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Dear Client:

**You've become accustomed to seeing the Austin area ranked highly nationwide over the years in a number of categories. But a new report released this week opens up a whole new perspective that is simply amazing. And it has implications for the nation as a whole. Consider this: *less than 1% of the nation's 3,000-plus counties have accounted for half of new business establishments.* Wow. Travis and other Texas counties are on this list of 20 counties.**

The Economic Innovation Group, using current USCensus data to examine business establishments, notes the 20 counties are not only less than 1% of America's counties, but are **also home to just 17% of the nation's population.** The concentration of this economic activity underscores a deepening geographic inequality in the US.

While this is a serious problem for the US as a whole, **consider yourself beyond fortunate if you have cast your residential and business lot in Austin, Travis County, Texas USA.** Look at the flip side: around three in five counties saw more business establishments *close* than *open*.

Here is the most current data from 2010 to 2014, showing how Texas counties stack up on the list of 20 counties responsible for generating half of the nation's net new establishments – *by sheer numbers, not percentages*: #4 **Harris County** (Houston) ... #8 **Travis County** (Austin) ... #14 **Collin County** (north of Dallas) ... #16 **Tarrant County** (Fort Worth) and #20 **Dallas County** itself.

**Only one other county on the US list is smaller than Travis County (population rank: 39) so this makes Travis County's place on this list all the more impressive.** In fact, #8 Travis County's net new business establishments (3,790) is greater than much larger counties in Dallas/Fort Worth. Impressively, it also ranks higher than counties in Phoenix, Chicago, San Jose, Orlando, San Francisco, Las Vegas and New York.

There has been much talk of *income* inequality, but this is all about *geographic* inequality. Austin is the poster child for this situation. An American urban studies theorist years ago **singled out Austin in his book *The Rise of the Creative Class*, where he examined creativity and its effects on economic development.** Well, **Richard Florida** has weighed-in on this current report and we'll examine some of his comments in the next item.

**Astoundingly, just 20 US Counties are responsible for creating almost half the nation's new businesses -- they are the pillars of the US Innovation Economy. And, Texas proudly boasts 4 of the 20 counties, with Travis and Harris Counties in the top 10. Richard Florida, one of the world's leading public intellectuals on economic competitiveness, demographic trends, and cultural and technological innovation, points out this is a blazing fast trend.**

Florida, who has long been impressed with the Austin area's role as a front-runner in this new US economic trend, admits **“this skewed distribution of economic advantage is unbelievably striking**, even in light of my own long-held argument that America's economic landscape is increasingly concentrated in large, urbanized centers, which draw-in talent and are responsible for the lion's share of innovative and entrepreneurial activity.”

**Want to know the speed of this fast-moving trend?** In the early 1990s economic recovery, **125 counties combined to generate half the total new business establishments** in the country, noted the *Washington Post's* summary of the non-partisan Economic Innovation Group's current report. **Now just 20 counties have generated half the growth.** This is a blazing fast trend.

Florida extrapolates this to a broader picture to explain why **Austin's job creation and impressive unemployment percentages (less than 3%) are so significant.** Taking the same report, Florida points out that just 73 counties (remember, we're talking about more than 3,000 counties nationwide) accounted for half the jobs created from 2010-2014. **This is just 2.5% of all US counties, which are home to roughly a third (34%) of the population and 39% of national employment.**

**“All in all, large counties (those with over one million people) contributed a whopping 3.3 million jobs from 2010-2014 – more than twice as many as they created during the two previous recoveries,”** Florida reported. **“This is a product of the ... rise of an increasingly concentrated knowledge economy, which is propelled by the clustering of knowledge, talent and innovation.”**

**No question, the Austin area is at the forefront of this trend. And the area is benefitting economically.** But before we start puffing up our chests and patting ourselves on the back, we need to realize there are other areas – primarily in California, New York and Florida – that are also riding this wave. And they stand ready to pre-empt Austin's position, if it falters.

**But perhaps more importantly, is the fact Austin's fortune is somewhat offset by other's misfortune.** Wide swaths of the country will soon be contending with the consequences of a missing generation of enterprise. **Economic policy – especially at the governmental level – is set nationally.** And in many cases it is set around the have-nots, not the haves. In this day and time, prosperous economic islands are vulnerable. Rather than becoming too smug about the Austin area's good fortune, it should be alert that the “global” economic impact may have.

**Here's how the Austin area is growing, using home sales as a gauge. The Austin Board of Realtors pointed out in its April 2016 Housing Market Report that almost 80% of the homes sold in the area were sold *outside* Austin's city limits. This occurred as single-family home sales jumped 12.5% year-over-year. Can you spell u-r-b-a-n s-p-r-a-w-l?**

In which direction was the area "sprawling" in April? South, primarily, where Hays County saw home sales jump 17.8% year-over-year. **Is the metro housing market loosening up? Not on your life.** It's still tight as a tick, favoring home-sellers over homebuyers.

They key gauge is how many homes have a "for sale" sign in the front yard. When combined with the pace of sales, you get what real estate pros call inventory. It's generally conceded that **6.5 months of inventory results in a balanced market, favoring neither sellers nor buyers.** So, where do we stand by this key measure? **Housing inventory in the metro is very low, at 2.3 months – nearly two-thirds less that what is considered "in balance."**

**Speaking of balance, the important oil market in Texas has been hammered of late by low prices – dipping below \$30 a barrel at times. Companies, businesses and residents in the oil patch have been hard hit. And, revenue to fund state services (of keen interest to the Austin area) have fallen. But pricing may be coming back in balance.**

Energy watchers became cautiously optimistic this week when the price of oil rose above \$50 a barrel. **US oil prices have not been above \$50 since November.** If the price keeps rising, it will be good news for the state's "awl bidness," and also for legislators coming to Austin in January to write a 2-year budget. As we have reported recently, there are serious concerns about meeting the funding needs for state services in a very fast growing state.

**Reflecting the Austin area's growth and its economic vitality, record numbers of passengers are expected at Austin-Bergstrom International Airport (ABIA) this summer. This will be a record year, following another and another, etc. And it is coming at a time when airports all around the country are experiencing record delays as passengers go through security lines.**

What can you expect at ABIA? Right now, ABIA authorities are advising that you **arrive inside the terminal at least two hours before your flight** during the peak periods of 5am-8am, 11am-1pm and 3:30pm-5:30pm. Outside those times, they suggest you arrive at least 90 minutes early. And this doesn't allow for how long it takes to park and get inside the terminal.

Oh yeah, the crowds. ABIA is estimating **more than one million total passengers are projected to fly Austin *each month* from May through August**, the busiest period. This is up about 9% over 2015. The busiest month is July. Be advised.

**The old axiom “retail follows rooftops” may be changing to “retail follows football.” At least in football-crazy Texas. Retailers want to set up shop where potential customers naturally gravitate. And high school football drives a lot of activity, especially in smaller communities or suburban cities. So it is only reasonable that we now have a massive retail development being built around a new high school football stadium.**

The city of **New Caney** spent \$20 million on a new 8,500 seat state-of-the-art stadium (that is incidentally boasting it will have the **largest video scoreboard in high school football!**). It is smack dab in a 240-acre development that will also contain a 10,000-seat amphitheater.

What about retail? Already signed: Sam’s Club, Kroger, Academy Sports + Outdoors, Chili’s and Chick-Fil-A. A multi-screen theater is in the midst of negotiations with the developer.

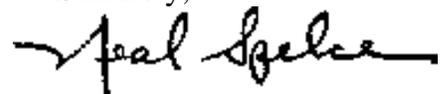
The project is called **Valley Ranch Town Center**. Where is New Caney? It is an unincorporated area in Montgomery County, in the northern part of the Houston metro.

**If you like to make sure bets, place your chips on the fact that Uber and Lyft will come roaring back into the Austin area – in spite of the current frantic effort to replace them with other ride-sharing options, including a non-profit version announced this week.**

Uber and Lyft as market-leaders are just too-powerful to stay away for long. They are already in 400 markets worldwide. And their deep pockets just got deeper. **Toyota said this week it is investing in Uber after General Motors poured \$500 million into Lyft.** Let your imagination run wild with the possibilities these automakers can offer drivers. If Uber and Lyft do not come to an agreement with the City of Austin, the Texas Legislature is likely to step in. Stay tuned.

**Dr. Louis Overholster** said a patient told him proudly he has been sober for 90 days: “Not, like, in a row or anything. Just in total!”

Sincerely,



Editor/Publisher