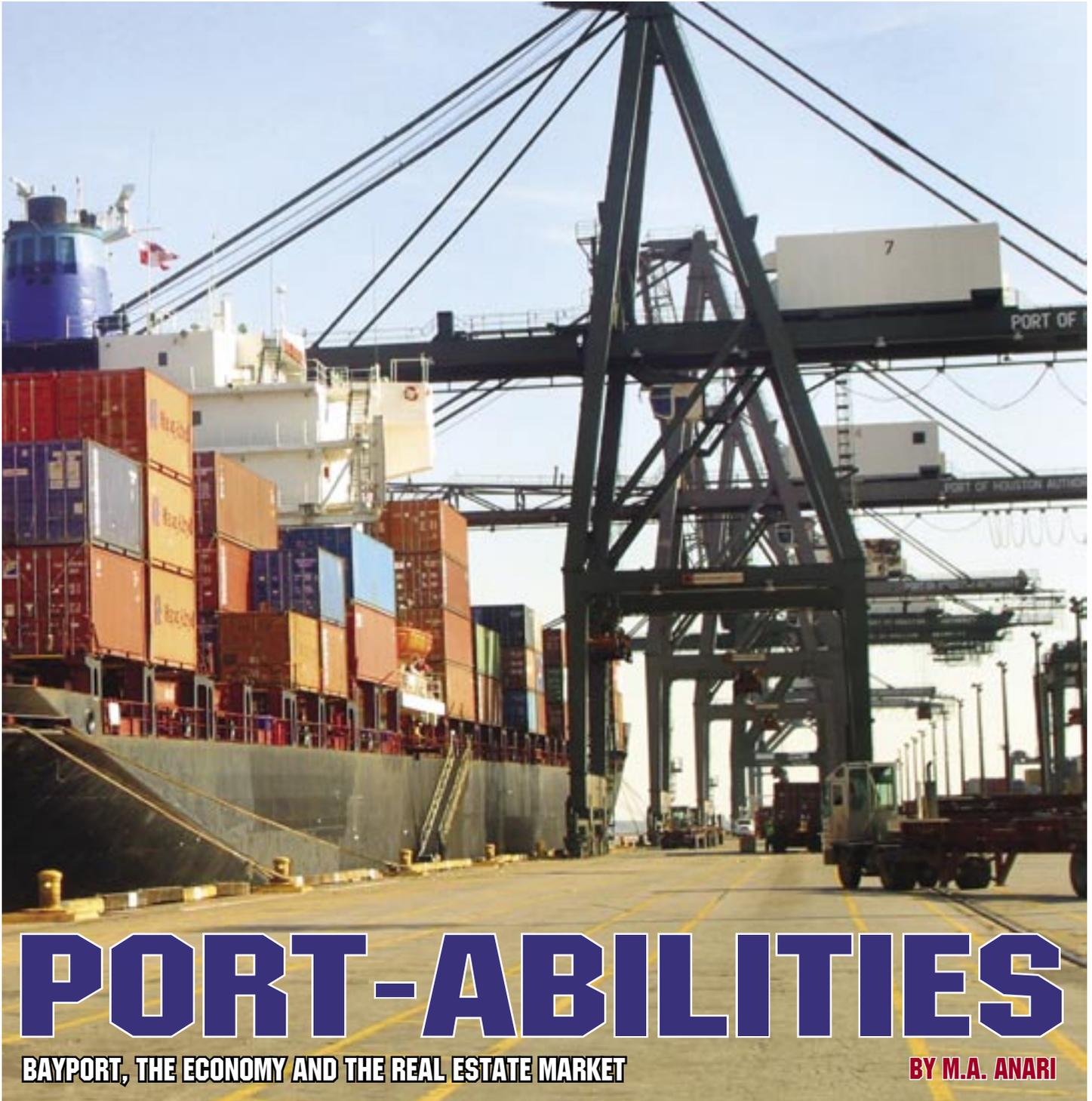


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PORT-ABILITIES

BAYPORT, THE ECONOMY AND THE REAL ESTATE MARKET

BY M.A. ANARI

International trade growth has played a key role in Houston's remarkable economic recovery from the oil price collapse of the mid-1980s. Along with health care and research, space exploration and high-tech industries, international trade helped diversify the city's formerly energy-centered economy.

This strong trade sector is the impetus for the Bayport expansion project, which will expand industrial shipping facilities in the Port of Houston. The trickle-down effects of the \$1.2 billion, 15- to 20-year project will no doubt have an impact on the Texas real estate industry.

Growing Trade

Before oil prices plummeted in the mid-1980s, more than 80 percent of Houston's economic activity was energy related. By the end of the 1990s, less than 50 percent of economic activity was in energy.

International trade through the Port of Houston grew during these two decades. From 1997 to 2000, total cargo tonnage handled at the port's private and public terminals increased 17.8 percent. The Port of Houston ranked second in the United States in total value of exports and third in total value of imports in 2001.

The Port of Houston Authority (PHA) has been at the forefront of Houston's international trade. According to a study by Martin Associates, about 27 percent of direct business revenues generated by marine cargo and vessel activities at the Port of Houston in 2000 were generated by facilities owned by the PHA.

Prospects for maintaining this competitive advantage in international trade depend, to a great extent, on the expansion of port facilities. Since 2000, demand for container cargo handling has exceeded the port's cargo handling capacity, according to PHA.

Container traffic is a growing business within the international trade sector. Houston faces strong competition from South Atlantic and Gulf ports to win a greater share of containerized cargo business. Bayport expansion proponents maintain that construction of the Bayport containerized cargo and cruise terminal by the PHA will help meet the growing demand in container traffic and may garner additional trade and business opportunities.

Harris County residents acknowledged the expansion project's importance to the area's economic growth when they approved, 60 percent to 40 percent, a \$387 million bond issue for phase one of construction of the Bayport containerized cargo and cruise terminal. The expansion project will be completed in phases over 15 to 20 years, depending on market demand. When completed, it is expected to double the PHA's current container handling capacity.

Impact on Jobs, Housing

A study by the PHA indicates that phases one and two of the project will generate more than 28,000 permanent jobs. The construction phase of the project is expected to create about 24,000 temporary jobs in Harris County.

Bayport expansion has important implications for the state's real estate industry. Projections suggest that the creation of 28,000 permanent jobs will add demand for 15,000 single-family housing units (which, by definition, also includes duplexes, triplexes and quadraplexes) and 5,500 multifamily housing

units to the state's housing stock. The increase in housing stock will have a positive impact on all aspects of the state's real estate industry, including sales, construction and property management.

Based on existing relationships between jobs, housing stock and home sales, the creation of 28,000 jobs is expected to increase home sales by about 1,000 units per year. More home sales mean more jobs and income for developers, real estate agents and title abstract offices.

A 20,500-unit increase in housing stock (single-family and multifamily combined) is expected to add more than 7,000 housing units for rent. More rental properties mean more jobs and income for real estate lessors and building managers.

The state's commercial and industrial real estate sectors also will benefit from job creation associated with the Bayport expansion. Office jobs account for approximately 10 percent of nonfarm jobs in Texas, and each office job requires about 200 square feet of office space. Projections suggest that creation of three

jobs in Houston's private and public marine terminals will generate one job in the state's retail industry and more demand for retail properties.

Harris County is expected to benefit most from the Bayport expansion. More than three-fourths of the jobs at marine terminals at the Port of Houston are located in Harris County. Most sectors of the county's economy, and in particular the area's real estate industry, are expected to benefit from the expansion. Harris County accounted for 15.9 percent of total Texas housing units in 2000. More jobs in the area will result in increased housing demand.



RECREATIONAL BOATING BUSINESSES, along with the seafood industry and environmental groups, have voiced opposition to port expansion, citing adverse effects. The Port of Houston is competing with South Atlantic and Gulf ports for a bigger piece of the growing containerized cargo business.



Not all residents and businesses in the area are happy about the Bayport expansion project, however. Some neighborhood groups have expressed concerns about the project's potential negative impact on quality of life in the area and on property prices in the areas surrounding the facility. A number of others in area industries, including those in the seafood industry and recreational boating, fear their products and services will be adversely affected by the expansion. Environmental groups have opposed the expansion as well, arguing that it will have a negative impact on air quality, water quality, traffic and other environmental factors.

The PHA addressed public concerns over the impact of the Bayport expansion on Houston's residential and business communities at several public meetings and workshops. The

Bayport master plan has been revised in response to public input.

The PHA also created a citizen advisory group with representatives from the many diverse Houston groups interested in the project. To demonstrate its commitment to protecting the environment, the PHA has requested that the U.S. Corps of Engineers conduct an environmental impact study for the project.

The Bayport expansion project has the potential to boost Houston's economy. If that happens, the real estate industry is expected to reap significant benefits. ➤

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