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Texas' Economic Outlook Points to 25-Year Boom

By [Connie Gore](#)

ADDISON, TX—Weathering out today's economic turmoil is easier in Texas than practically any place else in the US. And, a leading economist for the Real Estate Center at Texas A&M University says the climate's going to stay that way for a long time to come.

"I think Texas is poised for an all-out boom for the next 25 years," Dr. James P. Gaines, research economist for the College Station-based real estate center, told nearly 175 professionals attending yesterday's CoreNet Global Southwest meeting in Addison Conference Center at 15650 Addison Rd. In a macro- to micro-look at the US and Texas, Gaines says the state's good fortune to be gaining while others lose comes with a cost: pressure on infrastructure, government services and public finance.

Population projections show the state will add 13.6 million residents by 2030, more than the current populations of Dallas/Fort Worth, Houston, San Antonio and Corpus Christi. The stats show three million to seven million people will land in Dallas/Fort Worth, with Gaines betting the final tally will push the high end of the 2030 projection.

Gaines credits the state's strong showing, today and in the future, to job growth, which is leading the US, non-union labor and pro-growth attitudes. Still, he says it doesn't mean Texas will escape unscathed from the nation's economic upheaval. "Texas housing markets are going to be spotty," he forewarns. "Rents and occupancies for commercial real estate will continue to rise for now." And in Dallas/Fort Worth, he says absorption is positive although "we're seeing some early, early strain of overbuilding, but there's still investor interest."

Commercial real estate owners are facing new pressure with lending rules changing and corporations caught in "wait and see" modes. "You just can't assume you're going to have a 10% rent increase every year for 10 years and 1.5x debt coverage," Gaines stresses. "And, that's what's been going on."

Texas' economic indicators still point to 2% to 2.5% growth, besting predictions about the nation as a whole by nearly two points. The good news about Texas, though, is overshadowed by concerns at the national level. "One of our biggest problems facing our economy is a solvency issue," Gaines says, citing the feds' bailout of financial institutions and more recently, Fannie Mae and Freddie Mac.

The writing is on the wall for a "technical recession," Gaines says, pointing to rising food and energy prices, lower consumer spending, job losses, slow economic growth and high inflation. He echoes his peers in predicting the Fed will stop cutting interest rates as a stop-gap measure, adding mortgage rates most likely will stay flat or tick ever so slightly. The upshot is the economy will continue down its present path for the rest of this year and well into 2009.

"Dallas/Fort Worth moves more in sympathy with the US economy than any place else. Now, though, it's still perking above the US indicators," Gaines says. "In Texas, we're doing a whole lot better. If Texas was a nation, we'd be ranked No. 11 in the world."

Gaines says the state clearly is poised for a long boom, economically and population-wise. And though he didn't come out and say it, his outlook is a calling card for a well-known saying in Texas that all newcomers hear: "What took you so long to get here."

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