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Dear Client:

In October 2000, the Austin metro's jobless rate was an astounding 2.8% — the envy of most of the nation. Fast forward to October 2010 and research reveals a total of 112 US markets posted higher jobless rates in October 2010 than in any October since the beginning of the 21st century. What about Austin?

Say it another way. **Thirty percent of the nation's 372 labor markets were saddled with their worst unemployment rates in a decade.** This is according to a new study by *Business First*, using unemployment data from the US Bureau of Labor Statistics for every October from 2000 to 2010.

This is an interesting comparison for another reason: **the best year for a majority of the nation's metro areas was the very first in this study period – 2000**, when 248 markets registered their lowest unemployment rates of the decade.

Let's examine for a minute what happened to the 5-county Austin-Round Rock-San Marcos metro area during the dates of this study. **By no means was the Austin metro immune from the ravages of the recession.** In fact, the Austin metro's 2.8% unemployment rate in October 2010 was, by far, Austin's best mark during the every-October study. Austin's jobless rate headed south after that.

In 2001, 2002 and 2003, Austin's unemployment rate jumped dramatically into the "5's", dipped back into the "4's" in 2004 and 2005 and even dropped down into the "3's" in 2006 and 2007. **The positive trend since 2003 was abruptly reversed in 2008 and reached its worst point in October 2009 at 7.1%**, before dropping back to 6.8% in October 2010. It was a see-saw decade.

But it was not as bad as the rest of the nation. **Texas is doing better than most all other states and the Austin metro tallies bested those of the other major Texas markets.** In October 2010, the San Antonio-New Braunfels metro recorded 7.3% unemployment, Dallas-Fort Worth-Arlington posted an 8.0% jobless rate and Houston-Sugar Land-Baytown, posted 8.2% unemployment while El Paso notched 9.9%.

Austin's economic vitality is going to be featured in a report on the *CBS Evening News with Katie Couric* tonight, Friday, January 7th, at 5:30 pm CT, seen locally on KEYE-TV.

The most recent economic data clearly indicates Texas is beginning 2011 by continuing to outperform the US economy.

Some quick facts: 1) As of November 2010, the state's **one-year job growth rate was 1.9%**, compared to the US's 0.6%; 2) The state's one-year **private sector job growth rate was 2.2%**, compared to 1% for the US, as of November 2010; 3) **All Texas metro areas had more jobs in November 2010 than in November 2009.** You get the picture. The momentum builds.

What about the value of your home? Have values of homes in the Austin area hit bottom? What is the implication for the residential real estate sector of the Austin economy in 2011?

Even though actual residential real estate sales volume is off by more than 25% over the previous year, **average Austin area home values are improving** when you analyze the Multiple Listing Service summary of sales and those of new home starts. **But averages can be misleading. It depends upon the price point of the home, location, school district, etc.**

The true value of your home is what a buyer is willing to pay for it at any given time. **And during 2010, the hottest selling properties were under \$400 thousand.** Homes were moving somewhat spritely in this category and became a bit of a seller's market. Home sellers were getting more "value" for their home than those houses that carried a higher price point.

Homes valued above \$400 thousand had a tougher time during 2010. It was a buyer's market in this category. This meant values suffered somewhat. Savvy buyers ruled the roost and forced "asking" prices to drop into the "getting" range.

Million-dollar-plus homes were hit the hardest. In fact, Mission Mortgage's **Mark Sprague** reports that, **at the current pace of sales, there is a 5-year supply of million dollar homes on the market.** (But, hey, he says that's the good news. The year before it was a 9-year supply.)

As always, interest rates play a key role, along with lender's willingness to loan money. **Mortgage interest rates continue to hover around recent historic lows – making homes more "affordable."** This really helps the under \$400 thousand market. But when a mortgage loan surpasses \$417,000, lenders are under a different set of regs and they generally make it tougher on buyers.

Sprague believes the values of Austin homes, given the caveats above, will continue to improve here in one of the nation's best housing markets. In other words, the bottom has probably been hit. As far as what to expect during 2011, Sprague says **"I think the market will remain slow for a while"** and **"values will continue to maintain and improve."**

Next week, Austin's State Senator Kirk Watson is going to propose a major procedural change for the Texas Legislature's budget/appropriations process. The question: will it be adopted?

Watson has long been critical of the state's budget process. As he puts it: **"those in control of state finances have been balancing the budget with debt, diversion and deception"** (not words that endear him to past legislative leaders!). Now, with Texas facing an estimated \$20 billion shortfall, he wants to make sure the final budget proposal – usually about 1,000 pages long – is posted and open to the public for five days before it can be adopted.

Here's the way Watson sees the problem: "Every session, the Texas Senate passes one version of the budget and the House of Representatives passes another. At that point, a few legislators are appointed to what's known as a **Conference Committee, and they get together (often behind closed doors) to add some spending and programs to the budget, remove some investment that folks care about and make other changes.**

"Then, after a month or so of work, the Conference Committee report – which is basically the final draft of the budget – gets filed in both the Senate and the House. And legislators, advocates, the media and other Texans generally **have about 48 hours, if that, to sort through an almost 1,000-page document.**

"Even with the best of intentions and effort, **folks are left scrambling to discover what's been changed, added, subtracted, divided or multiplied** as they try to figure out how lots of money covering lots of items – more than \$180 billion in the current budget (which includes \$87 billion in discretionary money) – will be spent. Of course, this rush to judgment is **usually right at the very tail end of the session, when things are totally nuts** because of the final legislative crunch and the hurricane of last minute activity and distractions."

So Watson says **"let's take five days, a simple 'business week'** – to make sure we're comfortable with this Conference Committee budget." Sounds simple, huh? Not really. There are at least two important elements at play that the Senator is not talking about out loud that could derail his proposal.

First of all, **those pulling the purse strings hold enormous power in any legislative session and they would be very reluctant to give up that power.** Working behind closed doors, wheeling and dealing for/against various projects and just simple maneuvering to enact a political philosophy – those are closely-guarded powerful tools for a legislator.

Secondly, as you know, every State Senator, State Representative, Texas member of the US Congress and wannabees for those jobs are going to be using every persuasive tool in their belt to draw what they consider "favorable" districts. **And, end-of-session maneuvering – especially with the budget in play – will be as bloody a battle as you can imagine.**

Back in September 2006, UTAustin kicked-off – with much fanfare – an ambitious multi-year campaign to raise \$3 billion from alumni and friends of the University. Then along came the recession. So, what is the status of that massive fund-raising effort?

UTAustin calls it “The Campaign for Texas.” Its unabashed goal is to help UTAustin become the **best public university in the nation**. What does being the best mean? A UTAustin spokesman defines it as “tackling the big issues from generating economic growth to preventing disease and protecting the environment to blazing new paths for art and media.”

Four key priorities were set for the funds raised by the campaign: **students, faculty, facilities and programs and research**. And each of the university’s colleges, schools and units established its own initiatives to reach the \$3 billion campaign target.

Okay, okay. That’s enough background. How much money has been committed so far? **From September 1, 2006 to December 1, 2010, alumni and friends contributed \$1.27 billion toward the \$3 billion goal**. Not quite halfway there.

How have the contributions been divvied up between the four priorities? **Programs and research has been the big magnet category thus far, receiving 553,861 gifts worth \$798 million** (for 63% of the total). Facilities are the 2nd most popular, garnering 1,481 gifts worth \$256 million (20%). Students have been the target of 20,626 gifts tallying \$155 million (12%) and the faculty has been the recipient of 1,662 gifts for a total of \$60 million (5%).

The campaign continues. But, probably because of the uncertain current economy, the current “Campaign For Texas” materials do not speak to a target date for reaching the \$3 billion goal.

Dr. Louis Overholster’s Hill Country ranching buddy shared some of his New Year’s resolutions (and it’s kinda hard to argue with them): “I’m not gonna kick a cow chip on a hot day” ... “I’ll always drink upstream from the herd” ... and, Dr. Overholster’s personal favorite, “If I find myself in a hole, I’ll stop digging!”

Sincerely



Editor/Publisher