

THE

*Paul Spelce*

# AUSTIN LETTER

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P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

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Dear Client:

**One of the most far-reaching developments of the year 2010 for Austin and Texas will be the every-ten-year census. The noses counted and the data gathered will have economic and political consequences throughout the “Decade of the Tens.”**

The census is a count of every man, woman and child living in the United States, both citizens and non-citizens. When the count is completed, seats in the USCongress will be re-assigned to each state. **Some states will lose seats (power) in Congress, while others will gain seats (power).** Additionally, the population totals will directly affect how hundreds of billions of federal dollars are distributed each year to state and local governments.

**Texas will, by far, be the biggest gainer in power in the USCongress** if population estimates hold true. Polidata Inc., analyzing the 2009 estimates, is predicting **Texas will gain four new House seats**, as a result of accounting for 18% of the nation’s total population growth during the past ten years. Florida, Arizona, Utah and Nevada may gain one seat.

California, for the first time since 1850, will *not increase* the size of its Congressional delegation. Among those states hit the hardest, Ohio will *lose* two members of Congress. And Massachusetts, New York, New Jersey, Pennsylvania, Michigan and Illinois are projected to *lose* one each. **This will result in a significant re-distribution of political power in Washington.**

**So what impact will this increase in Congressional seats from Texas have on the Austin metro, an area that had one of the nation’s highest growth rates during the last decade?** It all depends upon the members of the 2011 Texas Legislature who will convene in Austin one year from now. They will re-draw all of the Congressional district lines

And this underscores the importance of the 2010 elections for the State Senate and the Texas House of Representatives. **The State Senate will likely remain under Republican control, but the majority in the House could go D or R**, though the R’s are favored to hold their majority. You can see a microcosm of this important battle for legislative control in the Austin area, where there should be some interesting primary and general election contests for the House. For more detail on how this important USCensus will be conducted in the Austin area, check the next item.

**The USCensus Bureau estimates it will hire about 4,000 part-timers to go door-knockin' in the 5-county Austin-Round Rock metro area this spring. And while their efforts to count everyone will be important, the results will probably not be surprising.**

These temporary, part-time jobs will give a small boost to the area economy. Hiring is getting underway now for the jobs which pay between \$8 and \$24 an hour, plus expenses. **Census takers will conduct brief interviews with households that do not return a questionnaire**, spending about 20-40 hours a week on the task. They will work primarily in the evenings and on weekends (when most folks are at home) and they will be paid weekly. The peak of the nose-counting is expected in April.

If the census takers do their job thoroughly, the results are expected to be close to numbers that have already been released. **Each year-end, the Bureau releases its population estimates for each state for the 12 months ending July 1<sup>st</sup>.** So, no surprises are expected. **But the recently-released estimates are quite revealing.**

Take Florida, for instance. It has experienced torrid growth over most of the last century. But the recent 2009 estimates show **Florida's growth is well below the national average**, as it was in the previous year. **California grew at only a little more than the national average** – and apparently this was entirely due to immigrant inflow and high immigrant birth rates.

When you look closely at the census estimates for those two important states, **more Americans are leaving California and Florida than moving in.** The same is true for Nevada and Arizona as well as many other states. **They are suffering from domestic outflow.**

Compare this with Texas where the population has grown by almost a half-million (18% of the nation's population increase). **Texas had above-average immigrant growth, but domestic in-migration was nearly twice as high.**

The moral of this story: **it's important to return your simplified census form when it arrives in your mailbox, so you can be counted** (and besides, you may not want census takers to come a-knockin' on your front door at night or on the weekend!).

**Speaking of jobs, Austin's jobs situation improved in November, with unemployment dropping to 6.9% from 7.2% in October.**

Also during the month, **Austin was ranked #10 on a list of best cities to find a job.** Juju.com, a job search engine, compiled info from thousands of recruiter Web sites, online jobs boards and employer career portals to come up with this ranking.

**As jobs open up in the future, household incomes will rise and spending patterns will become more positive. A Texas economist says we will likely see a few quarters of slow growth before momentum kicks in, but it definitely will.**

“As recovery moves forward, the picture being painted for Texas is relatively encouraging,” reports **Ray Perryman**. “The state, aided by high oil prices through much of 2008, held out for a long time and at least initially avoided the brunt of the challenges impacting the nation and other states.” He continued:

“Although Texas has not been unscathed, **the state is currently still in better economic shape than most other areas and is well positioned to recover faster as momentum grows.**” Perryman has been tracking economic trends in Texas for decades. His views are closely watched.

He points out what the Census has been confirming: every day, more than 1,000 people are added to the Texas population. Who are these people? “While many of those are born within our borders, a significant percentage encompasses those who choose to relocate to the state.”

One important conclusion can be drawn from this: With Texas attracting so many new people, **the need for housing is expanding, which is good news for the real estate industry.** This is true in the Austin area and for other parts of the state because **homebuilders have not been building enough homes to keep up with the steady population gains.**

**In fact, the real estate sector is already beginning to demonstrate signs of recovery,** Perryman points out. “Inventories have dropped and home builders are reporting more activity. The increasing average price of a home over the past few months suggests a trend toward the restoration of the industry’s health,” he reports.

Coincidentally, separate and apart from Perryman’s analysis, Austin has just been ranked as the best city in the nation for commercial real estate investment. What’s this? Isn’t commercial real estate the sector that many claim is in bad shape and – with lending tight – the prospects are dim? Well, maybe. But everything is relative.

Grubb & Ellis, a real estate services and investment firm, said it expects commercial real estate will continue to falter this year, but at a slower rate. In this environment, **G&E ranked the Top Ten markets for long-term office, industrial, retail and multi-housing investment potential and Austin was ranked #1 in the nation.** Houston came in 6<sup>th</sup>. No other Texas city made the list.

G&E’s chief economist said “the good news is that the freefall we saw in 2009 is over and **the future is more certain, giving owners and users of real estate the confidence to begin making decisions again.**” We’ll see how the year unfolds.

**Austin was ranked #10 in the nation on a list of “Where Homes Are Most Overpriced.” Come on. That’s ridiculous – and there are facts to disprove that ranking.**

The methodology of that ranking of the Top 40 metro areas by Forbes.com was **seriously flawed**. The phrase “overpriced” is mis-used in this context. “Overpriced” has a direct relationship to “affordability” and “actual sales.” Just one example can destroy this ranking.

Guess which metro was listed as #40 (least overpriced) in the nation. San Francisco. Come on. **Forbes.com is saying you can buy more house and land for the dollar in San Francisco than you can in Austin?** Get real. And it’s not just San Francisco. The same house and land are much more expensive in the vast majority of the country vs Texas, according to **Mark Sprague**, Director of Business Development for Mission Mortgage.

But Sprague points out more examples to debunk this ranking. For instance, Forbes.com uses **price reductions of homes in the 40 cities as examples of where they were overpriced**. In fact, he points out that states like California, Arizona, Nevada and Florida still have too much supply on the market, which means prices still have a ways to fall.

**But Austin area home values over the last five years have *not* had the run-up in values, and therefore the deterioration, that you have seen in the rest of the country.** Sprague says “**you have actually seen some appreciation in Austin submarkets where the supply is limited** and you should continue to see based on supply and demand.”

The methodology in this ranking is so flawed that it gives a false impression. Hopefully, it does not get much circulation.

**Dr. Louis Overholster** didn’t stay up until midnight New Year’s Eve to “ring in the New Year.” He stayed up until midnight to make sure 2009 left!

Sincerely



Editor/Publisher