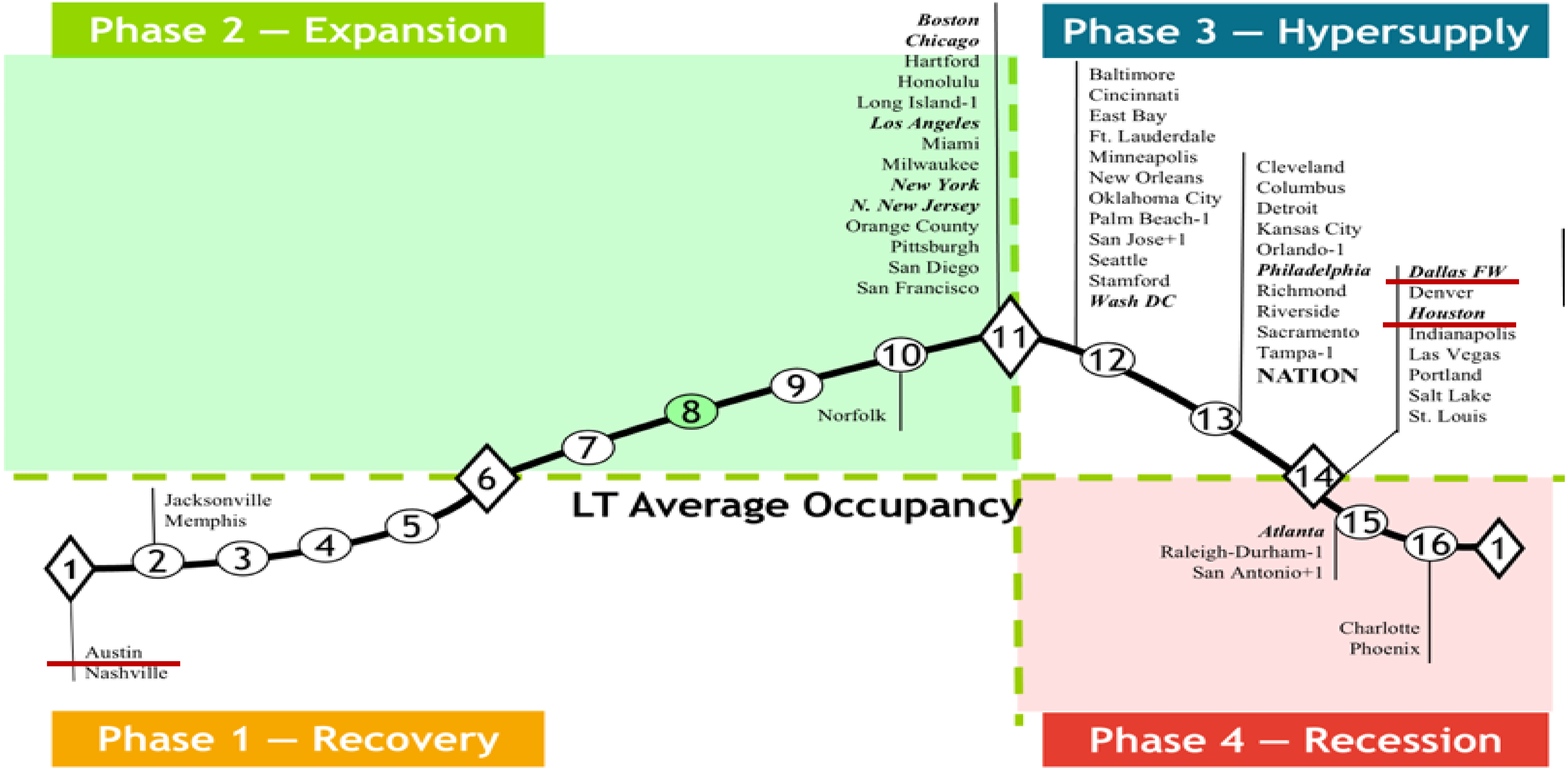
	Number of New Dwelling Units				New Jobs
			Total	Net	Per New
	Single	Multi	Dwelling	New	Dwelling
Year	Family	Family	Units	Jobs	Annual
2015	36,963	20,115	57,078	-2,200	-0.04
2016	35,632	9,365	44,997	-2,800	-0.06
2017	36,716	6,047	42,763	54,500	1.27
2018	40,887	16,967	57,854	82,700	1.43
2019	39,901	24,165	64,066	54,900	0.86
2020	50,632	20,625	71,257	-184,600	-2.59
2021	53,315	16,544	69,859	172,200	2.46
2022	48,485	28,027	76,512	153,300	2.00
2023	50,992	18,311	69,303	84,300	1.22
2024	52,703	13,044	65,747	49,500	0.75
	1,139,967	**439,106**	**1,579,073**	**1,643,000**	1.0

Cumulative, since 1991, Houston MSA Is Overbuilt.

Just ONE New Job Per New Dwelling Unit

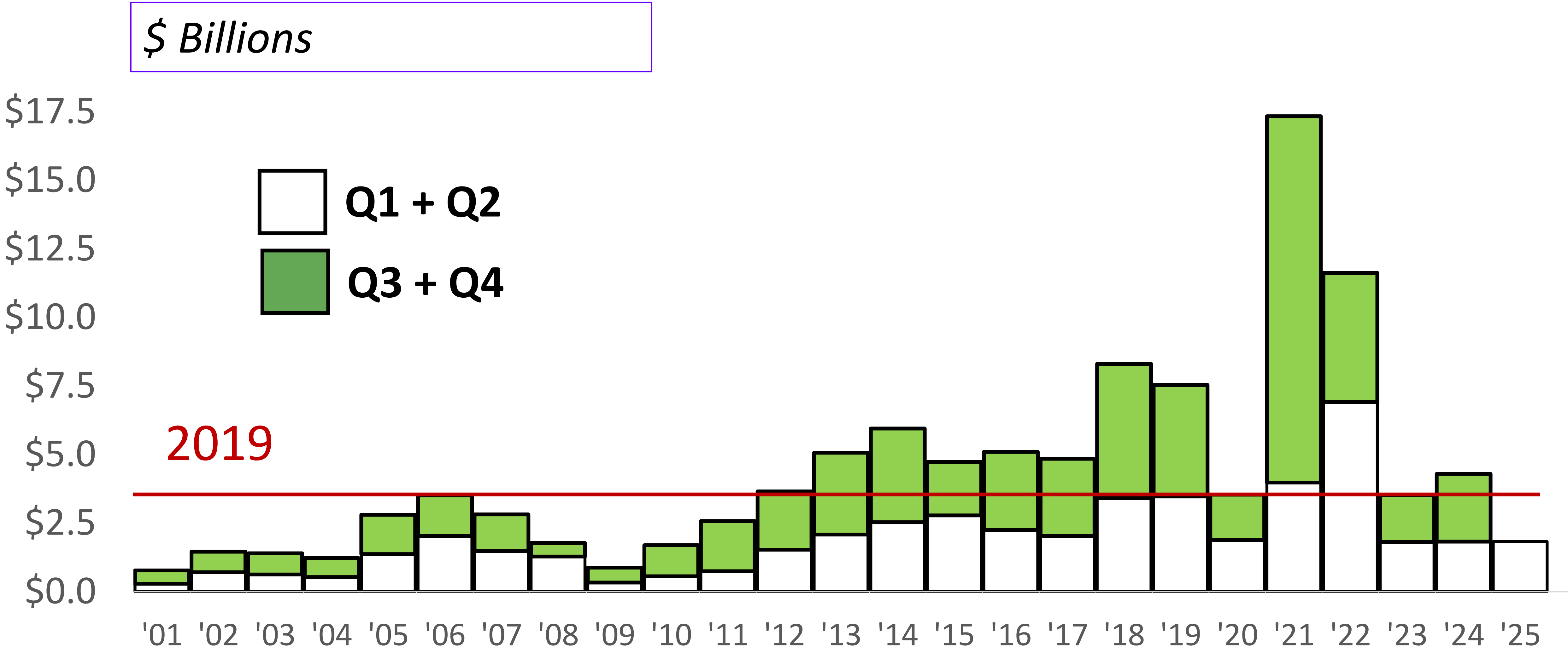
Apartment Market Cycle FORECAST

4th Quarter 2025 Estimates

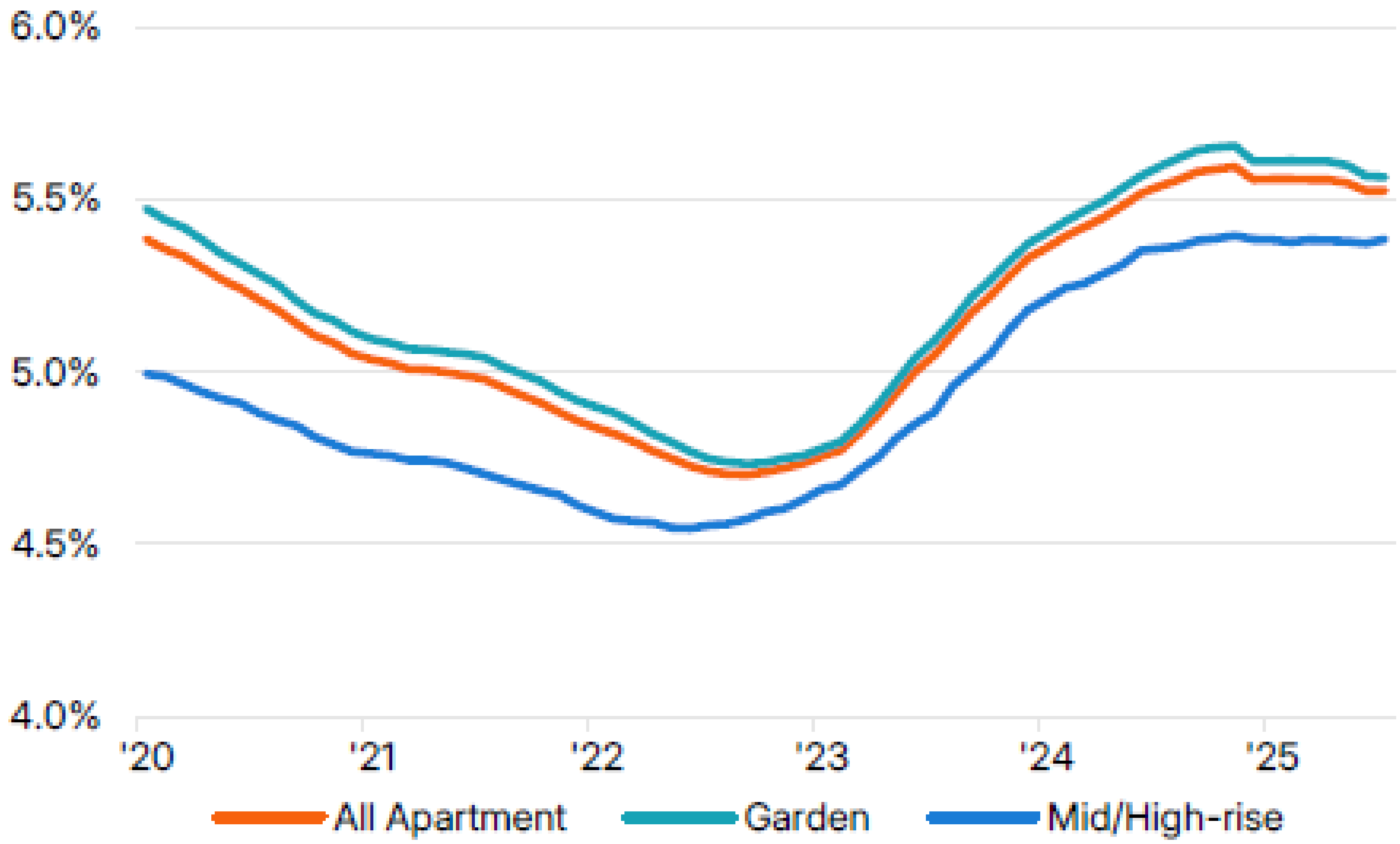


Source: Mueller, 2025

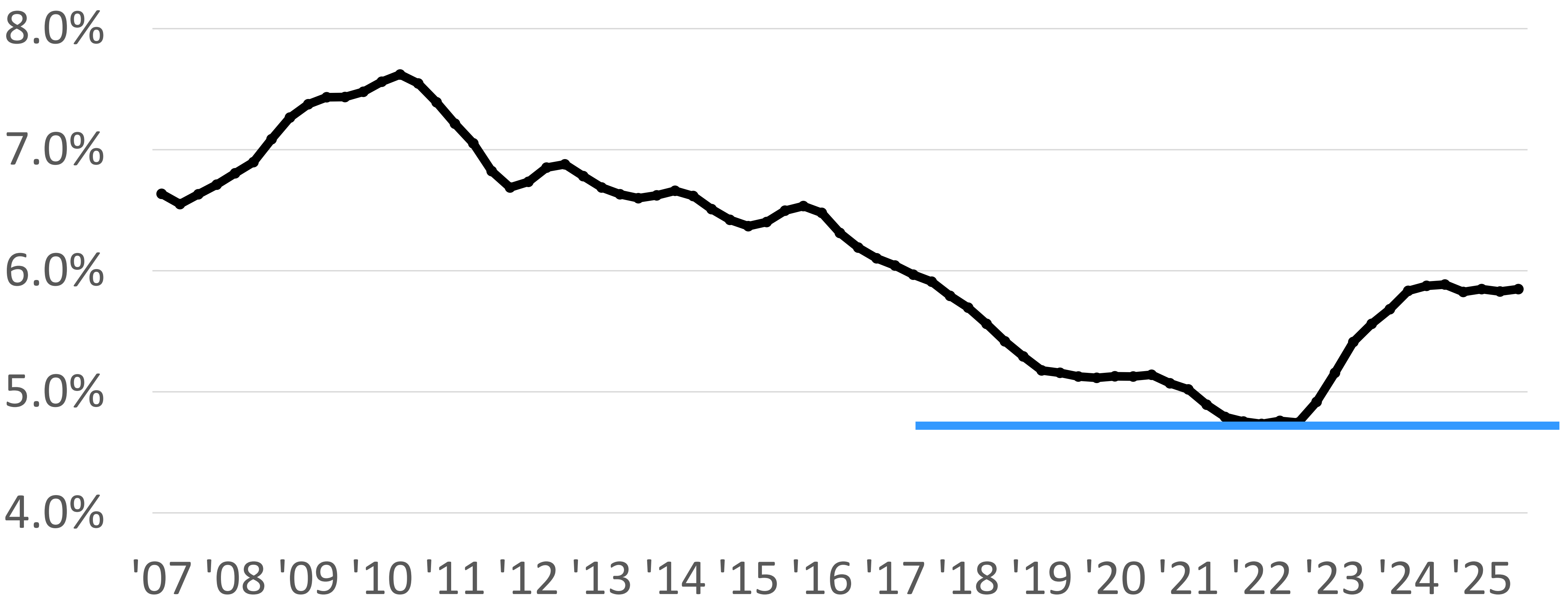
Houston Apartment Sales



U.S. Apartment Cap Rates *TTM*



Houston Apartment Cap Rates



Cap Rate Change Impact on Property Value

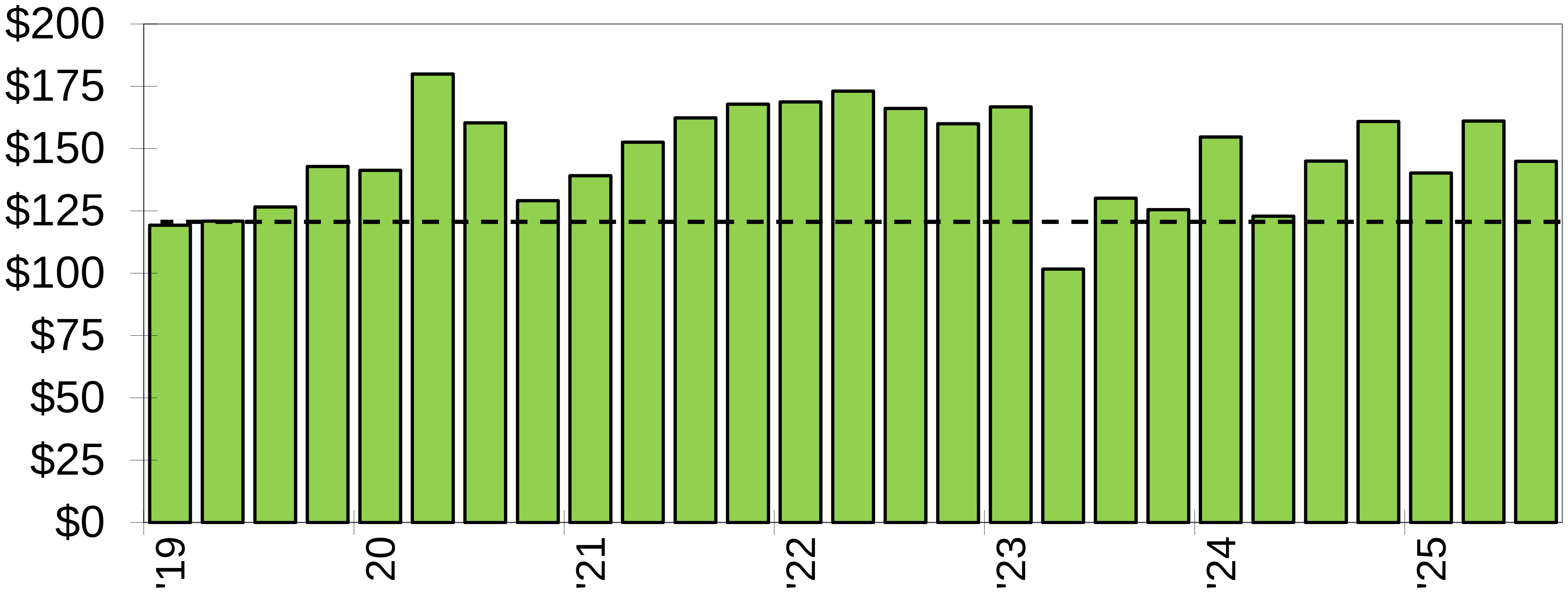
	Original Cap Rate						
	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
Cap Rate Change Basis Points	**Percent Change in Property Value**						
-40	11.1%	9.8%	8.7%	7.8%	7.1%	6.6%	6.6%
-20	5.3%	4.7%	4.2%	3.8%	3.4%	3.2%	3.2%
20	-4.8%	-4.3%	-3.8%	-3.5%	-3.2%	-3.0%	-3.0%
40	-9.1%	-8.2%	-7.4%	-6.8%	-6.3%	-5.8%	-5.8%
60	-13.0%	-11.8%	-10.7%	-9.8%	-9.1%	-8.5%	-8.5%
80	-16.7%	-15.1%	-13.8%	-12.7%	-11.8%	-11.0%	-11.0%
100	-20.0%	-18.2%	-16.7%	-15.4%	-14.3%	-13.3%	-13.3%
120	-23.1%	-21.1%	-19.4%	-17.9%	-16.7%	-15.6%	-15.6%
140	-25.9%	-23.7%	-21.9%	-20.3%	-18.9%	-17.7%	-17.7%

Assumes Constant NOIs

Ted C Jones

Houston Apartment Sales Price Per Unit

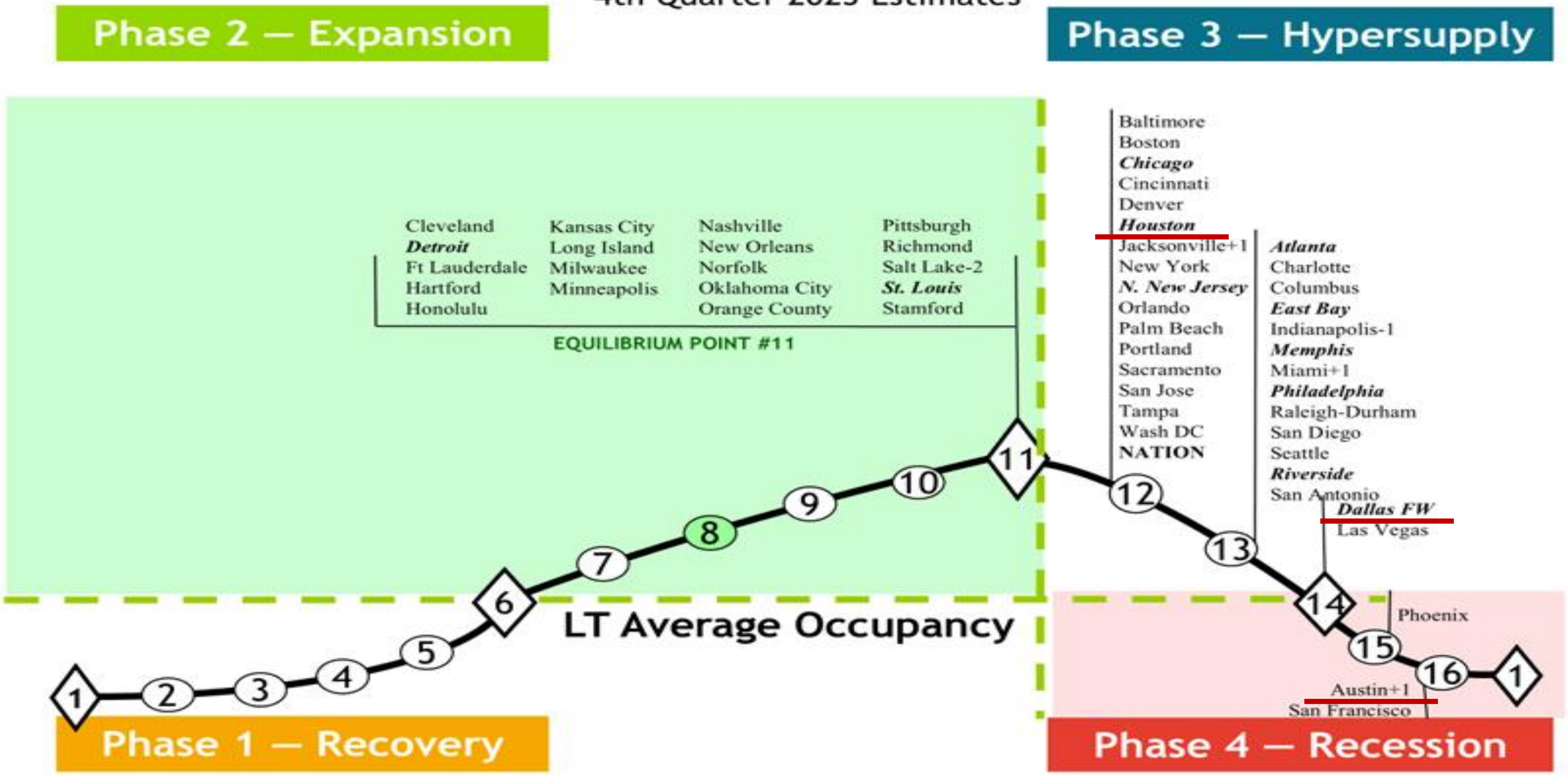
$ Thousands



Property and Portfolio Sales $2.5 Million and Up

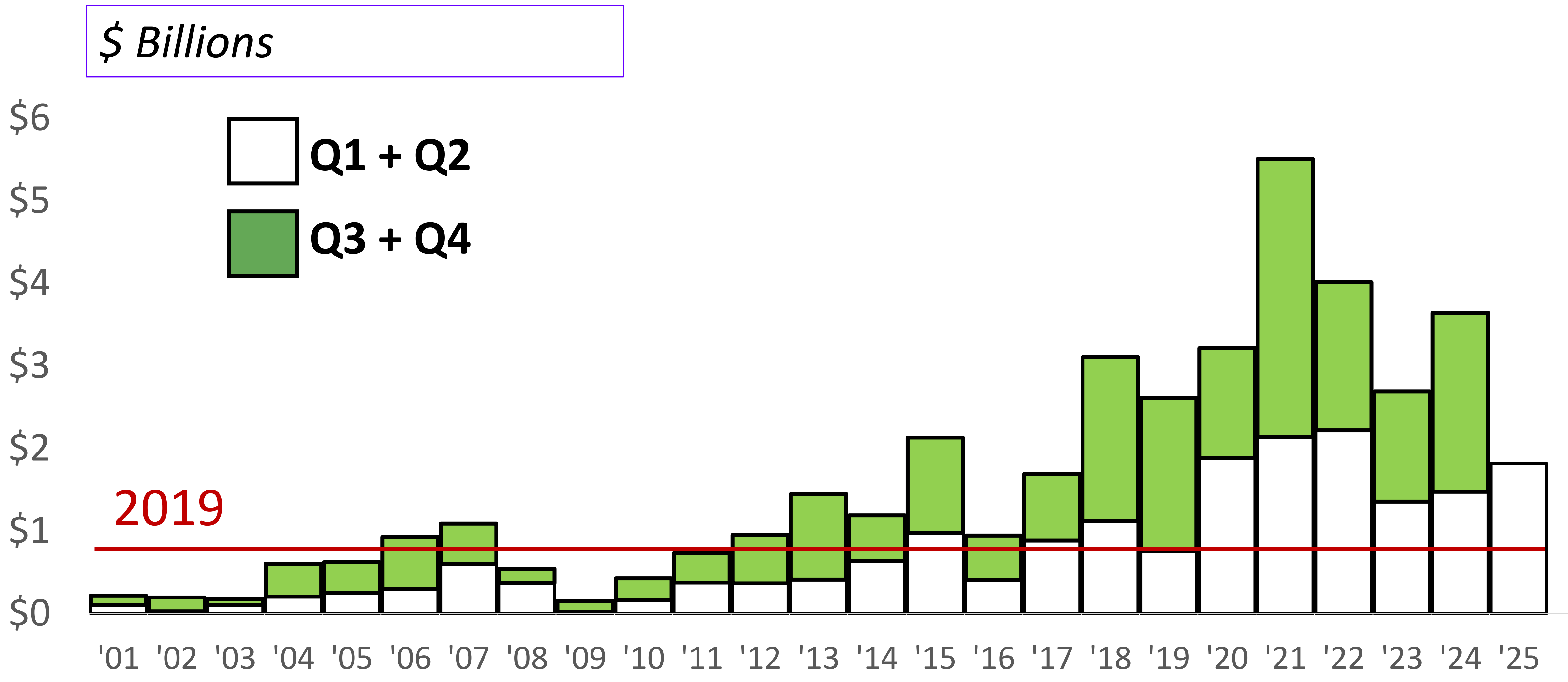
Industrial Market Cycle FORECAST

4th Quarter 2025 Estimates

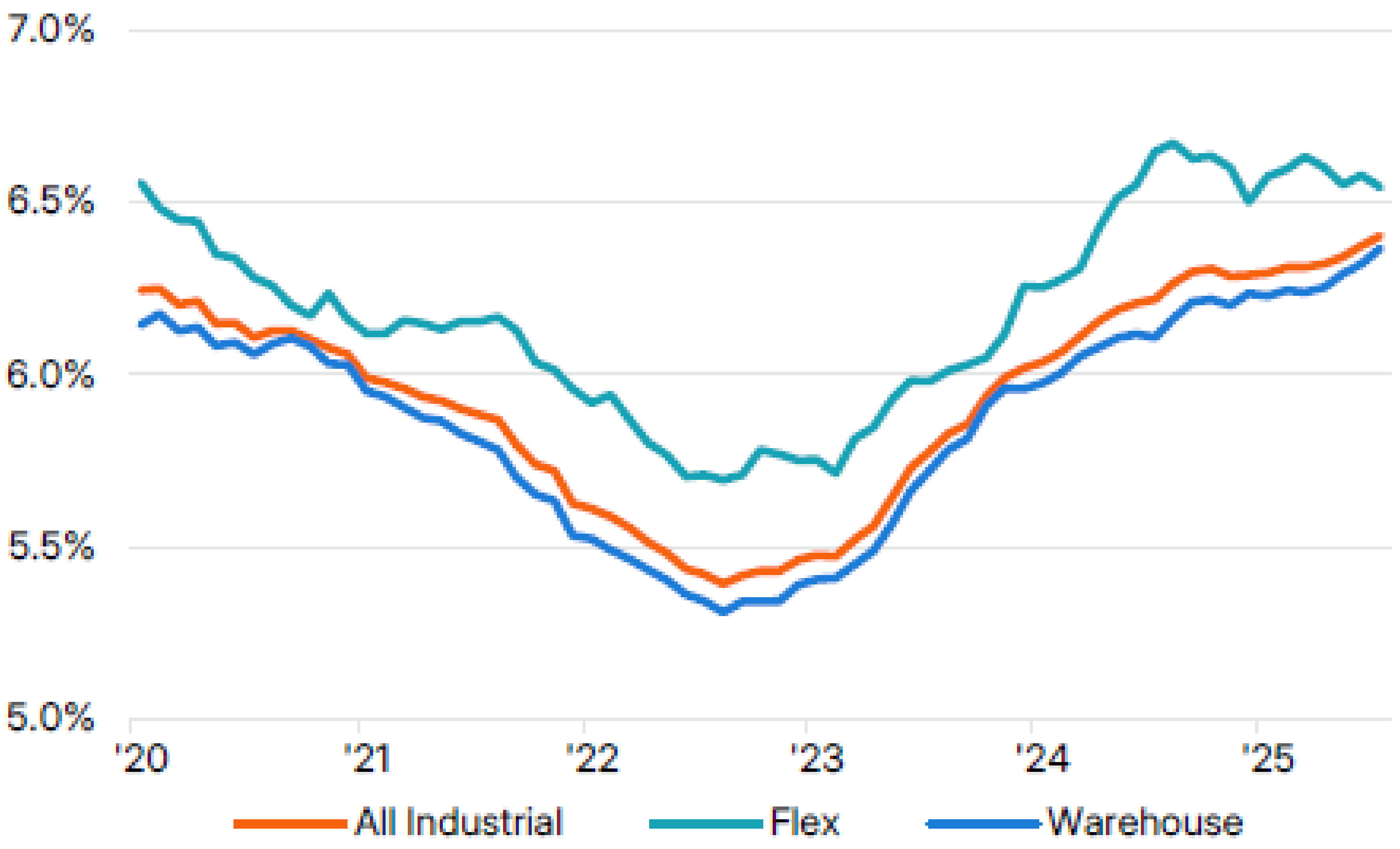


Source: Mueller, 2025

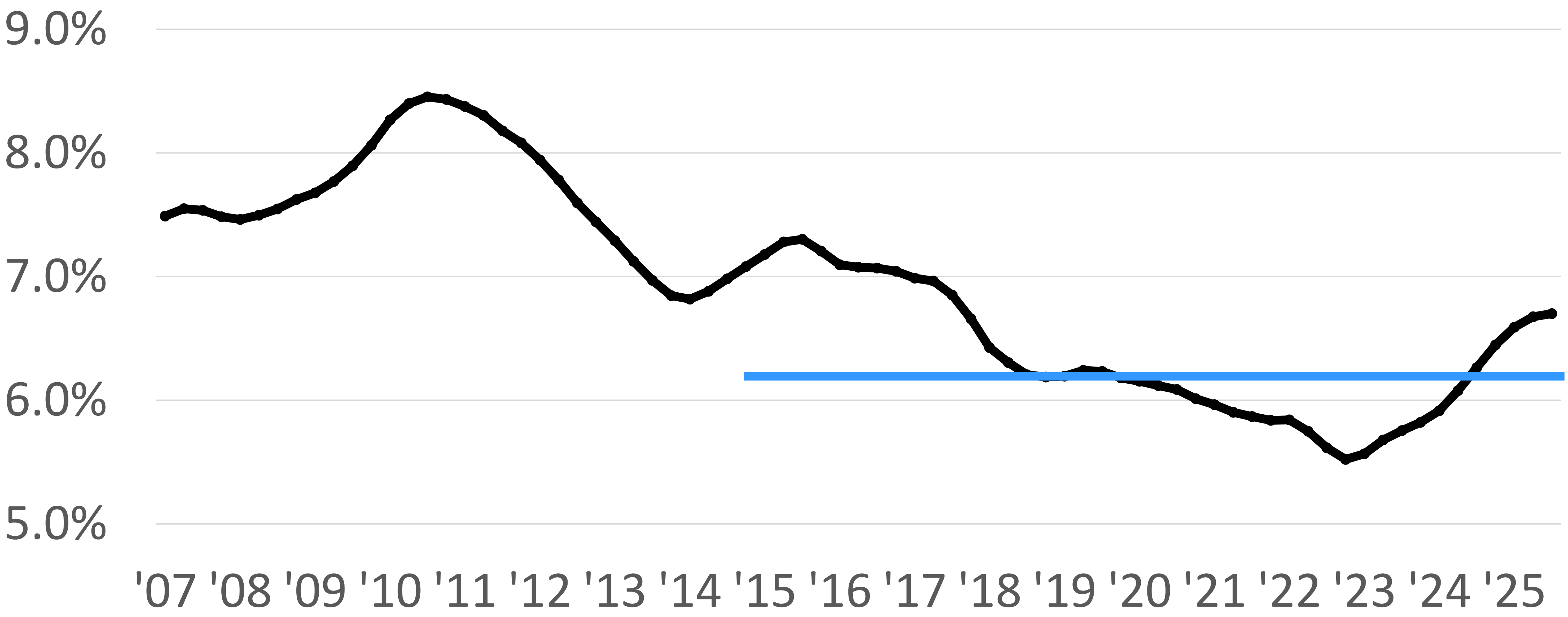
Houston Industrial Real Estate Sales



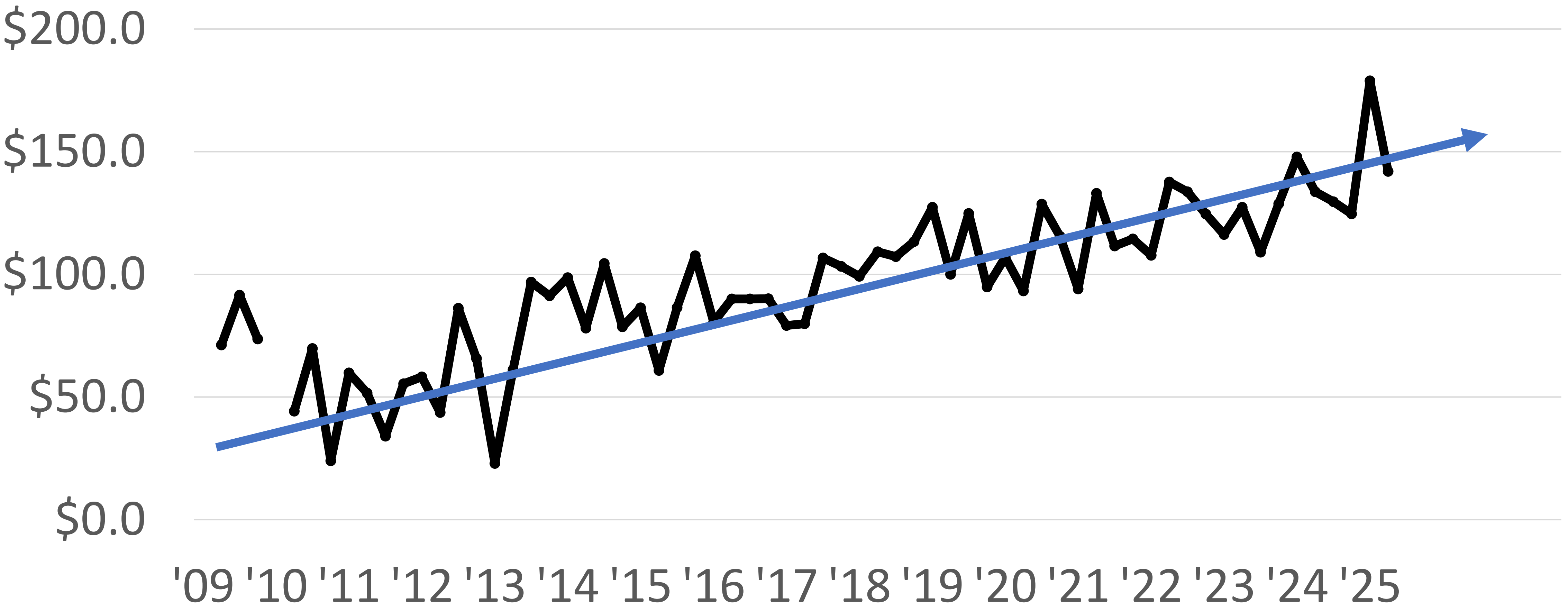
U.S. Industrial Cap Rates *TTM*



Houston Industrial Cap Rates - *Hedonic*

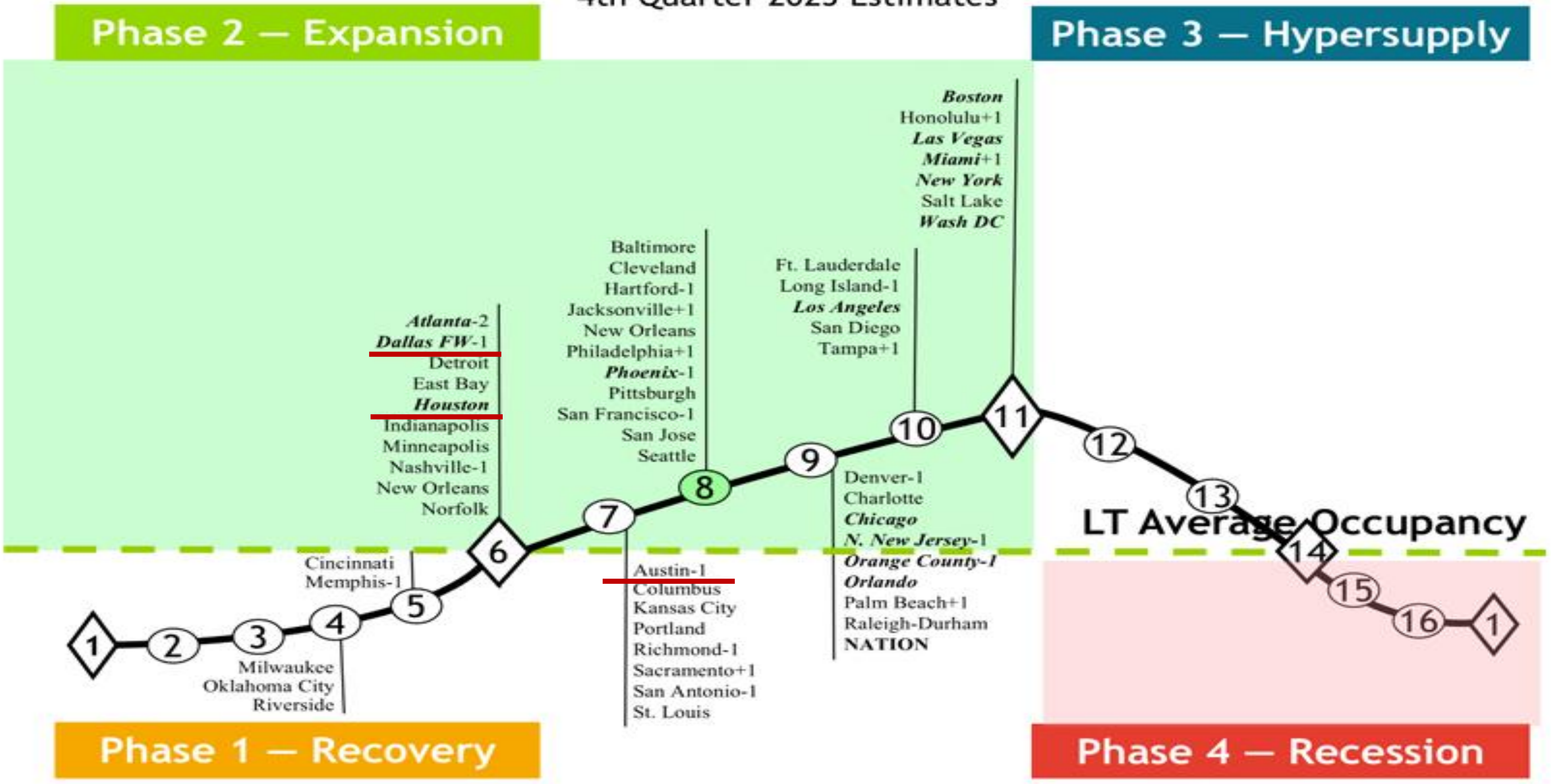


Houston Industrial Price Per Square Foot



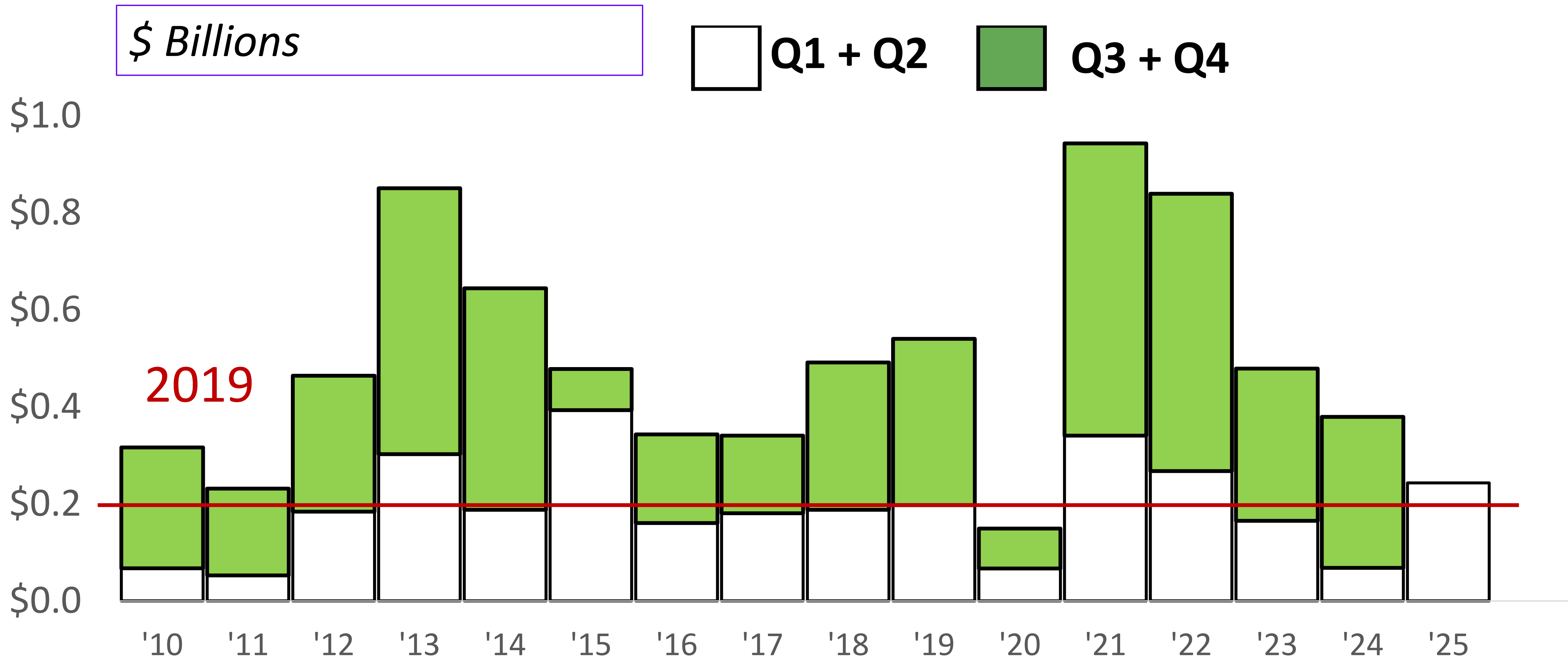
Hotel Market Cycle FORECAST

4th Quarter 2025 Estimates

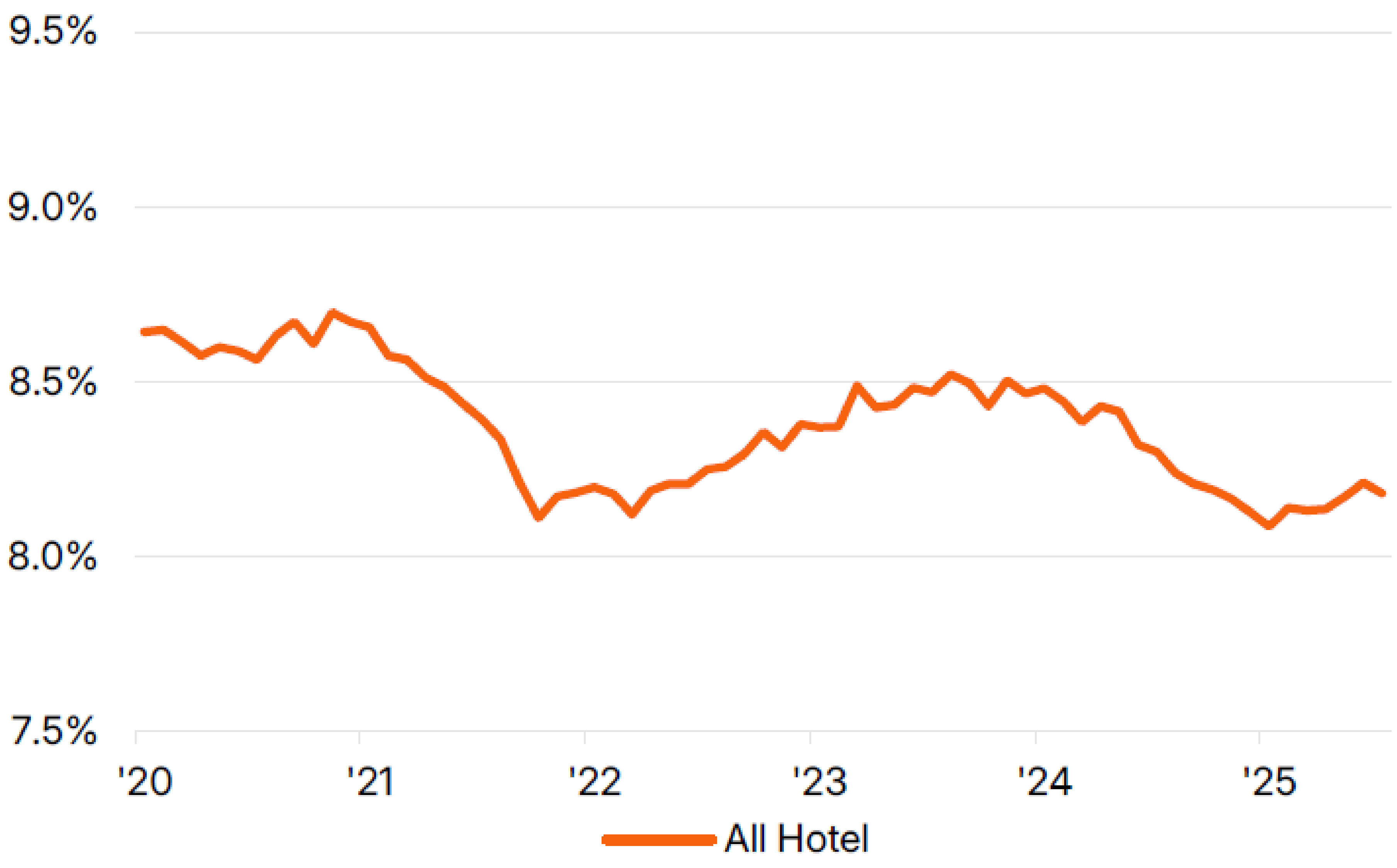


Source: Mueller, 2025

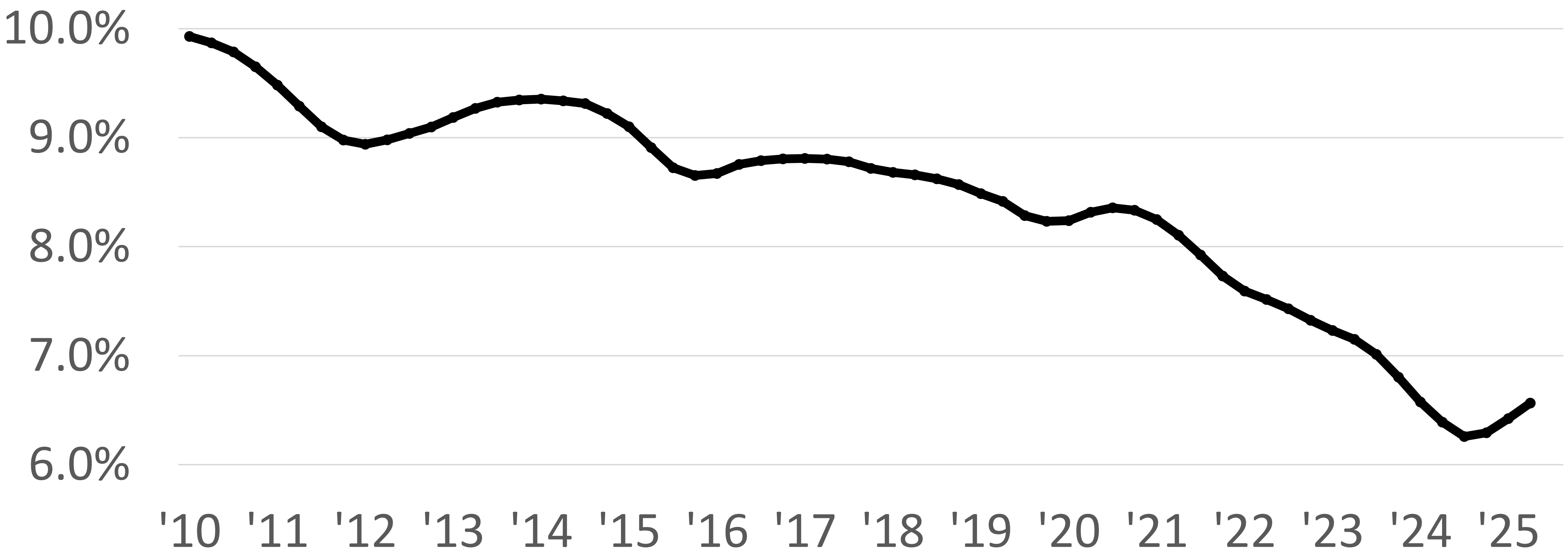
Houston Hotel Sales



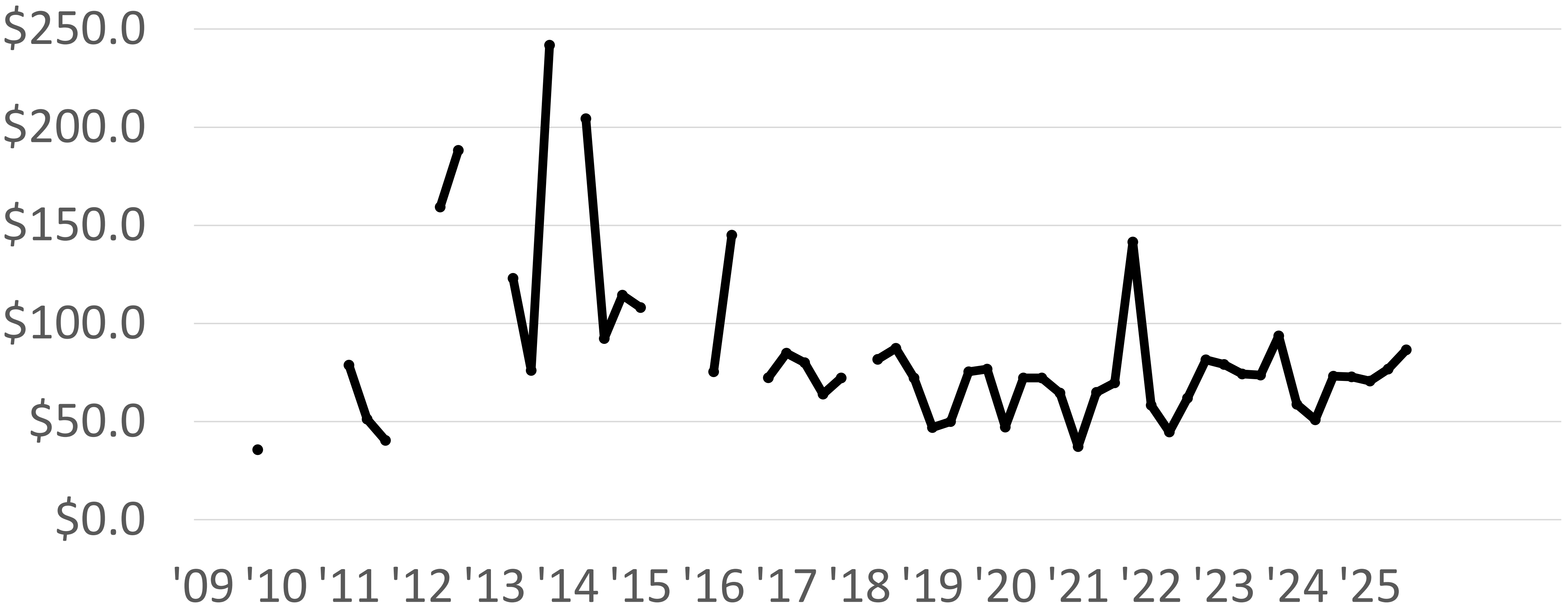
U.S. Hotel Cap Rates *TTM*



Houston Hotel Cap Rates



Houston Hotel Price Per Door



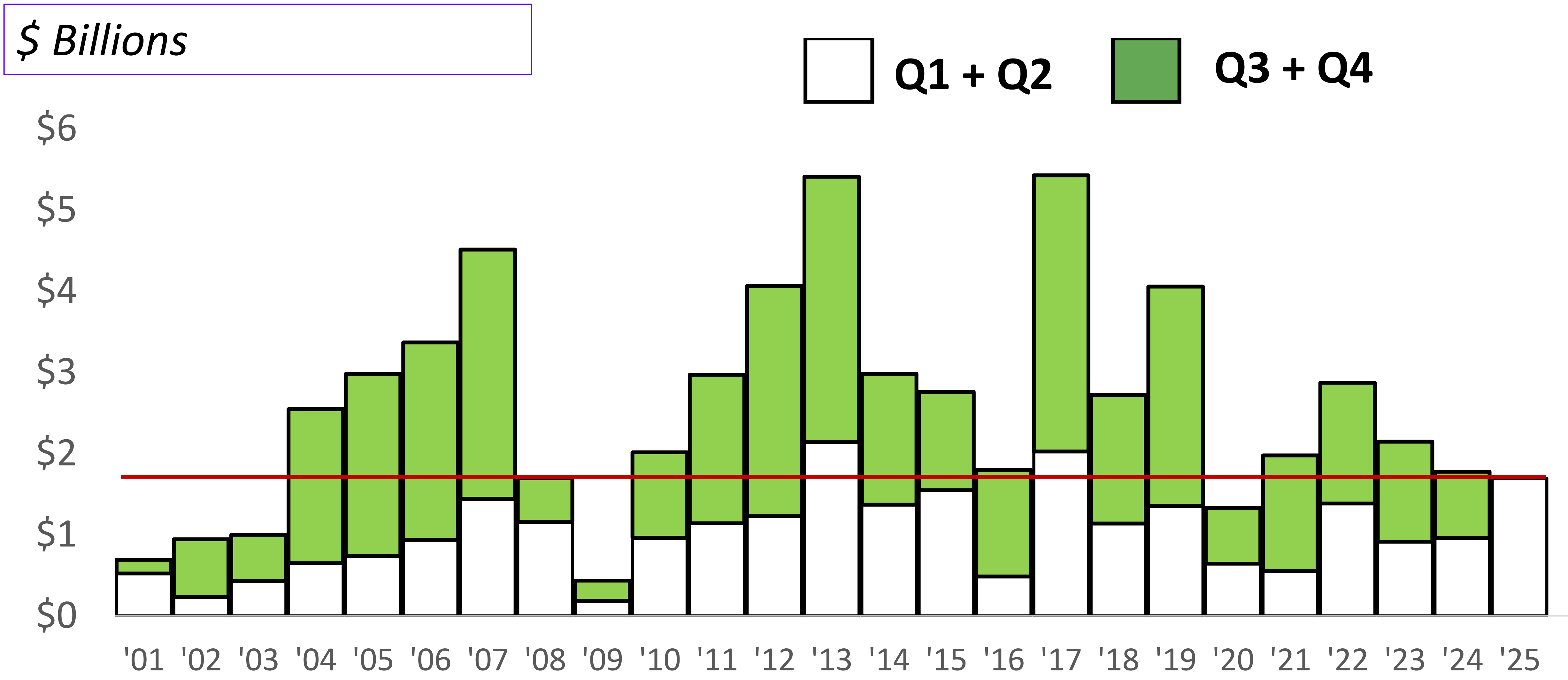
DrTCJ

Ted C. Jones
@DrTCJ

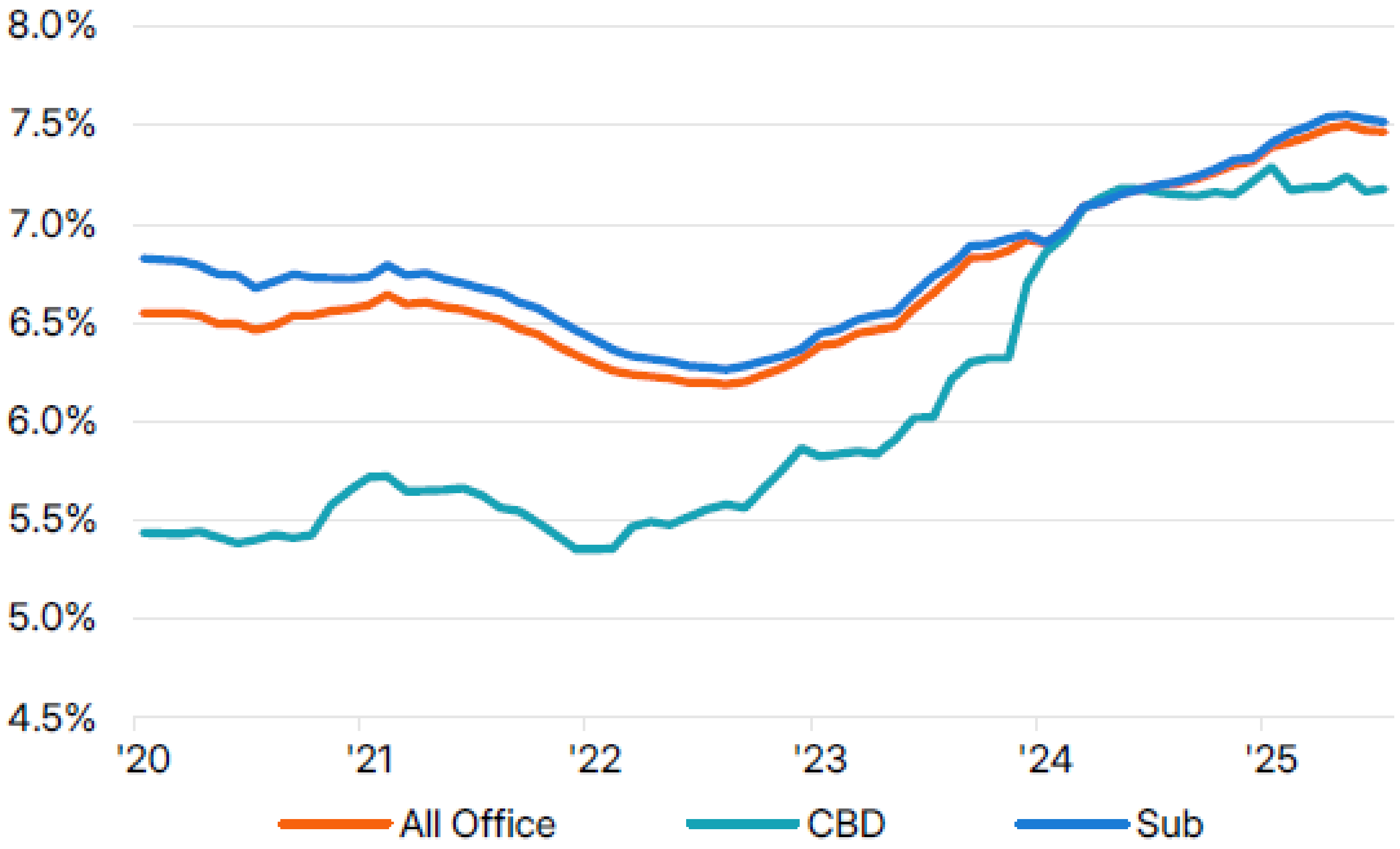
The Ameriprise Financial Center in Minneapolis, which had sold for $200 million in 2016 & was assessed for $90 million, sold for $6.25 million in January 2025 - a massive 97% plunge in value

4:06 AM · Feb 24, 2025

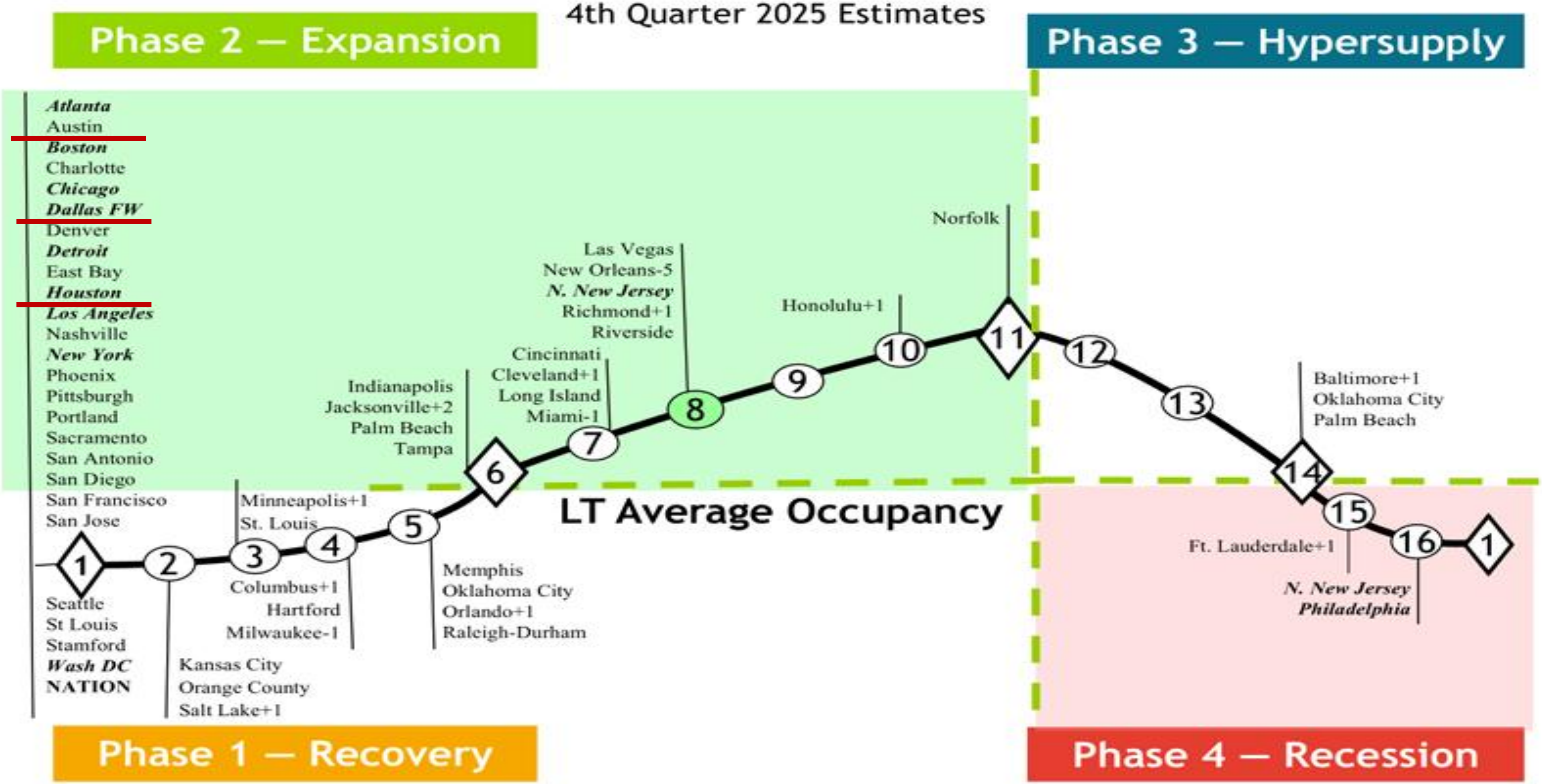
Houston Office Sales



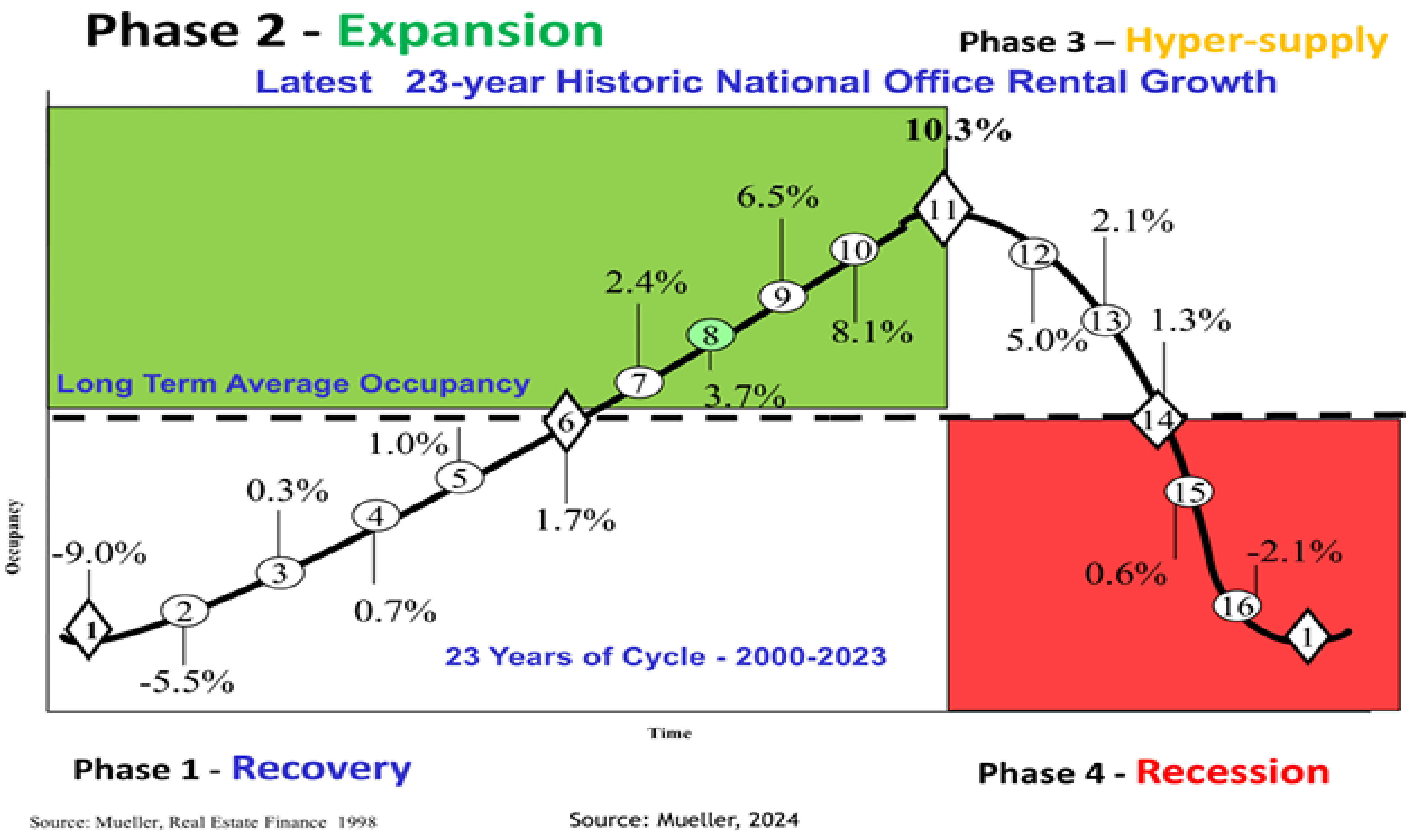
U.S. Office Cap Rates *TTM*



Office Market Cycle FORECAST

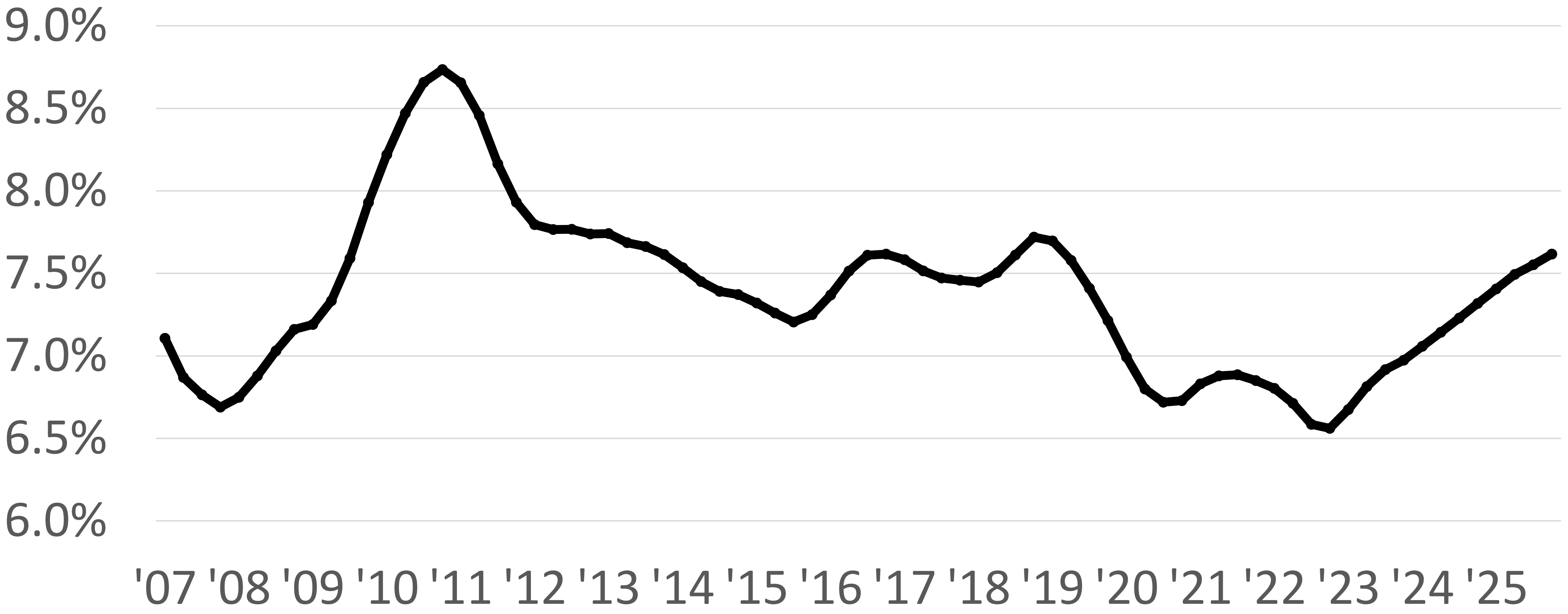


Source: Mueller, 2025

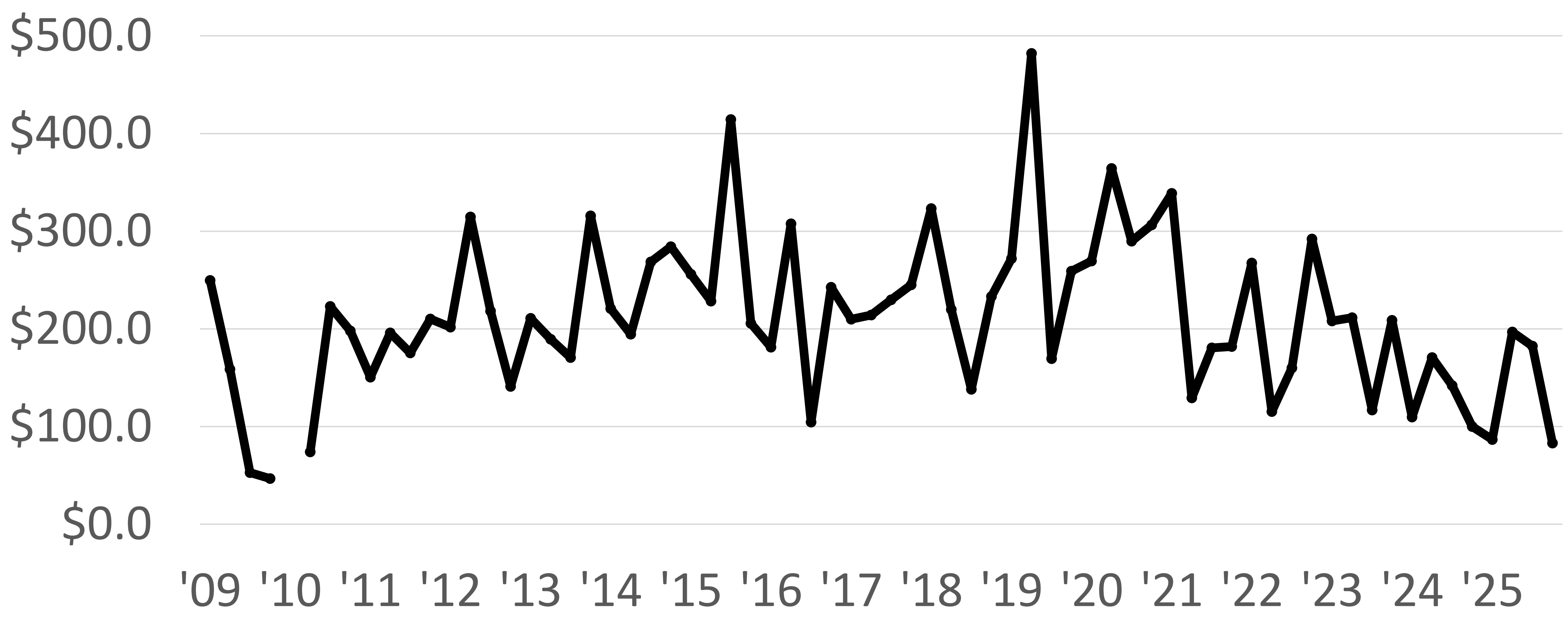


Phase 2 - Expansion
Phase 3 – Hyper-supply
Latest 23-year Historic National Office Rental Growth
10.3%
6.5%
2.1%
2.4%
8.1%
5.0%
1.3%
Long Term Average Occupancy
3.7%
1.0%
0.3%
1.7%
-9.0%
0.7%
0.6%
-2.1%
-5.5%
23 Years of Cycle - 2000-2023
Occupancy
Time
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
1
Phase 1 - Recovery
Phase 4 - Recession
Source: Mueller, Real Estate Finance 1998
Source: Mueller, 2024

Houston Office Cap Rates - *Hedonic*

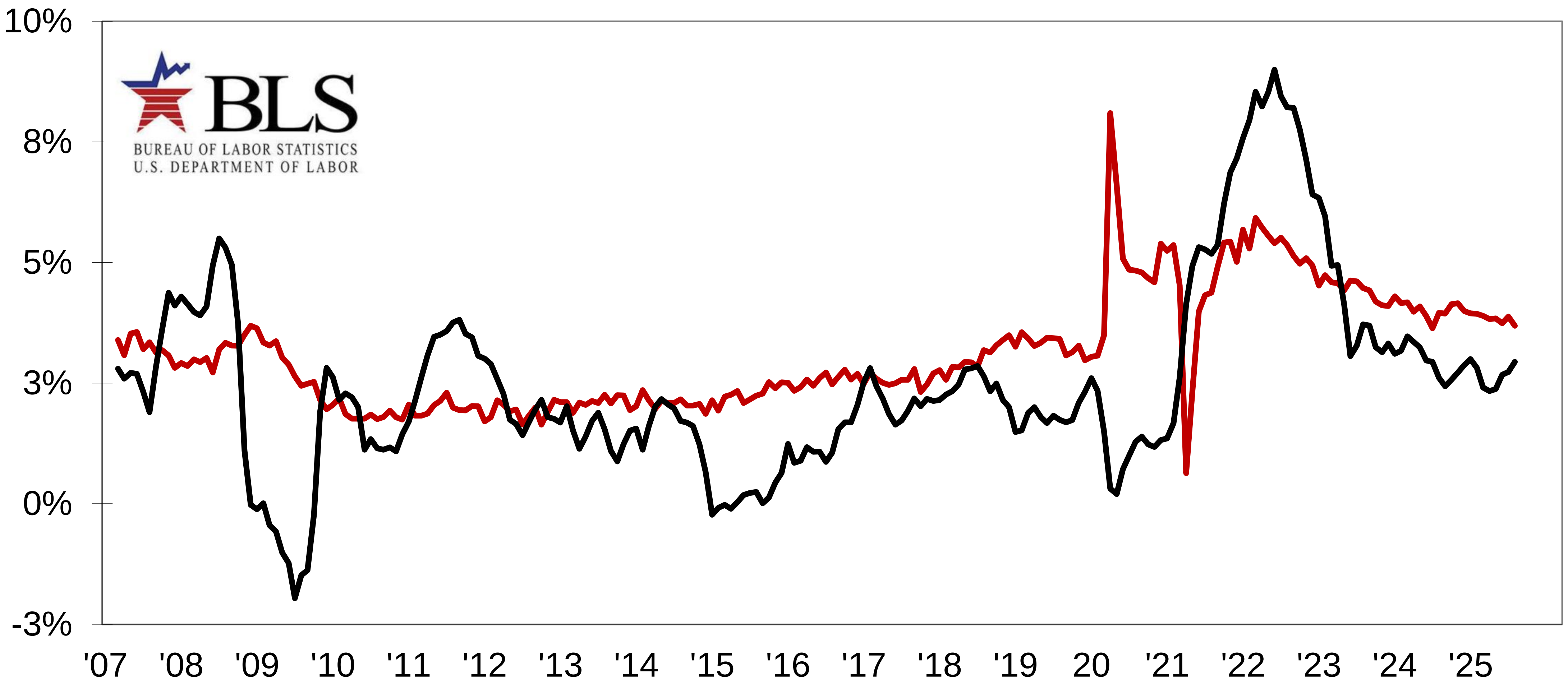


Houston Office Prices Per Square Foot



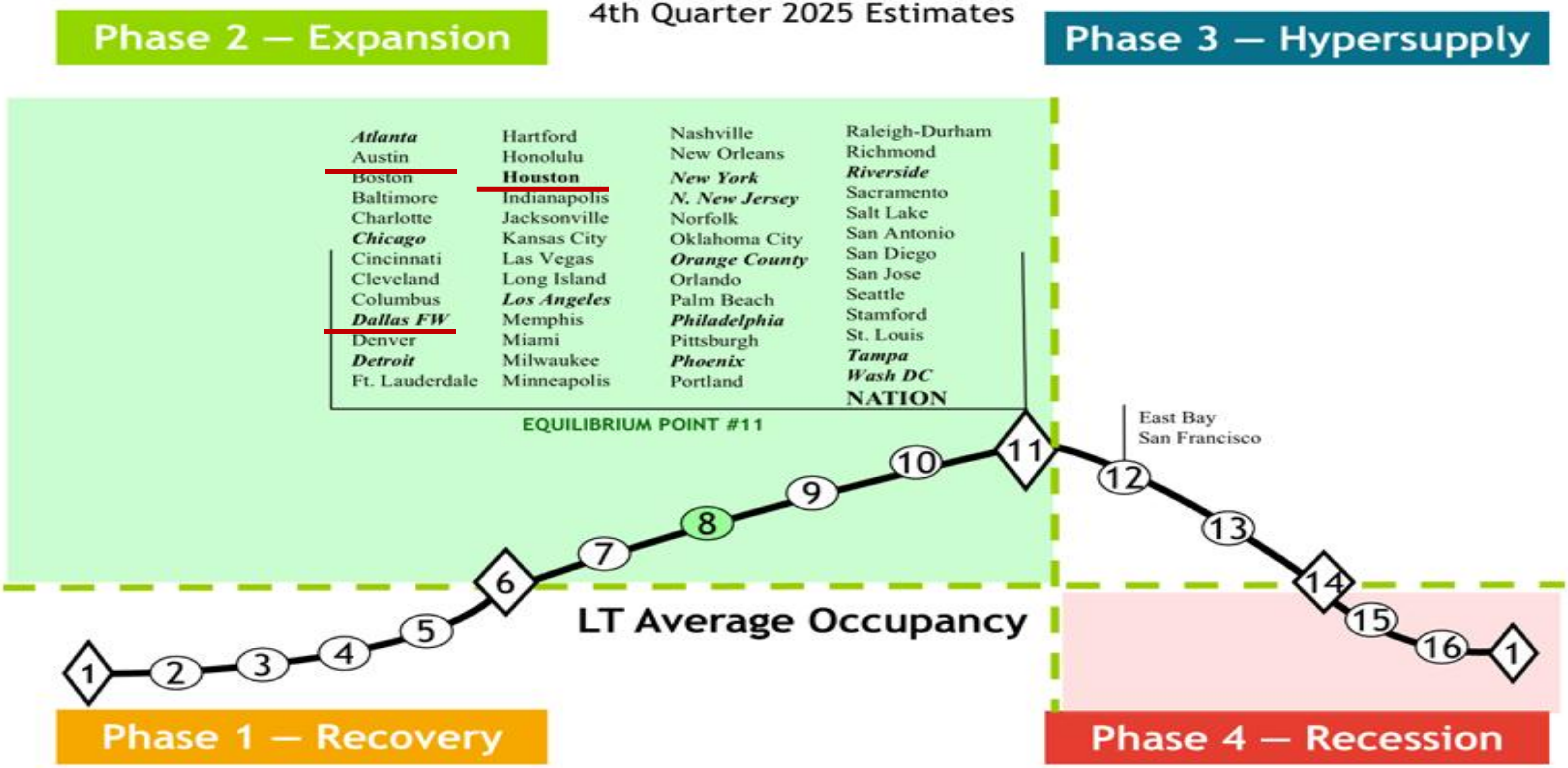
CPI Inflation Vs Wage Growth *12-Months*

Year-Over-Year-Comparison



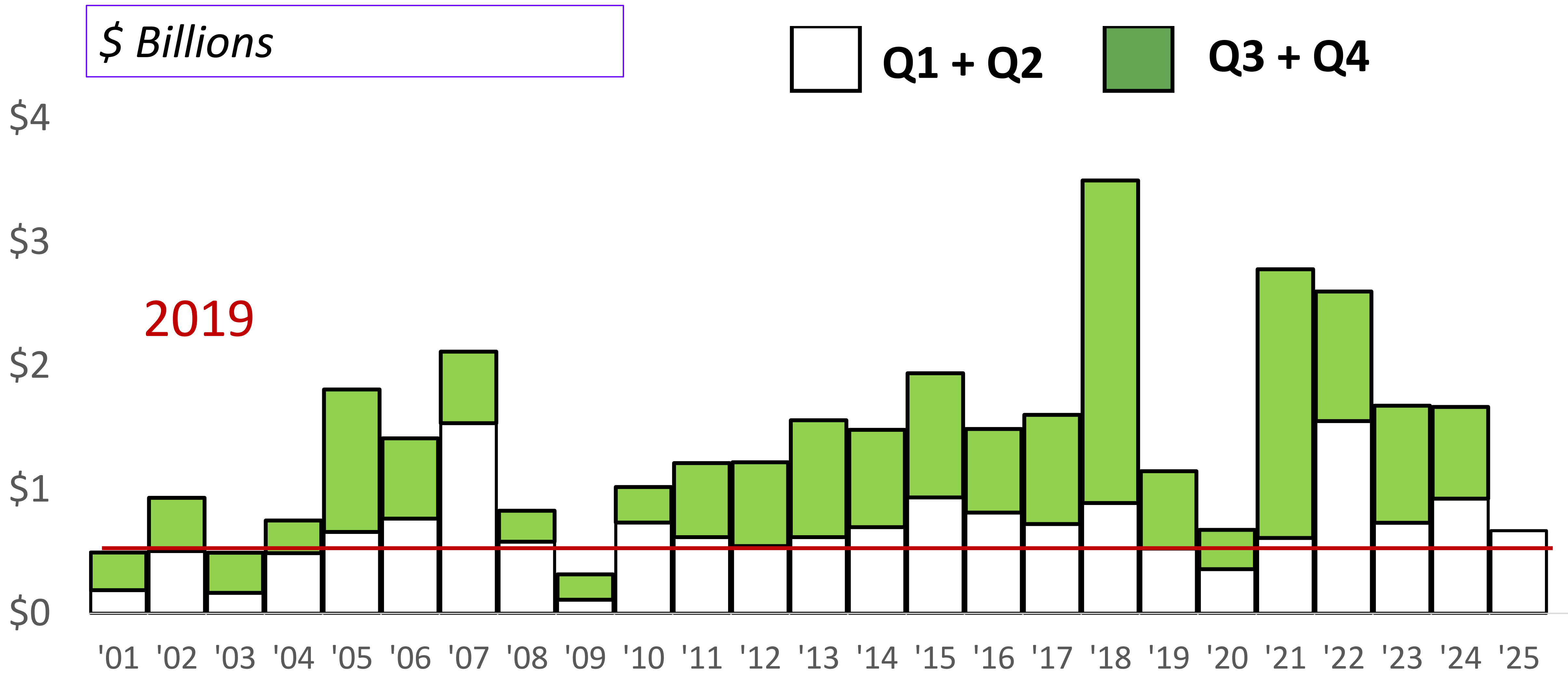
Retail Market Cycle FORECAST

4th Quarter 2025 Estimates

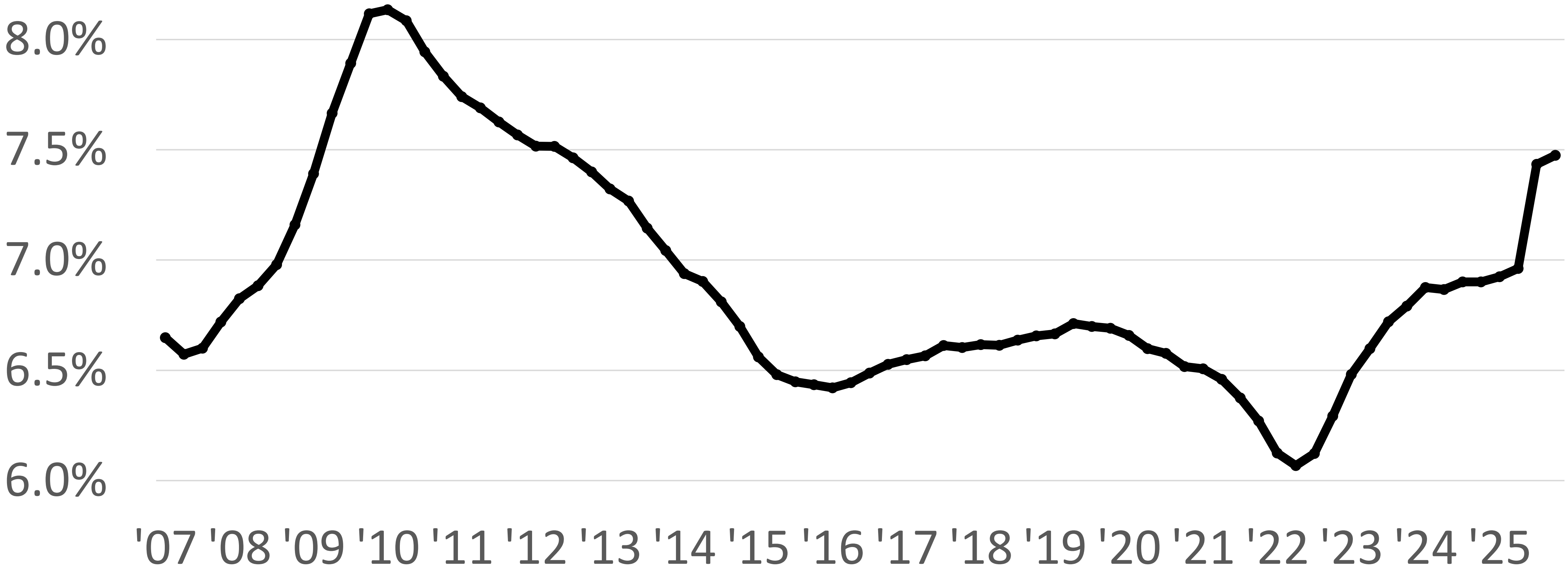


Source: Mueller, 2025

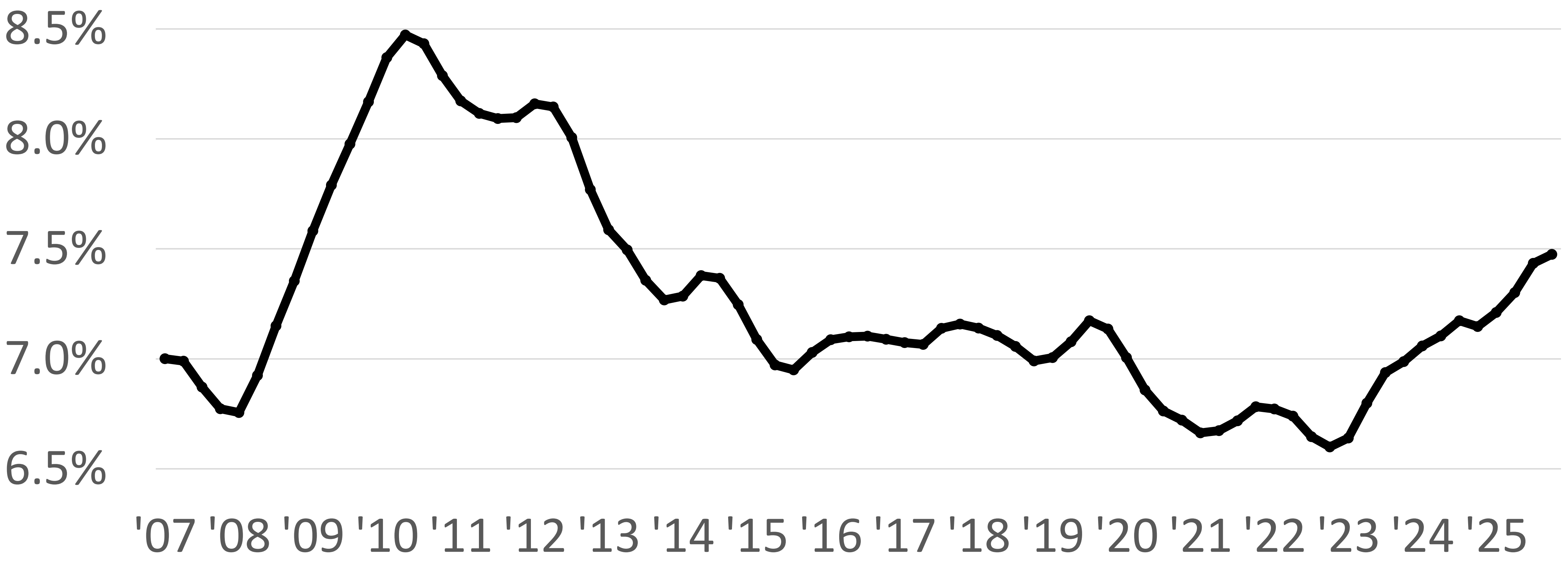
Houston Retail Real Estate Sales



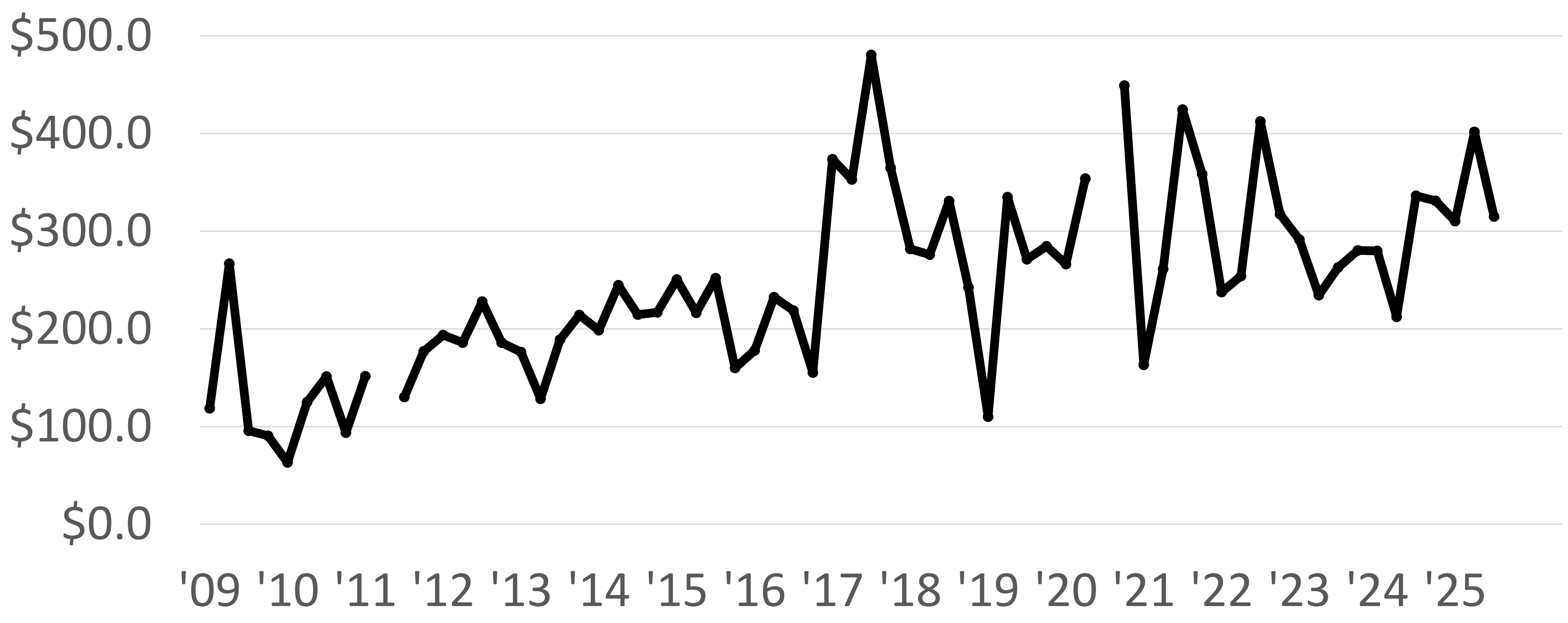
U.S. Retail Cap Rates - *Hedonic*



Houston Retail Cap Rates - *Hedonic*



Houston Retail Price Per Square Foot



Creativity

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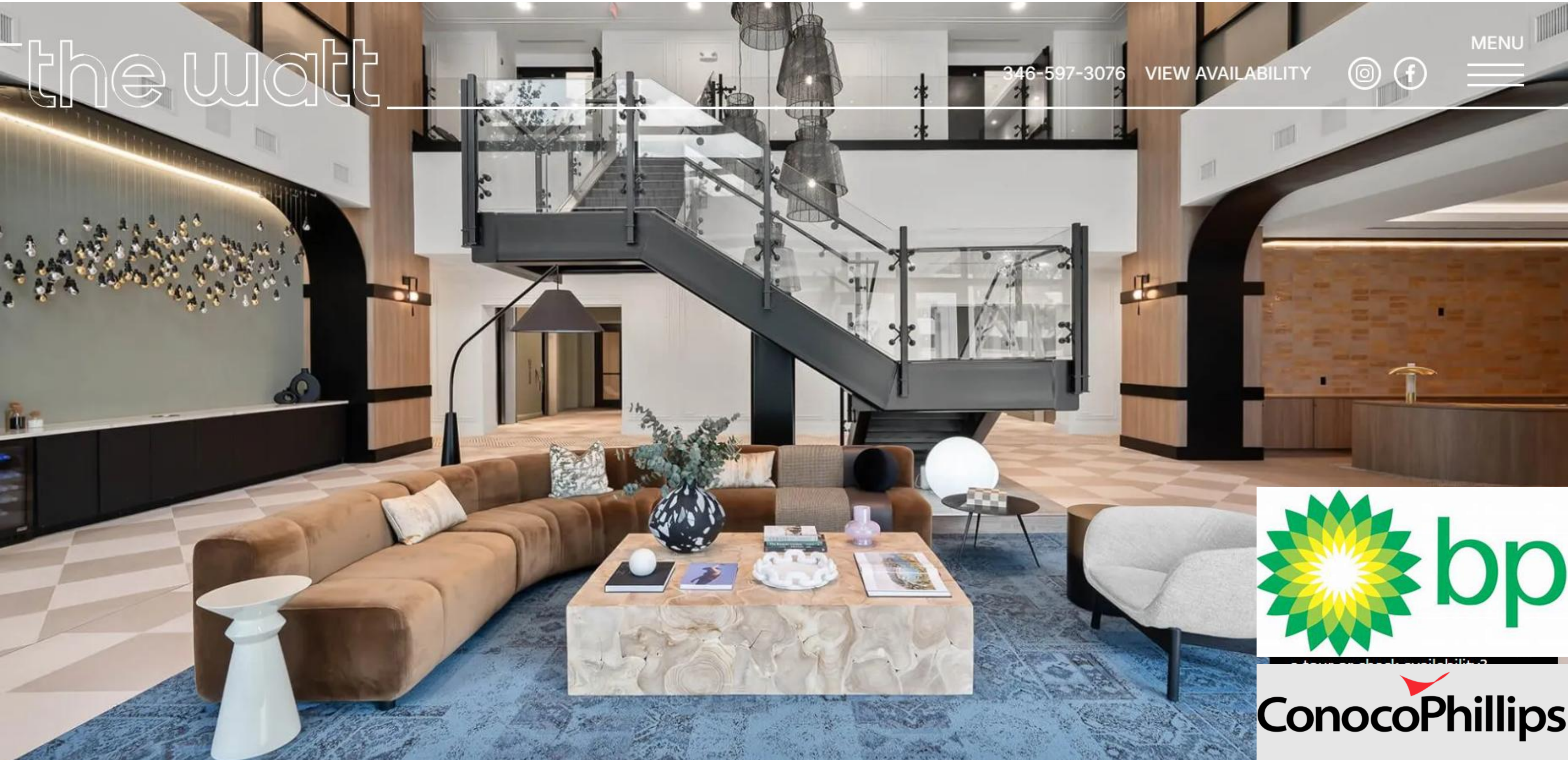
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THE REAL DEAL
REAL ESTATE NEWS

Key Points ✨

- Chicago-based 3L Real Estate plans to convert Houston's One City Centre at 1021 Main Street into a 553-unit residential project.
- The $26.5 million redevelopment is slated to begin in February 2026 and finish by the end of 2027, featuring 93 corporate suites and 460 traditional apartments.
- The 65-year-old tower, previously owned by special servicer Midland, was largely vacant after its largest tenant, Waste Management, left in 2020.

Market	Square Footage	Conversions as Percentage of Overall Office Square Footage
Cleveland	3.5M	10.8%
Cincinnati	2.4M	6.9%
Boston	6.1M	3.0%
Houston	5M	2.3%
San Francisco	2.9M	2.3%
Chicago	5.5M	2.2%
North/Central New Jersey	3.3M	2.1%
Dallas - Fort Worth	4.5M	1.9%
Washington, D.C.	5.1M	1.4%
Manhattan	2.7M	0.6%
U.S. Total	59.5M	1.4%

2023 Office Conversions

CBRE

SQUISHY

But Firming…..

Dr. Ted C. Jones, PhD
Real Estate Economist

An Outlook for Real Estate and the Economy