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Dear Client:

There is no question 2009 was a tough year for homebuilders. But when the going gets tough, the tough get going – so, which builders gained market share in Austin during 2009?

Locally, certain national public builders gained the most market share through 2009, according to **Mark Sprague**, Business Development Director at Mission Mortgage. Of course, there are fewer production builders than there were in the go-go days of 2005 and 2006. Let's look at the scorecard for those builders that had the financing to keep plodding ahead during the difficult 2009 timeframe.

According to Sprague, **DR Horton led the pack**. It notched a 17.4% market share in 2009, compared to a 12.9% share in 2008. **Pulte/Centex lost ground to DR Horton in 2009**, when it garnered a 13.7% market share, after nipping at Horton's heels with a 12.4% share in 2008.

Other production builders: **KB Homes** racked up a 9.6% market share in 2009, after a 6.6% share in 2008. **Lennar** stayed fairly level – 7.1% in 2009, after a 7% in 2008. And **Taylor/Morrison** also increased only slightly, to 3.6% in 2009 from 3.5% in 2008.

Looking at the Top Five, **DR Horton showed the most market share improvement** with a +4.6% *increase* in market share in the Austin market. These national production builders had the advantage of financial strength from their parent corporations. Sprague pointed out that those national builders with cash helped **stimulate the market and prevent further deterioration of values**, “not that we had that much in the Austin area.”

What about the smaller, regional and privately-held builders that generally didn't have the financial muscle of a large national homebuilding company considering how tight financing has been during the past year. Sprague said builders **Jimmy Jacobs, Streetman, Buffington, Drees, Grand Haven and Highland** “made progress as well.”

But what about the future? **What can you expect in homebuilding, homeselling and homebuying?** Check out the next item.

What can Austin area homeowners, homesellers, homebuyers and homebuilders expect in the near future? One thing for sure, it will change. And, depending upon your particular situation, it could be good or bad.

One thing going for residential real estate in 2009, despite a **slower market, was that it was somewhat stable. No wild gyrations.** Tight financing, tough appraisals, wary buyers, fewer sellers, etc. – combined to keep the Austin area market on an even keel. Not great, not bad. And better than most other markets in the US. But what is on the horizon?

First of all, you need to understand that **Austin area housing will be more expensive in the future.** A number of factors will cause this to happen. **Interest rates will most assuredly rise from the current very low levels.** Yeah but, interest rates don't affect the price, you say. True. But rates affect the monthly payment – and that is the most important ingredient for most homebuyers.

Another factor – **so few new lots are being brought online that, as the economy rebounds, their price will increase.** This obviously adds to the cost of a new home. One reason the supply of buildable lots is diminishing is financial institutions are reluctant to loan money to developers to keep the inventory of lots growing. Also, **home building material costs are going up.**

The inventory of homes with a “For Sale” sign in the front yard is very tight. This situation could easily **swing from a stable situation to one where demand could exceed supply, pushing home prices upward.** In fact, there is a slight trend in that direction already underway.

What does this mean if you want to **sell your home? Be patient.** What if you want to **buy a home? Move now,** to get the lowest price. What if you are a homeowner, not wanting to sell, but **concerned about your home's value? Wait,** as the value is likely to rise.

Freescale Semiconductor has a new product it thinks will drive down prices in the next generation of electronic readers.

Privately-held Freescale's chips are already used in Amazon.com's Kindle e-reader and Sony's e-reader. In fact, **Freescale says it controls 90% of the market in e-reader applications processors.** But new players are jumping into the market arena.

One of the problems keeping e-readers from gaining mass adoption apparently is price. Freescale's next generation e-reader chip combines two important pieces into a single piece of hardware, which the company says will **cut the retail price by around \$30.** The chip is also said to allow for faster, more responsive performance.

The student population at UTAustin is getting very close to the highest enrollment ever recorded. And it is already one of the largest single campuses in the US.

In fall 2002, student enrollment on the Forty Acres reached an all-time high of 52,261. In an apples-to-apples comparison, the student body this fall was 50,955. And based on applications and other benchmarks, **UTAustin officials say the fall 2010 tally could exceed 52,000.**

Why is this important? **“When we exceed 50,000, we aggravate a serious shortage of undergraduate laboratory space for classes our students need to graduate,”** says UTAustin president Bill Powers.

There has always been enrollment pressure at the flagship institution. For instance, **31,000 students submitted applications** for enrollment at UTAustin this fall. The university **actually admitted more than 14,000.** Based on past history, UTAustin is projecting that about half of these admitted students will choose to go elsewhere. So, it is anticipating the **incoming 2010 freshman class will number 7,200.**

This is particularly timely because this week the UTSytem Board of Regents approved average student tuition increases at UTAustin of 3.95%. So it will now cost more for parents to send their kids to UTAustin. The question then arises: **will this tuition hike cut down on the student population on the Forty Acres? Not a chance.** Look at the previous paragraph. About 31,000 students applied for admission to a class that will end up at about 7,200.

In actual dollars, what will it now cost to send Momma’s and Daddy’s little darlin’s to UTAustin this fall? When you add mandatory fees and a student-imposed fee for a new activity center to tuition, **the cost per semester will be \$4,709.** Next year, 2011, tuition will go up again — by 3.89%.

Powers points out there have been media reports that **other state university institutions are raising tuition** – 7.5% at the University of Minnesota, 9% at the University of Illinois, 32% at the University of California system.

Another comparison. There are only three Tier One universities in Texas, those with the highest academic ranking – UTAustin, TexasA&M and Rice, a private university. Rice also announced tuition increases effective this fall. The undergrad tuition increase will be 5.4%. **This will raise Rice’s cost for 2010-2011 to \$33,120.** When you add room and board (which also increased), the cost for entering students at Rice will be close to \$48,500. Rice pointed out that its tuition and fees are about \$6,000 less than that charged by its peer private universities.

Final note, amplifying the above point about so many “accepted” students not attending UTAustin. **More than half the students with SAT scores in excess of 1400 declined to accept and a majority of students offered one of UTAustin’s most generous scholarships declined to accept.** So UTAustin has embarked on a \$150 million scholarship drive.

After pointing out 2/12/10 that Sunday night's Academy Awards will probably bestow honors on film projects that some felt should've been shot in Texas, there is word now of a "win" for Texas in another film enterprise.

Texas has lost many film projects because competitor states – including neighbors New Mexico and Louisiana – have provided **massive incentives to attract the projects to their states.** Well, score one for the good guys.

Texas ponied up \$352,800 to beat out sites in New Mexico and Arizona. The investment came from the state's Texas Film Incentive Program. And state officials claim that, as a result, **nearly 900 jobs were created and more than \$5 million in capital investment poured into the state to pay for the production.**

And most of those bucks were spent in Austin and Central Texas. In fact, **94% of the cast and crew were hired locally.**

The film, "Temple Grandin," premiered last month on HBO. **It tells the story of Grandin, an autistic woman, who excelled academically and went on to revolutionize the livestock industry** through designs in equipment and practices used to make the handling of cattle more humane.

The production was filmed in Austin and the Central Texas locations of Driftwood, Georgetown, Schwertner, New Braunfels, Luling, Gonzales, along with scenes shot in Corpus Christi.

Click on the "Archives" button at the top of the page and go to Volume 31, Number 44, February 12, 2010 for more detail on the **battle between Texas and neighboring states for film production dollars**, especially as it relates to Sunday's Academy Awards presentation.

Dr. Louis Overholster asked his elderly patient if her family approved of her hearing aids. She said "Oh, I haven't told them yet and I've changed my will twice already!"

Sincerely



Editor/Publisher