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Dear Client:

Even with a Texan near the top of the GOP presidential vote getters, *Texas* has not been front and center in campaign rhetoric – unlike some previous campaigns when Texas was a hotly-debated topic. Texas junior USSenator Ted Cruz has been cussed and discussed daily, but the state he represents has hardly been mentioned by either Cruz, the media or his opponents. Texas’ status as a national economic leader has not changed. Is it a reflection of the times, the candidate himself, or both?

This presidential campaign started out with a noticeable Texas presence. In addition to **Cruz**, Texas-born **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 Paul**, himself a former candidate for president, lives in Texas. Quite a Texas-centric lineup.

To further understand how rare it is not to have Texas an important part of the national campaign conversation, start with the fact **two of the last four presidents have been Texans**. And **George W. Bush** ran on his record as Texas governor. Even former Governor **Rick Perry** topped the polls touting his Texas record until his infamous “oops!” debate moment. If not Topic-A during those campaign discussions, Texas was Topic-B-or-C.

But Cruz seldom mentions Texas. He can’t claim “working-credit” for the state’s nation-leading economic successes. That status rightly belongs to the governors and the Texas Legislatures. His Texas political role was not as a policy-maker, but only as Solicitor General, an attorney.

His opponents and the media rarely mention Texas. Cruz is more frequently referred to as *Conservative* Senator Cruz, rather than *Texas* Senator Cruz. His record revolves around his time in the USSenate – being high-profile on national conservative issues, many of the headline-grabbing variety.

Given all this, it’s not surprising Texas is not a big part of the Trump-Cruz-Kasich GOP scrum currently underway. It might even be a good thing, because larger-than-life Texas generally engenders out-sized reactions around the nation. Keeping Texas out of the limelight for a while might actually be a good thing. **But don’t expect this to last. Have you heard the rumors and rumblings that Governor Greg Abbott has presidential ambitions?**

Two reports out this week had seemingly contrasting views. One headline: “Texas Economic Slowdown Continues.” The other contained this reference to Texas: “...moderate growth over the next five years, with the Austin area setting the pace.” Actually, this is not an apples-to-apples comparison of the two reports. But both are instructive in that the first is a snapshot of today’s economic situation, and the second is a short-term five-year outlook.

The Federal Reserve Bank of Dallas this week released its summary of Texas economic indicators for March. **It contained a buncha numbers that only an economist could love.** But, here’s a stab at a few quick one-liner summary statements (and, frankly, most are still positive – just not robust):

Texas employment grew at a 0.1% annualized pace in March, the nation’s grew at a 1.8% rate ... **The state’s unemployment rate held steady at 4.3%.** That reading continues to be lower than the US rate, which ticked up to 5% ... **The Dallas Fed’s Texas Employment Forecast reported a 2016 estimate of 1% growth** (December over December), up from the 0.7% increase forecasted in March. Texas exports climbed 6.6% in February, following a 1.2% dip in January.

As expected the oil/gas slowdown garnered most of the negative attention. After a jump in the price of crude oil (\$30.60/barrel to \$37.80/barrel), **the crude oil price was 21% lower year over year ... The price of natural gas dropped 13.3% from February and 39.3% lower than March 2015 ...** The Texas rig count fell for the 7th consecutive month; it is 55.7% below March 2015 levels.

Now for a look ahead. Texas private-sector economist **Ray Perryman** has been tracking the state’s trends for decades. Though noting the current statewide situation, he issued a positive forecast: “While the elements of the Texas economy tied to the oil and gas industry have certainly slowed, **positive performance in other industries will continue to propel growth in the state’s major cities that will outpace the nation.**”

Here’s what he said about Austin: “Austin was recently ranked as the city with the fastest growing economy out of large cities in the US based on multiple factors, such as **population increase, decreases in the poverty rate, household income improvement, job growth and housing prices.**”

Looking out to 2020, Perryman further forecast that **the Austin-Round Rock metro area hiring and low unemployment will “outperform both the state and the nation.”** He particularly noted “output growth is forecast to be strong in the information and service industry groups.”

He then provided this clincher: “**Nearly 128,000 net new jobs are projected to be added** (2.49% per annum growth), thus bringing wage and salary employment to more than 1.1 million aggregate positions over the next five years.” If he’s right, Austin still has a good run ahead.

Reinforcing previously mentioned economic forecasts, the Austin Board of Realtors late this week released its March home sales numbers. Again, they were gang busters. Home sales jumped 9.2% in March and the median sales price followed suit, up 7.7%. Jobs and population growth, once again, were keys. That, and the scarcity of available homes to buy.

Well, if prices are skyrocketing and demand is off the charts, why are there relatively few homes to buy? Now is a good time to sell. **So why aren't more homeowners stepping up to ride this wave?** Probably because many of them look at the other part of that equation. **If they sell now, where are they going buy their *next* home – in this era of price increases?**

Except for empty nesters looking to downsize, or those who may want to move further away from the congestion in the heart of Austin, many would-be sellers are probably thinking **“let's just stay put for a while and see what happens.”**

Meantime, many of those who need a home right now are heading to the suburbs. **Affordability and availability are critical to them.** Plus, another factor that comes into play is **families are seeking a place to raise their kids** – a traditional middle class environment. Yep, as we pointed out last week, urban areas are not typically family oriented.

Remember, when it was so dry last summer we closely followed reports about the weather phenomenon known as El Nino that was forming in the Pacific Ocean off Latin America? Those reports forecast El Nino as triggering heavier than normal rainfall. Remember the Central Texas reservoir lakes, Travis and Buchanan, were dipping dangerously low and some thought the drought might continue? Remember all that?

As much as we like to make fun of weather prognostications, the long-term El Nino forecast turned out to meet expectations – and then some. **Flood gates opened on some Austin area dams this week to let accumulated water flow downstream.** Houston and San Antonio have been hit even harder than Central Texas so far. And the rains keep coming. Looks like the weather gurus were on target. Maybe we should let up on the weather jokes – at least for now.

Still complaining about parking downtown? Well the Downtown Austin Alliance (DAA) is undertaking a comprehensive strategy to develop short- and long-term solutions to the downtown parking crunch.

You can weigh-in **Wednesday, May 11th, anytime from 5:30 pm-7:30 pm at a DAA Open House in the Google Fiber Space, 201 Colorado.** A short presentation is planned for 6 pm. Okay, so where do you park to participate in this attempt to ease the parking crunch? The City Hall parking garage is nearby. And, of course, it will cost you to park there.

Austin ranked at the top of seven Texas cities having the highest rent in the US – a dubious distinction. Fifty US cities were ranked according to their average monthly rent, alongside the average monthly income for each city with more than 300,000 residents. Many US cities ranked higher than Austin (not surprisingly, California cities top the US list).

The old adage suggests you should never spend more than 30% of your income on rent, according to *Bisnow*. **Austin came in at #16 in the nation, with a median gross rent of \$1,012 and 37.2% of income spent on rent.** This is higher than any other Texas city. **#35 Fort Worth** was the next Texas city, with **\$878 in median gross rent and an average of 42.6% spent on rent.**

The other Texas cities with average rent/income percentage numbers: **#38 Corpus Christi**, \$872/42.5% ... **#39 Houston**, \$862/37% ... **#40 Arlington**, \$861/no % listed ... **#43 Dallas**, \$852/36.6% and **#44 San Antonio**, \$840/44.2%. *Bisnow* reported data came from the American Community Survey and findthhome.com compiled the list of 50 cities.

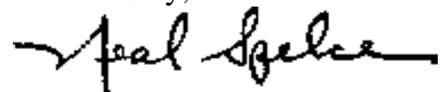
Speaking of lists, *Bisnow* put together what it felt were the seven unique experiences keeping Austin weird. Some are completely predictable. But it included a couple of head-scratchers.

Predictable *Bisnow* comments: **#1 Sixth Street** (“Bring your hangover cure”) ... **#2 SXSW and ACL** (“Hotbed for festivals of all kinds”) ... **#3 Zilker Park** (“Closest thing to NYC’s Central Park a Texan can enjoy”) ... **#4 Barton Springs/Hamilton Pool** (“Naturally fed swimming holes that make great day trips”) and **#5 Rainey Street** (“More of a laid-back vibe.”)

Head-scratchers: **#6 DinoTracks** (“Fossilized dinosaur prints in Leander” Leander????) ... **#7 NLand Surf Park** (First surf park of its kind, but not yet built????).

Dr. Louis Overholster on the reason he gave up his early career in boxing to practice medicine: “I ruined my hands in the ring. The referee kept stepping on them!”

Sincerely,



Editor/Publisher