

THE

Real Estate

AUSTIN LETTER

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Dear Client:

It's important to understand the impressive performance of the Austin area economy – especially compared to just about every other major metro in Texas and the US. And the prospects seem only to get brighter.

One of the key determinants of economic prosperity is jobs. The more people who have jobs, the more money from payroll checks circulates throughout the economy. What is impressive about the Austin area is that the **population is growing at one of the fastest paces in the nation, yet the unemployed percentage is keeping pace.**

Let's use the current Texas Workforce Commission (TWC) stats. In August 2010 the Austin area labor force totaled 911,200. Last month, August 2011, the labor force grew to 923,900. **This is an increase of 12,700 able-bodied adults that flooded into the Austin area** – a large number for employers to absorb.

So, what happened? Again using TWC current figures, in August 2010 the number of employed was 845,600. Those who had jobs last month, August 2011, increased to 856,000. **In one year's time, 10,400 more people were gainfully employed in the Austin metro. In other words, during a time of fast-increasing population growth, almost all those adults who moved to Austin (or even those who lost their jobs) in the past year found employment.**

Of course, 2,300 did not find work during this snapshot in time. As a result, **the Austin area unemployed percentage increased slightly from 7.2% in August 2010 to 7.3% in August 2011.** Still the 7.3% compares favorably to the US's 9.1% and Texas's 8.5%. Look at some other Texas metros: Dallas, 8.4% ... Houston, 8.6% ... San Antonio, 7.8% and El Paso, 10.6%. See what we mean.

Because of the desirability of the Austin area for a whole range of reasons, you can expect the population to continue growing at a fast pace. (Remember, the area has doubled its population every 20-or-so years since Austin was founded.) **Can this people growth be absorbed in the workforce? All signs say yes.** Just look at the plans announced the last few days for a medical school/health science center complex as one anecdotal example of a far-reaching exercise that will create jobs in the future – mostly high-paying jobs. With the recent Austin area job growth and the continuing effort to create jobs, the momentum is there.

UTAustin's Capital Campaign is at the halfway point in raising \$3 billion. And much of the \$1.7 billion already committed is fueling current construction jobs, with more "operational" jobs due when construction is completed in the near future.

The university leadership is justifiably proud that more than 750,000 unique gifts have come in so far. But while 88% of those gifts are less than \$1,000, **some of the major gifts are already helping fuel the Austin economy.** This is in addition to construction projects that have recently been completed, as well as those on the immediate horizon. Some examples:

Construction is underway on the Belo Center for New Media for the College of Communication. **This center will wed cutting-edge technology with innovative teaching methods.** Dallas' Belo Foundation, Robert W. and Maureen Decherd, the estate of James M. Moroney Jr. and the Moroney family all donated \$15 million for this facility. (FYI, Austin's KVUE-TV is owned by Belo).

One of the nation's leading computer science departments, in the College of Natural Sciences, is closer to having a state-of-the-art home, thanks to a \$30 million challenge grant from the Seattle-based Bill & Melinda Gates Foundation, and \$10 million from Austin's Michael & Susan Dell Foundation. The two-building complex is rising now on the Speedway pedestrian mall.

Across the East Mall, next to the new Student Activity Center, the College of Liberal Arts will soon have a **new six-story building, including an entire floor for UTAustin's ROTC units,** thanks in part to a \$15 million gift from James and Miriam Mulva of Houston.

The McCombs School of Business now has the AT&T Executive Education & Conference Center, named in honor of AT&T's \$25 million contribution. It is home for the business school's executive MBA and corporate training programs.

While not adding to the university's skyline, other major gifts will fund programs that **increase the number of jobs and/or result in cash flowing through the Austin area.**

For instance, the School of Music was named for Austin's Ernest and Sarah Butler, following the couple's support of faculty students and programs with a **transformational gift of \$55 million — the largest gift to a music school at a public university.** Also, a \$16 million planned-gift commitment from Austin's Beverly and Will O'Hara will support student and faculty endowments in the McComb's business Honors Program and the #1 ranked Dept. of Accounting.

Obviously, UTAustin contributes to the Austin area economy in countless other ways, as we have reported from time to time. But these items illustrate how its **ambitious Capital Campaign is bringing in big private dollars that keep the Austin economy humming.**

Even though Austin airport traffic in July neared the high set in 2008, there is no apparent upward trend line emerging, as the monthly tallies continue to see-saw.

It looked like this little economic barometer was moving in the right direction back in March 2011 when the monthly passenger totals surpassed those of March 2008. **But since March, the Austin-Bergstrom International Airport (ABIA) passenger traffic has stayed below the 2008 levels.** This was especially true during the annual peak travel months of June and July.

The latest monthly totals, in July 2011, were okay – not great. Total passenger traffic improved: up 2.5% compared to the previous July. But, year-to-date, the totals are more impressive – up 6.5%. It will be interesting to see what happens for the remainder of the year as passenger traffic normally declines from the summer peak. The August numbers should be released by ABIA in a week or so.

During the slower fall travel months, business and leisure travelers will tiptoe around some construction activity at passenger screening checkpoints and restrooms, as well as some maintenance on a portion of the air conditioning system.

ABIA is installing what it calls “new, better performing gates” at security checkpoints. Not to worry about major delays as you negotiate the security area. The gates are lowered each evening, when checkpoints close after the last departure, and then raised in the early morning for the first departures. Each of the airport’s three security checkpoints will receive a new gate.

What’s going on in the restrooms? Well, new Dyson Airblade Hand Dryers will be installed. **ABIA claims your hands will dry in about 12 seconds in these new devices.** This will save on paper towels and use 80% less energy than the standard warm air dryers.

Some of the paper towel dispensers will be removed (don’t worry, a few towel dispensers will remain so you can dry your face, if needed). Also lavatory counter tops will be renovated. **This renovation will mean some of the restrooms on the concourse, in baggage claim and the ticketing lobby will be closed at various locations.**

As for the air conditioning upgrade, you can expect to see some **reduced seating and service disruption in the concourse areas of Gates 23, 24, 25 and the Saxon Pub.** ABIA is modifying, or replacing, units that are nearing the end of their usefulness cycle.

All this work will continue throughout the fall. The checkpoint gate replacement is budgeted at \$210,220, and the air conditioning and restrooms upgrade will cost \$602,000. All will be funded through the Aviation Department’s Capital Improvement budget.

After a road trip through some little towns of Texas, we were reminded that there is something exquisitely intimate about them.

“There is little of the so-called glory and glamour, the fast stepping itch of our modern city life about them. **They are self-contained, self-restrained, self-reliant.** They are sleepy, stretching, half-awake, dreaming innocent infants on the bed of life – rubbing their eyes, yawning occasionally, crying some, but elegantly natural and slow-motoned. **They take life easier ... more intent on enjoying the finest rather than avoiding the meanest things in life.**

“The coming and going of vehicular and pedestrian traffic are such simple arrangements in little Texas towns. **There are no snarling masses of motor cars, no tangled web of impatient trucks, no jams of hurrying, honking automobiles** which befoul the air and make limb unsafe and life unbearable on city streets. **The maddening problem of parking doesn’t arise in the towns.**

“**Small towns of Texas are intimate and friendly.** There is an atmosphere of familiarity. **Everybody knows everybody, and everybody’s business.** Tom calls John by his first name. There are no classes, no cliques, no upper or under crust, no exclusiveness. And speaking of intimacy, if and when the children catch the mumps or measles, one knows from whom it was caught. **Stranger or neighbor, they say ‘howdy’ when they meet you on the street.**

“**We would like again to reside in a small town of Texas: chiefly because of the sort of contentment to be found there – the many fine things to be enjoyed there;** partly to avoid the turmoil and complete confusion of the city. We plead for the calm and peace and serenity of the little Texas town.” The words on this page were penned by **William Philpott**, the longtime editor of *The Texas Bankers Record* — **77 years ago this month in September 1934.** Mr. Phil’s musings were re-printed in the September 2011 edition of *Texas Banking*.

Dr. Louis Overholster notes the difference between living in a big city and a small town is that in a big city the pizza gets to your house before the police!

Sincerely



Editor/Publisher