

THE

Neal Spelce

AUSTIN LETTER

You lender will order an appraisal and survey, if necessary.

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Dear Client:

In California, Florida and New York, questions are being asked whether residential real estate is the hot new thing for investment, similar to dot-coms in the past. Is it good or bad that Austin and Texas are not included in this speculation?

Normally, when you mention the economic mega-states, Texas is included with California, Florida and New York. But the Lone Star State is conspicuously absent in the national discussion about a **residential real estate boom**. For most of the 20th century, housing prices rose at roughly the same rate as inflation. But they have **spiked recently** in the big states other than Texas, so much so analysts are comparing this real estate resurgence (both positively *and* negatively) to the dot-com frenzy. Has this housing investment boomlet bypassed us?

“Buying stocks on margin has morphed into buying homes with no money down,” reports *The New York Times*. And you can find story after story where houses have been bought twice in a single day, or buyers line up to bid for condos as soon as they come on the market, then flip them at an outrageous profit quickly thereafter. The frenzy has reached such a level in the three referenced states that some are warning of a big bubble burst, much as we saw with the dot-coms.

The Austin area has experienced a vigorous residential real estate market. In fact, **some insiders are noting a noticeable up-tick in buyer interest in recent weeks** – with houses selling quicker than in the past, at near the full offering price. And there is very obvious **interest by investors** in buying homes in the area. But the exuberance experienced in Florida, New York and California has yet to spill over into Austin, or elsewhere in Texas for that matter. As a result, **Austin area home prices have not yet skyrocketed. Is this good or bad?**

It's *bad* for the homeowner because the value of this sizable investment has not appreciated as quickly as it has in the other mega-states. It's *good* because, if the doomers-and-gloomers are correct, the bursting bubble will not impact us here.

But as with all things economic, events are seldom static. Is it possible the **demand for Austin area homes is on the edge of escalation?** Yes, it is possible. In fact, anecdotal evidence in recent weeks indicates as much. If so, the value of your home could start rising and a buyer's market could start shifting to a seller's market. Even though interest rates are continuing a slow rise, lenders are still shoveling money out the front door. This *could* be the start of a trend.

It's no longer the Austin-San Marcos Metropolitan Statistical Area (MSA). Officially, it is now the Austin-Round Rock metro area. Other metro designations have changed as well.

Our metro area still contains the same five counties – Travis, Williamson, Hays, Bastrop and Caldwell. But the name change, announced last year, simply reflects what has been going on for years now: Williamson County, where Round Rock is the largest city, has been **one of the fastest growing counties in the nation**. Although San Marcos (Hays County) is no slouch; it has just been outstripped by Williamson's monster growth.

The US Bureau of Labor Statistics (USBLS) comes up with these designations, based upon the concentration of the labor force. For instance, the Civilian Labor Force (CLF) in January 2005 was **167,712 in Williamson County and 43,440 in Round Rock, compared to 63,220 in Hays County and 24,232 in San Marcos**. So you can see why the USBLS made the designation change.

Here are the official designations of the state's largest metros, with the January 2005 CLF: **Dallas-Ft. Worth-Arlington** (2,699,100) ... **Houston-Baytown-Sugar Land** (2,278,400) ... **San Antonio** (758,600) and **Austin-Round Rock** (667,600). The Dallas-Ft. Worth-Arlington MSA has been divided into two *Metropolitan Divisions* (MD), again shown here with the January 2005 CLF: Dallas-Plano-Irving MD (1,908,000) and Fort Worth-Arlington MD (791,100). Even with this breakout to a more narrowly-defined geographic area, San Antonio and Austin-Round Rock are still smaller than Fort Worth-Arlington – but not by much.

Even though 6.7% more passengers have flown in-and-out of Austin so far this year compared to last year, the Austin-Bergstrom International Airport (ABIA) passenger traffic has still not climbed back into record territory.

It's been a slow recovery for ABIA. The record was set in 2000 just before the go-go years turned into slow-slow times. And then, the airline-related terrorist attack of 9/11 sharply curtailed air travel even more here and elsewhere. **We're getting there, but we're not back yet.** (We like to track travel through our airport because it is an economic barometer for both business and personal wellbeing in the Austin area.)

Of course, the airlines themselves have been hurt more than ABIA. And it's interesting to note how the big carriers are doing locally. **Southwest Airlines, with a whopping 35% share of the Austin market, is UP 5% in Austin travelers** for the first two months. American, with a 2nd place 27% market share, is UP 7% and #3 Continental, with a 12% share, is UP 9%.

Then it tapers off dramatically. Delta, at #4 with a 9% market share, is DOWN 3% in Austin passengers this year. Not good, especially when its competitors are on the plus side in growth.

There's a new way to read the *Austin American-Statesman*. It can be interesting, enlightening, insightful and sometimes sophomoric. It's worth checking out.

But you have to go to www.statesman.com to accomplish this new approach. When you get to the home page, scroll down to the Web Logs or Blogs. Throughout the day, reporters and columnists for the *Statesman* log on with interesting tidbits about their beat that, for one reason or another, did not make it into their regular writings. And in recent weeks, the *Statesman's* editor, **Rich Oppel**, and managing editor, **Fred Zipp**, have added their musings. Their blog is called "Rich & Fred" and, so far, **their contributions appear to be the most meaningful**, especially when they unabashedly print comments critical of the paper and respond to those critiques – sometimes agreeing with the criticism.

But after you get past Rich & Fred, the offerings become a real mixed bag. If you read the others regularly, though, some can be **insightful into a reporter's own feelings and biases**. This can be helpful if, when you see the reporter's bylines in news stories, you can assess the story, with that knowledge. For instance, take **Bill Bishop**, a great writer who has been assigned some of the *Statesman's* most important and in-depth stories in the past.

His Web log is called "Lasso" where he "writes about Texas news and whatever else strikes his fancy." In the main, he corrals stories from other major daily newspapers in the state to show you what they are writing on the issues of the day. Then he usually **adds his own observations**. Commenting on the property tax relief/school finance debate at the Legislature, Bishop wrote on 3/18/05:

"Frankly Lasso is getting a little sick of hearing people complain about rising property values. You didn't hear these folks complaining about rising STOCK values. Nobody complained when the value of a dollar was rising and you could buy stuff cheap from other countries. **The real solution would be to give people a choice. Pay their property taxes or pay some set proportion of their income.** That would protect people on fixed income. And for those of us who enjoy the financial benefits of rising property values, we can pay our share."

Other blogs are not so weighty. Some are sophomoric (*XLent's Rhiannon Gammill*: "I love parallel parking. I do. I love it like a kid loves candy, like a sorority girl loves Jell-O shots, like an *American Idol* contestant loves hair product."). Some lead to bigger and better assignments (Entertainment writer **Michael Corcoran's** columns on sports, under the "Game On" banner, were so entertaining, the editors moved some of them to the sports page).

But most of the Web logs, from the legislative reporters to the sportswriters, generally give you a **different perspective from everyday newspaper reports that are vetted by editors**. It's a different way to read your daily newspaper. Oppel, for instance, sometimes adds as many as 3 or 4 blogs a day to Statesman.com. If you're interested, check it out for a couple of weeks.

So how good are the judges who preside over your legal affairs in Travis County? Let's check only the Austin lawyers who practice in their courts for an anonymous evaluation.

One of the questions asked members of the Austin Bar Association was "how would you describe this judge's overall performance?" and they had 4 options – excellent, acceptable, needs improvement and no opinion. Here are the "excellent" percentages only.

FEDERAL JUDGES: Sam Sparks, 44.28% ... William Wayne Justice, 68.89% ... Harry Hudspeth, 19.44% ... James R. Nowlin, 30.53% ... Andrew Austin, 80.77% ... Larry Kelly, 40.74% and Frank Monroe, 59.77%.

STATE DISTRICT JUDGES -- CIVIL: Scott Jenkins, 74.25% ... Jeanne Meurer, 65.07% ... Darlene Byrne, 61.69% ... Suzanne Covington, 72.49% ... John Dietz, 47.99% ... Lora Livingston, 45.58% ... Margaret Cooper, 38.38% and Susan Sheppard, 51.20%.

STATE DISTRICT JUDGES -- CRIMINAL: Wilford Flowers, 65.06% ... Mike Lynch, 73.56% ... Jon Wisser, 68.37% ... Bob Perkins, 41.30% ... Julie Kocurek, 59.34% ... Brenda Kennedy, 43.02% and Jim Coronado, 44.05%.

Federal judges have lifetime appointments, the others run for election every four years.

If you look back at the top of this newsletter, you will see "Volume 27, Number 1." This is the way publications tell you which edition you're reading and how long it has been around. Your last issue carried the designation "Volume 26, Number 50." "Volume 27" means this begins our 27th year of publishing this weekly newsletter and "Number 1" means it is the first of 50 issues which will be published during the coming 12 months. It doesn't seem like we have been sitting down each week for 26 years to share insights, trends and perspectives with you – writing 1,300 newsletters, to be exact. (What's that about "time flies...?") We hope this edition, #1,301, and those to follow will hew to the same standards as in the past, with a light touch where appropriate. As **Dr. Louis Overholster** says: "To steal ideas from one person is plagiarism; to steal from many is research!"

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Sincerely



Editor/Publisher