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AUSTIN LETTER

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Dear Client:

The Austin metro has bounced around a bit during the past year in its standing among the Top 50 metros in relation to the health of the job market. The most recent: #1 again.

When you analyze the February 2010 numbers from the US Bureau of Labor Statistics and the Texas Workforce Commission, **the 5-county Austin metro is tops in the US as the “Best Performing Among Top 50 Metro Areas.”** The Austin area still has a “jobs deficit” compared to last year at this time. But it is the best in the country among the big metros, by a substantial margin, according to **Beverly Kerr**, the Austin Chamber’s VP/Research.

To achieve the #1 ranking, Austin posted a -0.6% change in nonfarm jobs from Feb 2009 to Feb 2010. This translates into 4,200 less jobs in Austin during this timeframe. The 2nd place US metro had a -1.0% change, with a loss of 12,500 jobs and the 10th place US city was down -2.5%, with a job loss tally of 128,900.

These Austin area job losses were *not* across the board. Kerr points out the losses occurred in nine industries. However, **“the industries that see positive growth are education and health services, leisure and hospitality and government,”** she noted. “The most robust gainer in both numbers and rate of growth was leisure and hospitality.” In fact, leisure and hospitality added 5,000 new jobs during this one-year period for a 6.2% gain.

Without going into a lot of mind-numbing stats that cause your eyes to glaze over, suffice it to say that the **greatest numbers and highest rates of loss were in manufacturing and construction and natural resources.** But Austin’s construction losses were less severe than those seen statewide and nationally. And, Austin’s manufacturing losses are also below the state and national tallies.

Employment numbers are especially important in areas like the Austin metro, **where no matter what happens in the job market, the population will continue to grow** – just as it has since Austin’s founding. But the population increase is more pronounced now because of the high percentage of residents who are of baby-making age. This natural increase in growth is then compounded by an in-migration of people from other parts of Texas, the nation and other countries. It’s a see-saw battle at times – trying to keep population growth and jobs in some sort of equilibrium. This is why we try to stay on top of jobs and population growth for you.

Speaking of construction job losses, looking at the national stats some are calling it a “construction depression.” The Austin area is caught up in this part of the downturn, but not to the extent of other Texas and national metros.

The Associated General Contractors of America (AGC) compiled national numbers, analyzing the one-year period ending January 2010. AGC reported the **Austin-Round Rock metro lost 2,900 construction jobs**, San Antonio shed 4,900 jobs, Dallas-Plano-Irving 17,400 jobs and Houston-Sugar Land-Baytown lost 27,900 construction jobs. **When you look at percentages, the Austin metro still was ahead of the other big Texas metros.** And, nationally, the Austin area’s rate of construction job losses is roughly half of the national average.

New commercial building activity is almost non-existent in the Austin metro, with three important exceptions – education, health care and government construction.

Oh sure, you can find a few building cranes piercing the sky. In fact, just a couple of blocks west of Congress Avenue downtown you can see the construction barriers and cranes hovering over a full block near the Post Office and Republic Park. **This is a major project. But reinforcing what is happening, it is a government job – the new Federal Court House.** But, overall commercial real estate woes are continuing, as sales of commercial properties are still slow with 2009 sales down about 76% from the year before.

On the flip side of the real estate coin, the sale of existing homes in the Austin area notched a year-over-year increase for the sixth month in a row in February.

Mortgage interest rates continue low and the federal tax credit for certain home buyers is still in effect. (By the way, the latest deadline for taking advantage of the credit is nearing. A house must be under contract by the end of April and the sale closed by the end of June.) These two factors are having an impact on the sales of existing Austin area homes.

Homes sold in February were up almost 4% from the same month last year. And, according to the Austin Board of Realtors, **properties listed for sale spent less time on the market.** Homes had “for sale” signs in the front yard for an average of 77 days in February. This is down 13% from February 2008. And a positive change from last fall.

The federal homebuying tax credit is \$8,000 for first-time homebuyers and \$6,500 (with limitations) for certain others. One study we have seen says these **credits have stimulated national sales by about 10%-12%.** It will be interesting to see what happens to the pace of existing Austin area home sales when these incentives are lifted.

Texas USSenator Kay Bailey Hutchison's announcement this week that she will not resign and will serve to the end of her term in 2012 solved some *short-term* political confusion, but added fuel to *long-term* political speculation.

Hutchison had said she would resign prior to the time she was decisively defeated by Governor **Rick Perry** in the Republican gubernatorial primary. **The wannabes who had been lining up to seek the plum political position in a special election will have to put their plans on hold**, as there will be no special election this year to replace her.

Republicans who said they wanted to fill her USSenate seat included Texas Railroad Commissioners **Elizabeth Ames Jones** and **Michael Williams**, former Texas Secretary of State **Roger Williams** and Dallas State Senator **Florence Shapiro**. Lieutenant Governor **David Dewhurst**, though saying all along he was running for re-election, was considered by political watchers as ready to spend a bunch of his considerable wealth in the special election for the Senate seat.

On the Democrat side of the ledger, former State Comptroller **John Sharp** said he was ready to run if Hutchison resigned. Former Houston mayor **Bill White** switched from his plan to run for Hutchison's seat to run against Governor Perry in the November election. (Of course, if White loses to the poll-leading Perry, he may consider taking another look at going to Washington down the road.)

A lot can happen between now and 2012 and this lineup will likely change by then.

Speaking of elections this year, you know that every member of the USCongress is up for re-election. And that all the GOP Congressmen and a few Texas Democrats voted *against* the political hot potato health care reform bill. But do you know the Dems who voted *for* it?

The Texas Democrats who voted *for* the measure: **Henry Cueller** (Laredo), **Lloyd Doggett** (Austin), **Charlie Gonzalez** (San Antonio), **Al Green** (Houston), **Gene Green** (Houston), **Ruben Hinojosa** (Mercedes), **Sheila Jackson Lee** (Houston), **Eddie Bernice Johnson** (Dallas), **Solomon Ortiz** (Corpus Christi), **Silvestre Reyes** (El Paso) and **Ciro Rodriguez** (San Antonio).

Austin's Michael Dell is no longer the 25th richest billionaire in the world. His net worth dropped and he is now only 37th on the list of the world's richest.

This comes from *Forbes* magazine's annual ranking of the rich. According to *Forbes*, **Michael Dell's net worth dipped from \$17.3 billion last year to \$12.3 billion currently.** *Forbes* reported Dell, 44, apparently lost millions as he bought up large amounts of Dell Inc's stock.

Will a roller coaster of recent weather extremes in the Austin area continue as this beautiful spring rolls relentlessly toward summer? Let's check with an expert.

Remember last summer? The Austin metro came close to a major summertime record when there were **68 days — count them, 68 — that the official temperature hit 100 degrees or higher.** During much of that period, the worst drought conditions in the nation were found in Central Texas. Lake Travis dropped dangerously low. Lawns were parched. Trees and plants died. Jokes about how hot it was quickly got old.

Then, in a major reversal, **one of the coldest winters ever experienced by Central Texans hammered the area and it was also one of the wettest falls and winters on record.** Blame it on that weather phenomenon called El Nino. So, what now? Well, **for the first time in two years Lake Travis is full.** It reached 681 feet above sea level this week — ten feet above normal for this time of year.

With more good news, the Lower Colorado River Authority's meteorologist **Bob Rose is predicting a mild remainder of spring and, wonder of wonders, he thinks the summer will not come close to the torrid temps of 2009.** He says it should be a "fairly wet spring and early summer" and it should be "cooler," with just a few days when the thermometer touches 100 degrees.

Yeah, Bob, but are we jumping the gun? Is there another hard freeze in the offing before spring comes to an end? He doesn't think so. **At most, he thinks there may be one or two more light freezes concentrated mainly in the Hill Country west of the metro area.** And he predicts that possibility will expire after the first two weeks of April.

On this positive note, we begin our 32nd year of publishing this newsletter. You'll notice at the top of this page, it read "Volume 32, Number 1." This is the longest continuously-published newsletter of its kind focusing on the uniqueness of the Austin market. **Dr. Louis Overholster** points out a big benefit for such longevity: "There's nothing left to learn the hard way!" We're thankful you have provided us the opportunity to share insights, perspectives and trends with you.

Sincerely



Editor/Publisher