

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

Here we are, four years after the sparkling new and larger Austin-Bergstrom International Airport (ABIA) opened to the public 5/23/99, and the latest figures show more passengers flew during the last month of old Robert Mueller Airport's existence than used ABIA four years later. This dramatically illustrates the weakness of the air travel market.

By almost any measure, ABIA itself is a resounding success and recognized worldwide as one of the best airports anywhere. Just within the past year, **JDPower and Associates ranked ABIA highest in the US for customer satisfaction and second highest in the world.** Yet, fewer customers used the airport in April 2003 than during the last full month of Mueller's operation in April 1999 – despite Austin's impressive growth during the past four years.

ABIA passenger traffic in April totaled 520,951 – **less than in April of 1999, 2000, 2001 and 2002.** The number is more than **100,000 less** than in April during the go-go years of 2000 and 2001 (before 9/11/01). Obviously, this is not a story unique to Austin. With the words “bankruptcy” and “airlines” being regularly mentioned in the same breath these days, the travel business is in a world of hurt.

Austin is fortunate because the airline that carries more Austin passengers than any other, Dallas-based Southwest, is the only major carrier still making a profit. **Southwest has carried 36.9% of Austin passengers through April,** compared to troubled American's #2 market share of 25.1%. Continental, with an 11.4% market share, and Delta at 9.3%, round out the Top Four.

Even during this slow time, ABIA is not sitting still. **Two new stores** – Lefty's Bar & Grill on 6th Street and Barton Springs Dry Goods – opened on the concourse this past year. **Mexicana Airlines** started regular operations at ABIA. **More new nonstop flights were added** and re-instated by the airport's longstanding signatory airlines. The federally mandated security deadlines were met and three explosive detection K-9 units arrived recently. **The landscape, terminal design and unique music program** continue to gain awards and recognition.

But so far, the economy has really put a dent in air travelers using ABIA. In the meantime, **an already great airport for travelers is less crowded and more appealing** – if you arrive in plenty of time to clear security. With the struggling airlines offering cut-rate fares, the summer air travel season might be the needed impetus for increased traffic. We'll watch it for you.

Driving through downtown Austin you would think we're in the midst of a boom time, what with building cranes piercing the sky around all the new buildings under construction.

When you think about it, you start shaking your head and muttering something like "I thought we had more vacant office space in downtown than at any time since the real estate recession of the late 80s, and the economy is in the dumper so nobody has any money to spend, etc." Well, some of this is true, but the fact remains there are a number of **major construction projects concentrated around the core of Austin**. And, frankly, it's impressive. Add 'em up.

First of all, we told you 5/16/03 about the early leasing success of the 33-story high-rise Frost Bank Tower at Fourth and Congress. **The 524,000 sq.ft. modern office building** will have retail shops, as well as the bank's lobby at street level.

But this is *not* the biggest downtown construction project. Look just a couple of blocks east, on Fifth Street near the Convention Center, and you'll see the **massive Hilton Austin Hotel Tower** nearing completion. This is a whopper of a project, containing more than 700,000 sq.ft., that also includes 108 loft and penthouse residences. Additionally, another 30,000 sq.ft. is set aside for office space.

Then there are three – count them, three — separate living unit construction projects downtown. AMLI is coming out of the ground with **20 apartment units and 45,000 sq.ft. of retail space** west of Congress Avenue between Second and Third Streets. (AMLI plans additional future units just a couple of blocks away.) Phoenix Property Co is moving ahead with the "**5th At West**" project for **139 apartment units**. And nearby, the **Austin City Lofts is rising 14 stories** and will contain 82 condo units, along with 3,600 sq.ft. of retail space.

This is not all. Closer to the State Capitol (west of it), the **Texas Association of Counties** is nearing completion of its eight-story 82,000 sq.ft. office building. It will house lobbyist's offices (always a booming industry in this politically oriented capitol city!). And speaking of things political, you're now seeing the **massive one-square block Austin City Hall complex** peeking out of the ground on the north banks of Town Lake. It'll contain 115,000 sq.ft. and an expansive plaza. And, because this is Austin, there's even construction underway on a **100-bed men's homeless shelter**. The Austin Resource Center for the Homeless can expand to sleep 250 men during extreme weather.

This adds up to **eight large construction projects underway in downtown during this downturn**. And the ground is just now being turned on another entire city block between Fifth and Sixth, fronting on Lamar, for the **largest Whole Foods grocery store in the nation**. **This will make nine**. One of the intriguing aspects to all this is the *variety*. You have office, retail, grocery, hotel, penthouses, apartments, condos, government, service – even something for the homeless – in projects that are pumping construction dollars into the economy. Quite a mix.

“I can’t remember a time when income went up faster than prices. It is not that income is rising fast, but Texas home prices in real terms, when adjusted for inflation, are declining.”

This is the view of **Jack C. Harris**, research economist with the Real Estate Center at TexasA&M University. Harris said the combination of low interest rates and stable home prices made Texas homes more affordable. A homebuyer buying the median priced home could **expect a monthly payment 6% less** than what would have been required a year ago.

Last year, the typical house payment, including property taxes and insurance, on a median priced Texas home was \$931. This year, according to the Real Estate Center, the **median priced home costs \$874 per month, or \$57 less.**

Harris says Texas home prices are low because of an increase in inventory. Home prices decline when supplies increase. There are simply more houses competing for the same number of buyers. While the 6.2-month housing inventory statewide is not excessive, he says, **inventories have been steadily rising since they reached a statewide low of 4.2 months at the end of 1999.** “This puts pressure on prices,” he notes.

Harris theorized the **“increase in inventory is because of job losses.** Some people who move into Texas for a job move back home when they lose their job. Others move out of their homes and into apartments.”

Speaking of jobs, the Austin area’s unemployment rate dropped in April. This means we’ve added jobs to help climb out of the downturn.

While the 5-county Austin metro area unemployment dropped from 5.7% in March to 5.3% in April, the **more significant number is what happened year-over-year.** Employment is never a static figure. If nothing else it fluctuates due to seasonal employment swings – hiring for the year-end holiday season, with a subsequent drop-off in January being the most obvious. So what happened to our April unemployment compared to April a year ago?

It too went down – **from 5.6% in April 2002 to 5.3% in April 2003.** This makes the drop all the more important. These numbers are the average unemployment percentages for all five counties, Travis, Williamson, Hays, Bastrop and Caldwell.

How did the Austin area compare to the other big metros? **San Antonio leads the Texas metros,** even though it us up slightly from the previous year, with an April 2003 unemployment of 4.8%. **The Austin metro is #2** at 5.3%. **The worst of the bigs? Dallas** metro holds this month’s title with 6.6% unemployment – after dropping from 6.8% a year ago. The Houston area went way up from 5.4% a year ago to 6.2% and Fort Worth-Arlington went up slightly from 5.7% to 5.9%. Once again, the Austin area is in relatively good shape.

Starting this next week, you may need to put your garbage out by the curb an hour earlier if the City of Austin collects your trash.

Austin's Solid Waste Services, effective 6/2/03, begins collecting garbage, recycling and yard trimmings at 6:30 am. This is an hour earlier than the previous start time. **To be sure your trash is collected, you need to have it on the curb by 6:30 am** (or put it out the night before).

The City says this move allows its trucks to get to the beginning point of their routes and **off major roads in advance of morning rush hour traffic**, and allows the routes to be completed before afternoon rush begins.

It also should cut down the amount of time the trucks sit in traffic. This could reduce fuel costs and air emissions. The early start time should also **reduce heat-related injuries**, as much of the heavy lifting will be done during the cooler morning hours as summer hammers us.

While we're giving you a heads up, we need to remind you to check your electric utility bill. **During the summer months when you use air conditioning the most, the rate Austin Energy charges you for electricity goes up significantly.** The idea is to get you to conserve and to cover the costs of additional generation and electric system equipment needed during the heavier daily summer demand. The higher billing rates are in effect from May through October.

How much higher are the rates? Well, for residential customers, the billing rate for months of November through April is **6.02 cents per kWh**, for everything you use over 500 kWh. **The summer rate kicks it up to 7.82 cents per kWh** for power used over 500 kWh. The base rate for power under 500 kWh remains the same – 3.55 cents per kWh. And, of course, every residential user pays a flat “customer charge” of \$6 per month.

Dr. Louis Overholster said he just saw the most realistic bumper sticker of them all. It said: “I Brake For Honest Politicians. There's No Stopping Me Now!”

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Sincerely



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