

THE

*Real Estate*

# AUSTIN LETTER

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Dear Client:

**When the housing bubble burst several years ago devastating much of the nation's economy, the Austin market didn't have a real estate bubble to deflate. As a result, the Austin area economy fared much better than most. What about now?**

Even though the Austin area today is among the nation's leaders in terms of a healthy economy, some are **complaining they don't think Austin area home sales and values are rising at a fast pace. First of all, there are some encouraging signs.** We'll get to that in a moment.

But secondarily, the very fact that **Austin area home sales/values moved upward at a moderate pace when housing prices were going crazy in California, Nevada, Arizona, Florida, etc.** did much to keep the local economy on an even keel. And the same, steady, methodical pace of improvement in housing values that protected the Austin area during that difficult time is occurring today.

In fact, from that perspective, the recent stats are downright impressive. According to the most recent Multiple Listing Service (MLS) report from the Austin Board of Realtors®, **for four straight months (through September), year-over-year sales volume increases have been reported.** Importantly, for the past three months, those **increases have exceeded 33%.**

Yeah, but isn't that such a strong pace it might lead to a housing bubble? Nope. And the reason why is that **Austin home values have remained stable.** While home sellers may have wished for a higher price, the fact that prices have not skyrocketed indicates this robust housing market is settling into a reasonable period of growth. **Good sales activity and good value without booming prices.**

The other indicator to watch is how many homes have "for sale" signs in the front yard and how long it takes for them to sell. Homes remained on the market for an average 81 days in September. **And the market overall does not have a glut of housing offered for sale.**

Quite the opposite. At the current sales pace, **the market has about 5.4 months of inventory.** The Real Estate Center at TexasA&M reports that 6.5 months of inventory represents a market in which supply and demand for homes is balanced. **The 5.4 months of inventory in the Austin area indicates the market is leaning a bit in favor of the home seller.**

**Check your calendar. On New Years Day 2012, the population of Texas will top the 26 million mark. How does that stack up on the list of states?**

Texas is currently the *second* most populous state and it will keep that designation in 2012 and for years thereafter. Though suffering in terms of growth these days, **California will top the 38 million population mark a year from now – November 12<sup>th</sup>, 2012.** All this is according to a computer program developed by On Numbers.

**The Texas population growth is one of nine reasons cited by two Texas economists why investors find Texas so attractive. The other eight reasons make up a strong list.**

**Ali Anari** and **Mark Dotzour** are economists at the Real Estate Center at TexasA&M. They point out that high net worth investors may live in New York City, Miami or San Diego, but they invest in Texas real estate. Here are the nine reasons the economists say out-of-staters invest in Texas.

1. **Texas is leading the nation in economic recovery.** The *duration* of the recession, measured by the number of months of job losses, was *shorter* for Texas while the *intensity*, measured by the highest job loss rate in the trough month was *smaller* for Texas than the nation.
2. **Texas' economy is big and getting bigger.** Texas economy was the *14<sup>th</sup> largest in the world* in 2010 and was the *2<sup>nd</sup> largest in the nation* in 2010, larger than New York's.
3. **Texas' economy is profitable.** According to private sector gross domestic product, Texas businesses are more profitable.
4. **Texas' population is growing.** State demographers have estimated the Texas population could *grow* by 12 million from 2010 to 2030.
5. **Texas' economy is international.** The state exported more than \$1 billion to 25 countries in 2009.
6. **Tax burden is less in Texas.** In 2009, state and local taxes accounted for 7.9% of the state's per capita income, compared with 9.8% for the nation.
7. **Texas has affordable housing.** The average price of an owner-occupied housing unit in Texas in 2009 was about 68% of the national average.

Two “**personal qualities**” of Texans round out the nine reasons. See the next item.

## **Out of state investors not only look at economic factors when considering investing their money in Texas, but some personal qualities of Texans are also in the mix.**

The personal traits found in many Texans also weigh heavily in investment decision-making of those from out of state. In fact, a couple of the traits were deemed important enough for Texas economists **Ali Anari** and **Mark Dotzour**, researchers at the Real Estate Center at TexasA&M, to include them in a list of Nine Reasons to Invest in Texas. Here are the two reasons that are added to the seven from the previous item:

8. **Texans have entrepreneurial spirit.** New business creation and expansion of existing businesses through innovation and creativity drive economic growth. **The percentage of adult, non-business owners who start a business each month is a significant measure of entrepreneurial activity.** Another key measure is the number of entrepreneurs per 1,000 adults and Texas ranked tenth in that category.

9. **Texans are mobile.** Mobility is not normally thought of when listing reasons for investment. **But high mobility makes it easier for people to move away from places with fewer economic opportunities to places where opportunities are greater.** One measure of labor mobility is the percentage of people one year or older who lived in a different house in the US one year ago. In 2009, about 17.4% of Texans one year and older lived in a different house one year ago compared with 14.9% for the nation.

Anari and Dotzour report that “**Texas is an attractive place for real estate investors.** It works hard to stay ‘business friendly,’ and the state’s economic environment supports businesses as they compete in the global economy.”

## **A new report indicates the nation’s economic eyes are on Austin real estate trends.**

As the two previous stories reported, there are strong arguments for investing in real estate in Texas. And now **Austin is ranked #2 in the nation as a market to watch in 2012, according to the annual *Emerging Trends in Real Estate* report.** The report was authored by two respectable organizations, PricewaterhouseCoopers LLP and the Urban Land Institute.

**The report said Austin registers significant interest on investor radar screens and has all the ingredients needed for the 21<sup>st</sup> century.** Specifically the report contrasted Austin with Dallas and Houston by pointing out downtown Austin features pedestrian-friendly, downtown apartment neighborhoods with plenty of nightlife attractions.

It also pointed to the diversity of educational, medical and government jobs, backed by high tech, as an **environment that protects the Austin area from drastic boom/bust cycles.**

**Quick. Name America's richest city – based upon average salaries.**

You are forgiven if you named a city in California's Silicon Valley. After all, the "richest city" honors have gone to the Silicon Valley in the past. Not any more. Which city now has the honor? Give up? **America's new richest city is — ta-dahhh! — Washington DC.**

How can that be, you ask. Bloomberg News did the calculations and found that **annual pay for federal employees averages more than \$126,000.** The *typical household* in the Washington DC metro area earned \$84,523 last year. (At the same time the *national median income* was \$50,046.)

That's not all. Don't forget the greatest concentration of lawyers in the US is located in the Washington DC area. **Six-figure bureaucrats and high-powered, highly-paid association execs/attorneys/lobbyists helped give the nation's capitol the "richest US city" title.**

**Another quick question, with a surprising answer. Which car company will end the year as the world's biggest carmaker?**

We gave it away when we said "surprising." So you know it's not one of the US Big Three of Ford, GM or Chrysler. And it's not even Toyota or Honda. In the past General Motors and Toyota have battled for that distinction. But, this year, **Volkswagen will become the world's biggest carmaker.** The reason is two-fold: VW's relentless growth around the world and Toyota's supply-chain problems after this year's earthquake/tsunami in Japan.

**Dr. Louis Overholster** thought he'd heard all the excuses when employees call in sick until he saw these compiled by CareerBuilder.com: Employee said a refrigerator fell on him ... employee caught a cold from a puppy ... employee had a headache after going to too many garage sales ... employee drank anti-freeze by mistake and had to go to the hospital ... employee fell out of bed and broke his nose ... and employee said a deer bit him during hunting season!

Sincerely



Editor/Publisher