



Volume 37, Number 32

October 30, 2015

Dear Client:

**“Austin: This is the best economy you’re likely to see,” says the head of CivicAnalytics. It’s good. No doubt about it. And he has the stats to show it. He also has some perspectives to help understand the scope of his claim.**

Austin’s singular economic performance is the envy of most important cities in the US. **Brian Kelsey presented a roundup of the latest statistics available on the Austin economy.** Take a look at a few relevant bits of information from his compilation.

**Economic growth in Austin is outpacing most other leading metros** – three times faster than the US since 2009.

**182,700 net new jobs have been created in Austin since the recession ended** – three times faster than US growth.

**Austin is among the fastest growing tech markets in the US.** It ranks #5 behind Seattle, Salt Lake City, San Francisco and Raleigh as a percentage of job growth.

**Austin would still have at least 1,000 “core” tech job opening per year *even if every Austin area student was hired.*** A recent study by the Austin Technology Council pointed out that the local demand for skilled tech workers will outpace supply by more than 2,000 people each year.

**Austin was fastest growing (%) large metro (1M+) and city (500K+) in US** from July 2013 to July 2014.

**Austin metro ranks #1 in 2015 for start-up activity**, according to the Kauffman Index. This includes rate of new entrepreneurs and start-up density.

Kelsey has more data, but you get the picture. Kelsey says the **“Austin economy is partying like it’s 1999.”** He points out, as we have noted in a previous edition, that Austin is in the midst of the lowest period of unemployment since the dot-com era. He notes that **sales at businesses in the city were up nearly 5% in 2014, compared to 2013.** And, bolstering all this, he said the **real average wages in the Austin metro increased by 1.6% in 2014** and are finally nearly back to pre-dot-com bust level, which is greater than \$54,000 per year.

**Running right alongside a raging economy in Austin are rising rates for office space. In fact, rental rates in the city's office market have hit another all-time high. Rates bottomed out in late 2011, rose throughout 2013 and have been skyrocketing in 2015.**

GlobeSt.com's **Anna Caplan** delved deeply into the 3<sup>rd</sup> quarter report from Cushman & Wakefield/Oxford Commercial (CWOC) and found that the overall current office rental rate shot up to **\$33.02/sf. That was a whopping 13.2% increase over this time last year**, when the rate was \$29.17/sf. By the way, CWOC said the current rate is the highest it has ever recorded since it started tracking the stats in the early 1990s.

Okay, that rate rise is impressive on its own. But it is for the "overall" market. What about the Central Business District that has traditionally been the priciest? Hang on. **Rental rates for Class A space downtown grew to \$48.07/sf.** This represented an 11.7% increase from the same time last year.

Here's another tidbit of info Caplan reported: **The Austin office market has already leased more space in 2015 than it did in all of 2014.** And it's a big number: 1.8 million square feet so far this year, compared to 1.7 million square feet absorbed in 2014.

**"Austin is one of the few places across the country where people want to live and employers want to locate,"** Ted Doucet, CWOC SrVP, told Caplan. **"That's the real story behind these numbers."**

The *other* real story behind these numbers: **Look for Austin office rental rates to reach new highs by year-end and on into 2016.** Despite the very visible construction, the demand has yet to show signs of lessening.

**Speaking of rising rates, here we go again. Most of the water bill's drainage charges in Austin will be changing for both commercial *and* residential accounts in November. And it could be significant.**

The drainage charge, on top of your regular monthly water bill, funds programs to help the city's costs for flooding, erosion control and water pollution. The City says: **"the charges will be decreasing for approximately 53,000 single-family properties in November. But almost twice that many will be seeing an increase."** Same for businesses: some will decrease, others will see an increase.

The City's formula for the changes is complicated. And because these changes are likely to be significant we suggest you go to [www.austintexas.gov/drainagecharge](http://www.austintexas.gov/drainagecharge). Enter your commercial and/or residential address and **the map will provide an estimate of the revised charge.**

**Some Big Banks are becoming more like Big Brother where their employees are concerned. According to the *New York Post*, some banks are hiring high-tech surveillance firms that can track nearly every move their employees make. It's happening because of government pressure on the banks.**

The *Post* reports Wall Street banks want “to protect themselves from stiff fines and to finger potential law-breakers on the payroll.” It went on to note that these moves “come as the Department of Justice (DOJ) said this month it would seek to **nail individuals during probes** and that banks would be expected to cooperate if they wanted leniency in settlements, sources said.” **“The new tactics may raise eyebrows in some corners of the financial world, but this brave new regulatory world could become the norm.”**

What kind of tactics are these high-tech surveillance firms employing to check on bank employees? “Using these programs, banks are able to scrape together and **easily monitor in real time their employees' social media**, how often they send **emails on personal accounts**, withdraw money from ATMs, **when they enter and leave the building**, when they play private conversations and **what they do on the shadowy ‘deep web,’** where Internet activity isn't logged like it is on Google,” reported the *Post*.

The newspaper named three surveillance firms – **Paxata** and **Red Owl Analytics** and **Palantir** – that were recently hired by banks to step up their oversight capabilities. “Up to now, regulators have relied mostly on the usual investigatory weapons – subpoenaing Bloomberg chats and company emails, the *Post* wrote.

“And, to be sure, it has worked, helping uncover wrongdoing and leading to more than \$74 billion in fines,” reported the *Post*. **“But Justice has come under fire** – from Congress and others – for not nailing enough individuals responsible for the crimes.” An assistant US Attorney General said in a memo that **if companies don't hand over employees, including senior executives, the DOJ will throw the book at them.**

**We feel for you if you were flying through Austin's airport Monday. That's because a new daily airport departure record was set, as 23,164 people passed through the checkpoints. What triggered this? Formula 1. In fact, the top four busiest departure days in airport history took place the Monday after Formula 1 (F1) races.**

If you saw the story this week that F1 attendance was down compared to last year, you may think **“hey, these airport numbers don't add up.” Not necessarily.** The record-setting rains over the weekend obviously had an impact. Some may have opted to stay inside and watch it on TV, before hopping a flight out of Austin.

**'Fess up now. When the controversial announcement was made in 2010 to bring the internationally acclaimed Formula 1 contest to a yet-to-be-designed, state-of-the-art high-dollar high-speed race track to Austin, did you think it would create a new technology sector in Austin? Not many did. But that is what has happened.**

Remember most of the discussion was of the *complaint* variety – **costs too much**, football-oriented Austinites don't know anything about Formula 1 (F1) and **will not attend**, the Circuit of the Americas (COTA) **track was to be too far out of town** to the east, yada, yada, yada. Bad weather notwithstanding, this weekend's annual event – seen by hundreds of millions around the world – has put many of those complaints to rest.

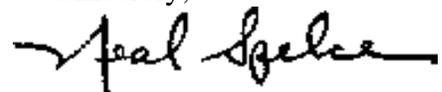
In support of this, **Charlie Jackson**, who in a LinkedIn post calls himself a Serial Entrepreneur and Technology Exec, said the initial announcement and subsequent developments added to **“Austin's growing reputation as a center for innovation in the growing areas of auto-tech and transportation.”**

Jackson pointed out that after the first F1 race two years ago, **“General Motors quickly followed up by creating an automotive innovation center in the former Dell campus on Parmer Lane.”** And now, he says, Austin is “in the middle of some of the **most innovative and exciting technology projects in transportation and transit.**”

He cites more examples: “Downtown is the locus of several self-driving cars (Autonomous Vehicle or AV). **Google has 14 AV's roaming the streets of ATX while Daimler, Ricardo, Delphi, Tesla, Microsoft and Apple have made recent forays to Central Texas with rumors of setting up shop** in this growing technology area. Jackson ticked off more examples and then concluded by saying **“the future is approaching faster than a Ferrari. Zoom!”**

**Dr. Louis Overholster** says you don't have to wait for an exit to get off a Texas freeway, just follow the ruts in the grass to the frontage road like everyone else. “This is how Texas residents notify Texas Department of Transportation where exits should have been built.”

Sincerely,



Editor/Publisher