



Why corporate relocations, expansions are way down in the Austin area

No reason to fret just yet, economic development experts say



Arnold Wells / ABJ



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Corporate relocations and expansions in the Austin area lagged during the first half of the year — jobs created through such moves are on pace to finish 2023 at a decade low.

Experts offered differing reasons as to why, from concerns over the economy to competition from other states, as well as worries involving infrastructure and public safety.

But if there was one thing they agreed on, it was that there's little reason to worry just yet, as they expressed a "glass half full" outlook for the remainder of the year. It's only natural for a bit of normalcy to return after a period of rampant activity.

Corporate relocations and expansions can create thousands of jobs, energize the real estate sector and seed new industries. Central Texas has long been a hotbed for such activity — historical examples include IBM Corp. coming to town in the 1960s and Samsung picking Austin for a factory in the 1990s. The trend has picked up steam in recent years and hit a fever pitch during the pandemic, with companies such as Oracle Corp. and Tesla Inc. moving their headquarters to Austin.

After record-setting years in 2020 and 2021, relocations and expansions slowed in 2022, and the trend has continued into this year. Through June, Opportunity Austin had tracked 16 relocations and 40 expansions to the metro area, which translated into 4,924 planned new jobs.

That includes an additional 2,500 jobs at Tesla, 800 planned by electric vehicle supplier HBPO Plastic Omnium and at least 100 planned by 5F Mechanical Group Inc., a piping construction company.

The Austin area is on pace to see fewer than 10,000 jobs announced from corporation relocations and expansions for the first time since 2013. For comparison, in 2021, companies announced plans to create more than 26,000 jobs across the five-county metro.

To be clear, these are announced new jobs and there is no guarantee they all come to fruition. On the other end, companies sometimes end up creating more jobs than initially announced. Some of these totals are based on job numbers agreed to through incentives deals with local governments, meaning public subsidies depend on companies hitting those marks.

In the end, it's just another measure of business interest in the Austin area and helps Opportunity Austin gauge the effectiveness of economic development efforts.

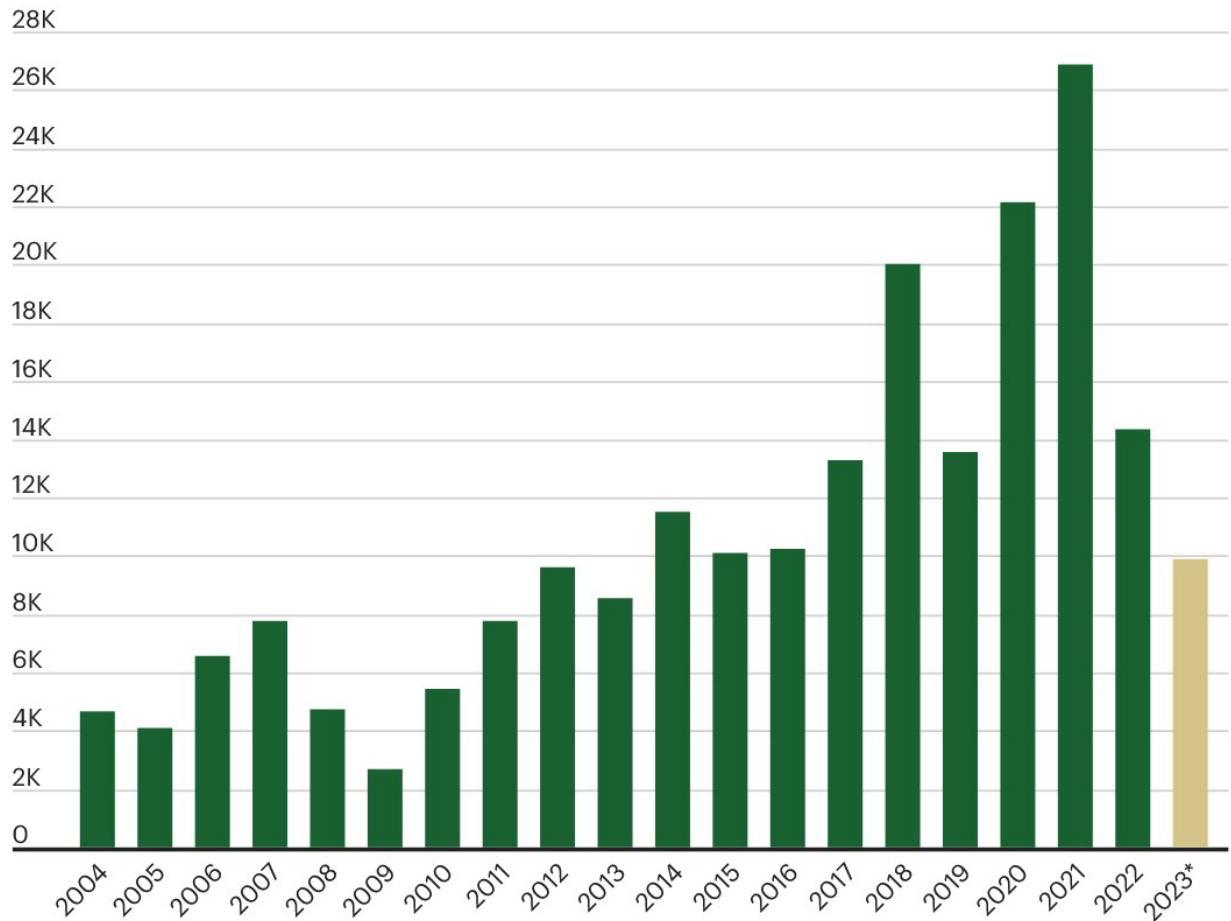
Those numbers may look bad on the surface, said Stacy Schmitt, Opportunity Austin's senior vice president of communications and external affairs. But she pointed out that the job creation in the Austin region is among the highest in the country — recession concerns, rising supply costs and high interest rates are impacting everyone.

"While we think we're slower — and we have been — we're still outpacing the state and the U.S. altogether," she said.

Another good sign, according to economic developer insiders, is that interest in the region remains high. Opportunity Austin — an economic development coordination organization that recently split from the Greater Austin Chamber of Commerce — still has more than 250 projects in its pipeline, referring to companies that have made some level of contact with economic development leaders. That is down from 332 last year.

Down year

Jobs announced through corporate relocations and expansions to the five-county Austin metro are on pace to hit a decade low in 2023.



* data through June, rest of year is based on maintaining pace

SOURCE: Opportunity Austin

Much of the economic development activity is happening in the suburbs. With more available and cheaper land, Austin's suburbs have seen a boom in development, including multibillion-dollar investments from Samsung Electronics Co. Ltd. and Tesla. In the past week, officials in Williamson County noted an automotive supplier could next month announce a \$200 million project with 800 jobs; city of Bastrop officials noted negotiations are ongoing with an unidentified company planning to create 100 jobs; and Elgin has approved selling land to a manufactured home company that could create at least 100 jobs.

Schmitt called it a healthy pipeline and said state and federal support for the semiconductor sector has helped.

Economic development leaders are also heartened by the diversity of companies looking at Central Texas. Top industries for the 250-plus interested companies include clean technology, manufacturing, automotive and semiconductors, according to Opportunity Austin.

Austin's recent growth has of course come with challenges, "such as growing concerns about workforce stability, housing affordability, transportation and public safety," Schmitt said. Her organization is trying to be proactive, partnering on workforce development, transportation infrastructure and water capacity efforts.

But having people continue to move to the region is a plus, she said.



A view of the open countryside near the Samsung plant under construction in Taylor, Williamson County, northeast of Austin. RealPhoto Inc.

"We've got the fastest-growing cities in the region in Georgetown, Kyle and Leander, which underscores the economic vitality and the quality of life of the region that's going to continue to foster an environment that's conducive to progress and prosperity," Schmitt said.

John Boyd Jr., a prominent site selection expert with Florida-based The Boyd Company, said interest in the Austin area continues to far outpace most other parts of the country.

One of the most popular areas for sightseeing is the State Highway 130 corridor, which runs along the east side of the metro, through communities including Georgetown, Taylor, Pflugerville, Manor and Lockhart. He said a 1,800-acre "megasite" near Lockhart — once considered by Micron Technologies Inc. for a factory — is a national standout that is being looked at by several search firms.

While other states might be winning big projects at the moment, Boyd said it's a good sign that Texas is almost always among the finalists. He said that will continue because of the state's low cost of doing business, ample real estate and strong workforce. Incentives, including new breaks on school property taxes, are the cherry on top for companies.

"Politicians on both sides of the aisle run on a platform of job creation," Boyd said. "Texas ... if it doesn't cross the finish line to win a project, very often it is a strong finalist. We see that just based upon things we know. When you see an announcement in a different state, it's very likely that Texas beat out perhaps a dozen states to be a finalist. That often results in future investments by a company."

Texas should also benefit from "near-shoring," where business is outsourced to nearby countries, Boyd said — those expanding to Mexico may see good reason to establish an outpost in Central Texas.

"So much of the attention today is about re-shoring or on-shoring, but near-shoring is just as significant an economic driver," he said. "Central Texas is uniquely positioned to benefit from that more than most other places in North America."

Ed Curtis — CEO of YTexas, an Austin-based business network that connects executives who have recently moved to the state or are considering a move — said relocations and expansions are finicky and can be affected by the time of year and macroeconomic picture. He said the current environment is more of a return to historical trends after a Covid boom.

"If you have the best year in the history of your state, which I believe was 2021 ... and then the following year you go back to normal ... one would look at that and say, 'Oh my God, what's happening?'" Curtis said. "That's just normal."

He said companies looking to expand or relocate have many different criteria. But two that are consistent for companies that choose Texas are access to workforce and proximity to supply chain. That, combined with the state's lack of income tax, will always give it an edge.

"That just puts Texas in a situation where I think we're going to win regardless of what other states have to offer," Curtis said.