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Dear Client:

**The stories have been replicated for years: Californians selling their “average” homes for exceedingly high dollars, then using the proceeds to move to Austin to pay cash for larger, better homes. The same thing is happening on a smaller scale in Austin as housing prices continue to soar. Many Austinites are getting top dollar for their homes and joining others who are heading to the suburbs. The numbers don’t lie.**

It’s obvious when you examine the most recent USCensus Bureau figures released mid-week. These fresh stats cover the timeframe from 2016 to 2017. **Make no mistake, the entire 5-county Austin metro is increasing in population. Only now, Austin’s growth is slowing** while the outer metro cities – large and small – are seeing greater surges in population.

The demands of this dynamic growth are best illustrated by *percentage* growth. A small number of new residents in a small community may not seem like a lot of people. **But when you see the percentages, you can understand how great the impact can be on a community’s infrastructure.**

For instance, little **Leander, with a population less than 50,000, grew a whopping 14% in one year.** Think what this outsized growth in a short period of time does to Leander schools and city services like police, fire and utilities, not to mention increased traffic. **Leander leaders are having to handle immediate demands while budget planning for the next few years.** Yep, real problems.

Other towns in our metro are also feeling the effects of their in-migration. Look at **Kyle** that is a bit smaller than Leander. It grew almost 10% in this same one-year period. **Pflugerville** has a population a little more than 63,000. The number of residents there jumped 6.5%. A bit larger **Cedar Park** (75,000 residents) experienced a 4.2% growth from 2016 to 2017.

To give you a sense of perspective, **these examples are among the highest in the nation.** And, they are concentrated in a relatively limited area. To reinforce the trend we mentioned at the outset, **Austin’s population increased by the smallest amount (only 1.3%) since 2011.** With this intra-metro movement, it is a region-wide phenomenon. Many residents live in these smaller cities but work in Austin. They *travel* for work, shopping, entertainment throughout the region. **Inter-governmental cooperation is becoming more important than ever before.**

**It wasn't that long ago – 2011 through mid-2014 – the Texas oil and gas boom was in full roar. Times were good. Tax revenue was pumping into state government coffers in Austin. Landowners in South and West Texas were cashing big royalty checks. Oil and gas businesses were socking away big bucks. The price of crude oil trended around \$100 a barrel. Then prices plummeted. Only three years ago, \$70 per barrel almost shut down the industry. But, hang on. \$70/barrel today is accelerating an ongoing surge. What's going on?**

Credit the advances in technology that have reduced the cost to produce oil. During the boom times, the primary focus was getting oil out of the ground and sold as quickly as possible. **“Inefficiencies that were tolerated at \$100 per barrel were no longer acceptable,” said longtime Texas economist Ray Perryman. “Technologies that could improve cost and production parameters gained ever greater importance.”**

Perryman cites “truly amazing ways” this has come about. Advances have taken several forms. **“Some wells have been ‘refracked’ to bring the latest techniques to wells originally developed with older methods.”** Such as? Well, he says more sand and finer sand is being used. He also pointed out efforts to use and dispose of water more efficiently are being widely applied.

**“The game changer, however, is digitization and the potential for artificial intelligence (AI) to dramatically raise production potential while simultaneously reducing costs,”** Perryman said.

Slow down, Ray. How does all this work? **“The use of AI can improve virtually every aspect of the process of finding and producing oil and natural gas. Vast amounts of data from sensors can be rapidly analyzed using AI to help locate reserves and even determine the precise mix of sand, water and chemicals to use during completion to maximize production,”** he said.

But that's not all. Perryman went on, not slowing down at all: **“With AI, much of the data analysis work can be done by machine, allowing humans to make decisions faster and with better information. Issues can be detected more rapidly, and simulations can help identify optimal solutions.”**

Much has been made over the years about the finite sources of fossil fuels. Those who argue against usage of fossil fuels claim, among other things, they will soon run out. But Perryman notes “technological advances have greatly improved the ability to find oil and gas, optimize well completion, and recover more product.”

**“Fracking opened up unconventional reserves and revolutionized the industry. The changes from digitization and AI have the potential to be at least as profound.”** Where just a few years ago, \$70/barrel of oil was said to be the demise of the industry, \$70/barrel is now a godsend – thanks to technological advances.

**Yet another sign of the fast-moving times in which we live: this week a US technology company focused entirely on digital TV and movies surpassed one of the most iconic Hollywood names ever to become the most valuable media company in the US. Can you believe it? Netflix has passed the Walt Disney Company in market capitalization.**

Sure, the two companies are close. *Financial Times* Thursday reported **Netflix had a market capitalization of \$151.9 billion, compared to \$151.6 billion for Disney.** But this milestone, even though it can fluctuate, is certainly symbolic, and it's indicative of tech's growing dominance in just about every corner of our economy.

Don't worry. Disney is not going away. In fact, **Disney is riding the tech wave as well. It plans to launch a new streaming service for TV.** Ironically, when it does, it will take away some of its classic movies and family fare from Netflix because it will line up as a competitor of sorts to Netflix. Interesting.

**Speaking of changes, the UTSystem will have a new chancellor to lead the system in a couple of weeks. It was announced months ago UTSystem Chancellor Bill McRaven is stepping down May 31<sup>st</sup>. As a new chancellor has not yet been selected, a university favorite is going to assume the reins temporarily. Former UTAustin president Larry Faulkner is jumping back in the saddle, taking the title of *interim* chancellor.**

Faulkner certainly knows his way around the academic world. **He served as president of UTAustin from 1998 to 2006.** Navigating the world of academia, as it intersects with state politics, is critical right now. The UTSystem will be preparing for its biennial negotiations with the Texas Legislature as the politicians work on critical higher education budget issues.

McRaven, when he announced he was retiring as chancellor, cited health issues. He will continue a less-stressful association with UTAustin. As a Navy Admiral, you'll recall he came back to his alma mater following his service as **commander of the US special forces units when the Navy Seals killed the 9/11 terrorist, Osama bin Laden.**

**Hurricane season starts next week. US forecasters predict it will be "near-normal or above-normal." Translation: 10-16 named storms, 5-9 hurricanes and 1-4 hurricanes could be normal. When any hurricane nears the Texas coastline, Austin weather is normally affected, primarily by heavy rainfall.**

So, now is the time area homeowners might want to consider flood insurance. **Remember, the Austin area is known as Flash Flood Alley. If it can rain, it can flood.** Flood policies typically have a 30-day waiting period. Don't procrastinate!

**Only in Texas can you find a beaver mixing it up with an alligator. A smiling toothy beaver is a symbol of the Texas roadside icon, Buc-ee's, and a grinning green gator is the mascot of another Texas roadside travel stop business called Choke Canyon. And last Tuesday, after six hours deliberation, a federal jury determined Choke Canyon's finger-lickin' gator invaded Buc-ee's happy beaver's turf, violating state and federal trademark law.**

Have you noticed the sky-high roadway signs for Buc-ees don't even use the name? **Nothing is on the sign except the grinnin' beaver.** The Lake Jackson-based company has pushed all its chips to the center of the table, **betting its round beaver logo wearing a ball cap is enough to pull motorists in** for its numerous clean restrooms, cheap gasoline -- and so damn-many items to buy inside, it would take months to sample all of Buc-ee's offerings. Big gamble on the logo.

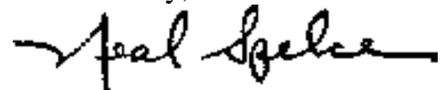
Along comes San Antonio-based Choke Canyon with its impressive roadside traffic stops. And a smilin' gator logo. Buc-ee's sued. **It claimed Choke Canyon's gator logo with a cowboy hat, pictured against a round yellow backdrop, was too similar to the buck-toothed beaver who represents its 33 gas stops.** Buc-ee's also charged Choke Canyon illegally mimicked its in-store offerings including friendly service, ample stock and plentiful, clean bathrooms.

A lawyer for Buc-ee's told jurors that the popular tourist-stop chain spent "blood, sweat and tears" building its reputation and wanted **Choke Canyon to stop "riding its coattails" with a logo that confuses highway travelers** into pulling off at a rival business. Choke Canyon's owner, who built his business on BBQ restaurants hitched to Exxon stations, planned to appeal the case.

By the way, the Buc-ee's location just this side of Houston, in Katy, recently opened what it calls the **longest drive-thru car wash in the world.** Looks like Buc-ee's, that raised the convenience store bar, just raised it another notch.

**Dr. Louis Overholster** notes that with the rise of self-driving vehicles, it's only a matter of time before we get a country song where a guy's truck leaves him too.

Sincerely,



Editor/Publisher