

Economic Trends – October 2011

Montgomery County

INDUSTRIAL UPDATE

Sooner Container, a distributor of industrial shipping containers, will build a 65,000 sq. ft. facility on 15 acres in Conroe Park North Industrial Park. Construction is scheduled to start in a month and should be completed by May 2012. They will employ 25. GCEDC approved the land purchase and incentives for the company.

OTHER DEVELOPMENTS

Montgomery County Commissioners received tax abatement applications recently for RPC, Inc. and Repsol Services Company. RPC, which provides oilfield services and equipment to independent and major oilfield companies, is relocating from north Harris County. Repsol, an energy company, is expanding their current operation in The Woodlands.

A recent article in the Houston Chronicle describes The Woodlands as a haven for Mexican entrepreneurs. Real estate, accounting, and legal firms are helping wealthy Mexican clientele escape the threats, kidnappings, drug wars, and other crimes in Mexico. One real estate group has relocated 30 Mexican families to The Woodlands in the past year.

Construction began on a speculative 50,000 sq. ft. medical office complex in The Woodlands.

Encore at West Fork, a 192-unit Class A apartment complex on 12.5 acres, has been announced in Conroe. The complex will feature a combination of one, two, and three bedroom units.

The Lone Star Family Health Clinic recently broke ground on an expansion to build a 70,000 sq. ft. facility next to Conroe Regional Medical Center. The new location will add 45 more jobs for physicians, nurses and personnel. The facility is expected to open in May 2012.

Conroe Independent School District is creating a CISD Employee Health and Wellness Center, which is slated to open January 9.

In Conroe, Sadler Clinic held a groundbreaking ceremony in June at the construction site for a new 100,000 sq. ft. health facility to open in April 2012. The new building will serve as Sadler Clinic's main Conroe location, housing physicians and administrative personnel currently located at other offices.

Construction is expected to begin Q1 of 2012 on the Crown Point Regional Center in Oak Ridge North (near The Woodlands). This is a \$24 to \$25 million project that could attract as many as 30 businesses and create 300 new jobs to the area through the EB-5 immigrant investor program. This program allows foreign investors to obtain permanent residency for themselves, their spouses and their children under 21 years old for investing money and creating jobs in an area. The regional center will include a five-story hotel with 120 rooms, as well as three office buildings of 10,000 to 20,000 square feet. The first floor of each building will be specifically used for retail, while the top two floors will be office buildings for CPAs, attorneys, insurance companies and other businesses.

INFRASTRUCTURE IMPROVEMENTS

Hwy. 59, a key corridor in the western part of Entergy Texas service area, continues to move toward designation as I-69. Congressman John Mica, Chairman of the House Transportation

and Infrastructure Committee in the U.S. House of Representatives, recently spoke in the Houston area pledging to swiftly move forward the completion of I-69. His committee will address the length of time to approve infrastructure projects across all modes of transportation. There are currently \$2.2 trillion in project needs across the U.S.

TxDOT held public hearings in August on two segments of the Grand Parkway, one of which could have a profound effect on traffic and development in Montgomery County's part of our service area.

INFLATION

Houston (which includes several of our service area counties - Chambers, Galveston's Bolivar Peninsula, Liberty, and Montgomery Counties) saw inflation increase 3.7% over the year. The biggest contributors were food and energy. Eliminating those two factors, inflation would have been 1.3%.

REAL ESTATE

In Montgomery County, the number of homes sold was up by 30% as compared to a year ago; average price was up by 3% and median price was up by 6.3%. Construction permits were up by 8.2%.

PURCHASING MANAGERS INDEX (PMI)

The Houston Purchasing Managers Index is a short-term leading indicator for regional production and is the closest approximation for our Texas service area. Readings above 50 indicate likely growth in production over the next three or four months; readings below 50 indicate likely contraction.

The index fell slightly to 60.8 in September from 61.3 in August. The index is based on eight components: sales, production, employment, purchases, prices paid, lead-times, purchased inventory, and finished goods. This month, finished goods and purchased inventory showed improvements; lead times remained the same; and all of the other components declined. (Source: Institute for Supply Management-Houston)

SALES TAX

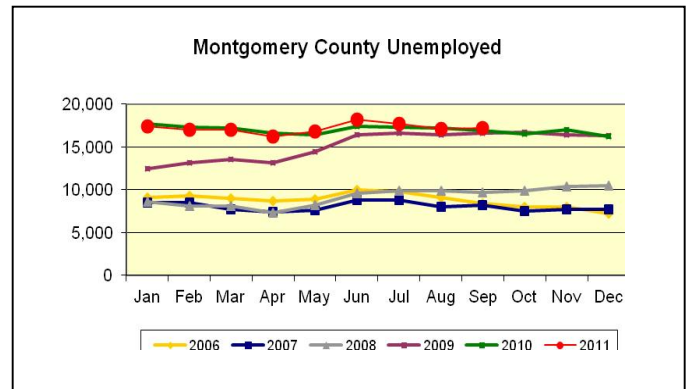
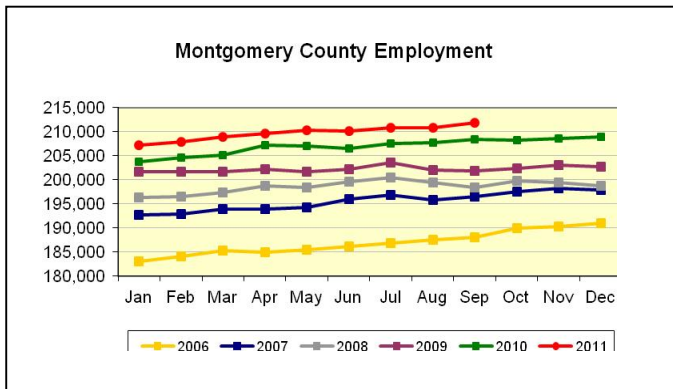
City	Aug-11	Aug-10	% change
The Woodlands	\$2,709,751	\$2,334,967	16.1%
Conroe	\$2,371,687	\$2,153,307	10.1%
Huntsville	\$530,876	\$510,837	3.9%
Shenandoah	\$335,941	\$305,484	10.0%
East Montgomery County	\$377,612	\$339,804	11.1%
Oak Ridge North	\$111,973	\$98,395	13.8%
Montgomery	\$66,191	\$97,092	-31.8%
TOTAL	\$6,504,032	\$5,839,886	11.4%

The overall 11.4% increase for all the cities listed in the chart is very encouraging for the region. Note that the numbers reported are for payments to the taxing entities in October for sales made in August.

EMPLOYMENT

Unemployment Rate			
	11-Sept	11-Aug	10-Sept
Montgomery County	7.6%	7.5%	7.5%
Texas	8.4%	8.4%	8.0%
US	8.8%	9.1%	9.2%

As the chart below shows, Montgomery County's employment has continued to rise steadily for the last 20 months while the number unemployed remains about the same for the last 12 months as compared to the previous 12 months. Average weekly wages for the first quarter of 2011 reached an all time Q1 peak at \$886 with a 10.8% increase over Q1 of 2010.



A year and half after the BP oil spill, activity is returning to normal in the Gulf of Mexico as more drilling permits have been issued recently. Three of the biggest oil field service companies report most employees returned to work in the gulf region after being relocated temporarily to other assignments.

Lone Star College recently received a \$500,000 grant to create three fast-track training programs that get students certified in 16 weeks. The Wagner-Peyser grant program – which gives money to projects that lead to job placement, increased wages and job retention – will create LSC programs in engineering technology, welding inspection and matching design and rapid prototyping.

TEXAS DROUGHT

The Texas Legislature doesn't meet again until 2013, but state Senate committees will soon begin studying the impact of the record-breaking drought on power generation, agriculture and the economy, and also how to improve Texas' response to wildfires, Lt. Gov. David Dewhurst announced Tuesday. "The drought has had a devastating and far-reaching impact across the entire state," Dewhurst said in a statement, "and the Legislature must use all of the resources at our disposal to prepare and respond in the event these severe drought conditions persist." On November 8th Texans will have the opportunity to vote on Proposition 2, a constitutional amendment which would provide a funding stream for water infrastructure projects throughout the State.

ENTERGY / MISO

Earlier this year, Entergy announced its plans to join the Midwest Independent Transmission System Operator, a move that has earned support from key community leaders in Southeast Texas. MISO is an Indiana-based regional transmission organization that manages the high-voltage transmission lines powering all or part of 12 states. Entergy studies found that joining MISO would give Entergy access to an extensive and efficient marketplace, one that offered important net benefits to customers as well as good generation diversity and reliability. Texas customers alone are expected to see net benefits of between \$170 million and \$225 million from 2013 to 2022, primarily from reduced production costs.