

Economic Trends – April 2010

Montgomery County

“Somewhat encouraging” is the phrase of the month to describe the recovery in Montgomery County. Employment indicators took a very minor up-tick in February, but are still bleak. Fortunately, employment is a lagging indicator. Sales tax indicators, being somewhat reflective of employment, continue to be disappointing. Real estate, purchasing managers index, and consumer confidence continue to be the bright spots for the area.

SIGNS OF RECOVERY

EarthQuest construction in east-county is expected to begin near the end of 2010. The first phase of the project will include: EarthQuest Institute, Earthquest Resort Hotel, EarthQuest Adventures, Cretaceous Cove and Earthwalk, Ecotour and Green Gadget Garage. The EarthQuest project will have a two year build-out with a planned opening in 2012.

A new \$15-20 million minor league baseball facility is scheduled for completion in spring 2012. The facility could also host concerts and other community activities. A memorandum of understanding has been signed between East Montgomery County Improvement District and developers assuring the project will proceed. The ballpark will generate approximately 100 jobs – mostly seasonal – and have a financial impact of \$2 million to \$4 million on the local economy.

The Woodlands continues to show signs of recovery with 4 developments: Vitruvian Exploration, an independent oil and gas company, leased 15,333 square feet of office space; HealthMark Group purchased a 6-acre site for construction of a 124-bed skilled nursing and rehabilitation facility; the LaSalle Group, Inc. purchased a 3-acre site for construction of a 46-bed, 38-unit memory care facility; and Dhukani Properties purchased a 2.5-acre site for construction of a retail center, convenience store and service station.

Kingwood Medical Center recently started construction on two additional floors to its patient tower which will add 56 new private patient rooms and approximately 225 new jobs.

CONSUMER CONFIDENCE

The Conference Board produces the Consumer Confidence Index monthly for the US and nine regions. The West South Central region which includes Texas, Louisiana, Arkansas, and Oklahoma is by far the shining star with the highest measurements in all three components of consumer confidence – the overall index, the present situation index, and the expectations index.

PURCHASING MANAGERS INDEX (PMI)

The Houston Purchasing Managers Index, a short-term leading indicator for regional production, continued its 10-month rise to 53.2 in January. The record low was 39.0 in March 2009. Two components of the index showing the largest increases were Purchases and in Prices Paid for Major Purchases, both indicating a return of business investment. Modest gains were shown in Sales, Production, and Lead Times components, while both Employment and Finished Goods Inventory were little changed over the month. January’s PMI paints the healthiest picture of Houston area’s economic prospects in more than a year. (Source: National Association for Purchasing Management-Houston and Greater Houston Partnership)

EMPLOYMENT SURVEY RESULTS

The South Montgomery County Woodlands Economic Development Partnership (EDP) recently released the results of its annual employee count survey of local non-retail employers with 100 or more employees. Currently close to 50 companies employ more than 100 people and 11 of those employ more than 500. Nearly 23,000 people are employed by major, non-retail companies. Employee numbers at the larger companies in January of 2010 were up by 230 jobs from 2009.

The health care sector shows strong job creation potential. St. Luke's The Woodlands Hospital which opened in April of 2003 now has 980 employees, up from 884 in 2009. In addition, the new St. Luke's Lakeside Hospital opened in September of 2009, creating 143 more jobs, bringing their total employment to 1,123. To further enhance Healthcare's strong presence in South Montgomery County, Memorial Hermann recently opened an emergency care center in the west side of The Woodlands.

In the Education employment sector, Lone Star College System currently employs 1,011 in South Montgomery County, up from 844 in 2009. The System, which has employees at Montgomery College, the University Center, as well as at their system offices in The Woodlands, is seeing unprecedented growth.

Lone Star College System, has reached a milestone with more than 62,000 students enrolled for the Spring 2010 semester, up by 13,000 students or more than 25% from 2009.

REAL ESTATE

After reaching a five year low in January, the county's new home sales increased in February by 25%. The average home price reached a 6-month high; the median home price reached a 5-month high. The number of single family permits for February 2010 was 253 as compared to 149 in February 2009. Permits for the year of 2009 reach a 14-year low and was less than 40% of the annual peak in 2006.

Montgomery County Appraisal District Chief Mark Castleschouldt announced that overall revenue from property taxes is likely to stay flat or possibly decline over the next two years. In the past, the county has experienced increases from year to year because properties were somewhat undervalued compared to actual sales prices, so appraisals were corrected to reflect this. With the current economic situation, home sale price are currently either flat or lower. This will create very few increases in property valuations for the next two years, and some lower valuations.

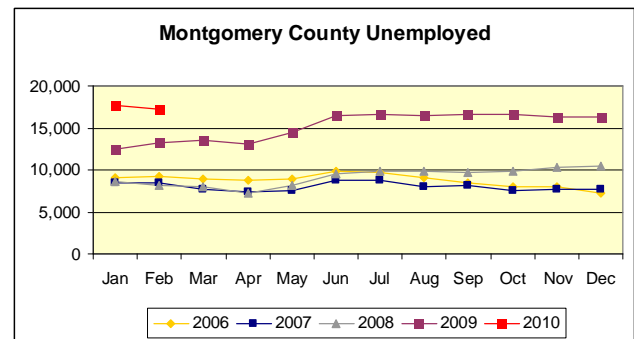
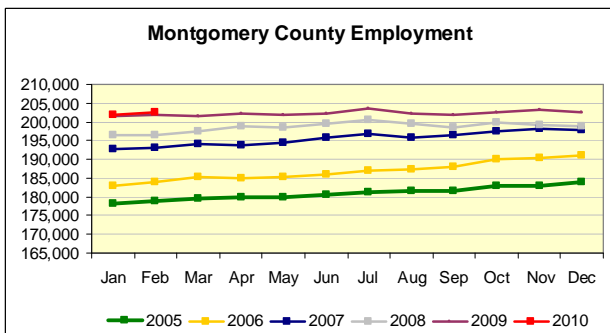
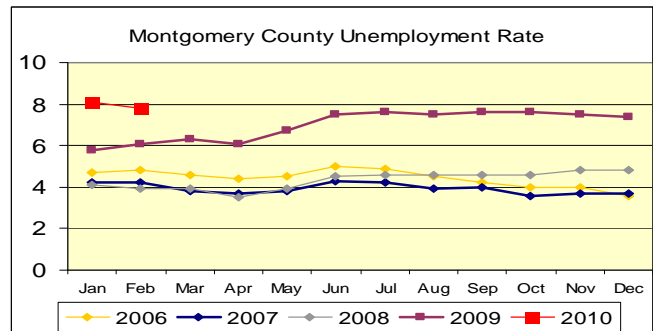
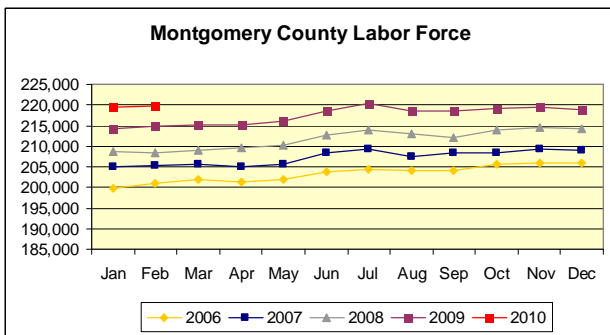
SALES TAX

Sales tax results continued to be disappointing. Of the two larger taxing entities, Conroe showed a 20% loss of revenue comparing January 2010 to 2009 and The Woodlands showed a 10% drop. For all taxing entities tallied in the county, the overall decrease was 16%. The December decrease was 12%.

EMPLOYMENT

The Conference Board’s economists used a new phrase this month in their Economic Watch report – “job-lagging” recovery. Previously they had spoken of a “jobless” recovery. An important note is that every recovery in history has been a “job-lagging” recovery. Certainly this is the case in Montgomery County.

After reaching a peak of 8.1% in January, Montgomery County’s unemployed eked down to 7.8%. The four charts below provide an interesting picture over time. The labor force in the county has grown steadily as population has increased. (Note: The Census Bureau reports that Montgomery County was among the 30 fastest-growing in the nation during the past decade.) As the number of jobs (employment) began to lose pace with the population growth and labor force growth, naturally the number of unemployed began to increase, resulting in an increase in the unemployment rate.



TEXAS

The Texas oil and gas economy took a noticeable turn for the better during January, as the Texas Petro Index (TPI) increased to 189.4, registering the first month-to-month gain in 16 months.

Forbes writer Francesca Levy, in an article titled “Cities Where the Recession is Easing” describes Texas as the “poster child for economic recovery.” Houston is tied for fourth in the list of cities feeling the easing.

The Adversity Index developed by Moody’s Economy.com and msnbc.com show the state of Texas as well as the Houston MSA as having begun the economic recovery by the end of 2009. Approximately half of the metro areas in the US have made it to the recovery stage. No metro area has earned the most positive rating of the index, “expansion.” Most of the recovering areas are far from that level.

*Most of the information in this report was prepared from publicly available sources.
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