



Monthly Economic Digest

October 2007



Regional Economic News

Houston's Economy Ranks 7th Biggest in the Nation

Gross Domestic Product (GDP) estimates for Metropolitan Statistical Areas (MSA) released by the Bureau of Economic Analysis indicated that Houston-Sugar Land-Baytown MSA's economy ranks seventh in the nation with a GDP value of \$255 billion. The top six MSAs are New York (\$974 b), Los Angeles (\$578 b), Chicago (\$419 b), Washington DC (\$313 b), Dallas-Fort Worth (\$285 b), and Philadelphia (\$266 b) (*Bureau of Economic Analysis 09/26/07*). When compared with the GDP values of 191 baseline countries, Houston's GDP Ranked 22nd.

Houston's Job Market Ranks fifth in the Nation

According to the Bizjournals survey, Houston ranks as the nation's fifth-hottest job market among the nation's 100 largest labor markets. The city gained 69,500 jobs since mid-2006 and unemployment rate decreased more than a full point during the past 12 months. The top four markets are Phoenix (AZ), Salt Lake City (UT), Boise (ID), and Riverside-San Bernardino (CA). Other Texas cities that ranked among the top ten were Dallas-Fort Worth (6th) and Austin (8th) (*HBJ¹ 09/14/07*).

Houston Area Industrial Market Grows

The Houston area absorbed 6.4 million sf of industrial space in the 2nd quarter of 2007. The overall industry vacancy rate declined to 5.5 % at mid-year 2007 and rents increased at an annualized rate of 6.5 % in the second quarter (*Delta Associates, 09/18/07*).

Houston Office Market Experience Study Growth

Houston's office vacancy rate declined to 11.3 % at mid-year 2007 compared to 11.7 % in 2006. The market absorbed 2.2 million sf for the first half of 2007. In the first half of 2007, on average, Class A office rents rose by an annualized rate of 15.9% with asking rents of \$23.4 per sf, while Class B rents rose by an annualized rate of 7.4% with asking rents of \$17.5 per sf (*Delta Associates, 09/18/07*).

Houston Home Sales Down

Houston area home sales fell 1.2% in August, according to the Houston Association of Realtors. Most of the decline has been in single-family homes with a price range of \$80,000 to \$150,000, where sales dropped 12.6 %. However, homes that are sold for more than \$500,000 saw a 26 % increase in sales (*HC² 09/20/07*).

Houston Area Job Growth Continues

Non-agricultural employment in the Houston MSA was up by 8,600 jobs in August compared with July and by 64,400 compared with same period last year. The unemployment rate was 4.1 percent, down from 4.6 percent in July and 5 percent in August 2006 (*HBJ¹ 09/21/07*).

Study Indicates Economic Impact of Arts on Houston

A study funded by The Brown Foundation, Houston Endowment and The Wortham Foundation, showed that in 2004, the cultural arts in Houston brought \$626.3 million, 14,115 full-time jobs, and generated \$69.5 million in tax revenue (*HBJ¹ 09/24/07*).

Sales Tax Payments Up for Counties in Houston Metropolitan Area

Among counties in the Houston metropolitan area, Harris County received the highest sales tax payment of \$46.7 million, a 12.2% increase compared to September 2006. Liberty and Austin County experienced the biggest jump in sales tax payment in terms of percentage increase. Sales tax payment increased by 25.3% in both counties as compared to September 2006 (*HBJ¹ 09/14/07*).

Study Indicates Significant Economic Benefits for Matagorda County

An economic impact model developed by the Houston-Galveston Area Council for the Matagorda County Economic Development Corporation indicated that the four major industries that are expected to come to the county will impact 23,000 workers, which includes 4,800-5,300 new permanent workers. The projects that were included in the model were the likelihood of Exelon's Matagorda County location, two new reactors for STP, Tres Palacios Gas Storage and Beachside, and the new housing development coming to Palacios' Camp Hulen (*Bay City Tribune 09/04/07*).

Atascocita Area Experiencing Significant Growth

Demographic studies indicated that Atascocita area (northeastern Harris County) population growth will increase by 60% over the next five years because of several thousand of homes that are being built in the area south of FM 1960 along Will Clayton Parkway. This residential development has in turn resulted in increasing commercial development with new business facilities and grocery stores (*HC² 09/12/07*).

City of Shenandoah Makes Plans for Growth

Shenandoah area officials unveiled the city's future by outlining a range of projects that will add 1 million sf of retail space, 1 million sf of commercial office space, bring 430 new homes and increase the population by 1, 700. At present, Shenandoah has 635 houses and 3,300 residents (*HCN*³ 09/17/07).

GEDP Report Indicates over \$2.6 billion in Investment on Galveston Island

The latest edition of Construction Update released by The Galveston Economic Development Partnership (GEDP) indicated that the city of Galveston have over \$2.6 million in investment, over 3 million sf of new or remodeled commercial space, over 6600 new housing units and over 800 jobs in development (*Guidry News* 09/20/07).

Motorsports Park Projected to have a Significant Economic Impact on the City of Cleveland

Liberty Motorsports Park planned for 819 acres on FM 105 west of Cleveland is expected to create millions of dollars in revenue for the city over the next 30 years. Impact DataSource conducted the study, which indicated that the Park would bring 510 direct and indirect jobs, \$714 million in salaries and 746 new residents in the city over the next thirty years (*HCN*³ 09/17/07).

County Commissioners Grant Tax Abatement

Montgomery County Commissioners granted six year tax abatement for Conroe Machine LLC, a manufacturer of downhole tools for the oil industry. The company plans to build a 51,000 sf facility on 8.8 acre lot at Conroe Park North. The company is expected to bring at least 30 jobs initially and an annual payroll of about \$4 million (*HCN*³ 09/25/07).

Council Rejects Condominium Project

The Galveston City Council voted to deny developer Lamson Nguyen's two seven-story, 96-unit condominiums project proposed for a site nearby English Bayou (*The Daily News* 09/14/07).

NRG Files for New Nuclear Plants

NRG Energy Inc. filed application with the Nuclear Regulatory Commission to build two new nuclear reactors at the South Texas Project. The \$6 billion project is expected to attract as many as 4,000 construction workers and about 900 permanent employees (*Bay City Tribune*, 09/24/07).

Construction Begins on Gas Storage Facility

Tres Palacios Gas Storage LLC received federal approval for its natural gas salt storage project in Clemville, near Markham, and will begin construction in October. The \$150 million project is expected to bring 10 full-time jobs, 300 temporary jobs, and \$5-\$7 million in yearly tax revenue. The project will be fully developed by 2010 (*Bay City Tribune*, 09/22/07).

Officials Break Ground on Matagorda Regional Medical Center

Matagorda County officials broke ground on a \$36 million *Matagorda Regional Medical Center* located on 45 acres at the southeast corner of the intersection of Texas 35 and the Nile Valley Parkway. The construction is projected for completion in May 2009 (*Bay City Tribune* 09/04/07).

New Residential Project in Dickinson

Sonrisa Development of League City is planning to build a \$50 million residential project, which includes 900 single-family homes in Dickinson and Santa Fe, bordering Cemetery Road and Dickinson Bayou. First phase of the three-phase development will begin next September and the complete build-out is expected to be from 2018-2020 (*The Daily News*, 09/11/07).

New Hotel in Downtown Houston

American Liberty Hospitality is planning to build a 22-story, 250-room-full-service *Embassy Suites* hotel near Discovery Green in Downtown Houston. The \$50 million hotel is scheduled for the first quarter of 2010 (*HC*² 09/22/07).

Developer Break Ground on Blvd Place

Wulfe & Co. started construction on *Boulevard Place* a mixed-use development planned for a high-end corner in the Galleria area. The project includes a five-star hotel; a 350-unit apartment tower; 200,000 square feet of office space; 500,000 square feet of retail and restaurant space; and a plethora of parking. The project is slated for completion in 2010 (*HBJ*¹ 09/21/07).

Construction Begins on Greenspoint Business Center

Developments International Inc. has broken ground on the \$50 million *Greenspoint Business Center*. The center located just south of Beltway-8 consists of 356,000sf of distribution space (*GlobeSt.com* 09/05/07).

New Office Buildings in Energy Corridor and Galleria

Transwestern Houston is planning to start construction on a two-building, 700,000-sf office building project on 21 acres at Eldridge and Enclave parkway. Construction will begin in the first quarter of 2008 and take 18 months to complete (*GlobeSt.com* 09/26/07). In another development, TIAA-CREF is in preliminary planning stages on a 400,000 sf office building at 1550 Post Oak Blvd. in the Galleria Area (*HBJ*¹ 09/28/07).

¹HBJ: Houston Business Journal

²HC: Houston Chronicle

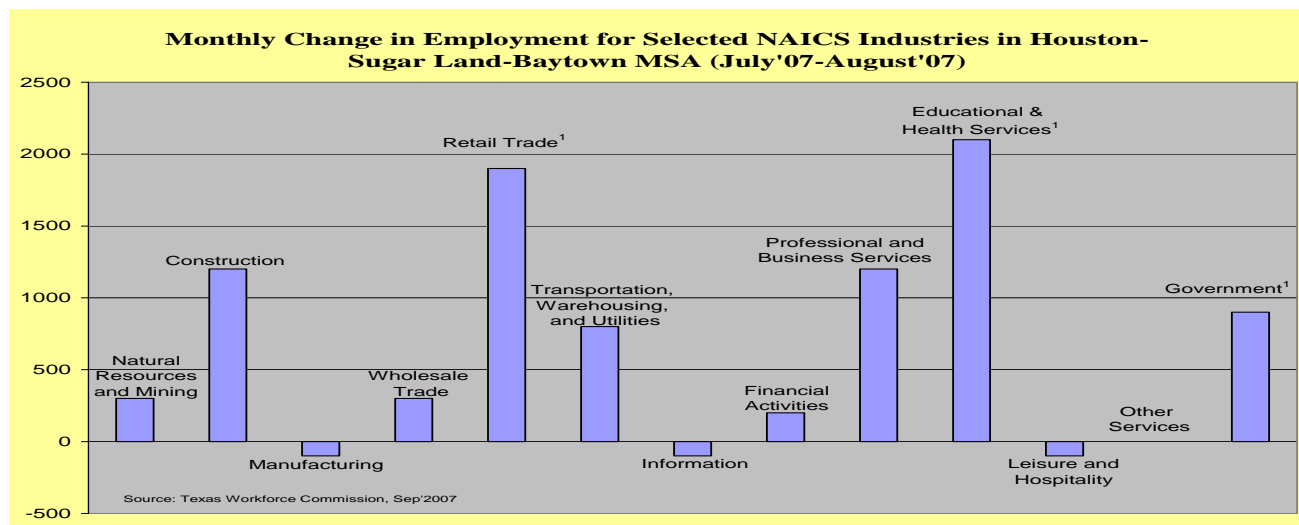
³HCN: Houston Community Newspapers

Regional Economic Trends

Change in Employment and Unemployment Rate										
Area Title	Employment (in thousands)					Unemployment Rate				
	August'07	July'07	August'06	Monthly Change	Yearly Change	August'07	July'07	August'06	Monthly Change	Yearly Change
Austin	13.0	13.1	12.7	-0.1	0.2	3.6	4.1	4.8	↓-0.5	↓-1.2
Brazoria	133.8	134.8	131.2	↓ -1.0	↑ 2.5	4.3	4.9	5.6	↓-0.6	↓-1.3
Chambers	13.9	14.1	13.7	-0.1	0.3	4.5	5.0	6.1	↓-0.5	↓-1.6
Colorado	10.4	10.7	10.7	-0.3	-0.3	3.5	4.1	5.1	↓-0.6	↓-1.6
Fort Bend	236.7	238.5	232.2	↓ -1.8	↑ 4.5	3.9	4.4	5.2	↓-0.5	↓-1.3
Galveston	138.0	139.0	135.4	↓ -1.1	↑ 2.6	4.4	5.1	5.8	↓-0.7	↓-1.4
Harris	1827.9	1841.9	1793.4	↓-14.1	↑34.5	4.0	4.6	5.5	↓-0.6	↓-1.5
Liberty	31.0	31.2	30.4	-0.2	↑ 0.6	4.9	5.6	6.5	↓-0.7	↓-1.6
Matagorda	14.3	14.6	15.3	-0.3	↓ -1.0	6.7	7.5	8.3	↓-0.8	↓-1.6
Montgomery	191.4	192.9	187.8	↓ -1.5	↑ 3.6	3.7	4.3	4.9	↓-0.6	↓-1.2
Walker	24.6	24.6	24.9	0.0	-0.4	4.8	5.5	6.5	↓-0.7	↓-1.7
Waller	15.9	16.0	15.6	-0.1	0.3	4.4	5.0	6.4	↓-0.6	↓-2.0
Wharton	18.9	19.5	20.1	↓ -0.6	↓ -1.2	4.4	5.1	5.5	↓-0.7	↓-1.1

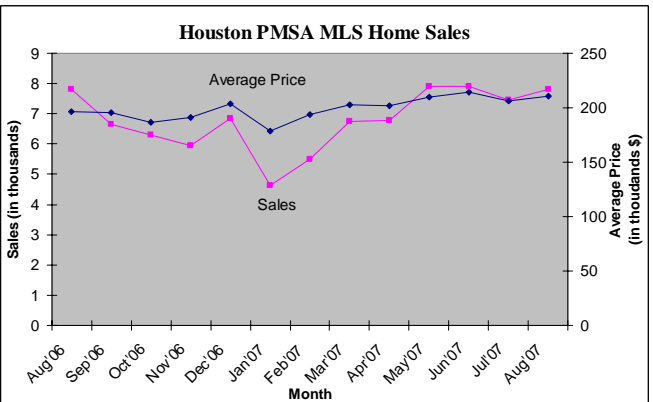
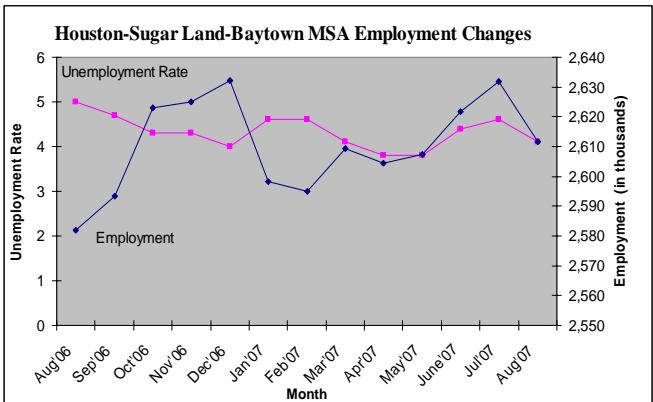
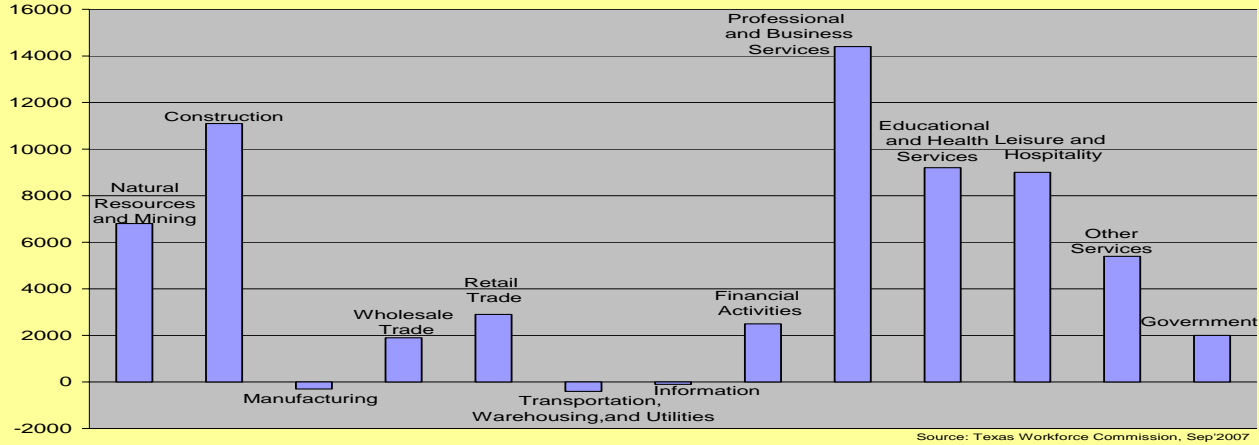
↑ indicates employment and unemployment rate change of 0.5 and above;
 ↓ indicates employment and unemployment rate change of -0.5 and below;

Source: Texas Workforce Commission, September 2007.



Note: ¹ Rise in Government, Education and Health Services, and Retail Trade employment is because 'local retailers, area schools, and education-related businesses prepared for the upcoming school year' (Texas Labor Market Review, September 2007).

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

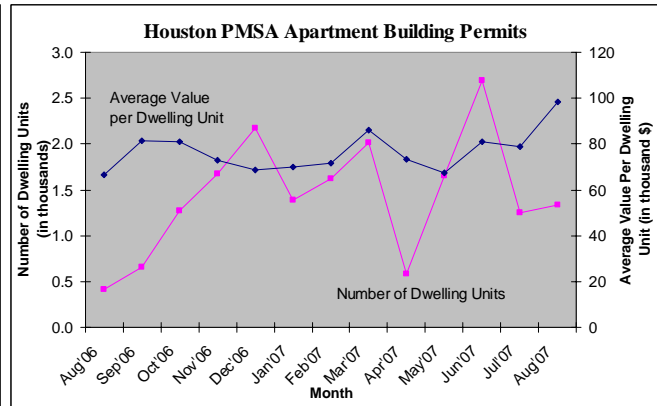
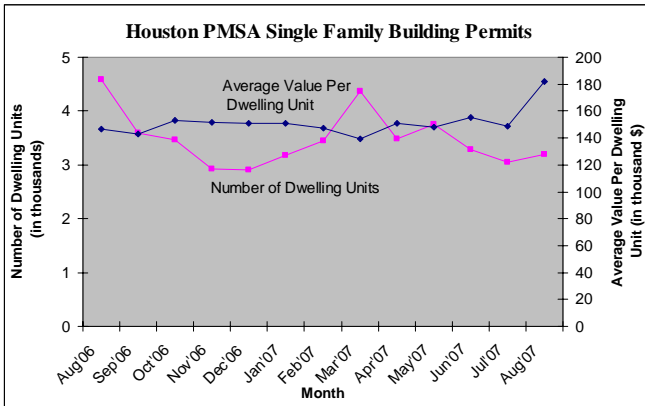


Change	Monthly	Yearly
Employment (in thousands)	↓ -20.0	↑ 30.0
Unemployment Rate	↓ -0.5	↓ -0.9

Change	Monthly	Yearly
Home Sales (in thousands)	↑ 0.4	0.0
Avg. Price (in thousand \$)	↑ 4.7	↑ 14.5

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

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Houston PMSA Single Family Residential Building Permits		
Change	Monthly	Yearly
Number of Dwelling Units (in thousands)	↑ 0.2	↓ -1.4
Average Value Per Dwelling Unit (in thousand \$)	↑ 32.8	↑ 35.5

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)	↑ 0.1	↑ 0.9
Average Value Per Dwelling Unit (in thousand \$)	↑ 19.2	↑ 31.7

Gulf Coast Economic Development District

Website: www.gcedd.org

Houston-Galveston Area Council

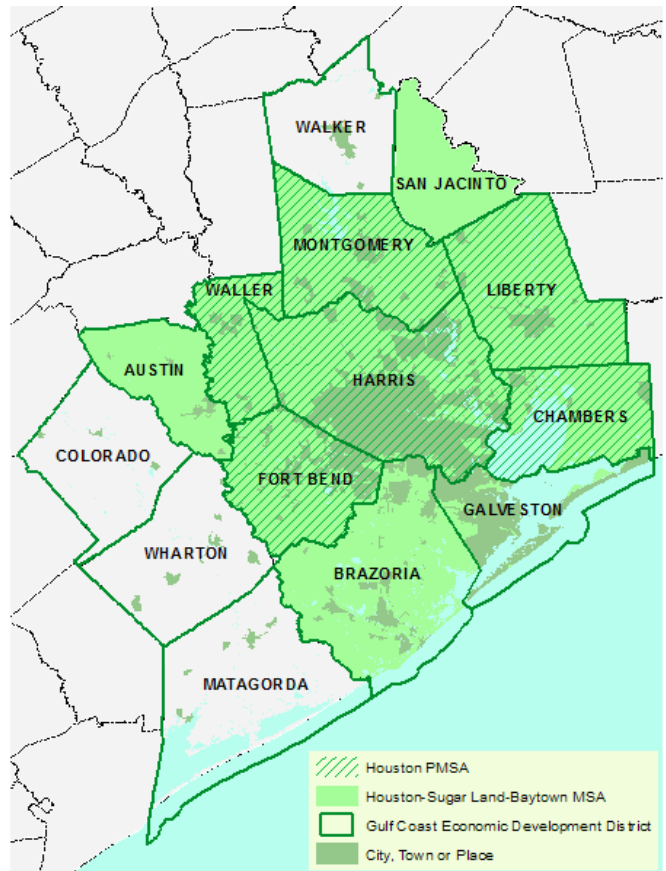
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For comments and suggestions, please contact: psambidi@h-gac.com. Please share your thoughts with us, if you think you have some information that can be included in the Economic Digest, please do not hesitate to contact us.

Thank you.