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Dear Client:

**For years, low interest rates have been the focal point for homeowners and homebuyers. But the *ease* with which you can borrow money has been largely overlooked.**

Low mortgage interest rates have long been cited as the most important factor when you go to buy, sell or re-finance your home. Now, as mortgage rates continue to slowly increase, you need to **keep an eye on your friendly banker's lending policies – regardless of interest rates.** It's been largely unnoticed but, frankly, **it's pretty easy to get a home loan these days.** If these loose loan policies continue while interest rates rise, buying and selling your home may not be affected all that much by the rising cost of mortgages.

In fact, the Real Estate Center at TexasA&M reports the continued willingness of lenders to make low down payment and sub-prime loans is probably **more important than what interest rates do.** This is significant. Gone are the days when you had to pledge-your-first-born and make-payments-in-blood to get a home loan. Some of the deals financial institutions are making these days would have led to crackdowns by regulators in the past. As a result, more and more buyers are "qualified" to buy bigger and better houses than before.

What could alter these lending policies? **A flare-up of delinquencies and foreclosures.** So where do things stand in this regard? The Real Estate Center says delinquency rates *have* risen, but are far below the highs of the 1980s. And the Center is not raising any red flags, pointing out the level of delinquencies is not unexpected considering the soft economy.

You need to be aware of another trend in the making. The old standby -- a 30-year, fixed-rate mortgage -- appears to be going the way of dinosaurs. Yes, it's still used as a gauge for interest rate movement, but the **30-year loan is quickly giving way to a great variety of home loans.**

To give you a bit of perspective, you should know the trend across the US is for homeowners to refinance or sell their homes within seven years. And because many homebuyers recognize this, they are opting for **low-cost, front-end mortgages – some with interest only payments** (did we say "loose lending policies?"). They're banking on rising valuations before they move out in five-or-so years. As a result of this loose lending, they get more home with lower payments. Yes, *lending* policies may be more important than mortgage *interest* rates.

## When the numbers are finally tallied, which Texas city could end up as 2004's Hottest Housing Market?

It looks as if Austin may receive that designation. The early estimates of the number of **homes sold through the Multiple Listing Service (MLS) per 1,000 people put Austin into the top spot**, way ahead of the other major Texas metros. In fact, the only market that has the possibility of taking the title away from Austin is Tyler, in East Texas.

The Real Estate Center at TexasA&M (charged by the state with tracking real estate trends in Texas) estimates **Austin's MLS sales per 1,000 people in 2004 will be 16.3**. Tyler is projected to come in 2<sup>nd</sup> at 16.0, followed by Houston (14.7), Abilene (14.5), Wichita Falls (14.3), Dallas (14.0), Amarillo (13.6), Bryan-College Station (13.5), San Angelo (13.2) and Odessa-Midland (12.7).

Through the 3<sup>rd</sup> quarter 2004, Austin ranks near the top when it comes to home *building*. For the 12 months through September 2004, the **Austin metro area had issued 9.7 single-family building permits per 1,000 people – ranking it #4** on the list of Top Ten Hot Home Building Markets. Brazoria (12.3), Galveston (11.5) and McAllen (10.6) ranked 1, 2, 3. Following Austin, the metro areas of Houston (8.5), Brownsville-Harlingen (8.1), Fort Worth (8.1), Dallas (7.7), Laredo (7.3) and San Antonio (6.8) rounded out the Top Ten.

## Final real estate related item: where do we stand on the hottest insurance issue of recent times? We're talking about mold.

You haven't heard much about mold problems lately, have you? The scare that caused the **shutdown** of some Austin school buildings, the **devaluation** (and, in some cases, the **demolition**) of homes, as well as **skyrocketing home insurance rates**, have all but disappeared as mold has just about vanished as an issue of widespread concern. You would be well advised to check with your insurance agent. Some are advising their clients they no longer need the very expensive mold coverage.

## So, you – or someone you know – would make a good Austin City Council member. The qualifications are minimal, but the deadline for filing is fast approaching.

If you're at least 18 years old, a qualified voter in Texas, a resident of the City of Austin for at least 6 months and a Texas resident for a year, you are eligible to run for the City Council. That's it. Oh yeah, you need to pony up a **\$500 filing fee or submit a petition of 294 valid names** of Austin qualified voters. Three of the six council positions are up this time around. The mayor's office is not. The deadline for filing is 5 pm, 3/7/05; the election is 5/7/05.

**The high tech world took note about ten days ago of the announcement of a new supercomputing chip. But most accounts failed to acknowledge the full extent of Austin's role in the chip's development.**

The supercomputer on a chip, dubbed Cell, was unveiled at an engineering conference in San Francisco and, understandably, the focus was on the capabilities of the chip. The national press generally made only passing references, if that, to Austin's involvement.

But, as we reported way back on 4/20/01, this was a "made in Austin" product from day one. This is a big deal technologically and a big deal for Austin. Back then we told you **IBM, Toshiba and Sony invested more than \$400 million in a new chip design center in the Silicon Hills of Austin to develop Cell.** Some say the investment could reach \$2 billion. Project leaders said it would take about five years to roll it out, but they beat this timetable.

Here's what we wrote almost four years ago: "The new microchips designed here will employ the world's most advanced research technologies and chip-making techniques, with features smaller than 0.10 microns – **10,000 times thinner than a human hair.**" The design center was housed in IBM's North Austin facility.

We continued in 2001: "The end result will be devices which you, the consumer, can use and are **more powerful than IBM's Deep Blue Supercomputer,** operate at low power and access the broadband Internet at ultra high speeds. This has a WOW! factor in capital letters."

Techies and the major computer companies alike have been eagerly tracking the development of Cell because they view it as a major breakthrough – especially in the consumer field where multimedia content on the high speed Internet is getting increasingly more complex. For instance, you could get the same **high-powered computing power in Sony's PlayStation video games** as you normally find in the supercomputers used in high-end research projects.

It's not all fun and games – though that's where the major manufacturers go fishing for big consumer dollars. Most advanced chips today are burdened by **heat issues and power consumption problems.** Cell also addresses those concerns.

What does it take to invest this massive amount of money in Austin to come up with this sort of breakthrough technology? At its peak, the North Austin center was projected to include **nearly 300 skilled computer architects and chip designers.** Austin economist **Angelos Angelou** estimated 70% of the total workforce earned an *average* of more than \$100,000 a year.

In the overall scheme of things, your life will be impacted in many unseen ways by this technology. But, importantly for Austin, it marks another high tech success story that further **solidifies our place where great ideas (resulting in great achievements) can thrive.**

**There is only one other major airport in the nation where you can get from curb-to-gate faster than at Austin-Bergstrom International Airport (ABIA). This is one of the reasons ABIA ranks among the best in passenger satisfaction.**

The trek from curb-to-gate is slower everywhere as a result of more elaborate security systems since 9/11. But the airline Internet booking site, Travelocity, rates ABIA as **second in the nation in terms of the dash to your departing gate** after you start rolling your carry-on from the curb. This ranking is not the only #2 designation afforded ABIA.

The widely-recognized company that seems to rate just about every industry in terms of **customer satisfaction**, J.D. Power and Associates, gave ABIA its **second highest score** in its class in J.D. Power's 2004 Global Airport Satisfaction Study. This is the 3<sup>rd</sup> consecutive year ABIA has been listed among the top airports.

Time of course is a prime commodity when passengers rate airports. But the J.D. Power survey also asked travelers how they felt about **what airports provide during the wait for the next flight** – such as restaurants, wireless Internet, business centers and ample shopping opportunities. This helped ABIA's rankings.

J.D. Power also noted that with its unique touches – such as **live music and locally themed shops and restaurants** – travelers using ABIA were enthusiastic about the design and services of the airport.

The airport's latest customer service enhancement for Wi-Fi users allows them to enjoy **live, broadcast TV on their laptops** through Wayport.

*Warning! A very good (bad!) pun is coming up!* As he finished a book about the life of Mahatma Gandhi, **Dr. Louis Overholster** was impressed that Gandhi walked barefoot most of the time (which produced calluses on his feet), ate very little (which made him frail) and Gandhi's odd diet regimen gave him bad breath. Summing up Gandhi's life, Overholster said this made Gandhi a "super callused fragile mystic hexed by halitosis!" (You were forewarned!)

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