

THE

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AUSTIN LETTER

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Dear Client:

Next month, Austin air travelers will reach a major benchmark in convenience – even in these days of airline hassles, cancelled flights, bankruptcies and mergers that are reducing options for travelers.

Twenty-five years ago, **May 1983, there were only 16 destinations in the US where you could fly nonstop from Austin.** Sixteen, that's all. (This gave rise to the old joke that when you died, it didn't matter if you were going to Heaven or Hell, you would still change planes in Dallas!). **Well, in May 2008, there will 52 nonstop destinations available for the Austin air traveler – more than triple the amount available 25 years ago** and 19 more than just five years ago when 33 nonstop destinations were on the schedule in May 2003.

In fact, **right now, there are only around 40 nonstop destinations available** for the Austin air traveler. But in just a few weeks, during May, you will have available a whole raft of new nonstop destinations from Austin-Bergstrom International Airport (ABIA) – bringing the total nonstop destinations to 52.

JetBlue will begin new nonstops between Austin and **Fort Lauderdale, Orlando, San Francisco and Long Beach** 5/1/08. Southwest will go nonstop head-to-head with JetBlue 5/10/08 to **Fort Lauderdale**. A Southwest nonstop to **Oakland** also debuts the same day. (Southwest began nonstop service to **Philadelphia** 3/17/08.)

Air Canada starts a **Toronto**-Austin nonstop 5/1/08. This is also when vivaAerobus begins nonstops to **Cancun and Monterrey, Mexico**. One day later, Northwest Airlines (more about this airline in a minute) starts a nonstop to **Indianapolis**. And on 5/5/08, USAirways connects **Charlotte, NC** and Austin with a nonstop. Add 'em up. Twelve new nonstop options involving six airlines.

Bypassing the problems of changing planes (missed flights, lost luggage, making a mad dash from gate-to-gate, etc.) is a **true convenience offered by nonstop flights**. So this massive increase in the number of nonstop flight destinations through ABIA is a bit of fresh air blowing through at a time when most travelers are cussing so many hassles of air travel. **Now, a tip: introductory routes often bring low promotional fares.** If you need to travel during the next few weeks or months, you would be wise to check these new routes and book early. You can check the airlines' Web sites or visit www.abia.org.

Now that two airlines that have been losing their allure for Austin travelers have announced merger plans, the next big merger possibility will likely have a greater impact for those using Austin-Bergstrom International Airport (ABIA).

The news this week that Delta Air Lines and Northwest Airlines had agreed to a merger was long anticipated, as readers of this newsletter know. **In fact, the dragged-out talks may have impacted the service those two airlines provide to ABIA travelers.**

Both carriers have lost customers at ABIA (contrary to a report in the downtown daily): as we told you 3/28/08, **Delta's Austin passenger traffic was down a whopping 14%** for the first two months of this year and **Northwest's Austin passenger traffic was down 5.2%** — both compared to the same timeframe in 2007. This occurred when overall Austin passenger traffic was *up* 8.5%

The diminishing number of Austin passengers flying Delta and Northwest during the first two months totaled 139,763. Compare this to **#1 Southwest Airlines**, that carried 457,869 Austin passengers (up 9%) and **#2 American Airlines** that carried 348,922 Austin passengers (up 5.6%). This gives you the relative impact of the proposed Delta/Northwest merger, as far as ABIA is concerned.

Now, let's look at another potential mega merger where talks have been on-again, off-again. **Houston-based Continental Airlines and United Airlines have been flirting with each other for some time.** This week's Delta/Northwest announcement may get Continental and United off high center. If this happens, it will have more of an impact at ABIA than the Delta/Northwest merger.

During 2008's first two months, **Continental carried more Austin passengers than Delta and Northwest combined.** And Continental's 156,508 total was *up* a healthy 7%, compared to the same two months in 2007. Add United's 56,965 Austin tally and you get 213,473 Austin passengers for 2008's first two months that have flown Continental and United.

One of the reasons for airline mergers is to improve efficiencies of operation – especially during times of rising costs. So the ultimate impact of these moves on ABIA is yet to be determined. For instance, **will the combined operations result in reduced service to Austin?** Or would that possibility be offset by other airlines (such as Southwest, that always seems to expand operations when others re-trench) that might **add routes and increase gate capacity at ABIA?** All this bears watching, as it will likely be year-end before mergers could be concluded.

A final note: ABIA managers are charged with the responsibility for anticipating passenger demand way out in the future. And as we told you at the first of the year, those managers have **expansion plans for ABIA already on the drawing boards.** Obviously what happens if/when these mergers come to fruition will impact those expansion plans.

Polls seem to dominate the dialogue in the presidential campaign these days. But the polls focus on the *popular* vote, not the *Electoral College* tally. And an analysis of the Electoral College vote produces some interesting results.

Democrat **Al Gore** won the popular vote by 0.5% in 2000, but Republican **George Bush** won by one vote in the Electoral College. It takes 270 Electoral College votes to be elected president and Bush got 271. So, admitting it is a long time before the November election, what does the Electoral College map look like at this stage of the game? For this analysis, let's assume the Dems nominate **Barack Obama** to run against **John McCain**.

Without getting specific for all 50 states, start with the fact that there are **states that traditionally vote Republican (red states) and others that are solidly for the Democrats (blue states)**. So, let's allocate them to either McCain or Obama by traditional voting patterns.

McCain's strategists are encouraged by the fact that many of the states where Obama has beaten **Hillary Clinton** in the Democratic primaries/caucuses are **states where the Democrats are still likely to lose in November**. These states include those in the Deep South — Georgia, Alabama, Louisiana, Mississippi, South Carolina and North Carolina.

There's also a double whammy in play here. Some other states where Obama has defeated Clinton are states that will be in the Democrat column anyway — Oregon, Washington, Vermont, Maine, Maryland, Hawaii — so there is **no net Electoral College vote gain for Obama** if he wins those states in November.

Then there are the swing states that go back and forth between red and blue. How will they vote this fall? The swing states, with large electoral votes, are the kicker — states such as Ohio, Michigan, Pennsylvania, Florida. **Clinton either beat, or is leading, Obama in those states**. Not good news for Obama against McCain.

The McCain people don't have to go overboard to see how the Arizona senator can win enough Electoral College votes to take the presidency. But the Republicans aren't the only ones who are encouraged by this sort of analysis. **The Clinton Democrats are using this same logic to try to convince the Dem Super Delegates to cast their votes for her**. In fact, just as the Obama backers are saying "*do the math* — look at all the Democratic delegates he has amassed and all the states he has carried," the Clinton supporters are also saying "*do the math* — look at the Electoral College votes represented by the states she has carried."

Obviously, this is an exercise that could **easily change as a result of campaign dynamics over the next eight months**. In fact, when you look *back* eight months, the picture was decidedly different with delighted Dems and pundits and pollsters all claiming it was a slam dunk the next president would be a Democrat. Stay tuned.

What is the *new* definition of a “luxury home” in Austin? More square footage? An even bigger sale price? Nope. This new trend may surprise you.

For some time now, the bigger the better has been the motto for an Austin luxury home. But as high-end features are becoming more commonplace in the pricier homes (can you say plasma TVs in almost every room?), **the luxury real estate market is trending away from “sameness” and toward “uniqueness”** – not just in the Austin area, but elsewhere as well.

No less an expert than **Leonard Steinberg**, a contributing editor to *JustLuxe* and a top exec at a NYC high-end Realtor, said the term “luxury” in real estate is changing. He says it is shifting from cosmetic to intrinsic. This doesn’t mean cosmetic is out the window, just that **intrinsic values are becoming more important**. So, what does he mean by intrinsic?

He says real luxury lies in customization and uniqueness. Such as? **Room proportions, ceiling heights, flow of space, light, views, privacy, security and so forth**. “A high price does not necessarily guarantee luxury,” he observed. He also placed value on unique light fixtures, artwork or custom-designed hand-crafted cabinetry. And he said this new luxury is found in the convenience, ease of use, quality of engineering, reliability and efficiency of design.

With the significant growth in wealth in Austin (and elsewhere) over the past decade “sameness” has become the enemy of the luxury market. High quality kitchens, baths and pools are still important – in fact, they are almost prerequisites. But what raises a home to the next level are the quality of materials and skills to produce a “uniqueness” – often the most difficult things to find or create.

Dr. Louis Overholster has some rules-of-thumb for attending meetings. He recommends you never say anything in a meeting until it is half-over; “that stamps you as being wise.” He also suggests you be as vague as possible when you do speak; “this avoids irritating others.” And you should never talk about yourself in a meeting; “this will be done when you leave.”

Sincerely



Editor/Publisher