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Dear Client:

During Rick Perry's 14-year tenure as the state's governor, he regularly touted the "Texas Miracle" – his term for the economic dynamism of the Lone Star State. He was an aggressive advocate for the oil and gas industry, while presiding over Texas' leadership in the production of wind and solar power. Now, with Texas in his rear view mirror, Perry is pushing policies that will greatly enhance his home state's energy future.

As the current US Energy Secretary, Perry is making major moves to ensure US dominance in the global energy market. **And just about every action he is taking will have a profoundly positive impact on Texas energy leadership.** He is helped by the fact his energy policies are closely aligned with the man who appointed him to the post, **President Donald Trump.**

Just as Perry can't claim total credit for what happened in Texas (credit Houston oilman/developer **George Mitchell for the game-changing fracking approach to the expansion of oil and gas production**), he must also nod in Trump's direction for what is happening to US energy development. But, Perry is front and center on the advocacy and implementation of those policies.

A "major driver" of this effort is the push to export Liquefied Natural Gas (LNG). Fracking in Texas has unleashed massive amounts of natural gas – so much that "overabundance" has been used to describe it. Well, converting gas into liquid makes it easier to ship to markets around the world.

New and expanding LNG plants along the Texas Gulf Coast are the key to this effort. So is expansion of the Ports of Houston, Beaumont, Corpus Christi, Texas City and Port Arthur. And yeah, pipelines to get the gas to the Texas coast. No longer are there roadblocks in the way of exporting this fossil fuel. As Perry told the National Press Club: **"If you meet the rules, here's your permit."**

Of course, environmentalists are still battling the reliance upon fossil fuels – **urging a move to alternative, sustainable fuel sources such as those derived from wind and solar.** (The City of Austin is one of the nation's leaders in this direction). As governor though, *Perry was an all-inclusive energy advocate.* The massive wind farms and solar power installations that erupted in Texas during his tenure are testimony to that approach. **Perry's history indicates the US Energy Department may follow his "all of the above" approach.** If so, Texas will benefit.

You know about oil, but what's the big deal about natural gas? Sure it's used to generate electricity. Austin gets some of its electricity from a gas-fired power plant. That's very important. And Texas is the leading natural gas producer among the states. However, beyond electricity, natural gas is used in a myriad of ways in your everyday life. This is why it is so significant, especially when you assess its abundance in Texas.

Texas chemical manufacturers are one of the biggest users of natural gas, using it to manufacture chemical products. What do they do with it? According to a paper written by **Kristin Gordon**, natural gas is the raw material used to make **96% of the products we use each day like cell phones, laptops, shampoo, eyeglasses and heart valves.**

How is this done? (Hang on. This is the only place where we are going to get technical.) **Petrochemical plants, called ethylene crackers, take ethane from natural gas and convert it into ethylene – the primary building block for most plastics.** There you have it. Several new petrochemical plants have, or will, come online this year, because of the cheap and ample fracking-produced shale gas supplies that serve as the feedstock for the facilities.

It looks as if an authoritative challenge is being mounted to counter recent national reports that housing in the Austin area is among the most overvalued in the US. The rankings of "overvalued" housing markets have popped up several times during the past year. And it seems Austin inevitably is ranked near the top. At first glance, they appear reputable. After all, Austin housing prices have risen dramatically in recent years. But, now those national studies are being questioned by a reliable Texas real estate resource.

The most recent report, Fitch Ratings, determined **San Antonio and Austin top the list of five most overvalued housing markets in the country.** Fitch justified its ranking by analyzing nominal income growth, population growth, unemployment, change in rental prices and change in home prices.

The list is based on the **year-over-year change in these measures for the 50 largest metro areas in the first quarter 2017.** Using these five metrics, it determined 27% of the 412 housing markets it tracks are overvalued. Sounds reasonable, right? Uh, not so fast.

TexasA&M Real Estate Center's research economist, Dr. **Luis Torres**, said determining whether a market is overvalued is **always difficult, but especially when a market's housing inventory is low.** And he pointed out that last month, the **Austin metro had a very low 3.1 month's supply of inventory**, while the San Antonio metro was also low, at 3.7 months.

Torres said the Center is working on an article about these types of rankings and **"we found some price misalignments for Texas"** four metro areas. We'll watch for this article for you.

It was just five short years ago Austin's unemployment percentage hovered above a very high 6%. Hard to believe when you see the "now hiring" signs around the Austin area. But since 2012, the number of unemployed has steadily declined to where it has now dropped below 3% -- a number many economists consider full employment.

This is all the more impressive when you realize the amazing population growth that has occurred during this time. **More employable people have moved here and yet the unemployment rate has dropped precipitously.** Consider:

Austin's seasonally adjusted unemployment rate in June 2017 was an enviable 2.9%. Compare that to the 6% range recorded in 2012. Hard to believe. This happened, according to Beverly Kerr, the Austin Chamber's VP/Research, at a time the Austin area added 28,000 net new jobs in the 12 months ending in June 2017.

The amount of *net new jobs* makes Austin the 17th fastest growing major US metro. By the way, the 2.9% June 2017 unemployment rate compares to 3.3% a year ago.

Quick, scary fact to ponder during this relentless summer heat wave (and it's not even August!): the Austin metro is at the third highest risk for wildfire damage in the US, according to property casualty experts.

Break it down. **There are 35,807 homes in wooded areas with the highest risk score.** The home reconstruction value of those living units: \$9,019,956,767 -- more than \$9 billion. And this doesn't count the human impact/toll. Not to be taken lightly. Extra vigilance is required as grass, brush, trees are drying out.

To escape the searing summer heat, Austinites for decades have headed to Port Aransas to take advantage of the lazy beach life and cooling Gulf breezes. Now it's changing from a quiet, quaint fishing village. Future plans announced this week – if realized – will re-make it even more ... into a national and global resort area comparable to the Coastal Carolinas.

A big part of this change is a \$1.3 billion 300-acre phase two expansion of the development called Cinnamon Shore on Mustang Island. **It will quadruple its current size during the next decade.** Here's a perspective on what "quadruple" means:

Starting in mid-to-late 2018, the project will include **1,728 new vacation homes, a boutique hotel, a town center with retail, dining and entertainment options**, etc., all along a 3,300 beachfront. It will be on both sides of SH361. See what we mean by "change."

Self-driving cars are coming. Are we ready? The short answer: Not yet. A lot of questions need to be answered such as “If a driverless car wrecks, who is to blame?” Greg Winfree and Ginger Goodin are two Texans asking these questions and, more importantly, conducting research to find the answers.

Winfree and Goodin are with the TexasA&M Transportation Institute. They are teaming with UTAustin and the Southwest Research Institute to **consider the realities of driverless cars zipping around Texas streets and highways.** We reported this partnership previously. Now they are getting down to brass tacks and concentrating on more than just technology.

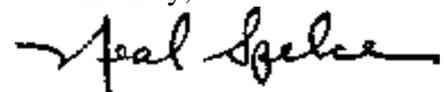
For instance, how would a driverless car react if a cyclist swerved out of an adjacent bike lane? Or, importantly, **how would the self-driving vehicle choose between hitting a child who chased a ball into a neighborhood street or swerving into a couple walking their dog on the sidewalk?** You get the picture.

Texas traffic laws are based on the presence of a human in the driver’s seat. **“We may need a new definition of ‘vehicle operator’ in our state traffic laws,”** they say. “Should we anticipate the end of driver education as we know it,” they ask. Also, “should driver age restrictions be raised or lowered based on how the driving task might change?”

“To fully realize the tremendous potential of self-driving cars, there’s a **need for safe, real-world testing to help us all understand the opportunities and risks,** and a need to support the best approaches for navigating the policy maze,” they stressed. Why do the testing on our streets and roadways? **Why here?** “When we combine our collective research facilities and the varied roadway networks in our state’s major cities, **there’s simply no better place than Texas – with its favorable business climate and geographic diversity to test self-driving cars,**” Winfree and Goodin answered.

Dr. Louis Overholster is looking forward to his self-driving car so he doesn’t put life at risk each time he adjusts the wrapper on his Whataburger!

Sincerely,



Editor/Publisher