

Volume 28, Number 41

January 26, 2007

Dear Client:

Even with substantial growth in the Austin area (that shows no signs of letting up), the number of homes listed for sale with the Austin area Multiple Listing Service is the fewest since 2001.

Talk about a seller's market. Throughout 2006, **a home listed for sale stayed on the market for an average of only 63 days.** You have to go back four years to find a similar situation. With the supply dwindling, the demand has increased (see our recent issues talking about the growth in our area) and this has naturally driven up prices month after month.

Austin area home prices are not skyrocketing (and that's a good thing for the economy) but they are rising significantly. For instance, the median price of a home sold in 2006 was up 6% — healthy, but not spectacular. And this is going a long way toward insulating the Austin market from the severe ups-and-downs that impacted real estate markets on the East and West coasts this past year.

Anecdotally, these numbers indicate **most Austin area home-sellers are not being greedy with their asking prices.** If they were, the homes would probably stay on the market much longer. After all, a high-priced home that is way out of line with others on a price-per-square-foot basis will usually stay on the market a long while, unless there are special circumstances such as a rare drop-dead view.

But there is no doubt the *home-buyer* is under the gun. **There is no buying frenzy, but the house-shopper is well advised not to vacillate on putting a offer down on a home that meets most of the buyer's needs/wishes.** The 2006 history tells us the house will soon move. And home-buyers who like to check the Sunday ads, go to the open houses, “just to see what's out there,” and if they spot something will consider making an offer – will find the longer they wait, the higher the price they will pay.

The way things stand now, home prices are a sure bet to continue rising this year. The vibrant job market is pushing more people into the house-buying mode and interest rates are still very affordable. Unless there is an unexpected rash of houses appearing with “for sale” signs in the front yard, the demand should continue to outpace the supply. This will keep the residential real estate market humming. And all you need to do is consult your college Eco101 textbook to verify this “truism.”

The announcement this week that the Austin metro has, in effect, full employment reinforces the prediction for a strong housing market and the area's future economic prospects.

Economists will tell you unemployment in the 3% range is basically full employment – that just about everybody who wants a job has a job. So, when the numbers for December 2006 were released belatedly this week, and they showed **the 5-county Austin metro area had recorded an impressive 3.2% unemployment to close out the year**, it reinforced all we have been reporting for some time now: We're enjoying of one of the nation's strongest economies.

Year-end 2005 was not too shabby either (3.9%) indicating we're in the midst of a long, solid run of good economic news. And while the Austin metro has ranked at the top of the state's economic rankings for some time, the state itself is also doing quite well. In other words, Texas – and Austin, in particular – is the place to be.

It doesn't end here. Taking the macro view, The Perryman Group's economists looked out for the next five years and are forecasting the US will have "broad-based healthy expansion." But **Texas will be better, and Austin is at the top in Texas.** Here's what The Perryman Group says about Texas:

"Texas is likely to remain a growth leader, with ongoing strength in almost all industrial sectors and a notable boost from mineral extraction. Key locations in emerging industries will serve as growth engines for the future. In addition, international trade continues to expand, and the rising level of productivity is being sustained. **With the rate of advancement exceeding that of the United States, the future for the Lone Star State is very positive."**

While most have complained in recent years about high gasoline prices, the surge in pricing has helped the state. "Texas has long been the nation's leading oil and gas producer," The Perryman Group observed. "Over the past few years, **resurgence in oil and gas exploration and development has led to substantial economic stimulus**, particularly in certain regions of the state." This has been illustrated in our past reports that noted several West Texas areas have unemployment rates rivaling those of Austin.

But The Perryman Group's generally optimistic forecast for Texas carries a note of caution when it comes to oil and gas, noting "there may be some **slowing from recent peaks.**"

Even with that bit of concern, The Perryman Group also points out **Texas "has the distinction of being the top wind-powered energy producer, overtaking perennial leader, California."** In fact, the group points out Texas wind energy capability is now sufficient to meet the needs of more than 600,000 average-sized houses. Texas now produces 24% of the nation's total and is expanding this capacity.

It took awhile for Austin-Bergstrom International Airport (ABIA) to bounce back from the 9/11 tragedy, but it roared back in style (helped by the economy) in 2005.

Airport passenger travel is one good measure of an economy because business travel measures how well companies are doing and leisure travel is a good indicator if consumers are doing well. Frankly, in 2001 **ABIA was showing the economy's signs of stress several months before 9/11 severely decimated airline travel.** But 2006 set many milestones.

The year began and ended with two new airlines investing in Austin by scheduling new service at ABIA. In January, the low-cost carrier **JetBlue** picked Austin as the first city in Texas to receive its service. It brought new non-stop service to Boston and additional service to New York City's JFK. Then, at year-end, Mexico's largest airline, **Aeromexico**, began Austin-Mexico City non-stops.

It's one thing for an airline that is already serving Austin to add destinations. But it is something else for an airline to step up and make the initial investment in gate contracts, personnel, etc. to begin serving a market where it is starting from scratch. **JetBlue and Aeromexico gave Austin an economic vote of confidence.**

There were other milestones along the way in 2006, as **passenger traffic set a record at 8,261,310 – up 7.5%.** A **monthly passenger** record was set in March with 740,685 only to be broken in June with 743,459. For the first time, monthly passenger traffic topped 700,000 in May and October. You get the picture. It was quite a year.

Texas Independent Bankers can rest a bit easier. It looks as if Wal-Mart will not receive Congressional approval to open its own banking facilities inside its stores.

On May 12, 2006 we told you of the **adamant opposition by the Independent Bankers Association of Texas (IBAT)** to the proposal that Wal-Mart be given US approval to set up its own banking operations in its facilities.

IBAT's president/CEO **Christopher Williston** said in the 1930s, Congress expressly separated commercial banks and commercial firms. Williston said that if Wal-Mart was allowed to create a bank in a small town, possibly buying or forcing out local banks, **businesses would be at the mercy of their biggest competitor for all their financial needs.**

The report from our friends at *Kiplinger Forecasts* says **now that the Congress is controlled by members of the Democratic Party, the legislation as proposed is doomed** – as many Democrats oppose giving the giant discounter such authority. *Kiplinger Forecasts* suggests the only legislation likely to be passed, if at all, would be written to exclude Wal-Mart.

A common, everyday problem – back and leg pain after standing a long time on a hard surface – triggered a Central Texas high tech-er to come up with a low-tech invention. And it is catching on, big-time.

You know the drill. Only this time, someone did something about it. Cedar Park resident **Lisa McMahan** spent a long Thanksgiving Day standing on the hard tile floor in their kitchen. By dinnertime, Lisa's legs and lower back hurt so much that she hardly enjoyed the meal. Her husband, **Robb McMahan**, an engineer who has designed everything from notebook computers to wheelchairs, began a frustrating search for a kitchen mat that would **bring relief from the discomfort of standing on a hard tile floor.**

Robb and Lisa found no non-commercial mat existed. Those they found were usually flimsy foam mats that compress over time and eventually lose their light support. After a lot of late nights and hundreds of prototypes, Robb came up with a **soft ergonomic gel that allows you to stand in comfort on the hardest flooring, even when barefoot.**

The final element of their revolutionary mat was a durable, stain-resistant cover material designed to complement the décor of modern kitchens. Once Lisa and Robb's friends saw and felt their innovative kitchen floor mat, they immediately asked for their own. That's when the company, **Let's Gel**, was formed.

They call it the Gel Pro Chef's Mat and it is manufactured in various sizes and colors in Waco. (The 20"X36" mat retails for \$99.99.) **It was initially offered at Faraday's Kitchen Store on RR620 near Lakeway and went "flying off the shelves,"** according to Faraday's. Commercial kitchens are also purchasing the product. And the McMahan's have expanded their outlets. Still headquartered in Cedar Park, you can learn more about this innovative Central Texas low-tech project at www.letsgel.com or by calling 1-866-gel-mats.

Dr. Louis Overholster has a new twist on an old saying. His version goes like this: "A fool and his money – are soon on every mailing list in the country!"

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 4105 Bee Creek Rd, Spicewood, TX 78669. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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