

THE

*Real Estate*

# AUSTIN LETTER

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Dear Client:

**Austin's job growth rate and its relatively low unemployment continue to lead major Texas cities and are among the best in the nation. And, now, those numbers are reaching an impressive and meaningful level.**

The latest stats are for September 2010. During last month, the United States unemployment percentage was 9.6%. Texas was doing much better with an 8.1% unemployment level. But look at what is happening in the 5-county Austin metro area.

**The Austin-Round Rock metro area notched an impressive 6.8% unemployment.** Much better than the US (9.6%), significantly better than the state as a whole (8.1%). Better than Dallas-Fort Worth-Arlington (7.9%). Better than Houston-Sugar Land-Baytown (8.2%). Better than San Antonio-New Braunfels (7.2%).

As impressive as this is during this time of national economic uncertainty, **Austin's 6.8% is particularly significant in the *improvement* it represents.** In September 2009 Austin's rate was 7.2% and it was at that level just one month previously in August. **While the nation's unemployment is sitting at a stagnant and staggeringly high level, Austin's economy is on the verge of surging.**

There's another impressive aspect to this jobs picture. **It is the increase in *new jobs*.** You know, some metro areas may see unemployment drop because folks quit looking for work or even move out of the area because of the dim job prospects.

Not Austin, by any means. The Texas Workforce Commission reported last week that **the Austin metro area gained 17,300 jobs in the past year.** Think about that. This is a rare development in today's national recessionary economy. Not just *more* jobs, but *a lot more* jobs.

And, as in the unemployment stats, **Austin's percentage job growth was 2.3% — way ahead of other big Texas metros** such as Dallas (+1%), Fort Worth (+0.9%), San Antonio (+0.7%) and Houston (+0.1%).

During these times, the nation should be looking to Austin as the leader in economic growth.

**While current Austin area growth is among the tops in the nation, it continues a pattern that has been in place for some time.**

Between 2000 and 2009, the Austin area by *actual numbers, not percentages*, placed **in the Top Ten of the nation's cities in population growth**. And all the cities ahead of Austin's population growth figures were much larger. According to the US Census Bureau (*not* using the 2010 census count), the Austin area gained 118,137 residents. This was enough to rank Austin #9 out of 19,507 US cities.

**To get a perspective on the significance of Austin's 118,137 population gain, look at the size of the cities that ranked ahead of Austin:** #1 New York (383,195 gain), #2 Houston (284,199 gain), #3 Phoenix (271,221), #4 San Antonio (213,752), #5 Fort Worth (184,239), #6 Charlotte (136,479), #7 Los Angeles (136,442), and #8 Atlanta (122,099). All much larger metros.

If you think this is impressive. Look at some of the **major metros that actually lost population from 2000 to 2009:** Cleveland (-46,094), Chicago (-44,749), Detroit (-40,349), Pittsburgh (-22,791), Buffalo (-22,408), Memphis (-14,103) and Baltimore (-3,736). These cities were in the Bottom Ten, notching the biggest drops in raw numbers. You get the idea.

When the 2010 census numbers are released you can bet the Austin metro will be one of the bellwether communities in the nation.

**A good job market and population growth drives residential real estate. So, what are the prospects in the Austin area?**

One of the key markers used to gauge what will happen in residential real estate is the availability of lots upon which to build a home. And a longtime analyst of residential real estate in the area is **Mark Sprague**, the Director of Business Development for Mission Mortgage. Sprague says **Austin is running out of "quality" lots.**

If that's the case, what will be the impact, Mark? **He says it takes more than two years in Austin to bring in lots to buildable availability.** And if a builder doesn't have financing already in place, Sprague says it will take more than three years to have lots ready for building.

With that in mind, Mark, what is the current status? **He says that Austin has less than one year's worth of lots left. And he predicts a lack of lending will cause Austin to have a "gap" in supply.** And that, he predicts, will **help appreciation of those homes and lots that are in desirable areas.** Sprague says Austin is in a unique position in this regard.

**With the escalating and terrifying violence so close to Austin on the Texas-Mexico border, what is the likelihood of it increasing, or diminishing, in the near future?**

Even though we've been writing about it for some time now, the drug cartel murders in Mexico reached a heightened level of awareness September 30<sup>th</sup> 2010 with **the murder of American David Hartley as he was jet skiing with his wife on Falcon Lake**, which straddles the Texas-Mexico border.

**Stratfor is a widely-known and well-respected private intelligence-gathering firm headquartered in Austin.** It has especially good sources inside Mexico. Here are some current Stratfor observations:

“Although some media outlets have portrayed the murder of an American citizen by a Mexican cartel organization as an unusual event, it is really quite common. **In fact, 79 American citizens were reported murdered in Mexico in 2009.** For 2010, the State Department reports 48 American citizens have been murdered in Mexico through June 10<sup>th</sup>.

“Our research has uncovered at least another six reported deaths since June 10<sup>th</sup> (including David Hartley), so unofficially the **number of American citizens reported murdered in Mexico is approximately 54 for the year to date.** While many of the Americans murdered in Mexico are undoubtedly involved in some way with the drug trade, others have no apparent link.”

Stratfor reports that **there have been more than 9,100 murders from cartel violence to date this year in Mexico.** It went on to say that “any attempt to quantify the death toll in the Mexican cartel wars is quickly complicated by the fact that the cartels have gotten very good at disposing of bodies. Many victims simply disappear, and their murders are never confirmed.”

**The risk along the Texas border is growing**, according to Stratfor. The cartel believed to have killed Hartley is the Zetas, who have lost control of valuable drug smuggling corridors into Texas like Reynosa. “This means any remaining corridors they control are even more important to the group and its ability to make money needed to **buy guns and train new gunmen** to protect the group against outside pressure by other cartels and the Mexican government.”

As Stratfor points out, organizations such as Los Zetas “become increasingly desperate in the face of attacks against them, **they will likely become even more paranoid – and more dangerous to those not directly involved in the Mexican cartel wars.**”

The ominous warning issued by Stratfor to those along the Texas border: **“there will almost certainly be more cases of innocents caught in the wrong place at the wrong time.”**

**In February 2011, it will be five years since then Vice President Dick Cheney peppered Austin attorney Harry Whittington with a shotgun blast while the two were quail hunting. How is Whittington getting along these days?**

*The Washington Post* writer **Paul Farhi** spent some time recently with Whittington and has indicated some of what was reported about the South Texas incident turned out to be wrong. As for Whittington, Farhi reports that **the 82-year-old attorney today is walking around with about 30 pieces of lead pellets in him**, but is still going about the daily work and exercise routine he has followed for years.

Brief recap. Cheney hit Whittington with a shotgun blast as the VP whirled around to shoot at a flying quail. **Whittington was hit in the face, neck and torso and went down, unconscious.** He was rushed to first a Kingsville hospital, then to a larger Corpus Christi hospital. He was back home, convalescing, a week later. But wisecracks and jokes from late-night TV comics continued.

As it turns out, his injuries were no joking matter. A pellet lodged near Whittington's heart prompted the heart to beat erratically, forcing him back into the Intensive Care Unit. **Doctors said he had a mild heart attack; Whittington called it a heart "event."** He also suffered a **collapsed lung** and underwent invasive surgery as doctors probed his vital organs for signs of damage.

Media reports said that Whittington and Cheney were "buddies," but Whittington described Cheney as an acquaintance he had been around only on several occasions. And, Farhi reported, **"he's still waiting for Dick Cheney to say he's sorry."**

After barely surviving the barrage of negative political ads and the onslaught of harsh quotes about a candidate's opponent, **Dr. Louis Overholster** likes to remind friends that this is nothing new. He points out that John Adams said about George Washington: "He is too illiterate, unlearned and unread for his station and reputation!" And Woodrow Wilson called Chester A. Arthur a "non-entity with whiskers!"

Sincerely



Editor/Publisher