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Dear Client:

As far as business is concerned, Texas is doing some things incredibly well right now, but there are some other things the Lone Star State isn't doing quite so well.

A new, invigorating business life is coming to Texas these days – specifically in industries ranging from **next-generation microelectronics to leading-edge biosciences**. In fact, Texas has won the Governor's Cup (a prize for the state with the most corporate locations) for several years running.

Saying “there is no one more pro-Texas than I am,” economist **Ray Perryman** is also a realist. He recognizes the many economic successes (and has participated in many of them), but he also keeps a keen eye on the areas where improvement is needed. It's the classic good news/bad news equation that will always be present, though the “good” and the “bad” change from time to time. Here's today's snapshot of Texas, as seen through Perryman's lenses.

“First the good news: we're young. The median age of the Texas population is just 33.2 years,” Perryman reports, after reviewing USCensus Bureau data.

“The only more youthful state is Utah. Maine's median age is 41.2 and 13 other states have a median age at least five years older than that of Texas.”

“Not only are there issues involved with an aging population (greater need for certain social services, for example), but there are also big benefits to youth in terms of attracting businesses,” Perryman points out. **“No company will intentionally locate in an area without an adequate labor supply.**

With plenty of young people, we look really good in this area.”

At first glance, Texas incomes are somewhat less than the US average. Good or bad?

“I don't consider our ranking in median household income either particularly good or bad,” he said. “While it is a mediocre 35 among the 50 states (plus DC), there's more to this story than that. The highest income areas are concentrated in the northeast and in places like Hawaii and Alaska. California falls in the Top Ten as well. **Even so I'd rather live in Texas on our average (just over \$42,000 per household) than in New Jersey on theirs (almost \$62,000).** Differentials in the cost of living – everything from houses to gasoline to winter heating bills – offset much of this gap. And we're still significantly better off than some others.” Okay, Ray, then where is Texas really falling short? See the next item.

The really bad news is Texas ranks almost dead last among all states (and DC) in the percentage of those age 25 or older who have completed high school or the equivalent.

Texas economist **Ray Perryman**, in his review of USCensus Bureau data, points out less than 79% of Texans fit this category, compared to more than 90% in five states or better than 84% for the US as a whole.

“Obviously, these percentages don’t change overnight since we’re dealing with everyone in the state who’s 25 years old or older,” Perryman cautioned. “In fact, there’s **some chance the percentages are going the right direction even now** – to the degree that more young people are staying in school.”

“Still,” he warns, “the sheer magnitude of the gap between the Lone Star State and some of the others means that we **cannot relax our efforts one iota.**”

As mentioned in the previous story, Perryman repeats that Texas is “blessed with an abundance of raw materials in the form of a young and growing population.” He rightly points out there are **other states whose attractiveness for business activity is waning along with the number of young people** who will be coming up through the workforce.

But this young and growing population in Texas is also a problem. “**Many of these young people are living in poverty and are not graduating from high school,**” Perryman says. “Nor are they tending to pursue college educations or advanced degrees at a rate that would improve things in the long run.”

“These are not new issues,” he notes, “**the case for education has been made over and over and over.**” He repeats the items like a mantra:

- + For individuals, the more education you get, **the more money you make over your working life.**
- + Unemployment is less likely and **more rewarding careers are more probable.**
- + As a society, the more educated the population is, the **more attractive the state is as a location for business activity** and the greater the enhancement in the overall quality of life.

Perryman singles out the **border region of Texas as the place where these problems are more paramount** than in other areas. “We have a lot of work to do to assure economic opportunities in that dynamic segment of our state,” he said.

“In spite of all the great things going on in our state, this mid-decade checkup reveals we still **have a lot of work to do in order to ensure future prosperity,**” Perryman concludes.

Two half-century old downtown buildings, one block apart, are being “re-born” and will take on new functions more in keeping with downtown Austin as it is today.

Back in the 1950s, the Commodore Perry Hotel was a sparkling new hotel that competed with the venerable Driskill and Stephen F. Austin hotels in the downtown area. Because of its spiffy modern design, the **Commodore Perry soon became the place where VIPs were housed.** It had all the bells and whistles, including an **indoor swimming pool.**

Those were the days before liquor-by-the-drink was legal in Austin and the pool was part of a private club called the Deck Club. Hotel guests and, really, anybody else, could become a member of the private club by paying a dollar – to be able to party by the pool indoors, sipping an adult beverage.

The joint was jumping most of the time (what happened there, stayed there!). **It was a favorite of lobbyists and legislators** due to its proximity to the State Capitol. The pool was later “paved over” after one-too-many rowdy partygoers kept falling into the pool.

As other hotels came along and downtown Austin started changing, the **Commodore Perry Hotel fell on hard times.** It became an office building (though two hotel penthouses remained – rented out to longtime, elderly Austinites). The building has languished at 800 Brazos for several decades now.

But, no longer. **The 14-story building’s name has been changed to Brazos Place and it is being remodeled, inside and out,** and will soon re-open as a mixed-use facility containing offices, restaurant and about **82 condo units**, ranging from 680 sq.ft. to 1,400 sq.ft. With the headlong move to downtown living, Brazos Place is designed to fit into this new Austin niche.

Just a block away, at the corner of Eighth and Congress Avenue, another older building is being renovated to also jump onto the downtown living bandwagon. Known as 721 Congress, the building, designed by longtime Austin architect **Sinclair Black**, will contain from **12 to 16 condos in its six stories.** Word is, it is sold out. Located just north of, and adjacent to the State Theater, it is a prime piece of historic real estate on Texas’s Main Street, Congress Avenue.

For many years, the street-level retail space was occupied by the leading men’s clothing store in Austin – Reynolds-Penland. It had its share of colorful neighbors in the past. While the Deck Club was hosting its own brand of parties before liquor could be sold by the drink, the **Club Petite was a throwback to the Prohibition Era.** Within a block of this location, a patron would enter the Club Petite through a small door, opening onto Congress Avenue that led up a dark stairwell to the second floor, where this **private club got around the old liquor laws by being a “locker club.”** Here, members could keep their “own” whiskey in a “locker” to be served to them. Of course, anyone could be a “guest” of that member and order their own mixed beverage. Times have changed – and so have these two downtown Austin buildings.

For the first October ever, \$479,167,731 changed hands in the Austin area due solely to the sale of homes. This is a whopping 19% more than the amount recorded in October 2005.

Be careful when you touch the hot Austin housing market stove or you will burn your fingers. **To say the residential real estate market is hot is an understatement.** And this is occurring at a time other metro areas around the country are struggling to recover from their white-hot markets that have cooled considerably. (It's important to note that, while the Austin area market is "hot," it still hasn't come close to the "overheated" US markets, where the sizzle has now died.)

To put that high-dollar number in perspective, it represents **2,073 home sales**, as reported by the Austin Board of Realtors Multiple Listing Service (MLS). This number is an **October record and is 8% higher** than October 2005. The median price of these homes — \$175,000 — is up 9% over the same time period. Any way you look at it, it is impressive.

Also, it is interesting to note the homes with "For Sale" signs in the front yard **stayed on the market an average of 66 days** – a record low for October and another healthy indicator.

The numbers for November won't be reported for a couple of more weeks. But it appears safe to predict **the Austin area residential real estate market will remain strong heading into next year.**

By the way, single family homes were not the only properties to experience gains in October. **Sales of townhouses and condominiums increased by 25% to 266.** And how much revenue did these sales generate? Would you believe \$51,085,300 – up an astounding 50% over October 2005. Quite an increase.

Speaking of statistics, **Dr. Louis Overholster** says he always follows the 50-50-90 rule: Anytime you have a 50-50 chance of getting something right, there's a 90% probability you'll get it wrong!

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