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Dear Client:

It's a rare sight in Austin: powerful activist environmental interests disagreeing among themselves. Usually the environmental community leaders in Austin publicly march in lock-step -- fighting for or against the same issues. Not now. Distinct lines have been drawn over an issue that will be on Austin ballots November 6th. Which side prevails may go a long way toward defining the shape of Austin's growth.

The ballot item is Proposition J. Huh? What's that? Simply put, **it would require any comprehensive change to Austin's land use rules go to voters for approval.** Just getting on the ballot was controversial. It took a grass-roots effort to bypass the Austin City Council to get Prop J on the ballot. **This grew out of the CodeNEXT development rules process that inflamed such strong opinions, it was ultimately abandoned.**

So, how has this pitted Austin environmental leaders against each other? We need to credit **Mose Buchele**, an award-winning reporter for KUT-FM, for bringing this to our attention through his writing in *Austin Monitor*. **It boils down to differing environmental philosophies as they relate to growth and climate change.** How so?

“If Proposition J passes, then the voters will have the right to check the Council's work if we resurrect CodeNEXT and we have a comprehensive rewrite of our Land Development Code,” longtime environmental activist **Bill Bunch** argues. Arguing against passage of Prop J is the director of Austin-based Environment Texas, **Luke Metzger**. Where do they differ?

Bunch opposes development being shoved into the Central city where you would “scrape our existing city neighborhoods and try to force it on top of existing communities.” **He doesn't like adding density in downtown Austin and wants growth moved away from the city core.**

Metzger disagrees: **“Are we going to increase sprawl, increase traffic, or are we going to do it in a much more walkable, transit-friendly way and bring people into the city core?”**

They both cite strong, passionate *environmental* reasons for their approach. **It'll be interesting to see which approach prevails in this environmentally-centric Austin community.**

Are millennials more likely to live in and around downtowns or outer neighborhoods? To determine an answer, RENTCafe crunched the most recent USCensus population estimates and ranked ZIP codes in the 30 biggest US cities. Austin was included in the study. As expected, downtowns and areas near downtowns are favorites for Millennials.

An interesting byproduct of the study found that **between 2011 and 2016 Austin experienced a 34% growth surge of Millennials.** Los Angeles' much larger downtown held the #1 spot, with far and away the highest *increase* in share of Millennials.

So, what about Millennial-laden ZIP codes? Where are they? Downtown **Boston** and downtown **Denver, Manhattan's** Financial District, **Chicago's** West Loop all have more than 70% of its residents of Millennial age.

The **Arts District in Dallas** was tops in Texas with 65%. **Houston's Astrodome-area, Dallas' downtown and Austin's Hyde Park all had a Millennial share of more than 60%.** This reflects a *concentration* of this age group. Downtown Austin has a large share of this age group, but it has a more diverse population.

The typical profile of Millennial-favorite neighborhoods: **a walkable area packed with restaurants, entertainment, culture and non-stop activity.** But they come with a price. And this generation generally is willing to spend a little extra to have immediate access to more experiences, social events and proximity to work.

With Millennials willing to "spend a little extra" to rent an apartment, the builders of large-scale apartment projects in the Austin area appear to be tapping into this market. RENTCafe reports that during the first half of 2018, almost nine out of every ten new apartment units in large-scale projects (defined as 50 or more units) met its classification of "luxury." And, pricey rents in these new Austin units reflect this trend.

RENTCafe's survey of Austin and 29 other large US metros found **rents in Austin for these new units range from \$1,247/month to \$1,891/month, depending upon the size of the unit.** And, the average rental price has risen 6.7% during the past three years.

Builders will tell you costs for apartment projects in Austin are higher than many places, citing **taxes, regulatory requirements, high cost of land, labor, construction,** etc.

Balancing this is demand. The increasing number of available jobs in the Austin metro continues to attract new residents and most of them need apartments when they arrive. While they may not all be Millennials, **apartment builders are betting the demand will support higher prices.** Another factor: the overall growth of Austin's economy. Check the next item.

Wanna hear something simply amazing? Here it is: Austin's economy grew an outstanding 6.9% in 2017. This phenomenal growth made Austin the second fastest growing major metro economy in the US. Aggregate growth for all US metros rose to 2.1% in 2017, and it increased by only 1.6% in 2016. Look at how the strong Austin economy compares to the rest of the US.

Don't worry. We're not gonna dive deep into the economic-speak weeds. **Beverly Kerr, the Austin Chamber's VP/Research did that for us.** We'll simply translate Kerr's in-depth analysis in plain everyday language, without explaining how she got there. Those who want to check out her charts/graphs/etc. can find her report at www.AustinChamber.com. She analyzed new data on gross domestic product (GDP) from the USBureau of Economic Analysis (BEA).

The strong 6.9% economic growth rate in 2017 comes on top of a solid 5.5% growth in 2016. **So it is not a flash in the pan.** Nor is it an off-the-charts unbelievable number.

Economic growth was actually higher in 2015 – when it zoomed past 8% -- the best percentage for Austin since the negative-growth recession year of 2009. By the way, the current growth rates are real, adjusted for inflation.

So, the reason this is amazing is how it compares to the rest of the top performing large US metros. **Austin's 6.9% gain is the second highest rate of growth among the 50 largest metro economies.** The tech-centered metro area, **San Jose,** ranked #1 with an impressive 7.6% change.

By the way, **San Antonio ranked #3** with a 4.6% 2017 increase. **Dallas-Fort Worth's 3.9% growth ranked #6.** This is a strong showing for the State of Texas, having three of the Top Six. **Houston's** slow recovery from the energy downtown ranked it 48th in 2017.

One of the points made by Kerr has to do with dollar growth (this is the GDP part of the study). She notes that "at the time of last year's release of this data, Austin ranked 27th in the US." In 2017, she says **Austin's current dollar impact reached \$149 billion. This made it the 24th largest US economy. Compare this with Austin's population that ranks 31st.**

In plain language what does this economic growth surge mean? Simple. Kerr said this reflects "improvement in an area's standard of living." Put it another way. **Austin's standard of living was greatly enhanced in 2017.** And it occurred at one of the fastest rates in the nation.

Where has this economic growth occurred? In Austin, the economic category "**Financial Activities**" is Austin's largest industry. **This category is made up of finance and insurance (32%) with real estate, rental and leasing making up the remainder.** And the real growth in this category was an impressive 6.5%. All in all, 2017 was a good year to live/work in Austin.

At the risk of causing your eyes to glaze over, here are some more interesting stats that reflect how Austin’s dynamism is impacting the airport you use for your business and leisure travel. Promise they won’t be dull. If you thought Austin-Bergstrom International Airport (ABIA) is getting more crowded, you’re right. In fact, passenger traffic has increased 60% since 2010.

You only had to contend with 8.69 million passengers back in 2010. **Last year, you bumped elbows with 13.89 million passengers. This record will soon fall. Already, through August of this year, 10,511,663 passengers have used ABIA – an increase of 15.5% compared to the same time frame last year.** The airport expansion construction can’t be finalized soon enough for frequent fliers.

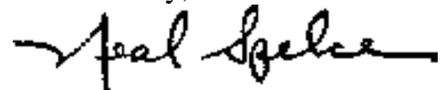
Okay, okay, when will the new \$350 million east terminal, serving nine new boarding gates, be ready for you to use? **The latest word is the 175,000 sf terminal will finally open for passengers “in the spring.”** No precise date, but spring is only about six months away. (Anyone who has dealt with big construction projects knows completion dates can be a moving target.)

Speaking of big bucks, it’s good to point out that **ABIA is entirely self-sustaining. Even though it is a City of Austin enterprise, no taxpayer dollars are involved.** ABIA generates its own revenue to cover operating costs and improvements. By the way, no payment was paid for the land because the City maintained title when Bergstrom Air Force Base closed.

Even as the current construction is winding down, initial planning has been underway for 18 months for the next expansion. Good move. The thinking now is to build an **entirely new terminal connected by a long bridge to the existing terminal** (think moving sidewalks like you see in other airports). This would be huge – **as many as 32 new gates.** The plan would accommodate **31 million passengers a year.** The anticipated completion date: 2040.

Dr. Louis Overholster on his last trip at ABIA, the boarding agent said he could now get *on* the plane. “If you don’t mind,” he said, “I prefer to get *inside* the plane!”

Sincerely,



Editor/Publisher