



Texas poised for real estate boom, economist says

BY BETTY DILLARD

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What: Women's Council of Realtors

When: 11:30 a.m., Feb. 8

Where: Ridglea Country Club

Who: Dr. James P. Gaines, research economist, Real Estate Center at Texas A&M University

Why: Gaines presented his forecast of how the Lone Star State's economy – with an emphasis on the housing market, employment and population growth – will fare through 2030.

While a housing downturn continues in other areas of the country, particularly in California and Florida, and a current threat of a recession is in the air, Texas' economy remains relatively healthy, Gaines said. Affordable housing, a lower cost of living and cost of doing business, rising employment opportunities and attractive lifestyle are drawing more people than ever to Texas. These and other circumstances point toward a Texas-sized boom over the next 25 years, he said.

On the Texas economy: "We've been doing very well. We slowed down just a bit in 2007 but nothing like what's gone on at the national level. We're running ahead of the U.S. economy. Employment has nearly doubled. We have record low unemployment around the state and we're more or less maintaining those state levels. We have tremendous personal income and population growth."

On the housing market: "This is the good news. The housing market in Texas is still relatively strong. In 2007, it was down a little bit from '06 but it was a mixed bag. There were a number of communities in Texas where '07 was a record year that outperformed '06, places like Abilene, Wichita Falls, Midland-Odessa, San Angelo and Beaumont. There are pockets and submarkets in this area [Fort Worth] too that are going gangbusters and other pockets where the bottom is falling out."

Gaines said that Tarrant County's existing home sales dropped 5.4 percent in 2007, but that sales were still on line with the record levels of recent years. The national average suffered a 13 percent drop. He predicted that 2008 will be a good year locally, but that no records would

be broken.

“The last three years have been above the norm trend,” he said. “I think we’ll be above the norm trend in ‘08 and ‘09 but not as good as in ‘06. And ‘08 will not be quite as good as ‘07 because of lenders not knowing how to lend. We have plenty of liquidity in the market but nobody knows how to lend it.”

Immigration – foreign and domestic – will be the major contributor to Texas population growth during the next two decades, Gaines said, and those new residents will increase home sales. From 2000 to 2007, 3 million people moved to Texas, a 14.6 percent jump in the population, making Texas the fastest growing state in the country.

“In the next 25 years we’ll add another 13.6 million people,” he said. “That’s the equivalent of another Metroplex, metropolitan Houston and metropolitan San Antonio with enough left over to add another Corpus Christi.”

On Texas being the youngest state: “We have a very young age profile, and when you stretch that out over the years, that’s about 20 percent more than the Boomers,” he said. “That’s your future market. They’re not here yet, unfortunately, you’ll have to wait awhile. But they’re coming.”

Until those young people become old enough to be employed and purchase homes, the Boomers will continue to be the housing target, for primary as well as secondary homes, Gaines said.

“Texas is No. 2 in the nation for retirees, second only to Florida,” he added. “I predict in 10 or 12 years, we’ll be ahead of Florida because you can’t afford to buy a house there anymore.”

Foreclosures will remain high throughout the first quarter of 2009, and the adjustable rate mortgage resets will be significant through the second quarter of next year, Gaines predicted. Year-to-date November 2007, monthly foreclosure filings in Texas were down 13 percent when the U.S. rate was up 57 percent.

“In short, Texas still has a very positive economic outlook,” Gaines said. “Jobs are still being created, people are still working, people are moving to the state and our business climate is still pretty good. It’s still very good, quite frankly.”

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