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Dear Client:

It may be too early to talk about an upturn in the Austin area housing market – even though there are some signs the bottom may have been reached. But, it's not too early to focus on the types of homes that will be attractive in the near future.

Some early encouraging signs for the Austin area home market could be a blip on the home radar screen, so you need to see some more data before claiming Austin's residential real estate is on the upswing. However, it is good news to see the **decline in home sales diminishing and the pending sales increasing. The supply of homes is stable.** This bears watching.

The upturn *will* occur; it's just a matter of *when*. When it happens, what will attract homebuyers? The word this week at the International Builders Show in Las Vegas is that **super-sized homes may be giving way to "right-sized" homes.** Gayle Butler, editor-in-chief of *Better Homes and Gardens* (BH&G), reported the results of a recent survey conducted by the well-known magazine.

"We are ready to give up the McMansions, the trophy homes, and the redundant rooms that have no use," Butler said. "Instead, consumers are telling us that they want a home that's the right size and arrangement for how they live now." (FYI, this is a trend we predicted more than a year ago.) BH&G says many of the respondents say they want a smaller home that is family-focused.

Fifty-six percent of respondents to the BH&G survey said they **prefer a combined kitchen-dining-family room, what Butler referred to as the "lifestyle triangle."** But despite the trend toward downsizing, 59% wanted a home office and 66% wanted additional private bathrooms and more storage space, while simultaneously criticizing wasted space.

The survey, as reported by the Real Estate Center at TexasA&M, also indicated that many features once thought important to buyer appeal – such as **granite countertops, luxurious master suites, upgraded landscaping, etc. – are becoming less important.**

All of this information is important for **homebuilders**, for those who are planning to **sell a house**, and even **homebuyers** who want to be able to re-sell their new home some day. But there's more. Check out the next item to see the importance of energy and "green" features.

While “green” features for houses have been touted for some time now, the *energy-saving* aspects have overshadowed *water* concerns in homes. In the drought-stricken Austin area, this should change.

Energy efficiency gets all the press and political attention, but the efficient use of water in homes and commercial buildings should not be given short shrift. **“In the very near future, water will be a bigger issue than energy is today,”** said the director of trade relations for Whirlpool Corporation, **Omer Gaudette**. “Very near future?” How about now? Especially when you consider the severe drought conditions impacting the Central Texas area today. Click on the “Archives” button at the top of this page to access our reports on the current drought in the 1/9/09 and 1/16/09 issues.

According to a report from the Real Estate Center at TexasA&M, Whirlpool and Kohler are stepping up their efforts to **create more water-efficient appliances that are used in buildings**. Among those efforts are waterless urinals and dual-flush toilets. Candidly, we’re not sure how a waterless urinal would work. What is a dual-flush toilet? How best to describe this? Um, let’s just say one flush, using less water, is for “#1” and another flush, using more water, is for “#2.” Okay, let’s move on.

The Central Texas drought does not appear to getting the public attention it deserves, but if no significant rain pelts the area in the near future, this situation may change. And it is not just the drought that is causing many area residents to keep hoping for a drenching rain. Allergy sufferers, lined up at pharmacies and doctor’s offices looking for relief from “cedar fever,” are hoping for heavy rains to knock the cedar pollen off the trees and out of the air.

What about the overall housing picture in 2009? One Texas real estate economist is predicting a strong market.

Speaking this week to a Realtor group in Southeast Texas, the chief economist for the Real Estate Center at TexasA&M, **Mark Dotzour**, said the state’s housing market should thrive in 2009, thanks to affordable housing and steady job growth.

In that context, Dotzour also said there should be a ***decline in new home construction this year***. This may not be the best of all worlds for builders. But more new homes could inflate the market and that would drive down the values of existing homes. So this decline in building helps stabilize the housing market.

Dotzour also said he **does not expect foreclosures to become an issue in Texas**, even though they are going up nationwide. “Our home prices have been going up,” Dotzour points out. “And when your house is going up, you’d rather sell it than give it back to the bank.”

The City of Austin is pressing as aggressively as any US city to expand its reliance on wind-generated electricity. But most wind-generation originates way out in West Texas or the faraway Texas Panhandle. What's the plan to get from there to here?

One part of the plan to bring wind power to the City of Austin and other Central Texas electricity providers is being pursued by the Lower Colorado River Authority (LCRA) though its unit called the "LCRA Transmission Services Corporation (LCRA TSC)". And LCRA TSC has joined with others in an ambitious project.

LCRA TSC is part of a group of six transmission service providers that have filed a proposal with the Public Utility Commission of Texas to **construct transmission lines from new wind generation facilities throughout West Texas and the Panhandle**. This is called a Competitive Renewable Energy Zone (CREZ). (Sorry about the "alphabet soup" in this report!).

This is a big plan. It has a price tag of almost \$5 billion. For its portion, **LCRA TSC is proposing to build, own and operate about 600 miles of new and existing transmission lines and facilities – at a cost of almost \$800 million.**

Obviously, if LCRA's participation in this project is approved – **it anticipates a decision this spring** – there will be more megawatts of electricity to peddle to municipalities and other customers.

And, if the CREZ project is approved in total, you will see **towering single-pole structures, draped with transmission power lines, criss-crossing the state**. And they will "spider-web" out from more, new, and also towering, windmill structures on plateaus around West Texas and the Panhandle. Other types of power could also use the lines, bringing more megawatts of electricity to the state's power grid.

Turning to taxes, you will be interested to know that bills have recently been introduced in both the US House and US Senate to make permanent the deduction of your state and local taxes for federal taxes.

The sales tax deduction has been "temporary," but has been extended each year since 2004. **The Texas delegation has set a priority to make the deduction permanent.** You may recall other states have long been able to deduct state and local income taxes from their federal obligation. But since Texas does not have an income tax of any kind, it felt Texans were being treated unfairly. So the sales tax temporary deduction was passed by Congress. (The votes have not been there from other state delegations to make the Texas exemption *permanent*.) Texas Comptroller **Susan Combs** estimates that extending the deduction saves Texans a projected \$1.2 billion per year, or an average of \$520 per filer claiming the deduction.

The governor's office keeps tabs on recent awards and honors accorded the state and various cities and metros within the Lone Star State.

Here are some of the accolades and rankings, just within the last couple of months:

Six Texas metros rank in the Top 15 for the **nation's biggest gains in private-sector employment**. Houston ranked #1, followed by Dallas (2), San Antonio (4), McAllen-Edinburg (9), **Austin (10)** and El Paso (13). (*U.S Bureau of Labor Statistics*, January 2009).

Texas cities rank high in *Forbes* "**America's 25 Strongest Housing Markets.**" McAllen was #1 followed by El Paso (5), Houston (7), Fort Worth (11), Dallas (13), **Austin (14)**, Fort Worth and San Antonio (16). (*Forbes*, January 2009).

Texas is the #1 relocation destination in the US for the 4th year in a row based on migration patterns researched by Allied Van Lines. (*SIRVA, Inc.*, January 2009).

Texas gained more people than any other state between July 2007 and July 2008 and was **one of the fastest-growing states** during that period with a 2% increase. (*USCensus Bureau*, December 2008).

Texas ranked #1 according to corporate site seekers across the country polled for the **Executive Survey Business Climate Rankings 2008**. (*Site Selection*, November 2008).

This information is compiled by the Economic Development & Tourism Division of the Office of Governor **Rick Perry**. The division's slogan: "Texas, Wide Open For Business."

As for trying to get a loan in these credit crunch days, **Dr. Louis Overholster** points out "The man who writes the bank's advertising slogan is not the same man who makes the loans!"

Sincerely



Editor/Publisher