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Dear Client:

Once upon a time, Austin and Waco were the same size. Austin is now about eight times larger. Some smaller cities in Central Texas have also taken the lead over other Texas cities.

There are a number of ways to measure the size and vibrancy of a city or a metro area. Population, of course, is one way. But the size of the *workforce* probably gets you closer to the vibrancy factor – especially when you factor in the rate of *unemployment* for the specific workforce. So, for purposes of this little exercise, let's take a look at the **workforce size inside the boundaries of various city limits** – not the population, nor the metro area.

Years after growing much larger than Waco, Austin still lagged behind El Paso in the rankings of Texas largest cities. Now, El Paso (with a workforce of 256,382 in July 2006) is almost an afterthought when compared to Austin (workforce: 418,691). And the vibrancy factor: **Austin enjoyed a 4.5% unemployment percentage in July 2006, while El Paso struggled with 7.1%.**

The cities around us have also shared in this growth and vibrancy. Here's how they ranked in July 2006 by size of workforce and unemployment percentage: **Round Rock, 47,757 (3.7%) ... Cedar Park, 26,359, (2.7%) ... San Marcos, 26,331 (3.9%) ... Georgetown, 18,451 (4.5%) and Pflugerville, 15,920 (3.7%).** The size and vibrancy is quite evident. Also you'll note Cedar Park has now moved past San Marcos in the size of its labor force.

When you look around the state, it becomes even more interesting. Let's take fast-growing Round Rock as an example. Did you know **Round Rock has a larger workforce than Bryan (35,980), College Station (39,336), Edinburg (27,387), Galveston (27,920), Harlingen (25,503), Killeen (41,889), Longview (40,338), Port Arthur (22,551), San Angelo (45,081), Sugar Land (40,514) Tyler, (47,375), and Victoria (32,964)** and is nipping at the heels of Wichita Falls (49,644) and Odessa (49,089)?

And who would've thought the sleepy little 'burbs of Cedar Park and Pflugerville would now be exhibiting such dynamic growth? Obviously the city landscape in Texas is changing dramatically. Besides being an interesting trend to track, this surge also has **huge implications as the cities cope with expanding city services** and move into the bigger leagues of management and administration.

A recent review of the trauma registry at Brackenridge and Children's Hospital of Austin revealed that only 5% of patients under the age of 17 who were injured in a bicycle accident were wearing helmets. Five percent!

This alarming statistic is bolstered by another scary set of facts. Listen to the words of **Dr. Patrick Crocker**, the chief of emergency medicine at Brackenridge and Children's Hospital of Austin: "Of the 39 children and young adults with injuries serious enough to be transported to the Trauma Center and admitted for care, **46% sustained head and brain injuries.**"

"In the significant majority of cases, these injuries were life altering events with risk of long-term disability," he continued. "Most interestingly, during this study period **no patient in this age range who was helmeted suffered a serious head injury.**" Read that last sentence again, he urges.

"As a physician involved in the care of trauma patients for now more than twenty years as Chief of Emergency Medicine ... **I have witnessed countless lives needlessly altered by preventable trauma,**" he noted. "Accidents aren't predictable. You don't need to be going either fast or far to need protection against head injury."

His observations have immediate relevance. The Austin City Council will conduct a public hearing 8/24/06 on toughening Austin's bicycle helmet law. Former mayor **Bruce Todd** is leading the effort to revise the helmet ordinance. He recovered recently from a bicycle accident while riding by himself on a lonely country road where he **suffered a life-threatening head injury**. He is convinced he would have been killed if he had not been wearing a helmet.

The change in Austin's helmet law would mandate bicycle helmets for all bike riders. There is a Web site set up for the effort, www.bikesafeaustin.org, where supporters can sign a petition in favor of the change. Todd acknowledges there is a "vocal group of people calling the city council members asking for them to vote no." But he says "I believe that the majority of Austinites support this ordinance."

Todd says "the outcome of this effort means as much to me as any item that I supported as mayor." As for Dr. Crocker, he noted that a helmet law could provide a "significant safety factor for our children," and said further "my advice to patients is to buy a helmet, and then wear it, *every* time you are on your bike."

Tired of going through automated customer service telephone lines in search of a live human being? The key is "the secret code" installed by the companies. Go to www.gethuman.com for codes for 400 large firms and government agencies. For example, it reveals that when you call Dell, pressing "0" repeatedly puts you through to a representative. You're welcome!

If 69% of investors believe real estate is a better investment than stocks (as reported by a Roper survey), then what are the Austin area real estate trends investors need to analyze?

The Chief Economist at the Texas Real Estate Center at TexasA&M, **Mark Dotzour**, came to Austin this week and reported some of what we've been telling you for months now about the Austin residential market: 1) many cities nationwide are in the dumper, 2) the Austin market is thriving, despite what is happening to others, 3) Texas will outperform the nation in the near future, and 4) Austin will lead Texas in economic growth, especially in the creation of jobs.

Dotzour was quite bullish in his outlook for Austin's residential real estate sector. The value of your home is rising steadily, homes-for-sale are selling and homebuilders are slammin' hammers on new homes at a brisk pace. This is good when you look at the investment potential of a home. But what about **other real estate investments** in the Austin market? What are the trends that, if acted upon, can be beneficial to the investor?

He says that because *apartment* construction costs have increased about 25% during the past year, he expects to "see some interest in **converting apartments into condos.**" He anticipates that future development planned along the commuter rail corridors will be denser, probably 35-40 units per acre. And he predicts that demand for retail service employees and shorter commute times will be major factors affecting new apartment development on the east side of town.

Dotzour says you can expect **initial retail development along the newly-developing SH130 corridor, east of IH35, to be at the nodes intersecting Hwy290 and Hwy71.** He cautioned that those interested in retail should carefully track the percentage of absentee residential owners buying in the downtown area. His point: just because a condo or apartment has an owner or a renter, this doesn't necessarily translate into a retail shopper in the downtown area.

(He also notes as buildings fill and vacant lots are taken for condo development downtown, parking will become dearer in the Central Business District.)

As far as *office* building investments, he says tenants still have leverage downtown, but the **Southwest has flipped to a landlord's market and he predicts the Northwest will follow suit in 12-to-18 months.** He points out the Southwest sector has only one large block of vacant space left, while there were five last year. And he said concessions are winding down, with one month's free rent for each year of the lease term being the maximum offering by any landlord.

Overall, Dotzour says the capital markets are becoming increasingly interested in Austin and that **Austin is becoming a "gateway market" comparable to Atlanta or San Francisco.** He also said new leasing is being driven by a mix of existing company expansion and what he called "a return of smaller entrepreneurial firms."

In addition to the Rolling Stones concert in Austin 10/22/06, there are two other dates you may want to put on your calendar – to attend, or to avoid if you don't like crowds.

Thanks goodness the outdoor events fall at times when the defending National Champion Texas Longhorn football team will be playing “away” games or it could be a logistical nightmare. But, hey, activities such as these are what make Austin, Austin.

A month before the Rolling Stones pack Zilker Park in the downtown area in October, some of the other biggest names in the music biz will take over the park for three days. Mark 9/15-17/06 on your calendar because it will be **wall-to-wall live music time in Zilker with the likes of Tom Petty & the Heartbreakers, Willie Nelson, Van Morrison** and about 130 – that's right, 130 – other music groups packing them in at the Austin City Limits Music Fest.

The week after the Stones rock Austin, more than 50,000 motorcycle enthusiasts are expected to crowd Austin 10/27-29/06 to participate in, or watch, the **filming of the Discovery Channel's popular American Chopper**. What's that, you ask? Well, as if you haven't had your fill of rock 'n' roll by this time, there will be live music performances, food and drink galore as the TV show highlights new developments in motorcycle technology, and also custom builds a chopper bike to be awarded to one attendee.

These, obviously, are special events. But in this “all music, all the time” city, there's more. The glossy, well-read Texas tourist magazine, *Texas Highways*, in its August 2006 edition points out “**Austin and environs are home to more than 150 choices for live music.**” In fact, the author of the article (who is certainly much younger than most of us) wrote “I visited 100 Austin-area music venues ... and my ears rang for weeks with folk, punk, R&B, metal, Tejano, hip-hop, blues, jazz, rock, jam, reggae, country and classical music.”

Now that schools are opening in the area, **Dr. Louis Overholster** observed school kids these days are concentrating on a new three R's – the “ring, ring, ring” of cell phones!

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