

## The Houston, TX Economy and Real Estate Market in Perspective

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Houston's economic success story is evidenced by its unabashed urban sprawl and its population growth. From 2001-2010 Houston's population in its metropolitan area grew faster than any other US city. Between 2009 and 2014 its real GDP grew by 22%, more than twice the US as a whole. The main question is: can it survive in an economic landscape where the price of oil has dropped by 60%?

Over two-thirds of the growth in crude oil production in the United States between 2009 and 2014 took place in Texas. As well as refineries and drillers, oil brings office jobs: ConocoPhillips and Halliburton both have their headquarters in Houston, as does BP's America division. Exxon Mobil is building a huge new campus near The Woodlands, a wealthy suburb north of the city. In the past, oil-price gains and job gains have kept in close step.

With reduced demand, many small manufacturers and suppliers are sure to face challenges, says Patrick Jankowski, an economist with the Greater Houston Partnership, a local business lobby. Multinational oil-related firms based in Houston—including Halliburton and ConocoPhillips—have announced job losses in the past few months.

Yet there are signs that, this time, Houston's spectacular growth may be only temporarily slowed by the correction in oil prices. Much investment, such as in Mobil Exxon's new campus, is committed, and will not stop now. Mr. Jankowski estimates that Houston could still add as many as 50,000 new jobs this year. That is less than the annual average of 100,000 or so in recent years, but still enough to hold down unemployment.

## MARKET ANALYSIS BY GREYSTONE



The city's economy has dramatically diversified since the 1980s. At the Texas Medical Centre, the world's largest collection of hospitals, medical colleges and research institutions about a 15-minute drive from downtown Houston, new office blocks glisten in the spring sun: over 100,000 people work there and the center continues to lead with innovation and expansion. It is a major source of employment in Houston.

More foreign goods now flow through Houston's port than any other in America; some 51m people a year now fly through its two airports, one of which is home to Southwest Airlines - one of the most profitable airline companies in the US - and is currently undergoing a multi-million dollar expansion to anticipate future growth.

Paradoxically, perhaps the city's biggest strength is its sprawl. Unlike most other big cities in America, Houston has no zoning code, so it is quick to respond to demand for housing and office space. Last year authorities in the Houston metropolitan area, with a population of 6.2m, issued permits to build 64,000 homes. The entire state of California, with a population of 39m, issued just 83,000. And for families on moderate incomes, it is a place to live well, cheaply. Houston has reached a critical mass where employers keep moving in, because others are already there. Joel Kotkin of Chapman University in California argues that thanks to cars, even over its vast size, Houston creates the same possibilities for people to meet and share ideas that generate wealth in denser cities such as New York. Sprawl may not be pretty—but it seems to work in this city.

Since 1982, Houston has endured five major corrections in the price of oil; none have been more than temporary roadblocks to the inexorable progress Houston has made to become one of the world's independent powerhouses. In the same 35-years, the Houston economy has appreciated over 130%, and over 36% in the last 5 years alone. In conclusion, while the current correction in the price of oil may temporarily dampen sentiment, we see this as a great opportunity to accumulate real estate for the long term growth prospects that Houston's overall solid economic fundamentals and increasing economic diversity has to offer the real estate investor.



If you would like to know more about investing in one of our Class "A" properties in Houston or any one of our other hand-picked locations in the United States, please call us on 586.482.8156 or write to us on [info@buildgreystone.com](mailto:info@buildgreystone.com) and one of our experienced Client Advisors will be happy to answer any of your questions.

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