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Dear Client:

The median income for a family of four in the Austin area rose a substantial 9.1% in 1999 – enough to keep the family’s head above the rising tax waters. But those who made well below the median income of \$55,400 were inundated by higher taxes. All local taxes went up by 4.1% in 1999. So the lower income family that may have received a 3% pay raise actually saw its income decrease last year.

This obviously contributes to the Digital Divide in Austin with the gap widening between the haves and have-nots. The Real Estate Council of Austin (RECA) in recent years has been tracking the combined impact of local taxes on a typical Austin family. And the good news is, **for the third consecutive year, the income of the median Austin family rose more than local taxes.**

So, even though the local tax burden continues to go up significantly each year, there has been no widespread outcry because, frankly, many families are doing quite well in this booming economy. Oh sure, you get complaints now and then (which we’ve chronicled) such as the Austin School District’s big appetite for more revenue. But, by and large, **mumbling and grumbling is about the extent of the reaction** to the increased tax burden.

RECA calls its study the Austin Combined Cost of Governments Index. It includes property taxes, sales tax revenue and utility system transfers for the City of Austin, Travis County, the Austin Independent School District, Capital Metro and the Austin Community College. The Index is intended to be an indicator of trends over time.

And while the trends look good, RECA president **Pete Winstead** says “I wish we could draw comfort from these numbers, but we can’t. The fact is, affordability is a difficult daily issue for many working families, and taxes are a huge component. Taxes are a serious strain on those whose incomes can’t keep pace.”

Which governmental entities take the biggest chunk of your local tax dollars? Here’s the **1999 breakdown**: The Austin Independent School District (property tax), 41.7%; The City of Austin (sales tax, utility transfer, property tax), 35.1%; Travis County (property tax), 15.0%; Capital Metro (sales tax), 6.6% and the Austin Community College (property tax), 1.6%. **Ten years ago**, this was the breakdown: City of Austin, 43.4%; Austin School District, 40.2%; Travis County, 9.3%; Capital Metro, 5.4% and Austin Community College, 1.7%.

The industrial real estate market in the Austin area continues to be very tight, particularly in the warehouse product. In fact, NAI/Commercial Industrial Properties reports that total market vacancy rates remain at only 5%, even though total warehouse vacancy rose slightly due to the increase of availability in the Southeast.

The market is responding to the high demand for space. NAI/CIP reports 2,195,697 sq.ft. of warehouse space is under construction or scheduled to be started before year-end. And because there is such strong competition among tenants for additional space, approximately **one-third of the construction is already pre-leased.**

All this is going on at the same time that absorption was down about 15% from the last half of 1999. How do you explain that? Well, it's probably due to a **lack of product rather than a reduction in market demand**, NAI/CIP speculates.

When you look around the area you see that the Northern area is leading the way in absorption. That section equals more than half of the absorption for the total market. And it's about equally divided between warehouse space and space that is categorized as Flex/R&D.

As your college economics textbooks first taught you, this strong demand with a limited supply is pushing prices ever upward. **Lease rates continue to rise this year.** And the rising rates not only reflect the demand but also are a factor of rising construction costs.

Summertime doldrums didn't hit Austin businesses, especially those that rely on overnight air shipments. Air cargo shipments into and out of Austin were up a stunning 61.78% in August compared to 1999 tallies. Obviously that set a new record. And while the August numbers were off the charts, the year-to-date cargo shipments are quite impressive as well – increasing 27.02% over last year at this same time. Cargo is calculated in poundage.

On the other side of Austin-Bergstrom International Airport, the pace of passenger travel is running at such a torrid level (another indicator of good economic times) that the number of **air passengers for the year should surpass the 7 million mark before December.** And, as this trend continues, the 1999 record of 6.7 million passengers should be surpassed 11/9/00. Remember, we reported earlier Austin is now carrying more air passengers than much larger San Antonio.

Southwest Airlines, already the market leader by far, continues to steamroller the competition as it increases its market share. In August, **Southwest passenger totals were up an amazing 38%** — raising its year-to-date increase to 30% over 1999. Usually, smaller businesses can generate higher percentage increases. But the Southwest gorilla, with a 36.8% market share, confounds the norm by racking up percentage increases normally reserved for the little guys. Second place American (24% market share) was up 7% in August and 6% year-to-date.

The 5-county Austin metro area continues to attract national attention with its very low 2.1% unemployment, but when you look at each county individually, Williamson County is the most impressive — with 1.5% unemployment. For several years now, the Austin-San Marcos MSA has been the envy of other big metro areas as its unemployment has hovered around 2%. But, since Williamson County (Round Rock, Georgetown, Taylor, etc) is only one of the five counties, it sometimes gets overlooked.

And that's a shame. **Williamson County is one of the fastest growing counties in the nation** and yet, it has managed to create jobs for anyone who moves there and wants to work. Most economists will tell you 1.5% is, in reality, full employment. And Williamson County has had full employment for some time now.

The other counties in our metro area are not too shabby either. The biggest county, Travis (Austin) had 2.1% unemployment in August. Hays County (San Marcos) recorded 2.4%. Bastrop County (Bastrop) notched 2.5% and Caldwell County (Lockhart) came in with an even 3.0% unemployment.

How does unemployment in the other big Texas metro areas stack up with the Austin area's 2.1%? Dallas had 3.3% in August, El Paso recorded 8.2%, Fort Worth tallied 3.6%, Houston recorded 4.3% and San Antonio came in with 3.6% unemployment. **The State of Texas as a whole came in at 4.3% — the lowest range since 1979.** The US: 4.1% unemployment.

All the talk about the presidential campaign says it is a very tight race. But if you look at the history of toss-up states, it could be a landslide victory in the electoral college — for either Governor George W. Bush or Vice President Al Gore. There's no question it's a tight race now. The tracking polls each night (averaged/rolling over the last three nights) pick up the slightest shift and turn in voter sentiment, and they show a race as close as paint on a house.

The two campaigns are pouring massive resources into about a dozen battleground states where the election, based on current polling, could go either way. But when you sift through those swing states, there are five that emerge as the most critical because, while they are now a coin flip away from falling into either the Bush or Gore camp, **they generally all five vote for the same ticket.**

Pennsylvania (23 electoral votes), Ohio (21), Michigan (18), Missouri (11) and Kentucky (8) are the five states. The candidate who gets just one more vote than his opponent in each state will get every single electoral vote from that state. Add 'em up. There are 81 electoral votes in these five states – enough to make an **electoral vote landslide if they repeat past history** and all vote for the same candidate. This could be true, even if the popular vote nationwide is very close, as it probably will be with the Big Four states evenly split (New York and California likely to go for Gore and Texas and Florida in Bush's column).

Many Austin businesses get a nice boost each fall when UT Austin students return to campus in full force. And, this year, “full force” means a thousand more students than last year to push the fall enrollment at the largest university in the country to 50,010. While that may be good news for those who profit from student spending, it is not necessarily good news for UT Austin.

Leaders at UT Austin think the enrollment should be about 48,000 students. And that’s a maximum. It’s not just facilities that get stretched and strained when you have that many bodies to teach, but it also makes it more difficult for students to get the classes they need to graduate. At the same time the faculty-student ratio tops out and that’s already a weak point in UT Austin’s quest for world class recognition.

UT Austin appears to be a victim of its own popularity and academic successes. Over the past three years, **applications for entrance have increased 46%**. There was a 20% increase this year alone. And when you’re a state-supported institution, it’s more difficult to put a cap on how many students have a “right” to get an education at the UT System’s flagship campus.

But UT Austin leaders feel they must, in some way, limit enrollment or **risk a slide into mediocrity** as faculty and facilities are strained so much they affect the quality of the student’s education. They’re facing an uphill task because Texas’s growth indicates the demand for a UT Austin education will not diminish soon.

Oldtimers will remember **this situation is not new**. Back in 1989, the all-time enrollment record of 50,245 was set after the 50,000 mark was crossed the year before when 50,107 students were enrolled. Other institutions? Ohio State University has the second largest enrollment in the nation this fall with 48,003 students. Down the road, Texas A&M enrolled 44,000 this fall.

Dr. Louis Overholster said he doesn’t have much use for polling or statistics. “It’s like putting one foot in an oven and another in a tub of ice and saying ‘On average, I’m comfortable’!”

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