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Dear Client:

As the Austin area hurtles headlong into the holiday selling/buying season you may have noticed a plethora of “Now Hiring/Help Wanted” signs plastered all over the area. This is getting to be a serious situation that could affect the shopping experience of many, not to mention the overall service/retail economy environment. Just how serious is this situation? The metro unemployment situation is the tightest it has been in almost 17 years. Let this sink in for a moment.

Central Texas retailers are moving into their make-or-break time of year. **The year-end selling period is critical to most retailer’s annual sales success.** And, shoppers also have an impact on **eating/drinking establishments, grocers, entertainment venues,** and various other establishments that enjoy the spillover of more bodies trudging around the area. And now, there will be a shortage of workers to assist them

Unemployment figures are not always current, because it takes time to tabulate the results. But, the most current numbers from October 2017 are close enough to track trends. Check this impressive unemployment Austin metro trend: **October, 2017, 2.6% ... September 2017, 2.9% ... October 2016, 3.3%.** This is the best Austin area unemployment percentage since December 2000 when it hit 2.3%.

Although a tight labor market negatively impacts retail, the flip side of the unemployment numbers mean **more Austinites have money in their jeans, and given past history, they will spend it, rather than save it.** So, it is up to retailers to overcome staffing problems to service those spenders who come walking into their establishments. The next six weeks are critical to the Austin retail economy.

The Austin metro is not alone in having a tight labor market in Texas. In fact, it is not even the best. **The Amarillo and Midland metro areas had the lowest October percentage, 2.4%.** Even **College Station/Bryan** bested the Austin metro, chalking up 2.5% unemployment, and **Lubbock’s** metro tied Austin with a 2.6% October rate.

There’s more. **The State of Texas recorded its lowest unemployment rate in four decades, with 3.9%** in October 2017. On top of this, Texas marked 90 consecutive months of annual growth. The Texas economy is the envy of the nation right now. And, the Austin metro area is benefitting from what is happening to other Texas metros. All is good, so far.

Just as we finished writing the previous item, a report was issued this week by the Austin Chamber of Commerce underscoring the serious nature facing the retail trade sector here in Austin. The overall bullish job situation is the envy of many US cities. Only two Austin sectors have fewer jobs than a year ago – and retail trade is one of them.

According to the VP/Research for the Chamber, **Beverly Kerr, growth in retail trade in the Austin area has undergone a “steady deceleration since around the beginning of 2016.”** And as previously noted, the tight job market is not helping retailers during this very important time of year for them.

Okay, how much household income is required to buy a median-priced home in the Austin area? After all, affordability is the buzz word bandied about when discussing a number of issues for the Austin economy. Importantly, how does Austin compare with other US metropolitan areas? The comparison is instructive.

The study was conducted by HSH and is posted on the HSH.com mortgage information website. We checked it out when we spotted a story out of San Jose, California reporting **it takes a whopping \$216,181 household salary to buy a median-priced home in the San Jose metro area** – assuming a 20% down payment on a 30-year fixed loan.

While this is a staggering sum, and the highest in the nation, wait until we tell you the median housing price in the heart of Silicon Valley. Ready? **In the San Jose metro, the median housing price was \$1,165,000.** C’mon, really? Really. A home for sale at 5655 Croyden Avenue, in the Princeton Plaza neighborhood was listed for \$1.12 million. What does a buyer get for that? Would you believe an **unassuming, plain Jane 1,425 square foot house with only two bedrooms?**

Enough of this. What about Austin? On the HSH list of the Top 25 Most Expensive Places to Buy a House, **Austin ranks #17. The household income required to buy a median-priced home in the Austin area is \$67,441.** It’s less expensive in **Dallas** (#18 ... \$59,518) and **Houston** (#21 ... \$56,600).

As expected, four California cities top the list with San Jose the runaway #1. Next: **San Francisco** (#2 ... \$171,331), **San Diego** (#3 ... \$116,120) and **Los Angeles** (#4 ... \$115,069).

Okay, Amazon, are you listening? As you sift through various cities for your second HQ, Amazon HQ2, bear in mind **your employees that may move to the new site now pay \$93,418 for a median priced home.** Austin’s \$67,441 would result in an instant pay raise for them with Amazon not paying them a penny more. Other cities seeking Amazon HQ2 also cannot compare to Austin’s home prices: **New York City** (#5 ... \$99,151), **Boston** (#6 ... \$97,465), **Washington DC** (#8 ... \$84,503), **Denver** (#9 ... \$79,459) and **Miami** (#11 ... \$71,799).

Two months ago, the *New York Times* did a hatchet job on Texas. The headline: “Why Texas is No Longer Feeling Miraculous.” We’ve sat on this 9.22.17 hit piece, but after the impressive stats on the previous two pages, we felt the need to let you know what the widely-circulated *NYTimes* was saying about the Lone Star State. It wasn’t pretty. But we’ll be brief.

Much of what is in the article by **Richard Parker** has already been proven wrong just in the last 60 days. For instance, he wrote that Texas’ unemployment rate was at 4.4% and, get this quote, **“it will bounce back up, and likely *higher* soon.” But, you remember from page one, it has *dropped* to 3.9%, its lowest in four decades.** So much for his forecasting

Parker’s bold thesis: **“The tale of the Texas Miracle was a big fat lie. Plentiful oil, low regulation and even lower taxes are not a panacea. Sure they don’t hurt. But they don’t help, not without consistent, well-considered state policy to attract and build businesses.”**

Apparently to bolster his thesis about “well-considered state policy to attract and build business,” he spends an inordinate amount of time singling out the **Texas Legislature’s battle over the transgender/bathroom bill, before finally mentioning in passing that “it lost.”**

Another favorite target was the oil and gas sector. He talks about the “oil slump” and references idle oil field equipment, as the price of oil hovers around \$40/barrel, after reaching triple digits. But, he ignores the fact that **pipelines and refineries are being built at a fast pace, and oil companies have improved their methodology where they can churn out profits at the lower prices.**

“Will business turn up its nose at Texas,” asks Parker. “It already has,” he answered his own question. **He pointed out GE considered North Texas for its HQ, but instead moved to Boston.** He did grudgingly acknowledge that a much larger corporate operation – Toyota’s new North American headquarters -- landed just outside Dallas, in Plano. **But, he then poo-pooed the prospect that Amazon HQ2 will pick a Texas site next year.**

Oh yeah, he strongly criticized Gov **Greg Abbott** for “parsimoniously” doling out state funds as incentives (though Abbott did offer \$40 million to Toyota). He compared Abbott to Texas’ longest-serving governor, **Rick Perry who throughout his entire term gave out \$500 million in incentives.** He said Abbott “hasn’t shown much interest in toiling in the garden of economics” -- again ignoring Abbott’s strong record of economic development activity.

There are other examples we could cite. But you get the gist. **Parker set out to slam Texas and the *New York Times* was a willing accomplice.** The sad aspect of this is that much of the large readership of the *Times* will accept what is written as fact, even though the information is seriously skewed to paint a false portrait of the Lone Star State.

If you've driven into downtown Austin on West Fifth Street anytime during the past few years, you've probably chuckled at El Arroyo's readerboard messages. The Tex-Mex restaurant posts a new joke (?) each day. And now they've published "El Arroyo's Big Book of Signs, Volume One," with 158 signs inside the \$24.99 book.

El Arroyo has been in business for 25 years. "Sure we like to goof around and have a good time," its website proclaims. "**But the one thing we don't joke about is our food. When your name is 'The Ditch,' the food better be damn good.**" It shared some of its goofy signs this week with the *Austin American-Statesman*. Some examples:

Margaritas: because no great stories start with salad.

90% of marriage is just shouting "What?" from different rooms.

The worst part about parallel parking is the witnesses.

My soulmate is out there somewhere, pushing a pull door.

Auto Correct can go straight to Hell.

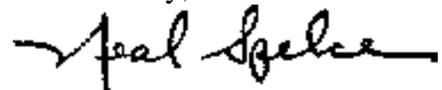
Last queso stop before a bunch of yoga studios.

Texas: where beer and brisket is a perfectly acceptable breakfast.

El Arroyo is promoting the book in gift sets as well. It is offering a 5% discount for a set of ten and a 10% discount for a set of 20 on its website at www.elarroyo.com/store/.

As you may have noticed, we made this edition of the newsletter available early in deference to the long Thanksgiving holiday. **Dr. Louis Overholster** proclaimed "Thanksgiving dinners take 18 hours to prepare. They are consumed in 12 minutes. Half-times take 12 minutes. This is not a coincidence!" He also noted he comes from a family where gravy is considered a beverage!

Sincerely,



Editor/Publisher