

CHAPTER 2: ECONOMIC TRENDS

The prosperity of Fort Worth is linked to domestic and international changes. During the 1970s and 1980s, the local economy was driven primarily by a large and successful aerospace and defense industry. Substantial cutbacks in defense contracts prompted the City to begin working towards diversifying its economy in the 1990s, largely through small business development. The result is an economy that is today diversified in many industry sectors such as services, trade, manufacturing, transportation, communication, and construction. This diverse workforce helped Fort Worth weather the recent Great Recession, as the city fared better than many others. However, Fort Worth is not immune to national trends which resulted in significant job losses and slow economic growth.

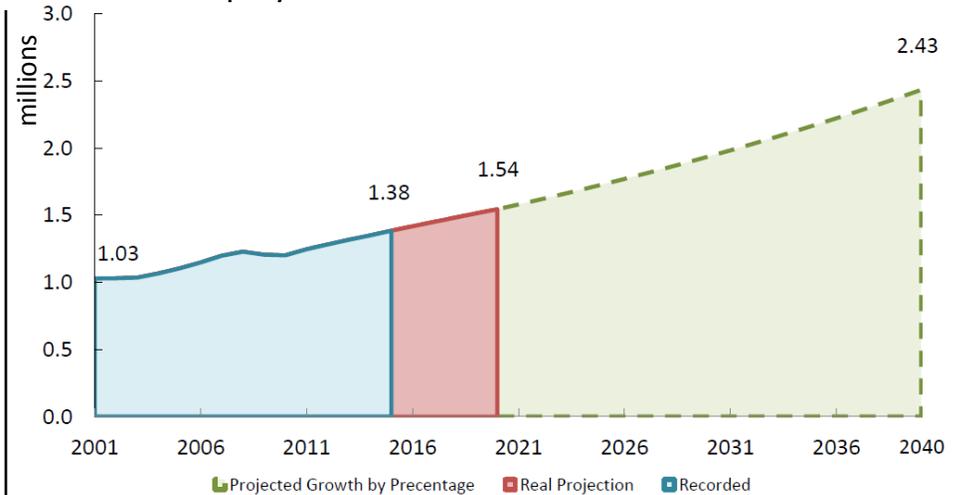
The Fort Worth area continues to see an increase in the total number of natural gas wells tapping the Barnett Shale throughout the city and surrounding counties, although at a significantly reduced rate from recent years. Although weak natural gas prices have affected the overall production of natural gas across the nation, production rates continue to make Fort Worth a leader in Texas' energy production. Tarrant County is currently ranked #2 in top gas producing counties for 2015 by the Texas Railroad Commission. As long as natural gas exploration and production continues in and around Fort Worth, the associated jobs and lease revenue from natural gas wells will continue to contribute to the local economy.

This chapter discusses some of the major economic indicators for the region, details some of the major economic attributes of the City of Fort Worth, and correlates national and international events to regional trends. Assessing these factors provides the basis for making reasoned assumptions about future economic growth and land development needs.

There are three reasons for attempting to assess and predict changes in the economy. First, the costs of providing certain City services are related to the level of economic activity. Industrial and commercial enterprises require water, wastewater, police, fire, environmental, and other services. The costs of providing certain water and wastewater services are partially offset by impact fees, but many other municipal services have no corresponding revenue source. Estimates for quantity and type of streets, public transportation facilities, schools, water and sewer facilities, and other community facilities are all based on the amount and spatial distribution of population and economic activity in the city.

Second, just as it costs money to provide services to businesses, these same businesses provide tax dollars that pay for the services. The City must be able to predict whether a public investment will ultimately pay for itself. The rate at which the economy expands drives growth not only in population, but also in sales taxes, property taxes, hotel taxes, impact fees, and other revenue sources.

Total Employment 2001–2040



Source: Perryman Group Inc., 2015, Fort Worth-Arlington MD in millions 2020 Projection.

Employment in the Fort Worth-Arlington Metropolitan Division (MD) is forecast to grow, on average, 2.3 percent annually from 2015 through 2020, an increase of 160,061 jobs. Projecting that trend out to 2040 produces an increase of 1,048,903 total jobs from 2015 to 2040.

Median Family Income, Fort Worth-Arlington Metro Area, 2001–2015



Source: Department of Housing and Urban Development, 2015, Fort Worth—Arlington, TX HUD Metro FMR Area

Median family income for the Fort Worth-Arlington HUD Metro FMR Area increased from \$60,100 to \$70,500 between 2001 and 2015, an average annual increase of 1.4% over the 15-year period.

Lastly, knowledge about the economy is useful in predicting land use needs and in creating policy. An expanding economy and population generally means more land is being developed. Every sector of the economy uses land in a specific way. By analyzing the growth trends in the various sectors, the amounts of land that will be needed for commercial and industrial uses in the future can be predicted. Policies can be developed to encourage growth in appropriate areas with adequate infrastructure and community facilities, while allowing for the efficient provision of additional facilities and services as needed.

Median Household Income by Planning Sector

According to the U.S. Census Bureau’s American Community Survey (ACS) 2010 to 2014, the citywide median household income is \$52,492. The ACS reports the median family income at \$61,121, the median married couple family income at \$76,868, and the median non-family household income at \$34,129.

Redevelopment in the Downtown, Southside/Medical District, TCU/Westcliff, Arlington Heights, and Western Hills/Ridglea sectors have brought higher median incomes to those areas. At the same time, continued suburban residential and commercial development, along with industrial developments, have kept the median income higher in many areas outside Loop 820.

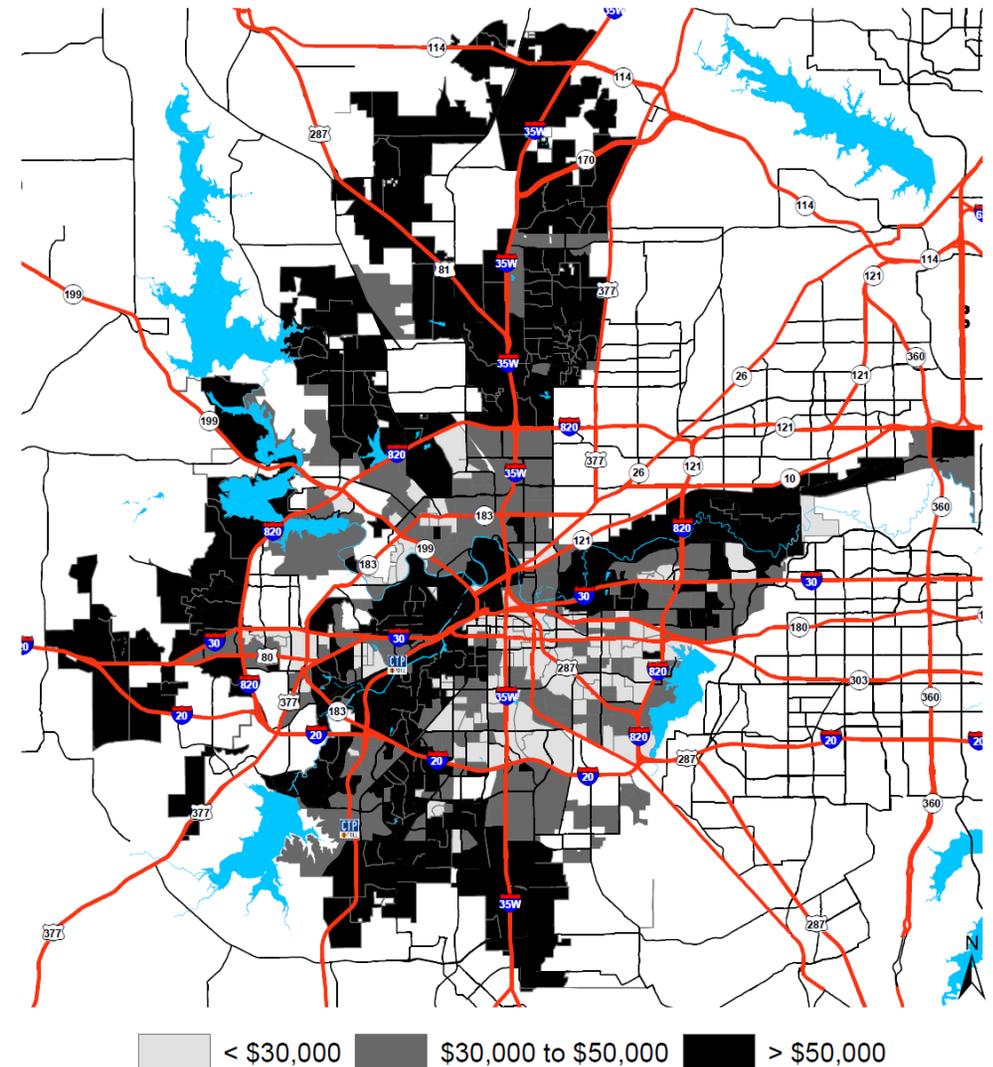
Median family income analyzes combined incomes of related (by birth, marriage, or adoption) household members. Similarly, median household income analyzes income levels of one or more unrelated individuals residing together in a housing unit. The 2014 ACS Census data reports a \$103,125 median family income Downtown, well above the estimated citywide median family income of \$61,121.

The Southside, Southeast, Western Hills/Ridglea, and the Northside sectors had the highest concentrations of median household incomes below \$30,000 in the American Community Survey 2010 – 2014. Inversely, the Downtown, Arlington Heights, Wedgewood, Eastside, Far North, Far Northwest, and Far West sectors had the highest concentrations of median household incomes greater than \$50,000 in the American Community Survey 2010 – 2014.

Personal Income

Personal income is the income received by all persons from all sources. Personal income is the sum of net earning by place of residence, property income, and personal current transfer receipts. Personal income is measured before the deduction of personal income taxes and other personal taxes. Per capita personal income for the Fort Worth-Arlington MD was estimated at \$49,506 in 2014, which exceeds the state average of \$45,669 and is slightly above the national average of \$46,049, according to the U.S. Bureau of Economic Analysis. The Fort Worth-Arlington MD figure for personal income increased by 3.3 percent annually between 2004 and 2014.

Median Household Income by Census Block Groups, ACS 2010 – 2014



Median incomes remain highest in the Downtown, Arlington Heights, Wedgewood, Eastside, Far North, Far Northwest, and Far West sectors. (Source: U.S. Census Bureau, American Community Survey 2010 – 2014)

Total Employment and Job Growth

According to the North Central Texas Council of Governments’ employment forecast, employment in the City of Fort Worth will continue to rise by 2.5 percent, reaching approximately 900,000 jobs within the city limits in 2040. The Perryman Group, Inc., an economic research and consulting firm, forecasts job growth in the Fort Worth-Arlington Metropolitan Division (MD) to continue, though at a slightly slower rate than that of the late 1990s. Between 1990 and 2000, the Fort Worth-Arlington MD gained jobs at a rate of 3.2 percent per year according to the Perryman Group. Total job growth is expected to slow to 2.3 percent annually through the year 2020 (2015-2020). The Perryman Group forecasts a total of 1,143,000 jobs in 2020 for the Fort Worth-Arlington MD.

More broadly, the State Comptroller projects that job growth in the State of Texas is expected to increase from a 1.58 percent annual average growth rate between 2000 and 2014 to 1.73 percent annual growth from 2015 to 2040.

Future job growth will likely be linked to Fort Worth’s large percentage of undeveloped or underutilized land and a vast ETJ of approximately 300 square miles that is mostly vacant. By comparison, many other cities in the Fort Worth-Arlington MD are landlocked and are rapidly developing the remainder of their vacant land. Provided it is wisely developed, Fort Worth’s large supply of vacant buildable land can be a significant driver of future economic growth and job creation.

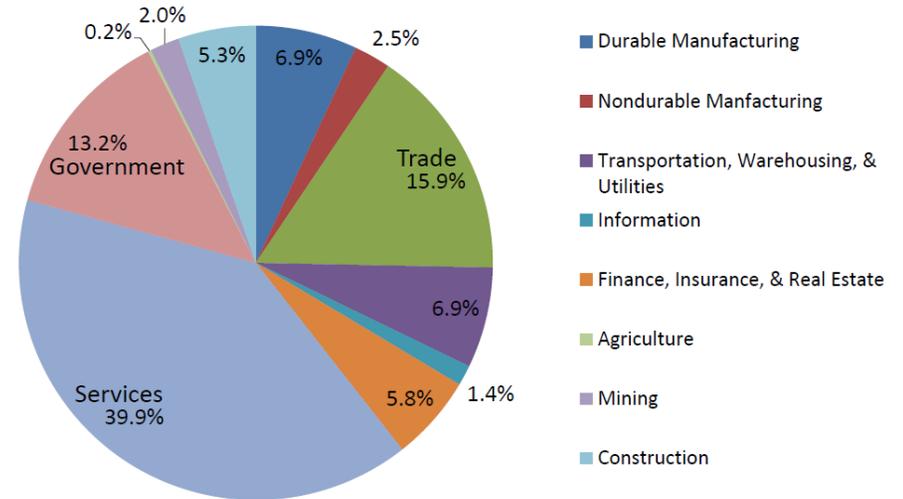
Employment by Planning Sector

The Far North planning sector exhibited the most significant employment growth in the city between 1990 and 2000, adding almost 47,251 jobs at an average annual growth rate of 16.9 percent. The Far North sector’s job growth can be attributed primarily to new jobs in the Alliance Airport area, including Alliance Gateway and the Intermodal facility. Jobs were also added in Fossil Creek, Mercantile Center, and Mark IV industrial parks. The Northeast sector added 15,132 new jobs, at an average annual growth rate of 3.3 percent. The Downtown sector ranked third in number of new jobs, with approximately 15,070 new jobs, at an annual growth rate of 2.4 percent. Other growth areas included the TCU/Westcliff sector, with a large new shopping center; the Western Hills/Ridglea sector, which benefited from the recommissioning of the Naval Joint Reserve Base; the Eastside sector, which includes CentrePort and several new retail establishments; and the Northside sector, where the Stockyards have been redeveloped into an entertainment district. Only the Far West sector has performed poorly in job growth, as there has been primarily residential development west of Loop 820.

Employment by Industry

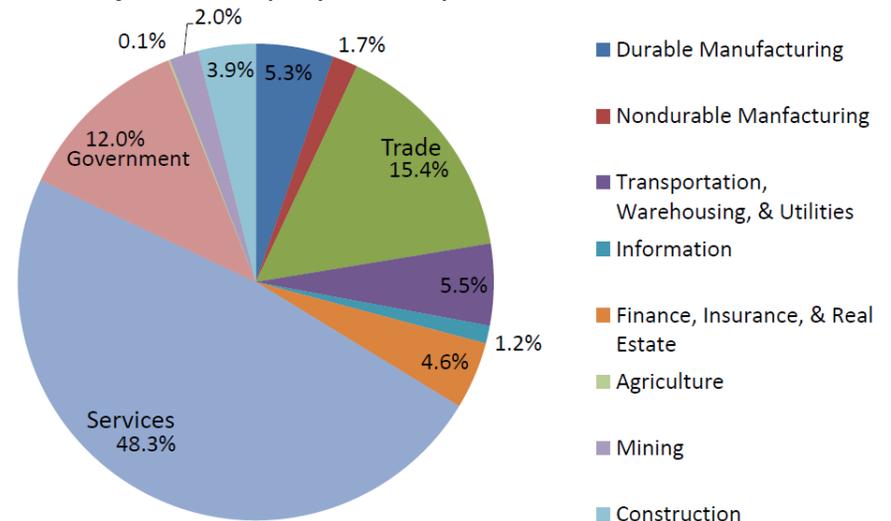
The Fort Worth-Arlington MD has a highly diversified economy. The area is an important manufacturing, commercial, transportation, and financial hub and provides a large number of cultural and recreational opportunities. It has also become a major area for natural gas exploration and development. According to the Perryman Group, the metro division houses approximately 8.75% of Texas’ residents and currently generates 7.84% of the state’s real gross product (output) while accounting for 8.33% of the state’s total employment. Over the long term, Fort Worth-Arlington MD is

2015 Employment by Industrial Sector



Services and Trade were the largest employment sectors in the Fort Worth-Arlington MD in 2015. (Source: Perryman Group Inc., 2015, Fort Worth-Arlington Metro Division)

2040 Projected Employment by Industrial Sector



Services and Trade are forecast to remain the largest employment sectors in the Fort Worth-Arlington MD in 2040. (Source: Perryman Group Inc., 2015, Fort Worth-Arlington Metro Division)

between 2011 and 2015, construction employment nearly normalized to pre-crash levels. Employment in construction is forecast to grow by 2,826 jobs between 2015 and 2020, representing a 1.02 average annual increase.

- Finance, insurance, and real estate (FIRE) in the Fort Worth-Arlington MD grew by 3,759 jobs between 2011 and 2015, and is forecast to grow by 3,876 jobs between 2015 and 2020, representing a 1.26 average annual increase.
- Mining in Texas is dominated by oil and gas production, and this sector tends to suffer in years when crude oil and gas prices are low. The number of operating Texas oil and gas rigs fell to 306 in April 2002, reflecting such a drop in prices. However, exploration in the Barnett Shale helped natural gas production, resulting in an increase in rig count to 607 in 2005. The Texas Railroad Commission reported in 2013 that Texas' average rig count was 867, representing about 48 percent of all active rotary rigs in the United States. This is a dramatic increase from 2009 (432), in which Texas experienced a sharp decline from 2008's (898) record year. Mining employment increased by approximately 4,164 jobs in the Fort Worth-Arlington Metro Division over the past five years (2011-2015). Between 2008 and 2009, the Perryman Group reported a decrease of about 3,200 mining related jobs in the Fort Worth-Arlington MD, indicative of the drilling slowdown in Texas that occurred at that time. The mining industry has since rebounded from this employment drop. The mining sector is projected to continue growing at a rate of 2.18% through the next 5 years, adding 2,355 jobs.
- Agriculture has remained stable at around 2,000 jobs in the Fort Worth-Arlington MD for the past five years. The industry is forecast to experience slight growth between 2015 and 2020, adding approximately 27 jobs at a 0.24% average annual increase.

Approximately 64 percent of wage and salary workers are currently in the services, government, and trade industries. Over the long-term forecast horizon, those three sectors will account for almost 70 percent of employment in the Fort Worth-Arlington Metro Division.

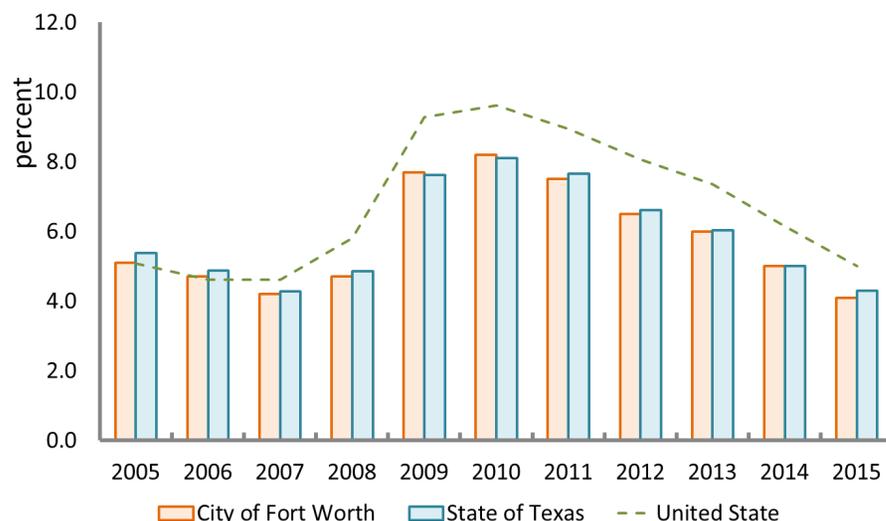
Unemployment

In 2015, the City of Fort Worth unemployment rate was 4.1 percent, slightly lower than the State of Texas's unemployment rate. Nationwide, the unemployment rate was 5.0 percent. Unemployment rates have steadily decreased in Fort Worth over the last several years, showing a recovery from the rising rates that began in 2008.

Unemployment by Census Block Group

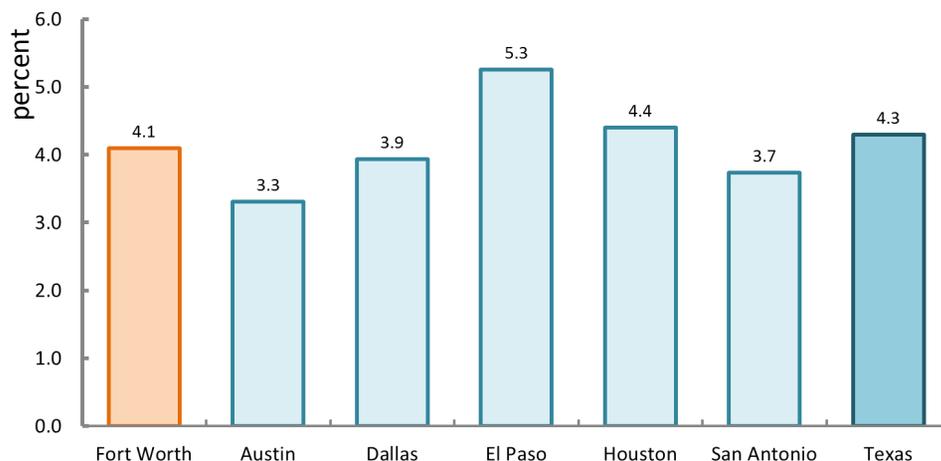
Many parts of the City of Fort Worth have experienced long-term high unemployment rates. Estimates of the civilian labor force and unemployed persons from the American Community Survey 2010 – 2014 by census block group reveal that the areas east of Interstate-35W and south of Interstate-30 have the highest concentrations of unemployment rates above ten percent. The unemployment rates in these sectors show little sign of changing in the near future. The 2010 – 2014 American Community Survey estimated an 8.6 percent unemployment rate for the City of Fort Worth for that period, reflecting the local impact of the Great Recession.

Annual Unemployment Rate – City of Fort Worth, State of Texas, and United States; 2005 – 2015



Fort Worth's unemployment rate experienced a spike from 2008 to 2011 due to the national recession, but rates began falling in 2011. The State of Texas and the City of Fort Worth have experienced lower unemployment rates than the nation as a

2015 Unemployment Rate – City of Fort Worth, State of Texas, and Major Texas Cities



Fort Worth's 2015 unemployment rate of 4.1 percent moves the city closer to pre-recession unemployment rates. (Source: Bureau of Labor Statistics, 2015, Fort Worth - Arlington Metro Division)

Real Gross Area Product

Real gross area product is the final value of all goods and services produced during a given time period, adjusted for inflation. The Perryman Group is the sole source of estimates for regional figures. Within the Fort Worth-Arlington Metropolitan Division, real gross product is projected to grow from \$120.676 billion in 2015 to \$148.563 billion in 2020, which equates to an average annual growth rate of 4.25%. Statewide, the Perryman Group projects the real gross state product to continue to grow at 4.15 percent annually between 2015 and 2020, rising from approximately \$1.539 trillion to \$1.886 trillion. The Perryman Group also projects the U.S. real gross domestic product to increase at an annual average rate of approximately 3.17 percent over the same time span.

Retail Sales

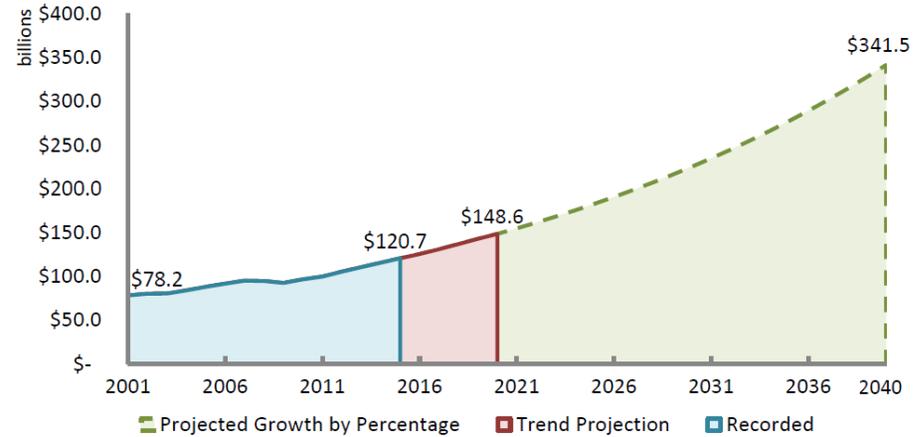
According to the State Comptroller, total retail sales in Fort Worth increased approximately 10.64 percent annually from \$8.63 billion in 2010 to \$12.94 billion in 2014. During the same time period, retail sales in the Fort Worth-Arlington MD grew by 6.73 percent annually (\$29.64 billion to \$38.46 billion), while the Dallas-Plano-Irving MD averaged a 6.64 percent increase annually (\$69.52 billion to \$89.91 billion). In 2014, per capita retail sales in Fort Worth totaled \$15,919 per person, somewhat less than the Fort Worth-Arlington MD retail sales of \$16,895 and the Dallas-Plano-Irving MD, which had a per capita retail sales figure of \$20,312. For the Fort Worth-Arlington MD, the Perryman Group predicts overall retail sales to grow at a 4.71 percent annual growth rate between 2015 and 2020. According to their projections, if that trend continues to 2040 retail sales in the Fort Worth-Arlington MD will be approximately \$116.048 billion, an increase of \$79.328 billion from 2015.

Cost of Living

The 2015 annual consumer price index (CPI) in the Dallas-Fort Worth area continues to be lower than most other large metropolitan areas in the country, according to the U.S. Bureau of Labor Statistics. In 2015, the Dallas-Fort Worth annual CPI was 217.5, compared to Atlanta at 221.6, Los Angeles at 244.6, and Boston at 256.7. Although CPI figures are not available for the city, evidence indicates that Fort Worth’s cost of living is lower than that of many other cities in the Metroplex. Housing represents a large portion of all items used to calculate the CPI. The median sale price of a home in Fort Worth was \$156,900 in 2015, compared to \$229,700 in Dallas, according to the Real Estate Center at Texas A&M University.

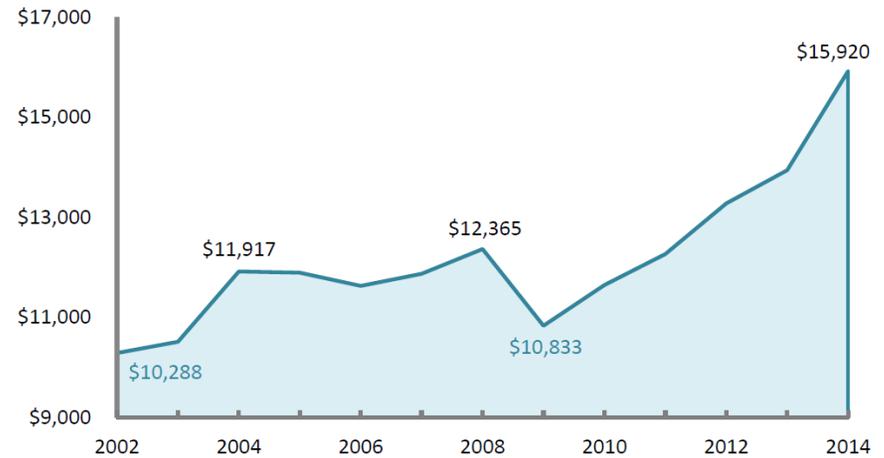
Inflation is the change in the CPI, or the percentage rise in the prices of common consumer items. From 2010 to 2014, the nation as a whole witnessed a 2.15 percent average annual inflation rate. During that same period the Dallas-Fort Worth area saw a slightly lower inflation rate of 2.08 percent. By comparison, the average annual inflation rate between 2005 and 2009 nationwide was 2.45 percent while the Dallas-Fort Worth area was 2.15 percent. The Texas Comptroller predicts that the CPI in the United States will rise by an average of 2.2 percent per year from 2014 – 2040.

Real Gross Product 2001 – 2040



Real Gross Product is the adjusted final value of all goods and services produced in an economy during a given time. The Fort Worth-Arlington Metropolitan Division is forecast to continue growing by 4.25 percent compounded annually between 2015 and 2020. (Source: Perryman Group Inc., 2015, Fort Worth-Arlington MD)

Retail Sales per Person 2002 – 2014



Per capita retail sales for the City of Fort Worth dramatically fell 11.8 percent between 2008 and 2009. Total gross retail sales for 2014 were \$12.9 billion, raising overall per capital retail trade spending to \$15,920 in 2014. (Source: Texas Comptroller of Public Accounts, 2015, City of Fort Worth)

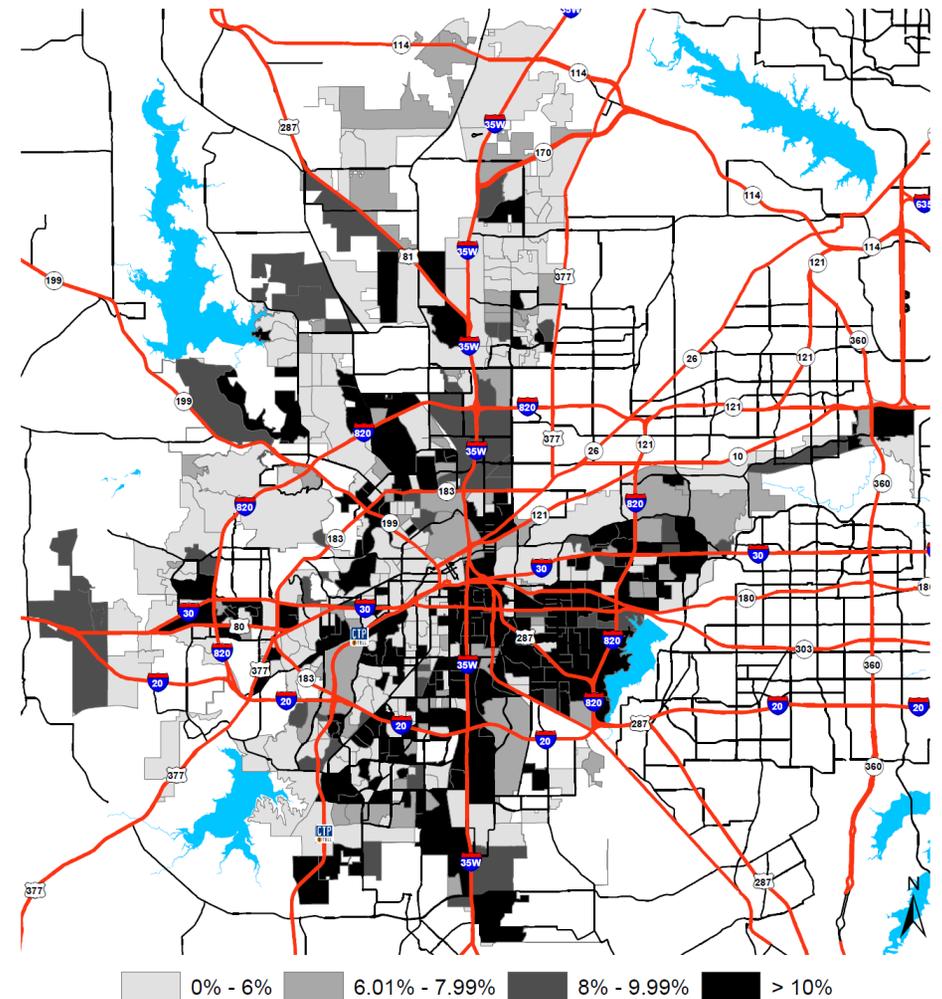
Challenges and Opportunities

The changing economy provides Fort Worth with several challenges and many opportunities. The national, state, and local economies emerged from a slowdown after September 11, 2001. Fort Worth fared well during this time due to its diverse economy and its close proximity to Alliance and D/FW airports and the NAFTA Interstate 35 corridor. In addition, the community's pro-business stance has helped diversify the Fort Worth economy.

Between 2002 and 2007, Fort Worth and the entire Metroplex experienced strong economic growth. However, the national Great Recession that started in 2008 impacted Fort Worth by 2010, with local unemployment rising from 4.6 percent in 2007 to 8.5 percent by the end of 2010 (compared to 9.7 percent for the nation). The Great Recession was slow to affect Fort Worth and its negative impacts were not as severe in Fort Worth as was the case in many other parts of the country.

These factors provide Fort Worth with a firm foundation for growth in future years. However, the policies and programs of the City must be continuously examined to ensure that they help mitigate the impacts of economic downturns, while promoting and enhancing Fort Worth's economic strengths.

Unemployment Rate by Census Block Groups, 2015



Unemployment remains highest in the Southside, Southeast, Northeast, Sycamore, and Eastside planning sectors. (Source: U.S. Census Bureau, American Community Survey 2010 to 2014)