

THE

Real Estate

AUSTIN LETTER

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Dear Client:

The “now hiring” signs all over the Austin area say it best. Austin is experiencing one of the most dynamic job situations in the nation. It’s great for job-seekers even as it’s tough for employers. And the economy is benefiting all the way around.

Austin’s unemployment, at 3.2%, is the lowest in six years. But it’s not just Austin. Texas is on a very good roll right now. For instance, San Antonio’s unemployment dropped to a 7-year low, at 3.6%. **This is happening as people are moving to Texas cities – especially Austin – in droves.** They get here, they find work, move into a new place to live, they start paying taxes and patronizing local businesses.

A national study recently reinforced this phenomenon. In an analysis of the 2007 **Best US Cities for Relocating Families, the Austin-Round Rock metro was ranked fifth in the nation.** And, in a nod to the fact that Texas is a major magnet for relocating families, the North Texas suburb of Dallas-Ft. Worth, Arlington, was #1 in the large metro area category of more than 1.25 million people.

The study placed a special emphasis on the housing market (especially important for employers who are transferring key workers) as it also weighed other factors such as the arts and culture scene, diversity, crime rates, cost of living, education and climate.

Jobs continue to be created in the Austin metro area. One of the biggie job magnets is **construction** (the number of tall building cranes seems to be equivalent to the number of “now hiring” signs), **retail** (have you checked out all the new retail establishments opening up lately?), and of course, the Austin economic staple, **government** (though these numbers may dwindle somewhat when your Texas Legislature leaves town after Memorial Day).

There are other signs of positive job news from around the nation. Just this past week, we came across a report that said the **high-tech industry has added jobs for the second year in a row.** All high-tech areas, except the communications services industry, are gaining jobs. California leads all other states, by far, in the number of high-tech workers. Texas is second, well ahead of third place New York. Surprisingly, Florida is moving up the high-tech employment food chain to threaten New York’s third place spot. Florida was second only to California in the number of new high-tech jobs created. In fifth place on the nation’s high tech jobs list is Virginia.

What is the next thing Texas should do to help secure the state's economic future? How about creating a Secretary of Manufacturing for Texas? After all, back in the hey-day of our agrarian economy, Texas created an entire Department of Agriculture.

It was one hundred years ago – 1907 — that Texas legislators responded to the **needs of the state's farmers and created the state Ag Dept to coordinate agricultural policy and services.** Agriculture was the backbone of the state's economy at the time. Headed by an official elected statewide, the Department of Agriculture has grown over the past century into a large operation and has brought untold benefits to Texas farmers and ranchers.

Not to diminish the importance of agriculture, but manufacturing in Texas has grown so much in recent years that it is an integral part of the state's economic wellbeing. And, like agriculture, **manufacturing is buffeted by global ups-and-downs.**

“The state's ability to compete globally is directly related to its ability to **coordinate efforts from both private and public organizations** to yield productive collaborations for the benefit of Texas business. A Secretary of Manufacturing can accomplish this task,” concludes a UTAustin Bureau of Business Research (BBR) recently-published White Paper.

“A Secretary of Manufacturing for the State of Texas would **help Texas manufacturers address a myriad of issues** raised by changes in economic conditions and technological advances, from policymaking and education to workforce training and business development,” reports the BBR White Paper.

The BBR White Paper points out “the position would also **enhance Texas' competitive advantage** in manufacturing nationally as well as internationally.” It went on to say “Texas would be the **first state to formally recognize the essential economic importance of manufacturing** by creating a Secretary of Manufacturing position.”

It's been a bumpy road for Texas manufacturers in recent times. While manufacturing industries flourished in Texas in the 1990s “**the industry sector bust of 2000 delivered a harder blow to the State than the rest of the nation,**” according to the BBR White Paper. “Texas suffered **massive layoffs** in the manufacturing industries, and the sector **continues to struggle** in its efforts to regain historical growth rates.”

Still, as we have reported over the past few years, **Texas has managed to move ahead of California as the nation's top exporting state.** Texas, according to the BBR, has increased its share of manufacturing exports from about 11% in 1997 to nearly 15% in 2005. This surge in overseas sales has been a major factor in keeping Texas manufacturers reasonably healthy. **But competing in the global marketplace presents its problems** as well. Let's look at the challenges facing this important sector of the Texas economy in the next item.

As Texas manufacturers engage in global competition to retain 1990s-style growth rates in the domestic market, they face unprecedented challenges.

Competitive manufacturing today requires the relentless pursuit of innovation to produce successful new products, according to a White Paper produced recently by UTAustin's Bureau of Business Research (BBR). "The roles of education and the public sector are crucial to meeting this challenge." **So what are the "unprecedented challenges" lurking out there?** The BBR suggests the following:

Integration of technologies to achieve ever greater speed in the introduction of new processes and products.

Shortage of a better educated and increasingly **sophisticated workforce**.

Increasing competition in the US and world markets.

Increasing costs of **transportation and energy**.

Compliance with **government regulations**.

How would this collaboration work? One example: "**Inside universities, companies may find the origin of their next product or the solution to a productivity challenge,**" responds the BBR. Another need: "A new and improved transport system is vital to improve the speed with which Texas products reach the global marketplace."

The BBR maintains manufacturing is of critical importance to the Texas economy and that the manufacturing sector is changing rapidly. To remain competitive, the BBR suggests Texas needs to develop the skills, technologies, and access to markets that are essential to a thriving manufacturing sector, as well as the overall economy of the state. The BBR says a newly-created post of **Secretary of Manufacturing for the State of Texas would serve as:**

"An *advocate* for Texas companies in competitive markets ... a *catalyst* to support innovation in human capital and technology ... and a *coordinator* to promote the **common goal of sustainable competitive manufacturing superiority** among policymakers, national and international leaders, and enterprises."

"**Clearly, manufacturing plays a crucial role in the health of the Texas economy,**" notes the BBR. "A Secretary of Manufacturing would help maintain the sector's leading position by coordinating innovation, education, and investment policies of the state."

No other state presently has such a position. "With a Secretary of Manufacturing, Texas would initiate a **pioneering lead** among states to ensure that its manufacturing firms experience optimum growth in an increasingly competitive marketplace," concludes the BBR.

The Texas Gulf Coast is twice as likely to be hit by a major hurricane this season as in an average year.

This is the prediction of **Joe Bastardi**, the chief hurricane forecaster for AccuWeather, Inc. Hurricane season begins June 1st and runs through November 30th – though those dates are simply estimates. Remember, last year, there were named hurricanes in December.

Also, remember the prediction last year was for an extremely active hurricane season – and it fizzled out. **There were only nine named storms last year and no major hurricanes slammed into US coastlines last season** – a good thing, following Katrina and Rita of the previous year. So forecasts are just that, forecasts.

However, the estimates for this year are given a bit more credence as El Nino has ended. As you know, El Nino warms the waters in the tropical Pacific Ocean and that affects weather patterns. Some meteorologists said El Nino kept the lid on last season's hurricanes. But El Nino is not a factor this year.

The folks who make a living studying hurricanes cannot agree on what this season will bring. One respected forecaster suggests there will be **17 named storms, including nine hurricanes in 2007.** Bastardi, who says Texas is twice as likely to see a hurricane make landfall on its coast than normal, is more conservative – predicting **13 or 14 named storms, with six or seven striking the US coast.**

History lesson: **Hurricane Rita, that hit the Texas coast in 2005, resulted in damage of nearly \$12 billion,** but 2005's Katrina was the costliest hurricane in US history with damage estimated at \$80 billion and a death toll topping 1,500, the third deadliest of all time. No one is alive who remembers this, but **the deadliest was the 1900 hurricane that hit Galveston killing 8,000 – 12,000.** Hurricanes are something to be feared and respected.

Summertime is travel time and Dr. Louis Overholster says he will always treasure the guidebook that said "be careful about drinking water in Mexico because you could get dire rear!"

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