



TEXAS CAPITAL BANK®

TEXAS CAPITALISM[®] INDEX

2020 SURVEY RESULTS FOR HOMEBUILDERS AND DEVELOPERS

Texas Capital Bank is pleased to publish a special version of the *2020 Texas Capitalism[®] Index* customized for homebuilders and developers.

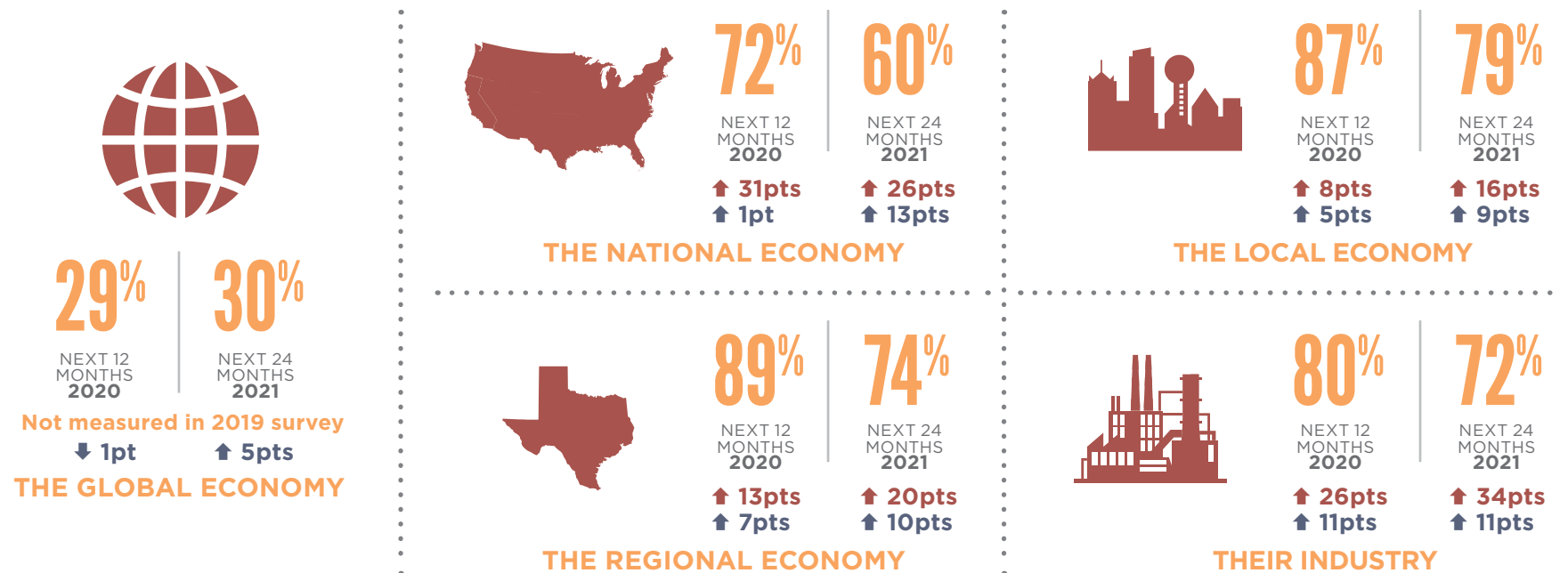
We asked leaders of these businesses how they felt about the business climate (global, national, regional and local) for the coming year, as well as gauged their opinion about challenges they see for their business and industry in the months to come. In total, 55 homebuilders or developers completed the 2020 survey.

The results of this study are intended to give homebuilder and developers an economic snapshot, as seen by their peers. So that it may offer the highest value to you, the survey is conducted annually, and results are published each year.

Optimism higher than peers in other industries and increasing

Our 2020 responses show that leaders of homebuilding and development companies are **more confident in the economies closest to home and their industry, where they're most engaged**. There is very high optimism in the short term for local and regional economies, but less short-term confidence in the national economy. These leaders are even more optimistic than their counterparts in other industries when it comes to the outlook for their regional and local economies and industry. As we look to the medium term, optimism wanes across the board, but continues to be higher closer to home and in comparison to other industries. There were no very optimistic responses for the global economy in either the short or medium term, but homebuilders and developers are more optimistic about the long-term outlook for the global economy than their peers.

PERCENTAGES COMBINE **OPTIMISTIC** AND **VERY OPTIMISTIC** RESPONSES.

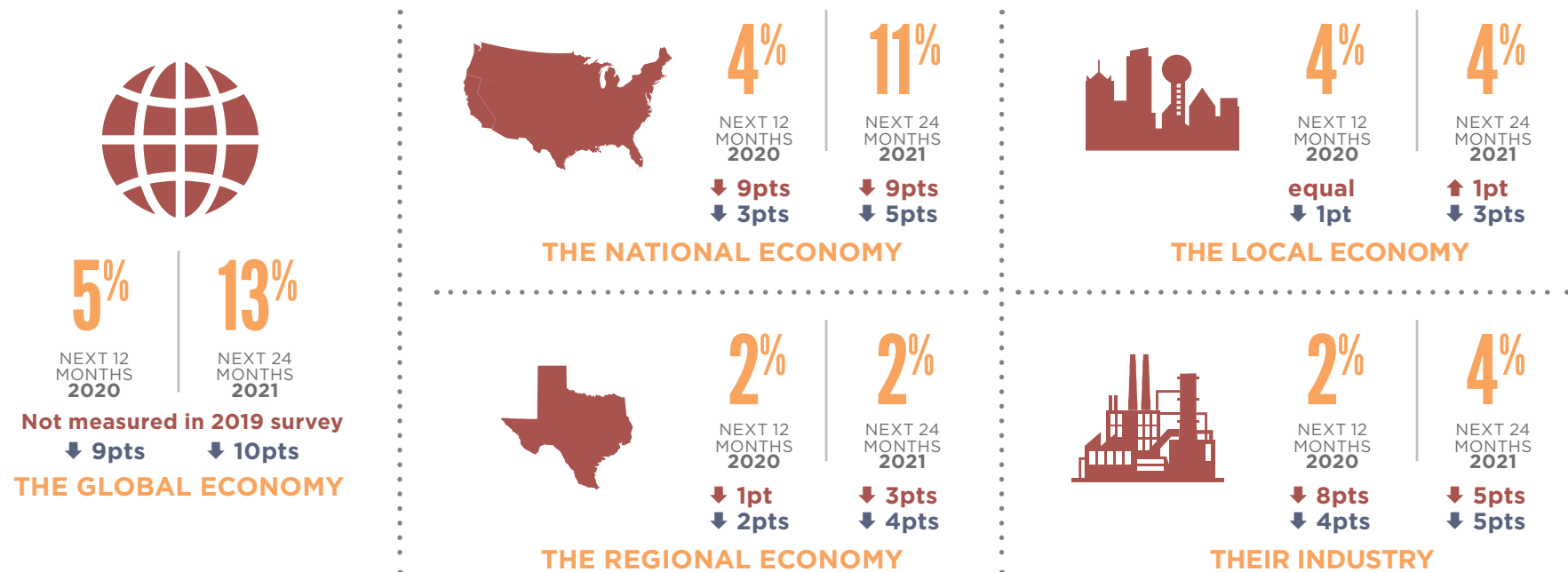


Deep red figures above compare 2020 data to 2019. Dark gray figures above compare commercial and industrial responses to all industry responses.

Pessimism lower than peers in other industries and declining

Though there were pessimistic responses for all economies, **pessimism is still quite low for the short term and declining year over year**. Overall, leaders of homebuilding and development businesses are less pessimistic than their counterparts in other industries. Most respondents are neutral on the global economy (65% for short term, 57% for medium term).

PERCENTAGES COMBINE **PESSIMISTIC** AND **VERY PESSIMISTIC** RESPONSES.



Deep red figures above compare 2020 data to 2019. Dark gray figures above compare commercial and industrial responses to all industry responses.

The top four challenges that homebuilders and developers anticipate in 2020 are:



47%

labor/talent shortage

↑ 7pts

↑ 12pts



38%

political uncertainty

Not measured in 2019 survey

↑ 9pts



36%

cost of raw materials/supplies

↓ 7pts

↑ 21pts



33%

impact of election outcome

Not measured in 2019 survey

equal



In 2019, increased interest rates was the top challenge, a concern that has dropped significantly this year.



Labor/talent shortage and cost of raw materials/supplies were also top challenges for homebuilders and developers in 2019.

Other challenges they face* include:

- 27%** increased interest rates ↓ 37pts
- 18%** lack of consumer confidence ↓ 16pts
- 24%** managing labor costs ↑ 4pts
- 15%** managing cash flow ↑ 7pts
- 22%** regulatory burden ↑ 12pts

*Less than 10% of respondents selected the following responses: availability of capital/credit, business succession planning, changing employee and customer demographics, crisis readiness, customer acquisition, cybersecurity, employee engagement, foreign competition, healthcare costs, increased tax burden, international exchange rates, managing revenue growth, technology disruption, trade tariffs.

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The **top three strategies** that homebuilders and developers will implement in 2020 are:



40%

increase prices/
margins

↑ 13pts



38%

implement cost or
operational efficiencies

↑ 5pts



33%

attract
new customers

↓ 14pts

The **top initiatives** that homebuilders and developers indicated would help them overcome significant challenges and/or help them grow their business:



29% leadership
development



27% data capture/analytics
capabilities



25% employee training and
development

Other strategies they will employ* include:

29% expand products/services

27% expand to new geographies

*Less than 10% of respondents selected the following responses: acquire other companies, expand manufacturing capacity, merger, transition company to new ownership, upgrade/install new infrastructure, up-sell/cross-sell to existing customer base, utilize new channels.

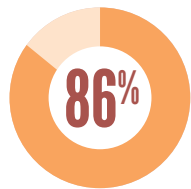
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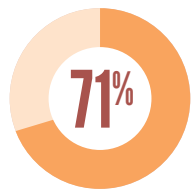


Deep red figures above compare homebuilder and developer responses to all industry responses.

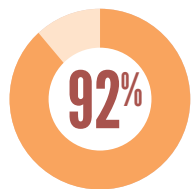
Assuming they can implement their planned strategies, homebuilders and developers:



are **optimistic** or **very optimistic** about their business's ability to grow with interest rates as a key driver of their ability to grow



expect employment to **increase** in 2020, with 53% expecting an increase of less than 10%



expect revenues to **increase** by more than 6%, with 40% expecting an increase between 6%–10%

Homebuilders and developers plan to seek additional funding from:



51%

traditional bank or credit union

↑ 16pts

Orange figure above compares homebuilder and developer responses to all industry responses.

HOW CAN WE HELP YOU MAKE THE MOST OF 2020?

[contact us](#)

Disclaimer: Survey participation was optional. Texas Capital Bank engaged a vendor to help execute our survey and compile results. To review SurveyGizmo's privacy policy for the full extent of information collected and shared, please visit www.surveygizmo.com/privacy/. Questions or concerns about this notice should be directed to Corporate Marketing at CorporateMarketing@texascapitalbank.com.