

The Perryman Report & Texas Letter



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Special Report

Short-Term Economic Forecast for Texas Metros and Regions

Texas' short-term outlook is encouraging, with expected population growth as well as overall job growth. Currently, almost nine out of every ten Texans live in one of the state's 25 metropolitan statistical areas (MSAs). Moreover, MSAs contain more than 70% of wage and salary employment. The state's MSAs will generate a substantial percentage of gains in population growth and business activity. Specifically, the five largest MSA's are expected to account for over 75% of Texas' expected population growth and more than 70% of projected job gains during the period from 2009 to 2014. Specific data is presented in this Special Report to help you learn more about the short-term economic forecast for these metros. In addition, specific short-term forecast data is presented for Texas regions allowing for comparison of broader geographic areas across the state.

Economic Development News from Around the State

Although Texas has experienced a slowing of economic development over the past two years, a significant number of new developments are underway across the state. To see what's taking place in the 11 cities featured in this issue, be sure to check out this page of economic development news.

Special Report

Short-Term Economic Forecast for Texas Metros and Regions

The Texas economy is performing relatively well compared to the nation as a whole. While not untouched by the economic difficulties during the past two years, Texas' short-term outlook is encouraging, with continued population growth and overall job growth expected in the near future. Recovery over the next few years will be led by the larger Texas metropolitan statistical areas (MSAs), although smaller areas across the state continue to represent important centers of business activity and opportunity. This issue of *The Perryman Report & Texas Letter* provides highlights of the findings of The Perryman Group's 2009-2014 short-term forecast for Texas MSAs as well as larger regions.

higher than the projected 4.74% population growth for the nation as a whole over the same time period.

"Texas' short-term outlook is encouraging, with continued population growth and overall job growth expected in the near future."

POPULATION CONCENTRATED IN METROPOLITAN AREAS

Texas has continued to see population gains throughout this past year. In fact, according to Allied Van Lines' Annual Magnet States Report, Texas ranked as the number one destination state for last year, with more individuals moving to the state than anywhere in the US in 2009. Texas is expected to continue to grow both through natural increase as well as immigration into the state. The population is forecast to reach 26.98 million by 2014, up a total of 9.05% from 2009 to 2014,

The majority of Texans currently live in areas classified within MSAs. In fact, nearly 88% of Texans live within MSAs, with the largest five metro areas containing some 68% of the current population. (See the accompanying chart, *Where Texans Live Now, Percentage of 2009 Population*.) Population increases are projected in all MSAs over the next five years (2009-2014) with the largest five responsible for 76.29% of the state's total population gain and the remaining 20 smaller MSAs accountable for another 16.71%. With the exception of El Paso, the five largest MSAs in

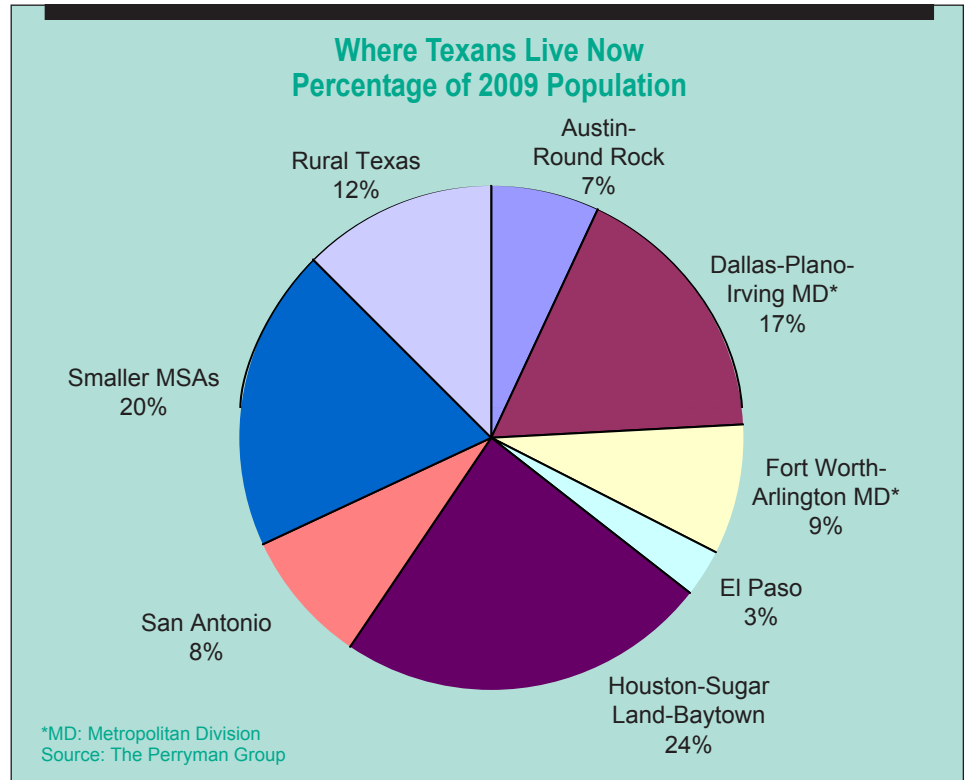
the state are expected to see a compound annual growth rate (CAGR) for population above that of the state as a whole as are Brownsville-Harlingen, Killeen-Temple-Fort Hood, Laredo, and McAllen-Edinburg-Mission among the smaller MSAs.

“Recovery over the next few years will be led by the larger Texas metropolitan statistical areas (MSAs) . . .”

EMPLOYMENT GROWTH IN METROPOLITAN AREAS

The latest annual data indicates that the Texas economy lost roughly 165,600 wage and salary jobs over the November 2008 through November 2009 timeframe, reflecting an annual decline of 1.1%. October and November data indicate job growth, though December saw some job losses. It will likely be several months before Texas is able to sustain job expansion, but the outlook for the state shows an addition of some 1.25 million new jobs from 2009 to 2014.

Like population, jobs in Texas are presently concentrated in major metro areas (70.77% of wage and salary employment). Smaller MSAs contain 19.62% of wage and salary employment. Moreover, the five largest MSAs are forecast to be responsible for 72.52% of the jobs added across the state from 2009 to 2014. In particular, the Dallas-Plano-Irving Metropolitan Division



(MD) and the Fort Worth-Arlington MD are projected to account for 28.79% of the growth alone with the Houston-Sugar Land-Baytown MSA responsible for another 24.27%. The Austin-Round Rock MSA is likely to experience the fastest employment CAGR over the short term at 2.42%. McAllen-Edinburg-Mission and Midland are expected to see employment CAGRs of over 2.30%. For anticipated population and employment increases in all the MSAs over the next five years, see the table titled *MSA Projected Population and Employment Gains 2009-2014*.

OUTPUT GAINS IN METROPOLITAN AREAS

From 2009 to 2014, Texas is forecast to experience growth in output (as measured by real gross product). The per-annum output expansion rate for Texas is projected to be 4.71%, with annual growth rates ranging from 4.41% (El Paso) to 4.92% (Austin-Round Rock) for the major metropolitan areas. Additionally, four of the five major MSAs are likely to outperform the

state in per-annum expansion of RGP, as are five of the smaller 20 MSAs. In particular, Midland is expected to see the highest per-annum output expansion rate out of all MSAs at 5.53%, while Killeen-Temple-Fort Hood is forecast to expand at the lowest CAGR (3.96%), although still modest. Houston-Sugar Land-Baytown is projected to be the largest contributor to the overall Texas RGP during the next five years, generating

“Moreover, the five largest MSAs are forecast to be responsible for 72.52% of the jobs added across the state from 2009 to 2014.”

MSA Projected Population and Employment Gains 2009-2014

Metro	Population Gain 2009-2014	Population CAGR* 2009-2014	Employment Gain 2009-2014	Employment CAGR* 2009-2014
Austin-Round Rock	241,558	2.72%	103,775	2.42%
Dallas-Plano-Irving MD+	427,468	1.91%	258,902	2.29%
Fort Worth-Arlington MD+	208,007	1.90%	99,928	2.13%
El Paso	44,820	1.17%	34,037	2.14%
Houston-Sugar Land-Baytown	577,505	1.91%	302,462	2.19%
San Antonio	208,979	1.94%	104,744	2.18%
Abilene	6,152	0.75%	8,092	2.08%
Amarillo	16,388	1.28%	12,852	2.12%
Beaumont-Port Arthur	17,097	0.87%	17,868	2.08%
Brownsville-Harlingen	37,904	1.83%	15,008	2.13%
College Station-Bryan	16,874	1.56%	10,513	2.06%
Corpus Christi	19,152	0.89%	22,012	2.15%
Killeen-Temple-Fort Hood	37,037	1.85%	18,210	1.90%
Laredo	30,189	2.37%	11,433	2.25%
Longview	13,607	1.27%	11,018	2.13%
Lubbock	17,649	1.25%	14,871	2.15%
McAllen-Edinburg-Mission	89,585	2.31%	29,134	2.32%
Midland	7,369	1.11%	8,823	2.31%
Odessa	6,109	0.91%	7,620	2.20%
San Angelo	4,781	0.85%	5,500	2.08%
Sherman-Denison	7,617	1.23%	4,969	2.10%
Texarkana	3,136	0.67%	5,115	2.15%
Tyler	16,924	1.60%	11,789	2.27%
Victoria	5,643	0.95%	5,671	2.08%
Waco	15,271	1.27%	12,068	2.12%
Wichita Falls	5,599	0.73%	6,806	1.89%
Texas	2,239,198	1.75%	1,246,299	2.18%

*Compound Annual Growth Rate

+Metropolitan Division (Part of Dallas-Fort Worth-Arlington MSA)

Source: The Perryman Group

31.29% of the total Texas output gain. For further detail, see the accompanying table, *MSA Composition of Texas RGP 2009-2014* and chart, *Projected Output Growth in Texas' Largest Metro Areas 2009-2014*.

REAL PERSONAL INCOME AND RETAIL SALES GROWTH IN METROPOLITAN AREAS

Real personal income (RPI—by place of residence) in the state is projected to grow by 5.09% annually from 2009-2014. The 25 metro areas are likely to be responsible for 91.14% of the state's gain

in RPI over the short term, with the five major MSAs contributing 75.38%.

The Houston-Sugar Land-Baytown MSA is expected to achieve the largest expansion in income increasing from \$224.73 billion in 2009 to \$289.67 billion in 2014. This growth pace of 5.21% is high-

MSA Composition of Texas RGP 2009-2014

Metro	RGP 2009 (Billions)	RGP 2014 (Billions)	% of Total Texas Gain	CAGR*
Austin-Round Rock	\$77.49	\$98.50	8.62%	4.92%
Dallas-Plano-Irving MD+	\$247.49	\$313.66	27.13%	4.85%
Fort Worth-Arlington MD+	\$76.00	\$95.72	8.09%	4.72%
El Paso	\$20.60	\$25.56	2.04%	4.41%
Houston-Sugar Land-Baytown	\$284.49	\$360.82	31.29%	4.87%
San Antonio	\$64.88	\$81.44	6.79%	4.65%
Abilene	\$4.05	\$5.08	0.42%	4.59%
Amarillo	\$7.18	\$9.04	0.76%	4.72%
Beaumont-Port Arthur	\$10.84	\$13.64	1.15%	4.69%
Brownsville-Harlingen	\$5.95	\$7.37	0.58%	4.36%
College Station-Bryan	\$5.09	\$6.33	0.51%	4.47%
Corpus Christi	\$11.51	\$14.48	1.22%	4.70%
Killeen-Temple-Fort Hood	\$10.43	\$12.66	0.92%	3.96%
Laredo	\$4.57	\$5.74	0.48%	4.66%
Longview	\$6.83	\$8.74	0.78%	5.04%
Lubbock	\$7.75	\$9.72	0.81%	4.64%
McAllen-Edinburg-Mission	\$10.91	\$13.73	1.16%	4.70%
Midland	\$5.80	\$7.58	0.73%	5.53%
Odessa	\$4.22	\$5.42	0.49%	5.13%
San Angelo	\$2.55	\$3.19	0.27%	4.64%
Sherman-Denison	\$3.32	\$4.15	0.34%	4.56%
Texarkana	\$2.48	\$3.08	0.25%	4.42%
Tyler	\$6.51	\$8.26	0.72%	4.86%
Victoria	\$3.66	\$4.60	0.39%	4.68%
Waco	\$6.80	\$8.52	0.70%	4.61%
Wichita Falls	\$3.98	\$4.96	0.40%	4.54
Texas	\$942.90	\$1,186.81		4.71%

*Compound Annual Growth Rate

+Metropolitan Division (Part of Dallas-Fort Worth-Arlington MSA)

Source: The Perryman Group

er than that of the state as a whole, but not as high as several smaller MSAs across the state. The annual expansion rates for other MSAs are forecast to range between 4.81% (Lubbock) and 5.41% (Killeen-Temple-Fort Hood). Real personal income CAGRs during the short term for the remaining metros are estimated at: Abilene (4.92%); Amarillo (4.86%); Austin-Round Rock (5.11%); Beaumont-Port

Arthur (5.01%); Brownsville-Harlingen (5.04%); College Station-Bryan (4.98%); Corpus Christi (4.97%); Dallas-Plano-Irving (5.07%); El Paso (4.97%); Fort Worth-Arlington (5.07%); Laredo (5.35%); Longview (5.21%); McAllen-Edinburg-Mission (5.32%); Midland (5.33%); Odessa (5.21%); San Angelo (4.86%); San Antonio (5.08%); Sherman-Denison

(4.86%); Texarkana (4.83%); Tyler (4.93%); Victoria (4.82%); Waco (4.92%); and Wichita Falls (4.91%).

Texas as a whole is likely to see a per-annum growth rate of 8.82% in retail sales over the 2009-2014 timeframe. (Following convention, retail sales are reported in nominal terms, meaning that they are not

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Economic Development News from Around the State

Waco: Caterpillar Inc., planning to add 75,000 square foot facility to its campus here. The precision manufacturing center for work tool production should be ready in early 2011.

Alvin: Full-service hospital and medical offices in the works for CHRISTUS Health. \$100+ mln development expected to create 420 direct jobs during its first ten yrs. of operation.

San Antonio: Construction process begins on \$80 mln Mission Trail Baptist Hospital. Replacing older Southeast Baptist Hospital with new location on 28 acres at Brooks City-Base.

Levelland: \$8.6 million industrial rail park development starts to take shape in 2010. 1,000 jobs and \$100 million in new capital investment are anticipated during its first ten years. Independent Electric moving to the rail park, breaking ground on a warehouse/training facility.

Hallsville: Energy giant BP America opens up new \$13 million, 25-acre campus here. Includes 25,000 sq. ft. office building, 15,000 sq. ft. warehouse, & 5,500 sq. ft. training center.

Laredo: Health care facility moving forward this year with \$22 mln expansion plan. Laredo Medical Center making improvements to its emergency room and intensive care unit.

Brenham: Stanpac Incorporated moving its manufacturing operations, 90 jobs to area. The company makes ice cream packaging for Blue Bell Creameries and other dairy businesses.

McKinney: Printing company P&A Graphics relocating to city from Tulsa, Oklahoma. Will set up shop at a 45,000 sq. ft. facility in industrial district. 50 employees at full operation. 125,000 sq. ft. Higher Education Center offering courses from area universities opens. The Collin College complex sits on 5.5-acre site donated by local economic development group.

Arlington: Work is complete on 1.16 million square foot Pioneer 360 Business Center. 70-acre site is largest TX industrial project to receive LEED Gold Core and Shell certification.

Missouri City: Lufkin Automation plans to build \$4 million headquarters on 6.2 acres. Construction will begin this year on the 40,000 square foot building at Lakeview Business Park.

Fort Worth: New 3-story office building Wilcox Plaza at Green Oaks gets first tenant. Lockheed Martin Corp., will occupy 61,945 sq. ft. in the facility totaling 187,928 square feet.

Want to include a business announcement for your community?

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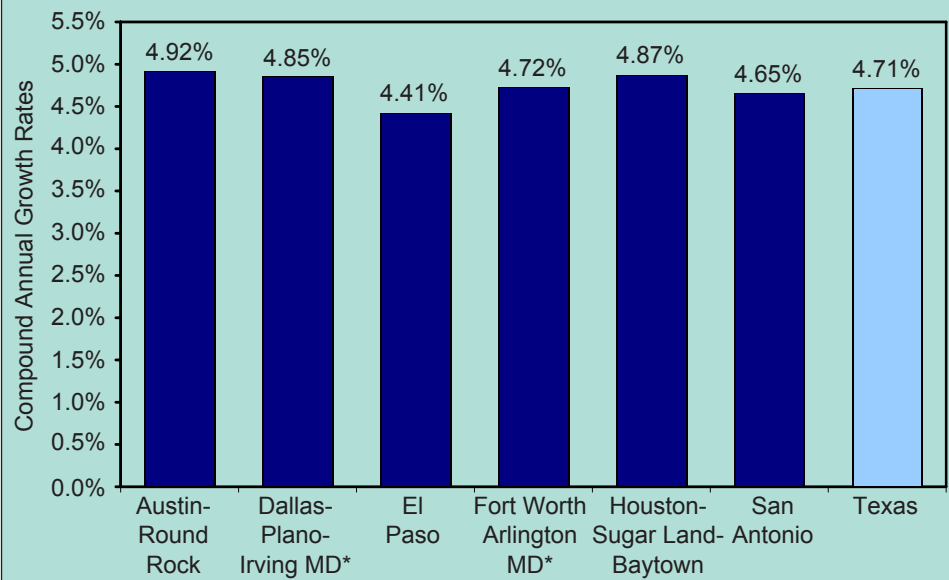
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adjusted for inflation. In addition, some of the historical values for retail sales have discontinuities due to inconsistent data sources and measurement approaches in the available information.) Of the large metros, Dallas-Plano-Irving and Houston-Sugar Land-Baytown are projected to experience a CAGR above that of the state (8.95% and 8.98%, respectively) during the same time period. The remaining large metros' anticipated retail sales growth rates are: Austin-Round Rock (8.75%); Fort Worth-Arlington (8.79%); El Paso (8.72%); and San Antonio (8.70%).

“The 25 metro areas are likely to be responsible for 91.14% of the state’s gain in RPI over the short term, with the five major MSAs contributing 75.38%.”

Concerning the smaller MSAs, six are expected to achieve retail sales per-annum growth rates above that of the entire state, with five of those growth rates over 9.00%: Killeen-Temple-Fort Hood (9.08%); Laredo (9.10%); Longview (9.03%); McAllen-Edinburg-Mission (9.13%); and Midland (9.16%). Odessa is anticipated to have a retail sales CAGR of 8.92%. While not higher than the state as a whole, the remaining smaller MSAs are all predicted to experience retail sales CAGRs exceeding 8.40%.

Projected Output Growth in Texas' Largest Metro Areas 2009-2014



*MD: Metropolitan Division
Source: The Perryman Group

TEXAS REGIONS

Short-term forecasts on a regional basis allow for comparisons of broader geographic areas across Texas. The following information presents the economic outlook for the 13 economic regions encompassing the entire state. (See map, *Texas Economic Regions*).

Expansion over the 2009-2014 time period is likely for all regions in the Lone Star State. The greatest population growth is projected to occur in the Metroplex, which is likely to gain 660,585 people (29.50% of the total increase forecast for Texas over the five-year timeframe). The Gulf Coast is expected to see the second-largest increase in population (584,763) and be responsible for 26.11% of total state population growth. The Capital Region is anticipated to be the fastest-growing region from 2009 to 2014, with a per-annum expansion rate of 2.69%. The South Texas Border is the only other region forecast to achieve a population CAGR of more than 2.00% at 2.10%.

“Expansion over the 2009-2014 time period is likely for all regions in the Lone Star State.”

Similar to population growth, the Metroplex and the Gulf Coast are projected to make major contributions to wage and salary employment growth from 2009 to 2014, both increasing by over 300,000 jobs and representing 29.90% and 24.61%, respectively, of the growth in Texas in the short term. The fastest per-annum growth in employment is likely to occur in the Capital Region which is anticipated to experience an employment

CAGR of 2.42% and an overall employment gain of 12.68% through the five-year timeframe.

Over half of the state's projected \$243.90 billion increase in output (real gross product) from 2009 to 2014 is expected to be generated by just two regions: the Metroplex (35.20%) and Gulf Coast (30.89%). Real gross product CAGRs for the two regions are 4.75% and 4.82%, respectively. The remaining eleven regions have per-annum growth rates ranging from 4.23% (Central Texas) to 4.95% (West Texas).

Retail sales and real personal income growth follow similar patterns as the other economic key indicators with all regions experiencing expansion over the 2009-2014 outlook. The Metroplex and the Gulf Coast regions are both likely to represent the largest growth in both retail sales and real personal income during the short term. Additional information on the key economic indicators for the state's 13 economic regions is noted in the table entitled *Projected Increases in Key Economic Indicators by Region 2009-2014*.

CONCLUSION

Although the recent downturn has certainly slowed economic expansion in most parts of the state, cities across Texas are expected to see a return to growth over the next five years. The largest cities will generate a substantial percentage of gains in output, jobs, population, and income. However, smaller metro areas are also forecast to see increases in jobs and opportunities. ■

Projected Increases in Key Economic Indicators by Region 2009-2014

Region	Population	Employment	RGP (billions)	Retail Sales (billions)	RPI (billions)
High Plains	40,203	38,267	\$5.54	\$5.93	\$5.55
Northwest Texas	19,909	23,499	\$3.18	\$3.77	\$3.92
Metroplex	660,585	372,680	\$85.86	\$46.11	\$63.88
Upper East Texas	66,394	47,102	\$6.79	\$7.18	\$7.84
Southeast Texas	32,712	28,948	\$4.34	\$4.94	\$5.36
Gulf Coast	584,763	306,756	\$75.35	\$43.47	\$65.76
Capital	255,699	108,520	\$20.36	\$21.64	\$15.47
Central Texas	76,816	48,690	\$6.04	\$6.42	\$7.70
Alamo	219,538	109,108	\$16.73	\$15.59	\$17.00
Coastal Bend	32,988	35,229	\$4.71	\$5.49	\$5.45
South Texas Border	180,798	63,708	\$5.94	\$10.58	\$7.66
West Texas	22,635	28,564	\$4.17	\$4.23	\$4.61
Upper Rio Grande	46,160	35,227	\$4.89	\$4.68	\$4.72

Source: The Perryman Group

Texas Economic Regions



Source: The Perryman Group

Additional data regarding anticipated sectoral employment and sectoral RGP for the state's 25 metropolitan statistical areas and regions over the 2009-2014 timeframe are available in *The Perryman Short-Term Economic Forecast 2009-2014*.

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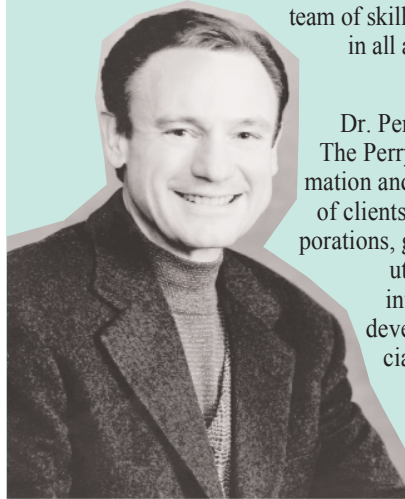
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