



Volume 36, Number 20

August 8, 2014

Dear Client:

Million dollar homes are growing in number in the Austin area and average-priced homes are getting costlier to buy. While this statement is true of the residential real estate market, different forces are at work in each case.

So, what do you think? How many homes listed for sale in the Austin area in June were priced at a million bucks or more? Guess – 100, 200, 500? Not even close. **Million-dollar-plus homes actively listed on the Austin Multiple Listing Service in June totaled a whopping 654!** What's more they were selling at a brisk pace at prices higher than the year before.

Seventy-one homes sold for a million bucks in June, 18 more than sold in June 2013. The total June 2014 dollar volume was \$116,246,383. The median price of the homes was \$1,385,000 -- \$35,000 more than in June 2013, according to **Yvette Boatwright**, principal/broker with Realty Austin.

Market forces, however, are having an impact (not necessarily good) on the average-priced home in the Austin area. The National Association of Home Builders (NAHB) analyzed US markets to **determine the impact of new building regulations, which have the potential to raise home construction costs and bump up home prices on potential homebuyers.**

For Austin, the impact of a \$1,000 new regulation increase was significant. **NAHB determined that 1,285 Austin households would be priced out of the market.** How did it figure this? NAHB added \$1,000 to Austin's median priced home and came up with \$232,454. The annual household income needed to qualify for this new price was \$69,043. This increase would push 1,285 Austin area households out of the market.

Another factor for homebuyers to consider is that **Texas leads the nation in mortgage closing costs. According to Bankrate, closing costs went up 6% during the past year.** They now average \$2,539 on a \$200,000 loan. Do the math. Just another factor that gets in the way of households trying to qualify for a loan to buy an average-priced home in the Austin area. *Bankrate* reported that "new mortgage regulations are the biggest reasons why closing costs went up over the past year." **Obviously, these latter two points impact those seeking average priced Austin homes, more so than the buyers of luxury million-dollar-plus homes.**

Even though many millennials – ages 18-to-34 – are struggling financially, they are the target for forward-thinking community banks. Why? They're more numerous than their baby boomer parents. And they are a huge part of the Austin area's population. But it will take new approaches to reach them.

This younger generation generally blames giant banks for the financial crisis. And many millennials have money problems. They are saddled with big student loans. They are trying to build credit. And they are looking to buy a home. **So they are ripe for community banks to try to convert them into good customers.**

But small community banks will have to hustle to win over tech-savvy young clients. **This means Austin area community banks will need to invest heavily in mobile checking – if they haven't already. Also person-to-person payments.** These two banking technologies are particularly valued by millennials.

Bankers these days are leery of new regulations linked to the Dodd-Frank reform law and Basel III banking standards. They complain of the time, effort and rejiggering of banking operations. **But some small and mid-size banks may be catching a break on these regs.** The prime focus of the Feds is banks with more than \$50-billion in total assets, and many community banks either exceed – or soon will – that limit. **So insiders are predicting that number could be revised upward to \$100 billion, cutting some slack for community banks.**

Want \$500 if an airline delay causes you to miss a connection? Or \$1,000 if you sit for more than two hours on an airport tarmac? It's available – but not from the airlines.

Air travel is already quite expensive, with fewer choices as airlines trim flights and try to pack airplanes. Add to that: a missed connection or an inordinate delay sitting on a tarmac. **It can not only be frustrating, but it could kill a business deal or sour leisure travel.** Sure, the airlines may try to “make it right,” but there is another option that will put bucks in your bank account. Berkshire Hathaway is offering insurance to reimburse passengers.

For a flat fee of \$25, an Air Care policy will pay off if an airline fails you, according to our friends at *Kiplinger*. You'll get \$500 if a delay makes you miss a connection and \$1,000 if you sit for more than two hours on the tarmac. And, **if that long tarmac delay makes you miss a connection, the policy pays \$1,500.** The insurer wires money to your bank account if a snafu triggers a claim.

Obviously, the insurer has run the numbers and believes it will make money on this policy. So, what are the numbers? A recent tally by the US Department of Transportation shows that **tarmac delays of more than two hours occur in fewer than 1% of flights.** No word, though, on how many missed flights occurred due to connecting flights.

UTAustin is gearing up for the beginning of the fall semester to begin later this month. And those returning to the campus will bump into what some Austinites have faced on a daily basis: construction of the Dell Medical School (DellMed) on the eastern edge of the concentration of academic facilities.

However, right now, the construction site does not look like downtown construction with building cranes piercing the sky. Ground-level site preparation is the first step and it is moving quickly. **We're told the straightening of Red River Street in the 15th Street area is going well and the street closure is expected to last only a few more months.** The area around the Frank Erwin Center and the UTAustin tennis courts, adjacent to the University Medical Center at Brackenridge hospital, is the focal point of this activity.

One of the more intriguing projects is **moving 14 giant Heritage and Protected trees by re-locating them elsewhere in the DellMed area.** Austinites love their trees. And UTAustin goes to great lengths to take care of its trees with a full-time arborist who oversees the trees' livelihood.

These trees are monsters, weighing around 300,000 to 400,000 pounds. Relocating them, with minimal damage, is a big task. Recently, three Heritage Oak trees were moved from Centennial Park and re-planted across the street in the parking lot on the southern edge of the Frank Erwin Center. The parking lot? Yeah, they were placed strategically so they will be in the **courtyard of the yet-to-be constructed DellMed building.**

There is a historical irony at play here. Back when the Football Stadium was set to be double-decked, the project required re-routing a portion of San Jacinto Street that runs alongside the western edge of the Stadium. **Some magnificent oak trees were in the way and the Chairman of the UTSystem Board of Regents issued the order to remove the giant trees.**

Well, students and others rose up in protest -- **some of them chaining themselves to the trees to dare the 'dozers to knock them down.** The chairman was vilified and he, in turn, called the protestors "**dirty nothin's**" (later to become a satirical political button). **His burnt orange Cadillac** (yes, he actually drove a burnt orange Cadillac around Austin!) **was vandalized.**

The outcome: **in the dead of night, when the protestors were gone, the Chairman personally presided over the destruction of the trees.** Nothing but splinters and stumps remained by morning. The final irony: the Special Events Center, that will someday be demolished for expansion of DellMed, was named for the controversial chairman who guided the Stadium expansion and the subsequent development of the Frank Erwin Center.

Since those days of demonstrations, **UTAustin has transplanted 46 trees over the past 15 years with a 93% survival rate.** Eight remaining trees will be re-located for DellMed.

Dramatic changes kicked off for the Texas Longhorn players under new coaches this week as the football team reported for fall practices. Changes are also underway for some of the staunchest supporters of the program. It's a "new ballgame" in many ways.

Much has been written about the new football approach under head coach **Charlie Strong**. But **little has been reported about what is changing for the fans**. Remember, a new athletic director, **Steve Patterson**, is also on board and you can expect his hand on the helm will also steer a new direction for the program in transition.

Take the Longhorn Clubs as an example. For years, the Clubs have gathered in cities around the state, usually each week prior to a home football game. Anyone could join. **The Austin Longhorn Club has been the biggest, with hundreds in attendance each week**. Various coaches spoke about the previous week's contest (with highlight videos) and previewed the next game. But no more.

In its place is a new insider event dubbed "**Texas Athletics and You.**" **Contributors to the Longhorn Foundation (which allows the donor priority picks for tickets) will receive "exclusive invitations" to these periodic, themed events**. The first of four events of the football season will be a kickoff luncheon Thursday, August 14th, from 11:30 am – 1:00 pm at the Frank Erwin Center. Gameday attire is suggested.

Coach Strong, the full coaching staff and the team will be in attendance. The \$45 charge for adults includes lunch; kids 4-12 pay \$20; those under 4 are admitted free. Ticket deadline was August 7th. "This new event format will provide a **more engaging experience** with high energy events throughout the year," noted the Foundation. No information is available on the other three events. Only members of the Foundation will be able to buy tickets. For further info, you can go to www.TheLonghornFoundation.com.

Sports has generated some great quotes (though many were not *intentionally* great!). One of **Dr. Louis Overholster**'s favorites: after a loss **Yogi Berra** said "Even Napoleon had his Watergate!"

Sincerely,



Editor/Publisher