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Dear Client:

**The fund-raising has stopped and the spending has started. Some \$12.7 million is being spent to create 72,000 new jobs and 1,400 new businesses in the 5-county Austin metro area.**

Back in Austin's economic high tech go-go days (the 1980s and 1990s), such an effort wasn't even considered. But then, after 2001, **the area suffered from a stagnant economy** and headlines screamed about layoffs, job dislocations, loss of venture capital and other investment capital, and Austin area businesses dramatically curtailed spending.

Studies showed Austin had put itself at a distinct disadvantage in marketing to economic development prospects by consistently **allowing other cities and regions to outspend us by as much as six to one.**

So under the direction of Heritage Title's President **Gary Farmer**, the Greater Austin Chamber of Commerce set out to raise \$11 million. But the enthusiasm was so great, 231 local business leaders committed \$12.7 million to, once again, move Austin's economy to the top of the nation's heap.

**In effect, the business community voted with its pocketbook for a strategy to grow the economy.** The additional funds will provide additional opportunities to move the Austin region ahead of the pack. The extra dollars raised will be leveraged to increase the return on investment.

How are the big bucks being spent? In a number of ways. For instance, a **national advertising campaign**, targeted to site consultants, facility managers and business execs who make decisions on business expansion and re-location, is already underway and runs through April.

The message: **Austin is ideal for those who want to mix "good business with the good life"** and has been ranked among the "most inventive, wired, rockin', affordable, lovable and physically fit places in the country."

Much of the money will be spent in Austin – to **retain and assist in expansion efforts of existing businesses**, and to stimulate entrepreneurship and emerging technology sectors such as biosciences, digital film and entertainment and clean energy. All of this will hopefully improve regional competitiveness as Austin tries to catch up to the aggressive efforts of others.

## **Austin's high-powered economic development push will benefit from the State of Texas' nationwide effort to attract businesses to Texas.**

At the same time Austin is out there touting Central Texas, the state is undertaking an aggressive, nationwide marketing campaign promoting Texas as the top state in the country to do business. **The state's advertising campaign will include billboards and direct mail to more than 3,500 CEO's and site selectors across the country.**

"I believe that when employers are given the opportunity to examine the Texas record for themselves, they will see that you couldn't pick a better state to run a business," said Gov. **Rick Perry**. "You can grow here, succeed here and prosper here. **We have cultivated an economic climate in Texas that rewards hard work and welcomes new ideas.**"

The timing is fortunate for Austin. As you well know, Central Texas could be the best place in the nation for business, but if the state itself was not attractive, then Austin would fall short. **With the state and the region both singing the same tune far and wide**, it should create a synergy that will help our economy in the long run.

## **When Willie Sutton was asked why he robbed banks, he replied "because that's where the money is." Austin is going "where the money is" – to New York City, to lure business.**

New York City is the home of major corporations, high-powered site consultants and the national media. In other words, many people who need to hear that the Greater Austin region is back in the game of recruiting jobs and businesses are concentrated on Manhattan island.

In just a few weeks, Austin Mayor **Will Wynn** and Round Rock Mayor **Nyle Maxwell** will lead a regional delegation of 23 area business leaders on a three-day visit to the Big Apple. "We're going there to attract investment to Austin and position Austin as the Human Capital," said **Jason Ford**, the Greater Austin Chamber of Commerce Manager of Economic Development.

The itinerary, 12/5-12/8, features **media interviews, calls on site consultants and meetings with key corporate execs**. "Visits such as this have been decidedly successful," says Wynn. "It is invaluable to have a regional delegation hold strategic meetings with potential Austin investors and educate corporate executives on what Central Texas has to offer."

It's not all about generating new business. **"We're also calling on New York companies that already have investments in Austin** and will be encouraging them to not only keep it here, but expand and grow as well," said Ford.

**They said it before and it didn't happen. Now they're saying it again. Don't believe the PMI Mortgage Index. The sky is not falling on residential real estate in the Austin area.**

You may have seen a news report or two on this in recent weeks. According to the PMI November 2004 Risk Index, **Austin is the most likely metro area in Texas where home values will decline over the next two years.** Whoa! Can this be? Well, not if you look at PMI's predictions over the past couple of years. The track record of PMI's gloom and doom predictions for Austin have been so off-the-mark as to be laughable.

Go the Archives section on our Web site ([www.AustinLetter.com](http://www.AustinLetter.com)) and pull up the 4/26/02 edition. We reported then the PMI Risk Index made an even more dire prediction. It said there was no other metro area *in the nation* more at risk of a significant decline in home prices over the next two years than the Austin area. **Well, were they right? Of course not.**

We did a follow-up on their Risk Index almost two years later and found they had dropped Austin down from #1 in the nation to #9 of the most at-risk metros (go to the 9/12/03 edition in the Archives section for more detail). Big deal. We did some digging at that time and told you **their two-year forecast didn't hold up.**

**In fact, home prices did not decline as predicted. They increased over the previous year.** So much for their Risk Index as an accurate predictor of what will happen in residential real estate in the Austin metro.

Now, they're at it again. Oh sure, PMI Mortgage dropped Austin all the way down from the nation's dubious #1 "at risk" distinction two years ago (remember they were forecasting for a two-year horizon) to #23 in the nation this month (and #1 in Texas). But remember, they totally missed the mark two years ago. **And seeing as how the Central Texas real estate market is on track for a record year in 2004,** why should their new two-year forecast be believable?

Here's the problem. PMI Mortgage is a subsidiary of the PMI Group, a NYSE company that specializes in mortgage risk management technology as a supplier to the mortgage finance industry. Headquartered in Walnut Creek, California, it is a company that has some **clout in real estate and financing circles.** And it widely circulates its PMI Risk Index nationwide.

Unfortunately, it has been **spreading negative reports about Austin's real estate "risk" for years now.** Maybe someone, or some organization, has been putting out accurate info to *specifically* counter the company's predictions. But we haven't seen evidence of this. A negative story apparently is going un-counteracted.

Especially now that Austin is **spending millions to tell Austin's economic story,** those concerned with our economy (and real estate in particular) need to do something about this.

## Two major Texas airlines are squaring off for an important dogfight and Austin air travelers have their own dog in this fight.

The two airlines that, during good times and bad, have carried **more than 60% of all Austin air travelers** are now battling over more than low fares. American Airlines (that dominates the massive D/FW airport) and Southwest Airlines (that dominates the close-in Love Field in Dallas) are considering major moves at the two Dallas area airports.

We first told you 10/8/04, the world's most successful discount airline, Southwest, was considering expanding to the nation's third busiest airport, D/FW, by **acquiring many gates** to be given up by struggling Delta Airlines. We then told you a week later "**the empire will be striking back**" – a reference to American's response to Southwest's encroachment on its turf at D/FW.

Southwest, with a good amount of cash on hand and a strong balance sheet, was looking at three options: 1) move into D/FW, 2) expand at Love Field, and 3) do nothing. Southwest's method of operation is NOT to do nothing. And for all practical purposes, they have given up taking on American at D/FW. Instead, **Southwest may battle American to try to eliminate a federal law that keeps Southwest from making long-haul flights out of Love Field.**

Lawmakers and civic leaders are choosing up sides in the Dallas area. One side claims Southwest's long-haul flights out of Love will **hurt the D/FW economic engine**. The other says Southwest's expanded service at Love would **help the convention and tourism business**. Believe me, this fight can get really bitter – pitting politicians, business leaders, the cities of Fort Worth, Dallas and other cities in the metro area against each other. And for the Austin air traveler, all you have to remember is the old saying: "**It doesn't matter if you go to Heaven or Hell when you die, you'll still go through Dallas!**" You *do* have a dog in this fight.

**Dr. Louis Overholster** says diets are really getting out of hand. His example: the TV Diet, where every reality show you watch – you lose 50,000 brain cells!

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