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Dear Client:

Trans Texas and Braniff are two Texas-based airlines whose brand is no longer in existence. And the Houston-based Continental brand is now poised to go away, replaced by United Airlines. It's not just the name that will be lost, but also some opportunities for Texas.

A half-century ago, travel among Texas cities was the hallmark of Trans Texas Airways (nicknamed "Tree Top Airways") as it **hop-scotched across a big state** with a growing population. Then Braniff International exploded on the scene and made a splash by painting each of its planes in so many different colors, it was called by some "The Easter Egg Airline." **Each failed for different reasons. Continental is different.** It is merging with United to form the world's largest airline by traffic and is losing much of its identity in the process.

Also lost is a solid corporate partner for Texas. The HQ for the merged entity will be in Chicago, not Houston. With Continental's top execs in Texas, the airline was a **strong supporter of economic development and philanthropy** for the state and Houston. Now the merged airline decision-makers will be in Chicago.

Oh, they said the right things when the merger was announced this week: the merged airline will continue a significant presence in Texas as **Houston will be its largest hub ... Continental's globe logo will remain**, becoming the symbol for the new United Airlines ... the merged entity will retain the blue-and-gold Continental colors while the red-and-blue United colors will be dumped, etc.

But those sops tossed Continental's way pale in significance when you consider the brain-power, control, decision-making, strategy, planning, etc. will take place in the former Sears Tower in Chicago, not in Houston. And the last time we checked, Illinois and Texas were not closely linked on anything.

Houston and Texas leaders made a big push to keep the HQ in Houston in the event of a merger (click the "archives" button above to check last week's newsletter). But it was apparently too little, too late. One report we saw said **Chicago offered some \$35 million in incentives** if United agreed to employ at least 2,500 people there for the next decade.

Of course, Texas is still dominant when it comes to headquarters for major airlines, with **Southwest** and **American** airlines domiciled in the state.

The rate of violence is accelerating in Mexico, especially in cities along the Texas border. This is deepening concern about the rising threat of significant gang/drug cartel violence in Austin.

How much is the violence accelerating in Mexico? Last week, in Juarez across from El Paso, **more than 40 homicides occurred**. One news report from there read like this: “Gunmen killed more than 20 people – eight in one slaying – on Wednesday in one of the bloodiest days of the year. There were **multiple shootings outside a nightclub, outside a convenience store and outside an elementary school** as the violence flared up with fury.”

As we told you last week (click the “archives” button at the top of the page to check the 3rd item in last week’s newsletter), the newly-formed **City of Austin Public Safety Commission is investigating the movement of drug-related cartels from Mexico into the Austin area**. **Michael Lauderdale**, a Clara Pope Willoughby Centennial Professor at UTAustin, is Chair of the commission. Here is part of an internal email memo he sent to members of his commission:

Mexico’s “inability, even using its military to quell the drug cartel-driven chaos, makes Mexicans across the country live in fear and increases the movement of the middle class out of Mexico. A strong middle class and effective higher education and technical training institutes are critical to produce the businesses and jobs for the future that Mexico critically needs. **And Mexico is the largest trading partner for Texas with the greatest consumer of our exports; so there are direct economic consequences for our state.**

“My university’s decision last week to pull our people back from a variety of joint programs we run with Mexican institutes of research and higher education **harms foundations built in many cases decades ago** and benefiting citizens and companies in both countries.”

In its first meetings, the Austin Public Safety Commission heard from representatives of the DEA, FBI, DPS and APS about the **rising threat of significant gang/drug cartel violence in Austin**. And the Commission is on a fast track to come up with a plan in order to carve out a chunk of the City’s upcoming fiscal year budget to respond to this threat. “By July we must make some recommendations to have an effect on the coming budget year for the City,” Lauderdale told his fellow commissioners.

“In an atmosphere of fear building in Mexico, there can be a contagion here that helps neither Americans nor Mexicans,” he continued. “You deal with such contagions by having **public services that are visible, ethical, well-trained and adequately available and deployed.**”

“The immediate major task for our Commission is to think about what we have heard from city officials, and experts from the DEA, FBI and DPS and the Austin public and then **move toward specific recommendations to the City Council this summer,**” Lauderdale concluded.

It's understandable that those keeping track of the monthly Austin area home foreclosure postings may be getting concerned. After all, could an increase in foreclosure postings have an effect of the home value of others? A bit of perspective may help ease those concerns.

At first glance, the numbers look somewhat dire. **Mark Sprague**, Director of Business Development for Mission Mortgage in Austin, reports a **23% increase in the number foreclosure home postings for the month of March 2010**. The total number of foreclosure notices sent: 1,451. And this is not much of an aberration. The Austin area has had more than 1,000 foreclosure notices sent to borrowers for 15 consecutive months, he reports. Doesn't sound good, does it?

However, the key word here is "postings." **"Postings" don't mean the homes will actually be lost.** For instance, some financial institutions will not work with a homeowner for a modification of the mortgage, unless payments are in arrears.

Then, especially with the larger institutions, **while the homeowner is working with a loan officer for a modification, another department "posts" a foreclosure notice** because the homeowner has fallen behind in the mortgage payments. During this "posting" period, the modification is worked out and payments resume. Or the homeowner could sell the home during that period.

So, how many "postings" actually lead to the bank taking over the property? According to Sprague, **"historically about 40% of postings go to actual foreclosure and sale"** by the financial institution. This averages out to plus-or-minus 560 homes. But here is another very important element in this equation: **"there is minimal discounting on the original liens,"** reports Sprague.

And the ripple effect of this is that your home, and most other homes, in the Austin area are *not de-valued* as a result of foreclosures. This is significant. **"Austin foreclosures have little or no effect on appreciation,"** said Sprague.

"As a market," Sprague says, "we have continued to see appreciation – particularly if you look at a 3-to-5 year cycle." In fact, Sprague points out that, according to the Federal Housing Authority, **"Austin continues to lead the nation as the #1 or #2 metro area for appreciation in a 3-to-5 year period."**

Another factor that keeps Austin metro foreclosures from slamming values in the overall market is that **"foreclosures are usually in clusters** – specific geographical areas that have been hit by unemployment, aggressive financing or continued deterioration of a submarket," said Sprague.

And, Sprague points out, most submarkets in Austin (particularly your core markets) have seen little or no foreclosures. His summary: **"The good news is that Austin foreclosures have had minimal discounting and effect** in relation to other cities and states."

How does Austin appear to an offspring of Orange-blooded parents upon returning 30 years later? Admittedly biased and positive, Shelly Steig has some interesting observations.

Steig's father bought her mother a burnt orange and white mink coat, so that qualifies them as having orange blood in their veins. Steig said it was in her parents' apartment near campus "my mother felt me kick for the first time." But Steig left the Austin nest ("It had been more than 30 years since my last stop-over in Austin") and **recently returned to the city of her roots**. She shared her thoughts in the AAA magazine *EnCompass* in the March/April 2010 edition.

"While Austin is much bigger, some aspects haven't changed. **It still celebrates originality, is vibrant and endearingly quirky,**" she began. She wrote about Austinites and the downtown area, with an overall observation.

"**The sprawling city center with its low-slung skyline feels suburban, because it is dotted with parks and three man-made lakes,** and bisected by the Colorado River," she wrote. "It is modern, yet retro; cultured yet kitschy; famed yet unpretentious."

"If I were to stereotype Austinites **I'd say they are exceedingly polite. Even in the worst traffic, there's seldom a honking horn.** They think big is huge, and value honesty, 'guts and gumption.' Austin is a city both green and smart. **There are more blog contributors and readers in Austin than any other metropolitan city** and the number of tech companies has earned the region the nickname Silicon Hills," Steig continued.

"Austin residents, with their **rollicking humor and keen sense of irony,** stoically embrace the stereotypes," she observed. Noting the unofficial "Keep Austin Weird" slogan, she said "Austin is unique, and eccentric, and just plain fun."

Dr. Louis Overholster's favorite saying about friendly Austinites: "If someone in a Home Depot or Lowe's offers you assistance, and they don't work there, you're definitely in Austin!"

Sincerely



Editor/Publisher