

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**Keeping Texas economically competitive is not one of the missions many normally associate with academic institutions. But it has long been the goal of UTAustin and, in fact, the entire UTSytem.**

The old cliché is that academic institutions are out of touch with the real world, with the faculty ensconced in ivory towers and **not worried about the vagaries of the marketplace**, because they operate under a veil of security provided by “tenure” that prevents them from being fired (unlike most in the workplace). While this may be true in some isolated esoteric situations, it contrasts with the actions and stated purposes of UTAustin and the UTSytem.

Listen to how the UTSytem Chancellor, **Mark Yudof**, puts it: “As the largest system of higher education in Texas, we bear a profound responsibility for the educational excellence and economic vitality of Texas. Clearly,” he continues, “**one of our most significant goals is helping keep our students, Texas and the nation competitive in the global economy.**”

And the university system is putting its money where Yudof’s mouth is. As we recently told you, the Board of Regents has committed to spend more than \$2.56 billion over two years to building, as Yudof says, “what we hope is the **most competitive science, engineering, technology and health infrastructure in the country.**”

“With this \$2.56 billion commitment, the UTSytem marks the beginning of a concerted effort to ensure that UTSytem **academic and health institutions are second to none,**” Yudof added. The system oversees fifteen campuses spread around the state.

Yudof talks about “Texas,” rather than singling out “Austin.” After all, he’s the chancellor of *all* fifteen universities and a big part of his job is dealing with constituencies (including the legislature) in *all* parts of the state. But let’s face it, when you sit back and take a look at it, **UTAustin – the strongest single economic engine in Central Texas – is going to benefit from UTSytem initiatives in direct proportion to its flagship status.** This particular initiative will have both a short-term and long-term positive economic impact on the entire Austin area.

**A new office building is planned to enter the Austin market every quarter for the next year. This is quite a change from a couple of years ago when there was a surplus of sublease space going begging at rock-bottom rates.**

Looking around Austin, you would think we were back in the boom days when the **official bird of Austin was the “Building Crane.”** It seems everywhere you look cranes are hovering over major building projects for condos, apartments, manufacturing plants, hotels and, yes, office buildings. This is an exaggeration, but it helps to make a point. It’s a busy time for the construction industry and office buildings are coming out of a slump at the same time.

**The highest office occupancy and rental rates in five years** are justifying the need for new office buildings in the minds of developers. Motivated by these strong market conditions, developers have broken ground on 901,000 sq.ft. of office space in the Austin market, according to Colliers Oxford Commercial.

**Three developments over 50,000 sq.ft. in the southwest** include Hill Partners San Clemente, slated to deliver a 90,000 sq.ft. building by the end of the year. And construction is underway on a second building, Brandywine Realty’s 211,000 sq.ft. venture, The Park on Barton Creek, as well as Champion Partner’s 150,000 sq.ft. development, The Parkway at Oak Hill.

**The far northwest and north central submarkets** round out the final 200,000 sq. ft. of development with a project on the move in each of those areas, reports Colliers Oxford Commercial.

Along with this construction activity, there has been a lot of buying-and-selling of major office buildings – further underscoring the strength of the office market and the overall Austin economy. **“Some of the most significant acquisitions in Austin’s history have occurred this past quarter,”** Colliers Oxford Commercial pointed out.

**“Equity Office Properties set a new Austin record for the highest price paid per square foot for the Frost Bank Tower,”** the commercial real estate firm reported. Frost sold for a reported \$354.72 per foot or \$188 million.

This isn’t all. Las Cimas II & III, a 320,000 sq.ft. office complex, was purchased for \$92 million. Other notable transactions were Pomeroy Investment’s purchase of 800 Brazos and Capitol Tower in downtown Austin. And within the last two weeks, it was announced two century-old properties – **the Littlefield Building and the Scarbrough Building, both at Sixth & Congress** – were sold.

Colliers Oxford Commercial predicts **“the future outlook for Austin will continue to bring strong rental rates** in direct effect of high occupancy and the cost of construction.” Office rental rates citywide are already up 6% from a year ago and 2% from last quarter.

**With the focus on the Middle East and how it affects the nation's economy, it's easy to overlook that Texas leads all US states in exports. The Middle East doesn't even make the Top Ten in destinations when it comes to products shipped from the Lone Star State.**

For three successive quarters, the value of goods shipped from Texas to nations around the world has grown. Even more importantly, the value of Texas exports has grown at a *greater rate* than the other leading US states. **Texas surpassed California and New York some time ago to take the #1 spot and the gap is widening.** The numbers are impressive.

At mid-year, the value of goods and services exported from Texas to other countries totaled a whopping \$71.97 billion, according to Texas economist **Ray Perryman. Texas exports during the first half of 2006 were up 13.83%** over the same period in 2005. California, ranked #2, achieved a 9.75% growth and New York, #3, experienced a 9.36% hike during the same timeframe.

Where are these goods and services going? **As you would expect, our neighbor Mexico is the leading Texas export destination** – to the tune of 38.33% of the state's total exports. Number two is Canada, followed in order by China-Mainland, Republic of Korea, Netherlands, China-Taiwan, Singapore, Japan, United Kingdom and Brazil.

The Top Ten nations above account for about 70% of all Texas exports. **Look at how many Asian destinations show up on the list.** The Netherlands and the UK are the only two European nations to crack Texas's Top Ten export destinations. And the entire Middle East was shut out of the Top Ten.

What products make up the bulk of our exports? Those who understand the Austin area's role in exports are not surprised to see **computer and electronic products (23.81%) at the top of the list**, followed by chemicals (18.65%), non-electric machinery (13.34%), transportation equipment (9.04%), petroleum and coal products (8.18%), electrical equipment (4.90%), primary metal manufacturing (3.50%), fabricated metal products (3.39%) agricultural products (2.43%) and plastics & rubber products (2.31%).

**These industries generated almost 90% of Texas exports** for the first half of 2006. Quite a change from when cotton and cattle, oil and gas dominated in Texas not-so-distant past.

Perryman likes to point out that some **28,300 companies** ship products to foreign countries through Texas locations. And more than 90% of these enterprises are small to medium-sized with less than 500 workers.

He also likes to note that as this positive export momentum is continuing. Almost 8% of the private-sector employment in the Lone Star State is related to exports.

It's that time of year when publications such as this one (which has print as well as Web subscribers) are required to publish certain information about print circulation and ownership. This relates to our Periodical Mailing Permit. This US Postal Service permit is important because it gives a "preferred" status to newspapers/newsletters to help ensure timely delivery.

Traditionally, we've taken this opportunity to tell you a bit about how we operate. First, we're pleased most of our subscribers are now getting the newsletter fast, for the same price, on our Website, [www.AustinLetter.com](http://www.AustinLetter.com). We notify Web subscribers by e-mail when each Friday's issue is posted on the Web, about the time our print edition goes to the printer.

I am the sole owner of Austin Letter, Inc. and I serve as reporter, writer, editor and publisher. If you have any questions or comments about subscriptions, you may contact us by phone at 512-327-2172, by fax at 512-327-1976 or by e-mail at [News@AustinLetter.com](mailto:News@AustinLetter.com). Our mailing address is P. O. Box 1905, Austin, 78767-1905. Except for the last two weeks of the calendar year, we publish weekly at an annual subscription rate of \$150 (plus tax), or at the discounted 2-year rate of \$249 (plus tax). We have not raised our prices since 1987.

During the preceding 12 months, now that most subscribers get their newsletter on-line, we only printed an average of 81 copies of each issue. We had an average of 70 paid mail subscribers, with 1 distributed free, for a total distribution of 71, of which 99% was paid circulation. We held 10 copies for office use. Our report to the US Postal Service this year includes actual figures for the 09/22/06 issue, when we printed 80 copies, of which 70 were paid mail subscribers, 0 were distributed free, for a total distribution of 70. A total of 10 copies were held for office use. Of the 09/22/06 issue's circulation, 100% was to paid subscribers.

We're especially proud that during our 27+ years of publishing this Letter, we've never missed a Friday deadline. Occasionally, the Post Office may not get your mail processed on a timely basis, but they try very hard to make sure your copy is delivered to you on schedule.

We notified our print subscribers when they renewed that, beginning our 29<sup>th</sup> year on April 1, 2007, we will publish *solely* on the Web and will no longer mail copies. (As Dr. Louis Overholster says: "Change is inevitable, except from a vending machine.") We look forward to serving everyone in a timely fashion via the Internet. Thanks for being a subscriber.

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Sincerely



Editor/Publisher