



Volume 37, Number 39

December 18, 2015

Dear Client:

For the first time in many a year, Texas may be really relevant in the 2016 presidential nomination. Yeah ... but haven't two out of the last four presidents been Texans? True. But the *nomination process* by which they were selected did not rely heavily on convincing Texans to send them on the road to the White House. This all changes in January and February when you will be bombarded by campaign messages from Republican candidates who want to be the GOP nominee, and to a lesser extent from the Democrats.

You will get a chance to vote in either the **Democratic or Republican Party Texas primary elections March 1, 2016** (dubbed Super Tuesday, because other key states also hold primaries on that date). In years past, the Texas primaries have been held later in the year and, for all practical purposes, Texas was irrelevant. The nominee of each party had already sewed up enough votes to be assured of their party's nomination.

Not this year, especially in the wide-open Republican presidential race, where a number of candidates can claim some tie to the heavily-Republican state of Texas: **Ted Cruz** is Texas's junior USSenator ... **Jeb Bush**'s father, brother and son live in Texas ... **Carly Fiorina** was born in Austin ... **Rand Paul** was born and raised in Texas. His father, **Ron**, lives in Texas, and ran for president himself last time. But, importantly, highly-populous Texas carries vote-rich heft, sought by all.

You should be bombarded with campaign messages during the two-month run-up to Super Tuesday. We're talking TV commercials, radio ads, digital ads, social media, emails, recorded phone pleas, flyers, brochures, etc. – just about every form of message that millions of dollars can buy.

For the Democrats, Texas is important only as a source of delegates to the Democratic National Convention where the nominee will be crowned. **Hillary Clinton** has a base of support in Texas, **Bernie Sanders** not so much. Don't look for either of them to spend the big bucks to impact the Super Tuesday voting.

It's unlikely any of the GOP candidates will drop out until the Iowa, New Hampshire and South Carolina voting takes place early in 2016. And, even if one or two GOP candidates drop out in January and/or February, **the hue and cry will only slightly diminish.** Therefore, enjoy the political respite provided by the holiday season.

The selection of the next president is more than just who will head the Executive Branch. It's entirely possible the winner will have a good chance to affect the tilt of the deeply-divided USSupreme Court. And, it might not take a second term to effect that change. Why? Four of the nine justices will be in their 80s in the next president's first term.

The four oldest justices are split evenly, two conservatives and two liberals. The oldest justice, 82-year-old liberal **Ruth Bader Ginsberg**, has been treated for pancreatic cancer. The next oldest liberal justice is **Stephen Breyer**, who will be 82 in early 2012.

Conservatives **Antonin Scalia** and **Anthony Kennedy** are both now 79 years old. If the new president represents an opposing philosophy, any of the four may try to outlast that first term. But in addition to age, **health issues – unpredictable at their ages – could also be a factor** in determining how long each continues to serve. Remember, Supreme Court justices are appointed for life.

To underscore the local importance of the USSupreme Court, look no further than UTAustin, where the university just a week ago defended a challenge to its diversity admissions policy. A decision will be handed down much later.

Speaking of UTAustin, its president Greg Fennes this week tossed out an example of what he means when he refers to his institution as the “University of What’s Next”.

“I visited physics professor **Mark Raizen** in his lab where he works on the basic science controlling the motion of atoms and molecules,” said Fennes. **“This has applications in creating isotopes for medicine, especially cancer therapy, and providing clean drinking water.** I was impressed to see graduate and undergraduate students working directly with Dr. Raizen to develop the science and think through the applications. It reminded me how uniquely positioned we are to shape the future and why I call UT the “university of what’s next.”

Okay, wanna know *what's next* on the overcrowded streets of Austin? With all the emphasis on creating bike lanes (at the expense of parking and reducing lanes for autos), what if Austin's bike lanes are shared with very small, automated vehicles? This could happen.

You see, researchers at MIT are working on a **prototype 3-wheeled vehicle, with an onboard computer, powered by pedals, with or without help from an electric motor.** Here's how it could work in bike lanes. A person using an app could call the vehicle. It would drive itself to pick up the customer. **The customer would pedal, in bike lanes, to the destination. Then, the motor would engage and the vehicle would drive away.** Top speed: 12 mph. And by operating in bike lanes, this could ease congestion. Tests could start in the coming years.

What can you expect next year, now that the US Drought Monitor has officially declared an end to the drought hammering Central Texas since 2008? The drought was a record-breaker. In fact, from a water supply perspective, it generated the driest conditions in the history of the Austin area. So, let's examine the next few months of 2016 to see what may be in store.

First, a caveat. You know the Lower Colorado River Authority (LCRA) controls the water needs for a million Central Texans, through its management of the Highland Lakes of Central Texas. Even though the US Drought Monitor says the drought ended this year, the LCRA says, from *its* perspective, **it won't consider the drought has ended "until the lakes are full and we've experienced a period of sustained rainfall."** Well, okay. Let's analyze this position to see when the LCRA thinks the rainfall-and-full-lakes situation will occur.

The key is what happens to Lakes Travis and Buchanan, the fluctuating reservoirs (the LCRA keeps the other lakes along the Colorado River at a constant level). **As of the end of this week, Travis is 91% "full" and Buchanan is 79% "full."** When added together, they are 86% "full." This is amazing progress and a stark contrast to the past seven years.

It's always difficult to predict the weather six months in advance, much less for next weekend. But, based on historic patterns and the rare but **powerful rain-making phenomenon known as El Nino**, the weatherguys are still holding to the view that **we are going to experience a wetter-than-normal winter and spring.**

The LCRA forecasts that if "wet conditions" occur, both Travis and Buchanan will reach "full" status within six months. And, possibly more importantly, if "average" conditions occur (and El Nino is *not* average), the lakes will still be only a few feet below the "full" level.

Let's get into the weeds just a little bit to give you a precise perspective. **Lake Travis current level is 675.53 feet above mean sea level (msl). It is less than six feet from the "full" mark of 681 feet above msl.** Perspective: Travis has risen more than 50 feet so far this year and more than three feet in November.

Much wider Buchanan stands 1,011.30 feet above msl this week. It is less than nine feet from the "full" mark of 1,020 feet above msl. Perspective: Buchanan has risen about 22 feet so far during 2015 and about a foot in November.

Another point needs to be made. In certain years in the past, the **LCRA has lowered the levels of its constant-level lakes in early January through mid-February. This was done to allow property owners to work on docks and also to kill nuisance aquatic vegetation.** When this happened, the shores of the constant-level Highland Lakes -- Inks, LBJ, Marble Falls and Austin -- become mud pits. **Well, it will not occur this time around. The LCRA said it has no plans to lower the levels of these lakes in 2016.**

What about the future for Austin area homebuilders and real estate agents – the *long-term* future? Many economic historians will tell you the red-hot growth of the Austin area will cool down at some point. But, 5 to 10 years down the road, Millennials who are just beginning their careers here in Austin, will enter the real estate market in a sizeable wave.

Millennials are the largest generation in the US. They were born between 1980 and the mid-2000s. Millennials are important to Austin's economic future because they are at the beginning of their careers. A great many of them are only between 22 and 26 years old today. **They will be a major driver of the Austin economy for decades to come.**

They are not yet homeowners. By and large, they rent. And they are filling up all those apartments we have written about recently. Click on the "Archives" button at the top of the page and go to the November 6, 2015 edition for a detailed breakdown of this amazing surge.

The average age of first-time home buyers is 31. And, therein lies the future. The bulk of the Millennials have up to a decade ahead of them before they join the housing market. Look for the ranks of young buyers to start swelling in five to seven years, our friends at *The Kiplinger Letter* predict. The most numerous single age cohort today is 24-year-olds, with 23-year-olds and 25-year-olds close behind.

As they near 30, this huge group of Millennials will be looking to move out of their cramped Austin area apartments. **Surveys show they still want to own a home and they see it as a good investment.** They face hurdles such as high college debt, rising interest rates and large down payments. But they are employed in Austin right now, and represent the housing future.

This is the final edition of the newsletter for 2015. As has been our custom since day-one in 1979, we have not published the last two weeks of each year. So the next issue will arrive in your in-box January 8, 2016. As we wind down the year, we hope you enjoy this special holiday season. **Dr. Louis Overholster** likes to quote **Dave Barry** who said this is a deeply religious time that each of us observes, in his own way, by going to the mall of his choice!

Sincerely,



Editor/Publisher