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Dear Client:

So, what's Michael Dell up to these days? You know, Austin's most famous billionaire who made so many Austinites millionaires the moniker "Dellionaires" took hold. That was back in the day -- soon after the computer whiz kid came up with an industry-changing computer manufacturing concept in his UT Austin freshman dorm room. He's changed, his company has changed – a lot. Let's check in on how the now 54-year-old is doing.

First of all, he and his wife **Susan have poured immense amounts of their personal fortune into making Austin a better place.** Providing enough funds so the new UT Austin medical school bears the Dell name is just one example and no small deed. **But, as Michael Dell has grown older, his company has gone through a number of iterations.** The official company name change illustrates Dell's new focus. **No longer is it Dell, Inc. it is now Dell Technologies.** Make no mistake, though: Michael Dell is still very much in charge.

As the tech scene has changed since the 1980s, so has Dell. It would take too much space to detail the move from the dorm room concept of a transformative way to build and sell computers, to going public, going private, then going public again. **The marketplace has changed and Michael Dell has continued to change with it.**

A big part of the change was the acquisition of EMC, a company almost twice as large as Dell. It cost Dell \$67 billion -- the largest tech deal at the time -- reinforcing Dell as a **powerful company specializing in selling technologies to businesses and running it for them.** Transformative! You bet!

Wait a minute, what about the personal computers business? As **Darrell Royal** used to say in a different context, you "dance with the one who brung you." **Dell is still peddling PC's. And, yes, you can still buy Dell personal computers.** But it is a smaller part of Dell Technologies business.

Dell is betting on the hybrid cloud, the latest iteration of cloud computing," reported *Texas Monthly (TM)* in its March 2019 issue. "Thanks to the EMC acquisition, Dell can manage ... those tasks," noted *TM*. The mag also states: **"The new Dell will profit from being 'one of the largest, most comprehensive, most integrated product and service' companies on the market."** Check the March 2019 *Texas Monthly* article by **Loren Steffy** for more detail.

The Austin area's population growth has been going on for such a long time, it seems it will never end. History shows the population has about doubled every twenty years – long before the area's emergence as a global tech center. But, look at what's taking place now. Speaking of "never-ending," check the percentages. The Austin area has had more growth from net migration than any other major US metro since 2010. Absolutely stunning. And all these people need some form of housing. How is this playing out?

Where housing is concerned, it's a double-whammy: availability and affordability.

The affordability of housing has been examined ad nauseum. But, it's still a problem that needs addressing. However, for purposes of this discussion, let's delve deeper into *availability*. Because it is impacted by a number of forces.

The first force involves jobs. Jobs are being created at a rapid pace, especially in the tech-and-related fields. And they are filled almost as fast as they are created. You see that in the positive unemployment numbers showing a consistently "full employment" in the 3%-and-lower range. This really causes a problem in the home construction labor force.

"Because we are at or near an all-time high for homes being built in Austin, **we are definitely feeling the stress of the construction labor force," Terry Shuffler**, VP/GM Trendmaker Homes, told GlobeSt. Com. "We are working every day to deal successfully with the strained labor force while also dealing with what has been an unseasonably wet fall and winter."

The second force is tariffs on the cost of building materials. It's not just a shortage of construction workers impacting delivery of new homes to the market. Pricing plays in to the availability equation.

"Tariffs have had a direct impact on several components used in homebuilding, including the **availability and costs of lumber, steel and some internal finish items such as countertop material and flooring**," observed Shuffler.

Another force is interest rates. The cost of building materials is somewhat compounded when combined with higher interest rates. "Many here in Austin have taken advantage of of record lower rates to purchase homes," Shuffler said. Rates have recently ratcheted up. "However, **recent news suggests that interest rates may be entering a more stable environment, and this could help ease concerns for people looking to buy new homes.**"

How will all these forces combine to make an impact on Austin homebuilding for the rest of the year? "**Austin is prepared for another successful year in the 2019 new home market,**" predicted Shuffler. Remember, predictions are compared to 2018. And Shuffler points out: "**2018 had all-time high prices and at or near an all-time high number of homes built.**"

Check out the next item for more info about Austin's growth.

When you think about it, the numbers – though seemingly small – are mind-boggling. Since 2010, the Austin area’s population has grown by 152 people per day. This is more than 55,000 people *per year* (this number is births over deaths, plus move-ins). If you drive Austin area roadways, especially during morning and afternoon commute drive times, you can definitely attest to the increase.

On the topic of Austin area roadways, there is an outfit in Kirkland, Washington called Inrix. It tracks traffic for cities around the US and the world. **It not only calculates the amount of time the average motorist in these cities sits in traffic, but it puts a dollar value on this congestion.** How does Austin stack up?

By Inrix’s calculations, **Austin is the 14th most congested city in the US and the 84th in the world.** At least we’re not number one! But Austin is the “worst” ranked in Texas. For perspective, Houston has always been cursed for having the worst traffic situation in Texas. No more. Austin has surged past Houston.

So, if you are an average Austin driver, how much time each year do you waste sitting in traffic? According to Inrix, **you have spent more than four full days just sitting in traffic.** Talk about a *decrease* in productivity, not to mention an *increase* in frustration.

Okay, how do you place a dollar value on this imposition on your time? **Inrix has come up with a formula for both direct and indirect costs.**

For Austin, Inrix calculated the average driver spent 104 hours/year on Austin’s congested roadways. Using its formula, **Inrix calculated this is a loss of \$1,452 per Austin driver each year.** (You’re forgiven if you thought about who you could bill for this expense.) Austin’s numbers are worse than the national average of a loss of 97 hours/year, for a dollar cost of \$1,348.

What are direct and indirect costs? Inrix counts *direct* costs by using the **value of fuel and your wasted time.** The *indirect* cost, according to Inrix, includes **freight and business fees from company vehicles idling in traffic.** Why those? Because they are usually passed along to consumers through higher prices. Any way you cut it, congestion is costly for you.

Texas GOP USSenator John Cornyn can rest a bit easier about his re-election chances – after unofficial word Wednesday that former Texas Dem Congressman Beto O’Rourke will NOT challenge Cornyn. O’Rourke said he has made up his mind about his future plans, though he hasn’t made an announcement. Cornyn will be the beneficiary if O’Rourke takes his party popularity, and fund-raising prowess, to run for president. (Remember Cornyn nemesis, Dem USSenator Chuck Schumer, urged O’Rourke to challenge Cornyn. See our 2.15.19 issue.)

While the Texas Legislature and local governments are discussing the pros and cons of raising a mandated minimum wage for workers, it's instructive to examine what happened recently in New York City. The *Investor's Business Daily* (IBD) reported an interesting analysis.

“Over the past four years, the minimum wage for New York City restaurants that employ more than 10 workers went from \$10.50 an hour to \$15. That’s a whopping 43% increase,” noted *IBD*. So, *IBD* went digging for info in the Bureau of Labor Statistics and found that **in just the last three months of last year, 4,000 workers lost their jobs at full-service restaurants.** The *Daily* claimed that these mandated minimums actually killed jobs.

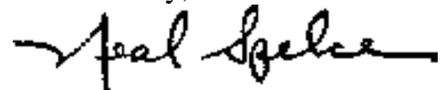
Want some good news? At least some good *weather* predictions? Try this on for size: drought is expected to be eliminated from the entire state of Texas by the end of May. This month, the state’s drought conditions more than doubled from covering about 3% of the state to 7% coverage. So, why the optimistic prediction?

The latest drought map prepared by the Texas Water Development Board (TWDB) shows a **large expansion of drought in the Panhandle and South Texas.** TWDB labels this a “moderate” drought. Rainfall has been below normal for most of Texas for the last 30 days.

So, why the optimism? Well, **precipitation is expected to be above average for Texas over the next three months.** Right now Austin and much of East Texas show no signs of drought at all. But according to weather watchers, all of the state should expect springtime showers to be above average. Already, here at the end of February, **the Austin area is showing some spring color with agarita and Red Bud trees emerging from dormancy.** Hopefully the predicted precipitation will not be excessive and cause flooding. Keep your fingers crossed.

Dr. Louis Overholster loves puns, the lowest form of humor. So cover your eyes if puns cause you to groan. Here is his latest: “I just bought some shoes from a drug dealer. I don’t know what he laced them with, but I’ve been tripping all day.”

Sincerely,



Editor/Publisher