



Volume 37, Number 10

May 29, 2015

Dear Client:

**One important part of the Austin area's red-hot residential real estate market has not been keeping up with skyrocketing values. But sales should soon be rising as fast as this week's flood waters. As water roars into Lake Travis, "waterfront" properties that have been high and dry for years should once again be in high demand.**

Out of the devastation and tragedy from the "rain bombs" that bludgeoned the area for the past week, **a bright light is emerging for homeowners who have gutted it out through one of the longest droughts in Texas history.** Especially hard hit for years are those who may have wanted to sell. They were hobbled by the fact that their property was not as attractive because Lake Travis stayed at historic lows for a record period of time.

Just in time for the summer selling season, Lake Travis will once again emerge as a drawing card for the western Travis County communities, such as Lakeway and Bee Cave. **Just a few weeks ago, Lake Travis was only one-third full. As we speak, it is now more than two-thirds full – and still rising at a rapid rate.**

**What is meant by "full?"** Quick explanation: The Lower Colorado River Authority's (LCRA) **definition of "full" is for the water in the lake to hover around 681 feet above mean sea level (msl).** At this level, the lake still has enough capacity to hold future flood waters, without causing harm downstream. This week, the level was nearing 660' msl. Thirty days ago, it was 629' msl.

The *spillway* level at Travis's Mansfield Dam is 714' msl. **The historic high occurred on Christmas Day in 1991, when the level peaked at 710.4' msl.** It was an amazing (some said "scary") sight to see. So, the "full" level of 681' msl leaves plenty of room for a lot of water to flow into the lake.

This analysis is not meant to minimize the horrors wrought by the storm-driven waters of the past few days. Far from it. But as the old saying goes, some storm clouds do have silver linings. And it is not just Lake Travis waterfront residences that may benefit. **Residents of Austin and other cities can breathe a bit easier as their drinking water supply, that comes mostly from Lake Travis, is replenished.** Many boaters, that moved to Lake Austin in recent years, can return to Travis, enhancing the bigger lake's commercial and recreational enterprises. Etcetera. Meantime, keep the Central Texas severe weather victims in your thoughts.

**Been wondering how the personal dynamics of the newly-expanded, single-member district Austin City Council will play out? Others have, as well. But one aspect is emerging that illustrates the difference from past years when all councilmembers were elected citywide.**

There have always been strong pro and con feelings about citywide versus district representation. One argument *against* district council seats is that **members may not keep the city as a whole uppermost** when they depend only upon their nearby neighbors for election.

**And turf battles could emerge.** We've seen several examples of that already. One example: East Austin councilmember **Ora Houston** has been battling for a new golf course development in her district. In effect, she says **the east side has always gotten short shrift and she wants the golf course built in her district to help the area's economy.** Other councilmembers oppose the project. A final decision has not yet been made.

Another example was recently raised by councilmember **Don Zimmerman**, who conducted a financial analysis of \$140 million in **funds earmarked for mobility and transportation projects** that were approved by voters in November 2012. Here's how he said the expenditures break down by district:

• <b>District 9, Kathie Tovo</b>	\$42,455,839	29.8%
• <b>District 7, Leslie Pool</b>	\$23,548,588	16.5%
• <b>District 4, Greg Casar</b>	\$22,907,384	16.1%
• <b>District 8, Ellen Troxclair</b>	\$14,082,494	9.9%
• <b>District 1, Ora Houston</b>	\$13,919,139	9.8%
• <b>District 3, Pio Renteria</b>	\$10,040,353	7.0%
• <b>District 5, Ann Kitchen</b>	\$5,925,458	4.2%
• <b>District 10, Sheri Gallo</b>	\$4,916,945	3.4%
• <b>District 2, Delia Garza</b>	\$3,989,882	2.8%
• <b>District 6, Don Zimmerman</b>	\$883,393	0.6%.

Zimmerman says his district is “not getting anywhere close to its fair share,” with only a 0.6% slice of the spending pie. **“Yet, the taxpayers of District 6 are certainly contributing far more than 0.6% for the bond projects citywide,”** he added. “The people of District 6 deserve a much better return on their investment.” So he is proposing the new council re-evaluate those allocations “to **more fairly redistribute the overall revenue pot** for such projects throughout the entire city.” Don't know where this will end up.

You can see what we mean. With the former council (each elected citywide), you didn't see this narrowly-constructed analysis. Some areas of the city may have more immediate needs than others. But, no need to jump into the merits of this now. It is simply an illustration of how **district elections have changed the dialog.** It'll be interesting to see how this dialog proceeds.

**Building and leasing office buildings in Austin continues to generate comment and analysis – all of it upbeat and indicative of the dynamic economy of the Austin area. Some may run the first quarter numbers and differ with another’s numbers, as we have reported over the last few weeks. But a different company’s observations and conclusions bear repeating for you.**

“Local office properties are **on track for another very strong year** and will likely top a million square feet of absorption again this year,” predicted **Doug McGregor**, Sr Office Consultant with REOC Austin, a locally-based commercial real estate company. “The fact that the market can bring on **more than half-a-million square feet of new office space and still maintain a stable occupancy** demonstrates the strength of our local market. There is still room for more development.”

Yeah, but. The question remains whether **demand for space and the pace of leasing can keep pace with the amount of office space set to be delivered in the months ahead**. What about that? “If all else remained the same through the end of the year when buildings currently under construction reach completion at the levels they are currently pre-leased, the **citywide vacancy rate would increase to 11.5% -- which is still a relatively-healthy vacancy rate,**” said **Kim Gatley**, REOC’s SrVP/Research.

C’mon, Kim, do you really think all else will remain the same? “**Obviously, it won’t happen that way, it never does,**” acknowledged Gatley. “Some of the reported pre-leasing activity will be offset by tenants relocating from existing buildings. But the point is that **the local economy is fueling demand that continues to drive the development of office space** in the current expansion phase of the real estate cycle.”

What about the rest of 2015? What can we look forward to in the office market? “Expect vacancy rates to fluctuate as new projects come online,” predicted Gatley, “**but don’t expect higher vacancy rates to stick around too long**. Austin’s thriving tech sector and overall healthy job market will continue to drive demand for office space.”

**As for “Austin’s thriving tech sector,” a new report cites a strong economic impact by the “clean technology” sector, or in other words, Austin’s clean energy portion of the tech sector.**

Austin-based development consulting firm Civic Analytics and the Austin Technology Incubator released a study this week that reported **nearly 20,000 people were employed in the clean energy sector in the 5-county Austin metropolitan area**. This is the first time a study has carved out the clean energy business’s local impact. And it extrapolated its findings to conclude that this sector **contributes \$2.5 billion each year to the Austin economy**. The study further projected Austin’s clean energy sector could grow 11% by 2020.

**A Latin phrase is now commonly heard, along with political-speak, in the halls of the State Capitol. This session of the Texas Legislature will adjourn by midnight June 1, 2015 (did you just mumble “about damn time”?). The ending process is called adjourning “sine die.” And one group is glad it’s over because it spent about a million bucks to get a bill passed – and lost.**

Two competitors combined forces to seek regulations that both could agree upon. You see, **ride-sharing companies Uber and Lyft work under different regs in every city in Texas, as they compete against existing taxicabs.** Uber and Lyft figured if the legislature could set statewide standards, they wouldn’t have to do battle in individual cities that had different rules.

Didn’t happen. **In spite of the fact Uber registered 28 lobbyists and Lyft had 10 signed up to lobby for their common cause, the bill they favored didn’t pass.** And, while precise numbers are not available, Uber and Lyft indicated they may have spent a combined million dollars in their failed effort.

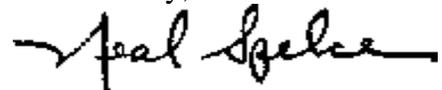
Other winners and losers will be determined after the “sine die” gavel falls June first. Following the end-of-session parties, those involved will get a breather as they gear up for the **next regular session of the Legislature – starting in January 2017.**

**Speaking of political “gearing-up,” former Texas Governor Rick Perry will finally – and officially -- enter the race for US President with an announcement June 4, 2015 in Dallas.**

He’ll increase the crowd of those with Texas ties already announced for the highest office in the land, joining USSenator **Ted Cruz**, now-Dallas resident **Rick Santorum** and Victoria resident **Ron Paul’s** little boy, **Rand Paul**. Texas Land Commissioner **George P. Bush’s** daddy, **Jeb Bush**, has not yet officially announced, nor has Austin-born **Carly Fiorina**. Stay tuned.

**Dr. Louis Overholster** observes that if lessons are learned in defeat, some political candidates get a great education.

Sincerely,



Editor/Publisher