

Austin Economic Update

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February 7, 2018

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TODAY'S AGENDA

- Texas Overview
- The Austin Economy
- Challenges to Overcome
- Austin Job Market
- Key Takeaways

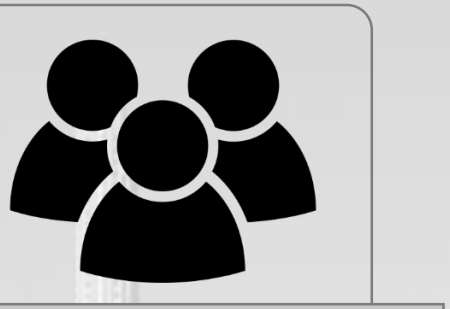




TEXAS OVERVIEW

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TEXAS OVERVIEW: AT-A-GLANCE



Population Growth
1.4%



Employment Growth
2.3%



Retail Growth
5.9%



VC Funding
10.4%



Number of Businesses
2.4%



Average Wage
3.3%



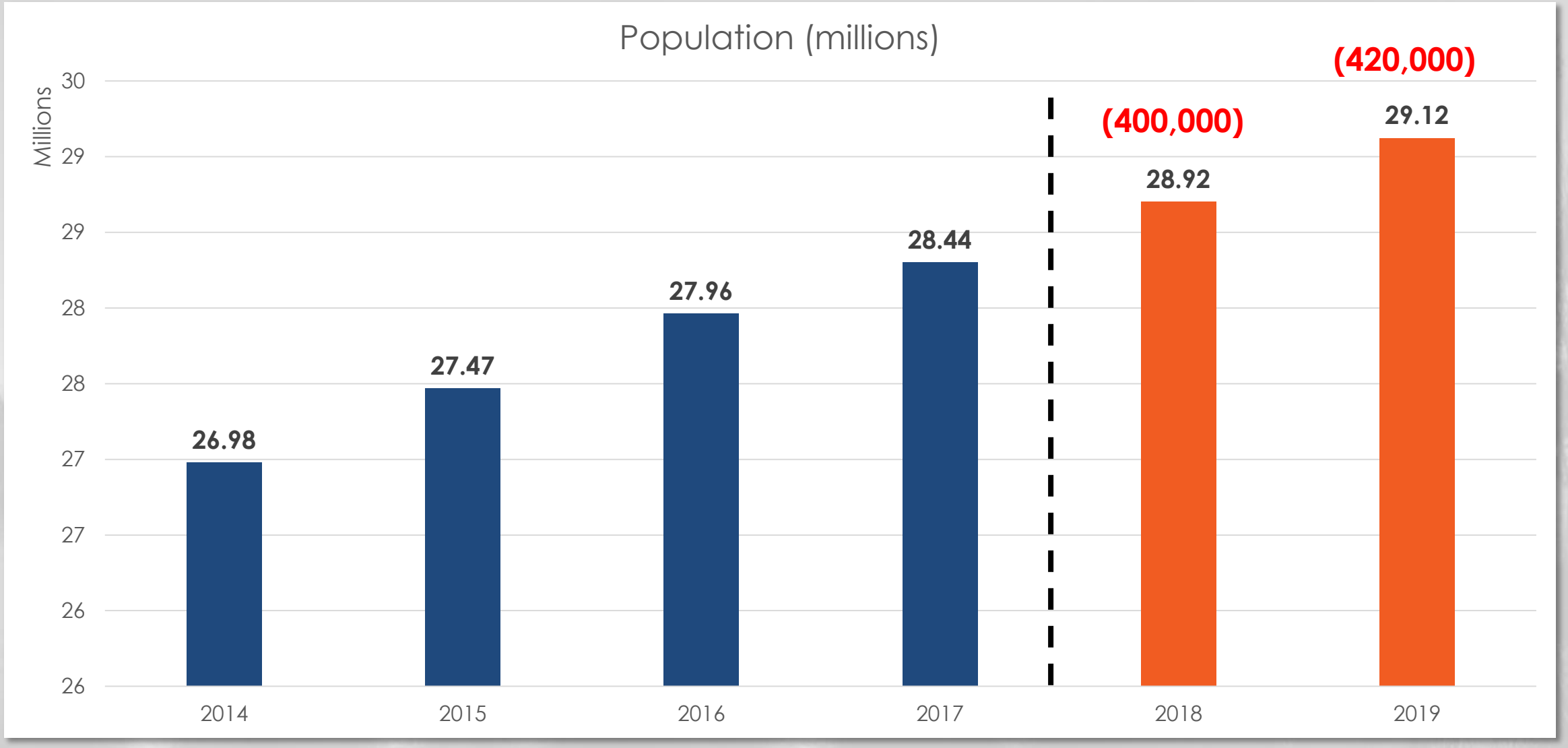
Unemployment
0.8%



Housing Starts
8.2%

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

TEXAS OVERVIEW: POPULATION



TEXAS OVERVIEW: MIGRATION

2017 Net Population Growth:
399,300



Natural Growth:
209,700
49%



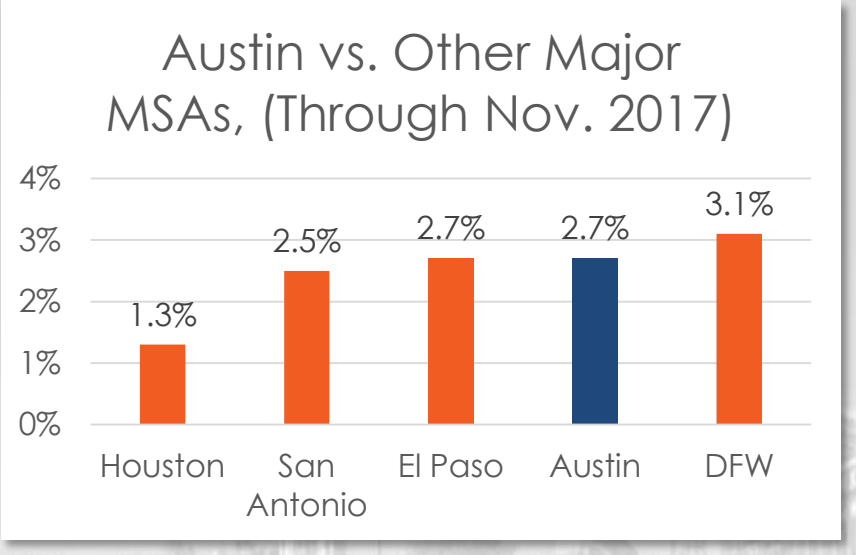
Domestic Migration
79,200
29%



International Migration:
110,400
21%

Source: U.S. Census Bureau, Texas A&M Real Estate Center

TEXAS OVERVIEW: JOB GROWTH

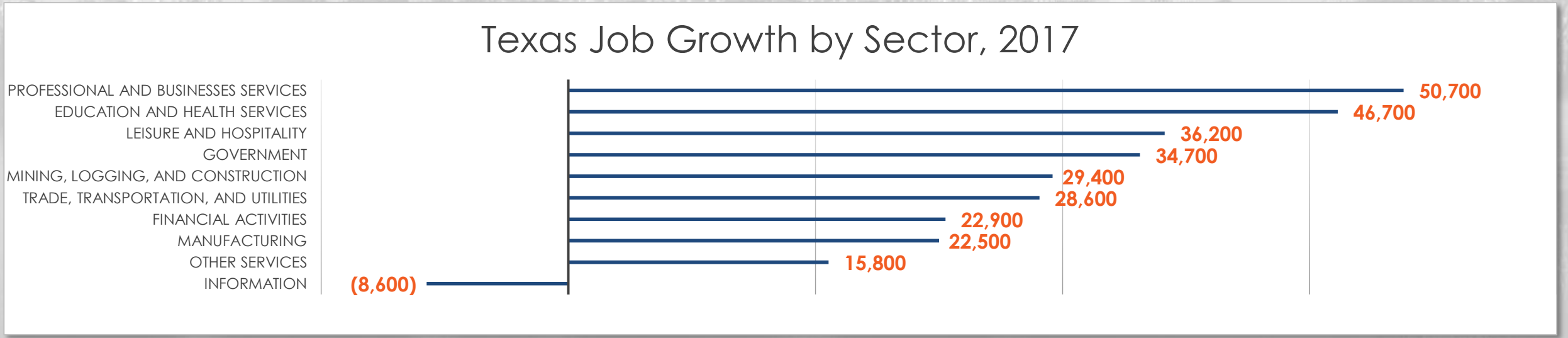


Total Nonfarm Employment

- **12,534,000**

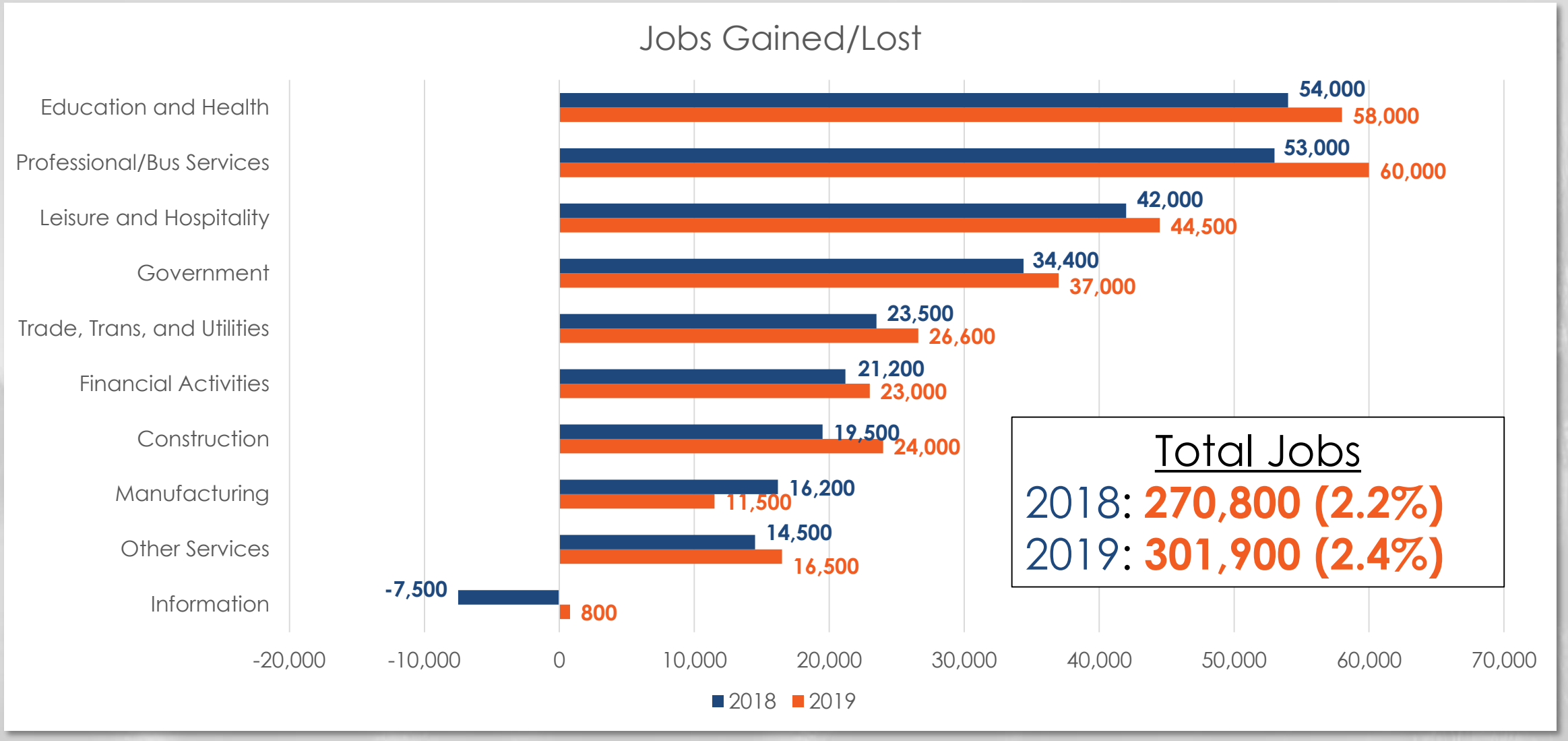
Nonfarm Change in Employment

- **278,900**



Source: Bureau of Labor Statistics, Dallas Fed

TEXAS OVERVIEW: 2-YEAR FORECAST





THE AUSTIN ECONOMY

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THE AUSTIN ECONOMY: AT-A-GLANCE



Population Growth
2.7%



Employment Growth
2.7%



Retail Growth
4.4%



VC Funding
-16.2%



Business Growth
4.5%



Average Wage
1.7%



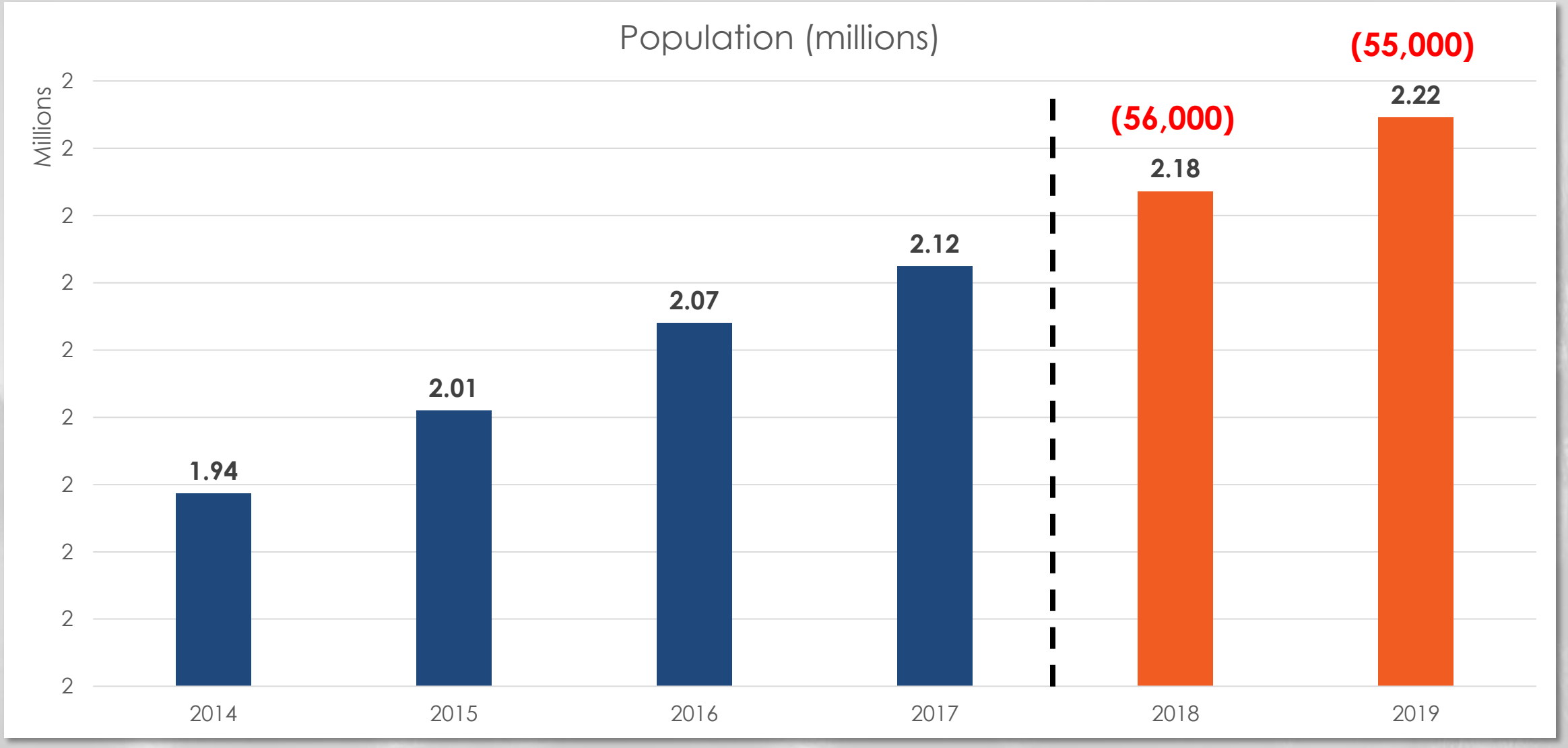
Unemployment
0.5%



Housing Starts
13.3%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

THE AUSTIN ECONOMY: POPULATION



THE AUSTIN ECONOMY: HOUSING

		Y/Y
Sales	**33,900**	↑ 3.7%
Median Price	**$307,500**	↑ 5.5%
Dollar Volume	**$1.1 Billion**	↑ 9.5%
Total Listings	**7,300**	↑ 14.0%
Monthly Inventory	**2.6 months**	↑ .2 months

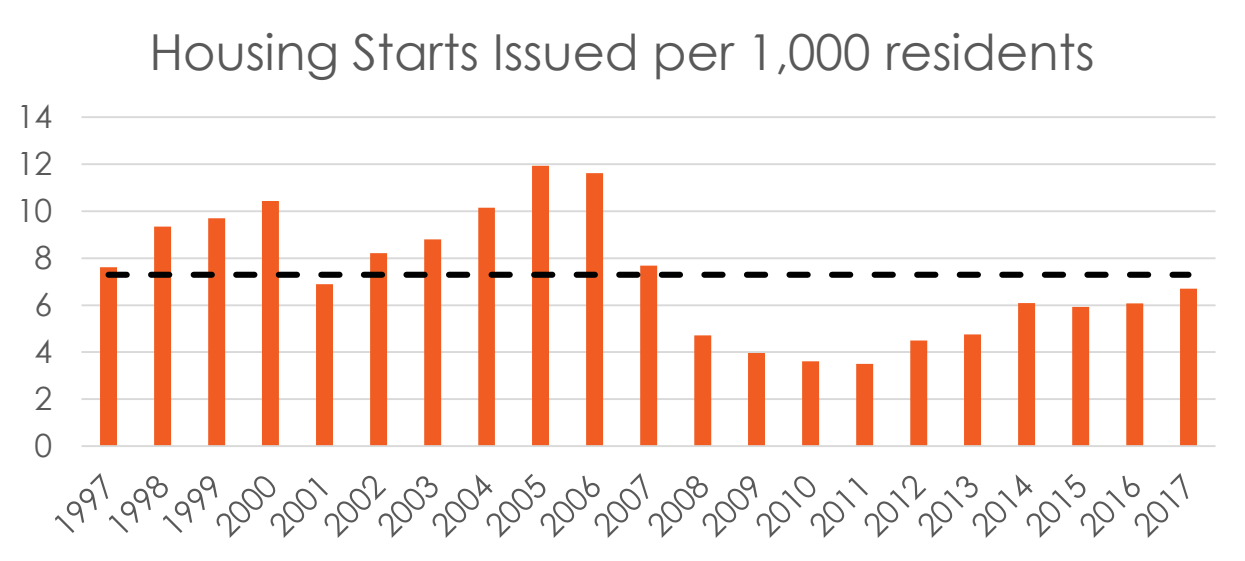
Source: Texas A&M Real Estate Center

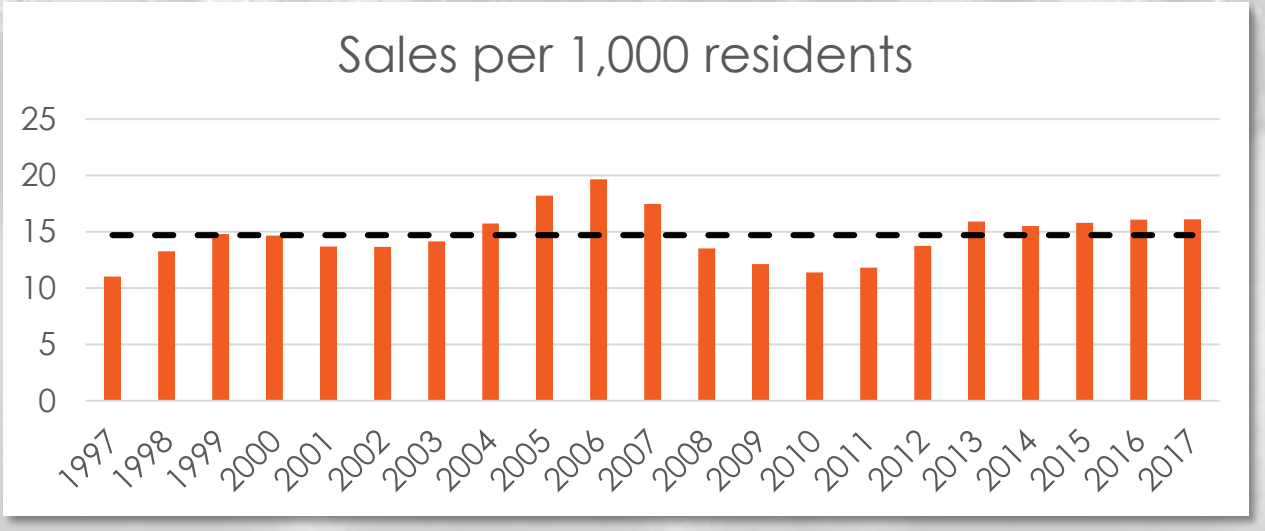


CHALLENGES TO OVERCOME

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CHALLENGES: HOUSING AFFORDABILITY

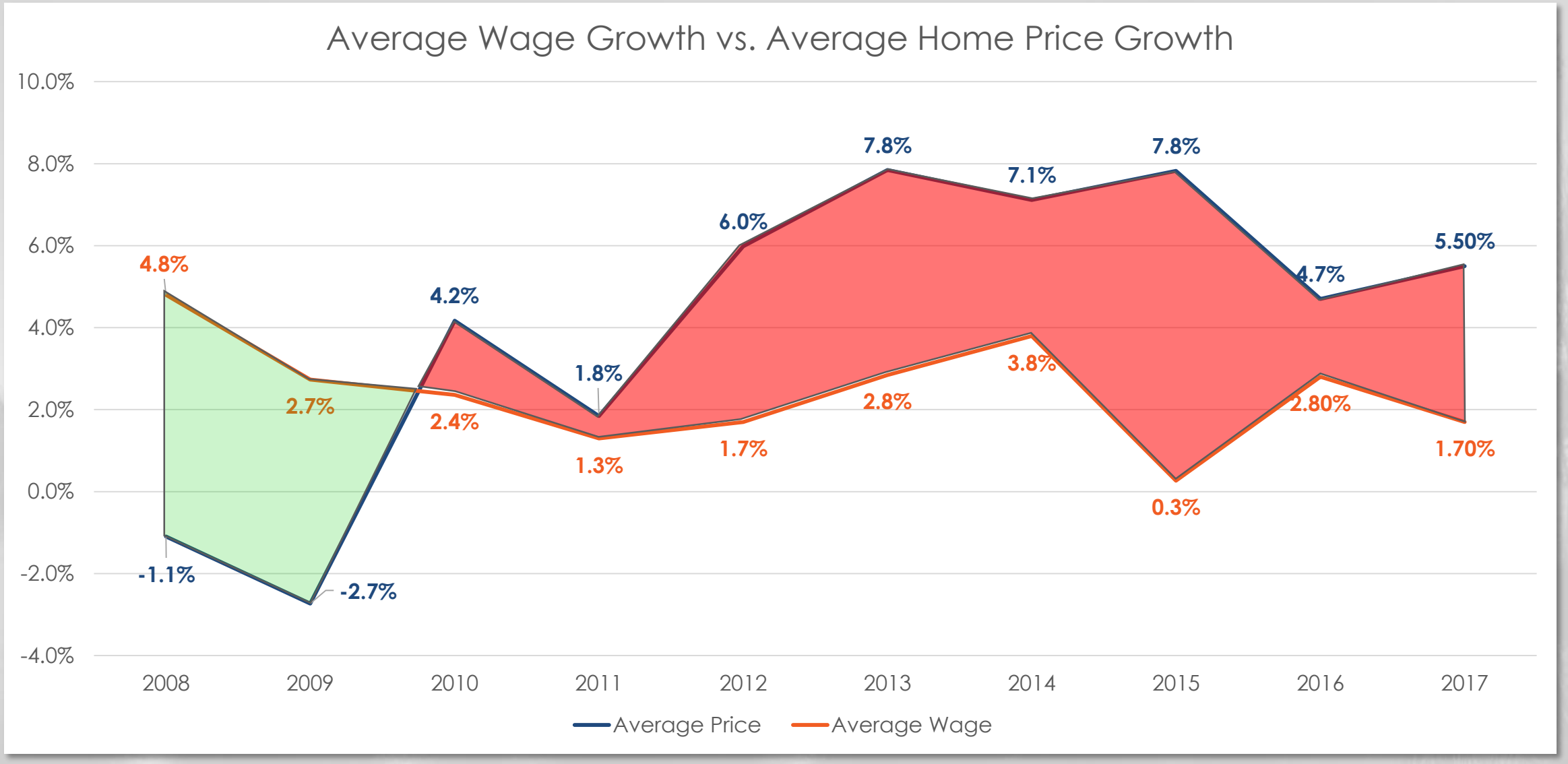




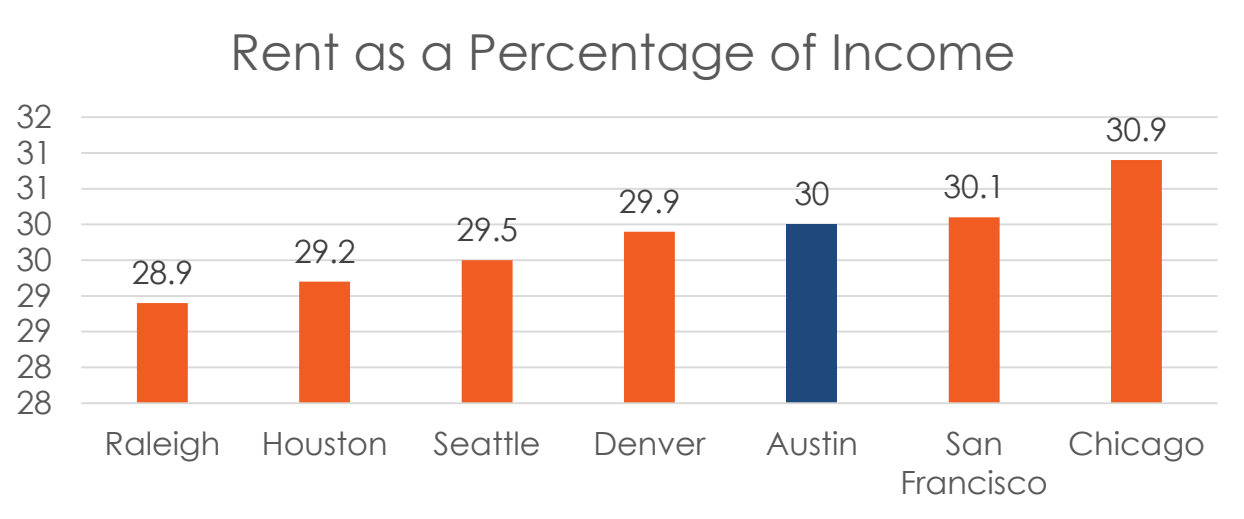
Source: Texas A&M Real Estate Center

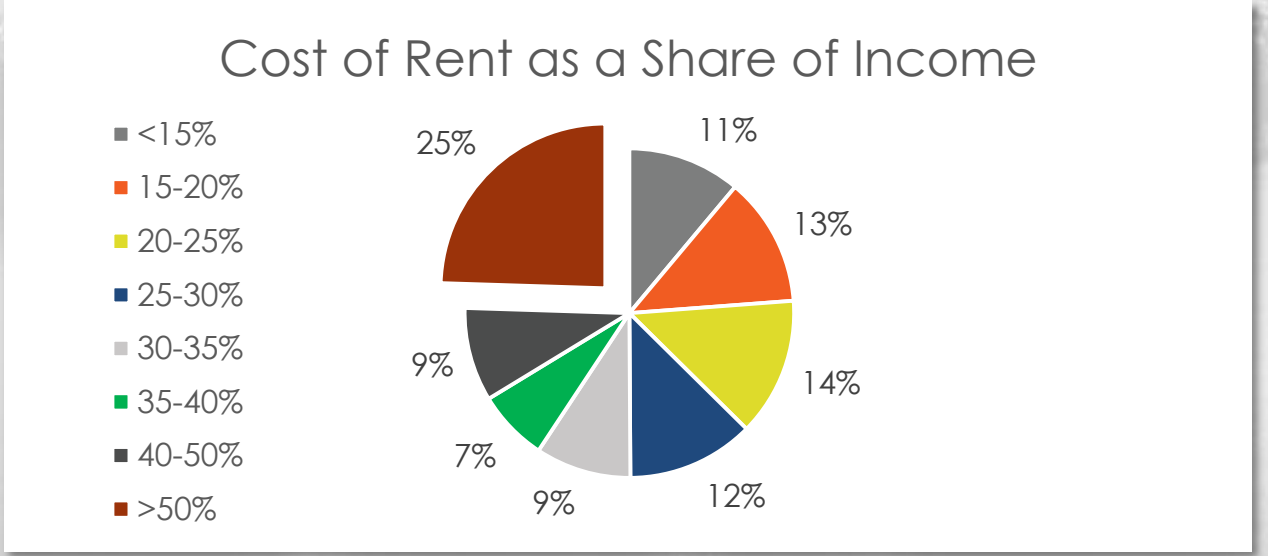
- Housing starts shortage in last **10 years**
- Should be building **14,700** homes per year
- **2.4** times more housing sales than housing starts in 2017

CHALLENGES: HOUSING AFFORDABILITY



CHALLENGES: RENT AFFORDABILITY

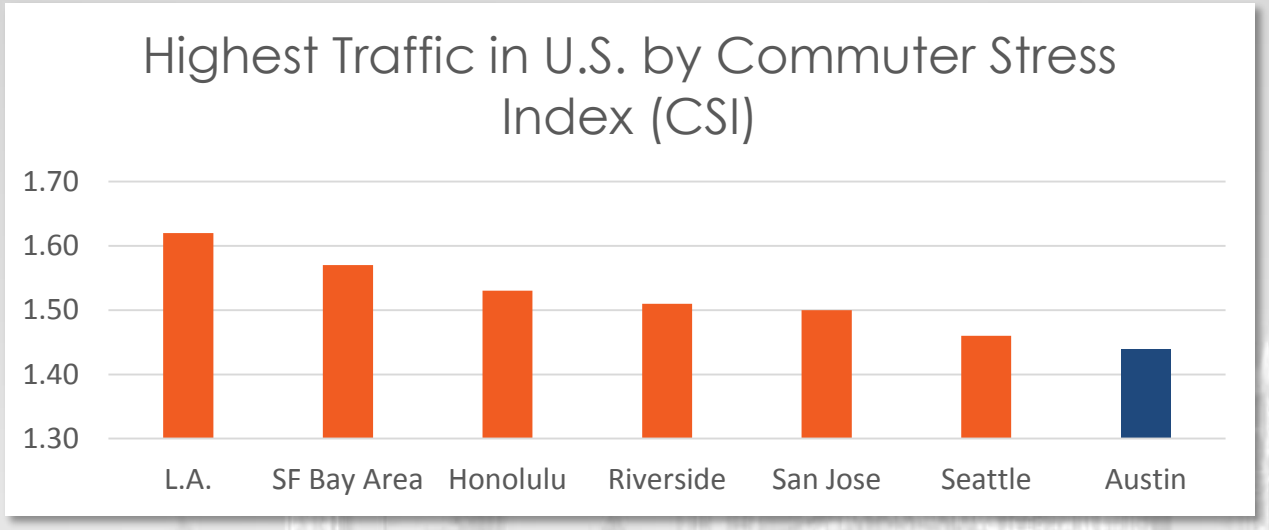


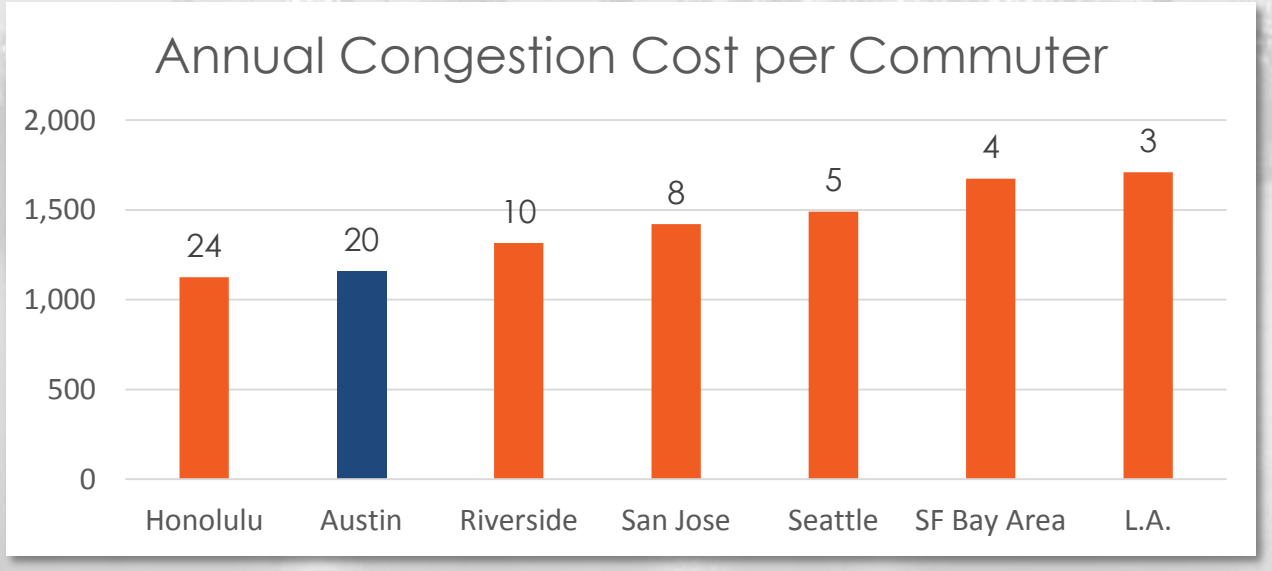


Source: Census Bureau

- Austin has relatively high housing costs as a percentage of income, similar to that of San Francisco
- Rule of thumb: **25%** of income
- **25%** of Austinites spend more than **50%** of their income on housing
- **50%** of Austinites do not meet this threshold

CHALLENGES: TRAFFIC CONGESTION





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"

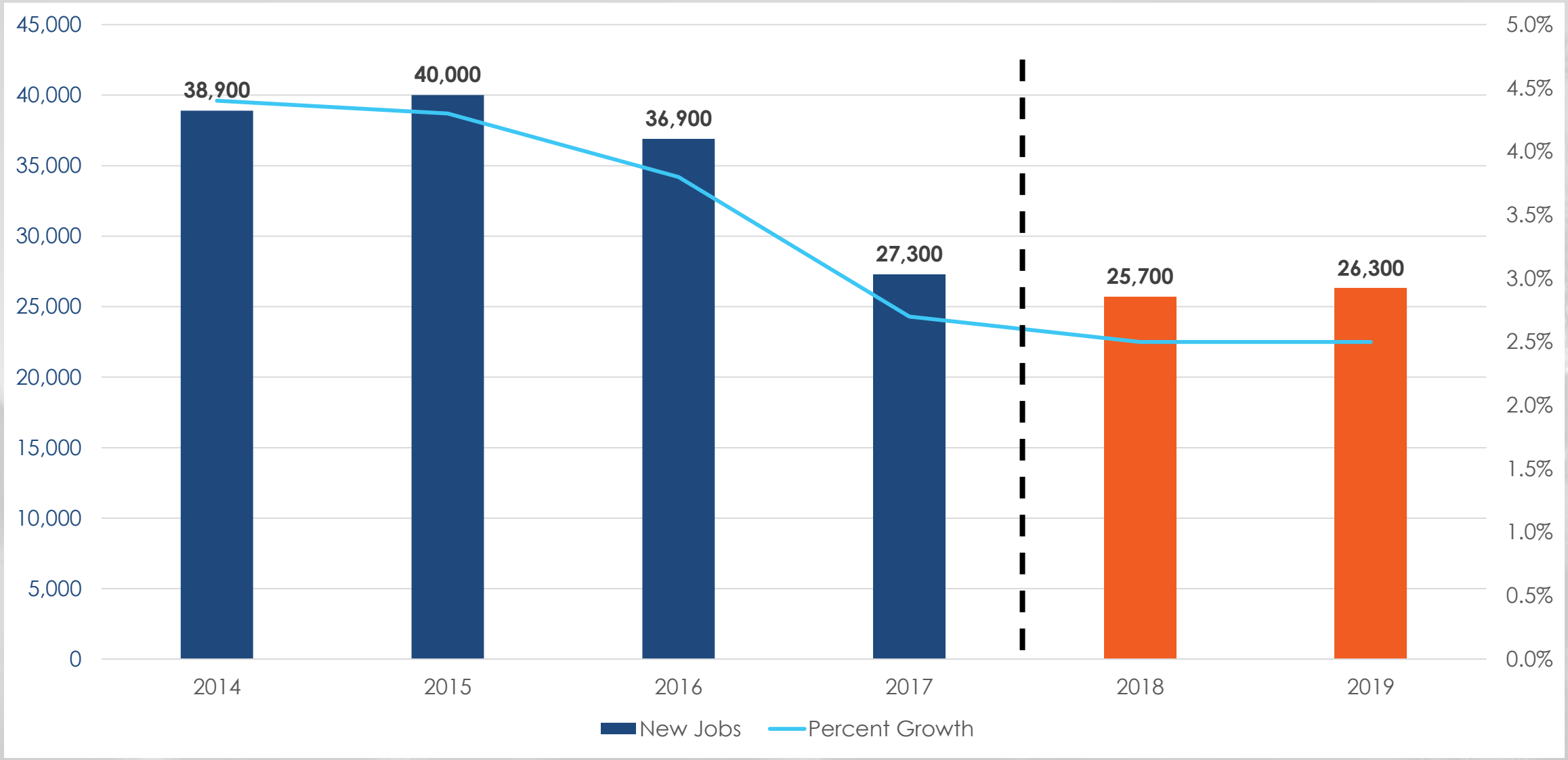
- **BUT:**
  - Low annual congestion cost per commuter (US Rank: **20th**)
    - Austin: lower fuel costs and shorter actual commutes



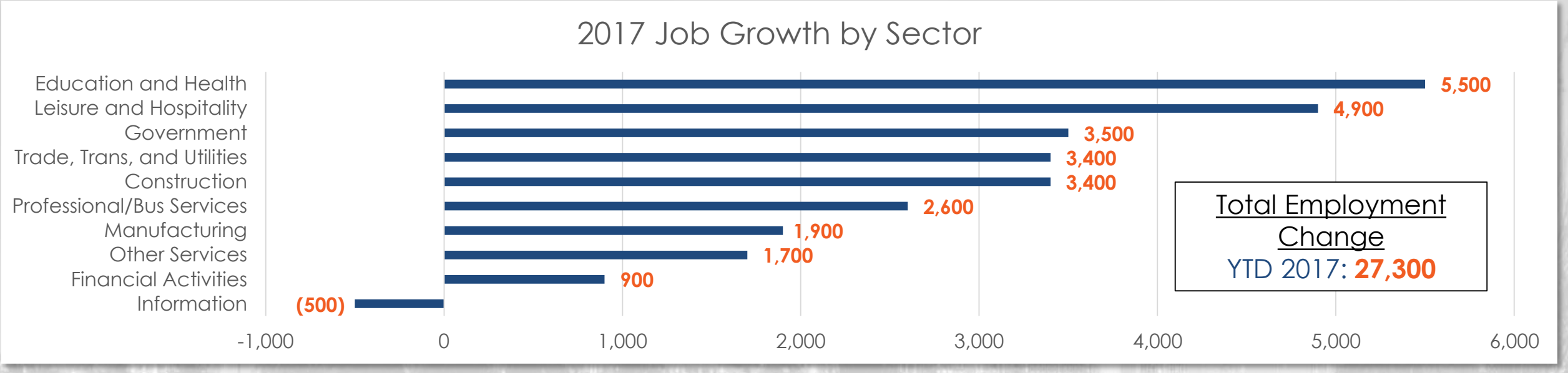
AUSTIN JOB MARKET

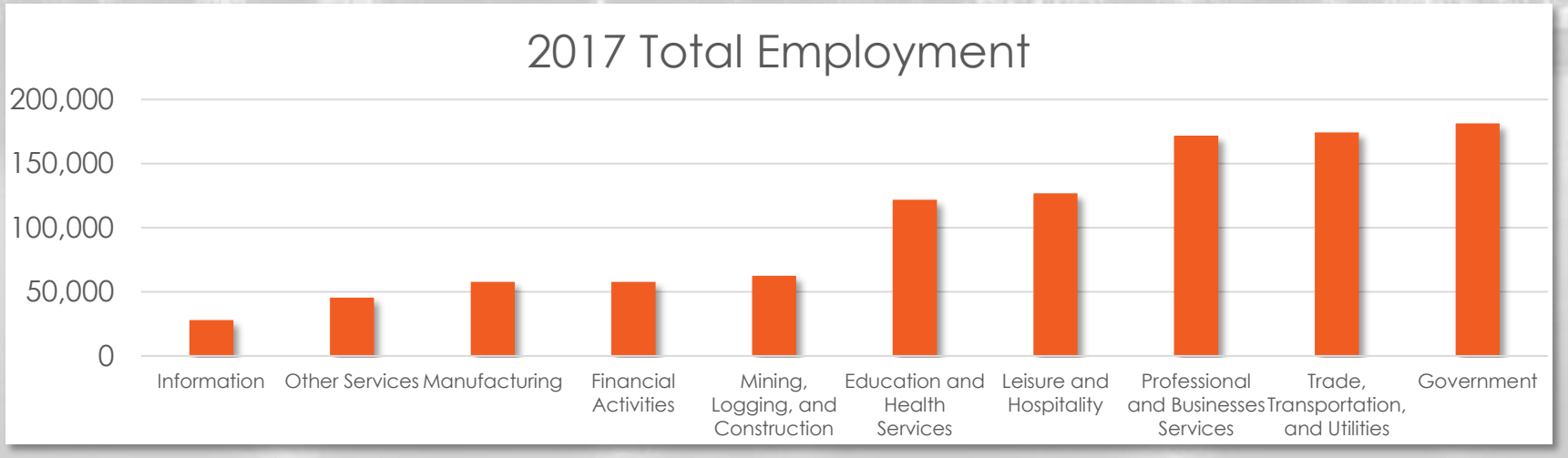
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AUSTIN JOB MARKET: TOTAL GROWTH



AUSTIN JOB MARKET: JOB SECTOR GROWTH





Source: Bureau of Labor Statistics

High Tech Jobs	
	2016 Growth
Computer Manufacturing	-0.8%
Semiconductor Manufacturing	-6.0%
Technical Services	2.3%

AUSTIN JOB MARKET: TECH SECTOR

Tech Facts

113,200
Tech Employment

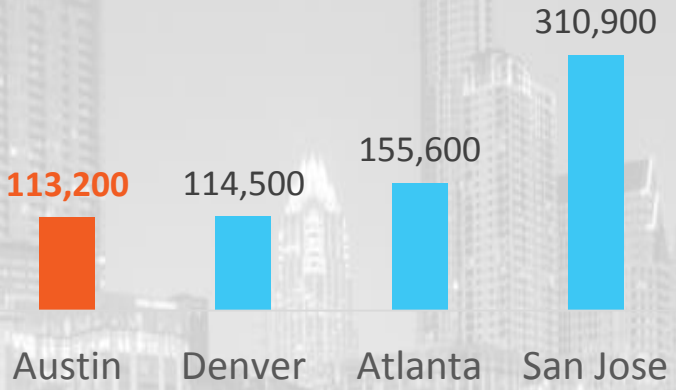
0.9%
Tech Industry Employment Growth ('15-'16)

5,000
Tech Businesses

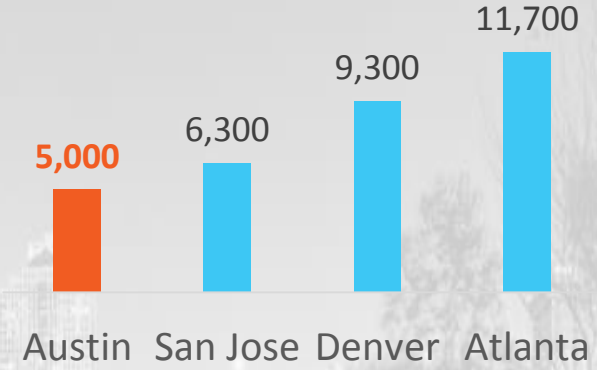
22.6 employees
Average Tech Firm Size

12.1%
Tech Industry Share of Total Workforce

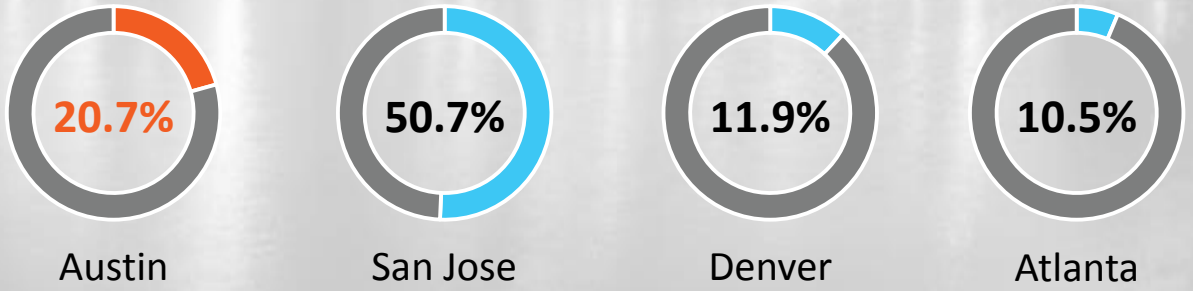
Tech Employment



Tech Businesses



Share of Total MSA Output

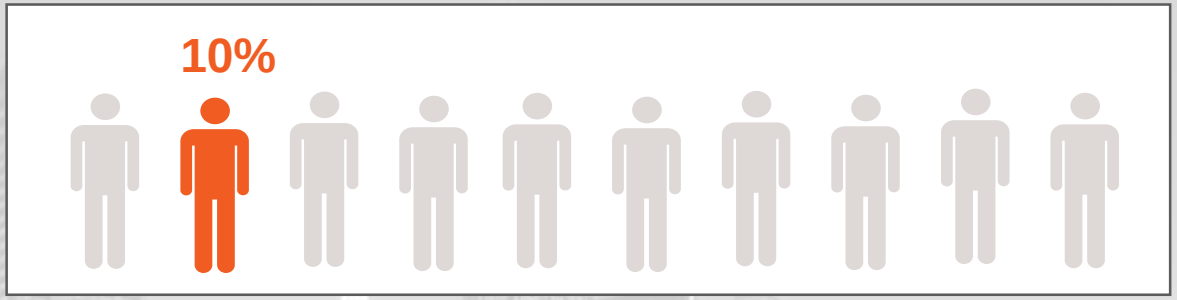


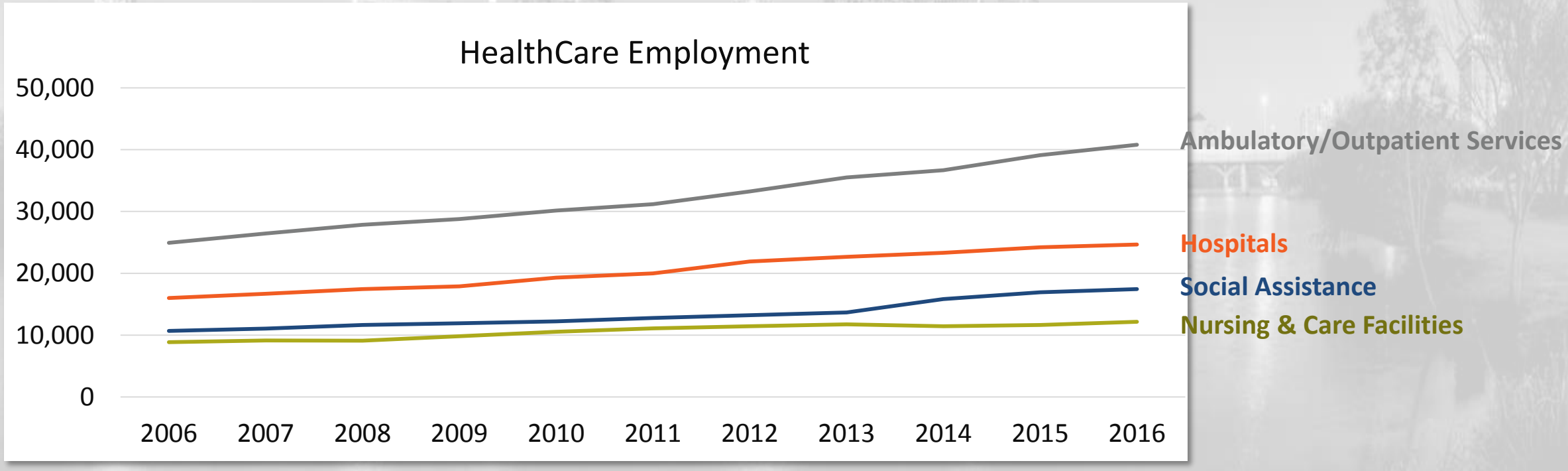
Source: Bureau of Labor Statistics

AUSTIN JOB MARKET: HEALTHCARE SECTOR

1 OUT OF 10

Or **101,100** out of **1,016,800** people employed in Austin, TX work in the healthcare industry.



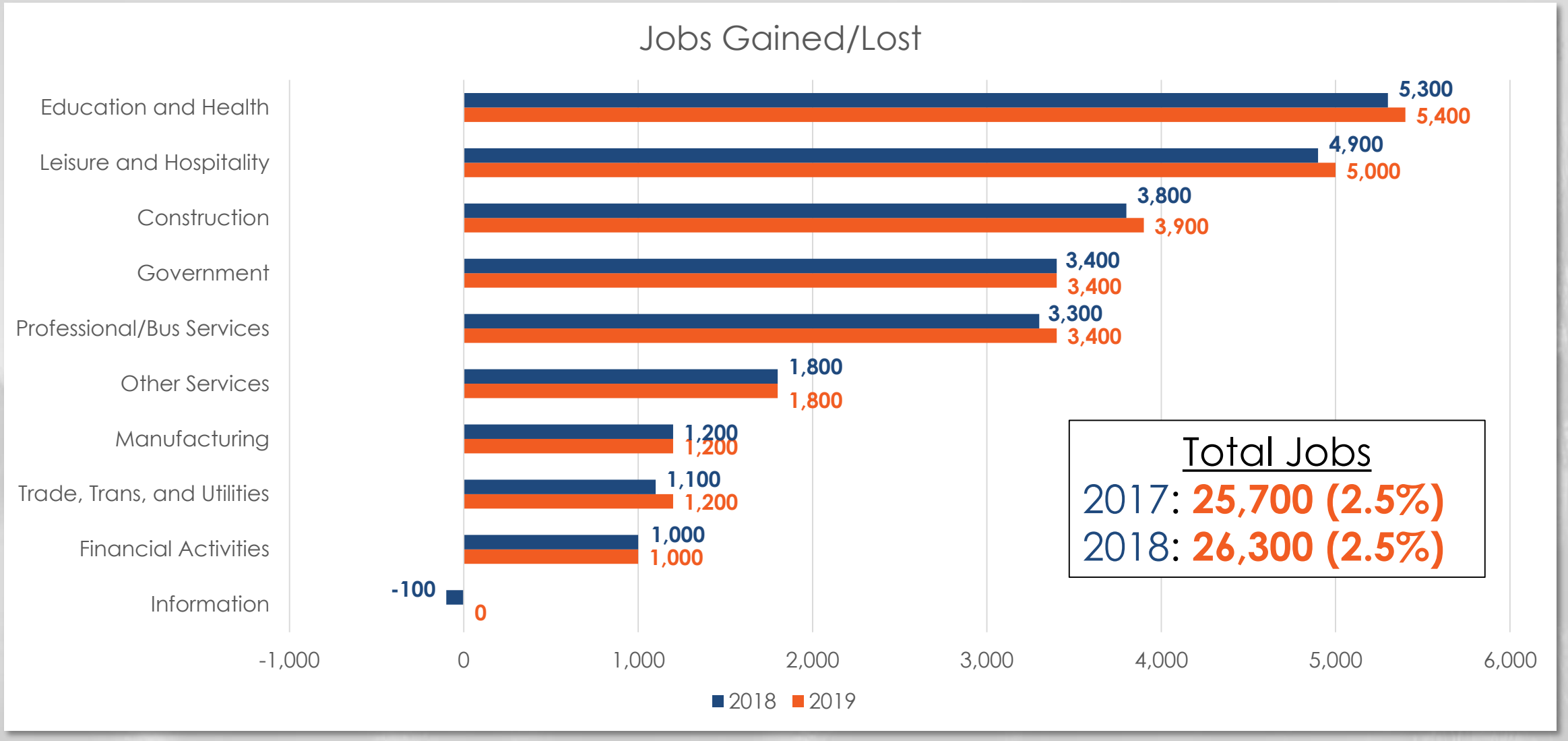


AUSTIN JOB MARKET: THE FESTIVAL ECONOMY

			
	COTA	SXSW	ACL FEST
Annual Economic Impact	$1 billion	$320 million	$220 million
Attendance	486,200	140,000	194,000
Years Active	6	30	15

Source: AngelouEconomics, Greyhill Advisors

AUSTIN JOB MARKET: 2-YEAR FORECAST





KEY TAKEAWAYS

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KEY TAKE AWAYS

- The economy is cooling off – this is actually good!
- The Austin area is poised to be one of the fastest growing metros in the US until 2040
- The job sectors with the best growth prospects are:
    - Education & Healthcare
    - Construction
    - Professional & Business Services
    - Real Estate
- The job sectors with the least growth prospects are:
    - Manufacturing
    - Finance
    - Information





Questions?

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REAL ESTATE SECTOR

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REAL ESTATE SECTOR: OFFICE

Existing Inventory

	Y/Y
99.5 million ft² Total Inventory	↑
4.5 million ft² Total Under Construction	↑
8.1% Vacancy	=
764,900 ft² Net Absorption	↑

Source: CoStar



REAL ESTATE SECTOR: RETAIL

Existing Inventory

	Y/Y
109.7 million ft² Total Inventory	↑
978,500 ft² Total Under Construction	↓
3.8% Vacancy	↑
256,600 ft² Net Absorption	↓

Source: CoStar



REAL ESTATE SECTOR: INDUSTRIAL

Existing Inventory

	Y/Y
101.7 million ft² Total Inventory	↑
1.8 million ft² Total Under Construction	↓
7.1% Vacancy	↑
587,100 ft² Net Absorption	↓

Source: CoStar

