**HOUSEHOLD INCOME:** Texas Posts Gain in Otherwise Tough Year

Texans’ real median household income rose 1.3 percent in 2008, making the state one of only five with increases in the first calendar year of the U.S. recession. During better times, 33 states posted income gains in 2007 and only Michigan suffered a decline.

Texas was already in recession before this year began, so an increase in household income is less likely for 2009.

U.S. Census Bureau data based on the American Community Survey show that the U.S. recession, which began in December 2007, led to household income decreases in five states and no significant change in 40 others in 2008. The U.S. as a whole saw a 1.2 percent decline.

Texas ranked third in household income gains in 2008. Louisiana led the nation at 3.7 percent, followed by Kansas at 1.7 percent. Income also rose in New Jersey and New York.

Texas’ median household income was $50,043 in 2008, just below the nation’s $52,029. Maryland had the highest income at $70,545, Mississippi the lowest at $37,790.

A relatively healthy labor market kept Texas working in 2008, propping up the state's household earnings.

Buoyed by high energy prices and growing exports, Texas employment continued to expand for more than six months after the nation sank into recession. The state ended 2008 with job growth of 0.6 percent, while U.S. employment fell 2.2 percent.

—Emily Kerr

**POPULATION TRENDS:** Texas’ Strong Economy Still a Draw for Immigrants

Texas’ foreign-born population increased in 2008 by 58,320, or 1.5 percent, according to newly released data from the U.S. Census Bureau’s American Community Survey.

Many of the state’s metropolitan areas saw notable gains. Austin was up 5.9 percent, El Paso 3.4 percent and Dallas–Fort Worth and Houston 2.7 percent each.

Texas’ increases occurred despite a 0.26 percent decline in the nation’s foreign-born population—a rare occurrence that’s attributable to the recession, which began in December 2007.

The economic slump weakened demand for foreign labor, discouraging would-be migrants from coming to the U.S. Indeed, foreign-born population declines were steep in states hit hardest by recession—4.4 percent in Michigan and 1.4 percent in both Florida and Nevada.

For the U.S., the decline in Mexican immigrants was particularly sharp, falling 2.8 percent to 11.4 million. Many Mexicans work in construction, a sector in which employment fell 9.1 percent in 2008.

Some U.S.–Mexico border states recorded significant losses in immigrant stocks, with Arizona down nearly 6 percent and California off 1.6 percent.

The recession didn’t hit as hard in Texas as in many other states. Texas employment edged up in 2008, and construction employment fell only 1.1 percent.

—Mike Nicholson

**COMMERCIAL REAL ESTATE:** Recession Takes Toll, Banks Put at Risk

Texas’ commercial real estate market steadily worsened as recession took hold in 2009.

Third-quarter office vacancy rates hit 22.7 percent in Dallas and 15.3 percent in Houston—both high by recent standards. Most major metros saw absorption—the rate at which markets soak up inventory—turn negative in the retail, warehouse and office sectors. The metros’ August investment activity, measured by the dollar volume of completed sales, was down 80 percent year over year, roughly in line with the U.S. decline.

Commercial real estate’s woes don’t bode well for banks already struggling with losses from residential loans. The number of distressed properties—those in foreclosure, in bankruptcy or restructured—is rising.

The Eleventh Federal Reserve District, which includes Texas, has heavy exposure to commercial real estate loans. As of the second quarter, these loans accounted for 28 percent of district banks’ gross assets, compared with 14 percent for banks nationally. Thus far, the district share of nonperforming loans has been below the U.S. average.

Financing for new projects remains tight. September contract values for retail, warehouse and office projects fell 71 percent year over year. Anecdotal reports suggest investors have been on the sidelines, ready to act once the market bottoms out. A slowly improving economy offers hope that the market will stabilize in 2010.

—Jackson Thies