

The Perryman Report & Texas Letter



IN THIS ISSUE

Special Report

Economic Projections for Metro Areas 2008-2035

This issue offers important information regarding economic expectations for the state's metro areas for the 2008-2035 timeframe. Projections related to key economic indicators focus on population, real gross product, wage and salary employment, and real personal income (by place of residence). Graphs present vital forecast data and provide opportunities for comparisons of likely contributions from the large and small MSAs.

Economic Development News from Around the State

Information about general contributions to the state economy concerning approximately a dozen economic development projects underway across Texas is provided, as well as new jobs expected to be created by these expansions.

Focus On: Wage and Salary Employment

This page presents information about the current status of wage and salary employment in the various metro areas and provides long-term projections for the number of new workers anticipated to be added over the 2008-2035 forecast horizon.

The Southeast Texas Region

What's ahead for the economy of the Southeast Texas Region over the next few years? To find out, please check out this page.

SPECIAL REPORT

Economic Projections for Metro Areas 2008-2035

Texas metropolitan statistical areas (MSAs), both large and small, have long been the economic growth leaders of the Lone Star State, and projections call for this pattern to continue over the next several years. Although iconic images of Texas involve herds of longhorn cattle, endless fields of cotton, and gushing oil wells set against endless planes, the state is, in reality, highly urbanized with the vast majority of people and production being found in large metropolitan regions.

The major MSAs include Austin-Round Rock, El Paso, Houston-Sugar Land-Baytown, San Antonio, and Dallas-Fort Worth-Arlington, which is divided into two metropolitan divisions (MDs)—Dallas-Plano-Irving and Fort Worth-Arlington. In this report, the two divisions are considered separately.

The grouping of smaller MSAs include: Abilene, Amarillo, Beaumont-Port Arthur, Brownsville-Harlingen, College Station-Bryan, Corpus Christi, Killeen-Temple-Fort Hood, Laredo, Longview, Lubbock, McAllen-Edinburg-Mission, Midland, Odessa, San Angelo, Sherman-Denison, Texarkana, Tyler, Victoria, Waco, and Wichita Falls.

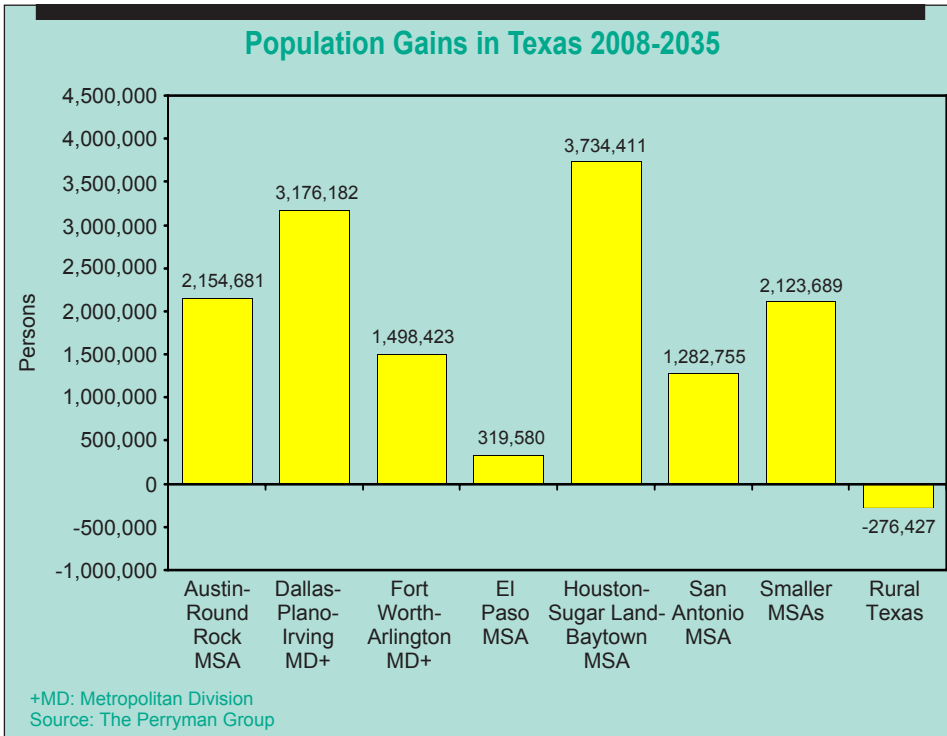
POPULATION

In 2008, the state's 25 metropolitan statistical areas accounted for

approximately 87.69% of the total Texas population. Over the period from 2008 to 2035, these MSAs are predicted to have an increase in residents of some 14.29 million to reach a combined population of 35.67 million, which will reflect 92.90% of the state's total residents in 2035.

"The state is, in reality, highly urbanized with the vast majority of people and production being found in large metropolitan regions."

The largest gain will likely be in the Houston-Sugar Land-Baytown metro which is expected to experience an addition of 3.73 million residents (see graph *Population Gains in Texas 2008-2035*). The Dallas-Plano-Irving MD is predicted to achieve the second largest population hike of nearly 3.18 million. These two metros will represent 26.65% and 22.67%, respectively, of the overall population



increase across the state from 2008 to 2035.

Combined, the five major metros are forecast to account for approximately 86.82% of the population expansion that will occur in the state for the 2008-2035 timeframe, with an additional 15.15% supplied by the 20 smaller metros. (NOTE: The rural areas of Texas are projected to see a population drop of more than 276,425 over this 27-year period, which represents a -1.97% overall loss.)

The fastest growing metro area from 2008-2035 will likely be the Austin-Round Rock MSA, which is predicted to achieve a population compound annual growth rate (CAGR) of 3.15% during this forecast horizon. The other large metro areas' per annum population expansion rates are anticipated to range from 1.32% (El Paso) to 2.10% (Dallas-Plano-Irving).

Among the 20 smaller MSAs, the McAllen-Edinburg-Mission metro is projected to experience the highest yearly population growth rate—2.41%. The Laredo metro will likely be next with a 2.23% CAGR, followed by the Brownsville-

Harlingen MSA with a yearly growth rate of 2.02%. The anticipated population per annum rates of increase for the remaining smaller metros in the long term are expected to range from 0.58% (Abilene) to 1.35% (Killeen-Temple-Fort Hood). Overall, the combined population average annual growth rate for the 20 smaller MSAs from 2008 to 2035 is projected to be 1.08%,

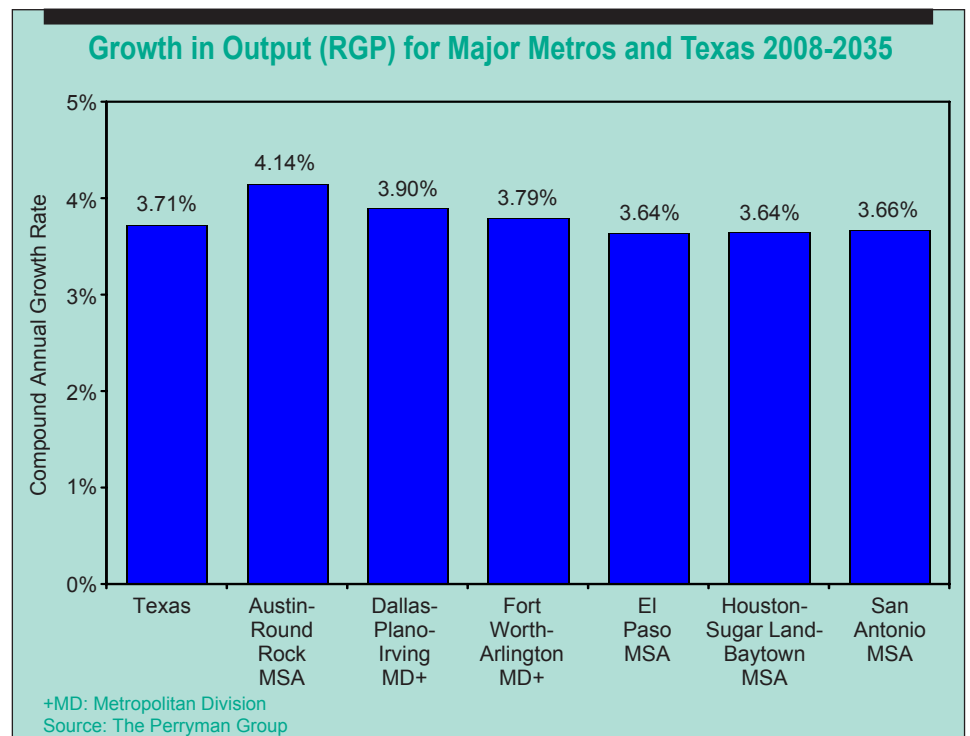
while the average population CAGR for the larger metros is anticipated to be 2.05%.

REAL GROSS PRODUCT

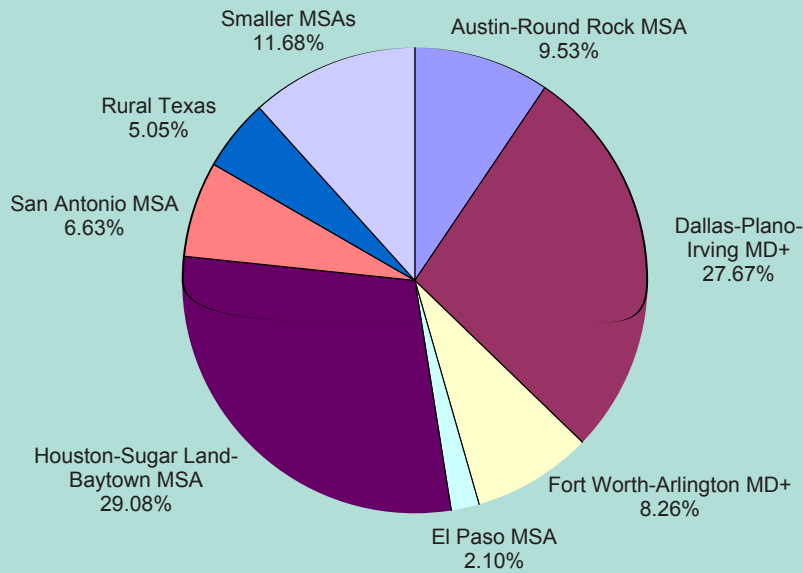
The importance of the 25 metropolitan statistical areas to the Texas economy is quite evident in the fact that in 2008, these metros accounted for approximately 93.72% of the state's total output. Of this percentage, the five largest MSAs were responsible for about 80.54%.

Over the forecast horizon, the major metros are expected to generate some 83.27% of the Lone Star State's overall real gross product gain and provide about 82.25% of all Texas output in 2035. The smaller MSAs are projected to generate approximately 11.68% of the output increase over the 27-year period and by 2035, they are likely to account for 12.24% of the state's overall RGP. The remaining 5.05% of the RGP growth is predicted to be provided by the state's rural areas.

The real gross product compound annual growth rates for the large



Contribution to Texas Economic Growth* 2008-2035



*Measured by total increase in output (real gross product) over the 2008-2035 period.
 +MD: Metropolitan Division
 Source: The Perryman Group

metro areas are anticipated to range from 3.64% (El Paso and Houston-Sugar Land-Baytown) to 4.14% (Austin-Round Rock). The yearly output growth rates expected for the smaller MSAs from 2008 to 2035 will likely vary from 3.04% (Killeen-Temple-Fort Hood) to 3.65% (Longview). The average real gross product CAGR for the 20 smaller metros over the 27-year forecast horizon is projected to be 3.43%. The average output per annum expansion for the rural areas of the state from 2008 to 2035 is predicted to be 3.21%. For additional information on the large metros' CAGRs for the 2008-2035 timeframe, please see graphs entitled *Growth in Output (RGP) for Major Metros and Texas 2008-2035* and *Contribution to Texas Economic Growth* 2008-2035*.

The major metropolitan areas are expected to account for 88.79% of the statewide expansion in finance, insurance, and real estate (FIRE) industries, a larger percentage than any other sector during this 27-year timeframe. The three other leading sectors in terms of relative concentration of new activity in the largest

urban centers and the percentages of the total RGP expected to be attained are: durable manufacturing, 87.99%; services, 83.24%; and trade, 78.45%.

The 20 smaller MSAs will provide 23.73% of the total output for services and 19.08% of the aggregate output for trade. The next three

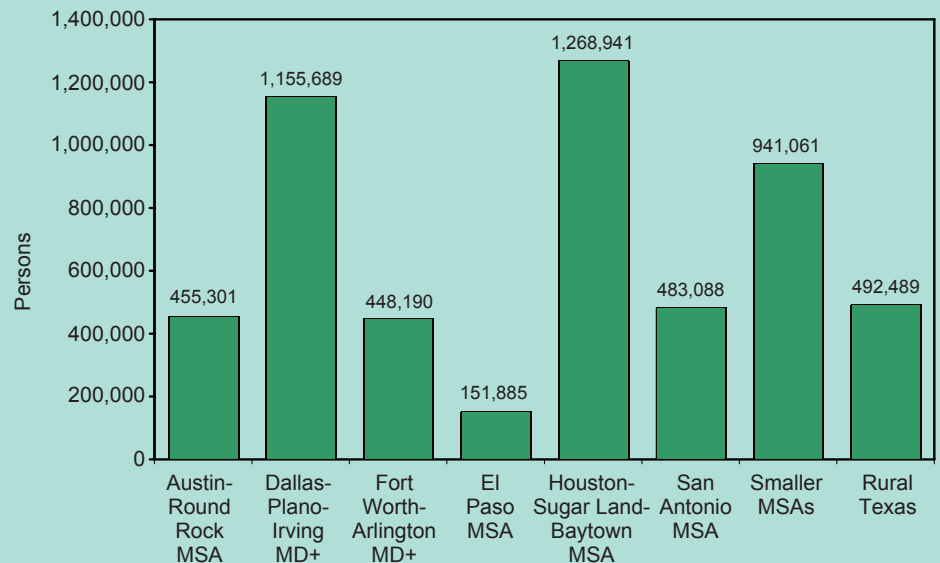
leading sectors in terms of percentages of overall RGP expected to be provided by the smaller metro areas include FIRE, 10.99%; durable manufacturing, 9.48%; and government, 8.37%.

EMPLOYMENT

From 2008 to 2035, nearly 5.4 million new jobs are projected to be created in the Lone Star State. Approximately 73.44% of this increase, or 3.96 million, is predicted to be added in the five large metropolitan statistical areas to reach almost 11.80 million workers and represent approximately 71.64% of overall Texas employment in 2035. Of the total number of added jobs anticipated over this timeframe in the large MSAs, nearly 1.27 million are predicted to be in the Houston-Sugar Land-Baytown MSA with some 1.16 million likely to be in the Dallas-Plano-Irving Metropolitan Division.

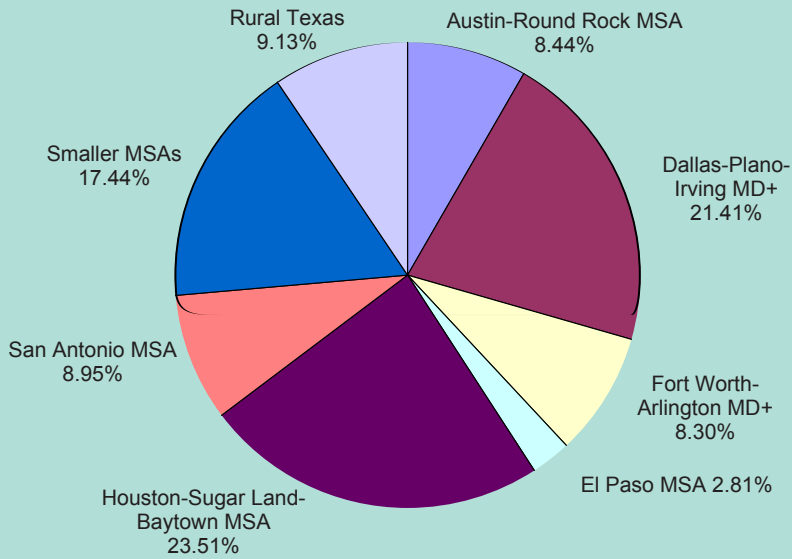
The smaller metro areas are forecast to add more than 941,000 new workers over the long term. In 2035, the aggregate number of jobs

Wage and Salary Employment Gains in Texas Metro Areas 2008-2035



+MD: Metropolitan Division
 Source: The Perryman Group

Contribution to Texas Wage and Salary Employment Growth 2008-2035



+MD: Metropolitan Division
Source: The Perryman Group

in the smaller MSAs is anticipated to account for some 18.87% of the total wage and salary employment in Texas.

The employment compound annual expansion rates for the major metros are anticipated to vary from 1.45% (Houston-Sugar Land-Baytown) to 1.68% (Austin-Round Rock). The CAGRs in the other large metros are forecast to be 1.49% (Fort Worth-Arlington); 1.50% (El Paso); and 1.57% (Dallas-Plano-Irving and San Antonio).

The employment yearly growth rates for the smaller metros over the 27-year forecast horizon are anticipated to range from 1.08% (Odessa) to 1.55% (Laredo and McAllen-

“The 20 smaller MSAs will provide 23.73% of the total output for services and 19.08% of the aggregate output for trade.”

Edinburg-Mission). The per annum employment expansion rates for the other small MSAs are projected to be 1.10% (Corpus Christi); 1.17% (Victoria); 1.21% (Texarkana); 1.24% (Wichita Falls); 1.25% (Midland); 1.26% (San Angelo); 1.28% (Longview); 1.30% (Killeen-Temple-Fort Hood); 1.31% (Lubbock); 1.32% (Beaumont-Port Arthur); 1.33% (Amarillo); 1.38% (Sherman-Denison); 1.38% (Waco); 1.40% (Abilene); 1.41% (College Station-Bryan); 1.48% (Tyler); and 1.52% (Brownsville-Harlingen).

In terms of sectoral employment in the major metro areas, the largest increase is projected to be in the services sector, and account for approximately 54.60% of the total number of new jobs likely to be created from 2008 to 2035.

For additional projections regarding employment in both the large and small MSAs from 2008 to 2035, see *FOCUS ON: Wage and Salary Employment*.

REAL PERSONAL INCOME (BY PLACE OF RESIDENCE)

The total real personal income (RPI) for the state of Texas from 2008 to

2035 is expected to increase from approximately \$788.86 billion to \$2.48 trillion. Of this nearly \$1.69 trillion gain, some 78.37% will likely be achieved in the state’s major metro areas. The smaller metros are anticipated to provide some 14.99% of this RPI expansion.

In 2035, two metros are forecast to account for about half of the state’s overall real personal income. The metros are Houston-Sugar Land-Baytown MSA with 28.97% and Dallas-Plano-Irving MD at 21.21%. The remaining percentages of the total Texas RPI in 2035 will likely vary from 2.22% (El Paso) to 8.58% (Fort Worth-Arlington) in the large metro areas and 0.30% (Texarkana) to 1.52% (McAllen-Edinburg-Mission) among the smaller MSAs.

“In terms of sectoral employment in the major metro areas, the largest increase is projected to be in the services sector.”

CONCLUSION

From 2008 to 2030, the 25 metropolitan statistical areas, where the vast majority of Texans reside, are forecast to continue to provide significant leadership in the expected expansion and development of the state’s economy. The five major MSAs are projected to maintain their leadership roles in advancing the growth patterns anticipated over the 27-year period in population, real gross product, employment, and real personal income. ■

Economic Development News from Around the State

Lufkin: Lockheed Martin begins work on project to nearly double the size of its plant. The \$7 million venture will add 50,000 square feet and 100 employees. Ready in early 2010.

Commerce: A new processing plant is in the works for Premium Cocoa Corporation. Operations to begin early 2010 at industrial park location. Initially employing 350-500 workers.

The Colony: Two hotels recently opened—Fairfield Inn & Suites and Residence Inn. Properties are adjacent to the Cascade Events Center, a 6,400+ square foot meeting location.

Fort Worth: Q-Edge making move to Alliance Global Logistics Hub, hiring up to 500. 365,440 sq. ft. electronics assembly & distribution center to have economic impact of \$700 mln.

Grand Prairie: Solo Cup Co., making a move to area with a new distribution center. Company signed a 10-year lease on a 603,354 square foot facility. Will house 45 employees.

Lubbock: New \$12.5 million headquarters facility going up for Tyler Technologies. About 107 jobs to be created for the 75,000 square foot complex. Completion set for late 2009. 47,600 sq. ft. Overton Hotel and Conference Center expected to open later this month.

San Antonio: Local company Rackspace Hosting expanding by 140,000 square feet. Information technology hosting services provider making room for up to 1,600 more workers.

Amarillo: Work wraps up on \$24.4 mln assembly building at Bell Helicopter complex. Production of V-22 Ospreys for US Air Force & Marines to begin at the 176,000 sq. ft. facility.

El Paso: Construction underway on a 500,000 sq. ft. retail development at Fort Bliss. \$100 mln project on army base should open in Oct. '10. About 90 civilian jobs at full operation.

Richardson: SimplexGrinnell leasing an additional 69,000 sq. ft. for call center here. Part of Tyco International Ltd., the company provides fire & life safety products and services. AT&T Corp., signs lease for 200,000 square feet of office space at Telecom Corridor.

Bonham: Plans will soon get underway for the first college campus in Fannin County. 100 acres of land donated to Grayson County College. New site may be ready as early as 2010.

Want to include a business announcement for your community?

Let our editors know what's taking place in your "neck of the woods." Share the details of recent economic development happenings in your area. *The Perryman Report & Texas Letter* is read monthly by the state's most notable leaders. Email submissions to info@perrymangroup.com or send fax to 254.751.7855.

FOCUS ON: Wage and Salary Employment

| Major Metropolitan Statistical Areas | Wage and Salary Employment 2008 | Projected Wage and Salary Employment 2035 | Projected Wage and Salary Employment Gain 2008-2035 | Compound Annual Growth Rate 2008-2035 |
|---|--|--|--|--|
| Austin-Round Rock MSA | 800,709 | 1,256,010 | 455,301 | 1.68% |
| Dallas-Plano-Irving MD* | 2,207,698 | 3,363,386 | 1,155,689 | 1.57% |
| Fort Worth-Arlington MD* | 911,193 | 1,359,384 | 448,190 | 1.49% |
| El Paso MSA | 307,197 | 459,082 | 151,885 | 1.50% |
| Houston-Sugar Land-Baytown MSA | 2,680,720 | 3,949,661 | 1,268,941 | 1.45% |
| San Antonio MSA | 925,887 | 1,408,975 | 483,088 | 1.57% |
| STATE OF TEXAS | 11,069,897 | 16,466,541 | 5,396,644 | 1.48% |
| Other Metropolitan Statistical Areas | Wage and Salary Employment 2008 | Projected Wage and Salary Employment 2035 | Projected Wage and Salary Employment Gain 2008-2035 | Compound Annual Growth Rate 2008-2035 |
| Abilene MSA | 76,302 | 111,070 | 34,768 | 1.40% |
| Amarillo MSA | 119,635 | 170,789 | 51,154 | 1.33% |
| Beaumont-Port Arthur MSA | 173,199 | 247,018 | 73,819 | 1.32% |
| Brownsville-Harlingen MSA | 138,390 | 208,048 | 69,658 | 1.52% |
| College Station-Bryan MSA | 100,269 | 146,190 | 45,921 | 1.41% |
| Corpus Christi MSA | 195,658 | 262,649 | 66,991 | 1.10% |
| Killeen-Temple-Fort Hood MSA | 176,129 | 249,774 | 73,645 | 1.30% |
| Laredo MSA | 95,461 | 144,741 | 49,280 | 1.55% |
| Longview MSA | 100,070 | 141,054 | 40,984 | 1.28% |
| Lubbock MSA | 135,601 | 192,846 | 57,245 | 1.31% |
| McAllen-Edinburg-Mission MSA | 232,942 | 352,492 | 119,550 | 1.55% |
| Midland MSA | 70,528 | 98,650 | 28,121 | 1.25% |
| Odessa MSA | 63,624 | 85,003 | 21,379 | 1.08% |
| San Angelo MSA | 53,052 | 74,422 | 21,370 | 1.26% |
| Sherman-Denison MSA | 48,001 | 69,441 | 21,440 | 1.38% |
| Texarkana MSA | 45,618 | 63,038 | 17,419 | 1.21% |
| Tyler MSA | 100,181 | 149,113 | 48,932 | 1.48% |
| Victoria MSA | 55,119 | 75,385 | 20,265 | 1.17% |
| Waco MSA | 112,027 | 162,007 | 49,981 | 1.38% |
| Wichita Falls MSA | 74,040 | 103,181 | 29,141 | 1.24% |

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

Source: The Perryman Group

An Economic Overview

The Southeast Texas Region



The Southeast Texas Region is a 15-county region bordering Louisiana and stretching from Shelby County in the north to Jefferson County in the south and as far west as Houston County. Angelina, Hardin, Jasper, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Trinity and Tyler make up the remainder of the counties. The region includes the Beaumont-Port Arthur Metropolitan Statistical Area as well as the Lufkin-Nacogdoches area.

The Southeast Texas Region is home to over 755,600 Texas residents, making up 3.10% of the state's total population. The region is responsible for 1.93% of real gross product (RGP or output) in Texas and provides 2.67% of wage and salary jobs in the state.

The region is forecast to add some 146,160 residents to the area from 2008-2035 representing a compound annual growth rate (CAGR) of 0.66%. Retail sales over the same time period are expected to expand from \$10.5 billion to \$59.3 billion achieving a 6.62% CAGR.

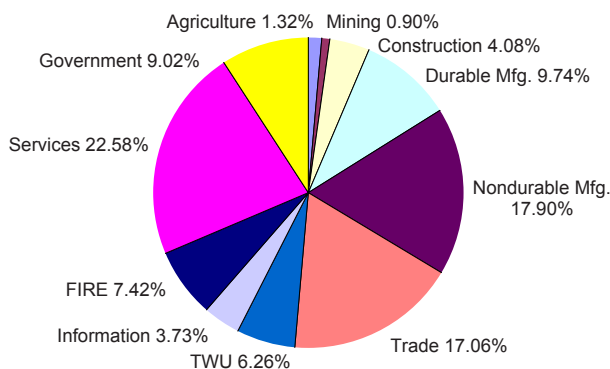
Region's Real Gross Product Projected to Experience Modest Growth

The Southeast Texas Region is likely to see RGP expansion of \$28.2 billion from 2008 to 2035 representing a 3.47% compound annual growth rate. Nondurable manufacturing, trade, and services are anticipated to be key RGP generators in 2035, accounting for over 55% of the region's total output gain in the long term. Gains in RGP during the forecast period should range from a high of \$6.3 billion (services) to \$146.5 million (agriculture).

Additionally, trade; transportation, warehousing, and utilities; information; and finance, insurance, and real estate combined are projected to experience CAGRs higher than the total of the other industries in the region for the same time. The output CAGRs over the long term are anticipated to vary from 0.35% (durable manufacturing) to 4.46% (information).

The percentages of the region's total RGP expected to be provided by the various industrial sectors in 2035 are indicated in the following graph.

Projected Sectoral Composition of Real Gross Product for the Southeast Texas Region—2035



Note: TWU is Transportation, Warehousing, & Utilities
FIRE is Finance, Insurance, & Real Estate
Source: The Perryman Group

Ongoing Growth Expected in Wage and Salary Jobs

Employment is projected to achieve a yearly growth rate of 1.33% from 2008 to 2035, reflecting the addition of some 126,606 new jobs. Approximately 49.30% of the jobs created over this timeframe will likely be in the services industry.

The expected sectoral percentages of total employment in 2035 are services (39.75%), government (18.17%), trade (14.88%), construction (6.89%), durable manufacturing (5.48%), nondurable manufacturing (5.15%), FIRE (3.67%), TWU (3.54%), information (1.26%), agriculture (0.69%), and mining (0.52%).

The following table indicates the CAGRs for all sectors as well as the number of new jobs likely to be added over the long term.

Growth in Employment in the Southeast Texas Region by Industrial Sector: 2008-2035

| | Compound Annual Growth Rate | Additional Job Gains/Losses | Percentage of 2035 Gain/Loss |
|-----------------|-----------------------------|-----------------------------|------------------------------|
| Agriculture | -0.51% | -430 | -0.34% |
| Mining | -0.15% | -90 | -0.07% |
| Construction | 0.94% | 6,460 | 5.10% |
| Durable Mfg. | 0.62% | 3,580 | 2.82% |
| Nondurable Mfg. | 0.72% | 3,840 | 3.03% |
| Trade | 1.18% | 17,070 | 13.48% |
| TWU | 1.51% | 4,970 | 3.92% |
| Information | 1.39% | 1,660 | 1.31% |
| FIRE | 1.53% | 5,220 | 4.12% |
| Services | 1.74% | 62,420 | 49.30% |
| Government | 1.25% | 21,920 | 17.31% |

*Compound Annual Growth Rate. Reflects changes in the size of the base used to calculate growth.

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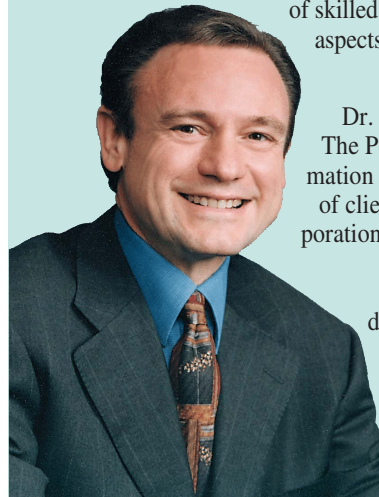
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Dr. Perryman is a consummate economist, bringing a unique combination of credibility, creativity, energy, enthusiasm, excellence, and effective communication to every project. His experience and expertise run the gamut of academia, public policy, economic forecasting, popular writing, speaking engagements around the globe, and an active and diverse consulting practice. As President and CEO of The Perryman Group, he leads a team of skilled professionals specializing in all aspects of the strategic use of economic analysis.



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