

Economic adjustment predicted for area

Community leaders say they remain upbeat about business in west Houston

By Annette Baird

While the precipitous drop in the price of oil has impacted west Houston more than anywhere else in the city, a panel of leaders in banking, real estate, health care and retail said their industries are so far weathering the current downturn, if not thriving.

Referring to it as a “mild recession,” a “pause,” a “slowdown,” they told a crowd of about 500 people from area businesses, nonprofits and educational institutions at the Houston West Chamber of Commerce’s Feb. 13 annual **West Houston Economic Development Summit** that the region will go through a period of adjustment.

Richard Campo, chairman/ chief executive officer of Camden Properties, said the lower oil prices will bring construction costs down, close the gap in a construction worker shortage and provide more options for tenants of both apartments and office buildings.

“It’s a good thing to pause for 18 months,” Campo said. “It’s commodity driven. If you run a business that is adaptable, and you don’t have high debt you’ll be in a position to survive the downturn.”

With \$2.4 billion worth of projects in the ground, much of it along the Grand Parkway, Keith Alexander, chief executive officer of Memorial Hermann Memorial City Medical Center, said the health-care industry shows no sign of slowing down. He said the influx of people pouring into the city and state and aging baby boomers are the main drivers of the health-care boom.

Charles DeLacey, chief financial officer for Metro-National, and Richard Breihan, president of Allegiance Bank, agreed spec builders likely will take a hit as the commercial real estate market slows. However, DeLacey said most of the millions of square feet of office space under construction in the area is already leased, and those developers should be okay.

“Owner-occupied real estate is kind of the sweet spot for us,” Breihan said. “It’s not a good time to be a spec builder.”

Meanwhile the grocery store industry is booming as it follows population growth, said Armando Perez, senior vice president of H-E-B Stores for the Houston region. Perez said they will see their biggest expansion this year in the Houston area, with nine stores set to open.

“We continue to be bullish,” he said.

He said the low price of gas puts more money in the pockets of consumers, putting more money into the economy.

Following up on last year's report for the summit, economist Robert "Bill" Gilmer, director of the University of Houston's Institute for Regional Forecasting, presented his take on how west Houston and the region as a whole are doing.

He said the Energy Corridor area is being particularly hard hit with job losses in the upstream side of the industry, but the **east** side of Houston is benefit-ting from lower oil prices. He pointed to the construction boom of petrochemical plants in Baytown and **La Porte**.

"This is the **east** side's moment in time," he said. "When the price of oil is high, exploration increases. When the price goes down, the excitement is in refining and the petrochemical industry."

Gilmer said though the drop in oil prices is costing the area some 50,000 jobs, there is a net gain in jobs from other industries, as well as energy-related industries. He said half the jobs in the region are driven by the energy industry, but the other half are tied to the national economy, and the U.S. economy is delivering jobs.

"Overall, Houston will see continued job growth," he said.

Meantime, Gilmer said cushioning west Houston from a more severe recession is the high concentration of highly educated and skilled workers.

Gilmer said the region has come out of four mild recessions since 1982 and likely will emerge from this one by 2017.

"You guys are well-positioned for moving through this," he said.

Still, there are more clouds on the horizon.

Alexander warned of a looming crisis in healthcare due to the high number of people who don't have health insurance.

He said Houston is the most uninsured city in the United States, and Texas is the most uninsured state. He said health-care agencies have had to absorb \$1.1 billion in uncompensated care, and that number grows each year.

"That's not sustainable," he said, adding that the costs are passed on in insurance premiums. "We have to deal with it."

Houston West Chamber of Commerce has more than 700 members, mostly representing small and medium-size businesses in the area, from the Galleria to the Energy Corridor. Visit www.westhoustoneds.org or call 713-785-4922 for details.