

Volume 33, Number 2

April 8, 2011

Dear Client:

What's my home worth? Is my house worth more or less than I paid for it? Is the increase or decrease in the *median* price of Austin area homes a good barometer for worth? And is the value of my home going to go up or down?

Housing statistics are readily available, but do they give you adequate information? We regularly bombard you with numbers, but we try to give you the meaning behind the stats. For instance, it was announced this week that **Austin area housing starts were down almost 10% compared to the first three months of 2010.**

Uh-oh. Is this a problem for the Austin market? Not necessarily. When you check further you find that the 1st quarter of 2010 was when **the feds artificially inflated the market by giving tax credits on lower-priced homes.** So the numbers were skewed.

Well, what about the *median* price of homes? In January 2011 the median sales price of an Austin area home was **up 6% compared to a year ago** and in February the median price was **up 4% compared to 2010.** Does this mean your home jumped up that much in value? Not necessarily.

The TexasA&M Real Estate Center says **“the reported median sales prices are not truly reflecting the actual value trends in the local market.”** The numbers above are a case in point. When the feds gave tax credits on lower priced homes, there were many homes in the lower price range that went into the calculation – **driving down the median price.**

Now that the credit is not being offered, fewer of those homes sold this year and that **drives up the median price. And it has absolutely nothing to do with the value of your home.** The higher median price doesn't mean that home values are rising, it simply means that the **quality of homes in the sample is changing.**

When you try to determine whether your home is gaining in value, the same three factors that have always been true are still true – **location, location, location.** Or as a real estate investor put it, you make your money on the front end – when you *buy* a property. But there is another metric that can be used to better **judge if the value of your home is likely to rise or fall.** We'll review that in the next item.

“The risk of a home price decline in Texas is low,” notes a real estate research economist. And there is a statistic you can track to see if a decline in prices may be in the offing.

TexasA&M Real Estate Research Center economist, **Ali Anari**, says the state’s growth and an expanding economy helps. “Texas’ lower-than-national-average housing cost is one reason for the state’s higher-than-national-average growth rate,” says Anari. **“When Texans are able to spend more on non-housing goods and services, the state’s economy is strengthened and more people are attracted.”**

So how can you tell if your home value is going to be pushed upward or downward by forces you can’t control? This is especially important because the housing market in the Austin metro differs from that in Dallas, Houston, etc. However, one metric is a reasonably good indicator market by market. Check out the “months of inventory” number.

This is a calculation that determines **how long it will take to sell all the homes on the market** at the current sales pace. Dr. **Mark Dotzour**, the A&M Center’s chief economist and director of research, says “we have always said that **as long as the inventory of unsold homes hovers around 6.5 months, that’s a balanced market and prices increase.**” Where does the Austin market stand today?

In February 2011, the Austin area months of inventory was an impressive 5.9 months. In January 2011, it was even lower – 5.6 months. This creates a condition where home values tend to increase. But what happens if the months of inventory starts creeping upward? “As inventory levels increase toward **eight or nine months, prices still hold firm.** Only when inventory levels get to **10 or 12 months, do prices start to fall.**”

To illustrate how this **differs among Texas markets**, take a look at this sampling for February 2011 (Austin was 5.9): Corpus Christi, 9.8 months ... Dallas, 6.4 ... Houston, 7.4 ... San Antonio, 7.7 ... Temple-Belton, 8.1 ... Tyler, 12.6 and the state of Texas, 7.3.

A Top Ten Cleantech Cities in the United States report was released this week. Austin was #3.

This is part of what was said about #3Austin: “Austin has long been Texas’ hub for solar, wind, geothermal and biomass power, as well as fuel cell technologies. **Its commitment to the environment and sustainability has made it not only a national CleanTech player, but a global one as well.**”

Other cities: #1 Boston ... #2 San Jose ... #4 San Francisco ... #5 Seattle ... #6 Chicago ... #7 Philadelphia ... #8 Berkeley ... #9 Pasadena and #10 Washington, DC.

Forty-nine percent of all Austin air travelers at Austin-Bergstrom International Airport (ABIA) fly on the troubled Boeing 737 aircraft that have been in the headlines this week after one Southwest Airlines Boeing 737 developed a gaping hole in its fuselage while in flight.

Following the incident, Southwest grounded many of its Boeing 737's for further checking and, as a result, cancelled hundreds of flights around the US. **Southwest carried 229,271 passengers at ABIA. This is 37.7% of all Austin air travelers in February 2011 – all of them on the Boeing 737s.** American Airlines, relying mostly on McDonnell Douglas aircraft and commuter jets, carried 19.7% of Austin air travelers in February.

Speaking of February air travel, total passenger traffic at ABIA was up 9.5% compared to February 2010. And while February is one of the slowest months for air travel (vying with January for that distinction), **the 2011 total was still below the pacemaker totals recorded in February 2008.** March always takes a huge upward spike in passenger traffic. When those figures are released, it will be interesting to see if 2011's numbers still lag behind 2008.

You haven't heard much about the all-important redistricting effort so far during this legislative session, but that is about to change.

The legislature must come up with new boundaries for 150 Texas House seats, 31 State Senate districts and every Texas US Congressional district. The blood hasn't started flowing yet, but there have been some **fairly intensive behind-the-scenes, below-the-radar battles brewing.** Most of them revolve around the four new Congressional seats that have been allocated to Texas following the state's growth of the past ten years, as recorded by the USCensus.

As Republicans control the redistricting process in Texas, intraparty squabbling is underway. One side wants to draw lines where **all four of the new seats would be "safe" for Republicans.** Another side is arguing that the **four boundaries should be drawn where two Democrats could be elected** – specifically for Hispanics who they feel may vote Democratic. They argue that the greatest population increase in Texas was in the Hispanic community.

There's another force at play here – the Voting Rights Act, as enforced by the Justice Department (headed by Democrat Attorney General **Eric Holder**). Texas is one of 16 states that need approval before implementing new district lines. **The Act bars Congressional Districts from being drawn in a way that dilutes minority voting power.**

Look for the fur to really fly when **maps are made public that show the new proposed boundaries for the state and congressional districts.** This is where in big cities, for instance, one side of the street is in one district and the other side of the street in another. Some politicians have been known to move their homes into a "safe" district. Gonna be fun!

From our food and wine department: a wildly-successful burger chain is making a foray into Texas, and the US has reached a wine-consuming milestone.

Don't know if you've chowed-down when you've been out west at the **super-successful burger chain called "In-N-Out."** If so, you know what we're talking about. If not, bring up In-N-Out to transplanted Californians and other devotees of the burger joint here in Austin and they will probably **bore you to death about how they wish In-N-Out would open here.** Well, their prayers may be answered.

In-N-Out, based in Irvine California, is opening a distribution center in Dallas, to serve new locations within a 500-mile radius. The Dallas area is first on the list to get new stores. No expansion plans have been announced beyond that. So there is **no precise indication if/when Austin will get the burger joints.**

But, if In-N-Out does target Austin, it will run into **formidable competition with the many burger joints here** – especially those that have a loyal, local following. It'll be interesting to see if the Californization of burgers can make a dent in the state where Whataburger was invented (in the early 50s in Corpus Christi). And where Austin originals like Mighty Fine, Hat Creek, Hut's, Sandy's, you-name-it have a major foothold among burger enthusiasts.

Now about that wine mention. Can you believe it? **The US has supplanted France as the world's largest wine-consuming nation.** *Sacre bleu!* In 2010, roughly 330 million cases of wine – a record high – was sold in the US versus 320.6 million cases in France.

Of course, the US population dwarfs that of France, so **per capita, France is drinking way more than the US.** In fact, US wine industry officials say US wine consumption is still "a low 2.6 gallons per capita." They say that may change as US boomers and their progeny adopt wine as a beverage.

Dr. Louis Overholster, noting reports about childhood obesity, tells parents the best place to hide junk food so their kids will never find it – in their rooms!

Sincerely



Editor/Publisher