

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.

Recently, the Fort Worth area has seen a dramatic increase in the total number of natural gas wells throughout the city and surrounding counties. This increase in natural gas wells is attributed to the large natural gas reserve that sits under Tarrant, Wise, Denton, Johnson and Parker counties, known as the Barnett Shale. Rising production of natural gas in Tarrant County has helped make Fort Worth a leader in Texas' energy production. Tarrant County is now ranked #8 in top gas producing counties by the Texas Railroad Commission. As natural gas exploration and production continues to increase within Fort Worth, the associated jobs and lease revenue from natural gas wells will contribute to the growing local economy.

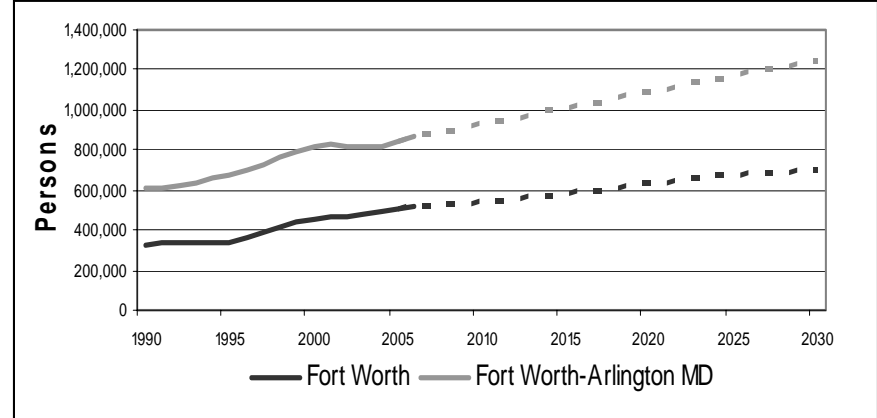
This chapter discusses some of the major economic indicators for the region, details some of the major economic attributes of the City of Fort Worth, and correlates national and international events to regional trends. Assessing these factors provides the basis for making reasoned assumptions about future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

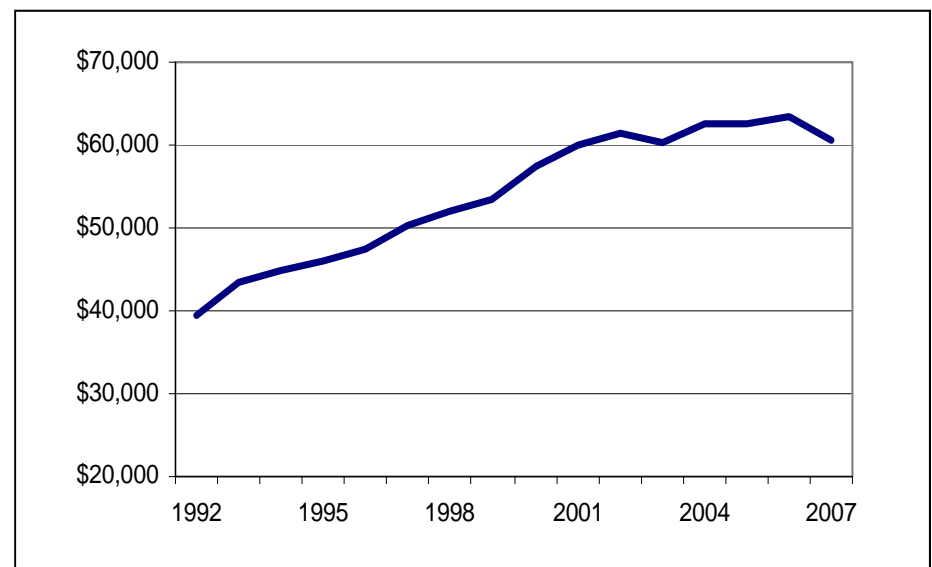
Lastly, knowledge about the economy is useful in predicting land use needs and in creating policy. An expanding economy and population generally means more land is being developed. Every sector of the economy uses land in a specific way. By analyzing the growth trends in the various sectors, the amounts of land that will be

Employment by Place of Work, 1990-2030



Employment has grown by 3.4 percent annually in Fort Worth between 1990 and 2006 and is forecast to grow, on average, 1.5 percent annually through 2030. (Source: North Central Texas Council of Governments and The Perryman Group, Inc., 2007.)

Median Family Income, 1992-2007



Median family income for the Fort Worth-Arlington HUD Metro FMR Area increased from \$39,500 to \$60,600 between 1992 and 2007, an average annual increase of 3.6% over the 15-year period. (Source: U.S. Department of Housing and Urban Development, 2007.)

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.

Total Employment and Job Growth

According to the North Central Texas Council of Governments employment estimates, the total non-agricultural employment for the City of Fort Worth grew by 3.4 percent annually from 330,350 in 1990 to 512,043 in 2006. In 2006, the total number of persons reporting for work inside the Fort Worth city limits accounted for approximately 62.9 percent of all 837,100 jobs in the Fort Worth-Arlington Metropolitan Division (Fort Worth-Arlington MD), according to the Texas Workforce Commission. Between 2000 and 2005, employment increased at the city and Fort Worth-Arlington MD level but decreased at the Dallas-Fort Worth MSA level. Fort Worth experienced a 12.1 percent job increase between 2000 and 2005. Jobs in the Fort Worth-Arlington MD increased by 4.2 percent, and the Dallas-Fort Worth MSA experienced a 1.1 percent decline.

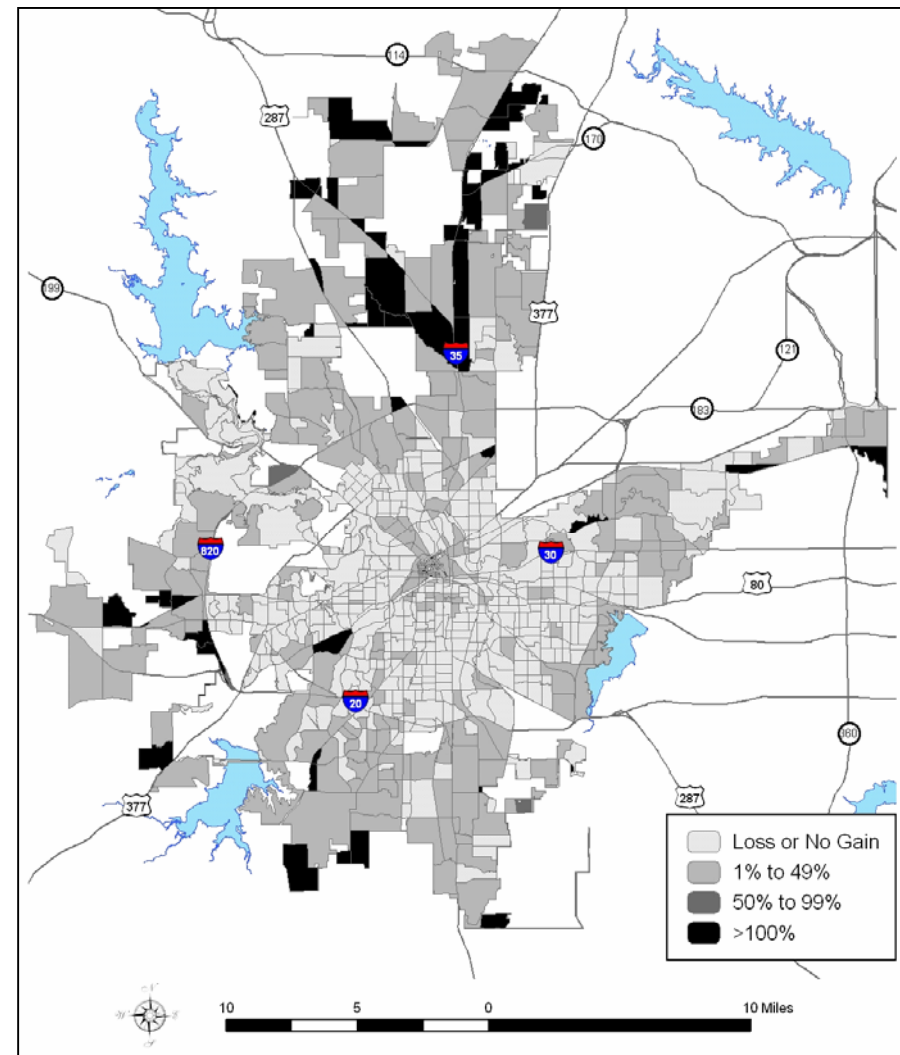
The Perryman Group, Inc., an economic research and consulting firm, forecasts job growth in the Fort Worth-Arlington MD to continue, though at a slightly slower rate than that of the late 1990s. Between 1990 and 2005, the Fort Worth-Arlington MD gained jobs at a rate of 2.3 percent per year according to Perryman's current data. Growth is expected to slow to 1.5 percent annually through the year 2030. The Perryman Group forecasts a total of 1,250,400 jobs in 2030 for the Fort Worth-Arlington MD. The State Comptroller predicts that job growth in the State of Texas is expected to slow as well, from 2.1 percent annually from 1990 through 2004 to 1.6 percent annually from 2004 through the year 2025. These predictions take into account the slowing of the national economy in the face of increasing global competition, geopolitical conflicts, and tightening labor markets. Rising energy costs may play a further role in limiting job growth as gasoline prices continue to rise.

The North Central Texas Council of Governments forecast job growth in Fort Worth to increase at a rate of 1.5 percent annually through the year 2030, for a total employment of 701,524. Fort Worth's share of jobs in the Fort Worth-Arlington MD will likely decrease by two percent to 60.9 percent by 2025 before leveling off or rebounding. In addition, future job growth is likely due to Fort Worth's large percentage of undeveloped or underutilized land and a vast ETJ of approximately 309 square miles that is mostly vacant. Moreover, many other cities in the Fort Worth-Arlington MD are landlocked and are rapidly developing the remainder of their vacant land.

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 recently become a major area for natural gas exploration and development. According to the

Fort Worth Employment Forecast, 2000-2030



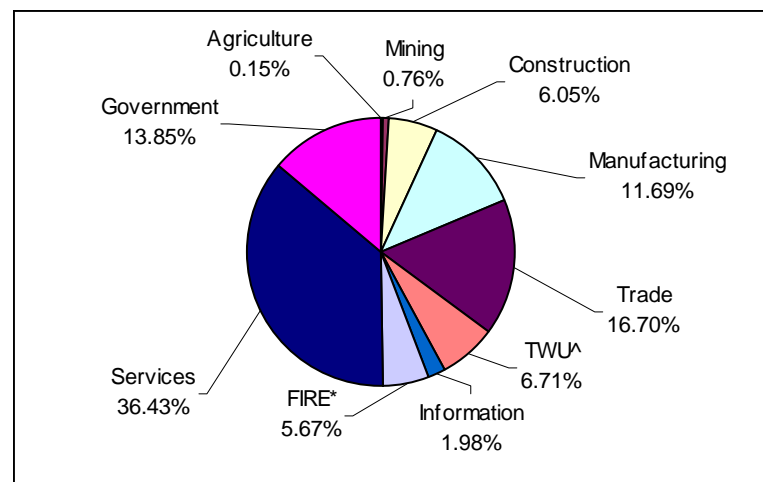
Strong employment growth is forecast for Fort Worth's Far North sector as a result of Alliance Airport's growth and related development. (Source: North Central Texas Council of Governments, 2030 Demographic Forecast, 2003.)

Perryman Group, the metro division currently generates some 8.14% of Texas' real gross product and is expected to account for 8.29% of the state's output in 2030. Over the long term, Fort Worth-Arlington MD is predicted to achieve notable growth across a variety of industries.

The following estimates and forecasts of employment by industry are only available for working residents of the Fort Worth-Arlington MD, the primary area from which Fort Worth draws its workforce. According to the Perryman Group, through the next twenty-four years, all industries in the Fort Worth-Arlington metro area are anticipated to see an expansion in the number of workers.

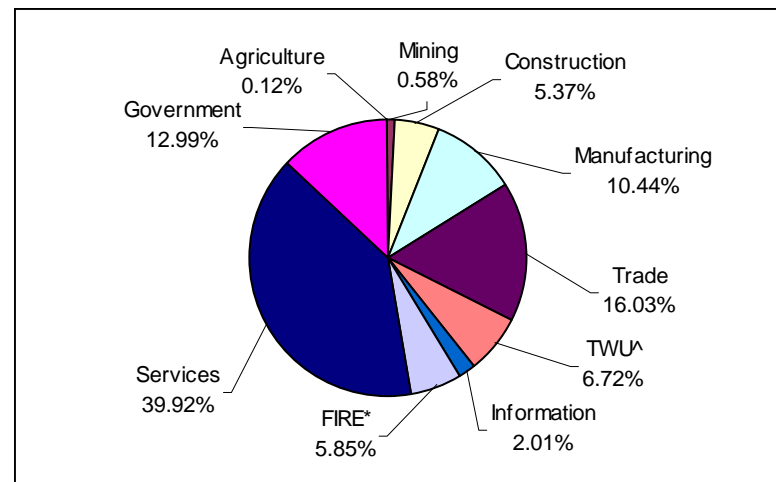
- Historically, the service sector has grown rapidly nationwide. With new, efficient communications, businesses are increasingly able to sell services in distant markets, making services an export commodity. In Texas and nationwide, the service sector experienced slight growth in 2003 and resumed historical growth patterns in 2005. The services sector in the Fort Worth-Arlington MD increased by 32,700 new jobs between 2001 and 2006, representing the largest employment sector growth, and it is forecast to grow by an additional 183,700 jobs between 2006 and 2030, representing a 1.93 percent compound annual growth rate. The service sector currently accounts for approximately 36.43% of the Fort Worth-Arlington MD's total wage and salary employment. By 2030, services is projected to be responsible for 39.92% of the workforce in the metro area. Statewide, over the next 24 years, the service sector is anticipated to account for more than half of the new jobs to be created. This represents about 2.36 million workers.
- Trade has experienced a slight increase in total jobs from 2001 to 2006. Trade increased by 3,200 jobs between 2001 and 2006 in the Fort Worth-Arlington MD. The trade sector is forecast to grow by 55,800 new jobs between 2006 and 2030, representing a 1.37 percent compound annual growth rate.
- Manufacturing increased by nine percent between 1992 and 1998, largely due to aircraft manufacturing. However, the market experienced a downturn between 2001 and 2006. The manufacturing sector decreased by 5,800 jobs between 2001 and 2006. Overall, however, manufacturing employment is forecast to increase by 29,300 jobs between 2006 and 2030, representing a 1.07 percent compound annual growth rate.
- Government grew by 11,900 jobs between 2001 and 2006. This job increase is reflective of the need for government to maintain its level of services and the service area continues to grow. The government sector is forecast to grow by 42,500 jobs between 2006 and 2030, representing a 1.27 percent compound annual growth rate.
- Transportation, warehousing, and utilities (TWU) decreased by 6,500 jobs between 2001 and 2006, but is forecast to grow by 25,900 jobs between 2006 and 2030, representing a 1.55 percent compound annual growth rate. According to the Perryman Group, transportation received a large boost in Texas with the implementation of the 1994 North American Free Trade Act (NAFTA), reducing barriers to trade with Mexico. According to the State Comptroller, Texas

Employment by Industry, 2006



Services and trade were the largest employment sectors in the Fort Worth-Arlington MD in 2006. *FIRE-Finance, Insurance, & Real Estate; [^]TWU-Transportation, Warehousing, & Utilities. (Source: The Perryman Group, Inc., 2007.)

Employment Forecast by Industry, 2030



Services and trade are forecast to be the largest employment sectors in the Fort Worth-Arlington Metropolitan Division in 2030. *FIRE-Finance, Insurance, & Real Estate; [^]TWU-Transportation, Warehousing, & Utilities. (Source: The Perryman Group, Inc., 2007.)

exports to Mexico increased from \$22 billion in 1995 to \$45.7 billion in 2004. In total, Texas exports grew to \$117.2 billion. Transportation is likely to increase due to Fort Worth's central distribution location. Almost 90 percent of the nation's markets can be reached by truck or rail from Fort Worth within 48 hours, according to the State Comptroller. The warehousing industry experienced a downturn but is forecast to revive again, as trade begins to increase. The utilities industry continues to consolidate as a result of deregulation and competition.

- Construction in the Fort Worth-Arlington MD has remained steady with an increase of nearly 4,400 jobs between 2001 and 2006. Employment in construction is forecast to grow by 14,700 jobs between 2006 and 2030, representing a 1.04 percent compound annual growth rate. In 2002 and 2003, construction jobs decreased in the Fort Worth-Arlington MD before growing again in 2004 through 2006, according to the Perryman Group. The near-term outlook is for construction to grow moderately in Texas in 2007, as nonresidential building picks up, even though higher mortgage rates may suppress the rapid growth seen since 2001 in the residential sector.
- Finance, insurance, and real estate (FIRE) in the Fort Worth-Arlington MD grew by 3,400 jobs between 2001 and 2006, and is forecast to grow by 24,000 jobs between 2006 and 2030, representing a 1.67 percent annual growth rate.
- Mining in Texas is dominated by oil and gas production, and this sector suffered in the years when crude oil prices were low. The number of operating Texas oil and gas rigs fell to 306 in April 2002, but the strength in oil and gas prices over the past few years caused renewed exploration, and the rig count rose to 607 in 2005. The State Comptroller has forecast an increase to 671 rigs by the end of 2006, which can be attributed to activity in North Texas due to natural gas exploration. Historically, domestic production has fallen about five percent annually over the past 10 years and is expected to decline by four percent per year over the next 10 years. For the Fort Worth-Arlington MD, mining is forecast to grow by less than one percent between 2006 and 2030.
- Agriculture decreased slightly 300 jobs between 2001 and 2006. Its forecast to increase by less than 1 percent annually between 2006 and 2030.

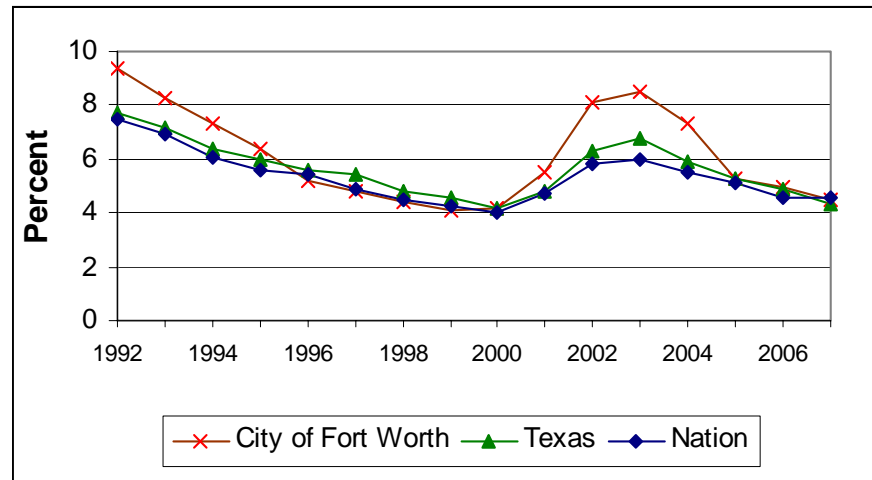
Statewide, approximately seven out of ten wage and salary workers are currently in the services, government, and trade industries. In 2030, these same sectors are projected to account for nearly 73% of all employment.

In the mid to late 1990s, the Fort Worth-Arlington MD experienced robust job growth. Job growth began to decline in 2000 through 2003 in the Fort Worth-Arlington MD. In 2005 the total employment in the Fort Worth-Arlington MD was 865,700, which represents an increase from the 2000 figure and representative of the current economic turnaround. According to the Perryman Group, the long-term jobs outlook for the Fort Worth-Arlington MD is expected to improve due in large part to substantial growth at Alliance Airport and this region's distribution activities.

Unemployment

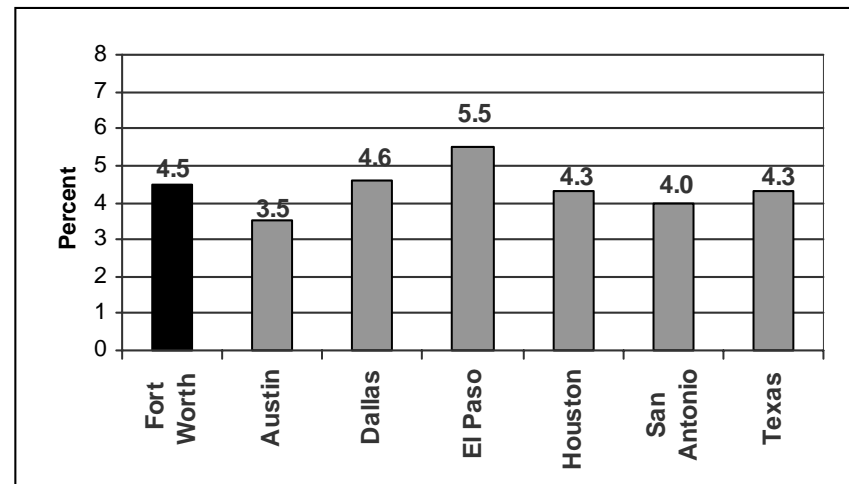
In 2006, the Fort Worth unemployment rate was 5.0 percent. Also in 2006, the Fort

**Unemployment Rates
(1992-2007)**



Fort Worth's unemployment rate experienced a spike between 2001 and 2003, before realigning with the State's average rate in 2005 and 2006. (Source: Texas Workforce Commission, 2008.)

**Unemployment Rates, 2007
(Major Texas Cities and State)**



Statewide, unemployment rates rose as a result of the recent economic slowdown. Fort Worth's 2008 unemployment rate of 4.5 percent, was slightly higher than the state average. (Source: Texas Workforce Commission, 2008.)

Worth-Arlington MD unemployment rate was 4.6 percent, and the State of Texas had an unemployment rate of 4.9 percent. Nationwide, the unemployment rate was 4.6 percent in 2006. In comparison, the Fort Worth unemployment rate in 2006 ranked third among six major cities in Texas, as shown by the chart to the right.

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. Its economists predict that the real gross area product for the Fort Worth-Arlington MD will continue to grow by 3.86 percent compounded annually between 2006 and 2030. The statewide, the Perryman Group projects the real gross state product to continue to grow at 3.78 percent compounded annually from 2006 through 2030. The U. S. real gross domestic product is predicted to continue increasing at approximately 3.36 percent compounded annually according to the Perryman Group.

Retail Sales

According to the State Comptroller, total retail sales in Fort Worth increased approximately 5.29 percent compounded annually from \$5.6 billion in 1996 to \$9.3 billion in 2006. During the same time period, retail sales in the Fort Worth-Arlington MD grew by 4.77 percent compounded annually (\$18.5 billion to \$29.5 billion), while the Dallas-Plano-Irving MD averaged a 6.02 percent compounded annually (\$43.2 billion to \$77.6 billion). In 2006, per capita retail sales in Fort Worth were \$14,067 per person, slightly below the Fort Worth-Arlington MD retail sales of \$14,516 and lagging behind the Dallas-Plano-Irving MD, which had a per capita retail sales figure of \$19,073. Currently, national trends indicate that energy costs are driving inflation. If this trend continues, retail sales may begin to witness the negative effects of inflation due to rising energy costs. For the Fort Worth-Arlington MD, the Perryman Group predicts the overall retail sales to grow at a 6.15 percent compounded annual growth rate between 2006 and 2030. According to their projections, retail sales in the Fort Worth Arlington MD will be approximately \$155.23 billion in 2030.

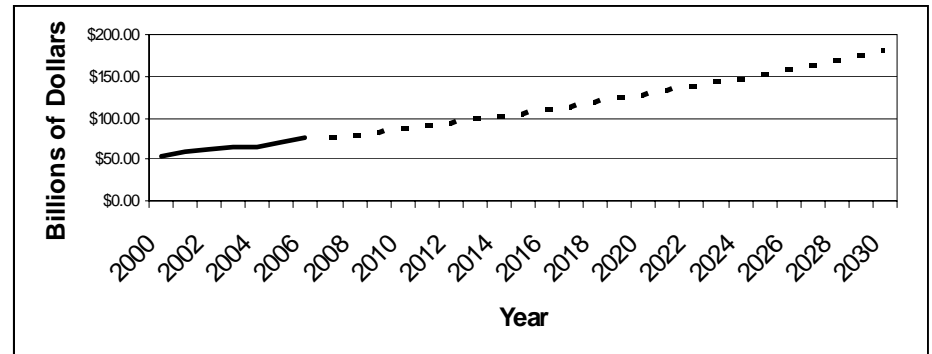
Personal Income

Per capita personal income for the Fort Worth-Arlington MD was estimated to be \$33,133 in 2005, which was slightly higher than the state average of \$32,460 and slightly lower than the national average of \$34,471, according to the U.S. Bureau of Economic Analysis. The Fort Worth-Arlington MD figure increased by 3.8 percent annually between 1990 and 2004, well ahead of inflation. Personal per capita income for the State shows a similar increase of 4.1 percent per year, and the annual national growth rate of 3.8 percent is equal to that seen in the Fort Worth-Arlington MD.

Cost of Living

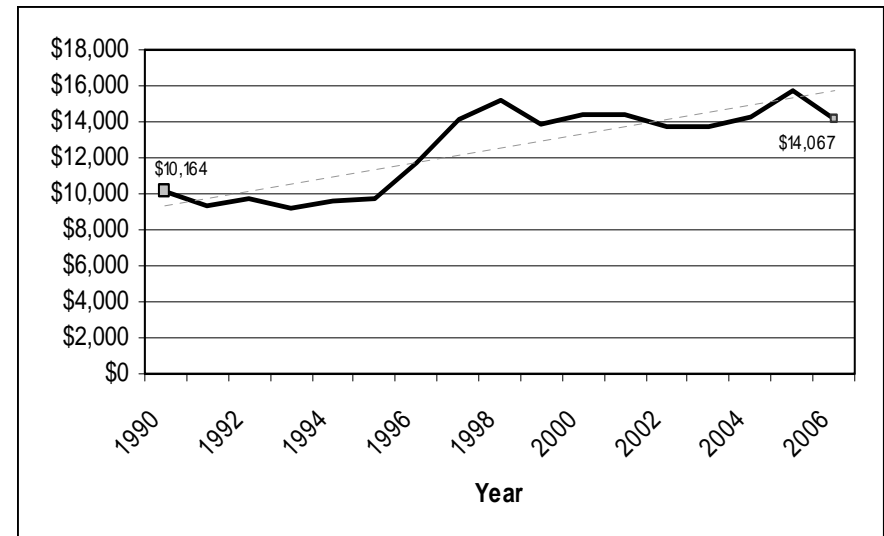
The 2006 cost of living in the Dallas-Fort Worth MSA continues to be lower than most other large metropolitan areas in the country, according to the U. S. Bureau of Labor Statistics Consumer Price Index (CPI). The Dallas-Fort Worth CPI was 190.1, compared to Atlanta at 193.8, Los Angeles at 210.4, and Boston at 223.1. Although CPI figures are not available for the city, evidence indicates that Fort Worth’s cost of living

Real Gross Area Product, 2000-2030



Real Gross Area Product for the Fort Worth-Arlington Metropolitan Division is forecast to continue growing by 3.86 percent annually between 2006 and 2030. (Source: The Perryman Group, Inc., 2007.)

Per Capita Retail Sales, 1990-2006



Per capita retail sales for the City of Fort Worth grew by an average of 2.4 percent annually between 1990 and 2006. (Sources: Texas Comptroller of Public Accounts and North Central Texas Council of Governments, 2007.)

is lower than that of many other cities in the Metroplex. Housing represents 42.3 percent of all items used to calculate the CPI. The median sale price of a home in Fort Worth was \$117,700 in 2005, compared to \$158,200 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. In 2006, both the nation and the state witnessed an inflation rate of 3.2 percent. By comparison, in 2000 the nation witnessed an inflation rate of 3.4 percent while the state saw inflation rise to 4.2 percent. The Texas Comptroller predicts that the CPI will rise by an average of 2.9 percent per year through 2025. Inflation has been relatively stable over the past year, and currently remains low due to the modestly-growing economy.

Employment by Sector

The Far North 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.

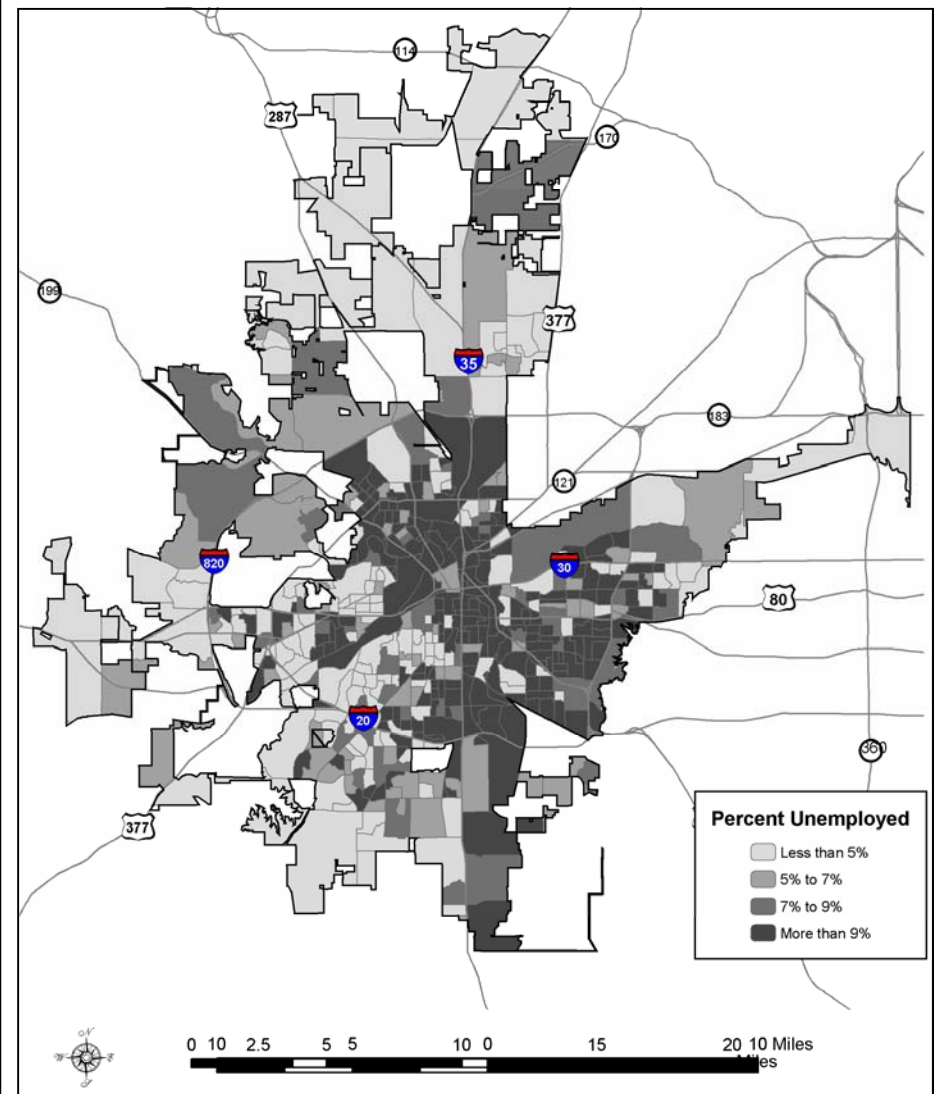
Unemployment by Sector

Many parts of the City of Fort Worth have experienced long term high unemployment rates. 2004 estimates of the civilian labor force and unemployed persons from the Texas Workforce Commission by census tract reveal that the Northside, Southeast, and Southside had unemployment rates above nine percent. More recent data will not be available by census tract from the Texas Workforce Commission due to methodology changes in geographic areas below the state level. Even with a rebounding economy, however the unemployment rates in these sectors are likely to continue to be high in comparison to the City as a whole.

Median Household Income by Sector

According to the 2000 U.S. Census, the Downtown sector had the lowest median household income at \$21,111. Nevertheless, in the last 20 years, and more rapidly since 2000, Downtown has seen increased residential development of upscale housing. The Northeast, Northside, Southeast, Southside, and Sycamore sectors all had median incomes below the citywide median of \$37,074 in 2000. The Far

Unemployment Rate by Census Tract, 2004



Unemployment is highest in census tracts located in the Northside, Southeast, and Southside sectors of Fort Worth. Census tract level data is no longer available from the Texas Workforce Commission beyond 2004.

(Source: Texas Workforce Commission, 2004.)

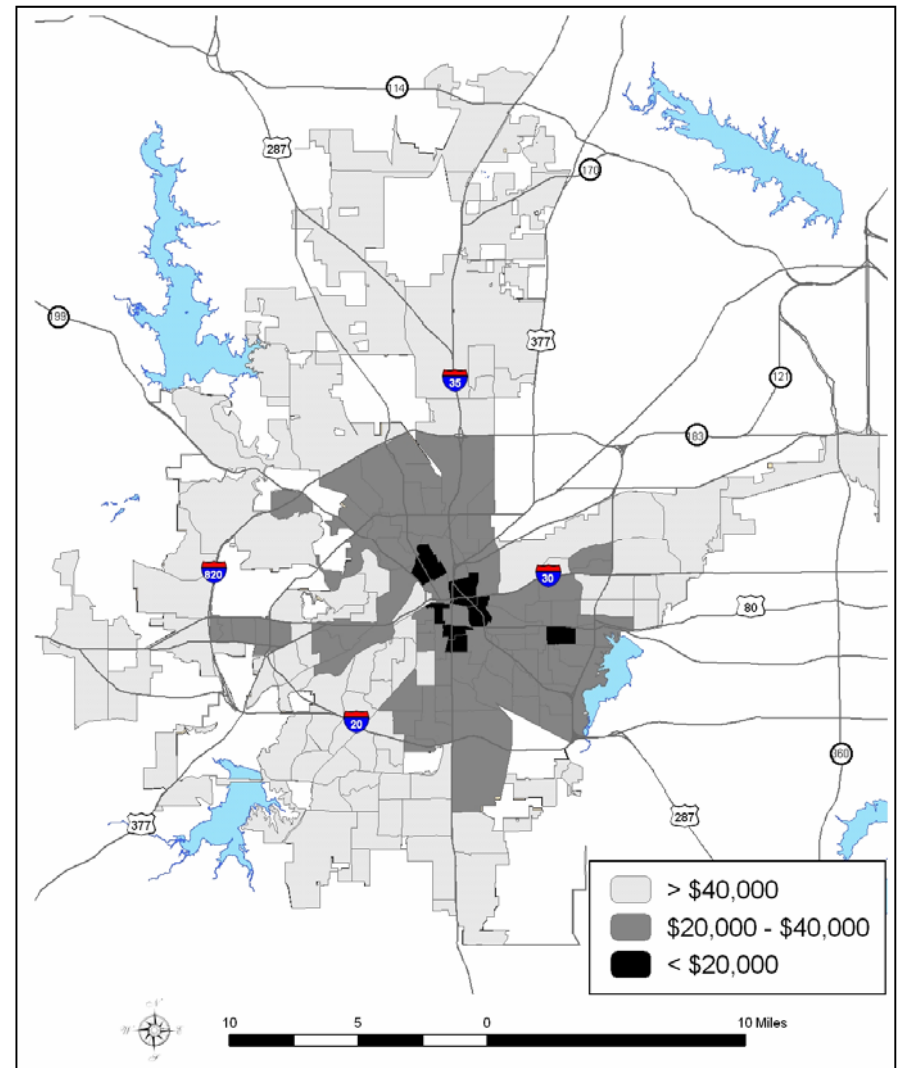
Southwest sector had the highest median income of \$65,591. The Far Northwest sector also had a relatively high median income of \$55,625. The Wedgwood and TCU/ Westcliff sectors had the highest median incomes of all central city sectors, both more than \$55,000 per year.

Challenges and Opportunities

The changing economy provides Fort Worth with several challenges and many opportunities. Currently, the national, state, and local economies have begun emerging from a slowdown after September 11, 2001. Fort Worth fared well during this time due 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. These factors provide Fort Worth with a firm foundation for growth in future years.

The policies and programs of the City must be continuously examined to ensure that they help mitigate the impacts of a slowing economy, while promoting Fort Worth's economic strengths.

Median Household Income by Census Tract, 2000



Incomes are highest in the Far North, Far Northwest, Far Southwest, TCU/ Westcliff, and Wedgwood sectors. (Source: U.S. Census Bureau, 2000.)

