

THE

*Real Estate*

# AUSTIN LETTER

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Volume 33, Number 39

January 6, 2012

Dear Client:

**The state of Texas and the Austin metro area in particular are riding a wave of economic momentum into 2012 that is the envy of the nation.**

For instance, Texas added far more jobs than any other state in the nation in the past five years. What's more, **only nine states and the District of Columbia even added jobs during that span.** And the big exporter of people to Texas, California, actually *lost* almost a million jobs during the five year period – the most of any state in the US. This information from the US Bureau of Labor Statistics shows **Texas leading the nation**, as compiled by an *On Numbers* analysis, is quite a contrast to the rest of the country.

What about the year just ended? Using the latest available data, the TexasA&M Real Estate Center reports Texas gained 227,800 nonfarm jobs from November 2010 to November 2011. **This represents an annual growth rate of 2.2% compared with 1.2% for the United States.** And, the Center reports the state's **nongovernment sector grew at an even faster rate, adding 292,700 jobs – a 3.4% increase.** This compares with 1.7% for the nation's private sector.

All Texas industries except the information industry and the government sector had more jobs than the same time a year ago. **The Texas oil and gas boom was responsible for its industrial sector creating more jobs than any other in the state.**

Austin's job picture was also very healthy, even though it benefitted only minimally from the shale oil and gas phenomenon. **Jobs in the Austin metro area increased by 1.2% in the 12 months ending in November 2011, ranking Austin 21<sup>st</sup> in the nation among the 50 largest US metros,** according to an analysis by Beverly Kerr, the Austin Chamber's VP/Research.

**Houston, riding the energy boom, led the nation with a 3.4% increase in jobs.** Fort Worth and Dallas bested Austin's position with a 2.0% increase. San Antonio's job growth was the same as Austin, 1.2%.

Incidentally, following the Texas Legislature's budget cutting session in 2011, **Austin lost about 500 government jobs, or a contraction of 0.3% over the 12-month period.** But private sector job growth was impressive, at 3.4%.

**Retail trade is one area of the economy fueling the private sector job growth in the Austin area and around the state.**

So what if the Austin metro isn't sharing dramatically in the shale oil and gas boom in Texas? **Retail trade is having a mini-boom of its own throughout Central Texas and is reflective of the general wellbeing of the overall area economy.** As you well know, if the general populace is suffering through hard times, it's hard to lure them into stores and shops to sell something to them. The flip side also holds true: if residents have jobs and a basic confidence level in their economic future, they generally head to the retail establishments.

This shows up in the stats. **In Austin, the industry adding the most jobs and seeing the largest rate of growth over the November 2010 to November 2011 timeframe is retail trade.** The jobs increased during this 12-month period (the most recent available stats) by 5.2%, according to the Austin Chamber's VP/Research, **Beverly Kerr.**

The retail trade upsurge is seen throughout Texas as well. In fact, *On Numbers* citing US Bureau of Labor Statistics data, reports **Texas had the most success of all 50 states in generating the most retail jobs since the end of 2006.**

**All this occurred as the nation lost more than 750,000 retail jobs during this timeframe.** And suffering California *lost* more than 150,000 of those retail jobs. Add to that this sobering stat: just six of the 50 states have more retail jobs now than they did at the end of 2006. The recession officially began in December 2007.

**Look for an increase in your electric utility bill. It is *in addition* to, and unrelated to, the proposed Austin Energy (AE) rate proposal.**

The "fuel charge" will increase from 3.10 cents to 3.61 cents per kilowatt-hour (kWh) of electric use. It will be effective with January electric bills. **It is a dollar-for-dollar recovery of the cost of fuel used by Austin Energy power plants, purchased power costs, as well as costs related to state grid operations.**

AE explains the fuel charge increase for 2012 is due to additional fuel and purchase power needs this past summer during **record heat and customer demand.** In addition, an **unplanned, multi-day outage at the coal-fired Fayette Power Project** in early August required the purchase of replacement power during peak demand periods with high wholesale prices. **Nuclear-power South Texas Project Unit 2 also experienced an unplanned outage** that began in late November and is expected to last into early 2012.

This fuel charge is unrelated to the Austin Energy long-term rate increase proposal.

**Sears headquarters isn't coming to Austin and maybe never was. Some claim Austin was one of two cities being manipulated by Sears in order to get a lucrative tax-break deal from Illinois to stay put.**

No question Sears was a big prize: **The promise of 6,000 jobs and the prestige of Austin becoming the headquarters for one of the world's best-known brands.** Sears officials visited Austin and asked all the right questions, indicating that Sears was dissatisfied due to the imposition of new major corporate taxes in Illinois and was looking for a new location. In fact, Sears said its search was ultimately narrowed to two locations – Austin and Columbus – and the *Cleveland Plain Dealer* newspaper quoted a Sears executive confirming that.

Austin treated the Sears inquiries as legitimate – to the credit of Austin officials and economic development leaders. **But there are those who feel Austin and Columbus may have simply been pawns used by Sears execs to pry huge tax breaks from Illinois.**

We issued a word of caution about this possibility December 9<sup>th</sup> 2011 (click the Archives button at the top of the page to go to the full story) when we suggested **“you need to keep a perspective”** because **“Illinois leaders are trying like the dickens to keep Sears ‘at home’.”**

Sure enough, this was what was going on. Sears lobbyists and others were working the Illinois state legislature to come up with big tax relief for Sears before the end of the year. In fact, **Chicago newspapers reported that an internal memo indicated Sears intended to stay put, provided Illinois came through with lucrative tax breaks,** accord to the *Plain Dealer*.

The deadline was the end of the year. The pressure was on. Austin and Columbus were, in effect, twiddling their thumbs – not able to do anything but sit and wait. (Though, **Ohio earlier had put a \$400 million incentive package on the table for Sears if it had selected Columbus.**)

At the eleventh hour, Illinois lawmakers approved a new, 15-year incentive package for Sears worth an estimated \$275 million. An Ohio college professor told the *Plain Dealer* **“It's clear they (Sears) were after financing. It was a shakedown for money.”**

Remember, all this is occurring as **Sears, the parent company of Kmart and Land's End, is struggling financially.** In fact, Sears announced last week it was closing more than one-hundred under-performing stores. None were in Texas.

Austin has won more economic development efforts than it has lost. **It will continue to win some, lose some.** Sears was a big league prize, but this was a bush league situation.

**An important aspect of Austin's appeal (though not often noted) is the security of the area. A major national insurance company designated Austin as the 10<sup>th</sup> most secure of the nation's large metros.**

Farmers Insurance Group of Companies® annually ranks nearly 400 US communities based on safety and security. This is the 8<sup>th</sup> year for the ranking. And, importantly, the ranking is based on stats recorded during 2011. **The ranking is not a projection. It is actuality-based.**

The items considered run the gamut of factors that affect your safety. Look at this list: **crime statistics, extreme weather, risk of natural disasters, housing depreciation, foreclosures, air quality, terrorist threats, environmental hazards, life expectancy, mortality rates from cancer and motor vehicle accidents, and job loss numbers.** Austin ranked among the best in the nation in comparison with 378 other municipalities.

Actually, because smaller metros don't have the same concerns as the bigger cities, Farmers divided the list into three categories – 1) **large metro areas** with 500,000 or more residents, 2) **mid-size cities** that had between 150,000 and 500,000 residents, and 3) **small towns** with fewer than 150,000 residents.

**The Austin-Round Rock metro is ranked as the 10<sup>th</sup> most secure large metro area in the US.** Pittsburgh clocked in at #1 with Rochester NY ranked #2. Two other Texas large metros made the Top 20: **El Paso is tabbed as the 3<sup>rd</sup> most secure place to live while McAllen-Edinburg-Mission is ranked 13<sup>th</sup>.** No Texas city made the Top 20 in the *mid-size* category, but **two Texas cities showed up on the small town Top 20 list – Midland (#7) and San Angelo (#17).**

Now you can add safety/security to Austin's many other "among the best" national rankings.

After years of research, **Dr. Louis Overholster** is convinced that a clear conscience is usually the sign of a bad memory.

Sincerely



Editor/Publisher