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Dear Client:

**An economic double-whammy is about to be felt throughout the Central Texas area due to circumstances beyond your control. One of the whammies is because of those devastating tornadoes that ripped through the southeast last week.**

As you know, the storms *killed* approximately 350 people in seven southern states. About 1,700 were *injured* in Alabama alone. And while the human tragedies are enormous, it is the **physical devastation in those states that will impact the Central Texas economy.**

The twisters reduced neighborhoods to rubble, causing damage that will likely run into the billions of dollars. **Money and resources are being rushed into those seven states** and they will keep pouring into those states and communities for months and months. Remembering past hurricane devastation, you know the **massive effort it will take to rebuild those US communities.** And like before, the **economic impact will be widespread and will include the Austin area.**

What sort of economic impact? Well, for starters, **look for the price of lumber and building materials to rise almost immediately in the Austin area** as insatiable demand in those seven states **lead to shortages, higher prices and delays in material delivery** to the Austin metro.

In the past, **subcontractors, skilled workers, laborers and the unemployed have moved into areas of devastation** because of the high demand for their services. Again, this will make it difficult for local construction and building projects.

There will likely be a ripple effect – the higher cost of building materials will **lead to higher cost of new homes and commercial construction projects in the Austin area.** You get the picture. The savvy builders and those individuals in the midst of some sort of building project are locking-in prices and the immediate delivery of necessary materials.

The other economic whammy is not as certain, because the immediate future outlook is a bit cloudy. But if the forecasters are accurate, **gasoline and diesel fuel prices will continue to climb to the \$4/gallon level, and possibly as high as \$5/gallon or \$6/gallon.** We'll look at what that means, other than what it takes to fill your jalopy's gas tank, in the next item.

**The second whammy could have long-term implications on the way you live and do business in the Austin area. It's not only how much *you* must pay at the pump for gas, but also how much *others* have to pay to provide goods, services and food for you.**

You've no doubt been aware of how much your credit card is dinged when the gas pump finishes filling your vehicle. **Texas has seen an average increase of \$1.030/gallon from this time last year**, but a further disturbing element is the *relentless trend toward higher prices*.

The average price per gallon in Texas on 4.11.11 was \$3.688, on 4.18.11 it was \$3.751, and on 4.25.11 it was \$3.755. This includes all taxes. It's important to know **the highest average price per gallon ever recorded in Texas was in July 2008 when the record of \$3.98/gallon was reached**.

**The average price per gallon has already zipped past \$4 along the entire West Coast.** New York state moved past \$4 on 4.18.11. And the trend lines across the nation are the same – upward. You've no doubt seen **predictions of \$5 gasoline, maybe \$6, \$7 or more per gallon** – all because there are no publicly-disclosed factors that would halt this upward trend.

As a result, keep an eye on the prices you pay for everyday products. Just think of products used normally in your household and how most of them are transported. Food, for instance. Farmers use high-priced diesel fuel for tractors. Most US-grown foods are delivered to the grocery stores by gasoline-powered vehicles. **The average American household budget devotes one-third of its cash to food and energy costs.** And prices are rising. Hold on. We're about to use a dreaded word: Is this *inflation*?

Consider what happened in March when the president of the New York Federal Reserve tried to explain to an audience why they had no cause to worry about inflation: "Today, you can **buy an iPad2 that costs the same as an iPad1 that is twice as powerful**. You have to look at the prices of all things." Quick as a flash came a voice from the audience: "**I can't eat an iPad!**"

The impact is extensive. To ordinary Austinites, **it's not the online price of an iPad that matters, it's prices of food on the shelf and gasoline at the pump**. These, after all, are the costs they encounter most frequently.

Harking back to our previous story, the cost of building materials is sure to include increased fuel costs for transportation. So, the **interrelated economic double-whammy could have an extensive impact for some time to come**, especially if gasoline prices keep ratcheting up.

The way inflation has been calculated has changed 24 times since 1978. **Currently, food and fuel costs are not included in the calculation for inflation**. If older methods were used, the rate of *inflation would actually be about 10%*. Something to ponder.

**The Austin area's apartment market is red hot. In fact, units are being leased at "levels that have been unseen since the heyday of the 80s." How long will this last?**

Last year, 2010, was a "banner year that saw significant gains in both rent and occupancy," according to **Robin Davis**, who is a long time tracker of apartment trends in Central Texas. And Davis reports that "the first quarter of 2011 confirms that the Austin apartment market has finally set a new course."

"Breaking historical trends that produced only one positive quarter per year, the **first quarter continued to see increases in both occupancy and rent**," Davis reported. "In addition, a minimal amount of new unit completions has not only buoyed the market, but contributed to absorption levels that have been unseen since the heyday of the 80s." The current average occupancy is 94%. Okay, Robin, how long will this new, positive economic trend last? "**The next 12-18 months should continue to see positive growth**," Davis predicts.

This segment of the Austin metro economy will still warrant a close watch. Davis suggests the **tenant base is largely growing from out-of-state job seekers who may or may not find employment**. Also, there is a construction pipeline that includes 20,000 new units that will be available for occupancy over the next year and a half. But for now, rents are rising and available rental units are hard to find.

**The official 2010 population of the 5-county Austin metro is 1,716,289 – up from 1,249,763 ten years ago. It's not just the total that has changed, but the *population mix* has also been altered. And the difference is somewhat dramatic.**

A wealth of demographic information is being regularly released from the USCensus totals. And the info tells an interesting story. For instance, **Hispanics were only 26.2% of the population in 2000, but now they count for 31.4% of the total. And Asians have increased as a percentage from 3.5% in 2000 to 4.7% in 2010.**

The other demographic categories were diminished in terms of percentages of the total. **Blacks dipped from 7.7% of the total in 2000 to 7.0% in 2010, and Whites dropped from 60.7% in 2000 to 54.7% in 2011** for the Austin metro area.

This is a trend likely to continue if you look at the "under age 18" population. **Hispanics under 18 years of age increased 34.6% to 42.8% and Asians from 2.8% to 4.3%** as percentages of the total from 2000 to 2010. **Blacks and Whites both decreased, Blacks from 9.1% to 7.5% and Whites from 51.0% to 41.9%**. One final set of numbers before your eyes glaze over: those under 18 grew from a total of 317,022 in 2000 to 434,760 in 2010 – a sizeable increase, reinforcing the "young" image of Austin now and in the immediate future.

**Mobility, or the ease of moving around the Austin area, is at the top of most Austinites' concerns. Traffic, traffic, traffic. And, for downtown, it's also parking, parking, parking.**

City of Austin leaders have moved headlong into making downtown Austin a place for many to live, work and play. And, to a great extent, they are succeeding. **Downtown is exhibiting more and more vitality. But this vitality is coming with a price.** Ever experienced frustration trying to find a parking space in the downtown area? Well, the city is addressing those frustrations with a plan to **improve access to the downtown parking system.**

The City of Austin is currently in the process of **installing 44 parking signs to help direct drivers to additional off-street parking spaces quickly.** These blue-and-white signs will be in place as the City proceeds with a larger scaled permanent "wayfinding" system. Wayfinding is a system in a standardized format that communicates the location of parking and various downtown destinations.

The City says the goal of this project is to assist downtown visitors to **easily and quickly find downtown parking facilities.** Additionally, they say a wayfinding system will help reduce vehicle miles traveled and extraneous traffic circulation.

The City reports **downtown off-street parking is underutilized, with the highest usage at 26% weekdays and 66% weekends.** The City says this is in part due to a lack of clear directional signage showing drivers where facilities are located.

Interestingly, the announcement of this wayfinding system **did not mention any construction of additional parking,** and in fact, pointed out current parking facilities not in "downtown," but south of Lady Bird Lake at the Palmer Events Center and One Texas Center. It may be that leaders are viewing this signage effort as *temporary*, until public transportation is expanded into downtown.

A woman recently gave birth in the downtown Austin library. **Dr. Louis Overholster's** comment when he heard about it: "apparently the baby was born in the 'C'section! (Groannnnnn!)"

Sincerely



Editor/Publisher