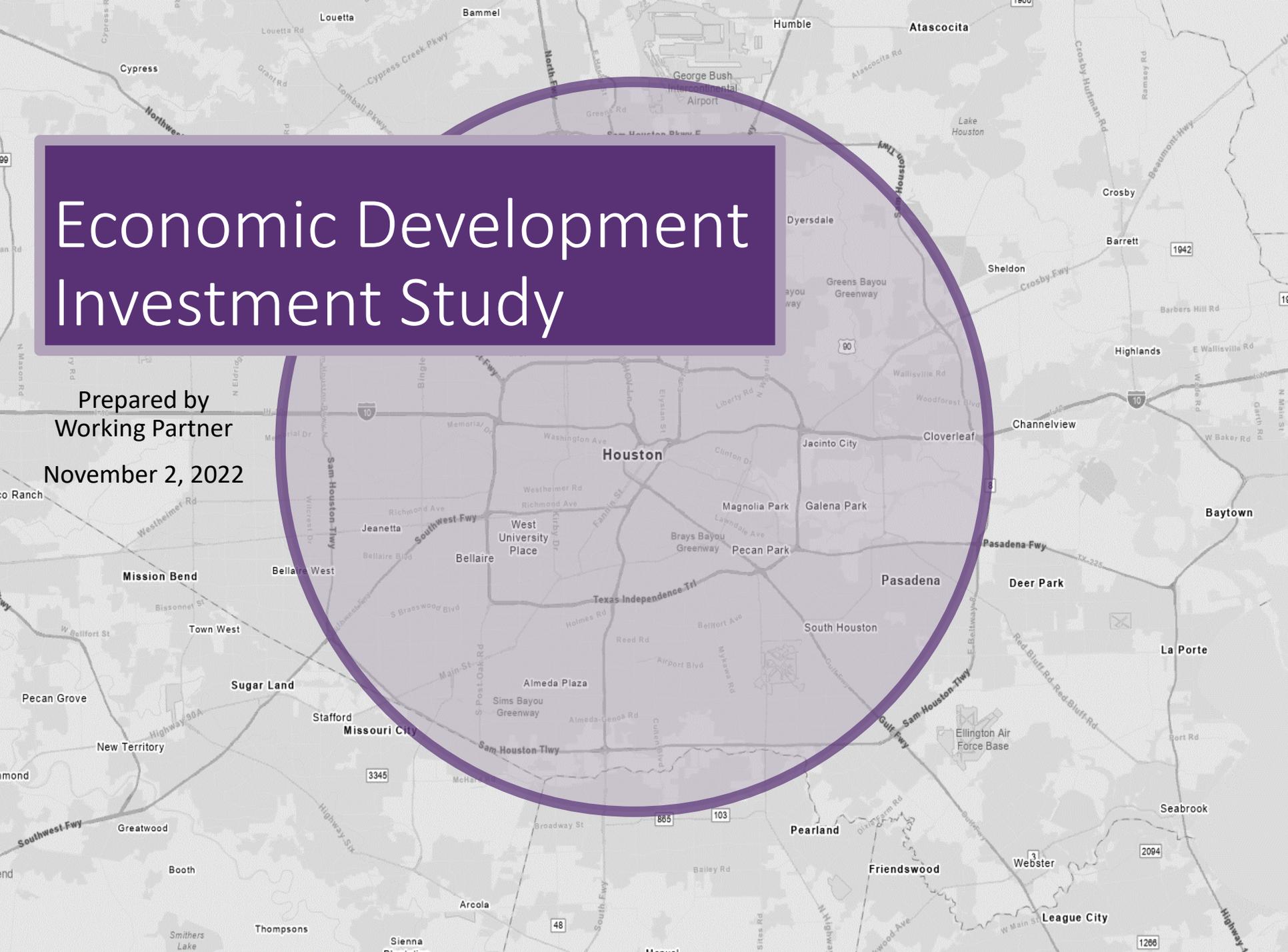


# Economic Development Investment Study

Prepared by  
Working Partner

November 2, 2022



# Overview

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- Highlights of Commercial Corridors Analysis
  - Establishments and employment
  - Major industries
  - Business turnover
- Complete Communities
  - Establishments and employment
  - Major industries
  - Business turnover
- Detailed Analysis of Commercial Corridors

# National Establishment Time Series (NETS)

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- Walls and Associates compiles a historical Dun and Bradstreet (D&B) database
  - Walls & Assoc. cleans, codes, and fits raw D&B snapshots into a time series
  - D&B data collection primarily relies on telephone calls
    - Updates database every year
    - Use additional data sources to identify new businesses (e.g. Yellow Pages, public records, government registries, etc.)
- Only available longitudinal data source on business establishments with information on employment, industry classifications, and point-level geographies

# Challenges with NETS Data

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- Challenges with employment information
  - Firms do not always report employment, NETS will estimate based on industry standards
  - In some instances, data represents information for multiple locations (e.g. subsidiaries), rather than for the specific location
- Challenges with geographic information
  - Latitude, Longitude do not always represent the actual location of the establishment (e.g. ZIP code centroid, census tract centroid, etc.)
  - Establishments with no address or ambiguous address (can lead to errors in Lat, Long geocode)
- Time lag in capturing opening and closures

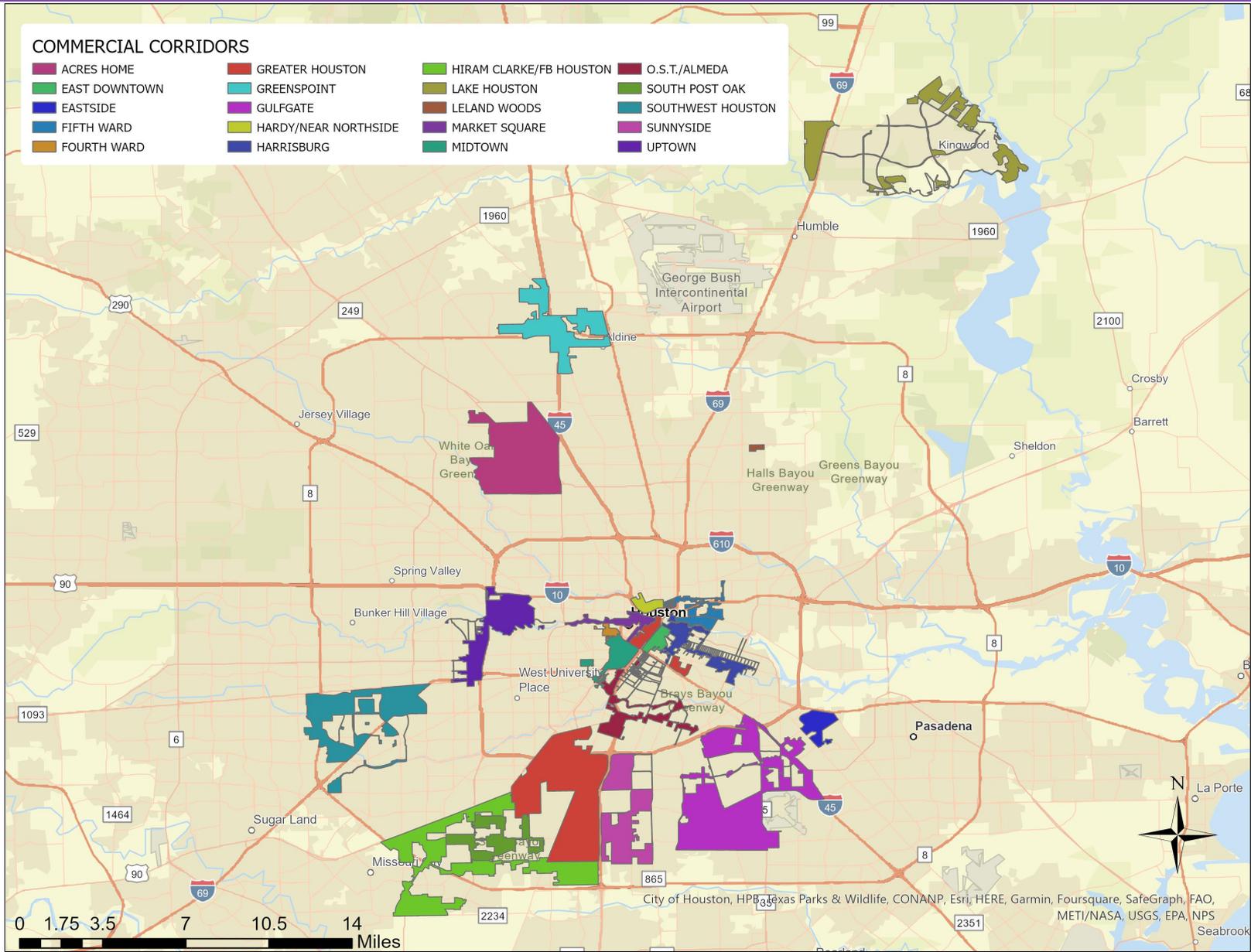
An aerial, grayscale photograph of the Houston skyline. The image shows a dense cluster of skyscrapers and commercial buildings. A prominent purple horizontal line is drawn across the middle of the image, partially obscuring the buildings. The sky is overcast with soft clouds. In the foreground, a multi-lane highway with cars is visible, along with some lower-rise buildings and a Ferris wheel.

# Highlights of Houston's Commercial Corridors

Walls & Associates. 2020. National Establishment Time-Series (NETS) Database.

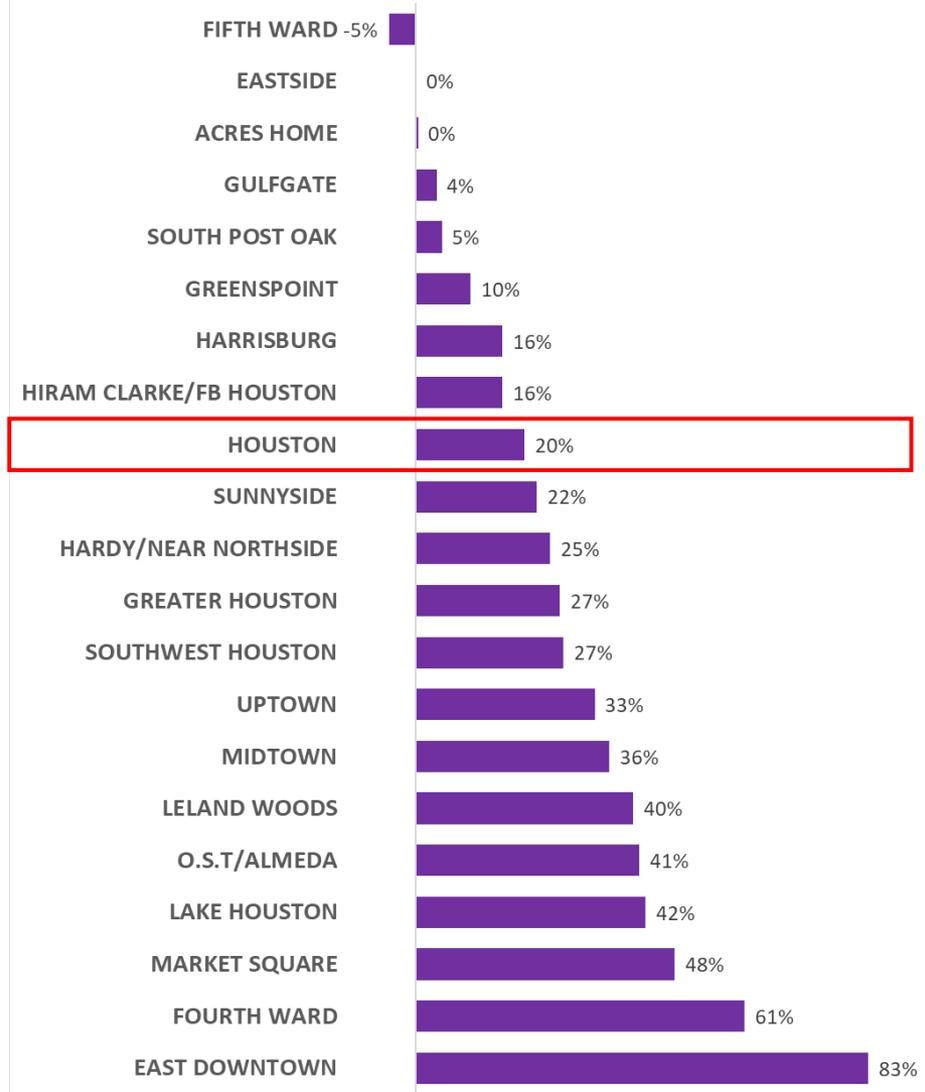
Photo Credit: Greater Houston Partnership (2020)

# Houston's Commercial Corridors (n=20)



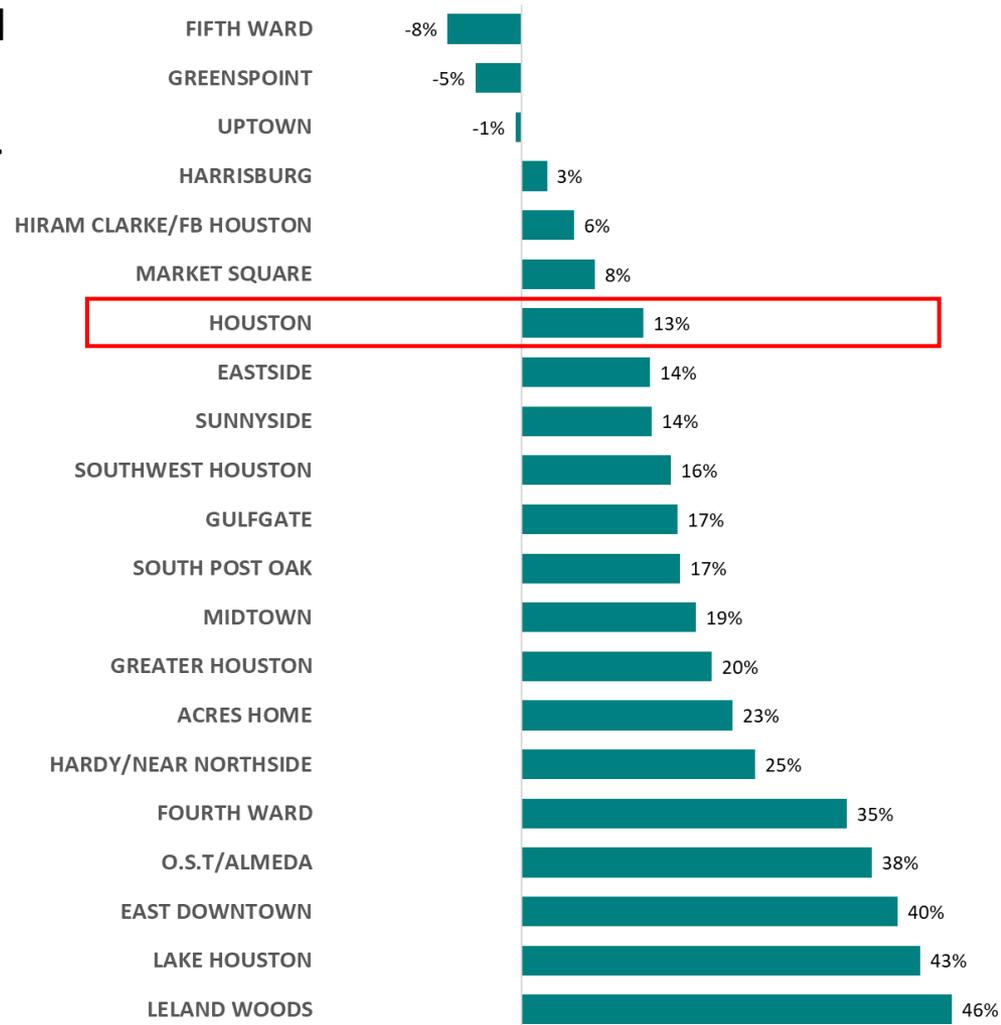
# Change in the Number of Establishments (2014-2020)

- The number of establishments in the City of Houston has grown considerably from 2014 to 2020
- Reflecting the growth seen in the City, the number of establishments has increased in nearly every corridor with the exception of Fifth Ward and Eastside
  - Corridors with the largest amount of growth include East Downtown, Fourth Ward, and Market Square



# Change in Employment (2014-2020)

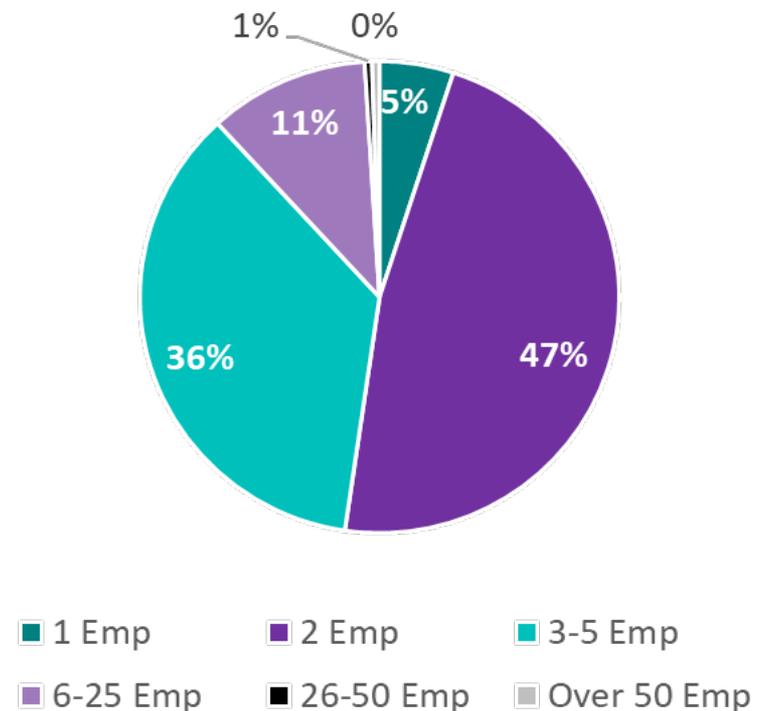
- Overall, employment in Houston increased but the change was more moderate, increasing by only 13% from 2014 to 2020.
- Most corridors showed employment growth from 2014 to 2020.
  - Six corridors – Near Northside, Fourth Ward, O.S.T., East Downtown, Lake Houston, and Leland Woods – realized growth in employment of over 25%.
- Employment declined in three corridors: Fifth Ward, Greenspoint, and Uptown.
- Relative to the city, employment growth was higher in nearly most corridors.



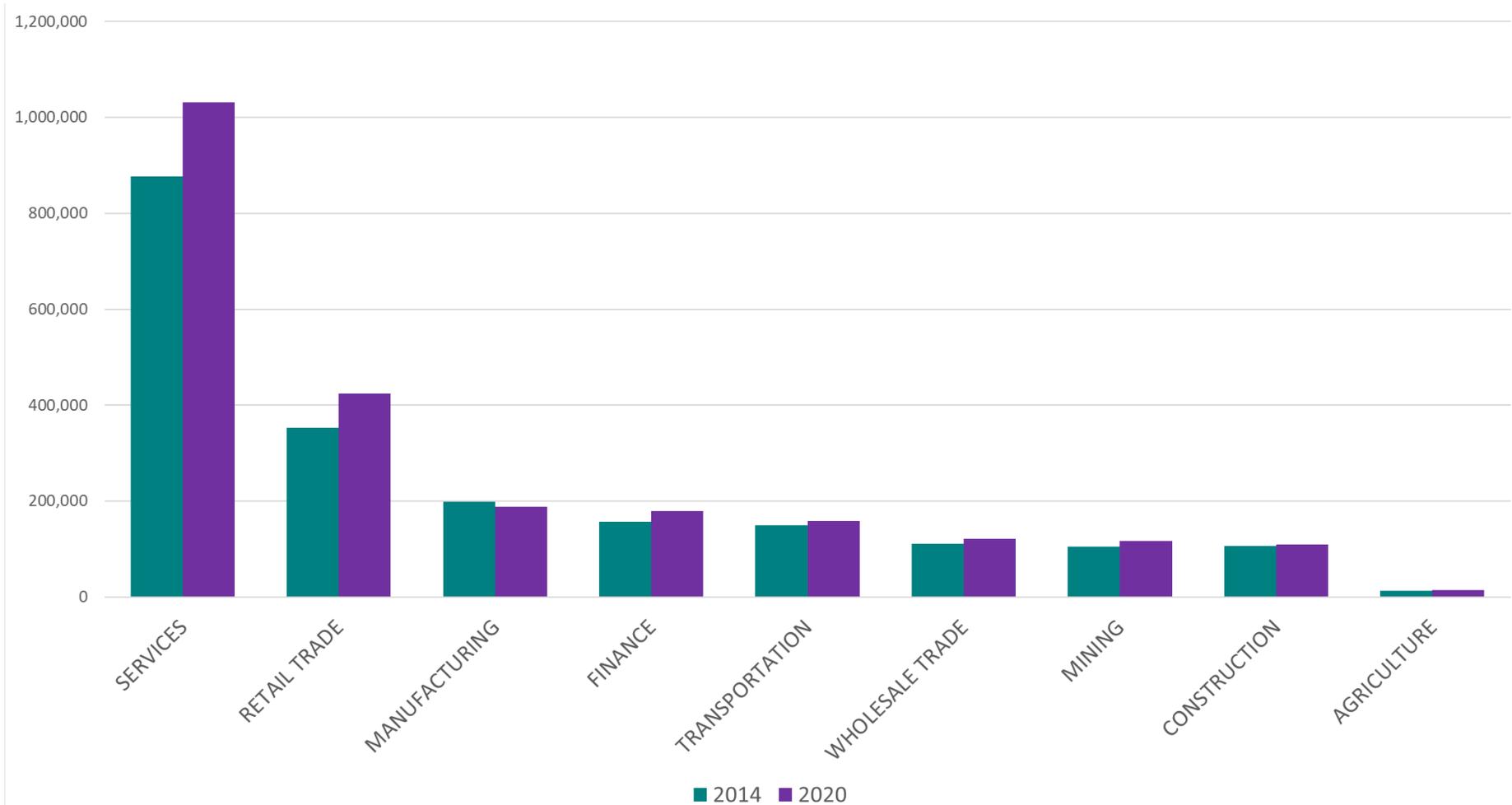
# Total Births by Employer Size Across All Corridors

- Most new businesses (52%) have 1 or 2 employees
  - 88% of new businesses are small businesses with 5 employees or fewer
- This helps to explain why the number of establishments increased by a higher percentage relative to the increase in employment

Percentage of Births by Employment Size Across All Corridors



# Employment by Industry Groups, Houston



# Employment by Industry in Houston

- The top five industries in Houston in terms of employment are:
  1. Services
  2. Retail Trade
  3. Manufacturing
  4. Finance, Insurance, and Real Estate
  5. Transportation and Public Utilities
- Within the services industry, employment is largely concentrated in ***Business Services; Health Services; Engineering, Accounting, Research, and Management; and Educational Services.***
- Employment in only one major industry groups declined from 2014 to 2020 – ***Manufacturing.***

# Employment by Industry Across the Corridors

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- The largest industry in 95% of corridors is the Services industry
  - Sunnyside is the only corridor with a different top industry (Manufacturing)
- The second largest industry is Retail Trade in 60% of corridors. Other notable industries in corridors include:
  - Finance – Uptown and Fourth Ward
  - Transportation – Market Square and Leland Woods
  - Construction – Acres Homes
  - Manufacturing – Fifth Ward
  - Wholesale Trade – Hardy/Near Northside
- Employment within the commercial corridors is highly concentrated among Retail and Service industries

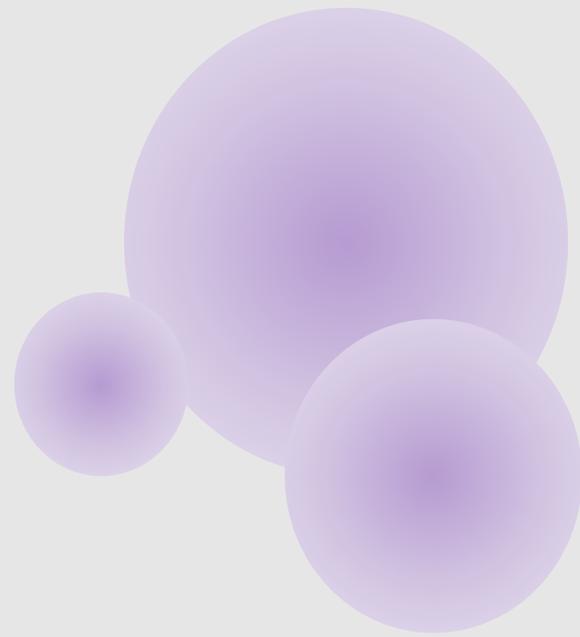
An aerial, grayscale photograph of a city skyline, likely Houston, Texas. The image shows a dense cluster of skyscrapers and commercial buildings. In the foreground, there are lower-rise buildings, a large Ferris wheel, and a multi-lane highway with several cars. A thick, solid purple horizontal line is drawn across the middle of the image, partially obscuring the buildings behind it.

# Analysis of Select Complete Communities

Walls & Associates. 2020. National Establishment Time-Series (NETS) Database.

Photo Credit: Greater Houston Partnership (2020)





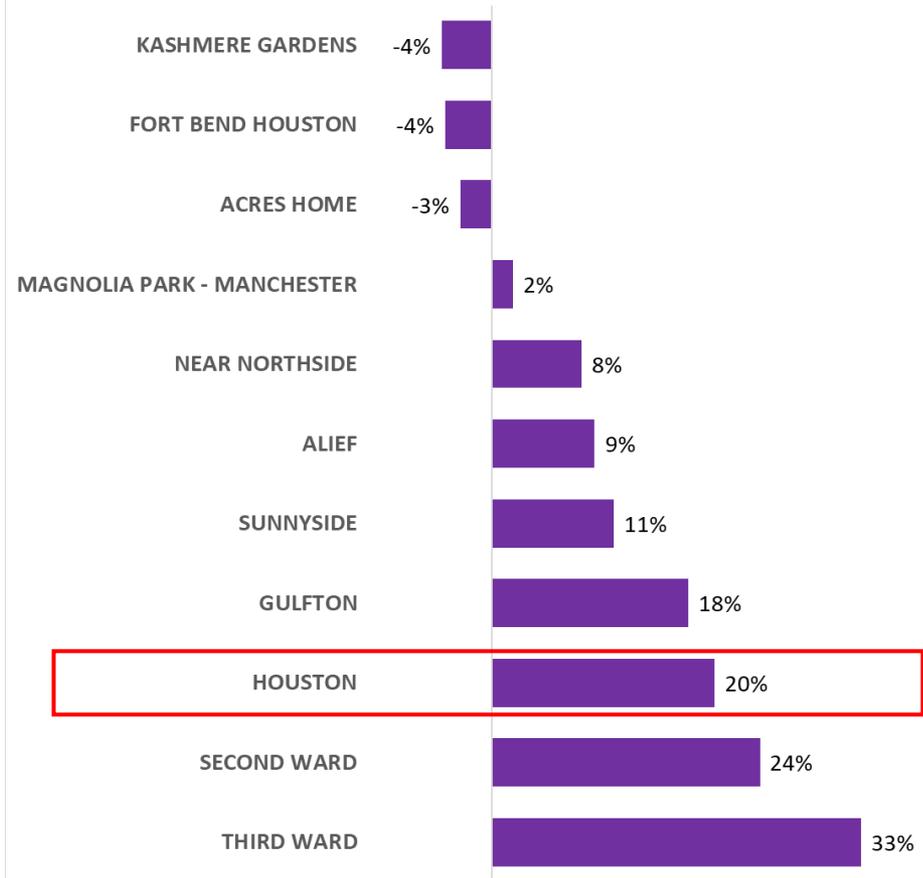
# Establishments and Employment

# Number of Establishments: Complete Communities (2020)

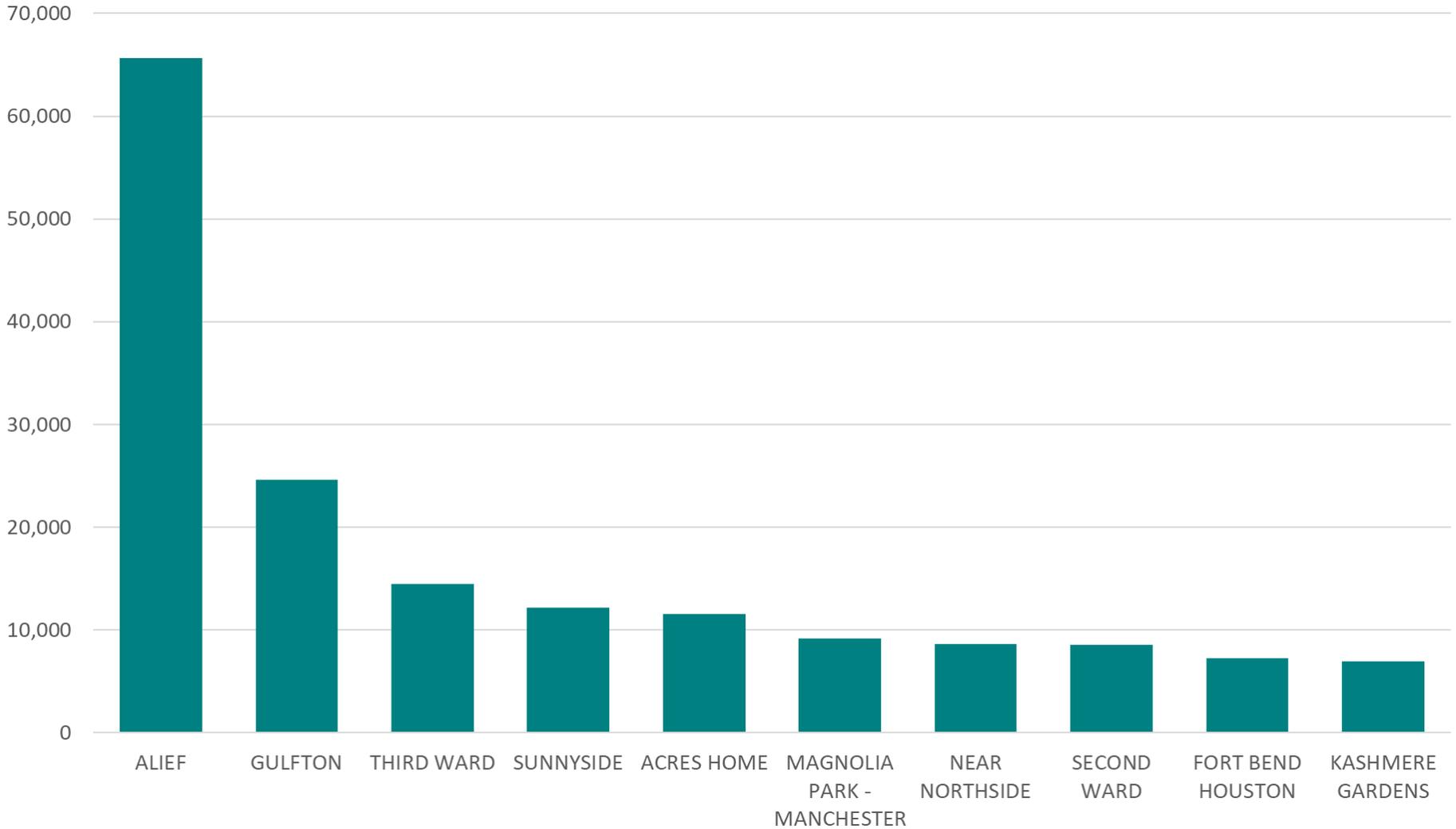


# Change in the Number of Establishments (2014-2020)

- The number of establishments in the City of Houston has grown considerably from 2014 to 2020
- Most complete communities stayed relatively steady in regard to change in establishments
  - Most saw less growth than the City as a whole
- Third Ward (33%) and Second Ward (24%) realized the largest growth
- Three communities – Kashmere Gardens, Fort Bend Houston, and Acres Home – saw a decline in the number of establishments
  - Only slight decline

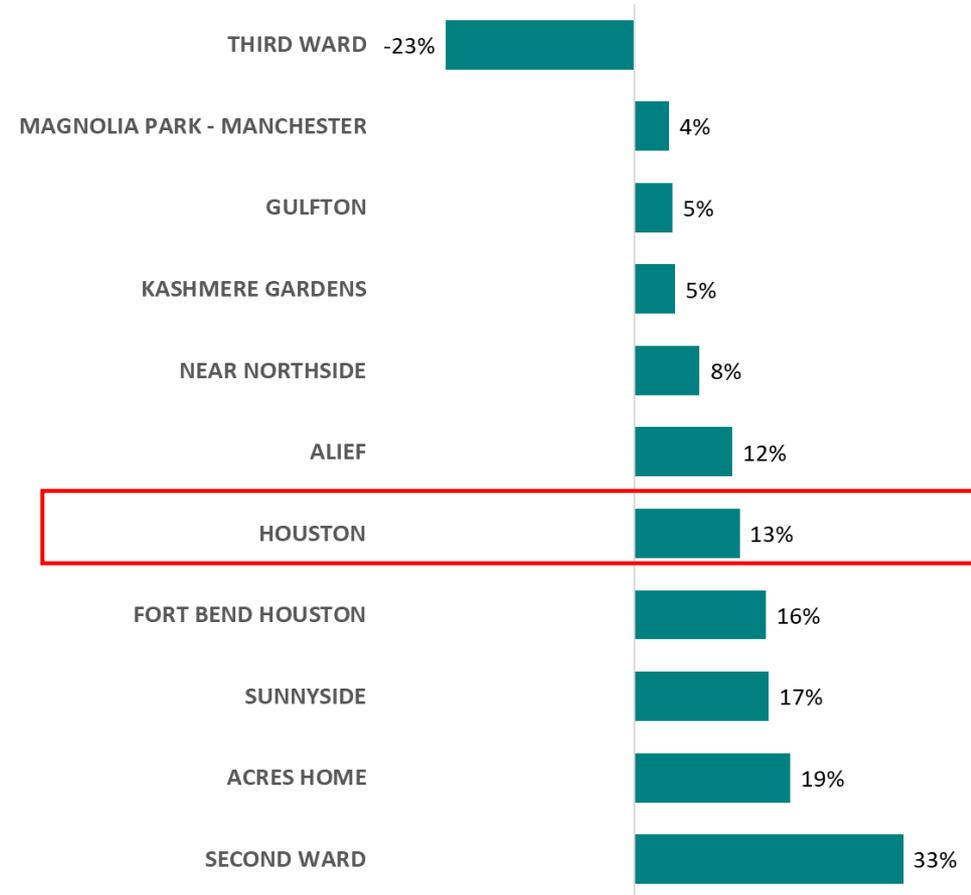


# Employment: Complete Communities (2020)



# Change in Employment (2014-2020)

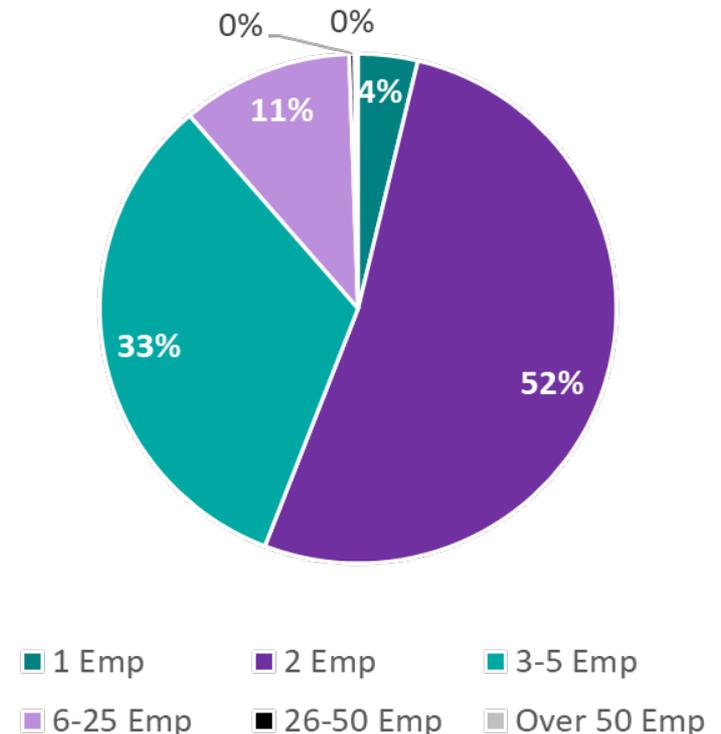
- Overall, employment in Houston increased but the change was more moderate, increasing by only 13% from 2014 to 2020.
- Most complete communities experienced growth similar to or slightly lower than City of Houston overall
- Second Ward saw the largest increase in employment by far.
- Employment declined in only one community (Third Ward)
  - Interesting as Third Ward saw the largest increase in number of establishments
  - Institutions of higher education (U of H and TSU) are the largest employers in the area and there was a large decrease in employment from 2014 to 2020.

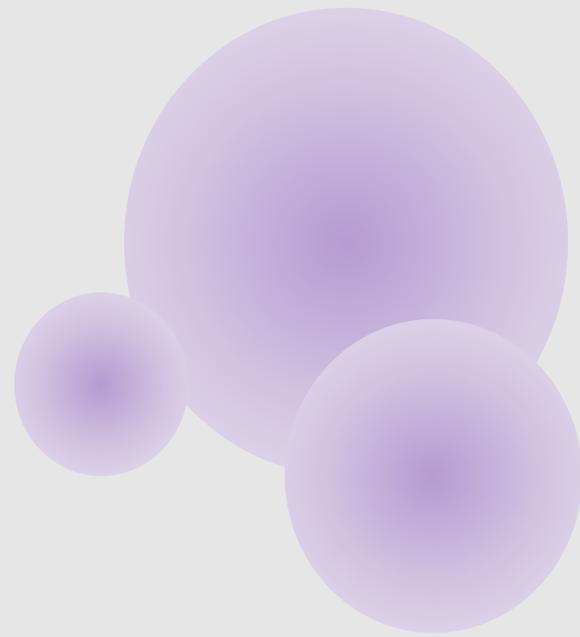


# Total Births by Employer Size Across All Communities

- Most new businesses (56%) have 1 or 2 employees
  - 89% of new businesses are small businesses with 5 employees or fewer
- This helps to explain why the number of establishments increased by a higher percentage relative to the increase in employment

Percentage of Births by Employment Size Across All Communities





# | Industries

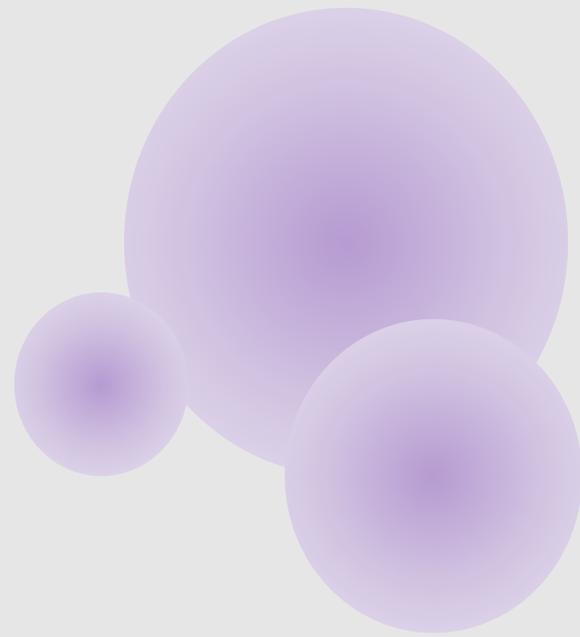
# Employment by Industry in Complete Communities

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- The largest industry in all 10 complete community areas is the Services industry
- Retail Trade and Manufacturing also have a strong presence in the complete communities
  - Retail Trade over 20% of employment share in Fort Bend Houston, Gulfton, Magnolia Park, Near Northside
  - Manufacturing over 20% of employment share in Second Ward and Sunnyside
- Employment within the complete communities is highly concentrated among Retail and Service industries

# Employment Share of Top Three Industries

Complete Communities	TOP THREE LARGEST INDUSTRIES (BY EMPLOYMENT)						Cumulative Share of Top 3
	1	% of Total Emp.	2	% of Total Emp.	3	% of Total Emp.	
THIRD WARD	SERVICES	80%	RETAIL TRADE	11%	FINANCE	4%	95%
FORT BEND HOUSTON	SERVICES	58%	RETAIL TRADE	21%	TRANSPORTATION	7%	86%
ACRES HOME	SERVICES	54%	RETAIL TRADE	16%	CONSTRUCTION	15%	85%
SECOND WARD	SERVICES	40%	MANUFACTURING	24%	RETAIL TRADE	14%	78%
KASHMERE GARDENS	SERVICES	46%	MANUFACTURING	18%	RETAIL TRADE	13%	77%
ALIEF	SERVICES	43%	RETAIL TRADE	18%	MINING	15%	76%
GULFTON	SERVICES	45%	RETAIL TRADE	22%	TRANSPORTATION	9%	76%
NEAR NORTHSIDE	SERVICES	45%	RETAIL TRADE	21%	MANUFACTURING	9%	75%
SUNNYSIDE	SERVICES	37%	MANUFACTURING	20%	WHOLESALE TRADE	12%	69%
MAGNOLIA PARK - MANCHESTER	SERVICES	29%	RETAIL TRADE	21%	MANUFACTURING	19%	69%



# Business Turnover

# Tracking Business Turnover

- **Business Birth:** A Birth occurs when a business appears in the NETS database in a particular year but did not exist in the prior time period (e.g. business A is a birth if it exists in 2020 but did not exist in 2014).
- **Business Move In:** A Move In represents a business that is listed within a particular geography of interest (e.g. corridor) in one time period but outside of that boundary in the previous time period (e.g. business A is a move in if it was outside the corridor in 2014 but is now inside the corridor in 2020).
- **Business Death:** A Death occurs when a business appears in the NETS database in a particular year but did not exist in the subsequent time period (e.g. business A is a death if it exists in 2014 but not in 2020).
- **Business Move Out:** A Move Out represents a business that is listed within a particular geography of interest (e.g. corridor) in one time period but outside of the boundary in the subsequent time period (e.g. business A is a move out if it was inside the corridor in 2014 but is now outside the corridor in 2020).

# Measuring Inflow and Outflow of Establishments

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- Inflow rate:

*(Birth + Move In)*

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*Number of Unique Establishments between 2014 and 2020*

- Outflow Rate:

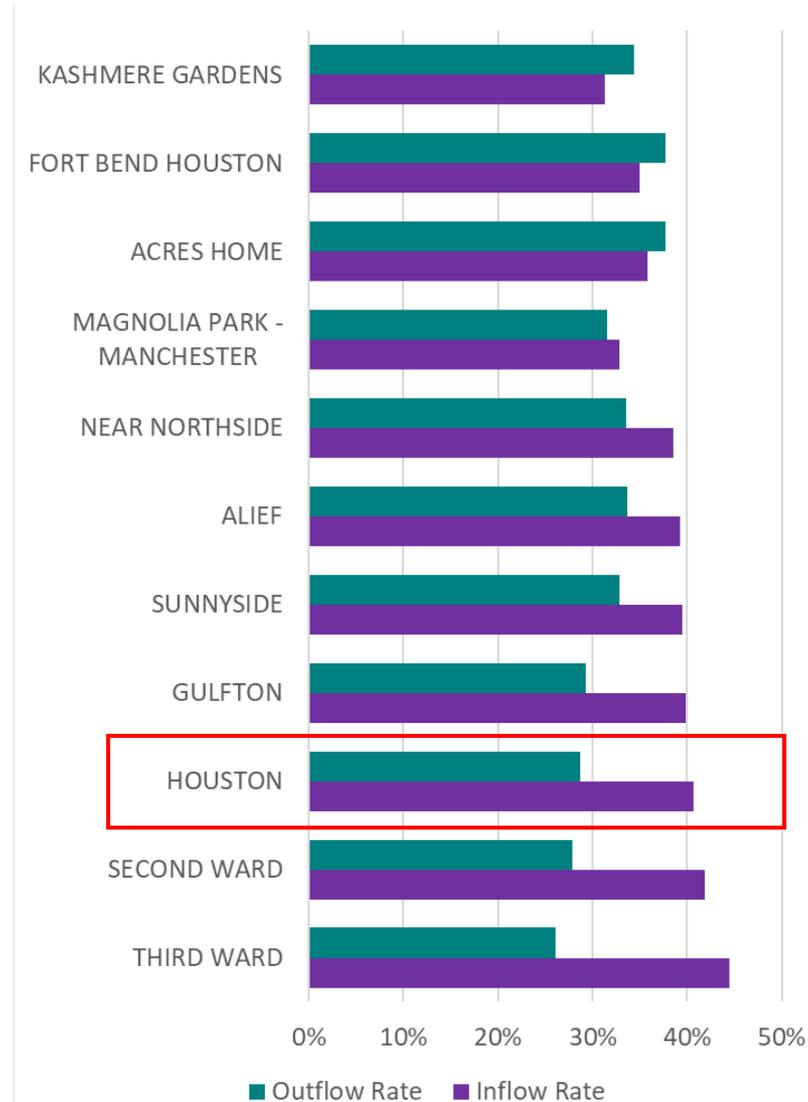
*(Death + Move Out)*

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*Number of Unique Establishments between 2014 and 2020*

- Comparing the inflow and outflow rate can shed light on economic activity within an area.
- A healthy turnover can be a sign of corridors adapting to the changing economic landscape. However, rapid turnover and long-term vacancies can have a detrimental impact on the quality of the corridor.

# Inflow and Outflow of Establishments by Community



# Inflow and Outflow of Establishments by Community

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- 7 of 10 complete communities (70%) had an inflow rate that outpaced the outflow. The inflow was largely driven by increases in businesses in the Service and Retail industries.
- Areas with considerable inflow in other industries:
  - Finance: Alief, Gulfton, Near Northside, and Third Ward
  - Transportation & Utilities: Acres Home, Alief, and Gulfton
- 3 communities – Kashmere Gardens, Fort Bend Houston, and Acres Home – saw outflow outpace inflow. Outflow in these corridors is driven by Services and Retail.

# Private Business Establishments and Employment

	Firms 2014	Firms 2020	Birth*	Move In*	Death*	Move Out*	Emp 2014	Emp 2020
ACRES HOME	2,113	2,054	1,152	29	1,203	37	9,716	11,580
ALIEF	7,703	8,413	4,806	172	4,083	185	58,558	65,634
FORT BEND HOUSTON	1,813	1,737	955	20	1,030	21	6,220	7,228
GULFTON	2,977	3,502	1,881	91	1,328	119	23,547	24,653
KASHMERE GARDENS	624	596	270	14	290	22	6,584	6,913
MAGNOLIA PARK - MANCHESTER	1,050	1,070	499	14	471	22	8,800	9,179
NEAR NORTHSIDE	1,305	1,410	787	31	685	28	8,003	8,647
SECOND WARD	806	1,000	553	28	360	27	6,440	8,571
SUNNYSIDE	1,160	1,287	731	25	597	32	10,454	12,187
THIRD WARD	820	1,092	636	22	366	20	18,852	14,492

\*Because Births and Deaths are calculated with a time lag, in some cases the difference in the number of establishments between 2014 and 2020 will vary from the sum of Births and Move Ins minus the sum of Deaths and Move Outs.

An aerial, grayscale photograph of a dense urban skyline, likely Houston, Texas. The image shows numerous skyscrapers of varying heights and architectural styles, interspersed with lower-rise commercial buildings. In the foreground, a multi-lane highway with several cars is visible, curving through the lower right. A Ferris wheel is also visible near the highway. A thick, solid purple horizontal line is superimposed across the middle of the image, partially obscuring the buildings behind it.

# Detailed Commercial Corridors

Walls & Associates. 2017. National Establishment Time-Series (NETS) Database.

Photo Credit: Greater Houston Partnership (2020)

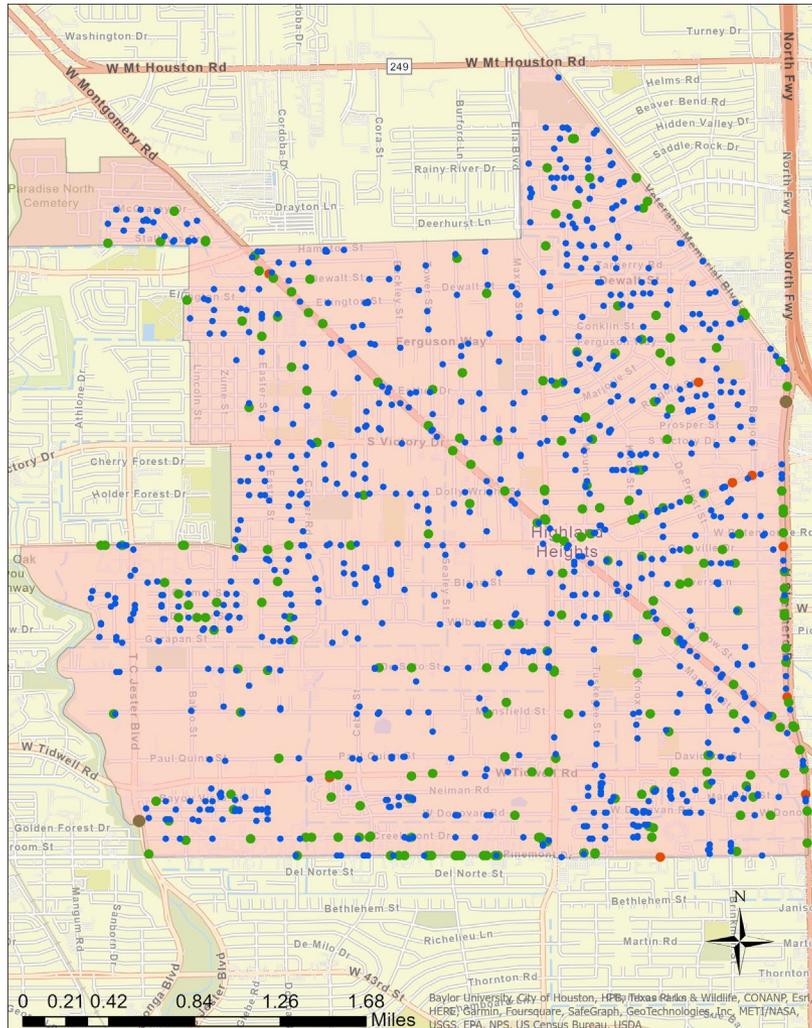
# Housing and Commercial Activities

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- Evidence suggests that neighborhood housing markets and commercial districts can have a reciprocal relationship
  - **A strong housing market** can attract businesses into corridors, and a vibrant commercial corridor can attract residents into surrounding neighborhoods
  - **A weak housing market** can make a commercial corridor less attractive to investors and customers, and a declining corridor can have a negative effect on the neighborhood's residential market

# Acres Homes

## PRIVATE FIRMS IN ACRES HOME, 2020



### Number of Establishments

● 1 ● 2-5 ● 6-10 ● 11-20 ● Greater than 20

	<u>2014</u>	<u>2020</u>
ESTABLISHMENTS	1,498	1,504
EMPLOYMENT	7,807	9,571

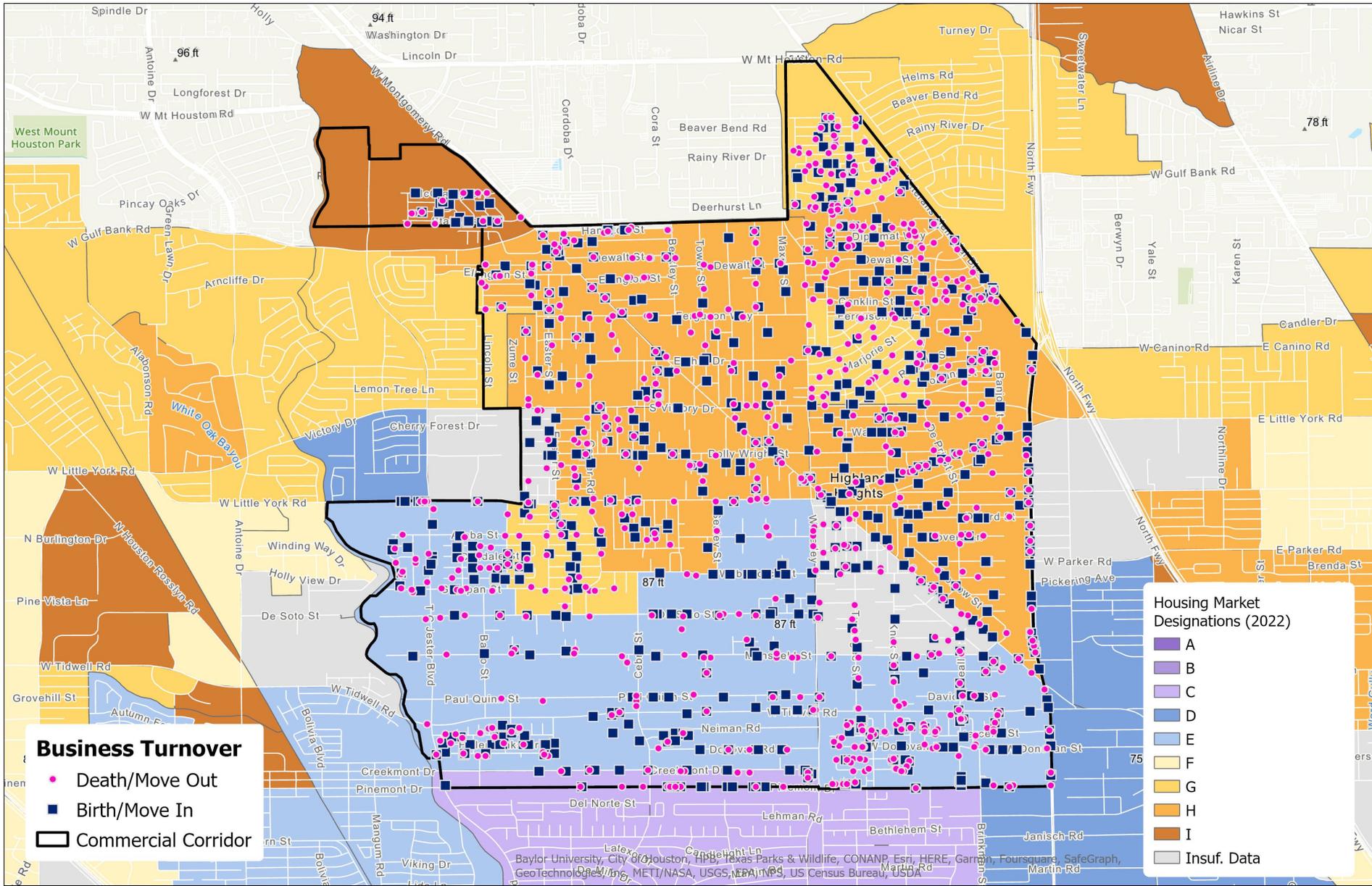
### TOP 5 LARGEST PRIVATE INDUSTRIES (BY EMPLOYMENT)

Educational Services	1,763	1,671
Heavy Construction, Except Building Construction, Contractor	30	1,032
Construction - Special Trade Contractors	833	813
Business Services	579	756
Membership Organizations	401	502

### FIRMS BY EMPLOYMENT SIZE

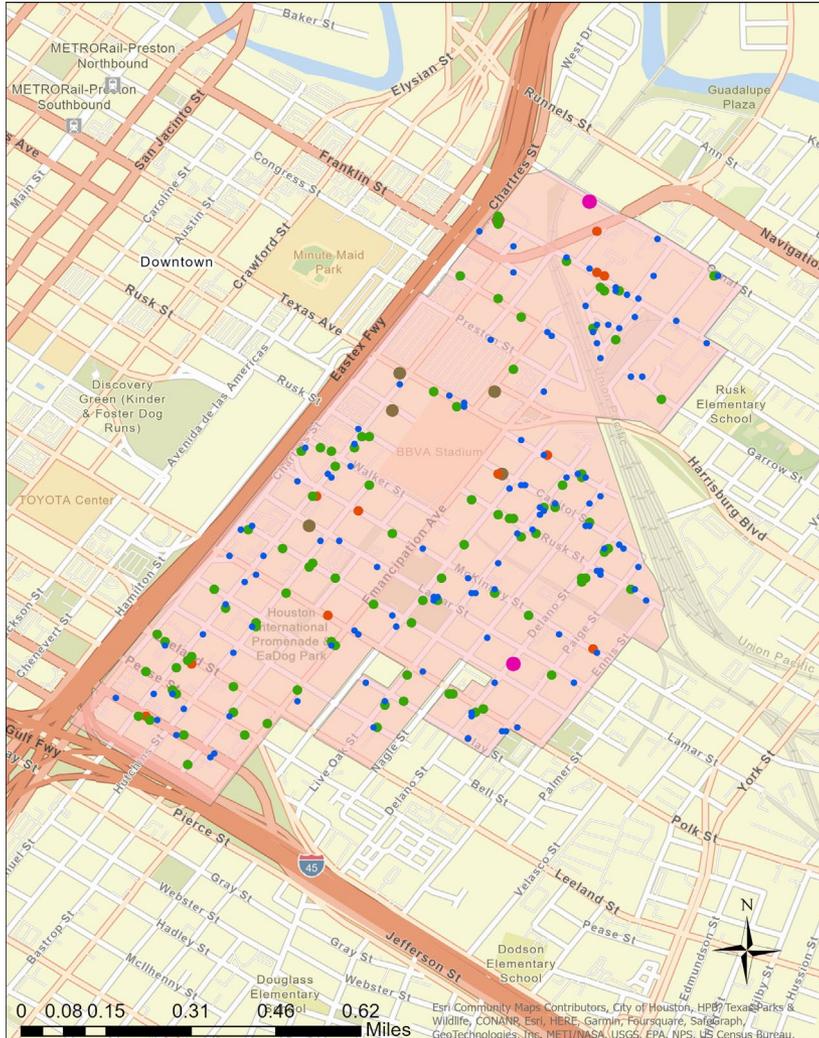
Less than 5	80%	79%
5 to 49	18%	19%
50 or more	3%	2%

# Business Turnover in Acres Homes, 2014-2020



# East Downtown

## PRIVATE FIRMS IN EAST DOWNTOWN, 2020



### Number of Establishments

- 1
- 2-5
- 6-10
- 11-20
- Greater than 20

	<u>2014</u>	<u>2020</u>
ESTABLISHMENTS	319	585
EMPLOYMENT	2,558	3,588

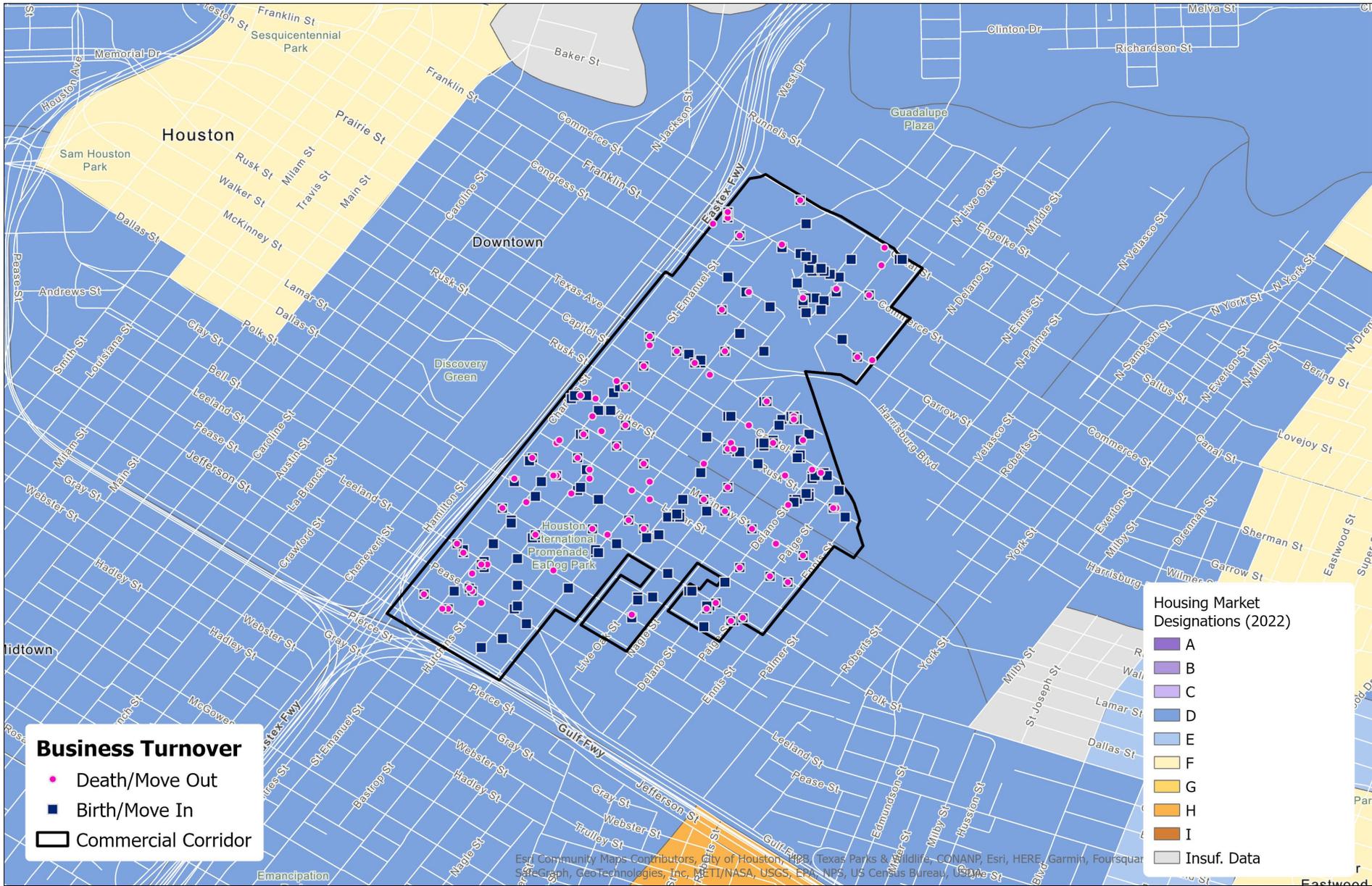
### TOP 5 LARGEST PRIVATE INDUSTRIES (BY EMPLOYMENT)

Eating and Drinking Places	260	616
Business Services	99	382
Local & Suburban Transit & Interurban Highway Transportation	401	334
Wholesale Trade - Nondurable Goods	248	275
Engineering, Accounting, Research, and Management Services	71	192

### FIRMS BY EMPLOYMENT SIZE

Less than 5	69%	74%
5 to 49	29%	25%
50 or more	2%	1%

# Business Turnover in East Downtown, 2014-2020



Esri Community Maps Contributors, City of Houston, WPS, Texas Parks & Wildlife, CONANP, Esri, HERE, Garmin, FourSquare, SateGraph, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA

# Greater Houston

## PRIVATE FIRMS IN GREATER HOUSTON, 2020

**2014**      **2020**

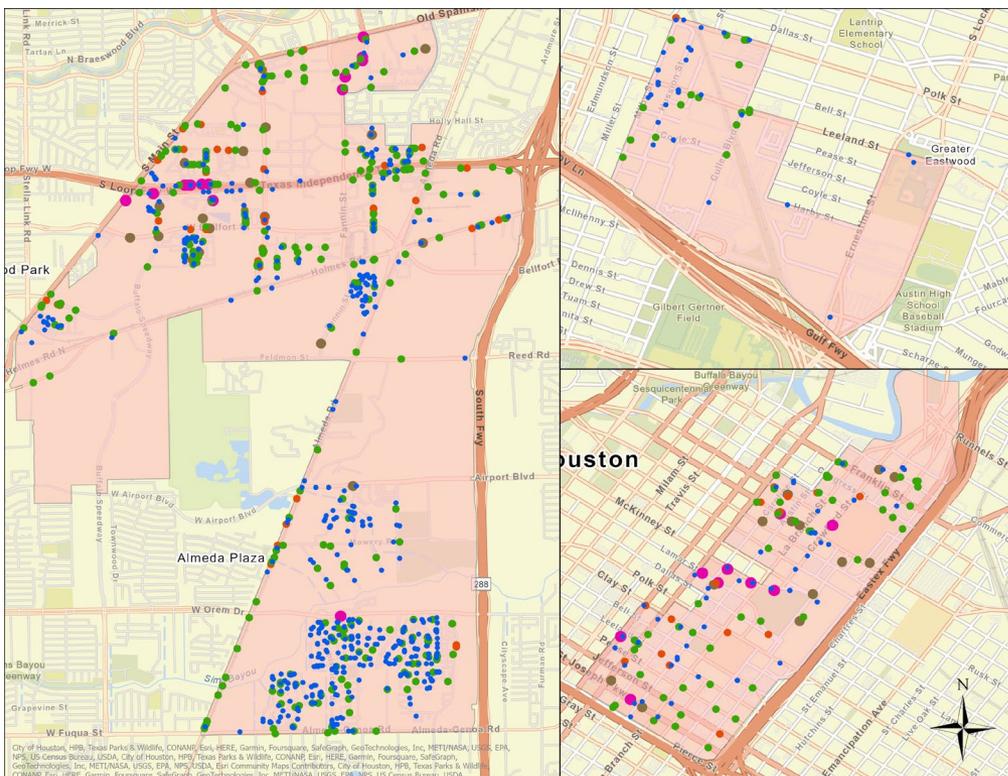
ESTABLISHMENTS	3,069	3,886
EMPLOYMENT	45,003	54,168

### TOP 5 LARGEST PRIVATE INDUSTRIES (BY EMPLOYMENT)

Health Services	9,791	12,866
Business Services	4,641	8,097
Engineering, Accounting, Research, and Management Services	3,895	4,488
Eating and Drinking Places	2,350	2,979
Wholesale Trade - Durable Goods	1,754	2,059

### FIRMS BY EMPLOYMENT SIZE

Less than 5	61%	66%
5 to 49	34%	30%
50 or more	6%	4%

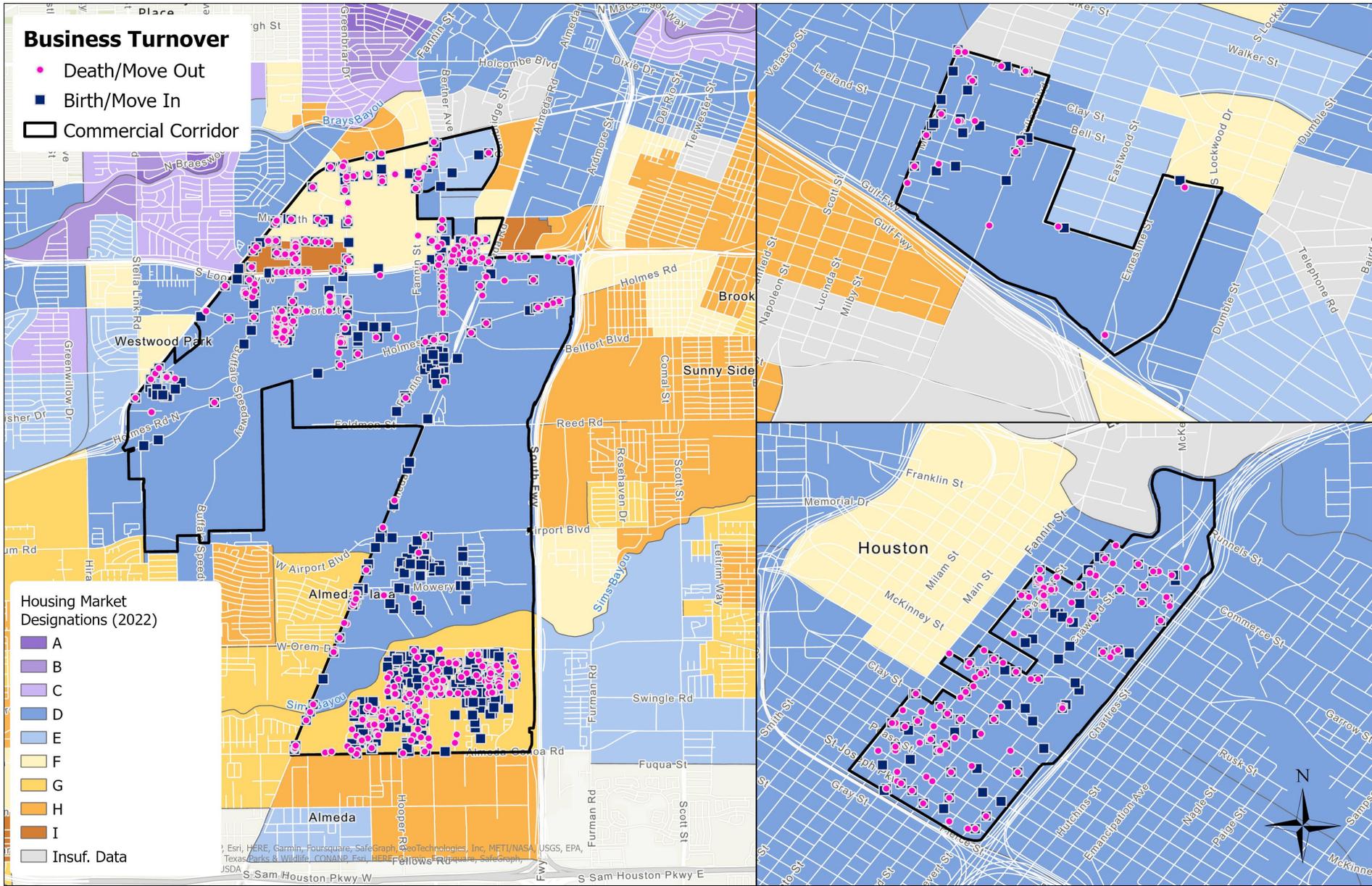


### Number of Establishments

- 1
- 2-5
- 6-10
- 11-20
- Greater than 20

City of Houston, HPB, Texas Parks & Wildlife, CONAMP, East HERE, Garmin, Foundsquare, SafeSight, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA, City of Houston, HPB, Texas Parks & Wildlife, CONAMP, East HERE, Garmin, Foundsquare, SafeSight, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA, City of Houston, HPB, Texas Parks & Wildlife, CONAMP, East HERE, Garmin, Foundsquare, SafeSight, GeoTechnologies, Inc, METI/NASA, USGS, EPA, NPS, US Census Bureau, USDA

# Business Turnover in Greater Houston, 2014-2020



# Summary of Key Findings

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- Overall, private economic investment has increased across the City of Houston from 2014 to 2020 bringing more establishments and more jobs.
  - Inflow of establishments outpaced outflow in most communities around the city
- Increases in establishments are driven by small businesses and are concentrated mostly in the service and retail industries.
- Increases are most pronounced in East Downtown, Southwest Houston, Uptown, and near Downtown.
- Considering percent change over time, investment in TIRZ areas (commercial corridors) has outpaced investment in the broader Complete Communities areas, which may be expected given the purpose of the TIRZ.

# How might the data be used?

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- Normative assumptions
  - Public policy and subsidy must leverage private investment or create conditions for investment to occur
  - In distressed markets, build from strength by investing near strong assets
- Provides context to understand changes in housing market
- Understanding shifts in industry can point to potential strengths or vulnerabilities in Houston's economy
  - Increase in retail and COVID
- Identifying where turnover is rapid and vacancy is high can provide evidence toward identifying “at-risk” housing markets