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Dear Client:

In this remarkable economically-isolated island that is the Austin metro, it is difficult for some to realize Texas has been in a bit of downturn. (Downturn? What downturn?) Well the good news statewide is the Texas economy has passed the worst impact of the downturn. At least that's the word from a respected economic group.

According to the TexasA&M Real Estate Center's *Monthly Review of the Texas Economy*, **March 2016 was the third month the state's economy posted an annual employment growth rate exceeding the annual growth rate in December 2015.** And that is the measure the economic group used when it observed the worst impact of the downturn has now been passed. **"Texas' economy is slowly recovering from the impact of the 2015 oil price collapse,"** reports the Center.

Reflecting upon what drives the Austin area economy: "leisure and hospitality **ranked first in job creation** followed by education and health services, trade, and financial activities," according to the Center. It's not much of a stretch to claim **Austin's economy is helping mitigate the impact of the state's oil/gas decline.**

Another aspect of the Austin area's continuing economic surge is the enormous amount of construction activity. The president of the American General Contractors (AGC) Austin Chapter is bullish for the immediate future of his sector of the economy. **"The outlook for construction over the next year or so in Austin remains strong,"** noted AGC Austin chapter president **Phil Thoden.**

Yeah, but. Are there warning signs in the construction industry? Of course. Anytime you have really robust construction activity, you have contractors complaining about the **lack of manpower, a situation Thoden says is the "biggest impediment"** for continued construction growth.

So, what is being done about the lack of manpower? **"I do see renewed interest in vocational and technical training in local schools and community colleges** to meet the demand for a skilled workforce," Thoden observed.

Obviously pushing Austin's economy is the **amazing population growth and job growth,** a chicken-egg situation that shows no immediate signs of abatement.

Many projections for the metro area's population growth have come up short in the past. Maybe it's because what is *actually* happening is hard to believe. No matter. We have another example. Just last year, real estate pros predicted a need for a minimum of 10,000 new housing units in Austin each year for 10 years to keep up with the growth. Guess what? That number has been revised to a minimum of 15,000 new units each year for a decade!

These are not some “throw-darts-at-a-wall” numbers. The Real Estate Council of Austin (RECA) has more than 1,800 members whose livelihood revolves around real estate. Many are powerful pros and Austin community leaders. **RECA's in-depth research last year produced the forecast for 10,000 new units for the next ten years.** (Click the “Archives” button above to see our 4/22/16 story where we mentioned a “scarcity of available homes.”)

How did RECA come up with that number? It was based on a robust 2.4% annual population increase within the city of Austin. Well, closer examination shows that **since 2010 the annual increase has been closer to 3%**. As a result, RECA raised its projections from 10,000 new units a year to 15,000/year – for the next 10 years.

According to RECA president **Ward Tisdale**: “Because demand is outpacing supply, we're still seeing escalating rents and sales prices for homes in neighborhoods throughout the city. **We're clearly in danger of losing much of what makes Austin so special by pricing our friends and neighbors out of town.**”

Tisdale takes note of some other effects we've been reporting on for some time now. “We're seeing a lot of housing being produced on the edges of the city, as well as in the suburbs. **Those homes may be more affordable to rent or purchase, but the cost of commuting to jobs in the city can quickly erase those gains, as well as adding to our mobility struggles.**”

So, what is being done? RECA noted the City of Austin permitted approximately 12,000 residential units in 2015. Okay. That's getting closer to what RECA is calling for, so what is wrong with that? **RECA urges more *variety* in housing product types, the so-called “missing middle” between single-family homes and large apartment complexes.**

According to RECA, the problem is those “missing middle ... products are still **difficult to build because of the planning and zoning requirements put in place in many Austin neighborhoods.**”

As a result, RECA's call to action “includes not only an overall number of units to be produced within the city limits, but a **diversity of product types and price points located throughout the city.**” Any way you slice it, **RECA's call to increase new units from 10,000 to a whopping 15,000/yr for the next 10 years is startling.**

As the early voting deadline for the Saturday May 7th local election looms, the current mayor and the former mayor are taking opposite sides on the most contentious issue on the ballot – the one involving ride-sharing services, such as Uber and Lyft. Mayor Steve Adler is adamant about voting “Against” Prop. 1 and his predecessor, Mayor Lee Leffingwell, is appearing in ads urging Austin residents to vote “For.” But surprise, surprise, there are other items on many ballots, depending upon the voting jurisdictions.

First, the early voting deadline is Tuesday May 3rd. Early voters can even cast ballots on Sunday, from noon-to-6 pm. For early voting locations, go to www.TravisCountyElections.org. You can vote at *any* polling location Election Day, Saturday May 7th, from 7 am to 7 pm. **Don't forget your photo ID.**

What other items will be on some ballots? Mayor and councilmembers in jurisdictions such as **Bee Cave, Briarcliff, and Volente**. School District candidates in the **Lake Travis** ISD, **Manor** ISD and **Pflugerville** ISD. Also Municipal Utility District (MUD) board members in **Lakeway, River Place** and **Travis County**.

The ballot language on Prop. 1 is complex. But here's an interesting sidebar to the two mayor's opposing positions: Leffingwell is supporting a “For” vote, which would **return to the ride-sharing ordinance passed when he was mayor** ... and Adler's “Against” vote would let the **new council's ordinance prevail**.

Let's turn now to the weather report. The rain-inducing weather phenomenon known as El Nino is on its way out. But it lived up to its reputation: rainfall over the last 30 days for large parts of Texas has been at least two-to-three times higher than normal. What could be the next big weather impact? Hurricanes.

Hurricane season officially runs from June 1st to November 30th, give or take a few weeks on either end of the period. But now is the time **meteorologists, who study and track hurricanes year-round, predict what is likely to happen**. Most of the time, there are only a few variances in the predictions. But this season, they are all over the ballpark.

The most conservative forecast we've seen calls for **12 named tropical storms, five hurricanes and two major hurricanes**. This would be about average activity. On the flip side, another forecast predicts **twice as many named tropical storms -- 24**. This prediction also calls for **eight hurricanes, four being major hurricanes and three making landfall**.

The third prediction was somewhere in the middle of the previous two. Obviously, there is no consensus. One good thing about dangerous hurricanes is there is usually plenty of warning.

When Texas Republicans gather in Dallas for their State Convention, all the news stories will go on ad nauseum about delegates to the national convention. But, didja know there may be a debate on whether Texas should secede from the United States? Really. The chances for passage are zero/zilch/nada. But certain groups are serious about bringing it up. In fact, some *county* GOP conventions have already passed some kind of independence resolution.

At least 10 counties -- some claim as many as 22 -- have taken action to bring this up at the state GOP convention in the Kay Bailey Hutchison Convention Center in Dallas May 12-14, 2016. To be sure, this is just a handful of counties. There are 254 counties in Texas. But only one county passed such a resolution in 2012.

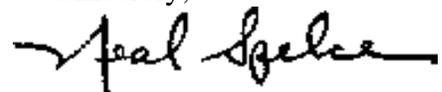
So does this progress signal success for secession? Not if the Republican leadership has its way. **In fact, most Texas GOP leaders hope the notion will just go away.** Some of the reasons: **it's unrealistic and unconstitutional.** And it opens them up to Democratic attacks that they're **wasting time on extreme ideas,** rather than actually governing the state and nation.

It'll be interesting to see if the GOP leaders can stifle the secession effort or if it will turn into a full-blown battle. There has already been a tussle or two. For example the group failed to place a secession-related resolution on the GOP March primary ballot. But if the issue surfaces in a significant sense at the state convention, you can bet much of the national media (that likes to use Texas as a whipping post) will have a field day with its coverage.

There shouldn't be too much drama in the *delegate* battle (though you always hedge a comment like that, especially when you put hundreds of people from this varied state in a room). Absent controversy surrounding delegate selection, the point being: **if the secession effort gains steam, or even becomes "loud," it could become a focal point of media coverage.**

Even in this computer age, **Dr. Louis Overholster** was still surprised when a patient told him: "If I'm ever on life support, just unplug me, then plug me back in to see if that fixes things!"

Sincerely,



Editor/Publisher