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Dear Client:

“Austin is clearly a leader” with a “really dedicated, collaborative community in a vibrant investment ecosystem pushing clean energy,” according to the US Energy Secretary. Strong words from the nation’s top energy guy, Ernest Moniz, who also had high praise for UTAustin’s “fantastic” energy research.

On a quick visit to Austin, Moniz viewed a wide variety of technologies, including smart grid and solar energy projects. He said he was especially impressed with the Pecan Street Project’s **integration of 300 homes with smart grid technology and electric car networks.** “It’s got to be the **greatest, by far the most aggressive, project that I know of,** at least in terms of data collection,” he said.

Moniz commented: “I heard reports from a whole variety of clean-tech companies, both on the supply and the demand side.” Moniz also toured the university-based **Pike Powers Laboratory and Center for Commercialization.**

Speaking at UTAustin, he called it a “research powerhouse, especially in the arena of energy.” And Moniz was not limiting his observations to just clean energy. He said the Obama administration’s pursuit of an “all-of-the-above” energy policy “maps very well with what you are doing here at The University of Texas.”

Specifically, Moniz called out the work that UTAustin’s Jackson School of Geosciences is doing in geothermal energy research, and recognized Professor **Allen Bard as the “father of electrochemistry,”** to whom he and **President Obama** bestowed the Fermi Award in the Oval Office a few days earlier.

While in Austin, Moniz stressed that **fossil fuels will be the key to the transition to a low-carbon future** and said the surge in natural gas production from hydraulic fracturing (fracking) has already made major contributions toward that goal. Moniz said he’s seen numbers estimating the economic investment from the shale gas revolution is more than \$100 billion. **“It’s enormous,” he exulted. “The gas production increase has in fact been one of the major drivers of our reduction in CO2 emissions -- by far, greater than any country.** His comments carry a lot of weight because his role as US Secretary of Energy is to guide the energy policies of this nation. And energy is vital to the economies of Austin and Texas. Check out the next item to see what the Obama administration says about Texas energy role.

Even though the State of Texas has been solidly Republican in recent years, the Democratic administration has taken public notice of the importance and vitality of The Lone Star State's energy role in the US. Frankly, it's quite an admission.

As expected, the US Secretary of Energy, **Ernest Moniz**, ties the role of Texas to the energy strategy of **President Obama**. But even with that little caveat, it is an important recognition. And, because this statement was in the Secretary's *prepared* remarks, it had to be vetted by higher-ups. Here it is, word for word:

“In many ways, Texas is the perfect example of how President Obama's all-of-the-above energy strategy can go hand in hand with combating climate change. The state is the **number one producer of oil and gas in the country**. Texas has also been a **national leader in clean and renewable energy production**.

“This state already **leads the nation in electricity generation from non-hydroelectric renewable resources**. And Texas has the **highest wind-powered generation capacity of any state in the nation**.”

This is not a “Texas Brags” summary. It comes from a national administration that has not always been friendly to the state. And vice versa.

The pace of job creation in the Austin area is quickening. And it already was the envy of the nation.

Those who have spent years watching and working on economic development for this region are themselves **amazed at the momentum**. Consider just three bits of news in the last couple of weeks (not to mention all that has happened previously).

Roku Inc. is headquartered in California. It makes streaming media players for TV sets. It has indicated it wants to expand its engineering efforts in Austin because it can't hire as many engineers as it needs in the Bay Area.

Two other California companies (notice a trend here?) are awaiting approval of incentive packages from the City of Austin after receiving hefty commitments from the Texas Enterprise Fund. Added together, **Dropbox and Websense will commit to bringing 640 tech jobs to Austin**, if the incentives fall in place.

These developments have become public just in the past few weeks. And, take it to the bank, **there are many more companies on the brink of making investments in the Austin area**. They are in the pipeline and will soon be surfacing – and seeking workers. Obviously this torrid pace can't continue. But it will be interesting to see how long it lasts.

Some good news may be on the horizon for Austin area start-ups and tech companies fighting to protect their ideas. New patent legislation may be passed by Congress this year.

If passed, the legislation could deal a long-awaited blow to so-called **patent trolls**. These are persons or companies that assemble and hold a portfolio of patents. **They look for businesses to sue for infringing on any patents they control no matter how remote the infringement might be.** How serious is this? According to the *Kiplinger Washington Editors*, they account for nearly two-thirds of patent lawsuits. And **newbie firms – such as the huge number of Austin start-ups – are easy prey.**

It's called The Innovation Act and it will make it costlier and more difficult to file a lawsuit. It will also **allow defendants to recoup costs of defending themselves.** This, reports *Kiplinger*, is a big change that will encourage defendants, worried about costs, to challenge trolls in court.

Texas' housing market – not just Austin's – is smoking! It's important that Austin's success is not occurring in a vacuum, because that adds strength – and “insurance” -- to what is happening in Central Texas.

Remember, the recovery in Austin and Texas' single-family housing market began more than three years ago. According to the Chief Economist and Director of Research at TexasA&M's Real Estate Center, **Mark Dotzour**, the following occurred in the calendar year just ended:

Sales volume in 2013 was the second highest volume in Texas history. Only the peak year of 2006 was higher ... **the dollar volume of residential sales hit a record high** in 2013, well above the previous 2006 peak ... **the average price of homes sold in Texas hit a record high** in 2013 as well, up 9.3% from the year before ... and there was a **smaller percentage of distressed sales** than in 2012.

A further breakdown shows that the **supply of homes for sale in each Texas metro is at a record low** – reinforcing the “smokin' hot” reference. “Inventory” is the number of months it will take to sell all current listings at the current sales pace. **Inventory is at a record low.** Here are the latest stats, from **Mark Sprague**, Independence Title's Director of Information Capital:

Houston has a 3.7 month supply (27% less than this time last year) ... **DFW has a 3.0 month supply** (29% reduction in inventory) ... **San Antonio has a 4.1 month supply** (9% decrease) ... and **Austin leads the pack with only a 2.3 month supply** (20% less than a year ago). Six months supply is considered “balanced,” where supply and demand are equalized. “Demand for housing in all Texas metro markets is the best it's been in probably a decade,” noted Sprague. Dotzour says “with continued job growth and home price appreciation, **the Texas market should be stronger this year, even if mortgage rates inch up during the year.**”

Airfares are fairly low compared to prices in the last 20 years. But you are still paying more when you fly the friendly skies and changes make it less “friendly” to fly. How’s that?

The Bureau of Transportation Statistics (BTS) reports **average airfares are down 11.2%** from 1995. Back then, the airfare you paid included two or three checked bags, seat assignments and by-your-row boarding privileges. Look at conditions today on many airlines:

Most airlines charge for checked bags ... meals are gone in coach ... you’ll often pay (or pay more) for the seat of your choice and for the privilege of boarding early ... **the fee to change a nonrefundable ticket has soared to \$200** on most domestic flights ... chances are your **coach seat is narrower with less legroom** and on much smaller and less comfortable aircraft than in 1995, according to business travel consultant, **Joe Brancatelli**.

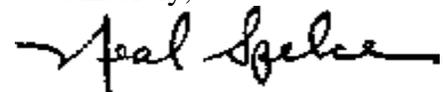
Watch those nasty little fees. **BTS reports airlines are jacking up fees much faster than base airfares.** In fact, fares accounted for only 71.5% of 2013 third-quarter revenue that airlines collected from passengers.

Austin area retailers, in general, did better than the previous holiday selling season, according to the monthly sales tax report released this week.

The City of Austin’s December sales tax receipts were up 5.5% over December a year ago. But other cities in Central Texas did much better, for example: **West Lake Hills**, up 26.2% ... **Pflugerville**, up 21.8% ... **Leander**, up 19.4% ... **Georgetown**, up 14.5% ... and **Cedar Park**, up 13.9% were the leaders in the Austin metro. Other selected tallies: **Bee Cave**, up 8.5% ... **San Marcos**, up 8.2% ... **Taylor**, up 8% and **Lakeway**, up 2.2%.

Dr. Louis Overholster, after listening to some of the current songs that won the Grammy this year said he was reminded of Voltaire’s quote long ago: “Anything too stupid to be said is sung!”

Sincerely,



Editor/Publisher