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Dear Client:

For the first time in many years, you may be bombarded with advertising on behalf of Republican candidates for president. Normally, the GOP primary race has been decided by the time Texans trooped to the primary polling places, but this year may be different.

There are a number of “yes, buts” and “what ifs” still out there, but as each page flips over on the calendar, the likelihood increases that Texas may play a key role in the selection of the GOP nominee for president. To understand the significance of this development, if it occurs, you need to understand that **Texas voters have not elected a Democrat to a statewide office since 1994**. This is a Republican voting state. But, by and large, GOP voters have not been a major factor deciding who will be the party nominee, for a variety of reasons.

Right now, April 17th *may* be the date set for the Republican and Democratic party primaries. This could change, as the redistricting lawsuit challenges play out. But, for now, it looks as if **you may be going to the polls in a couple of months to vote in the party primary of your choice.**

This time around, there is a major change in allocation of Texas support that has not been present in the recent past. **No longer will the candidate who gets the *most votes in the Texas GOP primary get all the delegates who will select the GOP nominee. The delegates will now be allocated proportionately.*** For instance, no longer will favorite sons, such as the two George Bushes, walk away with *all* the delegates, because those who come in 2nd or 3rd will get their fair share.

For this, and other reasons, GOP 2nd tier candidates such as **Newt Gingrich, Rick Santorum** and Texan **Ron Paul** are likely to stay in the race and go after their share of the Texas GOP voters, even though **Mitt Romney** may be the front-runner now, or whenever the Texas party primary voting date rolls around.

So, in their own way, **all four of these GOP candidates – who have indicated they are in the presidential nomination race for the long haul – will do what they can to gather every Texans’ vote. You will likely be bombarded with “vote for me” entreaties.** Of course, the Democrats will conduct their own primary, but President **Barack Obama** is not being seriously challenged in his own party and, after all, Texas is a GOP state. As a result, if the situation doesn’t change, get ready: you will be hammered with GOP campaign pleas.

Footnote on the GOP primary: no matter who gets the Republican nomination for president, there is one thing upon which all the candidates agree – and it could make a huge difference come the General Election in November.

Surely all the GOP presidential wannabees have USSenator **Marco Rubio**'s phone number on speed dial. Because it is almost certain the **attractive, articulate, young (40) junior Senator from Florida is at the top of the list of Vice Presidential candidates**. Sure, sure, Rubio says he doesn't want to run this year. But, if asked, it is not likely he will turn down the VP slot.

Look what he would bring to the ticket. **He is a vote-getting machine who can carry Florida for the GOP**, and Florida is the largest remaining state not already locked-up by the Democrats (New York and California) and the Republicans (Texas). Significant. Especially if it is a close General Election in November. **He can appeal to the fast-growing Hispanic voting constituency**. George W. Bush carried 35% of the Hispanic vote, John McCain won 31%. Rubio is hands-down the GOP's leading Hispanic politician.

And if **Mitt Romney**, the current betting favorite to get the GOP nod, is the nominee, Rubio balances the ticket beautifully. **Rubio can help mend fences with Republican conservatives as he is a darling of the GOP's Tea Partyers**. And, with Rubio, the "Anybody but Romney" Republicans will have a reason to show up Election Day in November.

Of the 100 biggest US labor markets, 87 have yet to create enough new jobs to offset those lost during the recession. And of the remaining 13, six Texas metros – including Austin – have now added more jobs since before the recession.

The Austin metro and the state of Texas are leading the US in gaining jobs since the recession. In fact, **Houston added more than 100,000 private-sector jobs** between 2006 and 2011, more than any other major US metro. **But Austin topped Houston in percentage gain**.

The 5-county Austin metro ranked #3 in the nation in percentage increase of jobs gained during the most recent five-year period – adding 37,900 private-sector jobs. On a percentage basis, New Orleans ranked #1 and the Lower Rio Grande Valley metro of McAllen-Edinburg came in 2nd ahead of Austin and #4 Houston.

The six Texas metros that gained more jobs than they lost are Houston, Austin, Dallas-Fort Worth, San Antonio, McAllen-Edinburg and El Paso. No other state had this many cities increase jobs. In fact, as an example, Los Angeles still had 432,000 fewer jobs last year than in 2006.

But not all cities in Texas are *thriving* in the jobs category. You'll see this in the next item.

Almost all Texas metros had job losses during the Great Recession. But the intensity and the duration varied considerably around the state. Location was everything.

Recession *intensity* varied widely across Texas metro areas, from **less than 1% for College Station-Bryan to 10.3% for Odessa**, according to an analysis by **Ali Anari**, a research economist with the Real Estate Center at TexasA&M. Recession *duration* varied from **as few as four months for College Station-Bryan to 28 months for Wichita Falls**.

Anari's examination led him to conclude that the smaller Texas metros are currently experiencing a fragile recovery. **Abilene, Brownsville-Harlingen, San Angelo, Sherman-Denison, Texarkana and Wichita Falls are in a double-dip recession,**" he reports. And he says **"economic recovery in Odessa and Midland depends heavily on higher oil prices."**

But as our regular readers know, **the larger metros such as Austin-Round Rock-San Marcos, Dallas-Fort Worth-Arlington, Houston-Sugar Land-Baytown and San Antonio are experiencing more solid recoveries.** Anari said this is because the economy in these larger metros is more diversified.

And their success is one of the reasons the state's economic figures are impressive. These metro areas have a major impact on any statewide analysis as **these four metros account for more than two-thirds of the state's economy.** Anari says their recovery and economic growth are expected to help smaller metro areas.

But additional factors other than size and location help explain the disparity that is found around the state. The Real Estate Center notes that *shares of employment* in the government sector, education and health services industry, mining and construction industry, and the *level of educational attainment* also **contribute to the differences in relative severity of the Great Recession in the state's metro areas.**

One of the indicators of the Austin area's economic dynamism shows up in the full-and-getting-fuller apartment units. But there may be a bit of shift occurring there.

The effective rents for Austin apartments are higher than the other Texas metros, ranging from Corpus Christi to Dallas, Houston, etc., indicating high demand. **But the 4th quarter brought declines in Austin apartment occupancy compared to the same quarter last year,** according to apartment market watcher **Robin Davis**, who has studied local trends for years.

The 4th quarter occupancy dipped a full percentage point, but still remained up 1.4% over last year. A 4th quarter drop is typical each year, but the drop this past quarter was greater than normal. **We'll keep an eye on this to see if it is bit of blip or the beginning of a trend.**

Venture capital infusion in Austin reached a level last year not seen since 2007. But the total was skewed somewhat by the nation's 4th largest deal of the year.

During the go-go years of Austin's high-tech past, massive amounts of venture capital (VC) flowed into Austin companies. **But the recession took the amount of VC investing in Austin companies to a low not seen since the 1990s.** VC investment sank nationally, but Austin seemed to take a larger-than-average hit. However minimally, Austin businesses continued to be attractive to venture capitalists. **And even though 2008, 2009, and 2010 saw a dip in the flow of funds, 2011 showed a substantial rebound** – helped by one big deal.

A big 4th quarter propelled the totals to where 2011 will go down as the third best for Austin venture capital recipients since 2001. **The 4th quarter closed with investment in 13 Austin companies totaling more than \$219 million. The total for the year came to \$637 million in 76 deals.** According to **Beverly Kerr**, the Austin Chamber's VP/Research, this represents a 75% gain over 2010 for Austin companies, while VC investing was up 22% nationally.

One local deal overshadowed all others. **Austin's WhaleShark Media raised \$150 million from** institutional Venture Partners (Menlo Park) and J.P. Morgan Asset Management (New York). **Nationally, this was the 4th largest deal of the year and it accounts for nearly a quarter of Austin's VC total for the year.**

The most dominant sector for VC investing in 2011 (locally and nationally) was software. Major software deals in Austin in 2011 included Spiceworks, Uplogix, Spreadfast, Appconomy, CBG Holdings, NewComLink and Macheen. Thanks to WhaleShark Media, **consumer products and services was Austin's 2nd largest industry recipient of VC funds.**

Dr. Louis Overholster says he heard Jay Leno mention this week's National Prayer Breakfast. Leno said "since it's Washington, it was followed by the National Mud Slinging Lunch and the Lie Your Ass Off Dinner!"

Sincerely



Editor/Publisher