

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

With Austin roadways more clogged than ever and airline traffic setting new Austin records monthly, the idea of moving people faster and more efficiently from point A to point B is vital to our area's future success. That's why commuter rail (not light rail) deserves a closer look.

We've reported for some time now on the Austin-San Antonio Corridor Council's efforts to link our two cities via a commuter rail service, along existing tracks, to relieve congestion on IH35. The two cities, along with the Texas Department of Transportation, have raised money to study the feasibility of such an alternative. It is a serious, and ambitious, effort.

A month ago (10/20/00), we pooh-pooed the federal designation of the Texas Eagle rail line from San Antonio, through Austin to Fort Worth/Dallas and on northward as a **high-speed rail corridor**. We knee-jerked when, referring to the failed bullet train effort, we said "you want high-speed, then the multi-million dollar bullet train effort a decade ago would have been your cup of tea" – implying the current designation was not much more than lip service.

We jumped too soon. The designation could be an important first step toward **passenger trains that could fly between these Texas cities** at speeds much greater than 100-mph. In fact, Amtrak next month will inaugurate 150-mph rail service between Washington, Philadelphia, New York City and Boston.

True, the Amtrak trains are not the 200+-mph bullet trains you see zooming through the French countryside. But, if the Amtrak northeast experiment works, **Texas could end up with an attractive way to ease the roadway and airline congestion**. Our South Central corridor has exactly the same designation as the Northeast corridor, which is kicking off service ASAP.

How would you like to step on board the train in downtown Austin, plug your laptop into the Internet connection at your luxurious seat to get some work done en route to Dallas? Or enjoy audio or video entertainment? Or, walk to the café car, or have a drink in the lounge car? Or sit down to a china and linen table setting for dinner? All, while traveling to Dallas or beyond.

That's what travelers in the Northeast will experience next month. It'll take a long time and a lot of money for our South Central Area to get to that stage. But the designation as a high speed rail corridor is a necessary **first step for improved rail service** between our major Texas cities.

The first quarter of 2001 will be a great time to look for a job in the Austin area. But, if your company is hiring, you better buckle your chinstrap to go head-to-head with the competition. A new survey conducted by the staffing company Manpower, Inc., shows the majority of Austin public and private employers – more so than any other major city in Texas, by far — are going to be in a hiring mode starting January 2001.

This is truly amazing, because as you know, the first quarter is traditionally a slow time for retailers. Stores and shops scale back by laying-off workers hired for the holiday season. As a result, unemployment usually rises in the first quarter due to the normal seasonality of hiring.

However, the Manpower report showed a huge **57% of those public and private employers surveyed in the Austin area are going to expand their hiring in the first quarter.** This is really significant. It's almost double the statewide average of 30% who say they will expand hiring.

Look at the other big cities in Texas. Only 18% of Dallas employers said they would expand hiring. In Denton, it was 13%. It was higher in Houston at 36%, as well as in Midland (30%), San Antonio (40%), Wichita Falls (33%) and the Fort Worth area (43%). But here, it was 57%.

Obviously, after the first of the year, it'll be a good time to look for a job in an atmosphere where the potential employee has had an advantage for a long time now. Remember, our **unemployment has hovered around 2% — among the lowest in the nation** – for many, many months. Employment experts will tell you that anything around 4% unemployment is terrific for those who are seeking employment.

If your place of business needs more workers, you've got your work cut out for you to find the right people. And if you're still budgeting for next year, you better jack up the amount you've planned for payroll costs. You've faced this situation for some time now if your business is expanding. The bad news is, according to the Manpower Inc. survey, it's not going to get any better next quarter – **it might even be tougher.** As the Boy Scouts say, be prepared.

As 2000 draws to a close, the 5-county metro area population will be 1,212,500. For comparison purposes, our population stood at 863,700 at the end of 1990. What a difference a decade makes.

Angelou Economic Advisors is the company whose year-end estimates we're quoting here. The company came up with this forecast using a **3.6% compounded annual growth rate** from 1999's year-end tally of 1,170,900. The 3.6% rate is not the highest we've recorded this decade. The 1998 rate of 3.9% earned that distinction. If you accept Angelou's population growth forecast for 3.6% for 2001, a year from now the Austin metro area population will be 1,256,000.

Old-line real estate professionals, not thought of as part of the high-tech community, are being impacted more heavily than most by the way high tech is forcing changes in the way they do business. You've heard the talk about how customers will someday flock to the Internet. But, by and large, most businesses are not rising and falling with how well they do on the World Wide Web.

Not so with real estate brokers and Realtors. Homebuyers are rushing headlong into usage of the Internet. A recent National Association of Realtors survey revealed 37% of homebuyers used the Internet in their search for a home. That's up from 2% in 1995. **Jack C. Harris**, a research economist with the Real Estate Center at TexasA&M, says "The Internet has changed how buyers enter the market."

"The Internet has made available a vast array of data and information," notes Harris. **"If that is all the real estate industry has to offer the public, the profession is probably in trouble.** If, however, the profession is viewed as a specialized services provider, technology is not a threat."

Harris, however, has a suggestion for the Realtor during this Internet age: "If the real estate agent is seen as someone who guides and advises the consumer through a complicated process, the profession's future appears more secure." He went on to observe that "no matter how much information is at hand, or how many professions are competing to provide needed services, **some consumers will desire experienced professionals** to put everything together."

Harris also looked into his crystal ball to see where the real estate profession may be headed. He suggested **"the industry will be dominated by a small number of large firms."** Harris pointed out that "until now, small, independent firms have been able to survive by developing expertise in narrow market segments (affordable housing, upscale housing) or by farming specific neighborhoods."

Taking note of this highly active seller's market in which we find ourselves today, Harris believes the previously mentioned expertise "is not as important as it is in a buyer's market, when salesmanship is crucial." As a result, he noted **"some small firms are merging, selling out and dissolving in the face of this pressure."** And researchers see this trend continuing.

His silver lining, if you will, for the small real estate agent ironically lies with the Internet. He sees "the Internet as opening the door for smaller firms to compete and giving consumers more information that can be used in dealing with an increasingly monopolistic industry."

Realtors in the Austin area are enjoying one of the best real estate markets around. Demand has remained high even as interest rates and prices have risen. As a result, **these trends in the industry have not been as stark as they might have been in tougher times.** However, when the real estate market slows, what Harris is reporting will become much more obvious – and important to the future of the profession.

With more than a month left in this year, we already know 2000 is a record-breaking year for filmmaking in the Austin area. For instance, filmmakers have spent \$121.9 million on area productions so far this year. That's almost half the \$224 million the film industry has pumped into the local economy in the past seven years.

If you've been slowed or re-routed around Austin streets, while film crews block alleys, streets and sidewalks, you know what we're talking about. Big movies, such as *Spykids*, *American Outlaws* and the soon-to-be released *Miss Congeniality* (starring **Sandra Bullock**) have all been shot in and around Austin.

"The presence of the film industry has been very beneficial to the local economy," said Austin Convention and Visitors Bureau Film Director **Gary Bond**. "The industry is community-friendly, meaning that it is non-polluting and uses very few public services, while creating jobs for local production and film crews and helping many local businesses economically."

"Typically," Bond adds, "half of a project's production budget is spent locally. Filmmakers working in the Austin area depend on hotels, restaurants, grocery stores, limo services, rental car agencies, supply stores and other local businesses."

Austin's success at getting these projects here is all the more impressive when you consider the **hot place to film these days is Canada**. The strength of the US dollar in Canada, plus local incentives, makes Canada the top choice of many filmmakers. Financially, Austin counters with sales tax exemptions on most film supplies and an experienced local workforce.

There is anticipation in the local film community that **2001 could also be strong** – especially since part of the old Robert Mueller Municipal Airport has recently been turned into a Soundstage and a Media Center.

Dr. Louis Overholster also gave thanks at the *end* of his Thanksgiving dinner for what he was about to receive – Tums and Mylanta and Roloids!

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