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Dear Client:

**The City of Austin raked-in a million dollars more in sales tax revenue in March than it did a year ago. Sure the city got a nice boost in revenue, but when you drill down deeper in these numbers, you find Austin retailers averaged a 12.1% increase in sales, based on the taxes remitted to the governmental entities.**

This is a sure sign our economy is humming right along. In March 2005, the state sent \$8,603,426 to Austin for its portion of the retail sales taxes paid by consumers. This number jumped to \$9,641,761 in March 2006. It reflects the fact that Austinites (and those who come to Austin from the surrounding areas to shop) are **pulling down paychecks and feel good enough about their economic status to spend those dollars**. When times are tough, or even when folks *perceive* times are difficult and they may be worried about the immediate future, retail spending tails off.

One of the reasons for this spending spree is **more people have jobs now**. In March, the Texas Workforce Commission reported there were 787,100 people gainfully employed in the Austin metro area – compared to 758,800 a year ago. We have the lowest unemployment rate of any major Texas metro.

Not only that, **there are still more jobs available**. You may have noticed a number of “now hiring” signs hanging on store fronts or banners with the same message in front of some strip centers. The lure of available jobs is bringing more people to Austin.

Remember, this up-tick in economic activity is occurring at a time when people are complaining about high gasoline prices and rising interest rates. In normal times, either of these two factors would put a damper on consumer enthusiasm.

But new jobs are being created here at a fast pace. Just this week, Dell Inc’s arch competitor – Hewlett-Packard – announced plans to build two data centers in Austin (only two other US cities, Atlanta and Houston, will get similar operations). **H-P has indicated the average wage at those two Austin operations would be around \$60,000 a year**. H-P is locating here primarily because of the workforce it believes it can hire (maybe steal from Dell?).

It all starts with a paycheck. Then those bucks roar through the economy.

**The surge in job growth in the Austin area is one of the major reasons why the residential real estate market is so hot here while it is cooling off in other parts of the US.**

The US housing market has shown signs of sustained cooling since mortgage rates began to rise last year. After a five-year rally that shattered sales records and sent prices soaring – especially on the East and West coasts – **purchase activity has eased around the US.**

But not in Austin – or Houston, or Dallas, for that matter. Why? Aren't interest rates the same here as they are on both coasts? Yes. But there are two major differences: 1) **a hot, getting hotter, Austin job market** and 2) **investor frenzy is not as prevalent** here as it was in the markets on the two coasts.

**This job-driven demand for Austin housing is the best kind of economic stimulus for the housing market.** As people move from one job to a better-paying position or as new hires move to Austin, many are in the market for a new, or better/bigger, place to live. Rather than a large number of real estate speculators driving up prices buying homes (holding the property just long enough to make a handsome profit), we have families who are buying homes for the old-fashioned reason – to live in them.

Both groups (investors and families) create demand. **They drive up prices as they snap up the available inventory of homes.** Oh sure, as we've told you in recent months, speculators/investors are working this housing market. But because the increase in home prices is more modest here than was the case on the two coasts, there are vastly fewer home investors buying homes in the Austin area. Hence their impact is less on the overall market.

As a result, the **increase in the median sale price for an Austin area home is substantial – but not off the charts.** In February 2005 the median sales price of homes listed with the Austin Multiple Listing Service was \$156,900. In February 2006, MLS reports the median price was \$166,100. This is a solid 5.9% increase.

National business publications, such as *The Wall Street Journal* and *FORTUNE* magazine – have been writing **obituaries for the housing markets in Boston, Miami, New York, Philadelphia, Los Angeles, San Francisco**, etc. for some time now. As they have done so, they've checked out our neck of the woods and are writing stories, with headlines such as this one in the *Journal*: “Housing Strength Shifts to New Markets. As Real Estate Boom Slows on the Coasts, Texas and Other Overlooked Areas Gain Heat.”

Another factor that enhances this strong job market is **Texas metros are among the lowest priced housing markets in the country.** People move here and grab our homes because they are much less expensive than where they came from. In fact, the buying pace is so fast there is less than four months of housing inventory on the market. This low inventory, with strong demand, has created a seller's market, with multiple offers being made on many homes.

**The end is in sight for the freeway construction at SH71 and East Ben White Blvd in South Austin. And *planning* is moving along smartly on a high speed tollway near the same area.**

Texas Department of Transportation (TxDOT) highway contractors started **pouring 13 inches of high strength concrete this week** throughout the Riverside Drive and Woodward Street project. If you drive that route, you can get a sense of the size of the concrete-pouring portion of this construction. To keep up with the almost constant demand for concrete, a mobile concrete plant has been erected on site.

The concrete pour began at Burluson Road this week and will move east to the end of the project. **How long will this phase of the job take? Up to 10-12 weeks**, according to TxDOT. In these final stages of such a massive project, bad weather is usually not a factor.

But the torrential rains of recent weeks were more than simply *bad* weather. **Scott Starkjohann**, TxDOT's project manager said crews have had to **pump up to 4.5 inches of standing water** along parts of the job before they could resume the road work. With good weather, the project is expected to wrap up this fall.

Another highway project, **untangling the traffic knot at the US290/SH71 intersection and transforming the current four-lane road into a four-to-six lane high speed tollway**, is moving through the public comment period. TxDOT has had a couple of meetings with residents and business people in South Austin to get input on different aesthetic options.

Aesthetic options? For a road? Yep, TxDOT is considering three options for review on **landscaping, lighting design and the "artistic appearance" of the road**. (And you thought you simply poured concrete and that was it!)

The choices ranged from **fairly standard** TxDOT options to a **traditional older city style** to a more **modern, yet less sterile look**. Landscaping proposals included "more terraces and different planting styles to offer a softer texture to the broad lines of the highway superstructure."

By the way, this high speed tollway will be coupled with a series of **non-tolled access road lanes** in all directions that will offer local access to businesses.

Reaction to these meetings will be reviewed and the design changed as appropriate. Citizens and motorists will have a chance to review the proposals again this summer at a public hearing. After TxDOT considers this input, the final step will be **environmental review and approval**.

After the final environmental review and approval, **the project could go to contract before the end of 2007**. TxDOT is qualifying this target date by saying "this timetable can be affected by late changes and additions to the project."

**The busy travel season kicks off with the Memorial Day weekend. In addition to normal concerns, there is a looming development that could affect your travel plans. Hotel strikes.**

If you have plans to travel to places such as New York City, Boston, Chicago, Los Angeles and Honolulu, you better check on the status of hotel strikes that are a possibility in those big cities. Maybe even San Francisco. If a strike occurs, it would be more of a problem in NYC, where 90% of their hotels are unionized. In Boston and LA, about 50% of the hotels are unionized.

What to do? First of all, many hotels are making contingency plans so they won't lose your business. But, if there is a strike you can bet the **hotel properties will not be at peak efficiency** – even if they do try to keep your business.

Two things to do: 1) you (or your travel agent) should ask management, in advance, about the **possibility of a strike**, and 2) if there is a strike underway, try to **negotiate a better rate** – especially if you're part of an event at the hotel.

By the way, **'tis the season for vacation travel scams**. Typically the consumer is told they have won a "free trip" and must call to claim the prize. Or you may receive a fax at your workplace promoting an unbelievable vacation deal. You might be offered a travel club membership. According to the Better Business Bureau, some bogus promoters advertise rock-bottom prices, then add fees. Some promise luxury, but fail to deliver. Others don't reveal you have to sit through a timeshare pitch. Finally, many promise a full refund if you cancel, but don't pay up as promised.

The BBB says fraudulent travel deals can be hard to distinguish from legitimate ones and advises you to **obtain, in writing, all travel package details before paying any fee**, no matter how small. Get names, addresses, phone numbers for all promised lodging, etc. You should **then check with the BBB** or a recognized travel organization before proceeding.

**Dr. Louis Overholster** points out the beginning of vacation season is when you put on last year's bathing suit, stand in front of a mirror and say "Not so bad." Then you turn on the light!

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