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Dear Client:

Despite much of Texas being hammered by Hurricane Harvey, 2017 was a record-breaking year for residential real estate sales (the third year in a row, by the way). And, sales activity across the state should be even more robust in 2018, according to the chief economist for the TexasA&M Real Estate Center and a longtime chronicler of residential real estate, Jim Gaines. He has specific reasons for such a positive prediction.

“One of the big drivers will be **from first-time homebuyers** finding opportunities in the market with more **builders focusing on the entry-level price point** and **lenders relaxing the requirements** for first-time homebuyers,” Gaines predicted. “Additionally the likelihood of **more volatile interest rates in 2018** will influence homebuyers to buy now rather than later.”

This look-ahead is interesting. **But what about now? How are sales holding up during the early part of the year? Right here in the Austin metro?** For a change, we’re going to give you the stats on a city-by-city basis so you can see where the activity is taking place. These numbers reinforce Gaines’ prediction for the future. This is a one-month snapshot, February 2018. These are official Austin Board of Realtors single family home sales numbers.

The big kahuna is Austin, due to sheer size. **Units sold in Austin in February 2018 totaled 604**, with a median price of \$366,710. But, metro areas also posted impressive numbers:

- #2 Round Rock sold 165**, with a median sales price of \$272,000
- #3 Georgetown sold 129**, with a median sales price of \$300,000
- #4 Leander sold 103**, with a median price of \$245,000
- #5 Pflugerville sold 82**, with a median price of \$252,500
- #6 Cedar Park sold 64 units**, with a median price of \$288,950.

The southern part of the metro also showed strength.

- 48 units sold in Kyle**, with a median price of \$209,500
- 41 units sold in Buda**, with a median sales price of \$250,000
- 44 units sold in Hutto**, with a median sales price of \$224,500.

Notice the trend? Most units sold were in the \$200,000 range. Sales of pricier homes were limited. Example: West Lake Hills tallied only 3 sales (median price \$1,100,000), 4 sales in **Horseshoe Bay** (median price \$996,250), and 5 sales in **Driftwood** (median price \$970,700).

Shortly after we uploaded last week's newsletter online, we got word that an Amazon HQ2 site selection team had already secretly visited Austin. It was part of Amazon's plan to examine the claims of each of the 20 finalist cities by seeing for themselves. What did they find out in Austin? Don't know. We only know from reports from other cities that, when the team met with local reps, they had the locals sign non-disclosure agreements. However, Gov. Greg Abbott admitted he met with the Amazon reps. What did the governor tell them?

After Abbott was pressed by a KVUE-TV reporter, the governor said he told Amazon: **"We believe both Austin and Dallas would be perfect fits for Amazon."** Dallas was the only other Texas city to make the 20-city cut. Abbott's response was what could be expected. **The state will step up to do all it can for either city when the time comes.**

Abbott did reveal a little detail to the TV reporter about his conversation. **"Amazon executives have told me personally they believe Texas has a premier workforce."** And Abbott went on to say "when you couple that with our **reasonable regulations, low tax rate, the low cost of living and the ease of doing business** you can see that Texas is the right fit for Amazon expansion."

Okay, now what? If this follows the normal course of corporate site selection, you can look for **Amazon to cull the 20-city list down to a more manageable number.** Since we're in the midst of college basketball playoffs, you could refer to a finalist group as a Final Four – but that is pure conjecture. The cities could be culled to two or five or you-name-it. **At any rate, the site selection is getting down to the nitty-gritty. Whether it will become more public is unknown.** But, it looks as if Amazon is moving with deliberate speed, and a final decision appears to be on track. Stay tuned.

This week, the Federal Railway Administration (FRA) was told Austin will never get high-speed rail if the long-planned, privately-financed Dallas-Houston bullet train is implemented. The argument comes from France's state-owned US subsidiary SNCF America, that is seeking approval for a Dallas-Temple-Austin-San Antonio-Houston ultra-fast train project.

SNCF argues the Texas Central Rail (TCR) Dallas-Houston proposal is **"designed around the best interest of a single company, not what is best for Texans or the state's rail transportation future,"** according to a report in the *Austin Monitor*.

"If the federal government allows the Texas Central Rail project to move forward as proposed, it would likely **close the door on the future of high-speed rail in communities like Austin, San Antonio, Waco and Temple, while placing huge risks on the shoulders of local, state and federal taxpayers,**" SNCF argued. Of course TCR pushed back, pointing out the French National Railway is heavily subsidized at more than \$16 billion a year. TCR is not using government funds and has a private partnership arrangement with Japan's bullet train company.

If you've paid close attention, and eating out in Austin is an important part of your existence, you may have noticed many restaurant and food truck closures. This has led some observers to claim the food scene in Austin is saturated. If so, what does the food future look like? One prediction: "Food trucks may no longer be the darling of the Austin food scene, and food truck parks are feeling the pain."

The above quote came from a lengthy analysis by the national online business publication, *Bisnow.com*. **Kimberly Reeves**, *Bisnow*'s correspondent who covers Austin and San Antonio, quotes a food truck operator as saying **"the food truck market peaked four years ago and has been adding way too many players."**

Reeves points out **"just last year, Austin food truck growth was ranked No. 1 in the US, up 600% between 2010 and 2016."** Talk about explosive growth! Two years ago, **Austin was the food truck capital of America.** This had far-reaching implications for the entire Austin restaurant scene. A diner grabbing food from a truck is not eating in a bricks-and-mortar restaurant.

"But even a casual observer driving through South Austin and West Campus can tell the food truck business is slowing down. Trucks are shuttered. Hours are limited," reports *Bisnow*. And this impact is being felt somewhat throughout Austin's dining scene.

Said one food truck owner: **"I think all things restaurant are saturated: trailers, brick-and-mortar, however you want to get your food out there. It's just saturated. That's the reason why you see the turnover you do in restaurants."**

"The Austin-Travis County Public Health Department does not track who comes and goes in the food truck business, but it does permit food establishments. Last year, a total of 5,700 establishments were permitted for food service. Of that number, 1,284 permits went to food trucks and mobile vendors," Reeves reported.

"Last year, between 400 and 500 restaurants opened in Austin," truck owner **John Bates** said. **"Each of those restaurants needs about \$1 million in revenue to succeed. That means Austin as a whole needs to fork out an additional \$400 million to \$500 million a year in food entertainment dollars. I just don't think that's a sustainable model."**

At first, the food truck business appeared easy: low cost to get into business and set up shop on a small vacant space in a high traffic area. It obviously became much tougher as new trailers opened for business. **Nowadays, it's getting harder to find a good location. And as property taxes go up, the cost of leasing space grows.** Even large areas, such as the truck park on Loop360, have failed. **Obviously some food truck concepts have succeeded and expanded. Torchy's Tacos comes to mind. But Torchy's is in the minority.**

Don't know if you've noticed the Aggies are in the midst of a long-running public relations blitz. TexasA&M, under the leadership of Chancellor John Sharp, has been creating publicity seemingly endlessly. The latest example was seen in Austin this week, when the *Austin American-Statesman's* (AA-S) front page sported a maroon-ink wraparound ad touting A&M's new slogan "Fearless on Every Front" to South by Southwest (SXSW) attendees.

The news media have been bombarded with stories of Aggie doin's regularly for some time now. The costly AA-S ad this week, under the headline, "The Source Behind the Stories" proclaimed "**TexasA&M is leading the breakthroughs that change how you live. From your morning coffee to your evening commute, they are *fearless on every front*.**" The rest of the back-and-front-page ads urged the reader to "See their impact and follow their journey."

The bottom of each of the four pages carries the hashtag #TAMUatSXSW and the website address sxsw.tamu.edu. One headline blasted "Land! Sea! Space! What's Next?" Then answered the question: "**TexasA&M visionaries see change on every horizon. From Austin to the atmosphere, you can explore their impact and follow their *fearless* journey**" -- hashtag, web address.

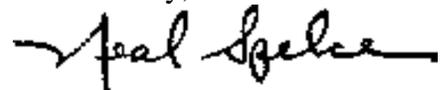
Another headline: "Disrupting Healthcare is Only the Beginning," followed by "**TexasA&M is pioneering in healthcare through the Internet of Things (IoT) and technological advances that will transform preventative care. Learn more by following their journey**" -- hashtag, web address.

Also "Future Proofing Disaster Relief" is followed by "**TexasA&M is rebuilding Texas and establishing innovative ways to prepare for future storms. See their impact and follow their *fearless* journey**" -- hashtag web address.

Slogans are not unique. After all, UTAustin has been using "What Starts Here Changes The World" for years. The Aggies now seem to be following the Longhorn's lead. In a big way.

Dr. Louis Overholster: "Of course I talk to myself; sometimes I need expert advice!"

Sincerely,



Editor/Publisher