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West Houston to suffer brunt of oil price slump for next 18 months

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Bill Gilmer, director at the Institute for Regional Forecasting at the Bauer College of Business at the University of Houston, said oil price slumps have afforded the east half of Houston its moment to shine, economically speaking.

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Reporter- *Houston Business Journal*

Clouds are gathering over west Houston. That sentiment was not only the theme of the West Houston Economic Development Summit held on Feb. 13, it was the headline of the event's press release.

The summit, an event established by the Houston West Chamber of Commerce, was driven in large part by a Houston economic forecast from Bill Gilmer, director at the Institute for Regional Forecasting at the University of Houston.

"At risk jobs are concentrated in west Houston," said Gilmer. "We'll go through a period of difficulty. We need to see oil prices back up in 2017 and 2018."

For anyone following the relentless budget cuts from Houston's largest energy players and the ensuing job cuts, this is no surprise given the location of these companies' headquarters are by and large in west Houston. But how Houston will calibrate to the new economic climate is key for investors, lenders and employers in the construction and manufacturing space.

According to Gilmer's regional forecast, Houston will need 18 to 24 months to recover from the drop in oil prices. The major energy companies are thus pushing ahead with plans to construct various chemical industrial plants in anticipation of the bounce back.

"If they finish in 2017 and 2018, they'll be perfectly timed to come back online and take advantage of the good strong markets," Gilmer told the Houston Business Journal.

This means that all those cut energy workers have the potential to funnel directly into the construction boom underway in east Houston.

This transition of cut energy workers into construction and manufacturing jobs has talent search firms whipped into a frenzy. The skill sets that upstream oil and gas workers possess align with those in demand in construction, Brian Newkirk, managing partner at Search Group International, told the Houston Business Journal on Feb. 9.

So **east** Houston will experience a momentary high for the next year and a half, but not long enough for the jobs migration to result in the economic multipliers, or impacts, that economists typically analyze as part of a strengthening economy. For example, the impacts that more permanent employment gains might have on the surrounding property and retail markets, won't take root in east Houston.

The presumed temporary nature of the slump is one factor contributing to Gilmer's analysis that west Houston will prevail down the road.

"If you're in west side, you're on the best side in the long run," said Gilmer, adding that the white-collar jobs will still reside largely on the west side.

In real estate, developers are somewhat thankful for the inbuilt lull in new builds, said Rick Campo, chairman and CEO at Camden Property Trust, on a discussion panel at the summit.

"Every real estate sector is white hot. You can't find employees anywhere to build all the projects," said Campo. "The white hot market will kill itself eventually because the economics don't work, the costs are too high."

Meanwhile the banks are celebrating owner-occupied properties when it comes to commercial lending.

"Owner occupied real estate is kind of a sweet spot for us," said Richard Breihan, president at the Katy and Brookshire offices of Allegiance Bank of Texas. "Home construction for the non-spec builder is a good place to be."

Suzanne Edwards covers money and law for the Houston Business Journal. Follow her on Twitter for more.