

THE

Real Estate

AUSTIN LETTER

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Dear Client:

The Austin area residential real estate market – already one of the most vigorous in the nation – kicked up a notch this past weekend when one of this nation’s largest homebuilders made an aggressive move.

As you know, one of the driving forces in any residential real estate equation is the Realtor who, in most deals, can be found representing the buyer and the seller. The normal commission paid to Realtors for their effort is usually **3% to the listing agent and 3% to the agent representing the buyer**. There are some exceptions; but as we said, the 3%-3% is normal. And the exceptions usually fall in the category of *reduced* commissions.

Going against the norm, in what can only be interpreted as an “aggressive” move in an already vibrant market, **one homebuilder this past weekend started offering 8%, and even 10%, Realtor commissions** on homes it has for sale in the Austin area.

Miami-headquartered Lennar Homes builds homes in 20 different states. In the Austin market, its homes are marketed under the names of **Lennar, Village Builders and NuHome Designs**. In the Austin area, the company is active in a couple of dozen neighborhoods from as far south as the Buda/Kyle area and as far north as Liberty Hill, Leander, Georgetown, Hutto and Taylor.

Lennar’s Central Texas homes are priced from the low \$100s to the upper \$200s. And it advertised it had slashed prices on 81 homes this past weekend, with an additional “**\$3.7 million in buyer incentives and \$1 million dollars in total Realtor commissions being given away.**” It mentioned the homes must be sold and closed in October and November for the higher commissions to be paid.

You might expect to see this sort of aggressive approach in a “down” residential real estate market, where all builders scramble for any advantage to attract the few buyers out there. **But this is an “up” market**. Sales records are being set each month and the inventory of available homes is relatively low – making this more of a *seller’s* market, rather than a *buyer’s*. So what does this mean? Is Lennar smarter than everyone else and striking while the iron is hot? Or does it have a huge amount of inventory it has to dump? Or is Lennar under financial pressure and it needs to generate cash? Don’t know. But it spices up an already hot market.

In just two years, the Austin area will be home to a computer that is expected to run at a peak performance of more than 400 trillion (that's 400, followed by 12 zeroes – in other words, 400,000,000,000,000) floating point operations *per second*! It will be the most powerful general-purpose system for open research in the world.

A massive amount of money, \$59 million, has been set aside to acquire/build and operate the computer for five years. The funds are committed by the National Science Foundation (NSF) and will go to **The Texas Advanced Computing Center (TACC) at UT Austin** to host and manage this most powerful computer of all.

The computer will significantly increase the computing power and time available to academic researchers around the country who **conduct research on subjects ranging from the birth of the universe to the workings of molecules inside the body**. This is really a big deal.

Scientists, engineers and other researchers from a variety of disciplines use high performance systems, sometimes called “supercomputers,” to test and validate theories, **analyze experiments and conduct experiments that would otherwise be impossible**. And all this will soon be in our midst.

The TACC is teaming with Sun Microsystems, Advanced Micro Devices, Inc., the Cornell Theory Center at Cornell University and the Fulton High Performance Computing Institute at Arizona State University for the project. **The computer will be part of the TeraGrid**, an NSF-sponsored network of high performance computers.

“The new Sun system will provide unmatched capability and capacity for scientific discovery for the open research community,” said **Jay Boisseau**, director of TACC and the principal investigator for the project. “The technologies in the new Sun systems will enable **unprecedented performance on important science problems**.”

But this isn't all about the *academic* research community. In addition to helping Texas academic researchers provide answers to some of the perplexing scientific questions, “it will give industrial partners access to powerful tools to help them **transform answers into products and services that will benefit society and strengthen our economy**,” said **Mark Yudof**, the chancellor of the University of Texas system.

Under the agreement with the NSF, 5% of the computer's processing time will be allocated to an industrial partners program for technology transfer and another 5% will be allocated to other Texas academic institutions. It is hard to overestimate what it will mean to have a **world-class high performance computing system of unprecedented capacity and capability** to benefit academicians and industry right here in our midst.

Early voting for the November 7th election kicks off this coming week and, because the unusual Texas governor's race may overshadow the other local ballot items, let's take a moment to review some of those important items.

Most interest in the upcoming election will likely be generated by the charges/countercharges in the governor's race. Certainly most of the TV ads will feature Republican Governor **Rick Perry** and his challengers – Democrat **Chris Bell** and independents **Kinky Friedman** and **Carole Keeton Strayhorn**. This is where the big bucks will be spent.

But when you walk into the voting booth, you will be faced with making a ye or nay decision on seven bond propositions put forth by the City of Austin. **The City is seeking permission to spend your money on a number of projects.** Quickly, here's what they cover:

Transportation. Proposition #1, for \$103.1 million, includes funding for reconstructing streets; constructing and reconstructing sidewalks and bicycle infrastructure and improving traffic signal systems.

Drainage and Water Quality Protection. Proposition #2, for \$145 million, includes funding to implement the Watershed Protection Master Plan.

Parks Facilities and Parkland. Proposition #3, for \$84.7 million, includes funding for renovations and improvements, new facilities, parkland acquisition.

Community and Cultural Facilities. Proposition #4, for \$31.5 million, includes funding for Zach Scott Theater, African American Heritage and Cultural facility, Asian American Resource Center, Austin Film Studios, Mexican American Cultural Center and Mexic-Arte Museum.

Affordable Housing. Proposition #5, for \$55 million, includes funding for rental housing development and home ownership programs.

Central Library. Proposition #6, for \$90 million, for a new central library facility.

Public Safety Facilities. Proposition #7, for \$58.1 million, includes a joint training facility, Police NE substation, additional EMS station, Municipal Courthouse and animal shelter.

In the small space we have available, these listings are little more than "titles." So if the title intrigues you, you can go to www.cityofaustin.org/bonds to read and download the specifics behind each bond issue. By the way, this web site also contains links to the latest election news such as early voting and election day polling sites. One of the reasons this bond election may be overlooked is that, as far as we know, no major, well-financed opposition to any of these bond items has yet surfaced. This could still happen before Election Day.

So what's going on with our weather? First, this summer we endured one of the worst droughts ever recorded, we're now in the midst of a rainy spell, no major hurricanes have yet developed in the Gulf of Mexico (contrasted with last year's Katrina and Rita).

Blame it on El Nino. Simply put, the weather phenomenon known as El Nino warms the surface waters of the Pacific Ocean off the coast of Latin America. This impacts the jet stream and this, in turn, influences winter precipitation and temperatures. **El Nino started in September and is expected to last into next year.** Yeah, but what does all this mean for us?

The good news is El Nino could help ease the drought, as this winter will be wetter and milder than normal in our neck of the woods, according to the weather prognosticators.

The forecasters say, **traditionally in El Nino conditions, there will be fewer cold air outbreaks,** but the operative word is "fewer." When it does get cold, it may likely be wet and, look out! we could be in for one or more of those famous Austin ice storms (where Austin drivers go crazier than normal!). What about a freeze? Temps have been known to drop below freezing in Austin in the month of October. We had an early freeze last year, but October is one of those *either-or* months. Think about Halloweens past (October 31st). Some years, the trick-or-treaters freeze their little rears and other years, it's been very hot. Toss a coin on this one.

But what about those hurricanes that occasionally head inland over Central Texas and cause major flooding in our flood-prone Hill Country? Again, the fearless forecasters have **downgraded the possibility of a major hurricane this year.** But they also noted the hurricane season extends through November 30th.

Dr. Louis Overholster observed the Halloween displays in local stores are being overlaid with Thanksgiving and even Christmas decorations. When he spotted the latest "Tickle Me Elmo" doll supposed to be one of this season's "hot sellers", he started telling his patients about a safety concern – he's afraid parents will choke ... on the price!

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Sincerely



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