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Dear Client:

As a general rule, many Austin area financial institutions have plenty of money to lend and interest rates on borrowed money are relatively low. So, what's the problem? For some, no problem; for others, it's tougher to get those low rates.

In fact, from a borrower's perspective, you might think you have taken a step back in time when you saunter into an Austin area bank's lobby, looking for a loan officer. It's now tougher for a business to qualify for a loan, but frankly, **the standards are pretty much what they were a few years ago.**

Start with the fact that your business category must be one that is not "under the gun" right now. Your good **track record** is important. **Cash flow** needs to be sufficient to meet the **pay-back requirements**. You may even face **shorter timeframes** on the loans. Oh yeah, **collateral** – good collateral is essential. And those old requirements that were eased somewhat in recent years – **personal liability and "joint and several" guarantees** – are surfacing regularly. Interest rates, while low, still vary according to the strength of the borrower.

There is a bit more paperwork and scrutiny now, such as careful analysis of a company's assets, cash flow and business on the books (one person referred to this as "jumping through a lot of hoops"). **But, by and large, this is the way it used to be** and is now the *current* standard in most banks. Meet these requirements and you can walk out of a financial institution with the money you need. Especially if you are in a thriving business category – such as health care.

It's a different story if you're in a business category that has been hammered in the headlines lately. For instance, real estate. You have to convince the loan officers (and that faceless group of bankers you never see called "the loan committee") that you or your business is strong enough to weather the national storms if they move through the Austin area.

Obviously, the situation is somewhat fluid. **One estimate we have seen puts the prime interest rate at 5% by mid-year.** And who knows what will happen on the national scene that might impact banking regulations. Inflation is fluid, but should ease according to another estimate. So, it all bears watching.

Change is occurring all around the Austin area. But *what* kind of change? And *where* is change taking place at the fastest rate? And who is feeding all the newcomers?

Let's take two snapshots of the five-county Austin metro area over a ten-year span. Then break down those **pictures within the five counties of Bastrop, Caldwell, Hays, Travis and Williamson**. What the heck, let's even include some other Texas cities for comparison. The change is not equal, but it is amazing nonetheless.

Snapshots provided by the USCensus Bureau during July 1996 and then in July 2006 show significant, though not equal, population growth rates in all five counties: **Bastrop, 47.1% ... Caldwell, 24.3% ... Hays, 58.9% ... Travis, 28.4% ... and Williamson, a whopping 80.9%**.

During this timeframe, the entire 5-county Austin metro grew, according to the USCensus Bureau by 41.1%. Do you realize how amazing this is? **First of all, this percentage growth led all metros in the state of Texas**. The state itself tallied a very solid 18.2% growth. **Austin grew at more than twice the rate of the state**, as Texas was growing at one of the fastest rates in the nation.

How did other Texas metros compare to the Austin area? **The Dallas metro's population increased by 29.7%, the Houston metro kept pace by notching a 27.8% increase, while the San Antonio metro tallied a 21.4% growth rate**. Two smaller metros actually lost population: Beaumont, *down* 0.2% and Wichita Falls saw its population *drop* by 3.7% from 1996 to 2006.

As the Austin area has grown, where have all these people gone to work? What entities provide their paychecks? Fast forward now to 2007, where we have more recent data from the Texas Workforce Commission. As we told you in recent issues, the Austin area prior to the 1980s relied almost exclusively (this is somewhat of an exaggeration to make a point) on government paychecks. Our economy has diversified greatly since that time. Or has it?

Of the Top Ten Employers in the Austin metro, five – half of the Top Ten and four of the Top Five – issue government checks to their employees. And there are more *local* government jobs (#1 on the list) than *state* government jobs (#2) in the metro. UTAustin is #3, the *federal* government is #5 and the Austin School District is #5.

The private employers that round out the Top Ten, include **Dell Inc** (soon to scale back a bit) at #4, **Seton Family of Hospitals** at #7, **Freescall Semiconductor** at #8, the **H-E-B Grocery** operations at #9 and **IBM** at #10. By the way, the other large private employers are, in order, **St. David's Healthcare, Wal-Mart, Advanced Micro Devices (AMD), Applied Materials and National Instruments**. Yes, the economy is much more diversified than it has been but those government paychecks still feed a lot of Austin metro families.

Population growth is one of the most significant developments impacting the Austin area and in fact other Texas metros, these days. New USCensus Bureau numbers released just last week underscore the impact.

The 10-year comparison numbers we shared with you in the previous story have now been extended one more year, from July 2006 to July 2007. And these one-year population growth numbers in many ways are quite staggering. The Associated Press, quoting **Karl Eschbach**, a Texas state demographer, reported **16% of Americans who moved to other states between July 2006 and July 2007 came to Texas, which led the nation for the second straight year in that category.** Let this sink in before we move to what happened in the Austin metro.

Percentage growth figures are important, but percentages tend to be higher when you start with smaller numbers. For instance, a 10% population growth in Bastrop generates much smaller *actual numbers* than a 10% growth in Austin. So you may not be surprised to learn that **on a percentage basis, Austin experienced the 5th biggest surge in population growth among all metros in the nation** during this one-year measurement period.

However, it's just as dramatic, maybe even more so, when you consider the *actual numbers* of new residents in a metro. **Austin and three other larger metros in Texas – Dallas, Houston and San Antonio – were in the Top Ten of the biggest population gainers in America.** This ranking is based upon actual *raw numbers* of population increases, not percentages, in the nation's biggest cities.

Now you know why, just in the past year or so, **Austin area roadways are more crowded**, the waits are longer for movies or restaurants and crowds are bigger at gatherings in the area.

Why are all these people heading this way? In addition to the quality of life, a relatively strong economy and housing prices are a big attraction. Eschbach says flatly “people are running away from unaffordable housing, from the economic slowdown.” Of the 50 fastest-growing metro areas, 27 were in the south and 20 were in the west. On the other end of the scale, Detroit lost more than three times as many people as any other metro area – declining more than 27,000. Other areas losing more than 5,000 people were Pittsburgh, Cleveland, Columbus GA, Youngstown, Ohio and Buffalo, NY.

Michael Dell, in Israel this week, spoke about the future of the company he founded in his dorm room at UT Austin. With the announcements of local layoffs still ringing in the ears of those affected, Dell was quoted as saying much of Dell Inc's future sales growth will be outside the US, in areas such as the Middle East and China, where unit sales were growing between 54% and 70% a year. He also repeated plans to buy back another \$1 billion of its own shares in the current quarter.

Mindy Montford may have lost the runoff for Travis County District Attorney this week, but she won a lot of endorsements – including one that was a bit unusual on Election Day itself.

Montford raised and spent a lot more money than her opponent, **Rosemary Lehmborg**. And she spent the money in traditional ways – TV and radio ads, phone banks, endorsement ads, signs, mailings, etc. It was all for naught as Lehmborg, who had the backing of the outgoing DA **Ronnie Earle**, won a very decisive victory over Montford – by a 65% to 35% margin.

Now for the unusual part of this campaign. One of Montford’s endorsements came from a current city council member, though City Hall has no sway over the county DA’s responsibilities. This in and of itself was not what made it unusual. The unique part was that this **highly-laudatory endorsement came from none other than her *ex-husband*, City Councilman Brewster McCracken.**

Long before daylight on Election Day Tuesday, a blast email was sent out by McCracken “to ask that you vote for Mindy Montford for District Attorney.” It went on to say “**as you know, I was married to Mindy until last year. Even though we are no longer married, I believe strongly that she possesses outstanding character, judgment, integrity and ability.**”

This is not the first time an ex-spouse has backed a political figure. Those with long memories will recall that former Governor **Ann Richards’** ex, **Dave Richards**, was supportive of her races for Travis County Commissioner, State Treasurer and Governor. But it is somewhat rare in these days of nasty divorces. By the way, McCracken was quite effusive in his endorsement of Montford, going on at great length about her accomplishments and closing by saying “**I have had a window to see Mindy Montford as she really is, and I can tell you unequivocally that she is incorruptible, compassionate and a genuinely good person.**”

Speaking of relationships, **Dr. Louis Overholster** said he was reminded of the time Lady Astor told Winston Churchill that “if you were my husband, I would poison your coffee” to which Churchill replied, “Madam if I were your husband, I would drink it!”

Sincerely



Editor/Publisher