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Dear Client:

There's a new set of numbers released that paint an image of Austin as flashy as one of those old paint-by-numbers paintings. And these numbers elicit nationwide praise (along with envy from other cities). The current Austin numbers make for fascinating reading, especially when you realize they haven't been this good in 15 years – back before the “dot com” recession dealt a body blow to the area economy.

The last time the unemployment percentage was as good as it is today was in February 2001. The really amazing part of this story is that **it is happening even though record numbers of people are moving to the Austin area each day.** This is because jobs are being created at a faster rate than the unbelievable increase in population.

In the 12 months ending in February, **Austin added 39,800 net new jobs**, according to the Austin Chamber's VP/Research, **Beverly Kerr**. To put this in perspective, this is **more than the entire population within the city limits of Texarkana or Copperas Cove or Waxahachie or Leander or Seguin or Kerrville.** Impressive.

To underscore the importance of tourism and travel to the Austin area economy, **Leisure and Hospitality added the most jobs in the past year of any economic category – 8,600 or 7.8% of the total.** All other categories gained jobs, except Manufacturing that lost 0.9%.

Okay, now let's go back to the other part of this equation – the extremely low unemployment. As we mentioned, it is the lowest in 15 years, since before the “dot com” debacle. **Also, the Austin area unemployment has been below pre-recession levels for more than a year now, dipping to the current 3.1%.**

Breaking it down further – by the five counties that make up Austin's metro area: **Travis County, 3.0% ... Williamson County, 3.1% ... Hays County, 3.2% ... Bastrop County, 3.5% ... and the much smaller Caldwell County, 4.1%.**

Alright, enough percentages. What about actual *people* who are unemployed? For perspective, **the number of unemployed in the Austin area averaged more than 60,000 for three years running during the recent recession. The number of those currently out of work has dipped dramatically to 33,330.** See what we mean by numbers painting a pretty picture.

Despite a stronger-than-normal economy in Austin, an “uh-oh” report was just issued. Taking note that Austin’s apartment market has long been the envy of multifamily markets everywhere, the report raises a warning flag saying “Austin may struggle to make 2016 another bright spot on its calendar.”

ALN Apartment Data reports that **“in the last three months, the Austin area absorbed only 376 net rented units.”** It went on to note that half of the submarkets saw occupancy drop in the last three months, with the submarkets of West Campus and William Cannon taking the greatest hits in occupancy.

According to the TexasA&M Real Estate Center, ALN reported “occupancy did nudge up 0.1% over the last three months as the introduction of new units took a hiatus but there is still plenty more in the pipeline for 2016.” ALN concluded: **“there may need to be more cost cutting to maintain occupancy in 2016.”**

If this is an early warning signal, it goes **contrary to what we reported less than two months ago** in our February 12, 2016 issue (click on the “Archives” button at the top to check it out).

In that edition, we quoted the Austin Multi-Family Trend Report as saying **“Thus far, developers do not appear to feel threatened by the general market or financial changes.”** It concluded: **“Look for 2016 to bring about additional sales, rent challenges in pockets, heightened completions and positive absorption to continue.”**

Okay, so what is the takeaway from these two reports? It is always important to alert you to a possible change in an important economic sector, as the ALN report conveys. **But at this stage, it goes into the “bears watching” category.** As reported in the first story, jobs are still being created and people are still moving here. A few more months of data is needed.

Just down the road, in Houston, two reports surfaced this week that the Bayou City’s multifamily market may be overbuilt. (This may feed into the concern about Austin’s apartment situation -- though it shouldn’t.) Houston’s economy has been damaged by the oil and gas downturn. Houston ain’t Austin. But you need to know what is happening there.

In its 2016 Houston multifamily market outlook, Marcus & Millichap says there is **not enough demand for the large number of apartment units currently in the pipeline.** And a source quoted in the *Houston Chronicle* agreed.

One apartment developer told the *Chronicle* they’re not planning any more complexes in the Houston area in the near future: **“Houston is oversaturated with multifamily,”** said Leigh Scofield, regional director for Worthing Cos. **“It’s just an area that’s taken a big beating.”**

You might think that one of the newest trends in Austin transportation – ride-sharing cars, such as Uber and Lyft – could be debated on the merits of how they function, in relation to their competition, the taxicab companies. You know, a discussion of rules and regs -- without the left-right, liberal-conservative, Democrat-Republican divisions found so frequently in Austin. Well, those who think that may be wrong.

So far, the issue looks like it may be playing out along partisan lines. It could be because an election is involved. After all, the local joke (?) is that there are **folks in Austin who drive by their precinct polling places every Tuesday and Saturday just to see if there is an election being held**, so they can run in and vote.

As you are probably aware, there will be an election in Austin one month from now on Saturday, May 7th. **Proposition 1 will set the rules and regs under which Uber, Lyft and other ride-sharing services will operate in Austin.** The debate has been going on for months now, with sloganeering-tee-shirt-clad supporters and opponents showing up at the Austin Council chambers to make their feelings known.

You may recall one of the issues is whether the **Uber and Lyft private-citizen independent-contract drivers should be fingerprinted** as an additional part of their background checks. There's more to it than that (such as the ballot wording) but there's no need to re-hash the history of how we got here.

Anyway, the City Council passed a set of rules and regs the Uber/Lyft folks didn't like. So the ride-sharing folks gathered a bunch of valid signatures to force an election to get what *they* wanted. This is what Prop 1 is all about.

And this is where the partisanship is coming into play. The Travis County Democratic Party is opposing the Uber/Lyft plan, as is an environmental group. And the PR firm representing Lyft is run by principals who have worked on the GOP side of the ledger, though they insist the ride-sharing issue is non-partisan. You get the picture.

Where do the two sides come down? At this stage, **the left-liberal-Democrat side is urging a "No" vote. The right-conservative-GOP side seems to be lining up as a vote "For" Prop 1.** This has not gone full-blown divisive yet. But as you can see, it is starting out that way.

No matter how it ultimately shakes out, if you vote in Austin, you will likely be bombarded by messages on the issue. **And those who turn out to vote will have a strong say whether Prop 1 is voted up or down. Stronger than normal.** Because there are no other issues on the ballot that will generate excitement to draw voters who don't have a strong feeling one way or the other on the Uber/Lyft debate.

Those who need a place to stay for more than a month in Austin usually opt for an extended-stay facility. It works. But the services are generally limited. And now, the length of stay in extended-stay facilities is being shortened, while the number of multifamily renters in apartments is increasing. So the marketplace is adapting. And, guess what, Austin is in line for a *new* approach.

When you think about it, it was almost inevitable. **Hotels have been borrowing design from apartments and apartments have been borrowing design from hotels.** It was only a matter of time before someone married the two. That's what is about to happen with a new concept in Austin and a few other select cities.

The new concept targeted for Austin is called WaterWalk Hotel Apartments. **It is an extended-stay concept that features hotel amenities and the units are fully furnished in a gated multifamily community.** WaterWalk's communities target those staying for approximately a month.

Rockford Development Group is planning to build eight WaterWalk Hotel Apartment **franchises in San Antonio, Denver, Dallas and Austin.** The first is planned to break ground this month in San Antonio, according to *Bisnow*. The developers told *Bisnow* "the door is wide open for a property of this type."

Austin and the other three cities were selected after Rockford researched what it referred to as the top 32 markets.

Real estate reminder: If you are buying selling or renting a home or apartment inside the Austin city limits that is more than 10 years old, you must comply with the new Energy Conservation Audit and Disclosure (ECAD) ordinance as part of the deal. Go to www.austinenergy.com/go/ecad.

The aging **Dr. Louis Overholster** says "I still chase women, but only downhill!"

Sincerely,



Editor/Publisher