

The New York Times

Houston Finds Business Boon After Katrina

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Published: *The New York Times*, September 6, 2005

HOUSTON, Sept. 5 - Perhaps no city in the United States is in a better spot than Houston to turn Katrina's tragedy into opportunity. And businesses here are already scrambling to profit in the hurricane's aftermath.

Oil services companies based here are racing to carry out repairs to damaged offshore platforms in the Gulf of Mexico; the promise of plenty of work to do sent shares in two large companies, [Halliburton](#) and [Baker Hughes](#), soaring to 52-week highs last week. The Port of Houston is preparing for an increase in traffic as shippers divert cargoes away from the damaged ports of Pascagoula, Miss., and New Orleans.

Owners of office space here are witnessing a surge in leasing as New Orleans companies, including that city's oldest bank, scramble to set up new headquarters in Houston, helping to shore up its sagging property market. With brio that might make an ambulance-chaser proud, one company, National Realty Investments, is offering special financing deals "for hurricane survivors only," with no down payments and discounted closing costs.

All this, of course, is capitalism at work, moving quickly to get resources to where they are needed most. And those who move fastest are likely to do best.

Meanwhile, even small businesses and cheap hotels are benefiting from the population surge, which could total up to 250,000 people. Some hardware stores have sold out their entire supply of gasoline cans and generators to people preparing for an eventual return to the devastated region.

"It feels like the only things left in south Louisiana are snakes and alligators," said John E. Olson, co-manager of Houston [Energy Partners](#), a hedge fund that operates out of a skyscraper downtown. "Houston is positioned for a boom."

Long known for its commercial fervor, Houston is the largest city in the South and has a metropolitan population of more than four million. It has one of the nation's busiest ports and remains unrivaled as a center for the American energy industry.

Halliburton, for instance, moved its headquarters to Houston from Dallas in 2003, joining dozens of companies based here that provide services for oil and natural gas producers.

Halliburton differs from many oil services companies in that it also does significant business with the federal government. The company, which has contracts in Iraq, has a contract with the Navy that has already kept it busy after Hurricane Katrina. The company's KBR unit was doing repairs and cleanup at three naval facilities in Mississippi last week.

Halliburton was also planning to go to New Orleans to start repairs at other naval facilities as soon as it was considered safe to do so, Cathy Mann, a spokeswoman, said.

Executives at other Houston companies said they were wasting little time in carrying out repairs in the Gulf of Mexico, where at least 20 offshore rigs and platforms are believed damaged or destroyed. [Tetra Technologies](#), which repairs or decommissions old platforms in the gulf, had employees in a helicopter the day after the storm passed to survey the damage.

"I always hate to talk about positives in a situation like this, but this is certainly a growth business over the next 6 to 12 months," said Geoffrey M. Hertel, Tetra's chief executive. By Friday, Tetra had been able to send an 800-ton barge it owns, the Arapaho, to the gulf to be used for platform repairs, Mr. Hertel said.

Some here are wary about seeming too gleeful in light of New Orleans's misery. Houston officials were quick to point out on Friday that they were making a convention center downtown available to evacuees from the disaster zone, potentially forcing some events to be canceled. And the Port of Houston Authority tried to soften the blow to other ports as it started to receive shipments diverted from Louisiana and Mississippi.

"We sincerely hope that these great gulf coast ports can get back to work as soon as possible," the port said in a statement last week.

But the new business is obviously welcome. "We're getting inquiry calls since the beginning of the week," Felicia Griffin, a spokeswoman for the port, said on Friday. "We're prepared to do whatever is necessary to meet the needs of our customers."

If the storm works to Houston's benefit, it would not be the first time a natural disaster of extraordinary size sparked some economic dynamism here. The hurricane of 1900 in nearby Galveston, which killed more than 6,000 people and almost leveled the

most thriving commercial city in Texas, paved the way for Houston, located 50 miles inland, to emerge as a regional center for shipping and the refining of oil discovered in East Texas fields.

The displacement of companies to Houston from New Orleans is an abrupt acceleration of a trend that has been going on for decades. Many large companies, particularly those in the energy business, have made that move over the years, leaving New Orleans more dependent on tourism and other service industries.

A surge of business activity in Houston this time around might lift the fortunes of a city that is still struggling to recover from the collapse of Enron and two decades of job cuts in the energy industry, which has shrunk as production of oil in Texas and the United States has declined.

Rising oil and natural gas prices in the last two years have strengthened the finances of Houston's largest energy companies, but have done little to improve employment prospects in the city, where the unemployment rate was 5.5 percent in July, compared with 5 percent nationally. During the last oil boom in the 1970's, 150,000 jobs were created in the business of oil field equipment, according to Barton Smith, director of the Institute for Regional Forecasting at the University of Houston.

However, since the 1980's, about 130,000 of those jobs have been lost as oil and natural gas exploration migrated farther away from Houston, largely to countries in West Africa, the Middle East and Asia - and companies were able to produce oil field equipment more cheaply abroad. Houston remains essential for energy research and is the undisputed center for energy deals and finance, but those activities employ relatively few people.

Partly as a result, Houston has one of the most moribund big-city real estate markets.

"There are many instances of companies coming to Houston for temporary space," said Louis B. Cushman, vice chairman of Cushman & Wakefield, a commercial real estate company here. In its own offices, Cushman has finally been able to sublease some extra space to a business of 8 to 10 people that had been in New Orleans. Mr. Cushman said his firm had found offices for two companies that had already decided they were not going back.

One company that has temporarily exchanged New Orleans for Houston is Whitney Holding, the parent company of Whitney National Bank, founded in 1883 and one of the oldest banks in New Orleans. Another New Orleans oil exploration company, Energy Partners, said in a statement last week that it was also making Houston its temporary headquarters. Other companies are following suit.

"It's exploding," said Stephen D. DuPlantis, senior managing director at CB Richard Ellis. "When I talk to owners of office buildings, they say people are not even negotiating. As tragic as it is for New Orleans, it is a boon for Houston."

Dwaine Ofczarzak, the general manager of Buffalo Hardware, an independent store near central Houston, has seen out-of-towners who seem to be preparing to leave and some who are settling in.

On Friday, Mr. Ofczarzak sold out his supply of five-gallon gasoline cans to people from Louisiana. But some shoppers were coming in to get keys made for their new homes and talking about enrolling their children in local schools. "I have friends who've already done that," he said.

The newcomers may take some getting used to. "Everybody is still pretty much in awe," Mr. Ofczarzak said. "And with everybody coming in the buses, it hit home."

Damon Darlin contributed reporting from New York for this article and Maureen Balleza from Houston.