

A grayscale photograph of the Austin skyline, featuring several tall skyscrapers and a bridge, reflected in the calm water of a river. The image is used as a background for the title section.

AUSTIN: MOVING FORWARD

Angelos Angelou

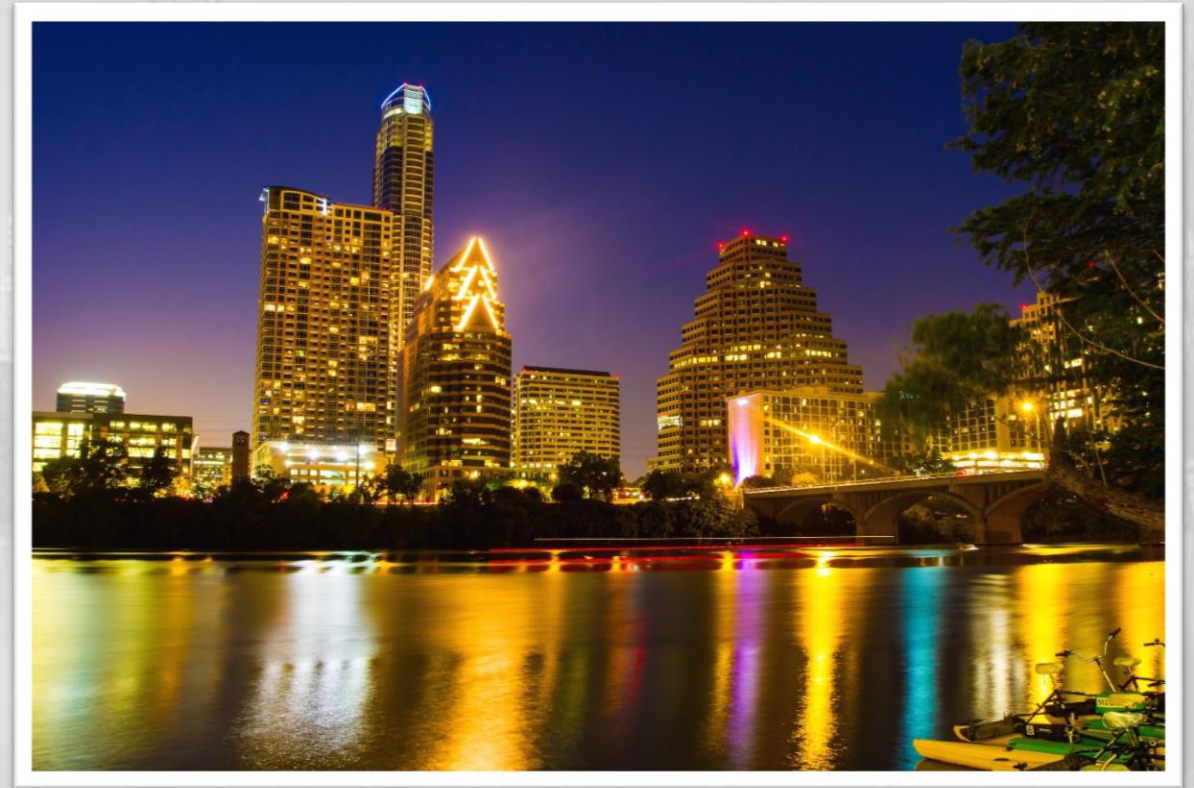
32nd Annual Austin Forecast

January 26th, 2017

angelou**economics**

TODAY'S AGENDA

- 2016: The Year in Review
- Austin's Economic Drivers
- Challenges to Overcome
- 2017-18 Forecast



THE YEAR IN REVIEW: TEXAS AT-A-GLANCE



Population
Growth
1.8%



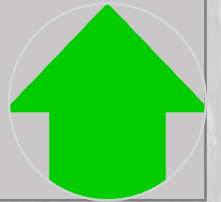
Employment
Growth
1.4%



Retail Growth
-0.3%



VC Funding
3.6%



Number of
Businesses
2.1%



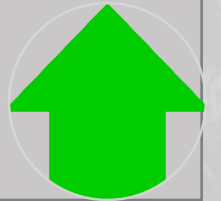
Average
Wage
2.0%



Unemployment
0.1%



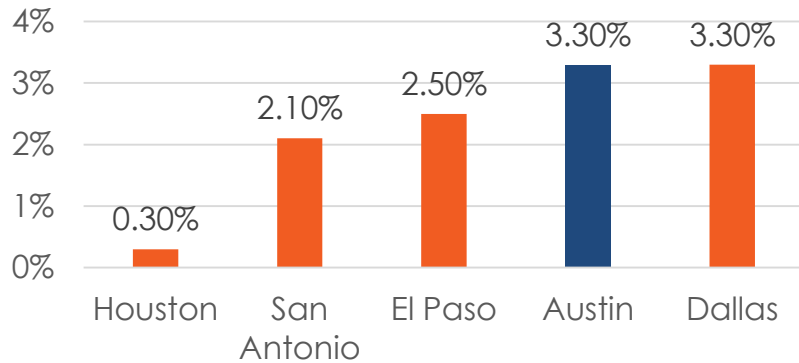
Housing Starts
2.6%



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Austin Chamber of Commerce, Texas A&M Real Estate Center

THE YEAR IN REVIEW: TEXAS JOB GROWTH

Austin vs. Other Major MSAs



Total Nonfarm Employment

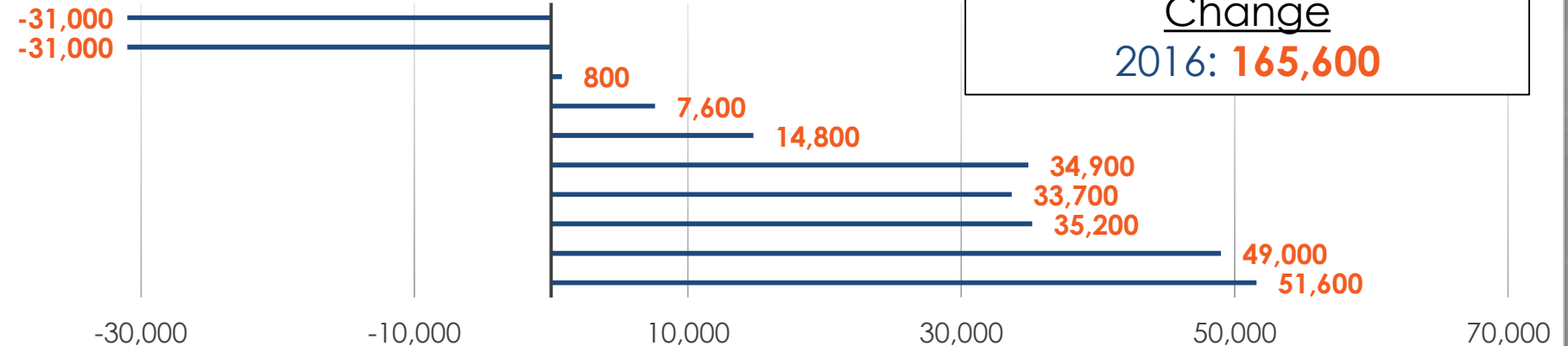
• 12,004,100

Nonfarm Change in Employment

• 165,600

Texas Job Growth by Sector

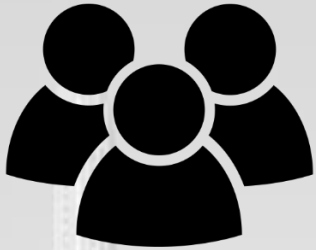
MINING, LOGGING, AND CONSTRUCTION
MANUFACTURING
INFORMATION
OTHER SERVICES
FINANCIAL ACTIVITIES
PROFESSIONAL AND BUSINESSES SERVICES
GOVERNMENT
TRADE, TRANSPORTATION, AND UTILITIES
LEISURE AND HOSPITALITY
EDUCATION AND HEALTH SERVICES



Total Employment
Change
2016: 165,600

Source: Bureau of Labor Statistics, Dallas Fed

THE YEAR IN REVIEW: AUSTIN-AT-A-GLANCE



Population
Growth
3.2%



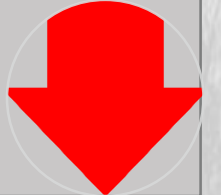
Employment
Growth
3.3%



Retail Growth
9.2%



VC Funding
-36%



Business
Growth
3.6%



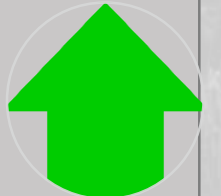
Average Wage
2.9%



Unemployment
0.2%



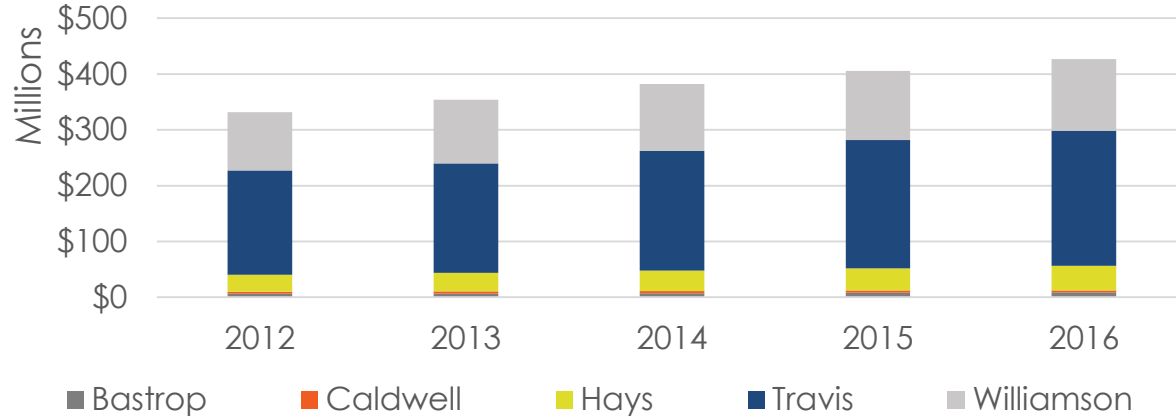
Housing Starts
16.8%



Source: Bureau of Economic Analysis, Bureau of Labor Statistics

THE YEAR IN REVIEW: AUSTIN MSA SALES TAX

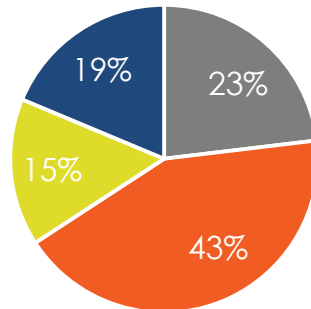
Local Sales & Use Tax



- 2016 MSA Receipts: **\$426.5 million**
- **29%** increase from 2012
- **\$620 per household**

City of Austin Share of Revenue by Source

- Sales Tax
- Property Tax
- Utility Transfers
- Other



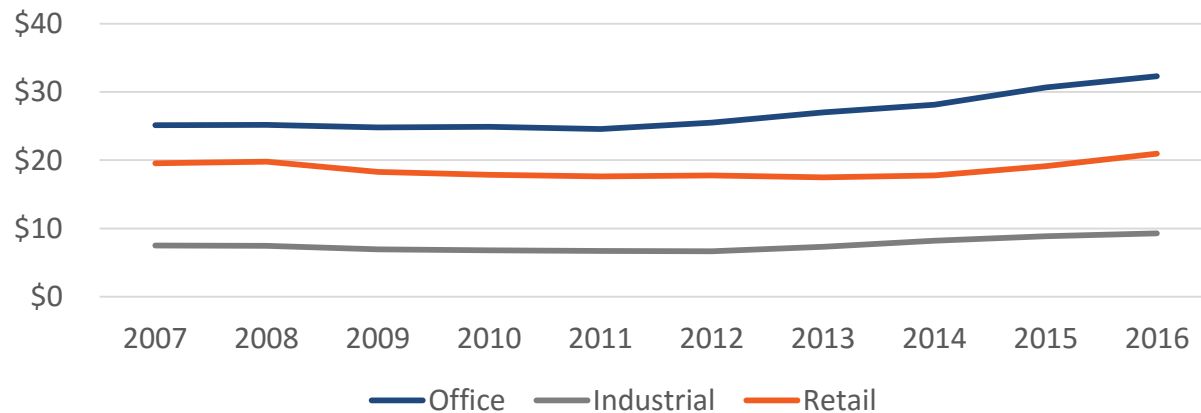
Source: Texas Comptroller's Office

THE YEAR IN REVIEW: AUSTIN CRE

Commercial Real Estate Vacancy



Lease Rates per SF



Source: CoStar

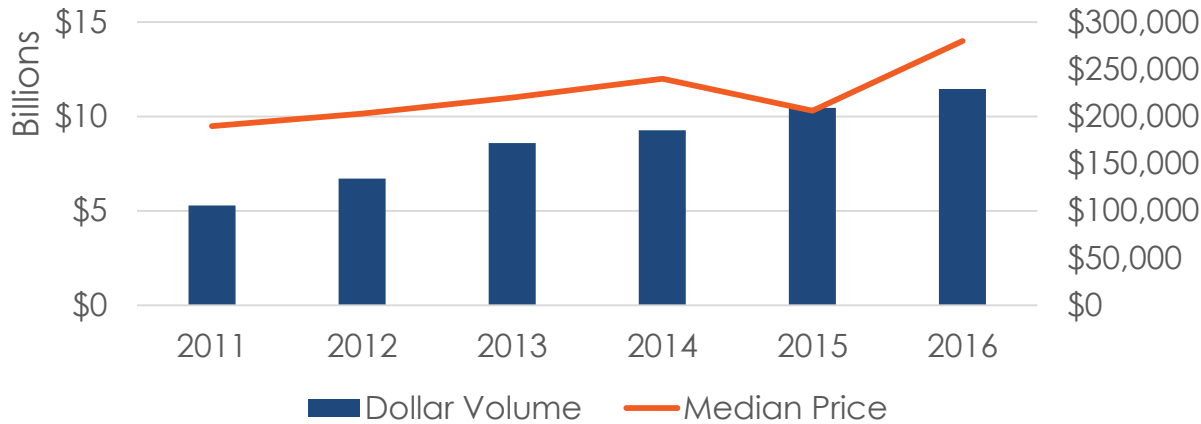
2016 Average Vacancy Rate

	Office	Industrial	Retail
Austin	7.9%	4.8%	3.5%

- Vacancies consistently declining since 2009
- Increase in rents since 2011:
 - Office: **31.6%**
 - Industrial: **37.9%**
 - Retail: **18.9%**

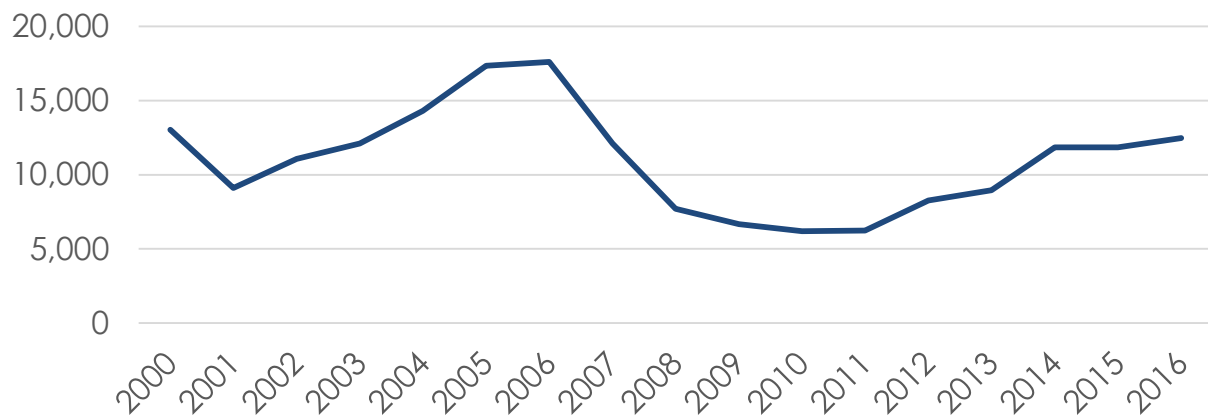
THE YEAR IN REVIEW: AUSTIN HOUSING

Dollar Volume vs. Median Listing Price



- 2016 Median Price: **\$280,000**
 - Record high for Austin MSA
- Volume of sales **surpassed \$11 billion**
- **Over 1,300 more** home sales than previous year
- Building permits back to pre-crisis level

Single Family Building Permits



Source: Texas A&M Real Estate Center

THE YEAR IN REVIEW: MULTIFAMILY

	Q4 2010	Q4 2016	% Change
Total Incoming Units	15,800	45,070	185%

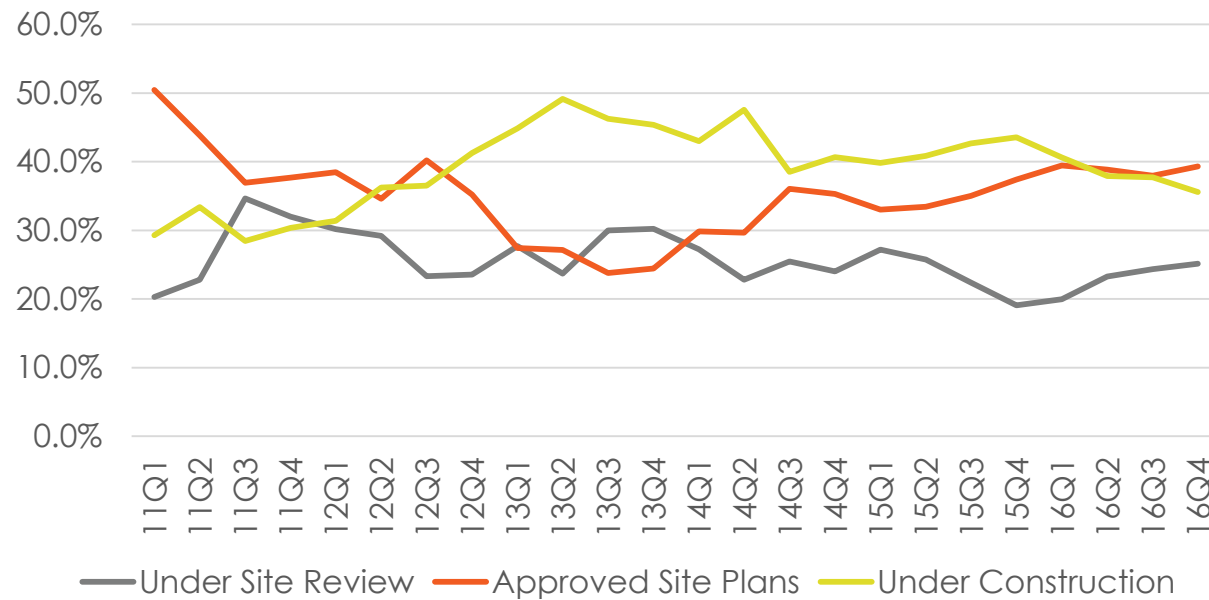
- Multifamily construction **has exploded** in Austin since 2010

- Asking Rent: **\$1,214**
 - **2.9%** Increase YOY

BUT:

- **Growth** in site plan submissions
- New construction has **flattened**

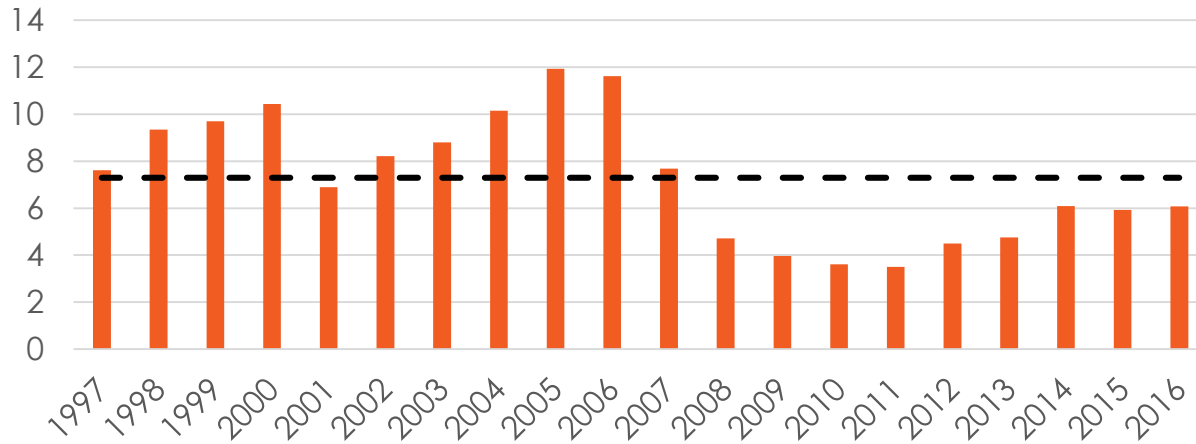
Austin Pipeline Summary



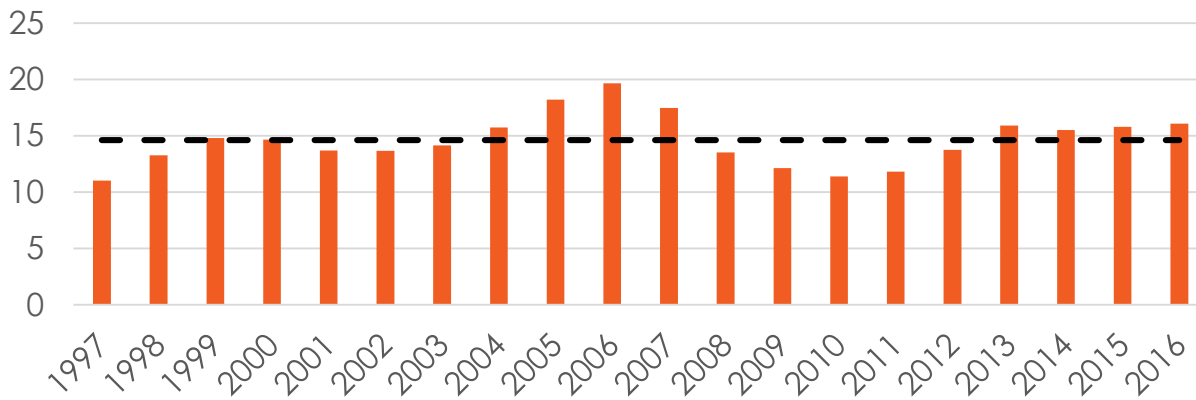
Source: Census Bureau, Texas A&M Real Estate Center, City of Austin

CHALLENGES: AFFORDABILITY (SINGLE FAMILY)

Housing Starts Issued per 1,000 residents



Sales per 1,000 residents

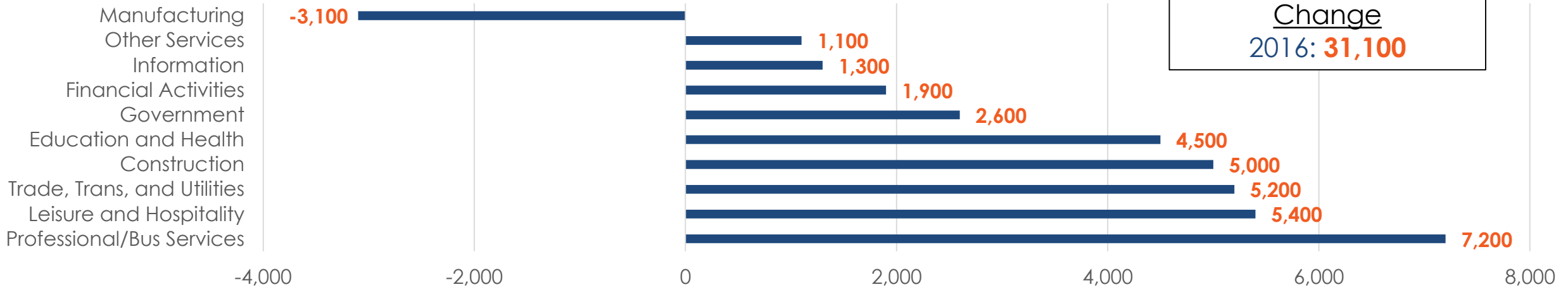


Source: Texas A&M Real Estate Center

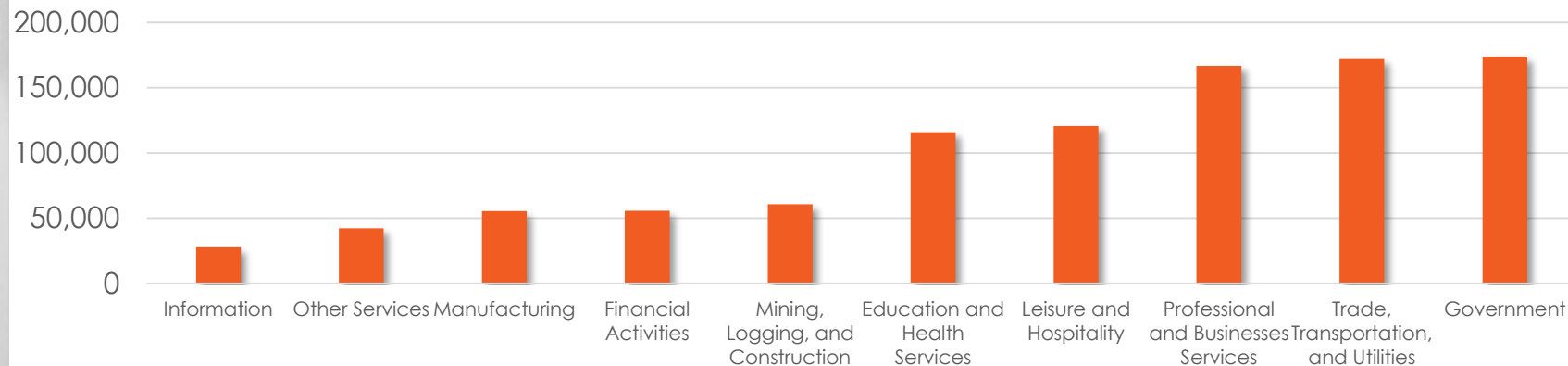
- Housing starts shortage in last **9 years**
- Should be building **15,100** homes per year
- **2.6 times more** housing sales than housing starts in 2016
- Sales past **4 years** are near the 20 year sales average

THE YEAR IN REVIEW: AUSTIN JOB GROWTH

Job Growth by Sector



Total Employment



Source: Bureau of Labor Statistics

High Tech Jobs

	2016 Growth
Computer Manufacturing	-2.5%
Semiconductor Manufacturing	-3.0%
Technical Services	3.6%

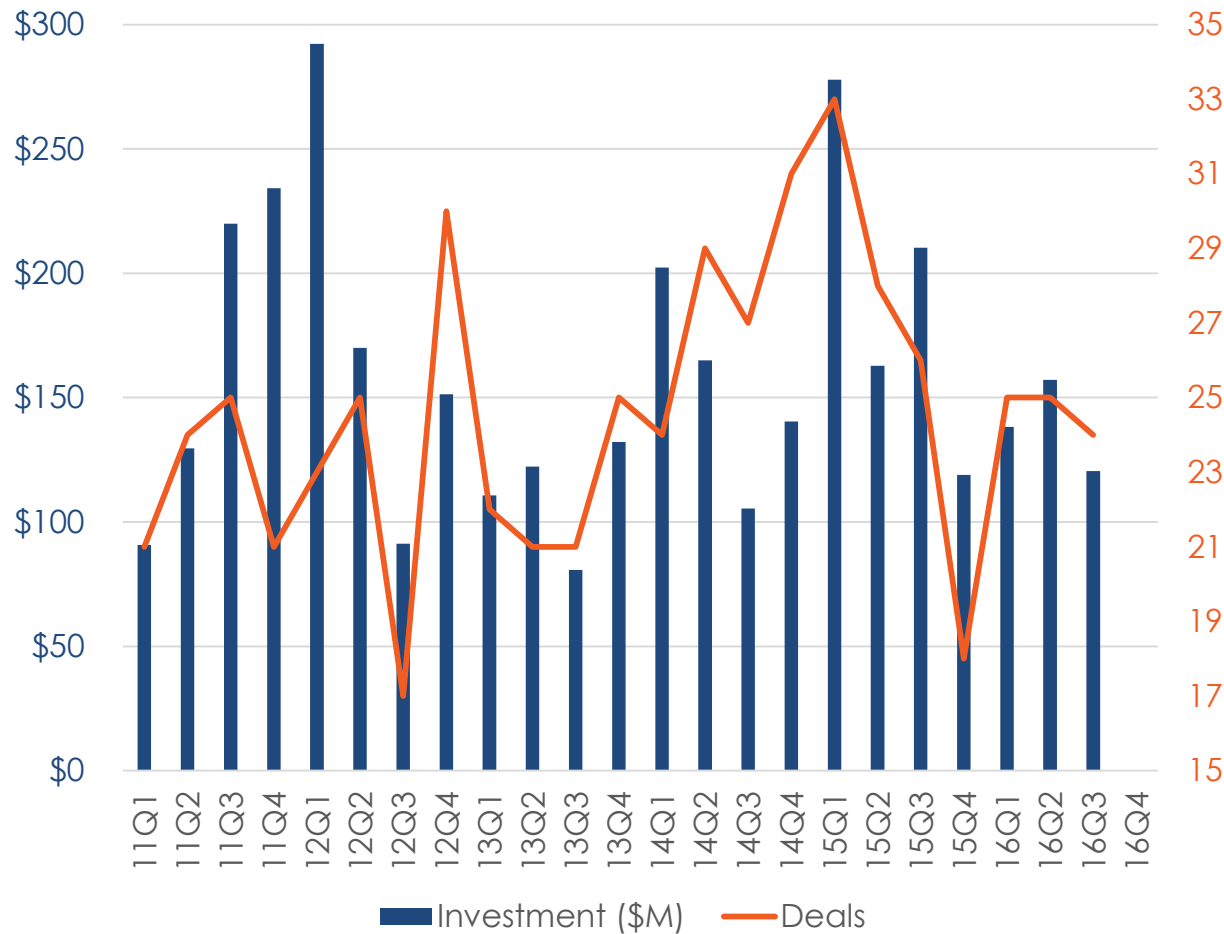
A grayscale photograph of the Austin skyline, featuring several prominent skyscrapers and a bridge over a body of water. The scene is reflected in the calm water in the foreground.

AUSTIN'S ECONOMIC DRIVERS

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ECONOMIC DRIVERS: ENTREPRENEURSHIP

VC Funding vs. Number of Deals

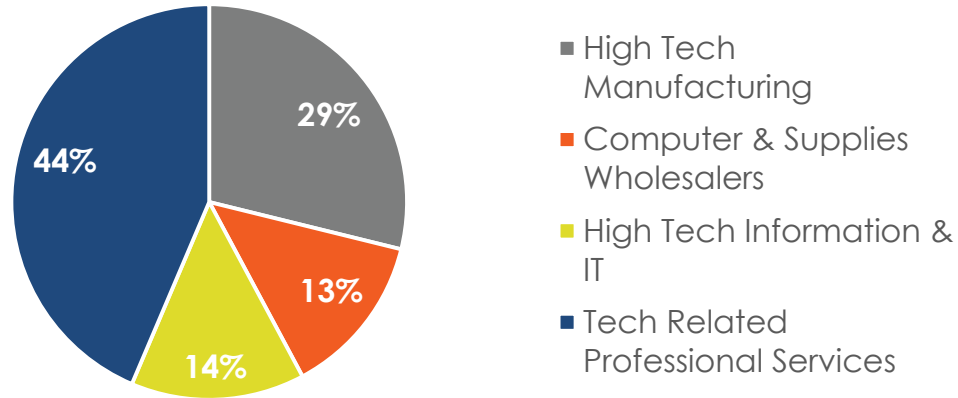


Source: Austin Chamber of Commerce, PWC, Pitchbook

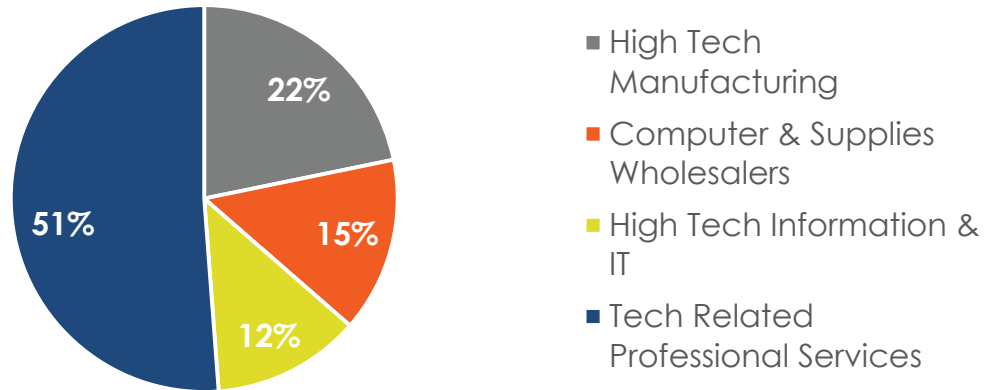
- VC Funding down **36%** after big 2014 and 2015
- Through Q3 2016:
 - **74** deals
 - **\$415.76** million
- **BUT** across VC stages:
 - Median sums invested remained high
 - Valuations are up or staying at pace with previous years

ECONOMIC DRIVERS: THE TECH SECTOR

2011 Tech Employment






2016 Tech Employment



Source: Bureau of Labor Statistics

- Tech employment has **increased by 28%** since 2011
- Represents over **22% of total employment growth** in the same period
- Average salary for these positions is **over \$84,000**
- Tech related professional services is fastest growing component within the tech sector

ECONOMIC DRIVERS: THE FESTIVAL ECONOMY

			
	COTA	SXSW	ACL FEST
Annual Economic Impact	\$1 billion	\$320 million	\$220 million
Attendance	486,200	140,000	194,000
Years Active	5	29	14

Source: AngelouEconomics, Greyhill Advisors



CHALLENGES TO OVERCOME

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CHALLENGES: RAINY DAY FUND?

Austin MSA Market Value

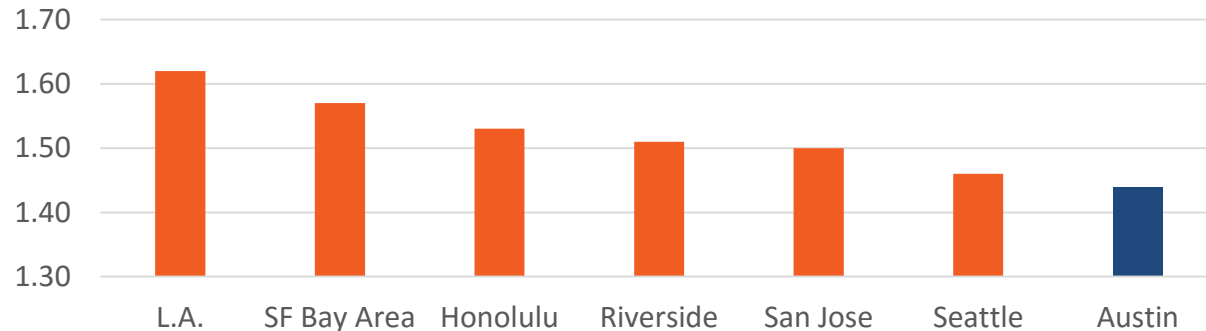
	2011	2015	Percent Change
Bastrop	\$6.2B	\$7.6B	22.1%
Caldwell	\$2.4B	\$2.8B	14.7%
Hays	\$14.0B	\$18.6B	32.6%
Travis	\$116.5B	\$164.5B	41.2%
Williamson	\$39.0B	\$53.9B	38.0%
Total	\$178.2B	\$247.3B	38.8%

- Austin MSA market value **grew by 39%** since 2011
- Travis county's market value grew the most over this period
- Growth in Market Value: **\$100,300** per household
- Travis county's market value grew the most over this period

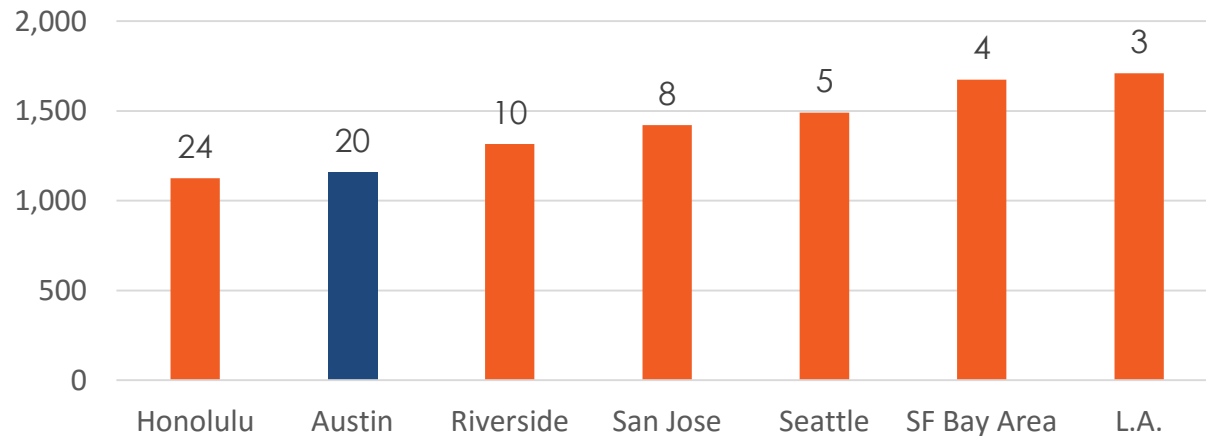
Source: Texas Comptrollers Office

CHALLENGES: TRAFFIC CONGESTION

Highest Traffic in U.S. by Commuter Stress Index (CSI)



Annual Congestion Cost per Commuter



Source: Texas A&M Transportation Institute

- Austin has **7th worst** traffic in U.S.

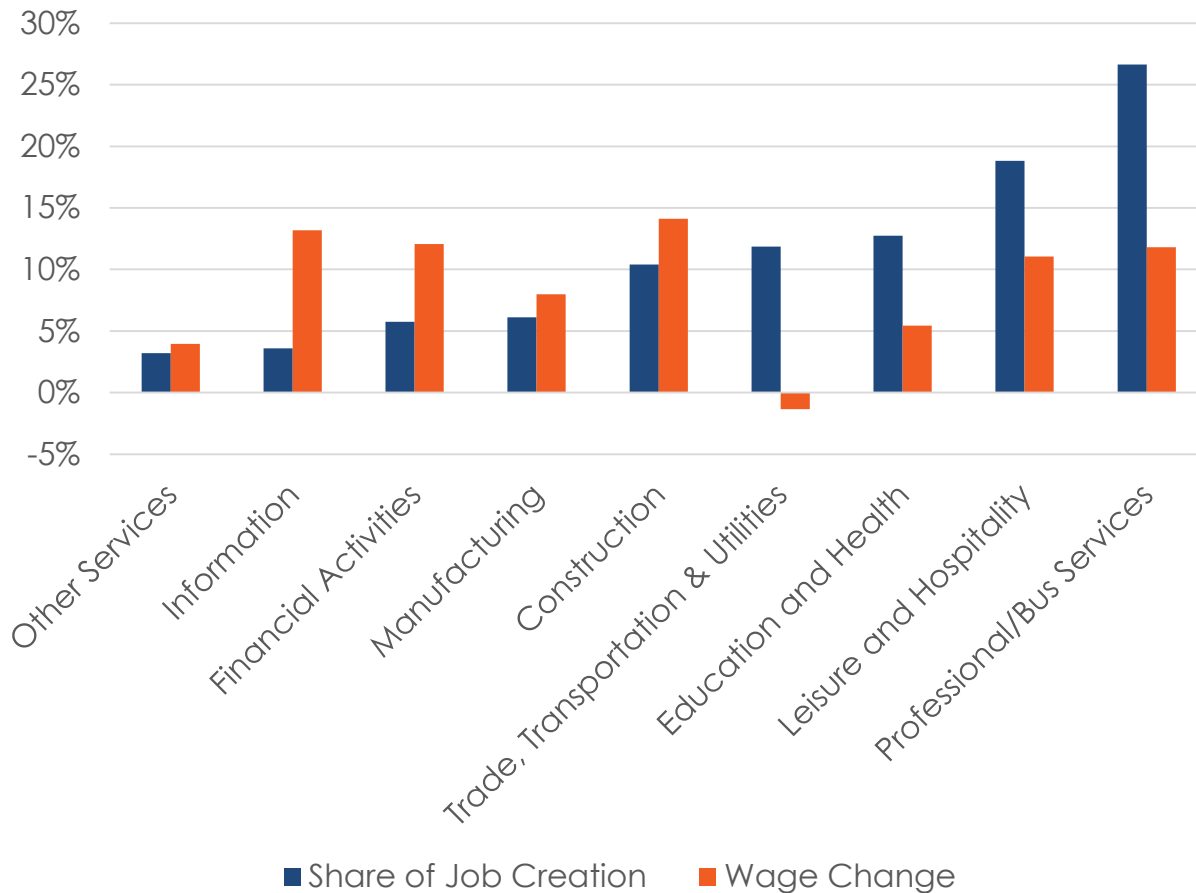
“A **30 minute** trip during light traffic takes **43 minutes** during peak periods”

- **BUT:**

- Low annual congestion cost per commuter (US Rank: **20th**)
 - **Austin:** lower fuel costs and shorter actual commutes
- Total number of vehicles registered in Austin MSA:
 - **95,000 less** cars in 2015

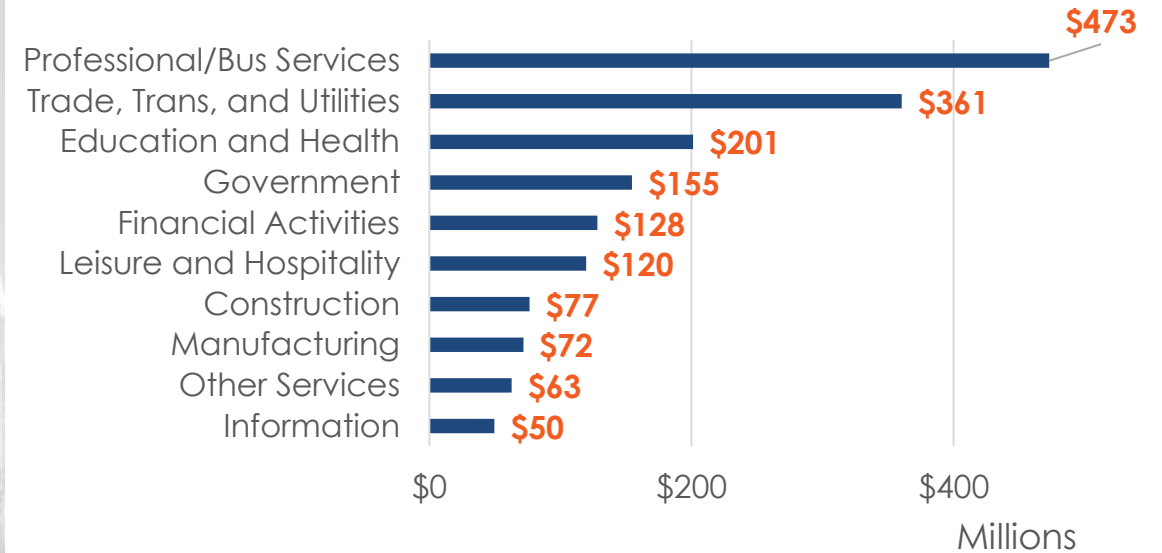
CHALLENGES: JOB GROWTH & QUALITY

Employment & Wage Growth
(2012-2015)



Source: Bureau of Labor Statistics

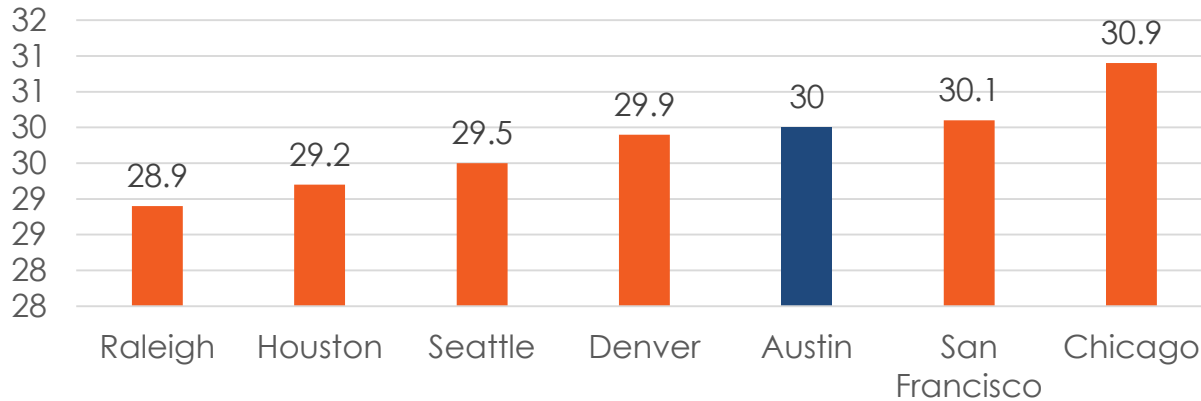
Personal Income Increase for New Jobs



- Median Salary: **\$42,000**
- Most new jobs occur within **high paying industries**
- Despite being the second highest paying industry, information makes up the **lowest volume** of net new wages

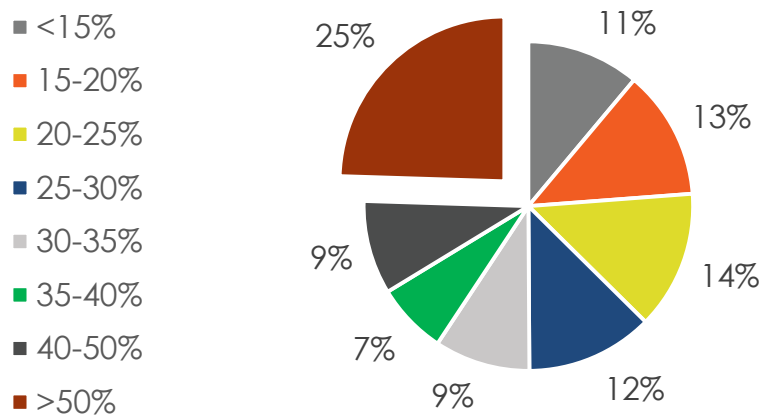
CHALLENGES: RENT AFFORDABILITY

Rent as a Percentage of Income



- Austin has relatively high housing costs as a percentage of income, **similar to that of San Francisco**

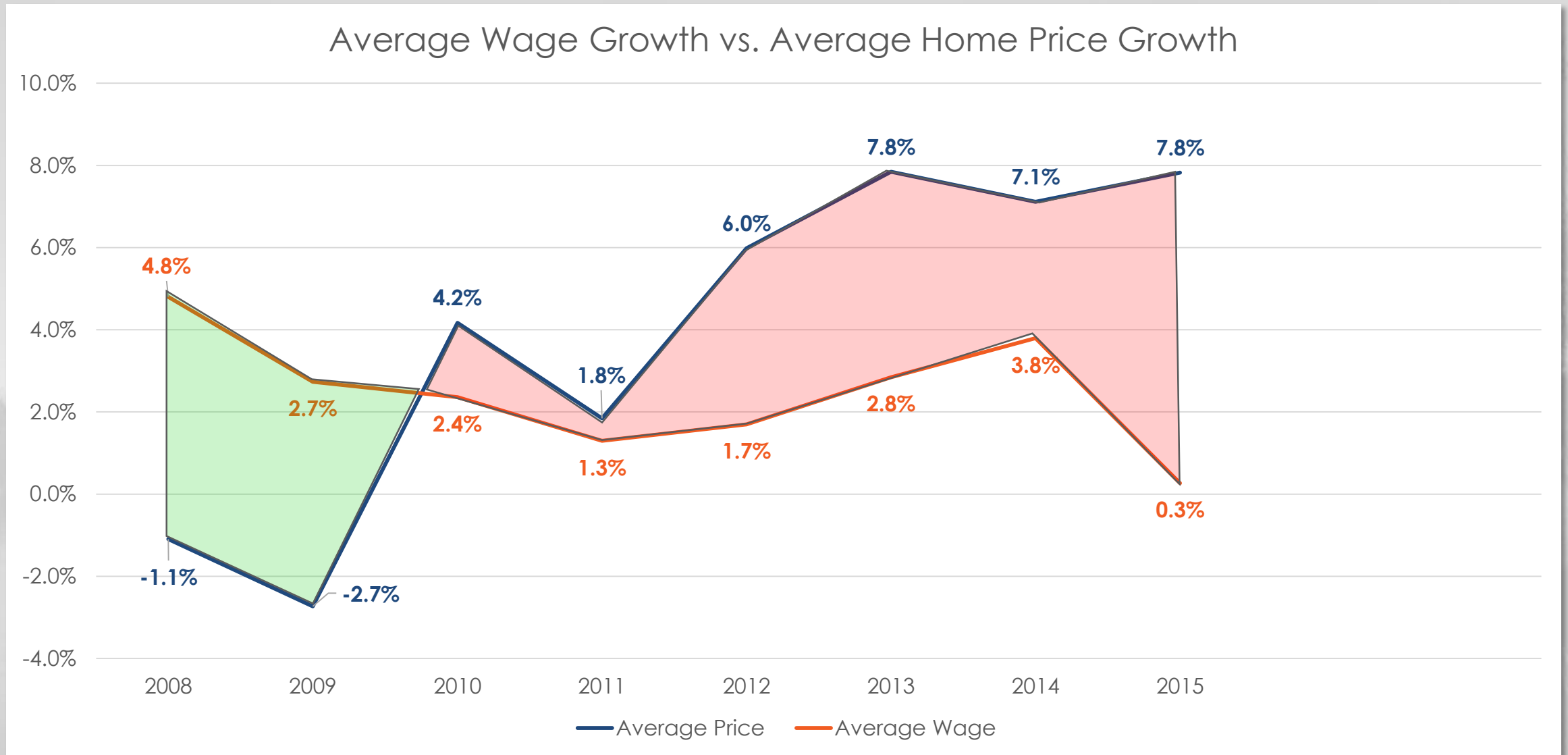
Cost of Rent as a Share of Income



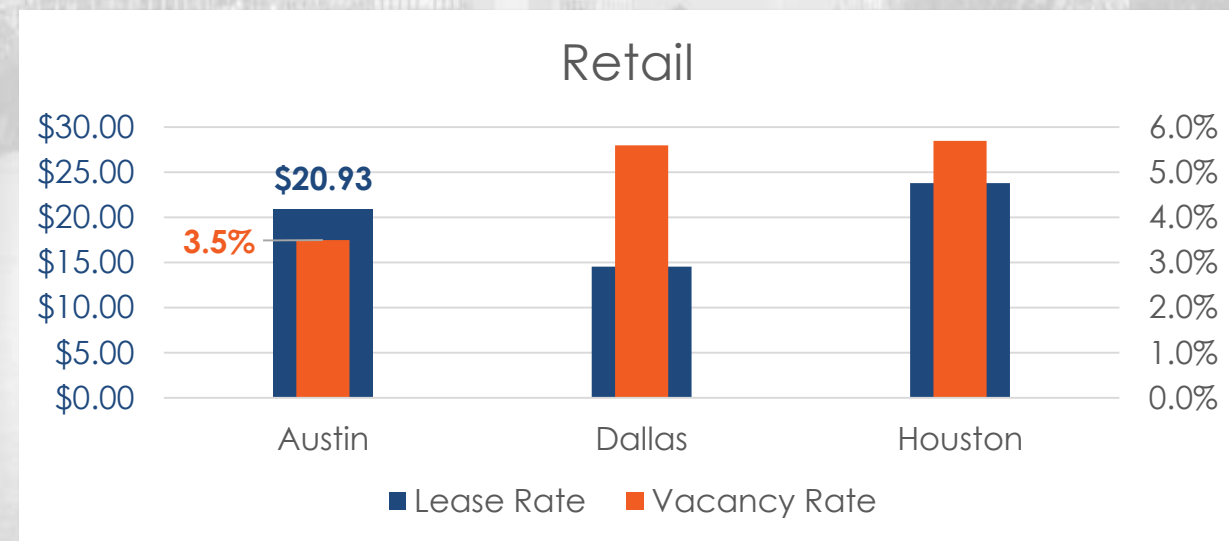
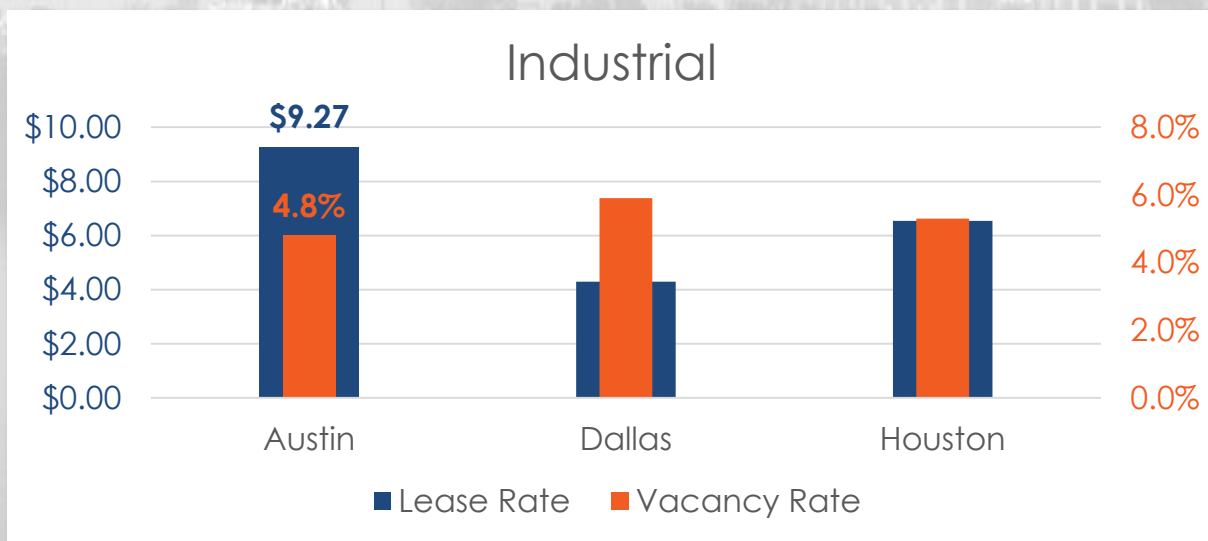
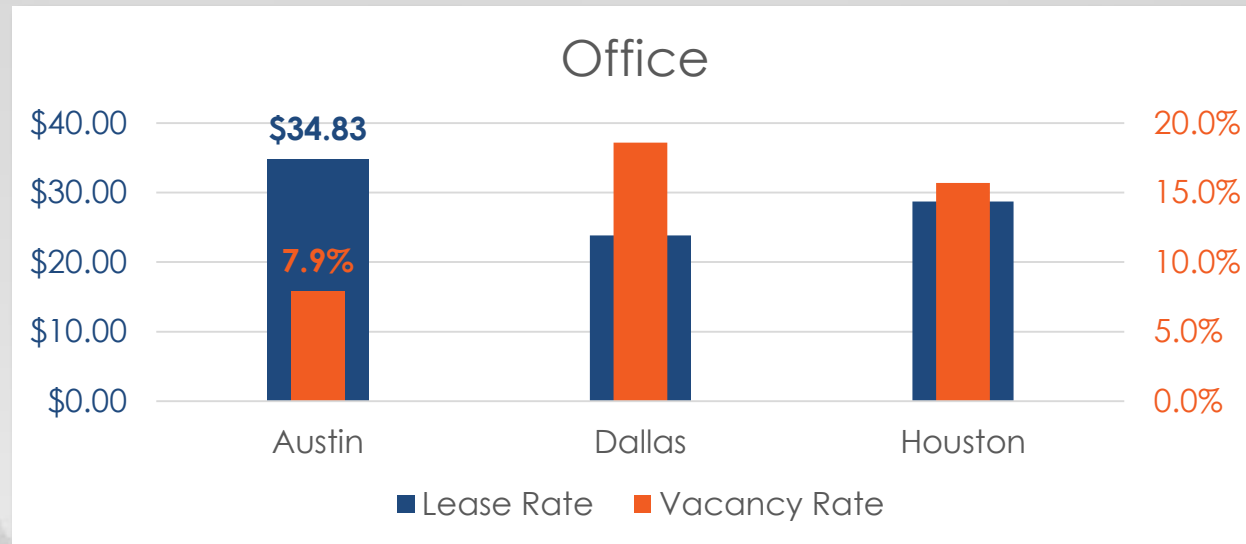
- 25%** of Austinites spend **more than 50%** of their income on housing
- Rule of thumb: **30% of income**
- 50%** of Austinites do not meet this threshold

Source: Census Bureau

CHALLENGES: SINGLE FAMILY AFFORDABILITY



CHALLENGES: CRE AFFORDABILITY



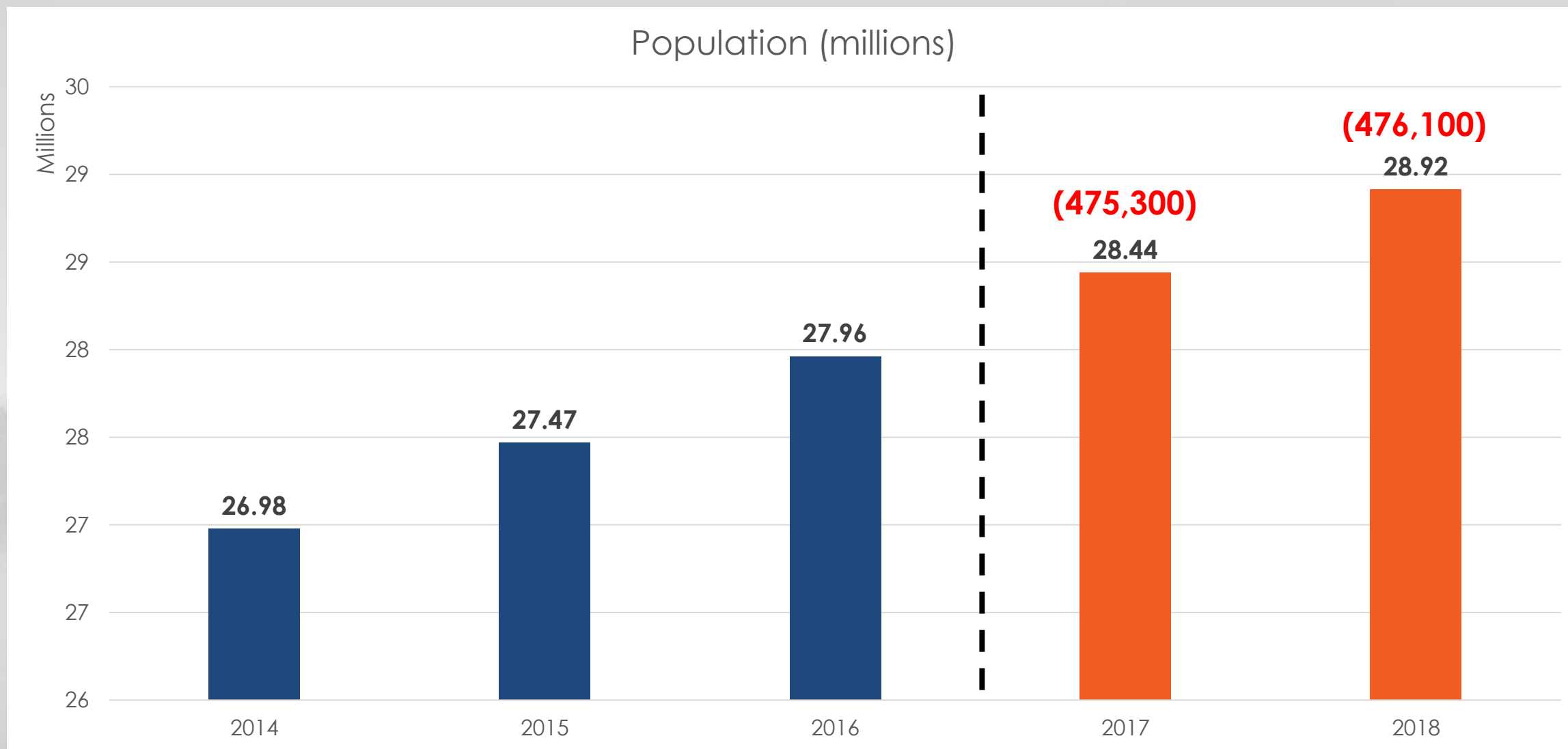
Source: Austin Chamber of Commerce



2017-18 Economic Forecast

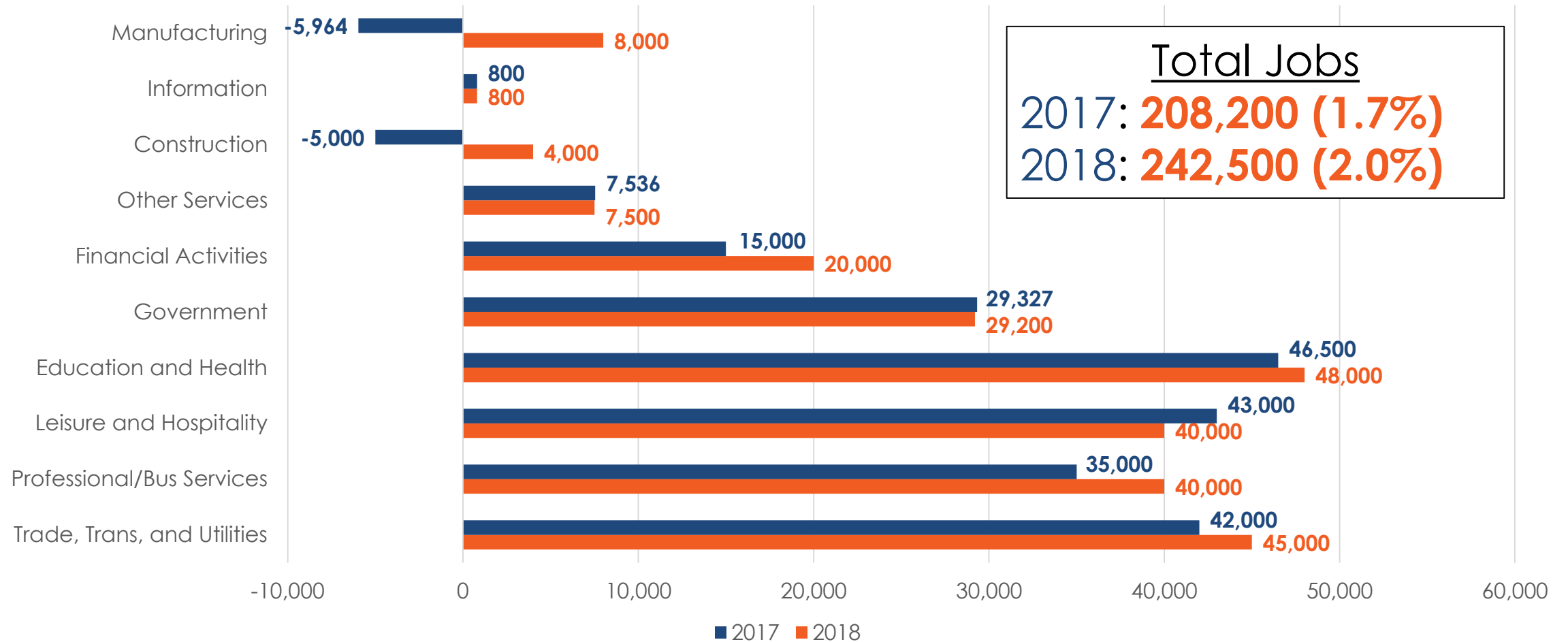
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TEXAS POPULATION

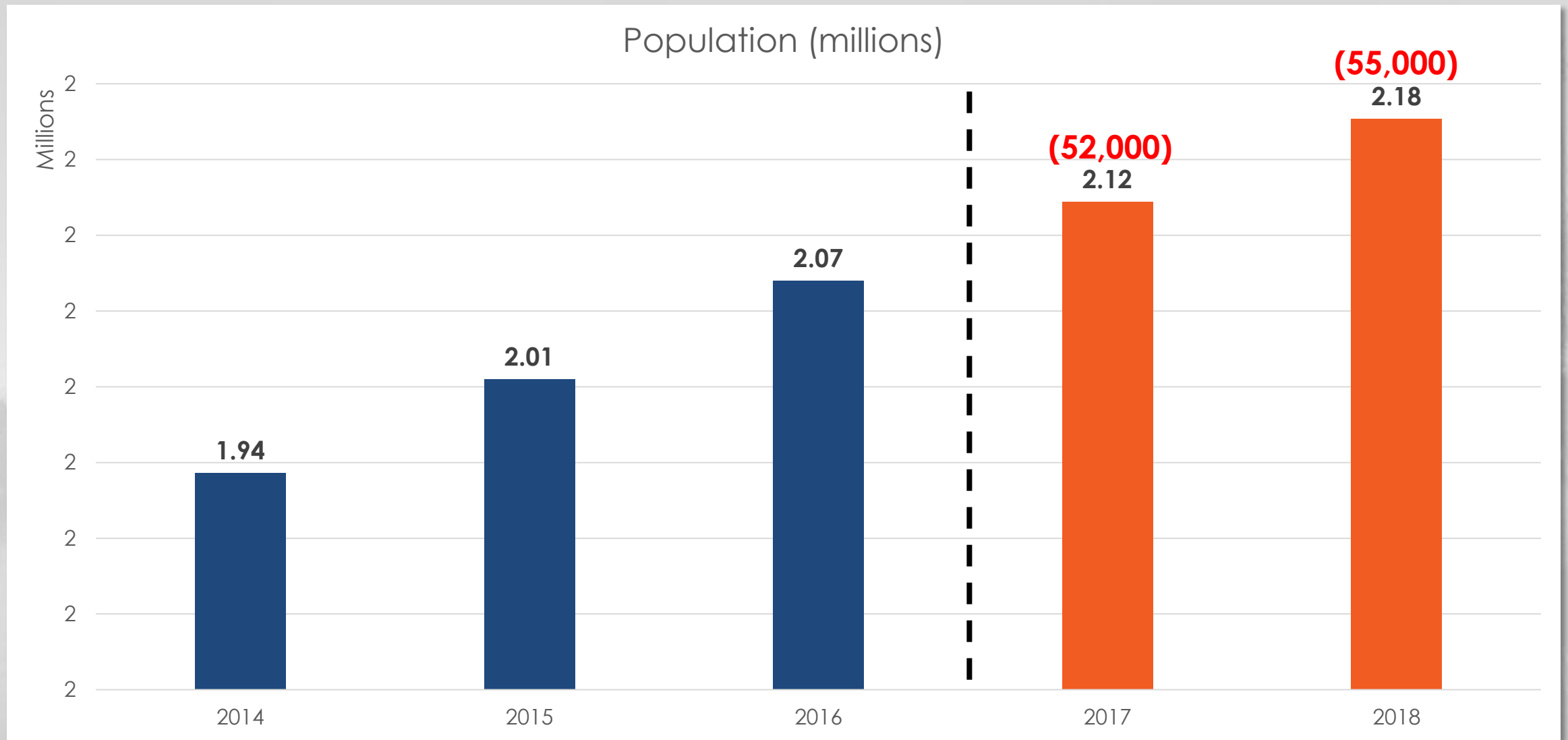


TEXAS JOB GROWTH '17-'18

Jobs Gained/Lost

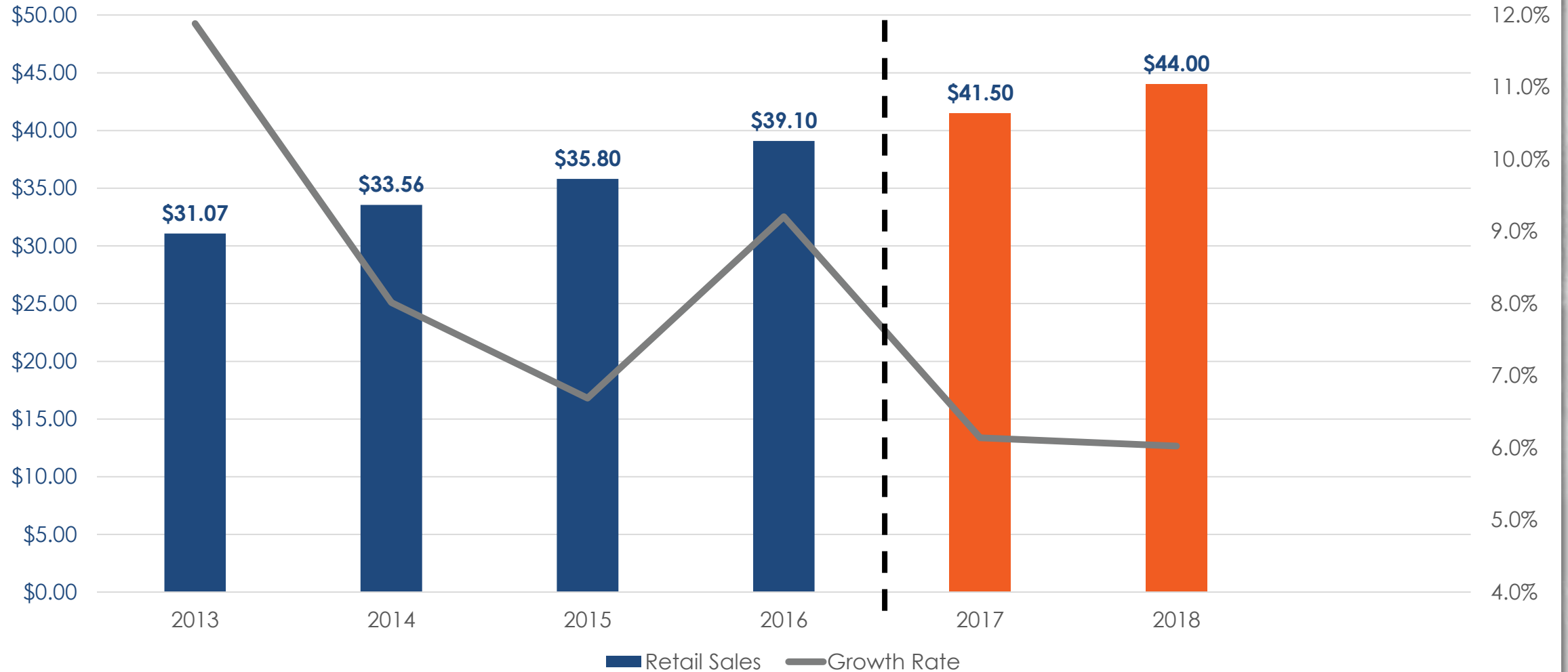


AUSTIN POPULATION



AUSTIN RETAIL

Retail Sales (billions)



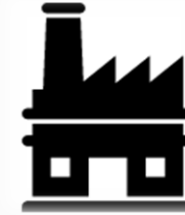
AUSTIN REAL ESTATE ABSORPTION



Office
3.1 Million SF



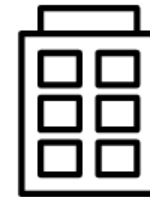
Retail
2.4 Million SF



Industrial
4.2 Million SF



Single Family
26,000 Units

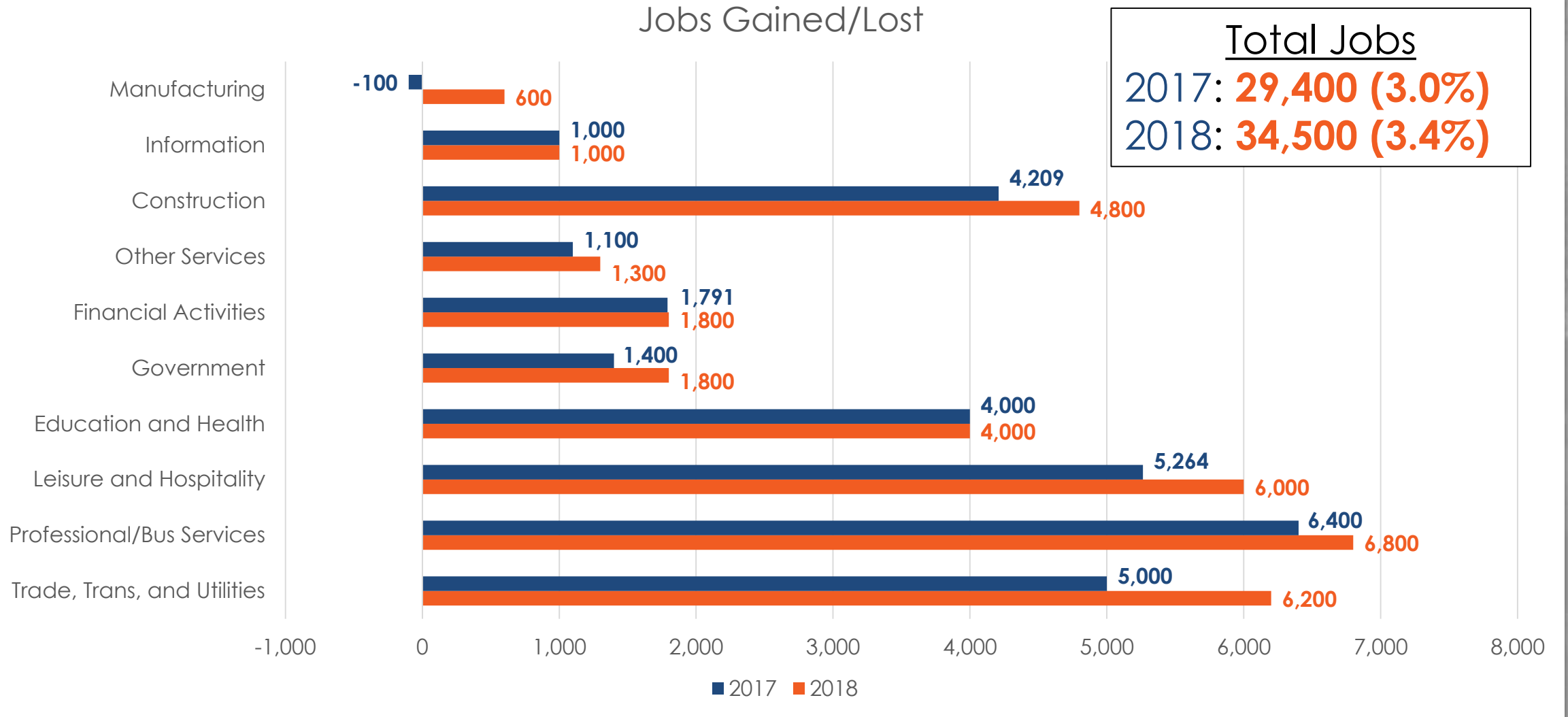


Multi-Family
24,500 Units



AUSTIN JOB GROWTH '17-'18

Jobs Gained/Lost



KEY TAKE AWAYS

- The economy is cooling off – don't panic
- The Austin area is poised to be the fastest growing metro in the US until 2040
- Buy a house **now!** as prices will continue to rise
- The best way to predict the future is to create it:
 - Policies to support housing affordability
 - Policies to attract high-paying jobs
 - Policies to reduce traffic congestion
- Keep Austin & Texas open for business through consistent public policy



THANK YOU!



Questions?

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angeloueconomics.com

Twitter: @angelouecon

Phone: 512-225-9320

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please e-mail Anthony Michael at:
AMichael@angeloueconomics.com