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Dear Client:

**If you were offered a job in the Silicon Valley's San Jose, how much *more money* would you need just to maintain the standard of living you enjoy in the Silicon Hills of Austin? Conversely, if a San Jose resident is moving to Austin, how much of a *pay cut* could he handle and keep the same lifestyle he has in California?**

The questions assume the obvious – that the cost of living in California is a lot higher than living in the Austin area. But, by how much? Three times a year, a cost of living survey is conducted nationwide. **Results of the most recent survey were released just this past week.** And, after sifting through the economic gobbledey-gook, the bottom line for 2010 is this:

The difference is stark. **If you live in Austin and are considering a move to San Jose, you would need a 63% increase in your after-tax income to maintain your present Austin lifestyle.** This is an amazing number.

The flip side is not quite so dramatic, but it is impressive nonetheless. **A high-tech employee moving from San Jose to Austin could take a 39% cut in after-tax income and keep the employee's present lifestyle.** Or put it another way. By moving to Austin for the exact same after-tax income, the San Jose employee would effectively realize a 39% pay raise – just for moving to Austin.

While these numbers are specific to San Jose/Austin, it's the same song with only slight variations for other California cities. **Think what this means for UT Austin, trying to recruit the best and brightest faculty members from top-rated California universities** – even though UT Austin is facing significant budget cuts in this current legislative session.

**Businesses re-locating to Austin from California can make a similar claim.** (“Hey, good employee, we’re moving to Austin and while we can’t afford a pay raise, you will effectively see a boost of 39% after we pay your moving expenses. Such a deal. See ya in Austin.”)

The components of this study are weighted to reflect the cost differences for professional and executive households – **housing** (29%), **utilities** (10%), **groceries** (13%), **transportation** (10%), **health care** (4%) and **miscellaneous goods and services** (33%).

**The Austin area's cost of living is 95% of the national average.** More in the next item.

**Cost of living can also vary *within* metros. For instance, the cost of living is lower in San Marcos than in Austin and lower still in Round Rock. How does all this shake out and how can you easily access this info for your own use?**

The differences in the Austin metro, while measurable, are fairly close. As mentioned in the previous item, **Austin's cost of living is 95.5% of the national average and San Marcos's cost is 94.8%** — just a smidgeon below. But Round Rock is a little different story. **Round Rock's cost of living in 2010 was 89.7% below the national average.**

Lest your eyes glaze over with this economic chatter, we'll move on to other items following this tip on how you can do these comparisons on your own – down to the finest detail. The Austin Chamber's **Beverly Kerr** has downloaded data from the ACCRA Cost of Living Index to the Chamber's website.

She says a cost of living calculator on the website will make calculations for you and that the calculations “will return a **detailed comparison of average prices of everything from sweet peas to dry cleaning** between the selected cities.” Go to <http://AustinChamber.com>.

**Speaking of the Austin Chamber, its volunteer leadership is set for 2011. And a new name moved to the top of the list, though not unexpectedly.**

As you may recall, the man who was at the volunteer helm of the UTSys Board of Regents, **James Huffines**, was slated to serve as Chamber Chair throughout 2011. But he was named President/COO of PlainsCapital Corp., requiring him to work primarily from Dallas. Not to worry. The Chamber moved its Chair-elect, **Bobby Jenkins**, into the top slot for this year and tapped uber-volunteer **Clarke Heidrick** as chair-elect, to follow Jenkins in 2012. The immediate past chair is **Barry Mayer**.

**Austin's population grew twice as fast as that of Texas and almost four times that of the US from 1999 to 2009.**

During this time span, the **US population increased 12.6%**. **The state of Texas saw a 20.5% growth** in its population from 1999-2009 to reach an estimated 24,782,302 people residing inside the boundaries of the Lone Star State.

Austin, however, lapped the field. **The population growth of the Austin metro was a whopping 41.4%**. The total estimated population in 2009 in the five-county metro area was 1,705,075. The five counties: Bastrop, Caldwell, Hays, Travis and Williamson. With this astounding growth rate, you now can see why most economic eyes are focused on Austin.

**“It’s darn near impossible to get a mortgage these days. That’s pushing people into the rental sphere,” claims a major national developer.**

The “rental sphere” primarily means multi-family housing, apartments. This has been obvious in many areas of the US. **But another factor may be of more importance in the Austin area than the difficulty for many to obtain a mortgage** – and that is the surge in the population in the five-county metropolitan area.

As noted in the previous item, **the Austin area’s population skyrocketed 41.4%** from 1999-2009. And where do most of these immigrants live when they first move to an area? Apartments. Add to that the **large transient college-age student population** and you get a reasonably healthy apartment dynamic.

After all that is said, then you consider the stringent requirements to secure a mortgage. This is especially true for **first-time home buyers who may not have built up a good financial track record** with accompanying, rising credit score qualifying levels.

These are the folks who would consider moving out of multi-family units to a “home of their own.” **This move-up market is not as vibrant as it has been in the past**, so they are staying in apartments longer.

The bottom line for 2011 in Austin: apartments will see **rising occupancy rates and rental rates**. And, if developers can convince the money-folks that construction of more units is a wise move, then the Austin area should see **more apartment construction**. The demand is there. This year will determine whether the supply can expand to meet the demand.

**Commercial real estate in general is showing signs of stability in the Austin area market. One key indicator: landlords are offering less concessions. Could this be a market recovery in the making?**

Another sign that a recovery is in the offing: **available sublease office space is the lowest since the 4<sup>th</sup> quarter of 2008**. As much as 1.4 million sq. ft. of office space was available to sublet during the past two years. That number is now down around 800-thousand sq. ft.

**Residential real estate is perking up a bit.**

While home sales were down in the Austin market for the entire 2010 year, **December totals were up 6%** from a year earlier and sales-in-the-pipeline, set to close in January, are up 3%.

**It's a reasonably rare political event when a USSenate seat is up for re-election with no incumbent seeking a return to the office. If past history is any indicator, the domino effect could open other statewide races.**

If there were a way to measure the "Ambition Level" around the State Capitol Complex these days, the normally-high level would zoom off the chart. It kicked into the stratosphere a few weeks ago when GOP USSenator **Kay Bailey Hutchison** said she would not seek re-election. Right now, there is a long list of wannabes and it will surely grow longer. But for this little exercise, let's look at Lt. Gov **David Dewhurst**, whom some consider the front-runner.

Without making an official announcement, Dewhurst's comments indicate he may be willing to make the run. If so, here's where the calendar comes into play. The USSenate seat election is in 2012. Dewhurst this week took the oath of office to begin a four-year term. **So, effectively, if he runs for the USSenate, he gets a "free ride," because he would not be required to resign as Lite Gov.**

Okay. If he wins, would there be a statewide election for the vacated lieutenant governor's seat? Nope. The State Senators would look around the Chamber and **pick one of their own to serve as Lite Gov** until the next statewide election.

Talk about the elbowing and politicking that could take place. Instead of trying to get hundreds of thousands votes to win a statewide election, a **State Senator need only get 16 votes from his/her colleagues in the 31-member Senate**. The only problem: each State Senator would probably also want the job. It should be fun for the political junkies to watch if this scenario plays out.

A former Texas Lieutenant Governor, eyeing a run for the USSenate years ago, told me, "you know, with a 6-year term, you could almost be a statesman." He never got a chance to find out.

**Dr. Louis Overholster** said that giving money and power to government is like giving whiskey and car keys to teenage boys.

Sincerely



Editor/Publisher