

- **Looking back at '11** — Economic data for the year has begun to trickle in. Year-end stats are available for oil prices, the rig count, office leasing and auto sales. Housing, employment and air traffic data will be posted in the next few weeks. Trade volumes will be released in early spring. A quick look the available data indicates that '11 was a good year for Houston.
- **Employment** — The 10-county Houston-Sugar Land-Baytown Metropolitan Statistical Area surpassed its pre-recession employment peak in the fall, according to estimates released by the Texas Workforce Commission (TWC). Nonfarm payroll employment is now at the highest point in Houston's history.
 - On an unadjusted basis, TWC estimates November payroll employment for the region at 2,646,200. The previous peak was 2,628,300 in December '08.
 - On a seasonally adjusted basis, TWC estimates payroll employment at 2,626,800 in November. The previous peak was 2,616,600 in August '08.

The Partnerships' forecast calls for 84,600 jobs to be created this year¹. Furthermore, Houston was the first of the nation's 20 most populous metros to reach that milestone.

**Recession and Recovery, 20 Most Populous Metro Areas
Job Losses and Gains, Seasonally Adjusted, Through November '11**

Metro	Jobs Lost	Jobs Regained	% Jobs Regained	Metro	Jobs Lost	Jobs Regained	% Jobs Regained
Houston	121.2	131.4	108.4%	Phoenix	246.9	41.5	16.8%
Boston	104.6	79.2	75.7%	Chicago	340.8	56.2	16.5%
DC	95.8	70.1	73.2%	St. Louis	83.9	13.8	16.4%
Dallas	155.9	107.4	68.9%	Miami	245.9	40.4	16.4%
Baltimore	70.4	28.9	41.1%	Riverside	175.4	25.9	14.8%
Seattle	141.5	54.2	38.3%	Philadelphia	144.7	19.0	13.1%
San Diego	101.6	37.2	36.6%	San Francisco	169.9	22.2	13.1%
Minneapolis	115.9	25.5	22.0%	Los Angeles	549.3	65.0	11.8%
New York	389.6	82.1	21.1%	Detroit	480.9	22.6	4.7%
Tampa	138.9	29.1	21.0%	Atlanta	224.8	8.2	3.6%

Source: U.S. Bureau of Labor Statistics

¹ For the full version of GHP's 2012 Employment Forecast, please click [here](#).

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- **Energy** — The year finished with 2,007 drilling rigs working in North America, up from 1,700 the first week of January '11 and two dozen shy of 2,031, the pre-recession peak of mid-September '08. Two factors—the rich potential of the Eagle Ford Shale and sustained high oil prices—have supported the boom.

There's a great deal of buzz about the Eagle Ford Shale but a lack of insight as to its significance for Houston. The Eagle Ford Shale is a band of oil and natural gas bearing rock about 250 feet thick, 400 miles long, and 4,000 to 12,000 feet below the earth's surface. In Texas, it extends from Webb and Maverick Counties on the U.S.-Mexico border to Leon County northeast of College Station. The Eagle Ford is a game changer for the United States. Reserves are estimated at 3 billion barrels. Consulting firm Tudor, Pickering, Holt & Co. forecasts that in four years the Eagle Ford Shale could produce 1.2 million barrels per day, or one-sixth of U.S. production. It is a game changer for Houston as well. The Eagle Ford could keep the drilling industry busy for the next 20 years.

On the last trading day of the year, West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, closed at \$98.83 a barrel, slightly above the \$91.59 a barrel close on the first day of trading last year. The price ranged from \$75.40 to \$113.39 a barrel and averaged \$94.86 over the course of the year. Over 251 trading days there were only seven when WTI closed below \$80.00 a barrel. The near-term outlook is for oil prices to remain at or above their present level. The U.S. Energy Information Administration forecasts WTI to average \$98.00 a barrel in '12; Wells Fargo Securities forecasts \$95.00; JP Morgan, \$107.00.

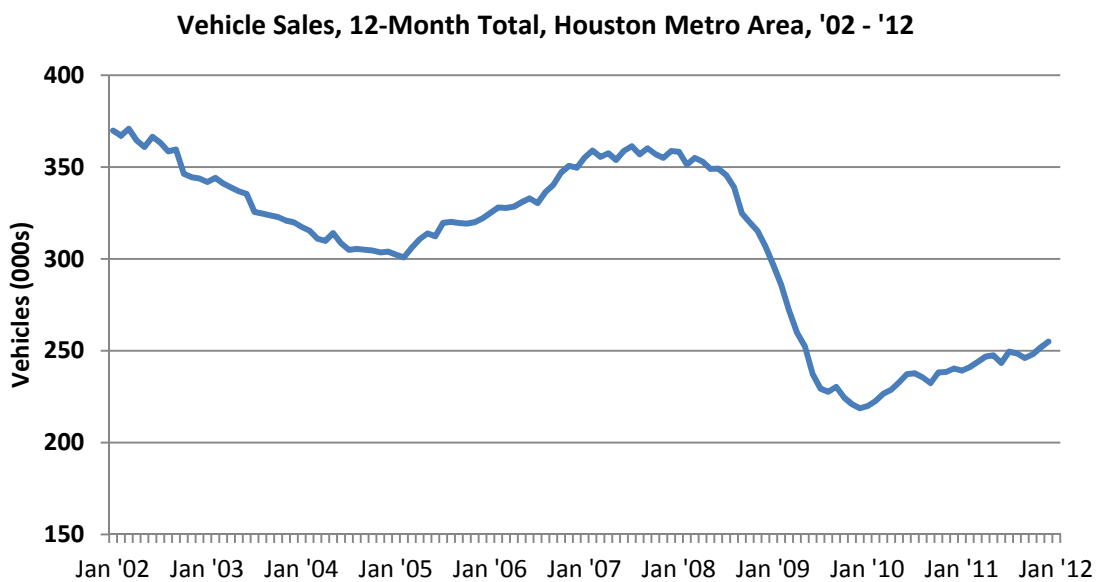
- **Housing** — The Houston Association of Realtors®' (HAR) reported 58,206 closings through November '11, up 4.2 percent from the 55,882 closings over the same period in '10. Closings include the sale of single-family homes, duplexes, townhomes, low- and high-rise condos, country homes and undeveloped lots. When final sales are tallied, local realtors will probably net 64,000 to 65,000 closings in '11, a volume comparable to the 64,600 closings in '03, the last year before sub-prime financing began to distort the market.

The resale market seems to be nearing a balance between supply and demand. HAR's Multiple Listing Service (MLS) had 27,749 single-family homes in inventory at the end of November, down 15.1 percent from the 32,684 single-family homes listed in November of the prior year. That equates to a 6.2 month inventory of single-family homes, meaning it would take that 6.2 months to sell all the single-family homes listed in the MLS based on current sales activity. As recently as a year ago, Houston had a 7.6 month inventory. The national inventory is currently at 8.0 months.

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Foreclosures remain a factor in the market, however. HAR reported 9,922 foreclosure sales through the first 11 months, about one in every five homes sold in Houston last year. The median price of a foreclosed home, the price at which half of all homes sold for more and half sold for less, was \$80,000 in November. That compares to a median of \$175,000 for traditional home sales that month.

Auto Sales — Auto dealers in the 10-county Houston metropolitan area sold 254,996 new cars, trucks and SUVs in '11, according to the latest TexAuto Facts Report, published by InfoNation, Inc. of Sugar Land. This represents an increase of 6.1 percent from the 240,354 vehicles sold in '10 and the largest 12-month total since April '09.



Source: InfoNation

Annual sales growth in '11 was led by strong truck/SUV sales and an increased market share for luxury and near-luxury brands. Upscale vehicles had a market share of 19.1 percent of retail sales, up from their 17.8 percent market share in '09. Average sales price reached a new record of \$33,429 per vehicle, a 5.7 percent increase over the year.

Steve McDowell from InfoNation notes that for '12, sales of entry to mid-range brands will be stimulated by the increasing prices of upscale vehicles and improved inventory for Japanese brands. Vehicle sales are projected to reach 275,000 units in '12, an 8.0 percent growth from '11.

Some issues that create uncertainty for '12 include the effects of unemployment and weak salaries on the ability of mid-range buyers to purchase new vehicles; the response of manufacturers of Japanese brands to the strengthening of the yen; the

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availability and pricing of used vehicles as an alternative to new vehicle purchases; and the continuation of the trend of longer lengths of vehicle ownership due to improved quality standards.

- **The Office Market** — The Houston office market continues to experience robust leasing activity. Preliminary reports from brokerage firm Jones Lang LaSalle (JLL) indicate Houston absorbed 2.8 million square feet of office space in '11; that's up from a negative absorption of 320,000 square feet in '10. The overall office vacancy rate now stands at 17.4 percent, with a slight difference between rates downtown and the suburbs (17.3 percent versus 17.4) and larger difference in the market between space rated Class A and Class B (16.2 percent versus 18.9 percent).

Nine of the top 10 leases signed in the fourth quarter of last year involved energy, energy service, engineering or chemical companies renewing or expanding leases. The top 10 include:

- Shell Oil (oil and gas exploration and production), 1,300,000 square foot lease, renewal and expansion,
- Universal Pegasus (engineering services), 160,000 square foot lease, expansion,
- Schlumberger (oil field services), 105,000 square foot lease, new,
- Carrizo Oil & Gas (oil and gas exploration and production), 95,000 square foot lease, relocation and expansion,
- RPC (oil field services), 79,000 square foot lease, relocation and expansion,
- Cobalt International (oil and gas exploration and production), 71,000 square foot lease, relocation and expansion,
- Nexeo Solutions (chemicals distributor), 64,000 square foot lease, new
- SM Energy (oil and gas exploration and production), 52,000 square foot lease, renewal and expansion,
- Walter Oil & Gas (oil and gas exploration and production), 45,000 square foot lease, renewal, and
- BDP International (logistics), 44,000 square foot lease, renewal.

JLL's *Office Sentiment Gauge* reports that leasing activity, office rents, sales volumes and construction starts are up for Houston, one of only a handful of the 44 markets that JLL tracks to report strong activity across those indicators.

- **Airport Traffic** — Through the first 11 months of the year, the Houston Airport System (HAS) handled 45.7 million passengers, a 1.1 percent increase from the 45.2 million handled over the same period the prior year.

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- International passenger traffic grew 1.9 percent, from 7.7 million in the first 11 months of '10 to 7.9 million passengers during the comparable period in '11.
- Domestic traffic was off 1.4 percent through November, falling from 29.2 million passengers in the first 11 months of '10 to 28.8 million during the first 11 months of '11.
- Freight volumes rose 5.5 percent, from 806.5 million pounds handled in the first 11 months of '10 compared to 851.1 million pounds during the same period in '11.

When final traffic numbers are released later this month, HAS will probably report handling slightly more than 50.0 million passengers, about the same number as last year, and more than 925 million pounds of freight, significantly more than the 882.5 million tons handled in '10.

Patrick Jankowski and
Jenny Hsu contributed to this issue of
Houston: The Economy at a Glance.

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The Key Economic Indicators table is updated **whenever any data change** — typically, 11 or so times per month. If you would like to receive those updates by e-mail, usually accompanied by commentary, please email your request for **Key Economic Indicators** to dmorrow@houston.org with the same identifying information.

You may request **Glance** and **Indicators** in the same email.

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Houston Economic Indicators

A Service of the Greater Houston Partnership

	Month	MONTHLY DATA			YEAR-TO-DATE TOTAL OR YTD AVERAGE*		
		Most Recent	Year Earlier	% Change	Most Recent	Year Earlier	% Change
ENERGY							
U.S. Active Rotary Rigs	Dec '11	2,007	1,694	18.5	1,879 *	1,546 *	21.5
Spot Crude Oil Price (\$/bbl, West Texas Intermediate)	Dec '11	98.32	89.46	9.9	94.58 *	79.04 *	19.7
Spot Natural Gas (\$/MMBtu, Henry Hub)	Dec '11	3.12	4.21	-25.9	3.96 *	4.36 *	-9.2
UTILITIES AND PRODUCTION							
Houston Purchasing Managers Index	Nov '11	61.6	58.2	5.8	59.9 *	54.5 *	9.9
Nonresidential Electric Current Sales (Mwh, CNP Service Area)	Nov '11	4,083,403	4,075,178	0.2	47,510,401	46,832,558	1.4
CONSTRUCTION							
Total Building Contracts (\$, Houston MSA)	Nov '11	444,689,000	483,115,000	-8.0	7,643,519,000	7,560,010,000	1.1
Nonresidential	Nov '11	147,456,000	166,518,000	-11.4	2,964,027,000	3,003,429,000	-1.3
Residential	Nov '11	297,233,000	316,597,000	-6.1	4,679,492,000	4,556,581,000	2.7
Building Permits (\$, City of Houston)	Nov '11	311,260,200	175,951,026	76.9	3,322,047,855	2,920,376,730	13.8
Nonresidential	Nov '11	239,101,648	114,442,086	108.9	2,234,317,946	2,015,728,898	10.8
New Nonresidential	Nov '11	95,781,160	47,425,546	102.0	957,519,171	750,311,439	27.6
Nonresidential Additions/Alterations/Conversions	Nov '11	143,320,488	67,016,540	113.9	1,276,798,775	1,265,417,459	0.9
Residential	Nov '11	72,158,552	61,508,940	17.3	1,087,729,909	904,647,832	20.2
New Residential	Nov '11	54,382,941	46,424,979	17.1	891,927,467	693,434,189	28.6
Residential Additions/Alterations/Conversions	Nov '11	17,775,611	15,083,961	17.8	195,802,442	211,213,643	-7.3
Multiple Listing Service (MLS) Activity							
Closings	Nov '11	4,676	4,229	10.6	58,206	55,882	4.2
Median Sales Price - SF Detached	Nov '11	151,000	154,950	-2.5	153,123 *	151,935 *	0.8
Active Listings	Nov '11	45,113	51,875	-13.0	49,410 *	51,287 *	-3.7
EMPLOYMENT (Houston-Sugar Land-Baytown MSA)							
Nonfarm Payroll Employment	Nov '11	2,646,200	2,558,300	3.4	2,586,700 *	2,525,700 *	2.4
Goods Producing (Natural Resources/Mining/Const/Mfg)	Nov '11	501,600	473,500	5.9	491,400 *	469,600 *	4.6
Service Providing	Nov '11	2,144,600	2,084,800	2.9	2,095,300 *	2,056,100 *	1.9
Unemployment Rate (%) - Not Seasonally Adjusted							
Houston-Sugar Land-Baytown MSA	Nov '11	7.6	8.5		8.4 *	8.5 *	
Texas	Nov '11	7.5	8.2		8.2 *	8.2 *	
U.S.	Nov '11	8.2	9.3		9.0 *	9.7 *	
Unemployment Insurance Claims (Gulf Coast WDA)							
Initial Claims	Nov '11	20,234	20,479	-1.2	20,052 *	22,191 *	-9.6
Continuing Claims	Nov '11	82,055	91,349	-10.2	80,389 *	102,777 *	-21.8
TRANSPORTATION							
Port of Houston Authority Shipments (Short Tons)	Nov '11	3,414,188	3,367,030	1.4	38,960,538	36,774,546	5.9
Air Passengers (Houston Airport System)	Nov '11	4,049,585	4,037,714	0.3	45,755,981	45,221,830	1.2
Domestic Passengers	Nov '11	3,414,562	3,373,159	1.2	37,886,942	37,500,818	1.0
International Passengers	Nov '11	635,023	664,555	-4.4	7,869,039	7,721,012	1.9
Landings and Takeoffs	Nov '11	68,148	66,741	2.1	784,821	778,809	0.8
Air Freight (000 lb)	Nov '11	76,571	70,330	8.9	851,141	806,517	5.5
Enplaned	Nov '11	39,321	35,137	11.9	437,362	418,164	4.6
Deplaned	Nov '11	37,250	35,193	5.8	413,779	388,353	6.5
CONSUMERS							
New Car and Truck Sales (Units, Houston MSA)	Dec '11	19,986	16,682	19.8	254,996	240,354	6.1
Cars	Dec '11	8,099	6,770	19.6	110,845	105,753	4.8
Trucks, SUVs and Commercials	Dec '11	11,887	9,912	19.9	144,151	134,601	7.1
Total Retail Sales (\$000,000, Houston MSA, NAICS Basis)	2Q11	24,241	21,585	12.3	46,424	41,311	12.4
Consumer Price Index for All Urban Consumers ('82-'84=100)							
Houston-Galveston-Brazoria CMSA	Nov '11	201.398	195.094	3.2	200.454 *	194.080 *	3.3
United States	Nov '11	226.23	218.803	3.4	224.743 *	217.953 *	3.1
Hotel Performance (Harris County)							
Occupancy (%)	3Q11	58.1	54.3		60.6 *	56.1 *	
Average Room Rate (\$)	3Q11	86.30	85.35	1.1	91.32 *	89.27 *	2.3
Revenue Per Available Room (\$)	3Q11	50.15	46.37	8.2	55.38 *	50.16 *	10.4
POSTINGS AND FORECLOSURES							
Postings (Harris County)	Dec '11	4,338	4,719	-8.1	43,832	47,652	-8.0
Foreclosures (Harris County)	Dec '11	1,169	1,072	9.0	11,092	13,829	-19.8

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Sources

Rig Count	Baker Hughes Incorporated	Port Shipments	Port of Houston Authority
Spot WTI, Spot Natural Gas	U.S. Energy Information Agency	Aviation	Aviation Department, City of Houston
Houston Purchasing Managers Index	National Association of Purchasing Management – Houston, Inc.	Car and Truck Sales	<i>TexAuto Facts Report</i> , InfoNation, Inc., Sugar Land TX
Electricity	CenterPoint Energy	Retail Sales	Texas Comptroller's Office
Building Construction Contracts	McGraw-Hill Construction	Consumer Price Index	U.S. Bureau of Labor Statistics
City of Houston Building Permits	Building Permit Department, City of Houston	Hotels	PKF Consulting/Hospitality Asset Advisors International
MLS Data	Houston Association of Realtors®	Postings, Foreclosures	Foreclosure Information & Listing Service
Employment, Unemployment	Texas Workforce Commission		

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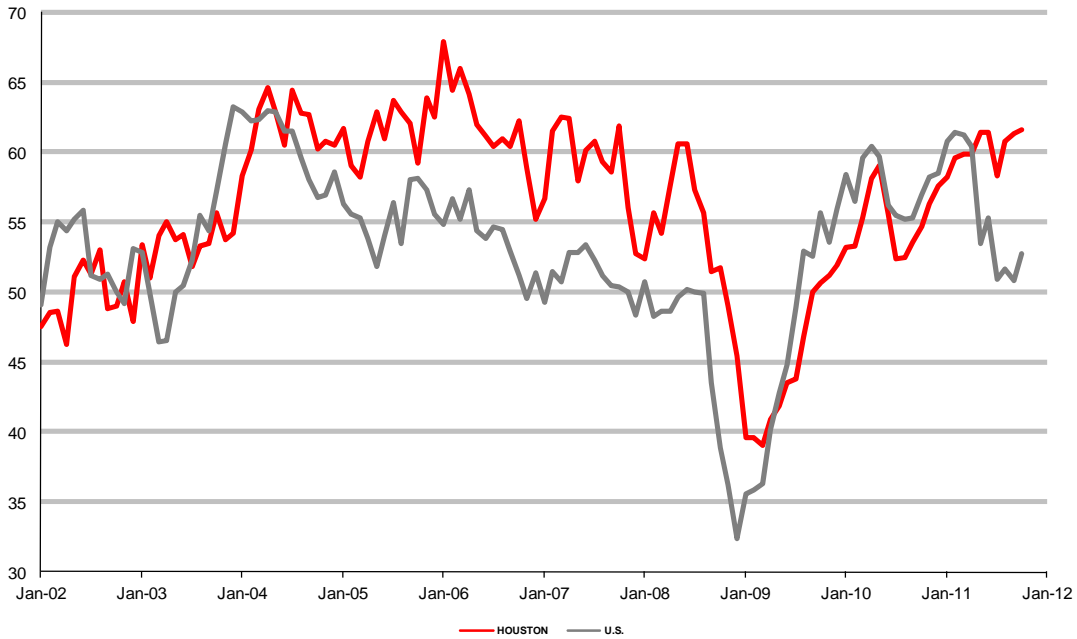
HOUSTON MSA NONFARM PAYROLL EMPLOYMENT (000)

	Nov '11	Oct '11	Nov '10	Change from		% Change from	
				Oct '11	Nov '10	Oct '11	Nov '10
Total Nonfarm Payroll Jobs	2,646.2	2,626.0	2,558.3	20.2	87.9	0.8	3.4
Total Private	2,264.1	2,245.5	2,170.7	18.6	93.4	0.8	4.3
Goods Producing	501.6	501.7	473.5	-0.1	28.1	0.0	5.9
Service Providing	2,144.6	2,127.1	2,084.8	17.5	59.8	0.8	2.9
Private Service Providing	1,762.5	1,743.8	1,697.2	18.7	65.3	1.1	3.8
Mining and Logging	93.0	92.6	82.7	0.4	10.3	0.4	12.5
Oil & Gas Extraction	49.9	49.5	46.5	0.4	3.4	0.8	7.3
Support Activities for Mining	39.5	39.6	35.1	-0.1	4.4	-0.3	12.5
Construction	177.8	179.8	172.6	-2.0	5.2	-1.1	3.0
Manufacturing	230.8	229.3	218.2	1.5	12.6	0.7	5.8
Durable Goods Manufacturing	151.1	150.1	141.3	1.0	9.8	0.7	6.9
Nondurable Goods Manufacturing	79.7	79.2	76.9	0.5	2.8	0.6	3.6
Wholesale Trade	136.5	136.9	132.4	-0.4	4.1	-0.3	3.1
Retail Trade	280.1	270.7	268.1	9.4	12.0	3.5	4.5
Transportation, Warehousing and Utilities	123.8	122.3	124.9	1.5	-1.1	1.2	-0.9
Utilities	17.1	16.9	16.2	0.2	0.9	1.2	5.6
Air Transportation	24.2	24.2	23.5	0.0	0.7	0.0	3.0
Truck Transportation	21.3	21.5	20.7	-0.2	0.6	-0.9	2.9
Pipeline Transportation	10.4	10.4	10.2	0.0	0.2	0.0	2.0
Balance, incl Warehousing, Water & Rail Transport	50.8	49.3	54.3	1.5	-3.5	3.0	-6.4
Information	29.6	29.4	31.3	0.2	-1.7	0.7	-5.4
Telecommunications	15.1	15.0	16.1	0.1	-1.0	0.7	-6.2
Finance & Insurance	89.1	88.1	86.9	1.0	2.2	1.1	2.5
Real Estate & Rental and Leasing	48.4	48.3	48.2	0.1	0.2	0.2	0.4
Professional & Business Services	387.7	383.8	366.8	3.9	20.9	1.0	5.7
Professional, Scientific & Technical Services	182.8	181.1	175.6	1.7	7.2	0.9	4.1
Legal Services	23.0	23.0	22.9	0.0	0.1	0.0	0.4
Accounting, Tax Preparation, Bookkeeping	17.6	17.4	17.5	0.2	0.1	1.1	0.6
Architectural, Engineering & Related Services	59.6	59.2	59.2	0.4	0.4	0.7	0.7
Computer Systems Design & Related Services	26.3	26.2	25.2	0.1	1.1	0.4	4.4
Admin & Support/Waste Mgt & Remediation	186.1	183.7	170.7	2.4	15.4	1.3	9.0
Administrative & Support Services	173.8	171.5	162.4	2.3	11.4	1.3	7.0
Employment Services	63.1	63.4	61.1	-0.3	2.0	-0.5	3.3
Educational Services	44.6	44.6	43.6	0.0	1.0	0.0	2.3
Health Care & Social Assistance	279.6	280.7	268.9	-1.1	10.7	-0.4	4.0
Arts, Entertainment & Recreation	25.6	26.0	25.9	-0.4	-0.3	-1.5	-1.2
Accommodation & Food Services	219.6	215.3	208.3	4.3	11.3	2.0	5.4
Other Services	97.9	97.7	91.9	0.2	6.0	0.2	6.5
Government	382.1	380.5	387.6	1.6	-5.5	0.4	-1.4
Federal Government	27.4	27.6	27.8	-0.2	-0.4	-0.7	-1.4
State Government	71.5	71.3	73.2	0.2	-1.7	0.3	-2.3
State Government Educational Services	37.6	37.4	38.9	0.2	-1.3	0.5	-3.3
Local Government	283.2	281.6	286.6	1.6	-3.4	0.6	-1.2
Local Government Educational Services	196.0	193.8	200.5	2.2	-4.5	1.1	-2.2

SOURCE: Texas Workforce Commission

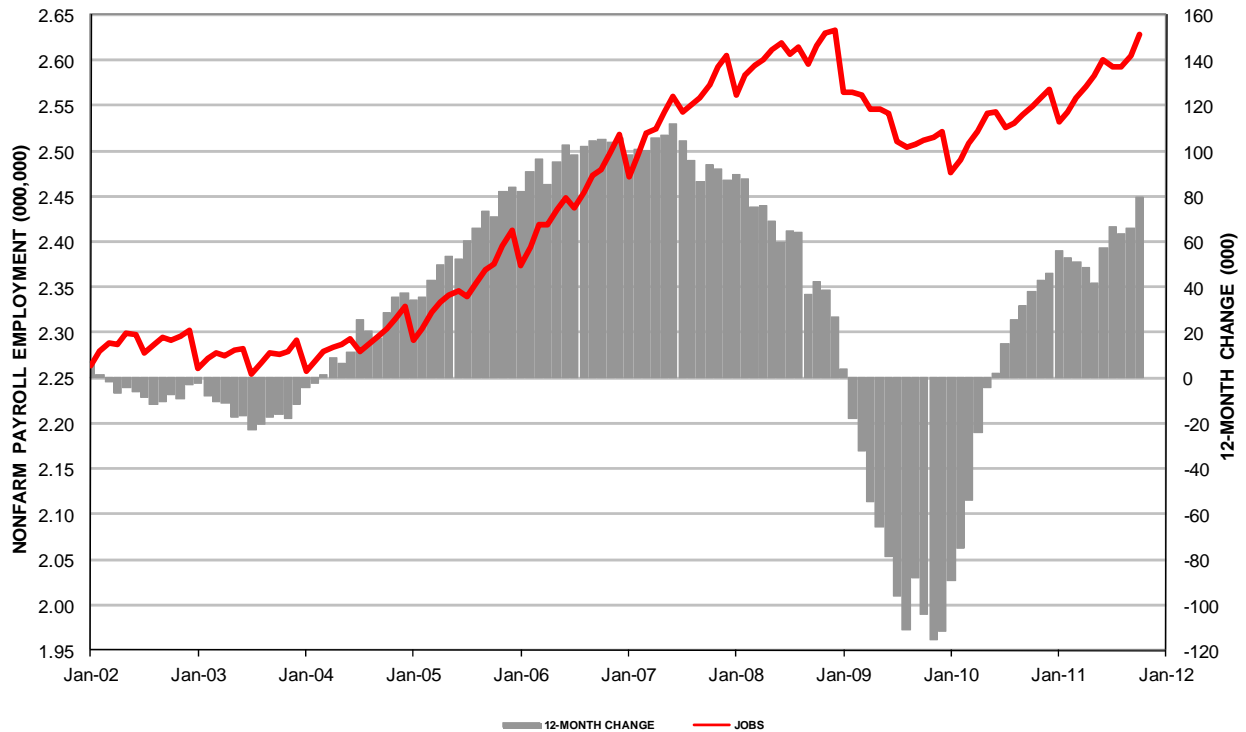
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PURCHASING MANAGERS INDEX HOUSTON & U.S. 2002-2012



Source: National Association for Purchasing Management - Houston, Inc.

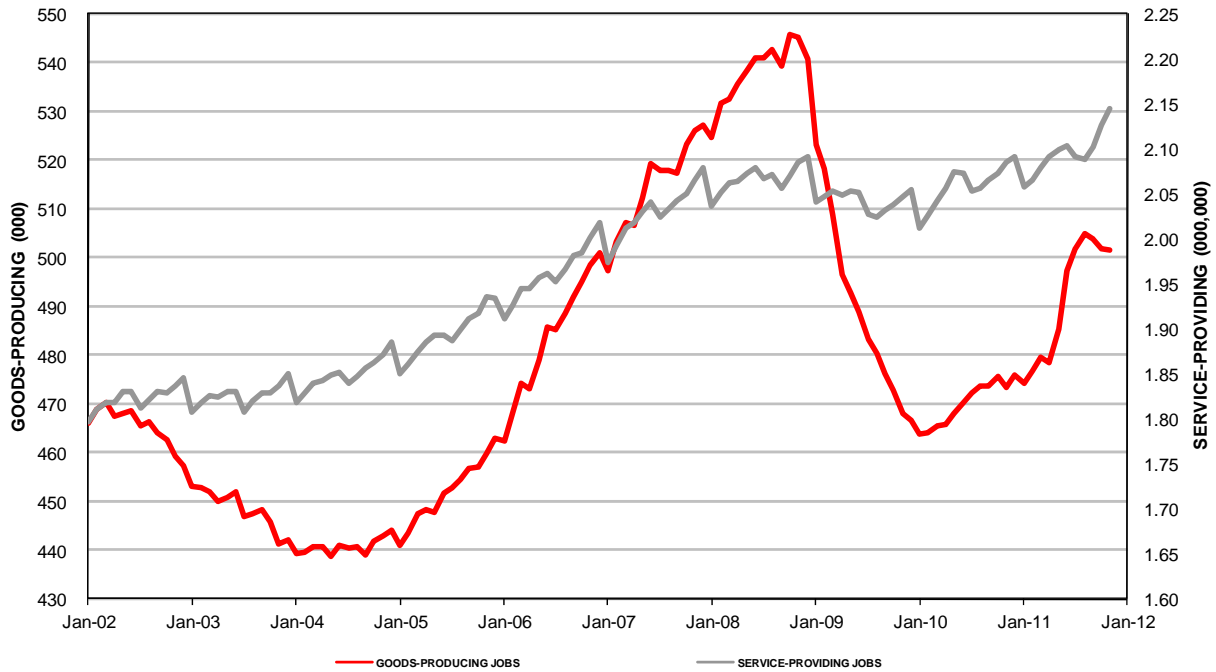
HOUSTON MSA EMPLOYMENT 2002-2012



Source: Texas Workforce Commission

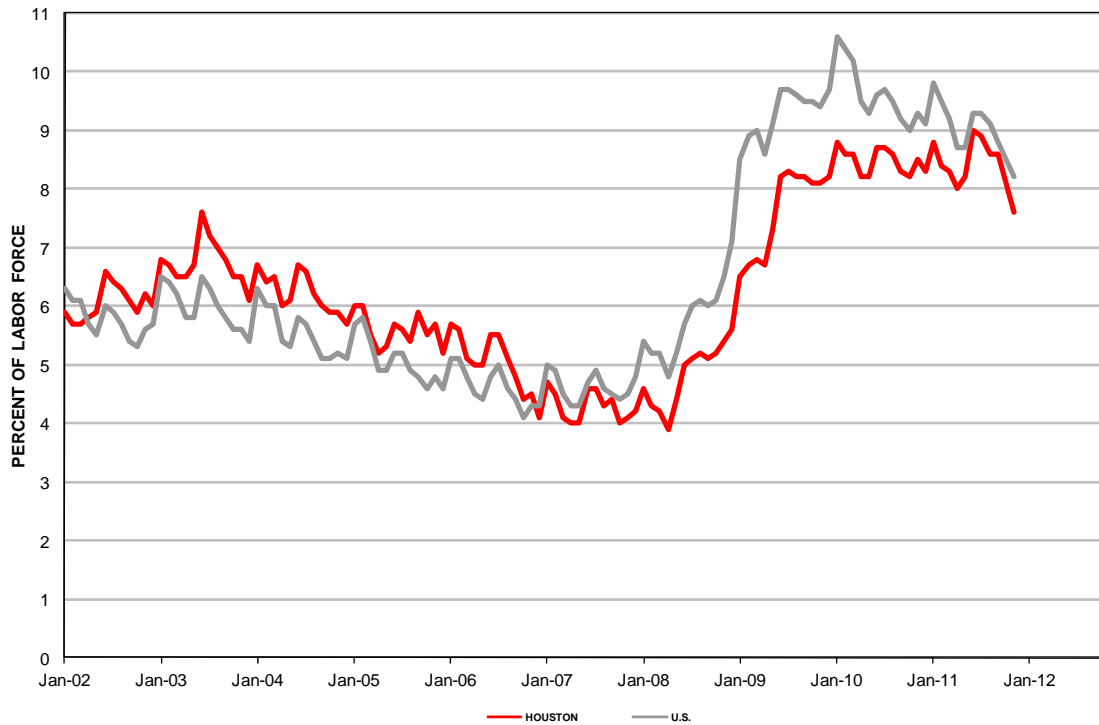
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GOODS-PRODUCING AND SERVICE-PROVIDING EMPLOYMENT HOUSTON MSA 2002-2012



Source: Texas Workforce Commission

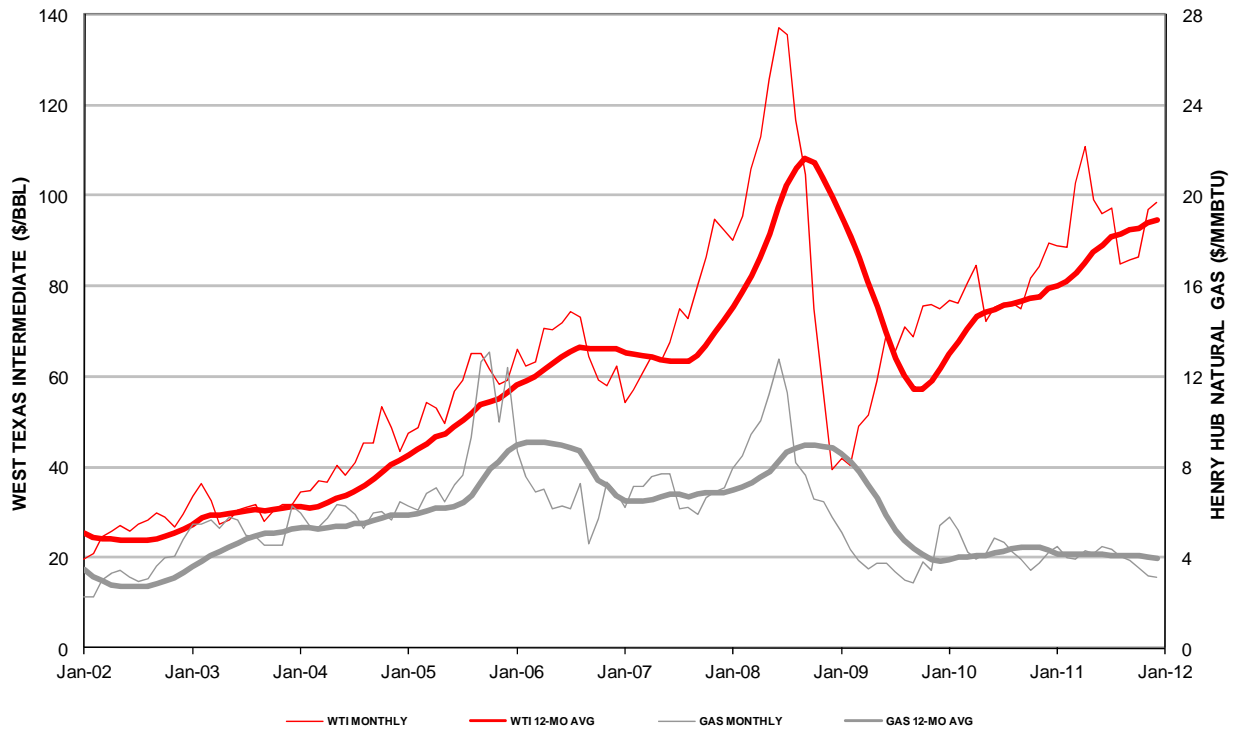
UNEMPLOYMENT RATE HOUSTON & U.S. 2002-2012



Source: Texas Workforce Commission

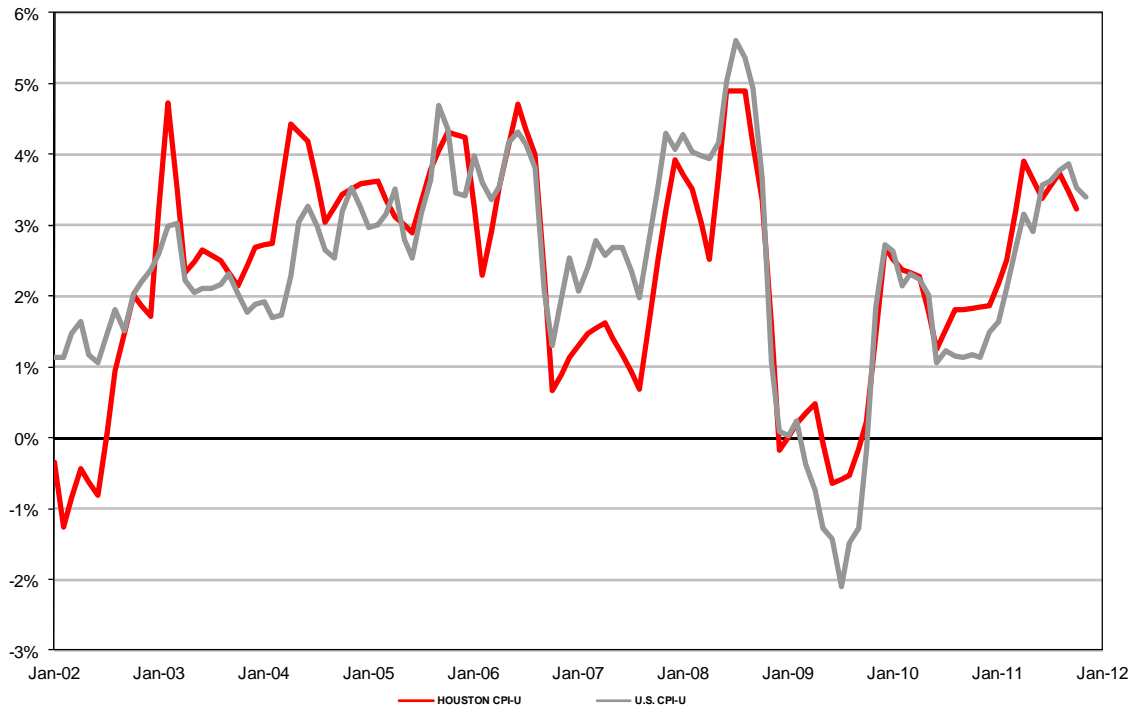
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SPOT MARKET ENERGY PRICES 2002 - 2012



Source: U.S. Energy Information Administration

INFLATION: 12-MONTH CHANGE 2002-2012



Source: U.S. Bureau of Labor Statistics