Since opening in 1914, the Port of Houston has grown into a lynchpin of the mining and natural resources sector and one of the world’s largest petrochemical complexes, with more than 150 companies along the Houston Ship Channel.

In recent years, the port has become less reliant on energy and petrochemicals, growing into the nation’s second-largest in terms of tonnage. In 2005, it handled $85.8 billion in cargo, more than 700 ships and 150,000 barges.

Increased traffic prompted the $1.2 billion Bayport Expansion Project, which should generate 30,000 permanent jobs when completed in 15 years. The Bayport Container Terminal opened at the end of 2006, and it’s expected to generate 2,000 jobs in its first year and 9,800 by 2011.

Houston and its port have also benefited from Wal-Mart’s Baytown distribution center, opened in May 2005. The giant retailer will redirect more than 20 percent of its imports through Houston, and its market power is expected to attract other companies’ imports to the port.

These large projects, and the Port of Houston as a whole, have created jobs and helped diversify the region’s economy. They have even benefited the service sector through a cruise terminal that has boosted tourism enough to warrant plans for a new facility.

TRADE: New Facilities Diversifying Houston Port

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HOUSING: Prices Up, Affordability Down in El Paso

El Paso continues to absorb the shock of rising home prices, which are up 40 percent since 2003, exceeding the U.S. average.

The sharp appreciation is partly due to the metropolitan area’s job growth, fueled by rebounding U.S. industrial production and steady growth in Mexico’s economy and maquiladora industry.

Expectations for current and future housing demand have also been affected by the 2005 decision to double the size of El Paso’s largest employer, Fort Bliss.

Some analysts argue that El Paso’s home price increases are a correction in a historically underpriced market, while others say restrictions on local development are artificially inflating prices.

As prices have risen, affordability has fallen. Even so, an index comparing median family income with what’s needed to qualify for a conventional mortgage on a median-priced home remains within the range of recent experience.

El Paso’s current affordability index ranks among the lowest for Texas cities. Joining El Paso at the bottom are Brownsville and McAllen, suggesting that low median family incomes on the border factor heavily into these index levels.

The Dallas Fed’s Crossroads newsletter contains a more thorough analysis of El Paso’s housing market. It can be found on the Bank’s web site at www.dallasfed.org/research/crossroads/index.html.

—Adriana Fernandez

—D’Ann Petersen, Associate Economist