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## Houston Rankings

Your business will thrive in Houston!

And why shouldn't it? Houston is the fourth-largest city in the United States, located in a culturally diverse metropolitan region of 5.6 million residents – and growing at more than twice the national pace.

How will your company and employees benefit? How about a low cost of living, a well trained and educated workforce and foreign consulates to help your company expand in or explore the world of international business? You'll find these keys to business and more in Houston. Just take a look at these national rankings for a better idea of what Houston offers you.

### Houston ranks # 1

#### Best Places to Live, Work and Play

Source: *Kiplinger's Personal Finance* – July 2008

The 10-county Houston metropolitan area ranks as the number one place to live in the country, according to *Kiplinger Personal Finance*. *Kiplinger* reviewed places with strong economies and abundant jobs, reasonable living costs and plentiful entertainment amenities. Kevin Stolarick, Research Director at the Martin Prosperity Institute, a think tank that studies economic prosperity, says: "Our formula highlights cities not just with strong past performance, but also with all the ingredients for future success. One key to a bright future is a healthy shot of people in the creative class. People in creative fields — scientists, engineers, architects, educators, writers, artists and entertainers — are catalysts of vitality and livability in a city." Houston's population has grown 14.9 percent since 2000, 31.3 percent of Houston workers are part of the creative class, Houston's Cost-of-Living Index is 11.9 points lower than the national average and income has grown 13.1 percent since 2000.

### Houston ranks # 1

#### Best City for Your Job

Source: *BusinessWeek* – June 12, 2008

### Houston ranks # 1

#### Nominal Job Growth (April '07 to April '08)

Source: *Metropolitan Area Employment and Unemployment: April 2008, U.S. Bureau of Labor Statistics press release* – May 28, 2008

### Houston ranks # 1

#### Fastest Job Growth (April '07 to April '08)

Source: *Metropolitan Area Employment and Unemployment: April 2008, U.S. Bureau of Labor Statistics press release* – May 28, 2008

### Houston ranks # 1

Top College Stock Analysis Team in the Nation - University of Houston - Cougar Fund

Source: *Houston Business Journal* – May 5, 2008

#### **Houston ranks # 1**

Texas -- Attracting Corporate Distribution and Logistics Projects

Source: *Site Selection* – May 2008

#### **Houston ranks # 1**

Texas -- Foreign Direct Investment Destination

Source: *The Perryman Group (as reported in the Houston Business Journal)* – April 18, 2008

#### **Houston ranks # 1**

Texas -- Wind Power Capacity

Source: *American Wind Power Association (as reported in the Houston Business Journal)* – April 2, 2008

#### **Houston ranks # 1**

Texas -- Value of Foreign Exports

Source: *U.S. Department of Commerce* – April 2008

#### **Houston ranks # 1**

Fastest Job Growth (March '07 to March '08)

Source: *U.S. Bureau of Labor Statistics* – April 2008

#### **Houston ranks # 1**

Lowest Cost of Living Among Major Metro Areas

Source: *ACCRA Cost of Living Index – First Quarter 2008*

#### **Houston ranks # 1**

Texas -- Biotechnology Financial Incentives

Source: *FierceBiotech* – February 19, 2008

#### **Houston ranks # 1**

2007 Most Accessible City for the Disabled

Source: *The National Organization on Disability* – February 14, 2008

#### **Houston ranks # 1**

2007 Easiest City to Work With

Source: *ConferenceDirect (as reported in the Houston Business Journal)* – January 18, 2008

#### **Houston ranks # 1**

Texas -- Positive State Government Impact on Local Business Climate

Source: *Expansion Management, 2007 Legislative Quotient* – December 17, 2007

#### **Houston ranks # 1**

Faculty Productivity Among U.S. Research Universities - Molecular Genetics, Baylor College of Medicine

Source: *Academic Analytics:U.S. Faculty Scholarly Productivity Index* – November 16, 2007

#### **Houston ranks # 1**

Faculty Productivity Among U.S. Research Universities - Electrical Engineering, Rice University

Source: *Academic Analytics:Faculty Scholarly Productivity (FSP) Index* – November 16, 2007

#### **Houston ranks # 1**

**Faculty Productivity Among U.S. Research Universities - Computer Science, Rice University**

Source: *Academic Analytics: Faculty Scholarly Productivity (FSP) Index* – November 16, 2007

**Houston ranks # 1****Faculty Productivity Among U.S. Research Universities - Health, Physical Education, and Recreation, University of Houston**

Source: *Academic Analytics: Faculty Scholarly Productivity (FSP) Index* – November 16, 2007

**Houston ranks # 1****Fastest Growing Companies**

Source: *Fortune* – September 17, 2007

**Houston ranks # 1****Best Hospitals for Cancer Care: M. D. Anderson**

Source: *U.S. News and World Report* – July 2007

**Houston ranks # 1****Top U.S. Manufacturing Cities**

Source: *Manufacturers' News Inc.* (as reported in the *Houston Business Journal*) – May 30, 2007

**Houston ranks # 1****Top Small Airports in Customer Satisfaction – Hobby Airport**

Source: *J.D. Power and Associates* (as reported in *USA Today*) – May 23, 2007

**Houston ranks # 1****Largest Immigrant Communities in the United States**

Source: *Center for an Urban Future: A World of Opportunity* – April 10, 2007

**Houston ranks # 1****Number of Overall Building Permits**

Source: *Demographia* – March 2007

**Houston ranks # 1****Number of Single Unit Building Permits**

Source: *Demographia* – March 2007

**Houston ranks # 1****Dining out**

Source: *National Zagat Survey* (as reported in the *Houston Business Journal*) – November 1, 2006

**Houston ranks # 1****Most Pet-Friendly City for Travelers**

Source: *AAA* as reported in the *Houston Business Journal* – September 26, 2006

**Houston ranks # 2****Texas -- Corporate Research and Development Activity**

Source: *Ernst & Young LLP* (as reported in the *Houston Business Journal*) – June 4, 2008

**Houston ranks # 2****Lowest Expensive Housing Among Major Metro Areas**

Source: *ACCRA Cost of Living Index* – First Quarter 2008

**Houston ranks # 2****Texas -- Total State Population**

Source: *U.S. Census Bureau* – April 18, 2008

### **Houston ranks # 2**

**Energy-Efficient Construction Among Large U.S. Cities**

Source: *TXCN.com* – April 4, 2008

### **Houston ranks # 2**

**Texas -- Nominal High-tech Job Growth**

Source: *Cyberstates 2008 (as reported in the Houston Business Journal)* – April 2, 2008

### **Houston ranks # 2**

**Fastest Growing U.S. Office Market**

Source: *Grubb & Ellis* – First Quarter 2008

### **Houston ranks # 2**

**Local Government Green Power Purchasers**

Source: *EPA (as reported in the Houston Business Journal)* – January 28, 2008

### **Houston ranks # 2**

**Leading Export Metros**

Source: *Federal Reserve Bank of Dallas (as reported in the Houston Chronicle)* – January 24, 2008

### **Houston ranks # 2**

**Texas -- Value of Foreign-Owned Assets**

Source: *Southwest Economy* – November/December 2007

### **Houston ranks # 2**

**Fastest Growing World Metros for High Income Earners**

Source: *Demographia: 2008 International Affordable Housing Survey* – Third Quarter 2007

### **Houston ranks # 2**

**Top 25 Undergraduate Schools for Entrepreneurs – University of Houston**

Source: *Entrepreneur.com (as reported in the Houston Business Journal)* – October 10, 2007

### **Houston ranks # 2**

**Metro and Texas – Gain in New Housing Units**

Source: *U.S. Census Bureau* – September 17, 2007

### **Houston ranks # 2**

**Texas -- Top U.S. Manufacturing States**

Source: *Houston Strategies (as reported in the Houston Business Journal)* – June 28, 2007

### **Houston ranks # 2**

**Texas -- Best Business Climate in the Nation**

Source: *Site Selection* – March 2007

### **Houston ranks # 2**

**Best Logistics Metros**

Source: *Expansion Management* – September, 2006

### **Houston ranks # 2**

**America 's Greatest Golf-Home Towns**

Source: *Golf Digest* as reported in the *Houston Business Journal* – May 9, 2006

### **Houston ranks # 2**

# The Economy at a Glance **Houston**

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- **Rig Count Rising** — As crude oil prices broke through \$140/bbl and natural gas topped \$13/MMBtu in June, the Baker Hughes count of active domestic rotary rigs soared above 1,900 for the first time since '85, more than 22 years ago. Both oil- and gas-directed drilling have posted gains, but some 80 percent of U.S. drilling remains gas-directed. Continued high prices for natural gas could underpin further gains in the rig count.

Now that high-priced oil has brought \$4 gasoline, the American public is beginning to alter its energy consumption behavior. Reduced driving, curtailed air travel and changing preferences in new vehicle purchases are just a few examples.

There's little to suggest that such adaptations will be temporary. Most of the steep rise in oil prices reflects strong demand growth worldwide, especially in China, India and the Middle East. (A recent estimate indicates that if China had the same per capita energy demand as the U.S., it would consume 90 million barrels per day. Total global production today is about 85.5 million.) Because oil is dollar-denominated, the declining value of the dollar also places upward pressure on oil prices. And, with worldwide surplus production capacity extremely thin, any threat to supply — Libya's stated intent to cut its oil exports by 300,000 barrels per day, attacks on Nigerian pipelines, Chavez talking about eliminating Venezuelan exports of oil to the U.S. — adds to that pressure.

Each new month's worth of data this year has led to upward revisions in the Energy Information Administration's (EIA) forecast average prices for oil and gas for '08 and '09. In its latest *Short-Term Energy Outlook (STEO)*, issued on June 10, EIA sees West Texas Intermediate crude oil averaging \$122.15 this year and rising to \$126.00 next year, while Henry Hub natural gas averages \$11.05 this year before easing ever so slightly to \$10.99 next year. Given the futures strips in late June, all of those numbers are likely to rise in the next *STEO*, slated for publication on July 8.

- **Hints of a Bottom in Housing Market** — Net sales of new homes in the Houston area during the first five months of '08 fell 31 percent shy of the same period last year, according to Metrostudy's monthly survey of builders who rep-

## HOUSTON—THE ECONOMY AT A GLANCE

resent approximately 65 percent of the Houston market. Builders have moved swiftly to respond to reduced demand: completed spec inventory at the end of May was down 24 percent from a year earlier, and spec inventory under construction was down a steeper 37 percent.

Metrostudy estimates that roughly a fifth of new homes built when the recent construction frenzy was at its peak — some 4,000 starts per month in '05 and '06 — were built to satisfy demand from households that shouldn't have been able to qualify for mortgages. That estimate suggests that 36,000-40,000 new single-family starts per year would be a sustainable level once supply and demand are again in balance — a situation that's probably at least two years away.

The Houston Association of Realtors<sup>®</sup>, Multiple Listing Service (MLS) tallied 7,110 closings in May, down 17.1 percent from May '07. (Most MLS residential closings are resales.) This is the tenth consecutive over-the-year decline in monthly closings and the largest — 1,464 — in a series that dates to January '80. Closings in the first five months of this year fell 14.6 percent from the same period last year.

The number of sales pending at the end of May and expected to close in June was 15.6 percent below the year-earlier figure, portending further extension of over-the-year declines. The number of active listings has risen above 53,000, but the rate at which listings are growing has slowed appreciably — only 3.2 percent over the most recent 12 months, versus 19.2 percent over the previous 12 months.

It's good news that housing values have not been negatively affected by the slowing market. May's *median* single-family home sales price of \$155,000 was unchanged from May '07, and the *average* single-family home sales price was up 0.6 percent at \$214,732.

- Harris County foreclosure postings in June were nearly unchanged from June '07, and completed foreclosures for the month fell 7.6 percent. But postings in the first half of '08 were up 18.9 percent, and foreclosures were up 16.4 percent, according to Foreclosure Information & Listing Service. The 12 months ended this June saw postings climb toward 32,000 and foreclosures top 12,700 — levels last seen nearly 20 years ago, in the late '80s.

While postings and foreclosures have been rising, the ratio of foreclosures to postings has gradually but consistently declined from roughly 44 percent two years ago to less than 40 percent this June, indicating that a growing share of households seriously delinquent on their mortgage payments are able to resolve their problems without losing their properties.