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Dear Client:

Tech jobs are surging in Austin, ranking the Silicon Hills of Austin third among top tech markets in the US, behind San Francisco and Phoenix. This is pushing *office rents significantly higher downtown*, even though Northwest Austin still has a growing tech concentration. And, maybe the scariest effect of this tech surge is that it might *push residential rental rates toward a stratosphere* occupied by ridiculously-high-priced San Francisco.

CBRE Group Inc. reported Austin is one of the nation's hottest tech markets. As a result, businesses should expect to pay a premium to be in the red-hot middle – downtown – of this tech surge. **(A shift is occurring in the geographical concentration of Austin tech businesses. And downtown is usurping Northwest Austin as the new hotspot.)**

Best example: average office rental asking rate in Northwest Austin was 2.4% *below* the metro-wide rate at the end of Qtr2/2015. Contrast this with **downtown Austin that “more recently emerged as a high-tech submarket with more than 100 tech companies, and has a rent premium of 28.6%,”** reports CBRE.

“The tech ecosystem in downtown Austin is different than any other local office submarket and it continues to flourish, despite the higher cost of entry,” says CBRE/VP **Nate Stricklen**. “A **vibrant landscape of high-tech users is developing in our urban core** thanks to a plethora of resources, including access to funding and accelerator groups like **Capital Factory, TechStars and Dreamit Ventures**, quality tech talent and flexible co-working solutions like **WeWork** and the recently announced **TechSpace**.”

Okay, this is all well and good. Most US cities are envious of Austin's vibrant downtown. But **how is San Francisco a scary model** of what might happen to residential rentals for workers who want to live close to work? According to a recent San Francisco study, mid-to-senior level engineers need to **spend anywhere from 42% to 54% of their salaries on rent in order to live within a half-mile radius of the office**. What!

The old financial rule-of-thumb is that you **shouldn't spend more than 30% of your income on rent**. But a San Francisco **tech worker making \$120,000/year spending 54% of his/her income to rent a one-bedroom pad near the downtown office is courting financial disaster**. Is Austin far behind? This question needs to be pondered.

By the way, didja know Texas ranked 2nd in the nation for re-location activity from out of state last year? What? Which state beat Texas? Florida. But then, you know the ole saying that Florida is where Yankees go to die! Just kidding. But the fact is Texas continues to be a high-demand destination for residents who are bailing out of their home states.

Okay, which state did the new Texans leave? Well, California, of course. According to the Texas Association of Realtors **63,591 Californians “invaded” Texas** in 2014. It also seems that those who moved to Florida either displaced Floridians – or had second thoughts about their choice – because **Florida sent 40,930 to Texas for 2nd place on the list.**

Oklahomans bailed out for Texas to the tune of 25,096 and Cajuns from Louisiana were close behind with 23,805. Coming in at #5, 23,258 residents of troubled Illinois fled to Texas. In all, 538,572 people from out of state moved to Texas last year.

Now, let’s bring this analysis closer to home. What about Austin? And other Texas cities? Where do they rank among the nation’s 53 largest metropolitan areas, based on their annualized rates of population attributable to migration? No surprise. Your favorite metro ranked tops in the US.

One of the nation’s top demographers, **Joel Kotkin**, analyzed movement within the US between metro areas from 2010 to 2014. He published his findings in *Forbes*. “What we found is that to a remarkable extent, Americans still seem to be whistling Dixie,” noted Kotkin. **“Eight of the 10 fastest gainers were in the former Confederacy.”**

The Austin metro led the pack. Kotkin pointed out that **Austin gained 126,296 more migrants over that time span from other parts of the country than it lost in out-migration.** This accounted for an increase in the Austin metro’s population of 1.69%. **“No other metro area in the country enjoyed anything like this rate of in-migration,”** Kotkin marveled.

The difference in Kotkin’s numbers from the previous item is that Kotkin deals in *net population increase*. I know, I know, it’s hard to believe. But Austinites do move out of the area every day, as they do in all the other US metros.

To what does Kotkin attribute Austin’s nation-leading percentage? “Austin’s high job creation rate – over 3% growth annually since 2010 – has a great deal to do with its ability to lure new residents.”

By the way, **San Antonio was #3** in the US (1.02% net increase) and **Houston was #8**, though Kotkin is worried the oil downturn will impact Houston. The biggest losers: **Los Angeles** (46th out of 53), **Chicago** (52nd) and in last place, **New York**.

The “Great Gate Debate” is underway in Dallas and it could have a small effect on your Austin airport travel options. In the larger scheme of things it’s not a big deal for you. But for Southwest Airlines and Delta Air Lines, it’s really important.

You see, Southwest flies out of 18 of Love Field’s 20 gates. And, for decades, it has been **prevented from operating at Dallas-Fort Worth’s (DFW) massive airport.** It made lemonade out of lemons with this restriction and turned Love Field into an important cog in its operations. Now, Southwest acts like close-in Love Field is its own personal airport fiefdom.

This is important for you because Southwest carries more Austin travelers than any other airline, and most of those travelers connect through Love Field. Southwest’s pitch before a Dallas Federal Judge: “Delta doesn’t need Gate 15 at Love Field because it has gates at D/FW and can get more. Southwest does need Gate 15 at Love Field.”

Earlier, Southwest paid United Airlines \$120 million to buy out its lease on two gates at Love Field. **Delta is currently operating five daily flights out of Love. Now Southwest wants to banish Delta from Love Field.** Love Field is owned by the city of Dallas. And Delta claims the city should decide who operates the gates. We’ll see how the judge rules soon.

Okay, so the Central Texas rain chances this week look to have fizzled. But remember, the El Nino heavy rain/cooler weather prognostication was not set to begin until the latter part of October. So, hold out hope. With hope springing eternal for rain and cooler temps this fall and winter, here’s an optimist’s question: how many snow/ice days can we expect?

Now, c’mon on. That’s a serious question. Really. *Austin American-Statesman* feature writer extraordinaire **Patrick Beach** didn’t even have to ask the question, but got a response from the Lower Colorado River Authority staff meteorologist, **Bob Rose**. Here’s the verbatim exchange:

BOB ROSE: “El Nino winters often bring our area a somewhat better chance for snow. Do you want me to go out on a limb and **predict the number of snow/ice days we’ll have?**”

PATRICK BEACH: “Yes.”

BOB ROSE: “Darn! Can I get away with saying a few? **Somewhere in the range of three to five.**”

Rose seems impressed by the El Nino weather influence. He told Beach **“We’ve only seen about three El Ninos of this magnitude over the past 100 years.”** He qualified it by saying “however, this one may not be as excessively wet as some of the previous ones we’ve seen.” Oh, almost forgot. **The first “cold snap? “I think it will be sometime around the third or fourth week of October,”** predicted Rose.

Citizens, upset at all the commitments made to bicycle riders, forced one California city – yes, California! – to vote “to suspend all proposed bicycle striping and pavement markings.” What’s going on there?

California has been eager to make it easier for bicycle riders to get around, even though the Golden State has been in love with cars for a long time. **But residents of the city of Coronado reared up and objected to bike lanes as “Paint Stripe Pollution.”** Here were some of the other citizen comments before Coronado’s City Council:

The bike lanes bring to mind **“a visual cacophony that if you look there long enough it will induce a dizzying type of vertigo.”** Or **“The graffiti on the streets does not help our property values.”**

One resident asked if Coronado couldn’t think of a better option than **“these black streets with these brilliant white lines everywhere,** because believe me, it takes away from your home, from your outlook on life.”

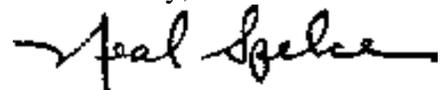
Or one lady had this analogy: **“It’s very similar to personally taking all three of my daughters to a tattoo parlor and having them completely body tattooed.”**

At issue was a master plan to **add 12 more miles of bike paths in what has been a bike-friendly place. In fact, the League of American Bicyclists has recognized Coronado’s commitment to cyclists.** And the city says its bike commute share is a solid 4.5%, way above the county and national averages, according to *Atlantic’s CityLab*.

So, how’s it going over? Coronado’s mayor was quoted saying **the public should get what it wants “unless what they’re asking for is illegal or unethical.”** The final verdict is still out.

Dr. Louis Overholster, after reading these bike path quotes, said the citizens missed the point when focusing on street striping. He advises his patients who want to ride a bike to learn about bicycle safety, using Mark Twain’s quote: “Learn to ride a bicycle. You will not regret it – if you live!”

Sincerely,



Editor/Publisher