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Dear Client:

**Downtown Austin's population today is approximately equal to what it was in 1950. Yet, there is all this talk about today's downtown "vibrancy." How do you square those numbers?**

A historical perspective is important to understand what is happening. **Downtown's population in 1950 was already in decline.** Austin's city limits were expanding and the move to the suburbs was underway. Shopping malls became the new way to buy goods. Congress Avenue retailers (including movie theaters) began to suffer, move or shut down altogether.

**Prior to 1950 Austin was much smaller and downtown was where it was all happening.** Downtown households were fewer back then, but they were composed mostly of families with children – hence, the greater population.

**The downtown Austin population decline continued steadily until it hit bottom in the 1980s when the population fell below 4,000 for the first time in decades.** Downtown's population is now estimated to be around 11,000, with the most dramatic growth spurt starting around 2007-2008. Obviously, it is a different kind of downtown today than 60 years ago, even though the population is the same.

Today, Heritage Title tells us that **in addition to the residents, there are 67,000 daytime employees in downtown** (defined as a 20-block-by-20 block area between MLK Jr. Blvd on the north, IH35 on the east, Cesar Chavez St. on the south and Lamar Blvd as the westernmost boundary).

When you reach beyond the identified boundary to include UTAustin, **90,000 employees work within a one-mile radius.** Also 363,000 residents live within a 10-minute drive time of downtown.

Where do the current 11,000 downtown residents live? Since the 2000 census, **1,994 condominium and 1,830 apartment units have been built**, according to Heritage Title. And Heritage reports that at last count, **337 units are under construction** and were to be delivered late 2010 or this year.

So what is the **current occupancy status of the ever-changing downtown living units?** Check out the next item for some interesting results.

**By most measures, it is costly to live in a condominium in downtown Austin. So, how many have been sold, what is the current occupancy in some of the more high-profile condo projects, and what is the average cost for a condo owner?**

Heritage Title reports that 55% of the recently completed, or units under construction, have been sold or are under contract. Since 1997, purchasers of condo units have paid from a low of \$185,000 to \$8,000,000 for a condominium. **The average price per square foot is a lofty \$520, especially when you consider the average unit size is only 1,311 square feet.**

In many instances, it is hard to get precise figures on how many units have been sold in individual downtown condo projects. But here is a current estimate from Heritage on **four of the most recent high-profile, high-rise condo projects downtown:**

**The Austonion.** The highest of the high rises, at 683 feet, and 56 stories. Located on the northwest corner of Second Street and Congress Avenue, this \$200 million mixed-use project was completed last year and contains 178 luxury units, starting at \$550,000. **It is estimated that 40% of its units have come under contract.**

**The Four Seasons Residences.** Completed last year, this tower adjacent to the Four Seasons Hotel has 147 condos with some street level retail space and rises 32 floors. The Residences are managed by the Four Seasons Hotel and residents have access to the services and amenities of the Hotel. **It is estimated that mid-60s% of its units are sold or under contract.**

**Spring.** Rising 42 stories on the western edge of the downtown district, Spring contains 246 units. It was completed in 2009 and **it is estimated that the number of units sold is in the upper-60s%**, with many of them at Spring's lower price points. It is located at 300 Bowie Street.

**W Hotel & Residences.** Located on the block north of Austin City Hall at 200 Lavaca Street, **the \$260 million W is a 36-floor high-rise featuring 159 condo units** and a 250-room luxury W Hotel. It features a 2,200-seat "Austin City Limits" venue. **It is estimated the number of units sold is in the upper 60s%.**

The real residential success story downtown is in the apartment sector. There are about 1,600 units in downtown Austin, according to Heritage Title, and they are **currently about 96% leased.** Because of this vitality, **rental rates are increasing dramatically**, currently about \$1.85 a square foot, and apartment operators are reducing leasing commissions.

**Downtown apartment rental rates are double the rest of apartment units** outside the Central Business District — an example of the high cost of living downtown. Besides the monthly mortgage payments for condo owners, there are **fluctuating homeowners' fees** to maintain the common areas and provide various levels of services to the condo owners.

**Is job and population growth going to continue in the Austin area? The answer appears to be yes. And both may actually increase at a greater rate this year and next.**

At least this is the forecast from longtime Austin-based economist **Angelos Angelou**. He earned his spurs as an economist working on economic development at the Austin Chamber of Commerce before striking out on his own decades ago, now with clients all over the US. Let's look first at what Angelou thinks about *new jobs*, because **an increase in jobs is a major driver of a strengthening economy**.

For a perspective, he reports **the Austin area added 8,200 new jobs from 2009-2010, a 1.1% increase**. During the same timeframe, Dallas/Ft. Worth added only 1,200 jobs, while El Paso (-900), San Antonio (-3,800) and Houston (-26,600) lost jobs. In fact Austin's 8,200 new jobs total was **almost one-third of the state's 26,300 new job growth** from 2009-2010.

What does Angelou forecast for Austin for 2011-2012? **He sees the job growth rate annualized at 2.8%. This impressive rate adds up to – hang on – 43,900 new jobs for the Austin area – 18,800 new jobs this year, 2011, and 25,100 new jobs in 2012**. This becomes all the more remarkable when you realize the Austin area added, as we said, 8,200 new jobs in 2010, but actually *lost* 18,500 jobs in 2009. Quite a turnaround, especially if the forecasts come true.

All areas of Austin businesses and industry will share in this growth, though predictably. some more than others. The big gainers for this 2-year span: **leisure & hospitality** (7,900), **government** (7,500), **retail trade** (5,500), **education and health services** (5,500) and **professional services** (4,800).

The new jobs should not go begging. **Angelou predicts the population will steadily increase, at a greater rate than we've seen in recent years**. The Austin area's population grew by 48,500 in 2007. It increased by only 1,100 to top out at 49,600 in 2008. The population jumped by 1,400 to register an increase of 51,000 in 2009.

This past year saw a much greater increase in population – 4,000 – to reach 55,000 in 2010. So what about this year – 2011? **Angelou forecasts an increase of 5,000 in 2011 to reach an increase of 60,000 and another 5,000 increase to register a population increase of 65,000 in 2012**. This is impressive population growth in anybody's book.

**Another economic indicator ended 2010 on an “up” note. Passenger travel at Austin's airport was up 6% compared to 2009**. The two top carriers of Austin travelers, Southwest and American were up only 1%. Delta, however, surged 40.5% over 2009. And JetBlue, the airline that hitched its local marketing effort to UT Austin athletics, wrapped up 2010 with a 22.5% increase over 2009.

**One of the wonders of nature, the twice-a-year migration of tens of millions of Monarch butterflies through the Austin area, may be severely affected by – Mexico’s drug cartel murders.**

No, they are not murdering the Monarchs, but the effect is just as deadly. **The flight of the Monarchs is genuinely intriguing.** Tens of millions of the fragile creatures, since time beyond memory, have traveled thousands of miles across the US & Canada to winter in Mexico.

During this time of year, **the Monarchs roost in tall, densely-packed oyamel trees in the high mountains around Michoacan**, about 120 miles west of Mexico City. The insects survive all manner of natural and man-made problems in Mexico and then they head back north as winter abates. **Their flight path cuts a wide swath through Central Texas.**

Now, reports **Dudley Althaus** in the *Houston Chronicle*, “**gangland violence joins the Monarch’s torments. Fears of bloodshed have gutted tourism to the 216-square mile reserve where the Monarch’s roost.**” He said only 33,000 tourists visited the reserve last winter, about a third of the normal traffic, and the **numbers are down sharply from that so far this season.**”

Over the years, **the local population was weaned from cutting down the forests to make a living by replacing that revenue with tourism income.** Now with a reported 200 gangland murders in Michoacan last year, tourism travel has dropped severely. **Fear of horrendous violence has taken its toll on tourism.** And the other fear is that the residents may go back to cutting trees for revenue.

It will be interesting to see the survivors as they fly through Central Texas on their way back north this spring. **Monarch populations tend to swing wildly from year to year, so fewer numbers will not necessarily signal a bad situation.** But it’s worth watching.

Speaking of things that fly, **Dr. Louis Overholster** calls a manager who flies in, makes a lot of noise, craps on everything and then leaves – a “Seagull Manager”.

Sincerely



Editor/Publisher