

THE

*Neal Spelce*

# AUSTIN LETTER

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Dear Client:

**A variety of national economic studies and analyses continue the drumbeat that Austin and Texas continue to lead the nation economically — using a wide variety of comparables.**

According to data released last week by the US Bureau of Economic Analysis, the **Austin metro earned the distinction as the nation's fastest-growing economy among the nation's 50 largest metros**, comparing 2008 to 2007. No need to bore you with an in-depth analysis of how Gross Domestic Product (GDP) is determined. Suffice it to say it is an economic measurement where the methodology is the same for all metros.

The Austin metro's nation-leading GDP change from 2007 to 2008 was 4.4%. The second place Oklahoma City metro was way back at 3.1% and the San Diego and St. Louis metros came in at #3 and #4 with a 2.6% change. In other words, **it was not a razor-thin GDP margin that placed the 5-county Central Texas metro at the top of the largest 50 US metros.**

To keep this in perspective, 18 of the 50 largest metros saw *negative* growth and the median rate of growth among the 50 largest metros was only 0.5%. While it is always good to be at the top, make no mistake the vibrancy has tapered off. **Austin's 4.4% increase is less than the 5.2% increase of 2007 and the 7.1% increase seen in 2006**, according to **Beverly Kerr**, the Austin Chamber's VP/Research.

What about the future? Economists with BBVA Compass predict **Texas's GDP will increase by 1.7% in 2010, aided in part by a surge in home sales.**

In another analysis of the nation's strongest city economies, this one by the Brookings Institution, **Austin ranked first in a 2<sup>nd</sup> quarter 2009 comparison of 100 US cities.** And sister Texas cities were also among the nation's leaders. Dallas-Fort Worth ranked fourth, El Paso sixth, Houston ninth and San Antonio tenth. Think about this. **Five of the top ten strongest city economies were in Texas in the 2<sup>nd</sup> quarter 2009.**

Want more? CNNMoney.com reports that Texas had the highest net migration in the country in 2008, according to the USCensus Bureau. It further reported that as other states suffered through a failing economy last year, the Lone Star State experienced this influx of residents, **thanks to relatively stable housing and employment markets.** The upbeat goes on.

**The ranks of a relatively-young Austin population are likely to swell if this week's forecast that labeled Austin as a "post recession mecca" for recent college graduates comes true.**

The *Wall Street Journal* posed this question: "If you were a recent college graduate in a recovering economy launching a career, looking for a mate, or both, where would you choose to live?" So the *WSJ* asked six experts – demographers, economists, geographers and authors on urban issues – **"which 10 cities will emerge as the hottest, hippest destinations for highly mobile, educated workers in their 20s when the US economy gets moving again."**

This study was not something frivolous to fill up the pages of a newspaper. "Where young adults settle is no small thing," reported the *WSJ*. "People 18 to 29 are the most mobile age group, and their **past migration patterns have defined the future of regions. Youth-magnet cities gain a cultural allure and a labor-market edge.**"

Of course it is all but impossible to forecast empirically which cities will emerge as youth meccas following the national recession. As the *WSJ* put it: **"Whether you prefer hip, casual Austin, Texas over the cosmopolitan allure of New York City is partly a matter of personal taste."** And the *WSJ* admitted that the methodology it used was closer to a straw poll than a scientific study.

But the *Journal* forged ahead to come up with a Top Ten, in this order:  
**#1 Washington, DC, #1 (tie) Seattle, #3 New York City, #4 Portland, #5 Austin, #6 San Jose, #7 Denver, #8 Raleigh-Durham, #9 Dallas, #10 Chicago, #10 (tie) Boston.** The *WSJ* only profiled the Top Five in its 9/30/09 edition.

About Austin it said "A state capital and the site of a big University of Texas campus, **Austin has become a gathering place for tech- and arts-conscious young adults.** Its SXSW media and arts conference, and its Austin City Limits music festival, draw hundreds of thousands of visitors each year."

The *WSJ* went on to point out that "both unemployment and the cost of living are relatively low." And with significant high tech, videogame and renewable-energy sectors — it quoted panelist **Ross DeVol**, director of regional economics for the Milken Institute and a researcher on regional and national economies, calling Austin **"a model for a thriving 21<sup>st</sup>-century knowledge-based community."**

None of the six *Journal* panelists were from Texas, but one of them – **Richard Florida**, author of "Who's Your City" and "The Rise of the Creative Class" – has researched and written extensively about Austin in the past. This report is important for a couple of reasons, not the least of which is that **Austin is featured prominently in a major, respected national business publication**, but also that it spotlights a trend – **the movement of young adults** – that has not been a primary focus in many national economic conversations.

**So, just how big is the economy of the 5-county Austin-Round Rock metro area? Especially compared to other metros. Sure, Austin's metro is at or near the top by most measures when compared to other Top 50 metros. But what is the relative economic size?**

Interestingly, using the same source we cited in the first item – the US Bureau of Economic Analysis – **the Austin area economy is the 37<sup>th</sup> largest in the US.** Thirty-six other economies are larger than Austin's, yet Austin's relative strength puts this metro near the top of the heap by many other measurements.

How are the metro economies measured? As in the first item, it is based on a measurement called the Gross Metropolitan Product (GMP). Again, not to get into arcane, eye-glazing details, the Gross Metropolitan Product **measures the total output of goods and services within a given area in a given year.** Think of it as a small-scale equivalent of Gross Domestic Product, the national measure of economic prowess.

For what it is worth, **Austin's GMP in 2008, as calculated by the Bureau of Economic Analysis, was \$80.1 billion.** This only means something to economists. But to put it into perspective for you, the New York City area that sprawls across four states tallied \$1.264 trillion, with a "t." Second place Los Angeles was way back of NYC with a GMP of \$717.9 billion.

**#4 Houston's** GMP was \$403.2 billion, **#6 Dallas-Fort Worth** came in at \$379.9 billion. **#36 San Antonio**, at \$80.9 billion, was a notch ahead of **#37 Austin's** \$80.1 billion. So you can see that when the Austin metro jumps up near the top of the Top 50 metros by other measures, **there are some mega-metro economies that were leap-frogged big-time.**

In this new report, **Austin jumped up two notches from last year's ranking.** At #37, Austin's GMP is ahead of such metros as Nashville, New Orleans, Memphis, Salt Lake City, Jacksonville, Oklahoma City, Raleigh, Durham (broken out separately from Raleigh in this measurement), Omaha, Tucson, etc. You get the picture.

**Speaking of metros, what is going on up the road in Waco? There was a time many years ago when Waco and Austin were the same size. Now Waco's GMP doesn't even make the Top 100. However, Waco may be waking up.**

Waco's unemployment in August was reasonably good, 7.3%, just behind Austin's 7.2% and better than the statewide average of 8.1%. And the city is getting aggressive in the economic development field. **The Waco Chamber of Commerce has a 7-member Economic Development team that has had some recent successes in creating jobs for the area.** Sleepy Waco may be waking up a bit. It's not there yet. But it bears watching.

**The stars seem to be aligned for a major move to crack down on panhandling downtown. But won't this just move the panhandlers to another part of the city?**

Check out our Volume 31, Number 26 of last week (click on the archives button at the top of the page). You will find a report on the massing of support to convince the Austin City Council to **ban panhandling at all times in the central downtown area**. Strong organizations such as the Downtown Austin Alliance and the Austin Hotel and Lodging Association have joined with groups representing downtown residents and social service agency directors to push for this change. But what about the rest of the city?

The retail and business areas around UT Austin, particularly Guadalupe Street (The Drag), have been **overrun with panhandlers in the past**. The beggars were even labeled "Drag Worms," by those who opposed their presence.

**"We have been complaining to the police and City Council for years about the aggressive panhandling on The Drag to no avail,"** complained **George H. Mitchell**, the longtime president of the University Co-op located at 2246 Guadalupe and an outspoken advocate for the safety of the 51,000 students in the immediate area.

Mitchell speculates that the "increase in panhandling downtown is due to the construction going on around The Drag that has prevented them (the panhandlers) from gathering around the Co-op." He went on to say **"I have said many times, the City will wait until someone is murdered before they act."**

The Co-op president is **watching closely to see how the Austin City Council reacts** to the efforts of downtown businesses and residents to ban panhandling in the area bounded by 11<sup>th</sup> Street, West Frontage Road of IH35, Cesar Chavez Street and San Antonio Street. Stay tuned.

Panhandlers have been known to beg for funds to satisfy their drug habit. **Dr. Louis Overholster** says he doesn't do drugs "because I find I get the same effect just by standing up really fast!"

Sincerely



Editor/Publisher