



Houston Commercial Real Estate Outlook 2027

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Real Estate
Economist

Drivers of U.S. & Houston MSA Economies

Multicollinearity: These Are Highly Correlated!

Energy – *Reliable, Affordable, Consistent*

Technology – *from Oil & Gas to SpaceX-AI-Chips.....*

Inflation-Cost of Capital>Returns

Government Policy & Incentives-Disincentives

Jobs *Not Just Numbers But Type*

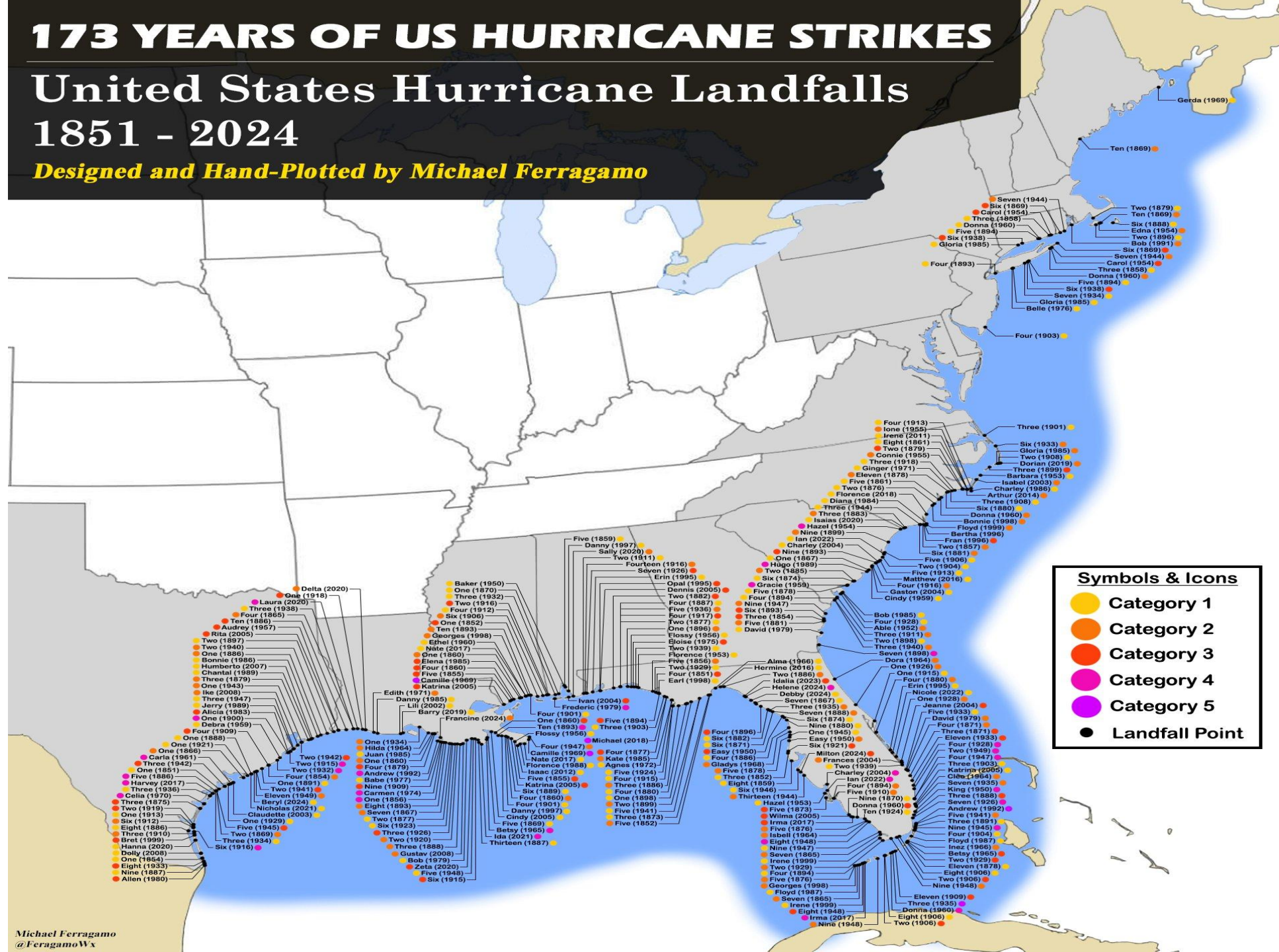
Housing & Commercial Real Estate – **Back to Normal???**

Creativity

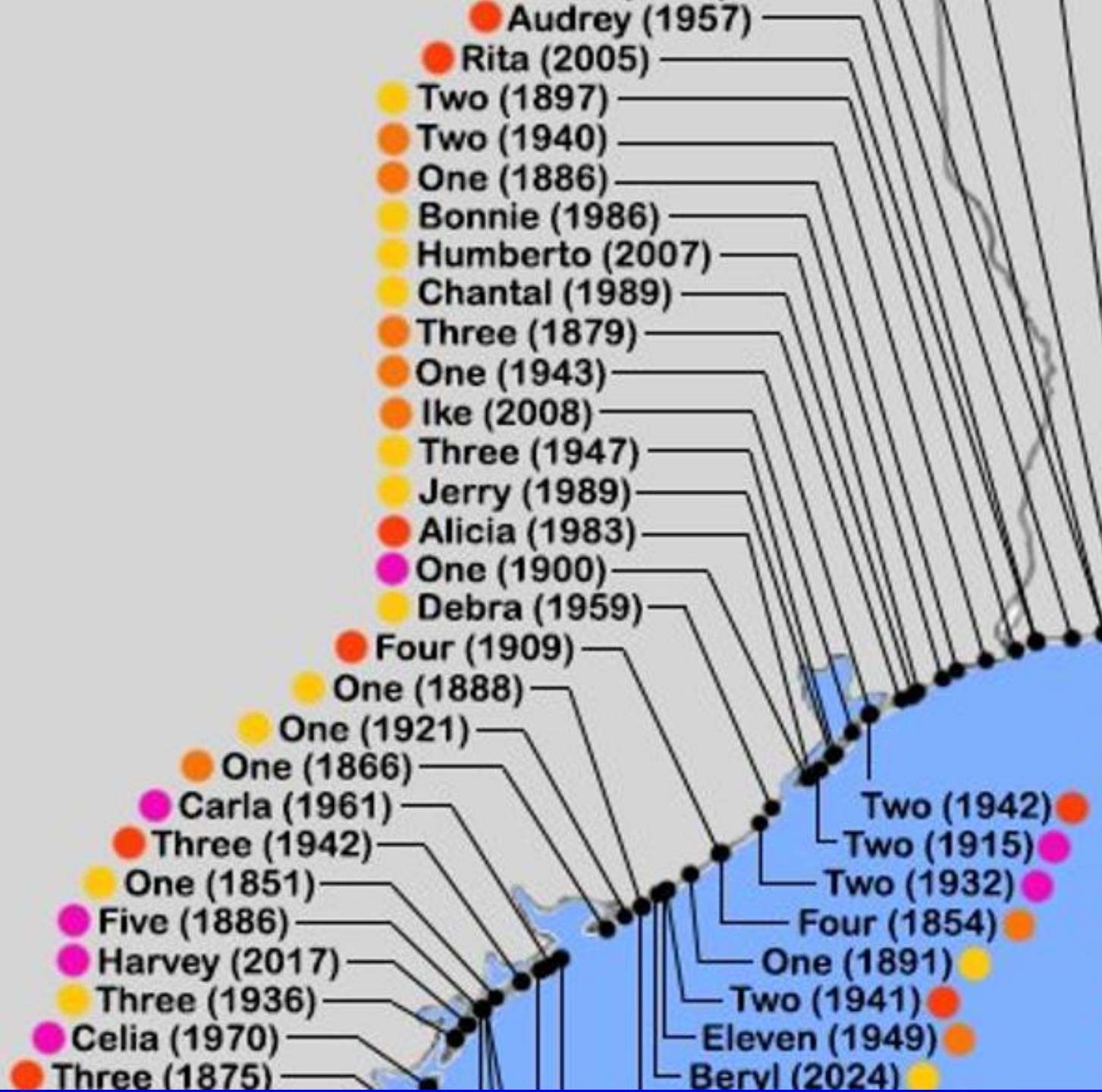
173 YEARS OF US HURRICANE STRIKES

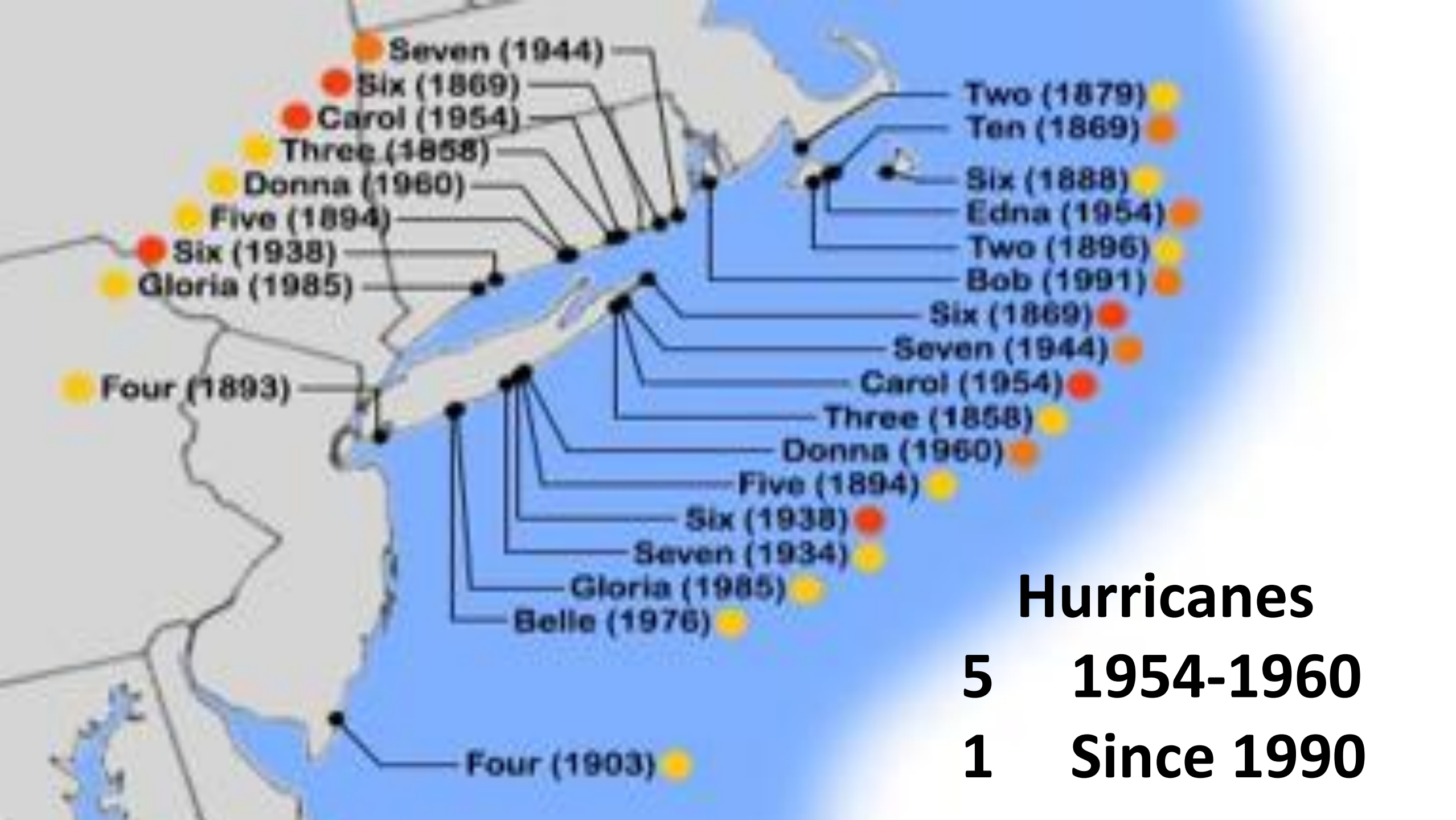
United States Hurricane Landfalls 1851 - 2024

Designed and Hand-Plotted by Michael Ferragamo



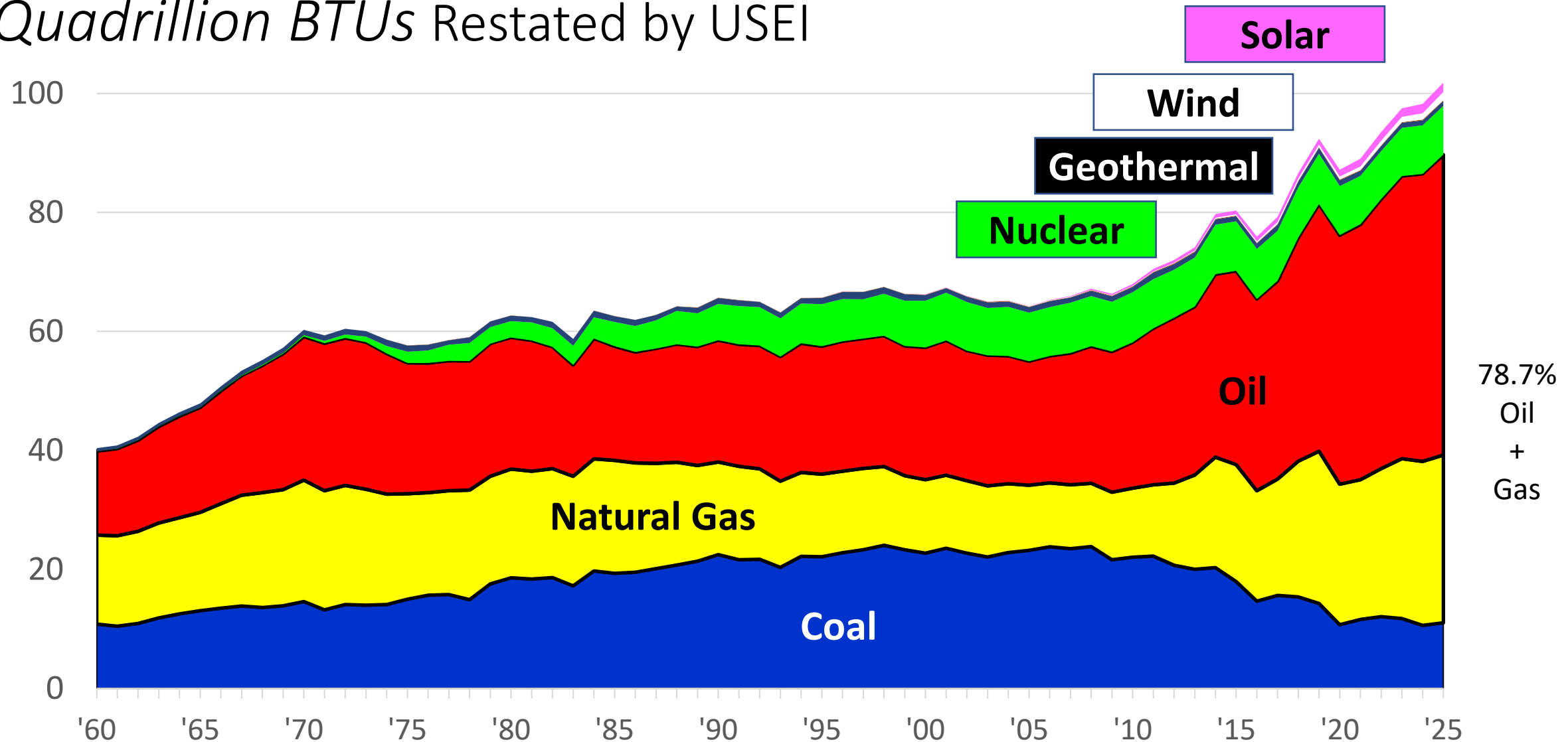
Gulf Coast Hurricanes





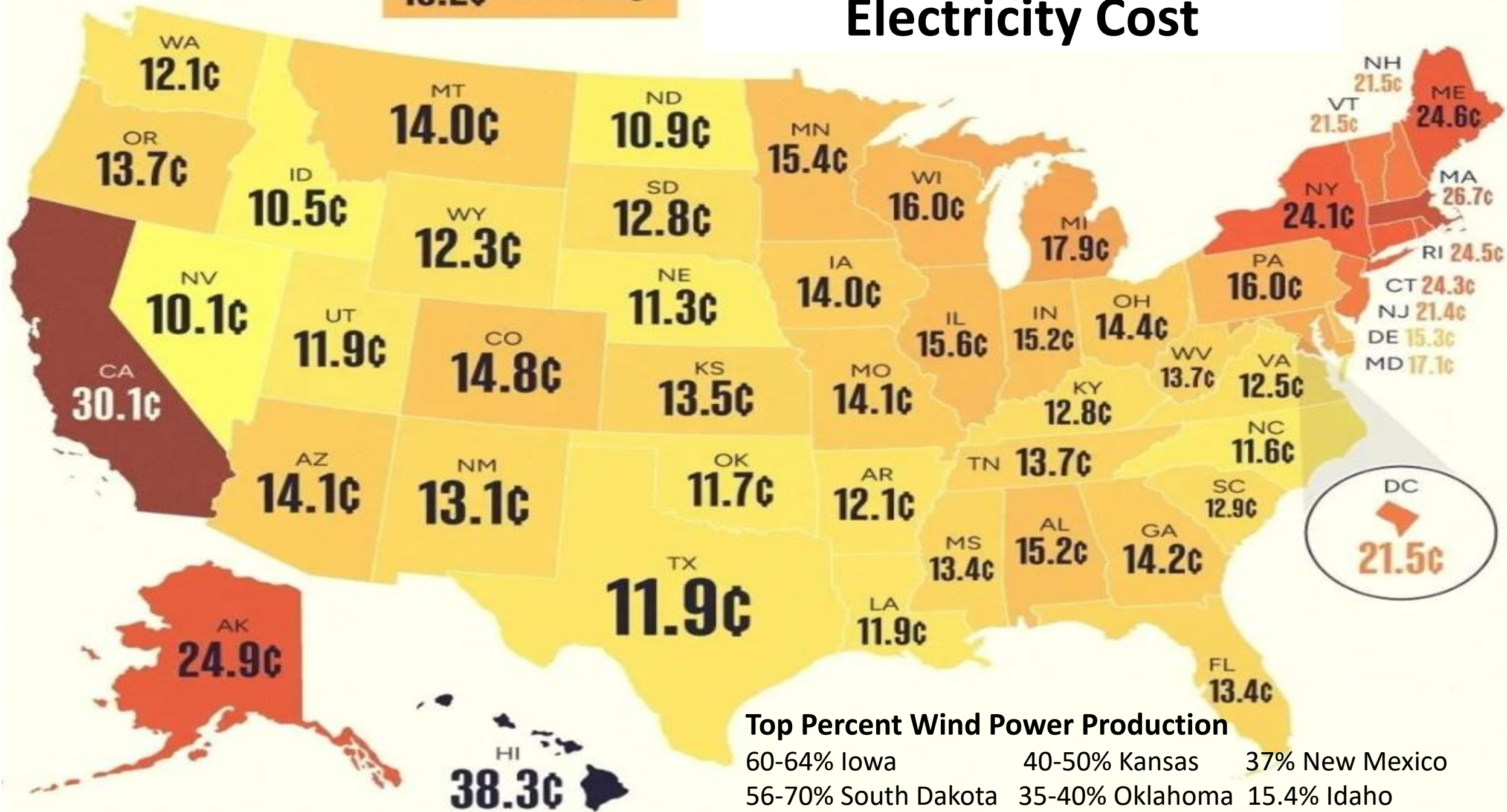
US Primary Energy Production by Source

Quadrillion BTUs Restated by USEI



Electricity Cost

15.2¢ U.S. Average



Top Percent Wind Power Production

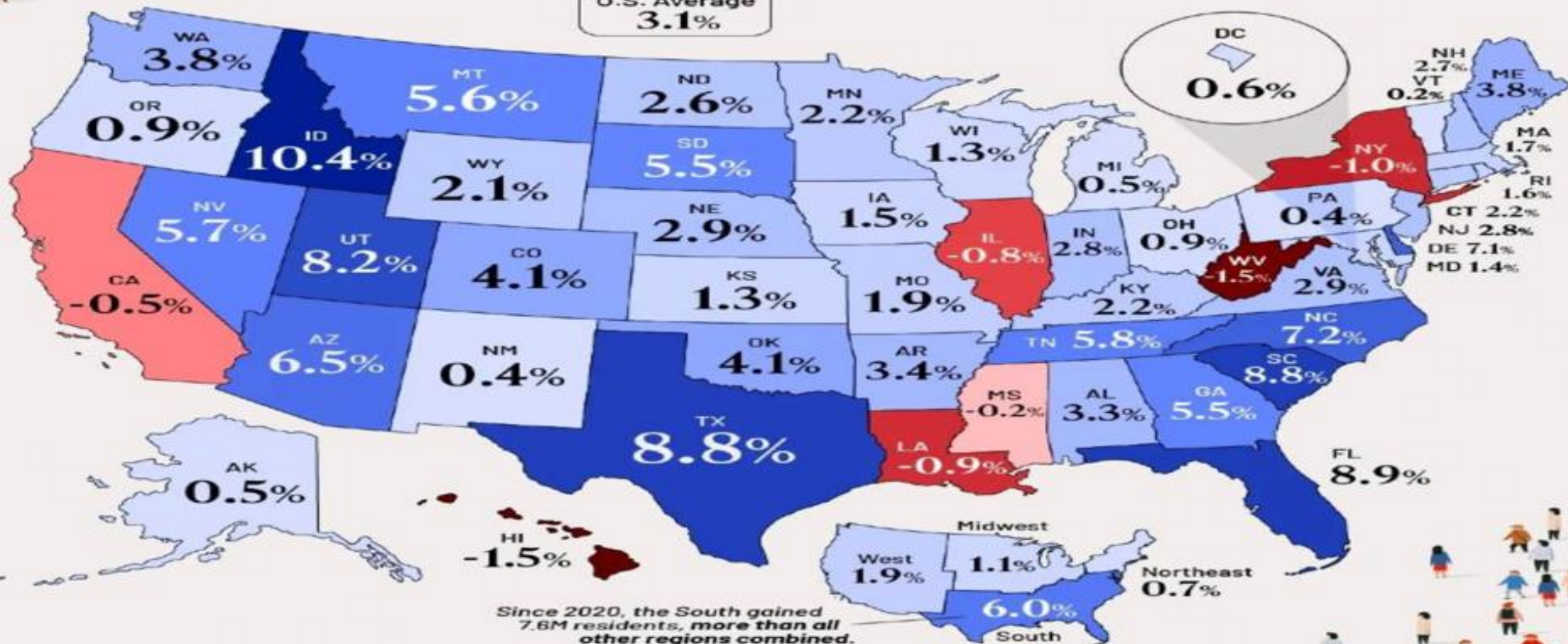
60-64% Iowa 40-50% Kansas 37% New Mexico
56-70% South Dakota 35-40% Oklahoma 15.4% Idaho

Population Change

by State 2020-2025

-1.5%  +10.4%

U.S. Average
3.1%



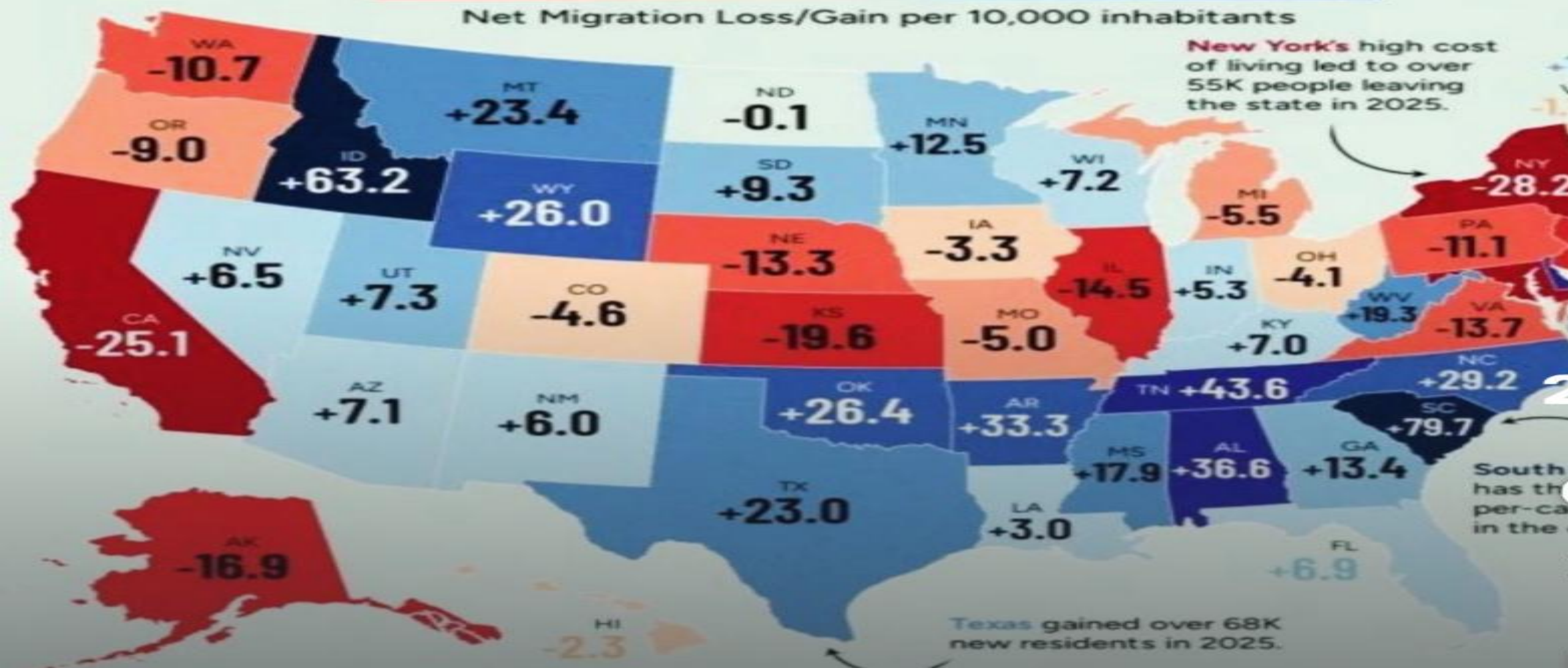
Since 2020, the South gained 7.6M residents, more than all other regions combined.

Where Americans Moved

in 2025

◀ Loss Gain ▶

Net Migration Loss/Gain per 10,000 inhabitants



Wealth Migration

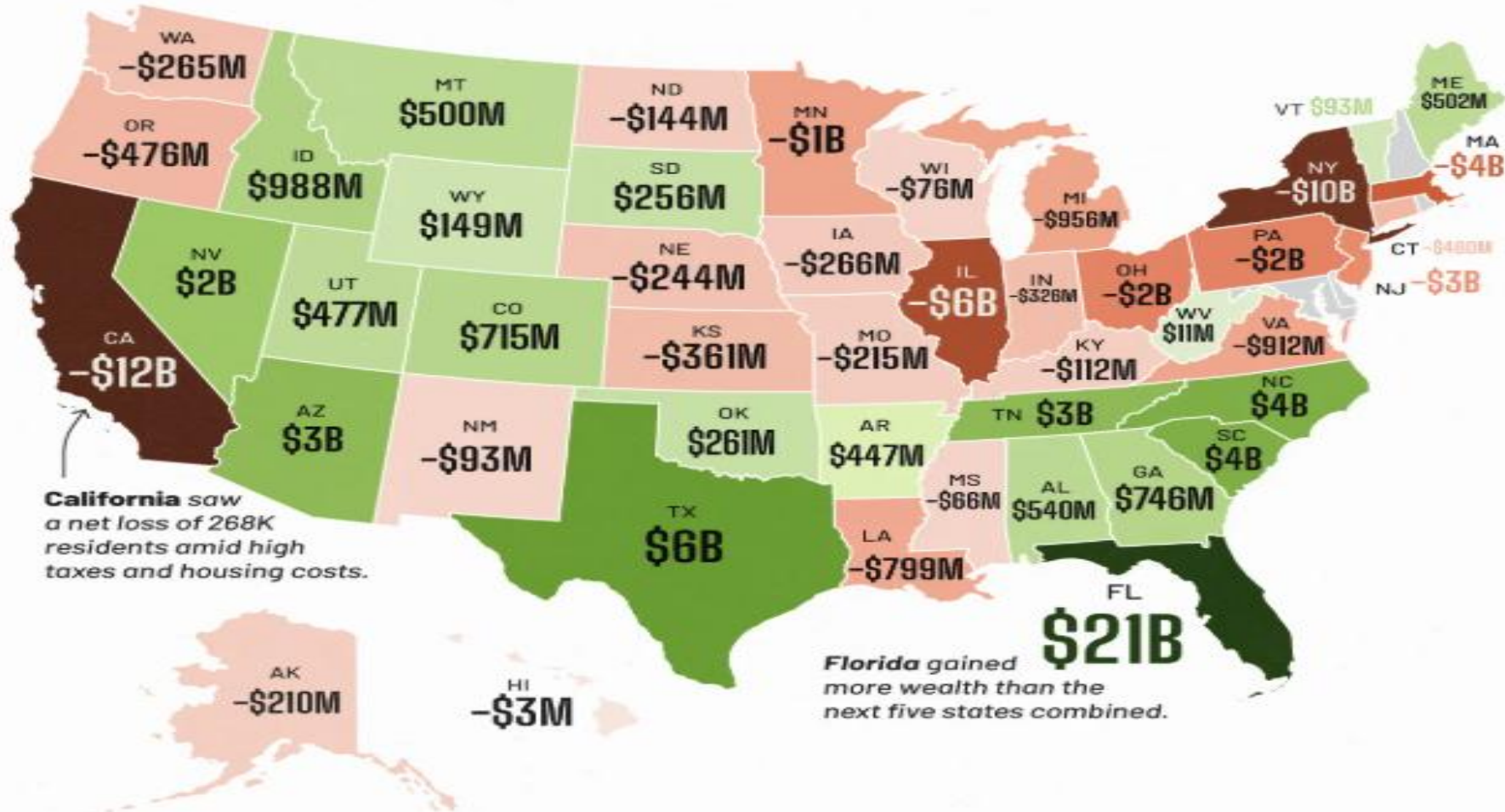
By State



-\$12B

Net Interstate Income Flows 2023

\$21B



Estimated annual change in adjusted gross income from inter-state moves in 2023. No data for DE, NH, MD, and RI. **Source:** Realtor.com, Internal Revenue Service



VISUAL CAPITALIST

Foreign Investment in the U.S.



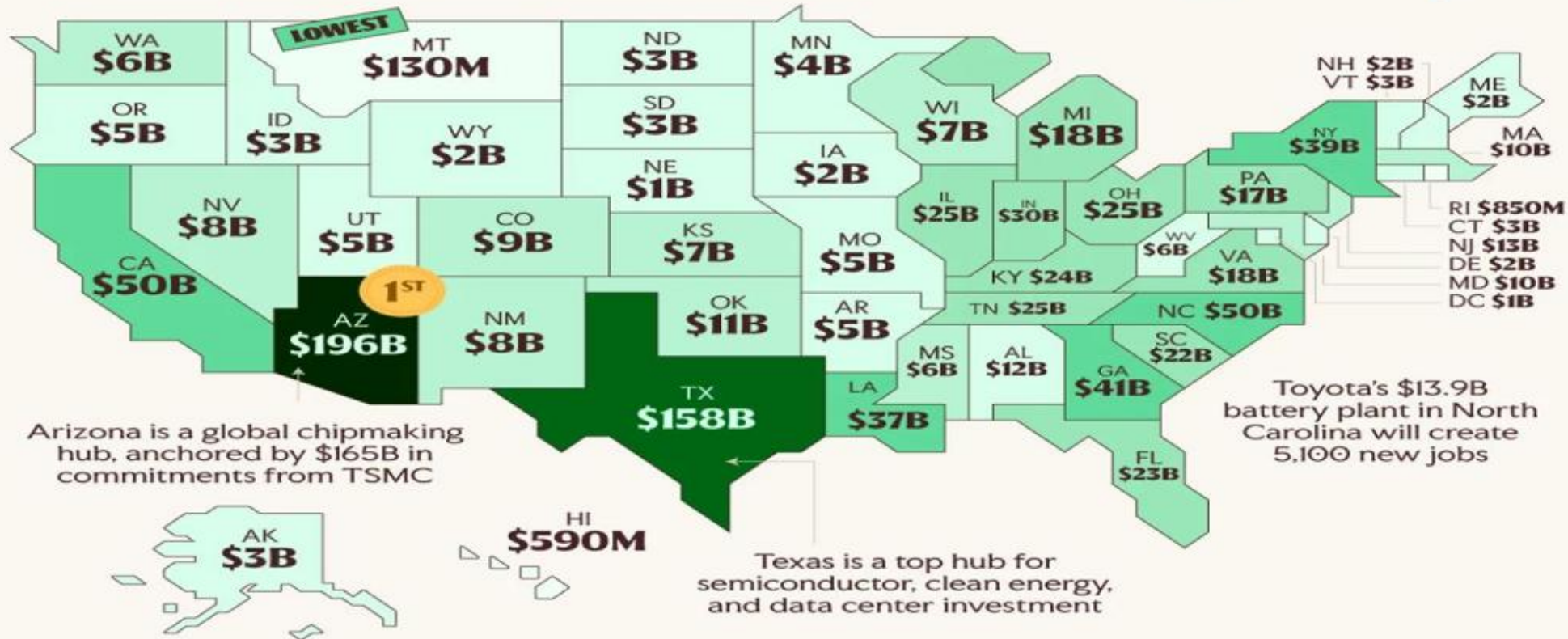
LOWEST
\$130M

HIGHEST
\$196B

Foreign Direct Investment 2020-2025

Half of global investment went to just five states

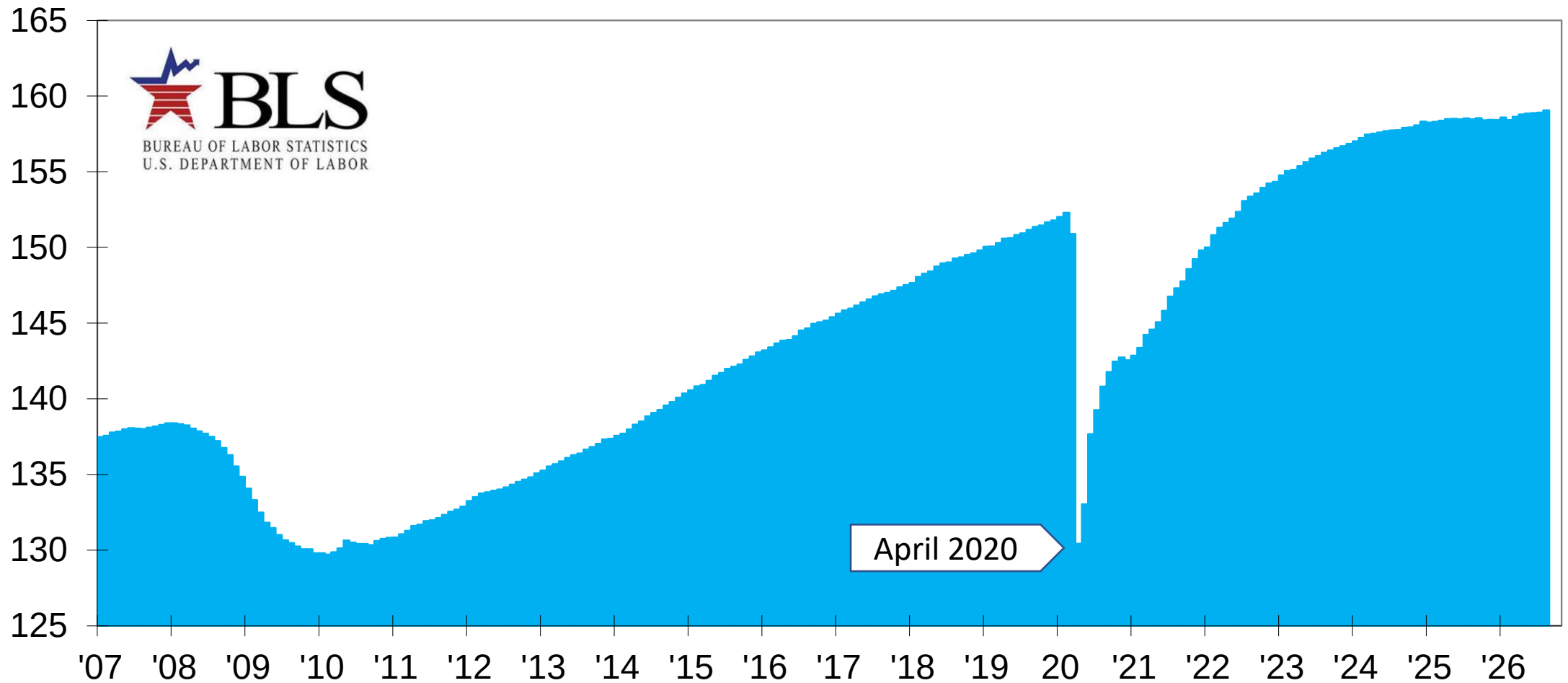
U.S. Total
\$966B



U.S. Jobs

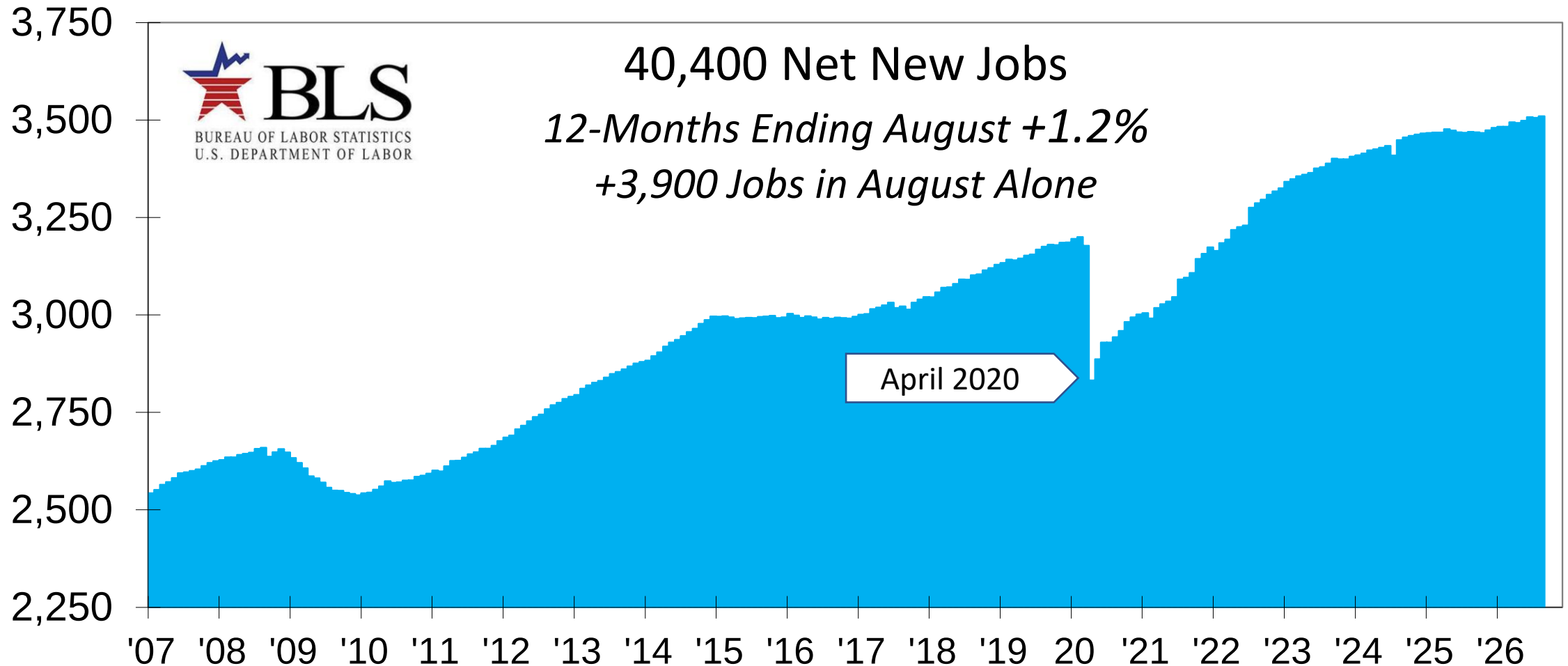
Jobs (Millions) *Seasonally Adjusted*

August 2026 *Year-Over-Year*
+0.4% 603,000 Net New Jobs



Houston-Pasadena-The Woodlands MSA

Jobs (Thousands) *Seasonally Adjusted*

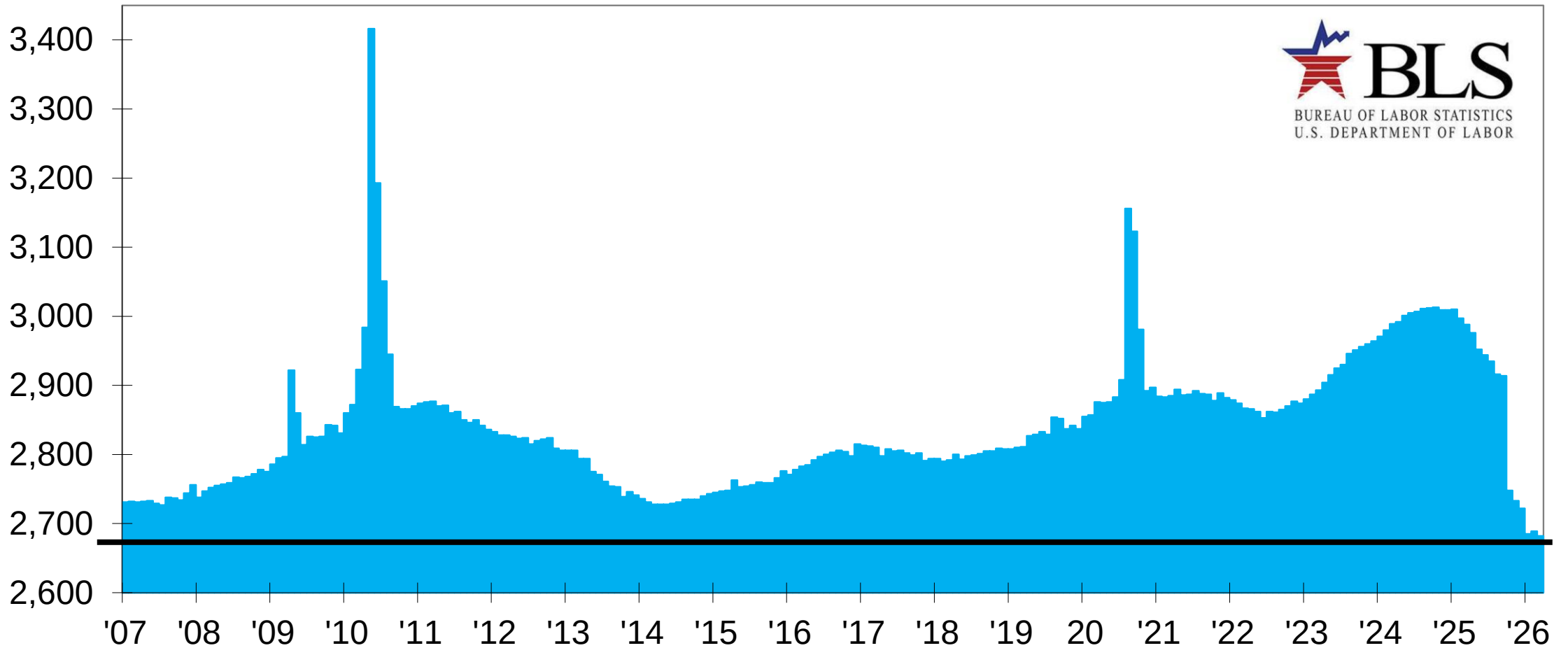


Fewest Since 1966

Number of Federal Jobs

U.S. Federal Jobs

Jobs (Thousands) *Seasonally Adjusted*





Every Counter-Staff Fast-Food Employee Terminated in Seattle With Minimum-Wage Increase

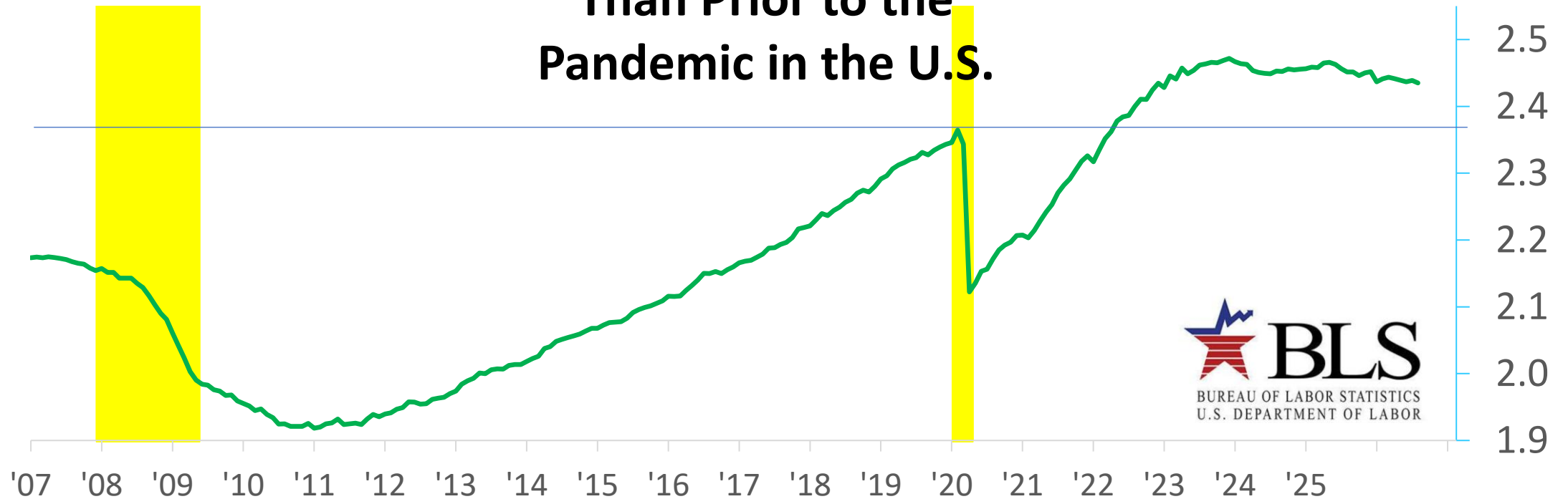
U.S. Employment - NAICS 55530

Real Estate, Rental & Leasing

 Recession

**70,600 More People
(+3.0%) In Real Estate Today**
**Than Prior to the
Pandemic in the U.S.**

Employment - *Millions*



Houston MSA Employment - NAICS 55530

Real Estate, Rental & Leasing

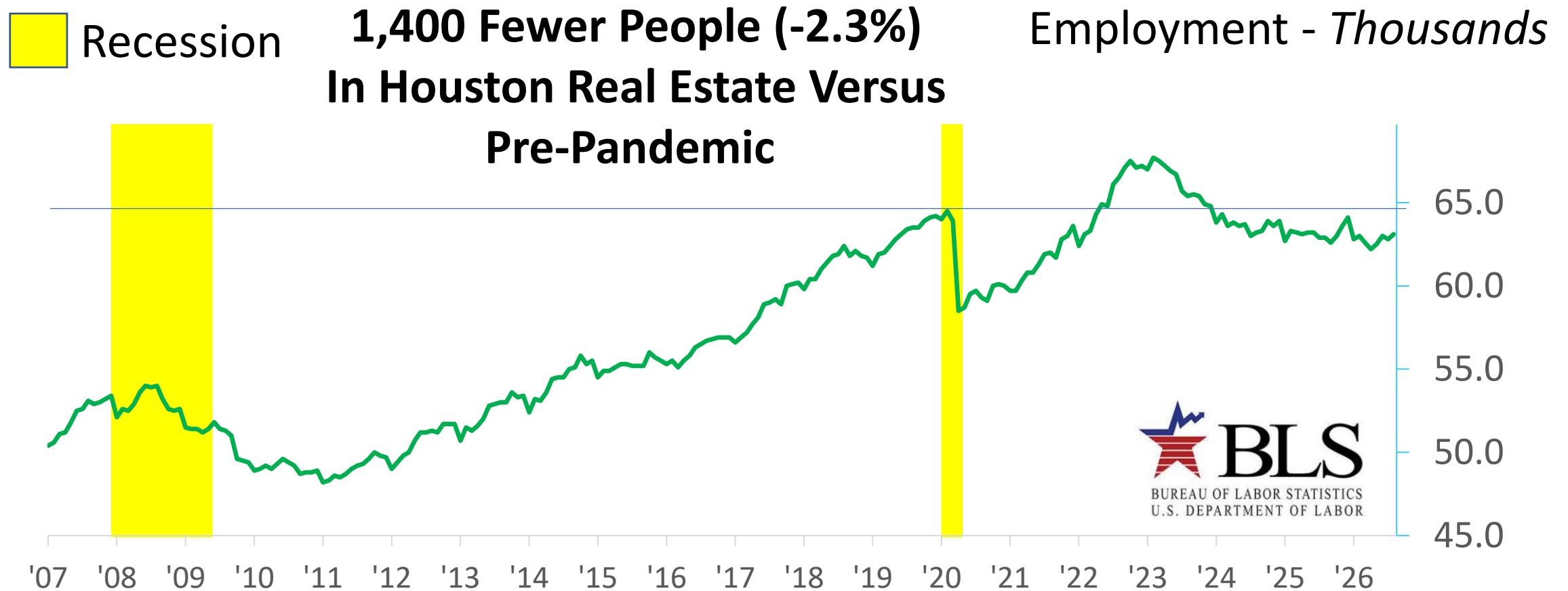
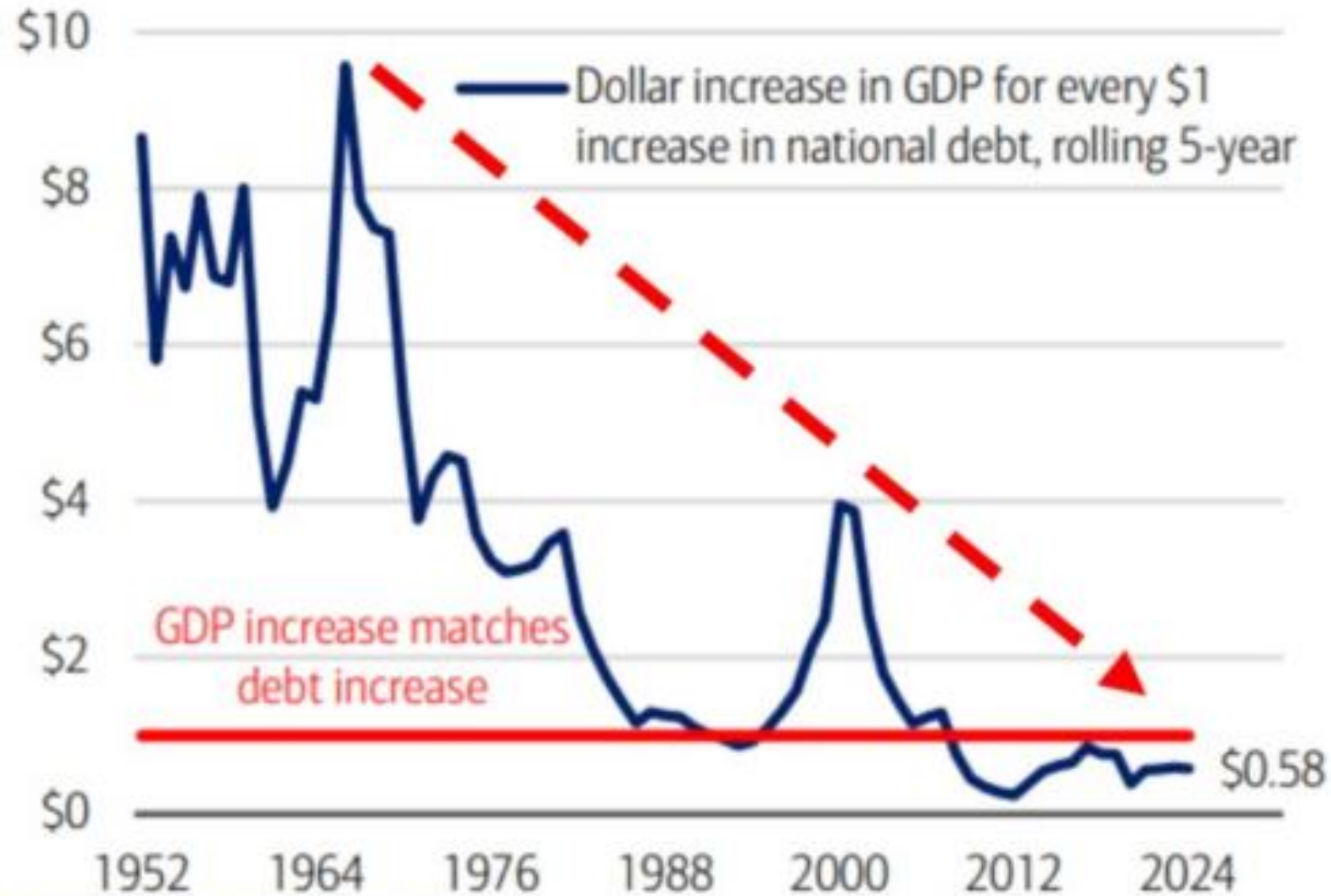


Exhibit 14: Every new dollar of debt generates just \$0.58 of GDP

5-year change in US nominal GDP vs annual change in national debt



**Federal
Debt
Concern**

**It Does
Not Pay
For
Itself**

POSTED BY @KOBESSILETTER

Source: BofA Research Investment Committee, Global Financial Data

**\$1 Spent in Manufacturing Creates
\$2.64 of Economic Activity**

NAM

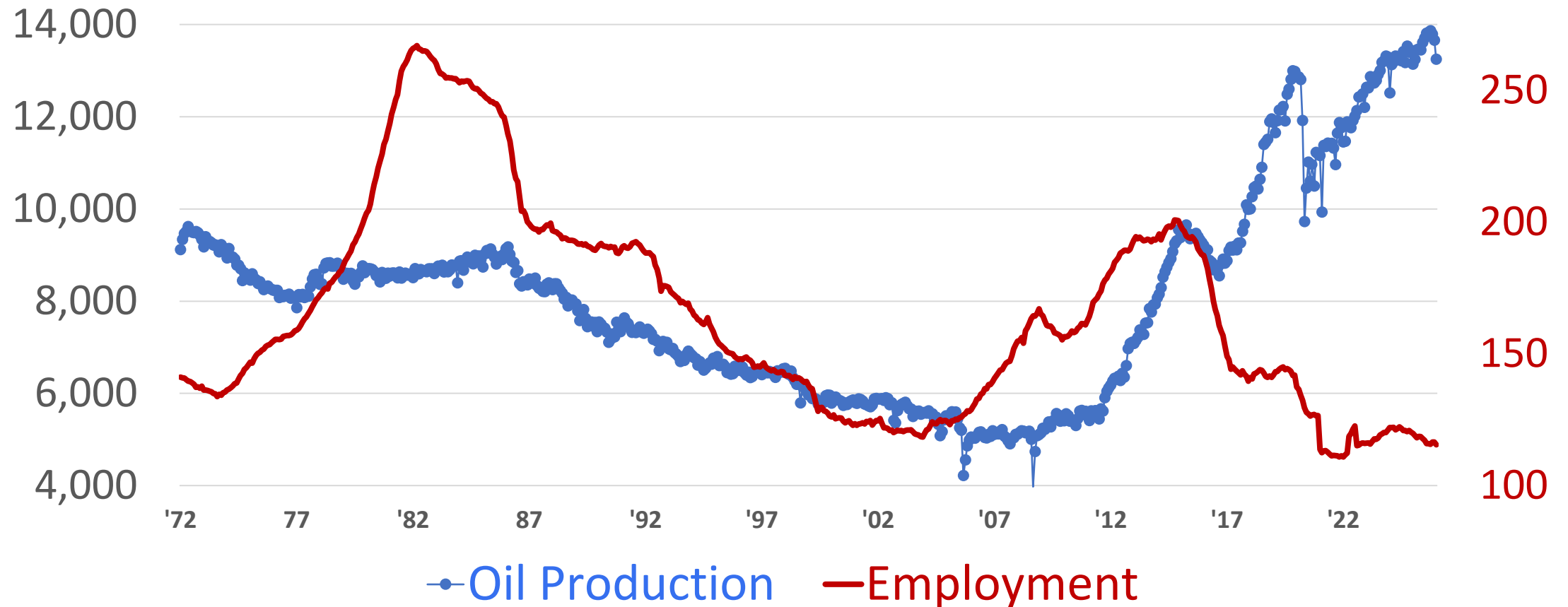
**\$1 Spent in U.S. Auto Manufacturing
Generates \$3.45 to \$4.23 in Economic Activity**

Alliance for Automotive Innovation

U.S. Oil Production - Oil & Gas Extraction Employment

Crude Oil Production
1,000s of Barrels Per Day

Employment: Oil & Gas Extraction
1,000s of Employees



Technology Impact of Hydraulic Fracking and Horizontal Drilling

Oil

	Daily Oil Production	Oil & Gas Extraction	Production Per 1,000 Employees
Year	<i>Barrels</i>	<i>Jobs</i>	<i>Barrels</i>
1982	8,670,000	267,000	32.5
2025	13,250,000	115,500	114.7

Oil Production Metrics

1982 to 2025

Daily Oil Production	52.8%
Oil & Gas Extraction Jobs	-56.7%
Oil Production Per Worker	253.3%

U.S. Refineries

Operable Daily Capacity 1-1-24

Texas Refining Capacity

	Barrels Per Day	Perent of U.S. Capacity	Percent of Texas Capacity
Texas Gulf Coast	5,532,469	45.7%	88.1%
Texas -Other	747,000	6.2%	11.9%
Texas Total	6,279,469	51.9%	100.0%
U.S. Total	12,104,759	100.0%	



Top U-Haul Growth Markets 2025

1 Dallas

2 Houston

3 Austin

4 Charlotte

5 Phoenix

6 Nashville

7 Charleston

8 Raleigh

9 Atlanta

10 Brownsville-Harlingen





National Movers Study 2025

Top Inbound MSAs

85% Eugene-Springfield, OR
83% Wilmington, NC
79% Dover, DE
73% Fort Wayne, IN
72% Myrtle Beach, SC
72% Brownsville-Harlingen, TX

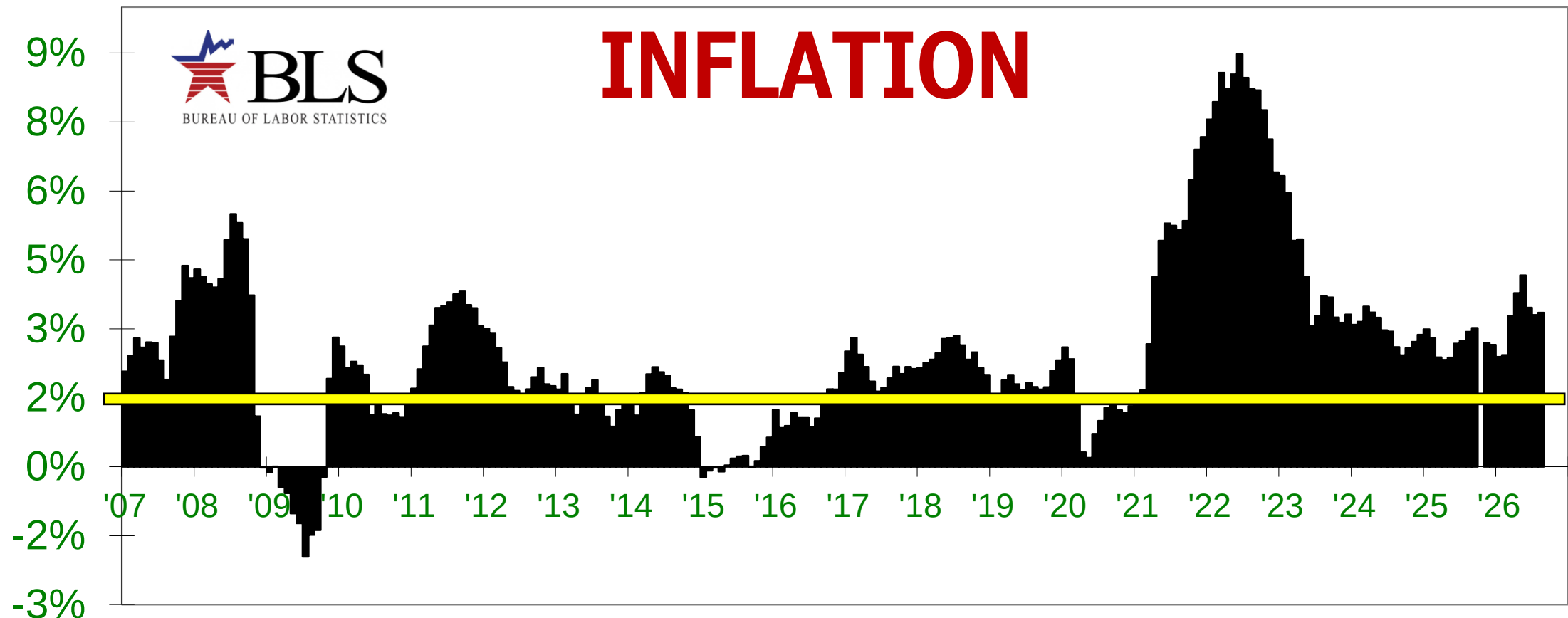
70% Salem, OR
69% Springfield, MO
68% Hickory, NC
68% Lake Charles, LA

67% Punta Gorda, FL
67% Bellingham, WA
67% Barnstable, MA
65% Santa Fe, NM
65% Knoxville, TN
65% Davenport-Moline-Rock I, IA-IL
65% Dothan, AL
64% Greenville-Spartanburg, SC
64% Burlington, VT
63% Greensboro-Winston Salem, NC

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

12-Month Change Seasonally Adjusted

3.4% August 2026 Year-Over-Year





TAX FOUNDATION

2026 State Tax Competitiveness Index

California

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
48	41	49	46	27	26

Florida

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
5	17	1	16	20	8

Texas

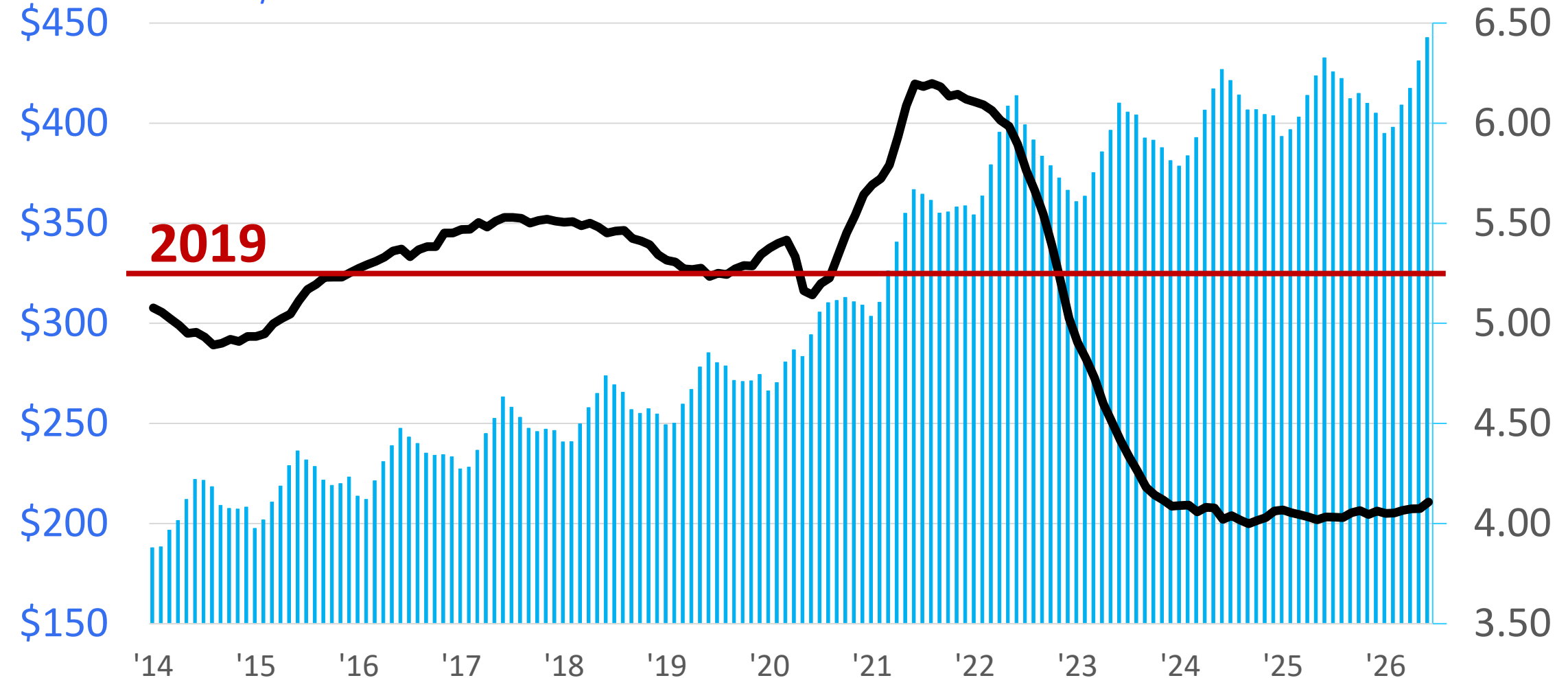
Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
7	46	1	36	38	31

US Existing Home Sales & Median Prices



Median Price \$ Thousands

Sales – Prior 12-Months *Millions*

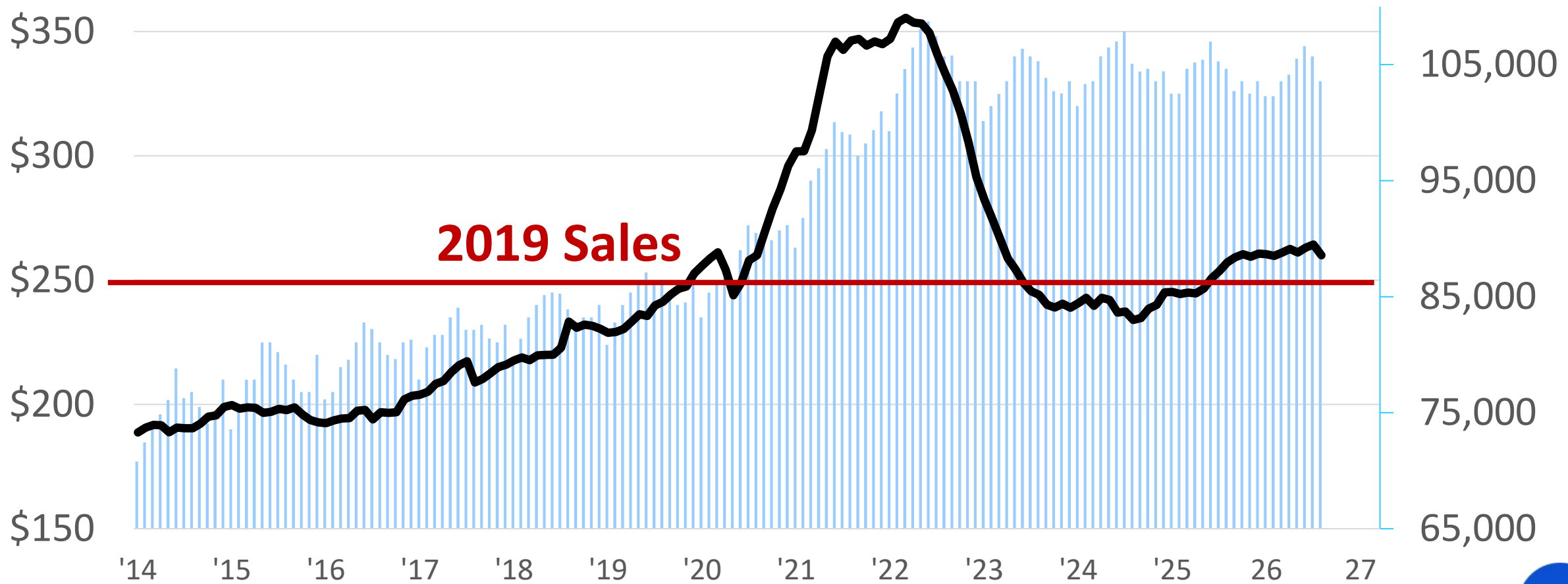


-23.8% Vs 2019

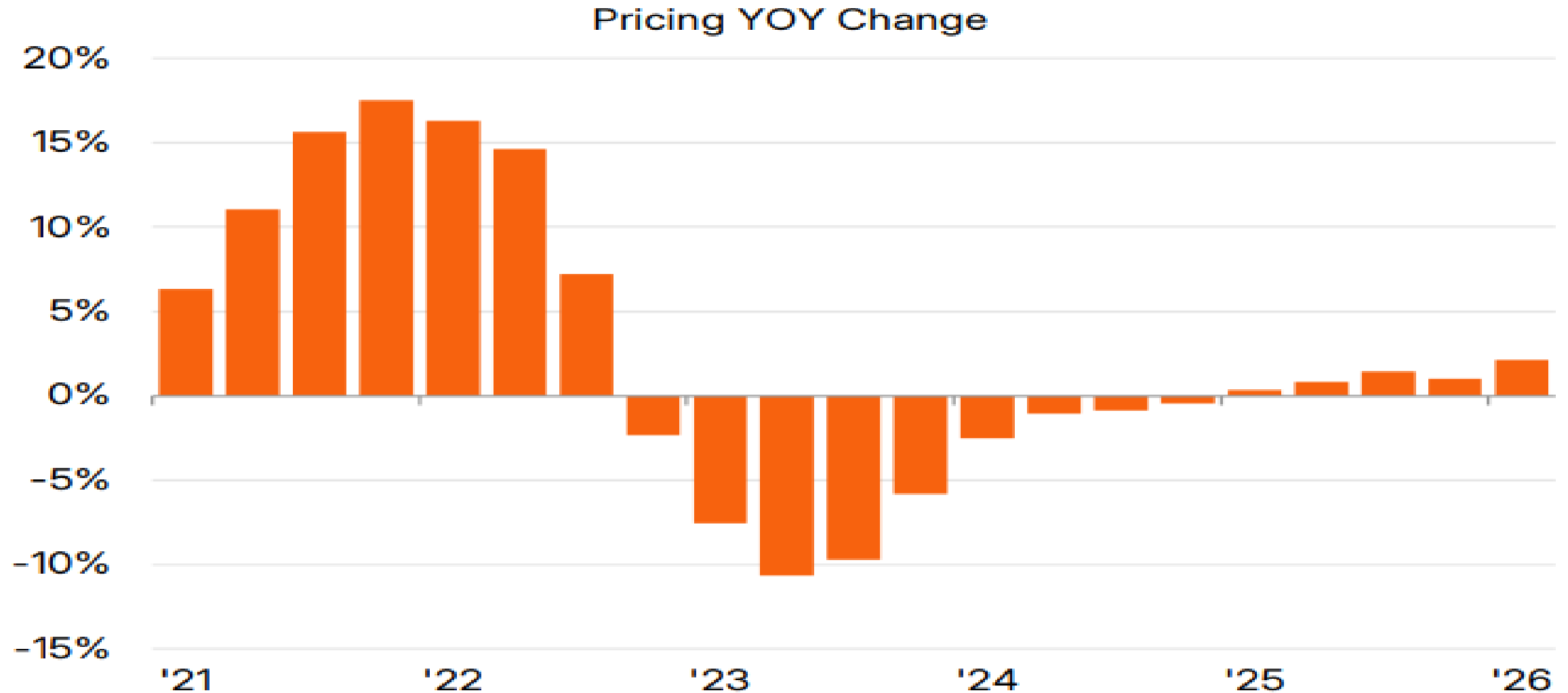
Houston Single-Family Home Sales & Median Prices

Median Price – *Left Axis*
\$ Thousands

Sales – Prior 12-Months
+1.8% 2019 Vs August 2026



U.S. Commercial Price Index



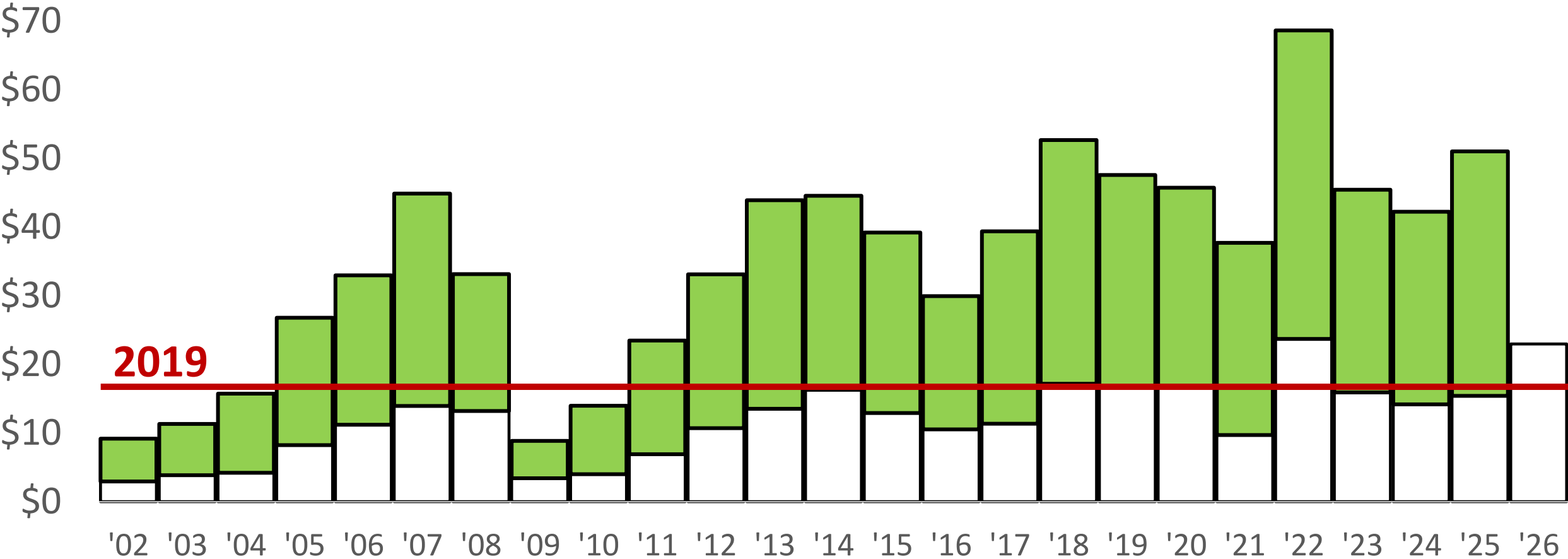
RCA CPPI US National All-Property Composite Index (office, industrial, retail and apartment), Dec 2006 = 100. Volume change truncated at 150%.

Houston Commercial Real Estate Sales



\$ Billions

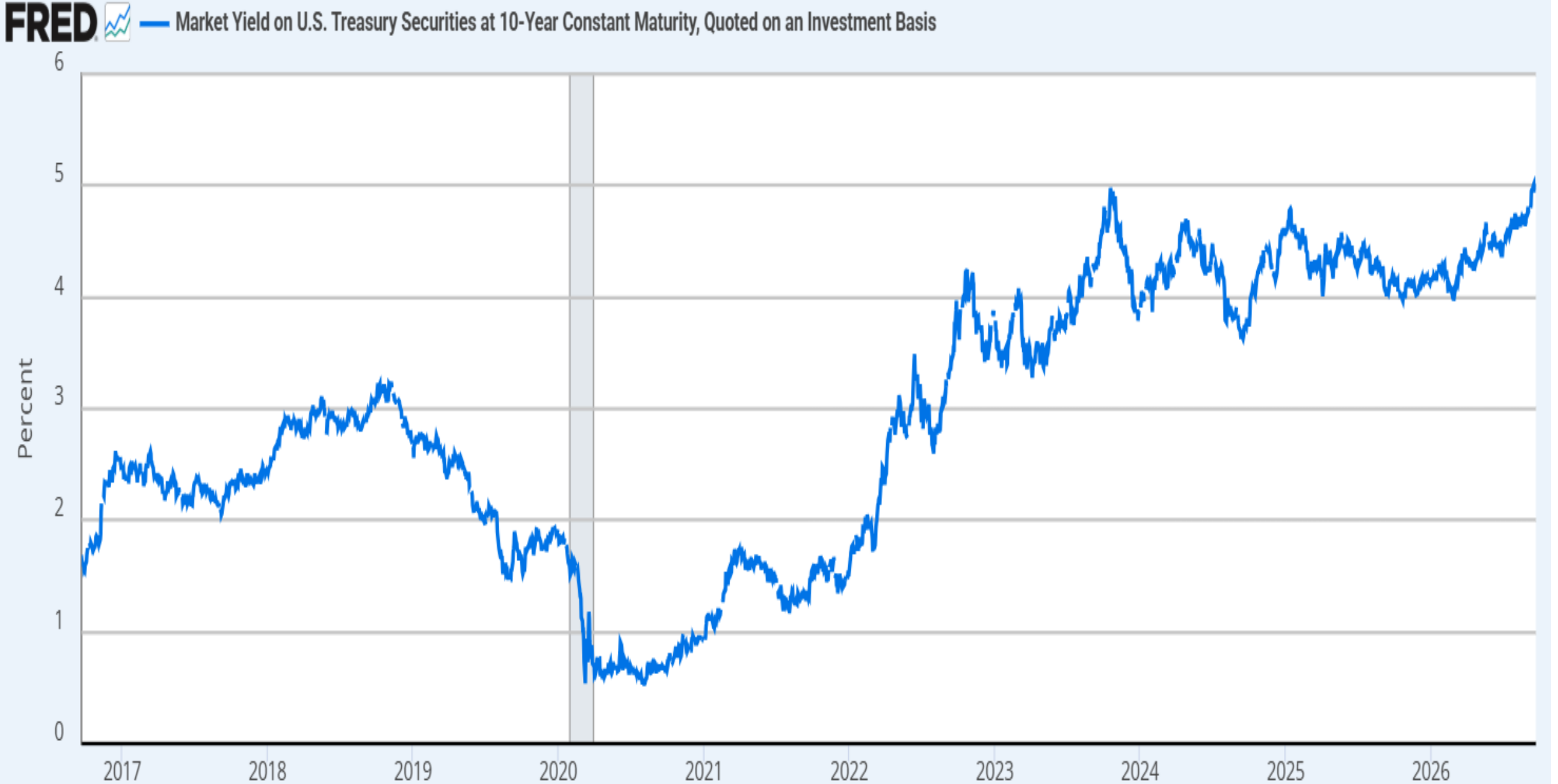
Q1 + Q2 Q3 + Q4



10-Year Treasury *Weekly*



10-Year Treasury Daily



Houston Commercial Cap Rates

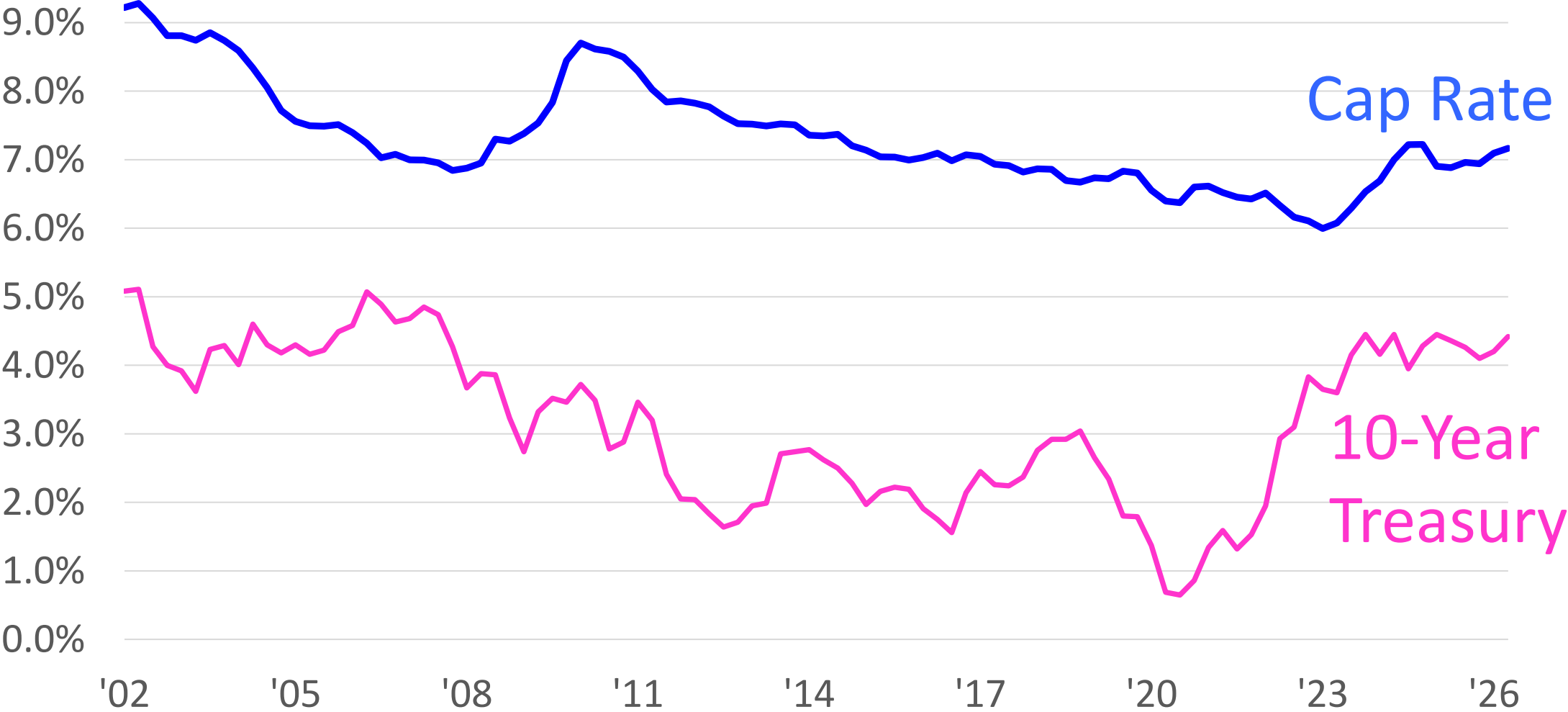


Cap Rate Change Impact on Property Value

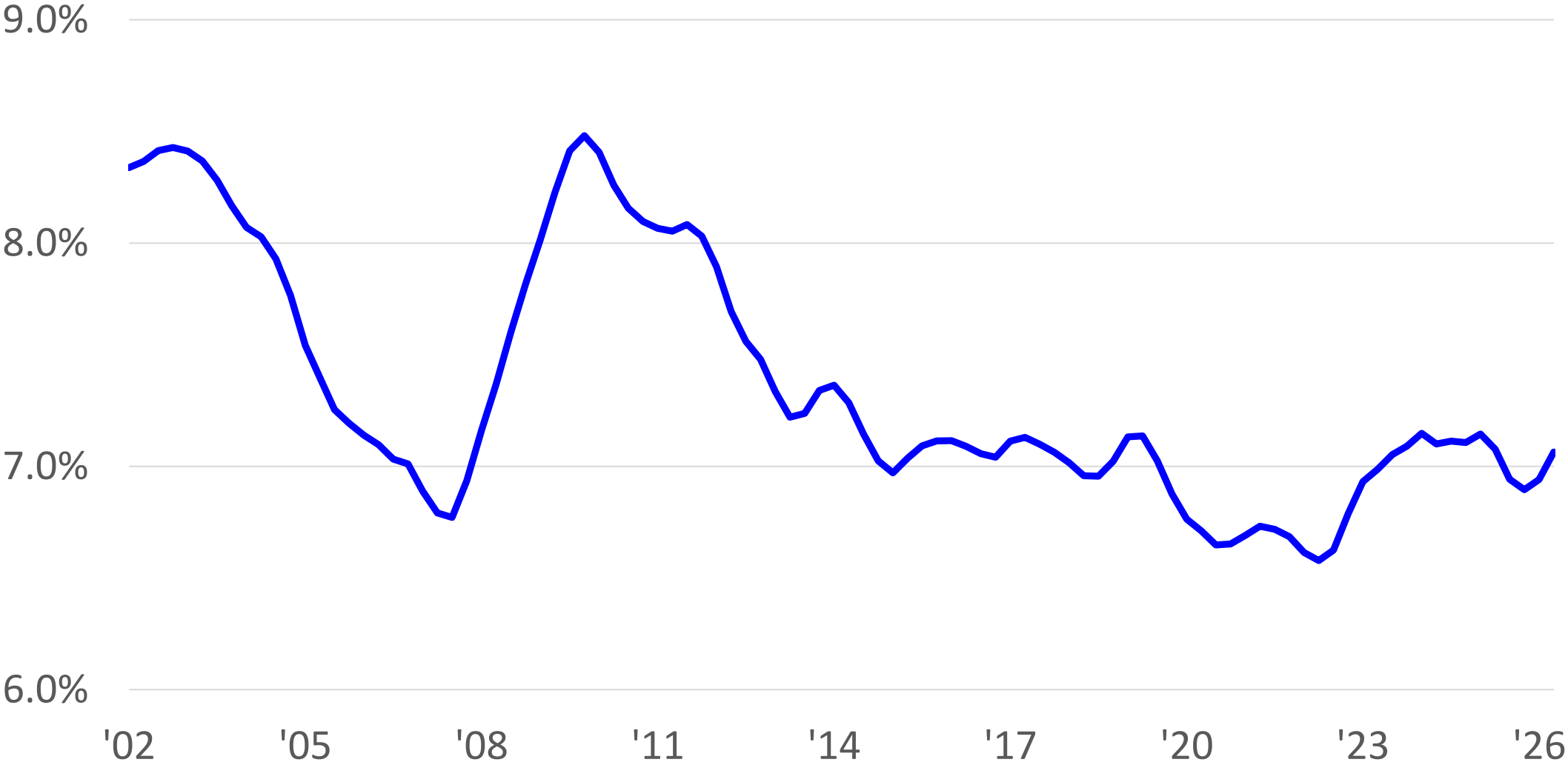
Cap Rate Change Basis Points	Original Cap Rate						
	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%
	Percent Change in Property Value						
-40	11.1%	9.8%	8.7%	7.8%	7.1%	6.6%	6.6%
-20	5.3%	4.7%	4.2%	3.8%	3.4%	3.2%	3.2%
20	-4.8%	-4.3%	-3.8%	-3.5%	-3.2%	-3.0%	-3.0%
40	-9.1%	-8.2%	-7.4%	-6.8%	-6.3%	-5.8%	-5.8%
60	-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

Houston Commercial Cap Rates Vs 10-Year Treasury



Houston Apartment Cap Rates



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

Houston Industrial Cap Rates





**2013 Sold for
\$176 Million**

**Just Sold for \$5.25
Million**

**\$6.80 Per Sq Ft
97% Loss**

Denver Energy Center 770,000 Sq Ft

Houston Office Cap Rates



Houston Retail Cap Rates



STANDARD
& POOR'S 500

75.8% Over Normal

Historical P/E Ratio 16.21 Mean, 15.07 Median

26.5 September 22, 2026 *Trailing*

Frothy Over-Valuation or **Premium Growth Prospects**

Creativity

\$ Billions to Be Made

the watt

346-597-3076

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MENU



BP – ConocoPhillips
\$93 Million Conversion

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