



Volume 39, Number 37

December 15, 2017

Dear Client:

**As we wind down 2017 and look ahead to 2018, it helps to know where the local economy stands – especially when it comes to residential real estate. After all, not only is real estate an important underpinning of the Austin area economy, but the fact you either own or rent, means you are personally affected. Real estate is an Austin economic barometer, but it also affects your financial bottom line. So, let’s analyze this always-changing market.**

When we say “always-changing,” consider what an Austin real estate expert, who has been a long-time observer of the real estate market in Austin and Texas, has to say: **“Austin real estate has been traveling at light speed with over 60% appreciation on residential real estate in the last ten years,”** reports Independence Title’s **Mark Sprague**. Let this sink in for what it means for the homeowner who has owned the same home for the past ten years.

After the wild swings of the real estate recession years, **Austin and Dallas-Fort Worth have led the nation with steady appreciation for the last ten years.** In fact, since 1990 Sprague reports **“Austin has had an average (annual) residential real estate appreciation of 5.4%, Houston 4.9%, San Antonio 4.7% and DFW 4%.”**

Regular readers of this newsletter know that in many real estate segments, **sales have slowed this year.** **“Not much, but a little,”** Sprague points out. Okay then, Mark, what does this mean? He emphasizes an important distinction when he says **“residential appreciation has slowed, but not declined.”**

The differences in housing price movement are stark when you look at the luxury home price points, compared to homes of lesser value.

**“If you are shopping for a house with a budget above \$2 million, I have good news,”** Sprague said. **“You have more than a six month supply of homes to choose from, as opposed to a couple months’ supply of homes in many of the lower prices.”** Repeat after me: *it is now a buyer’s market in the luxury market.*

Not so in the lower price points. **“Below \$700,000, we are still seeing multiple bids,”** he said. But, still, the market is slowing. **It’s not really slow or crashing. It is simply slowing.** And this is the watchword as we look ahead to the New Year. It bears watching closely.

**In numbers released this week, record home sales were recorded once again in the Austin area. The Austin Board of Realtors (ABoR) reported November sales were up a significant 3.7% over a year ago. And, if the trend continues in December, it will mark the seventh straight record-setting year. However, when you dig a little deeper, you find this is for the 5-county area. It also includes high-growth Williamson and Hays counties. But. And this is a big but. Sales in Austin and in Travis County were *down* compared to a year ago.**

The contrast is stark. In November, sales *decreased* in Austin 3.3% and 1.3% in Travis County compared to November 2016. ABoR reported sales were *up* 14.3% in Hays County and *up* 10.2% in Williamson County in a direct time-frame comparison.

This is quite a distinction. It underscores a point we've made repeatedly – generally homes are less expensive outside Austin/Travis County. In fact, ABoR president **Brandy Guthrie** echoed this: **“Home sales are the strongest where price points are the lowest and where development options are available, such as parts of Williamson and Hays counties.”**

Okay. What about home prices? **Are prices in Austin and Travis County following this same trend line and dropping along with decreasing sales? Nope.** ABoR reports median sales prices in Austin shot up 6.8% in November and were up 6.1% in Travis County. Williamson County's median sales price stayed steady, while Hays County's median sales prices showed a more modest 4% increase.

When you **lump all five counties together** – as many do, in reporting the stats – you see **sales went up 3.7% in November and the median sales price rose 2.9%**. Looking down from the 30,000-foot level, the real estate market in the Austin-Round Rock metro looks strong.

**As you know, the Texas Legislature years ago created a “Rainy Day Fund” with tight restrictions on how those dollars could be spent. It even set up a formula as to which sources of revenue can be tapped to add to the Fund. So, how fat is this Fund? It is thiiiiisss close to topping a whopping \$11 billion dollars. What's interesting is how a surge in new money in the Fund has come about.**

The Rainy Day Fund (officially called the Economic Stabilization Fund) gets the bulk of its money from **state taxes levied on oil and natural gas production**. Yeah, but, hasn't the Texas oil and gas sector been hit hard in recent years, affecting state tax revenue?

Just in case you haven't been paying close attention to what's happening recently in the Lone Star State's oil patches, there's been some good news. Take the latest report from the State Comptroller: **Oil and natural gas production taxes in November 2017 were up 39.9% from November 2016.** Quite a leap. And the Rainy Day Fund benefitted.

**Months ago, we reported the federal judicial system was undergoing a quiet but effective transformation, as a result of the power shift from the Democrats to the Republicans. The most obvious was the seating of a constitutional conservative Neil Gorsuch on the USSupreme Court. But, less obvious are the lifetime appointments of attorneys to the Appeals Courts, just below the Supreme Court. Closer to home, a new US Attorney was sworn in this week. He will prosecute cases in Austin and surrounding areas. So, who is this guy?**

To be blunt, his conservative legal credentials are unquestioned. **John F. Bash is a Harvard law grad who clerked for the darling of judicial conservatives, the late Supreme Court Justice Antonin Scalia.** Not only that, he was associate White House Counsel and special assistant to President **Donald Trump.**

Listen to part of what he said he would do when he took the oath of office this week: “... **protect and defend the Constitution, ensure the safety and security of our community, and pursue the impartial administration of justice.**”

He will prosecute violations of federal criminal law (immigration/sanctuary city?).

**Except for political junkies, nobody probably noticed the filing deadline for next year’s primary elections was this week. So, the ballots for the two primaries March 6, 2018 – both Democrat and Republican – are now closed. There will be plenty of time between now and then to assess the important races. But, one unique race brings to mind a little anecdote.**

For the most part, all major statewide officials escaped unscathed without an opponent in the primary. One exception: former GOP Texas Land Commissioner **Jerry Patterson** decided he wanted another bite at the apple and filed to challenge the current GOP Land Commissioner **George P. Bush.** Oughta be interesting.

History is repeating itself, because many years ago, another former commissioner decided to use his name ID to run against the incumbent. When the incumbent was asked about his **controversial well-known challenger,** the current commissioner said, in effect, “**I’m not worried. I’ll just travel around the state and remind voters *why* they remember his name.**” (This fun, historical anecdote has absolutely no reference to the current race.)

**The magnificent, endangered Whooping Crane winters on the Texas Gulf Coast, near Port Aransas. Tourists from the US and elsewhere flock to Port Aransas to observe the majestic, large creature. The problem: the area was one of the hardest hit by Hurricane Harvey in August. Frantic rebuilding is underway. Even though work will not be complete until summertime, Port Aransas officials say they’ll be ready for the birders in the next few months.**

**You haven't heard much about coyotes in the Austin area lately. But, they are out there. Both the City of Austin and Travis County are spending money to keep the animals under control. Some governmental entities have hired hunters to wipe them out. Not here. Now Travis County has decided to turn over its control efforts to the City.**

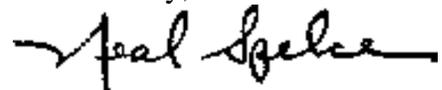
The City *can* use lethal methods to control the critters. But, it has to follow a detailed protocol to **determine the level of menace the wild animals pose before they can kill the animals**. So the City generally emphasizes tranquilizers and paintballs – along with community education -- to address the problem. Travis County voted to end its contract with TexasA&M's Wildlife Services. Instead it will give \$41,500 to Austin's Animal Services office so it can **hire another full-time employee to oversee efforts in the unincorporated areas outside the city limits**.

**The rare snowfall last week was a little interlude to the unseasonably warm December weather. For Central Texas, it was a reasonably heavy snowfall, causing some schools to close for a "snow day." Some businesses and agencies delayed opening until 10 am when the sunshine had removed almost all signs of the overnight snowfall. The ground and roadways were still warm, so the snow didn't stick in a lot of areas. For the most part, it was basically an uneventful event.**

Some were heard saying the snowfall was welcome, because it helped break the lengthy dry period that had been punctuated by very little rain. Some areas received as much as 3-inches of snow. This raised the question: **how much snow does it take to be the equivalent of an inch of rain?** "It was fun while it lasted," reported the Texas Water Development Board, "but it didn't do much to improve drought conditions. **It takes between 10 and 20 or more inches to equal 1 inch of rain.**"

Watching the short-lived Austin area snowfall, **Dr. Louis Overholster** had his typically punny medical observation: "We're all entitled to an occasional little meltdown!" (*Don't forget, this will be 2017's last edition of this newsletter, as we take our traditional 2-week hiatus at year-end.*)

Sincerely,



Editor/Publisher