

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

Much has been made about Texas population growth during the last decade, and make no bones about it, it has been eye-popping. Living in the Austin area, exponential growth has become a way of life. But, there are certain areas of Texas that are actually *losing* population.

The 2000 census shows that the state's non-metropolitan counties, on the whole, grew only half as fast as the metropolitan counties. **The state's overall population growth was 22.8% between 1990 and 2000.** That's phenomenal. But, when you break it down, you'll see that growth in this massive state has been quite spotty.

For instance, metropolitan counties grew 24.9%, but the non-metropolitan counties grew by only 12.0%. **More importantly though, nearly 35% of the non-metropolitan counties actually lost population** during the decade, and only half had populations that grew more than 7% since the 1990 census.

On the other hand, all 58 of the state's metropolitan counties gained population, and nine out of ten of them grew by more than 7%. As a result of these different growth rates, **the 58 metropolitan counties (out of the total 256 counties in Texas) comprise 84.8% of the state's population.** If there was ever any doubt, Texas is no longer a rural state.

The concentration of Texans is even more pronounced than just that which is found in the metropolitan counties. **Bordering on a metropolitan area has helped environmentally attractive counties to grow at much faster rates** than even the metro counties. For instance, the Hill Country counties of Bandera and Kendall grew by 67% and 63% respectively. Also, many of the fastest growing non-metropolitan areas are counties with recreational amenities or retirement desirability.

And the suburbs! Oh how the suburbs have grown! **Williamson and Bastrop counties, here in Central Texas, grew by more than 50%**, as did the Dallas area counties of Collin, Rockwall and Denton, and the Houston area counties of Montgomery and Fort Bend. The county just north of San Antonio, Comal, also posted more than a 50% population explosion.

This trend will continue throughout this decade. In-migration will be heavy. And, a larger percentage of Texans in the metro areas are of child-bearing years. Fasten your seatbelt.

Is the glass half-full or half-empty? Let's look at layoffs in the Austin area both ways and let you decide.

Take the employment/unemployment numbers for instance. The half-empty glass shows that **unemployment in June 2001 (the latest figs available) skyrocketed to 4.2%, compared to 2.4%** the same month in the previous year. Anytime an important number such as the number of unemployed takes such a major upswing, you have to take notice.

In just a year's time, the **Austin metro area dropped out of the nation's elite cities** in that ranking. While we're still lower than the national and Texas average, we're no longer enjoying the rarefied air of those cities enjoying unemployment hovering around 2% as we've done for so long. In fact, there are six metro areas in Texas (albeit much smaller) with lower unemployed percentages than Austin.

But, now let's look at the same glass through a half-full prism. Even though the number of people *without* jobs has risen, **the number of people *with* jobs has also increased significantly**. In other words, there are more people – much more – gainfully employed in the Austin area right now than there were a year ago.

In June 2001, there were 739,300 working stiffs in our 5-county metro area. A year ago, in the same month, there were 723,700. Do the math and you see there's **been an increase of 15,600 workers in a year's time** – in spite of thousands of layoffs. Pretty impressive.

Obviously the key to this half-full/half-empty scenario is population growth. The Texas Workforce Commission estimates we now have **772,000 persons in our labor force** in the metro area, compared to 741,500 a year ago. Lots of folks are still moving here, and importantly, most of the newcomers are finding jobs.

Most newcomers to Austin rent apartments right away to begin the settling-in process. So, what are they finding? They're finding deals, that's what. Good deals. One young lady said "I got two months free rent. The apartment was originally \$725 a month, so I pro-rated it and now it's \$605 a month."

And that's not even the best deal. Spectrum Apartment Locators says the **incentives offered to renters are the best seen in years** in the Austin area. "I've had some companies throw in a ceiling fan, a microwave, free washer and dryer – and you can take the washer and dryer with you when you leave," said a spokesperson for Spectrum. **This situation is only going to get better for the renter.** Remember, in previous editions we've detailed the thousands of new apartment units that are going to come on-line before the end of the year.

What's the latest on the softening office space market? Still softening and still being driven by the vast amount of sublease space. In fact, the amount of sublease space now available has broken the 3 million sq.ft. mark.

More than half the sublease market is in big spaces, according to **Mike Buls** of Buls/Hodge Consulting, who tracks the sublease market daily. Buls points out that 24 leases of more than 25,000 sq.ft. represent 56% of the sublease market and the top ten account for 38% of the market. Buls says the **citywide office space vacancy rate, adjusted for the amount of space that is available to sublease, is now 18.24%**. And the northwest is where you can find the most space. The adjusted office vacancy rate there is 25.17%.

Again, what this says is that the office market is now favoring the tenant. And, it's continuing to trend in that direction.

So, how are some of the nation's other tech centers faring as a result of this slowdown? Let's take a quick look at one close to home – Dallas – and another on the Left Coast – San Francisco.

The telecom corridor in the Dallas suburb of Richardson is interesting to examine. The Richardson Chamber of Commerce reports the Telecom Corridor (they've actually trademarked that name and claim to have the largest concentration of telecommunication workers in North America) bragged about having 600 companies and 90,000 workers in 2000. The latest figs indicate there are still about 600 companies in the area, but now employ about 85,000 workers.

It's sorta like the Austin area with **layoffs triggering rising unemployment and the slowdown resulting in lower office occupancy rates**. Plano and Irving are also hurting much the same way. Unemployment in the eight-county region that includes Dallas and Collin counties jumped to 5% in June 2001 from 3.7% in June 2000. Companies have moved out of 2.86 million sq.ft. of space so far this year.

San Francisco is also interesting. *The New York Times* reported recently: "The summer of 2001 will be remembered as the season **San Francisco returned to normal, or at least its own version of normality.**"

In the SF area, highly populated by dot-coms, **commercial vacancies are rising to 20%**, from a record low of 0.6% only 18 months ago. Rents, both commercial and residential, are tapering off, though they still remain among the nation's highest. At least you can now find apartments in San Francisco. **The city, like Austin, has slowed to "fast" from "blur."**

There's more. But, you can see our competitor cities are in the same situation as Austin.

More than half of chemistry majors at UT Austin are women and 43% of math majors are women. But, a recent UT Austin research effort shows the increased number of women students in science and math is not translating into increased numbers of women faculty. “Women are not thinking of the sciences as viable career options,” said Dr. **Shelley Payne**, a professor in UT Austin’s College of Natural Sciences.

What is UT Austin going to do about this? Physics professor Dr. **Linda Reichle** says a key to encouraging more women to study science and math is for “the University to take a look at the processes they have in place for hiring faculty. Young people need role models and the males have hundreds of role models.”

Reichle said it is **important for women students to see women on the science and math faculty** “to see that it is possible for them to follow along similar paths.” UT Austin vice provost **Lucia Gilbert** said of the 316 tenure-track faculty members in the College of Natural Sciences last fall, only 35 were women.

“Women are continuing to **drop out of the sciences at every educational level**, and that was a surprise to us,” Payne said. “We had thought that, given time, the increased number of women students would translate into increased numbers of women faculty. That has not happened.” Reichle added: “We need programs to overcome some of the peer pressure and cultural factors that seem to discourage women from pursuing careers in science.”

The University also hopes to improve the situation with plans to establish a **special science dorm to house about 20 female undergraduate science students** on the fourth floor of Blanton Dormitory. Reichle feels the women’s science dorm is an excellent idea that will help build peer support and encourage networking among young women interested in pursuing science careers.

Dr. Louis Overholster says he doesn’t understand why it’s called the Dow Jones Average – when it hasn’t been average for years!

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