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Dear Client:

The big, bold front-page headline blared “Austin Jobless Rate Drops to 5.5 Percent.” This was of course significant and newsworthy, but it is even more amazing when you drill a bit deeper into what is happening.

In the booming oil patch cities you can see unemployment numbers below 6%. But most metros all over the US have percentages way above the 6% mark. In fact, **the 5.5% is the lowest rate recorded for Austin since December 2008.** So, it’s a big deal.

But it is even more impressive when you consider the context in which this is taking place. The metro area is growing at one of the fastest rates in the nation. **Austin ranks third among the top 50 US metros based on net migration as a percent of the total population.** It is a destination for migrating talent.

And the population increase is spread around all five counties in the metro area. In the official USCensus figures as of 2010, **Bastrop County is up 28.5%** compared to 2000. **Caldwell County is up 18.2%**, **Hays County is up 61.0%**, **Travis County is up 26.1%** and **Williamson County is up 69.1%**.

Lumped together, the growth rate for the five-county Austin metro is 37.3%, while the State of Texas is up 20.6%, and for the nation, the increase is only 9.7%. The growth rate for the Austin metro has been averaging *3.2% annually*.

Think about this a minute. People are moving to the Austin area at a pace that is among the fastest-growing in the nation. And yet – the ranks of the *unemployed* have *dropped* to an enviable level. **This is because jobs are being created faster in the Austin metro than the area’s nation-leading increase in population.** This simply reinforces that this is one of the healthiest job markets in the nation.

This job growth did not come overnight. It is a result of an ongoing dynamic throughout the area. And it is occurring at a steady rate, not in a stuttering spurt. Many of the jobs that are being filled today are the result of decisions made months, sometimes years, ago. One example: Apple is currently committing to create 3,600 new jobs in Austin – over the next ten years (in addition to the about 3,000 already in place). And, as you know, more area residents with money in their jeans, the better it is for the overall metro economy.

Speaking of jobs, the antithesis of the successes of Austin and Texas is California, which has lost nearly 1 million jobs since 2007. As a result, California is one of only three states with unemployment higher than 10%.

According to the Economic Policy Institute, **California's employment has shrunk by 6.3% since December 2007**, which was the official start of the Great Recession. With 10.9% unemployment in April, California is the third worst of the states. Nevada's rate in April was 11.7% and Rhode Island's was 11.2%.

In further evidence that California's future is not all that bright, a former US Secretary of Labor under President Bill Clinton and now a professor at the University of California-Berkeley told UC college graduates they were, well, out of luck.

Writing on a UC Berkeley blog, professor **Robert Reich** used a stronger word than "screwed" in a message to the 2012 graduates. The blog's title was "The Commencement Address That Won't Be Given." He wrote: **"I feel I owe it to you to tell you the truth about the pieces of parchment you're picking up today. You're (expletive)."**

He backed up his candid (is "blunt" a better word) assessment by writing that **"fewer than half of the graduates from last year's class have as yet found full-time jobs. Most are still looking."** For comparison he noted that almost three quarters of the pre-recession class of 2008 found jobs in the first year.

Reich, who teaches in UC Berkeley's public policy school, says another problem for the current grads is that earnings are falling, while debt is rising. He wrote: **"Outstanding student debt now totals over \$1 trillion. That's more than the nation's total credit card debt."**

Austin's booming housing market is in sharp contrast to almost every major market in the nation. New and existing homes are selling at a fast pace.

The most recent results on home sales are from April. Here it is near the end of May, so the totals are what economists like to call "lagging." But, based on anecdotal data, May will show no signs of a slowdown from the impressive April figures, which **reinforces what we have been reporting for months now: residential real estate has shifted to a seller's market.**

In April 16% more homes were sold than in April a year ago. Also a year ago there was almost 7 months of unsold inventory; in April 2012 it had dived to 4.4 months. **The median price is 9% more than a year ago.** The influx from California continues and many of these buyers are paying cash. Fewer homes, higher prices, quick sales equal a booming housing market.

Hurricane season starts next week (6.1.12) and forecasters are predicting it will be less active than just about any time in the last 30 years. But that won't necessarily keep a "Big One" from being felt in the Austin area after slamming into the Texas Gulf Coast.

The average number of named Atlantic storms that have been **recorded since 1995 through last year is 15. Of that total, 8 reached hurricane levels, with 4 of those a dangerous Category 3 or higher.** In 1995, there were 19 named storms, which tied 1995 for the third most on record.

The oft-quoted forecasters at **Colorado State University (CSU)** have called for only 10 named storms to erupt during this 2012 season, with 8 reaching hurricane levels (75+ miles of sustained winds) and just 2 a dangerous Category 3 or higher. The **Weather Channel's** prediction is a bit more than CSU's, but still less than the average, with 11 total storms, 6 named hurricanes and 2 Category 3 or higher.

The official National Oceanic and Atmospheric Administration (NOAA) followed suit and issued a *range* of numbers that bracketed the *precise* predictions of CSU and The Weather Channel. **No forecast pretends to predict the number of storms that will make landfall in the US.** For example, there was no US landfall in either 2009 or 2010, but the former had 9 storms and the latter 19.

However, the prediction for fewer storms does not mean a "Big One" could not come roaring across the Gulf of Mexico, building up a head of steam that could carry it far inland to Central Texas, after battering the Texas coast.

Example #1: In 1992, the season only produced 6 named storms and one subtropical storm. But, one of those named storms was **Hurricane Andrew, which devastated South Florida as the most dangerous of all, a Category 5.**

Example #2: Closer to home, in 1983 there were only 4 named storms, but one of them was **Alicia, a Category 3 which hit the Houston-Galveston area and caused almost as many direct fatalities as Andrew in South Florida.**

Another concern has been raised by scientists at TexasA&M University-Corpus Christi. In recent years, **flooding has become more of a danger factor** as these storms dump massive amounts of rain and the storm surges come crashing ashore.

A team of surveyors re-measured 20 known elevations along the Texas coast. **They found many areas have dropped as much as 1.5 feet since the elevations were last measured in the 1950s.** This is occurring as sea levels are rising. Areas that were designated for flood insurance purposes at, say, 9 feet above sea level, are now less than 8 feet. This increases the likelihood that a **storm surge of water will cover more territory and do more damage than anticipated.** As always, you should keep an eye on hurricane forecasts for the next 6 months.

As summertime approaches and the temperature creeps upward, it's good to be reminded just how close power plant outages came to causing rolling blackouts last summer.

And, the situation could arise again this summer. The state electric grid operator, the Electric Reliability Council of Texas (ERCOT) says the forecast for **above-average summer temperatures for Texas this year means power supplies will be tight.**

In fact, ERCOT increased its projection for *this summer's peak demand to within 900 megawatts of the all-time peak demand record set last summer.* But, it said it expects supplies in the state will be sufficient to meet the peak demand this summer – **unless (and this is a big “unless”) there are above-normal power production outages.**

Because power systems are connected throughout the state, **if one power plant goes down, it impacts the system.** Several times last summer, the state came close to statewide rotating blackouts because of unexpected power plant outages. **This could have meant your home or business would be without electricity during the hottest part of the day.** It came thaaaaaat close to happening.

Austin Energy frequently relayed ERCOT's alerts and requests for you to reduce your electricity usage between 3:00 pm and 7:00 pm weekdays. Many Austin businesses, including Target, H-E-B, Whole Foods and Brown Distributing cut back on their energy usage. Other business and residential customers took voluntary actions such as turning off lights and reducing air conditioning levels. Those steps worked.

Now, with **tight power supplies projected for this summer,** you need to be aware what might occur during those blistering hot days ahead for which Austin and the state are famous.

As graduates are now leaving college campuses in the Austin area and all over the country, many with questionable job prospects, **Dr. Louis Overholster** was prompted to opine that “The American Dream is not owning your own home. It is getting your kids out of the home you own!”

Sincerely



Editor/Publisher