

THE

*Real Estate*

# AUSTIN LETTER

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P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail [News@AustinLetter.com](mailto:News@AustinLetter.com)

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Dear Client:

**The Austin area 5-county metro has rightfully garnered national attention for its growth and economic dynamism. But in reality, the economic reach of this region expands into ten counties. So, how does a 10-county region, anchored by Austin, stack up?**

Travis, Williamson, Hays, Bastrop and Caldwell counties make up the Austin-Round Rock-San Marcos Metropolitan Statistical Area (MSA). **The MSA has been at the top of many nationally-recognized measurement standards. It is a very viable economic unit.** But, in some ways, it falls a bit short as an indicator of what is going on in Central Texas.

Frankly, there are an *additional* five counties that contribute to the dynamism of the original 5-county MSA. Longtime Texas economist **Ray Perryman** recognizes this, so he has **added Blanco, Burnet, Fayette, Lee and Llano counties to the mix to make up what he calls the Capital Region.** And it makes sense to consider all ten counties together.

After all, **residents in all five of those counties use Austin-Bergstrom International Airport** for their business and leisure air travel. Many of those residents come to Travis and Williamson counties for their **health care needs.**

**And shopping? You bet.** While each of the additional counties have Walmarts and other retail outlets, residents make the trek to the Austin metro for everything from IKEA to Nordstrom to Cabela's to Outlet Malls. You get the picture.

Perryman reports that the **1.85 million residents of the Capital Region** represent 7.34% of the Lone Star State's population. And it provides 7.75% of all wage and salary jobs in the state. **He projects that from 2010 to 2015, the Capital Region's population is projected to grow by approximately 215,000 residents** or a 2.23% compound annual growth rate.

Additionally, Perryman projects that **nearly 108,910 workers will be added** to the ten-county Capital Region's wage and salary employment by 2015. This is an **increase from 840,220 in 2010** and represents an annual growth rate of 2.47% — a very healthy increase.

The "normal" metro stats are based on five counties. But you can see the **economic "reach" extends to at least the additional counties that make up this ten-county Capital Region.**

**For decades, Austin has bragged about its high percentage of highly-educated residents. And it has paid off as companies brought jobs to the area to take advantage of this asset. So, where does the Austin area stand today, compared to other major metros?**

Let's shift gears to compare the statistically-acceptable, 5-county Austin Metropolitan Statistical Area (MSA) to the 50 largest metros in the US, so we have an apples/apples comparison. **Let's take a bachelor's degree as the baseline of educational attainment and analyze the 25-years-old-and-up population.** Then, compare these 2010 numbers in the USCensus Bureau's American Community Survey with the nation's 50 largest metros.

When you conduct this exercise, you find **the Austin metro ranks 6<sup>th</sup> in the nation for the percentage of its population with at least a bachelor's college degree. This tally finds that 39.4% of the 25+ population has a bachelor's degree and 13.7% a graduate degree.** Washington is tops in the nation with 46.8% holding a bachelor's degree and 22.3% a graduate degree – followed in order by San Jose, San Francisco, Boston, Raleigh and then Austin. Denver, Minneapolis, Seattle and New York round out the Top Ten.

**Yeah, but what kind of degrees are held by Austin metro residents – basket-weaving?** Okay, silly question. So, let's take first degrees and again compare with the 50 largest metros.

**“It probably comes as no surprise that one of the best competitive advantages we hold is the percent with a computer, mathematics or statistics degree,”** notes **Chris Ramser**, the Austin Chamber's Director, Research. “While 6.5% of the degree-holding population reported one of these areas of study as their primary degree, **that percentage in the Austin MSA was high enough to place it third on the list of the 50 largest metros.**”

But that's not all. The Austin MSA was also in the Top Ten of percentage of degree holders with an engineering degree. Placing 8<sup>th</sup> out of the 50 largest metros, **the Austin MSA recorded 10.1% of its degree holders with an engineering degree.**

Here's the kicker. You knew the Austin area boasted of a lot of nerds. Even the non-stop flights between the Silicon Hills of Austin and Silicon Valley were nicknamed the “nerd birds.” But did you know the **Austin MSA ranks 7<sup>th</sup> among the 50 largest metros with the highest percent of humanities and arts first degree holders – with a total of 25.2%?**

**Only San Francisco, that ranked above the Austin MSA in the “nerd” category, ranked higher in the humanities/arts category.** This concentration combination of “tech” degrees and “humanities/arts” degrees are major qualities that separate Austin from the pack. This is a rare combo that defines a unique and excellent workforce. As a result, the Austin metro deservedly is among the top list of US regions boasting a *creative economy* of the future.

**This is beginning to sound like a broken record, but the blistering drought is so severe it justifies additional emphasis. The prognosis is grim.**

Long-range weather forecasts call for **rainfall to remain below normal through the fall and winter months** due to the redevelopment of the weather phenomenon known as La Nina. Without going into the meteorological explanation of La Nina, suffice it to say that it generally causes a pattern of below normal rainfall across Texas during the late fall and winter months.

**The possibility for rain from a tropical storm or hurricane this year is rapidly declining.** And historically, there have been very few tropical storms that have affected Texas after October 1<sup>st</sup> due to the increased frequency of cold fronts.

**Some scattered rains are expected to develop this fall and winter as those cold fronts move through the area,** but totals will likely be too low to have any significant effect on the ongoing drought.

**This drought is of epic proportions.** Think about this. No one living today has seen anything like it. In fact, according to the Lower Colorado River Authority (LCRA), an analysis of Texas statewide tree-ring records dating back to 1550 indicates the **summer 2011 drought is matched in severity only by the summer of 1789 in the 429-year tree-ring record.** This is amazing. It is the worst one-year drought in Texas history.

**Besides a lack of rainfall, what made this drought so severe was the searing summer heat.** You know. You lived through it. But contemplate this: **Austin set new records for the most 100-degree days and the most consecutive 100-degree temperatures.** It didn't just *set* a new record, it *smashed* the old record. Austin recorded 90 days of 100-degree temperatures this summer, obliterating the old record of 69 days set in 1925.

Across the Central Texas region, this extended period of dry, hot weather has **depleted almost all the soil moisture. Vegetation is either very stressed or dead.** Stock pond levels are extremely low and in most cases totally dry. Across Central Texas, rainfall has been more than 20 inches below normal.

The rivers and streams that normally flow into the Highland Lakes to supply drinking water for much of Central Texas are down to a trickle, if not completely dry. **In fact, the lowest river/stream inflows for any three consecutive months since Buchanan and Mansfield dams were built back in the 1930s were recorded in June, July and August.**

According to the National Drought Monitor, **86% of Texas, and all of the Central Texas Colorado River basin, was in "exceptional" drought – the absolute worst classification of drought.** As this continues, factor it into your planning. The implications are far-reaching.

**Is your bank *safe*? Safe in that it is doing all it can to protect you if the bank is robbed? This is important because bank robberies are occurring more than once every day in Texas.**

In 2010, Texas was second only to California, nationally, in bank robberies. **In fact, there were more bank robberies in Texas than in New York, Illinois and Michigan combined.** “This is not about the money – far from it. It’s about the safety and well-being of employees, customers and the public in general,” says **Jim Peebles**, whose company works with banks on security issues. Writing in the October 2011 issue of *Texas Banking*, he has three tips:

Pointing out that before a bank is robbed, it is usually scouted. So Peebles tip is for a bank to **have sufficient surveillance on the exterior perimeter.** “When would-be robbers see a lot of general surveillance on the outside of the bank, it suggests there must be similar surveillance inside,” he said.

On that note he suggests banks upgrade the images their cameras capture inside the bank: **“Put your cameras on the teller line, not above and behind it.** Put the cameras where you know the robbers are going to go. And put them at a height (face level) where they can do some good.”

And finally, he suggests banks “train and retrain” bank personnel on how to respond: **“This does not necessarily reduce the potential of robbery, but it does dramatically reduce the potential of someone being hurt or worse.”**

What about heightened – and often times, very visible – security measures? “Research shows that customers typically do not have an objection to anything that increases their safety, as long as it doesn’t limit or alter the service they have come to expect,” Peebles says. **“In fact, customer response tends to be very positive and illustrates an appreciation for the institution’s efforts to make the customer’s banking experience as safe as possible.”**

**Dr. Louis Overholster** says the presidential debates prove the old theory that light travels faster than sound — some people appear bright until you hear them speak!

Sincerely



Editor/Publisher