THE Neal Spelce AUSTIN LETTER

www.AustinLetter.com

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail **News@AustinLetter.com**

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Dear Client:

Austin area home sales were up 27% in March and the median price was $189,900. But, during these uncertain economic times, what about the mega-homes – those million-dollar-plus mansions? How're they doing? The numbers may surprise you.

All the reporting on the residential real estate market seems to focus on the *overall* market and there is a certain value in that. (Hit the "Archives" button at the top of the page to go to Volume 32, Number 3 to see what we wrote last week in the April 16th edition.) The overall market assessment is important. **But anytime you focus on the *macro* picture of anything, the intriguing details of the *micro* market get lost in the shuffle**. Then, when the uncertain economy is overlaid on the discussion of "averages" and "medians," the picture clouds up even more. Let's look at how the economy has impacted the sale of *luxury homes in Travis County*.

Let's go back six months – to October 1st 2009. **Then, let's look at the Travis County homes that were listed for sale at $1 million and up, and what has actually sold since then. This is a hefty price tag during times of tight money and questions about the economy**. (So, for this purpose, let's forget about the first-time homebuyers who made decisions to buy lower-priced homes because they were getting a government tax credit and mortgage interest rates were low.)

How many homes in Travis County were sold in the previous six month period with a price tag north of a million dollars? Twenty-five? Fifty? Seventy-five? **Would you believe 115 homes listed for $1 million dollars or more – some, much more — have been sold in Travis County since 10/1/09!**

As intriguing as that number is in this city where the economic base is girded by government paychecks, there is an even more interesting aspect to this. **Of the 115 sales – get this – 48 were *cash* transactions**, even though interest rates were low. **And the average price of the cash transactions was $1.8 million**, according to the Austin Board of Realtors. One downtown residence sold for $5,300,000 *cash*.

Almost all the sales closed at less than the asking price. For instance, the $5.3 million cash closing was on a property originally listed for $6,500,000, then dropped to $5,999,000. The sales price/sq.ft. of all the luxury home sales ranged from $175 to $1,050, with an average of $364. **Looks like some Austin area folks still have wads of cash in their jeans.**

Some good news and some not-so-good news about the Austin area surfaced this week.

The good news began when RelocateAmerica.com ranked Austin as the **3rd best city to move to** in the US. Also, Austin was listed as the **5th best "earth-friendly" city** in the US as Earth Day was observed this week. And the Austin area's prospects for recovery from its economic problems led to a **#2 ranking on the list of "America's Top 100 Places to Live for 2010**."

The not-so-good news involved an analysis from the US Census Bureau's 2006-2008 American Community Survey released Tuesday. **Out of 451 cities ranked for housing affordability, the Austin metro ranked way down the list at #223**. This was a comparison of home values with income levels. The study said Austin home values equaled about $3,030.72 for every $1,000 of income. Odessa, ranked #1, had a ratio of $1,454.72 for every $1,000 of income.

In 2007, Texas signed the nation's first lease for offshore wind power production. As we speak, offshore wind power leases haven't produced a single watt of energy. But Texas has still pocketed some money from the leases.

Land Commissioner **Jerry Patterson** says "the developers of this lease have **yet to put up a single turbine due to a tough economy and financing issues**." This isn't an isolated case. Right now, the Texas General Land Office currently leases almost a quarter million offshore and nearshore acres for wind and geothermal development.

> "Regardless of any delays, the Texas General Land Office has **earned the school children of Texas $451,932.89 on wind leases that haven't produced a watt of energy**," Patterson noted.
>
> "The real money, of course, will come in once turbines are up and begin to spin," said Patterson. "Just like with oil and gas, Texas school kids will earn a **percentage of every bit of energy produced by offshore wind out to 10.3 miles from the Texas coast**."

So, what was the logic behind the decision to sign leases that haven't produced any energy for three years – and counting? Patterson points out that "oil and gas have been very good to Texas." So good, that **more than $12 billion has been pumped into the state's Permanent School Fund from oil and gas leases**, and more than $3.7 billion of that has come from production in the Gulf of Mexico. **"That's money for schools that doesn't come from the taxpayer's pocket**," Patterson noted.

"But oil and gas are resources that – someday – will be depleted. We're making more than ever off oil and gas right now, but it's no secret that **oil production in Texas peaked in the 1970s**. It's my job," he said, "to figure out how to replace that vital revenue stream before it's gone."

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Once again, the Austin area is the best performing US metro when you examine workforce numbers in the Top 50 metro areas. And it is moving oh-so-close to a positive year-over-year job comparison.

Granted, the Top 50 metropolitan areas have all lost jobs when you compare March 2010 with March 2009. But when you stack all 50 side-by-side, **the Austin area ranks #1 by both measures – percentage change and difference in the actual number of jobs**. And, it's not even close. The Austin area has the nation's best performing job market among the 50 biggest metro areas in the nation.

Consider this: **the Austin metro has only 500 fewer jobs than a year ago in March. The percentage change is almost miniscule: -0.1%**. The 2nd best metro has 6,700 fewer jobs and a percentage change of -0.3%.

And, further consider how far Austin has come: Job losses in the Austin metro peaked at 24,400 (-3.1%) in September, according to **Beverly Kerr**, the Austin Chamber's VP/Research. Now the tally is only 500 losses. **This is quite a trend, and it is very, very close to a positive situation.**

Let's dig a little deeper to determine the economic sectors that are accounting for the 500 job shortfall. When you break it down, **the Austin economy has *added* 11,700 jobs over the last 12 months in the economic sectors that are growing. The stagnant sectors have lost 12,200 jobs**. This is where you get the net loss of 500.

So, where are the highest rates of *loss*? Construction and natural resources, and professional and business services. And goods-producing industries, combined, have also suffered job losses during the past 12 months. These areas are hurting.

And the highest rate of *gains*? They can be found in private service-providing industries. And, the strong underpinning of the Austin area, **government**, has seen a gain of 2,800 jobs over the past 12 months.

By the way, if it is any solace, Austin's *construction losses* are less severe than those seen statewide and national. And Austin's *manufacturing losses* are also below the state and national 12 month losses. Statewide the only growing industries over the last 12 months were **government, education and health services, and leisure and hospitality**, according to Kerr.

Jobs are so important to an economy. So, please bear with us for one more piece of the job puzzle – **unemployment**. In March, these were the percentages for Texas metros: **Austin, 7.1%**, San Antonio, 7.3%, Dallas and Ft Worth, 8.3% and Houston, 8.5%. It was 8.2% for the state. But *un*employment is only part of the picture. **Persons *employed* in Austin increased by 29,398, or 3.6%, over the past 12 months. Austin continues to grow and job creation is almost keeping up with Austin's population explosion.** Pretty good.

Want free food at Chick-fil-A, **Subway**, **Krispy Kreme Doughnuts, Denny**'s, **KFC, etc**.?
One Austinite has cracked the code and has scored free food for a year – many times.

One of the marketing tools used by some of the nation's biggest food chains is to **offer free food as promotions to expand their customer base**. The promotions take various forms such as sweepstakes, create-a-video contests, etc. All of them offer free food in some form. The companies benefit by getting new customers or emails from the entrants so they can entice them with more promotions. It's effective and inexpensive for the chains.

Take Chick-fil-A, for example. **Chick-fil-A gives away free meals for a year to the first 100 customers at grand openings of new stores**. (What the chain calls a year's supply is about $300 in store credits.) This is the promotion that a college pastor from Austin, **Jesse Martin**, has mastered.

Martin has been to about a half-dozen Chick-fil-A store openings. Last month, for instance, **he camped out overnight outside an opening in San Marcos**. Next month, he plans to take his wife to another opening so she can get her own certificates for his family that includes a 9-year-old son and a 6-year-old daughter.

Martin told *The Wall Street Journal* his store credits usually last him only about two or three months: "**I eat there sometimes two or three times a week. Sometimes I eat there three times a day and eat free all day**." He's a true believer. Even when his certificates run out he eats at Chick-fil-A once or twice a week. "**I'm a raving**, **craving fan**," he says. He typically orders the classic chicken sandwich and nuggets.

Martin goes against the norm because it's estimated only about 30% to 40% of *free*-food coupons are redeemed. But when they are redeemed, most customers bring friends or family.

Dr. **Louis Overholster** decided *not* to buy a pizza at Nino's Bellissima on Manhattan's Upper East side. It was loaded with six kinds of caviar and lobster tail. The price (no kidding!): $1,000!

Sincerely

Neal Spelce

Editor/Publisher