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Dear Client:

You hear a lot about the Austin area being inundated by newcomers from California, New York, Boston, etc. And it's happening. But you don't hear much about your fellow Texans leaving their hometowns to settle down in the Austin area. The common denominator is job-seeking. This is an important, often overlooked, part of the growth in the Austin metro. And, in some cases the people-moving event is a two-way street.

According to a new study by a career-analysis website, Glassdoor, **the biggest supplier of jobs for newcomers to Austin is – ta-dahh, wait for it – the Dallas-Fort Worth (DFW) metroplex. Houston and San Antonio are next.** New York City and Los Angeles follow in the pecking order.

Glassdoor measures job applicants. The availability of well-paying jobs in Austin is the lure, which we've chronicled for you for years. And, of course, it's easier to uproot and move down the road to attractive Austin, rather than make a cross-country move. So, in that sense, **it makes sense for ambitious Texans, seeking a better situation, to consider a move to the nearby Austin metro.**

Not all Austinites stay here (I know, I know, it's hard to believe). And you must (grudgingly) admit, the much larger D-FW metro is also a pretty good area. **While Glassdoor reports D-FW attracts the most job applicants from Houston and New York City, Austin comes in at #3, just ahead of Chicago and Los Angeles.** Aside from Austin, there's a pattern here: big city attracts residents from other big cities. (Maybe, for some Austinites, it's trying to "move-up" to the big city life.)

Another point that needs to be made: **we've always mentioned Austin area. This population influx is not limited to the Austin city limits.** As we have regularly referenced, the nearby communities within the Austin metro offer more **affordable accommodations and civic amenities** such as nearby schools, quality neighborhoods and access to all Austin offers in terms of quality of life. It's part of the big picture.

Speaking of smaller Texas cities, didja know **the most prosperous city in America is a small town in Texas? And, a nearby city is also in the Top Ten. Odessa as #1 and Midland as #10 are stories unto themselves.** But, these boomtown oil patch Texas success stories bring with them a number of trade-offs. Check out the next item.

Prosperity in #1 Odessa and #10 Midland is a thing to behold. Both cities are West Texas hubs for the huge upswing in crude oil production. But, their national prosperity ranking is tempered by a series of problems. Problems they wouldn't likely have if the cities were in "garden spots" like Austin. They must deal with the reality of their remote West Texas location. Not much they can do about that. After all, West Texas is where the massive oil and gas fields are located. It's the world's hottest oil basin. But, it's instructive to understand that Austin, while prosperous in its own way, is enhanced by its Central Texas location.

In an in-depth look at the Permian Basin oil patch, the *Houston Chronicle* found "recruitment is a huge issue and the lack of housing exacerbates those woes. New housing is constantly being built but it can't keep up with the rate of growth **and the energy sector is hiring many of the skilled laborers needed to construct those homes.**"

As a result, the local supply of labor is all but exhausted. **So energy companies are recruiting workers to West Texas and they are finding it a tough sell.** (Compare this to Austin where workers are flooding the area, looking for work.) It's not just the remote, somewhat isolated, West Texas location posing a problem. Prosperity and growth have other costs as well.

"**Schools are crowded, understaffed and performing poorly,**" reported the *Chronicle*. "**Health care is woefully short of doctors.** Crumbling roads and highways are jam-packed with heavy trucks and traffic. To fill one position, **companies need to make at least 10 offers and pay premiums of 20% over salaries in other parts of Texas. And, that still might not be enough.**"

How pricey is this situation? "**Oil field jobs in the Permian start at close to \$100,000 a year, while an experienced truck driver can make close to \$300,000 with overtime,**" the *Chronicle* noted. At least 15,000 jobs are open at any time. A job on a drilling or fracking crew takes maybe two months to fill. Engineering and management positions, which often involve relocating families, will sit vacant for several months. **Getting a family to re-locate is especially challenging.**

Housing in the bleak West Texas metro? It's like Austin, without the benefits of living in Austin. **Midland's median home price is comparable to Austin's -- \$370,000.** Most homes are under contract within a few hours of listing and sell for more than the asking price. Some homes are bought sight unseen. **Child care shortages are just as dire as public school overcrowding.** For workers without families, "man camps" like college dorms are an option.

Yes, prosperity in the oil-rich Permian Basin comes with a price. (Meanwhile Texas benefits from the revenue churned out by the oil boom in West Texas. And state government, with most state agency payrolls in Austin, also benefits from this oil boom.)

Be thankful you live, work and play in "prosperous" Austin.

Speaking of prosperous Austin, a new report this week shows just how vital the tech industry is to Austin's prosperity. In 2017, jobs in Austin's tech industries totaled more than 138,500. This is 14.1% of all jobs and it compares to 7.0% nationally. And even better news: the tech job growth is continuing.

In fact, according to the Austin Chamber's chief researcher **Beverly Kerr** "in 2017, jobs in Austin's high tech industries, grew by 4.3%, surpassing the metro's 3.2% total job growth." And these jobs are provided by nearly 6,500 high tech employers throughout the 5-county Austin metro area.

How much do these tech workers make? **Kerr reports the average salary for high tech jobs in the Austin area is \$112,771, up 6.2%.** This compares to the annual salary in Austin of \$59,742, up 4.3% from 2016. So tech salaries are higher by far – and they are rising at a faster rate than the average Austin area salary.

While on the topic of compensation, Austin's new City Manager is up for a pay increase at next week's City Council meeting. Spencer Cronk hasn't yet bought a house in Austin, so he is seeking a 6-month extension of his housing stipend – doubling the \$27,000 stipend for temporary housing to run the tab up to \$54,000. This is in addition to his \$325,000 annual salary and an annual "executive allowance" of \$7,200.

July is always the busiest air travel month, setting passenger records each year, at Austin-Bergstrom International Airport (ABIA). Well, April (usually a passenger "drop-off" month following a busy March) went contrary to the normal pattern this year and surged to beat all previous July tallies, setting another record -- 1.32 million fliers.

Hang on. If this is an indication of things to come, it will mean longer lines, more hassles and more time to move through ABIA to board flights. **Relief is in sight, but not until next year.** The huge nine-gate airport construction expansion will not be completed this year.

Airlines are loving it. Market leader **Southwest Airlines** passenger traffic in April 2018 was up 11.2% ... #2 **American Airlines** was up 10.9% ... **Delta Air Lines** was up a significant 26.2% and **Frontier Airlines** was up a whopping 189.6%. As a matter of fact, only one airline recorded a negative percentage. **United Airlines** passenger totals dipped to -0.1% (hmmm, wonder what's going on with them).

For the year so far, **ABIA passenger traffic was up 14.6%** for the 4-month period of January through April. And the normally-heavy summer travel season is just starting. So, plan accordingly – or at least pack a stash of tranquilizers.

Hurricane season is now underway. When a hurricane strikes the Texas coast, the Austin area is impacted to varying degrees. Heavy rains, leading to local flooding, are often the result. And this is the most important time for us. From June to early July, hurricanes are more likely to form in the Gulf of Mexico or the western Caribbean, even though the season lasts through November. And, in the last few days, the forecast changed. What's going on?

First of all, hurricane forecasts are regularly updated. The forecasting granddaddy of them all, Colorado State University's Tropical Meteorology Project group (started by **William Gray**, now run by **Phil Klotzbach**), **issues forecasts and updates April 5th, May 31st, July 2nd and August 2nd**. The latest forecast *decreased* the number and intensity of storms.

We certainly don't want to delve into hard-to-understand meteorological science, but it's important to understand **these pros are not just sticking a wet finger into the air to gauge what may happen**. They review a number of factors such as upper level wind patterns and even rainfall activity in western Africa.

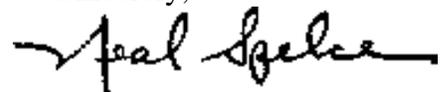
But, one critical criterion is water temperature. **The water in the Gulf of Mexico is anomalously warm and the water in the Atlantic Ocean is anomalously cool**. Tropical storms typically require very warm waters – around 79 degrees Fahrenheit, or higher. So, the Gulf right now is a prime developing area for a hurricane, while the Atlantic needs more time to warm up.

Initially, forecasters hinted at “slightly above” to “above” average storms for this hurricane season. **Currently, they are modifying their expectations to suggest a “normal” season**. This could change later in the season.

No matter how it changes, **June is the time for higher awareness**. Hurricanes can – and do – develop in the Atlantic and still roar into the Gulf. But, likely not until later in the year.

Dr. Louis Overholster remembers Gov Ann Richards' observation that a hurricane was like a redneck divorce: in both cases, someone is going to lose a mobile home!

Sincerely,



Editor/Publisher