

The Daily Times

Economic forecast looks good for area

Published October 19, 2007

Kerrville's growing retired population, coupled with escalating land prices and oil prices, point to strong job growth and strengthening per capita personal income in the city, an economist said Tuesday.

The unemployment rate for Kerr County remains low at 3.5 percent for the first quarter of 2007, compared to 4.2 for the state and 4.7 percent nationally, according to Keith Phillips, senior economist for the San Antonio office of the Federal Reserve Bank of Dallas.

He spoke to the 23rd Leadership Kerr County class at Schreiner University's Cailloux Campus Activity Center.

The economist said retirees and tourism continue to be the mainstays of the Kerrville economy. The city has three times the number of people older than 65 as does the rest of Texas, Phillips said, and these retirees are major contributors to the health care, restaurant and financial services industries locally.

The economist said he was surprised to learn that per capita personal income in Kerr County — which is growing faster than the U.S. — mirrors deviations in oil prices. This wouldn't be uncommon in cities like Midland-Odessa and Houston, where there's oil drilling, Phillips said.

One explanation could be the large number of people from the oil and gas sector who've retired to Kerrville, and who have retirement and profit sharing plans or receive royalties from land with oil and gas, "so their income can swing with oil and gas prices," Phillips said. "It does suggest that these past couple of years with high oil and gas prices have led to pretty good income gains in Kerrville."

High rural land prices in the Kerrville area are a good barometer of the region's health, according to the economist. He cited figures from Texas A&M's Real Estate Center, indicating rural land prices for Bandera, Blanco, Kendall and Kerr counties, have doubled since 2002. In 2006, rural land prices for the four counties averaged \$7,000 per acre, versus about \$1,800 per acre for rural land statewide.

"Kerrville is a nice place, so a lot of people want to go there — they're buying the land," Phillips said.

He questioned the wisdom of implementing a property tax freeze for retirees in a city like Kerrville, with a significant older population. But he said there are other methods

of generating revenue for the city.

“You want people paying for what benefits they’re getting and not saying, one part of the population pays and one doesn’t,” Phillips later said by phone. “Eventually, it may cause a problem,” and the city could have to “re-think what they’re doing.”

Phillips said Texas is a high-tech state, with a decreasing emphasis on agriculture and industry, even though the state continues to benefit from high energy prices.

He said most of Texas’ metro areas have healthy economies, with Austin leading the pack in 2007. Texas grew faster than the U.S. in 2006, at 3.4 percent, compared to 1.7 percent nationally. But Phillips said the Texas forecast points to job growth slowing to approximately 2 percent for 2007.

Homebuyers are particularly fond of Texas, where more families can afford houses in the states’ major metropolitan areas,” Phillips said. As part of his slide presentation, he showed a table indicating 2 percent of families can afford a median-priced home in Los Angeles, while 57 percent can afford median-priced homes in Dallas, and 54 percent in Houston, according to 2006 third quarter data.

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