

Quarterly Report

03.31.23



Economy

Economic forecasts are tricky, what with so many state, national, and global variables at play (to say nothing about how a devastating weather event such as a hurricane or winter storm can reshuffle the deck mid-year). But using their collective understanding of current economic and market conditions and by looking at past market trends, the Texas Real Estate Research Center's (TRERC) research team has made some educated guesses for 2023.

General Economy

- Inflation will likely stay elevated through 2023.
- Employment growth will moderate.

Housing

- The mortgage interest rate's annual average will likely be higher in 2023 than it was in 2022.
- Existing single-family rent and price growth will moderate with the potential to turn negative on a year-over-year basis.

Commercial Real Estate

- Industrial deliveries will pull back from 2022's record highs while vacancies remain low.
- The office market will further segment as newer buildings maintain occupancy and older buildings lower rent to attract tenants.
- Occupancy and rents will stabilize some in brick-and-mortar retail.
- Expect to see more life in the best traditional indoor malls as people restore long-neglected social habits.

Rural Land

- 2023 will have fewer rural land transactions than 2022.
- Prices for lower-quality land will fall, while prices for high-quality properties will remain steadier.

Oil

- Oil will likely average between \$80 and \$100 per barrel.
- The global response to Russia's war on Ukraine will play a large role in the path oil takes as well as any decision by OPEC.
- A recession would place downward pressure on prices.

Austin Market

Sales taxes, the barometer of local economies statewide, are listed below, according to the State Comptroller's Office for the most recent quarter available.

County	Sales Subject to Tax (000's)	% Change from year on year
Bell	1,214,264	10.2%
Williamson	3,282,342	18.7%
Milam	54,479	37.1%
Lee	130,433	150.4%
Travis	9,122,267	16.1%



Austin Employment By Industry

INDUSTRY (NON FARM)	DEC 2022	DEC 2021	% GROWTH
Mining, Logging & Construction	71,800	75,300	-4.6%
Manufacturing	70,100	66,900	4.8%
Trade, Transportation & Utilities	208,300	202,600	2.8%
Information	50,400	47,500	6.1%
Financial Services	77,100	76,700	0.5%
Professional & Business Services	264,200	251,600	5.0%
Education & Health Services	145,600	138,700	5.0%
Leisure & Hospitality	150,900	128,900	17.1%
Other Services	46,500	45,700	1.8%
Government	186,200	186,300	-0.1%
TOTAL	1,271,100	1,220,200	4.2%

SOURCE: Texas Workforce Commission

Unemployment Rate

	AUSTIN MSA	TEXAS	U.S.
Year-End 2015	3.1%	4.2%	4.8%
Year-End 2016	3.2%	4.6%	4.5%
Year-End 2017	2.7%	3.7%	3.9%
Year-End 2018	2.7%	3.6%	3.7%
Year-End 2019	2.4%	3.3%	3.4%
Year-End 2020	5.1%	7.1%	6.5%
Year-End 2021	2.9%	4.3%	3.7%
December 2022	2.7%	3.6%	3.3%

SOURCE: Texas Workforce Commission

Population

YEAR-END	AUSTIN MSA	TEXAS	U.S.
2015	2,002,814	27,468,531	320,738,994
2016	2,062,808	27,914,064	323,071,755
2017	2,115,999	28,291,024	325,122,128
2018	2,166,805	28,624,564	326,838,191
2019	2,228,106	28,986,794	328,329,953
2020	2,295,303	29,360,759	329,484,123
2021	2,363,245	29,527,541	331,449,281

SOURCE: US Census Bureau

Industry Composition Austin MSA



Average Home Prices :: November 2022

	AUSTIN MSA	TEXAS	U.S.
Average Price	\$631,548	\$414,629	\$379,600
Median Price	\$466,900	\$330,000	\$370,700
Mo. of Inventory	1.8	1.9	2.6

SOURCE: MLS Austin

Projects

AUSTIN (Austin Business Journal) – Tesla will add 1.4 million sf of space to its Austin Gigafactory at 1 Tesla Rd. The \$717 million expansion includes four buildings, the largest of which will be a 693,093-sf facility called Cell 1. Other buildings include the 423,032-sf Drive Unit, 321,186-sf Cathode, and 2,560-sf Cell Test Lab. Construction on all four buildings started January 2023.

AUSTIN (Connect CRE) – Apple will start work next month on the second phase of its Parmer Lane campus. The new building, called Capstone Phase Two AC09, will be a four-story, 203,941-sf facility at 6900 W. Parmer Lane. It will cost \$120 million and deliver by the end of March 2025. Apple also filed plans for a five-story, 368,726-sf facility to be developed during the same time frame. It will cost around \$100 million. HKS Architects designed the buildings. The 33-acre, \$1 billion campus will total three million sf. The original phase included a variety of functions including engineering, R&D, operations, finance, sales, and customer support. It will eventually house up to 15,000 employees.

AUSTIN (Connect CRE) – LKQ Pick Your Part, an auto salvage yard at 7900 S. Congress Ave., will become a vertical mixed-use development. The development will have more than 1,200 multifamily units, 210,000 sf of office space, and a 136,000-sf shopping center. Approximately 10 percent of apartments will be reserved for tenants earning no more than 80 percent of the area median income.

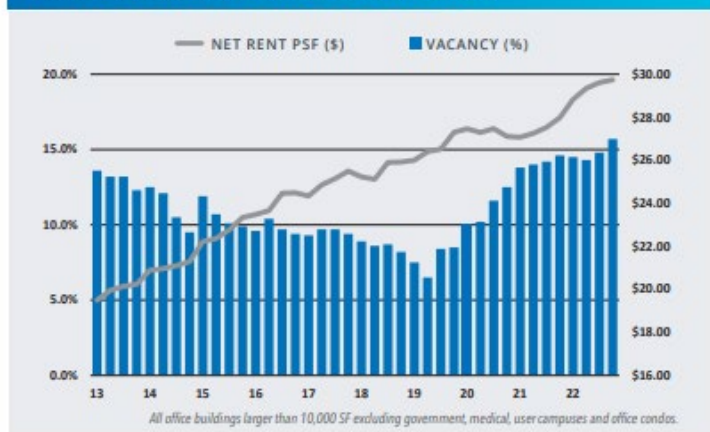


Office

Recent Office Leases

- **CBD :: Norton Rose Fulbright (renew)**
53,061 SF at San Jacinto Center
- **Southwest :: OHT Partners (sublease)**
25,384 SF at Barton Oaks Plaza III
- **North :: Tx Dept of Energy Mgmt (renew)**
48,809 SF at Chase Park III
- **Southeast :: GetSales (sublease)**
25,700 SF at 3900 San Clemente

OFFICE LEASE STATISTICS :: VACANCY & RENTAL RATE



Recent Office Sales

- **South :: Hartland Plaza**
1717 West 6th Street
167,303 SF suburban office building
Buyer: Generational Commercial
Seller: CIM

Office Sales Statistics

	AUSTIN TRAILING 12 MO.	AUSTIN Q4 2022	U.S. TRAILING 12 MO.	U.S. Q4 2022
Volume (\$ Mil)	\$1,881.7	\$163.1	\$103,799.4	\$15,777.7
Number of Properties	71	9	4,813	782
Total Square Feet	4,687,906	363,850	374,593,535	62,678,049
Average Price per SF	\$457	\$540	\$277	\$248
Average Cap Rate (Yield)	6.3%	6.1%	6.3%	6.7%

SOURCE: Real Capital Analytics

Q4 2022 Office Lease Statistics By Submarket

SUBMARKET	NO. OF BLDGS	INVENTORY	YTD NET ABSORPTION	YTD LEASING ACTIVITY	DIRECT OCCUP.	TOTAL OCCUP.	UNDER CONSTR.	CLASS A NET RENT	CLASS B NET RENT	CLASS C NET RENT	AVE NET RENT
Bastrop County	9	181,027	31,693	34,647	95.5%	95.5%	0	\$0.00	\$18.88	\$15.49	\$18.64
Caldwell County	1	10,832	0	0	100.0%	100.0%	22,500	\$0.00	\$0.00	\$15.21	\$15.21
CBD	131	16,448,078	375,757	924,001	82.5%	79.2%	2,889,370	\$45.31	\$36.31	\$22.44	\$41.87
Cedar Park	55	1,800,299	759,418	45,847	95.4%	95.0%	294,921	\$27.00	\$24.02	\$18.60	\$25.31
Central	105	4,606,436	77,667	331,335	87.9%	85.7%	92,217	\$37.33	\$22.33	\$24.98	\$25.56
East	81	5,053,498	368,444	305,708	72.8%	69.8%	2,040,573	\$42.66	\$32.85	\$18.44	\$34.59
Far Northeast	17	350,813	8,537	61,350	82.3%	81.8%	19,507	\$0.00	\$19.84	\$14.50	\$18.86
Far Northwest	59	4,505,725	(22,027)	100,852	89.1%	85.5%	87,236	\$24.27	\$19.23	\$18.46	\$21.18
Georgetown	40	879,853	118,496	52,734	88.2%	88.2%	151,423	\$25.04	\$20.81	\$15.00	\$20.60
Hays County	49	1,177,004	(10,365)	79,896	85.7%	85.7%	148,136	\$24.00	\$20.13	\$17.71	\$20.20
North	103	8,908,389	(18,019)	133,140	89.6%	86.6%	695,865	\$41.75	\$26.25	\$16.46	\$32.92
Northeast	58	3,563,177	(97,566)	391,444	79.5%	67.8%	700,826	\$24.00	\$18.88	\$10.95	\$19.84
Northwest	251	15,066,526	78,613	1,081,544	79.9%	76.1%	0	\$26.95	\$22.15	\$18.68	\$24.37
Round Rock	85	2,746,911	89,953	87,005	95.9%	95.3%	629,684	\$23.91	\$20.92	\$19.76	\$21.79
South	109	4,369,152	111,487	368,648	77.5%	74.3%	428,763	\$29.09	\$28.65	\$18.59	\$27.92
Southeast	40	3,437,103	(71,206)	139,539	86.4%	85.2%	0	\$27.32	\$24.66	\$16.00	\$24.71
Southwest	271	13,228,065	26,381	640,183	86.8%	81.9%	212,757	\$32.64	\$24.66	\$22.60	\$29.47
West Central	32	1,795,724	(34,144)	101,186	90.8%	89.9%	0	\$36.98	\$27.80	\$20.32	\$32.62
AUSTIN	1,496	88,128,612	1,793,119	4,879,059	84.3%	80.7%	8,413,778	\$35.39	\$25.43	\$20.05	\$29.74

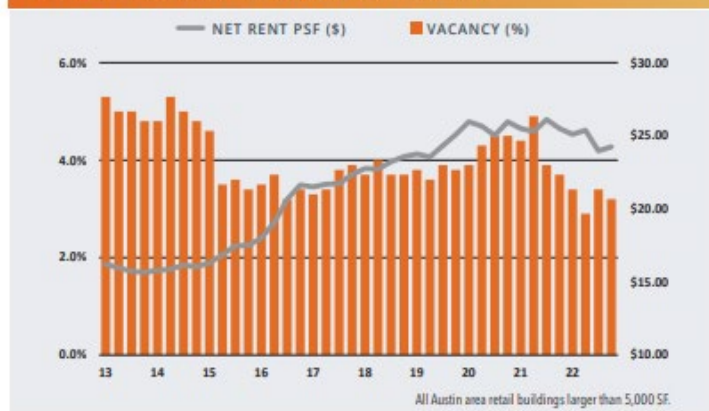


Retail

Recent Retail Leases

- East :: Target
27,822 SF at Plaza Saltillo
- Northwest :: Karavel Shoes
16,248 SF at 1011 West Anderson Ln
- CBD :: Alpha School
22,000 SF at 201 Colorado St
- Northwest :: H-Mart
23,171 SF at North Loop Plaza

RETAIL LEASE STATISTICS :: VACANCY & RENTAL RATE



Recent Retail Sales

- North :: Marketplace Austin
10601 North Lamar
106,000 SF big box store
Buyer: Jonathan E Mendis
Seller: CSW Development

Retail Sales Statistics

	AUSTIN TRAILING 12 MO.	AUSTIN Q4 2022	U.S. TRAILING 12 MO.	U.S. Q4 2022
Volume (\$ Mil)	\$1,082.1	\$285.7	\$82,316.1	\$13,625.0
Number of Properties	61	7	6,570	1,380
Total Square Feet	4,032,704	1,102,591	375,989,342	64,867,399
Average Price per Square Foot	\$252	\$325	\$214	\$200
Average Cap Rate (Yield)	5.5%	6.1%	6.3%	6.7%

SOURCE: Real Capital Analytics

Q4 2022 Retail Lease Statistics By Submarket

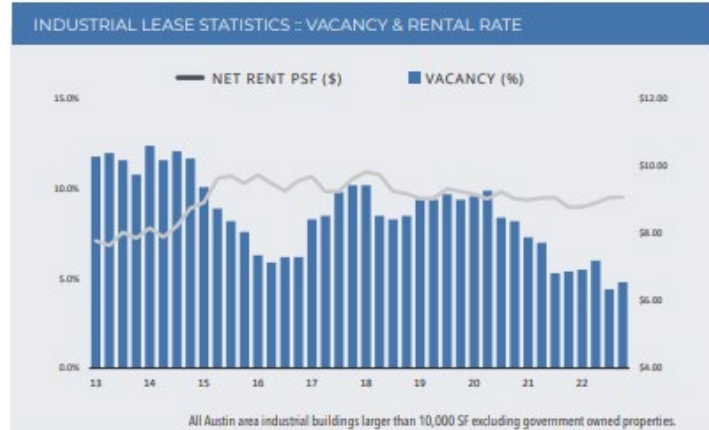
SUBMARKET	NO. OF BLDGS	INVENTORY	YTD NET ABSORPTION	YTD LEASING ACTIVITY	DIRECT OCCUPANCY	TOTAL OCCUPANCY	AVE. ASKING NET RENT
Bastrop County	81	2,378,467	24,271	22,079	99.2%	99.2%	\$17.94
Caldwell County	21	530,152	(3,154)	2,000	99.4%	99.4%	\$21.31
CBD	56	1,439,319	318	24,000	97.5%	97.5%	\$42.83
Cedar Park	180	7,466,016	(72,732)	125,712	95.9%	95.9%	\$27.74
Central	202	6,730,152	4,302	136,080	94.4%	94.3%	\$24.38
East	97	3,468,608	25,979	26,266	96.7%	96.7%	\$23.00
Far Northeast	109	4,035,579	(69,086)	98,939	95.9%	95.9%	\$21.41
Far Northwest	99	3,343,373	118,747	164,657	95.9%	95.9%	\$28.39
Georgetown	223	6,438,462	209,079	174,027	96.7%	96.7%	\$23.14
Hays County	228	7,647,371	201,901	162,623	98.5%	98.5%	\$26.72
North	159	6,516,752	97,291	121,805	97.9%	97.8%	\$21.75
Northeast	73	2,817,528	2,519	49,156	94.4%	94.4%	\$24.01
Northwest	130	4,796,879	(32,320)	95,323	95.1%	95.1%	\$27.59
Round Rock	188	7,003,126	215,441	173,215	97.1%	97.0%	\$24.25
South	243	9,809,511	157,451	155,088	98.4%	98.4%	\$22.35
Southeast	73	2,158,758	98,370	14,675	99.6%	99.6%	\$23.42
Southwest	214	7,807,496	59,978	172,490	97.4%	97.3%	\$20.17
West Central	37	724,554	4,828	6,216	90.7%	90.5%	\$32.54
AUSTIN	2,413	85,112,103	1,043,183	1,724,351	96.9%	96.8%	\$24.25



Industrial

Recent Industrial Leases

- Southeast :: Ferguson Supply
280,768 sf at ATX 130 (prelease)
- Caldwell Co. :: Factory Builders
167,794 sf at Lockhart 130 (prelease)
- Far Northeast :: Applied Materials
342,000 SF at 130 Crossing
- Hays Co. :: RK Logistics
206,000 SF at Hays Logistics Center 2



Recent Industrial Sales

- Hays Co. :: Buda Midway Phase I
474,465 SF in 3 industrial buildings
Buyer: TA Realty
Seller: United Properties JV PCCP

Industrial Sales Statistics

	AUSTIN TRAILING 12 MO.	AUSTIN Q4 2022	U.S. TRAILING 12 MO.	U.S. Q4 2022
Volume (\$ Mil)	\$683.1	\$150.8	\$138,585.3	\$28,823.6
Number of Properties	44	4	7,724	1,613
Total Square Feet	4,343,563	723,680	1,153,642,269	391,538,843
Average Price per SF	\$197	\$198	\$122	\$78
Average Cap Rate (Yield)	5.9%	5.9%	5.4%	4.2%

SOURCE: Real Capital Analytics

Q4 2022 Industrial Lease Statistics By Submarket

SUBMARKET	NO. OF BLDGS	INVENTORY	YTD NET ABSORPTION	YTD LEASING ACTIVITY	DIRECT OCCUP.	TOTAL OCCUP.	UNDER CONSTR.	FLEX NET RENT	INDUST. NET RENT	AVE NET RENT
Bastrop County	26	1,107,033	(23,832)	19,195	96.1%	96.1%	105,000	\$8.32	\$6.00	\$6.11
Caldwell County	13	406,746	0	0	100.0%	100.0%	322,234	\$9.00	\$6.00	\$6.44
CBD	5	87,424	0	0	100.0%	100.0%	0	N/A	N/A	N/A
Cedar Park	53	2,080,885	3,337	9,661	97.9%	95.2%	127,927	\$13.71	\$8.71	\$11.08
Central	61	1,638,039	5,706	76,123	90.2%	90.2%	0	\$14.23	\$8.77	\$10.43
East	161	10,051,570	4,796,343	145,103	97.5%	97.2%	146,427	\$12.83	\$8.91	\$8.98
Far Northeast	166	10,537,007	619,665	1,153,914	98.5%	98.5%	7,870,341	\$11.92	\$7.36	\$7.54
Far Northwest	36	1,050,284	3,166	14,827	100.0%	100.0%	50,620	\$12.00	\$8.80	\$9.11
Georgetown	154	6,672,870	852,578	449,149	87.2%	85.3%	4,211,127	\$12.46	\$8.99	\$9.15
Hays County	183	10,422,749	1,426,727	208,106	95.7%	95.7%	2,838,254	\$12.61	\$9.56	\$9.65
North	331	15,382,122	(54,247)	934,581	93.7%	93.2%	7,500	\$13.35	\$8.71	\$9.66
Northeast	212	14,893,025	712,494	556,428	98.0%	96.9%	103,472	\$11.23	\$8.94	\$9.57
Northwest	35	3,670,743	(11,009)	23,488	97.6%	97.0%	0	\$12.00	\$8.40	\$9.83
Round Rock	155	5,749,383	274,720	256,071	95.7%	95.6%	3,449,142	\$11.94	\$8.47	\$8.75
South	126	3,083,112	10,062	263,921	97.0%	97.0%	23,679	\$11.80	\$8.11	\$8.47
Southeast	258	15,198,283	263,475	852,123	92.7%	90.5%	1,867,255	\$12.24	\$8.17	\$8.73
Southwest	52	3,644,982	36,761	49,938	91.9%	91.3%	10,000	\$12.93	\$9.22	\$9.56
West Central	2	69,128	0	0	100.0%	100.0%	0	N/A	N/A	N/A
AUSTIN	2,029	105,745,385	8,915,946	5,012,628	95.2%	94.4%	21,132,978	\$12.32	\$8.57	\$9.09
w/o Tesla, Amazon, Samsung	2,026	96,611,686	4,629,266		94.8%	93.9%	15,132,978			



Apartments

Recent Apartment Sales

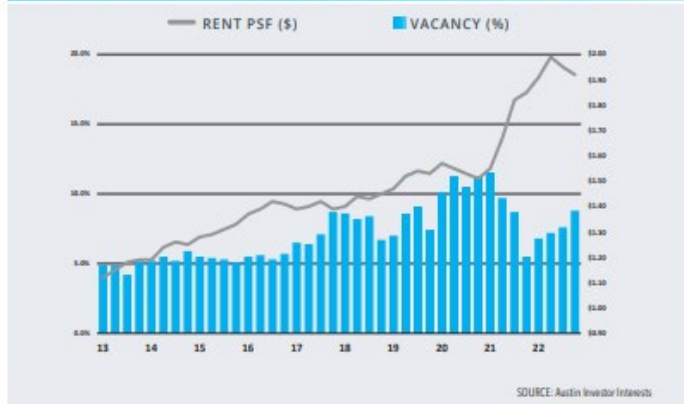
- Southeast :: Terrace Cove Apartments**
 304 Units at 6201 Sneed Cove
 Buyer: Uplift Terrace Cove LLC
 Seller: Calvera Partners
- Pflugerville :: Skyview North**
 336 Units at 295 County Road 138
 Buyer: Strategic Property Investment
 Seller: Alliance Residential
- Round Rock :: Parkwood Terrace**
 144 Units at 1201 E Old Settlers Blvd
 Buyer: Medve Group
 Seller: Langdon Street
- Austin :: Bluerock Apartment Portfolio**
 914 Units in 3 Apartment Complexes:
 Chevy Chase Apartments, The Brodie, Elan Apartments
 Buyer: Blackstone
 Seller: Bluerock Residential Growth REIT

Apartment Statistics At-A-Glance

AUSTIN MSA	Q4 2022	ANNUAL CHANGE (%)
Occupancy	90.1%	-1.3%
Units Change	1,869	N/A
Units Absorbed (Quarter)	-1,156	N/A
Average Size (SF)	865	0%
Average Asking Rent (Unit)	\$1,703	-2.0%
Average Asking Rent PSF	\$1.97	-2.0%
Average Effective Rent (Unit)	\$1,685	-2.3%
Average Effective Rent PSF	\$1.95	-2.3%
% Offering Concessions	15%	+24.2%
Average Concession Package	5.7%	+16.6%

SOURCE: AIN Apartment Data

APARTMENT STATISTICS :: VACANCY & RENTAL RATE

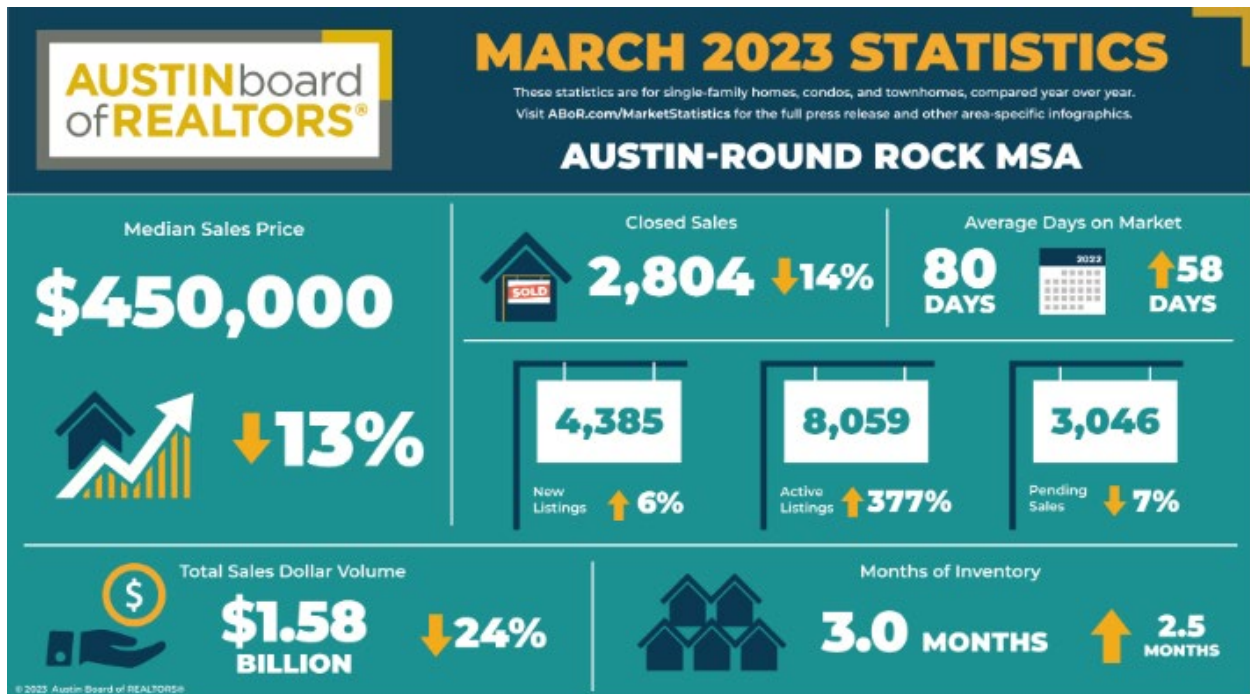


Q4 2022 :: Apartment Statistics By Submarket

SUBMARKET	NO. OF PROJECTS	NO. OF UNITS	VACANCY	T-12 ABSORPTION	AVE RENT (PER UNIT)	AVE RENT (PSF)
Bastrop County	14	1,084	4.1%	(6)	\$1,423	\$1.51
Buda-Kyle	29	6,865	14.2%	705	\$1,543	\$1.77
Caldwell County	11	458	5.2%	(12)	\$1,227	\$1.41
Cedar Park	42	13,037	8.2%	399	\$1,672	\$1.80
Central Austin	170	4,407	5.4%	315	\$1,647	\$2.31
Downtown Austin	41	6,282	11.8%	682	\$3,139	\$3.32
East Austin	112	14,109	11.0%	1,298	\$1,847	\$2.30
Far North Austin	18	1,380	9.0%	507	\$1,445	\$1.53
Far West Austin	5	103	2.6%	4	\$570	\$0.59
Georgetown-Leander	55	8,000	20.9%	620	\$1,685	\$1.72
Hill Country	8	1,018	4.4%	4	\$1,686	\$1.75
Lake Travis	16	3,624	6.2%	57	\$1,964	\$1.81
Midtown Austin	230	14,030	5.9%	(85)	\$1,595	\$2.08
North Austin	137	26,394	9.0%	139	\$1,549	\$1.95
Northeast Austin	61	11,772	12.8%	1,505	\$1,441	\$1.70
Northwest Austin	121	33,834	6.8%	(749)	\$1,563	\$1.75
Pflugerville	68	19,211	11.3%	1,031	\$1,575	\$1.79
Riverside	80	17,257	9.4%	(224)	\$1,580	\$1.96
Round Rock	72	15,923	6.3%	137	\$1,587	\$1.71
San Marcos	65	7,002	7.9%	271	\$1,293	\$1.50
South Austin	100	18,253	7.8%	480	\$1,593	\$1.85
South Central Austin	152	12,749	6.2%	(174)	\$1,824	\$2.32
Southeast Austin	44	10,069	9.3%	462	\$1,513	\$1.71
Southwest Austin	53	12,221	5.0%	62	\$1,806	\$1.93
West Austin	75	2,142	4.2%	7	\$2,060	\$2.54
AUSTIN MSA TOTAL:	1,779	261,224	8.8%	7,435	\$1,650	\$1.92

Source: CoStar





In March, 4,385 residential properties hit the market, an increase of 6.6% listings from the year prior. Active listings soared 377.7% to 8,059 listings, pushing the region’s housing inventory up 0.5 months to 3.0 months of inventory across the five-county area. Pending sales declined 7.4% to 3,046 transactions, while homes spent an average of 80 days on the market, up 58 days from March 2022. At the same time, residential home sales declined 14.0% year-over year to 2,804 closed sales, median price declined 13.5% to \$450,000, and sales dollar volume dropped 24.9% to \$1,580,024,101.

Dr. Clare Losey, who recently joined ABoR as its first housing economist, commented on the ongoing strength of Central Texas’s housing demand as mortgage rates stabilize and housing activity continues to normalize. "Austin’s housing market is still demand driven, contributing over \$1.5B to our region’s economy last month even as the pace of home sales and price growth adjusts from the extreme anomaly of the last two years. The increase of new listings in March, specifically month over month, indicates rising seller confidence, and the recent decline in mortgage rates provided momentum for homebuyers. Mortgage rates are projected to remain consistent for the rest of the year, making now a great time to make a move. Recently announced layoffs have not been enough to indicate a downturn in Austin’s job market or impact housing demand. In fact, Travis County’s job market is projected to grow at nearly double the pace of job growth statewide over the next decade, with the leisure and hospitality sector leading that growth."



Capital Markets

As of 03/31/23 mortgage interest rate levels for conventional, conforming fixed rate loans, as published by TIB Mortgage Services were 6.375% for a 30-year mortgage. The U.S. 10 Year Treasury sat at 3.47%.

Energy

☆ Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma (DCOILWTICO)

DOWNLOAD

Observation:
2023-03-31: 75.68
(+ more)
Updated: Apr 5, 2023

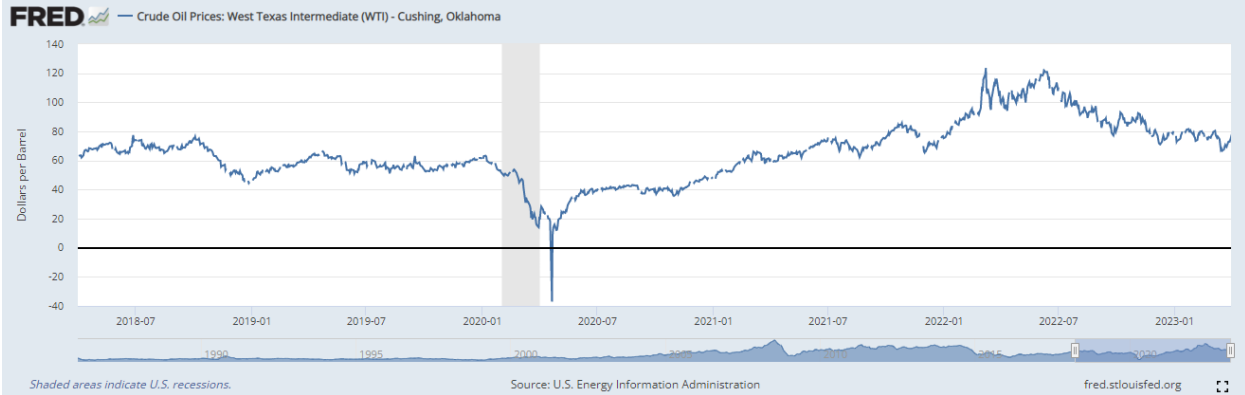
Units:
Dollars per Barrel,
Not Seasonally Adjusted

Frequency:
Daily

1Y | 5Y | 10Y | Max

2018-03-31 to 2023-03-31

EDIT GRAPH



☆ Henry Hub Natural Gas Spot Price (DHHNGSP)

DOWNLOAD

Observation:
2023-03-31: 2.10
(+ more)
Updated: Apr 5, 2023

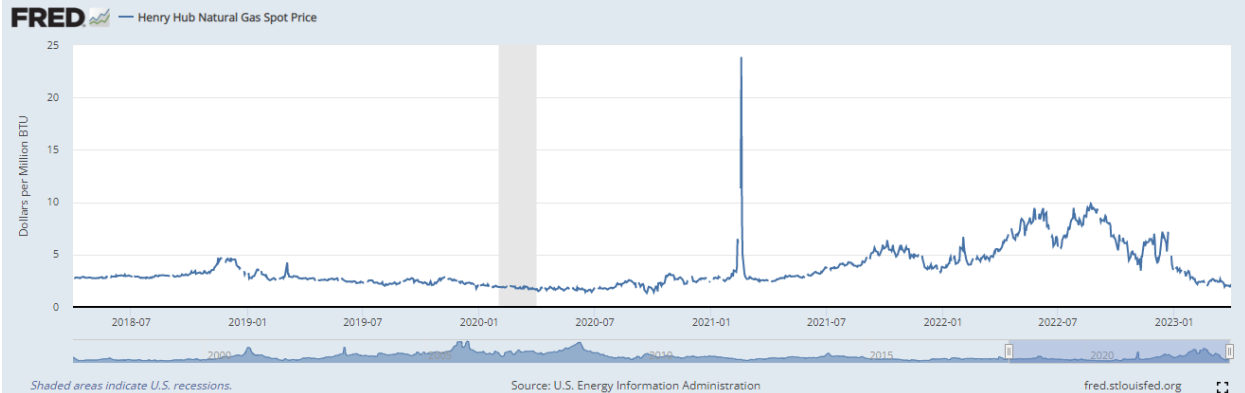
Units:
Dollars per Million BTU,
Not Seasonally Adjusted

Frequency:
Daily

1Y | 5Y | 10Y | Max

2018-03-31 to 2023-03-31

EDIT GRAPH



CNB Commercial Lenders



Joe Mahan, Branch President
Cameron, TX - 254.697.6653



Jim Morse, Branch President
Rockdale, TX - 512.430.6316



Ryan Stiba, Branch President
Taylor, TX - 512.352.7641



Tim Walther, Branch President
Giddings, TX - 979.542.3136



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About Citizens National Bank

We are a \$600 million in assets community financial institution and have been proudly serving Central Texas since 1900. That experience is what sets Citizens National Bank apart. A Cameron, TX based financial institution with eight branches across Central Texas including Milam, Lee, Williamson, Travis, and Bell counties. From Cameron to Cedar Park and several towns in between, we know and are active in each of our communities, making us better able to meet the banking needs of the communities we serve. Additional information can be found at cnbanktexas.com.

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