

THE

*Real Spelce*

# AUSTIN LETTER

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P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

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Dear Client:

**No matter what you may see, hear or read about struggling or failed dot-com companies, if you're going to do business in Austin, you better be up-to-speed on the Internet. Of all the metro areas in the US, there are only two where the Internet is more pervasive than it is here.**

The Internet is a daily fact of life in the Austin metro area and it is becoming more so with each passing day. *Yahoo! Internet Life* has, once again, declared **our metro area of 1.2 million people to be the "third most wired" in the US** (behind #1 San Francisco and #2 San Jose). This is not another of those *subjective* "best" or "nicest" rankings. This designation is based on hard facts and research in four key areas.

The four: **Net Use** (percentage of households online), **User Expertise** (online shopping expenditures and high-speed net access), **Domain Density** (number of domains registered per thousand businesses) and **Available Content** (number of sites with info about the city, including governmental).

One key stat you need to know: **More than three out of every four households in the Austin metro area use the Net.** This is phenomenal. Only one other metro area in the US ranks higher than our 76.5%, and we're close behind #1 San Francisco's 78.8% percentage of households using the net.

There's another key measure where Austin is just a hair out of first place. Our Net-enabled households are **so involved with the Net their usage and interest in high speed access is 57.5%**, just a whisker behind #1 Jose's 57.6%. Not only are we using the Net, we are using it to the max and increasing that usage with each passing day.

More than almost anywhere else, **Austin area residents are sophisticated users and utilize the Net to its highest degree.** Our businesses (you and/or your competitors) use the Net more than most other places in the US.

This represents an incredible – and fast-growing – opportunity for you. Or flip it around. If you (or your business) are **not maximizing your use of the Internet, you could be left eating the dust of the others who are staying up with, or ahead of, the curve.** Make no mistake, this is here and now – and very much the future of commerce and communication.

**Austin's innovation continues to grow despite the economic downturn that began in 2000. The Greater Austin Chamber of Commerce reports that UTAustin patent applications have increased over the last couple of years.**

From fall 2000 through spring 2001, UTAustin filed 101 patent applications. This is up from 60 applications during the 1999-2000 academic year and 49 applications filed during the 1998-1999 academic year. **Of the 101 patent applications total, 32 are connected to the biotechnology sector.** Typically patents are issued one to three years after application.

**Is it just your imagination, or are there more lawyers running around the state than before? No, it's not your imagination. The number of attorneys in Texas has nearly doubled over the past two decades – from 34,827 in 1980 to 67,524 last year.**

Yeah, you say, but the state has grown by leaps and bounds during that time. The number of attorneys would be expected to increase. Okay, let's look at the Texas State Bar statistical profile a little differently. **In 1980, there was one lawyer for every 455 Texans and last year, the ratio was one per 327.** See, there are more barristers running around loose these days. And it's more pronounced in the Austin area where there are more attorneys practicing law than in the bigger San Antonio or Fort Worth areas.

Another thing you may have noticed is borne out by the numbers. More than a quarter (27%) of all the attorneys licensed in Texas are women. And that ratio will increase. The State Bar estimates that, in 2005, its membership rolls **will increase to 78,687, and of that total about 34% will be women.** How can they predict that with any degree of certainty? Well, almost half (46%) of all the students enrolled in Texas law schools today are women.

**Remember the flap generated by small private plane operators when Austin-Bergstrom International Airport was under consideration? The general aviation folks didn't want to give up the close-in Robert Mueller Airport. As a result of the controversy, the new ABIA was built with minimum facilities for the private plane owners.**

Well, without much fanfare, ABIA has now installed new T-hangars to provide **extra shelter for 54 more aircraft in the general aviation area of the airport grounds.** The hangars accommodate Group I general aviation aircraft. To give you an idea of how badly the spaces were needed, all 54 spaces were reserved before construction started.

Signature Flight Support manages the new T-hangars. They have also added **50 new tie-down spaces** in the service area. With these new T-hangars and tie-downs, the general aviation area at ABIA now contains space for about 170 small aircraft.

**The vast majority of people who became homeowners over the last ten years have done better with that one simple act of real estate investment than if they had invested in the stock market. In other words, over the last ten, five – heck, even three – years, you beat the stock market cold if you bought a home.**

Personal finance advisor **Scott Burns** ran the numbers. His conclusion: “Whether we measure over the last ten, five, or three years, the simple act of buying an average home with a standard down payment led to major equity growth. Indeed, **the growth was better than we would have experienced investing the same money in the Vanguard 500 Index Fund**. That fund, in turn, did better than the average domestic equity fund – particularly after taxes are considered.” He drew this conclusion after a recent examination of home prices.

Using National Association of Realtors research, Burns took the median home resale price in 1991, with a 20% down payment, and calculated that the equity grew in that home at a **10-year annual compound growth rate of 13.7%**. The Vanguard Fund, after paying taxes, had a **compound annual return of 12.1%**.

Over the most recent **five-year** span, the comparison improves. Burns found **home ownership equity grew at an 18.8% annual rate** while the **index fund investment grew at a 10.1% rate**. **Three years?** Even better. If you bought a house three years ago, the average **home equity grew at a 20.5% annual rate**, while the **index fund investment lost 1.5% a year**.

“Since the mother of all index funds did better than most managed equity funds over all three periods – before and after taxes – we can safely say that the vast majority of people who have become homeowners over the last ten years have **done better in their real estate investing** than in the financial asset investing,” Burns concluded.

But there’s an even more important message here. When you consider the median net worth of all American households, a single investment decision to own a home was enough to take a family into the mid range of American wealth. “Add a steady job, modest annual savings, and a typical employer match for a 401(k) plan, and anyone who could balance a checkbook could have vaulted into the **top half of all American wealth holders over the last ten years**. No genius required,” Burns observed.

This also explains why consumer spending has remained so strong, Burns said. “Home equity is the largest part of personal wealth for 90% of all Americans. Increases in home value have very likely offset stock market losses,” noted Burns. “In fact, just in the last three years **gains in home equity are larger than losses in the stock market for most Americans**.”

Now consider Austin’s skyrocketing home values. Burns was dealing with averages and medians. **Austin’s homeowners saw much greater increases than the average**, ending up much better. Burns’ website is “It’s Only Money.” The address: <http://ScottBurns.com>.

**An often overlooked, yet significant, part of the Austin area economy, is unique because we are the capitol city of Texas. The bigger metros of Dallas and Houston cannot claim anywhere near the hundreds and hundreds of trade associations and professional societies who headquarter here.**

Most of what the public knows about these associations is they hold conventions and are a major lobbying force when the Texas Legislature meets in regular session every two years. But, in addition to that, **they are a major, basically-stable economic presence.** They generate generally high-paying jobs, bring in a lot of outside dollars to flow through our local businesses and they build buildings.

And, there are associations/societies for just about every group. Take the Texas Association of Counties, for example. The 254 county governments have banded together in a trade group. And, if you drive past the 1200 block of San Antonio Street, you'll see a **\$21 million, 82,047 sq.ft., eight-story office building** under construction. This isn't a high tech company, no group of civic leaders recruited the association, and our city didn't offer incentives to them to build. This is true of all of these trade groups.

By the way, the TAC building should be an interesting addition to the skyline. It will be a stately gray and cream-colored sandstone building that **will bear an architectural resemblance to many of the grand old courthouses found in city squares all over Texas.** When it is completed next year about this time, it will have a major portion of the ground floor set aside for retail, and some of its floors will be available for lease.

These associations and societies add to the diversity of our economy. They only demand city services necessary to keep their non-polluting office buildings functioning. They should be appreciated for what they bring to the mix of our city.

**Dr. Louis Overholster** believes that if the Almighty had not meant for us to have the income tax, he never would have given us migraines!

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