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Dear Client:

Is something wrong with Austin home prices? For that matter, the same question can be asked about home prices in other major Texas cities. This sobering question is prompted by recent national reports that area home prices are among the most overvalued in the US. Those reports have pointed to the recent rapidly-rising home prices in the Austin area as examples that the local residential housing market is overvalued. However, this week, a longtime, respected Texas economic research outfit took issue with this designation.

While not overtly stated, these national reports saying Austin housing is over-valued imply **a housing bubble may be on Austin's horizon**. And, a housing bubble further implies a **bursting of the bubble could have bad economic consequences**. Therefore, their reports should not be taken lightly.

You may remember two weeks ago (see the 7/28/17 newsletter in our Archives section) we told you the **TexasA&M Real Estate Center** was looking into these “overvalued” reports. Well, the Center released preliminary results of its research this week. Saying such comparisons are “not easy,” it *did* conclude that “**Texas shows no current signals of overheating**” – a reference to a possible housing bubble like the one that led to a recession many years ago.

TexasA&M research economist **Dr. Luis Torres** refers to the discrepancy in calculation as a “misalignment” that suggests “**recent price changes cannot be explained by supply and demand fundamentals alone.**” He points to 2014 as the year when the “misalignment” started in Austin, Houston and DFW. And 2015 when it started in San Antonio.

Torres says “**there is no sure way of knowing what prices ‘should be,’** even when considering supply and demand determinants, since they change over time. **Even more difficult is determining with certainty the formation of housing bubbles.**”

But, the real estate researcher looked back at conditions present during the last bubble, and concluded they “**seem not to be present currently in the Texas housing market or in the major Texas MSA's**” which includes Austin. However, he did caution about the lack of housing inventory, and said the TexasA&M Real Estate Center “will continue to monitor and analyze” this significant supply restraint. We'll also watch it for you.

Your property taxes were the subject of some intricate push-pull maneuvers this week. What will finally emerge is hard to predict – especially with the Austin City Council, the Austin Independent School District (AISD) and the Texas Legislature involved. Even the players in this saga are not sure of the outcome, as important as it is.

To give you an idea of the complications involved, all you need to know is the **Austin City Council and AISD are talking about working out a “tax swap.”** What? Yeah. Even Mayor **Steve Adler**, who is touting a tax swap, is not sure if he’ll ultimately vote for it. And what about the Legislature, where mayors from around the state have lined up to oppose their efforts. With all this maneuvering, Adler trotted out some numbers to bolster Austin’s position.

“Austin has one of the lowest if not the lowest tax rates of major cities, but everybody’s still feeling property taxes are going up and they are,” Adler argued. **“In the last five years property taxes for the median homeowner have gone up \$1,400. But what people don’t realize is that over \$1,000 of that is state property tax. It’s the state taking our local property taxes away.”**

Adler’s solution: **“If the state legislature really wanted to do something to help us with property taxes, they have to fix the school finance system. That’s the only thing people want them to do all over the state and it’s the one thing they are not doing.”**

Yeah, but. **What’s gonna happen? Don’t know. And no one else knows either.** To further complicate matters, there could be an election in the mix. It’s a big, very important, waiting game at this juncture.

Uh oh. The recent prediction of an active hurricane season has been updated. It calls for an even more active spate of storms than originally anticipated. The reason: meteorologists say it looks like a system-softening El Niño weather event won’t arrive to help out.

This week, the National Oceanic and Atmospheric Administration (NOAA) released a report saying it appears there will be an **above average 14 to 19 storms strong enough to be given a name this hurricane season.**

“There is a possibility now that the season will be extremely active,” the lead hurricane seasonal forecaster at the US Climate Prediction Center told the media. And it is particularly timely, as we are **entering the historical peak months** when the bulk of the hurricanes are formed in the Atlantic Ocean and Gulf of Mexico.

Originally, in May, the number of named storms was predicted to be between 11 and 17. Now it has jumped up to between 14 and 19. **Hurricane season ends 11/30/17.**

Much has been written about former Texas governor Mark White who died this week. Austinites and state leaders paid their respects as his body lay in state in the rotunda of the State Capitol prior to his burial Thursday in the Texas State Cemetery. We were quoted as saying “As far as Austin is concerned, it owes a major debt of gratitude to Governor White for his leadership in beginning and carrying through the successful effort to trigger the high-tech revolution in the city.” Here’s another view supporting our observation.

“Mark’s most important contribution to the state may well be in economic diversification,” commented Texas economist **Ray Perryman**. “During one of the state’s most difficult periods, he was instrumental in opening the door to new industries, including technology. **It’s no accident that the Austin area and Texas have emerged as a center for tech.**”

“Back in the 1980s, Mark, his Chief of Staff **Pike Powers**, and others (including a certain young economist who didn’t know any better) [editor’s note: yours truly was also a part of this small group] **worked tirelessly to bring two entities to the area, MCC and SEMATECH,**” Perryman said.

“MCC (or more formally, the Microelectronics and Computer Technology Corporation) was a **pioneering research consortium of technology companies** formed in response to Japanese technological advances and a perception that the United States was falling behind,” explained Perryman.

“Although the more obvious choices were **Silicon Valley and the Boston area,** cities across the nation competed to be the location,” noted Perryman.

“Many entities and individuals pushed hard for a Texas location, and **Austin emerged as the winner, due in large part to then-Governor White’s influence,**” credited Perryman.

“SEMATECH, a consortium including semiconductor manufacturers, the US Department of Defense, and research universities came to Austin a few years later and the rest, as they say, is history,” Perryman continued. “**There were no formalized incentive programs in the state during this period; we had to make it up as we went along.**”

“There has been a veritable flood of technology companies and initiatives coming to Texas since that time, and the resulting diversity is a primary reason that **Texas is now an economic juggernaut that can withstand substantial shocks to our largest export sector and continue to expand,**” Perryman commented.

“**That Texas routinely wins most major economic development accolades these days owes much of its origins to Mark’s vision in a time of great strife,**” concluded economist Perryman.

Want to know *where*, and importantly, *when*, as well as the *status* of the roadway projects approved in the 2016 Mobility Bond election? The City of Austin this week is debuting an informational website. Go to www.austintexas.gov/2016bond to get the info. Hopefully the first days of website operation will be glitch free.

You may not know about this City of Austin policy, and it may not even apply to you or anyone you know. But, just in case ... here goes. The Austin Transportation Department will dismiss an overtime parking citation if the driver feels “over-served” and doesn’t want to risk driving while tipsy.

If a driver’s vehicle is ticketed because it is left, say, overnight in a paid parking space because the drinking driver took a taxi home, that **ticket can be dismissed**. Here’s how it works:

A “dismissal request” must be turned in to, or emailed to, the city’s Parking Operations Division at 1111 Rio Grande, 78701 the *next business day* after receiving the citation. **The proof of the alternate ride home (taxi receipt, bus pass, rail fare receipt) must be attached**, as well as a copy of the citation.

This waiver only applies to citations issued at **City of Austin paid parking spaces for violations related to paid parking** (other violations are not eligible for dismissal). The City even provides a one-page form to be used to request dismissal of the parking citation.

Just above the signature/date line on the form are these words: **“I hereby request dismissal of the above citation due to taking a responsible ride home.”** You’re welcome.

Dr. Louis Overholster, while treating some broken bones on one of his redneck patients, got this reply when the patient was asked how he broke the bones: “I don’t rightly know, Doc. Alls I remember is saying ‘Here. Hold my beer. And watch me do this’!”

Sincerely,



Editor/Publisher