

THE

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AUSTIN LETTER

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Dear Client:

Because the Texas Legislature did not follow the lead of other big states and move primary elections to earlier in the year, the presidential nominees will probably be determined before you get to vote. Here's a primer to help you follow the decision-making process from afar.

Christmas holidays will capture the attention of most voters for the remainder of the year, but even before the BCS College Football Championship game is played in early January, two states will have had their say on the next president of the US. **Caucuses in Iowa for both parties 1/3/08, and a GOP-only caucus in Wyoming 1/5/08, kick off the selection tabulations.** Iowa is very important for GOP's **Mitt Romney** and Dem's **John Edwards**. The others:

January 8, 2008. This is the date for the much-ballyooed **New Hampshire** first-in-the-nation primary. This date was "ooched-up" when other states started trying to get at the head of the voting line. Both parties are focusing here.

January 15, 2008. This is the date selected by **Michigan** political parties for picking their nominees. Much bickering went on and there is a question whether the Democrats will even seat delegates selected on this date at their convention. But, all eyes will be on this state the 15th.

January 19, 2008. Both parties will caucus in **Nevada** and the Rs will select a nominee in primary voting in **South Carolina**.

January 26, 2008. The Ds will hold their presidential primary in **South Carolina**, one week following the Rs.

January 29, 2008. The most-populated state so far, **Florida**, will hold Rs and Ds primaries on this date. Florida moved up to grab this date, again generating some flak, especially from the Ds.

February 5, 2008. This is the biggie. **Voters in 20 states, including the biggest states of all, New York and California**, will cast ballots.

Both parties probably will have selected their presidential candidates by 2/6/08, just two months from now, and Texas voters will be left with meaningless primaries in May.

Nearly four out of every 10 workers in the Austin metro area are in the services industries and, over the next five years, 54% of the total employment gain will be in the services sector, adding 41,900 new jobs.

The second-largest employment grouping in the five-county Austin-Round Rock metro is the **government sector, providing more than 20% of the jobs.** And, in the next five years, there will be an *additional* 11,000 people pulling down a government check.

There you have it. **More than 60% of all paychecks are in the services and government sectors – and the numbers will grow.** This forecast is provided by long-time Texas economist **Ray Perryman**, who was in town this week presenting his predictions at functions hosted by Fulbright & Jaworski LLP and Frost Bank.

One of the reasons for this increase in jobs between now and 2012 is the anticipated growth. **As Austin grows, more jobs are created** (Or is it vice versa? Chicken or egg?) **and as Texas grows, government grows** if only to keep pace with the level of services currently provided. “The rate of economic advancement for Texas is projected to exceed that of the United States,” predicts Perryman.

Perryman is bullish on the prospects for Austin, as he has been for some time. A **young workforce** is one of the reasons he cites: “Approximately one-third of the population is in the 25-44 age group, compared to 28.3% of the nation as a whole.

“The highly-educated and trained workforce, which is nourished by the various higher education institutions in the area, is a major contributor to the success of the metro’s business growth and development.”

But he also points out the Austin metro “is enjoying its growing reputation as an area where **creativity and innovation abound, as evidenced by the rising number of patents being generated.** The University of Texas ranks third among all education institutions in the nation in the number of approved patents.” He added: “Ongoing efforts in technology commercialization programs are proving advantageous to the area’s prosperity.”

As far as other numbers are concerned, Perryman predicts the **Austin metro population will move from 1.53 million in 1970 to 1.70 million in 2012 – a 2.09% increase.** He thinks the job base will track along with the population growth, forecasting a 1.93% increase in employment from 774,900 in 2007 to 852,800 in 2012. And he sees **personal income jumping up by 4.56%** and retail sales increasing by 7.28% by 2012.

Perryman noted that *Expansion Management* named the Austin-Round Rock metro as the **top area in the nation for future business locations** last year. Then he added: “Expectations are optimistic for such recognition to continue over the short term.”

Austin gained another bit of national notoriety this week, this time on national TV Wednesday when NBC's *Today* show named Austin as a place to make a lot of money in real estate.

The *Today* show's real estate guru, **Barbara Cochran**, singled out four US cities for her "Up and Coming" profile. She cited such factors as big changes, the hip factor, night life, a creative community, new cars – even ladies sitting on park benches (signifying a "safe" community).

In her brief commentary about Austin, she said investors were coming in from Los Angeles and buying "dirt cheap" property, grabbing up real estate. As she put it: **"you can make a lot of money."**

The other three areas on her list: Redding, Pennsylvania, Farmington, New Mexico, and Biddleville (outside Charlotte), North Carolina.

To reinforce NBC's report about Austin real estate, would you believe that home prices in Austin have appreciated 28.8% in the past five years.

On average, if you've owned your home for five years, the value has increased almost 30%, according to a quarterly index report from the Office of Federal Housing Enterprise Oversight. **This report also indicates home prices in the Austin area rose 9.6% between September 2006 and September 2007. Not spectacular, but solid.** And compared to other places, these numbers move Austin up to #7 in the nation in terms of year-over-year price appreciation.

The important thing to realize about this solid price appreciation recorded in the Austin area is that it has been **steadily moving upward during a national real estate roller-coaster time.** You'll remember the so-called "smart money" was being dumped into "hot spots" like California and Florida because home values were increasing spectacularly.

Now the national bubble has burst and those "wise" investors are left holding the bag. Not in the Austin area, where a slow, steady climb upward is continuing. Sure, home *sales* in the Austin area have tapered off (primarily due to the tightened mortgage credit policies instituted nationwide). But *values* continue to rise.

Compare the Austin situation with California. **A San Francisco headline over a story about California home values a week ago blared "median price in free fall," pointing out the state's median home price fell almost 10%.** In the Silicon Valley, it was a bit better – but home values are still declining: Santa Clara County, *down* 3.1% from a year ago ... Monterey County, *down* 5.3% ... and Santa Cruz County, *down* 2.5%, according to the California Association of Realtors. (Nationally, the median home price is *down* 5.1% compared to last year.) Again, **Austin home values are up 9.6%.** Quite a comparison.

The low-cost air carrier that started serving Austin this year has apparently found a niche with Austin air travelers. Passengers are boarding ExpressJet at Austin-Bergstrom International Airport (ABIA) in numbers that outstrip more established, bigger name airlines.

ExpressJet's appeal is **non-stop flights at low prices to nearby destinations**. It appears passengers don't mind ExpressJet's smaller regional jets – if the numbers are any indication.

In October, the most recent month for which tallies are available, **ExpressJet flew 25,055 passengers – more than USAirways (22,762), JetBlue Airways (20,189), Frontier Airlines (16,429) and Aeromexico (1,925)**. If ExpressJet had carried only 50 more passengers in October, it would have also surpassed **Northwest Airlines (25,104)**.

What kinds of deals and destinations is the airline offering? Well, this week, ExpressJet is offering *non-stop* flights to **Albuquerque** \$99 each way ... **New Orleans**, \$109 each way ... **Tulsa**, \$84 each way ... **Oklahoma City**, \$84 each way ... **Tucson** \$99 each way and **Jacksonville**, \$119 each way.

ExpressJet is pitching “fast getaways” noting that these destinations and fares require only a **3-day advance purchase**. **They are good from 12/8/07 to 12/20/07** and must be booked between now and 12/17/07. And of course, there are other caveats similar to what all airlines invoke.

By the way, travelers are moving through ABIA at a record pace. For the year through October, ABIA's passenger traffic is up 8%. The two gorillas are maintaining their dominance: Southwest Airlines, at #1, is up 3.5% for the year and #2 American Airlines is up 5%. Back in the pack (more than a million passengers less than the two front-runners) is #3 Continental Airlines, up 3%, and #4 Delta Air Lines, recovering from major slippage last year, up 30%.

Dr. Louis Overholster, saying he liked the man's sense of humor, gave an employee a pay raise when the worker said he needed more money because three different companies were after him – the phone company, the gas company and the electric company!

Sincerely



Editor/Publisher