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Dear Client:

**The 5-county Austin-Round Rock metro's recent growth is almost legendary. Between 2000 and 2006, the region grew at a rate nearly twice that of the state and more than three times that of the nation. But not all parts of the metro were impacted the same.**

It would be a big mistake to paint the entire Austin metro area with the same growth brush. **The dynamics of this growth are clearly different in Travis County**, compared to the other metro Austin counties of Williamson (Round Rock, Georgetown), Hays (San Marcos), Bastrop (Bastrop) and Caldwell (Lockhart, Luling).

When you analyze what is going on around you, there are distinct differences that define the growth. For instance, the population **growth in Travis County was fueled by net increases in new births and international migration**. Conversely, growth in Williamson, Hays, Bastrop and Caldwell counties experienced much lower rates of international migration. **Growth in these smaller counties was driven mostly by net increases in domestic migration**.

There's another interesting facet generated by our mobile society – the movement *intra-region*. For instance, according to IRS figures, **Travis County posted a net loss of 12,639 residents** (from 2003 to 2005) to the other four counties in the metro area. This almost exactly **offset the net gain of 12,454 residents** Travis County gained by new residents moving into the region. The totals are a wash, but they don't tell you what's happening until you examine them this closely.

Another element that points to some changes obscured by just looking at totals: **the 18-24 age group in Travis County actually declined** between 2003 and 2005. In youth-oriented Travis County? Yes. What about the four more-rural counties? **This age group experienced growth in the region's other counties**.

This data examination was conducted by Market Street Services, using a variety of sources. One of the conclusions you could logically draw from this set of stats is that there is **a lot of moving-around within the region** that doesn't add to the overall growth, but it contributes to significant changes in each of the counties. For instance, there appears to be a movement of 18-24's from Travis to other counties. Also, Travis County is becoming more "international." This shows you really need to dig deeper into broad-based assertions to get a clearer picture.

**Not only is the Austin area impacted by those who are taking up residence, the visitor influx is of such a magnitude that, as a percentage of occupied hotel rooms, it leads the state.**

If the hotel projects announced or underway in Austin are built and come online within the next couple of years, the number of hotel rooms available to travelers will increase substantially. For now, those properties vying for customers 24/7 are doing quite well. Based on percentage of occupancy, **hotels within Austin's city limits are, on average, doing much better than their counterparts in the other major Texas cities of San Antonio, Dallas and Houston.**

In the latest monthly lodging industry reports (April, year-to-date), **the average occupancy of inns within the City of Austin stood at 73.1%**. This is healthy and compares very favorably with other major Texas cities of San Antonio (67.1%), Dallas (62.7%) and Houston (69.4%).

To give you an idea of how this stacks up against a couple of other cities. Nashville is somewhat similar to San Antonio in that both have significant tourism traffic and **Nashville's numbers (63.4%) are similar to the Alamo City's**. At the upper end of the spectrum, Phoenix has tallied a very high 79.2% occupancy through April 2007.

As you might expect, the high level of occupancy has put upward pressure on room rates – and in a greater proportion than the occupancy increase. For instance, **Austin's citywide average occupancy is up 4.3% year-to-date through April, but rates are up 13.0%**. And of the cities mentioned here, only Austin has had a double-digit rate increase. The other rate hikes range from 6.6% to 9.0%, while their occupancy changes range from -3.7% to only 1.5%.

As with the differing population impact in the metro area in the previous story, there is a difference in occupancy between downtown Austin hotels and the properties on the outskirts of downtown, but still within the city limits. **With the citywide occupancy of 73.1% and the downtown occupancy of 78.3%, you can see that many properties outside of downtown have less than 73% occupancy**, pulling the overall average down. Downtown hotels are doing better.

Interestingly, **rate increases** outside downtown are keeping pace with those downtown – 13.1% downtown and 13.0% citywide.

**The reason this is important is the travel industry is a clean industry that takes money from outside Austin and spreads it around inside the metro.** Of course, hotels, restaurants, taxicabs, rent cars, etc. get first shot at those dollars. But all the employees of those operations take those bucks and pay mortgages, rent, car payments, doctor bills, buy groceries, go to movies, get haircuts – you get the picture. Money comes from elsewhere and is “deposited” with various local businesses and retailers by the employees. Many cities struggle to generate travel revenue. The Austin area is profiting nicely now from this attractive industry segment.

**What do Democrat Al Gore, Republican Fred Thompson and newly-declared Independent Michael Bloomberg have in common? All three are enjoying the most ego-satisfying, uplifting time in their political lives. Probably even more than if they were elected president.**

Every single day, these three presidential wannabes hear friends and strangers tell them **how great thou art**, and that they are the “**only one who can be elected and save the United States** from famine and pestilence.” Because they have not yet announced they are in fact going to run for president, they haven’t been subject to the slings and arrows hurled at declared candidates.

**The brown-nosers, yes-men and bandwagon-hoppers are out in force.**

Lobbyists and special interests – eager to be on the inside – are throwing money and promises of money at them. They wake up in the morning, look in the mirror, and first thing you know **they start to believe all this because, after all, they reason, they really are truly great.**

They feel they are not like those announced candidates who are out there **begging for votes and groveling for support** from every interest group imaginable, while being hammered with negative comments from opponents. And, if you don’t think this is more ego-inflating than actually serving as president, just look at the turmoil that has surrounded Presidents **George W. Bush** and **Bill Clinton**.

Gore, Thompson and Bloomberg better enjoy it while they can, because it is transitory. (Though one Democrat, New York Governor **Mario Cuomo**, milked the process for all it was worth years ago as he listened to entreaties about running for president. In fact, his “**To Be or Not To Be**” **decision-making went on so long, pundits started calling him Hamlet on the Hudson.**) Sooner or later, the current trio must decide whether they will formally accede to the “massive outpouring of support urging their candidacy.”

Here’s some unsolicited advice for Gore, Thompson and Bloomberg. When Texas USSenator **Kay Bailey Hutchison** was mulling a race for Texas Governor recently, we told a little joke about the former UT Austin cheerleader. We suggested she answer queries about her possible candidacy by saying something like “**I learned long ago as a cheerleader that when someone tosses you up in the air, they may not be there to catch you as you come down.**” Before making a decision to run for president, Gore, Thompson and Bloomberg would be wise to let a little air out of these trial balloons that have been overly inflated by hot air.

Postscript: Billionaire Bloomberg caught some by surprise this week when he said he was leaving the Republican Party (he had earlier switched from being a Democrat to run for mayor of New York City). This fueled speculation he would **run for president as an independent**, which we had previously analyzed. You may want to click on the “Archives” button at the top of this newsletter and check out our 5/11/07 edition where we detailed the difficulty – no matter how rich you are (remember **Ross Perot**) – of running for president as an Independent.

**“Cheap barbecue, cheaper beer, nonstop live music, and just about the coolest hotel in the States. What more can a red-blooded, red-meat-eating man ask for?” This comment about Austin came from one of the nation’s leading men’s magazines (no, not a skin mag).**

The slick *GQ* magazine singled out Hotel San Jose, the Salt Lick, Stubb’s Bar-B-Q and Black’s (in Lockhart) BBQ joints, Guero’s Taco Bar, El Sol y La Luna and Fonda San Miguel. But another recently-published book, *1,000 Places To See in the US and Canada Before You Die*, had other recommendations in its travel guide:

**“Central Texas Barbecue – Where’s the Beef?** The Austin venue of choice is Iron Works, an old tin building near the Capitol.

**“Lake Austin Spa Resort – Taking Care of Body and Soul.** Lake Austin Spa Resort has emerged as one of the country’s premier destination spas.

**“Austin’s Live Music Scene – Letting the Good Times Roll.** Although it’s the seat of state government and home to one of the largest universities in the nation, Austin’s soul really comes from its music.

**“Spamarama & the Austin Festival Subculture – Madcap Merriment in the Capital City.** Growing ever more hilarious, the daylong [Spamarama] draws thousands of revelers to Spamophilic events ... Springtime fun in Austin continues with Eeyore’s Birthday Party ... Pun-off World Championships ... [and] the stunning sight of 1.5 million Mexican free-tailed bats taking flight to make supper of up to 30,000 pounds of insects each night.”

The *1,000 Places* pub is new, by *New York Times* best-selling author **Patricia Schulz**. Her *1,000 Places to See Before You Die* spent 162 weeks on the *NYTimes* bestseller list.

**Dr. Louis Overholster** says there is one sure way to recognize when you reach middle age – when work is a lot less fun and fun is a lot more work!

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