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Dear Client:

Even though direct vacancy in Austin office buildings increased nearly two percentage points in the last quarter, “Austin will show the greatest turnaround in overall vacancy within the United States over the next two years.” What? Who is making this bold forecast?

The folks who, after predicting the office building problems of the late 1980s, called the strong rebound of the 1990s, while doomsayers abounded – that’s who. They also warned during the blistering boom of 2000 that it was “unsustainable.” **Ray Torto** of Torto Wheaton Research (a wholly owned subsidiary of CB Richard Ellis), after analyzing the office markets in all the major cities in the US, is on the record that Austin will lead the nation.

Over the next two years, Torto said **Austin’s turnaround will amount to a 7.6 percentage point decrease in office space vacancy** – to lead the nation, percentage-wise. He foresees a drop from a 25.3% overall vacancy rate now down to 17.7% by year-end 2005.

Torto’s national comparison is bolstered by the Central Texas office of CB Richard Ellis (CBRE), run by Managing Director **Jerry Frey**. “Austin continues to be a sought after market for relocation,” reports CBRE’s 3rd quarter Market Index Brief.

“More and more companies from all over the United States, specifically California, are starting to look at Austin as a place to expand their business,” notes CBRE. CBRE is headquartered in Los Angeles and is the largest commercial real estate services company in the world.

CBRE’s Central Texas operation acknowledges there has been a negative trend in absorption, but **“there are signs that the market has reached bottom, as activity has greatly increased.”** In fact, CBRE points to the Austin’s Central Business District as “a bright spot in the market” noting positive absorption numbers were posted for the third consecutive quarter. This trend will be disrupted somewhat when Austin’s largest office building, the Frost Bank Tower, comes on line adding more available space to the market.

This blip in the vacancy rate does not change Torto’s forecast. “The city possesses an excellent quality of life, a skilled workforce, and an abundant amount of office space opportunities, which should **bode well for the future of Austin,**” concluded the CBRE Market Index analysis.

When people move, where do they go and why do they move there? Researchers boiled it down to eleven indicators and guess which area came in as tops in Texas?

Rather than take the emotional and subjective responses (“I just really like it there” or “It’s so pretty”, etc.), four researchers tracked economic and demographic data for the Texas Workforce Commission, analyzed the info and **ranked all 254 Texas counties from best to worst**. Then they split the counties into two groups – basically metro counties and more rural counties – and picked the tops in those two county groups.

The *economic* indicators: unemployment rate, average weekly wage, sales tax, job growth and labor force density. The *demographic* indicators: educational attainment, poverty, food stamps, commuting distance, housing costs and population growth rate. Of all the 254 counties in Texas, Central Texas’s **Williamson County ranked higher than any county in Texas**. Why Williamson County above all others?

Williamson County has experienced an employment surge of 134% since 1993. It is a well-educated community, ranking in the top five counties in the state for educational attainment. Due to the **high educational attainment**, Williamson County residents offer a **highly qualified labor force**, which draws employers who provide a **higher earning potential**. For instance, only 4.8% of Williamson County residents earned below the federal poverty level in 2001.

The higher earnings in Williamson County caused it to be ranked in the top ten county average weekly wages earned in Texas. With a **higher average wage**, there is **more disposable income**. This translates into **more sales tax revenue**. In the 4th qtr 2002, Williamson County residents paid \$2.4 billion in sales taxes – more than two times the state average.

Williamson County excelled in seven of the eleven indicators, according to the research team. But the County did have its drawbacks. It is the 6th most expensive in the state when it comes to **high home prices**. And half of Williamson County’s labor force **commutes more than 30 minutes to work** each day (66,000 of those drive to work in Travis County). Also the County mirrors national trends, suffering **losses in employment** during downturns.

Regardless of the setbacks, Williamson County continues to prosper. From 1990 to 2000, the population expanded by 110,400. Williamson has **maintained its steady population growth**, with an estimated surge of 28,700 in the two years since the 2000 census.

Conclusions of the Texas Workforce Commission study: Residents are settling in “bedroom communities” in Texas. They tend to migrate to areas where the workforce is better educated, higher paid and has more opportunity for work. In general people **care more about living in a good neighborhood** outside the city, where livings costs are lower (or where living conditions are perceived to be better) **than they do about increased driving times to work**.

The high-tech population boom in the Austin metro area during the 1990s meant that young workers moved here in droves, to the exclusion of older citizens. Right? Not really.

Oh sure, the young nerds and geeks, driving Porsches, gaining wealth beyond measure through IPOs, packing the high-dollar restaurants and cigar/martini bars, etc. seemed to get all the publicity. But while all this was happening, there was another, **quiet shift in our population demographics**. And it had nothing to do with youth. Quite the opposite.

The Austin metro area's elderly population grew faster during the 1990s than in any metro area in Florida. Say, what! That's not all. The Austin metro area ranked #3 in the nation in the greatest growth rate of the elderly during the 1990s, according to the Milken Institute. Only Las Vegas and Phoenix, well-recognized retirement areas, grew at a faster rate.

Austin's elderly population grew at a 37.3% rate during the 1990s, not far behind #2 Phoenix's 38.0%, but way behind #1 Las Vegas's whopping 86.2%. By the way, #6 Orlando, led Florida's metro areas with a 28.8% growth. Other Texas cities were way up in the rankings as well: Houston's elderly population growth was #4 at 31.8% and Dallas' was #10 at 25.1%.

In addition to the well-known amenities offered in the Austin area which are attractive to the elderly (moderate climate, ample leisure activities, good health care, etc.), some at the Milken Institute economic think tank also believe the younger population in an area makes it attractive to the elderly – **grandma and grandpa, moving to be near the kids and grandkids.**

“Sometimes the best solution to morale problems is just to fire all the unhappy people.”
“Meetings: None of us is as dumb as all of us.” These slogans, and countless others like them, are going out from an Austin business to 2.25 million people.

“There are no stupid questions, but there are a LOT of inquisitive idiots.” **“Never underestimate the power of stupid people in large groups.”** “The secret to success is knowing who to blame for your failures.” And on and on. These “maxims” are emblazoned on elegant posters, coffee mugs and sticky note pads and are being peddled by an Austin company, Despair, Inc., via the Internet and in a massive (2.25 million) catalog mailing.

The satirical takeoff on motivational posters is generating big bucks for the company that doesn't appear to take anything seriously. Under a picture of a bone-crushing football tackle is the phrase: “Some people dream of success, while other people live to crush those dreams.” Under a snowball rolling down a pristine hill: **“A few harmless flakes working together can unleash an avalanche of destruction.”** You get the idea. If you didn't get the catalog, you can go to www.Despair.com to check out their offerings. Oh yeah, the company says it's profitable.

Work is progressing on one of the major roadway projects that, among other things, is a major artery to Austin's airport. And progress on the massive job means more re-routing of motorists on one of the nation's busiest interstates.

We're talking about the gigantic Ben White Blvd/IH35 puzzle. Just a couple of weeks ago, southbound interstate motorists were switched to a new bridge crossing over Ben White. But crews are still working on the pavement between Williamson Creek and Stassney Lane, so it could be **early 2004 before drivers will enjoy the full run of the new southbound lanes.**

In the meantime, the Texas Department of Transportation (TxDOT) reports the west side of the project is preparing for a move of its own. New eastbound frontage lanes for Ben White Blvd. are expected **to open in early November.** Traffic is currently using the old westbound lanes for the run to the interstate.

Opening the new lanes and shifting traffic will create more working room for two direct connection ramps. Overhead decking is already in place on parts of the southbound IH35-to-westbound Ben White ramp and also on the eastbound Ben White-to-northbound IH35 connections. But TxDOT says it could be the **first quarter of 2004 before the southbound-to-westbound ramp is opened.**

The remaining direct connections all face a similar challenge. They either cross, or tie into, the northbound lanes of IH35. So, drivers will have to move. **More detours, more delays.** Those who drive the route regularly will need to keep alert to re-direction of traffic on into next year as the largest single roadway construction project in Austin's history continues.

By the way, if your business or your commute is affected by this drawn-out project, you can get more info by calling **TxDOT's Construction and Lane Closure Hotline.** The number is 512-416-5700, ext. 1368.

Dr. Louis Overholster has as much difficulty with diet and exercise as do most of his patients. But he holds out hope: "I keep hoping science will discover a cure for the common exercise!"

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