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Dear Client:

Austin has the highest apartment occupancy of all major Texas cities, the highest effective rental rates, and the rates and occupancies are rising at the fastest pace in the state. This is good for apartment managers/owners, but what does it mean for homebuyers and sellers?

ALN Apartment Data ran the numbers comparing July 2011 to July 2010. It found that **apartment occupancy rates increased 3.7% to where apartment buildings in Austin were 94.5% full in July 2011. And the effective rent? It went up in Austin 7.8% to \$877 per month in July 2011.** All other Texas cities had numbers less than Austin. Some comparisons:

Dallas: 92.2% occupancy (up 3%) with effective rent of \$805 (up 5.6%).

Fort Worth: 91.2% occupancy (up 2.6%); effective rent of \$694 (up 3.6%).

Houston: 89% occupancy (up 3.1%); effective rent of \$762 (up 1.5%).

San Antonio: 92.1% occupancy (up 2.4%); effective rent of \$734 (up 4.6%).

ALN points out that “effective rents” are the **actual rental rates after specials and discounts have been applied.** This is one of the reasons the Austin numbers differ slightly from what we reported in our August 12, 2011 edition. But by using the ALN numbers for this analysis, we get an **apples-to-apples comparison with other cities.**

With Austin apartment stats leading the state, **is this a trend? It is for the short term** because apartment construction projects are not scheduled for completion any time soon. In fact, **Robin Davis**, who tracks apartment trends, said in our 8/12/11 edition: **“Expect this upward trend to get another boost over the next three months and continue throughout the next year.”**

This could spark a boost in home sales in the Austin area. Historically, as apartment rates rise, many renters find they can buy a “starter home” and reduce their monthly payments. This is especially true now that mortgage interest rates are near-historic lows. Also, in-migrants who may have rented an apartment until they decided on a new home location, could now bite the bullet and buy.

Other market factors (difficulty in obtaining a mortgage, coming up with a significant down payment, etc.) will be at play for the first-time homebuyer. But, **if this trend plays out, there will be very few apartments to rent and the housing market will get tighter and tighter.** You could see a bit of a surge in the sale of Austin area homes.

With the apartment market tightening up in the Austin area, what will those hundreds of Central Texas families burned out of their homes by wildfires do for a place to live? One partial solution was offered this week by the Austin Board of Realtors (ABoR).

ABoR is asking its members to determine which **available homes might be offered free** or at a **substantial discount to evacuees**. This info will be featured on www.AustinHomeSearch.com, with the availability timeframe, fee per week/night (if any) and any additional assistance details.

It is widely known that the population of the Austin area is growing at one of the fastest rates in the nation. However, despite what it seems like, people actually move away from Austin. So what is the *net* migration bottom line with certain cities?

“For Austin to have a high net migration figure for a particular metro area means that more of their residents are coming to our region as opposed to residents leaving for theirs,” explains **Chris Ramser**, Director, Research, for the Austin Chamber. And he says **“the top sources of new talent remain some of the major metro regions in the country as well as peer metros within Texas.”** So which is it? Texas metros or out-of-state metros?

“Much of the in-migration to Austin is from other Texas locations, yet at the same time our highest destinations for out-migrants are to those same Texas areas,” Ramser points out. Okay, so which metros in Texas are “exchanging” the most residents with Austin? Dallas, Houston, San Antonio? **“By far our biggest people exchange occurs with Houston,”** said Ramser. “We received about 6,600 new residents from Houston, but about 6,300 of our residents moved to the Houston area in 2009.” So the *net* migration was 300 to Austin.

“Another metro area with which we see a lot of residential exchange, and in 2009, actually *lost* more residents to, was San Antonio,” Ramser noted. “In fact, 5,116 former San Antonio metro residents moved to the Austin area, while 5,248 of ours made the reverse move down I-35.” Ramser also pointed out that Austin does claim a **slight net gain of 411 over San Antonio in the past five years.**

Looking at the past five years of data, **the Los Angeles metro “ranked as our biggest net contributor of talent with over 9,042,”** said Ramser. Three other California metros were in the top 10 (**Riverside, San Diego and San Francisco**). **San Jose** was 13th on the list while **Sacramento** was 18th.

Six Texas metros made the Top 20 in terms of net flow to Austin. So, here’s the question: **Is more of the net gain to the Austin metro in 2009 from Texas or from California?** And the answer is – **Texas, by 7,253.** Other Texas counties had a net flow to the Austin metro of 30,732 from 2005 to 2009, while California’s total was 23,479.

What type Californians are moving to Austin? One disgruntled Californian says those “who aren’t slumbering are moving out of the state.” Well, not quite. But he does amplify on the exodus from the Golden State.

“According to the most recent census, **those leaving the state include old boomers, middle-aged families, and increasingly, many Latinos as well.** Outmigration rates from places like Los Angeles and the Bay Area now rival those of such cities as Detroit,” says **Joel Kotkin**, executive editor of NewGeography.com and author of *The Next Hundred Million: America in 2050*. He still lives and works in California.

He goes on. “Increasingly, California no longer beckons ambitious newcomers, except for a handful of the most affluent, best educated, and well connected. Through the 1980s and even through the late ’90s, **the aspirational classes came to California. Now they head to other, more opportunity-friendly places like Austin, Houston, Dallas, Raleigh-Durham, even former ‘dust bowl’ burghs like Des Moines, Omaha and Oklahoma City,**” Kotkin wrote in an online publication.

“Meanwhile,” he continued, “Golden California, particularly its expensive, ultragreen coast, gets older and older. **Marin County, the onetime home of the Grateful Dead and countless former hippies, is now one of the grayest urban counties in the country, with a median age of 44.**”

Kotkin said these changes have contributed to the downfall of California’s economy. “Overall,” he said, “**during the past decade the state’s high tech employment fell by almost 4%, while Texas’s science-based employment grew by a healthy 11%.**”

“The sad reality is that **turning T-shirt-wearing kids like Mark Zuckerberg into multibillionaires doesn’t do much to reduce unemployment,** which even in San Jose – the largely blue-collar ‘capital’ of Silicon Valley – now hovers around 10%,” he lamented. He said magazine cover stories and movies “cannot obscure the fact that entrepreneurial growth – the state’s most critical economic asset – has now stalled. In fact, according to a study by Economic Modeling Specialists Inc., last year **the Golden State ranked 50th among the states in creating new businesses.**”

“The recent announcement that **California’s unemployment again nudged up to 12% — second worst in the nation behind its evil twin, Nevada** – should have come as a surprise but frankly did not,” Kotkin said. “From the beginning of the recession, the Golden State has been stuck bringing up a humbled nation’s rear and seems mired in that less-than-illustrious position.

Kotkin’s lengthy article also blamed a variety of factors for the current situation. His bottom line assessment: “**what has happened to my adopted home state over the last decade is a tragedy, both for Californians and for America.**”

“The Great Texas Barbecue Road Trip from Austin is hereby declared endangered.” So wrote a noted Texas aficionado in a recent issue of *The New York Times*.

“It’s not that pilgrimages to Lockhart, Luling, Taylor, Llano, Lexington or even Driftwood, home of the Salt Lick, have stopped,” wrote **Joe Nick Patoski**. **“It’s that Austin joints are becoming so storied that ravenous out-of-towners who formerly used the capital city as a point of departure are lingering there instead.”**

He noted that “Austin’s latest recipient of BBQ love is **Franklin Barbecue (900 East 11th)**, which *Bon Appetit* magazine just named the best in the country.” Patoski said that lines form outside the front door an hour before the 11 a.m. opening and the “sold out” sign usually goes up around 1 pm.

Patoski also cited another “market-style, bare-bones establishment” **Live Oak Barbecue** (2713 East 2nd), **Sam’s BBQ** (2000 East 12th) and new to the area, **JMueller BBQ** (1109 Shady Lane) just off Airport Boulevard. (John Mueller is a 3rd generation BBQ-er, the grandson of barbecue legend **Louie Mueller** in Taylor.)

Are they all the same? Nope. For instance, both Franklin and Mueller use post-oak wood and a **half-salt, half-pepper rub** for their brisket. But. **Franklin slow-smokes briskets for up to 18 hours and uses natural beef from Montana. Mueller prefers direct heat and cooks a brisket “until it’s done.”** He doesn’t use a thermometer but thinks his cooking time is somewhere around six hours.

Patoski points out Franklin is building more pits to expand capacity and eliminate the lines outside the door. “We work 22 hours a day to cook food that lasts two hours and spend the rest of the day explaining why we ran out.” **If this is the beginning of Texas’ newest barbecue war, Patoski says “bring it on ... and bring extra napkins while you’re at it.”**

Always insightful about modern devices, **Dr. Louis Overholster** says a TV remote control may insult your intelligence, but nothing rubs it in like a computer!

Sincerely



Editor/Publisher