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Dear Client:

Things are going so well in the Austin area right now you might be tempted to pinch yourself to see if you're dreaming. This is especially true if you happen to remember two past disruptions that caused some serious damage – the dot-com bust and the real estate recession. They occurred in Austin less than 20 years ago. And, they were like a slap upside the head. A lot of people and companies were seriously hurt or even destroyed.

This report is not intended to be a downer. And it's not a dull recitation of local history. But, **there are so many new residents in the area, it might be helpful to remind them they have arrived at a great time.** Those who have lived/worked here for at least twenty years have vivid memories of when times were not-so-great. And, more importantly, many of those who survived those times are responsible for Austin's economic success stories today.

Think about this. **Roughly a million people have moved into Austin and the surrounding areas in the 5-county metro during the decades following the two downturns.** They didn't experience the hard times. All they've seen is one of the most amazing periods of expansion experienced by any major world city.

Many of these new residents are pulling down compensation greater than those who were hammered by the downturns. A lot of them are living and/or working in gleaming, modern towers downtown – or, in new office buildings, apartments and homes outside the Central Business District.

The downtown newbies probably can't comprehend **“see-through” office buildings, where three million square feet of office space had to go begging** – even though the spaces were *cut-rate subleases* from leases businesses committed to prior to the recession. This is as much space as six Frost Bank Towers!

Here's one example that vividly illustrates the contrast between then and now. Drive to Fifth and San Antonio Streets downtown. **Marvel at the architecturally-significant Federal Office Building that will still be standing on that site a century from now.** At one point, global semiconductor chipmaker Intel started building a \$124 million tower on that site. Then as the dot-com debacle hit, Intel pulled the plug half-way into the project in March 2001. For six years, the “Intel Shell” reminded all of what might have been. The takeaway: **Recent residents will do well to understand what they have inherited. This is a special place.**

Austin’s job growth has made it the 11th fastest growing major metro in the US. And, it would have ranked even higher had it not been for an interesting development. Surprisingly, government jobs – the stable underpinning of the local economy – are experiencing *negative* growth. Private sector job growth has been strong. But government job growth? Nope.

Government jobs have been stable and growing in the Austin area for years. After all, the state of Texas is growing tremendously, and government jobs – mostly located in the Austin area – have increased as the need for some state services has increased. But. **“Year-over-year growth of government jobs has been negative for the last 11 months,”** reports the Austin Chamber’s VP/Research, **Beverly Kerr.**

Kerr took a deep dive into local, state and federal government employment for the 5-county Austin metro. **“In examining these, it turns out there has been a notable fall off in state government jobs, while federal and local government job growth has been positive,”** she reported this week. Whoa. *State* government jobs diminishing? This is rare. In fact they have been running consistently positive during the past five years of sustained Austin metro growth.

The slowing of state government jobs actually started last year. “In 2017, jobs fell into a customary seasonal July-August trough,” she noted. **“But instead of promptly rebounding, (they) continued to hold at that level.”**

When you look at the bigger picture for state jobs, Kerr notes “state government shed another 4,200 jobs in Austin between June and July, falling to 65,300. **This is the lowest state employment figure for the Austin MSA since August of 2006. In 2016, the metro’s annual average state government employment was close to 75,000.”**

Why hasn’t this been publicly reported previously? Well, probably, because **the Austin job growth has been so robust the overall numbers masked this significant development.** Now, it’s not a crisis by any means. But it indicates there may be a new paradigm to watch.

There’s another facet to this that could be very important going forward. **Kerr surmises “state agency offices may be where many of Austin’s state government jobs were shed from.” If some of those jobs are “essential,” the state is in a challenging position of going up against the private sector when it comes to hiring – at a time private sector companies are ratcheting salaries higher and higher in this competitive hiring market.**

Of course many would argue –especially some legislators from around the state – that a **smaller state government employee base is to be desired. So it will be interesting to see how the Texas Legislature in January addresses a shortfall of state employees.** Don’t forget, Austin’s economy is affected when there are fewer state employee paychecks in circulation.

Fresh off the oil boom that went bust, Texas is recovering -- and how! In fact, many are unaware of the amazing recent dominance of Texas in the global energy market. Oh sure, Texas has always been in the oil/gas/energy discussion. But now? Hang on. Move over, Middle East. Get ready to relinquish your oil role, Russia. Texas is the new world energy gorilla and its role is growing as we speak. This is good for Austin and the state as a whole.

Take energy exports. **Analysts say US exports have now surpassed Saudi Arabia's.** This is big. And US exports are closing in on the world's leading producer, Russia, which pumps just over 11 million barrels a day. It doesn't stop there. You'll see in a moment. Texas is on a roll.

Consider this: **Earlier this year, oil exports from the Texas Gulf Coast eclipsed imports for the first time,** as growing US oil production poured into foreign markets. And, the shale revolution continues to reshape the global energy industry. So what? Well, here's the perspective. **The flood of oil from the Permian Basin in West Texas and other shale fields has shifted the balance of trade and this regions' role in the world economy.**

How about this example? US exports recently hit a record 2 million barrels a day. **Nearly three of every four barrels – 1.4 million a day – move through the Texas Gulf Ports.** This is 70% of the US total and it brings billions of dollars into Texas that drives new investment, creating jobs and helping power Texas, one of the nation's fastest growing economies. Want proof? **Over the past year, both Texas and the Houston area have added jobs at twice the rate of the nation as a whole.**

Okay, so what's in the pipeline (pun intended)? The West Texas Permian Basin (in the Midland and Odessa area) accounts for nearly one-third of US production. **Companies are investing billions of dollars in pipeline, storage and export terminals to move that oil from West Texas to overseas markets.**

This is where the nearby Texas Gulf Coast comes in. As an example, the Port of Corpus Christi is investing hundreds of millions of dollar to **dredge its ship channel that handled about 500,000 barrels a day in 2017 so it can process 2 million barrels per day by 2023.** This isn't all. It is building an export terminal on Harbor Island that could host some of the world's largest oil tankers, the Very Large Crude Carriers (VLCC's) that can hold up to 2 million barrels of oil.

How did we get here? At the end of 2015, Congress lifted a 40-year ban when oil prices were plunging, dating to the Arab oil embargo of the 1970s. Along the way, **Houston oilman George Mitchell pioneered fracking as a relatively inexpensive way to suck oil and gas out of the ground.** Over the past year, as both prices and production have increased, US exports have accelerated – **nearly doubling between May 2017 and May 2018.** This bodes well for Austin, the home of state government that relies on oil/gas tax revenue.

Who-the-hell is Thomas J Henry anyway? If you've been anywhere near TV, the Internet, or print newspapers in recent months, you have been bombarded with ads for his personal injury law firm, that recently opened up shop in Austin. There are a lot of personal injury lawyers in this area, but none have spent the big ad bucks like Thomas J Henry. And, frankly, to say Thomas J Henry is *just* a personal injury lawyer is like saying Lake Travis is a puddle. Even the word "flamboyant" is inadequate to describe him. For instance:

He claims the Thomas J Henry firm is the "largest personal injury firm in Texas." It started in Corpus Christi and is now 100 lawyers strong with other offices in Houston, El Paso, Austin and San Antonio (where he now lives.) In fact, he celebrated the firm's **25th anniversary in the San Antonio Convention Center Saturday night** "with a Hollywood glow," according to news reports that mentioned **Austin Mahone, Eugene Iglesias, The Chainsmokers, Maroon 5, George Lopez** and **Lil Jon** all performed. Other celebrities were in attendance.

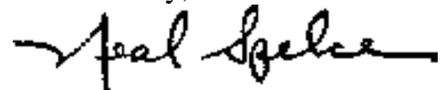
This over-the-top office party was in keeping with his other excesses. Last year, **he threw his son a \$4 million party on the boy's 18th birthday** using a party planner that has done work for *Maxim* and *Playboy*. Oh yeah, **the boy's coming-of-age birthday present was a \$272,400 Ferrari Spyder.**

But, that didn't match the \$6 million price tag earlier for his daughter's quincenara. And, Henry celebrated his 56th birthday April 6th with a birthday bash for 75 friends and family in Miami Beach that included performances by **Cardi B** and **DJ Khaled**. It only cost \$4.5 million. However, the Henry family continued celebrating on a 100-foot yacht.

Almost forgot to mention, Henry's family (wife **Azteca**, kids **Tom Jr** and **Maya** and grandmother **Teresa**) are participating in a professionally-produced YouTube video series called "*Hangin' with Los Henrys*." Said Azteca: "**At the end of the day, we're just a Mexican American family from Texas.**" (Insert your own comment here)

Dr. Louis Overholster says there are only three lawyer jokes. The rest are true.

Sincerely,



Editor/Publisher