HOUSTON REGION economic outlook

GREATER HOUSTON **PARTNERSHIP**

DECEMBER 2025

HOUSTON REGION ECONOMIC OUTLOOK

DECEMBER 2025

Data in Houston Region Economic Outlook 2025 are current as of August '25 unless otherwise noted.

Houston Region Economic Outlook was compiled by the research team of the Greater Houston Partnership, including

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GREATER HOUSTON PARTNERSHIP.

ABOUT THE GREATER HOUSTON PARTNERSHIP

The Greater Houston Partnership works to make Houston one of the best places to live, work, and do business by bringing together business and community leaders to build a stronger, more prosperous, and resilient region. Through the strength and collaboration of our 900 member organizations and a broad network of partners across our 12-county region, we champion economic growth, shape smart policy, and elevate the economic opportunity and quality of life for all Houstonians.

The Partnership was formed in 1989 in a merger of the Greater Houston Chamber of Commerce, the Houston Economic Development Council and the Houston World Trade Association.

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INTRODUCTION

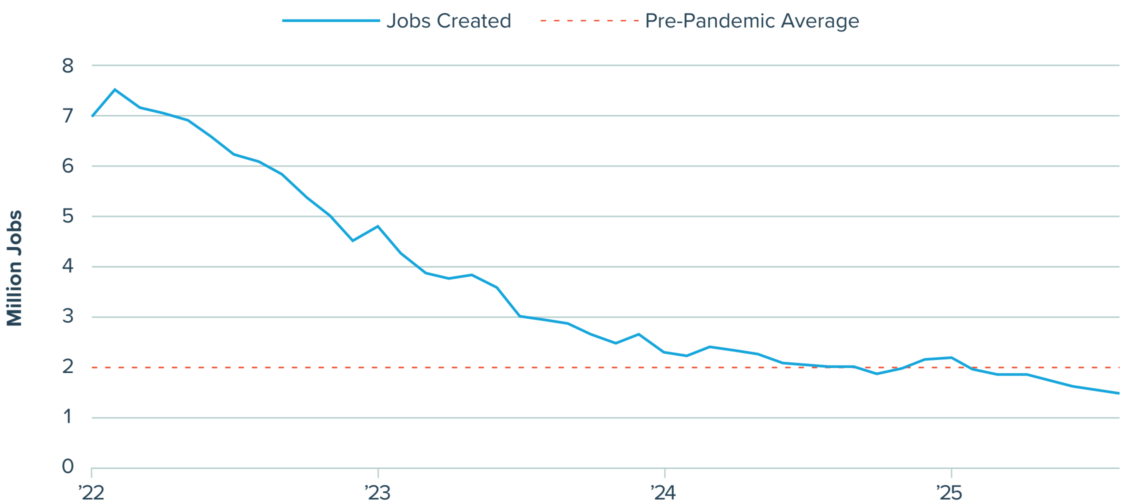
The U.S. economy is charting new waters in '25. After several years of rapid post-pandemic expansion, growth continues, but at a more subdued pace than many have come to expect. A cooling labor market, elevated geopolitical uncertainty, a renewed uptick in inflation, and softer business expansion all create challenges for the national economy. But the outlook is far from bleak: economic output remains steady, recession risks are low, layoffs have not substantially increased, and household spending continues to propel growth. Against this national backdrop, Houston is positioned for expansion, though broader dynamics in the macroeconomy are likely to impact its pace of growth.

ECONOMIC OVERVIEW

U.S. Employment

The U.S. labor market has slowed down from the dramatic pace of growth experienced in the immediate pandemic rebound. Between '21 and '23, the U.S. added an average of roughly 4.7 million workers each year as the economy went into overdrive to recover lost jobs. By '24, the job growth rate came back to earth with a more typical 2.1 million jobs added during the year. In '25, job growth slowed even further, falling below the pre-pandemic trend with just 1.3 million jobs added as the labor market encountered new headwinds.

U.S. JOBS CREATED IN THE PREVIOUS 12 MONTHS



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Macroeconomic conditions shifted early in the year, with greater business uncertainty on issues like trade policy, interest rates, and the growing prominence of new A.I. technologies. Many businesses responded to this unfamiliar landscape by pulling back on expansion and hiring, choosing instead to emphasize cost discipline and improving the productivity of existing workers.

As a result of these shifts, monthly U.S. job openings fell from 7.7 million to 7.2 million between January and August, while layoffs held steady at about 1.7 million over the same period. In other words, the job market slowdown simply reflects less hiring and not more firing. This is different from a recessionary pattern: the labor market is still expanding, just modestly, with employers pulling back on new hiring while holding on to the workers they already employ.

Even as terminations remain low, the U.S. unemployment rate has ticked up from an average of 4.0 percent in ’24 to 4.2 percent in ’25 as new job seekers enter a workforce with fewer available openings. The U.S. unemployment rate overall averaged at 6.2 percent in the decade before the pandemic – the lower rates of around 4.0 percent during the past few years are unusual over the longer course of U.S. history. So, while national unemployment rates have ticked up slightly in ’25, they remain below long-term norms.

The conditions that led to a slower job market are unlikely to fade quickly. Job growth should remain positive but subdued through the opening months of ’26, with a rebound possible later in the year. The national unemployment rate is expected to rise slightly, though it should remain below 5.0 percent.

U.S. Economic Output

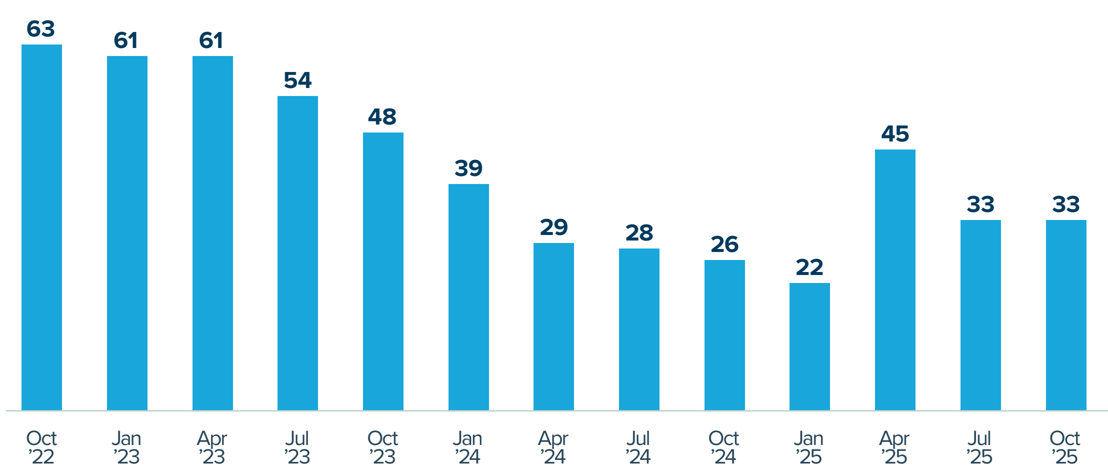
Despite the softening labor market, economic output has continued to expand through the first half of ’25. Gross domestic product (GDP), the broadest measure of U.S. output, grew with the nation producing almost 24 trillion dollars of goods and services for the 12 months ending in Q2 ‘25. The GDP growth rate briefly turned negative in Q1 (-0.6 percent) as tariff uncertainty prompted firms to stockpile imported inventories and temporarily displace domestic production. However, growth rebounded quickly to 3.8 percent in Q2, and forecasters at the Federal Reserve Bank of Atlanta expect strong expansion in Q3.

Bureau of Labor Statistics data shows U.S. manufacturing output rebounded in Q2 with 2.4 percent growth after a Q1 decline, led by greater productivity in durable goods.

A renewed focus on productivity, cost discipline, and the adoption of new A.I. technologies suggest that economic output will continue to outpace job growth. However, without broader business expansion and additional hiring, these forces are more likely to support moderate growth than to ignite a period of rapid acceleration.

While this trajectory may be slower than what we have become accustomed to in recent years, it still represents forward momentum with relatively low odds of a recession. An October ’25 Wall Street Journal survey of economists puts the probability of a U.S. recession in the next 12 months at 33 percent. That figure is higher than the 22 percent reported in January, but lower than the peak of 45 percent reached in April, when uncertainty over trade policy was at its highest.

% PROBABILITY OF A RECESSION IN THE NEXT 12 MONTHS



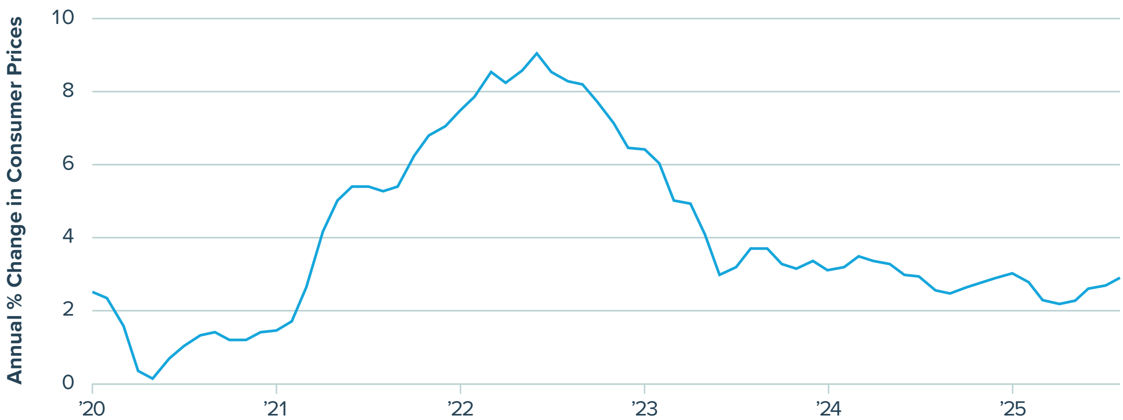
Source: The Wall Street Journal

U.S. Consumer Conditions

Consumers have continued to spend even as business expansion has slowed. According to U.S. Bureau of Economic Analysis figures released at the beginning of '25, consumers were on pace to spend $20.5 trillion for the year, but by August their pace of spending had risen to $21.2 trillion. Strong consumer demand has helped buoy the broader economy, offsetting weaker business activity and preventing a more widespread slowdown.

Still, consumers are concerned about rising costs. Inflation, as measured by the year-over-year change in the Consumer Price Index for All Urban Consumers (CPI-U), has ticked up to 3.0 percent in September from 2.3 percent in April as businesses have begun passing tariff-related costs on to their customers. In the short term, inflation may spur additional purchases as consumers try to get ahead of price increases, but over time it tends to slow spending as household wealth erodes and policy makers raise interest rates to curb demand.

U.S. INFLATION RATE



Source: U.S. Bureau of Labor Statistics, CPI-U

Energy Markets

The natural gas market has demonstrated notable strength in '25. Production climbed to a record 108 billion cubic feet per day in August, a 4.7 percent increase over '24, driven largely by rising international demand. Liquefied Natural Gas (LNG) exports expanded by 35 percent between July '24 and July '25, setting a new high even as domestic consumption remained steady. Output is projected to peak in December '25 before moderating slightly in '26. Even with this modest pullback, the sector should remain a stabilizing force for Houston's economy, insulating it from volatility elsewhere.

Conditions have been less favorable for crude oil markets. The price of West Texas Intermediate (WTI), the light, sweet benchmark that reflects most Texas production, declined steadily in '25, falling to approximately $64 per barrel in September from $75 per barrel in January. This downward trend has reduced cash flow, capital spending, and new drilling activity among exploration and production firms, even as it has strengthened margins for refiners and processors that benefit from lower input costs.

Nonetheless, U.S. crude production has continued to climb, rising from 13.1 million barrels per day in January to a record 13.7 million barrels per day in September. Productivity gains, technological improvements, and efficiencies in well management have enabled operators to extract more from existing assets, sustaining higher output levels with fewer workers, even as lower prices discourage new drilling and exploration.

The U.S. Energy Information Administration (EIA) projects that the price of WTI will slip further in '26 as oil production in foreign countries increases faster than demand and inventories accumulate. As of late October, the EIA anticipates that WTI will trade for

WEST TEXAS INTERMEDIATE CRUDE OIL SPOT PRICE

Source: U.S. Energy Information Administration, Short Term Energy Outlook Oct ’25

approximately $49 a barrel for much of next year. Current market activity (circa October ’25) suggests that prices in ’26 may be higher, with futures contracts on WTI to be delivered in ’26 selling for around $58 a barrel on the Chicago Mercantile Exchange. But even this higher futures price represents a decline from the current spot price of $64 a barrel.

If oil prices fall and remain low, job growth in the Houston area will face challenges. Despite decades of diversification, upstream energy companies, and the firms that support drilling, still play an important role in the regional labor market. Lower prices reduce incentives for new wells, cutting demand for engineering, oilfield services, machinery, fabricated metal products, pipeline construction, storage facilities, and administrative support services that many energy firms rely on. While some of these losses may be offset by stronger margins in refining and other downstream sectors, those industries are capital-intensive and do not employ as many people. Houston’s overall employment base remains more closely tied to upstream activity, which also produces significant spillover benefits for local industries unrelated to energy. Assuming other conditions remain the same, lower WTI prices would restrain hiring, investment, and multiplier effects across the region.

A Snapshot of Houston

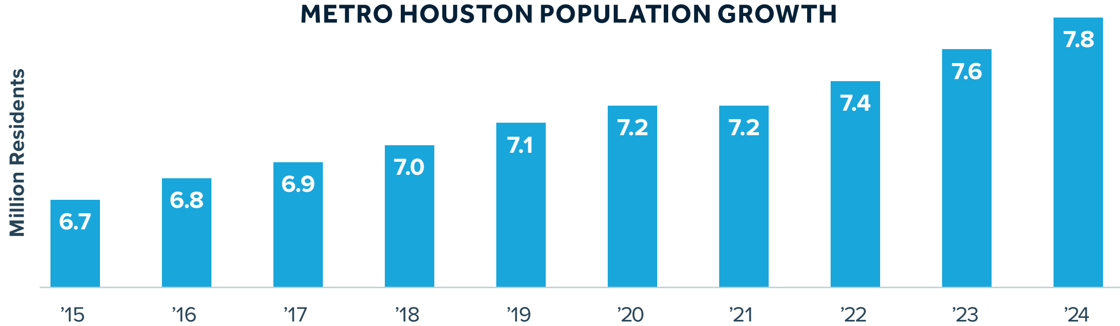
While the broader U.S. economy faces mounting challenges and energy markets show signs of softening, Houston has several strengths that help keep the regional economy resilient. It currently has the fastest-growing economy of any major U.S. metro: from ’21 to ’23, Houston’s GDP surged 25.1 percent, the strongest gain among the 20 most populous metros. That growth rate was nearly double the pace seen in leading coastal economies such as New York, Los Angeles, and San Francisco.

Houston’s dynamism stems from several key strengths, beginning with its diverse industrial base. While the “Energy Capital of the World” title is well earned, the region is far more than an oil and gas hub. Over recent decades, Houston has broadened its economy, with major job gains in health care, advanced manufacturing, and professional and technical services, among other sectors. Health care has been the region’s most consistent engine of job growth, offering stability even during downturns. Advanced manufacturing is another rising force, with significant new investments in computer hardware, pharmaceuticals, and solar cell production poised to create thousands of jobs in the years ahead. With new tariffs and shifting trade policies influencing more onshoring, Houston could capture even more of this activity.

Houston also benefits from a young and growing population. It is the youngest major metro in the U.S., with more than one in four residents under age 18. Over the past decade, the region has added more than one million residents, a 20.1 percent increase. Among the nation's 20 largest metros, only Orlando grew faster at 26.7 percent, though Houston's gains of roughly 1.3 million people were far larger in absolute terms. In '24, Houston led all major metros in both birth rates and net migration, attracting newcomers from across the country and around the globe. Unlike retiree destinations such as Florida, most people move to Houston to work, supplying a steady pipeline of young talent that will help power the region's workforce in '26 and beyond.

International migration has fueled much of Houston's recent boom, supplying workers, families, and entrepreneurs who have helped drive the region's growth. New federal policies aimed at limiting immigration have raised concern among employers that the talent pipeline could slow. Yet, as of October '25, the impact of these policies on local jobs data is ambiguous. Industries that depend heavily on foreign-born workers, like construction and restaurants, are still adding jobs. Impacts from tighter immigration rules may emerge gradually over the coming years rather than overnight.

METRO HOUSTON POPULATION GROWTH



Source: U.S. Census Bureau Metro Population Estimates

THE FORECAST

Forecast Model

This year's employment forecast is based on a new statistical model that analyzes how broad macroeconomic forces like consumer spending, industrial production, and energy prices have historically influenced the region's labor market. By examining these relationships, the model can detect recurring patterns and turning points, helping predict how local employment will evolve based on macroeconomic expectations for the months ahead. While the underlying methods are technical, the goal is simple: to create a clearer, data-driven picture of where Houston's job market is likely to head.

The model incorporates forecasts of national economic drivers developed by S&P Global, the U.S. Energy Information Administration, and the Partnership's own analysis. These forecasts act as guiding signals, helping the model account for broad economic forces that shape the region's employment landscape. By weaving these expectations into the analysis, the model is better able to anticipate shifts in the local economy rather than simply extending past trends forward.

In keeping with the analysis provided in earlier sections, the employment forecast assumes that the macroeconomic environment in '26 will feature:

- **Modest U.S. job growth**, slower than in recent years and below the long-term trend. Hiring is expected to remain soft through spring before strengthening in the summer, with year-over-year gains still below one percent by December.

- **A steady U.S. unemployment rate** near 4.4 percent, with sluggish hiring not resulting in broad layoffs.
- **Stable economic output**, with growth in Texas and nearby states easing slightly in the second half of the year but remaining positive.
- **Flat manufacturing activity** through the spring, followed by a summer rebound.
- **Steady growth in consumer spending**, as household demand remains resilient despite softer hiring and business investment.
- **Elevated inflation** near 3 percent year-over-year.
- **Gradual increases to business inventories**, without major shortages or stockpiling, and fewer supply-chain disruptions than in '25.
- **Steady U.S. natural gas production**, at around 107 billion cubic feet per day – a minor dip that still provides stability for Houston's energy sector.
- **A moderate decline in U.S. oil production** to between 13.6 and 13.4 million barrels per day for most of the year, with efficiency gains preventing steeper declines and a rebound expected by year-end.
- **Falling WTI crude oil prices**, expected to average at about $58 a barrel for the duration of the year. While the EIA expects a steeper drop to roughly $49 a barrel, futures markets have traded closer to $58 as of October '25– an outlook the model takes as the more relevant signal on where prices will settle.

If a few assumptions prove slightly off, the forecast's core conclusions should still hold. But if there are larger discrepancies, observed conditions may vary significantly from the forecast.

No model can anticipate every twist and turn of the real world. Major shocks, like a hurricane or sudden policy shift, can disrupt trends in ways the available data simply can't predict. A key uncertainty for Houston lies in immigration. Without clear data on the effects of recent policy changes, the model may not fully capture emerging shifts in the region's labor supply. Still, it offers a reasonable guide on how events may unfold based on historical patterns.

Forecast Predictions

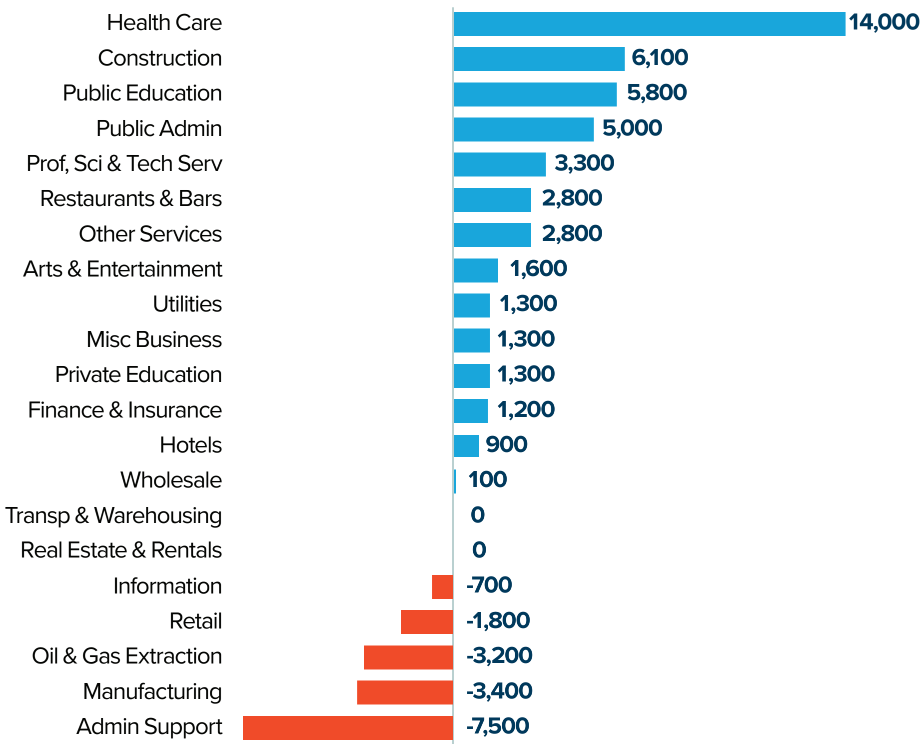
The Partnership forecasts that metro Houston will add **30,900** positions in '26, reaching a record 3.52 million jobs by the end of the year. Although this falls below Houston's recent average of roughly 50,000 jobs added annually, it is broadly in line with the muted national outlook described above. Lower oil prices will remain a headwind and weigh more heavily on our region. Even so, Houston's young, skilled workforce and strong pipeline of major new projects should help offset energy sector pressures and keep regional growth on pace with the nation.

METRO HOUSTON EMPLOYMENT FORECAST

Source: Greater Houston Partnership Research

The strongest job gains are expected in health care, construction, public education, public administration, professional and technical services, and restaurants and bars. Most of these sectors serve Houston's growing population and feature work that is more labor-intensive and difficult to automate. In contrast, sectors that are strongly linked to upstream oil production, like oil and gas extraction, manufacturing, and administrative support services, are projected to weaken and shed jobs as lower oil prices curb new drilling, revenues, and business expansion.

METRO HOUSTON, FORECASTED JOB GAINS/LOSSES BY SECTOR
December '25 - December '26

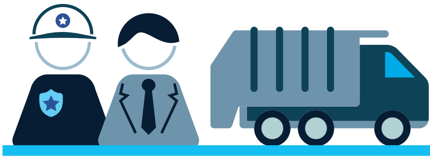


Source: Greater Houston Partnership Research

A Final Note

The goal of this forecast is to illuminate the forces shaping Houston's economy – not hit a perfect number. By understanding the trends driving each sector, Houston's business leaders can make informed decisions about investment, staffing, and purchasing. In an uncertain global environment, clarity is an advantage. What follows is a closer look at the dynamics behind each major sector.

INDUSTRY ANALYSIS



ADMINISTRATIVE SUPPORT AND WASTE MANAGEMENT

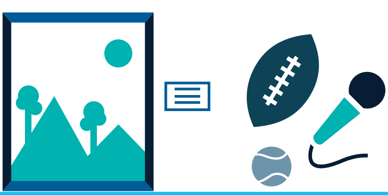
The full title for the sector is administrative and support and waste management and remediation services. The sector includes employment services (i.e., contract workers, executive search firms, placement agencies), services to buildings (i.e., janitorial, landscaping, pest control), investigation and security services (i.e., guards, watchmen, locksmiths, security systems), administrative and business support services (i.e., document prep, call centers, collection agencies,) waste collection and treatment (i.e., garbage collection, recycling, and disposal), and several miscellaneous services (travel agencies, tour operators, trade show organizers, and packaging services).

Administrative support/waste management employed 228,300 in August ‘25, or 6.6 percent of all workers in the region. Within the sector, administrative support firms account for an overwhelming 94 percent of employment, while waste management represents just 6 percent.

The sector shed 9,800 jobs year-over-year through August ’25, with employment services (firms that provide temporary staffing and recruiting for other businesses) accounting for nearly half the decline. When hiring slows broadly, as it has this year, demand for recruitment and temporary workers drops sharply. Should overall hiring rebound, these firms would likely see activity and headcount pick up again.

Energy companies are some of the biggest customers of administrative and support services, which helps sustain the sector during stronger periods. However, with WTI prices expected to ease in the year ahead, many firms are likely to tighten budgets, scale back contracted services, or bring certain functions in-house.

Taken together, the slowdown in hiring and thinner margins in upstream energy lead the forecast to predict an additional 7,500 jobs lost in ’26.



ARTS, ENTERTAINMENT, AND RECREATION

This sector includes amusement parks, arcades, botanical gardens, bowling alleys, fitness centers, golf courses, marinas, museums, music groups, parks, performing arts companies, racetracks, spectator sports, theater companies, and zoos. This is the “leisure” part of Houston’s leisure and hospitality industry. The “hospitality” part which includes bars, restaurants, and hotels, is discussed in later sections.

Arts, entertainment, and recreation is one of three sectors with both non-profit institutions and for-profit businesses. The other two are education and health care. The sector includes many well-known non-profits like the Museum Fine Arts, Houston Grand Opera, Houston Holocaust Museum, and DACAMERA Houston, alongside well-known for-profits like the Texans, Astros, Rockets, Dynamo, and Dash.

Though arts and recreation accounted for only 1.2 percent of Houston's employment in '24, the sector's economic and cultural reach is far greater. As a key driver of tourism, it draws visitors to local attractions, performances, and events that generate spending throughout the region. According to Dean Runyan Associates, visitors to Houston spent about $2.0 billion on arts, entertainment, and recreation in '24, roughly 10 percent of all travel expenditures. Overall travel spending also continued to rise, increasing 7.3 percent in '24, which reinforces the sector's importance.

Continued consumer spending and major events like the World Cup should propel additional growth. Overall, the Partnership forecasts a gain of 1,600 arts, entertainment, and recreation jobs in '26.

CONSTRUCTION

Employment in the construction sector falls into three categories; workers who erect buildings, those who build infrastructure and civil engineering projects and contractors who perform specialized tasks on projects such as installing foundations, electrical wiring, plumbing, HVAC, drywall, painting, and roofing. In Houston, specialty contractors represent roughly half of all construction employment, with the rest divided almost evenly between building and infrastructure workers. The industry employed 237,100 Houstonians as of August '25, accounting for 6.9 percent of all jobs.

Employment in construction grew by 2,600 jobs (up 1.1 percent) from August '24 to August '25, signaling that the region's pipeline of active projects continues to be healthy. The pace marks an improvement over the relatively flat growth of '23 and '24, though it remains below the post-pandemic rapid gains of '21 and '22.

According to analysis of data provided by Dodge Data and Analytics, '24 represented a record year for new construction contracts in the region, with $43.7 billion awarded across 64,541 different projects. Contract awards as of September '25 are down 5.5 percent from that record pace, with a slowdown in new building contracts being partially offset by an 8.3 percent increase in awards for non-building infrastructure projects.

As noted above, employment continued to grow even as contract awards slowed, likely reflecting timing lags between projects and hiring, preliminary figures that may later be revised, or a shift toward more labor-intensive projects.

Residential construction has cooled, with the value of contract awards down 10.1 percent year-to-date through September '25 compared with the same period in '24. The pullback was driven by single-family homes, where awards plunged 17.2 percent as buyers shifted their attention to existing properties, while contract awards for the smaller apartment building segment were up by 42.9 percent during that time.

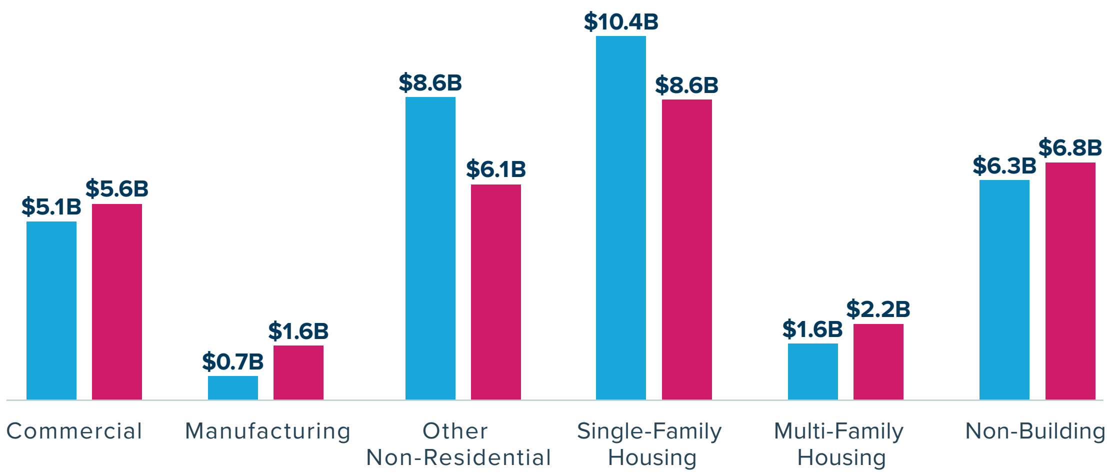
The market for industrial buildings has normalized following a period of rapid expansion in the immediate pandemic recovery. Vacancy rose to 7.4 percent in Q3 '25 as new supply continued to outpace absorption. Roughly 20.7 million square feet were under construction in Q3 '25, up from 10.6 million in mid-'24 but well below the 36.6 million peak in '22. Even so, momentum is rebuilding, with $1.6 billion in manufacturing contracts through September '25 more than doubling the value for the same point last year. Projects like Eli Lilly's new pharmaceutical plant point to a continued pipeline of large-scale industrial investment.

The retail market faces constraints, with vacancy holding at 5.6 percent and average rents near record highs. Approximately 2.6 million square feet were under construction in Q3 '25, representing the lowest volume since the pandemic began. New contract awards indicate a continued decline in square footage, even as the dollar value of contracts signed through September is up 7.5 percent from a year earlier. The pattern suggests rising construction costs and a pivot toward smaller, more specialized developments.

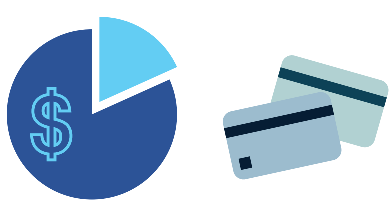
Office construction remains muted. With overall availability still above 26 percent, most new projects in '25 were either medical offices or pre-leased build-to-suits. Only 1.5 million square feet of construction was underway as of Q3 '25, roughly 27 percent medical-related.

Houston's construction outlook is poised for moderate growth, supported by a population that continues to expand, job gains, and an influx of capital investment from manufacturing and infrastructure projects. With its heavily foreign-born workforce, new immigration measures may limit the supply of workers in the future, but job growth in the sector has held up so far. The sector is projected to add approximately 6,100 jobs in '26, ranking second among all Houston industries for total employment gains.

METRO HOUSTON CONSTRUCTION CONTRACT AWARDS BY SECTOR



Source: Dodge Data & Analytics



FINANCE AND INSURANCE

The financial services sector in the Houston region encompasses a wide range of activities, including commercial and consumer banking, credit unions, lending services, insurance, investment advisory, securities brokerage, and portfolio management. Over 118,000 Houstonians work in financial services, representing 3.4 percent of the region's total employment.

In '25, the region was home to 5,996 financial services firms, a slight decrease from the 6,100 firms reported in '24. Despite this modest decline, the sector continues to represent a significant component of the regional economy, accounting for approximately 4.3 percent of all firms. The continued presence of a strong financial services base underscores Houston's role as a major center for business and investment activity in Texas and beyond.

The Houston area has 1,345 bank branches across the region, a decline of 74 in the past five years. However, the number of bank branches was unchanged from '24, according to the Federal Deposit Insurance Corporation.

Advances in digital technology have reshaped how Americans conduct their financial activities. Mobile banking, online platforms, and digital wallets now handle many tasks that once required in-person visits. The continued rise of e-commerce and financial technology has accelerated this shift toward a digital and increasingly cashless economy.

Despite the dominance of digital platforms, physical branches still fulfill critical roles that technology cannot fully replace. Complex financial matters such as mortgages, business loans, or fraud resolution often benefit from direct human interaction and tailored advice. Additionally, local branches contribute to community engagement and provide essential services, like notary functions or safety deposit access.

After a brief dip in '23 and '24, deposits in Houston are once again on the rise, reaching $348 billion in '25. This marks an increase from last year, though still just shy of the record $375 billion set in '22. Amid elevated interest rates and persistent inflation, Americans are taking a more strategic approach to saving and investing. Many are moving funds from low-yield checking and savings accounts into higher-return options such as money market accounts and certificates of deposit (CDs), which now offer returns exceeding 4 percent.

This shift highlights a growing focus on protecting purchasing power and making informed financial decisions, aided by greater access to digital tools and financial education.

According to Gallup, 62 percent of Americans reported owning stock in '25, consistent with '24 and slightly above the 61 percent recorded in '23. This marks a sustained recovery after the 12-year period from '10 to '22 when stock ownership was below that level.

The forecast predicts the financial services sector will gain 1,200 jobs in '25 with lower interest rates and continued household spending.

METRO HOUSTON BANKS

Year	Branches	Deposits in $ Billions*
'25	1,345	348.4
'24	1,345	314.4
'23	1,355	324.3
'22	1,372	374.8
'21	1,409	333.7
'20	1,419	305.9
'19	1,417	249.6
'18	1,420	245.6
'17	1,450	240.9
'16	1,483	219.2
'15	1,492	215.2
'14	1,514	242.5
'13	1,526	208.0
'12	1,530	179.1
'11	1,534	154.0
'10	1,558	137.1

* As of June 30
Source: Federal Deposit Insurance Corporation

HEALTH CARE AND SOCIAL ASSISTANCE

This sector includes establishments that provide medical care and social support services, ranging from hospitals and clinics to childcare and family assistance programs. The overwhelming majority of employment is concentrated in health care, while social assistance accounts for a smaller share.

Health care and social assistance employed over 386,000 Houstonians in ’24. Since ’15, the sector has added over 76,000 jobs, representing an increase of 24.7 percent. It has been one of Houston’s strongest industries in recent years. Over the past decade, the sector has accounted for around 11 percent of total employment and has grown every year except for ’20.

Health care employment is closely tied to overall job growth in the region. Houston has added nearly 430,000 jobs over the past five years, expanding access to employer-sponsored benefits and raising the share of residents with health insurance.

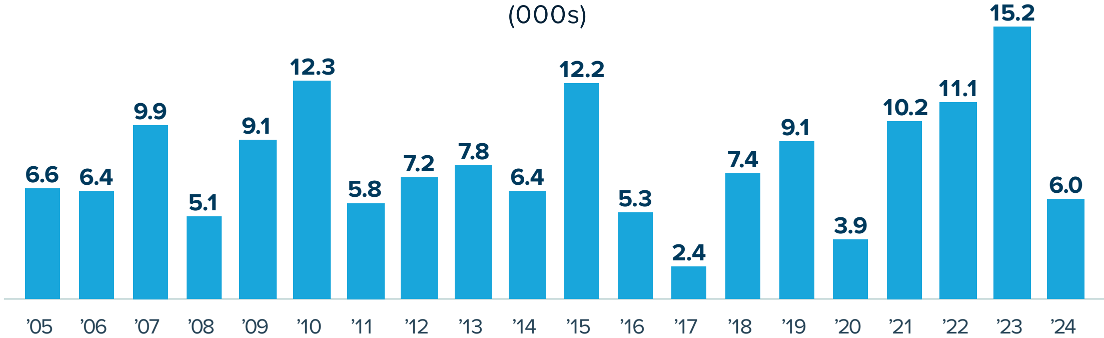
Population gains have also fueled demand. Each additional Houstonian becomes a new potential health care and social assistance consumer, increasing demand for doctors, dentists, and even nursing home and daycare workers. Houston’s population has grown by over 600,000 since ’20. While the rate of growth may moderate, the region’s population will continue to expand and support jobs in this area.

Alongside strong population growth, Houston’s demographics are shifting. The latest American Community Survey shows that Houstonians aged 65 and older now make up 12.9 percent of the population—topping one million for the first time. As the population ages and as more people gain Medicare coverage, visits to health professionals and hospitals become more common, driving demand for care.

The sector faces challenges from rising insurance costs, which may lead some residents to delay or forgo medical visits, and from potential federal policy changes affecting Medicare and Medicaid. Even so, strong demographic fundamentals will ensure it is a key pillar of Houston’s economy.

The Partnership forecasts health care and social assistance will account for almost half of the region’s employment growth with 14,000 new jobs in ’26.

ANNUAL JOB GAINS, HOUSTON HEALTH CARE*
(000s)



Note: *Excludes residential care and social assistance
Source: Texas Workforce Commission, Quarterly Census of Employment and Wages

HOTELS

Houston's lodging industry remains a modest but vital segment of the regional economy, supporting business travel, conventions, and tourism. The sector employed roughly 28,200 workers in August '25, up 1.4 percent from the previous year, with the number of visitors to Houston rebounding from pandemic-era lows. Houston hosted more than 92 million visitors in '24, reinforcing the sector's broad contribution to employment and local tax revenues.

Market conditions in '25 reflected both resilience and moderation. Occupancy year-to-date is approximately 60 percent across the Houston region, below '24 but consistent with long-term averages. The relative underperformance compared to '24 should be expected, since that year featured two weather events (the derecho and Hurricane Beryl) that inflated bookings when Houstonians without electricity were temporarily displaced from their homes. Midscale and economy hotels saw weaker performance in '25 as budget-conscious travelers sought lower-cost alternatives.

Anticipation for major events in '26 like the FIFA World Cup, the NCAA March Madness Tournament, and the World Baseball Classic as well as the Republican National Convention in '28 are expected to fuel early bookings.

The region could receive between 500,000 and 600,000 visitors during the World Cup, according the tournament's Houston Host Committee. A recent study found that 91 percent of Houston's hotels are fully booked for the first match, underscoring the event's outsized impact on occupancy and revenue expectations for the coming year.

As noted, Houston had a record-breaking number of travelers in '24, as business and leisure travel continued to bounce back from the pandemic, with visitors to Houston helping to support 374,700 jobs across hospitality related industries. Still, economic and policy uncertainty could slow that momentum—particularly if it dampens business or international travel to the region.

While economic pressures persist, including elevated costs, limited air-travel growth, and possible labor supply constraints brought about by new immigration policies, the overall outlook for '26 remains positive. World Cup-related tourism, Houston's growing profile as a convention and leisure destination, and continued consumer spending should sustain modest employment growth and keep occupancy rates stable through the forecast period. Given these dynamics, the forecast calls for 900 new jobs in the sector.

INFORMATION

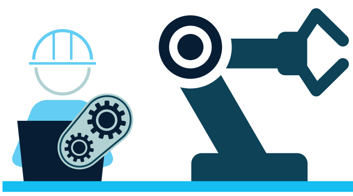
The information sector includes broadcasting (radio and television), cable services, data processing and hosting, internet-related businesses (hosting, publishing, broadcasting, cloud storage), news syndicates, libraries, archives, information services, production studios (motion picture, sound, video), publishing (directories, books, greeting cards, magazines, newspapers), software publishers, telecommunications carriers (wired, wireless and satellite), and movie theaters.

Employment in this sector has experienced a prolonged decline, with job losses occurring frequently over the past few decades, interrupted only by a brief uptick in ’21 following the rapid adoption of remote work. But that increase largely reflected a rebound from early pandemic losses rather than true new growth. Employment in the sector has fallen in more than 10 of the previous 20 years, with 500 jobs lost year-to-date through August ’25.

Media-related jobs are facing growing risks, according to a United Nations report, as economic pressures and advances in artificial intelligence reshape the industry.

Underscoring these challenges, Houston Landing (a local digital news outlet) closed in May ‘25 amid financial difficulties and laid off 43 employees.

The forecast projects a continued decline for this sector across the Houston region, with an expected loss of about 700 jobs in ’26.



MANUFACTURING

Manufacturing employs 238,200 workers in metro Houston, representing 6.9 percent of all jobs in the region. It’s the single largest contributor to local GDP, accounting for approximately one in every seven dollars of Houston’s economic output.

The industry is divided into durables and nondurables manufacturing. Durables are goods with a lifespan of three or more years, like machinery and equipment. Nondurables have shorter lifespans or become components of durable goods. Examples include paint, processed fuels, and chemicals.

Durables account for roughly one-fourth (26.6 percent) of the region’s manufacturing output and just under two-thirds (62.1 percent) of its jobs; nondurables account for roughly three-fourths of the industry’s output (73.4 percent) and a little over one-third (37.9 percent) of the jobs. The highly capital-intensive industries of chemicals and refining dominate nondurables, thus the higher output per worker.

The sector saw a modest pullback in ’25, shedding 2,700 jobs year-over-year by August after several years of strong post-pandemic growth. Over 75 percent of jobs lost during this period were in the durable goods sector, as the falling price of oil has diminished new exploration and drilling, leading to less demand for oilfield equipment. Nondurable goods have remained healthier with minimal job losses in petroleum refineries and no losses in chemical production.

During the pandemic, manufacturing lost 11,300 jobs, spreading across all sectors with machinery and fabricated metal products suffering the most. Manufacturing has since recovered all its pandemic losses, but it has never recovered the jobs lost in the ’15 -’16 Fracking Bust. Today, far fewer jobs are tied to producing oilfield equipment and metal components like pipes, valves, and flanges than a decade ago. With the rig count still operating well below past levels, those jobs are unlikely to return.

Not all of Houston’s manufacturing is tied to energy and petrochemicals. The region is increasingly attracting high-value advanced manufacturing projects, including Foxconn’s multibillion-dollar A.I. server plant and Eli Lilly’s new biomedical production facility, both announced in ‘25. These and similar investments signal a broader transformation of Houston’s industrial base, positioning the region for long-term growth and diversification. However, with both projects slated to open after ’26, their impact on near-term employment will be limited.

For the year ahead, the forecast views the declining price of WTI crude oil as a barrier to growth. Even though oil refineries and other downstream energy companies will benefit from the lower price of crude, companies producing machinery and fabricated metal will face stronger challenges. Ultimately, this is expected to lead to 3,400 fewer manufacturing jobs by the end of ’26.

OIL AND GAS EXTRACTION

Houston’s oil and gas extraction sector represents a small but vital slice of the region’s vast energy economy. It covers companies that extract oil and gas from the ground or directly support drilling and mining operations but does not include the wide range of related industries – from engineering and equipment manufacturing to pipeline transport, refining, and power generation that make up the bulk of Houston’s energy workforce.

Employment in the sector has continued a steady recovery from the sharp downturn during the pandemic. As of August ’25, the industry employed 80,800 workers, up from 77,400 a year earlier, representing the highest level since ‘19. After plunging to roughly 60,000 jobs in ’20 and ’21, the sector has rebounded as energy markets stabilized and investment activity picked up.

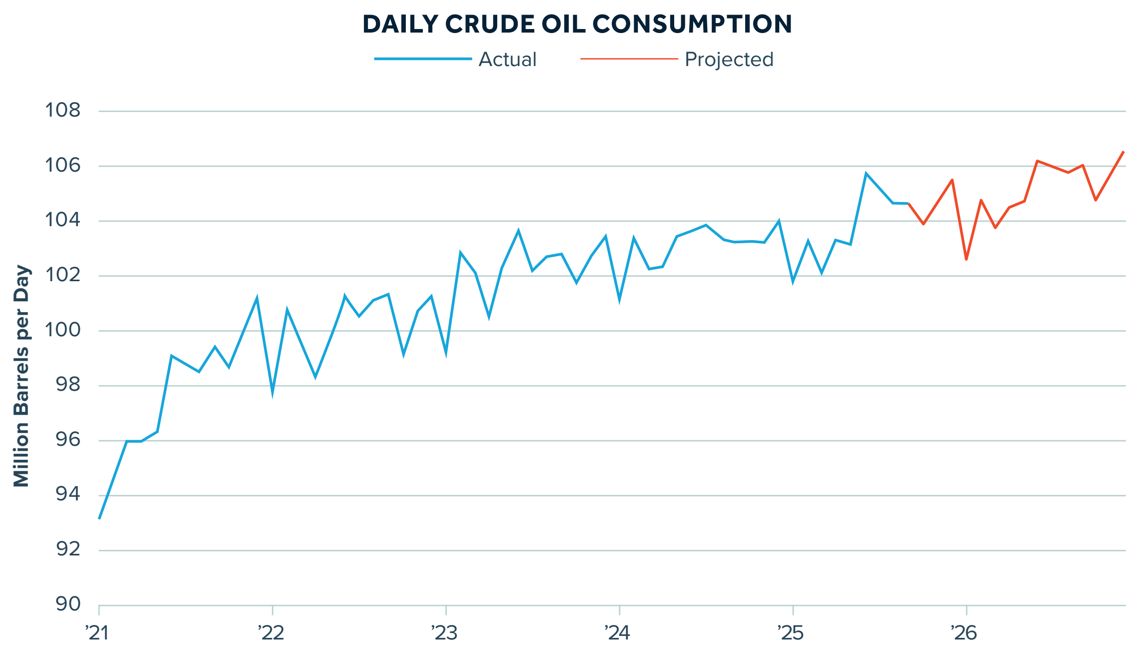
Mergers and acquisitions continue to shape Houston’s upstream landscape. Notably, Crescent Energy, headquartered in Houston, acquired Oklahoma-based Vital Energy in an all-stock transaction exceeding $3 billion, expanding its operational scale and production portfolio. This and similar transactions underscore a broader industry strategy focused on consolidation and efficiency, enabling companies to expand acreage, streamline operations, and optimize capital allocation.

A few major players have announced layoffs that will affect the Houston area. These announcements feature companies that are either completing a corporate acquisition or restructuring to take advantage of cost efficiencies. These reductions in part reflect a longer-term trend as companies in the sector move toward greater efficiency using fewer workers to produce similar volumes.

Looking ahead, global energy market trends are expected to influence Houston’s oil and gas sector in ‘26. Growing global supply, expanding inventories, and uncertainty surrounding OPEC+ production targets are expected to weigh on prices, even as China’s ongoing strategic stockpiling may help cushion short-term volatility.

Global liquid fuels production is forecast to grow by 2.7 million barrels per day in ‘25 and another 1.3 million barrels per day in ‘26, led by non-OPEC+ producers such as the United States, Brazil, Canada, and Guyana. Demand growth is expected to remain concentrated in non-OECD countries, particularly China and India. Despite near-term headwinds, steady production and strong international demand indicate that the sector will stay active, supported by Houston’s deep base of global operators, skilled workforce, and expanding energy infrastructure.

But with WTI crude prices expected to fall, the forecast anticipates a loss of roughly 3,200 jobs in ’26, as producers grapple with thinner margins, reduced cash flow, and a renewed focus on cost discipline.



Source: U.S. Energy Information Administration, Short Term Outlook Oct ’25

PRIVATE EDUCATION

This sector covers privately-run educational institutions at the primary, secondary and post-secondary levels, ranging from independent faith-based academies to private universities. It excludes public school districts, community colleges, and public four-year universities like the University of Houston, Texas Southern University, and Prairie View A&M.

Private education institutions in the Houston area employed approximately 72,000 to 74,000 people over the past year, a modest increase over ‘25. While year-over-year employment grew moderately, the sector has added more than 13,000 jobs over the past decade. This long-term growth aligns with Houston’s expanding population of residents under 18 and reflects an increase in demand for private education across the region. A new state program introduced in ’25 seeks to broaden educational options for Texas families. The measure may affect enrollment patterns and employment levels across private schools.

Adult Houstonians are also seeking more education and technical training, with nearly two-thirds of the population 25 and older having at least some experience in college (public or private).

Given these dynamics, the forecast projects 1,300 new private education jobs in Houston for ’26.

PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

This major sector is often associated with white-collar professions and billable hours, encompassing industries such as consulting, accounting, engineering, architecture, law, and computer systems design. Its workforce is highly educated, skilled, and well-compensated, with many professionals holding advanced degrees or specialized certifications.

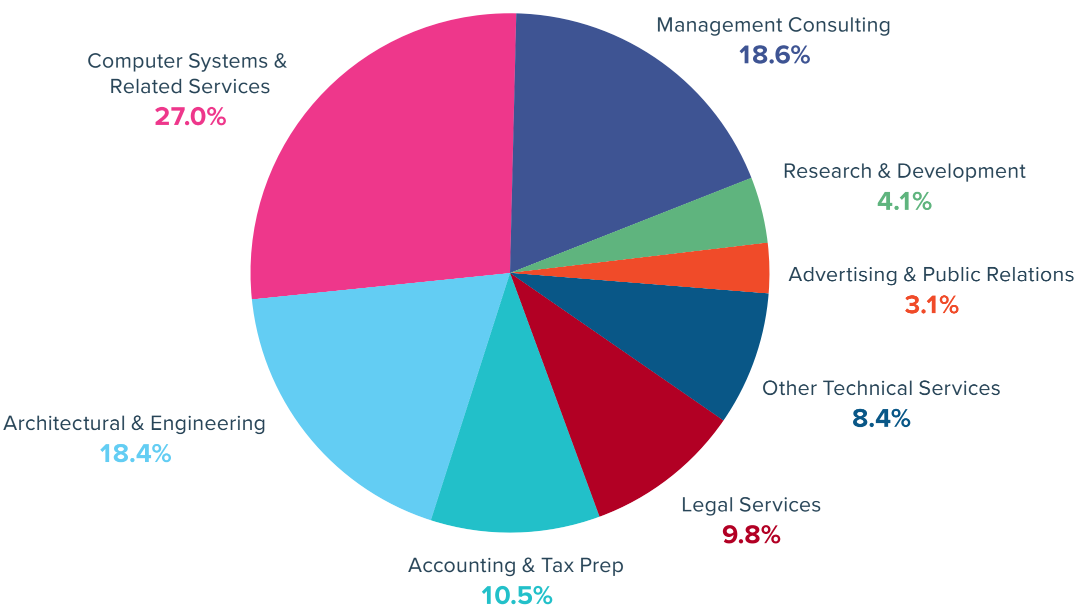
While major projects attract large firms with specialized expertise, most businesses in this sector are small (typically with fewer than 20 employees) providing essential services like bookkeeping, tax preparation, legal support, web design, and marketing. These smaller firms continue to thrive, even as larger players receive more attention.

Employment in this sector, which had been consistently increasing since '21, dipped to 281,000 in August from 282,400 in August '24. The moderate decline reflects a pullback in expansion and discretionary spending by outside companies facing greater uncertainty. Many firms have delayed consulting, engineering, and research projects, leading to temporary job losses across the professional services.

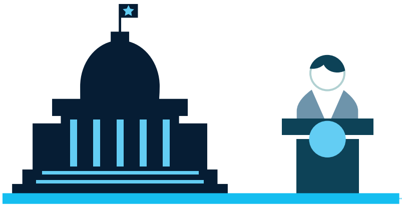
While economic conditions may be muted in early '26, time and greater clarity will help businesses prioritize and make decisions on how to utilize these services. As conditions stabilize, some delayed projects are likely to move forward, driving renewed demand for high-skill labor. Businesses are expected to reengage in digital transformation, A.I. integration, and infrastructure initiatives that require specialized expertise in IT, engineering, legal, and management consulting.

The Partnership's forecast calls for 3,300 jobs to be added in '26 under this landscape.

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES EMPLOYMENT
in Metro Houston



Source: Texas Workforce Commission, Quarterly Census of Employment and Wages Q1 '25



PUBLIC ADMINISTRATION

The public administration sector covers all government employees working at the federal, state, and local levels, excluding those who work in education. This includes everyone from police officers and firefighters to health inspectors, judicial staff, and elected officials.

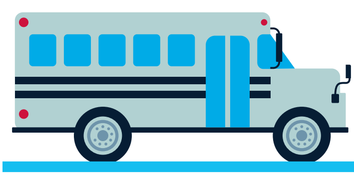
The sector currently employs 187,700 Houstonians, which is 5.4 percent of all jobs in the region. Recent federal job cuts should have a minimal effect in the region since federal workers represent less than 20 percent of the sector's total.

The size of the public administration sector is driven mainly by population growth and tax revenues. As the region's population expands, demand for public services grows, while tax revenue levels determine how much governments can provide. Federal mandates, state regulations, and grants also play a role but to a lesser extent.

The City of Houston continues to expand rapidly, adding 43,217 new residents in '24 and reaching a record population of roughly 2.4 million. The broader metro area added nearly 200,000 residents during the same period – its largest annual increase – placing Houston second only to New York City in absolute residents added.

Given this ongoing growth, demand for local government functions such as public safety, transportation, urban planning, and infrastructure development will continue to rise. City and county agencies will likely see an increased need for administrative, technical, and professional staff to support development in both established and fast-growing suburban areas like Fort Bend and Montgomery. Houston's population boom is set to reshape the region's economy and the scale of government employment across the metro area.

The forecast expects 5,000 new jobs in public administration in '26 as a growing population and tax base build demand for government services.



PUBLIC EDUCATION

This sector includes primary, secondary, and postsecondary levels of publicly run educational institutions, including public school districts, community colleges, and public four-year universities such as the University of Houston. As of August '25, the sector employed 255,500 people.

Population growth remains the primary driver of education employment in the region. Since '10, the Houston metro has gained more than 1.5 million residents, reaching nearly 7.8 million in '24. Suburban counties such as Fort Bend and Montgomery are leading this expansion, each recording growth rates above 50 percent since '10. This rapid increase is reshaping the regional landscape and fueling demand for new housing, transportation, and community infrastructure.

As families continue moving into high-growth areas, school districts are expanding to keep pace, building new campuses, upgrading facilities, and hiring additional staff. These projects signal steady demand across the education workforce, from classrooms to maintenance workers. At the same time, Houston's network of universities, community colleges, and technical programs is helping prepare the workforce with the skills demanded by key industries.

Altogether, the Partnership forecasts Houston to add 5,800 jobs in public education in '26.

REAL ESTATE AND RENTALS

Real estate and rentals includes the sale, leasing, and management of real property (single-family homes, apartments, office buildings, warehouses) plus the rental of vehicles, appliances, furniture, and construction/industrial equipment. The sector employed 63,800 workers as of August ’25, accounting for 1.8 percent of all jobs in the region. The large majority of those jobs (84.9 percent) are in real estate with fewer (14.5 percent) in equipment rentals.

Hiring has ticked up modestly since ’24, signaling moderate growth. Still, payrolls remain well below the record 67,700 jobs the sector reached in February ’23.

Residential activity has picked up, with total transactions tracked by the Houston Association of Realtors through September, up 2.8 percent compared to the same period in ’24. Gains of 4.5 percent in single-family homes and 16.3 percent in apartments were partly offset by fewer sales in townhomes and condos, and other residential properties.

By contrast, non-residential leasing cooled in ’25, falling short of last year’s pace:

- **Office:** Year-to-date leasing volume in Q3 ’25 was down 22.9 percent from ’24. Average rents climbed to $30.33 per square foot (the highest in nearly a decade) as availability held at 26.2 percent, signaling an ongoing “flight-to-quality.”
- **Retail:** Leasing activity through Q3 ’25 fell 17.9 percent from a year earlier, reflecting more cautious expansion by tenants and investors.
- **Industrial:** Leases dipped 4.3 percent year-to-date in Q3 ’25 compared to ’24 but remain well above pre-pandemic levels.

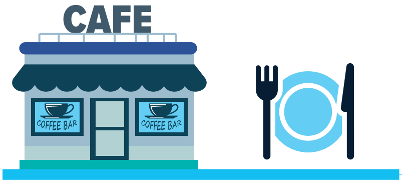
Elevated interest rates and the higher cost of lending remain a drag on transactions. But recent rate cuts from the Federal Reserve may begin to ease those conditions and spur activity.

Steady population growth and lower interest rates will continue to drive home purchases and vehicle rentals in ‘26. A strong pipeline of industrial projects will likely bolster additional growth in later years. Even so, weakness across other commercial property types is expected to persist, offsetting those gains. The forecast calls for the sector to hold steady in ’26, with no net change in employment.

HOUSTON COMMERCIAL REAL ESTATE LEASE TRANSACTIONS

	Office		Industrial		Retail	
Year	Deals	Square Feet	Deals	Square Feet	Deals	Square Feet
'25, Sept YTD	2,411	8,917,108	1,681	36,749,721	1,746	6,143,373
'24	4,098	17,376,241	2,082	41,873,143	2,593	9,538,391
'23	4,047	17,116,241	1,998	45,875,964	2,480	8,626,044
'22	3,792	17,484,983	2,175	54,685,310	2,692	10,688,180
'21	4,429	14,452,733	2,258	51,656,425	2,654	8,315,249
'20	3,514	16,137,597	1,807	33,716,465	2,035	7,091,416
'19	4,707	19,991,403	1,858	31,643,450	2,447	8,289,098
'18	5,036	23,346,009	1,909	33,053,202	2,549	8,256,244
'17	3,597	18,755,833	1,861	31,528,869	2,733	8,383,907
'16	3,512	15,199,541	1,489	25,792,299	2,719	9,785,526

Source: CoStar



RESTAURANTS AND BARS

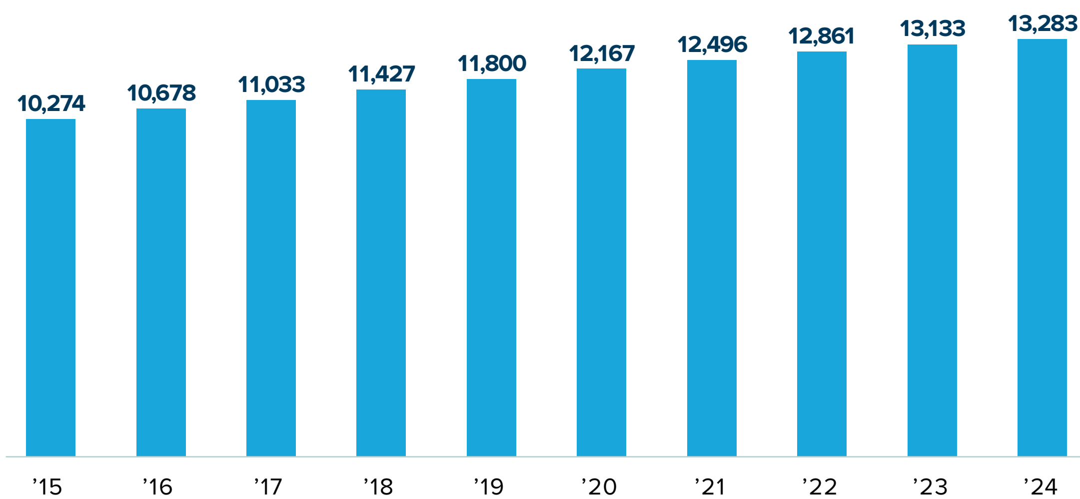
The restaurants and bars sector encapsulates the over 13,000 restaurants, cafés, and bars that make Houston a foodie's paradise. Combined with the arts, entertainment, recreation, and accommodation sectors, food services accounted for 3.3 percent of the region's GDP in '23 (latest data available).

The sector has only lost jobs in one of the last 10 years, in '20 during the start of the pandemic. Since then, the sector has continued to grow, increasing 1.9 percent from August '24 to August '25. In mid-'25, over 300,000 Houstonians were employed in the food services industry, accounting for 8.8 percent of total employment.

Continued population growth in the Houston region drives restaurant development and expansion. The metro area gained 198,171 residents between July '23 and July '24. While growth may begin to moderate, more people coming to the region motivates new restaurants and more jobs in the food service industry. Still, the past year brought challenges as prices for food away from home rose faster than grocery costs, prompting some households to cut back on dining out.

Considering these factors, the Partnership forecasts the restaurant and bars sector to gain 2,800 jobs in '26.

HOUSTON AREA RESTAURANTS, BARS, AND FOOD SERVICE BUSINESSES



Source: Texas Workforce Commission, Quarterly Census of Wages and Employment

RETAIL TRADE

There are approximately 19,300 stores, boutiques, outlets, and shops in metro Houston, the most common being gas stations, health and personal care retailers, grocery stores, and clothing shops. Florists, bookstores, and fuel dealers (not including gas stations) are the least common.

Retail plays a key role in meeting the region’s workforce needs. Many teenagers land their first job stocking shelves or bagging groceries. Retail provides career opportunities for those with limited education or training. And for professionals between jobs, a short stint in retail helps bridge the gap between paychecks. The sector is also highly seasonal, with thousands of temporary workers hired each December to handle the holiday rush.

As of August ’25, retail employed 321,700 Houstonians, or 9.3 percent of the metro workforce, making it the region’s second-largest employer after health care. In economic terms, the sector contributed $36.9 billion to local GDP in ’23, or 5.3 percent of total output.

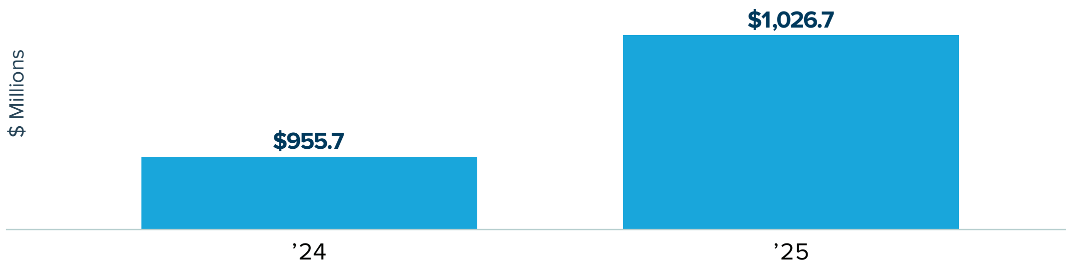
Employment in the sector has edged down slightly, with a net loss of 700 jobs between August ’24 and August ’25. Nearly all of that decline came from hardware stores and other retailers tied to building materials and garden supplies, which shed 1,400 positions even as most other segments added workers. A downturn in home construction was a likely culprit, with new single-family construction awards through September sliding 17.2 percent year-to-date from ’24.

Outside of the building supplies subsector, the broader retail picture has remained solid. Sales and use taxes collected by local governments in the region were up 7.4 percent July year-to-date compared to ‘24. Continued consumer spending, and Houston’s growing population are supplying a steady source of demand.

Inflation has edged higher nationwide in recent months, which may lift sales in the short term as consumers rush to buy before prices rise further. But if price growth continues to accelerate and household wealth erodes, that early spending could give way to a slowdown.

The forecast calls for the sector to shed 1,800 jobs between December ‘25 and December ‘26. However, the apparent decline may be misleading. It reflects the forecast model’s expectation that ‘25 will see a stronger holiday shopping season with more temporary December hires compared to ’26. For the other 11 months of the year, retail employment is expected to remain broadly consistent from year to year.

LOCAL SALES TAX COLLECTIONS, JULY YEAR-TO-DATE
METRO HOUSTON CITIES



Source: Partnership Analysis of Texas Comptroller of Public Accounts Data

TRANSPORTATION AND WAREHOUSING

The transportation and warehousing sector includes air, rail, water, and trucking services; freight forwarders and customs house brokers; crude, gas, and refined product pipelines; warehouses and bulk storage terminals; courier and delivery services.

The sector saw a spike in employment when the economy recovered from the pandemic, hitting 10.3 percent year-over-year growth in ’22. Growth has moderated since then but still registered a 2.1 percent year-over-year increase in August ’25.

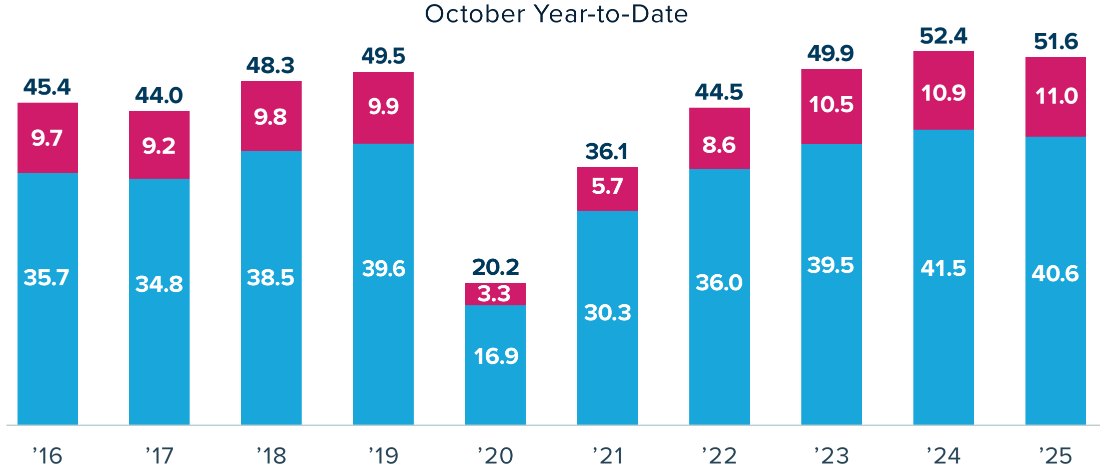
One challenge facing the industry is weakening consumer confidence. While up slightly from earlier in the year, the most recent U.S. Consumer Confidence Survey from the Conference Board showed a less positive outlook. Aspects of the warehousing and trucking segments are closely tied to consumer sentiment and weaker consumer spending can reduce demand for warehouse space and trucking employment.

Year-to-date through July ’25, international vessel trade tonnage was down compared to the same period the previous year. Ongoing friction surrounding tariff policies and global trade relations could temper the flow of goods and commodities through Houston’s ports, weighing on growth across the sector.

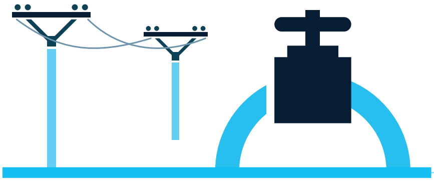
In addition to international trade and warehousing, the transportation of people also plays a key role in the health of the industry. The Houston Airport System set a record for total passenger traffic in ’24, and while volumes in ’25 have run slightly below that pace, major global events like the World Cup are expected to give air travel a boost in ’26.

Despite some of these challenges, employment is expected to remain stable in ’26, with no net job gains or losses forecasted.

HOUSTON AIRPORT SYSTEM, MILLION PASSENGERS
October Year-to-Date



Source: Houston Airport System



UTILITIES

The utilities sector covers the companies that keep essential services running, including those that generate and transmit electricity, distribute natural gas and clean water, and manage the region’s wastewater. These businesses provide energy and essential resources that power homes, businesses, and public facilities.

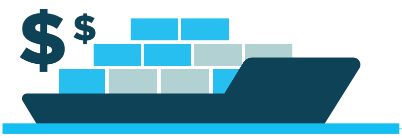
The Houston utilities sector has seen strong employment growth post-pandemic. In the period from ’21 through ’24, the sector grew by an average of 1,750 jobs per year. However, gains slowed in the first half of ’25, with only 800 jobs added compared to the year before.

Houston has seen large gains in electric power generation and transmission. This subsector represents the largest share of the utilities industry, employing almost 60 percent of its workers. From ’23 to ’24, Houston led the nation, creating almost 4,000 renewable energy jobs. The bulk of these gains were seen in solar generation and other forms of non-fossil fuel power generation, underscoring Houston’s expanding role as a leader in the energy transition.

Other subsectors, including natural gas distribution, water, and sewage, should also see growth as the Houston region continues to expand. Each new resident and community adds to demand for utility services, supporting continued job growth across these industries.

Utilities will see continued demand due to industrial projects and residential expansion requiring power deliveries. Shifts in government incentives may temper current momentum, though increased demand is expected to offset these challenges.

The Partnership’s forecast expects 1,300 new utilities jobs to be created in ’26.



WHOLESALE TRADE

Wholesalers are the classic middlemen, buying in bulk from manufacturers, consolidating purchases into a warehouse, then repackaging and reselling in smaller quantities to retail, industrial, and commercial customers. Wholesalers add value by providing access to hundreds, sometimes thousands, of suppliers in one location, thereby providing a broader selection to the local market. The sector employed 181,900 Houstonians in August ‘25, representing 5.3 percent of all jobs in the region.

The wholesale trade sector falls primarily into two categories, durables (goods lasting three or more years), and nondurables (goods which are quickly consumed or that are components of a larger durable good). Within each category, there are consumer- and business-oriented goods. Approximately two-thirds of those employed in Houston’s wholesale sector were in durable goods, while roughly one-third were in nondurable goods.

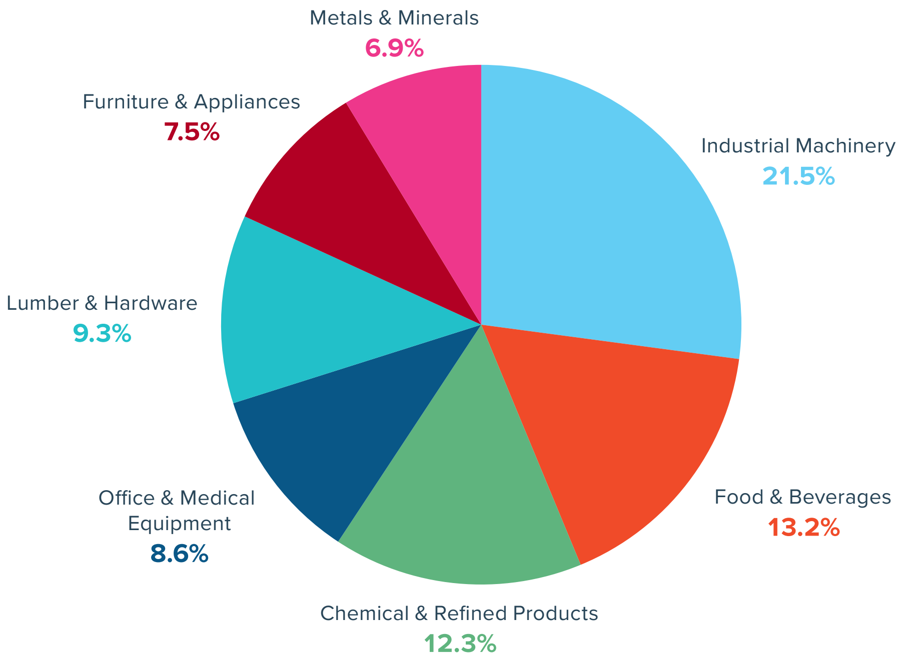
About 21 percent of all wholesale jobs in Houston are tied to the distribution of industrial machinery and equipment, 13 percent to supplying food and beverages, 12 percent to chemical and refined products, 9 percent to lumber and hardware, 9 percent to office and medical equipment, and just under 8 percent to providing household furniture and appliances. The remaining jobs are scattered among various sectors (auto parts, clothing, farm products, paper, pharmaceuticals, etc.).

Employment in Houston's wholesale trade sector continued to grow in the first months of '25, even as other sectors were pulling back on expansion. Tariff uncertainty early in the year prompted businesses to accelerate orders and build up inventories before the price of imports increased, boosting wholesale activity in the short term. That momentum faded by mid-summer as tariffs took effect and companies began working through the inventories they had accumulated.

In Houston, the durable goods subsector faced additional challenges with the lower price of oil leading to less new drilling and fewer purchases of oilfield machinery and equipment. In the year ahead, less upstream activity is likely to temper growth even as business inventories are expected to stabilize and spending on consumer products grows at a steady pace.

Under these conditions, the forecast calls for employment in wholesale trade to remain essentially flat, with the sector adding just 100 jobs in '26.

WHOLESALE TRADE EMPLOYMENT
in Metro Houston



Source: Texas Workforce Commission

OTHER SERVICES

This sector is a catch-all for anything not included in the other 20 sectors. It includes repair shops (appliance, auto, electrical, and industrial machinery), personal care (barber, beauty, nails), miscellaneous businesses (dry cleaners, funeral parlors, parking, pet grooming, weight loss clinics), nonprofits (business, civic, political, professional, social advocacy), and religious organizations (churches, synagogues, temples, mosques).

The sector usually tracks the business cycle. Aligning with strong post-pandemic gains, employment in the sector grew by 5.4 percent from ’23 to ’24. Over the longer term, however, its share of total employment has increased more gradually, rising from 3.6 percent in ’15 to 3.8 percent in ’24.

Like other consumer-driven industries, employment in this sector tends to soften during periods of economic tightening, as households reduce discretionary spending on appliance repairs, personal care services, and charitable activities. According to the University of Michigan’s Survey of Consumers, both current sentiment and consumer expectations declined year-over-year in October, though confidence improved modestly during the summer.

Ongoing uncertainty and expectations for gradual stabilization in ’26 suggest consumer priorities will continue to shift in response to broader economic conditions, influencing demand across the sector.

While moderation is expected in this sector, the forecast calls for 2,800 new jobs in ’26, returning to lower pre-pandemic levels of annual growth.

CONCLUSION

Houston’s outlook for ’26 reflects a year of steady, sustainable progress. While job growth may be slower than in recent years, the region is still expected to reach a new employment record of over 3.5 million jobs by year-end, evidence that Houston remains on solid footing even in a cooler national economy.

Lower oil prices and softer hiring are likely to create headwinds, but Houston’s young population, growing labor force, diverse industry mix, and pipeline of major new projects continue to provide momentum. The sectors driving most of the expected job gains – health care, construction, and public services – are closely tied to the region’s expanding population and will generally remain resilient through economic cycles.

Houston has repeatedly shown it can adapt, diversify, and emerge stronger from periods of uncertainty. With solid fundamentals in place, the region is well positioned to navigate a modest year and accelerate once national conditions improve. The trajectory remains positive, and Houston’s long-term story is still one of strong growth and opportunity.

SOURCES

Data from the following agencies, organizations, and databases were used in preparing this report and producing the employment forecast:

CoStar, Dean Runyan Associates, Dodge Data and Analytics, The Federal Deposit Insurance Corporation, Federal Reserve Bank of Atlanta, Federal Reserve Bank of Dallas, Federal Reserve Bank of St. Louis, Gallup, Houston Airport Systems, Houston Axe Magazine, The Houston Business Journal, The Houston Chronicle, Houston First, Houston Landing, Johns Hopkins University, Kiplinger, National Association of Realtors, National Public Radio, Politico, Reuters, Rice University Kinder Institute for Urban Research, S&P Global, Texas Comptroller of Public Accounts, Texas Travel, Texas Workforce Commission, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Consumer Confidence Board, U.S. Department of Energy, U.S. Energy Information Administration, The United Nations, The University of Michigan, The Wall Street Journal, and various company websites.

NOTES

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