Citizens
National Bank

QUARTERLY REPORT

12.31.25

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Economy

The Fed – Beige Book – January 14, 2026
Federal Reserve Bank of Dallas

Summary of Economic Activity
Economic activity in the Eleventh District held steady over the reporting period. Little change was seen in manufacturing, retail, nonfinancial services, and real estate. The banking sector was a bright spot, with loan volumes increasing over the past six weeks. Activity in the energy sector weakened slightly, hampered by low oil prices. Employment was largely unchanged, and prices increased moderately. Outlooks remained cautious, dampened by concern over the level of demand and the inflationary impact of tariffs.

Labor Markets
Employment held largely steady over the reporting period. Some layoffs continued in the energy sector, particularly among oil and gas support services firms. Few layoffs were noted otherwise, though some contacts reported reduced work hours amid a slowdown in business. A staffing agency said companies are slow to backfill open positions and make hiring decisions in general. Overall, few labor shortages were noted, though there were scattered reports of difficulty filling certain skilled or semi-skilled positions due to a lack of qualified candidates. When asked about the effect of AI on employment, most companies using AI said it hasn't had an impact, though a quarter expect it to decrease their need for workers over the next few years. Wage growth in 2025 among more than 250 surveyed Texas manufacturing and services firms was 3.5 percent, on average, down from 4.3 percent in 2024. Firms expect 3.3 percent wage growth in 2026, on average. Among energy firms, wage growth stagnated.

Prices
Price pressures remained moderate overall, with the exception of manufacturing raw materials prices which remained elevated. In a recent Dallas Fed survey, services companies reported 3.7 percent input price growth in 2025, on average, down slightly from 2024, and they expect input cost growth to moderate further in 2026, to 3.1 percent. Among manufacturers, input cost growth averaged 5.5 percent in 2025, up notably from 3.8 percent in 2024, and is expected to slow notably to 4.1 percent 2026. Selling price growth ticked down to 2.3 percent in 2025 and is expected to be 2.5 percent in 2026, on average across sectors. Contacts continued to note a combination of absorbing tariff costs and passing some on to customers.

Manufacturing
Factory output was flat to down slightly in December after a strong November. Recent weakness was driven primarily by nondurable goods production, including chemicals. Petrochemical production fell, with contacts saying some customers were holding back or canceling orders due to anemic global demand and the high level of uncertainty, particularly regarding trade policy. Machinery and transportation equipment manufacturing were areas of relative strength. Capital spending among manufacturers continued to increase moderately. Manufacturing outlooks were hampered by continued tariff uncertainty, though contacts said lower interest rates could help spur demand.

Retail Sales
Retail sales activity was mixed in December. Retailers noted that customers remained price sensitive, with even marginal price adjustments leading to significant changes in demand. Retailers observed consumer bifurcation, with lower-income households particularly struggling with higher prices. In some Hispanic communities, store traffic dropped due to immigration enforcement concerns. Auto dealers reported weaker sales compared to the previous year, though one noted that luxury brand sales were holding up better. Overall outlooks for the coming year were tepid but positive on net, with many contacts expecting increases in sales.

Nonfinancial Services
Activity in nonfinancial services was largely flat over the reporting period. Some revenue gains were seen among leisure and hospitality firms, as well as in education and health care. Recent weakness was concentrated in professional and business services. A consulting firm said they were seeing a reduction in the number of opportunities for consulting services in the public sector. Activity in transportation services was mixed—softness was reported in cargo volumes, while airlines reported improving demand across the industry. Holiday air travel bookings were strong, and one contact noted that demand for higher-priced international travel has been unexpectedly robust. Staffing contacts said demand held steady. Outlooks were fairly stable overall, with contacts broadly expecting increased activity six months from now. The level of demand remained the top outlook concern, followed closely by domestic policy uncertainty and inflation.

Construction and Real Estate
Conditions in the housing market remained challenging during the reporting period. Existing home sales were fairly steady but weak. On the new home side, demand for entry-level homes was sluggish, while the move-up and luxury markets were somewhat resilient, according to contacts. Homebuilders reported an elevated level of speculative inventory. There was ongoing downward pressure on home prices and builder margins, and outlooks remained weak.

Commercial real estate activity improved on net. Apartment demand slowed at year end, and rent concessions remained widespread. Office leasing increased overall but was fragmented, with strong net absorption reported for top-tier space, but continued weakness in demand for lower-tier properties. Leasing demand for industrial and retail space was solid.

Financial Services
Loan volume and demand increased in December after decreasing in the previous month. Loan volume was driven up by commercial real estate loans. Credit standards and terms tightened; however, loan pricing continued to decline. Overall loan performance deteriorated at a slower pace than the prior period. Bankers reported increasing general business activity. Their outlooks leaned optimistic. Contacts expect growth in loan demand and business activity six months from now but a slight deterioration in loan performance.

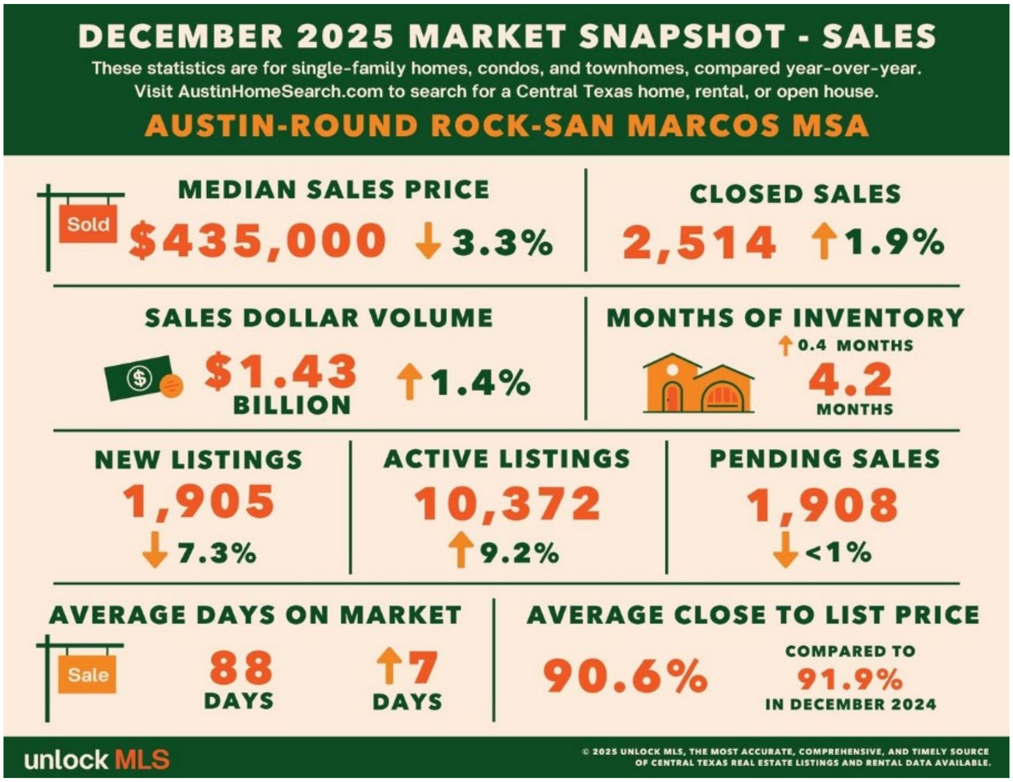
Energy
Activity in the oil and gas sector weakened slightly over the past six weeks. Some activity shifted to more natural-gas-focused regions. Producers broadly expect oil prices to remain in the low $60 per barrel range in 2026. At that price, which is below the average price District oil producers need to profitably drill new wells, contacts expect a slight decline in well completions. However, crude oil production is expected to be fairly flat on net, as companies drill longer horizontal wells and push for other productivity gains. Some contacts, particularly in the oil and gas supply chain, noted delays in investment due to the elevated level of policy uncertainty. Outlooks worsened on net.

Agriculture
Contacts reported fairly stable conditions in the agricultural industry. Soil conditions remained dry across much of the District, and contacts expressed concern over the forecast for the La Niña weather pattern—which typically brings warmer temperatures and lower rainfall—to continue this winter. Winter wheat crop production prospects have been hampered by dry conditions in some areas, and farmers expect a negative impact on cotton and grain crops next year if the dryness persists into the planting season. Crop prices generally trended slightly higher over the reporting period, though they remained sub-profitable for many producers. Cattle prices rebounded, and contacts noted ongoing impacts on feedlots and meat packing plants from the ban on cattle imports from Mexico.

Community Perspectives
Nonprofits continued to report elevated demand for social services, driven by economic pressures and community needs. A workforce development contact noted higher demand for employment services compared with this time last year and said there is increasing interest in workshops on the adoption of AI and other digital tools.

Housing / Construction & Demographics

December 2025 Central Texas Housing Market Report:



AUSTIN, Texas — According to the December 2025 and Year-End Central Texas Housing Market Report released by Unlock MLS, the Austin-Round Rock-San Marcos MSA ended the year with clear signs of market stability following a period of adjustment. In 2025, while closed sales across the MSA dipped 3.2% to 29,383 sales, buyer activity gained traction in the second half of the year, price points continued to normalize, and inventory settled after peaking midyear. These trends reflect a market that has recalibrated and is now functioning with more predictability and balance.

Vaike O'Grady, research advisor at Unlock MLS, points out that December 2025 data mirrors broader behavioral shifts in the market, reflecting how buyers and sellers needed to adjust their approach throughout the year to be successful.

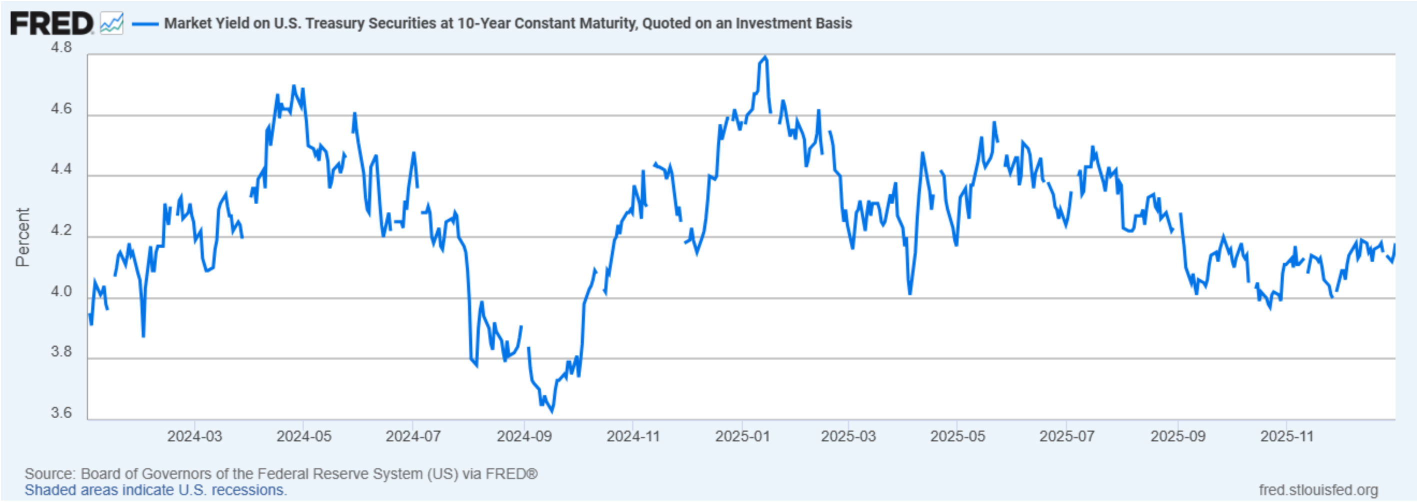
"2025 wasn't a year defined by urgency. It was defined by adjustment. Early in the year, we saw the effects of rate sensitivity, price hesitations and a flood of new listings that pushed inventory higher. As the year went on, sellers recalibrated, buyers reengaged and the pace of the market continued to normalize. December 2025 numbers confirmed that shift. Homes sold at more realistic prices, inventory leveled out and buyers stayed active with more than 2,500 closed home sales–an increase compared to December 2024–even if they were moving more deliberately. That's not a slowdown, it's the foundation of a healthier, more sustainable market."

Looking ahead to 2026, O'Grady expects the Central Texas housing market to remain steady. Mortgage rates are projected to stay near 6%, with home sales and prices holding flat. At the same time, improving affordability and a resilient local job market positions Central Texas to weather national uncertainty and support gradual, sustainable growth.

Source: Unlock MLS: 2025 housing trends point to long-term stability in Central Texas.

Capital Markets

As of 12/31/25 mortgage interest rate levels for conventional, conforming fixed rate 30-year mortgage loans, was 6.25% according to TIB. The U.S. 10 Year Treasury closed at 4.16%. The S&P 500 closed at 6,845.50.



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	1,202,944	1.6%
Williamson	3,444,263	5.7%
Milam	55,014	-6.3%
Lee	66,267	-16.7%
Travis	10,505,135	8.5%

Projects

LEANDER – St. John Properties Inc. has broken ground on the first phase of Leander Tech Park at the southwest corner of W SH 29 and Ronald Reagan Blvd. Phase one includes development of 60 and 80 Kauffman Loop, which will be 51,000 sf and 38,000 sf, respectively. The properties, which are expected to deliver next summer, will have rear drive-in and raised loading docks. Plans also include an 11,000-sf and an 8,000-sf inline retail building, each fronting Kaufman Loop. The 50-acre development can support 13 buildings and at least 230,000 sf.

GEORGETOWN – Cooley Capital Companies is building an entertainment district in Georgetown that will include restaurants, bars and live entertainment. The Junction will rise on six acres at 210 Blue Spring Rd. and span 60,000 sf. It will have 25,000 sf of restaurant and bar space, including a 5,700-sf food hall, over 8,700 sf of outdoor patios and decks, and 30,000 sf of office and flex space.

AUSTIN – Adam America is planning 9Hundred, a 427-unit multifamily project at 900 W 23rd St. The 0.8-acre site has frontage on W. 23rd and W. 24th streets and will rise to 30 stories, or 400 ft. Development will require demolition of an existing 58,000-sf apartment building.

AUSTIN – Thomas Ranch, a 2,200-acre mixed-use development on Lake Travis, is progressing with residential and commercial phases. It will have 3,500 housing units, 465,000 sf of commercial space, a golf course, school, boutique resort hotel, 1,200 acres of preserved land, and two miles of river frontage. Roughly 1,300 housing units are under development. The Oakley, a 58-acre multifamily project, will have 500 apartments and 100 townhomes, with construction expected to start in 2026. A wastewater treatment plant is scheduled for completion this month, and a water treatment plant is planned to come online by April 2026. Roadwork and wet and dry utility installation are underway across the site. Commercial buildings are expected to begin vertical construction in 2028.

AUSTIN – Ventnor Avenue and Atlantic Avenue towers are planned on Rio Grande St. in West Campus. Both multifamily buildings will rise about 400 ft. The 30-story, 219-unit Ventnor Avenue will be on 0.3 acres at 2307–2309 Rio Grande St. The project includes four levels of below-grade parking and will require demolition of existing one- to two-story buildings. The 30-story, 212-unit Atlantic Avenue will be on 0.4 acres at 2301–2303 Rio Grande St. It will have two levels of below-grade parking and will also require demolition of existing buildings.

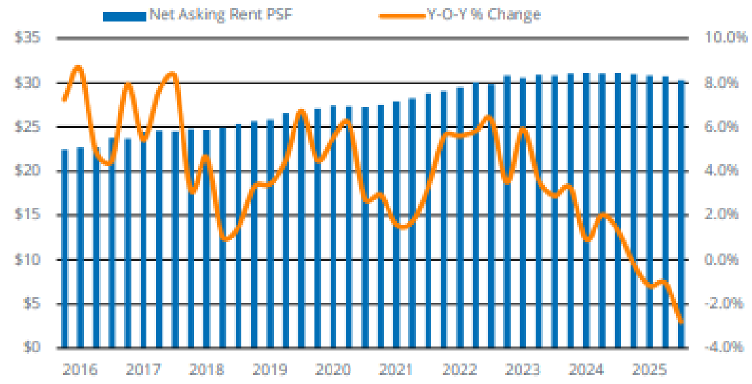
KILLEEN - A Liberty Hill developer is set to acquire 16 acres in Killeen for a speculative flex industrial park as the city far north of Austin continues courting manufacturers and other companies to diversify away from the defense industry. BlueAcre Development is acquiring the land in the Killeen Business Park from the Killeen Economic Development Corp. It could build more than 170,000 square feet of mid-sized light industrial flex space along Rickey Carlise Circle, spread across four buildings ranging from 40,000 to 50,000 square feet, according to BlueAcre founder and CEO Rupe Gopani. The company is still working through the permitting process but aims to start construction in the first half of 2026.

Office

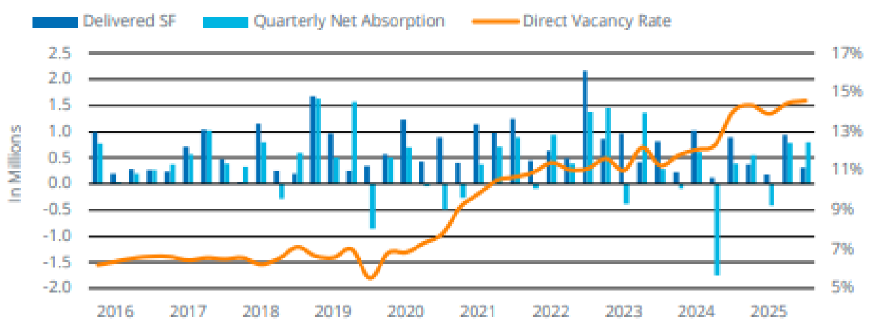
AUSTIN OFFICE MARKET | Q3 2025

- **Direct vacant available rate** in Austin reached 14.6% this quarter, down (6.6%) year-over-year. Total availability was 23.7% for the Austin metro this quarter.
- **Net absorption** in Austin 801K SF for Q3, with year-to-date absorption at 1.17 MSF and the trailing 12 month absorption at 1.72 MSF as of this quarter.
- **Net asking rents** in Austin averaged $30.31 PSF for all classes of space and averaged $35.50 PSF for Class A space. Operating expenses averaged $10.40 PSF for all classes of space and $10.57 PSF for Class A space.
- **Construction pipeline** in Austin for office space totaled 2.93 MSF under construction as of Q3, which is 65% preleased. Year-to-date office deliveries totaled 1.8 MSF.

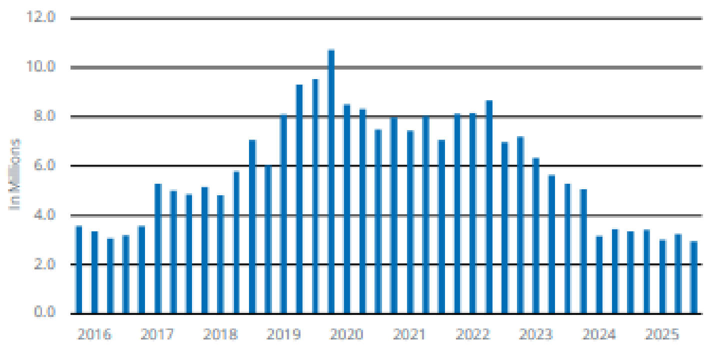
ASKING RENT



DELIVERY IMPACT ON KEY INDICATORS



UNDER CONSTRUCTION

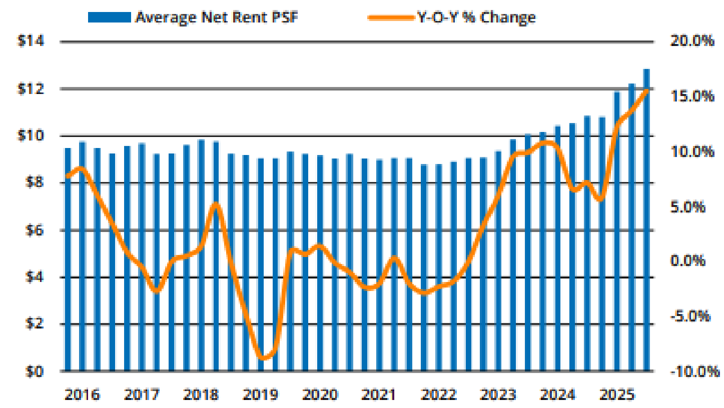


Industrial

AUSTIN INDUSTRIAL MARKET | Q3 2025

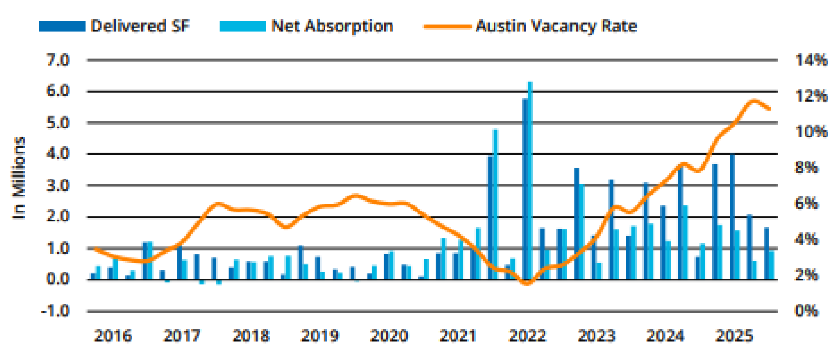
- **Net absorption** totaled 923,036 square feet in Q3, and year-to-date net absorption totaled 3.1M square feet for the Austin metro area.
- The **direct vacancy** rate is 11.8% for the quarter, a 0.1% increase over last quarter and a 1.3% increase year-over year. Total availability was 19.3% for the quarter.
- **Asking rents** for Flex space averaged $15.03 PSF for the quarter, and Industrial space averaged $12.48 PSF for the same period. The combined asking rate averaged $12.85 for the quarter, a 5.1% increase from last quarter and a 18.5% increase year-over-year.
- There is 16.4 MSF **under construction** this quarter which is 56% pre-leased, and 7.7 MSF of new industrial product delivered year-to-date. Approximately 3.5 MSF of under-construction product is data center space, which is concentrated in the Round Rock submarket.

ASKING RENT



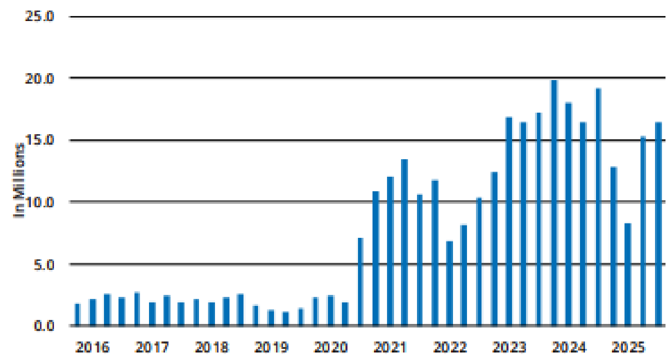
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION

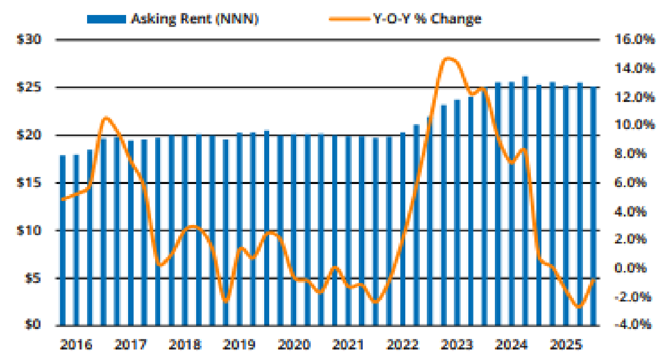


Source: CoStar, Transwestern

AUSTIN RETAIL MARKET | Q3 2025

- **Net absorption** in Q3 2025, the market absorbed 435,271 square feet, bringing the cumulative absorption for the year to 796,343 square feet. This continues a multi-year trend of consistent positive absorption.
- The **direct vacancy rate** remained unchanged at 3.2%, while total vacancy also held at 3.2%. Vacancy rates have consistently stayed below 4% for more than 20 consecutive quarters.
- **Net asking rents** this quarter averaged $25.12 per square foot, reflecting a slight decrease from last quarter's $28.12, yet maintaining overall market stability.
- There is 3,657,026 square feet of retail projects **under construction** in the Austin Metro. Notable developments include the 862,000 SF Burlington Crossing East power center in the Southeast submarket and the 545,000 SF Manor Crossing power center in the Cedar Park submarket.

ASKING RENT



Source: CoStar, Transwestern

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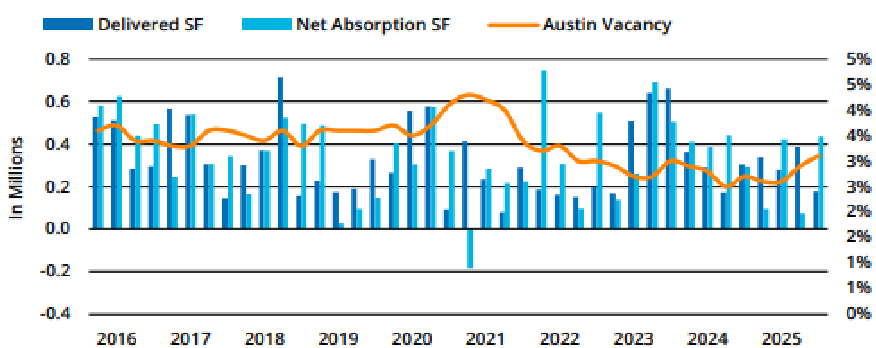
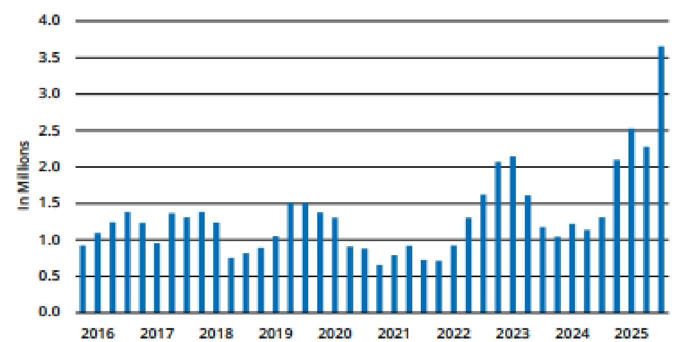


UNDER CONSTRUCTION



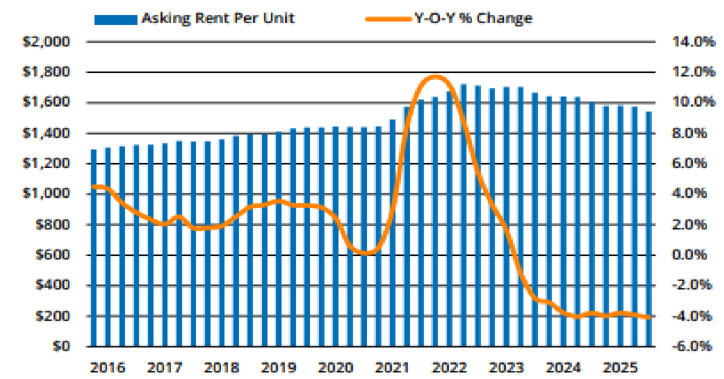
Source: CoStar, Transwestern

Multi-Family

AUSTIN MULTIFAMILY MARKET | Q3 2025

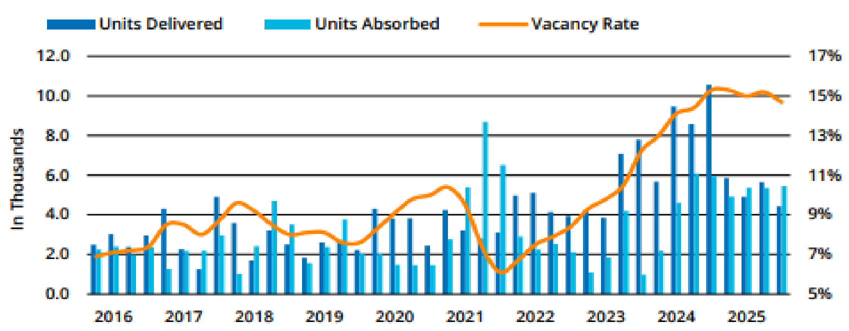
- **Net absorption** totaled 5,467 units for Q3, and trailing 12-month absorption totals 20,804 units.
- The **vacancy rate** was 14.7% for Q3, which is down (0.5%) from the 15.2% vacancy rate during the previous quarter and down (0.6%) from the year-ago vacancy rate of 15.3%.
- **Asking rents** continue to decline, with a unit average at $1,542 and a per square foot average of $1.76. This is a (4.1%) decline year over year.
- There are 21,587 units **under construction** as of this quarter. Construction starts continue to taper off from their peak in Q1 2023.

ASKING RENT



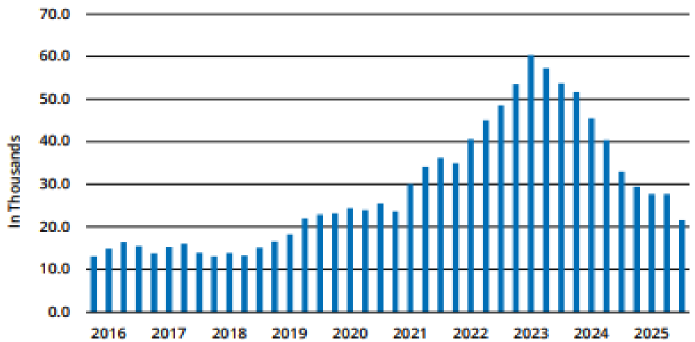
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



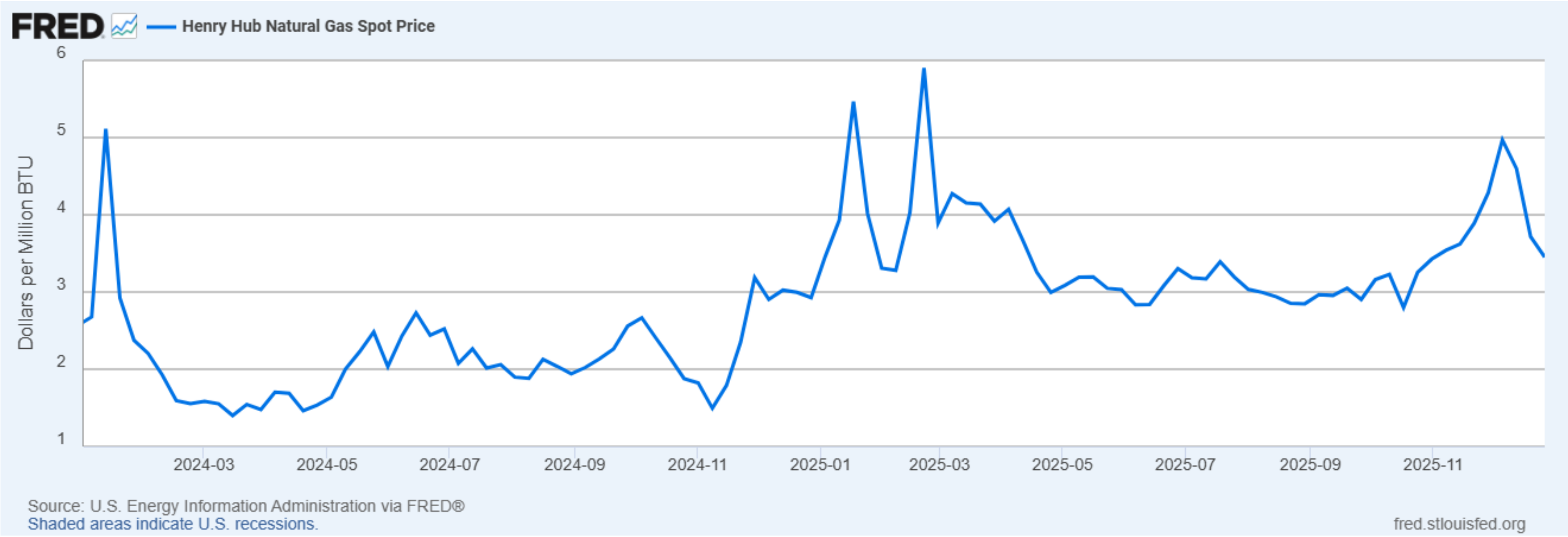
Source: CoStar, Transwestern

UNITS UNDER CONSTRUCTION

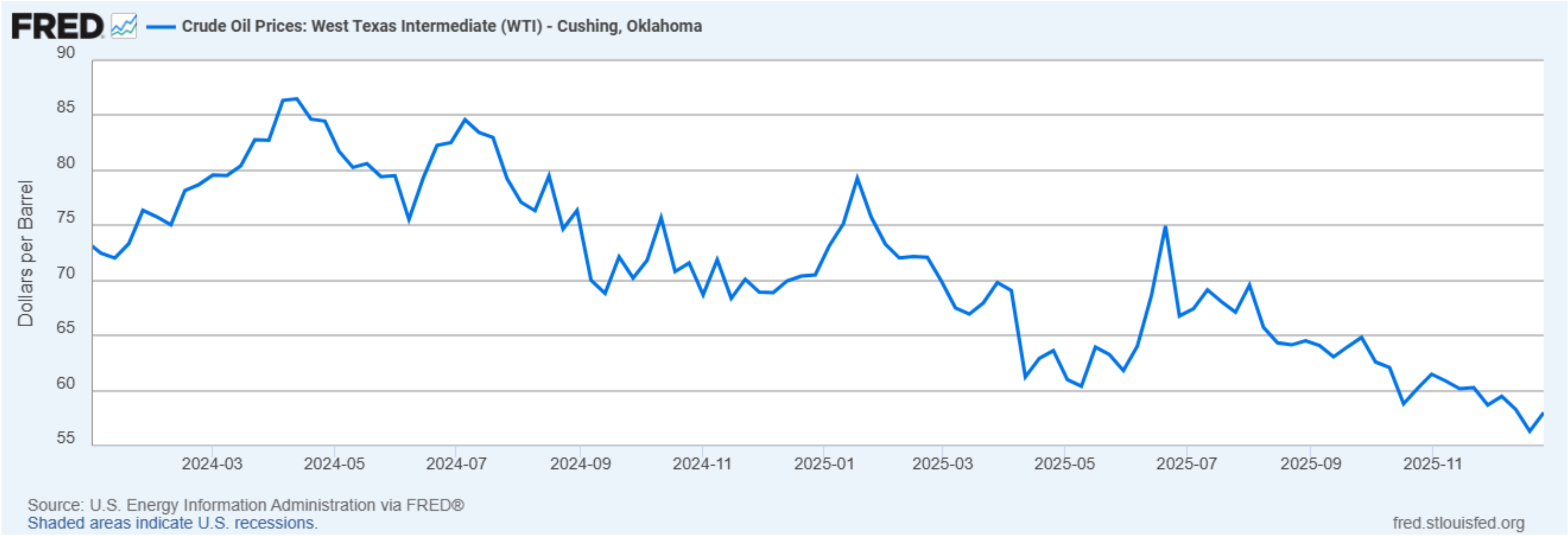


Source: CoStar, Transwestern

Energy



FRED
Henry Hub Natural Gas Spot Price
Dollars per Million BTU
6
5
4
3
2
1
2024-03
2024-05
2024-07
2024-09
2024-11
2025-01
2025-03
2025-05
2025-07
2025-09
2025-11
Source: U.S. Energy Information Administration via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org



FRED
Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma
Dollars per Barrel
90
85
80
75
70
65
60
55
2024-03
2024-05
2024-07
2024-09
2024-11
2025-01
2025-03
2025-05
2025-07
2025-09
2025-11
Source: U.S. Energy Information Administration via FRED®
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fred.stlouisfed.org

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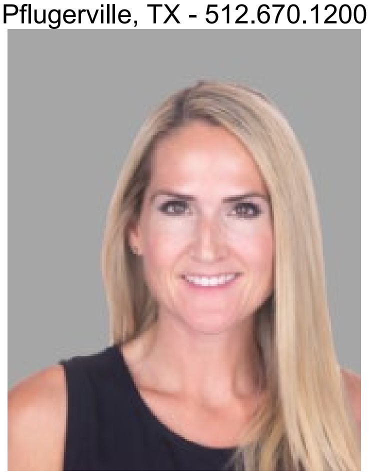

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About Citizens National Bank

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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