



Monthly Economic Digest

November 2007



Regional Economic News

Houston Area Job Growth Continues

The Houston MSA added 18,700 non-agricultural jobs in September, significantly higher than the 8,600 added in August. The unemployment rate in September was 4.3%, up from 4.1% in August, but still lower than the 4.7 % recorded in Sep'06 (*HBJ' 10/19/07*).

Foreclosures Filings Continue to Rise

The Houston MSA recorded 3,478 foreclosure filings in September, compared with 2,565 during Sep'06 (*HC²10/11/07*). Moreover, single family-home sales fell by 15% in September compared to Sep'06. This was the biggest drop in sales in more than a decade, according to the Houston Association of Realtors (*HC² 10/17/07*).

Demand for Office Space Continues to Increase

According to Grubb & Ellis 3Q 2007 report, Houston's office leasing market posted another healthy quarter with 765,000 sf of positive absorption. During this period, rents increased by \$1.2 or 5.5 % to \$23.6 per sf per year, which marks a new record high for citywide asking rents (*Real Estate Center, 10/08/07*).

BP to Relocate Chicago Employees to Houston

BP is planning to layoff some of its 3,300 employees in Chicago offices and relocate others to its Houston office. The company is expanding its Houston campus on Westlake Park Blvd, to create space for 2,000 to 8,000 additional employees and contractors by 2010 (*HBJ' 10/19/07*).

Bay City Shows Signs of Growth

As a result of potential industrial growth, Bay City in Matagorda County is already showing signs of growth. According to the Bay City Chamber of Commerce and Agriculture, 25 residential building permits were recorded by the end of August compared to only one building permit this time last year, and only four by the end of 2006 (*Bay City Tribune 10/08/07*).

Retail Market on Rise in Pearland

As a result of booming housing market and robust job growth, the city of Pearland's retail market is experiencing significant expansion. Major retailers in the area are opening multiple stores. For instance, Target Corp will open its 2nd store, Kroger Co. is planning a 3rd location, and Office Depot Inc. recently opened its 2nd

location. The major retail centers under development in Pearland are: 1.2 million sf *Pearland Town Center* located at FM518 and Highway 288, and 1.5 million sf *Parks at Boulder Creek* located at Beltway 8 and Pearland Parkway (*HBJ' 10/12/07*).

State Drops \$240 M Bridge to Bolivar Plan

The Texas Department of Transportation cancelled any plans it had to build the bridge between Galveston and Bolivar Peninsula. The State agency spent \$2.3 million on studies investigating the project's viability since 2000. The study indicated that one-third of the respondents prefer the existing ferry and 42% were against a tolled bridge (*The Daily News 10/02/07*).

Biotech Grants Awarded to Four Houston Firms

Gov. Rick Perry awarded nearly \$4 million in state grants through the Texas Emerging Technology Fund to four Houston-based biotechnology companies to advance their respective research. The companies that received the grant are: ThromboVision Inc.(\$1.5 million), Bellicum Pharmaceuticals Inc. (\$1.4 million), Visualase Inc. (\$750,000) and Laser Tissue Welding Inc. (\$160,000) (*HC² 10/09/07*).

Wind Energy Systems Technology Plans to Build Wind Farms off Galveston

WEST was awarded leases to four tracts by The Texas General Land Office for offshore wind power in the Gulf of Mexico. The company will pay \$21,000 per tract for development rights and will pay the state's Permanent School Fund a minimum of \$258 million over the 30-year life of the leases (*HC² 10/3/07*).

Polymer Plant in Freeport Expanding

BASF Corp. is spending \$200 million to expand its two new Freeport polymer producing plants. The company is closing its facilities in Enka (NC), Aberdeen (MS), and Portsmouth (VA) and integrating them with the two facilities in Freeport. The expansion will bring 110 new jobs to Freeport (*The Facts 10/09/07*).

New Plant in Houston Ship Channel

Airgas Inc. plans to build a new 450-ton-per-day liquid carbon dioxide plant at the Shell Deer Park Refinery complex, east of Houston. The plant is expected to be ready in late 2008 and will employ 15 to 20 people (*HBJ' 10/11/07*).

Bayport Area Warehouse Project Moves to Phase II

Vantage Companies has broken ground on Phase II of *Bayport North Distribution Center* in LaPorte. Phase II includes two buildings totaling 772,500 sf on 41.7 acres at the corner of Fairmont Parkway and Underwood Drive in LaPorte (HBJ¹ 10/19/07).

New MPC Set for Missouri City

Dallas-Based Hillwood has purchased the 3,827-acre Sienna Plantation South property in Fort Bend County for development of 7,000 single-family homes. In addition to building homes, the company will set aside 300 acres for retail and commercial development, 100-acres for schools and churches, and 1,000 acres for parks and open spaces. The project is located in Missouri City, south of Sienna Plantation Country Club between the Brazos River and FM 521. First lots will be available in mid-2009 with complete build-out expected in next 10-15 years (HBJ¹ 10/05/07).

New Mixed-Use Development in Conroe

Madeley Interest Ltd. II hired former president and CEO of The Woodlands Operating Co. to plan the undeveloped 150 acres located on the west side of Interstate 45 at FM 3083/Carter Moore Parkway in Conroe. The plan calls for 60 acre retail development, 30 acre town homes, 23 acre luxury apartments, and 34 acres of office space (HBJ¹ 10/12/07).

New Mixed-Use Development in Friendswood

Friendswood City Council has approved an economic incentive for *Home Town Center*, a 60,789 sf mixed-use development, to be developed by Buzbee Properties Inc., at 502 Friendswood Drive (HBJ¹ 10/17/07).

New Developments on Grand Parkway

Kickerillo Companies has acquired a 100-acre parcel at I-10 and the Grand Parkway and plans to build *Grandeur Park*, a 1,300-home community. Across the street from *Grandeur Park*, Simon Property Group Inc. is developing *The Grand*, a 1 million sf open-air town center. Construction on *Grandeur Park* will begin in late fall 2007 and will be completed in 2 years, whereas the first phase of *The Grand* will be ready by 2010 (HBJ¹ 10/12/07).

New Developments near Bush IAH

Mas Development Co. purchased 10 acres of land near FM1960 East and Kenswick Drive close to Bush Airport and plans to develop 100,000 sf mixed use business park (North Houston Association 26/10/07). In another development, a group of 80 physicians teamed with Dallas based Christus Health Partners to launch a new 56-bed, general acute care hospital near Bush Airport. BPR Investment Properties will develop and own the \$75 million hospital slated to open in the fall of 2009 (HBJ¹ 10/02/07).

Plans for Three Residential Towers in Uptown Area

Rich Oak Properties LLC, an affiliate of Boymelgreen Development LLC of New York purchased land at the northwest corner of Post Oak and Richmond, and plans to develop two 30-story condo towers. In another transaction, an affiliate of Austin-based FaulknerUSA Inc. purchased 3 acres at 2525 McCue site for possible development of a 40-story condo tower (HBJ¹ 10/05/07).

New Sysco Warehouse Facility in Greenspoint Area

Sysco is building a new 585,000 sf high-tech facility at the southwest corner of Beltway 8 and I-45 in Harris County. Sysco plans to sell its existing building near the Anheuser-Busch Companies plant off I-10 East to Houston Food Bank for \$22 million (HC² 10/04/07).

Construction began on Village Plaza

Construction began on *Village Plaza*, a 520,000 sf, 46-acre shopping center located at the northwest corner of Bunker Hill and I-10. Some of the tenants include H-E-B Market, Dick's Sports, Circuit City, and PetSmart. Village Plaza is 70% leased and is expected to open in a year (HBJ¹ 10/08/07).

Significant Office Space under Construction

At present, speculative office space under construction in Houston stands at 4.3 million sf, which marks the highest construction level since the end of 1998, according to Grubb & Ellis 3Q 2007 report. The majority of construction activity is found in Katy Freeway/Energy Corridor, Northwest Freeway and Westchase submarkets. Construction of two new office buildings in CBD: *Discovery Tower* (871,000 sf) and *MainPlace* (1 million sf), will begin in 2008 (Real Estate Center 10/08/07).

New Office Buildings in West Houston

Dienna Nelson Augustine Co. (DNA) broke ground on DNA Westway II and III office buildings, which will contain a total 436,200 sf Class A office space in the Westway Park located at Beltway 8 and Clay Road (HBJ¹ 10/22/07). In another development, Thomas Properties Group Inc. plans to build four new office buildings (*CityWestPlace* 5-8), adding 1.8 million sf to the BMC Software Inc. campus in West Houston along Beltway 8 between Westheimer and Briar Forest (HBJ¹ 10/26/07).

New Office Building in the Energy Corridor

Mac Haik Development is planning to build Energy Tower II, a 447,000 sf office building in the Energy Plaza Office Park at the northwest corner of Kirkwood and I-10. Construction is scheduled for Feb'08 and is expected to be ready by Sep'09 (HC² 10/25/07).

¹HBJ: Houston Business Journal

²HC: Houston Chronicle

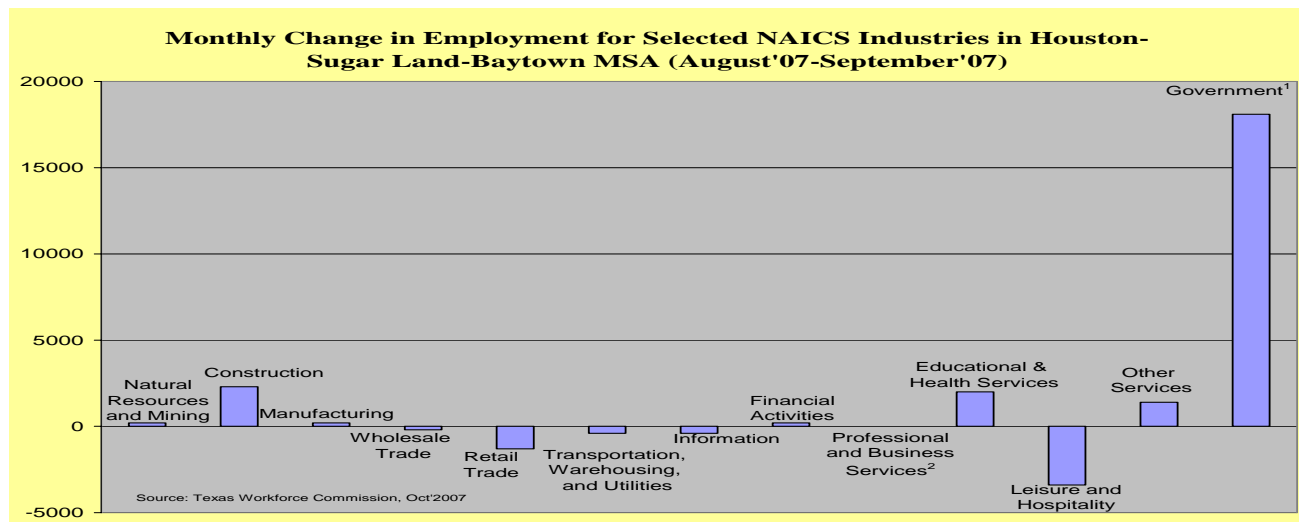
Regional Economic Trends

Change in Employment and Unemployment Rate										
Area Title	Employment (in thousands)					Unemployment Rate				
	Sep'07	Aug'07	Sep'06	Monthly Change	Yearly Change	Sep'07	Aug'07	Sep'06	Monthly Change	Yearly Change
Austin	13.1	13.0	12.9	0.1	0.2	3.8	3.6	4.0	0.2	-0.2
Brazoria	134.5	133.8	132.8	↑ 0.8	↑ 1.7	4.5	4.3	4.7	0.2	-0.2
Chambers	14.0	13.9	13.8	0.1	0.2	4.7	4.5	4.8	0.2	-0.1
Colorado	10.4	10.4	10.2	-0.1	0.1	3.7	3.5	4.1	0.2	-0.4
Fort Bend	238.0	236.7	235.0	↑ 1.4	↑ 3.0	4.2	3.9	4.5	0.3	-0.3
Galveston	138.8	138.0	137.0	↑ 0.8	↑ 1.8	4.6	4.4	4.8	0.2	-0.2
Harris	1,838.5	1,827.9	1815.1	↑ 10.7	↑ 23.5	4.3	4.0	4.7	0.3	-0.4
Liberty	31.2	31.0	30.8	0.2	0.4	5.3	4.9	5.4	0.4	-0.1
Matagorda	14.6	14.3	14.9	0.3	-0.3	6.5	6.7	6.6	-0.2	-0.1
Montgomery	192.5	191.4	190.1	↑ 1.1	↑ 2.5	3.9	3.7	4.1	0.2	-0.2
Walker	24.7	24.6	24.8	0.1	-0.1	5.0	4.8	5.2	0.2	-0.2
Waller	16.0	15.9	15.8	0.1	0.2	4.4	4.4	4.7	0.0	-0.3
Wharton	19.4	18.9	19.8	↑ 0.5	-0.4	4.4	4.4	4.6	0.0	-0.2

↑ indicates employment and unemployment rate change of 0.5 and above;

↓ indicates employment and unemployment rate change of -0.5 and below;

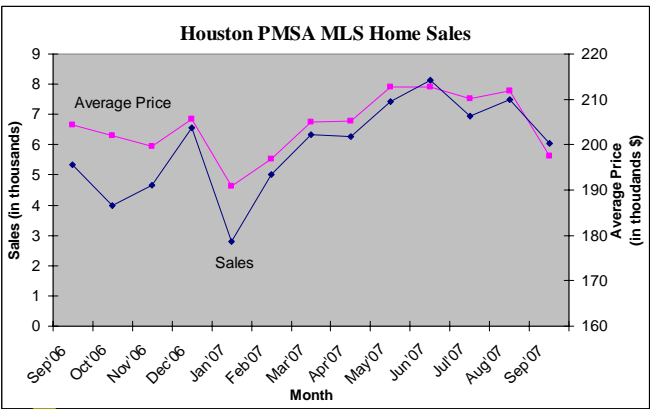
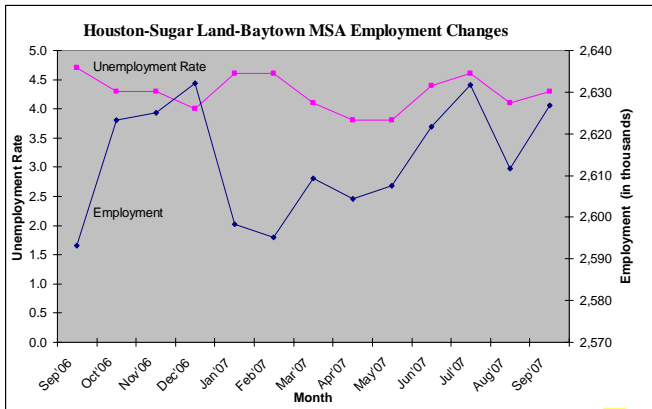
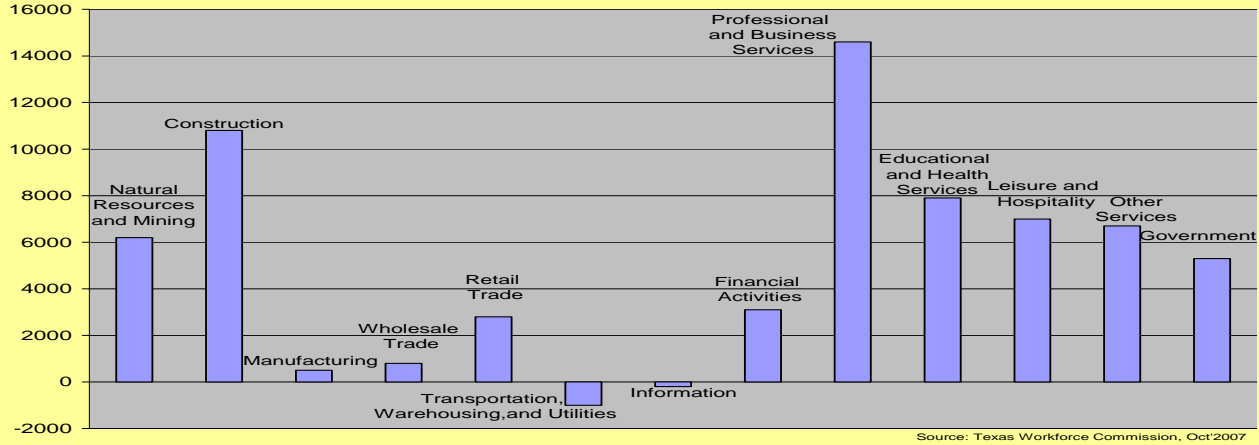
Source: Texas Workforce Commission, October 2007.



Note: ¹ Rise in Government employment is due to 'seasonal activity in Local Government as the new school year began' (Texas Labor Market Review, October 2007).

² There is no change in employment for Professional and Business Services

Yearly Change in Employment for Selected NAICS Industries in Houston-Sugar Land-Baytown MSA (September'06-September'07)

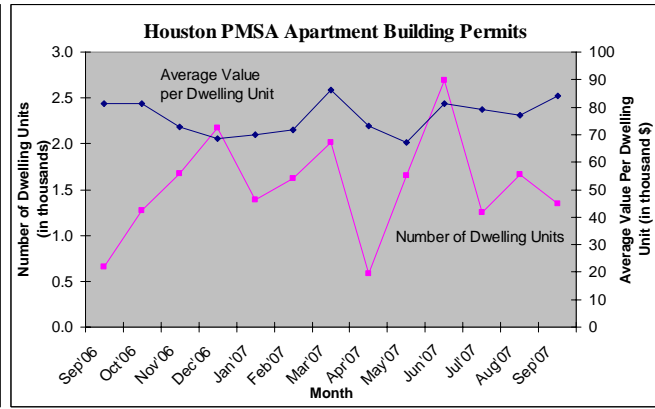
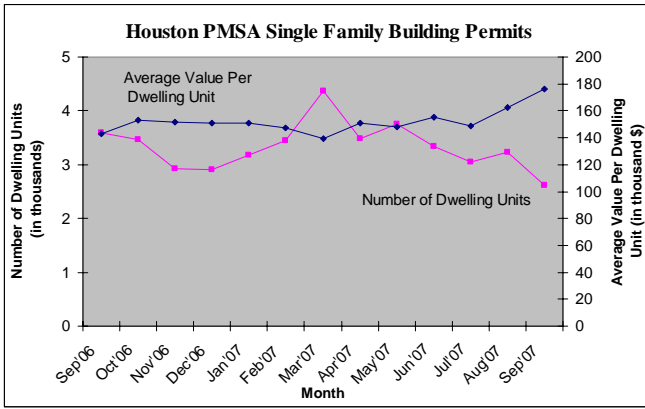


Change	Monthly	Yearly
Employment (in thousands)	↑ 15.0	↑ 34.0
Unemployment Rate	↑ 0.2	↓ -0.4

Source: Texas Workforce Commission, October 2007.

Change	Monthly	Yearly
Home Sales (in thousands)	↓ -2.2	↓ -1.0
Avg. Price (in thousand \$)	↓ -9.7	↑ 4.8

Source: Real Estate Center at Texas A&M University, 2007.



Houston PMSA Single Family Residential Building Permits

Change	Monthly	Yearly
Number of Dwelling Units (in thousands)	↓ -0.6	↓ -1.0
Average Value Per Dwelling Unit (in thousand \$)	↑ 14.0	↑ 33.1

Source: U.S. Bureau of Census and Real Estate Center, Texas A&M University, 2007.

Houston PMSA Apartment Building Permits

Change	Monthly	Yearly
Number of Dwelling Units (in thousands)	↓ -0.3	↑ 0.7
Average Value Per Dwelling Unit (in thousand \$)	↑ 6.9	↑ 2.7

Gulf Coast Economic Development District

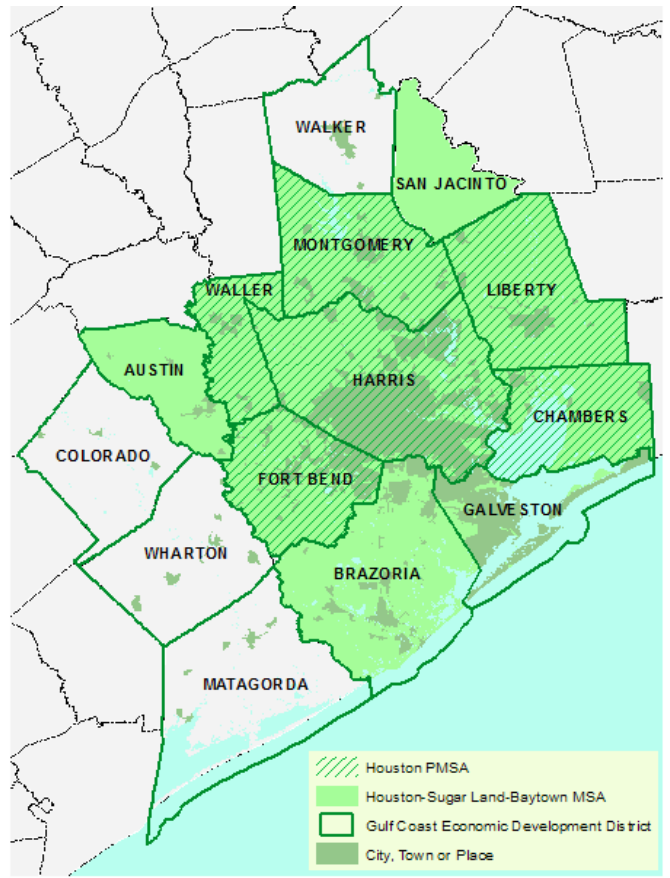
Website: www.gcedd.org

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For comments and suggestions, please contact: psambidi@h-gac.com. Please share your thoughts with us, if you think you have some information that can be included in the Economic Digest, please do not hesitate to contact us.

Thank you.