

# Austin economist says 2008 will see modest job growth, improvement in 2009

## Builders didn't recognize that the local market is healthier than the rest of the country, economist says.

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Economist Angelos Angelou acknowledged Thursday that this is a chancy time to be making a forecast on the Austin area's near-term growth prospects. But he took a shot at it anyway.

Despite international panic in the financial markets and rising worries about the implosion of the American subprime lending bubble, Angelou said he expects Austin to muddle through 2008 with modest job growth before seeing an economic upturn in 2009.

"We have been through tough times before, and Austin has always weathered the storm pretty well," he said. "But that doesn't mean we are not going to go through a storm this time."

Angelou, who heads an economic development consulting firm, delivered his 23rd annual economic forecast Thursday, predicting that the Austin metro area will create 17,000 jobs in 2008 for a 2.3 percent growth rate, which would be the area's lowest job growth rate since 2004, when the area was climbing out of a prolonged high-tech slump.

Angelou began issuing economic forecasts for Austin in 1985, when he was economist at the Greater Austin Chamber of Commerce. He later became head of economic development at the chamber before starting his own economic development consulting firm in the mid-1990s.

**Next year, he expects the five-county metro area to add another 24,000 jobs, an increase of about 3 percent.**

But all bets are off, he said, if the national economic picture turns really bad or if one of the area's major private employers announces a big downsizing move.

The biggest job growth sectors for 2007 and 2008, Angelou said, will be the area's traditional standbys: government, professional services, leisure and hospitality, wholesale and retail trade, and education and health services.

New private sector jobs in the area are mostly coming from small businesses, venture-backed startups and young technology companies, he said. Big companies — including Dell Inc., Freescale

Semiconductor Inc. and Advanced Micro Devices Inc. — all suffered through weak years in 2007, he noted.

"We are modestly optimistic," Angelou said, "but the situation needs to be monitored closely depending on national trends. If we don't have any significant challenges (downsizing moves) from major employers, then I think I am going to stick with my numbers."

**Angelou expects the area's population of 1.58 million to increase by 85,000 people over the next two years. That is on par with the local population increase estimated at 42,000 for last year, but well below the 2006 increase of 58,900.**

The biggest local impacts from the national real estate crunch, he said, are likely to be rising apartment rents, slow demand for houses costing less than \$180,000, increasing foreclosures and an overreaction from major builders who cut back too far on new housing starts.

Austin could face a shortage of new homes in the next year or so, Angelou said, because builders overreacted and didn't recognize that the local market is healthier than most of the nation's other housing markets.

**"The home building industry is reacting to national trends, and Austin is not a typical U.S. community," Angelou said. "The big winner is going to be apartments. People will have to live somewhere. Apartments rents are going higher.**

"We are concerned about the low number of housing starts," he added. "Austin is a different market, and the development community is treating this market like it is treating everyone else (by cutting back sharply on home building). We may find ourselves with a serious housing shortage."

On the national level, Angelou says it is hard to say whether the U.S. will slide into a formal recession. He expects there will be continued problems in the mortgage lending industry, which will bleed over into the broader investment finance industry.

"It is going to be a prolonged slowdown (in growth), which is going to feel like a recession" at the national level, he said. "It may take the nation a year or two to go through these tough times.

"The recovery is not going to be quick. In any economic recovery, you need to have the financial sector drive it, and a lot of those folks are hurting."

**Courtesy of JB Goodwin**