



Citizens
National Bank



**QUARTERLY
REPORT**

03.31.26

**Your Trusted Financial Partner
Since 1900**



Economy

The Fed – Beige Book – April 15, 2026 Federal Reserve Bank of Dallas

Summary of Economic Activity

Economic activity in the Eleventh District rose slightly over the reporting period. Growth in manufacturing output moderated to a below-average pace, while activity in the service sector was nearly flat. Bank lending increased, buoyed by commercial real estate activity, but home sales were slow. Retail sales were flat to up. Energy sector activity ticked up, while drought conditions worsened. Employment expanded slightly, and wage and price growth ranged from modest to robust. Outlooks worsened amid heightened uncertainty surrounding the conflict in the Middle East and the impact of sharply higher fuel prices on inflation, consumer sentiment, and demand.

Labor Markets

Employment overall edged up during the reporting period; it rose slightly in services but was flat in manufacturing and energy. A few staffing firms noted that heightened uncertainty was making companies hesitant to hire and candidates reluctant to switch jobs. Energy firms anticipate some job losses from ongoing M&A activity but noted that staffing needs may be reevaluated if energy prices stay high. Wage growth remained modest in the service sector but was solid in manufacturing. Firms expect wage growth to ease to 3.1 percent over the next 12 months, down slightly from their expectations at the end of 2025.

Prices

Price pressures remained moderate overall, but were elevated in manufacturing, energy, and transportation. Some firms reported that rising fuel, freight, and raw material prices were hurting profitability, and many others expected similar impacts in the near term. Input and selling price expectations among more than 250 Texas businesses surveyed were up in March compared with year end 2025, with input prices expected to increase 3.9 percent and selling prices 2.8 percent over the next 12 months. The pickup in expected input price growth was widespread, although the uptick in expected selling price growth was limited largely to manufacturing.

Manufacturing

Factory output grew modestly in March after a strong increase in the prior reporting period. The recent slowing was driven primarily by weakness in durable goods production. Demand for non-durables increased broadly. Output at Gulf Coast refineries and petrochemical plants rose following the completion of seasonal maintenance, resolution of unplanned outages, and capacity expansion for some chemicals. The closure of the Strait of Hormuz and damage to refining and export capacity in the Middle East have tightened the global refined product market and reduced output of key petrochemical products. This is expected to buoy demand for Gulf Coast exports and has pushed margins to their highest levels since 2022. Notwithstanding, manufacturing outlooks on net deteriorated slightly due to heightened uncertainty stemming from the Iran war.

Retail Sales

Retail sales were flat to up over the reporting period. One contact said that low-cost retailers were faring well, while mid-tier retailers continued to struggle. Retailers expressed concerns about high oil prices driving up shipping costs and slowing business activity. With limited ability to absorb higher costs, several contacts noted they plan to pass on cost increases to customers if gasoline prices remain elevated. Auto sales slowed in March. Auto dealers expect high gasoline prices to weaken demand. Retail sector outlooks worsened and uncertainty about future business conditions increased notably

Nonfinancial Services

Activity in nonfinancial services was largely flat in March following modest growth in the previous reporting period. Recent weakness was attributed to conflict in the Middle East, rising fuel costs, and the partial government shutdown. Revenues were flat to down in professional and business services, education, and information services but rose in health care, transportation and warehousing, administrative and support services, and accommodation and food services. Airlines reported solid demand across regions and segments, but cited elevated fuel prices and long TSA wait times as potential headwinds. Overall, service sector outlooks were weak, with many contacts expecting the heightened level of uncertainty and high energy prices to impact demand.

Construction and Real Estate

Home sales were slow during the reporting period, likely due to higher mortgage rates, elevated uncertainty, and rising energy prices. The market remained competitive, and builders with better pricing or larger incentive packages were able to close deals more easily. One contact noted they would likely have to reverse a recent price increase to maintain sales. Outlooks remained weak, with some contacts concerned about the impact of the ROAD to Housing Act's restrictions on institutional investment in the single-family housing and build-to-rent markets.

Commercial real estate activity rose. Apartment absorption was positive but rent concessions remained widespread. Office leasing remained strong for top-tier space in desired locations but continued to be weak for lower-tier properties. Demand for industrial space was buoyed by growth in manufacturing and third-party logistics, and activity in the retail sector was characterized as solid but softening. Office construction remained subdued, while data center and industrial construction were robust.

Financial Services

Loan volume and demand accelerated in March. Upward momentum was driven by commercial real estate loans. Credit standards and terms tightened slightly, but loan pricing continued to decline. Loan performance ticked down. Bankers reported that general business activity ticked down, and outlooks were less optimistic. They expressed concerns about the impact of higher fuel prices on the economy, if sustained. A few noted that the Middle East conflict has created more uncertainty around future interest rates and that rate cuts may now be less likely. Survey respondents still expect growth in future business activity and higher loan demand,

except for consumer loans which are expected to remain unchanged, while loan performance is expected to worsen.

Energy

Eleventh District oil production was nearly flat over the past six weeks, although fracturing activity and well completions edged up. Some independent producers reported an intent to drill more wells later this year in response to higher prices, and oilfield services contacts noted some increase in price quoting. However, producers broadly expect WTI prices to decline meaningfully from recent highs by year-end 2026 and fall further in 2027, viewing the Middle East conflict as likely too transient to warrant any significant production increases. Conversely, they worry that if the disruption is prolonged enough it could trigger a significant economic slowdown that undermines demand. If firms do gain confidence that prices will be elevated longer term, capital discipline as well as constraints on labor, equipment, and natural gas takeaway capacity could be limiting factors through 2027.

Agriculture

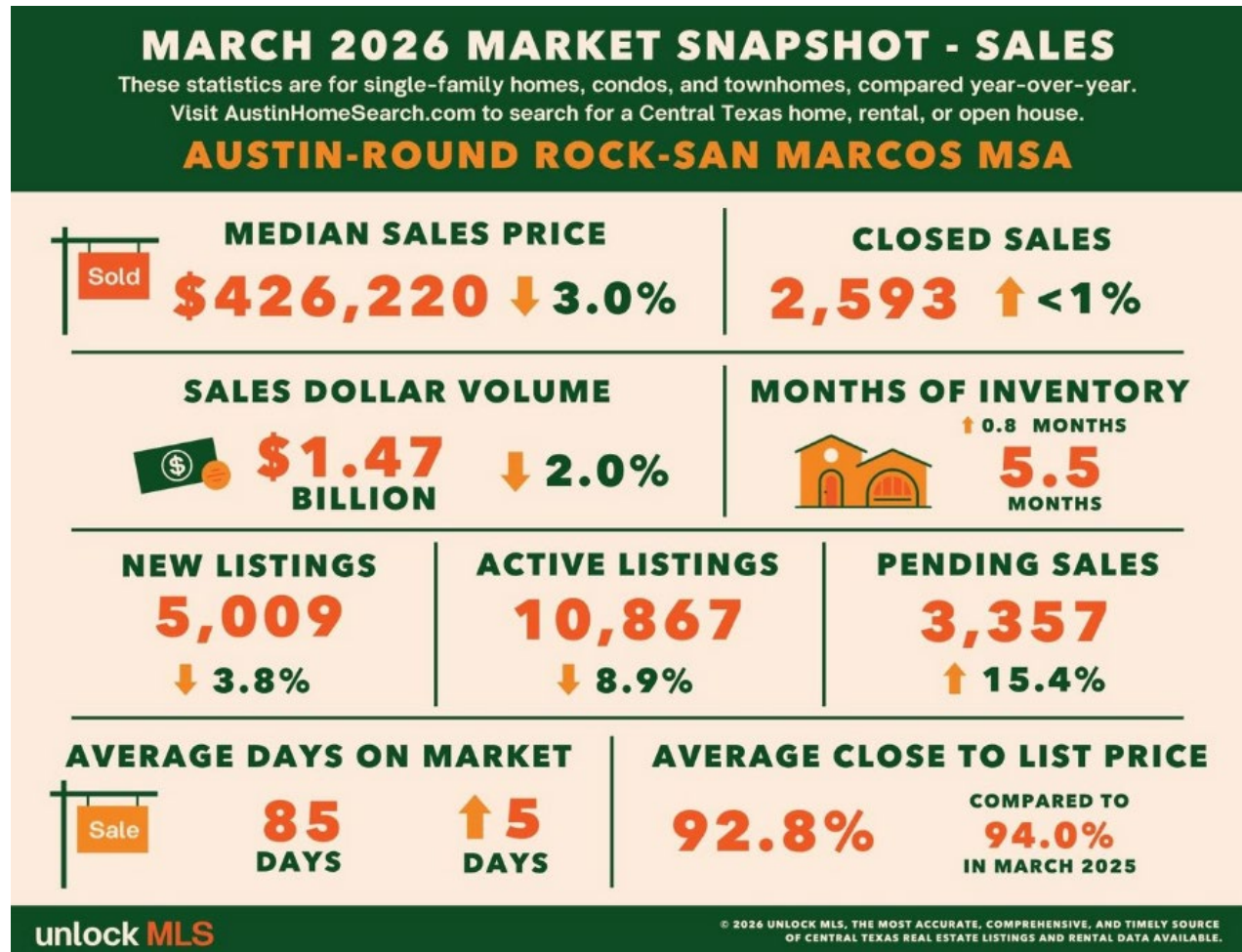
Drought conditions continued to worsen across the District, hampering production prospects for the new crop year. Most crop prices increased over the reporting period, although so did costs, spurred by higher fuel and fertilizer prices. Contacts noted that budget projections look better than six weeks ago on net, though some crop prices remain at unprofitable levels. On the livestock side, cattle prices fell but remained highly elevated, and drought concerns continued to suppress herd expansion. Agricultural contacts in general expressed concern regarding higher transportation costs and global shipping uncertainty.

Community Perspectives

Nonprofits continued to report elevated demand for social services. One contact cited increased demand among higher-income households, particularly for help with mortgage payments. More households are utilizing community resources such as food banks and neighborhood gardens, which one contact attributed to rising food costs and concern about future changes to the Supplemental Nutrition Assistance Program (SNAP). Contacts said that low- and moderate-income individuals continued to supplement their incomes through second jobs or increased work hours, even while some are enrolled in upskilling programs. Funding and volunteer shortages were a challenge for some nonprofits, and one contact reported that rising gas prices may compel volunteers to reduce hours delivering meals to homebound seniors.

Housing / Construction & Demographics

March 2026 Central Texas Housing Market Report:

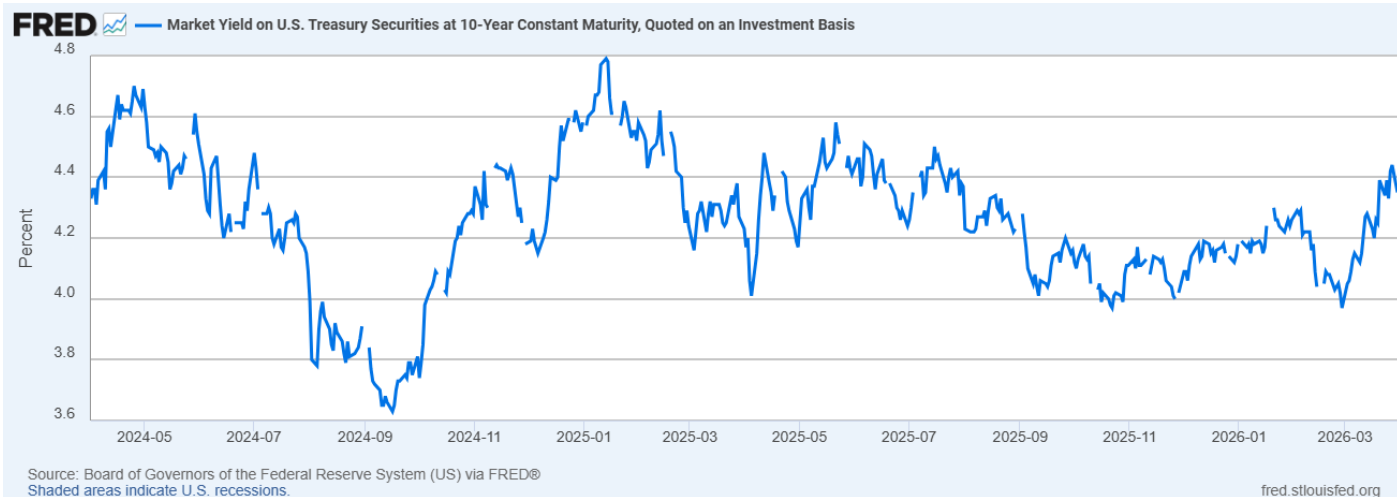


AUSTIN, Texas — According to the March and 2026-Q1 Central Texas Housing Report released by Unlock MLS, the Austin-Round Rock-San Marcos MSA closed out the first quarter of 2026 with renewed market activity, with March data signaling a notable shift in buyer engagement. In March, the median home price reached \$426,220 - the lowest March median price since 2021 - creating a more accessible entry point for buyers after several years of rapid price growth. Closed sales rose to 2,593 transactions, up 0.5% year over year, while pending sales climbed 15.4% to 3,357 transactions, reflecting increased buyer activity and forward-looking demand.

Source: Unlock MLS: March & Q1 2026 Central Texas Housing Report

Capital Markets

As of 03/31/26 mortgage interest rate levels for conventional, conforming fixed rate 30-year mortgage loans, was 6.625% according to TIB. The U.S. 10 Year Treasury closed at 4.30%. The S&P 500 closed at 6,528.52.



Projects

TEMPLE ([Austin Business Journal](#)) – Palladio Industries Inc. is planning an expansion of its 60,000-sf facility at 2114 Trino Rd. The company was approved to rezone 11 acres to build 116,000 sf of new production and warehouse space on 32 acres. The expansion will increase polymer capacity, add upstream chemical manufacturing, and integrate the supply chain with automated production and warehousing. The multi-phase buildout is expected in 24–36 months.

GEORGETOWN ([Austin Business Journal](#)) – BlueAcre Development is building The Preserve Georgetown, a 200,000-sf mixed-use project on 20 acres at 3701 W. SH 29. Phase one has 60,000 sf of retail, a two-story office building and flexible space. Phase two will span 40,000 sf across five buildings and is set to break ground by summer with delivery by first quarter 2027. Two additional phases totaling 18 buildings are planned.

AUSTIN ([Austin Business Journal](#)) – A mixed-use development is moving forward at 4201 S. Congress Ave. in the St. Elmo Arts District after the city approved a site development permit. The project, known as 4201 S Congress, spans 5.5 acres at the intersection of South Congress Ave. and Industrial Blvd. and will total approximately 200,000 sf across eight buildings. Building one will total 10,500 sf with restaurant and office space and rise 29 ft. Building two will include restaurant, retail, and office space totaling 67,763 sf and rising 60 ft. Building three will contain 22,665 sf of office space. Building four will total 19,894 sf with restaurant and office space and rise 56 ft. Building five will include 22,275 sf of restaurant and office space. Building six will be a six-story parking garage with 494 spaces and ground-floor restaurant space. Building seven will include 23,541 sf of office space, and building eight will include 15,718 sf of office space.

LEANDER ([ConnectCRE](#)) – ARS Developers is planning The Gathering Place, a 400,000-sf mixed-use project on 21 acres at 2773 Hero Way. The development is slated to include a 32,000-sf Big Air trampoline park, a 13,000-sf sports bar, a hotel with more than 100 rooms, 45,000 sf of retail, and an event center with 11,500 sf of indoor space plus an outdoor lawn. Phase one is estimated at \$45 million, with phase two retail projected to cost \$20 million. Opening is targeted for first quarter 2028.

ROUND ROCK ([Austin Business Journal](#)) – Mark IV Capital and W.E. O’Neil Construction are developing the Origin at The District, a 316-unit apartment building. The project is under construction within The District, a 66-acre mixed-use development near the intersection of I-35 and SH 45. The seven-story building will include studio, one- and two-bedroom layouts, as well as 23,000 sf of ground-floor retail. Amenities will include a third-level deck with a heated pool and 75-ft lap lane, cold plunge, dry sauna, outdoor entertainment areas, co-working space, sky lounge, and fitness center. Construction began in March 2026, with completion expected in early 2028.

FIGURES | AUSTIN OFFICE | Q4 2025

Tech demand and positive absorption signal Austin office rebound

▼ 25.0%
Vacancy Rate

▲ 214,383
SF Net Absorption

▼ 194,796
SF Construction Delivered

▼ 803,642
SF Under Construction

▲ \$48.90
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Key Takeaways

- Austin's office market closed 2025 on a strong note, recording 214,383 square feet of positive absorption in Q4 2025.
- Austin's overall gross asking rate continued to grow quarter-over-quarter, reaching \$48.90 in Q4 2025.
- As of December, more than 112 tenants are actively seeking space totaling over 4.5 million square feet. Driving this demand is the technology sector, which is currently pursuing more than 2.7 million sq. ft. of office space across the Austin market.
- Two office projects completed construction in Q4 2025, adding nearly 195,000 sq. ft. of new development space to the Austin office market.
- In Q4 2025, the total amount of sublease space in the Austin metro dropped to 3,695,997 sq. ft., a 6% decline quarter-over-quarter, and a 24% decline compared to Q4 2024.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

FIGURES | AUSTIN INDUSTRIAL | Q4 2025

Vacancy climbs as wave of construction deliveries overwhelms steady market performance

▲ 20.4%
Vacancy Rate

▲ 487,416
SF Net Absorption

▲ 3.4M
SF Construction Delivered

▼ 352,480
SF Construction Starts

▼ 3.8M
SF Under Construction

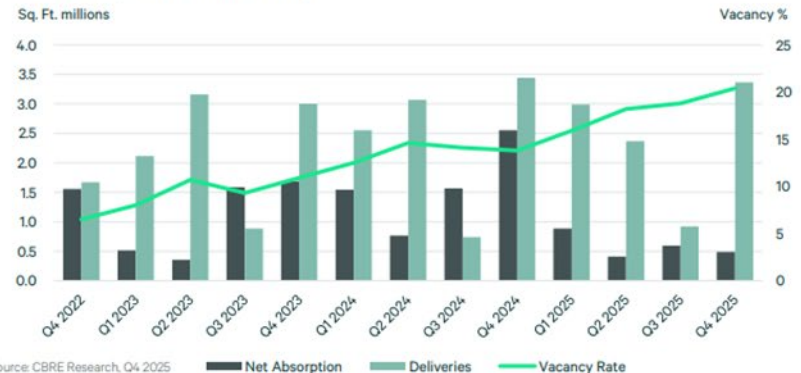
▲ \$14.22
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Core Insights

- The vacancy rate increased for the fourth consecutive quarter in Q4, hitting an all-time high and representing a 10.9% increase from Q3 2025.
- Solid positive net absorption of 490,000 sq. ft. marks Q4 2025 as the 46th consecutive quarter for positive net absorption with 2.4 million sq. ft. YTD.
- 9.5 million sq. ft. of new construction has delivered year-to-date as, making 2025 one of the busiest years for development in market history.
- 3.4 million sq. ft. of construction broke ground this year, the lowest year for starts since 2020.
- NNN/YR asking rents across all class types increased by \$0.13 per sq. ft. quarter-over-quarter.

Historical Absorption, Deliveries, and Vacancy

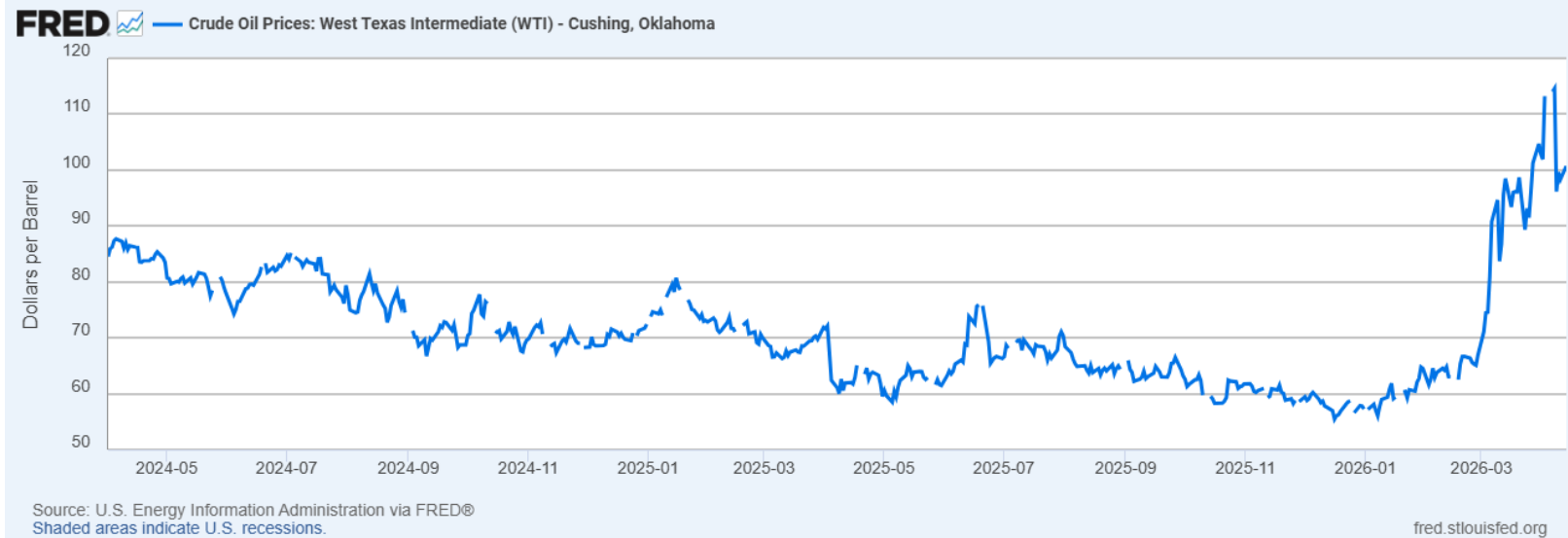
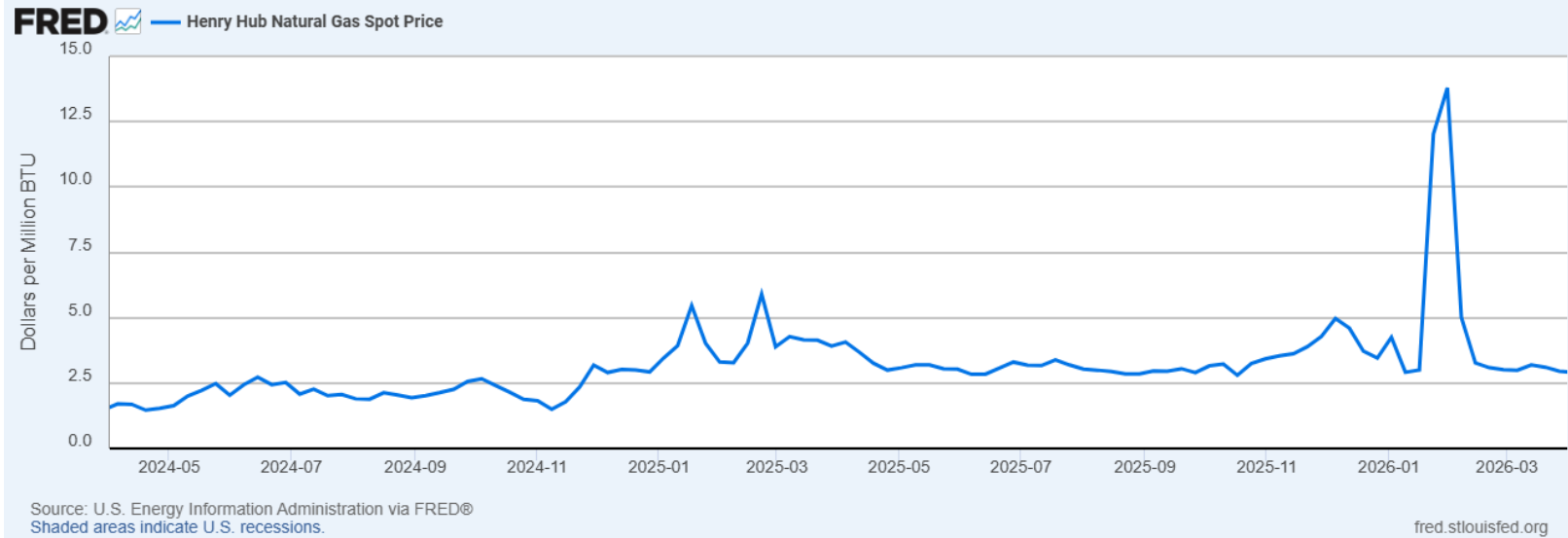


Source: CBRE Research, Q4 2025

Legend: Net Absorption (black bar), Deliveries (teal bar), Vacancy Rate (green line)

*As of Q3 2024, the CBRE Research statistical methodology for Austin has been adjusted to exclude Owner/User industrial properties. As of Q3 2024, the CBRE Research statistical methodology for Austin Industrial has been adjusted to ensure alignment with the market and peer market comparisons. As such, consistent historical/pre-Q3 2024 statistics for new or substantially adjusted submarkets are not available and historical metrics reported for these areas will not sum to historical Austin market totals.

Energy



CNB Commercial Lenders



**Joe Mahan,
Branch President**
Cameron, TX - 254.697.7086



**Jim Morse,
Branch President**
Rockdale, TX - 512.430.6316



**Ryan Stiba,
Branch President**
Taylor, TX - 512.352.4304

Picture Coming Soon.

**Kelli Higgins,
SVP, Commercial Banker**
Giddings, TX - 979.212.8324



**Jonathan Kamenicky,
Branch President**
Pflugerville, TX - 512.218.5110



**Brad Hickman,
Lending Officer**
Pflugerville, TX - 512.218.5112



**Brian Cauthorn,
Branch President**
Round Rock, TX - 512.218.5150



**Rachel Forrister,
Branch President, SVP**
Cedar Park, TX - 512.982.5992



**Claudia Conroy,
Market President**
Killeen, TX - 254.870.4743



**Dawn Robertson,
SVP / Sr. Commercial Lender**
Brenham, TX - 979.421.8104

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 ten branches across Central Texas including Milam, Lee, Williamson, Travis, Bell, and Washington 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.

Contact a lender for a copy of this report.

