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GREATER HOUSTON PARTNERSHIP
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Houston: The Economy at a Glance

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- **Partnership Sees Job Growth Ahead** — The Greater Houston Partnership's employment forecast for '10, released on December 14, shows job losses in the 10-county metro area continuing through midyear before turning upward in Q3, ending the year with a 0.1 percent net gain—a sharp contrast to last year's 3.5 percent net loss.

  Houston was among the last major U.S. metro areas to enter the current recession, shielded for several months by high and rising energy prices in '08. When energy prices tumbled in the latter half of '08, job growth slowed, and then turned negative early last year. By the end of '09, the Partnership estimates, Houston had lost nearly 93,000 jobs in 12 months. As construction fell, constricted by tight credit, the local construction industry shed 23,300 jobs and manufacturing lost 18,400, many of them in fabricated metal products. Worldwide recession made huge inroads on international trade, contributing to losses of 16,400 wholesale trade jobs and 10,800 transportation and warehousing jobs. And natural resources and mining (in Houston, largely oil and gas) turned negative, down 3,400 jobs—a disturbing development because that industry boasts average annual pay above $100,000, and therefore has a disproportionately large impact on industries that are highly dependent on discretionary consumer spending.

  For '10, the Partnership sees construction activity remaining subdued, with the construction industry losing another 5,500 jobs and manufacturing, another 4,800. As economies abroad gather speed, import and export activity improves, bringing back 5,200 jobs in wholesale trade and 3,200 in transportation and warehousing. (In Q3/09, the U.K. was the only advanced economy still recording negative real GDP growth.) With oil prices at comfortable levels and natural gas prices relatively low, oil and gas shrinks by 2,300 more jobs.

  The few industries that managed job growth in '09 continue to grow in '10. Educational services, which tends to be contracyclical because many unemployed seek to improve their marketable skills through additional training, sees 2.3 percent job growth. Health care and social assistance, where population growth and aging are important drivers, grows 1.6 percent. Government expands 1.1 percent as public education hiring offsets losses in other governmental activities.

  For the Partnership's complete forecast, visit houston.org, click on "Facts and Figures," and then—under "Business"—click on "Economic Forecast."

- **New Vehicle Sales Struggling Toward 225,000** — November saw sales of 16,735 new cars, trucks and SUVs in the Houston metro area, down 18.1 percent from November '08, according to *TexAuto Facts Report*, published by InfoNation, Inc. of Sugar Land, Texas. This sales volume is comparable to that of the months preceding the "cash for clunkers" program, suggesting that the spike in local sales during that promotion induced only minimal "borrowing" from subsequent months.

  In the first 11 months of '09, unit sales numbered just under 204,000, down 30 percent from the same period last year. Nationwide, unit sales were off 24 percent. The steeper proportional decline for Houston reflects the fact that Houston's economy was still fairly healthy for the first eight months of '08, while much of the nation already had plunged into severe recession.

  If December '09 sales were comparable to December '08 sales, '09 sales in the Houston region would be about 221,000 units, down 28 percent from 306,860 in '08. That decline represents lost sales of some $2.365 billion and lost sales tax revenues on the order of $147.8 million, according to InfoNation. During '99-'07, annual sales here averaged 340,550 units.

  Trucks and SUVs are garnering growing shares of total sales—58.6 percent in November, up from 53.9 percent in October and 50.7 percent in September. InfoNation's Steve McDowell attributes the trend to "consumer acceptance of smaller, more fuel efficient vehicles in the SUV and crossover models of the truck segment" and "significant manufacturer incentives on truck models."

- **Production Gains in Q1/10** — The Houston Purchasing Managers Index, a short-term leading indicator for regional production, improved for the eighth consecutive month in November, giving its second consecutive signal of growing regional production in the near future, according to the National Association for Purchasing Management-Houston. The November reading of 51.2 was narrowly higher than the 50.6 posted in October.

  The PMI can range from zero to 100. Readings above 50 indicate likely growth in production over the next three or four months; readings below 50, coming contraction. The Houston PMI has improved steadily from the record low of 39.0 in March. (The series begins January '95.)

  The Houston PMI is based on eight components, two of which—sales and purchases—were both positive in November at their highest levels since August '08.

- **Home Sales Steadying** — The Houston Association of Realtors®' Multiple Listing Service tallied closings on 5,353 properties in November, up 37.1 percent from November '08, when activity was still subdued in the wake of Hurricane Ike. In the first 11 months of '09, closings numbered 58,327, down 9.0 percent from the same period last year, but comparable to 58,668 in the first 11 months of '03—the last year before growing laxity in mortgage lending standards created demands for homeownership that wouldn't have emerged under more prudent lending practices. In addition to the distortion from Ike last year, a rush to complete closings before the November 30 deadline originally set for the federal first-time homebuyers' tax credit pumped up this November's closings.

The median value of single-family homes sold here in November was $150,000, up 8.7 percent from November '08, when data were distorted by Ike. A more realistic picture is found in the 11-month data, where this year's figure—$151,149—is essentially unchanged from last year's. Even though the bursting of the housing "bubble" in some other major metropolitan areas has depressed *nationwide* home prices, Houston remains a bargain in comparison with the national median sales price of $172,600 for resale homes.

Foreclosures, which figured prominently in the Houston housing market early last year, declined from more than a third of all single-family sales in January to less than a sixth in November. Excluding foreclosed properties, November's median single-family sales price was $163,500, *up* 2.2 percent from November '08.

- **New Homes Flat to Slightly Up This Year** — Net sales of new single-family homes in November '09 fell 30 percent from October '09, Metrostudy reports. The firm's monthly survey of builders that represent approximately 73 percent of the Houston market found traffic down a negligible 0.4 percent from October. However, the extension of the first-time homebuyer tax credit is expected to increase both traffic and sales in coming months.

Finished speculative inventory rose 4 percent from October '09 to 1,061 units, nearly 800 units below the November '09 level. Finished spec inventory has remained relatively stable over the past several months, hovering narrowly above 1,000, indicating that builders are continuing to manage inventory prudently. The number of spec units *under construction*, however, rose from the vicinity of 1,250 in Q1/09 to near 1,750 in November—a sign of growing builder optimism.

Metrostudy estimates that single-family starts in the Houston area totaled 17,000-18,000 in '09, and looks for this year to equal or narrowly exceed that range, last seen here in the mid-'90s. A slight increase over '09 would be more likely if employment picks up and the first-time homebuyer tax credit draws additional purchasers.

HOUSTON—THE ECONOMY AT A GLANCE

Houston Economic Indicators
A Service of the Greater Houston Partnership

		MONTHLY DATA			YEAR-TO-DATE TOTAL OR AVERAGE*		
	Month	Most Recent	Year Earlier	% Change	Most Recent	Year Earlier	% Change
ENERGY							
U.S. Active Rotary Rigs	Dec '09	1,172	1,782	-34.2	1,089 *	1,879 *	-42.0
Spot Crude Oil Price ($/bbl, West Texas Intermediate)	Nov '09	76.63	55.67	37.7	60.74 *	105.03 *	-42.2
Spot Natural Gas ($/MMBtu, Henry Hub)	Nov '09	3.45	6.49	-46.9	3.74 *	9.07 *	-58.7
UTILITIES AND PRODUCTION							
Houston Purchasing Managers Index	Nov '09	51.2	49.0	4.5	44.3 *	55.1 *	-19.7
Nonresidential Electric Current Sales (Mwh, CNP Service Area)	Nov '09	4,134,950	4,570,130	-9.5	46,024,203	46,832,559	-1.7
CONSTRUCTION							
Total Building Contracts ($, Houston MSA)	**Nov '09**	**594,763,000**	**903,744,000**	**-34.2**	**7,815,233,000**	**13,071,313,000**	**-40.2**
Nonresidential	Nov '09	260,048,000	592,825,000	-56.1	3,466,397,000	6,933,088,000	-50.0
Residential	Nov '09	334,715,000	310,919,000	7.7	4,348,836,000	6,138,225,000	-29.2
Building Permits ($, City of Houston)	**Oct '09**	**231,685,840**	**635,780,499**	**-63.6**	**3,272,973,784**	**5,199,239,865**	**-37.0**
New Nonresidential	Oct '09	62,415,316	316,726,643	-80.3	1,168,756,203	2,116,207,064	-44.8
Nonresidential Additions/Alterations/Conversions	Oct '09	110,436,908	210,399,141	-47.5	1,360,051,611	1,612,016,416	-15.6
New Residential	Oct '09	41,467,258	61,193,262	-32.2	549,329,590	1,234,615,403	-55.5
Residential Additions/Alterations/Conversions	Oct '09	17,366,358	47,461,453	-63.4	194,836,380	236,400,982	-17.6
Multiple Listing Service (MLS) Activity							
Closings	Nov '09	5,353	3,904	37.1	58,327	64,085	-9.0
Median Sales Price - SF Detached	Nov '09	150,000	138,000	8.7	151,149 *	151,245 *	-0.1
Active Listings	Nov '09	45,452	47,354	-4.0	45,477 *	51,600 *	-11.9
EMPLOYMENT (Houston-Sugar Land-Baytown MSA)							
Nonfarm Payroll Employment	**Nov '09**	**2,534,900**	**2,623,800**	**-3.4**	**2,543,500 ***	**2,600,300 ***	**-2.2**
Goods Producing (Natural Resources/Mining/Const/Mfg)	Nov '09	494,300	541,400	-8.7	510,100 *	535,400 *	-4.7
Service Providing	Nov '09	2,040,600	2,082,400	-2.0	2,033,400 *	2,064,900 *	-1.5
Unemployment Rate (%) - Not Seasonally Adjusted							
Houston-Sugar Land-Baytown MSA	Nov '09	8.2	5.4		7.5 *	4.8 *	
Texas	Nov '09	7.9	5.4		7.4 *	4.8 *	
U.S.	Nov '09	9.4	6.5		9.2 *	5.7 *	
Unemployment Insurance Claims (Gulf Coast WDA)							
Initial Claims	Nov '09	22,708	18,215	24.7	25,936 *	20,369 *	27.3
Continuing Claims	Nov '09	134,401	93,400	43.9	131,990 *	77,832 *	69.6
TRANSPORTATION							
Port of Houston Authority Shipments (Short Tons)	**Nov '09**	**3,045,917**	**3,634,637**	**-16.2**	**33,755,045**	**39,620,042**	**-14.8**
Air Passengers (Houston Airport System)	**Oct '09**	**4,012,005**	**3,967,901**	**1.1**	**40,420,211**	**42,629,944**	**-5.2**
Domestic Passengers	Oct '09	3,441,766	3,424,316	0.5	33,926,581	35,905,019	-5.5
International Passengers	Oct '09	570,239	543,585	4.9	6,493,630	6,724,925	-3.4
Landings and Takeoffs	**Oct '09**	**72,004**	**78,158**	**-7.9**	**735,541**	**790,093**	**-6.9**
Air Freight (000 lb)	**Oct '09**	**70,777**	**76,187**	**-7.1**	**627,971**	**707,171**	**-11.2**
Enplaned	Oct '09	37,386	38,843	-3.8	333,493	369,953	-9.9
Deplaned	Oct '09	33,391	37,344	-10.6	294,478	337,218	-12.7
CONSUMERS							
New Car and Truck Sales (Units, Houston MSA)	**Nov '09**	**16,735**	**20,435**	**-18.1**	**203,892**	**289,837**	**-29.7**
Cars	Nov '09	6,920	9,067	-23.7	92,736	133,019	-30.3
Trucks, SUVs and Commercials	Nov '09	9,815	11,368	-13.7	111,156	156,818	-29.1
Total Retail Sales ($000,000, Houston MSA, NAICS Basis)	**2Q09**	**17,927**	**20,226**	**-11.4**	**35,419**	**39,588**	**-10.5**
Consumer Price Index for All Urban Consumers ('82-'84=100)							
Houston-Galveston-Brazoria CMSA	Nov '09	191.608	191.14	0.2	190.375 *	190.517 *	-0.1
United States	Nov '09	216.33	212.425	1.8	214.409 *	215.764 *	-0.6
Hotel Performance (Harris County)							
Occupancy (%)	Oct '09	65.5	83.6		61.8 *	70.9 *	
Average Room Rate ($)	Oct '09	118.84	138.62	-14.3	119.18 *	130.30 *	-8.5
Revenue Per Available Room ($)	Oct '09	77.88	115.91	-32.8	73.70 *	92.41 *	-20.2
POSTINGS AND FORECLOSURES							
Postings (Harris County)	Dec '09	4,000	2,095	90.9	41,169	32,525	26.6
Foreclosures (Harris County)	Dec '09	1,080	604	78.8	11,257	11,837	-4.9

HOUSTON—THE ECONOMY AT A GLANCE

Sources

Rig Count	Baker Hughes Incorporated	Port Shipments	Port of Houston Authority
Spot WTI, Spot Natural Gas	U.S. Energy Information Agency	Aviation	Aviation Department, City of Houston
Houston Purchasing Managers Index	National Association of Purchasing Management – Houston, Inc.	Car and Truck Sales	*TexAuto Facts Report*, InfoNation, Inc., Sugar Land TX
Electricity	CenterPoint Energy	Retail Sales	Texas Comptroller's Office
Building Construction Contracts	McGraw-Hill Construction	Consumer Price Index	U.S. Bureau of Labor Statistics
City of Houston Building Permits	Building Permit Department, City of Houston	Hotels	PKF Consulting/Hospitality Asset Advisors International
MLS Data	Houston Association of Realtors®	Postings, Foreclosures	Foreclosure Information & Listing Service
Employment, Unemployment	Texas Workforce Commission		

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The foregoing table is updated ***whenever any data change*** — typically, 11 or so times per month. If you would like to receive those updates by e-mail, usually accompanied by commentary, please e-mail your request for ***Key Economic Indicators*** to *kasdorf@houston.org* with the same identifying information.

You may request ***Glance*** and ***Indicators*** in the same e-mail.

HOUSTON—THE ECONOMY AT A GLANCE

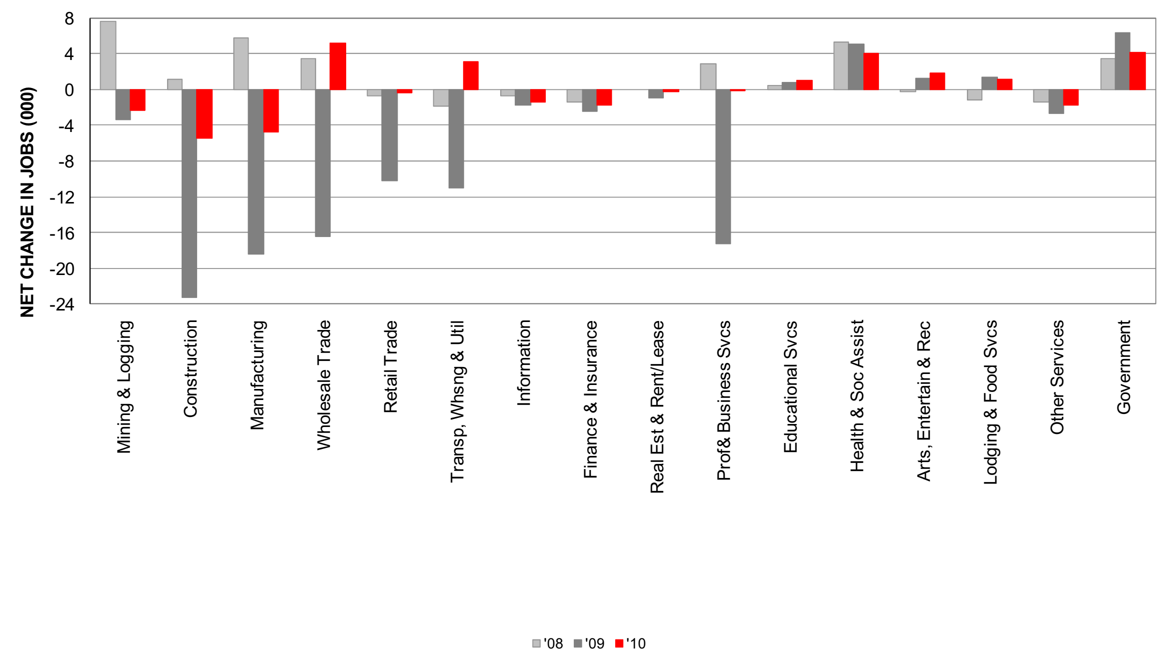
HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Nov '09	Oct '09	Nov '08	Change from Oct '09	Change from Nov '08	% Change from Oct '09	% Change from Nov '08
Total Nonfarm Payroll Jobs	***2,534.9***	***2,525.6***	***2,623.8***	***9.3***	***-88.9***	***0.4***	***-3.4***
Total Private	***2,159.6***	***2,151.9***	***2,254.9***	***7.7***	***-95.3***	***0.4***	***-4.2***
Goods Producing	***494.3***	***497.4***	***541.4***	***-3.1***	***-47.1***	***-0.6***	***-8.7***
Service Providing	***2,040.6***	***2,028.2***	***2,082.4***	***12.4***	***-41.8***	***0.6***	***-2.0***
Private Service Providing	***1,665.3***	***1,654.5***	***1,713.5***	***10.8***	***-48.2***	***0.7***	***-2.8***
Mining and Logging	91.1	90.8	93.2	0.3	-2.1	0.3	-2.3
Oil & Gas Extraction	50.3	50.1	48.0	0.2	2.3	0.4	4.8
Support Activities for Mining	39.5	39.4	44.0	0.1	-4.5	0.3	-10.2
Construction	178.5	181.2	204.3	-2.7	-25.8	-1.5	-12.6
Manufacturing	224.7	225.4	243.9	-0.7	-19.2	-0.3	-7.9
Durable Goods Manufacturing	143.0	143.7	160.4	-0.7	-17.4	-0.5	-10.8
Nondurable Goods Manufacturing	81.7	81.7	83.5	0.0	-1.8	0.0	-2.2
Wholesale Trade	123.4	123.9	140.2	-0.5	-16.8	-0.4	-12.0
Retail Trade	268.5	257.8	273.9	10.7	-5.4	4.2	-2.0
Transportation, Warehousing and Utilities	116.6	116.7	128.7	-0.1	-12.1	-0.1	-9.4
Utilities	15.8	15.8	16.0	0.0	-0.2	0.0	-1.3
Air Transportation	25.5	25.6	25.8	-0.1	-0.3	-0.4	-1.2
Truck Transportation	20.4	20.6	20.8	-0.2	-0.4	-1.0	-1.9
Pipeline Transportation	8.7	8.6	8.6	0.1	0.1	1.2	1.2
Balance, incl Warehousing, Water Transport & Rail	46.2	46.1	57.5	0.1	-11.3	0.2	-19.7
Information	34.3	34.4	36.2	-0.1	-1.9	-0.3	-5.2
Telecommunications	18.0	18.1	18.6	-0.1	-0.6	-0.6	-3.2
Finance & Insurance	88.6	88.9	90.4	-0.3	-1.8	-0.3	-2.0
Real Estate & Rental and Leasing	53.0	53.0	53.1	0.0	-0.1	0.0	-0.2
Professional & Business Services	366.9	367.1	384.0	-0.2	-17.1	-0.1	-4.5
Professional, Scientific & Technical Services	180.0	178.7	185.9	1.3	-5.9	0.7	-3.2
Legal Services	*23.8*	*23.7*	*23.5*	*0.1*	*0.3*	*0.4*	*1.3*
Accounting, Tax Preparation, Bookkeeping	*17.0*	*16.9*	*17.3*	*0.1*	*-0.3*	*0.6*	*-1.7*
Architectural, Engineering & Related Services	*61.5*	*61.1*	*67.2*	*0.4*	*-5.7*	*0.7*	*-8.5*
Computer Systems Design & Related Services	*26.1*	*26.1*	*25.2*	*0.0*	*0.9*	*0.0*	*3.6*
Admin & Support/Waste Mgt & Remediation	175.5	176.3	180.5	-0.8	-5.0	-0.5	-2.8
Administrative & Support Services	*167.0*	*167.7*	*171.5*	*-0.7*	*-4.5*	*-0.4*	*-2.6*
Employment Services	*63.2*	*63.5*	*66.7*	*-0.3*	*-3.5*	*-0.5*	*-5.2*
Educational Services	41.8	41.9	41.5	-0.1	0.3	-0.2	0.7
Health Care & Social Assistance	254.1	253.5	247.5	0.6	6.6	0.2	2.7
Arts, Entertainment & Recreation	26.2	26.5	25.0	-0.3	1.2	-1.1	4.8
Accommodation & Food Services	204.3	203.3	202.9	1.0	1.4	0.5	0.7
Other Services	87.6	87.5	90.1	0.1	-2.5	0.1	-2.8
Government	375.3	373.7	368.9	1.6	6.4	0.4	1.7
Federal Government	29.4	29.4	29.3	0.0	0.1	0.0	0.3
State Government	76.1	75.8	72.5	0.3	3.6	0.4	5.0
State Government Educational Services	*42.7*	*42.6*	*39.0*	*0.1*	*3.7*	*0.2*	*9.5*
Local Government	269.8	268.5	267.1	1.3	2.7	0.5	1.0
Local Government Educational Services	*186.9*	*185.7*	*183.6*	*1.2*	*3.3*	*0.6*	*1.8*

SOURCE: Texas Workforce Commission

HOUSTON MSA EMPLOYMENT CHANGE BY INDUSTRY

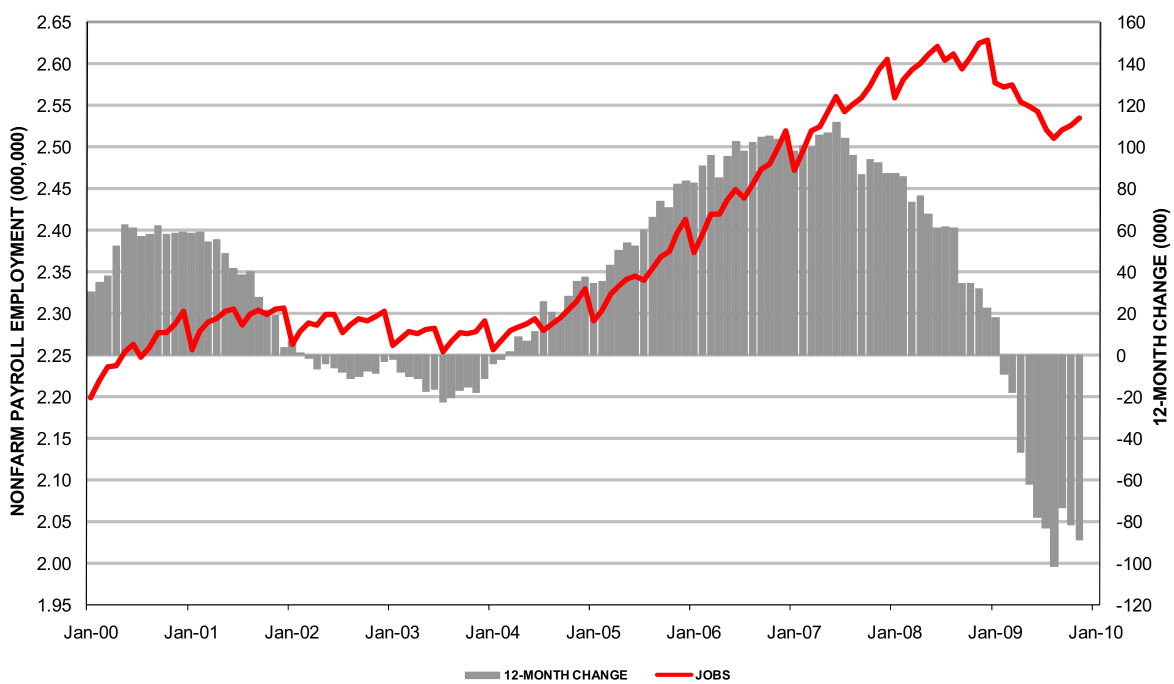
2008-2010



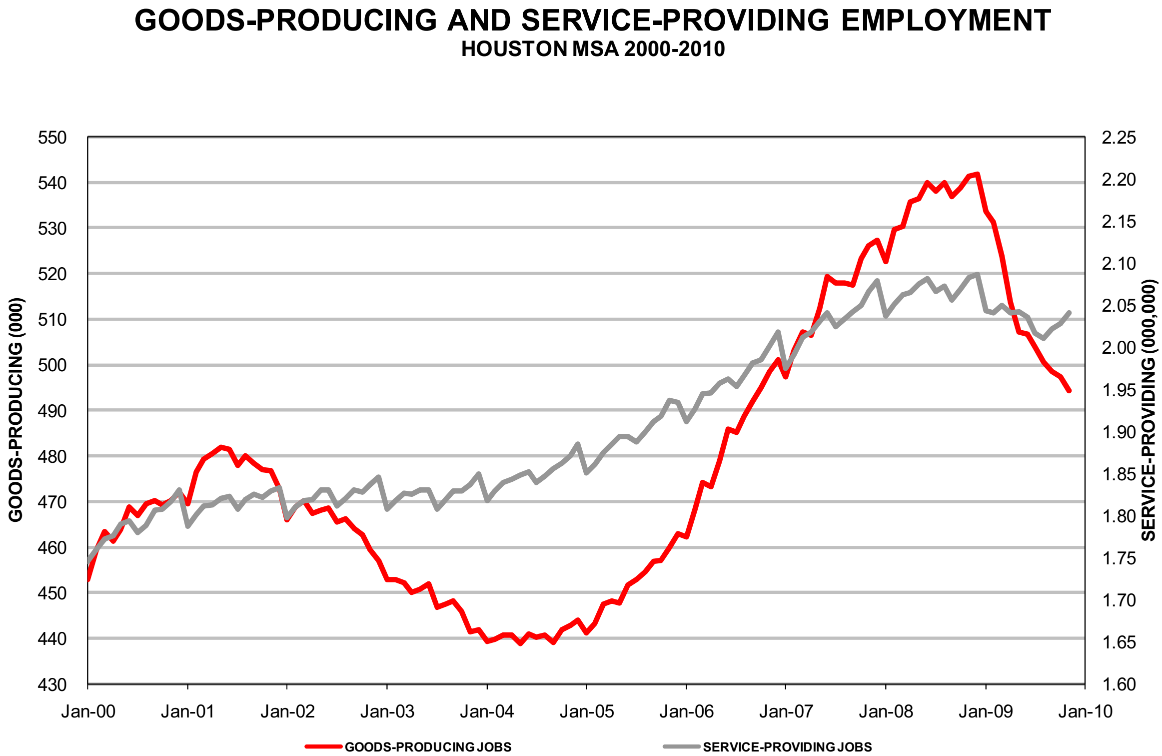
Sources: Texas Workforce Commission '08, Greater Houston Partnership '09-'10

HOUSTON MSA EMPLOYMENT

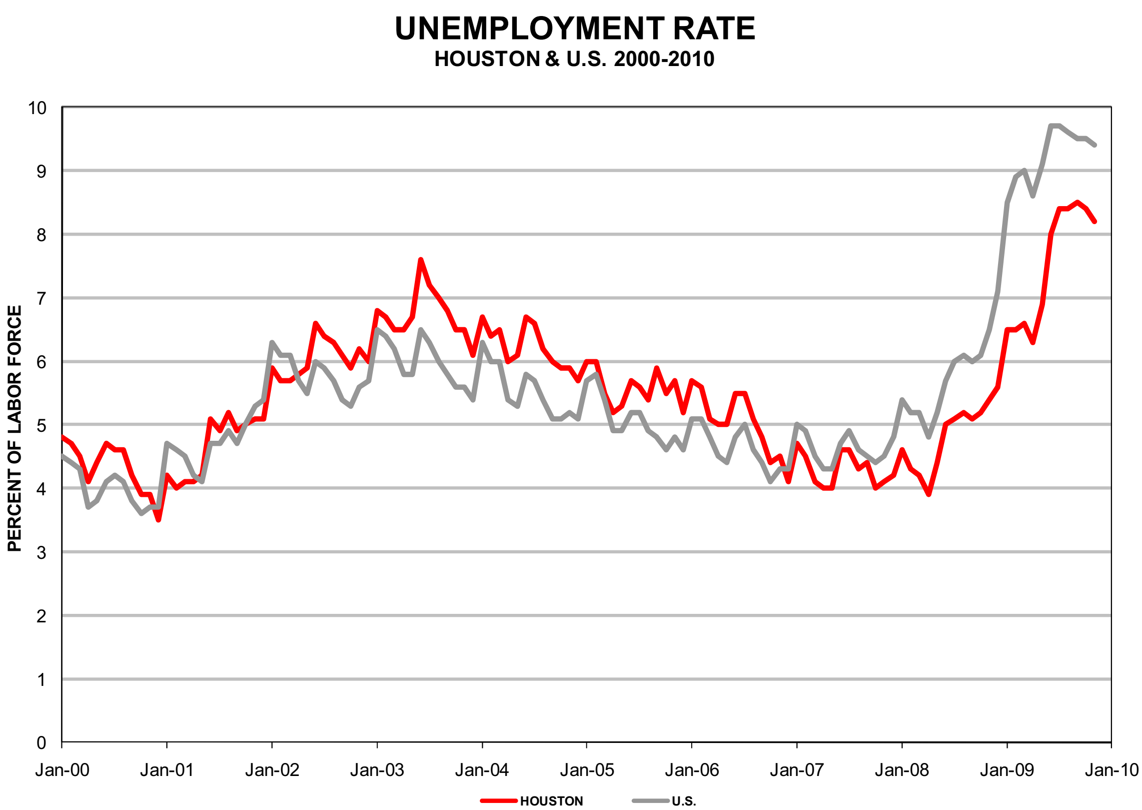
2000-2010



Source: Texas Workforce Commission

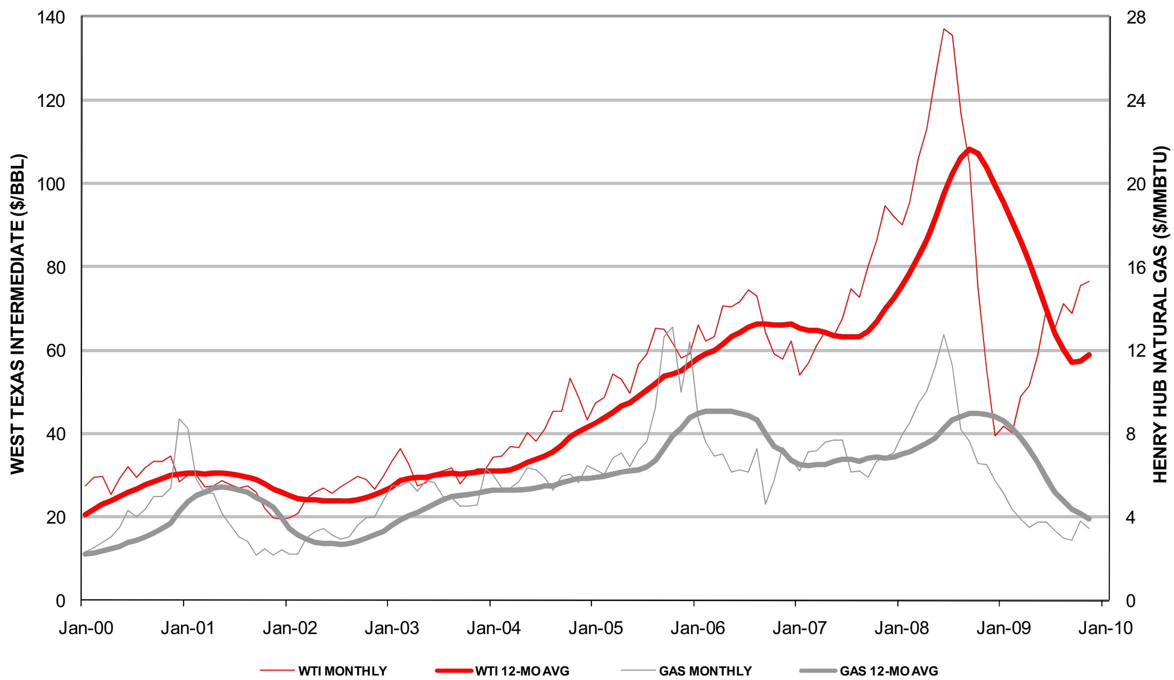


Source: Texas Workforce Commission



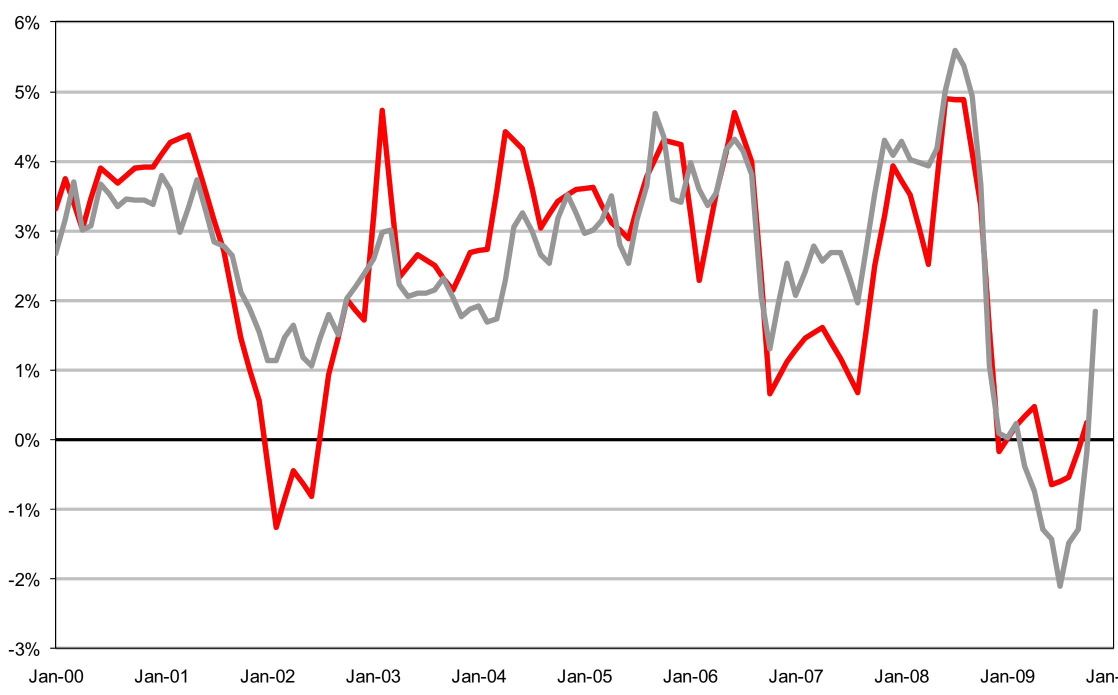
Source: Texas Workforce Commission

SPOT MARKET ENERGY PRICES
2000 - 2010



Source: U.S. Energy Information Administration

INFLATION: 12-MONTH CHANGE
2000-2010



Source: U.S. Bureau of Labor Statistics