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Dear Client:

The developing trend we gave you a heads-up about several weeks ago is strengthening, and it has strong implications for Austin area homeowners and homebuyers.

We were the first to tell you on 8/19/05 “we’re moving ever closer to the point where a longtime *buyer’s* market is trending toward a *seller’s* market.” We concluded “we’re not a seller’s market yet, but we’re heading in that direction.” Well, the **Austin area is now speeding in that direction.**

Just this week, the Austin Board of Realtors reported the **supply of homes for sale fell 15%** last month alone. One way to determine when a residential real estate market shifts into a seller’s market is the diminishing number of homes for sale. There are fewer and fewer homes out there from which a buyer can choose.

Another factor to consider is how long homes stay on the market. By and large, **homes are selling faster** now than we’ve noticed in the recent past. Homebuyers who’ve found a home they like are being urged by savvy Realtors not to wait around, or the home could be snapped up by another buyer. **Sales are also setting records** – up 28% from a year ago.

Another element also now in play is the fact there are **fewer homes being added to existing inventory for sale.** In fact the number of homes being listed for sale dropped 12% last month.

The convergence of these factors is taking place at a reasonably good clip. So the trend is continuing. Will this turn out to be just a blip? It doesn’t appear so at this point. One of the factors supporting the theory that this **trend toward a seller’s market will continue, is the overall improvement of the Austin area economy.** For the most part, people have jobs and most economic trends are on the upswing.

There are also no signs yet of overheating – where home prices zoom skyward. **Prices are not ratcheting up as quickly** as they have in other markets on both US coasts. In general a seller will not have to sit on a property very long before it’s sold, and a seller will get a good, not spectacular price. A buyer needs to move quickly to lock-in an appealing home, but will not be forced into paying a ridiculously high price. We’ll keep you posted on this developing trend.

Even though it's been years since we've been impacted, we've been warning for much of the summer about the possibility of a major hurricane event. Sadly, those warnings are now reality. And this reinforces another future development you need to be aware of.

For instance, as far back as 6/3/05 we reported: "you have to say the Texas coast is long overdue for a major hurricane and a big one could be felt here in Central Texas." Then, on 8/19/05, we said "the odds are closing in that we could be in the crosshairs." Obviously the Texas coast will bear the brunt of Hurricane Rita, and we also told you on 8/19/05 that **"if a Big One bears down on the Texas coast, it will be felt far inland – including Austin** if it veers our way. For us, it would probably be a major rain or flood event, possible tornadoes and high winds."

We always strive to be correct in what we predict, but **it doesn't give us much satisfaction when we warn you of potential impending problems.** And, frankly, it didn't require much prescience on our part to look at the law of averages and the long-term trends to make such a prediction. Be that as it may, as we write this, **Rita's path may carry it across eastern Central Texas.** The coastal areas will absorb most of the impact, weakening the massive storm before it spreads inland.

The devastation left behind by Rita will further tax the resources of the already battered and bruised Federal Emergency Management Agency (FEMA). And, while many may not realize it, this will have **major implications for the Central Texas area during the next year** – and it has nothing to do with storm damage cleanup, displaced evacuees or doling out federal aid.

It has everything to do with **flood guidelines and restrictions along the Highland Lakes and streams in the Hill Country and the area surrounding Austin.** For some time now, FEMA has quietly been working in Central Texas – with an eye toward raising the level of what they consider to be **flood-prone areas.** It's not generally known, but due to the rocky soil, the hills and waterways, this is one of the most flood-prone inland areas in the US.

As an example, FEMA has declared the 100-year flood level at Mansfield Dam on Lake Travis at 716 feet above sea level. The spillway is at 714 feet. Structures may not be built below that level or they must carry expensive flood insurance.

Now, **FEMA is proposing to raise the flood level designation,** thereby including more structures in the flood plain and, as a result, generating more money paid to FEMA for flood insurance. Get the picture. In addition to the safety aspect, it is also a **revenue generator for FEMA** that would come at a time of severe financial stress at FEMA, due to destructive hurricanes.

If FEMA's Central Texas efforts get more publicity, look for protests. One Hill Country rancher whose property fronts on Lake Travis put it this way: **"You mean FEMA is going to rebuild New Orleans that sits below sea level and they won't let folks build in the 150-year flood plain on Lake Travis?** Look for an interesting debate.

Now that Delta and Northwest airlines have both said they will reduce flights while operating under the protection of bankruptcy laws, Austin air travelers may see an increase in convenience for some Delta and Northwest destinations. How's that?

Last week, Delta Air Lines and Northwest Airlines, one right after the other, filed for Chapter 11 bankruptcy protection. Both airlines said they will focus on reducing flights and switching to smaller planes on some routes. The third and fourth largest US airlines now join United Airlines and US Airways in Chapter 11, after losing an uphill struggle with soaring oil prices and low-cost rivals. **This brings to three the number of airlines providing service to Austin-Bergstrom International Airport (ABIA) now working their way through the bankruptcy courts.** (Only USAirways does not fly to ABIA.)

However, to keep this development in perspective, **these three airlines together carry less than 15% of the Austin air travelers** (Delta, 8.68% ... Northwest, 4.17% and United, 1.72%, in July 2005, the latest totals available). The two big kahunas Southwest Airlines (34.16%) and American Airlines (26.95%) carry almost two-thirds of all passengers at ABIA.

And this is where Austin travelers may see an increase in convenience despite cutbacks by the airlines flying under bankruptcy protection. Look for Southwest, especially, to take advantage of cutbacks by Delta and Northwest. "If they do (scale back), we are always open to that. We will be as aggressive as ever," said **Pete McGlade**, Southwest's VP for schedule and planning.

Speaking to reporters at the World Low-Cost Airlines summit in Amsterdam, McGlade pointed to **Southwest's decision to capitalize on opportunities at Pittsburgh** this year after USAirways cut its services.

Since Southwest carries more than a third of Austin travelers and **has the most flights** into and out of ABIA, and if Southwest adds destinations dropped by other airlines, it should be **easier for the Austin air travelers to book more flights to more destinations** – and probably at lower cost than before.

It'll be interesting to see if Delta and Northwest cut back any service to ABIA, where passenger air travel set a new record in July. **The betting is they will first scale back non-performing destinations.** ABIA is not one of those destinations, as reflected in July's record number of travelers and Delta's announcement last month it will add new flights at ABIA.

We'll keep a special eye on Delta for you because the Atlanta-based airline recently announced it will begin **new non-stop air service between ABIA and New York City's JFK** 10/15/05. If it follows through with this service, it will be the *only* non-stop service between these two destinations. Additionally, Delta is scheduled to begin two new daily flights between ABIA and Orlando in October. We'll watch for the effect of the bankruptcy, if any.

Scams are everywhere. And now there is a telephone credit card scam that sounds legitimate.

It involves either your MasterCard or Visa. The caller already has your card number when he calls. He says something like: "I'm so-and-so from the security and fraud department at Visa. My badge number is 12460. **Your card has been flagged for an unusual purchase pattern** and I'm calling to verify. This would be on your Visa card issued by Blank Bank. Did you purchase an anti-telemarketing device for \$497.99 from a marketing company based in Arizona." When you say no, the caller continues.

"Then we will be issuing a credit to your account. This is a company we have been watching and the charges range from \$297 to \$497, just under the \$500 purchase pattern that flags most cards. Before your next statement, the credit will be sent to (your address), is that correct?" When you say yes, the caller continues.

"I will be starting a fraud investigation. If you have any questions, you should call the 1-800 number listed on the back of your card and ask for security. You will need to refer to this control number." The caller then gives you a 6-digit number. "Do you need me to read it again?" **But here comes the telltale giveaway.**

"I need to verify you are in possession of your card. **Turn your card over and look for some numbers. Give me the last 3 numbers of that 7-digit sequence.** This will verify you are the possessor of the card." After you read the numbers, he thanks you, asks if you have any questions and tells you to call back if you do.

What the scammers really want is the 3-digit PIN number. Within minutes there will be a fraudulent charge to your account. If you get such a call, hang up and call the credit card company if you still wonder whether it is legitimate. But never give *any* credit card info over the phone to anyone who calls you.

Dr. Louis Overholster's wife claims she saved them hundreds of dollars in household expenses this week. She talked the good doctor out of fixing the plumbing himself.

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Sincerely



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