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Dear Client:

There's only one other major metro in the US that has created more retail jobs than the Austin area since 2008. In fact, only eight of the nation's 100 major markets have higher retail employment now than they did in 2008. This is a very telling economic fact.

Most retailers don't add employees unless they have the **business to justify new hires**. Sure, some of the workers may be commission-only sales people, but retailers still have all the requirements that go with a person in their employ. So hiring is not a lightly-made decision.

According to info from the USBureau of Labor Statistics compiled by American City Business Journals, **the Austin metro added 2,400 retail jobs since 2008**, second only to Houston that added 4,100 retail jobs. Now that number may not seem like a lot, but consider that the **Dallas-Fort Worth metro area lost 9,300 retail jobs** in the past three years.

Big losers from April 2008 to this past April? **How about Los Angeles where 53,700 retail jobs were lost in three years**. Or **Chicago** (down 31,000), **Atlanta** (down 23,700) and **Phoenix** (down 22,500). As we pointed out at the top, only eight of the nation's 100 major markets actually *gained* retail jobs.

The proof is in the pudding, to use an over-used cliché. **What kind of revenue has been generated to justify these hires?** Well, as a matter of fact, just this past April (coincidentally, the cutoff point for this retail sales study), **Austin received 3.5% more sales tax revenue from the State than in April 2010**. And generally, sales tax revenue is a barometer of retail sales.

If you thought Austin's increase was substantial, consider the increase in the following cities: **Pflugerville, up 28%** ... **Manor, up 23%** ... **Cedar Park, up 18%** ... **Round Rock, up 8%** and **Georgetown, up 1.5%**. Of course these percentages translate into dollars that are rebated to the cities. **Austin, for instance, collects \$11.4 million** as a result of its 3.5% increase, while **Pflugerville received a rebate of \$493,446** as a result of its 28% increase.

These are the numbers recently reported by the State Comptroller. They cover April sales, as reported in May, with the cities' portions sent back to them in June. This is also good news for the state, as it has recorded **14 straight months of sales tax revenue increases**.

Digging deeper into Austin area sales activity, 2010 may have been the beginning of a positive economic trend.

The peak year for Central Texas sales tax collections was 2008. **Total sales tax collections in 2010 exceeded 2009, but fell short of the peak totals in 2008.** Not all sales are subject to the sales tax and sales tax is collected by industries other than retail. So the link between sales tax and retail sales is a bit limited. **But when coupled with other barometers, such as retail sector hiring, sales tax receipts become somewhat more reliable as an economic indicator.**

The Austin Chamber's VP/Research, Beverly Kerr, points out **"total retail sales for 2010 are higher than any previous year and 2.5% ahead of 2008."** She goes on to note that "Austin's performance is better than that seen statewide."

Even though tax is paid on the sale of automobiles, it is a separate tax and not lumped into the overall state sales tax figures. So, what is happening to auto sales?

They are surging. In fact, sales of new cars in Central Texas jumped 26% in May compared to the same month last year.

By the way, the tally of Central Texas new car sales lumped Burnet and Blanco sales into the normal 5-counties in the Austin metro – Travis, Williamson, Hays, Bastrop and Caldwell. **And new car sales for the first five months of 2011 are up 19% over 2010 numbers.**

Nationally, in May, new car sales were down 2.9%. Don't forget: this is taking place as major Japanese carmakers – **Toyota, Honda, Nissan and Subaru** – are losing sales because of manufacturing difficulties following the devastating earthquake and resulting tsunami. If the Japanese automaker's sales had simply stayed flat, then sales last month would have been up.

Anything unusual about what is currently selling? **Jerry Reynolds**, the "Car Pro" radio show guy and newspaper columnist, says **with high gasoline prices, "it is reasonable to expect SUV sales to be down."**

Not so. He said new **"SUV entries resulted in a May year-over-year SUV sales increase just shy of 49%."** He credits this primarily to the success of the **Ford Explorer, Jeep Grand Cherokee, Dodge Durango and Kia Sorento.**

"Among the other shockers in May was that **50% of the Ford F150 trucks sold were six-cylinder versions,**" he said. "This signals that America is not yet ready to give up their pickups. However they want them to be more fuel efficient." He went on to add: **"A year ago, Ford did not even offer a V6 model.**

One effect of Texas Gov Rick Perry's flirtation with a presidential run is a major national media focus on the state's economy. And this could bode well for Texas economic future.

No matter how you feel about Perry's presidential prospects, one result of the media spotlight on him is that the nations' business movers and shakers are getting huge doses of positive economic news about Texas. **These captains of industry make decisions about where to expand or re-locate, creating new jobs in the process.**

The president of the Federal Reserve Bank of Dallas, **Richard Fisher**, points out that 37% of all net new American jobs since the recovery began were created in Texas. He notes that Texas is also among the few states (3 very small states, actually) that are **home to more jobs than when the recession began**. He cites more stats, but since we've reported them previously, we'll forego the repetition.

Fisher further observed that all states labor under the same Fed monetary policy and interest rates and federal regulation, but all states have not performed equally well. Texas stands out for its free market and business-friendly climate. And he stresses that **capital – both human and investment – is highly mobile, and it migrates all the time to the places where the opportunities are larger and the burdens are lower.**

Fisher is an economist with a dry dull way of expressing himself. Not so **Jay Ambrose**, a columnist for the Scripps Howard News Service. Comparing Texas to California, Ambrose wrote this week: "So what example should America follow, that of **deficit-slaughtering, budget-cutting, seriously limited government in Texas**, which has added 730,000 jobs in the past decade, or that of **regulation-happy, spend-mercilessly, owe-everything, flee-this-place-quickly California**, which has lost 600,000 jobs during the same period?"

These are just a couple of examples of the positive economic notoriety being spread around nationally about the Texas economy **now that Perry has expanded his political stage**. Of course, there are those who disagree with Perry politically and they point out what they feel are short-comings in arenas other than economic policy. It'll be interesting to watch this play out.

How you know there is really big money in Formula One racing: the 22-year-old daughter of the UK's Formula One boss Bernie Ecclestone just bought the most expensive house in the US.

Petra Ecclestone bought a 57,000 square foot mansion, the largest by far in Los Angeles. It was listed for \$150 million. The home has parking for 100 cars, a bowling alley, beauty salon, etc. She is getting married in August and will divide her time between the LA mansion and a **six-story home in London for which she paid \$90.9 million**. Don't know if the heiress and her new hubby will be in Austin when Formula One is inaugurated here in June 2012.

So, if you're buying a house in the Austin area today, how much discount should you offer?

Savvy buyers know that most listing prices have some wiggle room. And savvy sellers also realize that they may need to come off their asking price to get a deal done. But there are exceptions everywhere you look. The best advice for a buyer is to be **armed with information on recent sales of comparable properties within the same neighborhood**. This gives the buyer a frame of reference to determine what to offer.

Mission Mortgage's **Mark Sprague** did some digging and found that **"the average discount off list price for all homes sold in the Austin area during the last six months is around 2.5% to 3%."** So, should you offer 97% of the listing price? Absolutely not.

What if the home is overpriced? Make an offer based on comparable recent sales in the neighborhood. Then be prepared to walk away if the seller is unrealistic.

What if the home is priced at market value? What you offer depends upon how much you want the home and how much the seller wants it sold right now. Sprague warns: **"if the home is in great condition, great school district and a great location" a competitive offer may be made at any point.** Speed is important. So offer less than market value and be prepared to negotiate upward.

What if the home is priced below market value? "The seller wants a quick sale and is making that clear," says Sprague. But be very careful. Speed *really* matters here because **there may be multiple offers and that means the price goes up.**

Sprague suggests if the buyer really wants a house and low balls it too much, the home will probably be lost and the buyer will settle for second, third or fourth choice. As Sprague puts it: **"it's not about the best deal, but what is best for you and your family."** His bottom line answer on how much a buyer should offer: "it depends."

Dr. Louis Overholster's observation: "Sometimes you get, and sometimes you get got!"

Sincerely



Editor/Publisher