

Volume 33, Number 17

July 22, 2011

Dear Client:

Time and time again you've seen Austin ranked among the tops in the US in a variety of categories. Well, what about a *world* ranking for the Best New Cities for Business? Yep, Austin made that very short worldwide list.

Fortune Magazine, in its 7.25.11 issue, focuses on its *Fortune* Global 500. And as a sidebar for this far-reaching story, it lists **15 markets worldwide to “put on the map” in its Best New Cities for Business category**. There was no ranking within the 15 cities. They were simply listed alphabetically. **Austin was one of two US cities that made the list.** Check it out:

Ahmedabad, India ... **Austin, U.S.** ... Bogota, Colombia ... Chengou, China ... Chongqing, China ... Doha, Qatar ... Gurgaon, India ... Lagos, Nigeria ... Melbourne, Australia ... San Jose, Costa Rica ... Santiago, Chile ... **Salt Lake City, U.S.** ... Stockholm, Sweden ... Vancouver, Canada and Warsaw, Poland.

About Austin, *Fortune* wrote: “When Facebook looked to open its first sales office outside of Palo Alto last year, it picked Austin. **Tech and other startups are drawn to talent from The University of Texas**; young talent, in turn, is drawn to the renowned music scene and, on a more practical note, the absence of a state income tax.”

Interestingly, in the **Salt Lake City** analysis *Fortune* wrote: “Move over Stanford. **The University of Utah claims to lead the nation’s universities in creating successful startups.**”

The sub-head on “The Best ...” story reads like this: “**Looking for Smart Labor, Solid Infrastructure, and Potential Customers? Here are 15 markets to put on the map.**” While it is always good for the Austin area economy to be included on significant lists, this *Fortune* listing carries added significance.

It wasn't too many years ago that Austin business leaders wrestled with “how to get the word out about the benefits of creating jobs in Austin.” The word is now out – all across the US. But, worldwide is another matter. **This inclusion in a publication that lists the 500 biggest businesses in the world will be read by each of those 500 worldwide companies.** And there, on pages 153-158, is this very favorable mention of Austin. You can't buy this type publicity.

Two major metros, among the nation's 100 largest, increased the number of business establishments, according to just-released USCensus data. And the Austin area was #1.

While just-released, the numbers are not all that recent. But the fact that they cover 2009 becomes impressive when you realize the economic problems hammering the nation at that time. In fact, the number of business establishments declined 2.2% nationwide in 2009. **Austin ranked #1 with a 0.4% increase and the only other metro in the US to show a positive increase was Houston with a 0.1% increase.**

Not huge increases but, hey, they were *increases* when the other 98 largest US metros were *declining*. According to **Beverly Kerr**, the Austin Chamber's VP/Research, these numbers include businesses with paid employees and excludes most government employees.

You may recall in our 7.8.11 edition we de-bunked a report that drew the wrong conclusion when it declared "Austin Among 10 Worst Housing Markets Next Five Years." There is a new report that further reinforces the fact that the conclusion was all wet.

The erroneous conclusion by *Business Insider* took the Austin home price growth of the past six years, which was moderate, and projected the future would be the same. How dumb was that! Remember, this was at a time when the housing bubble elsewhere grew in enormity to the point that, when it burst, it contributed to the recession. **Austin's moderate growth was a good thing. No housing bubble/burst here.**

Well, the national Urban Land Institute (ULI) now agrees with our assertion. It quoted the top ten larger metro areas in a **Healthy Markets Index for 2011 and Austin was #2**. The others: #1 Raleigh ... #3 Durham/Chapel Hill ... #4 Minneapolis/St.Paul ... #5 Houston ... #6 Charlotte ... #7 San Antonio ... #8 Washington DC ... #9 Dallas and #10 Birmingham.

The Healthy Markets Index for 2011 is compiled by *Builder* magazine for the homebuilding industry. And it includes single-family and multi-family permits, along with home sales and home prices. **These top ten markets are forecast to experience, on average, 50% growth in permit activity this year.**

It further pointed out that the housing recovery is starting in places **where price appreciation didn't get out of hand during the housing boom, where homes remain relatively inexpensive, and where economies and employment are picking up**. This describes the Austin metro to a "T". Incidentally, the Index forecasts a **57% building permit growth in 2011 for the Austin metro**. And it gave #2 Austin an 86.5 "Market Health Indicator" very close to #1 Raleigh that earned an 86.9 Indicator and far ahead of #10 Birmingham, that received a 70.1 Indicator. This study covered metros with a population of more than 450,000.

“There’s a lot of nostalgia for the ‘Good Old Austin’ but I think the ‘Good Old Days’ are now,” says the man who leads the effort to bring more visitors to the area.

Bob Lander’s job as head of the Austin Convention & Visitors Bureau is to encourage more people to come to Austin to discover the Austin secret. **“And then I want them to go home and tell their friends about it,” he said. “Look, the secret about Austin is out.** It’s because everybody who lives here gets how awesome our city is and they want to show it off. Austinites are the best advocates for Austin – not only in creating our character but in making Austin a destination,” Lander told www.ForefrontAustin.com in a wide-ranging interview.

But the fear is that with too many people, we’re going to turn into Disneyland and instead of t-shirts and flip flops we’re going to see white sneakers and fanny packs. “That’s the last thing we’d want. Not only on a personal level, but on an economic one for the city. Visitors are making choices to come to Austin – not a theme park. They want to shop at independent stores, hear real music, eat at great new restaurants. They want to play the way we play.”

But those are our secrets, our musicians, our chefs. Why share? “Because visitors are clapping right along with us for the things we want most in Austin. Look, at a very blunt level, without tourism, Austinites would pay about \$1000 more per household per year in taxes to support the basic infrastructure of the city. But on a more subtle and, arguably, important level, visitors are part of the mix of appreciating, applauding and paying for the entertainment, meals, nightlife, clothes, art and experiences that all of us in Austin get to enjoy.”

So it sounds like without visitors, Austin would be a very different place. “Definitely. About ten years ago, the City Council made some investments that at the time were contentious, but we can see in hindsight have turned out really great for Austin and Austinites. Doubling the size of the convention center, building the Hilton Hotel and moving the airport didn’t just bump up our visitors – it took Austin into an altogether different game. That’s a lot more people coming into town, eating at restaurants, supporting our musicians, spending their money at our independent stores.”

So they come, they spend, they leave. “And they leave really happy. And we get to reap those same benefits all year long. We get to play right in our backyard. Today, you can walk around downtown on any night and anyone in Austin – visitors, college students, professionals – can find something fun to do. And not just fun – world class fun. Chefs who could open restaurants in New York or Los Angeles are in the 2nd Street District next to one-of-a-kind boutiques. Musicians who are winning Grammys may pop in to join Lyle Lovett when he’s playing at the Paramount.” As for becoming like Disneyland, Lander has this rejoinder: *“Who needs roller coasters when you’ve got pedi-cabs, beer trolleys and dedicated bike lanes?”*

GQ magazine, a national publication that focuses on men's fashions, has come out with a snide listing of "The 40 Worst-Dressed Cities in America." And, yes of course, Austin made the list.

A battery of writers, some 18 in number, wrote comments about each city's fashions. It appears they had a contest to see which writer could be more insulting. Their targets are basically young males that make up much of the *GQ* readership. **Here are some of the snarky comments:**

#18 Austin. "This place looks like L.A. now. Austin has emerged as a **mumblecore mecca for coastal hipsters** looking to get more bang for their day-job barista buck. Skin-tight black jeans and *There Will Be Blood* mustaches thrive despite the 100-degree temperatures. As one old timer put it: 'They're all hat, no cattle.'" The writer for Austin, Houston and Dallas was **Stayton Bonner**.

#21 Houston. "While mechanical bulls have long since gone the way of the Disco ball, **Houston's oil-refining outskirts still boast plenty of country-and-western watering holes.** Usually sandwiched in strip malls between a Chinese buffet and Hobby Lobby, the modern-day cowboy meat market is home to concrete flooring, sexual tension, and Winnebago-sized Texas flags. Houston, we have a problem."

#23 Dallas. "Forget J. R. Ewing. **The 21st century Big D douchebag favors Fight Club frosted tips and whisked jeans over Stetsons and ostrich-skin boots.** Frustrated but never self-aware, he wanders Dallas with maxed-out credit cards, toned biceps, and a nagging sense he somewhere took a wrong turn."

Those comments were mild compared to **#1 Boston:** "**Boston is like America's Bad-Taste Storm Sewer. All the worst fashion ideas from across the country flow there, stagnate and putrify.**" The comments then got worse. Oh well, *GQ* has to do something to get attention.

Dr. Louis Overholster warns about trusting what you read on the Internet. To reinforce his view, he points to this quote: "The problem with quotes from the Internet is that you can never be quite sure they are genuine." –Abraham Lincoln.

Sincerely



Editor/Publisher