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Dear Client:

It's more than a coincidence. It's a bigtime trend unfolding before your eyes. The companies of the future are betting on a future in Austin. When you look at the size of the deals, it's not bet-hedging or dipping-a-corporate-toe in the water. You're seeing full-blown commitments the likes of which are seldom seen in cities around the US. The big office towers downtown and in North Austin's Domain are visual indicators of this trend.

It's usually risky business for a developer to put up a speculative office building. Not now in Austin. **Before buildings are even completed, they are substantially leased by substantial companies.** Those pre-leases have the financial backers patting themselves on the back about how "smart" they were to support such normally-risky ventures. Consider a few examples of what is happening in Austin in recent weeks.

The biggest and most obvious example is a **visually-strikingly 35-story office building on the north shore of Lady Bird Lake downtown.** It soars to the sky, with setbacks that taper toward the top to resemble a sail on a giant sailboat. According to news reports, **all 723,000 sf have been leased by Google.** Let this sink in. Then consider another example.

It was reported this week **Amazon is leasing 145,000 sf (four floors) of a Tower under construction in The Domain** that is set to be completed in the 2nd quarter of next year. **Amazon already occupies about 250,000 sf** in two other office towers in The Domain.

One more example. **Facebook is said to have leased an entire 17-story tower to be completed later this year in The Domain.** We're talking about 320,000 sf. Remember Facebook already employs about 700 people downtown, has pre-leased another 250,000 sf in a downtown skyscraper under construction and also has a fetch of employees in The Domain.

These are just a few examples and it's certainly not a complete list. (We haven't even discussed **the expansion of Oracle's huge campus** along the south side of Lady Bird Lake.) But, let's go back to our original thesis: **these successful mega companies are sitting on top of stacks of cash and they are pouring resources into the Austin area as they expand to become mega-mega entities.** Quite an endorsement of our economy, lifestyle and workforce.

Get ready. If you were intrigued by the recent GOP USSen Ted Cruz versus Dem Cong Beto O'Rourke election last year in Texas, you may be fascinated by GOP USSen John Cornyn's re-election. In fact, O'Rourke could be trying to unseat Cornyn after failing to defeat Cruz. But, there are other Dems making noises about entering the race. Let's sort it out for you.

First of all, Cornyn and Cruz are conservative Repub Senators. But they are very different. Very. **Cruz was not all that popular, even inside his own party. Cornyn's colleagues elected him to the #2 leadership post in the Senate.** There are other major differences between them, and it would be a mistake to equate the two any further. Also, Cruz didn't take O'Rourke's challenge seriously early, until O'Rourke developed momentum.

Cornyn, on the other hand, is already bracing for a brutal battle, no matter his opponent. **He already has \$5.8 million cash on hand, the largest sum of any senator,** according to *Politico*. He has hired **John Jackson**, who managed Gov **Greg Abbott's** overwhelmingly-successful 2018 re-election campaign. And Cornyn has tapped former White House aide **Steve Munisteri** as a senior advisor.

Democrats are emboldened in Texas and nationally for the 2020 campaign. They ran tough against Cruz and defeated two Texas GOP Congressmen. The national Dem party has targeted six more Texas Congressional seats where they will pour in money and support in 2020 (see our 2.1.19 edition). And they really want to unseat Cornyn.

Okay, then, who will run against Cornyn? How about Beto O'Rourke. Wait a minute, isn't he running for president? Well, yeah, but just this week Dem Senate Minority Leader **Chuck Schumer met privately with O'Rourke to recruit him into challenging Cornyn.** Don't know what was promised. But you can bet it was considerable, if he ran against Cornyn.

There are others as well. If O'Rourke doesn't take up the challenge, San Antonio Congressman **Joaquin Castro (twin brother of Julian,** who is running for president) will consider running against Cornyn, according to close associates.

Two Dem women are pondering a race against Cornyn: **MJ Hegar**, a veteran who gained national recognition when she ran unsuccessfully against Williamson County Congressman **John Carter**, and a politician from the past, former State Senator **Wendy Davis**, who ran unsuccessfully for governor in 2014.

This is simply today's snapshot. Timing in politics is all-important. A lot can happen. For instance O'Rourke said he will make a decision on whether to go for an all-in campaign for president within a few weeks. Joaquin Castro says he will not run against O'Rourke in a Democratic Primary for the right to challenge Cornyn. **So there are a lot of moving parts -- except for one important fact: Senior USSenator John Cornyn has made it unequivocally clear that he is seeking another six-year term and is ready for a serious challenge.**

One solution to affordable housing in Austin is small – really small – living units. The word in the trade is micro-units, common in high-priced condensed cities such as San Francisco or New York City. A few micro-unit projects have kicked off in Austin. How small is small? How does 350 sf sound? This is really small, when you consider sleeping, living, cooking and toilet space. So, how is this working out in Austin?

(First of all, a personal disclosure. At the age of 24, my bride and I moved to NYC for a CBS-TV News opportunity. As you might imagine since this newsletter is nearing its 40th anniversary, this was a long time ago. **We found an affordable unit, with no BR, no full kitchen, no full bath and the view out the only small window was a brick wall of an adjacent high-rise about six feet away.** But we could afford it in midtown Manhattan, just blocks within walking distance from the TV network. It worked. For us, in our situation, at the time. FYI, after a year we quickly returned to Austin.)

Such micro-units are now available in Austin. Transwestern Development's **Josh Delk** reports to GlobeSt.com that "micro units allow an individual an opportunity to live either independently or with a roommate at a **price point that otherwise doesn't exist for the location and level of quality** that is being provided."

How is this possible with Austin's tight control of zoning? "**Austin's zoning is friendly to the micro-unit concept** and allows for the development of micro-units in most parts of the urban core and periphery," Delk said.

Yeah, but. Apartment builders have long developed smaller studio apartments. **How is the micro-unit any different?** "They have been designed three-dimensionally with the intent to make space more efficient and convenient," answered Delk. "**I believe our 350 sf unit is better than many 500 sf studio units simply based on considerate design and the furniture package we provide,** particularly the custom Italian murphy beds that we include in all our studio units."

Okay. But pricing is such an important part of the equation. **Pricing is going up on all residential units – dampening the efforts at affordable housing.** What about micro-units? Delk says "I anticipate that as the supply of micro-housing continues to deliver over time, **we will move toward equilibrium and rent growth will slow.**"

Speaking of "affordability," real estate website Trulia "officially" unveiled what it claims is Austin's first million-dollar neighborhood. Quick, can you name it? It was Barton Creek.

KVUE-TV noted Trulia reported the median price in Southwest Austin's **Barton Creek development shot up from \$935,000 in 2017 to just over a million bucks in 2018.**

Back in 2011, *Texas Monthly* (TM) empaneled five experts in the field of film and asked them to review hundreds of movies that had a Texas connection, to come up with the Ten Greatest Texas Films Ever. This week, a TM columnist, David Courtney, aka *The Texanist*, added ten more films to the list. Check how many of these films you've seen, or may want to put on your bucket list of films about your favorite state.

The topics of "Texas films" run the gamut. Some are classics, some are entertaining and some are simply films worth watching. **If you like movies and you like Texas, you may want to get buckets of popcorn for some binge watching.** The original TM list, in no particular order:

Giant (1956), starring **James Dean, Rock Hudson, Elizabeth Taylor** ... *The Last Picture Show* (1971), **Jeff Bridges, Timothy Bottoms, Cybill Shepherd, Ben Johnson** ... *No Country For Old Men* (2007), **Tommy Lee Jones, Josh Brolin, Javier Bardem** ... *Red River* (1948), **John Wayne, Montgomery Clift, Walter Brennan** ... *The Searchers* (1956), **John Wayne**. *Tender Mercies* (1983), **Robert Duvall** ... *Hud* (1963), **Paul Newman, Melvyn Douglas, Patricia Neal** ... *Blood Simple* (1984) ... *Bonnie and Clyde* (1967), **Warren Beatty, Faye Dunaway** ... *The Texas Chainsaw Massacre* (1974).

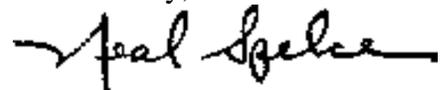
The additional ten, added this week by TM's The Texanist:

Friday Night Lights (2004) ... *Urban Cowboy* (1980), **John Travolta** ... *The Three Burials of Melquiades Estrada* (2005), **Tommy Lee Jones** ... *The Wild Bunch* (1969), **William Holden, Ernest Borgnine** ... *Selena* (1997), **Jennifer Lopez** ... *Lone Star* (1996), **Matthew McConaughey** ... *North Dallas Forty* (1979) ... *Bernie* (2011) ... *Fandango* (1985), **Kevin Costner** ... and *The Alamo* (1960), **John Wayne, Richard Widmark, Chill Wills**.

We would add *Hell or High Water* (2016), **Jeff Bridges**. Plus a few other films.

Dr. Louis Overholster saw this on Craig's List: "Wedding dress for sale. Worn once by mistake."

Sincerely,



Editor/Publisher