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Johnny Lamb Award



Kyle Jones of PGP recipient of
2022 Johnny Lamb Award.

Letter from the President



December, 2022

Greetings from the President

To our members:

You made it! It is officially the end of the year and what a year we had! Thanks to your generosity, we were able to donate over \$20,000 to the following local charities:

- NTGA Scholarship Program
- The Ramblin Closet, a Christian Clothing Ministry
- The North Texas Food Bank
- North Texas Veterans Initiative
- Genesis Women's Shelter

At the Christmas Casino Banquet and Toy Drive last week, we got to celebrate our amazing Board of Directors who volunteer their time and resources to this organization all year long. We were also able to hear from Nicole Berg with the Genesis Women's Shelter on how to get more involved and we won some great prizes while we were at it.

During this time of year, it's easy to get swept up in the flow of today's culture of *quiet quitting* and *selfish ambition*. The best way I have found to remain set apart from the rest is to be a part of something bigger than yourself. For instance, helping a coworker with a mundane task is a great way to remind yourself (and them) that there are always more people in your corner than those who want you to fail.

I hope you all have a blessed Christmas and a wonderful New Year. It has been an honor to serve on this board as President and I look forward to the opportunity to do it again.

See y'all around!

Sincerely,

Kristina Varela

President 2021-2023



TGA – NTD Christmas Casino Night & Santa's Helpers Toy Drive





TEN TAKEAWAYS FROM THE 2023 FORECAST

Prepare for what's next with leading construction economists



Glass Magazine's 2023 forecast is based on presentations from the 2023 Annual Outlook Forecast Conference from Dodge Construction Network, and Resources for a World of Economic Uncertainty: ConstructConnect Semiannual Economic Webcast.

1 | THE OVERALL U.S. ECONOMY IS HEADED FOR A SLOWDOWN

The U.S. economy is already showing early signs of a slowdown in response to notable economic concerns, such as inflation and rising interest rates, and geopolitical uncertainty, most notably from the continuing conflict in Ukraine. That slowdown will be felt in some—though not all—parts of the construction economy in 2023, according to leading building sector economists.

“There is a growing list of troubling indicators for the broader economy,” says Kermit Baker, chief economist for the American Institute of Architects.

“As the clouds of uncertainty mount on the fate of the economy in 2023, the construction sector has already started to feel the impact of rising interest rates,” says Richard Branch, chief economist for Dodge Construction Network. “The Federal Reserve’s ongoing battle with inflation has raised concerns that a recession is imminent in the new year. Regardless of the label, the economy is slated to significantly slow, unemployment will edge higher, and for parts of the construction sector it will feel like a recession.”

2 | GEOPOLITICAL CONCERNS COULD UPEND FORECASTS

The economists note that all forecasts are based on current conditions. Any number of major domestic or international events could upend projections for the coming year. “Our forecasts assume that nothing else crazy happens in the world. What are those elements: China, Taiwan, further violent escalation in Ukraine, sustained production cuts from OPEC. There’s talk of a rail strike—that could be a revolutionary event,” says Branch. “We are walking on the razor’s edge. And in our estimation, there is a very narrow path to avoiding a technical recession.”

3 | INFLATION WILL SLOW, AND INTEREST RATES WILL PEAK IN 2023

Despite the slowdown, construction industry companies should see some relief from rising costs as inflation begins to moderate. “Inflation seems to have crested,” says Baker.

Additionally, firms should also expect interest rates to peak in mid-year 2023 at 1.0 to 1.5 percentage points above current levels, says Baker. “The Fed is expected to begin cutting interest rates by late 2023 or early 2024,” he says.

4 | IF THERE IS A RECESSION, IT WON'T BE A REPEAT OF 2008

Baker estimates that any potential recession in 2023 will be short-lived—“at about eight months”—and less severe.

Branch adds, “Next year will not be a repeat of what the construction sector endured during the Great Recession when the financial system collapsed. Residential construction, already reeling from rising mortgage rates, will continue to contract and will be joined by nonresidential construction as the commercial sector retrenches. The funds provided to the construction industry through the Infrastructure Investment and Jobs Act, The CHIPS and Science Act, and the Inflation Reduction Act will counter the downturn, allowing construction to tread water. During the Great Recession, there was no place to find solace in construction activity; 2023 will be quite different.”

5 | BIG-PICTURE CONSTRUCTION INDICATORS OFFER A MIXED PICTURE FOR 2023

One key indicator for future industry performance began to show signs of weakening in late 2022. The Architectural Billings Index from the American Institute of Architects provides a glimpse at construction activity nine to 12 months down the road. Following a very positive 2021, readings continued in positive territory throughout the first three quarters of 2022. However, the October reading fell to 47.7 (any number below 50 indicates a decline in design firm billings).

“Economic headwinds have been steadily mounting, and finally led to weakening demand for new projects,” says Baker. “Firm backlogs are healthy and will hopefully provide healthy levels of design activity against fewer new projects entering the pipeline should this weakness persist.”

However, the Dodge Momentum Index posted increasingly strong numbers throughout 2022. The DMI is produced by Dodge Data & Analytics and measures the initial reports of nonresidential building projects in planning, which provides a roughly 12-month forecast for future construction spending.

In October, the DMI increased 9.6 percent over the previous month, led by a massive performance in the commercial building segment (up 13 percent) in addition to smaller gains in institutional building (up 2.9 percent).

“The sustained upward trajectory in the Momentum Index shows optimism from owners and developers that projects will continue to move forward, even with rising concerns of an economic recession,” says Sarah Martin, senior economist for Dodge Construction Network. “Specific nonresidential segments, such as data centers and life science laboratories, have thrived in 2022 and continue to support strength in planning activity. As we move into next year, however, labor and supply shortages, high material costs, and high interest rates will likely temper planning activity back to a more moderate pace.”

6 | ECONOMISTS EYE RETAIL, HOTEL AND HEALTH CARE FOR GROWTH IN 2023

Leading construction forecasts vary in projects for the coming year, ranging from more optimistic (a 6-percent increase in nonresidential spending, per the AIA Consensus Construction Forecast Panel), to a more tempered outlook (a 3-percent dip in overall construction spending, when adjusted for inflation, from Dodge Construction Outlook).

Segments to watch:

- **Retail and hotels** could be a bright spot in the coming year. ConstructConnect forecasts an impressive 11.8-percent growth in retail for 2022 and another 3.8-percent gain in 2023. Meanwhile, the hotel sector is an “upside surprise,” says Dodge’s Branch. “It’s revenge travel. Planes are full, hotels are full. It’s hard to get a rental car. The occupancy rate in the third quarter [of 2022] was at 76 percent.” Branch says the sector is expected to “eke out mild gains” in 2023.
- Projections for **commercial office** spending vary across the forecasts. ConstructConnect anticipates a rebounding year in 2023. The segment, which has suffered double-digit declines in recent years (including a 29.2-percent falloff in 2020), could rebound in 2023, with projected 15.2-percent gains, according to Alex Carrick, ConstructConnect’s chief economist.

However, Dodge anticipates the sector will “continue to underwhelm,” says Branch. “The real core of new office construction will be pretty bleak in 2023,” he says. That said, the long-term forecast for the segment is more positive. “What happens if there is a recession? You’ll see more job losses. And that could alter the balance of power [between employers and employees], which could start to push people back into the office,” he says. “There is upside potential once we get further down the road.”

- **Health care**, including hospitals and clinics, built off a monster year in 2021 where it saw a 40.3-percent uptick in spending, with an additional 7.7-percent increase in 2022. In 2023, the sector should increase a more modest 3.2 percent, with additional gains coming through 2026, according to Carrick.

“We are seeing a huge uptick in hospital projects, which is pushing spending considerably higher,” adds Dodge’s Branch.

- **Education** spending was up 17.7 percent in 2022. The sector is forecast to slip 1.2 percent in 2023, according to ConstructConnect, but should see gains of at least 5 percent from 2024 to 2026. Dodge, however, offers a more optimistic forecast for education, with 5-percent projected growth in the coming year. “Traditional education starts (classrooms) have languished as slow demographic growth eats away at overall demand; however, life science buildings have flourished and will continue to do so in the new year,” according to the Dodge Construction Outlook.

7 | SLOWDOWN HAS ALREADY STARTED FOR RESIDENTIAL CONSTRUCTION

Residential spending, which was among the strongest of segments in 2020 and 2021, has already started to falter and is expected to continue its decline in 2023. The residential sector is expected to constrict by 2.7 percent in 2022 and to fall another 0.4 percent in 2023, according to ConstructConnect. “There’s been extraordinary strength in residential construction over the last several years, which is about to subside and give a higher weighting to nonresidential work,” says Carrick.

The Dodge Construction Outlook also shows slowdowns in residential, with single-family starts down 5 percent when adjusted for inflation, and units will fall 6 percent. Multifamily will also drop 7 percent when adjusted for inflation, and units will fall 9 percent. Though, Branch notes the downturn for residential will be “pretty mild.” “The sector is three million units shy of full supply. Once it gets its legs back, we see stronger growth for single-family. For multifamily, we don’t think that recovery happens until early 2024,” he says.

8 | CONSTRUCTION INFLATION IS EASING

The construction sector should see an easing in material costs in the coming year, says Ken Simonson, chief economist for the Associated General Contractors of America. Material input costs have been slowing. Meanwhile, bid prices, which were sitting well below input costs, have increased, relieving some cost pressures for construction firms.

“We’ve seen huge declines in lumber, steel and aluminum. But we’ve seen increases for plastics, gypsums, cement concrete and architectural coatings,” says Simonson. “It really is quite a different story depending on what materials contractors buy.”

Among 15 materials that feed into the Producer Price Index for construction cost changes, 11 materials have seen prices decrease in the third quarter of 2022. And among the other four, none have increased more than 4.5 percent, according to Carrick. “There are still some stunningly high year-over-year cost advances ... but the latest three-month results show clear signs of moderation,” he says.

9 | LABOR STRUGGLES MAY EASE IN 2023 FOR NONRESIDENTIAL CONSTRUCTION

Construction labor could also be a bit easier in 2023, in part due to the slowdown in the residential market. As of October, residential construction employment was up 6.8 percent compared to pre-pandemic levels. However, nonresidential employment recovery has continued to lag. It sits 2.3 percent under pre-pandemic levels.

“This could be helpful to nonresidential contractors. [The residential slowdown] frees up some workers who would be needed in nonresidential,” Simonson says.

However, Simonson notes that long-term issues remain. “One reason contractors are not able to build up employment levels [is that] there just aren’t enough workers out there. Openings are at an all-time high. ... The industry wants to hire twice as many people as it was able to bring on board,” he says.

Adding to labor challenges are construction wages. “Other industries have increased pay more sharply than construction. ... Industries that paid minimum wage boosted pay to \$16 to \$18 an hour,” Simonson says. Adding to the challenges, “construction work has to be done onsite in any kind of weather starting early. Other jobs offer more flexibility,” he says. “Construction will have continued difficulty filling jobs.”

10 | LONG-TERM OUTLOOK POINTS TO A NET-ZERO ENERGY REVOLUTION

The world is headed toward a net-zero energy revolution, which will offer major growth opportunities for the construction industry, says Alex Carrick, chief economist for ConstructConnect. “I am really optimistic about the outlook for construction over the longer term,” Carrick says. “There is a longer-term movement underway that will be as important as the industrial revolution and the technology boom. The whole world is moving toward [net-zero energy] by mid-century. ... This will have huge implications.”

Carrick's outlook for the net-zero energy revolution includes: more renewables, a proliferation of NZE-related mega projects, green-friendly spending initiatives (such as those in the Inflation Reduction Act) and more.

By: Katy Devlin adapted from glassmagazin.com

MEMBERSHIP RENEWAL

*****Notice to all TGA/NTD Members*****

Please follow-up on your membership renewal.

If your company name is not listed, we show no record of your membership renewal.

It is only through our members we can continue to grow as an organization and provide education and training to our industry. You are the foundation of our organization. Please help serve our industry by submitting your dues.

For membership questions contact:
Valerie Nagy at vnagy@hartung-glass.com

Membership Renewal

WE LOOK FORWARD TO YOUR PARTICIPATION IN THE TGA/NTD. OUR SUCCESS AS AN ORGANIZATION DEPENDS ON YOUR CONTINUED SUPPORT!!

WE NEED YOU!!

ALL RENEWAL PAYMENTS GO TO THE TEXAS GLASS ASSOCIATION IN AUSTIN.

For membership renewal mail checks to:

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(Formerly in Houston, TX)

Jennifer Fontana, CAE

TGA Executive Director
1-800-842-2762 or 512-663-6629
Email: jennifer@texasglass.org
www.texasglass.org

PLEASE NOTE:

The Texas Glass Association should be set up as one vendor and the Texas Glass Association/NTD as another vendor.

For meetings, sponsors and TGA/NTD events mail checks to:

TEXAS GLASS ASSOCIATION/NORTH TEXAS DIVISION or TGA/NTD
P.O. Box 541596
Dallas, TX 75354-1596

For questions or assistance please contact:

Kristina Varela

TGA/NTD President
Phone: 972-506-9580
Email: kristina@dfgdbiz.com

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City _____ State _____ Zip _____

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Referred By _____ Date _____

MEMBERSHIP CATEGORY

Company primary business (*check as many as apply to your business*)

- Dealer/Retailer Fabricator Supplier Contract Glazing
- Distributor Manufacturer Sales Rep Other _____

Please check appropriate category.

- REGULAR MEMBER:** Any firm or corporation which is:
 - (a) Engaged in the furnishing, installation, replacement, or repair of glass products, including, but not restricted to architectural glass, auto glass, mirrors, and leaded glass. (b) Conducting business as a glazing contractor.
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Included in your membership dues is enrollment in one of the TGA Divisions your company will be assigned based on the county in which your business is located. Associate Members and Regular Members whose gross sales are more than \$5 million will be members of all TGA Chapters.

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