



The Perryman Report & Texas Letter

IN THIS ISSUE

METROPOLITAN AREA ECONOMIC FORECAST

The Texas economy is driven by the state's largest metropolitan areas, with smaller cities also playing an important role. In this issue, we highlight results from The Perryman Group's most recent long-term forecast for these population centers.

THE ALAMO REGION

With 19 counties and the metropolitan statistical areas (MSAs) of San Antonio-New Braunfels and Victoria, the Alamo Region is home to a population of approximately 2.84 million. The area represents 9.89% of the state's total population.

ECONOMIC DEVELOPMENT NEWS

Economic development activity is popping up in cities and communities throughout the state. Check out some of the latest business announcements on page 5.

FOCUS ON: REAL PERSONAL INCOME

A breakdown of real personal income by MSA provides a quick look at the forecast for 2018 to 2045. See page 7 to get a snapshot of the anticipated growth for the state as well as for an MSA near you.

The Long-Term Economic Forecast for Texas Metropolitan Areas

The major drivers of economic activity across the state are Texas' largest metropolitan statistical areas (MSAs). In descending order of population size, they are the Houston-The Woodlands-Sugar Land MSA, Dallas-Plano-Irving Metropolitan Division (MD), San Antonio-New Braunfels MSA, Fort Worth-Arlington MD, Austin-Round Rock MSA, McAllen-Edinburg-Mission MSA, and El Paso MSA. About 72.7% of Texans live in the state's biggest metropolitan areas, a proportion which has been rising over time.

Though smaller population centers and rural areas make a significant contribution, the largest urban centers account for 75.7% of wage and salary employment in the state and 77.6% of output (real gross product). Through 2045, close to eight of every 10 new jobs are expected to be in one of the seven largest MSAs in Texas. In fact, the Houston area and the Metroplex alone will

likely account for well over half of positions added. Moreover, the major MSAs comprise about 79.6% of growth in the economy (as measured by expansion in real gross product). Smaller MSAs are also projected to experience notable economic gains over time, with Midland leading all metropolitan areas in terms of output growth through the long-term horizon.

This month's issue of *The Perryman Report & Texas Letter* highlights results from our latest long-term forecast for Texas metropolitan areas. For purposes

**"About 72.7% of
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of comparison, The Perryman Group's long-term forecast for the Texas economy indicates growth in real gross product at a 3.09% annual pace, an increase from more than \$1.7 trillion in 2018 to \$4.0 trillion in 2045. Close to 7.0 million net new jobs will be generated

during the period, a 1.61% annual rate of increase which leads to a 2045 total level of employment of over 20.0 million.

ECONOMIC FORECAST FOR THE LARGEST MSAS

The **Austin-Round Rock MSA** remains one of the top performers in Texas and continues to attract major corporate locations and expansions to complement its stable base of state government and

higher education. The dynamic Austin-area economy is expected to continue its strong performance over the forecast horizon, with broad-based expansion across both manufacturing and services industries. The area is projected to see a \$195.4 billion increase in real gross product

(RGP) by 2045, expanding by 3.20% annually. Nearly

"Though smaller population centers and rural areas make a significant contribution, the largest urban centers account for 75.7% of wage and salary employment in the state and 77.6% of output (real gross product)."

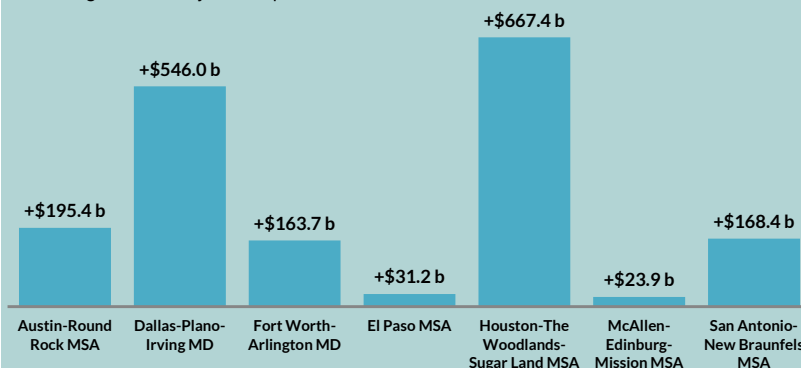
619,100 new jobs are likely to be added, which represents a 1.68% annual growth rate. The services sector is expected to experience the largest number of net new jobs during the period (over 409,400), while information and

manufacturing are projected to see RGP gains of around 4% per annum.

The **Dallas-Plano-Irving Metropolitan Division** has been performing very well, with impressive gains across most of the economy. The area's diverse economy is well positioned for long-term expansion, with the highest projected growth rates for output and employment among the large Texas MSAs. Wage and salary employment is expected to increase by 1.72 million over the 27-year period, a 1.84% annual growth rate. The largest gains in employment are projected in the services sector, with an addition of close to 1.2 million jobs

Projected Absolute Growth in Real Gross Product

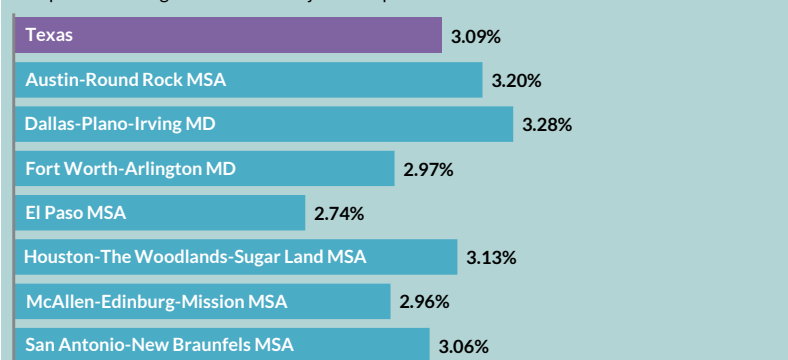
Absolute growth for major metropolitan areas from 2018-2045



Source: Texas Econometric Model, The Perryman Group

Projected Annual Growth in Real Gross Product

Compound annual growth rate for major metropolitan areas from 2018-2045



Source: Texas Econometric Model, The Perryman Group

representing a 2.51% growth rate per year. Through 2045, the area's real gross product is forecast to increase by 3.28% annually for an added \$546.0 billion in the local economy. The manufacturing and information sectors are projected to see the fastest expansion in relative output, both with an annual growth rate of nearly 3.90%.

The **Fort Worth-Arlington Metropolitan Division** is expected to continue to see expansion at a moderate pace, with the area's output (real gross product) increasing by \$163.7 billion by 2045, growth of 2.97% per year. The largest growth will occur in manufacturing, which is projected to increase at a 3.80% annual rate through the 27-year period. Employment is expected to expand by nearly 568,400 jobs, representing an annual growth rate of 1.56%. Most of those new jobs will be in the services sector, which is forecast to grow at a 2.16% annual rate.

Although the **El Paso MSA** economy has seen uneven performance over the past several years, on balance, the metropolitan area is pro-

jected to see modest growth at a pace slightly behind the rest of the state. An increase of \$31.2 billion in real gross product by 2045 is projected, for a 2.74% annual growth rate. The Perryman Group's forecast also projects an expansion of employment at a rate of 1.46% yearly (for a gain of about 171,000 jobs). The information and manufacturing sec-

tors are expected to see the largest percentage growth in real gross product.

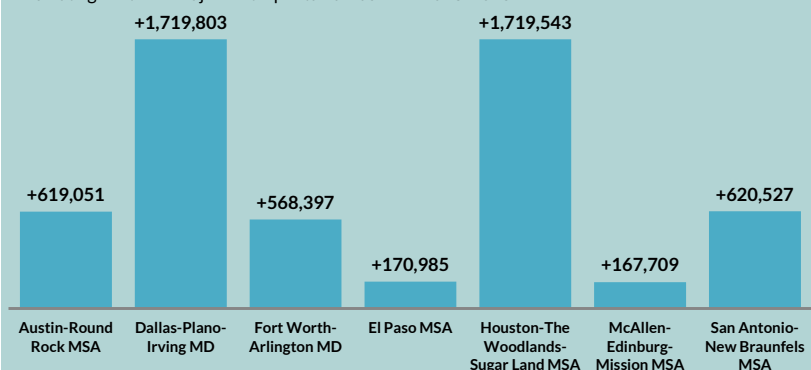
The **Houston-The Woodlands-Sugar Land MSA** has experienced healthy growth in response to the energy sector, a pattern which is expected to be maintained. Through 2045, real gross product in the Houston area is forecast to grow 3.13% yearly, for a total gain of \$667.4 billion. Employment is expected

"Through 2045, close to eight of every 10 new jobs are expected to be in one of the seven largest MSAs in Texas."

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Projected Absolute Growth in Wage and Salary Employment

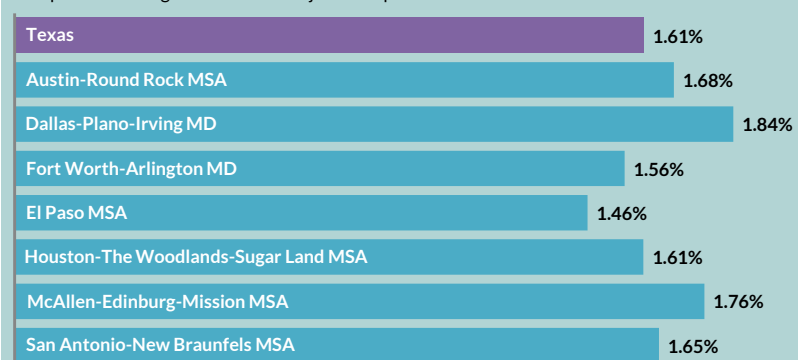
Absolute growth for major metropolitan areas from 2018-2045



Source: Texas Econometric Model, The Perryman Group

Projected Annual Growth in Wage and Salary Employment

Compound annual growth rate for major metropolitan areas from 2018-2045



Source: Texas Econometric Model, The Perryman Group

THE ALAMO TEXAS REGION FIVE-YEAR FORECAST 2018-2023

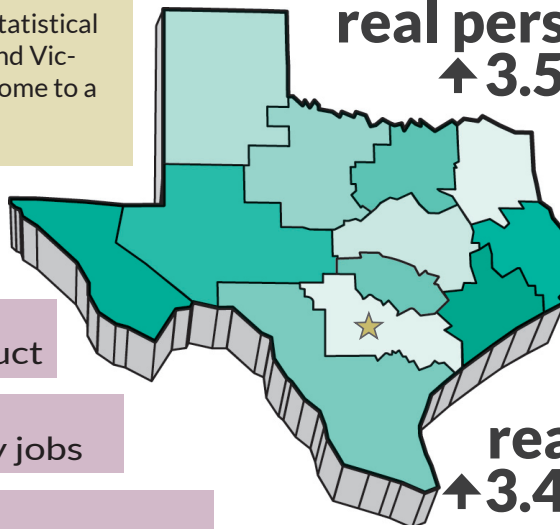
The Alamo Region includes the metropolitan statistical areas (MSAs) of San Antonio-New Braunfels and Victoria, as well as 19 total counties. The area is home to a population of approximately 2.84 million.

9.89% of the state's population

8.41% of the state's real gross product

9.59% of the state's wage and salary jobs

9.43% of the state's real personal income



real personal income
↑ **3.56%** annually

population
+**252,710**

jobs
+**131,800**

real retail sales
↑ **3.40%** annually

EMPLOYMENT 2018-2023

Employment in the Alamo Region is forecast to expand at a compound annual growth rate (CAGR) of 2.03% from 2018 to 2023. Sectors likely to see the largest CAGRs over the next five years are other services (2.86%) and mining (2.64%).

A gain of approximately 131,800 jobs in the area is expected over the short-term period bringing total employment in 2023 to 1.38 million.

Industry	2018-23 Growth	2018-23 Gain	2023 Percent
Agriculture	0.42%	142	0.50%
Mining	2.64%	2,012	1.19%
Utilities	0.99%	114	0.17%
Construction	1.30%	4,560	5.28%
Manufacturing	0.98%	2,983	4.55%
Trade	1.72%	15,311	13.62%
Transportation & Warehousing	1.94%	3,615	2.86%
Information	1.40%	1,565	1.69%
Finance, Insurance & Real Estate	1.35%	6,702	7.51%
Other Services	2.86%	81,497	44.87%
Government	1.12%	13,302	17.76%
All Industries	2.03%	131,803	100.00%

COUNTIES

Atascosa	Guadalupe
Bandera	Jackson
Bexar	Karnes
Calhoun	Kendall
Comal	Kerr
DeWitt	Lavaca
Frio	Medina
Gillespie	Victoria
Goliad	Wilson
Gonzales	

NEWS

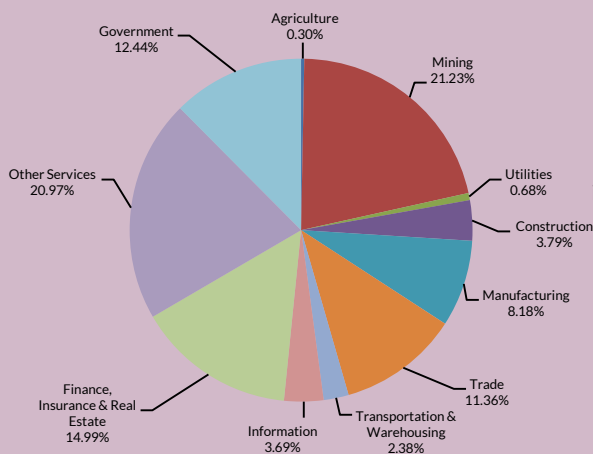
Frost Tower, a new 23-story building, is now complete in downtown San Antonio. The 460,000 square foot structure is the first office tower to be built in the city's central business district since 1989.

Diamond Fiberglass in Victoria has rebuilt its port facility and is back in business following a fire a couple of years ago. The redesigned plant employs 73 workers.

In New Braunfels, McCoy Corporation is expanding its local door and millwork operations. The building materials supplier is investing \$5.75 million in a larger space and adding 38 new workers.

Port San Antonio's 1,900-acre technology campus is quickly becoming one of the top cybersecurity hubs in the country. Most recently, CACI International Inc. opened an 8,000 square foot high-tech research and development facility.

REAL GROSS PRODUCT 2023 COMPOSITION



The region's real gross product (RGP) is expected to reach about \$179.4 billion in 2023. From 2018 to 2023, RGP in the area is likely to increase at an annual rate of 3.84%.

The mining, other services, and finance, insurance, and real estate sectors together are projected to represent over 57% of the region's total RGP for the year 2023.

ECONOMIC DEVELOPMENT NEWS FROM AROUND THE STATE

PORT ARANSAS

Work is underway on Cinnamon Shore South, a \$1.3 billion mixed-use development. The project calls for luxury homes, a 175-room hotel, 120,000 square feet of retail space, and other amenities.

BURLESON

A 400,000 square foot cold storage facility is planned at HighPoint Business Park. Construction is slated to begin in 2020 and Premier Refrigerated Warehouse will occupy half of the building upon completion.

EL PASO

Prestige Development Group is planning a \$50 million, 550,000 square foot project on 20 acres. The Gateway will include four restaurant/retail buildings, two hotels, apartments, and office space.

LONGVIEW

Everest Rehabilitation Hospital officially opened in June. The state-of-the-art facility has created 145 new positions.

LUBBOCK

Covenant Health recently broke ground on a 115,000 square foot surgical hospital in the southwest part of the city. The new location is expected to be ready in December of 2020.

FRISCO

A 500-room Omni Hotel & Resort is planned for the PGA of America's future headquarters site. The property will span 600 acres and also include a retail village, golf villas, and outdoor amenities.

TYLER

The city announced its plan to invest \$21 million to build a new convention center and make improvements to the Rose Garden Complex. Most of the work is expected to be complete by 2023.

FORT WORTH

A grand opening ceremony was held for the new \$540 million Dickies Arena. The 14,000-seat venue will host concerts, rodeo performances, and college sports events.

MESQUITE

Ground has been broken on Iron Horse Village, a joint project of Centurion American Group and the City. 336 homes and 130,000 square feet of retail, restaurant, and entertainment space will be part of the development.

FALLS COUNTY

Hecate Energy LLC is planning a 500-megawatt solar farm in the area. The \$500 million project will span 6,000 acres.

OYSTER CREEK

A new chemical plant operated by MEGlobal Americas Inc. has opened in Brazoria County. The subsidiary of Kuwait-based EQUATE Petrochemical Company is leveraging the US shale gas advantage by using ethylene from the nearby Dow facility.

HAVE AN ANNOUNCEMENT TO MAKE?



Let our editors know what's taking place in your "neck of the woods."

Share the details of recent economic development happenings in your area with our readers by reaching out to us.

The Perryman Report & Texas Letter is read monthly by the state's most notable leaders.



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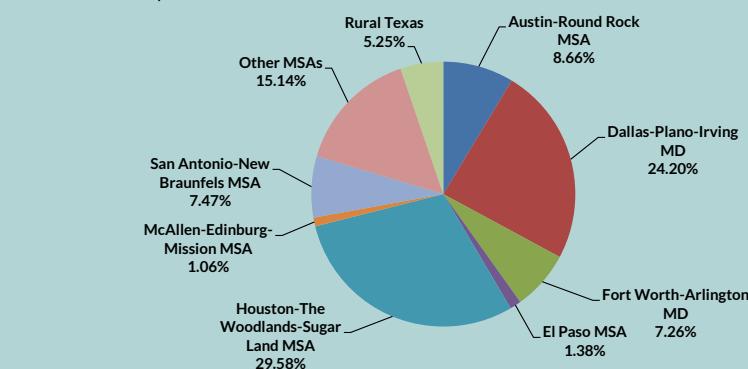
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to increase by approximately 1.7 million to reach 4.9 million, an annual growth rate of 1.61%. The most significant job gains in the area are projected to be in the services sector, with employment expanding by 2.14% annually. Growth in output (RGP) will be led by manufacturing at a 3.83% annual pace, followed by information at 3.66%.

The **McAllen-Edinburg-Mission MSA** has been generally improving over the past several years. The area is projected to see employment growth on par with the other large MSAs, though output growth will be slightly lagging compared to the state average. The Perryman Group's most recent long-term forecast projects that the area will add over 167,700 jobs through 2045, a 1.76% annual growth rate. Real gross product is forecast to expand at a 2.96% annual rate for a \$23.9 billion increase. Employment in the services sector is expected to rise by 2.38% annually and output in the information

Contribution to State Real Gross Product Gains

Area increase as a percent of the state increase 2018-2045



Source: Texas Econometric Model, The Perryman Group

and manufacturing sectors is projected to grow at rates of 4.34% and 4.21%, respectively.

The **San Antonio-New Braunfels MSA** economy has been expanding at a moderate pace in recent years, though the pattern of growth has been uneven.

Through 2045, the San Antonio-New Braunfels MSA is forecast to see real gross product increase by \$168.4 billion, which represents a 3.06% annual rate. Employment is likely to rise at a 1.65% yearly rate, generating an addition of over 620,500 jobs. The services sector is expected to

show significant employment gains of 2.18% yearly, which translates to an increase of nearly 391,600 jobs for the local economy. The output in the manufacturing and information sectors is projected to grow at 3.91% and 3.76%, respectively, over the period.

CONCLUSION

Texas' largest metropolitan areas drive overall growth in the state economy, accounting for eight of every 10 new jobs and about \$8 of every \$10 in new output (real gross product) over the long-term horizon. The Perryman Group's long-term projections indicate that the Dallas-Plano-Irving and Austin-Round Rock areas will likely be the strongest performers in the decades to come, with notable gains in the state's other metropolitan areas.

FOCUS ON: REAL PERSONAL INCOME

Major Metropolitan Areas	2018	2045	Gain	Growth
Austin-Round Rock MSA	\$105.514	\$276.357	\$170.843	3.63%
Dallas-Plano-Irving MD*	\$253.262	\$665.716	\$412.454	3.64%
Fort Worth-Arlington MD*	\$114.142	\$283.672	\$169.530	3.43%
El Paso MSA	\$27.474	\$67.438	\$39.963	3.38%
Houston-The Woodlands-Sugar Land MSA	\$347.929	\$846.466	\$498.537	3.35%
McAllen-Edinburg-Mission MSA	\$20.960	\$54.317	\$33.358	3.59%
San Antonio-New Braunfels MSA	\$106.719	\$267.726	\$161.007	3.47%
STATE OF TEXAS	\$1,278.344	\$3,193.782	\$1,915.437	3.45%

Other Metropolitan Areas	2018	2045	Gain	Growth
Abilene MSA	\$6.849	\$16.110	\$9.261	3.22%
Amarillo MSA	\$11.373	\$27.470	\$16.097	3.32%
Beaumont-Port Arthur MSA	\$16.846	\$41.335	\$24.488	3.38%
Brownsville-Harlingen MSA	\$11.328	\$28.429	\$17.101	3.47%
College Station-Bryan MSA	\$8.976	\$23.372	\$14.396	3.61%
Corpus Christi MSA	\$18.440	\$43.767	\$25.327	3.25%
Killeen-Temple MSA	\$17.310	\$42.618	\$25.309	3.39%
Laredo MSA	\$7.898	\$19.251	\$11.353	3.35%
Longview MSA	\$8.674	\$19.891	\$11.216	3.12%
Lubbock MSA	\$12.069	\$30.159	\$18.091	3.45%
Midland MSA	\$17.416	\$48.619	\$31.202	3.88%
Odessa MSA	\$6.487	\$16.349	\$9.862	3.48%
San Angelo MSA	\$5.102	\$12.333	\$7.231	3.32%
Sherman-Denison MSA	\$4.928	\$11.571	\$6.643	3.21%
Texarkana MSA	\$3.510	\$8.222	\$4.711	3.20%
Tyler MSA	\$11.114	\$26.989	\$15.875	3.34%
Victoria MSA	\$4.366	\$10.152	\$5.785	3.17%
Waco MSA	\$9.911	\$24.176	\$14.265	3.36%
Wichita Falls MSA	\$6.273	\$14.522	\$8.249	3.16%

* Metropolitan Division (part of the Dallas-Fort Worth-Arlington MSA)

Notes: Monetary values in billions of 2009 US dollars. "Gain" refers to the absolute change in value from 2018 to 2045 while "Growth" refers to the compound annual growth rate over 2018-2045.



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

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M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, patent infringement and other intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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