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Dear Client:

Want to buy an office building in Austin? How about 40% off the prices they were getting in 2000? This is the average drop in prices of the handful of buildings sold so far this year. There has been a dramatic drop in sales of office buildings over 30,000 sq.ft., and the prices have dropped substantially.

How dramatic and how substantial? “For the first half of 2003, there have been only four sales of office buildings over 30,000 square feet,” said **Helen Jobes**, principal and founder of Austin’s Gold Eagle Investments. “There was total consideration of \$32,311,710 and the **average price was only \$84 per square foot.**”

How does this compare? Well in 2000, 24 office buildings changed hands for a total price of \$412,519,646, according to Jobes. **The average price was a whopping \$145 per square foot.** Many of those buildings were new construction. The year before, 19 buildings were sold at a per-square foot average of \$136. Those were the good ole days.

The bottom started dropping out in 2001 (only 7 sales at \$115 per square foot). Last year, there were 11 sales and the price per square foot leveled out at \$119 per square foot. But, through the first 6 months of this year, the price of the few office buildings that have sold **dropped precipitously — to just \$84 per square foot.**

So, Helen, are there no buyers or no buildings for sale? “There are an **abundance of buyers** in the market but very few real opportunities,” Jobes observes. She adds that “in the past month, three multi-tenant buildings have come on the market and it will be interesting to see where they trade.”

Of course we’re talking about *sales* here. For a couple of years, we’ve been pointing out the soft *leasing* situation in office buildings. And that hasn’t changed. For instance, **Charles Heimsath**, president of Capital Market Research, says “during the first six months of 2003, the office market continued the decline which began in 2001.” Heimsath did say, “**there are two positive trends** in this otherwise discouraging market. The first is the movement of available space from the sublease market back into the hands of building owners. The second positive trend is the increase in leasing activity. Based on these factors, and the stability in overall vacancy rates, **it appears the market is close to the bottom of this market cycle.**”

The big keep getting bigger, and so do the small, when you're talking about the metro areas in Texas. But the big *impact* in the future, as now, will continue to be with the big metros – and Austin should lead the pack.

It's been a long time (though still in our lifetime), since Texas' economic strength was due to the dominance of enterprises that grew out of the vast expanse of land in the Lone Star State. We're talking about cattle, cotton, and oil and gas. Now, the land that contributes to Texas' economic vitality is crowded into **only 32.48% of its total square miles.**

Texas has 27 different metro areas (MSA's) covering less than one-third of its land. The metro areas incorporate only 58 of Texas' 254 counties. But the *metro impact* is more concentrated than that. **Almost two-thirds of Texas' population (62.33% to be exact) is crowded into the six largest metro areas** – Austin, Dallas, El Paso, Fort Worth-Arlington, Houston and San Antonio.

When you break it down further, it is even more concentrated. For instance, the larger metros had 69.06% of the state's **wage and salary jobs** in 2002. And the six major metros produced 77.54% of the state's **real gross output**. More than 69% (69.10%) of **retail sales** were recorded in the six big metros. And the larger metros had 71.13% of real **personal income** in the state in 2002.

The big will only continue to get bigger in the future. There is a growing pattern of dominance in the proportion of big city residents in Texas. The *Perryman Long-Term Economic Forecast (2002-2030)* reveals the **6 major metros will have 66.41% of the state's overall population in 2030**. This compares to 62.33% of the aggregate Texas population in 2002. There's no need to bore you with more numbers. All you need to understand is the other numbers will also increase proportionately, leading to further big city metro dominance.

This doesn't mean the 21 smaller metro areas are going to wither and die on the vine. They, too, will experience population growth over the long term. And they will have higher percentages of the various categories (such as retail sales, income, etc.) on the long-term horizon, as projected by the Perryman report. The state of Texas will continue to grow and grow in population and dominance, and it will be concentrated in *all* the metros – just disproportionately greater in the 6 biggest.

Of course, this leaves 67.52% of Texas' land mass that will continue to be rural, though some of the metro areas may expand slightly. Yes, there will still be cattle, cotton, and oil and gas in the two-thirds of Texas that is not metro. But it, too, will continue to diminish in importance relative to the rest of the state's economy.

To put this in perspective you need to realize that while Austin is nowhere near the largest of the 6 major metros, where future dominance will play out, **our metro area will likely to be the major metro leader percentage-wise** in practically all the future economic indicators.

A cultural treasure in our midst not only received some well-deserved national recognition, but it was hailed as “a hint of things to come.”

This came in the form of a front-page article in the *Los Angeles Times*, by **Christopher Reynolds**. He was effusive in his praise of UTAustin’s Harry Ransom Center, that the *Times* said is mirroring “a trend by exhibiting its trove of literary papers and artifacts, both scholarly and mundane.” Here’s some of what he wrote:

“No disrespect is intended to your local public library. But to glimpse **36 million of the most coveted pages in all of literature**, and possibly also Sir **Arthur Conan Doyle**’s underwear, serious book folk know they must come here, to the same Hill Country that gave this nation **Lyndon B. Johnson**, ‘The Texas Chainsaw Massacre’ and its largest public university.

“Once arrived, they look for the tall glass-and-concrete box at the edge of The University of Texas campus, and step into the Harry Ransom Humanities Research Center, home to a **staggering trove of papers and artifacts** from thousands of writers, artists, musicians, actors and others.

“Down these corridors, elaborately indexed, preserved and arranged is the smoking-gun evidence that **James Joyce** liberally amended the final page proofs of ‘Ulysses,’ that **William Blake** hand-colored some copies of his 1789 ‘Songs of Innocence,’ that **D.H. Lawrence** toyed with many titles before naming his novel about **Lady Chatterley**. In late July, 37 boxes of **Bob Woodward** and **Carl Bernstein**’s Watergate papers arrived.

“For decades, scholars have rummaged here in solitude and wonder, sorting through a collection laid out something like a bottom desk drawer eight stories deep. But now, for the first time in its improbable 46-year history, the center has a **clean, well-lighted place to show off its massive holdings** for a wider audience. And as an increasing number of libraries nationwide begin to behave more like museums, this Austin building may stand as a hint of things to come.”

Reynolds raves about the collections. “Back in the stacks,” he notes, “lie letters to and from **Henry James, George Bernard Shaw, Evelyn Waugh and Anthony Burgess**, manuscripts from **T.S. Eliot, John Fowles, Arthur Miller and Tennessee Williams**, editions of **Shakespeare** from the 17th century, and the storyboards from ‘Gone With The Wind’.”

How did this all start? “**Harry Hunt Ransom**, the silver-tongued English professor-turned-administrator who founded the center in 1957, began with the **singular idea of creating ‘a Bibliotheque nationale’ of Texas**. Knowing that older libraries had already gobbled up most of the best work by authors before 1870, he aimed instead to **collect more recent writers**.” And it’s on display for you to see, admire and enjoy in the heart of Austin.

All those summertime thunderstorms that rumbled through the Austin area this week did some wind damage and caused power outages. But, did you notice the outages seemed to be fewer than in previous years?

The storms have been spotty, but intense. And the intensity is what creates problems. Oh sure, if the big thunder-boomers had been more widespread, there may have been more outages. But even then, there is something else afoot that keeps your power supply running more dependably now than in the past.

Ten years ago, a typical thunderstorm with lightning, winds and rain would leave **20,000-50,000 Austin Energy customers without power**. Today, a similar thunderstorm rolls through – such as we had this week – and there are **50% - 60% fewer outages**. And the numbers keep getting smaller each year.

Why? One reason is Austin Energy has been spending millions more each year on **maintenance and equipment upgrades** to the electrical system. But just as importantly, Austin Energy has a more **comprehensive tree-trimming program**. Trees are the number one cause of power outages.

Austin is proud of its trees. We've often been called an oasis in the heart of Texas. So trees are highly prized here and, in fact, increase the value of a home – as well as keep a home 2-5 degrees cooler. But once **trees are trimmed back** from power lines in a neighborhood, **outages decrease by up to 60% or more**.

It's actually against state law to let trees grow into power lines. The electric utility industry standard for tree pruning is a 4-year maintenance cycle. This means **the clearance you obtain by pruning trees should last at least four years**. So when's the last time your trees were trimmed? Check 'em out. It could keep you from losing power during these hot August days.

Dr. Louis Overholster advises his Type-A personality patients that there is too much tension in their lives when they can't tell which is vibrating – their cell phone, pager or stomach!

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