Houston's
billion dollar
shake up

Introduction

When we first began our coverage of the Houston area, we were focused on a specific neighborhood at a specific moment in time: the city's **Central Business District.** In this document we will zoom-out to examine migration patterns for the entire 9 county Houston area over the whole of 2020. Our objectives are fourfold:

- Determine the net +/- migration flow for each of Houston's 9 counties

- Measure the gross +/- income change based each county's net migration flow

- Identify statistical trends and outliers to highlight key data points

- Provide insight as to risks and opportunities for retailers, CREs and government

To conduct our analysis, we examined inflow and outflow movements in the Houston area using our **Migration Patterns** platform combined with our Emerging Areas data set. Average income data is pulled from the American Census Service and rolled-up to the county level. All data is privacy compliant and **used for good.**

MIGRATION PATTERNS

Migration Patterns is a set of products for analyzing shifts in population. Currently, the package includes three datasets: Home-based Origin-Destination Flux (OD Flux), Population Distribution Trends (PDT), and Emerging Areas (EA).

Home-based Origin-Destination Flux (OD Flux) derives moves from changes in home location of a device and therefore is able to capture the origin and destination of each move. In order to assess that a move happened with certain confidence, an observation window of several weeks (currently 8) is required, which means that our insights are more certain, however, come with a delay of approximately half of the observation window (4 weeks).

Population Distribution Trends (PDT) is a metric that measures the proportion of devices in each state or county at a weekly snapshot. When a mass of people moves from one area to another, the proportion shifts accordingly. This metric is useful for analyzing the momentary situation, as it has no delay. Compared to OD Flux it doesn't provide information about directionality of the moves or their permanency.
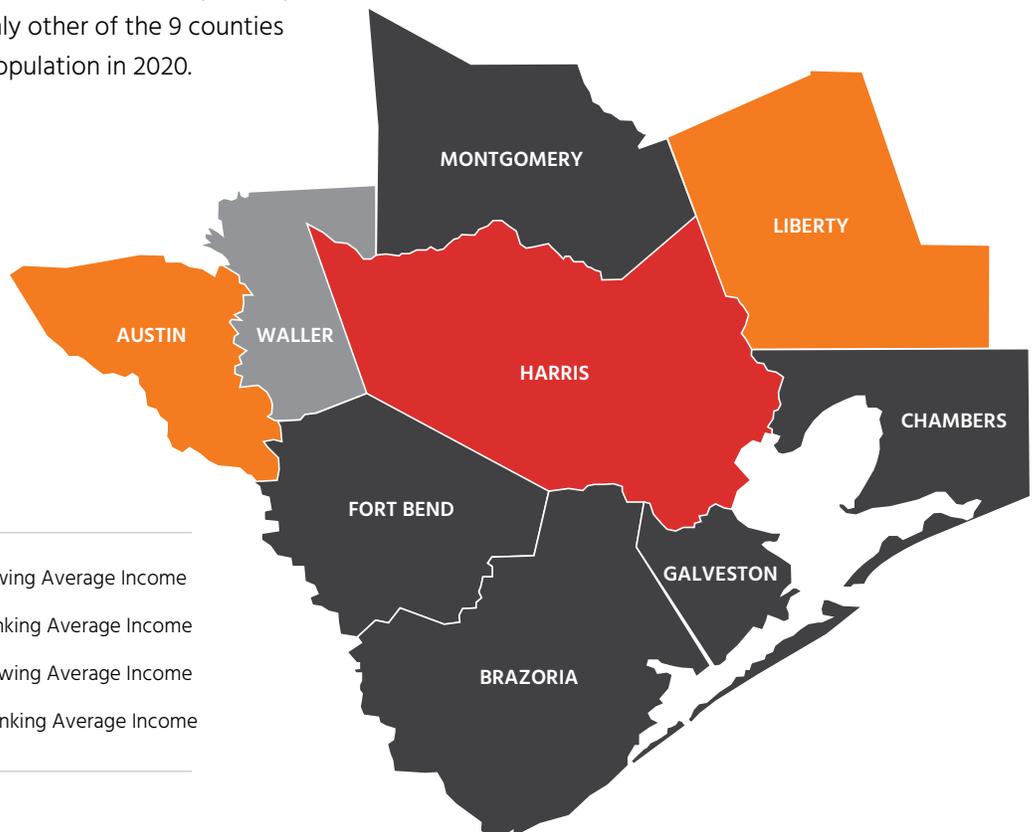
Share the pain

While some counties are surviving and others even thriving, Harris County and the city itself, as well as counties to the south are hurting. The situation in downtown Houston's Central Business District has been grim for some time, as referenced in our 2020 **blog post** about foot traffic in the neighborhood.

From a high level, people are generally moving from the center of the greater Houston area, specifically the city and Harris County, and outwards towards the northern and western counties. Many of those who left Harris County settled in a neighboring county.

Montgomery, Fort Bend and Liberty were the top population benefactors. Other than Harris (-10,000), Waller (-500) was the only other of the 9 counties to record a net loss of population in 2020.

Houston area migration 2020

COUNTY	+/- POPULATION	+/- INCOME
Austin	+100	+$10,000,000
Liberty	+1,100	+$130,000,000
Montgomery	+6,500	-$600,000,000
Brazoria	+600	-$550,000,000
Chambers	+500	-$120,000,000
Fort Bend	+6,300	-$1,900,000,000
Galveston	+1,100	-$80,000,000
Waller	-600	+$110,000,000
Harris	-10,000	-$740,000,000
	5,200	**-$3,750,000,000**

● Growing Population & Growing Average Income
● Growing Population & Shrinking Average Income
● Shrinking Population & Growing Average Income
● Shrinking Population & Shrinking Average Income

Along the Gulf Coast, Brazoria, Galveston and Chambers counties all recorded net population gains of between 300 and 1,000 people, but also a collective loss of average income. This is a result of the People With Money effect: people with higher average income moving away who are replaced by people with lower average income.

If 100 people earning $100k move away, that's $1 million gone.

+

If 80 people earning $75k move in to replace them, that's $600k arrived.

=

The net loss of income is -$400k.

In some cases, People with Money can have the opposite effect by causing a sudden infusion of population, income, or both to an area outside of, or bordering, a large urban area. This is one in a series of outliers in our findings for the Houston area that we will discuss next.

METHODOLOGY

Emerging Areas calculates the inflow, outflow, and netflow of people as well as the accompanying change in income for a given area. To calculate the total_net_flow of an area, we sum up all inflows into and outflows from an area and calculate the difference. Weekly data from Migration Patterns is aggregated monthly for this purpose.

To account for different numbers of weeks in a month, weekly_net_flow is the total_net_flow of the monthly aggregation divided by the number of weekly aggregations used in that month. As it is more robust against different aggregation time windows, we advise using the weekly_net_flow when comparing different periods against each other.

The income_inflow is calculated as the average of (census reported) median incomes of each origin weighted by the inflow number of moves. The income_outflow is the census reported median income of the area. The income difference can signal that people from areas with a different income profile are moving into an area. The census derived income variable is particularly useful when compared over time to detect changes in the profile of incoming moves.

Outliers explained

WACO

HOUSTON

A REVERSAL IN WACO –
In 2020, 2 people moved from Waco to Houston for every 1 that moved from Houston to Waco. That is a 100% reversal of 2019 when moves to Waco from Houston outpaced moves from Houston to Waco by 2:1.

REMEMBER THE ALAMO –
The Mission-Alamo area was the 7th most popular destination for those migrating from Houston in 2020. Mission did not rank in the top 10 in 2019.

7TH
MOST POPULAR

WALLER COUNTY GETS EXCLUSIVE –
While Waller County to the northwest of Houston has lost 600 people, People with Money who moved to town in 2020 raised the area income by about $110,000,000.

$ AREA INCOME RAISED BY ABOUT $110,000,000

FORT BEND TRANSFORMING –
Fort Bend County has gained citizens; about 6,000 of them. But the many People with Money who have left the area earned about 50% more on average than the new folks. The result? A staggering decline of -$1.9 billion in local income, and a clear indication of increased demand for services and real estate at lower price points.

-$1.9 BILLION IN LOCAL INCOME

OUT OF STATE MIGRATION DROPS –
The percentage of people from Houston who moved out of state fell by more than half in 2020 at 3.7%, compared to 7.9% in 2019. The top inbound and outbound states are the same: NY, NJ, PA, LA.

2019
7.9%
↓
2020
3.7%

In Summary

This analysis of the Houston area allows us to examine the whole of an urban metropolis as the sum of its parts, each in their own, unique context. As a region, Houston offers us some fascinating insights.

The continued, modest, growth of population is unique among major US cities we have examined. By comparison, in the same period, January thru December 2020, the NYC area lost ~93,000 people. Do not dismiss this differentiation.

That most of the loss of population came from the city proper and Harris County is a red flag for any investment in that area. For the interim at least, Harris County will continue to suffer from a loss of both population and income, and likely continue to account for most negative migration flow.

On the other hand, Montomery, Waller and other counties in the Houston area have clearly benefited from the Harris County exodus. Some ~30% of that county's migrants have landed in a neighboring county. So, while the money has not gone far, it has changed tax areas, and that will have massive consequences.

In the near future, expect a conversion to more downmarket brands, and continued shrinkage and stagnation in rental and leasing markets in downtown Houston. Expect the opposite in Waller where People with Money are flocking and will demand better consumer experiences and housing.

Finally, expect Galveston and the other counties along the Gulf Coast to grow slowly as more people with a lower average income move to the area. This will create demand for new consumer services and rental inventory, likely supplied by former residents that have migrated away, or the construction of new multi-family residences.

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