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Dear Client:

**As Texas grows, so grows state government. Right? Uhhhh, not necessarily. Government payrolls are a significant part of the Austin economy. Always have been, always will be. But, as the rest of the Austin area economy expands at one of the fastest rates in the nation to what extent is government keeping pace? Bottom line: private sector jobs are quickly growing in the Austin area. And the jobs in the government sector are not in step.**

This is not to downplay the role in Austin of steady government paychecks. Far from it. In fact **government sector jobs are more than 17% of all jobs in the Austin area.** (These stats are lifted from a June report by the Austin Chamber's VP/Research, **Beverly Kerr.**) **Other cities would die for such a solid job base.** Instead, the current economic situation is a testimony to the private sector that it is outshining the government jobs in the metro.

Without relying on the 17% government jobs (because government job growth was essentially unchanged) **the Austin area added 33,900 net new jobs in the 12 months ending in May.** Let this sink in. This growth of 3.3% made Austin the third fastest growing major metro in the US. **And it was basically in the private sector.** For the nation, private sector growth was 1.9% for the same period.

A half-century ago, we were quoted in *TIME* magazine as saying "**Austin is a state government, state university town.**" **True, then. Not so much, now.** And it has occurred in less than one lifetime.

By most measures, **the Austin area boasts of one of the most vibrant economies around.** And private sector jobs have been the defining difference compared to the area's historical past. **This is a major economic sea change that has taken place in front of your very eyes.**

Oh, by the way, all this is underscored when you understand that almost as soon as new jobs are created in the private sector, they are filled. **In May, Austin's outstanding unemployment was at an eye-popping 2.8%. Economists will tell you this is full employment** – anyone who wants a job can get a job. Other major metros in Texas are also doing well. Their unemployment percentages are solid – ranging from 3.2% in **San Antonio** to 4.2% in **Houston.** **Dallas** and **Fort Worth** were at 3.4% in May. These are all better than the unemployment rates seen a year ago.

**Super-fast growth brings with it a lot of changes (did we hear you say something about Austin's traffic!) too numerous to mention here. But there is an interesting demographic change contained in the most recent USCensus tally: the fastest-growing ethnic group in the 5-county Central Texas metro is Asian.**

When you lump all five counties together, **the Asian population grew 6.3% in the past year.** This led all ethnic groups. Asians were followed by people who claimed **two or more races** (4.5%) ... **Hispanics** (3.4%) ... and **Blacks** (2.8%).

And, when you break down the ethnic population by counties, the **percentage of Asians in Williamson County was greater than the percentage of Asians in Travis County.**

**As a result of action taken this past week, you could soon see some big construction activity adjacent to the State Capitol as early as July. Office buildings? Of course. A couple of them. Fourteen-story and 12-story state office buildings. But there's more to this project. How about a new gateway to the Capitol Complex and a three-block mall promenade.**

**The new gateway will be created at MLK Jr Blvd and Congress Avenue.** This is up against the southern boundary of UT Austin, right where the striking Bob Bullock Texas State History Museum is located.

Heading south from this gateway will be a **landscaped promenade that will run from MLK Jr Blvd to 15<sup>th</sup> Street**, all with a dramatic view of the majestic capitol building. Should be quite a sight.

But this is not all. **Meeting and event space will be sprinkled along the promenade being called the Texas Mall.** Public/private partnerships are being considered.

Possibly more important in this parking-challenged area around the Capitol and UT Austin, is that **five layers of parking will be built under the Mall – adding about 4,400 parking spaces to the Capitol Complex.**

**The two state office buildings will, combined, create about a million square feet.** One tenant is already on board. The Texas Lottery Commission will move from its present location on Fifth Street. Other state agencies currently leasing space around town are likely candidates to move into the two new buildings.

**This is the first phase of six construction packages unfolding over four years at a cost of \$581 million.** The Texas Legislature approved funding for the first phase in 2015. The legislature will need to approve any additional funds for the remaining phases.

**You've received our frequent reports about the unbridled growth at Austin-Bergstrom International Airport (ABIA). These reports reflect regular record-setting passenger increases. This is obviously important for the air traveler, but it also serves as a strong indicator of the economic vitality of the area. Another measure is how ABIA compares to other Texas metro airports. Some recent totals are informative.**

Take seat capacity for scheduled flights. ABIA is off the charts when you check with other major Texas airports. But before we look at Texas metros, let's **compare ABIA to other mid-sized US airports that have between 3 million and 20 million departing seats**: By that metric, **ABIA is #2 in the nation with a growth rate from May 2017 to April 2018 of an unbelievable 16%**.

Okay, but what about other airports here in Texas big cities? Not only did **ABIA lead other Texas airports in terms of percentage growth, but also in terms of raw growth of departing seats**. And, this includes the humongous Dallas-Fort Worth (DFW) airport, as well as Houston's Bush Intercontinental (IAH). Check the hard facts: **(first, the percentage; next, the actual seat growth numbers)**.

**ABIA (16% ... 1,240,000) ... San Antonio (8% ... 410,000) ... Houston Hobby (5% ... 410,000) ... Bush Intercontinental/Houston (IAH) (3% ... 650,000) ... Dallas Love (3% ... 280,000) ... DFW (3% ... 1,010,000)**. By these measures, reported by OAG, an airline analytics firm, ABIA's growth is outstripping other dynamic Texas city airports.

Of course, the smaller airports can show the greatest percentage growth. DFW and IAH are the state's largest airports. Consequently their capacity is limited given how large they are. **But, there is no denying ABIA's passenger totals are surging – out of proportion to the others.**

**Speaking of traveling, for those who travel to Austin, hotel prices in the Capitol City do not compare favorably with other Texas cities. It's a mixed bag. On the flip side, the travel economy is booming in the Austin area and hotels are doing quite well, thank you. It's all based on a hotel metric called REVPAR. What's that? Let's explain.**

REVPAR is simply an abbreviation for Revenue Per Available Room. It combines average daily room rate and occupancy rate. Hoteliers live by that number. **Austin's REVPAR in the first quarter beat Dallas-Fort Worth, Houston and San Antonio**. This even takes into account new hotel rooms coming online – such as the Fairmont's 1,048-room hotel.

It's a healthy hotel market, even though travelers to Austin pay a bit more than in other Texas cities. A future problem? **More Austin area hotels are under construction. But, hotel experts predict Austin's economic dynamism will keep it in balance.**

**The Fourth of July is one of those holidays that families try to take a day off on either side of the date to enjoy an extended holiday over an adjacent weekend. But the calendar makes it a little more difficult this year as the Fourth falls on a Wednesday, meaning you must take *two* days off to loop-in a weekend. So, those who choose not to chew up additional vacation time, and take off only the holiday itself, can enjoy what is billed as the “largest Independence Day Celebration in the state.”**

Sure, it's hot. It's July. Always has been hot, always will be hot. But, if your blood runs red, white and blue, **it's the best free – underscore, free – family show in town.** It's pure Americana. Yes, it's crowded. That's part of what make it the “largest.” But it's a happy, celebratory event. **Tens of thousands of people decked out in red, white and blue – all smiling, singing, clapping, and oohing and aahing at the fantastic fireworks finale.**

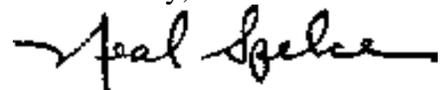
The celebration is staged at **Vic Mathias Shores** (formerly Auditorium Shores; Vic would love it!) against the colorful, amazing downtown Austin skyline. With music. Ah yes, the music. Patriotic: makes you wanna-stand-up-and-march music, like *Stars and Stripes Forever* – **John Phillip Sousa's** classic arrangement.

**The H-E-B Austin Symphony 41<sup>st</sup> Annual (think about this!) July 4<sup>th</sup> Concert and Fireworks is planned, produced and performed entirely, live, by the Austin Symphony** with its generous sponsors. The Symphony will perform at 8:30 pm. (This is not some 6-piece loud, amplified guitar-centric heavy-metal band. It's a full symphonic orchestra). Just as it gets dark, **the concert will be followed by what it calls “Mile-High Fireworks” at approximately 9:30 pm.** And, as in years past, Majic 95.5 pm, will broadcast the event on the radio.

And, of course, the **musical/fireworks display will be highlighted with cannon-booming, Tchaikovsky's 1812 Overture.** (It's hard to explain a Russian anthem being such an integral part of a US-centric celebration. But the stirring rendition sends chills up the spine, anyway.)

From a medical perspective, **Dr. Louis Overholster** sarcastically says nothing says “Happy Fourth of July” like the tradition of drunkenly burning your fingers with fireworks made in China!

Sincerely,



Editor/Publisher