

THE

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AUSTIN LETTER

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Dear Client:

As 2007 draws to a close, the Austin-Round Rock metro area is in an enviable position, and when you examine the counties adjacent to the metro – especially those that make up the highly desirable and attractive Hill Country to the west — it looks even healthier economically.

A vibrant economy starts with jobs. When people are working, almost everything else falls into place. Sure, outside economic forces – such as tightened credit policies – have an impact. But, even then, tight credit may prove to be somewhat of a good thing if it keeps workers from getting deeper into debt.

The key point is that **this part of Texas is a job mecca**. For all practical purposes, **anyone who wants a job has a job or can get a job**. The five-county Austin-Round Rock metro area in October registered a miniscule 3.3% unemployment. And **Travis County (Austin) with the largest population concentration had 3.2% unemployment**.

The other four counties are also doing very well. Williamson County (Round Rock, Georgetown, Taylor) recorded 3.4% unemployment, Hays County (San Marcos) also came in at 3.4%, Bastrop County (Bastrop) tallied 3.5% and Caldwell County (Lockhart, Luling) notched 3.7% unemployment. All very, very solid.

And the job picture is even better in the adjacent Hill Country counties. While those counties are not officially included in the five-county Austin area, the population growth is surging west and many of their residents come into the Austin metro for shopping, health needs, entertainment and, yes, jobs. The Hill Country is very much a part of our trade area.

Consider **Burnet County** (Marble Falls) that abuts Travis County to the west. Its unemployment is an amazing 3.2%. **Blanco County** (Johnson City, Blanco) touches both Hays and Travis Counties and carries a 3.4% unemployment. And **Gillespie County** (Fredericksburg, Stonewall), adjacent to Blanco County's western border, leads all the Hill Country and Central Texas with a **2.9% unemployment**.

There is no other major metro in Texas with a better job picture than Austin-Round Rock and its neighbors. This isn't to demean the others because the other biggies are all doing better than the very good 3.9% Texas state average. But it does reinforce how well Austin is doing.

What about 2008? Will the Austin job picture continue bright? What efforts are underway to create new jobs to meet the needs of a growing population?

The Greater Austin Chamber of Commerce (GACofC) raised \$14 million from Austin businesses about four years ago to fund an effort to create new jobs. **Called Opportunity Austin, it began in 2003 and is due to end in 2008.** Time is running out on the effort and plans are underway for Opportunity Austin II to kick in when this one ends.

Chamber officials appear confident the goals of the current project will be met, because **some of the goals have already been surpassed by this, the fourth year.** For instance, one of the efforts was to make 100 visits to companies out of the region each of the five years. They have already exceeded the 500 5-year goal.

Another important goal was to try to get 50 re-location prospects to visit Austin each year. The 250 5-year goal has long ago been surpassed. **And the goal of 100 corporate announcements and relocations has also been exceeded.**

The big goals – **creation of 100,000 net new jobs and an additional \$3.5 billion in new payrolls** – appear to be well within reach.

“The community must not become complacent, however,” says **Roger Mitchell**, the Chamber Board Chair and President of Texas Gas Service Company. “Our memories are at times short and we forget all too quickly the effects of the tech bust in 2001 and the dot-coms in the 1990s. **We must continue to work together to attract new businesses, help our existing companies to grow and diversify our economy.**”

Post Script. It’s subtle, so you may not have noticed it. When the Chamber began its intense focus on economic development for the region – not just Austin – it changed its name several years ago to the Greater Austin Chamber of Commerce. **But, if you look at the current Chamber letterhead and other materials, it simply references “Austin Chamber of Commerce.”** The “Greater” part of the name has been dropped in these public references.

Does this reflect a change in emphasis at the Chamber? No, not at all. It simply reflects the reality of our alphabetized world. The official name is still Greater Austin Chamber of Commerce. But the reason “Greater” was dropped in public references is that **folks looking for “Austin” under “A” couldn’t find it.** It was under “G.”

One example: The GACofC would pay \$10,000 for a booth at a trade fair and when participants looked under the “A’s” to locate the booth, they thought Austin was not represented. **So the regional mission of the Chamber remains,** it just will not be reflected in the more common references to the organization. Oh, by the way, the Austin Chamber is the largest CofC in Texas, at about 2,800 members, and is targeting a membership of 3,000.

The big national builders doing business in Austin make up one micro-segment of the Austin area's economy where jobs are visibly diminishing – not because of what is happening *here*, but because of the problems occurring in *other* major markets around the US.

The head of a company that tracks new home construction activity in the Austin metro said this week there has been “**a massive change of personnel with the national builders**” doing business in Central Texas. **Mark Sprague**, of Residential Strategies, had some examples:

Sprague said the **Lennar Austin** division president has left, along with the builders' top “land” people. He also said that “**Ryland's** top land guy left.” He went on to point out that “**Meritage** lost **Wes Peoples** about a year ago and just lost his replacement, (division president) **Tim Agee**.”

And this is not all. Sprague said he feels “**we will continue to see attrition at all the major builders offices locally**, with no replacement till the national market turns.” Sprague, whose company also operates in the Dallas area, said the Dallas-Fort Worth market “**went through this last year with 23 of the top 25 builders division presidents being replaced** and most major builders laying off a vast majority of their local staff.”

He also said he sees “the land values plateauing locally for the next nine months to two years, depending upon the severity of the national scene.” However, he concluded on an upbeat note: “**All that said, we are still one of the best markets in the nation.**” By the way, Sprague pointed out that some of the national builder execs who left their firms have stayed in the Austin area, moving to other key positions in this market.

The *amateur* air travelers will be out in force in the next few weeks – clogging security lines and walking around with dazed looks on their faces as they haul kids and Christmas gifts to grandma's house. Here are the dates to avoid, so you can face a minimum of hassle.

Travel at Austin-Bergstrom International Airport will be heavier than normal (**with “unseasoned travelers” slowing the process and creating longer lines than normal**) from Tuesday 12/18/07 through Monday 12/24/07 as families “head home” for Christmas. Then the *vacationers* hit ABIA after 12/25/07. ABIA officials anticipate a heavy surge in departing passengers by Friday 12/28/07.

If you can't avoid traveling on these dates, it's probably wise to arrive at least 1½ hours prior to departure and **head to your favorite airline frequent flyer club or quiet corner to keep your blood pressure in check**. The same holds true in other airports. Remember, passenger traffic during *normal* times is up 8% for the year at ABIA, with about 25,000 bodies bumping into each other every day. The end-of-year crunch will surpass those totals. You are forewarned.

They've been wrong for the past three years, so should we believe them now? Well, at least we can take note of the predictions for the 2008 hurricane season.

Maybe we should cut some slack for the hurricane research team at Colorado State University (CSU). **After all, weather predictions – especially a six-month-ahead look at potential hurricanes – are an inexact science at best.** So, let's see what they predict for 2008.

The CSU team predicts the Atlantic hurricane season starting 6/1/08 will spawn 13 tropical storms, of which seven will strengthen into hurricanes – making 2008 “somewhat above average.” Three of those hurricanes would be the **dangerous Category 3-or-above storms, with winds of at least 111 miles per hour.**

What are the chances of a major hurricane slamming into the Gulf Coast in 2008? The researchers put this at a 36% probability. Overall the CSU team predicted a 60% chance that at least one hurricane of Category 3 or higher would hit somewhere in the US in 2008.

After the monster Katrina and Rita hurricanes hammered Texas and the other states in the Gulf Coast in 2005, it was **relatively quiet in 2006 and 2007 – below the predictions.**

ERROR: We had a typo in the next-to-last paragraph in the 2nd story last week (economist Ray Perryman's predictions). A population estimate read “... 1.53 million in **1970** to 1.70 million in 2012.” It should have read “... 1.53 million in **2007** to 1.70 million in 2012.” We apologize.

As has been our custom since we began this publication in 1979, we take a two-week hiatus the last two weeks of each year. Therefore our next edition will be 1/4/08. Meantime, we wish for you and your family the best this holiday period can bring and that 2008 brings you enough success so you never have to utter **Dr. Louis Overholster's** famous quote: “I don't know how I got over the hill without getting to the top!”

Sincerely



Editor/Publisher