



Volume 36, Number 43

January 30, 2015

Dear Client:

You are well aware current construction of dozens of office buildings, high-rise apartments, and condo towers push Austin's economic vibrancy statistics into the stratosphere. But did you know UTAustin has more than a million square feet under construction that is not being counted in commercial real estate categories? Yep, and in their own way, those three buildings will provide immeasurable long-term economic benefits to the Austin area.

Using a mix of public and private money, **UTAustin has three huge construction projects underway** within a stone's throw of the State Capitol. Of course all construction work gives a shot in the arm to the local economy. But it is after these three projects are "open for business" that the real benefits begin to flow for years and years – more than offsetting the fact UTAustin buildings do not pay property taxes. Check 'em out:

Dell Medical School complex. This one has gotten all the attention. DellMed will offer more than just training docs and providing top-notch health care innovations. **It will be an incubator for leading-edge research that could lead to new products.** And it is planning to cooperate with private sector enterprises.

Another engineering school building. With the growing emphasis on engineering breakthroughs, **the output of new ideas and highly educated grads are needed more than ever in the ever-evolving Austin area economy.** This will continue long after the construction stops.

Business School Building adjacent to the AT&T Conference Center. The new edifice will expand the capabilities of the Center, bringing more and larger business-oriented meetings to the campus.

These three buildings have moved off the drawing boards. The money has been allocated and it is being spent to push the buildings to completion. Also, even though it is not part of UTAustin, we should add another building to this list – **a downtown office structure for offices to house the UTSystem.** This new high-rise will trigger the sale of other downtown buildings (currently housing UTSsystem personnel) to the private sector.

By the way, a longtime subscriber reminded us this week that a phrase we coined decades ago is even more true today: **"If you want to stop growth in Austin, move UTAustin to Amarillo."**

By every recent measure we've seen, the phenomenal growth of the Austin area's population is predicted to continue for the foreseeable future. Oh sure, the numbers vary. But the variance is minimal and the trend is for more of the same.

For instance, *Forbes* annually projects the fastest growing cities in the US. Last year, it pegged Austin's population increase at 2.52% to rank #1 in the US. This week, it said **Austin's growth will slow in 2015 and it dropped Austin out of the #1 spot.**

Horrors! Has Austin lost its mojo? Not at all. It dropped its projection for Austin from 2.52% in 2014 to – stand by – 2.51% in 2015. **It won't even be noticeable.**

How about translating the percentages into warm bodies? Okay. Three different scenarios were laid out by the Urban Institute – worst case, average, best case -- over the next 20 years, starting with a base metro population of 1.7 million in 2010. **Worst case in 2030, 2.3 million ... Average case, 2.7 million ... Best case, 3.2 million people in the 5-county metro.**

Since its founding, the Austin area has always recorded solid growth. Frankly, it's always been a good place to live. But now the growth is boosted by the steroids of amazing job creation amidst Texas's economic performance.

It's kinda chicken-egg situation. **Are jobs the magnet? Or is Austin itself a magnet?** Forget trying to answer that question. Doesn't matter. It's happening. **When the two work in tandem, it is a case study in healthy economic performance.**

Look at these facts. In December 2014, the civilian labor force in the metro was 1,023,200. Okay. **The number of those who had jobs was 988,300.** The number of unemployed was 34,900. As a result, the unemployment percentage was 3.4%.

Compare to a year ago, in December 2013. The civilian labor force was 1,016,100. **Of those, 970,400 had jobs.** The number of unemployed was 45,700 for a 4.3% unemployment rate.

Do the math. **The labor force increased by 7,100. Those who had jobs increased by 17,900.** Chew on that for a minute. **The result is that those who didn't have jobs dropped by 10,800.** Now think about that.

The takeaway is obvious. **More people found jobs in Austin than the total increase in the labor force.** Economists will tell you that for all practical purposes, **a 3.4% unemployment represents full employment.** Those who are serious about finding work found it.

Last year, 8,780 new apartment units opened for occupancy in the Austin area. This meant occupancy levels dropped because demand was being met, right? Uh, not so fast. Yeah, occupancy *did* drop – but only to a very high 94%. And that drop was less than 1%. So what is likely to happen now?

Hammers are slammin' speedily on many new apartment buildings in the metro. **In fact, www.apartmenttrends.com counts 19,238 units under construction.** Those units soon will be looking for tenants. It will be interesting to see if the number of new units keeps up with the pace of new arrivals. The ripple effect will also impact single-family housing demand. We'll keep an eye on it for you.

Another trend? Don't know. But the frequency of earthquakes in Texas seems to be steadily increasing.

These quakes are not biggies. But they do register on the Richter scale. **Most of them have been in remote areas of the state.** For instance, the USGeological Survey reports there have been at least 13 earthquakes in the Eagle Ford shale zone south of San Antonio, primarily in Atascosa and Karnes counties. **So far, the Austin area has been spared.**

The fact these quakes have occurred in areas around Texas where there has been extensive oil and gas drilling has not gone unnoticed by those who are opposed to the drilling method called hydraulic fracturing, or fracking. Look for this debate to ratchet up.

The calendar is marching inexorably toward mid-March and that time of year elicits strong reactions among Austinites. Usually it revolves around do you stay in town or do you get outta Dodge? After all, Spring Break occurs. Oh yeah, so does South by Southwest (SXSW).

The many facets of SXSW (music, film, IT, etc) are spread out from March 13 – 22. Spring Break for UTAustin and for most local school districts is the week of March 15 – 21. This is when **local traffic and travel, as well as most family and business schedules, are disrupted big time.** Strong pro-and-con feelings abound.

One change this year that may be noticed only by the hard-core SXSW aficionados is **special event permits have been reduced by about 25%.** Safety for the large downtown crowds was the reason given.

For those leaving Austin during this timeframe, **you better get movin' if you want to book airline flights.** This is one of the busiest periods at Austin-Bergstrom International Airport. And for those staying in town, downtown will be one big street festival – for better or worse.

Are we becoming more Mexico-like? The influence of our neighbors on the southern Texas border appears to be expanding – especially in cultural areas, according to an Austinite who is a former US Ambassador to Mexico. And he’s not just talking about yummy Tex-Mex food.

Austin has long been influenced by Mexico. Hey, how else do you explain the long-term popularity of margaritas and enchiladas, as well as the explosion of taco businesses all around the area? But it’s more than that. And retired US Ambassador **Antonio Garza** sees examples spanning the US – so much so, he **refers to this fusion as “culturally North Americans.”** So, how about some examples, Mr. Ambassador?

He points to culinary crossovers, noting that famous international chefs are now looking to Mexico for their inspiration. “Mezcalerias too have popped up across the country from Seattle to Los Angeles to Washington DC,” he says.

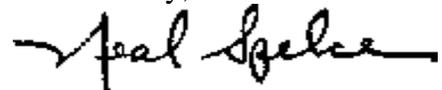
“In sports, soccer unites both Mexican and American fans,” he notes. “And Mexican soccer teams are now more popular than ever,” with ESPN getting TV rights to Mexican national soccer games through 2018, he added. **It goes both ways.** Garza says “the NFL believes that at least 17 million American football fans live in Mexico. **In this year’s Super Bowl in Phoenix, Mexican businesses and even the federal government will be official sponsors.”**

Movies, where Mexican actors have long been stars, are currently in the spotlight with **“Birdman” garnering nine Academy Awards**, including best picture and best director for **Alejandro Gonzalez Inarritu,**” said Garza.

Ambassador Garza is a former Texas Secretary of State and Chair of the Texas Railroad Commission. A graduate of UT Austin, he has offices in Austin and Mexico City.

When **Dr. Louis Overholster** learned Richard Branson announced plans to develop a new type of plane that can fly from New York to Tokyo in one hour, Overholster said “apparently, the engines are powered by human screams!”

Sincerely,



Editor/Publisher