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Dear Client:

**Early voting for the March 1<sup>st</sup> Texas Democratic and Republican Party primaries began this week. It's equally important for both parties. The huge block of Texas delegate votes will have a strong influence on the eventual presidential nominee of each party. This is just as true for the Dems as it is for the GOPers, even though Texas is considered a solid Republican-voting state.**

Texas Dems will get a Dem-only ballot. They will only decide between **Hillary Clinton** and **Bernie Sanders**. They won't get a chance to express their opinions on any GOP candidate. Same with the Republicans. Clinton and Sanders will not be on the GOP ballot.

The primaries are run by the political parties. **A Dem vote carries just as much weight within their party**, even though their total numbers may be fewer than their GOP neighbors. **The General Election in November is where the Texas Republican strength will manifest itself – all up and down the ballot.** How pervasive is the GOP dominance in Texas? Take a look.

In both the off-year of 2014 and this presidential year of 2016, **nearly 40% of state House and Senate districts are guaranteed Republican – because no Democrat filed to run in those districts.**

There are 254 counties in Texas. Two years ago, 86 counties had no Democratic candidate for any county office, while another 35 had just one candidate, according to former state GOP chair, **Wayne Thorburn**, writing in the *Texas Tribune*. Now look at what has happened in just two years:

**This year, there are no Democratic candidates for any county office in 117 counties and only one such candidate in another 41 counties.** This is more than half the counties in Texas, where **Republicans are guaranteed to dominate in a wide array of local offices.** And, it doesn't take into account other races that are contested, where Republicans are likely victors.

Obviously Austin and Travis County do not fit this mold. The numbers cited above may come as a surprise to some who are not well acquainted with what is going on outside this area. But, back to our original point -- **Texas is just as important to the Dems during the primaries as it is for the Repubs. It's a whole other ballgame when November rolls around.**

**Prices of Austin homes continue to rise. Demand is a big factor, but construction costs for new homes also contribute to higher prices. And, it's not just the cost of construction materials. Lack of skilled labor also affects cost.**

A bumper sticker on a pickup truck in front of us this week exemplified the need for labor. It read simply: **“Need subcontractors. Call 512-xxx-xxxx.”** When is the last time you've seen that sort of advertising for labor? **Construction workers are making out like bandits.** (While it is not housing related, the number of construction workers on the MoPac Improvement Project has increased from 150 before the holidays to 300 after. Many of these workers come from the same pool drawn upon by homebuilders.)

Now about materials. A report from the TexasA&M Real Estate Center points out **the cost of concrete, that had dropped to about \$60/yard, is now back up to around \$103/yard** (where it was before the Great Recession). Another report indicated the **cost of doors and windows goes up about 3% every six months**, though asphalt used in roofing and lumber are stable for the time being.

**Those who remember the hard housing times during the recent Real Estate Recession are arching an eyebrow and asking about the possibility of another housing bust like the one that hammered Austin and the US not too long ago. Experts are saying it's unlikely. Why?**

The Dallas Fed VP and Associate Director of Research **John Duca said he doesn't think a Texas market housing bust is likely.** Why? **“The banking system is in much better shape and financial regulation is much sounder, so there's less of a buildup of excess pressure because of that.”**

Duca also notes there's no supply overhang like there was in the early '80s. **“If anything, we have a shortage, not an excess supply.”** Another key factor is the state's diversified economy, which he said (and as we have pointed out in our Austin economic analysis in recent weeks) will help keep the oil price collapse from hurting the demand for housing.

While Austin is a state and national leader in many economic categories, the Capital City doesn't operate in a state vacuum. **What happens in other major metros can spill over to impact the Austin area.** So what is happening in the biggest Texas metros?

**Dallas and Houston built more houses last year than 19 states.** And, 2015 was a record year for Texas home sales and prices according to TexasA&M Real Estate Center Chief Economist, **Jim Gaines.**

Okay, Jim Gaines, **is Texas in a housing bubble?** **“I don't think so,”** he said succinctly.

**For 14 years in a row, Texas has been the top exporting state in the nation. Not California. Not New York. Not Illinois. Texas. More than \$251 billion in goods were exported out of Texas in 2015. This is an important economic measurement.**

This isn't a fabricated Texas brag. The US Bureau of Economic Analysis (BEA) analyzes exports from all 50 states each year to come up with this report. A couple of interesting facets found in the BEA report:

To give you an idea of the Lone Star State's dominance, ***Texas exports alone accounted for more than 16% of US goods exported last year.***

For the 3<sup>rd</sup> year in a row, **Texas surpassed California for high-tech exports.** Texas exported \$6.3 billion *more* in high-tech goods in 2015 than California.

Governor **Greg Abbott** said "this latest economic metric is yet another testament to the **continued strength of the Texas economy.**"

**A significant contributor to the Texas economy is the result of research conducted at the state's premier institutions of higher education, such as UT Austin. And a new initiative kicked off this month that should give a boost to new research.**

The Governor's University Research Initiative will provide matching funds to help **UT Austin and other institutions recruit nationally-recognized researchers to their faculty.** The Texas Legislature established this program after Governor **Greg Abbott** proposed it as an emergency item last session.

**"The Initiative will attract the brightest minds from around the globe and enhance our Universities' capacity to conduct world-class research,"** said the governor. "I am confident that Texas' commitment to investing in higher education will **pay dividends for our economy,** and current and future generations of students and faculty across the Lone Star State."

**On a lighter topic (but still of importance to many), cities in Texas are the most pet-friendly in the nation -- at least when it comes to accommodating animals in apartments. However, even though you may feel there is a plethora of local pets in apartments, Austin ranks only #2.**

The online apartment marketplace, Abodo, reports that Austin is waaay back in 2<sup>nd</sup> place behind **Dallas**, where 78% of apartments are "pet-friendly," **meaning they accept cats and dogs on their properties.** Austin is second at 55%. **Houston** (46%) and **San Antonio** (44%) round out Texas' nation-leading rankings. Thirty-nine percent of **Chicago's** apartments are pet friendly.

**Will solar panels soon be slapped on top of Austin roadways? You know about solar panels on Austin rooftops and on solar farm grids. But on existing or future roads that you could drive on? The technology is ready to go and is being tested as we speak.**

*Global Construction Review* reports France plans to install 1,000 kilometers (621 miles) of solar panel roadways in the next five years. **The panels can glue onto existing road surfaces to draw power from the sun**, and they can provide enough grip for cars and trucks to drive over.

A bit more than a quarter of an inch thick, the photovoltaic panel called Wattway is produced by a French infrastructure firm, Colas. Colas says **a little more than a half-mile of the panels is enough to power public lighting for a city of 5,000 people and about 215 sf. of Wattway can power a single French home.**

Experimentation is underway elsewhere. *CityLab* reports a couple in Idaho is developing a version that incorporates programmable **LED lights and heating elements for melting snow**. A Dutch project generated more electricity than expected with a **solar-powered bike path**. And in the UK, some are looking into roads that can **transmit electricity to charge electric cars on the move**.

There are obvious problems to be addressed. What if underneath a solar installation a **roadway needs repair**? How will the wear and tear of **real world driving affect the panels**? And, of course, cost. Right now, **the technology won't produce electricity more cheaply than conventional solar** (though it is a more efficient use of land).

What about the prospects for Austin? Well, speaking in general terms this week in his State of the City address, Mayor **Steve Adler said "I want us to creatively and innovatively deal with the problems that fast-growing cities are facing even if other cities have never figured out the answers."** Stay tuned.

Speaking of driving on Austin roadways, **Dr. Louis Overhoser** says forget the rules you may have learned elsewhere. Austin's version: hang on and pray!

Sincerely,



Editor/Publisher