



# **Harris Central Appraisal District**



**2026**

**Market Trends**

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# Residential Property

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## 2026 Residential Real Estate Market Overview

In 2025, the Houston real estate market showcased remarkable resilience, driven by strong fundamentals, competitive pricing, and heightened investor activity. Despite facing challenges such as elevated mortgage rates and persistent inflation, Houston consistently outperformed many major metropolitan areas in housing affordability, market stability, and long-term growth potential. These factors reinforced the city's reputation as one of the most attractive and sustainable markets in the nation.

[Houston Housing Market Analysis & Forecast \(2024 - 2026\) | The Luxury Playbook](#)

### ***JOB GROWTH***

Metro Houston created an estimated 14,800 jobs through December of 2025

[Monthly Update: Houston Metro Employment | Houston.org](#)

### ***UNEMPLOYMENT***

[Monthly Update: Unemployment | Houston.org](#)

Dec 2020 – 8.0%

Dec 2021 – 4.8%

Dec 2022 – 3.6%

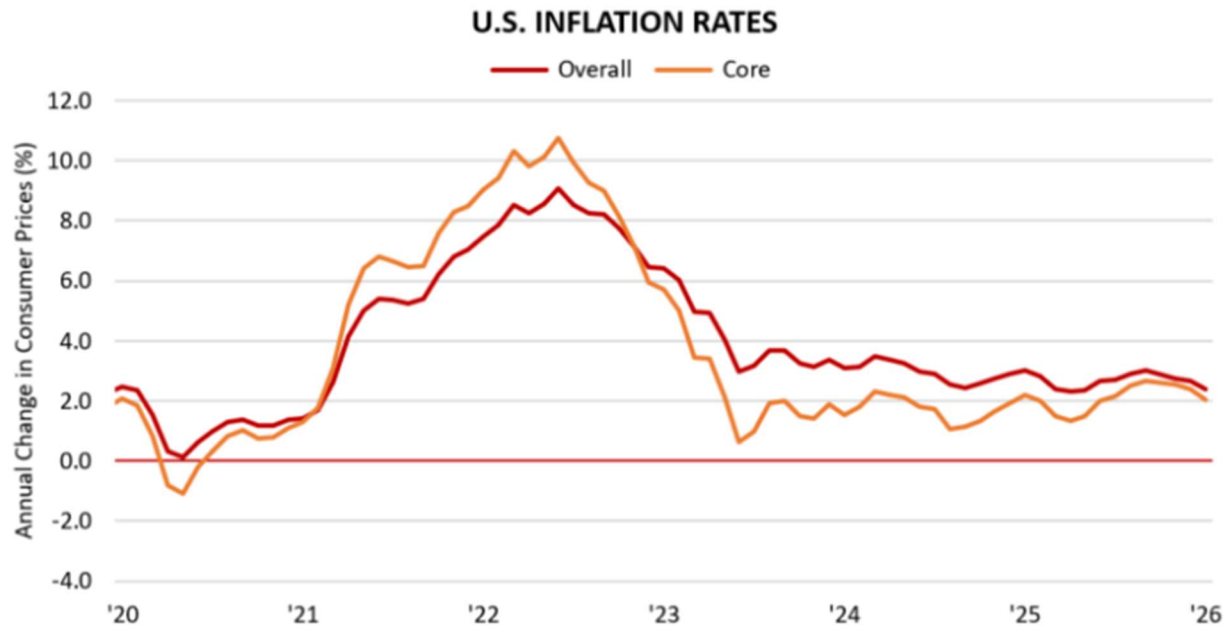
Dec 2023 – 3.5%

Dec 2024 – 4.1%

Dec 2025 – 4.2%

### ***INFLATION***

Inflation is measured by the Consumer Price Index for all Urban Consumers (CPI-U). Overall and core inflation came in below the 2.5 percent predicted by economists. Overall inflation for January was at 2.4 percent down from 2.7 percent recorded in December. Core inflation, which excludes the volatile food and energy categories, declined to 2.0 percent from the previous month's 2.4 percent.



Note: Prices are in terms of seasonally unadjusted CPI-U  
 Source: U.S. Bureau of Labor Statistics

The cooler-than-expected reading comes on the heels of a robust national jobs report. However, these improvements are unlikely to be significant or sustained enough to shift the Federal Reserve from its current wait-and-see stance on interest rates.

[Monthly Update: Inflation](#)

***INTEREST RATES***

The federal funds rate is the interest rate charged by banks to borrow from each other overnight. The Federal Reserve influences this rate through monetary policy decisions.

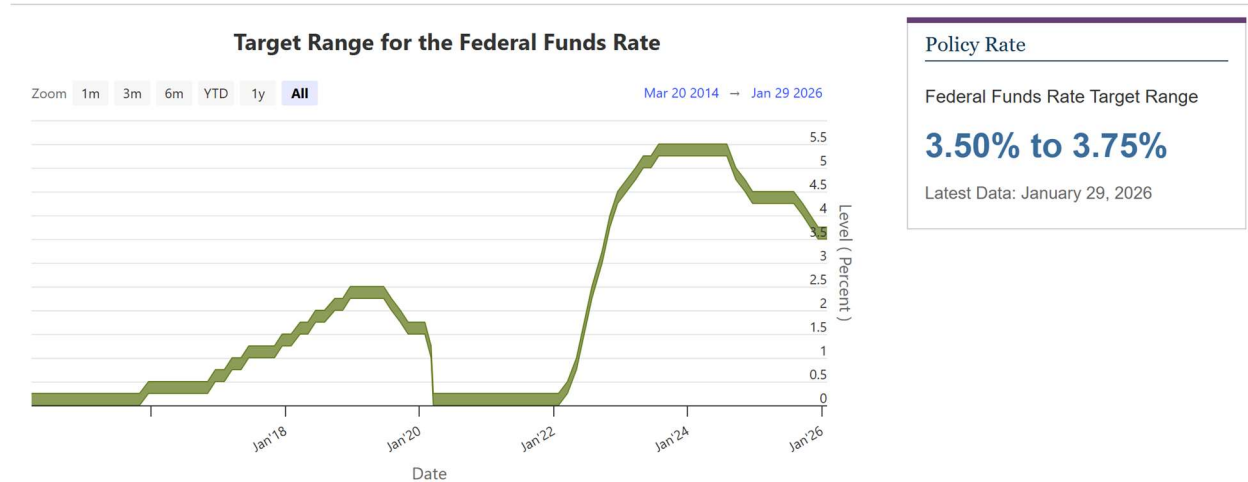
Changes in these rates have implications for economic activity, employment and inflation. Indirectly, prime lending rates along with many other lending rates including mortgage rates are affected.

**Federal Funds rate (1/30/2025 – 1/30/2026)**

Effective Date	Federal Funds - Level % (Low)	Federal Funds - Level % (High)
01/30/2025	4.25	4.5
03/20/2025	4.25	4.5
05/08/2025	4.25	4.5
06/20/2025	4.25	4.5
07/31/2025	4.25	4.5
09/18/2025	4	4.25
10/30/2025	3.75	4
12/11/2025	3.5	3.75
01/29/2026	3.5	3.75

The Federal Open Market Committee (FOMC) consists of 12 members that meet 8 times a year to determine the target range for the Fed Funds Rate.

### Federal Funds rate (3/20/2014 – 1/29/2026)



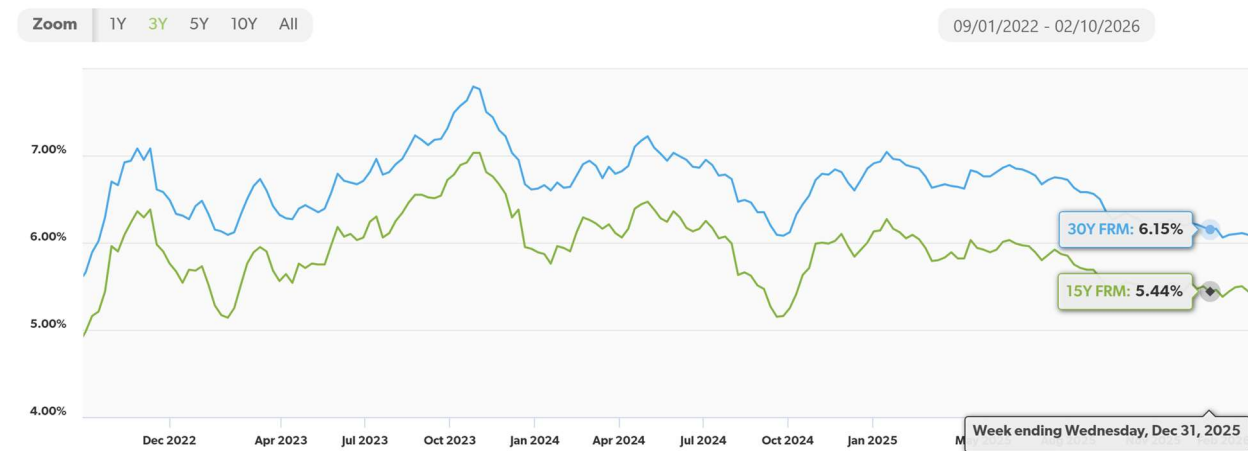
Despite the Federal Reserve inflation target rate of 2.0% not being reached. The Fed Funds Rate was lowered three times during 2025. As of 1/29/2026 the target rate range was between 3.50% to 3.75%.

### [The Fed - Economy at a Glance - Policy Rate](#)

### Mortgage Rates

The chart below illustrates mortgage rate changes since 9/1/2022. After experiencing mortgage rate increases in 2022, that mirrored the rise in the Fed rate, we saw a decline in 2025.

### Mortgage rate as of 12/31/2025



### [Mortgage Rates - Freddie Mac](#)

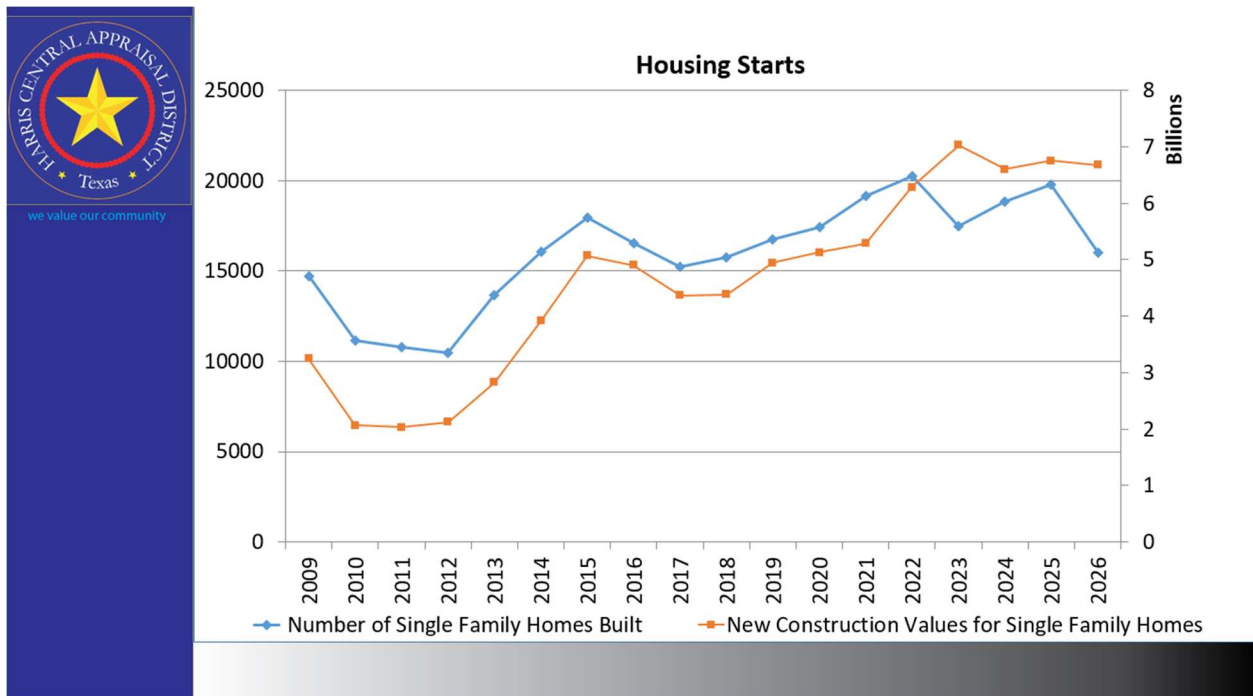
## HOME INVENTORY

According to the Houston Association of Realtors (HAR), the inventory of available homes increased from 4.0 months in December 2024 to 4.5 months of supply in December 2025. Throughout 2025 inventory supply remained at equilibrium levels. Traditionally inventory between 4.0 to 6.0 is considered a “balanced market”.

[Monthly Housing Update - HAR.com](#)

## NEW STARTS

The number of new starts for 2026 are estimated to reach 16,000 homes. The new construction value associated with the new starts will exceed \$6.5B.



## SALES VOLUME

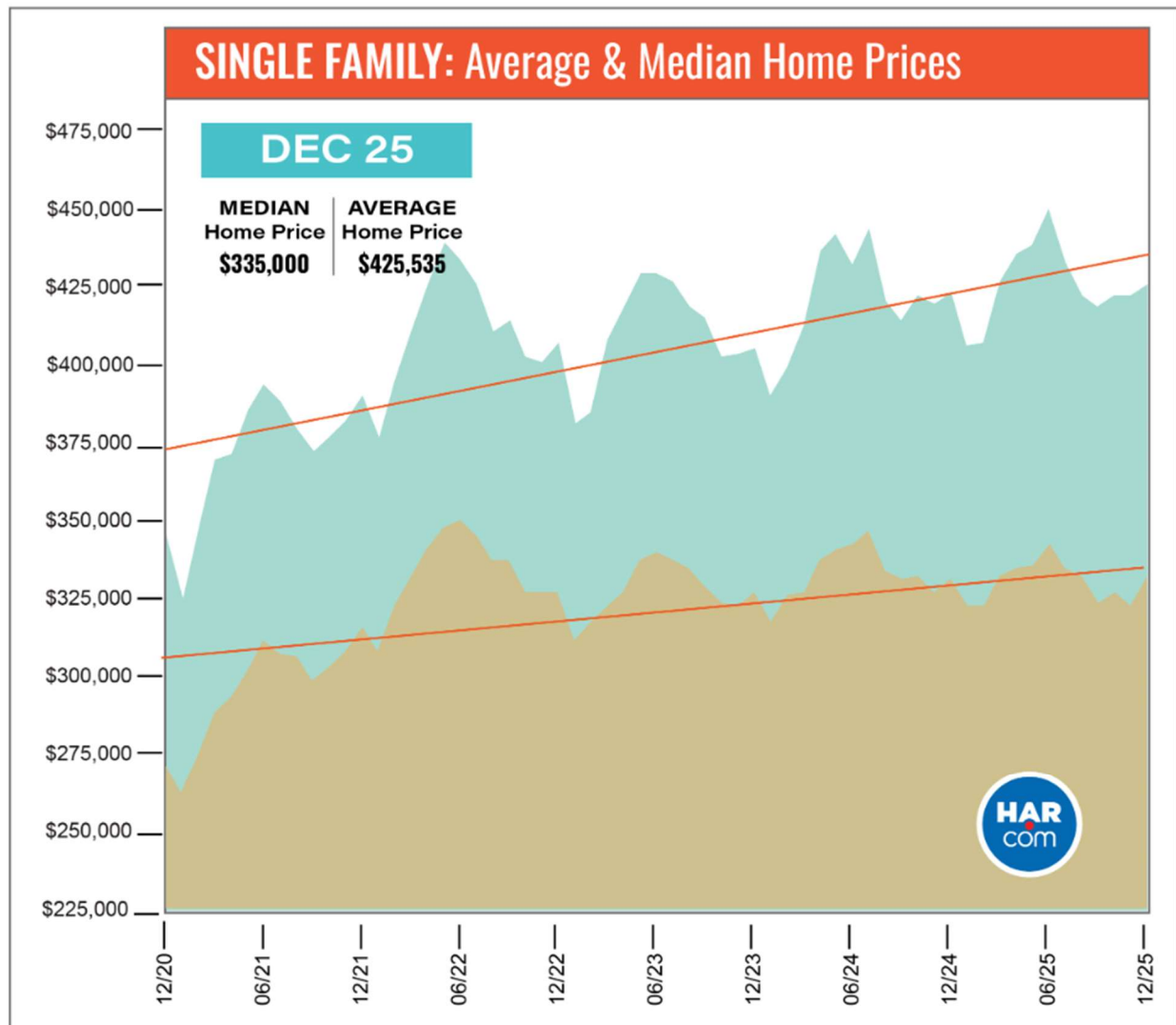
According to HAR, sales volume for single family residential properties for the full year 2025 totaled 88,634 units which is a 3.8 percent increase versus the 85,164 units sold in 2024.

CATEGORIES	FULL-YEAR 2024	FULL-YEAR 2025	CHANGE
TOTAL PROPERTY SALES	102,015	104,325	2.3%
TOTAL DOLLAR VOLUME	\$41,113,911,790	\$42,963,324,428	4.5%
SINGLE-FAMILY HOME SALES	85,373	88,634	3.8%
SINGLE-FAMILY AVERAGE SALES PRICE	\$422,590	\$426,558	0.9%
SINGLE-FAMILY MEDIAN SALES PRICE	\$335,000	\$334,990	FLAT

\* Months inventory estimates the number of months it will take to deplete current active inventory based on the prior 12 months sales activity. This figure is representative of the single-family homes market.

## SALES PRICES

In a full year's comparison, the median home price was flat year over year at \$334,990. In a full year's comparison, the average price also increased from \$422,590 to \$426,558, representing a 0.9% increase. The chart below shows a five-year trend line for both the average home sale price and the median home sale price of single-family homes.



## 2026 Outlook and Insight

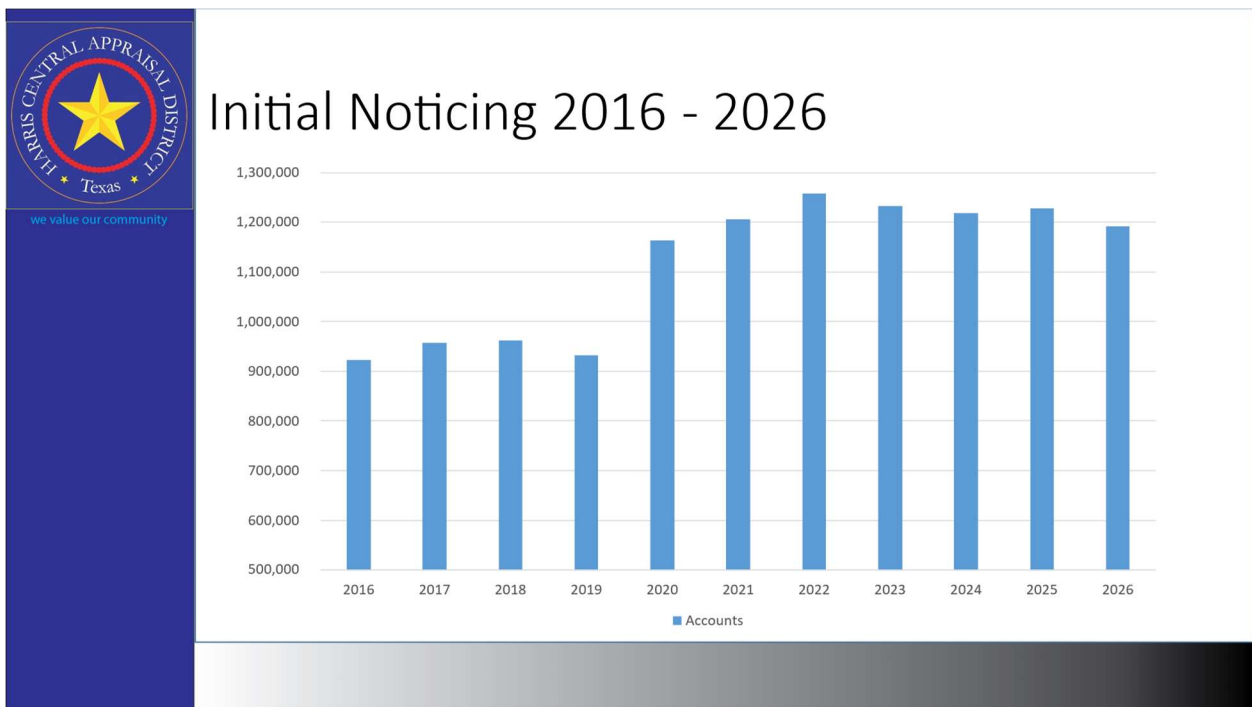
With a strong finish to 2025 the Houston housing market returned to a more balanced pace making it a solid year for both buyers and sellers. Houston experienced modest growth in 2025. As 2026 gets underway this growth is expected to continue.

- Unemployment remains low
- The Federal Reserve dropped rates 3 times during 2025
- The economy & job growth in Texas and nationally remain positive
- Inflation is near 2.0 percent target
- Housing inventory remain at equilibrium

[The Fed Explained - Accessible: FOMC's target federal funds rate or range, change \(basis points\) and level](#)

[Economy at a Glance - January 2026](#)

## NOTICING





## 2026 Single-family Increase, Decrease, No Change (as of March)

Market Value	Parcels	Percent of Parcels		
		No Change	Increase	Decrease
Under 124,999	53,043	35.7%	27.3%	37.0%
125,000 - 199,999	175,831	22.2%	35.2%	42.6%
200,000 - 299,999	400,381	13.8%	43.0%	43.3%
300,000 - 449,999	279,639	9.5%	55.4%	35.0%
450,000 - 749,999	134,400	5.4%	68.8%	25.8%
750,000 and up	77,734	3.8%	82.1%	14.1%
<b>Total</b>	<b>1,121,028</b>	<b>13.4%</b>	<b>49.9%</b>	<b>36.7%</b>
<b>Tax Year 2025</b>		12.2%	56.0%	31.8%



## 2026 Single-family Percent Change (as of March)

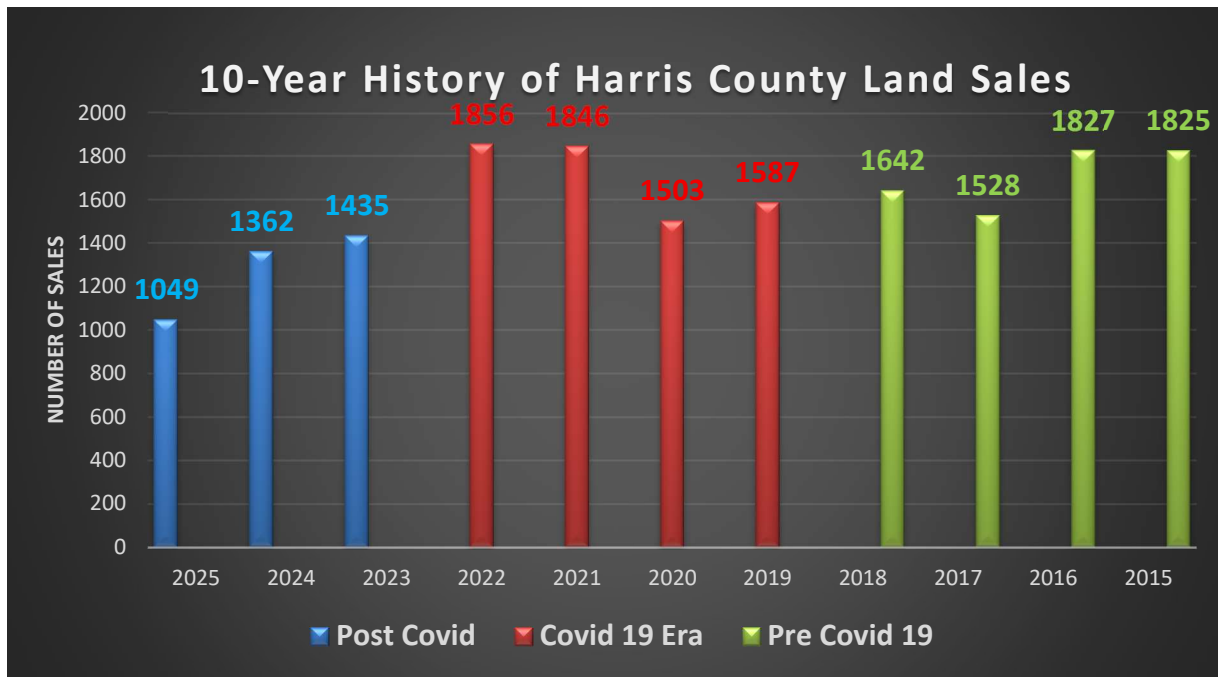
Market Value	Average Percent of Change		Overall Percent of Change
	Reappraisal Only	with New Construction	
Under 124,999	-0.62%	-0.29%	-1.32%
125,000 - 199,999	0.29%	1.42%	-0.17%
200,000 - 299,999	1.21%	5.22%	1.14%
300,000 - 449,999	2.73%	8.63%	2.93%
450,000 - 749,999	4.71%	8.05%	4.68%
750,000 and up	8.15%	10.60%	9.29%
<b>Total</b>	<b>2.26%</b>	<b>5.93%</b>	<b>4.20%</b>

# Commercial Property

## LAND MARKET

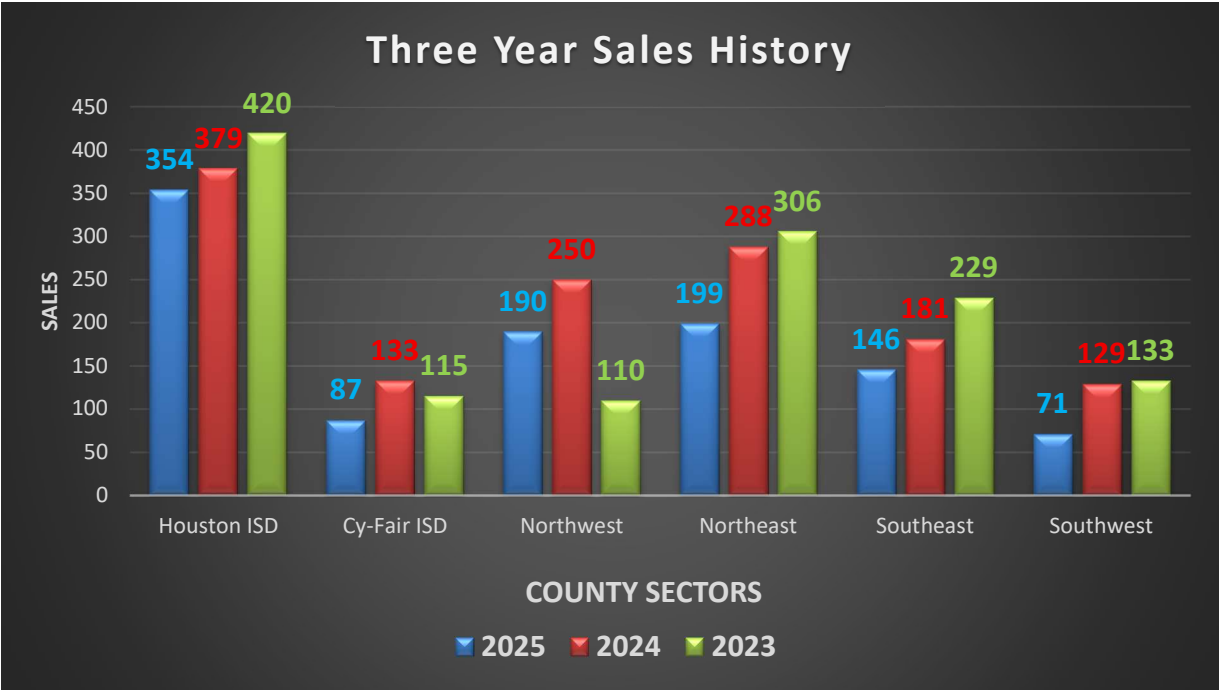
The Houston land market has faced significant challenges in recent years, with a steep decline in sales activity and a slowdown in price growth. However, market conditions had begun to improve in 2024, with mixed price trends and a leveling off in the rate of decline in total sales volumes. Despite the challenges, notable deals still occur, and industrial and single-family developments remain viable, benefiting from locations on city outskirts with freeway access. Retail demand is high, but there are limited parcels large enough for new shopping center developments.

The chart below shows a ten-year history of commercial land sales volume in Harris County from year to year. Coming out of the Covid-19 Era, the sales have significantly dropped off. It should be noted this data has been collected as of January 1, 2026. Sales data is collected throughout the year and the totals will change. By this time next year, another 200 plus sales could be added to the total for 2025.



Source: Harris Central Appraisal District Sales Ratio Analysis

A focused look at the last three years of commercial land sales activity still shows a decline in all sectors of Harris County for the past three years. It should be noted that the data used for these charts is as of January 1, 2026. Sales data has been collected throughout the year and the numbers listed on the chart could increase before the next report. As of now, the market activity for commercial land is the lowest activity we have witnessed in the last 10 years.



Source: Harris Central Appraisal District Sales Ratio Analysis

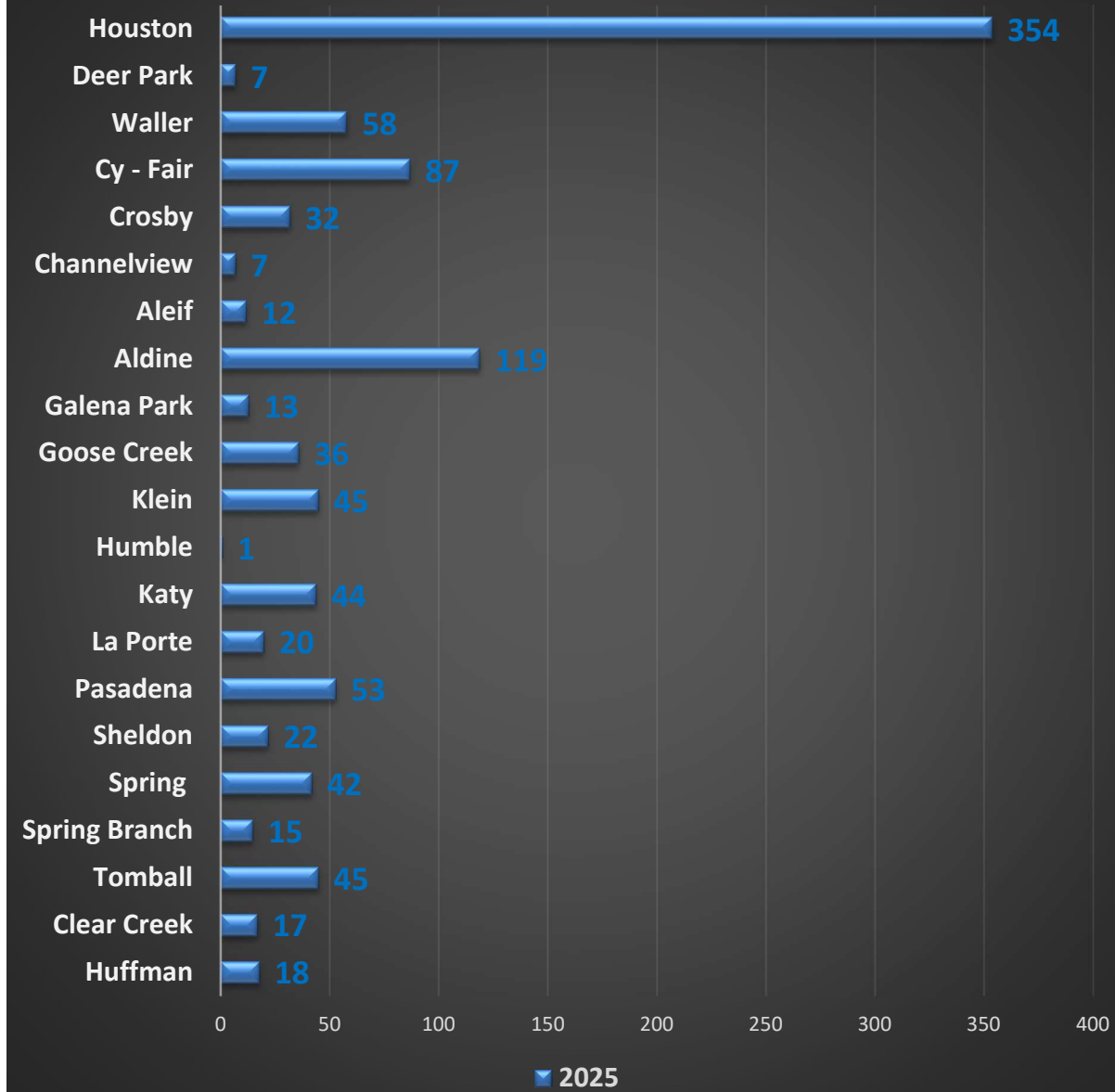
The next illustration gives a breakdown by school district of the sales activity in 2025. The illustration does not show land sizes or pricing. Some prices may be confidential and or not shared with the appraisal district due to non-disclosure laws.

As illustrated by the chart below, Houston ISD has the highest number of sales in 2025 followed by Aldine ISD and Cypress Fairbanks ISD.

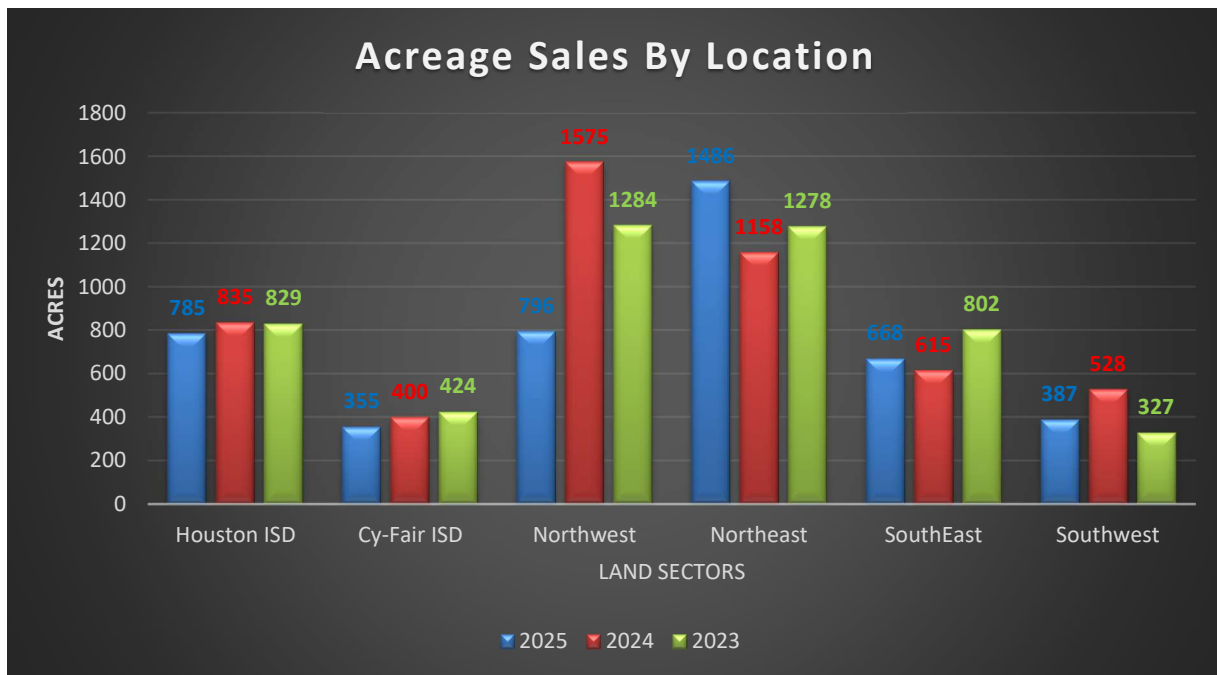
For the first time in several years, Aldine ISD has surpassed Cy-Fair ISD in sales activity. Aldine ISD’s proximity within Harris County plays a key part in driving the strong sales activity. Major transit routes, like Interstate Highways 45 and 69, and the George Bush Intercontinental Airport have driven the warehouse market within that area. A high concentration of large warehouses can be found here.

Cypress Fairbanks is the second largest school district in Harris County. It was once considered the fastest growing school district in Harris County. This area has been ripe with residential, commercial and industrial growth in the past and is still expanding. The area was mostly agricultural at one point and has been transformed into sprawling neighborhoods with a healthy mix of commercial and industrial. The sales decline can probably be attributed to the market slowing in residential building and high interest rates.

## 2025 Commercial Vacant Land Sales by ISD



Source: Harris Central Appraisal District Sales Ratio Analysis



*Source: Harris Central Appraisal District Custom CAMA Real Estate System*

The chart above gives a breakdown of the acreage sold within the county over the past three years. The illustration shows a decline in the amount of acreage sold in most of the county from 2023 to 2025.

The northeast and northwest sectors are doing better, with volume of acres sold, than rest of the county. The Aldine school district is in the northeast sector. This ISD had a high volume of sales this year.

This activity by volume shows the direction of growth is moving to the north side of the county. Investors are finding viable tracts for development in these areas.

It should be noted that interest rates for commercial land loans can vary significantly based on the type of loan, the property's location, and the borrower's creditworthiness. Here are some key points to consider:

- Commercial mortgage rates start at 5.17% as of January 7, 2026, influenced by key benchmarks like the 5-year Treasury at 3.694% and the 10-year Treasury at 4.142%.
- Commercial loan rates range from 5.07% to 12.75%, depending on the loan product and other underwriting factors.
- Commercial real estate loan rates for 2025 range from around 5% to 14%, with rates varying based on loan type, property, and creditworthiness.
- Commercial real estate interest rates as of May 2025 range from approximately 5.75% to 15.25%, with conventional loan rates typically falling between 6.10% and 10.75%.

These rates are subject to change and should be confirmed with the lender for the most current information. It's important to consider the impact of these rates on real estate investment and financial planning.

The commercial real estate market in Harris County is a dynamic and evolving landscape, with opportunities for growth and investment across different sectors. Whether you're looking to buy,

sell, or lease commercial real estate, the market in Harris County offers a promising environment for commercial land sales activity.

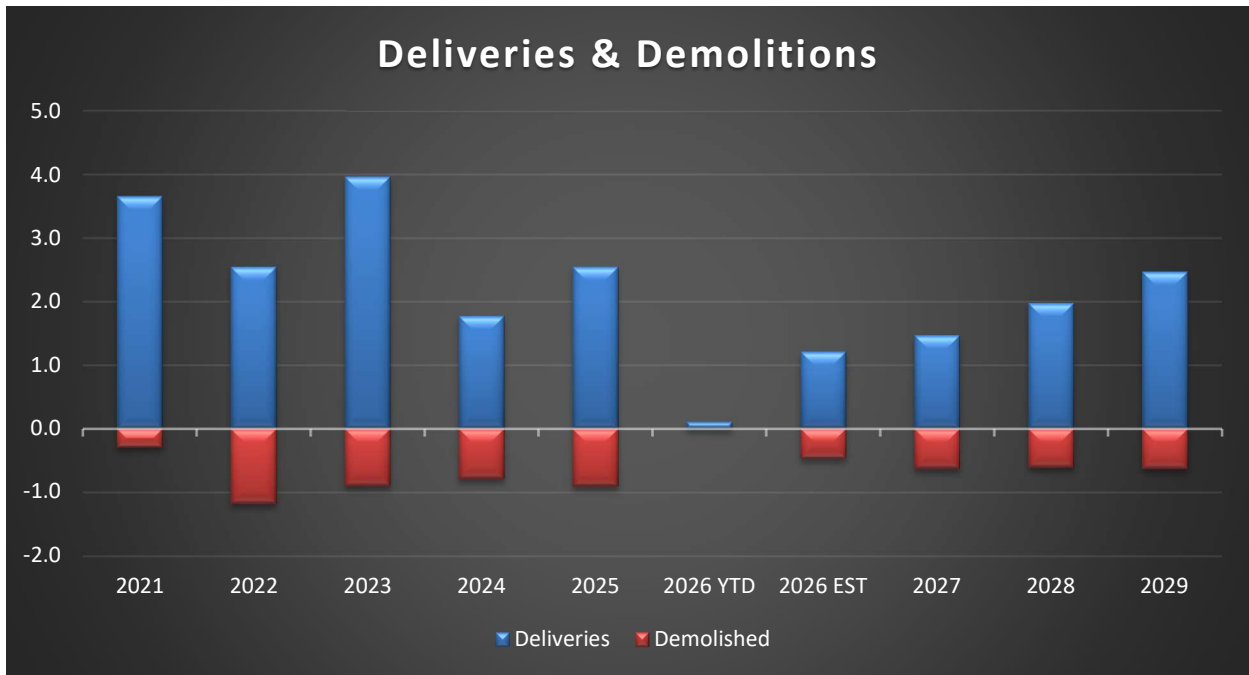
**OFFICE MARKET**

In the first three quarters of 2025, Houston Office market is one of three markets, including Dallas and New York, which reported positive absorption. Leading that positive absorption is the well-performing new Class A office buildings built after 2010. The flight to quality trend is a strong driver in the positive absorption. Along with reporting a positive net absorption, there has also been an increasing trend in rental rates. Class B and C office buildings are still experiencing loss of tenants, higher vacancy rates, and stagnate rental rate growth.

<b>12 Mo Deliveries in SF</b>	<b>12 Mo Net Absorption in SF</b>	<b>Vacancy Rate</b>	<b>Market Asking Rent Growth</b>
2.3M	1.8M	19.8%	1.0%

*Source: CoStar*

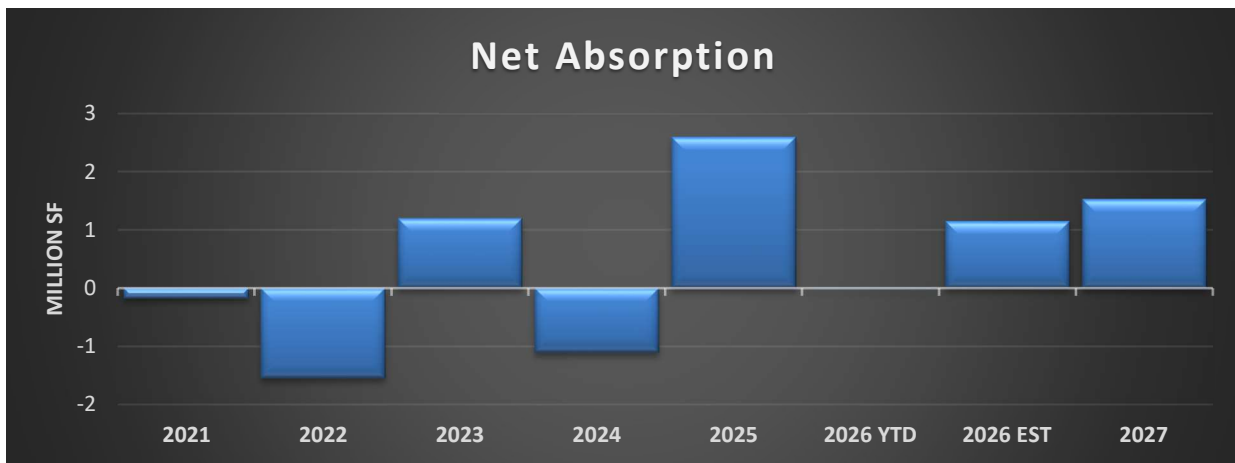
Compared to prior years, deliveries have increased from the reported 1.5 million square feet, to roughly 800,000 square feet more this year, by a total of 23 million square feet. In addition, there has been an increase in construction, with 1.7 million square feet underway, and an increase from 1.5 million square feet reported last year. Leading this increase in deliveries and construction are the higher tiered, highly specific, space with superior amenities. At least 70% of the space has been pre-leased. Those new deliveries coming online, with over 70% pre-leased space, seem to be concentrated in supporting mixed-use areas, such as City Centre Houston, which is sandwiched between downtown accessibility and the fast-growing suburban area to the west. A demand for medical and biomedical spaces is also creating a slight impact on the increase in deliveries.



Source: CoStar

## Leasing

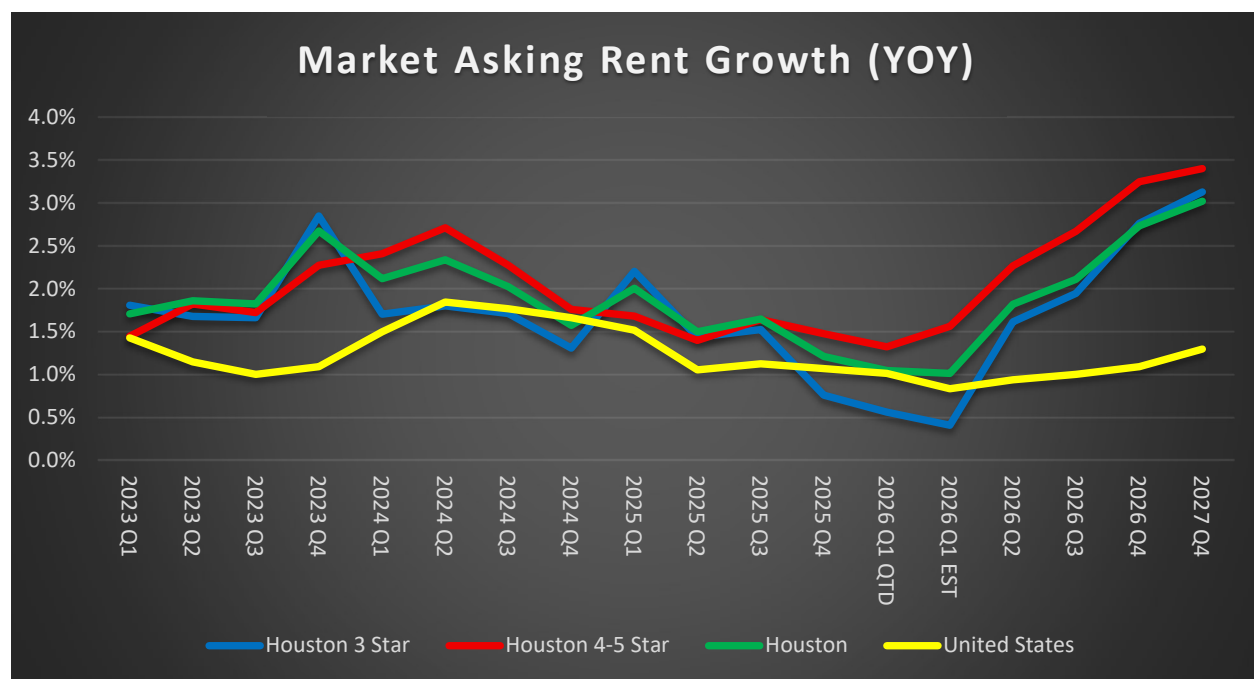
Newly signed leasing activity fell to a five-year low. Subleasing space is also on the decline, as larger firms are reducing footprints and are reluctant to extend lease commitments. Within distinctive market areas, the Katy Freeway East and Beltway 8 areas standing at nearly half the vacancies as the whole of Houston, at just 11% reported vacancy. Then we have a stark comparison of Greenspoint/ N. Beltway West submarket, where most of the inventory is built prior to the 1990s, with the highest vacancy level reaching 43%. Houston’s overall office vacancy is expected to remain high but stable, given less than 25% of leases signed prior to 2020, and with most of the downsizing have already occurred.



Source: CoStar

## Rents

Over the past four years with the amount of available space in older buildings compared to the dwindling amount of available space in premium buildings, rents have remained nearly flat, yet in marginally positive territory. Katy Freeway East, most specifically CityCenter Houston and Memorial City area, have seen rental rates increase of 10-20% over the 18-month period. This is the same area where vacancy is noted to be about half of the Houston average. The highest rents continue to be found in CBD with the trophy assets A++ properties, ranging from \$37 -50nnn asking rents. Overall, with record vacancy rates, especially among the older class B buildings, tenants still have the leverage, whether it be in terms of higher TI packages, or longer free rent concessions.



Source: CoStar

## Sales

The 2025 sales trends seem reflective of 2024 recovery trend in terms of sales volume with most of the participants being private buyers and owner users, with institutional buyers and leading being more selective and cautious in the office market. Private investors and owner-users have been able to take advantage of current market vacancy, translated in terms of heavily discounted assets, many of which are well below replacement cost. With typical highly vacant buildings sales range between \$40-50 per square foot, these assets will continue to attract opportunistic buyers targeting redevelopment projects or longer-term holds. Many of which may be able to take advantage of these acquired assets below replacement cost and afford to lower rental rates, to lease up these near vacant buildings. The future sales bargains may yet reach bottom, with many loan maturities coming through 2027, and delinquency rates near 11%. Given the current vacancy, rental, and leasing trends sales volume seem to indicate investors are cautiously optimistic and private investors may end up being the key participants.

## ***MEDICAL OFFICE MARKET***

Houston is home to the largest medical complex in the world known as the Texas Medical Center (TMC). It is at the forefront of advancing life sciences. The TMC ranks as the 8th largest business district in the U.S. and is one of the largest employers in Houston. According to the TMC, there is \$3 billion in construction projects underway, including the on-going development of TMC3, a 37-acre biomedical research campus. Due to an aging baby-boomer generation and a growing Houston population, healthcare continues to be one of the fastest growth industries in Houston.

The healthcare landscape is undergoing a dramatic shift, driven by patient demand for convenient, accessible, and cost-effective care. At the forefront of the transformation are Urgent Care Centers (UCC), which offers immediate treatment for non-life-threatening illnesses and injuries without the wait times associated with traditional emergency rooms. Healthcare providers have added outpatient space and have increasingly taken on retail space as part of the outpatient clinic real estate strategy, particularly in Houston's fast-growing suburban submarkets. With these trending demographics, medical office buildings are viewed by investors as safe-haven assets.

Major health systems continue to expand their facilities both on campus and off campus outpatient settings to accommodate Houston's expanding population. Demand is strongest in suburban markets where new supply has been concentrated. Areas such as Katy, Cypress, Sugar Land and Shenandoah lead regional absorption, driven by recent completions of several large-scale projects such as Memorial Hermann Medical Plazas and Kelsey-Seybold facilities exceeding 100,000 square feet, according to CoStar.

Strong leasing activity has kept pace with new deliveries, pushing occupancy higher both quarter over quarter, and year over year. Occupancy increased by 120 basis points to 89.8%, up from 88.6% in the second half of 2024: supported by a positive net absorption of 342,580 square feet, outpacing the 90,532 square feet of new deliveries. Deliveries dropped from 936,633 square feet completed in the first half of 2024.

Asking rents continue to rise, with the average NNN rental rate now at \$24.15 per square foot, up from \$23.70 at year-end 2024 and \$23.37 at mid-end 2024.

### **Market Indicators**

<b>Unemployment Rate</b>	<b>Annual % Change in Employment</b>	<b>WTI Spot Price, U.S. benchmark for light sweet crude</b>
4.2%	1.6%	\$69

## Historic Comparison

	24H1	24H2	25H1
<b>Total Inventory</b> <i>(in Thousands SF)</i>	46,154.4	46,462.4	46,552.9
<b>New Supply</b> <i>(in Thousands SF)</i>	936.6	311.1	90.5
<b>Net Absorption</b> <i>(in Thousands SF)</i>	865.7	571.5	342.6
<b>Overall Occupancy</b>	88.6%	89.2%	89.9%
<b>Under Construction</b> <i>(in Thousands SF)</i>	984.7	780.3	1,217.1
<b>Overall Asking</b> <i>Rates (NNN)</i>	\$23.27	\$23.70	\$24.15



Source: Colliers, CoStar, MSCI Real Capital Analytics, RevistaMed

MOB investment activity slowed with both the number of transactions and overall sales volume declining from the pace set in 2024. The first half of 2025 recorded 18 sales totaling \$113.3 million, representing a 53.2% drop from the 26 sales worth \$242.4 million closed during the same period in 2024. Measured against the second half of 2024, when 22 sales generated \$266.5 million, the current totals reflect a 57.5% decline in dollar volume, underscoring the market's cooling momentum.

The Houston Metro area will add 30,900 jobs in 2026, according to a forecast from the Greater Houston Partnership.

The report predicts the Houston area's health care sector will add 14,000 jobs next year, which would make it the No. 1 industry for local job growth. The 14,000 health care jobs would represent 45 percent of the projected 30,900 new jobs. In the 2026 job-creation column, the health care industry is followed by: Construction - addition of 6,100; Public education - addition of 5,800 jobs; Public administration - addition of 5,000 jobs.

The report says that even though the health care sector faces rising insurance costs, which might cause some people to delay or skip medical appointments, and federal changes in Medicare and Medicaid, strong demographic trends in the region will ensure health care remains "a key pillar of Houston's economy."

## ***MULTIFAMILY MARKET***

PricewaterhouseCoopers (PWC) titled their 4th Quarter 2025 Investor Survey as "Medium Risk Takes the Lead for Commercial Real Estate (CRE) Investors in 2026." Also, from PWC, "Investor sentiment ... reflects a generally cautious yet selective appetite for risk heading into 2026."

In 2024, demand in Houston's Multifamily market moderately improved. However, for 2025, market activity appeared to be somewhat cautious with a shift in property performance dynamics due to unpredictability in the market and economy. Rather than adjusting Market Rents downward, higher Concessions were given instead. Any significant decrease in Rents would have had an impact on existing and/or renewal leases. As a result, not only did the Market Rents overall decrease only slightly, but Absorption and associated Occupancy made significant gains.

After unprecedented positive rent growth in the "Rent Explosion" in 2021 into 2022 [14.1% and 5.3% respectfully], new construction increased dramatically to meet the pent-up demand from low new construction counts during Covid.

After that time, the supply of financing started to become exceedingly more restricted and limit due to a "fractured capital" market. Price inflation and associated increased interest rates pressuring financial institutions' operation are the likely cause of this situation. The lack of financing for purchase or mortgage renewals became difficult, often with lower Loan-To-Value percentage requirements.

Market Rents increased by +0.9% for 2023 and +1.0% for 2024 but decreased -1.5% for 2025 (according to MRI/Apartment Data Services) which is at its lowest level since 2020 and is underperforming the market's 10-year average of 2.7%. A fluctuation of 1.5% over the last two years indicates some stability. As / the Market Rents, average unit monthly rent ranged from \$1,250 to \$1,276 per month over the last three (3) years, and similarly the Rate/SF/month was between \$1.402 to \$1.426 over the same time, showing stability with slight changes in Rents.

Average asking rents of \$1,258 per month in Houston are about -7.5% below Austin and roughly -10.5% below Dallas-Fort Worth. The Houston Multifamily market is outperforming all three of its Texas Triangle peers, Austin, Dallas-Fort Worth, and San Antonio, which are all currently posting annual rent losses of -3.1% to -6.3%. These markets are all contending with more elevated amounts of new supply in terms of percentage of inventory than Houston. Looking ahead, stabilized performance in Houston is anticipated to continue into 2026 to 2029. [see "Vacancy" graph]. PricewaterhouseCoopers indicates that the Multifamily market in Houston was in Recession mode for 2025, while their projection is that it will be in Full Recovery for 2026 and 2027 going into the beginning of Expansion phase in 2028. Over the past decade, Houston's multifamily stock has expanded by 25%.

Inflation hit its peak nationally in June 2022 at 9.1%. By June 2024, the Inflation rate never exceeded 3.0% to date, with Jan 2025 at 3.0% and Dec at 2.6%. However, interest rates remain high as the Federal Reserve is targeting 2.0% as the annual inflation rate.

Interest rates increased for commercial and residential real estate, pressuring an increase in capitalization rates, affecting values. Properties that were purchased at the height of the market before Covid at low cap rates, now had buyers wanting to trade at a higher cap rate, accordingly.

Overall Capitalization Rates (OAR) for Multifamily in Houston, according to PwC, for 4<sup>th</sup> Quarter 2025 ranged between 4.00% to 6.50%, for an average of 5.23% nationally at the start of 2026, down from 5.54% for January 2025. For the Southeast region, the average cap rate was 5.48%, up from 5.15% the year before. Please note that these cap rates are OAR and already include property tax expense in the Total Operating Expense.

The average National Debt Service (Interest) Rate for apartment projects, according to PwC, was 6.38% at the start of 2026, down from 6.68% the year previous. That compares to 6.03% for the Southeast region, Texas included. Loan-to-Value Debt Percentages ranged 40% to 80% nationally, and 55% to 75% for Southeast Region, averaging around 63% financing for both.

### Capital Markets Multifamily Overview

Asset Value	12 Mo Sales Volume	Market Cap Rate	Mkt Sale Price/Unit Chg (YOY)
\$112.6B	\$661.9M	6.6%	1.1%

*Source: CoStar, Multi-Family Capital Markets Report, Jan 26*

12 Mo Sales Volume	Total	Lowest	Highest	12 Mo Sales Price	Average	Lowest	Highest	Market
<b>Transactions</b>	291	—	-	<b>Cap Rate</b>	7.3%	5.0%	11.3%	6.6%
<b>Sales Volume</b>	\$661.9M	\$375K	\$77.9M	<b>Sale Price /Unit</b>	\$15K	\$6K	\$262.5K	\$149.6K
<b>Properties Sold</b>	268	—	-	<b>Sale Price</b>	\$18.9M	\$375K	\$77.9M	-
<b>Transacted Units</b>	44.2K	4	812	<b>Sale vs Asking Price</b>	-5.4%	-16.6%	1.8%	-
<b>Average Units</b>	151	4	812	<b>% Leased at Sale</b>	89.6%	0%	100%	-

Major world events and almost daily changes in economic and political policies and actions of the current US Administration have created a “wait and see” caution in the investment market, diverting the supply of capital to alternative investments. Recent astronomical returns in the Stock Market and in Gold & Silver have shifted investment away from commercial real estate, including Multifamily. The Dow Jones Industrial Average increased from 33,147 at the start of 2023 to 43,157 (a 46% increase) over a 3-year period. Then in the first 20 days of 2026, it increased +12% in that short time to 48,489. Gold was \$1,928 an oz. on 1/1/23, rising unbelievably to \$4,315 on 1/1/26. In 20 days, Gold closed at \$4,861 for an appreciation of 12.6%. The more affordable investment of Silver, at \$23.68/oz. on 1/1/23 and \$71.30 on 1/1/26, increased 33% in just 20 days to \$94.82. Although many of the companies owning Multifamily in Houston have shares available on the Stock Market, “stand alone” Apartment operations will need to compete with alternative investments to attract capital and sales activity.

With the difficulty in obtaining or retaining financing, buyer and seller expectations would not meet, resulting in a lack of transaction activity and some decrease in property values.

As a result, in 2023 and now into 2026, the market has seen a decrease in market/sales activity from typical levels, viewed as being in a “holding” period, with the few sales that occurred often considered to be distressed sales.

The commercial real estate market appears to have stabilized and adapted to the new environment in 2024 going into the current year. Per CoStar, the sales volume of Multifamily in Houston in 2025 was 268 properties, highest sale price of \$78 million, for a total volume of \$662 million, with an average sale price of \$15,000 per unit. The year before, 201 properties sold, highest at \$214 million, \$1.1 billion in sales volume, with average sale price per unit at \$39,000. Typically, average price per unit is around \$138,000 with better quality properties at around \$158,000/unit. For both years, the cap rate was 6.6%. The sales data indicated suggests most properties sold were of the lower Class or Value-Added market which reflects a “hold” market.

According to CoStar, “In the current high-interest rate environment, private investors, who are typically less dependent on debt than institutional capital, are driving investment activity, often targeting lower-priced assets.” Two markets are evident in Houston, Class A & B as Investment grade properties, and Class C & D for Value-added properties, much like Residential “fix and flip” where the properties are bought in dated condition, renovated, rebranded then stabilized at higher Class rents to be sold on higher rents and lower cap rates.

Some affordable submarkets as well as Houston’s Downtown have been among the top performers in the past 12 months. For the last Quarter of 2024, the Downtown had a 6.6% annually calculated Rental Rate Growth, followed by Westpark/Bissonnet at 4.8% and NE Houston/Crosby at 3.2%. Meanwhile, for the same period, higher priced central areas like The Heights at -14.4%, Highland/Upper Kirby -13.2% and Montrose-Museum-Midtown -12.7% contending with more new supply have posted rent losses during this time. Of the 36 Multifamily Economic Areas in Houston, 11 had positive rent growth over the past year.

## Key Houston Multifamily Indicators - 2026

	<b>Overall</b>	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>
<b># of Properties</b>	3,324	808	1,252	882	382
<b># of Units</b>	789,280	208,366	302,311	211,382	67,169
<b>Avg Price (\$/mo.)</b>	\$1,258	\$1,704	\$1,252	\$982	\$784
<b>Avg Rate (\$/sf/mo.)</b>	1.404	1.797	1.391	1.151	0.912
<b>Occupancy</b>	90.4%	90.2%	92.3%	92.5%	89.8%

*Occupancy: Class A & B as Stabilized only.*

*Source: MRI – Apartment Data Services, January 2026*

<b>Trends</b>	<b>Past 3 months</b>	<b>Past 6 months</b>	<b>Past 12 months</b>
<b>Rental Rate Growth (annualized)</b>	-4.9%	-3.5%	-1.0%
<b>Absorption (units)</b>	3,749	14,582	26,614

Leasing momentum improved throughout 2025 (increase in Absorption), while new construction has decreased significantly. In April 2024, there were 21,727 new units under construction, and for January 2026 it was down to 9,329 units. When looking at annual figures considering four quarters of 2025, an astounding net of 26,510 units were absorbed. versus 10,805 units in 2023. In turn, Houston's current overall vacancy rate of 9.6% is better than its 10-year average of 11.7%. It appears that Class A tenants may be considering Class B rental to address the affordability issue. However, vacancies for stabilized Class A average 9.8% while Class B is at 9.0%, and Class C at 7.7% (last year 9.7%), according to MRI/ADS.

Lower-income households have been under significant stress because of inflation concerns and notable rent increases, which has led some to seek alternative housing choices such as moving in with relatives or finding a roommate. While the Fed has made progress in its effort to curb inflation, the most recent available inflation data in Metro Houston has at inflation at 1.6% for 2025, well below the nation's current inflation rate of 2.7%. and the historic 2% seen over the past 20 years. More importantly, core inflation, which excludes food and energy due to their volatility and measures price changes like housing, medical and transportation, started 2025 at 1.3% in Houston, well below 2024 at 4.0%.

Typically, the Houston Multifamily market requires 10,000 to 15,000 new construction units to meet demand in a stable market. In the chart above, year-to-year absorption increased significantly each year.

Nevertheless, new deliveries (17,161) in Houston decreased from the previous year (26,304). But more significantly, the supply of new units, those under construction is down 32%, due to the

recent “hold” in new construction due to financing challenges and high interest rates, the supply wave and rent growth may moderately increase through most of 2026, with Houston in a Multi-family Recovery phase 2026 and 2027, and then initial stages of an Expansion phase in 2028 (according to PwC).

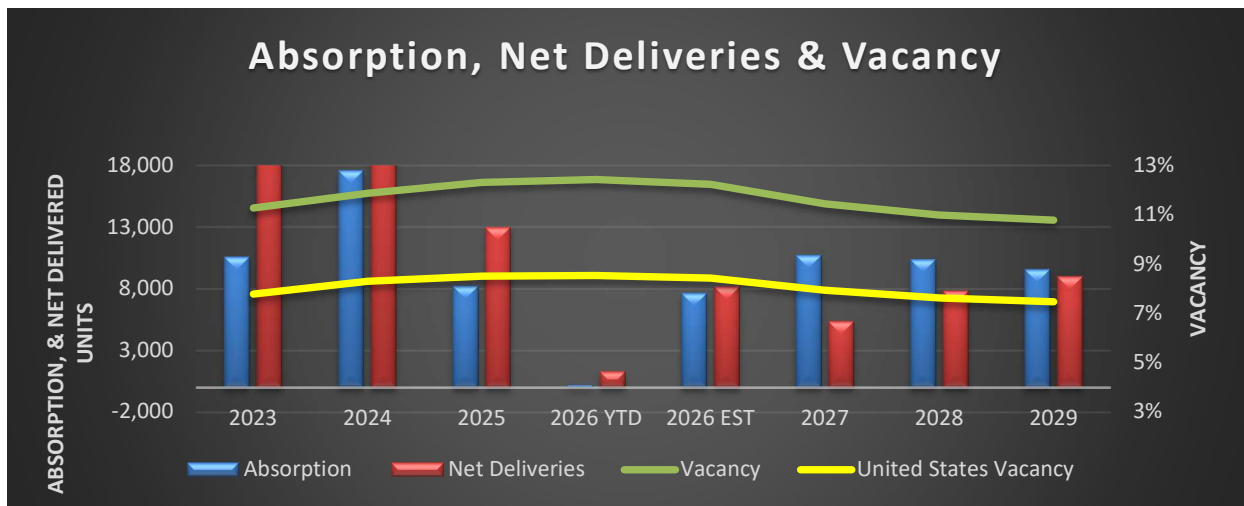
Continually developing suburban areas in Houston to the northwest and west, as well as areas inside 610 Loop are at the forefront of construction activity. Houston’s pace of development has decreased, 1.2% of inventory is underway, compared to 2.6% at the end of 2024 meaning demand-side pressure should increase construction in the quarters ahead. This could set the stage for moderately falling vacancies and rent growth in 2026.

On the Vacancy graph below, Absorption was high and associated Vacancy was low during the Covid Rebound phase in 2021. To the beginning of 2026, Absorption and Net Deliveries could vary, at times greatly, from quarter to quarter. But after reaching a high in Vacancy at the end of 2025, forecasts indicate it should gradually decrease, noting a rise in Occupancy. Absorption and Net Deliveries are forecasted to level out and be more consistent to 2030.

Harris County Multifamily Metrics

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>	<b>2026</b>
<b>12 mo. Trailing</b>	<b>JAN</b>	<b>JAN</b>	<b>JAN</b>	<b>JUN</b>	<b>JAN</b>
<b>Under Construction</b>	19,585	21,857	13,769	9,978	9,329
<b>Recently Opened</b>	20,137	24,485	26,304	23,249	17,161
<b>Absorption</b>	4,439	10,805	18,768	22,004	26,510
<b>Opened/Absorb</b>	4.54	2.27	1.40	1.06	0.65
<b>Under Construction/Absorption</b>	4.41	2.02	0.73	0.45	0.35
<b>Price/Month</b>	\$1,250	\$1,261	\$1,274	\$1,277	\$1,258
<b>Rate/Month</b>	\$1,404	\$1,410	\$1,423	\$1,427	\$1,403
<b>Rent Growth</b>	5.3%	0.9%	1.0%	-0.7%	-1.5%

*Source: MRI (Apartment Data Services)*



Vacancies are lower in workforce, housing-heavy areas like Northeast Houston, where supply pressure has been minimal. CoStar does not anticipate the vacancy rate to rise much further in the next couple of years, having attained stabilized occupancies over the 90% range. The long-term outlook appears to be stable to moderately favorable. Houston regularly ranks as one of the top markets in the country for population growth, along with comparable Sun Belt metros such as Dallas-Fort Worth, Phoenix, and Atlanta. Robust net migration and household growth should continue to fuel demand for Houston-area apartments. Additionally, 20+ year high mortgage rates paired with the rapid increase in single-family home prices have raised the homeownership barrier for many households, directing new housing demand to the rental market as well as fueling greater renter retention rates.

The significant increase in property insurance expense has affected property values. Not only have premiums increased, but some properties have had to resort to having higher deductibles and/or reduced coverage. This affects the value of Multifamily, since higher expenses including inflation will decrease operation profits.

The chart below shows the overall occupancy and effective rental prices over the last 24 months. These statistics are derived from a continuous survey of all apartment communities. Effective rental prices are calculated net of concessions and utility adjustments. In this chart, 2024 shows the typical annual cycle of overall Market Rents, with a low point at year beginning, then peaking around August/September, to return down to the low point but slightly higher Year over Year from the previous year end. However, 2025 shows a higher Market Rent in January 2025 than the previous year, marginally increasing to August, then dropping significantly toward the end of the year. Market Rents will grow or increase depending on economic conditions. For example, overall Market Rents decreased on average -0.8% for 2020 Covid year but increased a record +14.1% the following year when the Covid vaccine was made available in February 2021. Note that Texas does not have Rent Controls for multifamily, significantly attracting out-of-state and international investors.

It is undisputed by market participants that construction costs have increased from previous years due to inflation, although in some instances costs have retreated from Covid high costs, depending on the type of material. This, paired with the elevated cost of debt, has made it difficult for projects to break ground. Typically, a stabilized market will see about 13,000 units under construction. The rent explosion of 2021 sparked a high level of new construction, and with the hold in the apartment market to date, the number of construction starts has reduced, while absorption increased at the end of 2025. This may improve the market in general, including rental rates and occupancy.

Concessions are generally represented by three types of specials: move-in, months free or floorplan. These specials are prorated over a lease term to arrive at a percentage reduction in market or street rents. The chart below displays the concessions as of December 2025. The chart shows overall concessions and a breakdown by class of property.



Source: MRI – Apartment Data Services, January 2026 \*Statistics derived from a continuous survey of all apartment communities. Effective rental prices are calculated net of concessions and utility adjustments.

### Concessions

Class	Total Units offering Concessions	% of Total Units	Citywide Effect	ONLY Properties with Concessions, % Effect of Concessions
All	375,831	48% (1/2)	-4.7%	-9.2%
A	137,456	66% (2/3)	-7.2%	-11.0%
B	142,850	47% (1/2)	-3.6%	-7.6%
C	82,462	39% (2/5)	-3.0%	-7.5%
D	13,063	19% (1/5)	-1.5%	-7.6%

Although the market has wavered substantially over the past few years, the long-term drivers supporting Houston's multifamily market remain sound: nation leading population growth, a diversifying economy, and average rents of \$1,258/month, which remains below national rates and Sun Belt competitors such as Austin, Atlanta, and Miami. Long-term stakeholders within the Houston multifamily market remain positive in its outlook.

Although it came down marginally earlier in 2024 and into 2025, high mortgage rates paired with higher single-family home prices may continue to shift the housing demand toward the rental market. The Houston Apartment Association has indicated that at the start of 2026, renewal rates were flat, and that new leases have moderately lower market rents.

“Long-term, buyers generally remain optimistic about the outlook for Houston’s multifamily market. As the 4th most populous city in the US, Houston’s high growth nature should continue to attract students to its 14 major colleges and universities, young professionals to the energy sector and rapidly growing healthcare and biomedical research sectors, and families due to its affordability compared to DFW and Austin,” according to CoStar.

Exponentially developing A.I., technology advancements, immigration policy adjustment, international geopolitical changes and trade will continue to greatly affect the nation’s evolving economy and market. Prospects for the Multifamily market in the Houston area at this early stage of the new political and associated economic environment are regarded to be stable with moderately promising optimism.

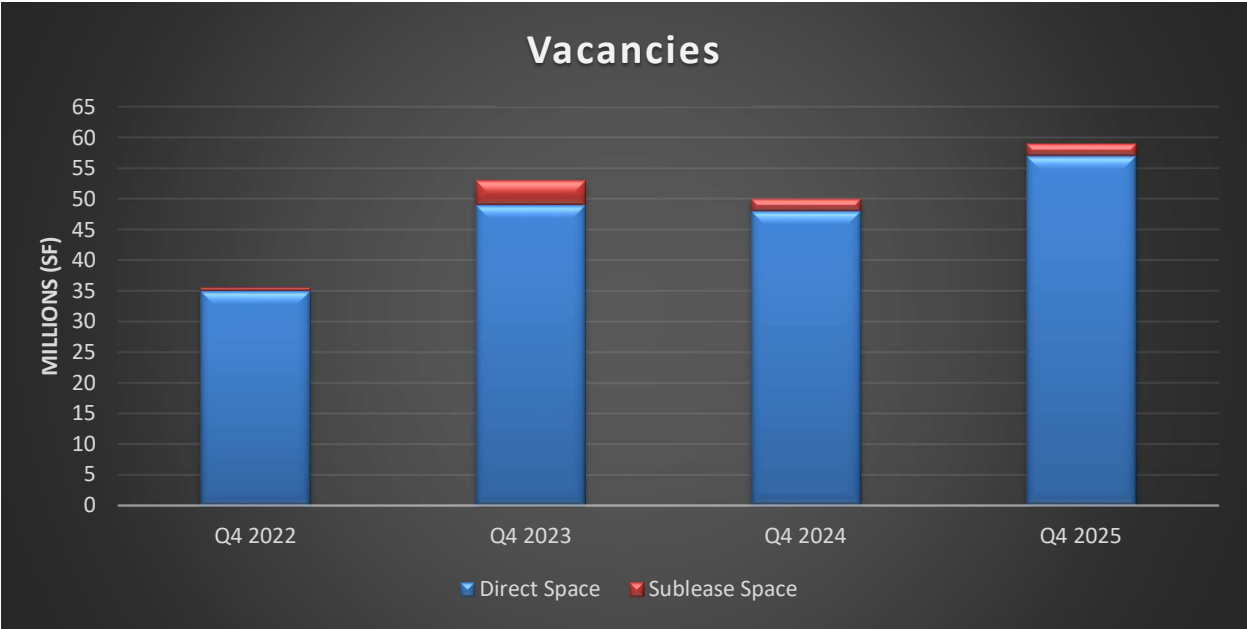
## ***WAREHOUSE MARKET***

The Houston Industrial Market demonstrated resilience and stability in 2025, despite challenges such as slowing leasing activity and a declining construction pipeline. With strong net absorption, a slight decrease in vacancy rates, and steady rental growth, Houston solidified its position as a key hub for industrial activity.

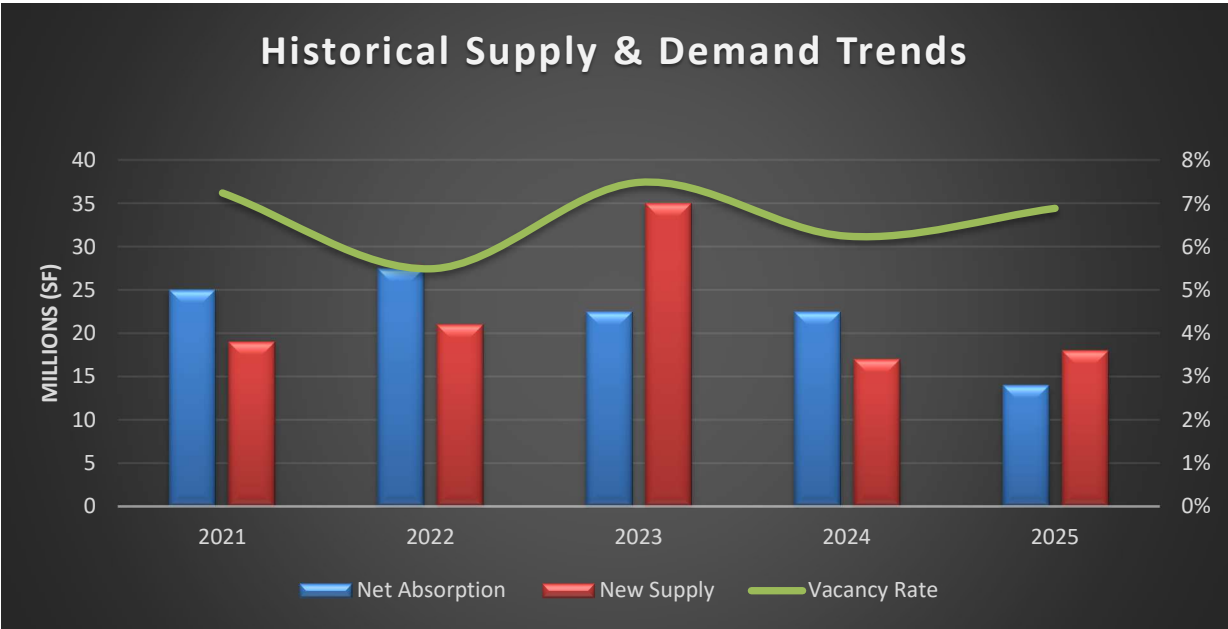
Fourth quarter (Q4) 2025 net absorption varied across reports but remained positive, with reports ranging from 12.9 million sq. ft. (Oxford) to 14.1 million sq. ft. (Transwestern).

Vacancy rates decreased slightly, ending the year at 7% (Oxford) or 7.4% (Partners and Colliers), driven by constrained supply and consistent demand. Direct vacancy rates in specific submarkets remained low, particularly for manufacturing and warehouse/distribution spaces at 2.3% and 7.4% respectively. Year-over-Year overall vacancy is up by 80 basis points to 7.4%. (Partners)

Lower vacancy rates reflect the slowdown in construction in 2025 that marked the end of a major development wave between 2020 and 2024, where the metro marked 5 consecutive years of record new deliveries. The construction pipeline remained relatively flat, increasing to 24.6 million square feet, a 0.7% increase from 24.4 million square feet in Q3 2025. Deliveries decreased by 4.5% to 4.3 million square feet in Q4 2025 from 4.5 million in the previous quarter. Year-over-year deliveries increased 76.6% from 2.4 million square feet in Q4 2024. The lack of entitled properties in the greater Houston MSA continues to constrain supply growth, maintaining market equilibrium despite rising demand.



Source: CoStar, Partners Research



Source: Jones Lang Lasalle IP, INC. 2026

Average asking rents increased slightly (2.6%), reaching \$0.89 per square feet monthly, reaching a record high for Houston’s industrial sector (Partners). Rent growth was primarily observed in warehouse/distribution and Flex/R&D spaces.



Source: Partners

## Investment Activity

According to CoStar, in the fourth quarter of 2025, 318 Industrial and Flex properties totaling 15.2 million sq. ft. sold for a total sales volume of \$188 million. Following Foxconn’s plan to invest \$450M in the region announced during the second quarter, additional news this quarter was Apple’s August release stating it would add \$100 billion to an already planned \$500 billion investment plan with part of this planned investment to produce advanced servers going towards a 250,000 SF server Houston manufacturing facility. Mass production is set to take place here starting in 2026.

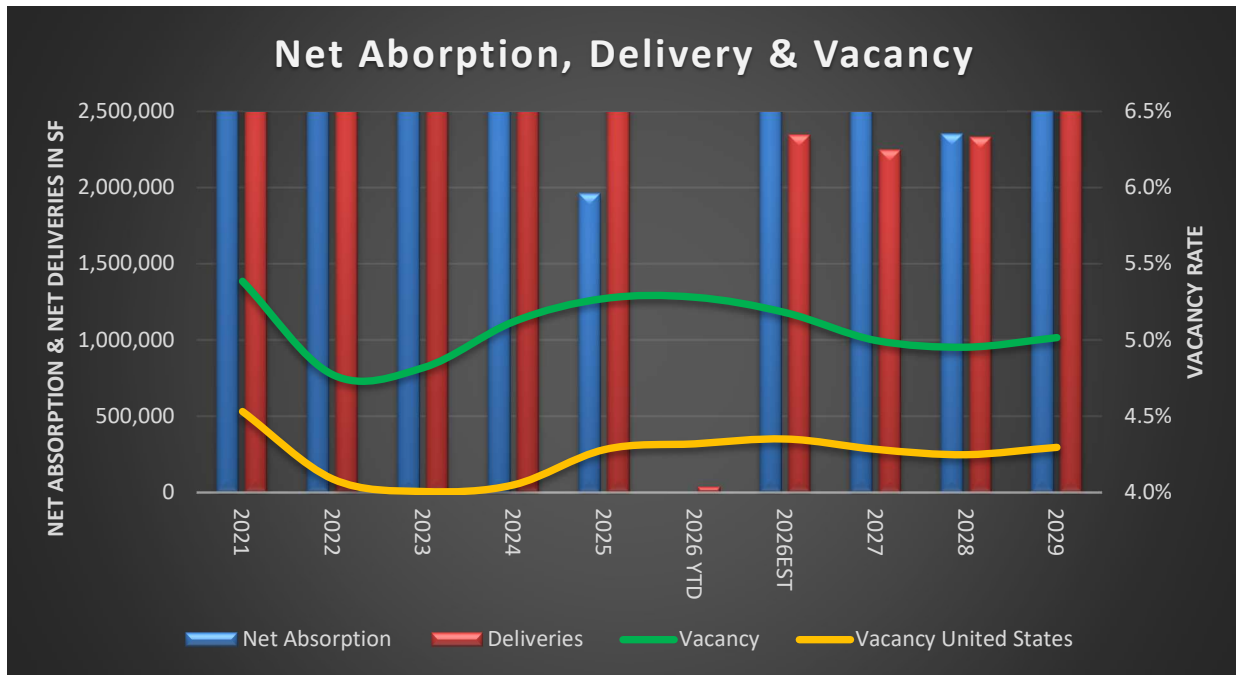
## ***RETAIL MARKET***

Retail demand in Houston continues to be resilient yet shows a growing divide: while older properties have availability, newer spaces are increasingly scarce. Absorption rebounded strongly in the third quarter of 2025, as big-box bankruptcies slowed down and tenants backfilled vacant space. Rising concerns regarding inflation and tariffs have resulted in a more bearish near-term outlook for the consumer and the broader economy. Still, first generation space in Houston's most highly sought-after locations should continue to perform well, especially as new supply slows sharply. Rent growth in Houston's retail market has been slowing for the past two and a half years, and today, rents are up 1.5% year-over-year. Vacancy rates continue to hold steady year-over-year.

## Net Absorption & Leasing Activity

Absorption rebounded well in the third quarter of 2025. After averaging almost 2 million SF per quarter over the past year, move-outs fell 7% in the third quarter to 1.8 million SF. At the same time, move-ins accelerated by 15% to 2.2 million SF. Some of the largest move-ins were in newly delivered expanding chains like HEB, Walmart, and Home Depot, chasing rooftop growth. Market participants note that the market feels incredibly tight. While on the rise, availability remains 30

bps below the 10-year trailing average of 6.1%. The median time to lease is at just 7.4 months, down from the 2015-2019 average of nine months.



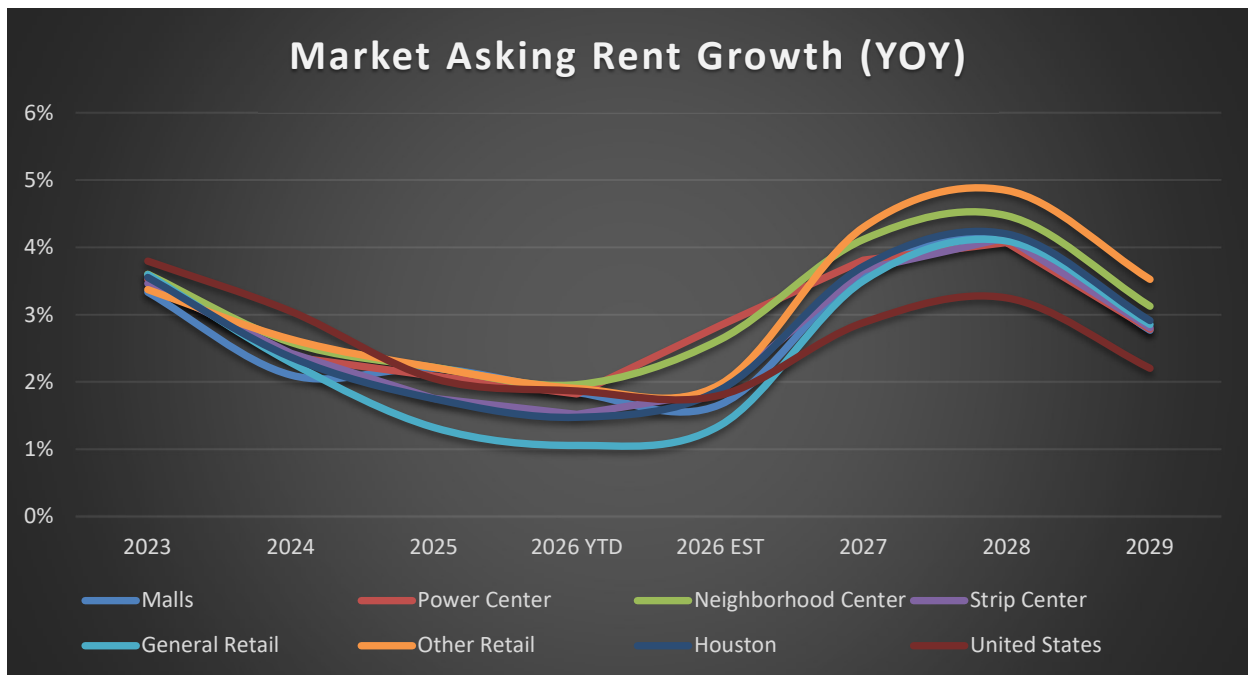
Source: CoStar

## Vacancy Rate

Overall vacancy remained stable at 5.3%. Retail ANCR centers maintained their previous occupancy rates while the strip centers saw an overall improvement to their vacancy. This tracks with data that has been collected from the market as the strip centers are seen as a safer investment than the ANCR centers. Submarkets continue to record vacancy rates below the market average due to strong tenant demand near fast growing residential neighborhoods. Areas such as Memorial, and the Galleria continue to show a high occupancy and growth.

## Rental Rates

Rent growth in Houston's retail market has been slowing for the past two and a half years. Average triple net asking rents in Houston are \$24.00/SF, though they are almost \$50/SF at class A strip centers in prime suburban areas. Despite the market slowdown, many local participants describe Houston as a landlord's market. For quality space in highly sought-after locations, landlords continue to push for 3% annual escalations. All retail categories have seen rents grow, though some subtypes have performed better than others, strip centers have grown rents by 1.6%. Suburban areas leading in population and buying-power growth, like Far Katy North, have posted some of the strongest rent gains over the past year. Other areas of continued strong growth include Uptown/Galleria and Inner Loop River Oaks, coming in at more than \$50/SF.



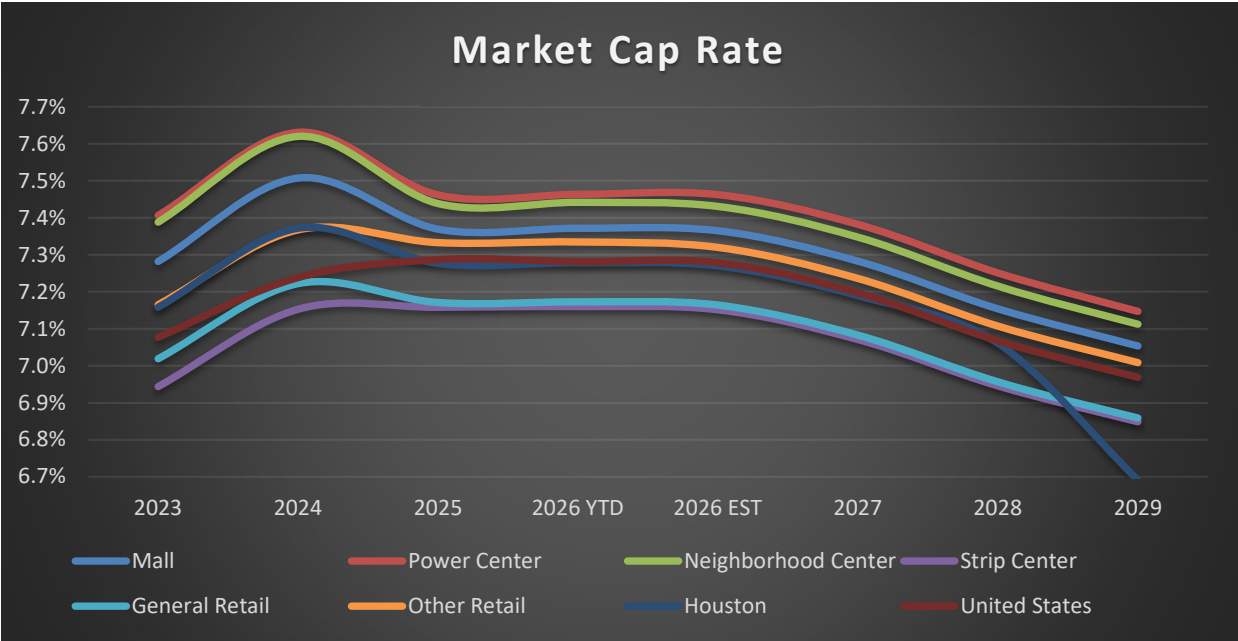
Source: CoStar

## Construction Activity

Construction starts in Houston's retail market are at record lows due to high capital and construction costs and tighter lending standards. There is 3 million SF of retail space under construction, almost half of the 2015-2019 average of 6 million SF. Roughly 75% of what is underway is pre-leased, minimizing the impact of new supply. Consistent with recent supply trends, retail projects underway are primarily smaller strip centers and pads where higher rents support new development. Meanwhile, redevelopment is more frequent in gentrifying urban areas. For example, Midway is redeveloping the former KBR shipping and industrial complex just east of Downtown. Once complete, the \$2.5 billion East River project will mark the largest single contiguous development track inside the 610 Loop, with more than 1 million SF of new construction expected to stretch around sixty (60) city blocks, including multifamily, office, retail, and restaurant space. Moving ahead, new supply is anticipated to remain far below historic norms over the next couple of years. The mismatch between construction costs and achievable rents continues to keep many speculative projects unfeasible, and this is unlikely to change anytime soon.

## Investment Activity

Local brokers note that they have been very busy in 2025, and CoStar's data echoes this. The total number of transactions during the first three quarters of 2025 was almost 50% higher than in the same period last year. Buyers and sellers are more aligned with pricing, which is helping capital flow more freely. Retail investment sales totaled \$900 million in 2025, 33% higher than the previous year. Cap rates have finally stabilized among smaller triple-net investment properties due to seller capitulation and general agreement that values have hit their nadir. Many QSR's are now trading in the 5% to 6% range, with certain new, well-located ones now slightly lower.



Source: CoStar

## Outlook for 2026

Houston continues to be one of the nation's better performing markets for employment growth. The labor market now has more than 300,000 more jobs than before the pandemic, among the strongest gains in the country. Slower demand and softening retail sales will likely keep rent growth tepid over the next few quarters though the market's highest-quality space could continue to prove the exception, especially as new supply slows sharply. Despite rising concerns over inflation and tariffs, which have contributed to a more cautious near-term economic outlook, Houston's retail market remains resilient. The sector continues to grapple with a shortage of high-quality space, and construction activity is hovering near record lows — a dynamic that supports balanced market conditions.

## HOTEL MARKET

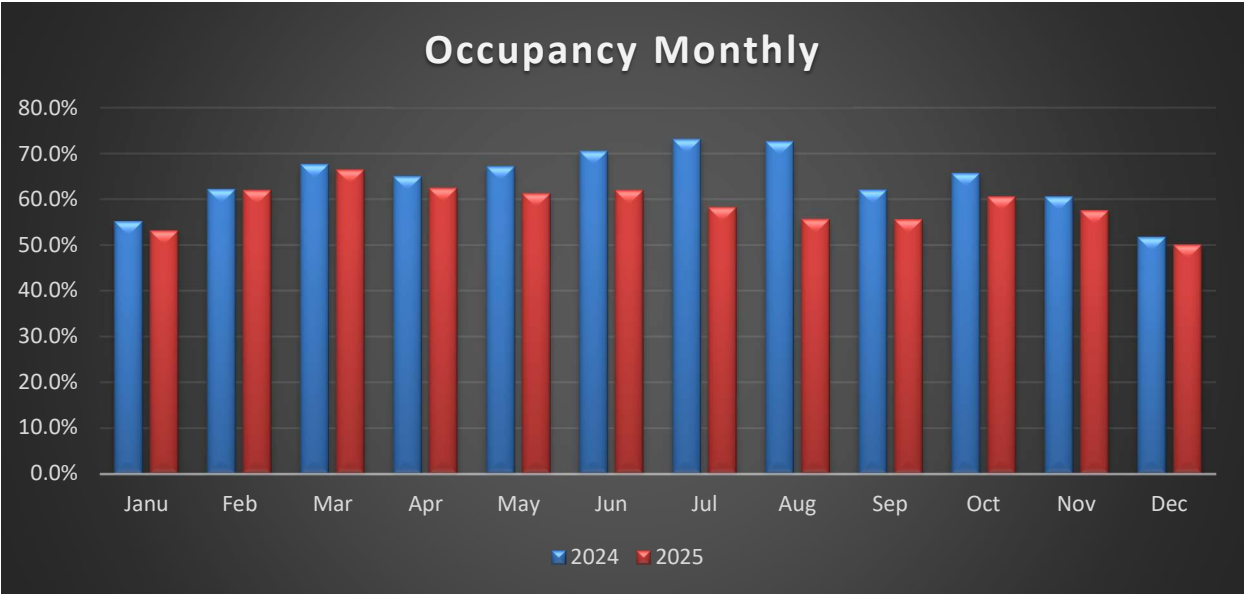
Houston's hotel market has shifted noticeably, transitioning from steady growth at the beginning of 2025 to a clear softening as occupancy gains reversed and demand contracted, despite ADR holding firm. ADR provided some stability, which captured positive demand and higher revenue. Performance varied widely by submarket: the CBD, Hobby Airport/NASA, and Galleria/Greenway Plaza were the only areas to post gains. Year-over-year comparisons require caution. Performance from early summer through Q1 2025 was elevated by the recovery from weather disruptions in 2024, notably a derecho and Hurricane Beryl, which displaced residents and brought in recovery crews, creating an atypical demand surge. These events inflated occupancy.

12 Mo Occupancy	12 Mo ADR	12 Mo RevPAR	12 Mo Supply	12 Mo Demand
59.30%	\$121	\$72	38.8M	23M

Source: CoStar

**Occupancy and Demand**

Occupancy was down 5.1 percentage points year over year. This was not unexpected however, as the summer of 2024 was elevated by the storm’s derecho and Hurricane Bery. Performance varied widely by submarket: CBD, Hobby Airport/NASA, and Galleria/Greenway Plaza were the only areas to post RevPAR gains, supported by conventions, airline crew traffic, aerospace-related travel, and premium retail-driven corporate demand. Despite normalization, Houston's hospitality sector continues to benefit from a robust calendar of events and infrastructure investments. Major conventions, including the National Association of Realtors Conference in November and others such as the UTA Oil & Gas Conference, reinforced the city's appeal for group meetings. Looking ahead, the George R. Brown Convention Center expansion and preparations for the 2026 FIFA World Cup, which will include hosting seven matches, are expected to draw international visitors to the city in June 2026.

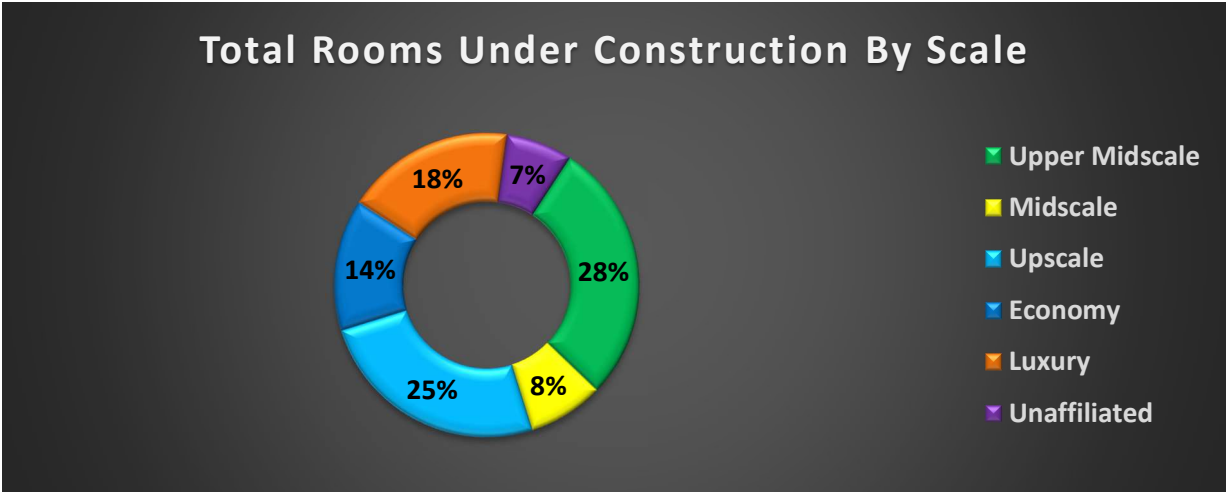


Source: CoStar

**Development and Construction**

Houston's room supply continues to increase, with an average of about 2,000 rooms added annually. As of November, there are currently 1,400 rooms under construction, primarily in the mid-tier class. It is anticipated that around 1,000 rooms will be completed by year-end 2026, with half of the new inventory expected to be delivered to the CBD and East/Baytown submarkets.

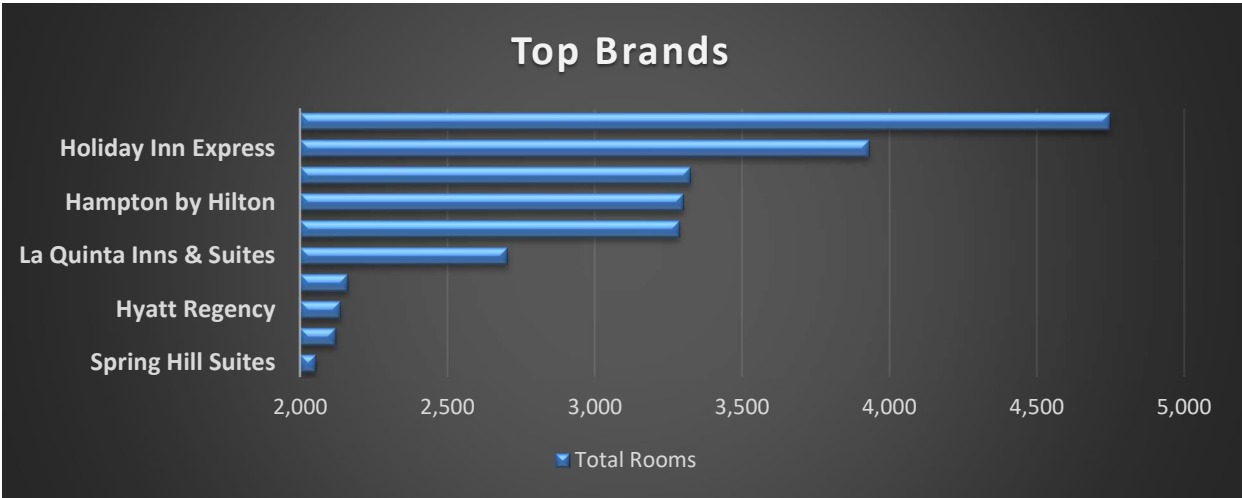
These submarkets have garnered significant interest from developers and investors. Great Wolf lodge is also complete and will be placed on an A+ model with its own unique building type.



Source: CoStar

Investment Trends

Investment activity in the Houston market has remained steady, with 81 trades recorded in 2025, compared to 144 in 2024. While the number of trades last year was higher, 2025 has continued to see investor caution, marked by higher inflation and economic uncertainty surrounding broader macroeconomic pressures, such as international trade tariffs and slower economic growth, which continue to temper transaction activity. Investor interest remains robust, driven by enduring market fundamentals, including sustained demand for conventions and conferences, as well as a wave of major corporate relocations. Earlier in 2025, Chevron relocated its headquarters from California to Houston, reinforcing the city's position as a corporate hub. Significant infrastructure projects, including ongoing expansions at George Bush Intercontinental and Hobby airports, further enhance connectivity.



Source: CoStar

## MARKET SUMMARY

In 2026, the Harris County commercial real estate market is expected to remain strong, with industrial, retail, and medical office sectors outperforming many U.S. cities due to robust population growth and business expansion. While industrial demand remains solid, vacancy rates may rise slightly due to new, high-volume deliveries, and investors will shift focus toward experiential retail, mixed-use developments, and specialized medical facilities.

### Key Takeaways


**Office:** The sector faces continued pressure, with limited rent growth due to high vacancies; however, medical office is keeping the office market afloat, accounting for a significant share of the limited construction pipeline.

**Multifamily:** Continues to be a pliant or flexible asset class as part of the broader mixed-use developments increasing in popularity.

**Warehouse:** Following a strong 2025 with over 12.6 million square feet of positive absorption, the sector remains a top performer, though new deliveries may increase vacancies.

**Retail:** The market is stabilizing, with demand driven by service-oriented, medical, and experimental tenants, like dining, fitness, entertainment, over traditional, large-format retail.

Overall, the Harris County market in 2026 is shifting from pandemic-era volatility to a more stable, albeit more competitive, landscape with strong demand for functional, modern spaces.

 <p>HARRIS CENTRAL APPRAISAL DISTRICT Texas</p> <p>we value our community</p>	<p><b>2026 Commercial Tax Base Percent Change:</b>  <i>Increase, Decrease, No Change (as of March 12, 2026)</i></p>														
	<table border="1"> <thead> <tr> <th>Parcels</th> <th>2025 Certified Value</th> <th>2026 Noticed Value Est.</th> <th>Percent Change</th> </tr> </thead> <tbody> <tr> <td>108,887</td> <td>\$242,088,934,348</td> <td>\$269,491,407,319</td> <td>10.1%</td> </tr> </tbody> </table>	Parcels	2025 Certified Value	2026 Noticed Value Est.	Percent Change	108,887	\$242,088,934,348	\$269,491,407,319	10.1%						
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# Business & Industrial Personal Property

## COMMERCIAL PERSONAL PROPERTY

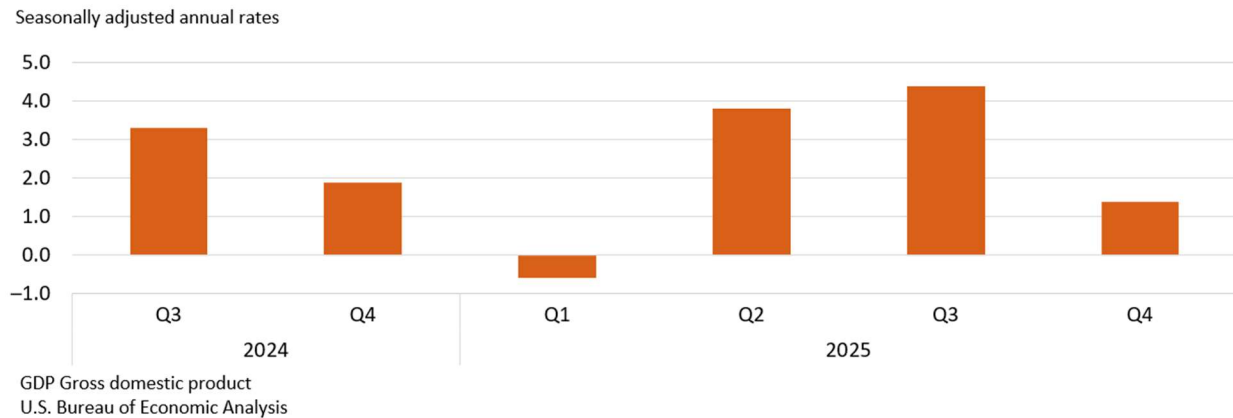
Harris County, a key economic hub in Texas, continues to experience dynamic shifts in business personal property trends driven by broader economic conditions and local market factors. In 2025, sectors such as manufacturing, retail, and energy saw increased investments in business assets, supported by stabilizing demand and pro-business policies. However, financial constraints, supply chain uncertainties, and interest rate fluctuations influenced capital expenditures, leading to cautious investment strategies among businesses.

As we move into 2026, the outlook for business personal property in Houston remains optimistic yet tempered by policy shifts and economic headwinds. This report will explore the key factors shaping market trends and their impact on business investments in the region.

### United States Economic Overview 1

The U.S. economy experienced a significant slowdown in late 2025, with annual GDP growing by 2.2%, down from 2.8% in 2024. Following strong growth in the second and third quarters, the fourth quarter of 2025 showed only 1.4% expansion, driven by a government shutdown, reduced government spending, and decreased exports.

#### Real GDP, Percent Change From Preceding Quarter



Consumer spending was a key driver of economic activity, with health care and other services among the leading contributors. However, the year concluded with a decline in government spending, as both defense and non-defense consumption expenditures for employee compensation decreased.

### Texas Economic Performance 2

Texas's economy slowed toward the end of 2025. Employment growth across the state and its major metropolitan areas declined compared with 2024, although payrolls increased in December. Private-sector hourly wages continued to rise, with wage growth exceeding inflation over the past

year. The January Texas Business Outlook Surveys signaled a strong rebound in both manufacturing and service sector activity. Meanwhile, increases in the Texas Consumer Price Index (CPI) remained modest in November.

Texas employment grew at an annualized rate of 1.7 percent in December, adding 20,200 jobs. Overall, payroll growth in 2025 remained steady following a 1.6 percent increase in 2024. Job growth during the year varied across sectors, with strong gains in construction and education and health services, while most other sectors experienced modest growth or declines. Notably, no major sector recorded job growth faster in 2025 than in the previous year.

The Texas Business Outlook Surveys indicated a sharp rebound in economic activity. The Texas Manufacturing Outlook Survey's headline index increased to 11.2 in January from 3.0 in December, while the Texas Service Sector Outlook Survey index rose to 7.8 from 0.0, suggesting an acceleration in economic activity at the start of the year.

Inflation in Texas remained subdued. In November, the 12-month increase in the Texas headline CPI was 1.1 percent. Core CPI, which excludes food and energy, rose 1.0 percent. Housing and services inflation also remained moderate, with housing prices increasing 1.3 percent and services prices rising 1.1 percent, while food prices were up 2.2 percent.

## **2026 Business Personal Property Market Outlook**

Looking ahead to 2026, the business personal property market in Harris County is expected to show slower growth and potentially a moderate decline in taxable value compared to the significant increases seen in 2025. One of the most influential factors will be the implementation of Texas House Bill 9, which increases the business personal property exemption to \$125,000 beginning in 2026. This exemption will be applied to every taxable business personal property account across the state. It is expected to significantly reduce the amount of taxable business personal property, particularly for small businesses whose total equipment and inventory values fall below the exemption threshold. As a result, appraisal districts may see a noticeable reduction in the total taxable value of business personal property even if underlying market values remain relatively stable.

Economic conditions will also continue to influence the market. In recent years, tariffs on imported goods and higher costs for raw materials such as steel and aluminum have increased the replacement cost of machinery and equipment, which is a key factor used in business personal property valuation. While these cost increases contributed to higher valuations in prior years, many businesses have responded by delaying capital expenditures or limiting equipment purchases, which could slow growth in reported business personal property values. Overall, the Harris County business personal property market in 2026 is expected to stabilize following the rapid increases of previous years, with legislative changes and cautious business investment contributing to a more moderate valuation trend.

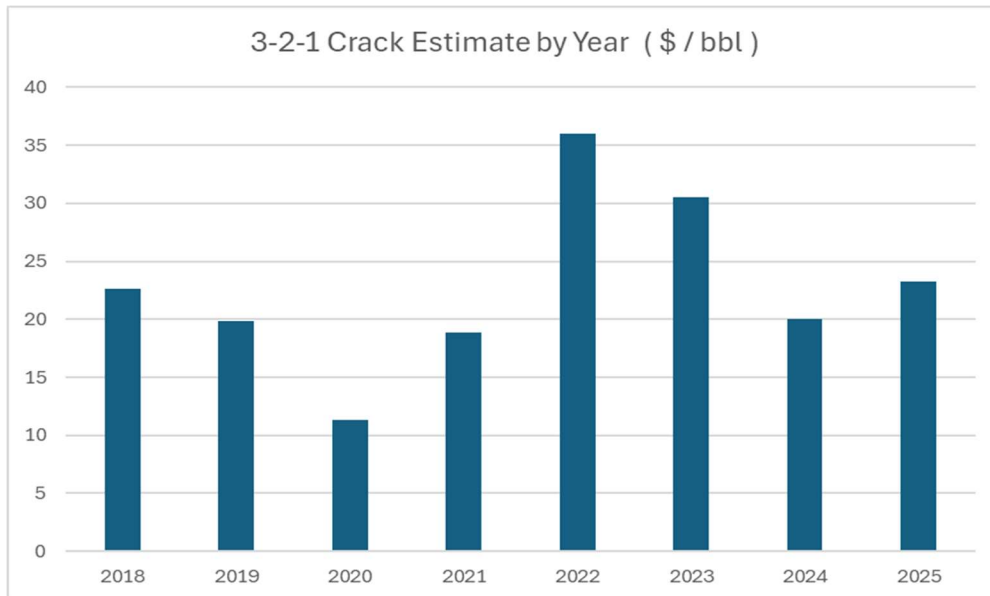
Key factors influencing business personal property trends in 2026 include:

- **Inflation and Tariffs:** Continued inflation and trade policy changes, specifically tariffs on goods like steel and aluminum are driving up construction and operational costs.
- **Interest Rate Uncertainty:** While interest rates are expected to stabilize or decline in 2026, uncertainty remains about how high they will stay, which affects financing costs and investment, particularly for BPP.
- **AI Integration:** Artificial Intelligence is accelerating in its adoption for property management, with usage in the sector tripling to 58% as of late 2025. AI is used for cash flow modeling, operational efficiency, and smarter building management (IoT).
- **Inflationary Costs:** Elevated costs for raw materials, construction, and inventory, along with federal tariff policies, are expected to keep appraised values high.
- **Industrial and Logistics Growth:** The industrial sector, particularly warehouse inventory, remains strong, driving demand for machinery and inventory-related personal property.
- **Evolving Commercial Real Estate:** While office spaces face higher vacancy rates and declining valuations, the industrial, retail, and medical office sectors are expected to perform well in 2026, influencing the valuation of associated personal property.
- **Economic Diversification:** Houston's diverse, growing economy provides a stable foundation, though, as noted by the City of Houston, federal policies and global supply dynamics continue to influence local business costs and investment, according to the City of Houston and the CBRE.

## ***REFINERIES***

Refining margins are settling back into the pre-pandemic range and now lie somewhere around the 2018 historical level. New capacity has come online in the U.S. and around the world, serving to enhance competition for transportation fuels; however, certain other markets, like California, are losing capacity. On the first trading day of 2026, the price of West Texas Intermediate (WTI) crude oil was about \$57.21 per barrel compared to last year at \$73.79 (NYMEX; first trading day 2025). Given similar volumes of inventory year-on-year, one might expect a sizable decline in inventory values due to cheaper crude oil prices this year.

The Gulf Coast refinery's average annual capacity utilization, as defined by the Department of Energy, for 2025 was 92.7 percent (data through November) compared to 90.6 percent in 2024.



Data source: U.S. Energy Information Administration, online, data through November 2025, accessed 2-16-2026.

The graph above shows a historical refining margin proxy using a 3-2-1 crack spread as an estimate of earnings and highlights the magnitude of the 2022 and 2023 markets relative to the COVID year (2020) and pre-pandemic. For 2025, margins are now back in the realm of where they were pre-COVID. Last year represented about a 16% increase in margins from 2024. Looking at the average of margins from 2018 to 2024 and 2018 to 2025 (excluding 2020 and 2022), the average margin increase was less than 1% when adding last year's performance. While year-to-year margins are volatile, looking at a multi-year average without the highs and lows indicates a tighter range. Gulf Coast refiner earnings calls indicate that, especially in the 4<sup>th</sup> quarter of 2025, they benefited from a relative tightness in the global product market and export strength, particularly to Europe and Latin America.

Refiner margins will be site-specific depending on configuration, crude diet, and utilization, but in general, it was an increase from the previous year for the segment. The U.S. EIA anticipates that in 2026 gasoline margins will be higher than 2024 and 2025, but less than those in 2022 and 2023. This is driven by their forecast for lower gasoline inventories and tighter market conditions in the Northeast and East Coast of the U.S. Presumably, this will also be enhanced as refiners chase the more profitable diesel market.

The recent high volatility of RINs (Renewable Identification Numbers) continued in 2025. While their cost was down significantly in 2024, the opposite was true in 2025. The price of D6, or ethanol-based RINs; the renewable fuels trading/compliance mechanism was up 64% on average for 2025 versus 2024. Diesel RINs (D4) costs increased to 71% in 2025 compared to 2024. Whereas in 2024 the renewable diesel market was oversupplied, 2025 started out the year with production significantly down compared to 2024. This served to tighten the RIN market supply and raise prices.

There was one sale transaction (non-arm's length) for 2 U.S.-based refineries in 2025. Phillips 66 purchased the 50% ownership from their partner, Cenovus Energy, for the WRB refineries in Wood River, IL, and Borger, TX.

## ***CHEMICALS***

We have made it past the halfway point in the decade of the 2020s, and it's been a very tumultuous ride for most of us. Each year of the decade has had a substantial direct impact on the American public. The decade opened with a worldwide pandemic (COVID-19) in 2020 that caused us all to go home, throwing our travel-based economy spinning. If people aren't driving, is oil worth anything? It only lasted a few hours, but that question was memorialized when the oil price went negative for the first time in history. Moving right on into the next year, we had a statewide shutdown due to winter-storm Uri in 2021. Travel was less restrictive in 2021, and we did get a vaccine that calmed the masses, but the economy struggled from the losses in 2020. Finally, we reached 2022, and things appeared to be getting better... and then the Ukraine/Russia conflict began in Feb 2022 and is still ongoing in 2026. All of a sudden, Europe stopped buying Russian oil and other goods, which led to higher demand for other countries such as the Middle East and the USA. The inflated prices were good for our economy and helped to jumpstart us out of the COVID slump. The economy appeared to be on a stable recovery from COVID going into 2024, but it was an election year, and that always causes unrest in the markets as investors try to guess at what will happen next. The results of the 2024 election have led to developments on everything from immigration to tariffs on imports in 2025. Tariffs have produced higher borrowing costs and foreign feedstock prices, which has led to squeezed margins on commodity products.

To say the least, the 2020 decade has been a wild ride that has had the industry reeling. The weather events alone have been a rollercoaster ride. The Gulf Coast finally had a handle on how to handle a hurricane that was heading right for it, but then we were blindsided by freezes that caused power failures and burst pipes. It's been a time of tremendous downturn and recovery, both economically and weather-wise. Fortunately, it has also been a time of tremendous investment and growth in the Gulf Coast. This growth has been good for Texas long-term, but the US markets are mature, and these growth projects are aimed at exports to other countries, primarily China. Those investments have produced an oversupply and led to depressed pricing based on the current world demand. In addition, the U.S. chemicals industry is facing stiff competition with China's own infrastructure investments. How long this economic trough will last is anyone's guess, but it has caused Europe to shut down roughly 4 billion pounds per year of ethylene production.

Domestically, the chemicals industry is heavily dependent on auto manufacturing and home building; as the economy goes, so goes the chemical industry. GDP is up 2.2% for 2025, and expectations are that it should be moderate, stable growth between 2.1-2.8% in 2026. In 2023, the Fed was concerned about a potential recession and, to try to counteract heavy inflation in the market, increased the interest rate from 0.25% to 5.5% between March and July of 2023. Inflation appears to have been curtailed, and the Fed lowered the interest rate in 2025 to 4.5% and is now down to 3.75% at the beginning of 2026. This rate is still high above the 0.25% rate from 2021. Expectations are that the Fed will maintain rates between 3.5 and 3.75% in 2026.

Housing starts peaked in 2021 and were down about 15.1% from 2021 to 2025; year-on-year starts were flat, only down 0.6%. To put this in perspective, the low point for the past 20 years for starts was in 2009, after the "Great Recession," where new home starts were 554,000. Since 2014, starts have not been below 1 million starts, and in 2025, there were 1,358,700 new home starts in the US. Vehicle sales are expected to be in the high 15 million, with 15.8 million units sold in 2025 and nearly 16.0 million units in 2024. This was a 2.4% decrease in 2025 vs 2024, still well below pre-pandemic sales of 17 million units.

Texas has been blessed with an abundance of oil and natural gas fields that continue to be developed. West Texas has been the most recent boom area with massive volumes of gas and natural gas liquids (NGLs). The glut of natural gas that has been in place since 2008 has caused a tremendous amount of new construction to process the gas, and the natural gas liquids have been piped to the Texas Gulf Coast to be fractionated into Ethanes, Propanes, Butanes and heavier components, which can be sold domestically or liquified (LNGs) for exports. A new pipeline and potentially new fractionators are slated to be built between West Texas and Corpus for an outlet of NGLs outside of the current major hub of Mont Belvieu, Texas. Mont Belvieu continues to build, and new reserves are being tapped in West Texas. However, the low gas prices recently have some producers drilling wells, but not leaving the gas in the ground for later development. These DUCs (Drilled but Uncompleted) wells will be ready for market when the price increases, but if there are too many, it could allow for prolonged depressed pricing for natural gas. Currently, there have been some negative prices at the West Texas WAHA hub, which is pushing this trend of leaving DUCs in the fields.

Many companies have begun exporting natural gas through LNG liquefaction terminals. Expansion of existing facilities and construction of new projects is ongoing, with natural gas going out to the world market. Natural gas prices were relatively stable in 2024 between \$1.50-\$3 per MMBtu and were up between \$3-\$4.50 in 2025. Gas prices are expected to be cheaper than in other markets in the world, making US LNG desirable for exports, which is the reason for the new export terminal construction. Prices are expected to stay steadily low until the next weather event, war, pandemic, or other world-changing events occur.

Economics of the large chemical units built in the Gulf Coast have hit some substantial headwinds since 2022 and have continued through 2025. Expectations have been less optimistic, with most looking to 2028 and further out before this lull in the market is corrected. Increased raw material costs from natural gas derivatives, along with an increase in global capacity over the last decade, put a heavy squeeze on margins. Operation rates for olefins units have decreased 1.9% for the year. Altogether, this industry appears to have peaked in 2015 for the current 5-15 year cycle and not likely to get to those levels again for a while until global consumption gets closer to global capacity from the recent construction.

Chemical-related inventory volumes are likely to be up or flat on 1/1/2026, and prices will likely be depressed due to the inventory on hand. Most facilities are trying to control their inventory as much as they can without creating supply chain issues that we saw during the pandemic. Values on older facilities will decrease for 2026, and the newer facilities are still depreciating more heavily than the established plants. Specialty chemicals may be up or down depending on the products.

## ***NATURAL GAS DISTRIBUTION***

Natural Gas Distribution utility companies are always requesting that regulators allow them higher returns (through the rates they are allowed to charge their customers) in order to pay for the cost of expansion when needed, repair storm damage at times, and maintain reliable service overall. However, the main goal of regulators is to make sure gas distribution companies remain operational while keeping service costs as low as possible, in return for the monopoly power given to these companies over designated service areas. Because both revenues and expenses tend to be held in line with this process, the values of property owned by these natural gas distribution

businesses tend to be rather stable. Other factors that augur well for a continued healthy future demand for utility services are:

- a) the nation's population appears to be on a steady upward growth course;
- b) limited practical alternatives exist for consumers seeking a steady supply of natural gas; and
- c) natural gas supplies in this country are abundant thanks to proficient drilling and extraction technologies.

Unseasonably warm or cold weather can always cause substantial volatility in quarterly operating results; however, companies strive to counteract this exposure through long-term oriented temperature-adjusted rate mechanisms.

For 2026, the market values of the companies in this sector should remain stable if not improve slightly, due to a continued increase in customer base in their operational areas and a higher rate of cases being approved in certain service areas. Natural gas quotations surged in January 2026. This was fueled partly by frigid temperatures across much of the country, which boosted consumption. (Since then, pricing has settled down.) Although higher natural gas prices augur well for the financial results of companies that produce this commodity, regulated utility units are at a disadvantage. That is partially because these conditions tend to lead to higher bills for customers, which might push up bad-debt expense. It's worth noting that, from a historical perspective, current natural gas prices are still nowhere near the heights that were reached in the early 2000s. Moreover, there is an increased possibility that homeowners will convert from alternative fuel sources, such as propane or oil, to natural gas. (At present, it's estimated that over half of all households in this country use natural gas.) The market is optimistic, in general, about the sector's operating performance over the long term. Natural gas ought to remain an abundant resource in the United States, so a shortage does not seem probable anytime soon. However, there are risks to bear in mind; there are no guarantees that petitions for rate hikes will be accepted or that certain favorable provisions (such as temperature-adjusted rate mechanisms) will continue indefinitely. To further complicate matters, an economic slowdown might prompt customers to conserve natural gas and push up bad-debt expense. Lastly, operational difficulties created by leaks and other unfortunate events may result in huge financial losses if not sufficiently covered by insurance.

## ***TELECOMMUNICATION***

The five largest companies in the telecommunications industry make up 80% of the market share. Those companies include T-Mobile US, Verizon Communications, AT&T, Deutsche Telekom, and America Movil. In 2025, inflation remained high. Construction input prices increased 0.6% in November 2025 as the effects of tariffs became more visible in the data. Both overall and non-residential construction input costs are 3.4% and 3.8% higher than last year. Switchgear, switchboard, and industrial controls equipment were up 11.1% over last year. Finally, copper wire and cable were up 11.7% over last year. Meanwhile, the economy is remaining sluggish, which exposes companies to price discounts to compete for new customers. The slow capital spending from 2024 has had a moderate rebound as companies choose to allocate a greater portion of their high levels of cash flow to artificial intelligence. The capital spending rebound is best observed in large companies, which have the greatest resources. Verizon and AT&T see AI networking as their next income source. According to Synergy Research Group's count from September 2025, there are 1,244 hyperscale data centers around the world, with another 527 either in planning or under construction, and no signs of demand slowing anytime soon. Meanwhile, capital expenditures from hyperscalers continues to climb. Amazon said that it expects to spend a total of \$125 billion in

2025 and even more in 2026. Similarly, Alphabet raised its 2025 capital expenditure from \$85 billion to \$91-\$93 billion and expects more spending in 2026.

In addition, M&A activity is increasing. AT&T completed a \$23 billion deal for spectrum licenses and completed a \$5.75 billion acquisition of Lumen's mass market fiber business. Deutsche Telekom recently integrated acquisitions of Metronet and US Cellular. Meanwhile, American Movil is evaluating the purchase of Chilean and Brazilian assets. Finally, Verizon is set to finalize its \$20 billion acquisition of Frontier Communications early in 2026.

For the traditional portion of Telephone Utilities, AT&T is showing progress on its copper retirement plan. It looks to be in a good position to fully retire its legacy copper network by 2029. Recently, AT&T received permission from the Federal Communications Commission (FCC) to discontinue copper services in approximately 10% of its service area.

### ***CABLE TV***

The Cable TV Group stocks are down significantly through the first 47 weeks of 2025. In addition, the Cable TV broadband subscriber losses continue to grow. In the three-month period ending on September 30, 2025, Charter Communications' high-speed internet business lost 109,000 service subscribers in its 8<sup>th</sup> straight quarter of broadband disconnects. The Cable TV group faces several challenges, including a general shift to less expensive service options such as the fixed-wireless broadband offered by T-Mobile and Verizon. The down-market move follows last year's expiration of a federal subsidy program that helped millions of low-income Americans better afford broadband. In addition, nagging inflation continues to weigh on consumer sentiment, and fewer new subscriber opportunities exist due to less housing turnover. Furthermore, additional competition is growing from satellite broadband originating from the richest men on the planet. Elon Musk-backed StarLink had more than 2 million U.S. subscribers, and Amazon's Leo is scheduled to be rolled out more broadly this year. In conclusion, the pay-TV companies generate a lot of cash every month, reflective of a large subscriber base that regularly pays their cable and internet bills every month. Despite recent subscriber declines, this group is likely to improve as large network-upgrade and expansion projects wind down. In addition, they stand to benefit from recent increases in tax deductibility for both capital expenditures and research and development. Finally, the Federal Reserve could continue to lower the interest rates, which would free up additional cash.

### ***ELECTRIC POWER***

The EIA, in its February 2026 Short-Term Energy Outlook, is forecasting higher electricity demand driven by both increasing economic activity and data center growth concentrated in Texas and the mid-Atlantic regions, though the effects are seen more broadly. Currently, the EIA expects that the growing electricity demand will be met mainly through increased solar generation. They expect a 17% increase in solar generation in 2026 and an additional 23% increase in 2027. Furthermore, they expect wind generation to increase by 6% and 7%, respectively, over those years.

After cold weather in December, followed by Winter Storm Fern in the latter half of January, the EIA expects electricity generation in the United States to total 1,072 billion kilowatt-hours

(BKWh) in the winter months of December, January, and February, slightly exceeding the electricity generation of 1,063 BKWh during the same period from the prior year. The EIA expects 2% less coal generation during this period and 1% less natural gas generation because of high natural gas prices.

ERCOT's 2025 maximum peak demand was 80,560 MW in February 2025, which is the all-time winter and February record. This was 24,665 MW more than the February 2024 demand of 55,860 set on 2/19/2024. Approximately half of the electricity supply in ERCOT is generated using gas, with the balance provided by coal, wind, solar, and nuclear. Currently, the interconnection queue consists of 156 GW (39%) of solar, 40 GW (10%) of wind, 32 GW (8.1%) of gas, 169 GW (42.2%) of battery, and 3 GW (0.7%) of other.

The U.S. Department of the Treasury released the final rules for the technology-neutral clean electricity credits on January 7, 2025. The existing Production Tax Credit (PTC) and Investment Tax Credit will be available to projects that began construction before 2025. Qualifying projects placed in service after December 31, 2024, will be eligible for the new Clean Electricity Credits (45Y).

## ***UNDERGROUND STORAGE FACILITIES***

Natural gas—a colorless, odorless, gaseous hydrocarbon—as well as liquid hydrocarbons may be stored in a number of different ways. These commodities are commonly held as inventory underground under pressure in three types of facilities:

- depleted reservoirs in oil and/or natural gas fields;
- salt dome caverns or salt formations; and
- aquifers.

Harris County currently has underground storage facilities operating in two depleted gas reservoirs (Bammel and West Clear Lake) and in several caverns within a salt dome (Pierce Junction).

Each storage type has its own physical characteristics (porosity, permeability, retention capability) and economics (site preparation and maintenance costs, deliverability rates, and cycling capability), which govern its suitability for particular applications. Two key characteristics of underground storage facilities that drive market value are capacity to hold natural gas or liquids for future use and deliverability, the rate at which the inventory can be withdrawn from the facility. Injection is the opposite of deliverability and is assumed to be commensurate in scope.

The principal owners/operators of underground storage facilities are interstate pipeline companies, intrastate pipeline companies, local distribution companies (LDCs), and independent storage service providers. If a storage facility serves interstate commerce as a transmission utility business, it is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC); otherwise, it is state-regulated. Most working gas (the volumes that are injected into and withdrawn from the storage facilities) is held under lease with shippers, LDCs, or end users who own the gas. In the case of salt dome caverns, the storage usage is not generally associated with regulated utility operations.

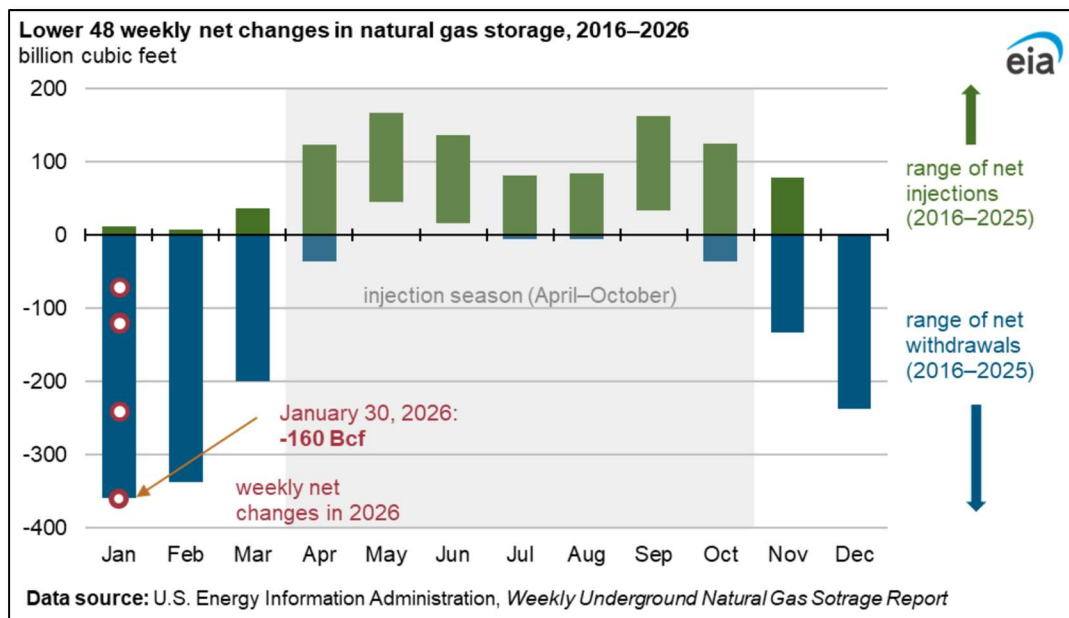
Underground gas storage serves a variety of purposes. In particular, pipeline companies, both interstate and intrastate, rely heavily on underground storage to facilitate load balancing and

system supply management on their long-haul transmission lines. Local gas distribution companies generally use underground storage exclusively to serve various customer needs directly. Independent storage service providers build and own underground storage facilities to almost exclusively serve third-party customers like marketers and electricity generators on an “open access” basis.

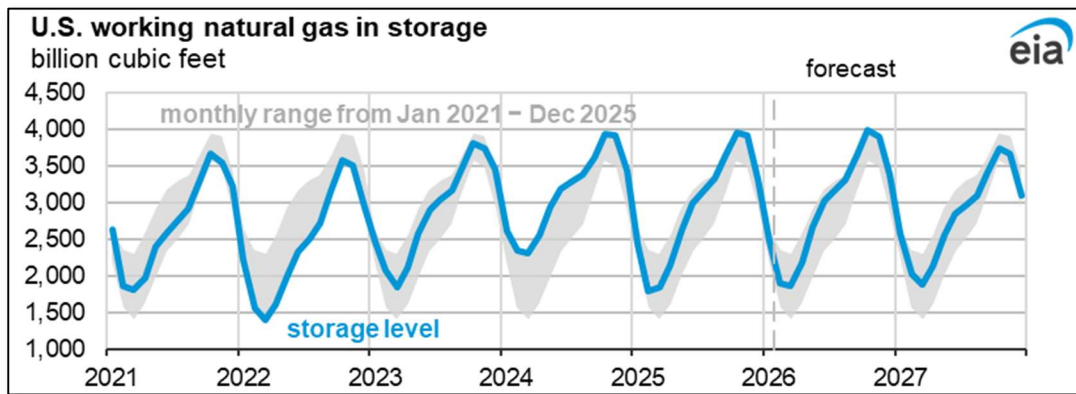
The storage operations in Pierce Junction Salt Dome revolve around storage of “purity” natural gas liquids (propane, butane, etc.), derivative liquid products of ethane and propane (ethylene, polypropylene, etc.), and crude oil. These products are both internally and commercially held by the salt dome cavern operators.

The value of underground gas storage in Texas has the potential to increase as the population here keeps growing and the associated need for electricity ramps up, especially if gas production itself doesn’t commensurately increase and renewable sources of energy (wind, solar, commercial battery storage, etc.) can’t reliably fill the breach.

Per the U.S. Energy Information Administration (EIA) in their February 2026 *Short-Term Energy Outlook* (STEO) report, U.S. natural gas storage inventories at the end of January totaled 2,472.1Bcf, materially equal to the rolling 5-year average for this January timeline. January 2026 reported the largest weekly withdrawal on record of 360 Bcf for the week ending January 30. The cold weather had a significant effect on the South-Central region, which increases its supply to other consuming regions when severe cold occurs. Although market tightness in January was acute, futures prices indicate the market perceived the tightness as relatively short-lived. EIA expects natural gas inventories to rebuild more rapidly than the 5-year average during injection season so that storage balances return to surplus relative to the 5-year average by the end of injection season (October).



Storage and consumption of natural gas is methodically cyclical. The graphic below from EIA's February 2026 STEO report shows how storage and withdrawal periods happen in a predictable pattern:

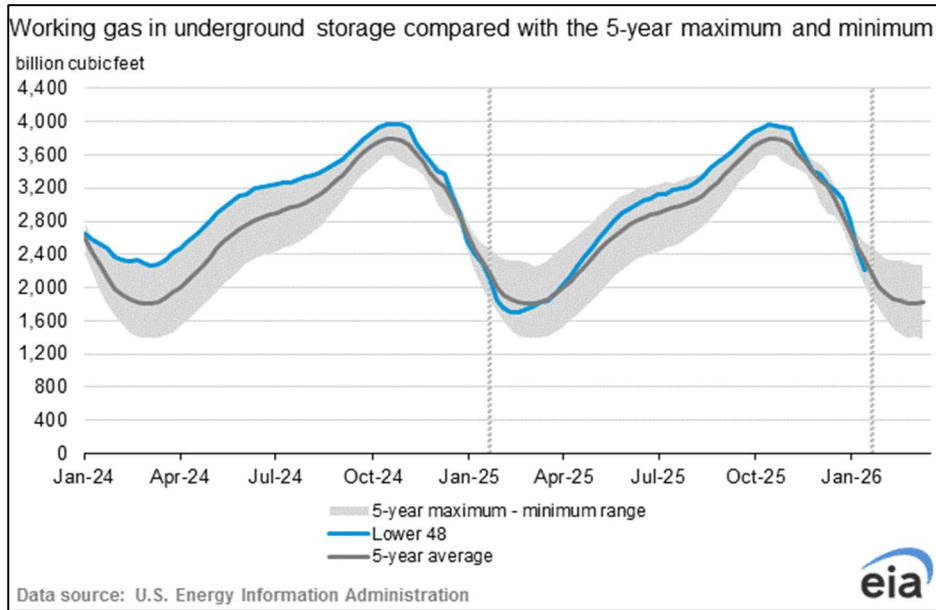


Per this February 2026 STEO report, natural gas will continue to be a dominant source of U.S. electricity generation through 2026. EIA expects natural gas generation to be nearly flat in 2026 and rise by 1% in 2027, while coal generation falls by 6% in 2026 and by 4% in 2027, as some coal plants retire or remain idle while still connected to the grid. Much of the growth in demand will be met by growth in generation from renewable sources of energy, such as utility-scale solar generation.

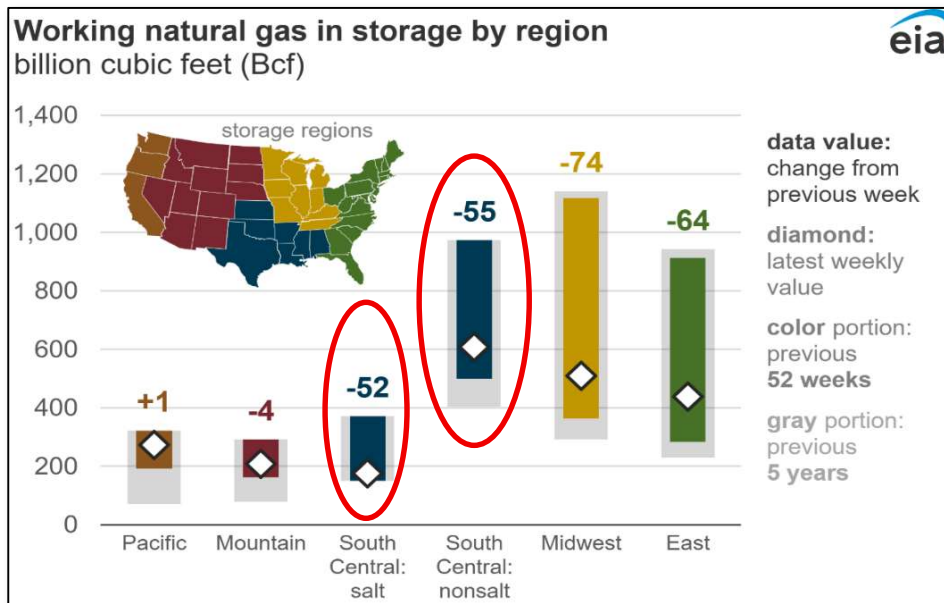
Nonetheless, the volumes of natural gas in storage will not be materially declining, and in fact may actually increase, because the total amount of electricity generation, particularly in Texas, is forecasted to rise significantly in the near to mid-term for uses related to data centers, virtual currency manufacturing, and the like. EIA expects natural gas production to ramp up in the Permian Basin as new natural gas pipeline capacity is set to come online and higher gas-oil ratios in the region increase. Higher natural gas prices in the Haynesville region will also contribute to overall growth.

Electricity generation is hardly the only use for natural gas. Any declines in residential and commercial sectors will likely be offset by increases in the industrial sector consumption. As always, winter weather plays a leading role in how much gas is ultimately withdrawn from storage for domestic heating purposes. But a significant and growing use of domestically produced natural gas is as export volumes to the world at large in the form of liquified natural gas (LNG).

Per the EIA's *Weekly Natural Gas Storage Report* released Feb. 6, 2026, total working gas in storage for the Lower 48 states (the amount of gas owned by the third-party customers of the storage facility operators) was estimated to be 2,214 BCF (2.2 trillion cubic feet), which is 5.5% below the most recent 5-year average (2021-2025).



Of more interest to Harris County, the reported storage figures for the U.S. South Central region show total volumes in February 2026 of 784 BCF, or 10.2% below the 5-year average. Storage volumes in salt dome caverns are 27.6% below the 5-year average. However, storage volumes within depleted gas reservoirs (non-salt dome caverns) are only 3.6% below the 5-year average. The majority of gas storage in the U.S. South Central Region is in depleted gas reservoirs, at almost three times the volumes stored in salt dome caverns.



The liquid hydrocarbons storage volumes at Pierce Junction salt dome caverns, or the depleted gas field storage facilities at Bammel and West Clear Lake, do not necessarily follow overall U.S. trends all the time. They each have unique markets, shippers, and end-users. In any event, inventories present on the inventory owner's chosen lien date (either January 1 or September 1) will be appraised with the prevailing market price at that time. Natural gas prices increased significantly in CY2025, if only because 2024 was so depressed. It's the opposite story for crude

oil due to persistent oversupply worldwide. The prospects of storing crude oil at Pierce Junction Salt Dome remain dim, as much of the oil originally intended to be stored there now goes to export terminals in Corpus Christi. On the other hand, the storage prospects for natural gas and its derived purity products look bright, particularly with the new administration in Washington, which is more fossil-fuel friendly than the previous administration.

The storage facilities themselves (including salt dome caverns as man-made structures, as well as base gas amounts) will be appraised with analysis and consideration of the most appropriate methods and techniques applicable to each property, in conjunction with and adherence to Property Tax Code Sec. 23.01(b) regarding uniformity of appraisal for similarly situated properties.

Sources:

1. **Bureau of Economic Analysis.** GDP (Advance Estimate), 4<sup>th</sup> quarter and Year 2025. (2026 February 20). Retrieved from <https://www.bea.gov/news/2026/gdp-advance-estimate-4th-quarter-and-year-2025>
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