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San Antonio primed for post-recession bounce, local economists say

San Antonio Business Journal - by W. Scott Bailey

Texas economist Travis Tullos, who has produced a new report comparing the economies of the state's largest metropolitan areas, says San Antonio is best positioned for a post-recession surge.

In fact, while some U.S. cities have struggled more than others during the downturn, Tullos says he expects that San Antonio can regain much, if not all, of the economic momentum it enjoyed prior to the economic crisis.

Tullos, a project analyst for TXP Inc., an Austin-based economic analysis firm, says Texas has held up relatively well during the recession. But he is especially bullish on the Alamo City.

"I haven't felt this good about the San Antonio economy ever," Tullos says, predicting a recovery for the Alamo City he characterizes by "exponential growth."

Tullos points to a number of factors he says indicate that San Antonio is headed in the right direction.

He says, for example, that the average number of existing homes sold per month during a six-month period ending April 30, 2010, was 1,437. That figure represents a 19.1 percent increase over the monthly average for the same six-month period last year.

That compares with less impressive 11 percent and 10.6 percent increases in Houston and Dallas, respectively.

Tullos says the average number of single-family residential building permits issued per month in San Antonio during the six months ended April 30, 2010, was 440 — an increase of nearly 29 percent compared with the same six-month average in 2009.

Question marks

There are still some trouble spots.

Based on the same six-month average formula, the Alamo City's sales tax revenues were down 1.3 percent through April of this year compared with the same period in 2009.

But again, the declines were steeper in Houston and Dallas — 11.8 percent and 2.6 percent, respectively.

Employment is another area where San Antonio is still feeling some of the hangover effects of a recession. San Antonio's job count, according to Tullos, averaged roughly 826,200 over the six-month period ending on April 30, 2010.

That's a 2 percent decline from the same six-month period in 2009.

At the northern end of the bustling San Antonio-Austin Corridor, the Capital City is also showing some signs of recovery with growth in key areas such as sales tax revenues and existing home sales.

Like San Antonio, however, Austin still has some areas in need of improvement, according to Tullos' analysis. Employment is one such example.

Historically, Tullos explains, Austin's economy has been marked by sharper peaks and valleys in terms of its growth curve, compared with the Alamo City.

Tullos adds that San Antonio has continued to improve the size, scope and strength of its private-sector base and the competitiveness of its workforce.

And those factors will be key moving forward, he insists.

Steve Nivin is director of and chief economist for the SABER Research Institute, an alliance of St. Mary's University and the San Antonio Hispanic Chamber of Commerce.

He says it is important to remember that San Antonio is not completely immune to those factors that have negatively impacted U.S. and international economies.

But Nivin says he believes that the Alamo City will experience growth this year and next that is "closer to pre-recession levels." He also believes that San Antonio and Texas, because of the strength of their respective economies, could "lead the nation out of the recession."

Greater San Antonio Chamber of Commerce President and CEO Richard Perez says there are some continued concerns about global instability and the effect that could have on the U.S.

"Never before has our ability to develop, grow and sustain our business and financial systems been so directly linked to global events and world affairs," he says.

But Perez, too, is optimistic that San Antonio is gaining traction.

"Are we chugging along like we were three or four years ago? No. But the motor is running and the cars are moving in a positive direction," he says.

Competitive advantage

Tullos says it is possible that the U.S. economy could slip again before there is a full recovery from what has been a deep, extended recession.

The National Governors Association and the National Association of State Budget Officers recently released their joint Survey of States findings.

Survey author Ben Husch says, "Fiscal 2010 presented the most difficult challenge for states' financial management since the Great Depression and fiscal 2011 is expected to present states with similar challenges."

Says Tullos, "We may see some continued difficulties across the country."

But he adds, "There is little that will stand in the way of Texas and its major metros making very good headway over the next 18 months to two years."

Francis Beauchamp is vice president of relocation for Kuper Sotheby's International Realty in San Antonio.

"I think there is still some caution," she says about the overall business climate in the Alamo City. "But there is optimism, too. Businesses are moving to San Antonio. Companies are bringing jobs here. I think we will see more of that."

Unlike some metropolitan areas, Nivin believes that San Antonio is primed to take full advantage of an economic turnaround.

"... Our community can continue to make needed public investments while other communities are being forced to pull back," he says.

"This provides a competitive advantage coming out of the recession and is part of the reason, I believe, as to why we continued to see corporate investments in San Antonio during the (downturn)," Nivin adds.

"San Antonio is a community that is coming into its own," Tullos says. "It will have tremendous prospects."

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