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Dear Client:

Austin's already strong office market got even stronger in the 4th quarter of 1999 when 2.3 million sq.ft. of new office space became available.

The amazing part: almost all of it was immediately occupied. During the same period, 2.1 million sq.ft. was absorbed. According to the real estate firm of Colliers Oxford, those are **record numbers** for Austin.

The **southwest** part of town with its views of the Hill Country is the prime choice for newcomers to Austin and accounted for 46% of 1999's office absorption. At year-end 1999, office rents averaged \$22.15/sq.ft., up 5% for the year. **Downtown** remains a prize location. The vacancy rate in the Central Business District fell to 4.6% and average rents rose 7% during the year to \$22.66/sq.ft.

The folks at the Downtown Austin Alliance are getting ready to do some bragging. Austin, which is hosting this year's International Downtown Association Spring Conference scheduled for 5/6/00 to 5/8/00, plans to show off its new and improved downtown, talk about all the bells and whistles it is adding and take visitors on tours to its many construction sites. As many as 300 representatives of cities and downtown associations in the US and Canada will be on hand.

Austin was chosen because of the **remarkable turnaround downtown has enjoyed.** The city has gone from a 50% downtown vacancy rate a decade ago to having more than **95% of its space occupied.** "People want to know how we came back from the bust," said **Anne Gilliam**, the Alliance's communications manager. "They are very, very curious about us."

Visitors will get to see what Austin has done about downtown security, streetscapes and transportation. There will be tours of the CSC and City Hall construction sites as well as visits to new downtown museums and arts venues, both in place and in the works. In addition, conference participants will get to see downtown residential developments.

"It's a **huge deal** for us because people from around the country are going to learn from us how to **revive downtown,**" Gilliam told us.

Rosy statistics and bright business predictions for Austin are in stark contrast to various social challenges. Austin's annual economic forecast, a dog-and-pony show produced by local economist **Angelos Angelou** highlighted both aspects. Angelou's forecasts have tended to be right on the mark. A decade ago, when he worked for the Greater Austin Chamber of Commerce, his audience was somewhat skeptical, wondering how much spin he had added to his forecast. But his critics stood corrected

This year, before a crowd of 900 people, Angelou predicted **job growth of 5.1%**. This translates into 66,000 new jobs. He also forecast a **9.4% boost in retail sales**, and most importantly, continued flows of **large amounts of investments and venture capital** to Austin as well as record numbers of firms joining the ranks of **publicly-traded corporations**.

Although Austin clearly has enjoyed its recent brush with good times, Angelou's numbers underscored the problems that come with success. At the top of the list is this year's anticipated population growth. **42,000 people are expected to move to town** and look for a place to live in a **tight housing market**. And, **80,000 additional cars** are expected to be added to our already **congested roads**.

Angelou also made some sobering comments. He made a plea for the US Immigration and Naturalization Service to **expand the number of work visas it gives foreign workers**. The demand for skilled workers is so high, Angelou said, every time the quota is increased, the new slots immediately are absorbed.

And, he urged the federal government to change or scrap the Job Training Partnership Act, which provides job training to unemployed and disadvantaged people. It's a **waste of time and money to train people** who don't have a job and are basically **unemployable**, he said.

Some of the participants at the forecast said privately they had mixed feelings about these job issues, describing them as questions that are likely to determine the type of city Austin grows up to become. Will Austin be a city that **puts its own first** and works to help and groom them, despite the risks and cost associated with that effort? Or, will we be a city whose single focus is a rush for **profits and prosperity**?

The conundrum was clear when across town, during the same week, **Mayor Kirk Watson** was appointing a committee to look into ways of narrowing the income disparity between rich and poor. For one thing, the city is exploring whether it can **have its own minimum wage** and set it higher than the federal standard.

Wage disparity, the growing **gap between rich and poor** (the high tech community calls it the "**Digital Divide**"), and how Austin deals with that issue will certainly become the focus of discussions among the business community and elected officials in the months ahead.

“Austin’s problems are not unique, but what is unusual is the level of participation and involvement by a diverse group of players.” That’s the view of **Bob Levin**, the Greater Austin Chamber of Commerce’s newly hired vice president for economic development, who found Austin to be a city of “unparalleled pride.” Levin was struck not only by the involvement of the business and environmental communities in local affairs, but by **how high passions can run in Austin.**

“I have lived in the Northwest for 26 years and I have **never experienced that level of community pride,**” said Levin, 48, in a phone interview from Vancouver, Washington. He expects to move to Austin with his wife in early February. Levin has been president of the Columbia River Economic Development Council in Vancouver for the last 12 years. He has also served as executive director of Clallam County Economic Development Council in Port Angeles, Washington and was program coordinator for economic and fiscal affairs for the Governor’s Office in Carson City, Nevada.

He is taking a job that has been vacant for nearly nine months. Levin said he is aware that there have been questions about the chamber’s role in Austin’s growing technology economy and a debate about the **need for economic development when unemployment is hovering in the 2% range.** The challenge he said will be balance. He is hoping to spend as much time on retention as on recruitment.

“Our value is going to come in a variety of ways, including **making sure we care about the home team** and understand how we can better serve the requirements of technology industries, whether it be on workforce, transportation or environmental issues,” Levin said. But, he quickly added: “However, it is important for a world class community to make sure we are at the leading edge by **attracting growing, responsible firms.**”

Help to learn how to start up and finance new technology companies quickly and successfully is on the way to Austin. One of Austin’s newest companies, **Garage.com**, a California-based on-line venture financing and investment firm that helps technology entrepreneurs find capital, will offer one of its trademark boot camps here in June. According to the company, the camps offer a “unique brand of **‘no frills, no hype’ information** by experts who ‘have been there and done that.’

But don’t expect an intimate or inexpensive event. The so-called camp is a two day conference slated for the Austin Convention Center. Organizers expect to draw as many as 1,000 participants. **The cost: \$795 to \$895,** according to how early participants register. The camps made their debut in spring 1999 in Silicon Valley. Six hundred people signed up and another 850 were on a wait list. Garage.com is holding eight boot camps around the country this year. In addition to Austin, sites include Seattle, Boston, Washington, D.C. and London, England.

Garage.com has had an office in Austin since late last year. It is located at One American Center and is run by **Jamin Patrick**, a former director of the Austin Technology Incubator.

You have to believe those stories about the huge salaries and perks Austin high tech executives command when you see the number of brand-new Porsches and Jaguars on Austin's roads. In March, we'll find out just how generous those perks can be when ExecuComp Consulting Group, a Boston company that set up shop in North Austin late last year, releases its **first Austin executive compensation study**.

To get the results, you'll have to participate in the study and pay an annual subscription fee of \$400 to \$900, depending on the size of your company. The study will track **salaries** of top executives (no one below the rank of vice president will be included) at high tech firms with 1,200 or fewer employees, along with **bonus incentives, stock options, annual share allocations** and other perquisites.

ExecuComp, a compensation consulting firm, has been publishing similar studies in the Boston area since the early 1990s. The company **tested the Austin market** early last year with a broader study that spanned as many as 100 professional job categories, from company director to software engineer. Thirty clients signed on – that was enough to persuade ExecuComp that there is future for its business in Austin. As ExecuComp's president, **Ken Kulesza**, said: "We see a real gap in the amount of solid data about high technology compensation in Austin."

Dr. Louis Overholster is worried that we're all too busy or, as he put it: "I'm convinced Paradise was the Garden of Eden – until the snake offered Eve a minivan!"

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