

# Spotlight: Texas

BY IVANNA C. SUKKAR



**YES, TEXAS IS GETTING BIGGER: THE COUNTRY'S SECOND-MOST-POPULOUS STATE ADDED THE MOST NEW RESIDENTS FROM 2008 TO '09, ACCORDING TO U.S. CENSUS DATA. FOUR TEXAS CITIES ALSO WERE AMONG THE TOP 10 POPULATION-GAINERS IN THE '00S.**

A better-than-average job market, lack of state income tax and overall affordability may be spurring migration to Texas. Superlative honors have followed: CNBC ranked it as the best state in which to do business, the Brookings Institution calls six Texas metro areas the nation's most recession-proof and four out of *Forbes* magazine's five "best big cities for jobs" are in the Lone Star State.

Economic diversification also may play a role. Although oil has long led Texas' economy, health care and renewable energy are redefining the state's direction, with help from the American Recovery and Reinvestment Act. According to the Office of the Texas Comptroller, the act provides about \$78 million for the state's community health centers to hire and expand.

In addition, the comptroller's office says the State Energy Conservation Office is providing renewable-energy grants; this past March, it awarded 32 rooftop solar projects worth \$31.4 million.

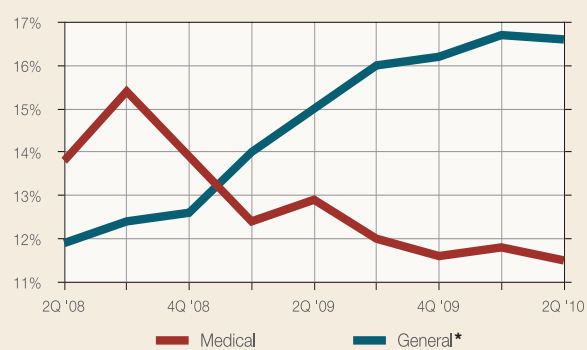
## Houston Office Market

This past second quarter, Houston's office market's absorption-rate declined for the sixth-straight quarter, according to CB Richard Ellis data.

CB Richard Ellis says that the city's office market may see further declines in its fundamentals as energy companies react in the wake of the Gulf of Mexico oil spill. The spill spurred some companies to renew their office leases on short-term contracts, rather than long-term, CB Richard Ellis says.

While its overall office market has yet to turn around, Houston's medical-office sector is making waves. Grubb & Ellis reports that the vacancy rate for the area's medical offices was 11.5 percent this past second quarter, compared to 16.6 percent for nonmedical and nongovernment offices in that period.

VACANCY RATES: HOUSTON MEDICAL- VS. GENERAL-OFFICE MARKET



Source: Grubb & Ellis \* Excludes medical, government and owner-occupied properties

## Banks and Commercial Real Estate

Texas banks' exposure to commercial real estate is about twice the national average, according to the Federal Reserve Bank of Dallas. But borrowers are mostly paying on time: The Fed says noncurrent commercial real estate loans comprised 4 percent of Texas banks' total commercial real estate loans in the fourth quarter of '09, compared to the national average of 7.1 percent in that period.

Also, of the 108 banks the Federal Deposit Insurance Corp. closed this year as of press time, just one has been in Texas. Since the beginning of '08, the state has had eight bank closures.

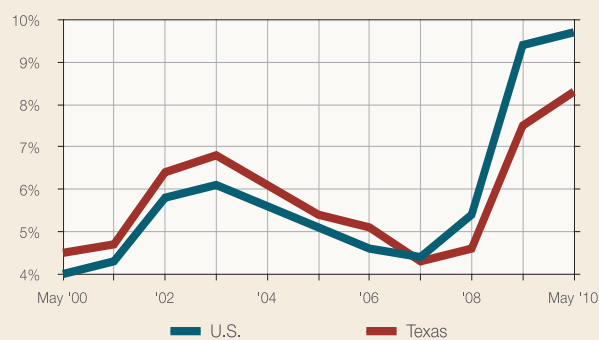
## Unemployment

Texas' unemployment rate was consistently greater than the national average before the recession. In early '07, however, as the nation's rate began its incline, the Lone Star State's unemployment rate dropped — and it has stayed below the U.S. rate in that time.

Although the state lost almost 339,000 jobs in '09, according to the Federal Reserve Bank of Dallas, it added more than 75,000 jobs this past May alone, according to Texas Labor Market Information.

The Real Estate Center at Texas A&M University also cites 0.2-percent employment growth for the state from May '09 to this past May, while the nation lost jobs in that period.

UNEMPLOYMENT RATE



Sources: U.S. Department of Labor

## 3 Regions to Watch

### AUSTIN



The Texas capital is one of the country's most-recession-proof cities, according to the Brookings Institution. Job growth is a reason: The city's 0.7-percent employment-rate increase the final quarter of '09 to this past first quarter was the second-highest in the nation. Technology is a large factor, with Facebook and Samsung Electronics among companies bringing jobs here in coming years, according to CNNMoney.com.

### RIO GRANDE VALLEY



The McAllen metro area was the only one nationwide to gain jobs this past first quarter and each of the previous three quarters, the Brookings Institution reports. Numerous retailers entered the market in the past year, an area hospital expanded its services in '09, and a new bridge opened this past January, according to NAI Global.

### SAN ANTONIO



The Alamo City's unemployment rate sat below the state average this past May, at 6.8 percent, and the city continues to add jobs via companies such as Toyota Motor Corp., Caterpillar Inc., Kohl's and Medtronic Inc., according to the *San Antonio Express-News*. Helping them: The Texas Enterprise Fund has offered financial incentives to companies moving to or expanding in the state, the *Express-News* reports.

## WHAT THE LOCALS SAY

"There's been a little improvement in occupancy [in most areas], but not much in rents. Occupancy is doing a little bit better and expected to continue because there is no new construction."

— HAROLD HUNT, RESEARCH ECONOMIST,  
REAL ESTATE CENTER AT TEXAS A&M UNIVERSITY

Sources: Bizjournals.com, Brookings Institution, CNBC, CNNMoney.com, Federal Deposit Insurance Corp., Federal Reserve Bank of Dallas, *Forbes* magazine, NAI Global, Office of the Texas Comptroller, Real Estate Center at Texas A&M University, *San Antonio Express-News*, Texas Labor Market Information, U.S. Census Bureau, U.S. Department of Labor, U.S. Small Business Association

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