

Volume 26, Number 21

August 20, 2004

Dear Client:

When Capital Metro unveiled more details this week for its proposed Austin commuter rail line, it provided the trigger for a debate that will increase in intensity between now and November, when you will likely be asked to vote on the multi-million dollar proposal.

Transportation issues are always flash points for disagreement in the Silicon Hills of Austin. Look what we're going through right now after an expansive toll road plan was recently adopted for the Austin area. The toll road plan continues to be the center of **acrimonious charges** and calls for public figures to resign or be removed from office by other means.

If Capital Metro does as expected, and places a commuter rail referendum on the 11/2/04 General Election ballot, **the electric atmosphere will still be present**. You will have a highly-charged atmosphere permeating public and private discussions for the entire months of September and October

Even during times when no major public decisions are on the table, you can get heated opinions about the difficulties of "getting from here to there." **The Austin area's mobility problems are legendary – and getting worse**. So, if toll roads and commuter rail are proposals to help ease these problems, why the debate?

Because Austin's fierce independence and diversity means no big decisions are made in lock-step. Just look at the growth/no-growth, pro-rail/anti-rail, pro-cars/anti-cars, pro-tax/anti-tax, etc. groups running around out there. Add on top of this those groups or individuals who have narrow agendas that surface from time to time and you can see the problems.

As we mentioned 7/16/04, "this could be a watershed transportation decision year." These are really big moves for the long-range future of the Austin area. Those who would defeat these big transportation projects have the easiest job. **It is much easier to defeat a measure than to pass it**. All they need to do is raise questions, cast doubts, and hit the hot buttons of those who are skeptical about such projects for a variety of reasons.

Those who favor toll roads and commuter rail have a tougher, albeit simpler, task – they must **"sell" the value of these projects to solve the transportation headaches that are increasing daily**. The voters who are affected by traffic tie-ups vastly outnumber those who would defeat these plans. The big job is to get that message across and it will cost a lot of money.

If you like to spot emerging real estate hot spots in the Austin area, we have some suggestions for you to circle on your map.

In our 8/13/04 issue, we told you how a sleepy area of downtown Plano in the last 20 months attracted about \$70 million worth of public and private investment. The money will be used for transit-oriented projects in conjunction with the recent Dallas Area Rapid Transit (DART) station opening. **Foot access to the DART train stop is the driving force behind apartment, condo and retail construction.**

A few days ago, Capital Metro publicly identified **nine locations in the Austin area where, if voters approve, it says it will build train stations** along the commuter rail route. Two obvious stations will be north, at the beginning of the line in Leander, and south, at the end of the line at the Convention Center area in downtown Austin.

Moving from north to south **along the already existing rail tracks**, the other seven stops proposed by CapMetro will be at the Northwest Park & Ride (in the Cedar Park area) ... Howard Lane ... near UT's JJ Pickle Research Campus and Braker Lane ... Lamar Blvd/Justin Lane ... Highland Mall ... MLK Blvd ... and Saltillo Plaza in East Austin.

Now comes the caveat. First of all, **the approval of the CapMetro Commuter Rail plan is certainly not a foregone conclusion.** Secondly, the Plano experience clearly points out other factors – in addition to the commuter train station – were present, such as a park, a pond and 19th century buildings in the area. And, who knows whether the currently identified locations will be the final sites – when all is said and done. But, hey, this is why those who invest in projects like this call it real estate *speculation*.

So, if voters do give approval to commuter rail, when would the line from Leander south to downtown Austin be carrying passengers?

Hard to say precisely. The Capital Metro folks are talking about **opening the line in 2007 or 2008.** It takes time to upgrade the existing rail lines, complete the infrastructure necessary to support the service and to purchase/take delivery on the equipment necessary to “run a railroad.” Rail cars would run along the line about every 30 minutes during rush hour.

But CapMetro has more on the drawing boards than just this line. The Leander-Downtown Austin route would be the **spine for other systems in the future, if ridership reaches levels to justify adding more routes.** However, it's important to know that, even if voters approve a November ballot item, CapMetro must still come back to the voters again for approval if it wants to build additional capacity.

The retail real estate market in the Austin area is strong by any standard of comparison and, even during the downturn, it has remained the darling of the commercial property market.

The overall retail occupancy rate has been above 93% for the past six years. And **“average rental rates have also shown gravity-defying strength,”** says **Eric DeJernett**, principal and retail specialist at NAI Commercial Industrial Properties (NAI CIP), a firm that has been active in commercial real estate in Central Texas for decades. “The big news is that they (rental rates) have not gone down during the past six months or the past six years for that matter.”

So, Eric, what’s hot right now? **“The retail strip center market is still being driven by brand name users** such as H-E-B, Target, Home Depot, Wal-Mart, Walgreen’s and the junior anchors and small shops that like to follow them,” he says. “CVS has entered the market to take Eckerd’s place as Walgreen’s competitor in the neighborhood pharmacy market.”

“Fast casual dining restaurants are also a hot segment of the restaurant market as Americans look for quick and healthy options for their busy lifestyles,” DeJernett noted. He also pointed out that Simon Properties is still the dominant player in the mall and lifestyle markets, “but other well-capitalized national developers are trying to edge their way into the Central Texas market.”

What else? **“Lifestyle centers, as well as traditional neighborhood and new-urban developments, are still the trend du jour** for new retail development,” he said. There are several lifestyle centers, or some variation thereof, in the works in the Central Texas area – such as the Domain and old Mueller airport projects. But he points out that “while very sexy in concept, they are hard to pull together and require a high level of sophistication to develop and manage – as evidenced by the fact that no new lifestyle developments have been completed in our market.”

Okay, Eric, what are some of the problems in retail development? **“There are a lot of players chasing the same retail market segment,** and all of the projects currently in the planning phase, or with ‘coming soon’ signs, will not see dirt turning during this market cycle,” he predicts. “Retail projects are tenant driven and those with anchor tenants and/or quality locations will see strong demand,” he said. “The inferior sites, or those that are being touted as retail sites because there is currently no office or multi-family demand, will likely have ‘coming soon’ signs for quite awhile.”

Looking out on the horizon, past the bulldozers and earth movers, DeJernett says there is a wave of retail development that will be locating at the intersections of new arteries. **Housing development has already occurred along these future roadways,** which is the perfect scenario for retail growth. He says to look for continued retail interest in such areas as Buda, Kyle, Cedar Park, Round Rock, Hutto, Bastrop and Georgetown.

What appears to be a communication from your bank to protect you against fraudulent activity is a fraud itself.

Austin area computers are being hit by an official-looking e-mail from safeciti@citibank.com. **Don't click this hyperlink! It's not from Citibank.** Citibank's Web site is simply Citi.com. The e-mail starts out "We recently noticed one or more attempts to log in to your Citibank account from a foreign IP address and we have reasons to believe that there was attempts to compromise it with brute forcing your PIN number." Re-read the previous sentence. Notice the grammatical errors.

The e-mail says "we have established an offline verification system to help you evaluate with whom you are dealing with. The system is called CitiSafe and it's the most secure Citibank wallet so far. If you are the rightful holder of the account, **click the link below, fill the form and then submit as we will verify your identity** and register you to CitiSafe free of charge."

WHOA! Fill the form? Verify your identity? This is where they get your account information and steal your identity. It also says "this way you are fully protected from fraudulent activity on all the accounts that you have with us." Yeah, right!

The place to click says "Click to protect yourself from fraudulent activity." The bad spelling and grammar continue with, basically, an underlined threat to the poor souls who respond: "NOTE! If you choose to ignore our request, you leave us no choice but to temporally suspend your account." Temporally? The misspelled words and bad grammar are a tip-off, but **many recipients who hastily read the e-mail may be duped.** While this Citibank rip-off is the only one we've seen, you can bet the good names of other banks will also be used. Be careful.

When **Dr. Louis Overholster** received this bogus e-mail, he immediately went to Citibank's legitimate Web site to report the fraud. He concluded his notification by referencing the bad grammar and said "I hope the perpetrators will receive instruction on the proper use of the English language – in a US Federal Prison!"

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



Editor/Publisher