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Dear Client:

**Austin popped to the top in a widely-read national real estate publication. This is not one of those “popularity polls.” This report offers a hard-nosed analysis for real estate investors everywhere. And it is forward-looking, as opposed to a look-back at how Austin has stacked up in the past. The Austin metro emerged #1 in the nation in the Urban Land Institute (ULI) 2016 edition of *Emerging Trends in Real Estate*.**

This is a big deal. It ranks cities by their opportunities for investors. And it is not a surprise. **It is a validation -- because last year Austin was #2 nationally on the same list.** If you like to track trends, this is confirmation that what is happening is ongoing. What did ULI see?

Austin received high marks as a city where local, regional, and national real estate participants operate in relative harmony, ULI observed. “Such cooperation helps **keep adequate levels of debt and equity capital available for investment opportunities,**” according to the Institute.

“Despite Austin’s growing popularity,” said the report, “it remains a comparatively small market in terms of investment opportunities. **While Austin is unlikely to attract a meaningful amount of off-shore capital, it tops many domestic investors’ wish lists.** This makes the market very competitive.”

Obviously the Austin metro is riding a tsunami of economic success these days. But lest you get too smug about it, you need to realize the **state of Texas has a lot to do with this analysis.** This becomes crystal clear when you look at past ULI rankings.

We mentioned Austin was #1. **But which metro was #2 this year – following a #1 ranking last year? Dallas-Fort Worth, that’s who.** ULI said the Metroplex is “perceived as a business-friendly environment that offers an attractive cost of doing business, an adequate and well-educated workforce, and **world-class transportation by air, rail and road.**

These two cities aren’t the only Texas cities ranked by ULI. **San Antonio is #32** (“Institutional investors are looking for opportunities in ‘this very affordable market’”). **Houston is #40** (“where investors are in a waiting game to see how the energy sector will recover”). **All in all, the state has reason to be proud – with Austin as the cherry on top of the sundae.**

**The day after Austinites decide whether to spend at least \$20 million more on bikeways, the North American Bikeshare Association (NABSA) kicks off its annual conference in Austin, where city transportation officials say they “will show off its bike share system.” The juxtaposition of the two events is intriguing.**

As you know, bikeway improvements are a controversial part of Proposition 1, the \$720 million bond proposal on the November 8<sup>th</sup> ballot. NABSA’s membership of **200 bikeshare experts, including system operators, industry vendors, academics, consultants and government representatives** from across North America start a 3-day meeting in downtown Austin November 9<sup>th</sup> with news about the passage, or failure, of Prop 1 the local headline of the day.

Staff from the City of Austin Transportation Department (ATD) will lead a tour of Austin bicycle facilities on the first day, with news of the election fresh on their minds. ATD points out “**at 50 stations and 400 bicycles**, the Austin B-Cycle system is small compared to other cities of our size, but the system is set to expand **by another 18 stations and 125 bikes next year**” regardless of Prop 1’s results.

NABSA said it believes in “**the power of bikesharing to transform cities.**”

**Speaking of transportation options transforming cities, what is likely to happen now that the Capital Area Metropolitan Planning Organization (CAMPO) effectively killed a 20-year-old plan to build a commuter rail connecting Austin and San Antonio? After all, the major connector between the two cities, IH35, is one of the most crowded roadways in the US.**

About \$28 million had been spent developing Lone Star Rail’s ambitious plan. Many cities along the route ponied up money over the years supporting the planning process. **The ultimate nail in the coffin came when Union Pacific (UP) withdrew from discussions allowing Lone Star to use UP’s existing freight line.** (You will recognize this railway because it is the route running north/south through much of MoPac Blvd/Loop 1.)

CAMPO can consider a number of options to ease the travel woes, including **a managed toll lane along the future expansion of IH35.** CAMPO has funds to allocate for such a study, as well as other possibilities.

Or, it could go back to UP to re-negotiate a different form of sharing of the line, maybe even a **tie-in with Amtrak that already shares the rails with UP** during non-conflicting times of day.

It’s a complicated process, with a wide variety of governmental bodies involved in the decision-making. **The idea of easing travel between the Capital City and the Alamo City is not dead, as the two metro areas grow closer toward each other.** But it’s a long process.

**You may have seen Samsung's major announcement on Tuesday that it will expand its operations in Austin, and create as many as 500 engineering and manufacturing jobs. And, while new tech jobs are welcome, they are overshadowed in significance by the action itself. Samsung will invest a billion dollars in Austin to make this happen – on top of many billions it has already spent here.**

Its northeast Austin operation is a semiconductor manufacturing facility. **Samsung Austin Semiconductor (a part of South Korea's Samsung Electronics) makes chips for itself and others. The wafers are used in mobile phones, tablets and other devices.** These are not memory chips. They are more sophisticated wafers.

Here's what this investment says about Austin's economy. A billion dollars now is not to be sneezed at. You may remember back in 2010, Samsung sank \$4 billion to upgrade its existing plant. **Quite a vote of confidence in the area as a hotbed for high tech. And this was not a speculative move.** It was based on a history of success in the Austin area.

Since Samsung selected Austin in 1997 as its first manufacturing facility in the United States, **it has invested a total of \$16 billion hard dollars in its operations. This big number represents Samsung putting up its own money for its Austin enterprise.** It is not an estimate of the economic ripple effect felt throughout the area.

Oh, by the way, Samsung also is employing about 300 people here in a research and development center. All told, Samsung employs about 3,000 people locally.

**Thinking about outside investment in Austin, you are probably aware that a California-based investment firm, Manchester Financial Group, is pumping big bucks into Austin to build a luxurious Fairmont Hotel (only the 2<sup>nd</sup> Fairmont in Texas) adjacent to the Austin Convention Center. And, Manchester is not wasting time putting its money to work in city politics.**

The Manchester organization is a family outfit. The Chairman of the entire company is "**Papa Doug**" Manchester. His son, **Douglas W. Manchester**, is president of the Austin-based operation. Manchester's Austin Fairmont high-rise hotel has topped out and construction appears to be moving briskly along.

So, how did Manchester jump into city politics? **It donated at least \$20,000 to back the city's \$720 million transportation bond proposal November 8, 2016.**

Interesting bit of political background: **"Papa Doug" is a strong supporter of Donald Trump, a fellow builder of hotels.**

**Don't know how recently you've driven South Congress Avenue to check out the eclectic shopping area. Check it out. It's really turned into quite a unique area. In fact, Austin and others have recognized this development by "branding" it with eye-catching street banners.**

SoCo is a destination. It contains an array of **eclectic shops, music venues, galleries, pop-up shops, restaurants, bars, food trailers, antiques, boutiques, tacos and more.** And it appears to be successful. Now, colorful banners line the venerable street.

The banners are attached to poles on each side of the street, like those you've seen on Congress Avenue north of Lady Bird Lake, **leading up to the Capitol that right now read "Main Street of Texas." South of the lake, the big, bold letters proclaim "SoCo – Dine, Shop and Rock."** Quite a difference. It exemplifies how the Avenue changes dramatically in just a few blocks. This isn't an overnight development. SoCo reached this point after about ten years.

**Going back four decades or so, *Texas Monthly* -- a publication powerhouse created by a young UTAustin law student -- has now returned to its Texas roots, after being run for 18 years by an Indiana company. And roots don't go much deeper than the Hobby family, its new owners.**

**Paul Hobby**, is the front man for the Hobby family that paid \$25 million for the successful publication. His family includes his grandfather, Texas governor (**William P. Hobby**), and his father, Texas Lieutenant Governor (**Bill Hobby**). But this is not all.

Go back to the matriarch **Oveta Culp Hobby**. She was the first US Secretary of Health, Education and Welfare, part of President Eisenhower's cabinet. Oh yeah, her family-owned the *Houston Post* and put KPRC-TV on the air in Houston. Yep. It is Texas all the way. Also, the Texas roots really go back to the magazine's founder, **Mike Levy**, who grew it from scratch for a couple of decades before selling to Emmis. Now the mag "comes home."

**Dr. Louis Overholster** likes this headline: "Hurricane Rips Through Cemetery. Hundreds Dead."

Sincerely,



Editor/Publisher