



Volume 38, Number 29

October 14, 2016

Dear Client:

Here's how we are growing. Nearly 75% of the 2015 and year-to-date 2016 corporate relocations and expansions in the Austin area involve technology companies. This clearly demonstrates the evolution of this remarkable metro. As recently as 1990, government payrolls accounted for 29% of our total. In 2015, it had shrunk to 18% -- while the metro has grown by leaps and bounds. Now, here's a bit more insight into one of the nation's most amazing economic stories.

Over time, the Austin area – once dominated by government and education jobs – has evolved since 1983 (which we mark as the beginning of the tech evolution) into **a diversified \$115 billion economy with strong ties to the tech sector. What is it about Austin?** The complete answer is complicated, but here is how one of the world's leading commercial real estate advisory firms, Newmark Grubb Knight Frank (NGKF), describes it in one sentence:

“This dynamic city offers an enterprise-friendly environment, entrepreneurial focus and a unique culture that combines tradition with creative possibility and innovation.” Broad, and accurate. But what stats do you have, NGKF, to support this conclusion?

“Today, with patents, venture capital and leading edge ideas driving innovation, **5,485 high-tech employers representing nearly 132,300 jobs** have put down roots in Austin,” NGKF said. “These companies range from tech titans, including **Apple, Google, Facebook, Oracle, Cisco Systems, Dell and Hewlett Packard** to seed-stage and start-up ventures.”

NGKF referenced venture capital (that we reported on in recent editions). Here's what they had to say: **“Since 2005, Austin has received nearly half of all venture capital dollars invested in the state of Texas, eclipsing the much larger Dallas and Houston areas.”**

This information was made available to **NGKF's 14,100 professionals in more than 400 offices on six continents.** Its clients include prominent **multinational corporations and institutional investors across the globe**, as well as, occupiers, owners and developers of real estate on a local, regional and national level. Check out the next item, where we'll share more of their report, and point out a little personal quibble about one of their statements.

Austin's rapid economic expansion resulted in another sea change that has not been widely-discussed. Decades ago many UTAustin grads, as much as they loved the Austin lifestyle, gravitated to other cities for jobs. After all, other cities had jobs that paid more than they could find working in Austin as a state employee. Now, more UTAustin grads are staying here, adding to the permanent population growth.

University students are also not taking as long to graduate as in the past. For years, UTAustin grappled with the problem that many students took **more than four years to get a degree**. This strained resources at the university, and restricted incoming freshman totals as officials tried to keep a cap on total enrollment. **It was not uncommon for students to spend six years as an undergrad.**

UTAustin president **Greg Fenves** announced with some pride this week that “the university has reached an **important milestone, with 61% of our undergraduates earning their degrees in four years**. This is a record for UT and the highest graduation rate among public universities in the state.”

We haven't seen an **official correlation between a faster rate of graduation and new high-paying tech jobs in Austin**. But it's not too much of a stretch to think some students may be motivated to get out of school as quickly as possible to stop increasing student debt – especially if they can continue the good life in Austin with a good paying job.

Give UTAustin credit. **It has been aggressively trying to boost graduation rates for years**. And Fenves said the effort will continue as “we have more work to do to reach the goal of graduating 70% of students in four years.”

Newmark Grubb Knight Frank (NGKF), in its international report on Austin, acknowledges the attraction of a well-educated workforce. And it hints at the correlation we mentioned above, pointing out “**this rapid economic expansion has convinced many graduates from The University of Texas and other nearby schools to stay put.**”

We previously mentioned we had a “personal quibble” with a small point in the NGKF summary. After ticking off the Austin attributes in the previous story, NGKF then concluded: “**These successes have earned Austin the title of Silicon Hills**, the Silicon Valley of the South.” Wrong. **The Silicon Hills designation occurred 33 years ago in 1983**, when the *only* tech success was the surprising selection of Austin as home for the nation's first tech consortium, MCC.

Silicon Hills came about when *The New York Times*, reporting on MCC's selection, called Austin Silicon Gulch. Not wanting that demeaning name to get locked in, we came up with **Silicon Hills and got it included in a number of other national publications**. RIP “Gulch.”

***The Wall Street Journal* ran a story late this week headlined “America’s Dazzling Tech Boom Has a Downside: Not Enough Jobs.” It should have added – “Except in Austin,” as our previous items indicated.**

The story ticked off a long list of economic tech woes found around the US. The report is just another example of why the **Austin area should not be characterized by *national* statistics**, especially those that drastically differ with what is happening in this remarkable metro. (And it should make Austinites proud of their city’s accomplishments.)

One anomaly in the ever-upward-push in Austin’s economy is that luxury homes are no longer part of a seller’s market. Just the opposite. Home buyers that can afford to pay the big bucks are now in the driver’s seat.

According to Independence Title’s State Director of Information Capital, **Mark Sprague**, **sales of luxury homes (valued at \$1.5 million and above) are off dramatically the last 12 months.** Not so homes with lower price points. Sprague said homes priced below \$300,000 are seeing double-digit increases. And excluding luxury homes, the rest of the market is strong.

Another interesting real estate trend has been observed in the Austin area. GlobeSt.com, an outfit that examines commercial real estate trends, says some companies are starting to move away from locations near executives’ residences.

The move is to locate businesses in areas “**focused around amenities and a live/work/play environment favored by younger employees.**” This is quite obvious in downtown Austin.

“Employers are becoming more sophisticated and understand that in order **to recruit and retain the best talent, they have to cater to their primary employee base,**” Transwestern Development’s VP **Jason Delk** told GlobeSt.com. So, instead of locating in the suburbs where execs traditionally live, Delk says they pick a site where employees will not have a taxing commute.

This does not mean downtown is the *only* location that fits his theory. Delk said “**East Austin has been established as a high-growth submarket** where Class-A office product has drawn some of Austin’s top businesses away from the core Central Business District.”

Delk cites as an example the **three-office-building Eastside Village transit-oriented development**, just steps from the Plaza Saltillo MetroRail station, and bounded by 5th and 6th streets. It is also next to a multi-family mixed-use project that is slated to open next month.

Austin-based eateries and drinkeries – those that started in Austin and thrived in Austin – have an iconic stature all their own. Many have expanded beyond the city. A national business news source, Bisnow.com, recently listed 14 favorites that started in Austin and grew beyond the city limits. Some may surprise you. Check 'em out, with Bisnow's comments.

Juiceland. “This juice and smoothie bar ... is cooler because it's from Austin.”

Tacodeli. Recently opened a location in a mixed-use project in Dallas' Oak Cliff.

Houndstooth. “The caffeination station that made famous the phrase ‘the pattern of coffee and people’ now has two locations in Big D.”

Chuy's. “The Tex-Mex joint that started in an old barbecue joint on Barton Springs Road has grown to several states and hundreds of cities.”

Alamo Drafthouse. The franchise now has locations throughout Texas and other cities outside the Lone Star State. “Plus, Alamo has the most hilarious silence-your-phone commercials that ever graced the earth.”

Amy's Ice Creams. “Answer a movie trivia question correctly and win a free crush'n or use your phone to cheat and be forever shamed by the scooper.”

Tiff's Treats. “Warm cookies delivered to your door. Why this concept didn't catch on sooner, we'll never know.”

Hopdoddy. “When Texans willingly stand outside in the heat of summer to wait for a hamburger, you know it must be good.”

Snap Kitchen. “Stock up on pre-proportioned allergy-friendly meals.”

Torchy's Tacos. “Whether you're a Democrat, Republican or Independent, Torchy's has a taco for you. Seriously, they have tacos named after all three.”

Uchi. “If you don't order from the daily menu, you're doing it wrong.”

Verts. “Verts is like the Chipotle of Mediterranean food.”

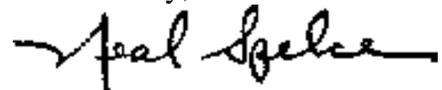
Daily Juice. “It's got all the liquidized fruits and veggies you could ever want.”

Central Market. “Everything from grab-and-go foods to fresh flowers”

Quite a diverse list. **How many of the 14 have you patronized – here, or out of town?**

Dr. Louis Overholster says a new eatery on the moon might have great food, but no atmosphere!

Sincerely,



Editor/Publisher